



Financial Results for First Quarter FY2018

August 3, 2018

MITSUBISHI HEAVY INDUSTRIES, LTD.

I. FY2018 1Q Financial Results

- Summary of 1Q Financial Results	3
- 1Q Financial Results by Segment	5
- Financial Position Overview	6
- Main Financial Measures, Cash Flows	7

Segment Information

- Orders Received & Order Backlog	8
- Revenue	9
- Profit from Business Activities	10

II. Forecast for FY2018

- Summary of Forecast for FY2018	12
- Forecast for FY2018 by Segment	14

III. Supplementary Information

- Supplementary Information	15-20
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MHI Group has adopted International Financial Reporting Standards (IFRS) from FY2018. Actual financial numbers for first quarter and full year of FY2017 are also shown here in accordance with IFRS.

I. FY2018 1Q Financial Results

Summary of 1Q Financial Results

(In billion yen)

	FY2017 1Q		FY2018 1Q		Change	
Orders received		701.9		707.1	+5.2	(+0.7%)
Revenue		903.2		906.1	+2.8	(+0.3%)
Profit from business activities	(0.7%)	6.4	(3.5%)	31.4	+24.9	(+384.6%)
Profit attributable to owners of parent		-3.0	(1.7%)	15.0	+18.1	-
EBITDA	(5.1%)	45.8	(7.0%)	63.6	+17.7	(+38.7%)
Free cash flow		-76.5		-96.8	-20.2	-

Summary of 1Q Financial Results

(In billion yen)

FY2018 1Q	Fundamental business		MRJ	Total	
Orders received		707.1	-		707.1
Revenue		906.1	-		906.1
Profit from business activities	(6.0%)	54.0	-22.5	(3.5%)	31.4
Profit attributable to owners of parent	(4.2%)	37.7	-22.7	(1.7%)	15.0
EBITDA	(9.5%)	86.2	-22.5	(7.0%)	63.6
Free cash flow		-68.8	-28.0		-96.8

1Q Financial Results by Segment

(In billion yen)

	Orders received			Revenue			Profit from business activities		
	FY2017 1Q	FY2018 1Q	Change	FY2017 1Q	FY2018 1Q	Change	FY2017 1Q	FY2018 1Q	Change
Power Systems	226.8	194.4	- 32.4	295.1	316.6	+21.5	- 1.7	25.1	+26.9
Industry & Infrastructure	384.6	434.0	+49.3	437.9	445.2	+7.2	12.0	14.8	+2.8
Aircraft, Defense & Space	90.1	85.1	- 5.0	170.6	150.6	- 20.0	-6.8	- 12.1	- 5.2
Others	31.9	18.6	- 13.3	31.6	17.8	- 13.8	2.0	2.7	+0.7
Eliminations or Corporate	- 31.7	- 25.1	+6.6	- 32.2	- 24.3	+7.9	1.0	0.7	- 0.2
Total	701.9	707.1	+5.2	903.2	906.1	+2.8	6.4	31.4	+24.9

Financial Position Overview

(In billion yen)

	As of March 31, 2018	As of June 30, 2018	Change
Trade receivables	1,504.6	1,431.6	-72.9
Inventories	748.5	794.0	+45.4
Other current assets	* 987.7	* 1,020.7	+33.0
Total fixed assets	997.7	992.3	-5.4
Other non-current assets	1,010.0	1,029.9	+19.8
Total assets	5,248.7	5,268.6	+19.9
Trade payables	801.1	765.6	-35.4
Contract liabilities	914.6	906.4	-8.2
Other current liabilities	1,025.8	972.4	-53.3
Interest-bearing debt	813.1	914.2	+101.1
Equity	1,693.8	1,709.7	+15.9
Equity attributable to owners of the parent	1,395.5	1,408.7	+13.2
Total liabilities and Equity	5,248.7	5,268.6	+19.9

* Including indemnification asset for South African project
 (Mar. 31, 2018: 445.9 billion yen)
 (Jun. 30, 2018: 506.7 billion yen)

Borrowings +3.1
 Commercial papers +98.0

Dividend -20.1
 Profit attributable to owners of parent +15.0
 Other comprehensive income +16.7 etc.
 (Unrealized holding gain on investment securities, etc.)

Main Financial Measures, Cash Flows

Main Financial Measures

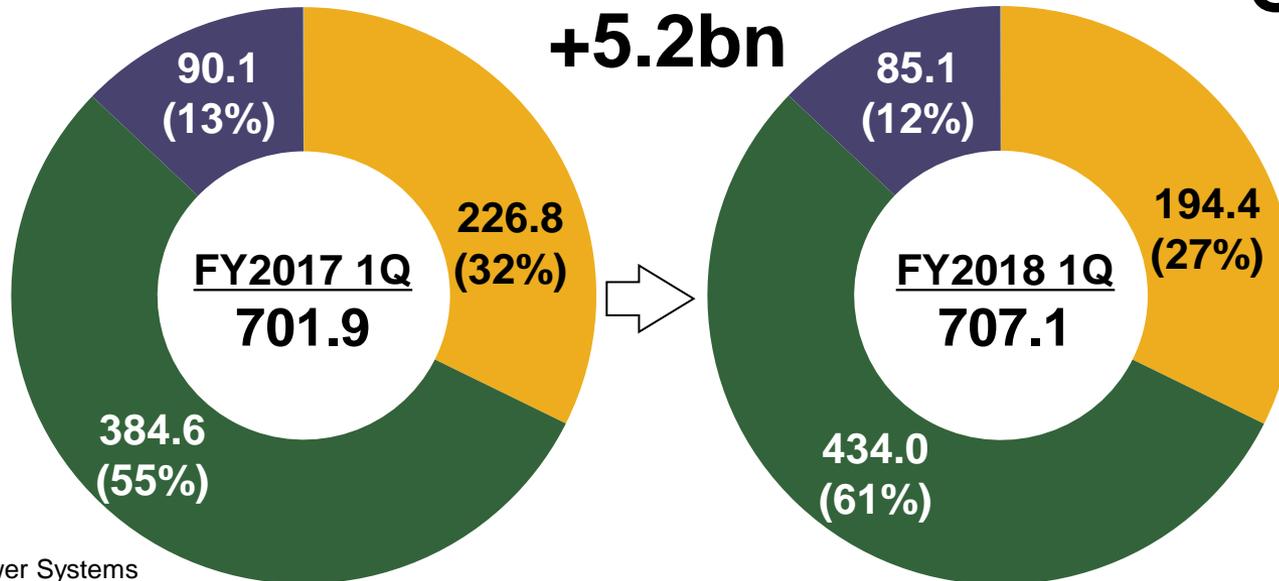
	As of Mar.31, 2018	As of Jun.30, 2018	Change	FY2018 Forecast
Equity ratio	26.6%	26.7%	+0.1pt	-
Interest-bearing debt (In billion yen)	813.1	914.2	+101.1	770.0
D/E ratio	48%	53%	+5pt	-

Cash Flows

	FY2017 1Q	FY2018 1Q	Change	(In billion yen) FY2018 Forecast
Operating cash flow	-16.9	-55.5	-38.6	-
Investment cash flow	-59.6	-41.2	+18.3	-
Free cash flow	-76.5	-96.8	-20.2	50.0

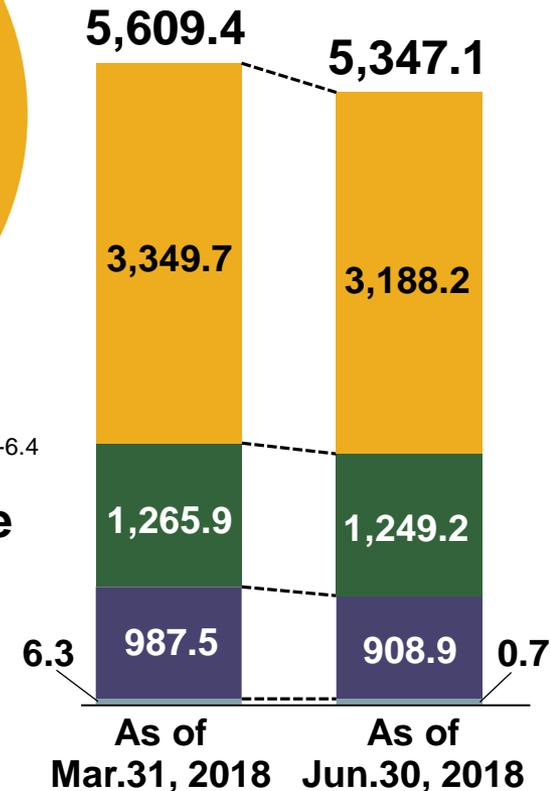
Orders Received

(In billion yen)



Order Backlog^(*2)

-262.3bn



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

Power Systems
 Increased:
 Compressors, Aero engines
 Decreased:
 GTCC^(*1)

Industry & Infrastructure
 Increased:
 Metals machinery, Air-conditioning & refrigeration systems
 Decreased:
 Chemical plants

Aircraft, Defense & Space
 Increased:
 Defense aircraft
 Decreased:
 Commercial aircraft

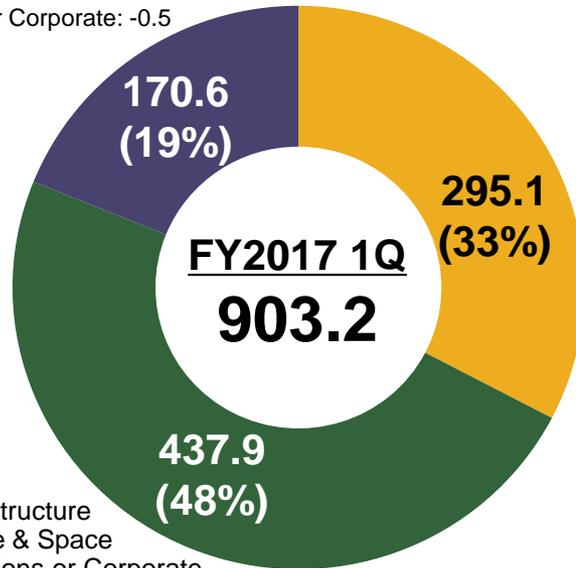
(*1)GTCC: Gas Turbine Combined Cycle

(*2) Does not include mass-manufactured products: turbochargers, air-conditioners, etc.

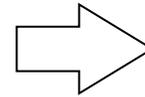
Revenue by Segment

(In billion yen)

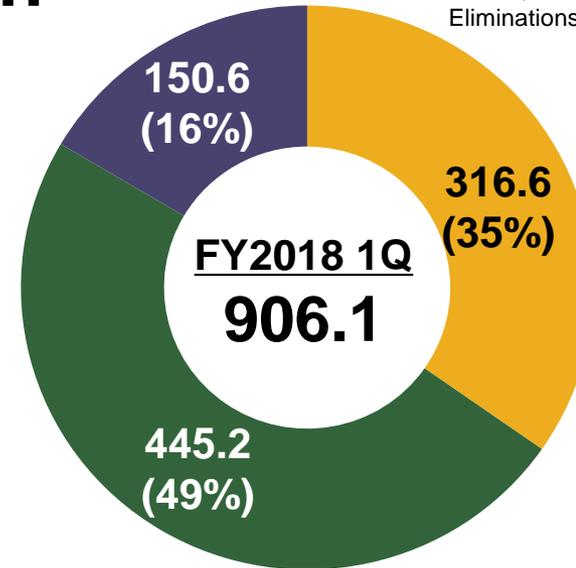
Others,
Eliminations or Corporate: -0.5



+2.8bn



Others,
Eliminations or Corporate: -6.4



■ Power Systems

Increased :

Nuclear power, GTCC, Aero engines

■ Aircraft, Defense & Space

Increased:

Commercial aircraft, Missile systems

■ Industry & Infrastructure

Increased :

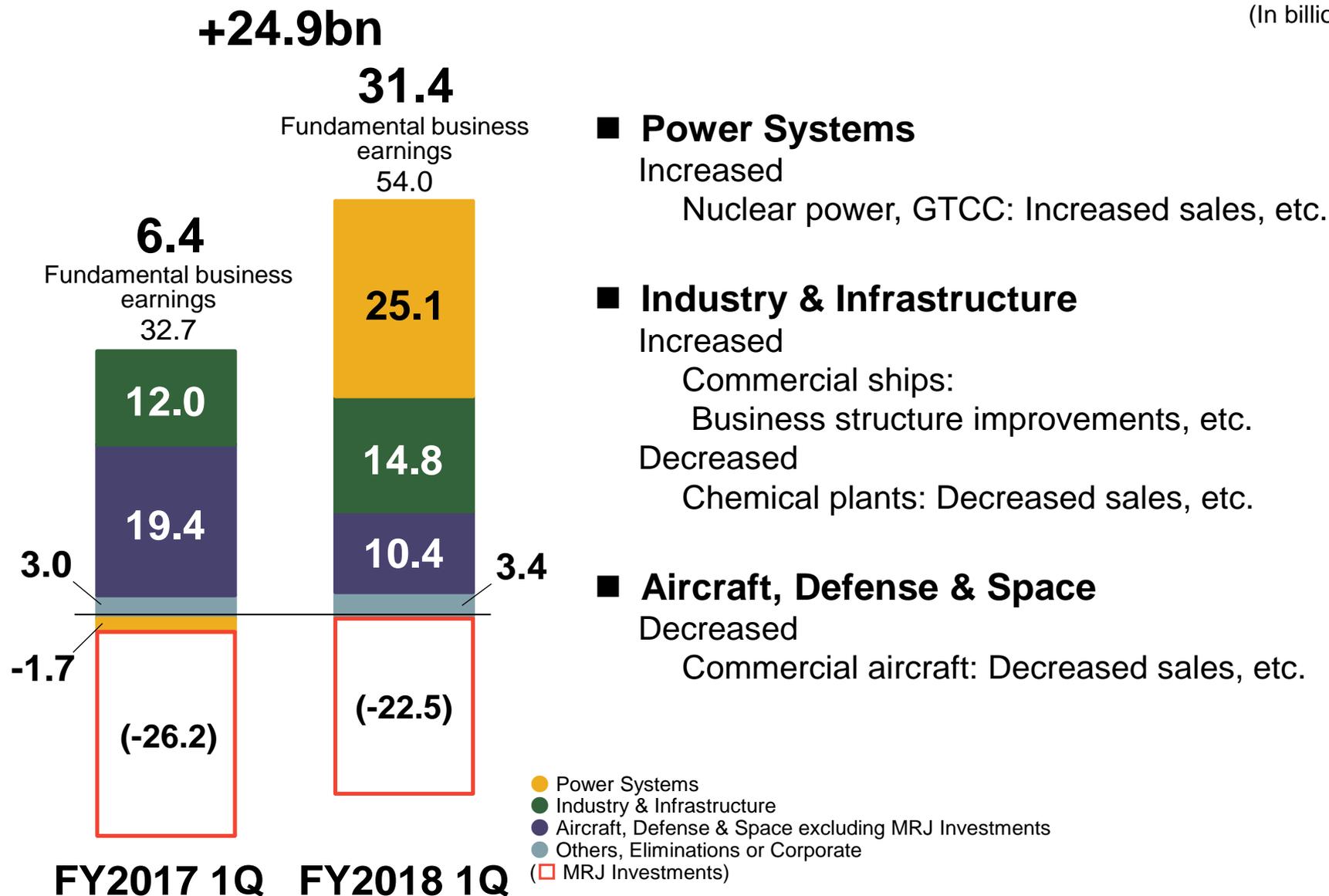
Air-conditioning & refrigeration systems,
Turbochargers, Material handling equipment

Decreased :

Chemical plants, Transportation systems

Profit from Business Activities by Segment

(In billion yen)



II. Forecast for FY2018

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 FY2018

(In billion yen)

	FY2017 (Actual)	FY2018 (Forecast)	Change	
Orders received	3,868.7	4,100.0	+231.2	(+6.0%)
Revenue	4,085.6	4,200.0	+114.3	(+2.8%)
Profit from business activities	(1.4%) 58.1	(3.8%) 160.0	+101.8	(+175.0%)
Profit attributable to owners of parent	-7.3	(1.9%) 80.0	+87.3	-
ROE	-0.5%	6%	-	
EBITDA	(5.7%) 231.9	(7.6%) 320.0	+88.0	(+38.0%)
Free cash flow	167.5	50.0	-117.5	-
Dividend (per share after the share consolidation)	(*)120.0yen Interim: 60.0yen year-end: 60.0yen	130.0yen Interim: 65.0yen year-end: 65.0yen	Undetermined foreign currency amount US\$: 1.7 billion Euro: 0.5 billion	

Assumed exchange rate
US\$ 1.00 = ¥110
Euro 1.00 = ¥130

There is no change in the forecast announced on May 8, 2018.

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

Actual dividend for FY2017 interim was 6 yen; however, for the purpose of comparison, dividends are shown here at post-share consolidation levels.

Summary of Forecast for FY2018

(In billion yen)

FY2018 (Forecast)	Fundamental business	MRJ	Total
Orders received	4,100.0	–	4100.0
Revenue	4,200.0	–	4200.0
Profit from business activities	(6.0%) 250.0	–90.0	(3.8%) 160.0
Profit attributable to owners of parent	(4.0%) 170.0	–90.0	(1.9%) 80.0
ROE	12%	–	6%
EBITDA	(9.8%) 410.0	–90.0	(7.6%) 320.0
Free cash flow	170.0	–120.0	50.0

- TOP^(*) for fundamental business 1 : 1.2 : 0.7
(Revenue ¥4.2 trillion / Total assets ¥5.1 trillion / Market capitalization ¥2.8 trillion^(*))

(*) TOP (Triple One Proportion) is a concept under which the managerial goal (proportion) is: Net sales : Total assets : Market capitalization = 1 : 1 : 1.

(*) Market capitalization is assumed as 16.7 times profit attributable to owners of parent, i.e. capital cost as 6%.

Forecast for FY2018 by Segment

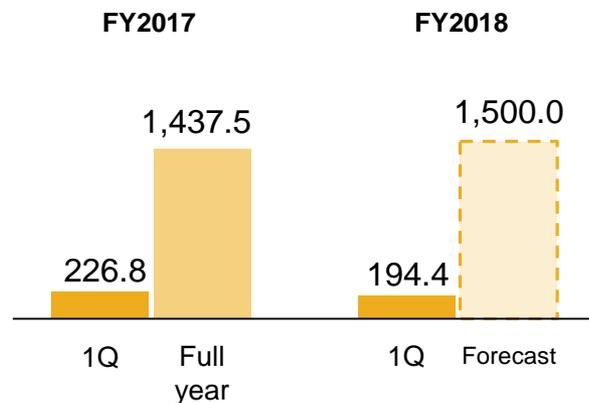
(In billion yen)

	Orders received			Revenue			Profit from business activities		
	FY2017 (Actual)	FY2018 (Forecast)	Change	FY2017 (Actual)	FY2018 (Forecast)	Change	FY2017 (Actual)	FY2018 (Forecast)	Change
Power Systems	1,437.5	1,500.0	+62.4	1,482.4	1,600.0	+117.5	84.9	135.0	+50.0
Industry & Infrastructure	1,711.3	1,950.0	+238.6	1,890.0	1,900.0	+9.9	41.0	80.0	+38.9
Aircraft, Defense & Space	714.6	650.0	- 64.6	718.3	700.0	- 18.3	- 63.5	- 45.0	+18.5
Others	113.5	100.0	- 13.5	120.7	120.0	- 0.7	3.4	5.0	+1.5
Eliminations or Corporate	- 108.3	- 100.0	+8.3	- 125.9	- 120.0	+5.9	- 7.7	- 15.0	- 7.2
Total	3,868.7	4,100.0	+231.2	4,085.6	4,200.0	+114.3	58.1	160.0	+101.8

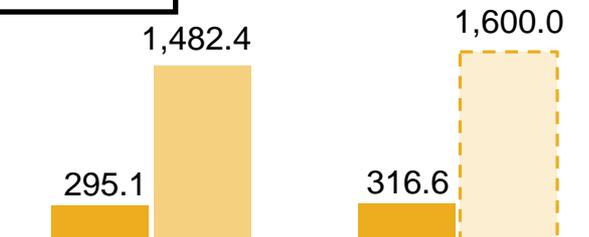
III. Supplementary Information

(In billion yen, accumulated amount)

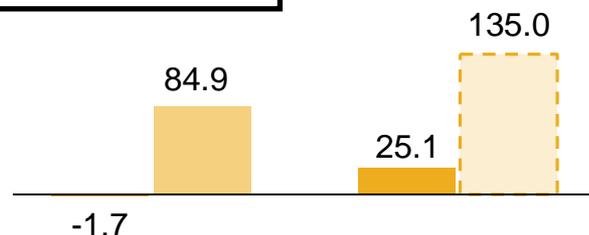
Orders Received



Revenue



Profit from business activities



Orders received : Down ¥32.4 billion YoY

- Increased : Compressors, Aero engines
- Decreased : GTCC(*) (*):GTCC: Gas Turbine Combined Cycle

Gas turbine orders received

		North America	Asia	Japan	Others	Total
FY2017 1Q	Large size	-	1	-	1	2
	Small to medium size	-	-	-	-	0
	Total	0	1	0	1	2
FY2018 1Q	Large size	-	-	-	-	0
	Small to medium size	-	2	-	-	2
	Total	0	2	0	0	2

Backlog of Gas turbine orders received

	Large size	Small to medium size	Total
As of Jun. 30, 2017	43	14	57
As of Mar. 31, 2018	38	6	44
As of Jun. 30, 2018	38	8	46

Revenue: Up ¥21.5 billion YoY

- Increased : Nuclear power, GTCC, Aero engines

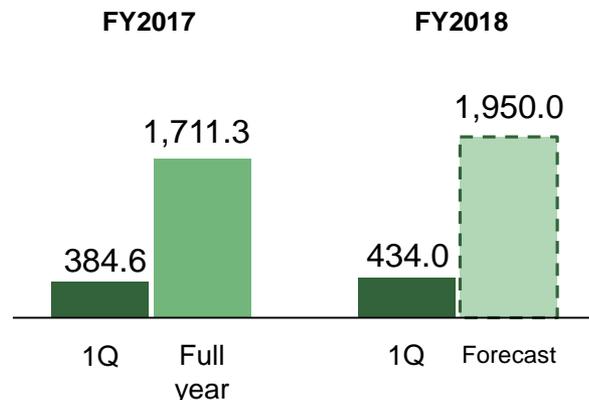
Profit from business activities : Up ¥26.9 billion YoY

- Increased
Nuclear power, GTCC: Increased sales, etc.

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

(In billion yen, accumulated amount)

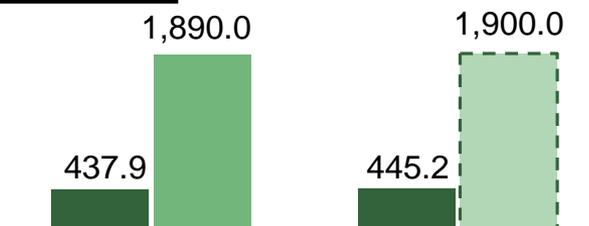
Orders Received



Orders received : Up ¥49.3 billion YoY

- Increased : Metals machinery, Air-conditioning & refrigeration systems
- Decreased : Chemical plants

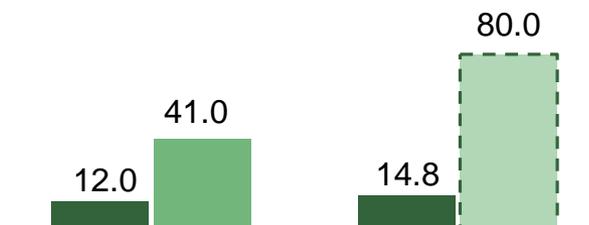
Revenue



Revenue : Up ¥7.2 billion YoY

- Increased : Air-conditioning & refrigeration systems, Turbochargers, Material handling equipment
- Decreased : Chemical plants, Transportation systems

Profit from business activities



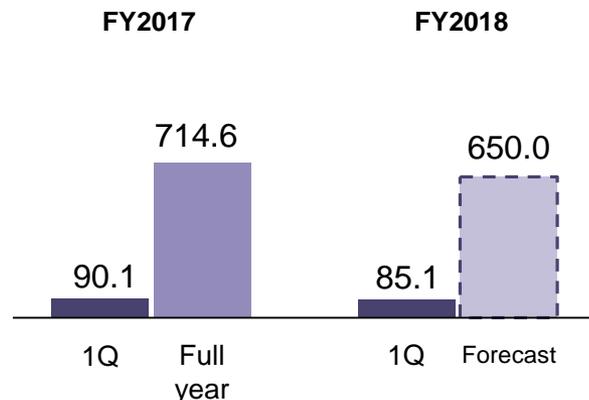
Profit from business activities : Up ¥2.8 billion YoY

- Increased
 - Commercial ships:
 - Business structure improvements, etc.
- Decreased
 - Chemical plants: Decreased sales, etc.

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

(In billion yen, accumulated amount)

Orders Received

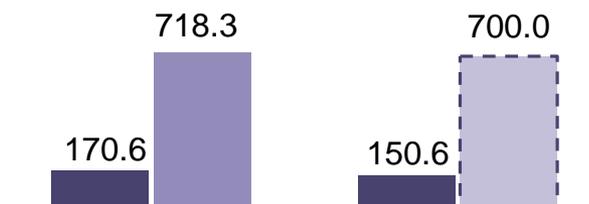


Orders received : Down ¥5.0 billion YoY

- Increased : Defense aircraft
- Decreased : Commercial aircraft

Accumulated number of MRJ orders received: 387
(firm orders: 213 / options and purchase rights: 174)
[As of August 3, 2018]

Revenue



Revenue : Down ¥20.0 billion YoY

- Decreased : Commercial aircraft, Missile systems

Number of B777s / B777Xs delivered

FY2017 (actual) : 58 (1Q: 17, 2Q: 15, 3Q: 16, 4Q: 10)

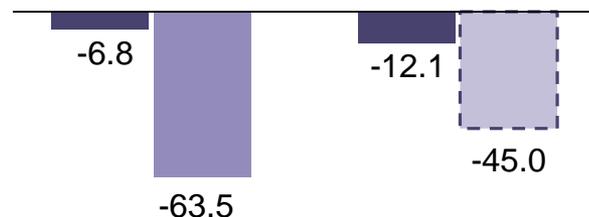
FY2018 (forecast) : 50 (1Q: 11, 2-4Q: 39[planned])

Number of B787s delivered

FY2017 (actual) : 141 (1Q: 36, 2Q: 36, 3Q: 33, 4Q: 36)

FY2018 (forecast) : 148 (1Q: 37, 2-4Q: 111[planned])

Profit from business activities



Profit from business activities :

Down ¥5.2 billion YoY

- Decreased
Commercial aircraft: Decreased sales, etc.

Supplementary Information (2) Reference Data

1. R&D Expenses, Depreciation and Capital Expenditure

(In billion yen)

	FY2017 1Q	FY2018 1Q	FY2018 (Forecast)
R&D Expenses	30.7	30.4	180.0
Depreciation	39.3	32.2	160.0
Capital Expenditure	29.8	27.4	160.0

2. Selling, General and Administrative Expenses

(In billion yen)

	FY2017 1Q	FY2018 1Q
SG&A	132.0	131.9

3. Foreign Exchange Rates (For sales)

(In yen)

	FY2017 1Q	FY2018 1Q
US\$	111.9	108.7
Euro	122.5	129.9

(In billion yen)

4. Overseas Revenue by Region

	FY2017 1Q	FY2018 1Q
Asia	154.0 (18%)	163.4 (17%)
North America	161.5 (18%)	155.6 (17%)
Europe	89.1 (10%)	108.9 (12%)
Central & South America	39.5 (4%)	34.0 (4%)
The Middle East	39.0 (4%)	32.9 (4%)
Oceania	6.9 (1%)	5.7 (1%)
Africa	20.3 (2%)	5.0 (1%)
Total	510.5 (57%)	505.8 (56%)

5. Segment Information by Geographic Distribution

		FY2017 1Q	FY2018 1Q
Japan	Revenue	668.7	697.3
	Profit from business activities	-1.4	22.0
North America	Revenue	117.5	110.3
	Profit from business activities	2.6	3.5
Asia	Revenue	95.2	104.9
	Profit from business activities	8.7	7.8
Europe	Revenue	91.3	93.0
	Profit from business activities	-3.0	-2.6
Others	Revenue	24.8	0.9
	Profit from business activities	-0.3	0.6
Eliminations or Corporate	Revenue	-94.5	-100.5
	Profit from business activities	-	-
Total	Revenue	903.2	906.1
	Profit from business activities	6.4	31.4

MOVE THE WORLD FORWARD

**MITSUBISHI
HEAVY
INDUSTRIES
GROUP**