MOVE THE WORLD FORWARD MITSUBISHI HEAVY INDUSTRIES GROUP

FY2019 Financial Results & Emergency Measures, Strategy Update

May 11, 2020

Mitsubishi Heavy Industries, Ltd.

To begin…

■ COVID-19 impact

MHI Group would like to offer our heartfelt condolences to all those suffering because of the COVID-19 crisis.

The COVID-19 pandemic presents an unprecedented challenge for society as a whole, and there are parts of MHI Group's business that are already facing significant impact especially in industries like commercial aviation and automotive.

■ MHI's contribution today

No one knows how long this situation will continue, but there are many people around the world working on the front lines to help keep us safe and secure. To them, we offer our deepest gratitude.

MHI Group has a crucial role to play in keeping our world moving and our lives safe, comfortable and secure, whether through energy supply, infrastructure, logistics or transportation.

■ MHI's role in the future

MHI Group is working on measures to help us overcome this crisis, and we believe our solutions in decarbonization, electrification and intelligent systems will reduce the burden on the environment while helping move the world forward once we emerge from this crisis.

Today we will outline some of the measures we are planning at this moment in time.

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MOVE THE WORLD FORW>RD MITSUBISHI HEAVY INDUSTRIES GROUP

Ⅰ. FY2019 Financial Results

MHI has adopted International Financial Reporting Standards (IFRS16) from FY2019.
Some financial data for FY2018 described in this presentation material differs from that in Securities report filed to Financial Services Agency and Summary of financial results filed to Tokyo Stock Exchange because retroactive amendments were made in these documents in accordance with regulations.
(Financial data for FY2018 in this material remains unamended to facilitate the comparison with the past data.)

FY2019 Results Overview

MITSUBISHI HEAVY INDUSTRIES

P/L

- Order intake increased solidly, led by Power domain（¥4,168.6 billion, up ¥315.2 bn YoY）
- Revenue decreased slightly due to a slowdown in medium-lot products（¥4,041.3 bn, down ¥36.9 bn YoY）
- Profit from business activities declined significantly, resulting in a loss of ¥29.5 bn (down ¥216.2 bn YoY), mainly due to the loss in our SpaceJet business (including impairment on assets capitalized up to last fiscal year)（Power: up ¥11.4bn YoY; I&I: down ¥15.2bn YoY; Aircraft, Defense and Space: down ¥171.3bn YoY）
- Profit attributable to owners of parent decreased slightly to ¥87.1bn (down ¥14.2bn YoY), as the loss from business activities was offset by the booking of deferred tax assets on accumulated losses in previous years and losses for the current fiscal year for SpaceJet

B/S C/F

- Balance sheet improved by reducing risk assets（collection of indemnification asset for South African Projects and impairment of SpaceJet related assets）
- FCF increased from the forecast announced in the third quarter financial closing (from ¥100bn to ¥212.9bn) as a result of reduction in working capital
- Interest-bearing debt is at its lowest level ever (¥ 598.2bn)

Space Jet

- Recorded impairment losses of previously capitalized assets (¥122.4bn) and development costs incurred this fiscal year (¥140.9bn)

Overall

- Results were generally in line with our forecast, announced in the third quarter financial closing, excluding the impact from COVID-19
- Financial position remained firm owing to operational excellence
- Full-year dividend payout of ¥150 per share as planned at the beginning of the fiscal year

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I, CFO Kozawa, will explain the FY2019 Financial Results.
Order intake increased ¥315.2 billion YoY to ¥4,168.6 billion due to strong growth in the Power segment.
Revenue declined slightly to ¥4,041.3 billion due to the decrease in the Industry & Infrastructure segment sales. This was mainly the result of a slowdown in the medium-lot product business which was impacted by the U.S.-China trade friction and the COVID-19 crisis.
Profit from business activities ended in a loss of ¥29.5 billion, a substantial decrease from the previous fiscal year due to a significant loss recognized in our SpaceJet business, including impairment on assets capitalized up to last fiscal year.
Profit attributable to owners of parent decreased by ¥14.2 billion YoY to ¥87.1 billion, as a result of the recording of deferred tax assets related to losses from SpaceJet for previous fiscal years, while profit from business activities declined significantly.

We believe that our balance sheet has improved as risk assets have been reduced and eliminated, mainly through the collection of Indemnification Assets for South African Projects and the impairment of SpaceJet-related assets.
Free cash flow totaled ¥212.9 billion, exceeding the forecast of ¥50.0 billion announced in the beginning of the fiscal year and the ¥100.0 billion revised forecast of February this year, attributable to a larger working capital reduction than initially expected. As a result, interest-bearing debt reached a record low of ¥598.2 billion.

In summary, excluding the impact of COVID-19, the results are generally within the range of our expectations as announced in our third quarter presentation of February this year.
Management focus on cash flow is now widely practiced in our business operations, and our financial position remains firm.
In light of these circumstances, our annual dividend payout will be kept as originally planned at ¥150 per share.

Summary of FY2019 Financial Results

(In billion yen)

	FY2018 (Profit margin)		FY2019 (Profit margin)		Change	
Order Intake		3,853.4		4,168.6	+315.2	(+8.2%)
Revenue		4,078.3		4,041.3	- 36.9	(- 0.9%)
Profit from business activities	(4.6%)	186.7	(-0.7%)	- 29.5	- 216.2	(- 115.8%)
Profit attributable to owners of parent	(2.5%)	101.3	(2.2%)	87.1	- 14.2	(- 14.0%)
ROE		7.2%		6.6%	- 0.6pt	
EBITDA	(7.6%)	311.6	(2.8%)	115.1	- 196.5	(- 63.1%)
Free cash flow		243.0		212.9	-30.0	-

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In comparison with the forecast announced in February this year, order intake exceeded the forecast of ¥4.05 trillion by approximately ¥100.0 billion, while revenue fell short of the forecast of ¥4.15 trillion by approximately ¥100.0 billion.
The forecast of profit from business activities was ¥0, and the profit attributable to owners of parent was ¥100.0 billion. However, our results fell short of these targets by approximately ¥30.0 billion and ¥13.0 billion, respectively.

Summary of FY2019 Financial Results (Cont'd)

(In billion yen)

FY2019	Businesses excluding SpaceJet (Profit margin)		SpaceJet	Total (Profit margin)	
Order Intake		4,168.6	-		4,168.6
Revenue		4,041.3	-		4,041.3
Profit from business activities	(5.8%)	233.8	-263.3	(-0.7%)	-29.5
Profit attributable to owners of parent	(3.3%)	134.9	-47.8	(2.2%)	87.1
EBITDA	(9.3%)	377.5	-262.4	(2.8%)	115.1
Free cash flow		353.8	-140.9		212.9

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The FY2019 results shown on page 6 are broken down into SpaceJet-related results and results excluding SpaceJet.
For SpaceJet, the breakdown of the loss from business activities of ¥263.3 billion is made up of ¥140.9 billion for development expenses incurred in the current fiscal year and ¥122.4 billion for impairment losses on investment assets capitalized in and before FY2018.
To explain further, since we recognized deferred tax assets for the losses including previous years' losses, the negative impact on profit attributable to owners of parent is smaller than on profit from business activities.

In the previous fiscal year, businesses, excluding SpaceJet, generated ¥4,078.3 billion in revenue, ¥271.9 billion in profit from business activities, and a profit margin of 6.7%. We recognize that the decline in profit margin in our businesses excluding SpaceJet（6.7%→5.8%） is a major management challenge.

FY2019 Financial Results by Segment

MITSUBISHI HEAVY INDUSTRIES

(In billion yen)

	Order Intake			Revenue			Profit from business activities		
	FY2018	FY2019	Change	FY2018	FY2019	Change	FY2018	FY2019	Change
Power Systems	1,426.5	1,772.1	+345.5	1,525.1	1,590.2	+65.1	132.8	144.3	+11.4
Industry & Infrastructure	1,852.0	1,723.7	- 128.2	1,907.8	1,778.0	- 129.7	70.1	54.8	- 15.2
Aircraft, Defense & Space	610.6	719.2	+108.5	677.5	704.9	+27.4	-37.4	- 208.7	- 171.3
Others	73.3	70.1	- 3.1	71.6	75.1	+3.5	35.9	6.5	- 29.4
Eliminations or Corporate Expenses	- 109.1	- 116.6	- 7.4	- 103.8	- 107.1	- 3.3	- 14.8	- 26.5	- 11.7
Total	3,853.4	4,168.6	+315.2	4,078.3	4,041.3	- 36.9	186.7	- 29.5	- 216.2

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In the Power segment, order intake, revenue, and profit from business activities improved year-on-year, while in the Industry & Infrastructure segment, all of these decreased from the previous fiscal year.
In the Aircraft, Defense and Space segment, although order intake and revenue increased from the previous fiscal year, profit from business activities declined due to increased losses in the SpaceJet business. Excluding SpaceJet, profit from business activities in the segment has improved. Further details regarding segment performance are covered on pages 11 through 13.

Financial Position Overview

MITSUBISHI HEAVY INDUSTRIES

(In billion yen)

	As of March 31, 2019	As of March 31, 2020	Change
Trade receivables	1,343.1	1,188.0	-155.1
Inventories	739.2	726.2	-13.0
Other current assets	1,076.9	924.2	-152.7
(Cash and cash equivalents)	(283.2)	(281.6)	(-1.6)
Total fixed assets	1,013.7	996.3	-17.4
Other non-current assets	969.6	1,150.8	+181.2
Total assets	5,142.7	4,985.6	-157.0
Trade payables	862.1	824.0	-38.1
Contract liabilities	875.2	835.4	-39.8
Other liabilities	991.3	1,437.8	+446.5
Interest-bearing debt	665.1	598.2	-66.8
Equity	1,748.8	1,290.0	-458.7
(Equity attributable to owners of the parent)	(1,430.8)	(1,218.3)	(-212.5)
Total liabilities and Equity	5,142.7	4,985.6	-157.0

Borrowings	-86.8
Commercial paper	+85.0
Corporate bonds	-65.0

Dividends	-47.0
Profit attributable to owners of parent	+87.1
Others	-252.6

(Assets and liabilities as of March 31, 2020 reflect the adoption of IFRS16 (+97.6 billion yen))

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Total assets decreased ¥157.0 billion to ¥4,985.6 billion.
The adoption of IFRS 16 from this fiscal year resulted in an increase of ¥97.6 billion in leased assets and liabilities due to the expansion of the scope of certain assets and liabilities now required to be on-balance sheet. However, the reduction of our balance sheet is progressing as a result of the elimination of risk assets mentioned earlier and improvements in working capital such as the reduction of trade receivables.

Interest-bearing debt decreased ¥66.8 billion from the previous fiscal year to a record low of ¥598.2 billion.
Equity decreased significantly from ¥1,748.8 billion to ¥1,290.0 billion, mainly due to the reclassification of non-controlling interests into liabilities in connection with the settlement of South African projects.
Equity attributable to owners of parent decreased by ¥212.5 billion from the end of the previous fiscal year, mainly due to changes from profit attributable to owners of parent and dividends, as well as a decrease in unrealized gains due to a decline in the market value of stocks held and a decrease in capital surplus due to South African projects-related accounting treatment.

Please see page 10 for main financial indicators.
Additional commentary on our financial position is provided on pages 15 through 17.

Main Financial Indicators and Cash Flows

MITSUBISHI HEAVY INDUSTRIES

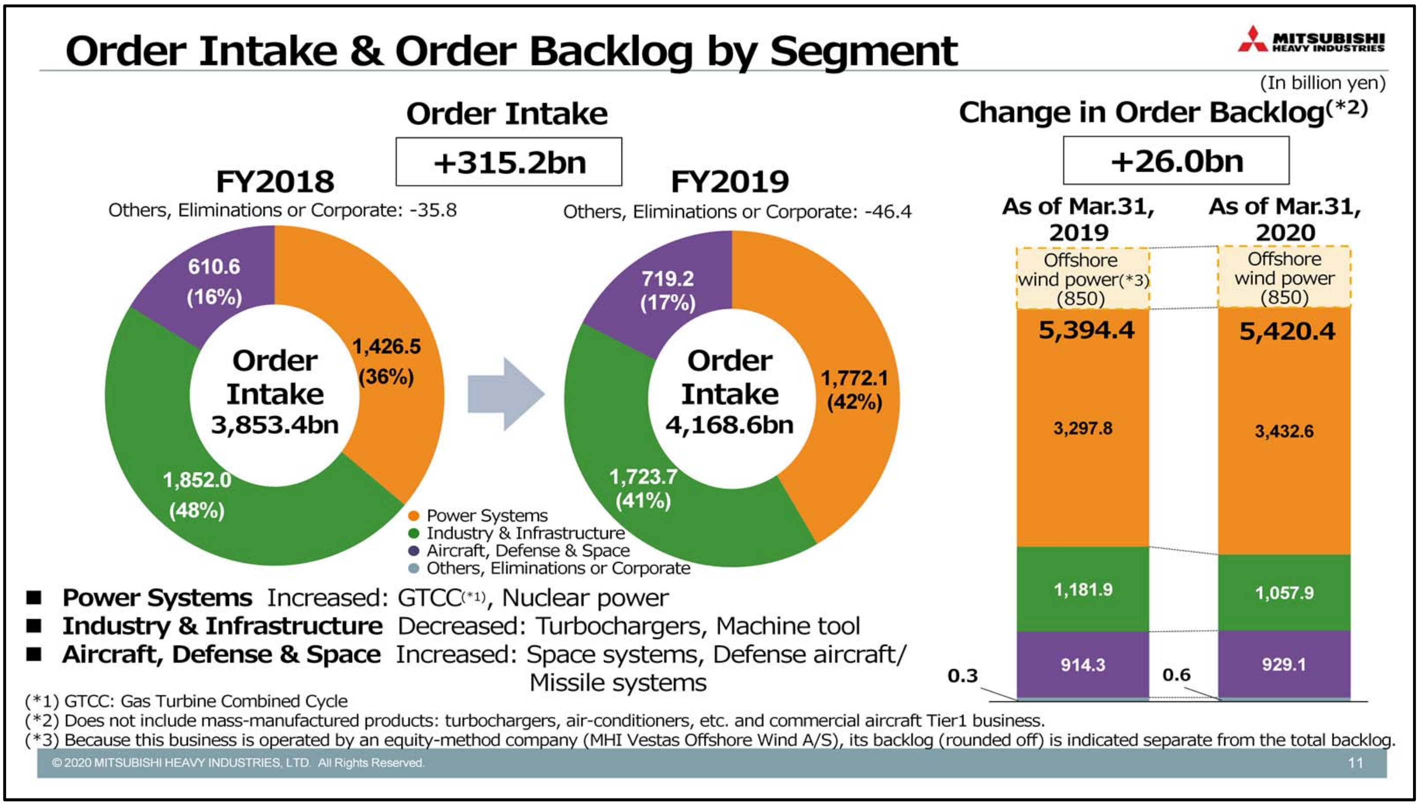
Main Financial Indicators

	As of March 31, 2019	As of March 31, 2020	Change
Equity ratio	27.8%	24.4%	-3.4pt
Interest-bearing debt (in billion yen)	665.1	598.2	-66.8
D/E ratio	0.38	0.46	+0.08pt

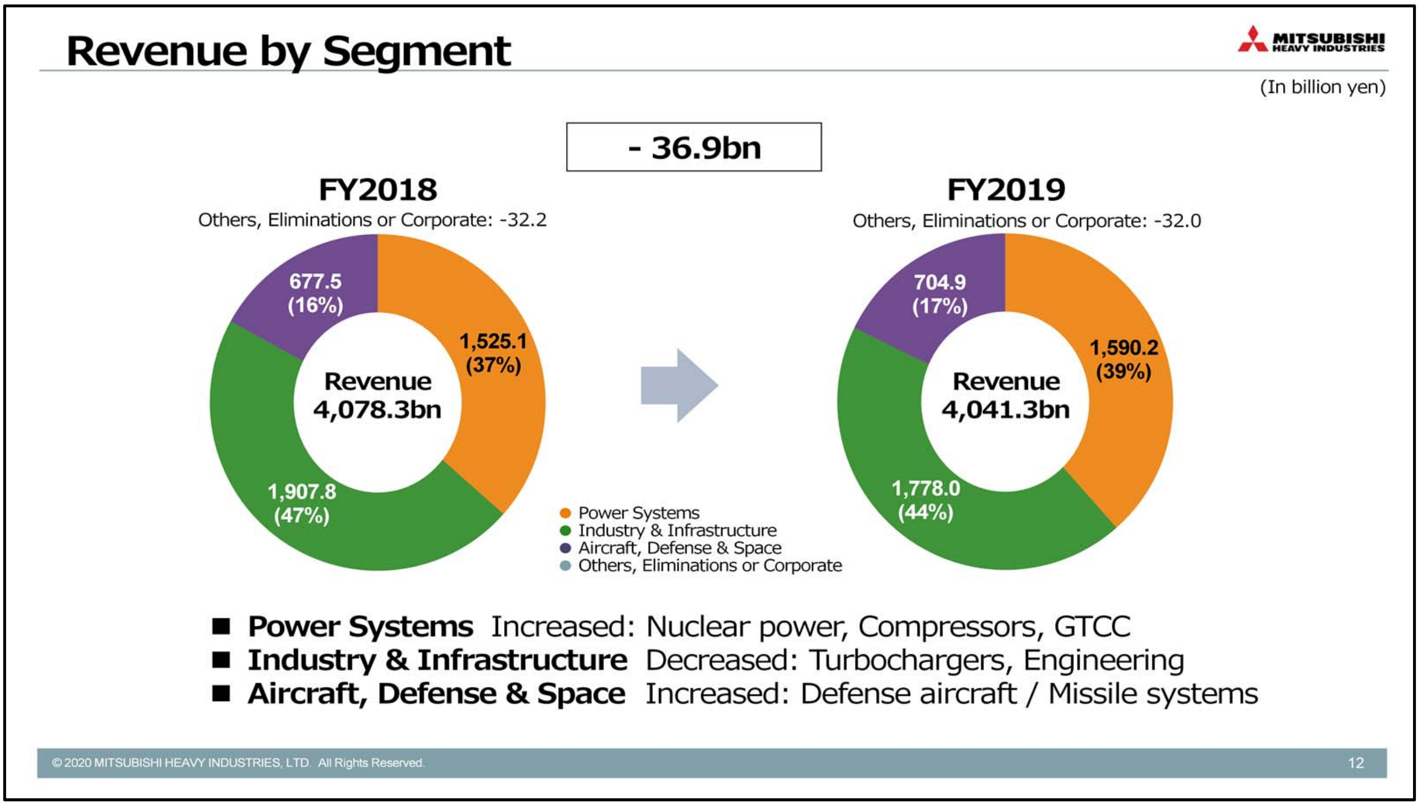
Cash Flows

(In billion yen)

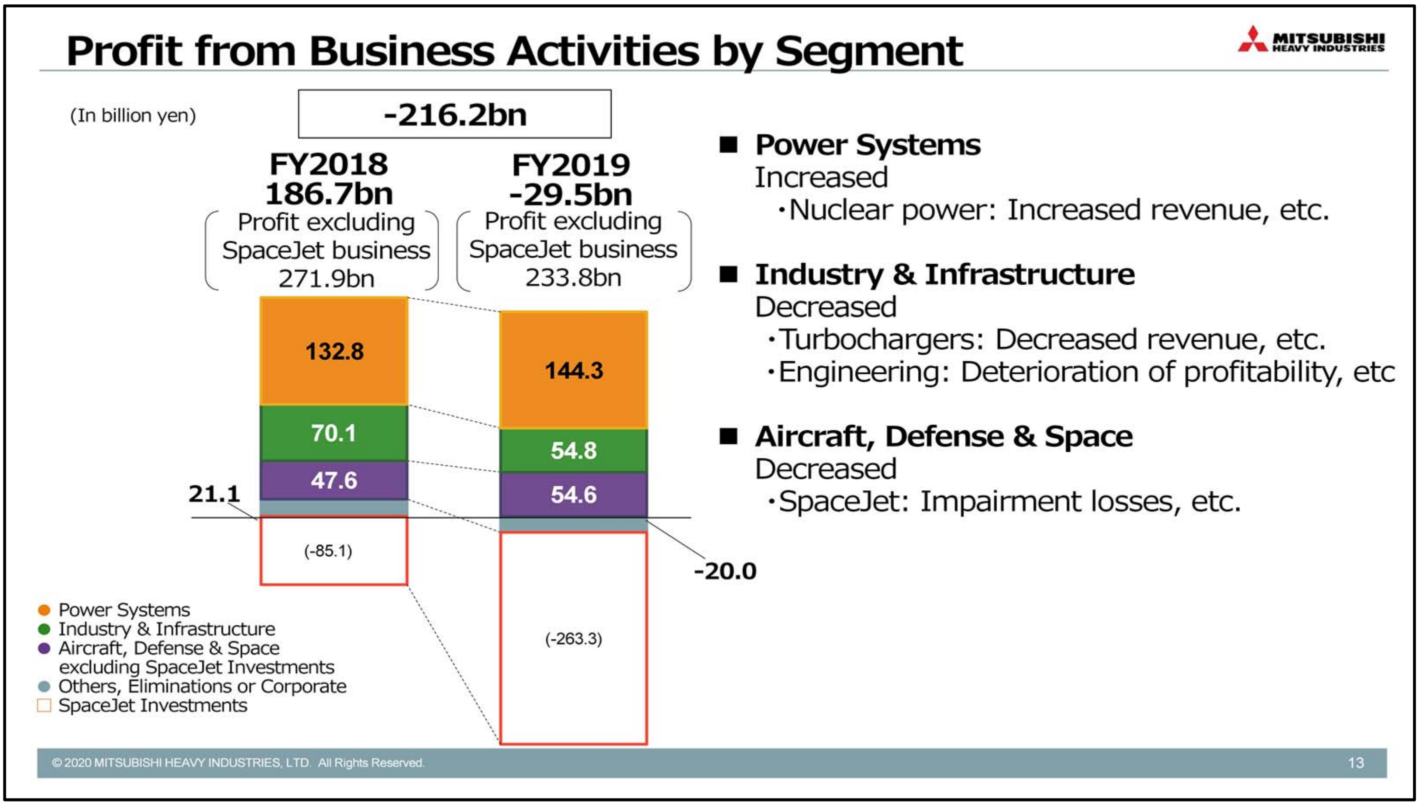
	FY2018	FY2019	Change
Operating cash flow	404.9	452.5	+47.6
Investment cash flow	-161.8	-239.5	-77.6
Free cash flow	243.0	212.9	-30.0



As for FY2019 order intake, the Power segment enjoyed increases, especially in GTCC and nuclear power. In the Industry & Infrastructure segment, turbochargers and machine tools fell significantly. In the Aircraft, Defense & Space segment, orders increased mainly in space systems, defense aircraft / missile systems and naval ships. Order backlog increased mainly in the Power segment, resulting in a total increase for the first time in three years.



Turbochargers revenue declined approximately 20% from the previous fiscal year.



As described on page 7, the increase in SpaceJet-related losses has had a significant impact. Profit from business activities excluding SpaceJet decreased by ¥38.1 billion to ¥233.8 billion from ¥271.9 billion in the previous fiscal year.
As I mentioned earlier, we are taking the decline in our profitability excluding SpaceJet seriously. On top of this, the impact of the COVID-19 crisis is also expected to be significant. Under these circumstances, profit from business activities will be exposed to strong downward pressure, at least temporarily.

Please refer to pages 45-47 for additional information on order intake, revenue and profit from business activities by segment.

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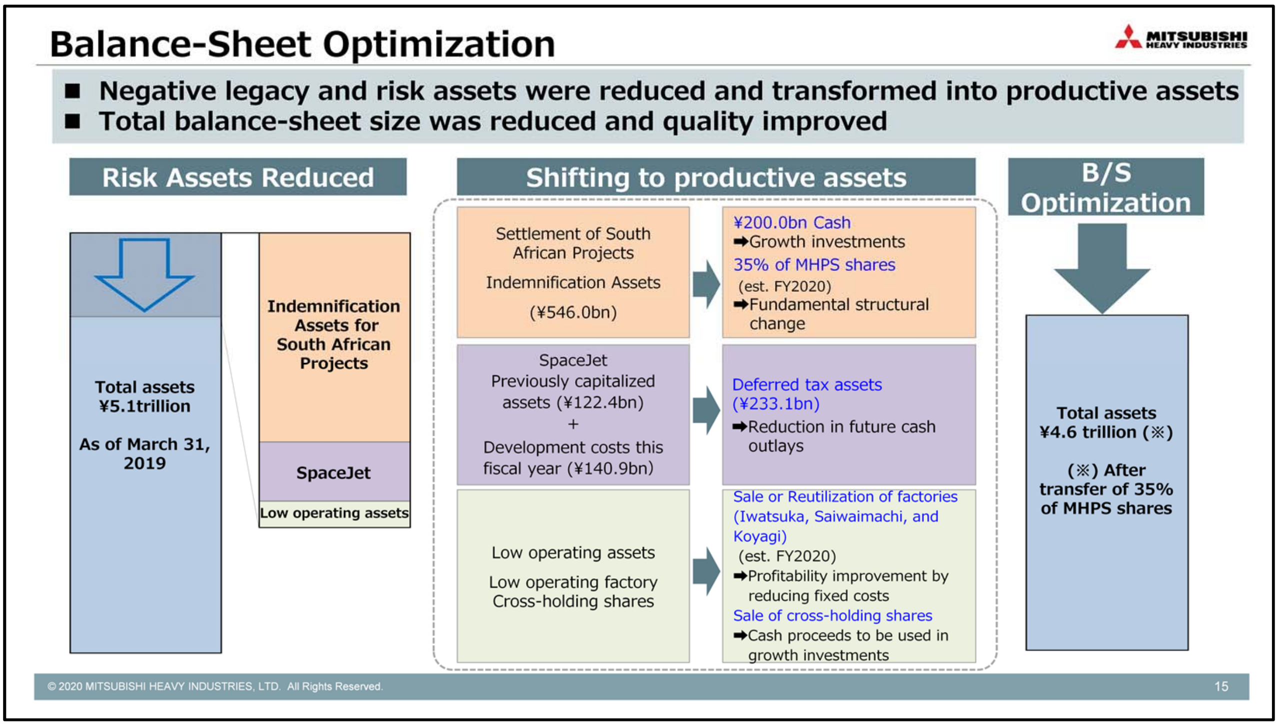
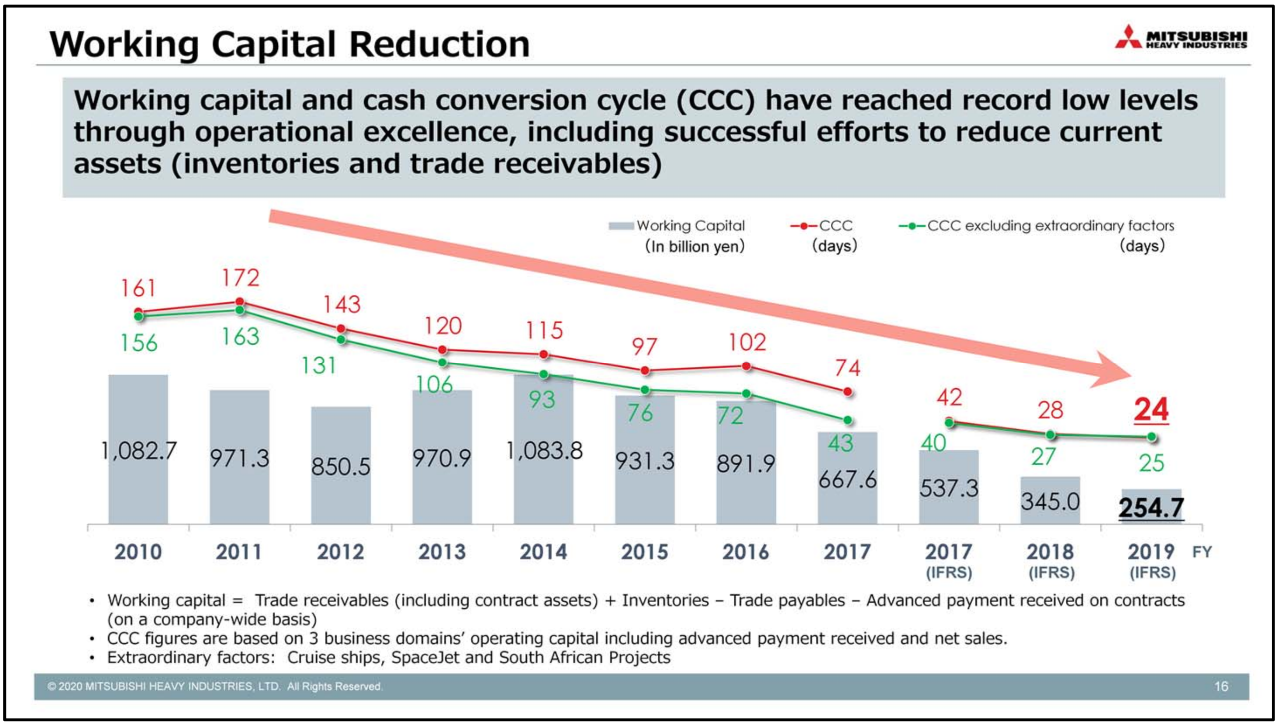
Ⅱ. Analysis of Financial Position and Business Performance Based on FY2019 Results

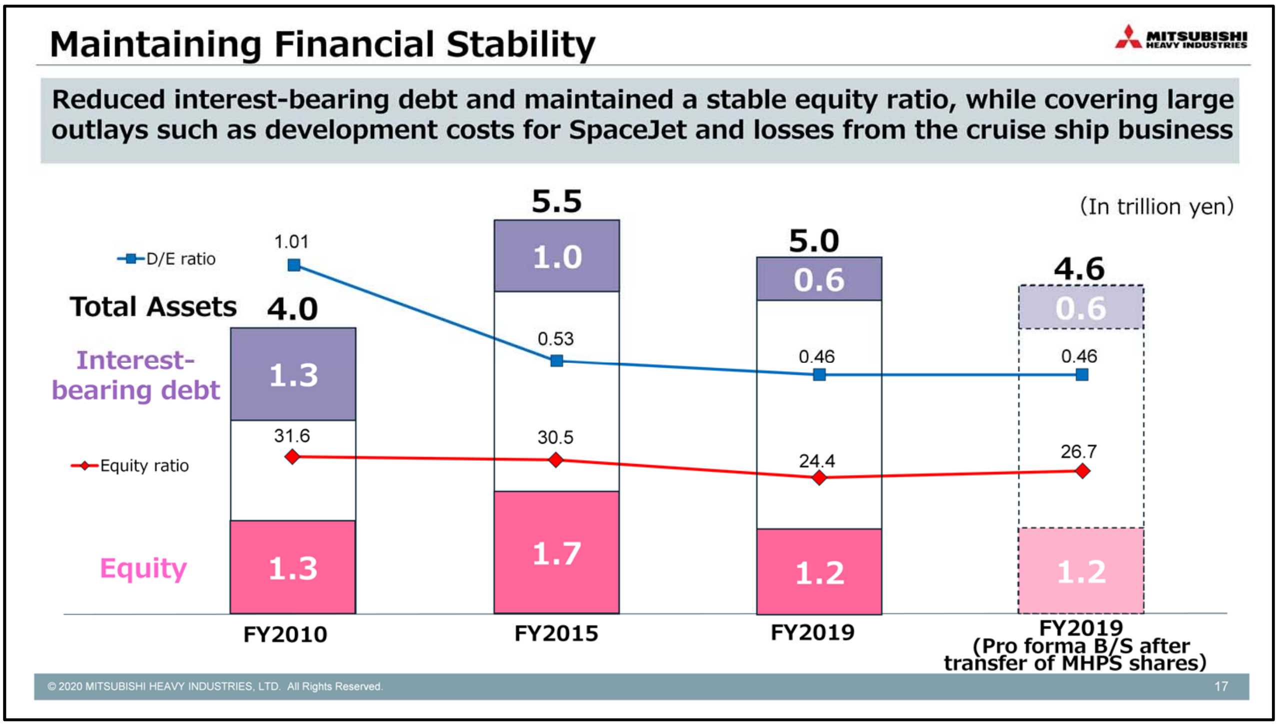


Here we summarize the improvements that we made to our balance sheet in FY2019.
First, I will explain the notes marked with ※ on the right.
The slide shows total assets of ¥5.1 trillion on the left and ¥4.6 trillion on the right. On page 9, I explained that total assets decreased from ¥5,142.7 billion at the end of FY2018 to ¥4,985.6 billion at the end of FY2019. As of the end of FY2019, the balance sheet still included ¥407.8 billion of indemnification assets related to South African projects for which a settlement was reached with Hitachi, Ltd. If these assets had not been included, the balance sheet would effectively have been ¥4,577.8 billion, or about ¥4.6 trillion.

We believe that we were able to reduce the size and improve the quality of our balance sheet by reducing negative legacy and risk assets and transforming them into more productive assets.
The main contents of the shifting of assets are described here.
Indemnification assets related to South African projects will be transformed into ¥200.0 billion cash and an increase in MHI's ownership of MHPS to 100%. Cash payment from Hitachi was already received at the end of March this year, and the 100% consolidation of MHPS is scheduled to take place upon antitrust clearance from regulatory authorities abroad.
In addition, all SpaceJet-related assets were written off in FY2019. An impairment loss was recorded due to the uncertainty over the collectability of assets previously recorded.
At the same time, we recorded deferred tax assets that have the effect of reducing future cash-outs in tax payments on future profits generated by the company on a consolidated basis.
We have also sold some cross-holding shares, and sold or reutilized some low operating factories. Through these measures our balance sheet is steadily improving.

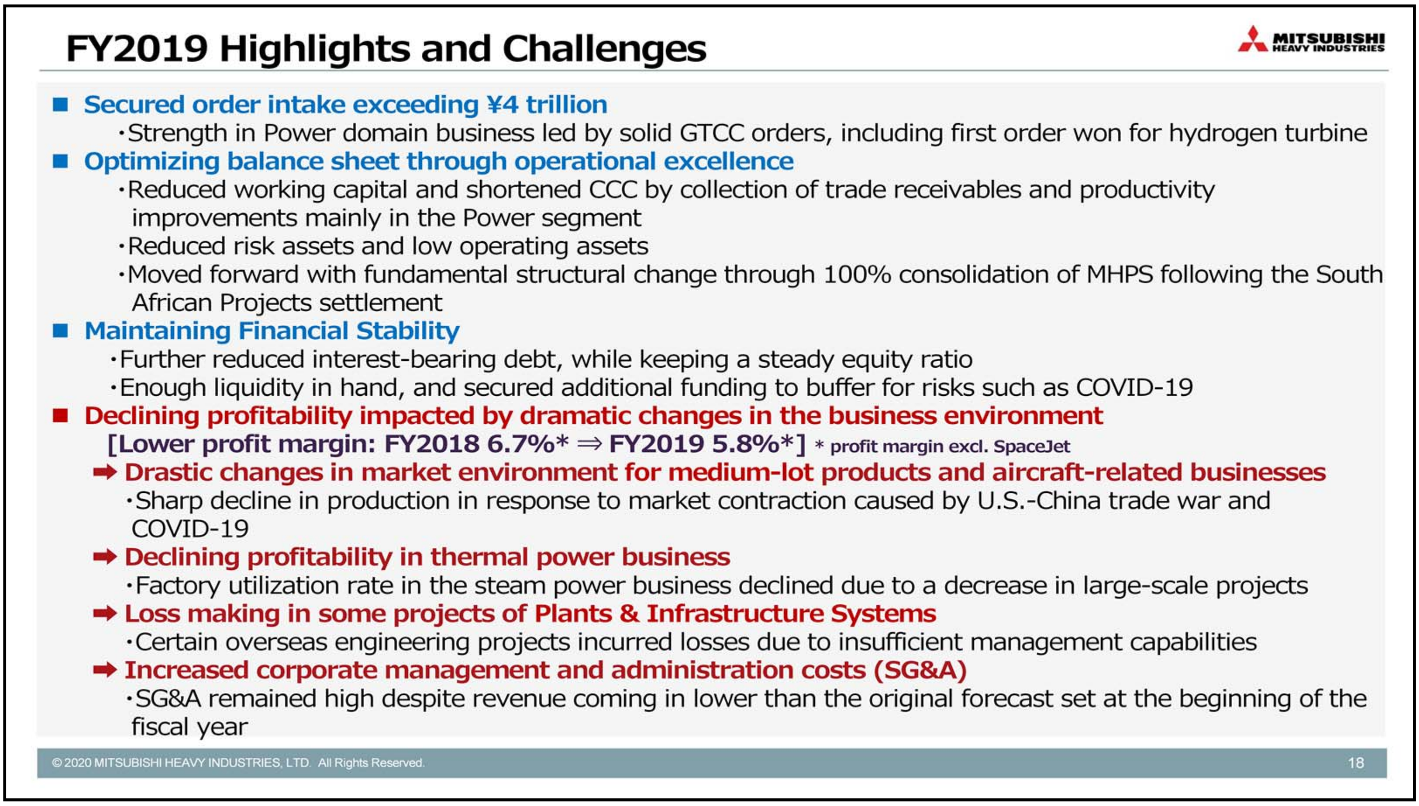


From this chart, I think you can understand that the reduction of working capital and the improvement of the cash conversion cycle (CCC) have been progressing steadily over the past 10 years.
A year ago, I thought it would be difficult to improve on these, but in fact we succeeded in making further improvements in FY2019 through negotiating better payment conditions and other similar activities.
In FY2020, unfortunately, we expect that working capital will increase, as we consider the progress of projects for which we have received advance payments.



Page 17 summarizes changes over time in indicators relating to financial stability. The bar graph on the far right shows the pro-forma based figures when the adjustments related to MHPS shares scheduled for FY2020, as explained on page 15, are reflected on the balance sheet as of the end of FY2019.

Interest-bearing debt reached a record low of approximately ¥600.0 billion, and net debt was approximately ¥320.0 billion after offsetting cash and cash equivalents.
The debt-to-equity ratio was 0.46, higher than 0.38 in the previous fiscal year, but we believe this is still within an acceptable range.
The equity ratio has declined to 24.4%, but when calculated based on the far right figures, taking into account adjustments for South African projects-related assets as explained earlier, the ratio becomes 26.7%, which I believe is a relatively stable level.



In summary, an overview of FY2019 highlights and challenges is shown on page 18. Sentences written in blue are positive remarks, while sentences written in red outline our challenges.
First, the strong performance of Power segment contributed to our securing order intake in excess of ¥4 trillion.
Next, we believe that we have made steady progress in reducing the size and improving the quality of our balance sheet.
And, while sufficient liquidity has always been maintained, we have taken measures to further mitigate risks by securing additional credit lines in preparation for the disruption caused by COVID-19.

Our primary challenge is a decline in profitability of our businesses, even excluding SpaceJet.
The four main contributing factors are the drastic changes in the market caused by COVID-19, excessive fixed costs in the steam power business, loss making projects in overseas plant businesses, and the trend toward increasing SG&A expenses. Facing these challenges, we recognize that it is critical to take appropriate measures immediately.
This concludes my explanation.
Mr. Izumisawa, our President and CEO will continue to explain our FY2020 strategic measures.

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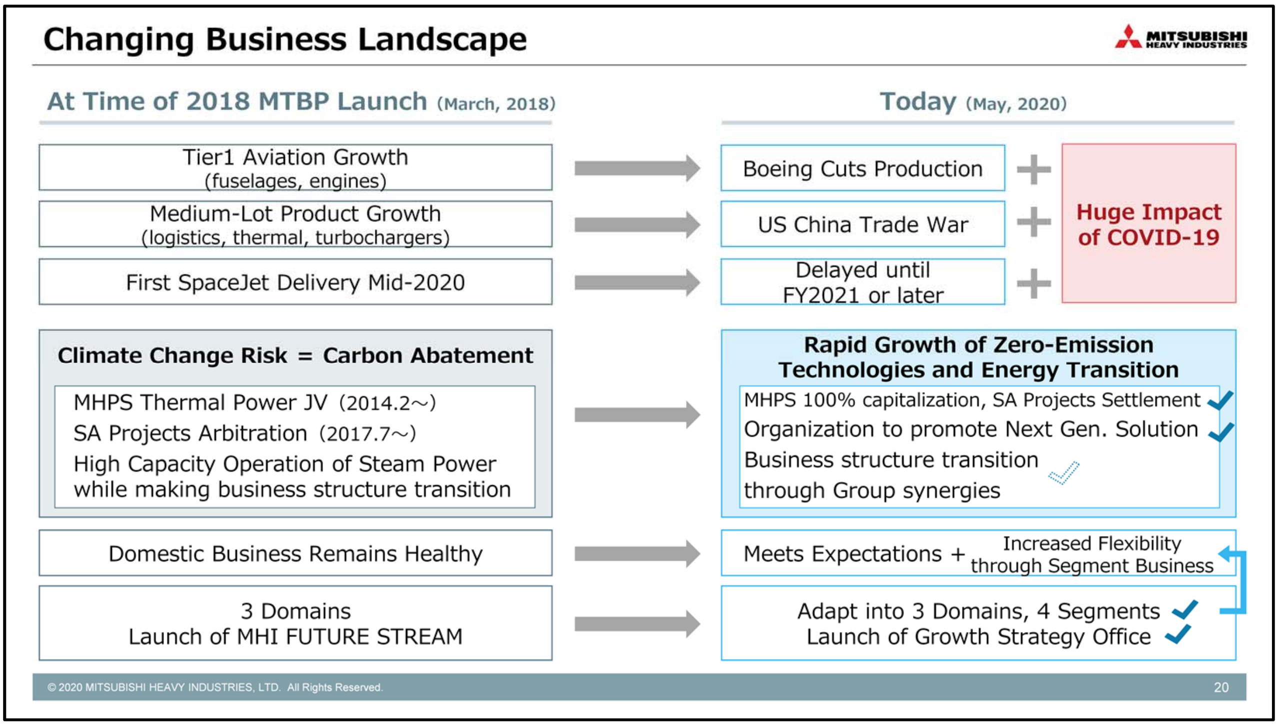
Ⅲ. FY2020 Strategic Measures



Now, I, President and CEO Izumisawa, will explain our strategic measures for FY2020.
Page 20 compares the business environment at the time of the launch of the 2018 Medium-Term Business Plan (2018 MTBP) with that of today. When formulating the 2018 MTBP, we positioned the following businesses as growth areas: Aero Structure Tier 1 and aero engines, as well as logistics systems, thermal systems and turbochargers. However, the subsequent decline in Boeing's production levels and the trade friction between the United States and China has had an impact. In our SpaceJet business, the delivery of the first aircraft was scheduled for the middle of CY2020, but was postponed until FY2021 or later due to delays in development.
These businesses are further significantly affected by the COVID-19 crisis, demanding that urgent measures be taken.

Next, as for the Power business, at MHPS, our joint venture company for thermal power, we have been working on structural reforms with a view to balancing the current high operational levels in our steam power business and the eventual reduction in the size of our steam power business from FY2021 onward. In this field, global decarbonization and energy transition are accelerating. Against this backdrop, we decided to make MHPS a 100% subsidiary of MHI with the settlement of the South African projects. Through this strategic step we will build an organization to promote next-generation solutions, and accelerate the structural transition of this business by expanding synergies within the MHI group.

Domestic businesses, particularly nuclear power and defense and space businesses, have remained firm. And, in terms of overall organization, while we have been operating our businesses under three domains, in April we reorganized our business organization structure into three domains and four segments with the aim of improving our business agility.
In addition to the above, under our current 2018 MTBP, we launched and have been developing growth strategies through the MHI FUTURE STREAM activities. To advance these growth strategies we recently established the Growth Strategy Office. We will work to expand new growth areas through collaboration between domains.

FY 2020 Strategic Countermeasures

MITSUBISHI HEAVY INDUSTRIES

COVID-19 Impact

- Determine impact, implement emergency measures for Tier 1 aviation, medium-lot products (Countermeasure ① P.22～23)

Earning Capacity

- Nurture Group synergy of new MHPS and increase profitability of thermal power（Countermeasure ② P.24~25）
- Answering needs of the new generation, expand service business（Countermeasure ③ P.26）
- Double down on risk management, eliminate losses in engineering projects
- Decrease corporate expenses, increase efficiency（Countermeasure ④ P.27）

SpaceJet

- Examining development schedule and budget to reflect impact of COVID-19（Countermeasure ⑤ P.28）

Strong & Growth Areas

- Maintain strength of domestic businesses (nuclear power, defense, space etc.), invest resources in promising areas
- Expand offshore wind business in Japan and Asia (Countermeasure ⑥ P.29)

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In response to these changes in the business environment, we have developed a set of major strategic measures for FY2020, which are listed here.
The first is determining the impact of COVID-19 and implementing emergency measures. Details are provided on the following pages.
The second challenge is how to secure profitability in the current business environment. As part of that effort, we will strive to maximize group synergies and expand our services business, centering on the new MHPS (Mitsubishi Power).
The third is a review of SpaceJet's development schedule and budget.
Finally, we will work to maintain the solid performance of our nuclear power and defense and space businesses and keep the current profit level.

Countermeasure ① Evaluating the impact of COVID-19

- **Significant near-term impact on commercial aircraft and medium-lot products businesses, taking immediate emergency measures**
- **Concern with some delays in project orders and execution, working to minimize impact**

Commercial Aircraft

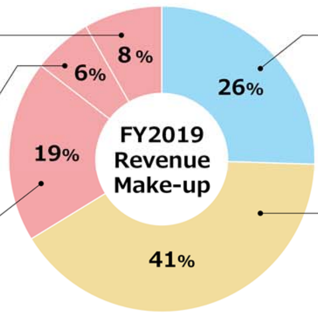
Aero Structures Tier1, Aero Engines

- FY20 passenger demand forecasts showing 50% decline from FY19
  → Reduced airline investment
- Lower production rates forecast after OEM restarts

Medium-Lot Products (Auto)

Turbochargers, Car Air-conditioners, Machine Tools

- While Chinese customers may resume operations, continued suspensions expected in Japan, EU and US
- Temporary production outages and rate adjustment seen broadly in the market



Medium-Lot Products (Other)

Logistics Systems, Air-conditioning, Engines

- Chinese operations trending toward recovery
- Low operational rates are expected for ex-China business, including supply chains

Plants & Projects (Domestic)

Nuclear Power, Defense, Space, Ships, Environmental Plants, Engineered Systems

- Limited impact in domestic operations
- Thorough measures in place to prevent infection at project sites

Plants & Projects (Global)

Thermal Power, Compressors, Chemical Plants, Transportation Systems, Metals Machinery

- Impacted by flight restrictions and supply chain disruption
- Delays seen in contract negotiations and order placement process
- Capex plans under review in certain segments, such as Oil & Gas

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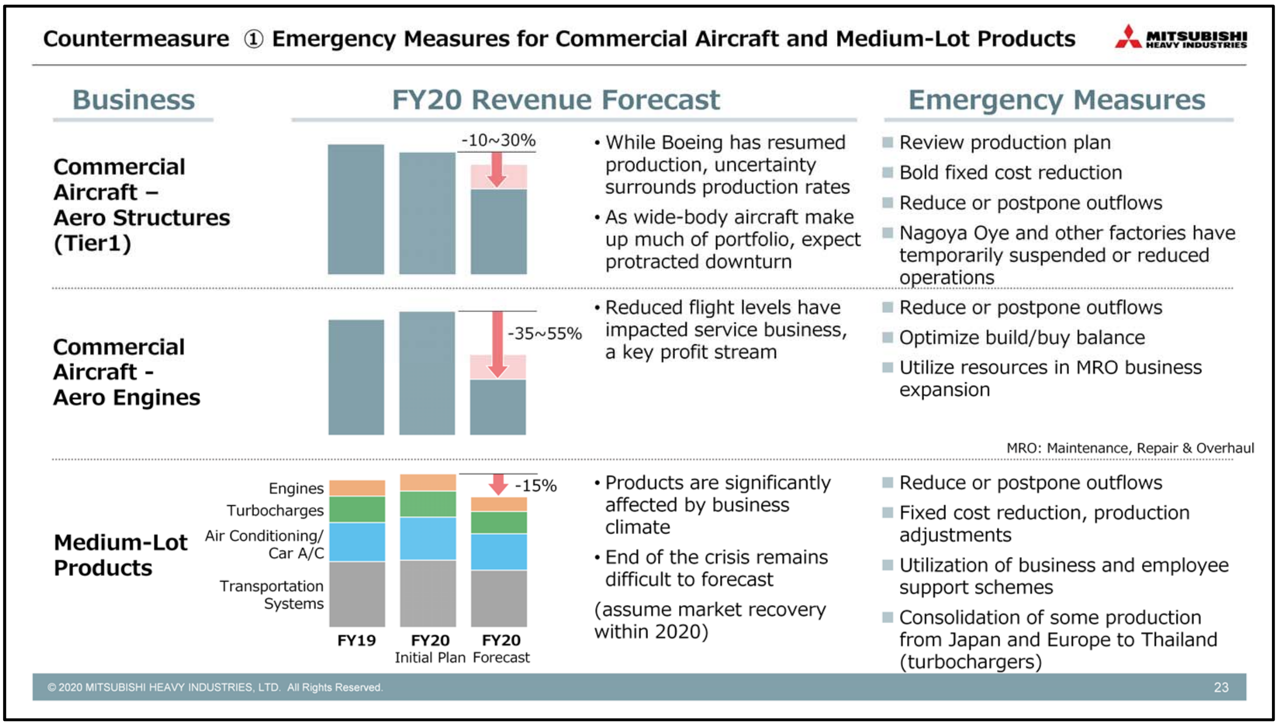
In the commercial aircraft-related business and automobile-related medium-lot product business, the impact of COVID-19 is very severe, and we have already started implementing emergency measures. These businesses account for approximately 1/3 of our company's overall revenue.

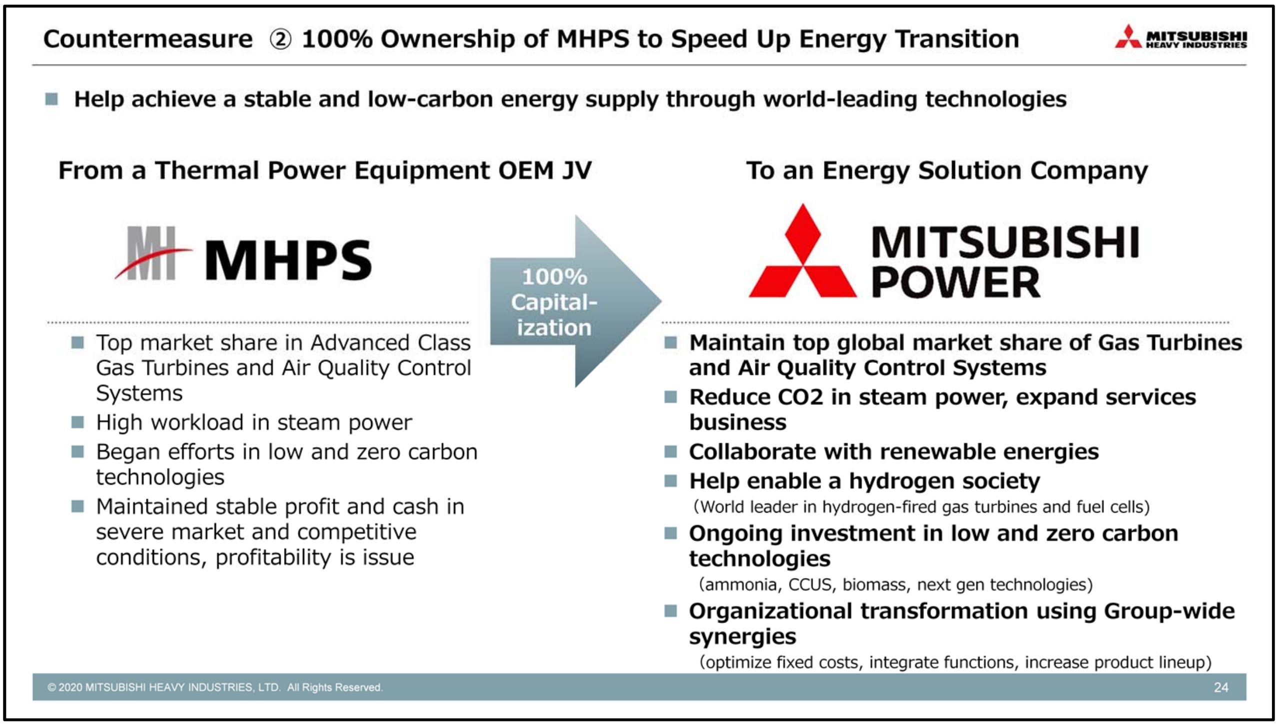
In addition, we have concerns about some construction delays in projects in the overseas plants & projects business, and, furthermore, we are starting to see effects on new order intake. Although we expect relatively little effect on our domestic plants & projects business, which accounts for 1/4 of total revenue, we will continue to make efforts to minimize the impact in the remaining 3/4 of our businesses.



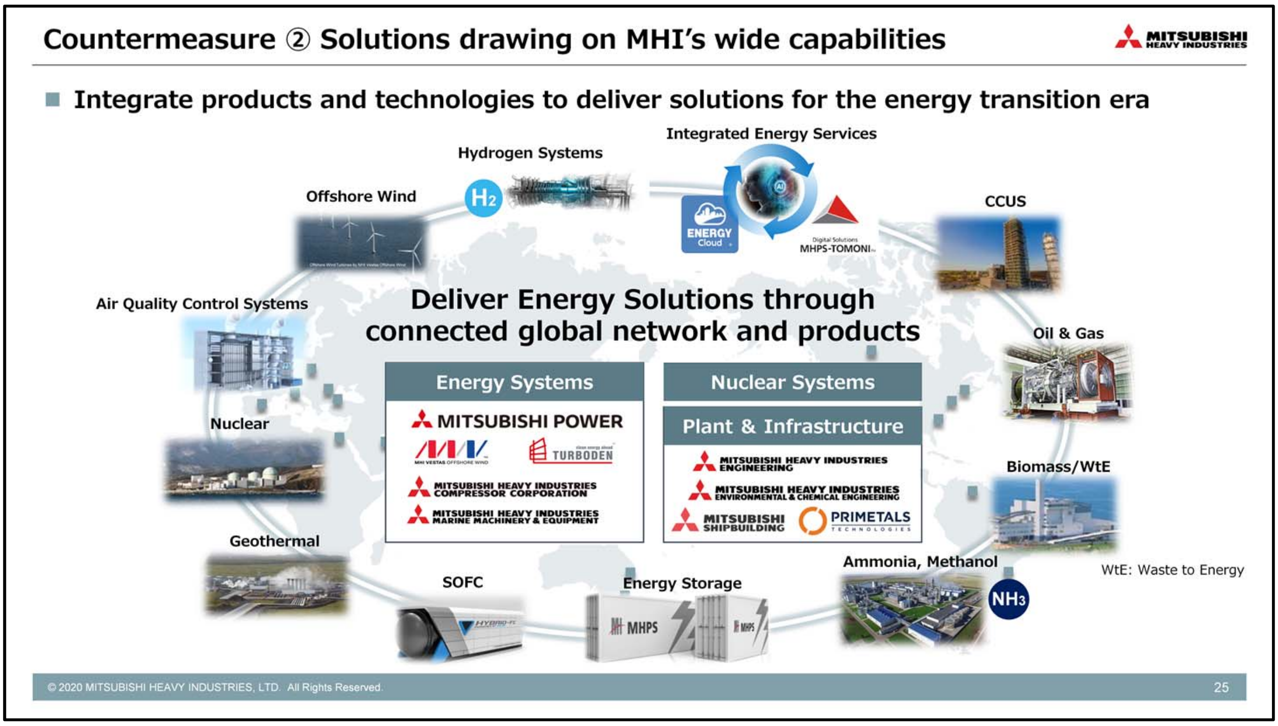
This page provides a summary of emergency measures for commercial aircraft and medium-lot products that are expected to be significantly affected by COVID-19.
In our aero structures (Tier1) business, we expect revenue for this fiscal year to decrease by 10% to 30% compared with the previous fiscal year due to production cutbacks at Boeing.
There is also a concern that the impact may be prolonged depending on the recovery of flight levels at airlines. In addition to reviewing production plans and reducing fixed costs, we have already suspended or reduced operations at our plants in Nagoya and other factories temporarily.

As for aero engines, shown in the middle section, we expect a significant decrease in both revenue and profits due to a decline in aircraft operations. In response to these circumstances, we will reduce external outflow costs and defer investments.

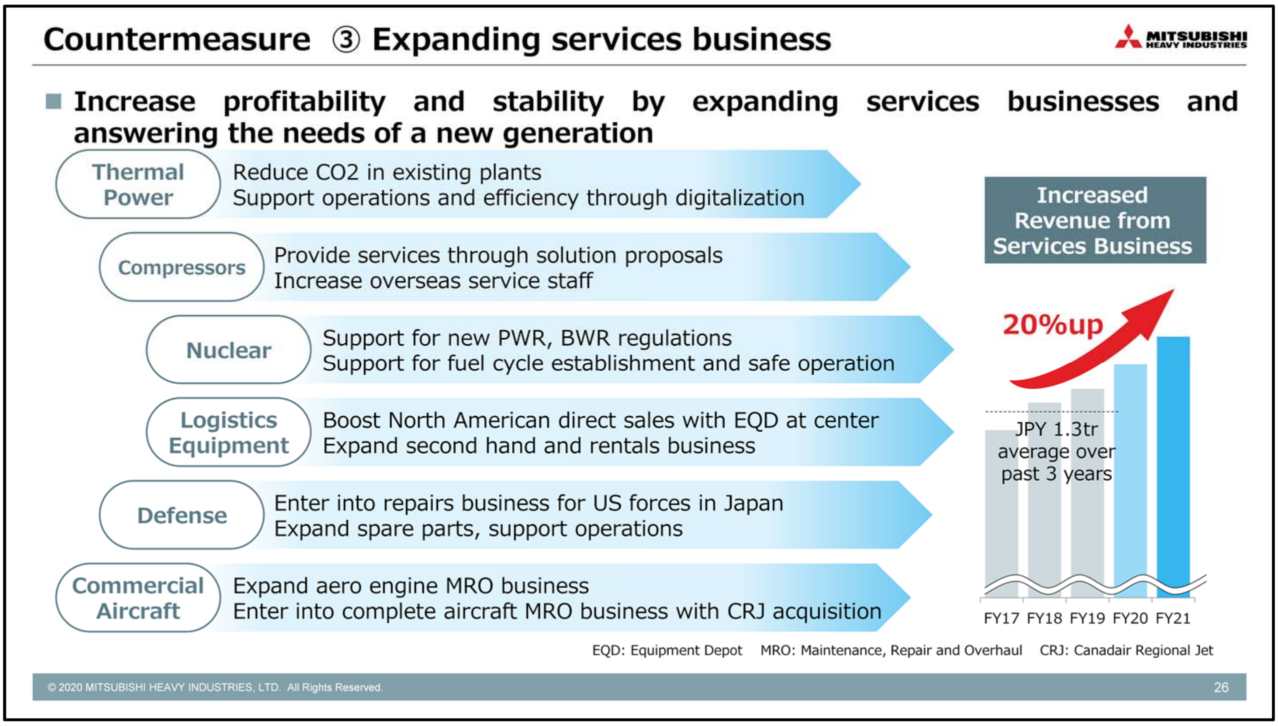
In medium-lot products, the impact on our automobile-related businesses, including turbochargers, will be significant, and we will respond by reducing fixed costs, adjusting production, improving productivity by consolidating plants, and so on. It is difficult to predict when the effects of COVID-19 will end, but our plan is based on the assumption that the market will recover within CY2020.



By making MHPS a 100% subsidiary, we will transform a pure thermal power JV into an energy solution company. As demand for gas turbines, an area where we have been strong, is expected to be stable, we will maintain a leading share in the global market by leveraging our validation facilities and competing against our competitors in terms of quality, performance, and price.
As for steam power, since we have to be realistic about receiving orders for new plants, we will shift resources to after-sales service for the existing plants.
In addition, we will promote collaboration on renewable energy projects, and develop our role in the highly anticipated hydrogen society and broader decarbonized future.



We intend to provide solutions to society through the integration of products and technologies. This page introduces our group companies, products, and businesses in diverse fields.

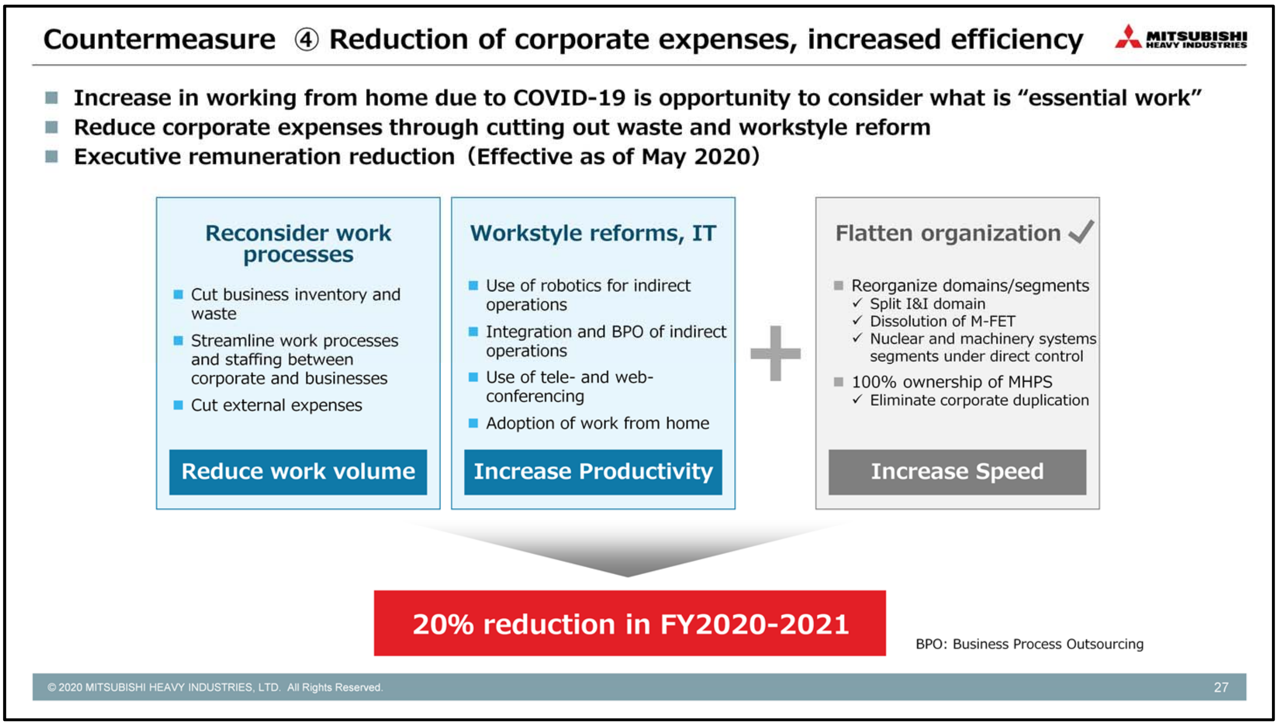


We will focus on expanding our services businesses to increase and stabilize profitability.

In the recent past, revenue from our services business has been approximately ¥1.3 trillion; we now plan to increase this by approximately 20%. To this end, we are shifting our workforce, expanding sales, and enhancing our AI-powered service menu. At the same time, we are promoting initiatives across the Group, centered on our shared technology division.

Specifically, in the example of the power business, we will help customers improve efficiencies and optimize operation of existing plants, and in compressors and logistics equipment, we will strengthen our service structure and increase the market coverage.

In nuclear power, we will expand our support to customers in line with new regulations, and in the field of commercial aircraft, we will expand our MRO business.



While we have expanded our businesses through M&A activities, the corresponding expansion in business scale has been slower than expected. Taking advantage of the recent increase in working from home in response to COVID-19, we will reduce corporate expenses by 20% from FY2019 levels between FY2020 and FY2021, by undertaking a rigorous review of business processes and promoting reforms in our ways of working.

In addition, due to the severe business outlook, we have decided to reduce executive remuneration effective from May.

Countermeasure ⑤ SpaceJet

SpaceJet Family (June, 2019)

- Changed name from MRJ to Mitsubishi SpaceJet
- In addition to M90 (under flight testing), kicked off conceptual study for M100 (optimized model for North American market)

Change in First Delivery (February, 2020)

- First delivery of M90 delayed until FY2021 or later
- New development schedule to be assessed after FTV10*ferry flight

* The first Flight Test Vehicle eligible for Type Certificate

COVID-19 Impact (March, 2020～)

- Suspended TC flight test in Moses Lake US
- Delayed the ferry flight of FTV10 to US
- Impacted supply chain

\+

- Severe impact on the entire airline industry

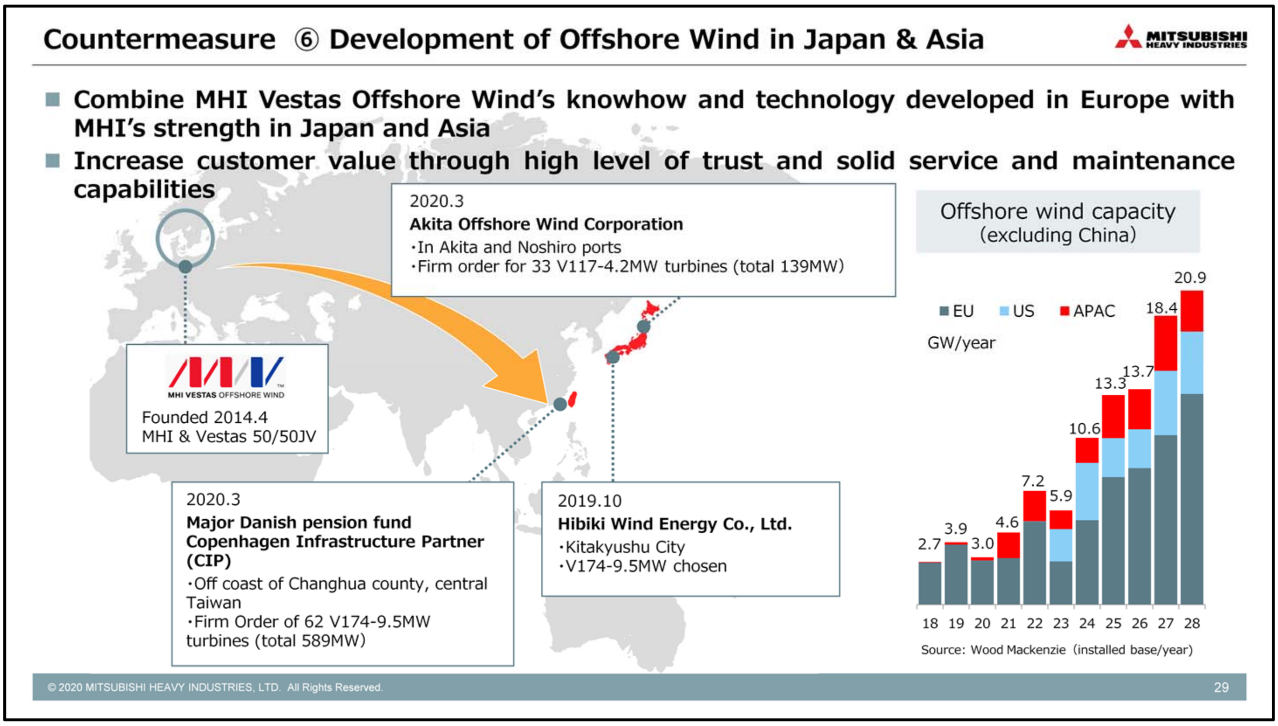
TC: Type Certificate

- **Continuing detailed review of the SpaceJet schedule in view of the severe market conditions facing commercial aviation and test flight-related setbacks**
- **Setting an appropriate budget considering challenging financial headwinds for MHI Group**

Singapore Airshow Exhibit Booth
(February 11 to 15)

Maiden Flight FTV10
(March 18 – Prefectural Nagoya Airport)

In our SpaceJet business, we announced in February this year that the delivery of the first SpaceJet aircraft would be postponed until FY2021 or later due to delays in flight testing. At that time, the ferry flight of the flight test vehicle eligible for type certificate to the United States was considered to be an important milestone, but due to the effect of COVID-19, the timing for the ferry flight is currently undecided. The environment surrounding the aircraft business has also changed significantly. Against this backdrop, we will continue a detailed review of the development schedule for the M90. In addition, considering the MHI group's challenging financial headwinds, we will fund the project under an appropriately sized budget.

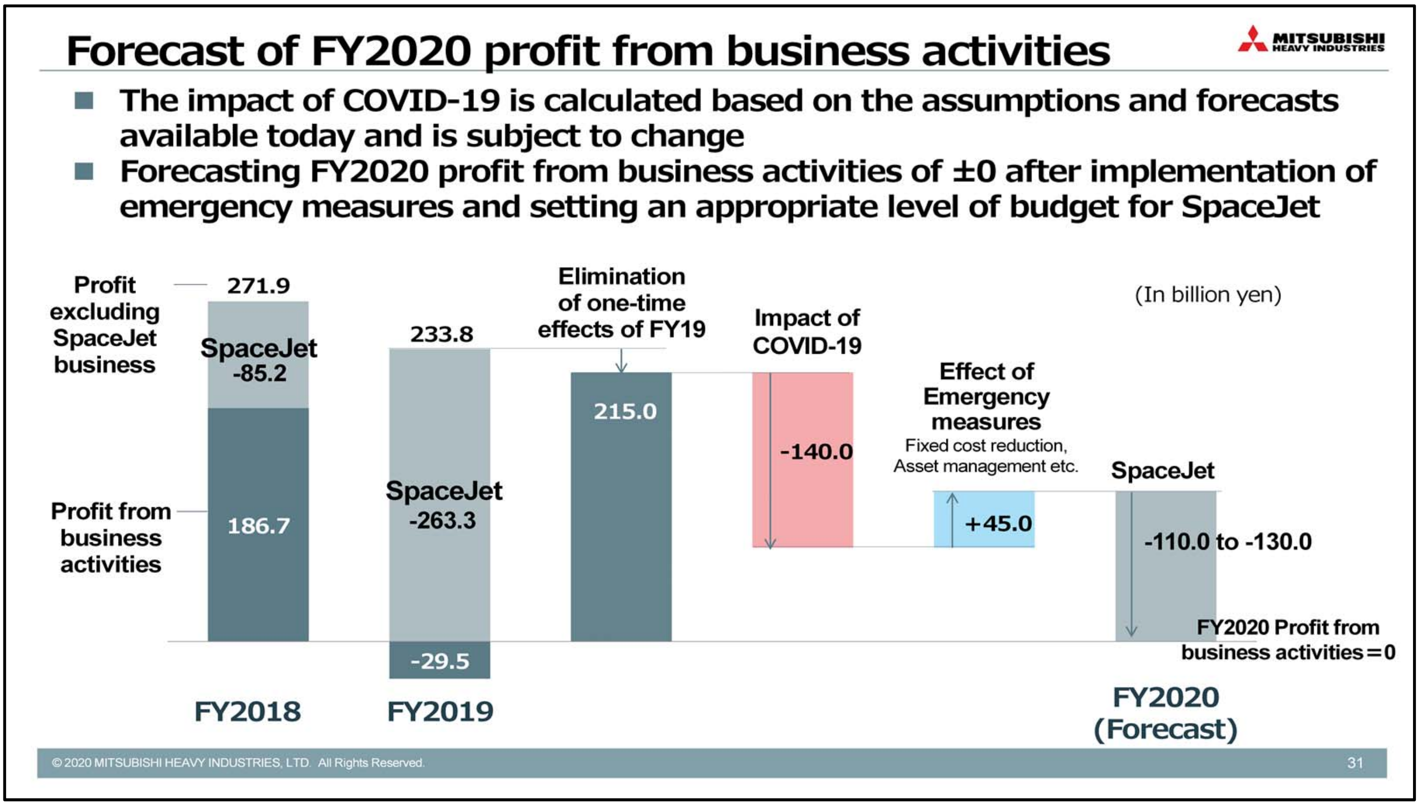


Offshore wind turbine projects are increasing in Japan and Asia, following business in Europe and the United States.
Know-how developed in Europe will be applied in Japan and other Asian markets where MHI has a strong presence.

MOVE THE WORLD FORWARD MITSUBISHI HEAVY INDUSTRIES GROUP

Ⅳ. Forecast for FY2020

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, those projections involve risks and insecurity.
For this reason, investors are recommended not to depend solely on these projections for making investment decisions.
It is possible that actual results may vary significantly from these projections due to a number of factors.
These include, but are not limited to, economic trends affecting the Company's operating environment, currency movements of the yen value to the U.S. dollar and other foreign currencies, and trends of stock markets in Japan.
Also, the results projected here should not be construed in any way as being guaranteed by the company.



While there are numerous difficulties in forecasting FY2020 profit from business activities due to the impact of COVID-19, we have formulated a forecast based on the immediate situation and current assumptions.
Our core earning capability in FY2019 excluding the impairment losses for SpaceJet and one-time effects is assumed to be ¥215.0 billion, as shown in the third bar from the left in the bar graph.
In FY2020, we are forecasting that the impact of COVID-19, particularly in commercial aircraft and automobile-related businesses, will result in a decline of approximately ¥140.0 billion in profit.
On the other hand, we expect an improvement of approximately ¥45.0 billion from the emergency measures and asset management activities explained earlier. And, finally, by setting an appropriately sized budget to fund the SpaceJet development, we are forecasting profit from business activities will be ± ¥0 in FY2020.
In addition to the profit from business activities described above, a summary of our forecast including order intake and revenue is shown on page 32, and a forecast for the SpaceJet investment and for the business excluding SpaceJet are shown on page 33.

Summary of Forecast for FY2020

(In billion yen)

	FY2019 (Actual) (Profit margin)		FY2020(Forecast) (Profit margin)	Change	
Order Intake		4,168.6	3,500.0	- 668.6	(- 16.0%)
Revenue		4,041.3	3,800.0	- 241.3	(- 6.0%)
Profit from business activities	(-0.7%)	- 29.5	0.0	+29.5	
Profit attributable to owners of parent	(2.2%)	87.1	0.0	- 87.1	
ROE		6.6%	-	-	
EBITDA	(2.8%)	115.1	140.0	+24.9	(+21.6%)
Free cash flow		212.9	-400.0	-612.9	-
Dividend per share		150.0yen Interim: 75.0yen year-end: 75.0yen	75.0yen Interim: 0.0yen year-end: 75.0yen		

Undetermined foreign currency amount
USD: 2.4 billion
Euro: 0.5 billion

Assumed exchange rate
USD 1.00 = ¥110
Euro 1.00 = ¥120

Summary of Forecast for FY2020 (Cont'd)

MITSUBISHI HEAVY INDUSTRIES

(In billion yen)

FY2020 (Forecast)	Businesses excluding SpaceJet (Profit margin)		SpaceJet	Total (Profit margin)	
Order Intake		3,500.0	-		3,500.0
Revenue		3,800.0	-		3,800.0
Profit from business activities	(3.2%)	120.0	-120.0		0.0
Profit attributable to owners of parent	(2.4%)	90.0	-90.0		0.0
ROE		-	-		-
EBITDA	(6.8%)	260.0	-120.0	(3.7%)	140.0
Free cash flow		- 280.0	-120.0		-400.0

Forecast for FY2020 by Segment

(In billion yen)

	Order Intake			Revenue			Profit from business activities		
	FY2019	FY2020	Change	FY2019	FY2020	Change	FY2019	FY2020	Change
Energy Systems	1,773.6	1,450.0	- 323.6	1,600.7	1,550.0	- 50.7	144.3	100.0	- 44.3
Plants & Infrastructure Systems	743.3	650.0	- 93.3	796.9	750.0	- 46.9	25.5	30.0	+4.5
Logistics, Thermal & Drive Systems	985.9	850.0	- 135.9	990.1	850.0	- 140.1	29.4	- 30.0	- 59.4
Aircraft, Defense & Space	719.2	600.0	- 119.2	704.9	700.0	- 4.9	- 208.7	- 90.0	+118.7
Others	- 53.6	- 50.0	+3.6	- 51.3	- 50.0	+1.3	- 20.1	- 10.0	+10.1
Total	4,168.6	3,500.0	- 668.6	4,041.3	3,800.0	- 241.3	- 29.5	0.0	+29.5

This page presents the forecast for FY2020 by segment. In particular, logistics, thermal & drive systems is expected to experience significant declines in revenue and profit from business activities.

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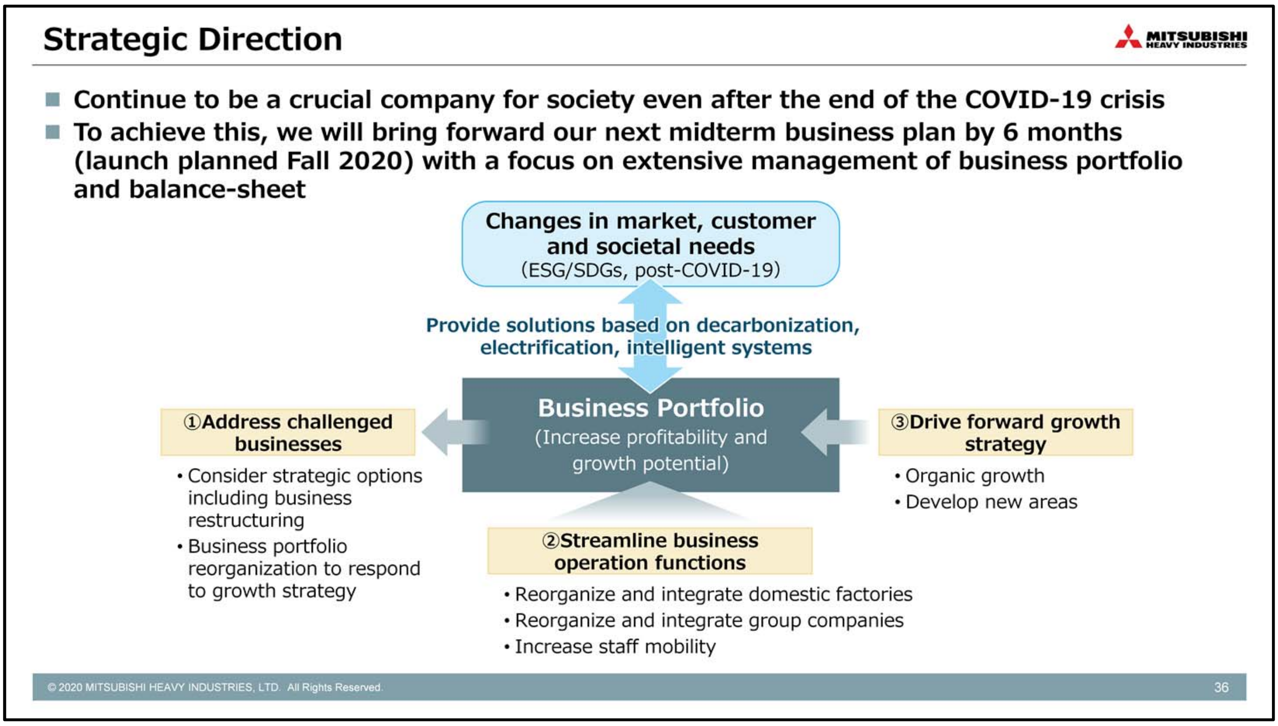
Ⅴ. Strategic Direction

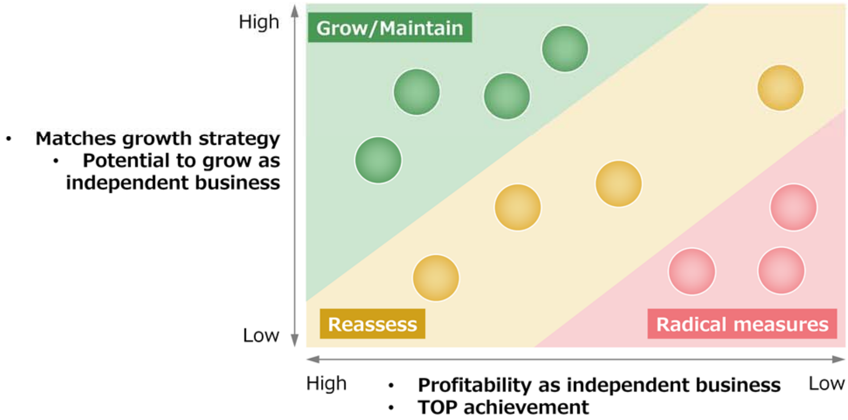


Finally, I will outline our strategic direction.
In order to continue to be relevant to society even after possible environmental changes following the COVID-19 crisis, we will move the planning and announcement of our next medium-term business plan forward by 6 months from the originally planned spring of next year. As a company, we will aim to provide solutions based on decarbonization, electrification, and intelligence in response to the changing needs of the market, customers, and society.
In promoting our growth strategy, we will pursue organic growth as well as development into new areas.
In addition, we will streamline our business management and administration functions by reorganizing and integrating domestic factories and group companies and by increasing the mobility of human resources. We will continue to reorganize our business portfolio to address challenged businesses. Please also refer to pages 37 and 38.

①Addressing challenged businesses

MITSUBISHI HEAVY INDUSTRIES

- Speed up business portfolio management considering financial evaluation and match with growth areas of decarbonization, electrification and intelligent systems
- Consider radical measures including strategic options such as business reorganization for challenged businesses



②Streamlining business operations functions

MITSUBISHI HEAVY INDUSTRIES

- **Reorganize Group companies and domestic offices to drive forward efficiencies and slim down balance sheet**
- **Decrease SG&A ratio to 12% from its current 15% which has been inflated by M&As (increase of 3% profitability)**

Increase corporate efficiency
- Decrease process volume
- Eliminate duplication, increase speed
- Increase productivity

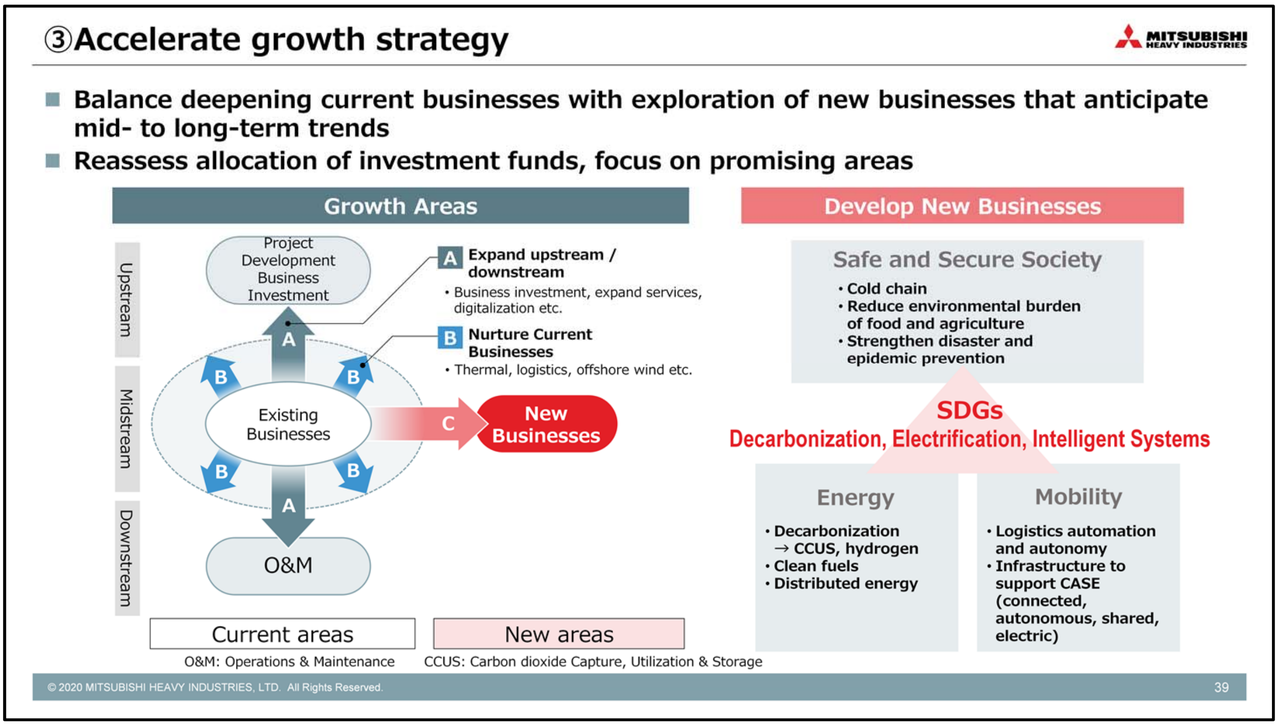
Reorganize domestic offices
- Increase productivity through reorganization and integration
- Cut management costs
- Drive forward asset management

Replace businesses
- Strengthen measures for challenged businesses
- Drive forward growth strategy

Integrate and reorganize Group companies
- Cut management costs

Increase staff mobility
- Shift staff within Group
- Strengthen HR measures

SG&A: Selling, General and Administrative Expenses



We will expand our existing hardware-focused business to upstream and downstream sectors through business investment and expansion of our service businesses. In developing new businesses, we will work to provide solutions through cooperation between business segments. And, with SDGs clearly in mind, we will focus our investments on promising fields, centering on energy and mobility. That concludes my explanation.

VI. Appendix

Appendix 1. FY2019 Business Update 1/2

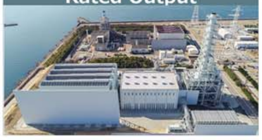
Energy Systems

- GTCC: Solid accumulation of orders, increasing profitability is issue
- Steam Power: Rapid deterioration in new builds, shift to services essential
- Offshore wind: Asian market becoming firm, expanding orders
- Aero engines: Solid growth, but market will change significantly due to COVID-19
- Compressors: Expanding service business due to stable profitability
- Nuclear: Centered around PWR, also expanding BWR and fuel recycling

Plants & Infrastructure Systems

- Commercial Ships: Continuing with Koyagi measures, solid management around government ships and domestic ferries
- Engineering: Focusing on steps to improve profitability
- Steelmaking machinery: Return to profitability by improving projects management
- Machine tools: In addition to deteriorating market, COVID-19 expected to extend downturn
- Environmental equipment, machinery systems: Stable profitability mainly centered on domestic market

T Point 2 Reaches Rated Output



Long-term validation of 1650℃-class JAC

Nuclear Fusion Reactor

Completion of First Toroidal Field Coil for ITER

Macau LRT Starts Operations

Completion of automated unmanned rail system

Appendix 2. FY2019 Business Update 2/2

MITSUBISHI HEAVY INDUSTRIES

Logistics, Thermal & Drive Systems

- Logistics equipment: PMI continuing including integration of domestic sales companies, strengthening U.S. direct sales

PMI: Post Merger Integration

- Turbochargers: Due to change in market outlook, shift from growth to cutting fixed costs
- Engines: Increasing profitability is issue, focus resources on medium to large energy generation
- Thermal: Development of low environmental burden products, expanding product lineup
- Car A/C: Growth from development of electric compressor for EVs

→ Medium-lot products taking overall hit from COVID-19 crisis

Commercial Aviation, Defense & Space Systems

- Aero Structures (Tier1): Increased production efficiencies, but market will change significantly due to COVID-19 crisis
- SpaceJet: Urgency around addressing development delays and ballooning investment
- Defense: Developing MRO business expansion
- Space: Consecutive H2A launch successes, H3 development making progress

Forklift integrated model

Launched new battery forklift “ALESIS”

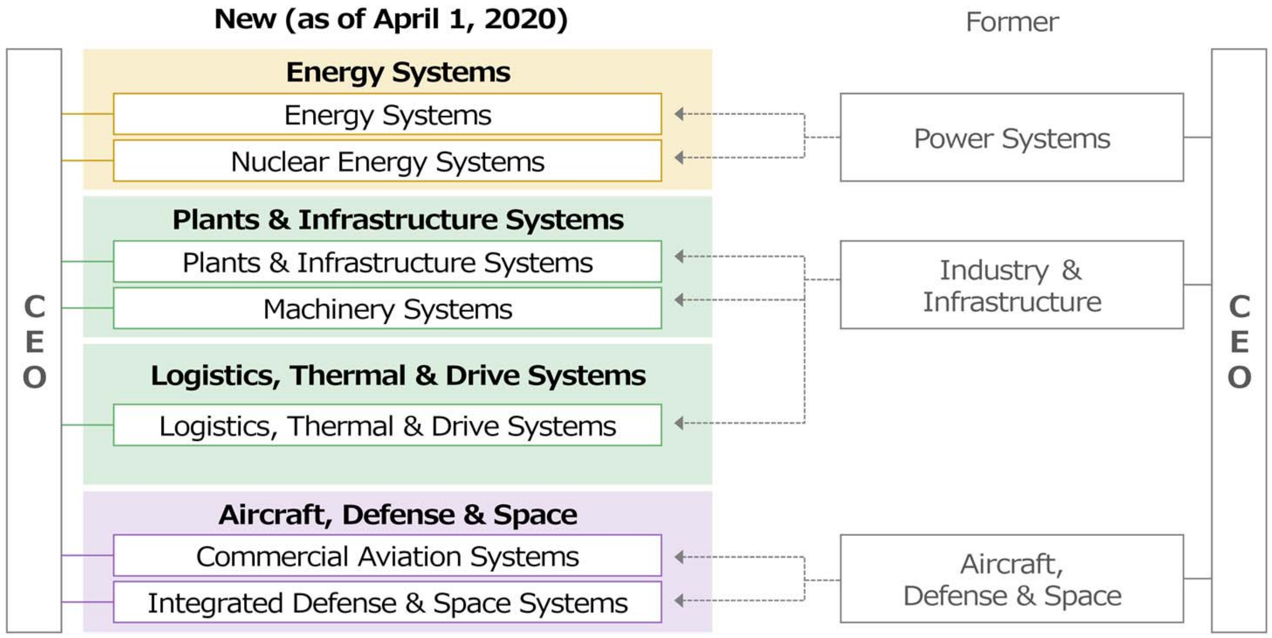
Air-cooled Heat Pump Chiller

Air-cooled heat pump chiller using R32 refrigerant

Composite Main Wing for Boeing

1,000th B787 composite main wing shipped

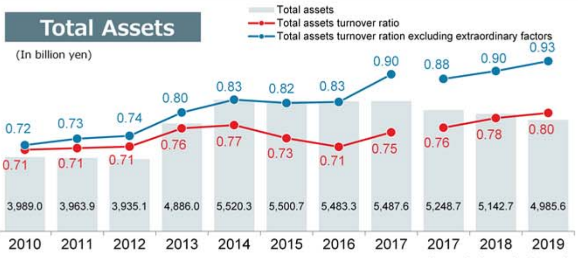
Appendix 2. Reorganization－ Flattening of Corporate Structures



Appendix 3. Financial Position

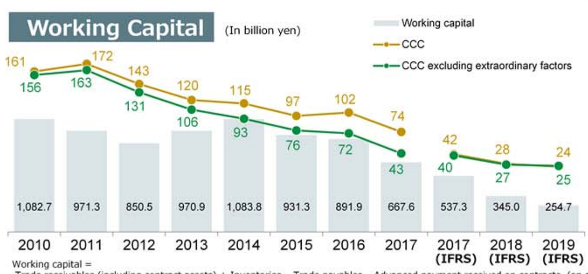
MITSUBISHI HEAVY INDUSTRIES

Total Assets



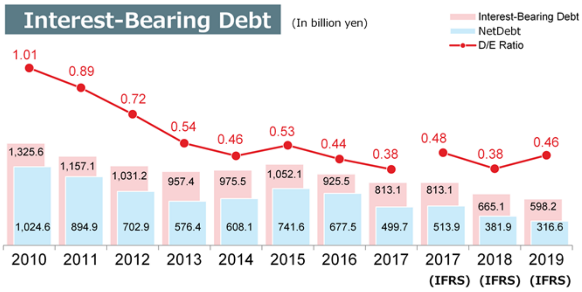
Total assets turnover ration =
Revenue / Total assets (average of beginning and end of the fiscal year)

Working Capital

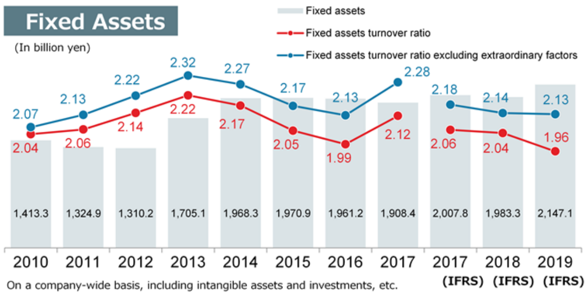


Working capital =
Trade receivables (including contract assets) + Inventories – Trade payables – Advanced payment received on contracts (on a company-wide basis)
CCC figures are based on 3 business domains' working capital including advanced payment received and revenue.

Interest-Bearing Debt



Fixed Assets

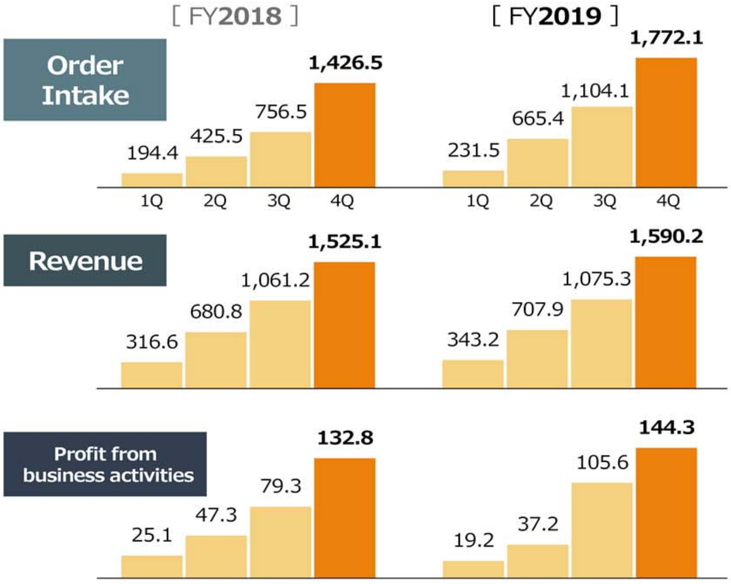


On a company-wide basis, including intangible assets and investments, etc.

Appendix 4. Financial Results by Business Segment (Power Systems)

MITSUBISHI HEAVY INDUSTRIES

(In billion yen, accumulated amount)



Order Intake: Up ¥345.5bn YoY

Increased···GTCC, Nuclear power

Gas turbine order intake

FY2018	Americas	Asia	EMEA	Others	Total
Large size	5	6	2	-	13
Small to medium size	7	11	-	-	18
Total	12	17	2	0	31

FY2019	Americas	Asia	EMEA	Others	Total
Large size	7	10	2	2	21
Small to medium size	3	2	6	-	11
Total	10	12	8	2	32

Backlog of gas turbine order intake

	Large size	Small to medium size	Total
As of Mar.31, 2019	44	15	59
As of Mar.31, 2020	49	15	64

Revenue: Up ¥65.1bn YoY

Increased···Nuclear power, Compressors, GTCC

Profit: Up ¥11.4bn YoY

Increased···Nuclear power: Increased revenue, etc.

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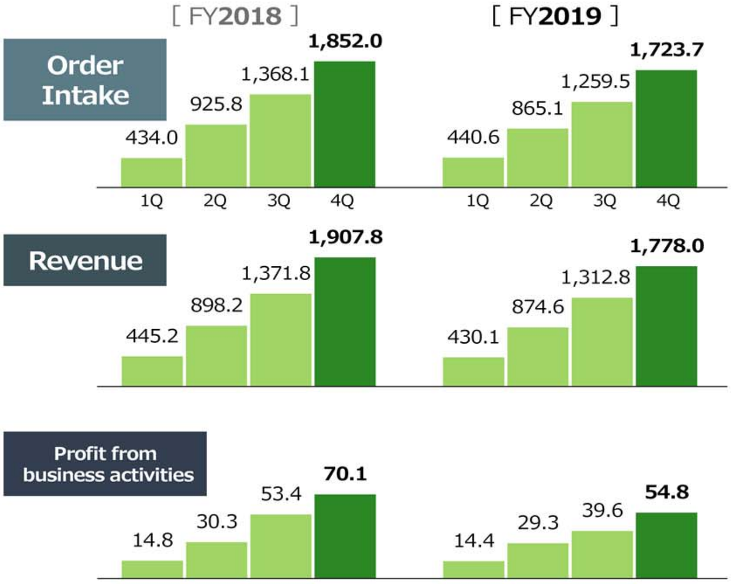
Appendix 4. Financial Results by Business Segment (Industry & Infrastructure)

(In billion yen, accumulated amount)



Order Intake: Down ¥128.2bn YoY

Decreased･･･Turbochargers, Machine tool

Revenue: Down ¥129.7bn YoY

Decreased･･･Turbochargers, Engineering

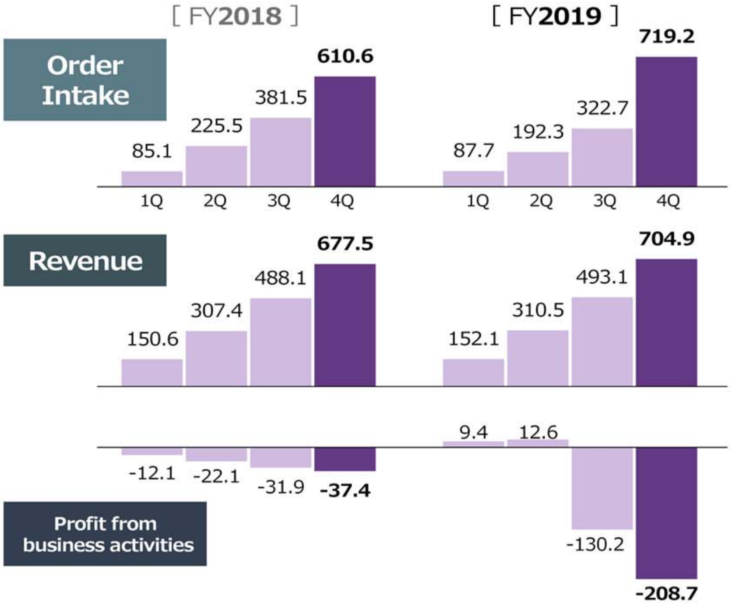
Profit: Down ¥15.2bn YoY

Decreased･･･Turbochargers: Decreased revenue, etc.
Engineering: Deterioration of profitability, etc.

Appendix 4. Financial Results by Business Segment (Aircraft, Defense & Space)

MITSUBISHI HEAVY INDUSTRIES

(In billion yen, accumulated amount)



Order Intake: Up ¥108.5bn YoY

Increased･･･Space systems, Defense aircraft / Missile systems

Accumulated number of SpaceJet order intake: 287 as of Mar. 31, 2020
(firm orders: 163 / options and purchase rights: 124)

Revenue: Up ¥27.4bn YoY

Increased･･･Defense aircraft / Missile systems

Number of B777s / B777Xs delivered
FY2018 (actual): 48 (1Q:11, 2Q:11, 3Q:11, 4Q:15)
FY2019 (actual): 54 (1Q:16, 2Q:14, 3Q:13, 4Q:11)

Number of B787s delivered
FY2018 (actual): 148 (1Q:37, 2Q:36, 3Q:33, 4Q:42)
FY2019 (actual): 166 (1Q:43, 2Q:42, 3Q:38, 4Q:43)

Profit: Down ¥171.3bn YoY

Decreased･･･SpaceJet: Impairment losses, etc.

Appendix 5. Reference Data

MITSUBISHI HEAVY INDUSTRIES

1. R&D Expenses, Depreciation and Capital Expenditure

(In billion yen)

	FY2016	FY2017	FY2017 (IFRS)	FY2018 (IFRS)	FY2019 (IFRS)	FY2020 (Forecast, IFRS)
R&D Expenses	160.7	176.8	176.8	152.1	146.8	140.0
Depreciation	172.7	176.1	176.1	124.9	144.6	140.0
Capital Expenditure	204.4	158.4	158.4	147.3	161.5	150.0

2. Cash Flows

(In billion yen)

	FY2016	FY2017	FY2017 (IFRS)	FY2018 (IFRS)	FY2019 (IFRS)	FY2020 (Forecast, IFRS)
Cash flows from operating activities	95.9	345.1	405.7	404.9	452.5	-
Cash flows from investing activities	8.7	-137.1	-238.1	-161.8	-239.5	-
Free cash flows	104.6	207.9	167.5	243.0	212.9	-400.0
Cash flows from financing activities	-162.0	-152.1	-112.3	-255.5	-204.4	-

3. Interest-Bearing Debt, D/E ratio

	FY2016	FY2017	FY2017 (IFRS)	FY2018 (IFRS)	FY2019 (IFRS)	FY2020 (Forecast, IFRS)
Interest-bearing debt (In billion yen)	925.5	813.1	813.1	665.1	598.2	950.0
D/E ratio	0.44	0.38	0.48	0.38	0.46	0.8

4. Yen to Dollar Exchange Rates

(¥/US$)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 (Assumed)
Average rates for recording sales	119.7	108.2	111.1	110.7	108.7	110
(Reference)Rates at end of period	112.7	112.2	106.2	111.0	108.8	-

Appendix 5. Reference Data

5. Employees

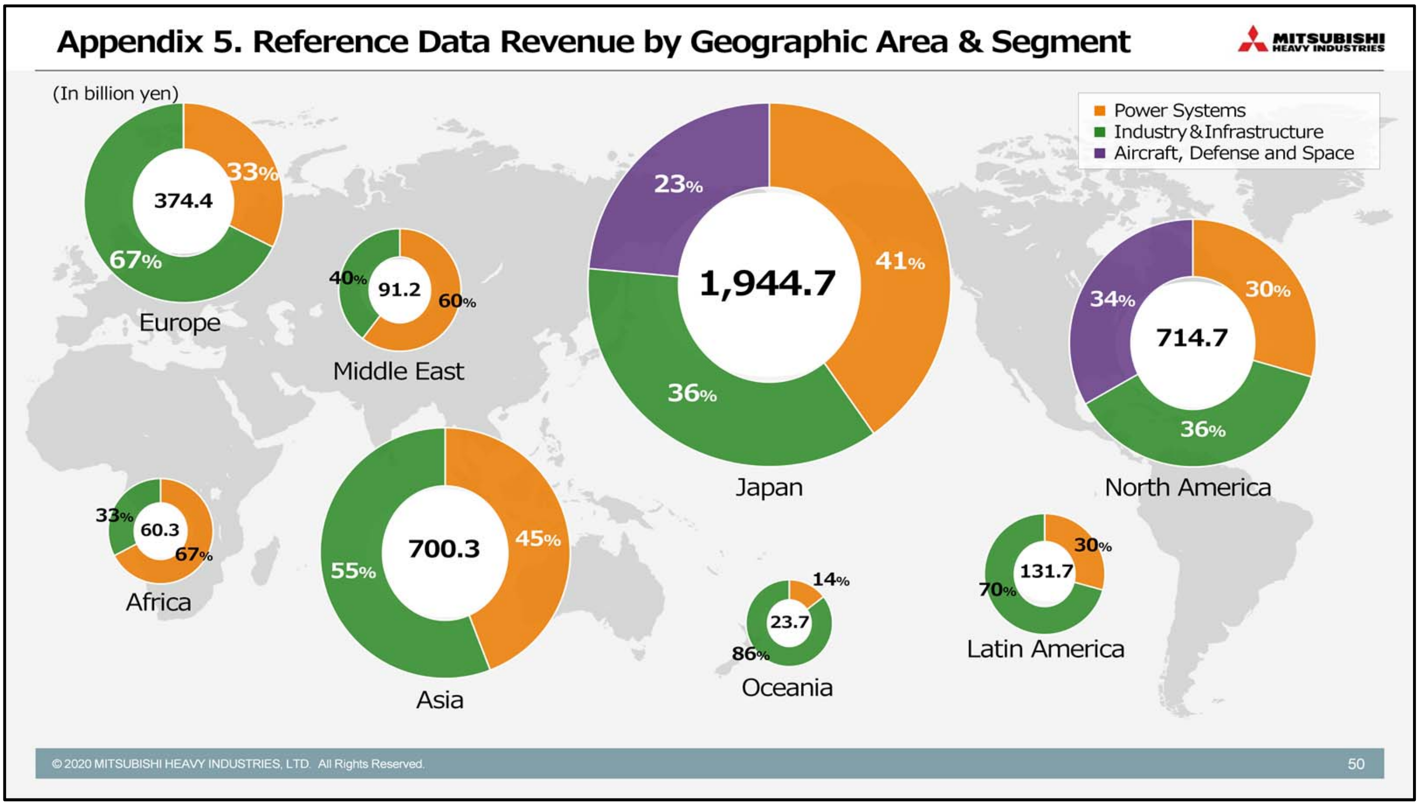
(Number of employees)

		FY2017	FY2018	FY2019
(Consolidated)	Power Systems	24,922	24,576	24,444
	Industry & Infrastructure	38,886	39,692	40,786
	Aircraft, Defense & Space	10,762	10,795	10,734
	Others	6,082	5,681	5,667
	Total	80,652	80,744	81,631
(Non-Consolidated)		(14,717)	(14,534)	(14,501)

6. Overseas Revenue by Region

(In billion yen)

	FY2016		FY2017		FY2017 (IFRS)		FY2018 (IFRS)		FY2019 (IFRS)	
North America	684.5	(17.5%)	674.6	(16.4%)	663.2	(16.2%)	671.0	(16.5%)	714.7	(18.0%)
Asia	618.0	(15.8%)	693.0	(16.9%)	687.3	(16.8%)	737.6	(18.1%)	700.3	(17.0%)
Europe	395.6	(10.1%)	440.3	(10.7%)	432.2	(10.6%)	418.5	(10.3%)	374.4	(9.0%)
Central & South America	110.1	(2.8%)	146.8	(3.6%)	184.5	(4.5%)	132.0	(3.2%)	131.7	(3.0%)
The Middle East	117.2	(3.0%)	144.3	(3.5%)	149.1	(3.7%)	123.7	(3.0%)	91.2	(2.0%)
Africa	135.6	(3.5%)	99.5	(2.4%)	104.7	(2.6%)	91.3	(2.2%)	60.3	(2.0%)
Oceania	31.6	(0.8%)	30.7	(0.7%)	31.3	(0.8%)	26.5	(0.7%)	23.7	(1.0%)
Total	2,092.9	(53.5%)	2,229.6	(54.2%)	2,252.7	(55.1%)	2,200.8	(54.0%)	2,096.6	(52.0%)


Appendix 5. Reference Data Revenue by Geographic Area & Segment
MITSUBISHI HEAVY INDUSTRIES
(In billion yen)
Power Systems
Industry & Infrastructure
Aircraft, Defense and Space
374.4
33%
67%
Europe
91.2
40%
60%
Middle East
1,944.7
23%
41%
36%
Japan
714.7
34%
30%
36%
North America
60.3
33%
67%
Africa
700.3
45%
55%
Asia
23.7
14%
86%
Oceania
131.7
30%
70%
Latin America
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