Status of
2012 Medium-Term Business Plan

May 9, 2014

Mitsubishi Heavy Industries, Ltd.

Shunichi Miyanaga, President and CEO

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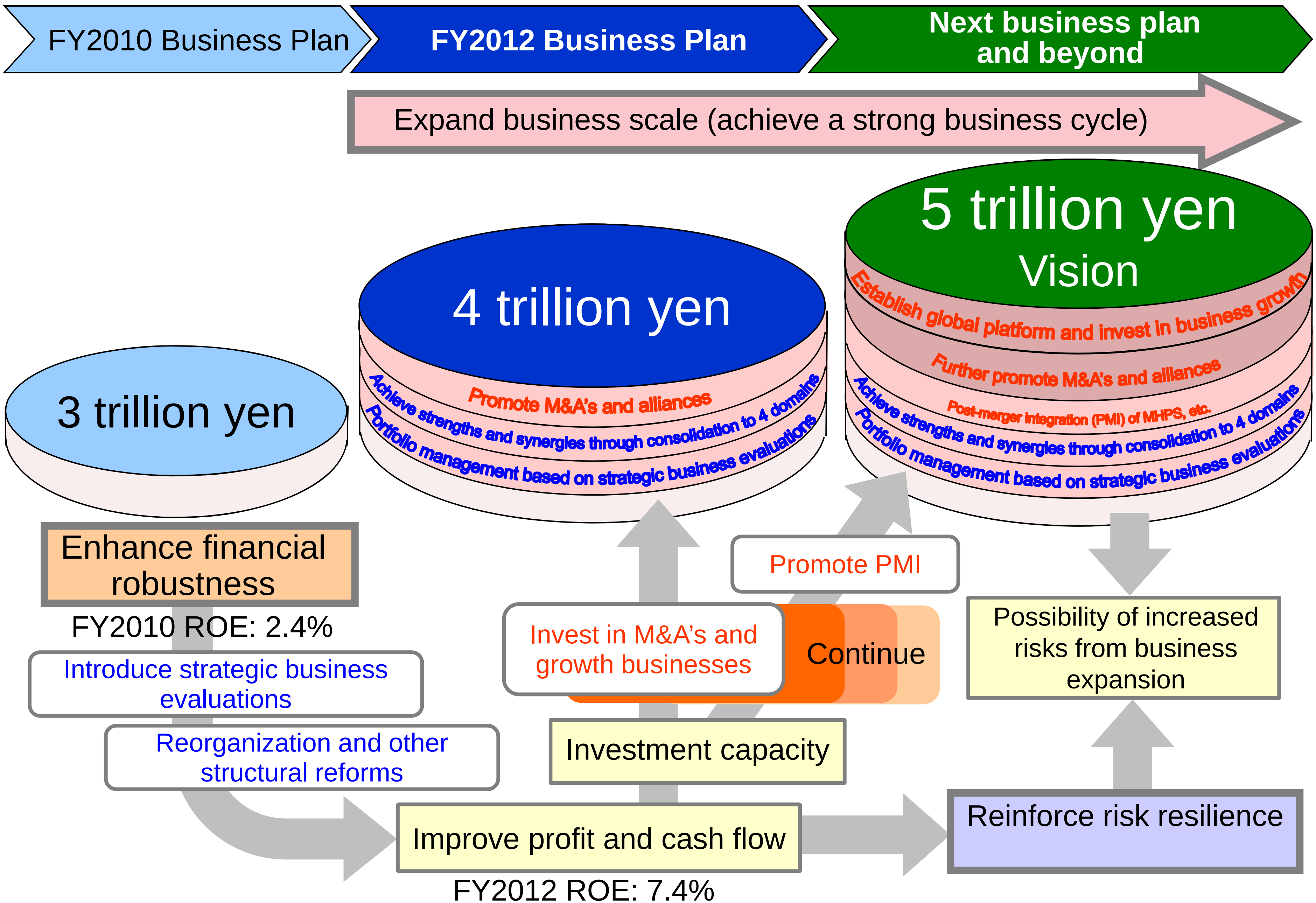
Status of Initiatives toward Achieving the Corporate Vision
– Target: To become a highly profitable 5-trillion-yen enterprise



Financial Targets

(billion yen)

	FY2010 Business Plan		FY2012 Business Plan			
	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Forecast	FY2014 Target
Orders received (overseas sales ratio)	2,995.4 (44%)	3,188.8 (43%)	3,032.2 (50%)	3,420.0 (51%)	4,150.0 (62%)	4,000.0 (64%)
Net sales	2,903.7	2,820.9	2,817.8	3,349.5	4,000.0	3,700.0
Operating income (ordinary income)	101.2 (68.1)	111.9 (86.1)	163.5 (149.0)	206.1 (183.1)	250.0 (230.0)	250.0 (210.0)
Net income	30.1	24.5	97.3	160.4	130.0	130.0
ROE	2.4%	1.9%	7.4%	11.0%	8.2%	8.9%
FCF	200.5	153.3	211.6	144.6	100.0	200.0
Debt/Equity Ratio	1.01	0.89	0.72	0.54	0.5	0.7
Equity ratio	31.6%	31.7%	35.0%	31.6%	34%	36.6%
Interest-bearing debt	1,325.6	1,157.1	1,031.2	957.4	900.0	1,000.0
Dividend per share	4 yen	6 yen	8 yen	8 yen	10 yen	10 yen
Foreign exchange rate	88.5 yen/\$ 113.5 yen/€	81.0 yen/\$ 109.3 yen/€	83.6 yen/\$ 106.8 yen/€	100.1 yen/\$ 132.6 yen/€	100 yen/\$ 130 yen/€	80 yen/\$ 110 yen/€

FY2012 Business Plan Strategies

Target 1
Expand business scale

Target 2
Improve capital efficiency and net income level

Strategy 1
Consolidate and restructure the 9 business headquarters into 4 business domains, to achieve greater strengths and synergies

Strategy 2
Accelerate global expansion

Strategy 3
Manage business portfolio based on strategic evaluations

Strategy 4
Institute corporate reforms and efficiency improvements (optimized resource sharing)

Strategy 5
Continue innovations in corporate governance and business execution

Steady Progress

Strategy 1 Consolidate and restructure the 9 business headquarters into 4 business domains, to achieve greater strengths and synergies

Completion of shift to business domain structure

Earlier business structure: 9 business headquarters

(1) Shipbuilding & Ocean Development
(2) Power Systems
(3) Nuclear Energy
(4) Machinery & Steel Infrastructure Systems
(5) Aerospace Systems
(6) General Machinery & Special Vehicles
(7) Air-conditioning & Refrigeration Systems
(8) Machine Tools
(9) Engineering

Targeted business structure: 4 business domains

October 2013

Preliminary restructuring

- Energy & Environment
- Commercial Aviation & Transportation Systems
- Integrated Defense & Space Systems
- Machinery, Equipment & Infrastructure
  - Machinery & Steel Infrastructure Systems
  - Air-conditioning & Refrigeration
  - General Machinery & Special Vehicles
  - Machine Tools

April 2014

Restructuring completed

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

Establishing a strong business structure with robust global competitiveness

Strategy 1 Consolidate and restructure the 9 business headquarters into 4 business domains, to achieve greater strengths and synergies

Energy & Environment

Businesses related to energy and the environment

Pursue business scale enabling competition against the industry giants

Commercial Aviation & Transportation Systems

Land, ocean and air transportation businesses

Establish new business models (lifecycle management, etc.)

Integrated Defense & Space Systems

Businesses involving land, ocean and air defense and space systems

Pursue maximum synergies within limited environments

Machinery, Equipment & Infrastructure

Businesses targeted at core industries (iron & steel, chemicals, automobiles, etc.)

Compressors

Gear cutting machines

Create top global niche businesses

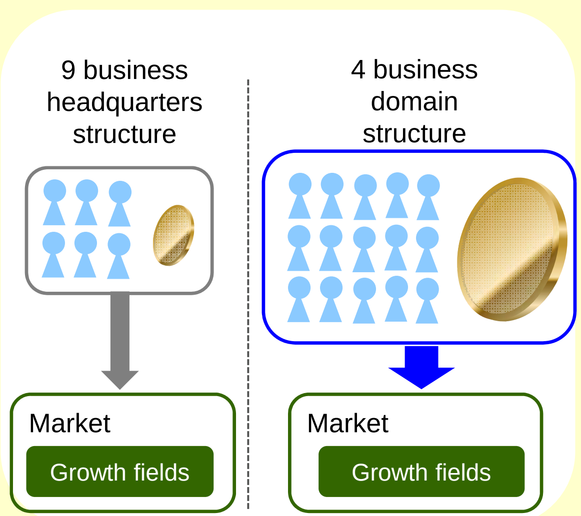
Strategy 1 Consolidate and restructure the 9 business headquarters into 4 business domains, to achieve greater strengths and synergies

Impact from introduction of a 4 business domain structure (synergy with portfolio management)

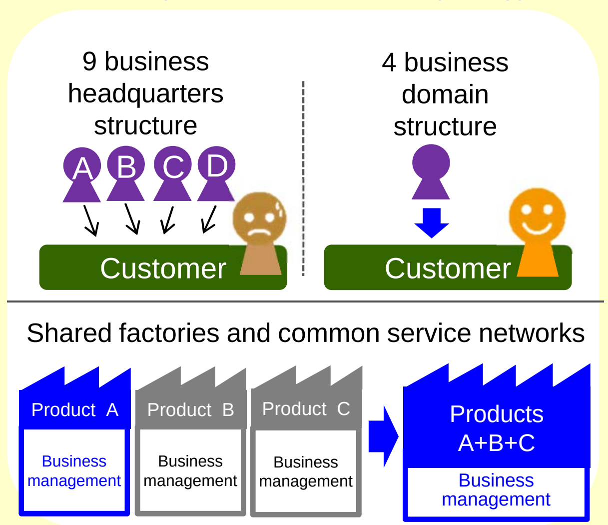
With 9 business headquarters, limitations in products and business management (inadequate global competitiveness)

1) Difficulty achieving equal scale of strategic investments in human resources and capital investments as American and European competitors	2) Inadequate manifestation of total capabilities, resulting in insufficient brand penetration in global market	3) High management costs due to overlaps in functions and dispersion of human resources

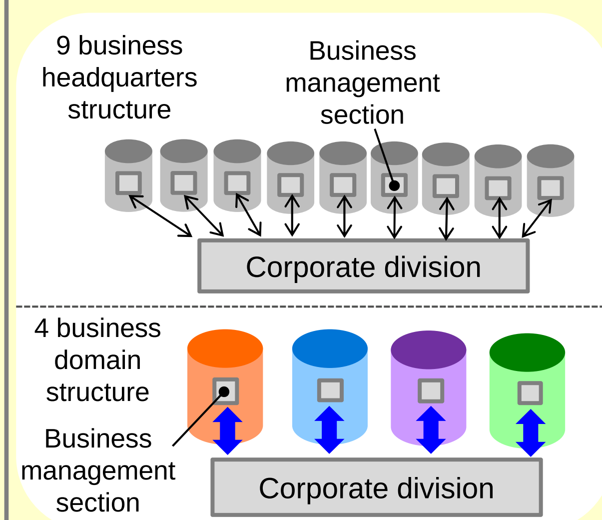
Focused and timely investment of management resources into strategic target areas



Increased brand strength from customer-oriented marketing and management resources synergy



Consolidation of business management into each domain, enabling global level of business quality and efficiency



Strategy 2 Accelerate global expansion (1) Promote M&A's and alliances

Aims of M&A's

Increased speed and reduced risks of business scale expansion;
smooth achievement of increased earning power

Expected benefits

- A Business scale expansion
- B Stronger product lineup
- C Entry into new markets; mutual market enhancement
- D Increased cost competitiveness
- E Technology complementation; strengthening of R&D, etc.
- F Enhanced diversity response capability (improvement of servicing capability, etc.)

Rapidly and steadily becoming a top-level global company

Strategy 2 Accelerate global expansion — (1) Promote M&A's and alliances (cont'd)

FY2012

A B C E F

Concluded basic agreement with Hitachi, Ltd. on business integration in thermal power generation systems (June 2013); established a new dedicated company (February 2014)

A B F

Acquired Pratt & Whitney Power Systems (PWPS) (December 2012)

FY2013

A C D E

Concluded agreement with Vestas of Denmark to form joint venture in offshore wind turbine business (September 2013)

A B C

Concluded agreement to acquire stake in ECOVIX-Engevix Construções Oceânicas, a Brazilian shipbuilder, as leader of consortium of Japanese companies (October 2013)

Expected benefits

- A — Business scale expansion
- B — Stronger product lineup
- C — Entry into new markets; mutual market enhancement
- D — Increased cost competitiveness
- E — Improved technological capabilities
- F — Enhanced diversity response capability

Strategy 2 Accelerate global expansion (2) Global platform

Stage 1

(The overall framework will be described later.)

Unified global financial management system

- Established a finance subsidiary in Singapore (January 2014), joining earlier units in the United States, Europe and China
- Enhancing business funding efficiency and risk management capabilities with the above 4 bases plus Japan

Globalization of R&D

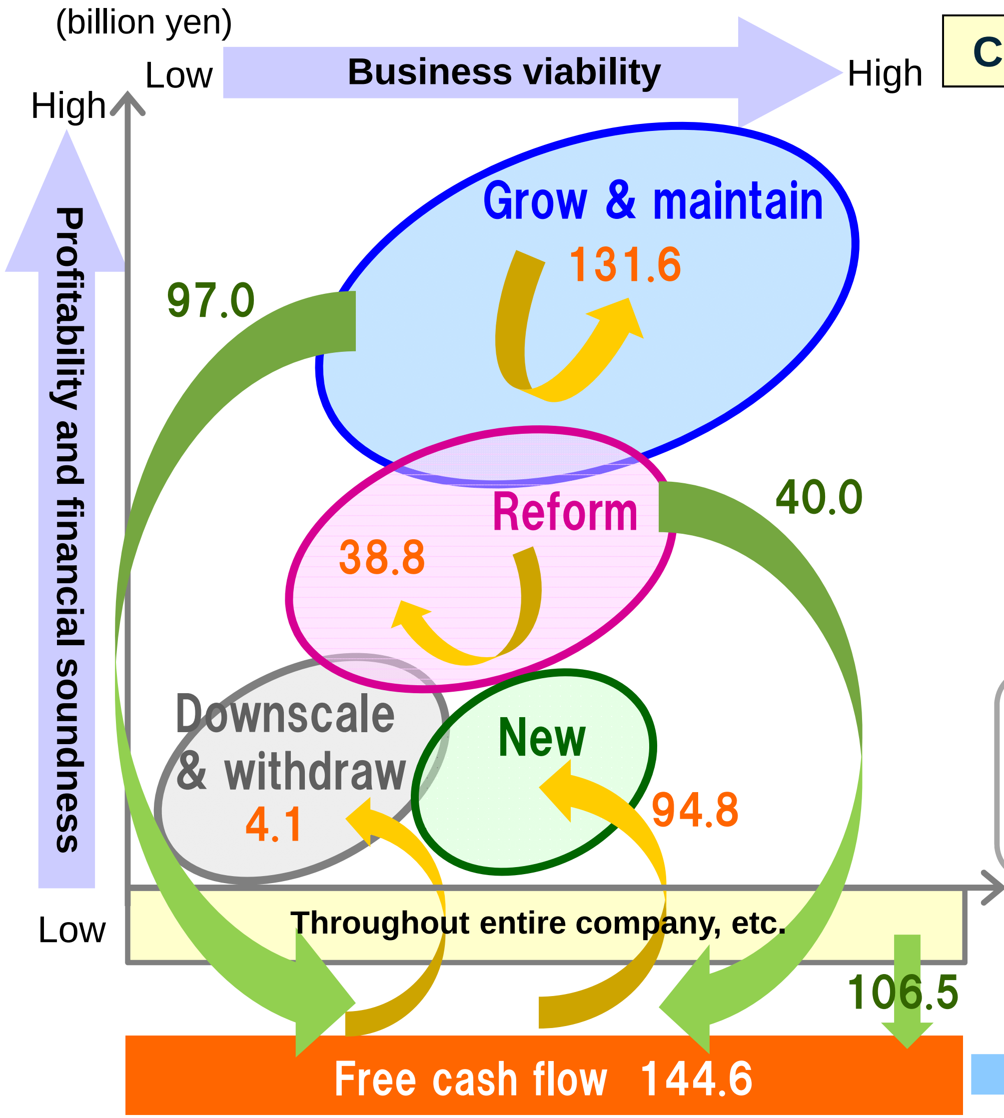
- Sent R&D engineers to overseas bases (UK and Singapore) (planning for United States next)
- Acquiring technologies, information and human resources unavailable in Japan; promoting development and technological support aggressively in locations close to markets

Commencement of business platform improvement

- Global business processing system for personnel, accounting and procurement (details will be described later)

Starting with the above initiatives,
which are highly cost-effective and can be rapidly implemented

Strategy 3 Manage business portfolio based on strategic evaluations



Cash flow management for portfolio building

Grow & maintain:

-High profitability generating cash flows; simultaneously continuing growth-targeted investments; companywide return of surplus funds

Reform:

-Generation of cash flows from improvements in profitability and capital efficiency; companywide return of surplus funds

New:

-Continuing investment of cash flows generated from grow & maintain and reform areas into future businesses

Companywide:

While returning profits to shareholders, reduce interest-bearing debt and strengthen financial base, to become a 5-trillion-yen enterprise

Shareholder returns (dividends) 30.2

Strengthening of financial base (reduction of interest-bearing debt) 114.4

Strategy 4 Institute corporate reforms and efficiency improvements (optimized resource sharing)

Acceleration of outsourcing

- Established Fuji Xerox Service Link
  (consolidated and transferred Groupwide printing and photocopying operations, etc.)
- Centralized manned security services at all bases

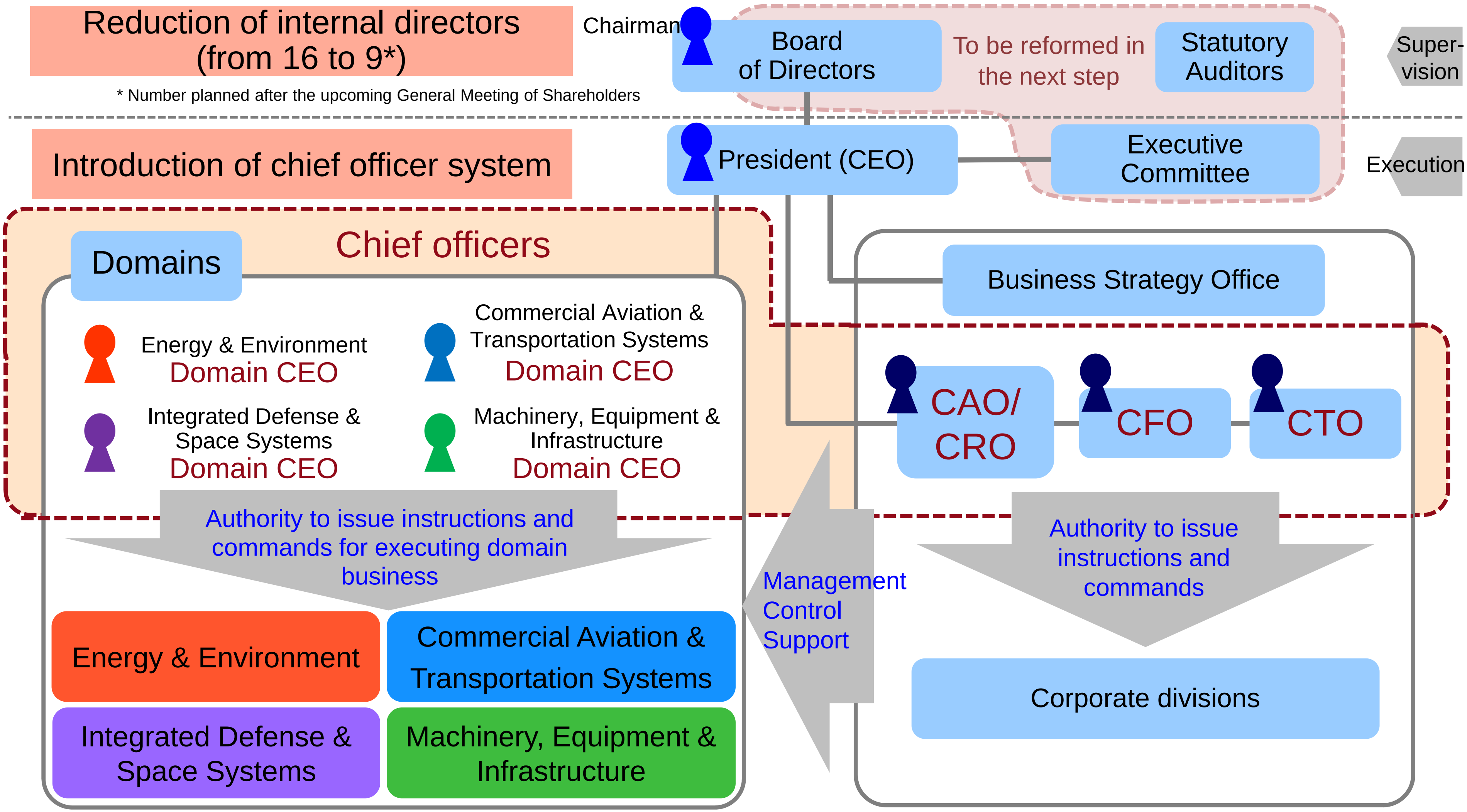
Consolidation and restructuring of in-Group business operations

- Established the ICT Solution Headquarters to oversee companywide information and communication technologies (ICT)

Clarification of corporate division functions

- Abolished the Presidential Administration Office and established the Business Strategy Office under direct management of the president, to strengthen Groupwide strategy planning and execution capabilities
- Restructured the Accounting Division and Finance Department
- Shifted procurement functions for each business area to their respective domains

Strategy 5 Continue innovations in corporate governance and business execution



CEO: Chief Executive Officer

CAO/CRO: Chief Administrative Officer/Chief Risk Officer

CFO: Chief Financial Officer

CTO: Chief Technology Officer

Strategy 5 Continue innovations in corporate governance and business execution

Introduction of chief officer system

Groupwide business operations (priority tasks)

(1) Strengthening and stabilization of overall earning power
(2) Acceleration of global growth
(3) Optimization of management resource allocation
(4) Corporate governance reforms
(5) Response to serious, extraordinary challenges

CEO

Companywide policies

Delegation of some authority and responsibilities* of the president (CEO) to the chief officers

Chief officers

Domains

Domain CEOs

(*) Formulation and implementation of strategies and plans for each domain in line with Groupwide strategies

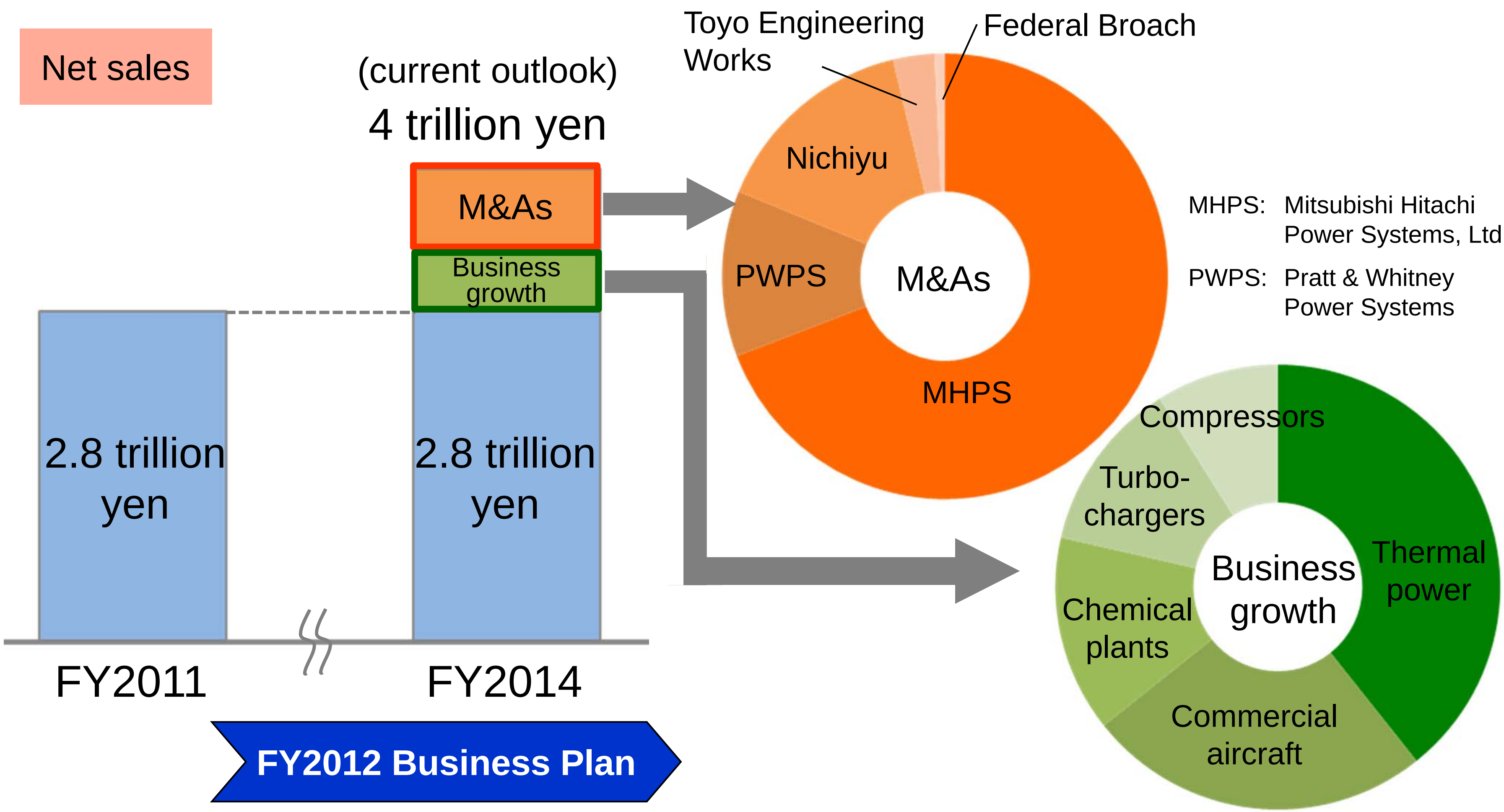
Corporate division

CAO/CRO CFO CTO

(*) Promotion of cross-divisional functions (management, control and support operations) for Groupwide optimization

Realizing rapid, efficient execution of operations through clarified role sharing

Target Achievement Outlook
– Target 1 Expand business scale

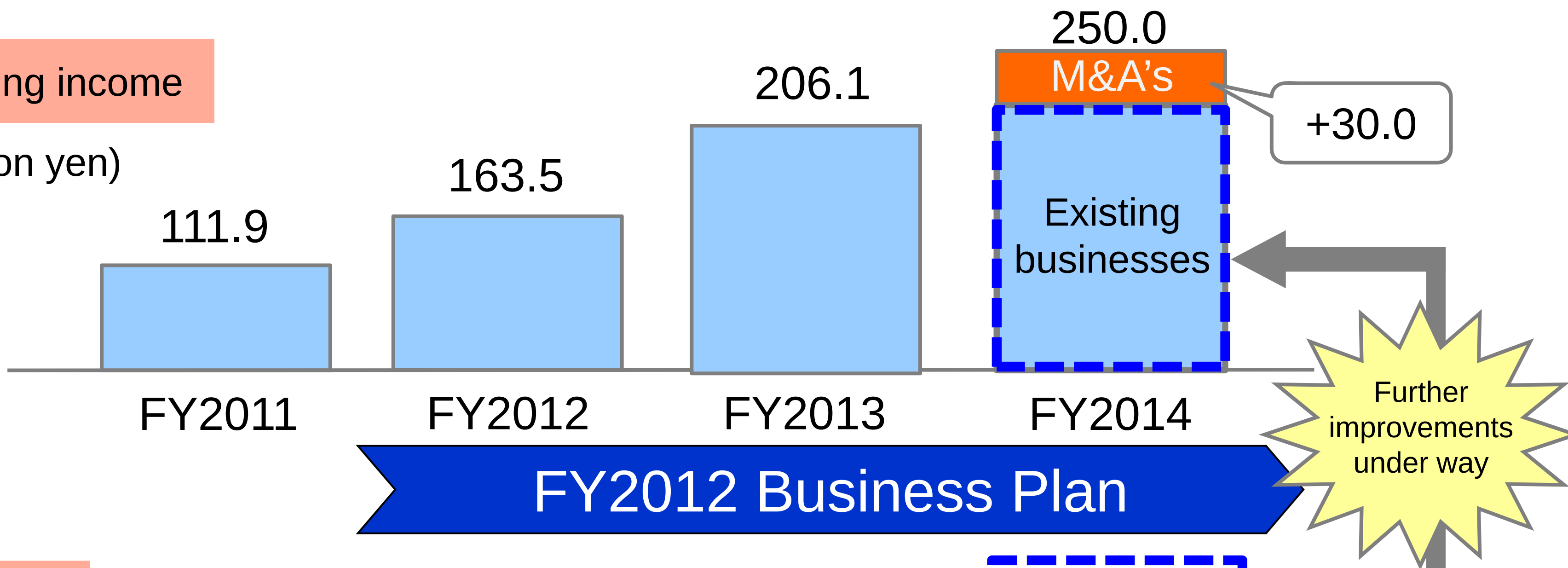


As net sales of 4 trillion yen has come into sight thanks to strategy developments, the target should be achievable.

Target Achievement Outlook
– Target 2 Improve capital efficiency and net income level

Operating income

(billion yen)



	FY2011	FY2012	FY2013	FY2014
Net income	24.5 billion yen	97.3 billion yen	160.4 billion yen	130.0 billion yen
Net income ratio	0.9%	3.5%	4.8%	3.3%
ROE	1.9%	7.4%	11%	8.2%

Operating income is in an upward trend, thanks largely to M&A merits and abated yen appreciation.
Further improvements in existing businesses are being pursued in order to enhance capital efficiency and raise net income level.

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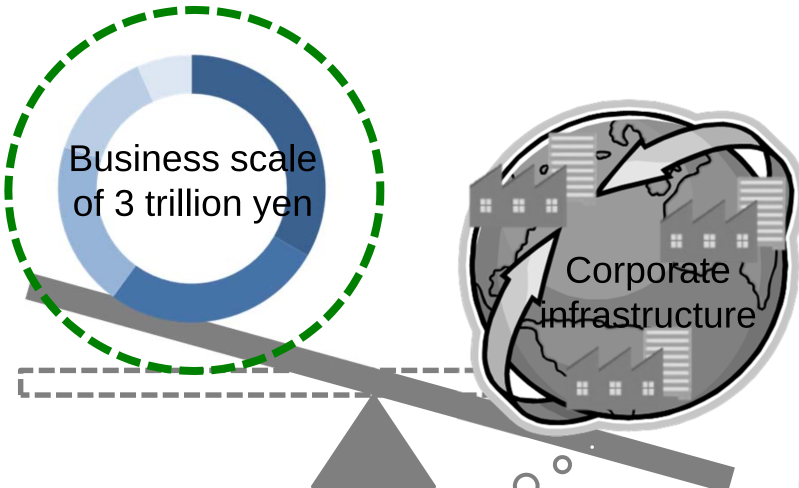
Challenges and Initiatives

1) Improve and reinforce corporate infrastructure

Before

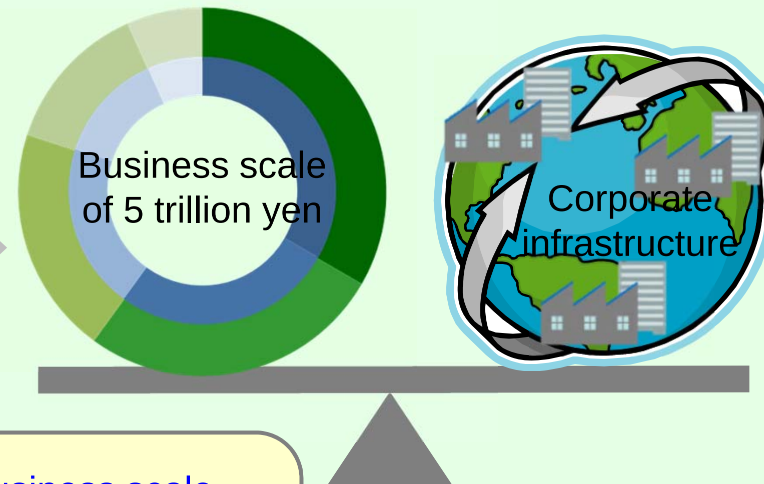


Costs were too high compared to business scale.

Functions for achieving globalization were inadequate and their quality needed improvement.

- Low profitability
- Limited expansion of global business

Vision



Actions

- Expand business scale
- Establish a global platform
- Strengthen the financial base

- Good balance between business scale and corporate infrastructure
- Enhancement of entire corporate infrastructure to make it appropriate for a global company

Challenges and Initiatives

2) Reinforce management of increasingly larger and more diverse risks

Before

Compliance risks

- Established systems for complying with laws, regulations, rules, etc.

Remaining challenges

- Adherence by and throughout all group companies (esp. overseas)
- Response to tightening laws and regulations related to competition and bribery

Business implementation risks

- Established systems for assessing risks before acceptance of orders (input control) and monitoring construction works

Remaining challenges

- Insufficient knowledge of new markets and new customers (passenger ships, etc.)
- Management of long-term, large-scale investment projects (MRJ, nuclear power plant project in Turkey, etc.)

Risks expanded by globalization

Risks increased by scale expansion

Vision

Global compliance management

- Establish a global management system
  → Achieve full adherence to common rules by all group companies worldwide
  → Clarify and manage rules specific or unique to each country or region
- Use compliance in a forward-looking manner
  → Improve the efficiency of activities by clarifying their standards

Reinforce resilience to business execution risks

- Establish an organization for resolving risks
  → Improve information gathering capabilities
  → Accumulate risk resolution know-how
  → Enhance human resource development
  → Have CEO directly involved in important issues
- Strengthen the financial base (risk response capability)

Toward becoming a highly profitable 5-trillion-yen enterprise

Preparations for next medium-term business plan: Overview

FY2012 FY2013 FY2014 FY2015 FY2016 FY2017

FY2012 Business Plan

Next medium-term business plan

Structural reforms

Completion of full-scale consideration and preparations between summer and autumn 2014

Highly profitable 5-trillion-yen enterprise

Preliminary initiatives

(1) Promote further M&A's

(2) Enhance MHPS's synergy merits

(3) Steadily advance the MRJ project

(4) Strengthen the Transportation Systems business

(5) Establish a global platform

To be continued

+

Additional initiatives (under examination)

- Reform and strengthen commercial ships business
- Strengthen the Integrated Defense & Space Systems business
- Undertake governance reforms
- Accelerate measures for reforming SBUs

Toward becoming a highly profitable 5-trillion-yen enterprise

Preliminary initiatives – (1) Promote further M&A's

Expansion of steel and metal production machinery business

- Establish a joint venture with Siemens in steel and metal production machinery business

	Mitsubishi-Hitachi Metals Machinery	SIEMENS	JV
Investment ratio	51%	49%	100%
Net sales*1	62.0 billion yen	280.0 billion yen	342.0 billion yen
Number of employees	Approx. 1,000	Approx. 8,700	Approx. 9,700 → 9,000

*1: Three-year average (€1.00 = 140 yen)

- Aims of the joint venture

(1) To establish a comprehensive steel and metal production machinery company (with full lineup) leveraging the two companies' respective and complementary products and technological capabilities

(2) To improve global marketing capabilities leveraging the two companies' respective and complementary markets (geographical areas) in which they excel

(3) To enhance profitability by pursuing synergies in various aspects*2
→ Improve the level and efficiency of R&D

*2: Technologies, R&D, marketing, procurement, etc.

Reinforce the commercial aircraft engine business structure

Establish a new group company dedicated to commercial aircraft engines, backed by capital investment and financing from the Development Bank of Japan and IHI Corporation

- Enhance production capacity
- Improve manufacturing technologies
- Enhance capital strength

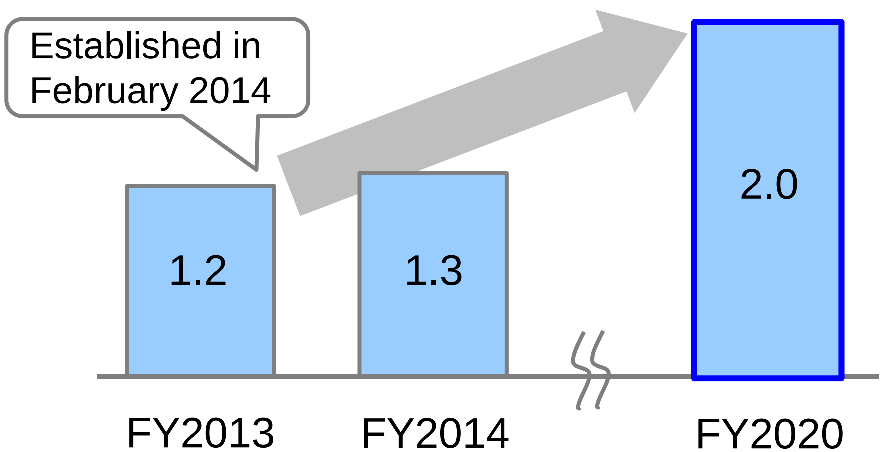
V2500 engine

Toward becoming a highly profitable 5-trillion-yen enterprise

Preliminary initiatives – (2) Enhance MHPS's synergy merits

Business scale outlook

(trillion yen)

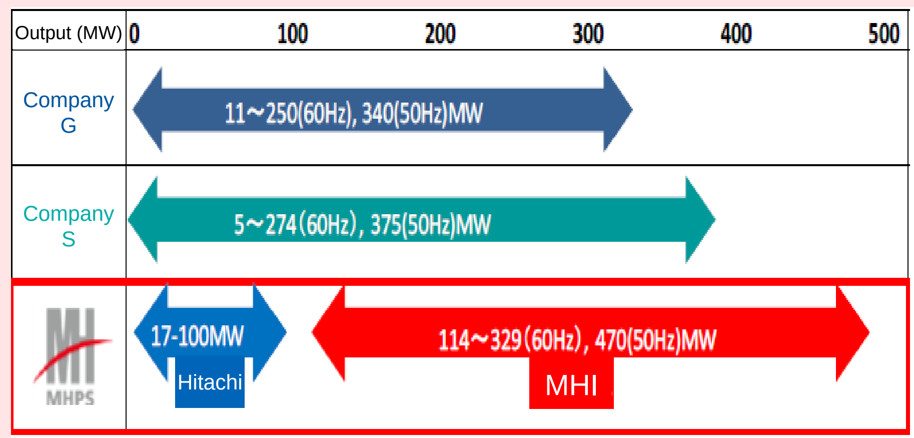


MHPS: Mitsubishi Hitachi Power Systems, Ltd.

Gas turbines

MHI: M501J Hitachi: H-80

Targeting a market share above 30%, to be achieved through provision of wide-ranging solutions



Achieve maximum synergy merits for the new company quickly, to support the quest to be a world-leading company in thermal power generation systems.

Toward becoming a highly profitable 5-trillion-yen enterprise

Preliminary initiatives – (3) Steadily advance the MRJ project

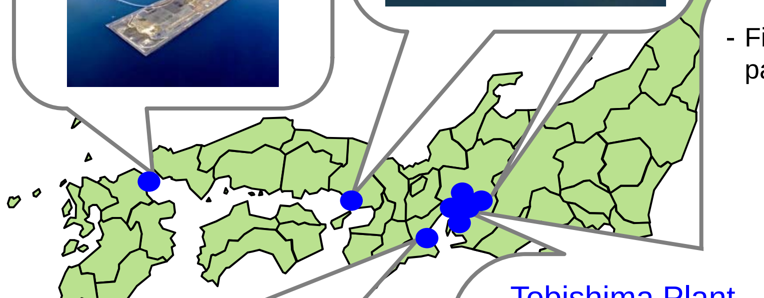
Future schedule

Maiden flight: 2nd quarter of 2015
Delivery of first aircraft: 2nd quarter of 2017

Two aircraft – one for strength testing, the other for flight tests – are being manufactured.

The middle fuselage being transported to the final assembly plant

Mass production scheme



Kitakyushu Airport

- Flight testing

Kobe Shipyard & Machinery Works

- Integrated manufacture of main and center wing parts, etc.

Nagoya Airport

- Engine tests
- Flight testing
- Aircraft delivery

Komaki South Plant

- Final assembly, outfitting and painting

Matsusaka Plant

- Painting of composite components
- Assembly of horizontal and vertical tails
- Production of small parts

Tobishima Plant

- Assembly of main wings and fuselages

Iwatsuka Plant

- Surface treatment of small parts

Oye Plant

- Sheet-metal processing and machining of midsize and large parts
- Assembly of fuselage panels

Steady progress is being made toward the maiden flight.

Toward becoming a highly profitable 5-trillion-yen enterprise

Preliminary initiatives (4) Strengthen the Transportation Systems business

Middle East Metro Plans

1. Qatar: Doha
2. Saudi Arabia: Mecca
3. Saudi Arabia: Jeddah
4. Saudi Arabia: Medina
5. Saudi Arabia: Dammam
6. Kuwait
7. Abu Dhabi
8. Egypt: Cairo

- Apply MHI's EPC coordination capabilities (comprehensive capabilities)
  → Leveraging experience with the Taiwan Bullet Train and Dubai Metro
- Mihara Test Center
  → Increasing international visibility / Platform for railway exports
- Expansion of O&M (operation & maintenance) business in the U.S., etc., focusing on APMs
  → Changing the business model

Medium- and Long-term High-speed Railway Projects

1. Rio-São Paulo High-speed Rail
2. California High-speed Rail
3. North-South Express Railway in Vietnam
4. High-speed Railway in India
5. Thailand High Speed Rail Project
6. Malaysia-Singapore High-speed Rail Link

Dubai Metro extension (United Arab Emirates)

Bangkok Red Line (Thailand)

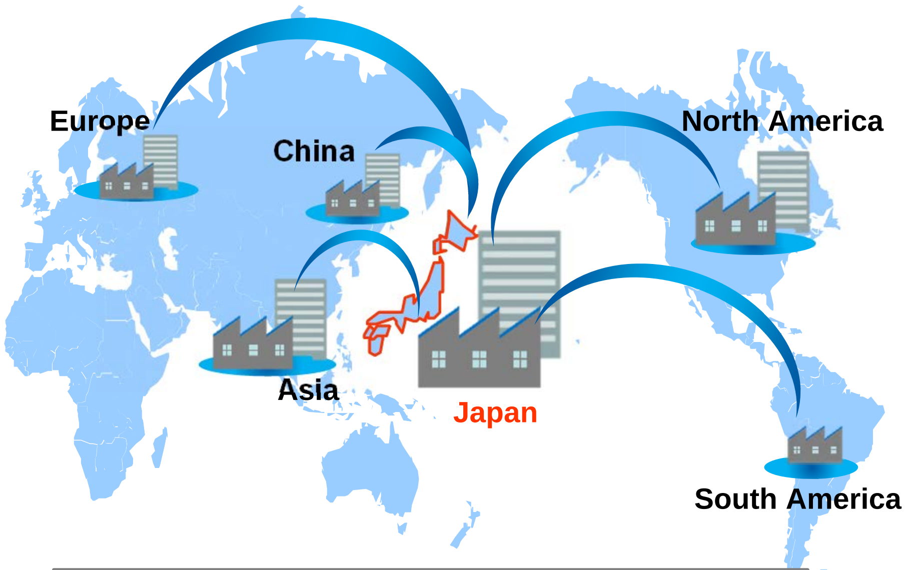
Jakarta MRT (Indonesia)

Sao Paulo Line 6

Miami APM (United States)

Global Platform
– (1) Current status and vision

Now

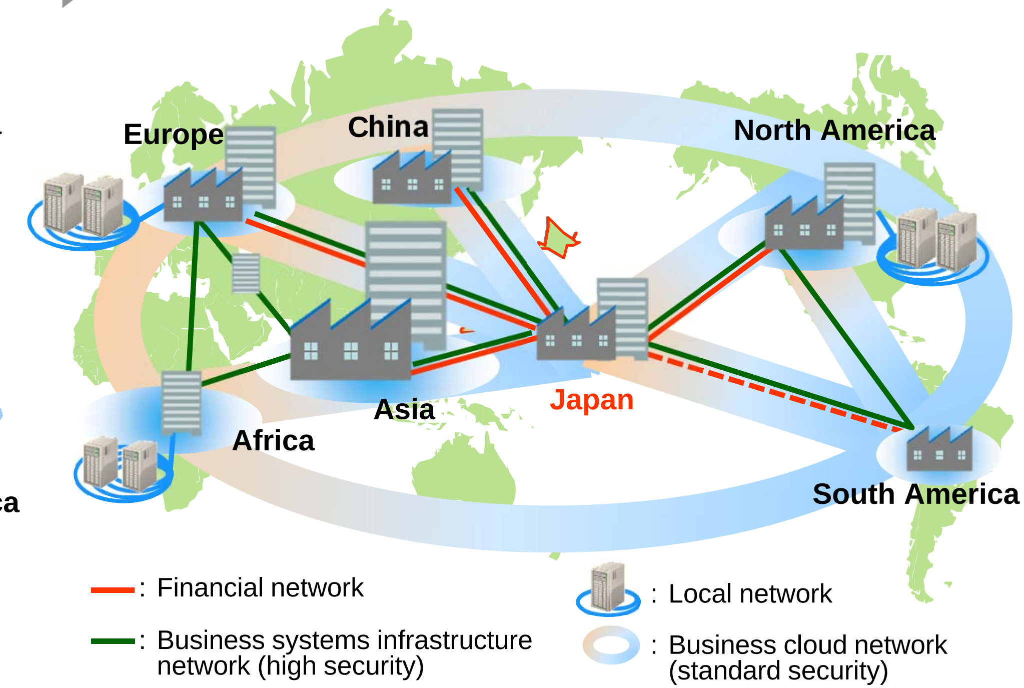


A multinational company focusing on exports, with all its business sites in Japan

The following are lacking or insufficient for full-scale global expansion:

- Worldwide market penetration (currently: predominantly the Asian market)
- Local service shops, etc.
- Human resources capable of responding to diversification
- Management/business processes and support systems enabling global network integration

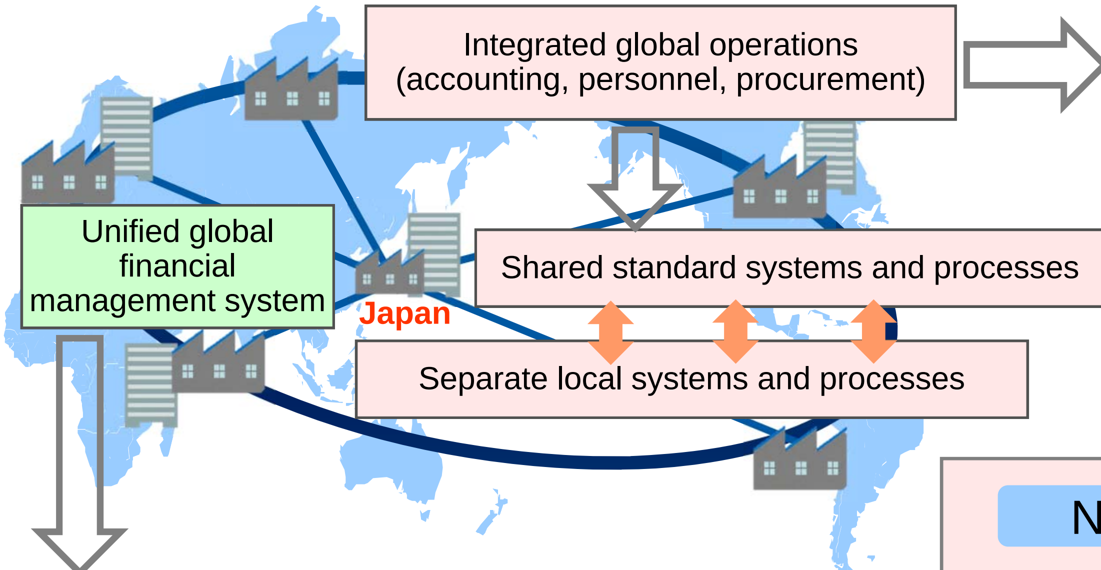
Vision



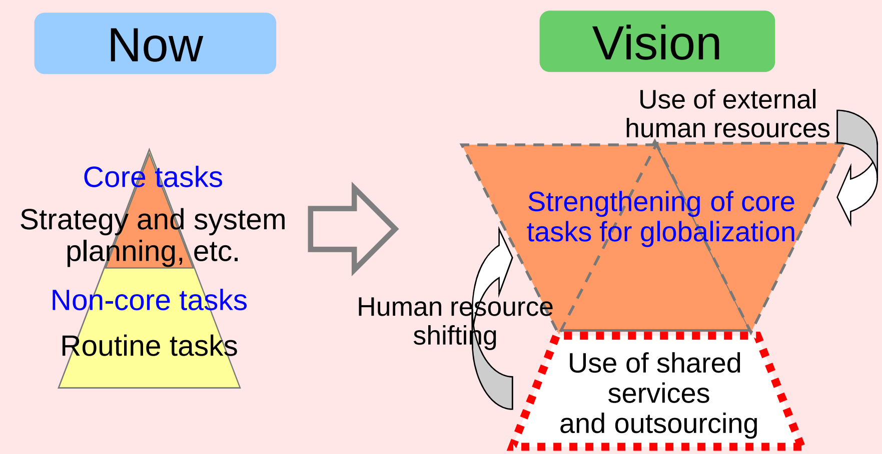
- Make Japan the base for overall group management, technologies, and production of core parts
- Enhance the functions and business scope of overseas bases
- Establish a global network and organize management information
  → Enhance the visibility of and upgrade information relating to: marketing, production, servicing, capital resources, human resources, R&D

Global Platform
– (2) Stage 1

Establish a unified global financial management system and business platform (for accounting, personnel, procurement)



- Enhance visibility of global management information
- Link globally shared systems and processes with those specific to regions or companies
- Strengthen core businesses through human resource shifting and use of external human resources

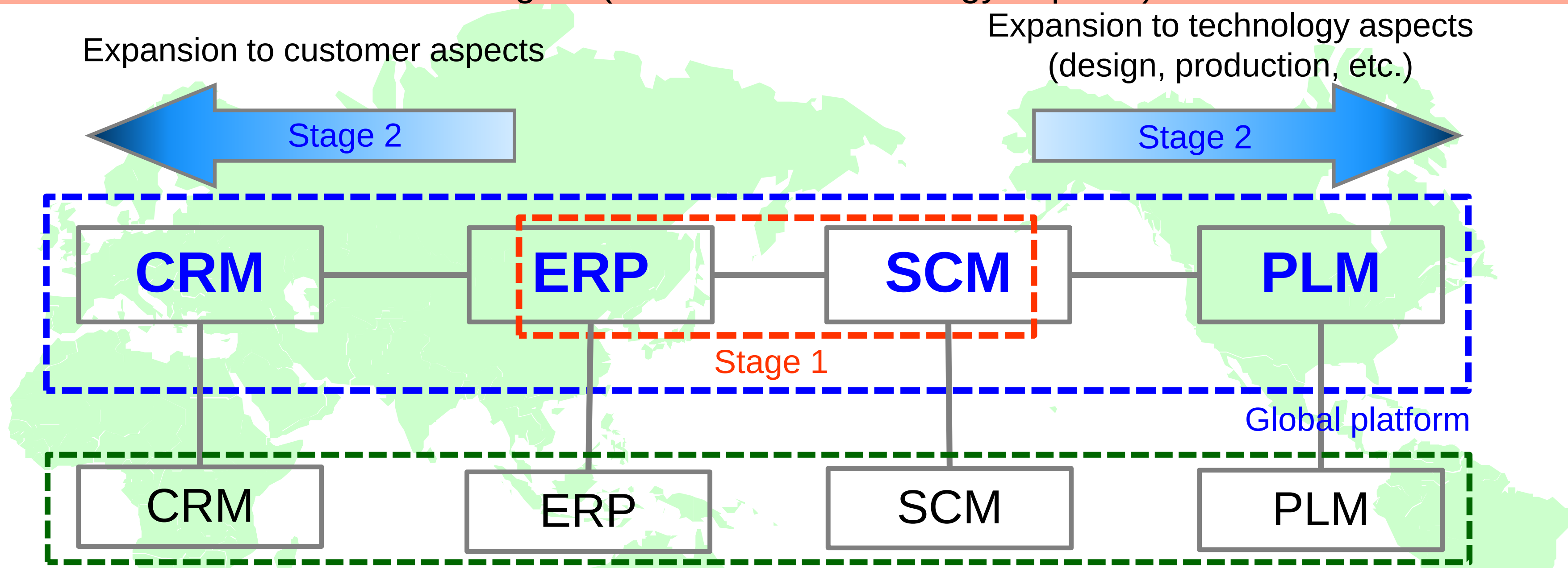


- Enhance and optimize asset management efficiency
- Manage financial status of all group companies
- Reinforce resilience to financial market fluctuations
- Strengthen business support financial services, etc.

- Cut costs through expanded use of shared services and outsourcing
- Strengthen compliance and governance through standardization of systems and processes

Global Platform
– (3) Stage 2 and onward

Expand the concept of Stage 1 (internal business aspects)
to Stage 2 (customer & technology aspects)



CRM : customer relationship management
SCM : supply chain management
ERP : enterprise resource planning
PLM : product lifecycle management

- Unify business-related information management based on overall group management information
- Progressively establish globally standardized systems, processes, tools
- Form links with independent local systems specifically tailored to particular companies, businesses or products

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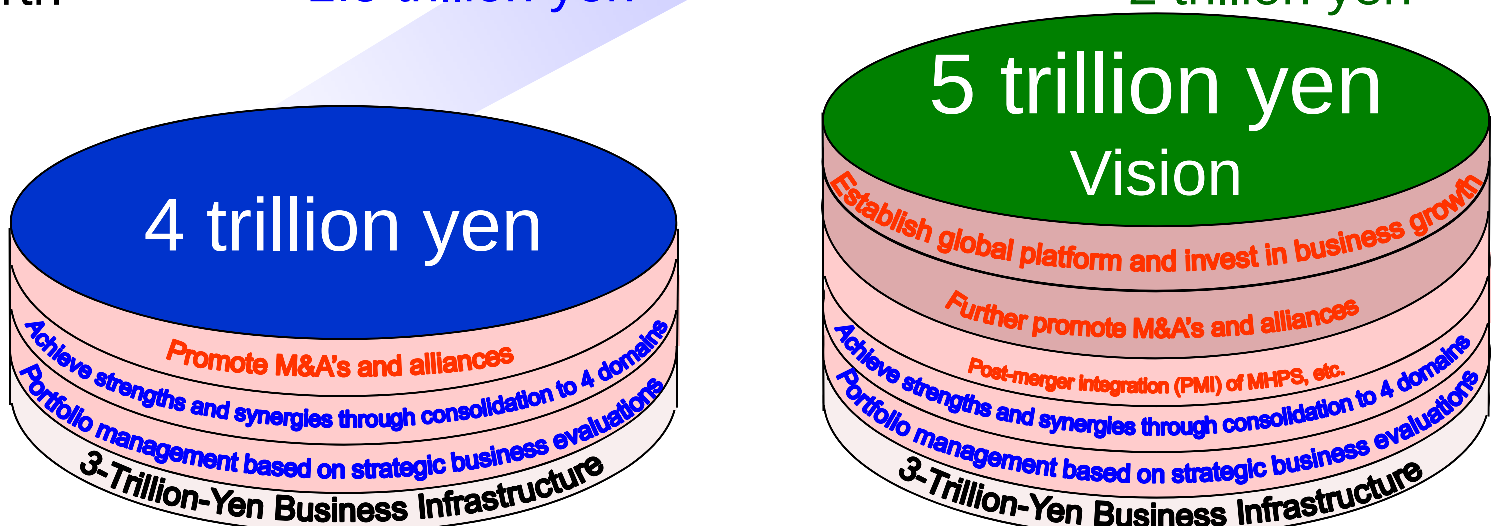
Vision – To make the leap to a highly profitable 5-trillion-yen enterprise

FY2012 Business Plan		Next medium-term business plan and beyond
Target	**FY2014**	**FY2017 and beyond**
FCF	200 billion yen	200 billion yen
D/E ratio (fund raising potential)	0.5 to 0.7 (500 billion yen)	0.4 to 0.6 (1 trillion yen)
ROE	8.9%	12.0%
Net worth	1.5 trillion yen	2 trillion yen



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