MOVE THE WORLD FORWARD MITSUBISHI HEAVY INDUSTRIES GROUP

FASF MEMBERSHIP

Financial Results for FY2016

May 9, 2017

MITSUBISHI HEAVY INDUSTRIES, LTD.

MITSUBISHI HEAVY INDUSTRIES

Here we present an overview of MHI’s financial results for fiscal year 2016, covering the period from April 2016 through March 2017.

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MOVE THE WORLD FORWARD MITSUBISHI HEAVY INDUSTRIES GROUP

I. Financial Results for FY2016

Summary of Financial Results for FY2016

(In billion yen)

	FY2014	FY2015	FY2016	Change	
Orders received	4,699.1	4,485.5	4,275.6	-209.8	- 4.7%
Net sales	3,992.1	4,046.8	3,914.0	-132.7	- 3.3%
Operating income	(7.4%) 296.1	(7.6%) 309.5	(3.8%) 150.5	-158.9	- 51.4%
Ordinary income	(6.9%) 274.7	(6.7%) 272.5	(3.2%) 124.2	-148.2	- 54.4%
Extraordinary gain/loss	-42.0	-139.8	45.4	+185.2	-
Net income attributable to owners of parent (*)	(2.8%) 110.4	(1.6%) 63.8	(2.2%) 87.7	+23.8	+37.4%

ROE	6.5%	3.7%	5.1%	+1.4pt	
EBITDA	(11.7%) 465.0	(11.9%) 479.6	(8.7%) 339.8	- 139.7	- 29.1%

Breakdown of FY2016 Extraordinary gains/losses (45.4)

<Extraordinary gains>

-Gain on sales of investment securities 61.0
(Ryoju Properties etc.)

-Gain on sales of fixed assets 53.8
(Yokohama Bldg. etc.)

<Extraordinary losses>

-Loss on passenger vessel construction business reserve -34.3

-Compensation for damages decided in the arbitration relating to nuclear equipment in US -16.0

-Business structure improvement expenses -12.8

etc.

(*) In FY2014 : Net income

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This table shows a summary of the year's results.

Orders received totaled 4,275.6 billion yen, down 209.8 billion yen from the previous fiscal year.

Net sales finished at 3,914 billion yen, down 132.7 billion yen year-on-year.

Operating income reached 150.5 billion yen, down 158.9 billion yen from the previous year. Operating income ratio was 3.8%.

Ordinary income ended at 124.2 billion yen, down by 148.2 billion yen.

Extraordinary gains/losses finished the year with a gain of 45.4 billion yen.

As a result of these various factors, net income attributable to owners of parent reached 87.7 billion yen, an increase of 23.8 billion yen year-on-year. The net income ratio was 2.2%.

A breakdown of the year's extraordinary gains and losses are as follows.

First, with respect to extraordinary gains, we booked a 61 billion yen gain on sales of investment securities during the year, primarily from the sale of a 70% stake in Ryoju Properties, a real estate holding company, to West Japan Railway Company. In addition, we booked total gains of 53.8 billion yen on sales of fixed assets, largely from the sale of our Yokohama Building.

Next, concerning extraordinary losses, for the year as a whole we booked a loss of 34.3 billion yen in relation to our cruise ship construction business. We had initially booked a related loss exceeding 16 billion yen; but in the 4th quarter, we booked an additional loss mostly reflecting the results of negotiations with the customer relating to final commercial terms and a partial setback in construction work. We might add here that this April we completed delivery of all cruise ships, and for that reason we believe that losses arising from the cruise ship business have now ended.

We also booked 16 billion yen in compensation as the damages decided in the arbitration case relating to our contract on replacement steam generators for Southern California Edison's San Onofre Nuclear Generating Station—SONGS—in the United States. During fiscal 2016 we also booked 12.8 billion yen in expenses for business structure improvements; these mostly related to our ongoing reforms and reviews of our business portfolio.

Financial Results for FY2016 by Segment

(In billion yen)

	Orders received			Net sales			Operating income		
	FY2015	FY2016	Change	FY2015	FY2016	Change	FY2015	FY2016	Change
Energy & Environment	2,005.0	1,688.7	- 316.3	1,542.7	1,470.4	- 72.3	154.6	110.5	- 44.1
Commercial Aviation & Transportation Systems	607.1	415.1	- 191.9	548.5	515.3	- 33.1	54.5	- 51.9	- 106.4
Integrated Defense & Space Systems	447.7	702.1	+254.4	485.0	470.6	- 14.4	25.7	27.9	+2.1
Machinery, Equipment & Infrastructure	1,392.5	1,464.3	+71.8	1,432.3	1,438.0	+5.6	80.0	72.5	- 7.5
Others	162.8	160.4	- 2.3	177.3	175.9	- 1.4	12.6	10.7	- 1.8
Eliminations or Corporate	- 129.8	- 155.3	- 25.4	- 139.2	- 156.3	- 17.1	- 18.1	- 19.3	- 1.1
Total	4,485.5	4,275.6	- 209.8	4,046.8	3,914.0	- 132.7	309.5	150.5	- 158.9

Here we see a breakdown of the year's results by segment. I will explain these results in greater detail on page 7.

Balance Sheet Overview

MITSUBISHI HEAVY INDUSTRIES

(In billion yen)

	As of March 31, 2015	As of (*) March 31, 2016	As of March 31, 2017	Change
Trade receivables	1,291.2	1,200.8	1,180.1	-20.7
Inventories	1,324.8	1,335.9	1,325.5	-10.4
Other current assets	935.8	992.9	1,016.3	+23.4
Total fixed assets	1,196.3	1,270.9	1,184.5	-86.4
Investments and advances	772.0	699.9	775.3	+75.4
Total assets	5,520.3	5,500.7	5,481.9	-18.7
Trade payables	869.2	860.6	836.0	-24.5
Advance payments received on contracts	663.1	749.7	777.6	+27.9
Other current liabilities	892.3	838.4	835.3	-3.0
Interest-bearing debt	975.5	1,052.1	925.5	-126.5
Net assets	2,120.0	1,999.7	2,107.2	+107.5
Net worth (Owners equity)	1,780.7	1,679.7	1,782.6	+102.9
Total liabilities and net assets	5,520.3	5,500.7	5,481.9	-18.7

Buildings and structures -35.9
Land -18.2
etc.
(Sale of Yokohama Bldg., etc.)

Dividend -40.2
Net income +87.7
Other comprehensive income +61.3 etc.
(Unrealized holding gain on investment securities, etc.)

(*) Acquisition of UniCarriers Holdings Corporation in FY2015:
Revision of purchase price and purchase price allocation has been factored into FY2015's year-end balance sheets and some main financial measures.

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Next, I will give an overview of our balance sheets.

As of the end of fiscal 2016, our total assets stand at 5,481.9 billion yen, generally on a par with the level of the previous year.

At MHI, we see building efficient balance sheets as an important mainstay of our cash flow management. When certain extraordinary factors are excluded—for example, our project in South Africa and the MRJ—we continue to make steady progress in squeezing our balance sheets (as I will explain in greater detail on page 17).

Within the breakdown of assets, the decrease recorded in total fixed assets is attributable largely to the sale of real estate property that I noted on page 3.

Among our liabilities, in this period we succeeded in generating a free cash flow in excess of 100 billion yen, and by using this we are reducing our interest-bearing debt. As a result, the year ended with interest-bearing debt totaling 925.5 billion yen, a decrease year-on-year by 126.5 billion yen.

In terms of net assets, our net worth—or owners equity—increased by 102.9 billion yen from the previous year, mostly owing to gains booked and share valuation gains. Overall, our net assets grew by 107.5 billion yen, to 2,107.2 billion yen. As a result, we conclude that progress is being made in the strengthening of our financial structure.

Main Financial Measures, Cash Flows

MITSUBISHI HEAVY INDUSTRIES

Main Financial Measures

	FY2014	FY2015	FY2016	Change
Equity ratio	32.3%	(*)30.5%	32.5%	+2.0pt
Interest-bearing debt (In billion yen)	975.5	1,052.1	925.5	-126.5
D/E ratio	46%	53%	44%	-9pt

Cash Flows

(In billion yen)

	FY2014	FY2015	FY2016
Operating activities Cash Flow	212.8	270.0	95.9
Investing activities Cash Flow	-174.1	-262.4	8.7
Free Cash Flow	38.6	7.5	104.6

(*) Acquisition of UniCarriers Holdings Corporation in FY2015:
Revision of purchase price and purchase price allocation has been factored into FY2015's year-end balance sheets and some main financial measures.

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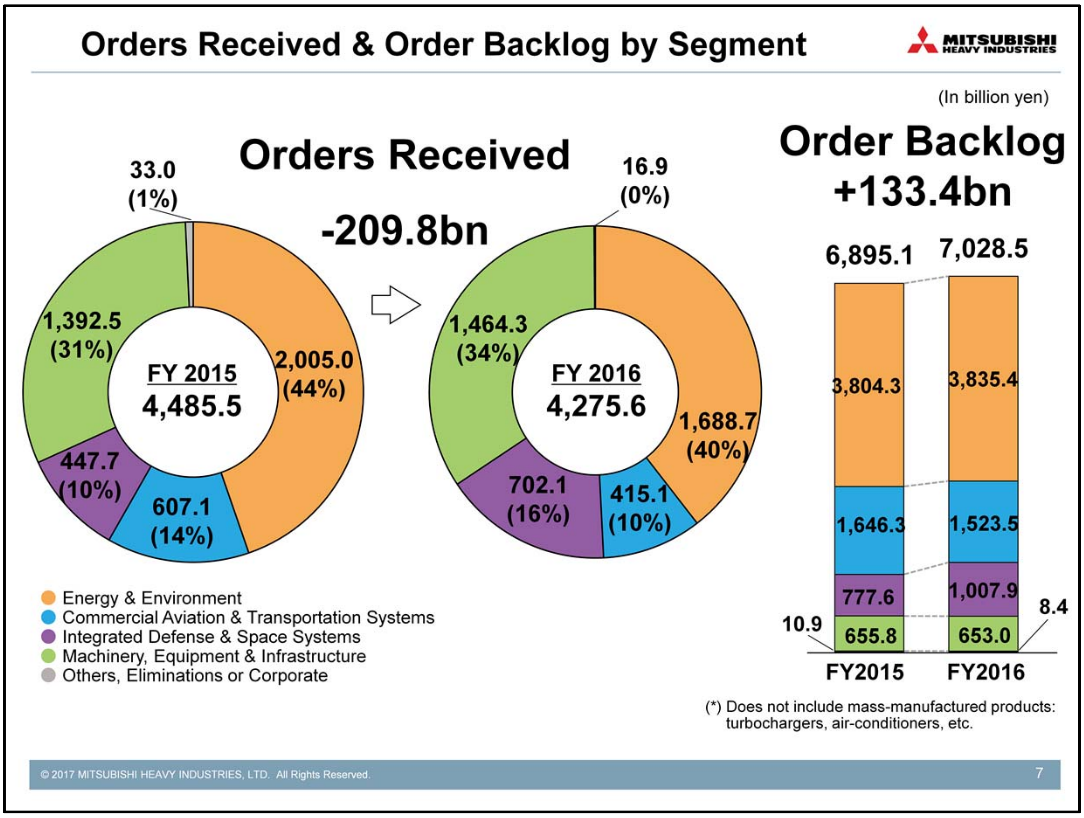
Concerning our main financial measures, as a result of the aforementioned generation of cash flow and strengthening of our financial structure, improvements were made across the board in our equity ratio, balance of interest-bearing debt, and D/E ratio.

The status of our cash flows is shown in the table.



Next, I will explain our orders received, order backlog, net sales and operating income results, by segment.

Orders received during the year reached 4,275.6 billion yen, down by 209.8 billion yen from fiscal 2015.

In the Energy & Environment segment, orders were generally down due to the suspension of some large-scale thermal power plant projects and the delay of related business negotiations, both in Japan and overseas. The same was true for some chemical plants.

In the Commercial Aviation & Transportation Systems segment, orders were down year-on-year. There were two main factors for this: the absence of new orders for both LNG and LPG gas carriers in the commercial ship business, and deferment of large-scale transportation system projects to next year or later.

However, in the Integrated Defense & Space Systems segment, fiscal 2016 we saw an increase in orders for missile systems.

In the Machinery, Equipment & Infrastructure segment, orders for forklift trucks and turbochargers increased but orders for compressors decreased due to sluggishness in the oil and gas industries.

At the end of fiscal 2016 our order backlog stood at 7,028.5 billion yen, representing an increase of 133.4 billion yen compared to the previous year.

Orders Received & Order Backlog by Segment

MITSUBISHI HEAVY INDUSTRIES

Energy & Environment

Decreased orders for :
- Chemical plants
- Thermal power plants

Integrated Defense & Space Systems

Increased orders for:
- Missile systems

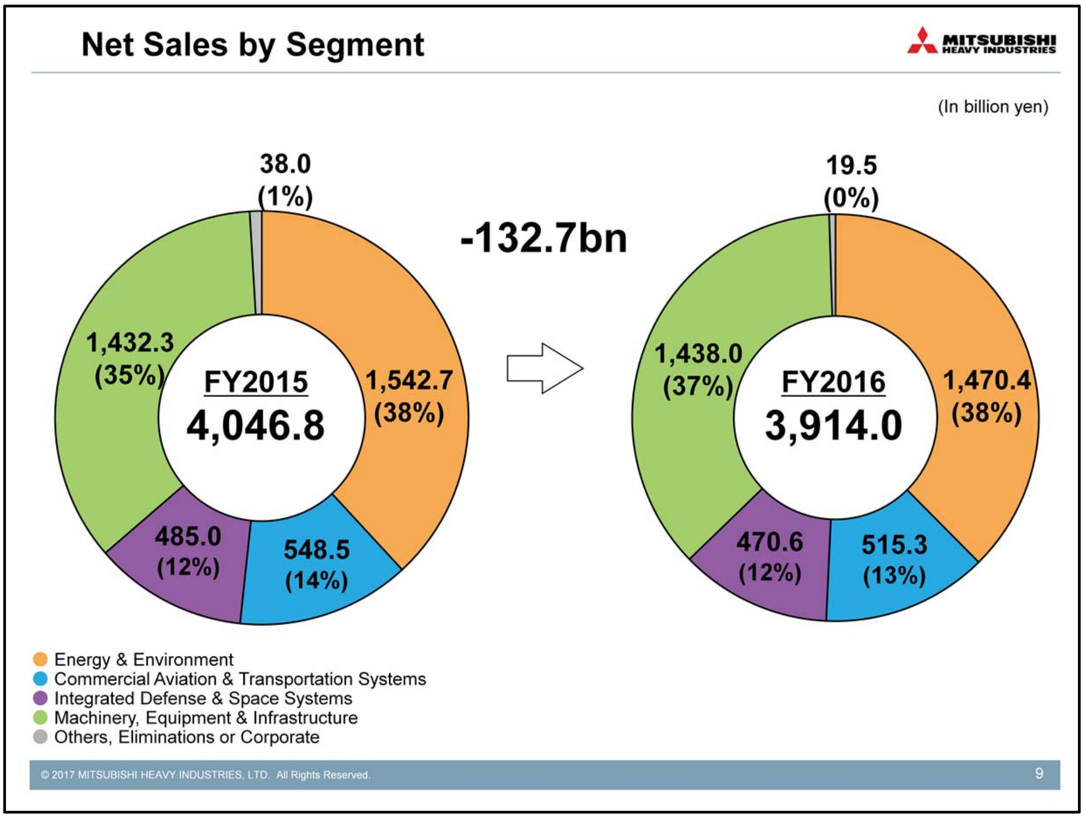
Commercial Aviation & Transportation Systems

Decreased orders for:
- Commercial ships
- Transportation systems

Machinery, Equipment & Infrastructure

Increased orders for:
- Forklift trucks
- Turbochargers

Decreased orders for:
- Compressors



Next, I will explain our net sales performance, by segment.

As a whole, net sales in fiscal 2016 reached 3,914 billion yen, down 132.7 billion yen year-on-year.

In the Energy & Environment segment, sales of chemical plants increased but sales of thermal power plants decreased.

In the Commercial Aviation & Transportation Systems domain, sales of transportation systems were up but sales of commercial aircraft—Tier 1 business—were down.

In the Integrated Defense & Space Systems segment, sales of space systems—especially H-IIA launch vehicles—increased this past year, while actual sales of missiles decreased.

Finally, in the Machinery, Equipment & Infrastructure segment, as with orders received, sales increased on the back of robust demand for forklift trucks and turbochargers. Sales of metals machinery declined, however, as a direct result of sluggish metals-related investment worldwide.

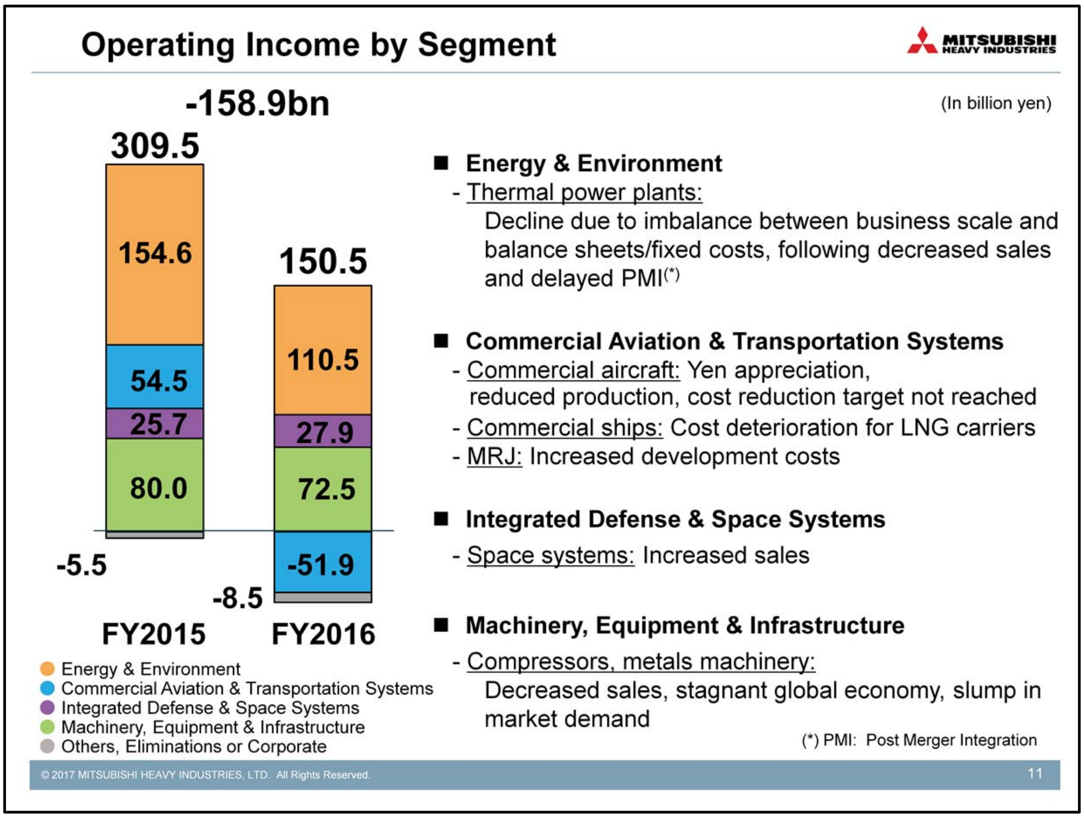
Net Sales by Segment

- **Energy & Environment**
  - Increased: Chemical plants
  - Decreased: Thermal power plants

- **Integrated Defense & Space Systems**
  - Increased: Space systems
  - Decreased : Missile systems

- **Commercial Aviation & Transportation Systems**
  - Increased: Transportation systems
  - Decreased : Commercial aircraft

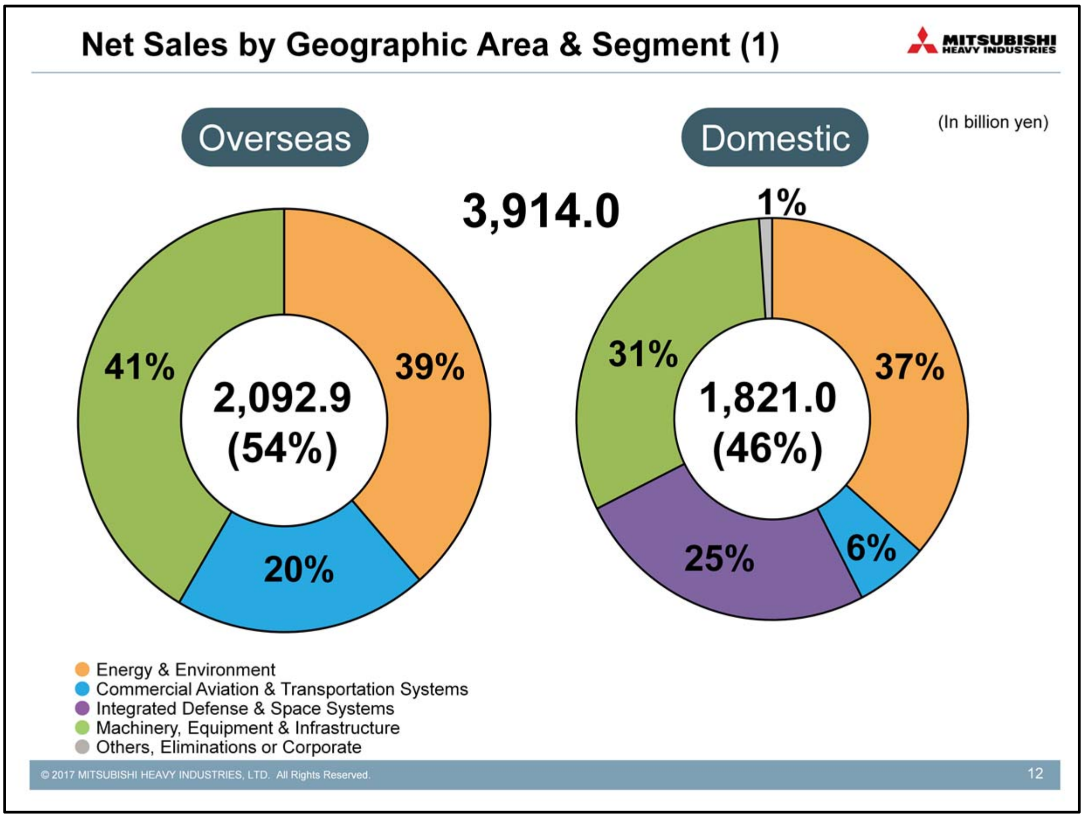
- **Machinery, Equipment & Infrastructure**
  - Increased: Forklift trucks, Turbochargers
  - Decreased : Metals machinery



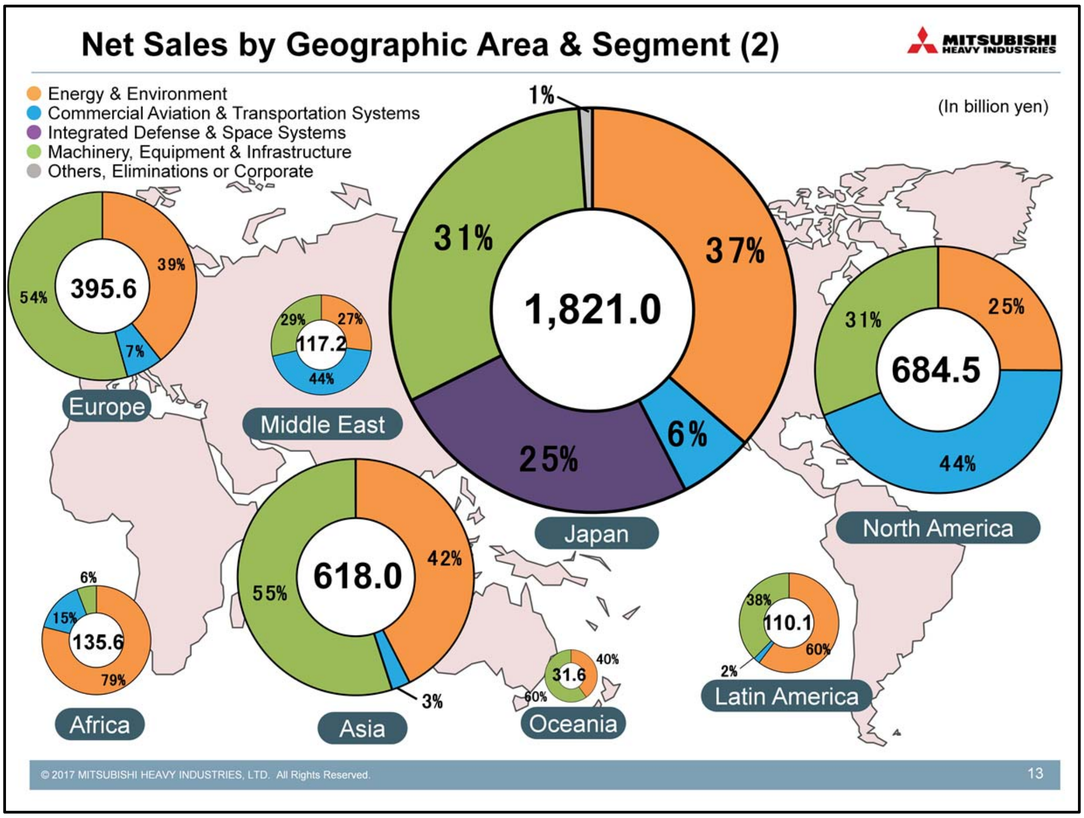
Next, I will turn to operating income results by segment.

In the Commercial Aviation & Transportation Systems segment, operating income decreased by 106.4 billion yen compared with fiscal 2015. While the segment posted 54.5 billion yen in profit last year, in this past year it registered a loss of 51.9 billion yen. Three main factors contributed: a decrease in the scale of the Tier1 commercial aircraft business, increased costs from the commercial ship business, and increased development costs relating to the MRJ.

In the Energy & Environment segment, operating income decreased by 44.1 billion yen year-on-year. This was largely due to the emergence of an imbalance between business scale and balance sheets and fixed costs, as sales of thermal power plants decreased at Mitsubishi Hitachi Power Systems.



Here we see a breakdown of our net sales by geographic area.


Net Sales by Geographic Area & Segment (2)
MITSUBISHI HEAVY INDUSTRIES
Energy & Environment
Commercial Aviation & Transportation Systems
Integrated Defense & Space Systems
Machinery, Equipment & Infrastructure
Others, Eliminations or Corporate
(In billion yen)
1,821.0
37%
6%
25%
31%
1%
Japan
395.6
39%
7%
54%
Europe
117.2
27%
44%
29%
Middle East
684.5
25%
44%
31%
North America
618.0
42%
3%
55%
Asia
135.6
79%
15%
6%
Africa
31.6
40%
60%
Oceania
110.1
60%
2%
38%
Latin America
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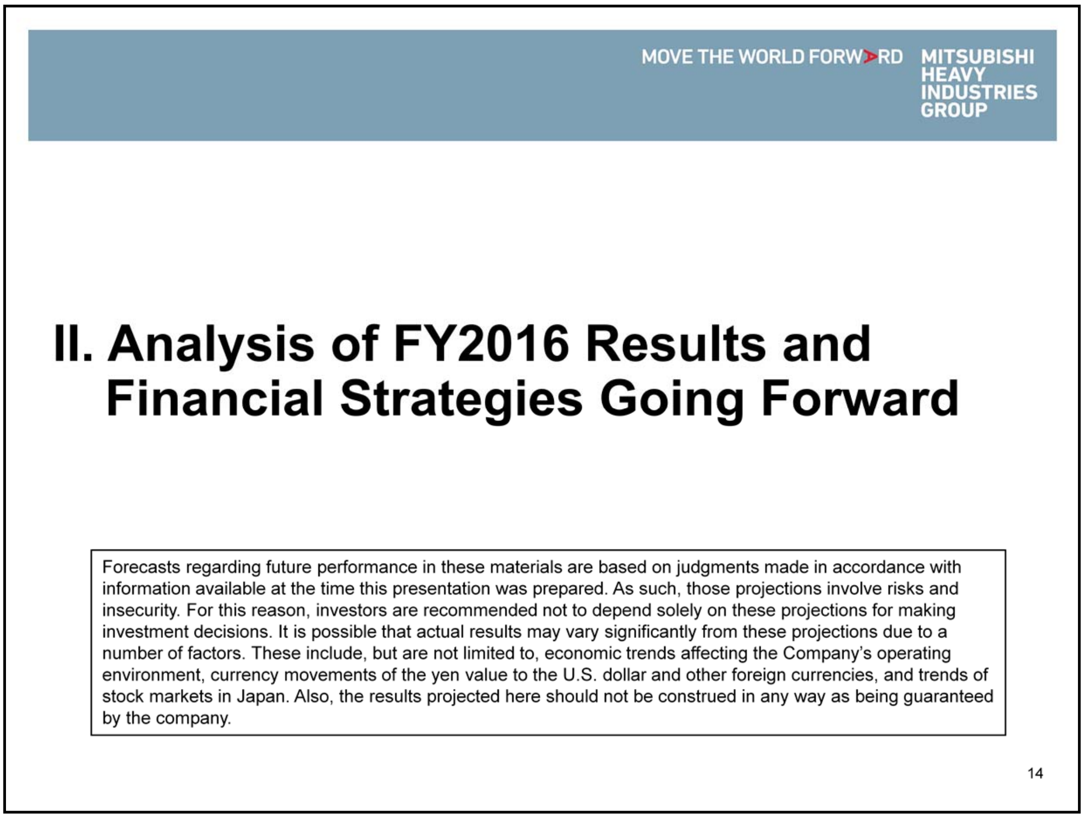
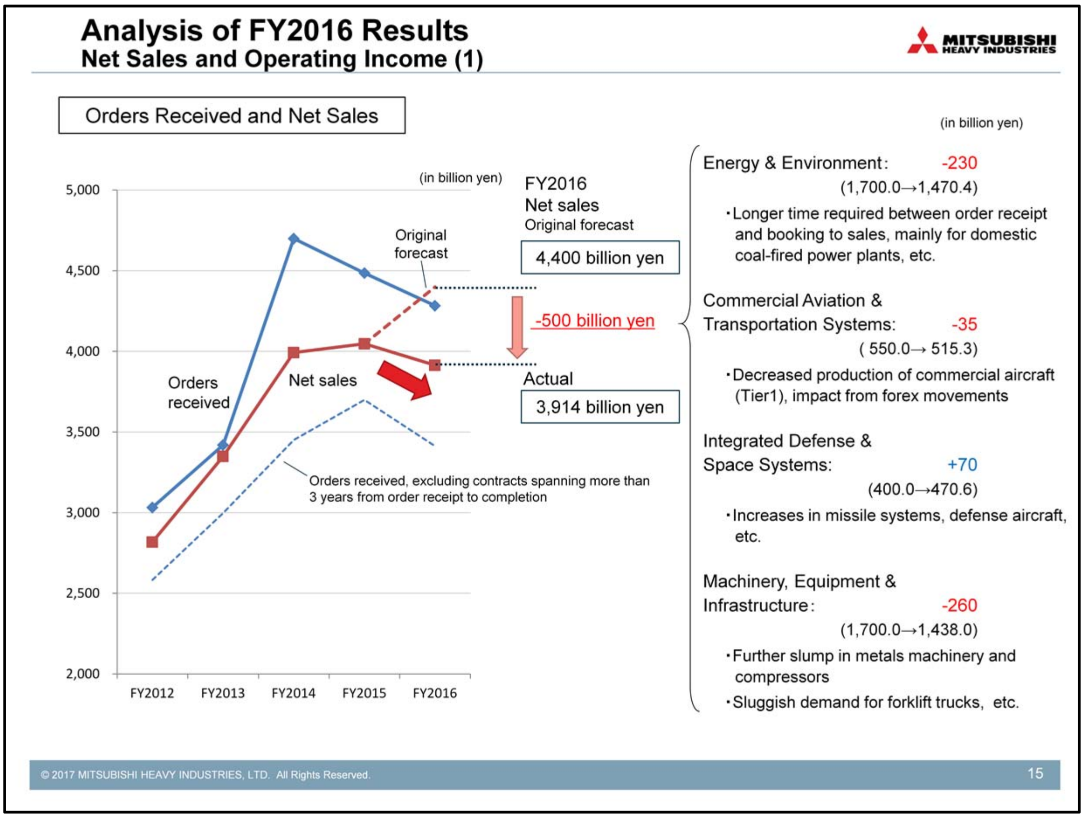
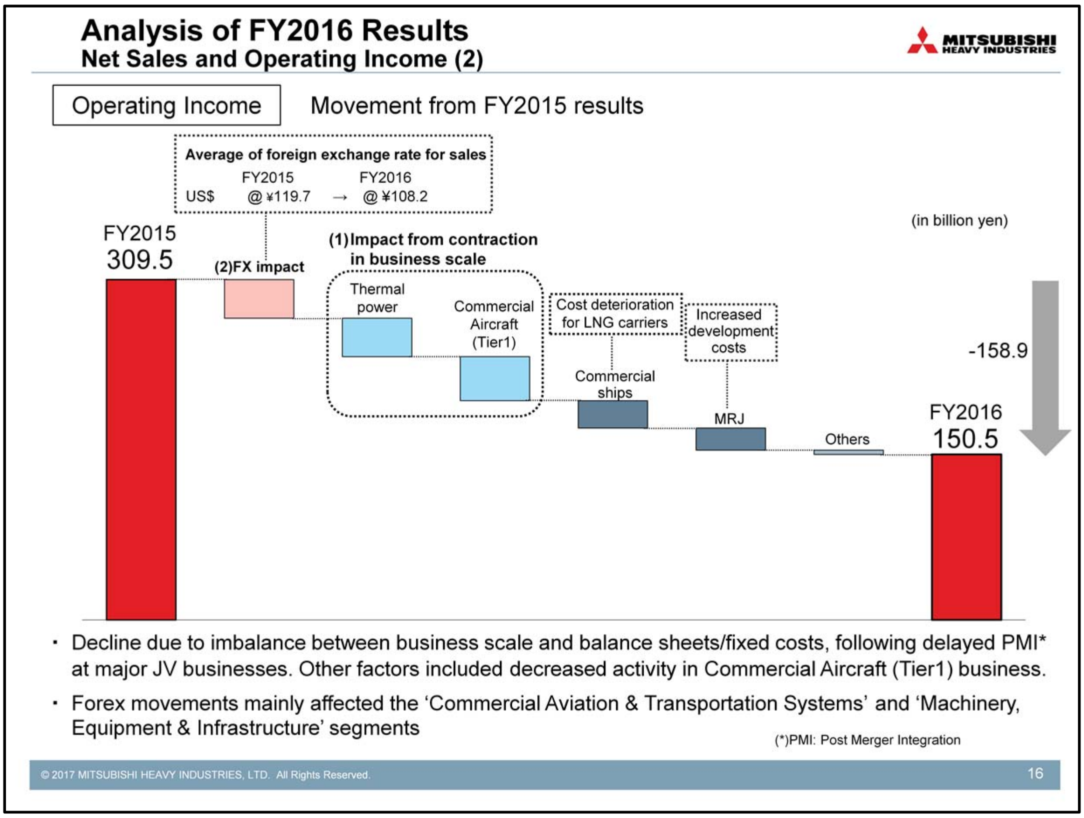


Now, I would like to turn to an analysis of our fiscal 2016 business results, followed by a presentation of our financial strategies going forward in response to those results.



Until now, we considered it usual for there to be, on average, a lapse of approximately 2 years between the time an order is received and its booking to sales. In this graph, the solid blue line describes the trajectory of our order receipts since fiscal 2012. The dotted blue line describes the course of order receipts, excluding contracts spanning more than 3 years between order receipt and final delivery. As the figure shows, since fiscal 2014 the gap between the two lines has been expanding significantly. What this means is that, on average, a longer period of time is required between the time when an order is received and the time when the order is completed. As a consequence, net sales—indicated by the red line—hit a plateau in fiscal 2016, and we expect related booking to sales to be delayed until fiscal 2017 or thereafter.

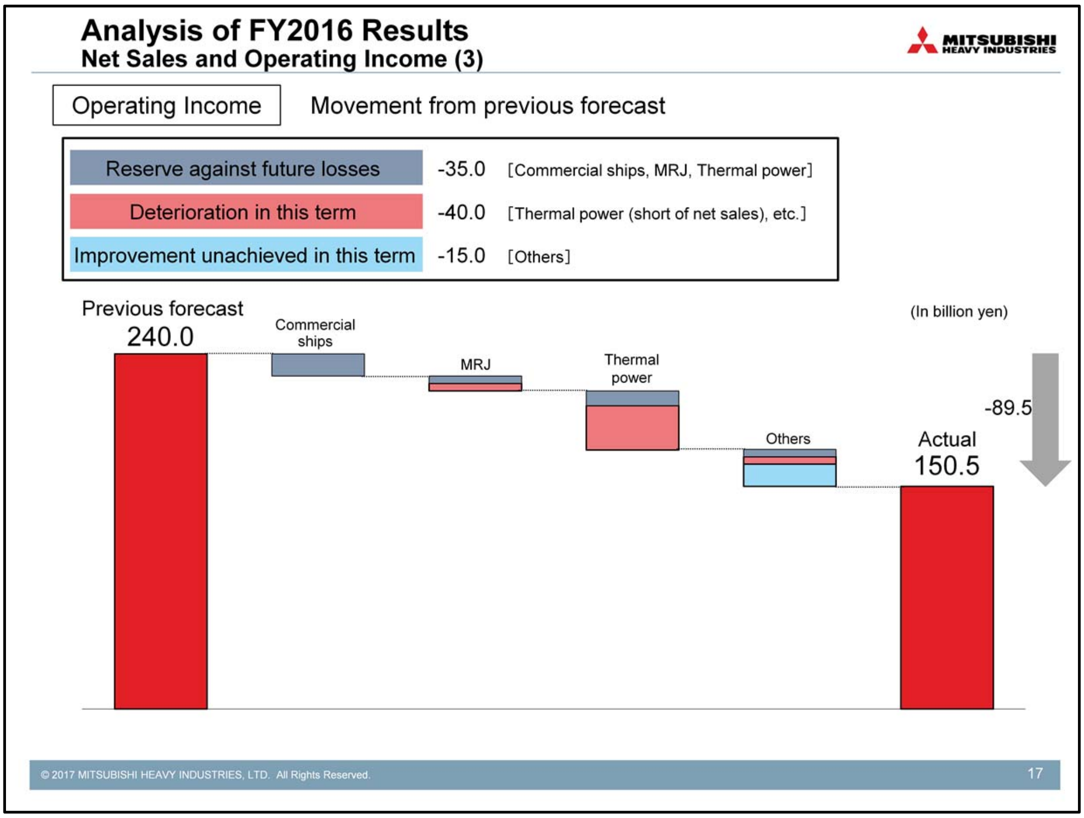


Next, I would like to explain the factors behind the decrease in operating income compared to the corresponding results for fiscal 2015.

The primary factor is an imbalance between our business scale and our balance sheets and fixed costs. As a consequence of efforts to build up our corporate structure in pursuit of a business scale of 5 trillion yen, our balance sheets and fixed costs are both in expansionary trends. Meanwhile, as I explained in reference to page 13, sales growth has become sluggish. As a result, an imbalance between the two has emerged, serving as a detrimental factor for profits. We see this situation playing out primarily in the areas of thermal power plants and the Tier 1 commercial aircraft business.

A second factor is cost deterioration—stemming largely from newly clarified technology issues. This has eroded business relating to commercial ships and the MRJ.

Another negative factor has been forex movements. As a result of all of these factors taken together, operating income in fiscal 2016 fell to roughly half the level recorded in fiscal 2015.

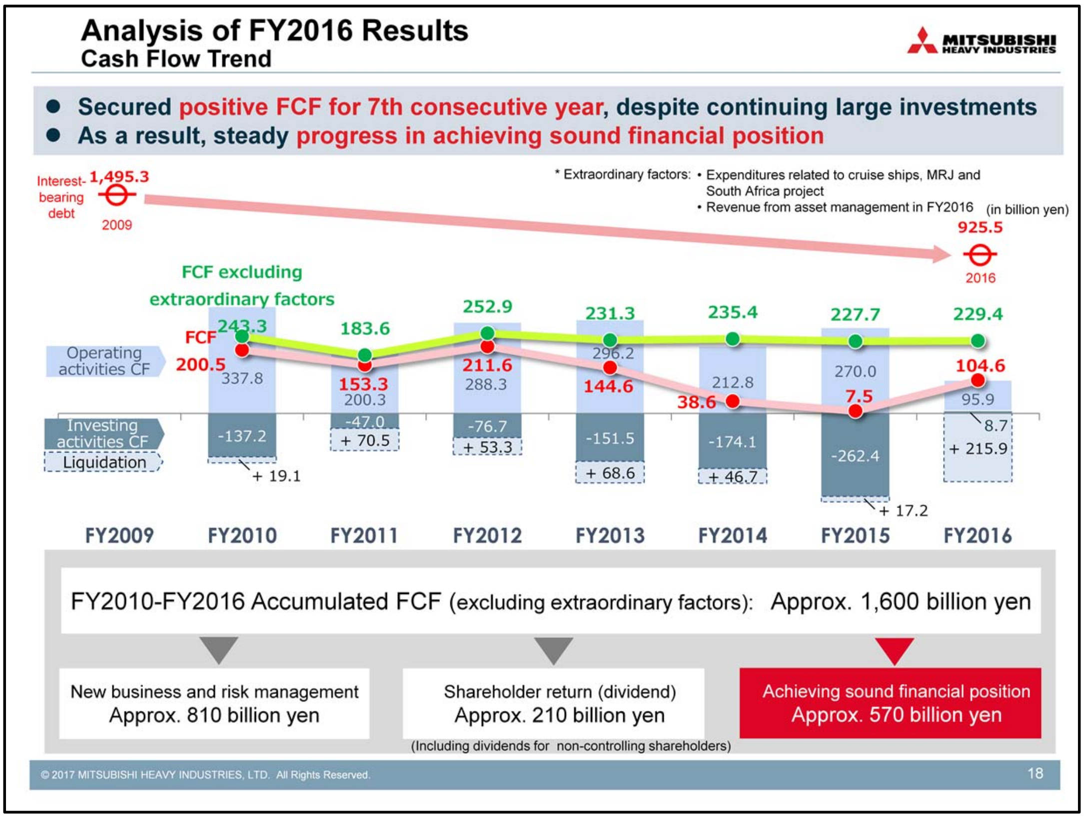


On February 2nd we issued an operating income forecast of 240 billion yen for the year. Ultimately, the result was 89.5 billion yen below that figure. Here, I would like to explain the factors behind this shortfall.

The first factor is our reserve set aside against future losses. As cost and quality issues came to light with respect to our LNG carriers, in the 4th quarter we set aside a reserve to deal with those issues. With respect to the MRJ also, we have dealt in advance with part of the costs we expect to emerge in the future. And concerning thermal power plants as well, we set aside a reserve to cover costs related to product assurance. Taken together, the reserve against future losses—the gray areas in the chart—total approximately 35 billion yen.

The second factor is the deterioration seen in fiscal 2016, particularly in the area of thermal power plants. In the 4th quarter, sales and profits from after-sale servicing operations failed to grow to the extent anticipated from the pattern of earlier years; and as a result the scale of our after-sale servicing business, which usually generates higher margins, decreased, leading to a substantial deterioration in operating income this term. Factors related to this deterioration—the pink areas in the chart—totaled roughly 40 billion yen.

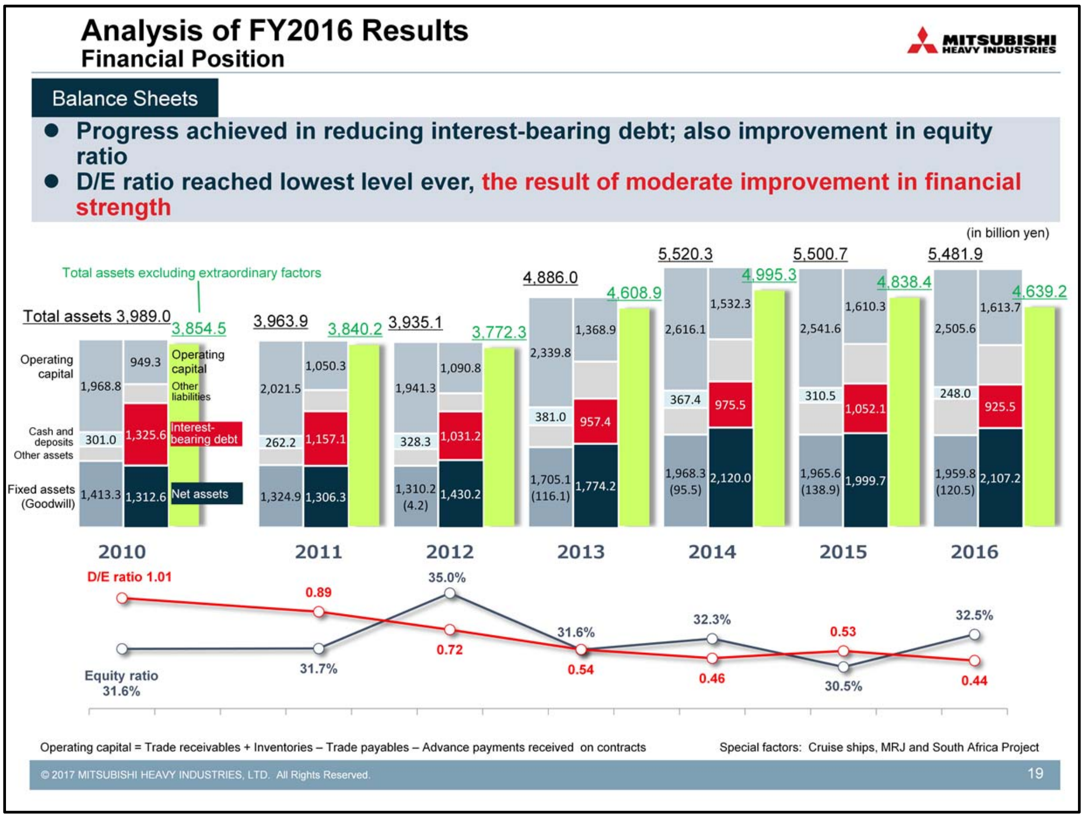
The third factor was failure to achieve the improvement projected for the term. Activities targeting enhanced profitability that were thought achievable in the end went unachieved—resulting in erosion of operating income, the light blue areas in the chart, totaling some 15 billion yen.



As I explained earlier, business results failed to reach targets. Regarding our financial position, however, we continued to secure our sound financial position while implementing improvements. I would like to explain how this is being done.

This page indicates our cash flow and interest-bearing debt positions. The zigzag pink line indicates free cash flow. In fiscal 2016 it reached 104.6 billion yen.

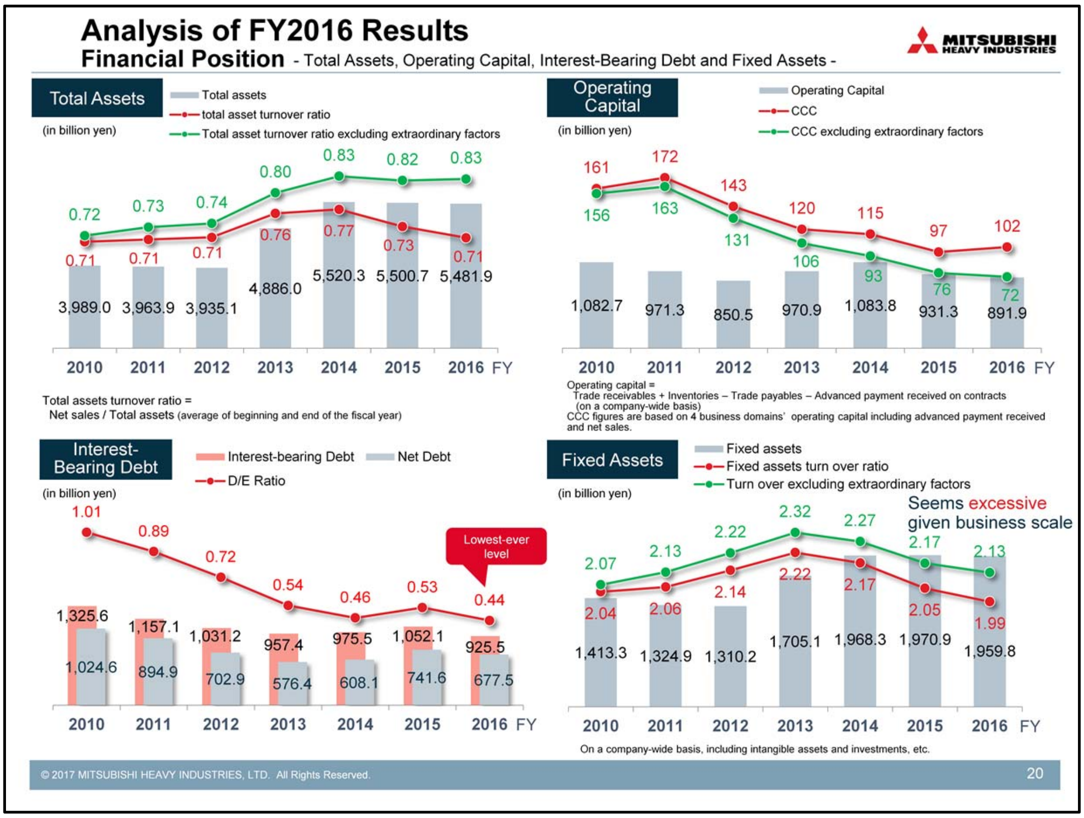
The green line above it describes free cash flow when various extraordinary factors are excluded: namely, expenditures related to the MRJ, cruise ship business, South Africa project, and income from asset management activities. The latter is what we consider as our regular free cash flow. In fiscal 2009 and earlier, this cash flow was close to zero; but starting in fiscal 2010, as we undertook a shift in management toward emphasis on cash flow, we began generating a free cash flow above 200 billion yen on a steady basis. When the extraordinary factors are excluded, between fiscal 2010 and fiscal 2016 we succeeded in acquiring a cumulative free cash flow of 1,600 billion yen. Of that amount, we directed some 810 billion yen into new businesses and risk management to cope with the extraordinary factors. We applied approximately 570 billion yen toward achieving a sound financial position, and allocated roughly 210 billion yen for shareholder returns—dividends. Cash flow generated from balance sheet improvements has been allocated to strengthening our financial position by paying back outstanding loans. As shown in the solid pink line above the chart, our interest-bearing debt has been reduced from nearly 1,500 billion yen as of the end of fiscal 2009, to 925.5 billion yen at the end of fiscal 2016—the lowest level to date.



Next, I would like to present the situation of our balance sheets.

In reference to page 5, I described how in fiscal 2016 our balance sheets were virtually unchanged from the level of the preceding year. Here again, when extraordinary factors are excluded—the MRJ, the cruise ships business, and the project in South Africa, etc.—our balance sheets are steadily being squeezed. As a result, net assets are steadily increasing as interest-bearing debt is being reduced, enabling improvements in both our equity ratio and D/E ratio. The D/E ratio was improved to 0.44.

As this indicates, although business results have stalled, we believe that steady progress is being made in improving our financial position.

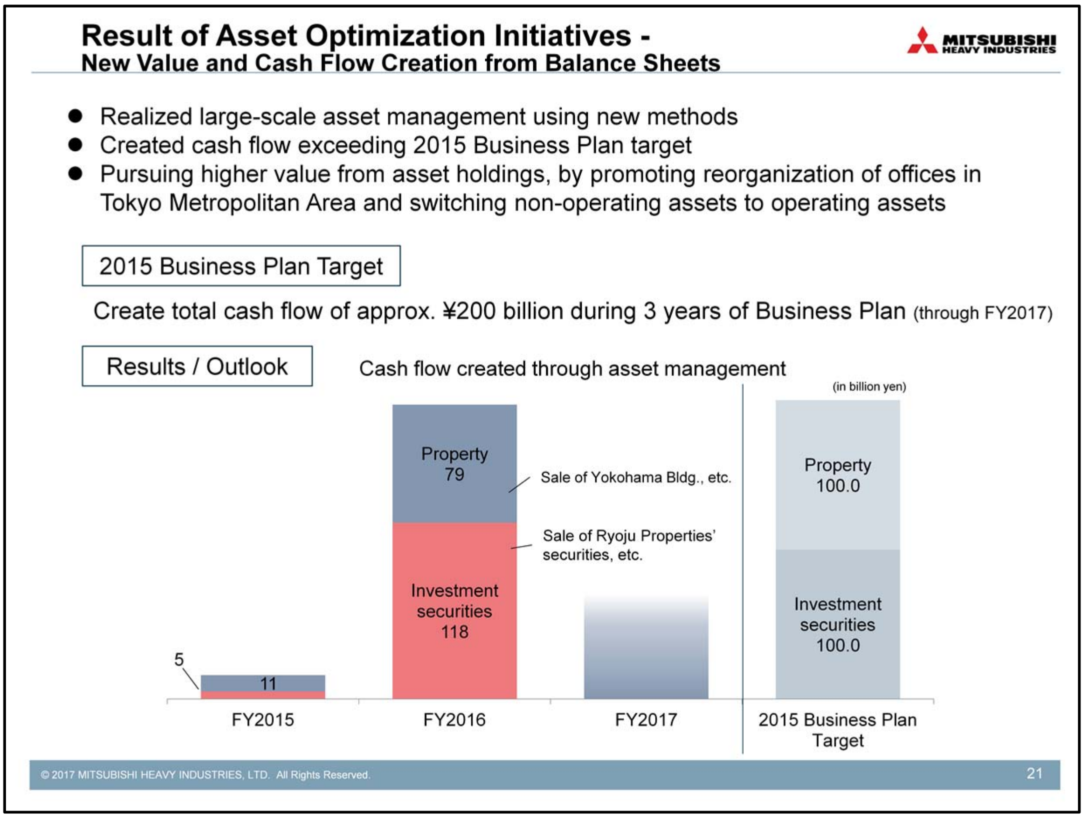


Our total asset turnover ratio, excluding extraordinary factors, finished fiscal 2016 at 0.83. Although this figure by no means compares favorably with the ratios of other companies, it nonetheless represents an improvement from the 0.72 ratio we recorded in fiscal 2010.

Our cash conversion cycle, or “CCC,” which indicates our working capital status, ended fiscal 2016 at 72 days—again, when extraordinary factors are excluded. This is down from the 163 days recorded in fiscal 2011.

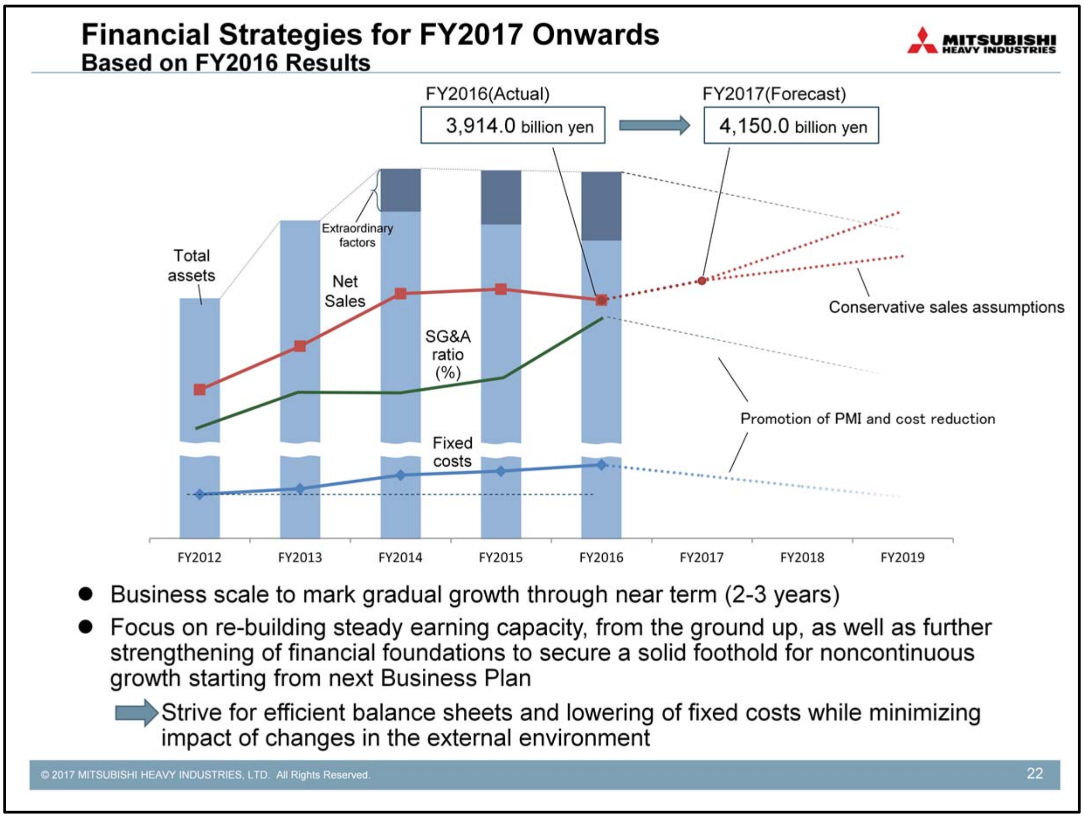
Our interest-bearing debt is steadily improving, as I explained on pages 16 and 17.

Our fixed assets turnover ratio strongly reflects the trend toward an imbalance between our business scale and our fixed costs and balance sheets, as explained earlier. Specifically, whereas our fixed assets increased significantly as a result of M&A activities, sales have not grown proportionately, causing the fixed assets turnover ratio to decline. Excluding extraordinary factors, the ratio for fiscal 2016 was 2.13, down from 2.32 in fiscal 2013. We see this as a major management challenge, and going forward we believe it will be necessary to focus more on post-merger integration.



Here, I would like to discuss the results of our asset management initiatives.

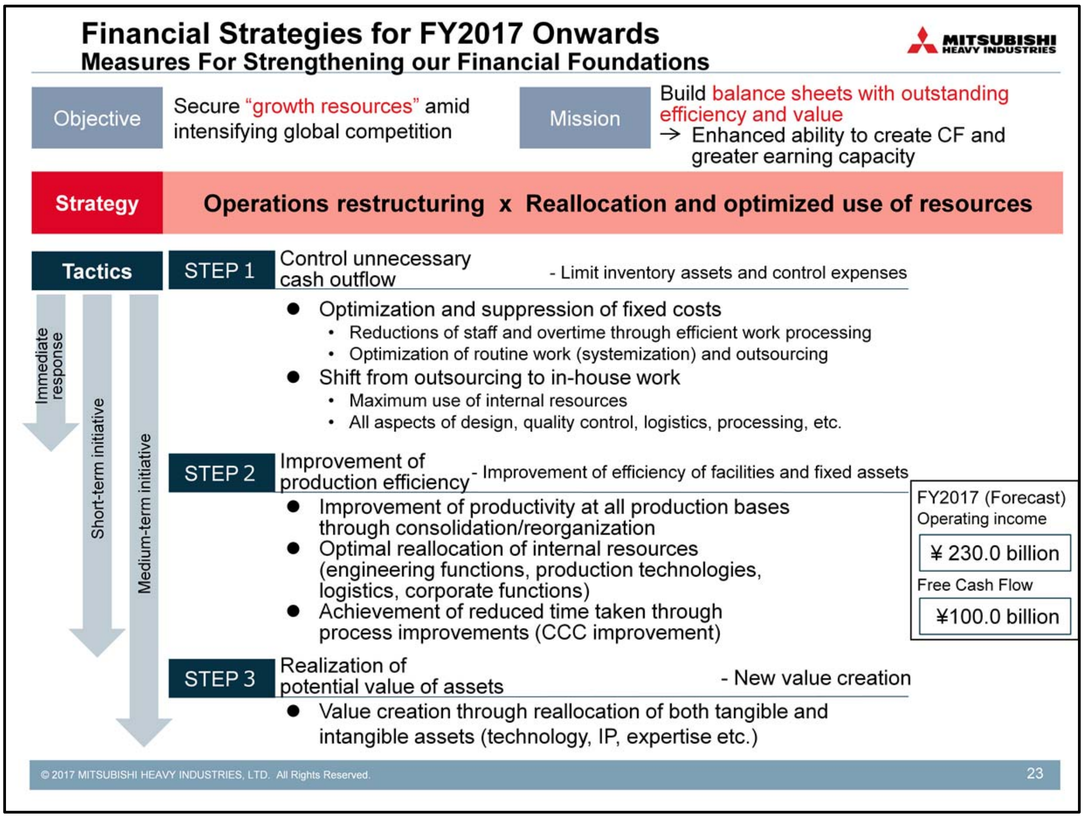
As a new undertaking, we are pursuing ways to efficiently generate profits and cash flow from our balance sheets. Today this is a mainstay of our management program. In our 2015 Business Plan, we set a target to generate a cash flow of 200 billion yen from property and investment securities, creating new value not through simple equivalent exchanges—i.e. selloffs—but rather through asset shuffling, pursuing collaborative business with other companies, and so forth. In fiscal 2016 we came very close to achieving that target, and in fiscal 2017 and beyond we intend to put forth more ideas to enable us to create greater value and cash flow through further asset management activities.



In view of these circumstances, I will now explain our financial strategies for fiscal 2017 and beyond.

First, as I explained on page 13, the length of time between order receipt and booking to sales is getting longer than before. After analyzing the situation in detail, we have concluded that this trend is likely to continue in fiscal 2017, but thereafter sales will gradually increase. Meanwhile, our SG&A expenditures and fixed costs have already reached the level corresponding to a business scale of 5 trillion yen, so going forward we will focus on cutting those costs and achieving greater efficiency of management.

Despite the severity surrounding our sales and margins, by further squeezing our balance sheets and implementing various ways of raising our total assets turnover ratio to the extent possible, we will strive to secure stable earnings in the years ahead.



Squeezing of balance sheets is little affected by external factors; on the contrary, it is achievable to a great extent through our own initiatives. Here, I will explain how we will step up our efforts in this regard.

As a first step we will curb unnecessary cash outflows. For example, we will immediately shift from outsourcing to in-house production.

Secondly, we will improve our production efficiency. Currently many of our factories are not operating at their full capacity. By optimally reallocating such underperforming factories, we will raise our overall equipment effectiveness. We will also put our surplus assets to good use through enhanced asset management.

Lastly, we will implement measures for generating profits from our balance sheets and creating cash flow. This will be done by making active use of our asset holdings, not just internally but across the board. The assets to be targeted will not be limited to tangible fixed assets but will also include technologies, intellectual property, expertise, and the like.

By implementing measures such as these on a steady basis, we aim to make our balance sheets—a burden until now—profitable as quickly as possible, improving our operating income so that these funds can be used to make capital investments and R&D in future.

Summary of Forecast for FY2017

MITSUBISHI HEAVY INDUSTRIES

(In billion yen)

	FY2016 (Actual)	FY2017 (Forecast)	Change	
Orders received	4,275.6	4,500.0	+224.3	+5.2%
Net sales	3,914.0	4,150.0	+235.9	+6.0%
Operating income	(3.8%) 150.5	(5.5%) 230.0	+79.4	+52.8%
Ordinary income	(3.2%) 124.2	(5.1%) 210.0	+85.7	+69.0%
Net income attributable to owners of parent	(2.2%) 87.7	(2.4%) 100.0	+12.2	+14.0%
ROE	5.1%	5.5%	+0.4pt	-
EBITDA	(8.7%) 339.8	(10.4%) 430.0	+90.1	+26.5%
Free cash flow	104.6	100.0	- 4.6	- 4.4%
Dividend (per share)	12.0yen Interim: 6.0yen year-end: 6.0yen	12.0yen Interim: 6.0yen (*) year-end: 6.0yen		

<exchange rate>
US$ 1.00 = ¥110
Euro 1.00 = ¥120

<undetermined amount>
US$: 1.5 billion
Euro: 0.2 billion

(*) MHI will undertake a share consolidation (ten to one) effective October 1, 2017. In FY2017 the Company expects to issue a year-end dividend of 60 yen; however, for the purpose of comparison against FY2016 results, here the year-end dividend does not factor in the scheduled share consolidation.

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Here we see a summary of our forecasts for fiscal 2017 in light of the policies and measures I have described.

First, we look for orders received to reach 4,500 billion yen, based on our most recent projections.

Regarding net sales, we are anticipating a total of 4,150 billion yen, increasing slightly from fiscal 2016, based on the situation I have explained above. We believe it will take slightly more time before our order backlog is reflected in sales.

We are projecting that operating income will reach roughly 230 billion yen, given that not enough progress will have been made in trimming our fixed costs.

By the same token, we look for ordinary income of 210 billion yen, net income attributable to owners of parent of 100 billion yen, ROE of 5.5%, and EBITDA of 430 billion yen.

Our free cash flow outlook for fiscal 2017 is 100 billion yen.

Factoring in all of the above, we hope to maintain an annual dividend of 12 yen per share. This does not take into consideration the share consolidation—10 to 1—scheduled for October 1, 2017.

Forecast for FY2017 by Segment(*)

MITSUBISHI HEAVY INDUSTRIES

(In billion yen)

	Orders received			Net sales			Operating income		
	FY2016 (Actual)	FY2017 (Forecast)	Change	FY2016 (Actual)	FY2017 (Forecast)	Change	FY2016 (Actual)	FY2017 (Forecast)	Change
Power Systems	1,726.3	1,950.0	+223.6	1,448.4	1,650.0	+201.5	108.1	145.0	+36.8
Industry & Infrastructure	1,590.3	1,900.0	+309.6	1,747.0	1,850.0	+102.9	50.0	85.0	+34.9
Aircraft, Defence & Space	955.0	600.0	- 355.0	703.4	650.0	- 53.4	0.9	10.0	+9.0
Others	160.4	150.0	- 10.4	175.9	150.0	- 25.9	10.7	10.0	- 0.7
Eliminations or Corporate	- 156.6	- 100.0	+56.6	- 160.7	- 150.0	+10.7	- 19.3	- 20.0	- 0.6
Total	4,275.6	4,500.0	+224.3	3,914.0	4,150.0	+235.9	150.5	230.0	+79.4

(*) The reported segments have been changed in line with the reorganization and business reconfiguration initiatives carried out effective April 1, 2017.

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Here we see a breakdown of our fiscal 2017 forecasts by segment. Please note that from fiscal 2017 onwards our forecasts reflect our new segment configuration of Power Systems, Industry & Infrastructure, and Aircraft, Defense & Space.

This completes my review of our business results for fiscal 2016.

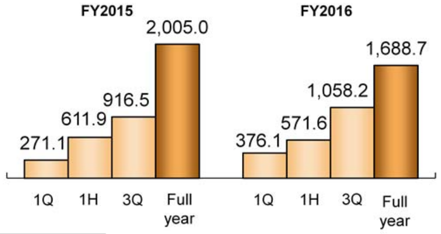
III. Supplementary Information

Supplementary Information (1) Financial Results by Business Segment
< Energy & Environment >

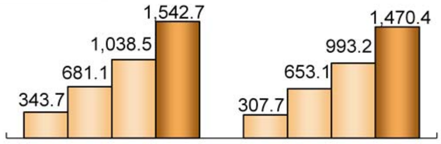
MITSUBISHI HEAVY INDUSTRIES

(In billion yen, accumulated amount)

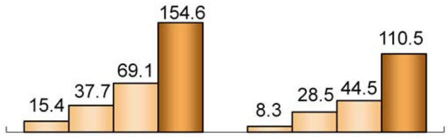
Orders Received



Net Sales



Operating Income



Orders received : Down ¥316.3 billion YoY
- Decreased : Chemical plants
  Thermal power plants

[Gas turbine orders received]

		North America	Asia	Japan	Others	Total
FY2015	Large size	2	6	4	5	17
	Small to medium size	-	1	1	13	15
	Total	2	7	5	18	32
FY2016	Large size	6	6	2	6	20
	Small to medium size	-	3	-	-	3
	Total	6	9	2	6	23

[Backlog of Gas turbine orders received]

	Large size	Small to medium size	Total
As of Mar. 31 2016	42	35	77
As of Mar. 31 2017	43	14	57

Net sales : Down ¥72.3 billion YoY
- Increased : Chemical plants
- Decreased : Thermal power plants

Earnings : Down ¥44.1 billion YoY
- Thermal power plants:
  Imbalance between a) business scale and b) balance sheets and fixed costs, from decreased sales and delayed PMI(*)

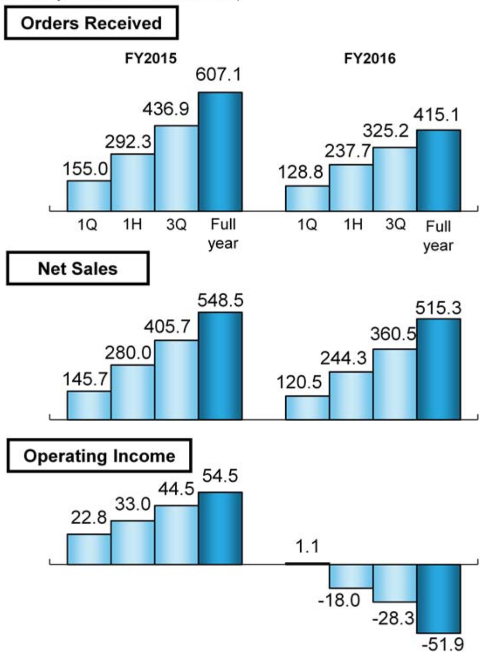
(*) PMI: Post Merger Integration

Supplementary Information (1) Financial Results by Business Segment

< Commercial Aviation & Transportation Systems >

MITSUBISHI HEAVY INDUSTRIES

(In billion yen, accumulated amount)



Orders received : Down ¥191.9 billion YoY

- Decreased : Commercial ships, Transportation systems

[Number of ships orders received]
FY2015: 16 (1Q: 4, 2Q: 2, 3Q: 5, 4Q: 5)
FY2016: 9 (1Q: 4, 2Q: 2, 3Q: 0, 4Q: 3)
[Backlog of ship orders] 31
(10 LNG carriers, 5 LPG carriers, 5 roll-on/roll-off ships and others)

Net sales : Down ¥33.1 billion YoY

- Increased : Transportation systems
- Decreased : Commercial aircraft

[Number of B777s delivered]
FY2015: 107 (1Q: 28, 2Q: 27, 3Q: 25, 4Q: 27)
FY2016: 91 (1Q: 27, 2Q: 24, 3Q: 19, 4Q: 21)

[Number of B787s delivered]
FY2015: 126 (1Q: 32, 2Q: 31, 3Q: 29, 4Q: 34)
FY2016: 125 (1Q: 36, 2Q: 31, 3Q: 25, 4Q: 33)

Earnings : Down ¥106.4 billion YoY

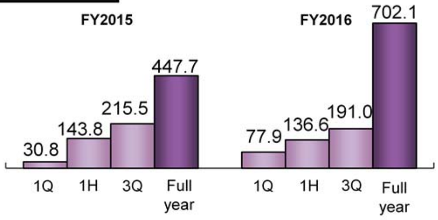
- Commercial aircraft : Yen appreciation, reduced production, cost reduction target unachieved
- Commercial ships : Cost deterioration for LNG carriers
- MRJ : Increased development costs

Supplementary Information (1) Financial Results by Business Segment

< Integrated Defense & Space Systems >

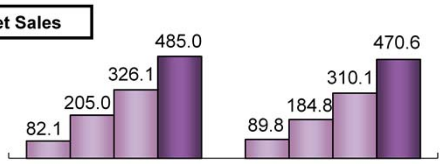
(In billion yen, accumulated amount)

Orders Received



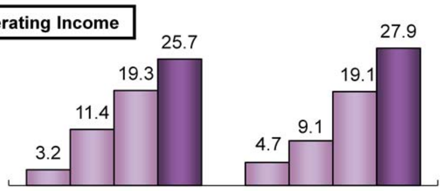
Orders received : Up ¥254.4 billion YoY
- Increased : Missile systems

Net Sales



Net sales : Down ¥14.4 billion YoY
- Increased : Space systems
- Decreased : Missile systems

Operating Income



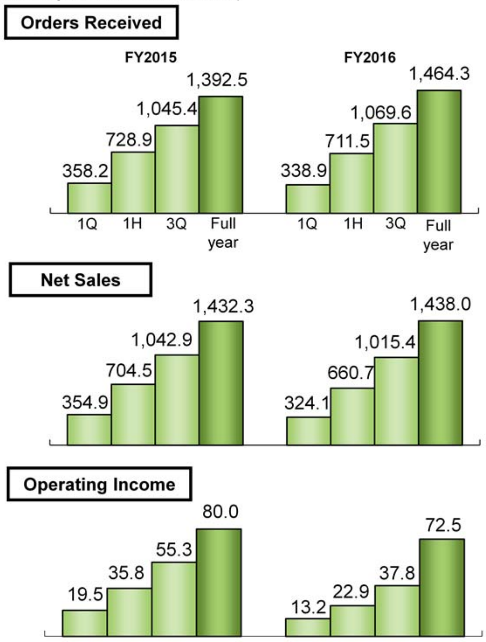
Earnings : Up ¥2.1 billion YoY
- Space systems : Increased sales

Supplementary Information (1) Financial Results by Business Segment

< Machinery, Equipment & Infrastructure >

MITSUBISHI HEAVY INDUSTRIES

(In billion yen, accumulated amount)



Orders received : Up ¥71.8 billion YoY

- Increased : Forklift trucks, Turbochargers
- Decreased : Compressors

Net sales : Up ¥5.6 billion YoY

- Increased : Forklift trucks, Turbochargers
- Decreased : Metals machinery

Earnings : Down ¥7.5 billion YoY

- Compressors, Metals machinery :
  Decreased sales, from stagnation of global economy and market slump

Supplementary Information (2) Reference Data

1. R&D Expenses, Depreciation and Capital Expenditure

(In billion yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 (Forecast)
R&D Expenses	120.0	138.5	145.5	150.6	160.7	170.0
Depreciation	119.4	134.9	157.0	158.7	172.7	180.0
Capital Expenditure	118.8	148.6	156.1	175.5	204.4	200.0

2. Cash Flows

(In billion yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 (Forecast)
Cash flows from operating activities	288.3	296.2	212.8	270.0	95.9	-
Cash flows from investing activities	-76.7	-151.5	-174.1	-262.4	8.7	-
Free cash flows	211.6	144.6	38.6	7.5	104.6	100.0
Cash flows from financing activities	-154.2	-136.6	-45.8	-23.1	-162.0	-

3. Interest-Bearing Debt, D/E ratio

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 (Forecast)
Interest-bearing debt (In billion yen)	1,031.2	957.4	975.5	1,052.1	925.5	850.0
D/E ratio	72%	54%	46%	53%	44%	-

4. Foreign Exchange Rates

(¥/US$)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 (Assumed)
Average rates for recording sales	83.6	100.1	109.4	119.7	108.2	110.0
(Reference)Rates at end of period	94.1	102.9	120.2	112.7	112.2	-

Supplementary Information (2) Reference Data

MITSUBISHI HEAVY INDUSTRIES

5. Employees

(Number of employees)

(Consolidated)	FY2012
Shipbuilding & Ocean Development	3,708
Power Systems	18,966
Machinery & Steel Infrastructure Systems	8,814
Aerospace Systems	9,513
General Machinery & Special Vehicles	8,630
Others	18,582
Total	68,213
(Non-Consolidated)	(31,111)

(Consolidated)	FY2013	FY2014	FY2015	FY2016
Energy & Environment	28,393	26,855	25,887	25,326
Commercial Aviation & Transportation Systems	8,182	7,129	7,428	7,417
Integrated Defense & Space Systems	6,477	6,022	6,281	6,389
Machinery, Equipment & Infrastructure	26,769	33,277	36,244	36,383
Others	10,762	8,562	8,092	7,213
Total	80,583	81,845	83,932	82,728
(Non-Consolidated)	(22,147)	(21,117)	(19,357)	(16,824)

6. Overseas Sales by Region

(In billion yen)

	FY2012	FY2013	FY2014	FY2015	FY2016
North America	379.0 (13.5%)	522.8 (15.6%)	680.3 (17.0%)	786.1 (19.4%)	684.5 (17.5%)
Central & South America	105.1 (3.7%)	104.0 (3.1%)	119.0 (3.0%)	126.9 (3.1%)	110.1 (2.8%)
Asia	457.6 (16.2%)	592.9 (17.7%)	682.5 (17.1%)	721.9 (17.8%)	618.0 (15.8%)
The Middle East	47.5 (1.7%)	78.6 (2.4%)	127.1 (3.2%)	115.7 (2.9%)	117.2 (3.0%)
Europe	217.5 (7.7%)	263.8 (7.9%)	354.0 (8.9%)	352.7 (8.7%)	395.6 (10.1%)
Africa	23.4 (0.8%)	67.3 (2.0%)	129.8 (3.3%)	110.6 (2.7%)	135.6 (3.5%)
Oceania	31.5 (1.1%)	21.5 (0.6%)	37.0 (0.9%)	27.7 (0.7%)	31.6 (0.8%)
Total	1,261.9 (44.8%)	1,651.2 (49.3%)	2,129.9 (53.4%)	2,241.8 (55.4%)	2,092.9 (53.5%)

Supplementary Information (2) Reference Data

MITSUBISHI HEAVY INDUSTRIES

7. Results by Geographic Region

(In billion yen)

		FY2012	FY2013	FY2014	FY2015	FY2016
Japan	Net Sales	2,565.6	2,873.9	3,141.2	3,057.3	2,984.2
	Operating income	136.7	189.5	263.2	248.6	108.4
North America	Net Sales	205.7	352.3	456.4	529.1	496.4
	Operating income	13.2	1.9	4.2	21.9	13.9
Asia	Net Sales	149.6	244.4	374.1	383.0	369.3
	Operating income	8.9	14.8	26.7	32.7	30.6
Europe	Net Sales	128.5	162.1	327.5	364.5	373.3
	Operating income	4.7	-0.7	1.3	3.6	-4.6
Others	Net Sales	17.1	28.9	89.9	100.1	106.8
	Operating income	-0.1	0.4	0.5	2.4	2.1
Eliminations or Corporate	Net Sales	-248.8	-312.2	-397.2	-387.3	-416.2
	Operating income	-	-	-	-	-
Total	Net Sales	2,817.8	3,349.5	3,992.1	4,046.8	3,914.0
	Operating income	163.5	206.1	296.1	309.5	150.5

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