

PRESS RELEASE

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MHI Announces Outline of FY2021 First 6 Months Financial Results Ended September 30, 2021 (Consolidated)

Tokyo, October 29, 2021 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first six months of fiscal year (FY) 2021 ended September 30, 2021.

(billions of yen)

	FY2021 First 6 Months (From April 1 to September 30, 2021)	FY2020 First 6 Months (From April 1 to September 30, 2020)	Changes (%)
Orders Received	1,534.1	1,397.2	9.8
Revenue	1,663.7	1,658.6	0.3
Profit from business activities	26.2	(58.6)	-
Profit Before Income Taxes	26.5	(72.8)	-
Profit (loss) Attributable to Owners of Parent	12.0	(57.0)	-
Operating Cash Flow	132.4	(372.0)	
Investment Cash Flow	5.5	(125.0)	
Financing Cash Flow	152.0	435.8	
Profit (loss) Attributable to Owners of Parent Per Share	35.99 yen	(169.87) yen	-

Figures in parentheses are negative.

Consolidated financial results (continued)

Revenue by Operational Segment

(billions of yen)

	FY2021 First 6 Months (From April 1 to September 30, 2021)	FY2020 First 6 Months (From April 1 to September 30, 2020)
Energy Systems	673.8	662.5
Plants & Infrastructure	301.7	287.0
Logistics, Thermal & Drive Systems	454.4	395.2
Aircraft, Defense & Space	247.3	335.9
Eliminations or Corporate	(13.6)	(22.1)
TOTAL	1,663.7	1,658.6

Profit (Loss) From Business Activities by Operational Segment

(billions of yen)

	FY2021 First 6 Months (From April 1 to September 30, 2021)	FY2020 First 6 Months (From April 1 to September 30, 2020)
Energy Systems	0.1	(12.4)
Plants & Infrastructure	7.0	(6.7)
Logistics, Thermal & Drive Systems	14.6	4.5
Aircraft, Defense & Space	7.6	(66.3)
Eliminations or Corporate	(3.3)	22.2
TOTAL	26.2	(58.6)

Figures in parentheses are negative.

Estimate of Consolidated Financial Results for FY 2021

For the fiscal year 2021 ending March 31, 2022, MHI is expecting 3,750 billion yen in revenue, 160 billion yen in Profit from business activities, 140 billion yen in profit before income tax, and 100 billion yen in profit attributable to owners of parent. This estimate is based on the assumption of currency exchange rate of US\$ 1.00 = ¥110 and €1.00 = ¥130 for the portion yet to be fixed.

We have decided to voluntarily adopt IFRS from beginning with the first quarter ending June 30, 2018 onward, so estimate of consolidated financial results have been made based on IFRS.

Please note that this estimate has been projected with currently available information and data. As such, these projections involve risks and uncertainties. For this reason, investors are recommended not to depend solely on these projections for making investment decisions. The actual results, therefore, may diverge broadly with the influence of a variety of outside factors such as economics surrounding MHI, currency movement of the yen 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.

(1) Condensed Consolidated Statement of Financial Position [IFRS]

(Millions of Yen)

	As of Mar. 31, 2021	As of Sep. 30, 2021
<u>Assets</u>		
Current assets		
Cash and cash equivalents	245,421	259,618
Trade and other receivables	655,181	586,632
Other financial assets	30,677	30,270
Contract assets	578,936	627,492
Inventories	713,498	806,742
Other current assets	230,955	198,830
Total current assets	2,454,670	2,509,588
Non-current assets		
Property, plant and equipment	779,696	778,676
Goodwill	124,500	124,860
Intangible assets	74,722	71,578
Right-of-use assets	93,321	92,428
Investments accounted for using the equity method	182,897	197,242
Investments in securities and other financial assets	560,213	555,007
Deferred tax assets	378,338	380,663
Other non-current assets	162,365	147,849
Total Non-current assets	2,356,056	2,348,308
Total assets	4,810,727	4,857,896
<u>Liabilities and Equity</u>		
Current liabilities		
Bonds, borrowings and other financial liabilities	445,147	612,782
Trade and other payables	763,731	676,897
Income taxes payable	12,237	12,797
Contract liabilities	731,814	700,653
Provisions	207,876	185,280
Other current liabilities	184,453	161,834
Total Current liabilities	2,345,260	2,350,246
Non-current liabilities		
Bonds, borrowings and other financial liabilities	790,862	809,862
Deferred tax liabilities	6,597	6,722
Retirement benefit liability	124,432	128,828
Provisions	50,485	54,355
Other non-current liabilities	53,699	54,201
Total non-current liabilities	1,026,076	1,053,969
Total liabilities	3,371,337	3,404,215
<u>Equity</u>		
Share capital	265,608	265,608
Capital surplus	47,265	47,117
Treasury shares	(4,452)	(6,227)
Retained earnings	952,528	955,134
Other components of equity	105,393	115,462
Equity attributable to owners of parent	1,366,342	1,377,095
Non-controlling interests	73,047	76,584
Total Equity	1,439,390	1,453,680
Total Liabilities and Equity	4,810,727	4,857,896

(2) Condensed Consolidated Statement of Profit or Loss [IFRS]

i) First six months FY2020 and FY2021

(Millions of Yen)

	FY2020 First 6 Months (From Apr. 1 to Sep. 30, 2020)	FY2021 First 6 Months (From Apr. 1 to Sep. 30, 2021)
Revenue	1,658,625	1,663,747
Cost of sales	1,416,130	1,395,968
Gross Profit	242,494	267,778
Selling, general and administrative expenses	257,588	266,829
Share of profit of investments accounted for using the equity method	5,203	8,628
Other income *	45,733	26,648
Other expenses	94,483	10,013
Profit from business activities	(58,640)	26,211
Finance income	3,596	8,600
Finance cost	17,805	8,277
Profit before income taxes	(72,849)	26,534
Income taxes	(16,025)	8,062
Profit	(56,824)	18,471
Profit attributable to:		
Owners of parent	(57,081)	12,081
Non-controlling interests	257	6,389

(Yen)

Earnings per share attributable to owners of parent		
Basic earnings per share	(169.87)	35.99
Diluted earnings per share	(169.87)	35.97

*Other income includes dividend income. The amount of dividends of FY 2020 first 6 Month is 4,695 Million Yen, and the amount of FY2021 First 6 Months is 8,639 Million Yen.

(2) Condensed Consolidated Statement of Profit or Loss [IFRS]

ii) For three months ended Sep.30, 2020 and 2021 (FY2020Q2 & FY2021Q2)

(Millions of Yen)

	FY2020 Q2 (From Jul. 1 to Sep. 30, 2020)	FY2021 Q2 (From Jul. 1 to Sep. 30, 2021)
Revenue	880,616	812,031
Cost of sales	759,870	690,496
Gross Profit	120,746	121,535
Selling, general and administrative expenses	127,160	130,271
Share of profit of investments accounted for using the equity method	4,574	4,567
Other income *	37,688	15,283
Other expenses	23,100	6,370
Profit from business activities	12,747	4,743
Finance income	1,650	5,103
Finance expenses	10,387	4,397
Profit before income taxes	4,010	5,449
Income taxes	1,726	4,354
Profit	2,284	1,094
Profit attributable to:		
Owners of parent	820	(570)
Non-controlling interests	1,463	1,665

(Yen)

Earnings per share attributable to owners of parent		
Basic earnings per share	2.44	(1.69)
Diluted earnings per share	2.44	(1.69)

*Other income includes dividend income. The amount of dividends of FY2020Q2 is 357 Million Yen, and the amount of FY2021Q2 is 3,300 Million Yen.

(3) Condensed Consolidated Statement of Comprehensive Income [IFRS]

i) First six months FY2020 and FY2021

	(Millions of Yen)	
	FY2020 First 6 Months (From Apr. 1 to Sep. 30, 2020)	FY2021 First 6 Months (From Apr. 1 to Sep. 30, 2021)
Profit	(56,824)	18,471
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Net gains and losses from financial assets measured at FVTOCI	1,508	19,957
Remeasurement of defined benefit plans	138	29
Share of other comprehensive income (loss) of entities accounted for by the equity method	(220)	599
Total	1,426	20,586
Items that may be reclassified to profit or loss		
Cash flow hedges	1,095	(240)
Hedging cost	661	8
Exchange differences on translating foreign operations	2,377	(127)
Share of other comprehensive income (loss) of entities accounted for by the equity method	1,120	587
Total	5,255	228
Total other comprehensive income (loss)	6,681	20,815
Comprehensive income	(50,142)	39,286
Comprehensive income (loss) attributable to		
Owners of parent	(50,974)	32,412
Non-controlling interests	831	6,873

*FVTOCI means "Fair Value Through Other Comprehensive Income".

(3) Condensed Consolidated Statement of Comprehensive Income [IFRS]

ii) For three months ended Sep.30, 2020 and 2021 (FY2020Q2 & FY2021Q2)

	(Millions of Yen)	
	FY2020 Q2 (From Jul. 1 to Sep. 30, 2020)	FY2021 Q2 (From Jul. 1 to Sep. 30, 2021)
Profit	2,284	1,094
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Net gains and losses from financial assets measured at FVTOCI	782	22,365
Remeasurement of defined benefit plans	(18)	66
Share of other comprehensive income (loss) of entities accounted for by the equity method	8	55
Total	772	22,487
Items that may be reclassified to profit or loss		
Cash flow hedges	210	(410)
Hedging cost	(102)	(120)
Exchange differences on translating foreign operations	329	(993)
Share of other comprehensive income (loss) of entities accounted for by the equity method	321	(272)
Total	759	(1,797)
Total other comprehensive income (loss)	1,532	20,689
Comprehensive income (loss)	3,816	21,784
Comprehensive income (loss) attributable to		
Owners of parent	2,272	19,844
Non-controlling interests	1,543	1,939

(4) Condensed Consolidated Statement of changes in equity [IFRS]

(Millions of Yen)

	Equity attributable to owners of parent					Total	Non-controlling interests	Total Equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity			
Balance as of Apr. 1 ,2020	265,608	49,667	(5,374)	886,307	22,133	1,218,343	71,732	1,290,076
Profit				(57,081)		(57,081)	257	(56,824)
Other comprehensive income (loss)					6,107	6,107	573	6,681
Comprehensive income (loss)	-	-	-	(57,081)	6,107	(50,974)	831	(50,142)
Transfer to retained earnings				(3,691)	3,691	-		-
Purchase of treasury shares			(2)			(2)		(2)
Disposal of treasury shares		52	217			270		270
Dividends				(25,188)		(25,188)	(3,834)	(29,022)
Other		(343)	534	1,004		1,195	63	1,258
Total transactions with owners	-	(290)	749	(24,183)	-	(23,725)	(3,771)	(27,496)
Balance as of Sep. 30 ,2020	265,608	49,376	(4,624)	801,350	31,932	1,143,643	68,792	1,212,436
Balance as of Apr. 1 ,2021	265,608	47,265	(4,452)	952,528	105,393	1,366,342	73,047	1,439,390
Profit				12,081		12,081	6,389	18,471
Other comprehensive income (loss)					20,331	20,331	483	20,815
Comprehensive income (loss)	-	-	-	12,081	20,331	32,412	6,873	39,286
Transfer to retained earnings				10,278	(10,278)	-		-
Purchase of treasury shares			(2,547)			(2,547)		(2,547)
Disposal of treasury shares		8	77			86		86
Dividends				(25,211)		(25,211)	(4,130)	(29,342)
Other		(156)	694	5,457	16	6,012	794	6,807
Total transactions with owners	-	(147)	(1,774)	(19,753)	16	(21,659)	(3,336)	(24,996)
Balance as of Sep. 30 ,2021	265,608	47,117	(6,227)	955,134	115,462	1,377,095	76,584	1,453,680

(5) Condensed Consolidated Statement of Cash Flows [IFRS]

(Millions of Yen)

	FY2020 First 6 Months (From Apr. 1 to Sep. 30, 2020)	FY2021 First 6 Months (From Apr. 1 to Sep. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	(72,849)	26,534
Depreciation, amortization and impairment loss	141,329	65,529
Finance income and costs	3,836	1,832
Share of loss (profit) of investments accounted for using equity method	(5,203)	(8,628)
Loss (gain) on sale of property, plant and equipment	(37,089)	(7,177)
Loss on disposal of property, plant and equipment, and intangible assets	2,616	2,836
Decrease (increase) in trade receivables	34,582	68,722
Decrease (increase) in contract assets	(80,296)	(48,003)
Decrease (increase) in inventories and advanced payments	(63,625)	(93,865)
Increase (decrease) in trade payables	(118,341)	(81,320)
Increase (decrease) in contract liabilities	(94,558)	(31,313)
Increase (decrease) in provisions	(16,080)	(20,203)
Increase (decrease) in retirement benefit liabilities	(97)	4,078
Others	(25,142)	(33,200)
Subtotal	(330,920)	(154,179)
Interest received	2,421	2,519
Dividends received	9,003	11,493
Interest paid	(4,518)	(5,583)
Income taxes refund (paid)	(48,078)	13,268
Net cash provided by operating activities	(372,092)	(132,481)
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(81,046)	(59,701)
Proceeds from sales of property, plant and equipment and intangible assets	38,105	10,171
Purchases of investments		
(including investments accounted for using equity method)	(6,493)	(4,774)
Proceeds from sales and redemption of investments		
(including investments accounted for using equity method)	1,044	35,144
Proceeds from sales of businesses (including subsidiaries)	-	11,567
Payments for acquisition of businesses (including subsidiaries)	(68,709)	-
Net decrease (increase) in short-term loans	(379)	883
Disbursement of long-term loans	(6,363)	(37)
Collection of loans	63	73
Others	(1,248)	1,092
Net cash used in investing activities	(125,028)	(5,581)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	447,135	158,806
Proceeds from long-term borrowings	10,000	1,424
Repayment of long-term borrowings	(6,108)	(6,299)
Proceeds from issuance of bonds	-	55,000
Payment for redemption of bonds	(10,000)	(45,000)
Dividends paid to owners of the parent	(25,205)	(25,133)
Dividends paid to non-controlling interests	(3,847)	(4,295)
Proceeds from factoring agreements	69,596	55,465
Repayment of liabilities under factoring agreements	(34,363)	(21,194)
Repayment of lease liabilities	(10,790)	(12,621)
Others	(615)	(4,088)
Net cash provided by (used in) financing activities	435,800	152,061
Effect of exchange rate changes on cash and cash equivalents	(2,094)	198
Net increase (decrease) in cash and cash equivalents	(63,414)	14,197
Cash and cash equivalents at the beginning of the year	281,626	245,421
Cash and cash equivalents at the end of period	218,211	259,618