

# Q1-3 FY2022 Financial Results

February 7, 2023

Mitsubishi Heavy Industries, Ltd.

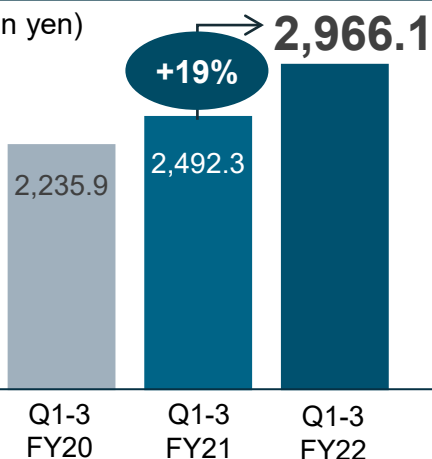
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# I. Key Takeaways

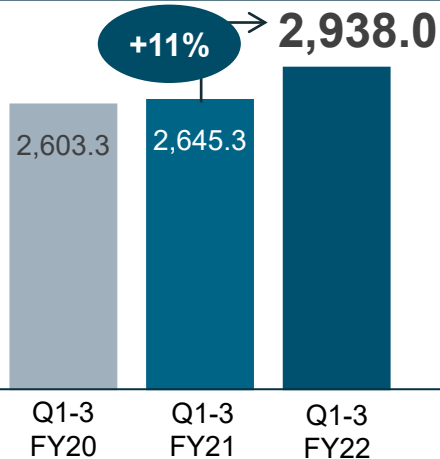
# Q1-3 FY2022 Financial Results

## Order Intake

(billion yen)



## Revenue



## EBITDA

**208.6**  
billion yen  
(+¥29.3 bn YoY)

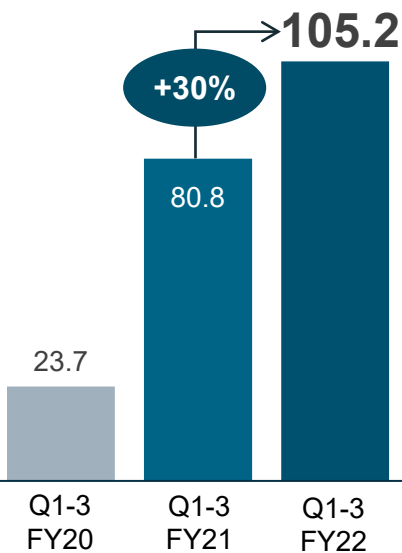
EBITDA Margin  
7.1%  
(+0.3% YoY)

## Free Cash Flow

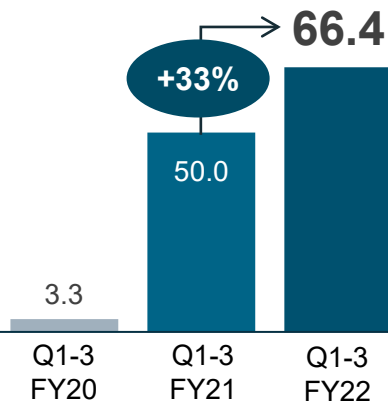
**-213.2**  
billion yen  
(-¥65.1 bn YoY)

Operating Cash Flow  
-¥217.7 bn  
(-¥25.9 bn YoY)

## Business Profit



## Net Income



## Interest-Bearing Debt

**997.3**  
billion yen  
(-¥173.8 bn YoY)

Net Interest-Bearing Debt  
¥667.6 bn  
(-¥145.3 bn YoY)

## D/E Ratio

**0.58**  
(-0.21 YoY)

## Equity Ratio

**29.9%**  
(+2.6 pt YoY)

- **Order Intake: ¥2,966.1 bn (+¥473.8 bn YoY)**  
Orders increased YoY in the three segments of Energy Systems, Logistics, Thermal & Drive Systems, and Aircraft, Defense & Space.  
Gas Turbine Combined Cycle (GTCC) orders grew mainly in Americas, Asia, and Middle East, increasing 57% YoY to ¥536.8 bn.
- **Revenue: ¥2,938.0 bn (+¥292.6 bn YoY)**  
Revenue grew in the three segments of Energy Systems, Logistics, Thermal & Drive Systems, and Aircraft, Defense & Space
- **Business Profit: ¥105.2 bn (+¥24.4 bn YoY)**  
Despite downward pressure from rising global inflation, business profit increased 30% YoY to ¥105.2 bn due to increased revenue, pricing improvements, fixed cost reductions, and foreign exchange effects
- **Net Income: ¥66.4 bn (+¥16.4 bn YoY)**  
Net income increased 33% YoY to ¥66.4 bn corresponding with higher business profit results

## II. Q1-3 FY2022 Financial Results

# Financial Results Overview

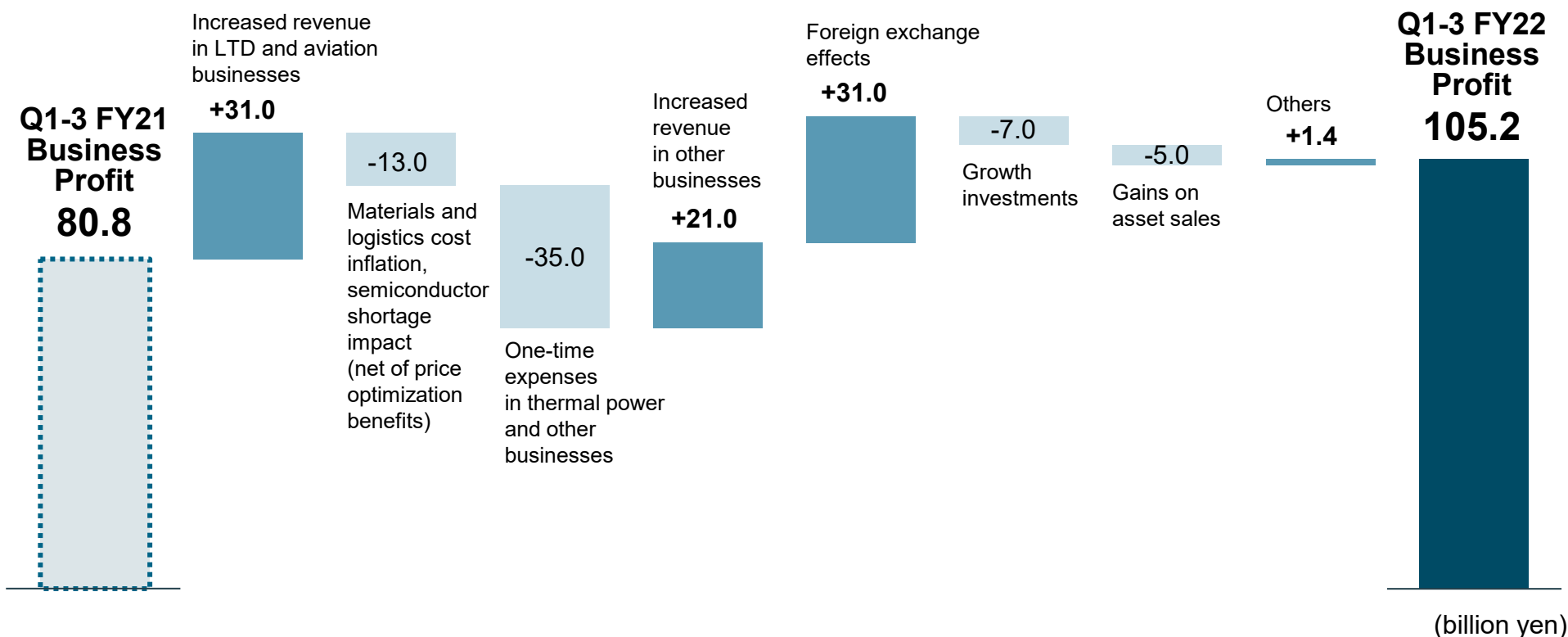
(billion yen)	<b>Q1-3 FY2021</b> (Profit Margin)	<b>Q1-3 FY2022</b> (Profit Margin)	<b>YoY</b> (Profit Margin)	(YoY%)
<b>Order Intake</b>	2,492.3	2,966.1	+473.8	(+19.0%)
<b>Revenue</b>	2,645.3	2,938.0	+292.6	(+11.1%)
<b>Profit from Business Activities</b>	80.8 (3.1%)	105.2 (3.6%)	+24.4 (+0.5%)	(+30.3%)
<b>Profit Attributable to Owners of Parent</b>	50.0 (1.9%)	66.4 (2.3%)	+16.4 (+0.4%)	(+32.8%)
<b>EBITDA</b>	179.2 (6.8%)	208.6 (7.1%)	+29.3 (+0.3%)	(+16.4%)
<b>Free Cash Flow</b>	-148.1	-213.2	-65.1	

# Financial Position and Cash Flows

<b>Financial Position</b>	(billion yen)	<b>FY21 End</b>	<b>Q3 FY22 End</b>	<b>YoY</b>
<b>Trade Receivables and Contract Assets</b>		1,399.4	1,481.4	+82.0
<b>Inventories</b>		798.6	951.2	+152.6
<b>Other Current Assets</b>		605.0	697.8	+92.7
<b>(Cash and Cash Equivalents)</b>		(314.2)	(329.6)	(+15.4)
<b>Fixed Assets</b>		989.2	995.1	+5.8
<b>Other Non-Current Assets</b>		1,323.9	1,351.9	+28.0
<b>Total Assets</b>		<b>5,116.3</b>	<b>5,477.6</b>	<b>+361.3</b>
<b>Trade Payables</b>		863.2	770.6	-92.6
<b>Contract Liabilities</b>		886.5	912.4	+25.9
<b>Other Current Liabilities</b>		969.0	1,066.2	+97.1
<b>Interest-Bearing Debt</b>		734.9	997.3	+262.4
<b>Equity</b>		1,662.5	1,731.0	+68.4
<b>(Equity Attributable to Owners of Parent)</b>		(1,576.6)	(1,637.1)	(+60.5)
<b>Total Liabilities and Equity</b>		<b>5,116.3</b>	<b>5,477.6</b>	<b>+361.3</b>
<b>Cash Flows</b>	(billion yen)	<b>Q1-3 FY21</b>	<b>Q1-3 FY22</b>	<b>YoY</b>
<b>Operating Cash Flow</b>		-191.8	-217.7	-25.9
<b>Investing Cash Flow</b>		43.6	4.5	-39.1
<b>Free Cash Flow</b>		-148.1	-213.2	-65.1



- Revenue growth and benefits from depreciation of the yen served to increase profit
- Price optimization efforts helped mitigate impact of materials and logistics cost inflation
- Business profit decreased YoY in thermal power businesses due to progress in high margin projects in Q1-3 FY2021, which were absent in Q1-3 FY2022. Additionally, booked provisions for one-time expenses associated with international projects and organizational transformation of European operations.
- Offset fixed cost increases caused by rising energy prices with business process improvements



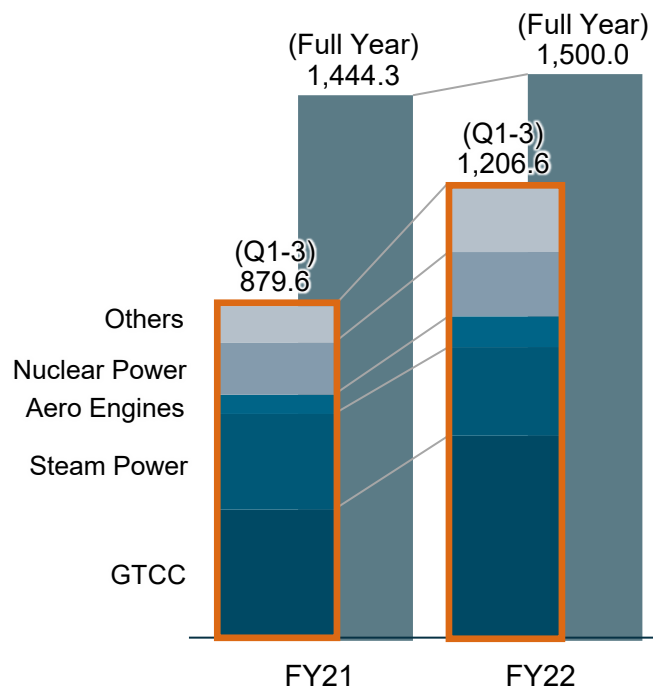
# Q1-3 FY2022 Financial Results by Segment

	Order Intake			Revenue			Profit from Business Activities		
	Q1-3 FY21	Q1-3 FY22	YoY	Q1-3 FY21	Q1-3 FY22	YoY	Q1-3 FY21	Q1-3 FY22	YoY
(billion yen)									
<b>Energy Systems</b>	879.6	1,206.6	+327.0	1,073.7	1,199.4	+125.7	13.8	38.8	+25.0
<b>Plants &amp; Infrastructure Systems</b>	639.1	585.6	-53.5	461.2	457.2	-3.9	12.7	14.4	+1.7
<b>Logistics, Thermal &amp; Drive Systems</b>	720.8	884.5	+163.6	708.5	869.7	+161.2	22.7	22.2	-0.5
<b>Aircraft, Defense &amp; Space</b>	279.8	314.5	+34.7	423.9	432.0	+8.0	20.4	31.5	+11.1
<b>Corporate and Eliminations</b>	-27.1	-25.2	+1.8	-22.0	-20.4	+1.5	11.0	-1.7	-12.8
<b>Total</b>	2,492.3	2,966.1	+473.8	2,645.3	2,938.0	+292.6	80.8	105.2	+24.4

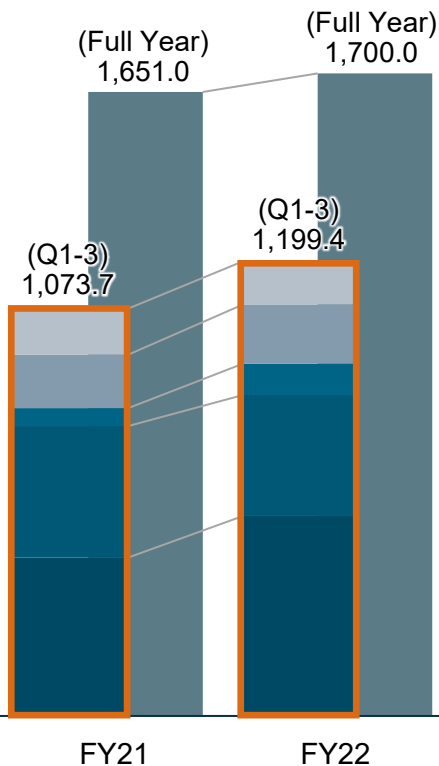
# Financial Results: Energy Systems

(billion yen)

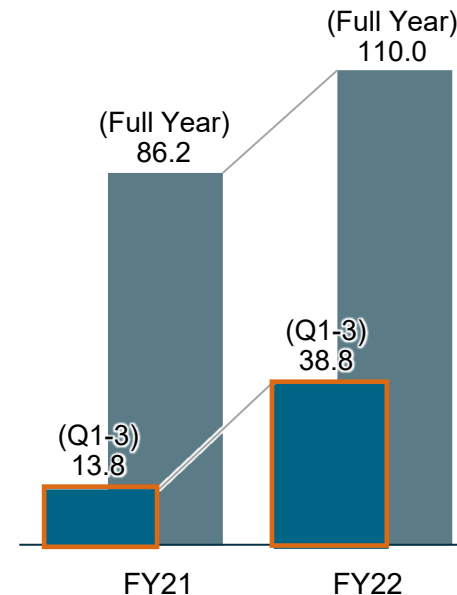
## Order Intake



## Revenue



## Business Profit



### Q1-3 Actual YoY Variance

- Increase:**
- GTCC
  - Aero Engines
  - Nuclear Power
- Decrease:**
- Steam Power

### Major Businesses

#### Order Intake

	Q1-3 FY21	Q1-3 FY22
GTCC	341.1	536.8
Steam Power	253.2	234.2
Aero Engines	51.1	81.7
Nuclear Power	137.2	169.8

#### Revenue

	Q1-3 FY21	Q1-3 FY22
GTCC	414.9	525.4
Steam Power	348.1	320.2
Aero Engines	48.1	82.8
Nuclear Power	141.1	156.4

### Q1-3 Results Takeaways

- GTCC orders and revenue strong
- Decreased revenue from new Steam Power installations
- Aero Engines spare parts sales and MRO business strong on back of air traffic recovery
- Nuclear Power continued to perform strongly

# Financial Results: Plants & Infrastructure Systems

(billion yen)

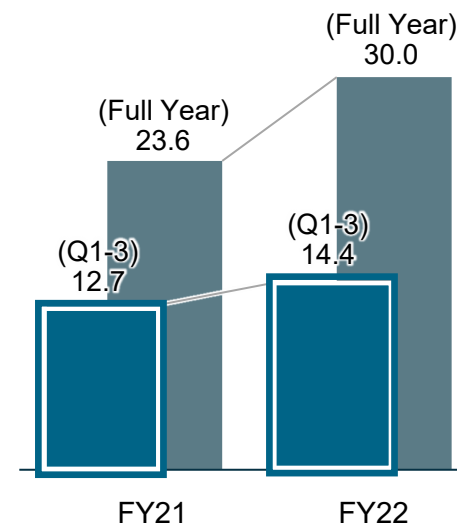
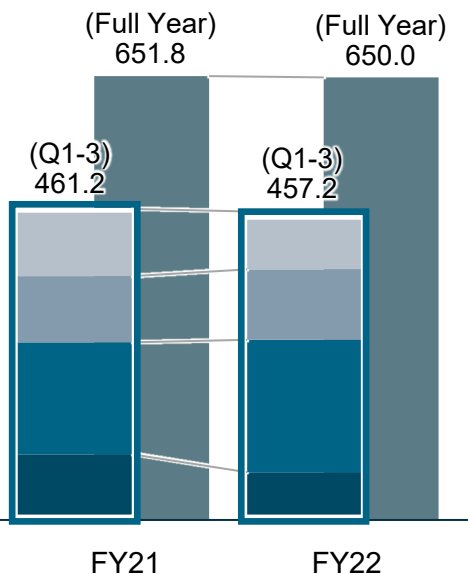
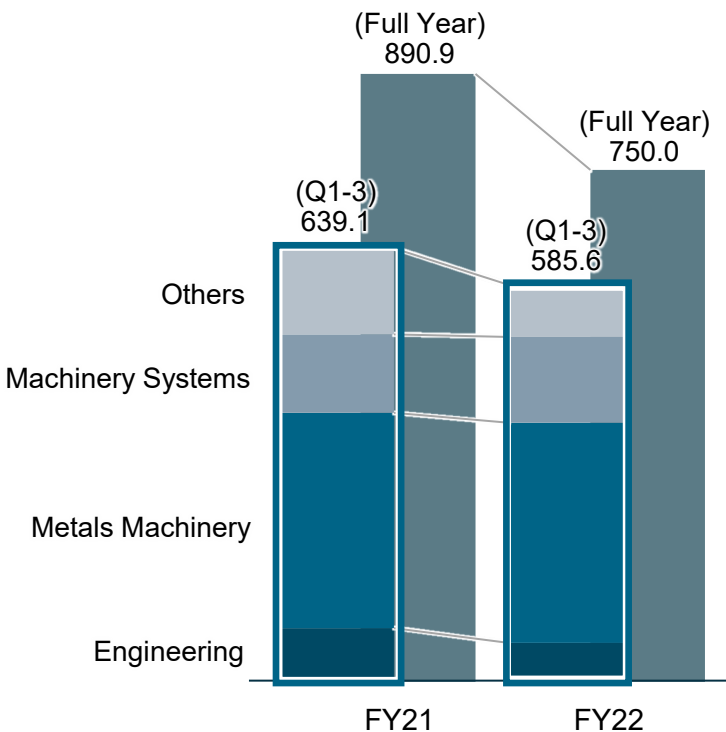
## Order Intake

## Revenue

## Business Profit

### Q1-3 Actual YoY Variance

- Increase:**
- Metals Machinery
- Decrease:**
- Machinery Systems



Major Businesses	Order Intake	
	Q1-3 FY21	Q1-3 FY22
Engineering	82.6	60.7
Metals Machinery	315.5	323.0
Machinery Systems	114.6	125.6

Major Businesses	Revenue	
	Q1-3 FY21	Q1-3 FY22
Engineering	101.7	75.4
Metals Machinery	164.1	193.9
Machinery Systems	97.0	103.0

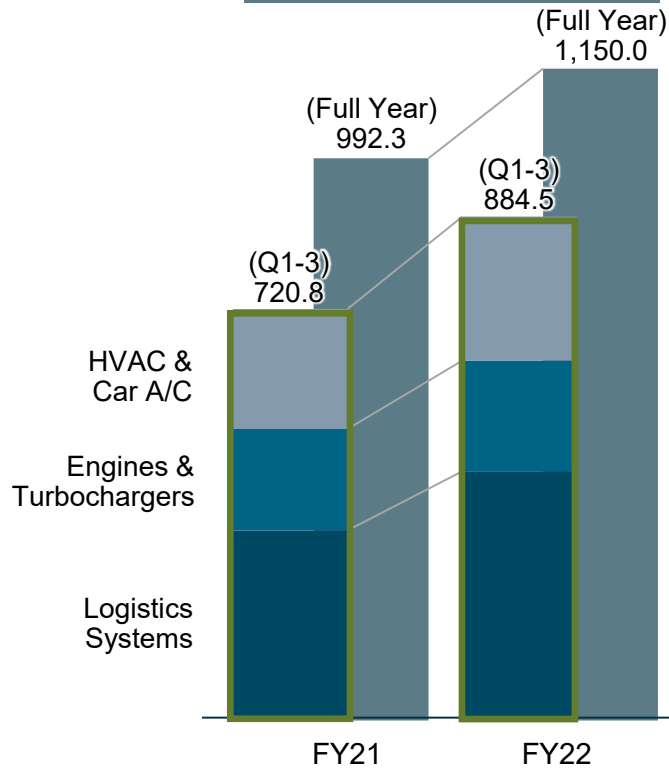
### Q1-3 Results Takeaways

- On back of new installation bookings in Asia including Japan, Americas, and Europe, Metals Machinery order intake trended in-line with high levels attained in Q1-3 FY21
- Order intake for entire segment progressed steadily toward full-year forecast

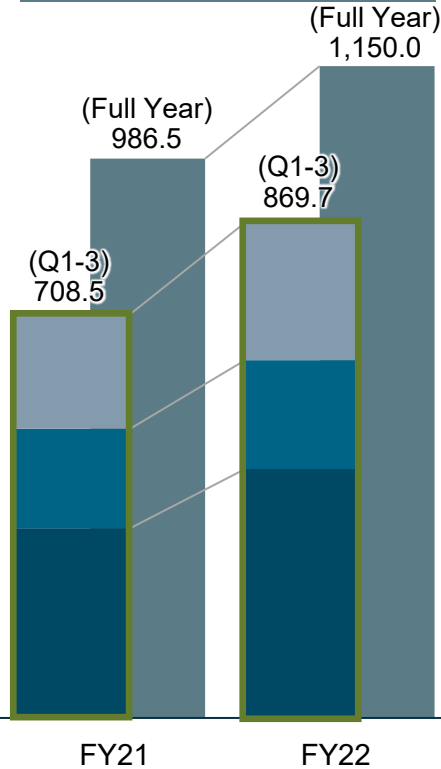
# Financial Results: Logistics, Thermal & Drive Systems

(billion yen)

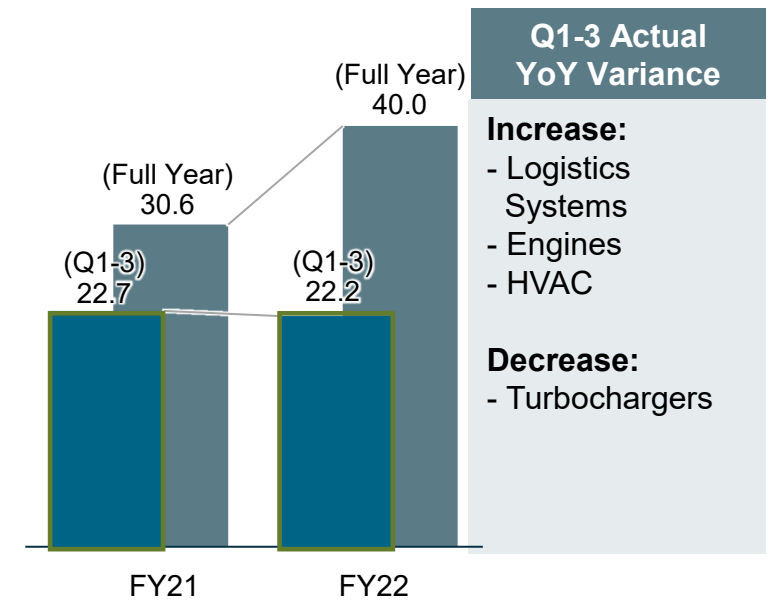
## Order Intake



## Revenue



## Business Profit



### Q1-3 Actual YoY Variance

#### Increase:

- Logistics Systems
- Engines
- HVAC

#### Decrease:

- Turbochargers

## Q1-3 Results Takeaways

- Revenue up in Logistics Systems, HVAC, and Engines due to increased units sold and foreign exchange effects
- Turbocharger unit deliveries sluggish from effects of automotive OEM production cuts
- Despite lingering effects of materials and logistics cost inflation, profitability increased due to benefits of pricing optimizations

### Major Businesses

#### Order Intake

	Q1-3 FY21	Q1-3 FY22
Logistics Systems	336.6	440.7
Engines & Turbochargers	178.9	195.7
HVAC & Car A/C	211.4	254.1

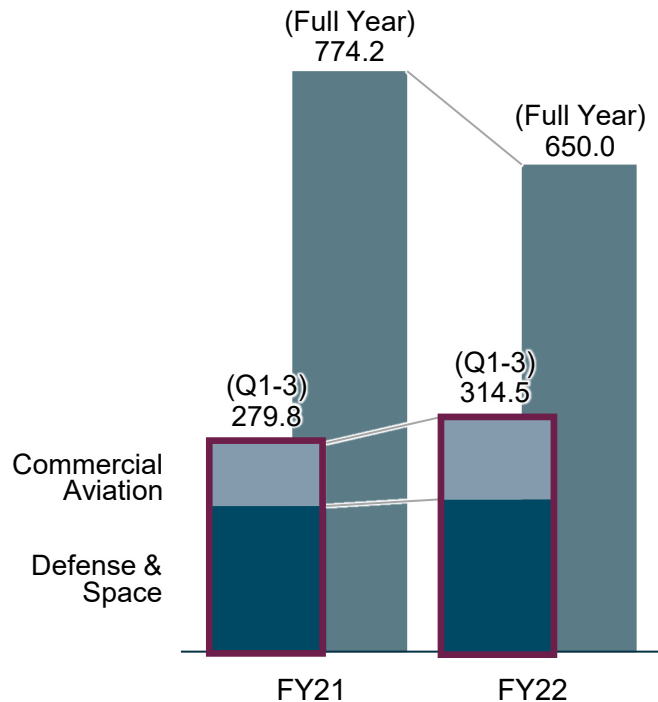
#### Revenue

	Q1-3 FY21	Q1-3 FY22
Logistics Systems	336.6	440.7
Engines & Turbochargers	175.2	192.4
HVAC & Car A/C	202.6	242.6

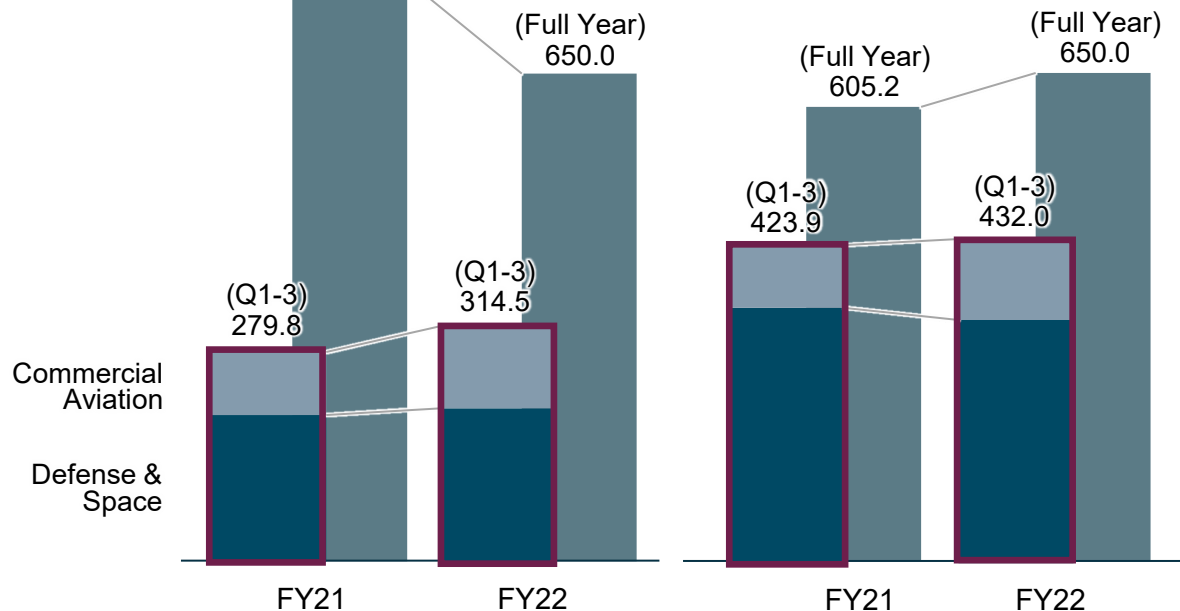
# Financial Results: Aircraft, Defense & Space

(billion yen)

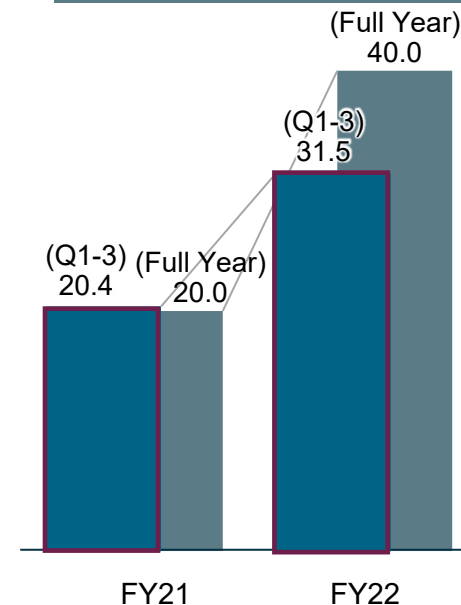
## Order Intake



## Revenue



## Business Profit



### Q1-3 Actual YoY Variance

**Increase:**

- Defense
- Commercial Aviation

**Decrease:**

- Space

## Q1-3 Results Takeaways

- Defense & Space continued to perform strongly
- Revenue and profit up in Commercial Aviation due to increased deliveries of freighters and business jets as well as fixed cost reductions in Aero Structures

### Major Businesses

#### Order Intake

	Q1-3 FY21	Q1-3 FY22
Defense & Space	196.0	204.9
Commercial Aviation	83.8	109.7

#### Revenue

	Q1-3 FY21	Q1-3 FY22
Defense & Space	340.3	324.3
Commercial Aviation	83.5	107.6

## 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.

# FY2022 Forecast Overview

Revised USD exchange rate assumption from previous forecast announced November 1, 2022.

(billion yen)	<b>FY2021</b> (Profit Margin)	<b>FY2022</b> (Profit Margin)	<b>YoY</b> (Profit Margin)	(YoY%)
<b>Order Intake</b>	4,067.7	4,000.0	-67.7	(-1.7%)
<b>Revenue</b>	3,860.2	4,100.0	+239.8	(+6.2%)
<b>Profit from Business Activities</b>	160.2 (4.2%)	200.0 (4.9%)	+39.8 (+0.7%)	(+24.8%)
<b>Profit Attributable to Owners of Parent</b>	113.5 (2.9%)	120.0 (2.9%)	+6.5 (+0.0%)	(+5.7%)
<b>ROE</b>	7.7%	7.7%	-	
<b>EBITDA</b>	292.4 (7.6%)	330.0 (8.0%)	+37.6 (+0.4%)	(+12.9%)
<b>Free Cash Flow</b>	301.8	-100.0	-401.8	
<b>Dividends</b>	100 yen Interim: 45 yen Year-End: 55 yen	120 yen Interim: 60 yen Year-End: 60 yen	Exchange rate assumptions: USD 1.00 = ¥130 (prev. ¥140) EUR 1.00 = ¥140  Undetermined foreign currency amounts: USD 1.1 bn, EUR 0.2 bn	



# FY2022 Forecast by Segment

Partially revised from forecast announced November 1, 2022.

(billion yen)	Order Intake			Revenue			Profit from Business Activities			
	FY21	FY22 Forecast	YoY	FY21	FY22 Forecast	YoY	FY21	FY22 Forecast		YoY
								Revised	Previous	
<b>Energy Systems</b>	1,444.3	1,500.0	+55.7	1,651.0	1,700.0	+49.0	86.2	110.0	120.0	+23.8
<b>Plants &amp; Infrastructure Systems</b>	890.9	750.0	-140.9	651.8	650.0	-1.8	23.6	30.0	30.0	+6.4
<b>Logistics, Thermal &amp; Drive Systems</b>	992.3	1,150.0	+157.7	986.5	1,150.0	+163.5	30.6	40.0	40.0	+9.4
<b>Aircraft, Defense &amp; Space</b>	774.2	650.0	-124.2	605.2	650.0	+44.8	20.0	40.0	30.0	+20.0
<b>Corporate and Eliminations</b>	-34.1	-50.0	-15.9	-34.5	-50.0	-15.4	-0.3	-20.0	-20.0	-19.8
<b>Total</b>	4,067.7	4,000.0	-67.7	3,860.2	4,100.0	+239.8	160.2	200.0	200.0	+39.8

# IV. Appendix

## Large-Frame Gas Turbine Order Intake/ Contract Backlog (units)

	Q1-3 FY21	FY21 Total	Q1-3 FY22
<b>Americas</b>	-	5	4
<b>Asia</b>	3	5	4
<b>EMEA</b>	-	-	1
<b>Other Regions</b>	6	6	2
<b>Total</b>	9	16	11
<b>Contract Backlog</b>	41	46	43

## Commercial Aviation Deliveries (units)

777	Q1	Q2	Q3	Q4	Total
<b>FY21</b>	5	4	6	5	20
<b>FY22</b>	6	7	7		20

777X	Q1	Q2	Q3	Q4	Total
<b>FY21</b>	2	1	1	0	4
<b>FY22</b>	1	0	0		1

## (Reference) Order Intake through China Licensee

	Q1-3 FY21	FY21 Total	Q1-3 FY22
<b>Order Intake</b>	4	7	21

787	Q1	Q2	Q3	Q4	Total
<b>FY21</b>	14	5	4	2	25
<b>FY22</b>	5	7	8		20

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

	Q1-3 FY21	Q1-3 FY22	FY22 Forecast
<b>R&amp;D Expenses</b>	75.5	82.9	130.0
<b>Depreciation and Amortization</b>	98.4	103.3	130.0
<b>Capital Expenditures</b>	84.4	93.3	130.0

## Selling, General, and Administrative Expenses (billion yen)

	Q1-3 FY21	Q1-3 FY22
<b>SG&amp;A</b>	404.8	448.5

## Foreign Exchange Rates (average rates used for revenue recognition)

	Q1-3 FY21	Q1-3 FY22
<b>1 USD (JPY)</b>	110.5	135.3
<b>1 EUR (JPY)</b>	130.0	137.6

## Order Backlog

(billion yen)

	FY21 End	Q3 FY22 End
Energy Systems	3,114.4	3,263.8
Plants & Infrastructure Systems	1,243.4	1,483.1
Logistics, Thermal & Drive Systems	43.2	57.7
Aircraft, Defense & Space	1,087.1	969.7
<b>Total</b>	<b>5,488.5</b>	<b>5,774.9</b>

## Revenue by Region

(billion yen)

	Q1-3 FY21		FY21 Full Year		Q1-3 FY22	
Japan	1,249.9	(47%)	1,887.7	(49%)	1,214.2	(41%)
Asia-Pacific (excluding Japan)	518.1	(20%)	711.6	(18%)	567.0	(19%)
Americas	502.9	(19%)	739.9	(19%)	753.2	(26%)
EMEA	374.3	(14%)	520.8	(14%)	403.4	(14%)
<b>Total</b>	<b>2,645.3</b>	<b>(100%)</b>	<b>3,860.2</b>	<b>(100%)</b>	<b>2,938.0</b>	<b>(100%)</b>

# SpaceJet Program

## MHI decides to discontinue SpaceJet development

- Paused SpaceJet M90 development activities to be discontinued
- MHI to leverage knowledge and experience acquired through SpaceJet program to continue contributing to Japanese aviation industry, which aspires to return OEM aircraft manufacture to the country

### Lessons Learned

- ✓ Insufficient initial understanding of highly complex type certification process for commercial aircraft
- ✓ Insufficient resources to continue long-term development

### Reasons for discontinuing SJ

Failed to confirm sufficient business viability for resuming development from the following perspectives:

- 1. Technology** Partial revisions needed due to prolonged development. Decarbonization solutions also required.
- 2. Product** Difficult to obtain understanding and necessary cooperation from global partners
- 3. Customer** Little progress on scope clause (conditions related to aircraft number and size included in airline-labor union agreements) relaxation resulted in M90's not meeting North American RJ market needs.  
Recent pilot shortages also adding to uncertainty of SJ business viability.
- 4. Funding** Further extensive funding required to continue Type Certification acquisition process. Business not feasible in the market environment described above.

### Initiatives going forward

1. Continue OEM business with CRJ Program
2. Deepen partnerships with global OEMs
3. Consider next-generation technologies with eye toward aircraft development programs
4. Apply knowledge and experience to F-X (next-generation fighter) Program
5. Utilize SJ facilities and equipment in Aichi Prefecture

### SpaceJet development achievements

Developed an organizational structure to design, manufacture, and certify aircraft which could obtain Type Certification.  
Achieved over 3,900 hours of flight tests with no safety issues.

Completed commercial aircraft Type Certification process in Japan.  
Bilateral Aviation Safety Agreements signed with US and EU authorities.

Acquired technical data for digitalization of aircraft development process

- Model Based Systems Engineering
- Certification by Analysis

### Technical accomplishments

Full-scale application of V&V to aircraft development

Large fan diameter GTF engine mount design for RJ class aircraft wings

Aerodynamically optimized design with CFD

Certification of new materials processed with VaRTM

Experience conducting world-class flight tests

Full-size aircraft test rig facilities and equipment (Nagoya area)

V&V: validation & verification    GTF: geared turbofan    RJ: regional jet    CFD: computational fluid dynamics    VaRTM: vacuum assisted resin transfer molding

