



Machinery, Equipment & Infrastructure Business Plan

Member of the Board, Executive Vice President,
President and CEO,
Machinery, Equipment & Infrastructure

Kazuaki KIMURA

June 10, 2016

MITSUBISHI HEAVY INDUSTRIES, LTD.

1. Business Overview

- 1-1. Domain Statement
- 1-2. Business Overview
- 1-3. Review of FY2015
- 1-4. Major Projects and Orders in FY2015

2. FY2016 Business Policies and Strategies

- 2-1. Business Policies and Strategies
- 2-2. Forecast for FY2016

3. Business Strategies

- 3-1. Independently Managed JVs
 - M-FET (Forklift trucks, Engine, Turbocharger)
 - Metals machinery
- 3-2. Growth Businesses
 - Compressor, Environmental systems, Air-conditioning & Refrigeration system
- 3-3. Restructuring and Integrating Small/Medium Scale Businesses

4. Summary

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1-1. Domain Statement

Philosophy of Domain Statement

Built from elements of Group Statement announced on May 9, 2016 relevant to Machinery, Equipment & Infrastructure domain, as part of MHI Group Brand Story

Concept behind Machinery, Equipment & Infrastructure Domain Statement

Our diverse range of products, from machinery to industrial plants, social infrastructure and more, touch lives in countless ways, pushing the boundaries of prosperity in homes, businesses, factories and everywhere else imaginable.

With our products, we are creating a more unified, livable world for all. This is our mission and this is what we do.

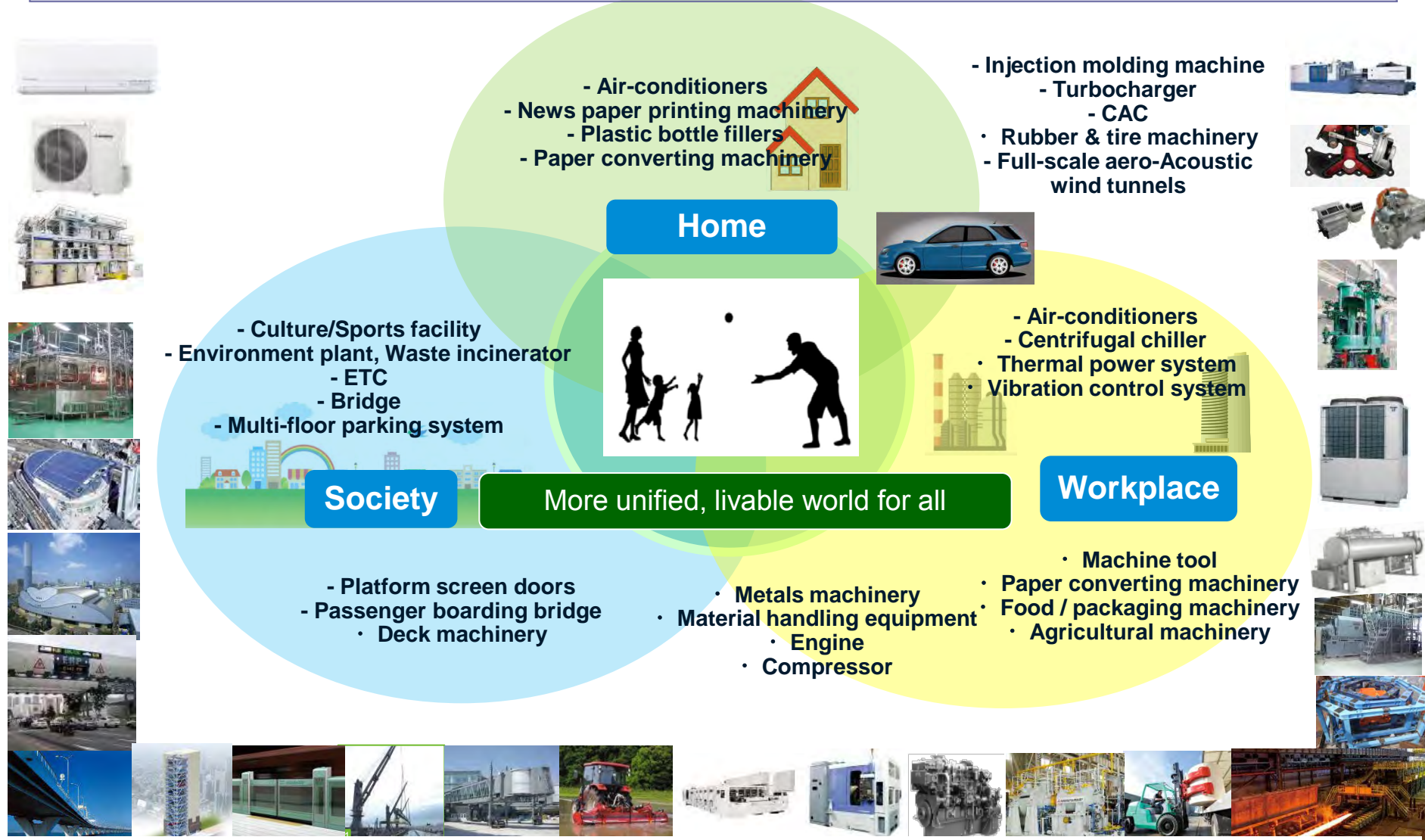


1-1. Domain Statement

Conceptual Diagram of the Machinery, Equipment and Infrastructure Domain



We are creating a society that helps people live happier, more fulfilled lives



MOVE THE WORLD FORWARD

We are creating a society that helps people live happier, more fulfilled lives. Every day, we are focused on finding solutions for industries and societies that create a more unified, livable world for all. Our diverse range of products touch lives in countless ways, pushing the boundaries of prosperity in homes, businesses, factories and everywhere else imaginable

From machinery to industrial plants, social infrastructure and more, everything we create has a bigger purpose in mind. Whether visible or not, our products are designed to blend in with their surroundings, creating a link with society that enriches people's lives and moves the world forward.

1-2. Business Overview

Compressor



Mechatronics system, ITS*



Culture and Sports facilities

Air-Conditioning & Refrigeration Systems (AC&R)



Air-conditioners



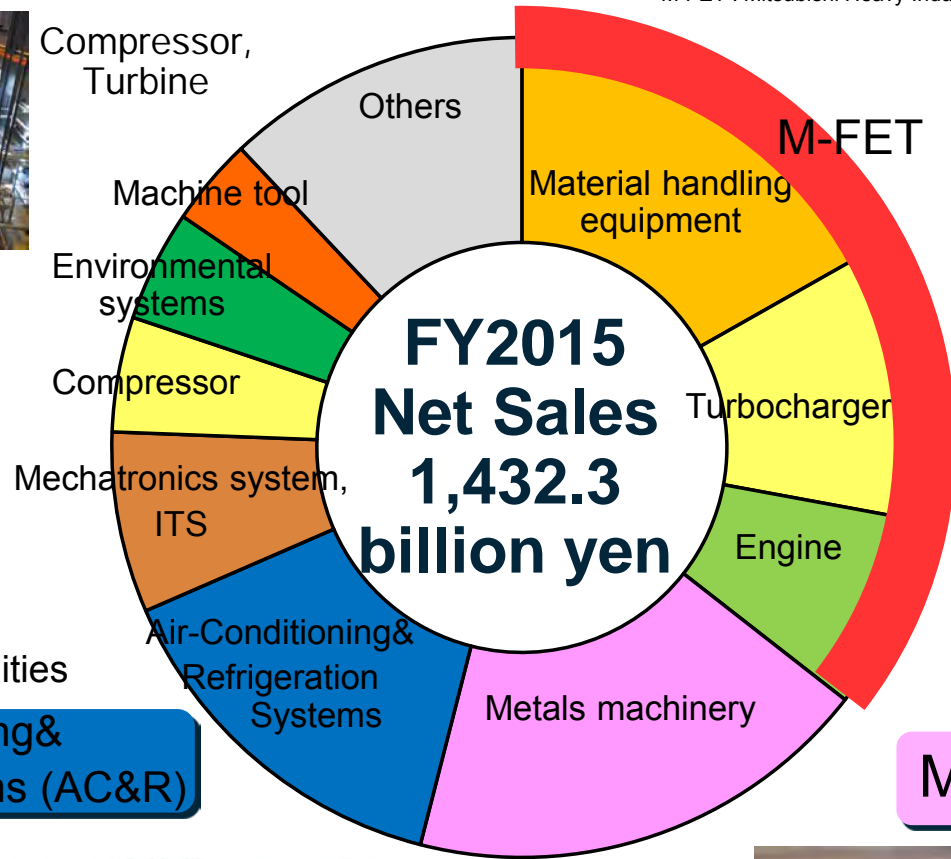
Centrifugal chiller



Blast furnace



Rolling line



FY2015
Net Sales
1,432.3
billion yen

M-FET*

* M-FET : Mitsubishi Heavy Industries Forklift & Engine Turbocharger Holdings, Ltd.



Forklift trucks



Turbocharger



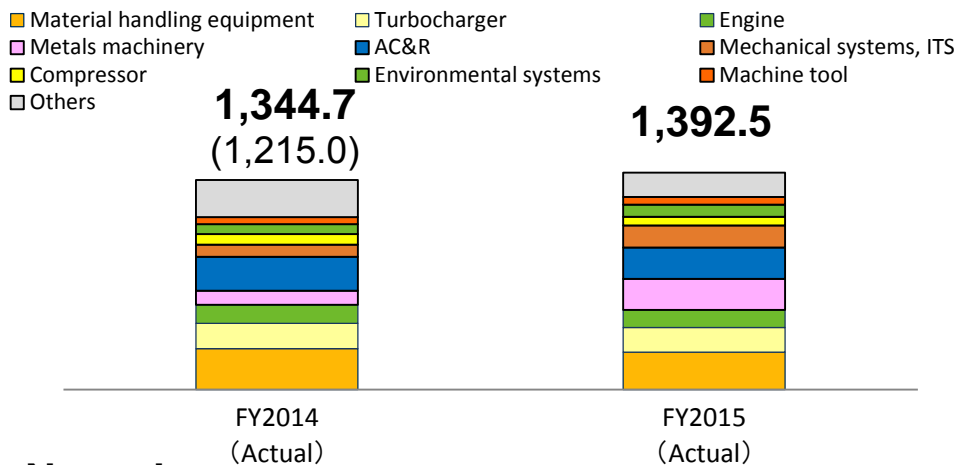
Diesel engine

Metals machinery

1-3. Review of FY2015

Orders received

Increased due to merits from metals machinery business merger and sales expansion in turbocharger, air-conditioning & refrigeration, and material handling equipment.

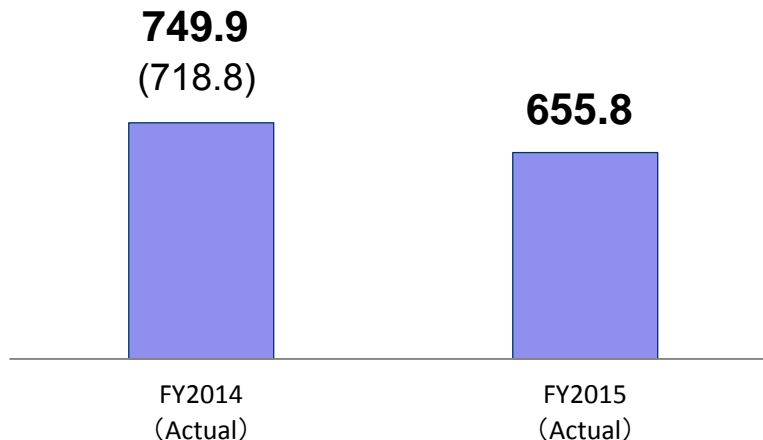


Order backlog

Figures in parentheses exclude impact from changes in accounting periods, etc.

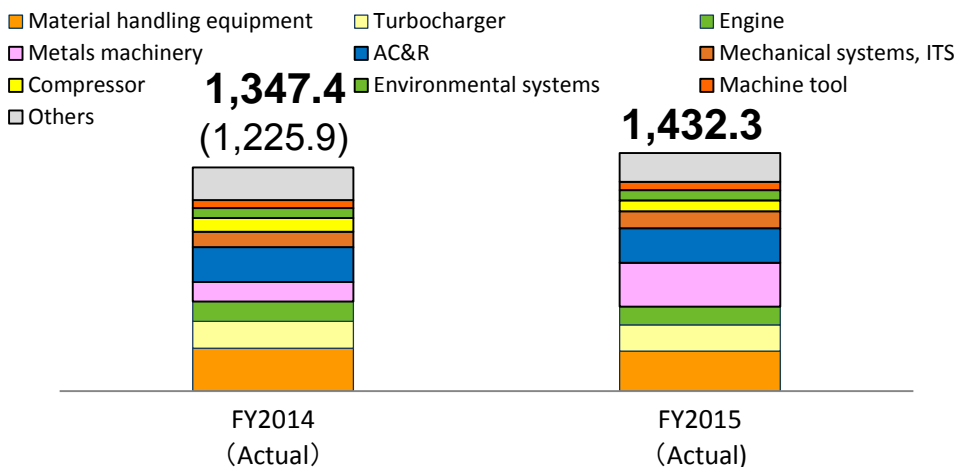
(in billion yen)

Decreased due to business environment deterioration in metals machinery and compressor.



Net sales

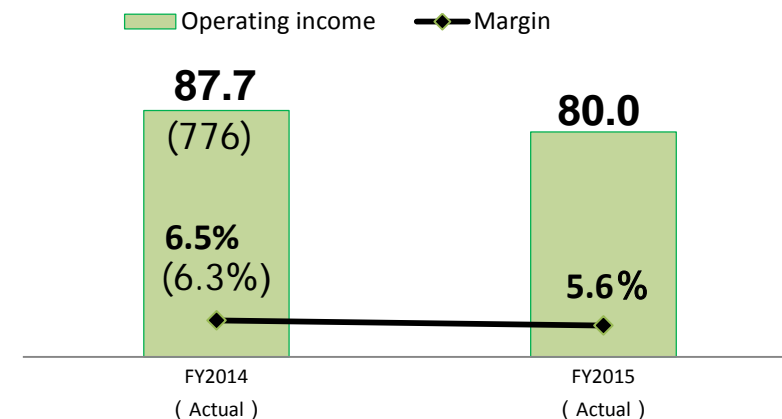
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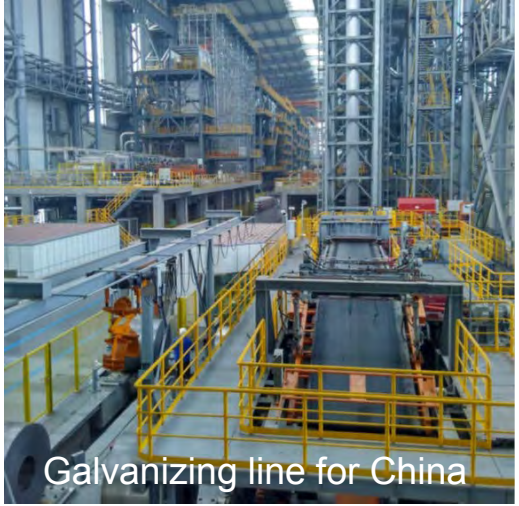
Operating income

Down largely as a result of decreased compressor sales and lower profitability from metals machinery, currently in process of PMI*.

*PMI : Post Merger Integration



Metals machinery



Galvanizing line for China

Air-conditioning & refrigeration systems



Centrifugal chiller for Saudi Arabia (80units)

ITS



Toll collection system for Singapore

Environmental systems



Waste incinerator facility for Singapore

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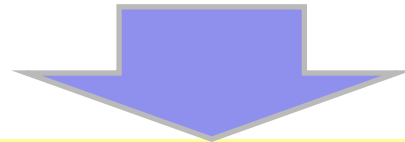
2015 Business Plan Basic Policies

Create top businesses in global niche markets

I . Expand scale and earnings of growth businesses

II . Accerelate PMI of established joint ventures

III . Restrucure and integrate small/medium-scale businesses



1. Expand business scale and profit

Accelerate PMI of independently managed JVs and strengthen growth businesses

2. Achieve highly profitable structure

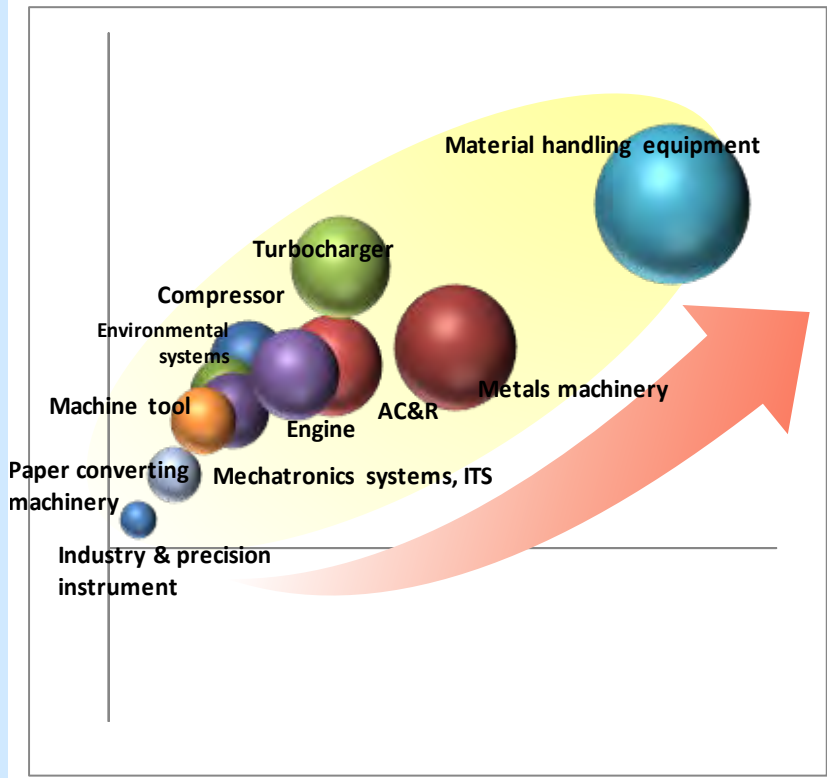
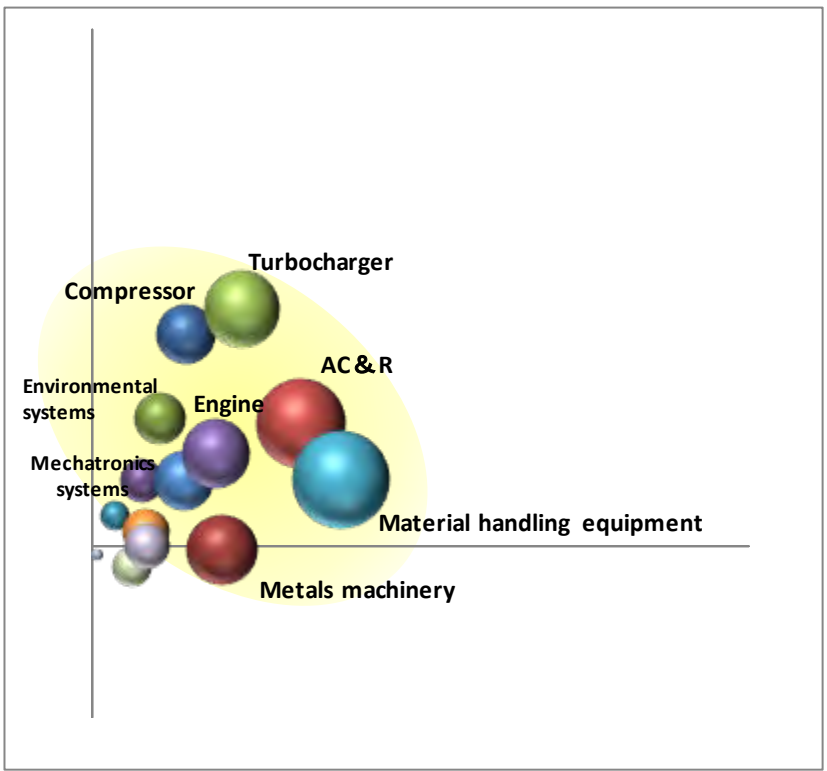
Strengthen earning capacity through restructuring of small/medium scale businesses, and pare down resource investing businesses

Transition of portfolio

Consolidate resources by restructuring and integrating small/medium scale businesses, and pursue expansion in scale and income of all businesses

FY2014

FY2017



2-1. FY2016 Business Policies and Strategies

Machinery, equipment and Infrastructure Systems domain businesses

Accelerate PMI of independently managed JVs and strengthen growth businesses

Independently managed JVs

MHI Forklift & Engine, Turbocharger Holdings M-FET

- **Forklift trucks** Expand scale and develop new businesses through integration synergies from 3 businesses
- **Engine**
- **Turbocharger**

Primetals Technologies PT

- **Metals machinery** Reduce costs through PMI acceleration, and strengthen sales structure

Growth businesses

- **Compressor** Expand servicing operations
- **Environmental systems** Expand overseas business
- **Air-Conditioning & Refrigeration Systems** Promote thermal solutions business
- **Mechatronics system machinery, ITS** Expand product mix by adding ITS business
- **Machine tool** Expand solutions business

Concentration of resources

Collaboration with other companies

Restructured operations

Revitalize business through collaboration with other companies

Agricultural machinery (Mitsubishi Mahindra Agricultural Machinery)

Globalize business through synergies with Mahindra

Industrial cranes (Sumitomo Heavy Industries Material Handling Systems)

Expand through partner's business

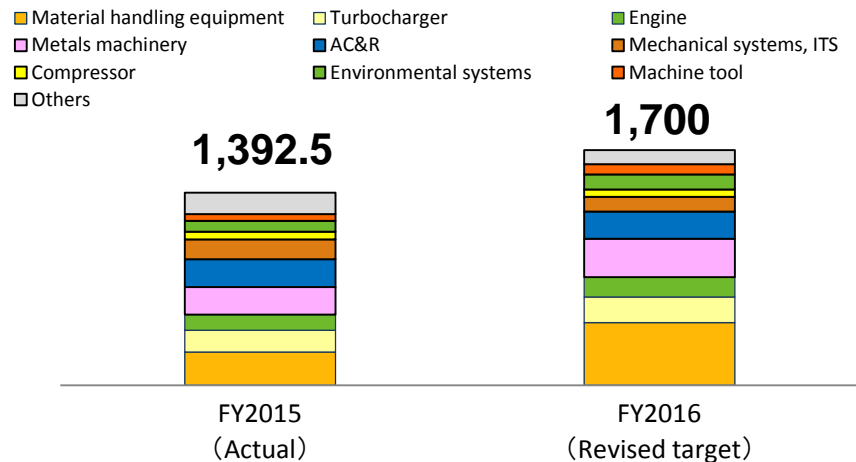
Bridges (Miyaji engineering group)

Achieve profitability and orders expansion

2-2. Forecast for FY2016

Orders received

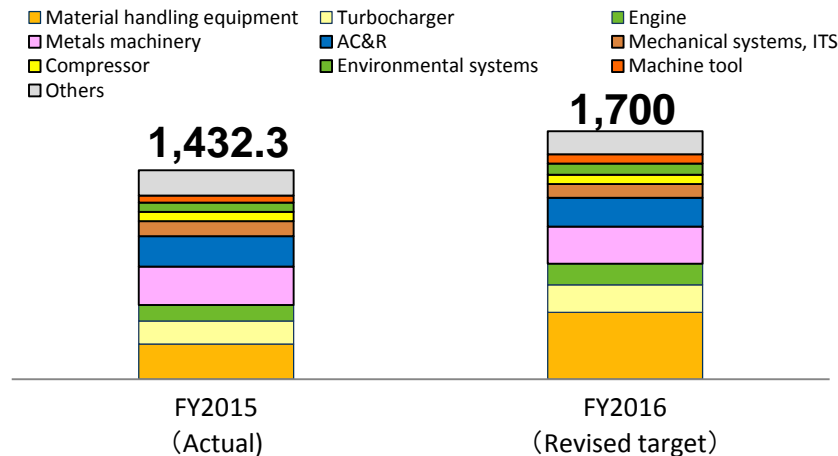
Increase due to merger merits from metals machinery and material handling equipment, sales expansion in turbocharger



Net sales

(in billion yen)

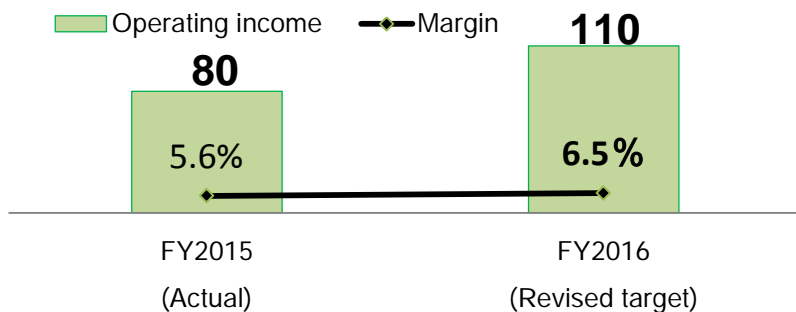
Increase due to merger merits from metals machinery, sales expansion in turbocharger



Operating income

Increased income from strengthened earnings capacity attributable to:

- 1) increased sales income
- 2) merits from integration of metals machinery and forklift truck businesses
- 3) restructuring of small/medium scale businesses



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3-1. Accelerate PMI of Independently Managed JVs

Machinery, equipment and Infrastructure Systems domain businesses

Accelerate PMI of independently managed JVs and strengthen growth businesses

Independently managed JVs

MHI Forklift & Engine, Turbocharger Holdings M-FET

- **Forklift trucks** Expand scale and develop new businesses through integration
- **Engine** synergies from 3 businesses
- **Turbocharger**

Primetals Technologies PT

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Growth businesses

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Restructured operations

Revitalize business through collaboration with other companies

Agricultural machinery (Mitsubishi Mahindra Agricultural Machinery)

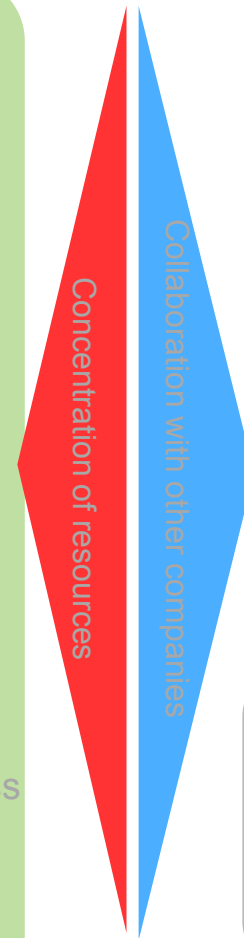
Globalize business through synergies with Mahindra

Industrial cranes (Sumitomo Heavy Industries Material Handling Systems)

Expand through partner's business

Bridges (Miyaji engineering group)

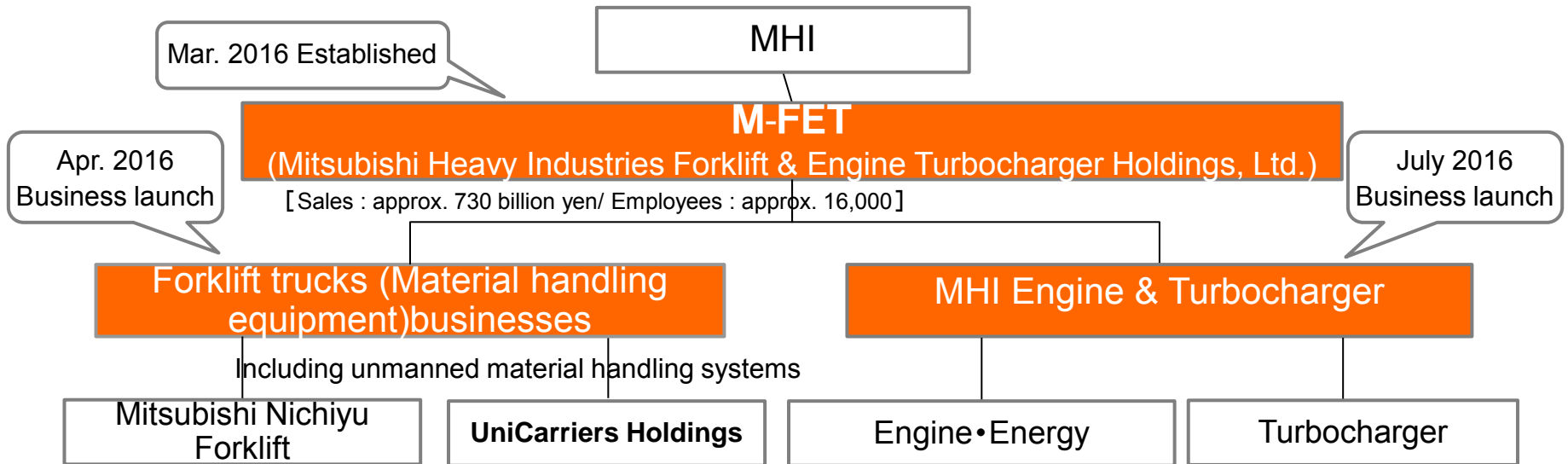
Achieve profitability and orders expansion



3-1. Independently Managed JVs ① M-FET

Pursuing forklift truck PMI and management merits from integrating 3 mass and medium-lot manufactured machinery businesses

- Leverage expansion in forklift truck business (acquisition of UniCarriers Holdings) to consolidate engine and turbocharger businesses
- By strengthening manufacturing through integration of 3 businesses, promote synergy generation, organizational streamlining and bold development of new businesses, and expand business scale
- Target 1 trillion yen in total sales of M-FET



3-1. Independently Managed JVs ①M-FET

Established Mar. 2016

Established Apr. 2013

MITSUBISHI
HEAVY INDUSTRIES, LTD.



- Engine-powered forklift trucks
- Mainly overseas markets

Nichiyu



- Battery-powered forklift trucks
- Mainly Japanese market

1 Mitsubishi Nichiyu Forklift

- Sales Approx. 230 billion yen
- Achievement of full lineup
- Worldwide coverage

Mitsubishi Heavy Industries Forklift & Engine Turbocharger Holdings, Ltd.

Expand to 1,000 billion (1 trillion) yen

3 Approx. 730 billion yen

2 Approx. 430 billion yen

Acquired Mar. 2016

To be established July 2016

1 Mitsubishi Nichiyu Forklift
Approx. 240 billion yen



UNICARRIERS
Approx. 190 billion yen



MHI Engine & Turbocharger
Approx. 300 billion yen



- By strengthening manufacturing through integration of 3 businesses, promote synergy generation, organizational streamlining and bold development of new businesses, and expand business scale
- Expand sales to 1 trillion yen

3-1. Independently Managed JVs ①M-FET -Turbocharger-

Business environment

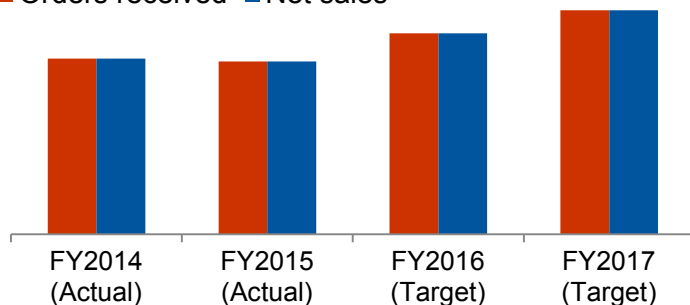
- Chinese market's prospects are opaque, but turbocharger demand is expanding greatly thanks to merits of tax reductions on small cars.
- Solid growth is expected to continue in the North American market amid response to tighter fuel standards.
- Automakers' development trends will need to be closely watched for stricter measurement methods following emissions irregularities.

Basic management policies

- Put in place an 11 million unit production structure by 2017.
- Build a global supply chain.
- Enhance profitability further (expansion and improvement of production equipment and bases).

Orders received / Net sales

■ Orders received ■ Net sales



Business strategies

- ◆ **Increase orders by strengthening technological capabilities**
 - Support customers through development of products responding to new fuel efficiency standard.
 - Develop new products through new development structure unified with research centers.
- ◆ **Enhance profitability through strengthening of cost competitiveness**
 - Develop new suppliers in low-cost countries.
 - Promote cost reductions in biggest market (Europe).
- ◆ **Increase production capacity of Chinese and North American bases**
 - Strengthen production structure through factory expansion at Chinese base.
 - Expand and improve production lines by launching full-scale mass production at North American base.

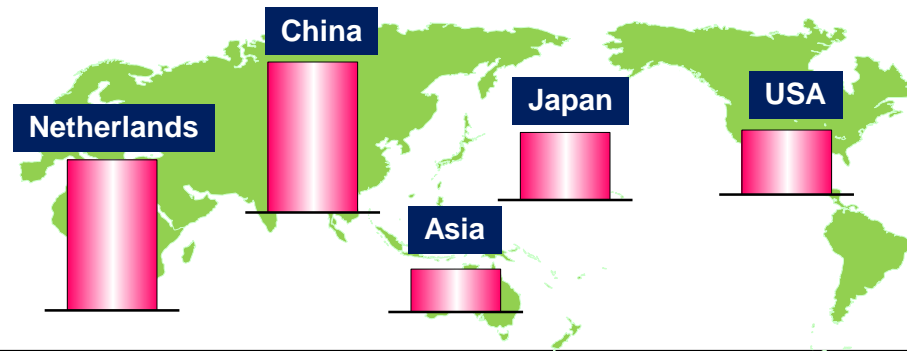
Chinese base : factory expansion



North American base: production line



- Establish global production system (11 million units by 2017)



3-1. Independently Managed JVs ①M-FET -Engine-

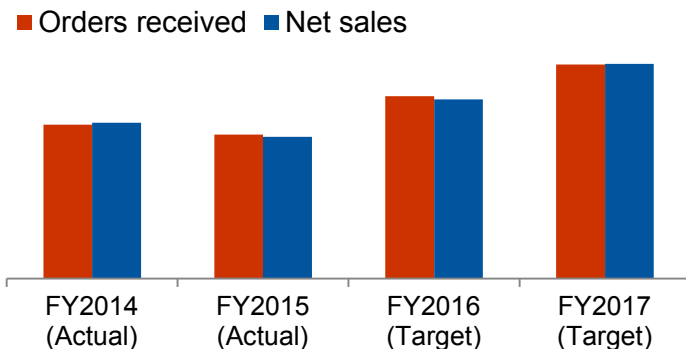
Business environment

- Market for power generation engines is expanding globally from increased demand for distributed power generation and rising awareness toward BCP.
- Amid tighter environmental standards worldwide, demand is increasing for highly efficient, low-polluting engines.

Basic management policies

- With diesel engines as the business core, develop the market for gasoline-powered distributed power generators, a growth segment.
- Expand servicing operations and improve earning capacity.
- Accelerate development of cutting-edge technologies through operation of reciprocating engine development center.

Orders received / Net sales



Business strategies

◆ Expand business scale in distributed power generator market

- Strengthen ties by working closely with domestic gas companies
Joint development (450kW, 1200kW, 2000kW) and sales cooperation
- Capture Asian markets
Capturing large-scale IPP orders from Indonesia and sales expansion in Chinese distributed generator market



2000kW Jointly developed model

◆ Strengthen diesel business

- Power generation segment
 - Expand lineup of power generator sets, targeting data centers in Asia.
 - Launch new models in U.S. market through joint development with leading American OEMs.
- Vehicle-mounted engine segment
 - Expand sales of engines meeting exhaust gas standards in Asia (launch models clearing China III and IV standards).
- Ship engine segment
 - Expand local rigging (in collaboration with distributors) in competitively superior Southeast Asia, and strengthen response to new markets (Vietnam, Indonesia, etc.)
 - Launch newly developed higher-output engines.

IPP: Independent Power Producer

3-1. Independently Managed JVs ①M-FET -Forklift trucks-

Business environment

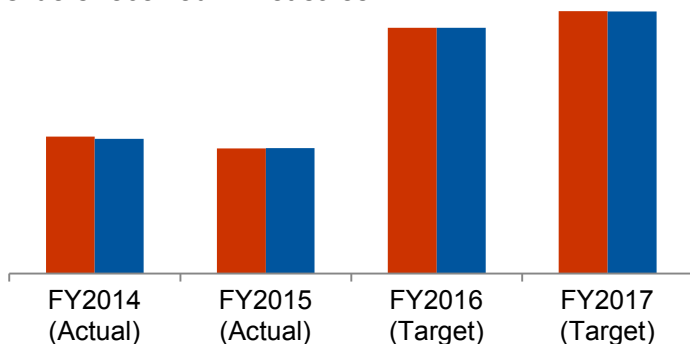
- Global demand for forklift trucks is generally holding steady, with some variance among countries and regions.
- With the acquisition of UniCarriers Holdings, the MHI Group's forklift truck business has expanded, now ranking 3rd in business scale worldwide.

Basic management policies

- Establish a management foundation as a global player
- Pursue maximum synergies within the structure of cooperation between Mitsubishi Nichiyu Forklift and UniCarriers.
- Maintain and develop friendly relationships with business partners.
- Delve into new business areas.

Orders received / Net sales

■ Orders received ■ Net sales



Business strategies

◆ Establish a management foundation as a global player

- Set platforms adopting globally consolidated management, etc., and raise the independent management of all bases
- Enhance cooperation and elevate the Group's overall earning capacity
- Further expand overseas business (65% of total net sales)

Lithium battery-powered forklift



◆ Pursue maximum synergies within the structure of cooperation between Mitsubishi Nichiyu Forklift and UniCarriers

- Enhance efficiency and speed through scale merits
- Mutually reinforce areas of strength and weakness
- Cooperate in initiatives into growth areas
- Improve factory productivity by streamlining product lineup

Fuel cell-powered forklift



◆ Maintain and develop good relationships with suppliers, etc.

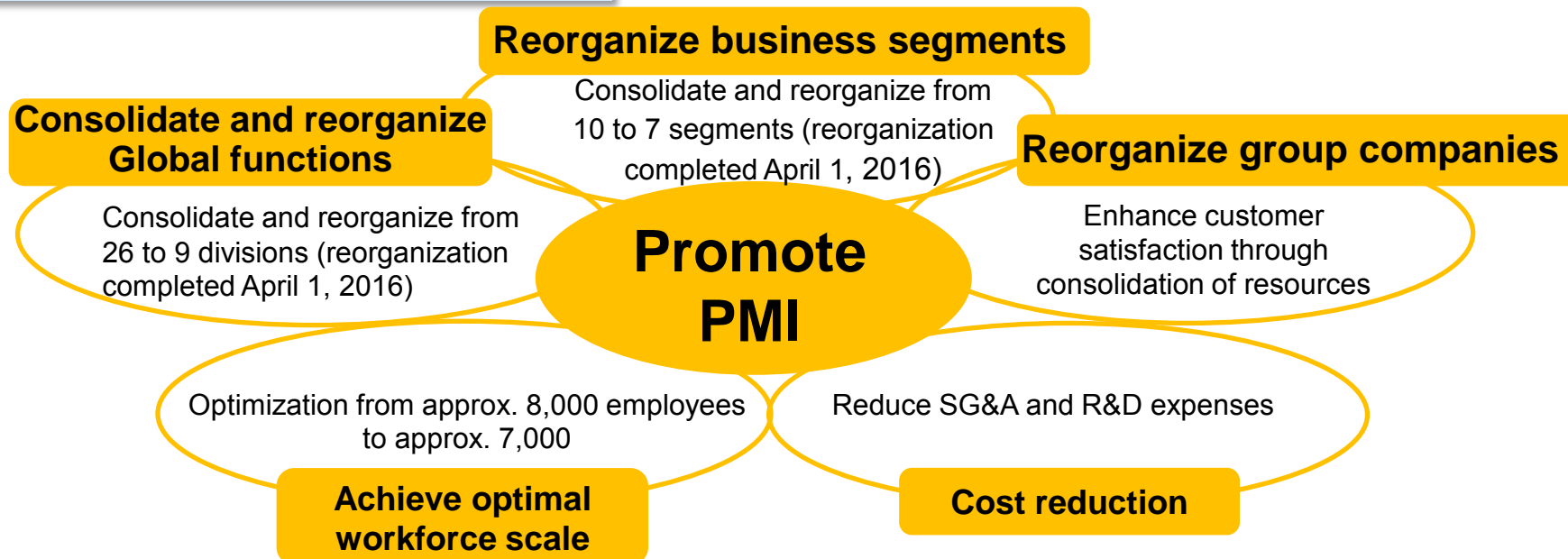
- Maximize partners' capabilities
- At each juncture, set the direction on time
- Concentrate on jointly developing business with the pride and conviction of a world-leading group

◆ Delve into new business areas

- Integrate logistics and energy networks
- Make an all-out environmental response → expand use of lithium battery-powered forklift trucks and enhance business in fuel cells
- Proactively enter into the market for unmanned material handling equipment and unmanned warehouses (nuclear power plants, etc.)

Accelerate PMI at Primetals Technologies

1 Improve business structure



2 Strengthen project management and sales functions

Strengthen project management

- Nominate CPO (Chief Project Officer)
- Establish organization dedicated to specific project management

Unify sales functions and Reorganize sales base structure

- Single authority through nomination of CSO (Chief Sales Officer)
- Nominate Area CSO

3-1. Independently Managed JVs ② Primetals Technologies

Business environment

Market scale / trend

- Global market scale contracted from approx. 2.4 trillion yen in FY2014 to approx. 2 trillion yen in FY2015.
- Recovery is projected in the mid & long term, but it will take considerable time.

Market share, competitive status

- Share in 2014: 11% (own data)
- Fierce competition to win the limited number of pre-projects available

PT's competitive superiority

- Capability to respond market needs as the portfolio full-liner from upstream (blast furnace) to downstream (galvanizing line)
- Market presence through utilization of global business bases (24 countries)

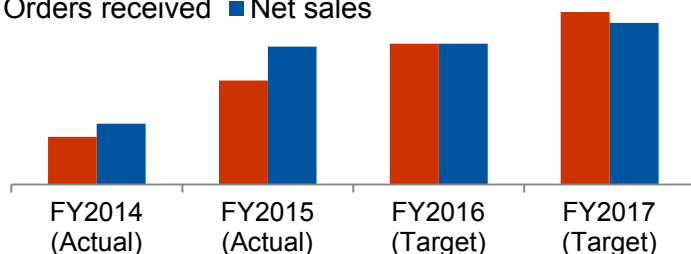
Basic management policies

- Meet the ever-increasing customer needs for value chain by providing state of the art technologies, high quality products and life cycle services.
- Accelerate integration synergies and secure position of the world leader in metals machinery plant solution provider.

Orders received / Net sales

* FY 2014 include impact from integration with Siemens VAI (3 months)

■ Orders received ■ Net sales



Business strategies



◆ Promote the following strategies as core measures to expand business scale and strengthen profitability

- 1 Strengthen profitability and competitiveness through further reductions in SCM costs
- 2 Promote optimal design for cost reduction by decrease of equipment weight
- 3 Expand electrical and automation businesses (strengthen sales promotion in the Japanese market; penetration into business other than metal plants)
- 4 Strengthen the financial structure through introduction of an asset management program
- 5 Secure profitability through assured project execution (strengthen project management; prevent reoccurrences of non-conformance cost/claims; reflect lessons learned before contracts)
- 6 Accelerate initiatives toward expanding servicing business and strengthen profitability

◆ Secure order intake with concerted effort

- For each pre-projects, analyze competitors (technology/cost competitiveness) and set bidding strategy
- Enhance maintenance and service business (expand order intake for small/medium-scale revamp work and spare parts)
- Introduce and expand sales of former Siemens's upstream/non flat products into the Japanese market

◆ Promote development of new technologies (including environmental technologies) based on customer needs and future technological trends

- ECO (Low Emission)
- High Productivity & Quality Process
- Smart Production (Industry4.0, Robot, Sensor)



3-2. Strengthen Growth Businesses

Machinery, equipment and Infrastructure Systems domain businesses

Accelerate PMI of independently managed JVs and strengthen growth businesses

Independently managed JVs

MHI Forklift & Engine, Turbocharger Holdings M-FET

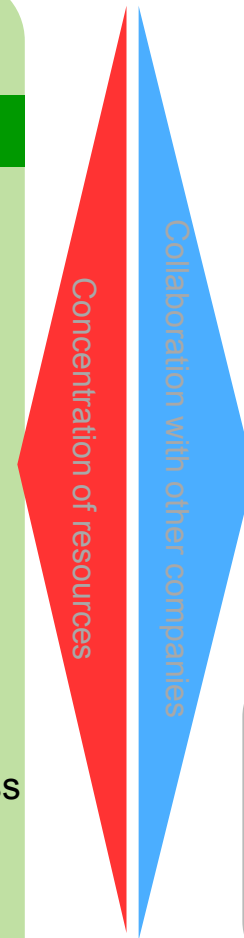
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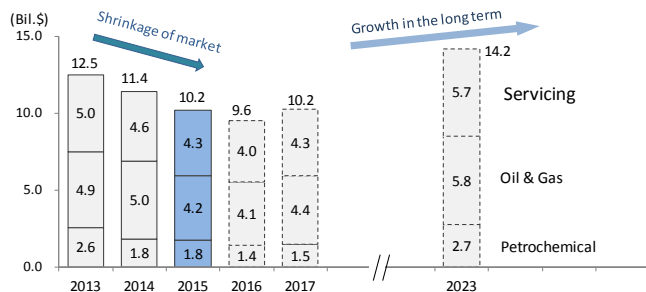
Achieve profitability and orders expansion

3-2. Strengthen Growth Businesses ① Compressor

Business environment

Market scale / trend

Both IOCs and NOCs are paring down investments due to the drop in oil prices.



IOC: International Oil Companies NOC: National Oil Companies

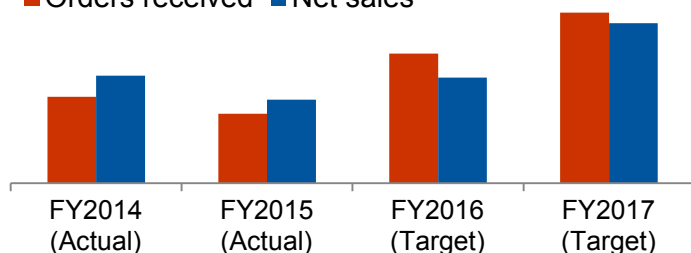
Basic management policies

Secure significant business expansion and high profits, to successfully compete in the global market

- Improve Japanese and U.S. production/service structures
- Expand service business ratio

Orders received / Net sales

■ Orders received ■ Net sales



Business strategies

- ◆ **Build up track record and expand market share in oil & gas**
 - Forge collaborative structures with major players liaising with Oil & Gas Business Development Dept. (Strengthen Houston sales base)
 - Respond as package incorporating gas turbine (MHPS H-100) for LNG
- ◆ **Strengthen competitiveness and further increase market share in chemical plant business**
 - Maintain top market share in ethylene/fertilizer/methanol by strengthening competitiveness through application of world's shortest delivery method (30% reduction in lead time)
- ◆ **Strengthen sources of stable earnings through expansion of service business (net sales ratio: 40%)**
 - Expand North American renovation and service business by launching U.S. production base.

Operations at U.S. production base launched in April 2015, processing facility completed in June 2016



- ◆ **Strengthen structures to achieve global growth**
 - Establish tri-polar (Japan/U.S./Europe) global business structure.
 - Establish local subsidiary in Brazil (MCOB) and streamline servicing base in Saudi Arabia.
 - Improve and enhance efficiency of business processes through introduction of global standards systems.

Business environment

WtE : Waste-to-Energy

Market scale / trend

- Domestic market for waste incineration plants is holding steady; biomass energy market is expanding.
- In overseas, WtE market is expanding in China, Southeast Asia, etc.

Market share, competitive status

- Markets are being developed aggressively: in Japan, by Hitachi Zosen, JFE Engineering and Takuma; overseas, by Keppel Seghers, etc.
- MHI's domestic market share is near 10%, approaching shares of Hitachi Zosen and JFE Engineering.

Competitive superiority

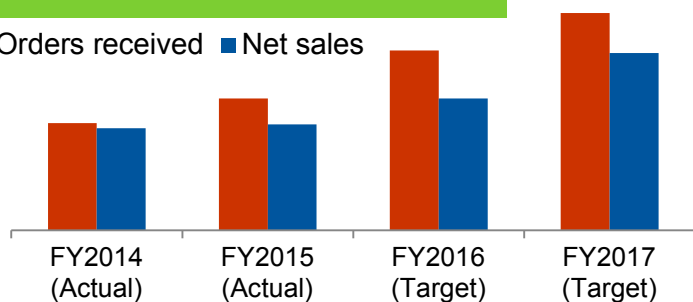
- In waste incineration plants, MHI has a portfolio of technologies in stoker furnaces and gasification-and-melting furnaces.
- MHI also has high-efficiency, stable WtE plant design capability leveraging the Company's comprehensive abilities.

Basic management policies

Achieve a continuously developing company through further strengthening of domestic businesses, expansion of overseas businesses, and business diversification.

Orders received / Net sales

■ Orders received ■ Net sales



Business strategies

◆ Further strengthen domestic businesses

1. Initiatives into private-sector businesses and new business areas
 - Primarily through collaboration between MHI Nuclear division and general contractors, participate in decontaminated waste disposal, interim storage facilities and reactor decommissioning.
 - In response to expansion of the feed-in tariff (FIT) market, make moves in the wood biomass power generation and torrefaction businesses.

2. Stable maintenance and continuation of businesses in new waste treatment facilities, servicing, plant life extension and core improvement, and restructuring of sludge incineration plant

◆ Expand overseas businesses

1. Proactively participate (including EPC and business investment) in overseas PPP projects, especially in Southeast Asia, with a view toward business participation also.
2. Undertake full-scale initiatives into overseas servicing business ⇒ Proactively propose life extension, large-scale improvement, or maintenance of previously delivered plants.

◆ Diversify businesses

1. Further enhance and strengthen waste treatment and WtE technology portfolios, and grow into the provider of the best solutions in waste energy.



Broad-based association of local municipal offices in central Iwate Prefecture/ Iwate central Clean Center 182t/day(91t/day×2units) Completed Sep. 2015



Singapore Government National Environment Agency/TUAS-SOUTH Completed Mar. 2000 4,320t/day (720t/day×6units)

Business environment

Market scale / trend

Gross demand for air-conditioning & refrigeration systems worldwide is close to 20 trillion yen, and expansion is expected to continue through the long term amid environment protection moves (energy conservation, reduction of CO2 emissions), etc.

Market share, competitive status

MHI has the top domestic market share in refrigeration systems.

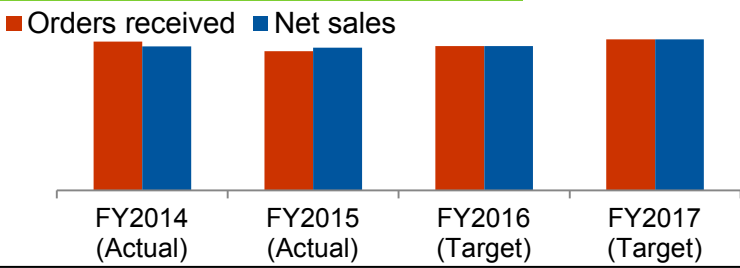
Competitive superiority

- MHI possesses unrivaled technologies in high-efficiency heat pumps and rotors, based on its world-class energy and environment technologies.
- MHI can propose total systems in collaboration with other products in the Machinery, Equipment & Infrastructure domain.
- World's No.1 product lineup responding to customer needs (Centrifugal chiller/heat-pump water heaters, low/high temperature systems, stationary/mobile systems)

Basic management policies

- Grow the thermal solutions business, reduce energy use and CO2 emissions, and contribute to use of unutilized energy
- Pursue stronger earning capability through growth of overseas businesses and servicing sales, and enhanced management efficiency

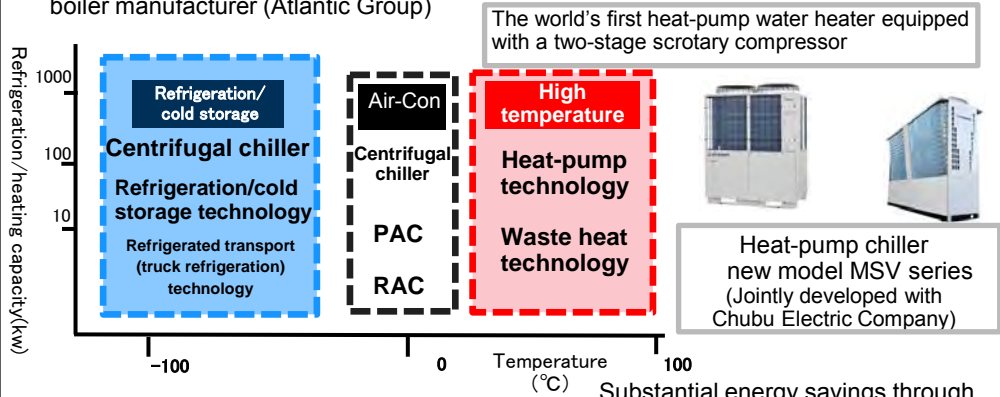
Orders received / Net Sales



Business strategies

◆ Expand thermal solutions business (business expansion in refrigeration/cold storage equipment and high-temperature heat pumps)

- Improve lineups of refrigeration/cold storage equipment and high-temperature heat pumps; strengthen engineering and after-sale servicing capabilities.
- Improve added value through integrated control systems, including peripheral equipment, using IoT.
- Expand sales of heat-pump water heaters through collaboration with a major European boiler manufacturer (Atlantic Group)



◆ Expand and strengthen global business

- Substantial energy savings through upgrade from building-use gas-fired air-conditioning system and boiler for industrial use
- Launch high-performance, low-GWP refrigerant products (air-conditioning systems, centrifugal chillers, water heaters) responding to new coolant standards
- Order received from the Middle East for a turbo chiller for one of the world's largest wide-area air-conditioning systems; sales expansion to continue in Asia and the Middle East.
- Strengthen the refrigerated transport equipment (truck refrigeration) business in Europe and Asia (launch new products, enhance sales/servicing networks)



◆ Enhance management efficiency

- To achieve agile management and decision making to respond to global market, AC&R business will be transferred to MHI Thermal Systems (Oct. 1st 2016).

3-3. Restructuring and Integrating Small/Medium Scale Businesses

Machinery, equipment and Infrastructure Systems domain businesses

Accelerate PMI of independently managed JVs and strengthen growth businesses

Independently managed JVs

MHI Forklift & Engine, Turbocharger Holdings M-FET

- **Forklift trucks** Expand scale and develop new businesses through integration synergies from 3 businesses
- **Engine**
- **Turbocharger**

Primetals Technologies PT

- **Metals machinery** Reduce costs through PMI acceleration, and strengthen sales structure

Growth businesses

- **Compressor** Expand servicing operations
- **Environmental systems** Expand overseas business
- **Air-Conditioning & Refrigeration Systems** Promote thermal solutions business
- **Mechatronics system machinery, ITS** Expand product mix by adding ITS business
- **Machine tool** Expand solutions business

Restructured operations

Revitalize business through collaboration with other companies

Agricultural machinery (Mitsubishi Mahindra Agricultural Machinery)

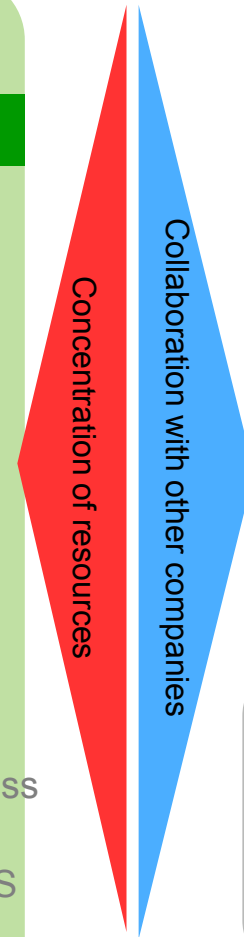
Globalize business through synergies with Mahindra

Industrial cranes (Sumitomo Heavy Industries Material Handling Systems)

Expand through partner's business

Bridges (Miyaji engineering group)

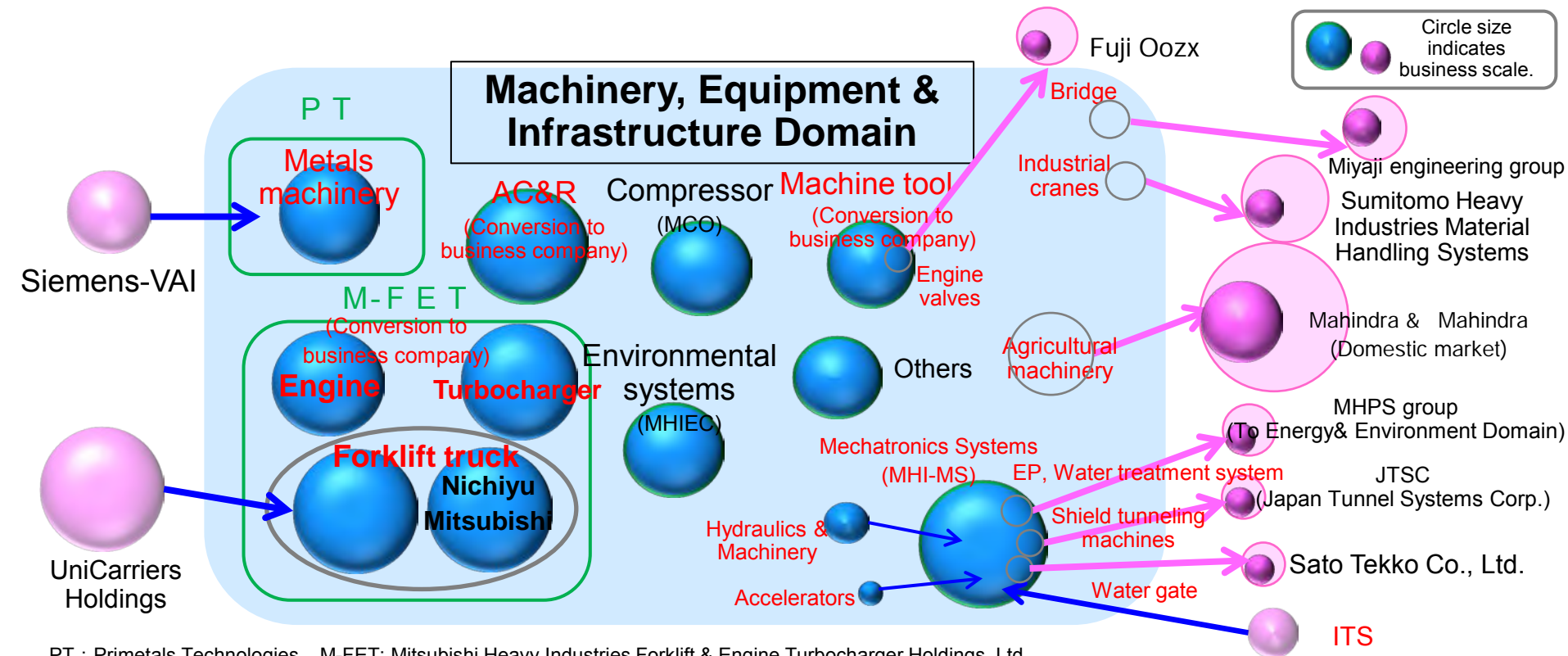
Achieve profitability and orders expansion



3-3. Restructuring and Integrating Small/Medium Scale Businesses

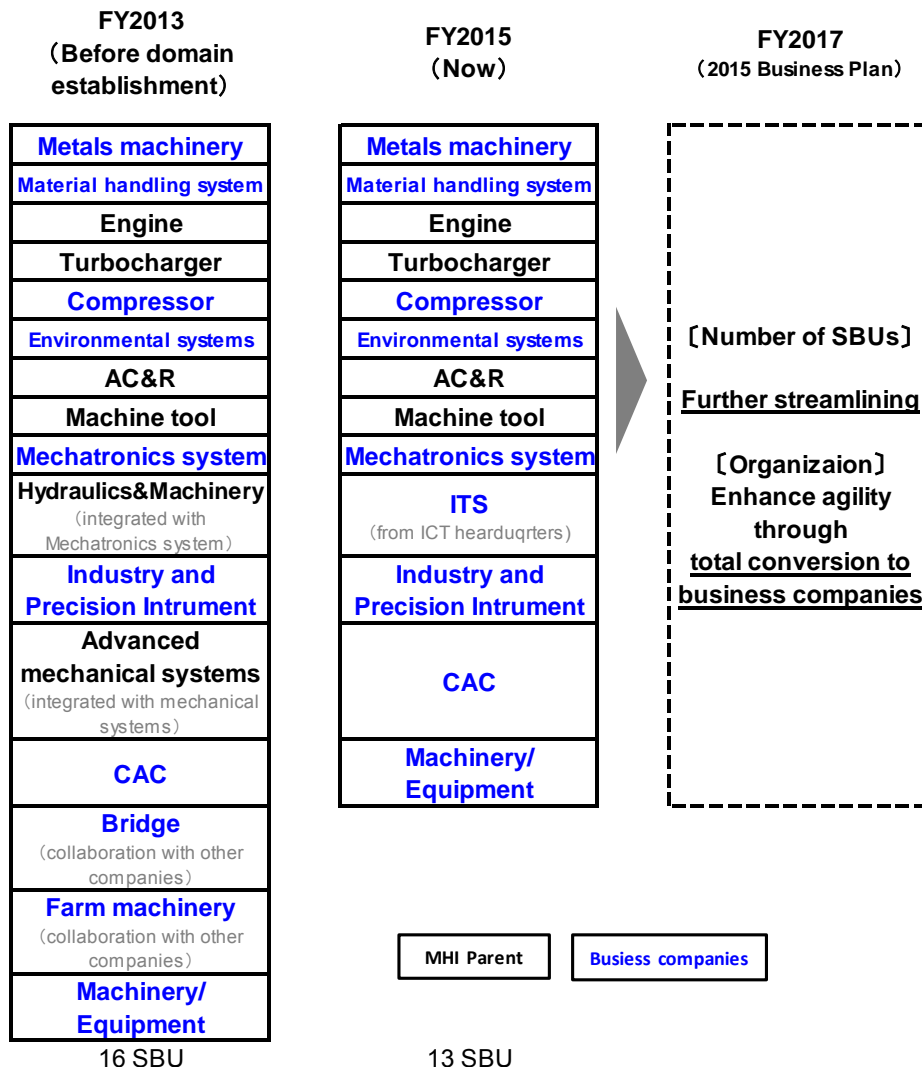
- Globalize growth businesses and accelerate PMI
- Expand scale and strengthen earning capability of whole domain through business structural reforms effected by promoting measures aimed at reform and small/medium scale businesses

- Growth businesses: Expand scale through M&A's; improve agility through conversion to business companies
- Reform, small/medium scale businesses: Pursue synergies through development and consolidation outside the Group, through collaboration with other companies

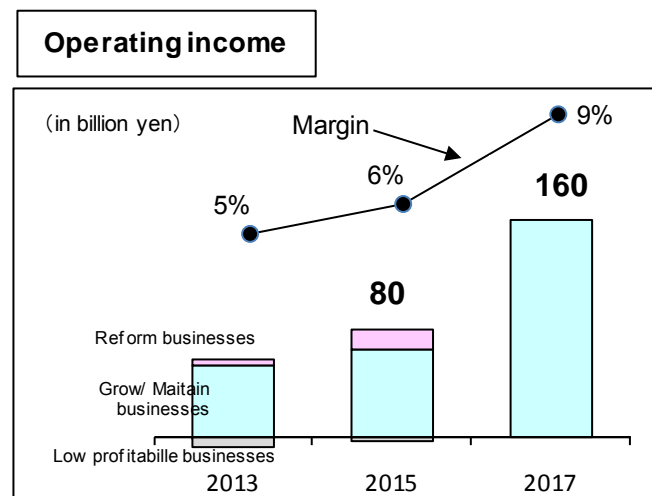
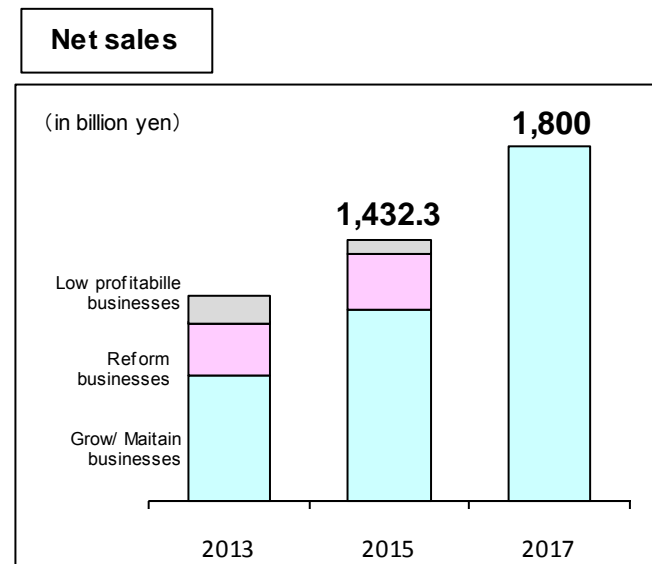


PT : Primetals Technologies, M-FET: Mitsubishi Heavy Industries Forklift & Engine Turbocharger Holdings, Ltd ,
MCO : Mitsubishi Heavy Industries Compressor MHIEC : Mitsubishi Heavy Industries Environmental & Chemical Engineering Co., LTD.
MHI-MS : Mitsubishi Heavy Industries Mechatronics Systems, Ltd. , ITS : Intelligent Transport Systems

Streamlining of SBUs and organization through restructuring



Trend of sales/income structure by business position



1. Business Overview

- 1-1. Domain Statement
- 1-2. Business Overview
- 1-3. Review of FY2015
- 1-4. Major Projects and Orders in FY2015

2. FY2016 Business Policies and Strategies

- 2-1. Business Policies and Strategies
- 2-2. Forecast for FY2016

3. Business Strategies

- 3-1. Independently Managed JVs
 - M-FET (Forklift trucks, Engine, Turbocharger)
 - Metals machinery
- 3-2. Growth Businesses
 - Compressor, Environmental systems, Air-conditioning & Refrigeration system
- 3-3. Restructuring and Integrating Small/Medium Scale Businesses

4. Summary

Medium/long range business development goals

Expand and strengthen individual businesses through further growth of core businesses and development of next-generation businesses

1. Accelerate PMI of independently managed JVs and harvest results

- Expand business scale and develop new businesses through M-FET's integration synergies
- Strengthen business through completion of PMI at Primetals Technologies

2. Further strengthen growth businesses

- Expand scale and earnings through response to overseas EPC and servicing business
- Promote solutions businesses through packaging, including peripheral equipment
- Expand and enhance after-sale servicing operations through customer response employing IoT
- Proactively participate in overseas infrastructure investments
- Expand and strengthen businesses through alliances

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A red arrow graphic pointing to the right, located below the tagline.