

**FOR IMMEDIATE RELEASE**

## **Mitsubishi Heavy Industries and Hitachi Reach a Basic Agreement on Business Integration in the Thermal Power Generation Systems Field**

**Tokyo, November 29, 2012** --- Mitsubishi Heavy Industries, Ltd. (TSE: 7011, “MHI”) and Hitachi, Ltd. (TSE: 6501, “Hitachi”) today announced that the two companies have reached a basic agreement, through the resolution of the board of directors of both companies, on integrating businesses in fields centered on thermal power generation systems and jointly managing these operations.

The two companies plan to integrate this business by consolidating their respective operations centered on thermal power generation systems within a joint venture company by January 1, 2014. MHI and Hitachi will take equity interests of 65% and 35%, respectively, in the joint venture company.

The global market has continued to expand, driven by the growth engines of China and other emerging countries. Heightened environmental awareness around the world has presented a major opportunity for MHI and Hitachi to expand businesses where they both excel—businesses that solve global energy and environmental issues at the same time. These sources of buoyant demand require that companies 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 “Contribute 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; the collaboration in the overseas railway systems business; and the 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 the extensive partnership, the two companies have reached a basic agreement on 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. The two companies aim to expand this business by swiftly reaping integration benefits. This will be done by consolidating their respective businesses centered on thermal power generation systems within a joint venture company by January 1, 2014. MHI and Hitachi will take equity interests of 65% and 35%, respectively, in the joint venture company. Furthermore, the integration process will see the two companies rapidly co-organize an Integration Preparation Committee, with the view to cooperating on promoting the work needed to achieve the integration.

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 partners will strive to leverage the complementary strengths of both companies. 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 develop a stable and efficient management base for the new company, while accelerating global business expansion by pursuing synergies through business integration. At the same time, the two companies will make the most of their collective capabilities, along with synergies and complementary strengths in technologies and product businesses. In this process, both companies aim to establish a leading global company in the thermal power generation systems field.

Further details, including an outline of the new company, will be announced as soon as they are determined.

## Overview of the business integration

### (1) Scope of the business integration

The combined sales of both companies related businesses of the most recent fiscal year is approximately 1,100 billion yen. Businesses to be integrated are as follows.

- Thermal power generation system businesses (gas turbines, steam turbines, boilers, generators, etc.)
- Geothermal power system business
- Environmental equipment
- Fuel cells business
- Other related business

Certain subsidiaries and equity method affiliates engaging in these businesses will be subject to the integration.

### (2) Measure of integration

Businesses subject to the integration will be transferred to a joint venture company by way of company split and other method. Details of the integration will be determined after the consultation between MHI and Hitachi by the execution of the final agreement on the integration.

### (3) Overview of the parties of the integration

① Company name	Mitsubishi Heavy Industries, Ltd.	Hitachi, Ltd.
② Business	Engineering, manufacture and sale of ships, power systems, environmental improvement equipment, industrial machinery, aircraft, space systems, air-conditioner, etc.	Development, manufacture and sale of products and providing services across 10 segment: 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
③ Establishment	January 11, 1950	February 1, 1920

④ Head Office	16-5, Konan 2-chome, Minato-ku, Tokyo	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
⑤ Name and title of Representative	Hideaki Omiya, President and CEO	Hiroaki Nakanishi, President
⑥ Capital (as of September 30, 2012)	265,608 million yen	439,262 million yen
⑦ Number of total issued shares (as of September 30, 2012)	3,373,647,813 shares	4,710,258,483 shares
⑧ Total equity (as of September 30, 2012)	1,298,071 million yen	2,798,928 million yen
⑨ Total Assets (as of September 30, 2012)	3,896,221 million yen	9,159,801 million yen
⑩ Fiscal year end	March	March
⑪ Major shareholders and shareholding ratio (as of September 30, 2012)	<ul style="list-style-type: none"> <li>• Japan Trustee Services Bank, Ltd. (Trust Account) 5.37%</li> <li>• The Master Trust Bank of Japan, Ltd. (Trust Account) 5.02%</li> <li>• The Nomura Trust and Banking Co., Ltd. (Retirement Allowance Trust, The Bank of Tokyo-Mitsubishi UFJ, Ltd.) 3.72%</li> <li>• SSBT D05 OMNIBUS ACCOUNT – TREATY CLIENTS 2.46%</li> <li>• Meiji Yasuda Life Insurance Company 2.37%</li> </ul>	<ul style="list-style-type: none"> <li>• The Master Trust Bank of Japan, Ltd. (Trust Account) 6.86%</li> <li>• Japan Trustee Services Bank, Ltd. (Trust Account) 6.42%</li> <li>• SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS 2.77%</li> <li>• Hitachi Employees' Shareholding Association 2.63%</li> <li>• State Street Bank and Trust Company 505224 2.44%</li> </ul>

#### (4) Overview of the joint venture company

MHI and Hitachi will have equity interests of 65% and 35%, respectively, in the joint venture company. Calculation of the equity interest ratio will be examined through the planned due diligence, etc. Other details of the joint venture company will be announced as soon as determined.

#### (5) Schedule

November 29, 2012	Execution of basic agreement
Late April, 2013 (Tentative)	Execution of final agreement
January 1, 2014 (Tentative)	Closing

The business reorganization relating to the integration may be subject to the approval by the shareholders meeting of the MHI. In such case, MHI board will propose necessary items to its annual shareholders meeting to be held in late June, 2013.

### 3. Outlook

The impact of the business integration on the business results of MHI and Hitachi will be announced when it becomes clear.

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Information contained in this news release is current as of the date of the press announcement, but may be subject to change without prior notice.

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