

Status of 2006 Medium-Term Business Plan

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Kazuo Tsukuda, President

Contents

- | | |
|--|---------------|
| 1. Status of 2006 Medium-Term Business Plan | Page 3 |
| 2. Progress Report of Three Reforms | Page 5 |

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 projection simply 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.

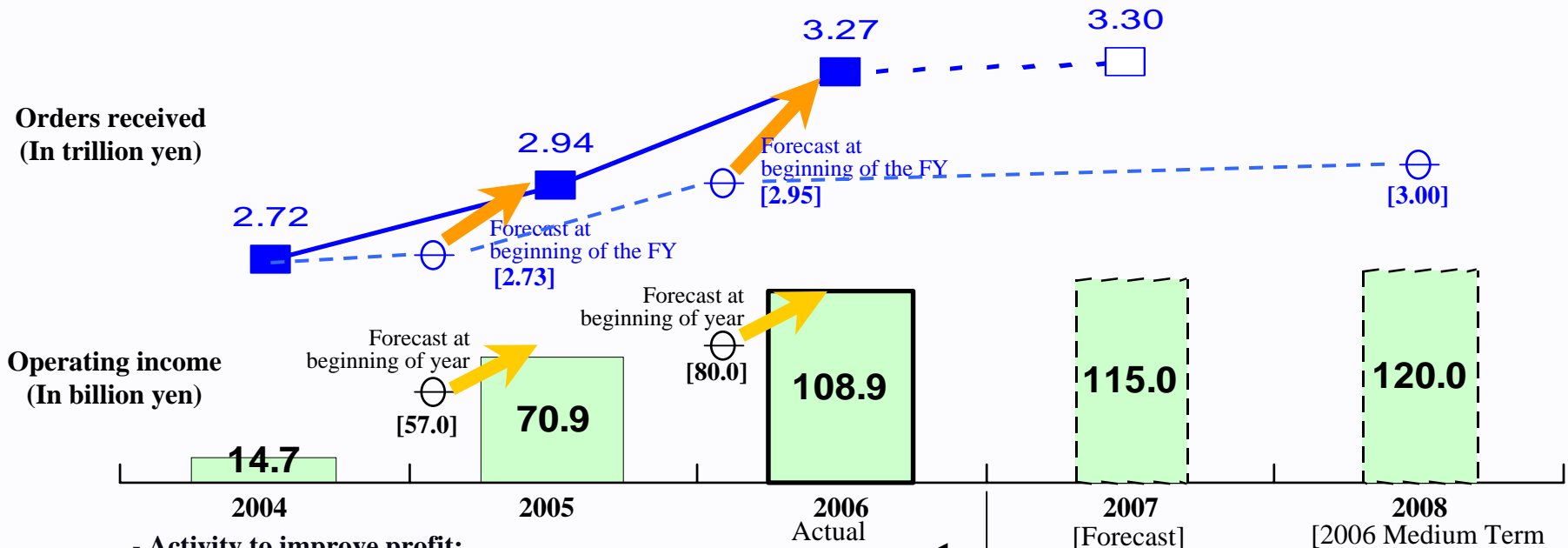
1. Status of 2006 Medium-Term Business Plan

Status of 2006 Medium-Term Business Plan

✓ **2006 Medium-Term Business Plan has been executed.**

Both orders and operating income are exceeding the forecasts set at the beginning of the fiscal year, especially in growth and overseas businesses.

Cut accelerate the execution of priority initiatives to reach the final targets for FY 2008.



- Activity to improve profit: comprehensive cost reduction, increase of product reliability
- Strengthen product business: investments in growth businesses, countermeasures against unprofitable businesses

Action 05

- [Three Reforms]
- Product Mix Reform
 - Production System Reform
 - Resource Introduction Reform

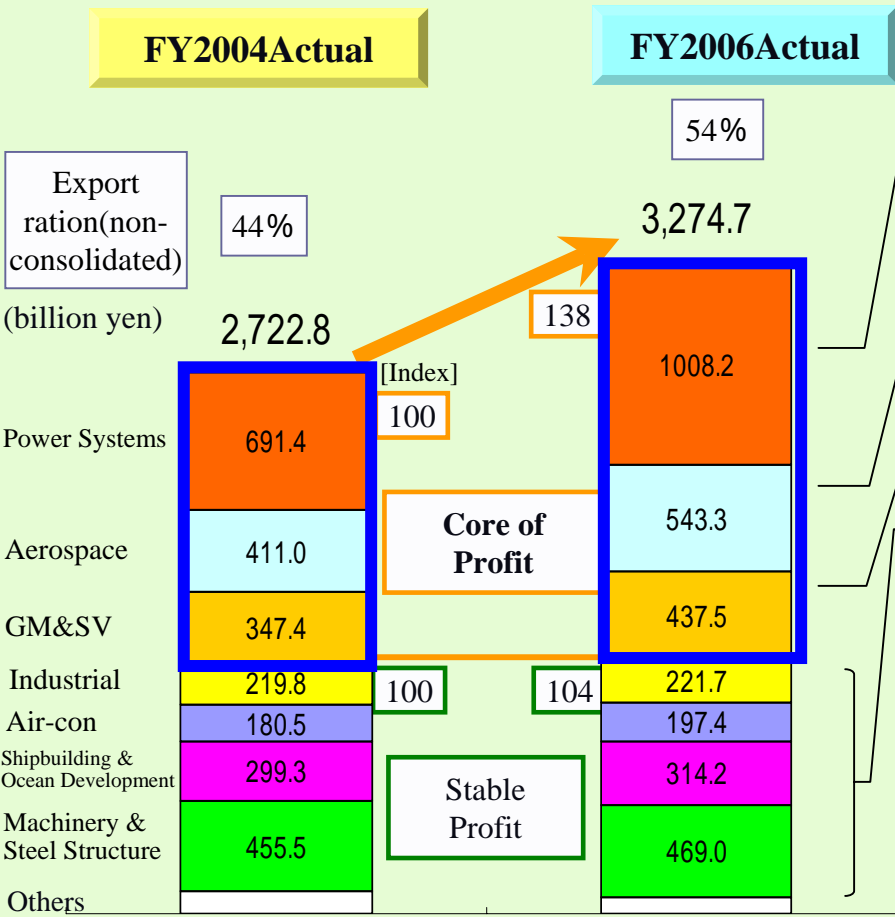
2006 Medium Term Business Plan

2. Progress Report of Three Reforms

2-1-(1) Product Mix Reform

Transform Orders received Structure

[Orders received by Segment]



Product Mix Reform Progress of initiatives for product mix reform

Strengthen and expand growth products

- ✓ Expanding production capacity of gas turbines, wind turbines, and solar cells
- ✓ Accelerating the development of IGCC and next-generation gas-turbines
- ✓ Developing a global atomic energy operation as well as next-generation reactors
 - Entering the US market (setting up MNES, American Electric Power determining to adopt US-APWR)
 - Formed an alliance with AREVA (beginning to jointly develop 1 million kW PWR)
 - Chosen as the core company for FBR development
- ✓ B787: Producing in earnest (increased production, responding to strong demand for commercial airplanes)
- ✓ PAC-3 missile: Delivering ground equipment, beginning to produce guidance missiles
- ✓ Succeeding in launching six consecutive H-IIA rockets
- ✓ Turbochargers: Building production framework for 3.6 million units p/a
- ✓ Emission control compliant engines/Product launch

Dealing with low-profitability businesses

- ✓ Shipbuilding&Ocean Development/ Reforming production processes, modernizing production facilities
- ✓ Expanding production overseas (air-con/PAC, industrial machinery/printing machinery, etc)
- ✓ Business integration, business transfer
 - Establishing Machinery & Steel Structures Headquarters by integrating Machinery Headquarters and Steel Structures & Construction Headquarters
 - Transferring machinery & steel structures/ medium and small products, etc. to affiliated operating companies (six product lines including bridges)
 - Industrial machinery/ Transferring extrusion machinery to outsiders

IGCC (Integrated Coal Gasification Combined Cycle), MNES (US-based affiliate Mitsubishi Nuclear Energy Systems), US-APWR (1.7 million kW new-type PWR for the US), FBR (fast-breeder reactor), PAC-3 (A new Patriot Advanced Capability missile), cold energy /PAC (package air conditioner)

2-1-(2) Product Mix Reform

Transform Profit Structure

[Net sales / Operating income by Segment]

GM&SV: General Machinery & Special Vehicle
 Air-con: Air-conditioning and Refrigeration System
 Industrial: Industrial Machinery

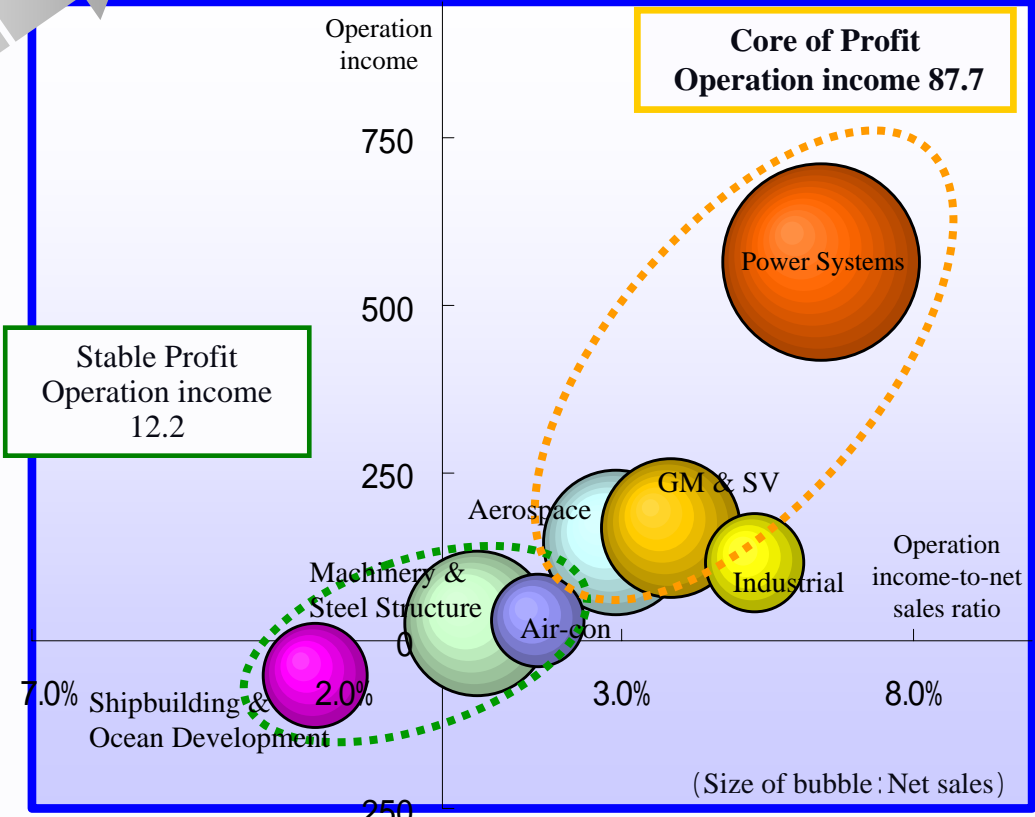
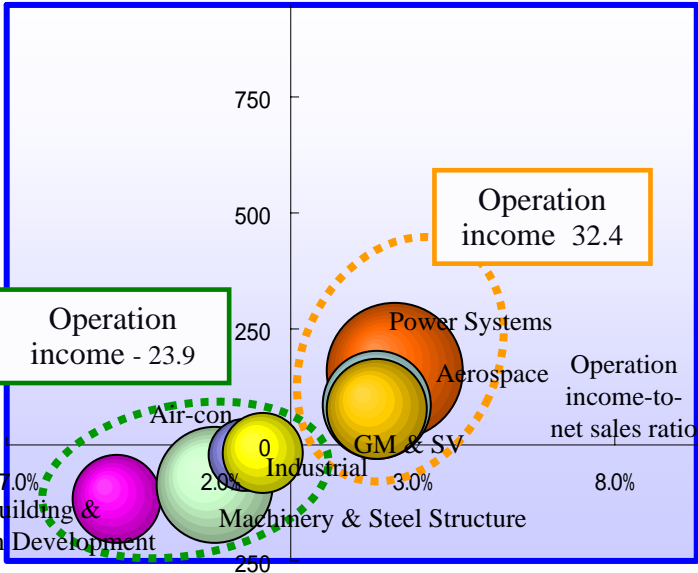
2006Actual

Sales	3,068.5
Operation income	108.9
Operation income ratio	3.5%

(billion yen)

FY2004Actual

Sales	2,590.7
Operation income	14.7
Operation income-to-net sales ratio	0.6%



Core of Profit: Power Systems, Aerospace, GM & SV

2-2 Production System Reform

Progress Report

— Strengthen Thoroughly Internal Production Capabilities —

✓ Strengthen Thoroughly 3M: Method, Machine, Man

Method

- ✓ Adopt “Mass Production” system to “Ordered Products”
- ✓ Reform to Digital production system
- ✓ Strengthen supply chain management

- Accelerate the Modular Design Promotion PJ
- Develop an integrated business process including design, production, and after-sales service, using digital data
- Share information with partners worldwide, bolster alliances, provide technical assistance, support the handing down of technologies

Machine

- ✓ Upgrade infrastructure
- ✓ Promote in-house production of key parts and units / enhance production technologies

- Modernize obsolete infrastructure
- Create world-class plants, bringing together wisdom and knowledge across the board
- Research centers to solve production technology issues (turning implicit knowledge into formal knowledge)

Man

- ✓ Educate and strengthen personnel resources for production system

- Hire more people for key professional jobs
- Make it obligatory to provide education for design, production and product assurance engineers by year
- Bolster manufacturing ability, improve staff treatment to assist in recruitment

2-3 Resource Introduction Reform

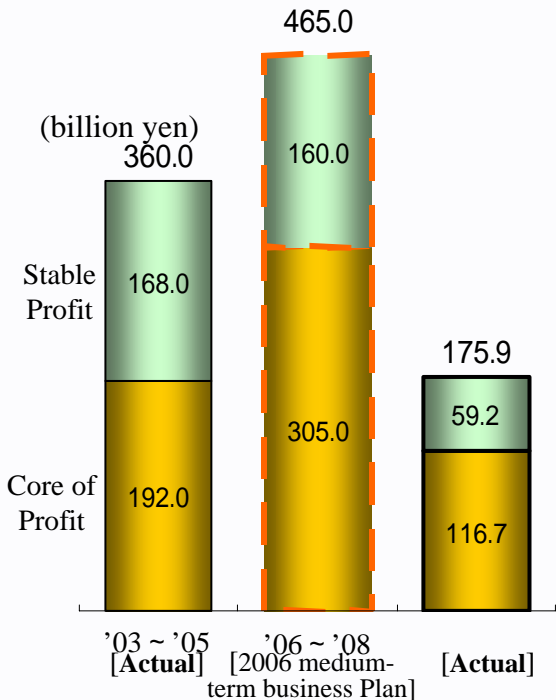
Capital Expenditure

✓ Speed investment in growth businesses

- Increased production Capacity (GTCC, Wind turbine, Solar Power Generation, Turbochargers etc)
- B787 construction of composite material main wing center etc

✓ Accelerating the expansion of internal production capacity

- Reforming production processes and modernizing equipment



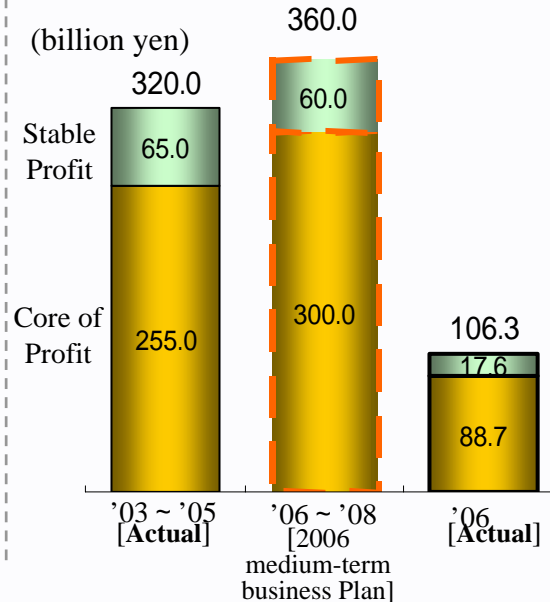
R&D Investment

✓ Expansion of production capacity in growth businesses

- Focusing on the development of next-generation gas turbines, IGCC, US-APWR, AREVA/new joint advanced reactor, B787 (composite wing/engine), environmentally-compatible engines, etc.

✓ Promoting innovation in manufacturing

- QI-I, DE-I, MD-PJ
- Promoting digital manufacturing, solving production technology issues



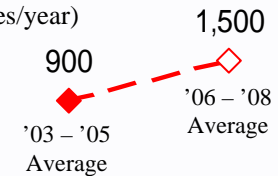
Secure Human Resources

✓ Hiring more people

✓ Shifting human resources to growth businesses

[Hiring]

(Number of employees/year)



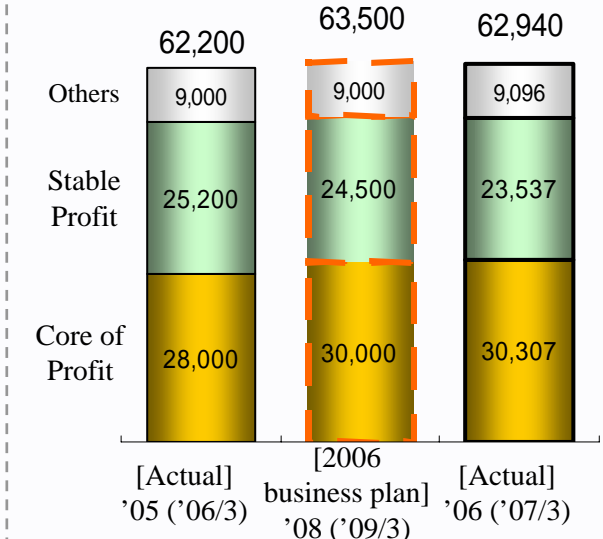
(billion yen)

1,787

◆ '06

Actual

<number of employees>



Others: Administrative Division and Technology Headquarters (including research centers) of head office, and affiliates