This presentation is an overview of MHI’s financial results for the first three quarters of Fiscal Year 2019, the period from April through December 2019.
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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
First, I would like to start with SpaceJet.

Obtaining Type Certification for the M90 and the first commercial delivery of SpaceJet, both of which were scheduled for FY 2020, are now expected to be in FY 2021 or later.

In our SpaceJet business, based on the development status and evaluation from various perspectives, we recorded losses from business activities of 175.3 billion yen in the 3rd quarter, including the impairment losses on assets booked up to last fiscal year and losses this year.

As a result of the booking of 178.0 billion yen in deferred tax assets on accumulated losses recorded in the previous fiscal year and the losses recorded in the current fiscal year, profit attributable to owners of parent amounts to 3.3 billion yen in this business for the first three quarters of the current fiscal year.

For the full year forecast for this business, we expect 270.0 billion yen in losses from business activities and 60.0 billion yen in losses attributable to owners of parent.

Next, I will explain the business conditions through the third quarter.

First, order intake increased from the previous fiscal year due to an increase in the Power domain.

Revenues and profit excluding the SpaceJet business were generally unchanged from the same period a year earlier.

As for the full-year forecast, we lowered the Industry & Infrastructure domain forecast of order intake, revenue and profit from business activities given that the impact of U.S.-China trade friction is significant for medium-lot products, particularly for turbochargers.

The impact of the settlement of South African Projects on B/S, P/L, and C/F was reflected in the third quarter of the current fiscal year and in part will be reflected in and
after the fourth quarter.

As planned at the beginning of the fiscal year, we plan to increase the dividend payout by 20 yen to 150 yen per share.
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As planned at the beginning of the fiscal year, we plan to increase the dividend payout by 20 yen to 150 yen per share.
Excluding the impact of the SpaceJet business, profit from business activities was 188.1 billion yen, roughly the same as the same period last year. Profit attributable to owners of parent and EBITDA are 98.0 billion yen and 290.3 billion yen, respectively, indicating a relatively stable business performance.

Free cash flow decreased to negative 225.5 billion yen from the same period of the previous fiscal year, but generally remained in line with the initial plan.
Here is the breakdown by segment. Order intake in the Power domain increased by 347.6 billion yen year-on-year to 1,104.1 billion yen, due to the contribution of large projects carried over from the previous fiscal year and relatively strong orders for gas turbines.

In the Industry & Infrastructure domain, orders fell by approximately 100.0 billion yen to 1,259.5 billion yen, reflecting a delay in securing orders for large engineering-related projects as well as a weak performance in medium-lot products.

The Aircraft, Defense & Space domain recorded 322.7 billion yen in order intake, a year-on-year decline, but we expect order volume to recover for the full year.

In terms of revenue, Industry & Infrastructure domain remained at 1,312.8 billion yen mainly due to a decrease in medium-lot products, but revenue of Power Systems and Aircraft, Defense & Space domains were generally on par with the same period of the previous year.

As for profit from business activities, Industry & Infrastructure and Aircraft, Defense & Space domains decreased due to reduced revenue and SpaceJet-related losses, respectively.

Power Systems domain recorded an increase in profit despite the provision for potential costs relating to the Trent1000 engines.
We have worked to improve efficiency of our B/S, which is the cornerstone of our company’s management index, Triple One Proportion (Total assets: Revenue: Market Value = 1:1:1).

In particular, current assets are more efficiently managed. For example, trade payables (so-called accounts payable) and contract liabilities (so-called advances received) total approximately 1.6 trillion yen, which covers the 818.4 billion yen in inventories. We can say that we are operating with almost no invested funds; whereas in the past the amount of inventories almost equaled trade payables and contract liabilities.

We are steadily reducing interest-bearing debt through the collection of trade receivables. We are also working to improve the efficiency of fixed assets, mainly through asset management.

Compared with the B/S at the end of the previous fiscal year, total assets increased by approximately 400.0 billion yen, but this follows MHI’s business trend of inventory buildup at the end of the third quarter.

Other special factors are that the impact of IFRS 16, or the on-balancing of leased assets, has increased fixed assets by approximately 100.0 billion yen, and that part of the impact of the settlement of South African Projects will be reflected in and after the fourth quarter.

Interest-bearing debt was 1,014.0 billion yen, an increase of 348.9 billion yen from the end of the previous fiscal year. However, considering that cash flow is following our initial plan, we expect to reduce interest-bearing debt to about 600.0 billion yen by the end of the current fiscal year.
The equity ratio temporarily declined to 23.7% as total assets expanded while equity decreased. This was due in part to the accounting treatment of the settlement of South African Projects, which was not fully reflected at the end of the third quarter. However, the ratio is expected to return to 25 - 26% when a series of ongoing transactions, including the transfer of MHPS shares, are completed.

The impact on equity due to the impairment losses on SpaceJet-related assets is rather limited.

The annual forecast for interest-bearing debt is 600.0 billion yen, and the debt-to-equity ratio is shown in the table below.

The status of operating cash flow, investment cash flow and free cash flow are as shown in the table above. We have raised our full-year free cash flow forecast from 50.0 billion yen to 100.0 billion yen.
Order intake for the Power Systems domain increased for gas turbines, steam power and nuclear power.

In the Industry & Infrastructure domain, orders for large-scale projects in the engineering business have been delayed, and the automobile-related business, including turbochargers and machine tools, is facing difficult business conditions.

In the Aircraft, Defense & Space domain, orders for naval ships, defense aircraft and missile systems have decreased, but we believe we can achieve our full-year forecasts.

As for the order backlog, we expect to increase by the end of the current fiscal year, despite a decline of about 280.0 billion yen to date.

Order backlog including MHI Vestas Offshore Wind, which is shown separate from the total backlog as it is an equity method affiliate, totaled 5.8 trillion yen.
Power Systems revenue increased slightly due to increases in compressors and aircraft engines while Industry & Infrastructure declined particularly in medium-lot products. In the Aircraft, Defense & Space domain, revenue of commercial aircraft increased. As our sales in the Boeing 737 MAX program are very limited, the impact on our company's commercial aviation business is immaterial.
While profit from business activities decreased significantly due primarily to the impairment losses of SpaceJet, other businesses generally remained at the same level as the same period of the previous year as the decrease in Industry & Infrastructure was offset by the increase in Power Systems.
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.
For the full-year forecast of order intake, although we expect orders to increase in Power Systems, we have revised down our forecast from 4.3 trillion yen to 4.05 trillion yen, reflecting a delay in large-scale projects in Industry & Infrastructure and the deterioration in medium-lot products. However, the revised figure is still above that of the previous fiscal year by approximately 200.0 billion yen.

Revenue has been revised downward from 4.3 trillion yen to 4.15 trillion yen in view of a decline in medium-lot products and others.

Although profit from business activities was initially expected to be 220.0 billion yen, we have cut our forecast to zero reflecting the recording of impairment losses and additional expenses for SpaceJet, while profit attributable to owners of parent will be 100.0 billion yen, revised down by 10.0 billion yen.

We have revised our free cash flow upward from 50.0 billion yen to 100.0 billion yen, and we aim to maintain a full-year dividend payout of 150 yen, an increase of 20 yen over the previous year.
Please also refer to page 17 for supplementary information regarding SpaceJet.
As for the full-year forecast by segment, profit from business activities in Power Systems was revised upward by 20.0 billion yen to 160.0 billion yen from 140.0 billion yen. Industry & Infrastructure revised downward its initial plan for order intake, revenue and profit from business activities. Aircraft, Defense & Space are expected to fall far short of initial projections due to SpaceJet-related losses.
III. Supplementary Information
   · SpaceJet
   · Balance-Sheet
The 175.3 billion yen of losses related to SpaceJet recorded in the first three quarters of this fiscal year includes 97.5 billion incurred in the current period and 77.8 billion of impairment losses on previously recorded assets.

Originally, we expected 100.0 billion yen of cash outlay in our SpaceJet business this fiscal year, comprising 80.0 billion yen in losses from business activities, and the balance of 20.0 billion yen as assets. However, we recognized a loss of 175.3 billion yen as a result of recording all expenses incurred (cash-out) as losses and impairing assets recorded up through the previous fiscal year.

Profit attributable to owners of parent from the SpaceJet business was 3.3 billion yen, as the recognition of 178.0 billion yen in deferred tax assets against accumulated losses recorded in previous fiscal years offset losses recorded in the current fiscal year.

The full-year forecast for SpaceJet business is 270.0 billion yen in losses from business activities and 60.0 billion yen in losses attributable to owners of parent.
Finally, I will explain our progress in B/S optimization, which forms the basis of TOP, the management indicator representing our company's ideal proportion of sales, assets and market value.

First, changes in the cash conversion cycle indicate that the current assets side has improved significantly.

On the other hand, our company’s B/S includes risk assets such as 550.0 billion yen of indemnification assets for the South African Projects, SpaceJet-related assets and low operating factories. As a result of the recent settlement of South African Projects and impairment of SpaceJet-related assets, we will be able to substantially reduce these assets.

We are also working to further improve our B/S optimization by selling or transferring low operating factories and selling cross-holding shares.

This concludes our presentation of the company’s financial results for the first three quarters of FY 2019.
IV. Supplementary Information on Domains and Others
Supplementary Information (1) Financial Results by Business Segment

Power Systems

Order intake: Up ¥347.6 billion YoY
- Increased: GTCC, Steam power, Nuclear power

<table>
<thead>
<tr>
<th>Order intake</th>
<th>FY2018</th>
<th>FY2019</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q</td>
<td>194.4</td>
<td>425.5</td>
<td>665.4</td>
</tr>
<tr>
<td>1H</td>
<td>756.5</td>
<td>231.5</td>
<td></td>
</tr>
<tr>
<td>3Q</td>
<td>1,426.5</td>
<td>1,104.1</td>
<td>1,600.0</td>
</tr>
<tr>
<td>Full year</td>
<td>1,325.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Gas turbine order intake

<table>
<thead>
<tr>
<th></th>
<th>Americas</th>
<th>Asia</th>
<th>EMEA(*)</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-3Q</td>
<td>Large size</td>
<td>1</td>
<td>4</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Small to medium size</td>
<td>6</td>
<td>3</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>7</td>
<td>7</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td>FY2019</td>
<td>Large size</td>
<td>4</td>
<td>4</td>
<td>2*(2)</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Small to medium size</td>
<td>3</td>
<td>2</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>7</td>
<td>6</td>
<td>2</td>
<td>15</td>
</tr>
</tbody>
</table>

Backlog of gas turbine order intake

<table>
<thead>
<tr>
<th></th>
<th>Large size</th>
<th>Small to medium size</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of Dec. 31, 2018</td>
<td>37</td>
<td>6</td>
<td>43</td>
</tr>
<tr>
<td>As of Mar. 31, 2019</td>
<td>44</td>
<td>15</td>
<td>59</td>
</tr>
<tr>
<td>As of Dec. 31, 2019</td>
<td>40</td>
<td>12</td>
<td>52</td>
</tr>
</tbody>
</table>

Notes:
(*) Europe, Middle East, Africa
*(2) CH100 turbine is categorized into “Large size” from “Small to medium size” from FY2018 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.
Aircraft, Defense & Space

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: 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)
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)

Profit from business activities:
Down ¥98.2 billion YoY
- Decreased:
  SpaceJet: As a result of impairment losses, etc.
# Supplementary Information (2) Reference Data

## 1. R&D Expenses, Depreciation and Capital Expenditure

<table>
<thead>
<tr>
<th></th>
<th>FY2018 1-3Q</th>
<th>FY2019 1-3Q</th>
<th>FY2019 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D Expenses</td>
<td>97.6</td>
<td>95.3</td>
<td>160.0</td>
</tr>
<tr>
<td>Depreciation</td>
<td>95.3</td>
<td>102.9</td>
<td>130.0</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>89.1</td>
<td>115.1</td>
<td>170.0</td>
</tr>
</tbody>
</table>

## 2. Selling, General and Administrative Expenses

<table>
<thead>
<tr>
<th></th>
<th>FY2018 1-3Q</th>
<th>FY2019 1-3Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>SG&amp;A</td>
<td>393.5</td>
<td>427.3</td>
</tr>
</tbody>
</table>

## 3. Foreign Exchange Rates

<table>
<thead>
<tr>
<th></th>
<th>FY2018 1-3Q</th>
<th>FY2019 1-3Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>110.7</td>
<td>109.1</td>
</tr>
<tr>
<td>Euro</td>
<td>129.4</td>
<td>121.4</td>
</tr>
</tbody>
</table>

## 4. Overseas Revenue by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2019 1-3Q (in billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>543.3 (19%)</td>
</tr>
<tr>
<td>North America</td>
<td>474.1 (16%)</td>
</tr>
<tr>
<td>Europe</td>
<td>301.5 (10%)</td>
</tr>
<tr>
<td>Central &amp; South America</td>
<td>100.6 (3%)</td>
</tr>
<tr>
<td>The Middle East</td>
<td>95.2 (3%)</td>
</tr>
<tr>
<td>Oceania</td>
<td>19.9 (1%)</td>
</tr>
<tr>
<td>Africa</td>
<td>72.1 (3%)</td>
</tr>
<tr>
<td>Total</td>
<td>1,607.0 (65%)</td>
</tr>
</tbody>
</table>

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