

# PRESS RELEASE

2020-02-06

## MHI Announces Outline of FY2019 First 9 Months Financial Results Ended December 31, 2019 (Consolidated)

Tokyo, February 6, 2020 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first nine months of fiscal year (FY) 2019 ended December 31, 2019.

(billions of yen)

	<b>FY2019 First 9 Months</b> (From April 1 to December 31, 2019)	FY2018 First 9 Months (From April 1 to December 31, 2018)	Changes (%)
Orders Received	<b>2,653.4</b>	2,479.3	7.0
Revenue	<b>2,856.5</b>	2,899.2	(1.5)
Profit from business activities	<b>12.7</b>	117.0	(89.1)
Profit Before Income Taxes	<b>4.7</b>	114.9	(95.9)
Profit (loss) Attributable to Owners of Parent	<b>101.4</b>	42.9	136.2
Operating Cash Flow	<b>(137.1)</b>	(19.6)	
Investment Cash Flow	<b>(186.0)</b>	(123.7)	
Financing Cash Flow	<b>289.9</b>	82.2	
Profit (loss) Attributable to Owners of Parent Per Share	<b>301.92 yen</b>	127.93 yen	136.0

Figures in parentheses are negative.

## Consolidated financial results (continued)

### Revenue by Operational Segment

(billions of yen)

	<b>FY2019</b> <b>First 9 Months</b> (From April 1 to December 31, 2019)	FY2018 First 9 Months (From April 1 to December 31, 2018)
Power Systems	<b>1,075.3</b>	1,061.2
Industry & Infrastructure	<b>1,312.8</b>	1,371.8
Aircraft, Defense & Space	<b>493.1</b>	488.1
Others	<b>50.6</b>	51.9
Eliminations or Corporate	<b>(75.4)</b>	(73.9)
<b>TOTAL</b>	<b>2,856.5</b>	2,899.2

### Profit (Loss) From Business Activities by Operational Segment

(billions of yen)

	<b>FY2019</b> <b>First 9 Months</b> (From April 1 to December 31, 2019)	FY2018 First 9 Months (From April 1 to December 31, 2018)
Power Systems	<b>105.6</b>	79.5
Industry & Infrastructure	<b>39.6</b>	53.8
Aircraft, Defense & Space	<b>(130.2)</b>	(23.6)
Others	<b>10.0</b>	6.5
Eliminations or Corporate	<b>(12.2)</b>	0.7
<b>TOTAL</b>	<b>12.7</b>	117.0

Figures in parentheses are negative.

## Estimate of Consolidated Financial Results for FY 2019

For the fiscal year 2019 ending March 31, 2020, MHI is expecting 4,150 billion yen in revenue, 0 yen in Profit from business activities, (10) billion yen in profit before income tax, and 100 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 = ¥120 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.

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

(Millions of Yen)

	As of Mar. 31, 2019	As of Dec. 31, 2019
<b><u>Assets</u></b>		
Current assets		
Cash and cash equivalents	283,235	247,897
Trade and other receivables	717,414	633,612
Other financial assets	25,180	23,900
Contract assets	625,749	728,243
Inventories	739,820	818,426
Indemnification assets for South African projects	546,098	607,800
Other current assets	222,390	278,121
<b>Total current assets</b>	<b>3,159,890</b>	<b>3,338,002</b>
Non-current assets		
Property, plant and equipment	777,228	802,655
Goodwill	121,117	126,103
Intangible assets	113,131	79,783
Right-of-use assets	90,335	96,502
Investments accounted for using the equity method	209,929	223,466
Investments in securities and other financial assets	447,888	416,107
Deferred tax assets	133,511	286,887
Other non-current assets	187,320	177,610
<b>Total Non-current assets</b>	<b>2,080,463</b>	<b>2,209,117</b>
<b>Total assets</b>	<b>5,240,353</b>	<b>5,547,119</b>
<b><u>Liabilities and Equity</u></b>		
Current liabilities		
Bonds, borrowings and other financial liabilities	459,548	1,312,426
Trade and other payables	862,174	778,742
Income taxes payable	27,024	22,060
Contract liabilities	875,294	843,361
Provisions	215,475	178,656
Other current liabilities	157,273	172,597
<b>Total Current liabilities</b>	<b>2,596,790</b>	<b>3,307,843</b>
Non-current liabilities		
Bonds, borrowings and other financial liabilities	637,204	550,799
Deferred tax liabilities	4,012	7,861
Retirement benefit liability	154,105	162,253
Provisions	47,583	54,016
Other non-current liabilities	71,964	74,010
<b>Total non-current liabilities</b>	<b>914,870</b>	<b>848,941</b>
<b>Total liabilities</b>	<b>3,511,660</b>	<b>4,156,784</b>
<b><u>Equity</u></b>		
Share capital	265,608	265,608
Capital surplus	185,302	47,073
Treasury shares	(5,572)	(4,878)
Retained earnings	869,238	926,582
Other components of equity	96,987	82,813
Equity attributable to owners of parent	1,411,564	1,317,199
Non-controlling interests	317,128	73,135
<b>Total Equity</b>	<b>1,728,693</b>	<b>1,390,334</b>
<b>Total Liabilities and Equity</b>	<b>5,240,353</b>	<b>5,547,119</b>

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

### i) First nine months FY2018 and FY2019

(Millions of Yen)

	FY2018 First 9 Months (From Apr. 1 to Dec. 31, 2018)	FY2019 First 9 Months (From Apr. 1 to Dec. 31, 2019)
Revenue	2,899,279	2,856,511
Cost of sales	2,348,591	2,361,449
<b>Gross Profit</b>	<b>550,688</b>	<b>495,061</b>
Selling, general and administrative expenses	390,755	427,335
Share of profit of investments accounted for using the equity method	10,193	11,086
Other income *	22,892	64,783
Other expenses	76,010	130,823
<b>Profit from business activities</b>	<b>117,008</b>	<b>12,773</b>
Finance income	7,482	6,495
Finance expenses	9,526	14,512
<b>Profit before income taxes</b>	<b>114,964</b>	<b>4,756</b>
Income taxes	52,132	(112,922)
<b>Profit</b>	<b>62,832</b>	<b>117,678</b>
Profit attributable to:		
<b>Owners of parent</b>	<b>42,941</b>	<b>101,408</b>
Non-controlling interests	19,891	16,270

(Yen)

Earnings per share attributable to owners of parent		
Basic earnings per share	127.93	301.92
Diluted earnings per share	127.67	301.51

\*Other income includes dividend income. The amount of dividends of FY 2018 first 9 Month is 11,036 Million Yen, and the amount of FY2019 First 9 Months is 10,181 Million Yen.

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

ii) For three months ended Dec.31, 2018 and 2019 (FY2018Q3 & FY2019Q3)

(Millions of Yen)

	FY2018 Q3 (From Oct. 1 to Dec. 31, 2018)	FY2019 Q3 (From Oct. 1 to Dec. 31, 2019)
Revenue	1,027,215	978,847
Cost of sales	822,690	830,092
<b>Gross Profit</b>	<b>204,524</b>	<b>148,754</b>
Selling, general and administrative expenses	131,014	156,136
Share of profit of investments accounted for using the equity method	1,913	1,621
Other income *	8,219	53,952
Other expenses	26,419	109,783
<b>Profit from business activities</b>	<b>57,222</b>	<b>(61,590)</b>
Finance income	1,419	8,474
Finance expenses	11,134	2,988
<b>Profit before income taxes</b>	<b>47,507</b>	<b>(56,104)</b>
Income taxes	22,310	(134,594)
<b>Profit</b>	<b>25,197</b>	<b>78,490</b>
Profit attributable to:		
<b>Owners of parent</b>	<b>15,804</b>	<b>72,170</b>
Non-controlling interests	9,392	6,320

(Yen)

Earnings per share attributable to owners of parent		
Basic earnings per share	47.09	214.83
Diluted earnings per share	47.00	214.56

\*Other income includes dividend income. The amount of dividends of FY2018Q3 is 4,474 Million Yen, and the amount of FY2019Q3 is 4,153 Million Yen.

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

i) First nine months FY2018 and FY2019

(Millions of Yen)

	FY2018 First 9 Months (From Apr. 1 to Dec. 31, 2018)	FY2019 First 9 Months (From Apr. 1 to Dec. 31, 2019)
<b>Profit</b>	<b>62,832</b>	<b>117,678</b>
<b>Other comprehensive income (loss)</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Net gains and losses from financial assets measured at FVTOCI	(12,738)	(8,030)
Remeasurement of defined benefit plans	(365)	(419)
Share of other comprehensive income (loss) of entities accounted for by the equity method	304	675
<b>Total</b>	<b>(12,799)</b>	<b>(7,774)</b>
<b>Items that may be reclassified to profit or loss</b>		
Cash flow hedges	(1,065)	128
Hedging cost	—	2
Exchange differences on translating foreign operations	4,059	(5,721)
Share of other comprehensive income (loss) of entities accounted for by the equity method	(2,179)	(1,015)
<b>Total</b>	<b>815</b>	<b>(6,604)</b>
<b>Total other comprehensive income (loss)</b>	<b>(11,984)</b>	<b>(14,378)</b>
<b>Comprehensive income (loss)</b>	<b>50,848</b>	<b>103,299</b>
<b>Comprehensive income (loss) attributable to</b>		
Owners of parent	31,971	88,657
Non-controlling interests	18,876	14,642

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

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

ii) For three months ended Dec.31, 2018 and 2019 (FY2018Q3 &amp; FY2019Q3)

	(Millions of Yen)	
	FY2018 Q3 (From Oct. 1 to Dec. 31, 2018)	FY2019 Q3 (From Oct. 1 to Dec. 31, 2019)
<b>Profit</b>	<b>25,197</b>	<b>78,490</b>
<b>Other comprehensive income (loss)</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Net gains and losses from financial assets measured at FVTOCI	(33,032)	10,234
Remeasurement of defined benefit plans	(704)	28
Share of other comprehensive income (loss) of entities accounted for by the equity method	539	1,119
<b>Total</b>	<b>(33,197)</b>	<b>11,382</b>
<b>Items that may be reclassified to profit or loss</b>		
Cash flow hedges	(762)	1,087
Hedging cost	—	(254)
Exchange differences on translating foreign operations	(16,775)	18,118
Share of other comprehensive income (loss) of entities accounted for by the equity method	552	(2,140)
<b>Total</b>	<b>(16,985)</b>	<b>16,811</b>
<b>Total other comprehensive income (loss)</b>	<b>(50,183)</b>	<b>28,194</b>
<b>Comprehensive income (loss)</b>	<b>(24,986)</b>	<b>106,685</b>
<b>Comprehensive income (loss) attributable to</b>		
Owners of parent	(28,921)	95,050
Non-controlling interests	3,935	11,635



#### **(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			
<b>Balance as of Apr. 1 ,2018</b>	<b>265,608</b>	<b>185,937</b>	<b>(4,081)</b>	<b>830,057</b>	<b>118,015</b>	<b>1,395,537</b>	<b>298,327</b>	<b>1,693,865</b>
Cumulative effects of changes in accounting policies				(28,219)	(47)	(28,266)	(865)	(29,131)
<b>Restated balance</b>	<b>265,608</b>	<b>185,937</b>	<b>(4,081)</b>	<b>801,838</b>	<b>117,968</b>	<b>1,367,271</b>	<b>297,462</b>	<b>1,664,733</b>
Profit				42,941		42,941	19,891	62,832
Other comprehensive income					(10,969)	(10,969)	(1,014)	(11,984)
<b>Comprehensive income</b>				<b>42,941</b>	<b>(10,969)</b>	<b>31,971</b>	<b>18,876</b>	<b>50,848</b>
<b>Transfer to retained earnings</b>				<b>5,611</b>	<b>(5,611)</b>	-		-
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)
Put options held by non-controlling shareholders		589				589	465	1,054
Transactions with non-controlling interests		33				33	(33)	-
Other		(1,047)	438	4,452		3,843	(1,173)	2,669
<b>Total transactions with owners</b>	-	<b>(421)</b>	<b>(1,622)</b>	<b>(37,522)</b>	-	<b>(39,566)</b>	<b>(5,966)</b>	<b>(45,532)</b>
<b>Balance as of Dec. 31 ,2018</b>	<b>265,608</b>	<b>185,516</b>	<b>(5,703)</b>	<b>812,869</b>	<b>101,386</b>	<b>1,359,676</b>	<b>310,372</b>	<b>1,670,049</b>
<b>Balance as of Apr. 1 ,2019</b>	<b>265,608</b>	<b>185,302</b>	<b>(5,572)</b>	<b>869,238</b>	<b>96,987</b>	<b>1,411,564</b>	<b>317,128</b>	<b>1,728,693</b>
Profit				101,408		101,408	16,270	117,678
Other comprehensive income (loss)					(12,750)	(12,750)	(1,628)	(14,378)
<b>Comprehensive income (loss)</b>				<b>101,408</b>	<b>(12,750)</b>	<b>88,657</b>	<b>14,642</b>	<b>103,299</b>
<b>Transfer to retained earnings</b>				<b>2,110</b>	<b>(2,110)</b>	-		-
Purchase of treasury shares			(12)			(12)		(12)
Disposal of treasury shares		66	178			244		244
Dividends				(47,016)		(47,016)	(4,085)	(51,102)
Put options held by non-controlling shareholders		10,889				10,889	8,653	19,543
Transactions with non-controlling interests		(149,309)			686	(148,622)	(259,213)	(407,835)
Other		124	528	841		1,494	(3,989)	(2,495)
<b>Total transactions with owners</b>		<b>(138,228)</b>	<b>694</b>	<b>(46,175)</b>	<b>686</b>	<b>(183,022)</b>	<b>(258,635)</b>	<b>(441,657)</b>
<b>Balance as of Dec. 31 ,2019</b>	<b>265,608</b>	<b>47,073</b>	<b>(4,878)</b>	<b>926,582</b>	<b>82,813</b>	<b>1,317,199</b>	<b>73,135</b>	<b>1,390,334</b>

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

(Millions of Yen)

	FY2018 First 9 Months (From Apr. 1 to Dec. 31, 2018)	FY2019 First 9 Months (From Apr. 1 to Dec. 31, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	114,964	4,756
Depreciation, amortization and impairment loss	159,914	209,067
Finance income and costs	8,207	(804)
Share of profit of investments accounted for using the equity method	(10,193)	(11,086)
Loss (gain) on sale of property, plant and equipment, and intangible assets	(4,952)	(666)
Loss on disposal of property, plant and equipment, and intangible assets	3,545	5,753
Decrease (increase) in trade receivables	79,913	53,920
Decrease (increase) in contract assets	(51,250)	(104,151)
Decrease (increase) in inventories and advanced payments	(81,064)	(51,819)
Increase (decrease) in trade payables	(35,666)	(75,623)
Increase (decrease) in contract liabilities	(44,514)	(30,718)
Increase (decrease) in provisions	(13,420)	(29,159)
Increase (decrease) in retirement benefit liabilities	11,604	9,673
Decrease (increase) in indemnification asset for South African projects	(58,110)	(64,686)
Others	(56,587)	(13,369)
Subtotal	22,391	(98,913)
Interest received	3,288	4,478
Dividends received	14,640	12,989
Interest paid	(7,051)	(5,967)
Income taxes paid	(52,925)	(49,723)
<b>Net cash provided by operating activities</b>	<b>(19,656)</b>	<b>(137,137)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment and intangible assets	(152,874)	(184,190)
Proceeds from sales of property, plant and equipment and intangible assets	14,498	24,253
Purchases of investments (including investments accounted for using the equity method)	(7,791)	(13,155)
Proceeds from sales and redemption of investments (including investments accounted for using the equity method)	24,554	20,180
Payments for acquisition of subsidiaries	-	(28,773)
Proceeds from sale of subsidiaries	-	712
Net decrease (increase) in short-term loans	(107)	656
Disbursement of long-term loans	(1,658)	(505)
Collection of long-term loans	597	78
Others	(925)	(5,276)
<b>Net cash used in investing activities</b>	<b>(123,707)</b>	<b>(186,018)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	258,323	432,309
Proceeds from long-term borrowings	82	2
Repayment of long-term borrowings	(47,779)	(17,420)
Payment for redemption of bonds	(30,000)	(65,000)
Proceeds from issuance of stock to non-controlling interests	1,748	7
Dividends paid to owners of the parent	(40,693)	(45,636)
Dividends paid to non-controlling interests	(6,658)	(4,085)
Proceeds from factoring agreements	103,839	99,921
Repayment of liabilities under factoring agreements	(142,732)	(91,188)
Repayment of lease liabilities	(12,290)	(17,247)
Others	(1,606)	(1,678)
<b>Net cash provided by (used in) financing activities</b>	<b>82,233</b>	<b>289,984</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(6,764)</b>	<b>(2,166)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(67,894)</b>	<b>(35,337)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>299,237</b>	<b>283,235</b>
<b>Cash and cash equivalents at the end of period</b>	<b>231,341</b>	<b>247,897</b>