2010 Medium-Term Business Plan
(2010 – 2014)

April 28, 2010

Hideaki Omiya, President
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1. Challenges Facing the Company

Promoting 2008 Medium-Term Business Plan
- Global growth in the production business
- Business process reform

(The acceleration of manufacturing reforms, enhancement of risk management, & bolstering of the business operation system)
2. FY2008 Medium-Term Business Plan Summary (1)

- Demand declined with the global recession
- The yen remains strong
- FY2010 target values set out in the 2008 Business Plan are now put on hold
- Company-Wide Emergency Plan “Challenge 09” has been activated to ensure FY2009 profits
- The FY2009 orders received and net sales are both lower than expected but operating income reached its target.

<table>
<thead>
<tr>
<th>Year</th>
<th>Orders received (billion yen)</th>
<th>Net sales (billion yen)</th>
<th>Operating income (billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2005</td>
<td>2,942.0</td>
<td>2,792.1</td>
<td>70.9</td>
</tr>
<tr>
<td>FY2006</td>
<td>3,274.7</td>
<td>3,068.5</td>
<td>108.9</td>
</tr>
<tr>
<td>FY2007</td>
<td>3,715.2</td>
<td>3,203.0</td>
<td>136.0</td>
</tr>
<tr>
<td>FY2008</td>
<td>3,715.2</td>
<td>3,268.7</td>
<td>105.8</td>
</tr>
<tr>
<td>FY2009</td>
<td>3,900.0</td>
<td>2,940.8</td>
<td>65.6</td>
</tr>
<tr>
<td>FY2010</td>
<td>3,900.0</td>
<td>3,700.0</td>
<td>65.0</td>
</tr>
</tbody>
</table>

Source: IMF (World Economic Outlook / Jan 2010)
2. FY2008 Medium-Term Business Plan Summary (2)

Orders Received

<table>
<thead>
<tr>
<th></th>
<th>Made-to-order Goods</th>
<th>Mass and Medium-Lot Manufactured Machinery</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2.8</td>
<td>3.7</td>
</tr>
<tr>
<td>2009</td>
<td>1.9</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Results in both the Ordered Goods business and Mass and Medium-Lot Manufactured Machinery declined.

Net Sales

<table>
<thead>
<tr>
<th></th>
<th>Made-to-order Goods</th>
<th>Mass and Medium-Lot Manufactured Machinery</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2.2</td>
<td>3.2</td>
</tr>
<tr>
<td>2009</td>
<td>2.3</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Results in Mass and Medium-Lot Manufactured Machinery plummeted.

Operating Income

<table>
<thead>
<tr>
<th>Mass and Medium-Lot Manufactured Machinery</th>
<th>Made-to-order Goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>Foreign exchange</td>
</tr>
<tr>
<td>2009</td>
<td>Foreign exchange</td>
</tr>
</tbody>
</table>

Although results in Mass and Medium-Lot Manufactured Machinery worsened, results in the Ordered Goods business raised income.

Analysis of Changes in Operating Profit

Result of the Emergency Plan “Challenge 09” Activities

- Improvements: +146.7
- Under-recovery of fixed costs for Mass and Medium-Lot Manufactured Machinery: +70.7
- Effect of higher material costs: +18.0
- Change in R&D costs: -25.8
- Change in accounting rules: +76.0
- Cuts in fixed costs in emergency action: +19.0
- Insufficient returns from fixed costs in association with reduced production etc.: -70.7

Results and Challenges

- Cost improvement driven by the Modular Design Project at Technical Headquarters and Production System Innovation Planning Dept
- Progress in the activities of Sustainability Energy & Environment Strategic Planning Dept.
  - Expanded network with governments and electric power companies
  - Enhanced proposals of Solution Business
- Improvement in profitability of Machinery & Steel Structures Headquarters

Challenges

- Increase orders in the Made-to-order Goods business
- Fundamentally strengthen Mass and Medium-Lot Manufactured Machinery (Optimize the fixed cost structure to respond to demand fluctuations)
- Reduce foreign exchange exposure
3. Our Challenges and 2010 Business Plan

Strategies in 2008 Business Plan
- Global growth in the production business
- Business process reform
  - Accelerating manufacturing reform
  - Enhancing risk management
  - Bolstering the business operation system

Our challenges exposed through a global recession
- Increase orders received in the Made-to-order Goods
- Fundamentally strengthen Mass and Medium-Lot Manufactured Machinery (Optimize the fixed cost structure that can respond to demand fluctuations)
- Reduce foreign exchange exposure

Market Environment
- The market is shifting from the three regions of North America, Europe and Japan to emerging nations
  - Intensified competition in emerging nations
  - Low-price offensive by manufacturers in emerging nations
- Yen remains strong
- Increased awareness worldwide of global environmental measures

2010 Business Plan

- Exercise the Total Strengths-

Promote “Reform”
and
Achieve “Global Growth”
to respond to the drastic changes
in the market
4. Target (1)

The global recession

2006 Business Plan

2008 Business Plan

Orders Received
(trillion yen)

2.94 3.27 3.71 3.37 2.94

Net Sales
(trillion yen)

2.79 3.06 3.20 3.26 2.47

Operating Income
(billion yen)

70.9 108.9 136.0 105.8 65.6

2010 Business Plan

Reform process

Growth process

Challenge09

2010 Business Plan

2012 [Intermediary Targets]

2014 [Targets]

Orders Received
(trillion yen)

250.0

Net Sales
(trillion yen)

160.0

Operating Income
(billion yen)

75.0

2010 [Forecast]

1.6

5.0

8.0

ROE (%)

2.2 3.5 4.3 1.8 1.1

Foreign Exchange
(JPY/US$)

(111) (115) (115) (103) (95)
## 4. Target (2)

(In billion yen)

<table>
<thead>
<tr>
<th></th>
<th>2008 Actual</th>
<th>2009 Actual</th>
<th>2010 Forecast</th>
<th>2012 Target</th>
<th>2014 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>3,268.7</td>
<td>2,476.2</td>
<td>3,100.0</td>
<td>3,800.0</td>
<td>4,400.0</td>
</tr>
<tr>
<td>51% (shares of overseas sales)</td>
<td>(51%)</td>
<td>(38%)</td>
<td>(54%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>3,375.6</td>
<td>2,940.8</td>
<td>2,850.0</td>
<td>3,400.0</td>
<td>4,100.0</td>
</tr>
<tr>
<td>Operating income</td>
<td>105.8</td>
<td>65.6</td>
<td>75.0</td>
<td>160.0</td>
<td>250.0</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>75.3</td>
<td>24.0</td>
<td>35.0</td>
<td>110.0</td>
<td>200.0</td>
</tr>
<tr>
<td>ROE</td>
<td>1.8%</td>
<td>1.1%</td>
<td>1.6%</td>
<td>5%</td>
<td>8%</td>
</tr>
<tr>
<td>ROIC</td>
<td>1.8%</td>
<td>1.1%</td>
<td>1.4%</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>D/E ratio</td>
<td>1.3</td>
<td>1.1</td>
<td>1.1</td>
<td>0.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>1,612.8</td>
<td>1,495.3</td>
<td>1,500.0</td>
<td>1,300.0</td>
<td>1,200.0</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>6JPY</td>
<td>4JPY</td>
<td>4JPY</td>
<td>6JPY</td>
<td>10JPY</td>
</tr>
</tbody>
</table>
### 4. Target (3)

<table>
<thead>
<tr>
<th>Category</th>
<th>Segment</th>
<th>Direction of Growth / Reform</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth Business</strong></td>
<td>Power Systems</td>
<td>With growing calls for global environmental measures and infrastructure demand in emerging nations, increase the size and profits of these businesses as MHI’s core operations</td>
</tr>
<tr>
<td></td>
<td>Machinery &amp; Steel Structures</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Aerospace</td>
<td>Strive to improve the earnings footing while increasing the size and profits of the businesses, against a backdrop of expanding demand for aircraft over the medium and long terms</td>
</tr>
<tr>
<td><strong>Reform Business</strong></td>
<td>Shipbuilding &amp; Ocean Development</td>
<td>Reduce fixed costs, focus on specific areas and ensure stable revenues</td>
</tr>
<tr>
<td></td>
<td>GM &amp; SV</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Air-Con</td>
<td>Flexibly review fixed costs early to move into the black</td>
</tr>
<tr>
<td></td>
<td>Machine Tool</td>
<td></td>
</tr>
</tbody>
</table>

#### 2009

- **Sales**: ¥2,940bn
- **Operating Income**: ¥65.6bn
- **ROE**: 1.1%

#### 2012

- **Sales**: ¥3,400bn
- **Operating Income**: ¥160bn
- **ROE**: 5%

#### 2014

- **Sales**: ¥4,100bn
- **Operating Income**: ¥250bn
- **ROE**: 8%

* Size of bubble = size of sales
### 4. Target (4)

**Note:** From FY2010 onward, segment classification has changed with the application of the Financial Accounting Standard for Segment Information Disclosure and the organizational restructuring of MHI. FY2009 results shown in the above table have been reclassified based on the new segment classification.

<table>
<thead>
<tr>
<th>Segment</th>
<th>Orders Received</th>
<th>Net Sales</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth Business</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power Systems</td>
<td>982.2</td>
<td>1,680.0</td>
<td>1,920.0</td>
</tr>
<tr>
<td>Machinery &amp; Steel Structures</td>
<td>404.3</td>
<td>640.0</td>
<td>810.0</td>
</tr>
<tr>
<td>Aerospace</td>
<td>435.5</td>
<td>510.0</td>
<td>590.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,822.0</td>
<td>2,830.0</td>
<td>3,320.0</td>
</tr>
<tr>
<td><strong>Reform Business</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shipbuilding &amp; Ocean Development</td>
<td>150.8</td>
<td>230.0</td>
<td>230.0</td>
</tr>
<tr>
<td>GM &amp; SV</td>
<td>291.0</td>
<td>450.0</td>
<td>520.0</td>
</tr>
<tr>
<td>Air-Con</td>
<td>138.4</td>
<td>200.0</td>
<td>240.0</td>
</tr>
<tr>
<td>Machine Tool-Others</td>
<td>113.4</td>
<td>150.0</td>
<td>160.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>693.6</td>
<td>1,030.0</td>
<td>1,150.0</td>
</tr>
<tr>
<td>Inter-group consolidation adjustments</td>
<td>△ 39.7</td>
<td>△ 60.0</td>
<td>△ 70.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,476.2</td>
<td>3,800.0</td>
<td>4,400.0</td>
</tr>
</tbody>
</table>

(In billion yen)
5. Resource Planning

**Human Resources**
- Expand the workforce in growth business
- Carefully select new employees in Japan
- Increase the overseas workforce

**New recruitment in Japan**
- 3,500
- 2,000

**Average for 2008 to 2009 [2008 business plan]**

**Average for 2010 to 2014 [2010 business plan]**

**Changes in the number of employees (consolidated)**

**Overseas group companies**
- Mar. 2008: 64,103
- Mar. 2010: 67,669
- Mar. 2015: 72,000

**Capital Expenditure**
- Continue investment mainly in growth business
- Replace products with those manufactured in-house, with improved efficiency (AC & refrigeration, etc.) to meet high community demands and reduce CO₂ emissions.

**R&D Expenses**
- Actively invest in growth businesses
- Continue investment to enhance the competitiveness of core products (technical innovation) and manufacturing capabilities (market, process and product innovation)

**R&D Expenses**
- 11.54 (Billion yen / year)
- 20 (Billion yen / year)

**Human Resources**
- 5.9 (Persons)
- 7.4 (Persons)
- 9.4 (Persons)
- 10.4 (Persons)

**Capital Expenditure**
- Reform Business: 10.4 (Billion yen / year)
- Growth Business: 95.9 (Billion yen / year)

**R&D Expenses**
- Reform Business: 28.5 (Billion yen / year)
- Growth Business: 76.4 (Billion yen / year)
6. Strategies in 2010 Business Plan

**Exercise truly comprehensive strengths**

- Transform business models from customer perspectives
  1. Strengthen the core businesses further
  2. Expand the solution business
  3. Expand business areas
  4. Expand businesses primarily in a new market (emerging nations)

- Transform business processes for a strengthened structure
  1. Commoditize/standardize and sophisticate the business processes
  2. Globally optimize the business process allocation
     - Departure from vertical integration-

**Establish a system that enables to exercise comprehensive strengths**

- Strategies 1
  - Strengthen the core businesses further
  - Expand the solution business
  - Expand business areas
  - Expand businesses primarily in a new market (emerging nations)

- Strategies 2
  - Commoditize/standardize and sophisticate the business processes
  - Globally optimize the business process allocation
     - Departure from vertical integration-

- Strategies 3
  - Establish a flexible and agile management system
    - Clarify the structure and responsibility-
    - Enhance horizontal cross-divisional functions-

- Strategies 4
  - Introduce management indicators for increased corporate value

- Strategies 5
  - Enhance human resources
  - Enhance the intellectual property (IP) strategies
6. Strategies in 2010 Business Plan

Exercise of Comprehensive Strengths and Departure from Vertical Integration

* Carve-out: Take technologies and products that are currently buried within MHI and turn them into businesses through third-party investment and participation in management decisions.

Joint ventures with other companies

Spin-off (Establish as operating company)

Spin-in (Merge businesses)

Active separation & merger of businesses

Passive separation of businesses

Business Growth Potential

MHI as it will be

MHI as it is now (Vertical Integration)

Low Growth & Opportunity Loss

Time
Strategy 1: Transform Business Models from the Customer Perspectives

<Business Value Chain>

Expand solution businesses
- Expand solution businesses in the Energy & Environmental Business (IGCC, fuel cell combined power generation, eco-town, etc.)

Expand into upstream business areas
- Environmentally friendly engines
- Compressors in the gas area
- Lithium ion batteries
- Organic EL
- B787/composite-material wing boxes
- Supplying core components to GT/overseas JV

Enhance core businesses
- High-efficiency gas turbine
- MRJ (complete aircraft)
- Hybrid forklift trucks
- FLNG
- CRUISE Ship

Expand the downstream businesses
- Implementing after-sales service of competitors’ parts (GT)
- Nuclear fuel business (Overseas)
- Digital control system (Power Systems)
- Enhancing structure for after-sales service business (strengthening human resource, expanding overseas offices, enhancing IT system)

- Nuclear power plants (overseas)
- High-speed railway (overseas)

- GTCC, conventional power plant
- Nuclear power plants (Japan)
- Transportation Systems
- Chemical Plants

- Nuclear after-sales service
- Power system after-sales service

EL: Electro-luminescence, GT: Gas turbines, FLNG: Floating LNG, IGCC: integrated gasification combined cycle

14
Promote technical innovation in priority products that will drive MHI’s future

- Development of key technology
- Development of prototype-less technology
- Development of advanced platform technology commonly used for multiple products
- Development of innovative manufacturing technologies that can counter low-cost overseas manufacturers
- Design of product-enhancing technology (MCMD, DFX)
- Use of Open Innovation

MCMD: mass customization modular design, DFX: Design for x
Strategy 1-(1): Continue Strengthening the Core Businesses

Kansai Electric Power Co.
Himeji Power Station #2
Adopted M501J x 6
First commercial operation is set for October 2013 (plan)

- Contribute to the prevention of global warming with highly efficient gas turbines.
- Achieve more than 60% efficiency (the highest level in the world).
- Reduce CO₂ emissions by 50% from that of MHI’s conventional coal-fired power plants.

<J-series Gas Turbine Elemental Technology Development>

- Main combustion
- Pilot combustion
- Advanced analysis
- Combustion
- Cooling
- Aero dynamics
- Material
- Fluid velocity
- Low
- High
- High temperature
- Factor verification
- Unidirectional-coagulation alloys precision casting blade coagulation analysis

Temperature at turbine inlet (ºC)

- J-series
- G-series
- F-series
- D-series
Strategy 1-(1): Continue Strengthening the Core Businesses – Prototype-Less Technology

Case 1: H-IIB Rocket

Fluid-structural analysis using ultrafast mesh generator

September 11, 2009
Successfully launched the H-IIB rocket equipped with HTV (H-II Transfer Vehicle)
Case 2: Forklift Truck Development

Transmission gear-shifting shock

Source of gear-shifting shock

Shock transmitted to vehicle body during acceleration (vibration value)

Strategy 1-(1): Continue Strengthening the Core Businesses – Prototype-Less Technology
Strategy 1-(2): Manifestations of Comprehensive Capability
-Energy and Environment Business

Energy transformation: Nuclear fuels
Fuel cycle: Nuclear reactors, Wind turbines, Biomass, Geo thermal

Alternative fuels: Gas turbines, Fuel cell
Coal to liquid/gas to liquid: IGCC, Conventional

Renewable energy: Lithium-ion battery

Usage: Hybrid forklift trucks, HEV/EV for industrial use, Eco-house
Automobiles, Enhanced Oil Recovery
Fertilizer plant, Desalination

Environmental measures: DeNOx, DeSOx, CO2 recovery, CO2 storage

CTL: Coal to liquid, GTL: Gas to liquid, GTCC: Gas turbine combined cycle, IGCC: integrated gasification combined cycle, EOR: Enhanced oil recovery
Strategy 1-(2): Expand the Solution Business
- Energy & Environment Business

Becoming a leading company in the energy & environment sector

- Commercialize highly efficient and environmentally friendly products,
- Expand the solution business, which combines products and advanced technology in broad areas.
  - Make recommendations to governments and industries to expand opportunities and create new business.
- Expand strategic alliances with overseas partners.

Energy Demand Forecast

1.4 times

(Mtoe)

12,000

Emerging countries

Developed countries

2007

2030

16,800

Energy Demand Forecast

Change in Orders Received

31,000

44,000

1.7 times

(Billion yen)

2007-2009 average

2014

Mtoe: million tons of oil equivalent

: Energy & Environment Business

: Other Businesses

Energy & Environment Business

Other Businesses

(Mtoe)
Strategy 1-(2): Expand the Solution Business – Synergies

High-end Products

Energy and Environment

IGCC plant + CO2 recovery/storage facility

Energy-self-sufficient smart community

Lithium-ion battery

SOFC combined-cycle power plant

SOFC: Solid oxide fuel cell
A solid-oxide fuel cell (SOFC) combined-cycle power generation system for large business use

A triple combined system that combines conventional GTCC and solid-oxide fuel cell (SOFC)

- For More Efficient Thermal Power Generation -

SOFC: Solid oxide fuel cell
IGCC: Integrated coal gasification combined cycle
GTCC: Gas turbine combined cycle
USC: Ultra super critical pressure coal-fired plant
LHV: Lower heating value
Strategy 1-(4): Global Business Operation

Overseas sales

<table>
<thead>
<tr>
<th></th>
<th>2007-2009 Average</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>3,200 bil. yen</td>
<td>4,400 bil. yen</td>
</tr>
<tr>
<td>Overseas</td>
<td>49%</td>
<td>63%</td>
</tr>
</tbody>
</table>

Overseas procurement

<table>
<thead>
<tr>
<th></th>
<th>2007-2009 Average</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>180%</td>
<td></td>
</tr>
</tbody>
</table>

Overseas manufacturing

<table>
<thead>
<tr>
<th></th>
<th>2007-2009 Average</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>200%</td>
<td></td>
</tr>
</tbody>
</table>
Strategy 1-(4), 2-(2): Enhance Businesses in Emerging Countries

- Cultivate markets through joint ventures with leading companies in emerging nations
  - Secure licensing fees
  - Supply core components from Japan
  - Retrench investments
- Develop value chain business on a global basis (optimize the process allocation)
  - Expand the active procurement of low-cost products & components

Orders received for emerging nations

(Billion yen)

China
Alliances with leading companies in China
- Power Systems: Dongfang Group, Hangzhou Steam Turbine
- Nuclear Energy: Harbin Group
- Machinery & Steel Structures: Baoshan Iron & Steel
- Air-Con: Haier Group

India
JVs with leading companies in India
- Power Systems: L&T (Boilers & steam turbines)

Manufacturing site
- Machinery & Steel Structures:
  Metals machinery, transfer systems, rubber tire machinery, compressors

Brazil
- Boiler Business - CBC
- Bullet trains in Brazil – Japanese consortium

Vietnam
Low-cost production
- Commercial aircraft: producing components for Boeing
- Ship diesel engines: technological transfer to Vietnam Shipbuilding Industry Corporation

Thailand
Low-cost manufacturing
- Turbochargers: move into the market with suppliers
- Air-conditioners: cell manufacturing system

Average 2007-2009

2014

760

1,100

140%
Strategy 2-(1): Reform in the Manufacturing Industry Value Chain

Production Systems Innovation Dept.

Marketing support system

Technical Headquarters

Open innovation

After-sales service

Modular design project

Prototype-less development

Service support sys.

R&D

Manufacturing

Procurement

Manufacturing worksite reform

Supply chain management reform

Production Systems Innovation Dept.

Marketing

Open innovation

R&D

Marketing support system
Strategy 2-(2): Value Chain Reform

Efficient allocation of management resources, departure from vertical integration and use of external resources

As Is

MHI

— MHI-Driven Business Development —

Sales > Development/Design > Procurement > Manufacture > Service > Operation

To Be

Investment (equity method affiliate)

MHI Group

Streamline the organization and clarify the responsibility of management (Machinery & Steel Structures/Metals Machinery, Environmental Equipment, Compressors, etc.)

Support the capital and sales force from other companies (Aerospace/MRJ), Receive support in mass production technology (Organic EL)

Establish as business company (existing business)

Establish as business company (new business)

MHI

Sales > Development/Design > Procurement > Manufacture > Service > Operation

Expanded business areas

Expanded service operating bases

Expanded manufacturing bases overseas

Joint research & development

- Restructuring of domestic group companies

- China/Fork Dalian factory
- Thailand/AC & refrigeration MACO
- US/Wind turbines plant in Arkansas

- Belgium/GTCC Maintenance Partners (buyout)

- Bulgaria/wind power generation business in Caliagra
- Oman/Fertilizer plant business

- France/Medium-sized reactor development with Areva
- US/Advanced aircraft engine development with P&W

Partnership with other companies

- Open innovation/use of external research institutions & universities

- Use of local suppliers by overseas joint ventures

- Thailand/GTCC with Electricity Generating Authority of Thailand [EGAT] (JV)

- Bulgaria/wind power generation business in Caliagra
- Oman/Fertilizer plant business

Partnership with other companies

- Collaboration with domestic customers in overseas projects (nuclear power & transportation)
Strategy 3: Establish A System that Allows Us to Exercise Comprehensive Strengths

Establish a flexible and agile management system

Clarify the structure and responsibility (Business headquarters system, Decentralization)

Focus more on the customer perspectives

Enhance functions to promote global business

Enhance functions to promote solution businesses

Enhance corporate strategy functions/Integrate business support functions

Enhance and expand functions to transform business processes

Enhance and expand quality management functions (safety/high quality)
Strategy 3: Establish A System that Allows Us to Exercise Comprehensive Strengths

<Decentralization of Machinery & Steel Structures Headquarters>

① Refined focus (withdrawing from and transferring businesses)
② Growth businesses are operated using micromanagement
   - Building highly agile organizations capable of competing with dedicated manufacturers
   - Increase customers’ confidence with top sales forces who are expert in respective businesses

- Complete decentralization of the Machinery & Steel Structures Headquarters
- Horizontally transfer best practices to other businesses
Strategy 4: Introduce the Management Indicators to Increased Corporate Value

- Introduce ROE as a business management indicator and set target values
  - FY2009: 1.1%
  - FY2012: 5%
  - FY2014: 8%

- Introduce ROIC as a business-specific or product-specific management indicator to achieve the target values of the company-wide ROE
Strategy 4: Introduce Management Indicators to Increased Corporate Value

For sustainable growth

Pursuit of investment efficiency:
FY2014 ROE 8%

Appropriate returns to shareholders
And effective use of shareholders’ equity:
Dividend ¥10/year by FY2014

Reinforcement of the financial strength
D/E ratio 0.8 by FY2014
Strategy 5: Enhance Human Resources / Enhance the Intellectual Property (IP) Strategies

Enhancing Human Resources for Globalization and Process Innovation

- Training global managers of MHI Group
- Introducing job rotation-based career path
- Educating employees for global business
- Implementing educational program for affiliate companies

Enhance IP Strategies in Terms of Both “Defense” and “Offense”
- Protect the business with patents and survive the global competition -

- Proactively apply primarily to products with higher IP risks in a planned manner
  - Set up a new IP enhancement team for each area of technology
  - Promote application campaigns across the company
  - Enhance company wide education for IP
- Securing loyalty by licensing
7. Promoting CSR Activities

As A Manufacturing Company, Engage in CSR Activities through Global Manufacturing Activities

Promote CSR activities through manufacturing

- Provide superior technologies & products to contribute to the “Future of the earth and humankind”
  - Contribute to solve the global-scale problems (global warming, depletion of energy resources, shortage of water resources) by providing the technologies and products of a wide array of MHI Group companies

- Minimizing the environmental burden from production activities

- Appropriately distribute the generated profits to stakeholders

Reforming the corporate culture through CSR activities

- Promote the CSR awareness
  - Promote and deepen awareness through activities based on the CSR action guidelines.

- Producing Open Minded Atmosphere for Free Discussion and Continuous Improvement
  - “President Town Meeting”: President visits offices and factories.
  - “Forum 35”: Selected Employees in their mid-30ies gather, discuss and propose ideas to improve corporate culture openly.
  - “Nursery School”: Nagasaki Shipyard and Machinery Works open a nursery school for children of the employees.
Supplementary Information
• Targets by Segment
  (Orders, Net sales, Operating income)
• Expand the Solution Business
1. Orders Targets by Segment (Consolidated)

(In billion yen)


- Shipbuilding & Ocean Development
  - 2010: 230.0
  - 2014: 1,920.0

- Power Systems
  - 2010: 810.0
  - 2014: 1,230.0

- Machinery & Steel Structures
  - 2010: 590.0
  - 2014: 1,680.0

- Aerospace
  - 2010: 520.0
  - 2014: 2,476.2

- GM & SV
  - 2010: 240.0
  - 2014: 4,400.0

- Air-Con
  - 2010: 160.0
  - 2014: 1,920.0

- Machine Tool
  - 2010: 200.0
  - 2014: 3,100.0

- Other
  - 2010: 150.0
  - 2014: 3,800.0

Note: From FY2010 onward, segment classification has changed with the application of the Financial Accounting Standard for Segment Information Disclosure and the organizational restructuring of MHI. FY2009 results shown in the above table have been reclassified based on the new segment classification.
1. Sales and Income Targets by Segment (Consolidated)

**Net Sales** (In billion yen)

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<tbody>
<tr>
<td>Shipbuilding &amp; Ocean Development</td>
<td>2,940.8</td>
<td>2,850.0</td>
<td>3,400.0</td>
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<td>500.2</td>
<td>460.0</td>
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<td>650.0</td>
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<tr>
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<td>286.8</td>
<td>310.0</td>
<td>450.0</td>
<td>520.0</td>
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<tr>
<td>Air-Con</td>
<td>127.4</td>
<td>140.0</td>
<td>200.0</td>
<td>240.0</td>
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<td>Machine Tool &amp; Other</td>
<td>46.8</td>
<td>55.0</td>
<td>70.0</td>
<td>82.6</td>
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</table>

**Operating income** (In billion yen)

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<tr>
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<td>23.2</td>
<td>15.0</td>
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<tr>
<td>Machine Tool &amp; Other</td>
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<td>6.0</td>
<td>6.0</td>
<td>6.4</td>
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</table>
2. Expand the Solution Business
-Synergy (1)

High-end Products

Energy and Environment

Power Systems
[Coal gasification]

Machinery & Steel Structures
[CO2 recovery • storage]

Integration

IGCC plant + CO2 recovery/storage facility

Order received from ZeroGen, Australia (June, 2009)

Coal

Thermal power plant

Gasification

Power generation

CO2 separation/recovery

CO2 Storage (Ocean and deep underground)

Integrated coal gasification combined cycle power plant

250MW
2. Expand the Solution Business -Synergy (2)

Energy and Environment

High-end Products

Energy-self-sufficient smart community

- Offshore wind turbines
- Wind turbine
- Power storage
- Heat pump
- Smart control center
- Next gen. LRT
- PV Cells
- Hydroelectric
- Eco-house
- EV related business

Battery station
- Alternative fuels
- Natural gas
- Denox
- Desox
- Geo thermal
- Fuels
- Energy transformation
- Environmental measures
- Nuclear reactors
- Wind turbines
- Gas turbines
- Coal
- IGCC
- Enhanced Oil Recovery
- Fertilizer plant
- Enhanced Oil Recovery
- HEV/EV for industrial use
- Hybrid forklift trucks
- Electricity
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2. Expand the Solution Business
-Synergy (3)