

FY2021 Financial Results

May 12, 2022

Mitsubishi Heavy Industries, Ltd.

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Hello, everyone.

Allow me to begin my explanation of the FY2021 Financial Results and FY2022 forecast.

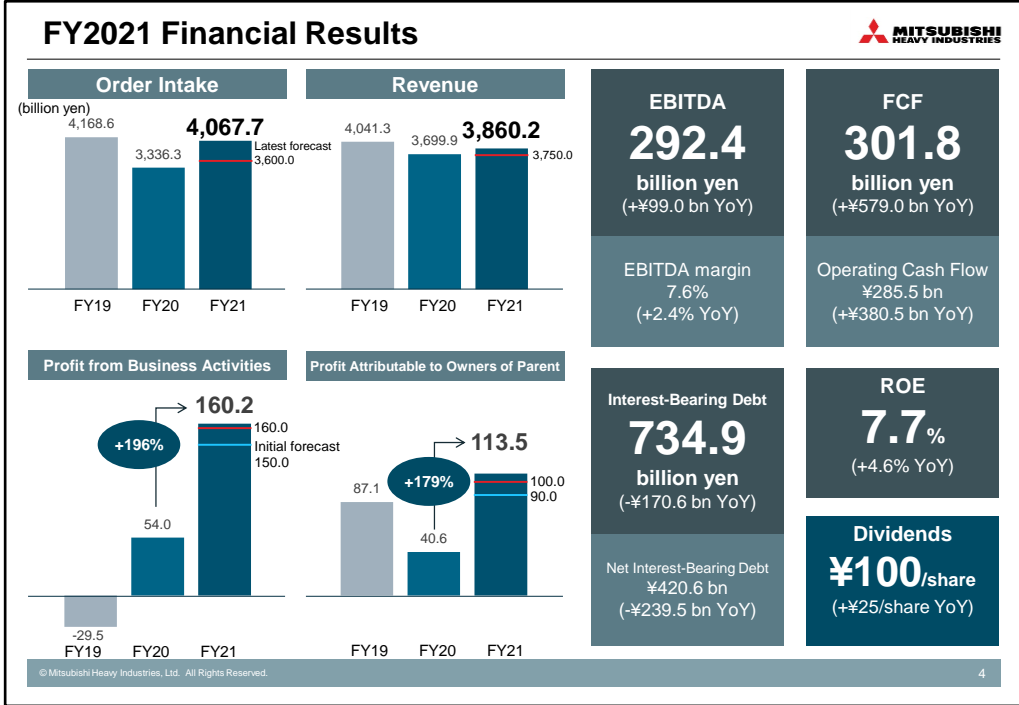
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I. Key Takeaways



On this page and the next, I will provide an overview of the Financial Results.

This page shows results in several key financial indicators.

To provide some additional explanation, all previously announced forecast figures were exceeded. Free cash flow, in particular, well exceeded the ¥100 bn forecast announced earlier due to a considerable amount of cash inflow at the end of the fiscal year, reaching ¥301.8 bn, the highest since we began cash flow disclosures.

In light of the increase in profit attributable to owners of parent, we are planning full year dividends of ¥100 per share. This is an increase of ¥10 per share over the previously announced ¥90, a YoY increase of ¥25 per share.

FY2021 Financial Results Highlights

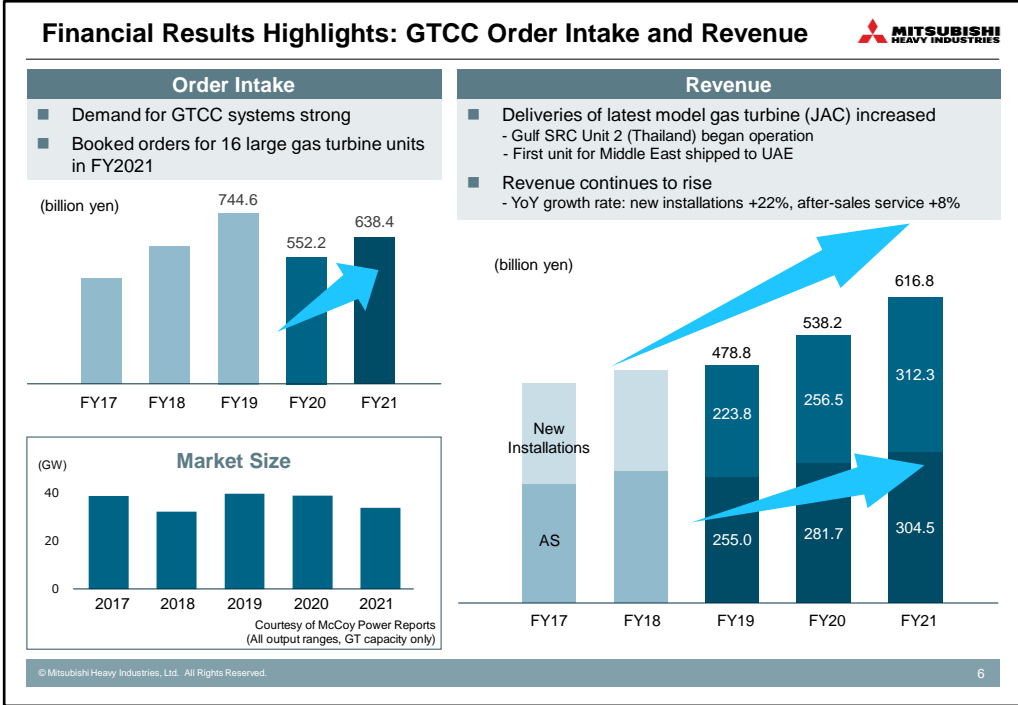


- Order intake, revenue, profit from business activities, and free cash flow all exceeded FY2020 results as well as latest forecast issued in February
- Revenue up YoY in Energy Systems, Plants & Infrastructure Systems, and Logistics, Thermal & Drive Systems led by GTCC*, Nuclear Power and Logistics, Thermal & Drive Systems as a whole (see p. 6-8 for details)
- Successful profitability improvements overcame downward pressure on profit from materials and logistics cost inflation as well as semiconductor shortages, achieving ¥106.1 bn YoY increase in profit from business activities. ROE increased to 7.7%.
- Record-breaking ¥301.8 bn in free cash flow achieved through increased profit from revenue recovery and improved working capital management, combined with cash inflows from the sale of assets including strategic shareholdings and real estate
- Financial stability improved with net interest-bearing debt reduced to ¥420.6 bn. Secured financial resources for growth investments in Carbon Neutrality.
- Planning to increase dividends by ¥10 per share over previous guidance (¥90 per share) to ¥100, a YoY increase of ¥25 per share

* GTCC: Gas Turbine Combined Cycle

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On the following three pages, I will present some of the highlights of the FY2021 Financial Results.

This page describes the status of Gas Turbine Combined Cycle (GTCC), a Thermal Power business.

As shown in the graph on the lower left, the GTCC market has generally maintained a stable size. Although there is some variation from year to year, MHI Group order intake has generally been around ¥600 bn.

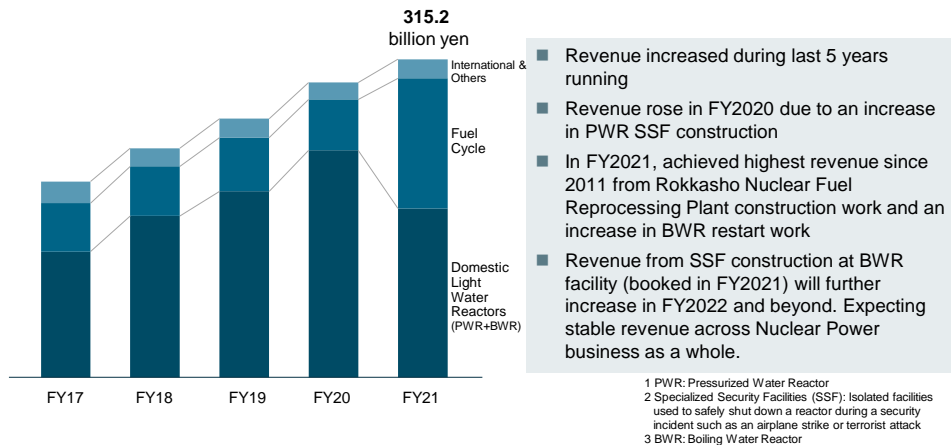
In terms of new installation orders, we had announced at our Q3 earnings announcement that we expected to orders for 15 large gas turbine units in FY2021, but the actual number was 16 units.

As for revenue, both new installations and after-sales service are growing.

In the area of new installations, the manufacture and shipment of the latest JAC model, which boasts the world's highest power generation efficiency, are progressing smoothly.

Financial Results Highlights: Increasing Nuclear Power Revenue

- Revenue scale steadily increasing as progress made on PWR¹ restarts, construction of Specialized Security Facilities², and large, post-restart maintenance projects
- Assisting restart efforts at remaining facilities scheduled for restart, including some BWRs, leveraging expertise gained during completed restarts



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This page shows the status of the Nuclear Power business.

Domestic light water reactor business grew through FY2020, but this growth was mainly driven by the restart of PWR plants and the construction of Specialized Security Facilities.

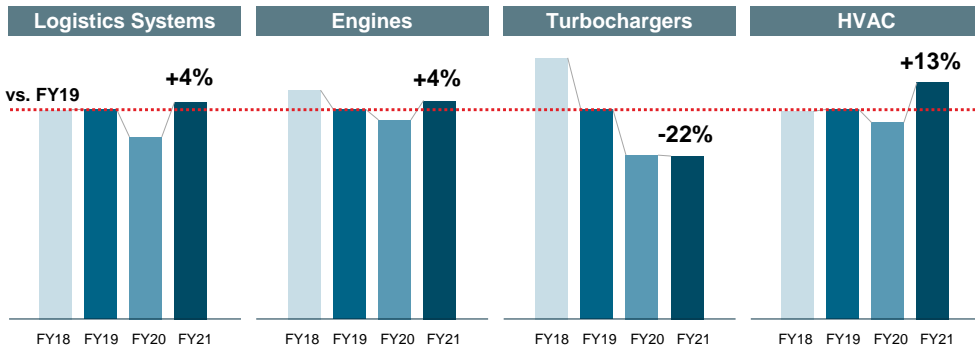
In FY2021, light water reactor-related revenue peaked and started to decrease. However, fuel cycle-related construction work increased, mainly at the Rokkasho Nuclear Fuel Reprocessing Plant, resulting in an overall increase in revenue.

In FY2022 and beyond, based on expectations of growth in international equipment supply in the medium to long term, we forecast that revenue will remain strong at roughly the same level for the time being.

Financial Results Highlights: Logistics, Thermal & Drive Systems Revenue



- Revenue in Logistics Systems, HVAC, and Engines exceeded pre-COVID levels (FY2019) as businesses began to show growth
- Turbocharger recovery stalled due to prolongation of automotive production cuts caused by semiconductor shortages. As a result, revenue was approximately equal to FY2020 levels.
- Revenue and business profit across segment as a whole reached pre-COVID (FY2019) levels



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This page shows the status of Logistics, Thermal & Drive Systems revenue.

Revenue for each fiscal year is broken down by sub-segment with FY2019 revenue set at 100%. The percentage change from FY2019 to FY2021 is also indicated.

In FY2020, this segment experienced a large decrease in revenue due to impact of the COVID-19 pandemic. In FY2021, revenue increased, exceeding FY2019 levels overall.

However, Turbochargers continued to show a significant decrease in revenue compared to FY2019 due to prolonged production cuts by automotive manufacturers, a trend which began in FY2020.

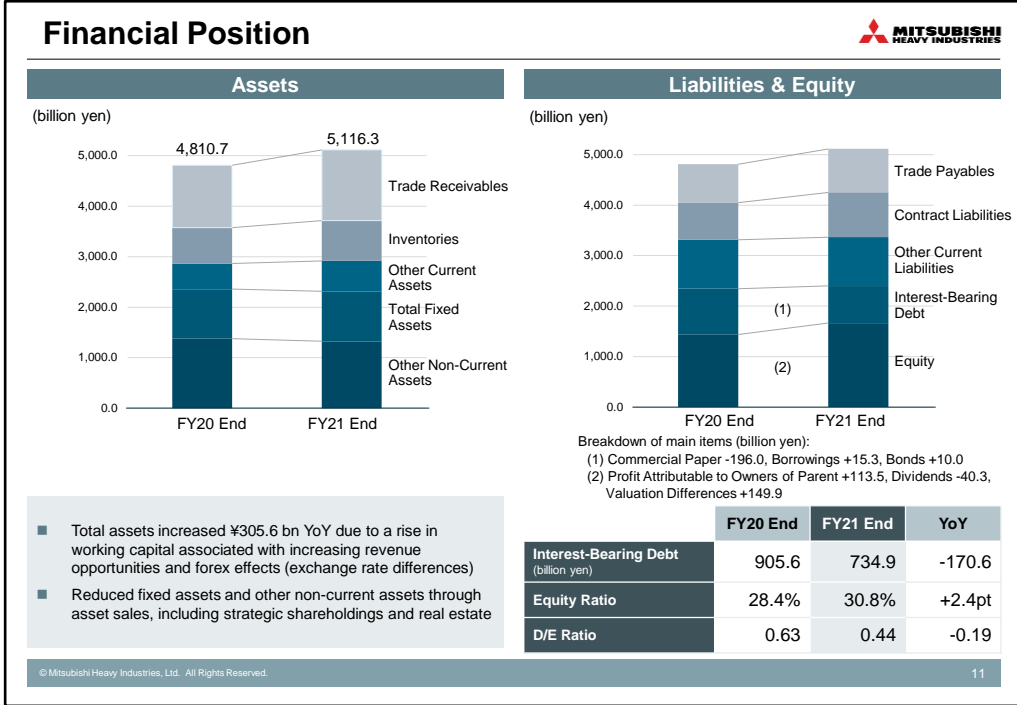
II. FY2021 Financial Results

The following several pages provide more detail about the FY2021 Financial Results.

Financial Results Overview



(billion yen)	FY2020 (Profit Margin)	FY2021 (Profit Margin)	YoY (Profit Margin)	(YoY%)
Order Intake	3,336.3	4,067.7	+731.3	(+21.9%)
Revenue	3,699.9	3,860.2	+160.3	(+4.3%)
Profit from Business Activities	54.0 (1.5%)	160.2 (4.2%)	+106.1 (+2.7%)	(+196.3%)
Profit Attributable to Owners of Parent	40.6 (1.1%)	113.5 (2.9%)	+72.9 (+1.8%)	(+179.4%)
ROE	3.1%	7.7%	+4.6%	
EBITDA	193.3 (5.2%)	292.4 (7.6%)	+99.0 (+2.4%)	(+51.3%)
FCF	-277.1	301.8	+579.0	



On this page and the next, I will talk about the balance sheet.

Although asset reductions are underway to improve monetization efficiency, total assets increased ¥305.6 bn YoY to ¥5,116.3 bn.

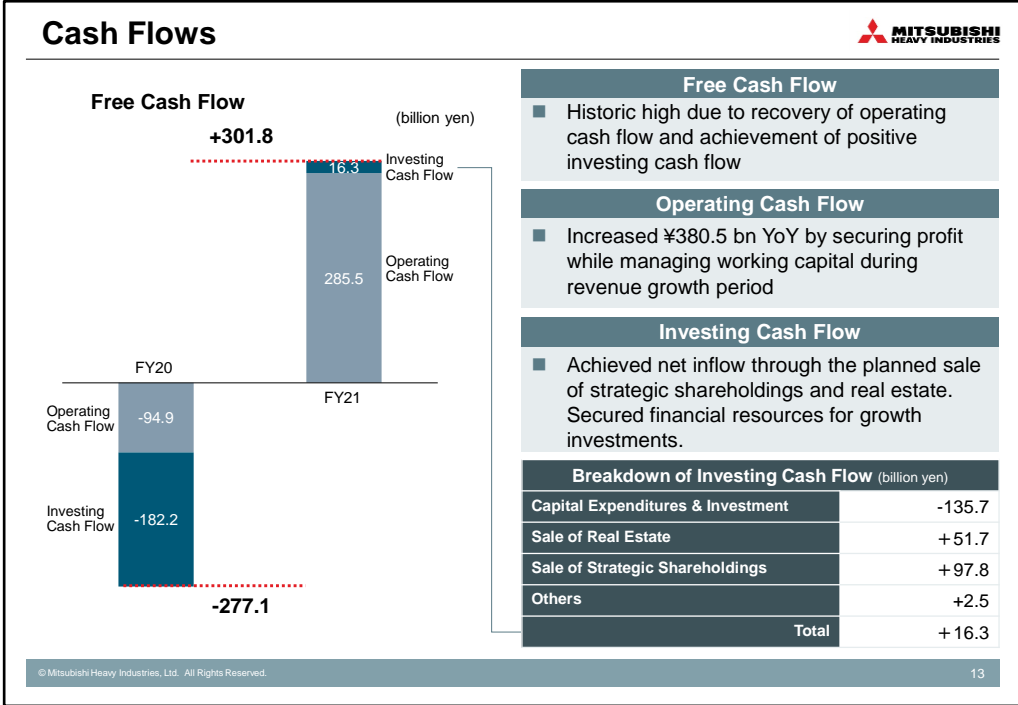
Main causes of this increase in assets were: accumulation of cash and cash equivalents at the end of the fiscal year, an increase in the yen value of assets denominated in foreign currencies due to a considerable depreciation of the yen at the end of the fiscal year, and some inventory buildup in preparation for further supply chain disruptions.

Interest-bearing debt is shown in the table to the lower right. These figures are on a gross basis, showing a ¥170 bn decrease YoY. However, if we look at net interest-bearing debt by subtracting cash and cash equivalents, which increased at the end of FY2021, the figures at the end of FY2020 and FY2021 were ¥660.2 bn and ¥420.6 bn, respectively. This represents a YoY decrease of ¥240 bn.

Financial Position



(billion yen)	FY20 End	FY21 End	YoY
Trade Receivables and Contract Assets	1,234.1	1,399.4	+165.3
Inventories	713.4	798.6	+85.2
Other Current Assets	507.0	605.0	+98.0
(Cash and Cash Equivalents)	(245.4)	(314.2)	(+68.8)
Total Fixed Assets	978.9	989.2	+10.3
Other Non-Current Assets	1,377.1	1,323.9	-53.2
Total Assets	4,810.7	5,116.3	+305.6
Trade Payables	763.7	863.2	+99.5
Contract Liabilities	731.8	886.5	+154.7
Other Current Liabilities	970.1	969.0	-1.1
Interest-Bearing Debt	905.6	734.9	-170.6
Equity	1,439.3	1,662.5	+223.2
(Equity Attributable to Owners of Parent)	(1,366.3)	(1,576.6)	(+210.3)
Total Liabilities and Equity	4,810.7	5,116.3	+305.6



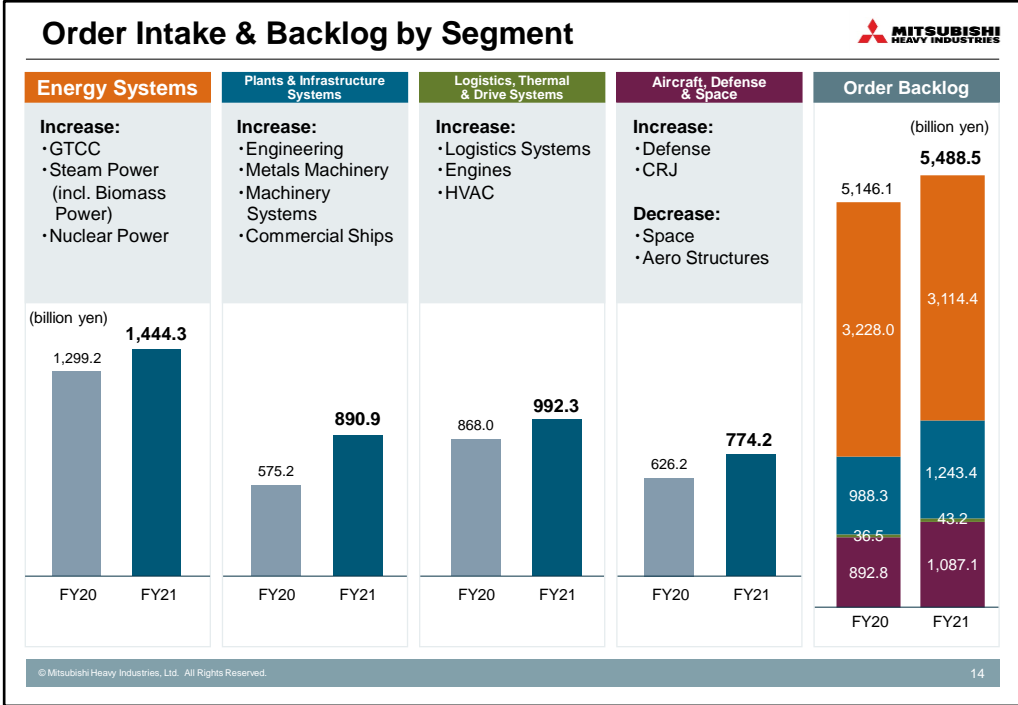
This page shows the status of cash flows.

Operating cash flow increased significantly YoY due to an increase in profit, combined with an increase in order intake, which resulted in a buildup of advances received.

The sale of assets resulted in positive investing cash flow.

We were also able to sell approximately ¥100 bn in strategic shareholdings.

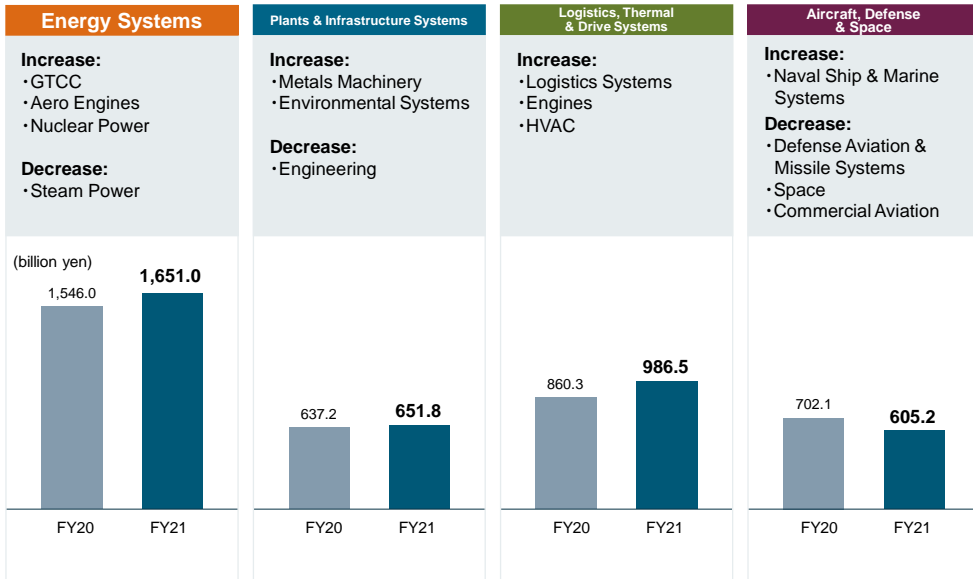
As a result, free cash flow reached a record high of ¥301.8 bn.



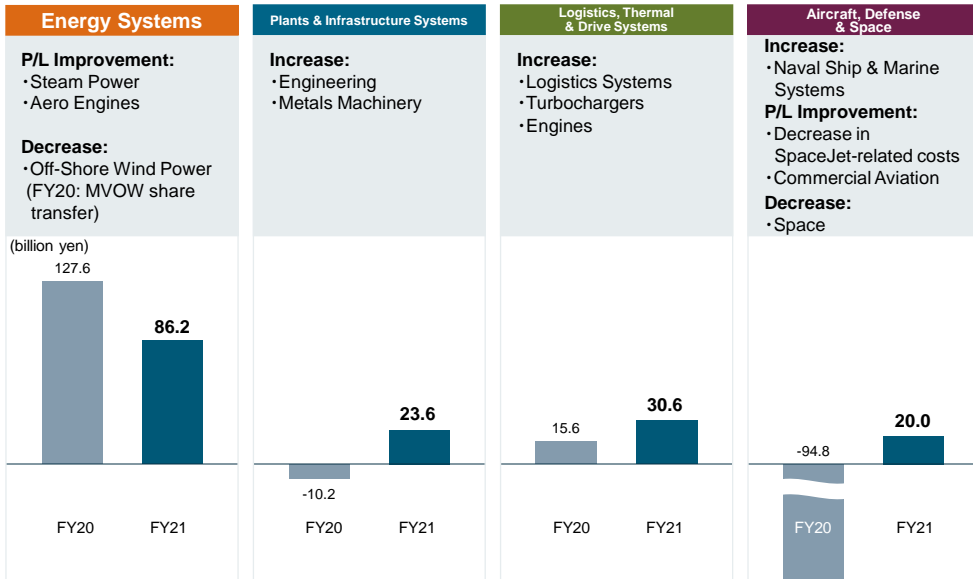
The following four pages break down order intake, revenue, and business profit by segment.

Allow me to omit a detailed explanation.

Revenue by Segment



Profit from Business Activities by Segment



FY2021 Financial Results by Segment

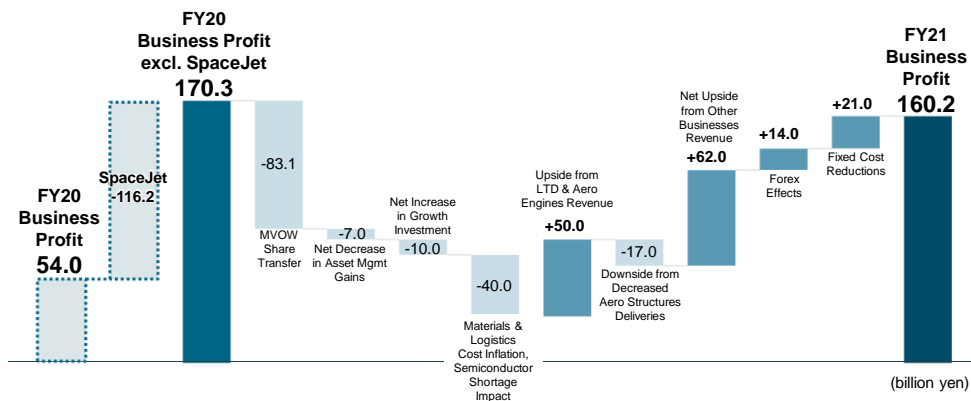


	Order Intake			Revenue			Profit from Business Activities		
	FY20	FY21	YoY	FY20	FY21	YoY	FY20	FY21	YoY
(billion yen)									
Energy Systems	1,299.2	1,444.3	+145.1	1,546.0	1,651.0	+105.0	127.6	86.2	-41.4
Plants & Infrastructure Systems	575.2	890.9	+315.7	637.2	651.8	+14.6	-10.2	23.6	+33.8
Logistics, Thermal & Drive Systems	868.0	992.3	+124.2	860.3	986.5	+126.2	15.6	30.6	+15.0
Aircraft, Defense & Space	626.2	774.2	+148.0	702.1	605.2	-96.8	-94.8	20.0	+114.8
Corporate & Eliminations	-32.4	-34.1	-1.7	-45.7	-34.5	+11.2	15.8	-0.3	-16.1
Total	3,336.3	4,067.7	+731.3	3,699.9	3,860.2	+160.3	54.0	160.2	+106.1

Profit Bridge



- Fixed cost reductions and revenue increases overcame negative impact from worse than forecasted materials and logistics cost inflation, semiconductor shortages, and delayed recovery in Aero Structures. Exceeded full-year business profit forecast in FY2021.



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This page shows factors which contributed to YoY changes in business profit compared to the previous year.

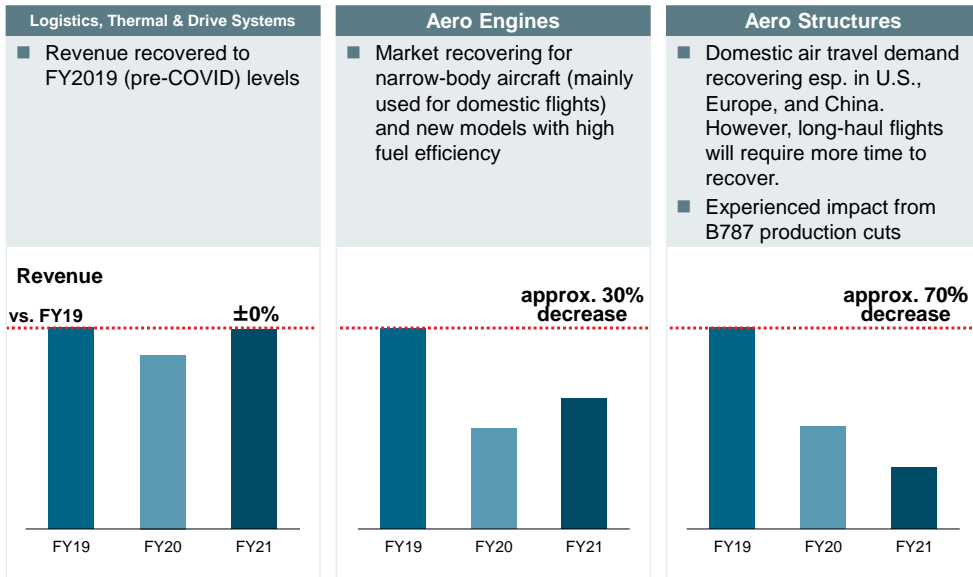
Impact of materials and logistics cost inflation as well as semiconductor shortages was -¥40 bn. At the time of the Q3 Financial Results announcement, we had forecasted around -¥30 bn in impact, but due to prolonged production cuts by automotive manufacturers and further increases in logistics cost inflation, this increased to -¥40 bn.

Logistics, Thermal & Drive Systems (excluding Turbochargers) and Aero Engines have shown steady recovery. The ¥50 bn contribution to profit from increased revenue in these businesses essentially offset the worsening of material and logistics cost inflation mentioned previously.

Profit decreased in Aero Structures mainly due to a decrease in B787 deliveries to Boeing.

The remaining factors are as indicated on this page.

Status of Businesses Impacted by COVID-19



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This page shows revenue trends in the businesses which were especially impacted by the COVID-19 pandemic.

III. FY2022 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.

The next several pages show our forecast for FY2022.

FY2022 Targets



- Focus on further enhancing profitability and lay groundwork to achieve 7% business profit margin in FY2023

	FY2020	FY2021	FY2022	2021 MTP FY2023
Order Intake	¥3.7 tr	¥3.9 tr	¥3.9 tr	¥4.0 tr
Business Profit Margin	1.5%	4.2%	5.1%	7%
ROE	3.1%	7.7%	7.7%	12%
Total Assets	¥4.8 tr	¥5.1 tr	¥5.1 tr	¥4.5 tr
Interest-Bearing Debt	¥0.9 tr	¥0.7 tr	¥0.8 tr	¥0.9 tr
Equity	¥1.4 tr	¥1.7 tr	¥1.7 tr	¥1.5 tr
D/E Ratio	0.6	0.4	0.5	0.6
Equity Ratio	28%	31%	31%	33%
Dividend per Share	¥75	¥100	¥120	¥160

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Slide 21 shows the FY2022 forecast together with the targets for FY2023 as outlined in the 2021 Medium-Term Business Plan (MTBP). By achieving the guidance for FY2022, we will make good progress toward the final year of the MTBP.

FY2022 Forecast Overview



(billion yen)	FY2021 (Profit Margin)	FY2022 (Profit Margin)	YoY (Profit Margin)	(YoY%)	
Order Intake	4,067.7	3,700.0	-367.7	(-9.0%)	Projecting YoY decrease due to orders for several large projects in Plants & Infrastructure Systems and Aircraft, Defense & Space booked in FY2021
Revenue	3,860.2	3,900.0	+39.8	(+1.0%)	-
Profit from Business Activities	160.2 (4.2%)	200.0 (5.1%)	+39.8 (+0.9%)	(+24.8%)	-
Profit Attributable to Owners of Parent	113.5 (2.9%)	120.0 (3.1%)	+6.5 (+0.2%)	(+5.7%)	-
ROE	7.7%	7.7%	-	-	-
EBITDA	292.4 (7.6%)	330.0 (8.5%)	+37.6 (+0.9%)	(+12.9%)	-
FCF	301.8	-100.0	-401.8		Strengthen investments in Carbon Neutrality and growth areas using financial resources secured in FY2021
Dividends	100 yen Interim: 45 yen Year-End: 55 yen	120 yen Interim: 60 yen Year-End: 60 yen	Exchange rate assumptions: USD 1.00 = ¥120 EUR 1.00 = ¥130		Undetermined foreign currency amounts: USD 3.1 bn EUR 0.4 bn

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This page outlines the main financial targets for FY2022 as well as an explanation of projected major YoY variances.

On a YoY basis, we believe that we will be able to continue increasing revenue and profit in FY2022. However, due to the high order intake and free cash flow achieved in FY2021, these two indicators are expected to decrease YoY in FY2022.

Some of the high achievements in FY2021 were caused by items originally scheduled for FY2022 being pulled into FY2021, which resulted in the YoY decreases shown here.

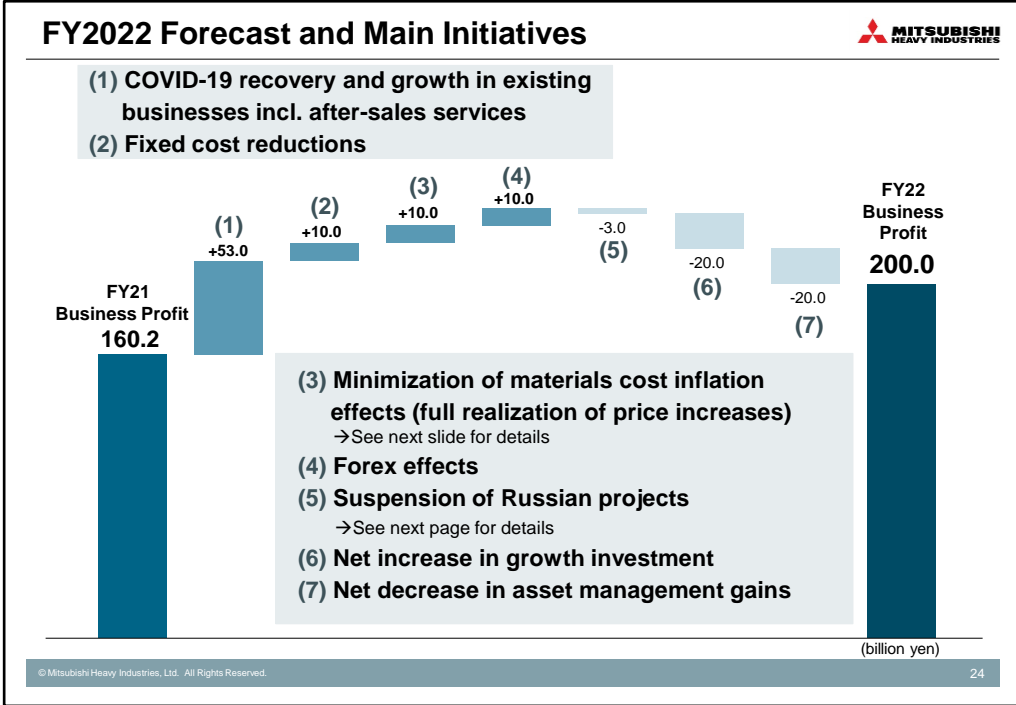
That said, we are still looking for ways to improve free cash flow, including the sale of assets. We would like to bring free cash flow up as close to a positive value as possible.

We are currently planning for dividends at ¥120 per share, which is based on a payout ratio assumption of over 30%.

FY2022 Forecast by Segment



	Order Intake			Revenue			Profit from Business Activities		
	FY21	FY22 Forecast	YoY	FY21	FY22 Forecast	YoY	FY21	FY22 Forecast	YoY
(billion yen)									
Energy Systems	1,444.3	1,400.0	-44.3	1,651.0	1,650.0	-1.0	86.2	130.0	+43.8
Plants & Infrastructure Systems	890.9	650.0	-240.9	651.8	650.0	-1.8	23.6	30.0	+6.4
Logistics, Thermal & Drive Systems	992.3	1,050.0	+57.7	986.5	1,050.0	+63.5	30.6	40.0	+9.4
Aircraft, Defense & Space	774.2	650.0	-124.2	605.2	600.0	-5.2	20.0	20.0	0
Corporate & Eliminations	-34.1	-50.0	-15.9	-34.5	-50.0	-15.4	-0.3	-20.0	-19.8
Total	4,067.7	3,700.0	-367.7	3,860.2	3,900.0	+39.8	160.2	200.0	+39.8



This page shows changes in business profit from FY2021 actuals to the FY2022 forecast.

As shown in item (6) (Net increase in growth investment), we are planning to make even larger investments in R&D and other areas in FY2022.

The contribution to FY2021 business profit from projects in Russia and Ukraine was around ¥3 bn. Item (5) (Suspension of Russian projects) shows the potential impact from the elimination of this profit, which we view as highly likely.

FY2022 Forecast Major Assumptions and Countermeasures



	Materials Cost Inflation	Logistics Cost Inflation	Semiconductor Shortages	Geopolitical Risk
FY2021 Impact	<ul style="list-style-type: none"> Impact through full year Impact increased in 2H 	<ul style="list-style-type: none"> Impact through full year Impact increased in 2H 	<ul style="list-style-type: none"> Impact through full year Impact increased in 2H 	<ul style="list-style-type: none"> Russian projects suspended Minimal impact to P/L
FY2022 Forecast Assumptions	<ul style="list-style-type: none"> Materials cost inflation in line with 2H FY21 levels expected to continue throughout year. However, P/L impact expected to be lower than FY21 due to price increases. 	<ul style="list-style-type: none"> Impact expected through full year 	<ul style="list-style-type: none"> Demand from automotive OEMs expected to gradually pick up, though some uncertainty remains. Expect to secure sufficient supply of semiconductors for MHI products 	<ul style="list-style-type: none"> Continued suspension of Russian project construction
Counter-measures	<ul style="list-style-type: none"> Increase prices (P/L upside to come into full effect in FY22) Continuing contract-based risk hedging incl. escalation clauses 	<ul style="list-style-type: none"> Transportation method/route revisions Continue negotiation with forwarders 	<ul style="list-style-type: none"> Manufacturing and production adjustments Find alternate suppliers 	<ul style="list-style-type: none"> Manufacturing adjustments Supply chain retooling
Main Businesses with P/L Impact	Logistics Systems, HVAC	Logistics Systems, HVAC	Turbochargers, Logistics Systems, HVAC, Engines, Machinery Systems	Compressors, GTCC, Metals Machinery

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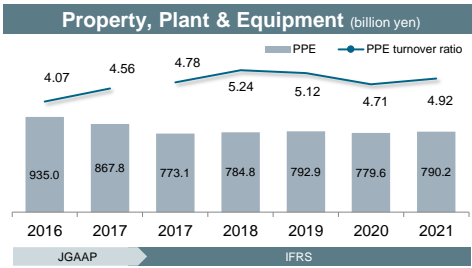
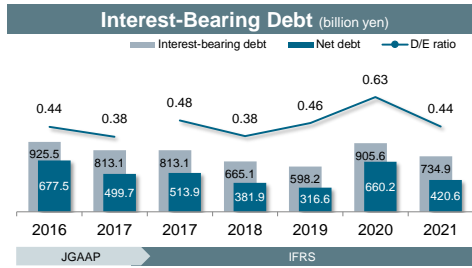
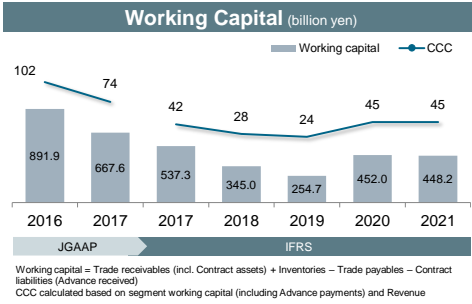
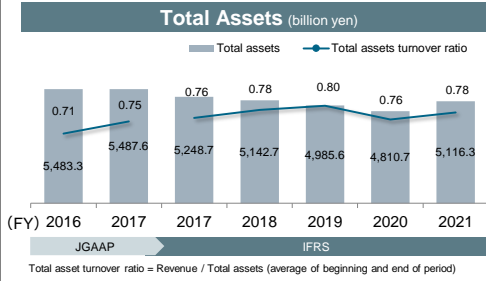
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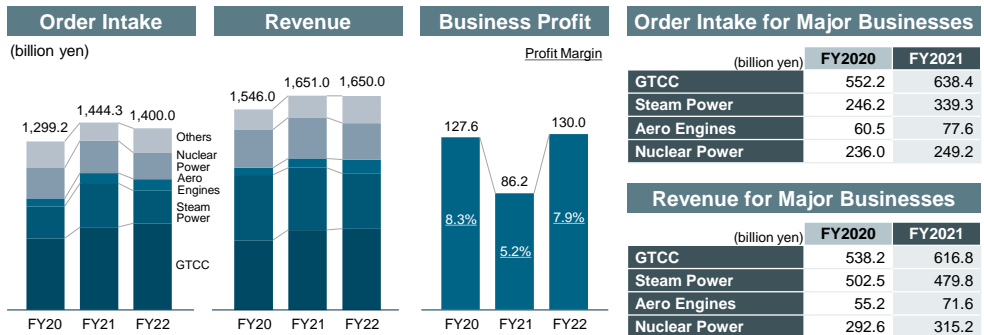
This page outlines the main assumptions regarding the business environment on which the FY2022 forecast is based.

This concludes my explanation. Thank you very much.

IV. Appendix

Appendix: Financial Position





FY2021 Results

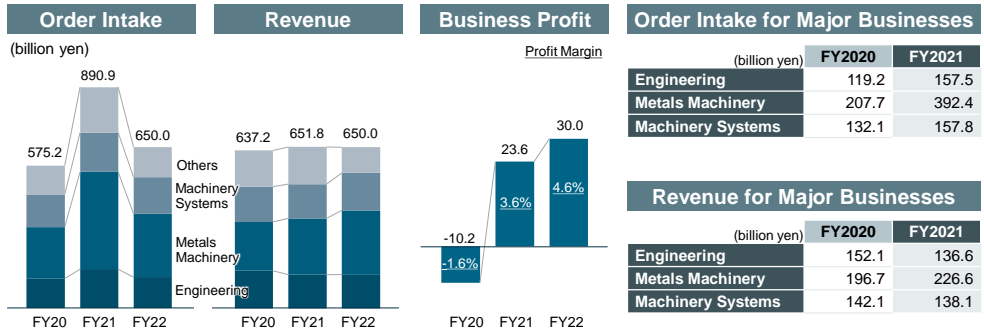
- Order intake and revenue up in GTCC and Nuclear Power. Business profit also stable.
- Steam Power order intake up YoY from Biomass Power new installations. Revenue from new installations down.
- Business profit up ¥41.7 bn YoY when excluding ¥83.1 gain on MVOW share transfer recognized in FY2020

FY2022 Forecast

- Order intake and revenue strong in GTCC and Nuclear Power. Aero Engines forecasted to return to pre-COVID levels (FY2019).
- Business profit strong in GTCC and Nuclear Power. Large improvement expected in Steam Power due to absence of IGCC (Nakoso & Hirono) losses. Aero Engines to return to profitability as revenue recovers.

Appendix: FY21 Results and FY22 Forecast

Plants & Infrastructure Systems



FY2021 Results

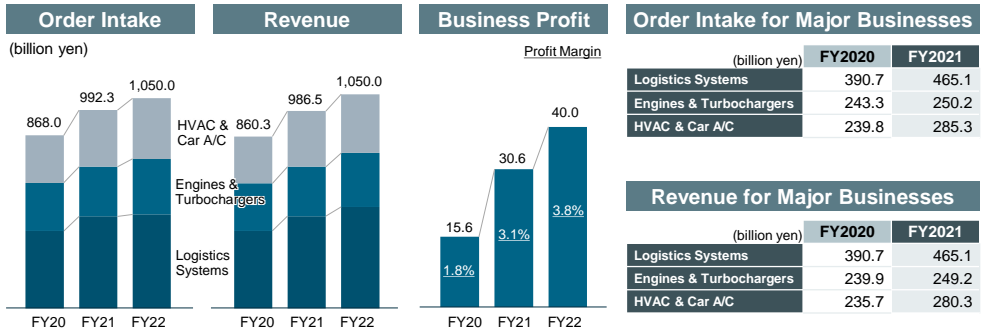
- Strong order intake in Metals Machinery due to large increase in demand for steel during global recovery from COVID-19 impact. Increase in new inquiries regarding decarbonization and hydrogen use.
- Despite losses from additional expenses deriving from some international projects and location consolidations, the segment turned a profit as efforts to strengthen risk management and organizational transformation progressed

FY2022 Forecast

- In Metals Machinery, revenue and profit forecasted to increase from progress in orders booked in FY2021, despite suspension of construction on Russian projects
- Stable growth in overall segment order intake and revenue. Business profit to improve due to lack of additional expenses from some international projects and location consolidations seen in the previous fiscal year

Appendix: FY21 Results and FY22 Forecast

Logistics, Thermal & Drive Systems

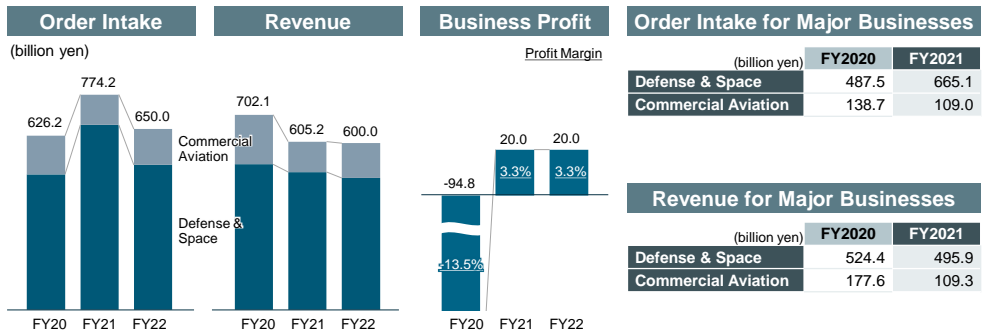


- FY2021 Results**
- Order intake and revenue strong in Logistics Systems, HVAC, and Engines, returning to pre-COVID (FY2019) levels
 - Pace of recovery in Turbochargers and Car A/C lagged due to automotive OEM production cuts and semiconductor shortages
 - Impact from materials and logistics cost inflation continued, although some of this was compensated for with price increases

- FY2022 Forecast**
- Aiming for profitability improvement in Logistics Systems through continuous lead-time reduction and supply chain streamlining efforts, although some uncertainty regarding materials and logistics cost inflation remains
 - HVAC revenue showing growth mainly in Europe. However, forecast does not include potential supply chain impact from recent rebound in COVID-19 cases.
 - Although some impact from semiconductor shortages is expected to remain in Turbochargers in FY2022, automotive OEM demand is forecasted to gradually increase

Appendix: FY21 Results and FY22 Forecast

Aircraft, Defense & Space



FY2021 Results

- Defense & Space order intake up YoY in Defense Aviation & Missile Systems as well as Naval Ship & Maritime Systems
- Defense saw ¥18 bn in revenue contribution from the acquisition of Mitsui E&S Shipbuilding's Naval & Governmental Ships business, which began operation as Mitsubishi Heavy Industries Maritime Systems in Oct 2021
- Revenue down in Aero Structures due to OEM manufacturer production cuts
- Profit up YoY and profitability achieved across entire segment due to cost-cutting efforts including fixed cost reductions

FY2022 Forecast

- Order intake and revenue strong in Defense & Space
- Aero Structures order intake and revenue will depend on OEM manufacturers' production plans
- CRJ order intake and revenue to grow steadily

Appendix: Reference Data



Gas Turbine Order Intake & Contract Backlog (units)			Commercial Aviation Deliveries (units)					
Large	FY2020	FY2021	777	1Q	2Q	3Q	4Q	Total
North America	4	5	FY2020	3	10	7	4	24
Asia	4	5	FY2021	5	4	6	5	20
EMEA	3	-						
Other Regions	2	6	777X	1Q	2Q	3Q	4Q	Total
Total	13	16	FY2020	3	3	0	1	7
Contract Backlog	48	46	FY2021	2	1	1	0	4
Small & Mid-Size	FY2020	FY2021	787	1Q	2Q	3Q	4Q	Total
North America	6	7	FY2020	18	32	20	14	84
Asia	-	1	FY2021	14	5	4	2	25
EMEA	-	-						
Other Regions	-	2						
Total	6	10						
Contract Backlog	5	12						

Appendix: Reference Data

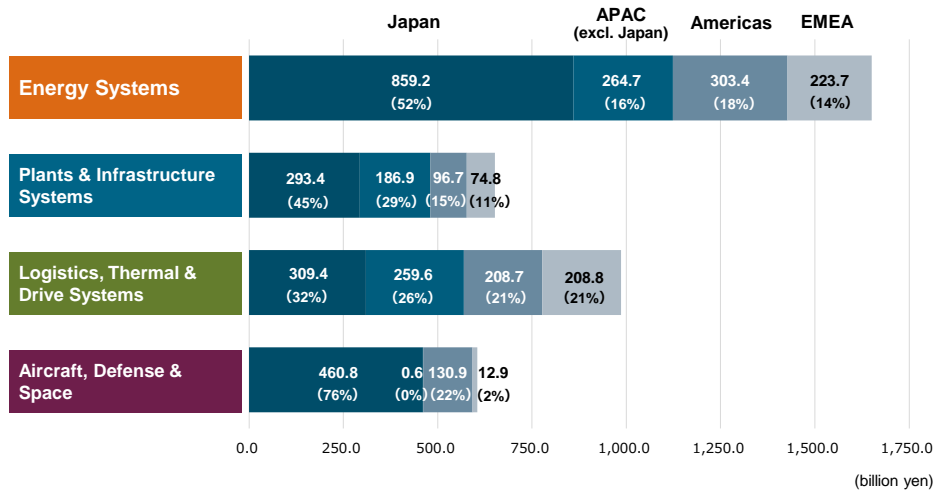


(billion yen)				
R&D Expenses, Depreciation & Amortization, and Capital Expenditures	FY2019	FY2020	FY2021	FY2022 Forecast
R&D Expenses	146.8	125.7	113.6	130.0
Depreciation & Amortization	144.6	139.2	132.1	130.0
Capital Expenditures	161.5	125.5	122.8	130.0
(billion yen)				
Cash Flows	FY2019	FY2020	FY2021	FY2022 Forecast
Operating Cash Flow	452.5	-94.9	285.5	-
Investing Cash Flow	-239.5	-182.2	16.3	-
Free Cash Flow	212.9	-277.1	301.8	-100.0
Financing Cash Flow	-204.4	-221.7	-255.7	-
Interest-Bearing Debt and D/E Ratio	FY2019	FY2020	FY2021	FY2022 Forecast
Interest-Bearing Debt Balance (billion yen)	598.2	905.6	734.9	850.0
D/E Ratio	0.46	0.63	0.44	0.50
USD Exchange Rates	FY2019	FY2020	FY2021	FY2022 Forecast
Average Rate Used for Revenue	108.7	106.3	111.6	120
(Reference) March 31 Rate	108.8	110.7	122.4	-

Appendix: Reference Data



FY2021 Revenue by Segment and Region



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