2015 Medium-Term Business Plan (FY2015-FY2017)

May 8, 2015
Mitsubishi Heavy Industries, Ltd.
Shunichi Miyanaga, President and CEO
# Table of Contents

I. Review of 2012 Medium-Term Business Plan  -  3

II. 2015 Medium-Term Business Plan  -  7
   1. Plan Configuration and Our Corporate Aspiration  -  8
   2. Key Initiatives  -  10
   3. Management Numerical Targets  -  11
   4. Approach to Management Numerical Targets  -  12
   5. Measures based on Key Initiatives  -  14
   6. Main Schedule 2015  -  29
   7. Overall Image of 2015 Medium-Term Business Plan and Subsequent Plan  -  30

## Supplementary Materials

1. Management Numerical Targets by Domain  -  32
2. Resource Plans  -  33
3. Business Restructuring and PMI Status  -  34
5. MHI’s External Rankings  -  36
I. Review of 2012 Medium-Term Business Plan
Review of 2012 Medium-Term Business Plan (1)
Overall Level of Achievement

Numerical targets were nearly all achieved and reforms including cruise ship business revival were steadily carried out. As a result, preparations were completed to transition to a proactively aggressive phase for expanding on global scale.

<table>
<thead>
<tr>
<th>FY2014 Numerical Targets</th>
<th>Level of Achievement</th>
<th>Contributing Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business scale*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target 3.85 trillion yen</td>
<td>Actual 4.35 trillion yen</td>
<td>113%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Acceleration of global expansion through M&amp;A’s</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Launch of business domain system</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(focus on companywide merits and growth areas)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Impact of yen depreciation</td>
</tr>
<tr>
<td>Operating income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target 250.0 billion yen</td>
<td>Actual 296.1 billion yen</td>
<td>118%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Introduction of SBUs and strategic business evaluation system</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cost reductions from corporate and business structure reforms</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Impact of yen depreciation</td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target 130.0 billion yen</td>
<td>Actual 110.4 billion yen</td>
<td>85%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Implementation of measures to revive cruise ship business</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(profit/loss factoring completed in FY2014)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Further strengthening of risk response capability</td>
</tr>
</tbody>
</table>

*Orders received / Net sales averages

SBU: strategic business unit

© 2015 MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved.
## Review of 2012 Medium-Term Business Plan (2)
Numerical Results by Fiscal Year

<table>
<thead>
<tr>
<th></th>
<th>FY2012 Actual</th>
<th>FY2013 Actual</th>
<th>FY2014 Actual</th>
<th>FY2014 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expansion of business scale</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orders received (Overseas sales ratio)</td>
<td>3,032.2 (50%)</td>
<td>3,420.0 (51%)</td>
<td>4,699.1 (54%)</td>
<td>4,000.0 (64%)</td>
</tr>
<tr>
<td>Net Sales</td>
<td>2,817.8</td>
<td>3,349.5</td>
<td>3,992.1</td>
<td>3,700.0</td>
</tr>
<tr>
<td><strong>Strengthening of risk response capability</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Income (Ordinary income)</td>
<td>163.5 (149.0)</td>
<td>206.1 (183.1)</td>
<td>296.1 (274.7)</td>
<td>250.0 (210.0)</td>
</tr>
<tr>
<td>Net income</td>
<td>97.3</td>
<td>160.4</td>
<td>110.4</td>
<td>130.0</td>
</tr>
<tr>
<td>ROE</td>
<td>7.4%</td>
<td>11.0%</td>
<td>6.5%</td>
<td>8.9%</td>
</tr>
<tr>
<td><strong>Improvement of financial soundness</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FCF</td>
<td>211.6</td>
<td>144.6</td>
<td>38.6</td>
<td>200.0</td>
</tr>
<tr>
<td>Debt/Equity ratio</td>
<td>0.72</td>
<td>0.54</td>
<td>0.46</td>
<td>0.7</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>35.0%</td>
<td>31.6%</td>
<td>32.3%</td>
<td>36.6%</td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>1,031.2</td>
<td>957.4</td>
<td>975.5</td>
<td>1,000.0</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>8 yen</td>
<td>8 yen</td>
<td>11 yen</td>
<td>10 yen</td>
</tr>
<tr>
<td><strong>Foreign exchange rates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100.1 yen/$</td>
<td>132.6 yen/€</td>
<td>138.0 yen/€</td>
<td>110 yen/€</td>
<td></td>
</tr>
</tbody>
</table>

© 2015 MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved.
Review of 2012 Medium-Term Business Plan (3)
Strategy Implementation Results

Target 1: Expand Business Scale

Strategy 1: Consolidate and restructure (into four domains) to realize strengths and synergies
- Positive impact achieved from pooling/exchanging human resources and from consolidation, efficiency enhancement, etc. of shared business operations
- Currently pursuing further synergies, including inter domain operation

Strategy 2: Accelerate global expansion
- Promoted M&A’s and alliances (MHPS, Primetals, Nichiyu, PWPS, etc.)
- Commenced global platform development

Strategy 5: Continue innovations in corporate governance and business execution
- Chief officers system was launched.
- Transition took place to new corporate governance system.
  (Number of directors was reduced, and ratio of external directors was increased to 25%.)

Target 2: Improve Capital Efficiency and Net Income Level

Strategy 3: Manage business portfolio based on strategic evaluations
- Evaluation system is now operating steadily, enabling cashflow creation (approx. 400 billion yen).

Strategy 4: Institute corporate reforms and efficiency improvements (Optimize shared resources)
- Corporate functions were consolidated at the Head Office.
- Restructuring of Accounting Division and Finance Department was completed.
- Outsourcing was accelerated.

Strategy Implementation Results:
- Strategy 1: Positive impact achieved from pooling/exchanging human resources and from consolidation, efficiency enhancement, etc. of shared business operations.
- Currently pursuing further synergies, including inter domain operation.
- Evaluation system is now operating steadily, enabling cashflow creation (approx. 400 billion yen).
- Promoted M&A’s and alliances (MHPS, Primetals, Nichiyu, PWPS, etc.)
- Commenced global platform development.
- Corporate functions were consolidated at the Head Office.
- Restructuring of Accounting Division and Finance Department was completed.
- Outsourcing was accelerated.
- Chief officers system was launched.
- Transition took place to new corporate governance system.
  (Number of directors was reduced, and ratio of external directors was increased to 25%.)
II. 2015 Medium-Term Business Plan
Plan Configuration and Our Corporate Aspiration

**2015 Medium-Term Business Plan**

**Key Initiatives** (p.10)

**Numerical targets** (p.11)

**Measures (p.14)**

Mainly for expanding into markets, etc.

**Our Corporate Aspiration (p.9)**

- Amid the push for globalization, increasing importance of clearly indicating long-range targeted directions and targets, and acquiring their understanding by all stakeholders
- Importance of maintaining integrity of Medium-Term Business Plan, business strategies and basic areas of judgment
- Growth of mega competitors and fast changes from M&A’s, etc.
- Rapid advances in IoT, AI, etc.
- Slowdown in growth of global economy in the medium term
  - Risk of stagnation in emerging economies from cheaper oil and other natural resources; increasing complexity of geopolitical situation

**2012 Medium-Term Business Plan**

- Companywide optimization in use of management resources
- Strengthening of global competition

**Continuation and Acceleration Measures**

- Further strengthening of risk response capability
- Reforms of corporate governance system (to 2nd phase)

IoT: Internet of Things  AI: artificial intelligence
Our Corporate Aspiration

A global group with the vision to mold an innovative and agile organization that leverages our dedication to technological advancement and engineering excellence in order to deliver solid growth amid constant changes and make a lasting difference in the communities we serve.

Concrete objectives

(1) Greater market share: World-class level of customer satisfaction coming from synergies with third-party expertise on top of ours and a focus in segments* where we are able to enjoy competitive advantage**

* Machinery/equipment, plants, transportation/transport systems
** Price competitiveness, innovative and reliable technologies, and quality lifecycle services

(2) Enhanced global reputation: Higher rating and increased brand value*

* Business scale, value creation, financial strength, corporate governance, and code of conduct

© 2015 MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved.
Key Initiatives

1. Expand business scale: Enhance global competitiveness through accelerated expansion to achieve scale exceeding 5 trillion yen ASAP

2. Strengthen finances and profitability: Further bolster financial strength and pursue high profitability; increase both owners’ equity and ROE

   **Financial strength targets**
   - Equity buffer greater than 250 billion yen
   - Borrowing capacity above 600 billion yen
   - Earning S&P “A” rating

   **Profitability targets**
   - ROE above 10%
   - EBITDA margin above 12%

3. Evolve global group structure: Promote global-standard corporate governance and management processes

   - Enhanced transparency and focus on both global-standard management and Japanese organizational harmony
     - Capital policy clarification
     - Transition to a committee-based governance structure

ROE: return on equity  EBITDA: earnings before interest, taxes, depreciation and amortization
## Management Numerical Targets

<table>
<thead>
<tr>
<th></th>
<th>2012 Business plan</th>
<th>2015 Medium-Term Business Plan</th>
<th>Change (B-A)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY2014 Actual (A)</td>
<td>FY2015 Forecast</td>
<td>FY2016 Target</td>
</tr>
<tr>
<td>Orders received</td>
<td>4,699.1 (54%)</td>
<td>4,700.0 (62%)</td>
<td>5,100.0 (63%)</td>
</tr>
<tr>
<td>(overseas sales ratio)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>3,992.1</td>
<td>4,200.0</td>
<td>4,600.0</td>
</tr>
<tr>
<td>Operating income</td>
<td>296.1</td>
<td>320.0</td>
<td>380.0</td>
</tr>
<tr>
<td>(Ordinary income)</td>
<td>(274.7)</td>
<td>(300.0)</td>
<td>(360.0)</td>
</tr>
<tr>
<td>Net income</td>
<td>110.4</td>
<td>130.0</td>
<td>160.0</td>
</tr>
<tr>
<td>ROE</td>
<td>6.5%</td>
<td>7.1%</td>
<td>8%</td>
</tr>
<tr>
<td>FCF</td>
<td>38.6</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Debt/equity ratio</td>
<td>0.46</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>32.3%</td>
<td>33%</td>
<td>34%</td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>975.5</td>
<td>900.0</td>
<td>900.0</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>11 yen</td>
<td>12 yen</td>
<td>dividend payout ratio 30%±5%</td>
</tr>
<tr>
<td>Foreign exchange rates</td>
<td>109.4 yen/$</td>
<td>115 yen/$</td>
<td>110 yen/$</td>
</tr>
<tr>
<td></td>
<td>138.0 yen/€</td>
<td>130 yen/€</td>
<td>130 yen/€</td>
</tr>
</tbody>
</table>

### M&A/PMI
- **Orders**
  - MHPS: +280.0
  - Primetals: +250.0
  - Others: +120.0
- **Sales**
  - MHPS: +340.0
  - Primetals: +200.0
  - Others: +80.0

### Organic Growth
- **Commercial Aviation & Transportation Systems**: -100.0 +170.0
- **Machinery, Equipment & Infrastructure**: +230.0 +250.0

© 2015 MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved.
**Approach to Management Numerical Targets (1): Operating Income and Investment Capital**

- Net sales growth ×
  - Gross profit improvement
- Further suppression of overhead

**Key Points**
- **Operating Income**
  - 296.1 billion yen (FY2014, actual)
  - Growth rate 52%

- **Net Sales**
  - 3992.1 billion yen (FY2014, actual)
  - Growth rate 25%

- **Return on Invested Capital**
  - ROE 6.5%
  - Increase rate 10%

- **international Rating**
  - AA to A+

- **Equity**
  - Reform 19%
  - New 11%
  - Common 18%

- **Debt**
  - Reform 19%
  - New 16%
  - Common 13%

**Strategies**
- Growth investment through increased equity
- Acceleration of improvements and decisions
- Further suppression of overhead
- Use of external strengths, etc.
- Thorough scrutiny, etc.

**Targets**
- FY2014 (actual)
- 2015 Business Plan
- FY2017 Targets
Approach to Management Numerical Targets (2): Further Improvement Measures

**Improvement measures**

- Cost improvements by MRJ division (P.22-23)
- Expanded synergies from large-scale JVs
- Optimize shared costs
  - Achieve global platform efficiency
  - Pursue cross-domain synergies
- Minimize risk via Risk Solution Department

**Policy on Return of Improved Profits**

<table>
<thead>
<tr>
<th>Improvement</th>
<th>MRJ</th>
<th>Additional Cost Improvements</th>
<th>Risk measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution of dividends, etc.</td>
<td>-</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Investment into future businesses</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Strengthening of owners’ equity</td>
<td>○</td>
<td>○</td>
<td>-</td>
</tr>
</tbody>
</table>

**Operating income**

FY2014: 296.1 billion yen
FY2017: 450.0 billion yen

**Net profit**

FY2014: 110.4 billion yen
FY2017: 200.0 billion yen

**ROE**

- Target: 6.5%
- Additional: above 10%

**Dividends**

- Amount: 11 yen
- Payout ratio: 30% ± 5%
Measures based on Key Initiatives

**Key Initiatives**

- Expand business scale (to over 5 trillion yen)
- Strengthen finances and profitability
- Evolve global group structure

**Business areas**

1. **Measure 1**: Promote domain-based targets with clear aims, and strategies for their achievement
2. **Measure 2**: Strategically reconfigure the product mix
3. **Measure 3**: Strengthen relatively superior products and technologies
4. **Measure 4**: Reform and create new businesses and business models for the next generation
5. **Measure 5**: Strengthen the technology base and innovate
6. **Measure 6**: Develop more advanced business processes and strengthen human resources
7. **Measure 7**: Reform the corporate governance system

**Shared base**: global platform

---

© 2015 MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved.
### Promote domain-based targets with clear aims, and strategies for their achievement

<table>
<thead>
<tr>
<th>Domain</th>
<th>Main measures and fluctuating factors</th>
<th>FY2014</th>
<th>FY2017</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;</td>
<td>• Expansion of Boeing-related business</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Transportation Systems</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</td>
<td>• Demand to hold steady through FY2017; preparations for expansion of business in equipment, etc.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Systems</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>

**Orders**
- **Orders received**
  - FY2014: 4,699.1 billion yen
  - FY2017: 5,500.0 billion yen

**Net sales**
- **Net sales**
  - FY2014: 3,992.1 billion yen
  - FY2017: 5,000.0 billion yen

**Operating income**
- **Operating income**
  - FY2014: 296.1 billion yen
  - FY2017: 450.0 billion yen

MHPS: Mitsubishi Hitachi Power Systems, Ltd.
MRJ: Mitsubishi Regional Jet
Primetals: Primetals Technologies, Ltd.
<table>
<thead>
<tr>
<th>Business Domain</th>
<th>Strategies</th>
<th>Main Measures</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)                                                                                                                                     |

GT: gas turbine  
ICT: information and communication technology  
MRJ: Mitsubishi Regional Jet  
PMI: post merger integration
## Strategically Reconfigure the Product Mix

### 1. Objective
To create a product mix that will ensure sustained growth based simultaneously on business scale and profitability.

### 2. Near-term initiatives (during 2015 Medium-Term Business Plan)
- Enlargement of SBU scale (scale merits, global growth)
- Broad changes in positioning via financial / business evaluations
- Swift carve-out of Downscale/Withdraw SBUs

### 3. Transition of SBUs by position

<table>
<thead>
<tr>
<th>Position</th>
<th>FY2011 (approx.)</th>
<th>Diagnosis period</th>
<th>FY2015 (approx.)</th>
<th>Future directions</th>
<th>Future (approx.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grow/Maintain</td>
<td>36 (50.0)</td>
<td>33 (60.0)</td>
<td>25 (50.0)</td>
<td>20 (140.0)</td>
<td>20-25 (180.0)</td>
</tr>
<tr>
<td>Reform</td>
<td>18 (50.0)</td>
<td>14 (55.0)</td>
<td>12 (50.0)</td>
<td>15 (85.0)</td>
<td>5-10 (100.0)</td>
</tr>
<tr>
<td>Downscale/Withdraw</td>
<td>5 (10.0)</td>
<td>6 (20.0)</td>
<td>7 (50.0)</td>
<td>7 (35.0)</td>
<td>5 (100.0)</td>
</tr>
<tr>
<td>New</td>
<td>5 (15.0)</td>
<td>5 (15.0)</td>
<td>7 (50.0)</td>
<td>6 (3.0)</td>
<td>5 (50.0)</td>
</tr>
<tr>
<td>Total</td>
<td>64 (45.0)</td>
<td>58 (50.0)</td>
<td>51 (50.0)</td>
<td>48 (90.0)</td>
<td>35-40 (140.0)</td>
</tr>
</tbody>
</table>

SBU: strategic business unit  
PMI: post merger integration

Established SBUs; launched operation of strategic business evaluation system

Upper row ( ) : number of SBUs  
Lower row ( ) : average net sales by SBU (billion yen)
Measure 3

Strengthen relatively superior products and technologies

1. Focus management resources into globally competitive products
   • Further strengthen gas turbine business (page 19)
   • Strengthen global niche products (page 21)

2. Differentiate engineering strength and expand its fields of application

   Differentiation
   • Strengthen quality and volume of EPC response capability
     - Accelerate measures to strengthen human resources, including external strengths
     - Strengthen risk response capability

   Expansion of fields of application
   • Expand applications in cruise ship and transportation systems businesses
   • Consider companywide horizontally based organization (Engineering Headquarter)

EPC: Engineering, Procurement and Construction
Further strengthening of gas turbine business

1. Development of world’s most efficient gas turbines
   - Demonstration facility of world-class size
     - Constructed targeting continuous verification of next-generation gas turbine technologies and reliability enhancement
   - History of development at Demonstration facility
     - 1997: 1,500°C-class G-series gas turbines
     - 2010: 1,600°C-class J-series gas turbines
     - 2020: 1,650°C-class next-generation gas turbines

2. Strengthening of small/medium gas turbine business
   - Improve performance of small/medium GTs by flow-down of large-scale GT technologies
   - Expansion of production lines (to 3, from current 2)
     - Response to market expansion in emerging economies, etc.
     - Expand sales of H-100 to applications in LNG market

GT: gas turbine  LNG: liquefied natural gas
### Achieved synergies

- Configuration of merged product lineup (engine-powered and electric models)
- Optimization of production / procurements systems
- Strengthened boiler business with incorporation of Babcock-Hitachi (Oct. 2014)
- Completed a full lineup of gas turbines (small to large-scale)
- Received an order to design the world’s most advanced IGCC system (Fukushima recovery)

### Future synergies

- Exchange of human resources, optimization of bases
- Development of locally focused products
- Distribution solutions business
- Improvement of small/medium-scale gas turbine performance by applying large-scale model technologies
- Establishment of domestic and overseas manufacturing bases
- Expanded coverage of servicing markets
- Re-organization of domestic and overseas manufacturing bases
- Reduction of procurement and development costs
- Increase in EPC work

---

The above three joint ventures plus PWPS (USA) boosted consolidated net sales by 700 billion yen (see p.34).

<table>
<thead>
<tr>
<th>Machinery, Equipment &amp; Infrastructure</th>
<th>Energy &amp; Environment</th>
<th>Machinery, Equipment &amp; Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mitsubishi Nichiyu Forklift Co. Forklift trucks JV</td>
<td>MHPS Thermal power systems JV</td>
<td>Primetals Metals machinery JV</td>
</tr>
<tr>
<td>Sales scale</td>
<td>Approx. 250 billion yen</td>
<td>Approx. 1.2 trillion yen</td>
</tr>
<tr>
<td>Personnel</td>
<td>Approx. 6,000</td>
<td>Approx. 21,000</td>
</tr>
</tbody>
</table>

PMI: post merger integration  
MHPS: Mitsubishi Hitachi Power Systems, Ltd.  
Primetals: Primetals Technologies, Ltd  
GT: gas turbine  
IGCC: integrated coal gasification combined cycle  
EPC: engineering, procurement and construction  
PWPS: Pratt & Whitney Power Systems
Strengthen relatively superior products and technologies

Strengthen global niche products

**Compressors**
- Expand oil & gas business through enhancement of product lineup
- Expand overseas after-sale servicing business through tieups, etc.

**Turbochargers**
- Acquire top market share in turbochargers for passenger cars (develop business in growing markets such as China and the U.S.)
- Enter the medium/large-scale commercial vehicles market through development of new products

**Commercial airplane products**
- Improve efficiency through production innovations
  - Introduce and strengthen automated facilities for Boeing 787 composite lamination equipment, etc.
  - Promote automated assembly of Boeing 777X parts by robot

**Transportation system products (AGT railway cars, brakes)**
- Launch market in new transportation systems simultaneously achieving high-speed performance and reduced lifecycle costs
- Expand parts business through global expansion in rolling stock brakes

AGT: automated guideway transit
1. Overview of current status

- The development period has been longer than assumed, but a clear schedule has now been set for the first flight through the first delivery.
- Establishment of MRJ Division (April 2015)
  - Volume production system and cost reductions from stronger SCM
  - Increased value of services through customer support, etc.

2. Development schedule

- Sep-Oct 2015
  - Maiden flight
    (to be followed by flight testing in Japan and the US)
- Apr-Jun 2017
  - First delivery

3. Shift to volume production system

(Starting early 2016)

- Kobe Shipyards & Machinery Works
  - Integrated production of main wing parts
- Nagoya Airport
  - Flight testing
  - Delivery
- Kitakyushu Airport
  - Flight testing of volume-produced aircraft
- Matsusaka Plant
  - Industrial cluster for small parts manufacture
  - Tail wing assembly
- Tobishima Plant
  - Main wings and fuselage assembly
- Komaki Minami Plant
  - Final assembly
- Mitsubishi Heavy Industries Aero Engines, Ltd.
  - Engine final assembly
- Oye Plant
  - Sheet metal fabrication and machining of medium/large parts

4. Preparation of customer support system

- Maintenance/operation manuals
- Technical support
- IT systems
- Training
- Spare parts
- Aircraft maintenance

MRJ: Mitsubishi Regional Jet
SCM: supply chain management
Reform and create new businesses and business models for the next generation

Carry forward the MRJ project (2)

- All capital investment is covered by cash flow after delivery of 1st unit
- Investment capital and impact on bottom line already factored into 2015 Business Plan (focus on improving both selling price and cost aspects)
1. Reasons

- Demand will expand over the long term in tandem with global population increase and economic growth.
- Business is growable through cross-domain collaboration.
- Oil & gas is a field in which a business model can be created suited to MHI.

2. Near-term initiatives

- Promotion of cross-domain activities through establishment of Oil & Gas Business Development Department (April 2015)
  - One-stop service depot enabling swift response to diverse customer needs
  - Provision of integrated solutions, etc. fusing multiple product technologies
  - Development of new models for collaborating with other companies, and expansion of new business areas
Reform and create new businesses and business models for the next generation

Strengthen new businesses in Integrated Defense & Space Systems domain
- Break out of traditional framework and expand business scale -

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

Growth strategy #2
Expand consumer demand leveraging state-of-the-art technologies cultivated in Integrated Defense & Space Systems business

Growth strategy #3
Expand domestic defense-related orders through land/sea/air synergies

SM-3: Standard Missile-3
Strengthen the technology base and innovate

**Strengthen technology base**
( Focus on relative superiority in global markets)

**CTO**

**Intellectual property strategies**

**Marketing & Information**
- Market research, technology trend analysis
- Regional trend research and analysis
- Research and analysis of customer and business trends

**Technology & Innovation Headquarters**
- Restructure research centers
- Expand global R&D bases
- Expand open innovation

**Manufacturing Headquarters**
- Realize optimum production through use of IoT
- Achieve advanced factory operation

**ICT Solution Headquarters**
- Formation of global ICT base
- Strengthening of global security

**COE enhancement**

**Human resources development**

**Technology and marketing platforms**
- Design information
- Production information
- Marketing information
- Market information
- State-of-the-art information (technologies, markets)

**COE**
Center Of Excellence

Develop more advanced business processes and strengthen human resources

More advanced business processes

Management strengthening and enhancement

Risk management

Asset management

Finance

Procurement

Wages, expenses, etc.

<Standardization/consolidation + use of external strengths>

Key business and human resource platforms

Talent management

Education

Hiring

Diversity response

Strengthening of human resources

CEO: Chief Executive Officer
CFO: Chief Financial Officer
CTO: Chief Technology Officer
GC: General Counsel
HR: human resource
Reform the corporate governance system

Establish corporate governance appropriate to a global enterprise

1. Transition to a company with a committee of auditors, etc.

Main purposes and reasons
- Response to shareholders’ (investors’) need for an easy-to-understand corporate governance system
- Enhancement and strengthening of audit functions of Board of Directors, primarily through external directors
- Increased speed in decision-making and execution by entrusting these duties from the Board of Directors to Business Execution Directors

System diagram

2. Strengthening of execution aspects

Enhancement of chief officer system
- Clarification of functions of CFO, CTO, etc.
- Study of officer education programs; early implementation

Establishment of management advisory committee
- Advice for continuing management innovations
- Discussion of fields most in need of external knowledge

Advancement of globalization
- Transition to regional base conference venues, by domain, in various countries (FY2014 China; FY2015 Singapore)
- Transition to business management officers from multiple nations (promotion of exchanges)

Number of Directors after June 2015
General Shareholders Meeting (tentative)

<table>
<thead>
<tr>
<th>Directors</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>External</td>
</tr>
<tr>
<td>Committee of Auditors, etc.</td>
<td>3 (3)</td>
</tr>
<tr>
<td>Other</td>
<td>2 (3)</td>
</tr>
<tr>
<td>Total</td>
<td>5 (6)</td>
</tr>
</tbody>
</table>

( ): number of auditors and directors in FY2014

CEO: Chief Executive Officer
CFO: Chief Financial Officer
CTO: Chief Technology Officer
HR: Executive in charge of human resources
GC: General Counsel
### Main Schedule

<table>
<thead>
<tr>
<th>Business Plan</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>Beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>▼ Explanation of 2015 Business Plan</td>
<td>1Q</td>
<td>2Q</td>
<td>3Q</td>
<td>4Q</td>
</tr>
<tr>
<td>(★: Quarterly results announcement)</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td>★</td>
</tr>
</tbody>
</table>

- **MRJ**
  - Maiden flight
  - Flight testing
  - ▼ Delivery of 1st unit: Apr.-Jan.

- **Commercial ship reforms**
  - Preparation of volume production system & customer service system
  - From development stage to business stage

- **Cruise ships**
  - ▼ Delivery of 1st ship: September

- **GT development**
  - Establishment of Engineering Headquarters

- **MHPS**
  - Pursuit of synergies
  - Optimization of sales & servicing structures, production/SCM structures

- **Primetals**
  - Restructuring of Machinery, Equipment & Infrastructure domain including M&A’s
  - (Further M&A’s and metabolism)

- **Transition to Committee of Auditors, etc.**
  - Management Advisory Committee

- **Promotion of globally optimized financial / accounting system**

- **Effective assets utilization**
  - Including asset management, restructuring of domestic/overseas bases

- **Note:** For global platform, refer to page 35.
Leap to targeted corporate image (even higher numerical targets)

1) Business expansion in Commercial Aviation & Transportation Systems and Integrated Defense & Space Systems domains
2) Increased earnings in Energy & Environment and Machinery, Equipment & Infrastructure domains
3) Promotion of optimal asset management
4) Continuing business innovations and strengthening of risk response capability

Overall Image of 2015 Business Plan and Subsequent Plan

2015 Medium-Term Business Plan

- Expand business scale (to over 5 trillion yen)
- Strengthen finances and profitability
- Evolve global group structure

Subsequent Business Plan

- Promote optimal asset management
- Continue business innovations and strengthen risk response capability

FY2017 Targets + External Rating

- Business scale*: 5.25 trillion yen
- Operating income: 450 billion yen
- Net income: 200 billion yen
- ROE: above 10%
- Dividend payout ratio: 30% ± 5%
- International rating: A (S&P)

*: Average of orders received and net sales

Promotion of domain-based growth strategies

1) Energy & Environment
   - Base network building, strengthening of service network, increased earning power from enhanced product lineup

2) Commercial Aviation & Transportation Systems
   - MRJ development, near completion of commercial ship reforms, earning power base building

3) Integrated Defense & Space Systems
   - Preparations to develop new markets
   - Ascertainment of future growth potential

4) Machinery, Equipment & Infrastructure
   - Metabolism of growth-oriented businesses (niche products, M&A’s, etc.)

Preparation of shared platforms (higher efficiency and greater sophistication)

- More advanced business processes
- Asset management (system preparation)
- Strengthening of human resources
- Global platform

Enhanced corporate governance and stronger risk response capability
Supplementary Materials
## Management Numerical Targets by Domain

(in billion yen)

<table>
<thead>
<tr>
<th>Domain</th>
<th>Orders Received</th>
<th>Net Sales</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy &amp; Environment</td>
<td>1,923.6</td>
<td>2,000.0</td>
<td>2,200.0</td>
</tr>
<tr>
<td>Commercial Aviation &amp; Transportation Systems</td>
<td>999.2</td>
<td>700.0</td>
<td>750.0</td>
</tr>
<tr>
<td>Integrated Defense &amp; Space Systems</td>
<td>417.4</td>
<td>400.0</td>
<td>400.0</td>
</tr>
<tr>
<td>Machinery, Equipment &amp; Infrastructure</td>
<td>1,304.6</td>
<td>1,500.0</td>
<td>1,650.0</td>
</tr>
<tr>
<td>Others</td>
<td>190.8</td>
<td>200.0</td>
<td>200.0</td>
</tr>
<tr>
<td>Eliminations or Corporate</td>
<td>△ 136.7</td>
<td>△ 100.0</td>
<td>△ 100.0</td>
</tr>
<tr>
<td>Total</td>
<td>4,699.1</td>
<td>4,700.0</td>
<td>5,100.0</td>
</tr>
</tbody>
</table>
Resource Plans

**Employees**
- Maintain current scale

**Investment/lending**
- Focused investment into core businesses

**R&D**
- Focused investment into Grow/Maintain businesses

**Ratio of overseas employees (%)**
- FY2014: 34%
- FY2015: 34%
- FY2016: 35%
- FY2017: 35%

**Total employees (consolidated: 1,000)**
- FY2014: 81.8
- FY2015: 81.6
- FY2016: 81.7
- FY2017: 82.2

**Net sales per employee (million yen)**
- FY2014: 49
- FY2015: 51
- FY2016: 56
- FY2017: 61

**Business investment, etc.**
- 2012-2014 Total: 130.0 billion yen
- 2015-2017 Total: 490.0 billion yen

**Capital investment**
- 2012-2014 Total: 420.0 billion yen
- 2015-2017 Total: 490.0 billion yen

**Employees (consolidated: 1,000)**
- FY2014: 81.8
- FY2015: 81.6
- FY2016: 81.7
- FY2017: 82.2

**Investment/lending (billion yen)**
- 2012-2014 Total: 550.0 billion yen
- 2015-2017 Total: 630.0 billion yen

© 2015 MITSUBISHI HEAVY INDUSTRIES, LTD. All Rights Reserved.
<table>
<thead>
<tr>
<th>Company ( ■ :Overseas)</th>
<th>Product/Business</th>
<th>Agreement date</th>
<th>Net sales contribution (FY2014)</th>
<th>Other results, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acquisition</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Broach (USA)</td>
<td>Machine tools</td>
<td>Apr 2012</td>
<td>Approx. JPY 6bn</td>
<td>Business expansion and stabilization from lineup integration</td>
</tr>
<tr>
<td>PWPS(USA) , Turboden(Italy)</td>
<td>Gas turbines</td>
<td>Dec 2012</td>
<td>Approx. JPY 80bn</td>
<td>Business expansion from added lineup in small/medium GT</td>
</tr>
<tr>
<td>Daily Equipment (USA)</td>
<td>Forklift trucks</td>
<td>Jan 2012</td>
<td>Approx. JPY 4bn</td>
<td>Expansion of after-sale servicing business</td>
</tr>
<tr>
<td>Concast (India)</td>
<td>Metals machinery</td>
<td>Jun 2012</td>
<td>Approx. JPY 2bn</td>
<td>Strengthening of upstream product lineup</td>
</tr>
<tr>
<td>Toyo Engineering Works</td>
<td>Refrigeration systems</td>
<td>Jan 2014</td>
<td>Approx. JPY 20bn</td>
<td>Strengthening of engineering business</td>
</tr>
<tr>
<td>Nippon Yusoki</td>
<td>Forklift trucks</td>
<td>Nov 2012</td>
<td>Approx. JPY 80bn</td>
<td>Business expansion from achievement of full lineup</td>
</tr>
<tr>
<td>Hitachi</td>
<td>Thermal power generation systems</td>
<td>Nov 2012</td>
<td>Approx. JPY 400bn</td>
<td>Business expansion from full GT lineup (small to large), expansion of unique technologies (brown coal combustion, IGCC)</td>
</tr>
<tr>
<td>Siemens (Germany)</td>
<td>Metals machinery</td>
<td>May 2014</td>
<td>Approx. JPY 50bn</td>
<td>Business expansion from achievement of full lineup</td>
</tr>
<tr>
<td>IHI Metaltech</td>
<td>Metals machinery</td>
<td>Jul 2013</td>
<td>Approx. JPY 7bn</td>
<td>Strengthened lineups of aluminum rolling mills, etc.</td>
</tr>
<tr>
<td>Vestas (Denmark)</td>
<td>Wind turbines</td>
<td>Sep 2013</td>
<td>(equity-based)</td>
<td>Early achievement of strategic model (8MW) development and order receipt targets</td>
</tr>
<tr>
<td>Ryobi</td>
<td>Commercial printing machinery</td>
<td>Jun 2013</td>
<td>(equity-based)</td>
<td>Business strengthening from product lineup and production integration</td>
</tr>
<tr>
<td>Ecovix (Brazil)</td>
<td>Shipbuilding</td>
<td>Oct 2013</td>
<td>(equity-based)</td>
<td>Completion of Brazil’s first FPSO, with MHI support</td>
</tr>
<tr>
<td>Fuji Xerox</td>
<td>Document-related</td>
<td>Oct 2013</td>
<td>(equity-based)</td>
<td>Reductions in direct/indirect costs from standardization and effective document-related processes</td>
</tr>
<tr>
<td>Miyaji Engineering</td>
<td>Bridges</td>
<td>Nov 2014</td>
<td>(equity-based)</td>
<td>Scale merits, Market share increase</td>
</tr>
<tr>
<td><strong>JV</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MHI-led</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nippon Yusoki</td>
<td>Forklift trucks</td>
<td>Nov 2012</td>
<td>Approx. JPY 80bn</td>
<td></td>
</tr>
<tr>
<td>Hitachi</td>
<td>Thermal power generation systems</td>
<td>Nov 2012</td>
<td>Approx. JPY 400bn</td>
<td></td>
</tr>
<tr>
<td>Siemens (Germany)</td>
<td>Metals machinery</td>
<td>May 2014</td>
<td>Approx. JPY 50bn</td>
<td></td>
</tr>
<tr>
<td>IHI Metaltech</td>
<td>Metals machinery</td>
<td>Jul 2013</td>
<td>Approx. JPY 7bn</td>
<td></td>
</tr>
<tr>
<td>Vestas (Denmark)</td>
<td>Wind turbines</td>
<td>Sep 2013</td>
<td>(equity-based)</td>
<td></td>
</tr>
<tr>
<td>Ryobi</td>
<td>Commercial printing machinery</td>
<td>Jun 2013</td>
<td>(equity-based)</td>
<td></td>
</tr>
<tr>
<td>Ecovix (Brazil)</td>
<td>Shipbuilding</td>
<td>Oct 2013</td>
<td>(equity-based)</td>
<td></td>
</tr>
<tr>
<td>Fuji Xerox</td>
<td>Document-related</td>
<td>Oct 2013</td>
<td>(equity-based)</td>
<td></td>
</tr>
<tr>
<td>Miyaji Engineering</td>
<td>Bridges</td>
<td>Nov 2014</td>
<td>(equity-based)</td>
<td></td>
</tr>
<tr>
<td><strong>Partner-led</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transfer</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HIDROMEK (Turkey)</td>
<td>Motor graders</td>
<td>Nov 2013</td>
<td>-</td>
<td>Promotion of business concentration into core competence</td>
</tr>
<tr>
<td>Delta Electronics (Taiwan)</td>
<td>Lithium rechargeable batteries</td>
<td>Apr 2014</td>
<td>-</td>
<td>Promotion of business concentration into core competence</td>
</tr>
</tbody>
</table>

* Increased sales (total) Approx. JPY 650bn

* Sum booked to net sales for 3 months (approx.) after integration
### Progress in Preparation of Global Platforms

#### Until now

- **Technology platform**
  - Base preparation for global sharing and management of technology information (shared codes, security, etc.)

#### Business base platform

<table>
<thead>
<tr>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017～</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Technology platform</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Business base platform</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial/finance areas</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Personnel areas</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Procurement areas</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BPO, etc.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Operation & maintenance**

- **Compilation of integrated consolidated database**
- **Preparation of shared global IT infrastructure** (Operation to commence in FY2018)

**Going forward**

- **Operation & maintenance**
  - Operation & maintenance (preparation and implementation of global personnel system)
  - Operation & maintenance (promotion of cost reductions, etc. through strategic procurement activities)
  - Operation & maintenance, Area expansion

BPO: business process outsourcing
### MHI’s External Rankings

**Fortune Global 500 Rankings**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fortune Global 500</td>
<td></td>
<td>85</td>
<td>221</td>
<td>355</td>
<td>Net sales</td>
</tr>
<tr>
<td>Forbes Global 2000</td>
<td></td>
<td></td>
<td>474</td>
<td>337</td>
<td>Comprehensive evaluation of net sales, market capitalization, net income, net assets, etc.</td>
</tr>
<tr>
<td>Financial Times Global 500</td>
<td></td>
<td></td>
<td>493</td>
<td></td>
<td>Lower than 500*</td>
</tr>
</tbody>
</table>


### Fortune Global 500 Rankings

- **MHI**:排名第19
- **GE**:排名第3
- **Siemens**:排名第12
- **Boeing**:排名第7
- **Hitachi**:排名第19
- **Toshiba**:排名第19
- **Emerson**:排名第19
Our Technologies, Your Tomorrow