



MEMBERSHIP

Q1 FY2020 Financial Results

August 3, 2020

Mitsubishi Heavy Industries, Ltd.

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I. Q1 FY2020 Financial Results

The COVID-19 pandemic and resulting economic impact has led to weaker Q1 results compared to the same period last year. However, this is generally in line with expectations.

Amid these challenges, we are continuing to implement fixed cost reductions and other measures to achieve our full-year forecast.

- Order intake fell ¥60.5bn from a year earlier (-8.1% YoY). In Energy Systems domain, orders increased YoY, led by GTCC and nuclear power.
- Revenue declined ¥141.3bn (-15.4% YoY) due to a material decrease in Logistics, Thermal & Drive Systems, impacted by COVID-19. Revenue from the Aircraft, Defense and Space segments was slightly higher than in the same period last year, as increased revenue in Defense and Space offset a decline in Commercial Aviation Systems.
- Losses from business activities were ¥71.3bn. SpaceJet related losses including impairment of goodwill from the acquisition of the CRJ business accounted for ¥68.8bn out of the ¥71.3bn total.
- Although free cash flow was lower YoY mainly because of the CRJ business acquisition, Q1 results were in line with our expectations, and we are maintaining our full-year free cash flow forecast.

Summary of Q1 Financial Results

(In billion yen)

	FY2019 Q1 (Profit margin)		FY2020 Q1 (Profit margin)		Change	
Order Intake	750.2		689.6		-60.5	(-8.1%)
Revenue	919.3		778.0		-141.3	(-15.4%)
Profit from business activities	(4.4%)	40.4	(-9.2%)	-71.3	-111.8	(-276.6%)
Profit attributable to owners of parent	(1.8%)	16.3	(-7.4%)	-57.9	-74.2	(-453.7%)
EBITDA	(7.8%)	71.2	(-4.8%)	-37.1	-108.4	(-152.1%)
Free cash flow		-169.4		-339.5	-170.1	-

Summary of Q1 Financial Results (Cont'd)

(In billion yen)

FY2020 Q1	Businesses excluding SpaceJet (Profit Margin)		SpaceJet	Total (Profit margin)	
	Order Intake	689.6		-	689.6
Revenue	778.0	-	778.0		
Profit from business activities	(-0.3%) -2.4	-68.8	(-9.2%) -71.3		
Profit attributable to owners of parent	(0.1%) 0.6	-58.5	(-7.4%) -57.9		
EBITDA	(4.1%) 31.6	-68.8	(-4.8%) -37.1		
Free cash flow	-273.2	-66.2	-339.5		

Q1 Financial Results by Segment

(In billion yen)

	Order Intake			Revenue			Profit from business activities		
	FY2019 Q1	FY2020 Q1	Change	FY2019 Q1	FY2020 Q1	Change	FY2019 Q1	FY2020 Q1	Change
Energy Systems	231.5	317.1	+85.5	343.2	314.0	-29.1	19.2	0.3	-18.8
Plants & Infrastructure Systems	191.1	117.5	-73.6	185.0	139.5	-45.4	6.8	-4.0	-10.9
Logistics, Thermal & Drive Systems	250.3	186.2	-64.0	245.9	182.9	-62.9	7.5	-2.6	-10.2
Aircraft, Defense & Space	87.7	76.5	-11.2	152.1	155.1	+2.9	9.4	-62.0	-71.5
Others	-10.6	-7.8	+2.7	-6.9	-13.7	-6.7	-2.7	-2.9	-0.2
Total	750.2	689.6	-60.5	919.3	778.0	-141.3	40.4	-71.3	-111.8

Classifications for reporting segments have been changed from this fiscal year.

“Energy Systems” corresponds to the former “Power Systems”, and “Plants & Infrastructure Systems” and “Logistics, Thermal & Drive Systems” collectively correspond to the former “Industry & Infrastructure”.

Financial Position Overview

(In billion yen)

	As of March 31, 2020	As of June 30, 2020	Change
Trade receivables	1,188.0	1,127.0	-61.0
Inventories	726.2	819.1	+92.8
Other current assets	924.2	926.5	+2.2
(Cash and cash equivalents)	(281.6)	(219.5)	(-62.0)
Total fixed assets	996.3	1,013.6	+17.3
Other non-current assets	1,150.8	1,186.6	+35.7
Total assets	4,985.6	5,072.9	+87.2
Trade payables	824.0	717.3	-106.6
Contract liabilities	835.4	817.5	-17.9
Other liabilities	1,437.8	1,442.0	+4.1
Interest-bearing debt	598.2	887.7	+289.4
Equity	1,290.0	1,208.3	-81.7
(Equity attributable to owners of parent)	(1,218.3)	(1,139.9)	(-78.4)
Total liabilities and equity	4,985.6	5,072.9	+87.2

Borrowings +44.4
Commercial paper +245.0

Dividends -25.1
Profit attributable to owners of parent -57.9
Others +4.6

Main Balance Sheet Metrics and Cash Flows

Balance Sheet Metrics

	As of March 31, 2020	As of June 30, 2020	Change	FY2020 Forecast
Equity ratio	24.4%	22.5%	- 1.9pt	-
Interest-bearing debt (in billion yen)	598.2	887.7	+ 289.4	950.0
D/E ratio	0.46	0.73	+ 0.27	0.8

Cash Flows

(In billion yen)

	FY2019 Q1	FY2020 Q1	Change	FY2020 Forecast
Operating cash flow	-119.9	-223.6	-103.6	-
Investment cash flow	-49.4	-115.9	-66.4	-
Free cash flow	-169.4	-339.5	-170.1	-400.0

Order Intake & Order Backlog by Segment

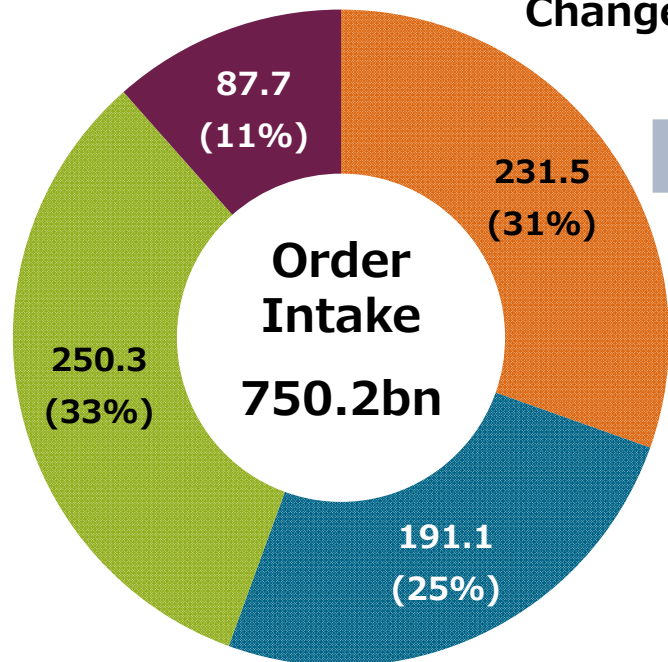
(In billion yen)

- Energy systems
- Plants & Infrastructure systems
- Logistics, Thermal & Drive systems
- Aircraft, Defense & Space
- Others

Order Intake

Q1 FY2019

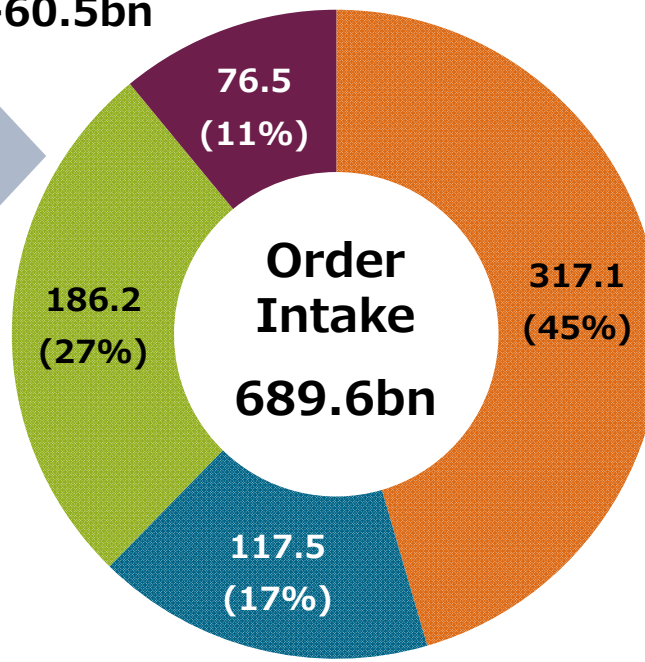
Others : -10.6



Change: -60.5bn

Q1 FY2020

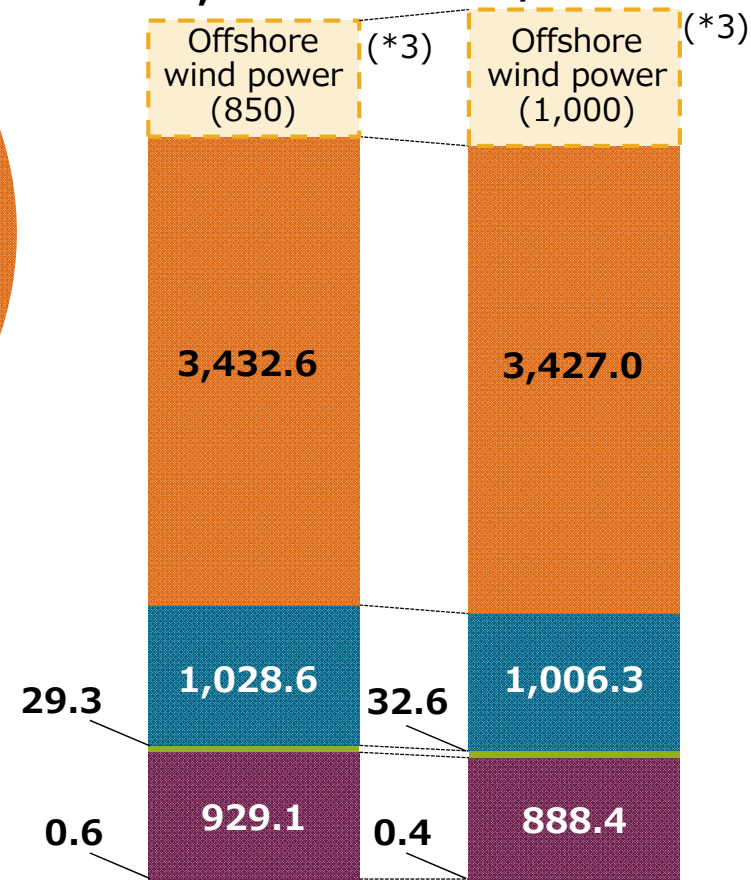
Others : -7.8



Order Backlog(*2)

Change: -65.5bn

As of Mar.31, 2020: 5,420.4
As of Jun.30, 2020: 5,354.9



■ Energy Systems	Increase	GTCC(*1), Nuclear power
■ Plants & Infrastructure Systems	Decrease	Metals machinery
■ Logistics, Thermal & Drive Systems	Decrease	Turbochargers, Logistics systems
■ Aircraft, Defense & Space	Decrease	Commercial aircraft

(*1) GTCC: Gas Turbine Combined Cycle

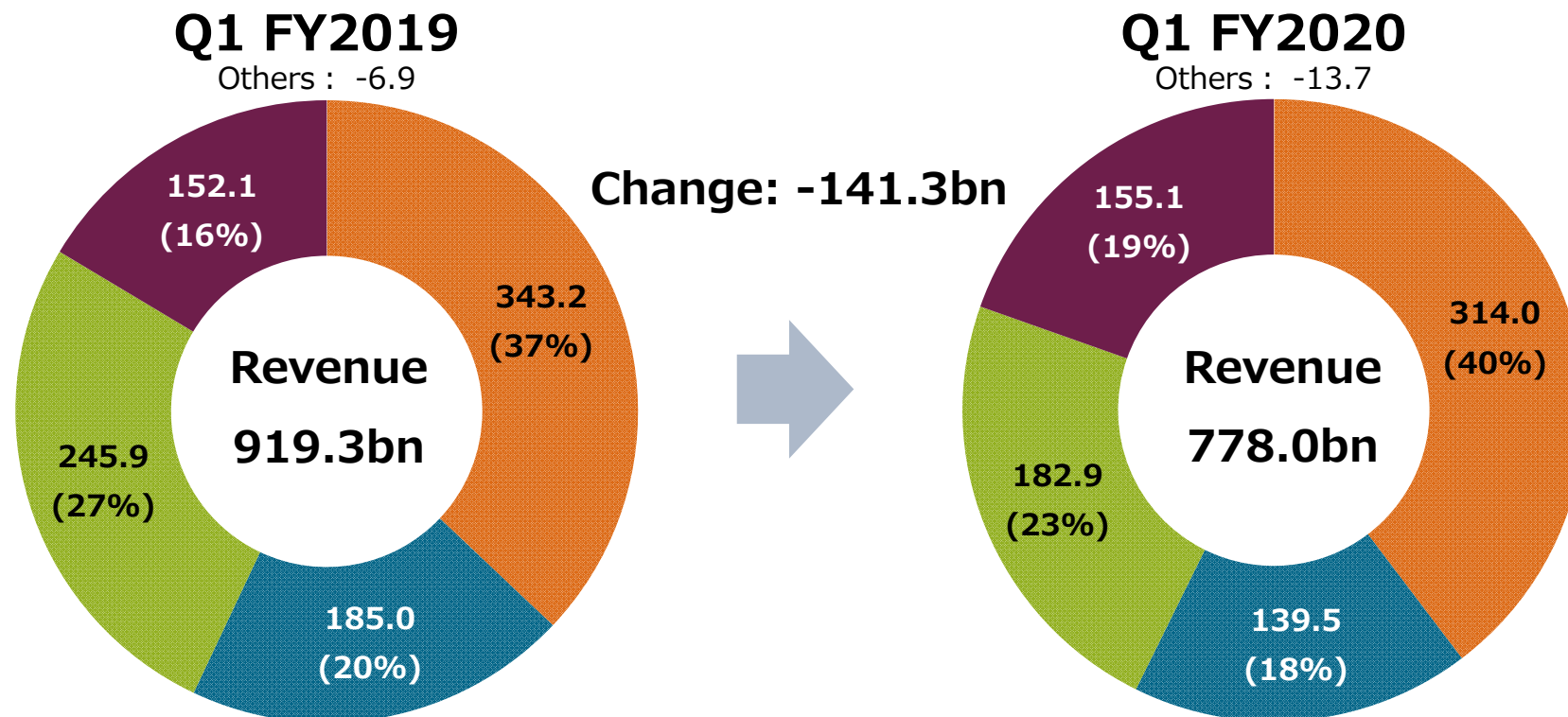
(*2) Does not include mass-manufactured products: turbochargers, logistics systems, etc.

(*3) Because this business is operated by an equity-method company (MHI Vestas Offshore Wind A/S), its backlog (rounded off) is indicated separate from the total backlog.

Revenue by Segment

- Energy systems
- Plants & Infrastructure systems
- Logistics, Thermal & Drive systems
- Aircraft, Defense & Space

(In billion yen)



■ Energy Systems	Increase	Nuclear power
	Decrease	Steam power, Aero engines
■ Plants & Infrastructure Systems	Decrease	Metals machinery, Engineering, Machine tool
■ Logistics, Thermal & Drive Systems	Decrease	Turbochargers, Logistics systems, Car air-conditioners
■ Aircraft, Defense & Space	Increase	Defense aircraft / Missile systems
	Decrease	Commercial aircraft

Profit from Business Activities by Segment

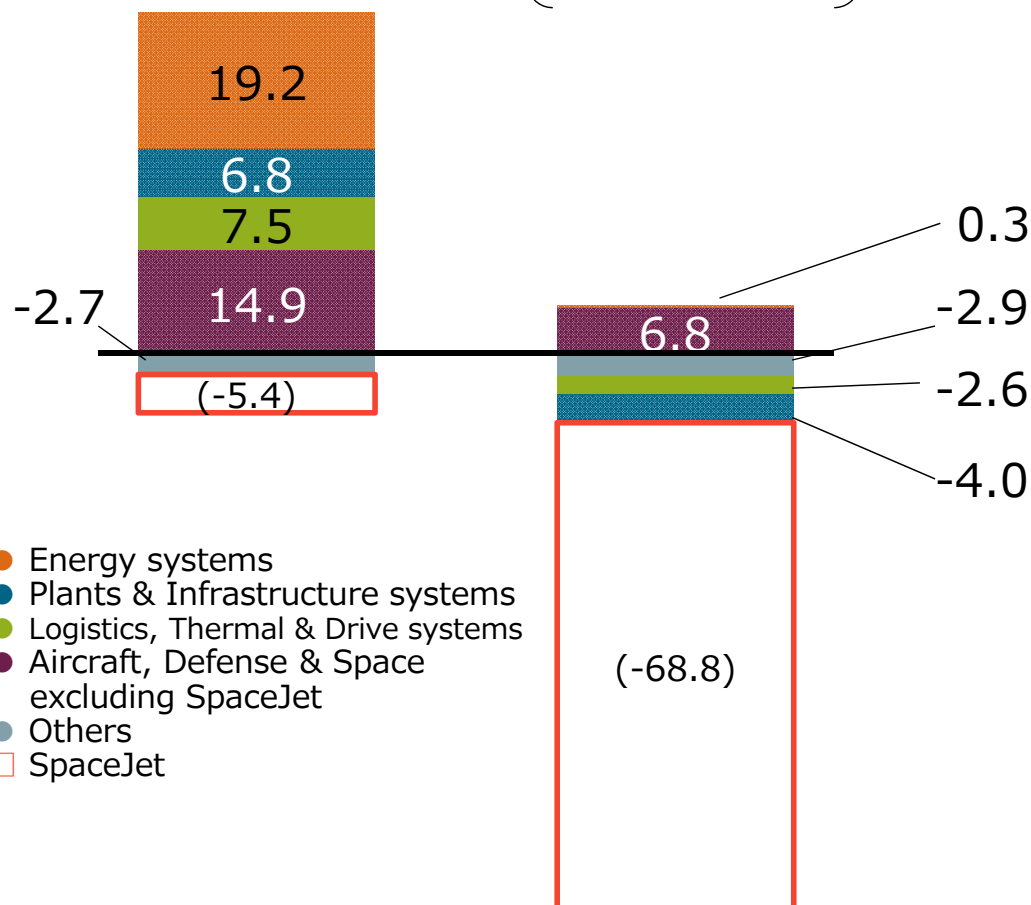
Change: -111.8bn

Q1 FY2019
40.4bn

Profit excluding
SpaceJet business
45.9bn

Q1 FY2020
-71.3bn

Profit excluding
SpaceJet business
-2.4bn



- Energy systems
- Plants & Infrastructure systems
- Logistics, Thermal & Drive systems
- Aircraft, Defense & Space excluding SpaceJet
- Others
- SpaceJet

(In billion yen)

Energy Systems

	Business	Factors
Increase	Nuclear power	Increased revenue, etc.
Decrease	Steam power	Decreased revenue, etc.
	Aero engines	

Plants & Infrastructure Systems

Decrease	Engineering	Decreased revenue, etc.
	Machine tool	

Logistics, Thermal & Drive Systems

Decrease	Turbochargers	Decreased revenue, etc.
	Logistics systems	
	Car air-conditioners	

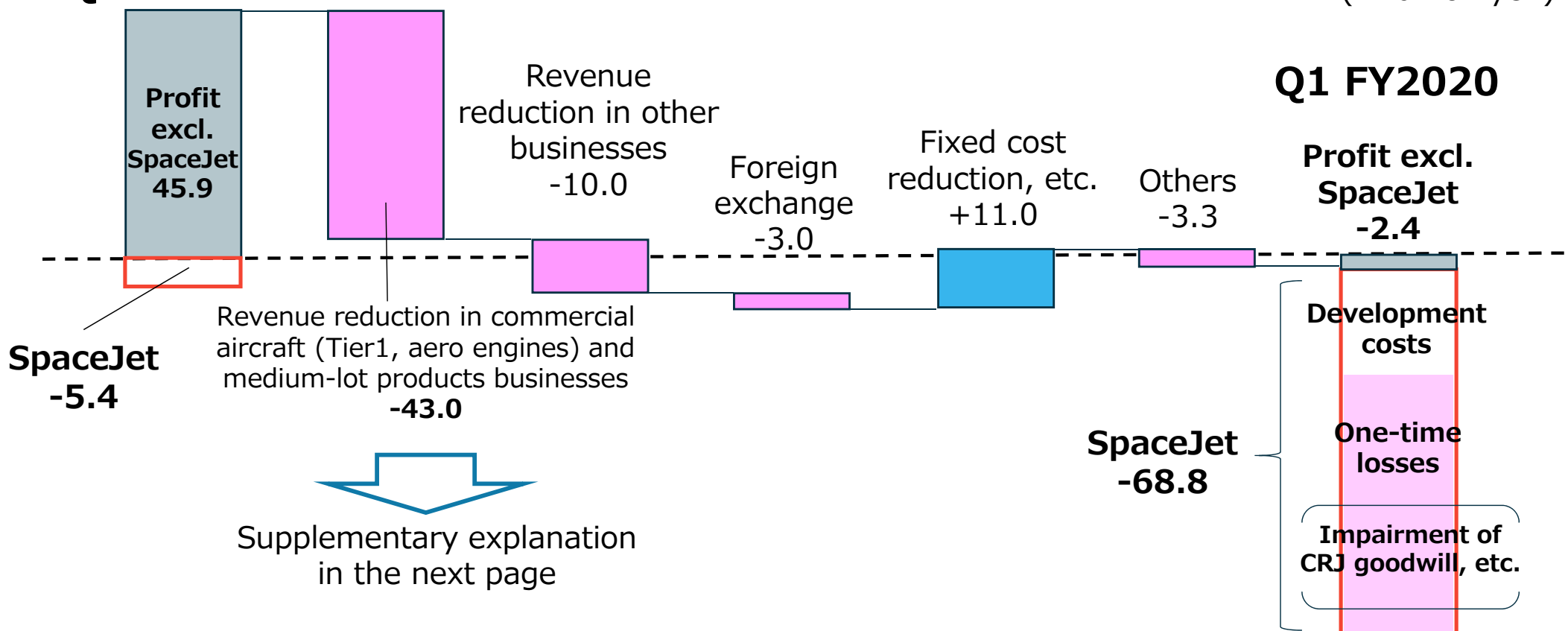
Aircraft, Defense & Space

Increase	Defense and space	Increased revenue, etc.
Decrease	Commercial aircraft	Decreased revenue, etc.
	SpaceJet	Impairment of goodwill from CRJ acquisition, etc.

- Commercial aircraft businesses and medium-lot products businesses have been most negatively impacted by COVID-19.
- We have mitigated some of this impact by implementing emergency measures such as fixed cost reductions.
- Q1 SpaceJet development costs of ¥20.0bn (Full-year forecast: ¥60.0bn), and one-time charges such as goodwill impairment from the CRJ acquisition of ¥50.0bn (Full-year forecast: ¥60.0bn) also weighed on performance.

Q1 FY2019

(In billion yen)



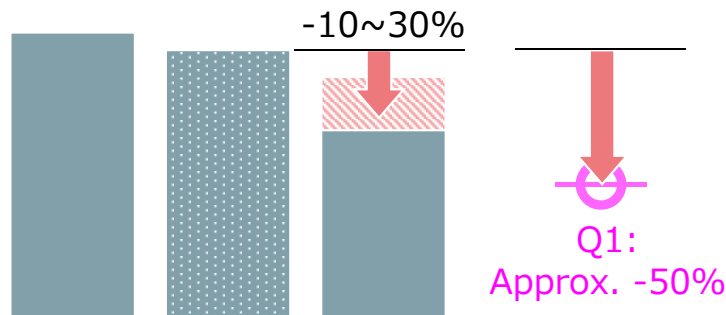
Supplementary explanation
in the next page

Business

FY20 Revenue Forecast

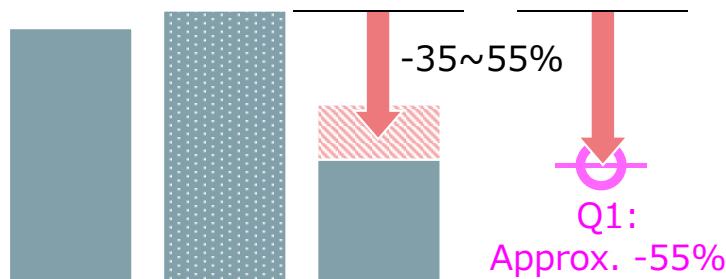
Status as of Q1

Commercial Aircraft - Aero Structures (Tier1)



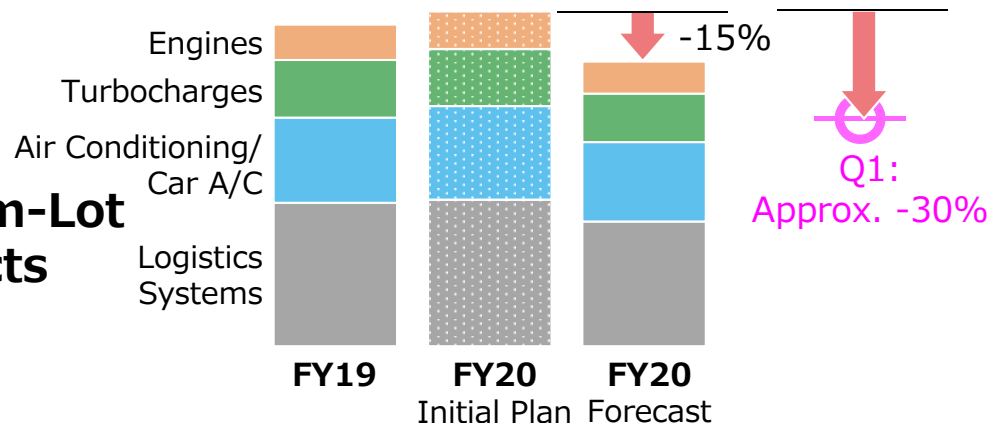
- Q1 Revenue fell by about half compared to the initial plan as a result of production adjustments, etc. Q1 expected to be the bottom. Risks remain that production rate plans going forward may require further changes; closely watching industry trends.

Commercial Aircraft - Aero Engines



- Q1 revenue roughly half of the initial plan. Results are at the bottom range of the FY2020 forecast (35~55% reduction from initial plan).

Medium-Lot Products



- Q1 revenue fell about 30% from the initial plan. The impact on automotive turbochargers and car air-conditioners was particularly significant. April was the weakest month and then back on the recovery track. Exceeded Q1 forecast.

II. FY2020 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, 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.

Summary of FY2020 Forecast

The latest forecast announced on May 11, 2020 is maintained

(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	(3.7%)	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: 1.7 billion
 Euro: 0.3 billion
 Assumed exchange rate
 USD 1.00 = ¥110
 Euro 1.00 = ¥120

Summary of Forecast for FY2020 (Cont'd)

The latest forecast announced on May 11, 2020 is maintained

(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

The latest forecast announced on May 11, 2020 is maintained

(In billion yen)

	Order Intake			Revenue			Profit from business activities		
	FY2019	FY2020	Change	FY2019	FY2020	Change	FY2019	FY2020	Change
Energy Systems	1,772.1	1,450.0	- 322.1	1,590.2	1,550.0	- 40.2	144.3	100.0	- 44.3
Plants & Infrastructure Systems	739.9	650.0	- 89.9	792.9	750.0	- 42.9	25.5	30.0	+4.4
Logistics, Thermal & Drive Systems	985.9	850.0	- 135.9	990.1	850.0	- 140.1	29.3	- 30.0	- 59.3
Aircraft, Defense & Space	719.2	600.0	- 119.2	704.9	700.0	- 4.9	- 208.7	- 90.0	+118.7
Others	- 48.5	- 50.0	- 1.4	- 36.9	- 50.0	- 13.0	- 20.0	- 10.0	+10.0
Total	4,168.6	3,500.0	- 668.6	4,041.3	3,800.0	- 241.3	- 29.5	0.0	+29.5

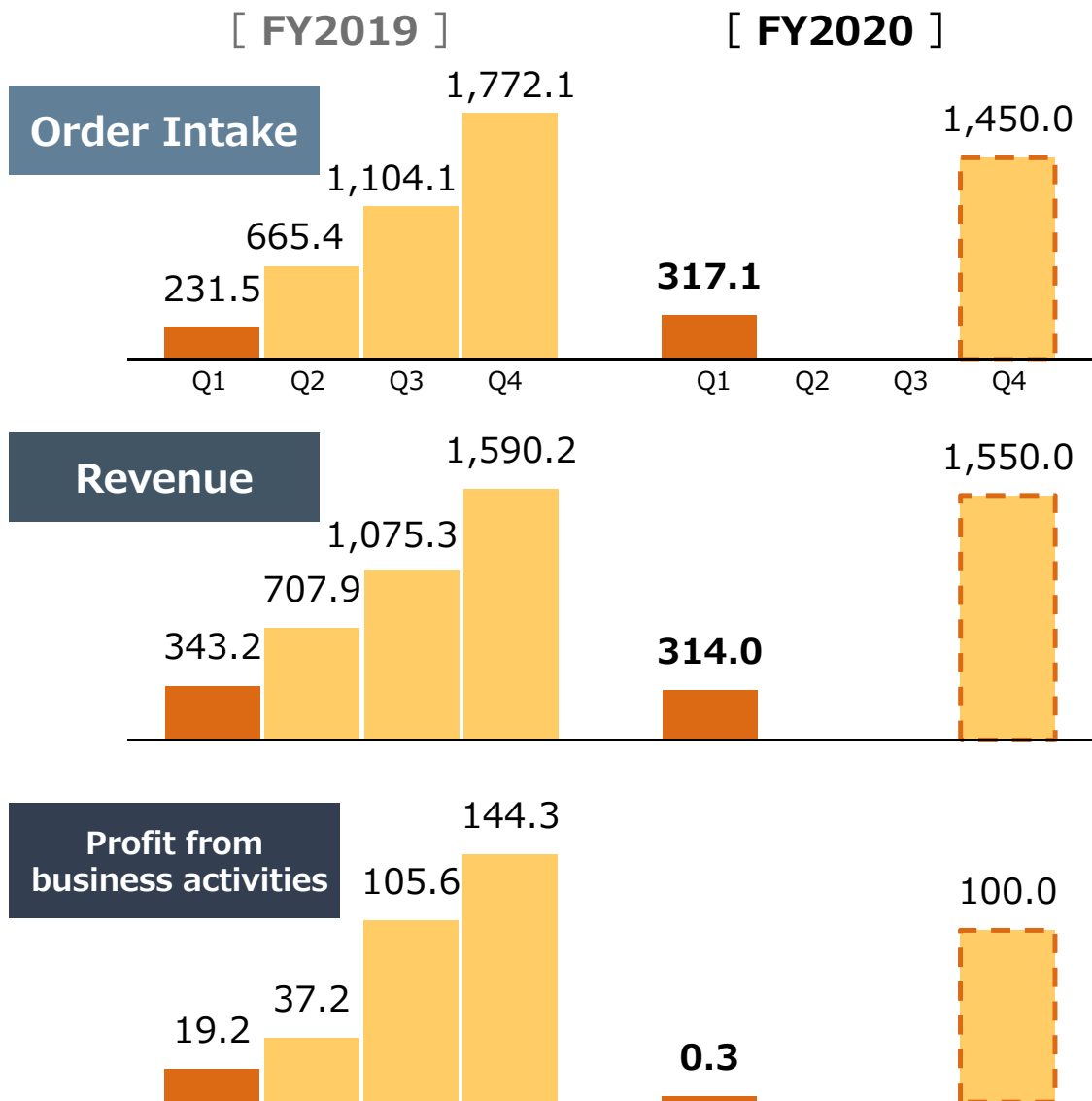
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III. Appendix

Appendix. Financial Results by Business Segment 〈Energy Systems〉

(In billion yen, accumulated amount)



- Q1 revenue in aero engines declined to about half YoY, but generally remained within the range of our FY20 forecast.
- While we initially assumed the COVID-19 impact on the thermal power plant business to be relatively minor, we have seen delays in some overseas projects and after sales service work; however, this is expected to be made up in Q2 or later in FY20.

Gas turbine order intake & order backlog

Q1 FY2020 : 2 units

	Americas	Asia	EMEA	Others	Total	Backlog
Large size	-	2	-	-	2	45
Small to medium size	-	-	-	-	0	15
Total	0	2	0	0	2	60

FY2019 : 32 units

	Americas	Asia	EMEA	Others	Total	Backlog
Large size	7	10	2	2	21	49
Small to medium size	3	2	6	-	11	15
Total	10	12	8	2	32	64

Q1 FY2019 : 6 units

	Americas	Asia	EMEA	Others	Total	Backlog
Large size	-	1	2	-	3	44
Small to medium size	3	-	-	-	3	11
Total	3	1	2	0	6	55

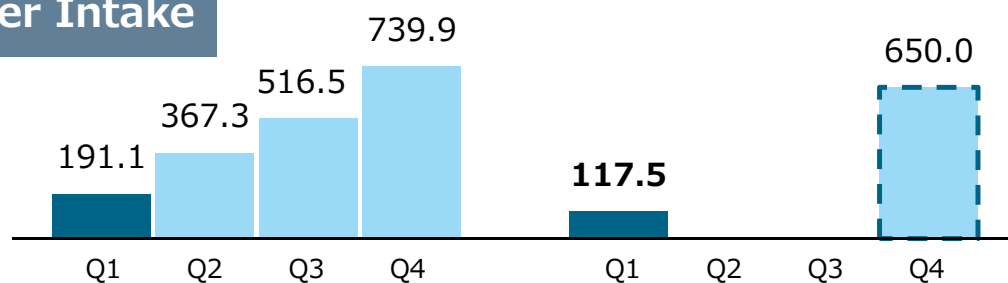
Appendix. Financial Results by Business Segment 〈Plants & Infrastructure Systems〉

(In billion yen, accumulated amount)

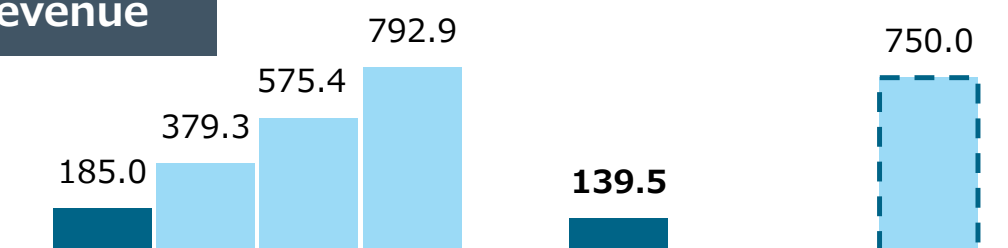
[FY2019]

[FY2020]

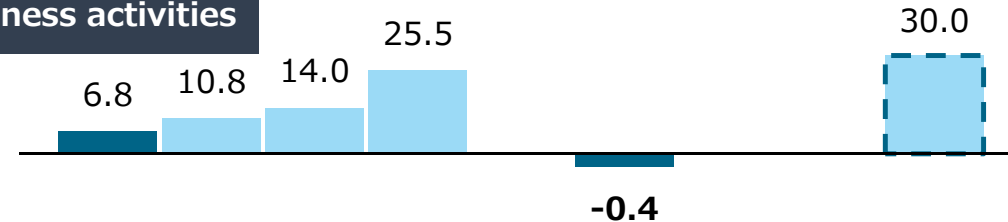
Order Intake



Revenue



Profit from business activities



- At the beginning of the fiscal year, the impact from COVID-19 was assumed to be immaterial; however, some overseas projects have experienced construction interruptions or schedule extensions, requiring close management attention.
- Q1 revenue of machine tool business decreased by about half YoY. Fixed cost optimization measures are being implemented.

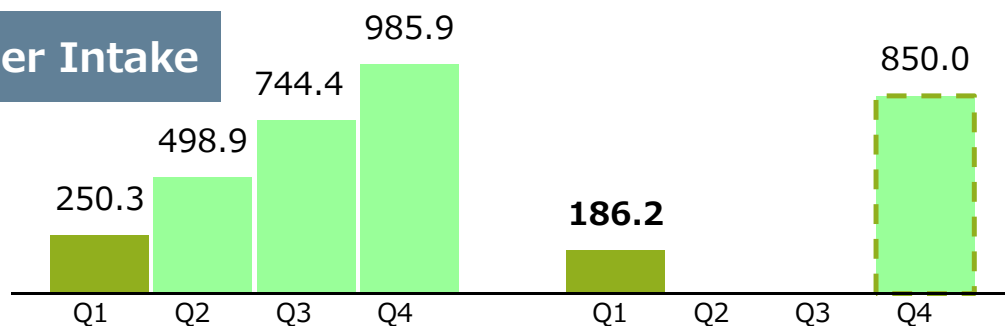
Appendix. Financial Results by Business Segment 〈Logistics, Thermal & Drive Systems〉

(In billion yen, accumulated amount)

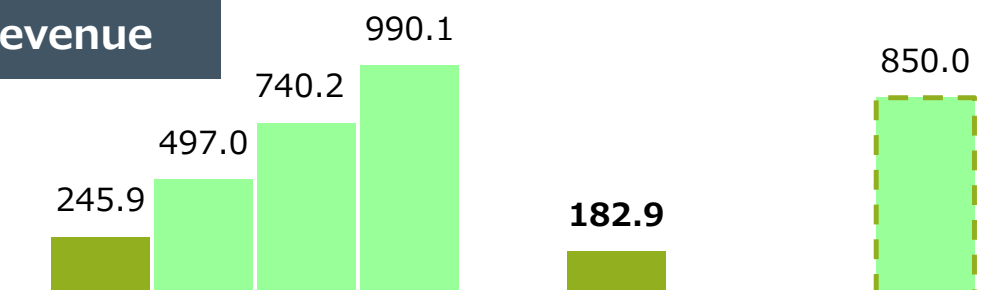
[FY2019]

[FY2020]

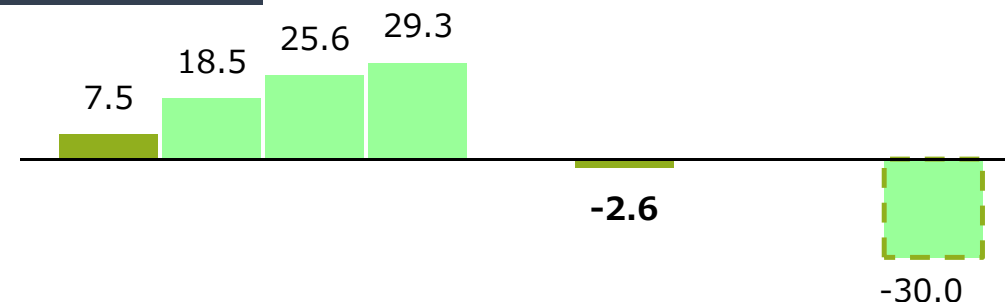
Order Intake



Revenue



Profit from business activities



- Q1 revenue fell about 30%, YoY. While automotive related business such as turbochargers and car air-conditioners were materially impacted in Q1, the market has been recovering after bottoming out in April.
- Positive effects of emergency measures such as fixed costs reduction being seen. Q1 loss from business activities was kept to -¥2.6bn. Exceeded Q1 forecast (Full-year forecast: -¥30.0bn).

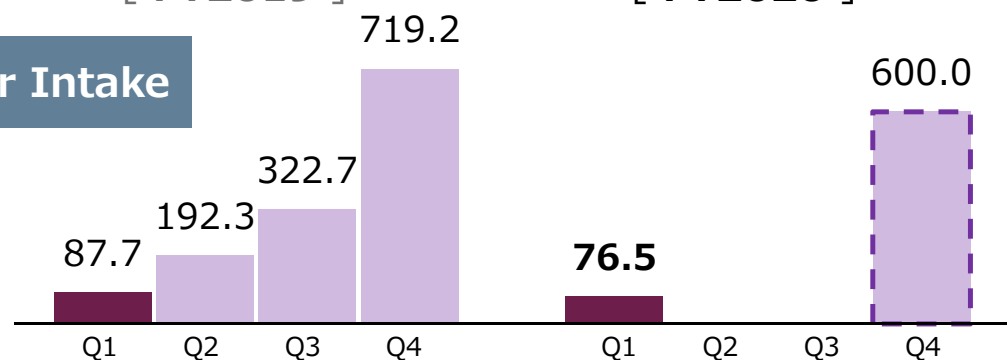
Appendix. Financial Results by Business Segment 〈Aircraft, Defense & Space〉

(In billion yen, accumulated amount)

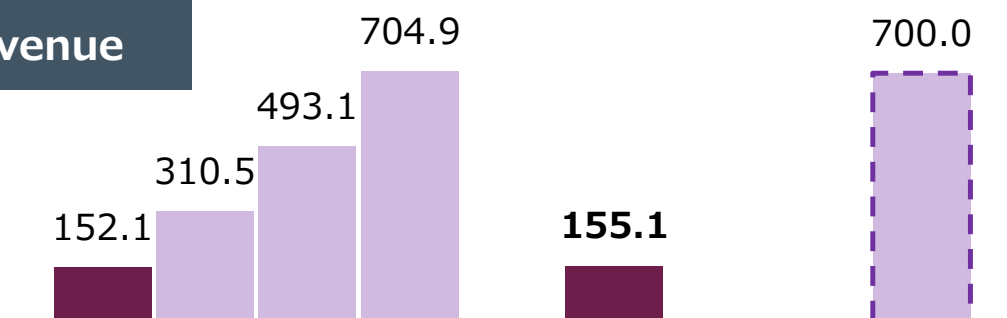
[FY2019]

[FY2020]

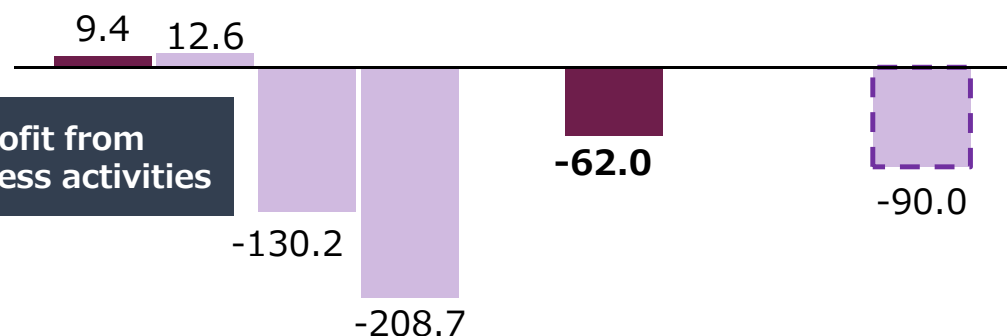
Order Intake



Revenue



Profit from business activities



- Q1 revenue from commercial aircraft (Tier 1) was roughly halved YoY as a result of production adjustments. Risks remain that production rate plans going forward may require further changes. We are implementing operational adjustments and fixed cost reduction measures.
- Defense and space businesses remain strong.
- SpaceJet related loss including impairment of goodwill arising from the acquisition of the CRJ business was ¥68.8bn

SpaceJet order backlog: as of June 30, 2020

287 (firm order 163, options and purchase rights 124)

Number of B777s/B777Xs delivered

	Q1	Q2	Q3	Q4	Total
FY2019	16	14	13	11	54
FY2020	6	-	-	-	-

Number of B787s delivered

	Q1	Q2	Q3	Q4	Total
FY2019	43	42	38	43	166
FY2020	18	-	-	-	-

1. R&D Expenses, Depreciation and Capital Expenditure

(In billion yen)

	FY2019 Q1	FY2020 Q1	FY2020 Forecast
R&D Expenses	27.3	28.3	140.0
Depreciation	30.8	34.2	140.0
Capital Expenditure	31.6	28.4	150.0

2. Selling, General and Administrative Expenses

(In billion yen)

	FY2019 Q1	FY2020 Q1
SG&A	134.8	130.4

3. Foreign Exchange Rates (Average rate used for revenue)

	FY2019 Q1	FY2020 Q1
USD	110.9	107.4
Euro	124.5	117.5

4. Overseas Revenue by Region

(In billion yen)

	FY2019 Q1		FY2020 Q1	
Asia	170.6	(19%)	125.8	(16%)
North America	177.7	(19%)	116.3	(15%)
Europe	87.3	(9%)	57.4	(7%)
Central & South America	34.1	(4%)	14.9	(2%)
The Middle East	24.0	(3%)	12.3	(2%)
Oceania	3.8	(0%)	3.8	(0%)
Africa	17.9	(2%)	11.8	(2%)
Total	515.8	(56%)	342.5	(44%)

MOVE THE WORLD FORWARD

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