Aerospace Systems Business Operation

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MITSUBISHI HEAVY INDUSTRIES, LTD.

Contents

1. FY2010 Overview

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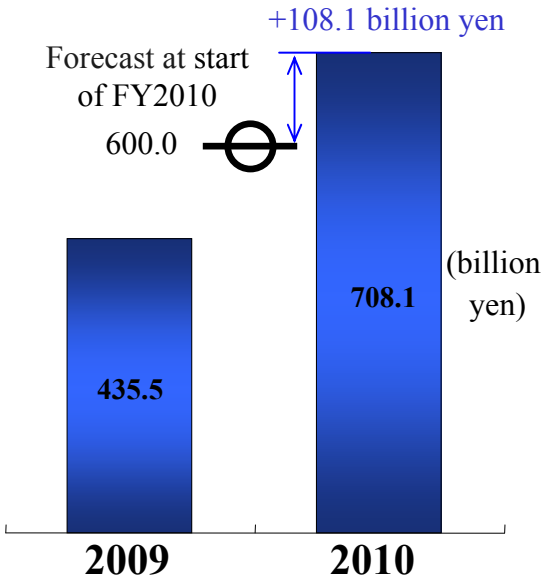
Orders

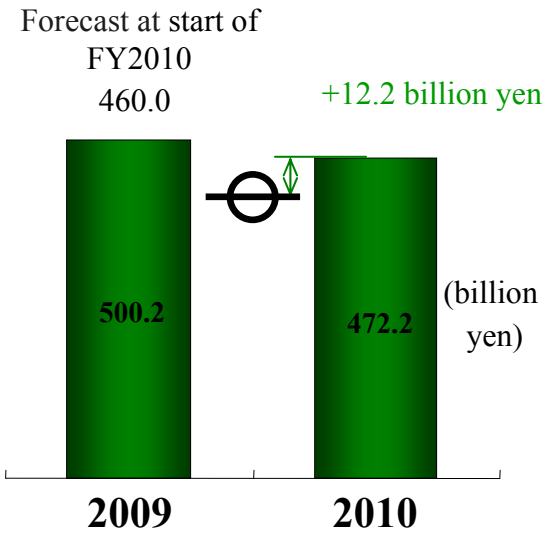
Increase of 272.6 billion yen from previous fiscal year by the increase of MRJ and defense related products.
(+108.1 billion yen compared to plans at start of the period)



Sales

Decrease of 28.0 billion yen from previous fiscal year
(+12.2 billion yen compared to plans at start of the period)

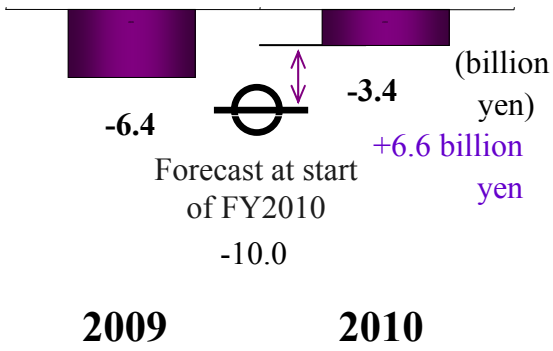
- Aircraft deliveries
B777 63 airplanes
(-19 planes YOY)
B787 17 airplanes
(+2 planes YOY)



Operating income

Deficit reduction by 3 billion yen from previous fiscal year (+6.6 billion yen compared to plans at start of the period)

Despite the impact of the high yen trend on foreign exchange rate, the deficit was reduced from the previous year by improving profitability of commercial aircraft.



2. Changes in the Business Environment and Target of the 2010 Business Plan (1) Overview of the Aircraft Business

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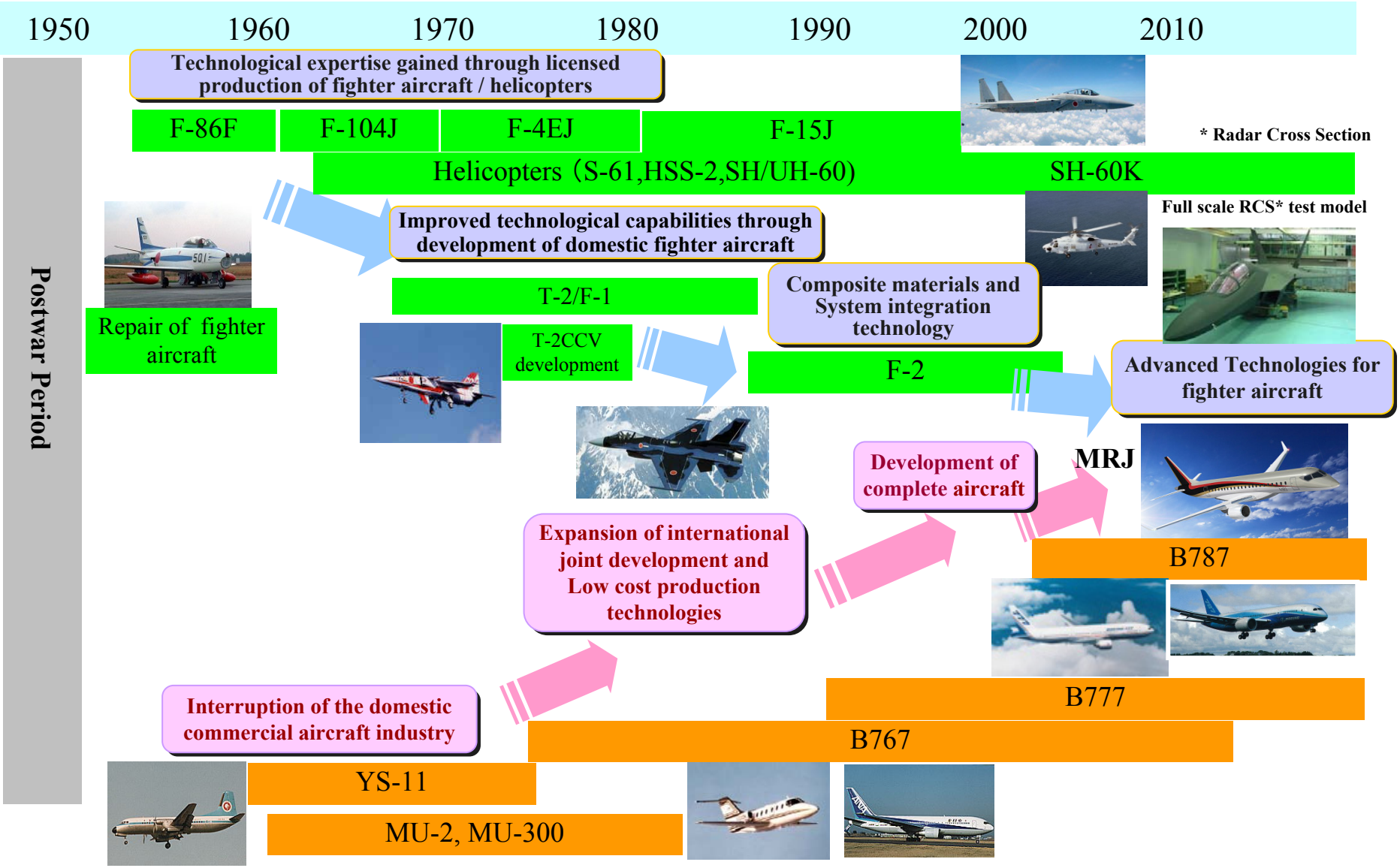
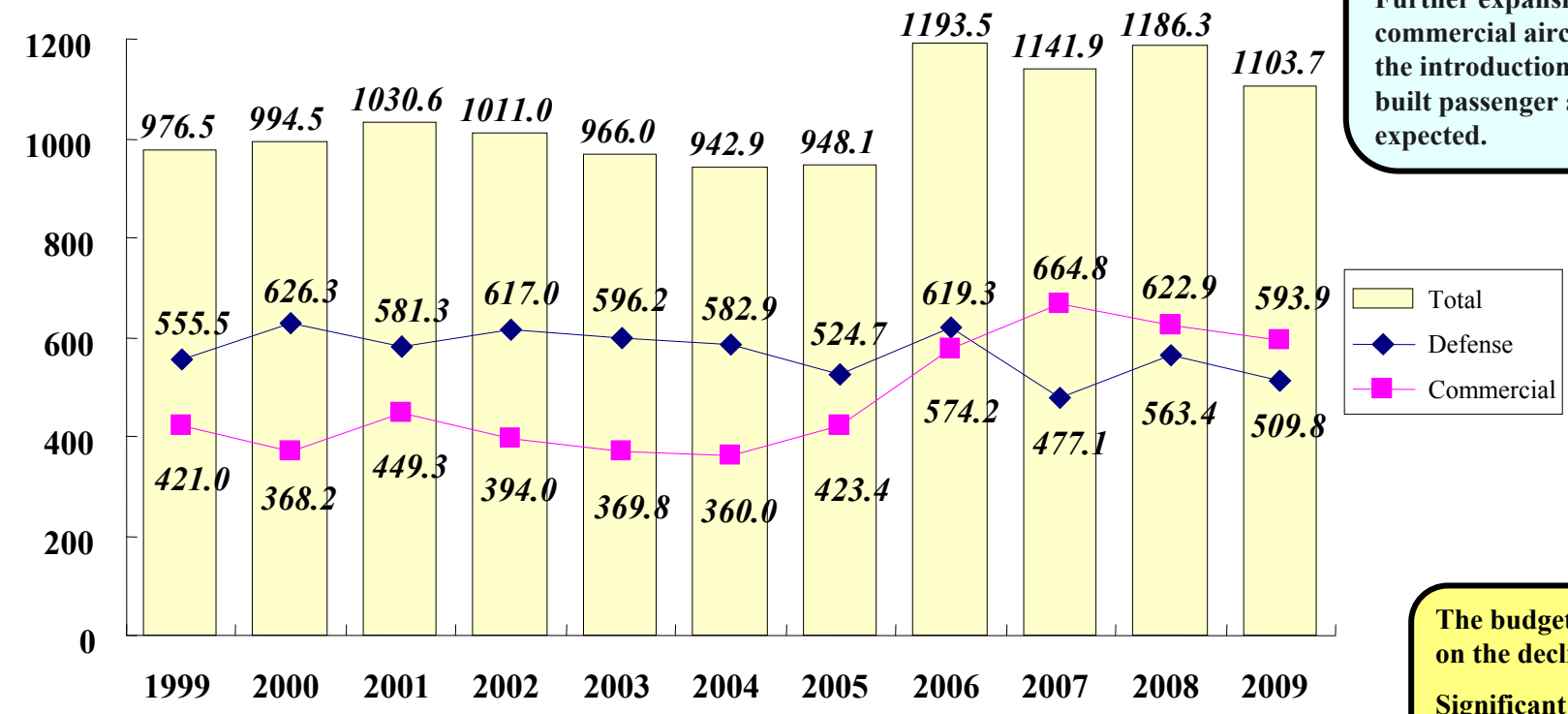


(2) Changes in the Business Environment

Production in the Japanese aircraft industry

In 2007, commercial aircraft production exceeded defense.



In the next 20 years, demand for passenger aircraft will grow 2.5 times in the world. Further expansion of commercial aircraft market by the introduction of Japanese-built passenger airplanes is expected.

The budget for defense is on the decline.

Significant demand growth could not be expected in the future.

Based on the results of a survey by The Society of Japanese Aerospace Companies

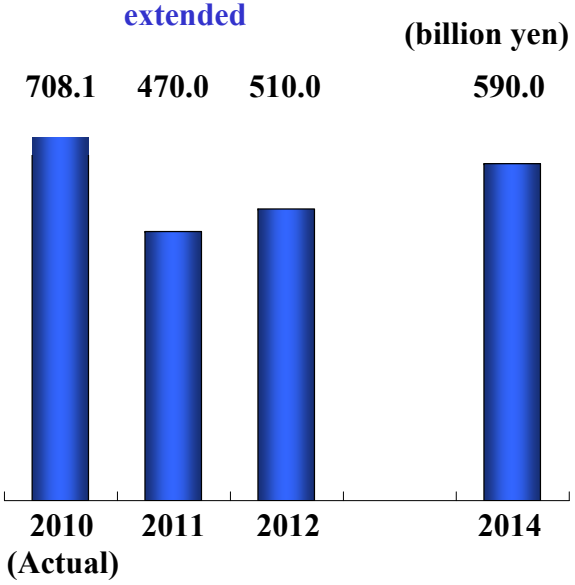
(3) Target of the 2010 Business Plan

Orders received

590 billion yen for FY2014

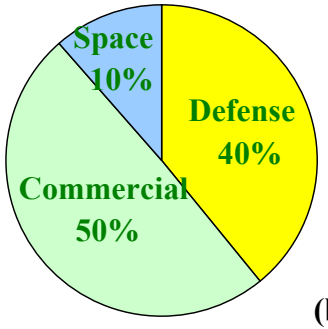
Market Demand

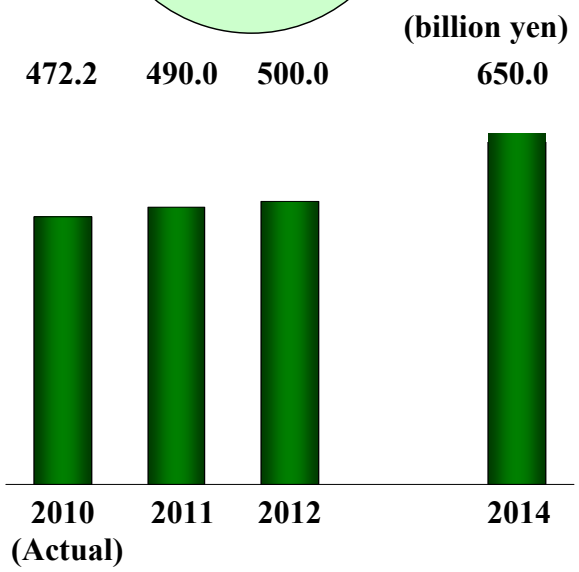
- Defense: Flat ~ gradually decreasing
- Commercial: Recovering, Long-term growth
- Space: Operating period for International Space Station extended



Net Sales

650 billion yen for FY2014

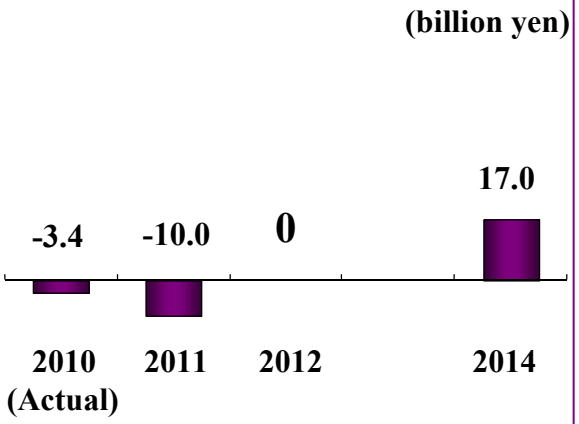




Operating income

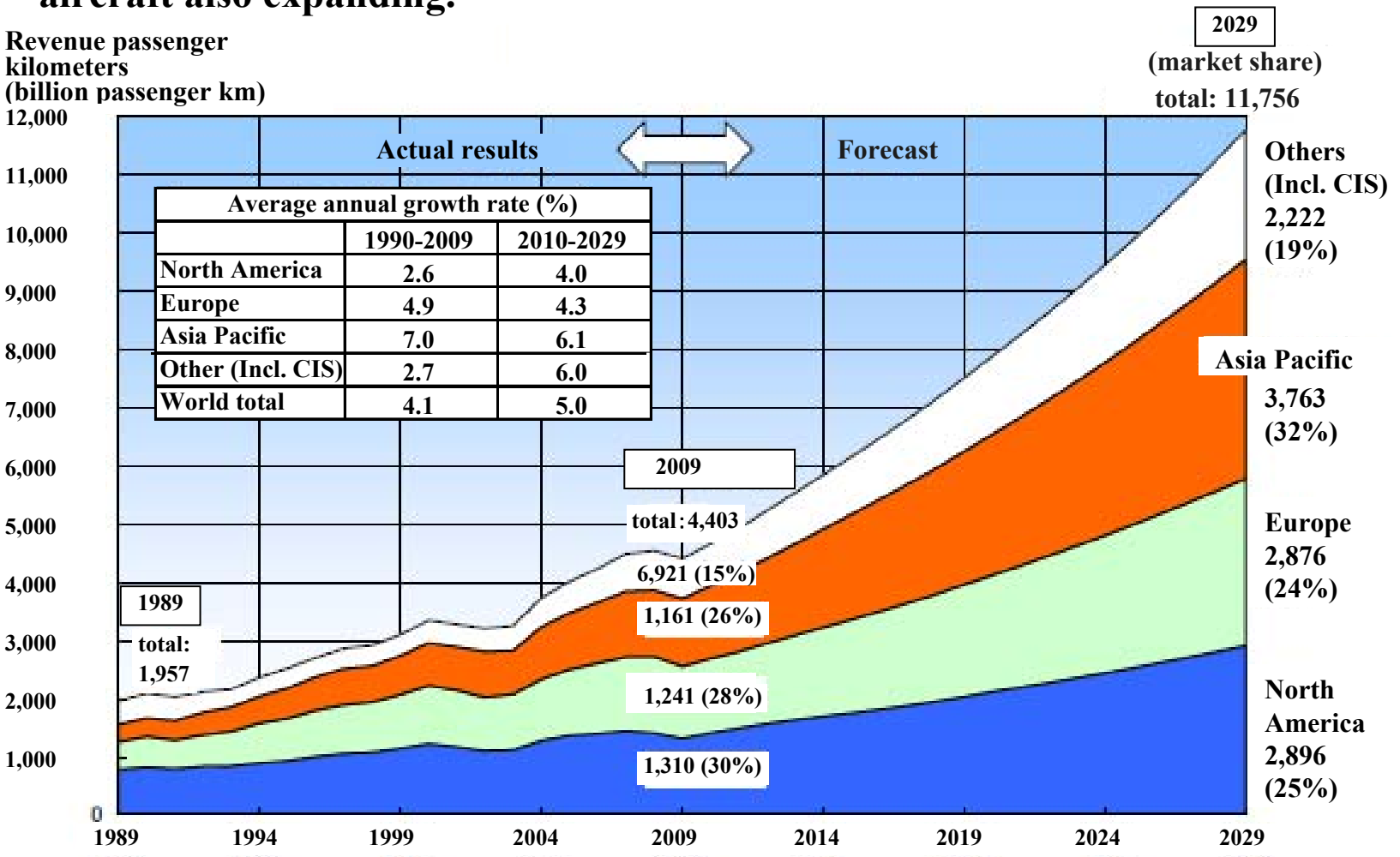
17 billion yen for FY2014 (Increase of 20.4 billion yen from 2010)

-Cost reduction activities to improve near-term profitability
- Upturn of B787 profitability by sales increase and initial investments completion.



3. FY2011 Business Operation Policy
(1) Commercial Aircraft (i) Demand for Aircraft Passengers

Demand for international aircraft passengers: High growth expected in the long term (more than 2.5 times in 20 years). Demand for commercial aircraft also expanding.



Source: Japan Aircraft Development Corporation

(ii) Market Trend by Airplane Size (Number of Seats)

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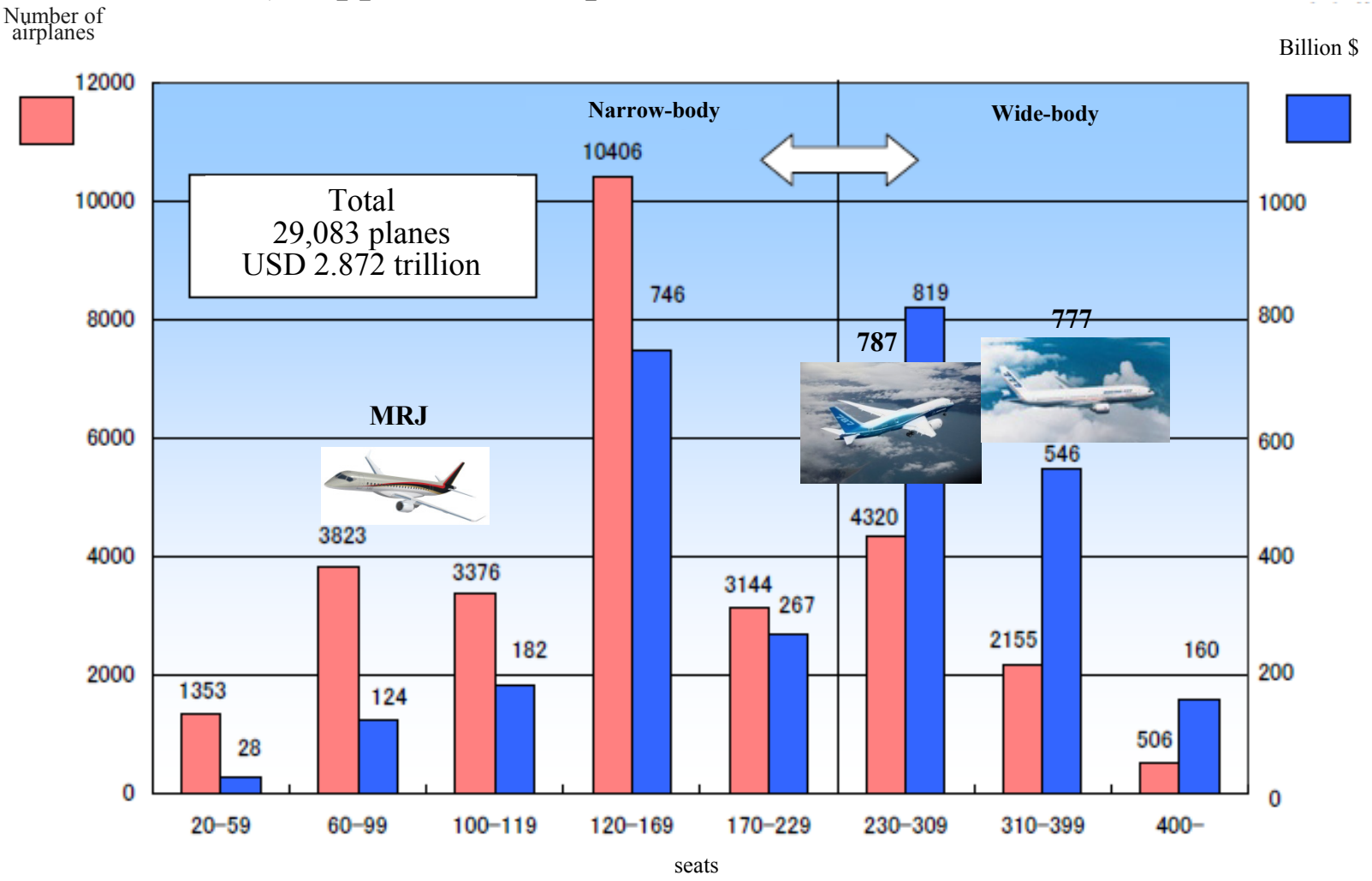
Demand forecast for new airplanes over 20 years (2010-2029): Approx. 29,000 planes



Source: Japan Aircraft Development Corporation

(iii) Commercial Aircraft: Business Strategy

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Market

Demand for aircraft is right on track for recovery by airline companies' recovering business vitality, and continued growth in emerging nations. Long-term expansion can be expected.

Business Strategy

Increase earnings by optimizing the portfolio of complete aircraft (MRJ), Joint development under the international cooperation (787 etc.), and Aeroengines (Trent1000 etc.)

(1)Complete aircraft and Joint development

-At present, secure profits with a focus on the 777 and other joint developments under the international cooperation with Boeing.

-Establish dual earnings sources by adding the MRJ in the future

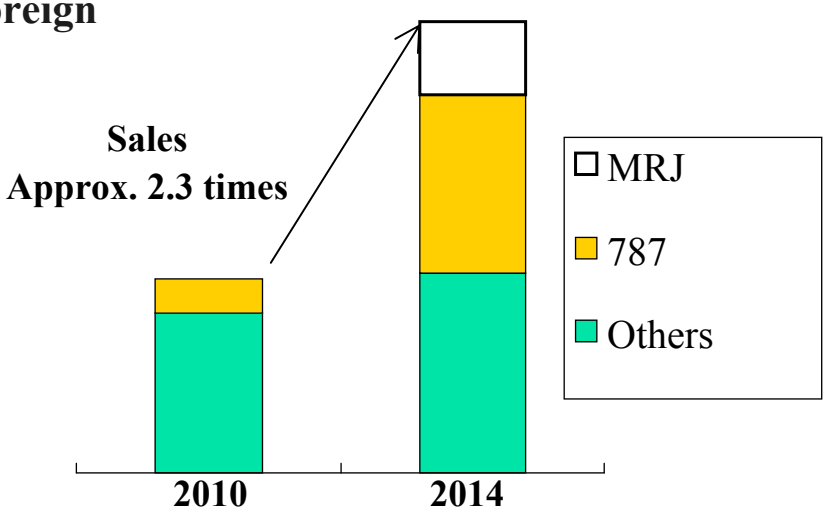
-To counter the strong yen, promote measures to reduce foreign exchange rate fluctuations.

-Implement further cost-reduction.

(2) Aeroengines

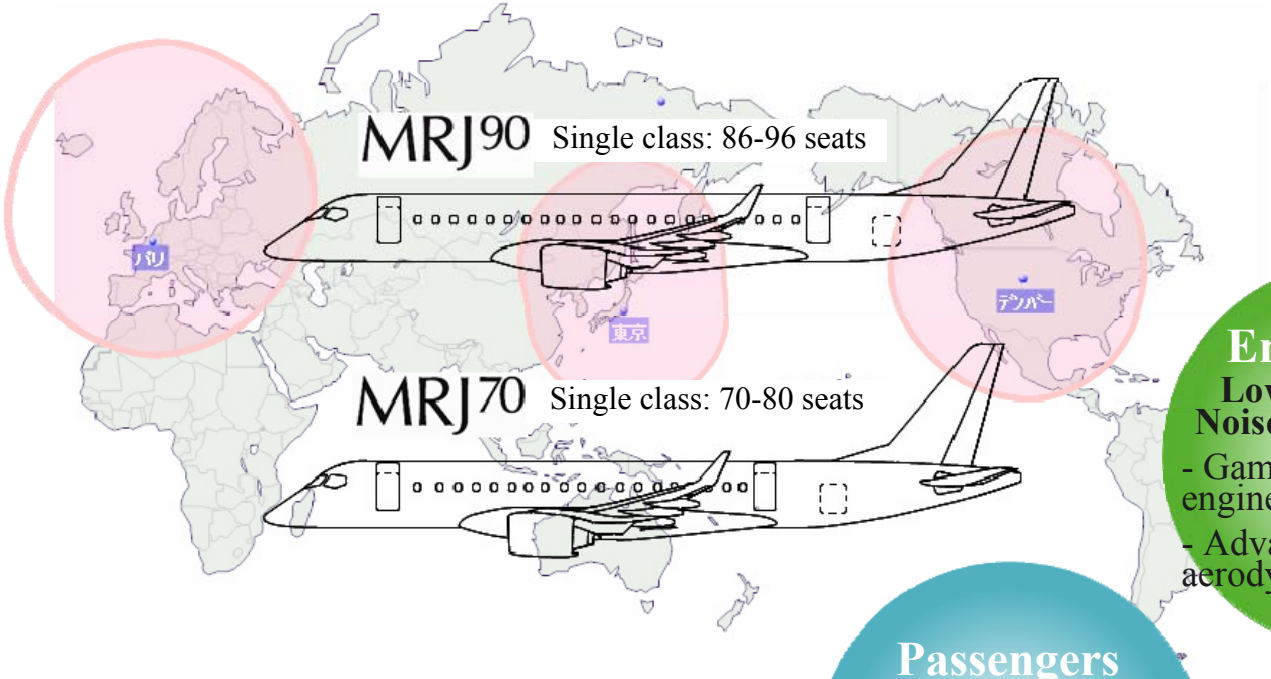
-Create profit with aeroengines in production (PW4000, V2500 etc.)

-Development and smooth preparation for production for new aeroengines (Trent1000 etc.)



(iv) MRJ: Product Concept

Mitsubishi Regional Jet



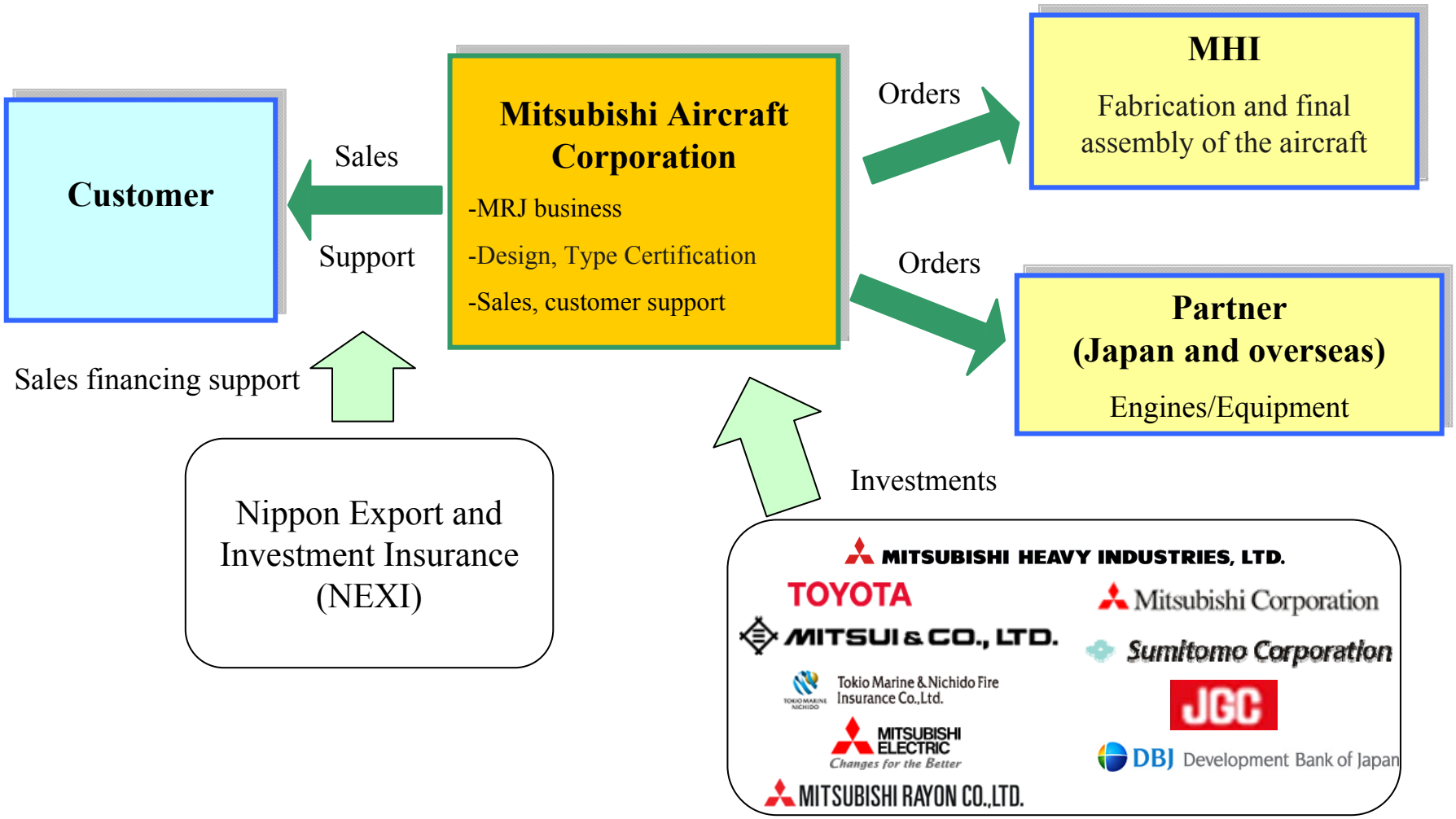
Environment
Lower Fuel Burn, Noise, and Emissions
- Game-changing engine
- Advanced aerodynamic design

Passengers
More Comfortable cabin
- Cabin design for passengers
- New style of slim seats

Airlines
More Efficient Aircraft
- Game-changing engine
- Advanced aerodynamic design
- Composite materials technology

Selling points

(iv) MRJ: Business Structure



(iv) MRJ: Schedule

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Development is in progress successfully

- ✓ 2007.10 Authorization to Offer (ATO)
- ✓ 2008.3 Launch (Concluded LOI with ANA for 25 airplanes (including 10 options))
  ⇨ 2010.6 Definitive purchase agreement
- ✓ 2008.4 Started business as Mitsubishi Aircraft Corporation
- ✓ 2008.10 Established sales office in the United States
- ✓ 2009.9 Finalized the MRJ configuration (expansion of cabin space, integration of cargo space, main wing materials change)
- ✓ 2009.10 Announcement of the signing of LOI with Trans States Holdings, Inc. for 100 airplanes (including 50 options)
  ⇨ 2010.12 Definitive purchase agreement
- ✓ 2010.9 From detailed designing phase to the production phase
- ✓ 2011.4 Start assembly work
- 2012 First flight (scheduled)
- 2013 Type Certification (scheduled)
- 2014 First aircraft delivery (scheduled)

(iv) MRJ: Start of Assembly Work

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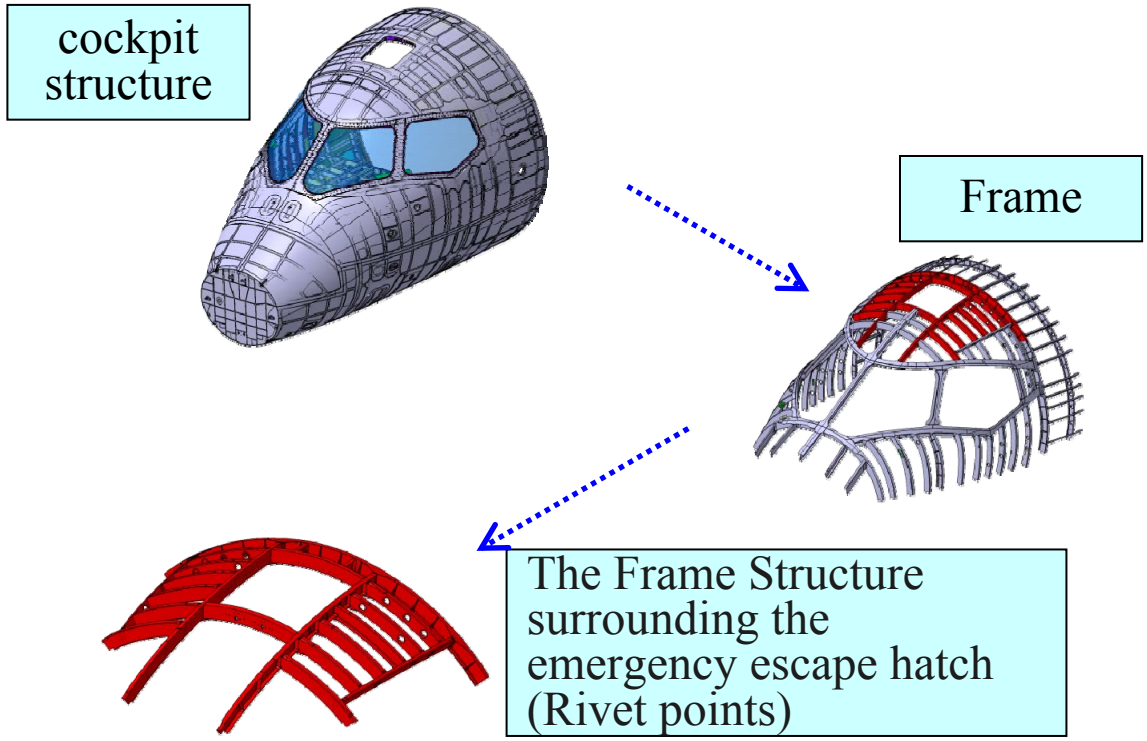
Started assembly work from April this year

Ceremonial rivet driving cerebration was held at Nagoya Aerospace Systems Works on April 5, 2011.

Started the assembly of the frame structure in the cockpit roof of the aircraft for bird strike tests



(v) Boeing 787: Schedule

Boeing is delivering the first aircraft to ANA in third quarter of this year (scheduled).

Sales/profit increase by production rate up to 10 shipsets per month.

- ✓ 2009.12 Successful first flight
- ✓ 2011.03 Firm orders for more than 830 airplanes
- ✓ 2011.04 MHI wings for 40 airplanes delivered
- 2011.3Q Type Certifications and delivery of first airplane (scheduled)
- End 2012 10 shipsets per month delivery (scheduled)

First flight in December 2009

The wing loaded into Boeing Dreamlifter at Central Japan International Airport for air transportation

(v) Boeing 787: Productivity Improvement

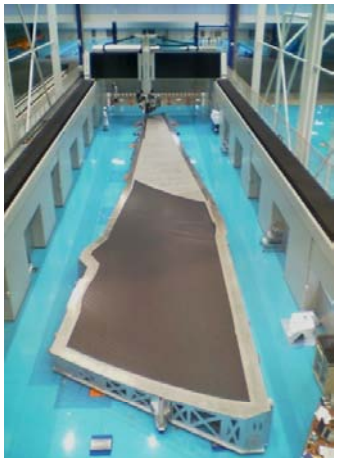
Improve production efficiency and implement automation to support production rate of 10 shipsets per month

Expand facilities and introduce automated equipment to support production rate increase

Stringer end trimmer (Introduced)

Automatic laminator for stringers (Introduced)

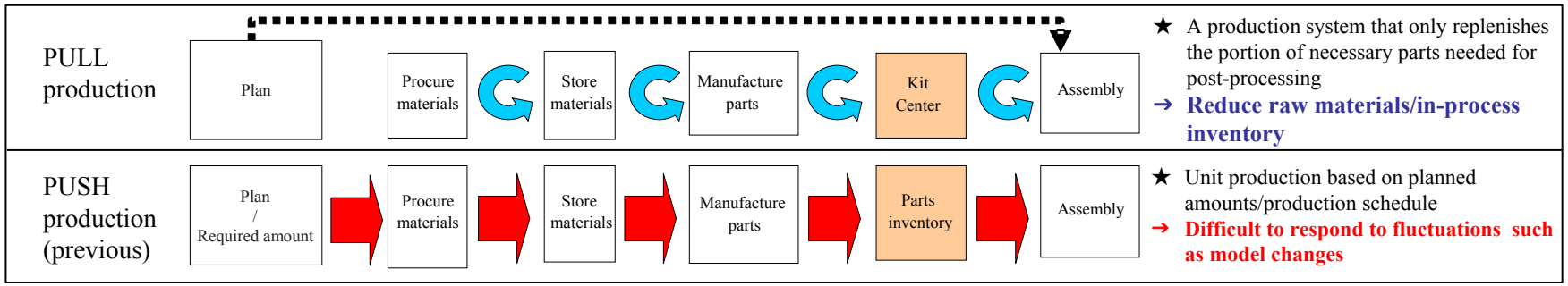
Water-jet cutting machine for skin（Expanded）



Composite material layup equipment (Expanded)

(vi) Improvement of Commercial Aircraft Production Efficiency

Improvements by means of PULL production process



Improvement by developing "moving line"

B737 flap assembly line

Before improvement
Fixed style
(work progress not visible)

After improvement

- **Reduce production costs**
- **Improve quality**

Improvement by parts kit

Supply medium and small parts from Kit Center as necessary for immediate use on the assembly line

Example of B777 parts kit

Reduce lead-time

(vii) Globalization of Commercial Aircraft Production

Promote overseas production as a measure to reduce fluctuations risk of foreign exchange rate (“dollar conversion of yen based costs”)

Challenger 300 assembly work in Canada (MHICA)

MHI Aerospace Canada, Inc.
Missisauga on the outskirts of Toronto

B737 flap assembly in Vietnam (MHIVA)

MHI Aerospace Vietnam Co. ,LTD.
Thang Long Industrial Park, Hanoi

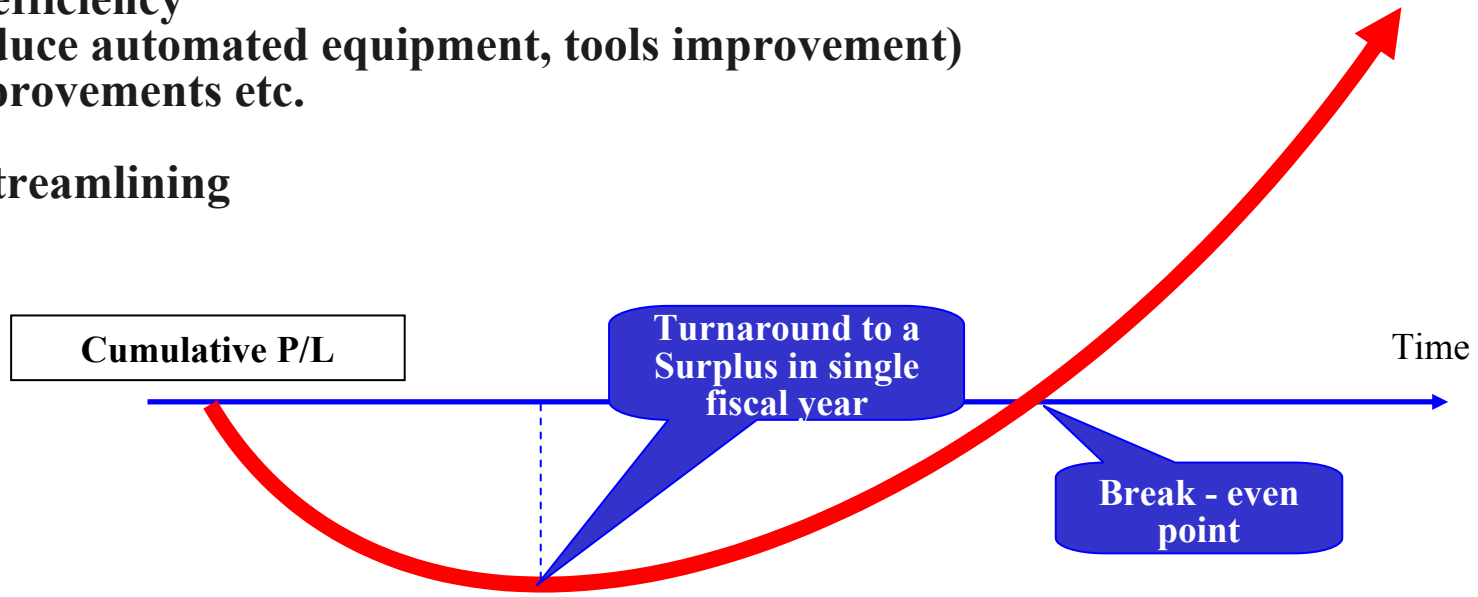
(viii) Improvement of Commercial Aircraft Profitability

Profitability structure of commercial aircraft / Aeroengines

Because significant investment is necessary in development stage, initial burden of depreciation costs is high. Thereafter, profit/loss will be improved through production learning effect, efforts to keep costs reduction activities at the production stage, and full depreciation of initial investment

Examples of cost reduction activities

(1)Materials cost
Buying in quantity, overseas procurement, blanket order
(2)Manufacturing cost
Improve production process (e.g. moving line, supply parts kits)
Invest for efficiency
(e.g. Introduce automated equipment, tools improvement)
Design improvements etc.
(3)Other
Logistics streamlining

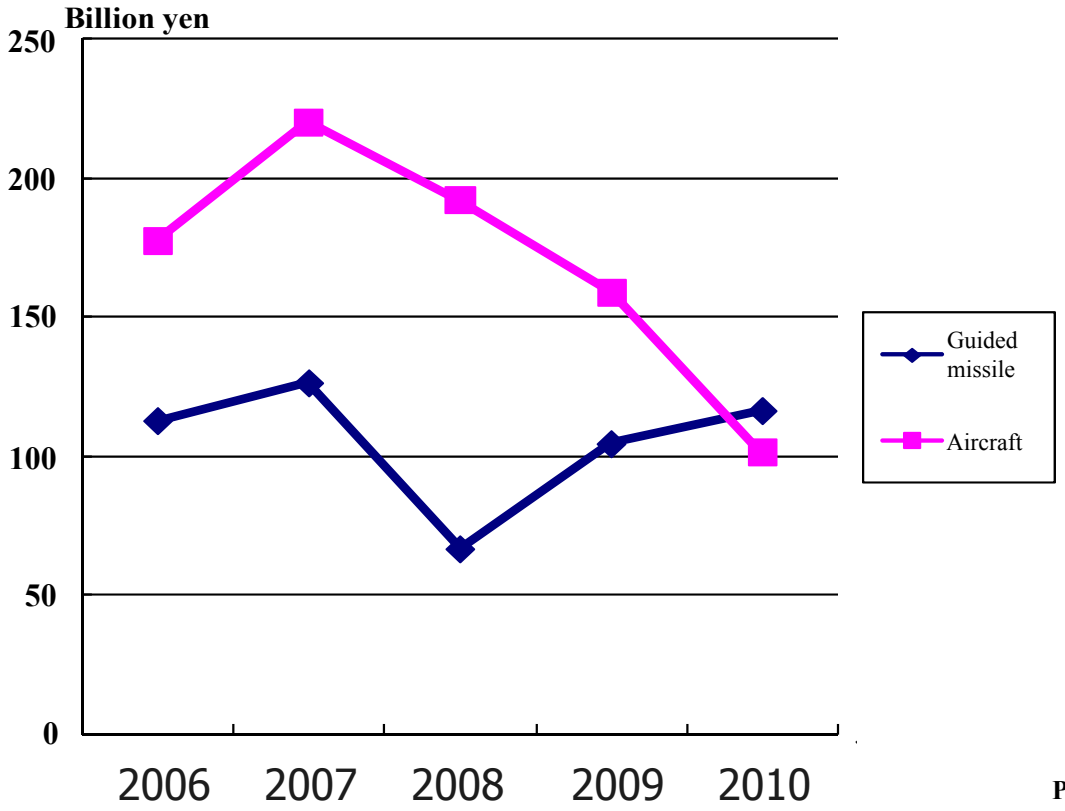


3. FY2011 Business Operation Policy
(2) Defense (i) Budget Trends

- **Amid a trend for cutbacks in budget for defense equipment, budget for aircraft have been decreasing in recent years while budget for the missiles have been increasing.**

→ Sustain business scale with BMD and other missiles

Budget Fluctuations for Aircraft and Guided Missiles



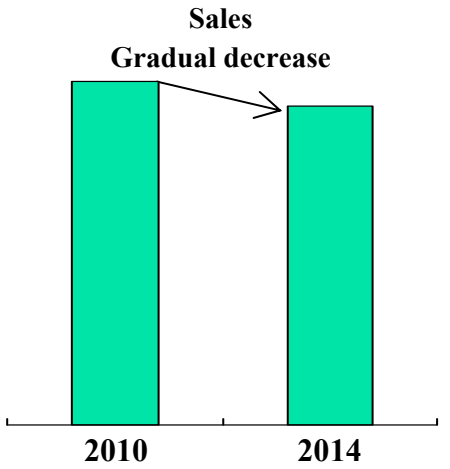
PATRIOT PAC-3 missile test launch in the United States

(ii) Business Strategy

Market New projects in the National Defense Program Guideline for FY2011 and beyond, and Mid-Term Defense Program（FY2011-FY2015）are initiated.

(i) The National Defense Program Guideline, Mid-Term Defense Program were approved by the cabinet in December last year
- Aim to raise the readiness of the Self-Defense Force and to strengthen joint operations, on the other hand Cold War-style equipment/ organization to be reduced.
- Clarify medium and long-term strategy in order to develop and maintain defense production and technological base.
- Study for changes in the international environment regarding defense equipment (international joint development is the mainstream among developed countries)

(ii) In January this year, the Ministry of Defense organized the IPT (Integrated Project Team) and started evaluation work to select a successor to the F-4 fighter aircraft (F-X).



Business Strategy sustain and develop by responding to nation's needs

(i) Sustain fighter aircraft production and technological bases.
From platform manufacturer to weapon systems integrator for fighter aircraft.

(ii) Improved SM-3 interceptor missile under joint development by US and Japan
; Secure work share for Japan by joint production by US and Japan

(iii) Respond to decrease in budget by securing base load through acquiring orders for repairs and spare parts

(iv) Steady promotion of new programs (Advanced Technology Demonstrator, New air-to-ship missile, Type 88 surface-to-ship missile (improved), Next rescue helicopter for Air Self Defense Force)

3. FY2011 Business Operation Policy
(3) Space (i) Market Trends

- Government demand: At present, large-scale increase in national space-related budget cannot be expected
- Operating period for International Space Station (ISS) extended (2015→2020)
- "On the Promotion of Current Space Policy", Strategic Headquarters for Space Development (August 2010)

(1) Promote use of satellite data from Earth Observing Satellites

(2) Quasi-Zenith Satellite: First satellite (for verification), study business plans including 2nd satellite and thereafter

(3) Improve manned technology platform

(4) Overseas expansion by means of space system package proposals
(Set up government taskforce team aiming to export to emerging countries etc.)

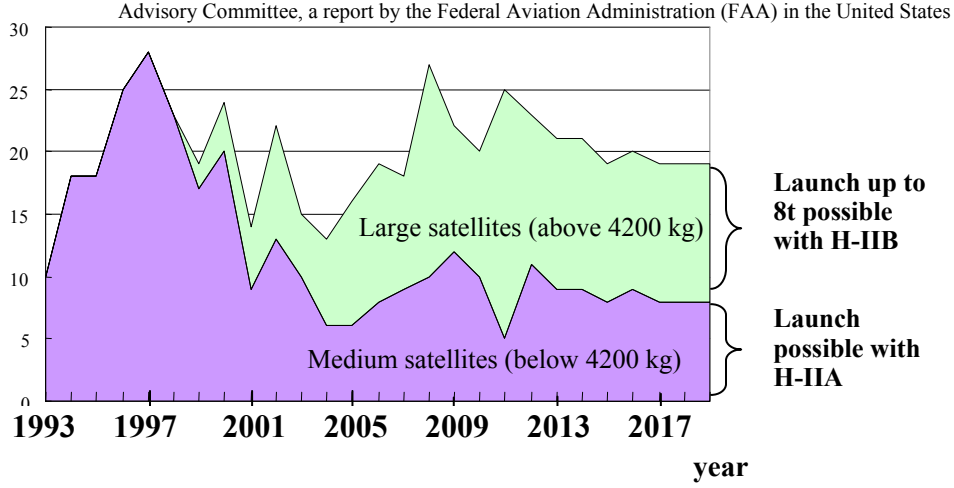
Official demand: Satellite launches

Rocket	Customer	Satellites	Schedule
H-IIA	JAXA	Global Change Observation Mission – Water (GCOM-W)	FY2011
		Advanced Land Observing Satellite (ALOS-2)	FY2013
		Global Precipitation Monitoring System (GPM)	FY2013
		X-ray Astronomy Satellite (ASTRO-H)	FY2013
		Quasi-Zenith Satellite	From FY2013
H-IIB	JAXA	HTV Kounotori Cargo transporter to the Space Station	FY2011, FY2012, FY2013

Forecast of demand for commercial satellites

Satellites

Extracted from Commercial Space Transportation and the Commercial Space Transportation Advisory Committee, a report by the Federal Aviation Administration (FAA) in the United States

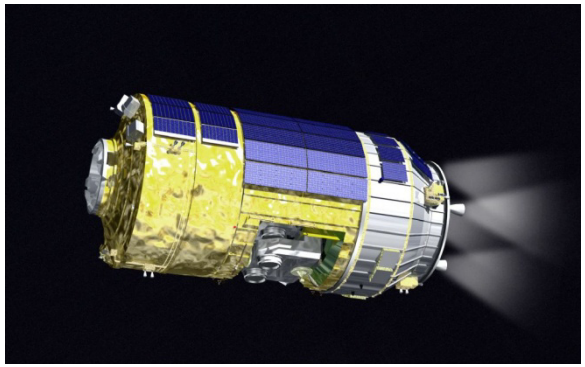


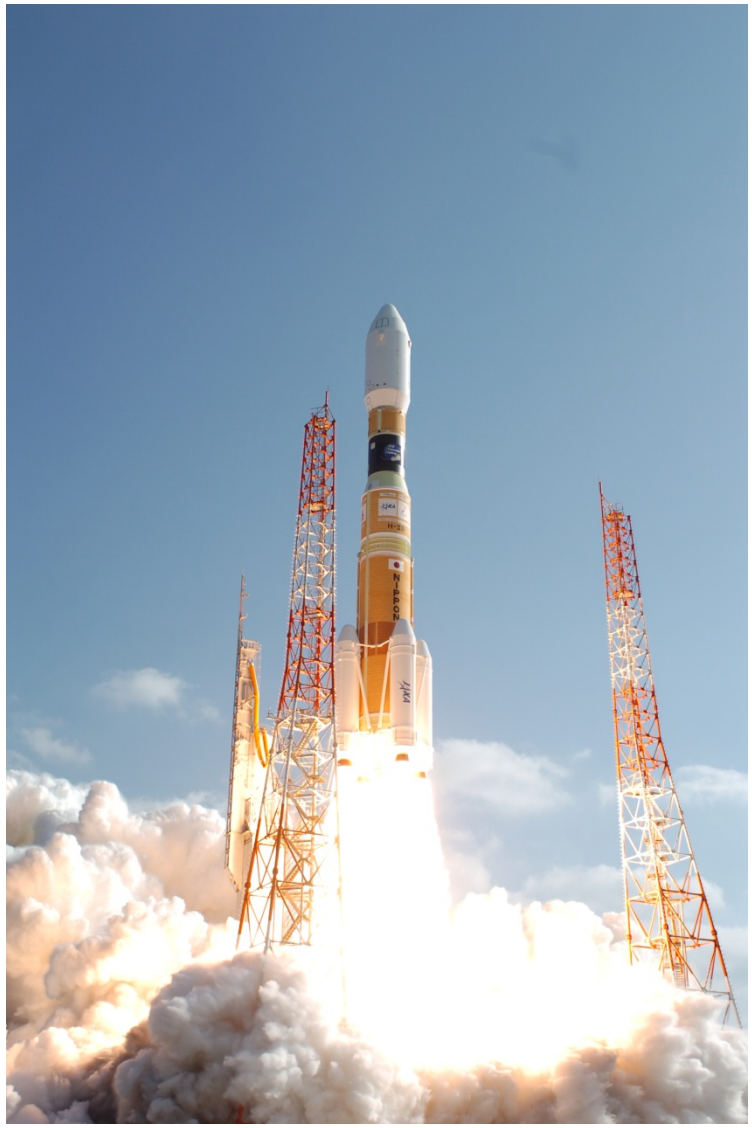
(ii) Business Strategy

Business Strategy:

- **Improve reliability and secure base load with continuous successes of launch.**
- **Aiming to strengthen international competitiveness for launch services, start development of H-IIA upgrade/next-generation primary launch system**
- **Promote HTV-R (HTV improved model with recovery functions). Develop for future human space activities.**

Cargo transporter to the Space Station,
HTV KOUNOTORI

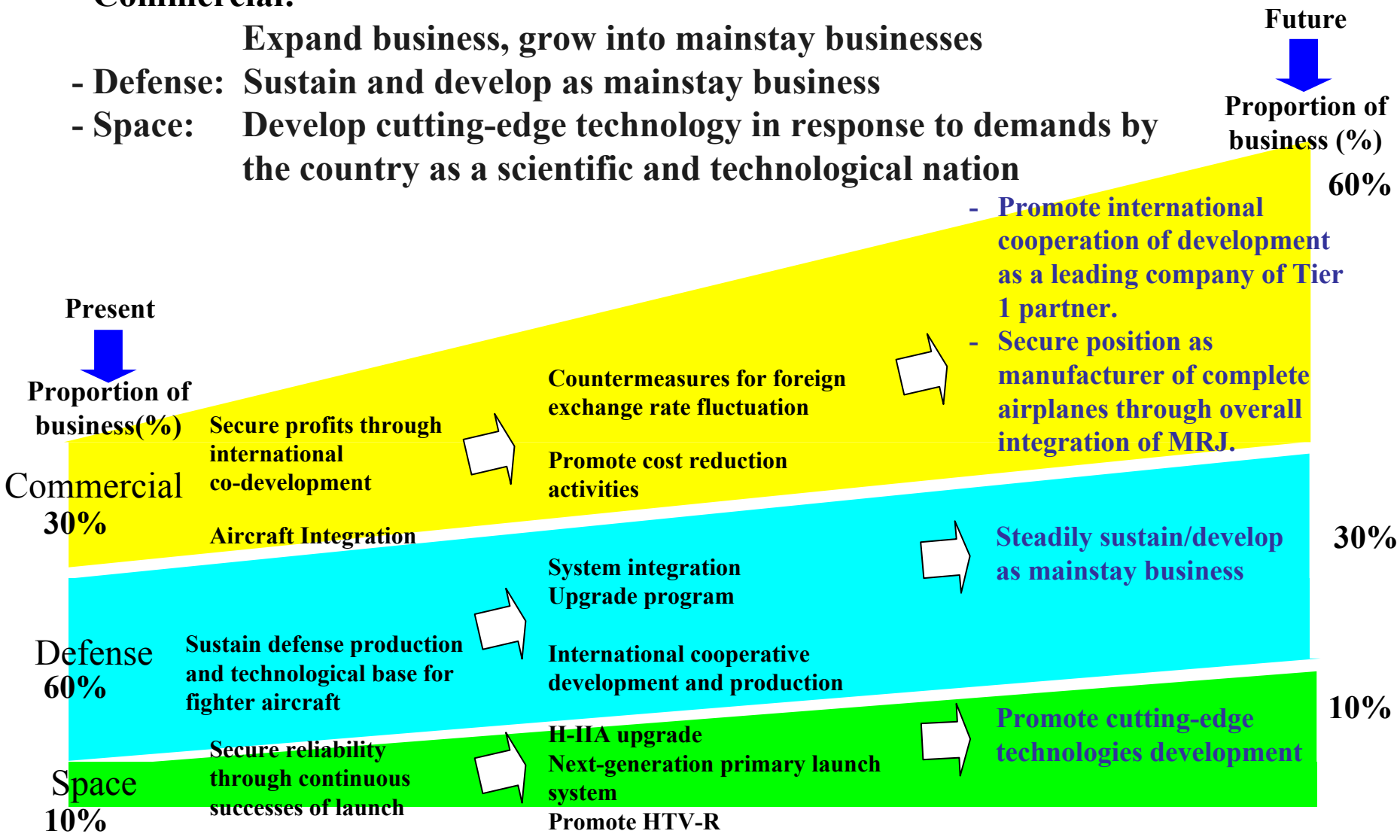




January 22, 2011
Successful launch of H-IIB Launch Vehicle No.2 with the KOUNOTORI
(14th successful launch with H-IIA/H-IIB)

4. Summary

- Commercial:
  Expand business, grow into mainstay businesses
- Defense: Sustain and develop as mainstay business
- Space: Develop cutting-edge technology in response to demands by the country as a scientific and technological nation



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