

Q1-3 FY2023 Financial Results

February 6, 2024

Mitsubishi Heavy Industries, Ltd.

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Hello, everyone. This is Hisato Kozawa, CFO of MHI.
Allow me to summarize our Q1-3 FY2023 financial results.

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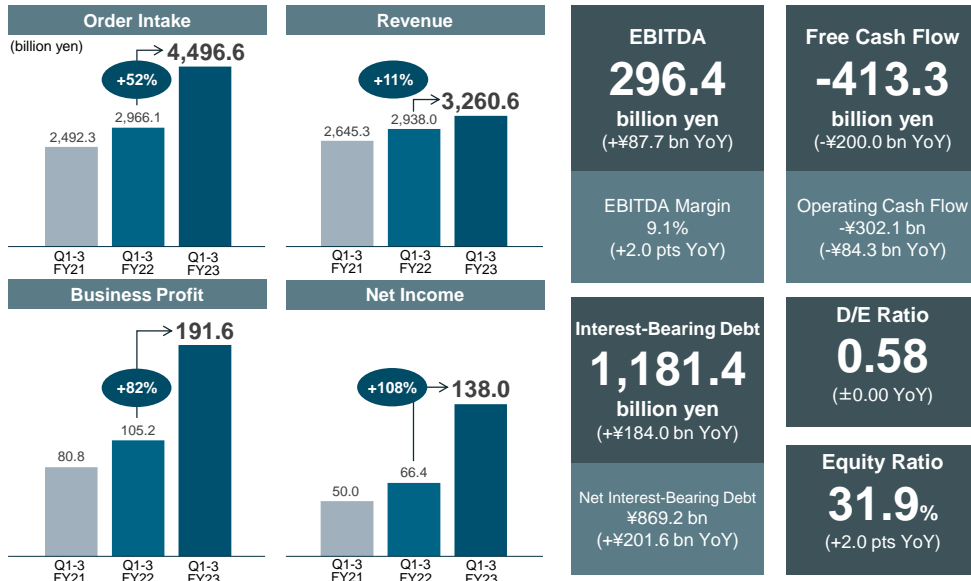


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1. Key Takeaways

Q1-3 FY2023 Financial Results



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First, I will provide an overview of our financial results.
This page shows the results in several key financial indicators.

Q1-3 FY2023 Financial Results Highlights



- **Order Intake: ¥4,496.6 bn (+¥1,530.4 bn YoY)**
Order intake increased YoY in Energy Systems, Logistics, Thermal & Drive Systems, and Aircraft, Defense & Space.
In terms of major businesses, Gas Turbine Combined Cycle (GTCC), Nuclear Power, and Defense & Space achieved large order intake growth.
- **Revenue: ¥3,260.6 bn (+¥322.6 bn YoY)**
Revenue increased YoY in all segments.
In terms of major businesses, Metals Machinery, Logistics Systems, and Defense & Space saw large increases in revenue.
- **Business Profit: ¥191.6 bn (+¥86.3 bn YoY)**
Business profit increased YoY in all segments.
Revenue growth, improved project margins, services business expansion, price optimization, and the weak yen served to increase business profit by 82% YoY to ¥191.6 bn.
- **Net Income: ¥138.0 bn (+¥71.6 bn YoY)**
Due to higher business profit performance, net income rose 108% YoY to ¥138.0 bn.

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This page shows highlights for several key financial indicators.

Order intake, revenue, business profit, and net income all increased YoY. The increase in order intake was particularly large, with the order intake result through Q3, ¥4,501.3 billion, attaining the same level as the full year in FY2022. Regarding the full-year forecast, while we raised our order intake forecast by ¥1 trillion at the time of our 1H FY2023 Financial Results release, due to continued depreciation of the yen and progress in Nuclear Power and other businesses which exceeded our projections, we further increased the forecast by ¥400 billion to ¥6 trillion.

Revenue increased YoY in all segments. Although the effect of the difference in foreign exchange rates versus FY2022 was around ¥100 billion, even when excluding this, revenue increased. Based on progress through Q3, we raised the revenue forecasts in the Plants & Infrastructure Systems and Logistics, Thermal & Drive Systems segments by ¥50 billion, ¥100 billion total, arriving at a company-wide, full-year target of ¥4,400 billion.

Both business profit and net income showed large YoY increases. As shown on slide 9, the benefit from price optimization efforts which have continued since FY2022, the effect of revenue increases, and the weak yen contributed positively to profit similarly to in 1H FY2023.

Free cash flow was -¥400 billion, which is ¥200 billion lower than in Q1-3 FY2022. That said, we are planning for large cash inflows in Q4, so this progress is mostly in-line with the full-year plan.

2. Q1-3 FY2023 Financial Results

The next few pages provide a little more detail about the Q1-3 FY2023 financial results.

Financial Results Overview



(billion yen)	Q1-3 FY2022 (Profit Margin)	Q1-3 FY2023 (Profit Margin)	YoY (Profit Margin)	(YoY%)
Order Intake	2,966.1	4,496.6	+1,530.4	(+51.6%)
Revenue	2,938.0	3,260.6	+322.6	(+11.0%)
Profit from Business Activities	105.2 (3.6%)	191.6 (5.9%)	+86.3 (+2.3 pts)	(+82.0%)
Profit Attributable to Owners of Parent	66.4 (2.3%)	138.0 (4.2%)	+71.6 (+1.9 pts)	(+107.8%)
EBITDA	208.6 (7.1%)	296.4 (9.1%)	+87.7 (+2.0 pts)	(+42.1%)
Free Cash Flow	-213.2	-413.3	-200.0	

This page covers information already discussed, so I will forego an explanation.

Financial Position and Cash Flows



Financial Position	(billion yen)	FY22 End	Q3 FY23 End	YoY
Trade Receivables and Contract Assets		1,536.4	1,738.2	+201.8
Inventories		876.8	1,041.9	+165.0
Other Current Assets		628.9	664.9	+35.9
(Cash and Cash Equivalents)		(347.6)	(312.1)	(-35.5)
Fixed Assets		1,041.1	1,099.7	+58.6
Other Non-Current Assets		1,391.3	1,473.3	+81.9
Total Assets		5,474.8	6,018.1	+543.3
Trade Payables		895.2	842.1	-53.1
Contract Liabilities		936.7	883.9	-52.7
Other Liabilities		1,066.3	1,082.2	+15.9
Interest-Bearing Debt		742.4	1,181.4	+439.0
Equity		1,833.9	2,028.3	+194.3
(Equity Attributable to Owners of Parent)		(1,740.9)	(1,918.0)	(+177.0)
Total Liabilities and Equity		5,474.8	6,018.1	+543.3
Cash Flows	(billion yen)	Q1-3 FY22	Q1-3 FY23	YoY
Operating Cash Flow		-217.7	-302.1	-84.3
Investing Cash Flow		4.5	-111.1	-115.6
Free Cash Flow		-213.2	-413.3	-200.0

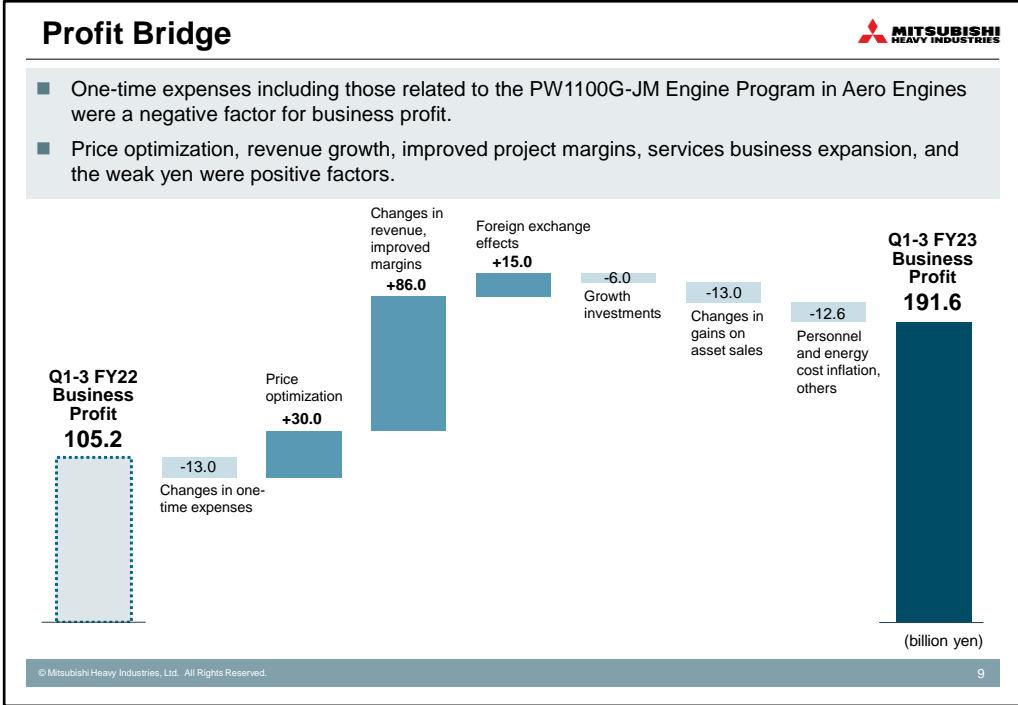
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This page shows the balance sheet and cash flows.

Total assets increased from the end of FY2022 by ¥543.3 billion to ¥6,018.1 billion. To provide a breakdown of this increase, the impact of currency translation effects related to foreign currency-denominated assets caused by further depreciation of the yen was around ¥130 billion, and the impact of rising stock prices of our shareholdings was around ¥50 billion. Moreover, trade receivables and inventories increased, but we believe that these accounts are trending within the range of normal fluctuations for MHI. The main cause of the increase in fixed assets and other non-current assets was the acquisition of Concentric in the US and a new office building in Tamachi, Tokyo.

Regarding cash flows, operating cash flow significantly decreased YoY. One reason for this is that we are both expanding our topline while entering a phase of working through advances received due to changes in our product mix. We are therefore continuing to carefully manage accounts, particularly trade receivables and inventories. Regarding investing cash flow, although there was income from the sale of securities and other activities, a decrease in inflows from asset sales and an increase in growth investments, including the acquisition of Concentric, caused outflows to increase YoY.



This page shows factors which caused YoY changes in business profit.

The leftmost bar shows business profit in Q1-3 FY2022, which was ¥105.2 billion.

To the right of this is “Changes in one-time expenses,” which is the difference between the one-time expenses booked in each fiscal year. In FY2022, in addition to organizational transformation expenses related to our European Thermal Power operations, we booked one-time losses from several international projects. During FY2023, in addition to the one-time losses associated with an Aero Engines program which were incurred in 1H, we booked claim expenses for some international projects as well as an impairment loss on an international investment.

Regarding “Price optimization,” cost increases contracted YoY in Forklifts and HVAC, while the benefits of price optimization, that is, price increases, exceeded this, resulting in an increase of ¥30 billion. Breaking this down by quarter, Q1 was ¥14 billion, Q2 was ¥10 billion, and Q3 was ¥6 billion. The benefits of price optimization had already begun in FY2022, so the YoY impact has decreased slightly each quarter this fiscal year.

Due to these and other factors shown here, business profit in Q1-3 FY2023 was ¥191.6 billion.

Financial Results by Segment



	Order Intake			Revenue			Profit from Business Activities		
	Q1-3 FY22	Q1-3 FY23	YoY	Q1-3 FY22	Q1-3 FY23	YoY	Q1-3 FY22	Q1-3 FY23	YoY
(billion yen)									
Energy Systems	1,206.6	1,753.2	+546.5	1,199.4	1,230.6	+31.2	38.8	77.5	+38.7
Plants & Infrastructure Systems	585.6	578.8	-6.8	457.2	552.5	+95.2	14.4	34.5	+20.1
Logistics, Thermal & Drive Systems	884.5	968.6	+84.1	869.7	956.2	+86.4	22.2	58.8	+36.6
Aircraft, Defense & Space	314.5	1,204.1	+889.5	432.0	526.9	+94.9	35.6	53.6	+18.0
Corporate & Eliminations	-25.2	-8.1	+17.0	-20.4	-5.6	+14.8	-5.7	-33.0	-27.2
Total	2,966.1	4,496.6	+1,530.4	2,938.0	3,260.6	+322.6	105.2	191.6	+86.3

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

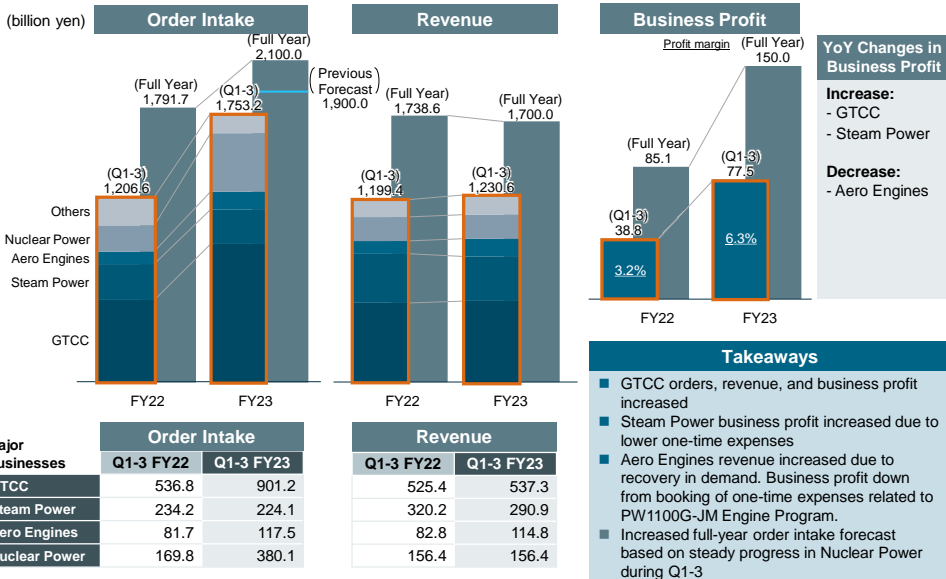
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This page shows a summary of order intake, revenue, and business profit by segment.

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

Financial Results: Energy Systems



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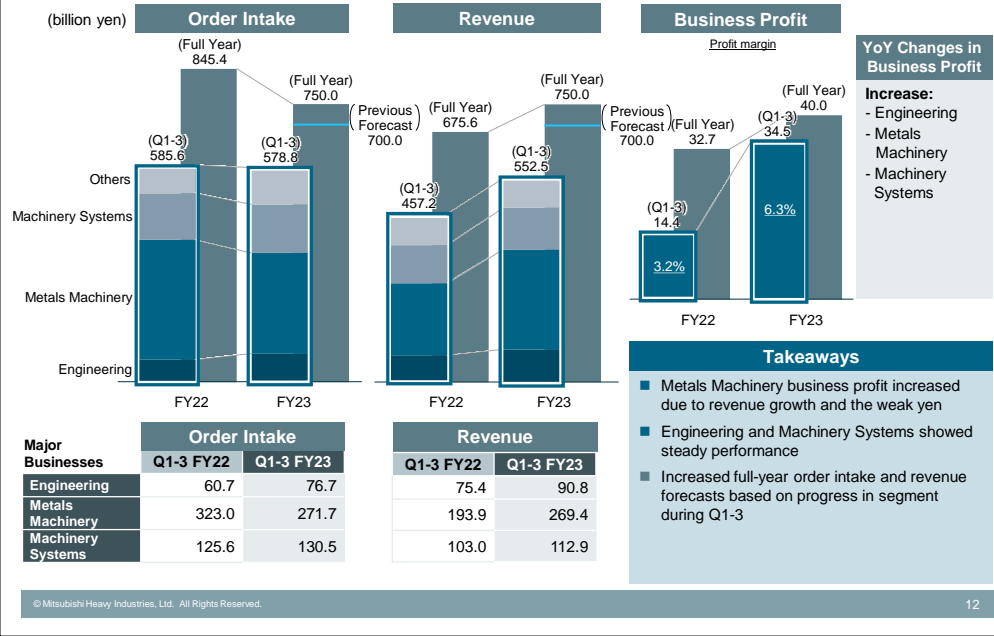
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This page shows the situation in the Energy Systems segment.

Order intake, revenue, and business profit all increased YoY.

Particularly of note, based on continued good performance in GTCC since FY2022, as well as favorable progress in the segment overall, including in Nuclear Power, we have raised our full-year order intake forecast by ¥200 billion to ¥2,100 billion.

Financial Results: Plants & Infrastructure Systems



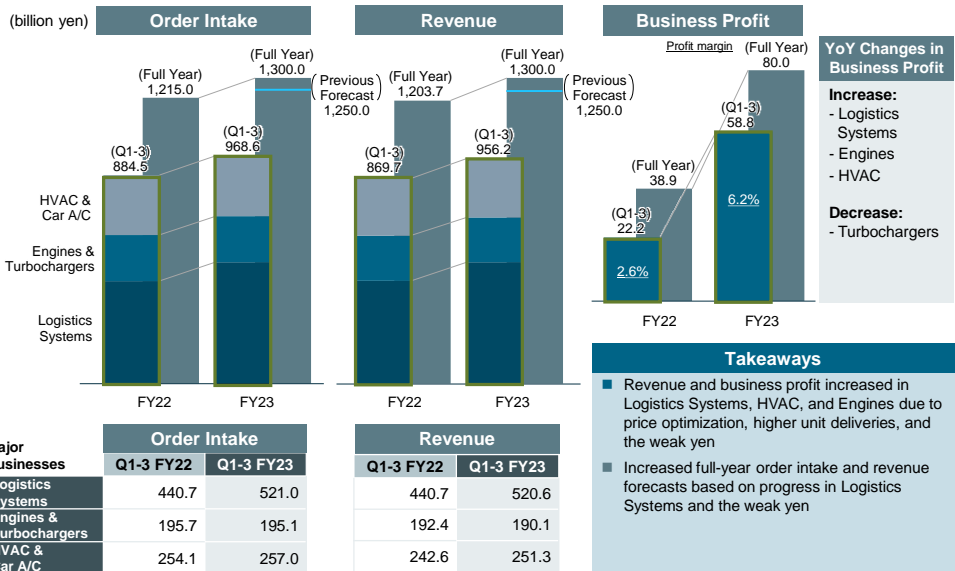
This page shows the situation in the Plants & Infrastructure Systems segment.

In this segment, although order intake decreased YoY, revenue and business profit both increased.

As is indicated in the table below, the main cause of the decrease in order intake was Metals Machinery. However, the current level of orders is stronger than originally forecasted. Therefore, we have raised the full-year guidance by ¥50 billion to ¥750 billion.

Based on the progress through Q3, we have also raised the guidance for revenue by ¥50 billion to ¥750 billion.

Financial Results: Logistics, Thermal & Drive Systems



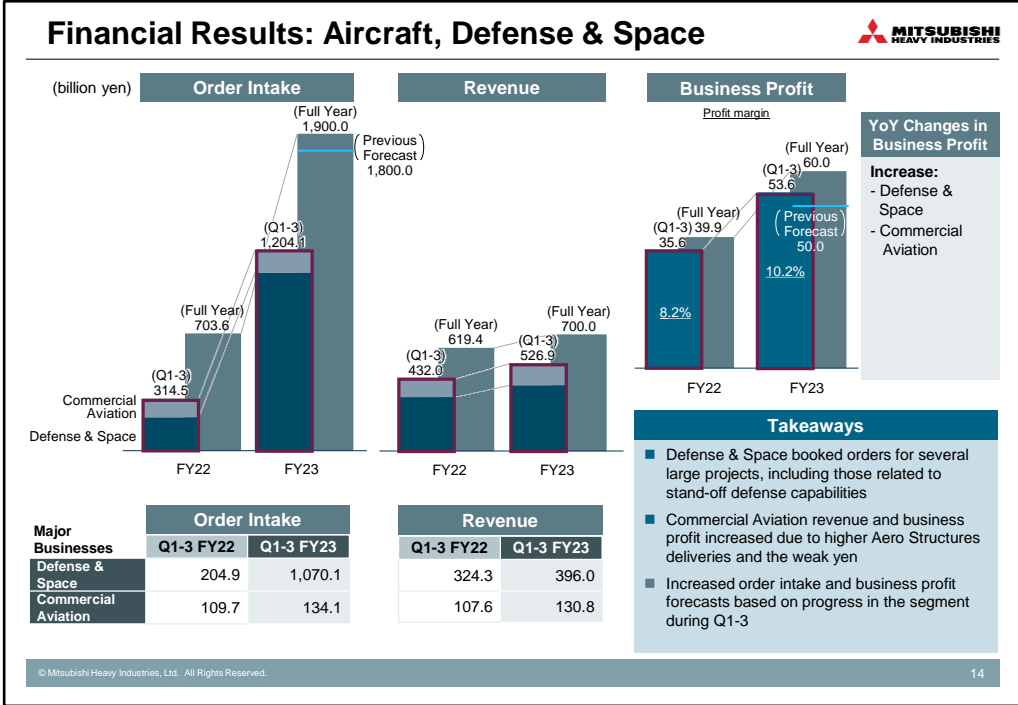
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This page shows the situation in the Logistics, Thermal & Drive Systems segment.

Order intake, revenue, and business profit all increased YoY.

Based on the progress in Logistics Systems thus far, as well as continued depreciation of the yen, we have increased the full-year forecasts for order intake and revenue by ¥50 billion to ¥1,300 billion.



This page shows the situation in the Aircraft, Defense & Space segment.

Order intake, revenue, and business profit all increased YoY.

Particularly of note, order intake rose steadily mainly from planned projects in the Defense area continuing the trend that began in Q1 FY2023. Based on progress thus far as well as plans going forward, we have increased the full-year forecast by ¥100 billion to a total of ¥1,900 billion.

Regarding business profit, due to an increase in 787 deliveries to Boeing as well as benefits from the weak yen in the Commercial Aviation Aero Structures business, progress through Q3 was favorable. Based on this situation, we have increased the full-year forecast by ¥10 billion to ¥60 billion.

3. FY2023 Earnings Forecast

Forecasts regarding future performance outlined in these materials are based on judgments made in accordance with information available at the time this presentation was 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 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 few pages show the FY2023 earnings forecast.

FY2023 Earnings Forecast Highlights



■ Order Intake: ¥6,000.0 bn (vs. previous: +¥400.0 bn)

	Previous	Revised	Revised vs. Previous	Major Businesses Increased
Energy Systems	¥1,900.0 bn	¥2,100.0 bn	+¥200.0 bn	• Nuclear Power
Plants & Infrastructure Systems	¥700.0 bn	¥750.0 bn	+¥50.0 bn	• Metals Machinery
Logistics, Thermal & Drive Systems	¥1,250.0 bn	¥1,300.0 bn	+¥50.0 bn	• Logistics Systems
Aircraft, Defense & Space	¥1,800.0 bn	¥1,900.0 bn	+¥100.0 bn	• Defense & Space

■ Revenue: ¥4,400.0 bn (vs. previous: +¥100.0 bn)

	Previous	Revised	Revised vs. Previous	Major Businesses Increased
Plants & Infrastructure Systems	¥700.0 bn	¥750.0 bn	+¥50.0 bn	• Metals Machinery
Logistics, Thermal & Drive Systems	¥1,250.0 bn	¥1,300.0 bn	+¥50.0 bn	• Logistics Systems

■ Business Profit: ¥300.0 bn (vs. previous: ±¥0.0 bn)

	Previous	Revised	Revised vs. Previous	Major Businesses Increased
Aircraft, Defense & Space	¥50.0 bn	¥60.0 bn	+¥10.0 bn	• Defense & Space, Commercial Aviation
Corporate & Eliminations	-¥20.0 bn	-¥30.0 bn	-¥10.0 bn	

■ No change to net income, free cash flow, or dividend guidance

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This page outlines the revisions made to the forecast this time. I will forego an explanation, as these slides outline information I have already shared.

This concludes my presentation on our financial results. I will discuss our upcoming stock split on page 24.

Earnings Forecast Overview



Revised from forecast announced November 6, 2023.

	FY2022 (Profit Margin)	FY2023 Forecast (Profit Margin)		YoY (Profit Margin)	(YoY%)
		Previous	Revised		
(billion yen)					
Order Intake	4,501.3	5,600.0	6,000.0	+1,498.6	(+33.3%)
Revenue	4,202.7	4,300.0	4,400.0	+197.2	(+4.7%)
Profit from Business Activities	193.3 (4.6%)	300.0 (7.0%)	300.0 (6.8%)	+106.6 (+2.2 pts)	(+55.2%)
Profit Attributable to Owners of Parent	130.4 (3.1%)	190.0 (4.4%)	190.0 (4.3%)	+59.5 (+1.2 pts)	(+45.6%)
ROE	7.9%	11%	11%	+3 pts	
EBITDA	331.1 (7.9%)	440.0 (10.2%)	440.0 (10.0%)	+108.8 (+2.1 pts)	(+32.9%)
Free Cash Flow	35.3	-100.0	-100.0	-135.3	
Dividends	130 yen Interim: 60 yen Year-End: 70 yen	160 yen Interim: 80 yen Year-End: 80 yen	160 yen Interim: 80 yen Year-End: 80 yen	Exchange rate assumptions: USD 1.00 = ¥140 EUR 1.00 = ¥150 Undetermined foreign currency amounts: USD 1.8 bn, EUR 0.3 bn	

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Earnings Forecast by Segment



Revised from forecast announced November 6, 2023.

	Order Intake				Revenue				Profit from Business Activities			
	FY22	FY23 Forecast		YoY	FY22	FY23 Forecast		YoY	FY22	FY23 Forecast		YoY
		Previous	Revised			Previous	Revised			Previous	Revised	
(billion yen)												
Energy Systems	1,791.7	1,900.0	2,100.0	+308.2	1,738.6	1,700.0	1,700.0	-38.6	85.1	150.0	150.0	+64.8
Plants & Infrastructure Systems	845.4	700.0	750.0	-95.4	675.6	700.0	750.0	+74.3	32.7	40.0	40.0	+7.2
Logistics, Thermal & Drive Systems	1,215.0	1,250.0	1,300.0	+84.9	1,203.7	1,250.0	1,300.0	+96.2	38.9	80.0	80.0	+41.0
Aircraft, Defense & Space	703.6	1,800.0	1,900.0	+1,196.3	619.4	700.0	700.0	+80.5	39.9	50.0	60.0	+20.0
Corporate & Eliminations	-54.5	-50.0	-50.0	+4.5	-34.7	-50.0	-50.0	-15.2	-3.5	-20.0	-30.0	-26.4
Total	4,501.3	5,600.0	6,000.0	+1,498.6	4,202.7	4,300.0	4,400.0	+197.2	193.3	300.0	300.0	+106.6

4. Appendix

Appendix: Reference Data



Large Frame Gas Turbine Order Intake and Contract Backlog (units)				Commercial Aviation Deliveries (units)					
	Q1-3 FY22	FY22	Q1-3 FY23	777	Q1	Q2	Q3	Q4	Total
Americas	4	4	1	FY22	6	7	7	10	30
Asia	4	7	8	FY23	7	11	7		25
EMEA	1	1	-						
Other Regions	2	4	1	777X	Q1	Q2	Q3	Q4	Total
Order Intake Total	11	16	10	FY22	1	0	0	0	1
Contract Backlog	43	43	32	FY23	0	1	3		4
(Reference) Order Intake of China Licensee				787	Q1	Q2	Q3	Q4	Total
	Q1-3 FY22	FY22	Q1-3 FY23	FY22	5	7	8	5	25
Order Intake	21	27	16	FY23	9	7	13		29

Appendix: Reference Data



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

	Q1-3 FY22	Q1-3 FY23	FY23 Forecast
R&D Expenses	82.9	101.9	150.0
Depreciation and Amortization	103.3	104.7	140.0
Capital Expenditures	93.3	144.3	180.0

Selling, General, and Administrative Expenses (billion yen)

	Q1-3 FY22	Q1-3 FY23
SG&A	448.5	477.9

Foreign Exchange Rates (Average Rates Used for Revenue Recognition)

	Q1-3 FY22	Q1-3 FY23
U.S. Dollar (JPY/USD)	135.3	142.4
Euro (JPY/EUR)	137.6	152.9

Appendix: Reference Data



(billion yen)

Order Backlog	FY22 End	Q3 FY23 End
Energy Systems	3,325.6	3,959.3
Plants & Infrastructure Systems	1,509.2	1,546.2
Logistics, Thermal & Drive Systems	54.8	65.6
Aircraft, Defense & Space	1,171.8	1,847.7
Total	6,061.8	7,431.7

(billion yen)

Revenue by Region	Q1-3 FY22		FY22 Full Year		Q1-3 FY23	
Japan	1,214.2	(41%)	1,808.3	(43%)	1,293.8	(40%)
Asia-Pacific (excluding Japan)	567.0	(19%)	765.8	(18%)	547.2	(17%)
Americas	753.2	(26%)	1,068.4	(26%)	947.5	(29%)
EMEA	403.4	(14%)	560.2	(13%)	472.0	(14%)
Total	2,938.0	(100%)	4,202.7	(100%)	3,260.6	(100%)

Stock Split

Stock Split



- Aim
Facilitate investment in MHI by decreasing share unit price, thereby expanding investor base
- Details
 - Split Ratio 10-for-1 common stock
 - Record Date March 31, 2024 (Sunday)
 - Effective Date April 1, 2024 (Monday)

- Increase in Shares

	Total Number of Shares Issued	Total Number of Authorized Shares
Before Split	337,364,781 shares	600,000,000 shares
After Split	3,373,647,810 shares	6,000,000,000 shares

This page outlines our upcoming stock split.

Our stock price is currently around ¥10,000, which means that one unit of 100 shares costs around ¥1 million. Considering a request from the Tokyo Stock Exchange to lower share unit trading prices, we have decided to perform a 10-for-1 stock split.

This concludes my presentation. Thank you for your attention.

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