

Q1-3 FY2024 Financial Results

February 4, 2025

Mitsubishi Heavy Industries, Ltd.

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Hello, everyone. This is Kozawa, the CFO of MHI.

Allow me to provide an overview of our Q1-3 FY2024 financial results.

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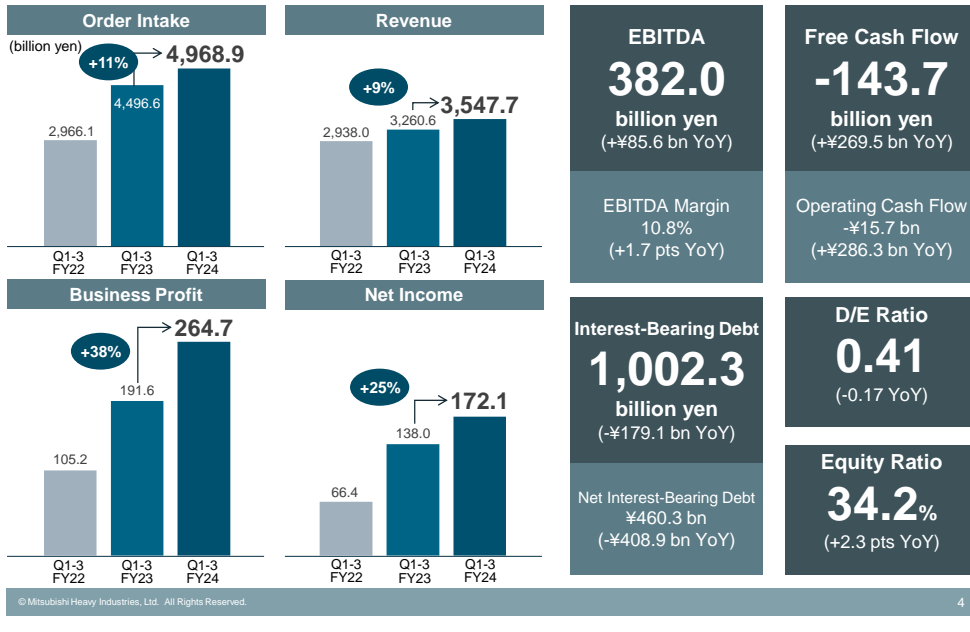


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1. Key Takeaways

Q1-3 FY2024 Financial Results



First, I will provide an overview of our financial results.

This page shows the results in several key financial indicators.

Q1-3 FY2024 Financial Results Highlights



- **Order Intake: ¥4,968.9 bn** (+¥472.2 bn YoY)
Large YoY order intake growth achieved in Energy Systems and Plants & Infrastructure Systems.
Main contributions from Gas Turbine Combined Cycle (GTCC) and Aero Engines in Energy Systems and Metals Machinery in Plants & Infrastructure Systems.
- **Revenue: ¥3,547.7 bn** (+¥287.0 bn YoY)
Revenue increased YoY in all segments.
Revenue growth especially large in Defense & Space driven by Aircraft & Missile Systems.
- **Business Profit: ¥264.7 bn** (+¥73.1 bn YoY)
Business profit increased YoY in Energy Systems, Plants & Infrastructure Systems, and Aircraft, Defense & Space.
Revenue growth, margin improvements, positive impact of yen depreciation, and rebound from one-time expenses incurred during Q1-3 FY2023 served to increase business profit by 38% YoY to ¥264.7 bn.
- **Net Income: ¥172.1 bn** (+¥34.0 bn YoY)
Growth in business profit caused net income to rise by 25% YoY to ¥172.1 bn

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This page shows the highlights of several key financial indicators.

Overall performance during Q3 was in line with our plan, which continued the trend from the first half.

Order intake had increased significantly from Q1-3 FY2022 to Q1-3 FY2023, but orders in Q1-3 this year exceeded even those high levels.

Despite a slight decrease in order intake in Defense, which was the main driver of orders growth in FY2023, order intake in Gas Turbine Combined Cycle (GTCC), Aero Engines, and Metals Machinery increased significantly. As we expect to book even more orders from now through the end of the fiscal year, we have raised our full-year forecast from ¥6 trillion to ¥6.4 trillion.

Revenue increased in all segments, and both business profit and net income increased YoY. Based on our year-to-date performance, we have revised our full-year guidance for all major financial indicators.

Order intake, revenue, and all profit items saw record highs for a Q1-3 period.

2. Q1-3 FY2024 Financial Results

The next few pages provide a little more detail on our financial results.

Financial Results Overview



(billion yen)	Q1-3 FY2023 (Profit Margin)	Q1-3 FY2024 (Profit Margin)	YoY (Profit Margin)	(YoY%)
Order Intake	4,496.6	4,968.9	+472.2	(+10.5%)
Revenue	3,260.6	3,547.7	+287.0	(+8.8%)
Profit from Business Activities	191.6 (5.9%)	264.7 (7.5%)	+73.1 (+1.6 pts)	(+38.2%)
Profit Attributable to Owners of Parent	138.0 (4.2%)	172.1 (4.9%)	+34.0 (+0.7 pts)	(+24.7%)
EBITDA	296.4 (9.1%)	382.0 (10.8%)	+85.6 (+1.7 pts)	(+28.9%)
Free Cash Flow	-413.3	-143.7	+269.5	

This page includes information already provided, so I will forego an explanation.

Financial Position and Cash Flows



Financial Position	(billion yen)	FY23 End	Q1-3 FY24 End	Variance
Trade Receivables and Contract Assets		1,692.4	1,864.6	+172.2
Inventories		974.5	1,176.2	+201.6
Other Current Assets		752.9	971.2	+218.3
(Cash and Cash Equivalents)		(431.2)	(542.0)	(+110.7)
Fixed Assets		1,174.7	1,204.0	+29.3
Other Non-Current Assets		1,661.5	1,608.9	-52.6
Total Assets		6,256.2	6,825.2	+568.9
Trade Payables		958.8	847.2	-111.6
Contract Liabilities		1,095.1	1,310.1	+214.9
Other Liabilities		1,112.5	1,198.3	+85.7
Interest-Bearing Debt		728.9	1,002.3	+273.3
Equity		2,360.6	2,467.1	+106.5
(Equity Attributable to Owners of Parent)		(2,244.6)	(2,336.5)	(+91.9)
Total Liabilities and Equity		6,256.2	6,825.2	+568.9
Cash Flows	(billion yen)	Q1-3 FY23	Q1-3 FY24	YoY
Operating Cash Flow		-302.1	-15.7	+286.3
Investing Cash Flow		-111.1	-128.0	-16.8
Free Cash Flow		-413.3	-143.7	+269.5

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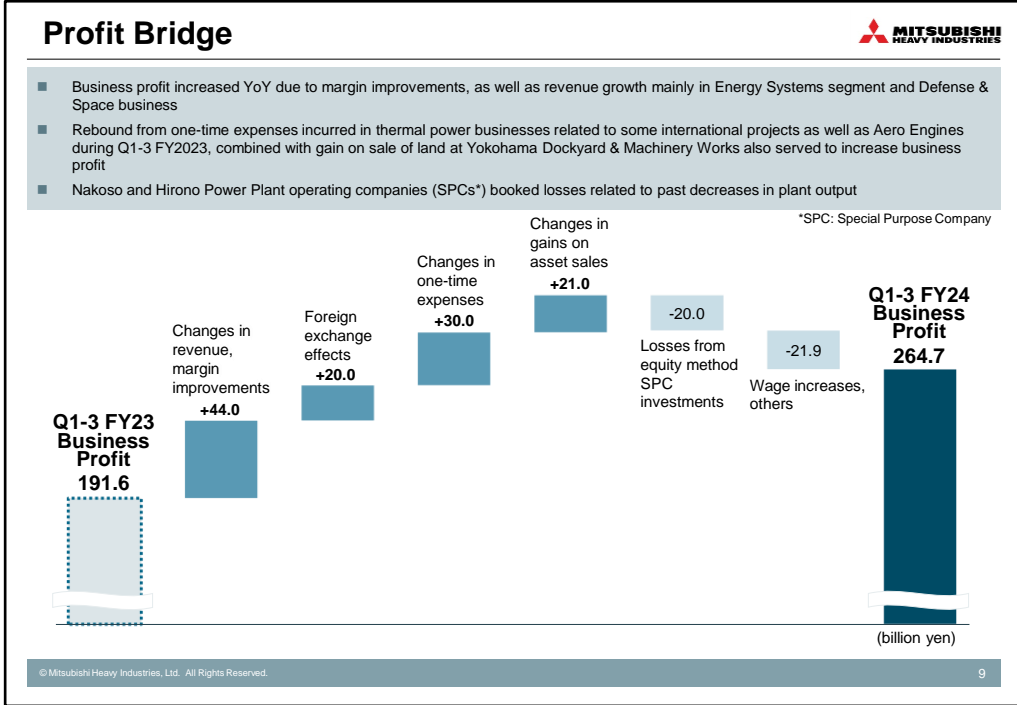
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This page shows the balance sheet and cash flows.

Total assets increased by ¥568.9 billion from the end of FY2023 to ¥6,825.2 billion. Because the yen depreciated at the end of December 2024 compared to the rate at the end of March 2024, the impact of currency translation effects related to foreign currency-denominated assets served to increase assets by ¥90 billion. Excluding this impact, normalized total assets increased by ¥480 billion.

Allow me to provide a breakdown of the increase in assets excluding foreign exchange effects. Trade receivables increased by around ¥150 billion, inventories by around ¥180 billion, and cash and cash equivalents by around ¥100 billion. This kind of increase in trade receivables and inventories is typical for MHI, and we assess this to be within the range of normal fluctuations, considering that revenue is currently growing.

Regarding cash flows, operating cash flow greatly improved partly due to an increase in profit, as well as successful control of the YoY increase in operating capital. Considering the strong progress we have made versus the full-year plan, we have increased our free cash flow forecast from negative ¥100 billion to breakeven.



This page shows factors which caused YoY changes in business profit.

The leftmost bar shows Q1-3 FY2023 business profit, which was ¥191.6 billion.

Although there were some negative factors in Q1-3 FY2024, including the impact of wage increases, there were also many solidly positive factors.

Revenue growth and the effects of improved product mix and profit margins across several businesses, combined with the depreciation of the yen in terms of the Q1-3 average exchange rate served to increase business profit to ¥264.7 billion in Q1-3 FY2024.

Moreover, this time we have included a new item labeled “Losses from equity method Special Purpose Company (SPC) investments.” This refers to our portion of one-time expenses booked during Q3 at two power plant operating companies, which are outlined on page 15.

Allow me to provide some more detail about the changes in one-time expenses. During Q1-3 FY2023, we booked around ¥40 billion in one-time expenses from the Pratt & Whitney PW1100G Engine Program, as well as from unexpected claims related to international projects.

There were no large losses through the first half of this fiscal year, but as we are forecasting additional expenses in some international projects, we booked around ¥10 billion in losses in Q3. The difference between the rebound of ¥40 billion in expenses from the previous fiscal year and the ¥10 billion in losses booked this fiscal year resulted in the positive ¥30 billion shown on this graph.

Financial Results by Segment



(billion yen)	Order Intake			Revenue			Profit from Business Activities		
	Q1-3 FY23*	Q1-3 FY24	YoY	Q1-3 FY23*	Q1-3 FY24	YoY	Q1-3 FY23*	Q1-3 FY24	YoY
Energy Systems	1,738.3	1,967.0	+228.7	1,197.4	1,278.8	+81.4	86.6	154.5	+67.9
Plants & Infrastructure Systems	593.7	813.5	+219.8	585.7	586.4	+0.6	27.0	39.7	+12.6
Logistics, Thermal & Drive Systems	968.6	991.7	+23.1	956.2	965.4	+9.2	58.8	42.3	-16.5
Aircraft, Defense & Space	1,204.1	1,182.0	-22.0	526.9	689.6	+162.7	53.6	69.7	+16.1
Others, Corporate & Eliminations	-8.1	14.4	+22.6	-5.6	27.4	+33.0	-34.5	-41.5	-7.0
Total	4,496.6	4,968.9	+472.2	3,260.6	3,547.7	+287.0	191.6	264.7	+73.1

*Q1-3 FY2023 results adjusted retroactively to reflect establishment of GX Solutions effective April 1, 2024

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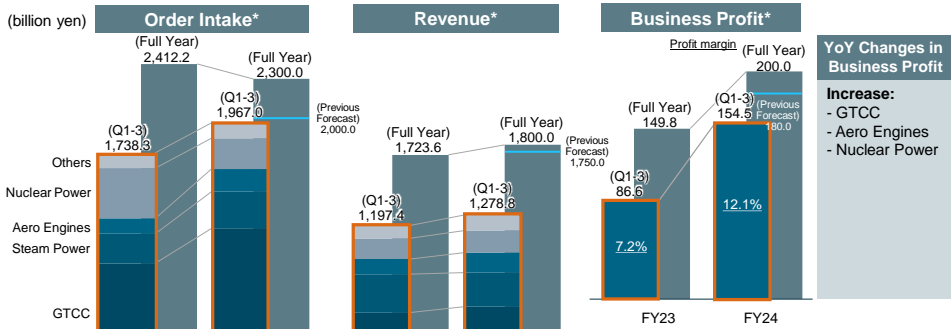
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This page shows a summary of order intake, revenue, and business profit by segment.

Over the next few pages, I will explain the situation in each segment.

Due to the establishment of GX Solutions in April 2024, we have made some adjustments to our reporting segments. The Q1-3 FY2023 figures shown here have been retroactively adjusted to reflect these changes.

Financial Results: Energy Systems



YoY Changes in Business Profit

Increase:

- GTCC
- Aero Engines
- Nuclear Power

*FY2023 results adjusted retroactively to reflect establishment of GX Solutions effective April 1, 2024

Major Businesses	Order Intake		Revenue	
	Q1-3 FY23	Q1-3 FY24	Q1-3 FY23	Q1-3 FY24
GTCC	901.2	1,167.4	537.3	582.9
Steam Power	224.1	279.0	290.9	258.7
Aero Engines	117.5	170.9	114.8	150.8
Nuclear Power	380.1	231.8	156.4	167.3

- Takeaways**
- GTCC order intake significantly increased mainly in Americas. Business profit increased due to revenue growth and margin improvements.
 - Aero Engines business profit increased from combination of revenue growth and rebound from one-time expenses recognized in Q1-3 FY2023
 - Nuclear Power continued steady performance
 - Increased full-year segment order intake, revenue, and business profit guidance based on YTD performance

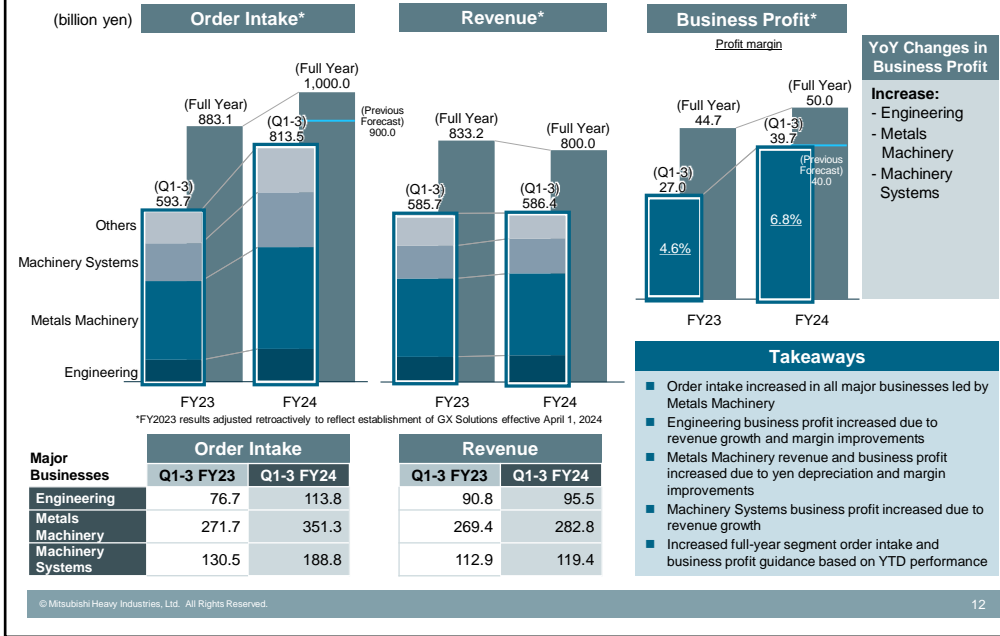
This page shows the situation in the Energy Systems segment.

Order intake, revenue, and profit all increased YoY, marking strong progress toward the full-year guidance.

In particular, strong order intake in GTCC continued due to booming demand in the gas turbine market.

Considering the strong performance versus the plan made in each of the major businesses in this segment, we have increased our full-year order intake, revenue, and business profit forecasts.

Financial Results: Plants & Infrastructure Systems



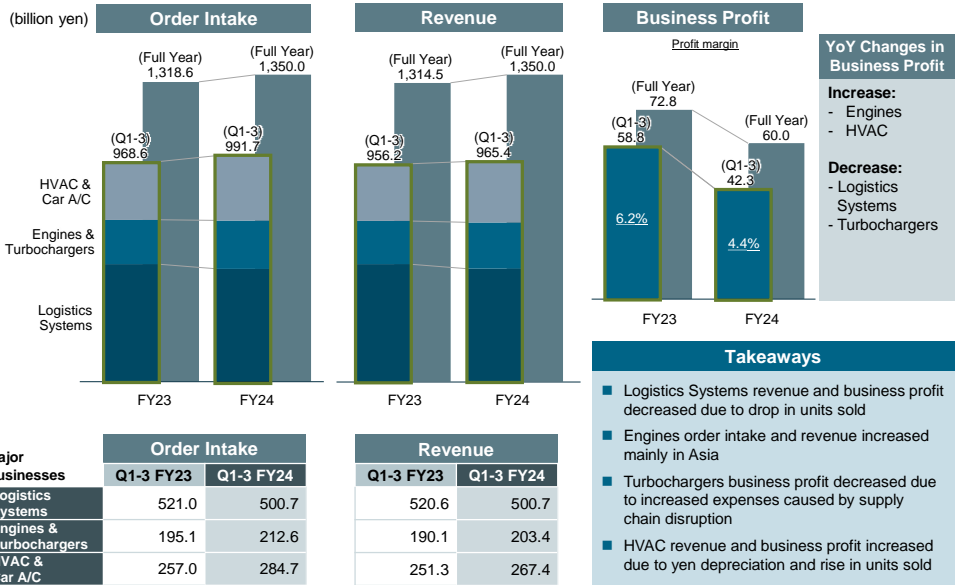
This page shows the situation in the Plants & Infrastructure Systems segment.

In this segment as well, order intake, revenue, and profit all increased YoY, marking strong progress toward the full-year guidance.

The booking of some large projects in Metals Machinery, Waste-to-Energy Systems, and Machinery Systems, contributed to large YoY growth in order intake. In particular, order intake in Metals Machinery has outperformed initial projections.

Based on this situation, we have increased this segment’s full-year order intake forecast by ¥100 billion and the profit forecast by ¥10 billion.

Financial Results: Logistics, Thermal & Drive Systems



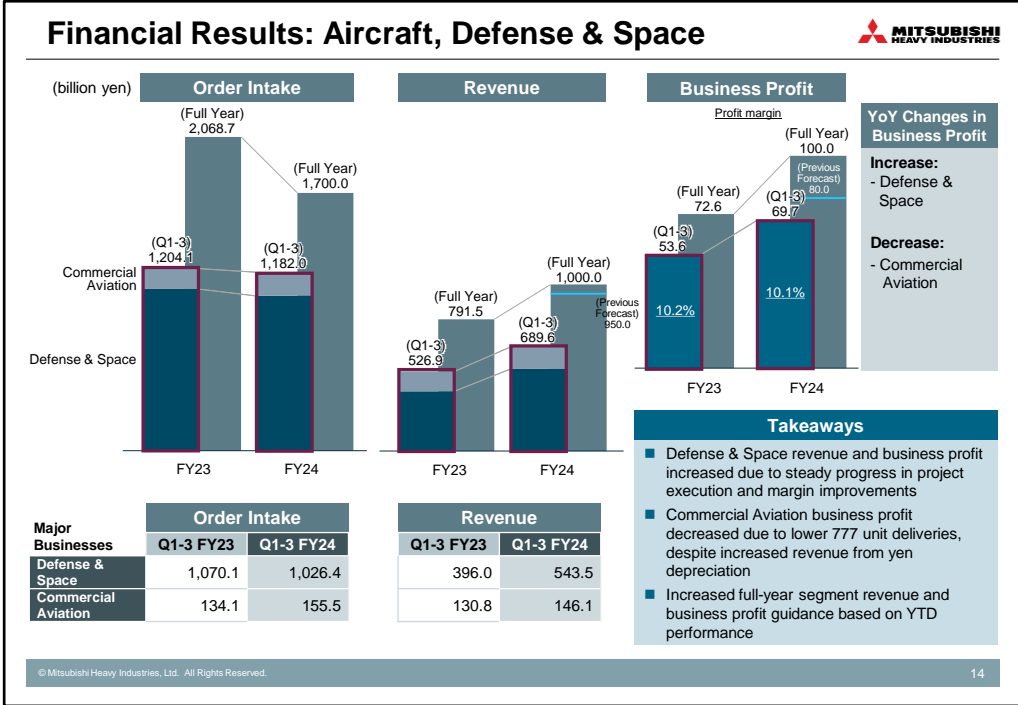
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This page shows the situation in the Logistics, Thermal & Drive Systems segment.

Segment totals for order intake and revenue were slightly higher YoY, but when excluding foreign exchange effects, normalized revenue was down.

Profit decreased in Turbochargers due to the impact of production disruptions caused by issues at a supplier. Both revenue and profit were down in Logistics Systems due to a decline in units sold outside Japan.



This page shows the situation in the Aircraft, Defense & Space segment.

Although order intake decreased YoY due to the booking of several large Defense projects in Q1-3 FY2023, orders were still high compared to past levels, and performance was strong versus the full-year forecast.

Revenue exceeded our plan, due to steady progress on the execution of our large order backlog.
Profit continued to increase due to the impact of revenue growth as well as yen depreciation.

Based on year-to-date performance, we have increased our full-year revenue forecast by ¥50 billion and our profit forecast by ¥20 billion in this segment.

Nakoso and Hirono Power Plant Operating Companies



- MHI increased investment in Nakoso and Hirono Power Plant operating companies (SPCs)¹ in December 2024 by acquiring two other parties' stakes

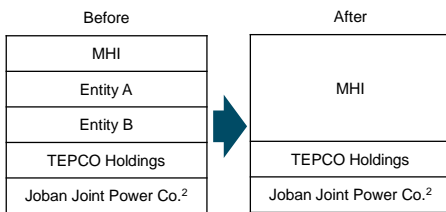
Goal

- ✓ Accelerate management decisions and improve SPC operational flexibility
- ✓ As plant OEM and operator, contribute to both stability of Eastern Japan's electricity supply and revitalization of Fukushima region

Financial Impact

- ✓ In Q3 FY2024, booked losses (¥20 billion) from equity method SPC investments related to past decreases in plant output
- ✓ Under new structure, aim to stabilize operation by increasing efforts to improve plant reliability

SPC Equity Structure



Nakoso Power Plant

Hirono Power Plant

- 1 Nakoso and Hirono Power Plant projects were planned as part of Fukushima revitalization effort and began operation in FY2021. In addition to constructing the plants, MHI provided a 40% equity investment in SPCs and participated in project as plant operator.
- 2 Invested in Nakoso Power Plant SPC only

This page outlines a key topic for Q3 regarding our Nakoso and Hirono Power Plant operation businesses, which we are working on as a part of the Fukushima revitalization project.

Regarding these projects, in addition to building two power plants, MHI also had a 40% stake in the SPCs that operate the power plants. In Q3, we decided to acquire the equity stakes from two other companies in order to move forward with optimizations to SPC and plant operation.

These plants utilize large-scale Integrated coal Gasification Combined Cycle (IGCC) technology, an innovative technique which has experienced several technical issues in the past. However, we have now completed a series of modifications and confirmed the efficacy of these improvements. By increasing MHI's involvement in the project overall, we aim to further improve plant reliability.

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3. FY2024 Earnings 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.

FY2024 Earnings Forecast Highlights



- **Order Intake: ¥6,400.0 bn** (vs. previous: +¥400.0 bn)

	Previous	Revised	Revised vs. Previous	Major Businesses
Energy Systems	¥2,000.0 bn	¥2,300.0 bn	+¥300.0 bn	• GTCC
Plants & Infrastructure Systems	¥900.0 bn	¥1,000.0 bn	+¥100.0 bn	• Metals Machinery

- **Revenue: ¥5,000.0 bn** (vs. previous: +100.0 bn)

	Previous	Revised	Revised vs. Previous	Major Businesses
Energy Systems	¥1,750.0 bn	¥1,800.0 bn	+¥50.0 bn	• GTCC
Aircraft, Defense & Space	¥950.0 bn	¥1,000.0 bn	+¥50.0 bn	• Defense & Space

- **Business Profit: ¥380.0 bn** (vs. previous: +¥30.0 bn)

	Previous	Revised	Revised vs. Previous	Major Businesses
Energy Systems	¥180.0 bn	¥200.0 bn	+¥20.0 bn	• GTCC
Plants & Infrastructure Systems	¥40.0 bn	¥50.0 bn	+¥10.0 bn	• All major businesses
Aircraft, Defense & Space	¥80.0 bn	¥100.0 bn	+¥20.0 bn	• Defense & Space
Others, Corporate & Eliminations	-¥10.0 bn	-¥30.0 bn	-¥20.0 bn	

- **Net Income: ¥240.0 bn** (vs. previous: +¥10.0 bn)

- **Free Cash Flow: ¥0 bn** (vs. previous: +¥100.0 bn)

- Dividends: No change from previous guidance (¥22 yen/share)

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This page shows highlights from the FY2024 Earnings Forecast.

This time, we have revised our full-year forecasts for order intake, revenue, business profit, net income, and free cash flow. I have already explained the details of these revisions, so allow me to omit an explanation.

This concludes my presentation.

(End of summary)

Earnings Forecast Overview



Revised from forecast announced November 5, 2024.

(billion yen)	FY2023 (Profit Margin)	FY2024 Forecast (Profit Margin)		YoY (Profit Margin)	(YoY%)
		Previous	Revised		
Order Intake	6,684.0	6,000.0	6,400.0	-284.0	(-4.2%)
Revenue	4,657.1	4,900.0	5,000.0	+342.8	(+7.4%)
Profit from Business Activities	282.5 (6.1%)	350.0 (7.1%)	380.0 (7.6%)	+97.4 (+1.5 pts)	(+34.5%)
Profit Attributable to Owners of Parent	222.0 (4.8%)	230.0 (4.7%)	240.0 (4.8%)	+17.9 (±0.0 pts)	(+8.1%)
ROE	11.1%	10%	10%	-1.1 pts	
EBITDA	432.6 (9.3%)	500.0 (10.2%)	530.0 (10.6%)	+97.3 (+1.3 pts)	(+22.5%)
Free Cash Flow	200.1	-100.0	0	-200.1	
Dividends	20 yen* Interim: 8 yen Year-End: 12 yen	22 yen Interim: 11 yen Year-End: 11 yen	22 yen Interim: 11 yen Year-End: 11 yen	Exchange rate assumptions: USD 1.00 = ¥150 EUR 1.00 = ¥160	

*FY2023 dividends shown here adjusted retroactively to 1/10 of actual value to reflect 10-for-1 stock split effective April 1, 2024

Earnings Forecast by Segment



Revised from forecast announced November 5, 2024.

(billion yen)	Order Intake				Revenue				Profit from Business Activities			
	FY23*	FY24 Forecast		YoY	FY23*	FY24 Forecast		YoY	FY23*	FY24 Forecast		YoY
		Previous	Revised			Previous	Revised			Previous	Revised	
Energy Systems	2,412.2	2,000.0	2,300.0	-112.2	1,723.6	1,750.0	1,800.0	+76.3	149.8	180.0	200.0	+50.1
Plants & Infrastructure Systems	883.1	900.0	1,000.0	+116.8	833.2	800.0	800.0	-33.2	44.7	40.0	50.0	+5.3
Logistics, Thermal & Drive Systems	1,318.6	1,350.0	1,350.0	+31.3	1,314.5	1,350.0	1,350.0	+35.4	72.8	60.0	60.0	-12.8
Aircraft, Defense & Space	2,068.7	1,700.0	1,700.0	-368.7	791.5	950.0	1,000.0	+208.4	72.6	80.0	100.0	+27.3
Others, Corporate & Eliminations	1.2	50.0	50.0	+48.7	-5.8	50.0	50.0	+55.8	-57.5	-10.0	-30.0	+27.5
Total	6,684.0	6,000.0	6,400.0	-284.0	4,657.1	4,900.0	5,000.0	+342.8	282.5	350.0	380.0	+97.4

*FY2023 results adjusted retroactively to reflect establishment of GX Solutions effective April 1, 2024

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4. Appendix

Appendix: Reference Data



Large Frame Gas Turbine Order Intake and Contract Backlog (units)				Commercial Aviation Deliveries (units)					
	Q1-3 FY23	FY23	Q1-3 FY24	777	Q1	Q2	Q3	Q4	Total
Americas	1	7	11	FY23	7	11	7	5	30
Asia	8	9	4	FY24	6	6	2		14
EMEA	-	-	1						
Other Regions	1	1	-	777X	Q1	Q2	Q3	Q4	Total
Order Intake Total	10	17	16	FY23	0	1	3	2	6
Contract Backlog	32	36	40	FY24	3	3	1		7
(Reference) China Licensee Order Intake				787	Q1	Q2	Q3	Q4	Total
	Q1-3 FY23	FY23	Q1-3 FY24	FY23	9	7	13	14	43
Order Intake	16	21	7	FY24	9	12	12		33

Appendix: Reference Data



Order Backlog

(billion yen)	FY23 End*	Q1-3 FY24
Energy Systems	4,231.1	4,978.2
Plants & Infrastructure Systems	1,622.4	1,829.5
Logistics, Thermal & Drive Systems	58.3	83.7
Aircraft, Defense & Space	2,474.2	2,937.7
Others, Corporate & Eliminations	14.4	21.0
Total	8,400.5	9,850.2

R&D Expenses, Depreciation and Amortization, and Capital Expenditures

(billion yen)	Q1-3 FY23	Q1-3 FY24	FY24 Forecast
R&D Expenses	101.9	140.8	220.0
Depreciation and Amortization	104.7	117.2	150.0
Capital Expenditures	144.3	128.3	180.0

Selling, General, and Administrative Expenses

(billion yen)	Q1-3 FY23	Q1-3 FY24
SG&A	477.9	520.1

Foreign Currency Amounts Expected to Affect P/L

(billion, except where otherwise stated)	USD	EUR
Amounts to Affect Business P/L	0.7	0.2
Amounts to Affect Finance Income/Costs	0.8	0.2
Exchange Rate Assumptions	¥150.0	¥160.0

Foreign Exchange Rates (Average Rates Used for Revenue Recognition)

	Q1-3 FY23	Q1-3 FY24
U.S. Dollar (JPY/USD)	142.4	151.9
Euro (JPY/EUR)	152.9	163.8

*FY2023 results adjusted retroactively to reflect establishment of GX Solutions effective April 1, 2024

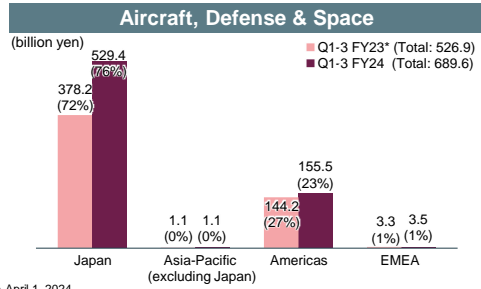
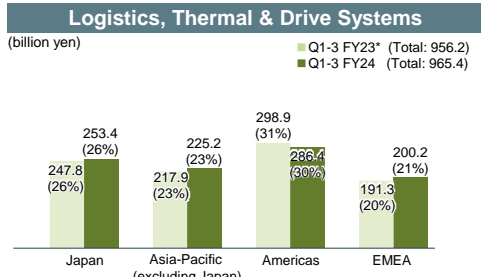
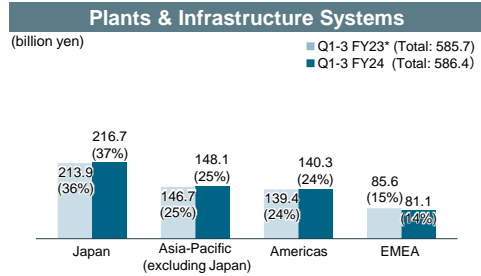
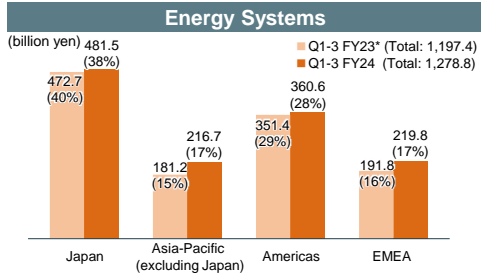
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Appendix: Reference Data



Revenue by Region



*Q1-3 FY2023 results adjusted retroactively to reflect establishment of GX Solutions effective April 1, 2024

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