

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries

For the fiscal years ended March 31, 2018 and 2017

|   | Millions of yen      |                 |                   |                |  |   |                                    |                         |   |  |                           |                           | Total net assets |
|---|----------------------|-----------------|-------------------|----------------|--|---|------------------------------------|-------------------------|---|--|---------------------------|---------------------------|------------------|
|   | Stockholders' equity |                 |                   |                | Accumulated other comprehensive income |   |                                    |                         |   |  |                           |                           |                  |
|   | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total stockholders' equity             | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Share subscription rights | Non-controlling interests |                  |
| <b>Balance as of March 31, 2016</b>   | ¥265,608             | ¥203,951        | ¥1,173,053        | ¥(4,771)       | ¥1,637,842                             | ¥ 40,108  | ¥ 3,044                            | ¥ 17,762                | ¥(18,998)                               | ¥ 41,917                                     | ¥2,616                    | ¥317,360                  | ¥1,999,737       |
| Cumulative effects of changes in accounting policies  |                      |                 |                   |                | —                                      |   | (6,578)                            |                         |   | (6,578)                                      |                           |                           | (6,578)          |
| <b>Restated Balance</b>   | ¥265,608             | ¥203,951        | ¥1,173,053        | ¥(4,771)       | ¥1,637,842                             | ¥ 40,108  | ¥(3,533)                           | ¥ 17,762                | ¥(18,998)                               | ¥ 35,338                                     | ¥2,616                    | ¥317,360                  | ¥1,993,158       |
| Cash dividends  |                      |                 | (40,291)          |                | (40,291)                               |   |                                    |                         |   |  |                           |                           | (40,291)         |
| Profit attributable to owners of the parent   |                      |                 | 87,720            |                | 87,720                                 |   |                                    |                         |   |  |                           |                           | 87,720           |
| Changes in scope of consolidation   |                      |                 | (333)             |                | (333)                                  |   |                                    |                         |   |  |                           |                           | (333)            |
| Changes in scope of equity method   |                      |                 | (5,398)           |                | (5,398)                                |   |                                    |                         |   |  |                           |                           | (5,398)          |
| Changes in treasury stock of the parent arising from transactions with non-controlling shareholders |                      | (398)           |                   |                | (398)                                  |   |                                    |                         |   |  |                           |                           | (398)            |
| Purchase of treasury stock  |                      |                 |                   | (81)           | (81)                                   |   |                                    |                         |   |  |                           |                           | (81)             |
| Disposal of treasury stock  |                      | 104             |                   | 243            | 348                                    |   |                                    |                         |   |  |                           |                           | 348              |
| Net changes in items other than stockholders' equity  |                      |                 |                   |                |  | 60,491  | 1,651                              | (20,049)                | 22,682                                  | 64,774                                       | (80)                      | 4,699                     | 69,394           |
| Subtotal  | —                    | (293)           | 41,696            | 161            | 41,564                                 | 60,491  | 1,651                              | (20,049)                | 22,682                                  | 64,774                                       | (80)                      | 4,699                     | 110,959          |
| <b>Balance as of March 31, 2017</b>   | ¥265,608             | ¥203,658        | ¥1,214,749        | ¥(4,609)       | ¥1,679,407                             | ¥100,600  | ¥(1,882)                           | ¥ (2,287)               | ¥ 3,683                                 | ¥100,113                                     | ¥2,536                    | ¥322,059                  | ¥2,104,118       |
| Cash dividends  |                      |                 | (40,305)          |                | (40,305)                               |   |                                    |                         |   |  |                           |                           | (40,305)         |
| Profit attributable to owners of the parent   |                      |                 | 70,484            |                | 70,484                                 |   |                                    |                         |   |  |                           |                           | 70,484           |
| Changes in scope of consolidation   |                      |                 | (681)             |                | (681)                                  |   |                                    |                         |   |  |                           |                           | (681)            |
| Changes in scope of equity method   |                      |                 | 246               |                | 246                                    |   |                                    |                         |   |  |                           |                           | 246              |
| Changes in treasury stock of the parent arising from transactions with non-controlling shareholders |                      | 10,077          |                   | 0              | 10,077                                 |   |                                    |                         |   |  |                           |                           | 10,077           |
| Purchase of treasury stock  |                      |                 |                   | (21)           | (21)                                   |   |                                    |                         |   |  |                           |                           | (21)             |
| Disposal of treasury stock  |                      | 162             |                   | 549            | 711                                    |   |                                    |                         |   |  |                           |                           | 711              |
| Net changes in items other than stockholders' equity  |                      |                 |                   |                |  | (578)   | 1,002                              | (4,712)                 | 9,048                                   | 4,760  | (407)                     | 15,487                    | 19,840           |
| Subtotal  | —                    | 10,239          | 29,743            | 528            | 40,511                                 | (578)   | 1,002                              | (4,712)                 | 9,048                                   | 4,760  | (407)                     | 15,487                    | 60,351           |
| <b>Balance as of March 31, 2018</b>   | ¥265,608             | ¥213,898        | ¥1,244,492        | ¥(4,081)       | ¥1,719,918                             | ¥100,021  | ¥ (880)                            | ¥(6,999)                | ¥12,732                                 | ¥104,874                                     | ¥2,129                    | ¥337,547                  | ¥2,164,469       |

|   | Thousands of U.S. dollars |                 |                   |                |  |   |                                    |                         |   |  |                           |                           | Total net assets |
|---|---------------------------|-----------------|-------------------|----------------|--|---|------------------------------------|-------------------------|---|--|---------------------------|---------------------------|------------------|
|   | Stockholders' equity      |                 |                   |                | Accumulated other comprehensive income |   |                                    |                         |   |  |                           |                           |                  |
|   | Common stock              | Capital surplus | Retained earnings | Treasury stock | Total stockholders' equity             | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Share subscription rights | Non-controlling interests |                  |
| <b>Balance as of March 31, 2017</b>   | \$2,500,075               | \$1,916,961     | \$11,434,007      | \$(43,382)     | \$15,807,671                           | \$946,912   | \$(17,714)                         | \$(21,526)              | \$ 34,666                               | \$942,328                                    | \$23,870                  | \$3,031,428               | \$19,805,327     |
| Cash dividends  |                           |                 | (379,376)         |                | (379,376)                              |   |                                    |                         |   |  |                           |                           | (379,376)        |
| Profit attributable to owners of the parent   |                           |                 | 663,441           |                | 663,441                                |   |                                    |                         |   |  |                           |                           | 663,441          |
| Changes in scope of consolidation   |                           |                 | (6,410)           |                | (6,410)                                |   |                                    |                         |   |  |                           |                           | (6,410)          |
| Changes in scope of equity method   |                           |                 | 2,315             |                | 2,315                                  |   |                                    |                         |   |  |                           |                           | 2,315            |
| Changes in treasury stock of the parent arising from transactions with non-controlling shareholders |                           | 94,851          |                   | 0              | 94,851                                 |   |                                    |                         |   |  |                           |                           | 94,851           |
| Purchase of treasury stock  |                           |                 |                   | (197)          | (197)                                  |   |                                    |                         |   |  |                           |                           | (197)            |
| Disposal of treasury stock  |                           | 1,524           |                   | 5,167          | 6,692                                  |   |                                    |                         |   |  |                           |                           | 6,692            |
| Net changes in items other than stockholders' equity  |                           |                 |                   |                |  | (5,440)   | 9,431                              | (44,352)                | 85,165                                  | 44,804                                       | (3,830)                   | 145,773                   | 186,746          |
| Subtotal  | —                         | 96,376          | 279,960           | 4,969          | 381,315                                | (5,440)   | 9,431                              | (44,352)                | 85,165                                  | 44,804                                       | (3,830)                   | 145,773                   | 568,062          |
| <b>Balance as of March 31, 2018</b>   | \$2,500,075               | \$2,013,347     | \$11,713,968      | \$(38,413)     | \$16,188,987                           | \$941,462   | \$( 283)                           | \$(65,879)              | \$119,841                               | \$987,142                                    | \$20,039                  | \$3,177,211               | \$20,373,390     |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries

For the fiscal years ended March 31, 2018 and 2017

|  | Millions of yen |                  | Thousands of U.S. dollars |
|--|-----------------|------------------|---------------------------|
|  | 2018            | 2017             |                           |
| <b>Cash flows from operating activities:</b>   |                 |                  |                           |
| Profit before income taxes   | ¥128,042        | ¥ 169,718        | \$1,205,214               |
| Adjustments to reconcile profit (loss) before income taxes to net cash provided by operating activities: |                 |                  |                           |
| Depreciation and amortization  | 176,104         | 172,762          | 1,657,605                 |
| Impairment loss  | 3,174           | —                | 29,875                    |
| Amortization of goodwill   | 16,484          | 16,568           | 155,158                   |
| Increase (decrease) in liability for retirement benefits   | 6,612           | (1,093)          | 62,236                    |
| Interest and dividend income   | (16,366)        | (15,437)         | (154,047)                 |
| Interest expense   | 9,036           | 11,461           | 85,052                    |
| Foreign exchange loss (gain)   | (2,239)         | (8,337)          | (21,074)                  |
| (Income) loss from equity method investments   | (3,230)         | 22,845           | (30,402)                  |
| (Gain) loss on sales of investment securities  | (31,303)        | (61,047)         | (294,644)                 |
| Loss on revaluation of investment securities   | 372             | 6,272            | 3,501                     |
| (Gain) loss on sales of fixed assets   | (1,693)         | (53,861)         | (15,935)                  |
| Loss on disposal of fixed assets   | 7,022           | 7,627            | 66,095                    |
| Gain on negative goodwill  | (45)            | —                | (423)                     |
| Business structure improvement expenses  | 14,548          | 12,810           | 136,935                   |
| Loss on passenger vessel construction business provision   | —               | 34,323           | —                         |
| (Increase) decrease in receivables   | (42,093)        | (11,002)         | (396,206)                 |
| (Increase) decrease in inventories and advances to suppliers   | 126,965         | (121,023)        | 1,195,077                 |
| (Increase) decrease in other assets  | (110,734)       | (117,552)        | (1,042,300)               |
| Increase (decrease) in payables  | 41,733          | (14,261)         | 392,818                   |
| Increase (decrease) in advance payments received on contracts  | 118,648         | 39,375           | 1,116,792                 |
| Increase (decrease) in other liabilities   | (54,039)        | 52,556           | (508,650)                 |
| Others   | (15,908)        | (3)              | (149,736)                 |
| Subtotal   | 371,089         | 142,703          | 3,492,931                 |
| Interest and dividends received  | 21,470          | 20,270           | 202,089                   |
| Interest paid  | (8,456)         | (12,185)         | (79,593)                  |
| Income taxes paid  | (38,994)        | (54,875)         | (367,036)                 |
| Net cash provided by (used in) operating activities  | 345,109         | 95,913           | 3,248,390                 |
| <b>Cash flows from investing activities:</b>   |                 |                  |                           |
| Net (increase) decrease in time deposits   | (5,849)         | 2,521            | (55,054)                  |
| Purchases of property, plant and equipment and intangible assets   | (165,168)       | (200,185)        | (1,554,668)               |
| Proceeds from sales of property, plant and equipment and intangible assets                               | 8,231           | 97,013           | 77,475                    |
| Purchases of investment securities   | (104,514)       | (5,033)          | (983,753)                 |
| Proceeds from sales and redemption of investment securities  | 112,122         | 17,376           | 1,055,365                 |
| Proceeds from sales of investments in subsidiaries that result in change in scope of consolidation       | 1,900           | 102,436          | 17,884                    |
| Payment for sales of investments in subsidiaries that result in change in scope of consolidation         | (928)           | (849)            | (8,734)                   |
| Proceeds from transfer of business   | 1,400           | —                | 13,177                    |
| Disbursement of long-term loans  | (1,993)         | (10,996)         | (18,759)                  |
| Collection of long-term loans  | 15,898          | 13,868           | 149,642                   |
| Others   | 1,719           | (7,440)          | 16,180                    |
| Net cash provided by (used in) investing activities  | (137,181)       | 8,712            | (1,291,236)               |
| <b>Cash flows from financing activities:</b>   |                 |                  |                           |
| Net increase (decrease) in short-term borrowings and commercial papers                                   | 25,963          | (132,340)        | 244,380                   |
| Proceeds from long-term borrowings   | 6,449           | 60,206           | 60,702                    |
| Repayment of long-term borrowings  | (96,841)        | (62,804)         | (911,530)                 |
| Proceeds from issuance of bonds  | 20,000          | 30,000           | 188,253                   |
| Payment for redemption of bonds  | (60,000)        | (20,000)         | (564,759)                 |
| Proceeds from issuance of stock to non-controlling shareholders  | 519             | 445              | 4,885                     |
| Dividends paid to stockholders   | (40,206)        | (40,283)         | (378,445)                 |
| Dividends paid to non-controlling shareholders   | (6,128)         | (2,682)          | (57,680)                  |
| Others   | (1,868)         | 5,381            | (17,582)                  |
| Net cash provided by (used in) financing activities  | (152,113)       | (162,078)        | (1,431,786)               |
| Effect of exchange rate changes on cash and cash equivalents   | 1,607           | 1,060            | 15,126                    |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | <b>57,422</b>   | <b>(56,392)</b>  | <b>540,493</b>            |
| Cash and cash equivalents at the beginning of the year   | 242,404         | 300,267          | 2,281,664                 |
| Increase in cash and cash equivalents due to changes in scope of consolidation                           | 2               | —                | 18                        |
| Decrease in cash and cash equivalents due to changes in scope of consolidation                           | (592)           | (1,470)          | (5,572)                   |
| <b>Cash and cash equivalents at the end of the year</b>  | <b>¥299,237</b> | <b>¥ 242,404</b> | <b>\$2,816,613</b>        |