



Financial Results for FY2018

May 9, 2019

MITSUBISHI HEAVY INDUSTRIES, LTD.

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MHI Group has adopted International Financial Reporting Standards (IFRS) from FY2018. Actual financial numbers for FY2017 are also shown here in accordance with IFRS.

I. Financial Results for FY2018

FY2018 Results Highlights

- Orders received and revenue were generally unchanged from FY2017.
➔ p.6(Financial Results for FY2018 by Segment), p.9 (Orders Received & Order Backlog), p.10(Revenue)
- Profit from business activities increased in all segments.
(Power Systems +¥45.2 billion YoY, Industry & Infrastructure +¥29.1 billion YoY, Aircraft, Defense & Space +¥26.1 billion YoY)
➔ p.6(Financial Results for FY2018 by Segment), p.11(Profit from Business Activities)
- Financial position is solid.
Free cash flow increased year-on-year, to the highest level on record.(¥243.0 billion)
Interest-bearing debt was the lowest level on record. (¥665.1 billion)
➔ p.7(Financial Position Overview), p.8(Main Financial Measures, Cash Flows)
- Full-year payout increased ¥10 YoY, to ¥130.
➔ p.22(Summary of Forecast for FY2019)



- Cash flows increased thanks to reduction of working capital (management efficiency enhancement), and profits trended upward.
- Efficiency of current assets steadily improved; going forward, challenge will be to improve efficiency (reutilization, securitization) of fixed assets.
- “Grow/Maintain” businesses, which account for 50% of total assets, achieved TOP(*); going forward, focus will be on reforming and improving “Reform/Downscale” and “New” (MRJ) SBUs.
➔ p.12~(Analysis of Financial Position and Business Performance Based on FY2018 Results)

(*)TOP (Triple One Proportion) is a concept under which the managerial goal (proportion) is: Net sales : Total assets : Market capitalization = 1 : 1 : 1.

Summary of Financial Results for FY2018

(JGAAP)

(In billion yen)

	FY2017		FY2017		FY2018		Change	
Orders received		3,875.7		3,868.7		3,853.4	- 15.3	(- 0.4%)
Revenue		4,110.8		4,085.6		4,078.3	- 7.3	(- 0.2%)
Profit from business activities	(Operating income) (3.1%)	126.5	(1.4%)	58.1	(4.6%)	186.7	+128.5	(+221.0%)
Profit attributable to owners of parent	(1.7%)	70.4	(-0.2%)	-7.3	(2.5%)	101.3	+108.6	-
ROE		3.9%		- 0.5%		7.2%	+7.7pt	
EBITDA	(7.8%)	319.1	(5.7%)	231.7	(7.6%)	311.6	+79.8	(+34.5%)
Free cash flow		207.9		167.5		243.0	+75.4	-

Summary of Financial Results for FY2018

(In billion yen)

FY2018	Fundamental business		MRJ	Total	
Orders received	3,853.4		-	3,853.4	
Revenue	4,078.3		-	4,078.3	
Profit from business activities	(6.7%)	271.9	-85.1	(4.6%)	186.7
Profit attributable to owners of parent	(4.5%)	184.8	-83.4	(2.5%)	101.3
EBITDA	(9.7%)	396.4	-84.8	(7.6%)	311.6
Free cash flow	352.2		-109.2	243.0	

Financial Results for FY2018 by Segment

(In billion yen)

	Orders received				Revenue				Operating income	Profit from business activities		
	FY2017 (JGAAP)	FY2017	FY2018	Change	FY2017 (JGAAP)	FY2017	FY2018	Change		FY2017 (JGAAP)	FY2017	FY2018
Power Systems	1,437.5	1,437.5	1,426.5	- 11.0	1,493.9	1,482.4	1,525.1	+42.6	108.9	87.6	132.8	+45.2
Industry & Infrastructure	1,711.3	1,711.3	1,852.0	+140.6	1,898.9	1,890.0	1,907.8	+17.7	40.8	41.0	70.1	+29.0
Aircraft, Defense & Space	721.5	714.6	610.6	- 103.9	722.9	718.3	677.5	- 40.7	-15.1	-63.5	- 37.4	+26.0
Others	113.5	113.5	73.3	- 40.1	120.8	120.7	71.6	- 49.0	5.0	4.4	35.9	+31.5
Eliminations or Corporate	- 108.3	- 108.3	- 109.1	- 0.8	- 125.9	- 125.9	- 103.8	+22.0	- 13.2	- 11.4	- 14.8	- 3.3
Total	3,875.7	3,868.7	3,853.4	- 15.3	4,110.8	4,085.6	4,078.3	- 7.3	126.5	58.1	186.7	+128.5

Financial Position Overview

(In billion yen)

	As of March 31, 2018 (JGAAP)	As of March 31, 2018	As of March 31, 2019	Change
Trade receivables	1,232.7	1,504.6	1,343.1	-161.4
Inventories	1,212.8	748.5	739.2	-9.3
Other current assets	*1,133.6	* 987.7	*1,076.9	+89.1
Total fixed assets	1,080.6	997.7	1,013.7	+15.9
Other non-current assets	827.7	1,010.0	969.6	-40.4
Total assets	5,487.6	5,248.7	5,142.7	-106.0
Trade payables	878.2	801.1	862.1	+61.0
Contract liabilities	899.6	914.6	875.2	-39.4
Other current liabilities	732.0	1,025.8	991.3	-34.5
Interest-bearing debt	813.1	813.1	665.1	-148.0
Equity	2,164.4	1,693.8	1,748.8	+54.9
Equity attributable to owners of parent	1,824.7	1,395.5	1,430.8	+35.3
Total liabilities and Equity	5,487.6	5,248.7	5,142.7	-106.0

* Including indemnification asset for South African project
 (Mar. 31, 2018: 445.9 billion yen
 Mar. 31, 2019: 546.0 billion yen)

Borrowings -118.0
 Bonds -30.0

Dividend -41.9
 Profit attributable to owners of parent +101.3
 Other comprehensive income -24.1 etc.
 (Unrealized holding gain on investment securities, etc.)

Main Financial Measures, Cash Flows

Main Financial Measures

	As of Mar.31, 2018	As of Mar.31, 2019	Change
Equity ratio	26.6%	27.8%	+1.2pt
Interest-bearing debt (In billion yen)	813.1	665.1	-148.0
D/E ratio	48%	38%	-10pt

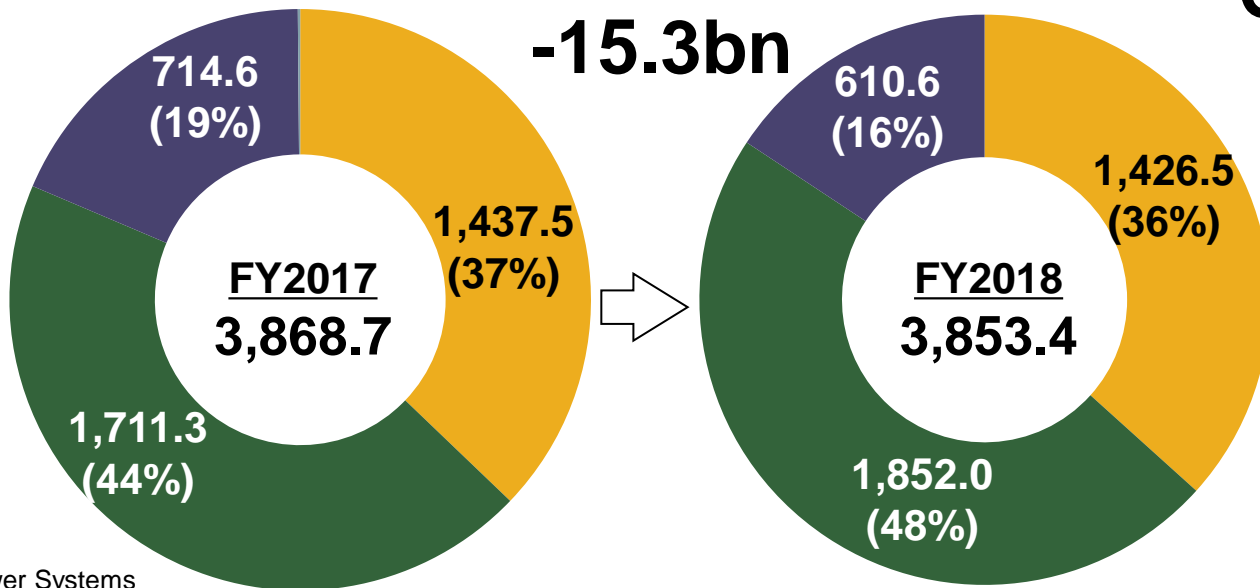
Cash Flows

(In billion yen)

	FY2017	FY2018	Change
Cash flows from operating activities	405.7	404.9	-0.8
Cash flows from investing activities	-238.1	-161.8	+76.3
Free cash flows	167.5	243.0	+75.4

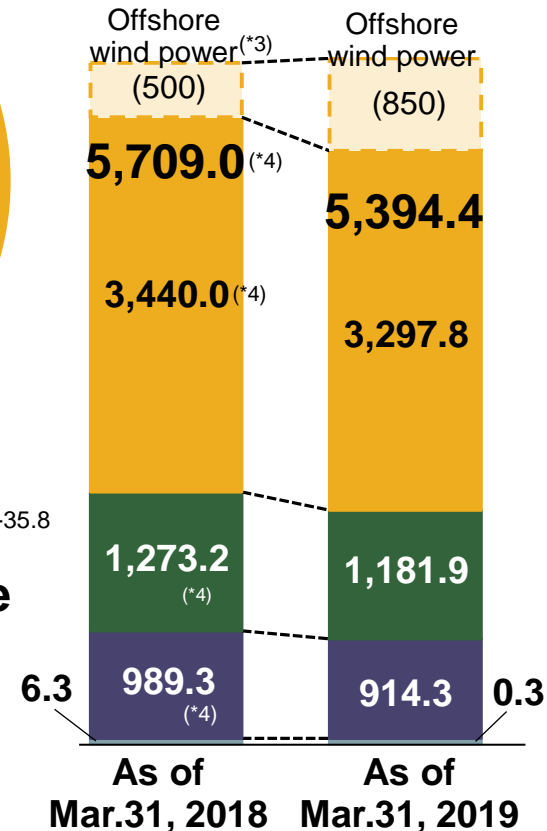
Orders Received

(In billion yen)



Order Backlog^(*2)

-314.6bn



Power Systems

Increased : GTCC^(*1), Compressors
 Decreased : Steam power (Conventional thermal), Nuclear Power

Aircraft, Defense & Space

Decreased :

Industry & Infrastructure

Increased :
 Commercial ships, Chemical plants, Material handling equipment

(*1) GTCC: Gas Turbine Combined Cycle

(*2) Does not include mass-manufactured products: turbochargers, air-conditioners, etc.

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

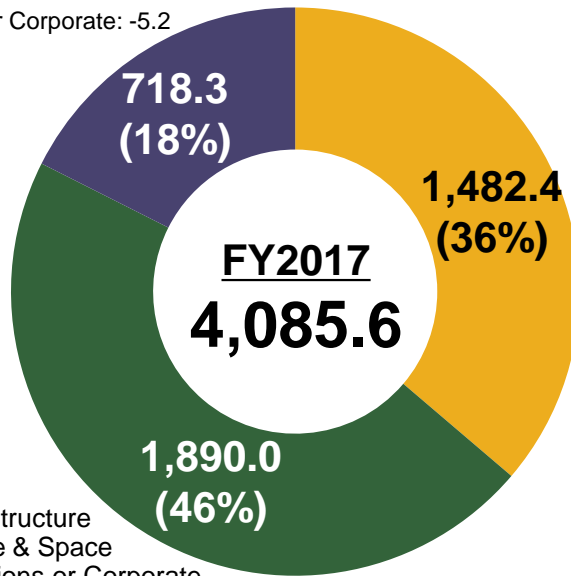
(*4) Volume of order backlog at end of FY2017 increased ¥99.5 billion, largely in reflection of adjustments at the term's start in line with the introduction of IFRS.

Revenue by Segment

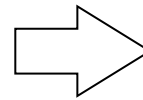
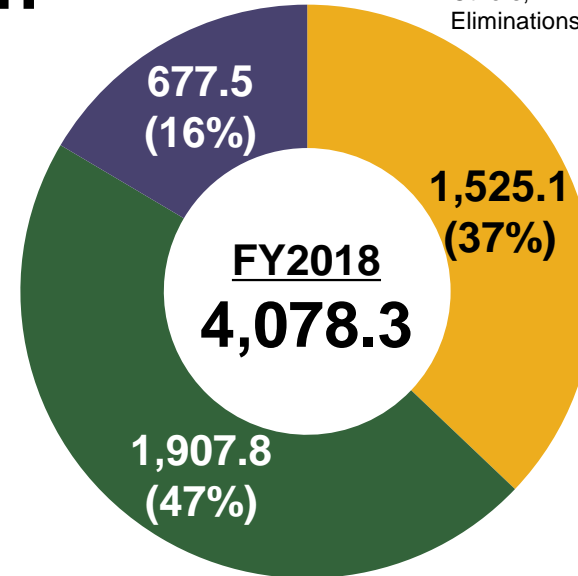
(In billion yen)

-7.3bn

Others,
Eliminations or Corporate: -5.2



Others,
Eliminations or Corporate: -36.7



■ Power Systems

Increased :

Nuclear power, GTCC

■ Aircraft, Defense & Space

Decreased :

Commercial aircraft, Space systems

■ Industry & Infrastructure

Increased :

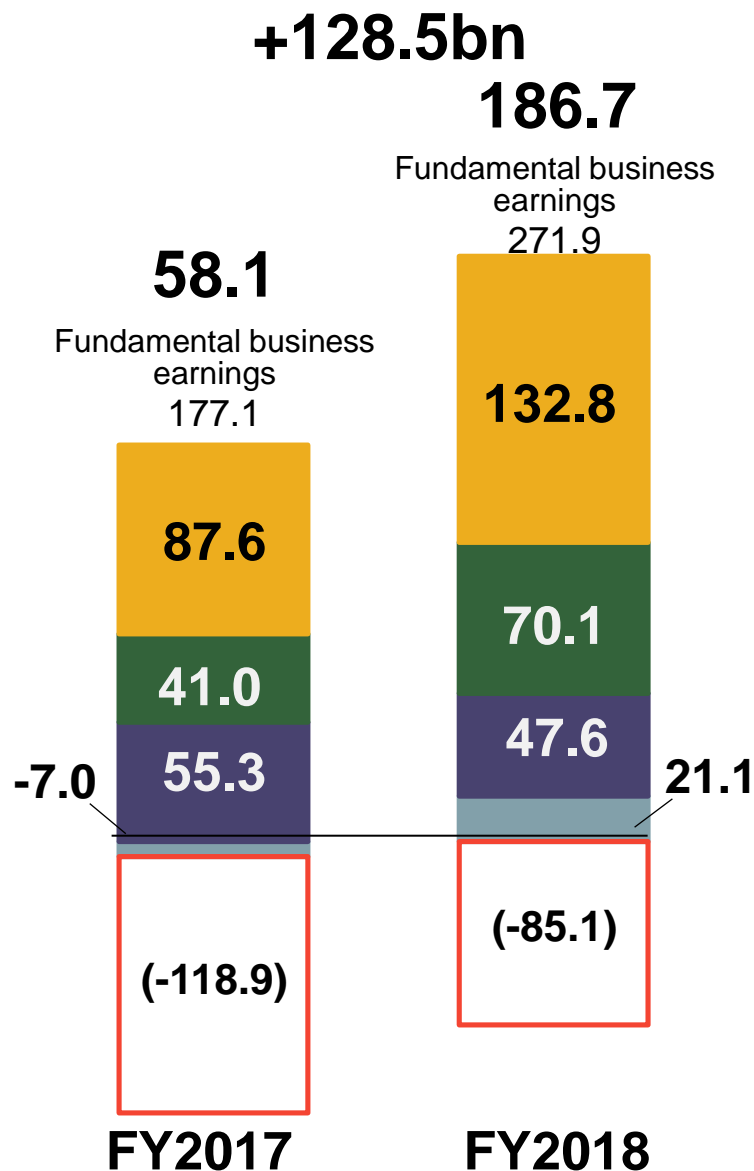
Metals machinery, Material handling equipment

Decreased :

Chemical plants, Commercial ships

Profit from Business Activities by Segment

(In billion yen)



■ Power Systems

Increased :

Nuclear power, Compressors: Increased sales, etc.

■ Industry & Infrastructure

Increased :

Transportation systems: Profit/loss recovery
Material handling equipment: Increased sales, etc.

■ Aircraft, Defense & Space

Increased :

MRJ: Decreased R&D costs

Decreased :

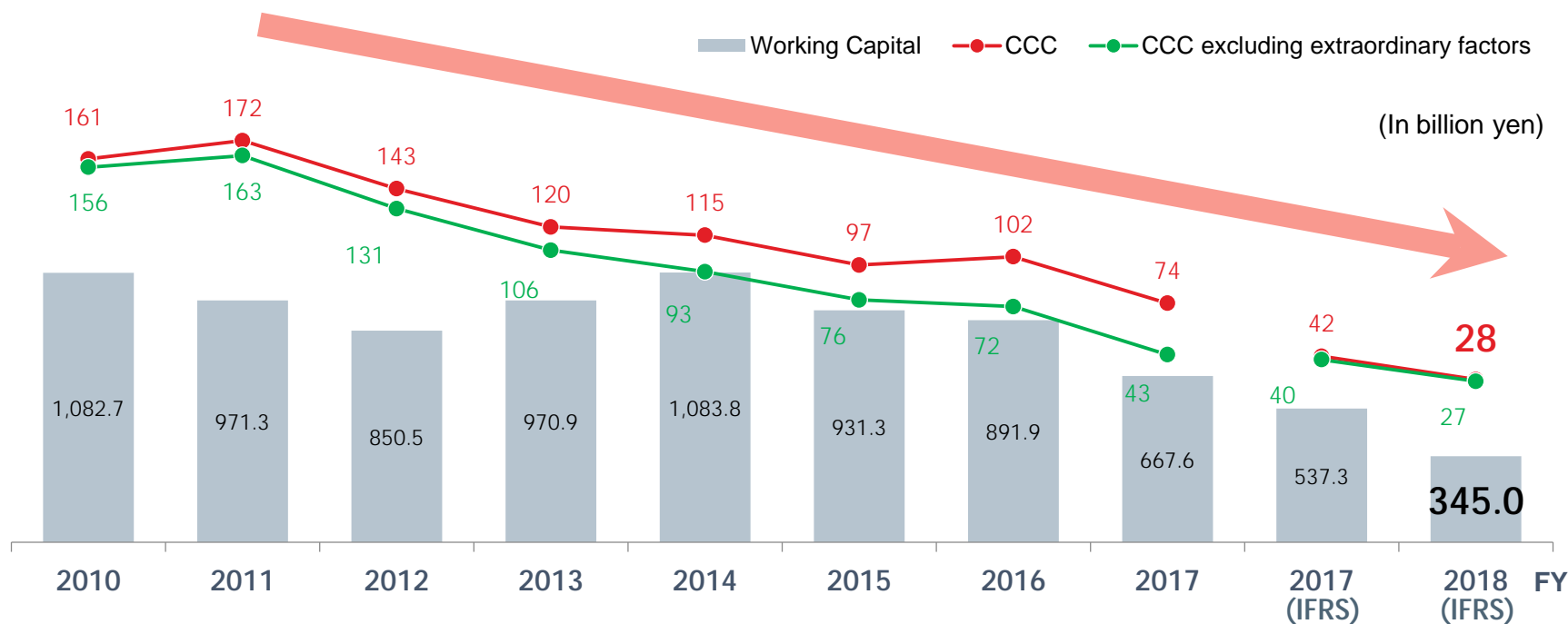
Commercial aircraft: Decreased sales, etc.

- Power Systems
- Industry & Infrastructure
- Aircraft, Defense & Space excluding MRJ Investments
- Others, Eliminations or Corporate
- (□) MRJ Investments

II. Analysis of Financial Position and Business Performance Based on FY2018 Results

1) Reduction of Working Capital (Management efficiency enhancement) and Increased Cash Flows

- Management efficiency enhancements gained traction through squeezing of current assets (inventories, trade receivables), etc.
- Working capital, after holding between ¥900 billion and ¥1 trillion until FY2016, decreased in FY2018 to some ¥300 billion, contributing to improvement in operating cash flow.
- Cash conversion cycle (CCC) improved substantially, to 28 days.



Working capital = Trade receivables (including contract assets) + Inventories – Trade payables – Advanced payment received on contracts (on a company-wide basis)

CCC figures are based on 3 business domains' operating capital including advanced payment received and net sales.

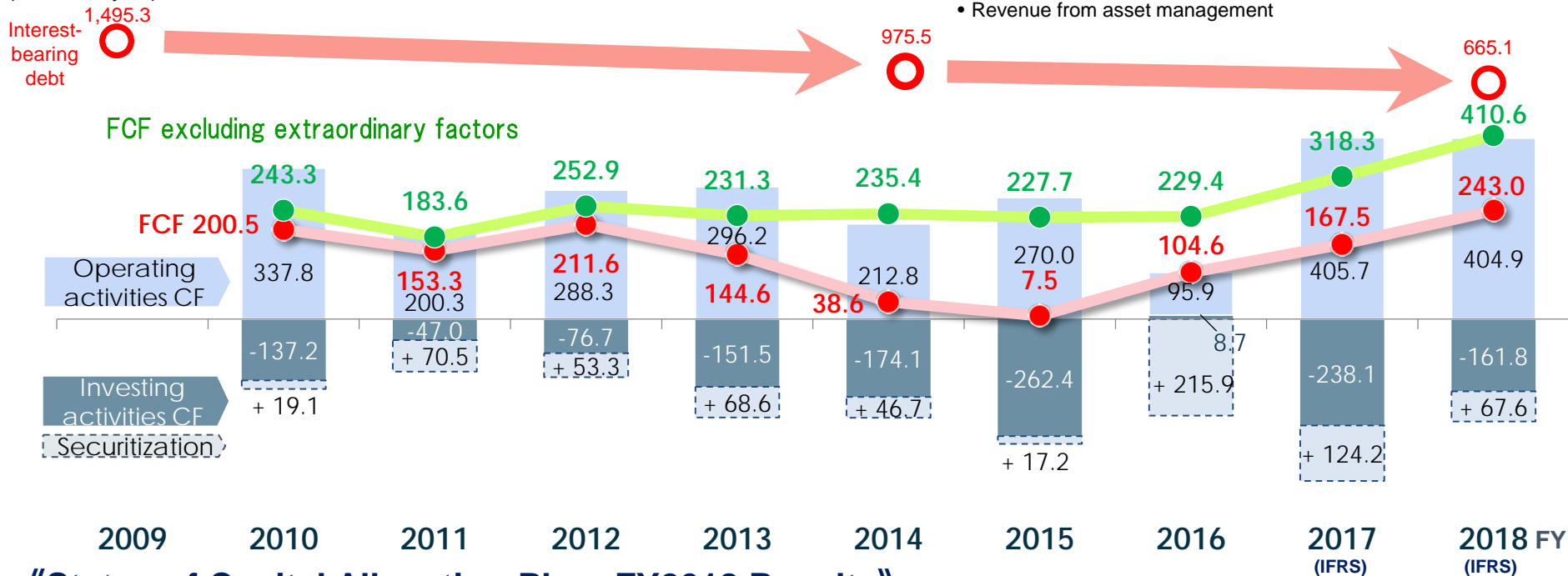
Extraordinary factors: Cruise ships, MRJ and South Africa Project

Status of Financial Position and Business Performance

- Cash Flow Trend -

- For the second straight year, operating cash flow exceeded ¥400 billion; free cash flow also increased year-on-year.
- Progress was made in reducing interest-bearing debt, and the financial foundation was strengthened.

(In billion yen)



《Status of Capital Allocation Plan: FY2018 Results》

[Regular cash inflow (excluding extraordinary factors)]

Approx. ¥570 billion / ¥1,320 billion

(planned allocation during period of 2018 Business Plan)

New business and risk management
Approx. ¥370 billion / ¥960 billion

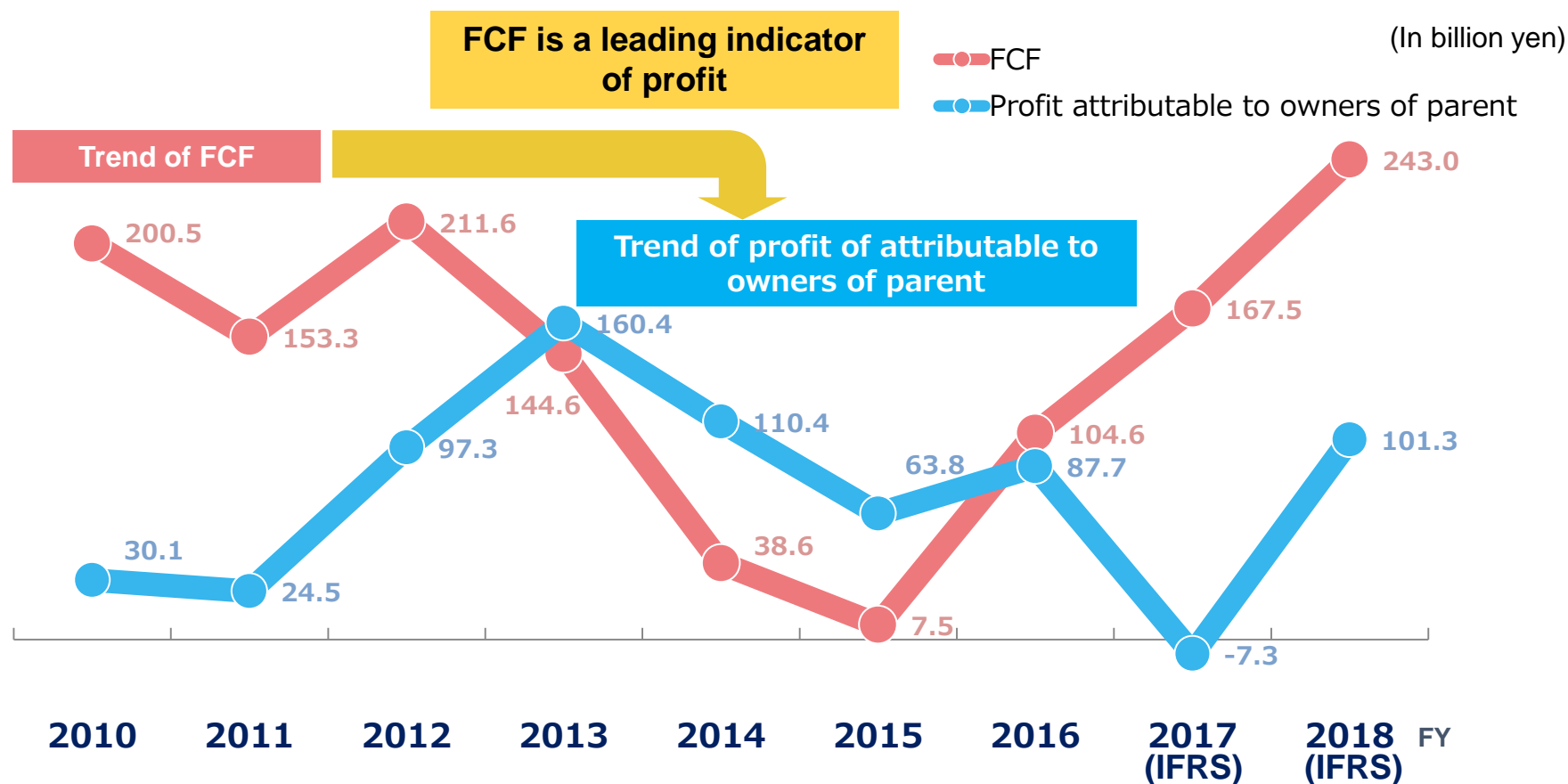
Reducing interest-bearing debt
Approx. ¥150 billion / ¥50 billion

Shareholder return (dividend)*
Approx. ¥50 billion / ¥190 billion

*Including dividends for non-controlling shareholders

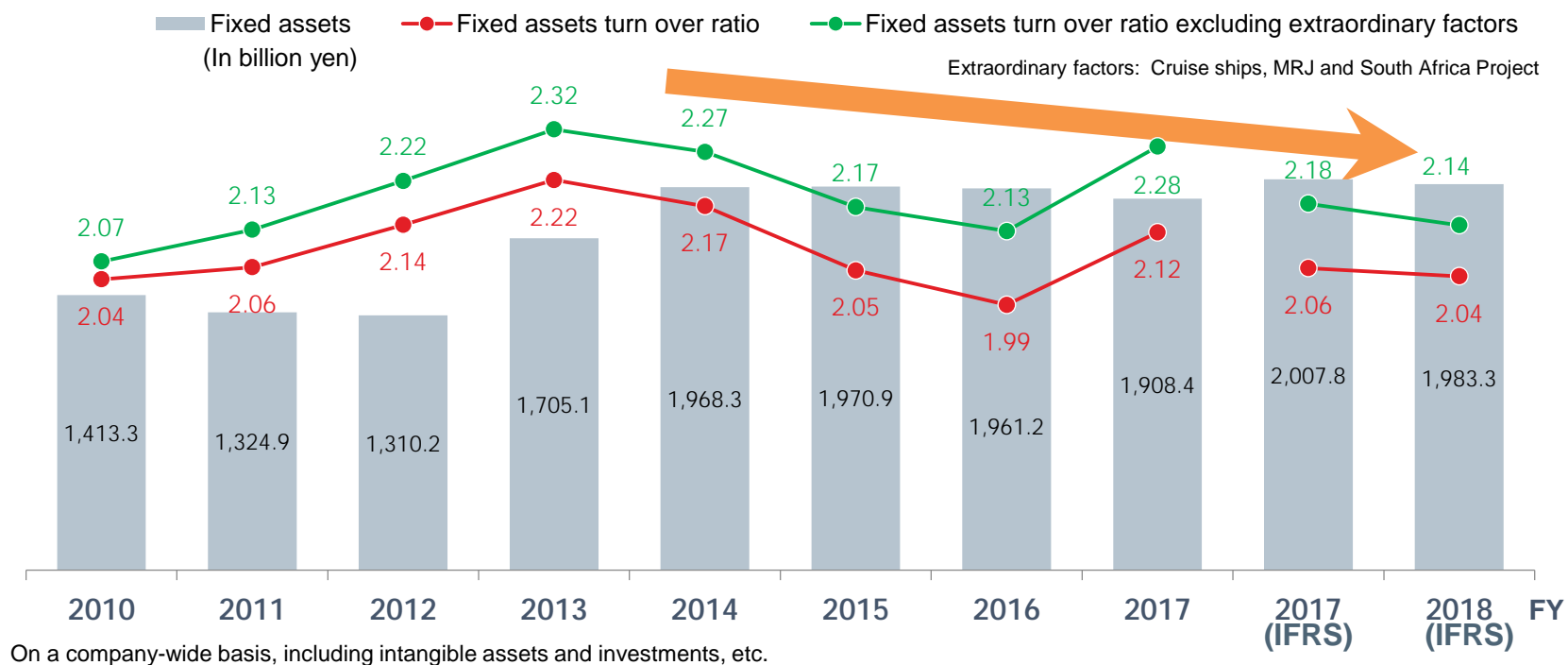
2) Profit attributable to owners of parent increase (correlation with cash flow)

- FCF is a leading indicator of profit; profit attributable to owners of parent is realized around 2 years after FCF.
- After trending downward through FY2017, profit attributable to owners of parent entered an improving trend in FY2018 resulting from the current increase in FCF.



3) Deterioration in Fixed Assets Turnover

- Balance of fixed assets has remained near ¥2 trillion since FY2014
- As no significant growth is occurring in business scale, fixed assets turnover is gradually deteriorating.



- Efficiency of current assets is improving steadily and significantly.
- Promote reuse and securitization of low-performing fixed assets while making new investments to improve overall efficiency.

■ Achievements

Stable CF generation and maintenance of sound financial foundation

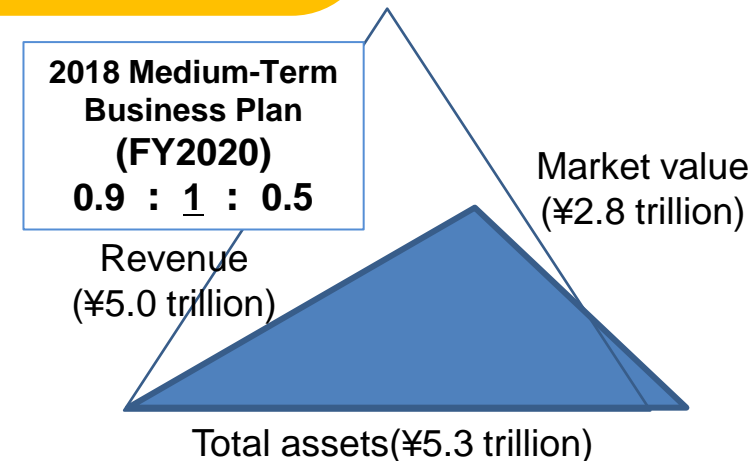
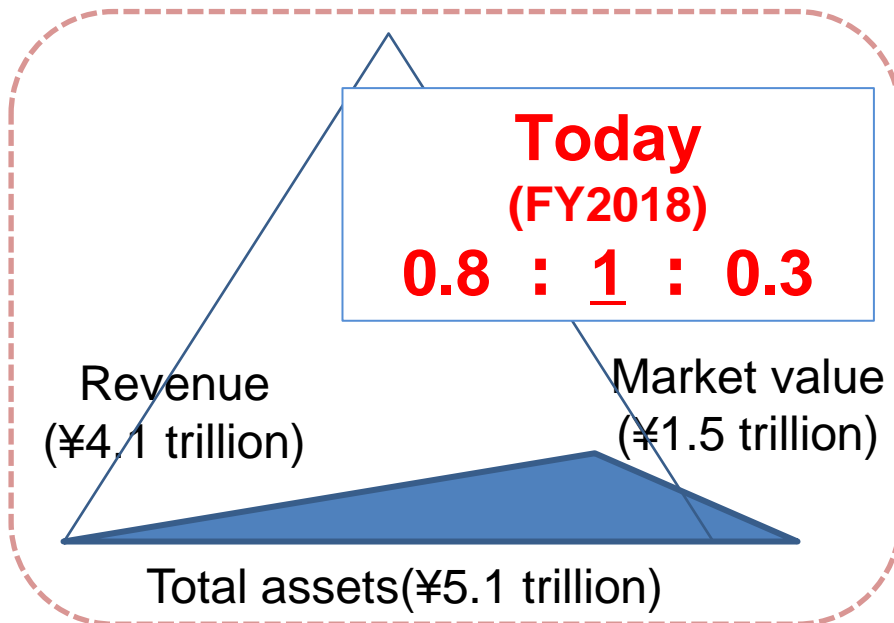
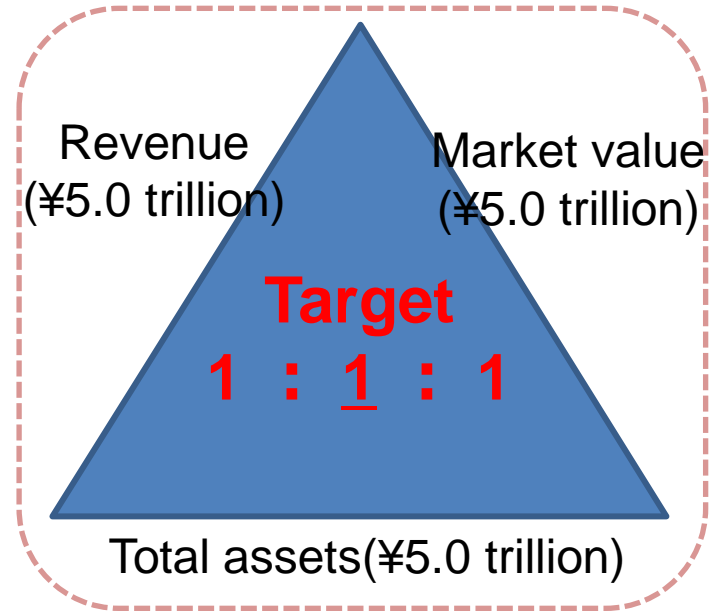
■ Challenges

1) Imbalance between total assets and revenue

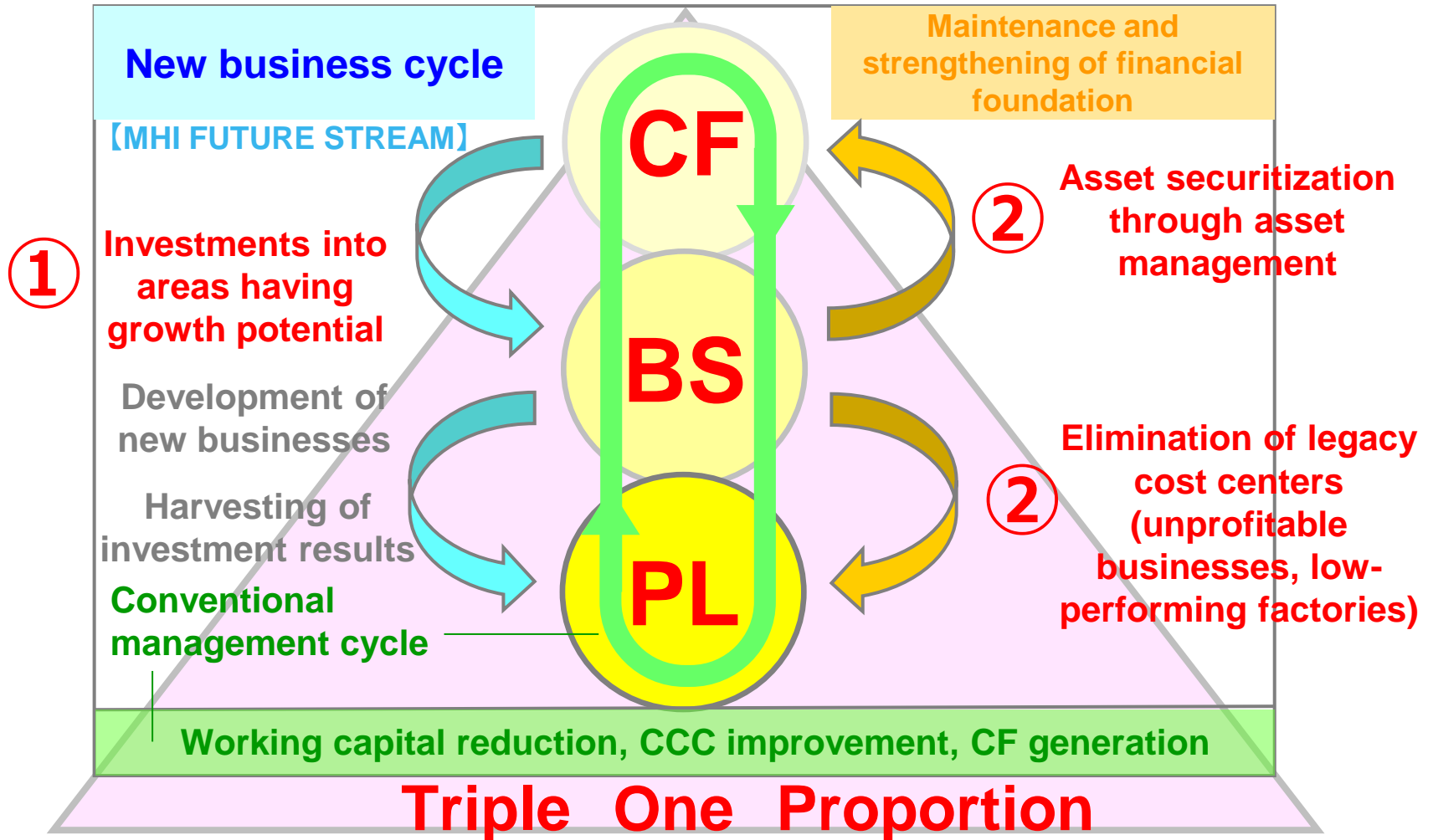
- Strategic growth investments targeting business growth

2) Imbalance between total assets and market value (profit)

- Asset securitization through asset management
- Minimization of legacy costs of low-performing fixed assets (reuse of assets, measures to address unprofitable businesses)



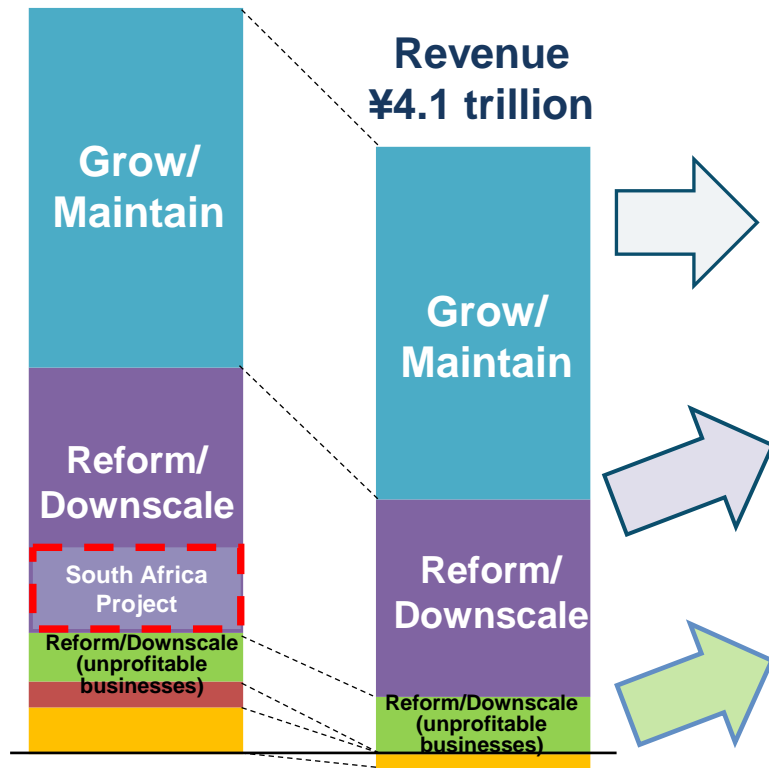
- By generating profit through asset management-based asset securitization and elimination of negative legacy assets, resource allocation funds will be secured and strategic investments made into growth-promising areas.



Evaluation and Challenges: TOP Status by Position

- Grow/Maintain, which accounts for 50% of total assets (60% of revenue), has achieved TOP.
- Going forward, focus will be on reforming and improving SBUs with challenges, and quick recovering growth investments.

Total assets
¥5.1 trillion



Strategic Business Evaluation System TOP Status by Position (FY2018)

	(Revenue)	(Total assets)	(Market value)
Grow/Maintain	1	<u>1</u>	1
Reform/Downscale	1	<u>1</u>	0.5
Reform/Downscale (unprofitable businesses)	1.2	<u>1</u>	—

※Excluding South Africa Project

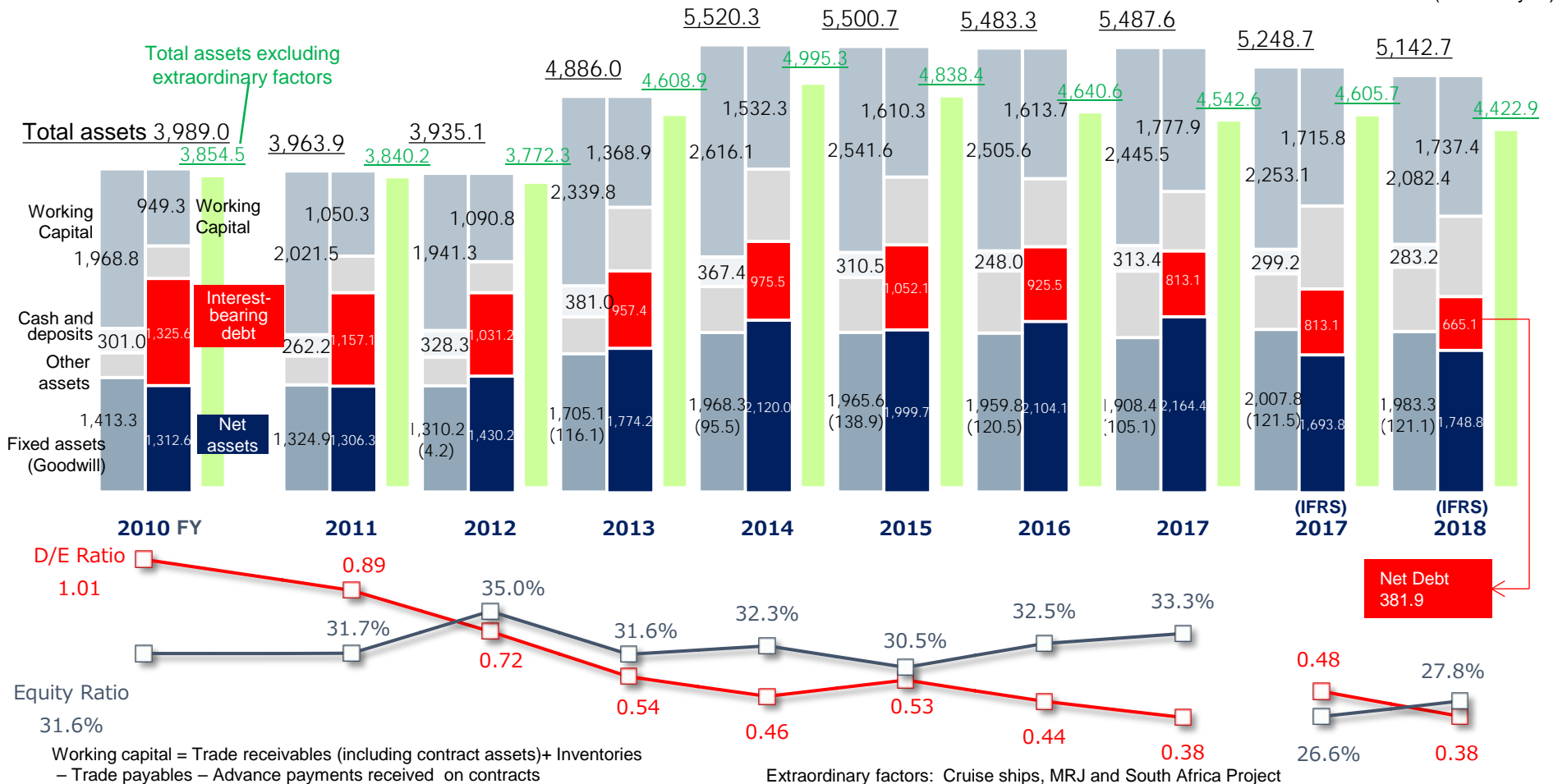
■ Grow/Maintain ■ Reform/Downscale ■ Reform/Downscale(unprofitable businesses) ■ New ■ Others

Financial Position

Balance Sheets

- Further reduction of interest-bearing debt, improvement of financial soundness
- Continuing squeezing of total assets, toward achieving TOP. Debt/equity ratio the lowest level on record.

(In billion yen)



III. 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\$: 2.4 billion Euro: 0.4 billion	

Assumed exchange rate

US\$ 1.00 = ¥110

Euro 1.00 = ¥125

Summary of Forecast for FY2019

(In billion yen)

FY2019 (Forecast)	Fundamental business	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^(*))

(*) TOP (Triple One Proportion) is a concept under which the managerial goal (proportion) is: Net sales : Total assets : Market capitalization = 1 : 1 : 1.

(*) 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

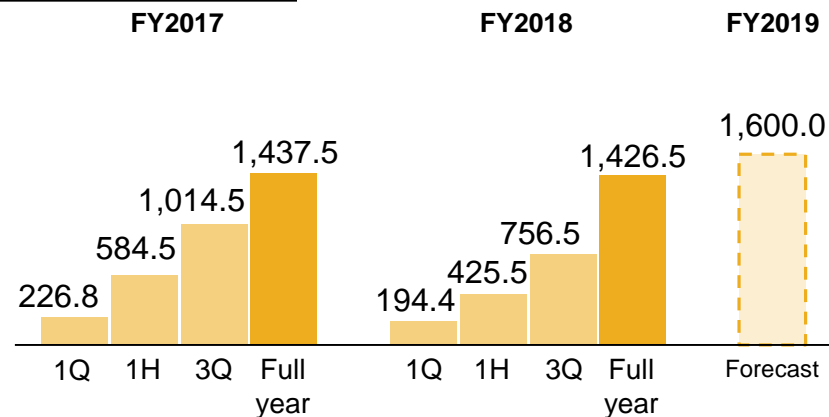
IV. Supplementary Information

Supplementary Information (1) Financial Results by Business Segment

< Power Systems >

(In billion yen, accumulated amount)

Orders Received



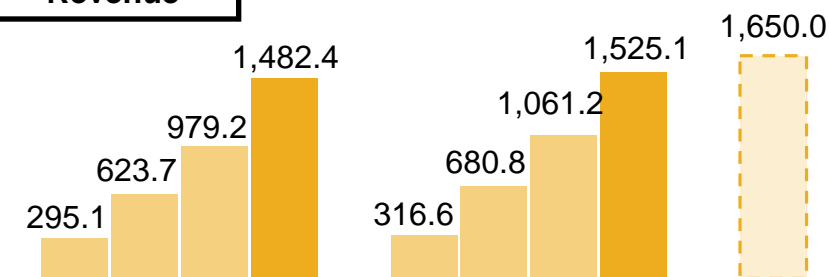
Orders received : Down ¥11.0 billion YoY

- Increased : GTCC, Compressors
- Decreased : Steam power (Conventional thermal), Nuclear Power

Gas turbine orders received

		North America	Asia	Japan	Others	Total
FY2017	Large size	2	2	-	2	6
	Small to medium size	-	-	1	1	2
	Total	2	2	1	3	8
FY2018	Large size	3	8	-	2	13
	Small to medium size	7	10	1	-	18
	Total	10	18	1	2	31

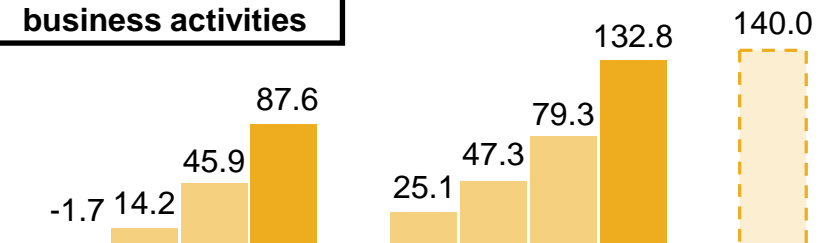
Revenue



Backlog of Gas turbine orders received

	Large size	Small to medium size	Total
As of Mar. 31, 2018	38	6	44
As of Mar. 31, 2019	43	16	59

Profit from business activities



Revenue : Up ¥42.6 billion YoY

- Increased : Nuclear power, GTCC

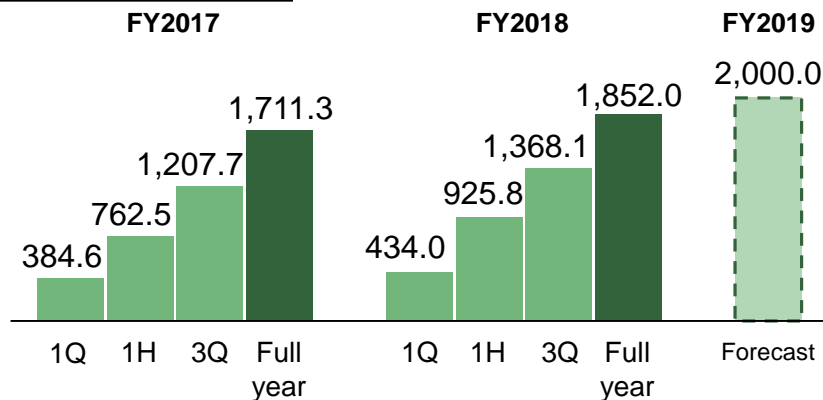
Profit from business activities : Up ¥45.2 billion YoY

- Increased : Nuclear power, Compressors : Increased sales, etc.

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

(In billion yen, accumulated amount)

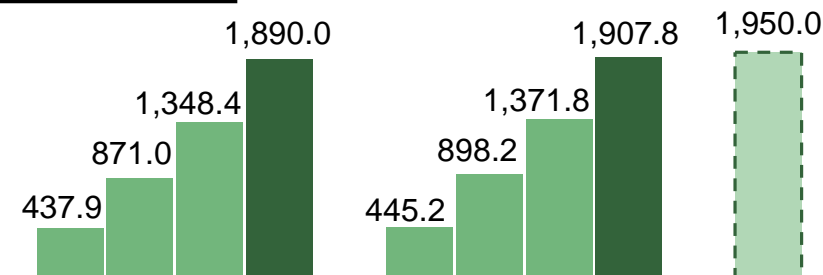
Orders Received



Orders received : Up ¥140.6 billion YoY

- Increased : Commercial ships, Chemical plants, Material handling equipment

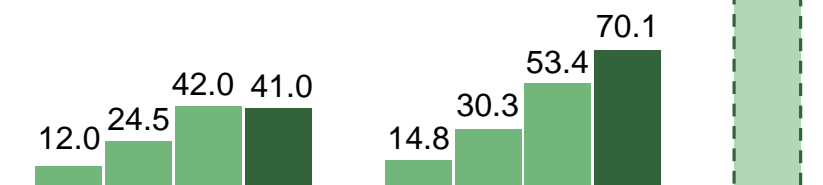
Revenue



Revenue : Up ¥17.7 billion YoY

- Increased : Metals machinery, Material handling equipment
- Decreased : Chemical plants, Commercial ships

Profit from business activities



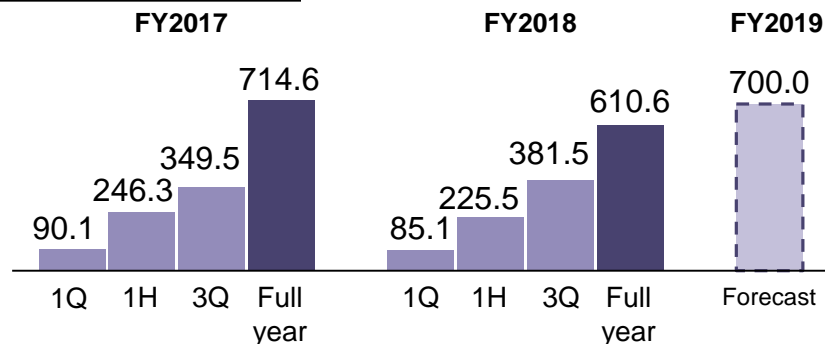
Profit from business activities : Up ¥29.0 billion YoY

- Increased :
Transportation systems : Profit/loss recovery
Material handling equipment : Increased sales, etc.

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

(In billion yen, accumulated amount)

Orders Received



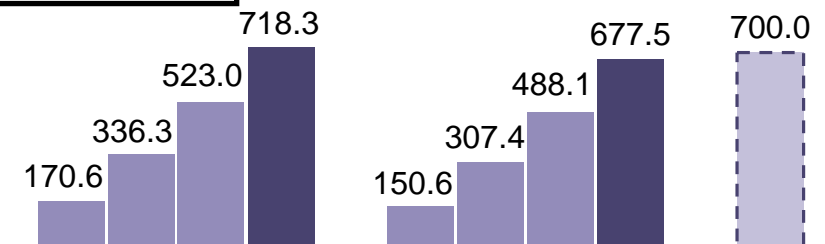
Orders received : Down ¥104.0 billion YoY

- Decreased : Space systems, Commercial aircraft

Accumulated number of MRJ orders received: 387
(firm orders: 213 / options and purchase rights: 174)

[As of Mar 31, 2019]

Revenue



Revenue : Down ¥40.7 billion YoY

- Decreased : Commercial aircraft, Space systems

Number of B777s delivered

FY2017 (actual) : 58 (1Q: 17, 2Q: 15, 3Q: 16, 4Q: 10)

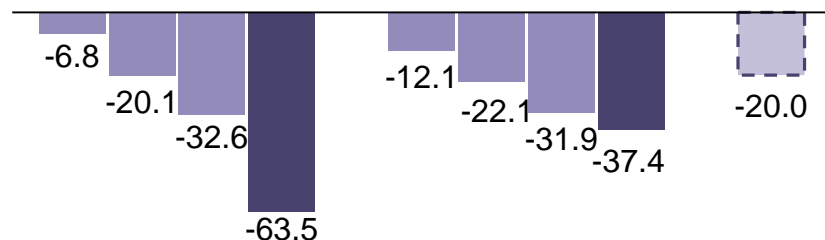
FY2018 (actual) : 48 (1Q: 11, 2Q: 11, 3Q: 11, 4Q: 15)

Number of B787s delivered

FY2017 (actual) : 141 (1Q: 36, 2Q: 36, 3Q: 33, 4Q: 36)

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

Profit from business activities



Profit from business activities : Up ¥26.0 billion YoY

- Increased :

MRJ: Decreased R&D costs

- Decreased :

Commercial aircraft: Decreased sales, etc.

Supplementary Information (2) Reference Data

1. R&D Expenses, Depreciation and Capital Expenditure (In billion yen)

	FY2015	FY2016	FY2017	FY2017 (IFRS)	FY2018 (IFRS)	FY2019 (Forecast, IFRS)
R&D Expenses	150.6	160.7	176.8	176.8	152.1	160.0
Depreciation	158.7	172.7	176.1	176.1	124.9	130.0
Capital Expenditure	175.5	204.4	158.4	158.4	147.3	170.0

2. Cash Flows (In billion yen)

	FY2015	FY2016	FY2017	FY2017 (IFRS)	FY2018 (IFRS)	FY2019 (Forecast, IFRS)
Cash flows from operating activities	270.0	95.9	345.1	405.7	404.9	-
Cash flows from investing activities	-262.4	8.7	-137.1	-238.1	-161.8	-
Free cash flows	7.5	104.6	207.9	167.5	243.0	50.0
Cash flows from financing activities	-23.1	-162.0	-152.1	-112.3	-255.5	-

3. Interest-Bearing Debt, D/E ratio

	FY2015	FY2016	FY2017	FY2017 (IFRS)	FY2018	FY2019 (Forecast, IFRS)
Interest-bearing debt (In billion yen)	1,052.1	925.5	813.1	813.1	665.1	600.0
D/E ratio	53%	44%	38%	48%	38%	30%

4. Foreign Exchange Rates (¥/US\$)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 (Assumed)
Average rates for recording sales	109.4	119.7	108.2	111.1	110.7	110.0
(Reference)Rates at end of period	120.2	112.7	112.2	106.2	111.0	-

5. Employees

(Number of employees)

(Consolidated)	FY2014	FY2015	FY2016
Energy & Environment	26,855	25,887	25,326
Commercial Aviation & Transportation Systems	7,129	7,428	7,417
Integrated Defense & Space Systems	6,022	6,281	6,389
Machinery, Equipment & Infrastructure	33,277	36,244	36,383
Others	8,562	8,092	7,213
Total	81,845	83,932	82,728

(Non-Consolidated) (21,117) (19,357) (16,824)

(Number of employees)

(Consolidated)	FY2017	FY2018
Power Systems	24,922	24,576
Industry & Infrastructure	38,886	39,692
Aircraft, Defense & Space	10,762	10,795
Others	6,082	5,681
Total	80,652	80,744

(Non-Consolidated) (14,717) (14,534)

6. Overseas Sales by Region

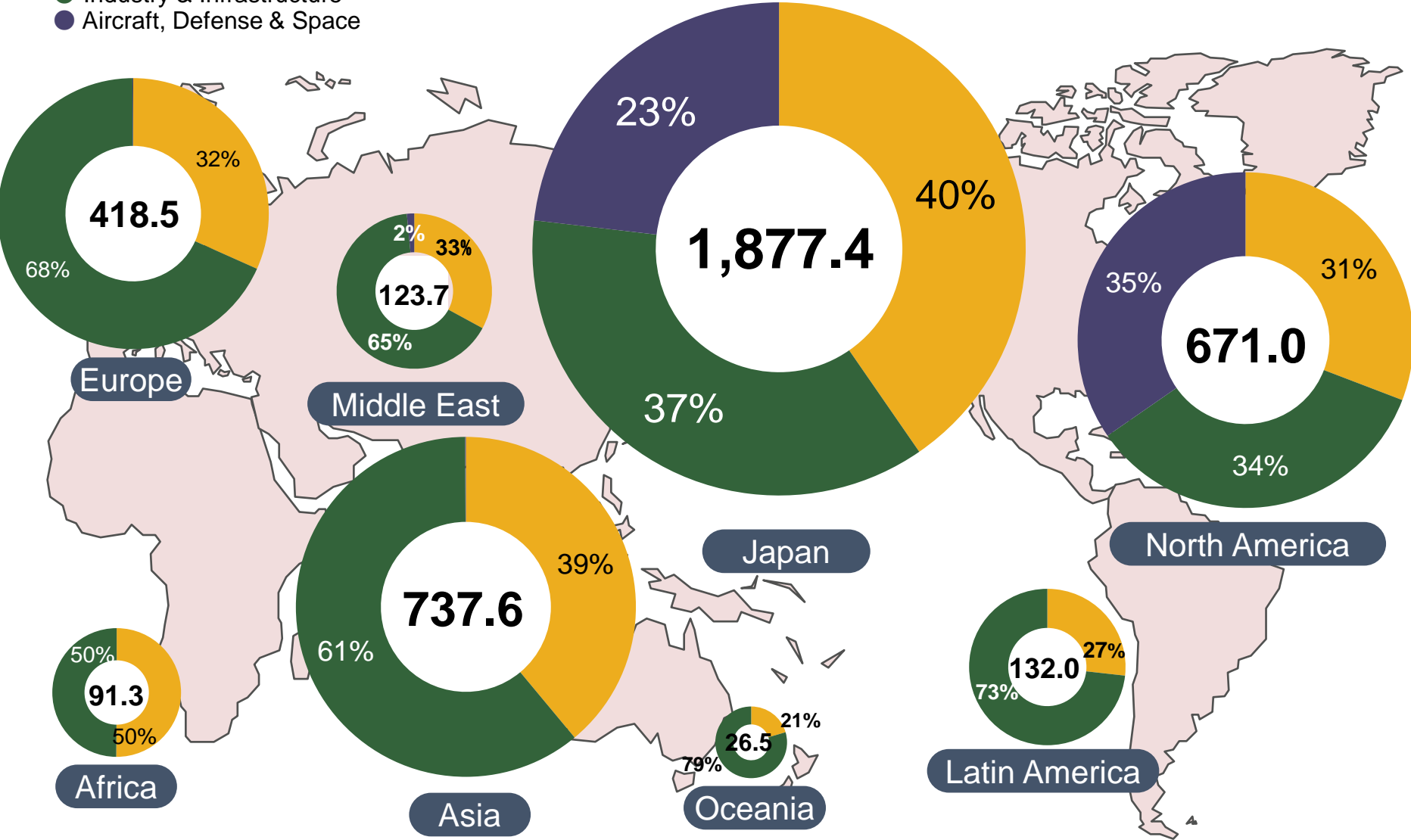
(In billion yen)

	FY2015	FY2016	FY2017	FY2017 (IFRS)	FY2018 (IFRS)
North America	786.1 (19.4%)	684.5 (17.5%)	674.6 (16.4%)	663.2 (16.2%)	671.0 (16.5%)
Asia	721.9 (17.8%)	618.0 (15.8%)	693.0 (16.9%)	687.3 (16.8%)	737.6 (18.1%)
Europe	352.7 (8.7%)	395.6 (10.1%)	440.3 (10.7%)	432.2 (10.6%)	418.5 (10.3%)
Central & South America	126.9 (3.1%)	110.1 (2.8%)	146.8 (3.6%)	184.5 (4.5%)	132.0 (3.2%)
The Middle East	115.7 (2.9%)	117.2 (3.0%)	144.3 (3.5%)	149.1 (3.7%)	123.7 (3.0%)
Africa	110.6 (2.7%)	135.6 (3.5%)	99.5 (2.4%)	104.7 (2.6%)	91.3 (2.2%)
Oceania	27.7 (0.7%)	31.6 (0.8%)	30.7 (0.7%)	31.3 (0.8%)	26.5 (0.7%)
Total	2,241.8 (55.4%)	2,092.9 (53.5%)	2,229.6 (54.2%)	2,252.7 (55.1%)	2,200.8 (54.0%)

Supplementary Information (2) Reference Data Revenue by Geographic Area & Segment

(In billion yen)

- Power Systems
- Industry & Infrastructure
- Aircraft, Defense & Space



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