

# Special Measures for FY2009

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# 1. Overview of FY2008 Performance

## First half

As the global economy, especially emerging economies, was solid, the Company achieved overall increases in both sales and profit.

### Progressed in line with the 2008 Business Plan

- Posted record sales in the first half (with overseas sales accounting for 51%).
- Focused on energy and environment-related operations using the overall strength of the Group (Established an Energy and Environment Business Strategy Office).
- Standardization/commoditization reform (MD Project) is underway in 70% of all products.

## Second half

With the global slowdown, sales of the Mass and Medium-Lot Manufactured Machinery business plummeted. With the sharp appreciation of the yen, profit declined.

### Took emergency steps to improve earnings.

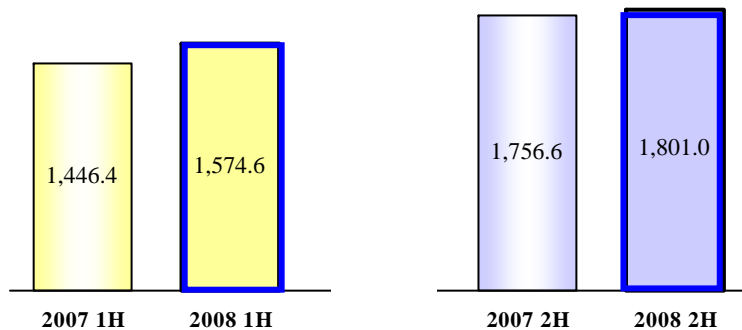
(December 2008)

- Suspended some lines of the Mass and Medium-Lot Manufactured Machinery business.
- Redeployed human resources to the Ordered Goods business.
- Expanded service engineering work.

Achieved operating income of over ¥100.0 billion.

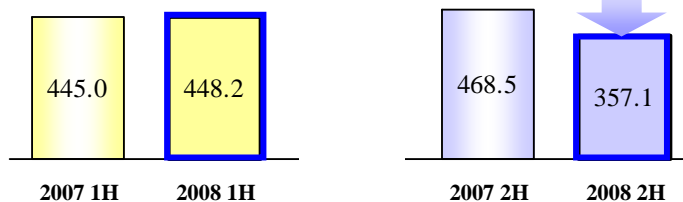
## Net sales

(In billion yen)



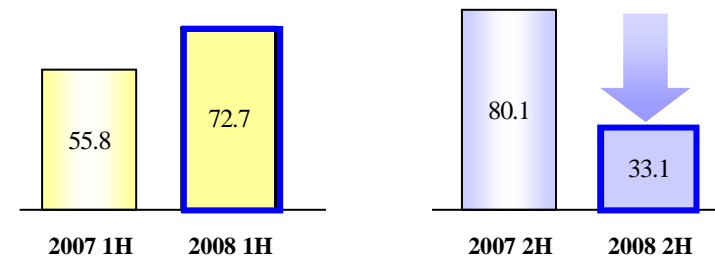
(Of the total) Figures in Mass and Medium-Lot Manufactured Machinery

(In billion yen)



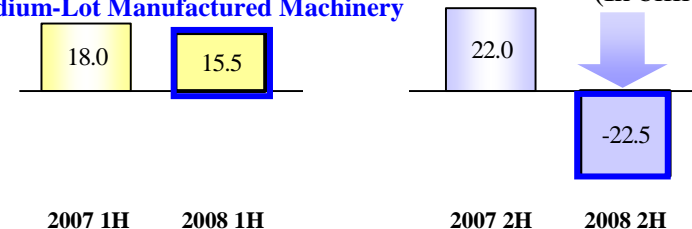
## Operating income

(In billion yen)



(Of the total) Figures in Mass and Medium-Lot Manufactured Machinery

(In billion yen)



## 2. Recent Business Situation by Segment

### Shipbuilding & Ocean Development

- New negotiations over commercial vessels were sluggish. We actively responded to demand for vessels for government and other public offices.

### Power Systems

- Plant negotiations were postponed or suspended because of difficulties raising funds.
- We hope that demand will increase, reflecting an electricity shortage in emerging countries and global action to reduce CO<sub>2</sub>.

### Machinery & Steel Structures

- We expect firm demand for fertilizer plants in response to the breadbasket issue and for methanol plants using natural gas.
- We hope that the railroad business will expand with economic stimulus measures.
- We are looking for a recovery in demand for metals machinery in emerging economies.

### Aerospace

- Demand for commercial aircraft slowed temporarily as airlines faced worsening business conditions.
- We started mass producing Boeing 787s (new model). (For reference: 886 B787s (Boeing) at the end of March)

### Mass and Medium-Lot Manufactured Machinery

#### □ GM & SV :

Physical distribution equipment and engines: Global demand continued to fall. We are looking for a recovery in demand in China and India with economic stimulus measures.

Turbochargers: Demand continued to decline with the production cuts made by automakers.

#### □ Air-Con :

Residential air conditioners and air conditioners for buildings: The important European market continued to slow.

Automotive thermal system: Auto manufacturers in Japan and the United States, our major customers, continued to slash production.

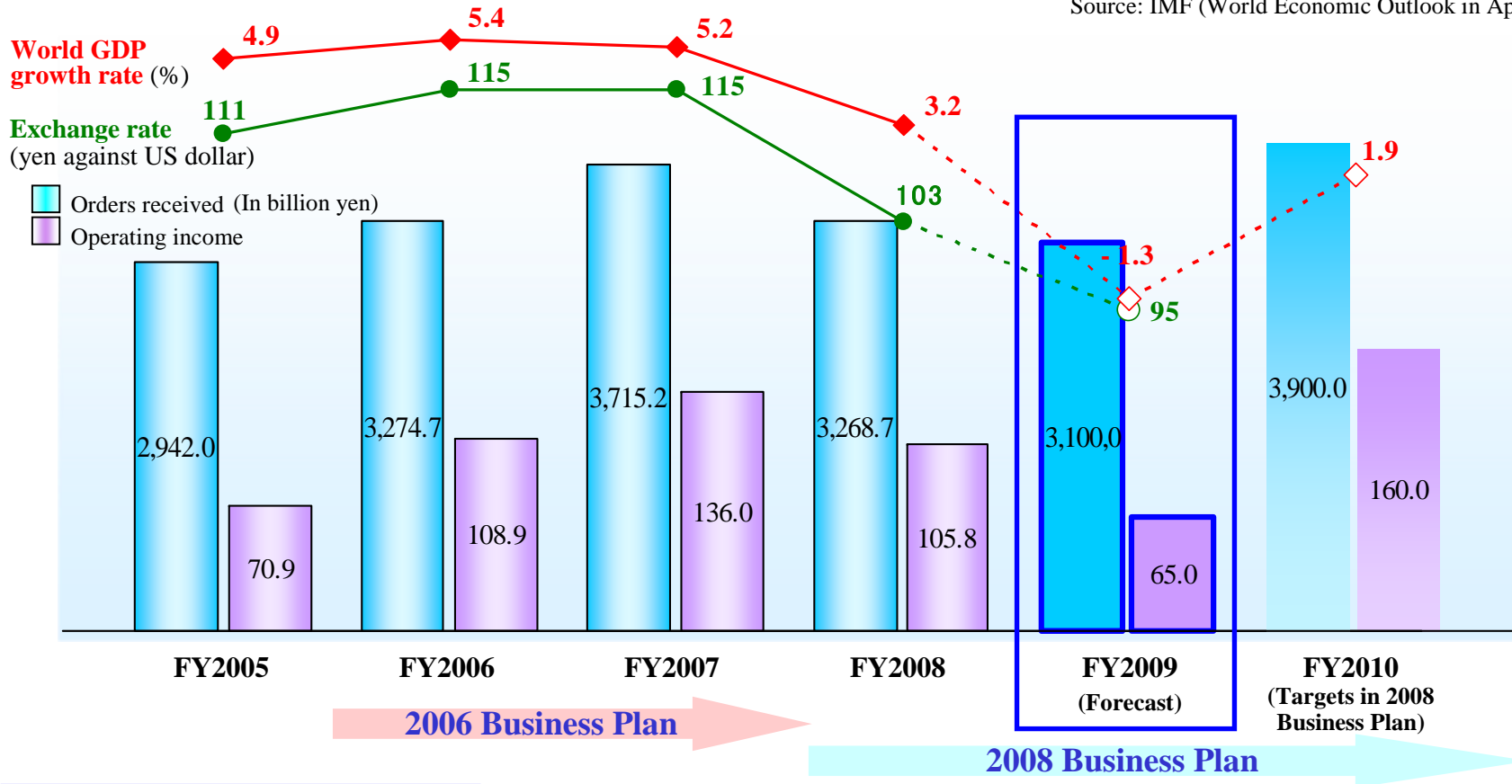
#### □ Industrial Machinery :

- Demand for printing machinery continued to fall, reflecting the economic downturn.
- Gear machines for automobiles slowed. Negotiations over large machines are moving in China.

# 3. Outlook for FY2009 Performance and Emergency Plan

The business environment will remain difficult in FY2009.

Source: IMF (World Economic Outlook in April 2009)



- ❑ Demand is continuing to decline with the global economic slowdown.
- ❑ The yen remains strong.

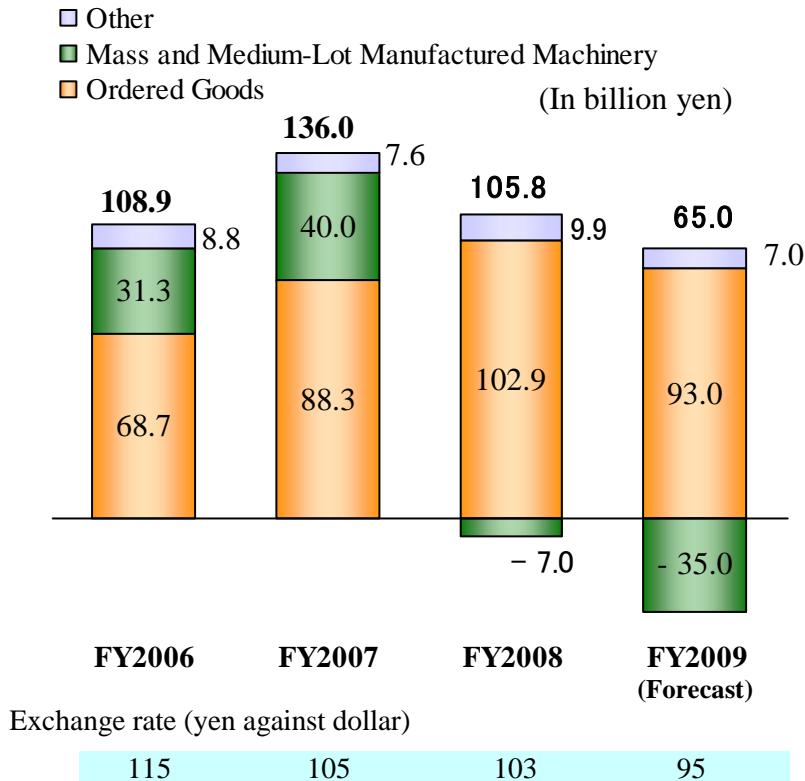
- ❑ We have frozen targets (for FY2010) in the 2008 Business Plan.
- ❑ To secure a profit in FY2009 and FY2010, we will launch a Company-wide emergency plan named "Challenge 09"

# 4. Outlook for FY2009 Performance (1)

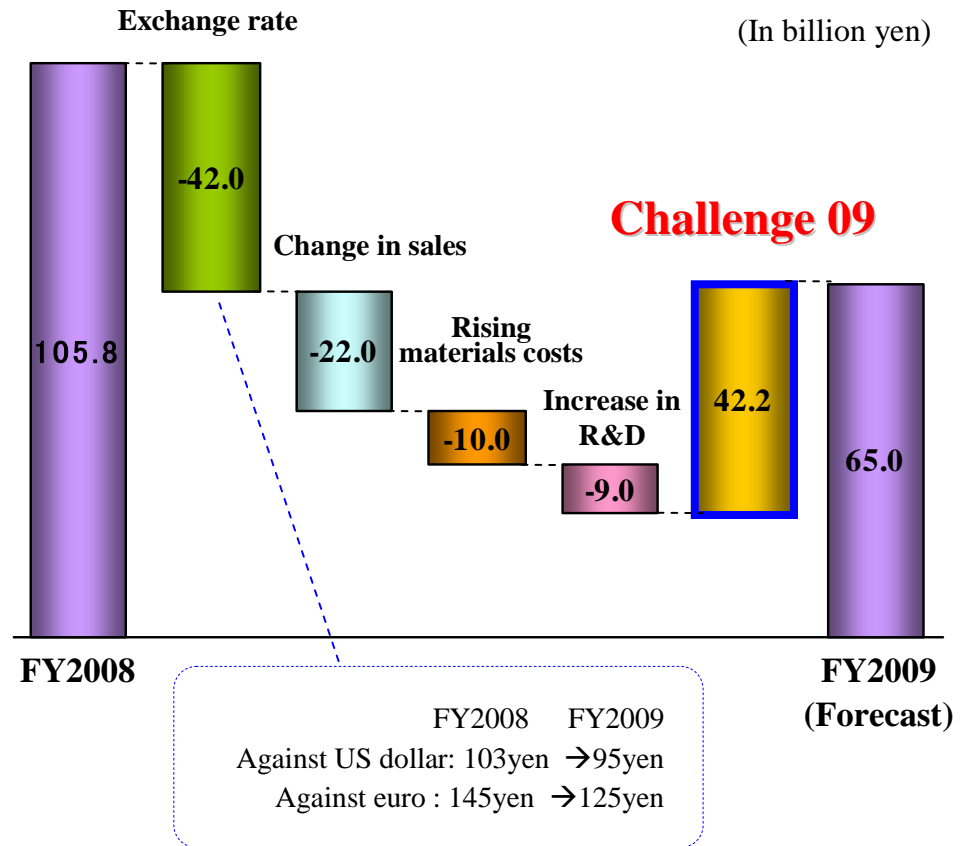
## Change in operating income

### FY2008 → FY2009

- The results of the Mass and Medium-Lot Manufactured Machinery business are deteriorating rapidly due to the global slowdown.
- The results of the Ordered Goods business will remain higher than the level in FY2007 despite the effects of exchange rates and falling sales.



## Factors of change in operating income



## 4. Outlook for FY2009 Performance (2)

(In billion yen)

Classification	Segment	Order received		Net sales		Operating income	
		2008	2009 Forecast	2008	2009 Forecast	2008	2009 Forecast
Ordered Goods	Shipbuilding & Ocean Development	271.3	120.0	240.1	240.0	1.6	11.0
	Power Systems	1,148.8	1,380.0	1,209.1	1,130.0	80.0	62.0
	Machinery & Steel Structures	527.8	420.0	542.2	500.0	31.6	26.0
	Aerospace	510.8	550.0	512.3	490.0	-10.3	-6.0
	Ordered Goods total	2,458.9	2,470.0	2,503.8	2,360.0	102.9	93.0
Mass and Medium-Lot Manufactured Machinery	GM & SV	439.3	320.0	432.7	320.0	-1.3	-14.0
	Air-Con	186.2	140.0	187.5	140.0	-2.4	-12.0
	Industrial	141.3	120.0	185.0	130.0	-3.1	-9.0
	Mass and Medium-Lot Manufactured Machinery total	767.0	580.0	805.4	590.0	-7.0	-35.0
	Others	99.0	100.0	121.1	100.0	9.9	7.0
	Inter-group consolidation adjustments	-56.2	-50.0	-54.7	-50.0	-	-
	Total	3,268.7	3,100.0	3,375.6	3,000.0	105.8	65.0

\* Unfixed foreign currencies: 3.5 billion dollars, 0.9 billion euros

## 5. Outline of FY2009 Company-Wide Action

**Promoting two-track management combining an emergency plan for securing a profit in the short term with a plan for enhancing growth**

**Emergency plan**

**Challenge 09:** The Company is working as one to overcome the current challenges

**Cost reduction activities**

**Securing sales**

**Action for strong yen**

**Enhancing plan**

**Continuing to bolster growth businesses in the difficult business environment**

**Continuing to enhance resources for growth businesses (R&D expenses, capital expenditure, investment and loans, and employees)**



# 6. Company-Wide Emergency Plan

## “Challenge 09” (1)

1

### Bolstering and accelerating innovation in manufacturing

#### □ Establishing the foundations through innovation in three main areas

##### (1) Standardization/commoditization reform (MD Project):

-Expanding the repeat production model by commoditizing drawings and parts more quickly

(1) Targeting products that account for 70% of the net sales

(2) Reducing lead times

-- Lead times were reduced for 17% of products in FY2008 (ongoing activity, aiming for 30%)

##### (2) Product liability reform:

-Reforming the manufacturing processes using simulation technology

(Improving the yield ratio of castings and accuracy in setting the clearance of turbine blades)

-Bolstering the quality control system with partners

##### (3) Supply chain reform:

-Visualizing the flow of goods and information through the entire supply chain using IT

-Speeding up VE activities by setting up a Company-wide business partner team

#### □ Upgrading EPC operations:

(Risk management reflecting best practice and the improvement of IT tools for operations)

#### □ Accelerating value chain business process reform by deploying engineers of the Technical Headquarters:

(Eliminating bottleneck processes and developing business support and SCM systems)

MD: modular design, VE: Value Engineering, EPC: Engineering, Procurement and Construction, SCM: Supply Chain Management

# 6. Company-Wide Emergency Plan

## “Challenge 09” (2)

### 2 Cutting costs across the board

- ❑ **Cutting general expenses**  
(including travel expense, printing cost, office supplies expense, communication expense, and entertaining expense)
- ❑ **Reducing overtime by improving business efficiency**

### 3 Action for Mass and Medium-Lot Manufactured Machinery

- ❑ **Rearranging working location of about 1,000 employees**
- ❑ **Adjusting operating time by production line**  
(Target production lines: Sagamihara plant: about 40%; Matsusaka plant: about 80%; Ritto plant: about 50%; Itosaki plant: about 60%)
- ❑ **Reviewing the capital expenditure plan**  
(Capital expenditure is reduced in FY2009 with ¥14.0 billion carried over from the 2008 business plan)
- ❑ **Accelerating overseas production plans** (Turbochargers in MTA in Thailand, forklifts in Dalian in China)
- ❑ **MCC, an automotive thermal systems subsidiary in the United States, will cease production (July 2009).**
- ❑ **Reorganizing the overseas printing machinery selling system**

MTA: Mitsubishi Turbocharger Asia Co., Ltd. MCC: Mitsubishi Heavy Industries Climate Control Inc.

### 4 Cutting officers' remuneration

- ❑ **Underway from April 2009**

# 6. Company-Wide Emergency Plan “Challenge 09” (3)

Securing sales

- Bolstering customer visit services and proposal-based services
- Expanding after-sales services for resold pre-owned machinery (e.g. sheet-fed offset presses for Korea)
- Sharing market information and share-ride sales activities by setting up a Company-wide sales manager meeting
- Discussing the latest market and customer trends intensively at an Executive Committee meeting every other week

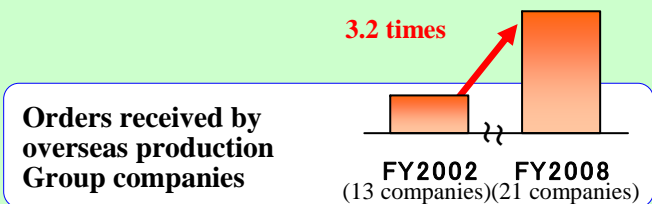
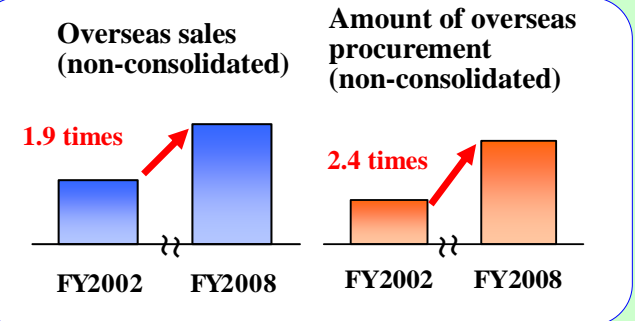
Action for strong yen

## □ Expanding global sourcing

Discovering good suppliers by sharing information on suppliers obtained by the material department of each business site

## □ Accelerating overseas production plans

(Bringing forward the production of turbochargers in MTA in Thailand and forklifts in Dalian in China; beginning the operation of a joint-venture plant making marine diesel engines in China)



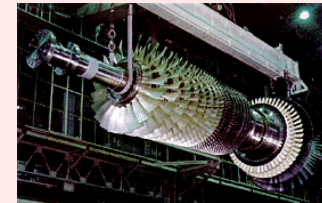
# 7. Action to Enhance Growth Businesses (1)

## Energy & Environment (1)

### Speeding up the global expansion of Energy & Environment

#### □ Gas turbines:

- Launching a 1600°C J-series gas turbine featuring the largest power generation capacity and highest thermal efficiency in the world
- Building a system producing 50 units annually
- Developing steam turbines for GTCC jointly with GE
- Tokyo Electric Power Kawasaki thermal power plant (where our GT was delivered) received the Best Plant Award of Power Engineering in 2008.



M701G gas turbine



Nakoso power plant  
IGCC demonstration plant



Offshore wind turbines  
(conceptual drawing)

#### □ Integrated coal gasification combined cycle (IGCC)

- IGCC+CCS: Speeding up commercialization, using the world's leading technologies
- Achieved a world first with 2,000 hours of continuous operation at the Nakoso IGCC demonstration plant

#### □ Renewable energy:

- Wind turbines: Building a global production system; accelerating the promotion of offshore wind turbines
- Continuing to promote solar cells, the world's top geothermal generation, and biomass power generation



US-APWR

#### □ Nuclear energy:

- Expanding orders for global strategic reactors (US/EU-APWR, ATMEA1)
- Expanding the fuel business (establishment of Mitsubishi Nuclear Fuel Co., Ltd.)



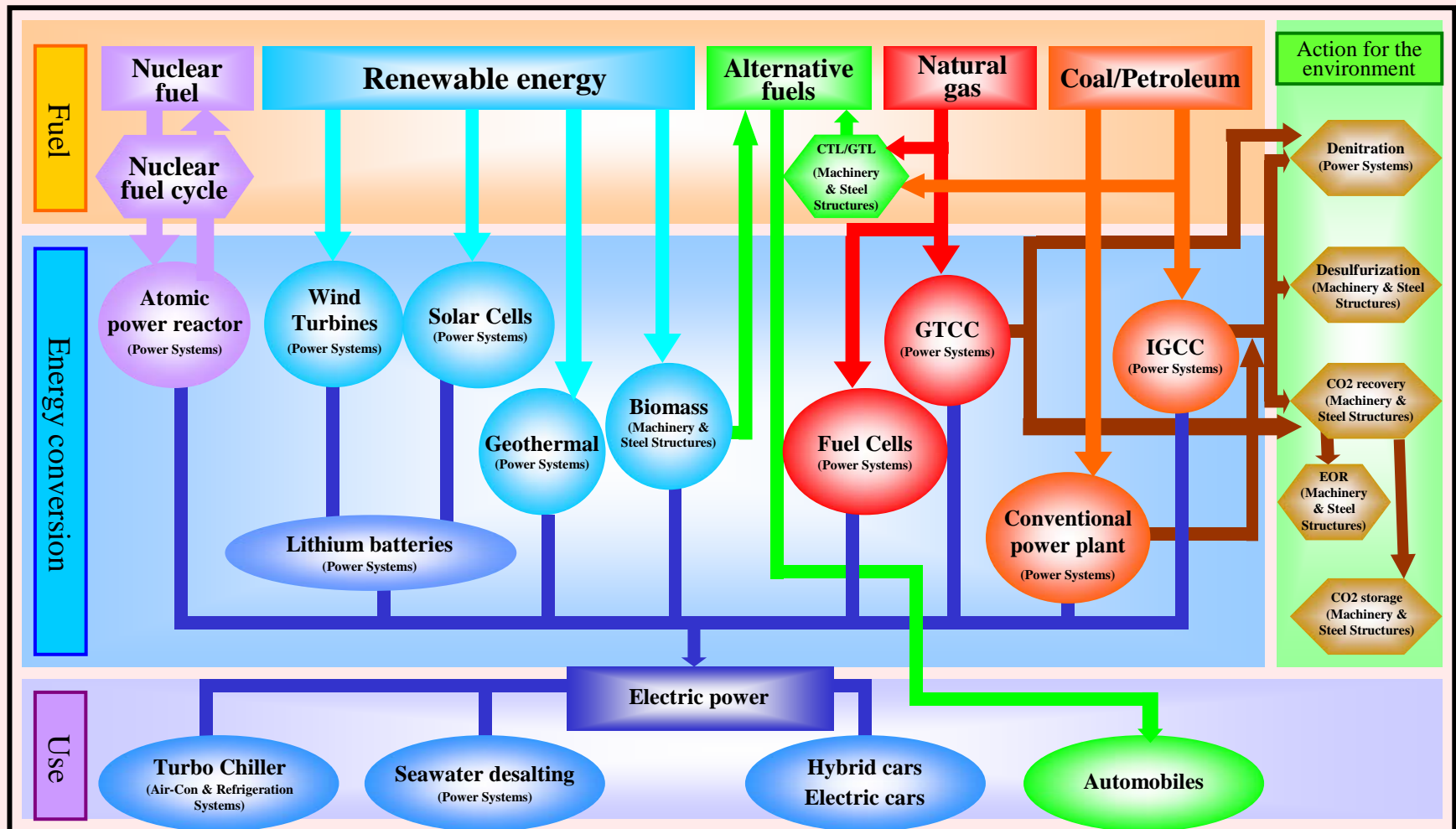
Lithium ion batteries

#### □ Lithium ion batteries: Promoting development for manufacturing

# 7. Action to Enhance Growth Businesses (2)

## Energy & Environment (2)

- Providing solutions in all Energy & Environment fields, using cutting-edge technologies
- The Energy & Environment Business Strategy Office is building a comprehensive system for advancing this business.



CTL: Coal to Liquid, GTL: Gas to Liquid, GTCC: Gas Turbine Combined Cycle, IGCC: Integrated coal Gasification Combined Cycle, EOR: Enhanced Oil Recovery



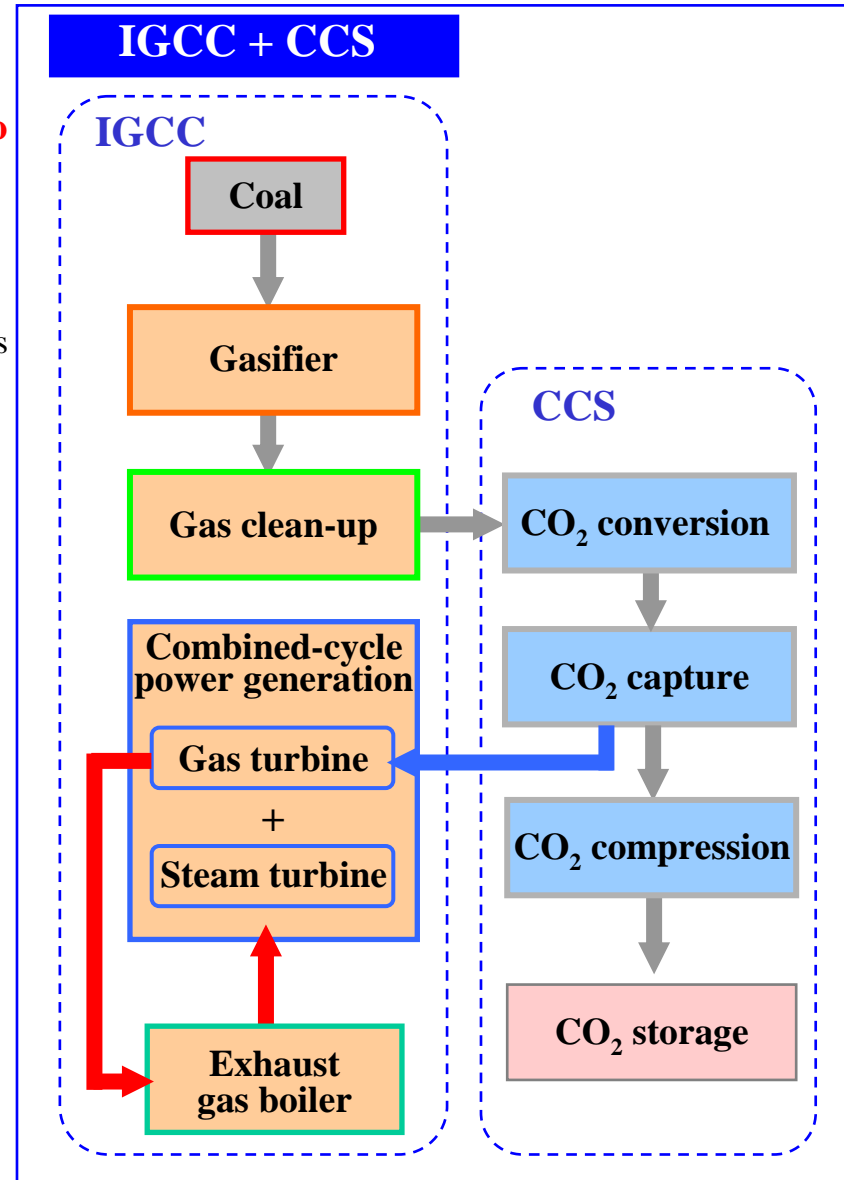
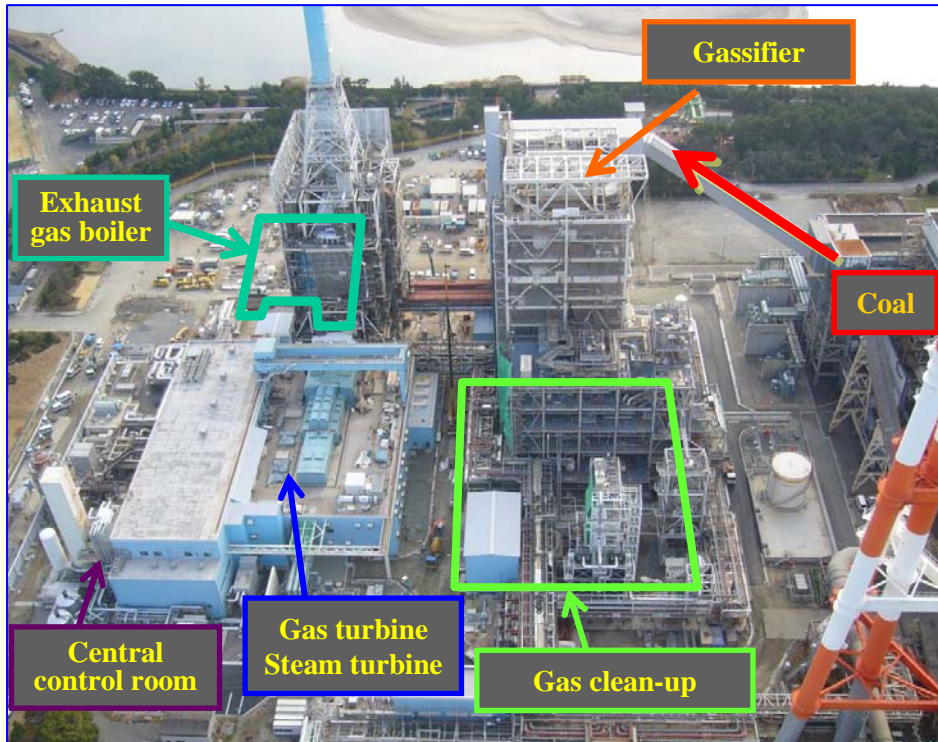
# 7. Action to Enhance Growth Businesses (3)

## Nakoso Power Plant IGCC Demo. Plant (250MW)



### □ Demonstrating reliability comparable to conventional thermal power plants

- Achieving a world first with 2,000 hours of continuous operations
- Starting preparations for continuous operations for 5,000 hours and a test using low-grade coal



# 7. Action to Enhance Growth Businesses (4)

## Aerospace

### Promoting advanced projects with certainty

#### Commercial aircraft business:

- MRJ: First flight in 2011; delivery of first aircraft in 2013
- Boeing 787 composite-material wing boxes: Starting mass production in earnest
- Engines (TRENT1000, TRENT XWB) for commercial aircraft: Promoting development and production



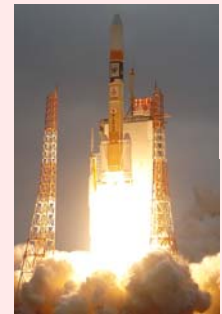
MRJ (Mitsubishi Regional Jet)



Boeing 787

#### Space equipment business:

- H-II B rocket: Launching the first rocket in September 2009  
(The rocket will be mounted with the H-II transfer vehicle (HTV) for an demonstration of international space station technology.)



H-II A rocket

#### Defence business: Participating to the project for the successor to the F-4 Fighter; promoting the joint development of BMD by Japan and the U.S.

XWB: Extra Wide-Body, HTV: H-II Transfer Vehicle, BMD: Ballistic Missile Defense

## Transportation Systems, Plants

### Expanding global operations in plant engineering

- **Fertilizer and methanol plants:** Expanding orders, especially for emerging countries
- **CO<sub>2</sub> capture plants:** Expanding sales for EOR and CCS in addition to sales for chemicals especially overseas
- **Transportation systems:** Promoting large-scale projects



Methanol plant



Airport APM



CO<sub>2</sub> capture plant

EOR: Enhanced Oil Recovery  
CCS: Carbon Capture and Storage  
APM: Automated People Mover

# 7. Action to Enhance Growth Businesses (5)

## Speeding up the expansion of downstream business (services, operations, and licensing)

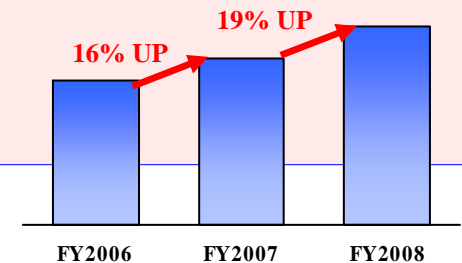
### □ Building a global network for power systems after-sales service

- Bolstering operations in Europe and the Middle East by acquiring MP in April 2009

(Establishing a trilateral global system)

- Ten repair bases (U.S. and Europe / Middle East and Asia)
- Nine field service bases (U.S. and Europe / Middle East and Asia)

Changes in sales of gas turbine service work (non-consolidated)



### □ Expanding alliances: Increasing sales of key components and acquiring licensing fees

- Expanding the joint venture with L&T of India (boilers and steam turbines)

### □ Investing in chemical plants for the Middle East; acquiring operational expertise

### □ Strengthening the business for transportation system operation

- Established an O&M operating company in the U.S. (January 2009)

MP: Maintenance Partners NV, L&T: Larsen & Toubro Limited, O&M: Operation & Maintenance

## Building the optimal system for operation (Machinery & Steel Structures Headquarters)

### □ Creating processes geared to global operations

### □ Transforming the business into a profitable unit



# 7. Action to Enhance Growth Businesses (6)

## Continuing to invest in growth businesses and key technologies

**R&D expenses of ¥120.0 billion for FY2009**

**Investing in major development projects**

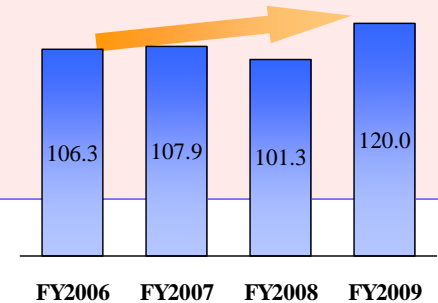
**Developing key technologies that will lead to next-generation products**

(270 technologies or more in three years)

**Working with the world's leading thinkers through open innovation**

(Speeding up collaboration with Tsinghua University, Cambridge University, MIT, among other institutions)

R&D expenses  
(consolidated)



## Recruiting key personnel for growth

**Planning to hire about 1,500 people in FY2009**

**(About 1,800 people were hired in FY2008.)**

**Growth businesses: Actively recruiting in response to the expansion of operations**

**Mass and Medium-Lot Manufactured Machinery: Continuing to recruit key personnel**

# 8. Developing the Next Medium-Term Management Plan

Developing a new business plan based on changes in the business environment

## Product strategies

- Accelerating the expansion of growth businesses

Energy and Environment

Transportation Systems

Aerospace

Chemical Plants

- Reviewing the business strategy

Mass and Medium-Lot Manufactured Machinery

Shipbuilding & Ocean Development

## Business process

- Seeking new innovation in manufacturing
  - Production and procurement systems in response to the standardization/commoditization reform
  - Establishing a global production system
- Modernizing business processes
  - Promotion of integration and IT

## Perspectives in developing a new plan

- Rebuilding the business structure
  - Bolstering earnings capabilities in a new competitive environment
- Developing global resources → Expanding M&A and overseas production
- Establishing the optimal business operation system
  - Reviewing the organizational structure including alliances and Group companies

2010 Business Plan (to be announced in April 2010)