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 Gushi 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**

- **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
A

1910
B

1940
C

1970
D

2000
E

2014
F

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.
MHI's Value Creation Strategies for Augmenting Corporate Value

Initiatives to Enhance Corporate Value

Financial Capital
(Funds)

Manufactured Capital
(Buildings, Equipment, Infrastructure)

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

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

Social Relationship Capital
(Various Stakeholders, Natural Environment)

Financial Capital
Total Assets
Billions of yen

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,887.0</td>
<td>3,963.9</td>
<td>3,951.1</td>
<td>4,886.0</td>
</tr>
</tbody>
</table>

Net Assets / Equity Ratio

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,312.6</td>
<td>1,306.3</td>
<td>1,430.2</td>
<td>1,774.2</td>
</tr>
</tbody>
</table>

% Equity Ratio (right scale)

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.2</td>
<td>31.0</td>
<td>31.8</td>
<td>32.5</td>
</tr>
</tbody>
</table>

Capital Investment

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>126.6</td>
<td>120.7</td>
<td>118.8</td>
<td>148.6</td>
</tr>
</tbody>
</table>

% Capital Investment (right scale)

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.7</td>
<td>8.4</td>
<td>8.3</td>
<td>10.7</td>
</tr>
</tbody>
</table>

Research and Development Expenditures / As a Percentage of Net Sales

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>123.2</td>
<td>121.4</td>
<td>120.0</td>
<td>138.5</td>
</tr>
</tbody>
</table>

% Research and development expenditures (right scale)

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.7</td>
<td>4.5</td>
<td>4.5</td>
<td>4.2</td>
</tr>
</tbody>
</table>

Number of Patents Held in Japan and Overseas

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,796</td>
<td>10,303</td>
<td>10,346</td>
<td>10,621</td>
</tr>
</tbody>
</table>

% Number of patents (right scale)

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Number of Employees / Ratio of Overseas Employees

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>68,816</td>
<td>68,687</td>
<td>68,213</td>
<td>80,583</td>
</tr>
</tbody>
</table>

% Number of employees (right scale)

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>24.7</td>
<td>24.4</td>
<td>24.2</td>
<td>24.1</td>
</tr>
</tbody>
</table>

Energy Input

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,621</td>
<td>10,346</td>
<td>10,303</td>
<td>9,796</td>
</tr>
</tbody>
</table>

% Energy input (right scale)

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.0</td>
<td>1.9</td>
<td>1.4</td>
<td>1.4</td>
</tr>
</tbody>
</table>

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

Social Contribution Expenses

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.6</td>
<td>2.0</td>
<td>1.4</td>
<td>1.4</td>
</tr>
</tbody>
</table>
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></td>
</tr>
<tr>
<td>Aiming to be a world leader in thermal power generation systems</td>
<td></td>
</tr>
<tr>
<td>Manage business portfolio based on strategic evaluations</td>
<td>Improve capital efficiency and net income level</td>
</tr>
<tr>
<td>Cash flow improvements resulting from introduction</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></td>
</tr>
</tbody>
</table>

Recent corporate governance reforms [Page 46]
Energy & Environment

Commercial Aviation & Transportation Systems

Integrated Defense & Space Systems

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 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 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 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.
**Outcome**

**2020**

**MHI and Its Subsidiaries**

**Orders Received**

- Billions of yen
- Total sales
- Overseas sales
- Net sales

**Total Income Taxes / Net Income**

- Billions of yen
- Total income taxes
- Net income

**Free Cash Flows**

- Billions of yen

**Net Income—Basic (EPS)**

- Billions of yen

**Cash Dividends / Dividend Payout Ratio**

- Billions of yen

**Greenhouse Gas (CO2) Emissions**

- Kilotons

**ROE**

11.0%

**Dividend Payments**

¥30.1 billion

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

- 2,942 people

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

- About 30 million tons

**Orders Received (FY2013)**

- Billions of yen

**Total Income Taxes / Net Income (FY2013)**

- Billions of yen

**Free Cash Flows (FY2013)**

- Billions of yen

**Net Income—Basic (EPS) (FY2013)**

- Yen

**Cash Dividends / Dividend Payout Ratio (FY2013)**

- Billions of yen

**Greenhouse Gas (CO2) Emissions (FY2013)**

- Kilotons

**New Recruits and Post-Retirement Employees with Extended Employment Periods (FY2013)**

- 2,942 people

**Note:** MHI on a non-consolidated basis (accounts for approximately 50% of the scope of consolidation)