

No. 1986

MHI to Conclude Absorption-type Company Split Agreement on Transfer of Engine & Turbocharger Business to Wholly Owned Subsidiary

Tokyo, May 17, 2016 – As announced on February 4, Mitsubishi Heavy Industries, Ltd. (MHI) will be transferring its engine & turbocharger business to Mitsubishi Heavy Industries Engine & Turbocharger, Ltd. (MHIET), a wholly owned subsidiary. Today, MHI took the formal decision to conclude an absorption-type company split agreement with MHIET enabling the business transfer. As the company split involves the transfer of operations to a subsidiary, some disclosure items and details have been omitted from the information provided below.

1. Purpose of the Company Split

In order to respond to globalization in the engine & turbocharger business, enlarge business scale and strengthen initiatives toward new business fields and technologies, MHI has taken the decision to transfer its engine & turbocharger operations to MHIET under an absorption-type company split arrangement from July. The move has two objectives: to combine the two businesses that have a high degree of affinity and create a more independent and responsive organization, and to put in place a structure conducive to swift decision-making.

2. Outline of the Company Split

(1) Schedule

Execution of basic agreement	May 17, 2016
Effective date of company split	July 1, 2016 (subject to change)

* The company split will be of the simple absorption type pursuant to Article 784, Paragraph 2 of the Companies Act of Japan.

(2) Company Split Method

MHI will serve as the splitting corporation, with MHIET functioning as the successor company.

(3) Allotment under the Company Split

In conjunction with this company split MHIET will issue 90 shares of common stock, to be allotted in their entirety to MHI.

(4) Handling of Stock Acquisition Rights and Bonds with Stock Acquisition Rights Accompanying the Company Split

Obligations based on stock acquisition rights of the splitting company will neither be transferred nor taken over by the successor company. MHI has not issued any bonds with stock acquisition rights.

(5) Changes in Capital Amount Accompanying the Company Split

The company split will result in no decreases in MHI's capitalization or capital reserves.

(6) Rights and Obligations Transferred to the Successor Company

a. The successor company will succeed to the assets, liabilities, and their ancillary rights and obligations pertaining to the business operations of the splitting company (with the exception of any rights and/or obligations stipulated in the absorption-type split agreement as non-successive).

b. All liabilities and other obligations taken over by the successor company from the splitting company as a result of this company split will be succeeded to on a cumulative basis.

(7) Outlook on Performance of Obligations

In conjunction with the company split, the splitting company and successor company are both expected to encounter no difficulty in carrying out their respective due obligations.

3. Profile of the Parties to the Company Split

	Splitting Company (as of March 31, 2016)	Successor Company (as of April 1, 2016)
(1) Name	Mitsubishi Heavy Industries, Ltd.	Mitsubishi Heavy Industries Engine & Turbocharger, Ltd.
(2) Head office	16-5, Konan 2-chome, Minato-ku, Tokyo, Japan	3000-banchi, Tana, Chuo-ku, Sagamihara, Kanagawa-ken, Japan
(3) Representative	Shunichi Miyanaga, President and CEO	Yoshiyuki Hanasawa, President and CEO
(4) Business	Manufacture of ships, marine products, power systems, machinery, steel structures, aircraft, space systems, industrial machinery, special vehicles, etc.	Design, Manufacture, Procurement, Quality Assurance, Construction, sales and servicing, of engines (including of other activities related above mentioned business). Design, manufacture, Procurement, Quality Assurance, sales and servicing of turbochargers (including of other activities related above mentioned business).
(5) Capital	265,608 million yen	40 million yen
(6) Establishment	January 11, 1950	April 1, 2016
(7) Number of issued shares	3,373,647,813	10
(8) Fiscal year end	March 31	March 31
(9) Major shareholders and shareholding ratios	<ul style="list-style-type: none"> • The Master Trust Bank of Japan, 4.32% Ltd. (Trust Account) • Japan Trustee Services Bank, 3.99% Ltd. (Trust Account) • The Nomura Trust and Banking 3.72% Co., Ltd. (Retirement Allowance Trust, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Account) • Meiji Yasuda Life Insurance 2.37% Company (Standing proxy: Trust & Custody Services Bank, Ltd.) • The Bank of New York Mellon SA/NV 10 1.70% 	<p>Mitsubishi Heavy Industries Forklift & Engine Turbocharger Holdings, Ltd. 100%</p>

(10) Business Results and Financial Status of Splitting Company in Most Recent Fiscal Year (consolidated basis)

Net assets	1,998,078 million yen
Total assets	5,491,799million yen
Net assets per share	500.30yen
Revenues	4,046,810million yen
Operating income	309,506million yen
Ordinary income	272.500million yen
Net income	63,834million yen
Net income per share	19.02 yen

(11) Description of the Business to be Split or Succeeded to

Design, Manufacture, Procurement, Quality Assurance, Construction, sales and servicing, of engines (including of other activities related above mentioned business). Design, manufacture, Procurement, Quality Assurance, sales and servicing of turbochargers (including of other activities related above mentioned business).

(12) Business Results of the Business to be Split or Succeeded to

	Results of splitting business (a)	FY2015 business results (consolidated basis) (b)	Percentage (a/b)
Revenues	268,136 million yen	4,046,810 million yen	6.6%

(13) Assets and Liabilities of Splitting or Successor Operations

Assets	126.7 billion yen
Liabilities	93.4 billion yen

4. Profile of the Listed Company Post-Split

		Splitting Company
(1)	Name	Mitsubishi Heavy Industries, Ltd.
(2)	Head office	16-5, Konan 2-chome, Minato-ku, Tokyo, Japan
(3)	Representative	Shunichi Miyanaga, President and CEO
(4)	Business	Manufacture of ships, marine products, power systems, machinery, steel structures, aircraft, space systems, industrial machinery, special vehicles, etc.
(5)	Capital	265,608 million yen
(6)	Fiscal year end	March 31

5. Profile of the Successor Company Post-Split

		Successor Company
(1)	Name	Mitsubishi Heavy Industries Engine & Turbocharger, Ltd.
(2)	Head office	3000-banchi, Tana, Chuo-ku, Sagamihara, Kanagawa-ken, Japan
(3)	Representative	Yoshiyuki Hanasawa, President and CEO

(4) Business	Design, Manufacture, Procurement, Quality Assurance, Construction, sales and servicing, of engines (including of other activities related above mentioned business). Design, manufacture, Procurement, Quality Assurance, sales and servicing of turbochargers (including of other activities related above mentioned business).
(5) Capital	25,000million yen
(6) Fiscal year end	March 31

6. Outlook

The impact of the company split on the business results of MHI will be minimal, on both a consolidated and non-consolidated basis.

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