Status of
2015 Medium-Term Business Plan

February 4, 2016
Mitsubishi Heavy Industries, Ltd.

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MITSUBISHI HEAVY INDUSTRIES, LTD.
Our Technologies, Your Tomorrow

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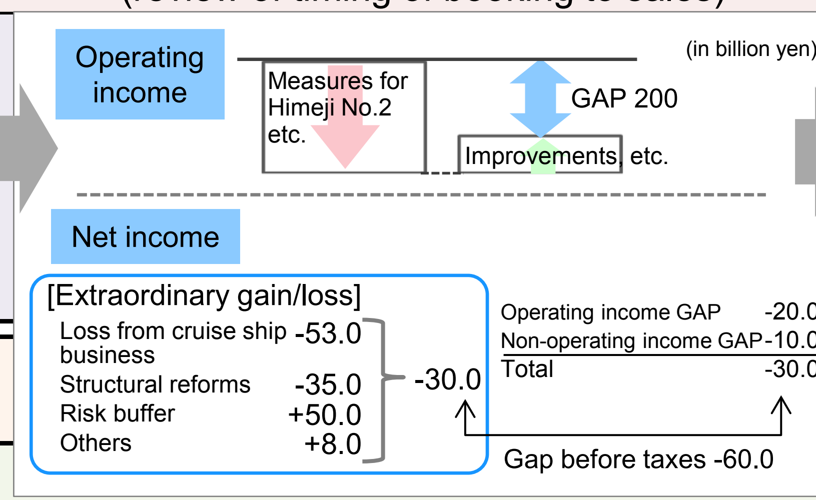
Outlook for 1st Year of 2015 Business Plan: Overview

- Increased losses in cruise ship business mean 2015 income target could go unachieved.
- Supplementary measures underway to achieve 2015 plan.

	FY2014 Actual	FY2015 Outlook (in billion yen)		
		Previous*		Current
Orders Received	4,699.1	4,700.0	Steady progress (possibility of partial delay)	4,700.0
Net Sales	3,992.1	4,200.0	Essentially unchanged (review of timing of booking to sales)	4,100.0
Operating Income	296.1 (7.4%)	320.0 (7.6%)		300.0 (7.3%)
Net Income	110.4	130.0		90.0
FCF	38.6	0		-50.0
ROE	6.5%	7.1%		5%



*: At the time of the second quarter financial results announcement FCF: Free Cash Flow ROE: Return On Equity

Outlook for 1st Year of 2015 Business Plan:
Net Sales and Operating Income by Business Domain

(billion yen)

	FY2014		FY2015						
	Net Sales	Operating Income	Previous Forecast* (A)		Current Forecast (B)		B-A		Changes since previous forecast
			Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	
Energy & Environment	1,599.5	162.6	1,600.0	170.0	1,600.0	140.0		△ 30.0 *	*: Expenses from glitches at Himeji No.2, etc. (Most cost covered similar-type equipment)
Commercial Aviation & Transportation Systems	529.5	23.4	650.0	45.0	550.0	55.0	△ 100.0 *	10.0 **	*: Review of timing of booking to sales **: Improved by aircraft tier1 business, etc.
Integrated Defense & Space Systems	483.9	28.5	450.0	27.0	450.0	27.0			Progressing nearly according to plan
Machinery, Equipment & Infrastructure	1,347.4	87.7	1,400.0	85.0	1,400.0	85.0			Improvements in turbo and air conditioning businesses covered unfulfilled metal machinery and compressor business plans to achieve overall target.
Others	154.9	10.3	200.0	15.0	200.0	15.0			
Eliminations or Corporate	△ 123.3	△ 16.6	△ 100.0	△ 22.0	△ 100.0	△ 22.0			
Total	3,992.1	296.1	4,200.0	320.0	4,100.0	300.0	△ 100.0	△ 20.0	

*: At the time of the second quarter financial results announcement

Progress of Business Plan: Seven Measures

Measure 1	Promote domain-based targets with clear aims, and strategies for their achievement	Accelerating PMI of major JV businesses; Additional measures for MRJ, etc.
Measure 2	Strategically reconfigure the product mix	Concentration in core businesses and products proceeding according to plan（P.29）
Measure 3	Strengthen relatively superior products and technologies	CTO staff and organization under review, implementing additional measures. (April 2016) •Technical issues at Himeji No.2; examination of cruise ship failures •Accelerating response to IoT, AI, etc.
Measure 4	Reform and create new businesses and business models for the next generation	
Measure 5	Strengthen the technology base and innovate	
Measure 6	Develop more advanced business processes and strengthen human resources	Steady progress (further strengthening)
Measure 7	Reform the corporate governance system	Transition to a company with a committee of auditors completed; Adjustments and optimization under way in execution phase

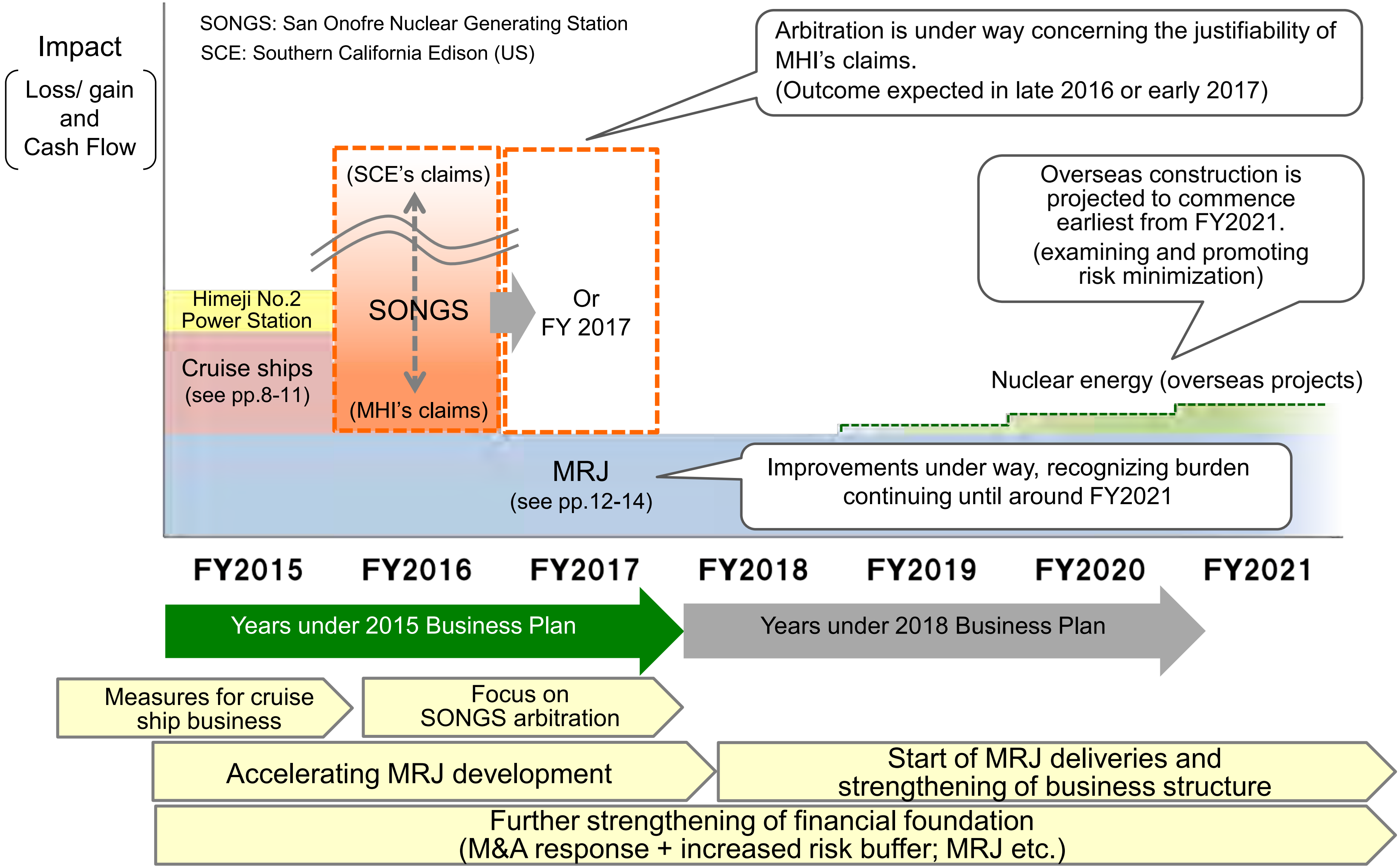
PMI: post merger integration MRJ: Mitsubishi Regional Jet IoT: Internet of Things AI: artificial intelligence CTO: Chief Technology Officer

Progress of 2015 Business Plan: Changes in Business Environment

Changes in business environment	Competitive landscape
• Impact of China's economic slowdown on the global economy • Shift in U.S. financial policy / higher interest rates; further declines in oil and other energy prices (cash outflow from emerging economies and overall decline in investments) • Expanded geopolitical risks in the Middle East • Formation of market blocs, unified rules, etc. • Involvement and entry of IT businesses, etc. into the manufacturing industry	• Siemens (Germany) - Production reforms under way (Industry 4.0) • GE - Aggressive promotion of IoT - Sale of GE Capital (acceleration of R&D and M&A's) - Streamlining of Alstom, etc. • Entry of Chinese manufacturers into global market

Although impact from slowing markets (China, emerging economies, energy-related markets, etc.) has been limited, the business environment is growing increasingly severe. Further strengthening of global response capabilities, technologies, and cost competitiveness are urgent issues.

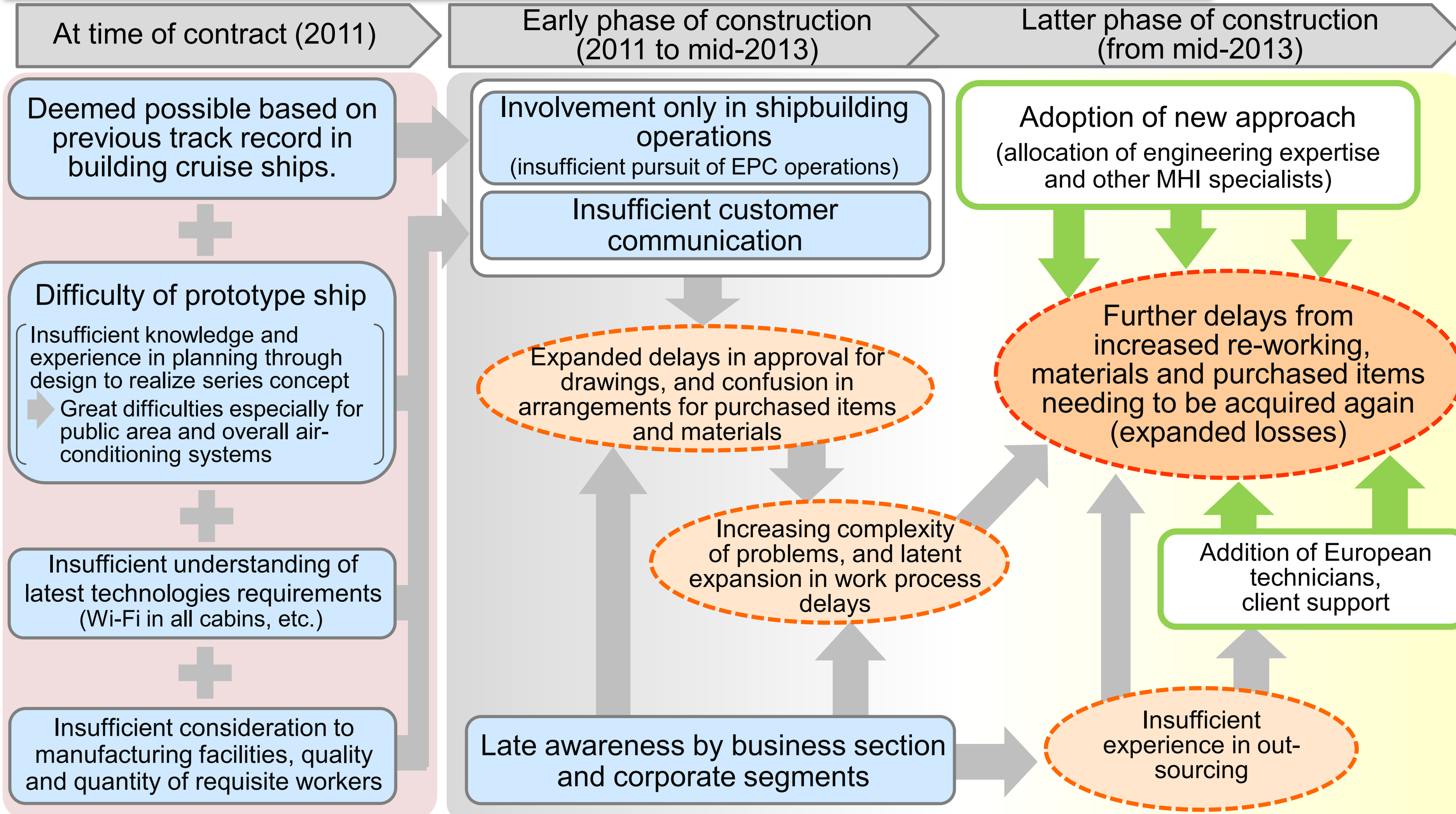
Progress of 2015 Business Plan: Concern Factors, by Year



Status of Concern Factors: Cruise Ship Business (1)

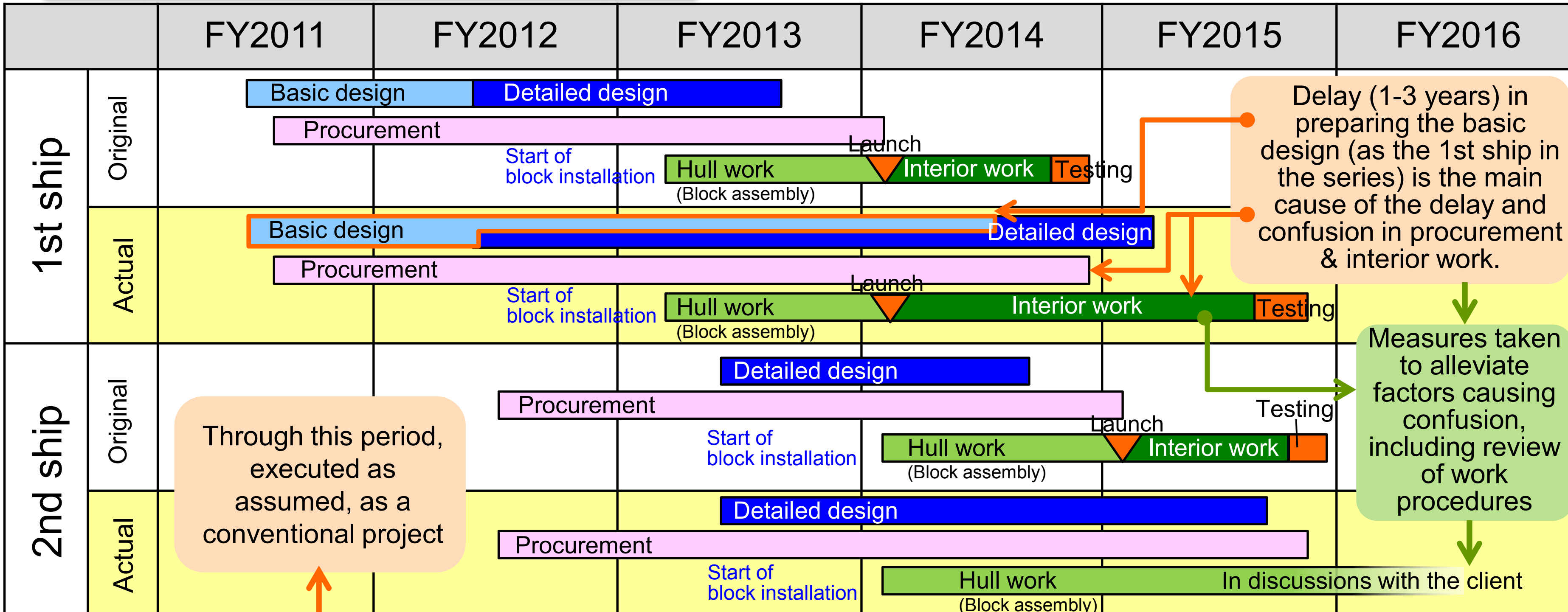
Background to cause of losses, incidents and countermeasures

EPC:
Engineering, procurement and construction



Status of Concern Factors: Cruise Ship Business (2)

Progress in work and loss/gain



loss/gain (billion yen)	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Operating income	-9.3	6.0	-0.1	0	0	
Extra-ordinary loss	-	-	-64.1	-69.5	-53.0	
Total to date	-9.3	-3.3	-67.5	-136.0	-187.2	

Status of Concern Factors: Cruise Ship Business (3)

Major issues and learnings

(1) Business segment level

- Insufficient ability to assess actual capability when restarting business in cruise ships, with too much emphasis on ships of high added value as a business strategy, with judgment rendered based on past experience and track record (in particular, insufficient recognition of the difficulty of building the 1st in a line of cruise ships built to Western specifications)
- Unwarranted belief that problems can be solved within one's own segment
  - ➡ "Wall" existing between business and corporate divisions

(2) Companywide management level

(Although the problem of the business segment reached a level unimagined, the situation calls for Companywide reflection on the following:)

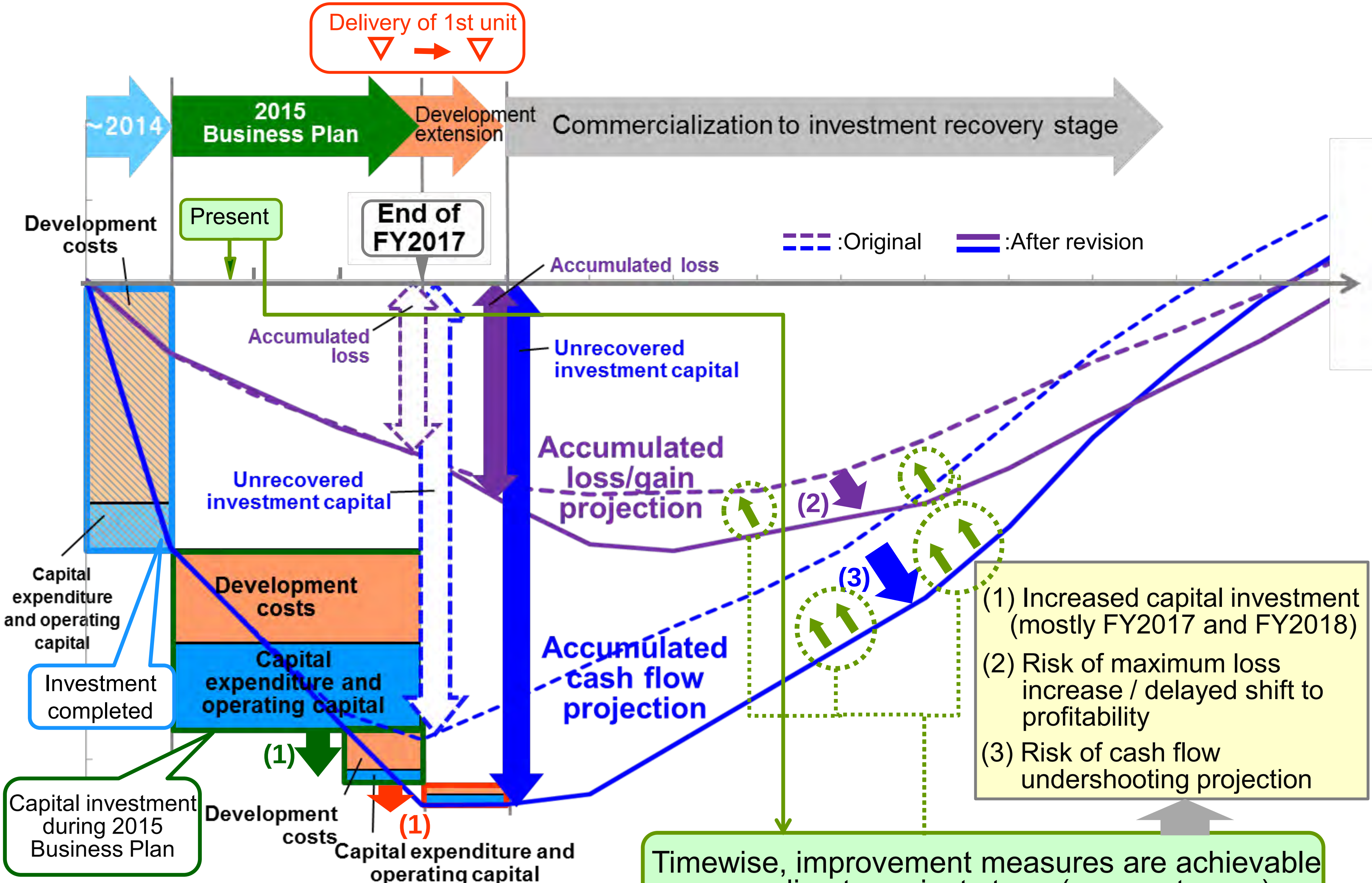
- Insufficient ability to verify the capability of the business segment to make proper judgments when a complex, large-scale order is received
  - ➡ monozukuri = manufacturing (equipment, personnel, material purchasing logistics, etc.)
- Insufficient ability to quickly discover problems between construction preparation and execution phases (financial monitoring)

Status of Concern Factors: Cruise Ship Business (4)

Major measures to prevent recurrences

Premise	Always maintain a strong desire to grow
Response measures	Apply lessons learned from cruise ship issues to strengthen the technical and engineering capabilities of the MHI Group as a whole ➡ Establishment of shared-technology division
	Form a risk management structure directly under the CEO's direction (1) Strengthen Companywide ability to verify new/resumed business undertakings (not limited to ship construction) (2) Strengthen the Companywide cooperation structure for execution support and problem resolution - Strengthen program management capability (Financial monitoring, improvement of cost and order receipt management system, etc.) - Newly establish a business risk oversight department, a shared technology division, etc.

Status of Concern Factors: MRJ Business (1)



(1) Increased capital investment (mostly FY2017 and FY2018)
(2) Risk of maximum loss increase / delayed shift to profitability
(3) Risk of cash flow undershooting projection

Timewise, improvement measures are achievable according to project stage (see next page)

Status of Concern Factors: MRJ Business (2)

Strengthen development system and improve efficiency

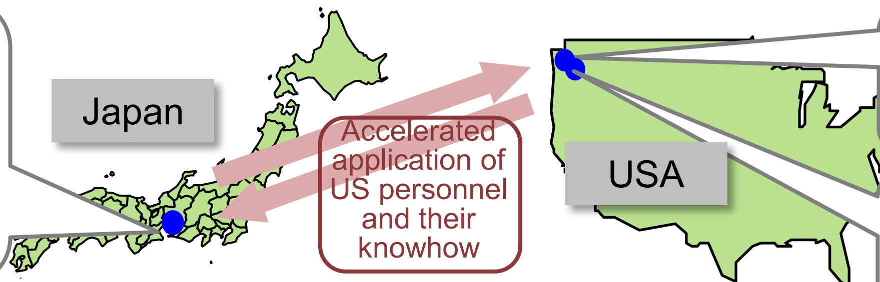
(1) Bring in additional experts in aircraft development

Strengthen human resources with personnel from other domestic companies, as well as more communication with personnel in defense business

➡ Consolidate human resources in charge of finished aircraft business at Mitsubishi Aircraft Corp.

(2) Promote development and efficiency by creating 3-base structure

Aichi Pref. (Head Office)
- Preparation of Type certificate documentation / response to authorities
- Flight testing
- Preparation for mass manufacture
- Customer support



Seattle, Washington
- Development and design
- Response to technical issues, etc.

Moses Lake, Washington
- Flight testing
- Data analysis and evaluation, etc.

(3) Strengthen schedule management
(milestones and KPI shared by MHI, Mitsubishi Aircraft Corp. and partners)

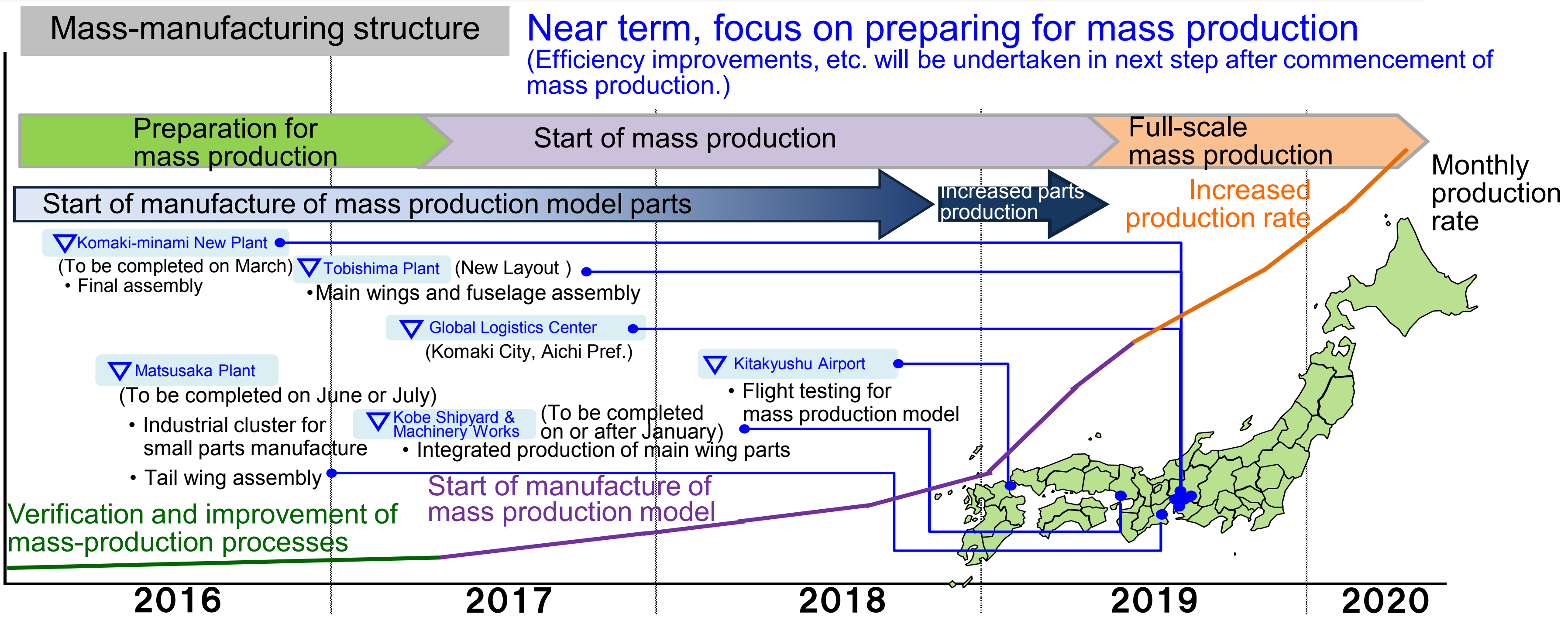
KPI: key performance indicators

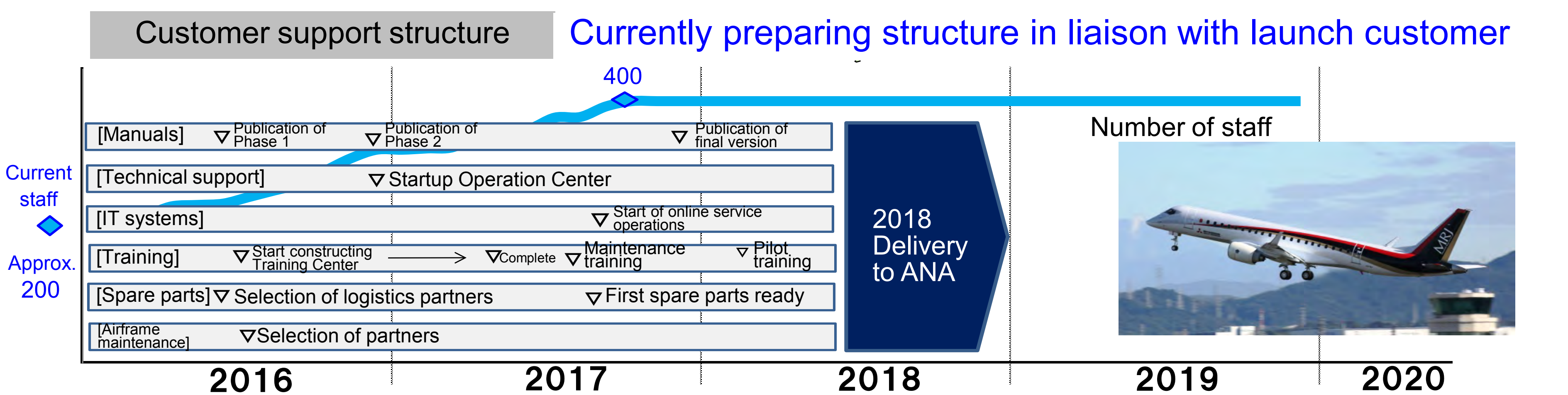
Prepare for full-scale business development and strengthen the business

Step 1	Streamline and share indirect work between Mitsubishi Aircraft and MHI
Step2	Build mass manufacturing business structure, including customer support (Efficient allocation of organization and staff from perspectives of costs and customer services)

Status of Concern Factors: MRJ Business (3)

Prepare for full-scale business development and strengthen the business





Plan Reinforcement: Overall Image (1)

- Dramatic changes in business environment
- Stronger, bigger rivals (urgent need to strengthen response capability, including M&A's)
- Difficult to achieve projected profit in FY2015 (early recovery action necessary)
- Preparation for risks against MRJ development phase to business expansion phase and overseas nuclear power projects

Major areas of reinforcement

1. Earning capacity
2. Financial foundation
3. Risk resilience
4. Technology foundation

Plan Reinforcement: Overall Image (2)

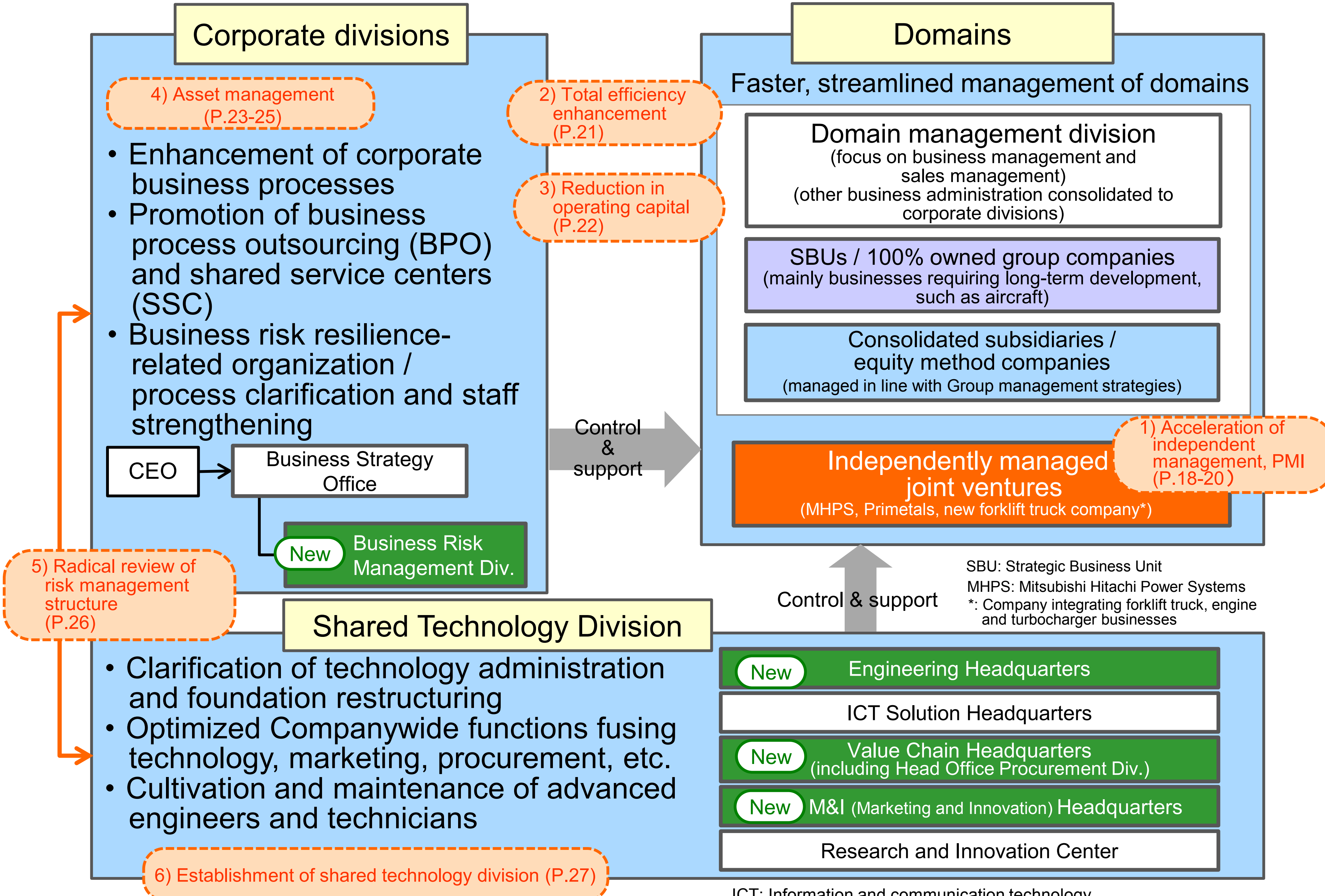
Additional measures	Major areas of reinforcement: 1	2	3	4
1) Acceleration of independent management, PMI (MHPS, Primetals Technologies, new forklift truck company*)	◎	○		○
2) Total efficiency enhancement	◎	◎		
3) Reduction in operating capital	○	◎	○	○
4) Asset management	○	◎	○	
5) Radical review of risk management structure		○	◎	
6) Establishment of shared technology division	○→◎		◎	◎

Anticipated results

- Achievement of 5 trillion yen business scale
- Achievement of operating income target (scale merits, cost reductions)
- Achievement of FCF and D/E ratio targets
- Achievement of net income target (build-up of risk buffer, minimization of losses)
- Stronger corporate and business competitiveness in the medium to long term

* Company integrating forklift truck, engine and turbocharger businesses

Plan Reinforcement: Overall Image (3)



Plan Reinforcement: 1 Strengthen Earning Capacity (1)-1

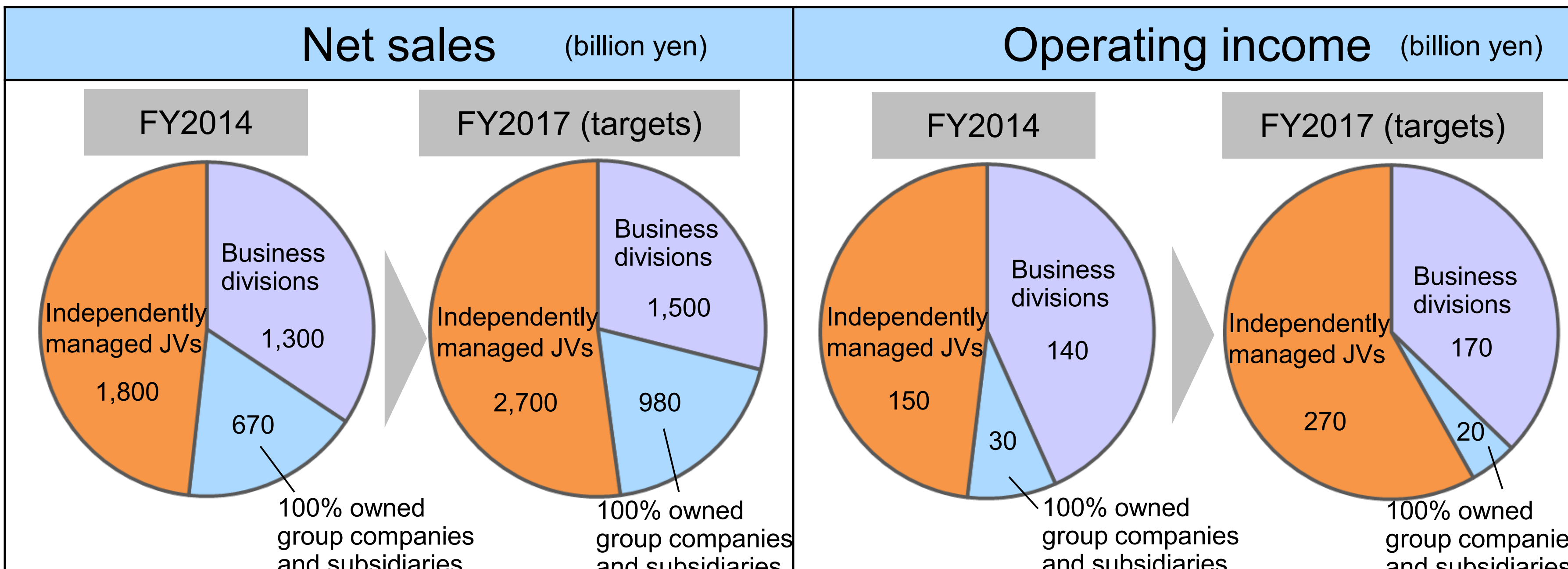
(1) Growth promotion through independently managed joint ventures (strengthen competitiveness and earning capacity)

- 3 JVs (MHPS, Primetals, new forklift truck company*) form the core of the MHI Group's scale and profit

MHPS: Mitsubishi Hitachi Power Systems
*: Company integrating forklift truck, engine and turbocharger businesses

- Speedy promotion of swift, autonomous management in line with the business characteristics of the 3 companies, under Companywide strategies
- Pursuit of coordination and synergies with overall Group strategies as shown below
  - Exchanges and cultivation of management members
  - Shared platforms (ERP, technology base, cash management and others)

ERP: Enterprise Resource Planning



Plan Reinforcement: 1 Strengthen Earning Capacity (1)-2

Accelerate PMI at MHPS

- Personnel shift to servicing operations, etc.
  - Expansion of servicing operations (increases in net sales and income) and efficient use of personnel and resources
- Strengthening competitiveness through accelerated restructuring of organization and bases, including Group companies

  At time of integration approx. 23,000 → Today approx. 21,000 → Projection approx. 20,000

- Improvement of cash conversion cycle (CCC)

Accelerate PMI at Primetals

- Streamline the organization and reduce indirect costs

  Business segments: 10 → 7 Functional organizations: 26 → 9

  - Pursue faster decision-making and more efficient management
- Efficiency enhancement through integration, of redundant departments, etc.

  At time of integration approx. 8,000 → Today approx. 7,500 → Projection approx. 7,000

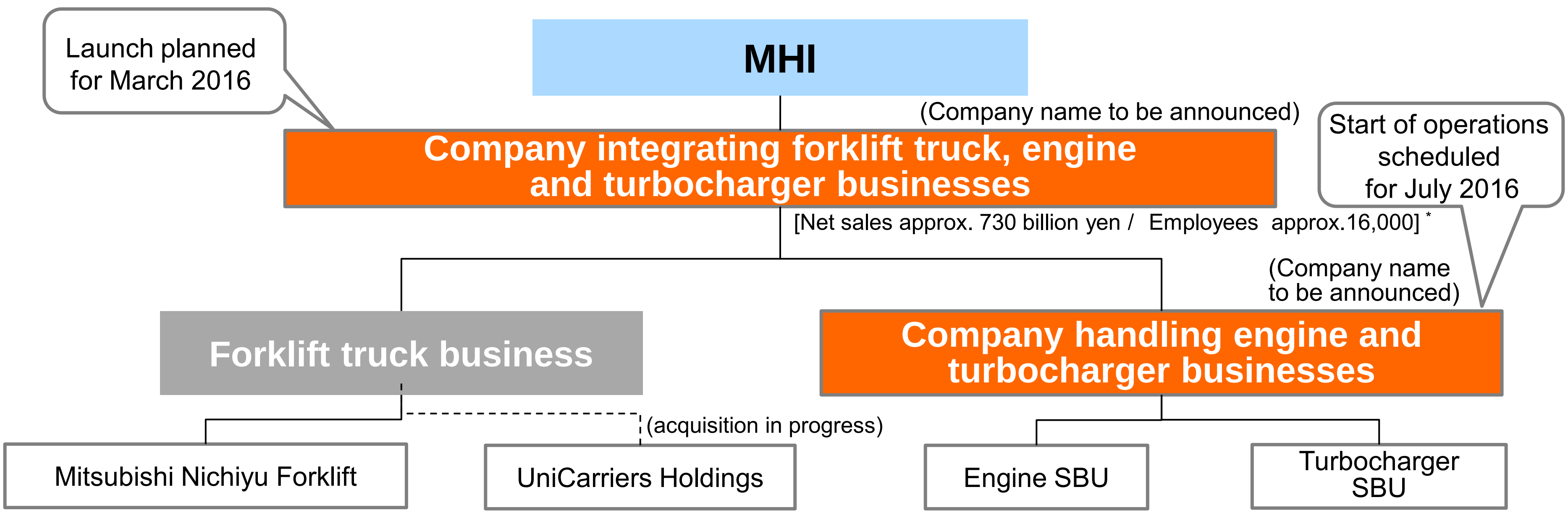
- Strengthen marketing and project management
  - Integrate Japanese and European knowhow through organizational unification

Plan Reinforcement: 1 Strengthen Earning Capacity (1)-3

Development of forklift truck business*, etc.

*:Including automatic guided vehicle system

- On acquisition of UniCarriers, forklift truck business to be consolidated with engine and turbocharger businesses
- Through integrated management of 3 businesses, promote creation of synergies, organizational streamlining, entry into new fields, etc. as way of expanding business scale
- Integrated company targets approx. 1 trillion yen in net sales



*: FY2014

Plan Reinforcement: 1 Strengthen Earning Capacity (2)

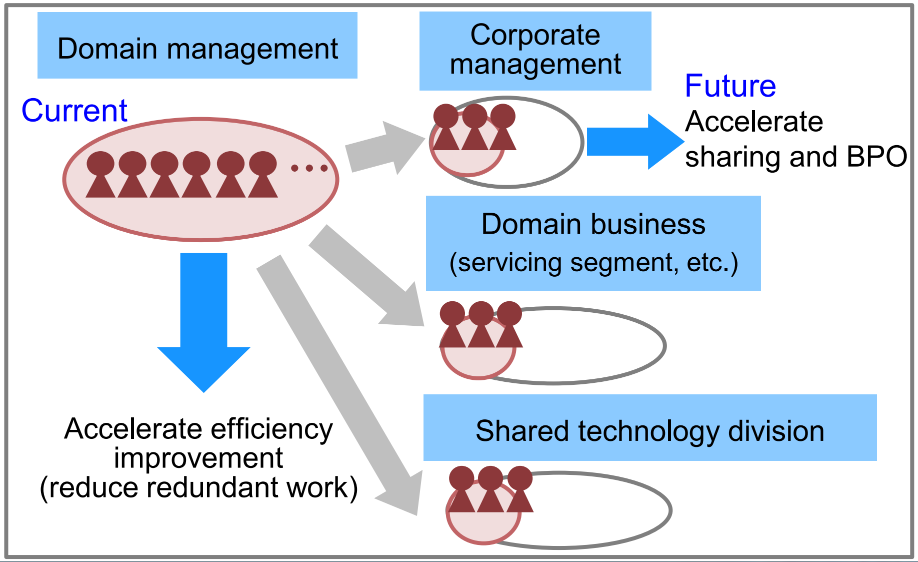
2) Efficiency optimization

- Paring down of businesses to receive resources
  - Further accelerate selection of core SBUs, suppress overall investment capital

FY2015 initiatives	Acquisition	UniCarriers (forklift trucks)
	JV	Mahindra & Mahindra(agricultural machinery), JTSC (tunneling shield machines), etc.
	Sale, withdrawal, etc.	Sumitomo Heavy Industries Material Handling Systems (industrial cranes), ECOVIX (shipbuilding), etc.

  - Reduce investment and lending (Including R&D), mainly on non-core businesses

- Thorough elimination of redundant work processes
  - Organizational and staff streamlining between corporate divisions and domains
- Accelerate BPO
  - Further reduction of corporate staff
- Job conversion to servicing division, etc.



BPO: Business Process Outsourcing

Plan Reinforcement: 2 Strengthen Financial Foundation (1)

1) Reduce operating capital

Improve cash conversion cycle (CCC)

- Set CCC targets for each SBU based on competitors' benchmarks
- Examine and promote radical measures for achieving CCC targets (begin monthly follow-up)

  - Review of supply chain
  - Review business processes and plant management
  - Restructure bases, plants, etc.

Group target

Current: 117 days → Original target 81 days → New target 70 days

2) Reduce capital and risks by narrowing down businesses to receive resources

See previous page

SBU: Strategic Business Unit

Plan Reinforcement: 2 Strengthen Financial Foundation (2)

3) Asset management (1)

Set new basic policies as a global corporation

a) Assets held limited, in principle, to the following:
- Assets necessary for business and for strengthening the company's competitiveness
- Assets to be resilient against risk accompanying global competition

b) Elimination of risks stemming from non-core assets

c) Consolidation of dispersed assets, maximization of value, secure liquidity

In the near term, promote utilization of securities and land holdings, and generate approx. 200 billion yen in 2015 Business Plan

1) Improve cash flow (reduce liabilities) → approx. 200 billion yen
2) Build up risk buffer (increase profit) → Pre-tax profit approx. 100 billion yen

Plan Reinforcement: 2 Strengthen Financial Foundation (3)

3) Asset management (2)

Securities → Generate approx. 100 billion yen cash flow

- Define the significance of holding securities as a global corporation, as follows:

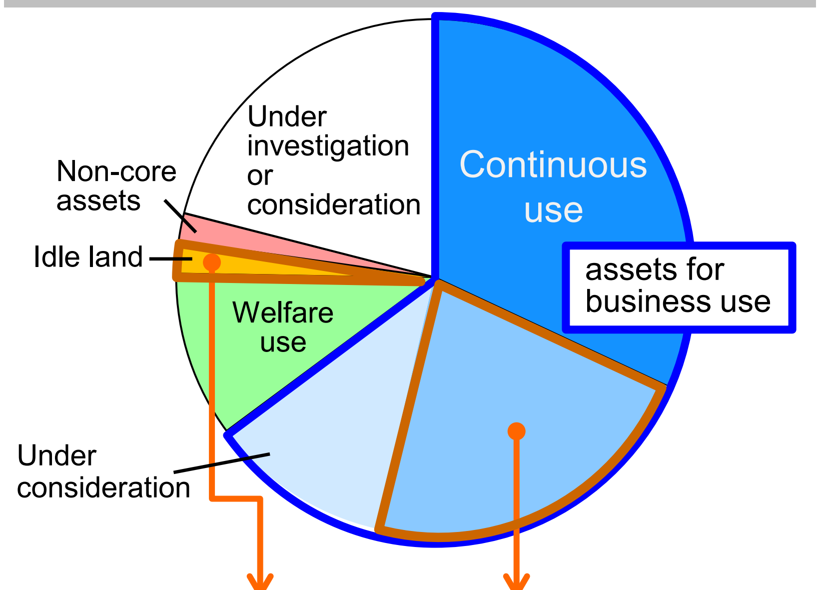
1)	To build a management relationship of mutual benefit (including brand strategies)
2)	To make net investment – to strengthen the business foundation (minor investments into IPP projects, etc.)
3)	To acquire control – to develop, new / expanding business fields and markets through participation in business management

- Reassess the need to hold securities and their order of priority, and sell off some to strengthen the financial foundation in the near term and secure necessary funds for the future

Plan Reinforcement: 2 Strengthen Financial Foundation (4)

3) Asset management (3)

Land assets → Under the current measures, generate approx. 100 billion yen in cash flow



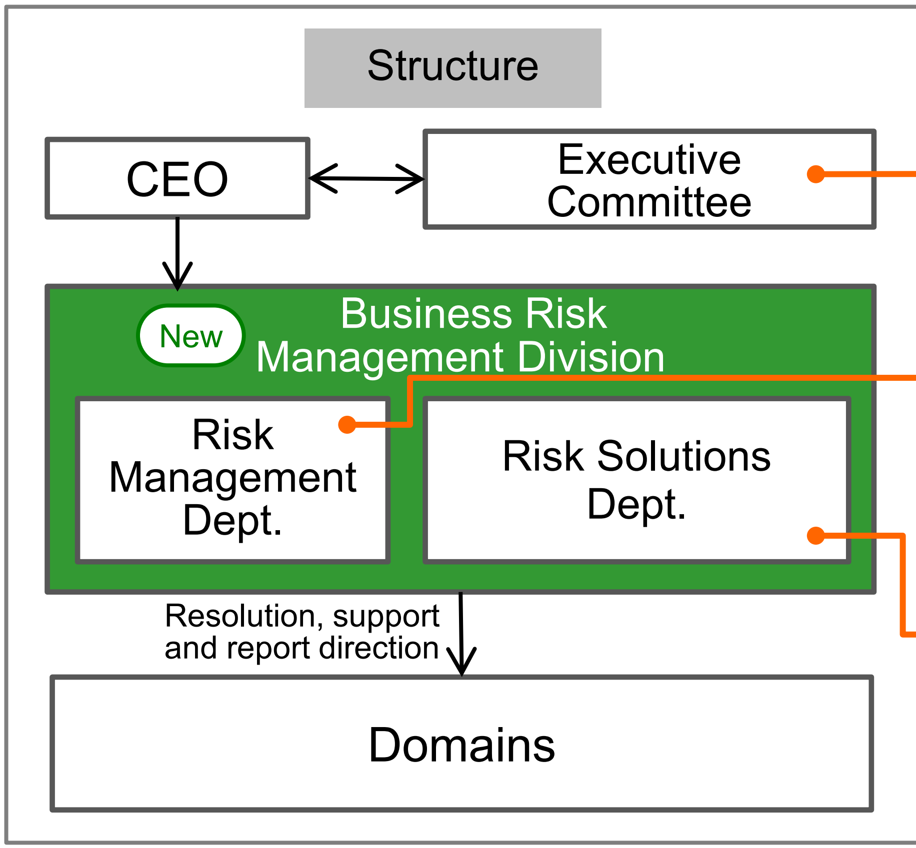
Current targets	Land for business use: unused, restructured, etc.	
	Idle land: including holdings of Group companies	

- In the near term, consider and promote ways to use, primarily, Group-held unused land for business and idle land
  - Collective management of idle lands, etc. including held by Group companies
  - Instead of merely selling land holdings, use them as means to improve earning capacity, collaborating with outside experts and other companies
- In the medium to long term, advance plans also considering business and base restructuring

Plan Reinforcement: 3 Strengthen Risk Resilience

Companywide risk management structure

- Create structure under direct CEO management
- Support business division through establishment of Business Risk Management Division and strengthen management structure



Discussion of strategies necessary for stable, sustained growth, ongoing management reforms and risk management

Classification of corporate-level business risks and prevention of process-level risks

Organization of experts to resolve and provide responsive support following a major risk incident (currently, cruise ships, SONGS, MRJ, etc.)

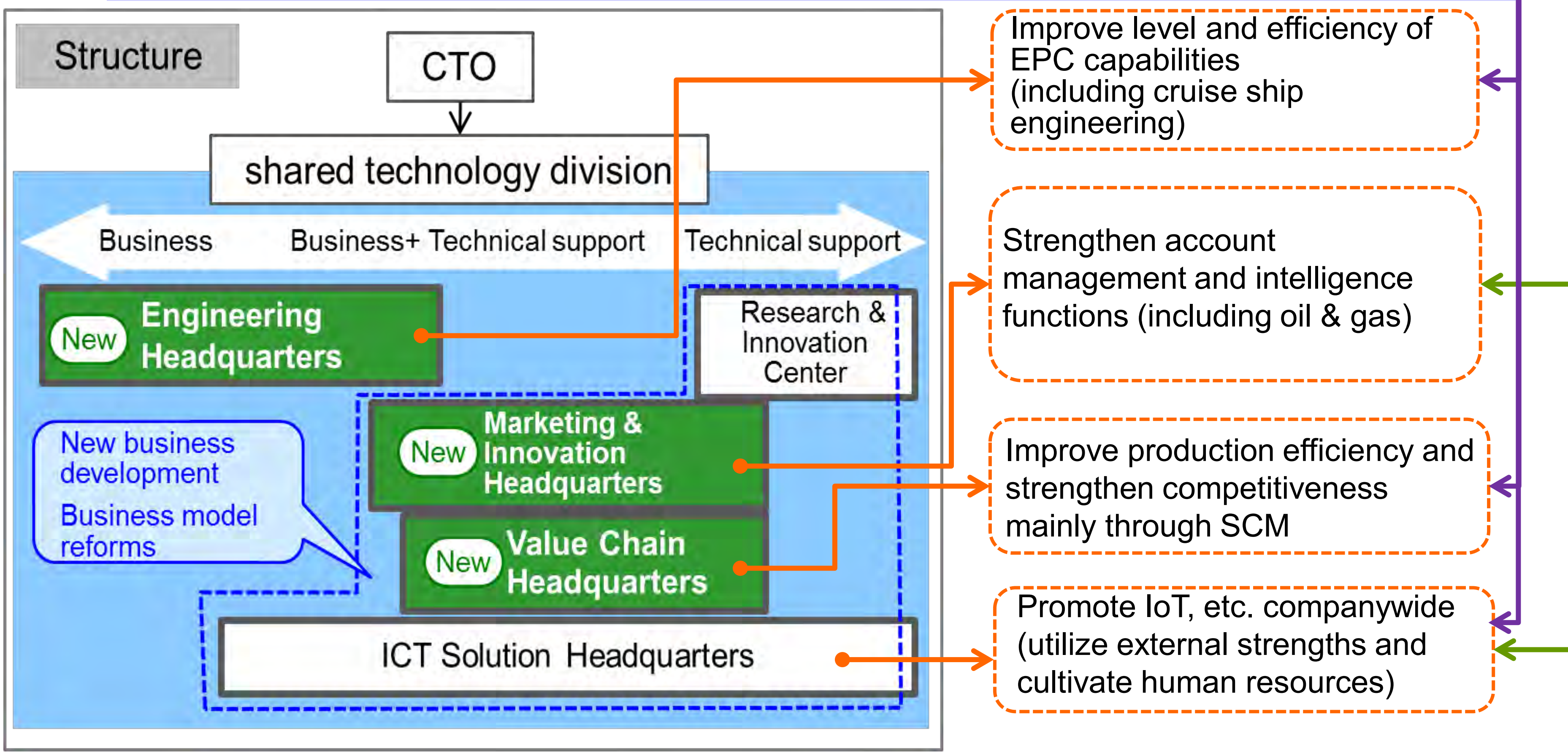
SONGS: San Onofre Nuclear Generating Station MRJ: Mitsubishi Regional Jet

Plan Reinforcement: 4 Strengthen Technology Foundation

Establishment of shared technology division

CTO: Chief Technology Officer
MRJ: Mitsubishi Regional Jet

- Expand the authority and scope of responsibility of the CTO → **Promote technical innovation and strengthen technology monitoring functions**
- Reform the organization in light of the cruise ship business issues
  → **Cultivate and improve utilization of human resources, strengthen ability to respond MRJ and new businesses**



ICT: Information and communication technology EPC: Engineering, procurement and construction SCM: Supply chain management IoT: Internet of Things

Summary (1) Management Numerical Targets

(in billion yen)

	2012 Business Plan	2015 Mid-term Business Plan			
	FY2014 Actual	FY2015 Previous Forecast*	FY2015 Forecast	FY2016 Target	FY2017 Target
Orders received (Overseas sales ratio)	4,699.1 (54%)	4,700.0 (62%)	4,700.0 (62%)	5,100.0 (63%)	5,500.0 (64%)
Net sales	3,992.1	4,200.0	4,100.0	4,600.0	5,000.0
Operating income (Ordinary income)	296.1 (274.7)	320.0 (300.0)	300.0 (270.0)	380.0 (360.0)	450.0 (430.0)
Net income	110.4	130.0	90.0	160.0	200.0
ROE	6.5%	7.1%	5%	8%	10.2%
FCF	38.6	0	-50.0	100.0	200.0
Debt/Equity ratio	0.46	0.4	0.5	0.4	0.4
Equity ratio	32.3%	33%	33%	34%	35%
Interest-bearing debt	975.5	1,000.0	1,050.0	900.0	900.0
Dividend per share	11 yen	12 yen	12 yen	Dividend payout ratio 30%±5%	
Foreign exchange rates	109.4 yen/$** 138.0 yen/€**	118 yen/$** 130 yen/€**	120 yen/$ 130 yen/€	110 yen/$ 130 yen/€	110 yen/$ 130 yen/€

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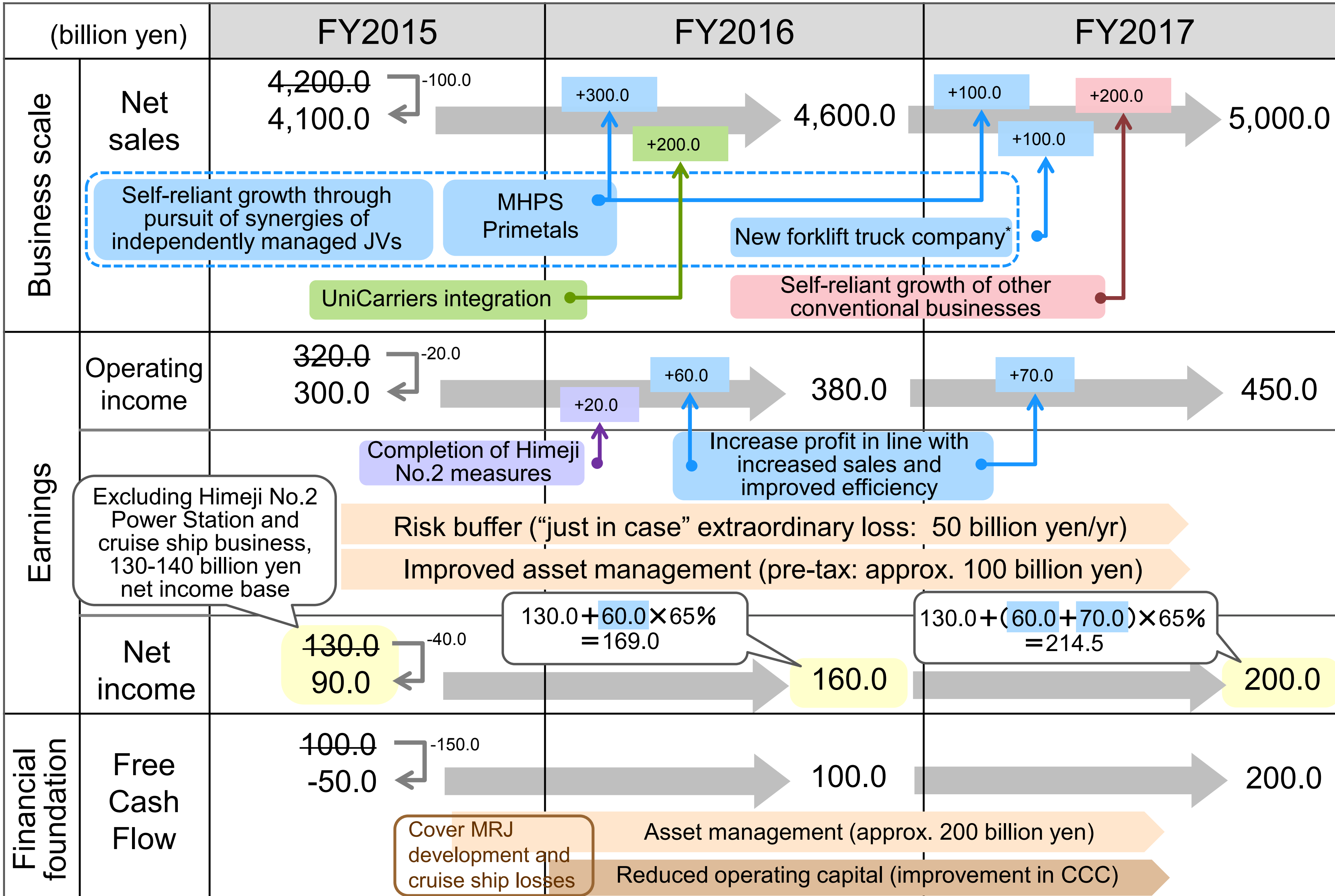
*: At the time of the second quarter financial results announcement
**: Average rate for sales recorded during the fiscal year

ROE: Return On Equity FCF: Free Cash Flow

Summary (2) Achievement of Management Targets through Reinforcement of 2015 Business Plan



MHPS: Mitsubishi Hitachi Power Systems *: Company integrating forklift truck, engine and turbocharger businesses CCC: Cash Conversion Cycle MRJ: Mitsubishi Regional Jet

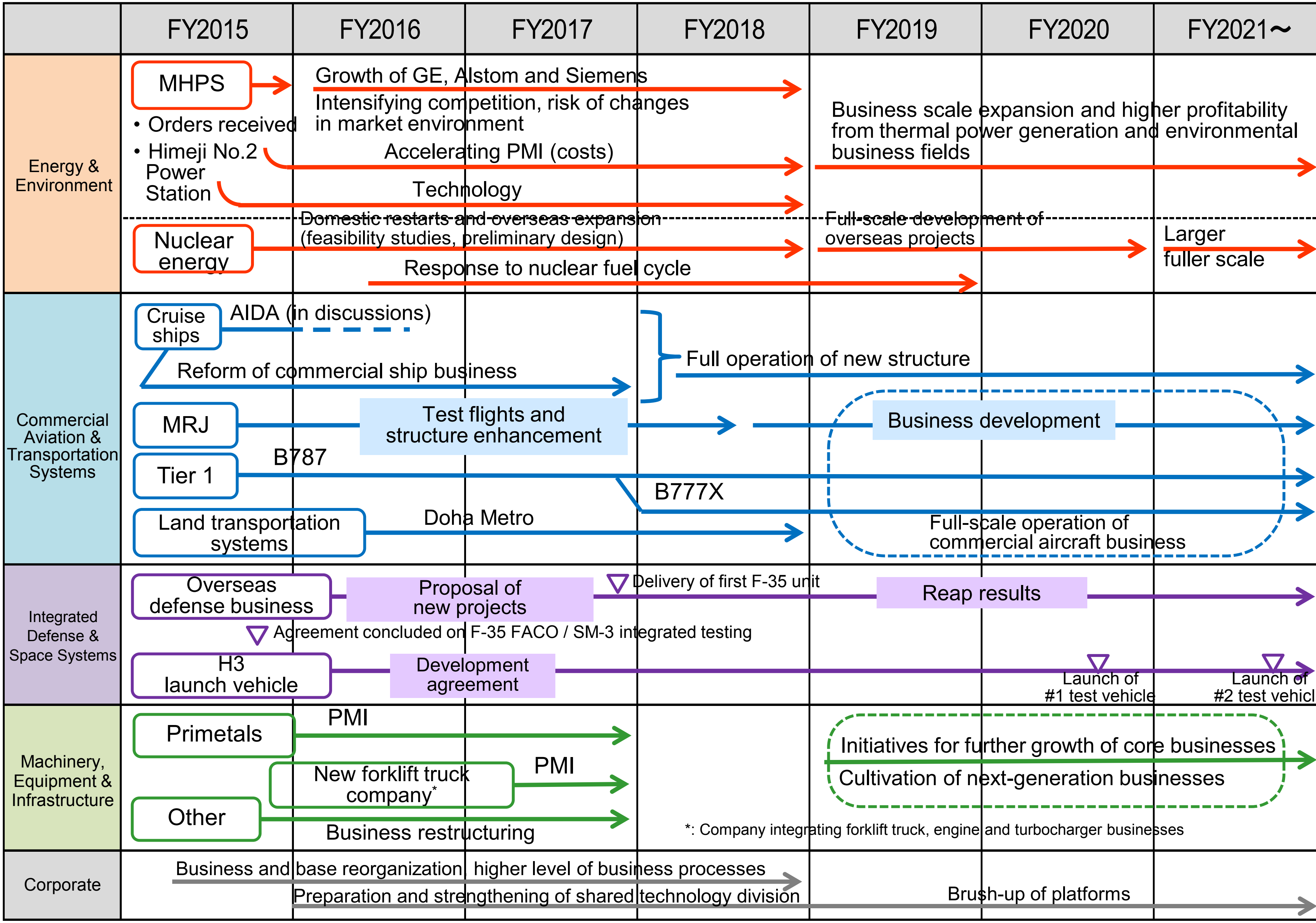
Reference: Accelerating selection of core SBUs

: Overseas Blue: FY2015 initiatives		Company	Product/Business	PMI Status and Results to Date		
				Agreement date	Net sales contribution (FY2014)	Other results, etc.
Acquisition		Federal Broach (USA)	Machine tools	Apr 2012	Approx. JPY 6bn	Business expansion and stabilization from lineup integration
		PWPS(USA) , Turboden(Italy)	Gas turbines	Dec 2012	Approx. JPY 80bn	Business expansion from added lineup in small/medium GT
		Daily Equipment (USA)	Forklift trucks	Jan 2012	Approx. JPY 4bn	Expansion of after-sale servicing business
		Concast (India)	Metals machinery	Jun 2012	Approx. JPY 2bn	Strengthening of upstream product lineup
		Toyo Engineering Works	Refrigeration systems	Jan 2014	Approx. JPY 20bn	Strengthening of engineering business
		UniCarriers Holdings	**Forklift trucks**	**Jul 2015**	**Approx. JPY 185bn**	**Further business scale growth and expanded global market share**
JV	MHI-led	Nippon Yusoki	Forklift trucks	Nov 2012	Approx. JPY 80bn	Business expansion from achievement of full lineup
		Hitachi	Thermal power generation systems	Nov 2012	Approx. JPY 400bn	Business expansion from full GT lineup (small to large), expansion of unique technologies (brown coal combustion, IGCC)
		Siemens (Germany)	Metals machinery	May 2014	Approx. JPY 50bn	Business expansion from achievement of full lineup
		IHI Metaltech	Metals machinery	Jul 2013	Approx. JPY 7bn	Strengthened lineups of aluminum rolling mills, etc.
		Mahindra & Mahindra (India)	**Agricultural machinery**	**May 2015**	**(equity-based)**	**Stronger competitiveness in domestic and global markets**
	Equal	Vestas (Denmark)	Wind turbines	Sep 2013	(equity-based)	Early achievement of strategic model (8MW) development and order receipt targets
	Partner-led	Ryobi	Commercial printing machinery	Jun 2013	(equity-based)	Business strengthening from product lineup and production integration
		Fuji Xerox	Document-related	Oct 2013	(equity-based)	Reductions in direct/indirect costs from standardization and effective document-related processes
		Miyaji Engineering	Bridges	Nov 2014	(equity-based)	Scale merits, Market share increase
		Japan Tunnel Systems	**Tunneling Shield machine**	**May 2015**	**(equity-based)**	**Assured capture of domestic demand and accelerated expansion overseas**
		Fuji Oozx	**Automobile engine valve**	**Jan 2016**	**(equity-based)**	**Market share expansion and enhanced market presence**
Transfer		HIDROMEK (Turkey)	Motor graders	Nov 2013	-	Promotion of business concentration into core competence
		Delta Electronics (Taiwan)	Lithium rechargeable batteries	Apr 2014	-	Promotion of business concentration into core competence
		Sumitomo Heavy Industries Material Handling Systems	**Industrial crane**	**May 2015**	**-**	**Promotion of business concentration into core competence**
		Michinori Holdings	**Shonan Monorail**	**May 2015**	**-**	**Promotion of business concentration into core competence**
withdrawal		**Ecovix (Brazil)**	**Shipbuilding**	**Jan 2016**	**(equity-based)**	**Promotion of business concentration into core competence**
Integration of Group Companies		**Integration of 8 Group companies undertaking businesses relating to plant/facility management, construction and real estate**		**Oct 2015**	**-**	**Stronger business management through effective use of resources and sharing of management expertise, etc.**

PWPS: Pratt & Whitney Power Systems

*: Sum booked to net sales for 3 months (approx.) after integration

Reference: Major Medium to long-term Business Developments, by Domain



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