

1H FY2021 Financial Results

October 29, 2021

I. 1H FY2021 Financial Results

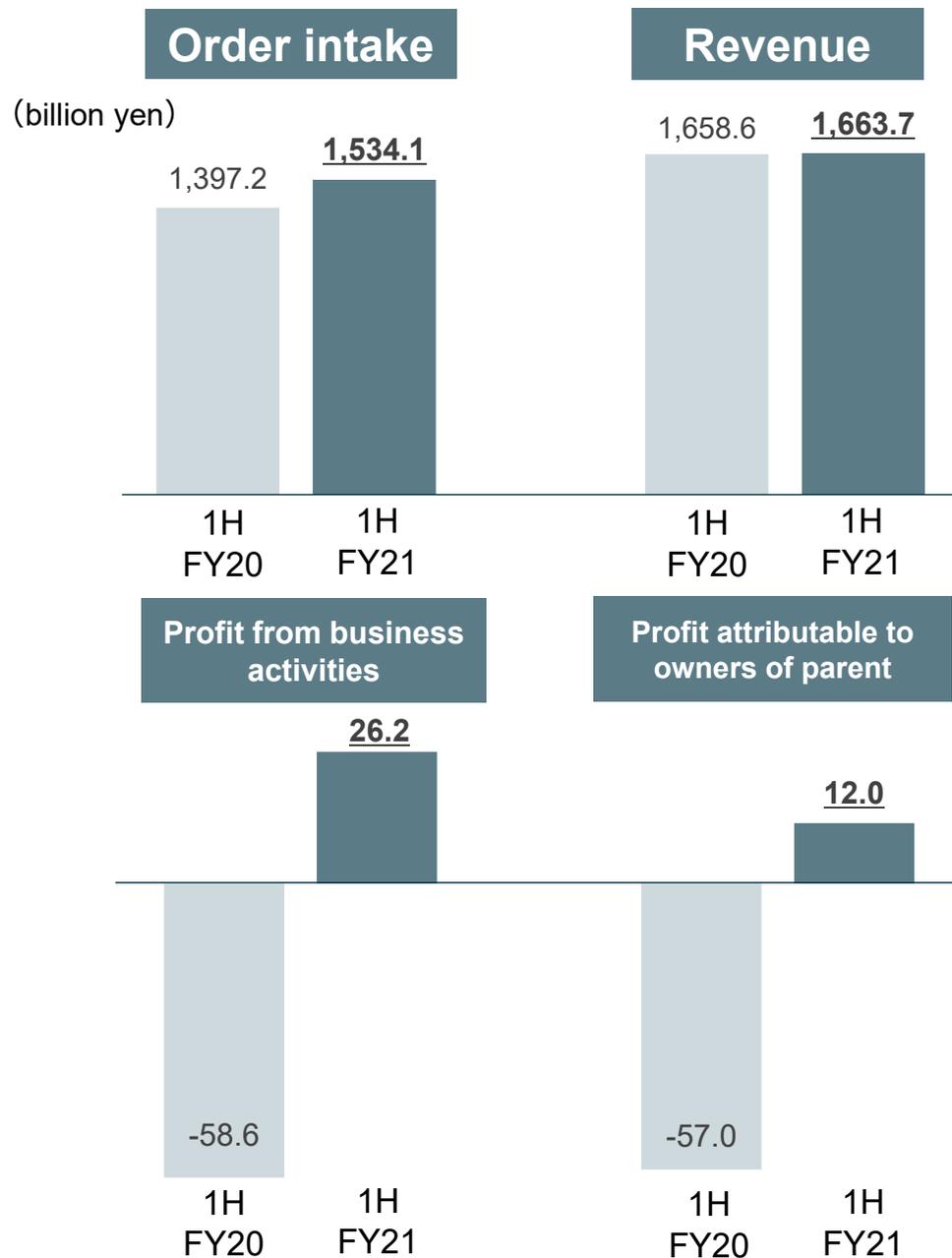
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I. 1H FY2021 Financial Results

Financial Results Overview



■ Order intake

- Order intake increased in Plants & Infrastructure Systems (incl. Metals Machinery) and Logistics, Thermal & Drive Systems
- Rebound decrease in Energy Systems order intake due to booking of several large orders in FY20
- Commercial Aviation Aero Structures orders continue to be low

■ Revenue and profit

- Revenue up in all segments other than Aircraft, Defense & Space
- Profit up and profitability achieved in all four segments

Financial Results Overview

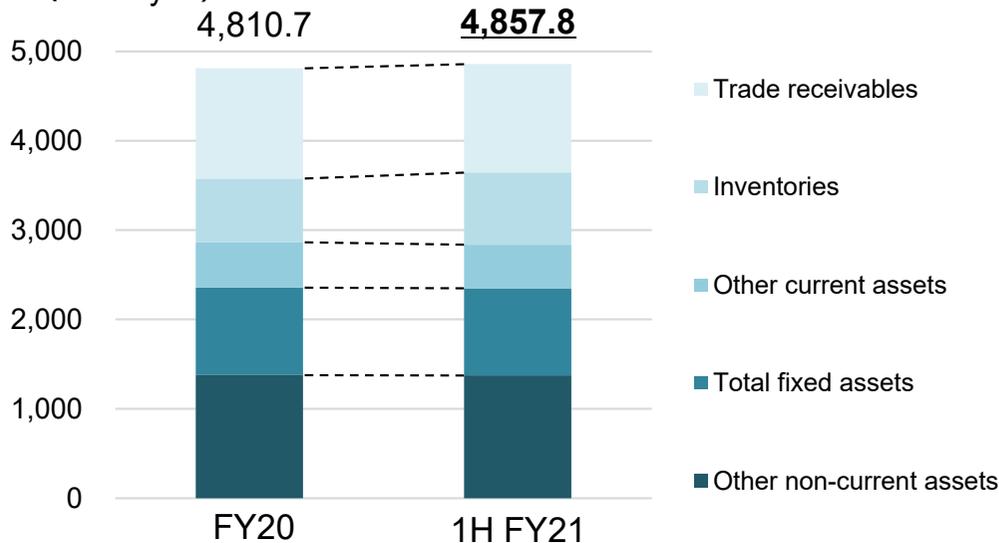
(billion yen)

| | 1H FY2020 | | 1H 2021 | | YoY | |
|---|-----------------|---------|-----------------|---------|--------|---------|
| | (Profit margin) | | (Profit margin) | | | |
| Order intake | | 1,397.2 | | 1,534.1 | +136.9 | (+9.8%) |
| Revenue | | 1,658.6 | | 1,663.7 | +5.1 | (+0.3%) |
| Profit from business activities | (-3.5%) | -58.6 | (1.6%) | 26.2 | +84.8 | - |
| Profit attributable to owners of parent | (-3.4%) | -57.0 | (0.7%) | 12.0 | +69.1 | - |
| EBITDA | (0.6%) | 10.4 | (5.4%) | 90.9 | +80.5 | - |
| FCF | | -497.1 | | -138.0 | +359.0 | - |

Financial Position Overview

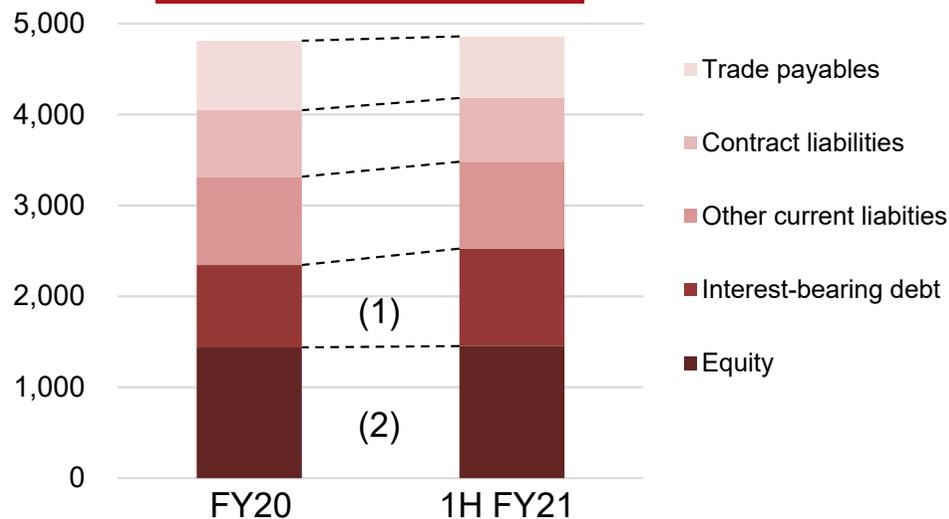
Assets

(billion yen)



- Total assets up ¥47.1 bn from end FY20 mainly due to increases in cash, cash equivalents, and inventories

Liabilities & Equity



| | FY20 | 1H FY21 | Variance |
|--------------------------------|-------|---------|----------|
| Interest-bearing debt (bn yen) | 905.6 | 1,071.3 | +165.7 |
| Equity ratio | 28.4% | 28.3% | -0.1pt |
| D/E ratio | 0.63 | 0.74 | +0.11 |

Breakdown of main items:

(1) Commercial paper (+¥153.0 bn)

(2) Profit attributable to owners of parent (+¥12.0 bn), dividends (-¥25.2 bn)

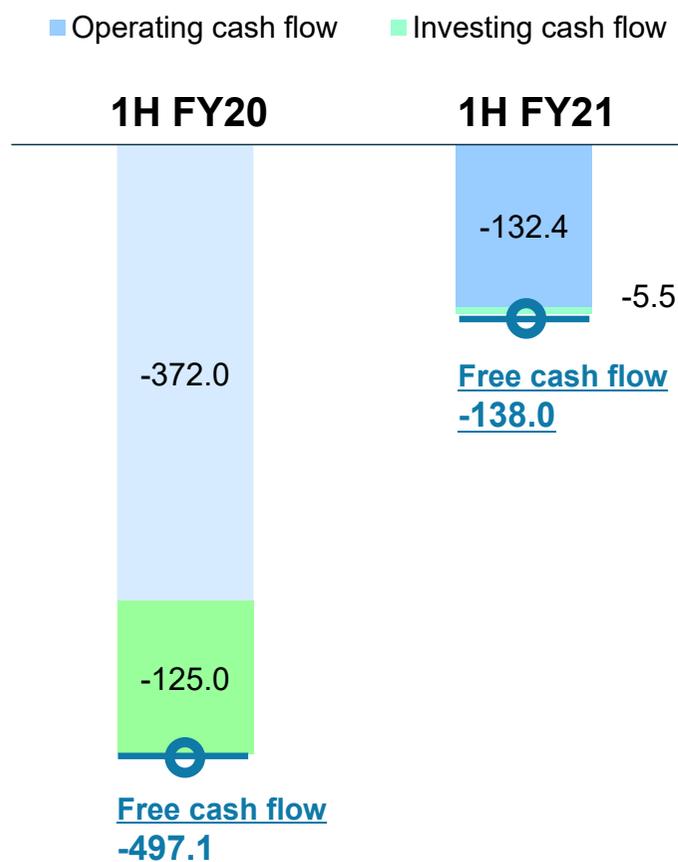
Financial Position Overview

(billion yen)

| | FY2020 | 1H FY2021 | YoY |
|---------------------------------------|----------------|----------------|--------------|
| Trade receivables and contract assets | 1,234.1 | 1,214.1 | -19.9 |
| Inventories | 713.4 | 806.7 | +93.2 |
| Other current assets | 507.0 | 488.7 | -18.3 |
| (Cash and cash equivalents) | (245.4) | (259.6) | (+14.1) |
| Total fixed assets | 978.9 | 975.1 | -3.8 |
| Other non-current assets | 1,377.1 | 1,373.1 | -3.9 |
| Total assets | 4,810.7 | 4,857.8 | +47.1 |

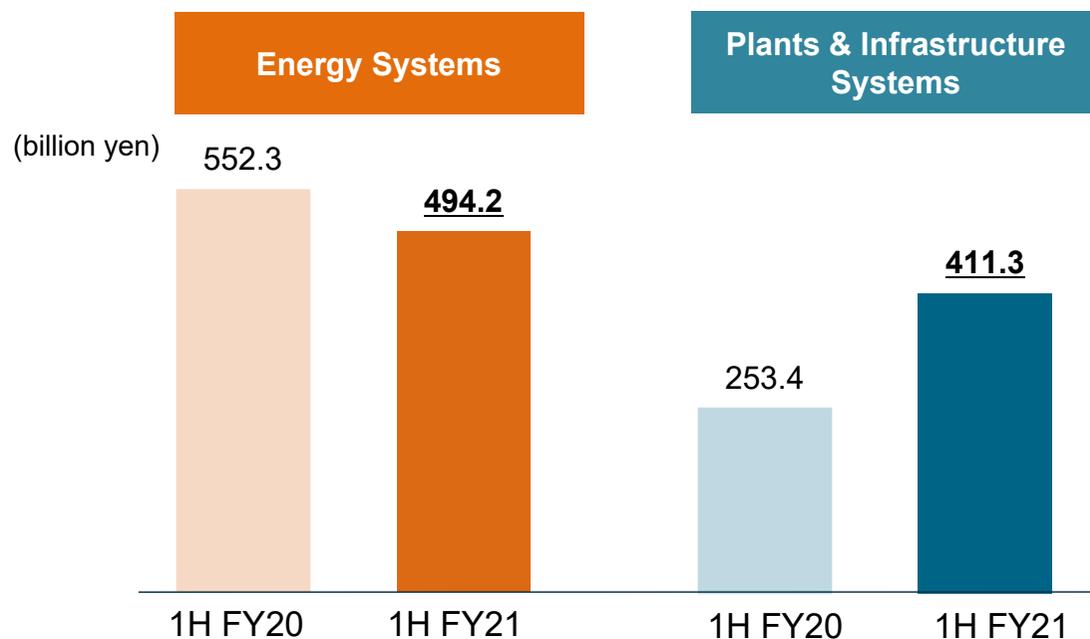
| | | | |
|---|----------------|----------------|--------------|
| Trade payables | 763.7 | 676.8 | -86.8 |
| Contract liabilities | 731.8 | 700.6 | -31.1 |
| Other current liabilities | 970.1 | 955.3 | -14.8 |
| Interest-bearing debt | 905.6 | 1,071.3 | +165.7 |
| Equity | 1,439.3 | 1,453.6 | +14.2 |
| (Equity attributable to owners of the parent) | (1,366.3) | (1,377.0) | (+10.7) |
| Total liabilities and Equity | 4,810.7 | 4,857.8 | +47.1 |

(billion yen)

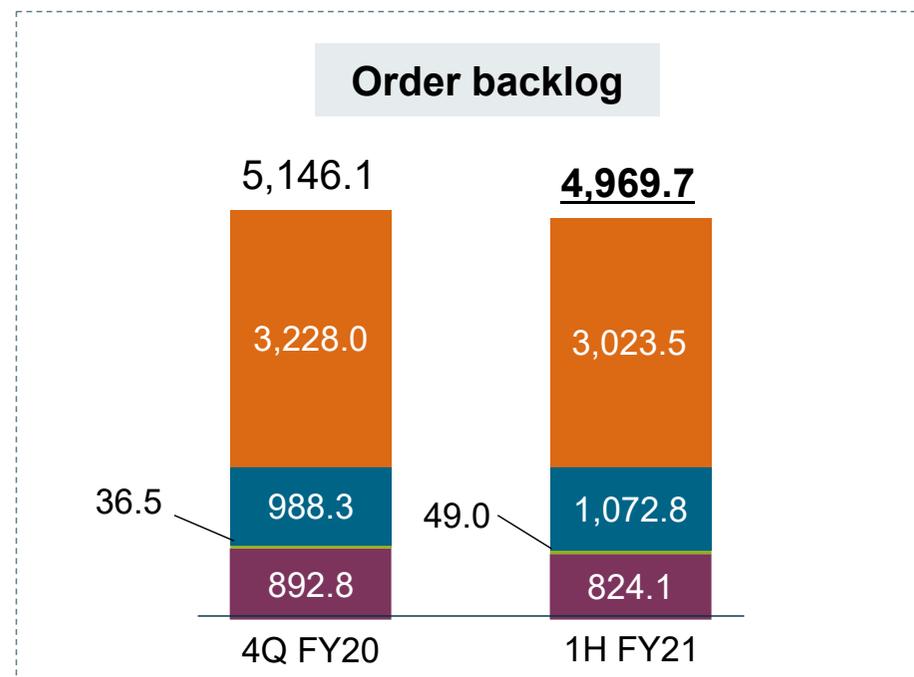
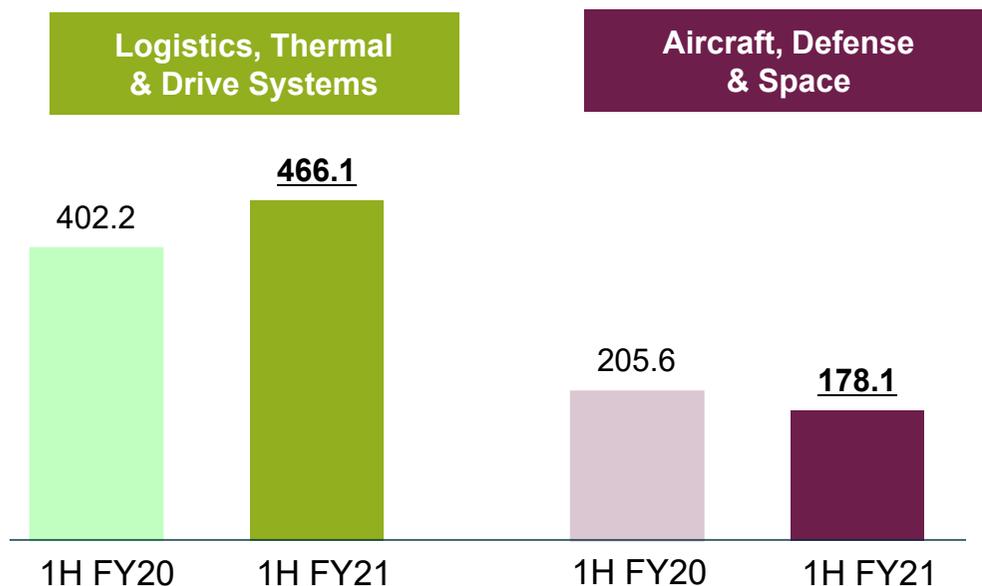


- Free cash flow
Generally trending in line with plan and latest forecast (¥±0)
- Operating cash flow
Generally trending in line with plan
- Investing cash flow
Generation of investment capital through asset management (sale of real estate and stock) proceeding ahead of schedule

Order Intake & Order Backlog by Segment



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



Revenue by Segment

Energy Systems

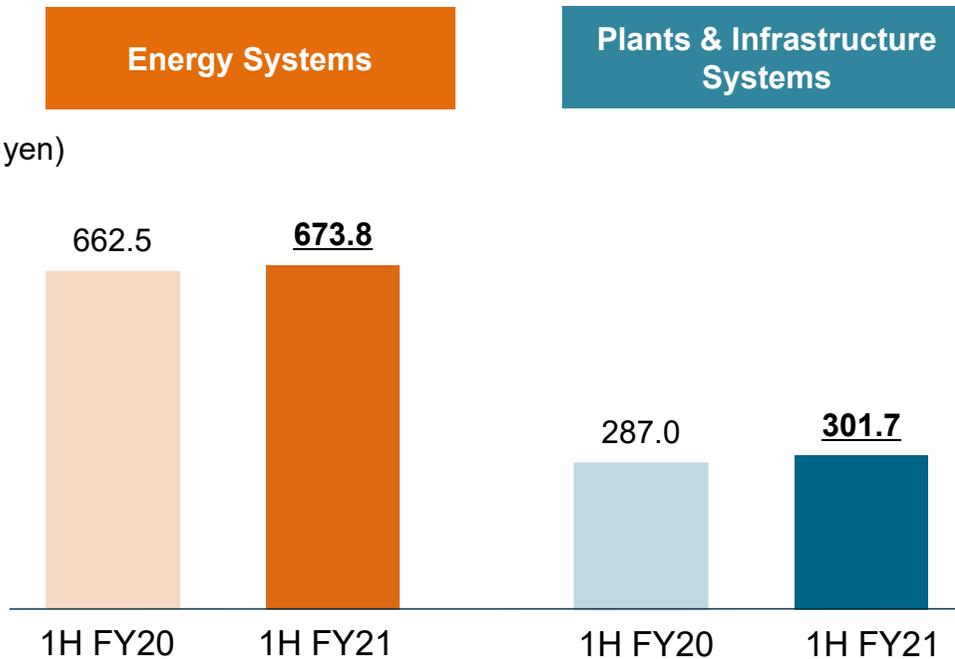
Plants & Infrastructure Systems

- Energy Systems
Increase: GTCC
Decrease: Steam Power, Nuclear Power

- Plants & Infrastructure Systems
Increase: Metals Machinery
- Logistics, Thermal & Drive Systems
Increase: Logistics Systems, HVAC, Turbochargers

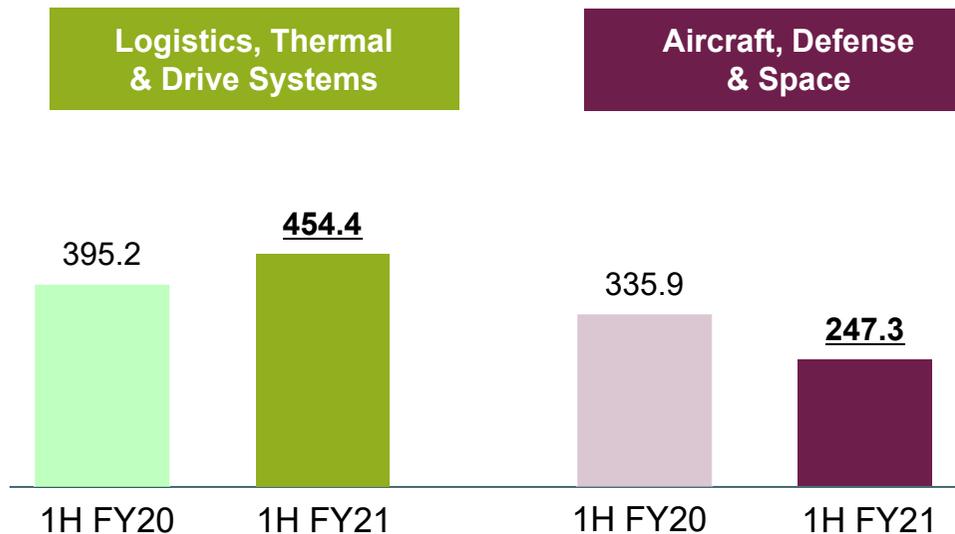
- Aircraft, Defense & Space
Decrease: Defense Aviation, Missile Systems, Space, Commercial Aviation Aero Structures

(billion yen)

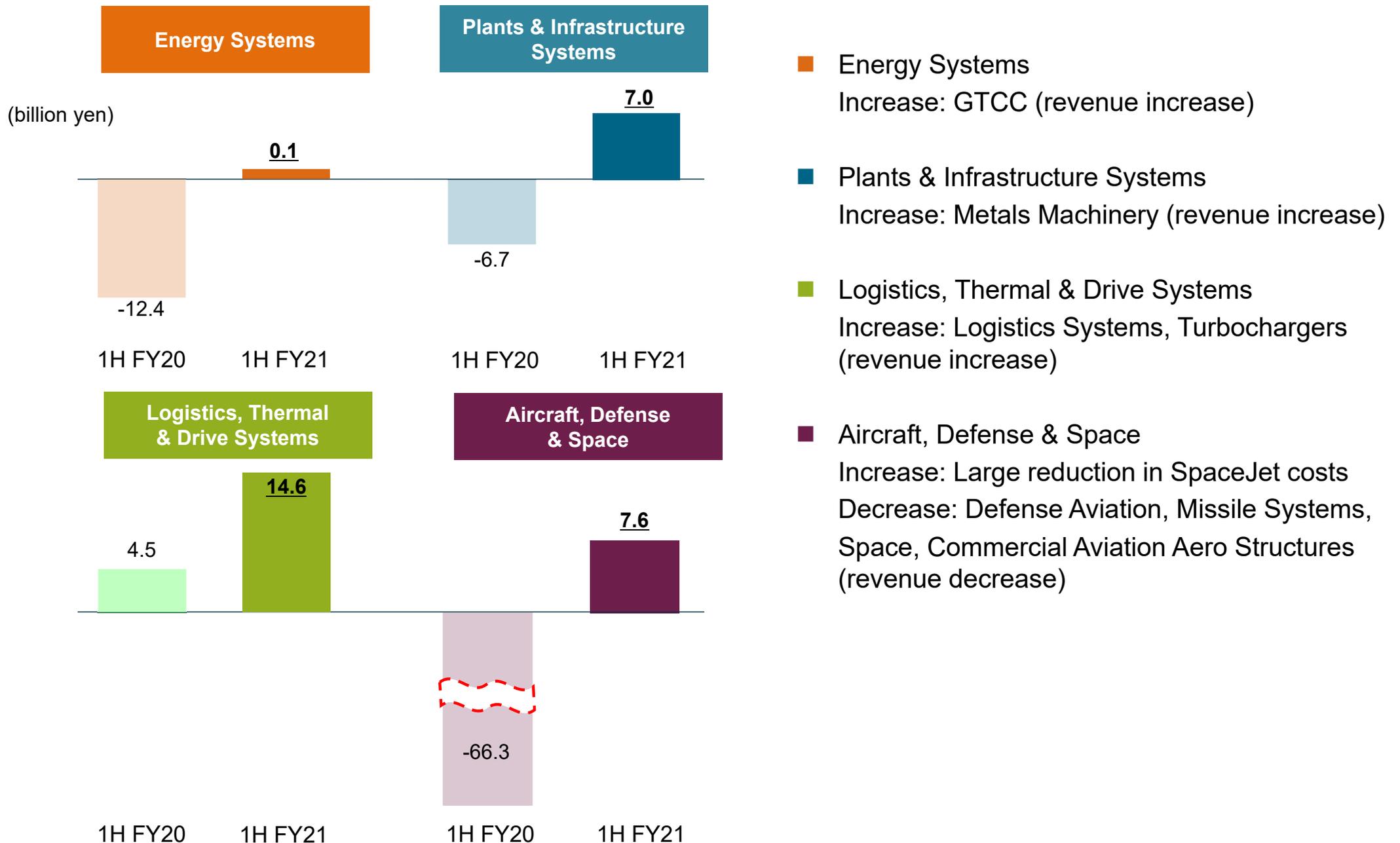


Logistics, Thermal & Drive Systems

Aircraft, Defense & Space



Profit from Business Activities by Segment

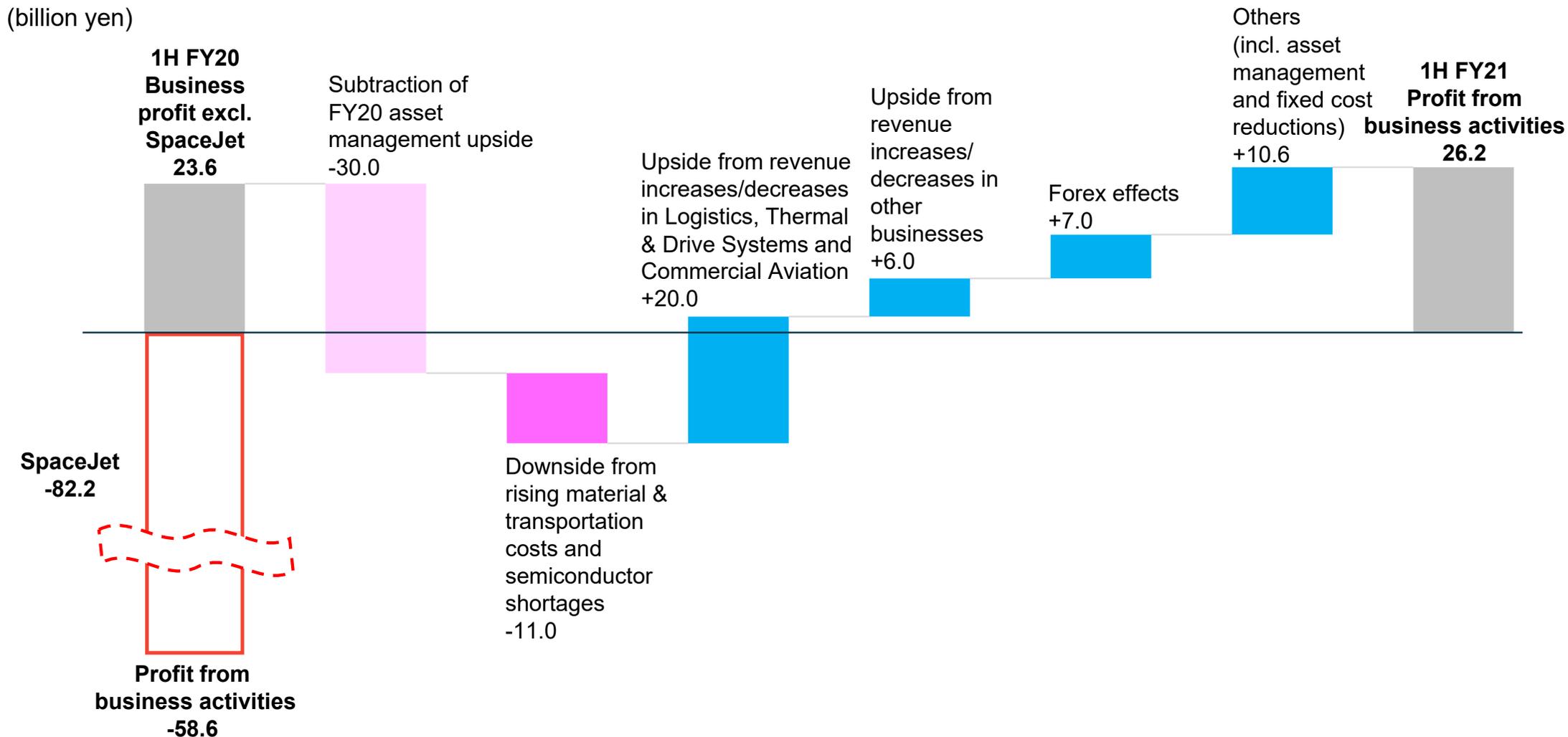


Financial Results by Segment

(billion yen)

| | Order intake | | | Revenue | | | Profit from business activities | | |
|---------------------------------------|----------------|----------------|---------------|----------------|----------------|-------------|---------------------------------|-------------|--------------|
| | 1H FY20 | 1H FY21 | YoY | 1H FY20 | 1H FY21 | YoY | 1H FY20 | 1H FY21 | YoY |
| Energy Systems | 552.3 | 494.2 | -58.1 | 662.5 | 673.8 | +11.2 | -12.4 | 0.1 | +12.5 |
| Plants & Infrastructure Systems | 253.4 | 411.3 | +157.9 | 287.0 | 301.7 | +14.6 | -6.7 | 7.0 | +13.7 |
| Logistics, Thermal & Drive Systems | 402.2 | 466.1 | +63.8 | 395.2 | 454.4 | +59.2 | 4.5 | 14.6 | +10.0 |
| Aircraft, Defense & Space | 205.6 | 178.1 | -27.5 | 335.9 | 247.3 | -88.5 | -66.3 | 7.6 | +73.9 |
| Others | -16.4 | -15.7 | +0.7 | -22.1 | -13.6 | +8.4 | 22.2 | -3.3 | -25.5 |
| Total | 1,397.2 | 1,534.1 | +136.9 | 1,658.6 | 1,663.7 | +5.1 | -58.6 | 26.2 | +84.8 |

- 1H business profit exceeded 1H FY20 business profit excluding SpaceJet through upside from COVID-19 recovery and fixed cost reductions. This was despite decreased upside from asset management compared to FY20 and downside from rising material and transportation costs and semiconductor shortages.



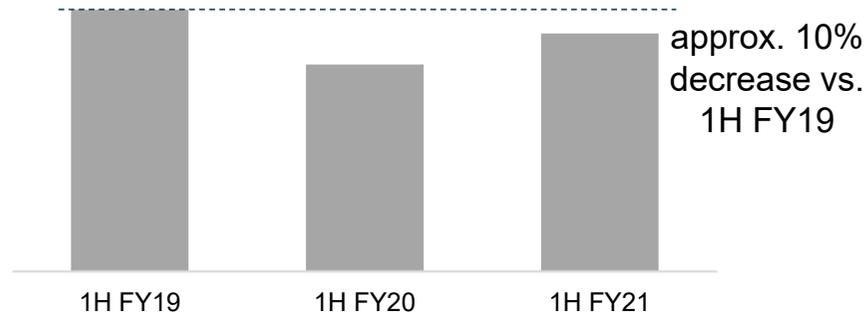
Status of Businesses Impacted by COVID-19

Business

Revenue

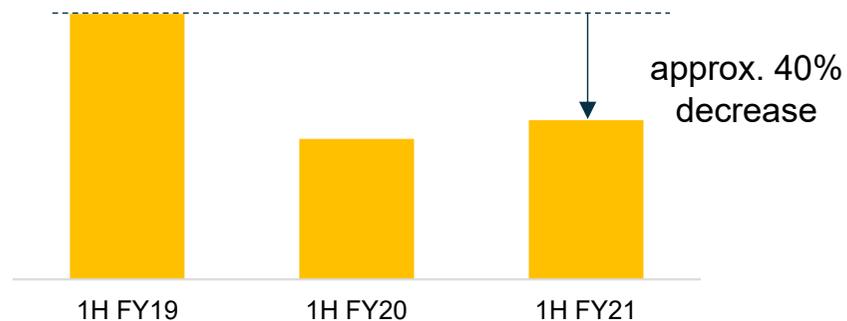
Status as of 1H FY21 Closing

Logistics, Thermal & Drive Systems



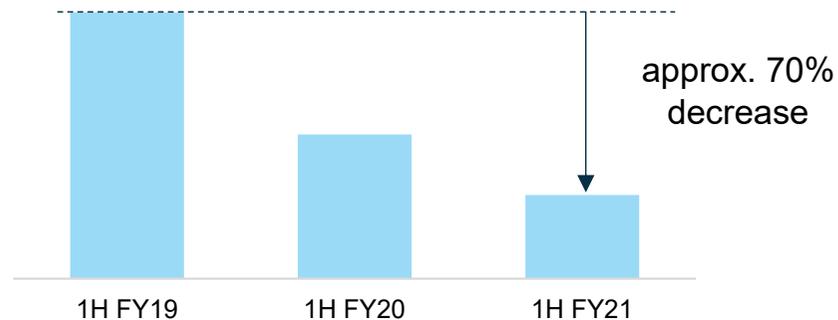
- Revenue has nearly recovered to FY19 (pre-COVID) levels

Commercial Aviation Aero Engines



- Impact from Q1 FY21 resurgence in COVID-19 infections and some project (MRO) push-outs is decreasing

Commercial Aviation Aero Structures (Tier 1)



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

■ Order Intake

Recovery beginning to take shape, especially in Metals Machinery, although difficult market conditions in Commercial Aviation

■ Revenue and profit up YoY in all segments

- All business segments expected to reach full year forecast based on 2H revenue projections, despite downside from rising material and transportation costs and semiconductor shortages
- Increased the full year forecast for both profit from business activities and profit attributable to owners of parent by 10 billion yen due to an increase in profit from asset management efforts

■ Cash flows

Accelerating growth investments in the Energy Transition space with liquidity created by asset management (sales of real estate and stock)

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.

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.

FY2021 Forecast Overview

Partially revised from the initial forecast announced May 10, 2021

(billion yen)

| | FY2020(Actual) | | FY2021(Forecast) | | YoY | |
|---|-----------------|---------|------------------|------------------|---------|--------------------|
| | (Profit margin) | | (Profit margin) | Revised forecast | | As of May 10, 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 | 150.0 | +106.0(+196.3%) |
| Profit attributable to owners of parent | (1.1%) | 40.6 | (2.7%) | 100.0 | 90.0 | +59.4(+146.3%) |

| | | | | | | |
|--------|--------|-------|--------|-------|-------|----------------|
| ROE | | 3.1% | | 7.1% | 6.5% | +4.0pt - |
| EBITDA | (5.2%) | 193.3 | (7.7%) | 290.0 | 280.0 | +96.7 (+50.0%) |

| | | | | | | |
|-----|--|--------|--|-----|-----|----------|
| FCF | | -277.1 | | 0.0 | 0.0 | +277.1 - |
|-----|--|--------|--|-----|-----|----------|

| | | | | | |
|--------------------|--|--------------------------------------|--|---------------------------------------|---------------------------------------|
| Dividend per share | | 75.0yen | | 90.0yen | 90.0yen |
| | | Interim: 0.0yen year-end: 75.0yen | | Interim: 45.0yen year-end: 45.0yen | Interim: 45.0yen year-end: 45.0yen |

Exchange rate assumptions

USD 1.00 = ¥110

EUR 1.00 = ¥130

Undetermined foreign currency amounts

USD 2.9 bn

EUR 0.3 bn

FY2021 Forecast by Segment

Partially revised from the initial forecast announced May 10, 2021
 (Increased profit from business activities forecast in the Others segment by 10 billion yen due to an increase in profit from asset management efforts)

(billion yen)

| | Order intake | | | | Revenue | | | | Profit from business activities | | | |
|------------------------------------|----------------|------------------|----------------|---------------|----------------|------------------|----------------|--------------|---------------------------------|------------------|--------------|---------------|
| | FY2020 | FY2021 | | YoY | FY2020 | FY2021 | | YoY | FY2020 | FY2021 | | YoY |
| | | Revised forecast | As of May 10 | | | Revised forecast | As of May 10 | | | Revised forecast | As of May 10 | |
| Energy Systems | 1,299.2 | 1,400.0 | 1,400.0 | +100.8 | 1,546.0 | 1,600.0 | 1,600.0 | +54.0 | 127.6 | 100.0 | 100.0 | -27.6 |
| Plants & Infrastructure Systems | 575.2 | 700.0 | 700.0 | +124.8 | 637.2 | 650.0 | 650.0 | +12.8 | -10.2 | 20.0 | 20.0 | +30.2 |
| Logistics, Thermal & Drive Systems | 868.0 | 950.0 | 950.0 | +82.0 | 860.3 | 950.0 | 950.0 | +89.7 | +15.6 | 30.0 | 30.0 | +14.4 |
| Aircraft, Defense & Space | 626.2 | 600.0 | 600.0 | -26.2 | 702.1 | 600.0 | 600.0 | -102.1 | -94.8 | 20.0 | 20.0 | +114.8 |
| Others | -32.4 | -50.0 | -50.0 | -17.6 | -45.7 | -50.0 | -50.0 | -4.3 | +15.8 | -10.0 | -20.0 | -25.8 |
| Total | 3,336.3 | 3,600.0 | 3,600.0 | +263.7 | 3,699.9 | 3,750.0 | 3,750.0 | +50.1 | +54.0 | 160.0 | 150.0 | +106.0 |

III. Appendix

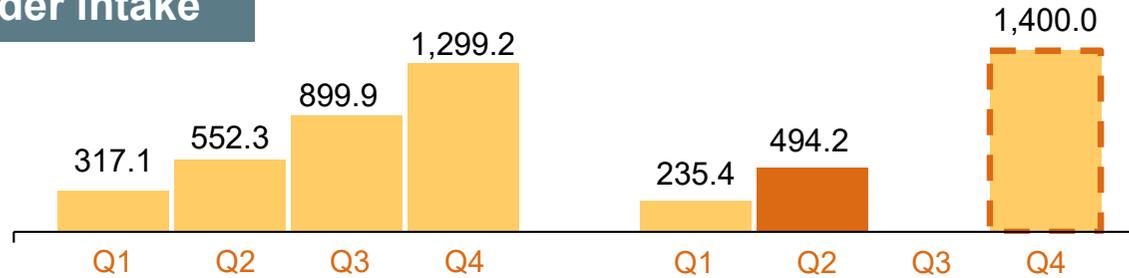
1H FY2021 Financial Results by Segment Energy Systems

(billion yen; all figures cumulative totals)

FY2020

FY2021

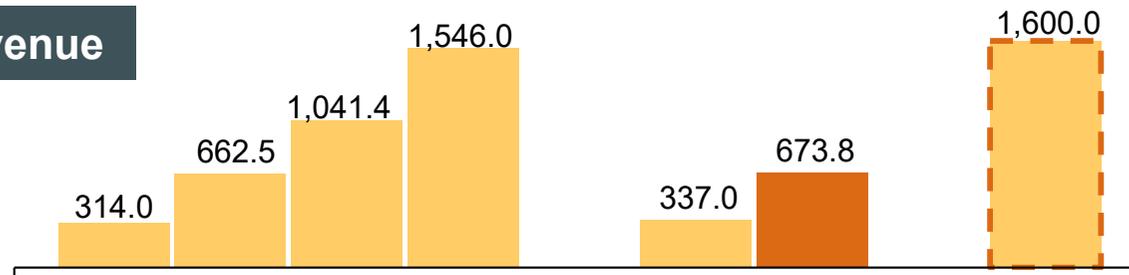
Order intake



(Order intake for major businesses)

| | 1H FY2020 | 1H FY2021 |
|---------------|-----------|-----------|
| GTCC | 250.0 | 189.4 |
| Steam Power | 90.7 | 143.7 |
| Aero Engines | 25.2 | 23.6 |
| Nuclear Power | 111.6 | 80.4 |

Revenue



(Revenue for major businesses)

| | 1H FY2020 | 1H FY2021 |
|---------------|-----------|-----------|
| GTCC | 214.8 | 254.5 |
| Steam Power | 250.4 | 232.8 |
| Aero Engines | 23.1 | 26.2 |
| Nuclear Power | 94.4 | 80.2 |

Profit from business activities



- Steam Power order intake up YoY due to new biomass thermal power plant installations
- Profit low across entire segment due in part to technical issues at IGCC plants (Nakoso and Hirono)
- Expected to reach full year targets through extensive revenue bookings in 2H especially from Thermal Power after-sales service and Nuclear Power

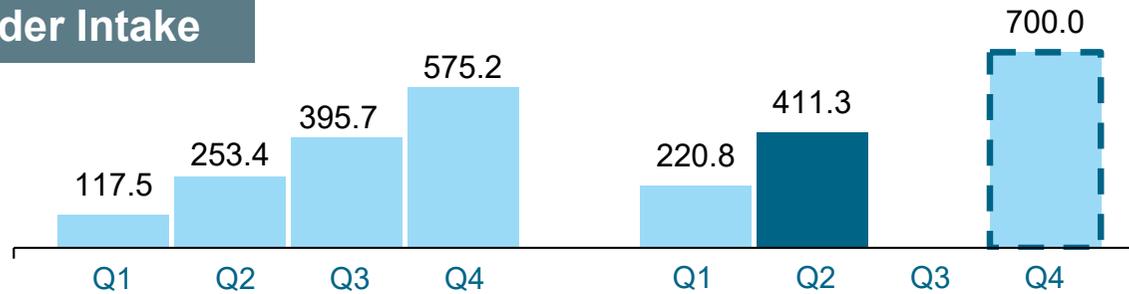
1H FY2021 Financial Results by Segment Plants & Infrastructure Systems

(billion yen; all figures cumulative totals)

FY2020

FY2021

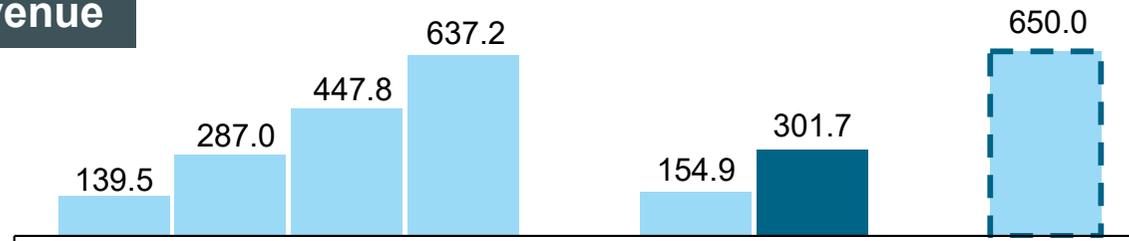
Order Intake



(Order intake for major businesses)

| | 1H FY2020 | 1H FY2021 |
|-------------------|-----------|-----------|
| Engineering | 86.7 | 56.8 |
| Metals Machinery | 53.5 | 185.0 |
| Machinery Systems | 56.1 | 80.4 |

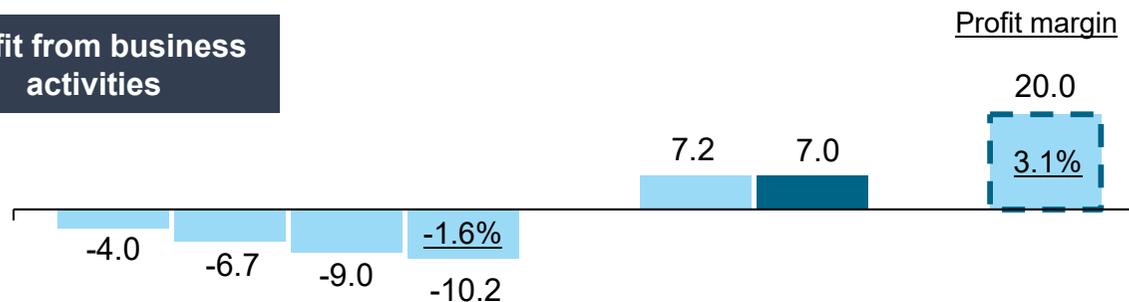
Revenue



(Revenue for major businesses)

| | 1H FY2020 | 1H FY2021 |
|-------------------|-----------|-----------|
| Engineering | 70.1 | 66.2 |
| Metals Machinery | 91.7 | 107.7 |
| Machinery Systems | 62.1 | 60.9 |

Profit from business activities



- Strong order intake in Metals Machinery bolstered by increased demand for steel driven by the global recovery from COVID-19
- Slight decrease in Q2 profit due to additional costs at some international projects and losses related to location reorganizations

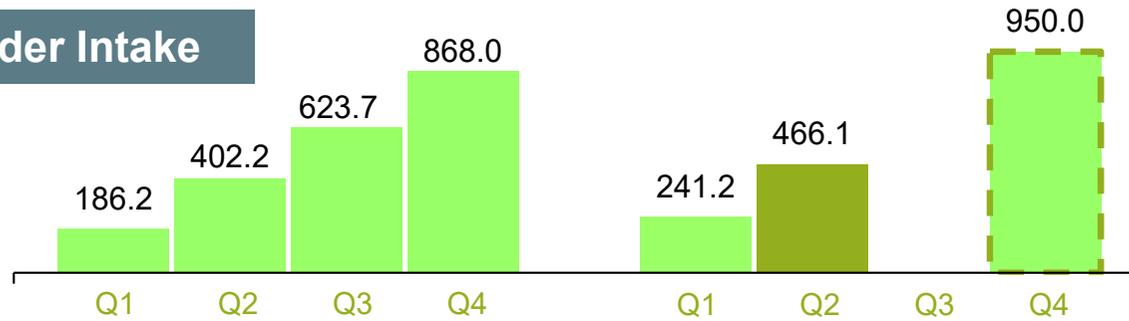
1H FY2021 Financial Results by Segment Logistics, Thermal & Drive Systems

(billion yen; all figures cumulative totals)

FY2020

FY2021

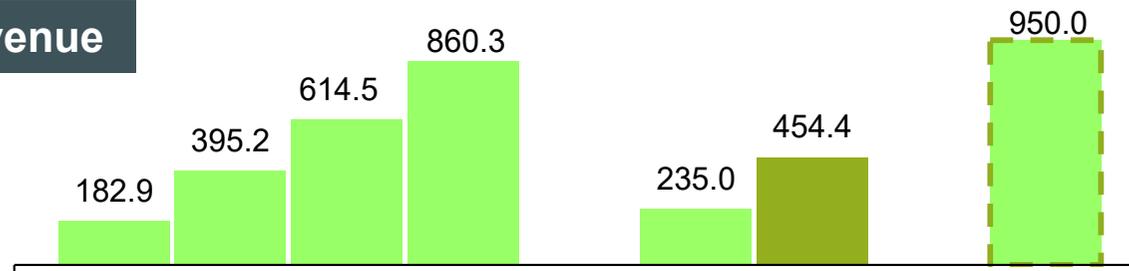
Order Intake



(Order intake for major businesses)

| | 1H FY2020 | 1H FY2021 |
|-------------------------|-----------|-----------|
| Logistics Systems | 184.6 | 214.6 |
| Engines & Turbochargers | 101.7 | 118.0 |
| HVAC & Car A/C | 118.4 | 137.6 |

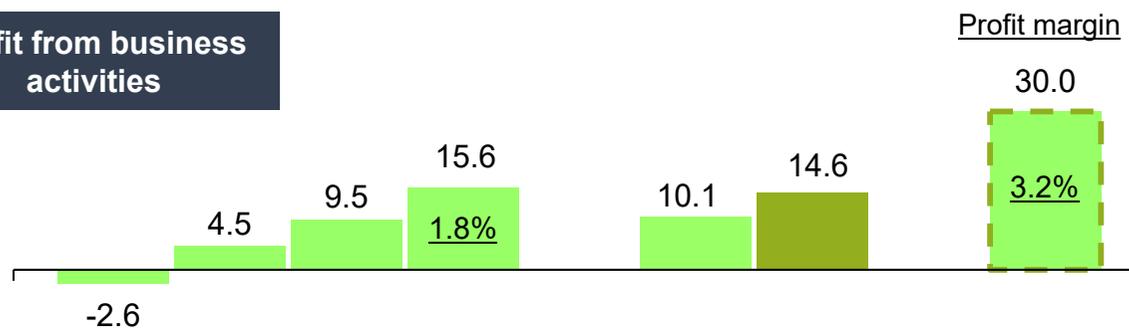
Revenue



(Revenue for major businesses)

| | 1H FY2020 | 1H FY2021 |
|-------------------------|-----------|-----------|
| Logistics Systems | 184.6 | 214.6 |
| Engines & Turbochargers | 102.4 | 114.0 |
| HVAC & Car A/C | 110.9 | 129.9 |

Profit from business activities



- Revenue increase slightly less in Q2 compared to Q1 due to automotive OEM production cuts and semiconductor shortages despite recovering market conditions
- Raising prices to compensate for decreased profit due to rising material and transportation costs and semiconductor shortages

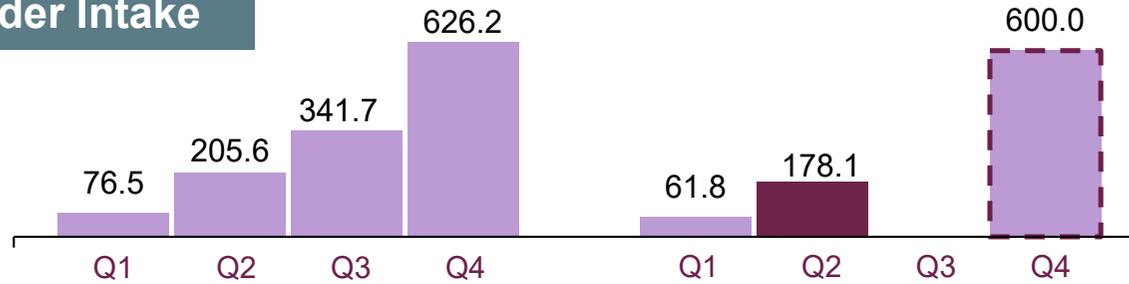
1H FY2021 Financial Results by Segment Aircraft, Defense & Space

(billion yen; all figures cumulative totals)

FY2020

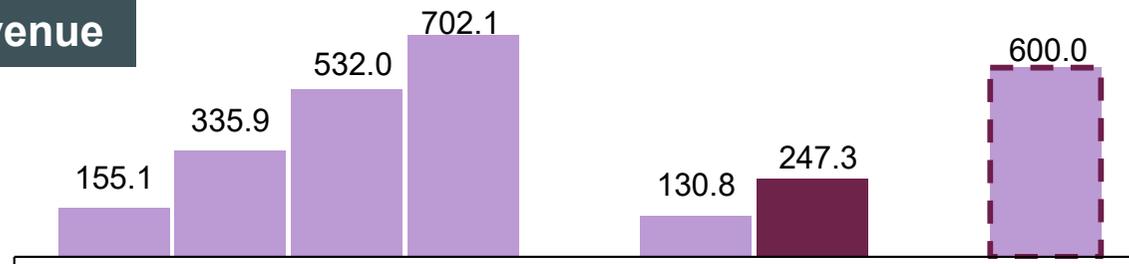
FY2021

Order Intake



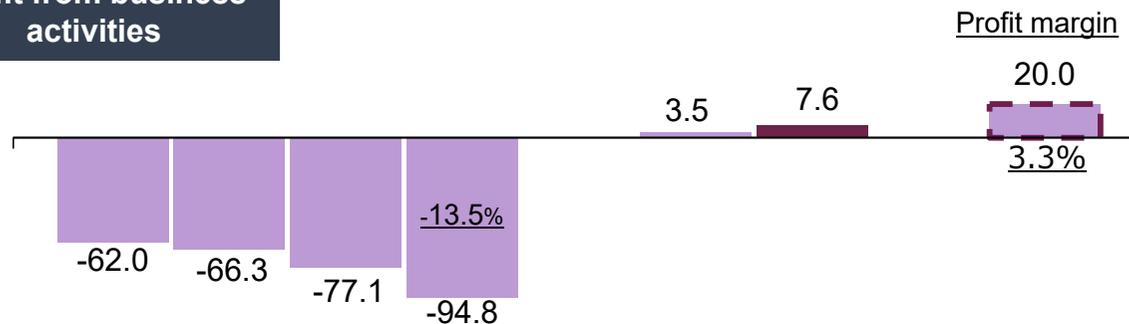
| | 1H FY2020 | 1H FY2021 |
|---------------------|-----------|-----------|
| Defense & Space | 132.7 | 120.7 |
| Commercial Aviation | 72.9 | 57.4 |

Revenue



| | 1H FY2020 | 1H FY2021 |
|---------------------|-----------|-----------|
| Defense & Space | 250.9 | 190.0 |
| Commercial Aviation | 84.9 | 57.3 |

Profit from business activities



- Revenue down in Commercial Aviation Tier 1 due to Boeing production cuts
- Profit up YoY and profitability achieved across entire segment due to cost reduction efforts including fixed cost reduction

Gas turbine orders booked and contract backlog (units)

| Heavy Duty | FY20 1H | FY20 Total | FY21 1H |
|------------------|------------|---------------|------------|
| North America | - | 4 | - |
| Asia | 2 | 4 | 2 |
| EMEA | 3 | 3 | - |
| Other regions | - | 2 | 2 |
| Total | 5 | 13 | 4 |
| Contract backlog | 45 | 48 | 46 |

| Small & Mid-size | FY20 1H | FY20 Total | FY21 1H |
|------------------|------------|---------------|------------|
| North America | - | 6 | - |
| Asia | - | - | 1 |
| EMEA | - | - | - |
| Other regions | - | - | - |
| Total | 0 | 6 | 1 |
| Contract backlog | 13 | 5 | 6 |

Commercial Aviation deliveries (units)

| 777 | Q1 | Q2 | Q3 | Q4 | Tot. |
|--------|----|----|----|----|------|
| FY2020 | 3 | 10 | 7 | 4 | 24 |
| FY2021 | 5 | 4 | / | / | / |

| 777X | Q1 | Q2 | Q3 | Q4 | Tot. |
|--------|----|----|----|----|------|
| FY2020 | 3 | 3 | 0 | 1 | 7 |
| FY2021 | 2 | 1 | / | / | / |

| 787 | Q1 | Q2 | Q3 | Q4 | Tot. |
|--------|----|----|----|----|------|
| FY2020 | 18 | 32 | 20 | 14 | 84 |
| FY2021 | 14 | 5 | / | / | / |

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

| | 1H FY20 | 1H FY21 | (billion yen) FY21 Forecast |
|-----------------------------|---------|---------|--------------------------------|
| R&D expenses | 59.5 | 50.9 | 130.0 |
| Depreciation & amortization | 69.0 | 64.7 | 130.0 |
| Capital expenditures | 57.8 | 56.5 | 120.0 |

Selling, General and Administrative Expenses

| | 1H FY20 | 1H FY21 | (billion yen) |
|------|---------|---------|---------------|
| SG&A | 257.5 | 266.8 | |

Foreign Exchange Rates (Average rate used for revenue)

| | 1H FY20 | 1H FY21 |
|------|---------|---------|
| USD | 107.1 | 109.1 |
| Euro | 121.1 | 130.0 |

MOVE THE WORLD FORWARD

**MITSUBISHI
HEAVY
INDUSTRIES
GROUP**