

PRESS RELEASE

2020-10-30

MHI Announces Outline of FY2020 First 6 Months Financial Results Ended September 30, 2020 (Consolidated)

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

(billions of yen)

	FY2020 First 6 Months (From April 1 to September 30, 2020)	FY2019 First 6 Months (From April 1 to September 30, 2019)	Changes (%)
Orders Received	1,397.2	1,698.2	(17.7)
Revenue	1,658.6	1,877.6	(11.7)
Profit from business activities	(58.6)	74.3	-
Profit Before Income Taxes	(72.8)	60.8	-
Profit (loss) Attributable to Owners of Parent	(57.0)	29.2	-
Operating Cash Flow	(372.0)	(91.1)	
Investment Cash Flow	(125.0)	(120.1)	
Financing Cash Flow	435.8	158.9	
Profit (loss) Attributable to Owners of Parent Per Share	(169.87) yen	87.06 yen	-

Figures in parentheses are negative.

Consolidated financial results (continued)

Revenue by Operational Segment

(billions of yen)

	FY2020 First 6 Months (From April 1 to September 30, 2020)	FY2019 First 6 Months (From April 1 to September 30, 2019)
Energy Systems	662.5	707.9
Plants & Infrastructure	287.0	379.3
Logistics, Thermal & Drive Systems	395.2	497.0
Aircraft, Defense & Space	335.9	310.5
Eliminations or Corporate	(22.1)	(17.1)
TOTAL	1,658.6	1,877.6

Profit (Loss) From Business Activities by Operational Segment

(billions of yen)

	FY2020 First 6 Months (From April 1 to September 30, 2020)	FY2019 First 6 Months (From April 1 to September 30, 2019)
Energy Systems	(12.4)	37.2
Plants & Infrastructure	(6.7)	10.8
Logistics, Thermal & Drive Systems	4.5	18.5
Aircraft, Defense & Space	(66.3)	12.6
Eliminations or Corporate	22.2	(4.9)
TOTAL	(58.6)	74.3

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 3,700 billion yen in revenue, 50 billion yen in Profit from business activities, 30 billion yen in profit before income tax, and 20 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 = ¥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 Sep. 30, 2020
<u>Assets</u>		
Current assets		
Cash and cash equivalents	281,626	218,211
Trade and other receivables	611,976	580,931
Other financial assets	28,539	27,666
Contract assets	576,061	656,264
Inventories	726,228	815,729
Indemnification assets for South African projects	407,800	-
Other current assets	206,261	220,253
Total current assets	2,838,493	2,519,056
Non-current assets		
Property, plant and equipment	792,920	779,057
Goodwill	124,500	124,622
Intangible assets	78,908	91,842
Right-of-use assets	96,201	93,395
Investments accounted for using the equity method	177,569	187,304
Investments in securities and other financial assets	391,538	413,236
Deferred tax assets	382,729	402,926
Other non-current assets	102,827	93,259
Total Non-current assets	2,147,196	2,185,645
Total assets	4,985,690	4,704,701
<u>Liabilities and Equity</u>		
Current liabilities		
Bonds, borrowings and other financial liabilities	769,099	868,443
Trade and other payables	824,030	697,721
Income taxes payable	28,994	10,852
Contract liabilities	835,465	754,121
Provisions	199,496	195,515
Other current liabilities	151,657	146,401
Total Current liabilities	2,808,742	2,673,055
Non-current liabilities		
Bonds, borrowings and other financial liabilities	601,770	535,510
Deferred tax liabilities	7,318	7,095
Retirement benefit liability	145,890	145,813
Provisions	58,173	53,656
Other non-current liabilities	73,718	77,132
Total non-current liabilities	886,871	819,209
Total liabilities	3,695,614	3,492,265
<u>Equity</u>		
Share capital	265,608	265,608
Capital surplus	49,667	49,376
Treasury shares	(5,374)	(4,624)
Retained earnings	886,307	801,350
Other components of equity	22,133	31,932
Equity attributable to owners of parent	1,218,343	1,143,643
Non-controlling interests	71,732	68,792
Total Equity	1,290,076	1,212,436
Total Liabilities and Equity	4,985,690	4,704,701

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

i) First six months FY2019 and FY2020

(Millions of Yen)

	FY2019 First 6 Months (From Apr. 1 to Sep. 30, 2019)	FY2020 First 6 Months (From Apr. 1 to Sep. 30, 2020)
Revenue	1,877,663	1,658,625
Cost of sales	1,531,356	1,416,130
Gross Profit	346,307	242,494
Selling, general and administrative expenses	271,198	257,588
Share of profit of investments accounted for using the equity method	9,464	5,203
Other income *	10,831	45,733
Other expenses	21,039	94,483
Profit from business activities	74,363	(58,640)
Finance income	4,270	3,596
Finance cost	17,773	17,805
Profit before income taxes	60,860	(72,849)
Income taxes	21,672	(16,025)
Profit	39,187	(56,824)
Profit attributable to:		
Owners of parent	29,237	(57,081)
Non-controlling interests	9,949	257

(Yen)

Earnings per share attributable to owners of parent		
Basic earnings per share	87.06	(169.87)
Diluted earnings per share	86.94	(169.87)

*Other income includes dividend income. The amount of dividends of FY 2019 first 6 Month is 6,028 Million Yen, and the amount of FY2020 First 6 Months is 4,695 Million Yen.

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

ii) For three months ended Sep.30, 2019 and 2020 (FY2019Q2 & FY2020Q2)

(Millions of Yen)

	FY2019 Q2 (From Jul. 1 to Sep. 30, 2019)	FY2020 Q2 (From Jul. 1 to Sep. 30, 2020)
Revenue	958,335	880,616
Cost of sales	785,576	759,870
Gross Profit	172,759	120,746
Selling, general and administrative expenses	136,388	127,160
Share of profit of investments accounted for using the equity method	5,013	4,574
Other income *	1,871	37,688
Other expenses	9,309	23,100
Profit from business activities	33,947	12,747
Finance income	1,645	1,650
Finance expenses	6,377	10,387
Profit before income taxes	29,215	4,010
Income taxes	11,937	1,726
Profit	17,278	2,284
Profit attributable to:		
Owners of parent	12,865	820
Non-controlling interests	4,412	1,463

(Yen)

Earnings per share attributable to owners of parent		
Basic earnings per share	38.30	2.44
Diluted earnings per share	38.23	2.44

*Other income includes dividend income. The amount of dividends of FY2019Q2 is 978 Million Yen, and the amount of FY2020Q2 is 357 Million Yen.

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

i) First six months FY2019 and FY2020

(Millions of Yen)

	FY2019 First 6 Months (From Apr. 1 to Sep. 30, 2019)	FY2020 First 6 Months (From Apr. 1 to Sep. 30, 2020)
Profit	39,187	(56,824)
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Net gains and losses from financial assets measured at FVTOCI	(18,264)	1,508
Remeasurement of defined benefit plans	(448)	138
Share of other comprehensive income (loss) of entities accounted for by the equity method	(443)	(220)
Total	(19,156)	1,426
Items that may be reclassified to profit or loss		
Cash flow hedges	(958)	1,095
Hedging cost	257	661
Exchange differences on translating foreign operations	(23,840)	2,377
Share of other comprehensive income (loss) of entities accounted for by the equity method	1,125	1,120
Total	(23,416)	5,255
Total other comprehensive income (loss)	(42,573)	6,681
Comprehensive income	(3,385)	(50,142)
Comprehensive income (loss) attributable to		
Owners of parent	(6,392)	(50,974)
Non-controlling interests	3,007	831

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

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

ii) For three months ended Sep.30, 2019 and 2020 (FY2019Q2 & FY2020Q2)

	(Millions of Yen)	
	FY2019 Q2 (From Jul. 1 to Sep. 30, 2019)	FY2020 Q2 (From Jul. 1 to Sep. 30, 2020)
Profit	17,278	2,284
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Net gains and losses from financial assets measured at FVTOCI	(5,015)	782
Remeasurement of defined benefit plans	(21)	(18)
Share of other comprehensive income (loss) of entities accounted for by the equity method	39	8
Total	(4,997)	772
Items that may be reclassified to profit or loss		
Cash flow hedges	(937)	210
Hedging cost	72	(102)
Exchange differences on translating foreign operations	(7,723)	329
Share of other comprehensive income (loss) of entities accounted for by the equity method	(1,362)	321
Total	(9,950)	759
Total other comprehensive income (loss)	(14,947)	1,532
Comprehensive income (loss)	2,330	3,816
Comprehensive income (loss) attributable to		
Owners of parent	(51)	2,272
Non-controlling interests	2,382	1,543

(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				29,237		29,237	9,949	39,187
Other comprehensive income (loss)					(35,630)	(35,630)	(6,942)	(42,573)
Comprehensive income (loss)	-	-	-	29,237	(35,630)	(6,392)	3,007	(3,385)
Transfer to retained earnings				1,404	(1,404)	-		-
Purchase of treasury shares			(7)			(7)		(7)
Disposal of treasury shares		67	167			234		234
Dividends				(21,821)		(21,821)	(4,056)	(25,877)
Put options held by non-controlling shareholders		11,385				11,385	9,047	20,433
Other		840	387	965		2,193	(5,654)	(3,460)
Total transactions with owners	-	12,293	546	(20,856)	-	(8,015)	(662)	(8,678)
Balance as of Sep. 30 ,2019	265,608	197,595	(5,025)	879,025	59,952	1,397,156	319,472	1,716,629
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				(57,081)		(57,081)	257	(56,824)
Other comprehensive income (loss)					6,107	6,107	573	6,681
Comprehensive income (loss)	-	-	-	(57,081)	6,107	(50,974)	831	(50,142)
Transfer to retained earnings				(3,691)	3,691	-		-
Purchase of treasury shares			(2)			(2)		(2)
Disposal of treasury shares		52	217			270		270
Dividends				(25,188)		(25,188)	(3,834)	(29,022)
Other		(343)	534	1,004		1,195	63	1,258
Total transactions with owners	-	(290)	749	(24,183)	-	(23,725)	(3,771)	(27,496)
Balance as of Sep. 30 ,2020	265,608	49,376	(4,624)	801,350	31,932	1,143,643	68,792	1,212,436

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

(Millions of Yen)

	FY2019 First 6 Months (From Apr. 1 to Sep. 30, 2019)	FY2020 First 6 Months (From Apr. 1 to Sep. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	60,860	(72,849)
Depreciation, amortization and impairment loss	68,097	141,329
Finance income and costs	682	3,836
Share of profit of investments accounted for using the equity method	(9,464)	(5,203)
Loss (gain) on sale of property, plant and equipment, and intangible assets	(440)	(37,089)
Loss on disposal of property, plant and equipment, and intangible assets	3,095	2,616
Decrease (increase) in trade receivables	101,923	34,582
Decrease (increase) in contract assets	(28,831)	(80,296)
Decrease (increase) in inventories and advanced payments	(62,101)	(63,625)
Increase (decrease) in trade payables	(83,835)	(118,341)
Increase (decrease) in contract liabilities	(37,810)	(94,558)
Increase (decrease) in provisions	(37,270)	(16,080)
Increase (decrease) in retirement benefit liabilities	4,990	(97)
Decrease (increase) in indemnification asset for South African projects	(1,411)	-
Others	(38,382)	(25,142)
Subtotal	(59,897)	(330,920)
Interest received	3,223	2,421
Dividends received	8,584	9,003
Interest paid	(4,650)	(4,518)
Income taxes paid	(38,436)	(48,078)
Net cash provided by operating activities	(91,176)	(372,092)
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(109,551)	(81,046)
Proceeds from sales of property, plant and equipment and intangible assets	19,694	38,105
Purchases of investments (including investments accounted for using the equity method)	(9,359)	(6,493)
Proceeds from sales and redemption of investments (including investments accounted for using the equity method)	13,591	1,044
Payments for acquisition of subsidiaries	(28,669)	-
Payments for acquisition of businesses	-	(68,709)
Net decrease (increase) in short-term loans	446	(379)
Disbursement of long-term loans	(504)	(6,363)
Collection of long-term loans	69	63
Others	(5,848)	(1,248)
Net cash used in investing activities	(120,131)	(125,028)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	243,748	447,135
Proceeds from long-term borrowings	2	10,000
Repayment of long-term borrowings	(9,379)	(6,108)
Payment for redemption of bonds	(15,000)	(10,000)
Dividends paid to owners of the parent	(21,776)	(25,205)
Dividends paid to non-controlling interests	(4,056)	(3,847)
Proceeds from factoring agreements	53,504	69,596
Repayment of liabilities under factoring agreements	(74,853)	(34,363)
Repayment of lease liabilities	(11,990)	(10,790)
Others	(1,284)	(615)
Net cash provided by (used in) financing activities	158,915	435,800
Effect of exchange rate changes on cash and cash equivalents	(6,819)	(2,094)
Net increase (decrease) in cash and cash equivalents	(59,211)	(63,414)
Cash and cash equivalents at the beginning of the year	283,235	281,626
Cash and cash equivalents at the end of period	224,023	218,211