

**FOR IMMEDIATE RELEASE**

Mitsubishi Heavy Industries, Ltd.

Hitachi, Ltd.

## **Mitsubishi Heavy Industries and Hitachi Conclude Definitive Agreement on Business Integration in the Thermal Power Generation Systems Field**

Tokyo, June 11, 2013 --- Mitsubishi Heavy Industries, Ltd. (TSE: 7011, "MHI") and Hitachi, Ltd. (TSE: 6501, "Hitachi") today announced that they have signed a basic integration agreement and a joint venture agreement in relation to the business integration centered on the thermal power generation systems (the "Definitive Agreements").

As announced on November 29, 2012 in a press release titled "Mitsubishi Heavy Industries and Hitachi Reach a Basic Agreement on Business Integration in the Thermal Power Generation Systems Field,"(the "Announcement on November 29, 2012"), MHI and Hitachi, on November 29, 2012, agreed to transfer their respective operations centered on the thermal power generation systems (the "Integrated Business") by way of company split and other method to an integrated company, of which equity interest of MHI and Hitachi will be 65% and 35%, respectively (the "Integrated Company"), effective on January 1, 2014 (the "Business Integration") and signed a basic agreement on the same day (the "Basic Agreement").

Today, in accordance with the Basic Agreement, the two companies have signed the Definitive Agreements, specifying the terms and conditions related to the Business Integration obtaining approvals of both companies' boards of directors. The details of Definitive Agreements are outlined below. Preparatory company for the integrated company (the "Preparatory Company") is planned to be established in due course, and the details of the Business Integration will be specified in a company split agreement to be concluded among MHI, Hitachi and the Preparatory Company around the end of July 2013.

## **1. Purpose of the Business Integration**

The global market has continued to expand, driven by the growth engines of China and other emerging countries, while environmental awareness around the world has increased. These trends have presented a major opportunity for MHI and Hitachi to expand thermal power generation systems businesses where they both excel businesses that solve global energy and environmental issues at the same time. In order to prevail against competition and respond to this buoyant demand, companies must respond in detail based on highly advanced technologies, quality and reliability, unfettered by the traditional frameworks of companies. In this regard, they must be able to harness engineering capabilities as well as sales and service capabilities closely tied to each region. MHI and Hitachi share the same corporate credo of contributing to society through the development of superior, original technologies and products. Over the years, the two companies have established partnerships harnessing their technical skills and expertise in a variety of fields. Examples include an alliance and subsequent establishment of a joint venture in the steel production machinery field; collaboration in the overseas railway systems business; and integration of the hydroelectric power generation system business. Another example has been joint support for the Fukushima Daiichi Nuclear Power Station of Tokyo Electric Power Company.

Based on these extensive partnerships, the two companies reached an agreement on the Business Integration to address buoyant global demand for thermal power generation systems by harnessing superior technical skills, quality and reliability, with the aim of prevailing against intensifying global competition.

In the thermal power generation field, the two companies both have expansive product lineups. For example, in gas turbines, MHI has focused on highly efficient large models in recent years. Meanwhile, Hitachi sees its mainstay products as small and medium-sized models. Regionally, MHI has strengths mainly in Southeast Asia and the Middle East, while Hitachi has harnessed its strengths in markets such as Europe and Africa. The two companies will respectively strive to leverage the complementary strengths of the other company. Moreover, the two companies will further enhance their ability to address customer needs and provide services by taking advantage of their respective strengths in providing total solutions across all aspects of thermal power plants.

Through this agreement, MHI and Hitachi will cooperate to develop a stable and efficient management base for the new company. The Integrated Company aims to

be a global leading company in the thermal power generation systems field by accelerating global business development along with synergies of the integration and by maximizing integrated and complementary strengths in the technology and product aspects.

## **2. Outline of the Business Integration**

### **(1) Schedule of Business Integration**

Execution of Basic Agreement	November 29, 2012
Execution of Definitive Agreements	June 11, 2013
Execution of Company Split Agreement	End of July 2013 (Tentative)
Effective Date of Company Split Date	January 1, 2014 (Tentative)

\* The company split will be a simple absorption-type company split pursuant to Article 784, Paragraph 3 of the Companies Act of Japan. Therefore, MHI and Hitachi do not plan to convene shareholders' meetings to obtain approval for the company split agreement.

### **(2) Business Integration Method and Equity Contribution**

After the Announcement on November 29, 2012, MHI and Hitachi conducted due diligence to each other and had extensive discussions in order to facilitate smooth Business Integration and to ensure stronger competitiveness in business development after the integration.

As a result, MHI and Hitachi reached an agreement to execute the Business Integration according to the following scheme. The equity contribution ratio of MHI and Hitachi will be 65% and 35% respectively on the effective date of the company split.

- (i) MHI will establish the Preparatory Company for the Business Integration as predecessor of the Integrated Company.
- (ii) MHI and Hitachi will respectively transfer the Integrated Business to the Integrated Company by way of absorption-type company split and other method (the "Company Split"). As a result, MHI and Hitachi owns shares of common stock of the Integrated Company 683 shares and 317 shares, respectively.
- (iii) MHI will sell 33 shares of common stock of the Integrated Company that it owns to Hitachi for 29.7 billion yen.

### **(3) Handling of Stock Acquisition Rights and Bonds with Stock Acquisition Rights Accompanying the Business Integration**

Details of the Handling of stock acquisition rights and bonds with stock acquisition rights, if any, will be provided in the company split agreement which will be executed around the end of July 2013

**(4) Changes in Amount of Capital Accompanying the Company Split**

Details of the changes in the amount of capital of MHI and Hitachi, if any, will be provided in the company split agreement which will be executed around the end of July 2013.

**(5) Rights and Obligations Transferred to the Integrated Company**

The Integrated Company will succeed assets, liabilities, other rights and obligations and contractual status from MHI and Hitachi through the Company Split. Subsidiaries and affiliates which are engaged in the businesses subject to the Business Integration will be included in the integration. Details of the Business Integration including assets, liabilities and contractual status, etc. will be provided in the company split agreement which will be executed around the end of July 2013.

**(6) Outlook on Performance of Obligation**

In the Company Split, obligations of MHI, Hitachi and the Integrated Company are anticipated to be duly performed.

**3. Calculation Basis, etc., Concerning Allotment under the Company Split**

**(1) Calculation Basis and Background**

MHI appointed Nomura Securities Co., Ltd. (“Nomura Securities”) and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (“Mitsubishi UFJ Morgan Stanley”) as its financial advisers in order to achieve fairness and appropriateness in the determination of number of shares allocated in the Company Split.

Nomura Securities performed a Comparable Companies Analysis and a Discounted Cash Flow (“DCF”) Analysis for the businesses to be integrated of both companies. The results of each analysis are shown below. The ranges mentioned below are the calculated range of the number of the shares of common stock of the Integrated Company allocated to the Integrated Business of Hitachi.

Valuation Methodology	Range of the shares of common stock to be allocated to Hitachi
Comparable Companies Analysis	218 ~ 281 shares
DCF Analysis	317 ~ 346 shares

In calculating value of the Integrated Business of both companies, Nomura Securities relied on the provided information and publicly available information, assuming that such information was accurate and complete without independent

verification of the accuracy or completeness of such information. Nomura Securities neither conducted an independent evaluation, appraisal or assessment including any evaluation or analysis of each asset or liability nor requested a third-party institution to value either company or their affiliates. The calculation results of value of the Integrated Business of both companies provided by Nomura Securities reflect the information and economic conditions that were available as of June 7, 2013, and it is presumed that the information on financial forecasts obtained from both companies has been reasonably prepared or reviewed based on the best currently available forecasts and judgment of the management of MHI.

Significant increases or decreases in profit of the Integrated Business are projected in some fiscal years in the both companies' business plans used for the DCF Analysis of Nomura Securities. This is due to the fact that the business plans of the Integrated Business have reflected the specific characteristic of the thermal power generation systems business that the competitive circumstance has significantly impacted on each year's plant orders and therefore led to the volatile financial performance.

In addition, pursuant to a request from the Board of Directors of MHI, Nomura Securities submitted to MHI an opinion (a fairness opinion) dated June 10, 2013, to the effect that the number of the shares of common stock of the Integrated Company allocated to the Integrated Business of Hitachi is reasonable under the aforementioned premises and certain other premises from a financial viewpoint for MHI.

In the respective valuation of the Integrated Business of both MHI and Hitachi, Mitsubishi UFJ Morgan Stanley analyzed the number of shares to be allocated in the Company Split, taking holistically into account the result of the DCF Analysis, Comparable Company Analysis and Precedent Transaction Analysis.

The following shows the outline of the calculation results of the number of shares to be allocated in the Company Split conducted by Mitsubishi UFJ Morgan Stanley under each methodology. (The ranges stated below show the number of common shares of the Integrated Company allocated to Hitachi for its Integrated Business).

Valuation Methodology	Range of shares to be allocated to Hitachi
DCF Analysis	264 ~ 435 shares
Comparable Companies Analysis	233 ~ 332 shares
Precedent Transactions Analysis	303 ~ 350 shares

Also, in response to the request from the Board of Directors of MHI, Mitsubishi UFJ Morgan Stanley rendered its fairness opinion dated June 10, 2013 to MHI's Board of Directors which opined that the number of shares to be allocated in the Company Split is fair to MHI from a financial point of view.

In deriving the written opinion to the Board of Directors of MHI and analyzing the number of shares to be allocated in the Company Split as the basis thereof, Mitsubishi UFJ Morgan Stanley relied upon the information available to the public and information provided by MHI or Hitachi, assumed that all of the information used by it was accurate and complete, and did not independently verify the accuracy and completeness thereof. With respect to the financial projections of the Integrated Business of both MHI and Hitachi, Mitsubishi UFJ Morgan Stanley has assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective managements of MHI and Hitachi.

In addition, Mitsubishi UFJ Morgan Stanley has not made any independent valuation or appraisal of the assets or liabilities of the Integrated Business of both MHI and Hitachi, nor has it been furnished with any such appraisals other than the accounting, tax, legal and environment reports regarding the Integrated Business of Hitachi prepared by experts, upon which Mitsubishi UFJ Morgan Stanley has relied without any independent verification.

The analyses and opinion of Mitsubishi UFJ Morgan Stanley are necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Mitsubishi UFJ Morgan Stanley as of, June 10, 2013. Events occurring after such date may affect the analyses and opinion and the assumptions used therein, and Mitsubishi UFJ Morgan Stanley does not assume any obligation to update, revise or reaffirm the analyses or opinion.

With respect to the Business Integration, Mitsubishi UFJ Morgan Stanley will receive fees for its services from MHI, a significant portion of which is contingent upon the execution of the Definitive Agreements and the closing of the Business

## Integration.

Please note that Mitsubishi UFJ Morgan Stanley, together with its affiliates (the "Group"), are a global financial services firm engaged in the banking, securities, trust, investment management, credit services and other financial businesses (collectively, "Financial Services"). The Group's securities business is engaged in securities underwriting, trading, and brokerage activities, foreign exchange, commodities and derivatives trading, as well as providing investment banking, financing and financial advisory services. In the ordinary course of its underwriting, trading, brokerage and financing activities, the Group may at any time hold long or short positions, may provide Financial Services to MHI, Hitachi, or companies that may be involved in this transaction and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or loans of MHI, Hitachi, or any company that may be involved in this transaction, or in any currency or commodity that may be involved in this transaction, or in any related derivative instrument. The Group, its directors and officers may also at any time invest on a principal basis or manage funds that invest on a principal basis, in debt or equity securities of MHI, Hitachi, or any company that may be involved in this transaction, or in any currency or commodity that may be involved in this transaction, or in any related derivative instrument. Further, the Group may at any time carry out ordinary course broking activities for MHI, Hitachi, or any company that may be involved in this transaction.

The analyses and opinion of Mitsubishi UFJ Morgan Stanley are only for the information of the Board of Directors of MHI for the purpose of considering the Business Integration, and may not be relied upon or used by any other party or for any other purpose.

In addition, significant increases or decreases in profit are projected in some fiscal years in the financial projections of the Integrated Business, which were provided by MHI to Mitsubishi UFJ Morgan Stanley for the DCF analysis. This is based on the assumption to the financial projection that a competitive environment in a given year could have a significant impact on the profitability of each fiscal year due to the nature of the thermal power generation system business.

Hitachi appointed GCA Savvian Corporation (“GCA Savvian”) as its financial advisor in order to achieve fairness in determining the number of shares of common stock of the Integrated Company to be allocated under the Company Split.

GCA Savvian performed a calculation of the number of shares of common stock of the Integrated Company to be allocated to Hitachi based on Comparable Companies Analysis and DCF Analysis for each Integrated Business of Hitachi and MHI.

The results of the calculations by GCA Savvian are summarized below. The ranges indicated below are the calculated ranges of the number of shares of common stock of the Integrated Company to be allocated to Hitachi.

Calculation Method	Range of Allocated Shares
Comparable Company Analysis	260~315 shares
DCF Analysis	307~346 shares

In conducting the foregoing calculations, GCA Savvian has assumed that all information provided to GCA Savvian by Hitachi and MHI and publicly available information are accurate and complete, and that no information was undisclosed to GCA Savvian, which may have a material adverse effect on the calculation, and therefore, GCA Savvian has not independently verified the accuracy and completeness of such information.

Furthermore, GCA Savvian has not independently evaluated, appraised or assessed the values of, nor has it been provided with any valuations or appraisals from third party institutions on the assets and liabilities of each Integrated Business of Hitachi and MHI.

In addition, GCA Savvian has assumed that the financial projection of each Integrated Business of Hitachi and MHI was reasonably prepared based on the best available estimates and interpretations made at the time.

MHI’s future profit plan of the Integrated Business used by GCA Savvian as a base assumption for its DCF Analysis calculations includes a fiscal year that forecasts a substantial increase in profit compared to the preceding year. This is primarily due to the nature of thermal power business in which profit level of certain fiscal year tends to be considerably impacted by historical competitive



environments prevalent at the time of awards of power plant projects and so forth.

MHI and Hitachi, referencing the results of calculations by Nomura Securities, Mitsubishi UFJ Morgan Stanley and GCA Savvian and comprehensively considering factors including financial condition, condition of assets and business forecasts of each, discussed the number of shares of common stock of the Integrated Company to be allocated with due care, and concluded that the above number of shares of common stock to be allocated was appropriate.

## (2) Relationship with Financial Advisers

Nomura Securities and Mitsubishi UFJ Morgan Stanley, financial advisers of MHI, are not related parties of both MHI and Hitachi and have no important interests with MHI and Hitachi in relation to the Company Split.

GCA Savvian, a financial adviser of Hitachi, is not a related party of Hitachi and MHI and has no important interests with Hitachi and MHI in relation to the Company Split.

## (3) Outlook on Delisting

MHI and Hitachi will not be delisted from their listing stock exchanges due to the Company Split.

## 4. Profile of the Parties of the Company Split

	Transferring Company (As of March 31, 2013)	Transferring Company (As of March 31, 2013)
(1) Name	Mitsubishi Heavy Industries, Ltd.	Hitachi, Ltd.
(2) Head office	16-5, Konan 2-chome, Minato-ku, Tokyo	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
(3) Representative	Hideaki Omiya President and CEO	Hiroaki Nakanishi President
(4) Business	Engineering, manufacture and sale of ships, power systems, environmental improvement equipment, industrial machinery, aircraft, space systems, air-conditioner, etc.	Development, manufacture and sales of products and provision of services across 10 segments: Information & Telecommunication Systems, Power Systems, Social Infrastructure & Industrial Systems, Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, Digital Media & Consumer Products, Financial Services, Others
(5) Capital	265,608 million yen	458,790 million yen

(6)	Established	January 11, 1950	February 1, 1920
(7)	Number of issued shares	3,373,647,813	4,833,463,387
(8)	Fiscal year end	March 31	March 31
(9)	Number of employees	68,213 (consolidated basis)	326,240 (consolidated basis)
(10)	Main Customer	Domestic and overseas companies and governmental and municipal agencies	Domestic and overseas companies and governmental and municipal agencies
(11)	Main Banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Mizuho Corporate Bank, Ltd.	Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd.
(12)	Major shareholders and shareholding	<ul style="list-style-type: none"> <li>• Japan Trustee Services Bank, Ltd. (Trust Account) 4.35%</li> <li>• The Master Trust Bank of Japan, Ltd. (Trust Account) 4.15%</li> <li>• The Nomura Trust and Banking Co., Ltd. (Retirement Allowance Trust, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Account) 3.72%</li> <li>• Meiji Yasuda Life Insurance Company (Standing proxy: Trust &amp; Custody Services Bank, Ltd.) 2.37%</li> <li>• JP Morgan Chase Bank 380055 2.27%</li> <li>• SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited) 2.23%</li> <li>• Tokio Marine &amp; Nichido Fire Insurance Co., Ltd. 1.49%</li> <li>• The Nomura Trust and Banking Co., Ltd. (Retirement Allowance Trust, Mitsubishi UFJ Trust and Banking Corporation Account) 1.36%</li> <li>• The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account (Standing proxy: Mizuho Corporate Bank, Ltd.) 1.35%</li> <li>• Japan Trustee Services Bank, Ltd. (Trust Account 9) 1.25%</li> </ul>	<ul style="list-style-type: none"> <li>• The Master Trust Bank of Japan, Ltd. (Trust Account) 6.52%</li> <li>• Japan Trustee Services Bank, Ltd. (Trust Account) 5.77%</li> <li>• SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited) 2.58%</li> <li>• Hitachi Employees' Shareholding Association 2.57%</li> <li>• State Street Bank and Trust Company 505224 (Standing proxy: Mizuho Corporate Bank, Ltd.) 2.18%</li> <li>• Nippon Life Insurance Company 2.03%</li> <li>• Japan Trustee Services Bank, Ltd. (Trust Account 9) 2.03%</li> <li>• The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account (Standing proxy: Mizuho Corporate Bank, Ltd.) 1.93%</li> <li>• State Street Bank and Trust Company 505225 (Standing proxy: Mizuho Corporate Bank, Ltd.) 1.49%</li> <li>• The Dai-ichi Life Insurance Company, Limited 1.48%</li> </ul>

(13)	Relationship between parties						
	Equity relationship	There is no important equity relationship.					
	Human relationship	There is no important human relationship.					
	Trade relationship	There is no important trade relationship.					
	Related parties or not	MHI and Hitachi are not related parties each other.					
(14)	Business Results and Financial Status for Recent Three Fiscal Years (Consolidated basis, millions of yen unless otherwise specified)						
		MHI			Hitachi		
	Fiscal Years	2011.3	2012.3	2013.3	2011.3	2012.3	2013.3
	Net assets	1,312,678	1,306,366	1,430,225	2,441,389	2,773,995	3,129,287
	Total assets	3,989,001	3,963,987	3,935,119	9,185,629	9,418,526	9,809,230
	Net assets per share (yen) <sup>*1</sup>	376.17	374.08	410.90	318.73	382.26	431.13
	Revenues	2,903,770	2,820,932	2,817,893	9,315,807	9,665,883	9,041,071
	Operating income	101,219	111,961	163,520	444,508	412,280	422,028
	Ordinary income <sup>*2</sup>	68,113	86,182	149,028	432,201	557,730	344,537
	Net income	30,117	24,540	97,330	238,869	347,179	175,326
	Net income per share (yen)	8.97	7.31	29.01	52.89	76.81	37.28
	Dividends per share (yen)	4.00	6.00	8.00	8.00	8.00	10.00

\*1 Since Hitachi has been adopting U.S. accounting standards, this figure represents stockholders' equity per share.

\*2 Since Hitachi has been adopting U.S. accounting standards, this figure represents income before income taxes.

\*3 Details of the Integrated Company will be announced in a timely manner when it is confirmed since it will be determined or scrutinized for the Company Split.

## 5. Overview of the Business to Be Transferred

Scope of the Business Integration will be as follows.

- (i) Thermal power generation system businesses (gas turbines, steam turbines, coal gasification generating equipment, boilers, generators, etc.)
- (ii) Geothermal power system business
- (iii) Environmental equipment business
- (iv) Fuel cells business
- (v) Other related business

Subsidiaries and affiliates engaging in these businesses will be subject to the Business Integration.

Details of the Business Integration including assets, liabilities and contractual status, etc. to be transferred will be provided in the company split agreement which will be executed around the end of July 2013. Business results, assets and liabilities of the Integrated Business will be announced in a timely manner when they are confirmed.

## 6. Profiles of the Parties Post-Integration

		Transferring Company
(1)	Name	Mitsubishi Heavy Industries, Ltd.
(2)	Head office	16-5, Konan 2-chome, Minato-ku, Tokyo
(3)	Representative	Shunichi Miyanaga President and CEO
(4)	Business	Engineering, manufacture and sale of ships, power systems, environmental improvement equipment, industrial machinery, aircraft, space systems, air-conditioner, etc.
(5)	Capital	(Not yet determined)
(6)	Fiscal year end	March 31
(7)	Net assets	(Not yet determined)
(8)	Total assets	(Not yet determined)

		Transferring Company
(1)	Name	Hitachi, Ltd.
(2)	Head office	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
(3)	Representative	Hiroaki Nakanishi President
(4)	Business	Development, manufacture and sales of products and provision of services across 10 segments: Information & Telecommunication Systems, Power Systems, Social Infrastructure & Industrial Systems, Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, Digital Media & Consumer Products, Financial Services, Others
(5)	Capital	(Not yet determined)
(6)	Fiscal year end	March 31
(7)	Net assets	(Not yet determined)
(8)	Total assets	(Not yet determined)

		Integrated Company
(1)	Name	(Not yet determined)
(2)	Head office	(Not yet determined)
(3)	Representative	(Not yet determined)
(4)	Business	(Not yet determined)
(5)	Capital	(Not yet determined)
(6)	Fiscal year end	(Not yet determined)
(7)	Net assets	(Not yet determined)
(8)	Total assets	(Not yet determined)

\* Details of the Business Integration will be provided in the company split agreement which will be executed around the end of July 2013.

## **7. Outline of Accounting**

It will be announced in a timely manner when it is confirmed.

## **8. Outlook**

The impact of the Company Split on business results or forecasts of MHI and Hitachi will be announced in a timely manner when it is confirmed.

### **About Mitsubishi Heavy Industries, Ltd.**

Mitsubishi Heavy Industries, Ltd. (MHI), headquartered in Tokyo, Japan, is one of the world's leading heavy machinery manufacturers, with consolidated sales of 2,817.8 billion yen in fiscal 2012, the year ended March 31, 2013. MHI's diverse lineup of products and services encompasses shipbuilding, power plants, chemical plants, environmental equipment, steel structures, industrial and general machinery, aircraft, space systems and air-conditioning systems.

For more information, please visit the MHI website below:

<http://www.mhi.co.jp/en/index.html>

### **About Hitachi, Ltd.**

Hitachi, Ltd. (TSE: 6501), headquartered in Tokyo, Japan, is a leading global electronics company with approximately 320,000 employees worldwide. Fiscal 2011 (ended March 31, 2012) consolidated revenues totaled 9,665 billion yen (\$117.8 billion). Hitachi is focusing more than ever on the Social Innovation Business, which includes information and telecommunication systems, power systems, industrial, transportation and urban development systems, as well as the sophisticated materials and key devices that support them. For more information on Hitachi, please visit the company's website at <http://www.hitachi.com>.

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