Status of
2015 Medium-Term Business Plan

February 4, 2016
Mitsubishi Heavy Industries, Ltd.
Shunichi Miyanaga, President and CEO
Table of Contents

I. Outlook for 1st Year of 2015 Business Plan .................................... 3
II. Progress of Business Plan ................................................................. 5
III. Status of Concern Factors .............................................................. 8
    (Cruise Ship, MRJ) .............................................................................
IV. Plan Reinforcement ......................................................................... 15
V. Summary .......................................................................................... 28

[Reference]
Accelerating selection of core SBUs ..................................................... 30
Major Medium to long-term Business Developments, by Domain ........ 31
Outlook for 1st Year of 2015 Business Plan: Overview

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

<table>
<thead>
<tr>
<th>FY2014 Actual</th>
<th>FY2015 Outlook (in billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Previous*</td>
</tr>
<tr>
<td>Orders Received</td>
<td>4,699.1</td>
</tr>
<tr>
<td>Net Sales</td>
<td>3,992.1</td>
</tr>
<tr>
<td>Operating Income</td>
<td>296.1 (7.4%)</td>
</tr>
<tr>
<td>Net Income</td>
<td>110.4</td>
</tr>
<tr>
<td>FCF</td>
<td>38.6</td>
</tr>
<tr>
<td>ROE</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

*: At the time of the second quarter financial results announcement  
FCF: Free Cash Flow  
ROE: Return On Equity
# Outlook for 1st Year of 2015 Business Plan: Net Sales and Operating Income by Business Domain

## (billion yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th></th>
<th>FY2015</th>
<th></th>
<th>Changes since previous forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net Sales</td>
<td>Operating Income</td>
<td>Previous Forecast* (A)</td>
<td>Current Forecast (B)</td>
<td>B-A</td>
</tr>
<tr>
<td></td>
<td>Net Sales</td>
<td>Operating Income</td>
<td>Net Sales</td>
<td>Operating Income</td>
<td>Net Sales</td>
</tr>
<tr>
<td>Energy &amp; Environment</td>
<td>1,599.5</td>
<td>162.6</td>
<td>1,600.0</td>
<td>170.0</td>
<td>1,600.0</td>
</tr>
<tr>
<td>Commercial Aviation &amp; Transportation Systems</td>
<td>529.5</td>
<td>23.4</td>
<td>650.0</td>
<td>45.0</td>
<td>550.0</td>
</tr>
<tr>
<td>Integrated Defense &amp; Space Systems</td>
<td>483.9</td>
<td>28.5</td>
<td>450.0</td>
<td>27.0</td>
<td>450.0</td>
</tr>
<tr>
<td>Machinery, Equipment &amp; Infrastructure</td>
<td>1,347.4</td>
<td>87.7</td>
<td>1,400.0</td>
<td>85.0</td>
<td>1,400.0</td>
</tr>
<tr>
<td>Others</td>
<td>154.9</td>
<td>10.3</td>
<td>200.0</td>
<td>15.0</td>
<td>200.0</td>
</tr>
<tr>
<td>Eliminations or Corporate</td>
<td>△ 123.3</td>
<td>△ 16.6</td>
<td>△ 100.0</td>
<td>△ 22.0</td>
<td>△ 100.0</td>
</tr>
<tr>
<td>Total</td>
<td>3,992.1</td>
<td>296.1</td>
<td>4,200.0</td>
<td>320.0</td>
<td>4,100.0</td>
</tr>
</tbody>
</table>

*: Expenses from glitches at Himeji No.2, etc. (Most cost covered similar-type equipment)

**: Review of timing of booking to sales

**: Improved by aircraft tier1 business, etc.

- Progressing nearly according to plan
- Improvements in turbo and air conditioning businesses covered unfulfilled metal machinery and compressor business plans to achieve overall target.

* At the time of the second quarter financial results announcement
Progress of Business Plan: Seven Measures

Measure 1: Promote domain-based targets with clear aims, and strategies for their achievement.

Measure 2: Strategically reconfigure the product mix.

Measure 3: Strengthen relatively superior products and technologies.

Measure 4: Reform and create new businesses and business models for the next generation.

Measure 5: Strengthen the technology base and innovate.

Measure 6: Develop more advanced business processes and strengthen human resources.

Measure 7: Reform the corporate governance system.

Accelerating PMI of major JV businesses; Additional measures for MRJ, etc.

Concentration in core businesses and products proceeding according to plan (P.29)

CTO staff and organization under review, implementing additional measures.
(April 2016)
- Technical issues at Himeji No.2; examination of cruise ship failures
- Accelerating response to IoT, AI, etc.

Steady progress (further strengthening)

Transition to a company with a committee of auditors completed; Adjustments and optimization under way in execution phase.

PMI: post merger integration  MRJ: Mitsubishi Regional Jet  IoT: Internet of Things  AI: artificial intelligence  CTO: Chief Technology Officer
<table>
<thead>
<tr>
<th>Changes in business environment</th>
<th>Competitive landscape</th>
</tr>
</thead>
</table>
| • Impact of China’s economic slowdown on the global economy | • Siemens (Germany)  
  - Production reforms under way (Industry 4.0) |
| • Shift in U.S. financial policy / higher interest rates; further declines in oil and other energy prices (cash outflow from emerging economies and overall decline in investments) | • GE  
  - Aggressive promotion of IoT  
  - Sale of GE Capital (acceleration of R&D and M&A's)  
  - Streamlining of Alstom, etc. |
| • Expanded geopolitical risks in the Middle East | • Entry of Chinese manufacturers into global market |
| • Formation of market blocs, unified rules, etc. | |
| • Involvement and entry of IT businesses, etc. into the manufacturing industry | |

Although impact from slowing markets (China, emerging economies, energy-related markets, etc.) has been limited, the business environment is growing increasingly severe. Further strengthening of global response capabilities, technologies, and cost competitiveness are urgent issues.
### Progress of 2015 Business Plan: Concern Factors, by Year

<table>
<thead>
<tr>
<th>Impact</th>
<th>Loss/ gain and Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cruise ships (see pp.8-11)</td>
<td></td>
</tr>
<tr>
<td>MRJ (see pp.12-14)</td>
<td></td>
</tr>
<tr>
<td>SONGS: San Onofre Nuclear Generating Station</td>
<td></td>
</tr>
<tr>
<td>SCE: Southern California Edison (US)</td>
<td></td>
</tr>
</tbody>
</table>

- **SOGS**: San Onofre Nuclear Generating Station
- **SCE**: Southern California Edison (US)

**Impact**

**Loss/ gain and Cash Flow**

- **Himeji No.2 Power Station**
- **Cruise ships (see pp.8-11)**
- **MRJ (see pp.12-14)**

**FY2015**
- Measures for cruise ship business

**FY2016**
- Focus on SONGS arbitration

**FY2017**
- Accelerating MRJ development
- Start of MRJ deliveries and strengthening of business structure
- Further strengthening of financial foundation (M&A response + increased risk buffer; MRJ etc.)

**FY2018**
- Overseas construction is projected to commence earliest from FY2021. (examining and promoting risk minimization)

**FY2019**
- Improvements under way, recognizing burden continuing until around FY2021

**FY2020**
- Arbitration is under way concerning the justifiability of MHI's claims. (Outcome expected in late 2016 or early 2017)

**FY2021**
- Nuclear energy (overseas projects)

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Background to cause of losses, incidents and countermeasures

At time of contract (2011)
- Deemed possible based on previous track record in building cruise ships.
- Difficulty of prototype ship
  - Insufficient knowledge and experience in planning through design to realize series concept
    - Great difficulties especially for public area and overall air-conditioning systems
  - Insufficient understanding of latest technologies requirements (Wi-Fi in all cabins, etc.)
  - Insufficient consideration to manufacturing facilities, quality and quantity of requisite workers

Early phase of construction (2011 to mid-2013)
- Involvement only in shipbuilding operations (insufficient pursuit of EPC operations)
- Insufficient customer communication
- Expanded delays in approval for drawings, and confusion in arrangements for purchased items and materials
- Increasing complexity of problems, and latent expansion in work process delays
- Late awareness by business section and corporate segments

Latter phase of construction (from mid-2013)
- Adoption of new approach (allocation of engineering expertise and other MHI specialists)
- Further delays from increased re-working, materials and purchased items needing to be acquired again (expanded losses)
- Addition of European technicians, client support
- Insufficient experience in outsourcing

EPC: Engineering, procurement and construction
## Status of Concern Factors: Cruise Ship Business (2)

### Progress in work and loss/gain

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>1st ship</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Original</td>
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<td></td>
</tr>
<tr>
<td>Actual</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2nd ship</td>
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<tr>
<td>Original</td>
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<tr>
<td>Actual</td>
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</tr>
</tbody>
</table>

### Operating income (billion yen)

- FY2011: -9.3
- FY2012: 6.0
- FY2013: -0.1
- FY2014: 0
- FY2015: 0
- FY2016: 0

### Loss/gain to date (billion yen)

- FY2011: -9.3
- FY2012: -3.3
- FY2013: -67.5
- FY2014: -136.0
- FY2015: -187.2

Delay (1-3 years) in preparing the basic design (as the 1st ship in the series) is the main cause of the delay and confusion in procurement & interior work.

Measures taken to alleviate factors causing confusion, including review of work procedures.

Through this period, executed as assumed, as a conventional project.

In discussions with the client.
Status of Concern Factors: Cruise Ship Business (3)

Major issues and learnings

(1) Business segment level

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

(2) Companywide management level

- Although the problem of the business segment reached a level unimagined, the situation calls for Companywide reflection on the following:
  - Insufficient ability to verify the capability of the business segment to make proper judgments when a complex, large-scale order is received
    monozukuri = manufacturing
    (equipment, personnel, material purchasing logistics, etc.)
  - Insufficient ability to quickly discover problems between construction preparation and execution phases (financial monitoring)
**Major measures to prevent recurrences**

<table>
<thead>
<tr>
<th>Premise</th>
<th>Always maintain a strong desire to grow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response measures</td>
<td>Apply lessons learned from cruise ship issues to strengthen the technical and engineering capabilities of the MHI Group as a whole</td>
</tr>
<tr>
<td></td>
<td>Establishment of shared-technology division</td>
</tr>
<tr>
<td>Form a risk management structure directly under the CEO’s direction</td>
<td></td>
</tr>
<tr>
<td>(1) Strengthen Companywide ability to verify new/resumed business undertakings (not limited to ship construction)</td>
<td></td>
</tr>
<tr>
<td>(2) Strengthen the Companywide cooperation structure for execution support and problem resolution</td>
<td></td>
</tr>
<tr>
<td>- Strengthen program management capability (Financial monitoring, improvement of cost and order receipt management system, etc.)</td>
<td></td>
</tr>
<tr>
<td>- Newly establish a business risk oversight department, a shared technology division, etc.</td>
<td></td>
</tr>
</tbody>
</table>
12

Capital investment during 2015 Business Plan

Risk of maximum loss increase / delayed shift to profitability

Delivery of 1st unit

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

Present

End of FY2017

Development extension

Commercialization to investment recovery stage

~2014

2015 Business Plan

Development costs

Status of Concern Factors: MRJ Business (1)

Tablet

Investment completed

Capital expenditure and operating capital

Capital investment during 2015 Business Plan

Accumulated loss

Unrecovered investment capital

Accumulated loss/gain projection

Accumulated cash flow projection

(1) Increased capital investment (mostly FY2017 and FY2018)

(2) Risk of maximum loss increase / delayed shift to profitability

(3) Risk of cash flow undershooting projection

:Original

:After revision

Investment completed
Strengthen development system and improve efficiency

(1) Bring in additional experts in aircraft development
   Consolidate human resources in charge of finished aircraft business at Mitsubishi Aircraft Corp.

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

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

Prepare for full-scale business development and strengthen the business

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>Streamline and share indirect work between Mitsubishi Aircraft and MHI</td>
</tr>
<tr>
<td>Step 2</td>
<td>Build mass manufacturing business structure, including customer support</td>
</tr>
</tbody>
</table>

Accelerated application of US personnel and their knowhow

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

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

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

KPI: key performance indicators

Accelerated application of US personnel and their knowhow

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Prepare for full-scale business development and strengthen the business

Mass-manufacturing structure

Near term, focus on preparing for mass production
(Efficiency improvements, etc. will be undertaken in next step after commencement of mass production.)

Preparation for mass production

Start of mass production

Full-scale mass production

Start of manufacture of mass production model parts

Increased parts production

Increased production rate

Verification and improvement of mass-production processes

Start of manufacture of mass production model

Monthly production rate

Customer support structure

Currently preparing structure in liaison with launch customer

<table>
<thead>
<tr>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Komaki-minami New Plant</td>
<td>Tobishima Plant (New Layout)</td>
<td>Global Logistics Center (Komaki City, Aichi Pref.)</td>
<td>Kitakyushu Airport</td>
<td></td>
</tr>
<tr>
<td>Matsusaka Plant</td>
<td>(To be completed on June or July)</td>
<td>Kobe Shipyard &amp; Machinery Works</td>
<td>(To be completed on or after January)</td>
<td></td>
</tr>
<tr>
<td>Verification and improvement of mass-production processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>2017</td>
<td>2018</td>
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</tr>
<tr>
<td>Verification and improvement of mass-production processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Dramatic changes in business environment

Stronger, bigger rivals (urgent need to strengthen response capability, including M&A’s)

Difficult to achieve projected profit in FY2015 (early recovery action necessary)

Preparation for risks against MRJ development phase to business expansion phase and overseas nuclear power projects

Major areas of reinforcement

1. Earning capacity
2. Financial foundation
3. Risk resilience
4. Technology foundation
### Plan Reinforcement: Overall Image (2)

#### Additional measures

<table>
<thead>
<tr>
<th>Major areas of reinforcement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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</thead>
<tbody>
<tr>
<td>1) Acceleration of independent management, PMI (MHPS, Primetals Technologies, new forklift truck company*)</td>
<td>○</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) Total efficiency enhancement</td>
<td>○</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) Reduction in operating capital</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>4) Asset management</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>5) Radical review of risk management structure</td>
<td>○</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6) Establishment of shared technology division</td>
<td>○ → ○</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Anticipated results

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

* Company integrating forklift truck, engine and turbocharger businesses
Plan Reinforcement: Overall Image (3)

- Enhancement of corporate business processes
- Promotion of business process outsourcing (BPO) and shared service centers (SSC)
- Business risk resilience-related organization / process clarification and staff strengthening

1. Acceleration of independent management, PMI (P.18-20)
2. Total efficiency enhancement (P.21)
3. Reduction in operating capital (P.22)
4. Asset management (P.23-25)
5. Radical review of risk management structure (P.26)
6. Establishment of shared technology division (P.27)

Corporate divisions

- Domain management division (focus on business management and sales management)
- (other business administration consolidated to corporate divisions)
- SBU / 100% owned group companies (mainly businesses requiring long-term development, such as aircraft)
- Consolidated subsidiaries / equity method companies (managed in line with Group management strategies)

Domains

- Independently managed joint ventures (MHPS, Primetals, new forklift truck company*)

Shared Technology Division

- Clarification of technology administration and foundation restructuring
- Optimized Companywide functions fusing technology, marketing, procurement, etc.
- Cultivation and maintenance of advanced engineers and technicians

New Business Risk Management Div.

ICT: Information and communication technology

SBU: Strategic Business Unit
MHPS: Mitsubishi Hitachi Power Systems
*: Company integrating forklift truck, engine and turbocharger businesses
Plan Reinforcement: 1. Strengthen Earning Capacity (1)-1

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

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

- Speedy promotion of swift, autonomous management in line with the business characteristics of the 3 companies, under Companywide strategies

- Pursuit of coordination and synergies with overall Group strategies as shown below
  - Exchanges and cultivation of management members
  - Shared platforms (ERP, technology base, cash management and others)

**Net sales (billion yen)**

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2017 (targets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independently managed JVs</td>
<td>1,800</td>
<td>2,700</td>
</tr>
<tr>
<td>100% owned group companies and subsidiaries</td>
<td>1,300</td>
<td>980</td>
</tr>
<tr>
<td>Business divisions</td>
<td>670</td>
<td>1,500</td>
</tr>
</tbody>
</table>

**Operating income (billion yen)**

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2017 (targets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independently managed JVs</td>
<td>150</td>
<td>270</td>
</tr>
<tr>
<td>100% owned group companies and subsidiaries</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>Business divisions</td>
<td>140</td>
<td>170</td>
</tr>
</tbody>
</table>

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

ERP: Enterprise Resource Planning
Plan Reinforcement: 1. Strengthen Earning Capacity (1)-2

Accelerate PMI at MHPS

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

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

- Improvement of cash conversion cycle (CCC)

Accelerate PMI at Primetals

- Streamline the organization and reduce indirect costs
  - Business segments: 10 → 7
  - Functional organizations: 26 → 9
  - Pursue faster decision-making and more efficient management
- Efficiency enhancement through integration, of redundant departments, etc.

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

- Strengthen marketing and project management
  - Integrate Japanese and European knowhow through organizational unification
Development of forklift truck business*, etc.

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

MHI

Company integrating forklift truck, engine and turbocharger businesses

Forklift truck business
- Mitsubishi Nichiyu Forklift
- UniCarriers Holdings

Company handling engine and turbocharger businesses
- Engine SBU
- Turbocharger SBU

*Including automatic guided vehicle system

Launch planned for March 2016
Start of operations scheduled for July 2016

Net sales approx. 730 billion yen / Employees approx. 16,000*

*: FY2014

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2) Efficiency optimization

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

- Thorough elimination of redundant work processes
  - Organizational and staff streamlining between corporate divisions and domains

- Accelerate BPO
  - Further reduction of corporate staff

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

<table>
<thead>
<tr>
<th>FY2015 initiatives</th>
<th>Acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UniCarriers (forklift trucks)</td>
</tr>
<tr>
<td>FY2015 initiatives</td>
<td>JV</td>
</tr>
<tr>
<td></td>
<td>Mahindra &amp; Mahindra (agricultural machinery), JTSC (tunneling shield machines), etc.</td>
</tr>
<tr>
<td>FY2015 initiatives</td>
<td>Sale, withdrawal, etc.</td>
</tr>
<tr>
<td></td>
<td>Sumitomo Heavy Industries Material Handling Systems (industrial cranes), ECOVIX (shipbuilding), etc.</td>
</tr>
</tbody>
</table>

BPO: Business Process Outsourcing

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Plan Reinforcement: 2 Strengthen Financial Foundation (1)

1) Reduce operating capital

Improve cash conversion cycle (CCC)

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

Group target

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

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

See previous page

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3) Asset management (1)

Set new basic policies as a global corporation

a) Assets held limited, in principle, to the following:
   • Assets necessary for business and for strengthening the company’s competitiveness
   • Assets to be resilient against risk accompanying global competition
b) Elimination of risks stemming from non-core assets
c) Consolidation of dispersed assets, maximization of value, secure liquidity

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

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

Securities → Generate approx. 100 billion yen cash flow

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

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

- Reassess the need to hold securities and their order of priority, and sell off some to strengthen the financial foundation in the near term and secure necessary funds for the future
In the near term, consider and promote ways to use, primarily, Group-held unused land for business and idle land:
- Collective management of idle lands, etc., including held by Group companies
- Instead of merely selling land holdings, use them as means to improve earning capacity, collaborating with outside experts and other companies

In the medium to long term, advance plans also considering business and base restructuring.

Under the current measures, generate approx. 100 billion yen in cash flow.
Companywide risk management structure

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

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

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

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

SONGS: San Onofre Nuclear Generating Station  MRJ: Mitsubishi Regional Jet
Promote IoT, etc. companywide
(utilize external strengths and cultivate human resources)

Improve level and efficiency of EPC capabilities
(including cruise ship engineering)

Strengthen account management and intelligence functions (including oil & gas)

Improve production efficiency and strengthen competitiveness mainly through SCM

Promote IoT, etc. companywide (utilize external strengths and cultivate human resources)

Establishment of shared technology division

- Expand the authority and scope of responsibility of the CTO
- Reform the organization in light of the cruise ship business issues
- Cultivate and improve utilization of human resources, strengthen ability to respond MRJ and new businesses

Structure

- CTO
-shared technology division

Business
Business+ Technical support
Technical support

Engineering Headquarters
New
Marketing & Innovation Headquarters
New
Value Chain Headquarters
New
ICT Solution Headquarters

New business development
Business model reforms
## Summary (1) Management Numerical Targets

### Orders received

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2014 Actual</th>
<th>FY2015 Previous Forecast*</th>
<th>FY2015 Forecast</th>
<th>FY2016 Target</th>
<th>FY2017 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Overseas sales ratio)</td>
<td>4,699.1 (54%)</td>
<td>4,700.0 (62%)</td>
<td>4,700.0 (62%)</td>
<td>5,100.0 (63%)</td>
<td>5,500.0 (64%)</td>
</tr>
</tbody>
</table>

### Net sales

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2014 Actual</th>
<th>FY2015 Previous Forecast*</th>
<th>FY2015 Forecast</th>
<th>FY2016 Target</th>
<th>FY2017 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,992.1</td>
<td>4,200.0</td>
<td>4,100.0</td>
<td>4,600.0</td>
<td>5,000.0</td>
</tr>
</tbody>
</table>

### Operating income

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2014 Actual</th>
<th>FY2015 Previous Forecast*</th>
<th>FY2015 Forecast</th>
<th>FY2016 Target</th>
<th>FY2017 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Ordinary income)</td>
<td>296.1</td>
<td>320.0</td>
<td>300.0</td>
<td>380.0</td>
<td>450.0</td>
</tr>
<tr>
<td></td>
<td>(274.7)</td>
<td>(300.0)</td>
<td>(270.0)</td>
<td>(360.0)</td>
<td>(430.0)</td>
</tr>
</tbody>
</table>

### Net income

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2014 Actual</th>
<th>FY2015 Previous Forecast*</th>
<th>FY2015 Forecast</th>
<th>FY2016 Target</th>
<th>FY2017 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>110.4</td>
<td>130.0</td>
<td>90.0</td>
<td>160.0</td>
<td>200.0</td>
</tr>
</tbody>
</table>

### ROE

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2014 Actual</th>
<th>FY2015 Previous Forecast*</th>
<th>FY2015 Forecast</th>
<th>FY2016 Target</th>
<th>FY2017 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.5%</td>
<td>7.1%</td>
<td>5%</td>
<td>8%</td>
<td>10.2%</td>
</tr>
</tbody>
</table>

### FCF

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2014 Actual</th>
<th>FY2015 Previous Forecast*</th>
<th>FY2015 Forecast</th>
<th>FY2016 Target</th>
<th>FY2017 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>38.6</td>
<td>0</td>
<td>-50.0</td>
<td>100.0</td>
<td>200.0</td>
</tr>
</tbody>
</table>

### Debt/Equity ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2014 Actual</th>
<th>FY2015 Previous Forecast*</th>
<th>FY2015 Forecast</th>
<th>FY2016 Target</th>
<th>FY2017 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.46</td>
<td>0.4</td>
<td>0.5</td>
<td>0.4</td>
<td>0.4</td>
</tr>
</tbody>
</table>

### Equity ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2014 Actual</th>
<th>FY2015 Previous Forecast*</th>
<th>FY2015 Forecast</th>
<th>FY2016 Target</th>
<th>FY2017 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>32.3%</td>
<td>33%</td>
<td>33%</td>
<td>34%</td>
<td>35%</td>
</tr>
</tbody>
</table>

### Interest-bearing debt

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2014 Actual</th>
<th>FY2015 Previous Forecast*</th>
<th>FY2015 Forecast</th>
<th>FY2016 Target</th>
<th>FY2017 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>975.5</td>
<td>1,000.0</td>
<td>1,050.0</td>
<td>900.0</td>
<td>900.0</td>
</tr>
</tbody>
</table>

### Dividend per share

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2014 Actual</th>
<th>FY2015 Previous Forecast*</th>
<th>FY2015 Forecast</th>
<th>FY2016 Target</th>
<th>FY2017 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11 yen</td>
<td>12 yen</td>
<td>12 yen</td>
<td>Dividend payout ratio 30% ± 5%</td>
<td></td>
</tr>
</tbody>
</table>

### Foreign exchange rates

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2014 Actual</th>
<th>FY2015 Previous Forecast*</th>
<th>FY2015 Forecast</th>
<th>FY2016 Target</th>
<th>FY2017 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>109.4 yen/$**</td>
<td>118 yen/$**</td>
<td>120 yen/$</td>
<td>110 yen/$</td>
<td>110 yen/$</td>
</tr>
<tr>
<td></td>
<td>138.0 yen/€**</td>
<td>130 yen/€**</td>
<td>130 yen/€</td>
<td>130 yen/€</td>
<td>130 yen/€</td>
</tr>
</tbody>
</table>

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

ROE: Return On Equity  
FCF: Free Cash Flow
### Summary (2) Achievement of Management Targets through Reinforcement of 2015 Business Plan

<table>
<thead>
<tr>
<th>(billion yen)</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>4,200.0</td>
<td>4,600.0</td>
<td>5,000.0</td>
</tr>
<tr>
<td></td>
<td>4,100.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>320.0</td>
<td>380.0</td>
<td>450.0</td>
</tr>
<tr>
<td></td>
<td>300.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>130.0</td>
<td>160.0</td>
<td>200.0</td>
</tr>
<tr>
<td></td>
<td>90.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>100.0</td>
<td>100.0</td>
<td>200.0</td>
</tr>
<tr>
<td></td>
<td>-50.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Business scale
- Self-reliant growth through pursuit of synergies of independently managed JVs
- UniCarriers integration
- MHPS Primetals
- New forklift truck company

#### Earnings
- Excluding Himeji No.2 Power Station and cruise ship business, 130-140 billion yen net income base
- Completion of Himeji No.2 measures
- Increase profit in line with increased sales and improved efficiency
- Risk buffer ("just in case" extraordinary loss: 50 billion yen/yr)
- Improved asset management (pre-tax: approx. 100 billion yen)

**Net income**
- Excluding Himeji No.2 Power Station and cruise ship business, 130-140 billion yen net income base
- \[ \text{Net income} = 130.0 - (60.0 + 70.0) \times 65\% = 169.0 \text{ billion yen} \]
- \[ \text{Net income} = 130.0 + (60.0 + 70.0) \times 65\% = 214.5 \text{ billion yen} \]
- \[ \text{Net income} = 130.0 + (60.0 + 70.0) \times 65\% = 214.5 \text{ billion yen} \]
- \[ \text{Net income} = 130.0 + (60.0 + 70.0) \times 65\% = 214.5 \text{ billion yen} \]
- \[ \text{Net income} = 130.0 + (60.0 + 70.0) \times 65\% = 214.5 \text{ billion yen} \]
- \[ \text{Net income} = 130.0 + (60.0 + 70.0) \times 65\% = 214.5 \text{ billion yen} \]

**Free Cash Flow**
- Cover MRJ development and cruise ship losses
- Asset management (approx. 200 billion yen)
- Reduced operating capital (improvement in CCC)

MHPS: Mitsubishi Hitachi Power Systems

*: Company integrating forklift truck, engine and turbocharger businesses
## Reference: Accelerating selection of core SBUs

### Integration of Group Companies

- **Integration of 8 Group companies undertakings businesses relating to plant/facility management, construction and real estate**
  - **Transfer**
    - Delta Electronics (Taiwan): Lithium rechargeable batteries, Apr 2014, Promotion of business concentration into core competence
    - Sumitomo Heavy Industries Material Handling Systems: Industrial crane, May 2015, Promotion of business concentration into core competence
    - Michinori Holdings: Shonan Monorail, May 2015, Promotion of business concentration into core competence

- **Withdrawal**
  - Ecovix (Brazil): Shipbuilding, Jan 2016, (equity-based), Promotion of business concentration into core competence

- **Acquisition**
  - PWPS(USA), Turboden(Italy): Gas turbines, Dec 2012, Approx. JPY 80bn, Business expansion from added lineup in small/medium GT
  - Daily Equipment (USA): Forklift trucks, Jan 2012, Approx. JPY 4bn, Expansion of after-sale servicing business
  - Concast (India): Metals machinery, Jun 2012, Approx. JPY 2bn, Strengthening of upstream product lineup
  - Toyo Engineering Works: Refrigeration systems, Jan 2014, Approx. JPY 20bn, Strengthening of engineering business
  - UniCarriers Holdings: Forklift trucks, Jul 2015, Approx. JPY 185bn, Further business scale growth and expanded global market share

- **MHI-led JV**
  - Nippon Yusoki: Forklift trucks, Nov 2012, Approx. JPY 80bn, Business expansion from achievement of full lineup
  - Hitachi: Thermal power generation systems, Nov 2012, Approx. JPY 400bn, Business expansion from full GT lineup (small to large), expansion of unique technologies (brown coal combustion, IGCC)
  - Siemens (Germany): Metals machinery, May 2014, Approx. JPY 50bn, Business expansion from achievement of full lineup
  - IHI Metaltech: Metals machinery, Jul 2013, Approx. JPY 7bn, Strengthened lineups of aluminum rolling mills, etc.
  - Mahindra & Mahindra (India): Agricultural machinery, May 2015 (equity-based), Stronger competitiveness in domestic and global markets
  - Vestas (Denmark): Wind turbines, Sep 2013, (equity-based), Early achievement of strategic model (8MW) development and order receipt targets
  - Ryobi: Commercial printing machinery, Jun 2013, (equity-based), Business strengthening from product lineup and production integration
  - Fuji Xerox: Document-related, Oct 2013, (equity-based), Reductions in direct/indirect costs from standardization and effective document-related processes
  - Miyagi Engineering: Bridges, Nov 2014, (equity-based), Scale merits, Market share increase
  - Japan Tunnel Systems: Tunneling Shield machine, May 2015 (equity-based), Assured capture of domestic demand and accelerated expansion overseas
  - Fuji Oozx: Automobile engine valve, Jan 2016 (equity-based), Market share expansion and enhanced market presence
  - HIDROMEK (Turkey): Motor graders, Nov 2013, - , Promotion of business concentration into core competence

- **Partner-led JV**
  - Delta Electronics (Taiwan): Lithium rechargeable batteries, Apr 2014, - , Promotion of business concentration into core competence
  - Sumitomo Heavy Industries Material Handling Systems: Industrial crane, May 2015, - , Promotion of business concentration into core competence
  - Michinori Holdings: Shonan Monorail, May 2015, - , Promotion of business concentration into core competence

### Other results, etc.

- PWPS: Pratt & Whitney Power Systems

*Sum booked to net sales for 3 months (approx.) after integration*
## Reference: Major Medium to long-term Business Developments, by Domain

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MHPS</td>
<td>Growth of GE, Alstom and Siemens</td>
<td>Orders received</td>
<td>Intensifying competition, risk of changes in market environment</td>
<td>Accelerating PMI (costs)</td>
<td>Technology</td>
<td>Full-scale development of overseas projects</td>
</tr>
<tr>
<td>Energy &amp; Environment</td>
<td>Nuclear energy</td>
<td>Domestic restarts and overseas expansion (feasibility studies, preliminary design)</td>
<td>Response to nuclear fuel cycle</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cruise ships</td>
<td>AIDA (in discussions)</td>
<td>Reform of commercial ship business</td>
<td>Full operation of new structure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Aviation &amp; Transportation Systems</td>
<td>MRJ</td>
<td>Test flights and structure enhancement</td>
<td>Business development</td>
<td></td>
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<tr>
<td></td>
<td>Tier 1</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Land transportation systems</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Integrated Defense &amp; Space Systems</td>
<td>Overseas defense business</td>
<td>Proposal of new projects</td>
<td>Delivery of first F-35 unit</td>
<td>Reap results</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>H3 launch vehicle</td>
<td>Development agreement</td>
<td>Agreement concluded on F-35 FACO / SM-3 integrated testing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery, Equipment &amp; Infrastructure</td>
<td>Primetals</td>
<td>PMI</td>
<td>Initiatives for further growth of core businesses</td>
<td>Cultivation of next-generation businesses</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>New forklift truck company*</td>
<td>Business restructuring</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>Business and base reorganization, higher level of business processes</td>
<td>Preparation and strengthening of shared technology division</td>
<td>Brush-up of platforms</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
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