As a manufacturer, Mitsubishi Heavy Industries (MHI) Group provides an assured future through technologies and passion.

Reason for Publication
The MHI Group conducts management based on the firm intention to “continuously provide an assured future where people can live safe, secure, and enriched lives through technologies that can excite people and passion as a manufacturer for the sustainability of the earth and humankind.”

To enhance the understanding of our philosophy among shareholders, investors, and a host of other stakeholders, from fiscal 2013 (the fiscal year ended March 31, 2014), we have integrated financial information, including management strategy and operating performance, with non-financial information related to the Group’s environmental and social activities into this MHI Report.

Cover Photo
Facility where the fuel tank section of the H-IIA launch vehicle was manufactured (Nagoya Aerospace Systems Works, Aichi Prefecture)
Contents

2 MHI’s Value Creation

2 MHI’s Vision
4 Board of Directors and Statutory Auditors
6 Value Creation Model
14 Financial and Non-Financial Highlights

16 Strategies for Augmenting Corporate Value

16 Interview with the President
22 Interview with the CFO
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26 Initiatives to Enhance Corporate Value

26 Business Segment Overview
42 Intellectual Property Activities and R&D
46 Corporate Governance

52 Corporate Data / Overseas Network and Overseas Offices

Financial Section (published as a separate booklet)

Structure of Information Disclosure

MHI Report contains information that is material to understanding MHI. More detailed information is available on our website.

Material

Financial Information

Non-Financial Information

Financial Section of MHI Report (Separate booklet)

Website “Investor Relations”

Website “CSR”

Reference Guidelines

International Integrated Reporting Council (IIRC)
International Integrated Reporting Framework
Global Reporting Initiative
Sustainability Reporting Guidelines (Fourth Edition, or G4)
Ministry of the Environment of Japan
Environmental Reporting Guidelines (2012 version)

Please see the Financial Section of MHI Report, provided as a separate booklet, for more detailed financial information.


For detailed CSR information, please see the “CSR” section of our website.

http://www.mhi-global.com/company/CSR/index.html

Forward-Looking Statements

Forecasts regarding future performance in these materials are based on judgments made in accordance with information available at the time this presentation was prepared. As such, these projections involve risks and insecurity. For this reason, investors are recommended not to depend solely on these projections for making investment decisions. It is possible that actual results may change significantly from these projections for a number of factors. Such factors include, but are not limited to, economic trends affecting the Company’s operating environment, currency movement of the yen value to the U.S. dollar and other foreign currencies, and trends of stock markets in Japan. Also, the results projected here should not be construed in any way as being guaranteed by the Company.
We will leverage our technical expertise built up over 130 years to contribute to social progress and the sustainability of the planet, continuing forward to realize our vision of “Our Technologies, Your Tomorrow.”

July 2014 marked the 130th anniversary of MHI’s establishment. We started out in shipbuilding, before expanding our operations into aircraft, power generation systems, industrial machinery, rockets, and a host of other areas. In this respect, our history mirrors the progress of society.

Today, the world continues to undergo significant changes, among the most salient being the ascendancy of the emerging countries, globalization driven by rapid advances in information and communications technology (ICT), and increasingly severe environmental problems. As it has in the past, MHI will adapt to these changes in its operating environment, bringing its technologies to bear in addressing the broad-ranging issues faced by society and the planet, and focusing all its effort into resolving these imposing challenges. At the same time, in our bid to become a truly global corporation that earns the trust of people throughout the world, we will constantly maintain a global perspective and a sense of challenge as we continue to innovate in our quest to achieve sustained growth.
I believe that the strong desire to deliver technologies that can excite people and a passion for manufacturing are the driving forces that will allow us to remain true to our corporate identity (CI) statement of “Our Technologies, Your Tomorrow.” I also firmly believe that further strengthening and optimally leveraging the technological expertise we have cultivated in the course of 130 years will contribute not only to our own growth but also to social progress and the sustainability of our planet. We will continue taking up these challenges with the firm determination incorporated into our CI statement.

I look forward to the sustained support and guidance of all our customers, shareholders, investors, and everyone otherwise involved in MHI’s endeavors.

Hideaki Omiya
Chairman of the Board
Board of Directors and Statutory Auditors (As of July 1, 2014)

Chairman of the Board
Hideaki Omiya

President and CEO*1
Shunichi Miyanaga

Director, Senior Executive Vice President (President and CEO, Energy & Environment)
Atsushi Maekawa

Director, Senior Executive Vice President (President and CEO, Commercial Aviation & Transportation Systems)
Yoichi Kujirai

Director, Executive Vice President (President and CEO, Integrated Defense & Space Systems)
Hisakazu Mizutani

Director
Yorihiko Kojima
(Chairman of the Board of Mitsubishi Corporation)

Director
Christina Ahmadjian
(Professor of Hitotsubashi University Graduate School of Commerce and Management)

Director
Hiroki Tsuda
(Former Administrative Vice Minister of Finance)
Strategically create value
Value Creation Model

Our Technologies, Your Tomorrow
Inspired by the strong passion of our CI statement, we have taken up the challenge of establishing a corporation with a truly global presence.

To achieve this aim, we seek to provide further value by improving the technologies we have fostered and using new ideas and concepts to integrate our diverse technologies. From a global perspective, we work to solve the problems facing humankind and to realize everyone’s dreams.

Creed

1. We strongly believe that the customer comes first and that we are obligated to be an innovative partner to society
2. We base our activities on honesty, harmony, and a clear distinction between corporate and personal life
3. We shall strive for innovative management and technological development from an international perspective

Reason for Instituting the Creed

In Japan there are many enterprises with their own “creeds” which simply represent their management concept. Mitsubishi Heavy Industries, Ltd. has a creed of this type, also. This creed was instituted in 1970 on the basis of the policy advocated by Koyata Iwasaki, president of Mitsubishi Goshi Kaisha in the 1920s, to indicate the essential attitude of the Company, the mental attitude of the employees, and the future directions of the Company. The reason for instituting the present creed is so that all of us can call to mind our 100 years of tradition, and strive for further development in the future.

MHI Group CSR Action Guidelines

In order to ensure a secure future for the Earth, we will establish and maintain:

**Close ties with the Earth**
Safeguard an abundantly green Earth through environmental technologies and environmental awareness;

**Close ties with Society**
Build a relationship of trust with society through proactive participation in society and trustworthy actions;

**A bridge to the next Generation**
Contribute to the cultivation of human resources who can shoulder responsibility in the next generation through technologies that can realize dreams.

Based on its creed and CI statement, “Our Technologies, Your Tomorrow,” the MHI Group has formulated CSR Action Guidelines to serve as collective standards for all Group employees when conducting business activities centered on the principles of CSR.
Key Capital

Building Our Technological Base over 130 Years

1884
1910
1940
1970
2000
2014

A: Launched Japan’s first steel steamship, the “Yugao Maru” (1887)
B: Built passenger car, “Mitsubishi Automobile Model A” (1918)
C: Produced the Zero Carrier Fighter (1939)
D: Delivered the world’s largest combined cycle power plant (Tohoku Electric Power, Higashi Niigata No. 3, unit 2; 545,000kW) (1985)
E: Successfully launched the first H-I Launch Vehicle (1986)
F: Delivered a CO2 recovery plant to Malaysia (1999)
G: A “J-Series” gas turbine, with the world’s highest efficiency, achieved the world’s highest turbine inlet temperature of 1,600 degrees Celsius (°C) during the verification test. (2011)

1880 – 1945
Building a Transportation Infrastructure from Roots in Shipbuilding

MHI’s monozukuri began with the lease of Nagasaki Shipyard & Machinery Works from the Ministry of Industry. Even as the Company built Japan’s first steel steamship and battleships, it applied the technologies and knowledge cultivated in those endeavors to begin production of automobiles and aircraft, expanding its range of business as a comprehensive manufacturer of transport equipment. As global tensions rose, the Company entered into an age where its technologies—more advanced than in most countries at that time—would be diverted to military use.

1946 – 1963
Supporting Post-War Recovery with Consumer Products

After the war, in accordance with national policy, MHI shifted its emphasis from military hardware to the development and manufacture of scooters, air conditioners, and many other types of consumer products. In 1950, in line with the GHQ’s policy of dissolving large industrial groups (zaibatsu), MHI was divided into three independent companies. As a result, the scale of products grew more diverse, and the three companies fell into competition. However, this technology race would provide the foundation for the leading company in heavy industry.

1964 – 1990
Merging of Three Heavy Industry Companies Leads to Large-Scale Development

In 1964, the same year Tokyo hosted the Summer Olympics, the three principal heavy industry companies reunited, creating the current form of Mitsubishi Heavy Industries. Its products expanded to encompass the fields of land, sea, and air, and included oil-drilling rigs, power plants, tankers, and bridges. In addition, the successful lift-off of the H-I launch vehicle occurred around this time, and the Company’s participation in full-fledged space development began.

1991 – Present
Supporting a Sustainable Society as a Comprehensive Infrastructure Company

MHI has always sought high efficiency, and as the trend toward global environmental conservation gains momentum and the concept of ecology becomes commonplace, the Company’s gas turbine, eco-ship, and other technologies and product fields are expanding on a global scale. As a comprehensive infrastructure company, MHI works to develop the technologies and products that will support a sustainable society.
**Social Relationship Capital**
(Various Stakeholders, Natural Environment)

**Manufactured Capital**
(Buildings, Equipment, Infrastructure)

**Intellectual Capital**
(Patents, Licenses, Systems, Know-How)

**Human Capital**
(Employees and Organizations: Their Capabilities and Experience)

**Financial Capital**
(Funds)

---

### Financial Capital
- **Total Assets**
  - Billions of yen
  - 2010: 3,969.0
  - 2011: 3,983.9
  - 2012: 3,935.1
  - 2013: 4,886.0

### Financial Capital
- **Net Assets / Equity Ratio**
  - 2010: 4.1
  - 2011: 4.3
  - 2012: 4.2
  - 2013: 1.4

### Manufactured Capital
- **Capital Investment**
  - Billions of yen
  - 2010: 120.0
  - 2011: 118.8
  - 2012: 120.7
  - 2013: 148.6

### Intellectual Capital
- **Research and Development Expenditures / As a Percentage of Net Sales**
  - Billions of yen
  - 2010: 128.6
  - 2011: 120.0
  - 2012: 118.8
  - 2013: 138.5

---

### Human Capital
- **Number of Employees / Ratio of Overseas Employees**

### Social Relationship Capital
- **Energy Input**
  - TJ
  - 2010: 68,616
  - 2011: 68,687
  - 2012: 68,213
  - 2013: 9,796

---

*Note: In principle, MHI on a non-consolidated basis (production plants and offices)*
**Business Activities**

- **Input**
  - Manufactured Capital
  - Human Capital
  - Intellectual Capital
  - Social Relationship Capital

**Management Strategies**

- Allocation of Capital

**Value Creation Model**

**Pursuit of Business Plan**

MHI is moving steadily ahead in line with the 2012 Medium-Term Business Plan and aiming for even further growth during the next business plan. [Interview with the President ➤ Page 16]

**2012 Medium-Term Business Plan**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidate and restructure the 9 Business Headquarters into 4 Business Domains, to achieve greater strengths and synergies</td>
<td>Expand business scale</td>
</tr>
<tr>
<td>Accelerate global expansion</td>
<td>Improve capital efficiency and net income level</td>
</tr>
<tr>
<td>Manage business portfolio based on strategic evaluations</td>
<td></td>
</tr>
<tr>
<td>Institute corporate reforms and efficiency improvements (Optimized resource sharing)</td>
<td></td>
</tr>
<tr>
<td>Continue innovations in corporate governance and business execution</td>
<td>Making progress on each strategy</td>
</tr>
<tr>
<td>Recent corporate governance reforms</td>
<td></td>
</tr>
</tbody>
</table>
Machinery, Equipment & Infrastructure

Machinery, Equipment & Infrastructure provides a wide range of products that form the foundation of industrial development, such as machine tools, material handling, construction machinery, and air-conditioning and refrigeration systems. MHI applies its vast business endeavors and high reliability as a corporation that supports social and industrial infrastructure to connect people to people, businesses to businesses, and the present to the future.

Energy & Environment

Energy & Environment offers optimal solutions in the energy-related fields of thermal power, nuclear power, and renewable energy, in such environmental areas as water and flue gas treatment, and for chemical plants and other industrial infrastructure elements. By integrating large-scale infrastructure projects that support society, MHI generates new power for the future.

Integrated Defense & Space Systems

Integrated Defense & Space Systems provides integrated land, sea, air, and space defense systems, including naval ships, defense aircraft, launch vehicles, and special vehicles as well as space-related services. MHI uses the technology and expertise cultivated in its defense and space business to provide security on the planet.

Commercial Aviation & Transportation Systems

Commercial Aviation & Transportation Systems delivers advanced land, sea, and air transportation systems, including civilian aircraft, commercial ships, and transit networks. MHI moves society, supporting its transportation and logistics infrastructures with superior safety, guaranteed quality, and reliability backed by technology.
## Value Creation

### Customers
MHI supplies products and services to a wide range of customers. Throughout our activities, we maintain priority on safety and quality.

### Product Use
MHI products, which deliver high levels of efficiency and environmental performance, enable customers to reduce costs and curtail their environmental impact as they support the social and industrial infrastructure.

### Output

<table>
<thead>
<tr>
<th>Energy &amp; Environment</th>
<th>Commercial Aviation &amp; Transportation Systems</th>
<th>Integrated Defense &amp; Space Systems</th>
<th>Machinery, Equipment &amp; Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Orders Received</strong></td>
<td><strong>Net Sales</strong></td>
<td><strong>Operating Income / Operating Income Ratio</strong></td>
<td></td>
</tr>
<tr>
<td>Billions of yen</td>
<td>Billions of yen</td>
<td>Billions of yen</td>
<td>Billions of yen</td>
</tr>
<tr>
<td>2012</td>
<td>2013</td>
<td>(FY)</td>
<td>(FY)</td>
</tr>
<tr>
<td>1,042.1</td>
<td>1,253.9</td>
<td>89.9</td>
<td>8.0</td>
</tr>
<tr>
<td>393.1</td>
<td>463.6</td>
<td>112.3</td>
<td>18.3</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>% 17.3</td>
<td>% 18.3</td>
</tr>
<tr>
<td>2012</td>
<td>2013</td>
<td>(FY)</td>
<td>(FY)</td>
</tr>
<tr>
<td>391.6</td>
<td>469.4</td>
<td>21.9</td>
<td>27.6</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>% 5.6</td>
<td>% 7.8</td>
</tr>
</tbody>
</table>

---

MHI supplies products and services to a wide range of customers. Throughout our activities, we maintain priority on safety and quality.
### Outcome

**ROE**

11.0%  

**Dividend Payments**

¥30.1 billion

**New Recruits and Post-Retirement Employees with Extended Employment Periods**

2,942 people

**About 30 million tons**

**Reduction in CO2 from Using MHI's Products**

(Compared with fiscal 1990 levels)

**Note:** MHI on a non-consolidated basis

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### MHI and Its Subsidiaries

**Orders Received**

<table>
<thead>
<tr>
<th>Year</th>
<th>Billions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2,995.4</td>
</tr>
<tr>
<td>2011</td>
<td>3,188.8</td>
</tr>
<tr>
<td>2012</td>
<td>3,032.2</td>
</tr>
<tr>
<td>2013</td>
<td>3,420.0</td>
</tr>
</tbody>
</table>

**Net Sales / Overseas Sales Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Billions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2,903.7</td>
</tr>
<tr>
<td>2011</td>
<td>2,820.9</td>
</tr>
<tr>
<td>2012</td>
<td>2,817.8</td>
</tr>
<tr>
<td>2013</td>
<td>3,349.5</td>
</tr>
</tbody>
</table>

**Operating Income / Operating Income Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Billions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>101.2</td>
</tr>
<tr>
<td>2011</td>
<td>111.9</td>
</tr>
<tr>
<td>2012</td>
<td>163.5</td>
</tr>
<tr>
<td>2013</td>
<td>206.1</td>
</tr>
</tbody>
</table>

**New Recruits and Post-Retirement Employees with Extended Employment Periods**

<table>
<thead>
<tr>
<th>Year</th>
<th>Billions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>3,327</td>
</tr>
<tr>
<td>2011</td>
<td>3,272</td>
</tr>
<tr>
<td>2012</td>
<td>2,871</td>
</tr>
<tr>
<td>2013</td>
<td>2,942</td>
</tr>
</tbody>
</table>

**Indoor Accident Frequency Rate**

<table>
<thead>
<tr>
<th>Year</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>0.29</td>
</tr>
<tr>
<td>2011</td>
<td>0.27</td>
</tr>
<tr>
<td>2012</td>
<td>0.23</td>
</tr>
<tr>
<td>2013</td>
<td>0.11</td>
</tr>
</tbody>
</table>

**Greenhouse Gas (CO2) Emissions**

<table>
<thead>
<tr>
<th>Year</th>
<th>Billions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>482</td>
</tr>
<tr>
<td>2011</td>
<td>474</td>
</tr>
<tr>
<td>2012</td>
<td>533</td>
</tr>
<tr>
<td>2013</td>
<td>538</td>
</tr>
</tbody>
</table>
Financial and Non-Financial Highlights

MITSUBISHI HEAVY INDUSTRIES, LTD. and its subsidiaries
Years ended March 31

Notes:
1. U.S. dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥102.92 = U.S. $1, the exchange rate prevailing at March 31, 2014.
2. In calculating the net assets, MHI and its consolidated subsidiaries have applied the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan (ASBJ) Statement No. 5) and the "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8) since the year ended March 31, 2007.
3. Return on equity = net income / (net assets – share subscription rights – minority interests)
4. Return on invested capital = NOPAT / (net assets + interest-bearing debt)
5. Return on assets = net income / total assets
6. D/E ratio = interest-bearing debt / net assets
7. Equity ratio = (net assets – share subscription rights – minority interests) / total assets
8. Dividend payout ratio = dividends / net income

Investment and costs for environmental preservation: These include the costs for preventing pollution and conserving energy, reducing waste, and developing various types of environmentally friendly products.

Number of female managers: As one aspect of its diversity management aimed at accelerating global development, by 2020 MHI plans to triple its number of female managers (section heads or their equivalent and above) from the present level.
### Non-financial indexes

<table>
<thead>
<tr>
<th>Index</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>68,816</td>
<td>68,887</td>
<td>68,213</td>
<td>80,583</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of overseas employees</td>
<td>12,001</td>
<td>13,036</td>
<td>14,129</td>
<td>19,909</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of female managers*9, *10</td>
<td>266</td>
<td>288</td>
<td>293</td>
<td>256</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy input*10 (TJ)</td>
<td>10,621</td>
<td>10,346</td>
<td>10,303</td>
<td>9,796</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greenhouse gas (CO2) emissions*11 (kilotons)</td>
<td>482</td>
<td>474</td>
<td>533</td>
<td>538</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water usage*11 (million cubic meters)</td>
<td>7.66</td>
<td>7.22</td>
<td>7.02</td>
<td>6.82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment and costs for environmental preservation*11 (billions of yen)</td>
<td>25.1</td>
<td>20.6</td>
<td>23.3</td>
<td>21.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social contribution expenses (billions of yen)</td>
<td>1.6</td>
<td>2.0</td>
<td>1.4</td>
<td>1.4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Notes
- *9: Number of section managers or above, excluding medical staff, as of April 1
- *10: In principle, MHI on a non-consolidated basis
- *11: In principle, production plants of MHI on a non-consolidated basis
We will proceed swiftly in line with our business plan, working toward our objective of becoming a highly profitable company with a business scale of ¥5 trillion.

Profile
Graduated from the University of Tokyo’s Faculty of Law and joined MHI in 1972. In 2000, was appointed president of MHI-HITACHI Metals Machinery, Inc. (currently Mitsubishi-Hitachi Metals Machinery, Inc.), the first joint venture between MHI and Hitachi, Ltd. This venture was restructured into the steel and metal production machinery business. Returned to MHI in 2006, and in 2008 was appointed Member of the Board and Executive Vice President of MHI, as well as Head of Machinery & Steel Structures Headquarters. Served as Member of the Board, Senior Executive Vice President, and Head of the Presidential Administration Office from 2011. Appointed President in 2013.

Shunichi Miyanaga
President and CEO

Please watch the video on the website below.

www.mhi-global.com/finance/mr2014
Q1 Would you please describe some of the highlights of MHI’s consolidated operating performance during fiscal 2013?

A1 Our performance was positive, showing a response to our efforts to simultaneously expand our scale of business and improve our capital efficiency and net income level. The 2012 Medium-Term Business Plan calls for the MHI Group to simultaneously expand its scale of business and improve its capital efficiency and net income level. Our performance during fiscal 2013, the second year of this plan, indicates that we are making steady progress toward achieving those goals.

Net sales reached the highest level since fiscal 2008, and both operating and net income hit record levels for the first time in 17 years. I believe these results can be traced to our acceleration of strategies as we moved from the 2010 Medium-Term Business Plan, our previous plan, to the current 2012 Medium-Term Business Plan. Return on equity is improving, but we need to continue raising our capital efficiency and net income level to become a highly profitable ¥5 trillion enterprise.

Q2 Please describe the background for setting the 2012 Medium-Term Business Plan’s objectives of expanding business scale and improving capital efficiency and net income level, as well as specific initiatives being taken.

A2 We are pursuing five strategies to make a turnaround that will launch us into a highly profitable ¥5 trillion enterprise.

As we pursued the 2010 Medium-Term Business Plan, it became clear that the MHI Group was facing two issues: for a long period, growth had been stagnant, holding the Company to a scale of around ¥3 trillion in net sales, and capital efficiency and net income were lackluster. We recognize that to win out in competition against the major players in Europe and the United States in an increasingly global society, we need to raise our scale of operations as well as our profitability.

To achieve these two goals, the 2012 Medium-Term Business Plan sets forth five strategies. (See the figure on the left on the following page.) One of these is to consolidate and restructure our Business Headquarters Structure and transition to a Business Domain Structure. We consolidated and restructured our nine business headquarters, which had originally been created from the standpoints of product groupings, manufacturing locations, and internal management aspects, into four business domains. These business domains, which are intended to leverage commonly shared markets, customers, core technologies, and business strategies, are Energy & Environment, Commercial Aviation & Transportation Systems, Integrated Defense & Space Systems, and Machinery, Equipment & Infrastructure. Reorganizing into more inclusive business domains has allowed the Company more freedom in the use of its management resources, permitting timely investments into areas that will drive business growth. Also the reorganization enabled us to harness synergies beyond the boundaries of

<table>
<thead>
<tr>
<th>Billions of yen</th>
<th>FY2013</th>
<th>FY2014 forecast</th>
<th>Target of 2012 Business Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>3,349.5</td>
<td>+18.9%</td>
<td>4,000.0</td>
</tr>
<tr>
<td>Operating income</td>
<td>206.1</td>
<td>+26.1%</td>
<td>250.0</td>
</tr>
<tr>
<td>Net income</td>
<td>160.4</td>
<td>+64.8%</td>
<td>130.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ratios</th>
<th>FY2013</th>
<th>FY2014 forecast</th>
<th>Target of 2012 Business Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income ratio</td>
<td>6.2%</td>
<td>+0.4 point</td>
<td>6.3%</td>
</tr>
<tr>
<td>ROE</td>
<td>11.0%</td>
<td>+3.6 points</td>
<td>8.2%</td>
</tr>
<tr>
<td>D/E ratio</td>
<td>0.54</td>
<td>–0.18 point</td>
<td>0.5 time</td>
</tr>
</tbody>
</table>

*The substantial decline in net income and the fall in ROE in fiscal 2014 stem from the absence of a temporary extraordinary gain (gain on changes in equity interest) posted in fiscal 2013.
By engaging in M&A and alliance activities in the thermal power generation systems business and a variety of other fields, we expect to achieve the expansion in business scale targeted in the 2012 Medium-Term Business Plan.

I believe winning out amid fierce global competition requires us to do more than reinforce our business structure. We also need to combine our operations with those of other companies if we are to accelerate our business expansion. A clear example of this approach was the February 2014 integration of our thermal power generation systems business with that of Hitachi, Ltd. Both companies had a broad-ranging product lineup in the field of thermal power generation. In gas turbines, MHI’s forte

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**Q3**

As specific measures to accelerate global expansion, you have proactively pursued business growth through M&A and alliance activities. How is your progress on this front?

**A3**

By engaging in M&A and alliance activities in the thermal power generation systems business and a variety of other fields, we expect to achieve the expansion in business scale targeted in the 2012 Medium-Term Business Plan.

I believe winning out amid fierce global competition requires us to do more than reinforce our business structure. We also need to combine our operations with those of other companies if we are to accelerate our business expansion. A clear example of this approach was the February 2014 integration of our thermal power generation systems business with that of Hitachi, Ltd. Both companies had a broad-ranging product lineup in the field of thermal power generation.
was in high-efficiency large gas turbines, whereas Hitachi’s strength was in small and medium-sized products. The combination also leveraged complementary strengths in regional coverage: MHI in Southeast Asia and the Middle East, and Hitachi in Europe and Africa. MHI and Hitachi share the same corporate credo of contributing to society through the development of superior, original technologies and products. Integrating our thermal power generation systems business into Mitsubishi Hitachi Power Systems, Ltd., has boosted our comprehensive technological and engineering capabilities as well as our sales and service capacities. Furthermore, we aim to respond to the hopes and expectations of customers and the world at large for solutions to the dual issues of energy supply stability and environmental compatibility.

Another example of our M&A and alliance activities is an agreement we reached with Vestas Wind Systems A/S to establish a joint venture in fiscal 2014 in the offshore wind turbine business. We anticipate rapid growth in offshore wind power generation, which presents fewer siting issues than its onshore counterpart and is expected to generate more power because of exposure to stronger and steadier offshore winds. We aim for the new company to combine the technologies of our two companies and generate synergies to become a world market leader in this growth field. In October 2013, we decided to join a consortium with a Japanese trading company and shipbuilders in a capital participation deal with Engevix Construções Oceânicas S.A. (ECOVIX), a leading Brazilian shipbuilder. ECOVIX has strong ties to Petróleo Brasileiro S.A. (Petrobras), Brazil’s nationally operated developer that is seeking to accelerate exploitation of the country’s large oil fields. Brazil is seeing increased demand for ships and marine structures of all types, including drill ships and floating, production, storage and offloading (FPSO) hulls. This provision of advanced technology and operating expertise is enabling companies in the Japanese and Brazilian shipbuilding industries to work together for mutual prosperity.

Through these M&A and alliance activities, as well as from the growth of existing businesses, we have expanded our business scale to the point where net sales of ¥4 trillion are now in our sights.

Principal M&A and Alliance Activities since Fiscal 2012

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2012</td>
<td>Acquired Pratt &amp; Whitney Power Systems</td>
</tr>
<tr>
<td>June 2013</td>
<td>Reached agreement to integrate our thermal power generation systems business with that of Hitachi, Ltd., establishing a new company in February 2014</td>
</tr>
<tr>
<td>September 2013</td>
<td>With Vestas Wind Systems A/S, of Denmark, formed joint venture dedicated to offshore wind turbine business</td>
</tr>
<tr>
<td>October 2013</td>
<td>With a Japanese trading company and shipbuilders, agreed to capital participation in Engevix Construções Oceânicas S.A. (ECOVIX), of Brazil</td>
</tr>
<tr>
<td>May 2014</td>
<td>Concluded agreement to establish a joint venture with Siemens AG in steel and metal production machinery business</td>
</tr>
</tbody>
</table>

What progress has been made in the two areas of “institute corporate reforms and efficiency improvements” and “continue innovations in corporate governance and business execution?”

We are stepping up outsourcing in an effort to increase efficiency and optimize our corporate divisions, which are a shared resource. Regarding corporate governance, we are reinforcing the Board of Directors’ decision-making and supervisory functions and further enhancing management transparency.

As part of our corporate reforms, we are stepping up outsourcing. We established a joint venture with Fuji Xerox Co., Ltd., to handle the Group’s documentation business, and we have centralized manned security services for the Group. We set up the ICT Solution Headquarters to consolidate the Company’s information and communications technologies (ICT). In these ways, we are making inroads into the consolidation and restructuring of the Group’s internal business operations.
These two activities are promoting further efficiencies and the optimization of shared resources. The decision to close the Presidential Administration Office stemmed from our establishment of the Business Strategy Office to strengthen Groupwide strategy planning and execution capabilities and clarify corporate division functions.

In corporate governance, we have increased the number of outside directors and are undertaking other reforms proactively and on an ongoing basis. We have also reduced the number of internal directors significantly; the proposal to decrease this number from 16 to 12 was approved at our General Meeting of Shareholders in June 2014. This change should strengthen the decision-making and supervisory functions of the Board of Directors and further enhance managerial transparency.

In April 2014, we introduced a Chief Officer System. In addition to the chief executive officer (CEO: President and CEO) and domain CEOs (president and CEO for each of the four domains), three chief officer posts were established: the chief administrative officer/chief risk officer (CAO/CRO), chief financial officer (CFO), and chief technology officer (CTO). The CAO/CRO oversees management auditing, general affairs, legal affairs, human resources, and labor relations; the CFO is responsible for finance and procurement; and the CTO takes charge of technology and innovation as well as ICT. The three chief officers are delegated a portion of authority and responsibilities previously held by the president, overseeing specific companywide matters, and providing support to the domains.

What will be some of your primary focuses for fiscal 2014 and beyond, as you proceed toward meeting the objectives of the 2012 Medium-Term Business Plan and become a highly profitable company with a business scale of ¥5 trillion?

We will work to maximize the effects of our M&A and alliance activities and move steadily forward on promising projects with the potential to drive the MHI Group’s future growth. We will remain proactive in M&A and alliance activities, which are one of our main measures for raising our standing in global markets and enhancing our scale of business. For example, we have concluded an agreement with Siemens AG to establish a joint venture in the steel and metal production machinery business. Through this venture, we aim to expand our product lineup, and we anticipate substantial synergies in R&D and procurement. Meanwhile, we will relaunch our commercial aircraft engine business as a new company backed by capital investment and financing from the Development Bank of Japan Inc. and IHI Corporation. In recent years, the market for commercial aircraft engines has seen robust demand, and we anticipate a steady stream of new developments and large-scale growth. Our aims with the new company are to reinforce our competitiveness in this market by creating an integrated system spanning sales, design, manufacturing, and repairs; provide a structure leading to enhanced production capacity; and raise our capital strength through infusions of external funding. These efforts will enable us to firm up our regional presence as a partner company engaging in international joint development. Moreover, in fiscal 2014 we will continue moving resolutely ahead in the MRJ business—a large-scale, long-term project—and concentrate on extensive transportation system projects as we shore up the MHI Group’s business foundations.
Won’t the further expansion of your business scale and additional globalization also give rise to new issues?

We will need to step up our response to a growing variety of risks as well as construct platforms appropriate to a global company.

Management issues to address over the medium to long term include responding to greater and more diverse compliance risk and business execution risk. On the compliance front, while managing the risks specific to individual regions we will need to clarify activity guidelines and entrench rules that are consistent around the world. This is the thorough approach we will take to boost management efficiency.

We have set up a standing organization to address business execution risks, including insufficient knowledge of new markets and new customers as well as risks that grow due to the potential of a scheduled project to lengthen or expand in scope. I plan to become directly involved in this aspect to improve information-gathering capabilities, accumulate risk resolution know-how, and enhance human resource development. I also consider it essential to strengthen the financial base, as this will heighten our risk response capability.

At the same time, we need to promote a more sophisticated management platform that benefits a truly global company. We have already set up four finance subsidiaries, which are located in the United States, Europe, China, and Singapore, in line with efforts to establish a unified global financial management system. We are also working to build platforms that respond to the challenges of globalization on the R&D front, through initiatives such as dispatching specialized R&D engineers overseas. Moreover, we are making inroads on a global business processing system for personnel, accounting, and procurement. As another part of our transformation into a truly global company, we believe it will be necessary to build sophisticated global networks spanning marketing, production, servicing, capital resources, human resources, and R&D, thereby enhancing the visibility and sharing of management information.

Ongoing globalization is having a significant impact on the economies, environment, and societies where companies are located. Every year, the need grows for companies to share the lead with governments in addressing various social problems. In 2004, the MHI Group joined the United Nations Global Compact. We are pursuing activities in line with a clear corporate vision based on the compact’s 10 principles in the four categories of human rights, labor, environment, and anti-corruption.

For Japanese companies, I believe that gaining the ability to continue generating value on an ongoing basis through their international activities and promptly tackling issues related to the environment, society, and governance (ESG) is tantamount to earning a license to operate. This is also the source of competitive strength.

What closing message would you like to leave with readers?

The MHI Group strives to be a company that delivers high added value to global society.

We have a solid base in the technologies needed to address social issues on a global scale. By uniting these technologies with the structures to make effective use of them flexibly, I believe we will be able to exert a global presence. As a manufacturing company, we will pay topmost attention to safety and product quality, and going forward we will provide infrastructure elements and solutions that simultaneously support national and regional economies and reduce environmental impact, contributing toward the realization of a sustainable society.

We aim to be a company trusted by society, and we are working to provide high added value through our operations. I ask for your ongoing understanding and support of our endeavors.
Interview with the CFO

Q1 MHI has been aggressively promoting cash flow management ever since the launch of the 2010 Medium-Term Business Plan. How has this effort strengthened the Company’s financial base?

A1 The MHI Group has generated free cash flow of more than ¥100 billion during each of the four years since fiscal 2010. Thanks to the introduction of various structural reforms and the management of our business portfolio based on strategic evaluations, profitability has grown steadily in each business domain. Our overall EBITDA margin has risen from 8.1% in fiscal 2010 to 10.4% in fiscal 2013. In addition, we have improved capital efficiency through reductions in operating capital and worked to improve investment efficiency while continuing investments for growth and selling assets. As a result, we have slashed interest-bearing debt from ¥1,325.6 billion as of March 31, 2011, to ¥957.4 billion as of March 31, 2014. Our ratio of interest-bearing debt to shareholders’ equity (D/E ratio) has accordingly improved to 0.54.

We aim to drive our corporate value through portfolio management by leveraging the efficient allocation of our management resources.

Tatsuhiko Nojima
Executive Vice President,
Chief Financial Officer

<table>
<thead>
<tr>
<th>Free Cash Flow (FY2010-FY2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billions of yen</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Cash flow (CF) from operating activities</td>
</tr>
<tr>
<td>Improving CF by improving efficiency in operating capital</td>
</tr>
<tr>
<td>CF margin</td>
</tr>
<tr>
<td>CF from investing activities</td>
</tr>
<tr>
<td>Sale of assets</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(¥)</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free cash flow</td>
<td>200.5</td>
<td>153.3</td>
<td>211.6</td>
<td>144.6</td>
</tr>
<tr>
<td>Improving CF by improving efficiency in operating capital</td>
<td>153.6</td>
<td>36.2</td>
<td>71.7</td>
<td>(17.6)</td>
</tr>
<tr>
<td>CF margin</td>
<td>184.2</td>
<td>164.1</td>
<td>216.6</td>
<td>313.8</td>
</tr>
<tr>
<td>CF from investing activities</td>
<td>(137.2)</td>
<td>(47.0)</td>
<td>(76.7)</td>
<td>(151.5)</td>
</tr>
<tr>
<td>Sale of assets</td>
<td>19.1</td>
<td>70.5</td>
<td>53.4</td>
<td>68.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue / Invested capital</th>
<th>1.06 times</th>
<th>1.11 times</th>
<th>1.14 times</th>
<th>1.29 times</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA margin</td>
<td>8.1%</td>
<td>8.4%</td>
<td>10.0%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>¥1,325.6 billion</td>
<td>¥1,157.1 billion</td>
<td>¥1,031.2 billion</td>
<td>¥957.4 billion</td>
</tr>
<tr>
<td>Interest paid</td>
<td>¥22.8 billion</td>
<td>¥20.9 billion</td>
<td>¥17.5 billion</td>
<td>¥16.1 billion</td>
</tr>
</tbody>
</table>
As business scale expands, funding requirements inevitably increase. What are the Company’s financial strategies for the future?

Managing our business portfolio based on strategic evaluations has improved our cash flow circulation. In fiscal 2013 for example, of the cash flow generated by strategic business units (SBUs) in the “grow/maintain” category, we reinvested ¥131.6 billion into business growth and returned the remaining ¥97.0 billion to the Group as a whole. Similarly, we returned ¥40.0 billion in surplus cash from “reform”-type SBUs to the Group. These cash surpluses funded the cultivation of “new” SBUs, and we used the remaining ¥144.6 billion in free cash flow to pay down interest-bearing debt and provide returns to shareholders.

The MHI Group is aiming to become a highly profitable group with a business scale of ¥5 trillion during or after fiscal 2017. To reach that goal, I believe we need to boost our net worth to ¥2.0 trillion, compared with ¥1.5 trillion as of March 31, 2014. By diversely allocating our capital, we will simultaneously pursue three objectives—expansion of our business scale, strengthening of our financial base, and enhancement of our shareholder returns—and this, I believe, will enable us to boost our corporate value.

Specifically, we plan to prioritize capital allocations into SBUs in the highly profitable “grow/maintain” category and then allocate a high proportion into the “new business/risk” category (which includes “new” SBUs, funding necessary for future growth investments, and a buffer to deal with unexpected risks), while aiming for ROE of 12%.

Meanwhile, we will reduce capital allocations into the “reform” and “existing & other” categories (SBUs in the “downscale/withdraw” category and areas “common to the entire Company”). In these ways, we will work to raise profitability further and establish a financial base that will support a business scale of ¥5 trillion.

Regarding shareholder returns, we have continuously raised our dividends per share—from ¥4 in fiscal 2010, to ¥6, then ¥8, and now we are planning a dividend of ¥10 per share for fiscal 2014. In fiscal 2015 and onward, during the period of our next Medium-Term Business Plan, we will consider raising the dividend level even further, depending on our net worth situation, progress in reducing risk, and status in improving our ROE.

Enhancement of Net Worth to Strengthen the Financial Base

*1. Capital for the existing SBUs in the “new” category as well as seed money (growth investments) and capital required as a buffer for unexpected risk
*2. Capital for SBUs in the “downscale/withdraw” category and the “common to the entire Company” category
Enhancing Corporate Value by Resolving Social Issues

In line with ongoing globalization, in recent years the economic, environmental, and social impacts that companies have on the countries and regions they enter into have become more pronounced. Accordingly, the importance is growing for companies, as well as governments, to identify and resolve diverse social issues facing us on a global scale, starting with environmental problems.

The MHI Group, which is accelerating its global business development, recognizes the accurate response to such social issues as a condition for its ongoing corporate existence. We consider the ability to continue with sustainable value generation to be the source of our competitiveness.

Accordingly, the MHI Group identifies issues the Group should prioritize and proactively works towards the resolution of social issues through its products, technologies, and activities within all business processes to prevent or reduce the Group’s negative impact and increase its positive impact, and thereby contributes to the realization of a sustainable society and enhances corporate value.
The MHI Group considers material issues to be those that significantly affect both society and corporate value—primarily, issues related to ESG. We define these material issues through social issues by employing analysis that takes into account the social perspective, including various international standards and stakeholder opinions, and our corporate perspective.

The main international standards that we refer to are the seven core subjects of ISO 26000—organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development—as well as the Global Reporting Initiative (GRI) “Sustainability Reporting Guidelines (Fourth Edition, or G4).”

We obtain stakeholder opinions by engaging in dialogue with institutional investors in Japan and overseas and through customer supplier questionnaires. We also incorporate social feedback from influential questionnaires related to environmental, social, and governance issues.

We have set as a task for completion by the end of fiscal 2014 the identification of material issues in accordance with the steps outlined below. We are currently at the stage of eliciting and analyzing issue candidates.

We will identify material issues and formulate response strategies through deliberations of the CSR Committee, which is chaired by the executive officer in charge of CSR (head of the Business Strategy Office) and includes the CFO, CAO/CRO, CTO, and officer in charge of Human Resources, Labor Relations, and Global Personnel as well as officer in charge of Global Business Planning & Operations. Issues considered to be of particular importance will be determined through deliberations of the Executive Committee. Following the decisions of these committees, corporate departments and individual domains will plan and promote various measures as we endeavor to resolve social issues.

In the following pages, we will introduce activities related to the business overview in our four domains, case studies, research and development, and corporate governance reforms from both the financial and non-financial perspectives.

Please visit our website for information about CSR initiatives or more detailed environmental, social, and governance (ESG) data. Our website provides ESG data related to socially responsible investment, such as our various policies, strategies, and initiatives related to CSR and ESG. In October 2014, we plan to update the site with data for fiscal 2013.

http://www.mhi-global.com/company/csr/index.html

Approaches and Processes Defining Material Issues

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During fiscal 2013, MHI received orders for chemical plants in Russia and the United States, and orders for large-scale gas turbines totaled 18, up from eight in the previous fiscal year. Benefiting from the rise in large overseas projects, centering on thermal power and chemical plants, orders received amounted to ¥1,339.2 billion, significantly higher than in the previous fiscal year.

In addition to the integration of the thermal power generation businesses of MHI and Hitachi, Ltd., higher sales of thermal power and chemical plants helped push up consolidated net sales in this domain to ¥1,253.9 billion. Operating income was also up year on year, to ¥112.3 billion, due primarily to higher sales of gas turbine combined-cycle (GTCC) and chemical plants and the effects of yen depreciation.

**Operating Environment**

Energy demand continues to grow on a global scale; by 2035, demand is forecast to be 1.3 times the current level.* In thermal generation, given that the shale gas revolution is driving down

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**Chart: Orders Received / Net Sales / Operating Income**

<table>
<thead>
<tr>
<th>Year</th>
<th>Orders Received (Billions of yen)</th>
<th>Net Sales (Billions of yen)</th>
<th>Operating Income (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>937.6</td>
<td>935</td>
<td>185</td>
</tr>
<tr>
<td>2013</td>
<td>1,339.2</td>
<td>1,253.9</td>
<td>112.3</td>
</tr>
<tr>
<td>2014</td>
<td>1,359.9</td>
<td>1,253.9</td>
<td>112.3</td>
</tr>
</tbody>
</table>

*Orders received, Net sales, Operating income (right scale)

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**Strategic Business Unit (SBU)**

- GTCC
- Large Conventional Plant & Service
- Industrial Conventional Plant & Service
- Onshore Wind Turbine
- Offshore Wind Turbine
- Photovoltaic Power System
- Marine Diesel Engine
- Marine Machinery
- Pump & Hydro Turbine
- Power Generation Project Development
- Nuclear Turbines
- New Products
- Desalination Plant
- Geothermal Power Plant
- SOFC
- Lithium-ion Battery
- Nuclear Power Plant (Domestic)
- Nuclear Power Plant (Global)
- Nuclear Fuel Cycle & Advanced Solutions
- Chemical Plant
- Environmental Plant

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**By pursuing the MHI Group’s diverse product and operational strengths and synergies, we will strive to win out in global competition by responding to customer and market needs.**

Atsushi Maekawa
Domain CEO, Energy & Environment
natural gas prices, GTCC demand is expected to stay strong going forward. We expect coal-fired thermal power demand to remain robust, owing to demand to upgrade aging facilities and build new generating plants in emerging countries. At the same time, as CO₂ emissions from power generation account for 41.7% of the global total,* pressure for global warming countermeasures is growing. Under these circumstances, we are seeing growing demand and expectations for nuclear power generation and renewable energy, as well as for thermal power generation that is highly efficient and curtails CO₂ emissions.

The new construction of chemical plants is growing in North America, where shale gas development is pushing ahead, and in such gas-resource-rich areas as Russia and Africa.


**Initiatives for Growth over the Medium to Long Term**

Maintaining a core quality orientation, by investing aggressively in growth fields and bolstering cost competitiveness we aim to boost orders by around 1.5 times and approximately double operating income. In the field of thermal power generation, at Mitsubishi Hitachi Power Systems, Ltd. (MHPS), which was established through the integration of businesses from Hitachi and MHI, we expect to accelerate the combination of technological capabilities. On the development front, we will hone our competitive edge by pursuing additional generation efficiencies, while taking advantage of our larger combined network to reinforce EPC and after-sales services. Through the new joint venture we have established with Vestas Wind Systems A/S, we will strive to develop the offshore wind turbine business on a global scale. As part of this business, MHI is promoting developments designed to reduce environmental impact by entering the water, distributed power source, and power generation businesses. As we continue to view nuclear power as a key source of generation, we will work to improve nuclear power safety and develop advanced technologies. Furthermore, we will maintain an ongoing focus on the chemical plant business, for which the market is expanding.
In emerging countries experiencing rapid economic expansion, particularly those in Asia, rising energy consumption is leading to growing demand for the new construction of power generation systems and the replacement of aging equipment. This trend is expected to remain consistent over the medium to long term. The market for thermal power generation is expanding due to the shale gas revolution, which is boosting supplies of natural gas, as well as to abundant reserves of coal used for fuel. Meanwhile, increasing concerns about global warming are sharpening the focus on power generation systems that feature reduced environmental impact.

Technological expertise and cost competitiveness are keys to the market for thermal power generation systems. Due to the extremely high burden of investment in such systems, companies that operate on a large scale and can harness the benefits of mass production are at a clear advantage. For this reason, the major European and U.S. companies in this field—the so-called megaplayers—enjoy an overwhelming presence. For MHI, which is now turning its strategic focus to the global market, winning out against this formidable competition will be a challenge.

As a far-reaching measure to face increasingly severe global competition, we resolved to undergo a business integration with Hitachi, our former rival in Japan. Over the years, our companies had pursued partnerships in a variety of fields, including iron and steel manufacturing machinery. This combination in thermal power generation systems was ideal in many ways, as Hitachi and MHI complement each other in terms of geographical location of operations and product categories. Regionally, MHI has strengths mainly in Southeast Asia and the Middle East, with sales routes in China and the United States, while Hitachi has harnessed its strengths in markets such as Europe and Africa. In gas turbines, central components for thermal power generation, MHI’s forte is in large-scale equipment, whereas Hitachi excels at small and medium-sized equipment.

MHI’s gas turbine combined-cycle (GTCC) generation systems, which have J-Series gas turbines at their core, achieve the world’s highest level of environmental performance within the field of thermal power generation. Accordingly, we are well placed to meet demand for reduced environmental impact.
Mitsubishi Hitachi Power Systems, which aims to become a global leader in the area of thermal power generation systems, commenced operations on February 1, 2014, with MHI and Hitachi taking equity interests of 65% and 35%, respectively. Geographically, the joint venture covers the entire world and has in place systems to meet needs for both the new construction of generation systems and the provision of after-sales services. This integration of two companies with strengths in different product areas results in a full lineup and the ability to meet a host of needs throughout the world. One of MHI’s particular strengths, its large GTCC systems, combine the superb generation efficiency of J-Series gas turbines with steam turbines that utilize the high-temperature exhaust gas from the gas turbine to generate electricity. With J-Series gas turbines, GTCC power generation enables reductions in CO2 emissions of approximately 50% compared with conventional coal-fired generation plants, making a substantial contribution toward reducing the global environmental impact. Accordingly, we anticipate a strong customer response to GTCC systems fitted with J-Series gas turbines from countries and regions where environmental awareness is mounting. We have also introduced integrated coal gasification combined cycle (IGCC) power generation technology to generate electricity with steam turbines powered by the incineration of gasified coal. Compared with conventional generation methods, this approach improves generation efficiency by 10% to 20%.*

Striving to become a global leader in thermal power generation systems and contributing our utmost to global warming prevention
curtailing greenhouse gas emissions despite the use of coal. The small and medium-sized gas turbines that are Hitachi’s forte also offer superb environmental performance, contributing to the new company’s broad range of technological expertise. By proactively deploying engineering, procurement, and construction (EPC) expertise across all plants, we aim to differentiate ourselves from the megaplayers with an integrated offering they are unable to match. The broad range of products and services that MHI and Hitachi have developed in their respective thermal power generation system businesses, coupled with the expertise MHI has accumulated in its engineering business, will enable the new company to go beyond products to offer total solutions that encompass entire systems.

Based on this strategy, at the time of the company’s establishment its scale of business was around ¥1,240.0 billion per year. In fiscal 2014, the business is expected to generate revenues of ¥1.300 billion, rising to ¥2 trillion by fiscal 2020. We also expect the company’s share of the market for large-scale gas turbines to grow eventually from more than 10% as of February 2014 to in excess of 30%. To survive in the face of stringent competition, we will provide our highly efficient thermal power generation systems that offer superb environmental performance on a global scale, thereby helping to resolve worldwide issues, including energy shortages and global warming.

* Based on MHI’s research

It has been more than 45 years since MHI and EGAT began their relationship through the construction, operation, and maintenance of hydro, conventional, and GTCC power plants, and such long-term relationship has made MHI and EGAT “strategic business partners” rather than just a “supplier” and “owner.” This partnership has resulted in successful collaborative businesses, such as the completion of the Joint Gas Turbine Relocation Project, the establishment and operation of the Joint Gas Turbine Repair Factory, among other ventures, and the business areas of the collaborations between MHI and EGAT have been expanded to overseas locations beyond Thailand.

In addition, EGAT has further expectations for Mitsubishi Hitachi Power Systems (MHPS), with a wide variety in its service lineup, reliable technologies, and warm support, based on the synergetic effect after the integration of the thermal power generation systems business of MHI and Hitachi during the year. Actually, MHPS and EGAT have already started strategic discussions in order to create a new collaborative business drawing on Hitachi’s technologies as well as MHI’s technologies. EGAT believes that it will further contribute to the enhancement of the relationship between MHPS and EGAT and to provide reliable and affordable energy and services for the happiness of people, societies, and environments in ASEAN countries, which is one of EGAT’s missions.

We hope that MHPS keeps providing its Japanese style of warm, timely, and careful support based on “CS-First!” (Customer Satisfaction First)—the mission of the MHPS Service Division—and to continuously be EGAT’s “Best Friend Partner.”
Fiscal 2013 in Review

On a consolidated basis, orders received in fiscal 2013 fell below the previous year’s level, to ¥360.3 billion. Reasons for the decline included a lack of orders for the Mitsubishi Regional Jet (MRJ), compared with substantial orders in the previous year. Also, orders for commercial ships fell from 29 ships in fiscal 2012, to eight in fiscal 2013, due to delays in negotiations on liquefied natural gas (LNG) carriers that caused orders anticipated for fiscal 2013 to move into the following fiscal year.

Consolidated net sales in this domain rose, to ¥463.6 billion. Although sales of commercial ships were down, deliveries related to commercial airplanes increased to 99 for Boeing 777 aircraft and 78 for Boeing 787s. These figures represent year-on-year increases of nine and 26 aircraft, respectively.

Operating income decreased, to ¥18.3 billion, due to a decline in the profitability of commercial ships that outweighed the positive influences of improved production efficiency in commercial airplanes and yen depreciation.

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We are creating a new business model that reinforces strengths tailored to our target markets in various fields of operation and leverages synergies, enabling us to cultivate new business areas.

Yoichi Kujirai
Domain CEO,
Commercial Aviation & Transportation Systems

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Fiscal 2013 in Review

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Orders Received / Net Sales / Operating Income

<table>
<thead>
<tr>
<th>Years</th>
<th>Orders Received (Billions of yen)</th>
<th>Net Sales (Billions of yen)</th>
<th>Operating Income (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>393.1</td>
<td>463.6</td>
<td>32.4</td>
</tr>
<tr>
<td>2013</td>
<td>360.3</td>
<td>453.6</td>
<td>40.0</td>
</tr>
<tr>
<td>2014 (Forecast)</td>
<td>600.0</td>
<td>660.0</td>
<td>10.0</td>
</tr>
</tbody>
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Commercial Aviation & Transportation Systems delivers advanced land, sea, and air transportation systems, including commercial airplanes and ships, as well as land transportation systems. MHI moves society, supporting its transportation and logistics infrastructures with superior safety, guaranteed quality, and reliability backed by technology.
### Operating Environment

With the global volume of air passenger traffic growing every year, demand for commercial airplanes remains robust. Low-cost carriers (LCCs) are advancing rapidly, and major airlines are placing replacement orders for airplanes offering improved fuel efficiency. Consequently, orders remain strong, and aircraft manufacturers are faced with long order backlogs. Particularly in Asian countries, measures to improve urban transport moved forward, prompting new investment in rail infrastructure as a mode of transport having relatively low environmental impact.

Although the overall market for new ships is contracting, increased use of natural gas is boosting orders for LNG carriers. Demand is also rising for ships offering enhanced environmental performance, reflecting the need for ships with lower fuel consumption and reduced emissions, as well as an overarching interest in preserving marine ecosystems and decreasing environmental impact.

### Initiatives for Growth over the Medium to Long Term

In the commercial airplanes business, we are developing production systems in preparation for increased production. We are also building a global supply chain and working to improve profitability by transforming our production systems. At the same time, we are gearing up for expanded MRJ orders and putting in place a mass-production system. We are making steady progress on the development of this next-generation regional jet, which offers superb fuel economy, environmental performance, and cabin comfort. The jet’s maiden flight is scheduled for 2017, and we plan to commence deliveries in 2018.

In the transportation systems business, we are conducting broad-based sales efforts in the Middle East, Southeast Asia, Brazil, and North America that are designed to bolster our global market competitiveness. We are seeking to differentiate ourselves in the commercial ships business by concentrating on sophisticated and high-value-added ships such as the Sayaendo, our next-generation LNG carrier that employs proprietary MHI technologies. We are also undertaking efforts to reinforce our engineering business and commercialize our overseas shipbuilding business.

#### Key Projects

<table>
<thead>
<tr>
<th>Announcement</th>
<th>Delivery</th>
<th>Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2014</td>
<td>2018</td>
<td>MHI Receives Order for 18 New Train Cars for Three Automated Guideway Transit (AGT) Systems at Orlando International Airport</td>
</tr>
<tr>
<td>July 2014</td>
<td>2018</td>
<td>Air Mandalay of the Republic of Myanmar Places Order for 10 MRJ90 Aircraft (Firm Orders for Six, Purchase Rights on Four)</td>
</tr>
<tr>
<td>July 2014</td>
<td>2019</td>
<td>Eastern Airlines of the United States Signs MOU for 40 MRJ90 Aircraft (Firm Orders for 20, Purchase Rights on 20)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Announcement</th>
<th>Delivery</th>
<th>Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2014</td>
<td>2017</td>
<td>Engines Mounted on MRJ’s First Flight Test Aircraft</td>
</tr>
<tr>
<td>January 2014</td>
<td>2017</td>
<td>MHI Receives Follow-up Order for 48 More Cars for the Macau Light Rapid Transit System</td>
</tr>
<tr>
<td>October 2013</td>
<td></td>
<td>Consortium of Five Japanese Companies to Acquire Stake in ECOVIX Engevix Construções Oceânicas S.A., a Major Brazilian Shipbuilder</td>
</tr>
<tr>
<td>June 2013</td>
<td>2016</td>
<td>MHI Receives Order from Taiwan High Speed Rail Corporation for Nangang Extension Project</td>
</tr>
</tbody>
</table>
The global market for rail transit systems is brisk and is said to have an annual value of more than ¥20 trillion. The number of urban projects is increasing, particularly in emerging countries. In tandem with economic development, emerging countries’ populations are concentrating in urban centers, stimulating demand for intracity transportation. Growing numbers of automobiles are causing more traffic congestion, and exhaust gases are reducing environmental quality. The need to address social problems such as these is pressing.

Against this backdrop, demand is intensifying to set up urban transportation systems to serve as a means of public transportation with relatively low environmental impact. MHI is drawing on its experience in high-speed rail projects such as Taiwan High Speed Rail; rail transit systems, including the Dubai Metro; and new Automated Guideway Transit (AGT) systems using rubber tires, such as the Yurikamome Line, in Tokyo. By combining its expertise in these areas, MHI provides transportation systems that are optimal for the cities in which they are used.

In rail transit systems, MHI oversaw track, communications, and electrical system integration for Taiwan High Speed Rail, earning high praise for its project management capabilities. We have also received an order for a project to extend the Taiwan High Speed Rail, and construction currently is under way. In urban rail systems, MHI handled the overall transport system engineering, procurement, construction, test operation and adjustment, and safety verification for the Dubai Metro, the world’s longest fully automated metro network. The high marks we received on these projects led to an order for São Paolo Metro Line 6, in Brazil. Since 1973, MHI has delivered numerous new urban transportation systems, including one to the Miami International Airport, in the United States, as well as others in Singapore, South Korea, and Dubai. Recent projects include the construction of the Macau Light Rapid Transit system, which is scheduled to commence commercial operations in 2015. In 2014, MHI received an order for AGT systems from the Orlando International Airport, in the United States. Its mastery of engineering and expertise in the design and production of rolling stock for new transportation systems makes MHI one of the few system integrators in the world capable of undertaking such projects, and the Company has earned a solid reputation for its systems.
In Commercial Aviation & Transportation Systems, we strive to generate and expand business by combining and taking advantage of synergies among the domain’s technologies, products, human resources and other areas. Our strengths in the transportation systems business lie in our expertise as a system integrator. Moving ahead, we will combine and strengthen the system integration expertise, methodologies, and personnel we have cultivated through various products in this domain involving large-scale, complex systems to serve the rapidly expanding transportation systems business. As one example of product synergies, we are proposing total package solutions for certain cities in Southeast Asia using MRJ to expand air routes and that include airport infrastructure and transportation systems.

To strengthen our global development in the transportation systems business, by 2016 we plan to establish operating bases in the United States, Dubai, Brazil, and Singapore. We will station expert internal and outside personnel in each region and strive to develop close and ongoing communications and alliances with local government bodies, customers, and regional partners. These bases will also handle maintenance services, serving as a bridgehead for reinforcing our service business.

Another key to expanding the transportation systems business is the testing and verification of rolling stock, components, and communications. The MIHARA Test Center,* located at the Wadaoki Plant of our Mihara Machinery Works, will open in autumn of 2014, making it possible to test rolling stock during actual operation. This capability will enable us to augment safety, shorten verification periods, and accelerate development. The facility will also allow us to provide hands-on training and education for overseas personnel involved in rail operations. We expect the center to serve as a powerful tool for generating export orders.

Going forward, in addition to new routes MHI will strive to expand orders for construction work to renovate and increase transportation capacity on existing routes. By providing new transportation systems that are safe and offer peace of mind, we will contribute to improvements in urban transportation in locations throughout the world and endeavor to expand our operations.

* MIHARA is an acronym for Multipurpose Integrated Highly Advanced Railway Applications. The center has a 3.2-kilometer-long loop track and is the first facility in Japan capable of testing integrated transportation systems.

**Strategy**

- Benefit from the synergies of transitioning to the Business Domain Structure, and take advantage of comprehensive capabilities
- Accelerate global development by establishing business bases at four locations throughout the world
- Expand business that utilizes the MIHARA Test Center

Provide new transportation systems that are safe and offer peace of mind, contributing to improvements in urban transportation in locations around the world.

High Expectations for Overseas Development

Leveraging Sophisticated System Integration Capabilities

New transportation systems are being developed as modes of transport that make cities more convenient. Such systems already play an important role as a core means of public transportation in Japan. Our association is working to promote the export of new transportation systems developed in Japan to serve in intracity and intercity transports. We believe these systems will be particularly effective in alleviating the traffic congestion and increasingly serious environmental degradation that major Asian and African countries are experiencing. We have high hopes for joint overseas development with MHI, which is a member of our association, based on its highly rated system integration capabilities for the rolling stock technology and overseas projects it has delivered to date.
Fiscal 2013 in Review

During the year, orders for naval ships and defense aircraft rose, and some orders were received ahead of schedule. As a result, on a consolidated basis this domain booked orders of ¥547.3 billion for fiscal 2013, up from the previous year’s level.

Consolidated net sales in this domain rose, to ¥469.4 billion, buoyed by higher sales of defense aircraft, missiles and other items.

Boosted by the rise in sales, consolidated operating income increased, to ¥27.6 billion.

Operating Environment

The East Asian security environment remains under rising tensions, but growth in defense-related budgets has been sluggish. This trend is expected to continue, and we see little likelihood of this market expanding substantially. The National Security Strategy (NSS) that Japan adopted at the end of 2013 calls for the country to contribute even more proactively in securing peace, stability, and prosperity of the international
community as a “Proactive Contributor to Peace,” based on the principles of international cooperation. The National Defense Program Guidelines announced in conjunction with the NSS explain Japan’s policy to build a Dynamic Joint Defense Force to address the global security challenges and conduct a diverse range of activities to be seamless as well as dynamic based on joint operations. In response to the Three Principles on Transfer of Defense Equipment and Technology adopted by Cabinet decision in April 2014, MHI recognizes the importance of responding adroitly to the country’s defense-related needs by pursuing globalization initiatives and reinforcing its defense production and technology base.

As for recent space systems business, the government’s Basic Space Plan on Space Policy outline has shifted from space development to space utilization. Furthermore, the space systems business environment is in flux, as demonstrated by the increasingly competitive international launch market.

Initiatives for Growth over the Medium to Long Term
The basic policy of this domain is to ensure the safety and security of the populace and contribute to long-term economic and social development by fostering cutting-edge technologies in the defense and space businesses and applying the defense and space technologies to civilian sectors. At the same time, we strive to uphold the levels of safety assurance, compliance, and information security that are essential to the operation of these businesses.

In the defense business, we will provide products and services that meet customers’ needs for joint operation by generating synergies across product lines for the technologies related to land, sea, and air. These products and services were divided along product lines under the Business Headquarters Structure and are now integrated by this domain.

In the space systems business, we aim to maintain a high success rate for our H-II A/B rockets. Furthermore, we will continue to assume a leading role in Japan’s space development and endeavor to expand this business by developing a new flagship launch vehicle. (See the “FOCUS” article on the next page for details.)

MHI is dedicated to a core vision of supplying cutting-edge technologies for national safety and security. As a leading supplier in the Japanese defense industry, MHI endeavors to maintain and strengthen defense production and technological bases. MHI develops and manufactures a vast array of defense equipment to meet the needs of the Japanese government and also provides operational support.

See the following website for information on maintaining and strengthening defense production and technological bases.

http://www.mhi-global.com/company/csr/index.html
The Basic Plan on Space Policy, unveiled by the Japanese government in January 2013, outlined a shift in Japan’s space policy from development to the utilization of space. The plan strongly promotes initiatives related directly to enhancing the quality of life for the Japanese nation, such as data communications, satellite broadcasting, mapping and resource exploration, and the use of the global positioning system (GPS) for navigation. In addition to the ability to manufacture and operate satellites for such purposes as telecommunications and broadcasting, positioning, and remote sensing, such ambitions require enhanced satellite launch capabilities as well as maintaining the Japanese industrial and technological base to support them.

Overseas demand is growing in Southeast Asian and other emerging countries for the launch of communication satellites and others, providing a growing number of opportunities in the business of launching commercial satellites.

For around the past 40 years, MHI has played a key role in Japanese space policy by developing and manufacturing the rockets for launching satellites. At present, our current flagship launch vehicle is the H-IIA rocket. After receiving a technology transfer from JAXA*1, MHI has handled the entire process from manufacture to launch since the H-IIA Launch Vehicle No.13, which was launched in September 2007. By working with JAXA on improvements of the H-IIA’s second stage, we are going to succeed in enhancing our satellite launch capability, which is closer to geostationary orbit than ever, placing them in geostationary transfer orbit. Through this improvement, we are able to support a variety of demand from customers throughout the world.

The H-IIA rocket is highly reliable, boasting a current*2 success rate of approximately 96% (23 of 24 launches). Furthermore, launches continue to be performed at the appointed time and date.

*1. JAXA: Japan Aerospace Exploration Agency. An independent administrative agency in charge of Japan’s space science research, aerospace technology research, and space development research.
*2. As of July 2014

### Satellite Launch Services for Future Space Development

The satellite launch services of MHI have achieved a strong global reputation thanks to the remarkable success rate of its H-II A/B rockets and on-time service—despite the difficulties. In fiscal 2014, we will embark on the development of a new flagship launch vehicle as the prime contractor, employing technologies that will open up the next era of space development.
By ensuring Japan’s autonomous launch capabilities and maintaining its industrial base, increase the launch vehicle’s contribution to space development, and enhance our presence.

Furthermore, in March 2014 MHI was selected by JAXA to serve as the prime contractor in charge of the development and provider of launch services for a new flagship launch vehicle. MHI intends to commence development in fiscal 2014, aiming for a maiden flight in 2020. The new launch vehicle represents the first time a private-sector company has been called upon to play a leading role from the development stage. MHI will take full charge of all aspects of the new launch vehicle’s development, manufacture, and launch services, working in cooperation with JAXA and other private-sector companies. The new launch vehicle is to be based on the current H-IIA and H-IIB rockets, incorporating a wealth of the latest technologies, and be internationally competitive, simultaneously achieving supreme reliability and a low-cost structure.

While continuing to build on a stable launch history for its existing rocket lineup, MHI will push forward with the development of this new launch vehicle, shoring up its technological base in the field of space development. These efforts are directly linked with ensuring Japan’s autonomous launch capabilities and promoting the nation’s industrial base. Going forward, MHI aims to further enhance its presence and contribute to worldwide space development and utilization, thereby meeting increasingly diverse industry needs.

We judged MHI’s satellite launch service to be superior to that of its competitors in a number of ways.

TeleSat selected MHI to launch its new Telstar 12 VANTAGE satellite after an extensive evaluation of the H-IIA launch vehicle, including the planned enhancements. MHI scored highest on our selection criteria that took into account the flexibility of the launch schedule, vehicle performance, technical and operational expertise, and overall commercial terms. Telesat is confident that our strong record of innovation will be enhanced by our partnership with MHI, and we look forward to the successful Telstar 12 VANTAGE launch mission.

Voice

Daniel S. Goldberg
President and CEO,
Telesat Holdings Inc.

Achieve continued launch successes and ongoing improvements to production efficiency on the H-II A/B launch vehicles

Develop a new and internationally competitive flagship launch vehicle

These H-IIA launch capabilities, as well as to reliably launch as planned, have earned a high reputation with Telesat Holdings Inc., the world’s fourth-largest satellite operator. MHI has received an order to provide launch services for Telesat’s Telstar 12 VANTAGE satellite. The launch is scheduled to take place in late 2015 and marks the first time MHI has received an order to launch a commercial satellite. In May 2014, MHI received its first order from a domestic satellite operator, signing an agreement with SKY Perfect JSAT Corporation, which is also the world’s fifth-largest satellite operator. Building on the momentum of these orders from two of the world’s leading operators, we look forward to actively cultivating the market for satellite launch services in Japan and overseas.

At present, MHI launches between two and three rockets per year that are capable of launching satellites. In perspective, industrywide launches are currently being carried out at a rate of 20 to 30 per year, buoyed by energetic demand from emerging countries. To take advantage of this business opportunity, MHI believes that in addition to the H-IIA launch vehicle, building up a solid track record for the H-IIB—added to the lineup in 2013—will be essential. At the same time, we will work toward increased manufacturing efficiency and cost competitiveness.

While continuing to build on a stable launch history for its existing rocket lineup, MHI will push forward with the development of this new launch vehicle, shoring up its technological base in the field of space development. These efforts are directly linked with ensuring Japan’s autonomous launch capabilities and promoting the nation’s industrial base. Going forward, MHI aims to further enhance its presence and contribute to worldwide space development and utilization, thereby meeting increasingly diverse industry needs.
April 2013 marked the launch of operations at Mitsubishi Nichiyu Forklift Co., Ltd., a consolidated subsidiary of MHI that integrates the forklift truck operations of MHI and Nippon Yusoki Co., Ltd. This new entity will enable us to take on larger orders for forklift trucks. During the year, orders increased for automobile turbochargers, centered on China and Europe. Orders also rose for air-conditioning equipment from China and compressors in the United States. As a result, in this domain orders received amounted to ¥1,106.5 billion and consolidated net sales came to ¥1,096.3 billion, both up from the previous fiscal year. Operating income also rose year on year, to ¥51.6 billion, benefitting from the impact of yen depreciation.
Initiatives for Growth over the Medium to Long Term

In the Machinery, Equipment & Infrastructure domain, we offer a wide range of products targeted at such key industries as steel and automobiles and include iron and steel manufacturing machinery, compressors, and machine tools. We are working to reinforce production and sales in emerging markets in which such core industries are rapidly expanding, and aim to increase market share and expand profitability.

- Establish dedicated operating companies, form alliances and carry out mergers and acquisitions, and build world-class businesses by engaging in agile and flexible organizational management.

Operating Environment

Against a backdrop of increasingly stringent environmental regulations on automobiles, around the world a growing number of vehicles powered by gasoline and diesel engines are being fitted with turbochargers to enhance their fuel efficiency. With the trend toward stricter environmental regulations slated to continue, this market is expected to continue growing.

Increased U.S. shale gas production has led to demand for compressors. Demand is also vigorous for gas-related plant equipment used in shale gas production, such as LNG shipping facilities, as well as for new petrochemical plants to produce ethylene. Compressor demand is benefiting from the ripple effect of expanding shale gas production, as these devices are used to compress the air and gases that related plants require to generate products.

Key Projects

- March 2014 — Three Group Companies in Machinery and Steel Structures Businesses to Merge into Mitsubishi Heavy Industries Mechatronics Systems, Ltd.
- January 2014 — MHI and Hitachi to Collaborate on the Distributed Gas Engine Power Generation Systems Business in China
- October 2013 — MHI and Tokyo Gas Co., Ltd., Develop New 1,000 kW Gas Engine Cogeneration System

Announcement Delivery Project

- October 2013 — MHI Develops MEGASEG, Industry’s First Portable Generator in the 2 kVA Class Fueled by Propane Gas (LPG)
- August 2013 — MHI Announces Plan to Boost Turbocharger Production Capacity Worldwide, Aiming for 10 Million Units/Year Production Structure
- April 2013 — MHI to License KU Gas Engine Technologies to ZGPT of China

Basic Strategies

- Reinforce production and sales in emerging markets in which such core industries are rapidly expanding, and aim to increase market shares and expand profitability.

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MHI REPORT 2014
**FOCUS**

**Machinery, Equipment & Infrastructure**

**Turbochargers Increasing Acceleration and Contributing to Environmental Performance**

Around the world, fuel-efficiency regulations on automobiles are growing stricter. While demand for vehicles is rising, particularly in emerging markets, on the other hand automakers face the urgent task of meeting stiffer requirements. Under these conditions, expectations are growing for turbochargers, which boost the fuel efficiency of gasoline- and diesel-powered vehicles. MHI is contributing to better fuel efficiency through its efforts to develop high-performance turbochargers and promote them on a global basis.

**Backdrop**
- Concern about environmental pollution as the number of vehicles in the world grows
- Increasingly stringent exhaust emissions going into place throughout the world

Global automobile production continues to rise. During the past decade, the number of automobiles manufactured each year has risen approximately 40%, to 90 million. Underpinning this growth are emerging countries, which are heightening in importance as production bases as well as consumer markets. In the past, the automotive industry hinged on advanced countries, but this focus is expected to continue shifting toward emerging markets. World automobile production is predicted to expand to around 100 million units per year by 2018. Meanwhile, emerging countries such as China and India are facing air pollution from automobile exhaust. As a result, countries around the world are adopting ever-stricter fuel-efficiency requirements, such as the Corporate Average Fuel Economy (CAFE) regulations in the United States. It is growing increasingly difficult for vehicles to get to market unless they deliver superior fuel efficiency. Accordingly, boosting fuel efficiency is of pressing importance for automakers the world over.

**Key Capital**
- Core technologies for the development of high-performance turbochargers
- Global production system in place

Automakers are developing hybrid and electric cars in the interest of enhancing fuel efficiency. At the same time, market demand for turbocharged engines, especially gasoline engines, is increasing rapidly. Installing a turbocharger simultaneously reduces exhaust volumes and boosts performance compared with other engines in the same class, so smaller engines can be used. This combination contributes to substantially higher fuel efficiency. Turbochargers also curtail the amount of harmful substances contained in emissions, allowing gasoline and diesel vehicles to pass stricter fuel-efficiency regulations. However, developing high-performance turbochargers is no easy feat, as it requires the application of technologies capable of high-speed turbine rotation at elevated temperatures. MHI has cultivated the core technologies needed in automobile turbochargers though its work in aircraft engines and gas turbines. The Company has also earned a strong reputation among customers for the low failure rate of its products. MHI is building a global production system to meet the steady ongoing increases expected for turbocharger demand.

![Worldwide Automobile Production (Vehicle Weight of 3.5 Tons or Less) Million units](chart)

![Global Turbocharger Manufacturing Structure (10 Million Units)](map)

*Based on MHI's research

**Automobile Turbochargers**
Automobile turbochargers are environmentally friendly products. These eco-products recover an engine’s heat energy to boost thermal efficiency, curtailing fuel consumption (better fuel efficiency) and reducing the volume of harmful components in exhaust gases (lower pollution). Meanwhile, supplying compressed air boosts output (more power).
MHI is investing aggressively to build a worldwide structure capable of producing 10 million turbochargers per year. By investing a total of ¥15.0 billion in its overseas production bases, including a key component manufacturing facility in Thailand, by 2016 MHI expects to have in place a structure capable of manufacturing 10 million units per year. At the same time, to enhance cost competitiveness the Company aims to achieve a flexible production structure with four focal points—Japan, the United States, Europe, and Asia. Forthcoming innovations include a new-concept turbocharger that achieves the world’s highest level of efficiency and an electrically driven two-stage supercharging system (turbocharger) that will allow further downsizing of gasoline engines. MHI is cultivating the market for such products. In addition, we are creating a locally responsive engine development support structure through which we will be able to respond to diverse market needs from nearby bases precisely and with short delivery schedules. Going forward, we will continue to strengthen these measures, making additional investments if necessary, to achieve our goal of garnering a leading share of the world market for automobile turbochargers. MHI aims to contribute to a low-carbon society by encouraging the spread of turbochargers, which can play a key role in improving fuel performance.

**Strategy**
- Augment turbocharger production capacity
- Develop next-generation turbochargers

Help to achieve a low-carbon society through growing global uptake of turbochargers

**VOICE**

Cheryl Morphew
President & CEO,
Johnson County Development Corp. Indiana State, United States

We had been working to attract an environmentally conscious company, so MHI’s establishment of a turbocharger plant in Franklin was a welcome occurrence.

The city of Franklin and Johnson County, Indiana, are delighted to have an MHI turbocharger production plant in our community. We strive to attract environmentally friendly companies and are extremely pleased about MHI’s new product technology that will manufacture turbochargers capable of reducing CO₂ emissions and fuel consumption in the environment.

We have had a long-standing relationship with the MHI Group for automotive parts business and look forward to building such a relationship for turbocharger.

Congratulations, and welcome to your new Franklin home!
Conducting Global Intellectual Property Activities and R&D That Support MHI’s Business Strategies

Manufacturing technologies are the source of value creation for the MHI Group, and intellectual property activities and R&D are the bedrock of its business. Supporting our business strategies for growth, we are promoting the construction of a global system, led by the chief technology officer (CTO), who is the head of technology.

An Integrated Approach Linking Businesses, Intellectual Property, and R&D

The MHI Group integrally develops its business, intellectual property, and R&D strategies. The MHI Group defines intellectual property strategies centered on the guiding policies of each business segment, with business, intellectual property, and R&D departments working closely together to implement these strategies. By having the intellectual property departments coordinate the intellectual property strategies of all business segments, the MHI Group strives to realize the intellectual property strategies of the Group and further enhance its corporate value.

Intellectual Property Activities Structure

The MHI Group has shifted from a Business Headquarters Structure to a Business Domain Structure. This transformation was aimed at consolidating and restructuring Group businesses from the standpoint of similarities of the market, customer, core technology, and business strategies.

The MHI Group has built domain-based activity structures and contributes to planning intellectual property strategies as well as strengthening the support functions related to intellectual property.

Intellectual Property Activities Policy

The MHI Group strives to increase the competitiveness of its intellectual property in line with its basic policy of “globalization of intellectual property strategies and intellectual property activities” and the “utilization of intellectual property.”

Because the MHI Group’s R&D bases and the locations of intellectual property utilization are expected to spread out further around the world, the MHI Group is stepping up efforts to secure overseas intellectual property, in particular, and strengthening its global intellectual property management system.

To establish a competitive advantage, by securing the intellectual property that meets the purpose of intellectual property utilization, such as blocking other entrants and market expansion that incorporates an open strategy, the MHI Group seeks to create an optimal intellectual property portfolio that will support the development of the Group’s business.

To encourage invention and creativity, MHI has set up a reward system for employees who come up with inventions or generate new ideas. The MHI Group revises this system to keep pace with legal revisions and growing public regard for intellectual property. Through efforts such as these, the MHI Group tries to stimulate the intellectual property activities of the entire Group.

Risk Management Related to Intellectual Property

The MHI Group respects the valid intellectual property of others and, at the same time, promotes the appropriate protection and active use of intellectual property.

To accelerate global development, the MHI Group actively pursues overseas M&A and alliance initiatives and builds bases in other countries. Along with the growth in global M&A activities,
the external environment and risk factors related to intellectual
property are changing rapidly. Even under these circumstances,
when developing its business the MHI Group makes every effort
to ensure it respects the intellectual property of others by
considering the intellectual property rights of others at every
product stage, from basic planning and design to production.
In these ways, the MHI Group strives to prevent international
intellectual property difficulties from arising.

Number of Domestic and Overseas Patents

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>10,834</td>
<td>5,006</td>
</tr>
<tr>
<td>2011</td>
<td>11,367</td>
<td>5,197</td>
</tr>
<tr>
<td>2012</td>
<td>11,801</td>
<td>5,349</td>
</tr>
<tr>
<td>2013</td>
<td>13,113</td>
<td>6,090</td>
</tr>
</tbody>
</table>

FY2013 Patents by Region

- Japan: 7,023 (53.6%)
- United States: 965 (7.4%)
- Europe: 126 (1.0%)
- China: 749 (5.7%)
- South Korea: 717 (5.5%)
- BRICs*: 1,912 (14.6%)
- Other: 1,621 (12.4%)

* “BRICs” does not include patents held in China.

Research and Development

The MHI Group maintains close ties between its R&D centers
and its business domains. This focus enables us to enhance
product competitiveness in the Energy & Environment domain
and other fields as well as intensify R&D with a view to future
business expansion.

We are working toward the globalization of our R&D
structure, and as part of these efforts we are dispatching
specialist engineers from five research centers to our bases in
the United Kingdom, Singapore, and the United States. We are
making efforts to secure leading global technologies,
information, and human resources, while conducting research
and providing technological support that is closely aligned with
market needs.

Some of our major R&D projects in fiscal 2013 are described
in the following pages.

More detailed information on our technology is available for viewing
on the website.

http://www.mhi-global.com/company/technology/index.html

TOPICS

Thomson Reuters Corporation* Names MHI among “Top 100 Global Innovators” in 2013

In October 2013, MHI was named one of the world’s 100 most
innovative companies of 2013 by New York-based Thomson
Reuters Corporation for the second consecutive year. MHI
received high marks for its innovations and intellectual property
activities in each of the “Top 100 Global Innovator” program’s
categories: patent approval success rate, global reach of
patent portfolio, patent influence in literature citations, and over-
all patent volume.

Thomson Reuters annually selects what it considers to be
the world’s most innovative companies or research institutes
based on an analysis of its own patent database. The 100
companies and research institutes honored are recognized as
“top global innovators” for the impact of their valuable inventions
on the global market, their appropriate protection of intellectual
property rights, and the global development that results from
their commercialization.

This prestigious award reflects a firm commitment by MHI to
continuing its proactive pursuit of innovative technology develop-
ments and its quest to actively protect the resulting intellectual
property and apply its innovations in the
global market.

* Thomson Reuters is a New York-based global information
services company. It was established in 2008 when the
Thomson Corporation, a Canadian information services pro-
vider, purchased Reuters Group PLC, the British communica-
tions giant. Presently, Thomson Reuters has approximately
60,000 employees working in more than 100 countries
worldwide.
Principal R&D Activities

Development of gas turbine technologies with inlet temperatures in the 1,700°C class

The thermal efficiency of GTCC power generation increases along with the temperature increase at the inlet of the turbine (combustor outlet). MHI has been engaged in developing a 1,700°C-class gas turbine as part of a national project to improve energy efficiency since 2004 and has been working on technology development for such factors as the combustor, compressor, turbine, cooling, and heat shield coating, with a target combined-cycle efficiency of 62% to 65% (lower heating value). (Energy & Environment domain)

Expanding the flexibility of fuels at integrated coal gasification combined-cycle (IGCC) power plants

Among power generation technologies that employ coal, IGCC is heralded for its ability to make use of sub-bituminous coal, which has proven difficult in the past. We have also developed a system for drying lignite, which contains more than 50% water, consuming less energy than was previously needed. Making use of this system at IGCC plants substantially boosts power generation efficiency and aims to contribute toward significantly lowering CO₂ emissions in coal-producing countries. (Energy & Environment domain)

Development of CO₂ capture technologies for coal-fired power plants

MHI is pursuing a joint carbon capture and sequestration (CCS) demonstration project with Southern Company, a major U.S. electric utility. Having confirmed high-performance, continuous, and stable operation of a large-scale CO₂ recovery plant, MHI concluded its initial planned testing in December 2013. Based on these results, the Company plans to accelerate its commercialization of CO₂ capture technologies for coal-fired thermal power plants, whose emissions tend to include substantial impurities. (Energy & Environment domain)

Development of a high-pressure LNG fuel supply system to allow ships to operate on LNG

Using LNG to fuel ship engines designed to operate on diesel requires the practical application of technologies to inject LNG vapor at high pressure as well as heat exchange technologies. Currently, we are also working on ways to extend service intervals and improve operability. (Commercial Aviation & Transportation Systems domain)

Development of the MRJ, a cutting-edge regional aircraft

The Mitsubishi Regional Jet (MRJ) employs a leading-edge engine, state-of-the-art aerodynamics, and acoustic analysis technology to drastically reduce fuel consumption, noise, and emissions. Presently, MHI is conducting final assembly with a view toward a maiden flight in 2015; as of the end of June 2014, we completed the wing–body combination and engine installation. (Commercial Aviation & Transportation Systems domain)

Development of guidance control and manufacturing technologies that help to reduce costs and improve reliability for new flagship launch vehicles

Various technologies are under development as part of the development of an internationally competitive new launch vehicle. In March 2014, MHI was selected by the Japan Aerospace Exploration Agency (JAXA) to serve as the prime contractor in charge of the development and provider of launch services for a new flagship launch vehicle. (Integrated Defense & Space Systems domain)

Satellite Launch Services for Future Space Development

Production of the Advanced Technology Demonstrator prototype

Aiming to acquire technologies necessary for developing a next-generation indigenous fighter aircraft, MHI developed a supersonic stealth prototype aircraft with high maneuverability, which conventional fighter aircraft have never been able to achieve. (Integrated Defense & Space Systems domain)
Development of a highly efficient turbocharger that enhances engine fuel efficiency

MHI has developed a turbocharger that boosts engine fuel efficiency through the combination of a low-noise, high-efficiency bearing, as well as a highly efficient turbine and compressor. (Machinery, Equipment & Infrastructure domain)

Development of the MVR-Ex Series for high-accuracy machining

Based on its experience in the production of 1,000 units of the MVR—a best-selling double-column, five-face milling machine—MHI has developed a new model, the MVR-Ex. Equipped with the latest CNC controller functions as well as state-of-the-art technologies, this model is suitable for high-end users who are keenly interested in high-performance machines. In particular, the winning combination of internal cooling spindle and special columns with thermo stabilizer functions realizes high accuracy and powerful machining for true machinists. (Machinery, Equipment & Infrastructure domain)

Research activity on an innovative elemental transmutation method

MHI is pursuing research on a fundamental technology called “new elemental transmutation reaction.” In the field of physics, it has always been known as a matter of course that the use of a nuclear reactor or an accelerator is necessary to achieve elemental transmutation. This new method enables us to transmute elements with relatively simple equipment and using little energy.

The transmutation method involves forming a specialized palladium film on the element to be transmuted and then permeating the film with deuterium. The element then reacts with the deuterium, undergoing elemental transmutation. The transmutation mechanism is not understood at present, but MHI has confirmed conversions of cesium to praseodymium, strontium to molybdenum, calcium to titanium, and tungsten to platinum. MHI has patented this proprietary technology in Japan and Europe.

Since 1994, MHI has been conducting research in the field of elemental transmutation, which is at the fundamental stage, but the Company is currently increasing the volume of elements that can be transmuted and is at the stage of considering this technology’s applicability. One possible application would be in transmuting radioactive cesium into a harmless, non-radioactive element. This application could apply to the inactivation of radioactive waste. A variety of issues need to be addressed before the technology can be applied, but MHI is forging ahead in this direction.
Reinforcing Corporate Governance with a View to Sustainable Growth

In June 2005, MHI launched proactive corporate governance reforms to enhance soundness and transparency as well as efficiency and maneuverability. We will introduce governance measures on an ongoing basis as appropriate to our aim, as a truly global company, of earning the trust of a wide range of stakeholders and continuing to grow while responding to changes in the operating environment.

Recent Corporate Governance Reforms

2005
- Increased the number of outside directors from one to two and outside statutory auditors from two to three.
- Reduced the number of directors from 28 to 17.
- Shortened the term of office for directors from two years to one.
- Introduced an executive officer system, splitting management oversight / decision making and business execution into two separate roles.
- Established the Internal Audit Department and strengthened internal controls.

2006
- Abolished the system of director retirement allowances, switching to compensation tied to Company performance, including monthly salary, stock options, and bonuses.

2007
- Increased the number of outside directors from two to three.

2011
- Transitioned to the Business Headquarters Structure, clarifying responsibilities and speeding up decision making through the integration of business operations.
- Established the Management Audit Department by reorganizing and strengthening the Internal Audit Department, enhancing audits of management and product quality control processes of existing operational auditing functions and risk management functions.

2013
- Consolidated and restructured the nine Business Headquarters, transitioning to the Business Domain Structure.
- Reorganized the management audit, accounting, procurement, IT, and other functions at individual works, placing them under direct Head Office control, thereby enhancing corporate functions and making them more efficient.

2014
- Introduced the Chief Officer System.
- Reduced the number of representative directors to six.
- Decreased the number of directors to 12, raising the ratio of outside directors to 25%.

Enhanced Soundness and Transparency, Efficiency, and Maneuverability

A Truly Global Company
Impression of MHI

To tell the truth, my impression of MHI was that of an “old Japanese company.” But when I met Chairman Omiya (at that time, president), I began to think that maybe I had been mistaken. When I actually joined the Board, my impression of the Company changed when I realized that MHI does operate strategically and from a global perspective. I was particularly surprised when I first heard about MHI’s business integration with the thermal power generation systems of Hitachi, Ltd. That’s not the sort of decision a typical Japanese company makes.

With regard to governance, I think we have made steady progress since I was first appointed two years ago. At first, the numerous people attending Board meetings, the detailed level of execution, and the technical topics were a little overwhelming. Recently, though, the Company has reduced the number of directors and introduced a Chief Officer System, and the talk has turned toward deliberations that befit a Board of Directors, such as global strategy and human resources, risk management, and IT.

As an outside director, I feel that I receive materials and briefings as necessary and support several days prior to Board of Directors’ meetings to fill in gaps in my knowledge. During Board meetings, as well, I sense that the opinions of outside directors and outside statutory auditors are taken into serious consideration, rather than ignored.

Issues to Address in Enhancing Corporate Value

The direction we are currently moving is appropriate; above all, we must maintain our course. As we do so, I see several points that we need to focus on if we are to win out amid the global competition.

The first item is to secure global human resources, meaning both Japanese employees who are global-minded and overseas employees. Diversity, along with the inclusion of women, will be a key focus. Unless the Company can succeed in this area, competing with global mega-players is likely to be difficult.

I would also say that progress on accelerating decision-making speed is too slow. While MHI is spending time on consensus-building, global competitors will have already made their decisions and will be moving forward.

From a corporate governance standpoint, I would suggest incorporating perspectives gained over a broader experience base. To this end, I recommend increasing the number of outside directors who are non-Japanese managers as well as Japanese managers who have extensive management experience overseas.

Roles I Would Like to Play

Although this is hard for somebody with ties to the Company to say, I believe that the role being asked of me as an outside director is to speak frankly and encourage deliberation on points that concern me. Japanese culture tends to eschew divergent opinion; that is precisely the reason why outside directors need to adopt the vantage point of shareholders, overseas employees, and a host of other stakeholders. The experience that the Company gains in responding to the questions of outside directors serves as a sort of training in external accountability. In many cases, overseas audiences require specific explanations. Success in this area is linked with the globalization of MHI’s corporate culture. Naturally, I will continue to offer advice proactively in line with my university research theme: global human resources.
Corporate Governance Framework

MHI is a company with a Board of Statutory Auditors. The Board of Directors makes important management decisions and oversees the execution of business operations. Statutory auditors oversee the execution of director duties by engaging in various activities such as attending meetings of the Board of Directors and other key meetings.

Additionally, MHI has established an Executive Committee to provide a forum for discussing important matters related to business execution. This allows for a more cohesive approach to discussion as part of the operational execution framework centered on the president and CEO, and consequently leads to more appropriate management decisions and business execution. In addition, MHI has established various committees to ensure thorough risk management and compliance.

Outside Directors and Outside Statutory Auditors

For the purpose of receiving advice and oversight of the Company’s management from an objective standpoint not biased by an internal company perspective and based on abundant experience and broad knowledge as a corporate manager, government official, or academic expert, three of the 12 directors elected and three of the five statutory auditors elected are from outside the Company (as of June 26, 2014).

The Company judges all of these outside directors and outside statutory auditors to be independent from its management team on the basis that there are no circumstances that compromise independence from the Company. Specifically, there are no personal relationships, capital relationships, trading relationships, or other special interests between the individuals and the Company. In addition, there are no circumstances that compromise the independence of these individuals from the Company as there are no personal relationships, capital relationships, or significant trading relationships between companies to which these individuals currently belong or were employed with or belonged to. As a result, the Company has reported to the Tokyo Stock Exchange and other bourses that these individuals are independent directors/statutory auditors.

All the outside directors and outside statutory auditors are independent from management and supervise or audit management. In addition, at meetings of the Board of Directors, they receive reports of the status of establishment and operation of internal control systems, including compliance, risk management, and other activities, and the results of internal control systems, etc.

Corporate Governance Structure and Roles (Including Internal Control Systems) (As of June 26, 2014)

The “Report Concerning Corporate Governance” (Japanese only) submitted by MHI to the Tokyo Stock Exchange is available for viewing on the MHI corporate website.

Outside Directors

Yorihiko Kojima
Chairman of the Board of Mitsubishi Corporation

Reason for Appointment:
Mr. Kojima was nominated for the position of outside director since he can provide beneficial views and candid assessments on the management of MHI based on his extensive experience as a business manager; as such, he is expected to contribute to the improvement of sound and transparent decision-making processes at MHI.

Board of Directors’ Meetings in FY2013 Attended: 12 of 18

Christina Ahmadjian
Professor of Hitotsubashi University Graduate School of Commerce and Management

Reason for Appointment:
Ms. Ahmadjian was nominated for the position of outside director since she has extensive knowledge as a researcher in the field of corporate governance and management. Based on her background, she is expected to contribute to the improvement of sound and transparent decision-making processes at MHI by providing beneficial views and candid assessments from a global perspective on the management of MHI.

Board of Directors’ Meetings in FY2013 Attended: 13 of 13

Hiroki Tsuda
Former Administrative Vice Minister of Finance

Reason for Appointment:
Mr. Tsuda was appointed to the position of outside director because of the extensive knowledge of fiscal and financial policy he has acquired as a government administrator and researcher. Based on this, he is expected to contribute to the improvement of sound and transparent decision-making processes at MHI by providing helpful advice and objective criticism on the Company’s management.

Board of Directors’ Meetings in FY2013 Attended: 13 of 13

Outside Statutory Auditors

Nobuo Kuroyanagi
Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Reason for Appointment:
Mr. Kuroyanagi was appointed as an outside statutory auditor in light of his beneficial views and candid assessments on the management of MHI based on his extensive experience as a business manager and MHI’s desire that he contribute to ensuring the Company’s sound and appropriate management.

Board of Directors’ Meetings in FY2013 Attended: 14 of 15

Haruya Uehara
Senior Advisor of Mitsubishi UFJ Trust and Banking Corporation

Reason for Appointment:
Mr. Uehara was appointed as an outside statutory auditor in light of his beneficial views and candid assessments on the management of MHI based on his extensive experience as a business manager and MHI’s desire that he contribute to ensuring the Company’s sound and appropriate management.

Board of Directors’ Meetings in FY2013 Attended: 17 of 18

Shinichiro Ito
President & Chief Executive Officer, ANA Holdings Inc.; Chairman of the Board, All Nippon Airways Co., Ltd.

Reason for Appointment:
Mr. Ito was appointed as an outside statutory auditor because of his beneficial views and candid assessments on the management of MHI based on his extensive experience as a business manager and MHI’s desire that he contribute to ensuring the Company’s sound and appropriate management.

Board of Directors’ Meetings in FY2013 Attended: 10 of 10

Outside Auditors

Position | No. of Recipients | Base Compensation (Millions of yen) | Performance-Linked Compensation (Millions of yen) | Stock Options (Millions of yen) | Total Amount of Compensation (Millions of yen)
---|---|---|---|---|---
Directors (Excluding Outside Directors) | 19 | 727 | 430 | 229 | 1,387
Statutory Auditors (Excluding Outside Statutory Auditors) | 2 | 70 | 47 | — | 118
Outside Directors and Statutory Auditors | 8 | 74 | — | — | 74

Notes:
1. The recipients in the table include six directors and one statutory auditor who retired during fiscal 2013. Five are stated under the classification “Directors (Excluding Outside Directors)” and two are stated under “Outside Officers.”
2. Amounts stated in performance-linked compensation include the difference between the amounts disclosed as estimated compensation in the previous fiscal year and the total amounts paid. During the year under review, this amount for directors, excluding outside directors, was ¥22 million. For statutory auditors, excluding outside auditors, this amount was ¥1 million.
3. Amounts stated as stock options include the cost associated with the accounting of stock acquisition rights issued in a so-called stock-linked compensation scheme.
4. The maximum permitted financial compensation amount for directors, including base and performance-linked compensation, is ¥1,200 million per fiscal year (resolution of the 81st Ordinary General Meeting of Shareholders, on June 26, 2009). The maximum amount of stock acquisition rights that may be issued per fiscal year for directors, excluding outside directors, is ¥300 million (resolution of the 82nd Ordinary General Meeting of Shareholders, on June 27, 2007).
5. The maximum permitted financial compensation amount for statutory auditors, including base and performance-linked compensation, is ¥160 million per fiscal year (resolution of the 81st Ordinary General Meeting of Shareholders, on June 28, 2006).
Disclosure and IR Activities

MHI works to make management more transparent by disclosing information rapidly and accurately to shareholders and other external stakeholders.

For Shareholders

We distribute General Meeting of Shareholders’ convocation notices earlier than the statutory deadline (of two weeks prior to convocation). We also prepare English-language summaries of these notices, which we distribute and publish on our website. We have made the exercise of voting rights electronic, and institutional investors can make use of a platform for the electronic exercise of voting rights.

For Investors

MHI takes the initiative in creating opportunities to communicate directly with investors and promote an understanding of the Company. The chart below indicates activities we conducted in fiscal 2013.

We are augmenting website content and working to disclose information promptly. In the interest of fair disclosure, we provide videos of meetings, including the General Meeting of Shareholders, financial results briefings, and meetings on business operations, for the benefit of institutional investors and analysts. We have received awards from research companies and IR services firms giving high marks to our Web-based IR activities.

Promoting Dialogue with Investors in Fiscal 2013

For individual investors
- Participated in seminars sponsored by securities firms and conducted our own briefing sessions: 15 times, in total

For analysts and institutional investors
- Financial results briefings: Four times each quarter (At year-end financial results briefings, the president explains the state of progress on the medium-term business plan.)
- Small meetings: Once
- Factory tours: Twice

For overseas institutional investors
- Generally visit Europe, the United States, and Asia semi-annually
- Participated in conferences in Japan for foreign investors: Four times

Risk Management

During fiscal 2013, the General Manager of the Management Audit Department held discussions with the heads of business segments and administrative departments. Together, they identified important risks and strengthened companywide risk control activities in response. They also introduced and operated a risk management system that combines controls centered on voluntary management and assessments by process owners* and monitoring by the Management Audit Department.

“Serious management risks” were identified that need to be managed at a senior-management level because of their major impact on the management operation of the Company or an emergency response is required, and a corporate director was assigned to oversee their control.

In fiscal 2014, we will follow this same risk management cycle, but due to the fiscal 2014 transition to the Business Domain Structure and our adoption of the Chief Officer System, this process will take place under the direction of the chief administrative officer / chief risk officer (CAO/CRO). We will review the response to risks important to domains, strengthening management by making the chain of responsibility clearer.

* Organizations and/or persons responsible for establishing and executing risk management mechanisms for individual business functions
Compliance

The Management Audit Department centrally manages activities aimed at identifying, averting, and reducing risks before a crisis occurs. The Risk Management & Compliance Committee meets twice annually to draw up companywide compliance promotion plans, confirm progress, and engage in other activities. Individual departments have their own compliance committees, which is intended to strengthen compliance at the departmental level. A Compliance Liaison Conference is also in place for regularly exchanging compliance information with Group companies.

Compliance Promotion System (As of April 1, 2014)

<table>
<thead>
<tr>
<th>President and CEO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domain CEOs</td>
</tr>
<tr>
<td>Heads of all works</td>
</tr>
<tr>
<td>General Managers of domestic branches</td>
</tr>
<tr>
<td>All managers</td>
</tr>
<tr>
<td>All employees</td>
</tr>
<tr>
<td>Risk Management &amp; Compliance Committee</td>
</tr>
<tr>
<td>Chair: CAO/CRO</td>
</tr>
<tr>
<td>Members: Senior General Managers of Corporate Departments</td>
</tr>
<tr>
<td>Heads (or their deputy) of all works</td>
</tr>
<tr>
<td>General Managers from all Planning &amp; Administration Departments</td>
</tr>
<tr>
<td>in each Business Domain</td>
</tr>
<tr>
<td>Functions: Promote compliance across the MHI Group</td>
</tr>
<tr>
<td>Secretariat: Risk Management &amp; Compliance Group, Management Audit Department</td>
</tr>
<tr>
<td>Departmental Compliance Committee</td>
</tr>
<tr>
<td>Whistleblower Hotlines</td>
</tr>
<tr>
<td>Compliance Liaison Conference</td>
</tr>
<tr>
<td>Group companies</td>
</tr>
<tr>
<td>Domestic: In principle, a Compliance Committee to be established</td>
</tr>
<tr>
<td>Overseas: Guidance on initiatives for the specific country/region to be provided by administrative department of MHI</td>
</tr>
</tbody>
</table>

Recent Actions to Promote Compliance

| FY2001 | Established the Compliance Committee |
| FY2001 | Opened an internal whistleblower hotline |
| FY2003 | Began compliance training (undertaken by 97% in FY2013) |
| FY2004 | Began measurement of compliance awareness levels |
| FY2005 | Established the Order Compliance Committee |
| FY2006 | Established departmental compliance committees and a Compliance Liaison Conference |
| FY2007 | Formulated “Compliance Promotion Regulation” in the Company rules |
| FY2007 | Distributed a “Compliance Guidelines” pamphlet to all employees |
| FY2011 | Opened an external whistleblower hotline to further promote compliance with anti-trust laws |
| FY2011 | Formulated Company rules in response to more stringent anti-bribery regulations in the U.K. |
| FY2012 | Set up a Compliance Group in the Management Audit Department (Compliance Section in the General Affairs Department was transferred) |
| FY2012 | Established the Risk Management & Compliance Committee as a companywide organization |
| FY2014 | Established the Risk Solutions Department |
| FY2014 | Appointed a chief administrative officer / chief risk officer (CAO/CRO) |
Corporate Data
(As of March 31, 2014)

Head Office: 16-5, Konan 2-chome, Minato-ku, Tokyo 108-8215, Japan
Phone: +81-3-6716-3111
Fax: +81-3-6716-5800

Established: January 11, 1950
Paid-in Capital: ¥265.6 billion

Total Number of Issuable Shares: 6,000,000,000
Total Number of Shares Issued: 3,373,647,813
Number of Shareholders: 272,971
Number of Employees: 80,583 (Consolidated) 22,147 (Non-consolidated)

Stock Listings: Tokyo, Nagoya, Fukuoka, and Sapporo Stock Exchanges
Ticker Code: 7011
Manager of the Register of Shareholders: Mitsubishi UFJ Trust and Banking Corporation
Independent Auditors: Ernst & Young ShinNihon LLC

Number of shares owned by major shareholders

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of shares owned by major shareholders</th>
<th>% of total shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>158,299,000</td>
<td>4.69%</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>134,214,900</td>
<td>3.97%</td>
</tr>
<tr>
<td>The Nomura Trust and Banking Co., Ltd. (Retirement Benefit Trust Account for The Bank of Tokyo-Mitsubishi UFJ, Ltd.)</td>
<td>125,666,000</td>
<td>3.72%</td>
</tr>
<tr>
<td>JP Morgan Chase Bank 380072</td>
<td>90,369,700</td>
<td>2.88%</td>
</tr>
<tr>
<td>Meiji Yasuda Life Insurance Company</td>
<td>80,022,741</td>
<td>2.57%</td>
</tr>
<tr>
<td>The Nomura Trust and Banking Co., Ltd. (Retirement Benefit Trust Account for Mitsubishi UFJ Trust and Banking Corporation)</td>
<td>45,934,000</td>
<td>1.36%</td>
</tr>
<tr>
<td>Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</td>
<td>44,100,000</td>
<td>1.30%</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 1)</td>
<td>39,451,000</td>
<td>1.16%</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 2)</td>
<td>37,152,000</td>
<td>1.10%</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 6)</td>
<td>37,127,000</td>
<td>1.10%</td>
</tr>
</tbody>
</table>

Major Shareholders

 Classified by Type of Shareholder

<table>
<thead>
<tr>
<th>Classification</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign institutions and individuals</td>
<td>31.58%</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>31.56%</td>
</tr>
<tr>
<td>Securities companies</td>
<td>1.62%</td>
</tr>
<tr>
<td>Other corporations</td>
<td>8.52%</td>
</tr>
<tr>
<td>Individuals and others</td>
<td>26.72%</td>
</tr>
</tbody>
</table>

Classified by Number of Holdings

<table>
<thead>
<tr>
<th>Holdings</th>
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</tr>
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<tbody>
<tr>
<td>Less than 1,000 shares (13,648 persons)</td>
<td>0.08%</td>
</tr>
<tr>
<td>1,000 shares and above (209,833 persons)</td>
<td>10.49%</td>
</tr>
<tr>
<td>5,000 shares and above (50,012 persons)</td>
<td>5.30%</td>
</tr>
<tr>
<td>10,000 shares and above (17,921 persons)</td>
<td>7.79%</td>
</tr>
<tr>
<td>50,000 shares and above (879 persons)</td>
<td>1.26%</td>
</tr>
<tr>
<td>100,000 shares and above (879 persons)</td>
<td>75.08%</td>
</tr>
</tbody>
</table>

Stock Price Range and Trading Volume (Tokyo Stock Exchange)

<table>
<thead>
<tr>
<th>Year</th>
<th>MHI common stock price range</th>
<th>TOPIX</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>400</td>
<td>1,000</td>
</tr>
<tr>
<td>2010</td>
<td>800</td>
<td>1,000</td>
</tr>
<tr>
<td>2011</td>
<td>1,200</td>
<td>1,000</td>
</tr>
<tr>
<td>2012</td>
<td>1,600</td>
<td>1,000</td>
</tr>
<tr>
<td>2013</td>
<td>2,000</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Manager of the Register of Shareholders: Mitsubishi UFJ Trust and Banking Corporation
Independent Auditors: Ernst & Young ShinNihon LLC

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Overseas Network and Overseas Offices

Overseas Network

**North America**
1. Mitsubishi Heavy Industries America, Inc.

**Latin America**
3. Mitsubishi Heavy Industries Mexicana, S.A. de C.V.

**Europe**
4. Mitsubishi Heavy Industries Europe Ltd.

**Asia**
5. Mitsubishi Heavy Industries (China) Co., Ltd.
6. Mitsubishi Heavy Industries (Shanghai) Co., Ltd.
7. Mitsubishi Heavy Industries (Hong Kong) Ltd.
8. MHI KOREA, Ltd.
9. Mitsubishi Heavy Industries India Private Ltd.
10. Mitsubishi Heavy Industries Philippines, Inc.
11. Mitsubishi Heavy Industries (Thailand) Ltd.

Overseas Offices

**Europe**
12. Moscow Liaison Office
13. Kiev Liaison Office
14. Istanbul Liaison Office

**Middle East**
15. Basra Liaison Office
16. Dubai Office
17. Abu Dhabi Office

**Asia**
18. Representative Office for Asia Pacific
19. Taipei Office
20. Hanoi Liaison Office
21. Ho Chi Minh City Liaison Office
22. Kuala Lumpur Office
23. Jakarta Liaison Office

**Africa**
24. Johannesburg Office

For information on overseas Group companies not provided above, please refer to the “Global Network” section of our website.

http://www.mhi-global.com/network/index.html
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