

Q1-3 FY2021 Financial Results

February 7, 2022

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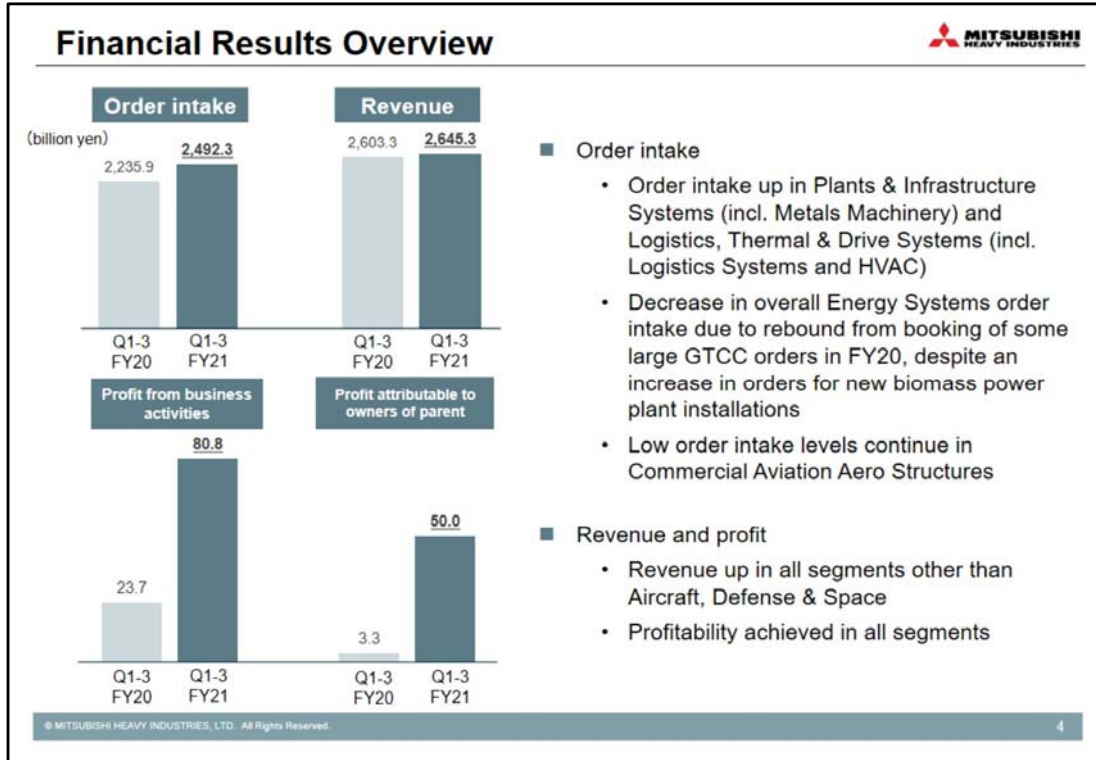
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I. Q1-3 FY2021 Financial Results



- Order intake
 - Order intake up in Plants & Infrastructure Systems (incl. Metals Machinery) and Logistics, Thermal & Drive Systems (incl. Logistics Systems and HVAC)
 - Decrease in overall Energy Systems order intake due to rebound from booking of some large GTCC orders in FY20, despite an increase in orders for new biomass power plant installations
 - Low order intake levels continue in Commercial Aviation Aero Structures

- Revenue and profit
 - Revenue up in all segments other than Aircraft, Defense & Space
 - Profitability achieved in all segments

First, I would like to provide a general overview of the Q1-3 FY2021 Financial Results. Please refer to pages 4 and 5.

Order intake totaled ¥2,493.3 billion, a YoY increase of more than 10%. As in 1H FY2021, Plants & Infrastructure Systems and Logistics, Thermal & Drive Systems continued to show significant growth.

In particular, as of Q3 order intake for Plants & Infrastructure Systems (¥575.2 billion), which is led by Metals Machinery, has already exceeded the full-year figure for FY2020 (¥575.2 billion). Both revenue and each level of profit increased YoY, showing recovery from last fiscal year.

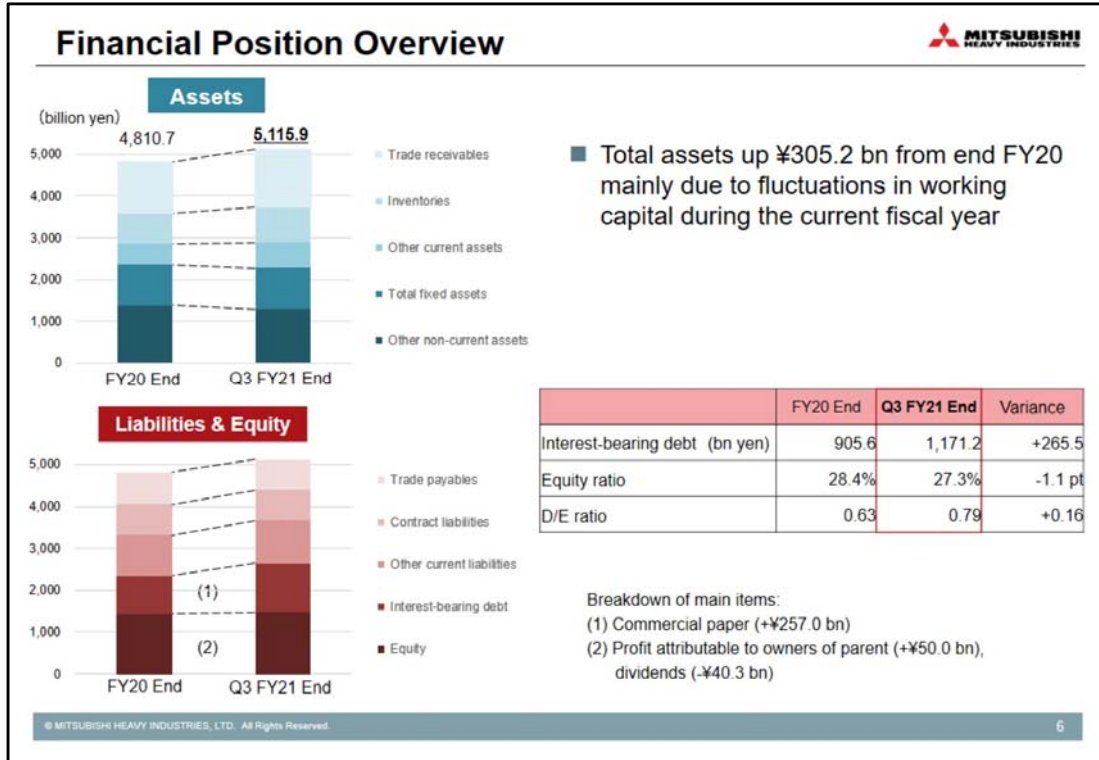
Profit from business activities was positive in all four segments.

Financial Results Overview



(billion yen)

	Q1-3 FY2020		Q1-3 FY2021		YoY	
	(Profit margin)		(Profit margin)			
Order intake		2,235.9		2,492.3	+256.3	(+11.5%)
Revenue		2,603.3		2,645.3	+41.9	(+1.6%)
Profit from business activities	(0.9%)	23.7	(3.1%)	80.8	+57.1	(+240.7%)
Profit attributable to owners of parent	(0.1%)	3.3	(1.9%)	50.0	+46.7	(+1,414.7%)
EBITDA	(5.0%)	129.2	(6.8%)	179.2	+50.0	(+38.7%)
FCF		-639.0		-148.1	+490.9	-



On pages 6 and 7, I will explain the status of the balance sheet.

Total assets increased from the end of FY2020 due to an increase in working capital and other factors, but this was a normal movement of funds in line with our expectations.

Interest-bearing debt has increased since the end of FY2020. However, interest-bearing debt was ¥1,221.8 billion at the end of Q3 FY2020, so it has decreased by approximately ¥50 billion YoY as of the end of Q3 FY2021.

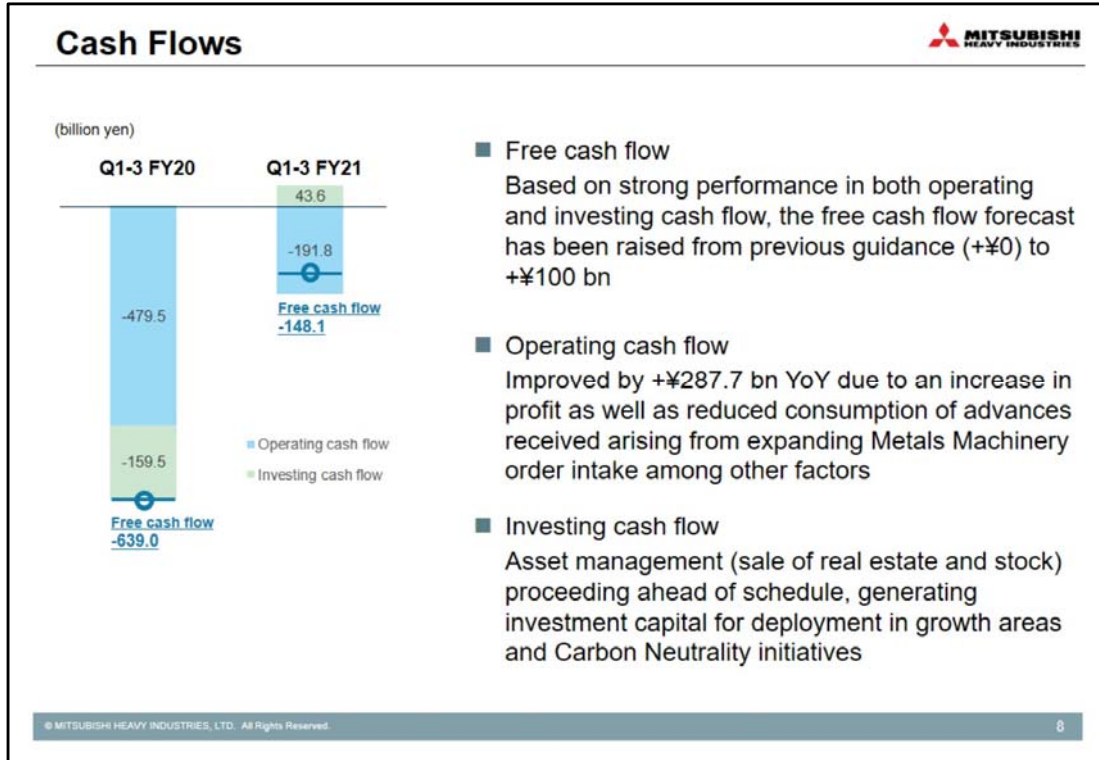
Other balance sheet indicators are also within the range of the initial forecast.

Financial Position Overview



(billion yen)

	FY2020 End	Q3 FY2021 End	YoY
Trade receivables and contract assets	1,234.1	1,384.8	+150.7
Inventories	713.4	844.5	+131.0
Other current assets	507.0	612.9	+105.9
(Cash and cash equivalents)	(245.4)	(358.2)	(+112.8)
Total fixed assets	978.9	977.7	-1.1
Other non-current assets	1,377.1	1,295.8	-81.3
Total assets	4,810.7	5,115.9	+305.2
Trade payables	763.7	721.1	-42.6
Contract liabilities	731.8	727.1	-4.7
Other current liabilities	970.1	1,018.6	+48.4
Interest-bearing debt	905.6	1,171.2	+265.5
Equity	1,439.3	1,477.8	+38.4
(Equity attributable to owners of the parent)	(1,366.3)	(1,395.9)	(+29.6)
Total liabilities and Equity	4,810.7	5,115.9	+305.2



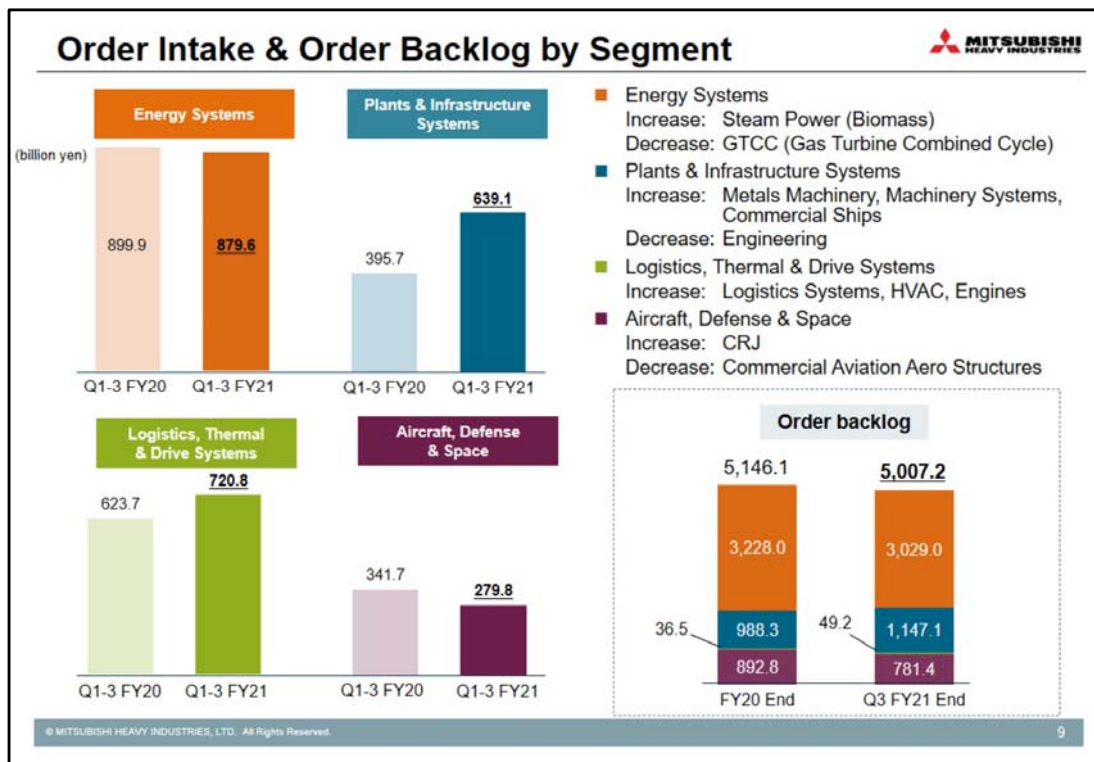
Page 8 shows the status of cash flows.

Operating cash flow improved by ¥287.7 billion YoY. This was due to an increase in profit as well as reduced consumption of contract liabilities and advances received.

To provide a little more detail, we had initially expected a considerable decrease in contract liabilities and advances received during this period. However, due to an increase in orders for Metals Machinery and other factors, we were able to obtain new advanced payments and thus limit the decrease to advances received. As such, operating cash flow has improved more than expected YoY.

Investing cash flow has also improved YoY over the initial forecast due to steady progress in the sale of land and cross-held shares even as we continue to invest in growth areas.

Based on the improvement in working capital and acceleration of cross-held share sales, we have increased our full-year free cash flow forecast from the previous guidance of +¥0 billion to +¥100 billion.



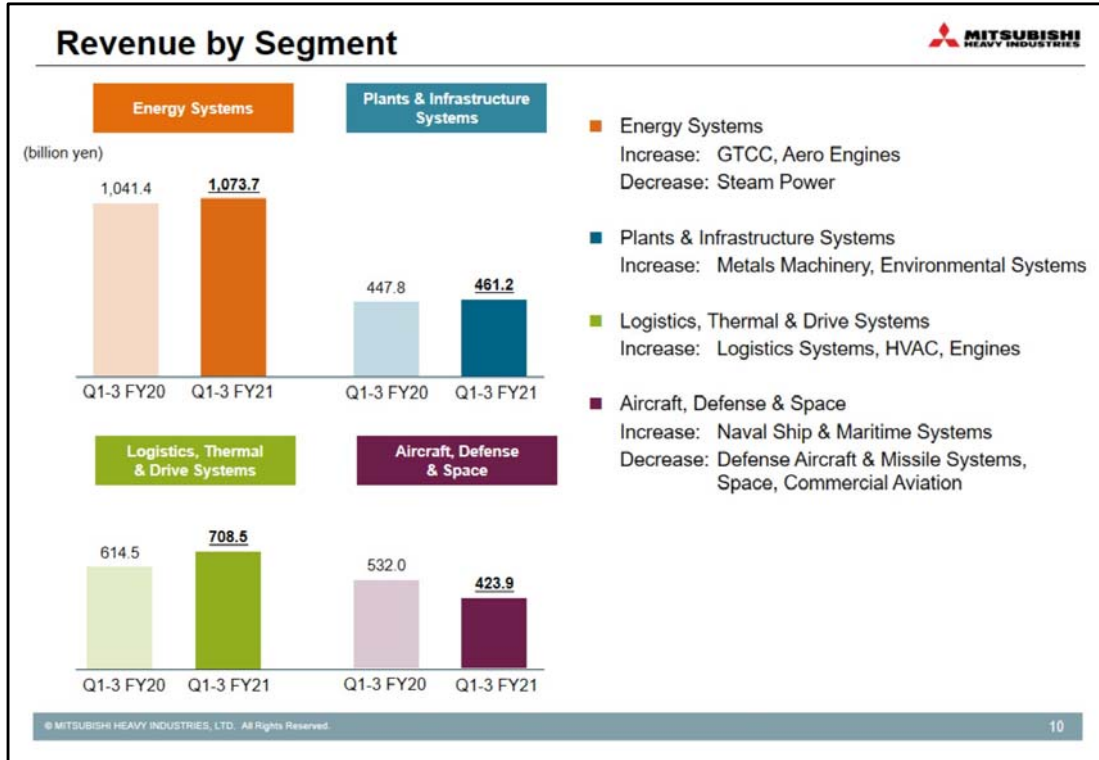
Page 9 shows the status of order intake by segment.

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

In Plants & Infrastructure Systems, Metals Machinery and Machinery Systems are growing.

In Logistics, Thermal & Drive Systems, Logistics Systems, HVAC, and Engines are the main drivers of increased orders. Order intake for these three products also exceeded pre-COVID-19 levels (Q1-3 FY2019).

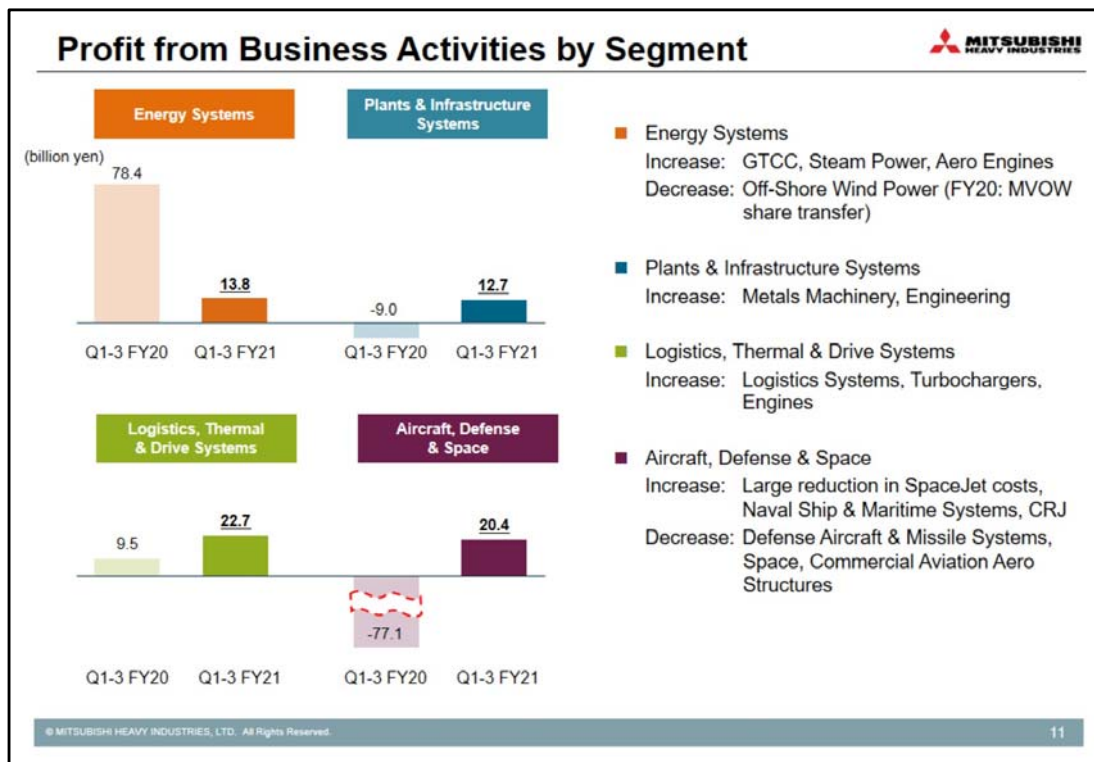
Orders of automotive products such as Turbochargers and Car A/C have increased YoY, but the pace of growth has begun to slow.



Slide 10 shows the status of revenue by segment.

Revenue in Aircraft, Defense & Space was down due to decreased customer deliveries in Commercial Aviation Aero Structures and a rebound from high Defense Aircraft & Missile Systems revenue booked during Q1-3 FY2020.

Revenue in each of the other segments increased as they began to recover from COVID-19 impact experienced in Q1-3 FY2020.



Slide 11 shows the breakdown of profit from business activities by segment. As I mentioned during the summary, all business segments achieved profitability during Q1-3 FY2021.

Although profit in Energy Systems is down, the same period last year included a gain on the transfer of MHI Vestas Offshore Wind (MVOW) shares (¥83.1 billion). Excluding this one-time item, profit from business activities has increased compared to Q1-3 FY2020 (-¥4.7 billion).

In Plants & Infrastructure Systems, higher sales in Metals Machinery and organizational transformation initiatives, including the sale of the Machine Tools business, were the main drivers of increased profit.

Logistics, Thermal & Drive Systems saw a significant increase in revenue as the segment continued to recover from COVID-19 impact. Profits increased despite the impact of semiconductor shortages and rising material and logistics costs.

Financial Results by Segment



(billion yen)

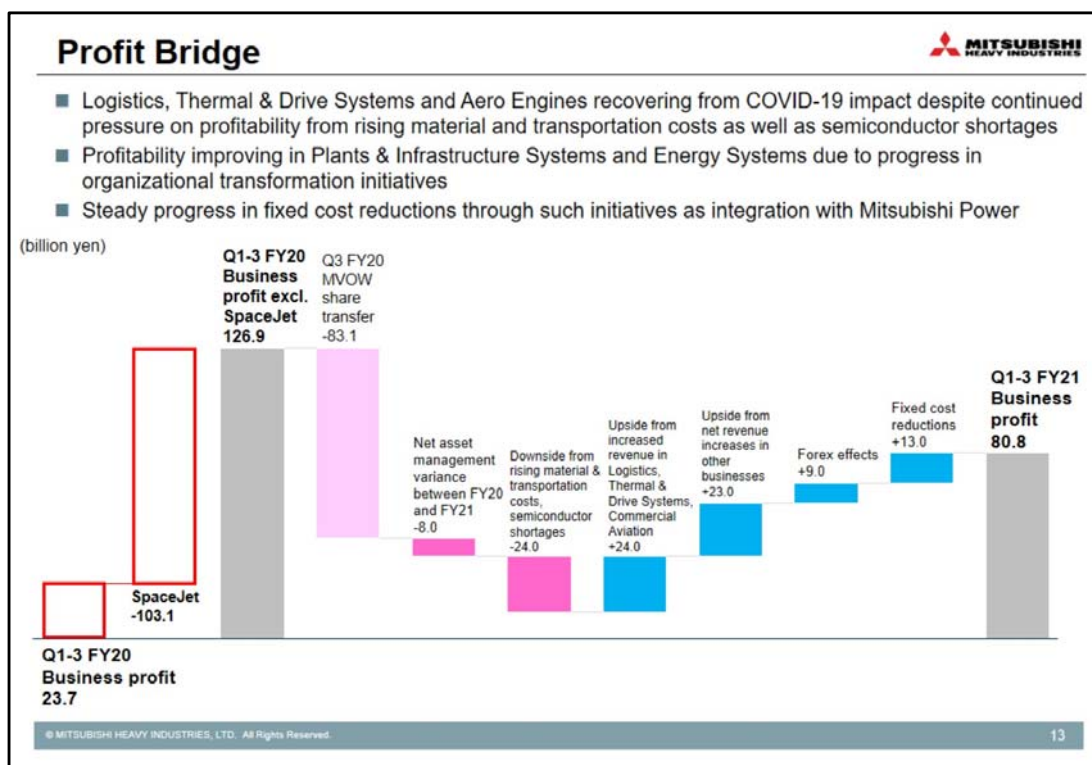
	Order intake			Revenue			Profit from business activities		
	Q1-3 FY20	Q1-3 FY21	YoY	Q1-3 FY20	Q1-3 FY21	YoY	Q1-3 FY20	Q1-3 FY21	YoY
Energy Systems	899.9	879.6	-20.3	1,041.4	1,073.7	+32.2	78.4	13.8	-64.5
Plants & Infrastructure Systems	395.7	639.1	+243.3	447.8	461.2	+13.3	-9.0	12.7	+21.7
Logistics, Thermal & Drive Systems	623.7	720.8	+97.0	614.5	708.5	+93.9	9.5	22.7	+13.2
Aircraft, Defense & Space	341.7	279.8	-61.8	532.0	423.9	-108.1	-77.1	20.4	+97.6
Others	-25.1	-27.1	-1.9	-32.5	-22.0	+10.5	22.0	11.0	-10.9
Total	2,235.9	2,492.3	+256.3	2,603.3	2,645.3	+41.9	23.7	80.8	+57.1

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Slide 12 summarizes order intake, revenue, and profit from business activities by segment.

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



Slide 13 provides a breakdown of YoY variance in profit from business activities.

The bar on the far left shows Q1-3 FY2020 Business profit, ¥23.7 billion. Excluding SpaceJet costs, business profit was ¥126.9 billion.

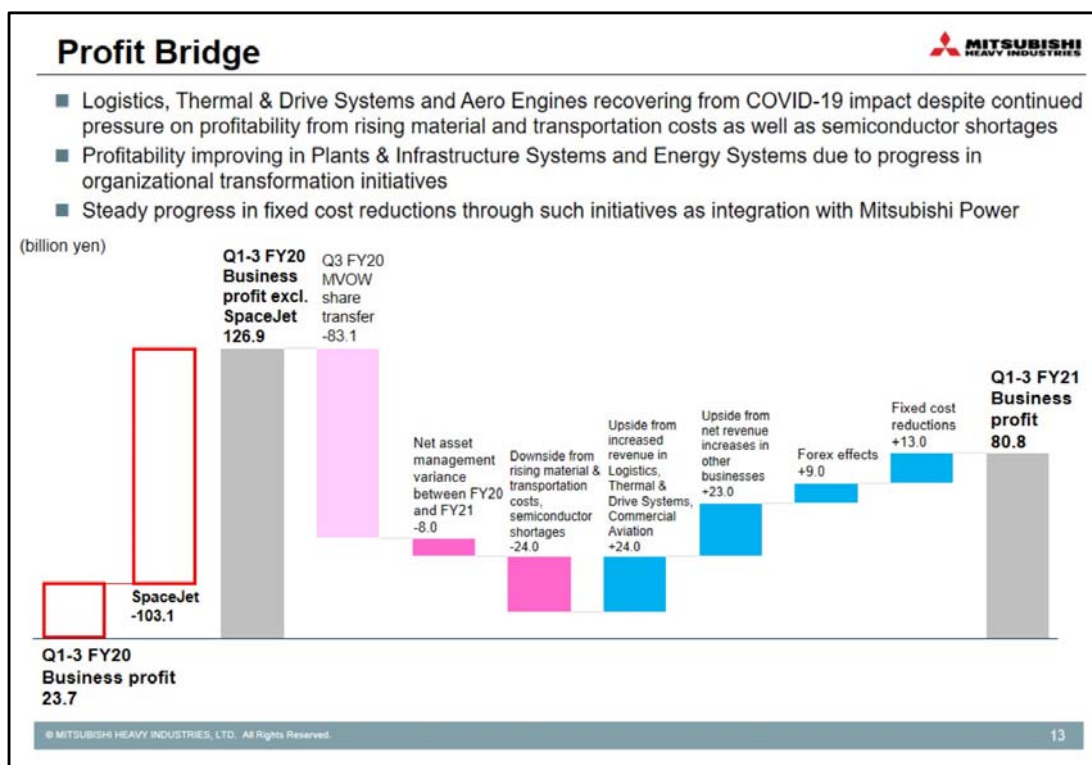
Business profit in Q1-3 FY2021 was ¥80.8 billion, which is represented by the bar on the far right, and the causes of variance between these two figures are shown with pink and blue bars to the left of this.

To the right of Q1-3 FY2020 Business profit excluding SpaceJet (¥126.9 billion) is a light pink bar (-¥83.1 billion), which corresponds to the gain on the transfer of MVOW shares booked in FY2020. If you subtract this from ¥126.9 billion, the result is ¥43.8 billion, which is the adjusted figure for Q1-3 FY2020 business profit excluding one-time items. The drivers of variance between this figure and ¥80.8 billion are as follows:

Net asset management variance (-¥8 billion) refers to the net decrease in gains on sales of land from FY20 to FY21.

In Q2 FY2020, MHI sold land at the former site of Iwatsuka Plant in Nagoya. The difference between the gain on this sale (approximately ¥30 billion) and the gain on the sale of several properties including HIRAMA Athletic Field, which was reported in October 2021, was -¥8 billion.

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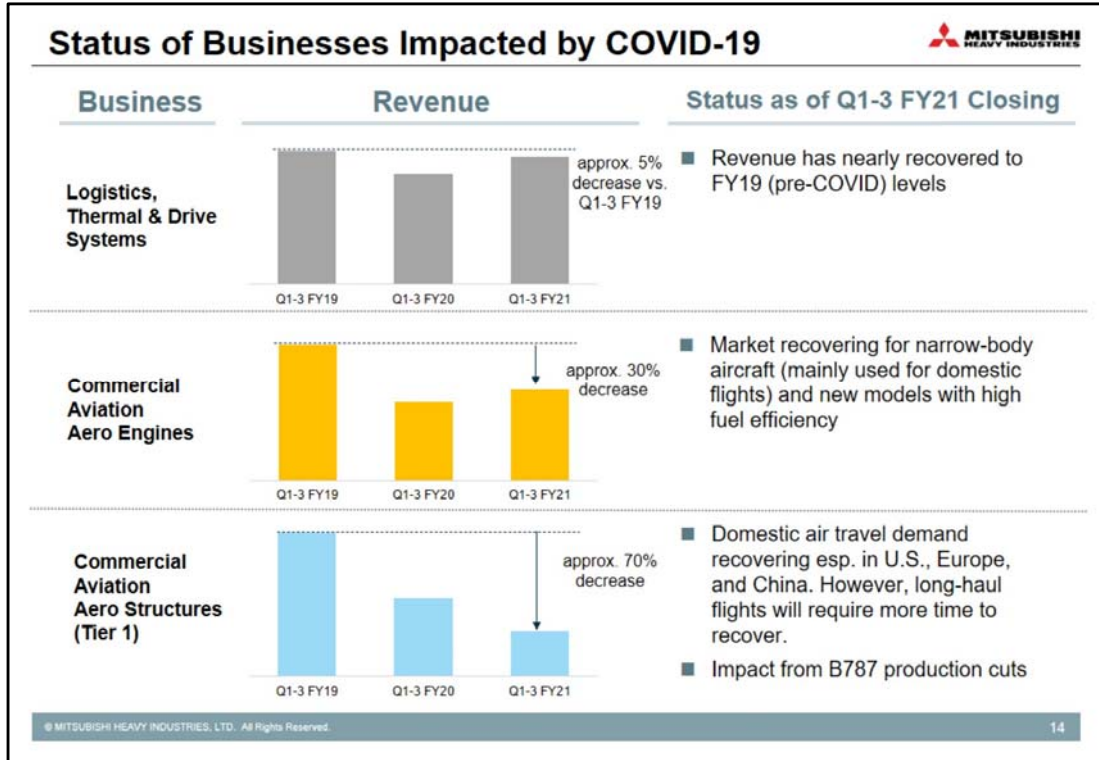
Downside from rising material and transportation costs as well as semiconductor shortages (-¥24 billion) represents decreased profitability caused by sharp rises in raw material and logistics costs and production cuts due to semiconductor shortages experienced during Q1-3 FY2021. Mainly Logistics, Thermal & Drive Systems was affected by this.

The blue bar (+¥24 billion) to the right of the pink bars represents the increase in profit associated with higher revenue in Logistics, Thermal & Drive Systems and Commercial Aviation. This is mainly due to recovery from COVID-19 impact. To provide a little more detail, as shown on page 15, Logistics, Thermal & Drive Systems and Aero Engines saw a YoY increase in revenue, while Commercial Aviation Aero Structures saw a YoY decrease. Adding these variances yields a +¥24 billion impact to profit.

The blue bar to the right of this (+¥23 billion) represents the impact of a net increase in revenue and improved profitability in Plants & Infrastructure Systems and Energy Systems businesses other than those already mentioned above.

Forex effects reflect the impact of YoY depreciation of the Japanese yen against both the U.S. dollar and the euro.

Fixed cost reductions (+¥13 billion) include cost cutting measures in Commercial Aviation Aero Structures, positive effects from the integration with Mitsubishi Power, and changes arising from the divestment of Machine Tools and the acquisition of Naval Ships.



Page 14 summarizes the status of businesses directly impacted by COVID-19, i.e. Logistics, Thermal & Drive Systems and Commercial Aviation.

Logistics, Thermal & Drive Systems and Aero Engines are generally recovering as expected at the beginning of the fiscal year. However, the pace of recovery differs between automotive and non-automotive products within the Logistics, Thermal & Drive Systems segment.

Profit in Commercial Aviation Aero Structures has dropped even lower than during Q1-3 FY2020, when it had fallen sharply compared to pre-COVID levels. Protracted production cuts at aircraft OEMs have resulted in a significant decline in the number of customer deliveries of B787, our main product, from 70 units in Q1-3 FY2020 to 23 units in Q1-3 FY2021. We therefore forecast total deliveries in FY2021 to be significantly lower than both initial guidance and FY2020 actual.

Summary of Q1-3 FY2021 Results



- Order Intake
 - Recovery beginning to take shape, especially in Metals Machinery and Logistics, Thermal & Drive Systems, although difficult market conditions remain in Commercial Aviation
- Revenue and profit
 - Steady progress in all initiatives set out in the 2021 Medium-Term Business Plan
 - Revenue and profit up YoY due to recovery from COVID-19 impact in Logistics, Thermal & Drive Systems and Aero Engines, progress in organizational transformation in Plants & Infrastructure Systems and Energy Systems, fixed cost reductions through organizational consolidations and business process improvements, and positive impact of business portfolio optimizations
 - Achievement of full-year forecast expected based on revenue projections for Q4
- Cash flows
 - Asset management (sale of real estate and stock) proceeding ahead of schedule, generating investment capital for deployment in growth areas and Carbon Neutrality initiatives
 - Based on steady performance in both operating and investing cash flow, the free cash flow forecast has been raised from previous guidance (+¥0) to +¥100 bn

Slide 15 provides a summary of the Q1-3 FY2021 Financial Results.

Since the announcement of the 1H FY2021 Financial Results, certain negative and risk factors have appeared in some of our businesses. That said, we are seeing improvement in many of our businesses, and overall, we are 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. Investors are recommended not to depend solely on these projections when making investment decisions. Actual results may vary significantly from these projections due to a number of factors, including, but not limited to, economic trends affecting the Company's operating environment, fluctuations in the value of the Japanese yen to the U.S. dollar and other foreign currencies, and trends in Japan's stock markets. The results projected here should not be construed in any way as a guarantee by the Company.

FY2021 Forecast Overview



Increased FCF guidance from previous forecast announced October 29, 2021

(billion yen)

	FY2020 (Actual)		FY2021 (Forecast)			YoY
	(Profit margin)		(Profit margin)	Revised forecast	As of Oct. 29, 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	160.0	+106.0(+195.8%)
Profit attributable to owners of parent	(1.1%)	40.6	(2.7%)	100.0	100.0	+59.4(+146.1%)
ROE		3.1%		7.1%	7.1%	+4.0pt -
EBITDA	(5.2%)	193.3	(7.7%)	290.0	290.0	+96.7 (+50.0%)
FCF		-277.1		100.0	0.0	+377.1 -
Dividend per share		75 yen Interim: 0 yen Year-end: 75 yen		90 yen Interim: 45 yen Year-end: 45 yen	90 yen Interim: 45 yen Year-end: 45 yen	

Exchange rate assumptions:

USD 1.00 = ¥110
EUR 1.00 = ¥130

Undetermined foreign currency amounts
USD 2.4 bn
EUR 0.3 bn

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The latest forecast for FY2021 by segment is on slides 17 and 18.

While the previous forecasts for order intake, revenue, and profit remain unchanged, we have increased the free cash flow forecast to +¥100 billion based on current progress and our latest projections.

This concludes the Q1-3 FY2021 Financial Results presentation.

FY2021 Forecast by Segment



No change from previous forecast announced October 29, 2021

(billion yen)

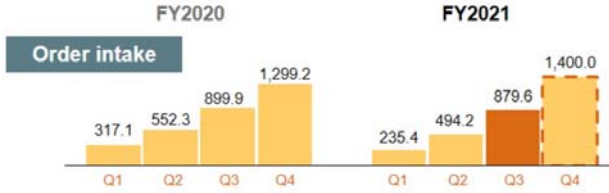
	Order intake			Revenue			Profit from business activities		
	FY2020	FY2021 Revised forecast	YoY	FY2020	FY2021 Revised forecast	YoY	FY2020	FY2021 Revised forecast	YoY
Energy Systems	1,299.2	1,400.0	+100.8	1,546.0	1,600.0	+54.0	127.6	100.0	-27.6
Plants & Infrastructure Systems	575.2	700.0	+124.8	637.2	650.0	+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	-10.0	-25.8
Total	3,336.3	3,600.0	+263.7	3,699.9	3,750.0	+50.1	54.0	160.0	+106.0

III. Appendix

Q1-3 FY2021 Financial Results by Segment Energy Systems

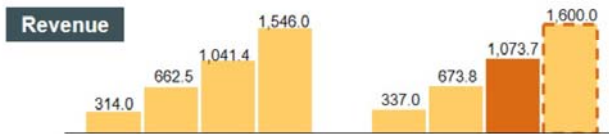


(billion yen, all figures cumulative totals)



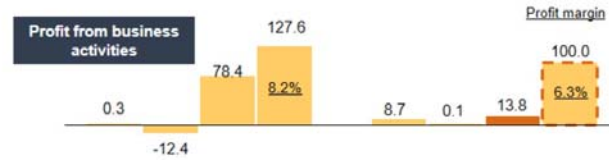
(Order intake for major businesses)

	Q1-3 FY2020	Q1-3 FY2021
GTCC	379.6	341.1
Steam Power	163.5	253.2
Aero Engines	38.2	51.1
Nuclear Power	168.4	137.2



(Revenue for major businesses)

	Q1-3 FY2020	Q1-3 FY2021
GTCC	348.8	414.9
Steam Power	363.6	348.1
Aero Engines	41.3	48.1
Nuclear Power	158.9	141.1

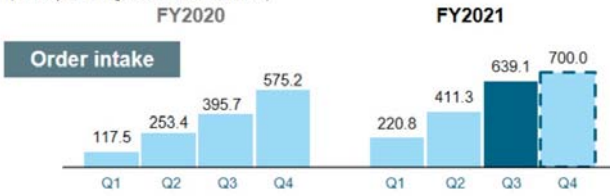


- Steam Power order intake up YoY due to new biomass power plant installations
- Aero Engines order intake recovering
- Overall segment profit low due in part to technical issues at IGCC plants (Nakoso and Hirono)
- Extensive revenue bookings planned near fiscal year end, especially in Thermal Power after-sales service and Nuclear Power

Q1-3 FY2021 Financial Results by Segment Plants & Infrastructure Systems

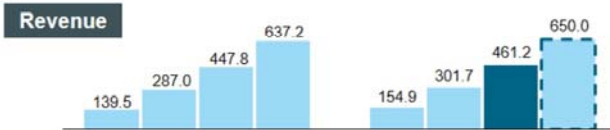


(billion yen, all figures cumulative totals)



(Order intake for major businesses)

	Q1-3 FY2020	Q1-3 FY2021
Engineering	103.4	82.6
Metals Machinery	100.0	315.5
Machinery Systems	99.8	114.6



(Revenue for major businesses)

	Q1-3 FY2020	Q1-3 FY2021
Engineering	111.8	101.7
Metals Machinery	145.7	164.1
Machinery Systems	93.4	97.0

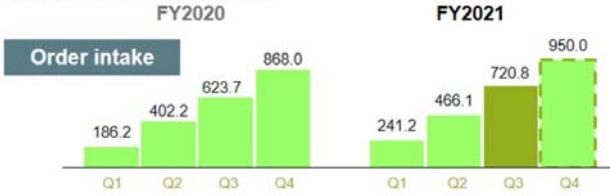


- Strong order intake in Metals Machinery bolstered by increased demand for steel driven by global recovery from COVID-19 impact. New inquiries regarding decarbonization and hydrogen utilization in steelmaking also on the rise.
- Organizational transformation progressing despite additional costs at some international projects and losses related to consolidation of some international locations

Q1-3 FY2021 Financial Results by Segment Logistics, Thermal & Drive Systems

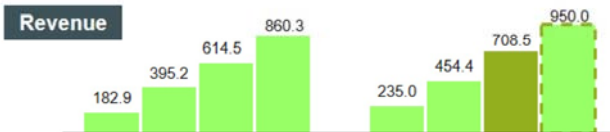


(billion yen, all figures cumulative totals)



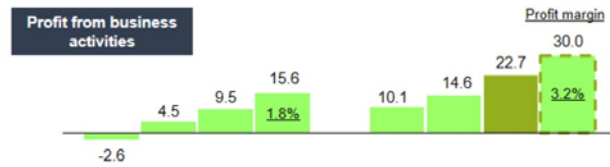
(Order intake for major businesses)

	Q1-3 FY2020	Q1-3 FY2021
Logistics Systems	283.4	336.6
Engines & Turbochargers	169.3	178.9
HVAC & Car A/C	174.9	211.4



(Revenue for major businesses)

	Q1-3 FY2020	Q1-3 FY2021
Logistics Systems	283.5	336.6
Engines & Turbochargers	165.0	175.2
HVAC & Car A/C	170.4	202.6

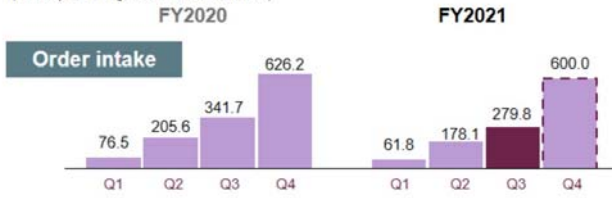


- Order intake and revenue strong in Logistics Systems, HVAC, and Engines, surpassing FY19 levels
- Pace of recovery flagging in Turbochargers and Car A/C due to automotive OEM production cuts and semiconductor shortages
- Raising prices to compensate for pressure on profitability from rising material and transportation costs as well as semiconductor shortages

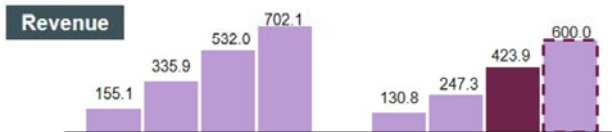
Q1-3 FY2021 Financial Results by Segment Aircraft, Defense & Space



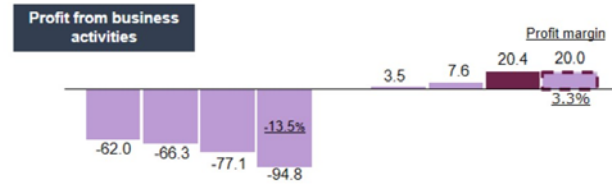
(billion yen, all figures cumulative totals)



	1-3Q FY2020	1-3Q FY2021
Defense & Space	232.9	196.0
Commercial Aviation	108.8	83.8



	1-3Q FY2020	1-3Q FY2021
Defense & Space	392.7	340.3
Commercial Aviation	139.4	83.5



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

Reference Data



Gas turbine orders booked and contract backlog (units)

Heavy Duty	Q1-3 FY20	FY20 Total	Q1-3 FY21
North America	4	4	-
Asia	2	4	3
EMEA	3	3	-
Other regions	-	2	6
Total	9	13	9
Contract backlog	46	48	41

Small & Mid-size	Q1-3 FY20	FY20 Total	Q1-3 FY21
North America	-	6	-
Asia	-	-	1
EMEA	-	-	-
Other regions	-	-	-
Total	0	6	1
Contract backlog	8	5	6

Commercial Aviation deliveries (units)

777	Q1	Q2	Q3	Q4	Ttl.
FY2020	3	10	7	4	24
FY2021	5	4	6		

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

787	Q1	Q2	Q3	Q4	Ttl.
FY2020	18	32	20	14	84
FY2021	14	5	4		

Reference Data



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

	Q1-3 FY20	Q1-3 FY21	(billion yen) FY21 Forecast
R&D expenses	84.6	75.5	130.0
Depreciation & amortization	105.5	98.4	130.0
Capital expenditures	86.1	84.4	120.0

Selling, general, and administrative expenses

	Q1-3 FY20	Q1-3 FY21	(billion yen)
SG&A	395.6	404.8	

Foreign exchange rates (Average rate used for revenue)

	Q1-3 FY20	Q1-3 FY21
USD	106.6	110.5
Euro	121.8	130.0

MOVE THE WORLD FORWARD

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