

2019-02-06

MHI Announces Outline of FY2018 First 9 Months Financial Results Ended December 31, 2018 (Consolidated)

Tokyo, February 6, 2019 – Mitsubishi Heavy Industries, Ltd. (MHI) today announced its consolidated financial results for the first nine months of fiscal year (FY) 2018 ended December 31, 2018.

(billions of yen)

| | FY2018 First 9 Months (From April 1 to December 31, 2018) | FY2017 First 9 Months (From April 1 to December 31, 2017) | Changes (%) |
|-------------------------------------------------------------|----------------------------------------------------------------------------|--------------------------------------------------------------------|----------------|
| Orders Received | 2,479.3 | 2,575.7 | (3.7) |
| Revenue | 2,899.2 | 2,844.7 | 1.9 |
| Profit from business activities | 105.3 | 56.9 | 85.1 |
| Profit Before Income Taxes | 104.3 | 59.4 | 75.5 |
| Profit (loss) Attributable to Owners of Parent | 35.3 | 1.1 | — |
| Operating Cash Flow | (30.7) | (16.0) | / |
| Investment Cash Flow | (123.7) | (262.1) | / |
| Financing Cash Flow | 93.2 | 255.7 | / |
| Profit (loss) Attributable to Owners of Parent Per Share | 105.36 yen | 3.52yen | — |

Figures in parentheses are negative.

Consolidated financial results (continued)

Revenue by Operational Segment

(billions of yen)

| | FY2018 First 9 Months (From April 1 to December 31, 2018) | FY2017 First 9 Months (From April 1 to December 31, 2017) |
|---------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Power Systems | 1,061.2 | 979.2 |
| Industry & Infrastructure | 1,371.8 | 1,348.4 |
| Aircraft, Defense & Space | 488.1 | 523.0 |
| Others | 51.9 | 84.9 |
| Eliminations or Corporate | (73.9) | (91.0) |
| TOTAL | 2,899.2 | 2,844.7 |

Profit (Loss) From Business Activities by Operational Segment

(billions of yen)

| | FY2018 First 9 Months (From April 1 to December 31, 2018) | FY2017 First 9 Months (From April 1 to December 31, 2017) |
|---------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Power Systems | 79.3 | 45.9 |
| Industry & Infrastructure | 53.4 | 42.0 |
| Aircraft, Defense & Space | (31.9) | (32.6) |
| Others | 6.4 | 5.2 |
| Eliminations or Corporate | (1.9) | (3.7) |
| TOTAL | 105.3 | 56.9 |

Figures in parentheses are negative.

Estimate of Consolidated Financial Results for FY 2018

For the fiscal year 2018 ending March 31, 2019, MHI is expecting 4,200 billion yen in revenue, 160 billion yen in Profit from business activities, 170 billion yen in profit before income tax, 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.

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.

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(1) Condensed Consolidated Statement of Financial Position [IFRS]

(Millions of Yen)

| | Date of transition to IFRS As of Apr. 1, 2017 | As of Mar. 31, 2018 | As of Dec. 31, 2018 |
|------------------------------------------------------|-----------------------------------------------------|------------------------|------------------------|
| <u>Assets</u> | | | |
| Current assets | | | |
| Cash and cash equivalents | 242,404 | 299,237 | 231,341 |
| Trade and other receivables | 717,483 | 759,902 | 665,439 |
| Other financial assets | 38,953 | 27,591 | 28,376 |
| Contract assets | 743,118 | 744,707 | 793,746 |
| Inventories | 833,606 | 748,574 | 837,540 |
| Indemnification assets for South African projects | 409,521 | 445,920 | 497,954 |
| Other current assets | 271,137 | 214,992 | 271,533 |
| Total current assets | 3,256,226 | 3,240,925 | 3,325,933 |
| Non-current assets | | | |
| Property, plant and equipment | 791,265 | 773,186 | 766,990 |
| Goodwill | 120,552 | 121,563 | 121,554 |
| Intangible assets | 124,954 | 103,023 | 87,857 |
| Investments accounted for using the equity method | 145,754 | 205,198 | 213,493 |
| Investments in securities and other financial assets | 523,130 | 485,047 | 449,787 |
| Deferred tax assets | 102,442 | 121,138 | 116,894 |
| Other non-current assets | 182,675 | 198,673 | 187,277 |
| Total Non-current assets | 1,990,774 | 2,007,831 | 1,943,855 |
| Total assets | 5,247,000 | 5,248,756 | 5,269,789 |

(Millions of Yen)

| | Date of transition to IFRS As of Apr. 1, 2017 | As of Mar. 31, 2018 | As of Dec. 31, 2018 |
|---------------------------------------------------|-----------------------------------------------------|------------------------|------------------------|
| <u>Liabilities and Equity</u> | | | |
| Current liabilities | | | |
| Bonds, borrowings and other financial liabilities | 552,209 | 517,537 | 783,715 |
| Trade and other payables | 750,867 | 801,154 | 756,551 |
| Income taxes payable | 31,233 | 27,251 | 17,534 |
| Contract liabilities | 831,707 | 914,697 | 865,841 |
| Provisions | 257,679 | 202,797 | 164,427 |
| Other current liabilities | 221,057 | 188,121 | 165,309 |
| Total Current liabilities | 2,644,754 | 2,651,558 | 2,753,380 |
| Non-current liabilities | | | |
| Bonds, borrowings and other financial liabilities | 693,335 | 656,129 | 549,434 |
| Deferred tax liabilities | 6,976 | 6,738 | 4,483 |
| Retirement benefit liability | 127,730 | 142,242 | 157,346 |
| Provisions | 10,611 | 18,747 | 40,546 |
| Other non-current liabilities | 82,158 | 79,474 | 73,033 |
| Total non-current liabilities | 920,811 | 903,332 | 824,844 |
| Total liabilities | 3,565,566 | 3,554,891 | 3,578,225 |
| <u>Equity</u> | | | |
| Share capital | 265,608 | 265,608 | 265,608 |
| Capital surplus | 187,433 | 185,937 | 185,516 |
| Treasury shares | (4,609) | (4,081) | (5,703) |
| Retained earnings | 844,450 | 830,057 | 833,510 |
| Other components of equity | 111,321 | 118,015 | 101,418 |
| Equity attributable to owners of parent | 1,404,205 | 1,395,537 | 1,380,350 |
| Non-controlling interests | 277,228 | 298,327 | 311,213 |
| Total Equity | 1,681,434 | 1,693,865 | 1,691,563 |
| Total Liabilities and Equity | 5,247,000 | 5,248,756 | 5,269,789 |

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

i) First nine months FY2017 and FY2018

(Millions of Yen)

| | FY2017 First 9 Months (From Apr. 1 to Dec. 31, 2017) | FY2018 First 9 Months (From Apr. 1 to Dec. 31, 2018) |
|----------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|
| Revenue | 2,844,762 | 2,899,279 |
| Cost of sales | 2,313,690 | 2,349,239 |
| Gross Profit | 531,072 | 550,040 |
| Selling, general and administrative expenses | 394,173 | 393,575 |
| Share of profit of investments accounted for using the equity method | 2,625 | 10,193 |
| Other income * | 21,014 | 22,908 |
| Other expenses | 103,628 | 84,248 |
| Profit from business activities | 56,910 | 105,318 |
| Finance income | 12,553 | 7,482 |
| Finance expenses | 10,008 | 8,478 |
| Profit before income taxes | 59,455 | 104,323 |
| Income taxes | 43,537 | 49,062 |
| Profit | 15,917 | 55,260 |
| Profit attributable to: | | |
| Owners of parent | 1,180 | 35,363 |
| Non-controlling interests | 14,737 | 19,896 |

(Yen)

| | | |
|-----------------------------------------------------|------|--------|
| Earnings per share attributable to owners of parent | | |
| Basic earnings per share | 3.52 | 105.36 |
| Diluted earnings per share | 3.38 | 105.13 |

*Other income includes dividend income. The amount of dividends of FY 2017 first 9 Months is 11,374 Million Yen, and the amount of FY2018 First 9 Months is 11,036 Million Yen.

*As of October 1, 2017, the Company consolidated the shares at the rate of one share per 10 shares of common stock. Assuming that the consolidation was carried out at the beginning of the 2017 consolidated fiscal year, basic earnings per share and diluted earnings per share are calculated.

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

ii) For three months ended Dec. 31, 2017 and 2018 (FY2017Q3 & FY2018Q3)

(Millions of Yen)

| | FY2017 Q3 (From Oct. 1 to Dec. 31, 2017) | FY2018 Q3 (From Oct. 1 to Dec. 31, 2018) |
|----------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| Revenue | 1,016,727 | 1,027,215 |
| Cost of sales | 818,044 | 822,906 |
| Gross Profit | 198,683 | 204,308 |
| Selling, general and administrative expenses | 132,671 | 132,094 |
| Share of profit of investments accounted for using the equity method | 155 | 1,913 |
| Other income * | 11,138 | 8,219 |
| Other expenses | 39,853 | 33,797 |
| Profit from business activities | 37,451 | 48,549 |
| Finance income | 3,477 | 1,419 |
| Finance expenses | 2,966 | 10,773 |
| Profit before income taxes | 37,963 | 39,195 |
| Income taxes | 23,657 | 19,939 |
| Profit | 14,305 | 19,255 |
| Profit attributable to: | | |
| Owners of parent | 4,164 | 9,866 |
| Non-controlling interests | 10,140 | 9,389 |

(Yen)

| | | |
|-----------------------------------------------------|-------|-------|
| Earnings per share attributable to owners of parent | | |
| Basic earnings per share | 12.40 | 29.39 |
| Diluted earnings per share | 12.33 | 29.33 |

*Other income includes dividend income. The amount of dividends of FY2017Q3 is 4,793 Million Yen, and the amount of FY2018Q3 is 4,474 Million Yen.

*As of October 1, 2017, the Company consolidated the shares at the rate of one share per 10 shares of common stock. Assuming that the consolidation was carried out at the beginning of the 2017 consolidated fiscal year, basic earnings per share and diluted earnings per share are calculated.

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

i) First nine months FY2017 and FY2018

(Millions of Yen)

| | FY2017 First 9 Months (From Apr. 1 to Dec. 31, 2017) | FY2018 First 9 Months (From Apr. 1 to Dec. 31, 2018) |
|----------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|
| Profit | 15,917 | 55,260 |
| Other comprehensive income (loss) | | |
| Items that will not be reclassified to profit (loss) | | |
| Net gain (loss) from financial assets measured at FVTOCI | 50,207 | (12,738) |
| Remeasurement of defined benefit plans | 562 | (365) |
| Share of other comprehensive income of entities accounted for using the equity method | 989 | 304 |
| Total | 51,759 | (12,799) |
| Items that may be reclassified to profit (loss) | | |
| Cash flow hedges | 529 | (1,065) |
| Exchange differences on translating foreign operations | 25,858 | 4,014 |
| Share of other comprehensive income (loss) of entities accounted for by the equity method | 1,916 | (2,179) |
| Total | 28,303 | 769 |
| Total other comprehensive income (loss) | 80,063 | (12,029) |
| Comprehensive income | 95,981 | 43,231 |
| Comprehensive income attributable to | | |
| Owners of parent | 71,943 | 24,378 |
| Non-controlling interests | 24,037 | 18,852 |

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

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

ii) For three months ended Dec. 31, 2017 and 2018 (FY2017Q3 & FY2018Q3)

| | (Millions of Yen) | |
|---------------------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| | FY2017 Q3 (From Oct. 1 to Dec. 31, 2017) | FY2018 Q3 (From Oct. 1 to Dec. 31, 2018) |
| Profit | 14,305 | 19,255 |
| Other comprehensive income (loss) | | |
| Items that will not be reclassified to profit (loss) | | |
| Net gain (loss) from financial assets measured at FVTOCI | 15,352 | (33,032) |
| Remeasurement of defined benefit plans | (75) | (704) |
| Share of other comprehensive income of entities accounted for using the equity method | 448 | 539 |
| Total | 15,726 | (33,197) |
| Items that may be reclassified to profit (loss) | | |
| Cash flow hedges | 775 | (762) |
| Exchange differences on translating foreign operations | 8,551 | (16,844) |
| Share of other comprehensive income of entities accounted for by the equity method | 847 | 552 |
| Total | 10,174 | (17,054) |
| Total other comprehensive income (loss) | 25,900 | (50,252) |
| Comprehensive income (loss) | 40,206 | (30,996) |
| Comprehensive income (loss) attributable to | | |
| Owners of parent | 26,460 | (34,886) |
| Non-controlling interests | 13,745 | 3,889 |

(4) Condensed Consolidated Statement of changes in equity [IFRS]

(Millions of Yen)

| | Equity attributable to owners of parent | | | | | | Non-controlling interests | Total Equity |
|---------------------------------------|-----------------------------------------|-----------------|-----------------|-------------------|----------------------------|------------------|---------------------------|------------------|
| | Share capital | Capital surplus | Treasury shares | Retained earnings | Other components of equity | Total | | |
| Balance as of Apr. 1, 2017 | 265,608 | 187,433 | (4,609) | 844,450 | 111,321 | 1,404,205 | 277,228 | 1,681,434 |
| Profit | | | | 1,180 | | 1,180 | 14,737 | 15,917 |
| Other comprehensive income | | | | | 70,762 | 70,762 | 9,300 | 80,063 |
| Comprehensive income | | | | 1,180 | 70,762 | 71,943 | 24,037 | 95,981 |
| Transfer to retained earnings | | | | 1,051 | (1,051) | - | | - |
| Purchase of treasury shares | | | (17) | | | (17) | | (17) |
| Disposal of treasury shares | | 38 | 229 | | | 267 | | 267 |
| Dividends | | | | (40,305) | | (40,305) | (5,120) | (45,426) |
| Other | | (2,422) | 189 | (400) | | (2,633) | (368) | (3,001) |
| Total transactions with owners | - | (2,383) | 401 | (40,705) | - | (42,688) | (5,488) | (48,177) |
| Balance as of Dec. 31, 2017 | 265,608 | 185,049 | (4,208) | 805,977 | 181,033 | 1,433,460 | 295,778 | 1,729,238 |
| Balance as of Apr. 1, 2018 | 265,608 | 185,937 | (4,081) | 830,057 | 118,015 | 1,395,537 | 298,327 | 1,693,865 |
| Profit | | | | 35,363 | | 35,363 | 19,896 | 55,260 |
| Other comprehensive income (loss) | | | | | (10,984) | (10,984) | (1,044) | (12,029) |
| Comprehensive income (loss) | | | | 35,363 | (10,984) | 24,378 | 18,852 | 43,231 |
| Transfer to retained earnings | | | | 5,611 | (5,611) | - | | - |
| Purchase of treasury shares | | | (2,114) | | | (2,114) | | (2,114) |
| Disposal of treasury shares | | 3 | 52 | | | 56 | | 56 |
| Dividends | | | | (41,974) | | (41,974) | (5,224) | (47,199) |
| Other | | (425) | 438 | 4,452 | | 4,465 | (741) | 3,724 |
| Total transactions with owners | - | (421) | (1,622) | (37,522) | - | (39,566) | (5,966) | (45,532) |
| Balance as of Dec. 31, 2018 | 265,608 | 185,516 | (5,703) | 833,510 | 101,418 | 1,380,350 | 311,213 | 1,691,563 |

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

(Millions of Yen)

| | FY2017 First 9 Months (From Apr. 1 to Dec. 31, 2017) | FY2018 First 9 Months (From Apr. 1 to Dec. 31, 2018) |
|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|
| Cash flows from operating activities | | |
| Profit before income tax | 59,455 | 104,323 |
| Depreciation, amortization and impairment loss | 205,060 | 159,524 |
| Finance income and costs | 10,617 | 7,816 |
| Share of loss (profit) of investments accounted for using equity method | (2,625) | (10,193) |
| Decrease (increase) in trade receivables | 14,424 | 79,913 |
| Decrease (increase) in contract assets | (107,729) | (51,250) |
| Decrease (increase) in inventories | (75,006) | (81,064) |
| Increase (decrease) in trade payables | (47,508) | (35,666) |
| Increase (decrease) in contract liabilities | 90,220 | (44,514) |
| Increase (decrease) in provisions | (81,688) | (13,420) |
| Increase (decrease) in liability for retirement benefits | 15,643 | 11,604 |
| Decrease (increase) in indemnification assets of South African projects | (12,736) | (58,110) |
| Others | (63,622) | (58,667) |
| Subtotal | 4,503 | 10,294 |
| Interest received | 2,590 | 3,288 |
| Dividends received | 12,976 | 14,640 |
| Interest paid | (6,699) | (6,002) |
| Income taxes paid | (29,407) | (52,925) |
| Net cash provided by (used in) operating activities | (16,036) | (30,704) |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment and intangible assets | (201,651) | (152,874) |
| Proceeds from sales of property, plant and equipment and intangible assets | 2,881 | 12,533 |
| Purchases of investments (including investments accounted for using equity method) | (71,225) | (7,791) |
| Proceeds from sales and redemption of investments (including investments accounted for using equity method) | 34,181 | 24,199 |
| Disbursement of loans | (2,225) | (4,134) |
| Collection of loans | 12,655 | 2,966 |
| Others | (36,783) | 1,394 |
| Net cash provided by (used in) investing activities | (262,167) | (123,707) |
| Cash flows from financing activities | | |
| Net increase (decrease) in current borrowings | 353,432 | 258,323 |
| Proceeds from non-current borrowings | 3,324 | 82 |
| Repayment of non-current borrowings | (25,178) | (47,779) |
| Proceeds from issuance of bonds | 20,000 | - |
| Payment for redemption of bonds | (60,000) | (30,000) |
| Proceeds from issuance of stock to non-controlling shareholders | 514 | 1,748 |
| Dividends paid to equity holders of parent | (39,114) | (40,693) |
| Dividends paid to non-controlling interests | (5,095) | (6,658) |
| Proceeds from fluidity of lease receivables | 104,705 | 103,839 |
| Repayment of payables under fluidity lease receivables | (95,674) | (142,732) |
| Others | (1,205) | (2,849) |
| Net cash provided by (used in) financing activities | 255,708 | 93,280 |
| Effect of exchange rate changes on cash and cash equivalents | 7,945 | (6,764) |
| Net increase (decrease) in cash and cash equivalents | (14,550) | (67,895) |
| Cash and cash equivalents at the beginning of the year | 242,404 | 299,237 |
| Cash and cash equivalents at the end of period | 227,854 | 231,341 |