

**FOR IMMEDIATE RELEASE**

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## **Mitsubishi Heavy Industries and Hitachi Conclude Absorption-Type Company Split Agreement on Business Integration in the Thermal Power Generation Systems Field**

Tokyo, July 31, 2013 --- Mitsubishi Heavy Industries, Ltd. (TSE: 7011, "MHI") and Hitachi, Ltd. (TSE: 6501, "Hitachi") today announced that the two companies respectively signed absorption-type company split agreements (the "Absorption-type Company Split Agreements") with the new company established by MHI (the "Integrated Company") in order to transfer the business centered on the thermal power generation systems of both companies (the "Integrated Business") by way of company split (the "Absorption-type Company Split") in relation to integrating the Integrated Business (the "Business Integration") in accordance with a basic integration agreement and a joint venture agreement on June 11, 2013 in relation to the Business Integration (the "Definitive Agreements") as announced in a press release titled "Mitsubishi Heavy Industries and Hitachi Conclude Definitive Agreement on Business Integration in the Thermal Power Generation Systems Field" on June 11, 2013 (the "June 11, 2013 Announcement").

Following the conclusion of these Absorption-type Company Split Agreements, MHI and Hitachi announced matters that were undecided in the June 11, 2013 Announcement as follows. Changes from the June 11, 2013 Announcement are underlined.

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

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

Execution of Basic Agreement	November 29, 2012
Execution of Definitive Agreements	June 11, 2013
Execution of Absorption-type Company Split Agreements	<u>July 31, 2013</u>
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 agreements.

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

As announced in the June 11, 2013 Announcement, the Business Integration will be executed according to the following scheme. The equity ownership percentage of MHI and Hitachi will be 65% and 35%, respectively, on the effective date of the Absorption-type Company Split.

- (i) MHI and Hitachi will respectively transfer the Integrated Business to the Integrated Company by the Absorption-type Company Split. As a result, MHI and Hitachi owns shares of common stock of the Integrated Company 683 shares and 317 shares, respectively.
- (ii) 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 Absorption-type Company Split**

Obligations in relation to stock acquisition rights which MHI issued will not be transferred to the Integrated Company.

MHI has not issued bonds with stock acquisition rights. Hitachi has neither issued stock acquisition rights nor bonds with stock acquisition rights.

## **(4) Changes in Amount of Capital Accompanying the Absorption-type Company Split**

There will be no change in the amount of capital of MHI and Hitachi accompanying the Absorption-type Company Split.

## **(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 Absorption-type Company Split as provided in the Absorption-type Company Split Agreements. Stocks and interests of certain subsidiaries and affiliates which each company owns in relation to the Integrated Business will be included in the Business Integration. Please see "4. Overview of the Business to Be Transferred" regarding the details of the Integrated Business.

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

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

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

There has been no change in the calculation basis and background, relationship with financial advisers, and outlook on delisting concerning the allotment under the Absorption-type Company Split since the June 11, 2013 Announcement.

## **3. Profile of the Parties of the Absorption-type Company Split**

The profile of Hitachi, a transferring company, is as announced in the June 11, 2013 Announcement. The profile of MHI, a transferring company, is as announced in the June 11, 2013 Announcement except Mr. Shunichi Miyanaga

assumed office of President & CEO of MHI on April 1, 2013.  
The profile of the Integrated Company, a transferee, is as follows.

		A transferee (As of July 31, 2013)
(1)	Name	MH Power Systems, Ltd.
(2)	Head office	3-1, Minato Mirai 3-chome, Nishi-ku, Yokohama, Kanagawa
(3)	Representative	Nobuo Suzuki, Representative Director
(4)	Business	Design, manufacture, sales, construction and engineering of turbines, boilers, motors, generators, electric equipment, control systems and environmental equipment, etc.
(5)	Capital	40 million yen
(6)	Establishment	June 17, 2013
(7)	Number of issued shares	1
(8)	Fiscal year end	March 31
(9)	Number of employees	4
(10)	Main customer	None
(11)	Main bank	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
(12)	Major shareholder and shareholding	MHI 100%
(13)	Relationship with the transferring companies	
	Equity relationship	MH Power Systems, Ltd. is a wholly owned subsidiary of MHI.
	Human relationship	MHI's officers and employees concurrently serve as officers and employees of MH Power Systems, Ltd.
	Trade relationship	There is no important trade relationship.
	Related parties or not	MH Power Systems, Ltd. is established by MHI for the purpose of preparation for the Business Integration.

Note: MH Power Systems, Ltd. is established on June 17, 2013 and its first fiscal year end has yet to come since its establishment.

#### 4. Overview of the Business to Be Transferred

##### (1) Overview of the Business to Be Transferred

- (i) Thermal power generation system businesses (gas turbines, steam turbines, coal gasification generating equipment, boilers, thermal power control systems, generators, etc.)
  - (ii) Geothermal power system business
  - (iii) Environmental equipment business
  - (iv) Fuel cells business
  - (v) Electric power sales business (Only electric power sales in relation to demonstration facility for gas turbine combined cycle power generation plant at Takasago Machinery Works of MHI)
  - (vi) Other related business
- Certain subsidiaries and affiliates engaging in these businesses are included in the Business Integration.

**(2) Business Results of Business to Be Transferred (For the fiscal year ended March 2013)**

MHI

	Integrated Business
Consolidated Revenues	701.8 billion yen

Hitachi

	Integrated Business
Consolidated Revenues	488.9 billion yen

**(3) Accounts and Amounts of Assets and Liabilities to Be Transferred**

MHI (Unconsolidated basis)

Assets		Liabilities	
Accounts	Book value (billion yen)	Accounts	Book value (billion yen)
Current assets	428.0	Current liabilities	320.3
Fixed assets	162.4	Noncurrent liabilities	50.6
Total	590.4	Total	371.0

Hitachi (Unconsolidated basis)

Assets		Liabilities	
Accounts	Book value (billion yen)	Accounts	Book value (billion yen)
Current assets	121.5	Current liabilities	108.4
Fixed assets	103.9	Noncurrent liabilities	5.1
Total	225.4	Total	113.5

The above accounts and book value are estimated amounts based on the amounts as of March 31, 2013 and the actual amounts to be transferred may be different.

**5. Overview of the Integrated Company after the Business Integration**

(1) Name	MH Power Systems, Ltd. (Name will be changed in conjunction with the Business Integration)
(2) Head office	3-1, Minato Mirai 3-chome, Nishi-ku, Yokohama, Kanagawa
(3) Representative	Hitachi will appoint Chairman of the Board (part-time) and MHI will appoint President and Director, respectively.
(4) Business	Businesses as stated in the item 4. (1) above
(5) Capital	100.0 billion yen
(6) Fiscal year end	March 31
(7) Major shareholders and shareholding	MHI 65%, Hitachi 35%

Name, head office, representative, business, capital and fiscal year end of MHI and Hitachi, transferring companies, will not be changed because of the Absorption-type Company Split.

## **6. Outline of Accounting**

MHI	<p>1. Consolidated Financial Statements MHI expects to apply the Purchase Method under the “Accounting Standard for Business Combinations” for accounting for the Absorption-type Company Split. In accordance with this accounting treatment, MHI expects to record positive goodwill but the amount and other details have not yet been determined.</p> <p>2. Unconsolidated Financial Statements Regarding the Absorption-type Company Split, MHI expects to apply the accounting treatment for business divestitures when the consideration received is only shares of the Integrated Company and where the Integrated Company becomes a consolidated subsidiary of MHI under the “Accounting Standard for Business Divestitures.” In accordance with this accounting treatment, the assets and liabilities subject to the Absorption-type Company Split will be transferred to the Integrated Company and the amount calculated based on the amount equivalent to shareholders’ equity of the Integrated Business will be recorded under subsidiaries shares. The amount and other details have not yet been determined.</p>
Hitachi	<p>1. Consolidated Financial Statements Hitachi expects to apply the provisions of “Deconsolidation” and “Initial measurement of an equity method investee” under the US GAAP regarding the Absorption-type Company Split. In accordance with this accounting treatment, the assets and liabilities subject to the Absorption-type Company Split will be transferred to the Integrated Company and the Integrated Company shares allotted due to the Absorption-type Company Split are expected to be recorded under affiliated company shares evaluated at the fair value on the effective date of the Absorption-type Company Split. The amount and other details have not yet been determined.</p> <p>2. Unconsolidated Financial Statements Regarding the Absorption-type Company Split, Hitachi expects to apply the accounting treatment for business divestitures when the consideration received is only shares of the Integrated Company and where the Integrated Company becomes an affiliated company of Hitachi under the “Accounting Standard for Business Divestitures.” In accordance with this accounting treatment, the assets and liabilities subject to the Absorption-type Company Split will be transferred to the Integrated Company and the amount calculated based on the amount equivalent to shareholders’ equity of the Integrated Business will be recorded under affiliated company shares. The amount and other details have not yet been determined.</p>

## **7. Outlook**

The impact of the Business Integration 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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