

Q1 FY2022 Financial Results

August 5, 2022

Mitsubishi Heavy Industries, Ltd.

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Allow me to explain the Financial Results using these materials.

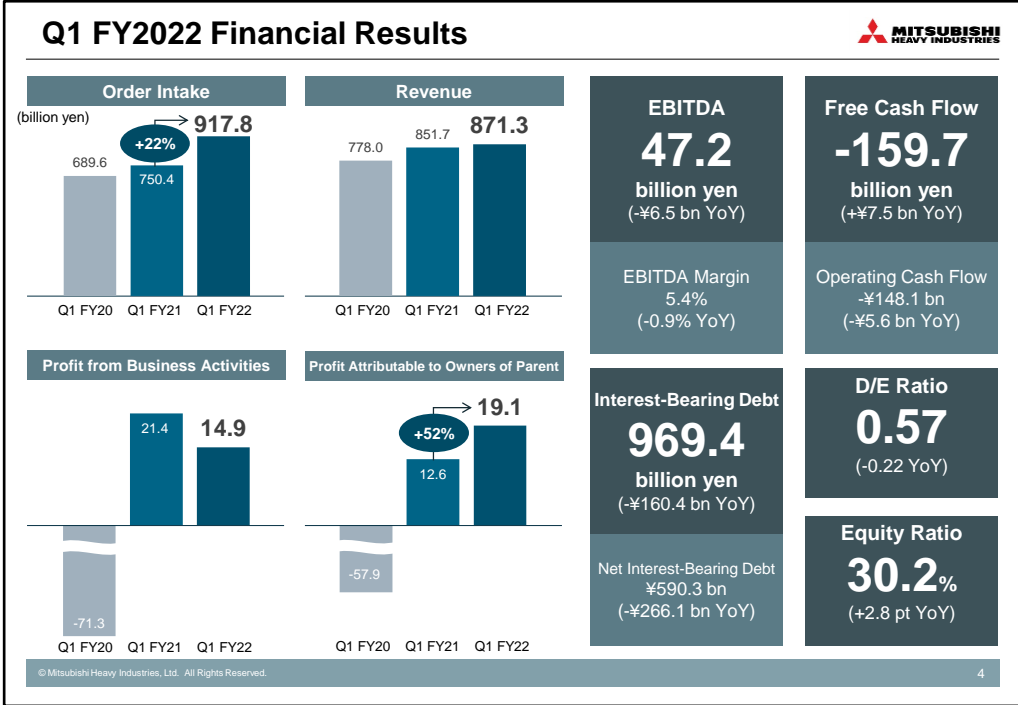
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I. Key Takeaways



First, I will provide an overview of the Financial Results. This shows the results of several key financial indicators.

Q1 FY2022 Financial Results Highlights



- **Order Intake: ¥917.8 bn (+¥167.3 bn YoY)**
Orders increased in all segments YoY.
In terms of major businesses, orders were strong in Gas Turbine Combined Cycle (GTCC), Aero Engines, Metals Machinery, Logistics Systems, HVAC, and Defense & Space. (See p. 6 for supplementary details)
- **Revenue: ¥871.3 bn (+¥19.6 bn YoY)**
Revenue increased YoY in Energy Systems and Logistics, Thermal & Drive Systems.
In terms of major businesses, GTCC, Aero Engines, Logistics Systems, and HVAC showed strong results.
- **Business Profit: ¥14.9 bn (-¥6.5 bn YoY)**
Although there were some negative factors, including one-time expenses from European coal-fired thermal power business downsizing as well as a lag between price optimizations and profit realization to address materials and logistics cost inflation, secured ¥14.9 bn in business profit through revenue increases, fixed cost reductions, and asset management.
- **Net Profit: ¥19.1 bn (+¥6.5 bn YoY)**
Despite a YoY decrease in business profit, due to contributions of foreign exchange gains from depreciation of the yen, net profit increased 52% YoY to ¥19.1 bn.

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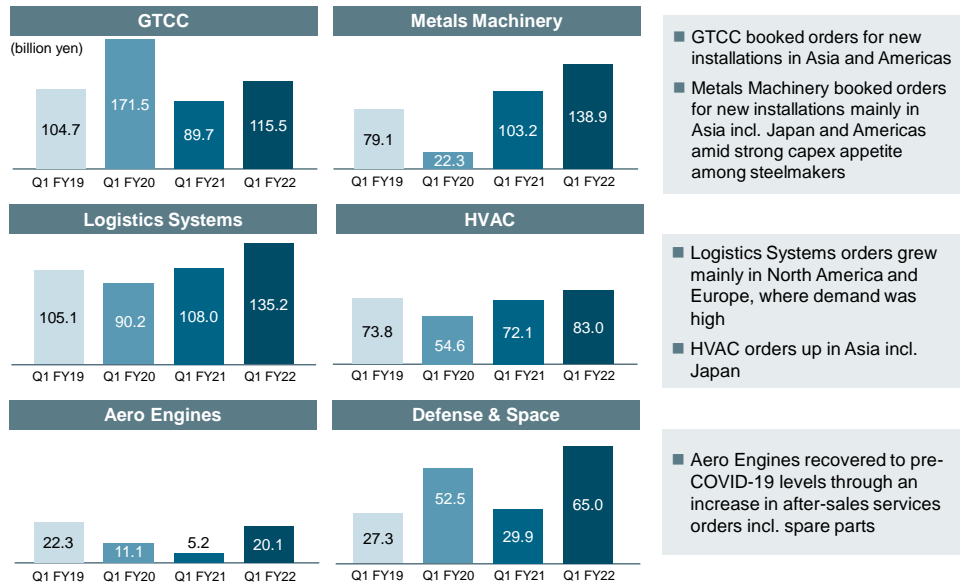
Next, I will explain the highlights from the Financial Results using this page.

To provide some supplementary information, order intake and revenue increased YoY. Growth in order intake was particularly strong, with progress against the annual forecast of ¥3.7 tr at around 25%, a high level not seen in recent years.

Profit from business activities (business profit) decreased YoY, partly due to one-time expenses from downsizing at a European location, which I will explain on slide 10. Contrastingly, profit attributable to owners of parent (net profit) increased by around 52% YoY, partly due to contributions of foreign exchange gains from the depreciation of the yen.

Free cash flow was mostly at the same level as Q1 FY2021.

Financial Results Highlights: Order Intake



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This page shows Q1 order intake trends from the current and past three fiscal years for the main products which achieved a YoY increase in Q1 this fiscal year.

In GTCC, we received orders for five large frame gas turbines, including from Hongkong Electric Company.

Orders for Metals Machinery continued to be strong. The ¥138.9 bn achieved in Q1 this fiscal year was the highest ever recorded by this business in a single quarter.

Market demand in Logistics Systems and HVAC was strong, but the production side has recently become a limiting factor.

II. Q1 FY2022 Financial Results

The following pages provide more detail on the Financial Results.

Financial Results Overview



(billion yen)	Q1 FY2021 (Profit Margin)	Q1 FY2022 (Profit Margin)	YoY (Profit Margin)	(YoY%)
Order Intake	750.4	917.8	+167.3	(+22.3%)
Revenue	851.7	871.3	+19.6	(+2.3%)
Profit from Business Activities	21.4 (2.5%)	14.9 (1.7%)	-6.5 (-0.8%)	(-30.4%)
Profit Attributable to Owners of Parent	12.6 (1.5%)	19.1 (2.2%)	+6.5 (+0.7%)	(+51.7%)
EBITDA	53.7 (6.3%)	47.2 (5.4%)	-6.5 (-0.9%)	(-12.2%)
Free Cash Flow	-167.3	-159.7	+7.5	

I will omit an explanation of the table on this page, as it includes information already introduced.

Financial Position and Cash Flows



Financial Position (billion yen)	FY21 End	Q1 FY22 End	YoY
Trade Receivables and Contract Assets	1,399.4	1,394.0	-5.3
Inventories	798.6	884.5	+85.9
Other Current Assets	605.0	742.3	+137.3
(Cash and Cash Equivalents)	(314.2)	(379.1)	(+64.8)
Fixed Assets	989.2	1,008.8	+19.5
Other Non-Current Assets	1,323.9	1,334.9	+11.0
Total Assets	5,116.3	5,364.8	+248.5
Trade Payables	863.2	765.7	-97.5
Contract Liabilities	886.5	932.1	+45.6
Other Current Liabilities	969.0	983.6	+14.5
Interest-Bearing Debt	734.9	969.4	+234.5
Equity	1,662.5	1,713.8	+51.3
(Equity Attributable to Owners of Parent)	(1,576.6)	(1,621.2)	(+44.6)
Total Liabilities and Equity	5,116.3	5,364.8	+248.5
Cash Flows (billion yen)	Q1 FY21	Q1 FY22	YoY
Operating Cash Flow	-142.4	-148.1	-5.6
Investing Cash Flow	-24.8	-11.5	+13.2
Free Cash Flow	-167.3	-159.7	+7.5

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This page shows the balance sheet and cash flows.

Total assets increased by ¥248.5 bn from the end of FY2021 to ¥5,364.8 bn.

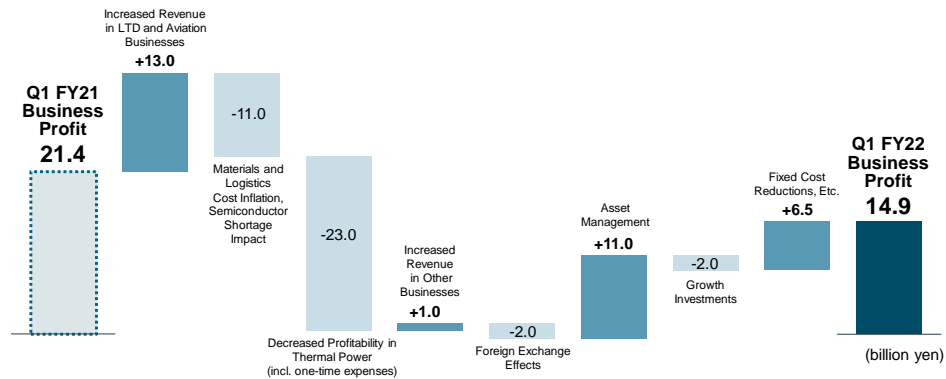
The breakdown of this increase includes approximately ¥130 bn in translation effects from foreign currency-denominated assets due to the depreciation of the yen. Cash on hand increased by more than ¥60 bn, and inventories also increased. These were within the range of normal fluctuations.

Regarding cash flows, investing cash flow improved YoY due to sales of real estate and marketable securities.

Profit Bridge



- Although profit decreased from materials and logistics cost inflation, this was offset by revenue increases in Logistics, Thermal & Drive Systems and aviation businesses. The effect of price optimizations is projected to be realized in the second half of the fiscal year.
- Business profit decreased YoY in Thermal Power due to the progress of high margin projects in FY2021. Additionally, one-time expenses from downsizing of European coal-fired thermal power operations were booked.
- As a special factor in some projects, profitability decreased due to an increase in cost estimates caused by the depreciation of the yen
- Good progress in asset management and fixed cost reductions increased business profit



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This page explains the causes of YoY changes in business profit.

The leftmost bar, Q1 FY21 Business Profit, was ¥21.4 bn. Although there was a ¥13 bn increase in revenue from Logistics, Thermal & Drive Systems as well as aviation businesses, impact from materials and logistics cost inflation as well as production cuts due to supply chain disruptions resulted in a ¥11 bn decrease in profit.

I would like to provide some supplementary information about the bar to the right of this, Decreased Profitability in Thermal Power. There were two main contributing factors. One was a YoY decrease corresponding to the progress of high margin projects in Q1 FY2021. The other was the booking of organizational transformation expenses at a European location, which is mainly engaged in the coal-fired thermal power business.

The global market for coal-fired thermal power is contracting in the trend toward Carbon Neutrality. We have been transforming our operations in order to optimize resources and respond to the Energy Transition, including by consolidating our Japanese manufacturing bases and integrating Mitsubishi Power into MHI. The reworking of our European location is in line with these efforts.

Other factors shown here also contributed to YoY changes, resulting in business profit of ¥14.9 bn in Q1 this fiscal year.

Q1 FY2022 Financial Results by Segment



	Order Intake			Revenue			Profit from Business Activities		
	Q1 FY21	Q1 FY22	YoY	Q1 FY21	Q1 FY22	YoY	Q1 FY21	Q1 FY22	YoY
(billion yen)									
Energy Systems	235.4	306.5	+71.1	337.0	349.5	+12.4	8.7	-2.4	-11.2
Plants & Infrastructure Systems	220.8	242.4	+21.5	154.9	131.8	-23.1	7.2	0.8	-6.4
Logistics, Thermal & Drive Systems	241.2	280.8	+39.6	235.0	265.9	+30.9	10.1	2.0	-8.0
Aircraft, Defense & Space	61.8	97.0	+35.2	130.8	129.0	-1.7	3.5	6.5	+2.9
Corporate and Eliminations	-8.9	-9.0	-0.1	-6.1	-5.0	+1.1	-8.2	7.9	+16.2
Total	750.4	917.8	+167.3	851.7	871.3	+19.6	21.4	14.9	-6.5

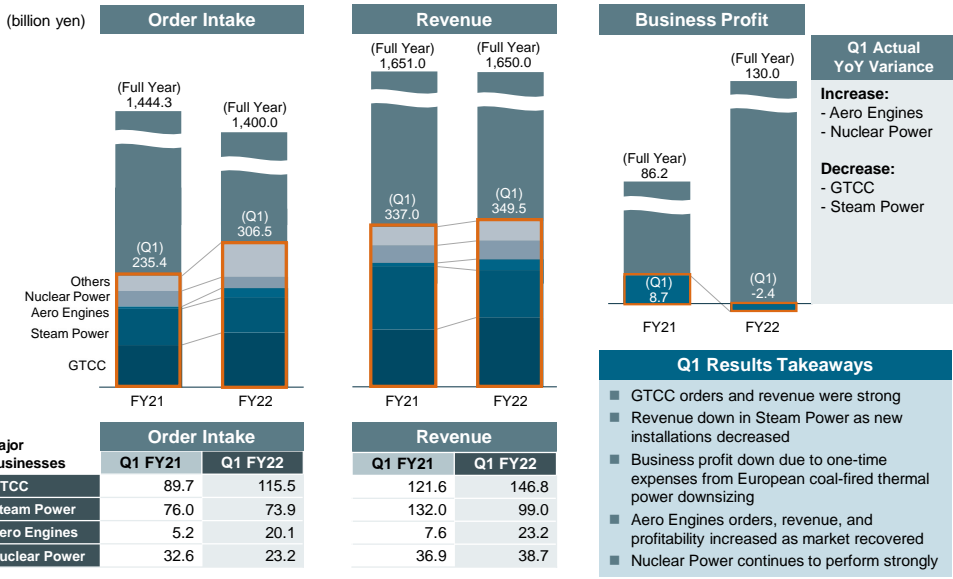
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This page shows a summary of order intake, revenue, and business profit by segment.

Over the following pages, I will explain the situation in each segment.

Financial Results: Energy Systems



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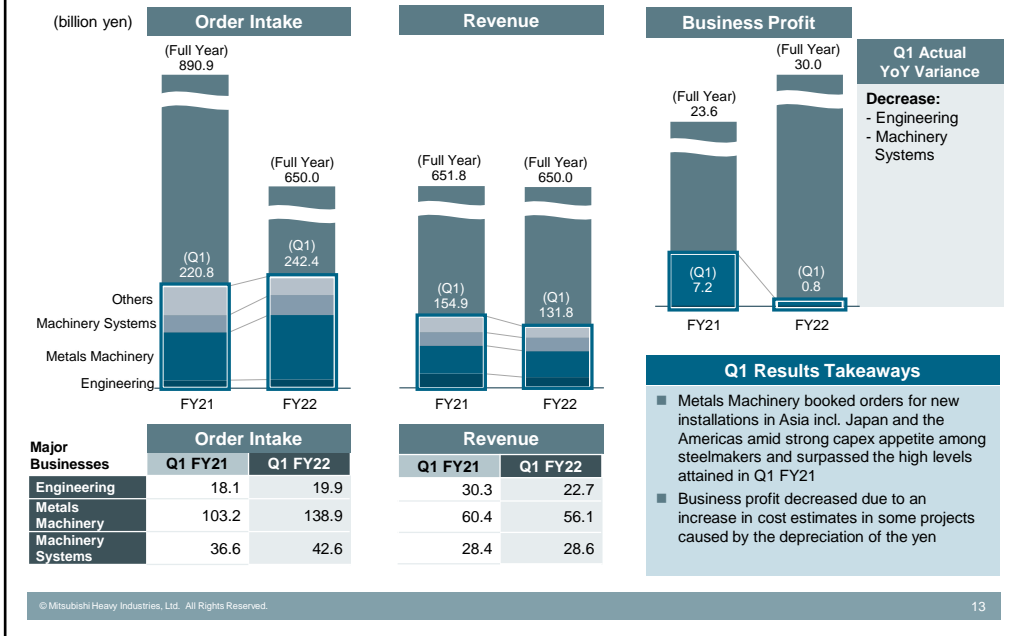
This page shows the status of the Energy Systems segment.

Orders and revenue had a good start.

Business profit began down YoY. However, as I mentioned earlier, the impact of one-time downsizing expenses at a European location was significant.

Some businesses, such as Aero Engines, are showing profit increases, and we expect recovery in Q2 and beyond in the segment as a whole.

Financial Results: Plants & Infrastructure Systems



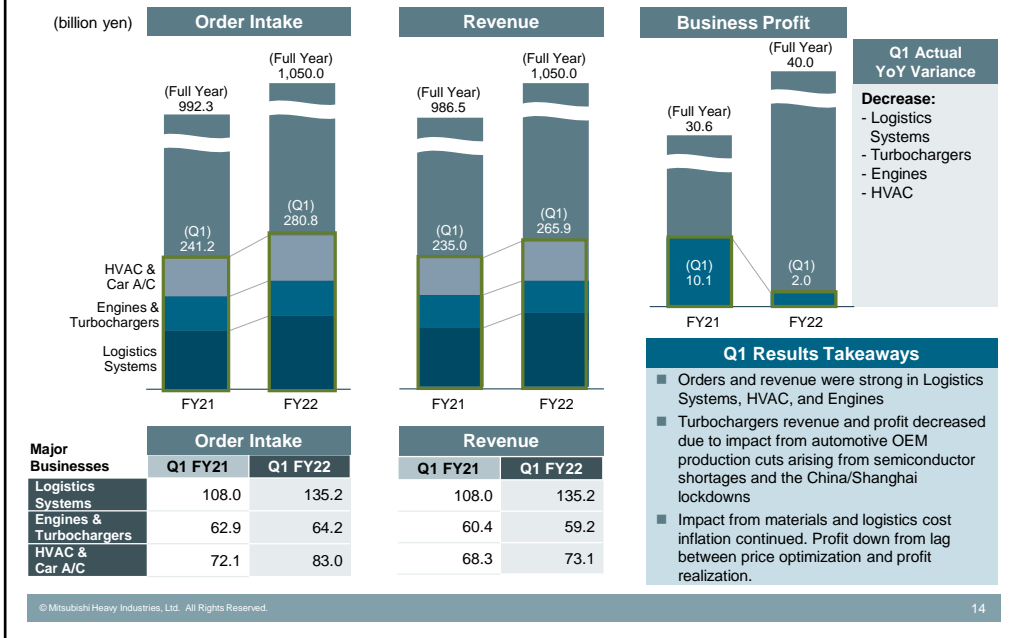
This page outlines the situation in the Plants & Infrastructure Systems segment.

The main cause of the YoY decrease in profit was foreign exchange effects.

Our business is structured such that profit generally increases as the yen depreciates. However, in the current fiscal year, the negative effect on profit was temporarily larger in part due to technical accounting treatment factors.

This phenomenon is expected to be absorbed over the fiscal year, as it will diminish if the exchange rate stabilizes or reverse if the yen appreciates.

Financial Results: Logistics, Thermal & Drive Systems



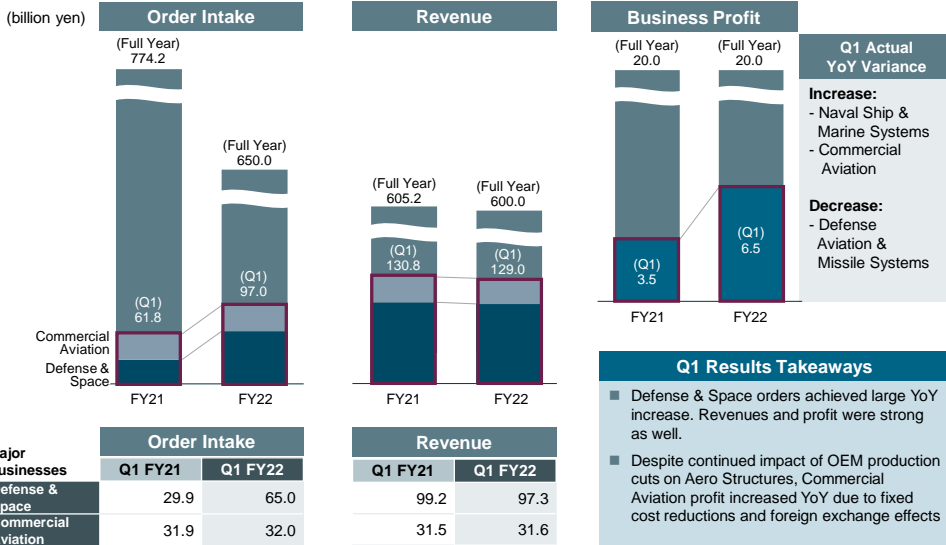
This page shows the status of the Logistics, Thermal & Drive Systems segment.

In this segment as a whole, while orders and revenue showed a solid start, business profit began sluggishly compared to the full-year forecast.

As of Q1, the impact of recent cost inflation was more apparent than the positive effect of sales price increases begun in the previous fiscal year. That said, we expect to enjoy the benefits of higher sales prices beginning in the second half of this fiscal year.

We believe that the full-year forecast is fully achievable, although this assumes improvements in semiconductor shortages and other factors.

Financial Results: Aircraft, Defense & Space



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This page shows the status of the Aircraft, Defense & Space segment.

The situation in the Aero Structures Tier 1 business continued to be difficult, as the number of deliveries to Boeing has not recovered. However, in addition to fixed cost reductions, the business benefited from the weaker yen during Q1, resulting in a YoY increase in profit. We consider this to be a good start toward achieving the full-year forecast.

III. FY2022 Forecast

Forecasts regarding future performance as outlined in these materials are based on judgments made in accordance with information available at the time they were prepared. As such, these projections include risk and uncertainty. Investors are recommended not to depend solely on these projections when making investment decisions. Actual results may vary significantly 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 yen to the U.S. dollar and other foreign currencies, and Japanese stock market trends. The results projected here should not be construed in any way as a guarantee by the Company.

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The following pages outline the FY2022 forecast. There is no change from the announcement made in May, so I will omit an explanation.

This is the end of my explanation of the Financial Results. Today, at the same time as the Financial Results announcement, we also published a press release regarding the issuance of our first transition bonds. MHI issued green bonds for two straight years, in FY2020 and FY2021. Considering several factors, including our selection by the Japan Ministry of Economy, Trade and Industry as a model case for the 2021 Climate Transition Finance Model Projects in March this year, we have decided to issue our first transition bonds, an ESG bond framework.

We will use these funds for technology and business development activities related to the Energy Transition, including the development of hydrogen production technologies and hydrogen-fired gas turbines. We will also use the funds to promote MISSION NET ZERO, our Carbon Neutrality initiative.

This concludes my presentation.

Thank you.

FY2022 Forecast Overview



No change from forecast announced May 12, 2022.

(billion yen)	FY2021 (Profit Margin)	FY2022 (Profit Margin)	YoY (Profit Margin)	(YoY%)
Order Intake	4,067.7	3,700.0	-367.7	(-9.0%)
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%)
Free Cash Flow	301.8	-100.0	-401.8	
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 2.4 bn, EUR 0.4 bn	

FY2022 Forecast by Segment



No change from forecast announced May 12, 2022.

	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 and 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

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IV. Appendix

Appendix: Reference Data



Large Frame Gas Turbine Order Intake/ Contract Backlog (units)				Commercial Aviation Deliveries (units)					
	Q1 FY21	FY21	Q1 FY22		Q1	Q2	Q3	Q4	Total
Americas	-	5	1	777					
Asia	1	5	3	FY21	5	4	6	5	20
EMEA	-	-	1	FY22	6	/	/	/	6
Other Regions	-	6	-	777X					
Total	1	16	5	FY21	2	1	1	0	4
Contract Backlog	46	46	46	FY22	1	/	/	/	1
				787					
				FY21	14	5	4	2	25
				FY22	5	/	/	/	5

Appendix: Reference Data



R&D Expenses, Depreciation and Amortization, and Capital Expenditures (billion yen)

	Q1 FY21	Q1 FY22	FY22 Forecast
R&D Expenses	22.7	20.7	130.0
Depreciation and Amortization	32.3	32.3	130.0
Capital Expenditures	20.8	26.1	130.0

Selling, General, and Administrative Expenses (billion yen)

	Q1 FY21	Q1 FY22
SG&A	136.5	142.9

Foreign Exchange Rates (Average Rates Used for Revenue Recognition)

	Q1 FY21	Q1 FY22
1 USD (JPY)	108.7	125.0
1 EUR (JPY)	132.1	136.0

Appendix: Reference Data



Order Backlog

(billion yen)

	FY21 End	Q1 FY22 End
Energy Systems	3,114.4	3,196.7
Plants & Infrastructure Systems	1,243.4	1,347.5
Logistics, Thermal & Drive Systems	43.2	58.3
Aircraft, Defense & Space	1,087.1	1,056.5
Total	5,488.5	5,659.5

Revenue by Region

(billion yen)

	Q1 FY21		FY21 Full Year		Q1 FY22	
Japan	388.2	(46%)	1,887.7	(49%)	360.7	(41%)
Asia-Pacific (excluding Japan)	157.8	(19%)	711.6	(18%)	171.5	(20%)
Americas	170.0	(20%)	739.9	(19%)	219.3	(25%)
EMEA	135.5	(16%)	520.8	(14%)	119.7	(14%)
Total	851.7	(100%)	3,860.2	(100%)	871.3	(100%)

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