

# 1H FY2021 Financial Results

October 29, 2021

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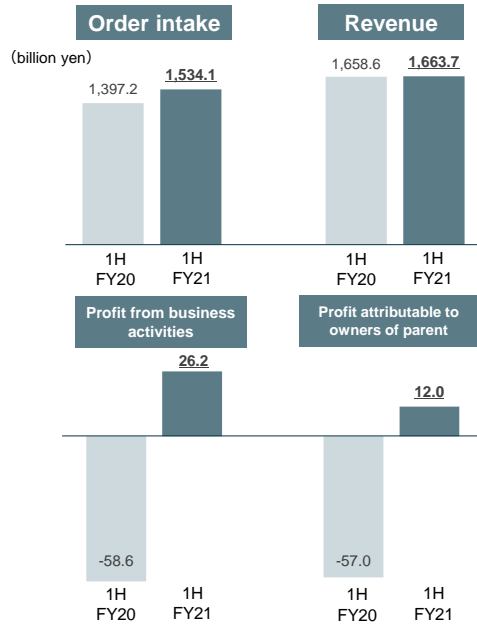
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## I. 1H FY2021 Financial Results

## Financial Results Overview



### Order intake

- Order intake increased in Plants & Infrastructure Systems (incl. Metals Machinery) and Logistics, Thermal & Drive Systems
- Rebound decrease in Energy Systems order intake due to booking of several large orders in FY20
- Commercial Aviation Aero Structures orders continue to be low

### Revenue and profit

- Revenue up in all segments other than Aircraft, Defense & Space
- Profit up and profitability achieved in all four segments

## Financial Results Overview



(billion yen)

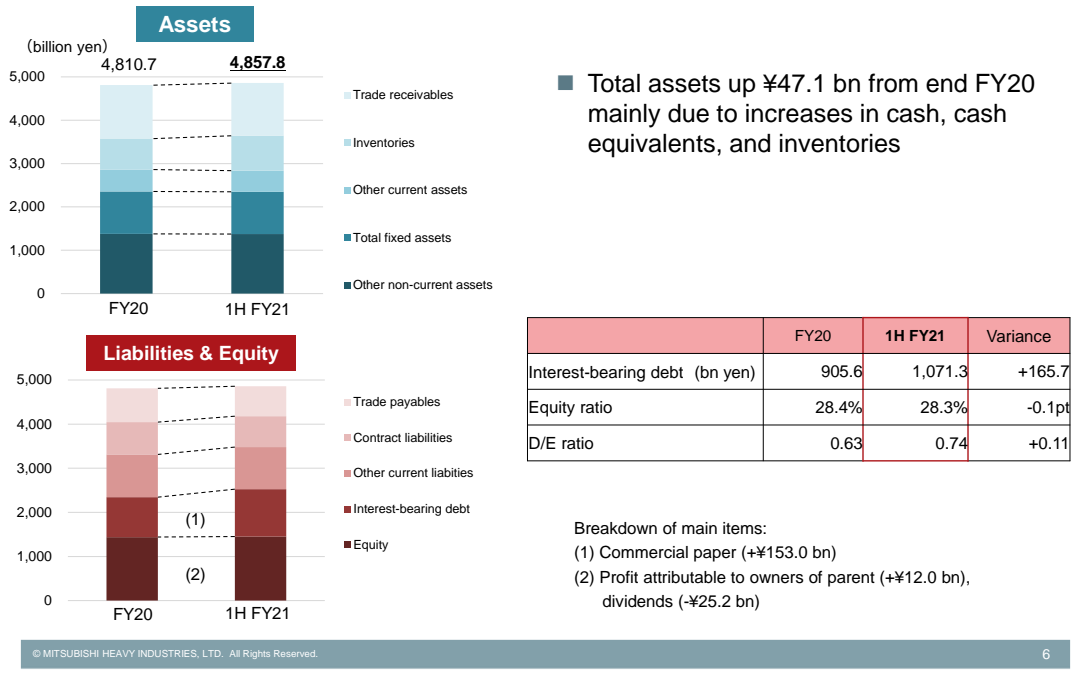
	1H FY2020		1H 2021		YoY	
	(Profit margin)		(Profit margin)			
Order intake		1,397.2		1,534.1	+136.9	(+9.8%)
Revenue		1,658.6		1,663.7	+5.1	(+0.3%)
Profit from business activities	(-3.5%)	-58.6	(1.6%)	26.2	+84.8	-
Profit attributable to owners of parent	(-3.4%)	-57.0	(0.7%)	12.0	+69.1	-
EBITDA	(0.6%)	10.4	(5.4%)	90.9	+80.5	-
FCF		-497.1		-138.0	+359.0	-

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First off, I will provide a general overview of the H1 FY2021 financial results. Order intake in 1H was ¥1,534.1 billion, up by about 10% YoY, with strong gains in Plants & Infrastructure Systems and Logistics, Thermal & Drive Systems in Q2 continuing from Q1. Revenue and all profit categories increased YoY, showing recovery from FY2020. All four segments produced positive profit from business activities.

## Financial Position Overview



On pages 6 and 7, I will explain the status of our financial position.

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

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

## Financial Position Overview



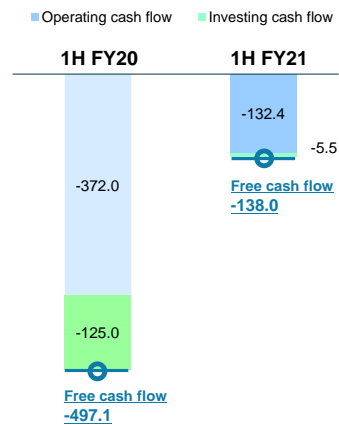
(billion yen)

	FY2020	1H FY2021	YoY
Trade receivables and contract assets	1,234.1	1,214.1	-19.9
Inventories	713.4	806.7	+93.2
Other current assets	507.0	488.7	-18.3
(Cash and cash equivalents)	(245.4)	(259.6)	(+14.1)
Total fixed assets	978.9	975.1	-3.8
Other non-current assets	1,377.1	1,373.1	-3.9
<b>Total assets</b>	<b>4,810.7</b>	<b>4,857.8</b>	<b>+47.1</b>
Trade payables	763.7	676.8	-86.8
Contract liabilities	731.8	700.6	-31.1
Other current liabilities	970.1	955.3	-14.8
Interest-bearing debt	905.6	1,071.3	+165.7
Equity	1,439.3	1,453.6	+14.2
(Equity attributable to owners of the parent)	(1,366.3)	(1,377.0)	(+10.7)
<b>Total liabilities and Equity</b>	<b>4,810.7</b>	<b>4,857.8</b>	<b>+47.1</b>

## Cash Flows



(billion yen)



- Free cash flow  
Generally trending in line with plan and latest forecast (¥±0)
- Operating cash flow  
Generally trending in line with plan
- Investing cash flow  
Generation of investment capital through asset management (sale of real estate and stock) proceeding ahead of schedule

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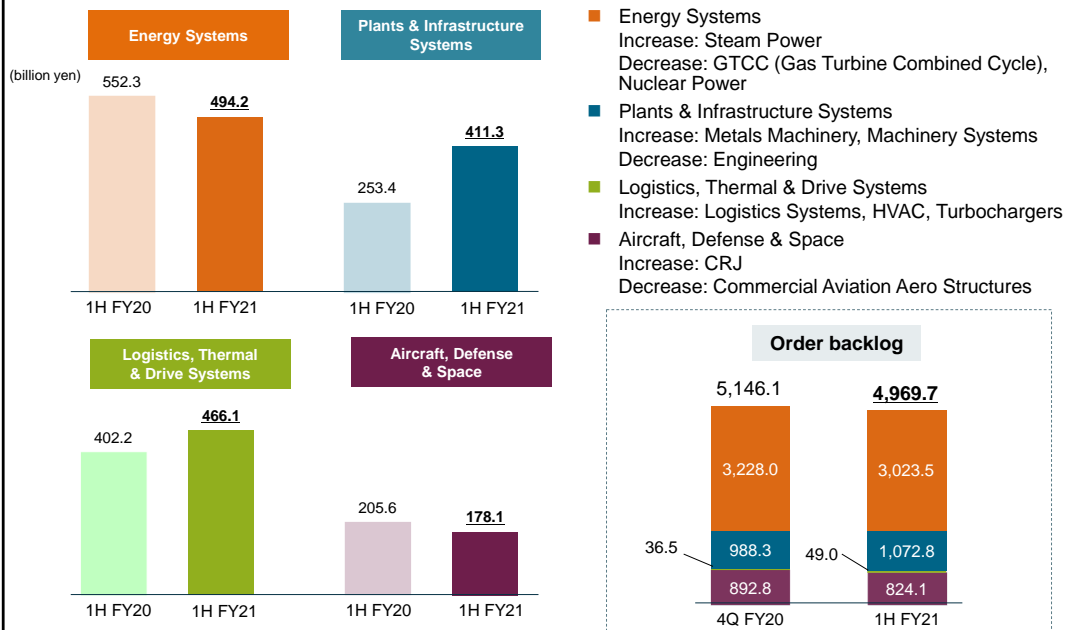
Although operating cash flow remained negative as in FY2020 due to large expenditures in line with advances received in previous fiscal years, the negative effects of COVID-19 are beginning to abate, and there has been significant improvement over 1H FY2020.

Investing cash flow has also improved due to a significant decrease in expenditures related to Commercial Aviation (including CRJ) during this fiscal year, as well as cash inflows from the sale of shares.

As of the end of 1H, free cash flow was in line with, or slightly better than, the forecast.



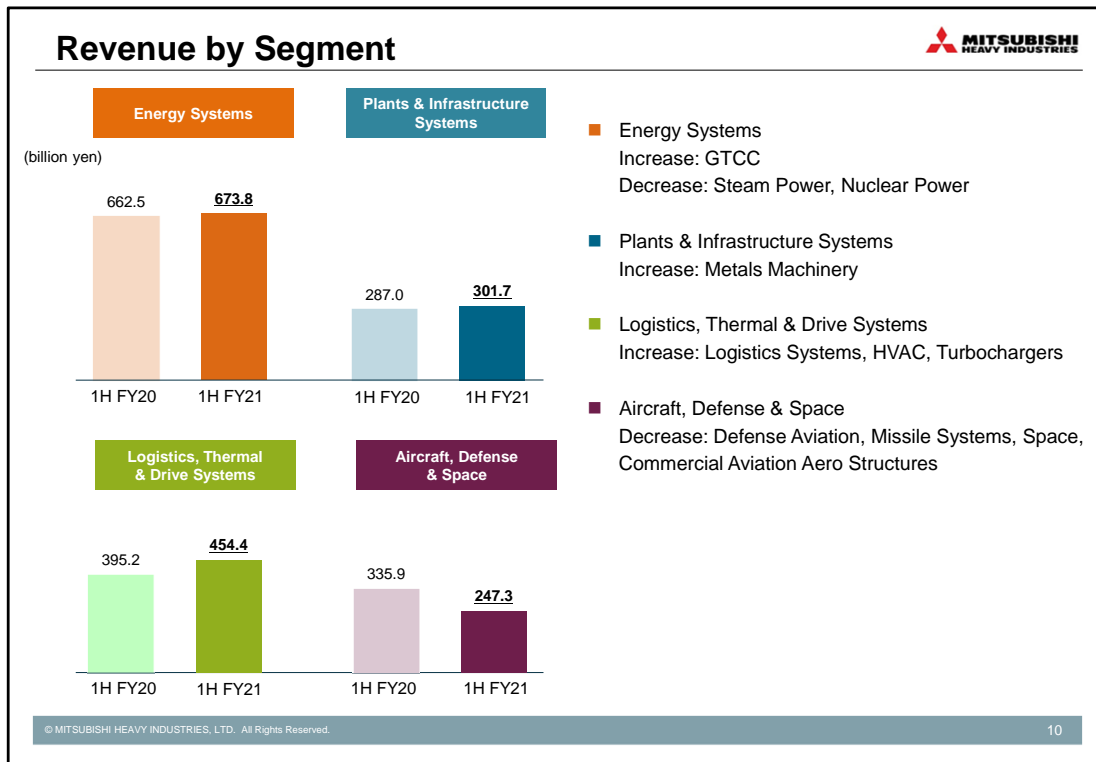
## Order Intake & Order Backlog by Segment



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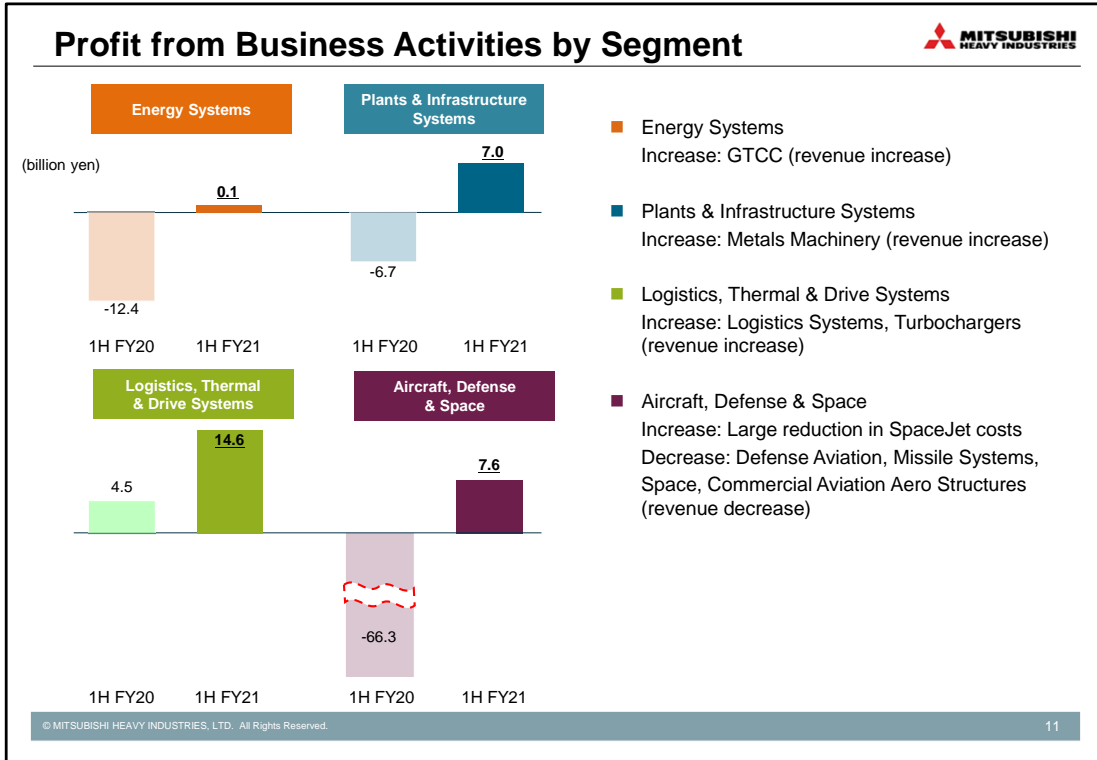
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Order intake in Plants & Infrastructure Systems and Logistics, Thermal & Drive Systems significantly increased YoY. The main drivers of these increases were in Metals Machinery and Machinery Systems (Plants & Infrastructure Systems) and Logistics Systems and HVAC (Logistics, Thermal & Drive Systems).



Aircraft, Defense & Space reported a decrease in revenue YoY due to the absence of launch vehicle launches in Space and a decrease in units shipped in Commercial Aviation Aero Structures.

Revenue in all other segments increased as they recovered from the large decrease in 1H FY2020 caused by COVID-19.



As mentioned previously, all segments achieved profitability, and profits have increased YoY.

## Financial Results by Segment



(billion yen)

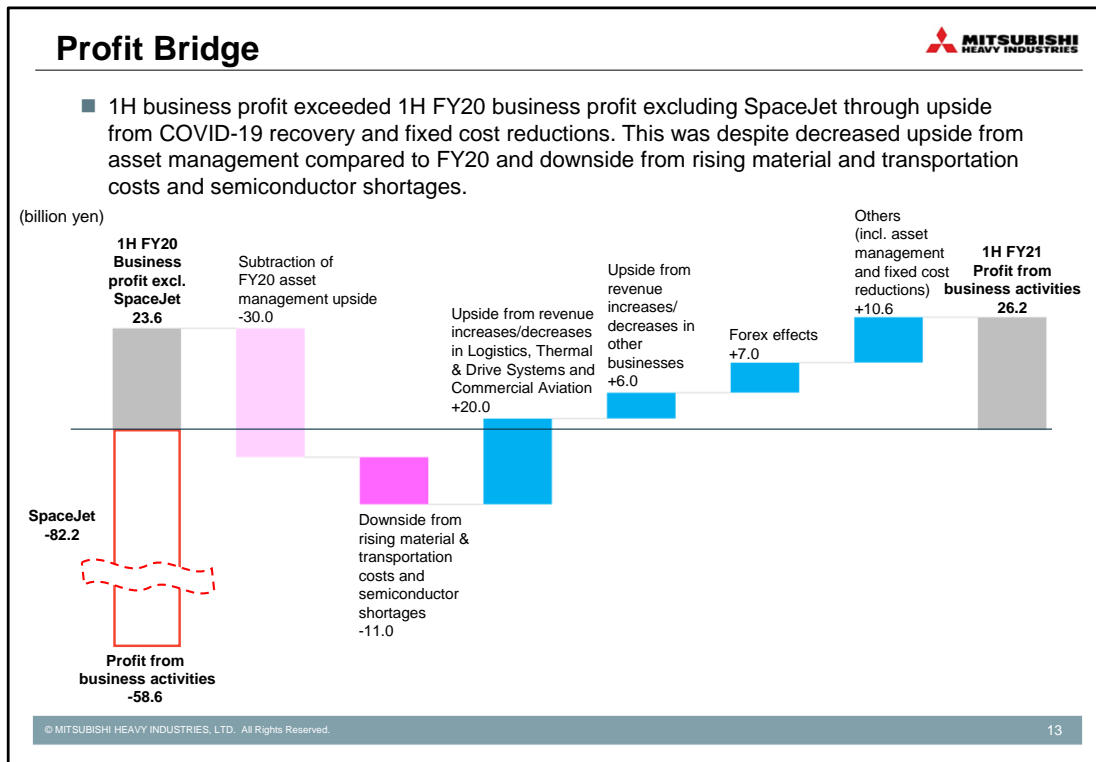
	Order intake			Revenue			Profit from business activities		
	1H FY20	1H FY21	YoY	1H FY20	1H FY21	YoY	1H FY20	1H FY21	YoY
Energy Systems	552.3	494.2	-58.1	662.5	673.8	+11.2	-12.4	0.1	+12.5
Plants & Infrastructure Systems	253.4	411.3	+157.9	287.0	301.7	+14.6	-6.7	7.0	+13.7
Logistics, Thermal & Drive Systems	402.2	466.1	+63.8	395.2	454.4	+59.2	4.5	14.6	+10.0
Aircraft, Defense & Space	205.6	178.1	-27.5	335.9	247.3	-88.5	-66.3	7.6	+73.9
Others	-16.4	-15.7	+0.7	-22.1	-13.6	+8.4	22.2	-3.3	-25.5
Total	1,397.2	1,534.1	+136.9	1,658.6	1,663.7	+5.1	-58.6	26.2	+84.8

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This page summarizes order intake, revenue, and profit from business activities by segment.

Explanatory materials for each segment can be found in the Appendix starting on page 20.



This page outlines changes in profit from business activities compared to 1H FY2020.

A loss of ¥58.6 billion was recorded in 1H FY2020, which is shown to the far left. Excluding SpaceJet losses, business profit was ¥23.6 billion.

Shown on the far right is actual business profit in 1H FY2021 (¥26.2 billion) and the bars to the left represent the increases and decreases resulting in this figure.

The upside from FY2020 asset management (¥30 billion) is subtracted from 1H FY20 Business profit (excluding SpaceJet). This represents gains from the sale of land at the former site of Iwatsuka Factory in Nagoya, which was booked in Q2 FY2020.

To the right of this is a pink bar representing ¥11 billion in negative impact to business profit arising from the sharp rise in material and transportation costs since the beginning of this fiscal year as well as production cuts due to semiconductor shortages and other factors.

To the right of this are two blue bars representing upside from COVID-19 recovery (¥20 billion and ¥6 billion, respectively).

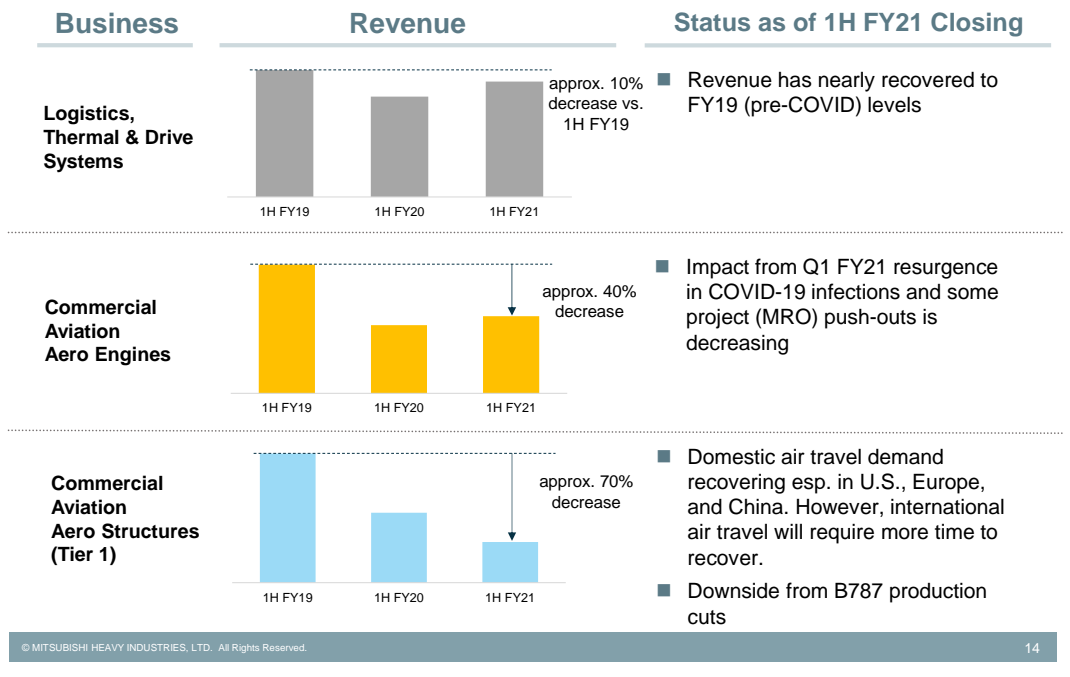
More information about the impact of COVID-19 on Logistics, Thermal & Drive Systems and Commercial Aviation is available on the next page.

Regarding the effect of foreign exchange rates, the yen has tended to depreciate against both the U.S. dollar and the euro compared to 1H FY2020.

The “Others” category includes improvements in construction project profitability and fixed cost reductions.

Today, MHI Group announced the sale of land in Kawasaki City. The gain on this sale is scheduled to be recorded in Q3 FY2021 and is therefore not included in the H1 FY2021 Financial Results.

## Status of Businesses Impacted by COVID-19



Logistics, Thermal & Drive Systems and Aero Engines are recovering in line with the initial forecast. However, due to production cuts by automotive manufacturers and supply chain disruptions, recovery in Logistics, Thermal & Drive Systems has slowed slightly.

In the Commercial Aviation Aero Structures business, mainly consisting of aero structures supplied to Boeing and other aircraft manufacturers, revenue was down from H1 FY2020, during which the business had already experienced intensely negative effects from the COVID-19 pandemic. Production cuts by aircraft OEMs have continued, and full-year revenue will likely finish below the initial forecast.

## Summary of 1H FY2021 Results



### ■ Order Intake

Recovery beginning to take shape, especially in Metals Machinery, although difficult market conditions in Commercial Aviation

### ■ Revenue and profit up YoY in all segments

- All business segments expected to reach full year forecast based on 2H revenue projections, despite downside from rising material and transportation costs and semiconductor shortages
- Increased the full year forecast for both profit from business activities and profit attributable to owners of parent by 10 billion yen due to an increase in profit from asset management efforts

### ■ Cash flows

Accelerating growth investments in the Energy Transition space with liquidity created by asset management (sales of real estate and stock)

In summary, some businesses faced challenges in Q2, but they are improving. Overall, MHI Group is making progress toward achieving the full-year forecast.



## 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



Partially revised from the initial forecast announced May 10, 2021

(billion yen)

	FY2020(Actual)		FY2021(Forecast)			YoY
	(Profit margin)		(Profit margin)	Revised forecast	As of May 10, 2021	
Order intake		3,336.3		3,600.0	3,600.0	+263.7 (+7.9%)
Revenue		3,699.9		3,750.0	3,750.0	+50.1 (+1.4%)
Profit from business activities	(1.5%)	54.0	(4.3%)	160.0	150.0	+106.0(+196.3%)
Profit attributable to owners of parent	(1.1%)	40.6	(2.7%)	100.0	90.0	+59.4(+146.3%)
ROE		3.1%		7.1%	6.5%	+4.0pt -
EBITDA	(5.2%)	193.3	(7.7%)	290.0	280.0	+96.7 (+50.0%)
FCF		-277.1		0.0	0.0	+277.1 -
Dividend per share		75.0yen Interim: 0.0yen year-end: 75.0yen		90.0yen Interim: 45.0yen year-end: 45.0yen	90.0yen Interim: 45.0yen year-end: 45.0yen	

Exchange rate assumptions  
 USD 1.00 = ¥110  
 EUR 1.00 = ¥130  
 Undetermined foreign currency amounts  
 USD 2.9 bn  
 EUR 0.3 bn

MHI Group has raised the forecast for both profit from business activities and profit attributable to owners of the parent by ¥10 billion as compared to the forecast issued in May. This is based on the progress made in 1H and our latest projections.

## FY2021 Forecast by Segment



Partially revised from the initial forecast announced May 10, 2021  
(Increased profit from business activities forecast in the Others segment by 10 billion yen due to an increase in profit from asset management efforts)

(billion yen)

	Order intake				Revenue				Profit from business activities			
	FY2020	FY2021		YoY	FY2020	FY2021		YoY	FY2020	FY2021		YoY
		Revised forecast	As of May 10			Revised forecast	As of May 10			Revised forecast	As of May 10	
Energy Systems	1,299.2	1,400.0	1,400.0	+100.8	1,546.0	1,600.0	1,600.0	+54.0	127.6	100.0	100.0	-27.6
Plants & Infrastructure Systems	575.2	700.0	700.0	+124.8	637.2	650.0	650.0	+12.8	-10.2	20.0	20.0	+30.2
Logistics, Thermal & Drive Systems	868.0	950.0	950.0	+82.0	860.3	950.0	950.0	+89.7	+15.6	30.0	30.0	+14.4
Aircraft, Defense & Space	626.2	600.0	600.0	-26.2	702.1	600.0	600.0	-102.1	-94.8	20.0	20.0	+114.8
Others	-32.4	-50.0	-50.0	-17.6	-45.7	-50.0	-50.0	-4.3	+15.8	-10.0	-20.0	-25.8
Total	3,336.3	3,600.0	3,600.0	+263.7	3,699.9	3,750.0	3,750.0	+50.1	+54.0	160.0	150.0	+106.0

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There are no changes to the forecast of the four main segments, although we did raise the Others segment profit forecast by ¥10 billion.

Compared to the other segments, Energy Systems' H1 FY2021 profit results appear low compared to the forecast. This is due to the booking of loss provisions (a one-time item) for some construction projects in Q2.

Energy Systems business profit was ¥140 billion in H2 FY2020. Excluding one-time items, such as the gain on the MVOW share transfer, business profit was approximately ¥100 billion, which leads us to believe that we can achieve the current forecast of ¥100 billion in this segment.

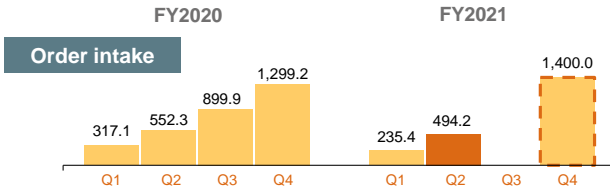
This concludes the H1 FY2021 Financial Results presentation.

## III. Appendix

# 1H FY2021 Financial Results by Segment Energy Systems

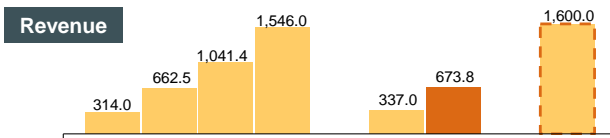


(billion yen; all figures cumulative totals)



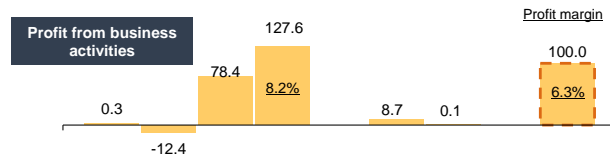
(Order intake for major businesses)

	1H FY2020	1H FY2021
GTCC	250.0	189.4
Steam Power	90.7	143.7
Aero Engines	25.2	23.6
Nuclear Power	111.6	80.4



(Revenue for major businesses)

	1H FY2020	1H FY2021
GTCC	214.8	254.5
Steam Power	250.4	232.8
Aero Engines	23.1	26.2
Nuclear Power	94.4	80.2

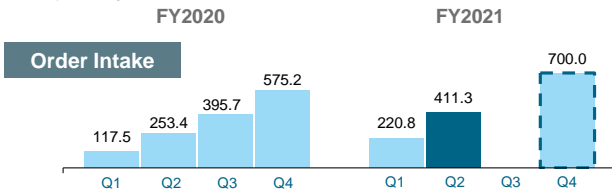


- Steam Power order intake up YoY due to new biomass thermal power plant installations
- Profit low across entire segment due in part to technical issues at IGCC plants (Nakoso and Hirono)
- Expected to reach full year targets through extensive revenue bookings in 2H especially from Thermal Power after-sales service and Nuclear Power

# 1H FY2021 Financial Results by Segment Plants & Infrastructure Systems

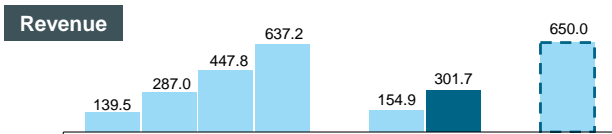


(billion yen; all figures cumulative totals)



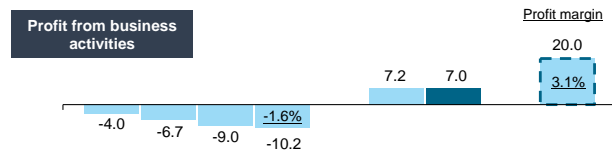
(Order intake for major businesses)

	1H FY2020	1H FY2021
Engineering	86.7	56.8
Metals Machinery	53.5	185.0
Machinery Systems	56.1	80.4



(Revenue for major businesses)

	1H FY2020	1H FY2021
Engineering	70.1	66.2
Metals Machinery	91.7	107.7
Machinery Systems	62.1	60.9

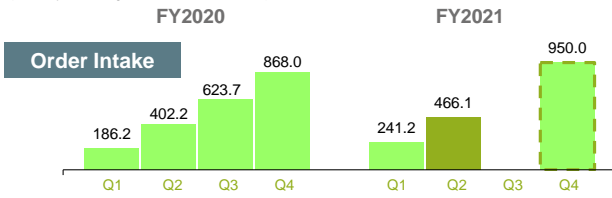


- Strong order intake in Metals Machinery bolstered by increased demand for steel driven by the global recovery from COVID-19
- Slight decrease in Q2 profit due to additional costs at some international projects and losses related to location reorganizations

# 1H FY2021 Financial Results by Segment Logistics, Thermal & Drive Systems

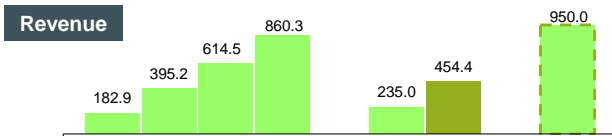


(billion yen; all figures cumulative totals)



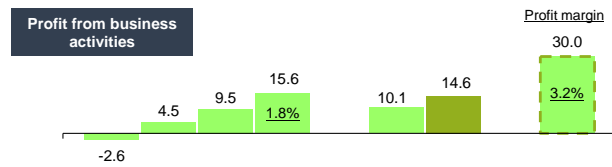
(Order intake for major businesses)

	1H FY2020	1H FY2021
Logistics Systems	184.6	214.6
Engines & Turbochargers	101.7	118.0
HVAC & Car A/C	118.4	137.6



(Revenue for major businesses)

	1H FY2020	1H FY2021
Logistics Systems	184.6	214.6
Engines & Turbochargers	102.4	114.0
HVAC & Car A/C	110.9	129.9



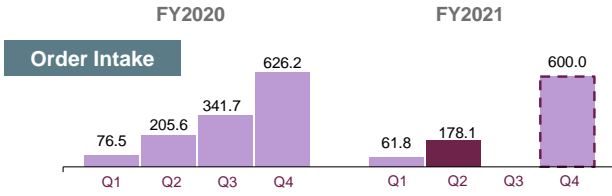
Profit margin

- Revenue increase slightly less in Q2 compared to Q1 due to automotive OEM production cuts and semiconductor shortages despite recovering market conditions
- Raising prices to compensate for decreased profit due to rising material and transportation costs and semiconductor shortages

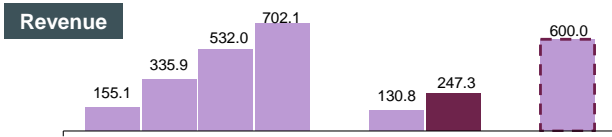
# 1H FY2021 Financial Results by Segment Aircraft, Defense & Space



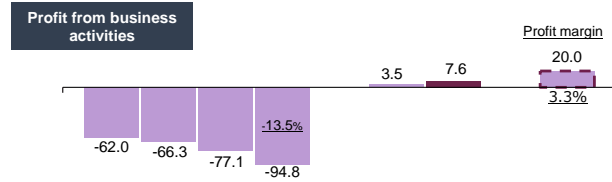
(billion yen; all figures cumulative totals)



	1H FY2020	1H FY2021
Defense & Space	132.7	120.7
Commercial Aviation	72.9	57.4



	1H FY2020	1H FY2021
Defense & Space	250.9	190.0
Commercial Aviation	84.9	57.3



- Revenue down in Commercial Aviation Tier 1 due to Boeing production cuts
- Profit up YoY and profitability achieved across entire segment due to cost reduction efforts including fixed cost reduction



## Reference Data



### Gas turbine orders booked and contract backlog (units)

Heavy Duty	FY20 1H	FY20 Total	FY21 1H
North America	-	4	-
Asia	2	4	2
EMEA	3	3	-
Other regions	-	2	2
Total	5	13	4
Contract backlog	45	48	46

Small & Mid-size	FY20 1H	FY20 Total	FY21 1H
North America	-	6	-
Asia	-	-	1
EMEA	-	-	-
Other regions	-	-	-
Total	0	6	1
Contract backlog	13	5	6

### Commercial Aviation deliveries (units)

777	Q1	Q2	Q3	Q4	Tot.
FY2020	3	10	7	4	24
FY2021	5	4	/	/	/

777X	Q1	Q2	Q3	Q4	Tot.
FY2020	3	3	0	1	7
FY2021	2	1	/	/	/

787	Q1	Q2	Q3	Q4	Tot.
FY2020	18	32	20	14	84
FY2021	14	5	/	/	/

## Reference Data



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

	1H FY20	1H FY21	(billion yen) FY21 Forecast
R&D expenses	59.5	50.9	130.0
Depreciation & amortization	69.0	64.7	130.0
Capital expenditures	57.8	56.5	120.0

### Selling, General and Administrative Expenses

	1H FY20	1H FY21	(billion yen)
SG&A	257.5	266.8	

### Foreign Exchange Rates (Average rate used for revenue)

	1H FY20	1H FY21
USD	107.1	109.1
Euro	121.1	130.0

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