

1H FY2024 Financial Results

November 5, 2024

Mitsubishi Heavy Industries, Ltd.

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

Allow me to summarize our 1H FY2024 financial results.

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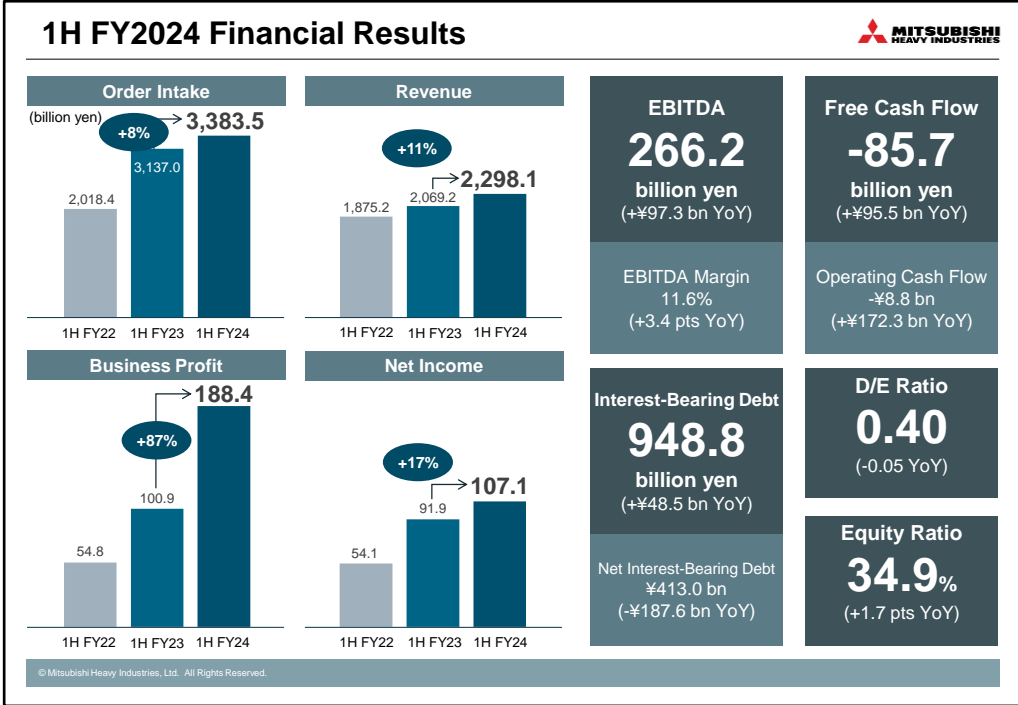


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1. Key Takeaways



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

This page shows the results in several key financial indicators.

1H FY2024 Financial Results Highlights



- **Order Intake: ¥3,383.5 bn** (+¥246.4 bn YoY)
Order intake increased YoY in Energy Systems, Plants & Infrastructure Systems, and Logistics, Thermal & Drive Systems.
Although order intake decreased YoY in Defense & Space, which had booked several large projects in 1H FY2023, Gas Turbine Combined Cycle (GTCC) and Aero Engines in Energy Systems and Metals Machinery in Plants & Infrastructure Systems achieved order intake growth.
- **Revenue: ¥2,298.1 bn** (+¥228.8 bn YoY)
Revenue increased YoY in Energy Systems, Plants & Infrastructure Systems, and Aircraft, Defense & Space.
Defense & Space business, in particular Aircraft & Missile Systems, saw especially large revenue growth.
- **Business Profit: ¥188.4 bn** (+¥87.4 bn YoY)
Business profit increased YoY in Energy Systems, Plants & Infrastructure Systems, and Aircraft, Defense & Space.
Revenue growth, margin improvements, and impact of yen depreciation served to increase business profit by 87% YoY to ¥188.4 bn.
- **Net Income: ¥107.1 bn** (+¥15.1 bn YoY)
Despite recognizing loss on changes in foreign exchange rates due to yen appreciation at end of period, large growth in business profit caused net income to rise by 17% YoY to ¥107.1 bn

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This page shows the highlights of several key financial indicators.

Similar to Q1 of this fiscal year, overall performance in 1H was in line with our plan.

Order intake, revenue, and profit all increased YoY. Order intake, which grew significantly from FY2022 to FY2023, continued to increase during the period in question.

Although order intake decreased in Defense, which drove orders growth in FY2023, orders for Gas Turbine Combined Cycle (GTCC), Aero Engines, and Metals Machinery significantly increased. Our previous full-year order intake forecast was ¥5.8 trillion, but we have now raised this to ¥6 trillion based on higher-than-expected YTD progress.

Both business profit and net income increased YoY. Particularly of note, business profit increased by 87%, as I will explain on page nine.

Order intake, revenue, and profit items all achieved record highs for a first half.

2. 1H FY2024 Financial Results

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

Financial Results Overview



(billion yen)	1H FY2023 (Profit Margin)	1H FY2024 (Profit Margin)	YoY (Profit Margin)	(YoY%)
Order Intake	3,137.0	3,383.5	+246.4	(+7.9%)
Revenue	2,069.2	2,298.1	+228.8	(+11.1%)
Profit from Business Activities	100.9 (4.9%)	188.4 (8.2%)	+87.4 (+3.3 pts)	(+86.7%)
Profit Attributable to Owners of Parent	91.9 (4.4%)	107.1 (4.7%)	+15.1 (+0.3 pts)	(+16.5%)
EBITDA	168.9 (8.2%)	266.2 (11.6%)	+97.3 (+3.4 pts)	(+57.7%)
Free Cash Flow	-181.2	-85.7	+95.5	

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

Financial Position and Cash Flows



Financial Position	(billion yen)	FY23 End	1H FY24 End	Variance
Trade Receivables and Contract Assets		1,692.4	1,691.9	-0.4
Inventories		974.5	1,101.4	+126.8
Other Current Assets		752.9	908.0	+155.1
(Cash and Cash Equivalents)		(431.2)	(535.8)	(+104.5)
Fixed Assets		1,174.7	1,166.2	-8.4
Other Non-Current Assets		1,661.5	1,609.3	-52.2
Total Assets		6,256.2	6,477.0	+220.8
Trade Payables		958.8	808.7	-150.1
Contract Liabilities		1,095.1	1,256.7	+161.6
Other Liabilities		1,112.5	1,085.5	-27.0
Interest-Bearing Debt		728.9	948.8	+219.8
Equity		2,360.6	2,377.0	+16.4
(Equity Attributable to Owners of Parent)		(2,244.6)	(2,258.8)	(+14.2)
Total Liabilities and Equity		6,256.2	6,477.0	+220.8
Cash Flows	(billion yen)	1H FY23	1H FY24	YoY
Operating Cash Flow		-181.2	-8.8	+172.3
Investing Cash Flow		0	-76.8	-76.8
Free Cash Flow		-181.2	-85.7	+95.5

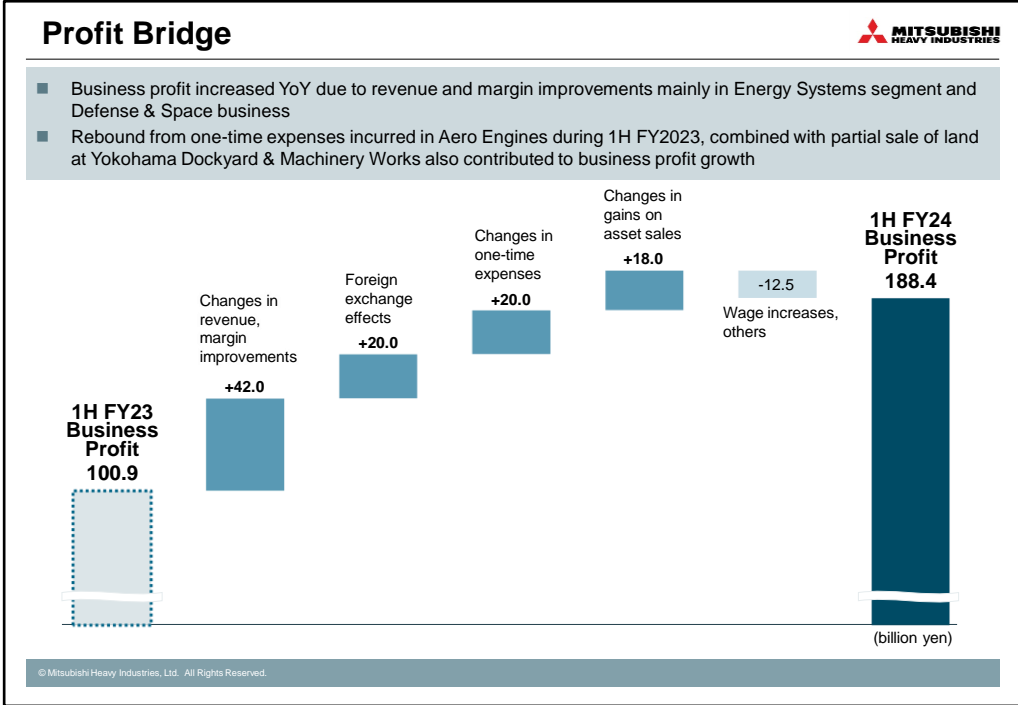
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This page shows the balance sheet and cash flows.

Total assets increased by ¥220.8 billion from the end of FY2023 to ¥6,477 billion. Because the yen appreciated at the end of September, the impact of currency translation effects related to foreign currency-denominated assets served to decrease assets by ¥80 billion. Excluding this impact, total assets increased by around ¥300 billion.

Allow me to provide a breakdown of the increase in assets excluding foreign exchange effects. Cash and cash equivalents increased by nearly ¥100 billion, and inventories increased by around ¥150 billion. This increase in inventories is a typical trend for our company, and we assess this to be within the range of normal fluctuations, taking into account that revenue is currently growing.

Regarding cash flows, despite a large increase in outflows related to the acquisition of an office building in Tokyo, free cash flow improved by ¥95.5 billion YoY. This was mainly due to a significant improvement in operating cash flow driven by an increase in profits and a YoY smaller increase in working capital.



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

The leftmost bar shows 1H FY2023 business profit, which was ¥100.9 billion.

Although there were some negative factors in 1H FY2024, such as the impact of wage increases, there were a variety of other, positive factors, which served to raise business profit. Business profit in 1H FY2024 was ¥188.4 billion, mainly due to revenue growth in many businesses, the effects of improved product mix and profit margins, and the depreciation of the yen in terms of the 1H average exchange rate.

Now, I would like to add a little color about the effect of foreign exchange rates. As you can see in this graph, the average exchange rate in 1H FY2024 had the yen at a weaker level YoY, which contributed to an increase in business profit. This is represented by the bar labeled “Foreign exchange effects +¥20.0 billion.” That said, gains and losses on changes in foreign exchange rates—which are recorded within finance income/costs below the business profit line item—include differences in exchange rates at the time of booking and the time of cash flow realization, as well as translation adjustments at the end of the period. These changes in foreign exchange rates served to increase net income by around ¥20 billion in 1H FY2023, but decreased net income by more than ¥30 billion in 1H FY2024. This is why net income did not increase YoY as much as business profit.

Financial Results by Segment



	Order Intake			Revenue			Profit from Business Activities		
	1H FY23*	1H FY24	YoY	1H FY23*	1H FY24	YoY	1H FY23*	1H FY24	YoY
(billion yen)									
Energy Systems	1,081.1	1,306.7	+225.6	760.9	832.1	+71.2	41.7	103.2	+61.5
Plants & Infrastructure Systems	422.7	599.4	+176.6	367.0	379.1	+12.1	16.0	28.1	+12.0
Logistics, Thermal & Drive Systems	650.0	657.6	+7.6	633.3	632.8	-0.5	36.7	26.9	-9.7
Aircraft, Defense & Space	999.4	802.1	-197.2	318.9	431.7	+112.7	27.4	44.0	+16.5
Others, Corporate & Eliminations	-16.2	17.5	+33.8	-10.9	22.2	+33.2	-21.0	-13.8	+7.1
Total	3,137.0	3,383.5	+246.4	2,069.2	2,298.1	+228.8	100.9	188.4	+87.4

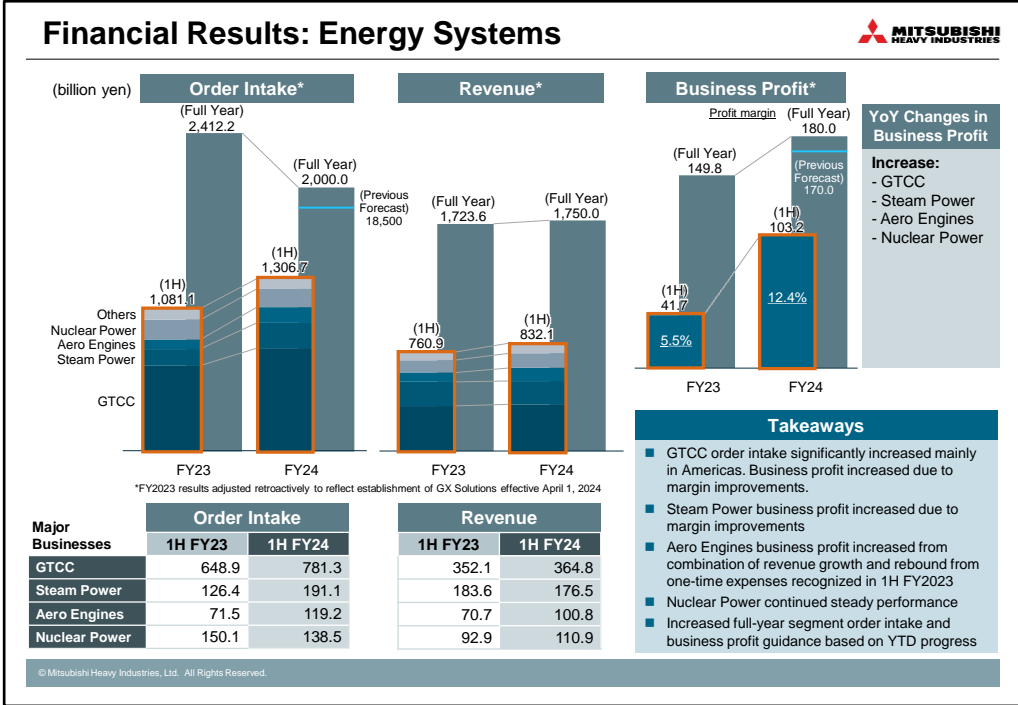
*1H FY2023 results adjusted retroactively to reflect establishment of GX Solutions effective April 1, 2024

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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 Green Transformation (GX) Solutions in April 2024, we have made some adjustments to our reporting segments. Please note that the 1H FY2023 figures shown here have been retroactively adjusted to reflect these changes.



This page shows the situation in the Energy Systems segment.

Order intake, revenue, and business profit all increased YoY, marking a good start in terms of progress toward the full-year forecast.

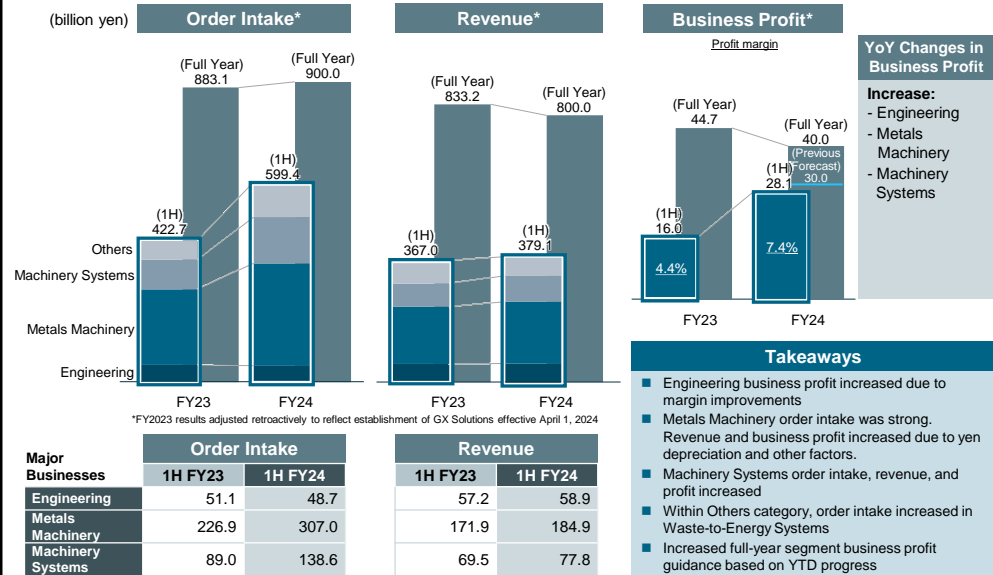
In particular, GTCC order intake has continued the positive trend from the previous fiscal year.

In Steam Power, although revenue decreased in line with expectations due to the cessation of new installations in coal-fired thermal power, profit increased due to strong services work.

In Aero Engines, order intake and revenue from parts sales and maintenance increased due to recovery in the market.

Based on the steady progress YTD, we have increased the full-year order intake guidance by ¥150 billion to ¥2 trillion and business profit guidance by ¥10 billion to ¥180 billion.

Financial Results: Plants & Infrastructure Systems



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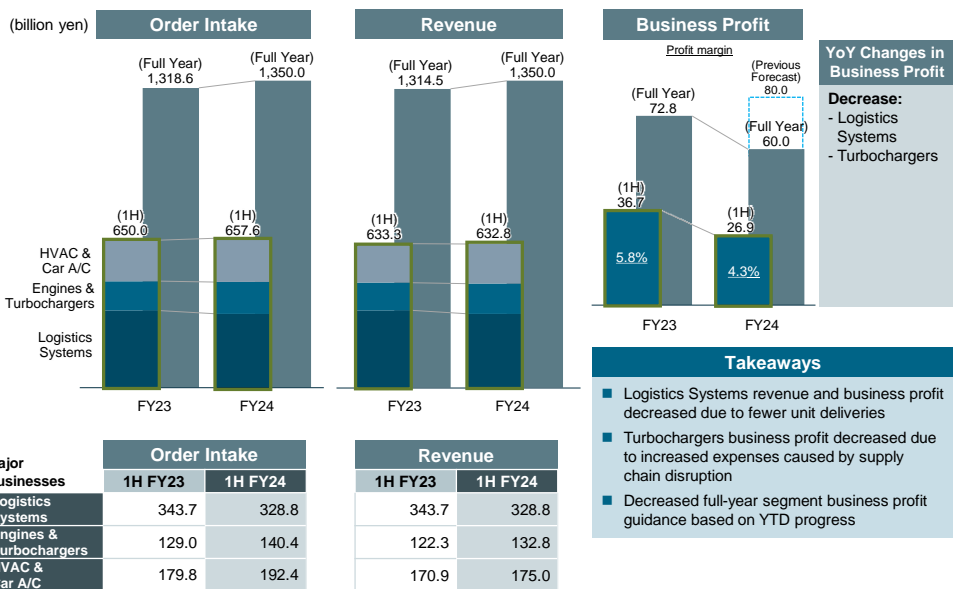
This page shows the situation in the Plants & Infrastructure Systems segment.

In this segment, order intake, revenue, and business profit increased YoY, marking a favorable start to the fiscal year.

Large orders in Metals Machinery, Waste-to-Energy Systems, and Machinery Systems contributed to YoY growth in order intake.

Based on the steady progress YTD, we have increased our full-year business profit guidance by ¥10 billion to ¥40 billion.

Financial Results: Logistics, Thermal & Drive Systems

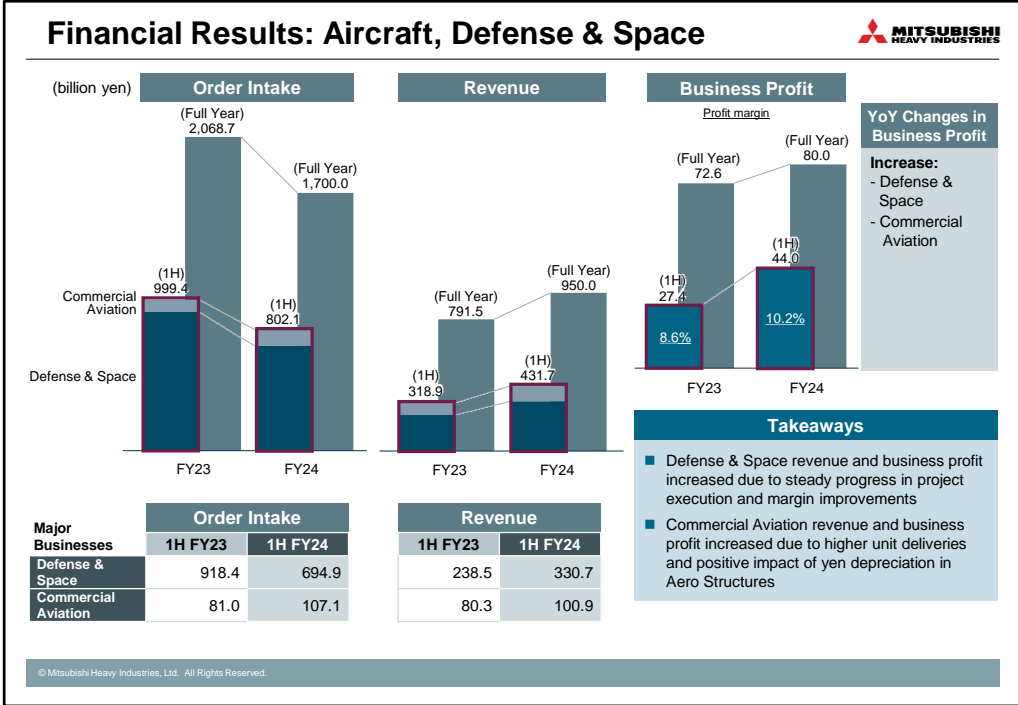


This page shows the situation in the Logistics, Thermal & Drive Systems (LT&D) segment.

Order intake and revenue for the segment as a whole were basically flat YoY, but when accounting for the impact of the depreciation of the yen, revenue effectively decreased.

Business profit in Turbochargers decreased due to the impact of production disruptions caused by issues at a supplier. Revenue and business profit in Logistics Systems decreased mainly due to a decline in international unit deliveries.

Based on the progress made YTD, we have reduced the full-year business profit guidance by ¥20 billion to ¥60 billion.



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

Order intake decreased YoY due to the booking of several large Defense projects in 1H FY2023. However, order intake was still high compared with previous years, and we are making steady progress toward our full-year forecast.

As for revenue, we are steadily working to execute on our large order backlog. In addition to the effect of increased revenue, business profit significantly increased due mainly to the impact of the depreciation of the yen.

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: ¥6,000.0 bn** (vs. previous: +¥200.0 bn)

	Previous	Revised	Revised vs. Previous
Energy Systems	¥1,850.0 bn	¥2,000.0 bn	+¥150.0 bn
Others, Corporate & Eliminations	¥0 bn	¥50.0 bn	+¥50.0 bn

- **Business Profit: ¥350.0 bn** (vs. previous: ±¥0 bn)

	Previous	Revised	Revised vs. Previous
Energy Systems	¥170.0 bn	¥180.0 bn	+¥10.0 bn
Plants & Infrastructure Systems	¥30.0 bn	¥40.0 bn	+¥10.0 bn
Logistics, Thermal & Drive Systems	¥80.0 bn	¥60.0 bn	-¥20.0 bn

- No change to guidance for revenue, net income, free cash flow, or dividends since previous announcement

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This page shows highlights from the FY2024 Earnings Forecast. This time, we have only revised order intake and business profit. I have already explained the details of these revisions, so I will omit an explanation.

This concludes my explanation. Next, CEO Izumisawa will make a few comments.

(Summary continues on next page)

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This is Seiji Izumisawa, the CEO of MHI. Allow me to speak about our FY2024 earnings forecast and the progress we are making on the 2024 Medium-Term Business Plan (MTBP).

First, I will outline the earnings forecast for the current fiscal year. Although uncertainty will remain in our operating environment during the second half of this year due to geopolitical risks, commodity price inflation, and foreign exchange fluctuations, as we have been booking solid order intake so far, we believe that it will be possible to achieve our plan for FY2024 by steadily executing on our backlog. In terms of order intake, in addition to GTCC, Nuclear Power, and Defense, which are expected to see solid demand, Metals Machinery and Aero Engines are performing well. Therefore, while some businesses may be facing difficult market conditions, we have decided to increase our full-year order intake forecast.

Next, I will speak about the operating environment in each segment and the progress we have made on our key 2024 MTBP initiatives.

In the Energy Systems segment, current global demand is 40 GW/year, and this is expected to grow to 50 GW/year by FY2026. Forecasts show the market remaining strong for some time to come, driven by demand for decarbonized fuel conversions—including the transition from oil-fired systems in the Middle East—and for stable power supplies serving data centers in North America.

Inquiries for MHI Group's GTCC systems are increasing as well, especially in North America and the Middle East. In order to meet this strong demand, we are working to strengthen our business execution capabilities and secure our competitive advantage. Specifically, we will increase our workforce by 10% by FY2026, expand our turbine blade production line capacity, and work to develop decarbonized gas turbines—including those utilizing hydrogen and ammonia—in order to maintain our top market share.

Regarding Nuclear Power, in response to the Japanese government's policy promoting the utilization of nuclear energy, we are supporting the stable operation of restarted Pressurized Water Reactors (PWRs) as well as the restart of Boiling Water Reactor (BWR) plants. We are also working toward plant replacements and the development of advanced reactors. To this end, we will strengthen our business execution capabilities by increasing personnel by 10% by FY2026, and increase our investment in production facilities and R&D by 30%.

In Aero Engines, we are responding to increased global demand for maintenance, repair, and overhaul (MRO) by leveraging the enhancement of in-house production and maintenance capabilities begun during the 2021 MTBP.

In Metals Machinery within the Plants & Infrastructure Systems segment, investment in green steel is accelerating in the lead-up to Carbon Neutrality. For the time being, while supply constraints and other challenges persist in the area of green energy, we are responding to the growing market with electric arc furnaces and shaft furnace direct reduction systems that utilize reformed gas.

We are also working to provide new services utilizing AI and digital technologies. Specifically, we are rolling out remote services and parts sales using digital transformation (DX) techniques in our Paper Converting Machinery business, which has an extensive large track record of deliveries in North America.

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Furthermore, in Engineering, we are now offering new services to meet customer needs including the remote monitoring of moving vehicles enabled by Σ Synx Supervision (a remote monitoring service developed by MHI; “ Σ Synx” is read as “Sigma Syncs”) and the integrated management of maintenance services.

In the Logistics, Thermal & Drive Systems (LT&D) segment, Engines is working to respond to robust demand for data centers, mainly in Southeast Asia and China, which are two areas of strength for MHI Group. The full-year forecast for LT&D as a whole is looking tougher than originally anticipated due to uncertainty in the North American forklift market. That said, Logistics Systems sees strong demand for automation systems due to labor shortages and rising wages. We are developing and implementing an integrated control system that supports operator-machine coordination. We are also working with various partners to develop automation solutions.

In Heating, Cooling, and Air Conditioning (HVAC), demand is strong due to continuing urbanization of rural areas, efforts to slow global warming, and tighter environmental regulations. We are expanding our lineup of products using natural refrigerants and other environmentally conscious technologies, increasing production capacity at international plants, and extending our sales network.

In the Aircraft, Defense & Space segment, Defense is rapidly expanding in response to Japan’s national security initiatives, and revenue is expected to reach ¥1 trillion during the 2024 MTBP period. To this end, we are significantly expanding our workforce, with plans to increase personnel by 40% by FY2026. Furthermore, we are increasing investment in production facilities by 30% to strengthen our business execution capabilities.

In Space, the launch of H3 Launch Vehicle Unit 4 on November 4 was a success, thanks to the support of all of our stakeholders. Going forward, we will continue to build on our track record of successful launches and expand our launch services business. We will also participate in future projects and contribute to the development of Japan’s space industry.

In Commercial Aviation, performance in 1H FY2024 exceeded the initial plan due to the impact of foreign exchange rates and cost reduction efforts. That said, regarding the full-year forecast, we will need to continue monitoring the impact of the strike at Boeing.

Finally, allow me to speak a little about our future growth areas.

As for the areas of hydrogen, ammonia, and carbon capture, utilization, and storage (CCUS), the visibility of returns on investments aiming for wide-spread implementation remains uncertain, and projects have taken longer to materialize than we had initially expected. Nonetheless, efforts toward decarbonization will be essential in the medium to long term. With an eye toward the establishment of new markets, we are proceeding with R&D and the demonstration of new systems, participating in regional pilot projects, and forming strategic alliances—such as with ExxonMobil—to build robust value chains.

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The data center market is experiencing rapid growth, and we are already addressing this strong demand, mainly with turbo chillers and standby generators. As I mentioned earlier, the number of inquiries for GTCC systems is also increasing driven by rising power demand. Going forward, in order to meet customers' expectations for one-stop solutions, we are establishing a seamless project execution organization, which will encompass all necessary staff functions, including project managers and service personnel. On the product side, we are seeing more opportunities to deliver high-efficiency cooling systems and decarbonized power solutions, which are currently under development. We are also proceeding with demonstrations to accelerate the launch of these new products and solutions to market.

To support these efforts, we are working steadily to strengthen and enhance our human capital and technologies, with an eye toward the future beyond the 2024 MTBP period.

This concludes my remarks.

(End of summary)

Earnings Forecast Overview



Revised from forecast announced August 6, 2024.

(billion yen)	FY2023 (Profit Margin)	FY2024 Forecast (Profit Margin)		YoY (Profit Margin)	(YoY%)
		Previous	Revised		
Order Intake	6,684.0	5,800.0	6,000.0	-684.0	(-10.2%)
Revenue	4,657.1	4,900.0	4,900.0	+242.8	(+5.2%)
Profit from Business Activities	282.5 (6.1%)	350.0 (7.1%)	350.0 (7.1%)	+67.4 (+1.0 pt)	(+23.9%)
Profit Attributable to Owners of Parent	222.0 (4.8%)	230.0 (4.7%)	230.0 (4.7%)	+8.0 (-0.1 pts)	(+3.6%)
ROE	11.1%	10%	10%	-1.1 pts	
EBITDA	432.6 (9.3%)	500.0 (10.2%)	500.0 (10.2%)	+67.3 (+0.9 pts)	(+15.6%)
Free Cash Flow	200.1	-100.0	-100.0	-300.1	
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 = ¥145 EUR 1.00 = ¥155	

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

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Earnings Forecast by Segment



Revised from forecast announced August 6, 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	
Energy Systems	2,412.2	1,850.0	2,000.0	-412.2	1,723.6	1,750.0	+26.3	149.8	170.0	180.0	+30.1
Plants & Infrastructure Systems	883.1	900.0	900.0	+16.8	833.2	800.0	-33.2	44.7	30.0	40.0	-4.7
Logistics, Thermal & Drive Systems	1,318.6	1,350.0	1,350.0	+31.3	1,314.5	1,350.0	+35.4	72.8	80.0	60.0	-12.8
Aircraft, Defense & Space	2,068.7	1,700.0	1,700.0	-368.7	791.5	950.0	+158.4	72.6	80.0	80.0	+7.3
Others, Corporate & Eliminations	1.2	0	50.0	+48.7	-5.8	50.0	+55.8	-57.5	-10.0	-10.0	+47.5
Total	6,684.0	5,800.0	6,000.0	-684.0	4,657.1	4,900.0	+242.8	282.5	350.0	350.0	+67.4

*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)					
	1H FY23	FY23	1H FY24	777	Q1	Q2	Q3	Q4	Total
Americas	1	7	5	FY23	7	11	7	5	30
Asia	6	9	3	FY24	6	6	/	/	12
EMEA	-	-	1						
Other Regions	-	1	-	777X	Q1	Q2	Q3	Q4	Total
Order Intake Total	7	17	9	FY23	0	1	3	2	6
				FY24	3	3	/	/	6
Contract Backlog	39	36	36						
				787	Q1	Q2	Q3	Q4	Total
(Reference) Order Intake of China Licensee	1H FY23	FY23	1H FY24	FY23	9	7	13	14	43
Order Intake	9	21	5	FY24	9	12	/	/	21

Appendix: Reference Data



Order Backlog

	(billion yen)	FY23 End*	1H FY24
Energy Systems		4,231.1	4,567.2
Plants & Infrastructure Systems		1,622.4	1,757.7
Logistics, Thermal & Drive Systems		58.3	83.2
Aircraft, Defense & Space		2,474.2	2,814.4
Others, Corporate & Eliminations		14.4	16.3
Total		8,400.5	9,239.0

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

	(billion yen)	1H FY23	1H FY24	FY24 Forecast
R&D Expenses		67.7	93.0	220.0
Depreciation and Amortization		67.9	77.8	150.0
Capital Expenditures		101.3	86.8	180.0

Selling, General, and Administrative Expenses

	(billion yen)	1H FY23	1H FY24
SG&A		311.8	347.2

Foreign Currency Amounts Expected to Affect P/L

(billion, except where otherwise stated)	USD	EUR
Amounts to Affect Business P/L	1.5	0.3
Amounts to Affect Finance Income/ Costs	0.7	0.2
Exchange Rate Assumptions	¥145.0	¥155.0

Foreign Exchange Rates (Average Rates Used for Revenue Recognition)

	1H FY23	1H FY24
U.S. Dollar (JPY/USD)	139.6	153.2
Euro (JPY/EUR)	150.8	164.5

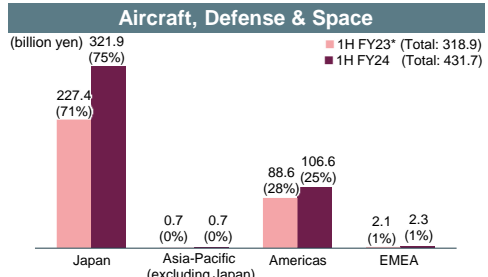
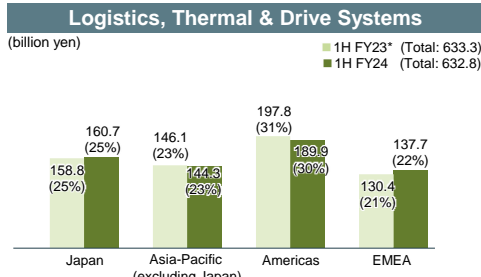
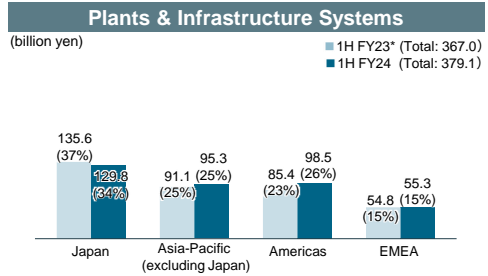
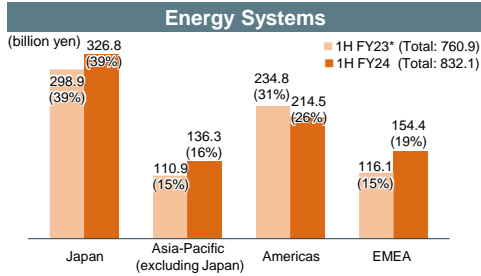
*FY2023 results adjusted retroactively to reflect establishment of GX Solutions effective April 1, 2024

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Appendix: Reference Data



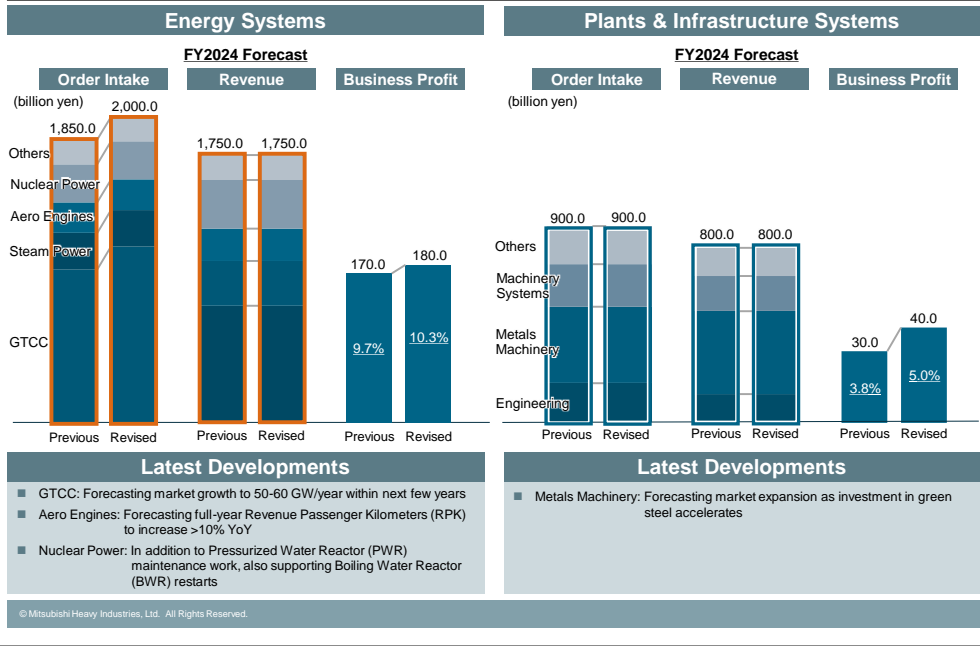
Revenue by Region



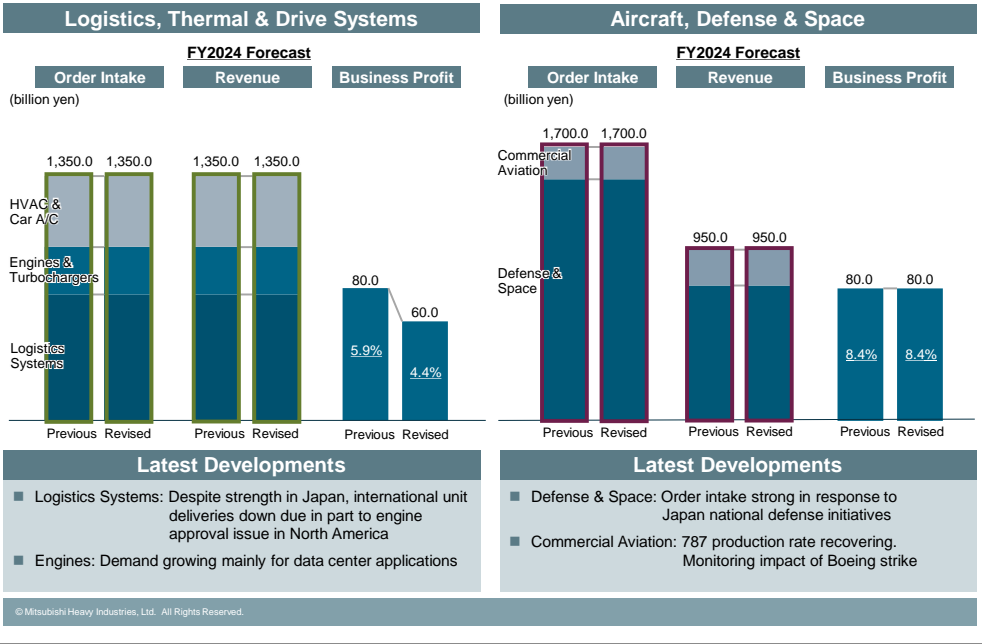
*1H FY2023 results adjusted retroactively to reflect establishment of GX Solutions effective April 1, 2024

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Business Update: Energy and Plants & Infrastructure Systems



Business Update: Logistics, Thermal & Drive Systems and Aircraft, Defense & Space 



MOVE THE WORLD FORWARD  RD MITSUBISHI
HEAVY
INDUSTRIES
GROUP

