

PRESS RELEASE

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MHI Announces Outline of FY2020 First 9 Months Financial Results Ended December 31, 2020 (Consolidated)

Tokyo, February 4, 2021 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first nine months of fiscal year (FY) 2020 ended December 31, 2020.

(billions of yen)

	FY2020 First 9 Months (From April 1 to December 31, 2020)	FY2019 First 9 Months (From April 1 to December 31, 2019)	Changes (%)
Orders Received	2,235.9	2,653.4	(15.7)
Revenue	2,603.3	2,856.5	(8.9)
Profit from business activities	23.7	12.7	85.7
Profit Before Income Taxes	(1.2)	4.7	-
Profit (loss) Attributable to Owners of Parent	3.3	101.4	(96.7)
Operating Cash Flow	(479.5)	(137.1)	
Investment Cash Flow	(159.5)	(186.0)	
Financing Cash Flow	613.9	289.9	
Profit (loss) Attributable to Owners of Parent Per Share	9.83 yen	301.92 yen	(96.7)

Figures in parentheses are negative.

Consolidated financial results (continued)

Revenue by Operational Segment

(billions of yen)

	FY2020 First 9 Months (From April 1 to December 31, 2020)	FY2019 First 9 Months (From April 1 to December 31, 2019)
Energy Systems	1,041.4	1,075.3
Plants & Infrastructure	447.8	575.4
Logistics, Thermal & Drive Systems	614.5	740.2
Aircraft, Defense & Space	532.0	493.1
Eliminations or Corporate	(32.5)	(27.6)
TOTAL	2,603.3	2,856.5

Profit (Loss) From Business Activities by Operational Segment

(billions of yen)

	FY2020 First 9 Months (From April 1 to December 31, 2020)	FY2019 First 9 Months (From April 1 to December 31, 2019)
Energy Systems	78.4	105.6
Plants & Infrastructure	(9.0)	14.0
Logistics, Thermal & Drive Systems	9.5	25.6
Aircraft, Defense & Space	(77.1)	(130.2)
Eliminations or Corporate	22.0	(2.2)
TOTAL	23.7	12.7

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 Dec. 31, 2020
<u>Assets</u>		
Current assets		
Cash and cash equivalents	281,626	257,254
Trade and other receivables	611,976	596,524
Other financial assets	28,539	32,161
Contract assets	576,061	731,152
Inventories	726,228	815,634
Indemnification assets for South African projects	407,800	-
Other current assets	206,261	277,351
Total current assets	2,838,493	2,710,080
Non-current assets		
Property, plant and equipment	792,920	773,091
Goodwill	124,500	124,846
Intangible assets	78,908	84,858
Right-of-use assets	96,201	93,427
Investments accounted for using the equity method	177,569	170,961
Investments in securities and other financial assets	391,538	527,453
Deferred tax assets	382,729	395,541
Other non-current assets	102,827	89,306
Total Non-current assets	2,147,196	2,259,487
Total assets	4,985,690	4,969,567
<u>Liabilities and Equity</u>		
Current liabilities		
Bonds, borrowings and other financial liabilities	769,099	1,012,284
Trade and other payables	824,030	704,976
Income taxes payable	28,994	11,881
Contract liabilities	835,465	714,086
Provisions	199,496	196,450
Other current liabilities	151,657	165,204
Total Current liabilities	2,808,742	2,804,884
Non-current liabilities		
Bonds, borrowings and other financial liabilities	601,770	587,954
Deferred tax liabilities	7,318	5,221
Retirement benefit liability	145,890	151,744
Provisions	58,173	51,240
Other non-current liabilities	73,718	77,957
Total non-current liabilities	886,871	874,118
Total liabilities	3,695,614	3,679,003
<u>Equity</u>		
Share capital	265,608	265,608
Capital surplus	49,667	49,294
Treasury shares	(5,374)	(4,582)
Retained earnings	886,307	851,671
Other components of equity	22,133	58,740
Equity attributable to owners of parent	1,218,343	1,220,732
Non-controlling interests	71,732	69,831
Total Equity	1,290,076	1,290,564
Total Liabilities and Equity	4,985,690	4,969,567

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

i) First 9 months FY2019 and FY2020

(Millions of Yen)

	FY2019 First 9 Months (From Apr. 1 to Dec. 31, 2020)	FY2020 First 9 Months (From Apr. 1 to Dec. 31, 2020)
Revenue	2,856,511	2,603,377
Cost of sales	2,361,449	2,212,907
Gross Profit	495,061	390,470
Selling, general and administrative expenses	427,335	395,621
Share of profit of investments accounted for using the equity method	11,086	9,568
Other income *	64,783	135,890
Other expenses	130,823	116,586
Profit from business activities	12,773	23,721
Finance income	6,495	5,557
Finance cost	14,512	30,541
Profit before income taxes	4,756	(1,262)
Income taxes	(112,922)	(5,442)
Profit	117,678	4,180
Profit attributable to:		
Owners of parent	101,408	3,302
Non-controlling interests	16,270	877

(Yen)

Earnings per share attributable to owners of parent		
Basic earnings per share	301.92	9.83
Diluted earnings per share	301.51	9.82

*Other income includes dividend income. The amount of dividends of FY 2019 first 9 Month is 10,181 Million Yen, and the amount of FY2020 First 9 Months is 9,581 Million Yen.

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

ii) For three months ended Dec.31, 2019 and 2020 (FY2019Q3 & FY2020Q3)

(Millions of Yen)

	FY2019 Q3 (From Oct. 1 to Dec. 31, 2019)	FY2020 Q3 (From Oct. 1 to Dec. 31, 2020)
Revenue	978,847	944,751
Cost of sales	830,092	796,776
Gross Profit	148,754	147,975
Selling, general and administrative expenses	156,136	138,032
Share of profit of investments accounted for using the equity method	1,621	4,365
Other income *	53,952	90,156
Other expenses	109,783	22,103
Profit from business activities	(61,590)	82,361
Finance income	8,474	1,961
Finance expenses	2,988	12,735
Profit before income taxes	(56,104)	71,587
Income taxes	(134,594)	10,582
Profit	78,490	61,004
Profit attributable to:		
Owners of parent	72,170	60,384
Non-controlling interests	6,320	620

(Yen)

Earnings per share attributable to owners of parent		
Basic earnings per share	214.83	179.66
Diluted earnings per share	214.56	179.53

*Other income includes dividend income. The amount of dividends of FY2019Q3 is 4,153 Million Yen, and the amount of FY2020Q3 is 4,885 Million Yen.

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

i) First 9 months FY2019 and FY2020

(Millions of Yen)

	FY2019 First 9 Months (From Apr. 1 to Dec. 31, 2020)	FY2020 First 9 Months (From Apr. 1 to Dec. 31, 2020)
Profit	117,678	4,180
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Net gains and losses from financial assets measured at FVTOCI	(8,030)	11,273
Remeasurement of defined benefit plans	(419)	161
Share of other comprehensive income (loss) of entities accounted for by the equity method	675	(165)
Total	(7,774)	11,269
Items that may be reclassified to profit or loss		
Cash flow hedges	128	2,460
Hedging cost	2	795
Exchange differences on translating foreign operations	(5,721)	7,168
Share of other comprehensive income (loss) of entities accounted for by the equity method	(1,015)	2,462
Total	(6,604)	12,885
Total other comprehensive income (loss)	(14,378)	24,155
Comprehensive income	103,299	28,335
Comprehensive income (loss) attributable to		
Owners of parent	88,657	26,060
Non-controlling interests	14,642	2,275

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

ii) For three months ended Dec.31, 2019 and 2020 (FY2019Q3 & FY2020Q3)

	(Millions of Yen)	
	FY2019 Q3 (From Oct. 1 to Dec. 31, 2019)	FY2020 Q3 (From Oct. 1 to Dec. 31, 2020)
Profit	78,490	61,004
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Net gains and losses from financial assets measured at FVTOCI	10,234	9,765
Remeasurement of defined benefit plans	28	22
Share of other comprehensive income (loss) of entities accounted for by the equity method	1,119	55
Total	11,382	9,843
Items that may be reclassified to profit or loss		
Cash flow hedges	1,087	1,364
Hedging cost	(254)	133
Exchange differences on translating foreign operations	18,118	4,791
Share of other comprehensive income (loss) of entities accounted for by the equity method	(2,140)	1,341
Total	16,811	7,630
Total other comprehensive income (loss)	28,194	17,473
Comprehensive income (loss)	106,685	78,478
Comprehensive income (loss) attributable to		
Owners of parent	95,050	77,034
Non-controlling interests	11,635	1,443

(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				101,408		101,408	16,270	117,678
Other comprehensive income (loss)					(12,750)	(12,750)	(1,628)	(14,378)
Comprehensive income (loss)				101,408	(12,750)	88,657	14,642	103,299
Transfer to retained earnings				2,110	(2,110)	-		-
Purchase of treasury shares			(12)			(12)		(12)
Disposal of treasury shares		66	178			244		244
Dividends				(47,016)		(47,016)	(4,085)	(51,102)
Put options held by non-controlling shareholders		10,889				10,889	8,653	19,543
Transactions with non-controlling interests		(149,309)			686	(148,622)	(259,213)	(407,835)
Other		124	528	841		1,494	(3,989)	(2,495)
Total transactions with owners		(138,228)	694	(46,175)	686	(183,022)	(258,635)	(441,657)
Balance as of Dec. 31, 2019	265,608	47,073	(4,878)	926,582	82,813	1,317,199	73,135	1,390,334
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				3,302		3,302	877	4,180
Other comprehensive income (loss)					22,757	22,757	1,397	24,155
Comprehensive income (loss)	-	-	-	3,302	22,757	26,060	2,275	28,335
Transfer to retained earnings				(13,849)	13,849	-		-
Purchase of treasury shares			(3)			(3)		(3)
Disposal of treasury shares		58	231			289		289
Dividends				(25,188)		(25,188)	(3,984)	(29,173)
Other		(430)	563	1,098		1,230	(190)	1,039
Total transactions with owners	-	(372)	791	(24,089)	-	(23,671)	(4,175)	(27,847)
Balance as of Dec. 31, 2020	265,608	49,294	(4,582)	851,671	58,740	1,220,732	69,831	1,290,564

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

(Millions of Yen)

	FY2019 First 9 Months (From Apr. 1 to Dec. 31, 2020)	FY2020 First 9 Months (From Apr. 1 to Dec. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	4,756	(1,262)
Depreciation, amortization and impairment loss	209,067	185,332
Finance income and costs	(804)	3,698
Share of profit of investments accounted for using the equity method	(11,086)	(9,568)
Loss (gain) on sale of shares of subsidiaries and associates	-	(83,100)
Loss (gain) on sale of property, plant and equipment, and intangible assets	(666)	(37,228)
Loss on disposal of property, plant and equipment, and intangible assets	5,753	3,651
Decrease (increase) in trade receivables	53,920	18,929
Decrease (increase) in contract assets	(104,151)	(154,506)
Decrease (increase) in inventories and advanced payments	(51,819)	(58,900)
Increase (decrease) in trade payables	(75,623)	(108,621)
Increase (decrease) in contract liabilities	(30,718)	(136,166)
Increase (decrease) in provisions	(29,159)	(17,564)
Increase (decrease) in retirement benefit liabilities	9,673	5,808
Decrease (increase) in indemnification asset for South African projects	(64,686)	-
Others	(13,369)	(33,764)
Subtotal	(98,913)	(423,264)
Interest received	4,478	3,155
Dividends received	12,989	13,897
Interest paid	(5,967)	(5,843)
Income taxes paid	(49,723)	(67,456)
Net cash provided by operating activities	(137,137)	(479,511)
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(184,190)	(117,153)
Proceeds from sales of property, plant and equipment and intangible assets	24,253	38,480
Purchases of investments (including investments accounted for using the equity method)	(13,155)	(11,436)
Proceeds from sales and redemption of investments (including investments accounted for using the equity method)	20,180	5,996
Payments for acquisition of subsidiaries	(28,773)	-
Proceeds from sale of subsidiaries	712	775
Payments for acquisition of businesses	-	(68,709)
Net decrease (increase) in short-term loans	656	200
Disbursement of long-term loans	(505)	(6,922)
Collection of long-term loans	78	105
Others	(5,276)	(877)
Net cash used in investing activities	(186,018)	(159,540)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	432,309	593,492
Proceeds from long-term borrowings	2	10,000
Repayment of long-term borrowings	(17,420)	(31,637)
Proceeds from issuance of bonds	-	65,000
Payment for redemption of bonds	(65,000)	(10,000)
Payments for acquisition of interests in subsidiaries from non-controlling interests	-	(19,523)
Dividends paid to owners of the parent	(45,636)	(25,310)
Dividends paid to non-controlling interests	(4,085)	(3,997)
Proceeds from factoring agreements	99,921	106,313
Repayment of liabilities under factoring agreements	(91,188)	(53,222)
Repayment of lease liabilities	(17,247)	(16,016)
Others	(1,671)	(1,126)
Net cash provided by (used in) financing activities	289,984	613,972
Effect of exchange rate changes on cash and cash equivalents	(2,166)	707
Net increase (decrease) in cash and cash equivalents	(35,337)	(24,372)
Cash and cash equivalents at the beginning of the year	283,235	281,626
Cash and cash equivalents at the end of period	247,897	257,254