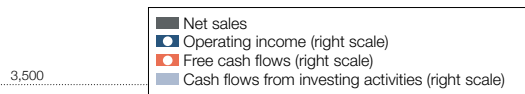


# MANAGEMENT REFORM IN RECENT YEARS: SUCCESSES AND CHALLENGES

Affected by the stagnant growth of the Japanese economy and the global financial crisis from 2007, our 2010 Medium-Term Business Plan called for us to embark on full-fledged management reform to achieve global growth. Building on the successes of measures we pursued steadily under the 2010 and 2012 Medium-Term Business Plans, net sales grew and profitability increased. Furthermore, since fiscal 2010 our cash flow has increased significantly. In the six years from fiscal 2010 through fiscal 2015, we amassed cumulative free cash flow of more than

Billions of yen

4,000



3,500

3,000

2,500

2,000

1,500

1,000

500

0

(FY) 2004

2005

2006

2007

2008

2009

2004 Medium-Term Business Plan

2006 Medium-Term Business Plan

2008 Medium-Term Business Plan

Management Reform Policies

## 1 Expanding Our Business Scale

In order to win out in competition against megaplayers around the world, we are making maximum use of our management resources and expanding our business scale by promoting business alliances, mergers, and acquisitions.

## 2 Increasing Profitability and Capital Efficiency

By clarifying the profitability of each business through thorough selection and focus, we are improving capital efficiency and promoting cash flow management.

## 3 Transforming the Corporate Governance System

Aiming to establish corporate governance appropriate to a global enterprise, we are separating the business execution and supervisory functions while reinforcing both.

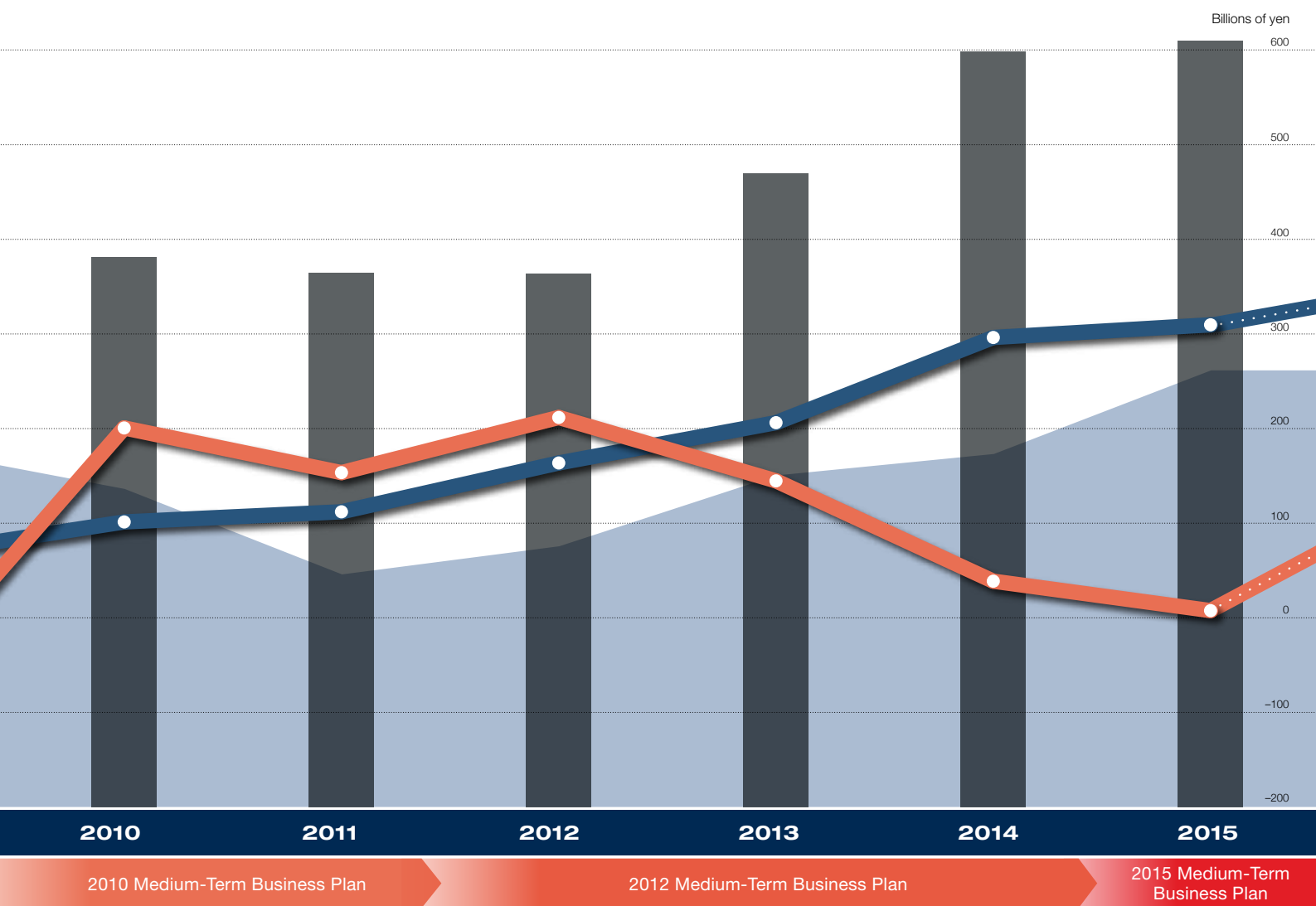
¥700 billion. We expect to generate an additional ¥130 billion in free cash flow in fiscal 2016.

At the same time, we have pushed forward with reforms to our corporate governance system to make corporate functions more efficient and our decision-making more expeditious and transparent.

However, our strategies for global growth have entailed increases in risk that we had not yet faced, some of which are being materialized. A large cruise ship project aimed at being a high-value-added business has generated cumulative losses of

approximately ¥230 billion since fiscal 2013. Also, development is exceedingly protracted in our Mitsubishi Regional Jet (MRJ) business—the first Japanese development of a passenger jet aircraft in half a century.

Furthermore, the new medium-term business plan that we started in 2015 has faced headwinds, such as slowing economic growth in China which has resulted in global oversupplies and sluggish crude oil prices. Macroeconomic growth has accordingly slowed, particularly in emerging countries.



Transitioned to a business headquarters structure

Transitioned to a business domain structure

Established Mitsubishi Hitachi Power Systems

Established Primetals Technologies

Introduced ROE as a management indicator

Launched a strategic business evaluation system

Reducing the number of directors and increasing the number of outside directors on an ongoing basis

Introduced a chief officer system

Transitioned to a company with an Audit and Supervisory Committee