

Machinery & Steel Infrastructure Systems Business Operation

June 1, 2011

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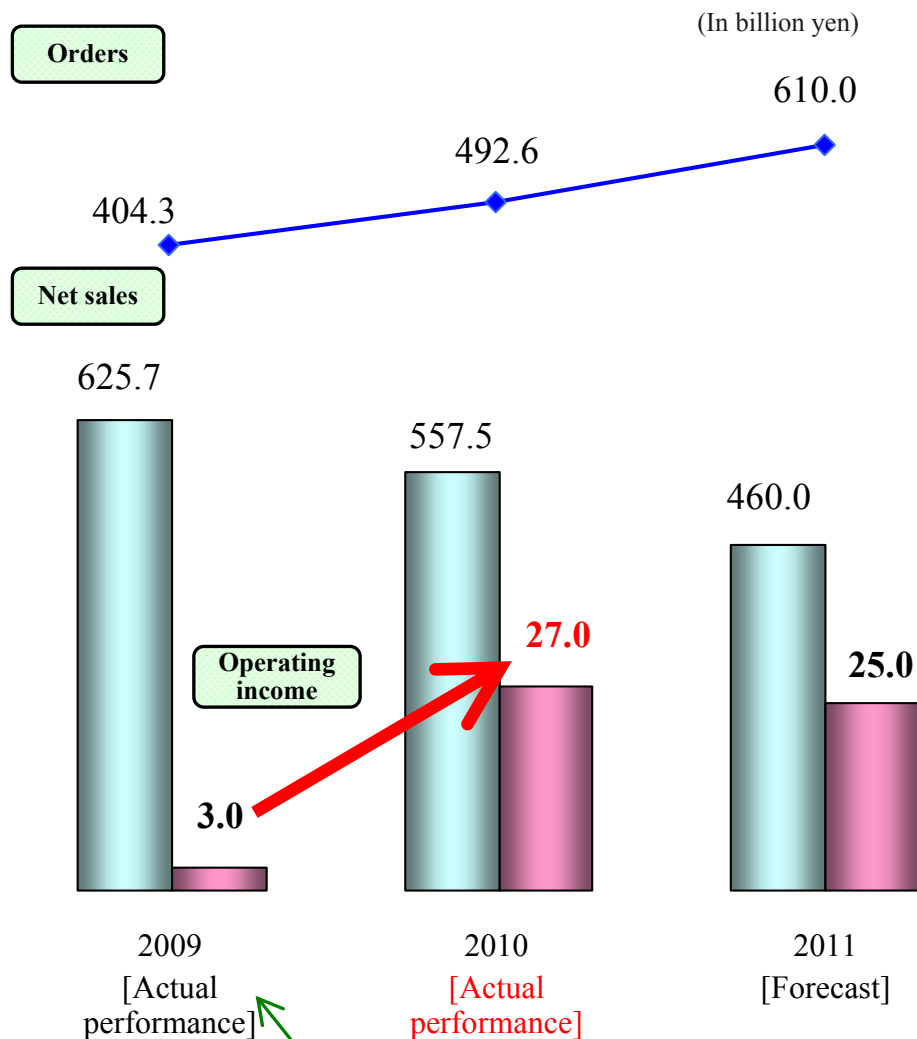
Machinery & Steel Infrastructure Systems

 **MITSUBISHI HEAVY INDUSTRIES, LTD.**

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1. Summarizing the FY 2010 Initiatives



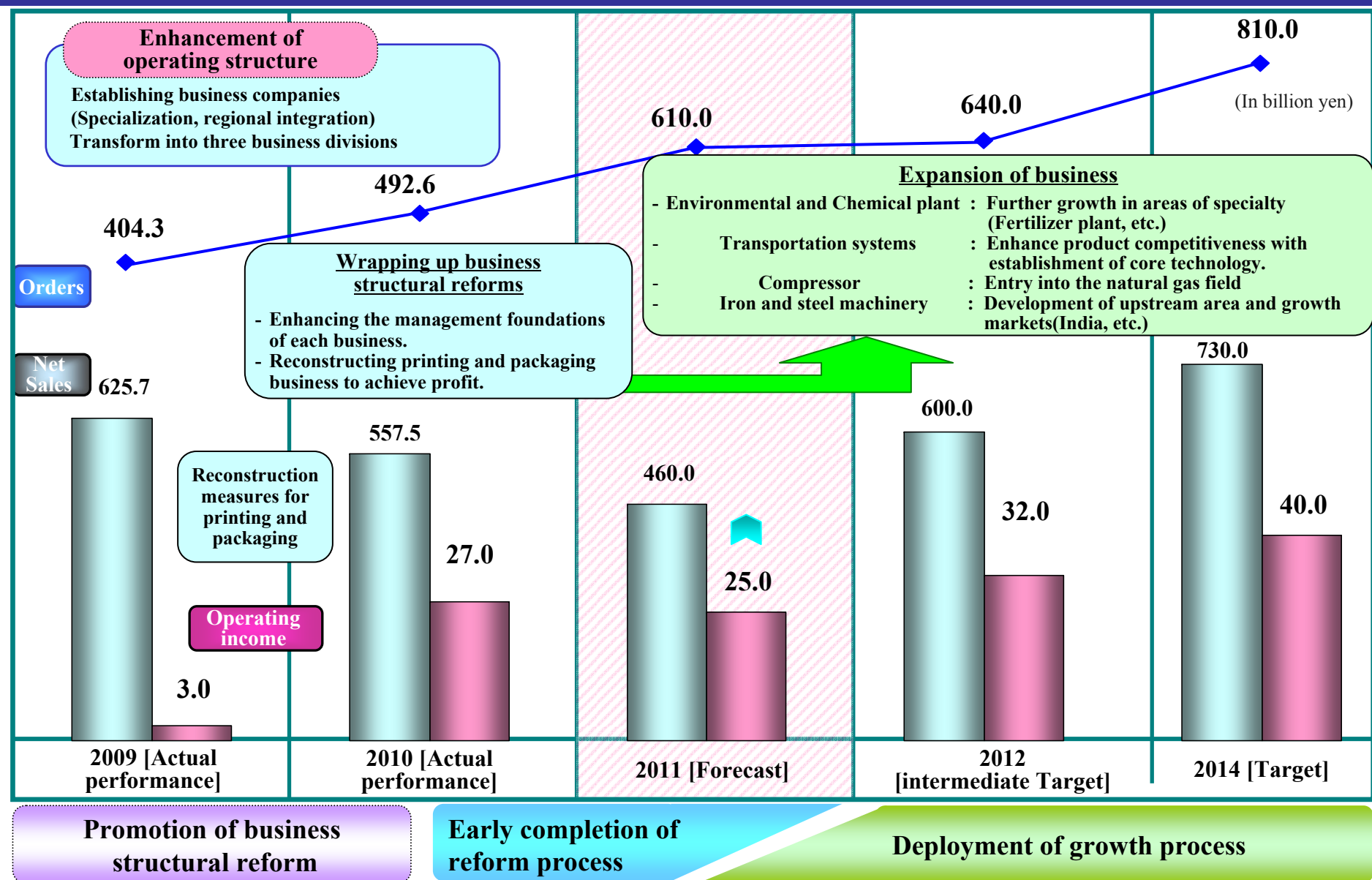
- Orders** - Orders received for large scale overseas fertilizer plants and transportation systems, exceeding the year-ago level.
- Net sales** - Net sales were below the year-ago level, given a decrease in iron and steel machinery and transportation systems.
- Operating income** - Operating income rose markedly from the previous year, supported by improved profitability at overseas plants and business restructuring.

- Achievements**
 1. Enhanced profitability through business structure reform.
 2. Printing and packaging business were reconstructed. Expected to achieve profit from this fiscal term.
 3. Upgrade the foundations for global deployment. (Maintain overseas bases for the Environmental and Chemical plant, and Tire machinery.)

- Challenges**
 1. Quick recovery in orders
 2. Upgrade responsiveness for deployment into India and Brazil.

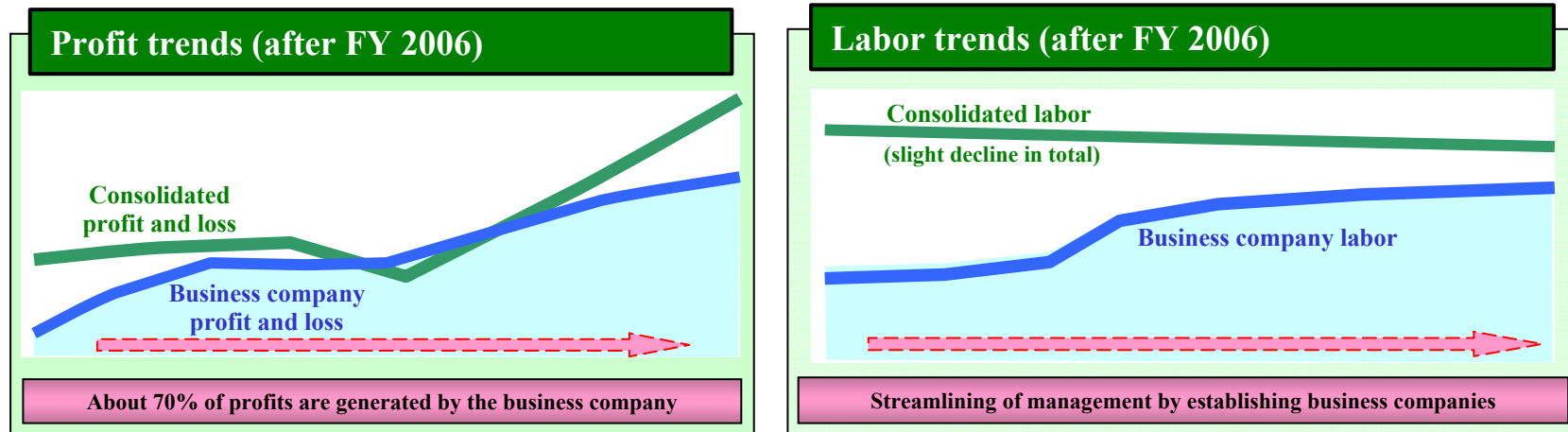
Figures shown are the total of former Machinery & Steel Structure, former Printing and Packaging and former Industrial Machinery.

2. Initiatives from FY2011 Onwards

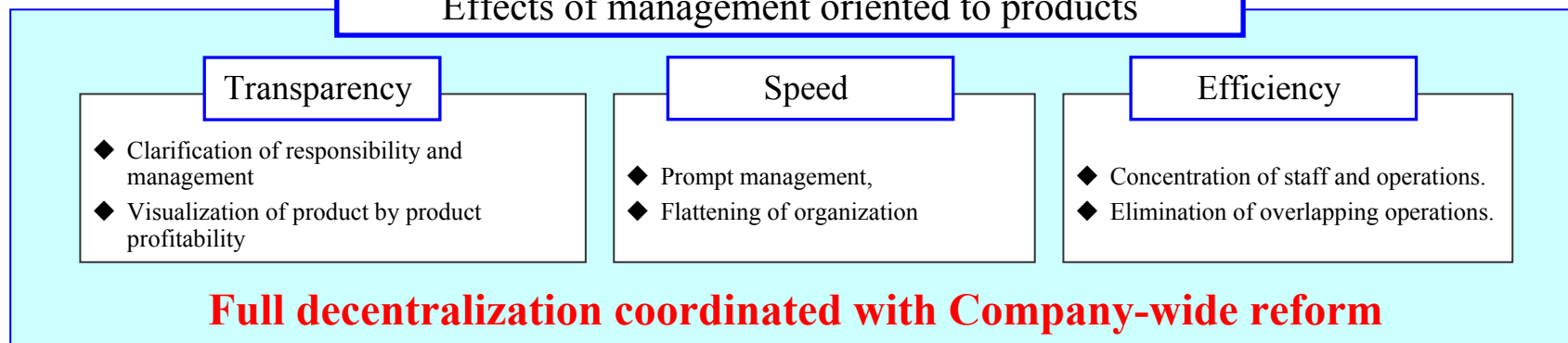


3. Progress with Business Structural Reform

(1) Enhancement of business operation structure



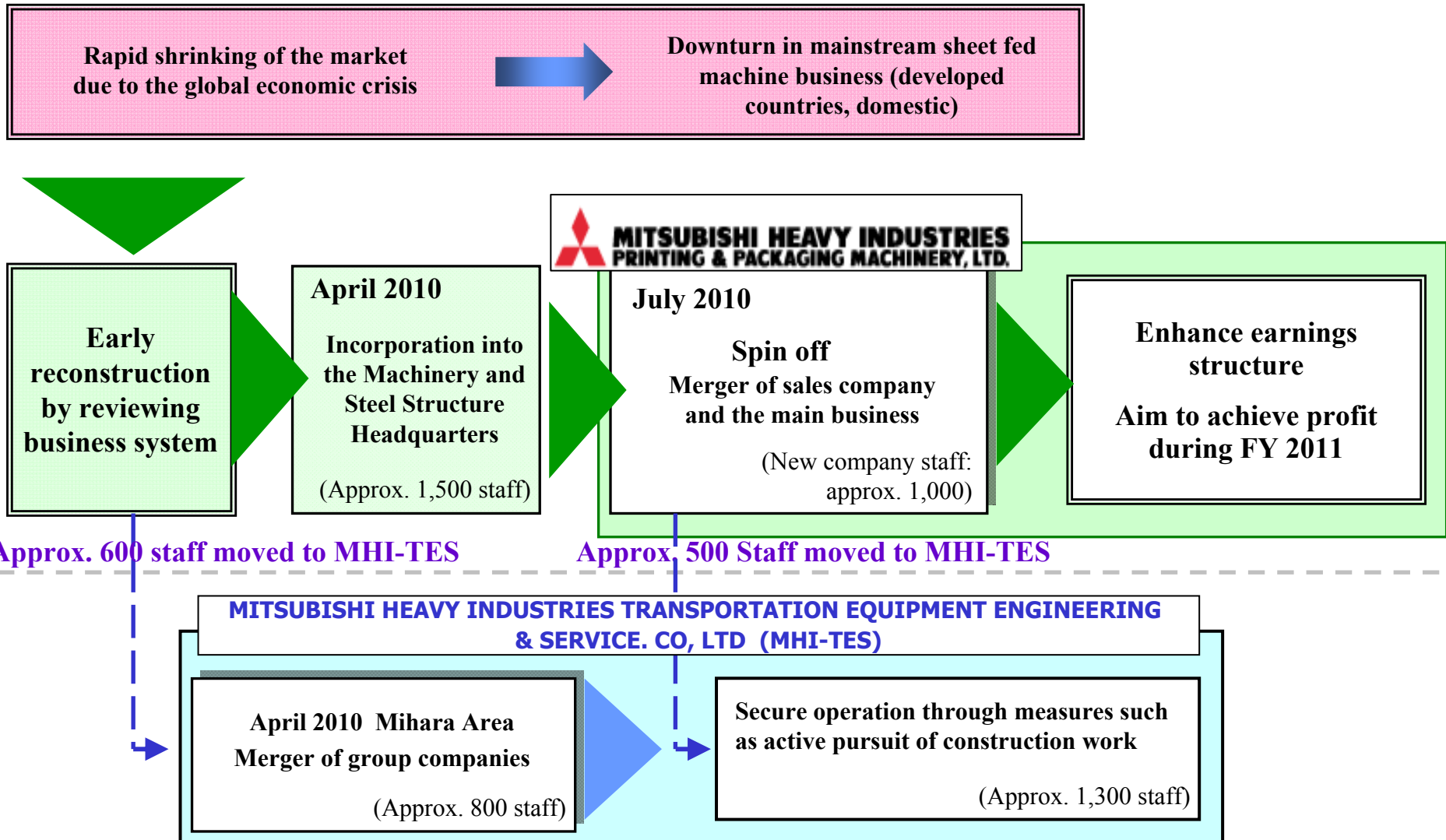
Effects of management oriented to products



Be able to handle a 700 billion yen business with the current workforce, by streamlining management and continuing to hold down fixed costs

3. Progress with Business Structural Reform

(2) Reconstruction of printing and packaging business



4. Future Growth Strategies

(1) Business model

◆ Accelerate deployment into emerging countries

⇒ Establish localized organizations.
Collaborate with major local partners.



◆ Deploy into upstream and downstream business

⇒ Early commercialization through relevant R&D and stepped-up capital investment.



◆ Expand into the service and solution businesses

⇒ Enhancing customer response capabilities in cooperation with Corporate (Global Strategic Planning & Operations Headquarters, Sustainability Energy & Environment Strategic Planning Department)

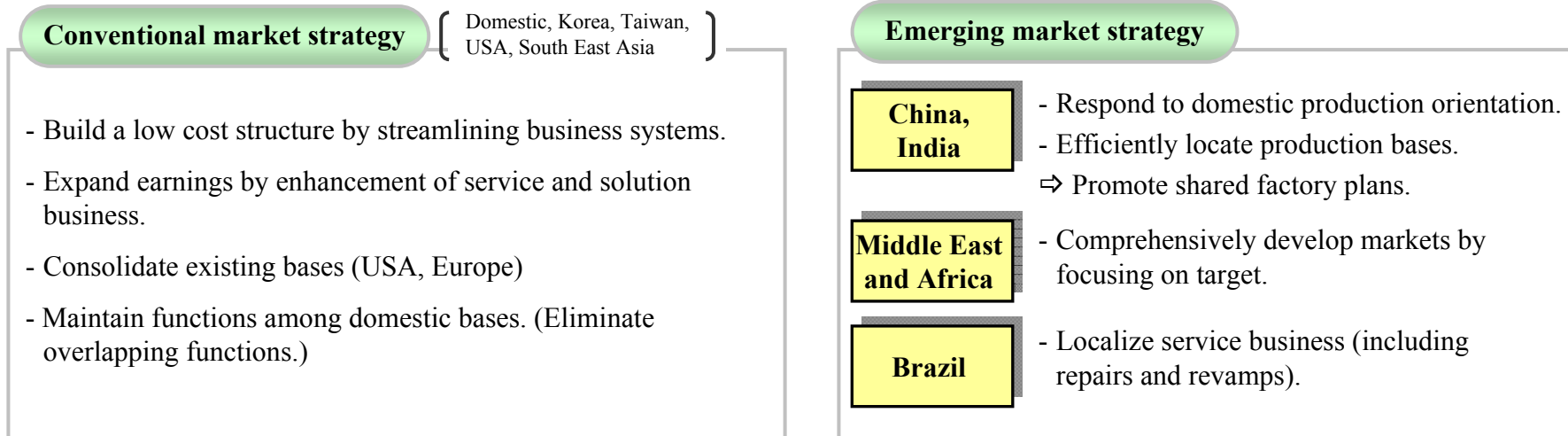


Expand our earnings structure and growth potential through structural and business model reform.

4. Future Growth Strategies

(2) Global deployment

(i) Enhancement of regional strategy



Enhancing regional strategy in collaboration with Global Strategic Planning & Operations Headquarters

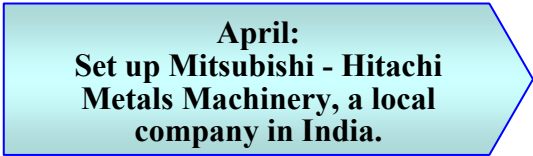
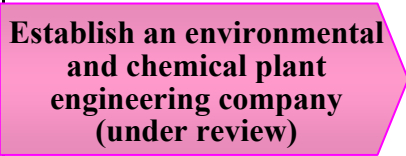
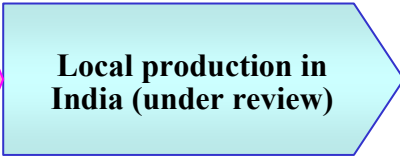

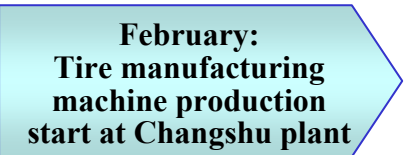
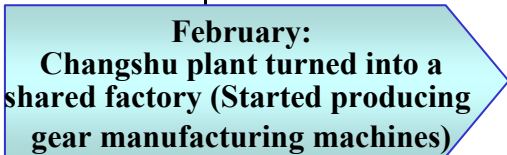
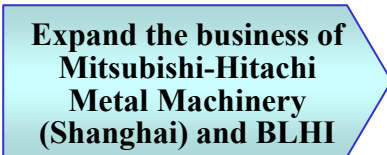


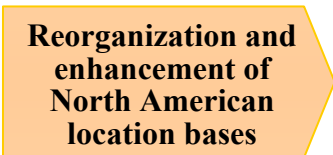
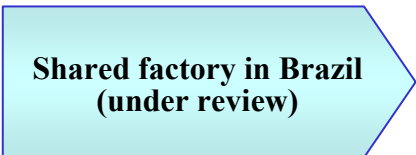
Transportation system	South East Asia: Continue obtaining orders for large scale EPC projects.	Middle East: Move into UAE market.
Environmental and chemical plant:	South East Asia: Enhance customer response capabilities.	India: Enhance sales power.
Compressor	Middle east: Enhance after-sales service.	Brazil: Boost local production (shared factory).
Iron and Steel machinery	India: Enhance collaboration with local manufacturers.	China: Expand business with local joint venture.
Other	China: Promote Changshu shared factory.	North America: Enhance and reorganize bases.

4. Future Growth Strategies

(2) Global deployment

(ii) FY 2010 approach and FY 2011 plans

 : Environment, chemical plant related  : Machinery related  : Other

	FY 2010 (Actual performance)	FY 2011 and onwards (Scheduled)
India	 <p>April: Set up Mitsubishi - Hitachi Metals Machinery, a local company in India.</p>	 <p>Establish an environmental and chemical plant engineering company (under review)</p>  <p>Local production in India (under review)</p>
South East Asia	 <p>October: Set up business company in Singapore (MIES※).</p>	
China	 <p>February: Tire manufacturing machine production start at Changshu plant</p>	 <p>February: Changshu plant turned into a shared factory (Started producing gear manufacturing machines)</p>  <p>Expand the business of Mitsubishi-Hitachi Metal Machinery (Shanghai) and BLHI</p>
Middle East	 <p>April: MHI Abu Dhabi Office established</p>	 <p>May: MCO Saudi Arabia LLC (MCOSA) established</p>
North & South America		 <p>Reorganization and enhancement of North American location bases</p>  <p>Shared factory in Brazil (under review)</p>

※MIES: MHI INDUSTRIAL ENGINEERING & SERVICES PRIVATE LTD.

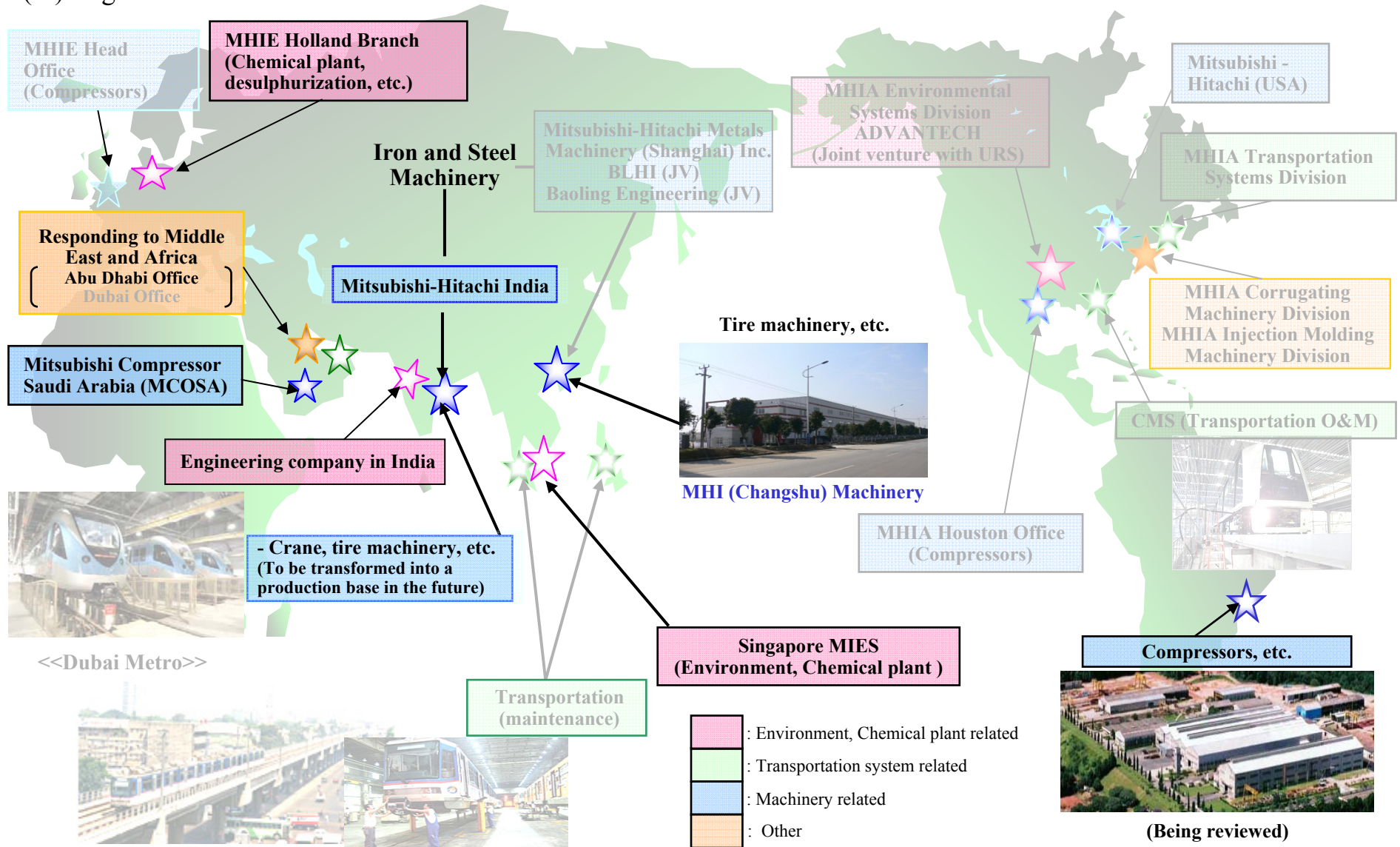
Concentrate on developing overseas markets with a focus on emerging countries.

4. Future Growth Strategies

(2) Global deployment

(iii) Regional bases

* Semi-transparent images indicate local bases established prior to FY 2010.



4. Future Growth Strategies

(3) Deployment status of shared factories

Deployment model case in China

MHI (Changshu) Machinery Co., Ltd

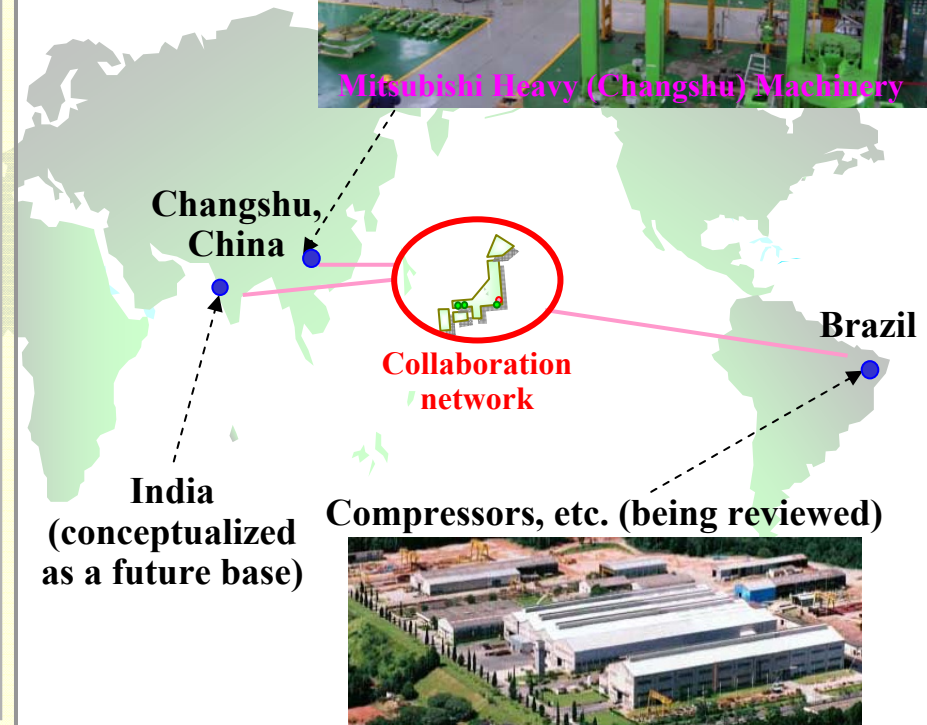
- ◆ Feb. 2010. Started production of tire machinery.
- ◆ Shared production of tire machinery and gear manufacturing machinery.
(Expansion in Feb. 2011, Started production of machine tools in March)
- ◆ Number of employees: Currently, approx. 100
- ◆ Manufactured about 40 units of tire manufacturing machines in FY 2010.
⇒ Plan for annual production of 240 units (20 units / month) in future.

Results after establishment

- Sharing of plant management staff.
- Immediate start up of gear manufacturing machine ⇒ Delivery of 1st unit

**Efficient operation processing through integration of organization
Success in promotion of production management technology using IT**

Deployment of experience gained at Changshu to other regions



4. Future Growth Strategies

(4) Growth strategies for major businesses

(i) Transportation systems

Business environment and recent status of orders received

◆ Transportation system:

Order received for Macau LRT and others. Production of 218 units of APM vehicles from now.

* Major orders received for FY 2010:

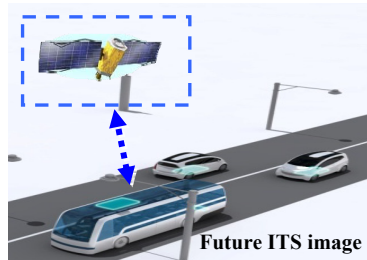
- Macau LRT (EPC, production of 110 cars): (March, 2011)
- Yurikamome (Production of 108 cars): (June 2010)



(Yurikamome: Start of design and manufacture at Mihara Works)

◆ ITS (Automobiles):

Although the domestic market size is not growing, introduction of ETC and ERP* are being planned in India and other Asian countries.



* ERP: Electronic Road Pricing

Approaches for growth

◆ Extension into the solution business

- Promote business coordinating with the Sustainability Energy & Environment Strategic Planning Department.
- Controlling ITS team, use of integration capability
 - ⇒ Comprehensive plan for environmental city (smart community) etc.
 - Entry into upstream business



Image of smart community

Total project plan coordination for an environmental city.



Fusion of transportation and energy infrastructure

◆ Accelerate deployment into emerging countries

- Work with Hitachi on overseas urban projects
 - ⇒ Fusing the system coordination capability of MHI with the railroad vehicle technology of Hitachi.
 - ⇒ Basic agreement in June, 2010. Concentrating on obtaining first joint order.

(Press release concerning joint work issued in June 2010)



4. Future Growth Strategies

(4) Growth strategies for major businesses

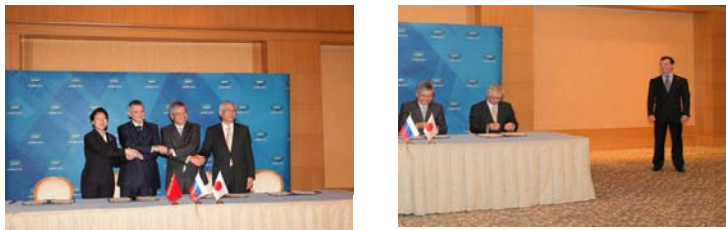
(ii) Environmental and chemical plant

Business environment and recent status of orders received

◆ Fertilizer plant:

After the Lehman shock, there is a tendency to postpone projects, however, growth is expected in the mid to long term.

- * Major orders received in FY 2010:
Fertilizer plant in Tatarstan, Russia. (November 2010)



(Contract signing ceremony held on November 13, 2010)

◆ CO₂ Capture:

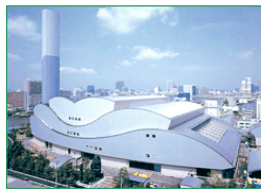
Currently hold approx. 50% of the world share, securing the No. 1 position in the industry. Going forward, CCS verification projects touched off by COP 16, etc. are expected.

- * A 500 ton/day, coal-fed exhaust gas CO₂ capture verification plant is currently under construction jointly with the Southern Company of USA.
⇒ Start-up scheduled for June.

◆ Waste treatment:

There is demand for renewal.

- * Major orders received in FY 2010:
- Waste treatment plant for Aomori City (April 2011)



Approaches for growth

◆ Extension into the service business

- Upgrading of customer response capability with the establishment of MIES (Singapore). (September 2010, etc.)
⇒ Expansion of revamp and after the sales business.

◆ Accelerate deployment into emerging countries

- Establishment of European location base (Amsterdam). (June 2010)
⇒ Base for development of Middle East and African markets.
- Establishment of an engineering company in India under review.
⇒ Upgrading of sales force based in the region.



Expansion of business domain with further globalization

4. Future Growth Strategies

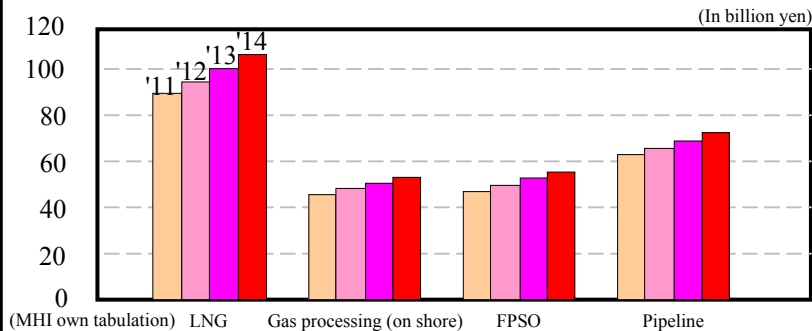
(4) Growth strategies for major businesses

(iii) Compressors

Business environment and recent status of orders received

[Market size] Current: 600 billion yen,
Mid to long term: 700 to 900 billion yen
- Recovery from temporary drop, expansion in mid to long term.
⇒ Demand in LNG (Liquefied Natural Gas) field is especially noticeable.

Forecast for new demand in compressors (Gas area) 2011 - 2014



[Competition] No. 6 in market share (8%)
- Oligopoly with the top 6 companies taking 92%

[Operating environment for customers]
- Earnings power improved with rise in crude oil prices.
Investment motivation is strong.



Compressor for LNG

Approaches for growth

◆ Active deployment into upstream business

- **Response to natural gas market**
- Enhance the structure in line with future deployment in the LNG field, including local production.



Compressors for floating LNG plant

Expand into the growing natural gas area.

◆ Accelerate deployment into emerging countries, and expand the service business.

Brazil: Develop the market in the energy resources field
⇒ Review the local production (shared factory) system (response to Pre-salt development)

Middle East (Saudi Arabia):
Expand the service business foundations in Middle East
⇒ Established a local company in Saudi Arabia (May, 2011)

Aim for a global top 3 position with the expansion of business area and creation of business companies.

4. Future Growth Strategies

(4) Growth strategies for major businesses

(iv) Iron and steel machinery

Business environment and recent status of orders received

[Market size] Current: JPY 300 billion,
Mid to long term: JPY 400 - 500 billion
- About half of the peak but expansion expected for mid to long term.

[Competition] No. 2 in market share (18%)
- The top 4 companies account for about 80% of the market, but price competition expected to increase with participation of Chinese manufacturers.

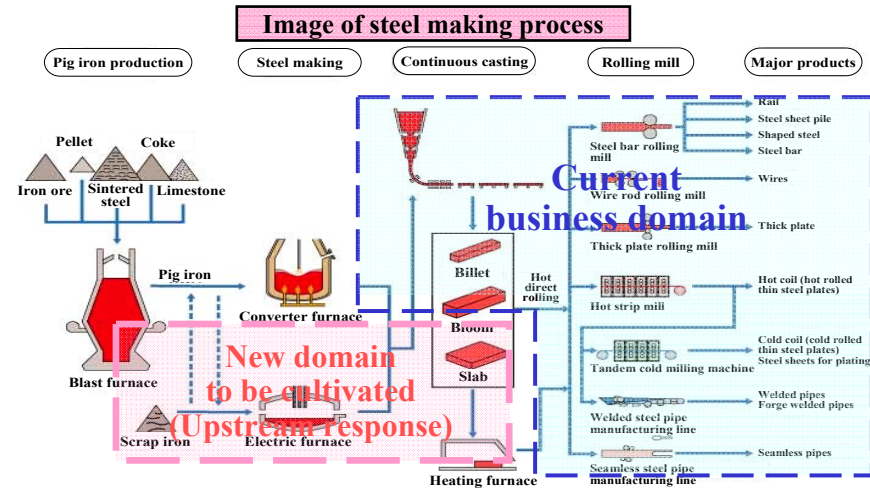
Iron & steel machinery: MHI share by product

[Operating environment for customers]

- Needs for increase in steel production in emerging countries.
⇒ Upswing in facility investment business negotiations

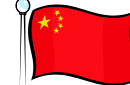
Approaches for growth

- ◆ **Active deployment into upstream business**
- Development, etc. for electric furnace and continuous casting machines (Upstream response)



- ◆ **Accelerate deployment into emerging countries**

China: With BLHI※ at its core, enhance cost competitiveness



(※BLHI: Changzhou Baoling Heavy & Industrial Machinery Co., Ltd)

India: Established a local company, strengthening ties with local manufacturer



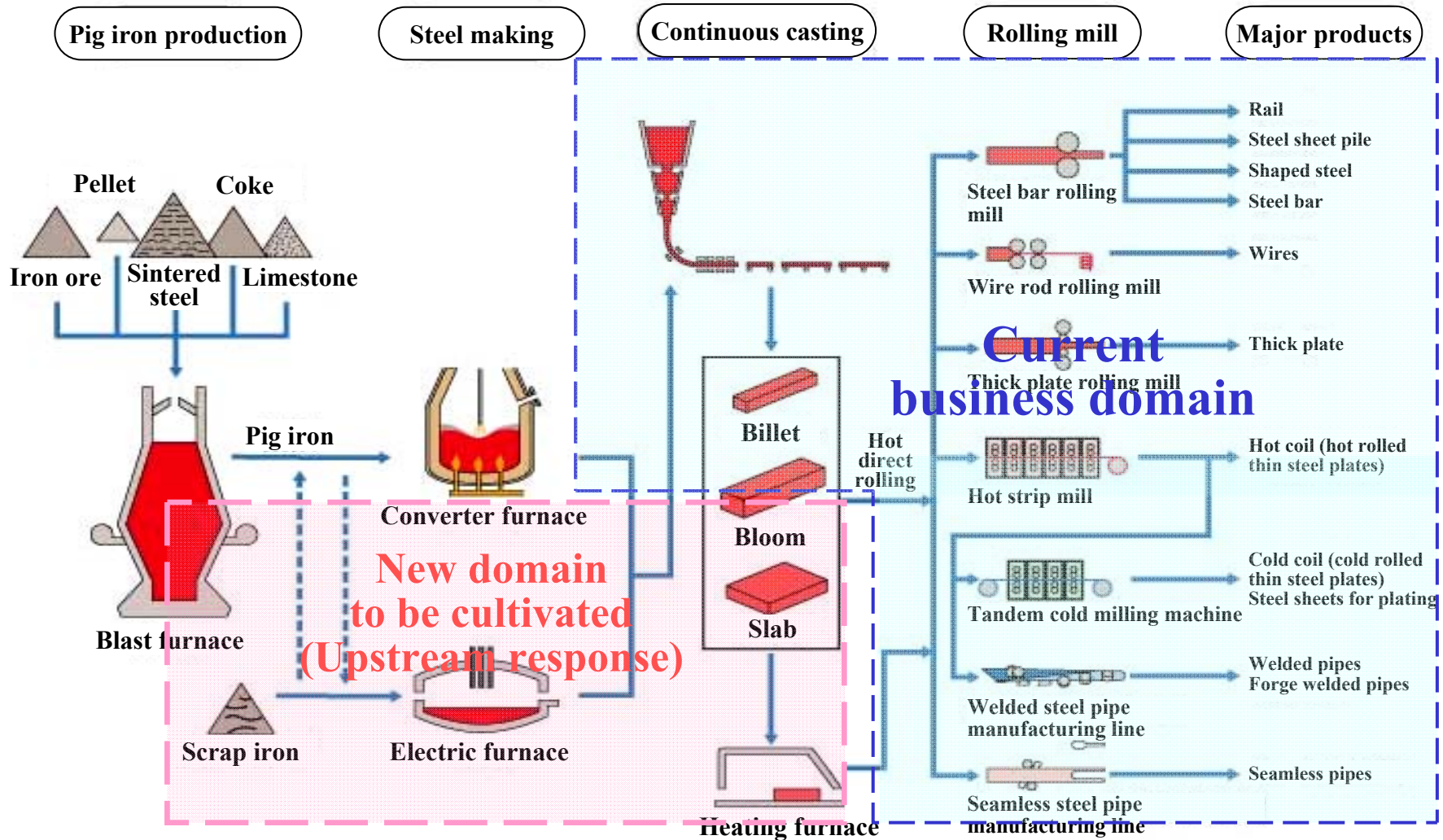
Brazil: Local production utilizing shared factory under review



4. Future Growth Strategies

(4) Growth strategies for major businesses

- Image of steelmaking process - Active move into upstream business -



5. Effects of the Great East Japan Earthquake

Effects of the Earthquake on Machinery & Steel Infrastructure Systems Division

◆ Damage: Summary

- In the factories and delivered products related to the Machinery and Steel Structures Business Division, **there is no damage with significant implications for profitability.**

◆ Product groups directly affected

- There are **direct effects for bridges and steel structures, or environment facilities, where domestic demand is high**
Numerous plans for inspection, recovery, and reinforcement work ⇔ Expect cancellation and postponement of new projects.

◆ Major recovery efforts

Environmental facilities (Waste treatment)	Damage at six waste treatment facilities in Tohoku area (Miyagi Prefecture) but with the dispatch of support teams, four locations have reopened.
bridges	Request for survey and inspection from local governments in Tohoku and Kanto areas. About 100 bridges have been inspected between March and April
Gas holder	Gas holder in Ibaraki prefecture (by MHI) destroyed by fire. Repair work started from April.

◆ Medium- to long-term concerns

- Effects of a slowdown in economic activities from the quake (reduced capital investment, market shrinkage, etc.)

◆ Effects on overseas business

- In some cases, customers have taken a wait-and-see attitude in overseas projects, citing the earthquake and nuclear facility accident. Visiting overseas customers and explaining there are no effects from the earthquake.

6. Summary

Achieve both
high profitability structure
and **global growth** through
reform and growth process

FY 2014 target
Orders received: 810 billion yen
Net sales: 730 billion yen
Operating income: 40 billion yen
Full speed ahead to
achieve the targets

Achieving a highly profitable
corporate culture

Global growth

Wrapping up
decentralization

- ◆ Enhancing business operational systems
- ◆ Reconstruction of printing and paper converting machinery business

Streamlining
management and
suppress fix costs.

Reform process

Enhancement of
regional strategy

- ◆ Accelerate emerging country deployment
- ◆ Maintain overseas bases



Reform of business model

- ◆ Active deployment into upstream and downstream business



- ◆ Extension of solution service



Growth process



Our Technologies, Your Tomorrow

Forecasts regarding future performance in these materials are based on judgment made in accordance with information available at the time this presentation was prepared. As such, those projections involve risks and insecurity. For this reason, investors are recommended not to depend solely on these projections for making investment decision. It is possible that actual results may change significantly from these projections for a number of factors. Such factors include, but are not limited to, economic trends affecting the Company's operating environment, currency movement of the yen value to the U.S. dollar and other foreign currencies, and trends of stock markets in Japan.