

# Q1 FY2023 Financial Results

August 4, 2023

Mitsubishi Heavy Industries, Ltd.

© Mitsubishi Heavy Industries, Ltd. All Rights Reserved.



Hello, everyone.

Allow me to summarize our Q1 FY2023 financial results.

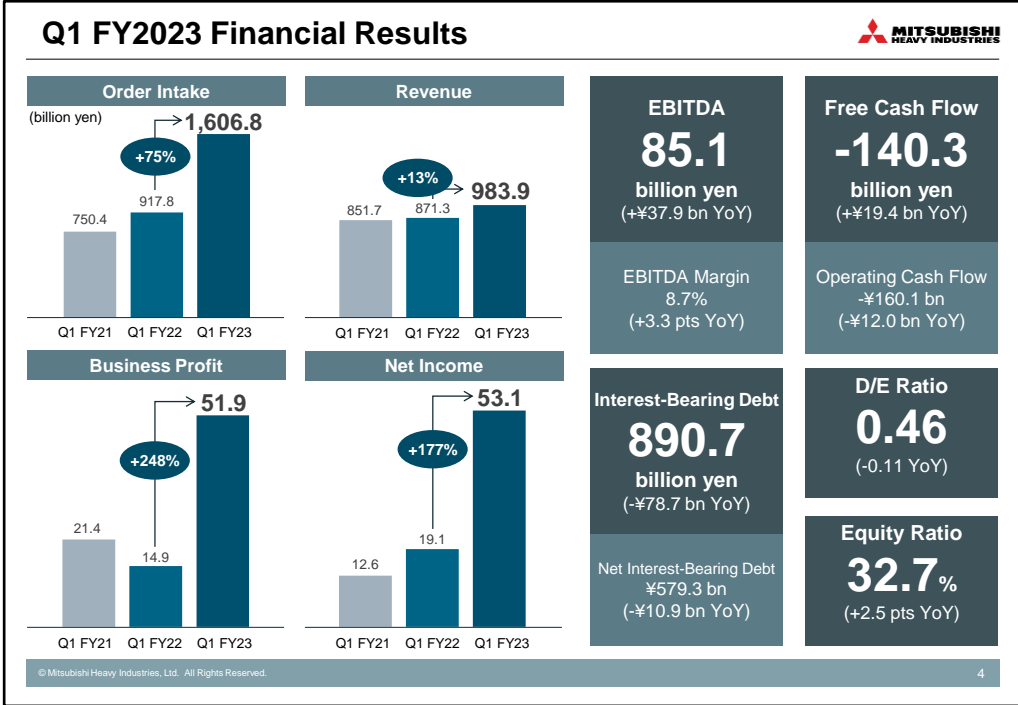
## Table of Contents



<b>1. Key Takeaways</b>	<b>3-5</b>
<b>2. Q1 FY2023 Financial Results</b>	<b>6-14</b>
<ul style="list-style-type: none"><li>• Financial Results Overview</li><li>• Financial Position and Cash Flows</li><li>• Profit Bridge</li><li>• Results by Segment</li></ul>	
<b>3. FY2023 Earnings Forecast</b>	<b>15-17</b>
<b>4. Appendix</b>	<b>18-21</b>

The presentation materials are organized according to this table of contents.

# 1. Key Takeaways



First, I will provide an overview of the Q1 FY2023 financial results.

This page shows the results in several key financial indicators.

## Q1 FY2023 Financial Results Highlights



- **Order Intake: ¥1,606.8 bn (+¥689.0 bn YoY)**  
Order intake increased YoY in Energy Systems, Logistics, Thermal & Drive Systems, and Aircraft, Defense & Space.  
In terms of major businesses, large orders growth was seen in Gas Turbine Combined Cycle (GTCC) and Defense & Space.
- **Revenue: ¥983.9 bn (+¥112.6 bn YoY)**  
Revenue increased YoY in all segments.  
In terms of major businesses, GTCC, Aero Engines, Metals Machinery, Logistics Systems, and Heating, Ventilation & Air Conditioning (HVAC) achieved large increases in revenue.
- **Business Profit: ¥51.9 bn (+¥37.0 bn YoY)**  
Business profit increased YoY in all segments.  
Revenue increases, expansion of services businesses, price optimization, and reduction in one-time expenses served to increase business profit by 248% YoY to ¥51.9 bn.
- **Net Income: ¥53.1 bn (+¥33.9 bn YoY)**  
Due to increases in business profit, net income rose 177% YoY to ¥53.1 bn.

© Mitsubishi Heavy Industries, Ltd. All Rights Reserved.

5

This page summarizes the highlights from our financial results as regards four key financial indicators.

In general, Q1 FY2023 went well, as planned.  
Order intake, revenue, and profit all exceeded Q1 FY2022 levels.

In particular, growth in order intake was strong, with progress versus the full-year forecast at approximately 35%, an unusually high level.  
This was due to large Defense-related orders received at the beginning of the fiscal year. Contracts in the Defense business have tended to be concentrated at the ends of past fiscal years, but this year is different.

Both profit from business activities (business profit) and profit attributable to owners of parent (net income) significantly increased YoY.  
The benefits of price optimization efforts since last fiscal year, revenue growth, and the impact of the yen's depreciation contributed positively to these results.

Moreover, free cash flow, which was shown on the previous page, was at nearly the same level as in Q1 FY2022.

## 2. Q1 FY2023 Financial Results

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

## Financial Results Overview



(billion yen)	Q1 FY2022 (Profit Margin)	Q1 FY2023 (Profit Margin)	YoY (Profit Margin)	(YoY%)
<b>Order Intake</b>	917.8	1,606.8	+689.0	(+75.1%)
<b>Revenue</b>	871.3	983.9	+112.6	(+12.9%)
<b>Profit from Business Activities</b>	14.9 (1.7%)	51.9 (5.3%)	+37.0 (+3.6 pts)	(+248.1%)
<b>Profit Attributable to Owners of Parent</b>	19.1 (2.2%)	53.1 (5.4%)	+33.9 (+3.2 pts)	(+177.1%)
<b>EBITDA</b>	47.2 (5.4%)	85.1 (8.7%)	+37.9 (+3.3 pts)	(+80.3%)
<b>Free Cash Flow</b>	-159.7	-140.3	+19.4	

This page includes information already provided, so I will forego an explanation.

## Financial Position and Cash Flows



Financial Position (billion yen)	FY22 End	Q1 FY23 End	YoY
Trade Receivables and Contract Assets	1,536.4	1,506.7	-29.6
Inventories	876.8	974.1	+97.2
Other Current Assets	628.9	704.7	+75.7
(Cash and Cash Equivalents)	(347.6)	(311.4)	(-36.2)
Fixed Assets	1,041.1	1,063.4	+22.3
Other Non-Current Assets	1,391.3	1,406.8	+15.4
<b>Total Assets</b>	<b>5,474.8</b>	<b>5,655.9</b>	<b>+181.1</b>
Trade Payables	895.2	800.4	-94.8
Contract Liabilities	936.7	947.4	+10.6
Other Liabilities	1,066.3	1,065.7	-0.6
Interest-Bearing Debt	742.4	890.7	+148.3
Equity	1,833.9	1,951.5	+117.5
(Equity Attributable to Owners of Parent)	(1,740.9)	(1,851.7)	(+110.7)
<b>Total Liabilities and Equity</b>	<b>5,474.8</b>	<b>5,655.9</b>	<b>+181.1</b>
<b>Cash Flows (billion yen)</b>	<b>Q1 FY22</b>	<b>Q1 FY23</b>	<b>YoY</b>
Operating Cash Flow	-148.1	-160.1	-12.0
Investing Cash Flow	-11.5	19.8	+31.4
Free Cash Flow	-159.7	-140.3	+19.4

© Mitsubishi Heavy Industries, Ltd. All Rights Reserved.

8

This page shows the balance sheet and cash flows.

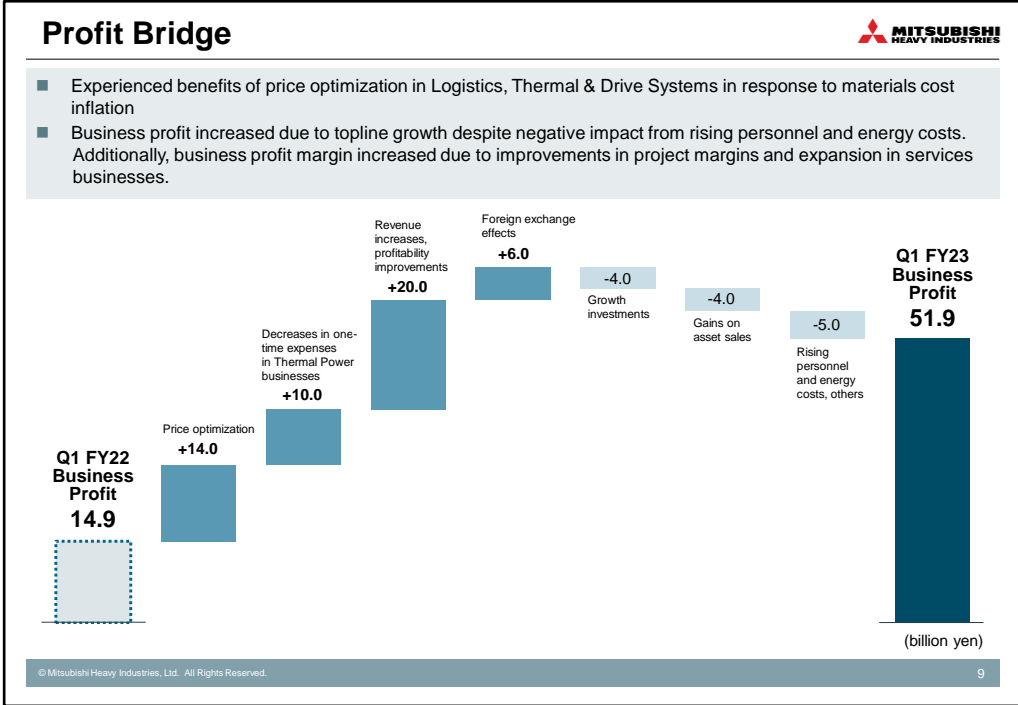
Total assets increased by ¥181.1 billion from the end of FY2022 to ¥5,655.9 billion.

The majority of this increase is attributable to the impact of currency translation effects related to foreign currency-denominated assets due to the weaker yen, amounting to slightly less than ¥150 billion.

Inventories have also increased slightly, but we believe that this is a normal trend for MHI within the range of normal fluctuations.

Regarding cash flow, investing cash flow improved YoY and was positive, with sales of real estate and securities contributing to this improvement.





This page shows factors which contributed to YoY changes in business profit.

The bar on the far left-hand side shows Q1 FY2022 business profit, which was ¥14.9 billion.

In Q1 FY2022, Logistics Systems, Heating, Ventilation, and Air Conditioning (HVAC), and other businesses experienced significant negative impact from inflation in materials and other costs. In Q1 FY2023, while the range of YoY cost increases has lessened, the benefits of price optimization, i.e., price increases, exceeded this, resulting in a ¥14.0 billion increase in business profit.

Decreases in one-time expenses in Thermal Power businesses refers to the YoY difference from the loss recorded in Q1 FY2022 related to expenses from the organizational transformation of our European operations.

Other factors shown here also contributed to YoY changes in business profit, with a result of ¥51.9 billion in Q1 FY2023.

## Financial Results by Segment

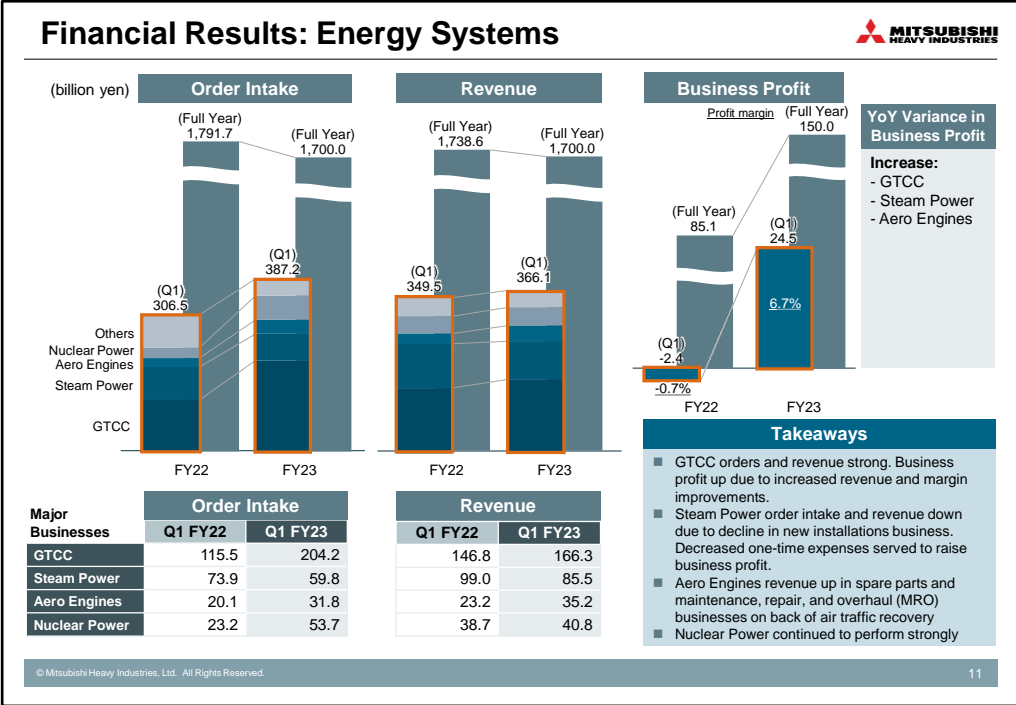


	Order Intake			Revenue			Profit from Business Activities		
	Q1 FY22	Q1 FY23	YoY	Q1 FY22	Q1 FY23	YoY	Q1 FY22	Q1 FY23	YoY
(billion yen)									
Energy Systems	306.5	387.2	+80.6	349.5	366.1	+16.6	-2.4	24.5	+27.0
Plants & Infrastructure Systems	242.4	216.4	-25.9	131.8	165.7	+33.8	0.8	5.9	+5.0
Logistics, Thermal & Drive Systems	280.8	321.1	+40.2	265.9	310.1	+44.1	2.0	17.4	+15.3
Aircraft, Defense & Space	97.0	687.1	+590.0	129.0	145.5	+16.5	7.5	9.2	+1.6
Corporate and Eliminations	-9.0	-5.1	+3.9	-5.0	-3.6	+1.4	6.8	-5.2	-12.1
<b>Total</b>	<b>917.8</b>	<b>1,606.8</b>	<b>+689.0</b>	<b>871.3</b>	<b>983.9</b>	<b>+112.6</b>	<b>14.9</b>	<b>51.9</b>	<b>+37.0</b>

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

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.



This page shows the situation in the Energy Systems segment.

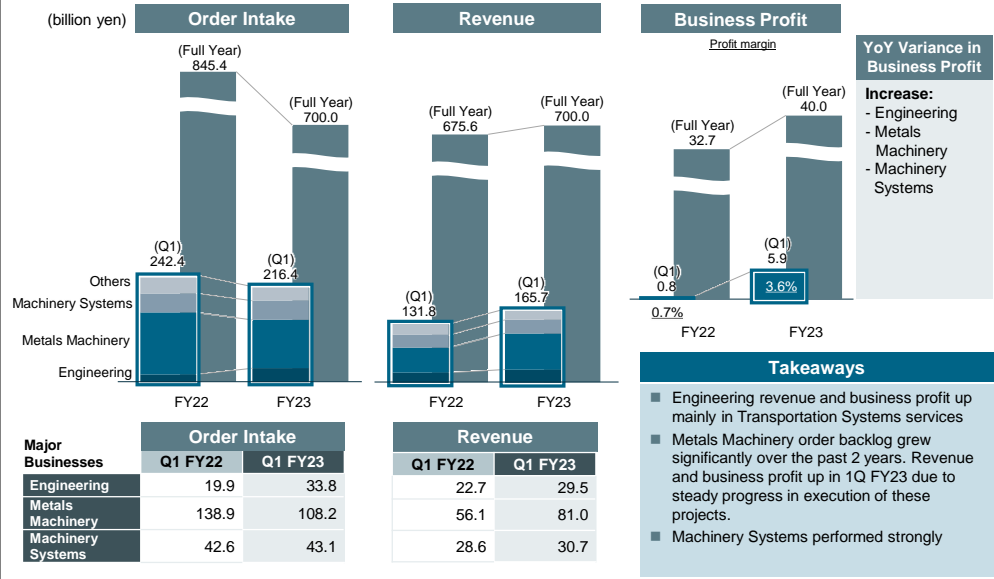
Order intake, revenue, and business profit all started off well versus the full-year forecast.

In particular, order intake in Gas Turbine Combined Cycle (GTCC) continues the strong performance seen in FY2022.

Order intake and revenue in Steam Power decreased YoY, but this was in line with expectations in the current operating environment, and I am pleased that we are making up for this decline with order intake and business profit from other businesses.

Business profit increased in Steam Power mainly due to the absence of expenses related to the organizational transformation of European operations, which were incurred in FY2022.

# Financial Results: Plants & Infrastructure Systems



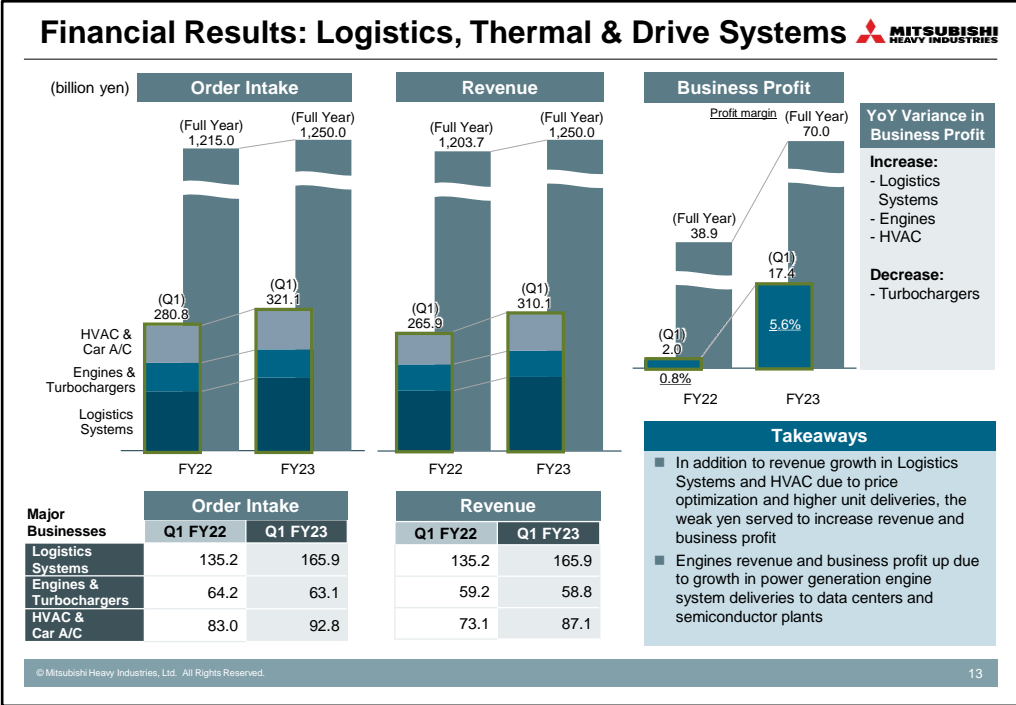
© Mitsubishi Heavy Industries, Ltd. All Rights Reserved.

12

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

Order intake, revenue, and business profit had a good start versus the full-year forecast in this segment as well.

While order intake decreased YoY, this was mainly caused by the Metals Machinery business. However, the ¥108.2 billion in orders booked in Metals Machinery in Q1 FY2023 was at a sufficiently high level, and the market continues to be strong.



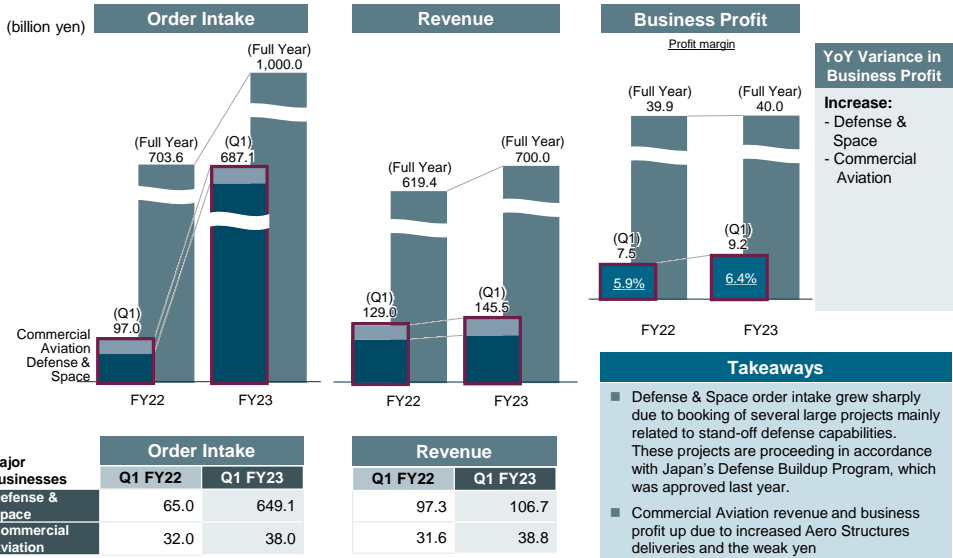
This page shows the situation in the Logistics, Thermal & Drive Systems segment.

Progress in order intake, revenue, and business profit were all at roughly 25% of the full-year forecast, which was mostly according to plan.

The good news is that we have been enjoying the benefits of price optimization since the second half of FY2022.

That said, although the availability of electronic components and other parts is improving, there is still a certain amount of instability, and we are closely monitoring the situation.

# Financial Results: Aircraft, Defense & Space



Major Businesses	Order Intake		Revenue	
	Q1 FY22	Q1 FY23	Q1 FY22	Q1 FY23
Defense & Space	65.0	649.1	97.3	106.7
Commercial Aviation	32.0	38.0	31.6	38.8

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

Order intake in this segment was ¥687.1 billion, due to large orders in the Defense business. As shown in the graph, order intake in Q1 FY2023 alone was comparable to the total order intake booked in FY2022.

Both revenue and business profit increased YoY in Commercial Aviation Aero Structures due to an increase in Boeing 787 unit deliveries, as well as the benefit of the weaker yen.

### 3. FY2023 Earnings 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, these projections involve risks and uncertainties. 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.

## Earnings Forecast Overview



Unchanged from forecast announced May 10, 2023.

(billion yen)	FY2022 (Profit Margin)	FY2023 (Profit Margin)	YoY (Profit Margin)	(YoY%)
<b>Order Intake</b>	4,501.3	4,600.0	+98.6	(+2.2%)
<b>Revenue</b>	4,202.7	4,300.0	+97.2	(+2.3%)
<b>Profit from Business Activities</b>	193.3 (4.6%)	300.0 (7.0%)	+106.6 (+2.4 pts)	(+55.2%)
<b>Profit Attributable to Owners of Parent</b>	130.4 (3.1%)	190.0 (4.4%)	+59.5 (+1.3 pts)	(+45.6%)
<b>ROE</b>	7.9%	11%	+3 pts	
<b>EBITDA</b>	331.1 (7.9%)	440.0 (10.2%)	+108.8 (+2.3 pts)	(+32.9%)
<b>Free Cash Flow</b>	35.3	-100.0	-135.3	
<b>Dividends</b>	130 yen Interim: 60 yen Year-End: 70 yen	160 yen Interim: 80 yen Year-End: 80 yen	Exchange rate assumptions: USD 1.00 = ¥130, EUR 1.00 = ¥140 Undetermined foreign currency amounts: USD 3.1 bn, EUR 0.4 bn	

© Mitsubishi Heavy Industries, Ltd. All Rights Reserved.

16

The next few pages show our FY2023 earnings forecast.

There is no change from the announcement made in May, so I will forego a detailed explanation.

This concludes my presentation.  
Thank you very much.



## Earnings Forecast by Segment



Unchanged from forecast announced May 10, 2023.

	Order Intake			Revenue			Profit from Business Activities		
	FY22	FY23 Forecast	YoY	FY22	FY23 Forecast	YoY	FY22	FY23 Forecast	YoY
(billion yen)									
Energy Systems	1,791.7	1,700.0	-91.7	1,738.6	1,700.0	-38.6	85.1	150.0	+64.8
Plants & Infrastructure Systems	845.4	700.0	-145.4	675.6	700.0	+24.3	32.7	40.0	+7.2
Logistics, Thermal & Drive Systems	1,215.0	1,250.0	+34.9	1,203.7	1,250.0	+46.2	38.9	70.0	+31.0
Aircraft, Defense & Space	703.6	1,000.0	+296.3	619.4	700.0	+80.5	39.9	40.0	+0.0
Corporate & Eliminations	-54.5	-50.0	+4.5	-34.7	-50.0	-15.2	-3.5	0.0	+3.5
<b>Total</b>	<b>4,501.3</b>	<b>4,600.0</b>	<b>+98.6</b>	<b>4,202.7</b>	<b>4,300.0</b>	<b>+97.2</b>	<b>193.3</b>	<b>300.0</b>	<b>+106.6</b>

## 4. Appendix

## Appendix: Reference Data



Large Frame Gas Turbine Order Intake and Contract Backlog (units)				Commercial Aviation Deliveries (units)					
	Q1 FY22	FY22	Q1 FY23	777	Q1	Q2	Q3	Q4	Total
Americas	1	4	-	FY22	6	7	7	10	30
Asia	3	7	3	FY23	7	/	/	/	7
EMEA	1	1	-						
Other Regions	-	4	-	777X	Q1	Q2	Q3	Q4	Total
Order Intake Total	5	16	3	FY22	1	0	0	0	1
Contract Backlog	46	43	42	FY23	0	/	/	/	0
(Reference) Order Intake through China Licensee				787	Q1	Q2	Q3	Q4	Total
	Q1 FY22	FY22 Total	Q1 FY23	FY22	5	7	8	5	25
Order Intake	14	27	7	FY23	9	/	/	/	9

## Appendix: Reference Data



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

	Q1 FY22	Q1 FY23	FY23 Forecast
R&D Expenses	20.7	29.9	150.0
Depreciation and Amortization	32.3	33.1	140.0
Capital Expenditures	26.1	35.1	180.0

### Selling, General, and Administrative Expenses (billion yen)

	Q1 FY22	Q1 FY23
SG&A	142.9	156.3

### Foreign Exchange Rates (Average Rates used for Revenue Recognition)

	Q1 FY22	Q1 FY23
U.S. Dollar (JPY/USD)	125.0	136.3
Euro (JPY/EUR)	136.0	144.6

## Appendix: Reference Data



(billion yen)

Order Backlog	FY22 End	Q1 FY23 End
Energy Systems	3,325.6	3,455.3
Plants & Infrastructure Systems	1,509.2	1,559.2
Logistics, Thermal & Drive Systems	54.8	64.6
Aircraft, Defense & Space	1,171.8	1,714.8
<b>Total</b>	<b>6,061.8</b>	<b>6,794.2</b>

(billion yen)

Revenue by Region	Q1 FY22		FY22 Full Year		Q1 FY23	
Japan	360.7	(41%)	1,808.3	(43%)	367.9	(37%)
Asia-Pacific (excluding Japan)	171.5	(20%)	765.8	(18%)	168.3	(17%)
Americas	219.3	(25%)	1,068.4	(26%)	299.3	(31%)
EMEA	119.7	(14%)	560.2	(13%)	148.4	(15%)
<b>Total</b>	<b>871.3</b>	<b>(100%)</b>	<b>4,202.7</b>	<b>(100%)</b>	<b>983.9</b>	<b>(100%)</b>

MOVE THE WORLD FORWARD  MITSUBISHI  
HEAVY  
INDUSTRIES  
GROUP

