Here, we will provide an overview of MHI’s financial results for the first half of fiscal 2017—the period from April 1st through September 30th.
# Table of Contents

## I. FY2017 1H Financial Results
- Summary of 1H Financial Results 3
- 1H Financial Results by Segment 4
- Balance Sheets Overview 5
- Main Financial Measures, Cash Flows 6

## II. Forecast for FY2017
- Summary of Forecast for FY2017 11
- Forecast for FY2017 by Segment 12

## III. Supplementary Information
- Supplementary Information 14-18
I. FY2017 1H Financial Results
Here you can see a summary of the half-year results.

Orders received totaled 1,600.5 billion yen, down 63.8 billion yen from the previous year. The decline is attributable mainly to receipt of orders for the MRJ during the first half of fiscal 2016.

Net sales finished at 1,825.4 billion yen, up by 74.9 billion yen year-on-year.

Operating income in the first half totaled 38.2 billion yen, little changed from the previous year. An increase in gross margin was offset by increases in SG&A (selling, general and administrative) expenses.

Ordinary income ended the half at 41.2 billion yen, up by 43 billion yen from the previous year. Two principal factors were behind this significant improvement. First, in contrast to the foreign exchange loss booked in the first half of fiscal 2016, this year a foreign exchange gain was recorded. Second, a year ago the Company booked a loss from an equity-method investment of 18.8 billion yen relating to Mitsubishi Motors Corporation, which was an equity-method affiliate until the end of the first quarter of fiscal 2016. This year that loss was eliminated.

An extraordinary loss in the amount of 4.7 billion yen was booked in the first half as business structure improvement expenses.

Net income attributable to owners of parent ended the half at 13.5 billion yen, a year-on-year increase by 32.4 billion yen.

EBITDA finished at 129.2 billion yen, nearly unchanged from the previous year.
Here we see a breakdown of the first-half results by segment.

Orders received in the Aircraft, Defense & Space segment decreased by 40.4 billion yen from the previous year. As explained on the previous page, the year-on-year decline was due primarily to orders for the MRJ received in the first half last year.

Sales increased mainly in the Industry & Infrastructure segment. Year-on-year growth was recorded especially by mass-manufactured products such as turbochargers, forklift trucks, and refrigeration and air-conditioning systems. Sales also increased in the Aircraft, Defense & Space segment. Sales in the Power Systems segment decreased from the previous year.

Operating income fell in the Power Systems segment by 18 billion yen from the previous year. As I explained when reviewing our first-quarter results, the main reason is because profits in the nuclear power business are projected to be concentrated into the second half of the fiscal year. Operating income in the Industry & Infrastructure segment increased by 14.7 billion yen from the previous year, due to growth in sales especially of mass-manufactured products. Operating income in the Aircraft, Defense & Space segment increased by 2.9 billion yen from the previous year. MRJ development costs expanded, but progress is being made in improving commercial aircraft costs.
Next, I will provide a brief overview of our balance sheet.

At MHI, our fundamental policy is to improve management efficiency by squeezing the balance sheet, and to maintain a positive cash flow.

At the end of the first half, our total assets now stand at 5,599.6 billion yen, up by 117.7 billion yen from the end of previous fiscal year. This figure includes increased assets relating to our investment into the MRJ business and progress of the project in South Africa.

On the liabilities side, the increase in total assets is temporarily being offset by short-term interest-bearing debt. Interest-bearing debt increased by 172.8 billion yen since the end of fiscal 2016, and now stands at 1,098.4 billion yen. At MHI, cash flow typically touches bottom in the third quarter of every year and then recovers significantly in the fourth quarter. Taking this into consideration, interest-bearing debt has decreased by 83.7 billion yen compared to the level of one year ago.

Owners equity has increased for a number of reasons. These include booking of net income and an increase in unrealized holding gain on investment securities following the recent rise in share prices.
Now, I would like to show our main financial measures and cash flows.

The equity ratio calculated to 32.8%, a solid improvement from 29.8% the previous year. Interest-bearing debt decreased year-on-year, as I explained on the previous page. The D/E ratio was 51%.

Now I will turn to our cash flows, which support these figures.

In most years, our cash flows tend to finish in negative territory from the first to third quarters, and then recover by the end of the fiscal year. This year, free cash flow during the first half was minus 186.2 billion yen, an improvement by 30.7 billion yen from the previous year. We are now taking various measures toward achieving our annual target of 100 billion yen.
Next, I will present our orders received, order backlog, net sales and operating income results of the first half, by segment.

Orders received decreased in the Aircraft, Defense & Space segment, as I described on page 4. Orders received in the Power Systems and Industry & Infrastructure segments were little changed from the previous year.

We have changed the method of showing the order backlog so that it does not include past orders received for the MRJ. This method, which will be used going forward, reflects the use of order information as a key indicator of sales and is in line with similar methods used by other aircraft manufacturers. The total volume of orders for the MRJ received to date is shown on page 16.
Here you can see the segment-based net sales figures for the first half. In the Industry & Infrastructure segment, net sales increased mainly for forklift trucks and other mass-manufactured goods.
Operating income finished the first half close to the level of the previous year. Income in the Power Systems segment was modest mainly due to the timing of booking of sales in the nuclear power business, but this was offset by increased income in the Industry & Infrastructure segment.

We expect the nuclear power business to recover on a full-year basis.
II. Forecast for FY2017

Forecasts regarding future performance in these materials are based on judgments made in accordance with information available at the time this presentation was prepared. As such, these projections involve risks and insecurity. For this reason, investors are recommended not to depend solely on these projections for making investment decisions. It is possible that actual results may vary significantly from these projections due to a number of factors. These include, but are not limited to, economic trends affecting the Company's operating environment, currency movements 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.
Now, let me show our full-year forecasts for fiscal 2017.

We have revised our forecasts in light of the circumstances I described here and the most recent environment for attracting new orders.

Originally we projected orders received would reach 4,500 billion yen. Now we have lowered that forecast by 500 billion yen, to 4,000 billion yen. In the Power Systems segment, a number of large-scale orders we had expected to receive in fiscal 2017 are now unlikely to take place this year because of environmental assessments, financial closes, etc., so projected receipt of those orders has been shifted to fiscal 2018 or later.

In addition, the market for thermal power generation systems is quite severe. For these reasons we have lowered our forecast of orders received in the Power Systems segment from 1,950 billion yen to 1,450 billion yen.

Our original net sales forecast was 4,150 billion yen. We have now lowered that projection by 100 billion yen, to 4,050 billion yen. We lowered our sales forecast for the Power Systems segment in reflection of the current severity in attracting new orders, including short-term contracts.

We originally projected operating income of 230 billion yen, but now we have lowered that forecast by 50 billion yen, to 180 billion yen. The reduction mainly stems from our lowered sales forecast, by 45 billion yen, for the Power Systems segment. We also lowered our forecast for the Industry & Infrastructure segment, by 5 billion yen. In this case, the reduced projection was made in view of slight deterioration in costs along with...
the completion of problematic chemical plant projects.

For the various reasons just elaborated, we have lowered our ordinary income forecast by 40 billion yen, from 210 billion yen to 170 billion yen. We have also trimmed our projected net income attributable to owners of parent by 20 billion yen, from 100 billion yen to 80 billion yen.

We have also revised our ROE outlook from 5.5% to 4.4%, and our EBITDA forecast from 430 billion yen to 370 billion yen.

We have retained our free cash flow forecast, for the time being, at 100 billion yen, in reflection of the various measures we are taking, including asset management.

At our Board of Directors meeting today, it was decided to disburse an interim dividend of 6 yen per share. This is before the share consolidation, ten to one, carried out on October 1st. Our full-year dividend forecast, calculated per share prior to share consolidation, is 12 yen. This calculates to 120 yen per share after share consolidation.
Here you can see our fiscal 2017 forecasts by segment.

As I explained on the previous page, we have revised our orders received, net sales and operating income forecasts, especially for the Power Systems segment, in light of current conditions.

This completes my presentation of our results for the first half of fiscal 2017. Thank you.
III. Supplementary Information
Supplementary Information (1) Financial Results by Business Segment

< Power Systems >

Orders received: Down ¥7.2 billion YoY
- Increased: GTCC
- Decreased: Conventional thermal power

Gas turbine orders received

<table>
<thead>
<tr>
<th></th>
<th>North America</th>
<th>Asia</th>
<th>Japan</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large size</td>
<td>4</td>
<td>2</td>
<td>-</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Small to medium size</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>4</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>FY2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large size</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Small to medium size</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>

Backlog of Gas turbine orders received

<table>
<thead>
<tr>
<th></th>
<th>Large size</th>
<th>Small to medium size</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of Sep. 30 2016</td>
<td>38</td>
<td>30</td>
<td>68</td>
</tr>
<tr>
<td>As of Mar. 31 2017</td>
<td>43</td>
<td>14</td>
<td>57</td>
</tr>
<tr>
<td>As of Sep. 30 2017</td>
<td>43</td>
<td>13</td>
<td>56</td>
</tr>
</tbody>
</table>

Net sales: Down ¥18.6 billion YoY
- Increased: Conventional thermal power
- Decreased: GTCC, Nuclear power

Earnings: Down ¥18.0 billion YoY
- Decreased: GTCC, Nuclear power; Decreased sales etc.

Full-year forecasts:
- Orders received has been revised downward, from ¥1,950.0 billion to ¥1,450.0 billion
- Net sales has been revised downward, from ¥1,650.0 billion to ¥1,550.0 billion
- Operating income has been revised downward, from ¥145.0 billion to ¥100.0 billion
Supplementary Information (1) Financial Results by Business Segment

< Industry & Infrastructure >

**Orders received** : Down ¥11.4 billion YoY
- Increased : Metals machinery, Forklift trucks
- Decreased : Commercial ships, Chemical plants

Number of ships orders received
FY2016-1H: 6 (1Q: 4, 2Q: 2, 3Q: 0, 4Q: 3)
FY2017-1H: 2 (1Q: 1, 2Q: 1)

Backlog of ship orders: 29
(10 LNG carriers, 4 LPG carriers, 4 roll-on/roll-off ships and others)

**Net sales** : Up ¥89.4 billion YoY
- Increased : Forklift trucks, Transportation systems
- Decreased : Metals machinery

**Earnings** : Up ¥14.7 billion YoY
- Increased
  Forklift trucks, Turbochargers: Increased sales, etc.

**Full-year forecasts** :
- Operating income has been revised downward,
  from ¥85.0 billion to ¥80.0 billion
Supplementary Information (1) Financial Results by Business Segment

< Aircraft, Defense & Space >

Orders received : Down ¥40.4 billion YoY
- Increased : Naval vessels, Space systems
- Decreased : Defense aircraft, Special vehicles
  Accumulated number of MRJ orders received: 427
    (firm orders: 233 / options and purchase rights: 194)

Net sales : Up ¥12.6 billion YoY
- Increased : Space systems
- Decreased : Defense aircraft, Missile systems
  Number of B777s delivered
    FY2016 (actual) : 91 (1Q: 27, 2Q: 24, 3Q: 19, 4Q: 21)
    FY2017 (forecast) : 57 (1Q: 17, 2Q: 15, 3-4Q: 25planned)
  Number of B787s delivered
    FY2016 (actual) : 125 (1Q: 36, 2Q: 31, 3Q: 25, 4Q: 33)
    FY2017 (forecast) : 141 (1Q: 36, 2Q: 35, 3-4Q: 69planned)

Earnings : Up ¥2.9 billion YoY
- Increased
  Space systems: Increased sales
  Commercial aircraft: Cost improvement etc.

Full-year forecasts :
- No change

© 2017 MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved

16
## Supplementary Information (2) Reference Data

### 1. R&D Expenses, Depreciation and Capital Expenditure

<table>
<thead>
<tr>
<th></th>
<th>FY2016 1H</th>
<th>FY2017 1H</th>
<th>FY2017 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D Expenses</td>
<td>66.0</td>
<td>61.6</td>
<td>170.0</td>
</tr>
<tr>
<td>Depreciation</td>
<td>79.8</td>
<td>82.8</td>
<td>180.0</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>93.7</td>
<td>71.2</td>
<td>200.0</td>
</tr>
</tbody>
</table>

### 2. Selling, General and Administrative Expenses

<table>
<thead>
<tr>
<th></th>
<th>FY2016 1H</th>
<th>FY2017 1H</th>
</tr>
</thead>
<tbody>
<tr>
<td>SG&amp;A</td>
<td>281.9</td>
<td>290.6</td>
</tr>
</tbody>
</table>

### 3. Foreign Exchange Rates (For sales)

<table>
<thead>
<tr>
<th></th>
<th>FY2016 1H</th>
<th>FY2017 1H</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$</td>
<td>106.7</td>
<td>111.3</td>
</tr>
<tr>
<td>Euro</td>
<td>117.4</td>
<td>125.7</td>
</tr>
</tbody>
</table>
### 4. Overseas Sales by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2016 1H</th>
<th>FY2017 1H</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>319.1 (19%)</td>
<td>329.6 (18%)</td>
</tr>
<tr>
<td>Asia</td>
<td>288.0 (16%)</td>
<td>317.6 (18%)</td>
</tr>
<tr>
<td>Europe</td>
<td>204.9 (12%)</td>
<td>190.4 (10%)</td>
</tr>
<tr>
<td>Central &amp; South America</td>
<td>42.3 (2%)</td>
<td>72.0 (4%)</td>
</tr>
<tr>
<td>The Middle East</td>
<td>55.9 (3%)</td>
<td>70.9 (4%)</td>
</tr>
<tr>
<td>Africa</td>
<td>56.5 (3%)</td>
<td>39.9 (2%)</td>
</tr>
<tr>
<td>Oceania</td>
<td>15.3 (1%)</td>
<td>14.5 (1%)</td>
</tr>
<tr>
<td>Total</td>
<td>982.4 (56%)</td>
<td>1,035.1 (57%)</td>
</tr>
</tbody>
</table>

### 5. Segment Information by Geographic Distribution (In billion yen)

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2016 1H</th>
<th>FY2017 1H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1,334.9</td>
<td>1,369.7</td>
</tr>
<tr>
<td>Operating Income</td>
<td>28.8</td>
<td>24.1</td>
</tr>
<tr>
<td>North America</td>
<td>217.4</td>
<td>226.8</td>
</tr>
<tr>
<td>Operating Income</td>
<td>2.8</td>
<td>4.5</td>
</tr>
<tr>
<td>Asia</td>
<td>170.9</td>
<td>193.8</td>
</tr>
<tr>
<td>Operating Income</td>
<td>14.8</td>
<td>13.7</td>
</tr>
<tr>
<td>Europe</td>
<td>181.3</td>
<td>181.0</td>
</tr>
<tr>
<td>Operating Income</td>
<td>-7.7</td>
<td>-3.4</td>
</tr>
<tr>
<td>Others</td>
<td>43.2</td>
<td>51.8</td>
</tr>
<tr>
<td>Operating Income</td>
<td>-0.3</td>
<td>-0.7</td>
</tr>
<tr>
<td>Eliminations or Corporate</td>
<td>-197.4</td>
<td>-197.6</td>
</tr>
<tr>
<td>Operating Income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>1,750.5</td>
<td>1,825.4</td>
</tr>
<tr>
<td>Operating Income</td>
<td>38.4</td>
<td>38.2</td>
</tr>
</tbody>
</table>
MOVE THE WORLD FORWARD