

November 28, 2013

Mitsubishi Heavy Industries, Ltd.
President and CEO: Shunichi Miyanaga
TSE: 7011
Listed securities exchanges: Tokyo,
Nagoya, Fukuoka, Sapporo

Notice Regarding Issue of Stock Options for Stock-linked Compensation

Mitsubishi Heavy Industries, Ltd. (the "Company") hereby gives notice that its Board of Directors decided to grant to its Senior Vice President of the Company stock acquisition rights as stock options in a stock-linked compensation scheme, pursuant to Article 238, Paragraph 1 and 2, and Article 240, Paragraph 1 of the Corporate Law, with an aim to further enhance the motivation and morale of its Directors and Executive Officers so as to improve the Company's business performance.

1. Name of the stock acquisition rights

Mitsubishi Heavy Industries, Ltd. #13 stock acquisition rights.

2. Total number of the stock acquisition rights

41 (for one Senior Vice President)

The above total is the number of stock acquisition rights to be allotted. Where there is a decrease in the total number of stock acquisition rights to be allotted, such as when there are no subscription for some of the rights, the total number of stock acquisition rights to be issued shall be the total number of stock acquisition rights allotted .

3. Type, Content and Number of shares to be issued upon exercise of the stock acquisition rights

Type of shares to be issued upon exercise of the stock acquisition rights is common stock of the Company, and the total number of shares to be issued is 41,000. The number of shares to be issued upon exercise of the stock acquisition rights (hereinafter" the Number of shares granted") will be 1,000.

Should the need arise to adjust the number of shares received when exercising stock acquisition rights, such as in the case of split-ups or reverse splits of Company stock, an adjustment within a reasonable range can be made.

4. Value of property to be invested upon exercise of the stock acquisition rights

Value of property to be invested upon exercise of the stock acquisition rights shall be ¥1,000 per stock acquisition right.

5. Exercise period for the stock acquisition rights

December 14, 2013 to December 13, 2043

6. Items concerning increases in common stock and capital reserve if shares are issued due to the exercise of stock acquisition rights

(1) In the event that shares are issued due to the exercise of stock acquisition rights, common stock shall increase by half the limit for increase in common stock calculated in accordance with Article 17, Paragraph 1 of the corporate accounting principles. Any amount less than one yen arising shall be rounded up to the nearest yen.

(2) In the event that shares are issued due to the exercise of stock acquisition rights, capital reserve shall increase by the amount remaining after deducting the increase in common stock prescribed in (1) from the limit for increase in common stock in (1).

7. Transfer restrictions on the stock acquisition rights

Any acquisition of the stock acquisition rights by transfer requires the approval of the Company's Board of Directors.

8. Terms for acquisition of offered stock acquisition rights

(1) When the General Meeting of Shareholders of the Company approves any of the following proposals (a), (b) or (c) (or when the same is approved by a resolution of the Board of Directors, if no such resolution by the General Meeting of Shareholders is required), the Company may acquire the stock acquisition rights without charge on the date separately determined by the Board of Directors.

(a) Proposal to approve a merger agreement in which the Company is to be dissolved

(b) Proposal to approve a split agreement or split plan in which the Company is to be split

(c) Proposal to approve share exchange agreement or share transfer plan in which the Company is to become a wholly owned subsidiary

(2) When the stock acquisition right holder does not have the successor, or sends a prescribed notice to the Company beforehand that not wishing to succeed the stock acquisition rights to the successor, the Company may acquire the stock acquisition rights without charge on the date separately determined by the Board of Directors.

9. Organizational reform and granting of stock acquisition rights of restructured Company

Where the Company conducts a merger (only where the Company is to be dissolved due to the merger), an absorption-type corporate divestiture, an establishment-type corporate divestiture, a share exchange or share transfer (hereinafter generally "Organizational Restructuring"), the Company shall grant stock acquisition rights of the companies listed in Article 236, Paragraph 1, Item 8 of the Corporate Law of Japan (hereinafter "Restructured Company"), in each respective case, to stock acquisition rights holders with remaining stock acquisition rights (hereinafter "Remaining Stock Acquisition Rights") when the Organizational restructuring takes effect based on the following conditions. In this case, the Remaining Stock Acquisition Rights shall be cancelled and the Restructured Company shall issue new stock acquisition rights.

Provided, however, that this shall be limited to cases whereby the granting of stock acquisition rights of the Restructured Company in accordance with the conditions below is specified in the merger agreement, new company merger agreement, absorption-type corporate divestiture agreement, the establishment-type corporate divestiture plan, share exchange agreement or share transfer plan.

(1) Number of stock acquisition rights of the Restructured Company to be granted

The same number of stock acquisition rights as the Remaining Stock Acquisition Rights held by the stock acquisition rights holder.

(2) Type of share of the Restructured Company to be issued for the purpose of issuing stock acquisition rights

The Restructured Company's common stock.

(3) The number of shares of the Restructured Company to be issued for the purpose of issuing stock acquisition rights

Determined according to 3. above based on conditions of the terms for the Organizational Restructuring and other factors.

(4) Total amount of property to be invested upon exercise of stock acquisition rights

The total amount of property to be invested upon exercise of each stock acquisition right to be granted shall be the amount resulting from multiplying the amount to be paid after restructuring, as specified below, by the number of shares of the Restructured Company to be issued for the purpose of the relevant stock acquisition rights as determined in accordance with (3) above. The amount to be paid after restructuring shall be ¥1 per share of the Restructured Company that can be granted due to the exercise of each stock acquisition right that is to be granted.

(5) Exercise period

The exercise period shall start at the beginning of the period for exercising stock

acquisition rights specified in 5. above or the date on which the Organizational Restructuring takes effect, whichever is later, and end on the last day of the period for exercising stock acquisition rights specified in 5. above.

- (6) Increases in common stock and capital reserve for shares issued due to the exercise of stock acquisition rights

Determined according to 6. above.

- (7) Restrictions on the acquisition of stock acquisition rights due to transfer

Any acquisition of the stock acquisition rights by transfer requires the approval of the Restructured Company's Board of Directors.

- (8) Provisions for the acquisition of stock acquisition rights

Determined according to 8. above.

- (9) Other conditions for the exercise stock acquisition rights

Determined according to 11. below.

- 10 . Fractional shares arising from the exercise of stock acquisition rights

Fractions of shares to be granted to stock acquisition rights holders that have exercised stock acquisition rights shall be discarded .

- 11 . Other conditions for the exercise of a stock acquisition right

- (1) A stock acquisition holder may exercise the stock acquisition rights during the 10-year period starting on the day after losing the position (hereinafter "Start of Exercise Date") as either a Director or Executive Officers of the Company during the period in 5 above .

- (2) Regardless of (1) above , stock acquisition holder may exercise the stock acquisition rights in a cases specified in(a) and(b) below, so long as this is done within the period prescribed in each case . Provided, however, that (b) shall exclude cases where stock acquisition rights of Restructured Company are granted to stock acquisition rights holder in accordance with 9 . above .

- (a) In the event that the Start of Exercise Date has not occurred by December 13, 2038 :
December 14, 2038 to December 13, 2043

- (b) In the event that a General Meeting of Shareholders approves (or resolution of the Company's Board of Directors is passed where shareholder approval is not required for) the proposal for approval of a merger agreement under which the Company is to be dissolved, or the proposal for approval of a share exchange agreement or share transfer plan under which the Company is become a wholly owned subsidiary:

A period of 15 days beginning on the day following the particular approval date .

- (3) In the event that a stock acquisition holder relinquishes the stock acquisition rights, such stock acquisition rights cannot be exercised .
- (4) There can be no partial exercise of a stock acquisition right.
- (5) In the event that the stock option holder dies, the holder's successor may exercise the stock acquisition right.
- (6) The stock acquisition right may not be transferred to a third party, pledged or otherwise disposed of without the approval of the Board of Directors of the Company.
- (7) Other conditions shall be as prescribed in the "Agreement on Allotment of Stock Acquisition Rights "to be entered between the Company and recipients based on a resolution of a General Meeting of Shareholders of the Company and a resolution of the Board of Directors.

12. Amount to be paid upon exercise of a stock acquisition right

The amount to be paid upon exercise of each stock acquisition right: ¥521,000 (¥521 per share)

Further the amount to be paid shall be the option price per share calculated based on the following from (2) to (7) by Black-Scholes model below.

$$C = Se^{-qT} N(d) - Xe^{-rT} N(d - \sigma\sqrt{T})$$

Here,

$$d = \frac{\ln\left(\frac{S}{X}\right) + \left(r - q + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}}$$

- (1) Option price per share (C)
- (2) Share price (S): Closing Price of the common shares of the Company in regular transactions at the Tokyo Stock Exchange on November 27, 2013 (if there is no Closing Price, the basic price of the following trading day).
- (3) Exercise Price (X): ¥1
- (4) Expected remaining period (T): 15 years
- (5) Volatility of share price (σ): Volatility calculated on the basis of the Closing Price of the common share of the Company in regular transactions on trading days during the 15-year period from November 27, 1998 to November 27, 2013.
- (6) Risk-free interest rate (r): Interest rate of government bonds whose remaining years to maturity correspond to the expected remaining period
- (7) Dividend yield (q): Dividend per share (actual amount of the dividend paid in the past 12 months (interim and year end dividends FY2012))

(8) Cumulative distribution function of the standard normal distribution (N (.))

13. Allotment Date of Offered stock acquisition rights

December 13, 2013

14. Method for requesting exercise of and paying for stock acquisition rights

- (1) When exercising stock acquisition right, the stock acquisition rights holder shall complete the necessary items on the Form for Requesting the Exercise of the Stock Acquisition Rights, the style of which the Company will determine, and submit it to the place of exercise specified in 15. below after signing and affixing the registered seal.
- (2) When submitting the Form for Requesting the Exercise of Stock Acquisition Rights in(1), the stock acquisition rights holder should also transfer cash, in the amount of the total amount calculated by multiplying the amount to be invested upon exercise of each stock acquisition right by the number of stock acquisition rights to which the exercise relates (hereinafter "Payment Amount"), to the bank account designated by the Company (hereinafter "Designated Bank Account") as the paying agent specified in 16. below by the time and date specified by the Company.

15. Section to receive requests for exercise thereof

Personnel Department of the Company (or any other section in charge of the relevant affairs from time to time)

16. Payment location upon exercise of the stock acquisition rights

Mitsubishi UFJ Trust and Banking Corporation, Head Office (or its successor, if any).

17. Date the exercise of stock acquisition rights becomes effective

- (1) The exercise of the stock acquisition rights shall become effective on the date written on the Form for Requesting the Exercise of Stock Acquisition Rights in 14.(1) above. Provided, however, that when the Form for Requesting the Exercise of Stock Acquisition Rights is received at the place of exercise and/or the payment amount specified in 14.(2) above is received at the paying agent and deposited into the designated bank account later than the date written on the Form for Requesting the Exercise of Stock Acquisition Rights, the exercise of stock acquisition rights shall be effective when the Form for Requesting the Exercise of Stock Acquisition Rights is received at the paying agent and the payment amount is deposited into the designated bank account.
- (2) The Company shall perform necessary procedures to list or register the stocks that stock acquisition rights holders are to acquire upon exercise of stock acquisition rights, to the account of the stock acquisition rights holder's name, which stock acquisition rights holder opens in institutions including financial products trader that the Company has designated.

18. Change to these provisions and other matters

When it is necessary to reword these provisions or take other related measures, the Company may make change to these provisions using a method it deems appropriate with regards to the handling of such matters, according to the regulations of the Corporate Law and intent of the stock acquisition rights. Such changes shall be considered as part of these provisions.

19. Announcement of issue terms

The Company shall place a copy of the issue terms of stock acquisition rights at the head office of the Company and permit viewing of the stock acquisition rights holders during the its business hours.

20. All other matters relating to these stock acquisition rights shall be left to the discretion of the representative directors.

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