

No. 2103

MHI Announces Outline of FY2017 First 9 Months Financial Results Ended December 31, 2017 (Consolidated)

Tokyo, February 6, 2018 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first nine months of fiscal year (FY) 2017 ended December 31, 2017.

(billions of yen)

	FY2017 First 9 Months (From April 1 to December 31, 2017)	FY2016 First 9 Months (From April 1 to December 31, 2016)	Changes (%)
Orders Received	2,577.6	2,656.4	(3.0)
Net Sales	2,851.4	2,694.2	5.8
Operating Income	80.0	68.4	16.9
Ordinary Income	91.1	50.9	78.9
Income Before Income Taxes	82.3	31.1	164.1
Profit (loss) Attributable to Owners of Parent	24.7	(11.2)	—
Profit (loss) Attributable to Owners of Parent Per Share	73.73 yen	(33.48 yen)	—

Figures in parentheses are negative.

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2017 First 9 Months (From April 1 to December 31, 2017)	FY2016 First 9 Months (From April 1 to December 31, 2016)
Power Systems	985.7	973.0
Industry & Infrastructure	1,354.5	1,235.6
Aircraft, Defense & Space	517.0	473.8
Others	84.9	119.7
Eliminations or Corporate	(91.0)	(107.9)
TOTAL	2,851.4	2,694.2

Operating Income (Loss) by Operational Segment

(billions of yen)

	FY2017 First 9 Months (From April 1 to December 31, 2017)	FY2016 First 9 Months (From April 1 to December 31, 2016)
Power Systems	40.4	43.9
Industry & Infrastructure	40.4	27.9
Aircraft, Defense & Space	2.8	1.4
Others	4.0	6.5
Eliminations or Corporate	(7.7)	(11.3)
TOTAL	80.0	68.4

Figures in parentheses are negative.

Estimate of Consolidated Financial Results for FY 2017

For the fiscal year 2017 ending March 31, 2018, MHI is expecting 4,050 billion yen in net sales, 180 billion yen in operating income, 170 billion yen in ordinary income, 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.

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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CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

	As of Mar. 31, 2017	As of Dec. 31, 2017
<u>ASSETS</u>		
Current assets:		
Cash and deposits	248,040	241,514
Trade receivables	1,180,143	1,307,103
Merchandise and finished products	178,884	192,312
Work in process	989,336	1,062,552
Raw materials and supplies	157,330	150,422
Deferred income taxes	114,223	114,014
Indemnification asset for South African project	294,955	363,581
Other current assets	368,088	437,147
Allowance for doubtful accounts	(8,959)	(8,743)
Total current assets	3,522,043	3,859,905
Non-current assets:		
Property, plant and equipment, net:		
Buildings and structures	361,310	357,001
Machinery and transportation equipment	262,129	255,307
Tools, equipment and furniture	64,511	65,644
Land	179,674	180,514
Leased assets	5,004	5,137
Construction in progress	62,448	64,504
Subtotal	935,078	928,109
Intangible assets:		
Goodwill	120,552	110,332
Others	128,896	115,383
Subtotal	249,448	225,716
Investments and advances:		
Investment securities	578,758	684,242
Long-term loans	17,778	4,035
Asset for retirement benefit	60,556	66,770
Deferred income taxes	13,060	13,122
Others	113,407	111,067
Allowance for doubtful accounts	(8,204)	(8,005)
Subtotal	775,356	871,233
Total non-current assets	1,959,883	2,025,059
TOTAL ASSETS	5,481,927	5,884,964

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Mar. 31, 2017	As of Dec. 31, 2017
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	736,502	687,540
Electronically recorded obligations	99,560	104,427
Short-term borrowings	205,679	239,066
Current portion of long-term borrowings	97,729	121,220
Commercial papers	-	319,000
Current portion of bonds	60,000	30,000
Income taxes payable	31,233	26,814
Reserve for product warranties	14,899	14,217
Reserve for loss on construction contracts	49,853	46,736
Reserve for loss on passenger vessel construction business	18,463	-
Reserve for stock benefits	366	612
Advance payments received on contracts	777,654	873,127
Other current liabilities	435,152	405,824
Total current liabilities	2,527,093	2,868,586
Non-current liabilities:		
Bonds	215,000	205,000
Long-term borrowings	347,157	300,772
Deferred income taxes	87,029	109,669
Reserve for stock benefits	1,247	1,329
Reserve for treatment of PCB waste	6,485	6,222
Liability for retirement benefits	123,160	144,786
Other non-current liabilities	67,458	67,390
Total non-current liabilities	847,538	835,171
TOTAL LIABILITIES	3,374,632	3,703,758
<u>NET ASSETS</u>		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus	203,658	213,872
Retained earnings	1,214,749	1,198,774
Treasury stock	(4,609)	(4,208)
Total stockholders' equity	1,679,407	1,674,047
Accumulated other comprehensive income (loss)		
Unrealized holding gain (loss) on investment securities	100,600	149,970
Unrealized gain (loss) from hedging instruments	1,294	(312)
Translation adjustments	(2,287)	14,824
Retirement benefits liability adjustments	3,683	4,299
Total accumulated other comprehensive income (loss)	103,291	168,782
Share subscription rights	2,536	2,291
Non-controlling interests	322,059	336,084
TOTAL NET ASSETS	2,107,295	2,181,205
TOTAL LIABILITIES AND NET ASSETS	5,481,927	5,884,964

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2016 First 9 Months (From Apr. 1 to Dec. 31, 2016)	FY2017 First 9 Months (From Apr. 1 to Dec. 31, 2017)
Net sales	2,694,261	2,851,402
Cost of sales	2,205,603	2,324,228
Gross profit	488,658	527,173
Selling, general and administrative expenses:		
Provision of allowance for doubtful accounts	(85)	214
Directors' compensations, salaries and allowances	151,094	161,297
Research and development expenses	67,577	78,075
Expenses for inquiries	34,759	39,506
Other expenses	166,827	168,011
Total selling, general and administrative expenses	420,175	447,104
Operating income	68,482	80,069
Non-operating income:		
Interest income	3,034	3,095
Dividend income	8,018	11,374
Income from equity method investments	-	1,395
Foreign exchange gain	13,123	8,136
Other income	13,961	12,571
Total non-operating income	38,138	36,573
Non-operating expenses:		
Interest expense	8,908	7,189
Loss from equity method investments	21,419	-
Loss on disposal of fixed assets	4,864	4,046
Other expenses	20,460	14,226
Total non-operating expenses	55,652	25,461
Ordinary income	50,968	91,181
Extraordinary gain:		
Gain on sales of investment securities	4,641	1,988
Total extraordinary gain	4,641	1,988
Extraordinary loss:		
Business structure improvement expenses	1,997	10,861
Loss on passenger vessel construction business reserve	16,481	-
Loss on revaluation of investment securities	5,960	-
Total extraordinary loss	24,439	10,861
Profit before income taxes	31,170	82,308
Income taxes	29,046	41,994
Profit	2,124	40,313
Profit attributable to non-controlling interests	13,365	15,547
Profit (loss) attributable to owners of parent	(11,240)	24,765

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of Yen)

	FY2016 First 9 Months (From Apr. 1 to Dec. 31, 2016)	FY2017 First 9 Months (From Apr. 1 to Dec. 31, 2017)
Profit (Loss)	2,124	40,313
Other comprehensive income (loss)		
Unrealized holding gain (loss) on investment securities	62,947	49,669
Unrealized gain (loss) from hedging instruments	(458)	-
Translation adjustments	(5,640)	25,327
Retirement benefits liability adjustments	628	1,291
Share of other comprehensive income (loss) of entities accounted for by the equity method	(4,320)	853
Total other comprehensive income	53,156	77,142
Comprehensive income	55,281	117,456
Comprehensive income attributable to		
Owners of parent	45,881	90,257
Non-controlling interests	9,399	27,198