



MEMBERSHIP

Q1-3 FY2020 Financial Results

February 4, 2021

Mitsubishi Heavy Industries, Ltd.

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I. Q1-3 FY2020 Financial Results

■ Order intake / Revenue

- Medium-lot products businesses (Logistics, Thermal & Drive Systems) and aero engine business have recovered steadily after bottoming out in Q1.
- Tier 1 aero structures business was on track to recovery after bottoming out in Q1, but was sluggish in Q3 due to weak market conditions caused by a resurgence in COVID-19.
- Delays in construction progress on projects and postponement of some after-sales service work continue to affect our plant businesses such as Energy Systems and Plants & Infrastructure Systems.

■ Profit

- Profit from business activities increased ¥10.9 bn year-on-year as a result of a gain on the share transfer of MVOW, an offshore wind power JV with Vestas, and smaller losses in the SpaceJet business, despite pressure on profit including the impact of COVID-19 and loss provisions in steam power business.
- Profit attributable to owners of parent returned to profitability of ¥3.3 bn, though a significant decrease from the same period last year when deferred tax assets on losses in previous years were recorded.

Summary of Q1-3 Financial Results

(In billion yen)

	Q1-3 FY2019 (Profit margin)		Q1-3 FY2020 (Profit margin)		Change	
Order Intake		2,653.4		2,235.9	- 417.5	(-15.7%)
Revenue		2,856.5		2,603.3	- 253.1	(-8.9%)
Profit from business activities	(0.4%)	12.7	(0.9%)	23.7	+ 10.9	(+85.7%)
Profit attributable to owners of parent	(3.6%)	101.4	(0.1%)	3.3	- 98.1	(-96.7%)
EBITDA	(4.0%)	115.6	(5.0%)	129.2	+ 13.5	(+11.8%)
Free cash flow		-323.1		-639.0	- 315.8	-

Summary of Q1-3 Financial Results (Cont'd)

(In billion yen)

Q1-3 FY2020	Businesses excluding SpaceJet (Profit margin)		SpaceJet	Total (Profit margin)	
Order Intake	2,235.9		-	2,235.9	
Revenue	2,603.3		-	2,603.3	
Profit from business activities	(4.9%)	126.9	-103.1	(0.9%)	23.7
Profit attributable to owners of parent	(3.2%)	84.3	-81.0	(0.1%)	3.3
EBITDA	(8.9%)	232.1	-102.9	(5.0%)	129.2
Free cash flow	-550.5		-88.4	-639.0	

Q1-3 Financial Results by Segment

(In billion yen)

	Order Intake			Revenue			Profit from business activities		
	Q1-3 FY2019	Q1-3 FY2020	Change	Q1-3 FY2019	Q1-3 FY2020	Change	Q1-3 FY2019	Q1-3 FY2020	Change
Energy Systems	1,104.1	899.9	- 204.2	1,075.3	1,041.4	- 33.9	105.6	78.4	- 27.1
Plants & Infrastructure Systems	516.5	395.7	- 120.8	575.4	447.8	- 127.5	14.0	-9.0	- 23.1
Logistics, Thermal & Drive Systems	744.4	623.7	- 120.6	740.2	614.5	- 125.7	25.6	9.5	- 16.1
Aircraft, Defense & Space	322.6	341.7	+ 19.0	493.1	532.0	+ 38.9	-130.2	-77.1	+ 53.0
Others	-34.3	-25.1	+ 9.1	-27.6	-32.5	- 4.8	-2.2	22.0	+ 24.2
Total	2,653.4	2,235.9	- 417.5	2,856.5	2,603.3	- 253.1	12.7	23.7	+ 10.9

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 December 31, 2020	Change
Trade receivables and contract assets	1,188.0	1,327.6	+139.6
Inventories	726.2	815.6	+89.4
Other current assets	924.2	566.7	-357.4
(Cash and cash equivalents)	(281.6)	(257.2)	(-24.3)
Total fixed assets	996.3	982.7	-13.5
Other non-current assets	1,150.8	1,276.6	+125.8
Total assets	4,985.6	4,969.5	-16.1
Trade payables	824.0	704.9	-119.0
Contract liabilities	835.4	714.0	-121.3
Other liabilities	1,437.8	1,038.0	-399.7
Interest-bearing debt	598.2	1,221.8	+623.5
Equity	1,290.0	1,290.5	+0.4
(Equity attributable to owners of parent)	(1,218.3)	(1,220.7)	(+2.3)
Total liabilities and equity	4,985.6	4,969.5	-16.1

Borrowings	-20.5
Corporate bonds	+55.0
Commercial paper	+589.0

Dividends	-25.1
Profit attributable to owners of parent	+3.3
Others	+24.1

Main Balance Sheet Metrics and Cash Flows

Main Balance Sheet Metrics

	As of March 31, 2020	As of December 31, 2020	Change	FY2020 Forecast
Equity ratio	24.4%	24.6%	+ 0.2pt	-
Interest-bearing debt (in billion yen)	598.2	1,221.8	+ 623.5	950.0
D/E ratio	0.46	0.95	+ 0.49	0.8

Cash Flows

(In billion yen)

	Q1-3 FY2019	Q1-3 FY2020	Change	FY2020 Forecast
Operating cash flow	-137.1	-479.5	-342.3	-
Investment cash flow	-186.0	-159.5	+ 26.4	-
Free cash flow	-323.1	-639.0	-315.8	-400.0

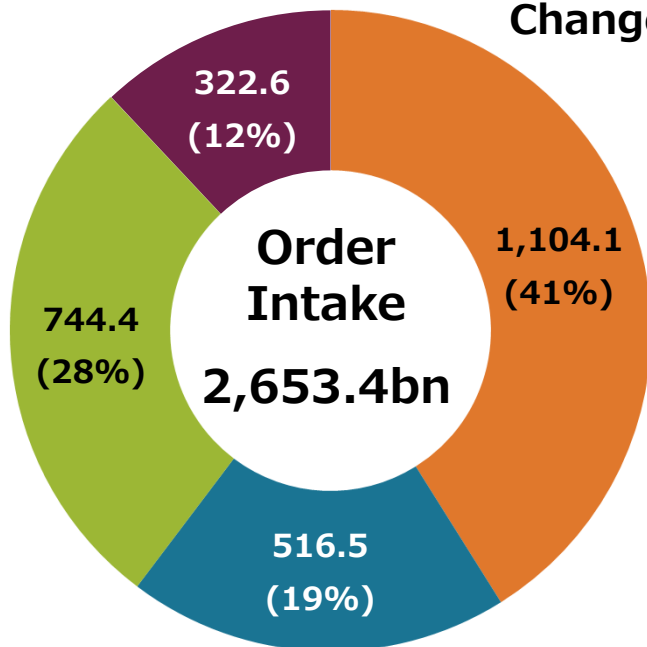
Order Intake & Order Backlog by Segment

(In billion yen)

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

Q1-3 FY2019

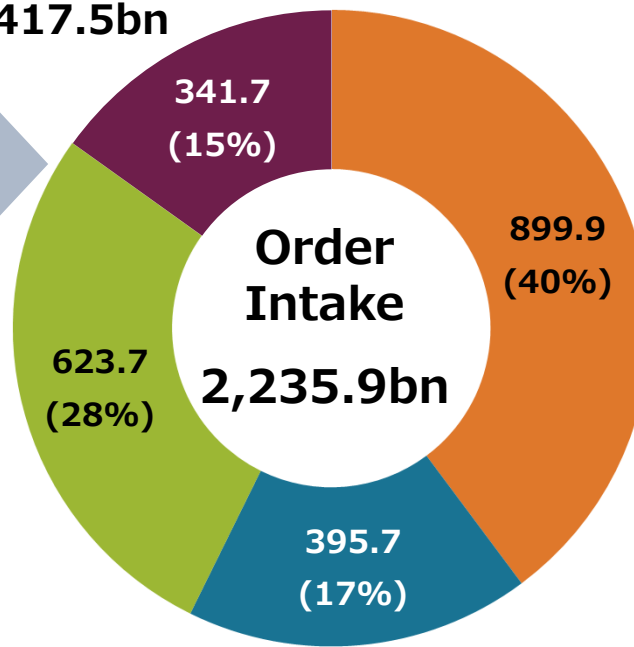
Others : -34.3



Order Intake Q1-3 FY2020

Change: -417.5bn

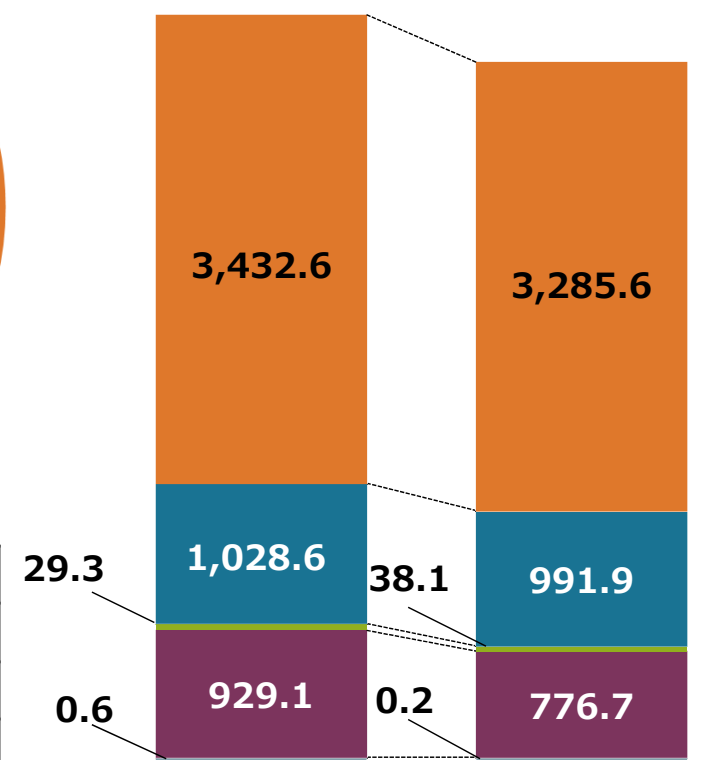
Others : -25.1



Order Backlog(*)

Change: -327.8bn

As of Mar.31, 2020: 5,420.4
As of Dec.31, 2020: 5,092.6



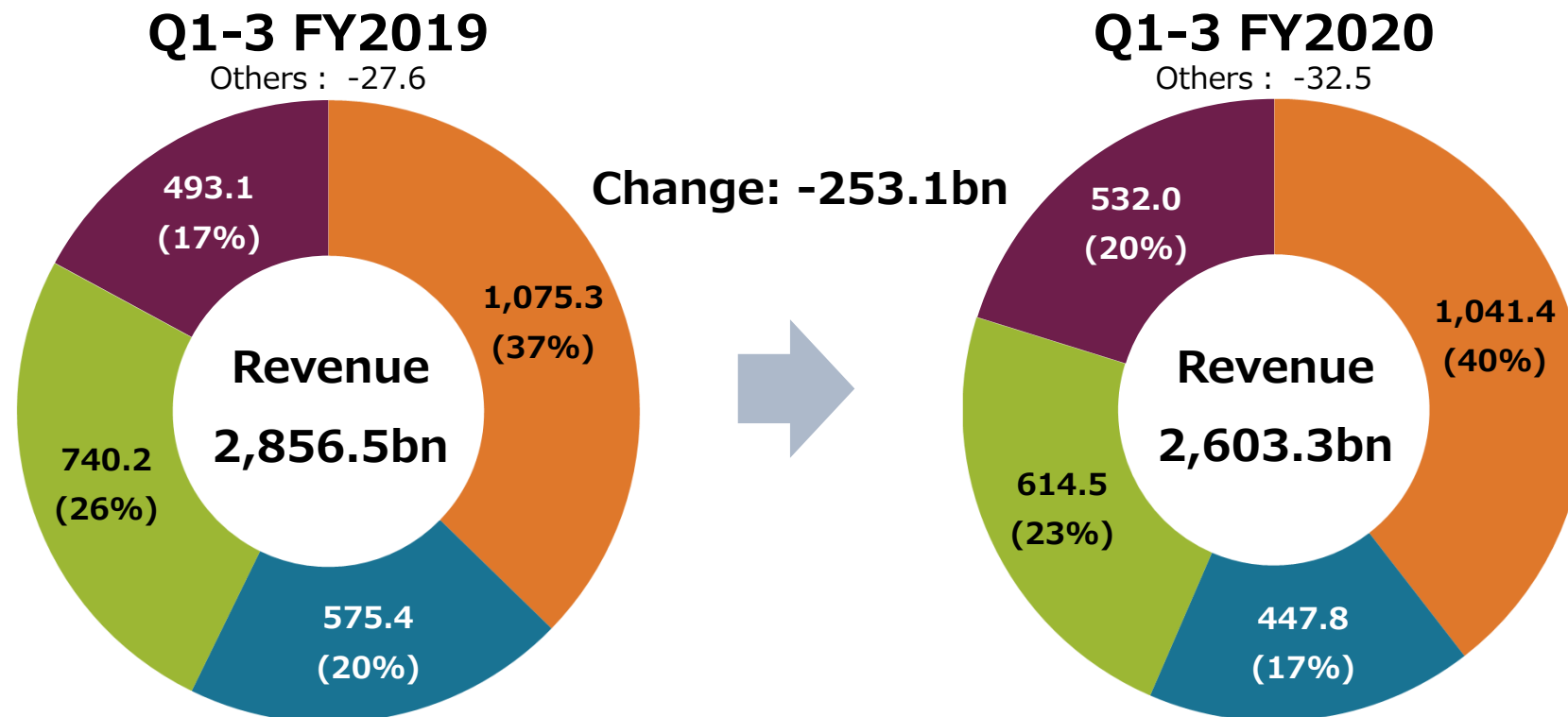
■ Energy Systems	Increase	Nuclear power
	Decrease	Steam power
■ Plants & Infrastructure Systems	Decrease	Metals machinery
■ Logistics, Thermal & Drive Systems	Decrease	Turbochargers, Logistics systems
■ Aircraft, Defense & Space	Increase	Defense aircraft / Missile systems
	Decrease	Commercial aircraft

(*) Does not include mass-manufactured products: turbochargers, logistics systems, etc.

Revenue by Segment

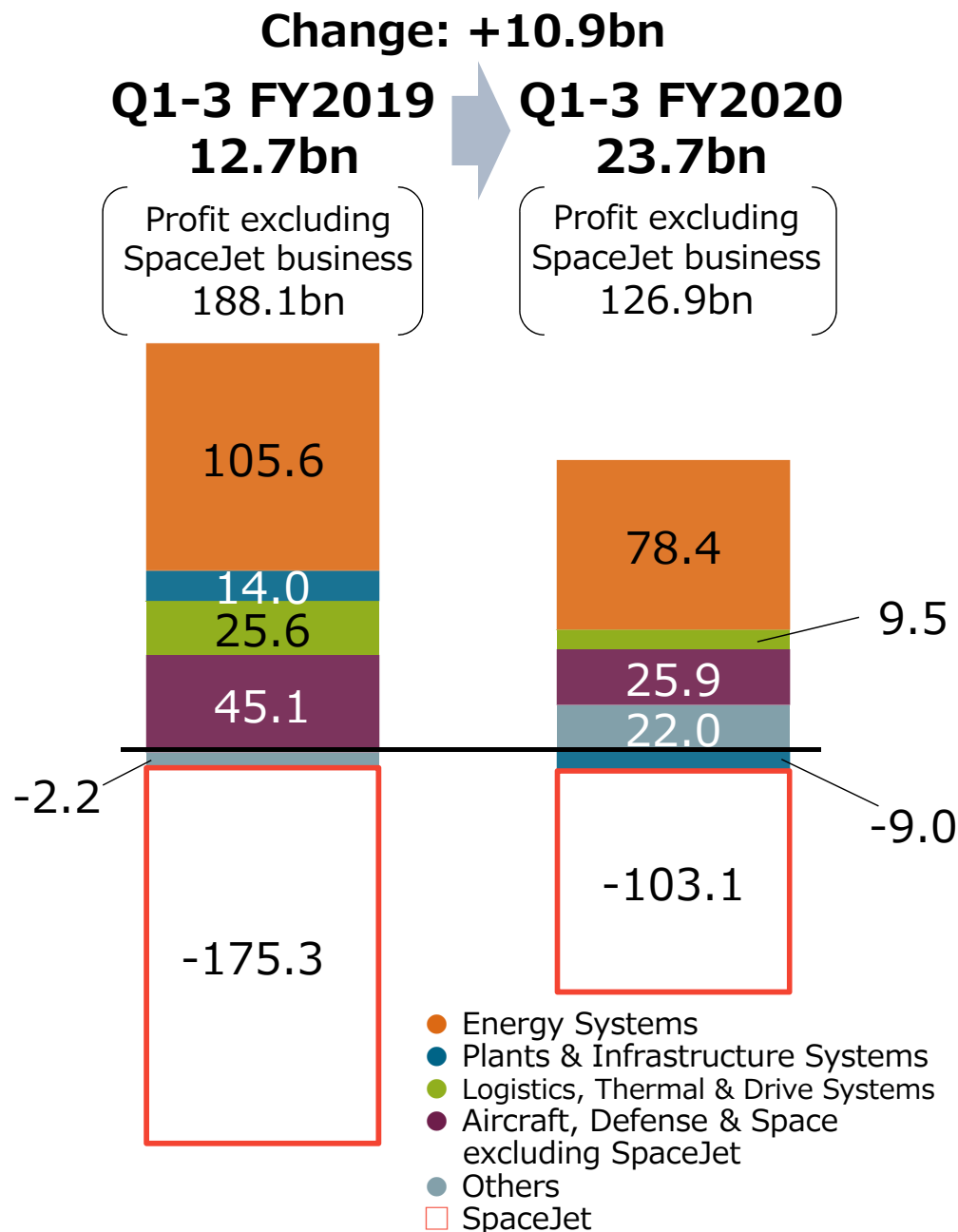
- Energy Systems
- Plants & Infrastructure Systems
- Logistics, Thermal & Drive Systems
- Aircraft, Defense & Space

(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



Energy Systems

	Business	Factors
Increase	Nuclear power	Increased revenue, etc.
	Offshore wind power	Share transfer of MVOW
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

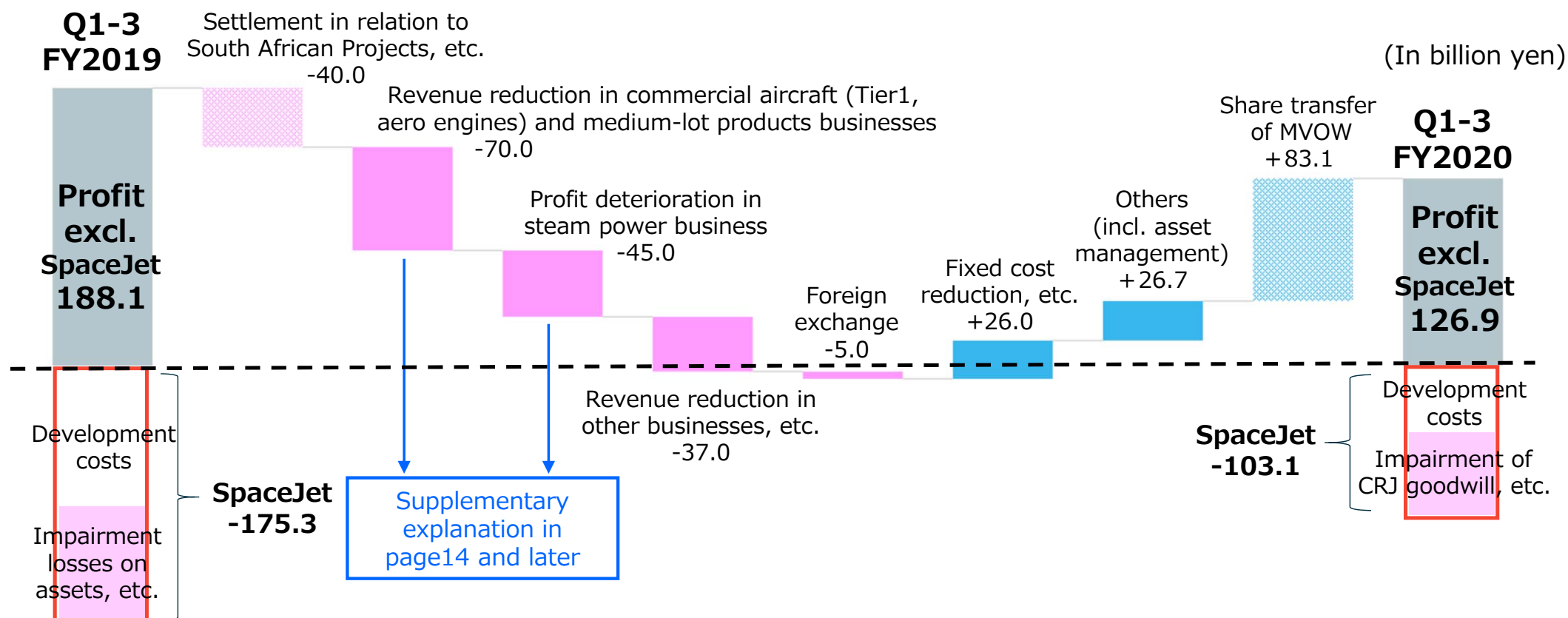
Decrease	Turbochargers	Decreased revenue, etc.
	Logistics systems	
	Car air-conditioners	

Aircraft, Defense & Space

Increase	Defense and space	Increased revenue, etc.
Decrease	Commercial aircraft	Decreased revenue, etc.

Profit Bridge

- The impact of COVID-19 in the commercial aircraft business (Aero engines) and the medium-lot products business has eased since the bottom in Q1.
- Progress in initiatives such as fixed costs reduction and asset management was well ahead of plan.
- The impact of COVID-19 was greater than anticipated at the beginning of the year in plant businesses such as Energy Systems and Plants & Infrastructure Systems. In addition, we incurred restructuring costs in certain businesses.
- In the steam power business, profit deteriorated due to loss provisions, etc.
- SpaceJet-related losses were ¥103.1 bn against the full-year forecast of -¥120.0 bn



COVID-19 Impact

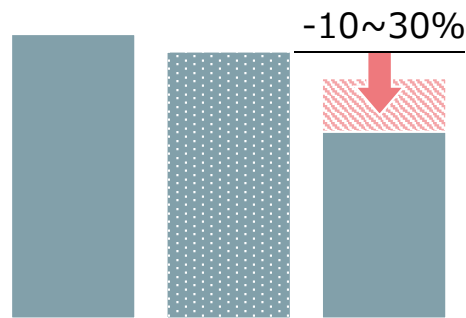
Business

FY20 Revenue Forecast

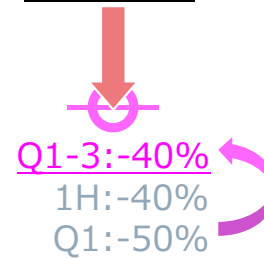
Revenue (vs FY20 initial plan)

Status as of Q3

Commercial Aircraft - Aero Structures (Tier1)

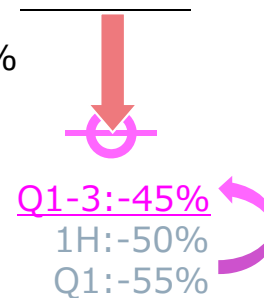
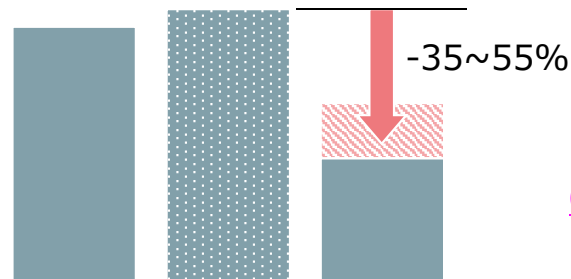


(In round figures)



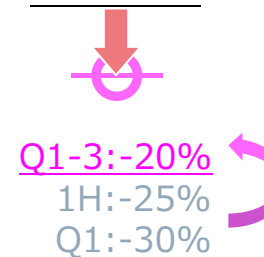
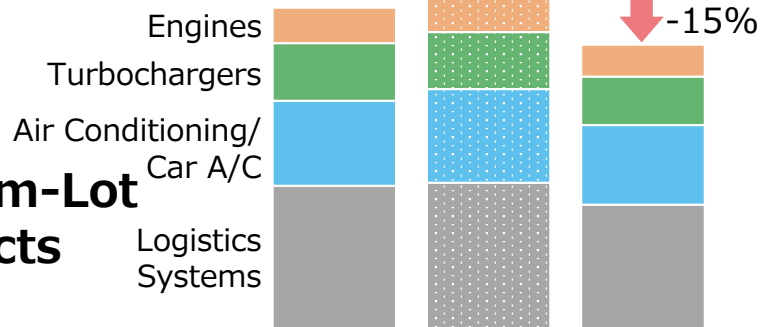
- Compared with Q1, when production adjustments were made, Q2 revenue was on track for recovery, but Q3 softened again due to the stagnation of the aircraft market environment caused by COVID's resurgence. As full year revenue is now expected to fall below the initial forecast, we will accelerate the reduction of fixed costs.

Commercial Aircraft - Aero Engines



- Q1-3 cumulative revenue was about half of the FY20 initial plan. These results are within the range of the FY20 forecast (35 ~ 55% reduction from initial plan).

Medium-Lot Products



- Q1-3 cumulative revenue decreased 20% from the FY20 initial plan. Each business recovered after bottoming out in Q1. Fixed cost reductions are well ahead of plan.

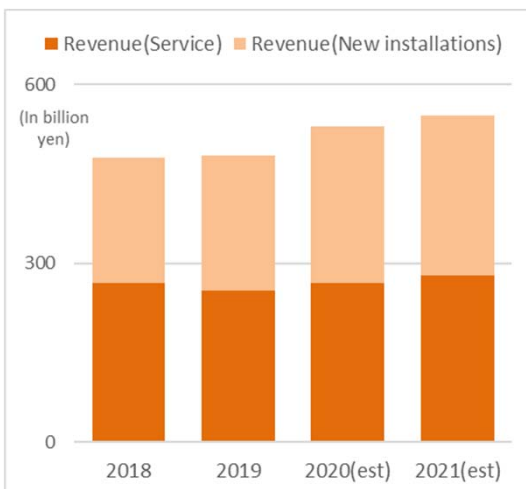
FY19 FY20 FY20 Forecast announced on May 11
Initial Plan (COVID-19 impact included)
(Before COVID-19)

II. Status of Thermal Power Business and Restructuring

Status of Thermal Power Business

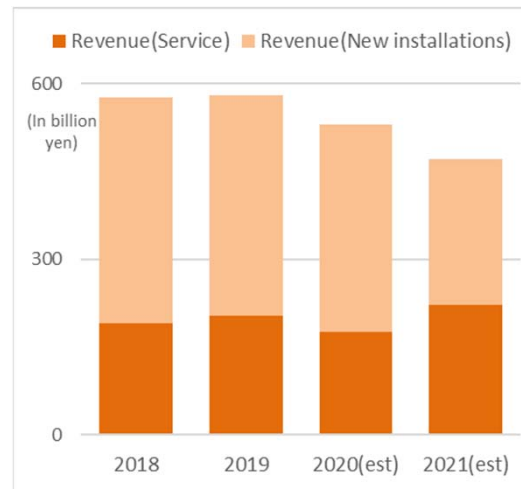
- GTCC business remains strong mainly due to stable service revenue despite fierce competition for new installations.
- In steam power, profitability deteriorated in some new installation projects. Service has been solid although we are seeing temporary impacts from COVID-19.

GTCC revenue



- Fierce competition continues
- High market share in new equipment orders
- Large backlog supporting stable revenue growth during 2021 Medium-Term Business Plan (MTBP)
- Steady increase in service along with an increase in installment base

Steam Power revenue



- Sharp decrease in new installations
- Service decrease in FY2020 due to the impact of COVID-19. Expected to recover in FY2021
- Increase service ratio during 21MTBP by shifting business focus to service

Our challenges in steam power business

- Steep rise in construction costs for domestic projects
- First commercial IGCC units impacted with initial nonconformance and schedule delay
- Projected service opportunities shifted due to impact of COVID-19

(1H: Scheduled outage postponed or canceled resulting in revenue/profit decrease.
2H: Improvements expected with the recovery of service outage schedules.)

Business environment

Gas / Steam power market

- Accelerated decrease in Steam Power opportunities.
- Intensified price competition with limited market opportunity.
- Increased cost by weakening supply chains
- Strong service opportunities for existing power plants



Structural reforms

Focus on service and reduce fixed costs in Steam Power

- Production consolidation and factory realignments
 - Consolidate boiler production at Kure to Nagasaki (end of FY2022)
 - Strengthen boiler service and environmental solutions at Kure
- SG&A reduction
 - Integrate corporate and back office functions of Mitsubishi Power and MHI
- Further structural reforms

- **“Decarbonization” key to the economic recovery from the COVID-19 pandemic**
- **Accelerated investment in decarbonized power and renewable energy**



Opportunities in decarbonization and carbon neutrality

- Japan's 2050 Carbon Neutral Declaration and Green Growth Strategy
- Increased opportunities in GTCC + CCS, Industrial CCS, and hydrogen GT projects in Europe and North America



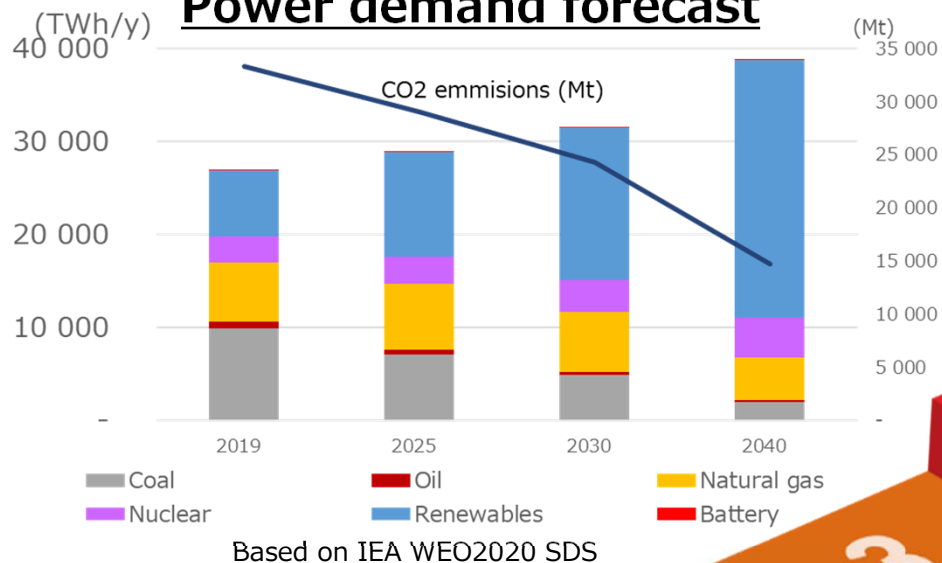
Accelerate Energy Transition Initiatives

- Accelerate efforts to build a sustainable decarbonized society
- Integrate Mitsubishi Power's Energy Transition Division to MHI to streamline the organization and expand its resources (April 2021)
- Develop businesses such as CCUS, hydrogen/ammonia value chains, and drive decarbonization in industrial sectors

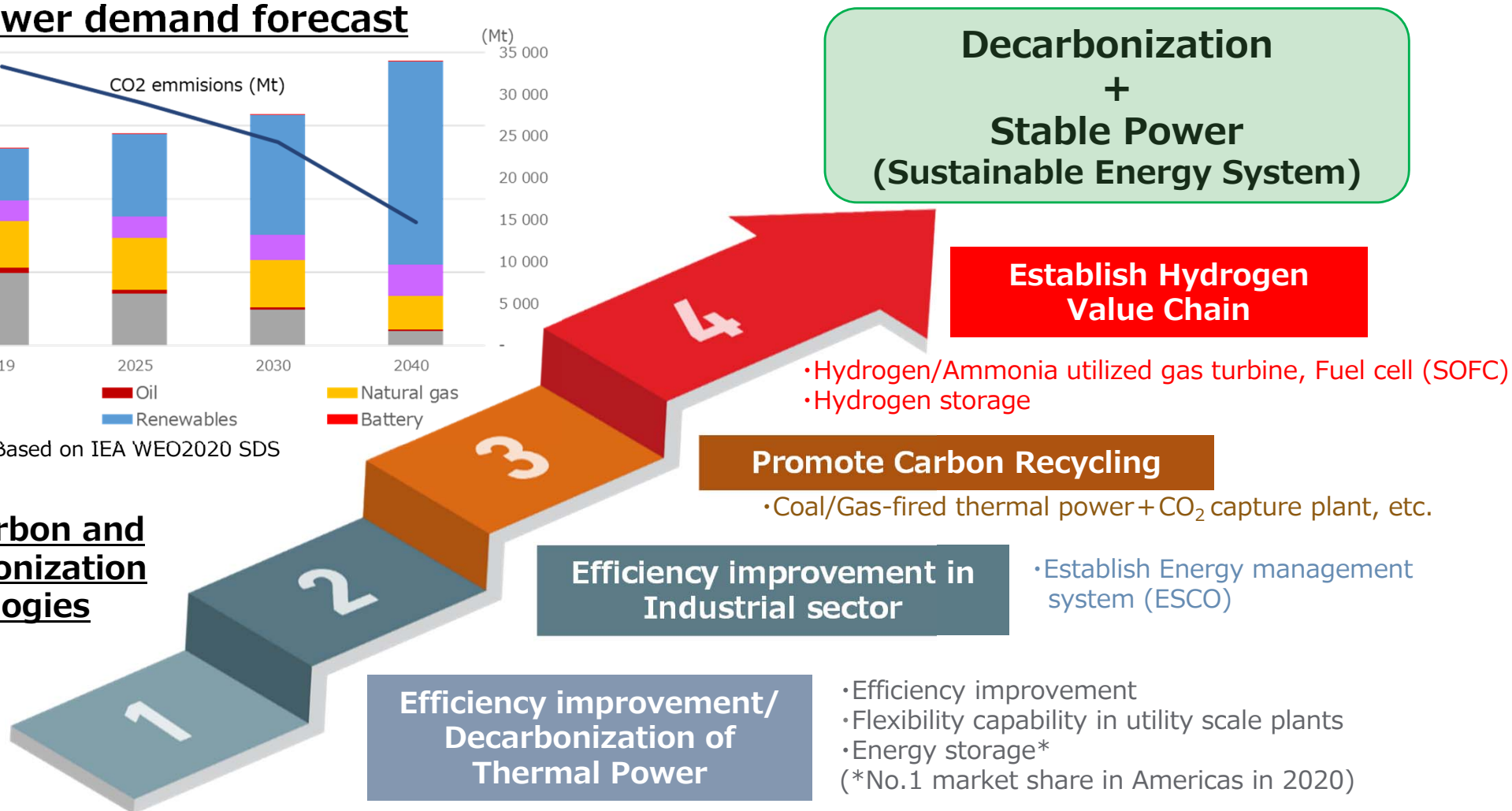
New Evolution of Mitsubishi Power

- Expedite transformation to a Sustainable Energy Solutions Company.
- Shift to new markets by reallocating resources and technologies into “Decarbonization of thermal power generation”, “Building a hydrogen/ammonia society” and “Energy storage”.
- Drive energy transition to establish sustainable energy system aiming for carbon neutrality by 2050.

Power demand forecast



Low carbon and decarbonization technologies



III. 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

The latest forecast announced on October 30, 2020 is maintained

(In billion yen)

	FY2019 (Actual) (Profit margin)		FY2020(Forecast) (Profit margin)		Change	
Order Intake	4,168.6		3,500.0		- 668.6	(- 16.0%)
Revenue	4,041.3		3,700.0		- 341.3	(- 8.4%)
Profit from business activities	(- 0.7%)	- 29.5	(1.4%)	50.0	+79.5	-
Profit attributable to owners of parent	(2.2%)	87.1	(0.5%)	20.0	- 67.1	(- 77.0%)
ROE	6.6%		2%		-	
EBITDA	(2.8%)	115.1	(5.1%)	190.0	+74.9	(+65.1%)
Free cash flow	212.9		-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		Undetermined foreign currency amount USD: 1.3 billion Euro: 0.2 billion	

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

Summary of FY2020 Forecast (Cont'd)

The latest forecast announced on October 30, 2020 is maintained

(In billion yen)

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

FY2020 Forecast by Segment

The latest forecast announced on October 30, 2020 is maintained

(In billion yen)

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

IV. Appendix

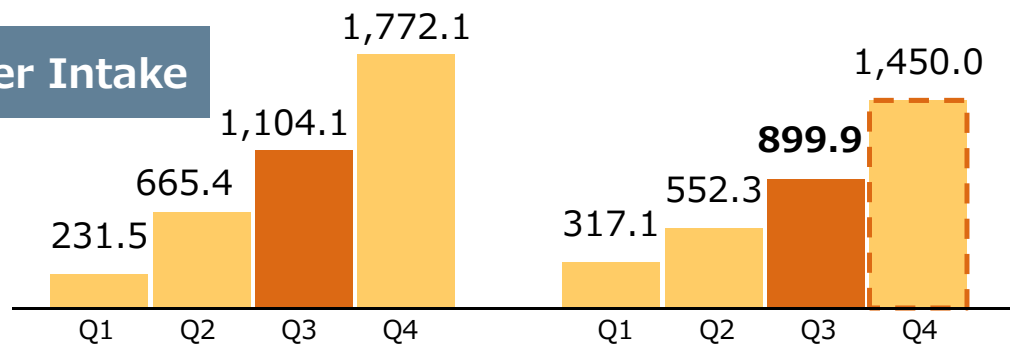
Appendix: Financial Results by Business Segment 〈Energy Systems〉

(In billion yen, accumulated amount)

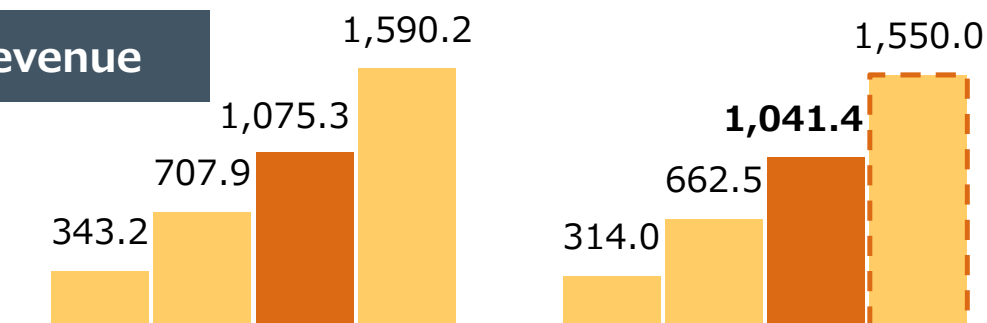
[FY2019]

[FY2020]

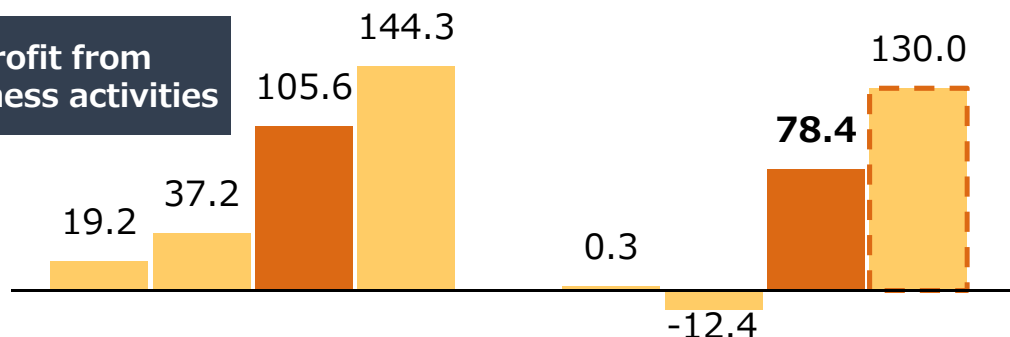
Order Intake



Revenue



Profit from business activities



- Despite the gain from the share transfer of MVOW, revenue and profit declined YoY due to the rescheduling of some after-sales service work in thermal power business and the loss provision for steam power new installation projects.
- Revenue in aero engines generally remained within the range of our FY20 forecast.
- Nuclear power remains strong.

Gas turbine order intake & order backlog

Q1-3 FY2020 : 9 units

	Americas	Asia	EMEA	Others	Total	Backlog
Large size	4	2	3	-	9	48
Small to medium size	-	-	-	-	0	10
Total	4	2	3	0	9	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

Q1-3 FY2019 : 15 units

	Americas	Asia	EMEA	Others	Total	Backlog
Large size	4	4	2	-	10	40
Small to medium size	3	2	-	-	5	12
Total	7	6	2	0	15	52

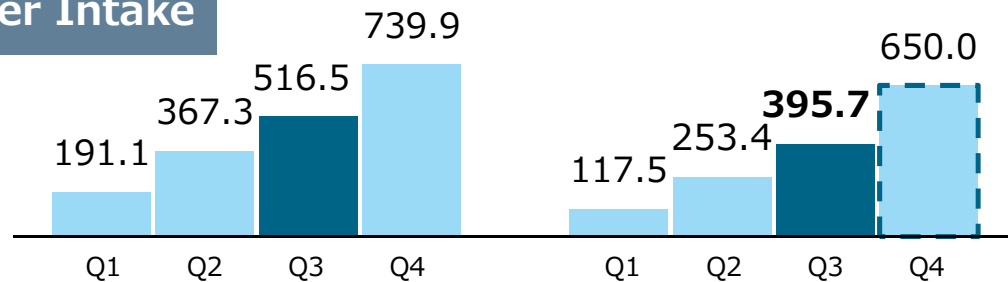
Appendix: Financial Results by Business Segment 〈Plants & Infrastructure Systems〉

(In billion yen, accumulated amount)

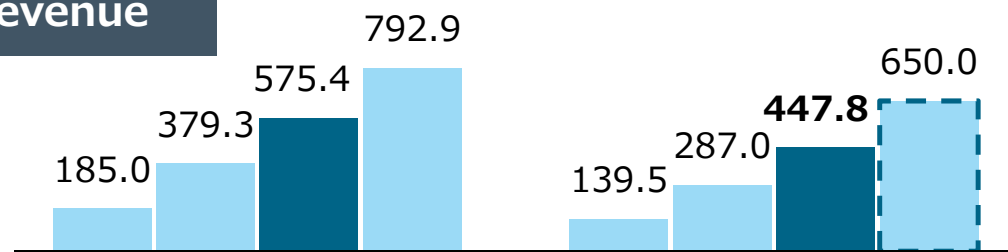
[FY2019]

[FY2020]

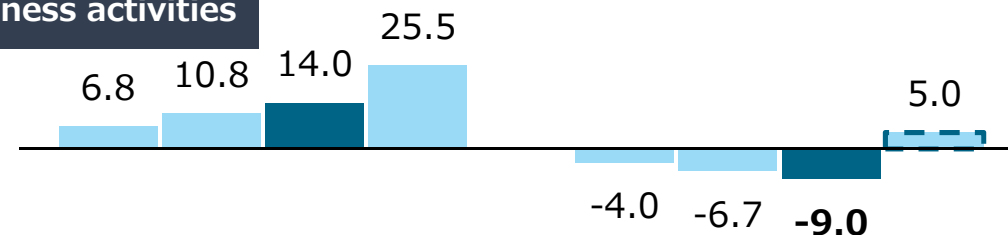
Order Intake



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 Q3 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.
- In addition, due to one-time expenses such as cost settlement for an overseas engineering project that has already been delivered and restructuring costs for certain businesses, we recorded a loss in the cumulative third quarter.

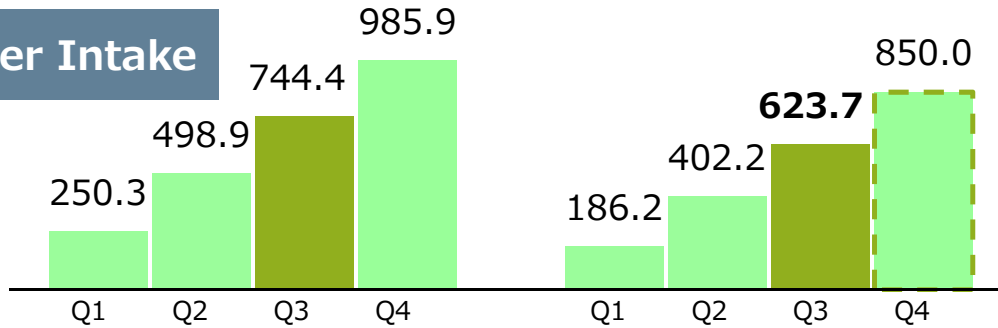
Appendix: Financial Results by Business Segment 〈Logistics, Thermal & Drive Systems〉

(In billion yen, accumulated amount)

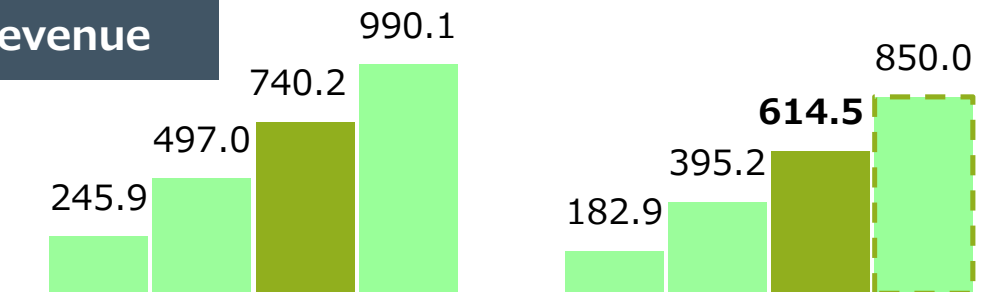
[FY2019]

[FY2020]

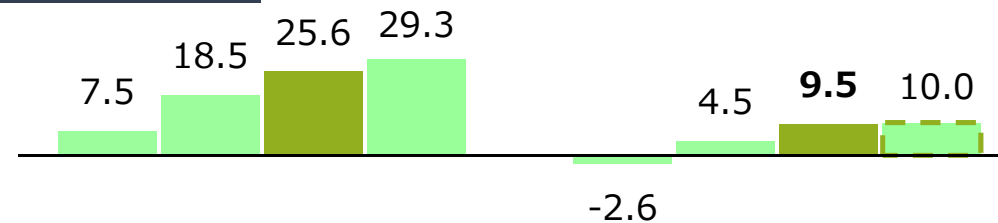
Order Intake



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 and Q3 to -10% YoY, trending towards recovery.
- Q3 posted a profit following Q2 owing to fixed costs reductions despite the restructuring costs incurred.

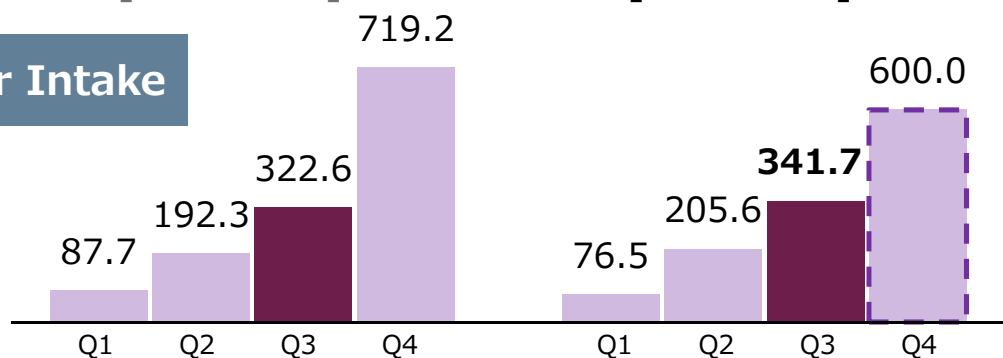
Appendix: Financial Results by Business Segment 〈Aircraft, Defense & Space〉

(In billion yen, accumulated amount)

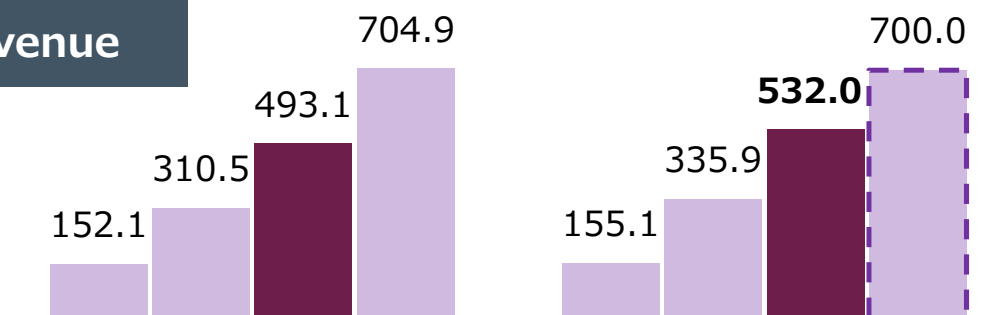
[FY2019]

[FY2020]

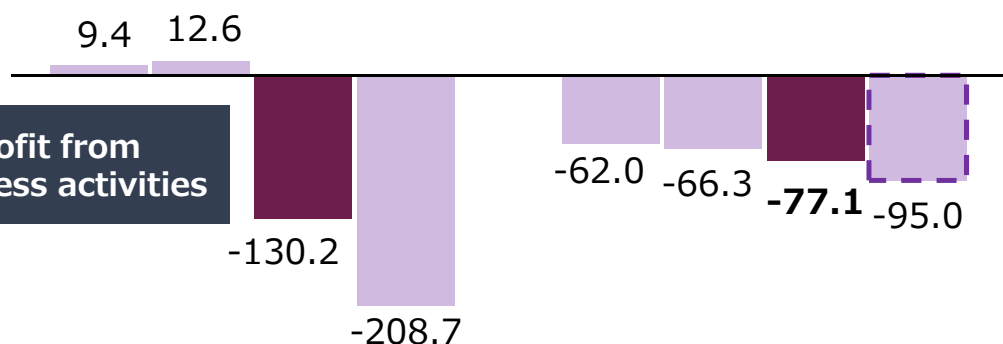
Order Intake



Revenue



Profit from business activities



- Revenue from commercial aircraft (Tier 1) was on track to recovery after bottoming out in Q1, but was sluggish in Q3 due to weak market conditions caused by a resurgence in COVID-19. As the full year performance is expected to fall below the initial forecast, we will accelerate fixed cost reductions.
- 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 losses including impairment of goodwill arising from the acquisition of the CRJ business was ¥103.1bn, 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	7	-	-

Deliveries for B787s

	Q1	Q2	Q3	Q4	Total
FY2019	43	42	38	43	166
FY2020	18	32	20	-	-

1. R&D Expenses, Depreciation and Capital Expenditure

(In billion yen)

	Q1-3 FY2019	Q1-3 FY2020	FY2020 Forecast
R&D Expenses	95.3	84.6	140.0
Depreciation	102.9	105.5	140.0
Capital Expenditure	115.1	86.1	150.0

2. Selling, General and Administrative Expenses

(In billion yen)

	Q1-3 FY2019	Q1-3 FY2020
SG&A	427.3	395.6

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

	Q1-3 FY2019	Q1-3 FY2020
USD	109.1	106.6
Euro	121.4	121.8

4. Overseas Revenue by Region

(In billion yen)

	Q1-3 FY2019	Q1-3 FY2020
Asia	525.5 (19%)	416.6 (16%)
North America	523.3 (18%)	441.7 (17%)
Europe	264.4 (9%)	222.6 (9%)
Central & South America	95.4 (3%)	53.9 (2%)
The Middle East	65.4 (2%)	55.0 (2%)
Oceania	17.0 (1%)	18.4 (1%)
Africa	42.0 (2%)	35.4 (1%)
Total	1,533.4 (54%)	1,243.9 (48%)

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