

No. 2086

## MHI Announces Outline of FY2017 First 6 Month Financial Results Ended September 30, 2017 (Consolidated)

Tokyo, October 31, 2017 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first six months of fiscal year (FY) 2017 ended September 30, 2017.

(billions of yen)

|  | <b>FY2017</b><br><b>First 6 Months</b><br>(From April 1 to<br>September 30, 2017) | FY2016<br>First 6 Months<br>(From April 1 to<br>September 30, 2016) | Changes<br>(%) |
|--|---|---|----------------|
| Orders Received                                      | <b>1,600.5</b>  | 1,664.4   | (3.8)          |
| Net Sales  | <b>1,825.4</b>  | 1,750.5   | 4.3            |
| Operating Income                                     | <b>38.2</b>   | 38.4  | (0.5)          |
| Ordinary Income                                      | <b>41.2</b>   | (1.8)   | —              |
| Income Before Income Taxes                           | <b>36.5</b>   | (14.6)  | —              |
| Profit Attributable to Owners<br>of Parent           | <b>13.5</b>   | (18.9)  | —              |
| Operating Cash Flow                                  | <b>(110.8)</b>  | (118.3)   | —              |
| Investment Cash Flow                                 | <b>(75.4)</b>   | (98.7)  | —              |
| Financing Cash Flow                                  | <b>149.7</b>  | 122.6   | —              |
| Profit Attributable to Owners<br>of Parent Per Share | <b>40.30 yen</b>  | (56.43 yen)   | —              |

Figures in parentheses are negative.

**Consolidated** financial results (continued)

**Sales by Operational Segment**

(billions of yen)

|                           | <b>FY2017<br/>First 6 Months</b><br>(From April 1 to<br>September 30, 2017) | FY2016<br>First 6 Months<br>(From April 1 to<br>September 30, 2016) |
|---------------------------|---|---|
| Power Systems             | <b>630.0</b>  | 648.6   |
| Industry & Infrastructure | <b>882.5</b>  | 793.0   |
| Aircraft, Defense & Space | <b>316.0</b>  | 303.3   |
| Others                    | <b>60.7</b>   | 78.5  |
| Eliminations or Corporate | <b>(63.8)</b>   | (73.1)  |
| <b>TOTAL</b>              | <b>1,825.4</b>  | 1,750.5   |

**Operating Income (Loss) by Operational Segment**

(billions of yen)

|                           | <b>FY2017<br/>First 6 Months</b><br>(From April 1 to<br>September 30, 2017) | FY2016<br>First 6 Months<br>(From April 1 to<br>September 30, 2016) |
|---------------------------|---|---|
| Power Systems             | <b>12.1</b>   | 30.2  |
| Industry & Infrastructure | <b>26.9</b>   | 12.2  |
| Aircraft, Defense & Space | <b>2.9</b>  | 0.0   |
| Others                    | <b>2.5</b>  | 3.7   |
| Eliminations or Corporate | <b>(6.4)</b>  | (7.8)   |
| <b>TOTAL</b>              | <b>38.2</b>   | 38.4  |

Figures in parentheses are negative.

## **Estimate of Consolidated Financial Results for FY 2017**

For the fiscal year 2017 ending March 31, 2018, MHI is expecting 4,050 billion yen in net sales, 180 billion yen in operating income, 170 billion yen in ordinary income, 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.

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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## CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

|   | As of<br>Mar. 31, 2017 | As of<br>Sep. 30, 2017 |
|---|------------------------|------------------------|
| <b><u>ASSETS</u></b>                            |                        |                        |
| <b>Current assets:</b>                          |                        |                        |
| Cash and deposits                               | 248,040                | 226,739                |
| Trade receivables                               | 1,180,143              | 1,176,778              |
| Merchandise and finished products               | 178,884                | 194,288                |
| Work in process                                 | 989,336                | 1,036,118              |
| Raw materials and supplies                      | 157,330                | 156,171                |
| Deferred income taxes                           | 114,223                | 124,010                |
| Indemnification asset for South African project | 294,955                | 344,815                |
| Other current assets                            | 368,088                | 383,276                |
| Allowance for doubtful accounts                 | (8,959)                | (9,979)                |
| <b>Total current assets</b>                     | <b>3,522,043</b>       | <b>3,632,218</b>       |
| <b>Non-current assets:</b>                      |                        |                        |
| Property, plant and equipment, net:             |                        |                        |
| Buildings and structures                        | 361,310                | 357,839                |
| Machinery and transportation equipment          | 262,129                | 257,783                |
| Tools, equipment and furniture                  | 64,511                 | 65,768                 |
| Land  | 179,674                | 180,091                |
| Leased assets                                   | 5,004                  | 5,016                  |
| Construction in progress                        | 62,448                 | 69,555                 |
| Subtotal  | 935,078                | 936,054                |
| Intangible assets:                              |                        |                        |
| Goodwill  | 120,552                | 114,190                |
| Others  | 128,896                | 120,724                |
| Subtotal  | 249,448                | 234,915                |
| Investments and advances:                       |                        |                        |
| Investment securities                           | 578,758                | 605,553                |
| Long-term loans                                 | 17,778                 | 19,368                 |
| Asset for retirement benefit                    | 60,556                 | 56,144                 |
| Deferred income taxes                           | 13,060                 | 13,493                 |
| Others  | 113,407                | 110,908                |
| Allowance for doubtful accounts                 | (8,204)                | (8,989)                |
| Subtotal  | 775,356                | 796,479                |
| <b>Total non-current assets</b>                 | <b>1,959,883</b>       | <b>1,967,449</b>       |
| <b>TOTAL ASSETS</b>                             | <b>5,481,927</b>       | <b>5,599,667</b>       |

## CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

|  | As of<br>Mar. 31, 2017 | As of<br>Sep. 30, 2017 |
|--|------------------------|------------------------|
| <b><u>LIABILITIES</u></b>                                  |                        |                        |
| <b>Current liabilities:</b>                                |                        |                        |
| Trade payables   | 736,502                | 671,183                |
| Electronically recorded obligations                        | 99,560                 | 104,207                |
| Short-term borrowings                                      | 205,679                | 231,824                |
| Current portion of long-term borrowings                    | 97,729                 | 106,462                |
| Commercial papers  | -                      | 196,000                |
| Current portion of bonds                                   | 60,000                 | 30,000                 |
| Income taxes payable                                       | 31,233                 | 24,269                 |
| Reserve for product warranties                             | 14,899                 | 14,164                 |
| Reserve for loss on construction contracts                 | 49,853                 | 48,340                 |
| Reserve for loss on passenger vessel construction business | 18,463                 | -                      |
| Reserve for stock benefits                                 | 366                    | 182                    |
| Advance payments received on contracts                     | 777,654                | 775,293                |
| Other current liabilities                                  | 435,152                | 399,979                |
| <b>Total current liabilities</b>                           | <b>2,527,093</b>       | <b>2,601,906</b>       |
| <b>Non-current liabilities:</b>                            |                        |                        |
| Bonds  | 215,000                | 205,000                |
| Long-term borrowings                                       | 347,157                | 329,138                |
| Deferred income taxes                                      | 87,029                 | 100,603                |
| Reserve for stock benefits                                 | 1,247                  | 1,806                  |
| Reserve for treatment of PCB waste                         | 6,485                  | 6,242                  |
| Liability for retirement benefits                          | 123,160                | 129,484                |
| Other non-current liabilities                              | 67,458                 | 65,775                 |
| <b>Total non-current liabilities</b>                       | <b>847,538</b>         | <b>838,052</b>         |
| <b>TOTAL LIABILITIES</b>                                   | <b>3,374,632</b>       | <b>3,439,958</b>       |
| <b><u>NET ASSETS</u></b>                                   |                        |                        |
| <b>Stockholders' equity:</b>                               |                        |                        |
| Common stock   | 265,608                | 265,608                |
| Capital surplus  | 203,658                | 213,739                |
| Retained earnings  | 1,214,749              | 1,207,598              |
| Treasury stock   | (4,609)                | (4,258)                |
| <b>Total stockholders' equity</b>                          | <b>1,679,407</b>       | <b>1,682,688</b>       |
| <b>Accumulated other comprehensive income (loss)</b>       |                        |                        |
| Unrealized holding gain (loss) on investment securities    | 100,600                | 137,099                |
| Unrealized gain (loss) from hedging instruments            | 1,294                  | (202)                  |
| Translation adjustments                                    | (2,287)                | 10,953                 |
| Retirement benefits liability adjustments                  | 3,683                  | 3,978                  |
| <b>Total accumulated other comprehensive income (loss)</b> | <b>103,291</b>         | <b>151,828</b>         |
| <b>Share subscription rights</b>                           | <b>2,536</b>           | <b>2,332</b>           |
| <b>Non-controlling interests</b>                           | <b>322,059</b>         | <b>322,858</b>         |
| <b>TOTAL NET ASSETS</b>                                    | <b>2,107,295</b>       | <b>2,159,709</b>       |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                    | <b>5,481,927</b>       | <b>5,599,667</b>       |

# CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

|   | FY2016 First 6 Months<br>(From Apr. 1 to<br>Sep. 30, 2016) | FY2017 First 6 Months<br>(From Apr. 1 to<br>Sep. 30, 2017) |
|---|--|--|
| <b>Net sales</b>  | <b>1,750,523</b>   | <b>1,825,481</b>   |
| Cost of sales   | 1,430,204  | 1,496,614  |
| <b>Gross profit</b>                                       | <b>320,318</b>   | <b>328,866</b>   |
| <b>Selling, general and administrative expenses:</b>      |  |  |
| Provision of allowance for doubtful accounts              | 44   | 379  |
| Directors' compensations, salaries and allowances         | 103,099  | 108,180  |
| Research and development expenses                         | 43,508   | 44,828   |
| Expenses for inquiries                                    | 22,905   | 25,885   |
| Other expenses  | 112,352  | 111,369  |
| <b>Total selling, general and administrative expenses</b> | <b>281,911</b>   | <b>290,643</b>   |
| <b>Operating income</b>                                   | <b>38,407</b>  | <b>38,222</b>  |
| <b>Non-operating income:</b>                              |  |  |
| Interest income   | 2,003  | 1,879  |
| Dividend income   | 4,754  | 6,581  |
| Foreign exchange gain                                     | -  | 7,037  |
| Income from equity method investments                     | -  | 2,080  |
| Other income  | 6,046  | 3,973  |
| <b>Total non-operating income</b>                         | <b>12,804</b>  | <b>21,551</b>  |
| <b>Non-operating expenses:</b>                            |  |  |
| Interest expense  | 5,974  | 4,963  |
| Foreign exchange loss                                     | 11,845   | -  |
| Loss from equity method investments                       | 20,376   | -  |
| Loss on disposal of fixed assets                          | 3,020  | 2,974  |
| Other expenses  | 11,848   | 10,621   |
| <b>Total non-operating expenses</b>                       | <b>53,065</b>  | <b>18,559</b>  |
| <b>Ordinary income</b>                                    | <b>(1,853)</b>   | <b>41,214</b>  |
| <b>Extraordinary gain:</b>                                |  |  |
| Gain on sales of investment securities                    | 3,718  | -  |
| <b>Total extraordinary gain</b>                           | <b>3,718</b>   | <b>-</b>   |
| <b>Extraordinary loss:</b>                                |  |  |
| Business structure improvement expenses                   | -  | 4,705  |
| Loss on passenger vessel construction business reserve    | 16,481   | -  |
| <b>Total extraordinary loss</b>                           | <b>16,481</b>  | <b>4,705</b>   |
| <b>Profit before income taxes</b>                         | <b>(14,615)</b>  | <b>36,509</b>  |
| Income taxes  | 385  | 18,714   |
| <b>Profit</b>   | <b>(15,000)</b>  | <b>17,794</b>  |
| Profit attributable to non-controlling interests          | 3,946  | 4,259  |
| <b>Profit attributable to owners of parent</b>            | <b>(18,947)</b>  | <b>13,535</b>  |

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of Yen)

|   | FY2016 First 6 Months<br>(From Apr. 1 to<br>Sep. 30, 2016) | FY2017 First 6 Months<br>(From Apr. 1 to<br>Sep. 30, 2017) |
|---|--|--|
| <b>Profit (Loss)</b>  | <b>(15,000)</b>  | <b>17,794</b>  |
| <b>Other comprehensive income (loss)</b>  |  |  |
| Unrealized holding gain (loss) on investment securities                                   | (6,426)  | 36,628   |
| Unrealized gain (loss) from hedging instruments   | 1,450  | (147)  |
| Translation adjustments   | (68,722)   | 19,073   |
| Retirement benefits liability adjustments   | 222  | 964  |
| Share of other comprehensive income (loss) of entities accounted for by the equity method | (3,208)  | 37   |
| <b>Total other comprehensive income (loss)</b>  | <b>(76,685)</b>  | <b>56,556</b>  |
| <b>Comprehensive income (loss)</b>  | <b>(91,686)</b>  | <b>74,351</b>  |
| <b>Comprehensive income (loss) attributable to</b>  |  |  |
| Owners of parent  | (73,691)   | 62,073   |
| Non-controlling interests   | (17,994)   | 12,278   |

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

|   | FY2016 First 6 Months<br>(From Apr.1 to<br>Sep.30,2016) | FY2017 First 6 Months<br>(From Apr.1 to<br>Sep.30,2017) |
|---|---|---|
| <b>Cash flows from operating activities:</b>  |   |   |
| Profit (loss) before income taxes   | (14,615)  | 36,509  |
| Adjustments to reconcile profit (loss) before income taxes<br>to net cash provided by operating activities: |   |   |
| Depreciation and amortization   | 79,872  | 82,848  |
| Amortization of goodwill  | 8,046   | 8,212   |
| Increase (decrease) in liability for retirement benefits  | 904   | 6,764   |
| Interest and dividend income  | (6,758)   | (8,460)   |
| Interest expense  | 5,974   | 4,963   |
| Foreign exchange loss (gain)  | 6,038   | (4,266)   |
| (Income) loss from equity method investments  | 20,376  | (2,080)   |
| (Gain) loss on sales of investment securities   | (3,718)   | -   |
| (Gain) loss on sales of fixed assets  | (334)   | -   |
| Loss on disposal of fixed assets  | 3,020   | 2,974   |
| Business structure improvement expenses   | -   | 4,705   |
| Loss on passenger vessel construction business reserve  | 16,481  | -   |
| (Increase) decrease in receivables  | 96,884  | 26,723  |
| (Increase) decrease in inventories and advances to suppliers  | (173,883)   | (53,493)  |
| (Increase) decrease in other assets   | (12,833)  | (56,909)  |
| Increase (decrease) in payables   | (81,558)  | (69,409)  |
| Increase (decrease) in advance payments received on contracts   | (14,326)  | (9,412)   |
| Increase (decrease) in other liabilities  | (40,638)  | (74,573)  |
| Others  | 597   | (9,347)   |
| Subtotal  | <b>(110,471)</b>  | <b>(114,251)</b>  |
| Interest and dividends received   | 8,381   | 10,376  |
| Interest paid   | (6,096)   | (4,316)   |
| Income taxes paid   | (10,167)  | (2,652)   |
| Net cash provided by (used in) operating activities   | <b>(118,354)</b>  | <b>(110,844)</b>  |
| <b>Cash flows from investing activities:</b>  |   |   |
| Net (increase) decrease in time deposits  | (3,794)   | (4,415)   |
| Purchases of property, plant, equipment and intangible assets   | (98,267)  | (79,552)  |
| Proceeds from sales of property, plant, equipment and intangible assets                                     | 5,369   | 8,614   |
| Purchases of investment securities  | (2,967)   | (2,238)   |
| Proceeds from sales and redemption of investment securities   | 6,696   | 24,462  |
| Proceeds from transfer of business  | -   | 1,400   |
| Disbursement of long-term loans   | (3,006)   | (2,168)   |
| Collection of long-term loans   | 1,743   | 11,209  |
| Others  | (4,482)   | (32,763)  |
| Net cash provided by (used in) investing activities   | <b>(98,709)</b>   | <b>(75,451)</b>   |
| <b>Cash flows from financing activities:</b>  |   |   |
| Net increase (decrease) in short-term borrowings and commercial papers                                      | 160,371   | 223,460   |
| Proceeds from long-term borrowings  | 590   | 2,089   |
| Repayment of long-term borrowings   | (32,661)  | (10,248)  |
| Proceeds from issuance of bonds   | 30,000  | 20,000  |
| Payment for redemption of bonds   | (20,000)  | (60,000)  |
| Proceeds from issuance of stock to non-controlling shareholders   | 100   | 505   |
| Dividends paid to stockholders  | (20,134)  | (20,107)  |
| Dividends paid to non-controlling shareholders  | (1,691)   | (5,034)   |
| Others  | 6,077   | (926)   |
| Net cash provided by (used in) financing activities   | <b>122,652</b>  | <b>149,738</b>  |
| Effect of exchange rate changes on cash and cash equivalents  | <b>(14,729)</b>   | <b>10,454</b>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | <b>(109,140)</b>  | <b>(26,102)</b>   |
| Cash and cash equivalents at the beginning of the year  | <b>300,267</b>  | <b>242,404</b>  |
| Increase in cash and cash equivalents due to changes in scope of consolidation                              | -   | 2   |
| Decrease in cash and cash equivalents due to changes in scope of consolidation                              | (1,470)   | (592)   |
| Cash and cash equivalents at the end of period  | <b>189,656</b>  | <b>215,712</b>  |