

No. 2142

MHI Announces Outline of FY2018 First 6 Months Financial Results Ended September 30, 2018 (Consolidated)

Tokyo, October 31, 2018 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first six months of fiscal year (FY) 2018 ended September 30, 2018.

(billions of yen)

	FY2018 First 6 Months (From April 1 to September 30, 2018)	FY2017 First 6 Months (From April 1 to September 30, 2017)	Changes (%)
Orders Received	1,561.8	1,594.1	(2.0)
Revenue	1,872.0	1,828.0	2.4
Profit from business activities	56.7	19.4	191.7
Profit Before Income Taxes	65.1	21.4	203.0
Profit (loss) Attributable to Owners of Parent	25.4	(2.9)	—
Operating Cash Flow	(4.2)	(63.1)	/
Investment Cash Flow	(70.7)	(119.5)	/
Financing Cash Flow	6.0	145.5	/
Profit (loss) Attributable to Owners of Parent Per Share	75.97 yen	(8.88 yen)	—

Figures in parentheses are negative.

Consolidated financial results (continued)

Revenue by Operational Segment

(billions of yen)

	FY2018 First 6 Months (From April 1 to September 30, 2018)	FY2017 First 6 Months (From April 1 to September 30, 2017)
Power Systems	680.8	623.7
Industry & Infrastructure	898.2	871.0
Aircraft, Defense & Space	307.4	336.3
Others	34.2	60.6
Eliminations or Corporate	(48.8)	(63.8)
TOTAL	1,872.0	1,828.0

Profit (Loss) From Business Activities by Operational Segment(billions of yen)

	FY2018 First 6 Months (From April 1 to September 30, 2018)	FY2017 First 6 Months (From April 1 to September 30, 2017)
Power Systems	47.3	14.2
Industry & Infrastructure	30.3	24.5
Aircraft, Defense & Space	(22.1)	(20.1)
Others	2.9	3.4
Eliminations or Corporate	(1.8)	(2.6)
TOTAL	56.7	19.4

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 Sep. 30, 2018
<u>Assets</u>			
Current assets			
Cash and cash equivalents	242,404	299,237	233,026
Trade and other receivables	717,483	759,902	683,742
Other financial assets	38,953	27,591	27,912
Contract assets	743,118	744,707	736,588
Inventories	833,606	748,574	821,522
Indemnification assets for South African projects	409,521	445,920	497,541
Other current assets	271,137	214,992	242,075
Total current assets	3,256,226	3,240,925	3,242,409
Non-current assets			
Property, plant and equipment	791,265	773,186	776,666
Goodwill	120,552	121,563	122,323
Intangible assets	124,954	103,023	93,965
Investments accounted for using the equity method	145,754	205,198	210,377
Investments in securities and other financial assets	523,130	485,047	507,857
Deferred tax assets	102,442	121,138	105,277
Other non-current assets	182,675	198,673	194,165
Total Non-current assets	1,990,774	2,007,831	2,010,632
Total assets	5,247,000	5,248,756	5,253,042

(Millions of Yen)

	Date of transition to IFRS As of Apr. 1, 2017	As of Mar. 31, 2018	As of Sep. 30, 2018
<u>Liabilities and Equity</u>			
Current liabilities			
Bonds, borrowings and other financial liabilities	552,209	517,537	610,811
Trade and other payables	750,867	801,154	740,882
Income taxes payable	31,233	27,251	19,772
Contract liabilities	831,707	914,697	908,538
Provisions	257,679	202,797	185,556
Other current liabilities	221,057	188,121	166,271
Total Current liabilities	2,644,754	2,651,558	2,631,833
Non-current liabilities			
Bonds, borrowings and other financial liabilities	693,335	656,129	600,446
Deferred tax liabilities	6,976	6,738	5,821
Retirement benefit liability	127,730	142,242	152,771
Provisions	10,611	18,747	41,631
Other non-current liabilities	82,158	79,474	76,515
Total non-current liabilities	920,811	903,332	877,185
Total liabilities	3,565,566	3,554,891	3,509,018
<u>Equity</u>			
Share capital	265,608	265,608	265,608
Capital surplus	187,433	185,937	185,839
Treasury shares	(4,609)	(4,081)	(5,883)
Retained earnings	844,450	830,057	844,679
Other components of equity	111,321	118,015	146,077
Equity attributable to owners of parent	1,404,205	1,395,537	1,436,322
Non-controlling interests	277,228	298,327	307,701
Total Equity	1,681,434	1,693,865	1,744,023
Total Liabilities and Equity	5,247,000	5,248,756	5,253,042

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

i) First six months FY2017 and FY2018

(Millions of Yen)

	FY2017 First 6 Months (From Apr. 1 to Sep. 30, 2017)	FY2018 First 6 Months (From Apr. 1 to Sep. 30, 2018)
Revenue	1,828,035	1,872,064
Cost of sales	1,495,645	1,526,332
Gross Profit	332,389	345,732
Selling, general and administrative expenses	261,502	261,481
Share of profit of investments accounted for using the equity method	2,469	8,280
Other income *	9,876	14,689
Other expenses	63,775	50,451
Profit from business activities	19,458	56,768
Finance income	9,075	14,717
Finance expenses	7,042	6,358
Profit before income taxes	21,492	65,127
Income taxes	19,879	29,122
Profit	1,612	36,004
Profit attributable to:		
Owners of parent	(2,984)	25,497
Non-controlling interests	4,596	10,506

(Yen)

Earnings per share attributable to owners of parent		
Basic earnings (loss) per share	(8.88)	75.97
Diluted earnings (loss) per share	(8.94)	75.80

*Other income includes dividend income. The amount of dividends of FY 2017 first 6 Months is 6,581 Million Yen, and the amount of FY2018 First 6 Months is 6,562 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(loss) per share and diluted earnings(loss) per share are calculated.

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

ii) For three months ended Sep.30, 2017 and 2018 (FY2017Q2 & FY2018Q2)

(Millions of Yen)

	FY2017 Q2 (From Jul. 1 to Sep. 30, 2017)	FY2018 Q2 (From Jul. 1 to Sep. 30, 2018)
Revenue	924,782	965,957
Cost of sales	752,927	791,757
Gross Profit	171,855	174,199
Selling, general and administrative expenses	129,478	129,497
Share of profit (loss) of investments accounted for using the equity method	(896)	5,940
Other income *	2,477	3,162
Other expenses	30,984	28,463
Profit from business activities	12,973	25,341
Finance income	1,533	8,290
Finance expenses	3,623	2,594
Profit before income taxes	10,883	31,038
Income taxes	7,269	14,056
Profit	3,613	16,981
Profit attributable to:		
Owners of parent	99	10,438
Non-controlling interests	3,513	6,543

(Yen)

Earnings per share attributable to owners of parent		
Basic earnings per share	0.30	31.10
Diluted earnings per share	0.26	31.06

*Other income includes dividend income. The amount of dividends of FY2017Q2 is 746 Million Yen, and the amount of FY2018Q2 is 600 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 six months FY2017 and FY2018

(Millions of Yen)

	FY2017 First 6 Months (From Apr. 1 to Sep. 30, 2017)	FY2018 First 6 Months (From Apr. 1 to Sep. 30, 2018)
Profit	1,612	36,004
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net gains and losses from financial assets measured at FVTOCI	34,855	20,294
Remeasurement of defined benefit plans	637	339
Share of other comprehensive income (loss) of entities accounted for using the equity method	540	(234)
Total	36,033	20,398
Items that may be reclassified to profit or loss		
Cash flow hedges	(246)	(302)
Exchange differences on translating foreign operations	17,306	20,858
Share of other comprehensive income (loss) of entities accounted for by the equity method	1,069	(2,731)
Total	18,129	17,824
Total other comprehensive income	54,162	38,222
Comprehensive income	55,775	74,227
Comprehensive income attributable to		
Owners of parent	45,483	59,265
Non-controlling interests	10,292	14,962

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

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

ii) For three months ended Sep.30, 2017 and 2018 (FY2017Q2 & FY2018Q2)

	(Millions of Yen)	
	FY2017 Q2 (From Jul. 1 to Sep. 30, 2017)	FY2018 Q2 (From Jul. 1 to Sep. 30, 2018)
Profit	3,613	16,981
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net gains and losses from financial assets measured at FVTOCI	22,459	2,359
Remeasurement of defined benefit plans	105	121
Share of other comprehensive income (loss) of entities accounted for using the equity method	(18)	19
Total	22,545	2,499
Items that may be reclassified to profit or loss		
Cash flow hedges	258	210
Exchange differences on translating foreign operations	9,044	18,345
Share of other comprehensive income (loss) of entities accounted for by the equity method	(108)	(267)
Total	9,194	18,288
Total other comprehensive income	31,739	20,787
Comprehensive income	35,352	37,769
Comprehensive income attributable to		
Owners of parent	29,814	27,165
Non-controlling interests	5,537	10,604

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

(Millions of Yen)

	Equity attributable to owners of parent					Total	Non-controlling interests	Total Equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity			
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				(2,984)		(2,984)	4,596	1,612
Other comprehensive income					48,467	48,467	5,695	54,162
Comprehensive income				(2,984)	48,467	45,483	10,292	55,775
Transfer to retained earnings				57	(57)	-		-
Purchase of treasury shares			(6)			(6)		(6)
Disposal of treasury shares		23	195			219		219
Dividends				(20,149)		(20,149)	(5,059)	(25,208)
Other		(1,997)	162	(502)		(2,337)	1,495	(841)
Total transactions with owners		(1,973)	351	(20,651)	-	(22,274)	(3,563)	(25,837)
Balance as of Sep. 30, 2017	265,608	185,459	(4,258)	820,872	159,731	1,427,414	283,957	1,711,372
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				25,497		25,497	10,506	36,004
Other comprehensive income					33,767	33,767	4,455	38,222
Comprehensive income				25,497	33,767	59,265	14,962	74,227
Transfer to retained earnings				5,704	(5,704)	-		-
Purchase of treasury shares			(2,108)			(2,108)		(2,108)
Disposal of treasury shares		11	41			53		53
Dividends				(20,160)		(20,160)	(4,590)	(24,750)
Other		(108)	264	3,579		3,735	(998)	2,736
Total transactions with owners		(97)	(1,802)	(16,580)	-	(18,480)	(5,588)	(24,069)
Balance as of Sep. 30, 2018	265,608	185,839	(5,883)	844,679	146,077	1,436,322	307,701	1,744,023

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

(Millions of Yen)

	FY2017 First 6 Months (From Apr. 1 to Sep. 30, 2017)	FY2018 First 6 Months (From Apr. 1 to Sep. 30, 2018)
Cash flows from operating activities		
Profit before income tax	21,492	65,127
Depreciation, amortization and impairment loss	131,004	102,443
Finance income and costs	(865)	5,212
Share of loss (profit) of investments accounted for using equity method	(2,469)	(8,280)
Decrease (increase) in trade receivables	95,339	82,341
Decrease (increase) in contract assets	(52,351)	9,831
Decrease (increase) in inventories	(68,683)	(62,206)
Increase (decrease) in trade payables	(62,450)	(60,264)
Increase (decrease) in contract liabilities	(7,655)	(6,313)
Increase (decrease) in provisions	(53,053)	8,479
Increase (decrease) in liability for retirement benefits	9,144	6,758
Decrease (increase) in indemnification assets of South African projects	(14,228)	(57,586)
Others	(61,791)	(62,991)
Subtotal	(66,568)	22,553
Interest received	4,032	1,671
Dividends received	6,344	8,979
Interest paid	(4,316)	(3,887)
Income taxes paid	(2,652)	(33,605)
Net cash provided by (used in) operating activities	(63,160)	(4,288)
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(128,586)	(95,253)
Proceeds from sales of property, plant and equipment and intangible assets	7,088	9,381
Purchases of investments (including investments accounted for using equity method)	(2,238)	(4,803)
Proceeds from sales and redemption of investments (including investments accounted for using equity method)	24,526	19,039
Disbursement of loans	(2,168)	(3,663)
Collection of loans	11,209	2,503
Others	(29,333)	2,069
Net cash provided by (used in) investing activities	(119,502)	(70,727)
Cash flows from financing activities		
Net increase (decrease) in current borrowings	223,460	128,046
Proceeds from non-current borrowings	2,089	53
Repayment of non-current borrowings	(10,248)	(19,146)
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	505	315
Dividends paid to equity holders of parent	(20,107)	(20,111)
Dividends paid to non-controlling interests	(5,034)	(4,590)
Proceeds from fluidity of lease receivables	74,130	65,189
Repayment of payables under fluidity lease receivables	(78,353)	(111,614)
Others	(926)	(2,052)
Net cash provided by (used in) financing activities	145,516	6,088
Effect of exchange rate changes on cash and cash equivalents	10,454	2,716
Net increase (decrease) in cash and cash equivalents	(26,692)	(66,210)
Cash and cash equivalents at the beginning of the year	242,404	299,237
Cash and cash equivalents at the end of period	215,712	233,026