



# Financial Results for FY2017 1-3Q (Apr.-Dec.)

February 6, 2018

**MITSUBISHI HEAVY INDUSTRIES, LTD.**

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# I. FY2017 1-3Q Financial Results

# Summary of 1-3Q Financial Results

(In billion yen)

	FY2016 1-3Q		FY2017 1-3Q		Change	
Orders received		2,656.4		2,577.6	-78.7	(- 3.0%)
Net sales		2,694.2		2,851.4	157.1	(+5.8%)
Operating income	(2.5%)	68.4	(2.8%)	80.0	11.5	(+16.9%)
Ordinary income	(1.9%)	50.9	(3.2%)	91.1	40.2	(+78.9%)
Extraordinary gain/loss		-19.7		-8.8	+10.9	-
Profit attributable to owners of parent	(-0.4%)	-11.2	(0.9%)	24.7	+36.0	-
EBITDA	(7.6%)	205.5	(7.7%)	220.1	+14.6	(+7.1%)

## Breakdown of FY2017 1-3Q Extraordinary gain/loss (-8.8)

### <Extraordinary gain>

- Gain on sales of investment securities 1.9

### <Extraordinary loss>

- Business structure improvement expenses -10.8

Non-operating income below are included:

- Income from equity method investments 1.3 (+22.8)

\* ( ) Change from FY2016 1-3Q

# 1-3Q Financial Results by Segment<sup>(\*)</sup>

(In billion yen)

	Orders received			Net sales			Operating income		
	FY2016 1-3Q	FY2017 1-3Q	Change	FY2016 1-3Q	FY2017 1-3Q	Change	FY2016 1-3Q	FY2017 1-3Q	Change
Power Systems	1,062.5	1,014.5	- 47.9	973.0	985.7	+12.7	43.9	40.4	- 3.4
Industry & Infrastructure	1,188.2	1,207.7	+19.4	1,235.6	1,354.5	+118.9	27.9	40.4	+12.5
Aircraft, Defense & Space	395.5	351.5	- 44.0	473.8	517.0	+43.2	1.4	2.8	+1.3
Others	117.9	87.8	- 30.1	119.7	84.9	- 34.7	6.5	4.0	- 2.5
Eliminations or Corporate	- 107.8	- 83.9	+23.8	- 107.9	- 91.0	+16.9	- 11.3	- 7.7	+3.5
<b>Total</b>	<b>2,656.4</b>	<b>2,577.6</b>	<b>- 78.7</b>	<b>2,694.2</b>	<b>2,851.4</b>	<b>+157.1</b>	<b>68.4</b>	<b>80.0</b>	<b>+11.5</b>

(\*) The reported segments have been changed in line with the reorganization and business reconfiguration initiatives carried out effective April 1, 2017.

# Balance Sheet Overview

(In billion yen)

	As of December 31, 2016	As of March 31, 2017	As of December 31, 2017	Change
Trade receivables	1,151.0	1,180.1	1,307.1	+126.9
Inventories	1,500.8	1,325.5	1,405.2	+79.7
Other current assets	1,051.7	1,016.3	* 1,147.5	+131.1
Total fixed assets	1,253.9	1,184.5	1,153.8	-30.7
Investments and advances	746.9	775.3	871.2	+95.8
<b>Total assets</b>	<b>5,704.6</b>	<b>5,481.9</b>	<b>5,884.9</b>	<b>+403.0</b>
Trade payables	766.8	836.0	791.9	-44.0
Advance payments received on contracts	690.9	777.6	873.1	+95.4
Other current liabilities	834.7	835.3	823.6	-11.7
Interest-bearing debt	1,406.7	925.5	1,215.0	+289.4
Net assets	2,005.4	2,107.2	2,181.2	+73.9
Net worth (Owners equity)	1,679.6	1,782.6	1,842.8	+60.1
<b>Total liabilities and net assets</b>	<b>5,704.6</b>	<b>5,481.9</b>	<b>5,884.9</b>	<b>+403.0</b>

\* Including indemnification asset for South African project (363.5 billion yen)

Short-term borrowings	+33.3
Commercial papers	+319.0
Bonds (incl. current portion)	-40.0
Long-term borrowings (incl. current portion)	-22.8
- Decreased 191.6 from FY2016 1-3Q	

Dividend	-40.3
Profit attributable to owners of parent	+24.7
Other comprehensive income	+65.4 etc.
(Unrealized holding gain on investment securities, etc.)	

# Main Financial Measures, Cash Flows

## Main Financial Measures

	As of Dec.31, 2016	As of Mar.31, 2017	As of Dec.31, 2017	Change	FY2017 Forecast
Equity ratio	29.4%	32.5%	31.3%	-1.2pt	-
Interest-bearing debt (In billion yen)	1,406.7	925.5	1,215.0	+289.4	850.0
D/E ratio	70%	44%	56%	+12pt	-

## Cash Flows

(In billion yen)

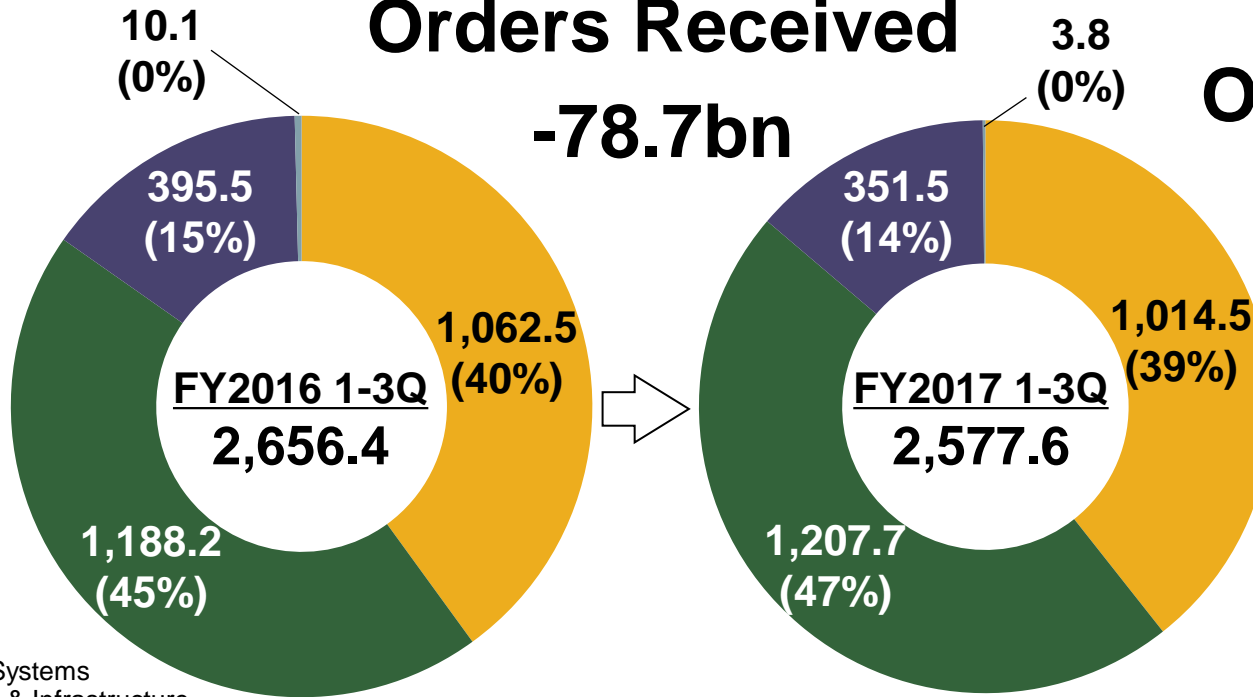
	FY2016 1-3Q	FY2017 1-3Q	Change	FY2017 Forecast
Operating activities Cash Flow	-261.9	-88.2	+173.7	-
Investing activities Cash Flow	-131.9	-180.3	-48.4	-
Free Cash Flow	-393.9	-268.5	+125.3	100.0

# Orders Received & Order Backlog by Segment

(In billion yen)

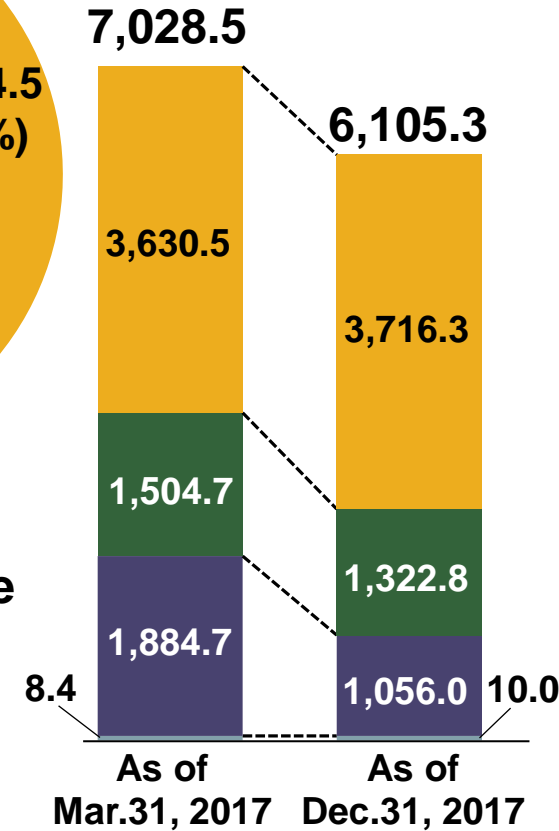
## Orders Received

-78.7bn



## Order Backlog<sup>(\*)</sup>

-923.2bn



(\*) • Does not include mass-manufactured products: turbochargers, air-conditioners, etc.  
 • Does not include MRJ in figures for Dec.31, 2017. (See p.16 for the number of MRJ orders received)

- Power Systems
- Industry & Infrastructure
- Aircraft, Defense & Space
- Others, Eliminations or Corporate

■ **Power Systems**  
 Decreased:  
 Conventional thermal power

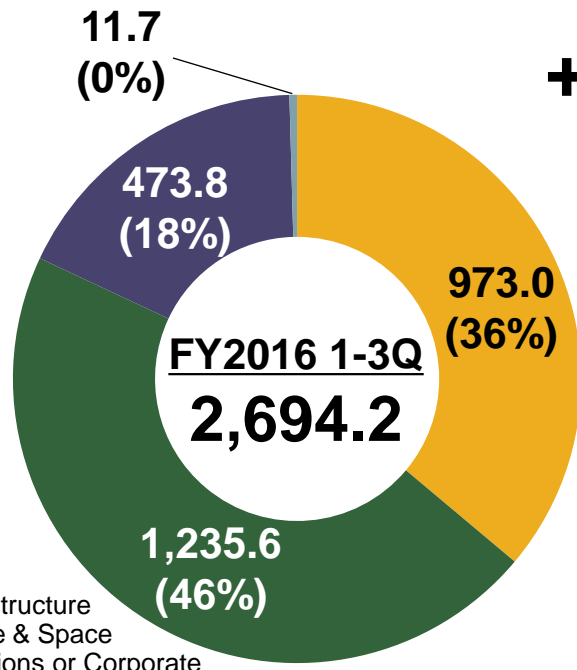
■ **Aircraft, Defense & Space**  
 Decreased:  
 Defense aircraft

■ **Industry & Infrastructure**  
 Increased:  
 Metals machinery, Turbochargers  
 Decreased:  
 Chemical plants, Commercial ships

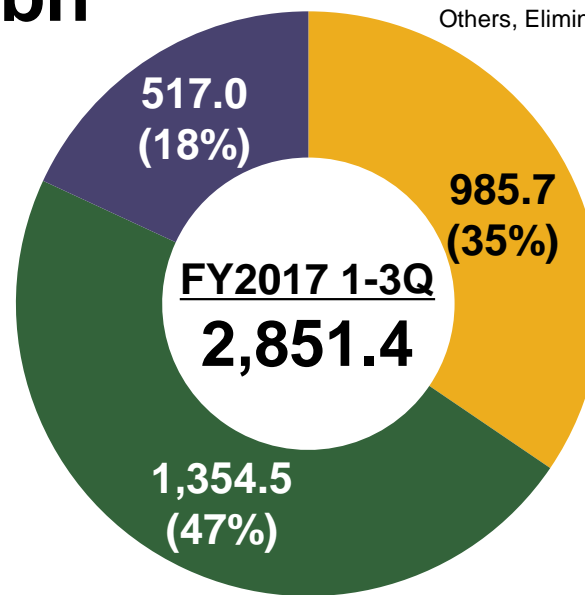
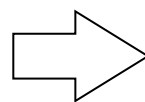


# Net Sales by Segment

(In billion yen)



**+157.1bn**



- Power Systems
- Industry & Infrastructure
- Aircraft, Defense & Space
- Others, Eliminations or Corporate

## ■ Power Systems

Increased :

Conventional thermal power

Decreased :

Nuclear power

## ■ Industry & Infrastructure

Increased :

Transportation systems, Forklift trucks, Turbochargers

Decreased :

Chemical plants

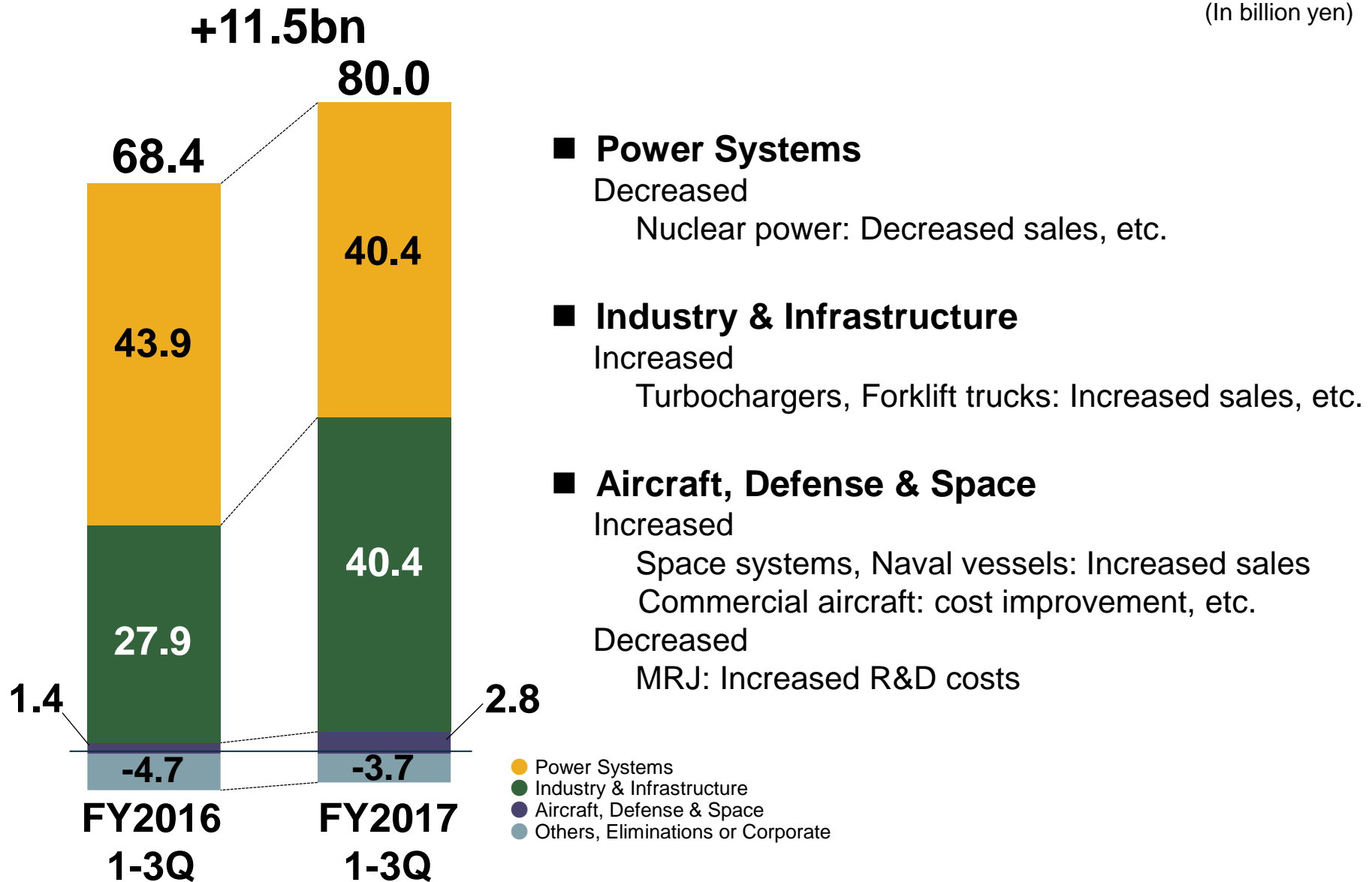
## ■ Aircraft, Defense & Space

Increased:

Space systems, Naval vessels

# Operating Income by Segment

(In billion yen)



## II. Forecast for FY2017

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 FY2017

(In billion yen)

	FY2016 (Actual)		FY2017 (Forecast)		Change	
Orders received	4,275.6		4,000.0		- 275.6	(- 6.4%)
Net sales	3,914.0		4,050.0		+135.9	(+3.5%)
Operating income	(3.8%)	150.5	(4.4%)	180.0	+29.4	(+19.6%)
Ordinary income	(3.2%)	124.2	(4.2%)	170.0	+45.7	(+36.8%)
Profit attributable to owners of parent	(2.2%)	87.7	(2.0%)	80.0	- 7.7	(- 8.8%)
ROE	5.1%		4.4%		- 0.7pt	
EBITDA	(8.7%)	339.8	(9.1%)	370.0	+30.1	(+8.9%)
Free cash flow	104.6		100.0		- 4.6	(- 4.4%)
Dividend (per share after the share consolidation)	(*)120.0yen Interim: 60.0yen year-end: 60.0yen		(*)120.0yen Interim: 60.0yen year-end: 60.0yen			

Assumed exchange rate

US\$ 1.00 = ¥110

Euro 1.00 = ¥130

Undetermined foreign currency amount

US\$: 0.7 billion

Euro: 0.3 billion

There is no change in the forecast announced on October 31, 2017.

(\*) MHI implemented a share consolidation (10 to 1) effective October 1, 2017.

Actual dividend for FY2016 was 12 yen (Interim: 6yen / year-end: 6yen) and for FY2017 interim was 6 yen; however, for the purpose of comparison, dividends are shown here at post-share consolidation levels.

# Forecast for FY2017 by Segment<sup>(\*)</sup>

(In billion yen)

	Orders received			Net sales			Operating income		
	FY2016 (Actual)	FY2017 (Forecast)	Change	FY2016 (Actual)	FY2017 (Forecast)	Change	FY2016 (Actual)	FY2017 (Forecast)	Change
Power Systems	1,726.3	1,450.0	- 276.3	1,448.4	1,550.0	+101.5	108.1	100.0	- 8.1
Industry & Infrastructure	1,590.3	1,900.0	+309.6	1,747.0	1,850.0	+102.9	50.0	80.0	+29.9
Aircraft, Defense & Space	955.0	600.0	- 355.0	703.4	650.0	- 53.4	0.9	10.0	+9.0
Others	160.4	150.0	- 10.4	175.9	150.0	- 25.9	10.7	10.0	- 0.7
Eliminations or Corporate	- 156.6	- 100.0	+56.6	- 160.7	- 150.0	+10.7	- 19.3	- 20.0	- 0.6
<b>Total</b>	<b>4,275.6</b>	<b>4,000.0</b>	<b>- 275.6</b>	<b>3,914.0</b>	<b>4,050.0</b>	<b>+135.9</b>	<b>150.5</b>	<b>180.0</b>	<b>+29.4</b>

(\*) The reported segments have been changed in line with the reorganization and business reconfiguration initiatives carried out effective April 1, 2017.

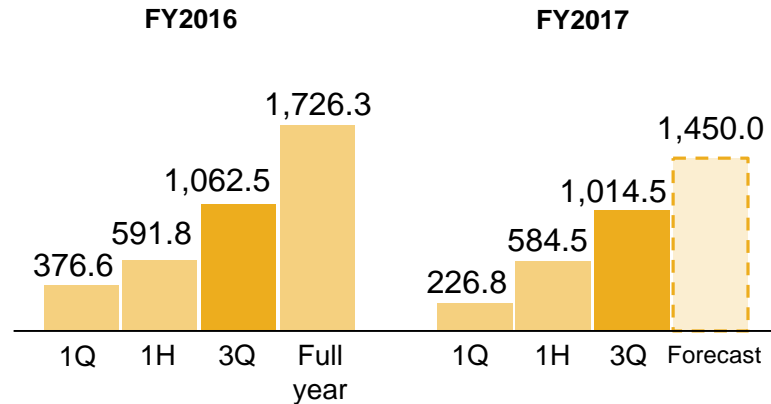
## III. Supplementary Information

# Supplementary Information (1) Financial Results by Business Segment

## < Power Systems >

(In billion yen, accumulated amount)

### Orders Received



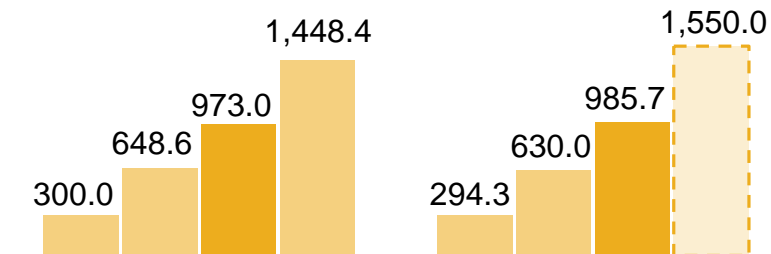
### Orders received : Down ¥47.9 billion YoY

- Decreased : Conventional thermal power

#### Gas turbine orders received

		North America	Asia	Japan	Others	Total
FY2016-1-3Q	Large size	4	6	2	1	13
	Small to medium size	-	1	-	-	1
	Total	4	7	2	1	14
FY2017-1-3Q	Large size	-	2	-	2	4
	Small to medium size	-	-	1	1	2
	Total	0	2	1	3	6

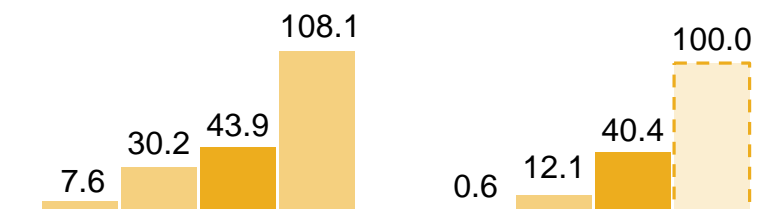
### Net Sales



### Net sales : Up ¥12.7 billion YoY

- Increased : Conventional thermal power  
- Decreased : Nuclear power

### Operating Income



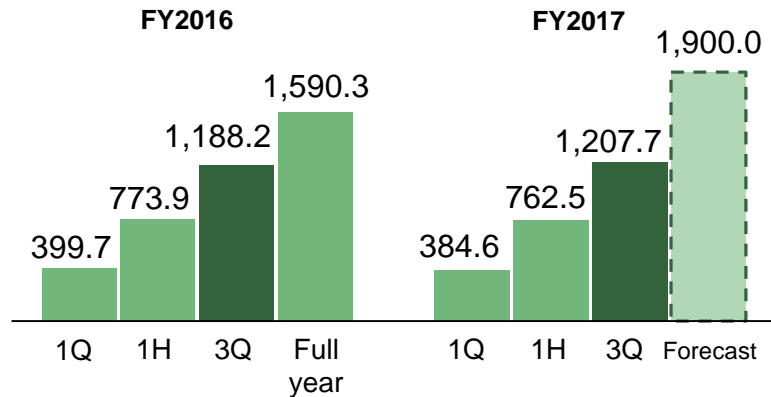
### Earnings : Down ¥3.4 billion YoY

- Decreased  
Nuclear power: Decreased sales, etc.

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

(In billion yen, accumulated amount)

## Orders Received



## Orders received : Up ¥19.4 billion YoY

- Increased : Metals machinery, Turbochargers
- Decreased : Chemical plants, Commercial ships

Number of ships orders received

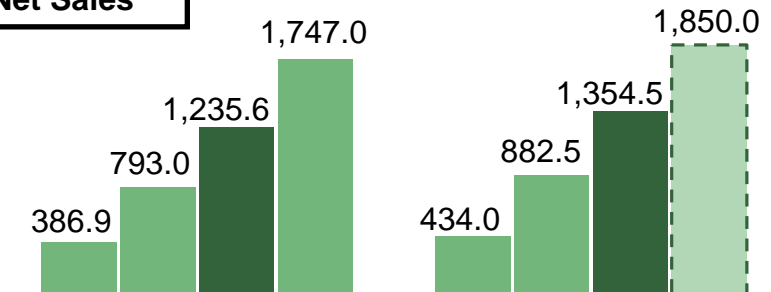
FY2016 1-3Q: 6 (1Q: 4, 2Q: 2, 3Q: 0, 4Q: 3)

FY2017 1-3Q: 4 (1Q: 1, 2Q: 1, 3Q: 2)

Backlog of ship orders: 29

(10 LNG carriers, 4 LPG carriers, 3 roll-on/roll-off ships and others)

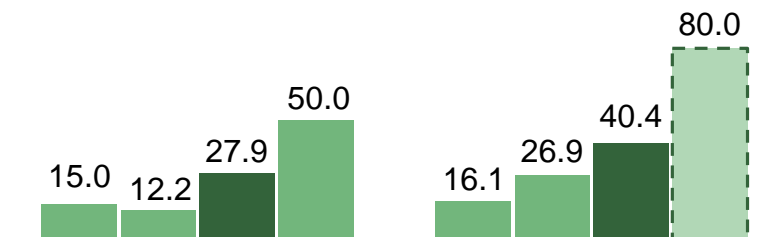
## Net Sales



## Net sales : Up ¥118.9 billion YoY

- Increased : Transportation systems, Forklift trucks, Turbochargers
- Decreased : Chemical plants

## Operating Income



## Earnings : Up ¥12.5 billion YoY

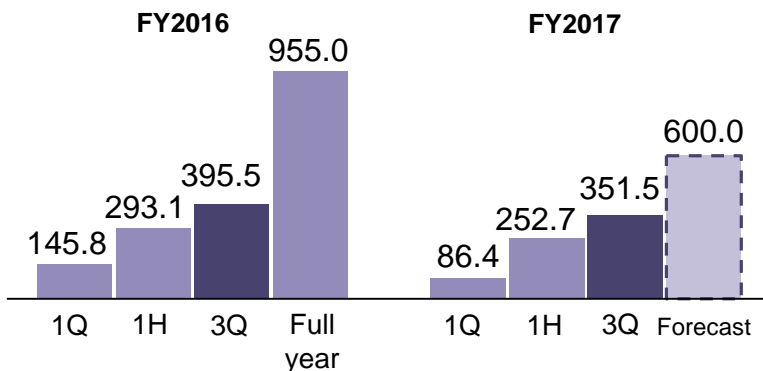
- Increased  
Turbochargers, Forklift trucks: Increased sales, etc.



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

(In billion yen, accumulated amount)

## Orders Received

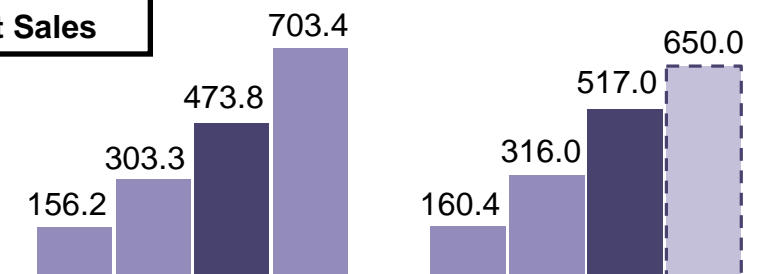


## Orders received : Down ¥44.0 billion YoY

- Decreased : Defense aircraft

Accumulated number of MRJ orders received: 387  
(firm orders: 213 / options and purchase rights: 174)  
[As of Feb. 6, 2018]

## Net Sales



## Net sales : Up ¥43.2 billion YoY

- Increased : Space systems, Naval vessels

Number of B777s delivered

FY2016 (actual) : 91 (1Q: 27, 2Q: 24, 3Q: 19, 4Q: 21)

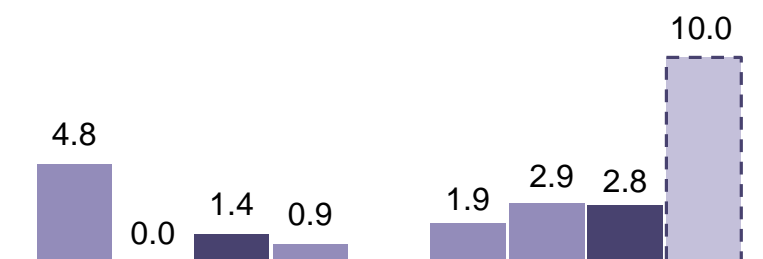
FY2017 (forecast) : 57 (1Q: 17, 2Q: 15, 3Q: 16, 4Q: 9[planned])

Number of B787s delivered

FY2016 (actual) : 125 (1Q: 36, 2Q: 31, 3Q: 25, 4Q: 33)

FY2017 (forecast) : 141 (1Q: 36, 2Q: 36, 3Q: 33, 4Q: 36[planned])

## Operating Income



## Earnings : Up ¥1.3 billion YoY

- Increased

Space systems, Naval vessels: Increased sales  
Commercial aircraft: Cost improvement, etc.

- Decreased

MRJ: Increased R&D costs

# Supplementary Information (2) Reference Data

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

(In billion yen)

	FY2016 1-3Q	FY2017 1-3Q	FY2017 (Forecast)
R&D Expenses	98.8	102.9	170.0
Depreciation	125.1	127.7	180.0
Capital Expenditure	135.3	106.3	170.0

## 2. Selling, General and Administrative Expenses

(In billion yen)

	FY2016 1-3Q	FY2017 1-3Q
SG&A	420.1	447.1

## 3. Foreign Exchange Rates (For sales)

(In yen)

	FY2016 1-3Q	FY2017 1-3Q
US\$	106.4	111.7
Euro	117.3	126.8

(In billion yen)

## 4. Overseas Sales by Region

	FY2016 1-3Q	FY2017 1-3Q
North America	481.3 (18%)	487.6 (17%)
Asia	446.8 (17%)	498.4 (18%)
Europe	303.8 (11%)	292.9 (10%)
Central & South America	76.7 (3%)	113.5 (4%)
The Middle East	82.0 (3%)	110.0 (4%)
Africa	88.7 (3%)	66.1 (2%)
Oceania	24.1 (1%)	22.8 (1%)
<b>Total</b>	<b>1,503.6 (56%)</b>	<b>1,591.6 (56%)</b>

## 5. Segment Information by Geographic Distribution

		FY2016 1-3Q	FY2017 1-3Q
Japan	Net sales	2,035.8	2,135.8
	Operating income	45.9	49.6
North America	Net sales	341.7	351.9
	Operating income	5.7	8.5
Asia	Net sales	269.2	310.4
	Operating income	22.3	25.9
Europe	Net sales	272.1	281.1
	Operating income	-5.8	-4.3
Others	Net sales	70.1	88.7
	Operating income	0.2	0.3
Eliminations or Corporate	Net sales	-294.8	-316.7
	Operating income	-	-
<b>Total</b>	<b>Net sales</b>	<b>2,694.2</b>	<b>2,851.4</b>
	<b>Operating income</b>	<b>68.4</b>	<b>80.0</b>

**MOVE THE WORLD FORWARD**

**MITSUBISHI  
HEAVY  
INDUSTRIES  
GROUP**