Hideaki Omiya
President and CEO

Question 1 Can you give us an overview of business results for fiscal 2011?

Consolidated orders received were ¥3,188.8 billion. Consolidated net sales were ¥2,820.9 billion, operating income was ¥111.9 billion, and net income was ¥24.5 billion.

While orders in Aerospace Systems declined, the MHI Group endeavored to secure new orders, mainly in Shipbuilding & Ocean Development, particularly for high-value-added vessels and cruise ships, and in Power Systems, obtaining a large Taiwanese order for coal-fired power generation units. Consequently, the value of consolidated orders received was up 6.5% year on year, to ¥3,188.8 billion.

Sales decreased 2.9% year on year to ¥2,820.9 billion, mainly as a result of falling sales in Machinery & Steel Infrastructure Systems, which had been high in the previous fiscal year, offsetting higher sales in General Machinery & Special Vehicles, Aerospace Systems, and other segments.

With respect to earnings, the Group was able to increase profits despite the strong yen by boosting profitability in General Machinery & Special Vehicles, together with improvement in the profitability of overseas plant construction in Power Systems. As a result, operating income increased ¥10.7 billion to ¥111.9 billion.

Extraordinary gains included sales of fixed assets, such as the Head Office building. Reflecting the decrease in Japanese corporate tax rates and extraordinary losses from business structure improvement expenses, including an inventory write-down of onshore wind turbines, net income declined ¥5.5 billion, to ¥24.5 billion.

Question 2

How successful was the 2010 Medium-Term Business Plan in fiscal 2011, and what are your impressions of its progress?

Two years have passed since we launched the 2010 Business Plan. As a result of initiatives to reinforce profitability, we reached our operating income targets in both fiscal 2010 and 2011.

Under the 2010 Business Plan, the MHI Group has leveraged its truly comprehensive capabilities to drive reforms in response to significant changes in the market environment and realize global expansion. We thereby achieved three objectives. These were to improve profitability by reinforcing our earnings structure, establish a flexible and agile management structure, and introduce performance indicators to drive corporate value. We achieved our operating income targets for both fiscal 2010 and 2011.

We sought improved profitability despite the impact of the strong yen in fiscal 2010 and 2011, through improvement measures under the 2010 Business Plan. These included expanding our global production system by increasing overseas bases in Power Systems and Machinery & Steel Infrastructure Systems, conducting business restructuring and structural reform, downsizing and withdrawing from low-performing businesses, and promoting enterprise-wide cross-functional initiatives.

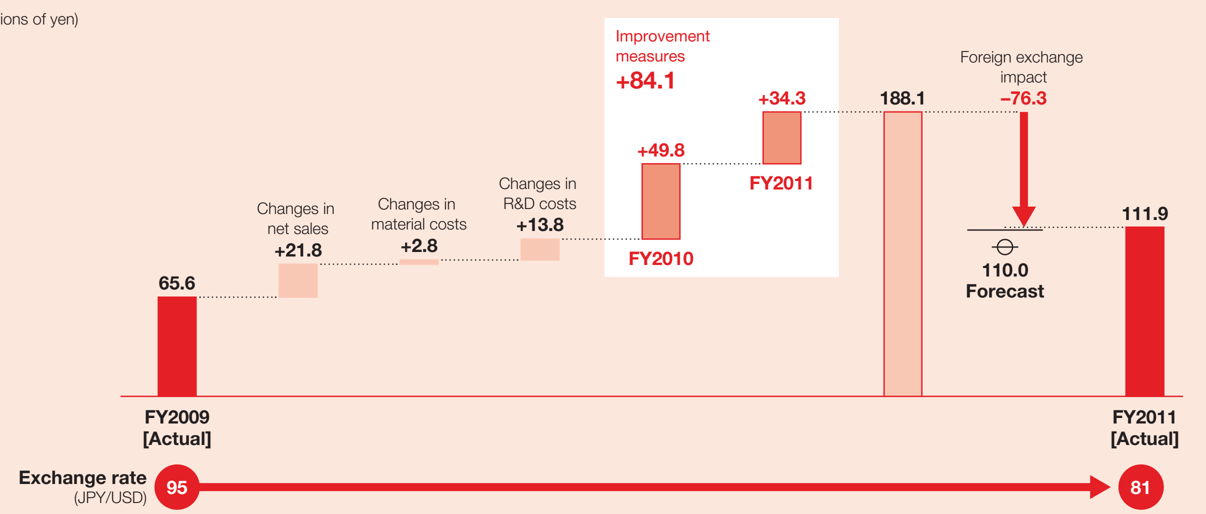
As part of efforts to establish a flexible and agile business management system for coping with significant changes in the business environment, we established a business headquarters structure in April 2011. This change clarified roles and responsibilities for businesses and encouraged operational efficiency and speed. At the same time, we performed organizational revisions to strengthen operations from customer perspectives and reinforce enterprise-wide cross-functional initiatives.

In taking steps to introduce management indicators for increased corporate value, we positioned return on equity (ROE) as a key management indicator under the 2010 Business Plan to emphasize the pursuit of investment efficiency. We also introduced strategic business evaluations to engage in portfolio management to maximize corporate value with limited resources. We were therefore able to organize business and financial profiles for each of our 64 Strategic Business Units. This made it possible for us to accelerate selection and concentration of businesses under the 2012 Business Plan.

While realizing these achievements under the 2010 Business Plan, we also clarified such issues as sluggish business scale growth and low returns on investment and net income. We aim to address these issues under the 2012 Business Plan.

Analysis of change in operating income from FY2009 to FY2011

(In billions of yen)



Question 3 What role will the 2012 Business Plan that starts in fiscal 2012 play, and what are its goals?

We have positioned the 2012 Business Plan as a rolling plan for its 2010 predecessor. Our goals are to expand business scale, as well as improve capital efficiency and the net income level. We aim to establish a business scale of ¥4 trillion by fiscal 2014, the final year of the 2012 Business Plan, as a step toward becoming a ¥5 trillion enterprise over the longer term.

The 2012 Business Plan is a rolling plan that factors in global economic instability and other changes in the business environment under the 2010 Business Plan. This new initiative is a first step toward becoming a ¥5 trillion enterprise. Key goals under this plan are to expand business scale, as well as improve capital efficiency and the net income level. We will meet these goals by undertaking the following five strategies:

1. Consolidate and restructure business segments (into four domains) to realize strengths and synergies
2. Accelerate global expansion
3. Manage the business portfolio based on strategic evaluation
4. Institute corporate reforms and efficiency improvements (optimize shared resources)
5. Manage innovations in corporate governance and operations.

We will attain our initial target of expanding our business scale by undertaking the first two strategies. The first is to consolidate and restructure business segments (into four domains) to realize our strengths and synergies. Second, we seek to accelerate global expansion. We are targeting ¥3.7 trillion in consolidated net sales by fiscal 2014 as a first step for pursuing ¥5 trillion in revenues.

We will achieve the second target of improving capital efficiency and the net income level by pursuing the third and fourth strategies. These are to manage the business portfolio based on strategic evaluation and to institute corporate reforms and efficiency improvements (optimize shared resources). By fiscal 2014, we seek ¥130 billion in net income as a step toward ultimately generating ¥240 billion in earnings. We will therefore undertake portfolio management based on strategic evaluation.

Fiscal 2012 targets are ¥3.4 trillion in consolidated orders received, ¥3 trillion in consolidated net sales, and ¥120 billion in operating income. For fiscal 2014, the final year of the 2012 Business Plan, we look for ¥4 trillion in consolidated orders received, ¥3.7 trillion in consolidated net sales, and ¥250 billion in operating income.

Under the 2012 Business Plan, we will improve capital efficiency by leveraging business segment synergies in four domains and by implementing business portfolio management based on strategic evaluation. We will also reinforce our financial position by enhancing free cash flow, our debt-to-equity ratio, return on equity, and shareholders' equity. By fiscal 2014, we aim to secure a reserve fund-raising potential of more than ¥500 billion in finance capacity. By maintaining efforts in these areas, we will expand our business scale and reinforce that fund-raising potential to around ¥700 billion. We will additionally undertake large mergers and acquisitions and investments in our drive to become a highly profitable ¥5 trillion enterprise that can sustainably generate growth worldwide.

Question 4 Please detail the first strategy of consolidating and restructuring business segments into four domains to realize strengths and synergies.

We will consolidate and restructure our eight current business headquarters, including 64 Strategic Business Units, to maximize our strengths and business synergies.

Under the 2012 Business Plan, we will restructure the eight business headquarters into four business domains focused on customers, markets and business characteristics, more aggressively cultivating businesses to optimize our strength and business synergies. These domains are "Energy & Environment," "Machinery, Equipment & Systems," "Transportation," and "Defense & Aerospace."

The Energy & Environment domain integrates in-house engineering, procurement, and construction operations with the Engineering Headquarters, which we established in January 2012, as well as covering such power generation businesses as thermal, nuclear and renewable energy, along with environmental and chemical plants. We will rapidly expand energy and environmental businesses, notably gas turbine combined cycle and integrated coal gasification combined cycle operations, through selective and focused investments. In parallel, we plan to engage in such solutions businesses as large infrastructural operations, smart communities, and comprehensive water business, leveraging the world-class engineering, procurement, and construction capabilities of the Engineering Headquarters.

The Machinery, Equipment & Systems domain integrates businesses for products supplied to the steel industry and the automotive industry, such as steelmaking machinery, compressors, turbochargers, machine tools, and other products. We will reinforce production and sales in emerging markets in which such core industries are rapidly expanding, and aim to increase market shares and expand profitability. At the same time, we will establish dedicated operating companies, form alliances, and carry out mergers and acquisitions.

The Transportation domain integrates land, sea and air transportation-related businesses in which safety and compliance with stringent regulations are vital. These areas include commercial aircraft, commercial ships, and transportation systems. In the promising commercial aircraft business, we will improve profitability through manufacturing reforms. We will channel our best efforts into the Mitsubishi Regional Jet (MRJ), Japan's first small passenger jet, while further reinforcing cost competitiveness. In the commercial shipbuilding business, we will cultivate businesses in advanced technology and high-value-added fields. We will also reinforce engineering business and develop our shipbuilding business overseas.

The Defense & Aerospace domain covers defense aircraft, defense ships, special vehicles, and land-sea-and-air defense operations, including space systems. We will contribute more to Japan's security by engaging in integrated land-sea-and-air defense systems. Along those lines, we will promote the mutual application of private-sector and defense and space technologies.

Four domains aligned to customers and markets

Business domain	Customers/ Markets	Segment: Shipbuilding & Ocean Development	Power Systems	Machinery & Steel Infrastructure Systems	Aerospace Systems	General Machinery & Special Vehicles	Others (Air-Conditioning/ Machine Tool)
Energy & Environment	• Power companies • Gas companies • Resource companies (oil, chemicals, steel)		• GTCC • Large-sized thermal power plants • Nuclear energy	• Environmental plants • Chemical plants			
Machinery, Equipment & Systems	• Core industries (steel, etc.) • Automotive industry • Logistics, etc.		• Stationary engines	• Compressors • Iron and steel machinery • Crane and material handling systems		• Turbochargers • Forklift trucks • Engines	• Air-conditioning equipment • Machine tools
Transportation	• Airlines (air) • Shipping companies (sea) • Railways (land), etc.	• Commercial ships		• Transportation systems	• Commercial aircraft		
Defense & Aerospace	• Ministry of Defense (land, sea, air) • JAXA	• Destroyers and submarines for the Ministry of Defense			• Defense aircraft • Missiles • Space systems	• Special vehicles	

Question 5

Could you also detail your efforts to accelerate global expansion?

We will reinforce competitiveness by defining strategically important regions and enhancing operating structures to increase overseas sales by ¥890 billion by fiscal 2014. On top of that, we will expand overseas procurement, mergers and acquisitions, and alliances while reinforcing overseas production bases as we cultivate operations outside Japan.

To expand business scale, we plan to increase overseas sales from the ¥1,180 billion posted in fiscal 2011 to ¥2,070 billion by fiscal 2014. We will achieve this goal of adding ¥890 billion in sales by defining Asia and North America as strategically promising regions in which we will reinforce sales structures and collaborations and engagement with local leading companies.

We will help reinforce our North American sales structure by establishing a finance subsidiary in the region that efficiently manages our U.S. funds. We will expand business in Asia mainly through alliances with leading Indian conglomerates. We intend to establish a regional headquarters in Singapore to oversee corporate strategy and functions across countries in the area.

In terms of reinforcing collaborations and engagement with leading local companies, we are expanding market entry opportunities. In China, for example, we have proposed a comprehensive automotive business to Shanghai Automotive Industry Corporation. In India, we established joint ventures with Larsen & Toubro Limited to fully launch boiler and turbine production for thermal power plants. At the same time, we intend to fully develop our shipbuilding engineering business.

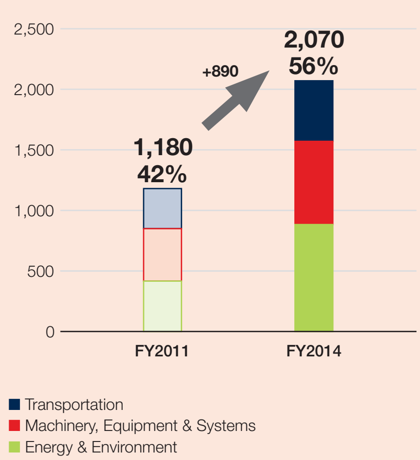
We will increase overseas procurement and production, mergers and acquisitions, and alliances as we expand overseas businesses. Overseas procurement is currently around ¥400 billion. We intend to raise this level 1.5 times to ¥600 billion by fiscal 2014. We will define procurement strategies by region and product, and expand use of overseas standard products. We will clarify procurement areas and items MHI specializes in for each area, and accelerate global procurement, especially from emerging countries.

We plan to strengthen overseas production bases by transplanting domestic manufacturing technologies and expertise offshore to enhance manufacturing capabilities tailored to local needs. We look to lift overseas production to around ¥670 billion, or about 1.6 times the current level.

We will expand mergers and acquisitions and alliances by pushing ahead with our 2010 Business Plan policies, cultivating more alliances and mergers and acquisitions with overseas partners. We will depart from vertical integration and demonstrate our truly comprehensive capabilities by pursuing speedy management to realize high-level corporate growth.

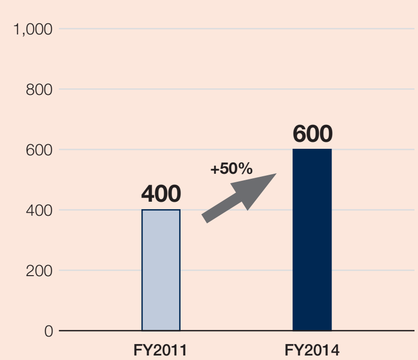
Overseas Sales

(In billions of yen)



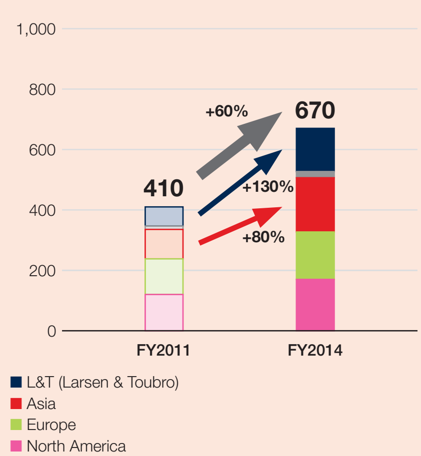
Overseas Procurement

(In billions of yen)



Overseas Production

(In billions of yen)



Question 6 Please tell us about your third strategy, of managing your business portfolio based on strategic evaluation.

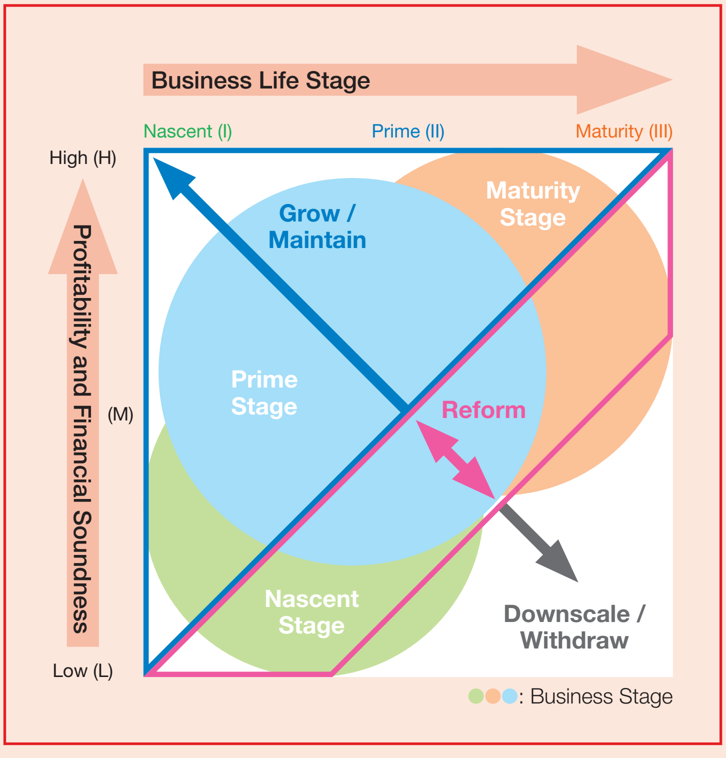
We will improve capital efficiency and the net income level by controlling strategic added value—the return requirement—and allocating invested capital based on strategic positioning after evaluating 64 Strategic Business Units.

To generate constant growth in the global market, we must remain strong financially to manage business and other risks. We will combine financial evaluations based on quantitative assessments and coefficients for business risks, creating an enterprise-wide mechanism to view business management from multiple perspectives, deploying strategic business evaluations to optimally invest management resources in businesses.

The basic approach for portfolio management based on strategic business evaluations is to classify each Strategic Business Unit by business position according to the profitability and financial soundness of each business stage. The next step is to allocate and control the required return—the strategic added value—and invested capital.

For portfolio management, we use the strategic business evaluation framework to position each Strategic Business Unit according to its business life stage, profitability, and financial soundness.

More specifically, we are positioning the business life stage on the horizontal scale and profitability and financial soundness on the vertical scale. We have categorized life stages as Nascent (I), Prime (II) and Maturity (III), with profitability and financial soundness ranking low, medium and high on the vertical axis. We are positioning Strategic Business Units based on combinations of these two scales. We are classifying Strategic Business Units according to whether to grow or maintain, reform, or downscale or withdraw according to business life stages and profitability and financial soundness. For businesses in growth stages, we will strategically and intensively inject the resources required to achieve reforms for generating high returns. For mature businesses, we will institute reforms while maintaining invested capital.



Question 7 Please outline strategy 4, which entails instituting corporate reforms and improving efficiency to optimize shared resources.

We will undertake the following four initiatives to optimize the use of shared and common management resources. The first is to make the corporate organization and functions more sophisticated and streamlined. The second is to reorganize Group companies to consolidate corporate functions. The third is to set up financial subsidiaries to reduce financial costs through global cash management. The fourth is to establish an asset management company to make effective use of underutilized assets.

For the first initiative, of making the corporate organization and functions more sophisticated and streamlined, we will reduce fixed costs to boost earnings. At the same time, we will deploy human resources to support global expansion. Under the second initiative, of reorganizing Group companies to consolidate corporate functions, we will lower costs by centrally managing all of our welfare facilities and real estate and cut Group company expenses. For the third step of setting up financial subsidiaries to reduce financial costs through global cash management, we will establish financial subsidiaries in the United States, Europe, and Asia. Under the fourth initiative of making effective use of underutilized assets, we will compress and utilize assets by establishing an asset management company.

Question 8 What about strategy 5, which aims to manage innovations in corporate governance and operations?

We have enhanced the supervision and auditing functions of the Board of Directors and the Board of Statutory Auditors, and are reinforcing risk management in the course of business for the corporate divisions and business segments, deploying CSR activities aligned with management strategy.

While fostering diversity among directors to strengthen supervision, we have enhanced the auditing functions of the Board of Statutory Auditors. More specifically, we are strengthening the Board of Directors to include individuals who can provide advice based on their wide-ranging international business experience or from government and public policy perspectives. We aim to secure Board of Statutory Auditors members who can advise on quality and safety oversight and on important aspects of corporate risk management. We will secure corporate governance advice from external directors and auditors based on diverse perspectives.

To date, we have had each division manage its business operational risks, reinforcing internal auditing for enterprise-wide management. However, given the accelerating global expansion and growing business scales characterizing the current business climate, we need to reinforce Group risk management to address more complex, broader, and larger risks. Collaboration between divisions and speedy, accurate responses to change are vital. Accordingly, we reviewed Management Audit Department, CSR, and General Affairs Department functions in April 2012. We set up the Compliance Section within the General Affairs Department, and established the Crisis Management Committee to serve the entire Group. These moves put in place a structure to manage risks from cross-sectional perspectives for the entire Group. We will continue unifying enterprise-wide risk management to broaden the scopes and scales of risks that we must manage. We are drawing on monitoring through the Management Audit Department while working to build an even more solid organization that can prevent Group risks from materializing.

In terms of promoting CSR aligned to management strategy, we will contribute to the sustainability of global society through manufacturing, notably by providing infrastructural products that resolve social issues. At the same time, we will create a corporate culture in which we meet stakeholder expectations and trust by undertaking social contribution activities, including those supporting society's next generation.