



# 1H FY2020 Financial Results

October 30, 2020

Mitsubishi Heavy Industries, Ltd.

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# I. 1H FY2020 Financial Results

- While the impact of the COVID-19 pandemic has eased since the bottom in Q1, 1H results were soft compared with the same period last year.
- Our plant businesses such as Energy Systems and Plants & Infrastructure Systems suffered from the impact of COVID-19 more than we had expected at the beginning of the year. We will implement counter-measures in response to changes in the business environment.
- On the other hand, medium-lot products businesses (Logistics, Thermal & Drive Systems) returned to profitability thanks to a moderate recovery in the market and fixed cost reduction efforts, far exceeding our plan at the beginning of the year.
- Nuclear Power and Defense & Space Systems remain strong.
- The full-year forecast has been revised in light of the current business environment and the impact of the transfer of shares of an equity-method affiliate (See page 16-18).

# Summary of 1H Financial Results

(In billion yen)

	1H FY2019 (Profit margin)		1H FY2020 (Profit margin)		Change	
Order Intake		1,698.2		1,397.2	-300.9	(-17.7%)
Revenue		1,877.6		1,658.6	-219.0	(-11.7%)
Profit from business activities	(4.0%)	74.3	(-3.5%)	-58.6	-133.0	(-178.9%)
Profit attributable to owners of parent	(1.6%)	29.2	(-3.4%)	-57.0	-86.3	(-295.2%)
<b>EBITDA</b>	(7.5%)	141.2	(0.6%)	10.4	-130.8	(-92.6%)
<b>Free cash flow</b>		-211.3		-497.1	-285.8	-

# Summary of 1H Financial Results (Cont'd)

(In billion yen)

1H FY2020	Businesses excluding SpaceJet (Profit Margin)		SpaceJet	Total (Profit margin)	
Order Intake	1,397.2		-	1,397.2	
Revenue	1,658.6		-	1,658.6	
Profit from business activities	(1.4%)	23.6	-82.2	(-3.5%)	-58.6
Profit attributable to owners of parent	(0.7%)	12.0	-69.1	(-3.4%)	-57.0
EBITDA	(5.6%)	92.4	-82.0	(0.6%)	10.4
Free cash flow	-416.1		-80.9	-497.1	

# 1H Financial Results by Segment

(In billion yen)

	Order Intake			Revenue			Profit from business activities		
	FY2019 1H	FY2020 1H	Change	FY2019 1H	FY2020 1H	Change	FY2019 1H	FY2020 1H	Change
Energy Systems	665.4	552.3	- 113.0	707.9	662.5	- 45.3	37.2	-12.4	- 49.7
Plants & Infrastructure Systems	367.3	253.4	- 113.8	379.3	287.0	- 92.3	10.8	-6.7	- 17.5
Logistics, Thermal & Drive Systems	498.9	402.2	- 96.6	497.0	395.2	- 101.7	18.5	4.5	- 13.9
Aircraft, Defense & Space	192.3	205.6	+ 13.3	310.5	335.9	+ 25.3	12.6	-66.3	- 78.9
Others	-25.8	-16.4	+ 9.3	-17.1	-22.1	- 4.9	-4.9	22.2	+27.1
Total	1,698.2	1,397.2	- 300.9	1,877.6	1,658.6	- 219.0	74.3	-58.6	- 133.0

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 September 30, 2020	Change
Trade receivables and contract assets	1,188.0	1,237.1	+49.1
Inventories	726.2	815.7	+89.5
Other current assets	924.2	466.1	-458.0
(Cash and cash equivalents)	(281.6)	(218.2)	(-63.4)
Total fixed assets	996.3	995.5	-0.8
Other non-current assets	1,150.8	1,190.1	+39.2
<b>Total assets</b>	<b>4,985.6</b>	<b>4,704.7</b>	<b>-280.9</b>
Trade payables	824.0	697.7	-126.3
Contract liabilities	835.4	754.1	-81.3
Other liabilities	1,437.8	1,002.8	-434.9
Interest-bearing debt	598.2	1,037.5	<b>+439.2</b>
Equity	1,290.0	1,212.4	-77.6
(Equity attributable to owners of parent)	(1,218.3)	(1,143.6)	<b>(-74.6)</b>
<b>Total liabilities and equity</b>	<b>4,985.6</b>	<b>4,704.7</b>	<b>-280.9</b>

Borrowings,  
Corporate bonds -16.8  
Commercial paper +456.0

Dividends -25.1  
Profit attributable  
to owners of parent -57.0  
Others +7.5



# Main Balance Sheet Metrics and Cash Flows

## Balance Sheet Metrics

	As of March 31, 2020	As of September 30, 2020	Change	FY2020 Forecast
Equity ratio	24.4%	24.3%	- 0.1pt	-
Interest-bearing debt (in billion yen)	598.2	1,037.5	+ 439.2	950.0
D/E ratio	0.46	0.86	+ 0.39	0.8

## Cash Flows

(In billion yen)

	1H FY2019	1H FY2020	Change	FY2020 Forecast
Operating cash flow	-91.1	-372.0	-280.9	-
Investment cash flow	-120.1	-125.0	-4.8	-
Free cash flow	-211.3	-497.1	-285.8	-400.0

# Order Intake & Order Backlog by Segment

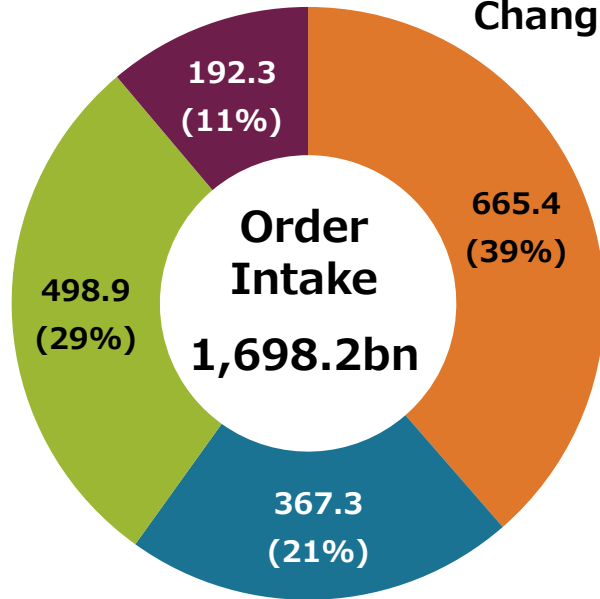
(In billion yen)

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

## Order Intake

1H FY2019

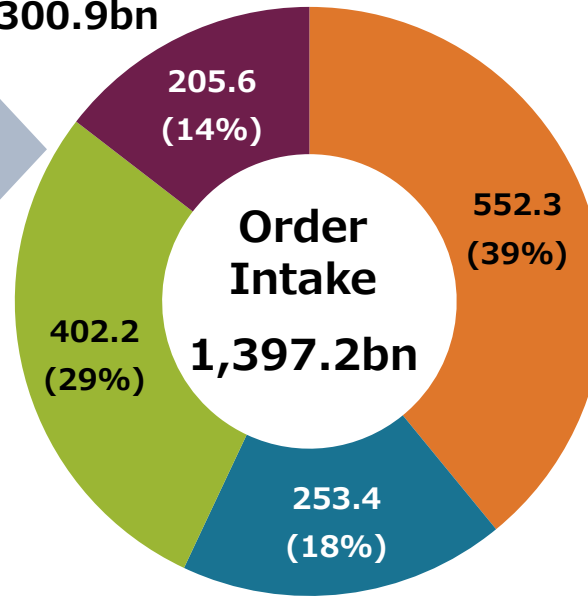
Others : -25.8



Change: -300.9bn

1H FY2020

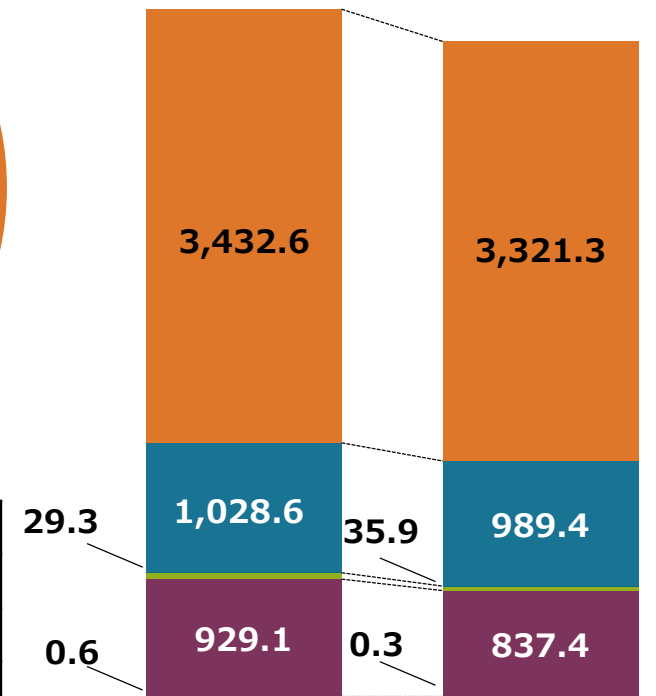
Others : -16.4



## Order Backlog(\*2)

Change: -235.8bn

As of Mar.31, 2020: 5,420.4  
As of Sep.30, 2020: 5,184.6



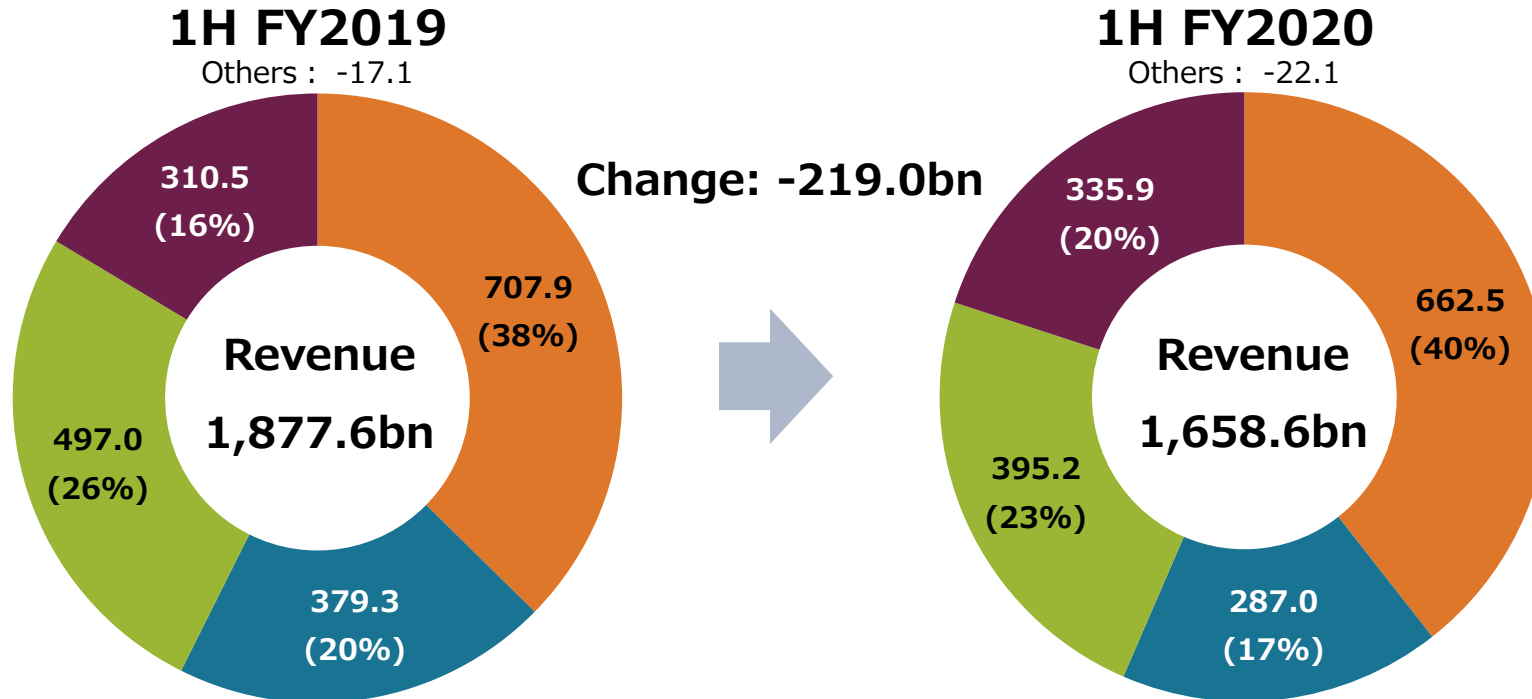
■ Energy Systems	Increase	GTCC(*1), Nuclear power
	Decrease	Steam power
■ Plants & Infrastructure Systems	Decrease	Metals machinery
■ Logistics, Thermal & Drive Systems	Decrease	Turbochargers, Logistics systems
■ Aircraft, Defense & Space	Increase	Defense aircraft / Missile systems
	Decrease	Commercial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

(\*1) GTCC: Gas Turbine Combined Cycle  
(\*2) Does not include mass-manufactured products: turbochargers, logistics systems, etc.

# Revenue by Segment

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

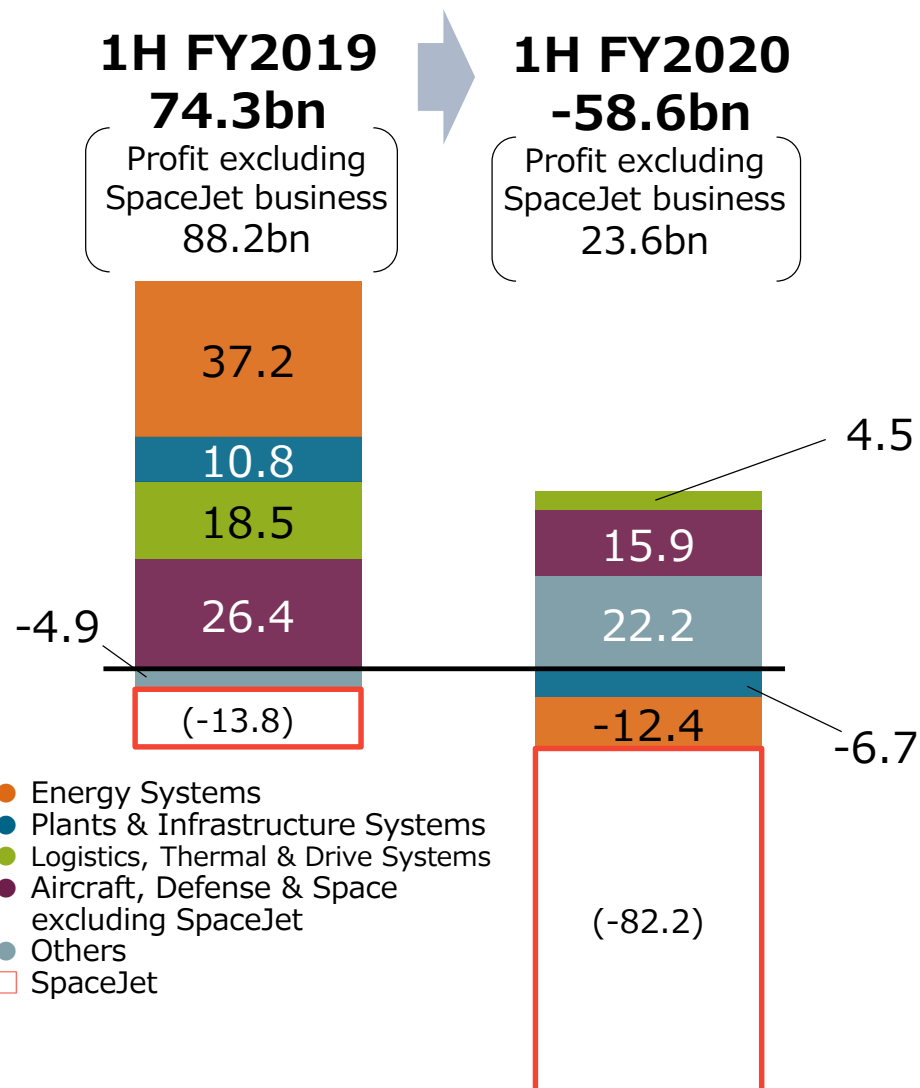
(In billion yen)



■ Energy Systems	Increase	Nuclear power
	Decrease	Steam power, Aero engines
■ Plants & Infrastructure Systems	Decrease	Metals machinery, Engineering
■ 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: -133.0bn



## Energy Systems

(In billion yen)

	Business	Factors
Increase	Nuclear power	Increased revenue, etc.
Decrease	Steam power	Decreased revenue, Deterioration in profitability in some projects, etc.
	Aero engines	Decreased revenue, etc.

## Plants & Infrastructure Systems

Decrease	Engineering	Decreased revenue, etc.
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## Logistics, Thermal & Drive Systems

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

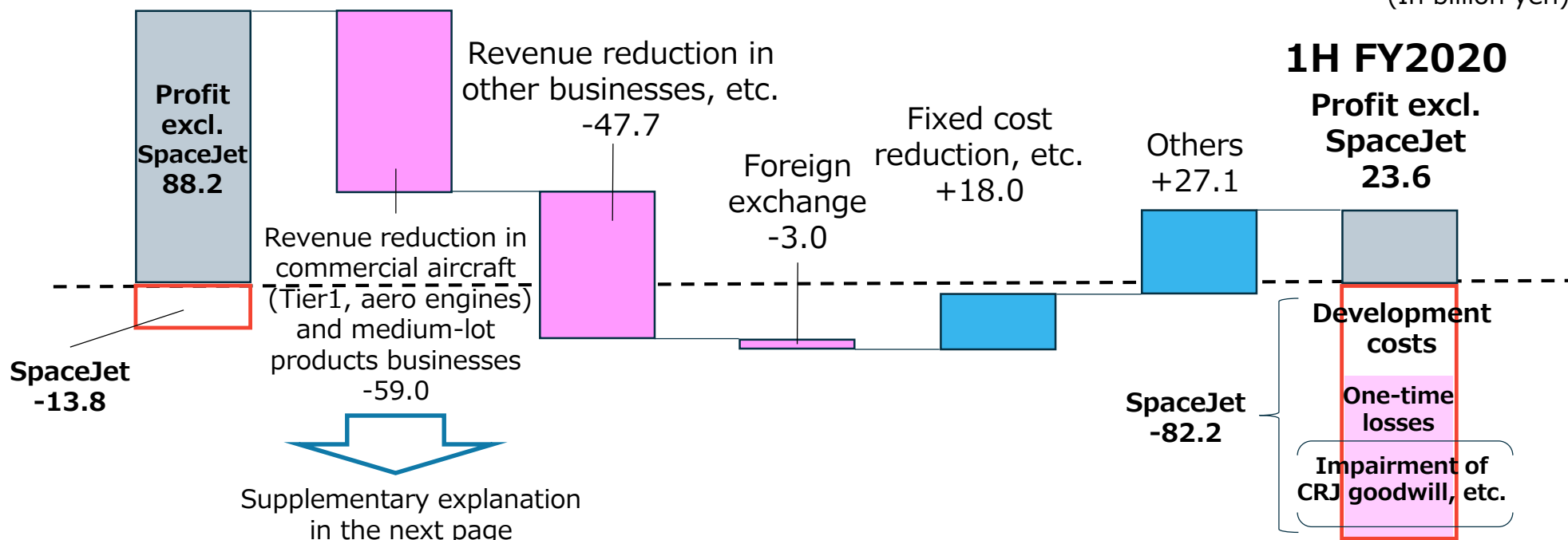
## Aircraft, Defense & Space

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

- The impact of COVID-19 in the commercial aircraft business (Tier 1 aero structures, aero engines) and the medium-lot products business has eased since the bottom in Q1. The medium-lot products businesses turned to profitability in Q2 thanks to emergency measures such as fixed cost reductions.
- Profit from business activities in plant businesses in Energy Systems and Plants & Infrastructure Systems decreased due to greater impacts from COVID-19 than anticipated at the beginning of the year and provision for losses on some projects.
- Progress in initiatives such as fixed costs reduction and asset management was well ahead of plan.
- 1H SpaceJet development costs were ¥30.0bn (Full-year forecast: ¥60.0bn), and one-time charges such as goodwill impairment from the CRJ acquisition were ¥50.0bn (Full-year forecast: ¥60.0bn).

## 1H FY2019

(In billion yen)



# COVID-19 Impact

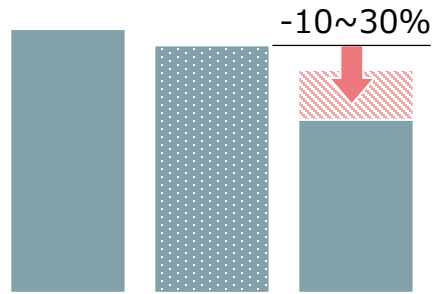
## Business

### FY20 Revenue Forecast

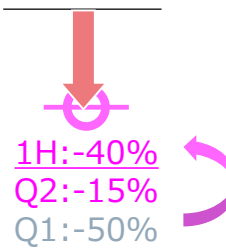
### Revenue (vs FY20 initial plan)

### Status as of 1H

#### Commercial Aircraft - Aero Structures (Tier1)

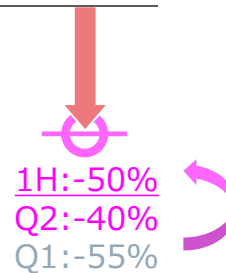
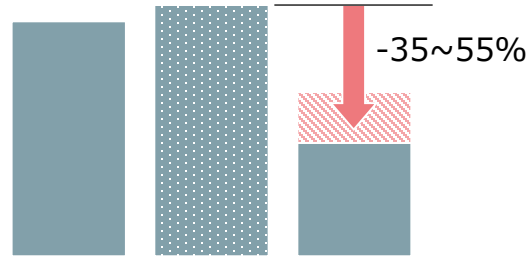


(In round figures)



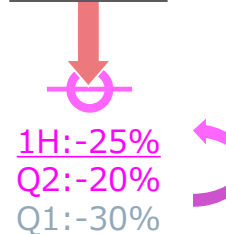
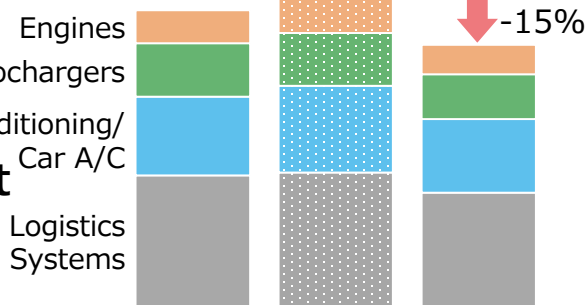
- Compared with Q1, which was greatly affected by declines due to production adjustments, Q2 revenue was on a recovery track, but remained at a level slightly below the initial forecast.

#### Commercial Aircraft - Aero Engines



- 1H revenue was halved from the FY20 initial plan. Results are at the bottom range of the FY2020 forecast (35~55% reduction from initial plan).

#### Medium-Lot Products



- 1H revenue decreased 25% from the FY20 initial plan. Q2 revenue was down 20%, and each business recovered steadily after bottoming out in Q1, turning a profit in Q2 thanks to significant fixed cost reductions.

FY19      FY20      FY20 Forecast announced on May 11  
 Initial Plan      (COVID-19 impact included)  
 (Before COVID-19)

## 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 uncertainties.

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

Partially revised from the initial forecast announced on May 11, 2020.

(In billion yen)

	FY2019 (Actual)		FY2020(Forecast)		Change vs FY2019 (Actual)	
	(Profit margin)		(Profit margin) Revised forecast	As of May 11, 2020		
Order Intake		4,168.6		3,500.0	3,500.0	- 668.6 (- 16.0%)
Revenue		4,041.3		3,700.0	3,800.0	- 341.3 (- 8.4%)
Profit from business activities	(- 0.7%)	- 29.5	(1.4%)	50.0	0.0	+79.5 -
Profit attributable to owners of parent	(2.2%)	87.1	(0.5%)	20.0	0.0	- 67.1 (- 77.0%)
ROE		6.6%		2%	-	-
EBITDA	(2.8%)	115.1	(5.1%)	190.0	140.0	+74.9 (+65.1%)
Free cash flow		212.9		-400.0	-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	75.0yen Interim: 0.0yen year-end:75.0yen	Undetermined foreign currency amount USD: 1.5 billion Euro: 0.2 billion

Assumed exchange rate  
USD 1.00 = ¥110  
Euro 1.00 = ¥120



# Summary of FY2020 Forecast (Cont'd)

Partially revised from the initial forecast announced on May 11, 2020.

(In billion yen)

FY2020 (Forecast)	Businesses excluding SpaceJet		SpaceJet	Total	
	(Profit margin)	Revised forecast		As of May 11	(Profit margin)
Order Intake		3,500.0	3,500.0	-	3,500.0
Revenue		3,700.0	3,800.0	-	3,700.0
Profit from business activities	(4.6%)	170.0	120.0	-120.0	(1.3%) 50.0
Profit attributable to owners of parent	(3.0%)	110.0	90.0	-90.0	(0.5%) 20.0
ROE		10%	-	-	2%
EBITDA	(8.4%)	310.0	260.0	-120.0	(5.1%) 190.0
Free cash flow		- 280.0	- 280.0	-120.0	-400.0

# FY2020 Forecast by Segment

Partially revised from the initial forecast announced on May 11, 2020.

(In billion yen)

	Order Intake				Revenue				Profit from business activities			
	FY2019	FY2020		Change vs FY2019	FY2019	FY2020		Change vs FY2019	FY2019	FY2020		Change vs FY2019
		Revised forecast	As of May 11			Revised forecast	As of May 11			Revised forecast	As of May 11	
Energy Systems	1,772.1	1,450.0	1,450.0	- 322.1	1,590.2	1,550.0	1,550.0	- 40.2	144.3	130.0	100.0	- 14.3
Plants & Infrastructure Systems	739.9	650.0	650.0	- 89.9	792.9	650.0	750.0	- 142.9	25.5	5.0	30.0	- 20.5
Logistics, Thermal & Drive Systems	985.9	850.0	850.0	- 135.9	990.1	850.0	850.0	- 140.1	29.3	10.0	- 30.0	- 19.3
Aircraft, Defense & Space	719.2	600.0	600.0	- 119.2	704.9	700.0	700.0	- 4.9	- 208.7	- 95.0	- 90.0	+113.7
Others	- 48.5	- 50.0	- 50.0	- 1.4	- 36.9	- 50.0	- 50.0	- 13.0	- 20.0	0.0	- 10.0	+20.0
Total	4,168.6	3,500.0	3,500.0	- 668.6	4,041.3	3,700.0	3,800.0	- 341.3	- 29.5	50.0	0.0	+79.5

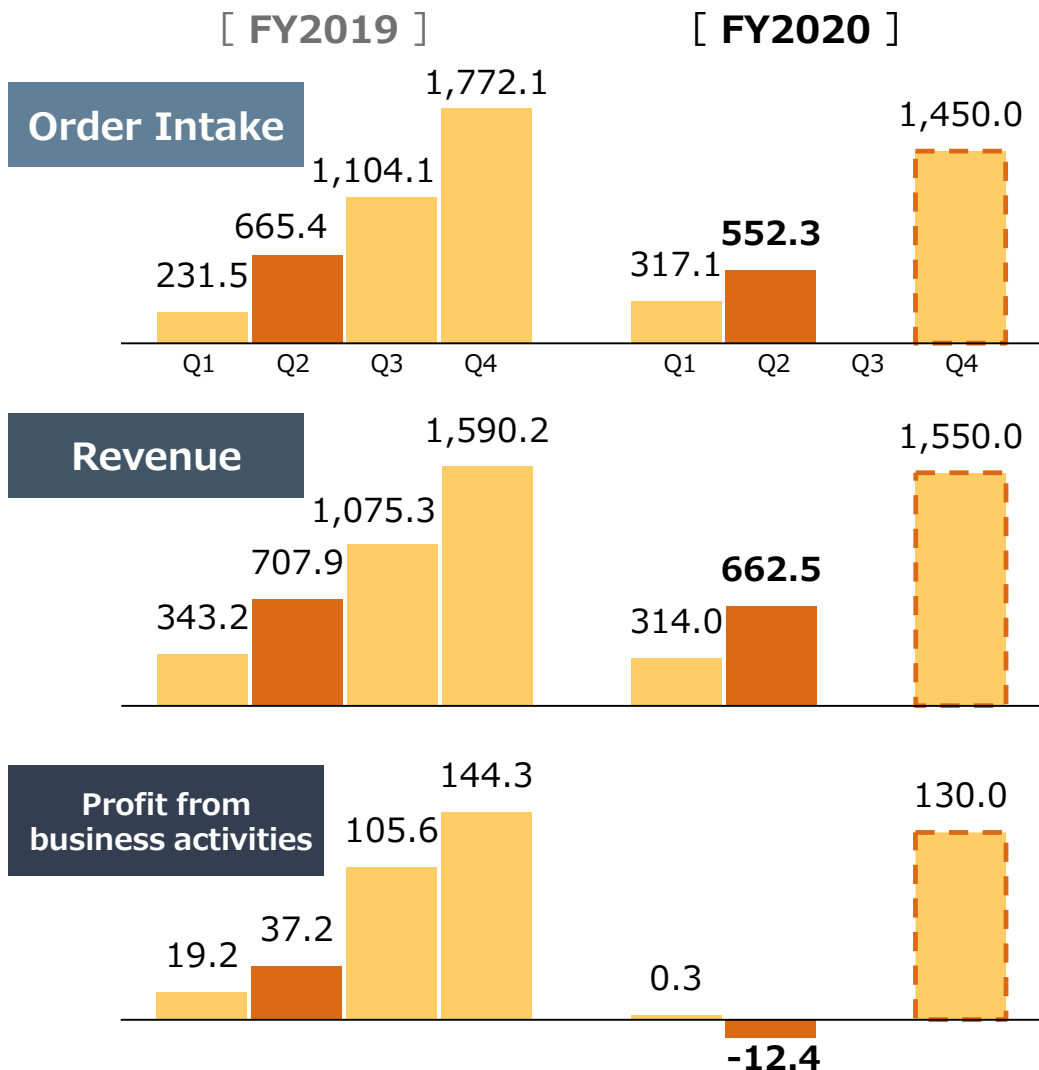
Classifications for reporting segments have been changed from this fiscal year.

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

## III. Appendix

# Appendix: Financial Results by Business Segment (Energy Systems)

(In billion yen, accumulated amount)



- 1H revenue in aero engines declined to about half YoY, but generally remained within the range of our FY20 forecast.
- Revenue and profit declined YoY due to the rescheduling of some after-sales service work in thermal power business to the latter half of the fiscal year and the deterioration in profitability in some projects.
- Full-year profit forecast was revised upward to ¥130.0bn (+¥30.0bn) due to the transfer of shares of the JV with Vestas.

## Gas turbine order intake & order backlog

### 1H FY2020 : 5 units

	Americas	Asia	EMEA	Others	Total	Backlog
Large size	-	2	3	-	5	45
Small to medium size	-	-	-	-	0	13
Total	0	2	3	0	5	58

### 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

### 1H FY2019 : 9 units

	Americas	Asia	EMEA	Others	Total	Backlog
Large size	3	1	2	-	6	37
Small to medium size	3	-	-	-	3	11
Total	6	1	2	0	9	48

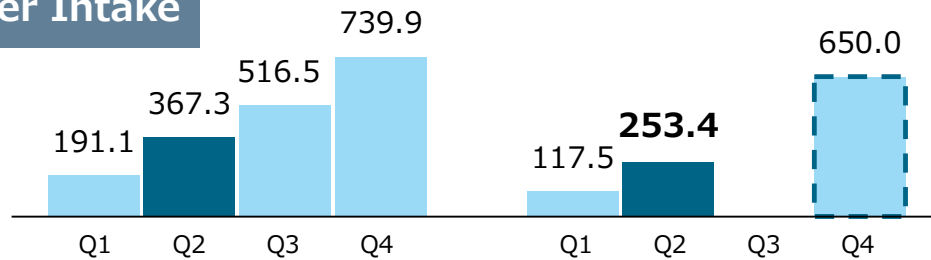
# Appendix: Financial Results by Business Segment (Plants & Infrastructure Systems)

(In billion yen, accumulated amount)

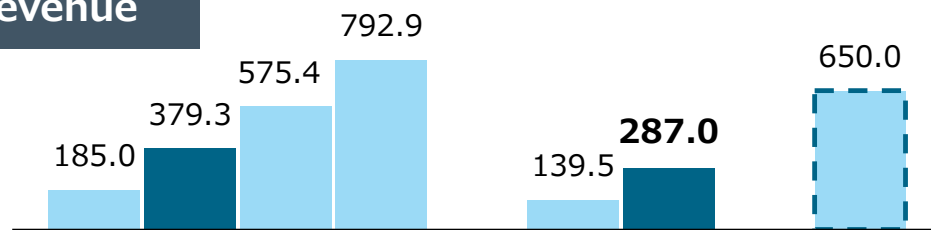
[ FY2019 ]

[ FY2020 ]

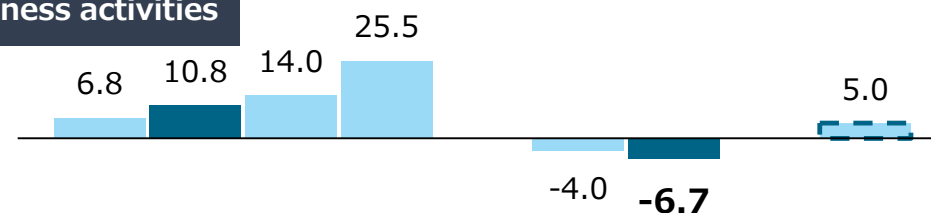
## Order Intake



## Revenue



## Profit from business activities



- At the beginning of the fiscal year, the impact in this business from COVID-19 was assumed to be immaterial; however, as of 1H order intake decreased YoY due to slowdowns in contract negotiations. Additionally, revenue declined YoY due to delays in progress of construction works in the engineering and metals machinery businesses.
- As a result, full-year profit forecast was lowered to ¥5.0bn (-¥25.0bn) due to one-time expenses such as cost settlement for an overseas engineering project that has already been delivered.

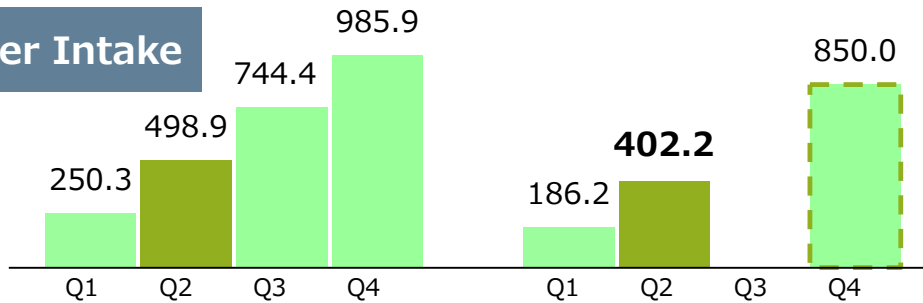
# Appendix: Financial Results by Business Segment 〈Logistics, Thermal & Drive Systems〉

(In billion yen, accumulated amount)

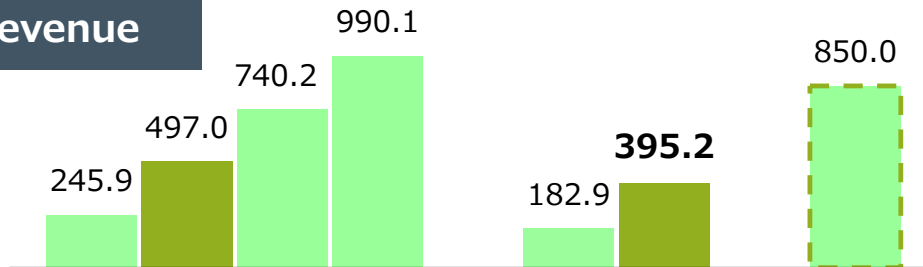
[ FY2019 ]

[ FY2020 ]

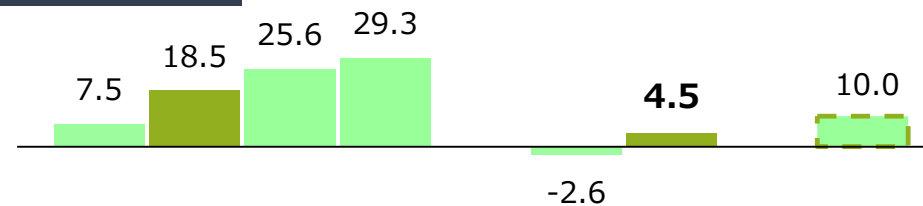
## Order Intake



## Revenue



## Profit from business activities



- While Q1 revenue decreased 25% from the previous year due to the impact of COVID-19, Q2 revenues improved to -15% YoY, showing a recovery trend.
- The segment turned to profitability in Q2 thanks to fixed costs reduction, etc. The full-year profit forecast was revised upward to ¥10.0bn (+¥40.0bn).

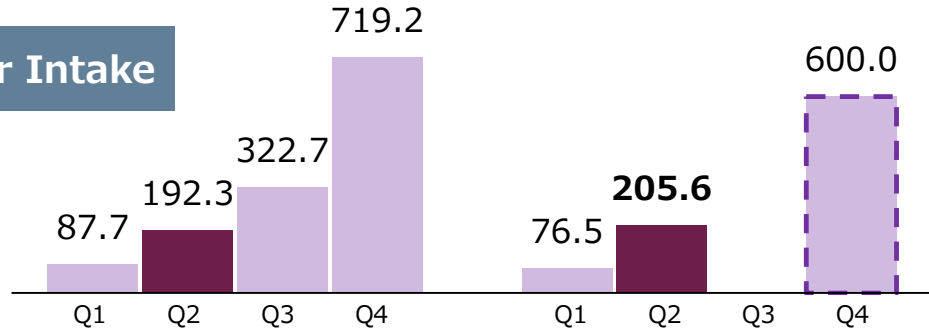
# Appendix: Financial Results by Business Segment (Aircraft, Defense & Space)

(In billion yen, accumulated amount)

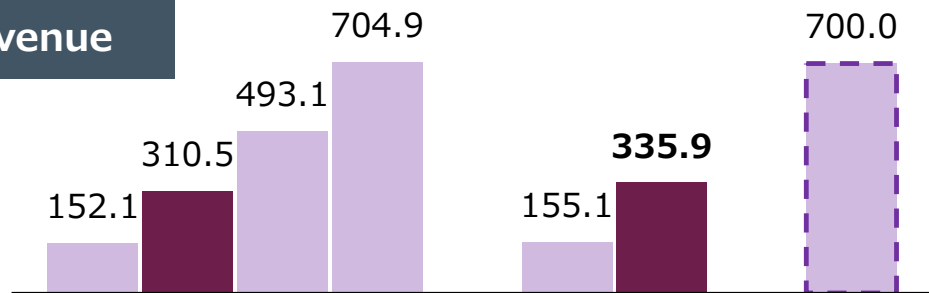
[ FY2019 ]

[ FY2020 ]

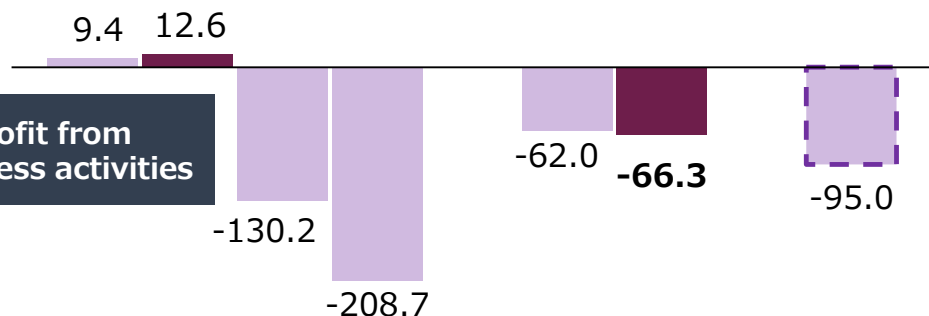
## Order Intake



## Revenue



## Profit from business activities



- 1H revenue from commercial aircraft (Tier 1) is on a recovery track after bottoming out in Q1, though it is slightly lower than projected at the beginning of the fiscal year. We continue to adjust production rates and reduce fixed costs.
- On the other hand, overall Aircraft, Defense & Space Systems revenue increased YoY, due to the strong performance of Defense and Space and the acquisition of CRJ business in Q1.
- SpaceJet related loss including impairment of goodwill arising from the acquisition of the CRJ business was ¥82.2bn, as expected at the beginning of the year.

## Deliveries for B777s/B777Xs

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

## Deliveries for B787s

	Q1	Q2	Q3	Q4	Total
FY2019	43	42	38	43	166
FY2020	18	32	-	-	-

## 1. R&D Expenses, Depreciation and Capital Expenditure

(In billion yen)

	1H FY2019	1H FY2020	FY2020 Forecast
R&D Expenses	55.5	59.5	140.0
Depreciation	66.8	69.0	140.0
Capital Expenditure	69.7	57.8	150.0

## 2. Selling, General and Administrative Expenses

(In billion yen)

	1H FY2019	1H FY2020
SG&A	271.1	257.5

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

	1H FY2019	1H FY2020
USD	109.3	107.1
Euro	122.1	121.1

## 4. Overseas Revenue by Region

(In billion yen)

	1H FY2019	1H FY2020
Asia	345.3 (18%)	265.1 (16%)
North America	353.7 (19%)	283.6 (17%)
Europe	175.0 (9%)	142.1 (9%)
Central & South America	68.5 (4%)	30.9 (2%)
The Middle East	45.7 (2%)	18.6 (1%)
Oceania	9.0 (1%)	9.1 (1%)
Africa	34.3 (2%)	23.3 (1%)
Total	1,031.8 (55%)	773.0 (47%)



**MOVE THE WORLD FORWARD**

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INDUSTRIES  
GROUP**