Annual Report 2013

For the Year Ended March 31, 2013

MITSUBISHI HEAVY INDUSTRIES, LTD.

Our Technologies, Your Tomorrow

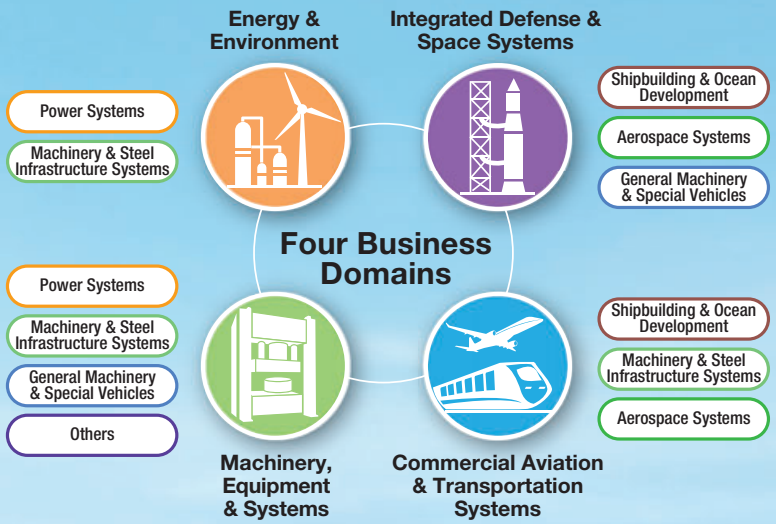
Our Technologies, Your Tomorrow

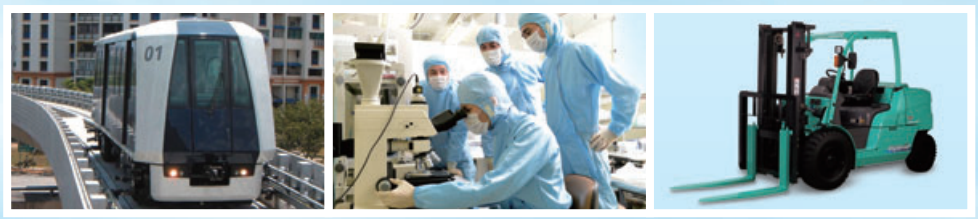
Using manufacturing technologies to resolve various social issues throughout the world

Since its foundation in 1884, Mitsubishi Heavy Industries (MHI) has contributed to the development of society, seeking to pioneer new approaches in manufacturing and consistently delivering products that support the lives of people around the world.

At present, countries the world over are facing a variety of issues, including energy and environmental problems.

Through our technologies that can excite people and passion as a manufacturer, the MHI Group will strive for the resolution of global social issues, thereby helping to realize a sustainable future for the Earth and all humankind.





Annual Report 2013
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Editorial Policy

ESG information expanded with a view to integrated reporting

In order to facilitate the understanding of shareholders, investors and other stakeholders with respect to the long-term creation of value for the MHI Group, we have expanded the environmental, social and governance (ESG) information contained in this Annual Report 2013.

In editing this report, reference was made to the Consultation Draft of the International Integrated Reporting Framework, which was published by the International Integrated Reporting Council (IIRC) in April 2013.

Online version

An online version of this report is also available. Here, users can view a video message from the President.

http://www.mhi.co.jp/en/finance/ar2013/index.html

Forward-Looking Statements

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 change significantly from these projections for a number of factors. Such factors include, but are not limited to, economic trends affecting the Company's operating environment, currency movement 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.

About the Cover

Photo: Exhaust Heat Recovery Boiler Module, critical equipment for gas turbine combined cycle power plants. The exhaust heat recovery boiler module shown in the photo weighs approximately 4,000 tons, making it the world's largest modularized boiler. With piping and electric equipment pre-installed in the module, work periods at the power plant where the module is delivered can be significantly reduced, and likewise the on-site management burden.

Message to Stakeholders

Our Business and Mission

Applying comprehensive groupwide capabilities toward achieving the 2012 Medium-Term Business Plan

Shunichi Miyanaga
President and CEO

Hideaki Omiya
Chairman of the Board

Despite sustained growth in the Southeast Asian countries and signs of economic recovery in China driven by economic stimulus initiatives, the global economy decelerated in fiscal 2012 on a broader number of fronts under the widening impact of the increasingly clear weakening of the European economies against the backdrop of government debt crises. The Japanese economy also showed evidence of weakening, as illustrated by decreases in both exports and production attributable to the slowdown of the global economy, but as a whole it staged a moderate recovery supported largely by reconstruction demand after the Great East Japan Earthquake and implementation of fiscal, financial and foreign exchange policies starting in January 2013.

Under this environment, MHI took vigorous and specific steps to accomplish the strategies called for in its 2012 Medium-Term Business Plan launched in April 2012: namely, "accelerating global expansion," "managing the business portfolio based on strategic evaluation," and "managing innovations in corporate governance and operations." As a result, although orders received and net sales fell short of targets, operating income, ordinary income and net income all exceeded their target figures, return on equity improved to 7.4%, and dividends finished at ¥8 per share for the year – ¥2 more than the ¥6 projection issued at the start of the term.

Looking ahead, although the economic situation is now in a recovery mode, the opening of the global markets will continue to proceed at an accelerating pace and global competition will become increasingly intense. As a result, we expect the MHI Group's business environment to become even more severe in the days ahead.

With this outlook firmly in view, we believe that in order to enhance our Group's resilience to global market risks and to survive and grow as a corporate group with a true international presence, we must further strengthen our financial base through expansion of our business scale and increased profits. In particular, we see business scale expansion as our most urgent and important priority.

The 2012 Medium-Term Business Plan represents the first step towards building a firm and unshakable global position for the MHI Group. By steadily implementing this plan, all the while maintaining a lean and agile corporate structure backed by a stance of unwavering reforms, we will set the MHI Group on a new growth trajectory.

The MHI Group will also continue to view CSR as its foremost management priority, and in addition to contributing to sustainable development of society through manufacturing activities, we will strive to maintain a corporate culture that responds to the expectations and trust of both its customers and society as a whole.

In April 2013 Hideaki Omiya, after serving for five years as MHI president, was appointed chairman and former senior executive vice president Shunichi Miyanaga took over as president. Under this new organizational structure the MHI Group will continue to steadily promote reform activities and apply its full capabilities toward achieving the goals defined in the 2012 Medium-Term Business Plan.

We ask for the continued support and understanding of our shareholders, our investors, and all other stakeholders.

Hideaki Omiya, Chairman of the Board

Shunichi Miyanaga, President and CEO

Message to Stakeholders

Creed and CI statement

Creed

1 We strongly believe that the customer comes first and that we are obligated to be an innovative partner to society

2 We base our activities on honesty, harmony, and a clear distinction between public and private life

3 We shall strive for innovative management and technological development from an international perspective

Reason for Instituting the Creed

In Japan there are many enterprises with their own "creeds" which simply represent their management concept. Mitsubishi Heavy Industries, Ltd. has a creed of this type, also. This creed was instituted in 1970 on the basis of the policy advocated by Koyata Iwasaki, president of Mitsubishi Goshi Kaisha in the 1920s, to indicate the essential attitude of the Company, the mental attitude of the employees, and the future directions of the Company. The reason for instituting the present creed is so that all of us can call to mind our 100 years of tradition, and strive for further development in the future.

CI statement

We have established our CI (Corporate Identity) statement for the purpose of briefly expressing our existence value, delivering both inside and outside the Company. The statement — "Our Technologies, Your Tomorrow" — represents our intention to "continuously provide an assured future where people can live safe, secure and enriched lives through technologies that can excite people and passion as a manufacturer for the sustainability of the earth and humankind."

<CI statement logo>

MITSUBISHI HEAVY INDUSTRIES, LTD.

Our Technologies, Your Tomorrow

Going forward, we intend to further contribute to the advancement of society as a manufacturer by encouraging all employees to collaborate ever more closely in carrying out the Company's role and mission expressed in the CI statement.

History of MHI (History of Our Major Technology / Products)

We are obligated to be an innovative partner to society

1884
Founding. Leased the Nagasaki Shipyard from the government, and started a shipbuilding business

1887
Launched Japan's first steel steamship, the "Yugao Maru"

1918
Built passenger car, "Mitsubishi Automobile Model A"

1929
Launched the passenger ship "Asama Maru"

1946
Shifting to civilian production after the war, produced the Silver Pigeon motor scooters

1963
First flight of the MU-2 turboprop business aircraft

1975
Successfully launched the first N-I Launch Vehicle

1983
Delivered the first MOSS type LNG tanker

1985
Delivered the world's largest combined cycle power plant (Tohoku Electric Power, Higashi Niigata No. 3, unit 2; 545,000 kW)

1989
Completed the "Shinkai 6500," the deepest-diving submersible research vehicle

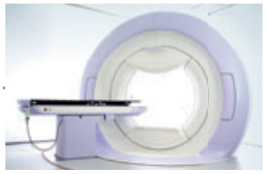
1990
Completed Japan's largest luxury cruise ship, the "CRYSTAL HARMONY"

1997
Completed of the G-Series 1,500°C class gas turbines

1999
"Tatara Bridge," at that time the world's largest cable-stayed bridge, opened

2001
Successfully launched first H-IIA Launch Vehicle

2004
Developed the world's first high precision four dimensional radiation treatment devices



2007
Authorized offer of MRJ and launched marketing activities to potential customers

2008
Practical use of high efficiency eco-friendly Integrated Gasification Combined Cycle (IGCC) first among the world

2009
Successful launch of the first H-IIB rocket with the greatest lift capacity in Japan

Dubai Metro Red Line, the first urban rail system in the GCC region opened. The world's longest driverless rail system

2010
Conceptual design of the "MALS-14000CS" container ship, incorporating the latest CO_2-reducing technologies including our unique Mitsubishi Air Lubrication System (MALS), has been completed

2011
A "J-Series" gas turbine, with the world's highest efficiency, achieved the world's highest turbine inlet temperature of 1,600°C during the verification test

Business Model / Important Performance (Financial & Non-financial Highlights)

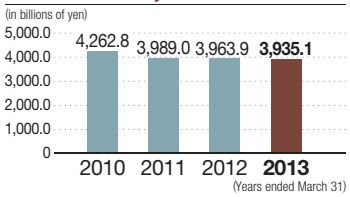
Pursuing effective utilization and high added value for a variety of capital and resources

INPUTS — Investment of a variety of capital and resources

Financial capital For details, see p. 13.

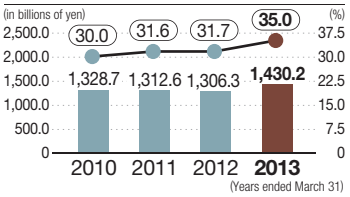
Total assets Consolidated

¥3,935.1 Billion



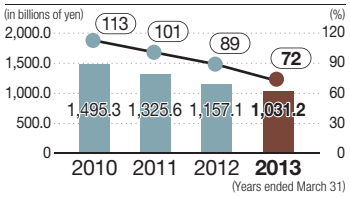
Net assets / Equity ratio Consolidated

Net assets ¥1,430.2 Billion
Equity ratio 35.0%



Debt with interest / D/E ratio Consolidated

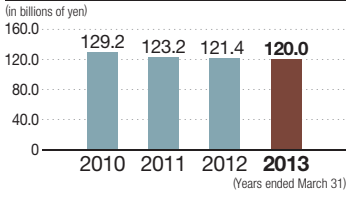
Debt with interest ¥1,031.2 Billion
D/E ratio 72%



Financial capital

Research and development expenditures Consolidated

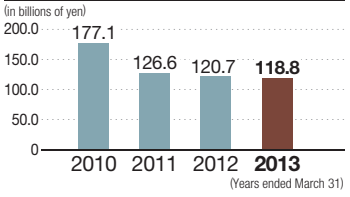
¥120.0 Billion



Manufactured capital

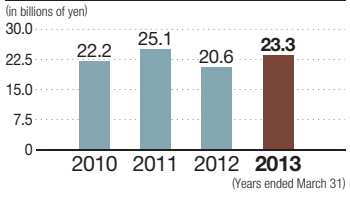
Capital investment Consolidated

¥118.8 Billion



Investment and costs for environmental preservation Non-Consolidated

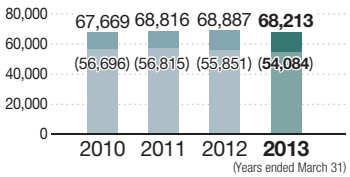
¥23.3 Billion



Human capital For details, see pp. 55–56.

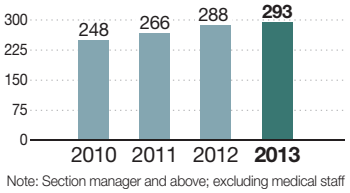
Number of employees Consolidated (Figures in parentheses indicate number of employees in Japan)

68,213



Number of female managers Non-Consolidated

293



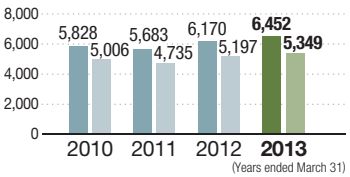
Note: Section manager and above; excluding medical staff

For details, see p. 47.

Intellectual capital

Number of patents held in Japan and overseas Consolidated

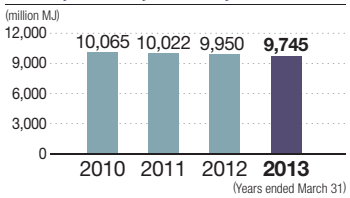
Domestic 6,452 Overseas 5,349



Natural capital For details, see p. 60.

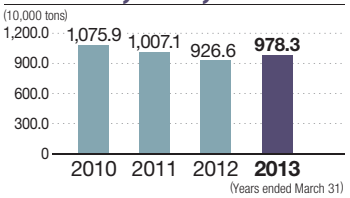
Energy consumption at production plants Non-Consolidated

9,745,342,381 MJ



Water usage in production plants Non-Consolidated

9,783,000 tons

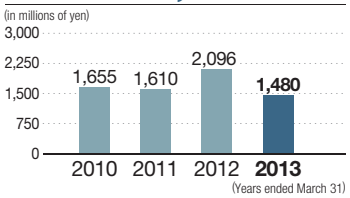


For details, see p. 57.

Social and relationship capital

Social contribution expenses Consolidated

¥1,480 Million



INPUTS → VALUE ADDED BY ORGANIZATION → OUTPUTS & OUTCOMES

VALUE ADDED BY ORGANIZATION

Activities that make products and services more sophisticated and streamlined

Business Activities

- Corporate planning
- Business planning and marketing
- Development and design
- Procurement
- Manufacture (Trial running / Repair)
- Distribution
- On-site installation
- Usage (After-sales service)
- Disposal
- Management improvement

Activity Highlights in FY2012

Response to increasing worldwide demand for thermal power generation

- Basic agreement concluded with Hitachi for business integration in the field of thermal power generation systems.

For details, see p. 22.

- Acquired Pratt & Whitney Power Systems (PWPS), a core subsidiary of United Technologies Corporation (UTC) in the U.S. engaged in the business of small- and medium-sized gas turbines.
- Established a joint venture for designing and marketing LNG carriers with Imabari Shipbuilding Co., Ltd. and prepared a structure capable of responding to large-scale LNG carrier construction projects.

Focus on Asia-Pacific market

- Representative Office for Asia Pacific established in Singapore, and three local subsidiaries integrated into one. Proposed market strategy in the Asia-Pacific region, and reinforced promotion and marketing capabilities.

Response to growth in new plant construction business opportunities resulting from increase in shale gas production in the U.S.

- MHI Compressor International Corporation (MCO-I), a marketing and service company in the U.S., established by MHI subsidiary, Mitsubishi Heavy Industries Compressor Corporation (MCO).

For details, see p. 40.

Pratt & Whitney's aero-derivative gas turbine

New-generation LNG carrier "Sayaendo"

Strengthening of Power Systems

- First locally-manufactured gas turbine shipped by Savannah Machinery Works (Georgia), operated by MHI company in the U.S., Mitsubishi Power Systems Americas.

Strengthening of Aerospace Systems

- Production increased for composite-material wing boxes used in Boeing 787s.
- Effort focused on development of the MRJ regional jet.

For details, see pp. 41–42.

Strengthening of General Machinery & Special Vehicles

- Shanghai MHI Engine established through joint venture with Shanghai Diesel Engine, China, to manufacture and market industrial-use diesel engines.
- Business operations launched at Mitsubishi Nichiyu Forklift, integrating MHI's forklift truck business with Nippon Yusoki.

For details, see p. 44.

Strengthening of Machine Tool

- U.S. firm, Federal Broach Holdings, acquired given its strongly complementary products and market with MHI. Together with MHI's cutting tool manufacturing and marketing base in India, leads to creation of three global bases.

Ceremony at Savannah Machinery Works to mark shipment of first gas turbine

Ceremony to commemorate shipment of composite-material wing box for the 100th Boeing 787

Tightening of portfolio management

- MHI's product businesses integrated into 64 Strategic Business Units, and a system introduced on a full scale for evaluating each unit against uniform management indexes.

For details, see p. 19.

Innovation of corporate governance and operations

- Following on from the business division reforms of the previous fiscal year, decision made to also restructure the corporate divisions starting this fiscal year, with an aim of reinforcing the function and efficiency of business support and advancing the function of corporate governance.

For details, see p. 19.

- Risk management system enhanced such as through establishment of the Risk Management and Compliance Committee. Improvements also made to compliance audit system.

For details, see p. 66.

Exterior view of Federal Broach Holdings, LLC

Business Model / Important Performance (Financial & Non-financial Highlights)

Providing customers with value through six segments

OUTPUTS — Business overview by segment

<Four domains>

···Energy & Environment ···Machinery, Equipment & Systems ···Commercial Aviation & Transportation Systems ···Integrated Defense & Space Systems

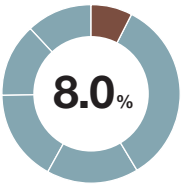
Share of net sales

Shipbuilding & Ocean Development

For details, see p. 35.

MAIN BUSINESSES

Manufacturing, installation, sale and service of LNG carriers, LPG carriers, cruise ships, car ferries, car carriers, crude oil carriers, container ships and various other ships, defense and patrol vessels, marine structures, etc.



Power Systems

For details, see p. 37.

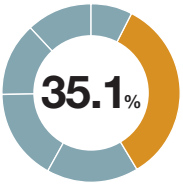
MAIN BUSINESSES

Power Systems

Manufacturing, installation, sale and service of boilers, steam turbines, gas turbines, water turbine plants, wind turbine plants, geothermal power plants, SCR (DeNOx) systems, marine machinery, pumps, desalination plants, lithium-ion secondary batteries, etc.

Nuclear Energy Systems

Manufacturing, installation, sale and service of pressurized water reactor (PWR) nuclear power plants and equipment, advanced reactor plants, nuclear fuel cycle plants, etc.

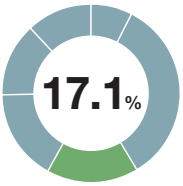


Machinery & Steel Infrastructure Systems

For details, see p. 39.

MAIN BUSINESSES

Manufacturing, installation, sale and service of transportation systems, toll and fare collection machinery and other ITS equipment, petrochemical plants, flue gas desulfurization systems, flue gas CO_2 recovery plants and various other environmental and chemical plants, oil and gas production systems, waste treatment equipment, compressors and turbines, iron and steel machinery, medical systems, transportation equipment, cranes and material handling systems, rubber and tire machinery, bridges, hydraulic gates, stacks, vertical parking garages, social infrastructure, injection molding machines, food and packing machinery, printing machinery, packaging machinery, etc.

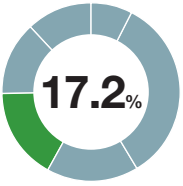


Aerospace Systems

For details, see p. 41.

MAIN BUSINESSES

Manufacturing, installation, sale and service of jet fighters, helicopters, commercial transport aircraft and various other aircraft, structural parts and components of aircraft, aeroengines, missiles, torpedoes, space systems, etc.

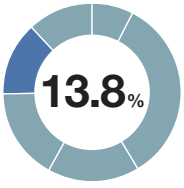


General Machinery & Special Vehicles

For details, see p. 43.

MAIN BUSINESSES

Manufacture, installation, sale and service of forklift trucks, construction machinery, engines, turbochargers, agricultural machinery, tractors and special vehicles, etc.



Others

For details, see p. 45.

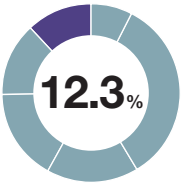
MAIN BUSINESSES

Air-Conditioning & Refrigeration Systems

Manufacturing, installation, sale and service of commercial- and residential-use air conditioners, automotive thermal systems, transport refrigeration units and centrifugal chillers, etc.

Machine Tool, Others

Manufacturing, installation, sales and service for machine tools, precision cutting tools, power transmissions, etc.

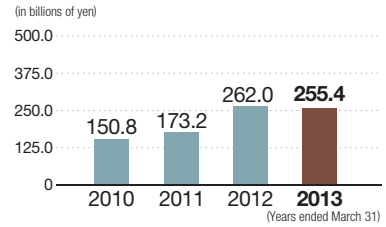


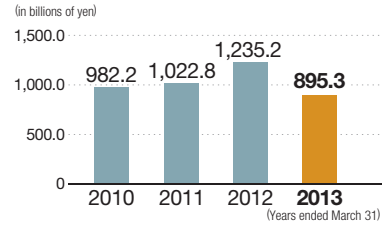
INPUTS | VALUE ADDED BY ORGANIZATION | OUTPUTS & OUTCOMES

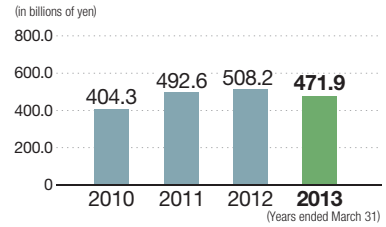
*** Change in method of calculating operating income**

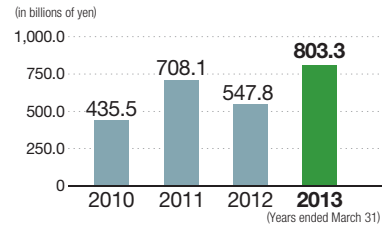
In line with management system changes, since the fiscal year ended March 31, 2013, certain Company-wide R&D expenses and headquarters administration costs, which had been fully distributed over each segment, have been recorded under "inter-group consolidation adjustments."
Operating income or loss for the fiscal year ended March 31, 2012, shown here has also been recalculated on this basis.

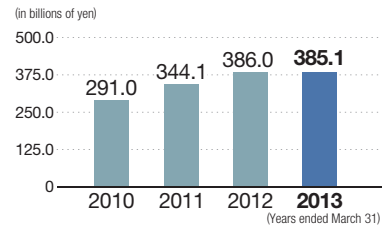
Orders received

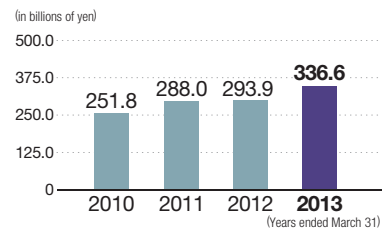




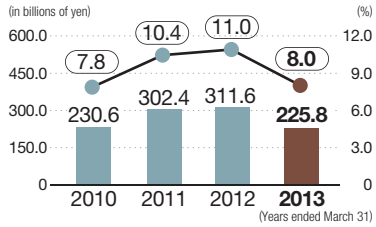


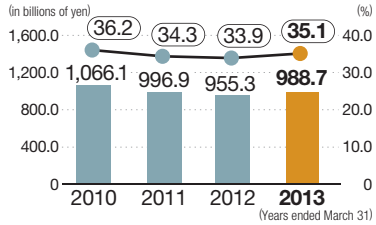


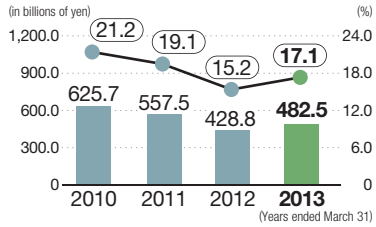


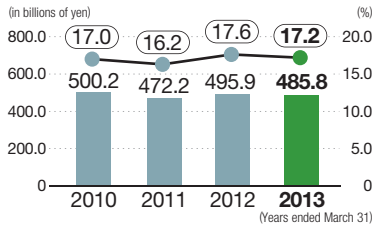


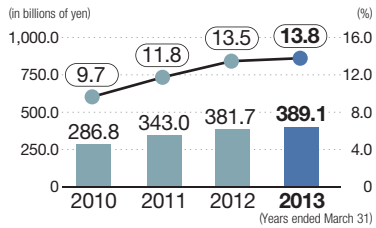
Net sales / Share of net sales

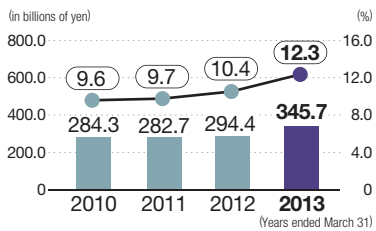




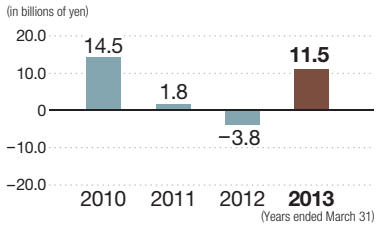


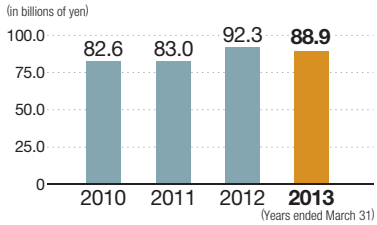


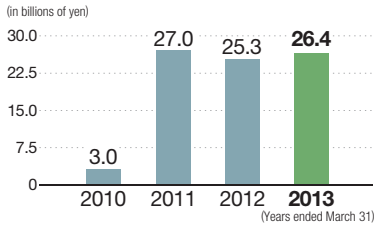


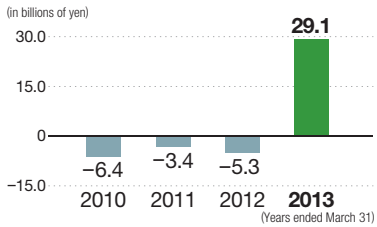


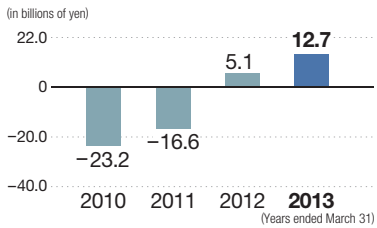
Operating income (loss)*

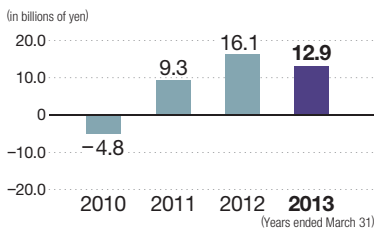












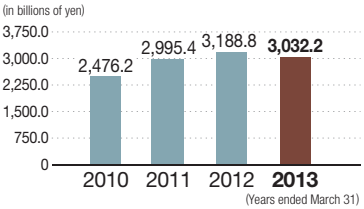
Striving to improve returns on invested capital and to maximize corporate value

OUTCOMES — Financial & non-financial outcomes

Financial capital For details, see p. 13.

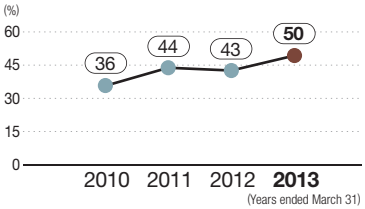
Orders received Consolidated

¥3,032.2 Billion



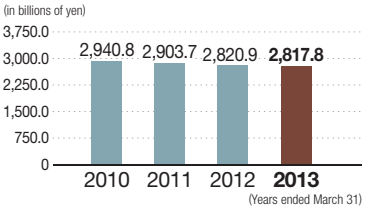
Shares of overseas orders Consolidated

50%



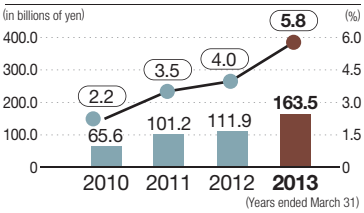
Net sales Consolidated

¥2,817.8 Billion



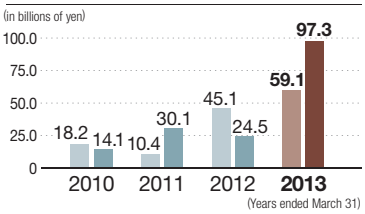
Operating income / ratio Consolidated

Operating income **¥163.5 Billion**
Operating income ratio **5.8%**



Total income taxes* / Net income Consolidated

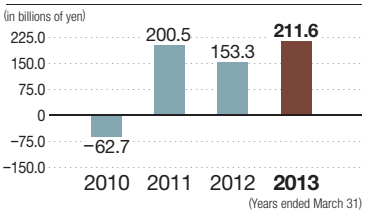
Total income taxes **¥59.1 Billion**
Net income **¥97.3 Billion**



*Current income taxes–Deferred income taxes

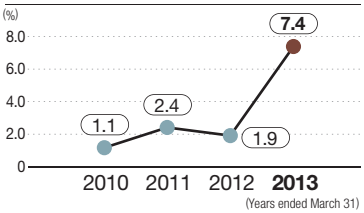
Free cash flows Consolidated

¥211.6 Billion



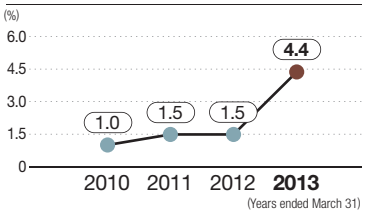
Return on equity Consolidated

7.4%



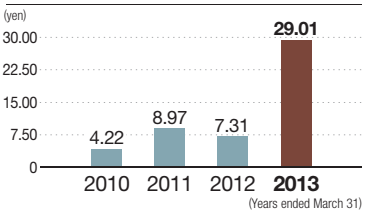
Return on invested capital Consolidated

4.4%



Net income—basic Consolidated

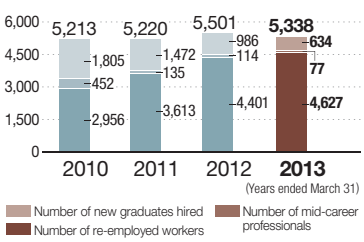
¥29.01



Human capital For details, see pp. 55-56.

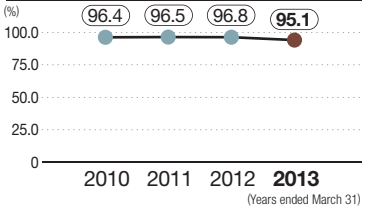
Number of new employees Non-Consolidated

5,338



Participation rates for compliance promotion training Non-Consolidated

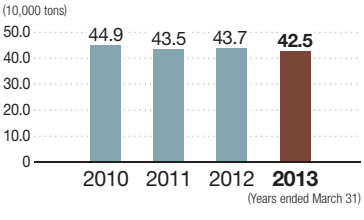
95.1%



Natural capital For details, see p. 60.

CO_2 emissions Non-Consolidated

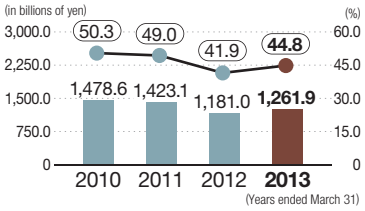
425,000 tons



INPUTS | VALUE ADDED BY ORGANIZATION | OUTPUTS & OUTCOMES

Overseas sales / ratios Consolidated

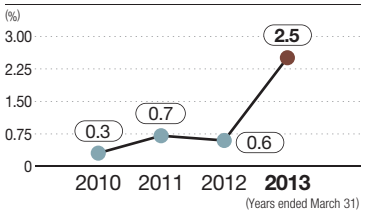
Overseas sales ¥1,261.9 Billion
Overseas sales ratios 44.8%



(Years ended March 31)

Return on assets Consolidated

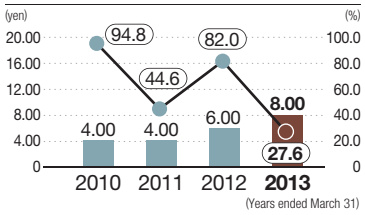
2.5%



(Years ended March 31)

Cash dividends / Dividend payout ratio Consolidated

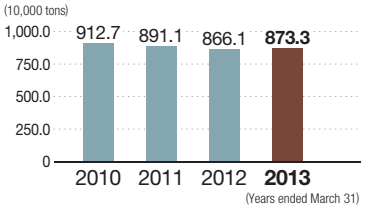
Cash dividends ¥8.00
Dividend payout ratio 27.6%



(Years ended March 31)

Waste water at production plants Non-Consolidated

8,733,000 tons

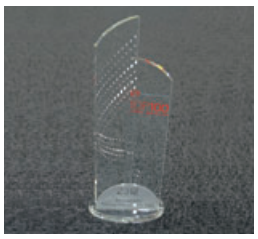


(Years ended March 31)

Social and relationship capital

Thomson Reuters Company Named MHI among "Top 100 Global Innovators 2012"

For details, see p. 49.



Donating storage refrigeration units to local fisheries cooperative for reconstruction support

For details, see p. 53.

Holding Business Partner Conferences for the first time for suppliers in India and China

For details, see p. 53.

Opening the Safety Transmission Center, a safety education facility, at Nagasaki Shipyard & Machinery Works

For details, see p. 53.

Promoting conservation of regional biodiversity, through forest cultivation and elimination of invasive fish species

For details, see p. 54.

Winning the Minister of Economy, Trade and Industry Award with environmentally friendly CO_2 Capture System

For details, see p. 54.

Selection by Eco-funds and SRI indicators

For details, see p. 54.

MS-SRI

Main Financial Indexes: 11-Year Summary Consolidated

In billions of yen except per share amounts

Years ended March 31 of respective years	2003	2004	2005	2006
Orders received	¥ 2,480.9	¥ 2,662.8	¥ 2,722.8	¥ 2,942.0
Net sales	2,593.8	2,373.4	2,590.7	2,792.1
Operating income	115.3	66.6	14.7	70.9
Interest expense–net of interest income and dividend income	(8.3)	(6.3)	(5.5)	(1.9)
Ordinary income	78.1	29.7	12.5	50.3
Income before income taxes and minority interests	66.1	50.1	16.3	52.3
Net income	34.3	21.7	4.0	29.8
Overseas sales	837.8	892.6	1,049.3	1,225.9
Research and development expenses	¥ 109.4	¥ 99.5	¥ 124.0	¥ 100.7
Capital investment	119.1	109.8	112.2	140.5
Depreciation	97.0	99.8	99.1	100.8
Total assets	¥ 3,666.8	¥ 3,715.3	¥ 3,831.1	¥ 4,047.1
Net assets*2	1,270.9	1,324.4	1,309.9	1,376.2
Current assets	2,389.3	2,402.9	2,465.6	2,543.4
Current liabilities	1,721.5	1,519.4	1,567.9	1,626.6
Interest-bearing debts	1,122.9	1,101.2	1,172.8	1,198.6
Per share information of common stock (yen / U.S. dollars)				
Net income–basic	¥ 10.14	¥ 6.46	¥ 1.20	¥ 8.85
Net income–diluted	10.14	6.46	1.20	8.83
Net assets	376.76	393.17	390.44	410.15
Cash dividends	6.00	6.00	4.00	4.00
Cash flows				
Cash flows from operating activities	¥ 50.0	¥ 134.2	¥ 107.0	¥ 73.9
Cash flows from investing activities	(106.1)	(95.3)	(163.3)	(104.0)
Free cash flows	(56.0)	38.8	(56.2)	(30.1)
Cash flows from financing activities	59.3	(44.4)	57.9	7.9
Ratios				
Overseas sales ratios	32.3%	37.6%	40.5%	43.9%
Operating income ratio	4.4%	2.8%	0.6%	2.5%
Return on equity*3	2.7%	1.7%	0.3%	2.2%
Return on invested capital*4	2.2%	1.6%	0.8%	1.6%
Return on assets*5	0.9%	0.6%	0.1%	0.8%
D/E ratio*6	87%	82%	88%	86%
Equity ratio*7	34.7%	35.6%	34.2%	34.0%
Dividend payout ratio*8	59.1%	92.8%	333.3%	45.1%

In billions of yen except per share amounts							In millions of U.S. dollars*1 except per share amounts
2007	2008	2009	2010	2011	2012	**2013**	**2013**
¥ 3,274.7	¥ 3,715.2	¥ 3,268.7	¥ 2,476.2	¥ 2,995.4	¥ 3,188.8	**¥ 3,032.2**	**$ 32,240**
3,068.5	3,203.0	3,375.6	2,940.8	2,903.7	2,820.9	**2,817.8**	**29,960**
108.9	136.0	105.8	65.6	101.2	111.9	**163.5**	**1,738**
(4.8)	(5.7)	(6.0)	(15.6)	(14.9)	(12.6)	**(10.6)**	**(112)**
83.0	109.5	75.3	24.0	68.1	86.1	**149.0**	**1,584**
83.7	101.3	64.9	28.1	39.4	69.8	**155.4**	**1,652**
48.8	61.3	24.2	14.1	30.1	24.5	**97.3**	**1,034**
1,462.6	1,561.1	1,652.2	1,478.6	1,423.1	1,181.0	**1,261.9**	**13,417**
¥ 106.3	¥ 107.9	¥ 101.3	¥ 129.2	¥ 123.2	¥ 121.4	**¥ 120.0**	**$ 1,275**
175.9	191.4	196.6	177.1	126.6	120.7	**118.8**	**1,263**
106.7	129.2	153.8	140.4	134.4	126.2	**119.4**	**1,269**
¥ 4,391.8	¥ 4,517.1	¥ 4,526.2	¥ 4,262.8	¥ 3,989.0	¥ 3,963.9	**¥ 3,935.1**	**$ 41,840**
1,446.4	1,440.4	1,283.2	1,328.7	1,312.6	1,306.3	**1,430.2**	**15,206**
2,787.3	2,936.8	3,165.0	2,826.6	2,575.6	2,639.0	**2,624.8**	**27,908**
1,807.4	1,825.8	1,994.8	1,555.7	1,534.0	1,714.6	**1,693.8**	**18,009**
1,273.5	1,365.3	1,612.8	1,495.3	1,325.6	1,157.1	**1,031.2**	**10,964**
¥ 14.56	¥ 18.28	¥ 7.22	¥ 4.22	¥ 8.97	¥ 7.31	**¥ 29.01**	**$ 0.308**
14.55	18.27	7.21	4.22	8.96	7.30	**28.95**	**0.308**
425.54	423.17	369.94	380.80	376.17	374.08	**410.90**	**4.369**
6.00	6.00	6.00	4.00	4.00	6.00	**8.00**	**0.085**
¥ 158.7	¥ 161.8	¥ 79.5	¥ 117.9	¥ 337.8	¥ 200.3	**¥ 288.3**	**$ 3,065**
(158.6)	(193.0)	(156.5)	(180.7)	(137.2)	(47.0)	**(76.7)**	**(815)**
0.0	(31.2)	(77.0)	(62.7)	200.5	153.3	**211.6**	**2,249**
48.7	71.2	262.0	(105.2)	(169.7)	(183.6)	**(154.2)**	**(1,639)**
47.7%	48.7%	48.9%	50.3%	49.0%	41.9%	**44.8%**	
3.5%	4.2%	3.1%	2.2%	3.5%	4.0%	**5.8%**	
3.5%	4.3%	1.8%	1.1%	2.4%	1.9%	**7.4%**	
2.3%	2.7%	1.8%	1.0%	1.5%	1.5%	**4.4%**	
1.2%	1.4%	0.5%	0.3%	0.7%	0.6%	**2.5%**	
88%	95%	126%	113%	101%	89%	**72%**	
32.5%	31.4%	27.4%	30.0%	31.6%	31.7%	**35.0%**	
41.2%	32.8%	83.2%	94.8%	44.6%	82.0%	**27.6%**	

Notes *1 U.S. dollar amounts in this annual report are translated from yen, for convenience only, at the rate of ¥94.05 = U.S. $1, the exchange rate prevailing at March 31, 2013.
*2 In calculating the net assets, MHI and its consolidated subsidiaries have applied the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan (ASBJ) Statement No. 5) and the "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8) since the year ended March 31, 2007.
*3 Return on equity = net income / (net assets – share subscription rights – minority interests)
*4 Return on invested capital = NOPAT / (net assets + interest-bearing debts)
*5 Return on assets = net income / total assets
*6 D/E ratio = interest-bearing debts / net assets
*7 Equity ratio = (net assets – share subscription rights – minority interests) / total assets
*8 Dividend payout ratio = dividends / net income

Business Results and Topics during FY2012

Management Topics

April 12, 2012
MHI to restructure forklift truck production in Europe production at MCFE in Netherlands to be transferred to Rocla in quest to optimize production capacity

April 26, 2012
MHI to acquire Federal Broach Holdings to boost presence in global cutting tool market

April 27, 2012
FY2011 financial results and 2012 Medium-Term Business Plan announced

May 30, 2012
MHI to launch new company dedicated to car air-conditioner business, aiming to further accelerate global business development

May 30, 2012
MHI to establish financial subsidiary in US – aims to create global financial management system –

June 21, 2012
MHI releases 2012 "CSR Report"
– Coinciding with formulation of "MHI Environmental Vision 2030" –

July 31, 2012
Notice regarding issue of stock options for stock-linked compensation

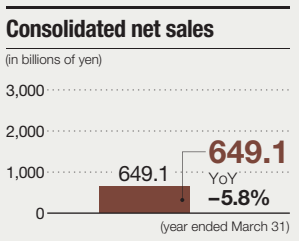
July 31, 2012
Financial results for first 3 months of FY2012 announced

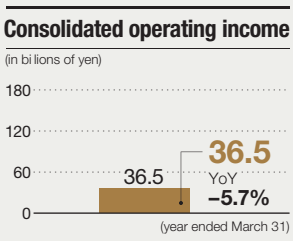
August 7, 2012
MHI installs chief regional officers in Latin America and Asia-Pacific – target on enhancing regional strategies for all company operations –

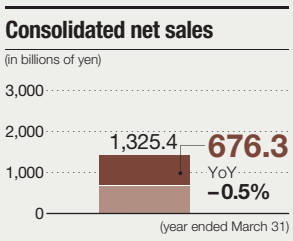
September 12, 2012
MHI to integrate two engine businesses currently handled by its Power Systems and General Machinery & Special Vehicles business sectors – targets set on enhancing operations in gas-fired distributed power generation and boosting integrated solutions business –

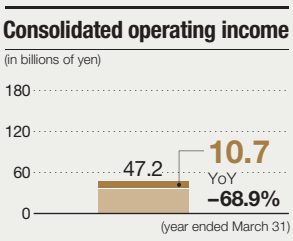
September 24, 2012
Mitsubishi Heavy Industries Compressor Corporation (MCO), Japan begins operation of global marketing & service company in the U.S.

September 28, 2012
MHI to launch new MIES in Singapore integrating businesses of 3 local affiliated companies – to assume functions as global business center –









FY2012 1Q April 2012 | May | June

2Q July | August | September

Topics by Segment

● Shipbuilding & Ocean Development ● Power Systems ● Machinery & Steel Infrastructure Systems ● Aerospace Systems ● General Machinery & Special Vehicles ● Others

April 26, 2012
MHI receives order for two M501GAC gas turbines for new GTCC power generation plant of TransAlta of Canada

May 18, 2012
Nine Japanese companies launch Japan–U.S. Collaborative smart grid demonstration project in business district of Albuquerque, New Mexico

June 5, 2012
Indonesia's largest and most efficient coal-fired power plant inauguration – supercritical pressure plant for Paiton Thermal Power Station –

June 26, 2012
MHI develops "MEGANINJA," a 1,500 kW gas engine generation system in container

June 29, 2012
MHI receives order for new-generation LNG carrier "Sayaendo" from Mitsui O.S.K. Lines

August 2, 2012
MHI "Hollow-Head" engine valves adopted in Nissan GT-R sports car – high cooling efficiency contributes to enhanced fuel efficiency –

August 9, 2012
MHI to participate in project to develop P&W's PW1200G jet engine for the MRJ – responsible for development/manufacture of combustors, final engine assembly and operational testing –

August 16, 2012
MHI receives order for 2 gas turbine combined-cycle (GTCC) power plants fired by blast furnace gas for Baotou Iron & Steel of China

September 14, 2012
World's first integrated CCS of coal-fired power plant emissions begins – 500 tons/day joint demonstration project with Southern Company –

September 27, 2012
MHI to begin launch service business using H-IIB rockets, capable of accommodating large-size satellites – aggressive exploration of global market in sights –

* Dates refer to the date of our company's news release.

October 31, 2012
Financial results for first 6 months of FY2012 announced

November 22, 2012
MHI convenes "5th MHI Business Partners Conference" attended by 300 suppliers aiming towards strengthening partnerships as a method of enhancing "manufacturing power" throughout the value chain

November 29, 2012
Mitsubishi Heavy Industries and Hitachi reach a basic agreement on business integration in the thermal power generation systems field

December 10, 2012
MHI to produce turbochargers in Indiana to meet increasing U.S. demand – commercial operation to begin in Autumn 2014 –

December 13, 2012
MHI to acquire Pratt & Whitney Power Systems: small and medium-sized gas turbine business unit of P&W – agreement signed with United Technologies, U.S. Conglomerate –

December 19, 2012
MHI to establish "Integrated Defense & Space Systems Planning Department," targeting unified defense and space business operations, directly under President's command

January 25, 2013
MHI to establish subsidiary to oversee air-conditioning business in Europe – latest move in initiative to forge dynamic sales and service structure to boost proposal-type marketing activities –

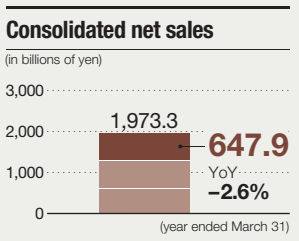
February 6, 2013
Financial results for the first 9 months of FY2012 announced

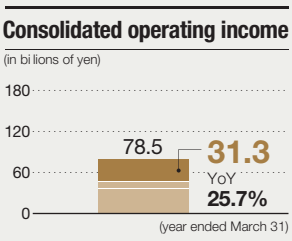
February 27, 2013
MHI to implement companywide reorganization of its corporate sector – targets set on enhanced business sophistication and efficiency, stronger support of globalization drive –

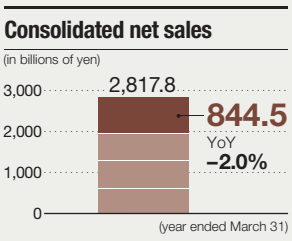
March 11, 2013
Shanghai MHI Engine, JV with Shanghai Diesel Engine, begins operation – target on share expansion in rapidly growing Chinese market –

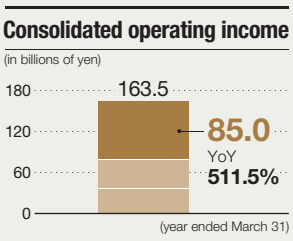
March 25, 2013
MHI and Imabari Shipbuilding Co., Ltd. to establish a JV for designing and marketing LNG carriers – responding to large-scale projects as way of winning solid position in expanding international market

March 29, 2013
Operations to launch at Mitsubishi Nichiyu Forklift Co., Ltd., entity integrating the forklift truck businesses of MHI and Nippon Yusoki









3Q October | November | December

4Q January 2013 | February | March

October 31, 2012
MHI receives order for Klang Valley Mass Rapid Transit (KVMRT) – Construction of new MRT for Kuala Lumpur –

November 14, 2012
MHI develops "Voxcel" modular air-cooled heat pump chiller – achieving industry's highest COP levels during cooling and heating –

December 13, 2012
MHI to construct "MIHARA Test Center," Japan's first comprehensive railway transportation system test facility – use by outside entities to be promoted, to drive exports –

December 18, 2012
MHI and Sojitz receive order for new acrylic acid plant construction from Gazprom Group Company of Russian Republic of Bashkortostan, jointly with Renaissance Construction

December 20, 2012
MHI receives full-turnkey order for 1,600 MW GTCC power plant from Gulf JP UT in Thailand, a subsidiary of J-Power

January 24, 2013
MHI begins test operation of large-scale wind power generation system adopting a hydraulic drive train – a world's first, at Yokohama Dockyard & Machinery Works –

February 12, 2013
MHI receives order for 4 sets of steam turbine/ generator for heavy oil-fired supercritical pressure power plant in Saudi Arabia

February 20, 2013
MHI develops "MHI-Super Giraffe (MARS-C)": the remote-controlled robot is capable of working at heights up to 8 meters and the robot arm mounted at the telescopic ladder can ccommodate various types of work

March 11, 2013
MHI's "Vero4DRT," Japan's first radiation therapy equipment with dynamic tracking system, begins treatment of liver cancer at Kyoto University Hospital

March 18, 2013
MHI and Hakata Shipbuilding agree on collaboration in joint development of 1,000 TEU container carrier – 2 vessels already ordered by KMTC, South Korea –

Interview with the President

By accelerating our global business expansion, especially in the Energy & Environment domain, in fiscal 2014 we aim for ¥4 trillion in orders received and ¥250 billion in operating income.

Shunichi Miyanaga
President and CEO

Message from the New President

Prior to taking up my new duties as President and CEO, for five years I served in roles supporting the Company's business structure reform initiatives implemented under President Omiya's leadership. For the first three years I was Head of the Machinery & Steel Structures Headquarters, followed by two years as Head of the Presidential Administration Office. During those five years, I believe we were able to put in place the structures and systems to build the foundations for MHI's corporate growth. Two examples are the Company's shift from the earlier dual managerial (headquarters / works) system to a single managerial (headquarters) system and the introduction of "strategic business evaluation" as an operations management indicator created to increase MHI's corporate value.

Going forward, we will remain resolute in carrying out reforms. Through our various reforms — including the launch of a four-domain business structure — as well as the smooth startup of our joint venture with Hitachi, Ltd. in thermal power generation systems and development of the MRJ, we aim to achieve the targets defined in our 2012 Medium-Term Business Plan: expansion of our business scale and improvement of our capital efficiency and net income levels.

My duty is to steer the MHI Group on its new growth course, and I will do everything I can to carry out that mission.

Please watch the video on the website below
http://www.mhi.co.jp/en/finance/ar2013/

Profile

Born in Fukuoka Prefecture, Japan, on April 27, 1948. Graduated from the University of Tokyo Faculty of Law and joined MHI in 1972. Appointed President of MHI-HITACHI Metals Machinery, Inc. in 2000 (renamed Mitsubishi-Hitachi Metals Machinery, Inc. in 2002). Appointed as Member of the Board and Executive Vice President of MHI, as well as Head of Machinery & Steel Structures Headquarters in 2008. Served as Member of the Board, Senior Executive Vice President and Head of the Presidential Administration Office from 2011. Appointed President and CEO on April 1, 2013.

Q1 Please give us a summary of business results for fiscal 2012.

A1 Outstanding issues remain as far as orders received are concerned, but earnings far exceeded our initial projections.

The total value of orders received by the MHI Group in fiscal 2012 was ¥3,032.2 billion, down 4.9% from the previous term. Orders in the Aerospace Systems segment increased, but decreases were recorded in the Power Systems and Machinery & Steel Infrastructure Systems segments, both of which had registered robust orders in fiscal 2011.

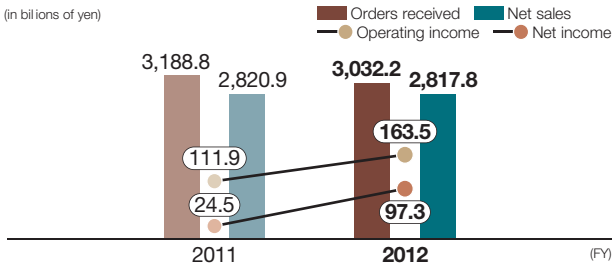
Consolidated net sales totaled ¥2,817.8 billion, down only 0.1% from the year before. Increases were posted in the Machinery & Steel Infrastructure Systems, Power Systems and General Machinery & Special Vehicles segments, and these largely offset decreases suffered in the Shipbuilding & Ocean Development and Aerospace Systems segments.

With respect to earnings, thanks to improved profitability in the Aerospace Systems, Shipbuilding & Ocean Development and General Machinery & Special Vehicles segments, substantial increases were posted in both operating and ordinary income. Operating income reached ¥163.5 billion, up 46.1% year on year, and ordinary income finished at ¥149.0 billion, up 72.9%. Net income ended the year at ¥97.3 billion, a jump by ¥72.7 billion, or 296.6%, from the level of fiscal 2011. Although an extraordinary loss was posted during the year for business structure improvement expenses, we also recorded extraordinary gains from sales of fixed assets and investment securities.

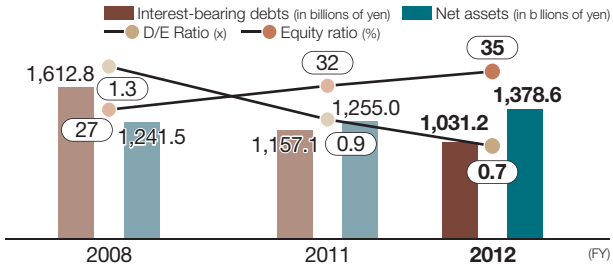
Overall, then, fiscal 2012 left a number of outstanding issues since our targets for orders received and net sales defined at the start of the term went unachieved. With respect to earnings, however, we succeeded in achieving figures far exceeding our targets — in spite of the adverse conditions presented by the strong yen.

As for other financial indicators, we succeeded in reducing our interest-bearing debt — which had been in excess of ¥1.6 trillion immediately following the global financial crisis of 2008 — to close to ¥1 trillion. This was achieved through earnings expansion and enhanced cash flow management. We also made progress in improving our debt-to-equity ratio and return on equity.

Orders received / Net sales / Operating income / Net income



Interest-bearing debts / Net assets / D/E Ratio / Equity ratio



Financial Targets

(in billions of yen)

	FY2010	FY2011	FY2012	FY2013 (Forecast)	FY2012 Business Plan FY2014 (Target)
Orders received (Shares of overseas sales)	2,995.4 (44%)	3,188.8 (43%)	**3,032.2 (50%)**	3,550.0 (56%)	**4,000.0 (64%)**
Net sales	2,903.7	2,820.9	**2,817.8**	3,150.0	**3,700.0**
Operating income (Ordinary income)	101.2 (68.1)	111.9 (86.1)	**163.5 (149.0)**	190.0 (160.0)	**250.0 (210.0)**
Net income	30.1	24.5	**97.3**	100.0	**130.0**
ROE	2.4%	1.9%	**7.4%**	7.1%	**8.9%**
ROIC	1.5%	1.5%	**4.4%**	4.5%	**6.5%**
D/E ratio	1.0	0.9	**0.7**	0.7	**0.7**
Interest-bearing debt	1,325.6	1,157.1	**1,031.2**	970.0	**1,000.0**

Interview with the President

Q2 What progress has been made in implementing the 2012 Medium-Term Business Plan?

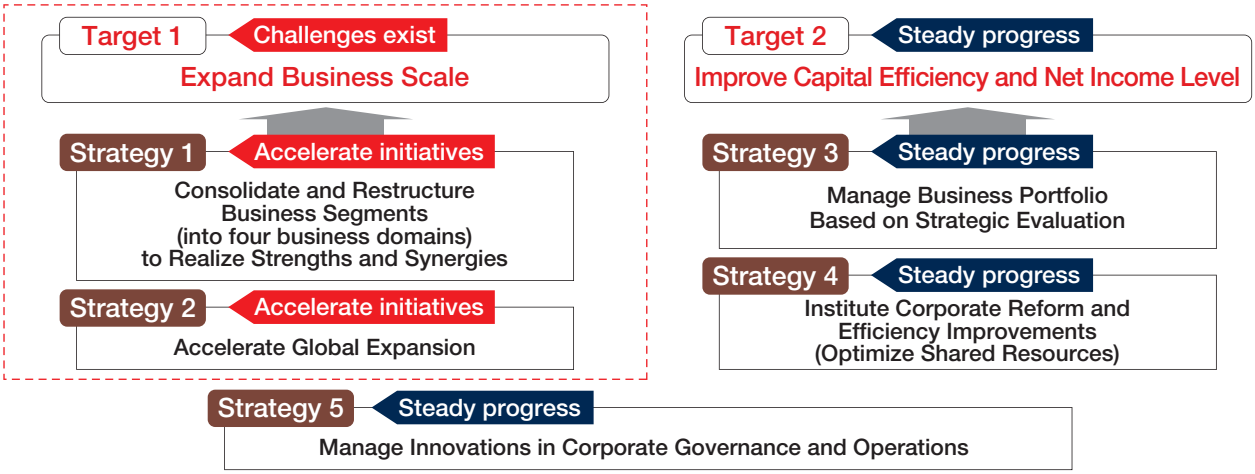
A2 Steady progress is being made in improving capital efficiency and raising our net income levels, but expanding business scale is proving to be a challenge and we need to speed up steps in that direction.

We understand full well that competition in the global markets for social and industrial infrastructure is becoming increasingly intense, which is going to make the business environment surrounding the MHI Group all the more severe in the years ahead. In our quest to compete on equal terms against giant corporations, in our 2012 Medium-Term Business Plan we therefore defined two targets: to expand our business scale, and to improve our capital efficiency and net income levels. To achieve those targets, we are now promoting five strategies [see figure below]. Our performance targets for fiscal 2014 — the final year under the 2012 Medium-Term Business Plan — look for ¥4.0 trillion in orders received, ¥3.7 trillion in net sales, and ¥250.0 billion in operating income.

As far as improving our capital efficiency and net income levels is concerned, we are making steady progress in these directions through three strategies. The first calls for management of our business portfolio based on strategic evaluation, and in this area during fiscal 2012 we consolidated our product businesses into 64 strategic business units and launched a system for evaluating each unit based on unified business management indicators. This has enabled us to begin improving our financial situation by freeing up funds that were formerly tied to specific businesses, allowing us to use them instead to make cash injections to carry out our growth strategies and so on. Concerning our other two strategies — instituting corporate reforms and efficiency improvements, and carrying out management innovations in corporate governance and business administration — a number of developments have taken place this past year: for example, vigorous organizational streamlining at the Head Office, and strengthening of our risk management structure through establishment of a new Risk Management & Compliance Committee.

Concerning expansion of our business scale, steps in that direction need to be accelerated, and one strategy for achieving this is to consolidate and restructure our business segments into four business domains in order to realize greater strengths and synergies. The

FY2012 Medium-Term Business Plan Strategies—Progress of Strategies in Initial Year



business segments currently in place were finalized in 2011, but this system has a number of issues that will make it difficult for us to survive — and win — the intense global competition of tomorrow. For example, the current business segments are small in scale compared to those of our giant competitors in the United States and Europe, and our system makes it difficult to generate synergy benefits because of the way functions and personnel are dispersed. We are introducing a business domain system to resolve this issue. Starting this fiscal year, we are progressively consolidating and restructuring our current nine business segments into just four business domains, based on such perspectives as customer and market characteristics. Each of the four business domains will be of a scale that will enable us to compete in the global market, and by having each domain promote its own optimal strategies, this will lead to expansion of business scale on a Groupwide basis.

Our other strategy for expanding business scale is to accelerate our global business expansion. In fiscal 2012, for example, we established a new Chief Regional Officer for Asia Pacific in Singapore to serve in the core role in formulating and carrying out business strategies for the Asia-Pacific region, which we view as one of our most important markets. We also merged our three subsidiaries in Singapore as a way of strengthening our sales functions through unification of management resources. Another of our most important markets is North America. Here, we established a sales and service company to enable us to conduct more localized, customer-based sales operations for compressors, demand for which is rising on the back of increased production of shale gas. In addition, to achieve manufacturing that is closely matched to local needs, we have implemented a variety of measures, including getting local production under way on full scale. In China, for example, we established a joint venture company to manufacture and market industrial diesel engines, and in the United States our gas turbine assembly plant shipped its first gas turbine.

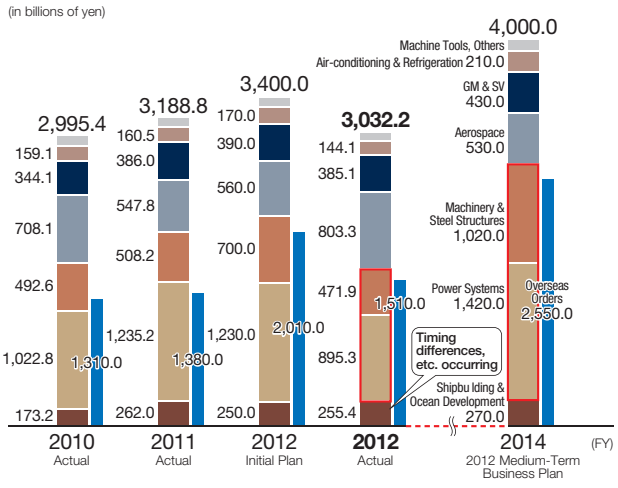
Q3 Please tell us your market outlook for fiscal 2013 and explain what MHI's main strategies are for achieving the 2012 Medium-Term Business Plan.

A3 We aim to complete our transition to a 4-domain business structure as quickly as possible, and to accelerate our global expansion.

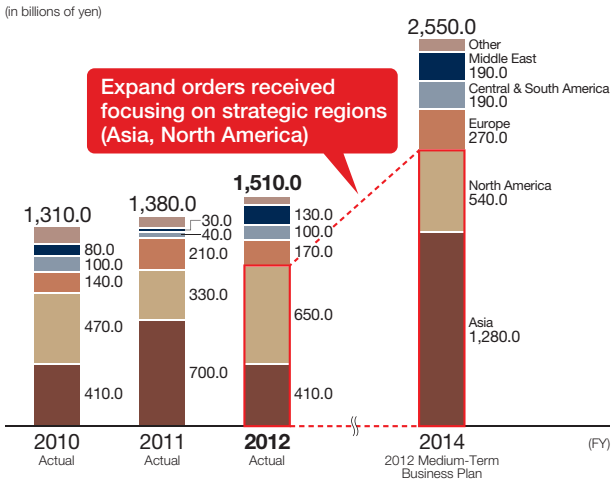
In fiscal 2012 we largely completed our development of fundamental structures for future growth, and we also made steady progress with internal reforms designed to improve profitability. Based on this, in fiscal 2013 we will press on with our transition to a four-domain business structure in our quest to realize our 2012 Medium-Term Business Plan. Our timetable is to first establish the three business domains of "Energy & Environment," "Commercial Aviation & Transportation Systems" and "Integrated Defense & Space Systems" in October 2013, to reap the benefits from those synergies quickly. Then in April 2014 we will convert the remaining operations in "Machinery, Equipment & Systems" to a business domain, after which we will thoroughly pursue strengths and synergies in all business domains.

In the "Energy & Environment" domain — where we can expect strong growth in the medium to long term — we will strive all the more to achieve business growth by providing integrated solutions to the needs of our

Change in orders by segment



Change in orders by overseas region



Interview with the President

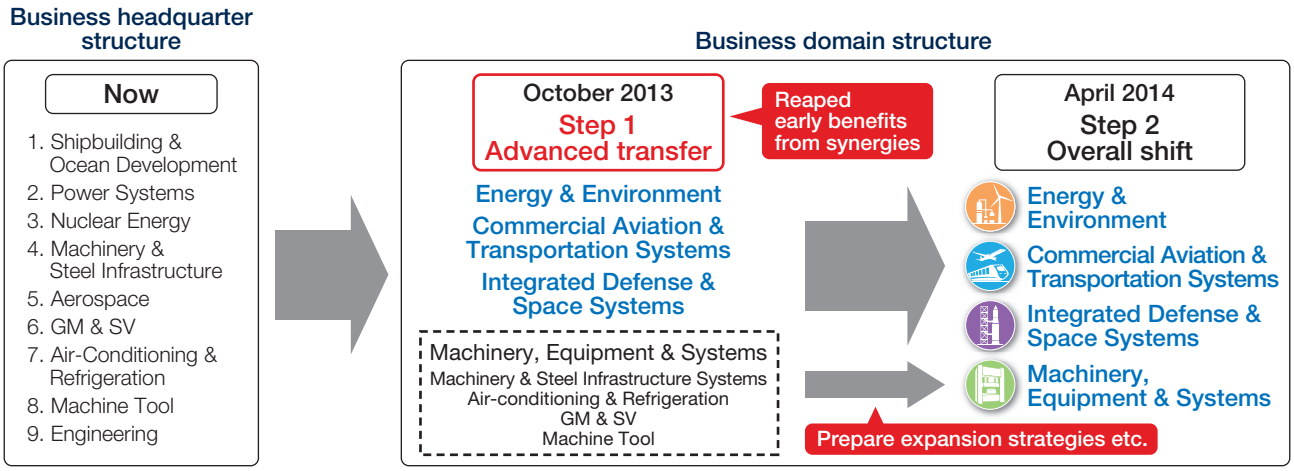
customers, and of the markets in general, leveraging our Groupwide strengths in a wide-ranging product lineup. The core of our growth strategy for this business domain is to integrate our thermal power generation systems business with that of Hitachi, Ltd., an initiative in which MHI is playing the leading role*. Besides working assiduously to achieve the integration itself, once the integration is completed we will strive to reap maximum benefits from the two companies' comprehensive strengths, as well as maximum synergy benefits and mutually complementary advantages from our respective technologies and product lineups — in our quest to become a leading, global company in thermal power generation systems. We will also pursue business scale expansion by focusing our management resources into areas such as gas turbine combined-cycle power generation plants — which are seeing robust demand today in Asia — and chemical plants, which are expected to mark demand expansion from developments in the use of shale gas.

In the "Machinery, Equipment & Systems" domain, we have a wide range of products targeted at such key industries as steel and automobiles — products including iron and steel manufacturing machinery, compressors and machine tools. Today we are looking to expand our business in this domain in particular in the emerging countries, where key industries are growing remarkably — similar to the period when Japan experienced its rapid economic growth. To achieve business expansion in markets like these, we will need both products and human resources that are capable of responding to the needs of diverse customers, markets and business practices. We will also have to enhance our service networks and to set up production bases that cater to the need for local production for local consumption. These are steps we will be steadily implementing as we move forward in this area of business.

In the "Commercial Aviation & Transportation Systems" domain, in the area of land transportation systems we plan to conduct a broad range of sales activities in cities all around the world, especially in Asia, promoting our products based on our abundant track record in everything from rolling stock production to systems engineering. In the area of shipbuilding & ocean development also, we will continue to develop business involving products that are technologically advanced and have high added value, while also strengthening our business in engineering and pursuing shipbuilding business overseas. Concerning commercial aircraft operations, we will continue to actively cultivate this into one of the company's core businesses, from a long-range perspective. Specifically, we will pursue expanded production of composite-material wing boxes for the Boeing 787, and we will also direct our complete efforts toward achieving a successful first flight of the MRJ (Mitsubishi Regional Jet), paying utmost attention to safety and reliability — which are the keystones of all our technologies.

In the "Integrated Defense & Space Systems" domain, the Integrated Defense & Space Systems Planning Department — which was newly established in January 2013 — will play the central role in unifying management of our defense and space businesses, in order to strengthen this business base. It will also develop a business structure that responds to the trust placed in us by both the public and private sectors, and also develop a structure enabling MHI to respond to the operation of an integrated defense system by linking up its land, sea and air defense systems businesses. In fiscal 2012, we also commenced our launch services business using H-IIB rockets. Besides responding to a wide range of launch needs, including commercial

Transition plan



satellites, we will also enhance our response to the Japanese Government's vision for the next flagship launch vehicles.

In addition to the measures I just enumerated, we will also be further accelerating our efforts to create and promote new business models that have high added value focused on all aspects from product development and supply to services and operations. We will also speed up global developments in adopting the "shared factory" scheme as a way of enhancing the versatility of production functions at our existing plants, in order to boost overall productivity. Also, to further advance our global business expansion — which is a very complex and large-scale undertaking — on one hand, as a Group we will develop our own unique technologies, put efforts into sales, and so on. Meanwhile on the other hand, from the perspectives of cutting costs and boosting efficiency, we will make even greater moves to seek out good business partners in all aspects from marketing to production and product servicing, and take steps to promote our growth together. Furthermore, on a Group-wide basis we will take steps to enhance our human resources, which form the driving force behind our global expansion. Besides proactively recruiting and developing outstanding employees regardless of nationality, as we have been doing, we will also enhance our educational programs for our overseas staff and take steps to have them share our Group's business philosophy.

As a result of the various initiatives I have just described, we have issued the following forecasts for fiscal 2013: ¥3,550 billion in orders received, ¥3,150 billion in net sales, ¥190 billion in operating income, ¥160 billion in ordinary income, and ¥100 billion in net income.

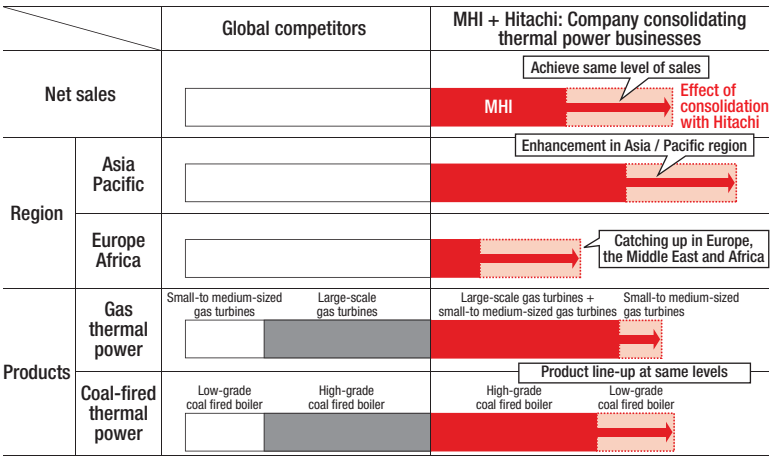
Q4 What are MHI's long-range targets and strategies for the years beyond the time frame of the 2012 Medium-Term Business Plan?

A4 We intend to focus on growth businesses and to strengthen our local response capability, with a target set on becoming a highly profitable company with a business scale of ¥5 trillion.

Our long-term vision is to become a highly profitable company with a business scale of ¥5 trillion. We have set this goal based on the belief that, in light of the social and industrial infrastructure business operations of our global competitors, we will have difficulty keeping pace as a global manufacturer supporting the foundations of

* Business integration with Hitachi in the thermal power business

On November 29, 2012 MHI and Hitachi concluded a basic agreement on business integration in the field of thermal power generation systems. The integration, which is scheduled for January 1, 2014, will generate new synergies. It will allow MHI to achieve the same scale of sales as competitors in the global market, further enhance its business in the Asia-Pacific region, and expand the scale of business in Europe, the Middle East and Africa. The integration is also aimed at product lineup expansion by incorporating two product areas in which Hitachi excels: small and medium-sized gas turbines and low-grade coal-fired boilers.



Interview with the President

society and industry unless we can achieve a business scale of ¥5 trillion.

To make the leap to a highly profitable enterprise with a ¥5 trillion business scale, first, in fiscal 2014, we are aiming for a business scale of ¥4 trillion and an ROE of 8.9%. Then, as the next step, we aim to achieve a business scale of ¥5 trillion and an ROE of 12.0% starting in fiscal 2017.

To reach our goal, we will have to take a variety of drastic measures to expand our business scale. These will include focusing on growth businesses, strengthening our local response capability, expanding our EPC [engineering, procurement and construction] business, pursuing synergies with other companies, and growing our service business.

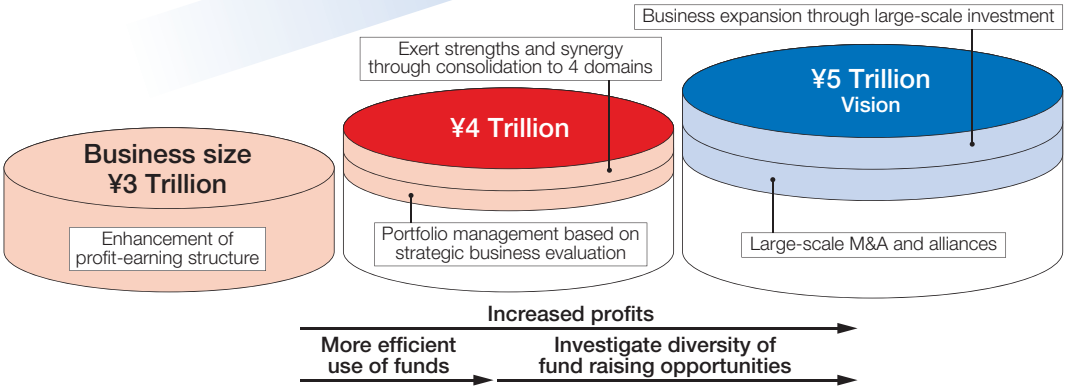
In terms of focusing on growth businesses, our biggest growth area is energy, especially thermal power business, where we anticipate synergy benefits with Hitachi to kick in starting from fiscal 2014. Another area whose global market is projected to expand — to the tune of ¥900 billion over the next three years — is chemical plants: for example, fertilizer plants and ammonia and polyethylene plants using shale gas. Here, we intend to leverage our expansive knowledge, technologies and robust track record to respond to demand for chemical plants all over the world. One other area we expect to grow into a core business is commercial aircraft, as a Boeing Tier 1 supplier. Global aircraft demand is expected to more than double during the next 20 years, and the market for passenger planes including model sizes manufactured by Boeing is projected to generate demand for approximately 22,000 new aircrafts. This is why in the coming years we intend to further optimize our domestic and overseas production systems for supplying Boeing, in a quest to make this a business that will generate robust earnings for us.

In terms of strengthening our local response capability, we are placing importance especially on the Asian markets. GDP growth rates in Asia are projected to remain robust — around 7% — and associated with this growth, demand can be expected to increase for social infrastructure, especially in the energy and environment areas, and for mass and medium-lot manufactured products such as industrial machinery, machine tools and air-conditioning equipment. We are also projecting that in fiscal 2014 Asia will come to account for near 50% of our total overseas orders — in other words, about ¥1.3 trillion worth. In light of these expectations, in fiscal 2012 we established a new Chief Regional Officer for Asia Pacific and in April 2013 we created a Chief Regional Officer for India. Going forward, in addition to continuing to develop such regional bases as a way of strengthening our marketing abilities, we will also enhance the functions performed by these bases and propose more solutions that involve projects to be carried out jointly by the private and public sectors or that combine multiple product services.

We also need to address prospective financial risks. In pursuing global scale expansion, the costs of competing globally will increase: for example, costs for allocating human and financial resources into competi-

Vision

	FY2010 Business Plan	FY2012 Business Plan	After FY2014 Business Plan
	FY2011	FY2014	After FY2017
FCF	¥153.3 billion	¥200.0 billion	¥200.0 billion
D/E ratio	0.9	0.7	0.7
(Reserve fund raising potential)		(¥500.0 billion)	(¥700.0 billion)
ROE	1.9%	8.9%	12.0%
Net worth	¥1.3 trillion	¥1.5 trillion	¥2.2 trillion



tive development areas, costs for expanding and improving our service networks, and costs incurred in responding to needs for local consumption of locally produced goods. Also, in aiming for long-term growth, the number of large-scale investment projects we undertake will also increase: projects like the MRJ and building nuclear power plants overseas. To deal with risks like these, we will aim to increase our fund-raising potential — for example by increasing profits by further improving our free cash flow, improving our balance sheets, and implementing equity strategies from medium- to long-term perspectives.

Q5 Please tell us your thinking concerning dividends and shareholder returns.

A5 In light of the Company's improved business performance in fiscal 2012, we increased the year-end dividend to ¥2 more than initially scheduled, for an annual dividend of ¥8 per share.

As far as dividends are concerned, we strive to meet shareholders' expectations based on a comprehensive consideration of profit levels, the need to further strengthen our corporate structure, and our need for internal reserves to fund future business developments. For fiscal 2012, in view of the considerable increase the company recorded in consolidated profits during the term, we decided to set the year-end dividend at ¥5 per share — which is ¥2 more than the forecast we issued on February 6, 2013. Together with the interim dividend of ¥3, this brought our annual dividend to ¥8 per share.

For fiscal 2013, we are projecting a dividend of ¥4 at both the interim and year-end, for a total of ¥8 for the year.

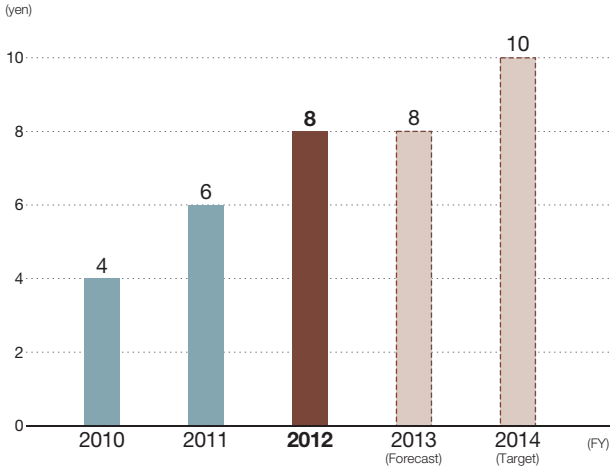
Q6 What do you see as the MHI Group's corporate social responsibility?

A6 We have a responsibility to contribute to the realization of a sustainable society by making full use of our comprehensive strengths in manufacturing.

As a Group, our foremost social responsibility, I think, is to contribute to the realization of a sustainable society through the provision of a wide range of products that support social and industrial infrastructures. This approach is reflected in our corporate identity statement, "Our Technologies, Your Tomorrow." At the same time, I see management's highest priorities to be to post earnings in all business areas and to continually optimize our allocations to our diverse stakeholders, including our shareholders, customers, business partners and employees. In this respect, I think that as far as the Group is concerned, business strategies and CSR activities are inseparable.

In the future, while meeting the expectations of all our stakeholders, shareholders included, as a Group we will leverage our comprehensive strengths in manufacturing to contribute to the realization of a sustainable society. We ask for your continued understanding and support.

Trends in and forecast of dividend per share



Feature **Meeting Problem-Solving Needs around the World**

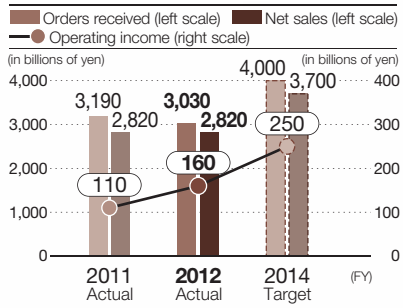
Accelerate Growth in Four Business Domains

Shift to a four-domain business structure capable of challenging in the global market, with the aim of becoming a highly profitable ¥5-trillion enterprise

As one of the strategies in its 2012 Medium-Term Business Plan, the MHI Group is making progress in consolidating and restructuring its business segments and shifting to a four-domain business structure capable of challenging in the global market.

By doing so, the Group plans to achieve a business scale of ¥4 trillion in fiscal 2014, with a future target of ¥5 trillion.

Financial targets and progress

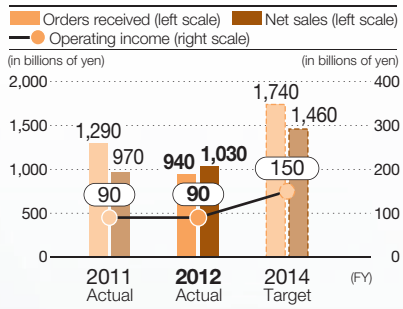


Power generation facilities and large-scale infrastructures

Energy & Environment

Power Systems | Machinery & Steel Infrastructure Systems



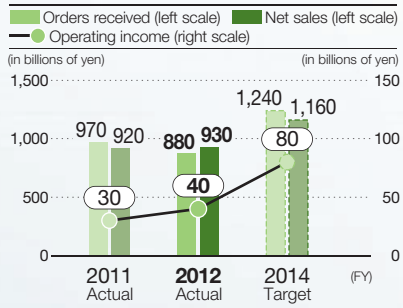


Businesses targeting core industries such as steel and automotive

Machinery, Equipment & Systems

Power Systems | Machinery & Steel Infrastructure Systems | General Machinery & Special Vehicles | Others



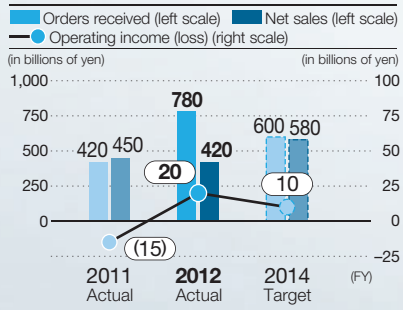


Land, sea and air transportation-related businesses

Commercial Aviation & Transportation Systems

Shipbuilding & Ocean Development | Machinery & Steel Infrastructure Systems | Aerospace Systems



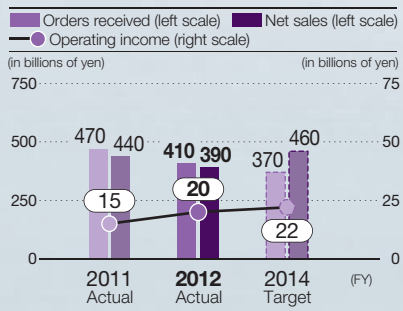


Land, sea and air defense systems and space systems

Integrated Defense & Space Systems

Shipbuilding & Ocean Development | Aerospace Systems | General Machinery & Special Vehicles





Consolidate and restructure into four business domains

The MHI Group reorganized into four business domains to leverage its strengths and synergies.

By clarifying business-specific strategies, the Group will promote more proactive business development.

	Shipbuilding & Ocean Development	Power Systems	Machinery & Steel Infrastructure Systems	Aerospace Systems	General Machinery & Special Vehicles	Others
Energy & Environment		• GTCC • Large-sized thermal power plants • Nuclear energy	• Environmental plants • Chemical plants			
Machinery, Equipment & Systems		• Stationary engines	• Compressors • Iron and steel machinery • Crane and material handling systems		• Turbochargers • Forklift trucks • Engines	• Air-conditioning equipment • Machine tools
Commercial Aviation & Transportation Systems	• Commercial ships		• Transportation systems	• Commercial aircraft		
Integrated Defense & Space Systems	• Destroyers and submarines for the Ministry of Defense			• Defense aircraft • Missiles • Space systems	• Special vehicles	

Strategies

- Rapidly expand Energy & Environment Business by concentrating management resources into gas turbine combined cycle (GTCC) and integrated coal gasification combined cycle (IGCC) and large-scale coal-fired thermal power plants, for which there is buoyant global demand
- Contribute to early restart of existing Japanese nuclear plants in compliance with new regulatory standards and accelerate overseas expansion of Japanese nuclear safety technology
- Promote the development of large-scale infrastructure projects, smart communities and other new businesses, centered around the Engineering Headquarters

Progress of strategies

- Concluded basic agreement with Hitachi on business integration in the thermal power generation systems field
- Acquired PWPS, the small- and medium-sized gas turbine business unit of the aeroengine manufacturer, Pratt & Whitney (P&W)
- Cooperation agreement concluded between Japanese and Turkish governments: Japan acquires preferential negotiating rights based on adoption ATMEA1
- MHI and Sojitz Receive Order for New Acrylic Acid Plant

Achievements

- **Supporting the World's Energy with Environmentally Friendly, High-Efficiency Thermal Power**

For details, see p. 27.


Strategies

- Reinforce production and sales in emerging markets in which such core industries are rapidly expanding, and aim to increase market shares and expand profitability
- Establish dedicated operating companies, form alliances and carry out mergers and acquisitions, and build world-class businesses by engaging in agile and flexible organizational management

Progress of strategies

- Company for marketing and servicing compressors in the United States began operations in October 2012
- Mitsubishi-Hitachi Metals Machinery, Inc. acquired Concast (India) Limited
- Joint venture company for manufacturing and marketing industrial-use diesel engines in China began operations in March 2013
- Operations to Launch at Mitsubishi Nichiyu Forklift Co., Ltd., entity Integrating the Forklift Truck Businesses of MHI and Nippon Yusoki

Achievements

- **MEGANINJA gas engine generator**

For details, see p. 29.


Strategies

- Achieve high safety level, complying with stringent regulations
- Optimize common business models
- Accelerate construction of optimal mass production system

Progress of strategies

- Established a joint venture company with Imabari Shipbuilding Co., Ltd. for designing and marketing LNG carriers to respond to large-scale projects
- MHI Ships Composite-material Wing Box for 100th Boeing 787 — Measures Being Taken to Increase In-house Production Rate
- MHI Receives Order for Klang Valley Mass Rapid Transit (KVMRT)

Achievements

- **New transportation systems that help eliminate urban congestion**

For details, see p. 31.


Strategies

- Propose integrated defense systems by coordinating businesses for land, sea and air defenses
- Promote the mutual application of defense and space technologies and civilian technologies
- Bolster launch capabilities and cost competitiveness through the development of a next-generation primary launch vehicle

Progress of strategies

- Established the Integrated Defense & Space Systems Planning Department in January 2013, unifying defense and space business operations
- Successful launch of the "KOUNOTORI3" (HTV3) transfer vehicle to the International Space Station, using H-IIB Launch Vehicle No. 3
- Concluded agreement with JAXA to provide launch services business, starting with H-IIB Launch Vehicle No. 4

Achievements

- **H-IIB rockets used for launching large-size satellites**

For details, see p. 33.

Feature Meeting Problem-Solving Needs around the World

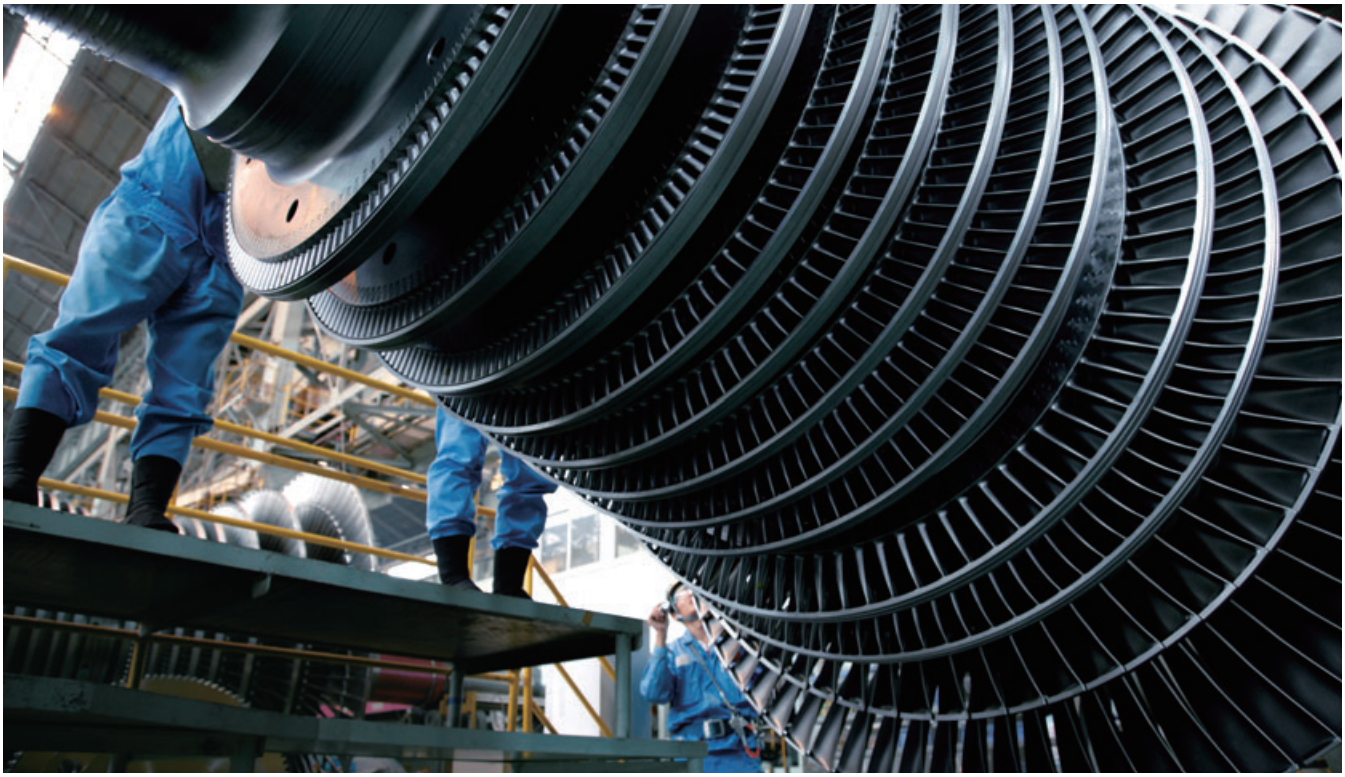
Energy & Environment

Power Systems | Machinery & Steel Infrastructure Systems

Supporting the World's Energy with Environmentally Friendly, High-Efficiency Thermal Power

Given the nuclear power plant accident caused by the Great East Japan Earthquake and plummeting gas prices, interest in thermal power generation is on the rise around the world.

MHI will contribute to the 3Es—energy security, environmental protection, and economic growth—through high-efficiency natural gas-fired gas turbine combined cycle (GTCC) and integrated gasification combined cycle (IGCC) power generation technologies that meet the needs of countries worldwide.



Gas turbine combined cycle (GTCC) sets world standard for generation efficiency

MHI has supplied a large number of products for GTCC power plants, which is becoming a mainstream method of power generation globally. GTCC is a power generation technology that combines a gas turbine and steam turbine and is fueled by natural gas, which has a smaller environmental impact than other fossil fuels. Compared to conventional thermal generation systems, which tend to throw away half or more of the generated energy as waste heat, GTCC is a zero-waste system that generates electricity twice: once with a gas turbine and once more with a steam turbine using the exhaust heat from the gas turbine. Whereas systems that use only a gas turbine or steam turbine have a thermal efficiency of only about 40%, combining the two into something like MHI's state-of-the-art J-Series gas turbines results in a highly efficient system with a thermal efficiency of at least 61%. Moreover, GTCC is also a very eco-friendly method of generation, as it reduces carbon dioxide (CO_2) emissions by roughly 30% from generation using a gas turbine alone.

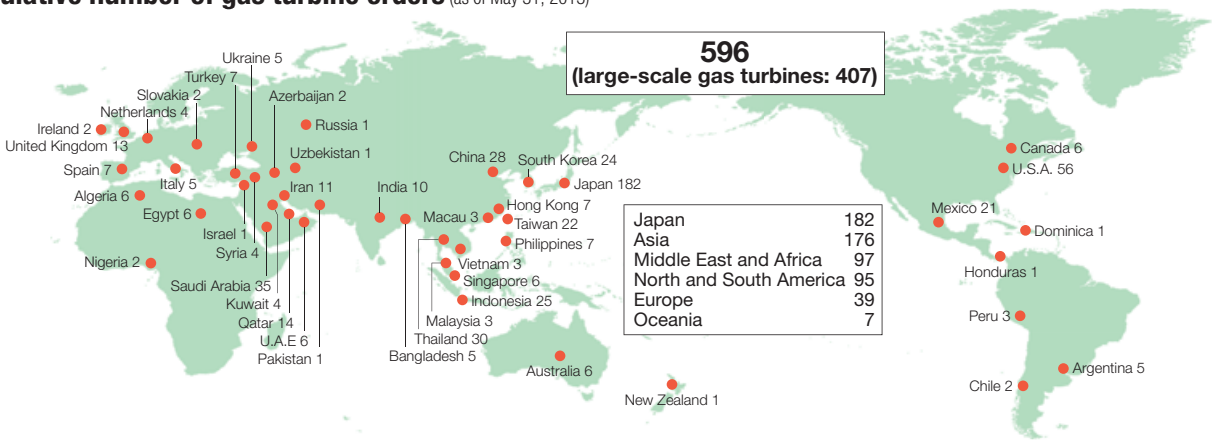
J-Series gas turbine

MHI is the only manufacturer in Japan that provides all the products and services that go into a GTCC system using its own technologies. This includes the designing of major system components such as the gas turbine, steam turbine, waste heat recovery boiler and the engineering of the entire plant, as well as everything from component production to civil engineering and construction work, installation, commissioning, and after-sales servicing.

MHI also has an extensive track record of making deliveries overseas, having exported approximately 600 gas turbines and over 200 GTCC power plants to more than 40 countries worldwide.

We plan to expand our GTCC business primarily in Asian countries such as China, South Korea, Taiwan, Thailand, and Indonesia where rapid economic growth in recent years has led to soaring electricity demand, as well as in countries such as the U.S. where the introduction of shale gas is sparking further expansion in natural gas use.

Cumulative number of gas turbine orders (as of May 31, 2013)



Meeting demand worldwide (major trends in past year)

May 2012: Received order in the U.S. for basic design of IGCC facility with CO_2 capture and storage capability

August 2012: Received order in China for two 30 MW-class GTTC power plants for an iron and steel company

December 2012: Received order in India for the rehabilitation of a GTCC power plant with a 663.36 MW capacity

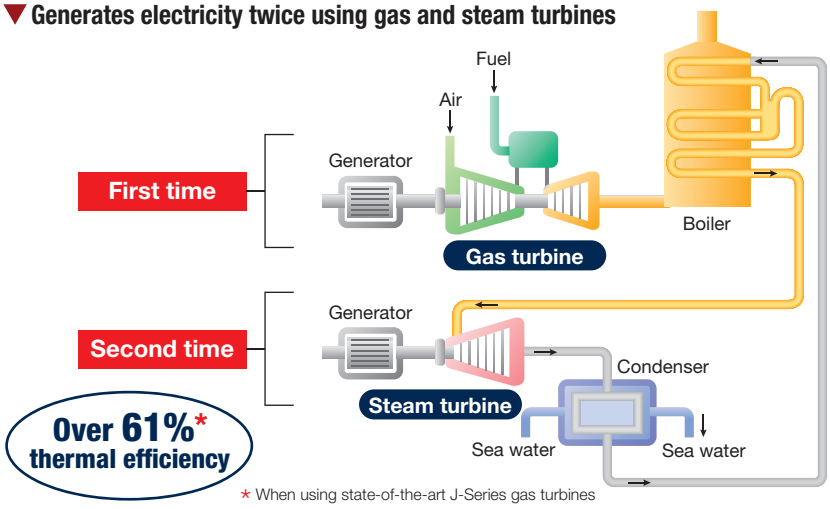
December 2012: Received order in Thailand for the construction of a 1,600 MW GTCC power plant

June 2013: Received order for a GTCC power generation system for Portland General Electric in the U.S. and also signed long-term service agreement

June 2013: An IGCC plant in the Nakoso area of Fukushima Prefecture that previously was used for demonstration testing began commercial operation as the 10th power plant of Joban Joint Power Co., Ltd.

GTCC roughly 20% more thermally efficient than conventional power plants

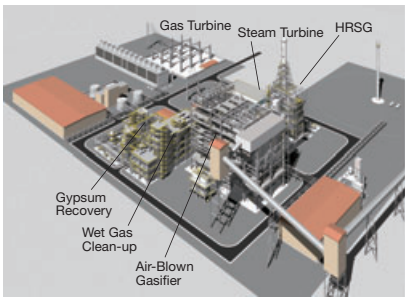
▼ Generates electricity twice using gas and steam turbines



* When using state-of-the-art J-Series gas turbines

Contributing to reduced environmental impact through integrated gasification combined cycle (IGCC) power

Integrated gasification combined cycle (IGCC) power is an efficient combined cycle power generation system that uses gasified coal, a resource with a large amount of untapped reserves, to generate electricity using a gas turbine, the exhaust heat from which is then used to run a steam turbine. Since IGCC is between 10% and 20% more efficient than conventional coal-fired thermal power and thus reduces CO_2 and other pollutant emissions, the technology is attracting attention as a key next-generation energy technology with high environmental compatibility. MHI has been researching and developing this technology since the 1980s and through a number of proprietary technology innovations became the world's first manufacturer to succeed in establishing an air-blown gasification technology. MHI will continue to promote the application of IGCC, as the effective use of coal using this technology is vital from an energy balance standpoint and also from the perspective of reducing environmental impact.



◀ EGAT Diamond Service (Thailand)

▲ EGAT Wang Noi GTCC Plant, Thailand

Voice Expectations of MHI

We would like MHI to continue being EGAT's "Best Friend Partner."

MHI and EGAT have built a 45 year-long relationship through construction, operation and maintenance of Hydro, Thermal, and GTCC power plants which have been contributing to the stable provision of electricity in Thailand.

With such a long relationship, MHI and EGAT have set up a joint venture company as a power generation service provider to start contributing to the stable provision of electricity for ASEAN people's happiness.

We expect MHI to continuously provide environmentally-friendly products with high-level technology. Also, we would like MHI to keep providing Japanese-style warm, speedy, and careful support based on ***"CS First!" (Customer Satisfaction First!)***—the mission of the MHI Service Division—and to continue being EGAT's "Best Friend Partner."

Pithsanu Tongveerakul
Electricity Generating Authority of Thailand (EGAT)
Deputy Governor
-Business Development

Feature Meeting Problem-Solving Needs around the World

Machinery, Equipment & Systems

Power Systems | Machinery & Steel Infrastructure Systems | General Machinery & Special Vehicles | Others

MEGANINJA: A Solution to Energy Demands for Distributed Power Generation Systems

Sales of MEGANINJA, MHI's container-configured gas engine power generation system, began in June 2012. MEGANINJA can begin generating power within 24 hours of delivery, and — as a distributed power generation system — is attracting attention for its ability to rapidly meet power supply demands in regions with insufficient power generation infrastructures and emergency power supply demands in developed countries.

"Quick mobility, quick installation, quick commissioning!" for regions with insufficient power generation infrastructures

Many emerging countries still have regions where power grids and other infrastructure are unable to keep pace with growing demands for power. In China, the government has announced plans to introduce distributed power systems with a total output of 50GW* by 2020. Meanwhile, developed nations are working to popularize distributed power systems, which are energy efficient and disaster resistant, and are working towards the construction of smart communities in which such systems are a prerequisite.

Looking to raw materials and fuels, the soaring price of crude oil, vast natural gas reserves identified in Africa, and the extraction of shale gas in the U.S., all seem to forecast the further popularization of natural gas. In addition, natural gas is well-suited for co-generation systems–the high-efficiency energy systems that use heat and steam as well as electricity.

In response to these factors, MHI developed the MEGANINJA, a distributed power system run on natural gas, and began marketing it in June 2012. The MEGANINJA, a package product consisting of a 1.5 MW gas engine, generator, oil tank and control console loaded into an ISO 40-foot (approx. 12m) container, is capable of generating power soon after being transported to its installation site by trailer. It can also accommodate cogeneration system through simultaneous use of a 20-foot container for waste heat recovery, and with its quick transport, quick installation and quick commissioning, is able to promptly respond to power and heat demands in any area.

A mobile power plant: all the equipment necessary for power generation packaged in an ISO 40-foot container.

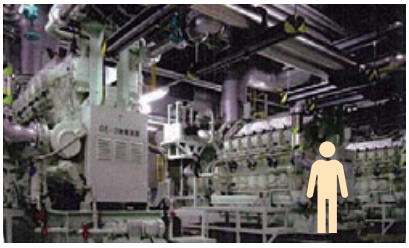
In July 2012, the first two MEGANINJA units were delivered to a Chinese gas company, Dongguan Xinao Gas, where they are being used as backup power sources during interruptions in the power supply. There is also growing interest from regions in other countries with insufficient infrastructures, and from corporations in developed countries examining countermeasures for power peaks as part of their BCPs (business continuity plans).

* GW: Gigawatt, or 1,000,000,000W.
The generating capacity of an average nuclear power plant is 1GW.

Power generation within 24 hours, maintenance within 24 hours

Installation of conventional gas engine power generation systems takes approximately 30 days before the system is operable. With the MEGANINJA, all necessary equipment has been packed into the container in advance, and simple coupling units are used for wirings and pipings. Even if several containers are being installed, this configuration makes it possible to "just set them down" and begin power generation within 24 hours of delivery. In addition, when a unit requires major repairs, it may be exchanged with another unit, and this process takes merely 24 hours.

Conventional gas engine power generation facility

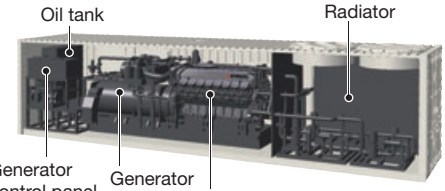


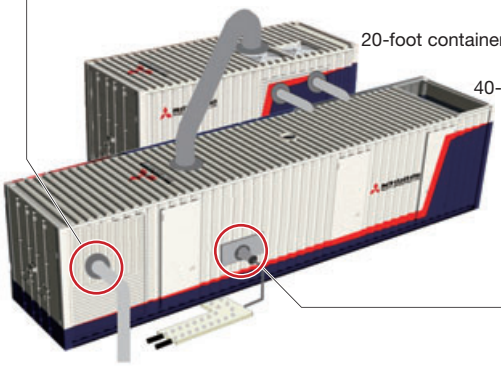
Quick setup method –"just set it down"

Gas piping connections

Gas piping connection simplified with camlock fittings

MEGANINJA's all-in-one configuration structure

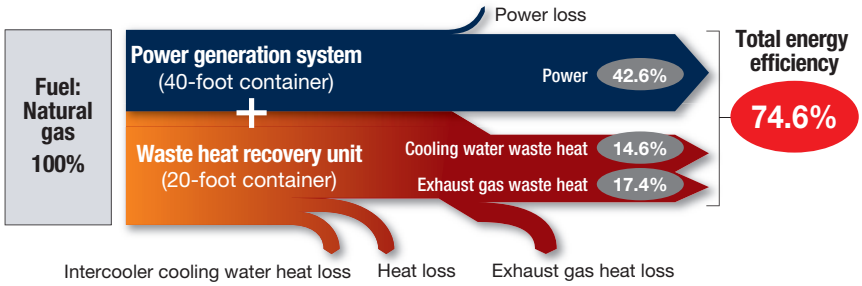




Cable connections

Wiring connections simplified with quick connector

Cogeneration raises total energy efficiency to 74.6%



High power generation efficiency (42.6%), low NOx concentration (200ppm and less than 200ppm)

A Miller cycle gas engine, in which the expansion ratio is larger than the compression ratio, enables the achievement of a 42.6% power generation efficiency rating. In addition, electronic control results in optimal mixing of fuel and air, maintaining NOx density within 200ppm without after treatment.

Heart of the MEGANINJA: a high-efficiency Miller cycle gas engine

Responding to diverse global needs for distributed gas power generation systems

Stable power supplies are in demand around the world, including China and Southeast Asia. MHI responds to these diverse global needs with its distributed gas engine power generation systems.

June 2012: MOU signed with China Huadian Corporation on development of advanced technology for distributed power generation systems and their commercialization.

July 2012: First and second MEGANINJA units delivered to China's Dongguan Xinao Gas.

July 2012: Delivered a sample GS16R2-PTK generator set to Russia.

October 2012: Gas Engine Distributed Power Generation Engineering Center established in Shanghai, China.

April 2013: Stationary gas engine generator set delivered to Dongguan Xinao Gas.

July 2013: MEGANINJA installation at MHI's Machine Tool Headquarters (Ritto) for electricity peak-cut during summer.

Left: Director Ying of China Huadian Electric Research Institute
Right: (Then) MHI Executive Vice President Tsukuda

Signing of MOU with China Huadian Corporation on distributed power generation systems in June 2012

Voice Expectations of MHI

Expectations for MHI's continued contributions to natural gas power generation in Dongguan City, China

We supply natural gas to China's Dongguan City, a city famous for its manufacturing industry. In China, environmental problems caused by coal use are worsening, and clean natural gas power generation, which is gentle on the environment, is seen as promising. Power demands in Dongguan City are on the rise due to economic development, while planned power cuts are being implemented because of chronic power supply insufficiencies. As a result, I found the MEGANINJA appealing; it runs on natural gas and can be promptly installed in areas where power is insufficient. I feel that MHI is putting its total strength into the natural gas power generation business in Dongguan City, and I look forward to continuing our partnership with them in the future.

Dai WenDe
Former CEO,
Guangdong Dongguan XinaoGas

Feature Meeting Problem-Solving Needs around the World

Commercial Aviation & Transportation Systems

Shipbuilding & Ocean Development | Machinery & Steel Infrastructure Systems | Aerospace Systems

Delivering New Urban Transportation Systems that Are Safer, More Comfortable, and Friendlier to the Environment

Urban transportation systems are being reviewed in countries around the world against a backdrop of chronic traffic congestion, exhaust air pollution and a rapidly aging society. To help resolve these issues, MHI has developed advanced transportation systems like the Automated People Mover (APM) Systems, and 100% low floor Light Rail Vehicle (LRV), and so on.

Hiroshima's highly advanced tram system — the most widely used in Japan — features the first domestically produced barrier-free 100% low floor LRV called "JTRAM"

It's an easy means for people to get around. It produces no exhaust gas and is extremely energy efficient. The LRT (Light Rail Transit) is currently drawing attention worldwide for raising convenience to new heights, while leveraging the unique characteristics of trams.

One important player in the transition to LRT is the people-friendly LRV (Light Rail Vehicle). Barrier-free, step-less LRV cars are designed to allow passengers to board or alight directly from or to station platforms, but were not manufactured in Japan until recently.

Japan had long hoped for an LRV suited to its climate, topography and unique urban structure, and in 2005, MHI developed a bogie with an independent wheel system, an essential component of the LRV and the first of its kind in Japan. In the consortium U3 Project,

First domestically produced 100% low floor LRV, Green Mover max (5100-Series)

MHI together with Kinki Sharyo Co., Ltd. and Toyo Denki Seizo K.K., delivered the Green Mover max, the first domestically developed 100% low floor LRV to Japan's largest domestic tramway operator, Hiroshima Electric Railway Co., Ltd.

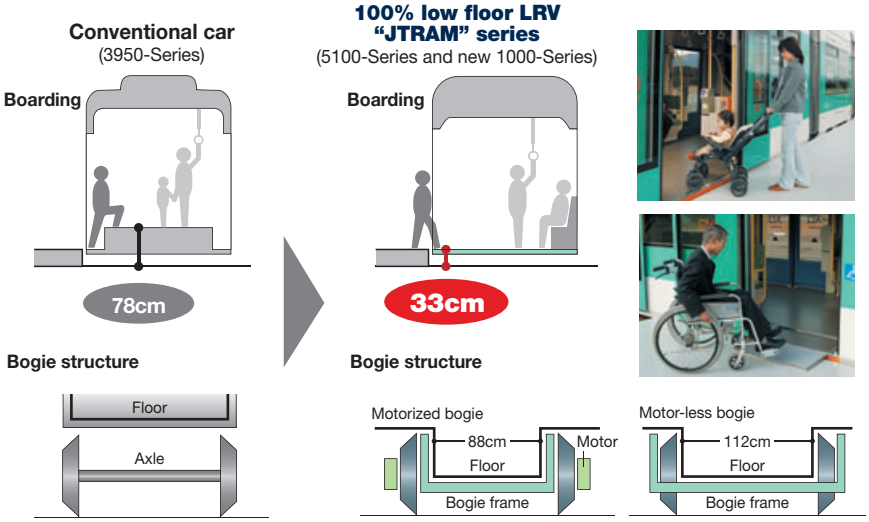
The development concepts of the U3 Project were defined as "Ultimate," "User-friendly" and "Urban." The conventional step down from the tram to the platform was eliminated, resulting in a more accessible transportation means for senior citizens, parents with baby strollers, and individuals in wheelchairs.

In February 2013, the U3 Project delivered the "JTRAM R," (called 1000-series vehicles in Hiroshima) that maintains the barrier-free design of the Green Mover max while adopting a more compact design and shorter car length. Shortening the overall length made it possible for the 100% low floor LRVs to run on all lines in the city, including those where station platform lengths had previously made introduction difficult.

In the future, MHI will continue to provide transportation systems that are easy to use and reflect the needs of the times.

Safe and Pleasant Boarding with a Floor Height of 33cm

Comparison of ease of access and bogie structure



Newly developed axle-less cars

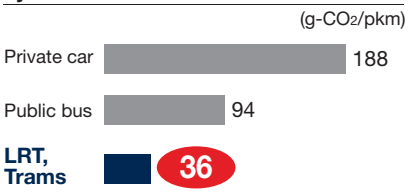
In conventional cars, the left and right wheels are connected by an axle, which determines the floor height. The newly developed, independent wheel bogie makes it possible to considerably lower floor height of the car by eliminating the axle and bringing the door threshold to within 33cm of the ground.

Improving Comfort, Safety and Environmental Performance

Conserving greater energy with car control

As a means of transportation, trams are environmentally friendly. Using advanced control technology to run the motorized bogies on the U3 100% low floor LRV "JTRAM" makes travel more comfortable while keeping power consumption low and energy savings high.

CO_2 emissions per passenger-kilometer by modes



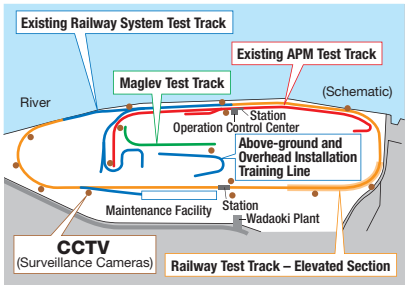
Source: Ministry of Land, Infrastructure, Transport and Tourism, 2002 white paper

Reduced noise and vibration

In comparison to conventional cars, the new bogie, low center of gravity, light car body and other features of the U3 100% low floor LRV "JTRAM" contribute to a reduction in noise and vibration.

Safety demonstrated on dedicated test line

MHI has a large-scale test rail track at its Wadaoki Plant (Hiroshima Prefecture, Mihara City) that was used to thoroughly verify the safety and comfort quality of the cars. In addition, with an eye on global development, MHI plans to establish Japan's first comprehensive railway transportation system verification facility in the same area (in 2014), with the aim of making the facility available to other corporations and public and private groups.



Improvements in safety and comfort to be undertaken at the MIHARA Test Center, Japan's first comprehensive railway transportation system verification facility

Automated People Movers and Rail Transit Systems at Work around the World

MHI also provides rail transit systems that contribute to the safe operation of railways, and APM (Automated People Mover) systems with fully automated cars running on rubber tires that are used in airports and urban areas. By taking regional issues and characteristics into account and comprehensively providing everything from car manufacture to administration systems, MHI is contributing to the resolution of urban transportation issues around the world.

Singapore Changi Airport (APM)

Tokyo, Yurikamome (APM)

Dubai Metro (Rail Transit System)

New compact 18m 1000-series LRV began commercial operations in February 2013.

Voice Expectations of MHI

Admiration for development of domestically produced LRV and high hopes for expansion abroad

Vehicle comfort as a living space stands alongside vehicle performance as one of the desirable elements in the development of LRVs in Japan. Other differentiating elements from those of overseas include pleasant climate control, adequate number of seats, aisle width that allows for unimpeded movement inside the train, and the necessary facilities for correcting fares. MHI has developed an LRV that specifically meets Japan's uniqueness.

In the future, I hope the company will further refine safety and comfort by expanding the test tracks. In addition, I would like to see the expansion of this LRV, in which Japan's meticulous consideration is given full play, and would like MHI to expand its system coordination and operation services to areas overseas as well.

Hideki Fujimoto
Group President,
Tram Company,
Hiroshima Electric
Railway Co., Ltd.

Feature Meeting Problem-Solving Needs around the World

Integrated Defense & Space Systems

Shipbuilding & Ocean Development | Aerospace Systems | General Machinery & Special Vehicles

Contributing to International Space Activities by Enhancing Launch Capability and Reliability

A reliable launch vehicle is essential for space development. MHI has developed the H-IIB Launch Vehicle to meet the growing demand of heavier satellites from global users. MHI is also contributing to international space activities by transporting supplies to the International Space Station using the H-II Transfer Vehicle, "KOUNOTORI," launched by H-IIB Launch Vehicle.


Lift off of H-IIB Launch Vehicle
©JAXA

Providing assured access to space by our reliable launch vehicle

One of MHI's business activities is launch services. In this "space shipping" role, the company is entrusted with satellites (freight) by customers (satellite manufacturers and operators) and delivers the cargo by a launch vehicle to a designated place at a predetermined date and time. MHI entered this business in 2007 with the launch of the JAXA*1 lunar orbiter "KAGUYA" on H-IIA Launch Vehicle No. 13. All subsequent launches up to and including H-IIA No. 22 in January 2013 have been successful.

With H-IIA Launch Vehicle No. 21, MHI was commissioned by KARI*2 to launch its first non-Japanese satellite by MHI's launch services. Moreover, following the successful launch of the H-IIB Launch Vehicle No. 3 – built to transport larger satellites as well as the H-II Transfer Vehicle known as "KOUNOTORI" – MHI has started handling all H-IIB launch services beginning with No. 4, which launched the "KOUNOTORI4" on its way to the International Space Station.


©JAXA / NASA

Earth as seen from KOUNOTORI3 launched by the H-IIB launch vehicle in July 2012

Although several European and American companies are involved in the satellite launch business, there are few that can match MHI's ability to implement the entire process from vehicle manufacture to launch.

Over nearly 40 years of rocket development and manufacturing experience, MHI has amassed a wealth of knowledge and improved its launch success rate. A string of successful on-schedule launches is testament to the world-class reliability of MHI's launch services.

MHI, as a launch services provider, will continue to leverage its technologies and expertise to secure a reliable access to space that can meet a variety of needs from our global customers. MHI will continue to fulfill expectations for space development, paving the way for mankind's future.

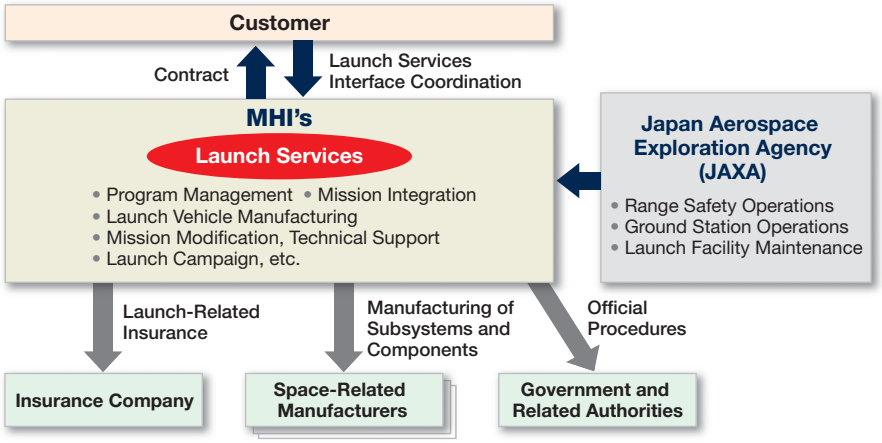
*1 JAXA: Japan Aerospace Exploration Agency. An independent administrative agency in charge of Japan's space science research, aerospace technology research, and space development research.

*2 KARI: Korea Aerospace Research Institute. A government agency that handles South Korea's aerospace and space development research.

Utilizing advanced and comprehensive space technologies

MHI coordinates the entire process of launch services from launch vehicle manufacture to interface coordination between the spacecraft and launch vehicle, program management, and execution of the launch campaign.

MHI implements the entire process of the launch services from vehicle manufacture to launch



Doubling the launch capability: From 4 tons of H-ⅡA to approximately 8 tons of H-ⅡB

Meeting diverse launch needs

The new logo of MHI's launch services, established when H-ⅡB was added to our lineup in 2013

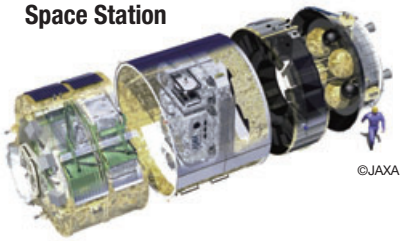
Parameters		H-ⅡA Launch **H2A202** Standard	H-ⅡB Launch **H2B** Heavy Lift
Height (m)		53	**56.6**
Gross Mass (excluding satellite mass) (t)		289	**531**
Maximum Launch Capacity (t)	GTO	4.0	about **8**
	Orbit for HTV	–	**16.5**

Illustration by JAXA

Transporting roughly 6 tons of cargo into space

The administration of the International Space Station (ISS) is shared by 15 nations. MHI is in charge of the system coordination and manufacture of the large H-Ⅱ Transfer Vehicle "KOUNOTORI," which delivers food, clothing, and experimental equipment of all types to the ISS.

H-Ⅱ Transfer Vehicle "KOUNOTORI," a supply vehicle to the International Space Station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"KOUNOTORI" delivers supplies in space

Development of a new launch vehicle

The H-ⅡB Launch Vehicle was jointly developed by JAXA and MHI utilizing the technology and experience cultivated during the development of the H-ⅡA. The four H-ⅡB launches to date all served to successfully launch the H-Ⅱ Transfer Vehicle "KOUNOTORI," which can transport approximately six tons of supplies to the ISS.


©JAXA

Manufacture of core fuselage for H-ⅡB Launch Vehicle No. 3


©JAXA

Control room at JAXA Tanegashima Space Center where launches and ground facilities are controlled.

Voice Expectations of MHI

Becoming an asset to Japan's space development by facing the world's needs directly

As joint developer of the H-ⅡB Launch Vehicle, MHI's contributions have been tremendous. In space development, even a small error can drastically affect the entire project, but MHI firmly supported JAXA activities, and it did sofrom a project management standpoint as well as from a technical viewpoint.

Last year, we transferred the H-ⅡB launch services to MHI as we did before with the H-ⅡA. In the future, I hope that MHI promotes its launch services to meet not only national demands but also global customer needs because I believe that MHI's launch services activities will benefit Japan's space development as well.

Takumi Ujino
Chief Engineer,
Senior Chief Officer of Technology Strategy of Space Transportation Program,
Space Transportation Mission Directorate,
Japan Aerospace Exploration Agency (JAXA)

Business Segment Review

Shipbuilding & Ocean Development

Commercial Aviation & Transportation Systems

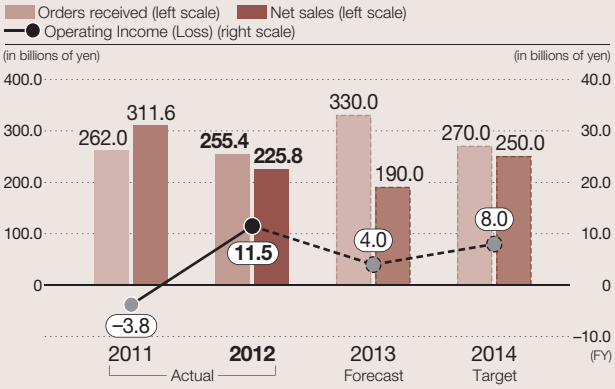
Integrated Defense & Space Systems

Key products: LNG carriers, LPG carriers, large cruise ships, car ferries, pure car carriers, resource exploration vessels, defense and patrol vessels, etc.

Basic Strategies

- Switch business model drawing on the Group's technological and brand strengths, and work to build a business base and improve the business structure aimed at survival and new development
- Strengthen the domestic shipbuilding business through differentiation based on a focus on technologically advanced, high-value-added vessels
- Commercialize the engineering and overseas shipbuilding business

Future Outlook and Targets



Fiscal 2012 Review and Fiscal 2013 Outlook

As the world's new shipbuilding markets tend to contract due to such factors as the European financial crisis, and as the demand for LNG carriers is growing on the back of an increase in the use of natural gas, MHI concentrated on winning orders for LNG carriers and other technologically advanced, high-value-added vessels. Consequently, orders were received for a total of 29 ships in fiscal 2012, including orders for five LNG carriers and two resource exploration vessels. Consolidated orders received, however, decreased from the previous year to ¥255.4 billion. Pending consolidated orders for Shipbuilding & Ocean Development at the end of fiscal 2012 were for 45 ships.

Consolidated net sales amounted to ¥225.8 billion, with deliveries of a total of 24 ships, including five ferries, four "pure car carriers," three LPG carriers, two patrol vessels and two RO/RO ships. Operating income rose from the previous year to ¥11.5 billion, in part due to the impact of a weak yen.

As for the outlook for fiscal 2013, by continuing to focus efforts on winning orders for high-value-added vessels, we expect that consolidated orders received will grow substantially, to ¥330.0 billion. We project however, that both consolidated net sales and operating income will decrease from fiscal 2012 to ¥190.0 billion and ¥4.0 billion, respectively.

Initiatives for Growth in the Medium to Long Term

To successfully complete the 2012 Medium-Term Business Plan, MHI is promoting a domestic shipbuilding business centered on technologically advanced, high-value-added vessels. MHI is also reinforcing its engineering business and advancing its overseas shipbuilding business.

In the domestic shipbuilding business, the Cruise Ship Project Office is spearheading efforts to optimize every aspect of quality, cost and production processes, apply 100% three-dimensional design, and innovate work methods. Backed by these moves, MHI will use the production of two new cruise ships for AIDA Cruises, a cruise company part of Costa Group, Europe's largest cruise company member of Carnival Corporation & plc., construction on the first of which started in June 2013, to establish cruise ships as a core business.

MHI will also distinguish itself from competitors with technologically advanced, high-value-added LNG carriers, resource exploration vessels and other ships. MHI already delivered its first 3D sea bottom resource exploration vessel in May 2013. For our LNG carriers, MHI will win against intense competition by switching to the next-generation MOSS LNG carrier design, "Sayaendo," and adopting the high-efficiency Ultra Steam Turbine (or UST) as a main engine. Together, these innovations will boost fuel efficiency

▼ New-generation LNG Carrier, "Sayaendo"

▲ Mitsubishi Air Lubrication System (MALS)

▼ 3D Sea Bottom Resource Exploration Vessel "Ramform Titan"

Hisashi Hara
Head of Shipbuilding & Ocean Development

SWOT Matrix
Our strengths, weaknesses, opportunities and threats

S
- Focused on technologically advanced, high-value-added vessels
- Unique, incomparable environmental and energy-saving technologies

W
- Cost competitiveness relative to Chinese and South Korean manufacturers

O
- Increased demand for energy-efficient vessels as a consequence of the surging price of crude oil and the introduction of the Energy Efficiency Design Index (EEDI)
- Increased demand for LNG carriers

T
- Decline in ship prices due to gap between global supply and demand
- Soaring price of steel materials
- Augmented shipbuilding capacity of South Korean and Chinese manufacturers

Main Projects

Announcement	Delivery	Project
October 2012	2015	Order received for two next-generation pure car carriers for Nippon Yusen
June 2012	2014	Order received for one Sayaendo, new-generation LNG carrier for Mitsui O.S.K. Lines
November 2011	2015–2016	Order received for two large cruise ships for Carnival Group, the world's largest cruise ship operator
April 2011	from 2013	Order received for two 3D sea bottom resource exploration vessels for Petroleum Geo-Services of Norway

in LNG carriers by roughly 25%. MHI has also established a joint venture company with Imabari Shipbuilding Co., Ltd. for the design and marketing of LNG carriers, thereby positioning itself ahead of other competitors to respond to large-scale LNG carrier construction projects, which are expected to increase in tandem with expanding global demand for LNG.

Furthermore, in the engineering business, operations are growing through outstanding ship models and energy-efficiency technology made possible by MHI technologies for the development of high-performance products and its talented team of expert designers. MHI is also seeking to broaden opportunities for market entry in overseas shipbuilding through alliances and exchanges with prominent foreign companies, with future joint ventures also possible.

With the promotion of these basic strategies, the targets for Shipbuilding & Ocean Development are orders of ¥270.0 billion and net sales of ¥250.0 billion in fiscal 2014, both on a consolidated basis. MHI is also eyeing operating income of ¥8.0 billion, a figure that should reflect improved earnings driven by production framework reconfiguration and the promotion of material cost reduction activities in this segment, coupled with a larger contribution from the engineering business.

▲ Escort ship, "Teruzuki"

TOPICS

Construction work starts on first new generation cruise ship

In June 2013, MHI began construction at its Nagasaki Shipyard & Machinery Works of the first of two new generation cruise ships for AIDA Cruises, a cruise company part of Costa Group, Europe's largest cruise company member of Carnival Corporation & plc. The two new ships, which will incorporate an array of the world's leading-edge environmental technologies, are scheduled for delivery in the spring of March 2015 and 2016 respectively.

These ships are the largest MHI has ever built, with around 3,300 passenger capacity and 124,500 gross tonnage. The ships incorporate many advanced environmental technologies, such as MHI's proprietary "Mitsubishi Air Lubrication System" (MALS).

Business Segment Review

Power Systems

Energy & Environment

Machinery, Equipment & Systems

Key businesses: Thermal power generation (natural gas, coal), nuclear power generation, renewable energy, etc.

Basic Strategies

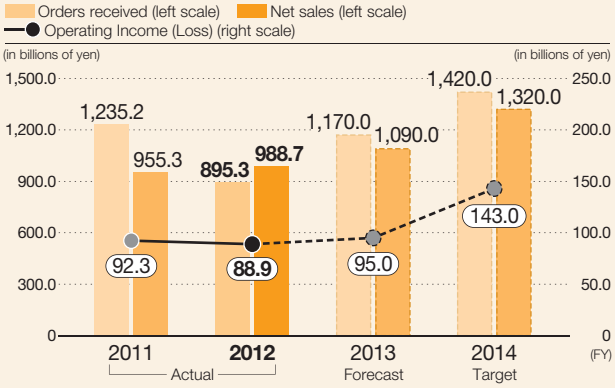
Power Systems

- Develop an overseas network to enhance competitiveness
- Pursue market-tailored business development
- Advance into new businesses and fields

Nuclear Energy Systems

- Promote domestic business by establishing new safety technologies
- Deploy resources to restore TEPCO's Fukushima Daiichi Nuclear Power Station and its future decommissioning
- Promote "selection and concentration" and alliances to accelerate the development of global business

Future Outlook and Targets



Fiscal 2012 Review and Fiscal 2013 Outlook

Amid stiffening competition for orders in Asia, MHI won orders for gas turbines in Thailand and for coal-fired power plants in Vietnam and Japan. Despite this, reflecting the impact of a delay in orders to this period, consolidated orders received were ¥895.3 billion, a decrease from the previous year when large-scale orders in Taiwan and South Korea had been secured.

Consolidated net sales rose year on year to ¥988.7 billion due in part to an increase in sales of thermal power plants. However, operating income decreased to ¥88.9 billion, affected by a delay in operations restarting at the nuclear power plants.

Targets for fiscal 2013 are ¥1,170.0 billion in consolidated orders received, ¥1,090.0 billion in consolidated net sales, and ¥95.0 billion in operating income.

Initiatives for Growth in the Medium to Long Term

In the field of thermal power generation, demand for new construction is continuing to expand, especially in emerging countries, such as the demand for upgrades to aging coal-fired facilities and environmentally friendly gas-fired facilities. Furthermore, with progress being made in the development of shale gas in the United States and other countries, and with the discovery of enormous gas fields, the price of natural gas is expected to fall worldwide, and so the use of gas turbine combined cycle (GTCC) systems will expand in various countries.

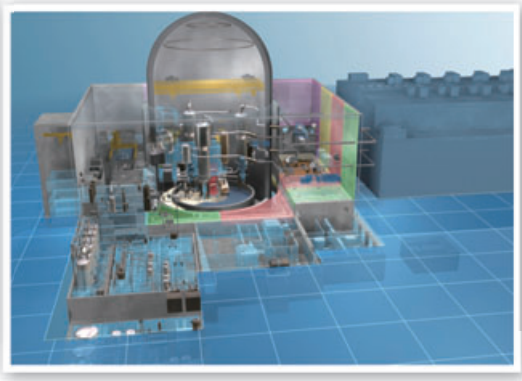
Amid an increasingly fierce business environment, MHI will work to reduce costs and mitigate currency fluctuation risks through expansion of its global procurement and production. In addition, through business integration with Hitachi, which is scheduled for January 1, 2014, MHI will win out against global competition by meeting brisk global demand for thermal power generation systems with high technological capabilities, quality and reliability.

MHI will also accelerate development for offshore wind turbines, and cultivate business with a focus on countries that border the North Sea, especially the United Kingdom and Germany.

In nuclear energy systems, MHI is targeting ¥400.0 billion for overseas new-build sales in fiscal 2014, with longer-term plans to grow this figure to ¥600.0 billion by applying its current domestic business model outside Japan.

▲ Paiton III Thermal Power Plant

▼ ATMEA1 reactor



▲ M501J gas turbine

Masafumi Wani
Head of Power Systems

Shigero Masamori
Head of Nuclear Energy Systems

SWOT Matrix

Our strengths, weaknesses, opportunities and threats

- □ Ability to accommodate almost all methods of power generation
- □ Thermal: High efficiency, high output, energy-saving
- □ Nuclear: Highest level in the world in safety technologies

- □ Thermal: Low profitability relative to major overseas competitors
- □ Nuclear: No experience in EPC* overseas
  * EPC: engineering, procurement and construction

S W O T

- □ Thermal, renewable energy: Against a backdrop of heightening environmental awareness, increased need for efficient thermal and wind power generation systems, etc.
- □ Nuclear: Increased need in emerging countries where the demand for energy is strong

- □ Thermal: Overwhelming presence overseas by two major competitors
- □ Nuclear: Stronger presence in world market by South Korean and Russian manufacturers

Main Projects

Announcement	Delivery	Project
June 2013	2016	First time overseas: Successive orders received in the United States for WJP work* * Water jet peening: mitigates stress corossion cracking in reactor vessel couplings
May 2013	2023	Cooperation agreement concluded between Japanese and Turkish governments: Japan acquires preferential negotiating rights based on adoption of ATMEA1
February 2013	2014–2015	Order received for four sets of supercritical pressure steam turbines and generators, etc. for delivery to the Saudi Electricity Company (total output: 2,800 MW)
December 2012	2015	Full-turnkey order received for GTCC power plant in Thailand
December 2012	—	Acquisition of the small and medium-sized gas turbine business unit (PWPS) from aeroengine manufacturer, Pratt & Whitney
November 2012	—	Basic agreement with Hitachi for business integration in the field of thermal power generation
March 2012	2014	Series of orders received for 10 state-of-the-art M501J gas turbines for South Korea

Specifically, in the domestic market, MHI will comply with new regulatory standards, which came into force in July 2013. MHI is fully committed to supporting power companies in restarting operations at existing plants, promoting the nuclear fuel cycle at the Rokkasho Reprocessing Plant in Aomori Prefecture, achieving recovery and stable operations at TEPCO's Fukushima Daiichi Nuclear Power Station, and decommissioning aged plants. For the global market, in addition to accelerating the global expansion of MHI's global strategic reactor, ATMEA1, to emerging countries, MHI will make a full-scale entry into the after-sales service market through alliances and its advanced technologies bolstered with a wealth of Japanese construction experience.

By making steady progress on these initiatives, MHI will fulfill its four-part mission as a world-leading integrated nuclear plant supplier, namely, to improve safety, supply stable power, counter global warming and ensure energy security.

Based on these measures for each sector, MHI is targeting consolidated orders received of ¥1,420.0 billion, consolidated net sales of ¥1,320.0 billion and operating income of ¥143.0 billion for this business segment in fiscal 2014.

▲ No. 4 Unit of Sendai Power Station of Tohoku Electric Power Co., Inc.

TOPICS

Test operation begins for large-scale wind power generation system adopting world's first hydraulic drive train

In January 2013, MHI commenced test operation at its Yokohama Dockyard & Machinery Works of a large-scale wind power generation system that adopts a hydraulic drive train in place of a conventional gear-driven system. Based on the results of this test run, MHI will accelerate its development of offshore wind power generation systems in the 7 MW class, with installation and operation of an onshore demonstration unit in the United Kingdom to begin in 2013.

Based on the digitally controlled hydraulic technologies of Artemis Intelligent Power, Ltd., a U.K. venture company acquired in 2010, MHI put the new hydraulic drive train to practical use with an aim of making wind turbines larger and improving reliability.

Business Segment Review

Machinery & Steel Infrastructure Systems

Energy & Environment

Machinery, Equipment & Systems

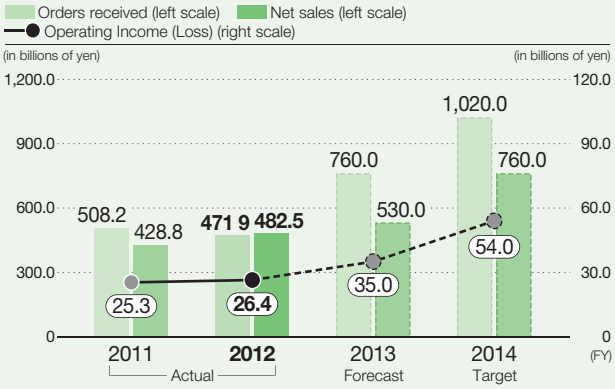
Commercial Aviation & Transportation Systems

Key businesses: Transportation systems, environmental and chemical plants, compressors, iron and steel machinery, etc.

Basic Strategies

- Expand business domains
- Develop operations globally
- Enhance product competitiveness

Future Outlook and Targets



Fiscal 2012 Review and Fiscal 2013 Outlook

In Asia, where progress is being made in the development of urban infrastructure, MHI received orders for urban transportation systems in Malaysia, Indonesia and Taiwan. Orders were also brisk for compressors, especially in the United States. Despite this, though, there was a decrease in orders received for iron and steel machinery and chemical plants, and as a consequence, sales for Machinery & Steel Infrastructure Systems decreased from the previous year to ¥471.9 billion.

Consolidated net sales rose year on year to ¥482.5 billion, mainly as a result of an increase in the delivery of iron and steel machinery, compressors and chemical plants. While sales did increase, the tough business environment kept operating income to only a slight year-on-year increase of ¥26.4 billion.

In fiscal 2013, by more actively endeavoring to secure new orders in Japan and overseas, MHI is aiming for consolidated orders received to increase considerably from fiscal 2012 to ¥760.0 billion. Consolidated net sales and operating income are projected to reach ¥530.0 billion and ¥35.0 billion respectively.

Initiatives for Growth in the Medium to Long Term

With an aim of expanding business through the development and acceleration of growth processes, MHI is promoting efforts to expand business domains, develop operations globally, and enhance product competitiveness.

Specifically, in transportation systems, through a collaborative relationship with Hitachi, Ltd. in overseas projects, which has been in place since 2010, MHI will aim to strengthen its competitiveness in global markets against stiffening competition by responding positively to the demand for investment in new railway infrastructure, especially in Middle Eastern and Asian countries.

As for iron and steel machinery, although markets are contracting due to the global economic downturn, in the medium to long term, MHI believes that markets will gradually recover as demand for steel increases with the development of infrastructure in emerging countries. In addition to working to further enhance its competitiveness, MHI will engage actively in the development and market launch of new models, plus reconditioning work, mostly updates of aged facilities, as well as in small to medium-sized investment projects.

▲ Ammonia/Urea Plant

▼ Sengkang/Punggol Light Rapid Transit APM System in Singapore

▲ Compressor and mechanical drive steam turbine for world's largest ethylene plant in the UAE

Akira Hishikawa

Head of Machinery & Steel Infrastructure Systems

SWOT Matrix

Our strengths, weaknesses, opportunities and threats

S
- Track record of managing many large-scale projects throughout the world
- Accelerated development of global operations

W
- Large number of low-share products compared to specialized manufacturers

O
- Transportation: Large number of infrastructure improvement plans in emerging countries
- Compressors: Development of shale gas in the United States
- Chemical plant: Increase capital investment in emerging countries

T
- Prominence of Chinese and South Korean companies

Main Projects

Announcement	Delivery	Project
June 2013	2017	Order received to build large-scale Ammonia Plant in Russia
June 2013	2016	Order received for Nangang extension project from Taiwan High Speed Rail Corporation
May 2013	2016	Order received for transit capacity expansion of new transportation system, Singapore
December 2012	2015	Order received for construction of acrylic acid plant in Republic of Bashkortostan, Russian Federation
October 2012	2017	Order received for new mass rapid transit (MRT) system in Kuala Lumpur, Malaysia
October 2012	2016	Order received for Java main line electrification and double-double tracking project, Indonesia

As a consequence of increased shale gas production in the United States, there has been vigorous investment of unprecedented scale, and the repercussions of this have spilled over to new construction plans for chemical plants and for compressors used in plants. As a consequence, in the compressor business, MHI established a marketing and service subsidiary in the United States in October 2012, thereby strengthening its customer-based sales activities. MHI has also maintained initiatives for resource development projects targeting Brazil and other countries, participating from the initial design stage.

MHI will also strengthen its chemical plants business in emerging countries rich in gas resources, such as in Russia and Africa, as well as in regions such as North America, where shale gas and oil production is expected to increase.

Based on these measures, MHI is targeting orders of ¥1,020.0 billion, net sales of ¥760.0 billion, and operating income of ¥54.0 billion for fiscal 2014.

▲ Hot Rolling Mill

TOPICS

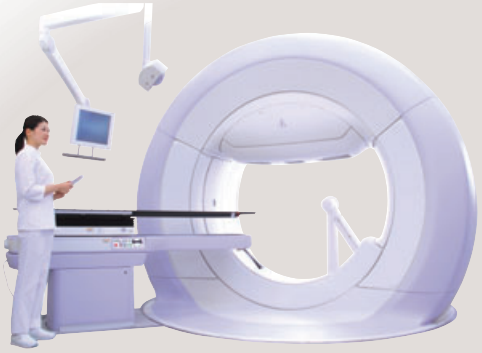
Kyoto University Hospital begins world's first treatment for liver and pancreatic cancer with dynamic tracking through real-time monitoring using a radiation therapy system

Vero4DRT is a radiation therapy system at Kyoto University Hospital that was delivered by MHI. In addition to being used previously in tracking therapy for lung cancer, it has also been used for liver cancer since March 2013 and for pancreatic cancer since June. This system is the first in the world that enables tracking irradiation therapy with real-time monitoring for liver and pancreatic cancer.

Vero4DRT achieves irradiation with world-class accuracy, targeting cancerous lesions that waver as the patient breathes. Not only does this minimize damage to normal tissue, but it also drastically alleviates the strain on both patients and medical staff. Going forward, given the expected increase in the number of facilities installing this system, MHI will aim to actively increase sales.

Benefits

- Compatible with all approved markers in Japan
- Continuous pinpoint irradiation of only target lesions
- Adaptable to expansion of treatment area



Business Segment Review

Aerospace Systems

Commercial Aviation & Transportation Systems

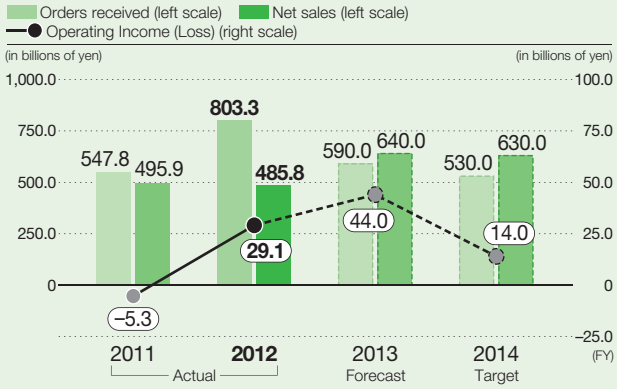
Integrated Defense & Space Systems

Key products: Commercial aircraft, defense aircraft, aeroengines, space systems, etc.

Basic Strategies

- Enhance the supply chain of commercial aircraft and improve profitability through drastic innovations
- Propose an integrated defense systems concept by coordinating businesses for land, sea and air
- Maintain successful H-II A/B launches, and enhance competitiveness through development of next-generation primary launch vehicles

Future Outlook and Targets



Fiscal 2012 Review and Fiscal 2013 Outlook

In the commercial aircraft market, increases in the global volume of air passenger transportation, the rapid advances being made by low-cost carriers (LCC), and replacement orders by major airlines for airplanes with better fuel efficiency have meant that orders have remained strong, and aircraft manufacturers are faced with long backlogs of orders. In the area of defense too, although there was an increase in the defense budget for the first time in 11 years amid a security environment marked by rising tensions, any significant increase would likely be difficult in a tight fiscal situation.

In such a market environment, there was increased demand both for Mitsubishi Regional Jet (MRJ) and other commercial aircraft as well as for defense equipment, and so consolidated orders received increased from the previous year to ¥803.3 billion.

Despite an increase in the delivery of commercial aircraft and space systems, consolidated net sales decreased from the previous year to ¥485.8 billion due to a decrease in the delivery of defense equipment. In terms of the number of commercial aircraft delivered, 90 Boeing 777 and 52 Boeing 787 airplanes were delivered, seven and 25 more, respectively, than fiscal 2012. Operating income turned positive, increasing significantly from the previous year to ¥29.1 billion, due mainly to improved profitability in the commercial aircraft business.

Targets for fiscal 2013 are ¥590.0 billion in consolidated orders received, ¥640.0 billion in consolidated net sales, and ¥44.0 billion in operating income.

Initiatives for Growth in the Medium to Long Term

In commercial aircraft, production systems are being developed in preparation for increased production, and efforts are being made to construct a global supply chain system and to improve profitability through efficient production systems. Furthermore, in addition to focusing effort on developing MRJ, a next-generation

▼ Boeing 787 Transport Aircraft

▲ H-II Transfer Vehicle (HTV) KOUNOTORI
(Courtesy of JAXA/NASA)

▼ PW1200G engine

Yoichi Kujirai
Head of Aerospace Systems

SWOT Matrix

Our strengths, weaknesses, opportunities and threats

S
- Commercial aircraft: Global procurement network
- Defense: Ability to make proposals for integrated defense systems
- Aerospace: Joint development of rockets with JAXA

W
- Commercial aircraft: Intensifying competition in regional market
- Aerospace: Launch costs higher than global standard

O
- Commercial aircraft: New demand for about 22,000 aircraft in the next 20 years
- Defense: Security environment marked by rising tensions
- Aerospace: Increase in the need for launching satellites in emerging countries

T
- Defense: Cuts to national defense budget
- Aerospace: Worldwide surge in satellite launch services

Main Projects

Announcement	Delivery	Project
December 2012	—	Composite-material wing box shipped for 100th Boeing 787
December 2012	—	Order received for 100 MRJ from SkyWest Airlines in the United States, plus formal contract signed for option of additional 100 aircraft
September 2012	—	Launch services business using H-IIB rockets begins
August 2012	—	MHI participates in project to develop P&W's PW1200G jet engine for the MRJ
July 2012	—	Success launch of the "KOUNOTORI 3" (HTV3) transfer vehicle to the International Space Station, using H-IIB Launch Vehicle No. 3

regional jet, MHI will also aim to increase orders received and establish a mass production system.

In defense-related products, in addition to responding to requests from the government, such as for jet fighters, helicopters, various types of guided missiles and ballistic missile defense, which are MHI's areas of strength, MHI will also propose integrated defense systems by coordinating its businesses for land, sea and air defense.

In space systems, in addition to focusing on the continuation of successful H-II A/B rocket launches, by enhancing its response such as to the development of next-generation primary launch vehicles, MHI will gain recognition for its achievements in launches, and will provide launch services suited to market needs.

Based on the above basic policy, we project that consolidated orders received in fiscal 2014 will be ¥530.0 billion, consolidated net sales will be ¥630.0 billion, and operating income will be ¥14.0 billion.

▲ Mitsubishi Regional Jet (MRJ) (Courtesy of Mitsubishi Aircraft Corporation)

TOPICS

MHI begins H-IIB rockets launch services

Following three consecutive successful launches of H-IIB rockets, MHI concluded an agreement with the Japan Aerospace Exploration Agency (JAXA) to begin providing launch services business using H-IIB rockets, starting with Launch Vehicle No. 4, which was used to launch the "KOUNOTORI4" (HTV4) transfer vehicle to the International Space Station in August 4, 2013. Compared with H-IIA rockets, the H-IIB can perform launches of large-size satellites double in mass. Given this, MHI plans to aggressively explore the global market by meeting diverse launch needs, including for commercial satellites in Japan and overseas.

MHI will also begin developing next-generation primary launch vehicles to succeed the H-II A/B rocket. MHI will continue to contribute to the progress of technological development in accordance with national policies.

Business Segment Review

General Machinery & Special Vehicles

Machinery, Equipment & Systems

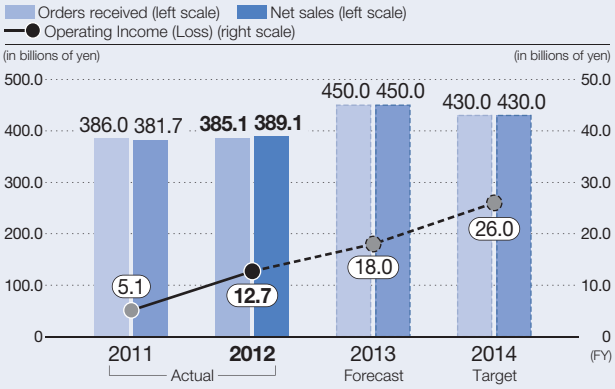
Integrated Defense & Space Systems

Key businesses: Turbochargers, Engines, Forklift trucks, Special vehicles, etc.

Basic Strategies

- Expand the service business
- Conduct in-depth cost-cutting activities
  - Improve percentage of local procurement
  - Improve productivity
- Expand solutions business
- Focus on North American market, and follow the China Plus One strategy

Future Outlook and Targets



Fiscal 2012 Review and Fiscal 2013 Outlook

Following on from fiscal 2011, MHI worked on achieving a streamlined structure, such as building a slim production framework, as well as reinforcing its service business and strengthening its global business. Consolidated orders received for turbochargers increased mainly in China and North America, where automobile production is steadily growing, while those for engines decreased in sluggish European markets. As a result, consolidated orders received remained largely unchanged year on year at ¥385.1 billion.

Consolidated net sales increased from the previous year to ¥389.1 billion due mainly to an increase in the delivery of turbochargers. Operating income, which returned to surplus in fiscal 2011, increased further to ¥12.7 billion, mainly as a result of increased profits from higher net sales and progress made in cost-cutting efforts, suggesting that surpluses had taken stronger root.

By continuing to promote structural reform, our targets for fiscal 2013 are consolidated orders received of ¥450.0 billion, consolidated net sales of ¥450.0 billion, and operating income of ¥18.0 billion.

Initiatives for Growth in the Medium to Long Term

Fiscal 2013 and 2014 have been designated as the two years for massive profit growth. MHI will build a robust organization and business structure facilitating sweeping reforms of business structure, departure from an earnings structure with a low rate of return, and a shift to surpluses unaffected by economic fluctuations.

In turbochargers, as turbocharging engines becomes more prevalent amid global environmental regulations, MHI aims to sell 10 million units in fiscal 2016, achieving a 30% share of the global market. It aims to achieve increased sales by boosting production capacity, not only at the new plant being established in the United States, but also at bases in Thailand, China and Europe, thereby meeting the local procurement needs of automakers. MHI will also work to further increase orders through the customer-based model, whereby it participates from the development stage of engines and provides support for development and verification close to customers.

In engines, MHI will aggressively capture demand for diesel and gas engine generators in distributed power source markets in

▼ "MEGANINJA" 1,500 kW Gas Engine Generation System in Container

▲ Turbocharger

▼ Hybrid Forklift Trucks

Atsushi Maekawa
Head of General Machinery & Special Vehicles

SWOT Matrix
Our strengths, weaknesses, opportunities and threats

S
- Turbochargers: Customer-based model in Europe, the world's largest market
- Engines: Diverse lineup, from small to medium and large engines
- Forklift trucks: Extensive product lineup of internal combustion trucks, electric trucks and indoor distribution equipment

W
- Ability to respond to rapid business fluctuations
- Earnings structure with a low rate of return
- Affected by rapid exchange rate fluctuations

O
- Expansion of emerging markets such as Africa and Brazil
- Turbochargers: Shift to smaller, turbocharged engines against a background of environmental and fuel efficiency regulations
- Engines: Increased global demand for gas engines due to spread of low-cost shale gas

T
- Continuation of impact from European economic crisis
- Economic slumps in emerging countries such as China and India
- Decline in unit prices of products due to commoditization

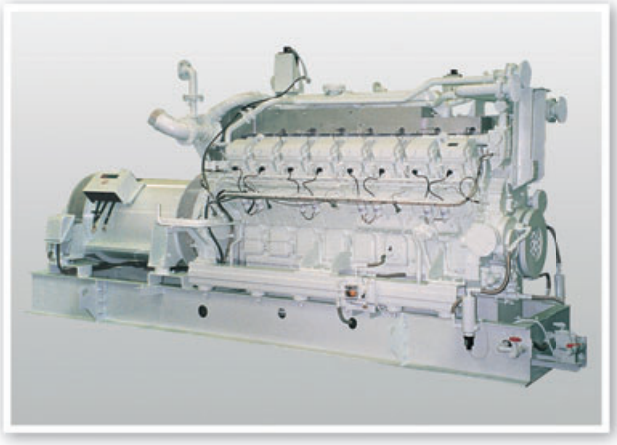
Main Projects

Announcement	Delivery	Project
March 2013	—	Operations commence at Mitsubishi Nichiyu Forklift, a company integrating the forklift trucks businesses of MHI and Nippon Yusoki
March 2013	—	Operations commence at joint venture with Shanghai Diesel Engine, aiming to expand share in rapidly growing engine market in China
December 2012	—	Base for producing turbochargers to be established in the United States, with mass production to commence in autumn 2014
June 2012	—	Development completed for MEGANINJA —a container-type 1,500 kW gas engine generator

emerging countries, such as in Africa and Southeast Asia, as a means of shoring up electricity infrastructures; in China, where power grids are in need of improvement; and in Japan, where there is an increasing need for backup power supplies at times of disaster. To this end, MHI will seek to increase sales through its solution proposal business, utilizing Group companies both in Japan and overseas, including Shanghai MHI Engine Co., Ltd., the joint venture company established in Shanghai.

In forklift trucks, a business integration with Nippon Yusoki Co., Ltd. in April 2013 led to the launch of Mitsubishi Nichiyu Forklift Co., Ltd., a consolidated subsidiary of MHI. Going forward, MHI will maximize the synergistic effects by enhancing its product lineup, sharing and optimizing overseas sales routes, effectively developing new products that match market needs, and optimizing personnel allocations and capital investments across the entire Group.

Based on these measures for each sector, MHI is aiming to achieve consolidated orders received of ¥430.0 billion, consolidated net sales of ¥430.0 billion and operating income of ¥26.0 billion for this business segment in fiscal 2014.



▲ Miller Cycle Gas Engine GS16R

TOPICS

Production base for turbochargers established in Indiana, United States

A turbocharger production plant currently being established in Indiana in the United States is scheduled to commence mass production in the autumn of 2014. Until recently, demand for turbochargers was modest in North America owing to the large number of gas-engine cars. But now, amid a tightening of fuel efficiency regulations, there is an increasing demand for more fuel-efficient engines equipped with turbochargers, especially for smaller gas-engine cars. By producing turbochargers locally, MHI looks to pursue shorter delivery times while simultaneously enhancing their quality and cost competitiveness.

Through this initiative, MHI will establish a structure enabling the final assembly of turbochargers in the three zeniths of global automobile markets, namely the United States, Europe and Asia.

Benefits

- Meets demand for turbochargers in the growing U.S. market
- Enables supply of products in close proximity to U.S. automakers
- Ensures the same quality for global common lines

Business Segment Review

Others

Machinery, Equipment & Systems

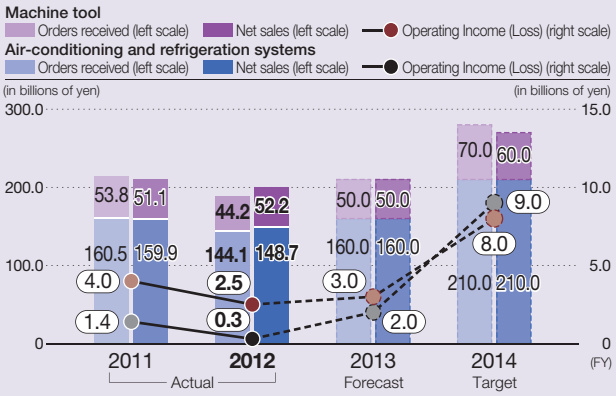
Key products: Air-conditioning and refrigeration systems (air-conditioners, centrifugal chillers, automotive thermal systems, transport refrigeration units)
Machine tool (gear cutting machines, large machines, precision cutting tools)

Basic Strategies

Air-conditioning and refrigeration systems
- Establish a light, nimble business structure
- Develop business structure as a dominant niche player

Machine tool
- Strengthen businesses as pillars of profit
- Expand new growth businesses
- Upgrade process technologies

Future Outlook and Targets



Fiscal 2012 Review and Fiscal 2013 Outlook

Air-conditioning and refrigeration systems

Despite an increase in orders for residential air conditioners in Southeast Asia, there was a decrease in orders for residential air conditioners and commercial air conditioners, mainly in Europe, where the market conditions are stagnant. In addition, in Japan, orders for automotive thermal systems decreased due to falling domestic production by key customers. As a result, consolidated orders received declined from the previous year to ¥144.1 billion, consolidated net sales decreased to ¥148.7 billion, and operating income decreased to ¥0.3 billion.

As for the outlook for fiscal 2013, mainly by expanding its overseas business in air-conditioners equipment and automotive thermal systems, MHI is anticipating an increase in revenue and income, with consolidated orders received of ¥160.0 billion, consolidated net sales of ¥160.0 billion and operating income of ¥2.0 billion.

Machine tool

Orders received dropped due to intensifying competition in China and other Asian markets and to an increasing reluctance toward capital investments in Japan. As a result, consolidated orders received decreased from the previous year to ¥44.2 billion. Consolidated net sales increased to ¥52.2 billion due mainly to increases in sales of gear cutting machines, and operating income decreased to ¥2.5 billion due mainly to the impact of intensifying competition.

The outlook for fiscal 2013 are consolidated orders received of ¥50.0 billion, consolidated net sales of ¥50.0 billion, and operating income of ¥3.0 billion.

Initiatives for Growth in the Medium to Long Term

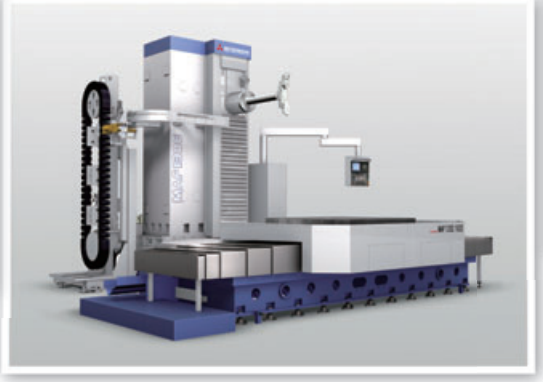
Air-conditioning and refrigeration systems

The aim of this business segment is to be an air-conditioning and refrigeration systems manufacturer that can play a role in MHI's energy and environment business, contributing to the global environment.

For air-conditioner products, in addition to completing the shift to overseas production for commercial air conditioners in fiscal 2012, MHI completed the transition to direct transactions between MHI's joint venture company in Thailand, Mitsubishi Heavy Industries-Mahajak Air Conditioners Co., Ltd. (MACO), and its overseas bases. In automotive thermal systems, with the third overseas production base, which was established in Thailand in October 2011, moving

▲ Inverter Built-in "ETI Series" Centrifugal Chillers

▼ Table-type horizontal boring mills "MAF-E Series"



▲ Simultaneous heating and cooling variable Refrigeration Flow air-conditioner

Masahiko Arihara
Head of Air-Conditioning & Refrigeration Systems

Yukio Kodama
Head of Machine Tool

SWOT Matrix

Our strengths, weaknesses, opportunities and threats

S (Strengths)
- Air-conditioning, refrigeration systems and machine tool: Extensive lineup
- Air-conditioning and refrigeration systems: Dominant energy-saving efficiency
- Machine tool: Processing technology, strength of proposals and ability to meet customer needs

W (Weaknesses)
- Air-conditioning and refrigeration systems: Smaller business scale than specialized manufacturers
- Machine tool: Drop in demand from domestic users accompanying expansion of production overseas

O (Opportunities)
- Air-conditioning and refrigeration systems: Increasing demand for heat pumps amid a global shift toward low-carbon societies
- Machine tool: Growth in demand in China, India, Southeast Asia and North America

T (Threats)
- Air-conditioning, refrigeration systems and machine tool: Emergence of manufacturers in emerging countries
- Air-conditioning and refrigeration systems: Soaring prices of materials and rare earth metals
- Machine tool: Sluggish growth of capital investment in Europe and China

Main Projects

Announcement	Delivery	Project
April 2013	—	Agreement concluded for joint venture to establish company in China for the production, marketing and servicing of centrifugal chillers
February 2013	—	Subsidiary established to oversee air-conditioning business in Europe
January 2013	—	New subsidiary dedicated to automotive thermal systems commences operations
December 2012	—	Two new models introduced in a new series of high-rigidity horizontal boring mills
November 2012	—	Matsusaka Plant received "Supplier Quality Excellence Award" from General Motors
April 2012	—	U.S. company, Federal Broach Holdings, acquired to strengthen precision cutting tool business
April 2012	—	LH250 developed as a double column machining center capable of high-precision machining of long workpieces

into full-scale operations, MHI has expanded its overseas production. Since January 2013, MHI has also developed its business through a wholly owned subsidiary dedicated to automotive thermal systems, and has built a structure capable of instantly responding to changes in the market environment.

In addition, by expanding overseas business for transport refrigeration units and centrifugal chillers in fiscal 2014, MHI aims to achieve consolidated orders received of ¥210.0 billion, consolidated net sales of ¥210.0 billion, and operating income of ¥9.0 billion.

Machine tool

MHI is seeking to increase business scale and profits for two businesses with different market characteristics—machine tools and precision machinery products—by accelerating globalization and the development of high added value. As part of this, in April 2012, MHI acquired one of the world's leading manufacturers in the United States, Federal Broach Holdings, and has since been working to create synergies at the customer and technology level.

MHI will continue to build a business structure resilient to changes in market conditions, aiming to achieve consolidated orders received of ¥70.0 billion consolidated net sales of ¥60.0 billion, and operating income of ¥8.0 billion in fiscal 2014.

▲ High-precision Machining Center "LH250"

TOPICS

MHI develops the Voxcel air-cooled heat pump module chiller, achieving the industry's highest energy-saving efficiency

In the air-conditioning and refrigeration systems business segment, after developing "Voxcel"*—an air-cooled heat pump module chiller achieving the industry's highest energy-saving efficiency—MHI started sales in December 2012.

Voxcel achieves an increase in capacity of up to 50% compared to the normal rated operation. It can cope without the need for any additional equipment even if the outside temperature is –10°C and the difference in temperature with the inside is 30°C, or at times when there is a peak demand in heating load, such as early mornings when office buildings are cold. Voxcel is highly efficient, giving it a high energy efficiency for both cooling and heating, and enabling it to achieve a 40% reduction in running costs and CO_2 emissions compared to conventional MHI models. It is able to achieve energy savings through the optimal control of all heat source systems.

* The term "chiller" is the generic name given to equipment designed to maintain a constant temperature for the air-conditioning heat sources in large facilities, such as office buildings and plants, as well as for various types of industrial equipment.

Benefits

- Achieves an outstanding energy-saving efficiency when cooling and heating
- Reduces running costs and CO_2 emissions by 40%

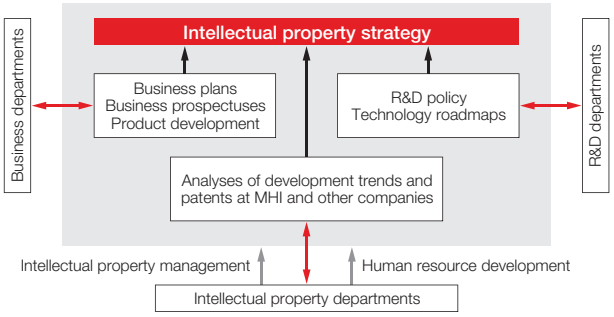
Conducting global intellectual property activities that support MHI's business strategies

An Integrated Approach Linking Businesses, R&D and Intellectual Property

Given that strengthening intellectual property strategies is one of the supportive strategies for leveraging truly comprehensive capabilities, MHI's intellectual property activities are an integral part of its business and R&D strategies.

Amid dynamic changes in the market, such as recovery from economic recession, the budding prominence of emerging markets, and reconstruction in the wake of the Great East Japan Earthquake, both the intensity of global competition and the importance of intellectual property strategies are on the rise. For MHI, bolstering intellectual property is now more important than ever. Both business and intellectual property strategies must be fully integrated to enhance competitiveness.

To this end, MHI is defining intellectual property strategies centered on the guiding policies of each business segment, with business and intellectual property departments working closely together to implement these strategies. In parallel, under the unified management of all corporate divisions across MHI, by having the intellectual property departments coordinate the intellectual property strategies of all business segments, the MHI Group can take full advantage of its comprehensive capabilities.



Intellectual Property Activity Policy

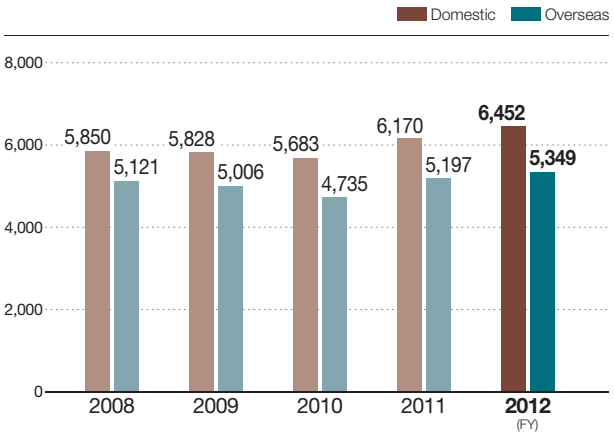
Continuing on from fiscal 2012, MHI Group's basic policy for intellectual property activities in fiscal 2013 is to pursue more global intellectual property strategies and activities and to promote intellectual property utilization.

The pursuit of more global intellectual property strategies and activities involves developing and implementing intellectual property strategies with an emphasis on the view that emerging markets will be pivotal for market expansion. MHI's development bases and other places where rights could be exercised are expected to spread out further around the world, and so intellectual property activities also need to be expanded overseas. With the number of applications being filed overseas skyrocketing, MHI is striving to redesign its business processes in order to also globalize its intellectual property business operations in a way that supports this surge.

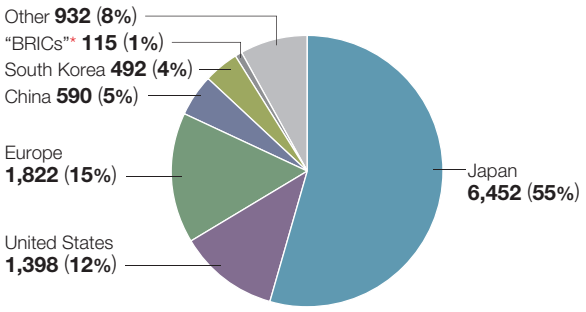
Furthermore, in a modern age where disputes over intellectual property are sometimes engineered with an objective to hinder business, in addition to a support structure for times of dispute and a buildup of intellectual property rights, MHI is reinforcing the utilization of intellectual property in line with its business strategies.

In addition to promoting an increase in the number of patent applications and the number of patents held, as a whole, the purpose of these activities is to promote favorable business, such as by adding a strategic perspective of planning the scope of rights creatively with respect to technologies needed for executing MHI's business strategies. The aim is to adopt sophisticated intellectual property measures that support business strategies, by continually refining MHI's intellectual property strategies based on business strategies centered on the business model, and by adding the perspective of protecting business to the protection of technology.

Number of Domestic and Overseas Patents



FY2012 Breakdown of Patents by Region



* "BRICs" does not include patents held in China.

Management System for the Protection of Intellectual Property

MHI's product groups each comprise multiple technologies, and cannot be covered by a single intellectual property. Consequently, there is a possibility of intellectual property disputes with other entities during the course of business in the future.

In order to reduce these risks, MHI is committed to respect intellectual property rights of others by investigating any relationships between MHI products and the intellectual property of other companies at the basic planning stage, design stage and the manufacturing stage of each product, and by promoting the sharing of information among business departments and R&D departments.

Furthermore, as MHI's ratio exported product increases, MHI is working hard to understand each country's specific system for intellectual property and to build its networks with affiliates so that swift and appropriate action can be taken even in the event of a global intellectual property dispute.

Principal R&D Activities by Business Segment

1. Shipbuilding & Ocean Development

MHI is developing energy-saving technologies and environmental impact-reducing technologies, and is engaged in R&D for cruise ships and eco-friendly vessels, including LNG carries, ferries and "pure car carriers," as well as large offshore structures and energy-efficient devices and systems that meet market needs.

Key R&D activities

- Development of large, high-performance cruise ships with energy-saving technologies that cut fuel consumption by over 10% and technologies that reduce labor needs by over 15%
- Development of technologies to broaden the scope of application and achieve higher performance for the Mitsubishi Air Lubrication System (MALS), which cuts CO_2 emissions by reducing friction resistance between ships and seawater

2. Power Systems

MHI is developing technologies that are designed to supply energy in a stable and efficient manner, preserve the environment or improve safety, and is engaged in R&D that meets upstream to downstream market needs with respect to energy, such as utilization technologies for renewable energy sources and clean fuels, including natural gas and nuclear, as well as distributed power grid systems and high-efficiency power generation systems.

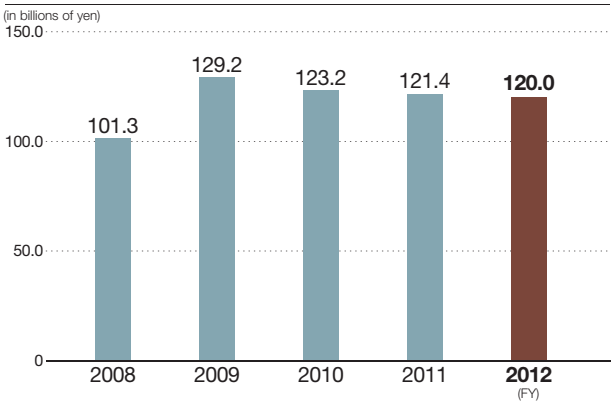
Key R&D activities

- Development of the J-Series gas turbine, a system boasting world-class output and world-leading thermal efficiency, with a turbine inlet temperature of 1,600°C, that will contribute to the realization of a low-carbon society
- Development of 7 MW offshore wind turbines equipped with one of the world's largest variable-speed, hydraulic drives

3. Machinery & Steel Infrastructure Systems

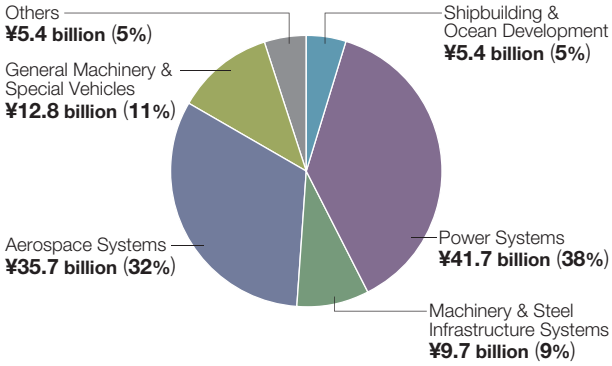
MHI is engaged in the development of environmental protection technologies, including those to mitigate global warming; transportation technologies, specifically land-based transportation and logistics; and basic facilities for the steel, chemical and other industry sectors; technologies and products for providing high-value-added products and social infrastructure, which support energy supply.

R&D Investment*



* The figures above for R&D investment include expenses related to R&D under contact.

R&D Investment by Business Segment



Note: The graph above exclude ¥8.9 billion for expenses related to reinforcing the MHI Group's common technological base.

Intellectual Property and R&D Activities

Key R&D activities

- Development of technology for capturing CO_2 from coal-fired thermal power plant boiler flue gas as a means to help prevent global warming
- Development of technologies related to smart communities, such as community-based energy management systems for electric vehicles (EV), which combine ITS, charging facilities and EVs

4. Aerospace Systems

As one of Japan's leading companies, MHI is engaged in the development of cutting-edge products, leveraging the technologies accumulated in its years of developing aircraft and aerospace equipment.

Key R&D activities

- Development of the MRJ, a state-of-the-art regional jet featuring the world's highest level of operational economy and cabin comfort
- Development of control technology and manufacturing technology that help to reduce costs and improve reliability for next-generation primary launch vehicles

5. General Machinery & Special Vehicles

MHI is engaged in R&D that addresses the polarization of markets and the diversification of demand, such as ensuring compliance with environmental regulations, increasing fuel efficiency and achieving lighter weight and a more compact form for turbochargers, engines, industrial vehicles, special vehicles and other products that contribute to social infrastructure and the fields of energy and the environment.

Key R&D activities

- Development of a high-efficiency twin scroll turbine for automotive turbochargers using unsteady computational simulation, which enables both increased fuel efficiency as a consequence of engine downsizing and improved maneuverability due to higher torque
- Development of the MEGANINJA—a container-type 1,500 kW gas engine generator—to cultivate demand for distributed power generation, based on a product concept of "quick transportation, quick installation and quick generation"

6. Others

MHI is also engaged in developing technology with a focus on air-conditioning and refrigeration systems as well as machine tools. In addition to the cutting-edge technologies unique to these products, MHI also broadly applies the latest and most advanced pioneering technologies to each product.

Key R&D activities

- Development of Voxcel, an air-cooled heat pump chiller, which boasts the industry's highest coefficient of performance (COP), achieving a heating capacity up to 150% of the rated capacity even in a low outdoor temperature of -10°C, by incorporating the optimum compressor
- Development of the LH250 double column machining center, which achieves machining accuracy of ±5μm (0.005mm)—the highest level in its class—and is capable of accommodating precision machining of work in excess of 2,000mm in length, by making significant improvements to the vibration absorbency of the structure and to the rigidity of the high-speed spindle, and by employing MHI's unique technology for cooling the spindle lubrication and devising a way to suppress the heat generated from the machine

TOPICS

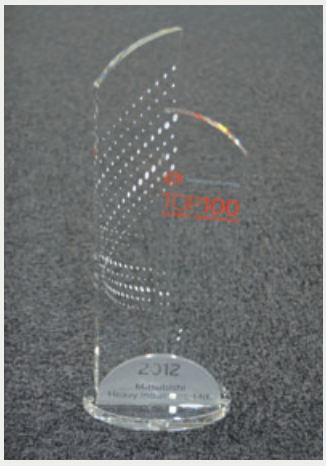
Thomson Reuters Company Named MHI among "Top 100 Global Innovators 2012"

Mitsubishi Heavy Industries, Ltd. (MHI) has been named one of the world's 100 most innovative companies of 2012 by the American firm Thomson Reuters Company in December last year. MHI received high marks for its innovations and intellectual property activities in each of the "Top 100 Global Innovator" program's four categories: patent approval success rate, global reach of patent portfolio, patent influence in literature citations, and overall patent volume.

Thomson Reuters annually selects what it considers to be the world's most innovative companies or research institutes based on analysis of its own patent database. The 100 companies and research institutes honored are recognized as "top global innovators" for their strategic protection of intellectual property rights and their aggressive pursuit of commercialization of valuable inventions capable of having a significant impact on the global market.

This prestigious award reflects MHI's firm commitment to continuing its proactive pursuit of innovative technology developments, and to continuing its quest to actively protect and apply its innovations in the global market.

* Thomson Reuters in a New York-based global information services company. It was established in 2008 when Thomson Corporation, a Canadian information services provider, purchased Reuters Group PLC, the British communications giant. Presently Thomson Reuters has some 60,000 employees working in more than 100 countries worldwide.



ESG Information

Environment and Society

Governance

CSR of the MHI Group

MHI Group CSR Action Guidelines (formulated July 2007)

In order to ensure a secure future for the Earth, we will establish and maintain:

Close ties with the Earth

Safeguard an abundantly green Earth through environmental technologies and environmental awareness;

Close ties with Society

Build a relationship of trust with society through proactive participation in society and trustworthy actions;

A bridge to the next Generation

Contribute to the cultivation of human resources who can shoulder responsibility in the next generation through technologies that can realize dreams.

More detailed information on the CSR Action Guidelines is available for viewing on the website.
http://www.mhi.co.jp/en/csr/guideline/index.html

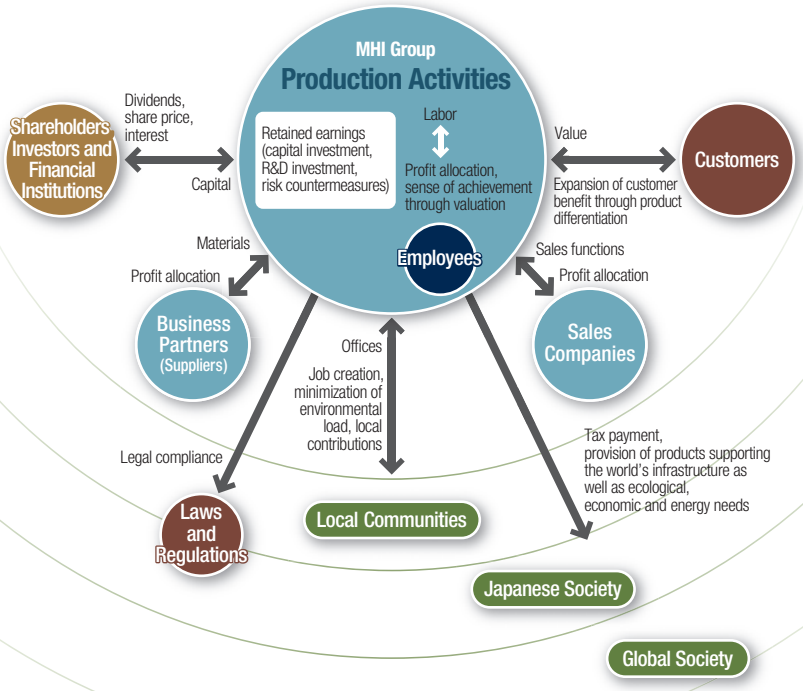
Promoting CSR through Manufacturing as an Innovative Contributor to Society

In accordance with the three principles that define the spirit of our creed, the MHI Group serves as a manufacturing corporation that contributes to societal progress through its business endeavors of delivering products and technologies in support of social and industrial infrastructure worldwide. In this way MHI is contributing to the resolution of global issues.

Furthermore, MHI believes the basis of corporate social responsibility (CSR) is to engage in business activities that take its diverse range of stakeholders into consideration and return profits to all stakeholders in optimum fashion, while at the same time providing excellent products and technologies to realize a sustainable society and a secure future for people and the planet.

Based on our creed and CI statement, "Our Technologies, Your Tomorrow," the MHI Group has also instituted CSR Action Guidelines to serve as collective standards for all Group employees when conducting business activities centered on the principles of CSR.

MHI Group involvement with society



Fulfilling our Policy on Social Contribution Activities

Conducting activities that suit the characteristics of each region based on the MHI policy on Social Contribution Activities

MHI used the opportunity of the publication of the Social and Environmental Report in 2004 to formulate the basic concepts for social contribution, stated as "We are obligated to be an innovative partner to society" and "We place importance on relationships with local communities based on mutual trust."

The MHI policy for social contribution activities was released in 2007 based on extensive discussion and debate regarding the nature of public expectations as well as feedback from external sources. Various programs are being carried out in each region of Japan in accordance with the policy.

MHI Environmental Vision 2030

Objectives behind Formulation of Environmental Vision

The MHI Group believes that simultaneous achievement of the 3E's — energy security, environmental protection and economic growth — is invaluable in order to realize a sustainable future for the earth and all mankind.

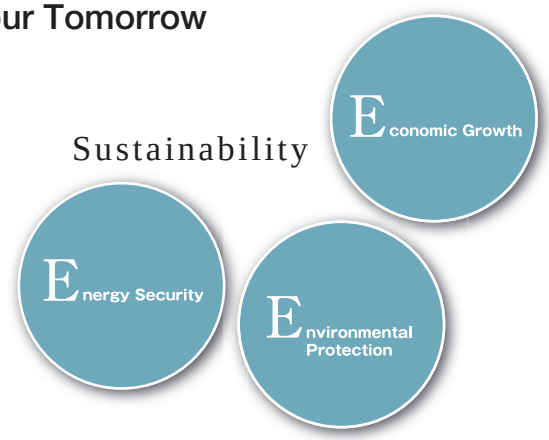
In June 2012 we formulated the "MHI Environmental Vision 2030" in order to contribute to the realization of the 3E's — and open the way to a sustainable future — through total solutions incorporating our wide-ranging products and technologies applied on land, at sea, in the air and in space.

MHI Environmental Vision 2030

Our Technologies, Your Tomorrow

The future of our planet rests
in the sustained evolution of humankind while caring,
with love and responsibility, for all life forms that inhabit it.
MHI will continue to be a company indispensable to
ensuring that future.

The MHI Group will pursue
energy security while carrying forward environmental protection
— not only of the earth but of space also —
through its ability to develop new technologies and products,
to achieve a secure future that is kind to the earth.



Promises to Nurture a Secure Future

		CO_2 reduction	Resource conservation	Energy savings	Energy security	Easing of environmental load
Efficient power generation	We will extract power from diverse energy sources with optimal efficiency.	●	●		●	●
Steady power storage	We will provide ways to store energy to achieve stable power supplies.	●			●	●
Continuous circulation	Through technology, we will promote waste-free use of resources and energy.	●	●			●
Wise utilization	Through energy-saving technology, we will reduce power and fuel usage requirements.	●		●		●
Exploration for tomorrow	Using diverse measurement and research devices, we will probe ways for mankind and the earth to coexist in harmony.	●				●

Promotion of environmentally conscious activities

Throughout its Group wide production activities, MHI will pursue reductions in greenhouse gas emissions, waste generation, and emissions of chemical substances. Also, every effort will be made to use water resources efficiently.

More detailed information on the MHI Environmental Vision 2030 is available for viewing on the website.
http://www.mhi.co.jp/en/csr/vision2030/index.html

Basic Policy on Environmental Matters (Established 1996)

As clearly laid out in provision 1 of its creed-"We strongly believe that the customer comes first and that we are obligated to be an innovative partner to society."-MHI believes its primary purpose is to contribute to society through its R&D, manufacturing and other business activities. Accordingly, in the performance of its business activities the company shall embrace the awareness that it is an integral member of society and, in all aspects of its business activities, it will strive to reduce burden on the environment and shall devote its comprehensive technological capabilities to the development of technologies and products that will protect the environment, as its way of contributing to the development of a sustainable society.

Action Guidelines (Established 1996)

1. Accord high priority to environmental protection within company operations, and take steps company-wide to protect and enhance the environment.
2. Clarify roles and responsibilities regarding environmental protection by developing an organized structure to deal with environmental protection matters, defining environment-related procedures, etc.
3. Strive to alleviate burden on the environment in all aspects of company business activities-from product R&D and design to procurement of raw materials, manufacture, transport, usage, servicing and disposal-through pollution prevention, conservation of resources, energy saving, waste reduction, reuse and recycling.
4. Strive to develop and provide advanced, highly reliable, wholly proprietary technologies and products that will contribute to solving environmental and energy problems.
5. Strive continuously to improve and enhance environmental protection activities not only by fully complying with environmental laws and regulations but also, when necessary, by establishing, implementing and evaluating independent standards and setting environmental goals and targets.
6. In the performance of business activities overseas and exportation of products, pay full attention to impact on the local natural and social environments and strive to protect those environments; also, become actively involved in technological cooperation overseas in matters of environmental protection.
7. Take steps to raise environmental awareness among all employees through environmental education, etc., undertake activities to provide environment-related information to the public, and proactively make environment-enhancing contributions to society.

Highlight of CSR Activities

Donating storage refrigeration units to local fisheries cooperative for reconstruction support

The Air-Conditioning & Refrigeration Systems business headquarters donated prefabricated MHI storage refrigeration units to the Shichigahama branch office of the Japan Fisheries Cooperative in Miyagi Prefecture.

The region had a vigorous seaweed cultivation and fishing industry, however the cultivation and processing equipment, as well as fishing vessels, suffered severe damaged from the tsunami caused by the Great East Japan Earthquake.

The donated storage refrigeration units are indispensable for the pollination of seaweed in the summer, and are expected to be of assistance in the restoration efforts.

Holding Business Partner Conferences for the first time for suppliers in India and China

MHI held its first overseas Business Partner Conferences in Bangalore, India in February 2013, and in Shanghai, China in March 2013. The conference in India was attended by 13 business partners.

Opening the Safety Transmission Center, a safety education facility, at Nagasaki Shipyard & Machinery Works

This is a facility opened in October 2012 at the Nagasaki Shipyard & Machinery Works to encourage sensitivity to, and a culture of safety. The facility enables users to learn important points and countermeasures for the prevention of accidents through videos of reenactments and information panels. The facility also offers study on the causes of human error and training in anticipating danger.

More detailed information on the Highlight of CSR Activities is available for viewing on the website.
http://www.mhi.co.jp/en/csr/csrreport/index.html

Promoting conservation of regional biodiversity, through forest cultivation and elimination of invasive fish species

The Machine Tool business headquarters together with the Konze Production Forestry Cooperative and Ritto City Commercial and Industrial Association, undertakes a volunteer project for forest cultivation known as "Megumi no Mori."

The initiative took advantage of MHI's "Regional and Community Cooperative Funding System," and was attended by 60 employees.

We also took part in a competition to eliminate invasive fish such as the black bass and bluegill from Lake Biwa, as part of our efforts to protect the biodiversity of the region.

Winning the Minister of Economy, Trade and Industry Award with environmentally friendly CO_2 Capture System

A plant system that captures carbon dioxide (CO_2) from flue gas emissions developed by MHI has received the Minister of Economy, Trade and Industry Award at the 39th Outstanding Environmental Systems Awards hosted by the Japan Society of Industrial Machinery Manufacturers (JSIM). The system was highly evaluated for its superlative reliability and economy achieved through ongoing technology improvements carried out over many years, for its abundant delivery track record in commercial applications, and for the effectiveness of its carbon capture and storage (CCS) technology in helping to prevent global warming.

Selection by Eco-funds and SRI indicators

In fiscal 2012, MHI was again included in the eco-funds, formed based upon surveys of companies conducted by corporate rating agencies in Japan and overseas, and MS-SRI, a socially responsible investment index coordinated by Morningstar Japan K.K.

Morningstar Socially Responsible Investment Index
This is the first socially responsible investment index in Japan. It is an index of stock prices of 150 firms selected from among listed companies in Japan based on an assessment of social excellence.

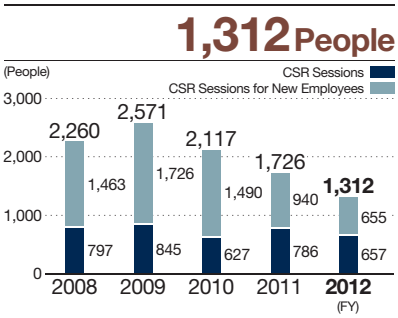
MS-SRI | Morningstar Socially Responsible Investment Index

CSR Medium-Term Action Plan and Results of Promotion

To advance the global promotion of CSR activities, activity areas were reorganized in fiscal 2012 according to the seven core subjects of ISO 26000.

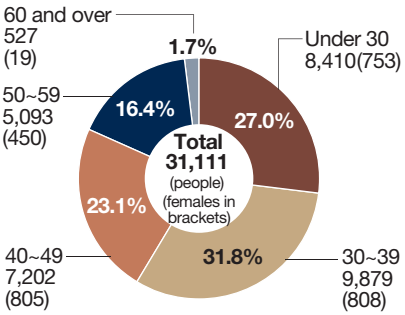
Area	Priority item	Medium-term targets (FY2011-2013)	CSR Action Plans for FY2012
Organizational governance	Broadened CSR awareness	• Penetration of global awareness towards CSR including overseas locations and Group companies • Global information dissemination of status of CSR activities	1 (1) Continue to hold briefings for overseas Group companies (2) Consider and implement global measures for penetration of corporate culture reforms and CSR 2 (1) Publish CSR report in Japanese and English (2) Consider creating a CSR website in Chinese, and updating it alongside publication of the CSR report
	Risk management	• Commonizing a consciousness for important risks among all departments and sections and establishing a risk management PDCA cycle through efficient and effective audits	1 Proactive response through auditing for "Processes to strengthen business" 2 Implement auditing including at corporate regulatory departments for "Compliance consolidation"
	Promotion of IR activities	• Improve timely and accurate information dissemination capabilities as per the needs of investors and strengthening in-house feedback on information to be used as reference material by management	1 Hold more investor events at sites both in Japan and overseas
Human rights	Raising awareness of human rights	• Embedding understanding and consciousness about human rights issues company-wide • Development of sexual harassment and "power harassment" (workplace bullying & harassment) prevention efforts • Establish a workplace and corporate culture where human rights issues do not arise • Company-wide penetration of understanding and consciousness regarding the expansion of employment of the differently-abled people 1. Achieve company-wide employment rate of 2.2% by the end of FY2013 2. Plan to increase employment in all divisions	1 Hold meetings of the Committee for Raising Awareness of Human Rights 2 Introducing human rights issues in each training program and continuing implementation 3 Strengthening awareness of sexual harassment and "power harassment" (workplace bullying & harassment) prevention 4 Continuously implementing positive employment actions so as to achieve the target of a hiring rate of 2.1% for differently-abled people.
Labor practices	Creating a better workplace 1 Enriched education 2 Strengthening mental health 3 Nurturing the next generation	• Strengthening global human resource development based on the road map for cultivation of global human resources (G-MAP) • Conduct effective measures to combat mental health problems from prevention to return to work • Continue to maintain the next-generation accreditation mark	1 Fully implement global education in accordance with G-MAP 2 Strengthening mental health promotion systems and initiatives in the whole company to reduce absence due to mental health disorders (1) Promoting increased awareness of mental health initiatives among employees, and promoting effective mental health care (2) Providing a mental health advice system that is easy for employees to use 3 Accelerate penetration of knowledge and understanding among employees about next-generation development and work-life balance support

Number of recipients of CSR sessions / CSR sessions for new employees*

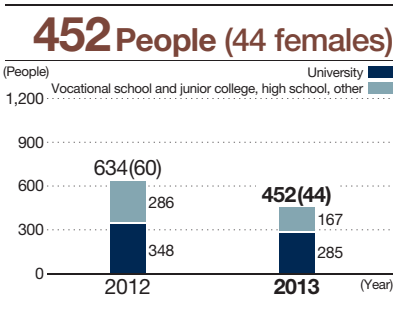


* Including some Group companies

Breakdown of employees by age (FY2012)



Number of new graduates hired



(females in brackets)

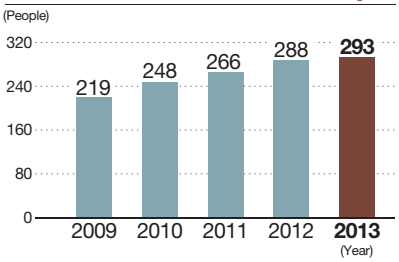
Detailed reports of fiscal 2012 CSR activities, including the results of activities described on this page, are available in the CSR Report section on our website.
http://www.mhi.co.jp/en/csr/csrreport/index.html

• Results of other activities related to the priority item

Results from CSR activities in FY2012	CSR Action Plans for FY2013
1 Continued to hold CSR sessions at all 12 MHI works and selected Group companies, and session participants were again asked to complete a survey 2 Continued to publish a CSR Report (brochure and website) in Japanese and English, and posted CSR-related content in Chinese to the Mitsubishi Heavy Industries (China) Co., Ltd. website	1 Continue to hold CSR sessions at all locations, including the Head Office, and consider expanding these sessions to overseas Group companies 2 Continue to publish a CSR Report in Japanese and English and expand Chinese content
1 Established a risk management policy and organization. Identified major risks through discussions between general managers of each department and the general manager of the Management Audit Department 2 Conducted audits of business segments, administration departments and Group companies, and supported development and improvement of risk management processes • Identified and reorganized risks to MHI, and assigned risk control managers of each risk • Identified major risks to each department and organized processes for managing those risks	1 Manage and implement measures for major risks in accordance with the risk management policy 2 Conduct effective, efficient audits of risks and challenges in business segments, administration departments and Group companies, and provide flexible support
1 Hosted plant tours in Japan and the U.S. for institutional investors and financial analysts. Continued to hold company briefings at MHI facilities across Japan for individual investors, and also plant tours for shareholders • Developed a smartphone app that allows users to read the MHI Annual Report (Japanese only) • Provided an online version of the Annual Report • Continued to host business briefings and presentations to announce financial results and business plans	1 Continue to hold IR events at sites in Japan and overseas 2 Promote in-house feedback through two-way communication with stock market affiliates
1 Continued to hold Committee for Raising Awareness of Human Rights meetings (integrated the Committee for the Promotion of Employment of Differently-Abled People into this committee) 2 Continued to hold human rights training session and other awareness-raising activities using printed materials throughout the Group 3 Conducted awareness education on "power harassment" (workplace bullying & harassment) prevention for senior managers at all MHI works, and continued e-learning curriculum for power harassment prevention 4 Reached hiring rate of 2.1% for differently-abled people by using recruiting websites, actively participating in recruitment events and making other recruiting efforts, and following-up on employees in each division	1 Hold meetings of the Committee for Raising Awareness of Human Rights 2 Introducing human rights issues in each training program and continuing implementation 3 Conduct more effective sexual harassment and power harassment education and awareness activities based on analysis of factors that contribute to harassment 4 Continuously implementing positive employment actions so as to achieve the target of a hiring rate of 2.2% for differently-abled people.
1 In FY2012, roughly 1,750 employees attended group training and 48 young employees undertook MHI Global Training (MGT) in accordance with G-MAP 2 Held an industrial medicine conference for the entire company and sectional meetings to explore and implement an organization and actions to promote mental health 3 Hosted MHI's first lecture by a non-Japanese, female external director, and periodically held round-table meetings for employees who are on or have taken childcare leave • Actively worked to find overseas training opportunities for young employees (since beginning the program in 2012, around 100 young employees were sent abroad in accordance with G-MAP by April 2013) • Produced curriculum (Starter Kit) presenting the company's history, management philosophy, and business overview to impart essential knowledge to employees and cultivate in each individual a sense of connection with the MHI Group. The Starter Kit was distributed to 187 Group companies (84 overseas companies, 103 Japanese companies) • Around 560 Group company employees in Japan attended stratified education (such as training for division managers) , skill-oriented training, English skill enhancement, and other types of training	1 Follow the PDCA cycle in advancing global education in accordance with G-MAP 2 Continue FY2012 activities 3 Strengthen other methods for accelerating penetration of knowledge and understanding among employees

Number of female managers*

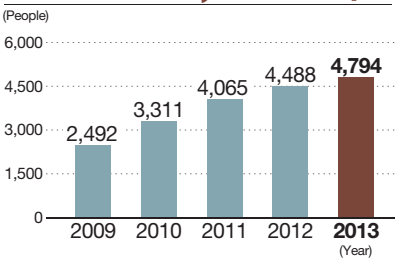
293 People



* section manager and above; excluding medical staff

Number of rehired employees*

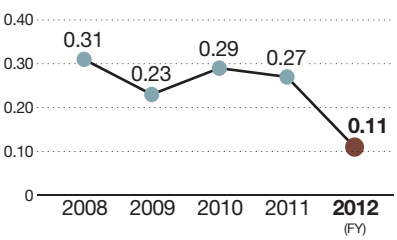
4,794 People



* excluding those from Group companies

Industrial accident frequency rate*

0.11

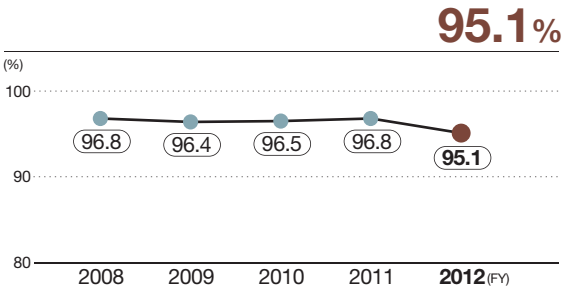


* Mitsubishi Heavy Industries, Ltd. non-consolidated

Environment and Society

Area	Priority item	Medium-term targets (FY2011-2013)	CSR Action Plans for FY2012
Fair operating practices	Thorough compliance	• Decrease matters in need of improvement even at Group companies • Early comprehension and improvement of matters in need of improvement	1 Strengthen support for overseas Group companies 2 Strengthen collaboration for crisis and risk management
	Order compliance	• Continuation of zero policy for violations to the Anti-Monopoly Act • Penetration of order compliance activities • Establishment of order compliance consciousness through awareness and educational activities	1 Confirm the implementation status of rules of conduct and compliance checks 2 Implement efficient and effective special monitoring 3 Promote instructional/educational activities for order compliance
	Compliance with the Construction Business Act	• Establishment of a self-compliance system (compliance activities incorporated in daily tasks) • Enhancing compliance at Group companies • Enhancing contract compliance with business partners	1 Implement drafting of measures for detecting problems in maintenance of Installation Organizational Chart Registers 2 Monitor current status of Group company compliance 3 Formulate measures to deal with compliance issues in contracts with business partners
	Compliance with export-related laws and regulations	• Strengthening the export control management systems and fostering experts in export control management • Further continuous supports for Group companies to strengthen their export control management systems	1 Continuously implement internal training at all levels 2 Promote further acquisition of export control expert qualifications 3 Continuously audit Group companies implement regular training
	CSR procurement	• Sharing values regarding the promotion of CSR activities with business partners and avoiding procurement risks with key partners • Effect extensive compliance and adherence to laws and regulations with regard to procurement tasks • Continuous compliance to environmental regulations	1 Reexamine scope and implementation method of surveys conducted at business partners 2 Monitoring of procurement-related laws and regulations and effecting improvement follow-ups 3 Reducing transportation energy
Consumer issues	Product safety	• Developing product safety activities within quality management • Steady development of product safety activities • Maintaining the infrastructure for product safety activities	1 Integrate product safety activities and development work into quality management 2 Continually develop foundation for product safety activities (developing human resources, maintenance of standards)
	Ensuring quality and safety of nuclear business	• Refine and continually improve QMS (Quality Management System) with an eye on global business development • Exhibit our comprehensive technological strengths and enhance customer satisfaction • Enhance the attitude of compliance with laws and rules and cultivate a strong nuclear safety culture	1 Continually strive for better safety and quality through initiatives taken by the "Managing Board for Innovation in the Nuclear Business" 2 Reflect lessons learned from Fukushima and effective countermeasures for accident prevention to the PWR design in order further improve nuclear safety 3 Continually strive to cultivate a strong nuclear safety culture
	Enhancement of brand value	• Acquiring broad recognition as a global company and increasing the number of MHI fans	1 Promoting a global advertisement strategy by building an integrated corporate image
Community involvement and development	Socially beneficial activities	• Proactive development of social contribution activities with the cooperation of various stakeholders • Examining possibilities for the globalization of social contribution activities and development of social business	1 Evaluate activities with affiliated NGO/NPOs and formulate plans for the next fiscal year. Begin collaboration with an NGO/NPO for the management of the fund for social contributions 2 Improve/expand the system for the following year, based on the performance of the fund
	Improvement of the Mitsubishi Minatomirai Industrial Museum	• Establish its role as a facility that provides opportunities for children to develop an interest in science by showing them the pleasure of manufacturing	1 Responding systematically to both the intangible (staff training) and tangible (exhibit refurbishment) aspects

Participation rates for compliance promotion training



Change in expenditures on social contribution activities

(million yen)

	FY2009	FY2010	FY2011	FY2012
Academic research	339	247	164	177
Education	537	633	596	503
Community activities	158	141	180	153
Sports	114	149	133	173
Other	507	440	1,023	474
Total	1,655	1,610	2,096	1,480
Percentage of ordinary profit	6.89%	2.36%	2.39%	1.00%

(Note 1) Figures include cash donations, payments in kind, activities by employees, free use of company facilities, etc., converted into monetary equivalents; activities privately performed by employees are not included.
(Note 2) Includes group companies under consolidated accounting.
(Note 3) Social contribution expenditures in FY2010 do not include those related to the Great East Japan Earthquake (donations, fund-raising, etc. during March 11-31, 2011). These expenditures were included in FY2011.

• Results of other activities related to the priority item

Results from CSR activities in FY2012	CSR Action Plans for FY2013
1 Visited each Group company in the U.S., Europe and India, to confirm current situations in detail and to exchange opinions with local management 2 Centralized the management of internal audits, risk management, crisis management and compliance, comprehended and analyzed each issue. Confirmed the effectiveness of measures to hedge and/or moderate risk, and built a system to organically promote measures, including those to prevent reoccurring risk • Reorganized the Compliance Committee into the Risk Compliance Committee	1 Strengthen support for overseas Group companies 2 Tighten linkage with crisis and risk management
1 Expanded target to include government, public and private demand both in Japan and overseas. Revised the rules of conduct with the expansion of targets 2 Continued to implement special monitoring for order compliance 3 Held seminars at MHI and Group companies in Japan, Europe, the U.S., and China on compliance with competition laws • Clearly defined function of the secretariat for the Order Compliance Committee	1 Confirm the implementation status of rules of conduct and compliance checks 2 Implement efficient and effective special monitoring 3 Promote instructional/educational activities for order compliance
1 Revised a standardized company-wide form to record the social insurance enrollment of specified constructors and subcontractors into the Installation Organizational Chart Register, in line with revisions to ministerial ordinances 2 Implemented regime monitoring at 19 Group companies and construction site monitoring for 16 companies 3 Continued to conduct seminars on Construction Business Act for business partners • Implemented regime and construction site monitoring for 9 business segments • Continued to conduct seminars on Construction Business Act at all our bases of operation	1 Implement drafting of measures for detecting problems in maintenance of Installation Organizational Chart Registers 2 Monitor current status of Group company compliance 3 Formulate measures to deal with compliance issues in contracts with business partners
1 Continued to implement e-learning for all employees engaging in export operations and also training sessions for managers of each division 2 Continued to promote acquisition of the expert qualification 3 Created an English version of e-learning materials to provide support for export control activities at its overseas bases	1 Continuously implement internal training at all levels 2 Promote further acquisition of export control expert qualifications 3 Continuously audit Group companies implement regular training
1 Implemented surveys for all five points (quality, price, delivery, technology, and management) at around 2,300 companies and had these companies evaluate themselves on the extent to which they are engaging in CSR 2 Applied results and examples of improvement from monitoring of procurement-related laws and regulations at each office to similar processes 3 Transportation energy (FY2008 unit energy consumption: 100 attained out of 111.6) • Continued to hold business partner conferences in Japan and also hold similar conferences in India and China	1 Reexamine scope and implementation method of surveys conducted at business partners 2 Monitoring of procurement-related laws and regulations and effecting improvement follow-ups 3 Reducing transportation energy
1 Incorporated product safety activities into quality management using model products 2 Developing basic product safety activities (developing human resources, maintenance of standards)	1 Deploy product safety activities into quality management companywide 2 Continually develop foundation for product safety activities (developing human resources, maintenance of standards)
1 Implemented activities under a new organization by replacing the "Managing Board for Innovation in the Nuclear Business" with the "Managing Board for Safety Promotion in the Nuclear Business" as the main body for promoting related activities under the direction of a steering committee 2 Proactively responded to anticipated changes in nuclear regulations from Fukushima; implemented countermeasures for accident prevention and nuclear safety 3 Promoted "Safety First" culture to further improve nuclear safety by sharing issues throughout the company and determining actions for resolution, continuing efforts to improve quality management system, and fostering a strong nuclear safety culture	1 Make further advancements and continuous improvement in QMS from a global perspective 2 Grasp social trends and customer needs to provide products and services with a caliber of safety and reliability, while leveraging the MHI Group's comprehensive capabilities 3 Further cultivate a strong nuclear safety culture and enhance attitude for accountability
1 In Japan, undertook activities that utilize TV commercials, advertisements in newspapers and public transportation, websites, and radio commercials to introduce manufacturing technologies. As a part of an overseas campaign, in the U.K., launched a series of product advertisements in newspapers	1 Promoting a global advertisement strategy by building an integrated corporate image
1 Planned and implemented social contribution activities at each MHI office. As a result, provided support to 16 organizations with the earmarked budget 2 Examined the results of CSR activities carried out in FY2012 and compile a budget and an outline of activities for FY2013. Also taking into account our reorganization, decided upon the allocation of budget to those business segments that are mainly in charge of the particular activity • Continued support for reconstruction after the Great East Japan Earthquake • Carried out science classes at each MHI office	1 Continue to promote those activities implemented in FY2012 (rename the fund for social contributions as Funds for Community Engagement, as this more accurately describes the system)
1 Held a commemorative ceremony to celebrate the 2 millionth visitor. Engineers from MHI Nagoya Guidance & Propulsion Systems Works conducted science classes. Revamped the Environment / Energy Zone	1 Responding systematically to both the intangible (staff training) and tangible (exhibit refurbishment) aspects

Environment and Society

Area	Priority item	Medium-term targets (FY2011-2013)	CSR Action Plans for FY2012
Environment	Reduced CO_2 emissions	• Average CO_2 emission between FY2008 and FY2012 to be reduced by 6% compared to 1990 level • Establish CO_2 emission reduction target until FY2020 (including Group companies) and promote reduction activities	1 Promoting CO_2 reduction measures (introduction of or upgrade to energy-saving equipment), implement upgrades based on In-house Air-Conditioner Upgrade Plan 2 Expand the monitoring system to the whole company 3 Implement regular follow-ups for reduction plans of individual works and their actual reduction performances
	Group environmental management	• Increase the Group's environmental performance data collection rate both in Japan and overseas • Encourage the acquisition of certifications of environmental ISO standards and others to Group companies in Japan and overseas that are consolidated	1 Promote acquisition of environmental ISO standards, etc. for domestic and overseas Group companies 2 Promote the setting of environmental targets for overseas Group companies 3 Hold the domestic Group company environmental meetings, and hold the Environment Liaison Conferences at each overseas regional supervising office

Results of Promotional Efforts of Medium- to Long-Term Environmental Targets

In fiscal 2002, MHI established its Medium- to Long-Term Environmental Targets, earlier than other heavy industry companies, and has made efforts to carry out environmental preservation activities. Moreover, in fiscal 2010 we extended the target for our activities to the end of fiscal 2012 with the aim of establishing environmental targets for the following period, based on the MHI Environmental Vision 2030 (which was established in June 2012). As a result we have been able to achieve our targets for many items, including the realization of a low-carbon society and formation of a recycling-based society. We were unable to achieve our targets related to total generated waste, landfill disposal amount, chemical substance emissions, and energy conservation and reduced CO_2 emissions from product transportation. However, we will continue working to achieve these targets through initiatives such as incorporating them into environmental targets for the next period.

Results of Promotional Efforts of Medium- to Long-Term Environmental Targets (as of the End of Fiscal 2012)

○=target achieved △=target partially achieved ×=requires further efforts

Item		Goals	Progress (as of the end of FY2012)	Evaluation
Realization of a low-carbon society Energy savings (global warming measure)	Reduced CO_2 emissions from business activities	6% reduction of the average CO_2 emission amount for the five years from FY2008 to 2012 (from FY1990 level): to be achieved through reduction efforts at all production plants	CO_2 emissions: 452,000 tons (average) 4.1% reduction from FY1990 level The amount that has not been achieved will be allocated as emission credits.	△
		More than 13% reduction of the average CO_2 emission amount for the five years from FY2008 to 2012 (from FY2005 level): to be achieved through reduction efforts at offices and operations divisions (Head Office, domestic offices and research & development centers)	CO_2 emissions: 13,500 tons (average of Head Office [Shinagawa and Yokohama combined] from FY2008 to FY2011) 16.1% reduction on FY2005 level	○
	Reduced energy usage and CO_2 emissions from product transportation	More than 5% reduction of unit energy consumption in transportation in FY2012 (from FY2008 level) by promoting efforts to reduce transportation energy (unit energy consumption of FY2008: 45.7 to 43.4 by FY2012)	FY2012 unit energy consumption: 51.0 11.6% increase on FY2008 level	×
Form a recycling-based society (waste and water resource countermeasures)	Reduced waste generation and emissions	By FY2012, reduce total generated waste by 40% of FY1992 level : to be achieved by conserving resources and reducing the purchase of materials	Total emissions:132,000 tons 39.0% reduction from FY1992 level	×
	Reducing reliance on landfill	By FY2012, cut landfill waste disposal volume by 98% relative to FY2000	landfill waste disposal volume cut by 97.5%	×
		The landfill waste disposal ratio in FY2012 will be below 1%	landfill waste disposal ratio 0.5%	○
	More efficient water usage	Water consumption in FY2012 will be cut to 9.35 million tons, a reduction of 2% relative to average consumption of 9.54 million tons in the period FY2005 to FY2007	Water consumption reduced to 7.02 million tons 26.3% reduction	○
Management of chemical substances (control of chemical substances)	Elimination of equipment using PCBs and detoxification treatment	Detoxification of high concentration PCB waste in storage (transformers, condensers, oils) to be completed by FY2015 (including ballasts and smaller equipment)	Ongoing consignment of processing of high concentrations PCB waste to JESCO (Japan Environmental Safety Corporation)	— (To be evaluated in FY2015)
		Analysis and confirmation of low PCB devices (low concentration) to be finished by FY2012, complete detoxification by FY2015	Testing and analysis of machines and devices containing low or trace concentrations of PCBs is underway at all works	
	Reduced VOCs emissions	More than 30% reduction of atmospheric emission of VOCs with focus on xylene, toluene and ethylbenzene (reduced by 704 tons from 2,268 tons in FY2000 to 1,564 tons in FY2012)	Total VOCs emissions 1,782 tons 21.4% reduction from FY2000 level	×
		Aim for zero atmospheric emissions by FY2012 of VOC organochlorinated hazardous air pollutants: dichloromethane, trichloroethylene and tetrachloroethylene	Total combined emissions of dichloromethane, trichloroethylene and tetrachloroethylene = 8.8 tons	×
Group environmental management	Consolidated environmental management system	Ongoing ISO 14001 renewal by domestic works, Head Office, branch offices and research & development centers	Continued ISO 14001 certification renewal at domestic production bases along with research & development centers, Head Office, and domestic branch offices.	○
	Collecting and disclosing of environmental management information	Collecting environmental information (environmental data and environmental accounting) from environmental management information systems and disclosing information through CSR Reports and other releases	Collected environmental information (environmental data and environmental accounting) through the database system and disclosing information through this CSR Report.	○
	Promotion of green purchasing	Promoting the purchase of environmentally friendly products based on the company's own green purchasing guidelines: (Purchasing ratios 90% by volume and 95% by value)	95.0% by quantity 97.2% by value	○
	Development and provision of environmentally friendly technologies and products	Development and provision of new products and technology based on our Basic Guideline on Production of Environmentally Friendly Products (formulated in 2005) to help reduce society's environmental burden In particular, we will work to develop technology and provide products that are revolutionary and contribute to solving global warming and building a low-carbon society	MHI supplied environmental products designed to combat global warming, such as high-efficiency generators (wind power generators, etc.) and CO_2 recovery systems	○
Form a society that coexists with nature (Preserving biodiversity)	Promote activities for the protection of biodiversity and nature	We will continue revegetation, alien fish removal, building biotopes and breeding Japanese honeybees, among other activities relating to biodiversity and examine the possibilities for evaluating the effect of our business activities on the preservation of biodiversity as necessary in light of global trends	Revegetation activities coordinated with various local municipal authorities across Japan, as well as biotope and Japanese honeybee breeding programs were continued Performed evaluations of MHI's degree of initiatives in consideration of biodiversity in its current corporate activities.	○

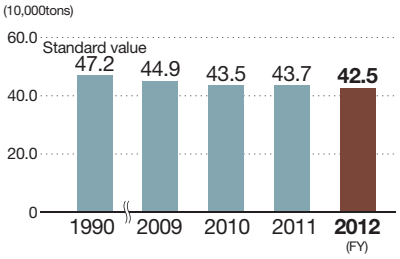
(Note) In principle, all the data represents data of Mitsubishi Heavy Industries, Ltd. non-consolidated.

• Results of other activities related to the priority item

Results from CSR activities in FY2012	CSR Action Plans for FY2013
1 Upgraded a total of 1,893 air conditioning units based on the plan 2 Introduced monitoring systems at five works, including small-scale introductions 3 Achieved 9.8% reduction of CO_2 emissions (FY2012 results) compared with FY1990 level	1 Upgrading of air conditioning units based on the In-house Air-Conditioner Upgrade Plan 2 Expanding introduction of monitoring systems 3 Establishing a project with the goal of energy conservation, and implementing energy-conservation activities
• Promoted CO_2 emissions reduction at production plants • Acquired approximately 130,000 tons of CO_2 emission credits from a CDM project • Reduced greenhouse gas emissions excluding CO_2 emissions from energy use • Utilizing one million kWh of green power annually thanks to wind power generation • Promotion of energy conservation in transport through modal shift and load ratio improvement	
1 Acquired certifications of environmental ISO standards and others to 83 domestic and 28 overseas Group companies 2 Established the MHI Group 2nd Environmental Targets, including targets for overseas Group companies 3 Held Environmental Meetings at six domestic Group companies	1 Support the acquisition of certifications of environmental ISO standards and others to domestic and overseas Group companies 2 Comprehend environmental data for domestic and overseas Group companies 3 Holding Environmental Meetings, for domestic Group companies
• Promoted the preservation of biodiversity in accordance with the Environmental Policy and CSR Action Guidelines • Promoted the reduction of waste landfill disposal volumes • Reduced water usage during production • Promoted the reduction of chemical substance usage (VOCs, etc.)	

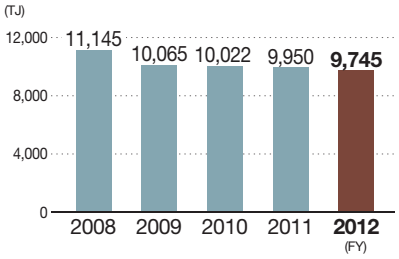
CO_2 emissions

425,000t



Gross energy input

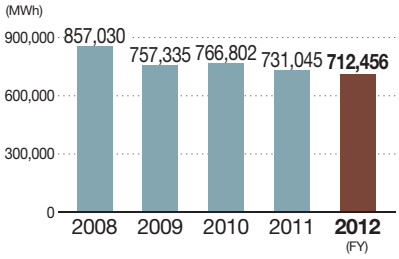
9,745TJ*



* 1TJ (terajoule) = 1 trillion joules (1,000,000,000,000 J)

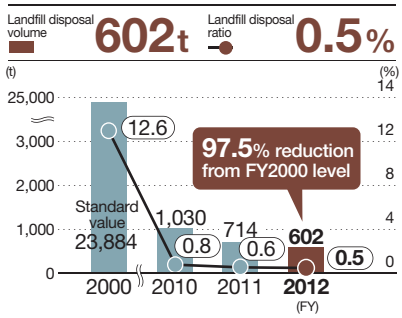
Electricity purchases

712,456MWh



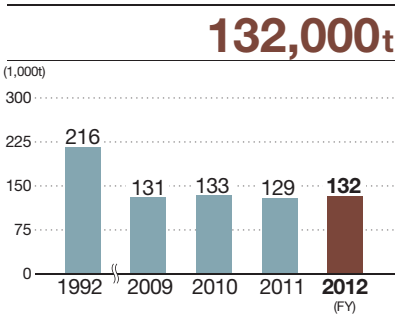
Landfill disposal volume / ratio

Landfill disposal volume **602t** Landfill disposal ratio **0.5%**

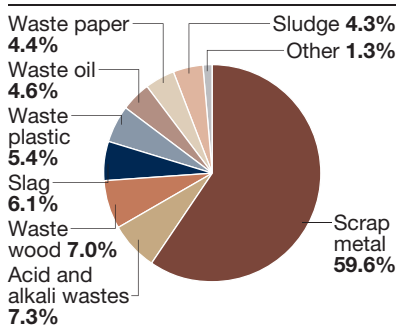


Total generated waste

132,000t

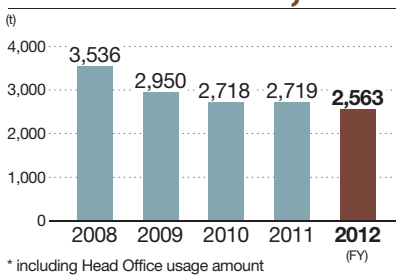


Waste generation by material



Paper usage*

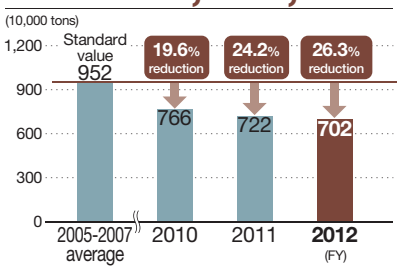
2,563t



* including Head Office usage amount

Water usage* and reduction ratio

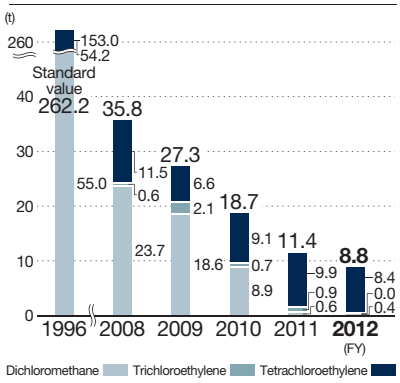
7,020,000t



* The above is the total of water supply, industrial water, and groundwater usage

Atmospheric emissions of organochlorides

8.8t



(Note) In principle, all graphs have shown the production plant data of Mitsubishi Heavy Industries, Ltd. non-consolidated.

Pursuing Governance that Fosters Corporate Value Creation

Corporate Governance

Fundamental Policy

Committed to the ethos of customer first, MHI conducts its business activities as a responsible corporate citizen based on consideration for all stakeholders.

MHI is implementing a number of initiatives to enhance management efficiency and strengthen compliance, including reforming the management system to allow faster, more effective decision-making in response to radical changes in the economic environment, and promoting fair and sound management.

MHI is also working to make management more transparent by disclosing information rapidly and accurately to shareholders and other external stakeholders.

Corporate Governance Framework

MHI is a company with a Board of Statutory Auditors. The Board of Directors makes important management decisions and oversees the execution of business operations. Statutory auditors oversee the execution of director duties by engaging in various activities such as attending meetings of the Board of Directors and other key meetings.

As of June 26, 2013, three out of 19 directors are outside directors, while the male-to-female ratio is 18 to 1. MHI strives to enhance management oversight by seeking useful advice and objective criticism concerning the Company's management from its outside directors.

Additionally, MHI has established an Executive Committee to provide a forum for discussing important matters related to business execution. This allows for a more cohesive approach to discussion as part of the operational execution framework centered on the President and CEO, and consequently leads to more appropriate management decisions and business execution.

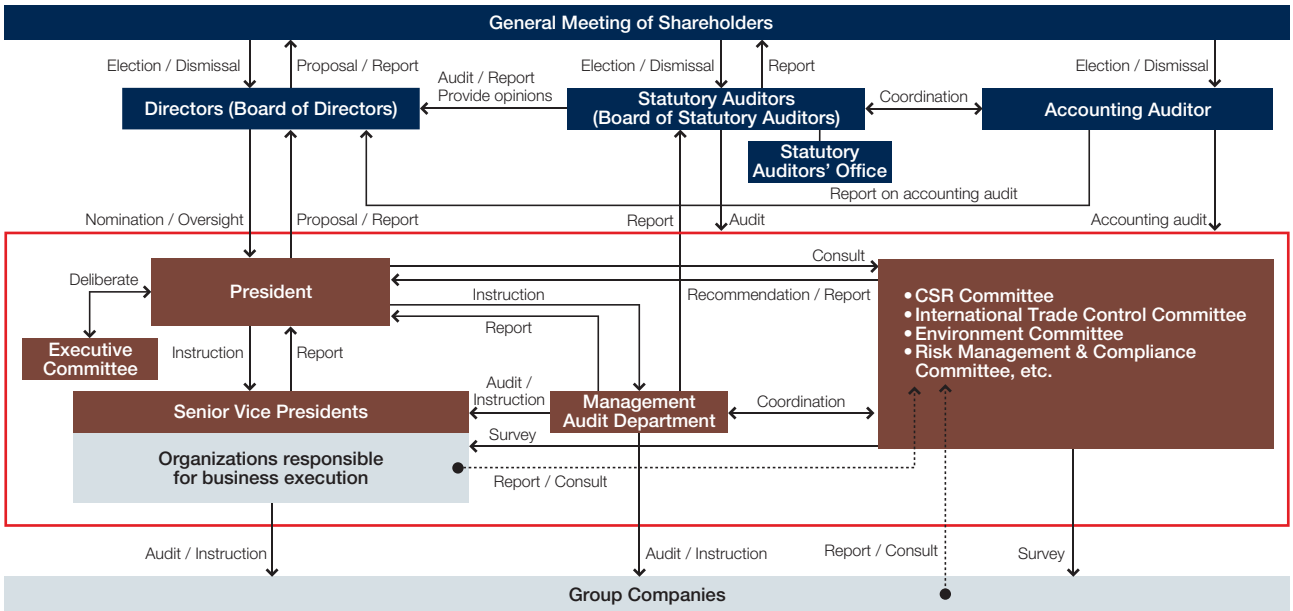
MHI overhauled its corporate governance framework in June 2005 to improve the soundness and transparency of management and increase efficiency and flexibility and it now implements this corporate governance framework. The main components of this reform included streamlining the Board of Directors while increasing the number of outside directors, shortening the terms of directors, and introducing an executive officer system. These modifications were aimed at enhancing the oversight functions of the Board of Directors and clearly delineating the roles and responsibilities of directors and executive officers. Directors are responsible for general oversight of the Company's operations and making important business decisions, while executive officers are responsible for the day-to-day business and affairs of the Company.

Internal Audits

The Company has established a Management Audit Department, which conducts internal audits and evaluation of internal control related to financial reports to check the effectiveness of internal control systems.

Internal audits are conducted annually by the Management Audit Department and as needed by internal control departments, which audit business operations within their jurisdiction. The

Corporate Governance Structure and Roles (including internal control systems) (as of June 26, 2013)



The "Report Concerning Corporate Governance" (Japanese only) submitted by MHI to the Tokyo Stock Exchange is available for viewing on the MHI corporate website.
http://www.mhi.co.jp/finance/library/governance/pdf/report20130626.pdf

Management Audit Department also regularly receives reports from internal control departments and shares information with them whenever necessary concerning the status of internal control.

Concerning the internal control reporting system related to financial reports, the Company takes actions appropriately and, abiding by the Financial Instruments and Exchange Act, the Company had, as of March 31, 2013, obtained an evaluation result that the internal controls related to the Company's financial reports were effective.

Statutory Auditors

The Company's Board of Statutory Auditors has five members, three of whom are outside appointments (as of June 26, 2013). In accordance with the auditing policy and auditing plan determined by the Board of Statutory Auditors, statutory auditors attend meetings of the Board of Directors, the Executive Committee and other key meetings related to business planning, enabling them to accurately assess the status of management in a timely manner. As part of the audit, statutory auditors make sure the execution of director duties complies with laws and regulations and the Articles of Incorporation and ascertain whether or not business operations of the Company are being executed appropriately by conducting spot checks and verifying compliance with relevant laws and regulations, and by monitoring the status of establishment and operation of internal control systems including those in relation to financial reporting.

In addition to regularly exchanging information and opinions with the Management Audit Department and accounting auditors, statutory auditors also work in close collaboration in other ways, including receiving audit results and being present for the auditing performed by the accounting auditors. The statutory auditors also receive reports from the internal control department and other departments concerning the status of compliance, risk management and other activities on a regular basis and individually. To support the statutory auditors, the Company has established a Statutory Auditors' Office with a dedicated staff (seven members as of June 26, 2013), which assists the statutory auditors in performing their duties more smoothly.

Accounting Audits

MHI's accounting auditor is Ernst & Young ShinNihon LLC. Four of the firm's certified public accountants (designated and engagement partners) audit the Company's financial statements: Koichiro Watanabe, Masayuki Ueda, Ichiro Ishii and Yoshiaki Morita. None of these individuals have been continually auditing the Company's financial statements for longer than seven years.

On January 28, 2013, Masayuki Ueda resigned from his position as a designated and engagement partner, and on March 26, 2013, Koichiro Watanabe assumed a position as a designated and engagement partner.

In addition to the above, the auditing team includes 15 other certified public accountants and 22 assistant accountants.

The accounting auditor regularly exchanges opinions with designated directors concerning initiatives and other matters related to corporate governance and compliance.

Changes Made in Recent Years to Improve Corporate Governance

June 2005	Outside director position added Outside statutory auditor position added	1 → 2 directors 2 → 3 auditors
	Board of Directors streamlined	28 → 17 directors (currently 19)
	Director term shortened	2 yrs. → 1 yr.
	Executive officer system introduced	Management oversight / decision-making and business execution split into two separate roles
	Internal Auditing Department established	Internal control enhanced in operational management reform aimed at confirming internally the "appropriateness and efficiency of operations"
June 2006	Director retirement allowance abolished	Switched to compensation tied to company performance, including monthly salary, stock options, and bonuses
June 2007	Outside director position added	2 → 3 directors
April 2011	Organization changed to business segments system	Integration of business operation strengthened, responsibilities clarified, and decision-making sped up
	Internal Auditing Department reorganized and strengthened into Management Audit Department	Audits of management and product quality control processes added to existing operational auditing functions; risk management functions enhanced

Outside Directors and Outside Statutory Auditors

For the purpose of receiving advice and oversight of the Company's management from an objective standpoint not biased by an internal company perspective and based on abundant experience and broad knowledge as a corporate manager, government official or academic expert, three of the 19 directors elected and three of the five statutory auditors elected are from outside the Company (as of June 26, 2013).

The Company judges all of these outside directors and outside statutory auditors to be independent from its management team on the basis that there are no circumstances that compromise independence from the Company. Specifically, there are no personal relationships, capital relationships, trading relationships or other special interests between the individuals and the Company. In addition, there are no circumstances that compromise independence of these individuals from the Company as there are no personal relationships, capital relationships or significant trading relationships between companies to which these individuals currently belong or were employed with or belonged to. As a result, the Company has reported to the Tokyo Stock Exchange and other bourses that these individuals are independent officers.

All the outside directors and outside statutory auditors are independent from management and they supervise or audit management. In addition, at meetings of the Board of Directors, they receive reports of the status of establishment and operation of internal control systems including compliance, risk management and other activities; and the results of internal audits, and they state their opinions when appropriate. In particular, the outside statutory auditors shall regularly exchange opinions with directors while conducting effective auditing through collaboration with the full-time statutory auditors, the internal audit department and the accounting auditor.

In this way, the Company strives to ensure soundness and appropriateness of management.

In accordance with Article 423, Paragraph 1 of the Companies Act, the Company has entered into liability limitation agreements with each of its outside directors and outside statutory auditors, which provide a limitation on their liabilities to compensate for damages, the amount of which is the higher of ¥10 million or the minimum liability amount specified in Article 425, Paragraph 1 of the Companies Act.

Reason for Appointment to Outside Director

Yorihiko Kojima

Mr. Yorihiko Kojima was nominated for the position of outside director since he will provide beneficial views and candid assessments on the management of MHI based on his extensive experience as a business manager; as such, he is expected to contribute to the improvement of sound and transparent decision-making processes at MHI.

Christina Ahmadjian

Ms. Christina Ahmadjian was nominated for the position of outside director since she has extensive knowledge as a researcher in the field of corporate governance and management. Based on this, she is expected to contribute to the improvement of sound and transparent decision-making processes at MHI by providing beneficial views and candid assessments from a global perspective on the management of MHI.

Hiroki Tsuda

Mr. Hiroki Tsuda was appointed to the position of outside director because of the extensive knowledge of fiscal and financial policy he has acquired as a government administrator and researcher. Based on this, he is expected to contribute to the improvement of sound and transparent decision-making processes at MHI by providing helpful advice and objective criticism on the management of MHI.

Reason for Appointment to Outside Statutory Auditor

Nobuo Kuroyanagi

Mr. Nobuo Kuroyanagi was appointed as an outside statutory auditor in light of his beneficial views and candid assessments on the management of MHI based on his extensive experience as a business manager and MHI's desire that he contribute to ensuring the Company's sound and appropriate management.

Haruya Uehara

Mr. Haruya Uehara was appointed as an outside statutory auditor in light of his beneficial views and candid assessments on the management of MHI based on his extensive experience as a business manager and MHI's desire that he contribute to ensuring the Company's sound and appropriate management.

Shinichiro Ito

Mr. Shinichiro Ito was appointed to the position of outside statutory auditor because of his extensive experience as a business manager and other skills he brings to the table. He is expected to contribute to the sound and appropriate management of MHI through the provision of helpful advice and objective criticism.

Attendance at Meetings of the Board of Directors and Board of Statutory Auditors (FY2012)

Category	Name	No. of Board of Directors Meetings Attended	No. of Board of Auditors Meetings Attended
Directors	Yoshihiro Sakamoto	14 of 14	—
	Yorihiko Kojima	12 of 14	—
	Christina Ahmadjian*	9 of 10	—
Statutory Auditors	Kichisaburo Nomura	13 of 14	14 of 15
	Nobuo Kuroyanagi	10 of 14	13 of 15
	Haruya Uehara	14 of 14	15 of 15

* The number of meetings attended by Christina Ahmadjian, director, differs from that of other directors as she assumed her position on June 21, 2012 (at the 87th Ordinary General Meeting of Shareholders).

Director and Statutory Auditor Compensation

Position	No. of Recipients	Amounts of Compensation by Category (In millions of yen)			Total Amount of Compensation (In millions of yen)
		Base Compensation	Performance-Linked Compensation	Stock Options	
Directors (Excluding Outside Directors)	17	752	366	255	1,374
Statutory Auditors (Excluding Outside Statutory Auditors)	3	70	29	—	99
Outside Directors and Statutory Auditors	7	80	—	—	80

Notes
1. The recipients in the table include two directors and one statutory auditor who retired during the fiscal year under review. One is stated under the classification "Directors (Excluding Outside Directors)" and one is stated under "Statutory Auditors (Excluding Outside Statutory Auditors)," with the remaining officer stated under "Outside Officers."
2. Amounts stated in performance-linked compensation include the difference between the amounts disclosed as compensation in the previous fiscal year (the estimated compensation) and the actual amounts paid.
3. Amounts stated as stock options include the cost associated with the accounting of stock acquisition rights issued in a so-called stock-linked compensation scheme.
4. The maximum permitted financial compensation amounts including both base and performance-linked compensations are ¥1,200 million per fiscal year for directors and ¥160 million per fiscal year for statutory auditors (resolution of the 81st Ordinary General Meeting of Shareholders on June 28, 2006).
5. The maximum permitted total issuance price for stock acquisition rights related to stock-linked stock options is ¥300 million per fiscal year for directors excluding outside directors (resolution of the 82nd Ordinary General Meeting of Shareholders on June 27, 2007).

Auditing Certified Public Accountant Compensation

Category	Fiscal Year 2011		Fiscal Year 2012	
	Audit Attestation Duty-Based Compensation (In millions of yen)	Non-Audit-Based Compensation (In millions of yen)	Audit Attestation Duty-Based Compensation (In millions of yen)	Non-Audit-Based Compensation (In millions of yen)
MHI	185	77	185	63
Consolidated Subsidiaries	108	—	120	—
Total	294	77	306	63

In fiscal 2011, the Company's overseas subsidiaries delegated audit attestation duties to the Ernst & Young Group, which belongs to the same network as the Company's accounting auditor, paying ¥431 million for fiscal 2011 audit attestation duty-based compensation and non-audit-based compensation.
In fiscal 2012, the Company's overseas subsidiaries delegated audit attestation duties to the Ernst & Young Group, which belongs to the same network as the Company's accounting auditor, paying ¥466 million for fiscal 2012 audit attestation duty-based compensation and non-audit-based compensation.

Business Continuity Plan (BCP)

Basic Policies

The basic policies guiding the Company's business continuity plan (BCP) are as follows:

1. Top priority is to ensure human safety

The Company's top priority is to ensure the safety of employees, families, customers, business partners, and other people.

2. Ensure community safety

The Company prevents secondary disasters and other accidents, including spills of pollutants. We adhere strictly to rules to minimize industry and social impacts and endeavor to exist harmoniously with communities.

3. Swift business recovery

Through rapid startup of projects that help with urban infrastructure recovery or in maintaining defense, we will minimize the adverse impact of suspended operations and reputation risks on business.

We aim to recover crucial head office operations within two weeks, and will deploy key elements and resources to meet that target.

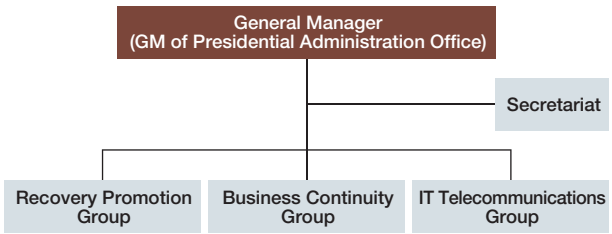
Framework

Based on our standards for producing and managing guidelines for earthquake-related business continuity plans (BCPs), we are formulating BCPs to cope specifically with major earthquakes at all business sites, and deploying these BCPs at all MHI Group companies.

Our BCPs determine basic conduct for scenarios, and flexible decision-making and actions are necessary for events beyond the scope of assumptions. We will ensure that our programs are effective by providing ongoing education and training to employees.

The general manager of the Presidential Administration Office heads the BCP Headquarters at head office. To enhance its capacity to bolster business recovery efforts, the BCP Headquarters comprises the Recovery Promotion, Business Continuity, and IT Telecommunications groups.

BCP Headquarters Framework



Disclosure Principles and IR Activities

Promoting IR Activities to Facilitate a Detailed Understanding of Our Business

Through investor relations (IR), MHI strives to keep institutional and individual investors in Japan and around the world fully informed of the activities of the company.

The Corporate Communication Department, set up for the sole purpose of managing investor relations, provides useful and up-to-date information as well as briefings and meetings designed to provide opportunities for direct communication. Comments and suggestions from these meetings are incorporated into future IR programs.

Providing Accurate Information Online that Is Easy to Understand

MHI releases information in accordance with laws and regulations as mandated by the exchanges on which the Company is listed. In addition, information is constantly being updated on the Investor Relations section of the website. In an effort to communicate information that is accurate and easy-to-understand, the website also features a range of useful information and data that is not required by laws and regulations, along with charts and explanations of securities terminology. There are also videos of the General Meeting of Shareholders and other meetings such as financial results briefings and meetings on business operations for the benefit of institutional investors and analysts.

Compliance

Strengthening Crisis-Prevention and Response Capabilities Related to Compliance

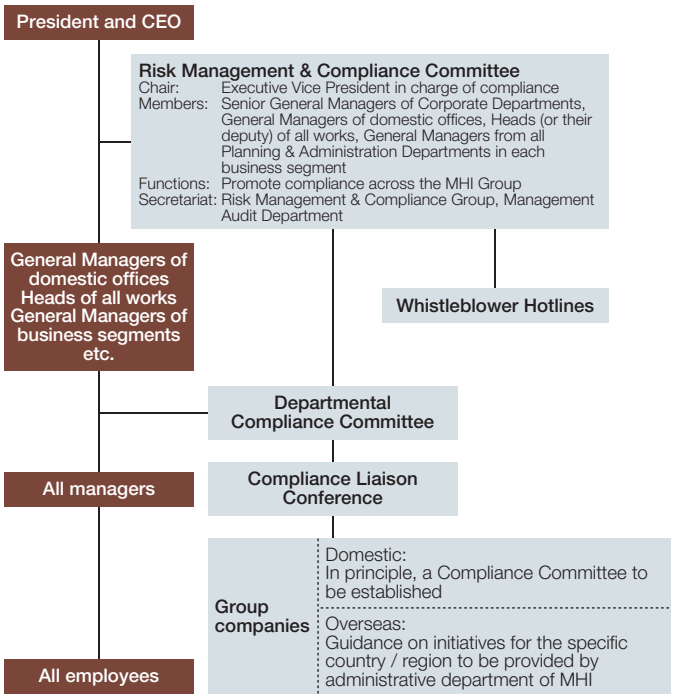
To further focus our attention on preventing compliance violations and responding promptly to whistle-blowing, in October 2012 we transferred compliance-related tasks from the General Affairs Department to the Management Audit Department, thus better positioning ourselves to centrally manage activities aimed at identifying, averting, and reducing risks before a crisis occurs.

Placing Persons Responsible for Compliance in All Departments and Group Companies

MHI's Compliance Committee was established in May 2001 to strictly observe applicable laws and social norms, and to promote fair and honest business practices (altered to the Risk Management & Compliance Committee in December 2012). This committee is chaired by the Executive Vice President in charge of compliance, and its members consist of senior general managers from relevant departments at the Head Office, general managers of domestic offices, heads of all works, and general managers from all Planning & Administration Departments at business segments. The committee meets twice annually to draw up company-wide compliance promotion plans, confirm progress, and engage in other activities.

In April 2006, Departmental Compliance Committees were established in all departments of the Company in order to strengthen compliance measures for each respective department. These committees are chaired by the member of the Risk Management & Compliance Committee in each department. At the same time, Compliance Liaison Conferences were set up for regularly exchanging compliance information with Group companies. Through these two types of organizations, each department works to consistently implement its own compliance and to act independently and responsibly in carrying out compliance activities.

Compliance Promotion System (as of April 1, 2013)



Recent Actions to Promote Compliance

FY2001	• Established the Compliance Committee • Opened an internal whistleblower hotline
FY2003	• Began compliance training
FY2004	• Began a measurement of levels of compliance awareness
FY2005	• Established the Order Compliance Committee
FY2006	• Established departmental compliance committees and a Compliance Liaison Conference
FY2007	• Formulated "Compliance Promotion Regulation" in the Company rules • Distributed a "Compliance Guidelines" pamphlet to all employees
FY2011	• Opened an external whistleblower hotline to further promote compliance with anti-trust laws • Formulated company rules in response to more stringent anti-bribery regulations in the U.K.
FY2012	• Set up a Compliance Group in the Management Audit Department (Compliance Section in the General Affairs Department was transferred) • Established the Risk Management & Compliance Committee as a company-wide organization

CSR and Environmental Management Promotion System

CSR Promotion System

In October 2006, the Company set up the CSR Committee, chaired by the President, and the CSR Department, which reports directly to the President, in order to strengthen CSR-oriented management. Following further organizational reforms in April 2011, in October 2012 these functions were moved to the Corporate Communication Department of the Presidential Administration Office in order to consolidate CSR, public relations, advertising, IR, and other stakeholder communication functions and thus promote more business-integrated CSR activities. Business-integrated CSR activities are those that not only use products and technologies to contribute to the resolution of environmental and other social issues but also prevent or reduce negative impact and increase positive impact on society via efforts to address social issues in all business processes.

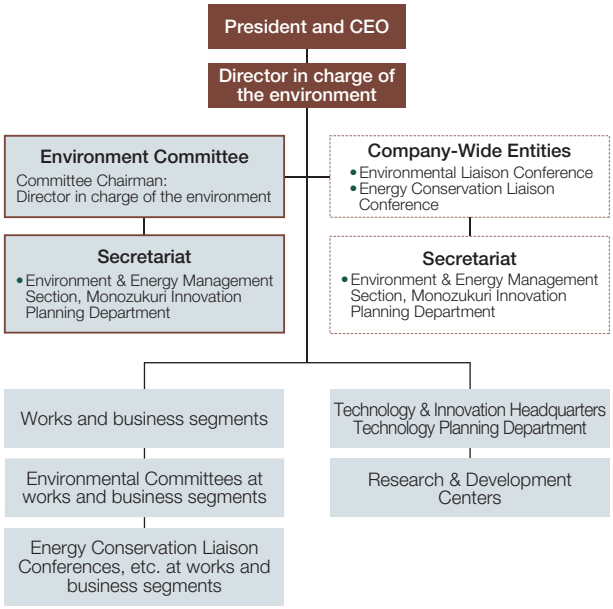
The CSR Committee, which holds sessions twice yearly, sets policies for tackling social issues and also sets and focuses on six themes regarding important activity initiatives in areas such as the globalization of CSR activities and Funds for Community Engagement.

Going forward, we will work to build a more effective organizational framework and further promote CSR activities through their integration with business management.

Environmental Management Promotion System

The Environmental Committee, chaired by the director in charge of the environment, sets out the company-wide annual environmental program. Decisions are conveyed to the entire Company and all Group companies. Environmental Committees established at each works and business segments promote policies and conduct environmental management corresponding to the specific features of each works and business segments. In addition, Environmental Liaison Conferences for individuals in charge of the environment at the Head Office, each works and business segments, along with Energy Conservation Liaison Conferences, where energy and CO_2 reduction measures are discussed, are held. Furthermore, an Energy Conservation Sectional Meeting and Waste Management Information Exchange Meeting, comprising section heads and subordinates from each works and business segments, are convened.

Environmental Management Structure (as of April 1, 2013)



Message from an Outside Director

Listening to a variety of outside opinions is important for further globalization.

Chairman of the Board of Mitsubishi Corporation and outside director at MHI, Yorihiko Kojima delivers a message for MHI as it engages in strengthening corporate governance as the basis for global business development.

Yorihiko Kojima
Outside Director
Chairman of the Board of Mitsubishi Corporation

Impression of MHI

Steadily proceeding with organizational reforms aimed at global expansion

Ever since becoming an outside director at MHI in 2010, I have been impressed with the sincere manner in which MHI has tackled organizational reforms.

Particularly impressive were the two organizational reforms implemented in 2011. First, changing to a single managerial (headquarters) system has enabled swift and efficient decision making. Second, establishing the Management Audit Department has strengthened MHI's internal control and compliance check function. Both of these reforms have had immense significance in MHI expanding its business globally.

Now, based on its 2012 Medium-Term Business Plan, MHI is proceeding with reorganization into a four-domain business structure. One of these, the Energy & Environment domain, produces power generation facilities and environmental and chemical plants. These are important social infrastructures that are in demand throughout the world, and I believe they hold the key to future global expansion.

Assessment of MHI's corporate governance

Responds earnestly to the views and requests of outside officers

The outside directors at MHI are: Ms. Christina Ahmadjian, who is an expert in corporate governance; Mr. Hiroki Tsuda, who is an expert in finance; and myself, a corporate executive. With this group of three, I can sense MHI's eagerness to actively incorporate diverse ideas into its management.

At meetings of the Board of Directors, all outside officers, including outside statutory auditors, actively voice their opinions from their respective standpoints, and those proposals and requests are always taken seriously.

I think that increasing diversity, even among the Board of Directors, is important for promoting greater global expansion, and so I believe that the percentage of outside directors on the board should be increased. Moreover, in order for us outside officers to better understand the features and strengths of MHI—that is, its diverse product lineup and manufacturing workplaces—and in order for us to engage in more vigorous discussion, I think opportunities for understanding the Company, such as works visits and so on, should be expanded more than ever.

Issues to be addressed

Expectations for stronger governance and greater overseas business expansion

In order for MHI to serve as a truly global corporation, it is important that a governance structure be built which enables management to be checked from an even greater number of outside viewpoints.

At Mitsubishi Corporation, where I serve as Chairman of the Board, we have established a Governance & Compensation Committee and an International Advisory Committee as advisory bodies to the Board of Directors. The two committees are centered around experts from outside the company and from overseas. Building a structure in this way, whereby the company can be continually reviewed by third parties, is effective. Furthermore, the perspectives of foreign nationals are particularly important for promoting the expansion of business overseas. They are also essential for identifying trustworthy business partners and for developing global human resources.

In order to expand business in a foreign culture, sound and transparent management needs to be improved by incorporating external points of view into management. Such soundness and transparency is also the essence of "Shoji Komei" (integrity and fairness), which is one of the Three Principles, the common principles of management shared across Mitsubishi companies. Thus, I will also draw on this perspective when providing advice and making suggestions at meetings of the Board of Directors.

The Mitsubishi Regional Jet (MRJ) project, which carries the expectations of a national level project, and the business integration with Hitachi in the field of thermal power generation systems will contribute to the development and further sophistication of Japan's manufacturing industry. By further strengthening its governance and by means of bold, yet flexible, management decisions, I greatly look forward to MHI expanding its overseas business and further raising its international competitiveness.

Board of Directors and Statutory Auditors (As of July 1, 2013)

Directors

Chairman of the Board

Hideaki Omiya

Jun. 1969 Joined Mitsubishi Heavy Industries, Ltd.
Jun. 2002 Member of the Board, Deputy Head of Air-Conditioning & Refrigeration Systems Headquarters
Apr. 2003 Member of the Board, Head of Air-Conditioning & Refrigeration Systems Headquarters
Jun. 2005 Member of the Board, Executive Vice President, Head of Air-Conditioning & Refrigeration Systems Headquarters
Apr. 2007 Member of the Board, Senior Executive Vice President
Apr. 2008 Member of the Board, President and CEO
Apr. 2013 Chairman of the Board

President and CEO

Shunichi Miyanaga

Apr. 1972 Joined Mitsubishi Heavy Industries, Ltd.
Apr. 2006 Senior Vice President, Deputy Head of Machinery Headquarters
May 2006 Senior Vice President, Deputy Head of Machinery & Steel Structures Headquarters
Apr. 2008 Executive Vice President, Head of Machinery & Steel Structures Headquarters
Jun. 2008 Member of the Board, Executive Vice President, Head of Machinery & Steel Structures Headquarters
Apr. 2011 Member of the Board, Senior Executive Vice President, Head of the Presidential Administration Office
Apr. 2013 Member of the Board, President and CEO

Senior Executive Vice President

Atsushi Maekawa

Assistant to President, Head of General Machinery & Special Vehicles

Apr. 1976 Joined Mitsubishi Heavy Industries, Ltd.
Apr. 2007 Senior Vice President, Head of Takasago Machinery Works
Dec. 2008 Senior Vice President, Deputy Head of Power Systems Headquarters, Head of Takasago Machinery Works
Apr. 2010 Senior Vice President, Deputy Head of Power Systems Headquarters
Apr. 2011 Executive Vice President, Head of General Machinery & Special Vehicles, Head of Sagamihara Machinery Works
Jun. 2011 Member of the Board, Executive Vice President, Head of General Machinery & Special Vehicles, Head of Sagamihara Machinery Works
Apr. 2013 Member of the Board, Senior Executive Vice President, Head of General Machinery & Special Vehicles

Executive Vice Presidents

Hisashi Hara

Head of Shipbuilding & Ocean Development, in charge of promoting integration of Defense and Aerospace businesses

Apr. 1973 Joined Mitsubishi Heavy Industries, Ltd.
Apr. 2006 Senior Vice President, Head of Shimonoseki Shipyard & Machinery Works
Apr. 2009 Senior Vice President, Deputy Head of Shipbuilding & Ocean Development Headquarters
Apr. 2010 Executive Vice President, Head of Shipbuilding & Ocean Development Headquarters
Jun. 2010 Member of the Board, Executive Vice President, Head of Shipbuilding & Ocean Development Headquarters
Apr. 2011 Member of the Board, Executive Vice President, Head of Shipbuilding & Ocean Development

Takashi Abe

In charge of the Transition to Domain System Project

Apr. 1973 Joined Mitsubishi Heavy Industries, Ltd.
Apr. 2008 Senior Vice President, Senior General Manager, Corporate Planning Department of The Presidential Administration Office
Apr. 2009 Senior Vice President, Deputy Head of the Presidential Administration Office
Jun. 2009 Member of the Board, Senior Vice President, Deputy Head of The Presidential Administration Office
Apr. 2010 Member of the Board, Senior Vice President, Deputy Head of Machinery & Steel Structures Headquarters
Apr. 2011 Member of the Board, Executive Vice President

Akira Hishikawa

Head of Machinery & Steel Infrastructure Systems

Apr. 1976 Joined Mitsubishi Heavy Industries, Ltd.
Apr. 2009 Senior Vice President, Head of General Machinery & Special Vehicle Headquarters
Jun. 2009 Member of the Board, Senior Vice President, Head of General Machinery & Special Vehicle Headquarters
Apr. 2011 Member of the Board, Executive Vice President, Head of Global Strategic Planning & Operations Headquarters
Jul. 2012 Member of the Board, Executive Vice President, Head of Machinery & Steel Infrastructure Systems

Takato Nishizawa

Head of Engineering Headquarters

Apr. 1973 Joined Mitsubishi Heavy Industries, Ltd.
Apr. 2007 Senior Vice President, Head of Plant and Transportation Systems Engineering & Construction Center, Machinery & Steel Structures Headquarters
Oct. 2009 Senior Vice President, Senior General Manager, Environmental & Chemical Plant Division, Machinery & Steel Structures Headquarters
Apr. 2010 Senior Vice President, Deputy Head of Machinery & Steel Structures Headquarters
Apr. 2011 Executive Vice President
Jun. 2011 Member of the Board, Executive Vice President
Jan. 2012 Member of the Board, Executive Vice President, Head of Engineering Headquarters

Masafumi Wani

Head of Power Systems

Apr. 1975 Joined Mitsubishi Heavy Industries, Ltd.
Apr. 2007 Senior Vice President, Head of Nagasaki Shipyard & Machinery Works
Dec. 2008 Senior Vice President, Deputy Head of Power Systems Headquarters
Apr. 2011 Executive Vice President, Head of Power Systems
Jun. 2011 Member of the Board, Executive Vice President, Head of Power Systems

Shigero Masamori

Head of Nuclear Energy Systems

Apr. 1974 Joined Mitsubishi Heavy Industries, Ltd.
Apr. 2008 Senior Vice President, Head of Kobe Shipyard & Machinery Works
Apr. 2011 Executive Vice President, Head of Nuclear Energy Systems
Jun. 2011 Member of the Board, Executive Vice President, Head of Nuclear Energy Systems

Yoichi Kujirai

Head of Aerospace Systems

Apr. 1978 Joined Mitsubishi Heavy Industries, Ltd.
Apr. 2010 Senior Vice President, Senior General Manager, Industrial & Machinery Business, Technology & Solutions Division of Machinery & Steel Structures Headquarters
Apr. 2011 Senior Vice President, Head of Machinery & Steel Infrastructure Systems
Jun. 2011 Member of the Board, Senior Vice President, Head of Machinery & Steel Infrastructure Systems
Apr. 2012 Member of the Board, Executive Vice President, Head of Machinery & Steel Infrastructure Systems
Jul. 2012 Member of the Board, Executive Vice President
Jan. 2013 Member of the Board, Executive Vice President, Head of Aerospace Systems

Tatsuhiko Nojima

In charge of Accounting, Finance, and Procurement

Apr. 1976 Joined Mitsubishi Heavy Industries, Ltd.
Apr. 2011 Senior Vice President, Senior General Manager, Accounting Department
Apr. 2012 Executive Vice President
Jun. 2012 Member of the Board, Executive Vice President

Masahiko Arihara

Head of the Presidential Administration Office, Head of Air-Conditioning & Refrigeration Systems

Apr. 1975 Joined Mitsubishi Heavy Industries, Ltd.
Apr. 2009 Senior Vice President, Head of Air-Conditioning & Refrigeration Systems Headquarters
Apr. 2011 Senior Vice President, Head of Air-Conditioning & Refrigeration Systems, Head of Nagoya Air-Conditioning & Refrigeration Machinery Works
Jun. 2011 Member of the Board, Senior Vice President, Head of Air-Conditioning & Refrigeration Systems, Head of Nagoya Air-Conditioning & Refrigeration Machinery Works
Apr. 2013 Member of the Board, Executive Vice President, Head of the Presidential Administration Office, Head of Air-Conditioning & Refrigeration Systems

Executive Vice Presidents

Hisakazu Mizutani
In charge of Management Audit, General Affairs, Legal and Human Resources

Apr. 1975 Joined Mitsubishi Heavy Industries, Ltd.
Apr. 2010 Senior Vice President, Deputy Head of Aerospace Headquarters
Apr. 2011 Senior Vice President, Senior General Manager, Management Audit Department
Jun. 2011 Member of the Board, Senior Vice President, Senior General Manager, Management Audit Department
Apr. 2013 Member of the Board, Executive Vice President

Toshio Kodama
Head of Technology & Innovation Headquarters

Apr. 1976 Joined Mitsubishi Heavy Industries, Ltd.
Apr. 2009 Senior Vice President, Deputy Head of Technical Headquarters
Apr. 2011 Senior Vice President, Deputy Head of Technology & Innovation Headquarters
Apr. 2013 Executive Vice President, Head of Technology & Innovation Headquarters
Jun. 2013 Member of the Board, Executive Vice President, Head of Technology & Innovation Headquarters

Takashi Funato
Head of Global Strategic Planning & Operations Headquarters

Apr. 1976 Joined Mitsubishi Heavy Industries, Ltd.
Apr. 2011 Senior Vice President, Senior General Manager, Corporate Planning Department of the Presidential Administration Office
Apr. 2012 Senior Vice President, Senior General Manager, Corporate Planning Department of the Presidential Administration Office,Senior General Manager, Corporate Social Responsibility Department
Jul. 2012 Senior Vice President, Head of Global Strategic Planning & Operations Headquarters
Apr. 2013 Executive Vice President, Head of Global Strategic Planning & Operations Headquarters
Jun. 2013 Member of the Board, Executive Vice President, Head of Global Strategic Planning & Operations Headquarters

Senior Vice President

Yukio Kodama
Head of Machine Tool, Deputy Head of Machinery & Steel Infrastructure Systems

Apr. 1979 Joined Mitsubishi Heavy Industries, Ltd.
Apr. 2011 Senior Vice President, Head of Machine Tool, Head of Ritto Machinery Works
Jul. 2012 Senior Vice President, Head of Machine Tool, Deputy Head of Machinery & Steel Infrastructure Systems, Head of Ritto Machinery Works
Apr. 2013 Senior Vice President, Head of Machine Tool, Deputy Head of Machinery & Steel Infrastructure Systems
Jun. 2013 Member of the Board, Senior Vice President, Head of Machine Tool, Deputy Head of Machinery & Steel Infrastructure Systems

Statutory Auditors

Outside Directors

Yorihiko Kojima
Chairman of the Board of Mitsubishi Corporation

May 1965 Joined Mitsubishi Corporation
Jun. 1995 Director
Apr. 1997 Managing Director
Apr. 2001 Executive Vice President, Director
Jun. 2001 Member of the Board, Senior Executive Vice President
Apr. 2004 Member of the Board, President and CEO
Jun. 2010 Chairman of the Board
Held also the post of Member of the Board, Mitsubishi Heavy Industries, Ltd.

Christina Ahmadjian
Professor of Hitotsubashi University Graduate School of Commerce and Management

Jan. 1995 Assistant Professor, Columbia University, Graduate School of Business
Oct. 2001 Associate Professor, Hitotsubashi University, Graduate School of International Corporate Strategy
Jan. 2004 Professor, Hitotsubashi University, Graduate School of International Corporate Strategy
Apr. 2010 Dean, Hitotsubashi University, Graduate School of International Corporate Strategy
Apr. 2012 Professor, Hitotsubashi University, Graduate School of Commerce and Management
Jun. 2012 Held also the post of Member of the Board, Mitsubishi Heavy Industries, Ltd.

Hiroki Tsuda
Professor, Waseda University, The Graduate School of Public Management

Apr. 1972 Joined Ministry of Finance
Jul. 2004 Deputy Vice Minister, Ministry of Finance
Jul. 2006 Director-General of the Budget Bureau, Ministry of Finance
Jul. 2007 Administrative Vice Minister, Ministry of Finance
Jul. 2008 Special Advisor to the Minister of Finance
Sep. 2008 Professor, Waseda University, The Graduate School of Public Management
Jun. 2013 Held also the post of Member of the Board, Mitsubishi Heavy Industries, Ltd.

Toshiro Yagami

Apr. 1975 Joined Mitsubishi Heavy Industries, Ltd.
May 2002 Senior General Manager, Labor Department
Jan. 2003 Senior Manager, Personnel Department
Jul. 2005 Senior General Manager, Personnel Department
Jul. 2008 Senior General Manager, General Affairs Department
Apr. 2009 Senior Vice President, Senior General Manager, General Affairs Department
Jun. 2011 Statutory Auditor

Outside Statutory Auditors

Eiji Isu

Apr. 1975 Joined Mitsubishi Heavy Industries, Ltd.
Apr. 2003 Senior General Manager, Legal Department
Apr. 2009 Senior Chief Coordinator, Legal Department
Apr. 2011 Senior Vice President, Senior Chief Coordinator, Legal Department
Jun. 2012 Statutory Auditor

Nobuo Kuroyanagi
Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Apr. 1965 Joined The Mitsubishi Bank, Ltd.
Jun. 2004 President & CEO, Mitsubishi Tokyo Financial Group, Inc.
President, The Bank of Tokyo-Mitsubishi, Ltd.
Oct. 2005 President & CEO, Mitsubishi UFJ Financial Group, Inc.
Jan. 2006 President, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Apr. 2008 Chairman, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Jun. 2009 Held also the post of Statutory Auditor, Mitsubishi Heavy Industries, Ltd.
Apr. 2012 Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Haruya Uehara
Senior Advisor of Mitsubishi UFJ Trust and Banking Corporation

Apr. 1969 Joined Mitsubishi Trust and Banking Corporation
Apr. 2004 President of Mitsubishi Trust and Banking Corporation
Jun. 2004 Chairman of Mitsubishi Tokyo Financial Group, Inc.
Oct. 2005 President of Mitsubishi UFJ Trust and Banking Corporation
Deputy Chairman of Mitsubishi UFJ Financial Group, Inc.
Jun. 2008 Chairman of Mitsubishi UFJ Trust and Banking Corporation
Jun. 2011 Held also the post of Statutory Auditor, Mitsubishi Heavy Industries, Ltd.
Apr. 2012 Senior Advisor of Mitsubishi UFJ Trust and Banking Corporation

Shinichiro Ito
President & Chief Executive Officer, ANA Holdings Inc.

Apr. 1974 Joined All Nippon Airways Co., Ltd.
Apr. 2009 President & Chief Executive Officer, All Nippon Airways Co., Ltd.
Apr. 2013 President & Chief Executive Officer, ANA Holdings Inc.
Chairman of the Board, All Nippon Airways Co., Ltd.
Jun. 2013 Held also the post of Statutory Auditor, Mitsubishi Heavy Industries, Ltd.

Corporate Data As of March 31, 2013

Head Office: 16-5, Konan 2-chome, Minato-ku, Tokyo 108-8215, Japan
Phone: +81-3-6716-3111
Fax: +81-3-6716-5800

Established: January 11, 1950

Paid-in Capital: ¥265.6 billion

Total Number of Issuable Shares: 6,000,000,000

Total Number of Shares Issued: 3,373,647,813

Number of Shereholders: 307,434

Number of Employees: 68,213(Consolidated)
31,111(Non-consolidated)

Stock Listings: Tokyo, Osaka, Nagoya, Fukuoka and Sapporo Stock Exchanges

Ticker Code: 7011

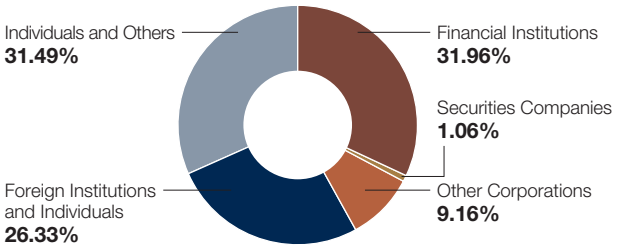
Manager of the Register of Shareholders:
Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8212, Japan

Independent Auditors: Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg., 2-2-3, Uchisaiwai-cho,
Chiyoda-ku, Tokyo 100-0011, Japan

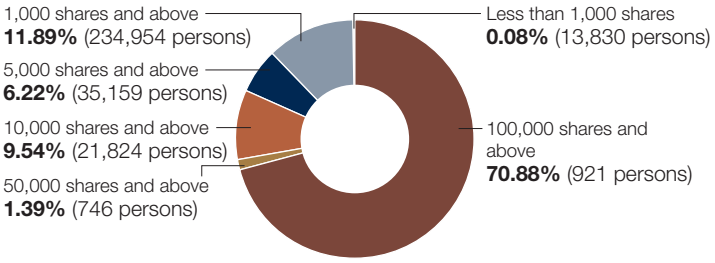
Major Shareholders

	Number of shares owned by major shareholders	% of total shares
Japan Trustee Services Bank, Ltd. (Trust Account)	147,045,900	4.3%
The Master Trust Bank of Japan, Ltd. (Trust Account)	140,264,000	4.1%
The Nomura Trust and Banking Co., Ltd. (Retirement Benefit Trust Account for The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	125,666,000	3.7%
Meiji Yasuda Life Insurance Company	80,022,741	2.3%
JP Morgan Chase Bank 380055	76,619,472	2.2%
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	75,327,700	2.2%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	50,400,000	1.4%
The Nomura Trust and Banking Co., Ltd. (Retirement Benefit Trust Account for Mitsubishi UFJ Trust and Banking Corporation)	45,934,000	1.3%
The Chase Manhattan Bank, N.A. London S.L.Omnibus Account	45,718,327	1.3%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	42,314,000	1.2%

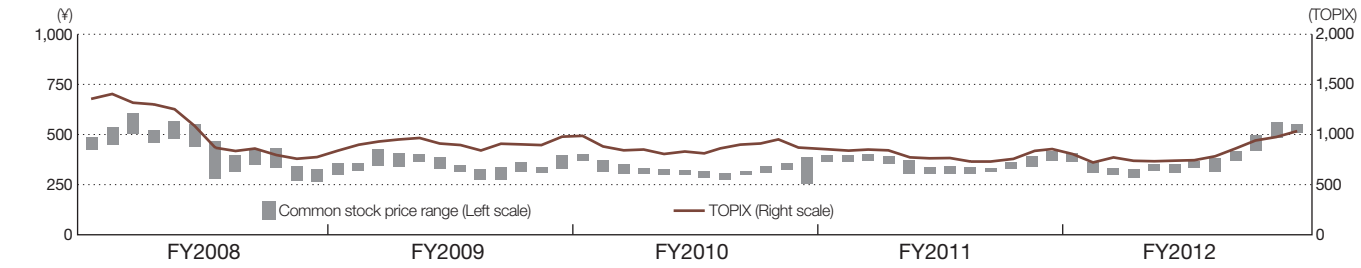
Classified by Type of Shareholder

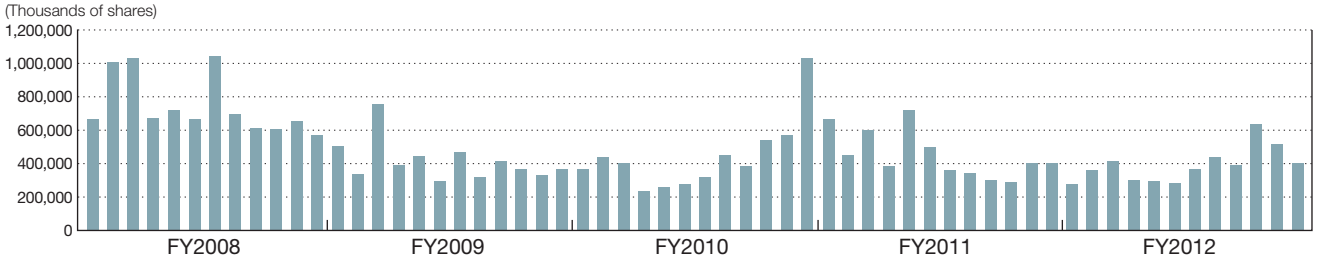


Classified by Number of Holdings



Monthly Stock Price Range & Trading Volume (Tokyo Stock Exchange)





Financial Section

Segment Information

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Net Sales			Operating Income (Loss)		
	In millions of yen		In thousands of U.S. dollars	In millions of yen		In thousands of U.S. dollars
INDUSTRY SEGMENT	2013	2012	2013	2013	2012†	2013
Shipbuilding & Ocean Development	¥ 225,844	¥ 311,678	$ 2,401,318	¥ 11,572	¥ (3,843)	$ 123,040
Power Systems	988,756	955,348	10,513,088	88,902	92,322	945,263
Machinery & Steel Infrastructure Systems	482,557	428,839	5,130,855	26,452	25,305	281,254
Aerospace Systems	485,834	495,991	5,165,699	29,146	(5,301)	309,898
General Machinery & Special Vehicles	389,105	381,717	4,137,214	12,784	5,164	135,927
Others	345,780	294,477	3,676,555	12,992	16,122	138,139
Subtotal	2,917,879	2,868,052	31,024,763	181,851	129,771	1,933,556
Eliminations or Corporate	(99,985)	(47,120)	(1,063,104)	(18,330)	(17,810)	(194,896)
Total	¥2,817,893	¥2,820,932	$29,961,648	¥163,520	¥111,961	$1,738,649

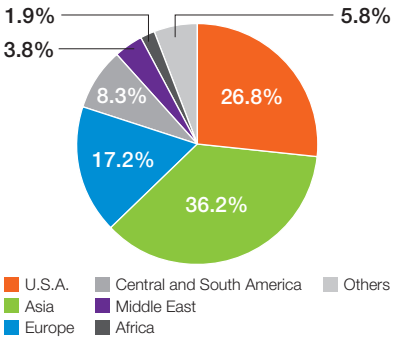
	Total Assets			Capital Expenditures		
	In millions of yen		In thousands of U.S. dollars	In millions of yen		In thousands of U.S. dollars
INDUSTRY SEGMENT	2013	2012†	2013	2013	2012	2013
Shipbuilding & Ocean Development	¥ 154,568	¥ 186,929	$ 1,643,466	¥ 5,070	¥ 7,812	$ 53,907
Power Systems	1,135,709	1,203,539	12,075,587	36,107	39,850	383,912
Machinery & Steel Infrastructure Systems	620,500	638,543	6,597,554	10,027	9,448	106,613
Aerospace Systems	934,057	919,918	9,931,493	37,085	33,537	394,311
General Machinery & Special Vehicles	329,184	351,786	3,500,095	9,876	10,892	105,007
Others	567,256	620,475	6,031,430	15,477	12,578	164,561
Subtotal	3,741,276	3,921,191	39,779,649	113,645	114,119	1,208,346
Eliminations or Corporate	193,842	42,795	2,061,052	5,223	6,636	55,534
Total	¥3,935,119	¥3,963,987	$41,840,712	¥118,868	¥120,755	$1,263,880

	Depreciation and Amortization*			Amortization of Goodwill		
	In millions of yen		In thousands of U.S. dollars	In millions of yen		In thousands of U.S. dollars
INDUSTRY SEGMENT	2013	2012	2013	2013	2012	2013
Shipbuilding & Ocean Development	¥ 6,309	¥ 9,728	$ 67,081	¥ –	¥ –	$ –
Power Systems	36,220	40,618	385,114	250	477	2,658
Machinery & Steel Infrastructure Systems	11,076	14,060	117,767	66	31	701
Aerospace Systems	30,078	29,995	319,808	–	–	–
General Machinery & Special Vehicles	13,778	15,449	146,496	243	1,755	2,583
Others	12,178	14,111	129,484	374	48	3,976
Subtotal	109,642	123,964	1,165,784	935	2,313	9,941
Corporate	8,915	–	94,790	–	–	–
Total	¥118,557	¥123,964	$1,260,574	¥935	¥2,313	$9,941

* Amortization of goodwill is not included.

	Net Sales		
	In millions of yen		In thousands of U.S. dollars
BREAKDOWN OF SALES BY CUSTOMER LOCATION	2013	2012	2013
Japan	¥1,555,913	¥1,639,903	$16,543,466
U.S.A.	337,654	265,533	3,590,154
Asia	457,684	381,858	4,866,390
Europe	217,597	225,759	2,313,631
Central and South America	105,161	142,165	1,118,139
Middle East	47,518	68,740	505,241
Africa	23,400	51,644	248,803
Others	72,964	45,327	775,800
Total	¥2,817,893	¥2,820,932	$29,961,648

Composition of Overseas Net Sales by Geographic Distribution



Note: U.S. dollar amounts in this annual report are translated from yen, for convenience only, at the rate of ¥94.05=US$1, the exchange rate prevailing at March 31, 2013.
†Amounts for the year ended March 31, 2012 have been restated to reflect some changes in our segment allocation methodology.
Operating Income (Loss): Company-wide R&D expenses and part of the expenses incurred by administrative divisions at corporate headquarters, which were allocated among the segments have been included in "Eliminations or Corporate."
Total Assets: Deferred income taxes, which were included in "Eliminations or Corporate" have been allocated among the segments.

Management's Discussion and Analysis

Analysis of Operating Results

MHI recorded an increase in net sales for the Machinery & Steel Infrastructure Systems, Power Systems and General Machinery & Special Vehicles segments. On the other hand, net sales decreased in areas including the Shipbuilding & Ocean Development and Aerospace Systems segments. As a result, the total value of consolidated net sales for fiscal 2012 decreased ¥3.0 billion or 0.1% from fiscal 2011 to ¥2,817.8 billion.Operating income rose ¥51.5 billion, or 46.1% year on year, to ¥163.5 billion. Income rose mainly due to improved profitability in the Aerospace Systems, Shipbuilding & Ocean Development and General Machinery & Special Vehicles segments.

Net non-operating expenses were ¥14.4 billion, an improvement of ¥11.2 billion from the previous fiscal year, as improvement in equity in foreign exchange loss and a decrease in interest expense offset a worsening equity in losses of unconsolidated subsidiaries and affiliates.

As a result, ordinary income climbed ¥62.8 billion, or 72.9% year on year, to ¥149.0 billion.

The MHI Group posted an extraordinary gain of ¥12.8 billion from sales of investment securities and fixed assets. The Group also posted an extraordinary loss of ¥6.4 billion for business structure improvement expenses.

Consequently, income before income taxes and minority interests increased ¥85.6 billion, or 122.6% year on year, to ¥155.4 billion. Net income, meanwhile, increased ¥72.7 billion, or 296.6%, from the previous fiscal year to ¥97.3 billion.

Key Factors Affecting Operating Results

Key factors that affect the management of the MHI Group include external factors such as market trends, foreign exchange rate fluctuations and changes in material costs, and internal factors such as risks associated with various overseas business contracts, accidents and disasters, and weakening manufacturing capabilities.

Market trends

Markets are expected to continue showing signs of recovery, buoyed by monetary easing and stimulative measures taken by major powers around the world and by economic and fiscal policies implemented by Japan. Meanwhile, MHI expects its business environment to become even more challenging due to increasing pressure from competitors on a global scale driven by the increased opening of world markets. In the current business environment, in order to build resilience to global market risks and to survive and grow as a corporate group with international presence both in name and in reality, MHI recognizes that it is essential to further expand the scale of its business and strengthen its financial base through profit maximization. At the same time, the Group will endeavor to leverage unrivaled technology to provide products and services that answer customer needs.

Exchange rate fluctuation

The MHI Group's export and overseas business transactions are mainly denominated in foreign currencies. Consequently, foreign exchange rate fluctuations can significantly affect business competitiveness and operating results. In order to minimize exchange rate fluctuation risk, the Group is increasing its liabilities denominated in foreign currencies by expanding overseas procurement and production, and hedging risk by promoting greater use of yen-denominated contracts, coupled with timely forward foreign exchange contracts.

Change in costs of materials

The MHI Group is responding to the impact of certain material price rises, such as for steel products, nonferrous metals and crude oil, promoting design standardization, increasing its utilization of common components, promoting employment of standardized parts, and expanding its signing of comprehensive procurement contracts and its overseas production activities. The Group is also strengthening relationships with its business partners, promoting an even greater level of information sharing, and striving to achieve further cost reductions.

Overseas business contracts

The MHI Group is exposed to a number of risks associated with individual business contracts it concludes in overseas markets. These include quality issues and delayed delivery dates for locally procured materials, inadequate skill levels and specific labor practices of the local staff, as well as unilateral contractual obligations. In order to prevent or mitigate these risks, all contracts undergo a rigorous internal assessment process prior to their formal conclusion. In addition to the segments concerned, several administrative departments are involved in this process, which includes the verification of local obligations with respect to procurement and labor contracts, extensive advance verification of contract terms with customers, the removal of unilateral conditions, and other prudent steps.

Accidents and disasters

Regarding accidents and disasters, the MHI Group is taking steps to minimize the probability of accidents and disasters occurring, which can have a significant impact on management, by carrying out ongoing work-site management activities, including the training of on-site workers to be more aware of risks.

Technology and skill transfer

The MHI Group is at risk of manufacturing capabilities weakening due to technology and skill transfer issues, particularly those associated with generational change. In response, the MHI Group invests in production process improvement aimed at rationalization and carries out focused investment in R&D related to manufacturing technology. The Group also strives to maintain and enhance its basic manufacturing capabilities through programs to train and improve the skills of its employees.

Source of Funds and Liquidity

Cash flow analysis

Operating activities provided net cash of ¥288.3 billion for the fiscal year under review, an increase of ¥88.0 billion compared with the previous fiscal year. This outcome mainly reflected a decrease in funds for working capital such as trade receivables.

Investing activities used net cash of ¥76.7 billion, ¥29.6 billion more than the previous fiscal year. This increase was mainly due to a decrease in proceeds from sales of non-current assets.

Financing activities used net cash of ¥154.2 billion, ¥29.3 billion less than the previous fiscal year. This fall was due mainly to a decrease in the repayment of long-term borrowings.

Primary funding requirements

The MHI Group primarily requires funds in operating activities for working capital for manufacturing activities (materials, outsourcing and personnel costs), order preparation costs and other sales expenses related to winning new orders, and funds for R&D activities that enhance the competitiveness of its products and strengthen manufacturing capabilities. In investing activities, funds are required for capital investments to grow business and enhance productivity, and for the purchase of investment securities related to the execution of business strategies.

In growth areas, the MHI Group is planning to execute necessary capital investments and R&D investment. As a whole, the Group plans to streamline its assets and selectively concentrate on core investment schemes, while anticipating fund requirements in future growth fields and closely monitoring the latest market environments and order trends. Accordingly, funding requirements are expected to trend lower going forward.

Breakdown of interest-bearing debt and its applications

The breakdown of interest-bearing debt as of March 31, 2013 was as follows:

(in billions of yen)

	Total	Due within one year	Due after one year
Short-term borrowings	154.0	154.0	–
Long-term borrowings	627.2	150.1	477.0
Bonds	250.0	50.0	200.0
Total	1,031.2	354.1	677.0

The MHI Group is involved in numerous projects with comparatively long construction periods. It also owns numerous manufacturing facilities that employ large-scale machinery facilities. Consequently, the MHI Group must secure a stable level of working capital and funds for capital investments. On the other hand, the Group has continued working to streamline its assets, and has repaid borrowings that have come due. As a result, the total interest-bearing debt of the MHI Group at the end of fiscal year 2012 was ¥1,031.2 billion, consisting of ¥354.1 billion due within one year, and ¥677.0 billion due after one year.

The interest-bearing debt mentioned above is utilized as working capital and for capital investments required for business activities, and the MHI Group plans to use these funds mainly in key growth fields expected to require funds, including Power Systems and Aerospace Systems.

Financial policy

The MHI Group funds its working capital and capital investments from its operating cash flows. Any additional requirements can be met with interest-bearing debt. In appropriately determining the amounts and methods of procuring long-term funds through long-term borrowings, bonds, and other means, the MHI Group takes into account the funding requirements of its business plans, interest-rate trends and various other factors, as well as the repayment schedule for its existing debt.

Additionally, in its efforts to reduce interest-bearing debt, the MHI Group strives to efficiently utilize surplus funds within the Group using a cash management system. At the same time, the MHI Group is working to improve asset efficiency by reducing trade receivables and inventories and by raising the utilization rate of its property, plant and equipment.

The MHI Group flexibly considers the repurchase of treasury stock based on the financial position of the Group, the stock price, as well as recent earnings forecasts and other factors.

Consolidated Balance Sheets

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries
As of March 31, 2013 and 2012

	In millions of yen		In thousands of U.S. dollars (Note 2)
ASSETS	**2013**	2012	**2013**
Current assets:			
Cash and deposits (Notes 3 and 17)	**¥ 328,365**	¥ 262,287	**$ 3,491,387**
Trade receivables (Notes 3 and 8)	**931,469**	968,064	**9,903,976**
Securities (Notes 3 and 4)	**2**	1	**21**
Merchandise and finished products	**139,157**	155,990	**1,479,606**
Work in process	**746,640**	773,782	**7,938,755**
Raw materials and supplies	**124,038**	123,670	**1,318,851**
Deferred income taxes (Note 6)	**138,934**	180,747	**1,477,235**
Other current assets	**222,550**	180,826	**2,366,294**
Allowance for doubtful accounts (Note 1)	**(6,333)**	(6,368)	**(67,336)**
Total current assets	**2,624,824**	2,639,003	**27,908,814**
Non-current assets:			
Property, plant and equipment, net (Notes 8 and 19):			
Buildings and structures	**339,262**	342,243	**3,607,251**
Machinery and transportation equipment	**225,547**	234,037	**2,398,160**
Tools, equipment and furniture	**41,877**	38,051	**445,263**
Land	**138,382**	137,337	**1,471,366**
Leased assets	**4,599**	5,356	**48,899**
Construction in progress	**43,263**	40,557	**460,000**
Total property, plant and equipment, net	**792,932**	797,584	**8,430,962**
Intangible assets	**29,216**	25,313	**310,643**
Investments and advances:			
Investment securities (Notes 3 and 4)	**297,625**	309,054	**3,164,540**
Long-term loans and advances	**6,863**	5,478	**72,971**
Deferred income taxes (Note 6)	**10,087**	11,180	**107,251**
Others	**182,459**	185,708	**1,940,021**
Allowance for doubtful accounts (Note 1)	**(8,891)**	(9,335)	**(94,534)**
Total investments and advances	**488,144**	502,086	**5,190,260**
Total non-current assets	**1,310,294**	1,324,984	**13,931,887**
Total assets	**¥3,935,119**	¥3,963,987	**$41,840,712**

The accompanying notes to consolidated financial statements are an integral part of these statements.

LIABILITIES AND NET ASSETS	In millions of yen 2013	2012	In thousands of U.S. dollars (Note 2) 2013
Liabilities			
Current liabilities:			
Trade payables (Note 3)	**¥ 663,451**	¥ 651,101	**$ 7,054,237**
Short-term borrowings (Notes 3, 7 and 8)	**154,014**	152,344	**1,637,575**
Current portion of long-term borrowings (Notes 3, 7 and 8)	**150,171**	131,713	**1,596,714**
Current portion of bonds (Notes 3 and 7)	**50,000**	69,900	**531,632**
Reserve for product warranties (Note 1)	**22,135**	20,812	**235,353**
Reserve for losses on construction contracts (Note 1)	**35,405**	77,565	**376,448**
Reserve for legal claims (Note 1)	**61**	3,936	**648**
Advance payments received on contracts	**427,390**	399,288	**4,544,284**
Other current liabilities (Notes 6 and 7)	**191,193**	208,034	**2,032,886**
Total current liabilities	**1,693,822**	1,714,695	**18,009,803**
Non-current liabilities:			
Bonds (Notes 3 and 7)	**200,000**	250,000	**2,126,528**
Long-term borrowings (Notes 3, 7 and 8)	**477,053**	553,189	**5,072,333**
Deferred income taxes (Note 6)	**9,922**	17,832	**105,497**
Reserve for retirement allowance (Notes 1 and 10)	**51,904**	47,002	**551,876**
Reserve for treatment of PCB waste (Note 1)	**10,865**	11,604	**115,523**
Other non-current liabilities (Note 7)	**61,324**	63,296	**652,036**
Total non-current liabilities	**811,070**	942,925	**8,623,817**
Total liabilities	**2,504,893**	2,657,621	**26,633,631**
Net assets			
Stockholders' equity (Note 15):			
Common stock, without par value:			
Authorized shares: 6,000,000,000			
Issued shares: 2013 and 2012 – 3,373,647,813	**265,608**	265,608	**2,824,114**
Capital surplus	**203,956**	203,942	**2,168,591**
Retained earnings	**901,397**	822,473	**9,584,231**
Treasury stock (2013 – 18,454,838 shares and 2012 – 18,546,244 shares) at cost	**(5,394)**	(5,418)	**(57,352)**
Total stockholders' equity	**1,365,568**	1,286,606	**14,519,595**
Accumulated other comprehensive income (loss):			
Net unrealized gains (losses) on investment securities	**30,979**	22,082	**329,388**
Deferred gains (losses) on hedges	**142**	12	**1,509**
Foreign currency translation adjustments	**(18,040)**	(53,611)	**(191,812)**
Total accumulated other comprehensive income (loss)	**13,081**	(31,517)	**139,085**
Share subscription rights (Note 16)	**2,243**	1,868	**23,849**
Minority interests	**49,332**	49,409	**524,529**
Total net assets	**1,430,225**	1,306,366	**15,207,070**
Total liabilities and net assets	**¥3,935,119**	¥3,963,987	**$41,840,712**

Consolidated Statements of Income

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2013 and 2012

	In millions of yen		In thousands of U.S. dollars (Note 2)
	2013	2012	2013
Net sales	**¥2,817,893**	¥2,820,932	**$29,961,648**
Cost of sales	**2,297,072**	2,375,158	**24,423,944**
Gross profit	**520,821**	445,774	**5,537,703**
Selling, general and administrative expenses (Note 18)	**357,300**	333,812	**3,799,043**
Operating income	**163,520**	111,961	**1,738,649**
Non-operating income (expenses):			
Interest income	**2,717**	3,637	**28,888**
Dividend income	**3,876**	4,248	**41,212**
Income (loss) from equity method investments	**2,625**	4,960	**27,910**
Foreign exchange gain	**7,030**	–	**74,747**
Other income	**2,623**	5,107	**27,889**
Interest expense	**(17,256)**	(20,522)	**(183,476)**
Foreign exchange loss	**–**	(5,094)	**–**
Loss on disposal of fixed assets	**(4,397)**	(5,725)	**(46,751)**
Other expenses (Note 13)	**(11,711)**	(12,390)	**(124,518)**
Total non-operating income (expenses)	**(14,492)**	(25,779)	**(154,088)**
Ordinary income	**149,028**	86,182	**1,584,561**
Extraordinary gain (loss):			
Gain (loss) on sales of investment securities	**8,676**	–	**92,248**
Gain (loss) on sales of fixed assets (Note 11)	**4,157**	28,344	**44,199**
Business structure improvement expenses (Notes 12 and 13)	**(6,414)**	(38,116)	**(68,197)**
Expense for treatment of PCB waste (Note 1)	**–**	(4,098)	**–**
Loss on revaluation of investment securities (Note 4)	**–**	(2,479)	**–**
Total extraordinary gain (loss)	**6,419**	(16,350)	**68,250**
Income before income taxes and minority interests	**155,448**	69,831	**1,652,822**
Income taxes (Note 6):			
Current	**26,059**	46,031	**277,076**
Deferred	**33,080**	(855)	**351,727**
Total income taxes	**59,139**	45,175	**628,803**
Income before minority interests	**96,308**	24,655	**1,024,008**
Minority interests in income (loss) of consolidated subsidiaries	**(1,021)**	114	**(10,855)**
Net income	**¥ 97,330**	¥ 24,540	**$ 1,034,875**

	In yen		In U.S. dollars (Note 2)
Per share information of common stock (Note 1) :	2013	2012	2013
Net income - basic	**¥ 29.01**	¥ 7.31	**$ 0.308**
Net income - diluted	**28.95**	7.30	**0.308**
Cash dividends	**8.00**	6.00	**0.085**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2013 and 2012

	In millions of yen		In thousands of U.S. dollars (Note 2)
	2013	2012	**2013**
Income before minority interests	**¥ 96,308**	¥24,655	**$1,024,008**
Other comprehensive income (loss):			
Net unrealized gains (losses) on investment securities	**9,631**	(3,607)	**102,402**
Deferred gains (losses) on hedges	**236**	549	**2,509**
Foreign currency translation adjustments	**25,638**	(9,455)	**272,599**
Share of other comprehensive income (loss) of entities accounted for using the equity method	**10,547**	(2,051)	**112,142**
Changes in equity interest	**1,725**	–	**18,341**
Total other comprehensive income (loss) (Note 14)	**47,780**	(14,565)	**508,027**
Comprehensive income (loss)	**¥144,088**	¥10,090	**$1,532,036**
Comprehensive income (loss) attributable to:			
Shareholders of the parent	**¥143,653**	¥10,223	**$1,527,410**
Minority interests	**435**	(132)	**4,625**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2013 and 2012

In millions of yen

	Stockholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Share subscription rights	Minority interests	Total net assets
Balance as of March 31, 2011	¥265,608	¥203,939	¥815,145	¥(5,425)	¥1,279,267	¥25,579	¥(467)	¥(42,311)	¥(17,199)	¥1,509	¥49,101	¥1,312,678
Cash dividends (Note 15)			(16,775)		(16,775)							(16,775)
Net income			24,540		24,540							24,540
Changes in scope of consolidation			19		19							19
Changes in scope of equity method application			(4)		(4)							(4)
Changes in fiscal year-end of consolidated subsidiaries			(452)		(452)							(452)
Purchase of treasury stock				(14)	(14)							(14)
Disposal of treasury stock		3		22	25							25
Net changes in items other than stockholders' equity						(3,497)	479	(11,300)	(14,317)	359	307	(13,650)
Subtotal	–	3	7,327	7	7,338	(3,497)	479	(11,300)	(14,317)	359	307	(6,312)
Balance as of March 31, 2012	¥265,608	¥203,942	¥822,473	¥(5,418)	¥1,286,606	¥22,082	¥ 12	¥(53,611)	¥(31,517)	¥1,868	¥49,409	¥1,306,366
Cash dividends (Note 15)			(20,131)		(20,131)							(20,131)
Net income			97,330		97,330							97,330
Changes in equity interest			1,725		1,725							1,725
Purchase of treasury stock				(11)	(11)							(11)
Disposal of treasury stock		13		35	49							49
Net changes in items other than stockholders' equity						8,897	129	35,570	44,598	375	(76)	44,897
Subtotal	–	13	78,924	23	78,962	8,897	129	35,570	44,598	375	(76)	123,859
Balance as of March 31, 2013	¥265,608	¥203,956	¥901,397	¥(5,394)	¥1,365,568	¥30,979	¥ 142	¥(18,040)	¥ 13,081	¥2,243	¥49,332	¥1,430,225

In thousands of U.S. dollars (Note 2)

	Stockholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Share subscription rights	Minority interests	Total net assets
Balance as of March 31, 2012	$2,824,114	$2,168,442	$8,745,061	$(57,607)	$13,680,021	$234,790	$ 127	$(570,026)	$(335,108)	$19,861	$525,348	$13,890,122
Cash dividends (Note 15)			(214,045)		(214,045)							(214,045)
Net income			1,034,875		1,034,875							1,034,875
Changes in equity interest			18,341		18,341							18,341
Purchase of treasury stock				(116)	(116)							(116)
Disposal of treasury stock		138		372	520							520
Net changes in items other than stockholders' equity						94,598	1,371	378,203	474,194	3,987	(808)	477,373
Subtotal	–	138	839,170	244	839,574	94,598	1,371	378,203	474,194	3,987	(808)	1,316,948
Balance as of March 31, 2013	$2,824,114	$2,168,591	$9,584,231	$(57,352)	$14,519,595	$329,388	$1,509	$(191,812)	$139,085	$23,849	$524,529	$15,207,070

Consolidated Statements of Cash Flows

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2013 and 2012

	In millions of yen		In thousands of U.S. dollars (Note 2)
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥155,448**	¥ 69,831	**$1,652,822**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**118,557**	123,964	**1,260,574**
Increase (decrease) in reserve for retirement allowance	**4,687**	(2,956)	**49,835**
Interest and dividend income	**(6,594)**	(7,885)	**(70,111)**
Interest expense	**17,256**	20,522	**183,476**
(Income) loss from equity method investments	**(2,625)**	(4,960)	**(27,910)**
(Gain) loss on sales of investment securities	**(8,676)**	(123)	**(92,248)**
Loss on revaluation of investment securities	**–**	2,479	**–**
(Gain) loss on sales of fixed assets	**(4,157)**	(28,344)	**(44,199)**
Loss on disposal of fixed assets	**4,397**	5,725	**46,751**
Business structure improvement expenses	**6,414**	38,116	**68,197**
Expense for treatment of PCB waste	**–**	4,098	**–**
(Increase) decrease in receivables	**60,932**	(123,811)	**647,868**
(Increase) decrease in inventories and advances to suppliers	**32,827**	33,945	**349,037**
(Increase) decrease in other assets	**8,194**	(1,733)	**87,123**
Increase (decrease) in payables	**(11,938)**	38,004	**(126,932)**
Increase (decrease) in advance payments received on contracts	**23,986**	70,284	**255,034**
Increase (decrease) in other liabilities	**(44,128)**	14,622	**(469,197)**
Others	**1,824**	4,841	**19,393**
Subtotal	**356,406**	256,621	**3,789,537**
Interest and dividends received	**7,962**	8,447	**84,657**
Interest paid	**(17,507)**	(20,931)	**(186,145)**
Income taxes paid	**(58,485)**	(43,776)	**(621,850)**
Net cash provided by operating activities	**288,375**	200,361	**3,066,188**
Cash flows from investing activities:			
Net (increase) decrease in time deposits	**(372)**	4,417	**(3,955)**
Purchases of marketable securities	**–**	(40,000)	**–**
Proceeds from sales and redemption of marketable securities	**–**	40,000	**–**
Purchases of property, plant, equipment and intangible assets	**(115,701)**	(117,433)	**(1,230,207)**
Proceeds from sales of property, plant and equipment and intangible assets	**8,814**	66,963	**93,716**
Purchases of investment securities	**(4,307)**	(2,763)	**(45,794)**
Proceeds from sales and redemption of investment securities	**44,563**	3,557	**473,822**
Disbursement of long-term loans	**(3,338)**	(1,930)	**(35,491)**
Collection of long-term loans	**1,096**	1,887	**11,653**
Others	**(7,494)**	(1,746)	**(79,681)**
Net cash used in investing activities	**(76,737)**	(47,047)	**(815,917)**
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings and commercial papers	**(1,695)**	69,278	**(18,022)**
Proceeds from long-term borrowings	**72,652**	2,835	**772,482**
Repayment of long-term borrowings	**(132,092)**	(212,859)	**(1,404,486)**
Payment for redemption of bonds	**(69,900)**	(24,228)	**(743,221)**
Proceeds from issuance of stock to minority stockholders of subsidiaries	**372**	1,775	**3,955**
Dividends paid to stockholders	**(20,061)**	(16,733)	**(213,301)**
Dividends paid to minority stockholders of subsidiaries	**(954)**	(1,375)	**(10,143)**
Others	**(2,535)**	(2,306)	**(26,953)**
Net cash used in financing activities	**(154,215)**	(183,614)	**(1,639,712)**
Effect of exchange rate changes on cash and cash equivalents	**7,397**	(4,045)	**78,649**
Net increase (decrease) in cash and cash equivalents	**64,820**	(34,347)	**689,207**
Cash and cash equivalents at beginning of year	**254,605**	288,868	**2,707,123**
Increase in cash and cash equivalents due to changes in scope of consolidation	**–**	84	**–**
Cash and cash equivalents at end of year (Note 17)	**¥319,426**	¥254,605	**$3,396,342**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of the Mitsubishi Heavy Industries Group (the "Group"), which consists of Mitsubishi Heavy Industries, Ltd. ("MHI") and its consolidated subsidiaries ("Subsidiaries"), have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been prepared from the consolidated financial statements filed with the Financial Services Agency ("FSA") of Japan.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

b) Principles of consolidation

The accompanying consolidated financial statements for the years ended March 31, 2013 and 2012 include the accounts of the Group. All significant inter-company transactions and accounts have been eliminated.

Investments in unconsolidated subsidiaries and affiliates, with certain minor exceptions, are accounted for by the equity method.

c) Foreign currency translation

Foreign currency monetary assets and liabilities are translated into Japanese yen at the exchange rates in effect at the balance sheet date and the resulting translation gains or losses are included in net income.

All assets and liabilities of overseas subsidiaries and affiliates are translated into Japanese yen at the exchange rates in effect at the balance sheet date, revenues and expenses at the average exchange rates during the year, and stockholders' equity at historical rates. The resulting foreign currency translation adjustments are accounted for as a component of net assets.

d) Securities

Securities include (1) investments in unconsolidated subsidiaries and affiliates and (2) other securities (available-for-sale securities). Their valuation standards and methods are as follows:

(1) Investments in unconsolidated subsidiaries and affiliates excluding those accounted for by the equity method:
Historical cost (moving average method).

(2a) Other securities with market value:
Market value method based on market prices or other fair values at the balance sheet date. Unrealized holding gains and losses are accounted for as a component of net assets, net of tax effect. The costs of sold securities are computed based on the moving average method.

(2b) Other securities without market value:
Historical cost (moving average method).

As to the presentation of the balance sheet, the Group has classified securities due within one year as securities in current assets and the others as investment securities in "Investments and advances."

e) Inventories

Merchandise and finished products are principally stated at cost determined by the moving average method. (Balance sheet amounts are determined by the method of writing down to reflect a decline in the profitability of the assets.)

Work in process is principally stated at cost determined by the specific identification method. (Balance sheet amounts are determined by the method of writing down to reflect a decline in the profitability of the assets.)

Raw materials and supplies are principally stated at cost determined by the moving average method. (Balance sheet amounts are determined by the method of writing down to reflect a decline in the profitability of the assets.)

f) Depreciation of property, plant and equipment

Depreciation of property, plant and equipment (excluding leased assets) is principally computed using the straight-line method for buildings (excluding the equipment attached to them) and the declining-balance method for the other items of property, plant and equipment over the assets' useful lives.

Depreciation of leased assets is computed using the straight-line method over the lease terms.

g) Amortization of intangible assets

Amortization of intangible assets (excluding leased assets) is computed using the straight-line method over the assets' useful lives.

Amortization of leased assets is computed using the straight-line method over the lease terms.

Goodwill is amortized on a straight-line basis over the investment recovery period of up to 20 years.

h) Allowance for doubtful accounts

Allowance for doubtful accounts is provided for possible losses on the collection of receivables. The amount of the allowance for general receivables is based on the write-off ratio. As for certain receivables such as the ones from the debtors whose solvency is in doubt, the recoverability of each receivable is examined individually and the estimated unrecoverable amounts are recognized as the allowance.

i) Reserve for product warranties

Reserve for product warranties is provided for the product warranty expenditure after products are delivered. The amounts are estimated based on the past statistics and other relevant factors.

j) Reserve for losses on construction contracts

Reserve for losses on construction contracts is provided for the expected total losses to be realized in the following years on the construction contracts if (1) those losses are judged inevitable at current year-end and (2) reasonable estimation of the amounts of such losses is possible.

With regard to the construction contracts for which this reserve is recognized, if the year-end balances of their work-in-process already exceed their respective total contract revenues, the exceeding portion is recognized as the loss on devaluation of the work-in-process and, accordingly, is not included in the reserve for losses on construction contracts.

k) Reserve for legal claims

Reserve for legal claims is provided based on estimates of damage compensations and other expenses on legal claims.

l) Reserve for retirement allowance

Reserve for retirement allowance is provided for employees' retirement benefits. The amounts are based on the balances of retirement benefit obligations and estimated pension fund assets (including a retirement benefit trust) at the end of the fiscal year.

Prior service costs are either expensed as incurred or amortized by the straight-line method over the years shorter than the average remaining service period of employees.

Actuarial gains and losses for each year are amortized by the straight-line method, starting in the following year of incurrence, over the years shorter than the average remaining service period of employees.

m) Reserve for treatment of PCB waste

Reserve for treatment of PCB (Poly Chlorinated Biphenyl) waste is provided based on estimated costs of the treatment of PCB products and equipment.

n) Revenue recognition

With regard to construction contracts, the percentage-of-completion method is applied if reliable estimates of the (1) total costs on and revenues from a contract and (2) percentage of completion at the balance sheet date are available. In applying this method, the percentage of completion at the balance sheet date is estimated based on the costs incurred to date divided by the estimated total costs on the contracts. The completed-contract method is applied when the above conditions are not met.

o) Hedge Accounting

The principal method in applying the hedge accounting is deferral hedge accounting, where gains or losses on a hedging instrument are deferred (and recognized as a component of net assets, net of tax effect) until the losses or gains on the hedged item are recognized in the income statement.

The Group applies the "exceptional method for interest rate swaps" (hereinafter referred to as the "exceptional method") when the transactions meet the requirements of relevant accounting standards.

The "exceptional method" is applied when an interest rate swap (hedging instrument) with the corresponding conditions (e.g. principal amount, maturity and index) to the hedged item is concluded to fix the interest rate on the hedged item. Under this method, the amounts to be paid or received under the contract is added to or deducted from the interest; the fair value of the hedging instrument is not computed.

The Group evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and those on the hedged items from the commencement of the hedges.

(Change in accounting policy)

When foreign currency receivables or payables were covered by forward exchange contracts (excluding the cases where comprehensive forward exchange contracts were concluded with regard to build-to-stock products) and the transactions met the requirements of relevant accounting standards, the Group applied the "assigning method for foreign currency receivables or payables" until the year ended March 31, 2012. However, the Group has changed the accounting treatment of foreign currency receivables and payables to a regular method as a result of the revision of management policy on forward exchange contracts, which was made in line with the renewal of the business operating structure. The change was made effective the year ended March 31, 2013, when "2012 Business Plan" was implemented. The effect of this change was immaterial.

p) Tax-effect accounting

Deferred income taxes arise from temporary differences between the financial reporting and tax bases of assets and liabilities. They are accounted for under the asset and liability method, where the amounts of deferred income taxes are calculated using the future tax rates in effect when the temporary differences are recovered or settled.

Notes to Consolidated Financial Statements

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

q) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, demand deposits and short-term highly liquid investments with maturities of three months or less when purchased that have insignificant risk of changes in value.

r) Net income per share

The computation of basic net income per share is based on the net income available to common stockholders and the weighted average number of shares outstanding during each period.

Diluted net income per share is computed based on the assumption that all the share subscription rights are exercised at the beginning of the year (or issue date if later).

2. U.S. DOLLAR AMOUNTS

U.S. dollar amounts are included solely for convenience. These translations should not be construed as representations that the Japanese yen actually represent, or have been or could be converted into, U.S. dollars.

As the amounts shown in U.S. dollars are for convenience only, the rate of ¥94.05 = US$1 prevailing at March 31, 2013 is used for the purpose of the presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

3. FINANCIAL INSTRUMENTS

The carrying amounts on the consolidated balance sheet, fair values and the variance between them of financial instruments as of March 31, 2013 and 2012 are shown in the following table. The ones whose fair values are extremely difficult to determine are excluded from the following table and shown in Footnote 2. See Note 1 o) for the information on hedge accounting.

	In millions of yen			In thousands of U.S. dollars		
	2013			2013		
	Carrying Amount	Fair Value	Variance	Carrying Amount	Fair Value	Variance
(1) Cash and deposits	¥ 328,365	¥ 328,365	¥ –	$ 3,491,387	$ 3,491,387	$ –
(2) Trade receivables	931,469	931,469	–	9,903,976	9,903,976	–
(3) Securities and investment securities	183,083	243,146	60,062	1,946,656	2,585,284	638,617
Asset Items Total	¥1,442,918	¥1,502,980	¥60,062	$15,342,030	$15,980,648	$638,617
(4) Trade payables	663,451	663,451	–	7,054,237	7,054,237	–
(5) Short-term borrowings	154,014	154,014	–	1,637,575	1,637,575	–
(6) Bonds	250,000	260,183	10,183	2,658,160	2,766,432	108,272
(7) Long-term borrowings	627,224	645,459	18,235	6,669,048	6,862,934	193,886
Liability Items Total	¥1,694,689	¥1,723,108	¥28,418	$18,019,021	$18,321,190	$302,158
(8) Derivatives (*)	¥ (18,197)	¥ (18,197)	¥ –	$ (193,482)	$ (193,482)	$ –

(*) The derivatives positions shown are net amounts. The amounts in parentheses show liability balances.

	In millions of yen		
	2012		
	Carrying Amount	Fair Value	Variance
(1) Cash and deposits	¥ 262,287	¥ 262,287	¥ –
(2) Trade receivables	968,064	968,064	–
(3) Securities and investment securities	157,553	222,836	65,283
Asset Items Total	¥1,387,905	¥1,453,189	¥65,283
(4) Trade payables	651,101	651,101	–
(5) Short-term borrowings	152,344	152,344	–
(6) Bonds	319,900	330,120	10,220
(7) Long-term borrowings	684,902	707,013	22,110
Liability Items Total	¥1,808,248	¥1,840,579	¥32,330
(8) Derivatives (*)	¥ (1,432)	¥ (1,432)	¥ –

(*) The derivatives positions shown are net amounts. The amounts in parentheses show liability balances.

(Footnote 1) The computation method of the fair values of financial instruments.

(1) Cash and deposits
The book values are used as the fair values since all the deposits are short-term and the fair values are almost equal to the book values.
(2) Trade receivables
The book values are used as the fair values since a large portion of these are settled in a short period and the fair values could be deemed almost equal to the book values.
(3) Securities and investment securities
Market prices are used as the fair values.
(4) Trade payables; (5) Short-term borrowings
The book values are used as the fair values since they are settled in a short period and the fair values are almost equal to the book values.
(6) Bonds
Market prices are used as the fair values.
(7) Long-term borrowings
The present values of the principal and total interest (*) (discounted by the rate assumed to be applied to the new borrowings of the same conditions) are used as the fair values.
(*) As for the long-term borrowings to which the "exceptional method" for interest-rate swaps is applied, the principal and total interest according to the interest rate under the interest-rate swaps are used.
(8) Derivatives
See Note 5.

(Footnote 2) Financial instruments shown below are excluded from the above table because they do not have market prices and it is extremely difficult to determine their fair values.

	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Carrying amounts of unlisted securities	**¥114,543**	¥151,503	**$1,217,894**

(Footnote 3) The contractual maturities of monetary receivables and other securities at March 31, 2013 and 2012 were as follows:

	In millions of yen				In thousands of U.S. dollars			
	2013				2013			
	Due within one year	Due after one year through five years	Due after five years through 10 years	Due after 10 years	Due within one year	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and deposits	**¥ 326,731**	**¥ –**	**¥ –**	**¥–**	**$ 3,474,013**	**$ –**	**$ –**	**$–**
Trade receivables	**892,809**	**35,257**	**3,402**	**–**	**9,492,918**	**374,875**	**36,172**	**–**
Securities and investment securities								
Other securities								
Government bonds	**9**	**–**	**–**	**–**	**95**	**–**	**–**	**–**
Total	**¥1,219,550**	**¥35,257**	**¥3,402**	**¥–**	**$12,967,038**	**$374,875**	**$36,172**	**$–**

	In millions of yen			
	2012			
	Due within one year	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and deposits	¥ 261,722	¥ –	¥ –	¥–
Trade receivables	903,892	53,852	10,319	–
Securities and investment securities				
Other securities				
Government bonds	0	9	–	–
Total	¥1,165,615	¥53,862	¥10,319	¥–

Notes to Consolidated Financial Statements

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

4. SECURITIES

a) Breakdown of other securities with market value at March 31, 2013 and 2012

	In millions of yen			In thousands of U.S. dollars		
	2013			2013		
	Carrying amount	Acquisition cost	Unrealized gain (loss)	Carrying amount	Acquisition cost	Unrealized gain (loss)
i) Carrying amounts over acquisition costs:						
Equity securities	¥107,697	¥55,123	¥52,574	$1,145,103	$ 586,103	$559,000
Government bonds	0	0	0	0	0	0
Others	2	1	0	21	10	0
Subtotal	¥107,700	¥55,125	¥52,574	$1,145,135	$ 586,124	$559,000
ii) Acquisition costs over carrying amounts:						
Equity securities	¥ 34,593	¥42,675	¥ (8,081)	$ 367,814	$ 453,748	$ (85,922)
Government bonds	9	9	–	95	95	–
Others	5	5	(0)	53	53	(0)
Subtotal	¥ 34,608	¥42,690	¥ (8,082)	$ 367,974	$ 453,907	$ (85,933)
Total (i+ii)	¥142,308	¥97,816	¥44,492	$1,513,110	$1,040,042	$473,067

	In millions of yen		
	2012		
	Carrying amount	Acquisition cost	Unrealized gain (loss)
i) Carrying amounts over acquisition costs:			
Equity securities	¥ 79,346	¥32,400	¥ 46,945
Others	1	1	0
Subtotal	¥ 79,347	¥32,402	¥ 46,945
ii) Acquisition costs over carrying amounts:			
Equity securities	¥ 56,161	¥67,161	¥(10,999)
Government bonds	9	9	(0)
Others	4	5	(0)
Subtotal	¥ 56,175	¥67,176	¥(11,000)
Total (i+ii)	¥135,523	¥99,578	¥ 35,944

Footnote:If the market values of the securities decline substantially and if the Group judges that they have no chance of recovery, impairment losses on them are recognized and the acquisition costs of them are reduced by the same amounts.

b) Sales amounts of other securities with market value and related gains and losses for the years ended March 31, 2013 and 2012

	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Sales amounts	¥291	¥175,094	$3,094
Gains	161	46	1,711
Losses	–	–	–

c) Impairment losses on other securities with market value for the years ended March 31, 2013 and 2012

	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Impairment losses	¥1,968	¥2,351	$20,925

Securities with market value are judged as impaired when their market values decline from their book values by (i) 50% or more at the end of a fiscal year, or (ii) between 30% and 50% at four consecutive quarter ends (Q1-Q4) of a fiscal year.

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivatives for the purpose of reducing the risks mentioned below and does not enter into derivatives for speculative or trading purposes.

The derivative financial instruments which the Group utilizes are principally foreign currency forward and option contracts and interest rate swaps. The former is to hedge against the exchange rate risk on the receivables and payables denominated in foreign currencies and the latter is to fix the interest rate on certain long-term borrowings. See Note 1 o) for the information on hedge accounting.

The use of the derivatives is subject to the internal control policy; the objective of the derivatives transactions is limited to hedging against such risks as exchange rate risks and interest rate risks and their use is limited to the extent corresponding to actual business. Accordingly, the Group believes that market risks resulting from the change in exchange rates and interest rates are insignificant. The Group also believes that the risk of nonperformance by counterparties is insignificant because all the counterparties are banks with high credit ratings.

Summarized below are the notional amounts and the fair values of the derivative positions outstanding at March 31, 2013 and 2012.

1. Derivatives to which hedge accounting is not applied

Forward foreign exchange contracts (*1)

	In millions of yen			In thousands of U.S. dollars		
	2013			2013		
	Notional amount (*2)	Fair value	Unrealized gain (loss)	Notional amount (*2)	Fair value	Unrealized gain (loss)
Sell:						
US$	**¥164,306**	**¥181,837**	**¥(17,530)**	**$1,747,006**	**$1,933,407**	**$(186,390)**
Euro	**7,142**	**7,728**	**(585)**	**75,938**	**82,169**	**(6,220)**
Others	**950**	**967**	**(16)**	**10,101**	**10,281**	**(170)**
Total	**¥172,400**	**¥190,532**	**¥(18,132)**	**$1,833,067**	**$2,025,858**	**$(192,791)**

	In millions of yen		
	2012		
	Notional amount (*2)	Fair value	Unrealized gain (loss)
Sell:			
US$	¥26,030	¥26,873	¥ (842)
Euro	23,007	23,034	(26)
Others	4,533	4,792	(258)
Buy:			
Euro	18	18	(0)
Others	249	256	6
Total	¥53,303	¥54,425	¥(1,121)

(*1) The fair values of exchange contracts are based on forward exchange rates.
(*2) Notional amounts shown above are all due within one year.

2. Derivatives to which hedge accounting is applied

(1) Forward foreign exchange contracts (to which deferral hedge accounting is applied)

	In millions of yen			In thousands of U.S. dollars		
	2013			2013		
	Notional amount	Therein: portion due after one year	Fair value	Notional amount	Therein: portion due after one year	Fair value
Sell:(*1)						
US$	**¥2,851**	**¥–**	**¥3,007**	**$30,313**	**$–**	**$31,972**
Euro	**744**	**–**	**906**	**7,910**	**–**	**9,633**
Buy:(*2)						
US$	**299**	**–**	**355**	**3,179**	**–**	**3,774**
Euro	**4**	**–**	**5**	**42**	**–**	**53**
Others	**1,513**	**–**	**1,710**	**16,087**	**–**	**18,181**
Total	**¥1,778**	**¥–**	**¥1,843**	**$18,904**	**$–**	**$19,595**

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	In millions of yen		
	2012		
	Notional amount	Therein: portion due after one year	Fair value
Sell:(*1)			
US$	¥11,109	¥–	¥11,241
Euro	5,366	–	5,156
Others	3,730	–	3,813
Buy:(*2)			
US$	8,845	–	8,993
Euro	9,718	–	9,245
Others	4,597	–	4,616
Total	¥ (2,954)	¥–	¥ (2,643)

(*1) The hedged items on these derivatives are principally trade receivables.
(*2) The hedged items on these derivatives are principally trade payables.

(2) Forward foreign exchange contracts (to which the "assigning method" for foreign currency receivables or payables is applied)

	In millions of yen		
	2012		
	Notional amount	Therein: portion due after one year	Fair value
Sell:(*1)			
US$	¥ 2,440	¥ –	(*3)
Euro	10,132	–	(*3)
Others	145	–	(*3)
Buy:(*2)			
US$	1,612	9	(*3)
Euro	2,152	–	(*3)
Others	295	–	(*3)
Total	¥ 8,657	¥(9)	

(*1) The hedged items on these derivatives are principally trade receivables.
(*2) The hedged items on these derivatives are principally trade payables.
(*3) Since the "assigning method" for foreign currency receivables or payables was applied, the above contracts were treated as part of the hedged trade receivables/payables, thus their fair values are included in those of the trade receivables/payables, which are shown in Note 3.

(3) Interest rate swaps (to which the "exceptional method" for interest-rate swaps is applied) (*1)

	In millions of yen			In thousands of U.S. dollars		
	2013			**2013**		
Type of transactions	Notional amount	Therein: portion due after one year	Fair value	Notional amount	Therein: portion due after one year	Fair value
Fixed payment / variable receipt	**¥244,481**	**¥197,556**	**(*2)**	**$2,599,479**	**$2,100,542**	**(*2)**

	In millions of yen		
	2012		
	Notional amount	Therein: portion due after one year	Fair value
Fixed payment / variable receipt	¥251,001	¥186,556	(*2)

(*1) The hedged items on these derivatives are principally long-term borrowings.
(*2) Since the "exceptional method" for interest-rate swaps is applied, the above interest rate swaps are treated as part of the hedged long-term borrowings, thus their fair values are included in those of the long-term borrowings, which are shown in Note 3.

6. INCOME TAXES

The Group is subject to corporation income tax, inhabitants' tax and enterprise tax, based on income, which in the aggregate resulted in the statutory tax rate of approximately 37.8% and 40.5% for the years ended March 31, 2013 and 2012 respectively.

a) Significant components of deferred tax assets and liabilities at March 31, 2013 and 2012, which arose as a result of the recognition of the tax effect mentioned in Note 1 p), were as follows:

	In millions of yen		In thousands of U.S. dollars
	2013	2012	**2013**
Deferred tax assets:			
Reserve for retirement allowance	**¥ 92,022**	¥ 94,955	**$ 978,437**
Accrued expenses for product warranties	**45,773**	44,903	**486,687**
Accrued expenses for construction contracts	**38,994**	26,896	**414,609**
Tax loss carryforwards	**32,610**	28,799	**346,730**
Inventory write-downs	**17,345**	32,721	**184,423**
Reserve for losses on construction contracts	**13,076**	28,807	**139,032**
Others	**96,399**	112,108	**1,024,976**
Subtotal	**336,223**	369,191	**3,574,938**
Valuation allowance	**(76,296)**	(65,660)	**(811,228)**
Total gross deferred tax assets	**259,926**	303,530	**2,763,700**
Deferred tax liabilities:			
Gain on contribution of securities to retirement benefit trust	**(65,940)**	(68,146)	**(701,116)**
Reserve for reduction in costs of fixed assets	**(26,186)**	(27,404)	**(278,426)**
Net unrealized gains on investment securities	**(14,703)**	(16,621)	**(156,331)**
Others	**(14,712)**	(17,750)	**(156,427)**
Total gross deferred tax liabilities	**(121,542)**	(129,923)	**(1,292,312)**
Net deferred tax assets (liabilities)*	**¥138,383**	¥173,607	**$1,471,376**

*Net deferred tax assets (liabilities) at March 31, 2013 and 2012 are reflected in the consolidated balance sheets as follows:

	In millions of yen		In thousands of U.S. dollars
	2013	2012	**2013**
Deferred income taxes in current assets	**¥138,934**	¥180,747	**$1,477,235**
Deferred income taxes in investments and advances	**10,087**	11,180	**107,251**
Other liabilities in current liabilities	**(715)**	(488)	**(7,602)**
Deferred income taxes in non-current liabilities	**(9,922)**	(17,832)	**(105,497)**

b) Reconciliation of the statutory tax rate and the income tax rate as a percentage of income before income taxes and minority interests

	2013	2012
Statutory tax rate	Disclosure is omitted since the difference between the statutory tax rate and the income tax rate as a percentage of income before income taxes and minority interests was less than five percent of the statutory tax rate.	40.5%
Reconciliation:		
Items excluded from expenses		4.1
Items excluded from gross income		(2.1)
(Income) loss from equity method investments		(2.9)
Valuation allowance		12.5
Tax exemption for research and development expenses		(5.8)
Income taxes for previous periods		1.3
Reduction in deferred tax assets due to changes in statutory tax rate		16.3
Others		0.8
Income tax rate as a percentage of income before income taxes and minority interests		64.7%

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7. INTEREST-BEARING DEBTS AND LEASE OBLIGATIONS

a) Short-term interest-bearing debts at March 31, 2013 and 2012 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Short-term loans, principally from banks (with weighted-average interest rate of 0.8% at March 31, 2013)	¥154,014	¥152,344	$1,637,575
Current portion of long-term loans, principally from banks and insurance companies (with weighted-average interest rate of 1.5% at March 31, 2013)	150,171	131,713	1,596,714
Current portion of bonds	50,000	69,900	531,632
Total	¥354,185	¥353,957	$3,765,922

b) Bonds at March 31, 2013 and 2012 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Unsecured bonds issued by MHI:			
1.03% bonds due Jan 2013 (issued in Jan 2003)	¥ –	¥ 30,000	$ –
0.70% bonds due Jun 2013 (issued in Jun 2003)	50,000	50,000	531,632
2.04% bonds due Sep 2016 (issued in Sep 2006)	20,000	20,000	212,652
1.47% bonds due Sep 2012 (issued in Sep 2007)	–	39,900	–
1.69% bonds due Sep 2014 (issued in Sep 2007)	20,000	20,000	212,652
2.03% bonds due Sep 2017 (issued in Sep 2007)	60,000	60,000	637,958
0.688% bonds due Dec 2014 (issued in Dec 2009)	50,000	50,000	531,632
1.482% bonds due Dec 2019 (issued in Dec 2009)	50,000	50,000	531,632
Total	¥250,000	¥319,900	$2,658,160

The aggregate annual maturities of bonds at March 31, 2013 were as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2014 (= current portion)	¥ 50,000	$ 531,632
2015	70,000	744,284
2016	–	–
2017	20,000	212,652
2018	60,000	637,958
Thereafter	50,000	531,632
Non-current portion subtotal	200,000	2,126,528
Total	¥250,000	$2,658,160

c) Long-term borrowings at March 31, 2013 and 2012 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Non-current portion of long-term loans, principally from banks and insurance companies, due 2014 to 2030 (with weighted-average interest rate of 1.6% at March 31, 2013)	¥477,053	¥553,189	$5,072,333

The aggregate annual maturities of long-term borrowings at March 31, 2013 were as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2014 (= current portion)	¥150,171	$1,596,714
2015	181,745	1,932,429
2016	50,341	535,257
2017	48,255	513,078
2018	89,602	952,706
Thereafter	107,107	1,138,830
Non-current portion subtotal	477,053	5,072,333
Total	¥627,224	$6,669,048

d) Lease obligations at March 31, 2013 and 2012 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Current portion of lease obligations	¥ 2,340	¥ 2,177	$ 24,880
Non-current portion of lease obligations	8,441	8,218	89,750
Total	¥10,781	¥10,396	$114,630

8. PLEDGED ASSETS AND RELATED LIABILITIES

Assets pledged as collateral	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Property, plant and equipment	¥10,020	¥ 9,566	$106,539
Trade receivables	1,903	1,198	20,233
Others	359	363	3,817
Total	¥12,282	¥11,127	$130,590

Liabilities related to the assets pledged as collateral	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Long-term borrowings	¥3,137	¥3,985	$33,354
Short-term borrowings	1,372	1,084	14,587
Total	¥4,509	¥5,070	$47,942

9. CONTINGENT LIABILITIES

Contingent liabilities	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Guarantee obligations on such debts as borrowings from financial institutions by companies outside the MHI Group	¥55,238	¥62,034	$587,325

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10. RETIREMENT BENEFITS

The Group has several non-contributory defined benefit pension plans and severance indemnity plans, and there are occasions where employees receive special lump-sum payments at retirement. Contributions to the plans are funded in accordance with the applicable laws and regulations. See Note 1 l) for accounting polices and related information.

a) Benefit obligations and related information at March 31, 2013 and 2012 were as follows:

	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
① Retirement benefit obligations	¥(593,285)	¥(610,093)	$(6,308,187)
② Fair value of plan assets	529,425	492,091	5,629,186
③ Unfunded benefit obligations (①+②)	(63,859)	(118,002)	(678,989)
④ Unrecognized actuarial losses (gains)	100,860	160,268	1,072,408
⑤ Unrecognized prior service costs (credits)	(5)	(66)	(53)
⑥ Net benefit liability recognized on the consolidated balance sheets (③+④+⑤)	36,995	42,199	393,354
⑦ Prepaid pension expenses	88,899	89,202	945,231
⑧ Reserve for retirement allowance (⑥–⑦)	¥ (51,904)	¥ (47,002)	$ (551,876)

b) The components of net periodic retirement benefit expenses for the years ended March 31, 2013 and 2012 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Service cost	¥27,764	¥28,330	$ 295,204
Interest cost	11,819	12,262	125,667
Expected return on plan assets	(10,607)	(11,377)	(112,780)
Amortization of actuarial losses (gains)	23,585	21,789	250,770
Amortization of prior service costs (credits)	(76)	(270)	(808)
Retirement benefit expenses	¥52,486	¥50,734	$ 558,064

c) The principal assumptions used in determining the information above at March 31, 2013 and 2012 were as follows:

	2013	2012
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.4%	2.4%
Amortization period for prior service costs	Expensed as incurred or 9 to 18 years	Expensed as incurred or 9 to 15 years
Amortization period for actuarial gains and losses	9 to 21 years	9 to 19 years

11. GAIN ON SALES OF FIXED ASSETS

	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Land	¥3,295	¥23,447	$35,034
Others	862	4,896	9,165
Total	¥4,157	¥28,344	$44,199

12. BUSINESS STRUCTURE IMPROVEMENT EXPENSES

Business structure improvement expenses for the year ended March 31, 2013 consisted of business reorganization expenses relating to Machinery & Steel Infrastructure Systems business and Others.

Business structure improvement expenses for the year ended March 31, 2012 consisted of business reorganization expenses relating mainly to Shipbuilding & Ocean Development business, Power Systems business, Machinery & Steel Infrastructure Systems business and General Machinery & Special Vehicles business.

13. LOSS ON IMPAIRMENT OF FIXED ASSETS

The following is a description of the loss on impairment of fixed assets recognized in the year ended March 31, 2013.

a) Description of the impaired asset group
The impaired asset group consisted mainly of buildings and structures and machinery and transportation equipment for operating purpose which were located in Mie, Yamagata, etc.

b) Method of asset grouping
The principal unit of asset grouping is works. Basically, assets for rental purpose, idle assets and assets to be disposed of due to termination or transfer of some operation are each treated as separate asset groups.

c) Reason to recognize the impairment
Because some assets are going out of use in relation to the reorganization of some operation, their book values were written down to recoverable amounts.

d) Calculation method of recoverable amounts
Recoverable amounts are measured either by fair value less costs to sell or the value in use. The value in use is computed by discounting the future cash flows to be derived from the assets to the present value with the rate of 4.6%.

e) Impairment loss amount and the breakdown

Breakdown by the income statement accounts	In millions of yen 2013	In thousands of U.S. dollars 2013
"Business structure improvement expenses" under extraordinary loss	¥4,557	$48,452
"Other expenses" under non-operating expenses	2,504	26,624
Total	¥7,062	$75,087

Breakdown by the category of the fixed assets	In millions of yen 2013	In thousands of U.S. dollars 2013
Buildings and structures	¥3,583	$38,096
Machinery and transportation equipment	2,295	24,401
Tools, equipment and furniture, etc.	1,183	12,578
Total	¥7,062	$75,087

The following is a description of the loss on impairment of fixed assets recognized in the year ended March 31, 2012.

a) Description of the impaired asset group
The impaired asset group consisted mainly of machinery and transportation equipment and land for operating purpose which were located in Nagasaki, Fukuoka, etc.

b) Method of asset grouping
The principal unit of asset grouping is works. Basically, assets for rental purpose, idle assets and assets to be disposed of due to termination or transfer of some operation are each treated as separate asset groups.

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c) Reason to recognize the impairment
Because some assets are going out of use in relation to the reorganization of some operation, their book values were written down to recoverable amounts.

d) Calculation method of recoverable amounts
Recoverable amounts are measured either by fair value less costs to sell or the value in use. The value in use is computed by discounting the future cash flows to be derived from the assets to the present value with the rate of 3.5%.

e) Impairment loss amount and the breakdown

In millions of yen

Breakdown by the income statement accounts	2012
"Business structure improvement expenses" under extraordinary loss	¥5,150
"Other expenses" under non-operating expenses	1,841
Total	¥6,992

In millions of yen

Breakdown by the category of the fixed assets	2012
Machinery and transportation equipment	¥3,823
Land	2,193
Buildings and structures, etc.	975
Total	¥6,992

14. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Reclassification adjustments and tax effect on other comprehensive income (loss) for the years ended March 31, 2013 and 2012 were as follows:

	In millions of yen		In thousands of U.S. dollars
	2013	2012	**2013**
Net unrealized gains (losses) on investment securities			
Gains (losses) arising during the year	**¥10,527**	¥(11,223)	**$111,929**
Reclassification adjustments	**1,806**	2,305	**19,202**
Net unrealized gains (losses) on investment securities, before tax	**12,334**	(8,918)	**131,143**
Deferred taxes relating to net unrealized gains (losses) on investment securities	**(2,702)**	5,310	**(28,729)**
Net unrealized gains (losses) on investment securities, net of tax	**9,631**	(3,607)	**102,402**
Deferred gains (losses) on hedges			
Gains (losses) arising during the year	**(356)**	(1,283)	**(3,785)**
Reclassification adjustments	**598**	2,124	**6,358**
Deferred gains (losses) on hedges, before tax	**241**	840	**2,562**
Deferred taxes relating to deferred gains (losses) on hedges	**(4)**	(291)	**(42)**
Deferred gains (losses) on hedges, net of tax	**236**	549	**2,509**
Foreign currency translation adjustments			
Gains (losses) arising during the year	**25,993**	9,455	**276,374**
Reclassification adjustments	**(354)**	–	**(3,763)**
Foreign currency translation adjustments	**25,638**	9,455	**272,599**
Share of other comprehensive income (loss) of entities accounted for using the equity method			
Gains (losses) arising during the year	**10,575**	(1,650)	**112,440**
Reclassification adjustments	**(27)**	(400)	**(287)**
Share of other comprehensive income (loss) of entities accounted for using the equity method, net of tax	**10,547**	(2,051)	**112,142**
Changes in equity interest			
Gains (losses) arising during the year	**1,725**	–	**18,341**
Other comprehensive income (loss), net of tax	**¥47,780**	¥(14,565)	**$508,027**

15. CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

a) Total number of shares issued and treasury stock at March 31, 2013 and 2012 were as follows:

	Type of shares	At March 31, 2012	Increase by March 31, 2013	Decrease by March 31, 2013	At March 31, 2013
Total number of shares issued	Common stock	3,373,647,813	–	–	3,373,647,813
Treasury stock	Common stock	18,546,244	29,758	121,164	18,454,838

(1) Reason for increase of treasury stock

Repurchasing of shares that were less than the minimum trading unit	29,758

(2) Reason for decrease of treasury stock

Disposal resulting from the exercise of share subscription rights, which were issued for the purpose of providing stock options	119,000
Disposal resulting from purchase request from shareholders who have some shares that were less than the minimum trading unit	2,164
Total	121,164

b) Cash dividends

(1) Cash dividends paid

Resolution	Type of shares	Record date	Effective date	Cash dividends per share: In yen	Cash dividends per share: In U.S. dollars	Total cash dividends paid: In millions of yen	Total cash dividends paid: In thousands of U.S. dollars
June 21, 2012 Ordinary General Meeting of Shareholders	Common stock	March 31, 2012	June 22, 2012	¥3	$0.0319	¥10,065	$107,017
October 31, 2012 Board of Directors	Common stock	September 30, 2012	December 5, 2012	¥3	$0.0319	¥10,065	$107,017
Total						¥20,131	$214,045

(2) Dividends of which record date is within this fiscal year but the effective date is within next fiscal year

Resolution	Type of shares	Record date	Effective date	Cash dividends per share: In yen	Cash dividends per share: In U.S. dollars	Total cash dividends paid: In millions of yen	Total cash dividends paid: In thousands of U.S. dollars
June 26, 2013 Ordinary General Meeting of Shareholders	Common stock	March 31, 2013	June 27, 2013	¥5	$0.0532	¥16,776	$178,373

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16. SHARE-BASED COMPENSATION PLANS

MHI has the following share-based compensation plans for the directors and corporate executive officers.

The share-based compensation expenses, which amounted to 424 million yen ($4,508 thousand) in the year ended March 31, 2013 and 364 million yen in the year ended March 31, 2012, are included in selling, general and administrative expenses.

a) Conditions for issue of stock options

	Stock options (4th grant)	Stock options (5th grant)	Stock options (6th grant)	Stock options (7th grant)	Stock options (8th grant)	Stock options (9th grant)	Stock options (10th grant)	Stock options (11th grant)
Grantee (Number of individuals)	Directors & executive officers (25)	Directors & executive officers (30)	Directors & executive officers (33)	Executive officers (2)	Directors & executive officers (33)	Directors & executive officers (35)	Directors & executive officers (38)	Directors & executive officers (40)
Number of shares	663,000	400,000	806,000	46,000	1,109,000	1,259,000	1,364,000	1,632,000
Type of share	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock
Grant date	August 17, 2006	August 16, 2007	August 18, 2008	February 20, 2009	August 17, 2009	August 17, 2010	December 15, 2011	August 16, 2012
Exercise period (from)	August 18, 2006	August 17, 2007	August 19, 2008	February 21, 2009	August 18, 2009	August 18, 2010	December 16, 2011	August 17, 2012
(to)	June 28, 2036	August 16, 2037	August 18, 2038	February 20, 2039	August 17, 2039	August 17, 2040	December 15, 2041	August 16, 2042

b) Activities of stock options in the year ended March 31, 2013

	Number of shares							
	Stock options (4th grant)	Stock options (5th grant)	Stock options (6th grant)	Stock options (7th grant)	Stock options (8th grant)	Stock options (9th grant)	Stock options (10th grant)	Stock options (11th grant)
Unexercised at March 31, 2012	562,000	348,000	788,000	46,000	1,109,000	1,259,000	1,364,000	–
Granted	–	–	–	–	–	–	–	1,632,000
Vested	–	–	–	–	–	–	–	1,632,000
Exercised	73,000	–	20,000	–	–	3,000	23,000	–
Expired	–	–	–	–	–	–	–	–
Unexercised at March 31, 2013	489,000	348,000	768,000	46,000	1,109,000	1,256,000	1,341,000	1,632,000

c) Price per share

	In yen							
	Stock options (4th grant)	Stock options (5th grant)	Stock options (6th grant)	Stock options (7th grant)	Stock options (8th grant)	Stock options (9th grant)	Stock options (10th grant)	Stock options (11th grant)
Weighted-average exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Weighted-average market share price when the share subscription rights were exercised in the year ended March 31, 2013	406	–	304	–	–	334	312	–
Grant date fair value	443	644	471	194	294	258	267	260

	In U.S. dollars							
	Stock options (4th grant)	Stock options (5th grant)	Stock options (6th grant)	Stock options (7th grant)	Stock options (8th grant)	Stock options (9th grant)	Stock options (10th grant)	Stock options (11th grant)
Weighted-average exercise price	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01
Weighted-average market share price when the share subscription rights were exercised in the year ended March 31, 2013	4.32	–	3.23	–	–	3.55	3.32	–
Grant date fair value	4.71	6.85	5.01	2.06	3.13	2.74	2.84	2.76

d) Estimate method of fair value of stock options
The fair value of stock options granted in the year ended March 31, 2013 was estimated using the Black-Scholes option-pricing model with the following assumptions.

	Stock options (11th grant)
Expected volatility *1	37.728%
Expected life of option *2	15 years
Expected dividends *3	¥6 ($0.064) per share
Risk-free interest rate *4	1.389%

(*1) Estimated based on the actual share prices of 15 years (August 16, 1997 - August 16, 2012).
(*2) Calculated on the assumption that the share subscription rights would be excised at the middle point of the exercise period.
(*3) Actual cash dividends for the year ended March 31, 2012
(*4) Yield of Japanese government bonds with the same years to maturity as the above expected life of option.

e) Estimate method of the number of vested share subscription rights
All of the share subscription rights were vested when granted.

17. CASH AND CASH EQUIVALENTS

"Cash and cash equivalents at end of year" in the statements of cash flows for the years ended March 31, 2013 and 2012 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2013	2012	**2013**
Cash and deposits	**¥328,365**	¥262,287	**$3,491,387**
Time deposits with maturities over three months	**(8,938)**	(7,682)	**(95,034)**
Total	**¥319,426**	¥254,605	**$3,396,342**

18. RESEARCH AND DEVELOPMENT EXPENSES

	In millions of yen		In thousands of U.S. dollars
	2013	2012	**2013**
Research and development expenses	**¥120,040**	¥121,420	**$1,276,342**

19. ACCUMULATED DEPRECIATION

	In millions of yen		In thousands of U.S. dollars
	2013	2012	**2013**
Accumulated depreciation of property, plant and equipment	**¥1,800,938**	¥1,754,645	**$19,148,729**

20. ASSET RETIREMENT OBLIGATIONS

When the Group disposes of certain assets belonging to nuclear energy business, those assets are required to be treated with a special care as radioactive wastes. In principle, the Group recognizes asset retirement obligations on those assets. With regard to some of those assets, however, the Group does not recognize asset retirement obligations because estimation of necessary costs to dispose of them is not available due to the fact that the technology necessary to dismantle or dispose of them and the legislation on how they should be disposed of have been developed only partially. Those assets include the facilities conducting research and development concerning the safeness of constituting material of reactors, nuclear fuel and so on.

Notes to Consolidated Financial Statements

Mitsubishi Heavy Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

21. SIGNIFICANT AFFILIATES

Disclosure of condensed consolidated financial statements of significant affiliates under statutory criteria is required. Caterpillar Japan Ltd. was a significant affiliate in the year ended March 31, 2012.

	In millions of yen
Caterpillar Japan Ltd.	2012
Total current assets	¥202,290
Total non-current assets	91,291
Total current liabilities	181,544
Total non-current liabilities	16,189
Total net assets	95,847
Sales	453,684
Income before income taxes and minority interests	22,372
Net income	¥ 15,108

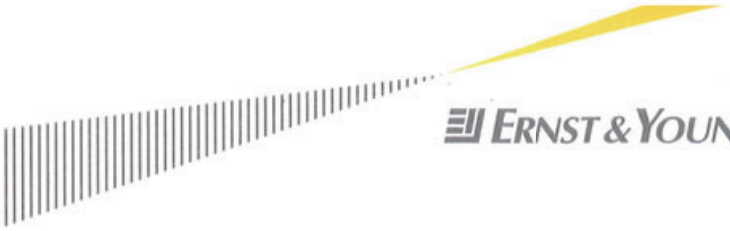
22. SUBSEQUENT EVENT

On June 11, 2013, MHI concluded a basic integration agreement and a joint venture agreement in relation to the business integration centered on the thermal power generation systems (hereinafter referred to as the "Definitive Agreements") with Hitachi, Ltd. (hereinafter referred to as "Hitachi"). The Definitive Agreements, concluded in line with a basic agreement concluded on November 29, 2012 between MHI and Hitachi with a view to enhancing the thermal power generation systems business, contain the terms and conditions on the business integration. The following is a summary of the agreement on the business integration.

(1) Schedule and method of the business integration
MHI will set up a new legal entity that will succeed the business under the agreements (hereinafter referred to as the "Integrated Company") first. Then, effective January 1, 2014, MHI and Hitachi each will transfer the business under the agreements to the Integrated Company mainly by way of absorption-type company split.

(2) Percentage of shareholding in the Integrated Company
MHI and Hitachi will hold 65% and 35%, respectively, of the shares in the Integrated Company.

Independent Auditor's Report



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Independent Auditor's Report

The Board of Directors
Mitsubishi Heavy Industries, Ltd.

We have audited the accompanying consolidated financial statements of Mitsubishi Heavy Industries, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Heavy Industries, Ltd. and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 22 to the consolidated financial statements, which describes that Mitsubishi Heavy Industries, Ltd. concluded an agreement in relation to the business integration centered on the thermal power generation systems with Hitachi, Ltd. on June 11, 2013. Our opinion is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young Shinnihon LLC

June 26, 2013

MHI's Worldwide Network

The Most Sophisticated Embodiments of the Most Advanced Technologies: What the World Needs

MHI markets engineering excellence to the world through twelve overseas offices, and subsidiaries throughout the world.
Our global activities include expanding our production sites and sales networks to meet worldwide needs.
Those efforts do not stop with providing the world with MHI products.
We also emphasize international exchanges in the areas of technology and training.

Energy

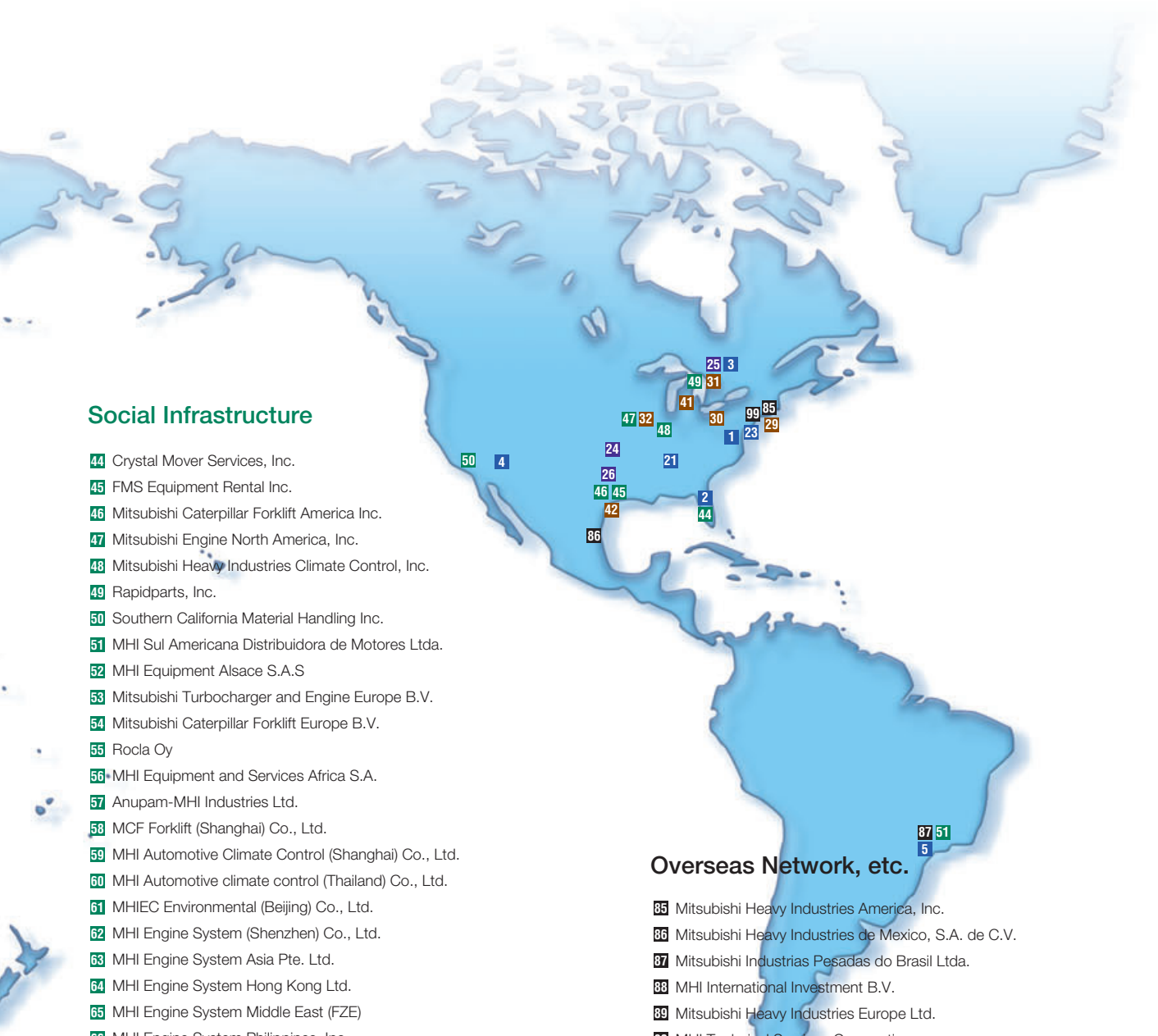
1. Mitsubishi Nuclear Energy Systems, Inc.
2. Mitsubishi Power Systems Americas, Inc.
3. MPS Canada, Inc.
4. VienTek, LLC
5. CBC Industrias Pesadas S.A.
6. Artemis Intelligent Power, Ltd.
7. Bulgarian Wind Farm AD
8. Diamond GT Service Europe S.r.l.
9. Kaliakra Wind Power AD
10. Maintenance Partners, NV
11. MHI Engineering Vienna GmbH
12. Mitsubishi Power Systems Europe, Ltd.
13. MHI Power Systems Egypt, LLC
14. MHI Shenyang Pump Engineering Co., Ltd.
15. Mitsubishi Heavy Industries BFG Gas Turbine Service (Nanjing) Co., Ltd.
16. Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.
17. Mitsubishi Power Systems India Private, Ltd.
18. Mitsubishi Power Systems (Thailand) Ltd.
19. PT.MPS Indonesia
20. PT.Possi
21. American Eco Coal, Inc.
22. NanJing TianLing Energy Technology Co., Ltd. (TET)
23. PW Power Systems, Inc.

Aerospace

24. Intercontinental Jet Service Corporation
25. MHI Canada Aerospace Inc.
26. Mitsubishi Aircraft Corporation America, Inc.
27. Mitsubishi Aircraft Corporation Europe, B.V.
28. MHI Aerospace Vietnam Co., Ltd.

Industrial Infrastructure

29. MHCG, Inc. (New Gencoat, Inc.)
30. Mitsubishi-Hitachi Metals Machinery USA, Inc.
31. MLP Canada Ltd.
32. MLP U.S.A., Inc.
33. MCO Saudi Arabia, LLC
34. MHI Engineering and Industrial Projects India Private Ltd.
35. MHI Industrial Engineering & Services Private Ltd.
36. MHI Machine Tool (H.K.) Ltd.
37. Mitsubishi Heavy Industries India Precision Tools, Ltd.
38. Mitsubishi Heavy Industries (Changshu) Machinery Co., Ltd.
39. Mitsubishi-Hitachi Metals Machinery (Shanghai) Co., Ltd.
40. Mitsubishi-Hitachi Metals Machinery South Asia Private Ltd.
41. Federal Broach Holdings, LLC
42. MHI Compressor International Corporation
43. Changzhou Baoling Heavy & Industrial Machinery Co., Ltd.



Social Infrastructure

44 Crystal Mover Services, Inc.
45 FMS Equipment Rental Inc.
46 Mitsubishi Caterpillar Forklift America Inc.
47 Mitsubishi Engine North America, Inc.
48 Mitsubishi Heavy Industries Climate Control, Inc.
49 Rapidparts, Inc.
50 Southern California Material Handling Inc.
51 MHI Sul Americana Distribuidora de Motores Ltda.
52 MHI Equipment Alsace S.A.S
53 Mitsubishi Turbocharger and Engine Europe B.V.
54 Mitsubishi Caterpillar Forklift Europe B.V.
55 Rocla Oy
56 MHI Equipment and Services Africa S.A.
57 Anupam-MHI Industries Ltd.
58 MCF Forklift (Shanghai) Co., Ltd.
59 MHI Automotive Climate Control (Shanghai) Co., Ltd.
60 MHI Automotive climate control (Thailand) Co., Ltd.
61 MHIEC Environmental (Beijing) Co., Ltd.
62 MHI Engine System (Shenzhen) Co., Ltd.
63 MHI Engine System Asia Pte. Ltd.
64 MHI Engine System Hong Kong Ltd.
65 MHI Engine System Middle East (FZE)
66 MHI Engine System Philippines, Inc.
67 MHI Engine System Vietnam Co., Ltd.
68 MHI Residential Air-Conditioners (Shanghai) Co., Ltd.
69 MHI Turbo Engineering Co. (Shanghai)
70 MHI-Pornchai Machinery Co., Ltd.
71 MHI-VST Diesel Engines Private Ltd.
72 Mitsubishi Caterpillar Forklift Asia Pte Ltd.
73 Mitsubishi Heavy Industries Air-conditioners Australia, Pty. Ltd.
74 Mitsubishi Heavy Industries Air-conditioners (Shanghai) Co., Ltd.
75 Mitsubishi Heavy Industries Forklift (Dalian) Co., Ltd.
76 Mitsubishi Heavy Industries-Haier (Qingdao) Air-Conditioners Co., Ltd.
77 Mitsubishi Heavy Industries Jieneng (Qingdao) Steam Turbine Co., Ltd.
78 Mitsubishi Heavy Industries-Jinling Air-Conditioners Co., Ltd.
79 Mitsubishi Heavy Industries-Mahajak Air Conditioners Co., Ltd.
80 Mitsubishi Turbocharger Asia Co., Ltd.
81 PT. MHI Engine System Indonesia
82 Thai Compressor Manufacturing Co., Ltd.
83 Shanghai MHI Engine Co., Ltd. (SME)
84 Shanghai MHI Turbocharger Co., Ltd. (SMTC)

Overseas Network, etc.

85 Mitsubishi Heavy Industries America, Inc.
86 Mitsubishi Heavy Industries de Mexico, S.A. de C.V.
87 Mitsubishi Industrias Pesadas do Brasil Ltda.
88 MHI International Investment B.V.
89 Mitsubishi Heavy Industries Europe Ltd.
90 MHI Technical Services Corporation
91 Mitsubishi Heavy Industries (China) Co., Ltd.
92 Mitsubishi Heavy Industries (Shanghai) Co., Ltd.
93 Mitsubishi Heavy Industries (Thailand) Ltd.
94 Mitsubishi Heavy Industries Australia, Pty Ltd.
95 Mitsubishi Heavy Industries India Private Ltd.
96 Mitsubishi Heavy Industries Korea, Ltd.
97 Mitsubishi Heavy Industries Philippines, Inc.
98 Mitsubishi Heavy Industries, (Hong Kong) Ltd.
99 MHI Capital America, Inc.

Overseas Offices

100 Representative Office for Asia Pacific
101 Moscow Liaison Office
102 Kiev Liaison Office
103 Istanbul Liaison Office
104 Dubai Office
105 Abu Dhabi Office
106 Johannesburg Office
107 Taipei Office
108 Hanoi Liaison Office
109 Ho Chi Minh City Liaison Office
110 Kuala Lumpur Liaison Office
111 Jakarta Liaison Office

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