

No. 1985

MHI to Conclude of Absorption-type Company Split Agreement on Transfer of Air-Conditioning & Refrigeration Business to Wholly Owned Subsidiary

Tokyo, May 17, 2016 – As announced on February 4, Mitsubishi Heavy Industries, Ltd. (MHI) will be transferring its air-conditioning & refrigeration (AC&R) business to MHI Air-conditioning & Refrigeration, Co., Ltd. (MHI-AC&R), a wholly owned subsidiary. Today, MHI took the formal decision to conclude an absorption-type company split agreement with MHI-AC&R enabling the business transfer. As the company split involves the transfer of operations to a subsidiary, some disclosure items and details have been omitted from the information provided below.

1. Purpose of the Company Split

The AC&R market is vulnerable to changes in economic trends and environmental regulations, and both domestic and overseas competition is becoming harsher each year. While MHI has steadily expanded its AC&R business amid these developments, the company now seeks to strengthen its capacity to compete in this changing global market, and has taken the decision to transfer its AC&R operations to MHI-AC&R under an absorption-type company split arrangement in October 2016. The move has two objectives: to enhance organizational responsiveness, and to put in place a structure conducive to swift decision-making.

2. Outline of the Company Split

(1) Schedule

Execution of the agreement	May 17, 2016
Effective date of company split	October 1, 2016 (subject to change)

* The company split will be of the simple absorption type pursuant to Article 784, Paragraph 2 of the Companies Act of Japan. Therefore, the move does not require approval at a general shareholders meeting as stipulated in Article 783, Paragraph 1 of said Act.

(2) Company Split Method

MHI will serve as the splitting corporation, with MHI-AC&R functioning as the successor company.

(3) Allotment under the Company Split

In conjunction with this company split MHI-AC&R will issue 90 shares of common stock, to be allotted in their entirety to MHI.

(4) Handling of Stock Acquisition Rights and Bonds with Stock Acquisition Rights Accompanying the Company Split

Obligations based on stock acquisition rights of the splitting company will neither be transferred nor taken over by the successor company.

MHI has not issued any bonds with stock acquisition rights.

(5) Changes in Capital Amount Accompanying the Company Split

The company split will result in no decreases in MHI's capitalization or capital reserves.

(6) Rights and Obligations Transferred to the Successor Company

- ① The successor company will succeed to the assets, liabilities, and their ancillary rights and obligations pertaining to the business operations of the splitting company (with the exception of any rights and/or obligations stipulated in the absorption-type split agreement as non-successive).
- ② All liabilities and other obligations taken over by the successor company from the splitting company as a result of this company split will be succeeded to on a cumulative basis.

(7) Outlook on Performance of Obligations

In conjunction with the company split, the splitting company and successor company are both expected to encounter no difficulty in carrying out their respective due obligations.

3. Profile of the Parties to the Company Split

	Splitting Company (as of March 31, 2016)	Successor Company (as of March 31, 2016)
(1) Name	Mitsubishi Heavy Industries, Ltd.	MHI Air-conditioning & Refrigeration, Co., Ltd.
(2) Head office	16-5, Konan 2-chome, Minato-ku, Tokyo, Japan	16-5, Konan 2-chome, Minato-ku, Tokyo, Japan
(3) Representative	Shunichi Miyanaga, President and CEO	Kaoru Kusumoto, President and CEO
(4) Business	Manufacture of ships, marine products, power systems, machinery, steel structures, aircraft, space systems, industrial machinery, special vehicles, etc.	Business related to design, manufacture, procurement, quality assurance, sales and after-sales services of air-conditioning & refrigeration systems (including ancillary business).
(5) Capital	265,608 million yen	150 million yen
(6) Establishment	January 11, 1950	February 16, 2016
(7) Number of issued shares	3,373,647,813	10
(8) Fiscal year end	March 31	March 31
(9) Major shareholders and shareholding ratios	<ul style="list-style-type: none"> • Japan Trustee Services Bank, Ltd. (Trust Account) 4.68% • The Master Trust Bank of Japan, Ltd. (Trust Account) 3.87% • The Nomura Trust and Banking Co., Ltd. (Retirement Allowance Trust, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Account) 3.72% • Meiji Yasuda Life Insurance Company (Standing proxy: Trust & Custody Services Bank, Ltd.) 2.37% • The Bank of New York Mellon SA/NV 1.99% 	Mitsubishi Heavy Industries, Ltd. 100%

(10) Business Results and Financial Status of Splitting Company in Most Recent Fiscal Year (consolidated basis)

Net assets	1,998,078 million yen
Total assets	5,491,799 million yen
Net assets per share	500.30 yen
Revenues	4,046,810 million yen
Operating income	309,506 million yen
Ordinary income	272,500 million yen
Net income	63,834 million yen
Net income per share	19.02 yen

(11) Description of the Business to be Split or Succeeded to

Business related to design, manufacture, procurement, quality assurance, sales and after-sales services of air-conditioning & refrigeration systems (including ancillary business).

(12) Business Results of the Business to be Split or Succeeded to

	Results of splitting business (a)	FY2015 business results (consolidated basis) (b)	Percentage (a/b)
Revenues	49,291 million yen	4,046,810 million yen	1.2%

(13) Assets and Liabilities of Splitting or Successor Operations

Assets	47,600 million yen
Liabilities	31,300 million yen

4. Profile of the Listed Company Post-Split

	Splitting Company
(1) Name	Mitsubishi Heavy Industries, Ltd.
(2) Head office	16-5, Konan 2-chome, Minato-ku, Tokyo, Japan
(3) Representative	Shunichi Miyanaga, President and CEO
(4) Business	Manufacture of ships, marine products, power systems, machinery, steel structures, aircraft, space systems, industrial machinery, special vehicles, etc.
(5) Capital	265,608 million yen
(6) Fiscal year end	March 31

5. Profile of the Successor Company Post-Split

	Successor Company
(1) Name	TBA
(2) Head office	16-5, Konan 2-chome, Minato-ku, Tokyo, Japan
(3) Representative	TBA
(4) Business	Business related to design, manufacture, procurement, quality assurance, sales and after-sales services of air-conditioning & refrigeration systems (including ancillary business).
(5) Capital	12,000 million yen
(6) Fiscal year end	March 31

6. Outlook

The impact of the company split on the business results of MHI will be minimal, on both a consolidated and non-consolidated basis.

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