

Q1 FY2023 Financial Results

August 4, 2023

Mitsubishi Heavy Industries, Ltd.

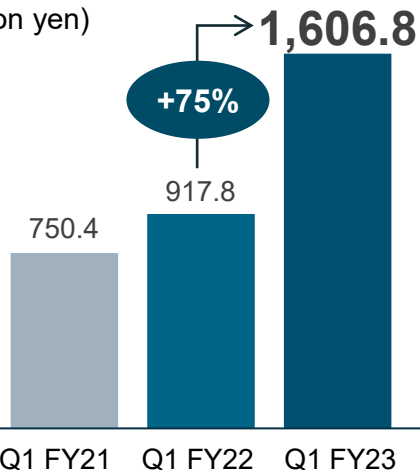
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1. Key Takeaways

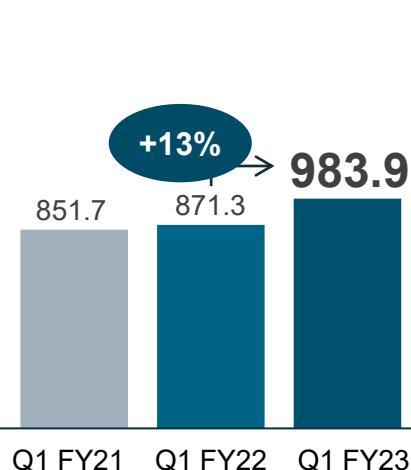
Q1 FY2023 Financial Results

Order Intake

(billion yen)



Revenue



EBITDA

85.1

billion yen
(+¥37.9 bn YoY)

EBITDA Margin
8.7%
(+3.3 pts YoY)

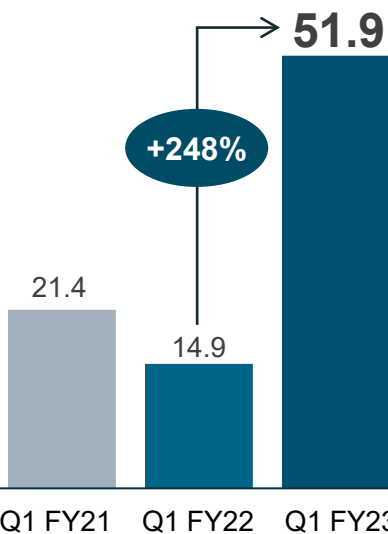
Free Cash Flow

-140.3

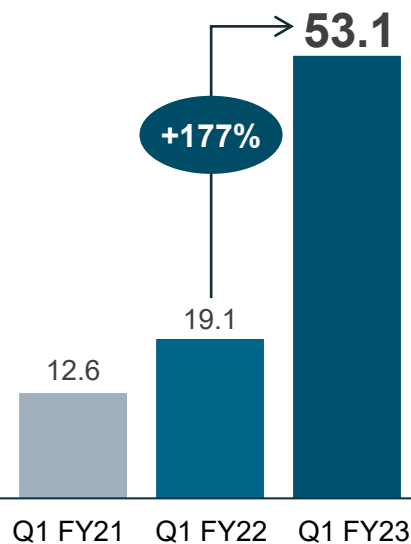
billion yen
(+¥19.4 bn YoY)

Operating Cash Flow
-¥160.1 bn
(-¥12.0 bn YoY)

Business Profit



Net Income



Interest-Bearing Debt

890.7

billion yen
(-¥78.7 bn YoY)

Net Interest-Bearing Debt
¥579.3 bn
(-¥10.9 bn YoY)

D/E Ratio

0.46

(-0.11 YoY)

Equity Ratio

32.7%

(+2.5 pts YoY)

- Order Intake: ¥1,606.8 bn (+¥689.0 bn YoY)
Order intake increased YoY in Energy Systems, Logistics, Thermal & Drive Systems, and Aircraft, Defense & Space.
In terms of major businesses, large orders growth was seen in Gas Turbine Combined Cycle (GTCC) and Defense & Space.
- Revenue: ¥983.9 bn (+¥112.6 bn YoY)
Revenue increased YoY in all segments.
In terms of major businesses, GTCC, Aero Engines, Metals Machinery, Logistics Systems, and Heating, Ventilation & Air Conditioning (HVAC) achieved large increases in revenue.
- Business Profit: ¥51.9 bn (+¥37.0 bn YoY)
Business profit increased YoY in all segments.
Revenue increases, expansion of services businesses, price optimization, and reduction in one-time expenses served to increase business profit by 248% YoY to ¥51.9 bn.
- Net Income: ¥53.1 bn (+¥33.9 bn YoY)
Due to increases in business profit, net income rose 177% YoY to ¥53.1 bn.

2. Q1 FY2023 Financial Results

Financial Results Overview

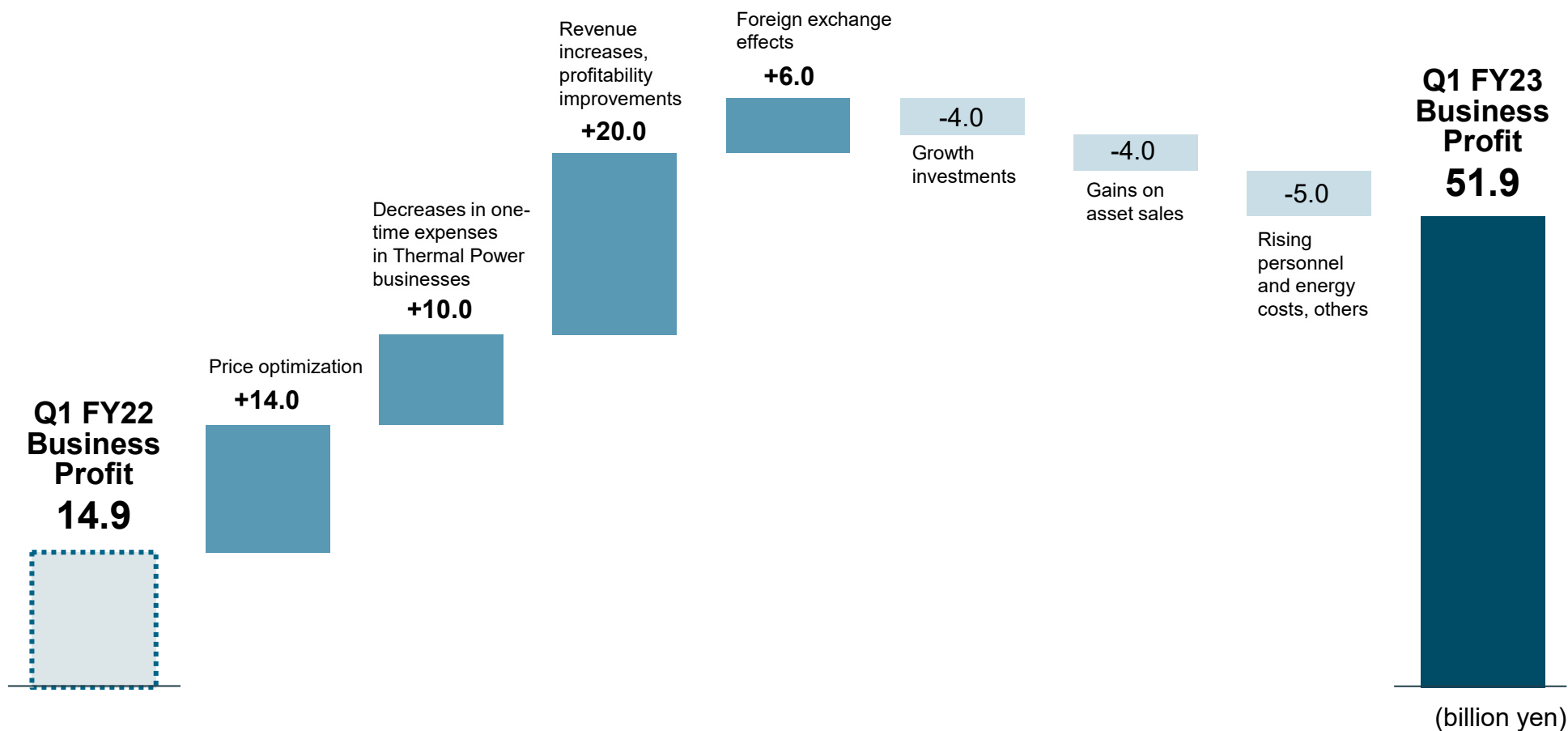
(billion yen)	Q1 FY2022 (Profit Margin)	Q1 FY2023 (Profit Margin)	YoY (Profit Margin)	(YoY%)
Order Intake	917.8	1,606.8	+689.0	(+75.1%)
Revenue	871.3	983.9	+112.6	(+12.9%)
Profit from Business Activities	14.9 (1.7%)	51.9 (5.3%)	+37.0 (+3.6 pts)	(+248.1%)
Profit Attributable to Owners of Parent	19.1 (2.2%)	53.1 (5.4%)	+33.9 (+3.2 pts)	(+177.1%)
EBITDA	47.2 (5.4%)	85.1 (8.7%)	+37.9 (+3.3 pts)	(+80.3%)
Free Cash Flow	-159.7	-140.3	+19.4	

Financial Position and Cash Flows

Financial Position	(billion yen)	FY22 End	Q1 FY23 End	YoY
Trade Receivables and Contract Assets		1,536.4	1,506.7	-29.6
Inventories		876.8	974.1	+97.2
Other Current Assets		628.9	704.7	+75.7
(Cash and Cash Equivalents)		(347.6)	(311.4)	(-36.2)
Fixed Assets		1,041.1	1,063.4	+22.3
Other Non-Current Assets		1,391.3	1,406.8	+15.4
Total Assets		5,474.8	5,655.9	+181.1
Trade Payables		895.2	800.4	-94.8
Contract Liabilities		936.7	947.4	+10.6
Other Liabilities		1,066.3	1,065.7	-0.6
Interest-Bearing Debt		742.4	890.7	+148.3
Equity		1,833.9	1,951.5	+117.5
(Equity Attributable to Owners of Parent)		(1,740.9)	(1,851.7)	(+110.7)
Total Liabilities and Equity		5,474.8	5,655.9	+181.1
Cash Flows	(billion yen)	Q1 FY22	Q1 FY23	YoY
Operating Cash Flow		-148.1	-160.1	-12.0
Investing Cash Flow		-11.5	19.8	+31.4
Free Cash Flow		-159.7	-140.3	+19.4

Profit Bridge

- Experienced benefits of price optimization in Logistics, Thermal & Drive Systems in response to materials cost inflation
- Business profit increased due to topline growth despite negative impact from rising personnel and energy costs. Additionally, business profit margin increased due to improvements in project margins and expansion in services businesses.

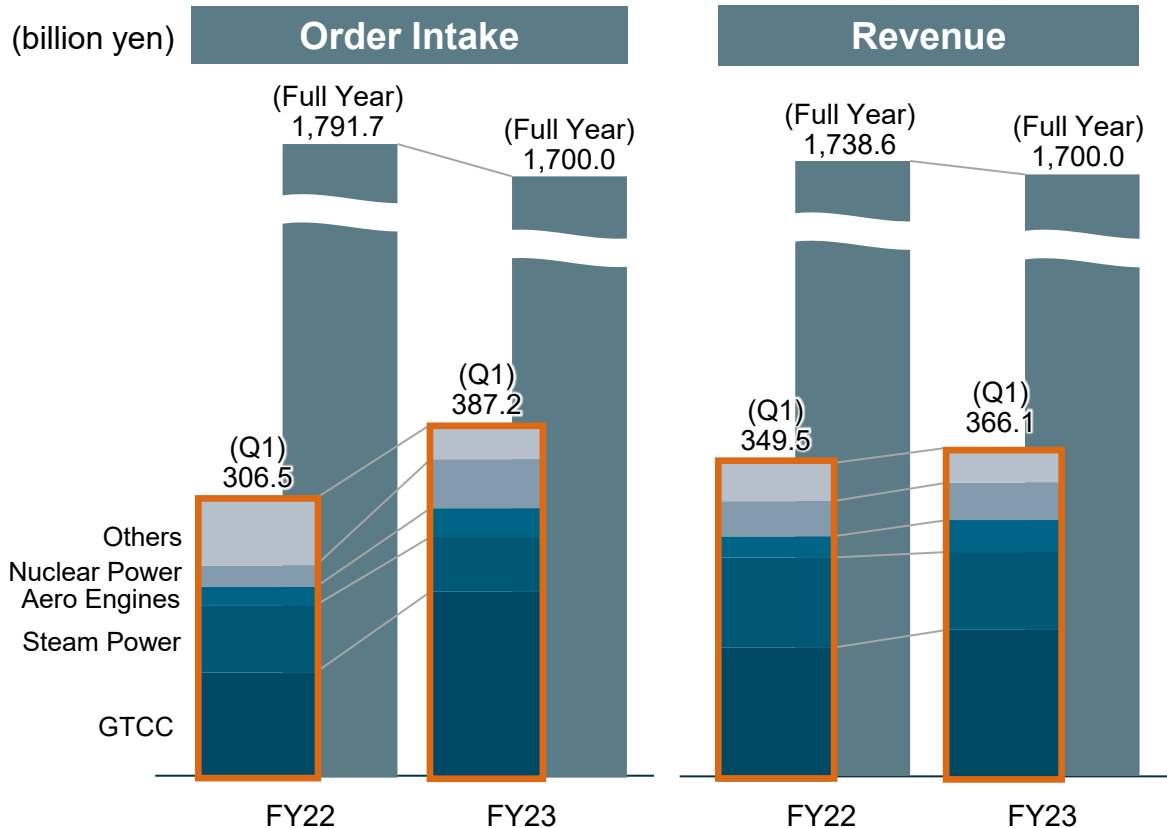


Financial Results by Segment

	Order Intake			Revenue			Profit from Business Activities		
	Q1 FY22	Q1 FY23	YoY	Q1 FY22	Q1 FY23	YoY	Q1 FY22	Q1 FY23	YoY
(billion yen)									
Energy Systems	306.5	387.2	+80.6	349.5	366.1	+16.6	-2.4	24.5	+27.0
Plants & Infrastructure Systems	242.4	216.4	-25.9	131.8	165.7	+33.8	0.8	5.9	+5.0
Logistics, Thermal & Drive Systems	280.8	321.1	+40.2	265.9	310.1	+44.1	2.0	17.4	+15.3
Aircraft, Defense & Space	97.0	687.1	+590.0	129.0	145.5	+16.5	7.5	9.2	+1.6
Corporate and Eliminations	-9.0	-5.1	+3.9	-5.0	-3.6	+1.4	6.8	-5.2	-12.1
Total	917.8	1,606.8	+689.0	871.3	983.9	+112.6	14.9	51.9	+37.0

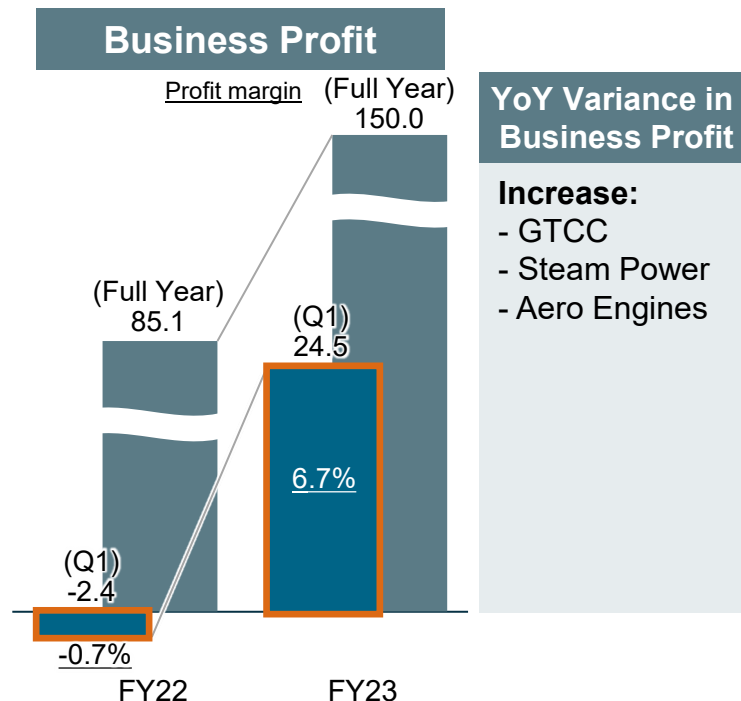
Profits and losses related to SpaceJet are included in Corporate & Eliminations.

Financial Results: Energy Systems



Major Businesses	Order Intake	
	Q1 FY22	Q1 FY23
GTCC	115.5	204.2
Steam Power	73.9	59.8
Aero Engines	20.1	31.8
Nuclear Power	23.2	53.7

	Revenue	
	Q1 FY22	Q1 FY23
GTCC	146.8	166.3
Steam Power	99.0	85.5
Aero Engines	23.2	35.2
Nuclear Power	38.7	40.8

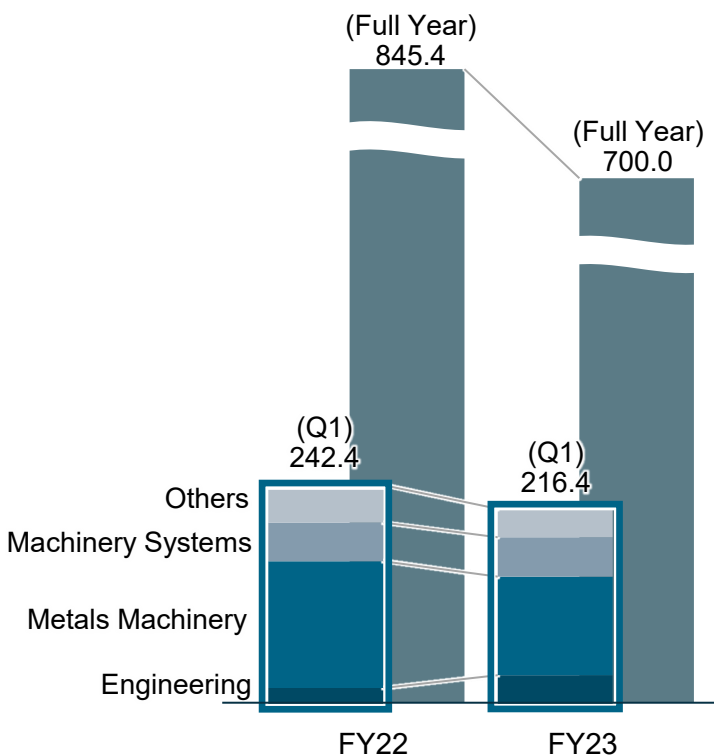


- ### Takeaways
- GTCC orders and revenue strong. Business profit up due to increased revenue and margin improvements.
 - Steam Power order intake and revenue down due to decline in new installations business. Decreased one-time expenses served to raise business profit.
 - Aero Engines revenue up in spare parts and maintenance, repair, and overhaul (MRO) businesses on back of air traffic recovery
 - Nuclear Power continued to perform strongly

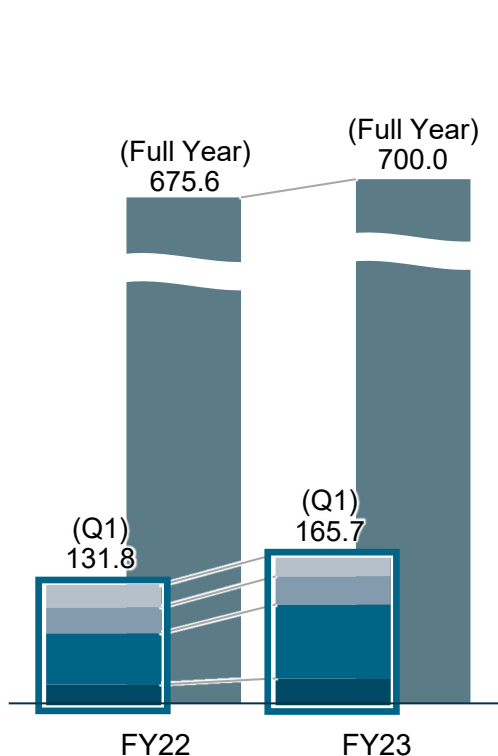
Financial Results: Plants & Infrastructure Systems

(billion yen)

Order Intake

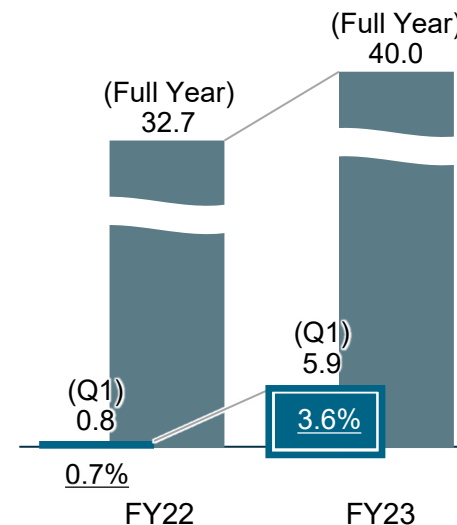


Revenue



Business Profit

Profit margin



YoY Variance in Business Profit

- Increase:**
- Engineering
 - Metals Machinery
 - Machinery Systems

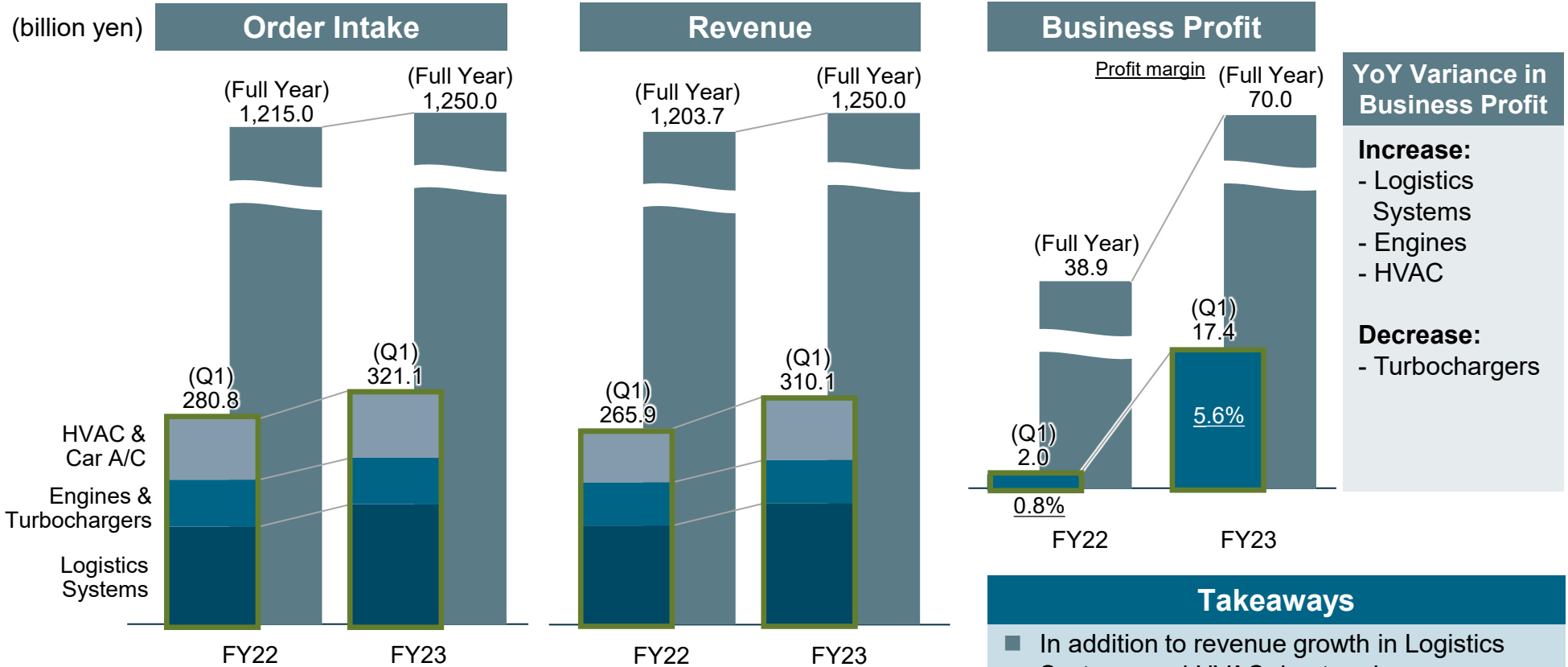
Major Businesses	Order Intake	
	Q1 FY22	Q1 FY23
Engineering	19.9	33.8
Metals Machinery	138.9	108.2
Machinery Systems	42.6	43.1

Major Businesses	Revenue	
	Q1 FY22	Q1 FY23
Engineering	22.7	29.5
Metals Machinery	56.1	81.0
Machinery Systems	28.6	30.7

Takeaways

- Engineering revenue and business profit up mainly in Transportation Systems services
- Metals Machinery order backlog grew significantly over the past 2 years. Revenue and business profit up in 1Q FY23 due to steady progress in execution of these projects.
- Machinery Systems performed strongly

Financial Results: Logistics, Thermal & Drive Systems



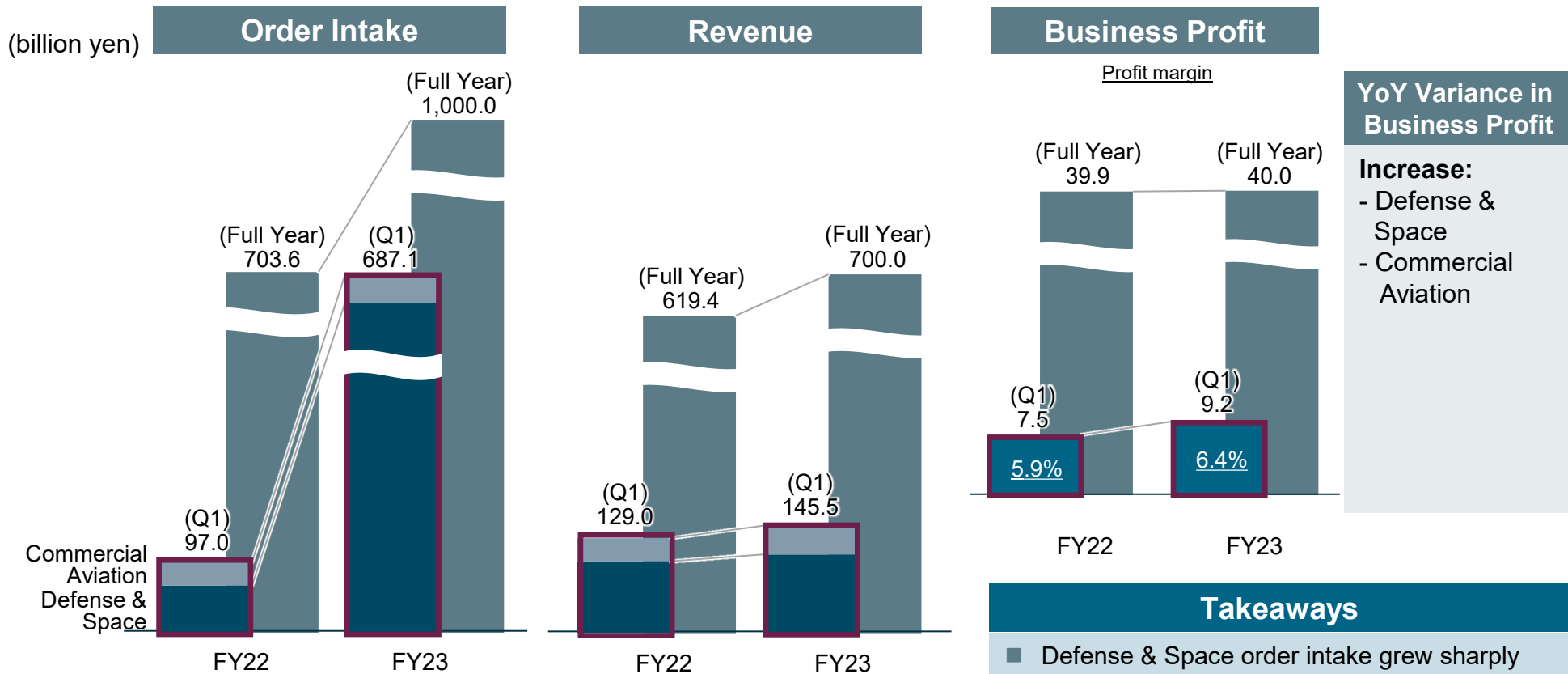
Major Businesses	Order Intake	
	Q1 FY22	Q1 FY23
Logistics Systems	135.2	165.9
Engines & Turbochargers	64.2	63.1
HVAC & Car A/C	83.0	92.8

	Revenue	
	Q1 FY22	Q1 FY23
Logistics Systems	135.2	165.9
Engines & Turbochargers	59.2	58.8
HVAC & Car A/C	73.1	87.1

Takeaways

- In addition to revenue growth in Logistics Systems and HVAC due to price optimization and higher unit deliveries, the weak yen served to increase revenue and business profit
- Engines revenue and business profit up due to growth in power generation engine system deliveries to data centers and semiconductor plants

Financial Results: Aircraft, Defense & Space



Major Businesses	Order Intake	
	Q1 FY22	Q1 FY23
Defense & Space	65.0	649.1
Commercial Aviation	32.0	38.0

Major Businesses	Revenue	
	Q1 FY22	Q1 FY23
Defense & Space	97.3	106.7
Commercial Aviation	31.6	38.8

Takeaways

- Defense & Space order intake grew sharply due to booking of several large projects mainly related to stand-off defense capabilities. These projects are proceeding in accordance with Japan's Defense Buildup Program, which was approved last year.
- Commercial Aviation revenue and business profit up due to increased Aero Structures deliveries and the weak yen

3. FY2023 Earnings 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.

Earnings Forecast Overview

Unchanged from forecast announced May 10, 2023.

(billion yen)	FY2022 (Profit Margin)	FY2023 (Profit Margin)	YoY (Profit Margin)	(YoY%)
Order Intake	4,501.3	4,600.0	+98.6	(+2.2%)
Revenue	4,202.7	4,300.0	+97.2	(+2.3%)
Profit from Business Activities	193.3 (4.6%)	300.0 (7.0%)	+106.6 (+2.4 pts)	(+55.2%)
Profit Attributable to Owners of Parent	130.4 (3.1%)	190.0 (4.4%)	+59.5 (+1.3 pts)	(+45.6%)
ROE	7.9%	11%	+3 pts	
EBITDA	331.1 (7.9%)	440.0 (10.2%)	+108.8 (+2.3 pts)	(+32.9%)
Free Cash Flow	35.3	-100.0	-135.3	
Dividends	130 yen Interim: 60 yen Year-End: 70 yen	160 yen Interim: 80 yen Year-End: 80 yen	Exchange rate assumptions: USD 1.00 = ¥130, EUR 1.00 = ¥140 Undetermined foreign currency amounts: USD 3.1 bn, EUR 0.4 bn	

Earnings Forecast by Segment

Unchanged from forecast announced May 10, 2023.

	Order Intake			Revenue			Profit from Business Activities		
	FY22	FY23 Forecast	YoY	FY22	FY23 Forecast	YoY	FY22	FY23 Forecast	YoY
(billion yen)									
Energy Systems	1,791.7	1,700.0	-91.7	1,738.6	1,700.0	-38.6	85.1	150.0	+64.8
Plants & Infrastructure Systems	845.4	700.0	-145.4	675.6	700.0	+24.3	32.7	40.0	+7.2
Logistics, Thermal & Drive Systems	1,215.0	1,250.0	+34.9	1,203.7	1,250.0	+46.2	38.9	70.0	+31.0
Aircraft, Defense & Space	703.6	1,000.0	+296.3	619.4	700.0	+80.5	39.9	40.0	+0.0
Corporate & Eliminations	-54.5	-50.0	+4.5	-34.7	-50.0	-15.2	-3.5	0.0	+3.5
Total	4,501.3	4,600.0	+98.6	4,202.7	4,300.0	+97.2	193.3	300.0	+106.6

4. Appendix

Large Frame Gas Turbine Order Intake and Contract Backlog (units)

	Q1 FY22	FY22	Q1 FY23
Americas	1	4	-
Asia	3	7	3
EMEA	1	1	-
Other Regions	-	4	-
Order Intake Total	5	16	3
Contract Backlog	46	43	42

(Reference) Order Intake through China Licensee

	Q1 FY22	FY22 Total	Q1 FY23
Order Intake	14	27	7

Commercial Aviation Deliveries (units)

777	Q1	Q2	Q3	Q4	Total
FY22	6	7	7	10	30
FY23	7	/	/	/	7

777X	Q1	Q2	Q3	Q4	Total
FY22	1	0	0	0	1
FY23	0	/	/	/	0

787	Q1	Q2	Q3	Q4	Total
FY22	5	7	8	5	25
FY23	9	/	/	/	9

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

	Q1 FY22	Q1 FY23	FY23 Forecast
R&D Expenses	20.7	29.9	150.0
Depreciation and Amortization	32.3	33.1	140.0
Capital Expenditures	26.1	35.1	180.0

Selling, General, and Administrative Expenses (billion yen)

	Q1 FY22	Q1 FY23
SG&A	142.9	156.3

Foreign Exchange Rates (Average Rates used for Revenue Recognition)

	Q1 FY22	Q1 FY23
U.S. Dollar (JPY/USD)	125.0	136.3
Euro (JPY/EUR)	136.0	144.6

Appendix: Reference Data

(billion yen)

Order Backlog	FY22 End	Q1 FY23 End
Energy Systems	3,325.6	3,455.3
Plants & Infrastructure Systems	1,509.2	1,559.2
Logistics, Thermal & Drive Systems	54.8	64.6
Aircraft, Defense & Space	1,171.8	1,714.8
Total	6,061.8	6,794.2

(billion yen)

Revenue by Region	Q1 FY22		FY22 Full Year		Q1 FY23	
Japan	360.7	(41%)	1,808.3	(43%)	367.9	(37%)
Asia-Pacific (excluding Japan)	171.5	(20%)	765.8	(18%)	168.3	(17%)
Americas	219.3	(25%)	1,068.4	(26%)	299.3	(31%)
EMEA	119.7	(14%)	560.2	(13%)	148.4	(15%)
Total	871.3	(100%)	4,202.7	(100%)	983.9	(100%)

