

Q1-3 FY2021 Financial Results

February 7, 2022

I. Q1-3 FY2021 Financial Results

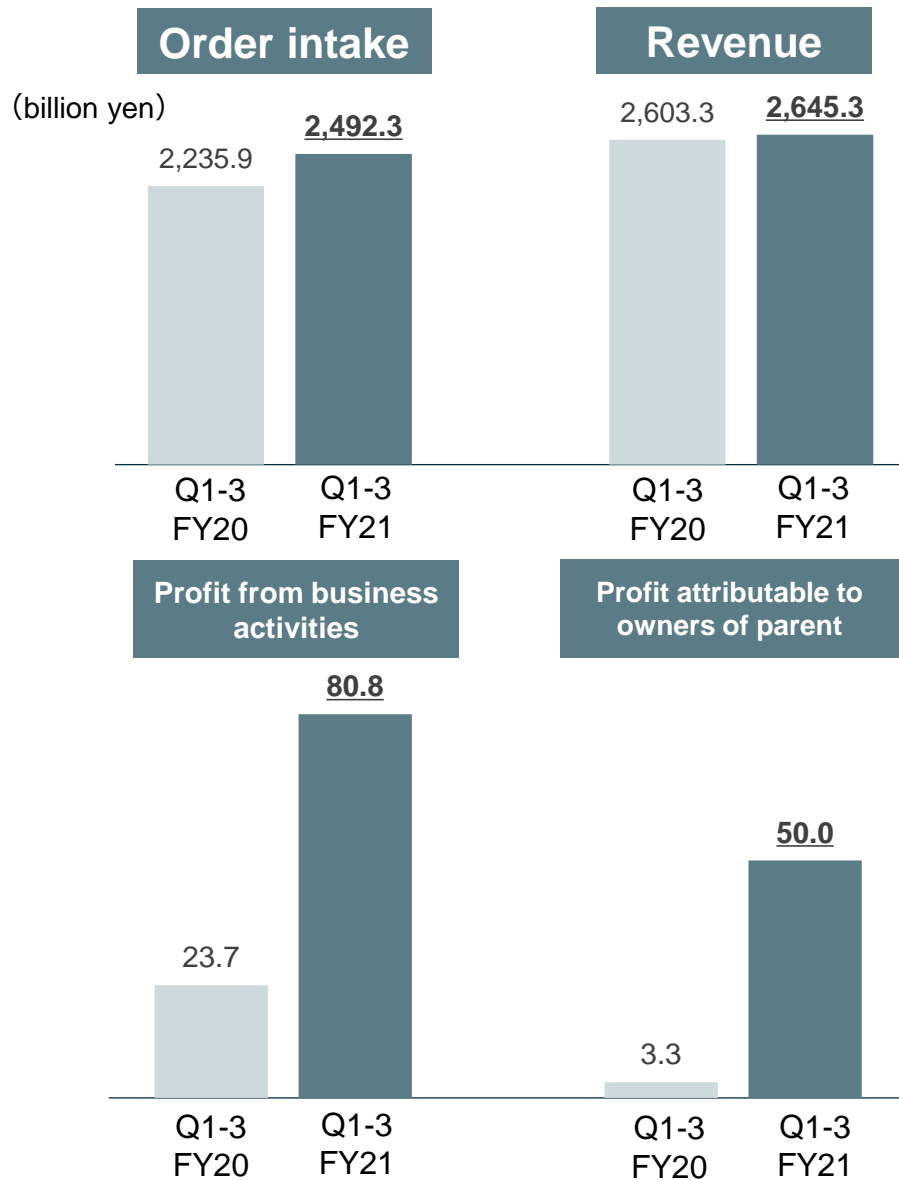
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I. Q1-3 FY2021 Financial Results

Financial Results Overview



■ Order intake

- Order intake up in Plants & Infrastructure Systems (incl. Metals Machinery) and Logistics, Thermal & Drive Systems (incl. Logistics Systems and HVAC)
- Decrease in overall Energy Systems order intake due to rebound from booking of some large GTCC orders in FY20, despite an increase in orders for new biomass power plant installations
- Low order intake levels continue in Commercial Aviation Aero Structures

■ Revenue and profit

- Revenue up in all segments other than Aircraft, Defense & Space
- Profitability achieved in all segments

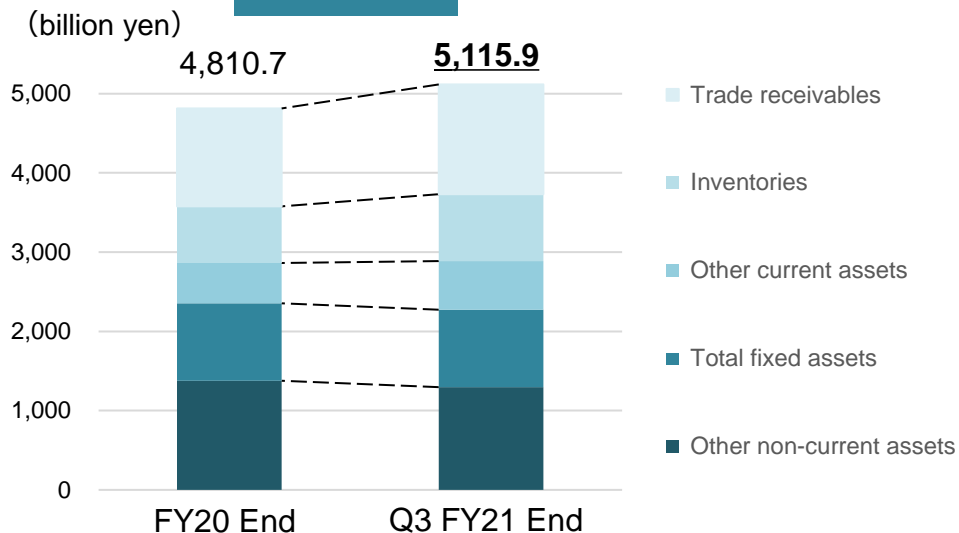
Financial Results Overview

(billion yen)

	Q1-3 FY2020		Q1-3 FY2021		YoY	
	(Profit margin)		(Profit margin)			
Order intake		2,235.9		2,492.3	+256.3	(+11.5%)
Revenue		2,603.3		2,645.3	+41.9	(+1.6%)
Profit from business activities	(0.9%)	23.7	(3.1%)	80.8	+57.1	(+240.7%)
Profit attributable to owners of parent	(0.1%)	3.3	(1.9%)	50.0	+46.7	(+1,414.7%)
EBITDA	(5.0%)	129.2	(6.8%)	179.2	+50.0	(+38.7%)
FCF		-639.0		-148.1	+490.9	-

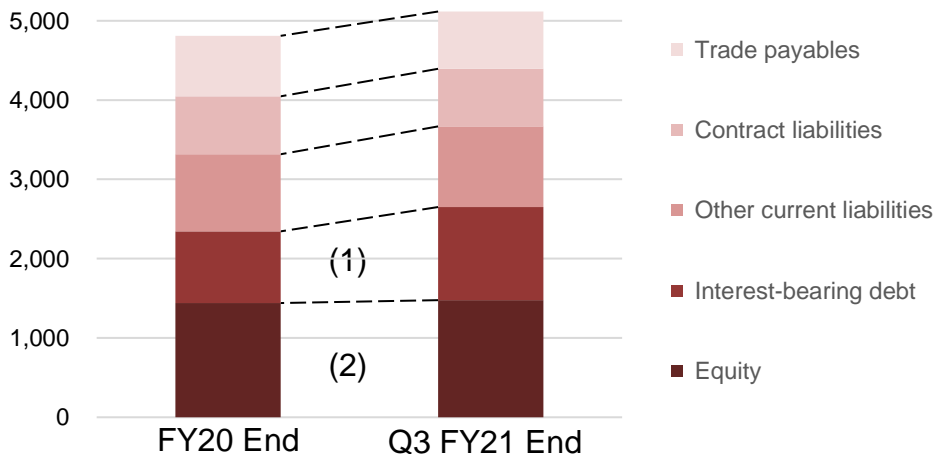
Financial Position Overview

Assets



- Total assets up ¥305.2 bn from end FY20 mainly due to fluctuations in working capital during the current fiscal year

Liabilities & Equity



	FY20 End	Q3 FY21 End	Variance
Interest-bearing debt (bn yen)	905.6	1,171.2	+265.5
Equity ratio	28.4%	27.3%	-1.1 pt
D/E ratio	0.63	0.79	+0.16

Breakdown of main items:

- (1) Commercial paper (+¥257.0 bn)
- (2) Profit attributable to owners of parent (+¥50.0 bn), dividends (-¥40.3 bn)

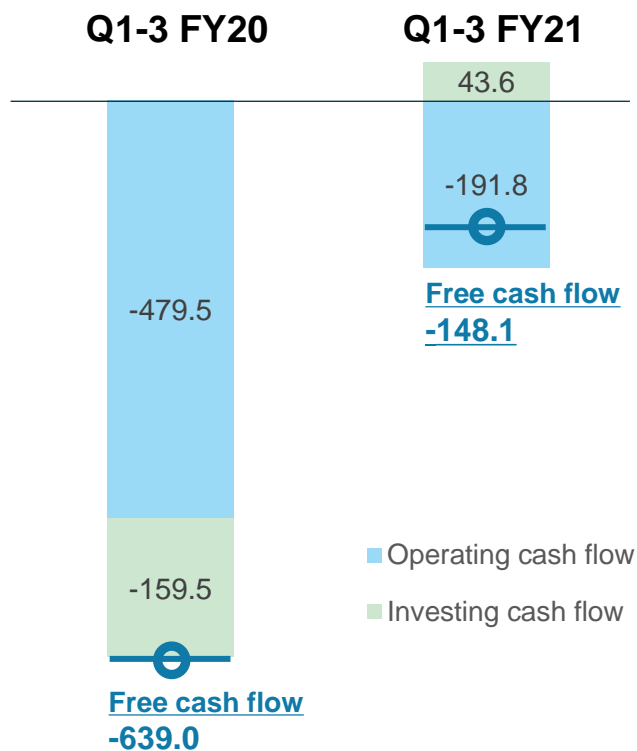
Financial Position Overview

(billion yen)

	FY2020 End	Q3 FY2021 End	YoY
Trade receivables and contract assets	1,234.1	1,384.8	+150.7
Inventories	713.4	844.5	+131.0
Other current assets	507.0	612.9	+105.9
(Cash and cash equivalents)	(245.4)	(358.2)	(+112.8)
Total fixed assets	978.9	977.7	-1.1
Other non-current assets	1,377.1	1,295.8	-81.3
Total assets	4,810.7	5,115.9	+305.2

Trade payables	763.7	721.1	-42.6
Contract liabilities	731.8	727.1	-4.7
Other current liabilities	970.1	1,018.6	+48.4
Interest-bearing debt	905.6	1,171.2	+265.5
Equity	1,439.3	1,477.8	+38.4
(Equity attributable to owners of the parent)	(1,366.3)	(1,395.9)	(+29.6)
Total liabilities and Equity	4,810.7	5,115.9	+305.2

(billion yen)



■ Free cash flow

Based on strong performance in both operating and investing cash flow, the free cash flow forecast has been raised from previous guidance (+¥0) to +¥100 bn

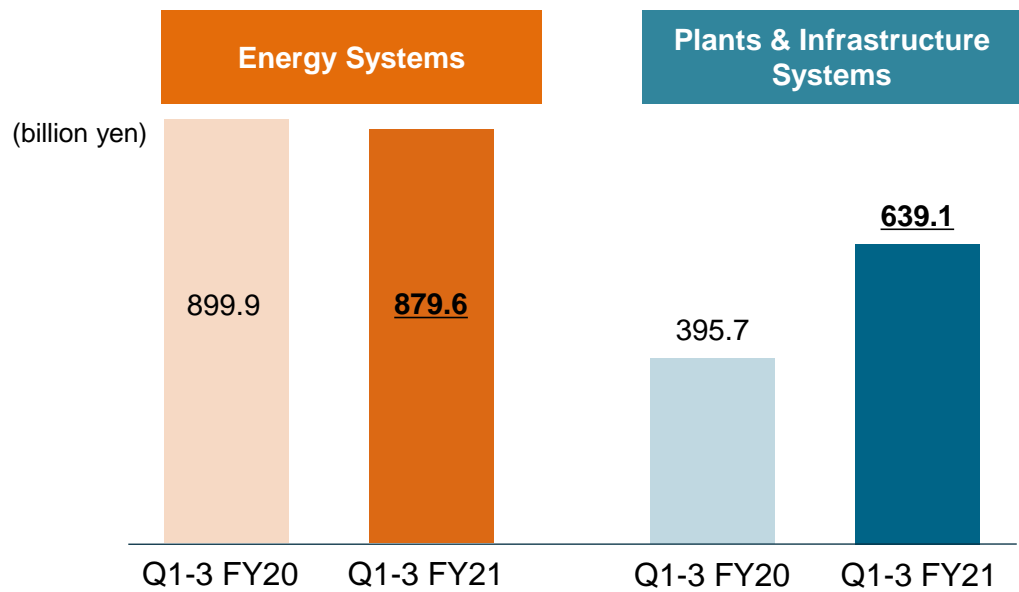
■ Operating cash flow

Improved by +¥287.7 bn YoY due to an increase in profit as well as reduced consumption of advances received arising from expanding Metals Machinery order intake among other factors

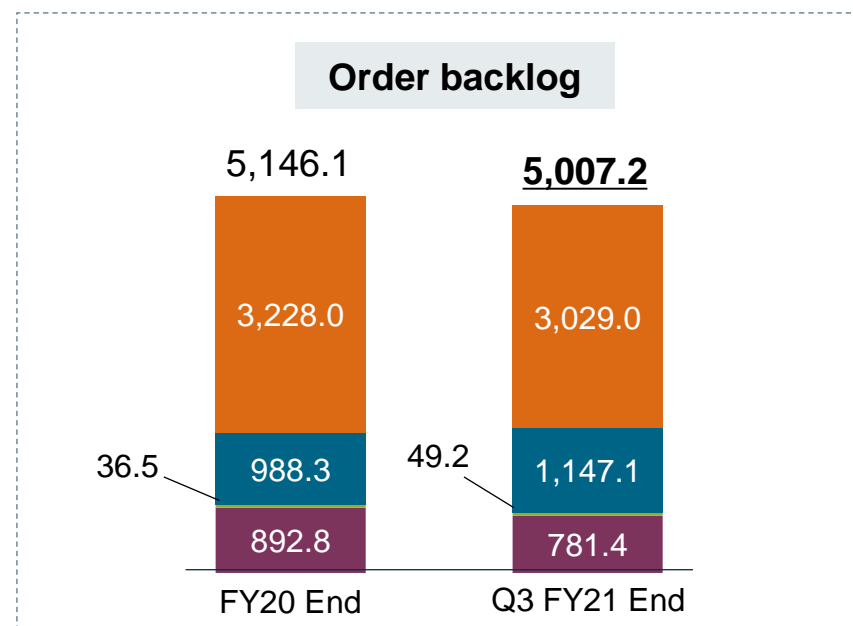
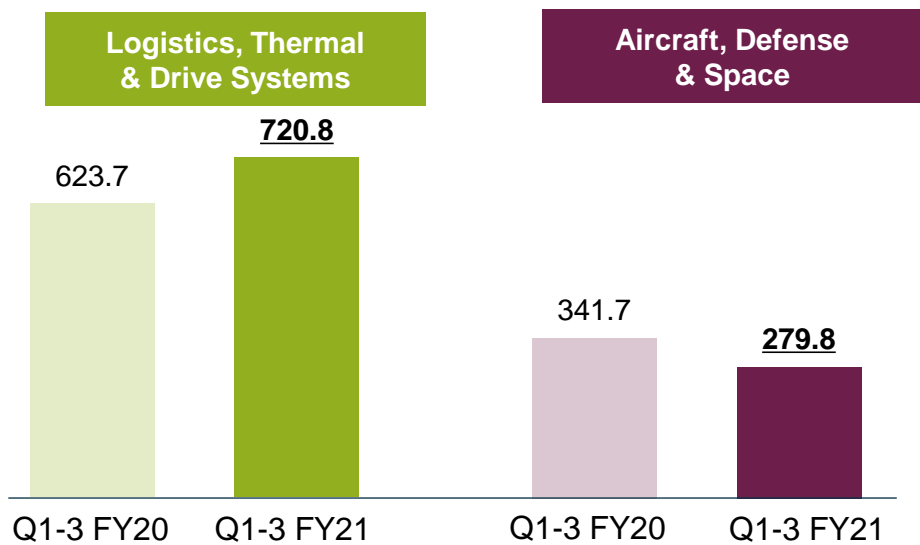
■ Investing cash flow

Asset management (sale of real estate and stock) proceeding ahead of schedule, generating investment capital for deployment in growth areas and Carbon Neutrality initiatives

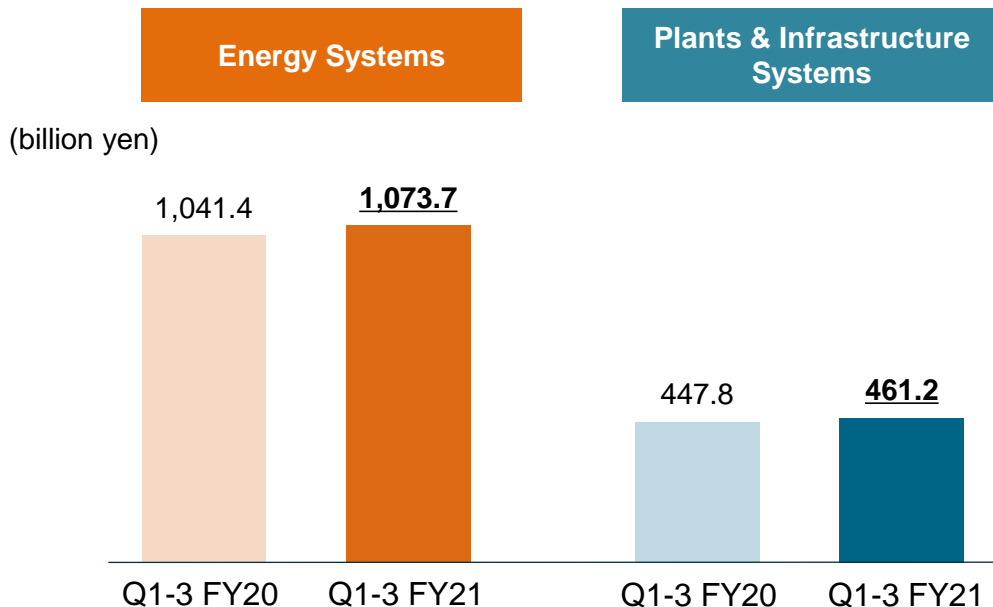
Order Intake & Order Backlog by Segment



- Energy Systems
 Increase: Steam Power (Biomass)
 Decrease: GTCC (Gas Turbine Combined Cycle)
- Plants & Infrastructure Systems
 Increase: Metals Machinery, Machinery Systems, Commercial Ships
 Decrease: Engineering
- Logistics, Thermal & Drive Systems
 Increase: Logistics Systems, HVAC, Engines
- Aircraft, Defense & Space
 Increase: CRJ
 Decrease: Commercial Aviation Aero Structures



Revenue by Segment

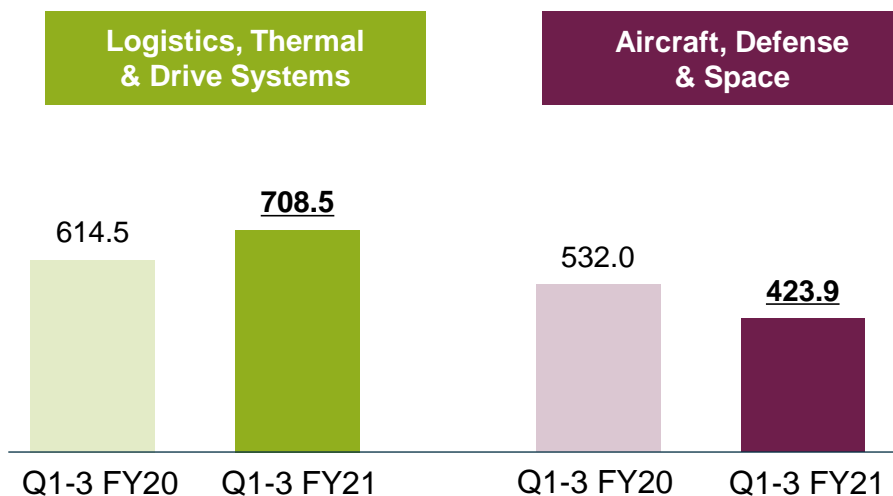


- Energy Systems
 Increase: GTCC, Aero Engines
 Decrease: Steam Power

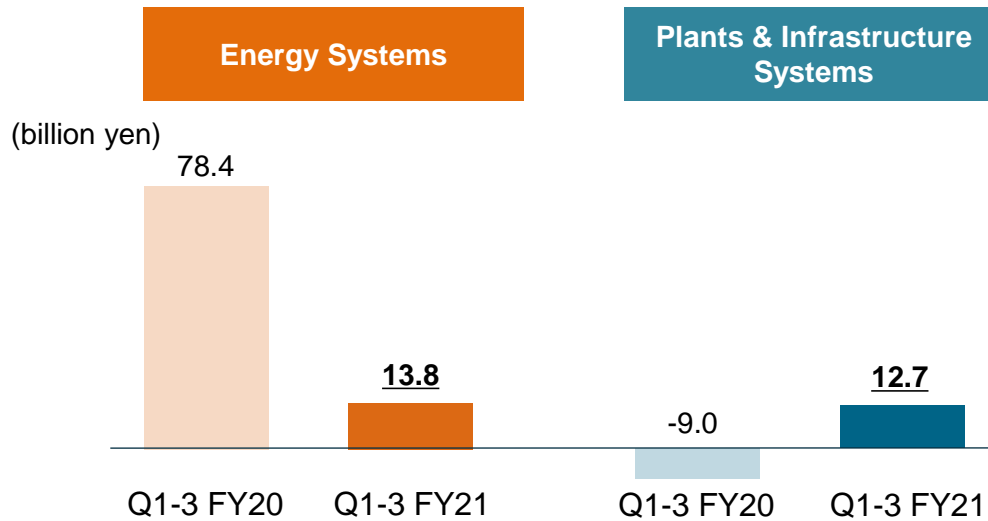
- Plants & Infrastructure Systems
 Increase: Metals Machinery, Environmental Systems

- Logistics, Thermal & Drive Systems
 Increase: Logistics Systems, HVAC, Engines

- Aircraft, Defense & Space
 Increase: Naval Ship & Maritime Systems
 Decrease: Defense Aircraft & Missile Systems, Space, Commercial Aviation



Profit from Business Activities by Segment

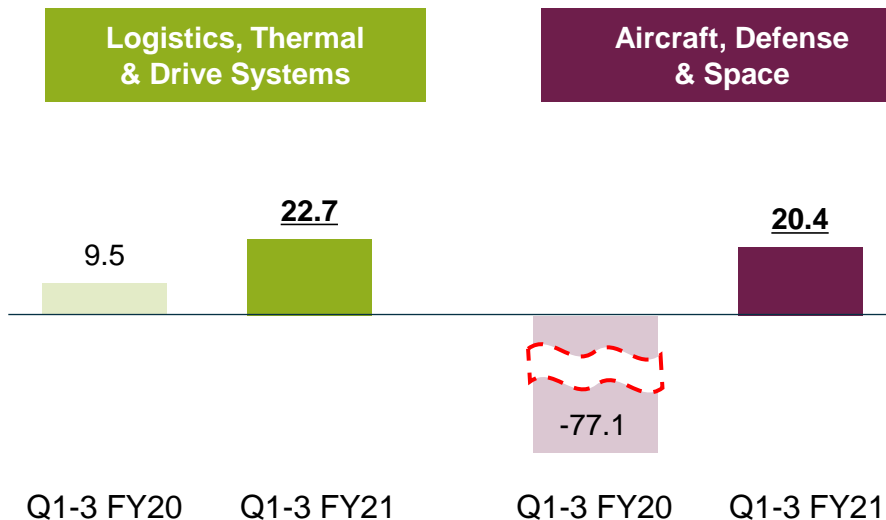


- Energy Systems
 Increase: GTCC, Steam Power, Aero Engines
 Decrease: Off-Shore Wind Power (FY20: MVOW share transfer)

- Plants & Infrastructure Systems
 Increase: Metals Machinery, Engineering

- Logistics, Thermal & Drive Systems
 Increase: Logistics Systems, Turbochargers, Engines

- Aircraft, Defense & Space
 Increase: Large reduction in SpaceJet costs, Naval Ship & Maritime Systems, CRJ
 Decrease: Defense Aircraft & Missile Systems, Space, Commercial Aviation Aero Structures



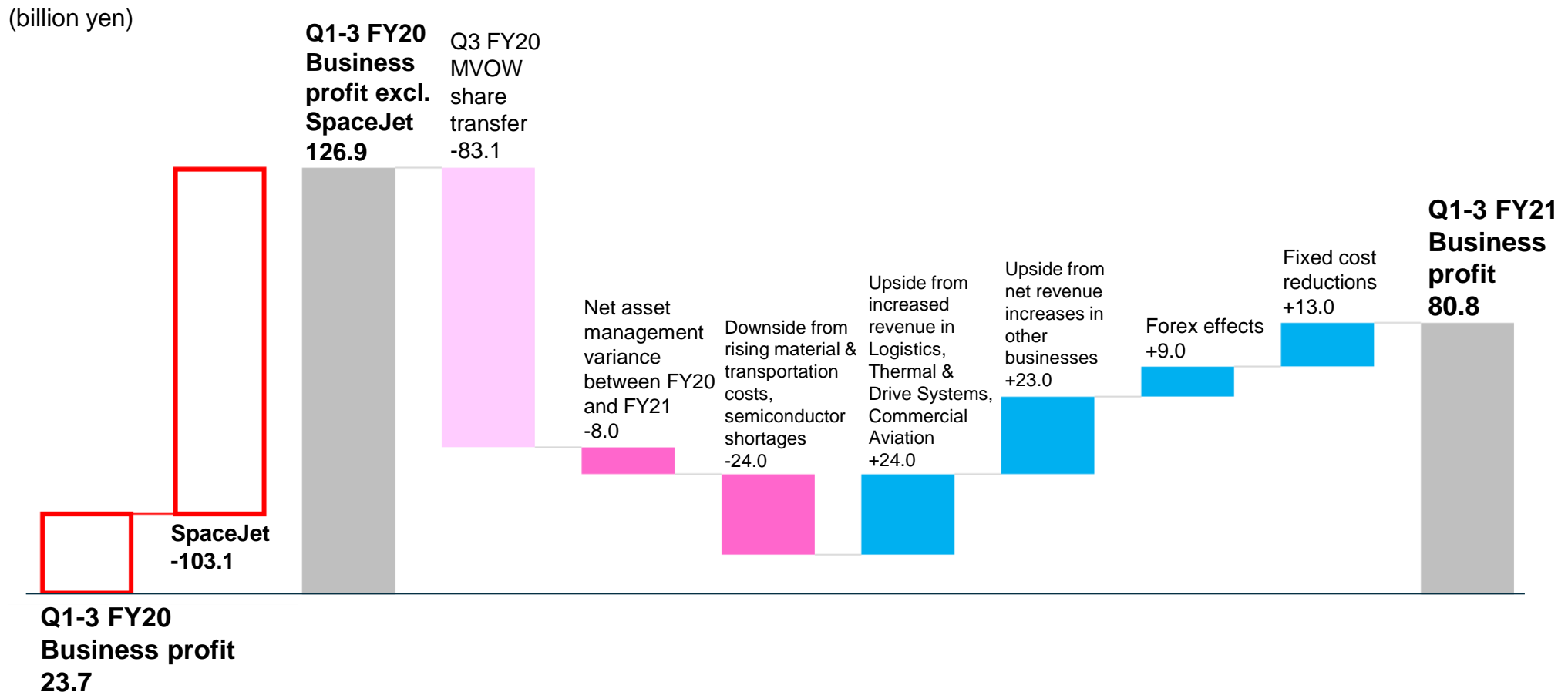
Financial Results by Segment

(billion yen)

	Order intake			Revenue			Profit from business activities		
	Q1-3 FY20	Q1-3 FY21	YoY	Q1-3 FY20	Q1-3 FY21	YoY	Q1-3 FY20	Q1-3 FY21	YoY
Energy Systems	899.9	879.6	-20.3	1,041.4	1,073.7	+32.2	78.4	13.8	-64.5
Plants & Infrastructure Systems	395.7	639.1	+243.3	447.8	461.2	+13.3	-9.0	12.7	+21.7
Logistics, Thermal & Drive Systems	623.7	720.8	+97.0	614.5	708.5	+93.9	9.5	22.7	+13.2
Aircraft, Defense & Space	341.7	279.8	-61.8	532.0	423.9	-108.1	-77.1	20.4	+97.6
Others	-25.1	-27.1	-1.9	-32.5	-22.0	+10.5	22.0	11.0	-10.9
Total	2,235.9	2,492.3	+256.3	2,603.3	2,645.3	+41.9	23.7	80.8	+57.1

Profit Bridge

- Logistics, Thermal & Drive Systems and Aero Engines recovering from COVID-19 impact despite continued pressure on profitability from rising material and transportation costs as well as semiconductor shortages
- Profitability improving in Plants & Infrastructure Systems and Energy Systems due to progress in organizational transformation initiatives
- Steady progress in fixed cost reductions through such initiatives as integration with Mitsubishi Power



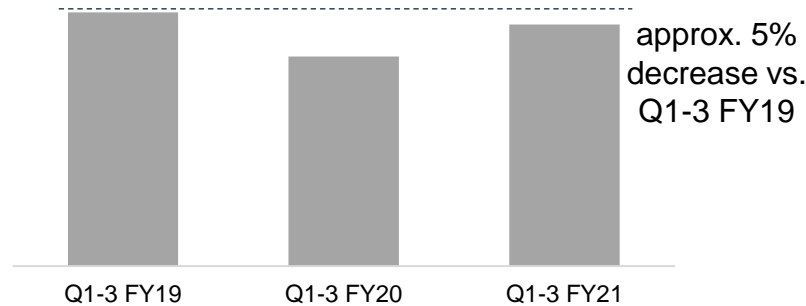
Status of Businesses Impacted by COVID-19

Business

Revenue

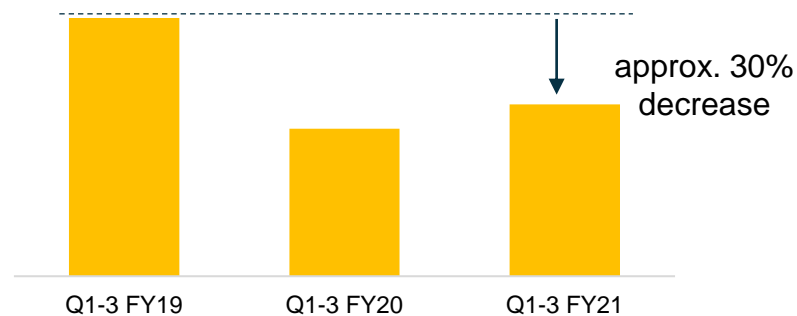
Status as of Q1-3 FY21 Closing

Logistics, Thermal & Drive Systems



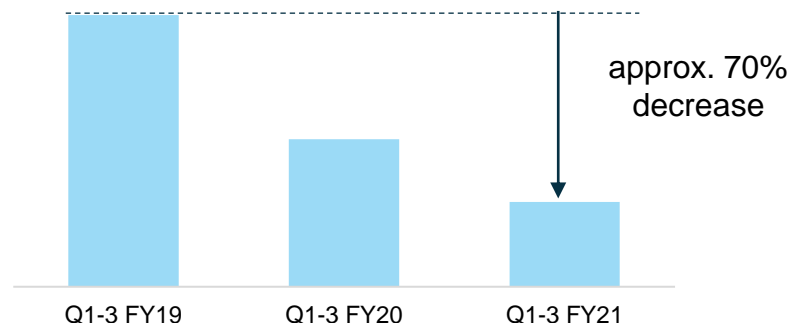
- Revenue has nearly recovered to FY19 (pre-COVID) levels

Commercial Aviation Aero Engines



- Market recovering for narrow-body aircraft (mainly used for domestic flights) and new models with high fuel efficiency

Commercial Aviation Aero Structures (Tier 1)



- Domestic air travel demand recovering esp. in U.S., Europe, and China. However, long-haul flights will require more time to recover.
- Impact from B787 production cuts

■ Order Intake

Recovery beginning to take shape, especially in Metals Machinery and Logistics, Thermal & Drive Systems, although difficult market conditions remain in Commercial Aviation

■ Revenue and profit

- Steady progress in all initiatives set out in the 2021 Medium-Term Business Plan
- Revenue and profit up YoY due to recovery from COVID-19 impact in Logistics, Thermal & Drive Systems and Aero Engines, progress in organizational transformation in Plants & Infrastructure Systems and Energy Systems, fixed cost reductions through organizational consolidations and business process improvements, and positive impact of business portfolio optimizations
- Achievement of full-year forecast expected based on revenue projections for Q4

■ Cash flows

- Asset management (sale of real estate and stock) proceeding ahead of schedule, generating investment capital for deployment in growth areas and Carbon Neutrality initiatives
- Based on steady performance in both operating and investing cash flow, the free cash flow forecast has been raised from previous guidance (+¥0) to +¥100 bn

II. FY2021 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.

FY2021 Forecast Overview

Increased FCF guidance from previous forecast announced October 29, 2021

(billion yen)

	FY2020 (Actual)		FY2021 (Forecast)			YoY
	(Profit margin)		(Profit margin)	Revised forecast	As of Oct. 29, 2021	
Order intake		3,336.3		3,600.0	3,600.0	+263.7 (+7.9%)
Revenue		3,699.9		3,750.0	3,750.0	+50.1 (+1.4%)
Profit from business activities	(1.5%)	54.0	(4.3%)	160.0	160.0	+106.0(+195.8%)
Profit attributable to owners of parent	(1.1%)	40.6	(2.7%)	100.0	100.0	+59.4(+146.1%)

ROE		3.1%		7.1%	7.1%	+4.0pt -
EBITDA	(5.2%)	193.3	(7.7%)	290.0	290.0	+96.7 (+50.0%)

FCF		-277.1		100.0	0.0	+377.1 -
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Dividend per share	75 yen	90 yen	90 yen
	Interim: 0 yen Year-end: 75 yen	Interim: 45 yen Year-end: 45 yen	Interim: 45 yen Year-end: 45 yen

Exchange rate assumptions:
USD 1.00 = ¥110
EUR 1.00 = ¥130

Undetermined foreign currency amounts:
USD 2.4 bn
EUR 0.3 bn

FY2021 Forecast by Segment

No change from previous forecast announced October 29, 2021

(billion yen)

	Order intake			Revenue			Profit from business activities		
	FY2020	FY2021 Revised forecast	YoY	FY2020	FY2021 Revised forecast	YoY	FY2020	FY2021 Revised forecast	YoY
Energy Systems	1,299.2	1,400.0	+100.8	1,546.0	1,600.0	+54.0	127.6	100.0	-27.6
Plants & Infrastructure Systems	575.2	700.0	+124.8	637.2	650.0	+12.8	-10.2	20.0	+30.2
Logistics, Thermal & Drive Systems	868.0	950.0	+82.0	860.3	950.0	+89.7	15.6	30.0	+14.4
Aircraft, Defense & Space	626.2	600.0	-26.2	702.1	600.0	-102.1	-94.8	20.0	+114.8
Others	-32.4	-50.0	-17.6	-45.7	-50.0	-4.3	15.8	-10.0	-25.8
Total	3,336.3	3,600.0	+263.7	3,699.9	3,750.0	+50.1	54.0	160.0	+106.0

III. Appendix

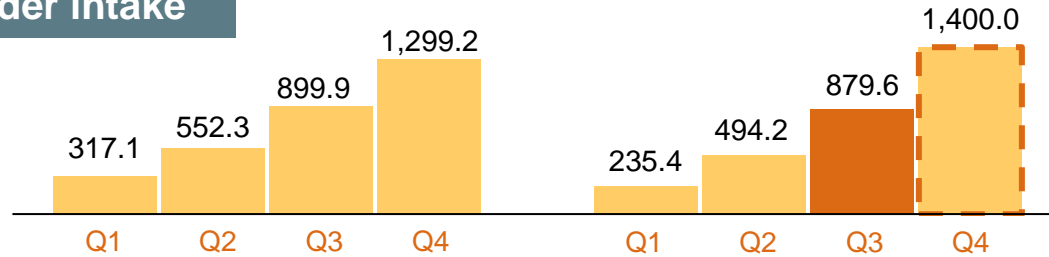
Q1-3 FY2021 Financial Results by Segment Energy Systems

(billion yen; all figures cumulative totals)

FY2020

FY2021

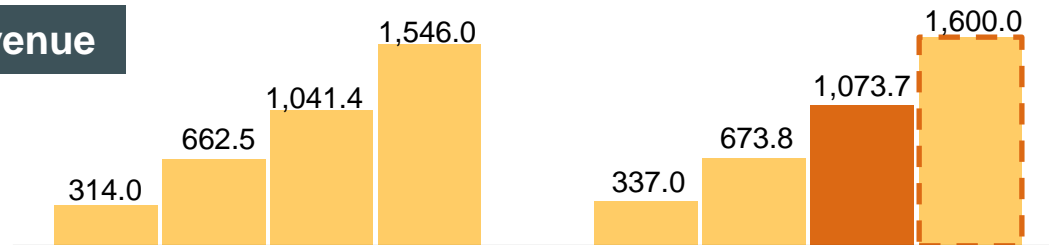
Order intake



(Order intake for major businesses)

	Q1-3 FY2020	Q1-3 FY2021
GTCC	379.6	341.1
Steam Power	163.5	253.2
Aero Engines	38.2	51.1
Nuclear Power	168.4	137.2

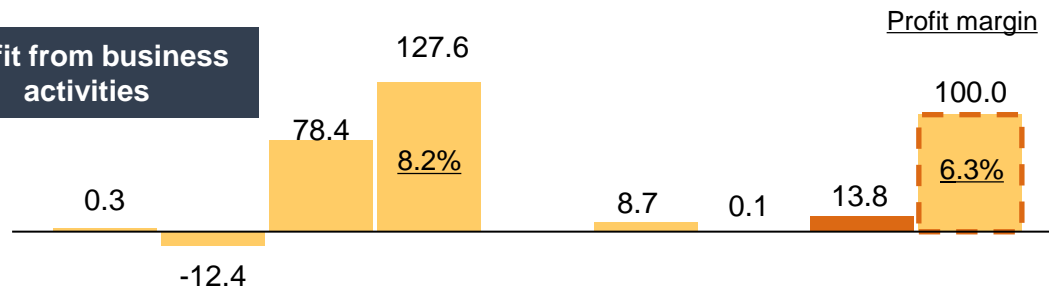
Revenue



(Revenue for major businesses)

	Q1-3 FY2020	Q1-3 FY2021
GTCC	348.8	414.9
Steam Power	363.6	348.1
Aero Engines	41.3	48.1
Nuclear Power	158.9	141.1

Profit from business activities



- Steam Power order intake up YoY due to new biomass power plant installations
- Aero Engines order intake recovering
- Overall segment profit low due in part to technical issues at IGCC plants (Nakoso and Hirono)
- Extensive revenue bookings planned near fiscal year end, especially in Thermal Power after-sales service and Nuclear Power

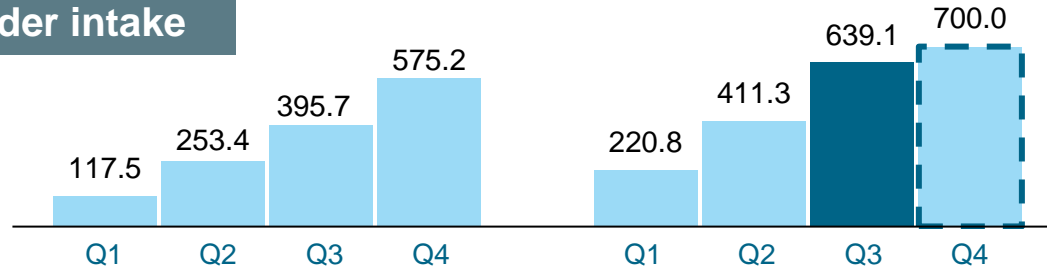
Q1-3 FY2021 Financial Results by Segment Plants & Infrastructure Systems

(billion yen; all figures cumulative totals)

FY2020

FY2021

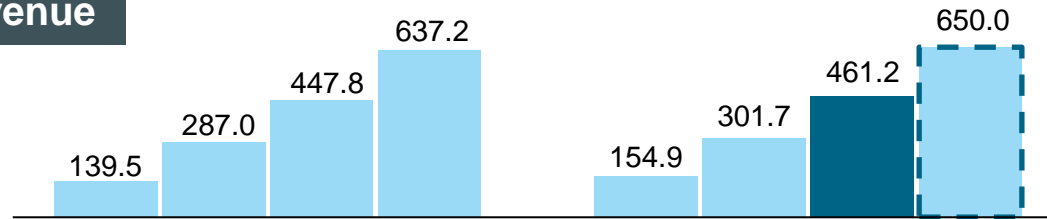
Order intake



(Order intake for major businesses)

	Q1-3 FY2020	Q1-3 FY2021
Engineering	103.4	82.6
Metals Machinery	100.0	315.5
Machinery Systems	99.8	114.6

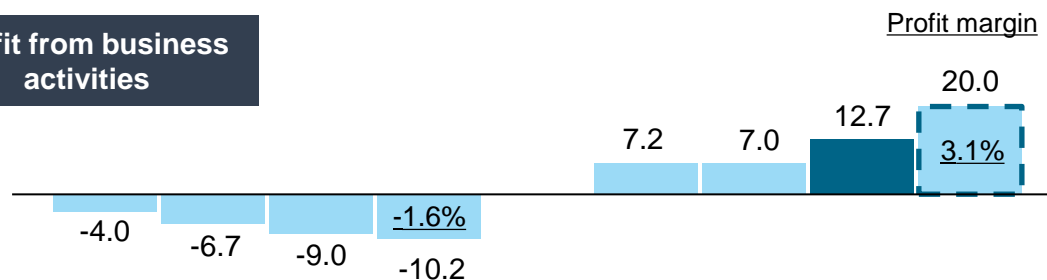
Revenue



(Revenue for major businesses)

	Q1-3 FY2020	Q1-3 FY2021
Engineering	111.8	101.7
Metals Machinery	145.7	164.1
Machinery Systems	93.4	97.0

Profit from business activities



- Strong order intake in Metals Machinery bolstered by increased demand for steel driven by global recovery from COVID-19 impact. New inquiries regarding decarbonization and hydrogen utilization in steelmaking also on the rise.
- Organizational transformation progressing despite additional costs at some international projects and losses related to consolidation of some international locations

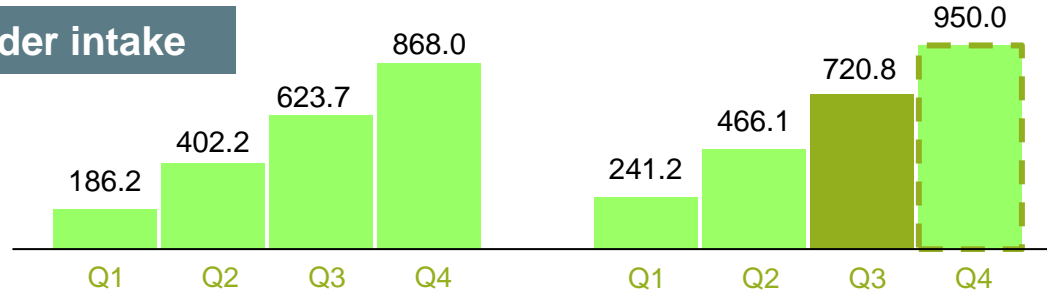
Q1-3 FY2021 Financial Results by Segment Logistics, Thermal & Drive Systems

(billion yen; all figures cumulative totals)

FY2020

FY2021

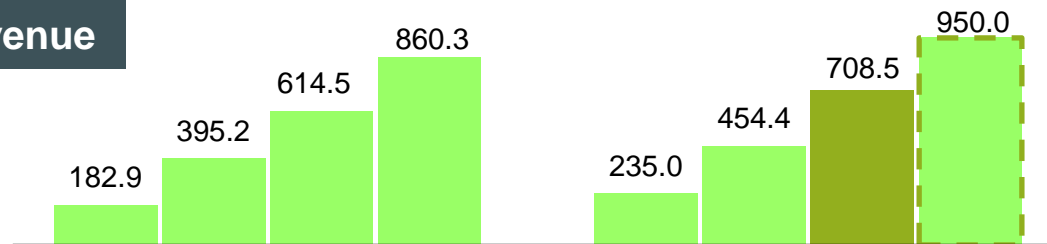
Order intake



(Order intake for major businesses)

	Q1-3 FY2020	Q1-3 FY2021
Logistics Systems	283.4	336.6
Engines & Turbochargers	169.3	178.9
HVAC & Car A/C	174.9	211.4

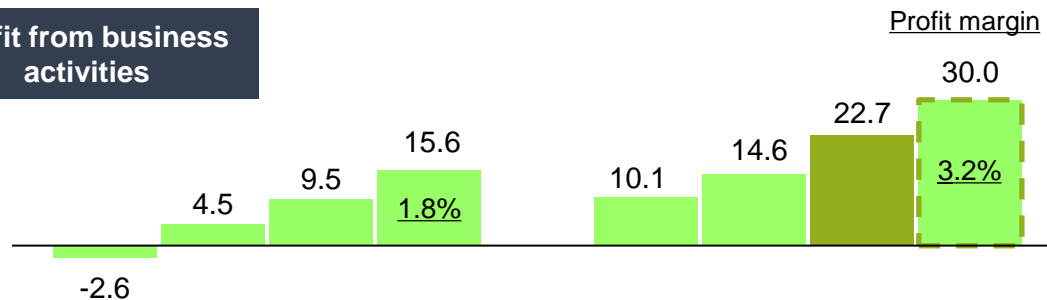
Revenue



(Revenue for major businesses)

	Q1-3 FY2020	Q1-3 FY2021
Logistics Systems	283.5	336.6
Engines & Turbochargers	165.0	175.2
HVAC & Car A/C	170.4	202.6

Profit from business activities



- Order intake and revenue strong in Logistics Systems, HVAC, and Engines, surpassing FY19 levels
- Pace of recovery flagging in Turbochargers and Car A/C due to automotive OEM production cuts and semiconductor shortages
- Raising prices to compensate for pressure on profitability from rising material and transportation costs as well as semiconductor shortages

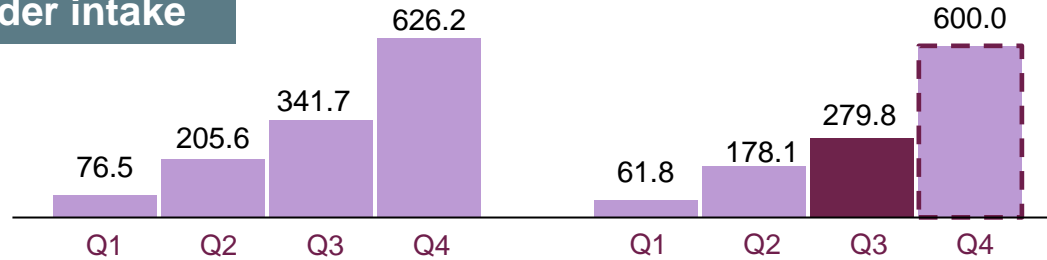
Q1-3 FY2021 Financial Results by Segment Aircraft, Defense & Space

(billion yen; all figures cumulative totals)

FY2020

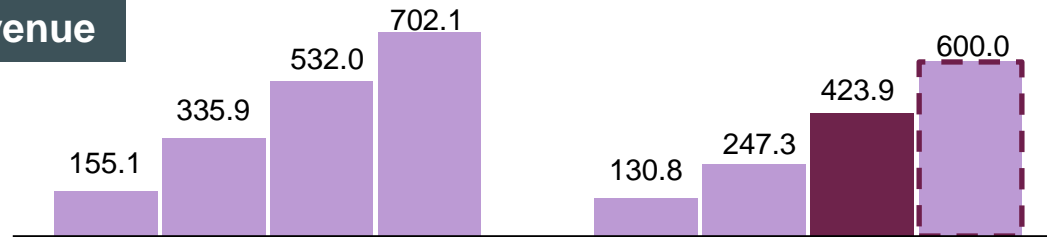
FY2021

Order intake



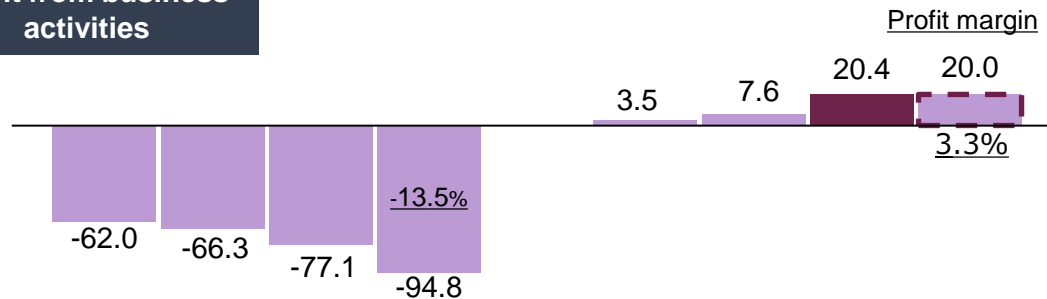
	1-3Q FY2020	1-3Q FY2021
Defense & Space	232.9	196.0
Commercial Aviation	108.8	83.8

Revenue



	1-3Q FY2020	1-3Q FY2021
Defense & Space	392.7	340.3
Commercial Aviation	139.4	83.5

Profit from business activities



- Revenue down in Commercial Aviation Aero Structures due to Boeing production cuts
- Profit up YoY and profitability achieved across entire segment due to cost cutting efforts including fixed cost reduction

Gas turbine orders booked and contract backlog (units)

Heavy Duty	Q1-3 FY20	FY20 Total	Q1-3 FY21
North America	4	4	-
Asia	2	4	3
EMEA	3	3	-
Other regions	-	2	6
Total	9	13	9
Contract backlog	46	48	41

Small & Mid-size	Q1-3 FY20	FY20 Total	Q1-3 FY21
North America	-	6	-
Asia	-	-	1
EMEA	-	-	-
Other regions	-	-	-
Total	0	6	1
Contract backlog	8	5	6

Commercial Aviation deliveries (units)

777	Q1	Q2	Q3	Q4	Ttl.
FY2020	3	10	7	4	24
FY2021	5	4	6		

777X	Q1	Q2	Q3	Q4	Ttl.
FY2020	3	3	0	1	7
FY2021	2	1	1		

787	Q1	Q2	Q3	Q4	Ttl.
FY2020	18	32	20	14	84
FY2021	14	5	4		

R&D expenses, depreciation & amortization, and capital expenditures

(billion yen)

	Q1-3 FY20	Q1-3 FY21	FY21 Forecast
R&D expenses	84.6	75.5	130.0
Depreciation & amortization	105.5	98.4	130.0
Capital expenditures	86.1	84.4	120.0

Selling, general, and administrative expenses

(billion yen)

	Q1-3 FY20	Q1-3 FY21
SG&A	395.6	404.8

Foreign exchange rates (Average rate used for revenue)

	Q1-3 FY20	Q1-3 FY21
USD	106.6	110.5
Euro	121.8	130.0

MOVE THE WORLD FORWARD

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HEAVY
INDUSTRIES
GROUP**