PRESS RELEASE

November 6, 2023

Mitsubishi Heavy Industries Delivers Large YoY Increases to Order Intake, Revenue, and Profit in Remarkable First Half, Raises FY2023 Order Intake Guidance

- YoY order intake gains achieved in Energy Systems, Logistics, Thermal & Drive Systems, and Aircraft, Defense & Space segments, with sizeable increases in GTCC and Defense & Space businesses.
- Revenue and business profit up YoY in all segments, with net income surpassing 1H FY2022 figure. Margin upside from revenue expansion, improved project profitability, services business growth, price optimization, and depreciation of the yen offset one-time expenses in the Aero Engines business.
- Raised full-year FY2023 order intake forecast by ¥1 trillion to reflect strength in GTCC and Defense & Space businesses.

Tokyo – Mitsubishi Heavy Industries (MHI, TSE Code: 7011) announced that order intake rose 55.4% year-over-year to ¥3,137.0 billion in the half-year ended September 30, 2023. Revenue rose 10.3% to ¥2,069.2 billion year-over-year, resulting in profit from business activities (business profit) of ¥100.9 billion, an 84.1% increase from the previous fiscal year, which represents a profit margin of 4.9%. Profit attributable to owners of parent (net income) was ¥91.9 billion, an increase of 69.8% year-over-year, with a profit margin of 4.4%. EBITDA was ¥168.9 billion, a 38.2% increase from 1H FY2022, with an EBITDA margin of 8.2%, up 1.7 percentage points year-over-year.

(billion yen, except where otherwise stated)

1H FY2023 Financial Results	1H FY2022	1H FY2023	YoY	YoY%
Order Intake	2,018.4	3,137.0	+1,118.6	+55.4
Revenue	1,875.2	2,069.2	+194.0	+10.3
Profit from Business Activities	54.8	100.9	+46.1	+84.1
Profit Margin (%)	2.9	4.9	+2.0 pts	-
Profit Attributable to Owners of Parent	54.1	91.9	+37.8	+69.8
Profit Margin (%)	2.9	4.4	+1.5 pts	-
EBITDA	122.2	168.9	+46.6	+38.2
EBITDA Margin (%)	6.5	8.2	+1.7 pts	-
FCF	-101.3	-181.2	-79.9	-

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1H FY2023 Financial Results by Segment	Order Intake		Revenue		Business Profit	
	1H FY23	YoY	1H FY23	YoY	1H FY23	YoY
Energy Systems (Energy)	1,082.0	+305.5	777.2	+8.1	35.3	+15.7
Plants & Infrastructure Systems (P&I)	421.8	-52.7	350.7	+58.5	20.3	+9.6
Logistics, Thermal & Drive Systems (LT&D)	650.0	+71.9	633.3	+69.9	36.7	+28.2
Aircraft, Defense & Space (ADS)	999.4	+791.6	318.9	+56.6	27.4	+7.6
Corporate & Eliminations (C&E)	-16.2	+2.3	-10.9	+0.7	-18.9	-15.2
Total	3,137.0	+1,118.6	2,069.2	+194.0	100.9	+46.1

Strong demand for both new installations and after-sales services in Gas Turbine Combined Cycle (GTCC) drove large order intake growth in Energy, with seven large frame GTCC units booked in 1H. Business profit in the segment increased by ¥15.7 billion YoY due to a reduction in one-time items in the Thermal Power businesses as well as revenue growth and margin improvements in GTCC, which offset a one-time charge in Aero Engines associated with the PW1100G-JM Engine Program.

Revenue in P&I grew by ¥58.5 billion YoY due to strength in Metals Machinery and Engineering. Business profit increased by ¥9.6 billion thanks to topline expansion and foreign exchange effects in Metals Machinery together with improvements in Engineering project margins.

LT&D saw large YoY increases in order intake and revenue, at ¥71.9 billion and ¥69.9 billion, respectively. This was mainly due to organic growth in the Logistics Systems and Heating, Ventilation & Air Conditioning (HVAC) businesses. Revenue increases, price optimization to offset cost inflation, and foreign exchange effects helped to raise segment business profit by ¥28.2 billion YoY.

ADS achieved a record-breaking ¥791.6 billion YoY increase in order intake due almost exclusively to growth in Defense & Space, which booked several large stand-off defense-related projects from the Japan Ministry of Defense. Revenue increased in both Defense & Space and Commercial Aviation, while business profit rose by ¥7.6 billion YoY thanks in part to the depreciation of the yen and a slight uptick in Aero Structures deliveries.

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FY2023 Earnings Forecast:

MHI revised its guidance for the period ending March 31, 2024, increasing order intake by ¥1.0 trillion versus the previous announcement made August 4, 2023. This reflects strength in the orders environment in the Energy and ADS segments. No changes were made to totals in the other financial indicators, although adjustments were made to business profit targets for LT&D, ADS, and C&E informed by results in the first half of this fiscal year.

(billion yen, except where otherwise stated)

FY2023 Earnings Forecast	FY2022 Actual	FY2023 Forecast (Previous)	FY2023 Forecast (Revised)	Revised vs. Previous
Order Intake	4,501.3	4,600.0	5,600.0	+1,000.0
Revenue	4,202.7	4,300.0	4,300.0	-
Profit from Business Activities	193.3	300.0	300.0	-
Profit Margin (%)	4.6	7.0	7.0	-
Profit Attributable to Owners of Parent	130.4	190.0	190.0	-
Profit Margin (%)	3.1	4.4	4.4	-
ROE (%)	7.9	11	11	-
EBITDA	331.1	440.0	440.0	-
EBITDA Margin (%)	7.9	10.2	10.2	-
FCF	35.3	-100.0	-100.0	-
Dividends	130 yen	160 yen	160 yen	-

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FY2023 Earnings Forecast by Segment	Order Intake		Revenue		Business Profit	
	Previous	Revised	Previous	Revised	Previous	Revised
Energy	1,700.0	1,900.0	1,700.0	1,700.0	150.0	150.0
P&I	700.0	700.0	700.0	700.0	40.0	40.0
LT&D	1,250.0	1,250.0	1,250.0	1,250.0	70.0	80.0
ADS	1,000.0	1,800.0	700.0	700.0	40.0	50.0
C&E	-50.0	-50.0	-50.0	-50.0	0.0	-20.0
Total	4,600.0	5,600.0	4,300.0	4,300.0	300.0	300.0

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CFO Message:

“I am pleased with our performance during the first half of this fiscal year, during which we realized record highs in order intake, revenue, and profit,” Hisato Kozawa, MHI Chief Financial Officer commented. Kozawa continued, “Businesses showing especially strong results during this period were GTCC, Logistics Systems, and Defense & Space. In these and other businesses, we are leveraging key capabilities in challenging markets to win orders, secure revenues, and improve margins. In terms of profitability, solid topline growth, price optimization, project margin improvements, and the depreciation of the yen more than offset negative impact from the PW1100G-JM Engine Project and rising domestic labor and energy costs. Solid net income has enabled us to move forward with our original plan to pay an ¥80 per share interim dividend, which is ¥20 greater than the FY2022 interim dividend and ¥10 above our last year-end dividend.

“Thanks to the excellent progress we have made toward this fiscal year’s guidance, we have increased our order intake forecast for both the Energy and ADS segments. We have maintained our targets for all other indicators, although we have made adjustments to the business profit figures for some of the segments. This means that we are on track to achieve our goals for the 2021 Medium-Term Business Plan, which ends this fiscal year. However, we must avoid overconfidence and maintain vigilance across all of our businesses to ensure that we are delivering quality products to our customers on time and within budget as we move forward into the second half of FY2023.”

Attachment 1: 1H FY2023 Financial Results

- Financial Results

Attachment 2: Presentation Materials of Financial Results

- Presentation Materials

Downloadable PDF of this press release

- Press Release

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Note regarding forward looking statements:

Forecasts regarding future performance outlined in these materials are based on judgments made in accordance with information available at the time they were 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.

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