



Financial Results for FY2018 1-3Q (Apr.-Dec.)

February 6, 2019

MITSUBISHI HEAVY INDUSTRIES, LTD.

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MHI Group has adopted International Financial Reporting Standards (IFRS) from FY2018. Actual financial numbers for 1-3Q and full year of FY2017 are also shown here in accordance with IFRS.

I. FY2018 1-3Q Financial Results

1-3Q Results Highlights

- Fundamental business earnings are solid;
MRJ development is proceeding as planned
(Profit from business activities ¥183.4 billion (6.3% margin) /
Profit attributable to owners of parent ¥112.4 billion (3.9% margin))
➡ p.5(Summary of 1-3Q Financial Results)
- Orders received decreased, mainly due to a large order cancellation for a coal-fired thermal power plant in Power Systems;
Industry & Infrastructure and Aircraft, Defense & Space orders increased
(Power Systems -¥258.0 billion YoY, Industry & Infrastructure +¥160.4 billion YoY,
Aircraft, Defense & Space +¥31.9 billion YoY)
➡ p.6(1-3Q Financial Results by Segment), p.9(Orders Received & Order Backlog by Segment)
- Profit from business activities increased in all segments
(Power Systems +¥33.3 billion YoY, Industry & Infrastructure +¥11.3 billion YoY,
Aircraft, Defense & Space +¥0.6 billion YoY)
➡ p.6(1-3Q Financial Results by Segment), p.11(Profit from Business Activities by Segment)
- Financial status is solid: free cash flow improved (+¥123.7 billion YoY) and interest-bearing debt (¥997.2 billion) was the lowest level on record for 3Q
➡ p.7(Financial Position Overview), p.8(Main Financial Measures, Cash Flows)
- Full-year orders forecast revised from ¥4,100 billion to ¥3,800 billion, mainly reflecting orders decrease in Power Systems and change in order expectations for made-to-order products in Industry & Infrastructure
(Power Systems from ¥1,500 billion to ¥1,300 billion,
Industry & Infrastructure from ¥1,950 billion to ¥1,850 billion)
➡ p.13(Summary of Forecast for FY2018)
- Scheduled full-year payout kept at ¥130 (+¥10 YoY)
➡ p.13(Summary of Forecast for FY2018)

Summary of 1-3Q Financial Results

(In billion yen)

	FY2017 1-3Q		FY2018 1-3Q		Change	
Orders received		2,575.7		2,479.3	- 96.4	(- 3.7%)
Revenue		2,844.7		2,899.2	+54.5	(+1.9%)
Profit from business activities	(2.0%)	56.9	(3.6%)	105.3	+48.4	(+85.1%)
Profit attributable to owners of parent	(0.0%)	1.1	(1.2%)	35.3	+34.1	(32 times)
EBITDA	(6.4%)	182.8	(6.9%)	200.7	+17.8	(+9.8%)
Free cash flow		-278.2		-154.4	+123.7	-

Summary of 1-3Q Financial Results

(In billion yen)

FY2018 1-3Q	Fundamental business		MRJ	Total	
Orders received		2,479.3	-		2,479.3
Revenue		2,899.2	-		2,899.2
Profit from business activities	(6.3%)	183.4	-78.1	(3.6%)	105.3
Profit attributable to owners of parent	(3.9%)	112.4	-77.1	(1.2%)	35.3
EBITDA	(9.6%)	278.8	-78.1	(6.9%)	200.7
Free cash flow		-68.6	-85.7		-154.4

1-3Q Financial Results by Segment

(In billion yen)

	Orders received			Revenue			Profit from business activities		
	FY2017 1-3Q	FY2018 1-3Q	Change	FY2017 1-3Q	FY2018 1-3Q	Change	FY2017 1-3Q	FY2018 1-3Q	Change
Power Systems	1,014.5	756.5	- 258.0	979.2	1,061.2	+81.9	45.9	79.3	+33.3
Industry & Infrastructure	1,207.7	1,368.1	+160.4	1,348.4	1,371.8	+23.4	42.0	53.4	+11.3
Aircraft, Defense & Space	349.5	381.5	+31.9	523.0	488.1	- 34.9	-32.6	- 31.9	+0.6
Others	87.8	53.0	- 34.7	84.9	51.9	- 32.9	5.2	6.4	+1.2
Eliminations or Corporate	- 83.9	- 79.9	+4.0	- 91.0	- 73.9	+17.0	- 3.7	- 1.9	+1.8
Total	2,575.7	2,479.3	- 96.4	2,844.7	2,899.2	+54.5	56.9	105.3	+48.4

Financial Position Overview

(In billion yen)

	As of March 31, 2018	As of December 31, 2018	Change
Trade receivables	1,504.6	1,459.1	-45.4
Inventories	748.5	837.5	+88.9
Other current assets	* 987.7	* 1,029.2	+41.4
Total fixed assets	997.7	976.4	-21.3
Other non-current assets	1,010.0	967.4	-42.6
Total assets	5,248.7	5,269.7	+21.0
Trade payables	801.1	756.5	-44.6
Contract liabilities	914.6	865.8	-48.8
Other current liabilities	1,025.8	958.5	-67.3
Interest-bearing debt	813.1	997.2	+184.1
Equity	1,693.8	1,691.5	-2.3
Equity attributable to owners of parent	1,395.5	1,380.3	-15.1
Total liabilities and Equity	5,248.7	5,269.7	+21.0

* Including indemnification asset for South African project
 (Mar. 31, 2018: 445.9 billion yen)
 (Dec. 31, 2018: 497.9 billion yen)
 (Sep. 30, 2018 : 497.5 billion yen)

Borrowings -30.8
 Commercial papers +245.0
 Bonds -30.0

Dividend -41.9
 Profit attributable to owners of parent +35.3
 Other comprehensive income -16.5 etc.
 (Unrealized holding gain on investment securities, etc.)

Main Financial Measures, Cash Flows

Main Financial Measures

	As of Mar.31, 2018	As of Dec.31, 2018	Change	FY2018 Forecast
Equity ratio	26.6%	26.2%	-0.4pt	-
Interest-bearing debt (In billion yen)	813.1	997.2	+184.1	770.0
D/E ratio	48%	59%	+11pt	-

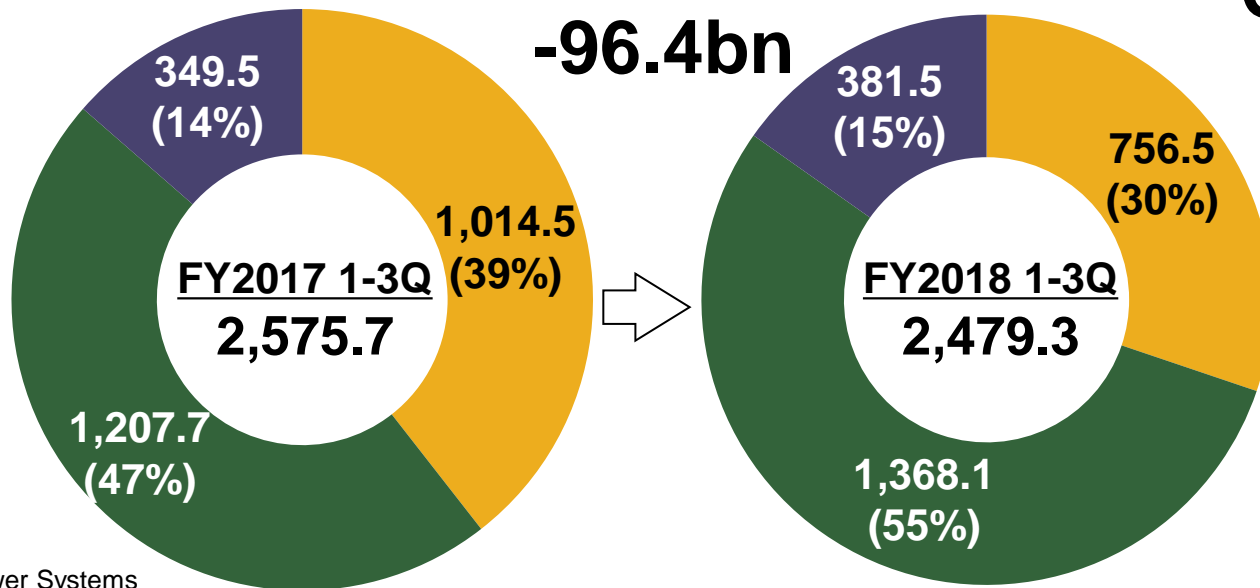
Cash Flows

(In billion yen)

	FY2017 1-3Q	FY2018 1-3Q	Change	FY2018 Forecast
Operating cash flow	-16.0	-30.7	-14.6	-
Investment cash flow	-262.1	-123.7	+138.4	-
Free cash flow	-278.2	-154.4	+123.7	100.0

Orders Received

(In billion yen)



Order Backlog^(*2)

-456.7bn

Offshore wind power^(*3) Offshore wind power

(500) (900)

5,609.4 **5,152.7**

3,349.7 3,025.1

1,265.9 1,254.3

987.5 872.8

6.3 0.3

As of Mar.31, 2018 **As of Dec.31, 2018**

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

■ Power Systems

Increased:
GTCC^(*1), Compressors
Decreased:
Steam power (Conventional thermal)

■ Industry & Infrastructure

Increased:
Commercial ships, Chemical plants,
Metals machinery

■ Aircraft, Defense & Space

Increased:
Naval vessels, Defense aircraft
Decreased:
Commercial aircraft

(*1)GTCC: Gas Turbine Combined Cycle

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

(*3) Because this business is performed by an equity-method company (MHI Vestas Offshore Wind A/S), its backlog (rounded off) is indicated separate from the backlog total.

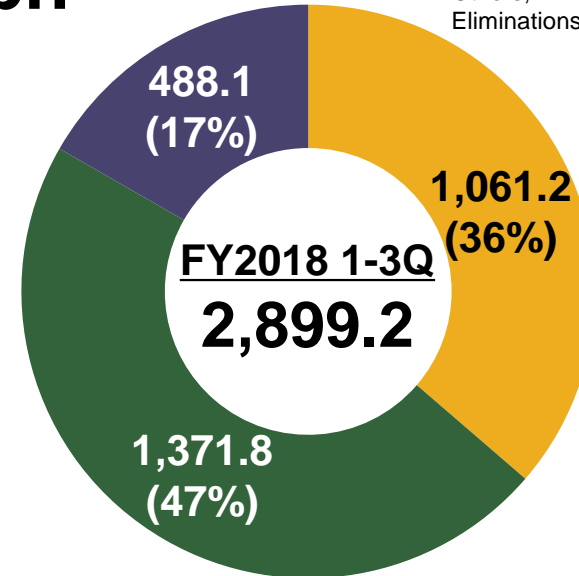
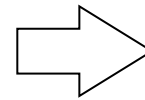
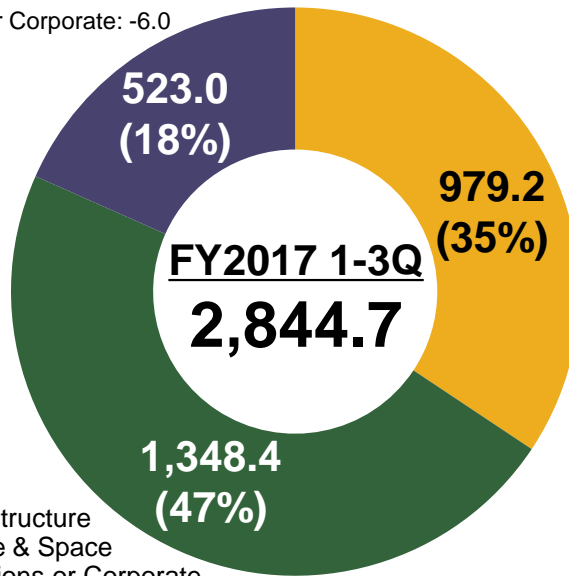
Revenue by Segment

(In billion yen)

Others,
Eliminations or Corporate: -6.0

+54.5bn

Others,
Eliminations or Corporate: -21.9



■ Power Systems

Increased :

Nuclear power, GTCC, Aero engines

■ Aircraft, Defense & Space

Decreased:

Commercial aircraft, Missile systems

■ Industry & Infrastructure

Increased :

Metals machinery, Material handling equipment

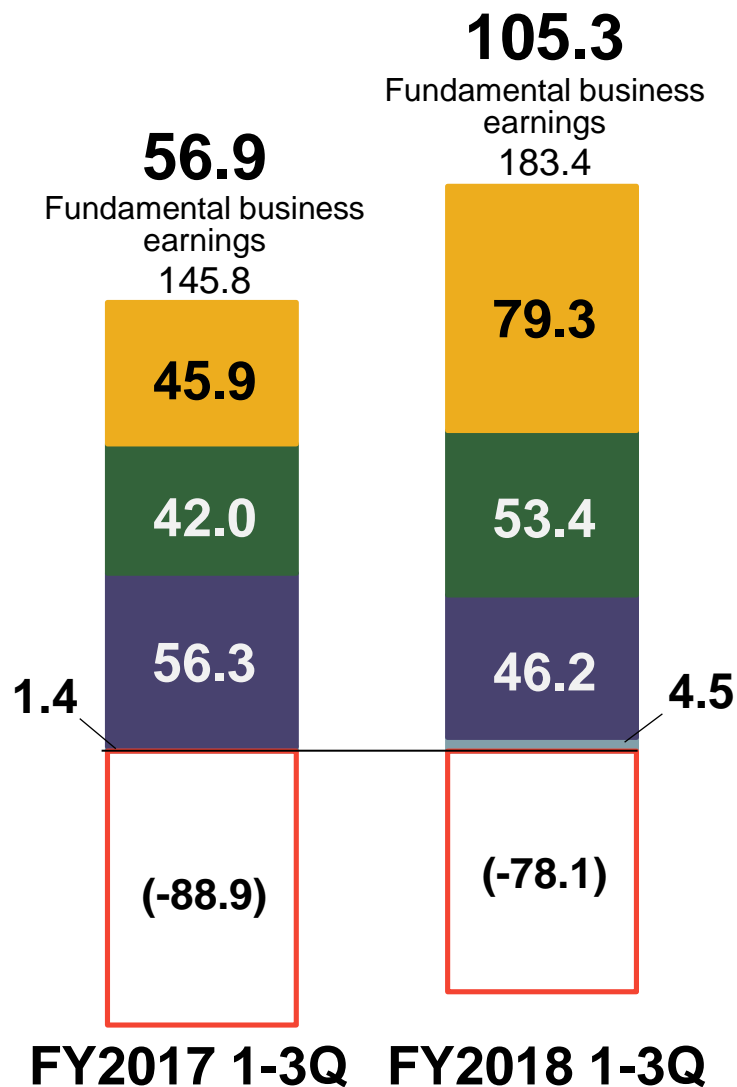
Decreased :

Chemical plants, Transportation systems

Profit from Business Activities by Segment

(In billion yen)

+48.4bn



■ Power Systems

Increased

Nuclear power, GTCC:
Increased sales, etc.

■ Industry & Infrastructure

Increased

Material handling equipment:
Increased sales, etc.

■ Aircraft, Defense & Space

Decreased

Commercial aircraft:
Decreased sales, etc.

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

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	
		As of Feb. 6, 2019	As of Oct. 31, 2018		
Orders received	3,868.7	3,800.0	4,100.0	- 68.7	(- 1.8%)
Revenue	4,085.6	4,200.0	4,200.0	+114.3	(+2.8%)
Profit from business activities	(1.4%) 58.1	(3.8%) 160.0	160.0	+101.8	(+175.0%)
Profit attributable to owners of parent	-7.3	(1.9%) 80.0	80.0	+87.3	-
ROE	-0.5%	6%	6%	-	
EBITDA	(5.7%) 231.9	(7.6%) 320.0	320.0	+88.0	(+38.0%)
Free cash flow	167.5	100.0	100.0	-67.5	-
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\$: 0.4 billion Euro: 0.4 billion Assumed exchange rate US\$ 1.00 = ¥110 Euro 1.00 = ¥130	

Reflecting movements through 1-3Q, only orders received is revised from previous forecast (October 31, 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
	As of Feb. 6, 2019	As of Oct. 31, 2018		
Orders received	3,800.0	4,100.0	–	3,800.0
Revenue	4,200.0	4,200.0	–	4,200.0
Profit from business activities	(6.0%) 250.0	250.0	–90.0	(3.8%) 160.0
Profit attributable to owners of parent	(4.0%) 170.0	170.0	–90.0	(1.9%) 80.0
ROE	12%	12%	–	6%
EBITDA	(9.8%) 410.0	410.0	–90.0	(7.6%) 320.0
Free cash flow	220.0	220.0	–120.0	100.0

- 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)

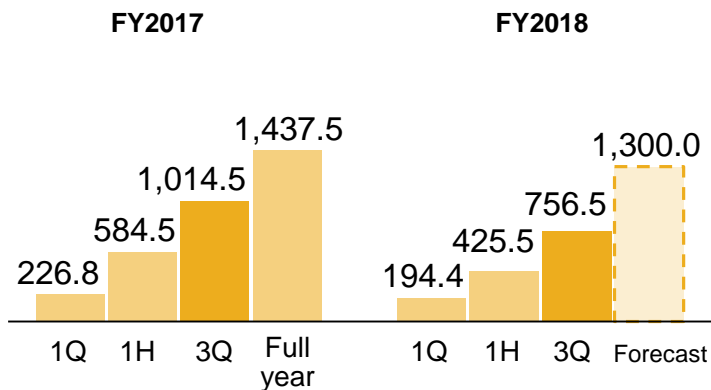
	Orders received				Revenue				Profit from business activities			
	FY2017 (Actual)	FY2018 (Forecast)		Change	FY2017 (Actual)	FY2018 (Forecast)		Change	FY2017 (Actual)	FY2018 (Forecast)		Change
		As of Feb. 6	As of Oct. 31			As of Feb. 6	As of Oct. 31			As of Feb. 6	As of Oct. 31	
Power Systems	1,437.5	1,300.0	1,500.0	- 137.5	1,482.4	1,600.0	1,600.0	+117.5	84.9	135.0	135.0	+50.0
Industry & Infrastructure	1,711.3	1,850.0	1,950.0	+138.6	1,890.0	1,900.0	1,900.0	+9.9	41.0	80.0	80.0	+38.9
Aircraft, Defense & Space	714.6	650.0	650.0	- 64.6	718.3	700.0	700.0	- 18.3	- 63.5	- 45.0	- 45.0	+18.5
Others	113.5	100.0	100.0	- 13.5	120.7	120.0	120.0	- 0.7	3.4	5.0	5.0	+1.5
Eliminations or Corporate	- 108.3	- 100.0	- 100.0	+8.3	- 125.9	- 120.0	- 120.0	+5.9	- 7.7	- 15.0	- 15.0	- 7.2
Total	3,868.7	3,800.0	4,100.0	- 68.7	4,085.6	4,200.0	4,200.0	+114.3	58.1	160.0	160.0	+101.8

Power Systems and Industry & Infrastructure orders are revised from previous forecasts (October 31, 2018).

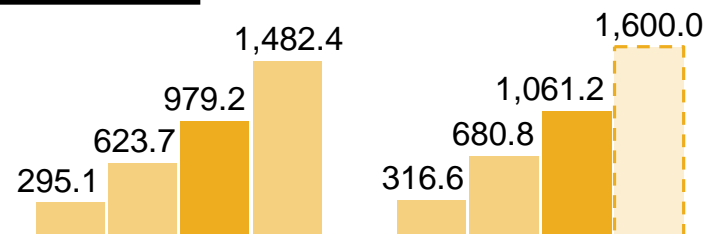
III. Supplementary Information

(In billion yen, accumulated amount)

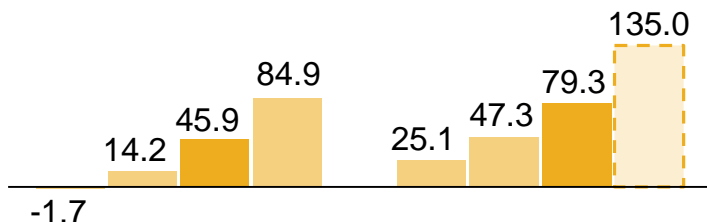
Orders Received



Revenue



Profit from business activities



Orders received : Down ¥258.0 billion YoY

- Increased : GTCC^(*), Compressors
- Decreased : Steam power (Conventional thermal)

(*)GTCC: Gas Turbine Combined Cycle

Gas turbine orders received

		North America	Asia	Japan	Others	Total
FY2017 1-3Q	Large size	-	2	-	2	4
	Small to medium size	-	-	1	1	2
	Total	0	2	1	3	6
FY2018 1-3Q	Large size	1	4	-	-	5
	Small to medium size	6	2	1	-	9
	Total	7	6	1	0	14

Backlog of Gas turbine orders received

	Large size	Small to medium size	Total
As of Dec. 31, 2017	37	8	45
As of Mar. 31, 2018	38	6	44
As of Dec. 31, 2018	35	10	45

Revenue: Up ¥81.9 billion YoY

- Increased : Nuclear power, GTCC, Aero engines

Profit from business activities : Up ¥33.3 billion YoY

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

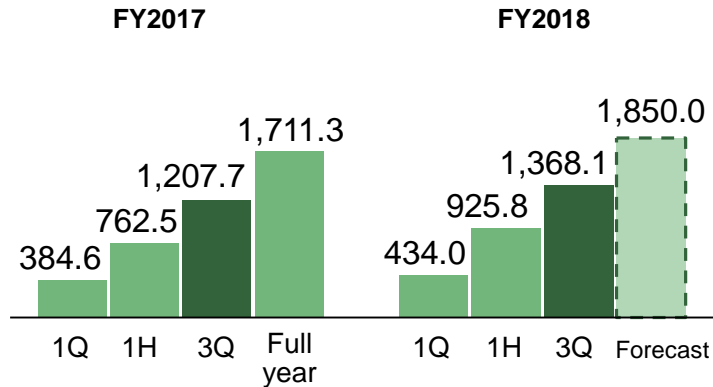
Full-year forecasts :

- Orders received has been revised downward, from ¥1,500.0 billion to ¥1,300.0 billion

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

(In billion yen, accumulated amount)

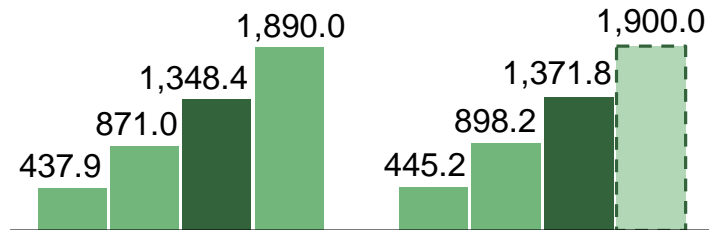
Orders Received



Orders received : Up ¥160.4 billion YoY

- Increased : Commercial ships, Chemical plants, Metals machinery

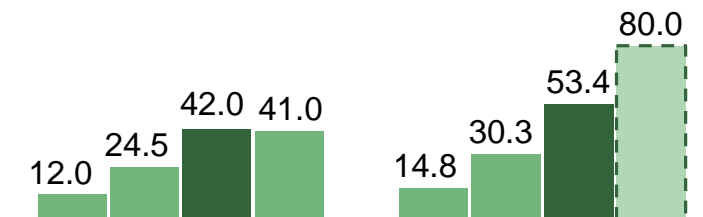
Revenue



Revenue : Up ¥23.4 billion YoY

- Increased : Metals machinery, Material handling equipment
- Decreased : Chemical plants, Transportation systems

Profit from business activities



Profit from business activities : Up ¥11.3 billion YoY

- Increased
Material handling equipment:
Increased sales, etc.

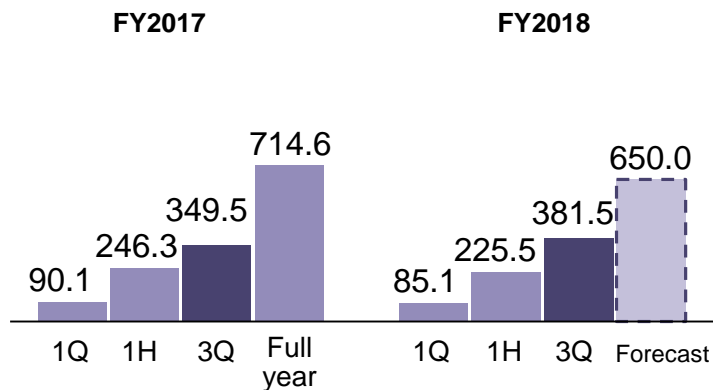
Full-year forecasts :

- Orders received has been revised downward, from ¥1,950.0 billion to ¥1,850.0 billion

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

(In billion yen, accumulated amount)

Orders Received

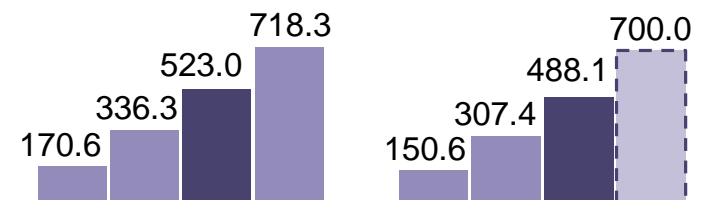


Orders received : Up ¥31.9 billion YoY

- Increased : Naval vessels, Defense aircraft
- Decreased : Commercial aircraft

Accumulated number of MRJ orders received: 387
(firm orders: 213 / options and purchase rights: 174)
[As of February 6, 2019]

Revenue



Revenue : Down ¥34.9 billion YoY

- Decreased : Commercial aircraft, Missile systems

Number of B777s / B777Xs delivered

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

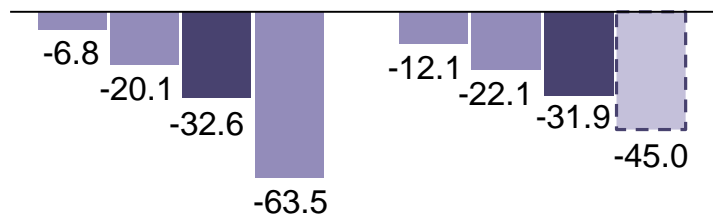
FY2018 (forecast) : 48 (1Q:11, 2Q:11, 3Q:11, 4Q:15[planned])

Number of B787s delivered

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

FY2018 (forecast) :148 (1Q:37, 2Q:36, 3Q:33, 4Q:42[planned])

Profit from business activities



Profit from business activities :

Up ¥0.6 billion YoY

- Decreased
Commercial aircraft: Decreased sales, etc.

Full-year forecasts :

- No change

Supplementary Information (2) Reference Data

1. R&D Expenses, Depreciation and Capital Expenditure

(In billion yen)

	FY2017 1-3Q	FY2018 1-3Q	FY2018 (Forecast)
R&D Expenses	102.9	97.6	180.0
Depreciation	125.9	95.3	160.0
Capital Expenditure	106.3	89.1	160.0

2. Selling, General and Administrative Expenses

(In billion yen)

	FY2017 1-3Q	FY2018 1-3Q
SG&A	394.1	393.5

3. Foreign Exchange Rates (For sales)

(In yen)

	FY2017 1-3Q	FY2018 1-3Q
US\$	111.7	110.7
Euro	126.8	129.4

4. Overseas Revenue by Region

(In billion yen)

	FY2017 1-3Q	FY2018 1-3Q
Asia	498.4 (18%)	543.3 (19%)
North America	487.6 (17%)	474.1 (17%)
Europe	292.9 (10%)	301.5 (10%)
Central & South America	113.5 (4%)	100.6 (3%)
The Middle East	110.0 (4%)	95.2 (3%)
Africa	66.1 (2%)	72.1 (2%)
Oceania	22.8 (1%)	19.9 (1%)
Total	1,591.6 (56%)	1,607.0 (55%)

MOVE THE WORLD FORWARD

**mitsubishi
heavy
industries
group**