



Financial Results for Second Quarter FY2015

October 30, 2015

© 2015 MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved.



Here, we present an overview of MHI's financial results for the second quarter of FY2015. These are the Company's interim results for the first half of fiscal year 2015, the period from April through September 2015.

Table of Contents



I . 2Q FY2015 Financial Results

| | |
|--------------------------------------|----|
| - Summary of 2Q Financial Results | 3 |
| - 2Q Financial Results by Segment | 4 |
| - Balance Sheets | 5 |
| - Main Financial Targets, Cash Flows | 6 |
| - Orders Received & Order Backlog | 7 |
| - Net Sales | 9 |
| - Operating Income | 11 |

II . Forecast for FY2015

| | |
|----------------------------------|----|
| - Summary of Forecast for FY2015 | 13 |
| - Forecast for FY2015 by Segment | 14 |

III . Supplementary Information

| | |
|-----------------------------|-------|
| - Supplementary Information | 15-21 |
|-----------------------------|-------|

I . 2Q FY2015 Financial Results

Summary of 2Q Financial Results



(In billion yen)

| | FY2014-2Q | FY2015-2Q | Change | |
|-------------------------|---------------|---------------|--------|---------|
| Orders received | 1,764.1 | 1,784.4 | +20.2 | +1.1% |
| Net sales | 1,759.1 | 1,882.0 | +122.9 | +7.0% |
| Operating income | (6.7%) 118.2 | (6.2%) 115.9 | - 2.2 | - 1.9% |
| Ordinary income | (7.3%) 127.9 | (5.9%) 111.8 | - 16.0 | - 12.6% |
| Extraordinary gain/loss | - 39.8 | -32.8 | +7.0 | - |
| Net income (*) | (2.2%) 38.0 | (2.3%) 43.3 | +5.3 | +14.0% |
| EBITDA | (11.3%) 199.5 | (10.5%) 197.1 | - 2.4 | - 1.2% |

Breakdown of FY2015-2Q Extraordinary gain/loss (-32.8 billion yen)

<Extraordinary gain>

-Gain on sales of fixed assets 4.2

<Extraordinary loss>

-Loss on passenger vessel construction business -30.9

-Business structure improvement expenses -3.3

-Loss on sales of investment securities -2.7

(*) FY2015-2Q profit attributable to owners of parent

© 2015 MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved.

3

Orders received totaled 1,784.4 billion yen, an increase of 20.2 billion yen from the year-earlier level. Net sales finished at 1,882.0 billion yen, up by 122.9 billion yen.

During the first half of FY2014, orders received, net sales and operating income figures had been impacted by changes in the accounting periods of some overseas group companies. When that impact is factored out, the actual year-on-year increases were: orders received, 140.0 billion yen; and net sales, 230.0 billion yen.

Operating income decreased slightly year-on-year. Although income in the Commercial Aviation & Transportation Systems domain increased significantly, partly due to the weaker yen, income in the Energy & Environment domain decreased during the period, largely owing to the booking of expenses to repair glitches found in some steam turbines used in gas turbine combined cycle (GTCC) plants.

Net income expanded year-on-year, to 43.3 billion yen, and EBITDA finished at 197.1 billion yen.

The period ended with extraordinary gain/loss booking a loss of 32.8 billion yen, attributable to the factors listed below the table. As shown, the overall loss owed primarily to a loss on the Company's cruise ship construction business.

Provisions against projected losses on the cruise ship construction business have continuously been booked each term in reflection of construction progress and other factors, and in the first half of FY2015 booking of an additional provision against a loss of 30.9 billion yen was necessary.

The current situation regarding the factors behind this loss is as follows: in preparation for scheduled ship delivery in December, every effort is being made to complete sea trials and other operational checks along with interior finishing work, and these tasks are expected to generate additional costs.

The cruise ship is designed to provide extremely high levels of quality and operating efficiency, and in executing its design the Company has confronted difficulties far exceeding its initial assumptions in terms of design preparation, construction work and material procurement, and large cost outlays have been made. Presently, the Company is expending maximum resources and efforts as ship construction proceeds in its final phase toward delivery.

Ultimately, cruise ship construction has impacted the Company's business results and financial situation significantly. However, the knowledge and experience gained will now be applied not only in constructing the second cruise ship but also in all aspects of Company operations.

2Q Financial Results by Segment



(In billion yen)

| | Orders received | | | Net sales | | | Operating income | | |
|---|-----------------|----------------|--------------|----------------|----------------|---------------|------------------|---------------|--------------|
| | FY2014 -2Q | FY2015 -2Q | Change | FY2014 -2Q | FY2015 -2Q | Change | FY2014 -2Q | FY2015 -2Q | Change |
| Energy & Environment | 650.7 | 611.9 | - 38.8 | 683.1 | 681.1 | - 1.9 | 61.8 | 37.7 | - 24.1 |
| Commercial Aviation & Transportation Systems | 379.3 | 292.3 | - 87.0 | 242.5 | 280.0 | +37.5 | 5.4 | 33.0 | +27.5 |
| Integrated Defense & Space Systems | 65.6 | 143.8 | +78.2 | 174.6 | 205.0 | +30.3 | 8.1 | 11.4 | +3.2 |
| Machinery, Equipment & Infrastructure | 637.4 | 716.3 | +78.9 | 633.7 | 689.8 | +56.0 | 42.3 | 32.2 | - 10.1 |
| Others | 95.5 | 92.2 | - 3.2 | 70.8 | 90.5 | +19.6 | 4.6 | 8.2 | +3.6 |
| Eliminations or Corporate | - 64.6 | - 72.4 | - 7.8 | - 45.8 | - 64.6 | - 18.7 | - 4.2 | - 6.6 | - 2.4 |
| Total | 1,764.1 | 1,784.4 | +20.2 | 1,759.1 | 1,882.0 | +122.9 | 118.2 | 115.9 | - 2.2 |

© 2015 MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved.

4

Balance Sheets



| | As of March 31, 2015 | As of September 30, 2015 | Change | (In billion yen) |
|---|----------------------------|--------------------------------|--------------|------------------|
| Trade receivables | 1,291.2 | 1,123.7 | -167.5 | |
| Inventories | 1,324.8 | 1,444.4 | +119.6 | |
| Other current assets | 935.8 | 935.8 | -0.0 | |
| Total fixed assets | 1,196.3 | 1,177.2 | -19.0 | |
| Investments and advances | 772.0 | 782.5 | +10.5 | |
| Total assets | 5,520.3 | 5,463.8 | -56.4 | |
| Trade payables | 869.2 | 777.8 | -91.3 | |
| Advance payments received on contracts | 663.1 | 634.4 | -28.7 | |
| Other current liabilities | 892.3 | 862.6 | -29.6 | |
| Interest-bearing debt | 975.5 | 1,084.1 | +108.5 | |
| Net Assets | 2,120.0 | 2,104.7 | -15.2 | |
| Net worth (owners equity) | 1,780.7 | 1,762.2 | -18.5 | |
| Total liabilities and net assets | 5,520.3 | 5,463.8 | -56.4 | |

© 2015 MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved.

5

Here, we explain the Company's balance sheets as of the end of the second quarter.

Although progress was made in recovering trade receivables, inventories increased during the period.

Concerning total liabilities and net assets, decreases were recorded in trade payables and advance payments received on contracts. As a result, interest-bearing debt increased, bringing outstanding interest-bearing debt to 1,084.1 billion yen.

Concerning inventories, we believe there is still room for improvement: for example, through enhancement of production efficiency. Accordingly, we will continue making every effort to squeeze our balance sheets.

Main Financial Targets, Cash Flows



Main Financial Targets

| | FY2014 | FY2015-2Q | Change |
|--|--------|-----------|--------|
| Equity ratio | 32.3% | 32.3% | 0.0pt |
| Interest-bearing debt (In billion yen) | 975.5 | 1,084.1 | +108.5 |
| D/E ratio | 46% | 52% | +6pt |

Cash Flows

(In billion yen)

| | FY2014-2Q | FY2015-2Q | Change |
|--------------------------------|-----------|-----------|--------|
| Operating activities Cash Flow | 5.9 | -27.1 | -33.0 |
| Investing activities Cash Flow | -100.4 | -86.9 | +13.5 |
| Free Cash Flow | -94.5 | -114.0 | -19.5 |

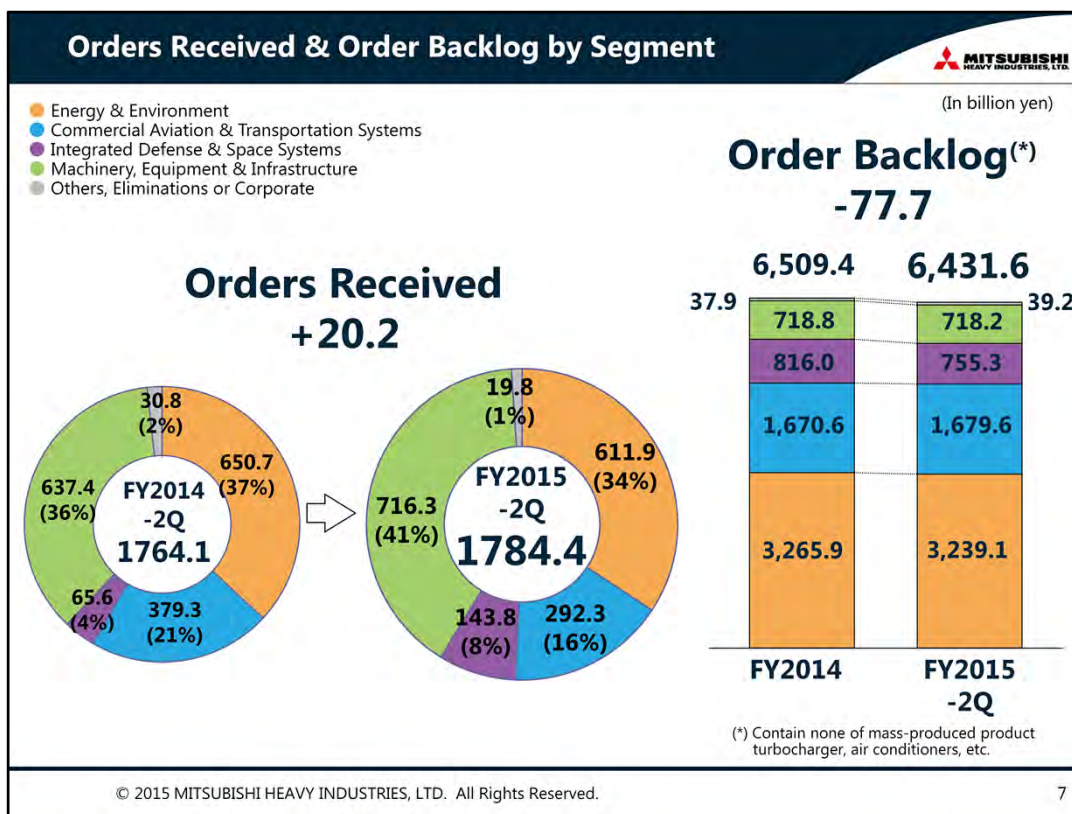
© 2015 MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved.

6

The equity ratio held at the level recorded as of the end of FY2014.

The D/E ratio, however, deteriorated in the interim as a result of increased interest-bearing debt.

Free cash flow finished the term at -114.0 billion yen. This owed primarily to deterioration in conjunction with the cruise ship construction business and a peak in the MRJ's development costs. Every effort will be made to compensate by striving for further balance sheet efficiency enhancement through the remainder of the fiscal year.



Here, the left side shows year-to-year changes in orders received; the right side, changes in the order backlog.

Orders decreased in the Energy & Environment and Commercial Aviation & Transportation Systems domains, but increased in the Integrated Defense & Space Systems and Machinery, Equipment & Infrastructure domains.

The year-on-year decrease in the Commercial Aviation & Transportation Systems domain owed to large-scale orders for the MRJ and transportation systems during the first half of FY2014. The year-on-year increase in the Machinery, Equipment & Infrastructure domain was attributable chiefly to merits from business integrations in metals machinery and forklift trucks.

As shown at the right, the order backlog decreased by 77.7 billion yen from the level at the end of FY2014, finishing the first half at 6,431.6 billion yen.

Orders Received & Order Backlog by Segment



➤ **Energy & Environment**

- Orders for chemical plants increased while orders for conventional power plants largely decreased.

➤ **Commercial Aviation & Transportation Systems**

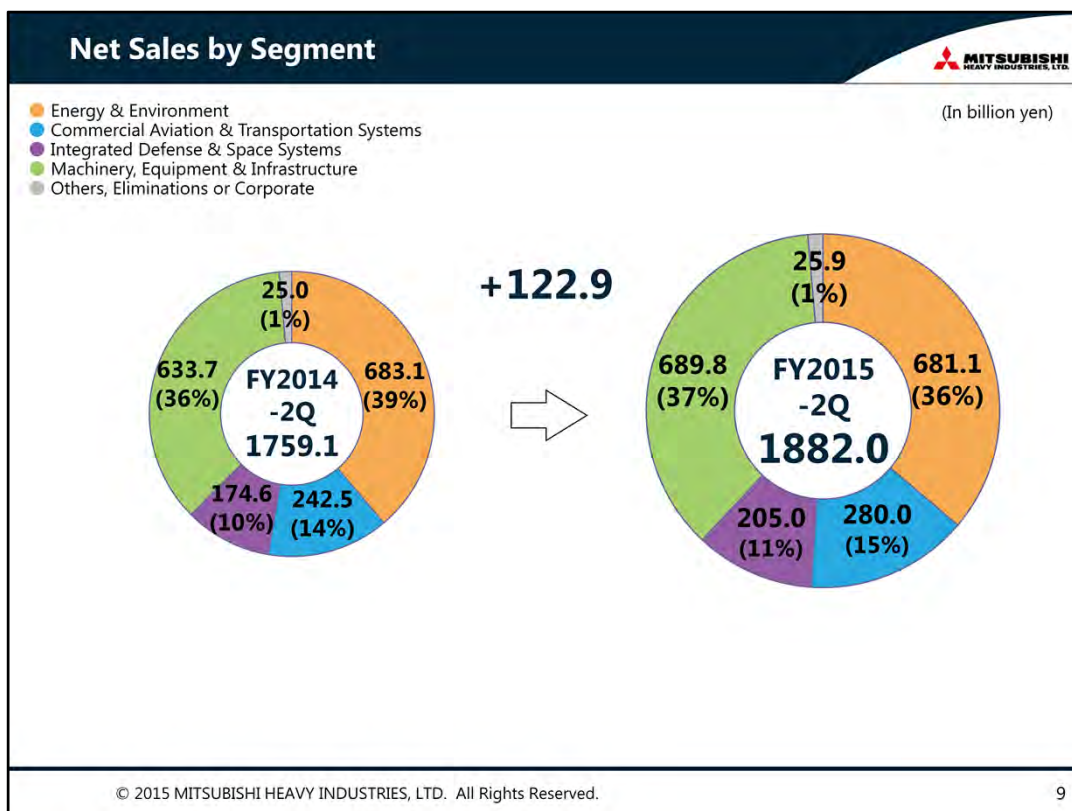
- Orders for the MRJ and transportation systems decreased from their year-ago levels, when large-scale orders were received.

➤ **Integrated Defense & Space Systems**

- Orders for defense systems expanded.

➤ **Machinery, Equipment & Infrastructure**

- Orders were up overall owing to merits from business integration in metals machinery and forklift trucks coupled with scale expansion in conventional businesses (turbochargers, air-conditioning & refrigeration systems, etc.).



Net sales in the Energy & Environment domain were generally flat year-on-year. Net sales in the other domains – Commercial Aviation & Transportation Systems, Integrated Defense & Space Systems, and Machinery, Equipment & Infrastructure – increased.

The main factors behind the domain-based net sales increases or decreases are indicated on the next page. Sales in the Commercial Aviation & Transportation Systems domain increased on expanded sales of commercial aircraft; and sales in the Machinery, Equipment & Infrastructure domain were up on merits from business integrations in metals machinery and forklift trucks, as with orders received.

➤ **Energy & Environment**

- Sales were largely unchanged from the year-ago level, with a decrease in sales of thermal power plants offset by increased sales of chemical plants, etc.

➤ **Commercial Aviation & Transportation Systems**

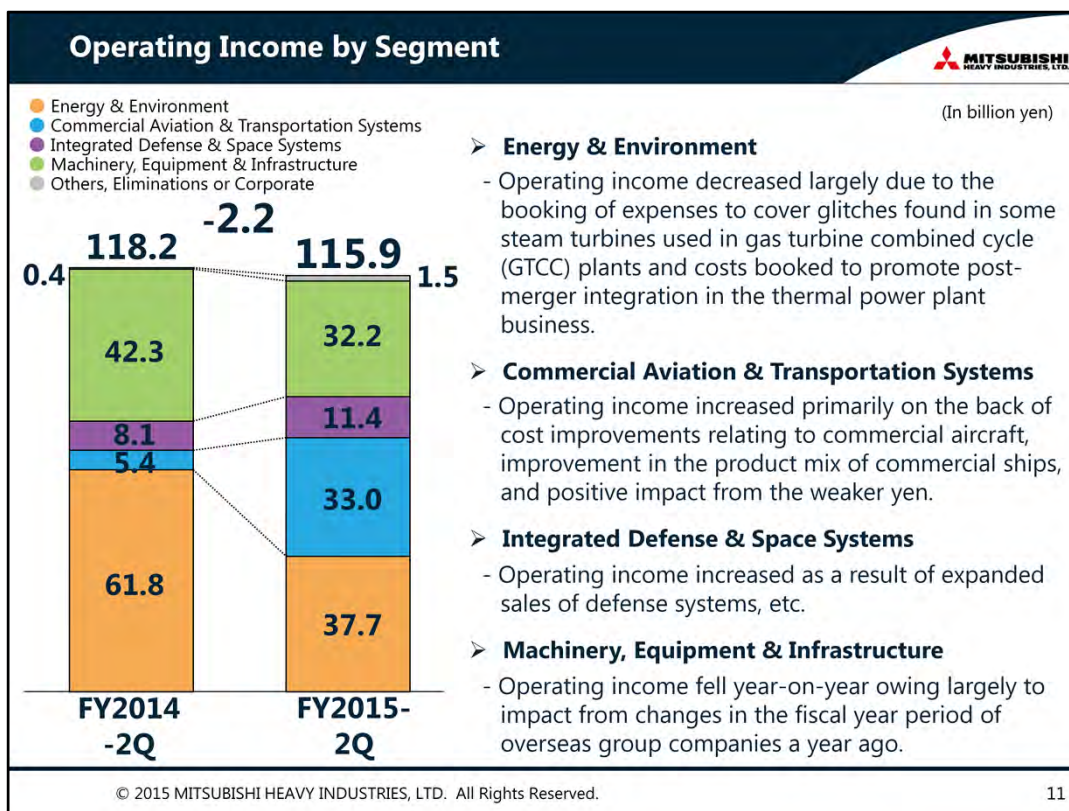
- Sales of commercial aircraft increased on merits from the weaker yen.

➤ **Integrated Defense & Space Systems**

- Sales increased, primarily defense systems.

➤ **Machinery, Equipment & Infrastructure**

- Sales increased on the merits from business integration in metals machinery and forklift trucks coupled with scale expansion in conventional businesses (turbochargers, air-conditioning & refrigeration systems, etc.).



Overall, the Company recorded a slight decrease in operating income compared to the interim results of FY2014. Whereas a significant increase was achieved in the Commercial Aviation & Transportation Systems domain and a smaller increase in integrated Defense & Space Systems domain, year-on-year decreases were seen in the Energy & Environment and Machinery, Equipment & Infrastructure domains.

Operating income in the Energy & Environment domain decreased year-on-year due to the booking of expenses to repair glitches found in some steam turbines used in gas turbine combined cycle (GTCC) plants, and forward expenditures to advance post-merger integration in the thermal power plant business.

Operating income in the Commercial Aviation & Transportation Systems domain increased significantly, mainly on the back of cost improvements relating to commercial aircraft, improvement in the product mix of commercial ships, and positive impact from the weaker yen.

Operating income in the Machinery, Equipment & Infrastructure domain decreased under the impact from changes in the accounting periods of some overseas group companies. However, when that factor is eliminated, operating income was virtually on a par with the year-earlier level.

II . Forecast for FY2015

Forecasts regarding future performance in these materials are based on judgment made in accordance with information available at the time this presentation was prepared. As such, those projections involve risks and insecurity. For this reason, investors are recommended not to depend solely on these projections for making investment decision. It is possible that actual results may change significantly from these projections for a number of factors. Such factors include, but are not limited to, economic trends affecting the Company's operating environment, currency movement of the yen value to the U.S. dollar and other foreign currencies, and trends of stock markets in Japan. Also, the results projected here should not be construed in any way as being guaranteed by the company.

Summary of Forecast for FY2015



(In billion yen)

| | FY2014 (Actual) | FY2015 (Forecast) | Change | |
|-------------------------|--|--|--|--------|
| Orders received | 4,699.1 | 4,700.0 | +0.8 | +0.0% |
| Net sales | 3,992.1 | 4,200.0 | +207.8 | +5.2% |
| Operating income | (7.4%) 296.1 | (7.6%) 320.0 | +23.8 | +8.1% |
| Ordinary income | (6.9%) 274.7 | (7.1%) 300.0 | +25.2 | +9.2% |
| Extraordinary gain/loss | - 42.0 | -50.0 | -7.9 | - |
| Net income (*) | (2.8%) 110.4 | (3.1%) 130.0 | +19.5 | +17.7% |
| ROE | 6.5% | 7.1% | +0.6pt | - |
| EBITDA | (11.7%) 465.0 | (12.0%) 502.0 | +36.9 | +7.9% |
| Free cash flow | 38.6 | 0.0 | -38.6 | - |
| Dividend (per share) | 11.0yen Interim: 5.0yen year-end: 6.0yen | 12.0yen Interim: 6.0yen year-end: 6.0yen | <Undetermined foreign currency amounts> US\$: 1.5 billion (3.0 billion*) Euro: 0.3 billion (0.4 billion*) | |

(*) The FY2015 forecast refers to profit attributable to owners of parent.

(*) forecast at the beginning of the fiscal year

<Assumed exchange rates>

US\$ 1.00 = ¥115

Euro 1.00 = ¥130

Pages 13 and 14 show the Company's current full-year results forecasts for FY2015.

No changes have been made from the previous forecasts issued on July 31.

Forecast for FY2015 by Segment



(In billion yen)

| | Orders received | | | Net sales | | | Operating income | | |
|--|--------------------|----------------------|---------|--------------------|----------------------|--------|--------------------|----------------------|--------|
| | FY2014 (Actual) | FY2015 (Forecast) | Change | FY2014 (Actual) | FY2015 (Forecast) | Change | FY2014 (Actual) | FY2015 (Forecast) | Change |
| Energy & Environment | 1,923.6 | 2,000.0 | +76.3 | 1,599.5 | 1,600.0 | +0.4 | 162.6 | 170.0 | +7.3 |
| Commercial Aviation & Transportation Systems | 999.2 | 700.0 | - 299.2 | 529.5 | 650.0 | +120.4 | 23.4 | 45.0 | +21.5 |
| Integrated Defense & Space Systems | 417.4 | 400.0 | - 17.4 | 483.9 | 450.0 | - 33.9 | 28.5 | 27.0 | - 1.5 |
| Machinery, Equipment & Infrastructure | 1,304.6 | 1,500.0 | +195.3 | 1,319.5 | 1,400.0 | +80.4 | 84.1 | 85.0 | +0.8 |
| Others | 190.8 | 200.0 | +9.1 | 182.8 | 200.0 | +17.1 | 13.8 | 15.0 | +1.1 |
| Eliminations or Corporate | - 136.7 | - 100.0 | +36.7 | - 123.3 | - 100.0 | +23.3 | - 16.6 | - 22.0 | - 5.3 |
| Total | 4,699.1 | 4,700.0 | +0.8 | 3,992.1 | 4,200.0 | +207.8 | 296.1 | 320.0 | +23.8 |

➤ **There is no change in the forecast announced on July 31, 2015.**

© 2015 MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved.

14

To summarize, the Company's business results in the first half of FY2015 – the first year in the new 2015 Medium-Term Business Plan – were mixed but generally favorable.

While on the one hand we are making progress in strengthening our financial base by promoting the various measures called for in our 2015 Business Plan, including scale expansion of growth businesses and accelerated post-merger integration, the interim results suggest that we presently face various challenges in carrying out our Business Plan.

First, we need to further accelerate our post-merger integration initiatives.

In particular, we need to address the fact that we are not making sufficient progress in curbing our fixed costs and our ballooning balance sheets along with expansion of business scale. Presently we are making forward outlays to propel these areas ahead, and we will pursue more efficient management and greater synergies.

Next, in promoting our MRJ business going forward, we need to securely acquire cash flow throughout the Company. In the first half of FY2015, our cash flow was greatly eroded by our cruise ship construction business.

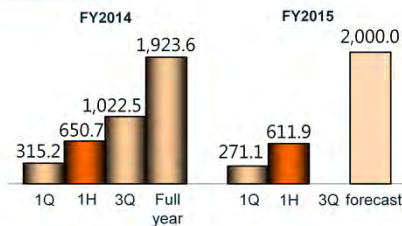
In order to secure a solid cash flow, we intend to be well-prepared for high-risk undertakings, including entry into new markets and new areas of technology.

Meanwhile, in the global context, our business environment is becoming increasingly severe, marked by consolidation and scale expansion of our competitors and the slowdown in the global economy . Against this backdrop, we must respond swiftly and flexibly to changes in our business environment and further strengthen our financial base so that we can join ranks with our global competitors. We believe there is still much room for improvement in fortifying our financial structure, and going forward we will clarify where issues exist and take solid steps to address those issues.

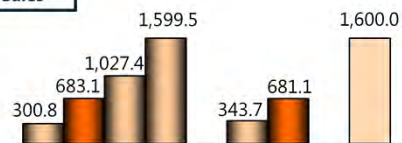
III. Supplementary Information

(In billion yen, accumulated amount)

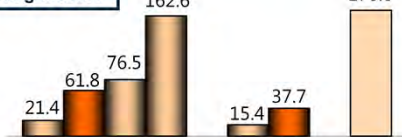
Orders Received



Net Sales



Operating Income



Orders received : Down ¥38.8 billion YoY

- Large-scale orders for chemical plants increased, but overall orders finished down from the year-earlier level primarily because of a reduction in orders for conventional plants compared to a year ago, when multiple orders for such plants had been received.

[Gas turbine orders]

| | | North America | Asia | Japan | Others | Total |
|------------|----------------------|---------------|------|-------|--------|-------|
| FY2014 -2Q | Large size | - | 1 | 1 | - | 2 |
| | Small to medium size | - | 1 | 7 | 7 | 15 |
| | Total | 0 | 2 | 8 | 7 | 17 |
| FY2015 -2Q | Large size | 1 | 5 | 1 | - | 7 |
| | Small to medium size | - | - | - | 1 | 1 |
| | Total | 1 | 5 | 1 | 1 | 8 |

[Backlog of Gas turbine orders]

| | Large size | Small to medium size | Total |
|-----------|------------|----------------------|-------|
| FY2014-2Q | 37 | 39 | 76 |
| FY2014-4Q | 34 | 33 | 67 |
| FY2015-2Q | 37 | 30 | 67 |

Net sales : Down ¥1.9 billion YoY

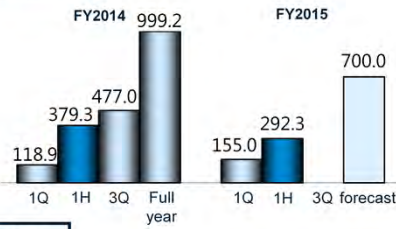
- Net sales declined from the year-ago level, with increased sales of chemical plants, etc. outweighed by decreased sales of thermal power plants, etc.

Earnings : Down ¥24.1 billion YoY

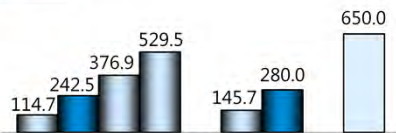
- Earnings finished down year-on-year as a result largely of the booking of expenses to cover glitches found in some steam turbines used in gas turbine combined cycle (GTCC) plants and costs booked to promote post-merger integration in the thermal power plant business.

(In billion yen, accumulated amount)

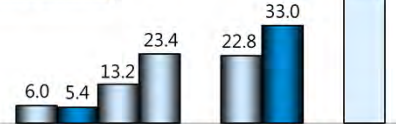
Orders Received



Net Sales



Operating Income



Orders received : Down ¥87.0 billion YoY

- Orders finished down from the year-earlier level largely owing to decreased orders for the MRJ and transportation systems — products that had attracted large-scale orders a year ago.

[Number of ships orders received]

FY2014-2Q: 6 (1Q: 3, 2Q: 3, 3Q: 1, 4Q: 4)

FY2015-2Q: 6 (1Q: 4, 2Q: 2)

[Backlog of ship orders] 37

(12 LNG carriers, 7 LPG carriers, 2 ferries/passenger and cargo ships, 6 patrol vessels and others)

Net sales : Up ¥37.5 billion YoY

- Net sales expanded year-on-year on the back of increased sales of commercial aircraft, which were driven by the weaker yen.

[Number of B777s delivered]

FY2014-2Q: 50 (1Q: 26, 2Q: 24, 3Q: 26, 4Q: 22)

FY2015-2Q: 55 (1Q: 28, 2Q: 27)

[Number of B787s delivered]

FY2014-2Q: 60 (1Q: 32, 2Q: 28, 3Q: 30, 4Q: 32)

FY2015-2Q: 63 (1Q: 32, 2Q: 31)

Earnings : Up ¥27.5 billion YoY

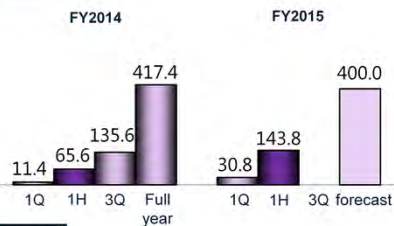
- Earnings surpassed the year-earlier level thanks to cost improvements relating to commercial aircraft, improvement in the product mix of commercial ships, and merits from yen depreciation.

Supplementary Information ① Financial Results by Business Segment
< Integrated Defense & Space Systems >



(In billion yen, accumulated amount)

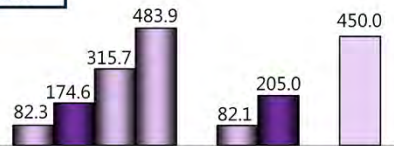
Orders Received



Orders received : Up ¥78.2 billion YoY

- Orders were up year-on-year, driven by increased demand for defense systems.

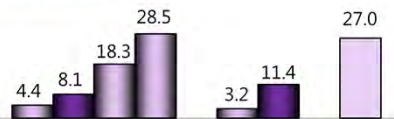
Net Sales



Net sales : Up ¥30.3 billion YoY

- Net sales exceeded the year-ago level on increased sales especially of naval vessels and other defense-related products.

Operating Income



Earnings : Up ¥3.2 billion YoY

- Earnings were up from the previous year's level thanks to increased sales of defense systems, etc.

(In billion yen, accumulated amount)

Orders Received

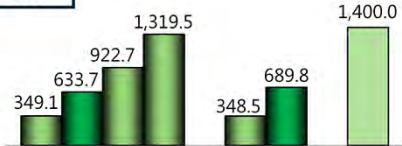


Orders received : Up ¥78.9 billion YoY

Net sales: Up ¥56.0 billion YoY

- Orders and net sales both surpassed their year-earlier levels as a result of merits from business integration in metals machinery and forklift trucks coupled with scale expansion in conventional businesses (turbochargers, air-conditioning & refrigeration systems, etc.).

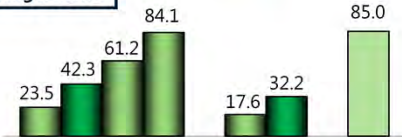
Net Sales



Earnings : Down ¥10.1 billion YoY

- Earnings finished down from the previous year's level due to the impact of changes to the fiscal year period adopted by overseas group companies a year ago.

Operating Income



Supplementary Information ② Reference Data



(In billion yen)

1. R&D Expenses, Depreciation and Amortization-Capital Expenditure

| | FY2014-2Q | FY2015-2Q | FY2015 (Forecast) |
|---------------------|-----------|-----------|----------------------|
| R&D Expenses | 57.3 | 58.3 | 150.0 |
| Depreciation | 75.3 | 75.5 | 170.0 |
| Capital Expenditure | 75.4 | 75.8 | 180.0 |

2. Selling, General and Administrative expenses

| | FY2014-2Q | FY2015-2Q |
|------|-----------|-----------|
| SG&A | 253.3 | 270.8 |

3. Foreign Exchange Rates

(In yen)

| | FY2014-2Q | FY2015-2Q |
|------|-----------|-----------|
| US\$ | 102.5 | 121.4 |
| Euro | 137.3 | 133.2 |

Supplementary Information ② Reference Data



(In billion yen)

4. Overseas Sales by Region

| | FY2014-2Q | | FY2015-2Q | |
|-------------------------|-----------|-------|-----------|-------|
| Asia | 339.4 | (20%) | 329.4 | (18%) |
| North America | 308.4 | (18%) | 381.0 | (20%) |
| Europe | 178.4 | (10%) | 186.2 | (10%) |
| Central & South America | 52.0 | (3%) | 72.1 | (4%) |
| The Middle East | 60.3 | (3%) | 45.4 | (2%) |
| Africa | 43.0 | (2%) | 46.6 | (2%) |
| Oceania | 20.7 | (1%) | 13.2 | (1%) |
| Total | 1,002.5 | (57%) | 1,074.3 | (57%) |

5. Segment Information by Geographic Distribution

| | | FY2014-2Q | FY2015-2Q |
|---------------------------|------------------|-----------|-----------|
| Japan | Net Sales | 1,368.5 | 1,395.9 |
| | Operating income | 95.7 | 97.3 |
| North America | Net Sales | 201.5 | 253.7 |
| | Operating income | 1.2 | 3.0 |
| Asia | Net Sales | 207.7 | 191.3 |
| | Operating income | 16.9 | 15.1 |
| Europe | Net Sales | 164.3 | 184.6 |
| | Operating income | 3.7 | -0.7 |
| Others | Net Sales | 21.3 | 50.4 |
| | Operating income | 0.6 | 1.2 |
| Eliminations or Corporate | Net Sales | -204.5 | -194.0 |
| | Operating income | - | - |
| Total | Net Sales | 1,759.1 | 1,882.0 |
| | Operating income | 118.2 | 115.9 |



Our Technologies, Your Tomorrow

© 2015 MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved.