

Q1 FY2021 Financial Results

August 2, 2021

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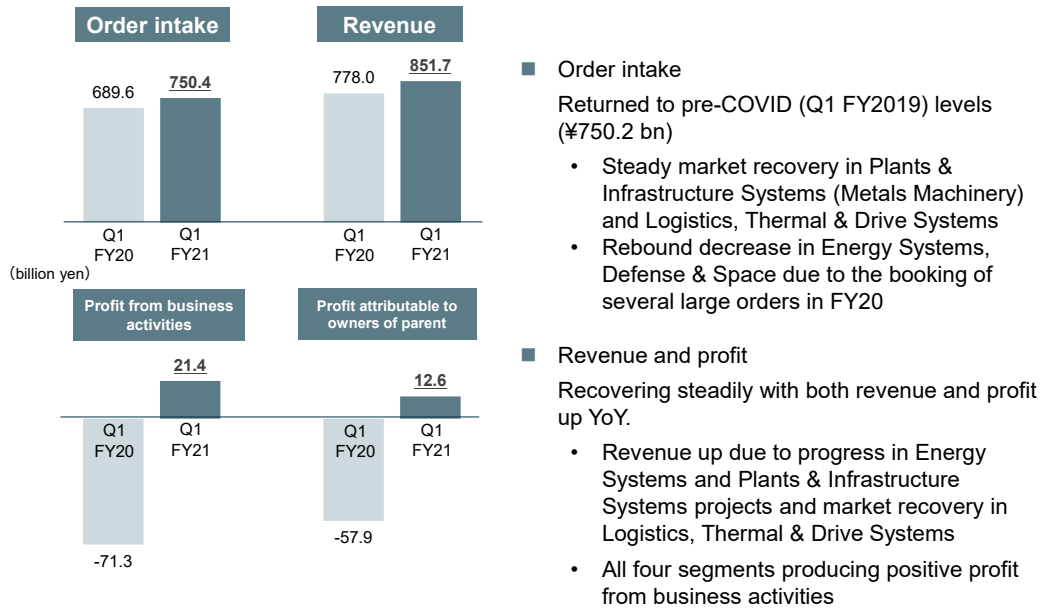
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I. Q1 FY2021 Financial Results

Financial Results Overview



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Order intake rose by roughly 9% YoY to ¥750.4 bn on par with pre-COVID levels in FY2019. Order intake rose significantly YoY in Plants & Infrastructure Systems and Logistics, Thermal & Drive Systems segments.

Revenue and all profit lines increased YoY, showing a recovery trend. All four segments produced positive profit from business activities.

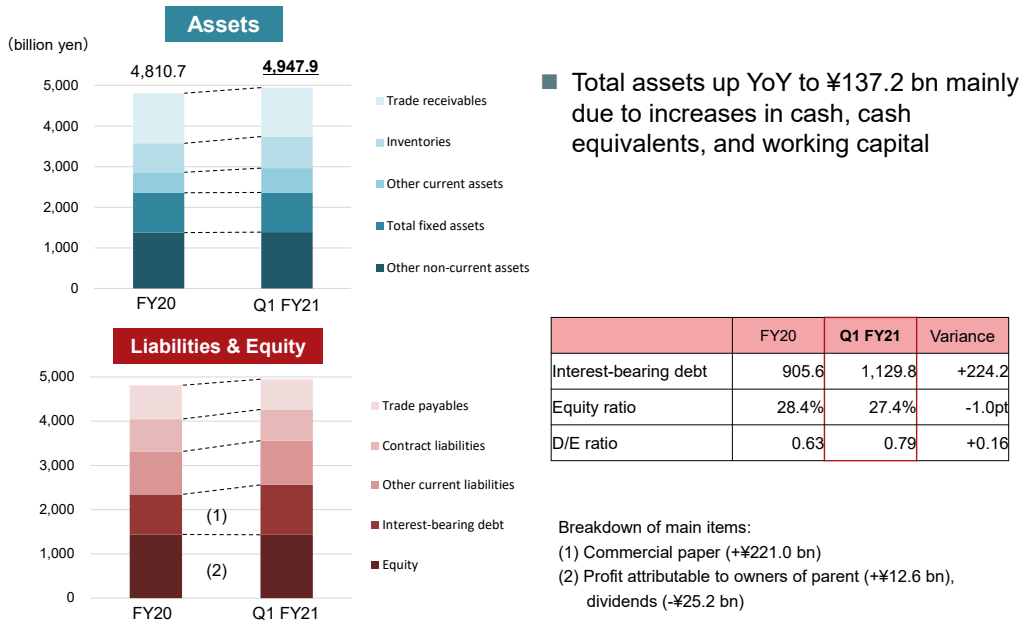
Financial Results Overview



(billion yen)

	Q1 FY2020		Q1 FY2021		YoY	
	(Profit margin)		(Profit margin)			
Order intake		689.6		750.4	+60.7	(+8.8%)
Revenue		778.0		851.7	+73.7	(+9.5%)
Profit from business activities	(-9.2%)	-71.3	(2.5%)	21.4	+92.8	-
Profit attributable to owners of parent	(-7.4%)	-57.9	(1.5%)	12.6	+70.5	-
EBITDA	(-4.8%)	-37.1	(6.3%)	53.7	+90.9	-
Free cash flow		-339.5		-167.3	+172.2	-

Financial Position Overview



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Total assets have increased from the end of FY2020, mainly due to an increase in working capital, reflecting the normal movement of funds during the term in line with expectations.

Interest-bearing debt and other indicators are within the range of the initial forecast.

Financial Position Overview



(billion yen)

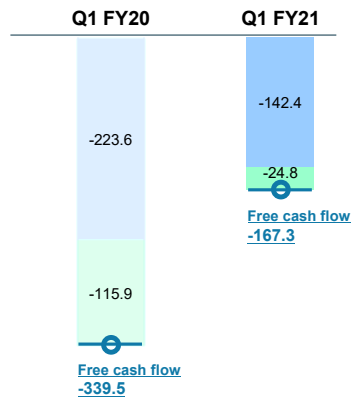
	Q1 FY20	Q1 FY21	YoY
Trade receivables and contract assets	1,234.1	1,207.7	-26.4
Inventories	713.4	774.6	+61.2
Other current assets	507.0	600.7	+93.7
(Cash and cash equivalents)	(245.4)	(273.3)	(+27.9)
Total fixed assets	978.9	975.2	-3.7
Other non-current assets	1,377.1	1,389.5	+12.4
Total assets	4,810.7	4,947.9	+137.2
Trade payables	763.7	681.6	-82.1
Contract liabilities	731.8	706.8	-25.0
Other liabilities	970.1	996.8	+26.7
Interest-bearing debt	905.6	1,129.8	+224.2
Equity	1,439.3	1,432.7	-6.6
(Equity attributable to owners of the parent)	(1,366.3)	(1,357.0)	(-9.3)
Total liabilities and equity	4,810.7	4,947.9	+137.2

Cash Flows



(billion yen)

■ Operating cash flow ■ Investing cash flow



■ Free cash flow

Generally trending in line with plan and latest forecast (¥±0)

■ Operating cash flow

- Improved profitability in Plants & Infrastructure Systems
- Working capital down YoY due to stabilization of COVID-19 situation, which had inflated working capital in FY20

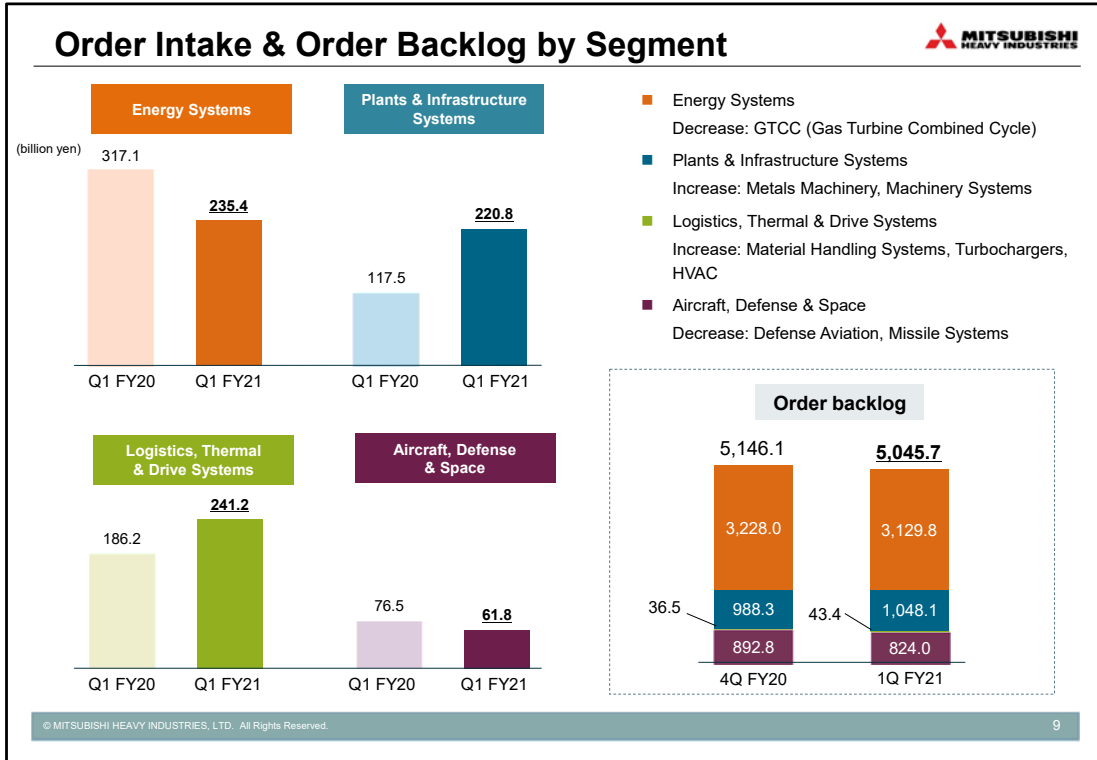
■ Investing cash flow

Cash outflows down YoY due to expenditures related to CRJ acquisition in FY20 and minimization of SpaceJet investment in FY21

Although operating cash flow is still negative due to large consumption of advanced payments received from customers in the past and previous fiscal years, the COVID-19 situation is beginning to stabilize, and there has been a significant improvement as compared to Q1 FY2020.

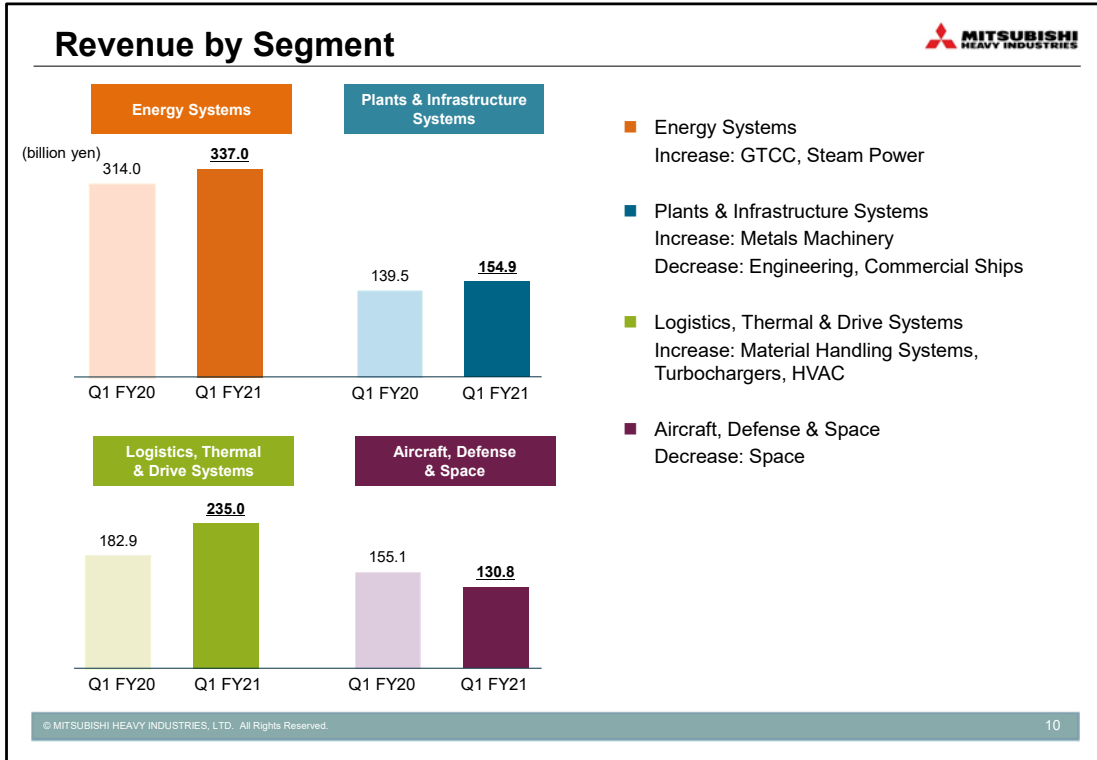
As for investing cash flow, expenditures related to Commercial Aviation, including CRJ, were significantly reduced in Q1.

Free cash flow is trending in line with the annual forecast.



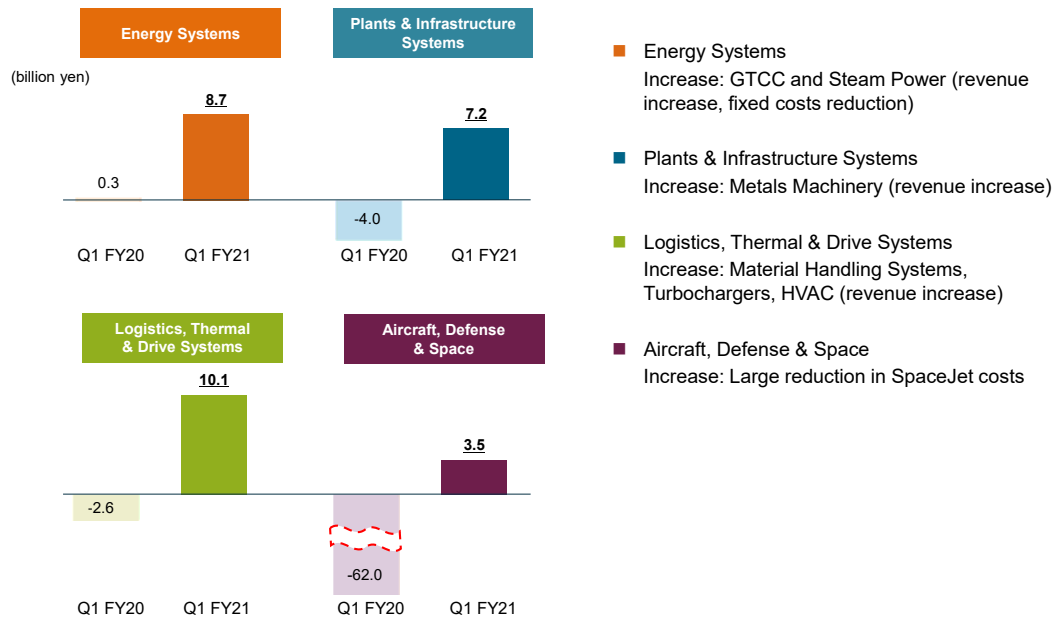
Order intake in Q1 was significantly up YoY in Plants & Infrastructure Systems and Logistics, Thermal & Drive Systems.

Compared to Q1 FY2019, order intake increased in Plants & Infrastructure Systems, increased slightly in Energy Systems, decreased slightly in Logistics, Thermal & Drive Systems, and decreased in Aircraft, Defense & Space.



Regarding Aircraft, Defense & Space, revenue decreased in the Space segment due to the absence of launch vehicle launches during Q1. Each of the other segments achieved increased revenue as demand recovered from the sharp decline from COVID-19 experienced in Q1 FY2020.

Profit from Business Activities by Segment



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All segments produced positive profit or increased profitability, getting the new fiscal year off to a good start that is generally in line with expectations and showing progress toward achieving the full-year plan. Profit has improved significantly, especially in Aircraft, Defense & Space, largely due to the strategic decision to suspend SpaceJet development last fall.

Financial Results by Segment



(billion yen)

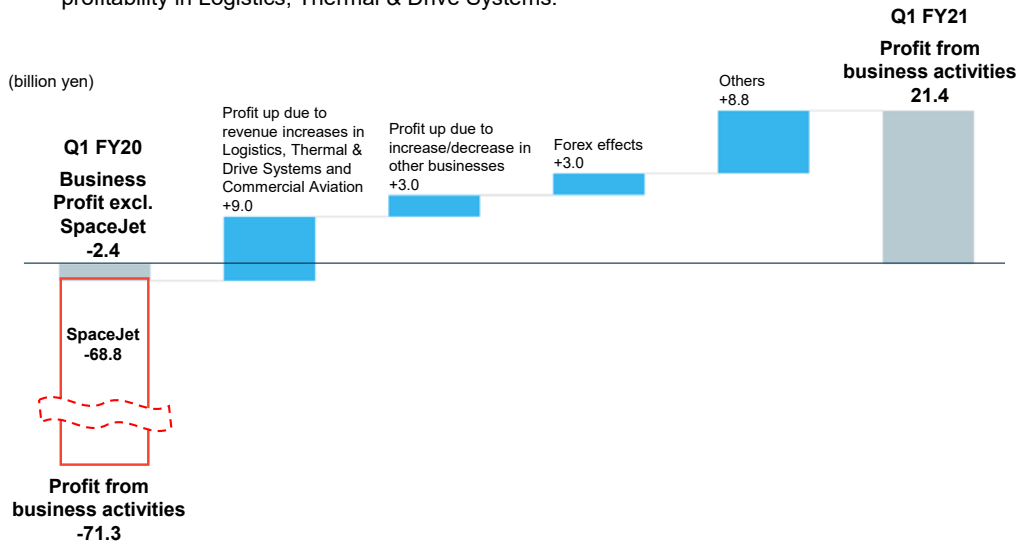
	Order intake			Revenue			Profit from business activities		
	Q1 FY20	Q1 FY21	YoY	Q1 FY20	Q1 FY21	YoY	Q1 FY20	Q1 FY21	YoY
Energy Systems	317.1	235.4	-81.7	314.0	337.0	+23.0	0.3	8.7	+8.4
Plants & Infrastructure Systems	117.5	220.8	+103.3	139.5	154.9	+15.4	-4.0	7.2	+11.2
Logistics, Thermal & Drive Systems	186.2	241.2	+55.0	182.9	235.0	+52.1	-2.6	10.1	+12.7
Aircraft, Defense & Space	76.5	61.8	-14.7	155.1	130.8	-24.3	-62.0	3.5	+65.5
Others	-7.8	-8.9	-1.1	-13.7	-6.1	+7.6	-2.9	-8.2	-5.3
Total	689.6	750.4	+60.8	778.0	851.7	+73.7	-71.3	21.4	+92.7

Please refer to explanatory materials on each segment found in the Appendix starting on page 20.

Profit Bridge



- Profit increased in Logistics, Thermal & Drive Systems and Commercial Aviation businesses, which were hard hit by COVID-19 in FY20. In particular, market recovery drove improved profitability in Logistics, Thermal & Drive Systems.



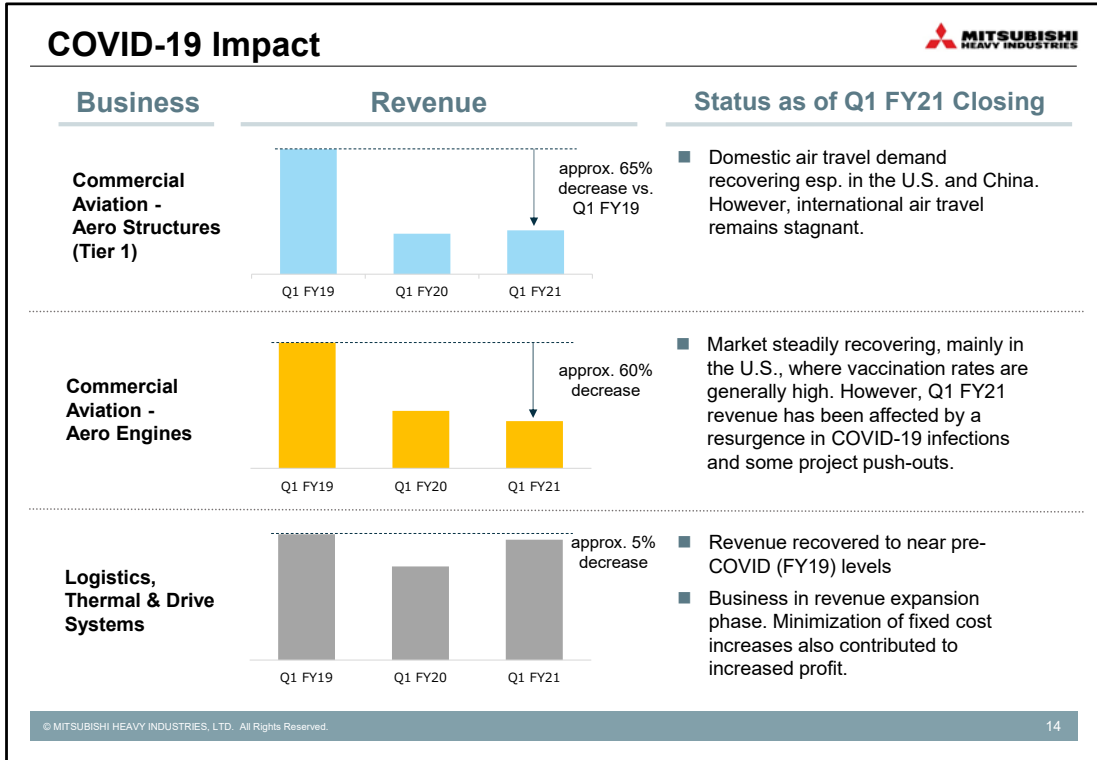
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The far left of the waterfall chart shows that a loss from business activities in the amount of ¥71.3 bn was booked in Q1 FY2020. Excluding the loss related to SpaceJet, there was a loss of ¥2.4 bn.

Profit from business activities in Q1 FY2021 is shown at the far right of the waterfall chart, amounting to ¥21.4 bn. The factors causing changes vs. Q1 FY2020 are represented by the blue bars. The effects of COVID-19 recovery are mainly reflected in the two bars on the left, contributing ¥9 bn and ¥3 bn to profit, respectively. More information regarding COVID-19's impact on Logistics, Thermal & Drive Systems and Commercial Aviation businesses can be found on the next page.

As for the impact of foreign exchange rates, the Japanese yen tended to depreciate against the U.S. dollar and the euro as compared to Q1 FY2020. In particular, the yen weakened by over 10% against the euro in the average rate at which revenue is recorded. Other factors include an improvement in project profitability and the positive effects of fixed cost reductions.



In the Aero Structures Tier 1 business, which supplies aero structure body parts mainly to Boeing, revenue was on par with Q1 FY2020, when demand contracted from pre-COVID levels. There was a period in FY2020 when a slight recovery trend could be seen from the second quarter onward, but revenue has once again returned to low levels since Q4 FY2020. Demand is starting to return for domestic air travel, especially in Europe, the U.S., and China. However, international travel has continued to be stagnant, and demand for the wide-body aircraft MHI takes part in manufacturing has not returned.

As for Aero Engines, the timing of revenue recognition for some maintenance and repair work was delayed in the first quarter. As a result, revenue was below our forecast, but we expect recovery from Q2 FY2021 onward.

In Logistics, Thermal & Drive Systems, revenue has returned to pre-COVID levels (FY2019), except for automotive products. The effects of fixed cost reductions realized during FY2020 have contributed to profit, which has exceeded FY2019 levels.

Summary of Q1 FY2021 Results



- Order intake, revenue, and profit from business activities
 - Improvement in order intake, revenue, and profit from business activities corresponding to market recovery and the resumption and progress of contract negotiations and project construction
 - Solid increases in revenue and profit in Plants & Infrastructure Systems and Logistics, Thermal & Drive Systems
 - Fixed cost reductions to continue in expanding businesses as well
- Cash flows
 - Free cash flow returned to Q1 FY19 levels due to improved operating cash flow and limiting investing cash flow (Q1 FY19: -¥169.4 bn / Q1 FY21: -¥167.3 bn)
 - Generally trending in line with plan
- Balance sheet
 - Working capital up in Q1 representing a normal mid-FY fluctuation
 - Streamlining of total assets and optimization of asset portfolio to continue

In summary, Q1 results are generally trending in line with the plan.

That said, in Asia (including Japan) and indeed the rest of the world, COVID-19 cases due to variant strains have shown a resurgence, adding uncertainty to the global economic outlook. While taking notice of short-term changes in the market, MHI will take the necessary steps to achieve the annual plan.

Information on the FY2021 Forecast is included on page 16 onward. There have been no changes from the initial forecast announced in May.

II. FY2021 Forecast

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, these projections involve risks and uncertainties.
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.

FY2021 Forecast Overview



No change from latest forecast announced May 10, 2021

(billion yen)

	FY2020 Actual		FY2021 Forecast		YoY	
	(profit margin)		(profit margin)		(profit margin)	
Order intake	3,336.3		3,600.0		+263.7	(+7.9%)
Revenue	3,699.9		3,750.0		+50.1	(+1.4%)
Profit from business activities	(1.5%)	54.0	(4.0%)	150.0	+96.0	(+177.4%)
Profit attributable to owners of parent	(1.1%)	40.6	(2.4%)	90.0	+49.4	(+121.5%)
ROE	3.1%		6.5%		+3.4pt	-
EBITDA	(5.2%)	193.3	(7.5%)	280.0	+86.7	(+44.8%)
FCF		-277.1		0.0	+277.1	-
Dividends		75 yen		90 yen		
		Interim: 0 yen Final: 75 yen		Interim: 45 yen Final: 45 yen		

Exchange rate assumptions
 USD 1.00 = ¥110
 EUR 1.00 = ¥130
 Undetermined foreign currency amounts
 USD 3.0 bn
 EUR 0.3 bn

FY2021 Forecast by Segment



No change from latest forecast announced May 10, 2021

(billion yen)

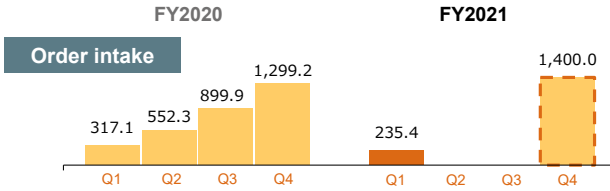
	Order intake			Revenue			Profit from business activities		
	FY20 Actual	FY21 Forecast	YoY	FY20 Actual	FY21 Forecast	YoY	FY20 Actual	FY21 Forecast	YoY
Energy Systems	1,299.2	1,400.0	+100.8	1,546.0	1,600.0	+54.0	127.6	100.0	-27.6
Plants & Infrastructure Systems	575.2	700.0	+124.8	637.2	650.0	+12.8	-10.2	20.0	+30.2
Logistics, Thermal & Drive Systems	868.0	950.0	+82.0	860.3	950.0	+89.7	15.6	30.0	+14.4
Aircraft, Defense & Space	626.2	600.0	-26.2	702.1	600.0	-102.1	-94.8	20.0	+114.8
Others	-32.4	-50.0	-17.6	-45.7	-50.0	-4.3	15.8	-20.0	-35.8
Total	3,336.3	3,600.0	+263.7	3,699.9	3,750.0	+50.1	54.0	150.0	+96.0

III. Appendix

Q1 FY2021 Financial Results by Segment Energy Systems

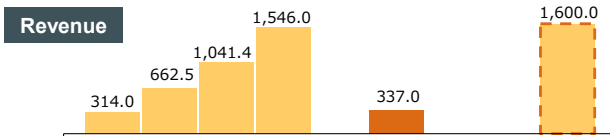


(billion yen; all figures cumulative totals)



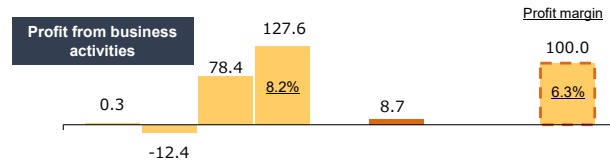
(Order intake for major businesses)

	Q1 FY2020	Q1 FY2021
GTCC	171.5	89.7
Steam Power	40.8	76.0
Nuclear Power	38.1	32.6



(Revenue for major businesses)

	Q1 FY2020	Q1 FY2021
GTCC	98.6	121.6
Steam Power	124.0	132.0
Nuclear Power	40.8	36.9

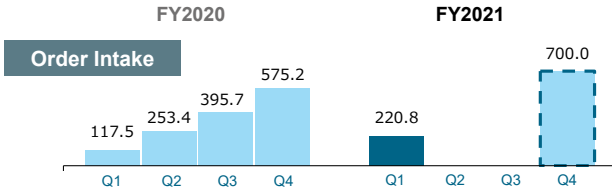


- Revenue shortfall in Aero Engines (some revenue recognition delays despite a recovering market) and increased investment and other expenses in new businesses, offset by improved profitability in Thermal Power, resulting in an increase in revenue and profit in the segment overall.

Q1 FY2021 Financial Results by Segment Plants & Infrastructure Systems

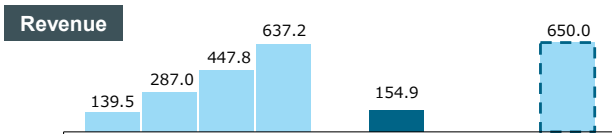


(billion yen; all figures cumulative totals)



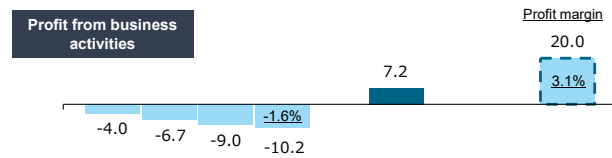
(Order intake for major businesses)

	Q1 FY2020	Q1 FY2021
Engineering	29.3	18.1
Metals Machinery	22.3	103.2
Machinery Systems	25.1	36.6



(Revenue for major businesses)

	Q1 FY2020	Q1 FY2021
Engineering	37.7	30.3
Metals Machinery	41.6	60.4
Machinery Systems	27.8	28.4



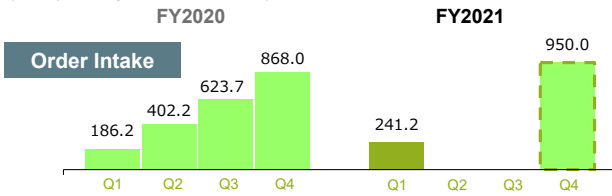
Profit margin

- Marked growth in Metals Machinery order intake and revenue as contract negotiations and project construction stalled by COVID-19 resumed
- Revenue and profit up YoY in segment overall due to progress in Engineering and Machinery Systems project construction

Q1 FY2021 Financial Results by Segment Logistics, Thermal & Drive Systems

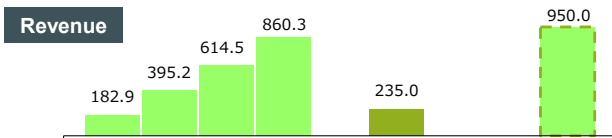


(billion yen; all figures cumulative totals)



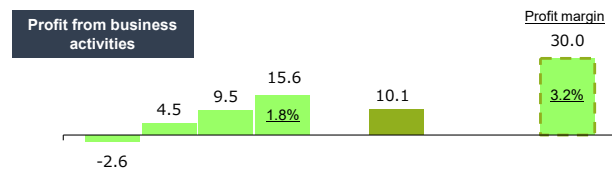
(Order intake for major businesses)

	Q1 FY2020	Q1 FY2021
Material Handling Systems	90.2	108.0
Engines & Turbochargers	42.7	62.9
HVAC & Car A/C	54.6	72.1



(Revenue for major businesses)

	Q1 FY2020	Q1 FY2021
Material Handling Systems	90.2	108.0
Engines & Turbochargers	43.0	60.4
HVAC & Car A/C	50.8	68.3

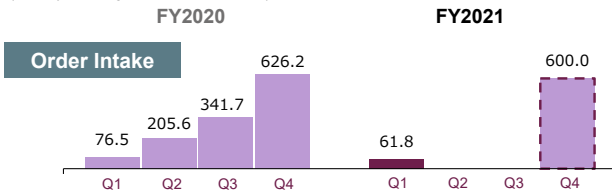


- Solid recovery from COVID-19 impact. Business in revenue expansion phase. Limiting fixed cost increases also contributed to YoY increase in revenue and profit (improved SG&A to revenue ratio).

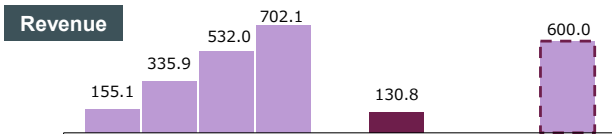
Q1 FY2021 Financial Results by Segment Aircraft, Defense & Space



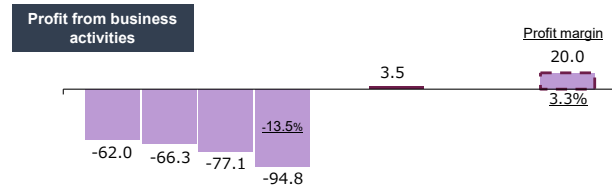
(billion yen; all figures cumulative totals)



	Q1 FY2020	Q1 FY2021
Defense & Space	52.5	29.9
Commercial Aviation	23.9	31.9



	Q1 FY2020	Q1 FY2021
Defense & Space	124.7	99.2
Commercial Aviation	30.3	31.5



- Defense & Space revenue down YoY in rebound from high sales in Q1 FY20 (incl. launch of H-IB Launch Vehicle)
- Aero Structures (Tier 1) continues to experience negative impact from COVID-19 including decreased deliveries of major models to Boeing
- Profit up YoY in segment overall due to large reduction in SpaceJet costs and recovery of CRJ aviation maintenance business corresponding to U.S. domestic air travel recovery

Reference Data



Gas turbine orders booked and contract backlog (units)

Heavy Duty	FY20 Q1	FY20 Total	FY21 Q1	Small & Mid-Size	FY20 Q1	FY20 Total	FY21 Q1
North America	-	4	-	North America	-	6	-
Asia	2	4	1	Asia	-	-	-
EMEA	-	3	-	EMEA	-	-	-
Other regions	-	2	-	Other regions	-	-	-
Total	2	13	1	Total	0	6	0
Contract backlog	45	48	46	Contract backlog	15	5	5

Commercial Aviation deliveries (units)

777	Q1	Q2	Q3	Q4	Tot.	777X	Q1	Q2	Q3	Q4	Tot.	787	Q1	Q2	Q3	Q4	Tot.
FY2020	3	10	7	4	24	FY2020	3	3	0	1	7	FY2020	18	32	20	14	84
FY2021	5	/	/	/	/	FY2021	2	/	/	/	/	FY2021	14	/	/	/	/

Reference Data



R&D Expenses, depreciation & amortization, and capital expenditures

(billion yen)

	Q1 FY20	Q1 FY21	FY21 Forecast
R&D expenses	28.3	22.7	130.0
Depreciation & amortization	34.2	32.3	130.0
Capital expenditures	28.4	20.8	120.0

Selling, General and Administrative Expenses

(billion yen)

	Q1 FY20	Q1 FY21
SG&A	130.4	136.5

Foreign Exchange Rates (Average rate used for revenue)

	Q1 FY20	Q1 FY21
USD	107.4	108.7
Euro	117.5	132.1

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