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.

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.

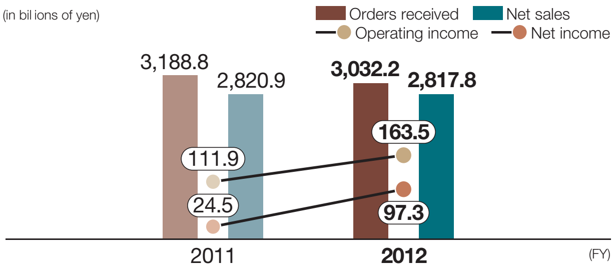
Consolidated net sales totaled ¥2,817.8 billion, down only 0.1% from the year before. Increases were posted in the Machinery & Steel Infrastructure Systems, Power Systems and General Machinery & Special Vehicles segments, and these largely offset decreases suffered in the Shipbuilding & Ocean Development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

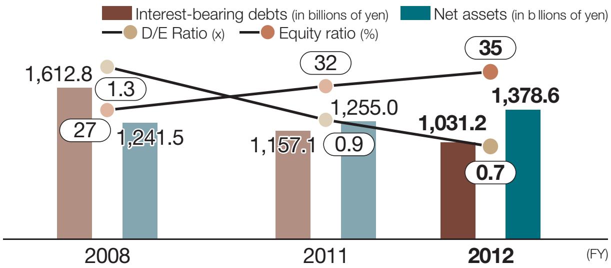
Overall, then, fiscal 2012 left a number of outstanding issues since our targets for orders received and net sales defined at the start of the term went unachieved. With respect to earnings, however, we succeeded in achieving figures far exceeding our targets — in spite of the adverse conditions presented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

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

Target 1 — Challenges exist
Expand Business Scale

Strategy 1 — Accelerate initiatives
Consolidate and Restructure Business Segments (into four business domains) to Realize Strengths and Synergies

Strategy 2 — Accelerate initiatives
Accelerate Global Expansion

Target 2 — Steady progress
Improve Capital Efficiency and Net Income Level

Strategy 3 — Steady progress
Manage Business Portfolio Based on Strategic Evaluation

Strategy 4 — Steady progress
Institute Corporate Reform and Efficiency Improvements (Optimize Shared Resources)

Strategy 5 — Steady progress
Manage Innovations in Corporate Governance and Operations

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.

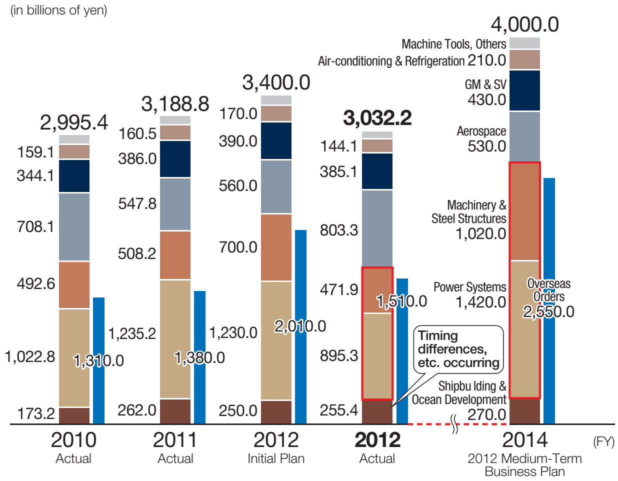
Q3 Please tell us your market outlook for fiscal 2013 and explain what MHI's main strategies are for achieving the 2012 Medium-Term Business Plan.

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

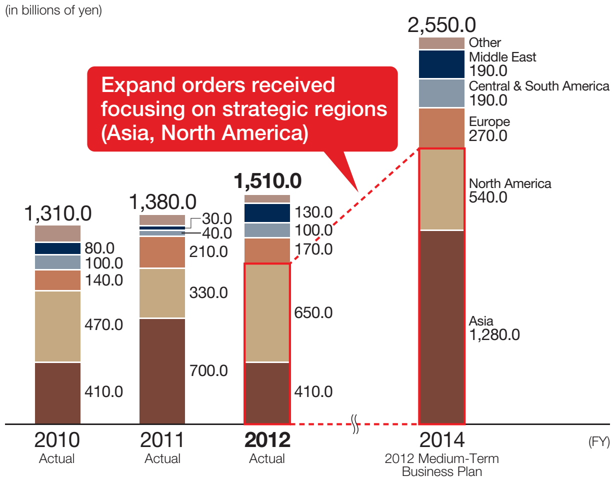
In fiscal 2012 we largely completed our development of fundamental structures for future growth, and we also made steady progress with internal reforms designed to improve profitability. Based on this, in fiscal 2013 we will press on with our transition to a four-domain business structure in our quest 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



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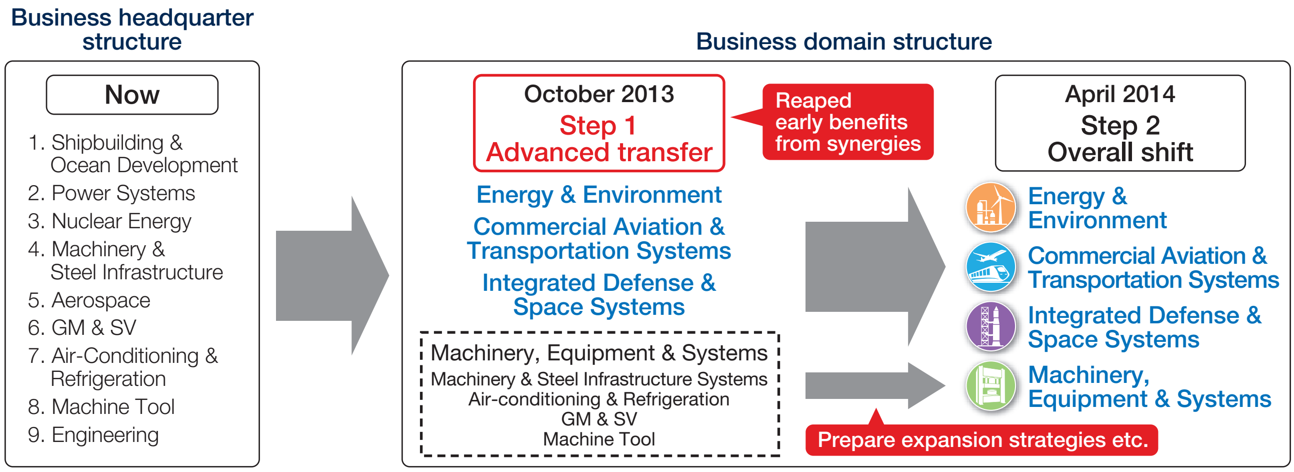
customers, and of the markets in general, leveraging our Groupwide strengths in a wide-ranging product lineup. The core of our growth strategy for this business domain is to integrate our thermal power generation systems business with that of Hitachi, Ltd., an initiative in which MHI is playing the leading 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.

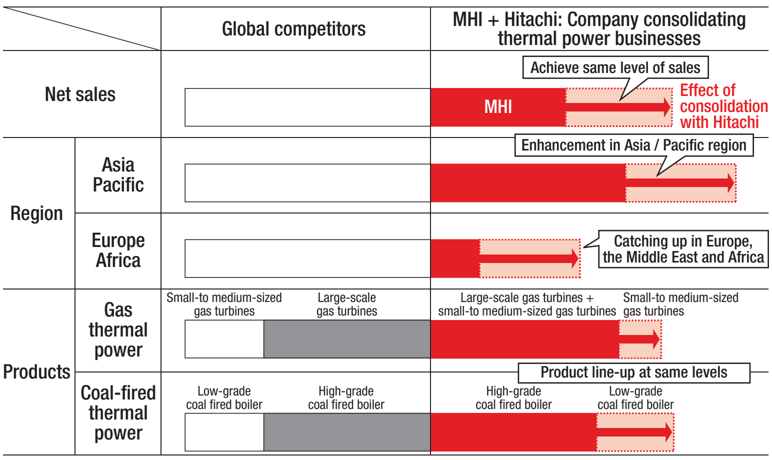
Q4 What are MHI's long-range targets and strategies for the years beyond the time frame of the 2012 Medium-Term Business Plan?

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.



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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