As President and CEO, I would like to report on the current status of our 2015 Medium-Term Business Plan.
To begin, I will explain the main points of our financial outlook for FY2015, the first year of the Medium-Term Business Plan.

Next, I will describe the current progress of the Medium-Term Business Plan, and explain the measures we are taking with regard to two areas of particular concern: our cruise ship business and the MRJ.

After that, I will explain the additional measures we are taking to reinforce the 2015 Medium-Term Business Plan, followed by a general summary.
Our outlook for FY2015, the first year of the 2015 Medium-Term Business Plan, remains essentially unchanged with respect to orders received and net sales.

Orders received are progressing smoothly. There is a possibility that some preliminarily negotiated orders for FY2015 may be booked later than originally anticipated – in FY2016 – because of their final start-up terms and other factors.

The net sales outlook has been slightly revised in reflection of changes in the timing when some product sales will be booked.

The operating income outlook has been revised downward by 20 billion yen. This owes to expenses incurred especially in conjunction with measures taken to repair glitches at the Himeji No.2 Power Station of The Kansai Electric Power Co., Inc.

The net income outlook has also been revised downward – by 40 billion yen, from 130 billion yen to 90 billion yen. The reduced outlook derives from a 60 billion yen gap in the projected level of income before income taxes.
Of that 60 billion yen gap, 30 billion yen is attributable to operating and non-operating income: the remaining 30 billion yen stems from an extraordinary net loss. In the latter instance, extraordinary gains of 50 billion yen from risk buffer and 8 billion yen from other factors were offset by extraordinary losses of 53 billion yen from the cruise ship business and 35 billion yen expended for structural reforms. As of the end of the third quarter, expenditures for business structural improvements amounted to 18 billion yen. In the fourth quarter we will continue to take maximum corrective measures, so outlays are projected to increase to 35 billion yen by the end of the fiscal year.

Originally, besides booking an extraordinary loss on structural reforms, we had expected to also book extraordinary gains this year. Now, we intend to take steps to maximize our extraordinary gains, not this year, but starting in FY2016.

The free cash flow outlook was revised downward by 50 billion yen, to minus-50 billion yen. This reflects greater-than-anticipated expansion of balance sheets. The ROE outlook was also lowered, by 2.1 points to 5%, in tandem with the downward revision in the net income outlook.
Here we see the Company’s net sales and operating income forecasts, broken down by business domain.

The operating income forecast for the Energy & Environment domain factors in all expenses conceivable as of now to deal with glitches at Kansai Electric Power’s Himeji No.2 Power Station, including expenses to cover similar-type equipment.
Next, I would like to explain our progress in carrying out the seven measures being taken in conjunction with the 2015 Medium-Term Business Plan.

Measure 1 – we are adding new reinforcement measures because of the need to focus further on the aspects of profitability and business scale. I will explain in detail later.

Measure 2 – strategically reconfigure the product mix – we are concentrating on core businesses and products according to plan. For details, please refer to the material provided on page 30.

Measures 3, 4 and 5 – now that various issues have become evident in terms of our technology base and so on, this April we will undertake organizational changes in order to swiftly implement measures to revamp and reinforce the organization under the CTO (Chief Technology Officer).

Measure 6 – develop more advanced business processes and strengthen human resources – is progressing steadily, but I believe further strengthening is necessary with respect to human resources.

Measure 7 – reform the corporate governance system – we are generally making steady progress in this area.
Next, I will discuss changes in our business environment.

Compared to the environment when we drew up our 2015 Medium-Term Business Plan between the winter of 2014 and spring 2015, overall our business environment is deteriorating. The economic slowdown in China is having a negative impact on the global economy, and U.S. financial policy, oil and other energy prices, and geopolitical risks in the Middle East are also taking a toll.

Our competitors are struggling too, but various measures are moving forward: Industry 4.0 and IoT, for example. Also, Chinese manufacturers are making moves into the global market, posing a growing threat to our business.

The MHI Group is not heavily dependent on the markets of China or the emerging economies – the economies now in slowdowns – but as the economic environment cools and competition becomes increasingly severe, it is urgent that we further strengthen our global response capabilities, technologies and cost competitiveness.

<table>
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<th>Changes in business environment</th>
<th>Competitive landscape</th>
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<td>• Impact of China’s economic slowdown on the global economy</td>
<td>• Siemens (Germany)</td>
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<td>• Shift in U.S. financial policy / higher interest rates; further declines in oil and other energy prices (cash outflow from emerging economies and overall decline in investments)</td>
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<td>• Expanded geopolitical risks in the Middle East</td>
<td>• GE</td>
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<td>• Formation of market blocs, unified rules, etc.</td>
<td>- Aggressive promotion of IoT</td>
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<td>• Involvement and entry of IT businesses, etc. into the manufacturing industry</td>
<td>- Sale of GE Capital (acceleration of R&amp;D and M&amp;A’s)</td>
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<td></td>
<td>- Streamlining of Alstom, etc.</td>
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<td>• Entry of Chinese manufacturers into global market</td>
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Although impact from slowing markets (China, emerging economies, energy-related markets, etc.) has been limited, the business environment is growing increasingly severe. Further strengthening of global response capabilities, technologies, and cost competitiveness are urgent issues.
Here, we explain factors of concern, according to year of impact.

Measures taken in recent years to address issues involving our cruise ship business were nearly completed in FY2015. In FY2016 we are scheduled to hand over the second of the two ships we have had on order.

Concerning arbitration in the case involving SONGS (San Onofre Nuclear Generating Station), there is a significant gap between the claims Southern California Edison is asking for and the amount MHI is offering, and we will continue to argue the justifiability of our claim. As of now, the result of the arbitration is expected sometime between the end of 2016 and the first half of 2017. Accordingly, we believe any impact that outcome might have would emerge in FY2016 or FY2017.

Concerning the MRJ (Mitsubishi Regional Jet), we are assuming the aircraft’s development will continue to be a burden on our earnings through around FY2021. Efforts will be taken, however, to improve the situation.

With regard to overseas nuclear energy projects, we are assuming the first project will be for Turkey. Overseas work will get under way in earnest starting in FY2021, and we aim to minimize related risks by taking a variety of measures in advance.
During the period covering the 2015 and 2018 Medium-Term Business Plans, while implementing the measures explained here concerning the MRJ’s development and strengthening of our business structure, we will increase our risk buffer and reinforce our financial foundation to permit further M&As.
The first factor of concern is our cruise ship business. Here, we explain what initiatives we are taking in this regard.

In FY2011, based on our previous track record in building cruise ships, we accepted an order for two ships assuming we would be able to handle the matter. But as work proceeded, we came to understand the difficulty involved in building the prototype ship. During its construction, we came to realize that we lacked sufficient knowledge and experience in the planning through design phases to realize the ships’ series concept.

Also, in the near 10-year interim since we had built our previous cruise ships, major changes had taken place in the technologies surrounding safety and entertainment needs. In hindsight we also came to understand that we had not adequately considered the quality and quantity of the manufacturing facilities and workers the needs would require.

In the early phase of construction, when only our own shipbuilding resources were relied on, insufficient pursuit of EPC operations and inadequate communication with the customer caused confusion, resulting in extreme delay in securing approval of the ships’ design.
Meanwhile, since arrangements to purchase items and materials moved forward, the business sections and corporate segments in the Company assumed that everything was proceeding favorably. In reality, however, progress was not being made. Rather, problems were growing in complexity and potential work delays expanded – with the full scope of the problem coming to the surface in the first half of FY2013.

Starting from the latter phase of construction, when a totally new approach was adopted, measures were taken to deal with the various issues: for example, staff were brought in from the engineering segment. Still, as the situation had become increasingly complicated, time was required to resolve the issues at hand. We received support from the client in the form of introducing European technicians, from which point the end has finally come in sight.
Next, we explain how work is progressing and how the cruise ship business is affecting our net income.

Our originally planned schedule is shown in the upper white block, and actual progress in the yellow block. As indicated, the basic design of the first ship wasn’t actually completed until the end of 2014. And delay in preparing the basic design of the first ship in the series was largely responsible for delays and confusion in procurement and interior work.

For the second ship, measures have been applied to alleviate the factors causing confusion, including review of the ship’s design and work procedures. We are now coordinating with the client, and we expect to complete the second ship in FY2016. The losses we expect to incur have already been factored in, but since the situation remains unpredictable, we will continue to take steps to keep our losses to a minimum.

Through FY2012 we believed that this project was progressing as we had assumed it would. But when we became aware of the various issues surrounding the project in FY2013, we decided to manage all losses separately, as extraordinary losses. To date, our cumulative loss from this project totals 187.2 billion yen.
Currently we are awaiting the first ship’s final inspection by the Italian Coast Guard, and once the ship passes inspection we plan to deliver it to the customer. As for the second ship, we are now planning the final outfitting work.
Here, we explain the essence of the problems surrounding cruise ship construction and the points we need to reflect on for the future.

At the business segment level, as a business strategy we put too much emphasis on building ships of high added value. In retrospect, we failed to recognize just how difficult it would be to build a prototype ship, and we mistakenly believed, based on our previous track record, that we could resolve any and all problems by ourselves.

At the Companywide management level, we lacked sufficient ability to verify the capability of the business segment to make proper judgments when a complex, large-scale order is received. Two related points require thorough self-reflection. In terms of manufacturing, we failed to fully confirm our capabilities with respect to equipment, personnel, logistics, etc. In terms of project execution, we failed to sufficiently monitor for early detection of any problems.
Here, we explain the major measures we are taking to prevent any recurrences.

Based on our underlying determination to always maintain a strong desire to grow, we have decided to establish a new “shared technology” framework. In doing so, we aim to apply the lessons learned in the process of building the latest cruise ships to strengthen the overall technological and engineering capabilities of the MHI Group to handle complex, large-scale projects.

We also intend to form a new risk management structure overseen directly by the CEO.

In the case of conventional projects involving potential compliance risk, etc., the officer in charge is fully capable of handling such situations. But for the extremely difficult projects that a conglomerate like the MHI Group must handle, we decided to put these under the direct oversight of the CEO.

The new stance will strengthen our ability, Companywide, to verify new or resumed business undertakings, and will also strengthen our Companywide structure of cooperation for supporting project execution and resolving any problems.
Specifically, we aim to strengthen our program management capability, establish a new business risk oversight department, and create a shared technology framework.

This completes our discussion of the problems we have experienced in our cruise ship business, the points where we recognize mistakes were made, and the measures we are taking to resolve these issues.
Here we explain the initiatives being taken to deal with the second factor of concern: the MRJ business.

In the presentation materials covering our 2015 Medium-Term Business Plan announced in May 2015, we included our investment plans concerning the MRJ business. In response to the delay in delivering the first unit, to 2018, we revised our accumulated loss/gain and accumulated cash flow projections, as the curves here indicate.

Within the time frame of the 2015 Medium-Term Business Plan, the curve depicting our accumulated loss/gain projection has been changed only slightly. By contrast, owing to increased capital investment to cover increased development costs, capital expenditure and operating capital, the curve describing our accumulated cash flow projection has fallen, causing what we now expect will be a delay in the start of the investment recovery stage by more than one year.

Given the outlook for an increasingly severe cash flow picture as the MRJ business moves forward, we will implement measures to improve the situation at each project stage. We will also take initiatives to improve our cash flow on a Companywide basis, in order to strengthen our financial foundation.
With respect to improvement measures according to project stage, here we explain how we intend to strengthen the MRJ’s development system, improve efficiency, prepare for full-scale business development, and then strengthen the business.

Concerning the strengthening of the MRJ’s development system and improvement of efficiency, we intend to bring in additional experts in aircraft development, promote development and efficiency by creating a 3-base structure, and strengthen schedule management.

In terms of bringing in additional aircraft development experts, we will consolidate human resources in charge of the finished aircraft business at Mitsubishi Aircraft Corporation, promote increased communication with personnel in charge of the defense business, and seek cooperation with other companies involved in the domestic aircraft industry.

Concerning promoting development and efficiency by creating a 3-base structure, in Japan, among other work streams, we will prepare for type certification acquisition and mass manufacture; in Seattle, we will undertake development and design, etc.; and in Moses Lake, we will carry out flight testing and so on.
As to strengthening schedule management, we will manage milestones shared by MHI, Mitsubishi Aircraft Corporation and our partners.

Next, in preparation for full-scale business development and strengthening of the MRJ business, as the first step MHI will streamline and share indirect duties with Mitsubishi Aircraft Corporation. Then, as a second step we will build a mass-manufacturing business structure, including customer support, and also undertake efficient allocation of our organizational and staff resources from the perspectives of cost and customer services.
Concerning building a mass-manufacturing structure, preparations are under way at Komaki-minami New Plant, Matsusaka Plant, Tobishima Plant, and elsewhere. Following complete verification and improvement of all related processes, mass production of the MRJ will start up in FY2017, and the production rate will rise in FY2018 into FY2019.

As to building up a customer support structure for the MRJ, over the next two years staff will be increased from the current 200 to 400.

During that period, the support structure will be prepared in liaison with the launch customer – including preparation of manuals, creation of IT systems, and arrangements for spare parts.

This completes our description of the measures we must take, and are taking, to deal with the areas of greatest concern to us: our cruise ship business and the MRJ project.
Next, we will explain measures to help achieve the targets set out in the 2015 Medium-Term Business Plan amidst increasing severity in the business environment.

There are 4 major areas of reinforcement: earning capacity, financial foundation, risk resilience and technology foundation.
We are implementing 6 additional measures to address the 4 major areas of reinforcement: i.e., earning capacity, financial foundation, risk resilience and technology foundation.

Now, we will explain the various additional measures being taken for each area of reinforcement.
We begin our explanation concerning reinforcement of the 2015 Medium-Term Business Plan from an organizational perspective.

To begin, in the various business domains, we will pursue domain management efficiencies, reduce operating capital, and promote the use of autonomous management for independently managed joint ventures.

Next, in the corporate divisions, we will enhance corporate business processes, and promote the use of business process outsourcing (BPO) and shared service centers (SSC). Special attention, however, will be given to asset management.

With respect to risk resilience, we will undertake a radical review of our risk management structure. We will newly establish a Business Risk Management Division under the direct oversight of the CEO within the Business Strategy Office. Risks arising from technology will be dealt with by a new shared technology framework.

The new shared technology framework will include a newly established Engineering Headquarters, Value Chain Headquarters, and Marketing and Innovation (M&I) Headquarters. Personnel will be assembled from all business domains, and we will strengthen shared foundational business elements.
Now, we will explain the 6 additional measures that we are taking.

First, to strengthen our earning capacity, we will promote growth through independently managed joint ventures.

Our plan calls for the total net sales and total operating income of 3 joint ventures – Mitsubishi Hitachi Power Systems (MHPS), Primetals Technologies, and a new forklift truck company – which equated to almost 50% of the corresponding MHI Group figures in FY2014, to account for more than 50% in FY2017, the final year of the 2015 Medium-Term Business Plan.

The 3 joint ventures will, to a certain degree, follow the MHI Group’s overall management strategies and resource allocation plans; but as their business characteristics are clear, we will promote swift, autonomous management in line with those characteristics.

Also, in order to secure coordination with the MHI Group’s overall strategies and reap synergies, we will move management cross-functionally and increase learning. We will also create shared platforms for ERP, the technology foundation, cash management, etc.
Here, we explain about accelerating post-merger integration (PMI) at Mitsubishi Hitachi Power Systems (MHPS) and Primetals Technologies.

Three initiatives will be undertaken at MHPS.

First is a shift of personnel to services-related operations. Personnel and resources will be leveraged efficiently to expand our service operations’ net sales and operating income.

Second, MHPS’s competitiveness will be strengthened through accelerated restructuring of the company’s organization and bases, including Group companies. The number of employees has already been reduced from 23,000 at the time of integration to near 21,000 today; and plans call for further reductions to approximately 20,000.

Third, MHPS’s cash conversion cycle will be improved.
At Primetals Technologies, the following 3 initiatives will be taken.

First, the organization will be streamlined and indirect costs will be reduced. By organizing with a focus on common or shared factors, the number of business segments will be trimmed from 10 to 7 and the number of functional organizations from 26 to 9. By doing this, we will pursue faster decision-making and more efficient management.

Second, the company's efficiency will be enhanced through integration of business departments, etc. The number of employees has already been trimmed from near 8,000 at the time of integration to 7,500 today; and going forward this will be further reduced to approximately 7,000.

Third, marketing and project management at Primetals Technologies will be strengthened. The project division located in Linz, Austria, is very large, so we intend to send employees there from Japan to unify the organization. This will enable us to integrate Japanese and European knowhow and make it stronger.
Here, we explain developments relating to forklift trucks and other businesses.

After acquiring UniCarriers Holdings Corporation, MHI’s forklift truck business will expand. A company integrating the forklift truck business with the engine and turbocharger businesses is slated for launch in March 2016. Currently, net sales stand at approximately 730 billion yen; eventually we aim to increase this to 1 trillion yen.

MHI’s engine and turbocharger businesses will be consolidated into the aforementioned new company, which is scheduled to commence operations in July 2016, integrating MHI’s Engine SBU and Turbocharger SBU.

In the forklift truck business, in addition to the existing Mitsubishi Nichiyu Forklift, final procedures are under way for acquiring UniCarriers Holdings. That contract is expected to be concluded by the end of March 2016.

Plans call for all 3 of these businesses to be integrated, ultimately generating synergy merits. We believe these 3 businesses are interconnected in ways conducive to reaping synergies: for example, turbochargers enhance engine performance, and forklift trucks use those engines.
Next, we explain how we intend to optimize efficiency.

First, we will pare down resource-consuming businesses. To do so, we will further accelerate the selection of core SBUs and suppress overall investment capital. In addition, we will reduce investment and lending – including R&D – mainly for non-core businesses.

Next, we will thoroughly eliminate redundant work processes by undertaking organizational and staff streamlining between corporate divisions and domains.

In the area of indirect work outsourcing, we will promote sharing of domain management personnel, shifting them to corporate divisions, and also carry forward business process outsourcing (BPO), for even greater efficiency.

In addition, we will aim to shift personnel working in domain management areas to servicing and other fields that have higher added value. We are also contemplating shifting such personnel to areas involving technology sharing, to enhance their added value further.
Next, we explain the additional measures being taken to strengthen the financial foundation.

In reference to reducing our operating capital, we will seek improvement of our cash conversion cycle. Whereas the average cycle of Japanese companies is roughly 70 days, currently our cycle is 117 days – and this is where we will aim for improvement.

To achieve our cycle target of 70 days, we will examine and promote radical measures – such as reviewing our supply chain and restructuring our bases and plants – and begin monthly follow-ups. We anticipate significant results from these endeavors.

Concerning how we plan to reduce capital and risks by paring down businesses that receive resources, this has been explained on the previous page.
As to asset management, we intend to set down new basic policies as a global corporation. Asset holdings will be limited to those necessary for business: for other assets, we will secure liquidity as far as possible, and maximize their value. In the near term, we will better utilize our securities and land holdings. In doing so we aim to improve our cash flow by a combined total of approximately 200 billion yen in FY2016 and FY2017.

As a result of this improved cash flow, we can expect our income before income taxes to improve by roughly 100 billion yen.
With respect to securities, we aim to assess the need, as a global corporation, of holding various securities; and to reassess and prioritize these securities. Based on that assessment, we intend to sell off some of our holdings in order to strengthen our financial foundation in the near term and to secure funds necessary for our future.
Concerning land assets, we are focusing on ways to make use of unused business properties and idle land holdings.

Instead of just selling off such lands, working in collaboration with outside experts and other companies we will strive to manage these assets in such a way that they serve to improve our earning capacity.
Next, we explain our Companywide risk management structure as an additional measure being taken to strengthen our risk resilience.

MHI is currently going through a period of change, and within the great flow of globalization we face an increasing number of difficult work projects. To cope, we are building a Companywide risk management structure directly under the oversight of the CEO. Executive Committee meetings primarily serve as venues for discussing what strategies are necessary for stable, sustained growth, ongoing management reforms, and risk management.

The CEO largely looks at corporate-level business risks and works to minimize major errors in judgment attributable to mistaken impressions, organizational issues, and risk accompanying new or resumed projects of large scale. Technical matters are handled by the CTO.

Risk management at the normal process level or work procedure level, which has until now been performed by the Management Audit Department, Internal Audit Department, etc., will be carried out by the Risk Management Department.
The existing Risk Solutions Department is an organization of experts tasked with resolving or providing responsive support after a major risk incident. Currently the Department is responding to matters relating to our cruise ship business, SONGS, and the MRJ business, and its response capabilities will be further enhanced going forward.
Here we explain about creating a shared technology framework.

We aim to promote technical innovation and strengthen the Company’s technology monitoring functions by expanding the authority and responsibilities of the CTO. Organizational reforms will be carried out in light of the issues affecting our cruise ship business, and we will cultivate and improve how we utilize human resources, and strengthen our ability to respond to the MRJ and other new businesses. Specifically, we will establish a new Engineering Headquarters that will work to improve the level and efficiency of our EPC capabilities.

Under the CTO, a shared technology framework will be configured to develop new businesses and reform our business models.
By implementing the various measures explained above, we aim to achieve the forecasts and targets indicated here.
Here we explain our thinking concerning the achievement of our management targets as a result of reinforcement of the 2015 Medium-Term Business Plan.

First, with respect to business scale, in addition to near 4,100 billion yen in net sales from projects ordered in the past, we are anticipating 300 billion yen from post-merger integration merits relating to MHPS and Primetals Technologies. Then, with the addition of 200 billion yen from our business merger with UniCarriers Holdings, we expect to be able to achieve our net sales target for FY2016 of 4,600 billion yen.

In FY2017, we are targeting 5 trillion yen, with further additions to come in the form of 100 billion yen from development of the new forklift truck company, 100 billion yen from growth at MHPS, and 200 billion yen from self-reliant growth of other existing businesses.

Concerning earnings, whereas in FY2015 our operating income outlook is 300 billion yen, in FY2016 we hope to realize our target of 380 billion yen. We are anticipating a return to 320 billion yen in operating income as measures to repair glitches at Kansai Electric Power’s Himeji No.2 Power Station come to a conclusion. In addition, we expect operating income to increase some 60 billion yen in tandem with a near 500 billion yen increase in net sales arising from business integrations involving MHPS, Primetals Technologies and UniCarriers Holdings, coupled with cost reductions from enhanced management efficiency.
With regard to income before income taxes, we believe our net income will grow to 160 billion yen in FY2016, and further to 200 billion yen in FY2017, while setting aside 50 billion yen every year as risk buffer for structural reforms and other purposes and holding approximately 100 billion yen in risk buffer from asset management.

As a result of these various measures, we believe we will not only retrieve the 40 billion yen in net income short in FY2015, but also retrieve our cash flow going forward.
Here, we present an overview of our businesses after focusing on our core competencies through acquisitions, joint ventures, business transfers, business withdrawals, etc.
Here we see our major medium to long-term business developments, by domain.
This completes our explanation of the current progress status of our 2015 Medium-Term Business Plan.