

PRESIDENT'S MESSAGE

**Becoming an Organization Capable of Sustained Growth by Adapting to Change and More Diversity**

MHI has a history stretching back more than 130 years. Managing a complex conglomerate is perhaps more complicated than managing a dedicated manufacturing business, but there are aspects in which being a conglomerate offers distinct advantages: our ability to respond to social changes or diversity needs, for example.

Today, I believe we must seek new ways to thrive as a global conglomerate for machinery and engineering while integrating our recent experiences and measures to respond to the significant and dramatic changes we expect in our industry and, more broadly, in the world going forward.

As mentioned previously, MHI has traditionally achieved growth in the domestic market in tandem with Japan's economic growth. Today, there are still areas within the Japanese market where our products and technologies can thrive, and going forward we will continue to strengthen those areas. However, at the same time we need to allocate more of our management resources into products and businesses that have growth potential in overseas markets. As innovations take place in many different fields, particularly ICT, it will be crucial for us to flexibly incorporate the most up-to-date technologies and expert knowledge into our engineering business—our area of foremost strength—and into the technologies that form the core of our products. In other words, we need to be an organization capable of two things: maintaining technologies cultivated over a long period of time, while being highly flexible and in step with changes in the world around us.

To grow our business overseas, beyond the "global" perspective, it is also essential to take a local perspective attuned to each specific region. In fiscal 2018 we are due to relocate our global headquarters functions to Tokyo's Marunouchi district. With this relocation we will focus on strengthening our global management structure while delegating authority to and clarifying the responsibilities of each local base. In this way we aim to seamlessly combine global management with local management and regional characteristics.

For MHI to continue to create value while meeting society's needs, in addition to developing the organizational structure outlined above, we will also need the right people. As it becomes increasingly difficult to prolong the lifespan of—i.e., demand for—a product over long periods, it is also becoming more important to have human resources who can swiftly understand and adapt to society's evolving needs. To develop human resources that can take the lead in moving the organization forward and overcoming new challenges, it is necessary to create an environment conducive to continuous human resource development. This means communicating and sharing with employees what goals the Company is pursuing, identifying ways to achieve these goals, and encouraging employees to build experience in taking on and overcoming challenges in multiple fields.

Through our agenda of ongoing structural reforms, we have now laid the groundwork for taking our next big step. In our next medium-term management plan we will continue to give our best in making progress toward a phase of sustained growth, including the growth of our human resources and knowledge base.

Please watch the video on the website below.

> <http://www.mhi.com/finance/mr2017>

BOARD OF DIRECTORS

As of July 1, 2017

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|--|---|---|---|
| 1. Chairman of the Board<br><b>Hideaki Omiya</b>   | 2. President and CEO*1<br><b>Shunichi Miyanaga</b>  | 3. Director, Executive Vice President (CFO*2, Head of Business Strategy Office)<br><b>Masanori Koguchi</b>                  | 4. Director, Executive Vice President (CTO*3)<br><b>Michisuke Nayama</b>                                  |
| 5. Director, Full Time Audit and Supervisory Committee Member<br><b>Seiji Izumisawa</b>  | 6. Director, Full Time Audit and Supervisory Committee Member<br><b>Toshifumi Goto</b>  | 7. Director<br><b>Naoyuki Shinohara</b><br>(Professor, The University of Tokyo, Policy Alternatives Research Institute)     | 8. Director<br><b>Ken Kobayashi</b><br>(Chairman of the Board, Mitsubishi Corporation)                    |
| 9. Director, Audit and Supervisory Committee Member<br><b>Nobuo Kuroyanagi</b><br>(Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.) | 10. Director, Audit and Supervisory Committee Member<br><b>Christina Ahmadjian</b><br>(Professor, Hitotsubashi University Graduate School of Commerce and Management) | 11. Director, Audit and Supervisory Committee Member<br><b>Shinichiro Ito</b><br>(Chairman of the Board, ANA Holdings Inc.) | *1. CEO: Chief Executive Officer<br>*2. CFO: Chief Financial Officer<br>*3. CTO: Chief Technology Officer |



> For details on human resource development, please see **Creating a Management Foundation That Responds to Global Society: ESG Initiatives, Material Issue 2: The Use of Global Human Resources, on page 22 and 24.**

