

Q1 FY2022 Financial Results

August 5, 2022

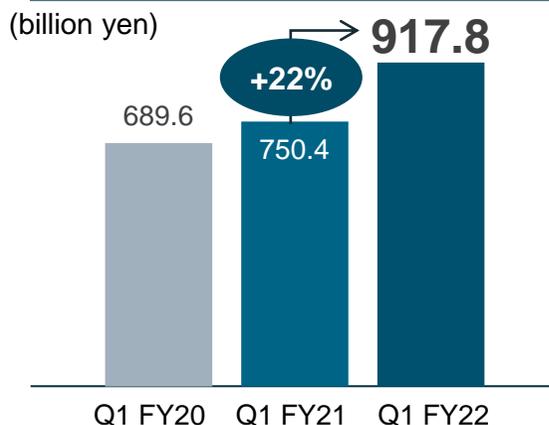
Mitsubishi Heavy Industries, Ltd.

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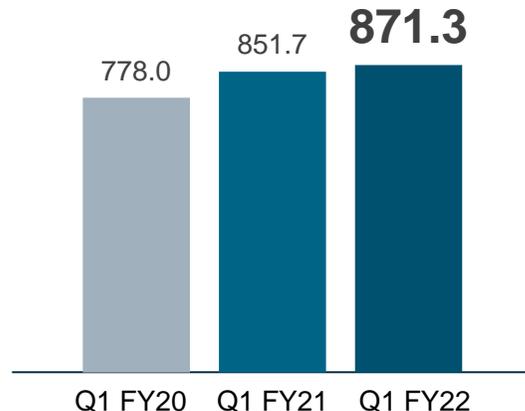
I. Key Takeaways

Q1 FY2022 Financial Results

Order Intake



Revenue



EBITDA

47.2
billion yen
(-¥6.5 bn YoY)

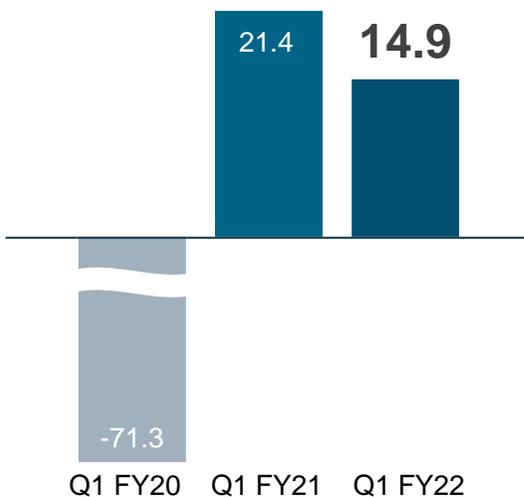
EBITDA Margin
5.4%
(-0.9% YoY)

Free Cash Flow

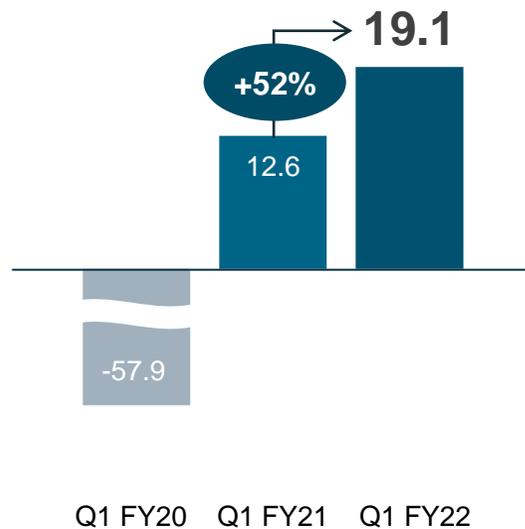
-159.7
billion yen
(+¥7.5 bn YoY)

Operating Cash Flow
-¥148.1 bn
(-¥5.6 bn YoY)

Profit from Business Activities



Profit Attributable to Owners of Parent



Interest-Bearing Debt

969.4
billion yen
(-¥160.4 bn YoY)

Net Interest-Bearing Debt
¥590.3 bn
(-¥266.1 bn YoY)

D/E Ratio

0.57
(-0.22 YoY)

Equity Ratio

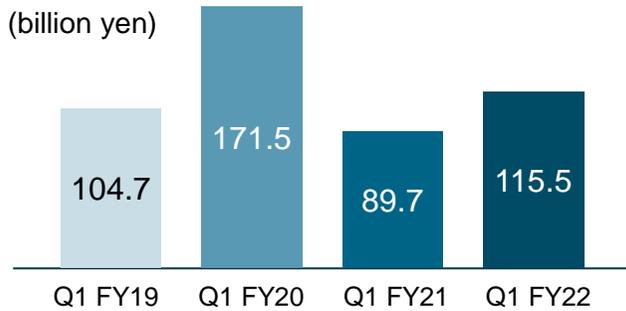
30.2%
(+2.8 pt YoY)

- **Order Intake: ¥917.8 bn (+¥167.3 bn YoY)**
Orders increased in all segments YoY.
In terms of major businesses, orders were strong in Gas Turbine Combined Cycle (GTCC), Aero Engines, Metals Machinery, Logistics Systems, HVAC, and Defense & Space. (See p. 6 for supplementary details)
- **Revenue: ¥871.3 bn (+¥19.6 bn YoY)**
Revenue increased YoY in Energy Systems and Logistics, Thermal & Drive Systems.
In terms of major businesses, GTCC, Aero Engines, Logistics Systems, and HVAC showed strong results.
- **Business Profit: ¥14.9 bn (-¥6.5 bn YoY)**
Although there were some negative factors, including one-time expenses from European coal-fired thermal power business downsizing as well as a lag between price optimizations and profit realization to address materials and logistics cost inflation, secured ¥14.9 bn in business profit through revenue increases, fixed cost reductions, and asset management.
- **Net Profit: ¥19.1 bn (+¥6.5 bn YoY)**
Despite a YoY decrease in business profit, due to contributions of foreign exchange gains from depreciation of the yen, net profit increased 52% YoY to ¥19.1 bn.

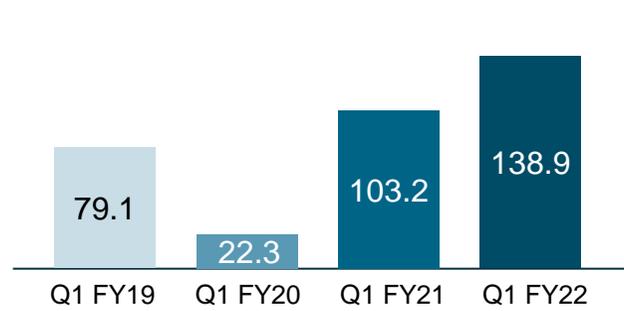
Financial Results Highlights: Order Intake

GTCC

(billion yen)

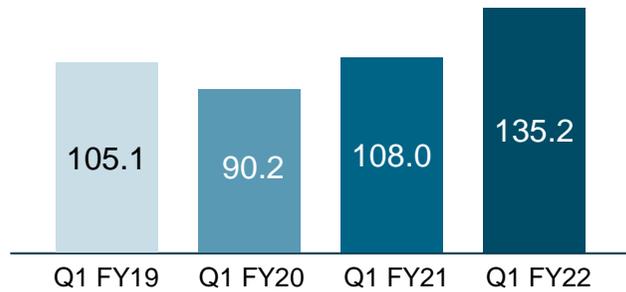


Metals Machinery



- GTCC booked orders for new installations in Asia and Americas
- Metals Machinery booked orders for new installations mainly in Asia incl. Japan and Americas amid strong capex appetite among steelmakers

Logistics Systems

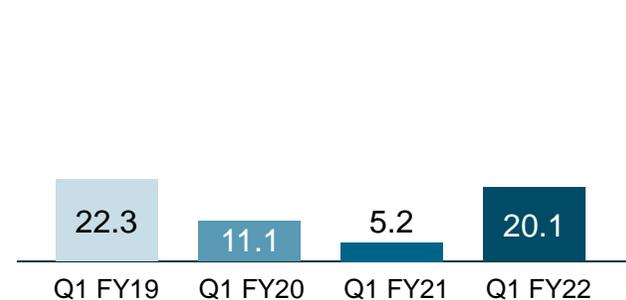


HVAC

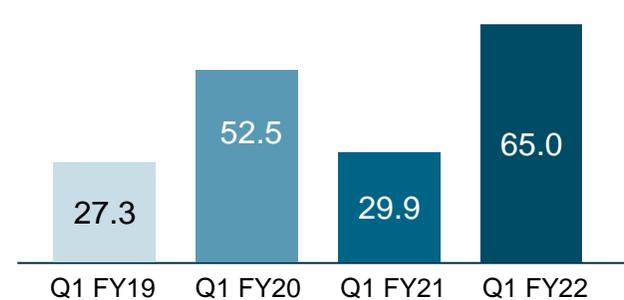


- Logistics Systems orders grew mainly in North America and Europe, where demand was high
- HVAC orders up in Asia incl. Japan

Aero Engines



Defense & Space



- Aero Engines recovered to pre-COVID-19 levels through an increase in after-sales services orders incl. spare parts

II. Q1 FY2022 Financial Results

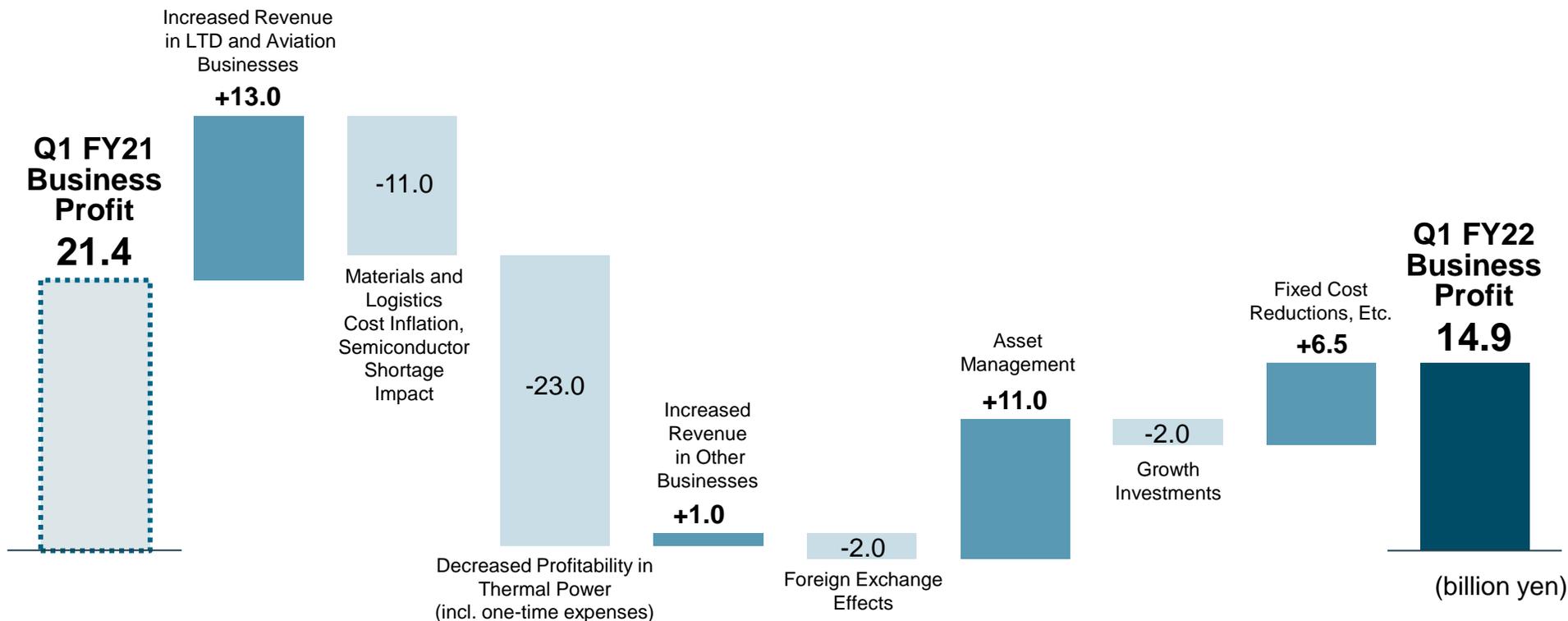
Financial Results Overview

(billion yen)	Q1 FY2021 (Profit Margin)	Q1 FY2022 (Profit Margin)	YoY (Profit Margin)	(YoY%)
Order Intake	750.4	917.8	+167.3	(+22.3%)
Revenue	851.7	871.3	+19.6	(+2.3%)
Profit from Business Activities	21.4 (2.5%)	14.9 (1.7%)	-6.5 (-0.8%)	(-30.4%)
Profit Attributable to Owners of Parent	12.6 (1.5%)	19.1 (2.2%)	+6.5 (+0.7%)	(+51.7%)
EBITDA	53.7 (6.3%)	47.2 (5.4%)	-6.5 (-0.9%)	(-12.2%)
Free Cash Flow	-167.3	-159.7	+7.5	

Financial Position and Cash Flows

Financial Position	(billion yen)	FY21 End	Q1 FY22 End	YoY
Trade Receivables and Contract Assets		1,399.4	1,394.0	-5.3
Inventories		798.6	884.5	+85.9
Other Current Assets		605.0	742.3	+137.3
(Cash and Cash Equivalents)		(314.2)	(379.1)	(+64.8)
Fixed Assets		989.2	1,008.8	+19.5
Other Non-Current Assets		1,323.9	1,334.9	+11.0
Total Assets		5,116.3	5,364.8	+248.5
Trade Payables		863.2	765.7	-97.5
Contract Liabilities		886.5	932.1	+45.6
Other Current Liabilities		969.0	983.6	+14.5
Interest-Bearing Debt		734.9	969.4	+234.5
Equity		1,662.5	1,713.8	+51.3
(Equity Attributable to Owners of Parent)		(1,576.6)	(1,621.2)	(+44.6)
Total Liabilities and Equity		5,116.3	5,364.8	+248.5
Cash Flows	(billion yen)	Q1 FY21	Q1 FY22	YoY
Operating Cash Flow		-142.4	-148.1	-5.6
Investing Cash Flow		-24.8	-11.5	+13.2
Free Cash Flow		-167.3	-159.7	+7.5

- Although profit decreased from materials and logistics cost inflation, this was offset by revenue increases in Logistics, Thermal & Drive Systems and aviation businesses. The effect of price optimizations is projected to be realized in the second half of the fiscal year.
- Business profit decreased YoY in Thermal Power due to the progress of high margin projects in FY2021. Additionally, one-time expenses from downsizing of European coal-fired thermal power operations were booked.
- As a special factor in some projects, profitability decreased due to an increase in cost estimates caused by the depreciation of the yen
- Good progress in asset management and fixed cost reductions increased business profit



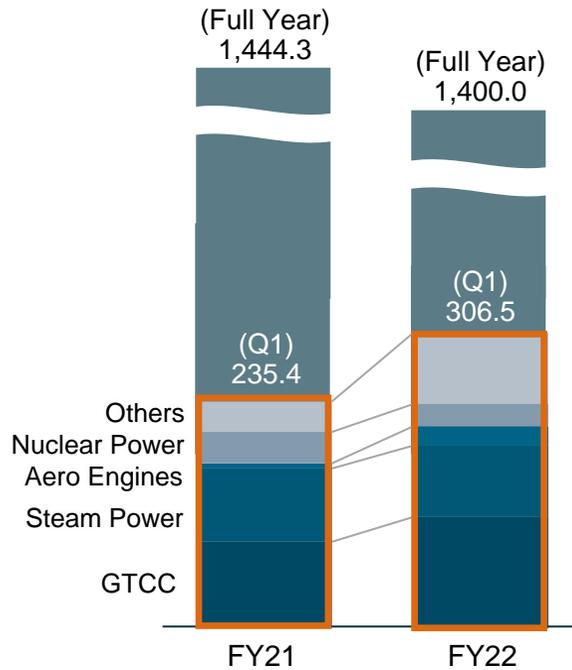
Q1 FY2022 Financial Results by Segment

	Order Intake			Revenue			Profit from Business Activities		
	Q1 FY21	Q1 FY22	YoY	Q1 FY21	Q1 FY22	YoY	Q1 FY21	Q1 FY22	YoY
(billion yen)									
Energy Systems	235.4	306.5	+71.1	337.0	349.5	+12.4	8.7	-2.4	-11.2
Plants & Infrastructure Systems	220.8	242.4	+21.5	154.9	131.8	-23.1	7.2	0.8	-6.4
Logistics, Thermal & Drive Systems	241.2	280.8	+39.6	235.0	265.9	+30.9	10.1	2.0	-8.0
Aircraft, Defense & Space	61.8	97.0	+35.2	130.8	129.0	-1.7	3.5	6.5	+2.9
Corporate and Eliminations	-8.9	-9.0	-0.1	-6.1	-5.0	+1.1	-8.2	7.9	+16.2
Total	750.4	917.8	+167.3	851.7	871.3	+19.6	21.4	14.9	-6.5

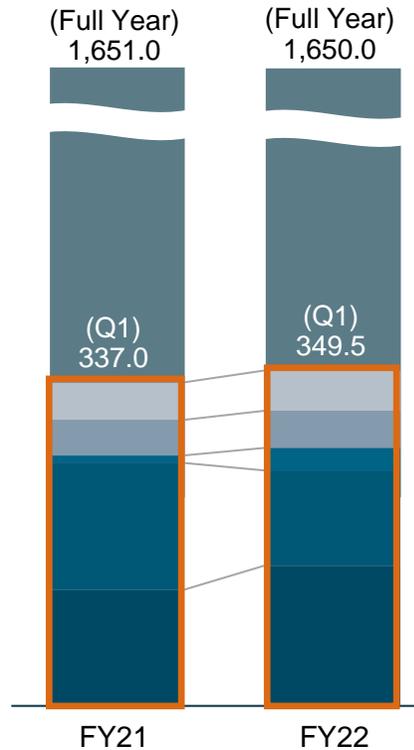
Financial Results: Energy Systems

(billion yen)

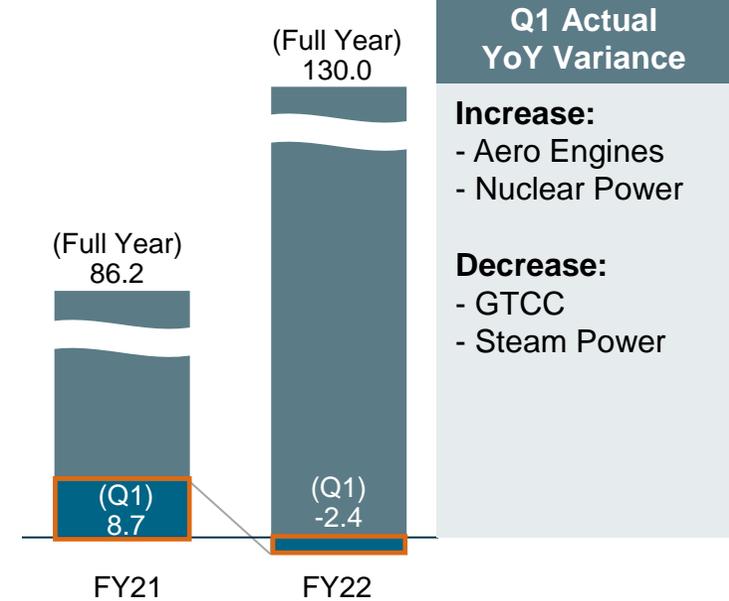
Order Intake



Revenue



Business Profit



Q1 Actual YoY Variance

- Increase:**
- Aero Engines
 - Nuclear Power
- Decrease:**
- GTCC
 - Steam Power

Major Businesses

Order Intake

	Q1 FY21	Q1 FY22
GTCC	89.7	115.5
Steam Power	76.0	73.9
Aero Engines	5.2	20.1
Nuclear Power	32.6	23.2

Revenue

	Q1 FY21	Q1 FY22
GTCC	121.6	146.8
Steam Power	132.0	99.0
Aero Engines	7.6	23.2
Nuclear Power	36.9	38.7

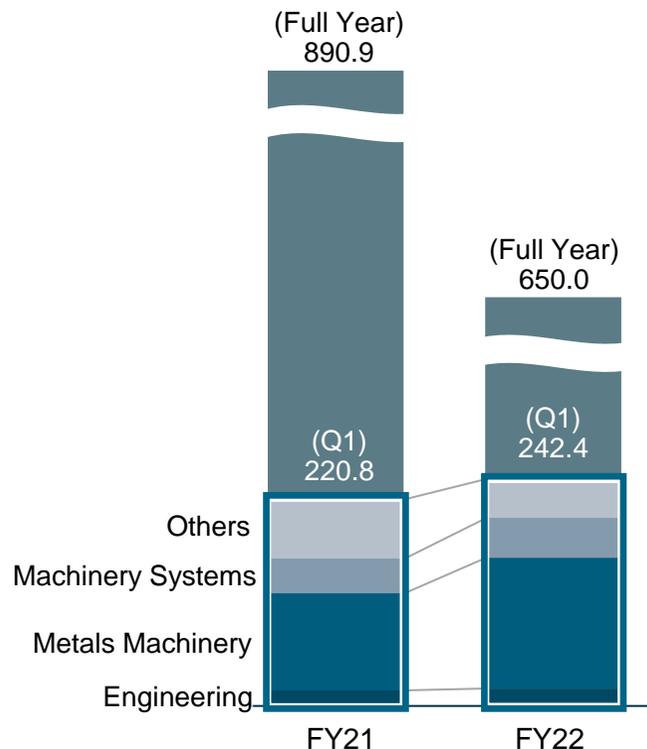
Q1 Results Takeaways

- GTCC orders and revenue were strong
- Revenue down in Steam Power as new installations decreased
- Business profit down due to one-time expenses from European coal-fired thermal power downsizing
- Aero Engines orders, revenue, and profitability increased as market recovered
- Nuclear Power continues to perform strongly

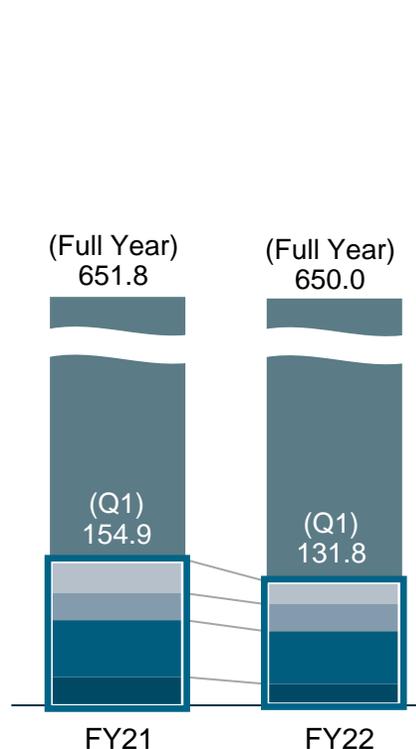
Financial Results: Plants & Infrastructure Systems

(billion yen)

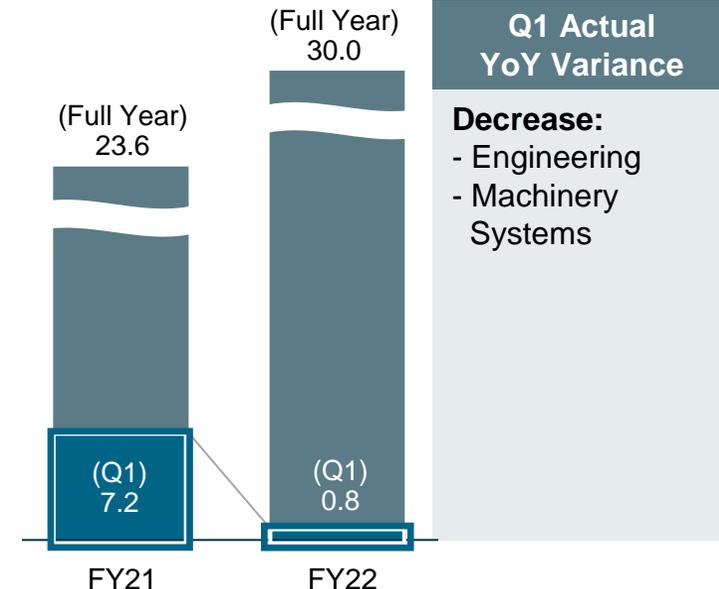
Order Intake



Revenue



Business Profit



Order Intake

Major Businesses

Major Businesses	Q1 FY21	Q1 FY22
Engineering	18.1	19.9
Metals Machinery	103.2	138.9
Machinery Systems	36.6	42.6

Revenue

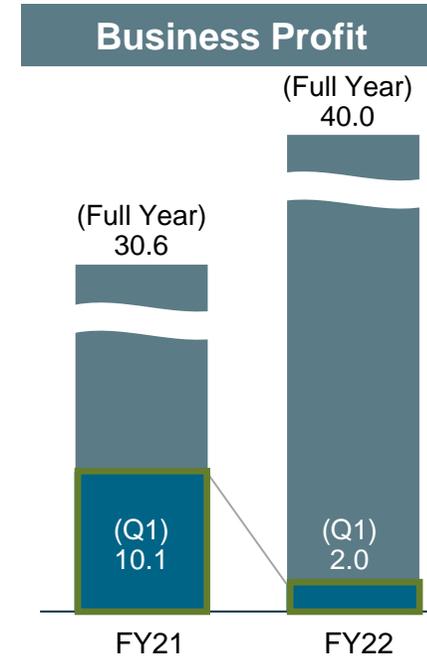
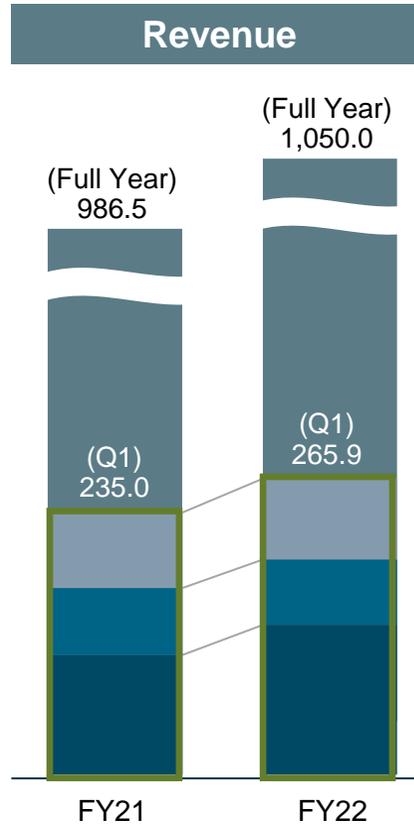
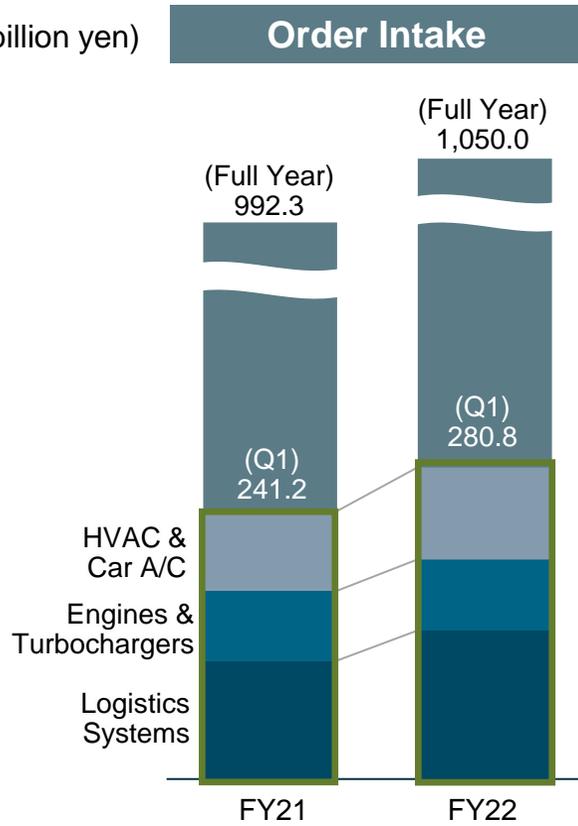
	Q1 FY21	Q1 FY22
Engineering	30.3	22.7
Metals Machinery	60.4	56.1
Machinery Systems	28.4	28.6

Q1 Results Takeaways

- Metals Machinery booked orders for new installations in Asia incl. Japan and the Americas amid strong capex appetite among steelmakers and surpassed the high levels attained in Q1 FY21
- Business profit decreased due to an increase in cost estimates in some projects caused by the depreciation of the yen

Financial Results: Logistics, Thermal & Drive Systems

(billion yen)



Q1 Actual YoY Variance

Decrease:

- Logistics Systems
- Turbochargers
- Engines
- HVAC

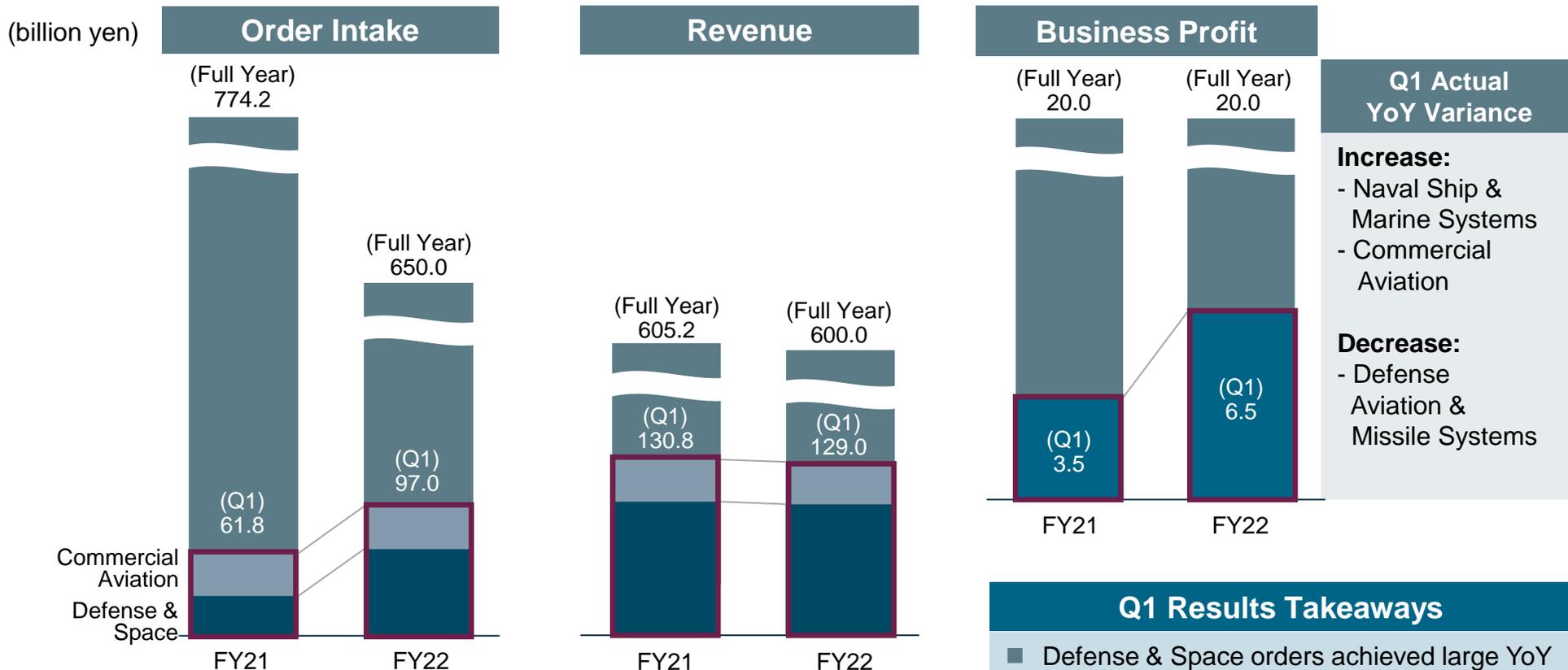
Major Businesses	Order Intake	
	Q1 FY21	Q1 FY22
Logistics Systems	108.0	135.2
Engines & Turbochargers	62.9	64.2
HVAC & Car A/C	72.1	83.0

	Revenue	
	Q1 FY21	Q1 FY22
Logistics Systems	108.0	135.2
Engines & Turbochargers	60.4	59.2
HVAC & Car A/C	68.3	73.1

Q1 Results Takeaways

- Orders and revenue were strong in Logistics Systems, HVAC, and Engines
- Turbochargers revenue and profit decreased due to impact from automotive OEM production cuts arising from semiconductor shortages and the China/Shanghai lockdowns
- Impact from materials and logistics cost inflation continued. Profit down from lag between price optimization and profit realization.

Financial Results: Aircraft, Defense & Space



Major Businesses	Order Intake	
	Q1 FY21	Q1 FY22
Defense & Space	29.9	65.0
Commercial Aviation	31.9	32.0

Major Businesses	Revenue	
	Q1 FY21	Q1 FY22
Defense & Space	99.2	97.3
Commercial Aviation	31.5	31.6

Q1 Results Takeaways

- Defense & Space orders achieved large YoY increase. Revenues and profit were strong as well.
- Despite continued impact of OEM production cuts on Aero Structures, Commercial Aviation profit increased YoY due to fixed cost reductions and foreign exchange effects

III. FY2022 Forecast

Forecasts regarding future performance as outlined in these materials are based on judgments made in accordance with information available at the time they were prepared. As such, these projections include risk and uncertainty. Investors are recommended not to depend solely on these projections when making investment decisions. Actual results may vary significantly 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 yen to the U.S. dollar and other foreign currencies, and Japanese stock market trends. The results projected here should not be construed in any way as a guarantee by the Company.

FY2022 Forecast Overview

No change from forecast announced May 12, 2022.

(billion yen)	FY2021 (Profit Margin)	FY2022 (Profit Margin)	YoY (Profit Margin)	(YoY%)
Order Intake	4,067.7	3,700.0	-367.7	(-9.0%)
Revenue	3,860.2	3,900.0	+39.8	(+1.0%)
Profit from Business Activities	160.2 (4.2%)	200.0 (5.1%)	+39.8 (+0.9%)	(+24.8%)
Profit Attributable to Owners of Parent	113.5 (2.9%)	120.0 (3.1%)	+6.5 (+0.2%)	(+5.7%)
ROE	7.7%	7.7%	-	
EBITDA	292.4 (7.6%)	330.0 (8.5%)	+37.6 (+0.9%)	(+12.9%)
Free Cash Flow	301.8	-100.0	-401.8	
Dividends	100 yen Interim: 45 yen Year-End: 55 yen	120 yen Interim: 60 yen Year-End: 60 yen	Exchange rate assumptions: USD 1.00 = ¥120 EUR 1.00 = ¥130 Undetermined foreign currency amounts: USD 2.4 bn, EUR 0.4 bn	

FY2022 Forecast by Segment

No change from forecast announced May 12, 2022.

	Order Intake			Revenue			Profit from Business Activities		
	FY21	FY22 Forecast	YoY	FY21	FY22 Forecast	YoY	FY21	FY22 Forecast	YoY
(billion yen)									
Energy Systems	1,444.3	1,400.0	-44.3	1,651.0	1,650.0	-1.0	86.2	130.0	+43.8
Plants & Infrastructure Systems	890.9	650.0	-240.9	651.8	650.0	-1.8	23.6	30.0	+6.4
Logistics, Thermal & Drive Systems	992.3	1,050.0	+57.7	986.5	1,050.0	+63.5	30.6	40.0	+9.4
Aircraft, Defense & Space	774.2	650.0	-124.2	605.2	600.0	-5.2	20.0	20.0	0
Corporate and Eliminations	-34.1	-50.0	-15.9	-34.5	-50.0	-15.4	-0.3	-20.0	-19.8
Total	4,067.7	3,700.0	-367.7	3,860.2	3,900.0	+39.8	160.2	200.0	+39.8

IV. Appendix

Large Frame Gas Turbine Order Intake/ Contract Backlog (units)

	Q1 FY21	FY21	Q1 FY22
Americas	-	5	1
Asia	1	5	3
EMEA	-	-	1
Other Regions	-	6	-
Total	1	16	5
Contract Backlog	46	46	46

Commercial Aviation Deliveries (units)

777	Q1	Q2	Q3	Q4	Total
FY21	5	4	6	5	20
FY22	6	/	/	/	6

777X	Q1	Q2	Q3	Q4	Total
FY21	2	1	1	0	4
FY22	1	/	/	/	1

787	Q1	Q2	Q3	Q4	Total
FY21	14	5	4	2	25
FY22	5	/	/	/	5

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

	Q1 FY21	Q1 FY22	FY22 Forecast
R&D Expenses	22.7	20.7	130.0
Depreciation and Amortization	32.3	32.3	130.0
Capital Expenditures	20.8	26.1	130.0

Selling, General, and Administrative Expenses (billion yen)

	Q1 FY21	Q1 FY22
SG&A	136.5	142.9

Foreign Exchange Rates (Average Rates Used for Revenue Recognition)

	Q1 FY21	Q1 FY22
1 USD (JPY)	108.7	125.0
1 EUR (JPY)	132.1	136.0

Order Backlog

(billion yen)

	FY21 End	Q1 FY22 End
Energy Systems	3,114.4	3,196.7
Plants & Infrastructure Systems	1,243.4	1,347.5
Logistics, Thermal & Drive Systems	43.2	58.3
Aircraft, Defense & Space	1,087.1	1,056.5
Total	5,488.5	5,659.5

Revenue by Region

(billion yen)

	Q1 FY21		FY21 Full Year		Q1 FY22	
Japan	388.2	(46%)	1,887.7	(49%)	360.7	(41%)
Asia-Pacific (excluding Japan)	157.8	(19%)	711.6	(18%)	171.5	(20%)
Americas	170.0	(20%)	739.9	(19%)	219.3	(25%)
EMEA	135.5	(16%)	520.8	(14%)	119.7	(14%)
Total	851.7	(100%)	3,860.2	(100%)	871.3	(100%)

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