Business Segment Review

Power Systems

Key businesses: Thermal power generation (natural gas, coal), nuclear power generation, renewable energy, etc.

Basic Strategies

Power Systems
- Develop an overseas network to enhance competitiveness
- Pursue market-tailored business development
- Advance into new businesses and fields

Nuclear Energy Systems
- Promote domestic business by establishing new safety technologies
- Deploy resources to restore TEPCO’s Fukushima Daichi Nuclear Power Station and its future decommissioning
- Promote “selection and concentration” and alliances to accelerate the development of global business

Future Outlook and Targets

<table>
<thead>
<tr>
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<th>2011 (in billions of yen)</th>
<th>2012 (in billions of yen)</th>
<th>2013 (Forecast)</th>
<th>2014 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders received (left scale)</td>
<td>1,236.2</td>
<td>955.3</td>
<td>898.7</td>
<td>955.3</td>
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<tr>
<td>Net sales (left scale)</td>
<td>995.3</td>
<td>88.9</td>
<td>85.0</td>
<td>88.9</td>
</tr>
<tr>
<td>Operating Income (Loss) (right scale)</td>
<td>92.3</td>
<td>88.9</td>
<td>85.0</td>
<td>143.0</td>
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Fiscal 2012 Review and Fiscal 2013 Outlook

Amid stiffening competition for orders in Asia, MHI won orders for gas turbines in Thailand and for coal-fired power plants in Vietnam and Japan. Despite this, reflecting the impact of a delay in orders to this period, consolidated orders received were ¥895.3 billion, a decrease from the previous year when large-scale orders in Taiwan and South Korea had been secured.

Consolidated net sales rose year on year to ¥988.7 billion due in part to an increase in sales of thermal power plants. However, operating income decreased to ¥88.9 billion, affected by a delay in operations restarting at the nuclear power plants.

Targets for fiscal 2013 are ¥1,170.0 billion in consolidated orders received, ¥1,090.0 billion in consolidated net sales, and ¥95.0 billion in operating income.

Initiatives for Growth in the Medium to Long Term

In the field of thermal power generation, demand for new construction is continuing to expand, especially in emerging countries, such as the demand for upgrades to aging coal-fired facilities and environmentally friendly gas-fired facilities. Furthermore, with progress being made in the development of shale gas in the United States and other countries, and with the discovery of enormous gas fields, the price of natural gas is expected to fall worldwide, and so the use of gas turbine combined cycle (GTCC) systems will expand in various countries.

Amid an increasingly fierce business environment, MHI will work to reduce costs and mitigate currency fluctuation risks through expansion of its global procurement and production. In addition, through business integration with Hitachi, which is scheduled for January 1, 2014, MHI will win out against global competition by meeting brisk global demand for thermal power generation systems with high technological capabilities, quality and reliability.

MHI will also accelerate development for offshore wind turbines, and cultivate business with a focus on countries that border the North Sea, especially the United Kingdom and Germany.

In nuclear energy systems, MHI is targeting ¥400.0 billion for overseas new-build sales in fiscal 2014, with longer-term plans to grow this figure to ¥600.0 billion by applying its current domestic business model outside Japan.
Specifically, in the domestic market, MHI will comply with new regulatory standards, which came into force in July 2013. MHI is fully committed to supporting power companies in restarting operations at existing plants, promoting the nuclear fuel cycle at the Rokkasho Reprocessing Plant in Aomori Prefecture, achieving recovery and stable operations at TEPCO’s Fukushima Daiichi Nuclear Power Station, and decommissioning aged plants. For the global market, in addition to accelerating the global expansion of MHI’s global strategic reactor, ATMEA1, to emerging countries, MHI will make a full-scale entry into the after-sales service market through alliances and its advanced technologies bolstered with a wealth of Japanese construction experience.

By making steady progress on these initiatives, MHI will fulfill its four-part mission as a world-leading integrated nuclear plant supplier, namely, to improve safety, supply stable power, counter global warming and ensure energy security.

Based on these measures for each sector, MHI is targeting consolidated orders received of ¥1,420.0 billion, consolidated net sales of ¥1,320.0 billion and operating income of ¥143.0 billion for this business segment in fiscal 2014.