MOVE THE WORLD FORWARD MITSUBISHI HEAVY INDUSTRIES GROUP

FASF MEMBERSHIP

Financial Results for FY2017 1-3Q (Apr.-Dec.)

February 6, 2018

MITSUBISHI HEAVY INDUSTRIES, LTD.

MITSUBISHI HEAVY INDUSTRIES

Here, we will provide an overview of MHI’s financial results for the first three quarters of fiscal 2017—the period from April 1st through December 31st.

Table of Contents

MITSUBISHI HEAVY INDUSTRIES

I. FY2017 1-3Q Financial Results

Segment Information

II. Forecast for FY2017

III. Supplementary Information

I. FY2017 1-3Q Financial Results

Summary of 1-3Q Financial Results

MITSUBISHI HEAVY INDUSTRIES

(In billion yen)

	FY2016 1-3Q		FY2017 1-3Q		Change	
Orders received		2,656.4		2,577.6	-78.7	(- 3.0%)
Net sales		2,694.2		2,851.4	157.1	(+5.8%)
Operating income	(2.5%)	68.4	(2.8%)	80.0	11.5	(+16.9%)
Ordinary income	(1.9%)	50.9	(3.2%)	91.1	40.2	(+78.9%)
Extraordinary gain/loss		-19.7		-8.8	+10.9	-
Profit attributable to owners of parent	(-0.4%)	-11.2	(0.9%)	24.7	+36.0	-
EBITDA	(7.6%)	205.5	(7.7%)	220.1	+14.6	(+7.1%)

Breakdown of FY2017 1-3Q Extraordinary gain/loss (-8.8)

<Extraordinary gain>
- Gain on sales of investment securities 1.9

<Extraordinary loss>
- Business structure improvement expenses -10.8

Non-operating income below are included:
- Income from equity method investments 1.3 (+22.8)

* ( ) Change from FY2016 1-3Q

 3

Here you can see a summary of the cumulative results for the first three quarters.

Orders received totaled 2,577.6 billion yen, down 78.7 billion yen from the previous year.

Net sales finished at 2,851.4 billion yen, up by 157.1 billion yen year-on-year.

Operating income in the first three quarters totaled 80 billion yen, up 11.5 billion yen from the previous year. Gross margin was 2.8%.

Ordinary income ended at 91.1 billion yen, up 40.2 billion yen from the previous year. The significant year-on-year increase is the result of an 11.1 billion yen non-operating gain attributable to the elimination of the loss booked in fiscal 2016 from an equity-method investment relating to Mitsubishi Motors Corporation, which was an equity-method affiliate until the end of the first quarter of fiscal 2016, and to a positive finish in the financial account which was a reflection mostly of forex gain/loss and dividends.

Extraordinary gain/loss ended 8.8 billion yen in negative territory. An extraordinary loss of 10.8 billion yen was booked as business structure improvement costs. One-time expenses were booked in connection with PMI implemented primarily at our joint-venture companies: especially, Mitsubishi Hitachi Power Systems and Primetals Technologies.

As a result of this, net income attributable to owners of parent after the first three quarters reached 24.7 billion yen, a year-on-year increase by 36 billion yen.

EBITDA, an indicator of earning capacity, finished at 220.1 billion yen, up 14.6 billion yen from the previous year.

1-3Q Financial Results by Segment(*)

(In billion yen)

	Orders received			Net sales			Operating income		
	FY2016 1-3Q	FY2017 1-3Q	Change	FY2016 1-3Q	FY2017 1-3Q	Change	FY2016 1-3Q	FY2017 1-3Q	Change
Power Systems	1,062.5	1,014.5	- 47.9	973.0	985.7	+12.7	43.9	40.4	- 3.4
Industry & Infrastructure	1,188.2	1,207.7	+19.4	1,235.6	1,354.5	+118.9	27.9	40.4	+12.5
Aircraft, Defense & Space	395.5	351.5	- 44.0	473.8	517.0	+43.2	1.4	2.8	+1.3
Others	117.9	87.8	- 30.1	119.7	84.9	- 34.7	6.5	4.0	- 2.5
Eliminations or Corporate	- 107.8	- 83.9	+23.8	- 107.9	- 91.0	+16.9	- 11.3	- 7.7	+3.5
Total	2,656.4	2,577.6	- 78.7	2,694.2	2,851.4	+157.1	68.4	80.0	+11.5

(*) The reported segments have been changed in line with the reorganization and business reconfiguration initiatives carried out effective April 1, 2017.

 4

Here we see a breakdown of the results for the first three quarters by segment.

Orders received declined year-on-year in the Power Systems and Aircraft, Defense & Space segments. The Power Systems segment, facing an extremely severe business environment, is somewhat sluggish. In the Aircraft, Defense & Space segment, more than half of the 44 billion yen year-on-year drop in orders owes to the fact that orders for the MRJ had been booked in fiscal 2016. The segment's fundamentals haven't changed significantly, and as defense-related orders typically are concentrated into the fourth quarter, we aren't very worried.

Sales increased in all three segments. In the Industry & Infrastructure segment in particular, sales increased a substantial 118.9 billion yen on the back of relatively solid performance in mass-manufactured products. In the Aircraft, Defense & Space segment, sales expanded by 43.2 billion yen.

Operating income in the Power Systems segment slightly undershot the level of the previous year. As I explained when reviewing our interim results, the main reason is because earnings in the nuclear power business generally are concentrated into the second half of the fiscal year. When that factor is excluded, operating income in the Power Systems segment effectively outstripped the year-ago level. Sales and operating income from the nuclear power business are projected to be booked largely in the fourth quarter. In the Industry & Infrastructure segment, operating income got a boost from increased sales of mass-manufactured products. In the Aircraft, Defense & Space segment, operating income finished close to the level of the previous year. Defense-related and the commercial aircraft business (i.e. Tier 1) were firm, but MRJ development costs expanded.

Balance Sheet Overview

MITSUBISHI HEAVY INDUSTRIES

(In billion yen)

	As of Decemver 31, 2016	As of March 31, 2017	As of December 31, 2017	Change
Trade receivables	1,151.0	1,180.1	1,307.1	+126.9
Inventories	1,500.8	1,325.5	1,405.2	+79.7
Other current assets	1,051.7	1,016.3	* 1,147.5	+131.1
Total fixed assets	1,253.9	1,184.5	1,153.8	-30.7
Investments and advances	746.9	775.3	871.2	+95.8
Total assets	5,704.6	5,481.9	5,884.9	+403.0
Trade payables	766.8	836.0	791.9	-44.0
Advance payments received on contracts	690.9	777.6	873.1	+95.4
Other current liabilities	834.7	835.3	823.6	-11.7
Interest-bearing debt	1,406.7	925.5	1,215.0	+289.4
Net assets	2,005.4	2,107.2	2,181.2	+73.9
Net worth (Owners equity)	1,679.6	1,782.6	1,842.8	+60.1
Total liabilities and net assets	5,704.6	5,481.9	5,884.9	+403.0

* Including indemnification asset for South African project (363.5 billion yen)

Short-term borrowings +33.3
Commercial papers +319.0
Bonds (incl. current portion) -40.0
Long-term borrowings (incl. current portion) -22.8
- Decreased 191.6 from FY2016 1-3Q

Dividend -40.3
Profit attributable to owners of parent +24.7
Other comprehensive income +65.4 etc.
(Unrealized holding gain on investment securities, etc.)

 5

Next, I will provide a brief overview of our balance sheet.

At MHI, we are striving to improve and strengthen our balance sheet, and as of the end of the third quarter, our total assets stand at 5,884.9 billion yen, up year-on-year and from the level at the end of fiscal 2016. Although in most years the balance sheet tends to shrink towards the end of the fiscal year, owing mainly to receipt of accounts receivable, assets are building up relative to the project in South Africa as well as the MRJ.

In evaluating the soundness of our balance sheet, we focus on whether or not inventories are offset by trade payables and advance payments received on contracts—in other words, on whether the levels of trade receivables and interest-bearing debt are commensurate. As of the end of the third quarter, the outstanding balance of trade payables and advance payments received on contracts combined was 1,665 billion yen, which is larger than the 1,405.2 billion yen recorded in inventories. For this reason, we don't think our financial strength is slipping significantly.

Cash flows typically touch bottom at the end of the third quarter. This year, interest-bearing debt increased temporarily to 1,215 billion yen, up 289.4 billion yen from the end of fiscal 2016. We believe squeezing this should be possible by the end of the current fiscal year, and we are procuring the funds mainly through commercial paper redeemable in the short term.

Also, as noted in the lower right area of this page, the increase recorded in net assets owes partly to an increase in other comprehensive income, which stems from the current gains posted by our investment securities.

Main Financial Measures, Cash Flows

MITSUBISHI HEAVY INDUSTRIES

Main Financial Measures

	As of Dec.31, 2016	As of Mar.31, 2017	As of Dec.31, 2017	Change	FY2017 Forecast
Equity ratio	29.4%	32.5%	31.3%	-1.2pt	-
Interest-bearing debt (In billion yen)	1,406.7	925.5	1,215.0	+289.4	850.0
D/E ratio	70%	44%	56%	+12pt	-

Cash Flows

(In billion yen)

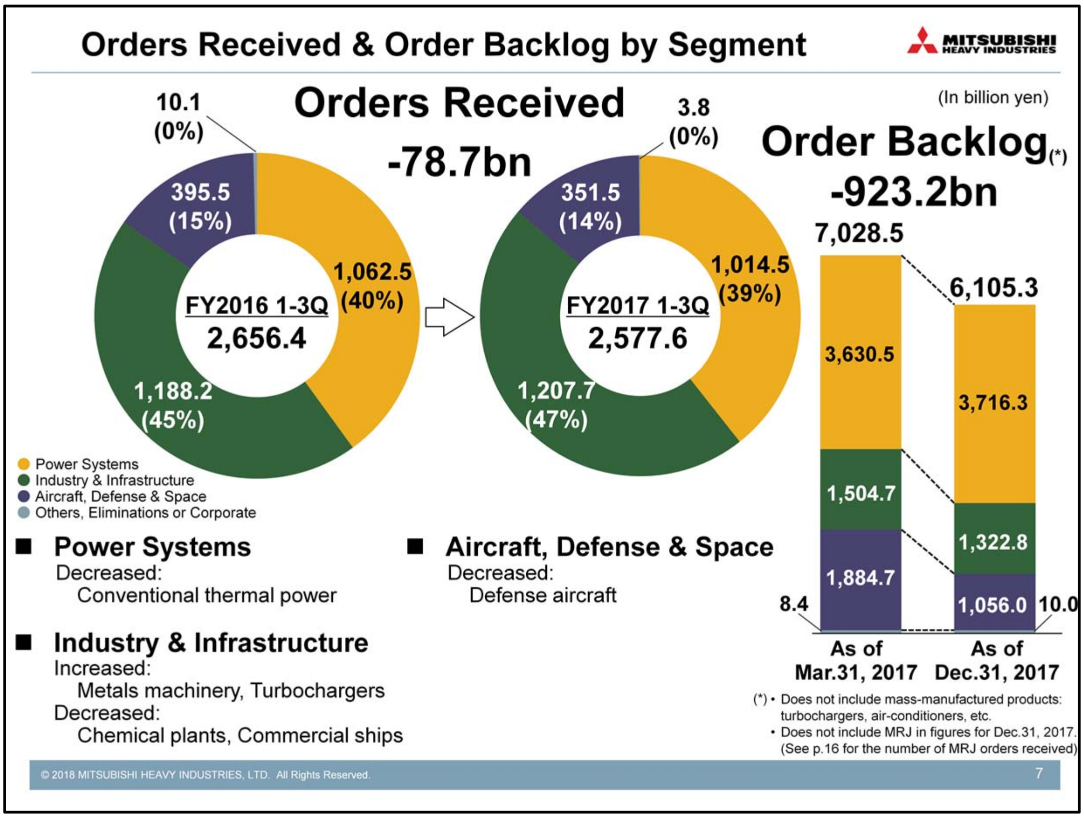
	FY2016 1-3Q	FY2017 1-3Q	Change	FY2017 Forecast
Operating activities Cash Flow	-261.9	-88.2	+173.7	-
Investing activities Cash Flow	-131.9	-180.3	-48.4	-
Free Cash Flow	-393.9	-268.5	+125.3	100.0

Now, I would like to show our main financial measures and cash flows.

The equity ratio calculated to 31.3%, interest-bearing debt reached 1,215 billion yen, and the D/E ratio finished at 56%. Although these results were slightly negative against the corresponding levels at the end of fiscal 2016, they were all improvements over their respective levels one year ago.

Free cash flow ended the third quarter at minus 268.5 billion yen. At MHI, free cash flow tends to touch bottom at the end of the third quarter each year. This year, compared to the level of a year ago—in other words, comparing the two periods when free cash flow hits bottom-- we find an increase of 125.3 billion yen. At MHI we treat free cash flow as a fundamental indicator within our financial strategy, and when conducting business we always analyze free cash flow in extreme detail. At this point in time, progress is being made nearly on target, and according to our assessment, the probability of achieving our projected generation of 100 billion yen in free cash flow for the year has strengthened somewhat.

I will discuss our financial situation again towards the end of my presentation.



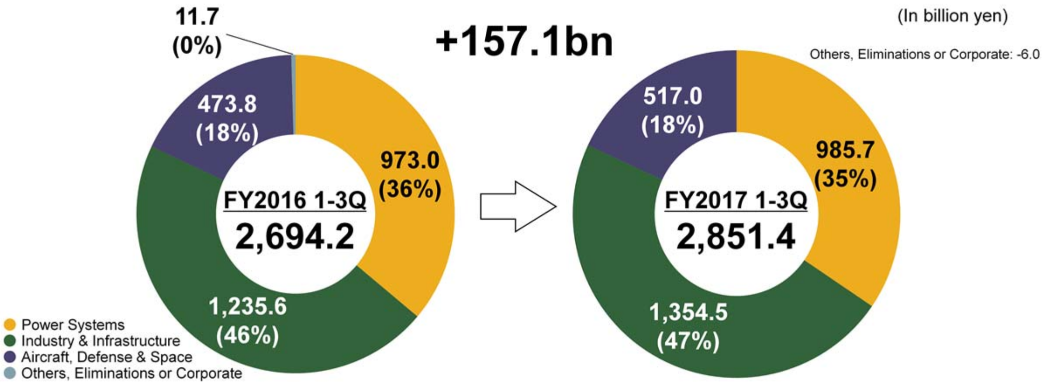
I already described our orders received, order backlog, net sales and operating income results by segment on page 4. Here, I will explain these areas concisely.

Orders received decreased in the Power Systems and Aircraft, Defense & Space segments. Together, the decrease reached 78.7 billion yen.

The order backlog, as I explained on releasing our interim results, is shown here after deducting past orders for the MRJ. Excluding that factor, the order backlog is little changed from the previous year.

Net Sales by Segment

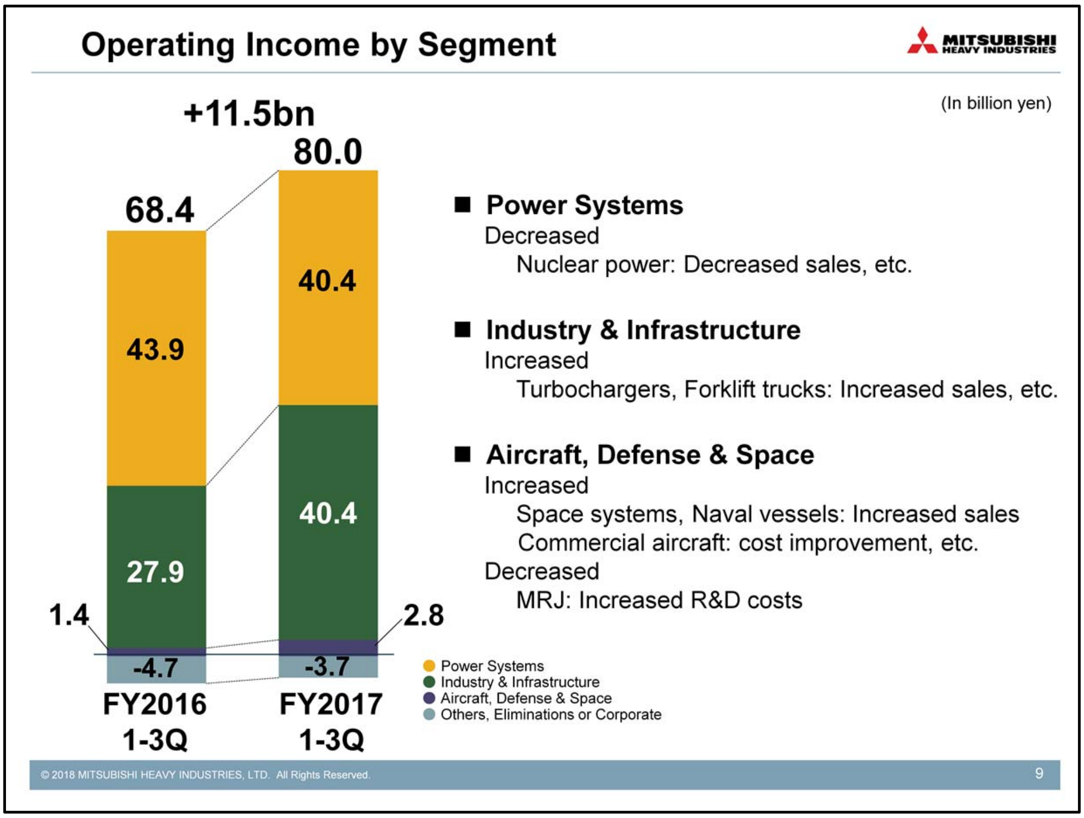
MITSUBISHI HEAVY INDUSTRIES



- **Power Systems**
  - Increased :
    - Conventional thermal power
  - Decreased :
    - Nuclear power
- **Industry & Infrastructure**
  - Increased :
    - Transportation systems, Forklift trucks, Turbochargers
  - Decreased :
    - Chemical plants
- **Aircraft, Defense & Space**
  - Increased:
    - Space systems, Naval vessels

 8

Net sales increased in all three segments. Notably, in the Industry & Infrastructure segment sales of mass-manufactured products, including forklift trucks and turbochargers, were firm.



Operating income decreased slightly in the Power Systems segment. The decrease was mainly due to delayed booking of income connected to postponement of nuclear power plant work. Business in thermal power generation systems is relatively firm. Operating income increased in the Industry & Infrastructure segment, largely due to solid performance in mass-manufactured products.

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, those 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.

Summary of Forecast for FY2017

(In billion yen)

	FY2016 (Actual)		FY2017 (Forecast)		Change	
Orders received		4,275.6		4,000.0	- 275.6	(- 6.4%)
Net sales		3,914.0		4,050.0	+135.9	(+3.5%)
Operating income	(3.8%)	150.5	(4.4%)	180.0	+29.4	(+19.6%)
Ordinary income	(3.2%)	124.2	(4.2%)	170.0	+45.7	(+36.8%)
Profit attributable to owners of parent	(2.2%)	87.7	(2.0%)	80.0	- 7.7	(- 8.8%)
ROE		5.1%		4.4%	- 0.7pt	
EBITDA	(8.7%)	339.8	(9.1%)	370.0	+30.1	(+8.9%)
Free cash flow		104.6		100.0	- 4.6	(- 4.4%)
Dividend (per share after the share consolidation)		(*) 120.0yen Interim: 60.0yen year-end: 60.0yen		(*) 120.0yen Interim: 60.0yen year-end: 60.0yen		

Assumed exchange rate
US$ 1.00 = ¥110
Euro 1.00 = ¥130

Undetermined foreign currency amount
US$: 0.7 billion
Euro: 0.3 billion

There is no change in the forecast announced on October 31, 2017.

(*) MHI implemented a share consolidation (10 to 1) effective October 1, 2017.
Actual dividend for FY2016 was 12 yen (Interim: 6yen / year-end: 6yen) and for FY2017 interim was 6 yen; however, for the purpose of comparison, dividends are shown here at post-share consolidation levels.

Now, let me show our full-year forecasts for fiscal 2017.

At the end of the second quarter we revised our forecasts downward, largely in reflection of order prospects for thermal power generation systems and the situation surrounding booking of net sales. Having completing three quarters we see no need to revise those forecasts, for the reasons listed above. Impact from foreign currencies is indicated in the lower right corner of this page.

Forecast for FY2017 by Segment(*)

(In billion yen)

	Orders received			Net sales			Operating income		
	FY2016 (Actual)	FY2017 (Forecast)	Change	FY2016 (Actual)	FY2017 (Forecast)	Change	FY2016 (Actual)	FY2017 (Forecast)	Change
Power Systems	1,726.3	1,450.0	- 276.3	1,448.4	1,550.0	+101.5	108.1	100.0	- 8.1
Industry & Infrastructure	1,590.3	1,900.0	+309.6	1,747.0	1,850.0	+102.9	50.0	80.0	+29.9
Aircraft, Defense & Space	955.0	600.0	- 355.0	703.4	650.0	- 53.4	0.9	10.0	+9.0
Others	160.4	150.0	- 10.4	175.9	150.0	- 25.9	10.7	10.0	- 0.7
Eliminations or Corporate	- 156.6	- 100.0	+56.6	- 160.7	- 150.0	+10.7	- 19.3	- 20.0	- 0.6
Total	4,275.6	4,000.0	- 275.6	3,914.0	4,050.0	+135.9	150.5	180.0	+29.4

(*) The reported segments have been changed in line with the reorganization and business reconfiguration initiatives carried out effective April 1, 2017.

Here you can see our fiscal 2017 forecasts by segment.

Before closing, I would like to outline our financial situation again.

In fiscal 2010, in response to the huge debt balance we incurred during the global financial crisis of 2008, we shifted to cash flow-oriented management in order to come out a winner in global competition. In our Medium-Term Business Plan launched in 2012, and again in our Medium-Term Business Plan initiated in 2015, we set improvement of financial soundness as one of our core management targets. Today we continue to make strides toward its achievement.

Within this time frame, we have successfully been reducing our interest-bearing debt even while meeting capital demands from the MRJ development, losses incurred from our cruise ship construction project, and a loan relating to the project in South Africa. In fiscal 2015, our interest-bearing debt increased temporarily after the acquisition of UniCarriers Holdings—the combined result of our investment outlay and the takeover of debt on that company's balance sheet. Subsequently, however, that increase was absorbed, and in fiscal 2016 our interest-bearing debt decreased. In fiscal 2017, we project a further decrease if we can achieve an annual free cash flow of 100 billion yen, as I described on page 6.

I have shared the strategic approach throughout the Company that in order for us to strengthen our competitiveness in the global markets through balance sheet improvement, it will be important for us to enhance our cash flows and to reinforce our financial structure through daily efforts made at all workplaces: in sales, for example, by adjusting commercial business terms, or on production sites, by reducing costs and shortening work processes. We are also striving to strengthen our competitiveness by setting—and unfailingly achieving—numerical targets in each strategic business unit and in each domain encompassing them.

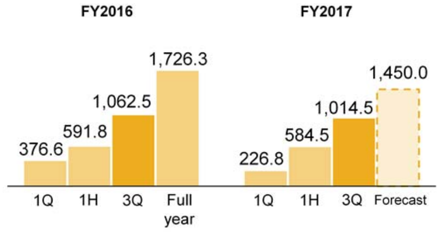
This completes my presentation of our results for the first three quarters of fiscal 2017. Thank you.

III. Supplementary Information

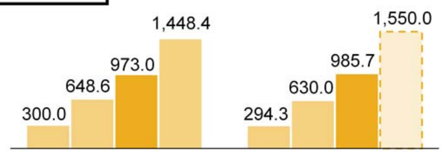
< Power Systems >

(In billion yen, accumulated amount)

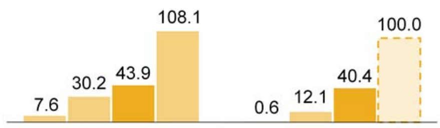
Orders Received



Net Sales



Operating Income



Orders received : Down ¥47.9 billion YoY

- Decreased : Conventional thermal power

Gas turbine orders received

		North America	Asia	Japan	Others	Total
FY2016-1-3Q	Large size	4	6	2	1	13
	Small to medium size	-	1	-	-	1
	Total	4	7	2	1	14
FY2017-1-3Q	Large size	-	2	-	2	4
	Small to medium size	-	-	1	1	2
	Total	0	2	1	3	6

Backlog of Gas turbine orders received

	Large size	Small to medium size	Total
As of Dec. 31, 2016	38	24	62
As of Mar. 31, 2017	43	14	57
As of Dec. 31, 2017	37	8	45

Net sales : Up ¥12.7 billion YoY

- Increased : Conventional thermal power
- Decreased : Nuclear power

Earnings : Down ¥3.4 billion YoY

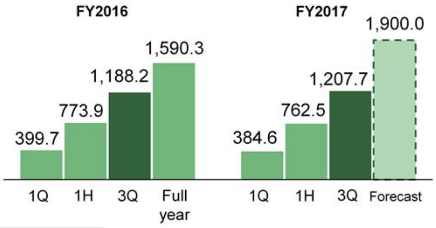
- Decreased
  Nuclear power: Decreased sales, etc.

Supplementary Information (1) Financial Results by Business Segment

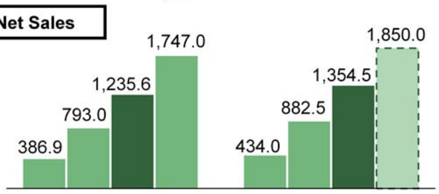
< Industry & Infrastructure >

(In billion yen, accumulated amount)

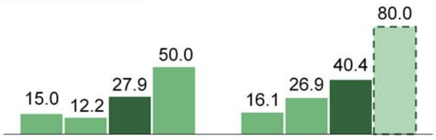
Orders Received



Net Sales



Operating Income



Orders received : Up ¥19.4 billion YoY

- Increased : Metals machinery, Turbochargers
- Decreased : Chemical plants, Commercial ships

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

Backlog of ship orders: 29
(10 LNG carriers, 4 LPG carriers, 3 roll-on/roll-off ships and others)

Net sales : Up ¥118.9 billion YoY

- Increased : Transportation systems, Forklift trucks, Turbochargers
- Decreased : Chemical plants

Earnings : Up ¥12.5 billion YoY

- Increased
  Turbochargers, Forklift trucks: Increased sales, etc.

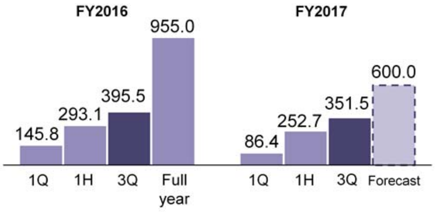
Supplementary Information (1) Financial Results by Business Segment

< Aircraft, Defense & Space >

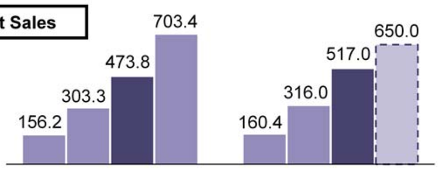
MITSUBISHI HEAVY INDUSTRIES

(In billion yen, accumulated amount)

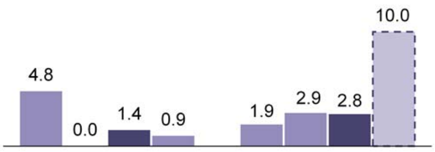
Orders Received



Net Sales



Operating Income



Orders received : Down ¥44.0 billion YoY

- Decreased : Defense aircraft

Accumulated number of MRJ orders received: 387
(firm orders: 213 / options and purchase rights: 174)
[As of Feb. 6, 2018]

Net sales : Up ¥43.2 billion YoY

- Increased : Space systems, Naval vessels

Number of B777s delivered
FY2016 (actual) : 91 (1Q: 27, 2Q: 24, 3Q: 19, 4Q: 21)
FY2017 (forecast) : 57 (1Q: 17, 2Q: 15, 3Q: 16, 4Q: 9[planned])

Number of B787s delivered
FY2016 (actual) :125 (1Q: 36, 2Q: 31, 3Q: 25, 4Q: 33)
FY2017 (forecast) :141 (1Q: 36, 2Q: 36, 3Q: 33, 4Q: 36[planned])

Earnings : Up ¥1.3 billion YoY

- Increased
  - Space systems, Naval vessels: Increased sales
  - Commercial aircraft: Cost improvement, etc.
- Decreased
  - MRJ: Increased R&D costs

Supplementary Information (2) Reference Data

1. R&D Expenses, Depreciation and Capital Expenditure

(In billion yen)

	FY2016 1-3Q	FY2017 1-3Q	FY2017 (Forecast)
R&D Expenses	98.8	102.9	170.0
Depreciation	125.1	127.7	180.0
Capital Expenditure	135.3	106.3	170.0

2. Selling, General and Administrative Expenses

(In billion yen)

	FY2016 1-3Q	FY2017 1-3Q
SG&A	420.1	447.1

3. Foreign Exchange Rates (For sales)

(In yen)

	FY2016 1-3Q	FY2017 1-3Q
US$	106.4	111.7
Euro	117.3	126.8

Supplementary Information (2) Reference Data

MITSUBISHI HEAVY INDUSTRIES

4. Overseas Sales by Region

	FY2016 1-3Q		FY2017 1-3Q	
North America	481.3	(18%)	487.6	(17%)
Asia	446.8	(17%)	498.4	(18%)
Europe	303.8	(11%)	292.9	(10%)
Central & South America	76.7	(3%)	113.5	(4%)
The Middle East	82.0	(3%)	110.0	(4%)
Africa	88.7	(3%)	66.1	(2%)
Oceania	24.1	(1%)	22.8	(1%)
Total	1,503.6	(56%)	1,591.6	(56%)

(In billion yen)

5. Segment Information by Geographic Distribution

		FY2016 1-3Q	FY2017 1-3Q
Japan	Net sales	2,035.8	2,135.8
	Operating income	45.9	49.6
North America	Net sales	341.7	351.9
	Operating income	5.7	8.5
Asia	Net sales	269.2	310.4
	Operating income	22.3	25.9
Europe	Net sales	272.1	281.1
	Operating income	-5.8	-4.3
Others	Net sales	70.1	88.7
	Operating income	0.2	0.3
Eliminations or Corporate	Net sales	-294.8	-316.7
	Operating income	-	-
Total	Net sales	2,694.2	2,851.4
	Operating income	68.4	80.0

MOVE THE WORLD FORWARD

MITSUBISHI
HEAVY
INDUSTRIES
GROUP