

MESSAGE FROM THE OUTSIDE DIRECTORS



From left: Kuroyanagi, Ito, Ahmadjian, Shinohara, Kobayashi

Naoyuki Shinohara

Professor, The University of Tokyo,
Policy Alternatives Research Institute
(Former Deputy Managing Director of
the International Monetary Fund (IMF))

Appointed director in June 2015

Appointment Background:
Provides a range of insights related
to financial policy gained as a
regulator, as well as global perspec-
tives gained as an executive at
a major international institution

Proactively using external strengths while upholding MHI's traditions and diversity

Today we live in an increasingly multipolar world, where technological innovations have significantly reduced cross-border costs. Given the rapid pace of change and global uncertainty, we must constantly consider how we should respond effectively to these shifts.

MHI has a highly diversified combination of human resources, but relying on this alone will present major challenges in this rapidly changing global environment. What MHI must do is actively pursue tie-ups with other industries and bring in outside human resources to provide new perspectives, while also preserving the values it has cultivated through the years. In this respect, I think the joint venture Primetals Technologies serves as a good example.

When I worked for an international organization, I personally experienced working with people of different nationalities and backgrounds, and the challenges involved. From this, I learnt that the best way to adapt to a cross-border world is to put oneself in the midst of diversity. At MHI, increasing opportunities for employees to establish global contacts and networks from a young age is vital for incorporating and making good use of knowledge derived from outside the Company.

Ken Kobayashi

Chairman of the Board,
Mitsubishi Corporation

Appointed director in June 2016

Appointment Background:
Extensive knowledge and experience
of top management, experience
operating across global markets

Collaborating with the "right partners" key to global success

Japan, a trading nation, was able to develop rapidly on the strength of its commercial trading capabilities, backed by a diligent workforce and reliable technology. Today, that is no longer sufficient. As many markets develop local manufacturing capacity, growth in global trade volumes has slowed significantly. The days when Japan could rely on merely making good products and selling them overseas have ended.

Much has also changed in the global environment. We now face increased geopolitical risks, widening socio-economic gaps, rapid technological change and remarkable demographic shifts. In light of these changes, MHI must take aggressive steps towards leveraging its well-established technological strengths to expand business globally.

More than ever before, what is vital in this context is identifying the "right partners" and working with them to provide products and solutions that more precisely meet local needs. Today, what is demanded isn't just economic value, but also the pursuit of societal and environmental value. As a major corporation MHI must pursue these aims in a way that enhances its trustworthiness in the eyes of the global community.

I believe MHI is on the right path in proactively pursuing lucrative M&A opportunities, but greater speed will be needed in integrating such companies if synergies are to be realized. For this to happen, the Group needs to be proactive in raising awareness internally about the changes that ought to be made, while retaining the best aspects of its corporate culture. Raising awareness will take time, and there is no quick measure for achieving the desired results in one leap, but I trust that MHI will be able to make steady progress in its business initiatives, while maintaining transparency and sound governance at all times.

Nobuo Kuroyanagi

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

Appointed statutory auditor of MHI in
June 2009, and director and Audit
and Supervisory Committee member
in June 2015

Appointment Background:
Extensive knowledge and experience
serving in top management at
international financial institutions

Aiming for an organization in which all employees can link global changes to their individual roles

As an outside director, I consistently focus on how we can enhance MHI's brand value. For many years MHI has been a provider of outstanding products globally, and in that context expectations have been held high among shareholders and other stakeholders. However, at a time when globalization is occurring at rapid pace, what worked in the past will not necessarily be effective in future. In order for MHI to continue to meet society's needs and enhance brand value, it is important not only for management but also for individual employees to maintain focus on how MHI products and services bring value and satisfaction to people's lives and on where the source of global competitive strength lies.

When I served as part of the executive management team at a global bank, I repeatedly told the officers and management staff to visit workplaces "a hundred times," a practice I carried out myself. There are things that can only be properly communicated to employees, and that can only be observed, by going directly to actual work sites. I firmly believe that if we can get a global grasp on the macro-changes taking place in society and simultaneously, at the micro level, maintain awareness of what is demanded of MHI, of each department, and of each individual, then MHI will become a much stronger organization.

Christina Ahmadjian

Professor, Hitotsubashi University
Graduate School of Commerce and
Management

Appointed director of MHI in June
2012, and director and Audit and
Supervisory Committee member in
June 2015

Appointment Background:
A broad knowledge and global
perspective developed during her
career as a researcher in the field of
corporate governance and corporate
management

For MHI to become a truly global company, all employees must be given opportunities to contribute

Five years have passed since I became an outside director at MHI, and during this time I have seen the consistent progress made in implementing management reforms. I have also observed an increased sense of urgency—in a positive sense—throughout the Company due to awareness of global competition.

Big strides have also been made with respect to diversity. In 2016, for the first time women accounted for 10 percent of all new recruits working in tech. The number of women in management roles has also been trending upward in recent years.

However, for MHI to advance while keeping morale high, it is important to give employees responsibilities and authority from a young age, and to provide them with opportunities for development and growth. For many years I have been involved in the study of business management and corporate governance, and I have seen how companies around the world approach these issues. Unfortunately, there are still too few Japanese companies that give clear missions to all their employees and evaluate them based on results. As MHI increasingly pursues M&A and collaboration with outside partners, it will need to create such growth opportunities and put the right evaluation mechanisms in place.

MHI is seeing significant changes in its external environment while facing the challenge of implementing Groupwide reforms. If all employees are able to understand the Company's vision for the future and the necessity of these reforms, then I believe MHI will achieve strong momentum towards achieving this.

Shinichiro Ito

Chairman of the Board,
ANA Holdings Inc.

Appointed statutory auditor of MHI in
June 2013, and director and Audit and
Supervisory Committee member in
June 2015

Appointment Background:
Extensive knowledge and experience
serving in top management at airline
companies, focus on quality and
safety management

MHI must continue to take on new challenges, using its comprehensive strengths and diversity

MHI's long history sometimes means it dwells too much on past successes, leading to inflexibility within the organization. However, thanks to the management reform initiatives of recent years, such as the introduction of the business domain system, new synergies are now being realized, resources are more effectively used, and the speed of decision-making has improved substantially.

At the same time, the Company has faced a number of major risks large enough to impact earnings. Some degree of risk is inevitable when conducting business at a global level, but in order for MHI to continue providing value to society it cannot cease to take up new challenges. To weather such risks and difficulties, I believe it is important to share among the experience and knowledge acquired in these processes among the Group.

In my own case, as managing officer at a major airline I devoted significant energy to educating employees about the difficult periods experienced by the company and the various challenges it encountered throughout the years. Based on that experience, I realized the influence that top management can have on the development of both corporate culture and employees.

Today, MHI is involved in a number of new business endeavors, like the MRJ. To make an even greater leap into the future, I would like to see the Company actively apply the diversity it has cultivated, unifying its Groupwide technologies and human resources, and taking on the challenges of tomorrow with its comprehensive strengths.