1. Business Overview
2. Review of 2012 Medium-Term Business Plan
3. 2015 Medium-Term Business Plan
4. Business Strategies
5. Summary
1. Business Overview
1-1. Organization

Member of the Board, Executive Vice President, President and CEO
Hisakazu Mizutani

Planning & Administration Department

Procurement Department

Quality Management Department

Advanced Systems & Global Business Development Division
Kenji Oshima
General Manager

Aircraft Division
Toru Fujita
General Manager

Missile Systems Division
Keiji Sakurai
General Manager

Space Systems Division
Naohiro Abe
General Manager

Special Vehicle Division
Shigeru Katsuta
General Manager

Naval Ship Division
Yasuo Hada
General Manager

Maritime & Space Systems Department
Syuji Kumabe
General Manager

Engine & Control Equipment Department
Masashi Morita
General Manager

(As of April, 2015)
1-2. Production sites

Nagasaki Shipyard & Machinery Works
- Main plant
  - Escort ship, Torpedo, Shipboard systems design
  - Escort ship construction

Saiwaimachi plant
- Isahaya plant
  - Torpedo, Shipboard systems production

Kobe Shipyard & Machinery Works
- Tobishima plant
  - Aircraft, Space systems assembly

Nagoya Guidance & Propulsion Systems Works
- Oye plant
  - Aircraft design, Space products design, machining parts

Komaki South Plant
- Aircraft assembly, flight test

Sagamihara Machinery Works
- Special Vehicles design, production

Yokohama Dockyard & Machinery Works
- Escort ship repair

Nagoya Aerospace Systems Works

Number of Employees (consolidated) 6,022

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1-3. Positioning of Integrated Defense & Space Systems

● Percentages of Total Company Orders Received, Net Sales, Operating Income

Orders Received

- 8%

Net Sales

- 11%

Operating Income

- 10%

(FY2014)

● Breakdown of Domain Orders Received, Net Sales

Orders Received

- Defense

Net Sales

- Space systems

(FY2014)
2. Review of 2012 Medium-Term Business Plan
Owing to government budget constraints, domain net sales have remained stable at over 400 billion yen, and ratio of operating income to net sales at 6%, for the past 20 years.

- In addition to business specialized for domestic market, new earnings pillars are needed.
- Domain's financial foundation is strong.

MHI net sales in defense & space systems business

- Remaining at the same level for the past 20 years
2-1. Overview of Market and Business Environment

Changes in business environment

Formulation of new National Defense Program Guidelines and Medium-Term Defense Program (December 2013)
• Policy focused on building a Dynamic Joint Defense Force

Cabinet approval of Three Principles on Transfer of Defense Equipment and Technology (April 2014)
• Establishment of clear principles for transferring defense equipment overseas

New Basic Plan for Space Policy (January 2015)
• Clearly indicating promotion of space utilization for national security and maintenance/strengthening of domestic production and technological base

Opportunities for business scale expansion
Defense

- Proactive proposal of products and services responding to new national security environment, leveraging synergies spanning multiple business divisions.

Space systems

- Promotion of sales activities targeting acquisition of orders from overseas and commercial satellite users, leveraging strengths in reliability and high quality.
In all 3 years, orders received, net sales and operating profit exceeded targets. Net sales near 400 billion yen and operating profit near 6% were consistently achieved.

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th></th>
<th>FY2013</th>
<th></th>
<th>FY2014</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Target</td>
<td>Actual</td>
<td>Target</td>
<td>Actual</td>
<td>Target</td>
<td>Actual</td>
</tr>
<tr>
<td>Orders received</td>
<td>350.0</td>
<td>405.9</td>
<td>450.0</td>
<td>547.3</td>
<td>350.0</td>
<td>417.4</td>
</tr>
<tr>
<td>Net Sales</td>
<td>390.0</td>
<td>391.6</td>
<td>450.0</td>
<td>469.4</td>
<td>450.0</td>
<td>483.9</td>
</tr>
<tr>
<td>Operating income</td>
<td>15.0</td>
<td>21.9</td>
<td>24.0</td>
<td>27.6</td>
<td>27.0</td>
<td>28.5</td>
</tr>
<tr>
<td>Operating income ratio</td>
<td>3.8%</td>
<td>5.6%</td>
<td>5.3%</td>
<td>5.9%</td>
<td>6.0%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

(In billion yen)
2-4. 2012 Business Plan: Achievements and Challenges

Defense

Achievements

- Development of products leveraging synergies between all business divisions. (Orders received for OZZ-X unmanned underwater vehicles.)
- Start-up of major new businesses (F-35A, type 12 surface-to-ship missile, maneuver combat vehicle, type 12 torpedo)

Start of preparations to manufacture F-35A fighter  
Start of production of type 12 surface-to-ship missiles  
Completion of maneuver combat vehicle prototype

Challenges

Achievements

- To date, 26 consecutive successful launches of H-Ⅱ A/H-Ⅱ B launch vehicles (world's highest success rate: 96.9%)
- Completion of development of H-Ⅱ A Upgrade Project (enhanced capacity to inject a satellite closer to geostationary orbit)
- New orders, including from overseas, for satellite launch services
  - September 2013: Telesat's communications/broadcasting satellite (first overseas order involving commercial satellite)
  - March 2015: Dubai EIAST's* observation satellite
- Start of development, as prime contractor, of New National Flagship Launch Vehicle

Challenges

- Further increases in orders for launch services from overseas and commercial satellites.
- Business development of national security area responding to Basic Plan for Space Policy.

* EIAST: Emirates Institution for Advanced Science and Technology
3. 2015 Medium-Term Business Plan
3-1. 2015 Business Plan : Outline

<table>
<thead>
<tr>
<th>Domain</th>
<th>Main measures and fluctuating factors</th>
<th>Orders/Net sales</th>
<th>Operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy &amp; Environment</td>
<td>• Expanded synergies at MHPS</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>• Overall expansion of servicing business</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>• Distributed power sources, oil &amp; gas, etc.</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Commercial Aviation &amp; Transportation Systems</td>
<td>• Expansion of Boeing-related business</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>• MRJ (contribution to net sales starting FY2017)</td>
<td>0</td>
<td>△</td>
</tr>
<tr>
<td></td>
<td>• Strengthening of land transportation systems</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>• Reform of commercial ship business</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>Integrated Defense &amp; Space Systems</td>
<td>• Demand to hold steady through FY2017; preparations for expansion of business in equipment, etc.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Machinery, Equipment &amp; Infrastructure</td>
<td>• Synergies at Primetals (steelmaking business)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>• Strengthening of compressors, turbochargers, etc.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>• Accelerated business restructuring (including M&amp;A’s)</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

MHPS: Mitsubishi Hitachi Power Systems, Ltd.
MRJ: Mitsubishi Regional Jet
Primetals: Primetals Technologies, Ltd.
## 3-2. Management Numerical Targets

### Integrated Defense & Space Systems domain's orders received, net sales, operating income

<table>
<thead>
<tr>
<th></th>
<th>FY2014 (Actual)</th>
<th>FY2015 (Forecast)</th>
<th>FY2016 (Target)</th>
<th>FY2017 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>4,174</td>
<td>4,000</td>
<td>4,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Net Sales</td>
<td>4,839</td>
<td>4,500</td>
<td>4,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Operating income</td>
<td>285</td>
<td>270</td>
<td>240</td>
<td>250</td>
</tr>
<tr>
<td>Operating income ratio</td>
<td>5.9%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>6.3%</td>
</tr>
</tbody>
</table>

During 2015 Business Plan time frame, orders, sales and profits are projected to remain generally stable.
3-2. Management Numerical Targets

Orders received, net sales, operating income: FY2012-FY2017


- Orders Received
  - FY2012: 21.9 (5.6%)
  - FY2013: 27.6 (5.9%)
  - FY2014: 28.5 (5.9%)
  - FY2015: 27.0 (6.0%)
  - FY2016: 24.0 (6.0%)
  - FY2017: 25.0 (6.3%)

- Net Sales
  - FY2012: 547.3
  - FY2013: 469.4
  - FY2014: 483.9
  - FY2015: 450.0
  - FY2016: 400.0
  - FY2017: 400.0

- Operating Income

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<table>
<thead>
<tr>
<th>Business Domain</th>
<th>Strategies</th>
<th>Main Measures</th>
<th></th>
</tr>
</thead>
</table>
| **Energy & Environment**                 | • Simultaneously pursue short-term earnings and mid/long-term growth, with business expansion and profitability at the core (swift response to moves made by mega competitors)  
• Promote long-term continuation policy for nuclear power business | • Enter markets for high-performance models (large-scale GT); enhance lineups  
• Strengthen servicing business (employ ICT and big data; invest human resources)  
• Expand networks of domestic and overseas manufacturing bases  
• Expand business in distributed power generation systems (joint development with Machinery, Equipment & Infrastructure domain)  
• Full-scale entry in oil & gas upstream business (keeping collaborations and M&A’s in view) |  |
| **Commercial Aviation & Transportation Systems** | • Improve profitability of commercial airplane products  
• Advance MRJ development and improve airframe value  
• Undertake bold conversions in commercial and cruise ship businesses  
• Expand business in land transportation systems | • Promote increased production in businesses for Boeing and develop next-generation production processes  
• Steadily carry forward the MRJ’s development and develop a high-volume manufacturing base  
• Develop a new infrastructure export model based on domain synergies  
• Develop new business model for cruise ship business  
• Strengthen ability to promote business in large-scale overseas projects (Doha, etc.) |  |
| **Integrated Defense & Space Systems**    | • Undertake sustained strengthening of existing businesses and prepare for next expansion step (initiatives to promote overseas business and conversion to commercial market needs) | • Undertake concentrated strengthening of integrated defense systems (land, sea, air)  
• Newly launch a state-of-the-art technology business department and promote the following:  
  - Development of new overseas businesses through tieups with overseas partners  
  - Development consumer demand-based businesses applying dual-use technologies |  |
| **Machinery, Equipment & Infrastructure** | • Along with the Energy & Environment domain, pursue achievable and immediately effective measures from the perspective of supporting the MHI Group’s scale and earnings | • Promote and accelerate PMI in metals machinery and forklift trucks  
• Expand oil & gas business involving compressors  
• Establish a global business structure for turbochargers  
• Further accelerate business restructuring (including M&A’s) |  |
Undertake sustained strengthening of existing business and prepare for next expansion step (initiatives to promote overseas business and conversion to commercial market needs)

Basic Policy

Growth Strategy ①
Expand overseas operations leveraging “Three Principles on Transfer of Defense Equipment and Technology”

Growth Strategy ②
Develop new overseas business through development of existing business

Growth Strategy ③
Through land/sea/air/space synergies, expanded orders in domestic defense business

Expand consumer demand leveraging state-of-the-art technologies cultivated in Integrated Defense & Space Systems business

Promote newly established state-of-the-art technology business

Development of consumer demand business

Development of new overseas business

Space

Defense

Existing business
4. Business Strategies
4-1. Defense

Product Lineup

F-2 Fighter

SH-60K Maritime Patrol Helicopter

PAC-3

SM-3

Destroyer ASHIGARA

Submarine HAKURYU

Type 10 Main Battle Tank

TS1 (Turboshaft)

Torpedo

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4-1. Defense

Market Environment

- Domestic equipment-related defense budget in declining trend
  ⇒ Domestic equipment business scale to remain flat
  ⇒ Acceleration of development and procurement of new equipment enabling "response to an attack on offshore islands", "response to ballistic missile attacks, "responses in cyberspace and outer space", etc.
- Cabinet approval of Three Principles on Transfer of Defense Equipment and Technology
  ⇒ Expansion of overseas business, especially international joint development

Basic Policy

- Strengthening and development of existing business
- Foundation laying and new business development, toward growth and expansion in next business plan

Main Projects

Main equipment in Medium-Term Defense Program

- Aegis ship
- SH-60K
- F-35A
- Modernize F-15
- Type 10 Main Battle Tank
- Type 12 surface-to-ship missile
- Maneuver combat vehicle
- PAC-3MSE (MSE: Missile Segment Enhancement)

Orders received
Net sales

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4-2. ② Space systems

**Product Lineup**

- **H-Ⅱ A Launch Vehicle**
- **H-Ⅱ B Launch Vehicle**
- **H-Ⅱ Transfer Vehicle (HTV) KOUNOTORI**
- **LE-7 Rocket Engine**
- **Utilization of Space Environment**
- **Space solar power systems (Wireless Power Transmission Technology)**
- **International Space Station Japanese Experiment Module (JEM) "Kibo"**
- **Reaction Control System**
4-2. ② Space systems

Market Environment

- Formulation of new Basic Plan on Space Policy
  ① Maintaining and strengthening of space industry and science/technology base
    ⇒ Domestic space-related market scale to expand to cumulative 5 trillion yen over next 10 years
  ② Strengthening of security capability employing space
    ⇒ Expanding demand for products and services relating to early warning capability, maritime domain awareness and space situational awareness, etc.

Basic Policy

- Strengthening of competitiveness in launch services, primarily creating H-Ⅱ A launch vehicle upgrade and New National Flagship Launch Vehicle
- Development of space business in national security field, under new Basic Plan on Space Policy

Main Projects

<table>
<thead>
<tr>
<th>Launch Schedule</th>
<th>Mission Loaded Satellite</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015</td>
<td>&quot;KOUNOTORI5&quot; (HTV5) by H-ⅡB Launch Vehicle No. 5</td>
</tr>
<tr>
<td></td>
<td>Telesat, New High Throughput Satellite, &quot;TELSTAR 12V&quot;</td>
</tr>
<tr>
<td></td>
<td>New exploration X-ray Telescope &quot;ASTRO-H&quot;</td>
</tr>
</tbody>
</table>
### Growth Strategies

#### Growth Strategy 1
- **Area 1**: Expand overseas operations leveraging “Three Principles on Transfer of Defense Equipment and Technology”
- **Area 2**: Develop new overseas business through development of existing business

#### Growth Strategy 2
- **Area 3**: Develop consumer demand-based products through dual use of state-of-the-art technologies

#### Growth Strategy 3
- **Area 4**: Through land/sea/air/space synergies, expanded orders in domestic defense business

Through these strategies, promote activities in 4 business areas:

<table>
<thead>
<tr>
<th>Area</th>
<th>Growth Strategy</th>
<th>Business Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Expand overseas</td>
<td>Defense</td>
</tr>
<tr>
<td>2</td>
<td>leveraging “Three Principles on Transfer of Defense Equipment and Technology”</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Expand consumer</td>
<td>Defense</td>
</tr>
<tr>
<td></td>
<td>demand leveraging state-of-the-art technologies cultivated in Integrated Defense &amp; Space Systems business</td>
<td>Space systems</td>
</tr>
<tr>
<td>4</td>
<td>Through land/sea/air/space synergies, expanded orders in domestic defense business</td>
<td>Defense Space systems</td>
</tr>
</tbody>
</table>

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4-4. Area 1

Develop new overseas business through development of existing business

Utilize international joint development knowhow cultivated through Japan-U.S. joint development of SM-3 missile

Defense

Submarine

- Examination of business in the areas MHI’s technology is applicable, within the framework of Japanese government's defense equipment collaboration with other countries

SM-3 Block II A

- Missile to intercept ballistic missiles fired from Aegis-equipped destroyers
- Implementation of Japan-U.S. joint development starting in 2006
- Export of component parts to U.S. Navy

Submarine

- Currently supporting cooperation by Japanese Government relating to Australia’s future submarine program

(Courtesy of Ministry of Defense)
4-5. Development of new overseas business

Participation in new international joint development projects, leveraging technologies and experience

- Application of advanced technologies cultivated through domestic defense/space business
- Application of channel development through international joint business and licensing business

Defense

New overseas business

- Possession of numerous advanced technologies through development of defense equipment
- Promote continuing research and development of advanced technologies

Creation of advanced technologies

- Special sensor technology
- Laser radar
- Lightweight structure technology
- Next-generation Composite Wing Boxes
- Large scale simulation technology
- Electronic technology

New international joint development

- Utilization of close channels with US/European business partners

Integrated Defense & Space Systems domain

US/European company

- Next-generation avionics technology
- Small satellite
- Next-generation radar
- Next-generation radar
### Development of consumer demand-based products through dual use of state-of-the-art technologies

**Promote development of civilian products using advanced technologies cultivated through development of defense/space products**

<table>
<thead>
<tr>
<th>Defense</th>
<th>Space systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disaster prevention products / Security</td>
<td></td>
</tr>
</tbody>
</table>

- Development of security-related products and services, to protect important infrastructure facilities against physical or cyber terrorism
- Development of highly durable products capable of operating even under special environmental conditions

- **Radiation shielded forklift truck**
  - Application of radiation-resistant technologies cultivated in space equipments to commercial uses

- **Disaster response robot**
  - Development of disaster response robots through research on unmanned system technology

- **Security**
  - Products/services to protect important infrastructure facilities against threats of terrorism
Expand consumer demand leveraging state-of-the-art technologies cultivated in Integrated Defense & Space Systems business

**Small satellite**

- Development, launching and operation of satellite constellation; entry into information gathering and sharing services business

**Launching and operation of satellite constellation**

- Operating satellite constellation and analyzing the information
  - Development, launching and operation of satellite constellation

**Development of information gathering and sharing services business**

- Development of business primarily in big data processing
4-7. Area 4  Expansion of domestic defense business

Expansion of business integrating areas of expertise in each business division

- Response to new concepts indicated in Medium-Term Defense Program
  (new compact-type hull destroyers with multifunctional capabilities)
- System integration leveraging advanced technologies of all business division

Defense

New naval ship

Cyber security technology

Weapons system integration technology

Stealth technology

Fighter jet radar technology

(Courtesy of Ministry of Defense)
Expansion of business integrating areas of expertise in each business division

- In addition to high quality and reliability cultivated to date, strengthening of competitiveness and response capability to market needs, and expansion of commercial and overseas orders

**Space systems**

**Launch services**

**H-II A launch vehicle upgrade**
- Upper stage modifications to provide better services for customers

( Courtesy of JAXA )

Launches to commence in second half of FY2015

**New National Flagship Launch Vehicle**
- Strengthening of price competitiveness through cost-reduction initiatives commencing in design phase

Diverse launch capacities depending on payload

| Number of Solid Rocket Boosters | 0 | 2 | 4 |

(Courtesy of JAXA)
5. Summary
Target business scale expansion by breaking out of conventional frameworks.

① Expand overseas operations leveraging “Three Principles on Transfer of Defense Equipment and Technology”.
③ Through land/sea/air/space synergies, expanded orders in domestic defense business.

FY2017 target
Completion of preparations toward strong expansion of business scale of Integrated Defense & Space Systems domain.
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