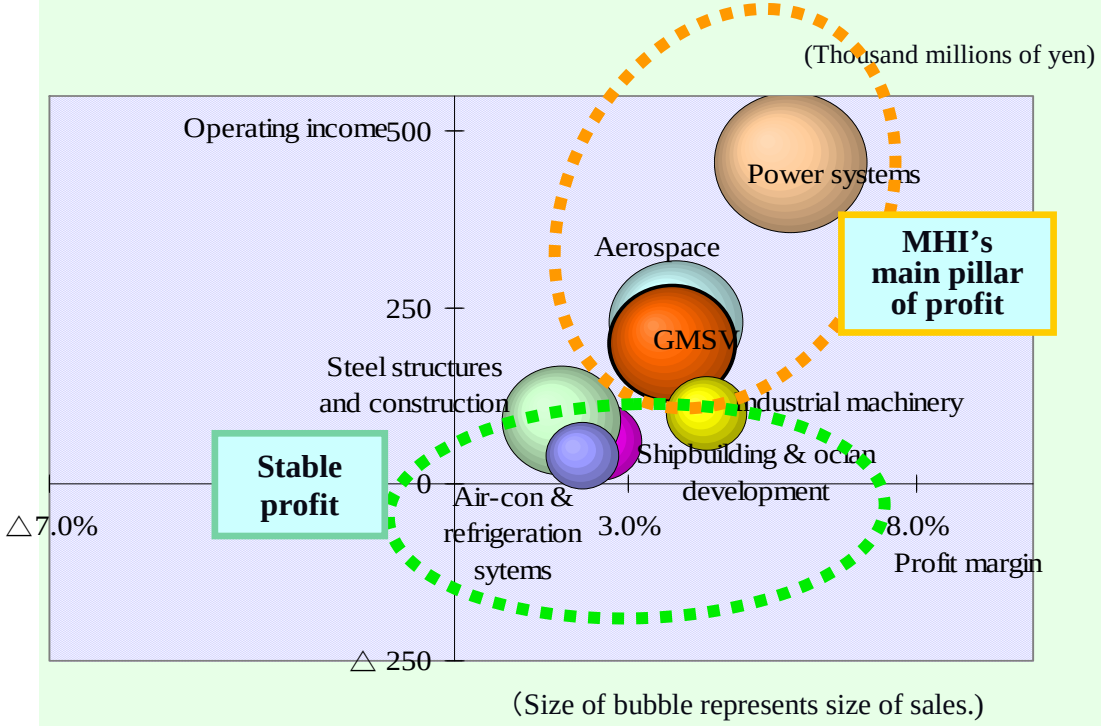
Overview of General Machinery & Special Vehicle Headquarters Operations

July 6, 2006

General Machinery & Special Vehicle Headquarters

Positioning of General Machinery & Special Vehicle Headquarters (GMSVH) in MHI

Target of 2008 Operating Income（¥120billion)



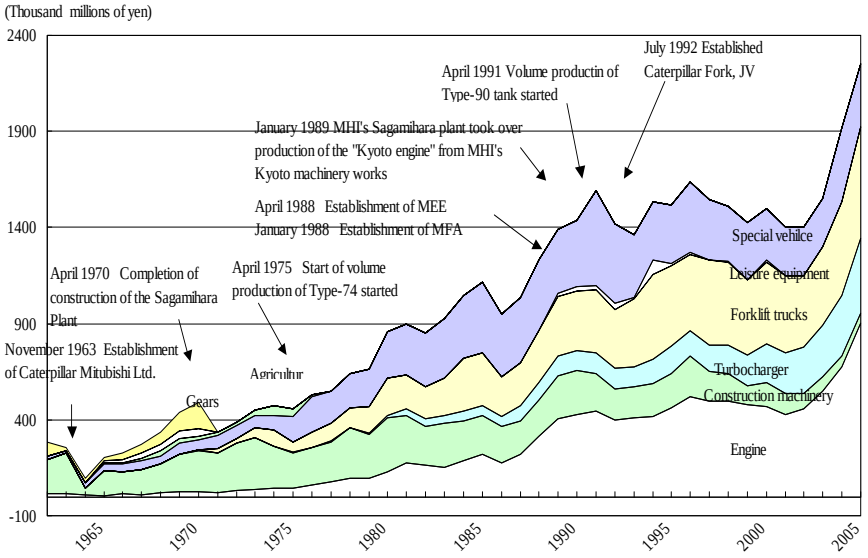
（Size of bubble represents size of sales.)

◇ GMSVH has become the third largest headquarters after Power Systems and Aerospace in terms of both sales and profit

◇Going forward, GMSVH will pursue global expansion to maintain its position as one of MHI's main pillars of profit

Trends of GMSVH Operations

＜Trends of Non-consolidated Sales＞



Characteristics

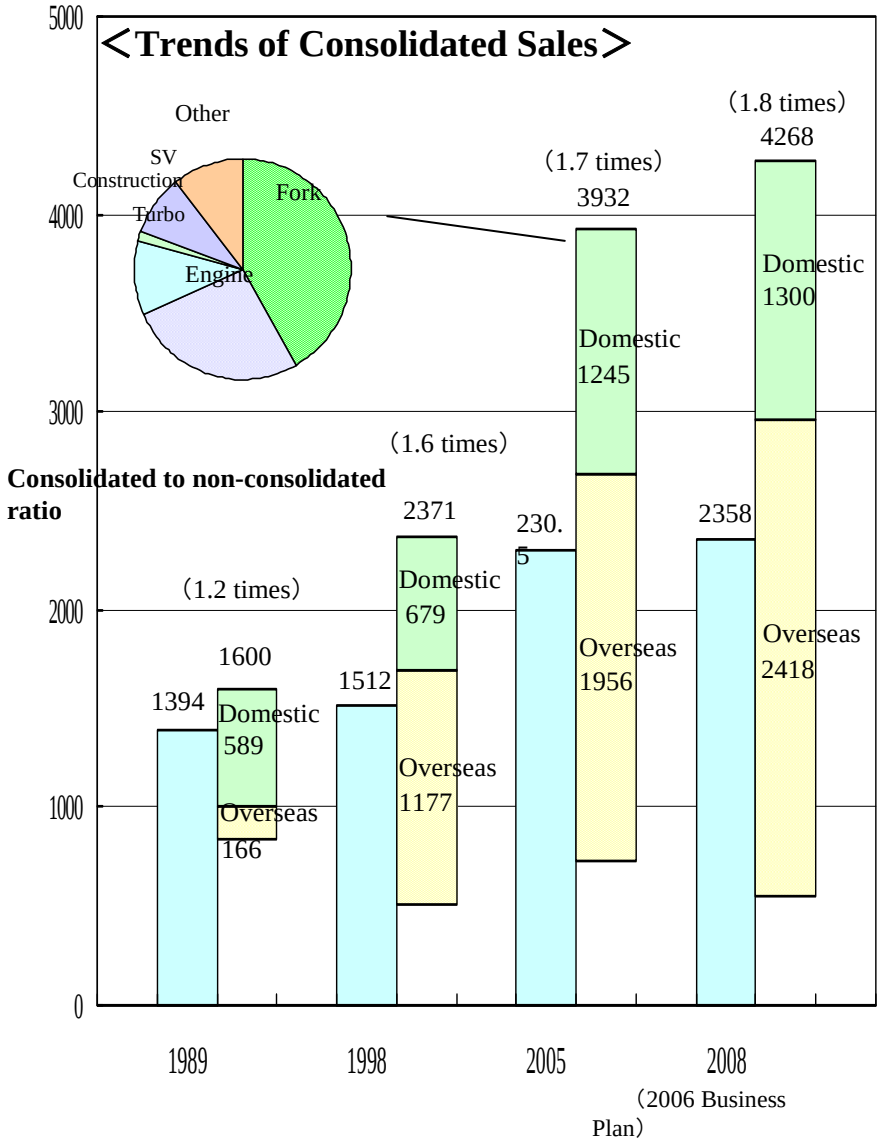
①Sales of engine turbochargers as a component have grown in recent years

②Aggressive overseas expansion and promotion of local production at overseas operating outposts (Target ratio of non-consolidated earnings to consolidated earnings: 1.8 [Overall MHI: 1.2])

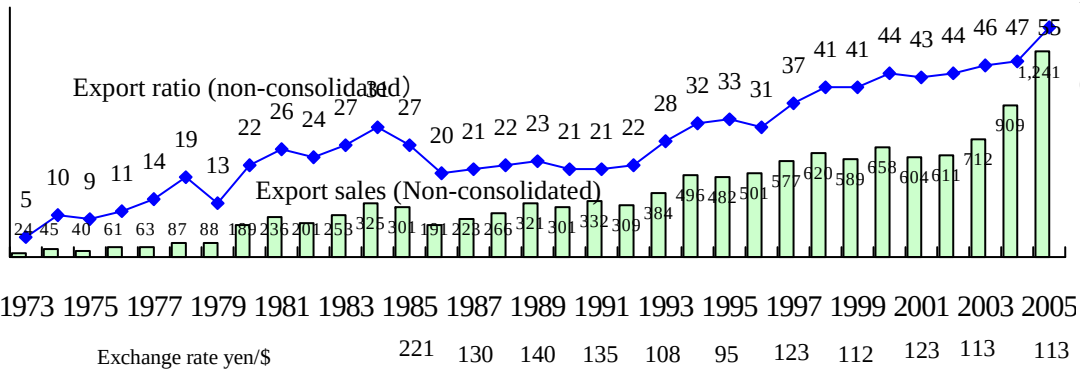
*Number of overseas operating outposts: 11

(Thousand millions of yen)

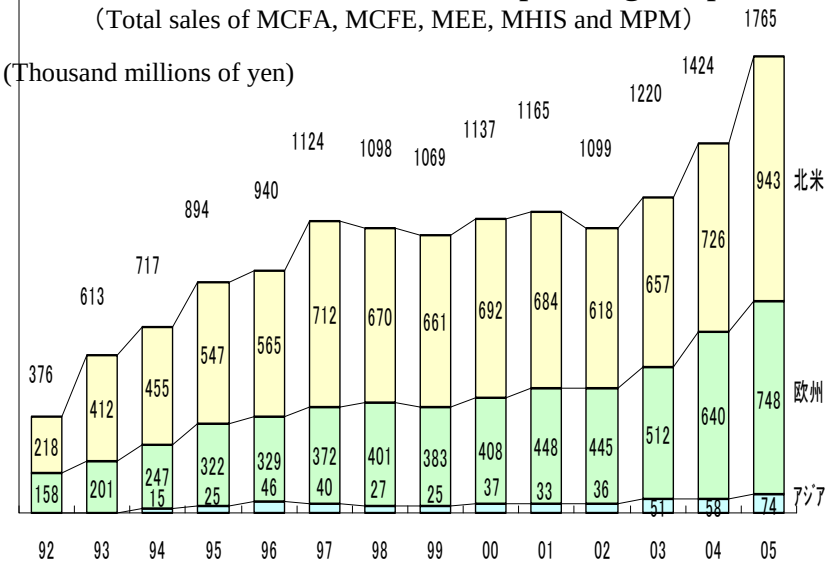
＜Trends of Consolidated Sales＞



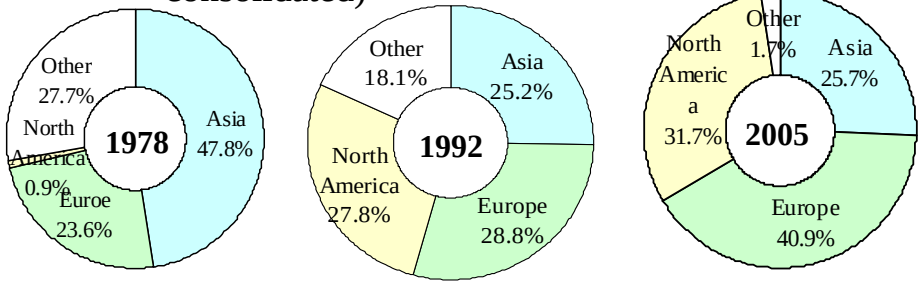
Overseas Expansion of GMSV



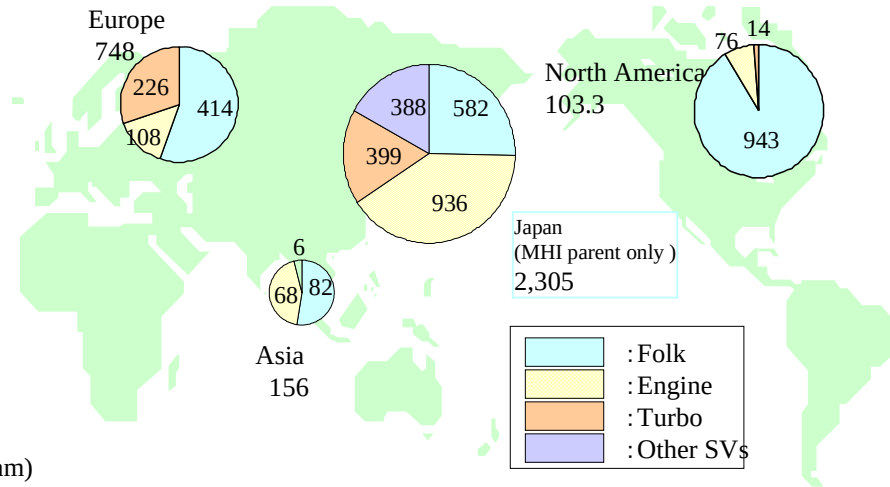
Production Volume of Overseas Operating Outposts



Export Sales by Region (Non-consolidated)



GMSV Sales by Region



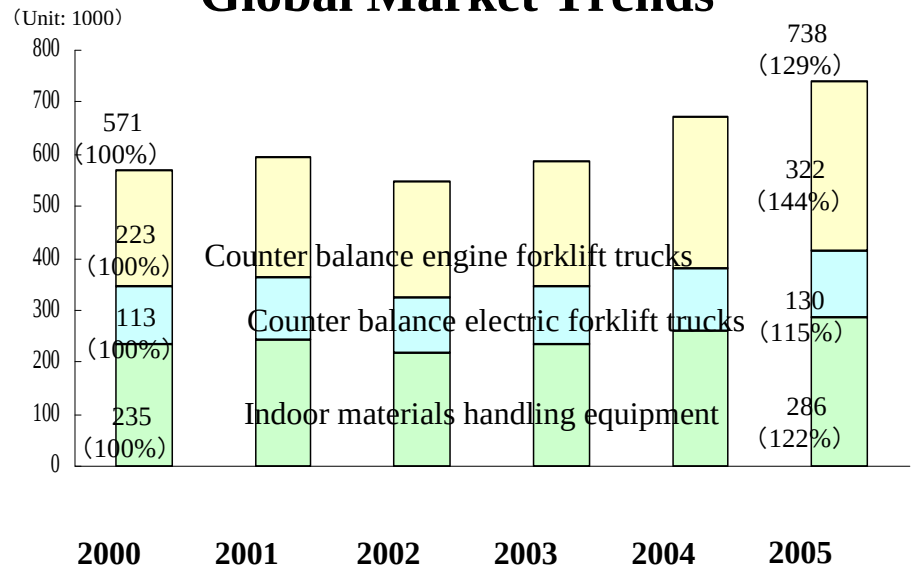
Outline of Overseas Operating Outposts

Company name	MCFA	MENA	MEE	MCFE	MPM	MHIS	MCFS	Total
Location	Huston (US)	Chicago (US)	Almere (Netherlands)	Almere (Netherlands)	Bangkok (Thailand)	Singapore	Singapore	
Estabslished in:	Jul-92	Apr-85	Apr-88	Jul-92	Dec-93	Jul-81	Jul-92	
Number of employees	1,133	36	357	622	78	66	46	2,338
Sales in 2005 (Thousand millions of yen)	943	90	334	414	6	68	82	1937
			Consolidated sales		Consolidated sales		Consolidated sales	

[Other overseas operating outposts other than the above 2: MEA(France) MHISV(Vietnam) MCFC(China) and Shanghai MHI Turbocharger Co., Ltd. (China)]

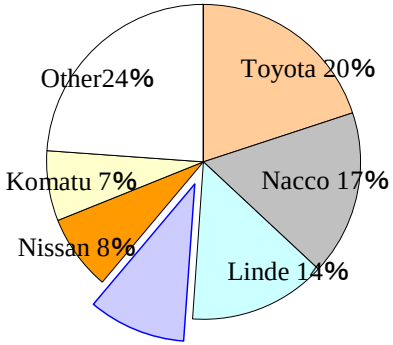
Forklift Trucks – Business Environment

Global Market Trends



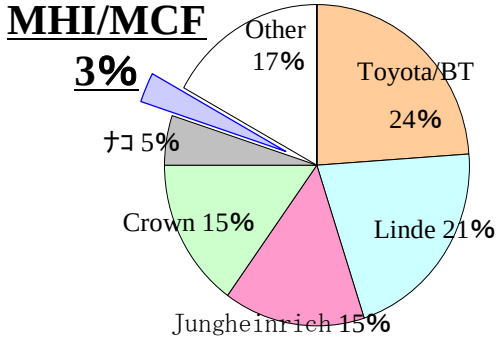
Market Share (2005)

Counter balance engine forklift trucks



MHI/MCF10%

Indoor materials handling equipment



Counter balance forklift trucks

Market Trends	MHI's Challenges
Europe, the U.S. and Japan: cyclical demand in accordance with economic trend. China, Russia and India are growth markets.	Expansion in China (Expand diffusion models by means of technology licensing while start local production of new models.)
Expansion into emerging markets (Russia, South America and India) Ratio of electric forklift trucks is rising amid surging oil prices and rising environmental awareness.	Efforts to promote energy savings, fuel emission controls and other environmental technologies.
Demand for indoor materials handling equipment increased, reflecting greater distribution efficiency at plants and smaller distribution lots.	Strengthen electronic forklift trucks for overseas markets. Enter the indoor materials handling equipment market.

Indoor materials handling equipment

Forklift Trucks – Main Strategies

Efforts to continue growth in global markets by switching to total materials handling

Actions aimed at switching to total materials handling

MHI's Strengths

1. All technologies needed are internally developed
   Reflect MHI's power system, control, IT/communication and environmental technologies in planning unique products
   ①Controller (Electronic technology)
   ②Engine (Environmental technology)
   ③Transmission / axle
   ④Distribution management technology

2. Global business operations
   - Global operations at four key regions (North America, Europe, Asia, Japan)
   - Deep understanding of global markets and distribution types are reflected in product sales
   - Japan operations play the role of control tower as the mother factory and design center

MHI's Strategies

Strengthen operations — Collaboration strategies

1. Strengthen domestic sales by offering a full line of products (NIPPON YUSOKI CO., LTD.)
2. Broaden a product line of indoor distribution equipment for European markets (Rocla)

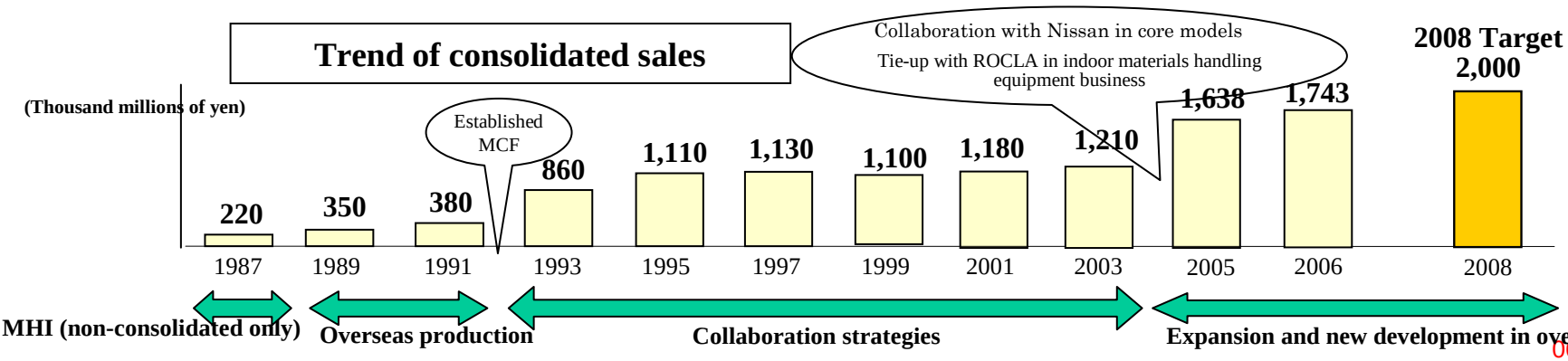
Capture customer needs — New businesses, new areas

1. New businesses, new areas (New business models / rental, fleet management service, remanufacturing, used vehicles)
2. Expand into new countries (China, Russia, South America and India)
3. Explore new technologies (hybrid/fuel cell vehicles, indoor materials operation, etc.)

Improve processes — Achieve first-class quality

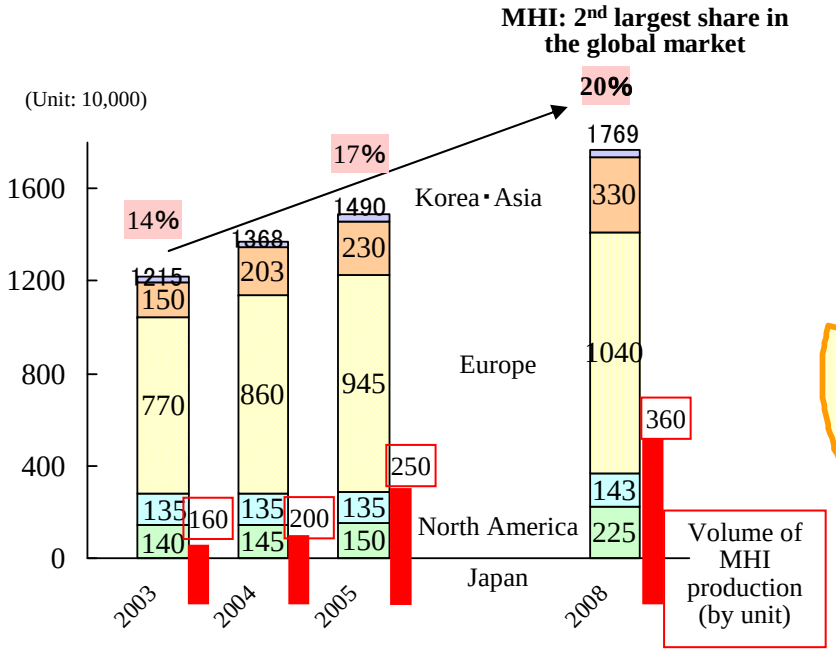
1. Improve quality of development and design
2. Improve quality of supply chains
3. Raise values of both CAT and Mitsubishi brands (2B2C)

Operations that keep growing



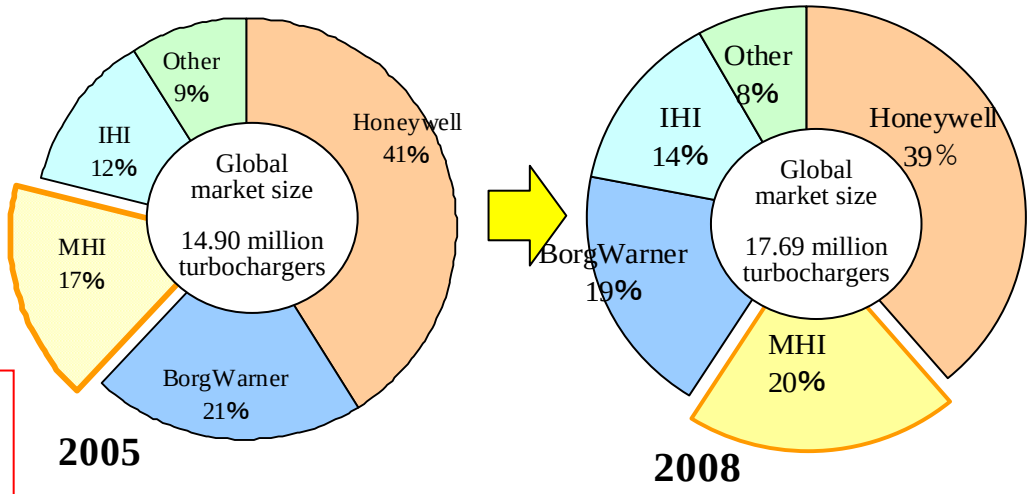
Turbochargers - Business Environment

Demand Trends



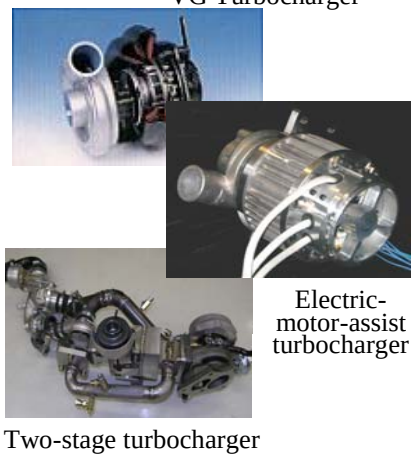
Market Share Trend

MHI strengthened market influence with a 20% market share, the second biggest globally, gained by winning large project assignments from European carmakers through enhancement of enhancing solution business.



Market Trends	MHI's Challenges
In Europe, the ratio of diesel engine vehicles increased following the tightening of environmental regulations. Also in China, U.S. and Asia, the market of diesel engine vehicles grew with more vehicles attached with turbocharger.	Develop next-generation turbochargers and promote solution business in response to demand increase reflecting a rising ratio of diesel engine cars in Europe.
In Europe, gasoline engines are getting smaller as they are equipped with turbochargers, thanks to greater efficiency in fuel and performance. Also in North America, there are moves to achieve greater power output by equipping the engine with a turbocharger instead of enlarging the engine itself.	Increase market share by leveraging MHI's strength of advanced gasoline engine turbochargers. North America is the target of strengthening operations going forward.
Industrial machinery (construction/agricultural machinery/equipment): Demand is increasing, reflecting more stringent exhaust emission regulations.	Explore potential demand in industrial machinery, which is increasingly using turbochargers because of the tightening of emission regulations, based on actual data of MHI's construction machinery equipped with turbochargers.

VG Turbocharger



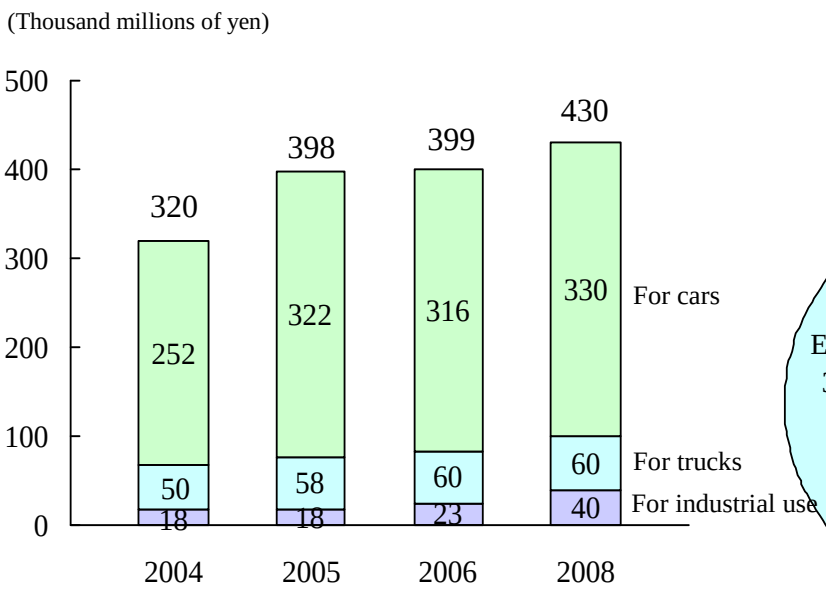
Electric-motor-assist turbocharger

Two-stage turbocharger

Turbochargers – Main Strategies

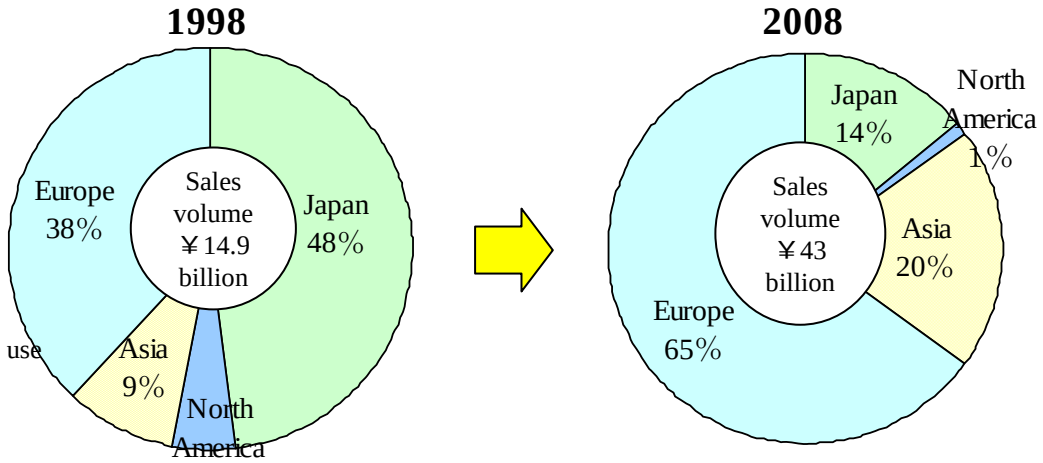
Leverage MHI's strength as an engine manufacturer to expand scale in small size turbochargers for passenger car engines

Sales by Type of Vehicle (Non-consolidated)



Sales Ratio of Turbochargers by Region

Sales in Europe and Asia grew sharply due to a greater ratio of diesel engine cars reflecting more stringent environmental regulations in Europe and a growth in the market of diesel engine vehicles in Asia. The challenge going forward is to strengthen North American operations.



Efforts to Establish Global Operations Structure

①Beef up local production capacity of MEE (the Netherlands) and strengthen functions of local headquarters in Europe

②Start full-scale operations in North America

③Strengthen production in facilities in Asia (South Korea, Shanghai, Southeast Asia)

Strengthen Competitiveness

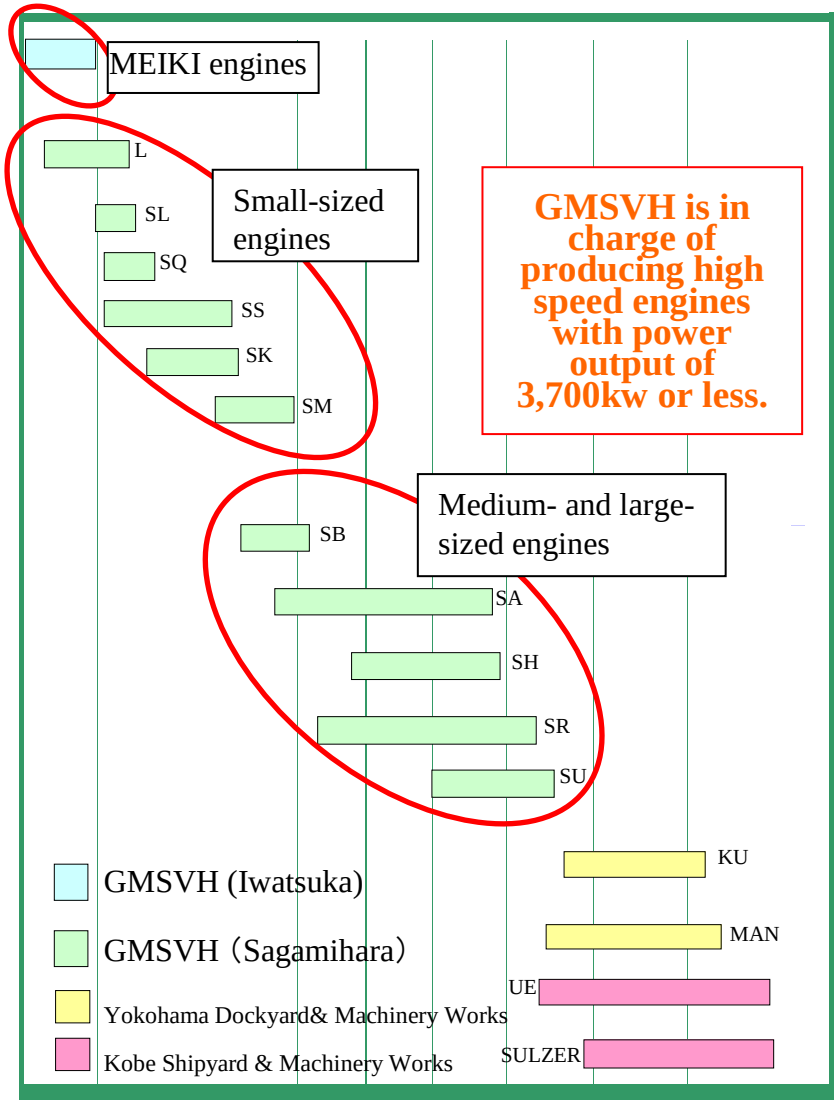
①Expand solution business, in which MHI even performs examination on behalf of customers

②Seize the opportunity of responding to emission regulations to expand in industrial machinery (fully leverage MHI's strengths as an engine manufacturer)

③Differentiate MHI's turbochargers from peers by developing next-generation turbochargers (2-stage turbo charger, electronic control system, etc.)

Expansion of Engines Business

(1) Product lineup of Mitsubishi's engines



(2) Engines produced by GMSVH

Engines covering all types of use

For agricultural machinery

MEIKI engines

For vehicles including construction machinery

Small-sized engines

For generator sets

For marine use

Medium- and large-sized engines

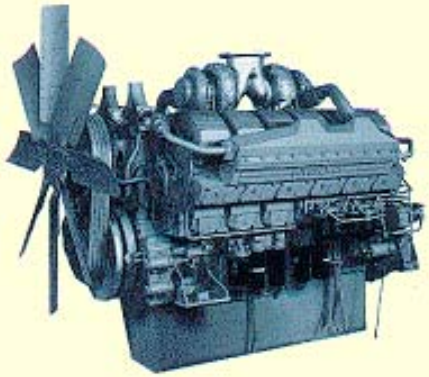
EMS*

*EMS:Energy Management Services

Engines – Business Environment

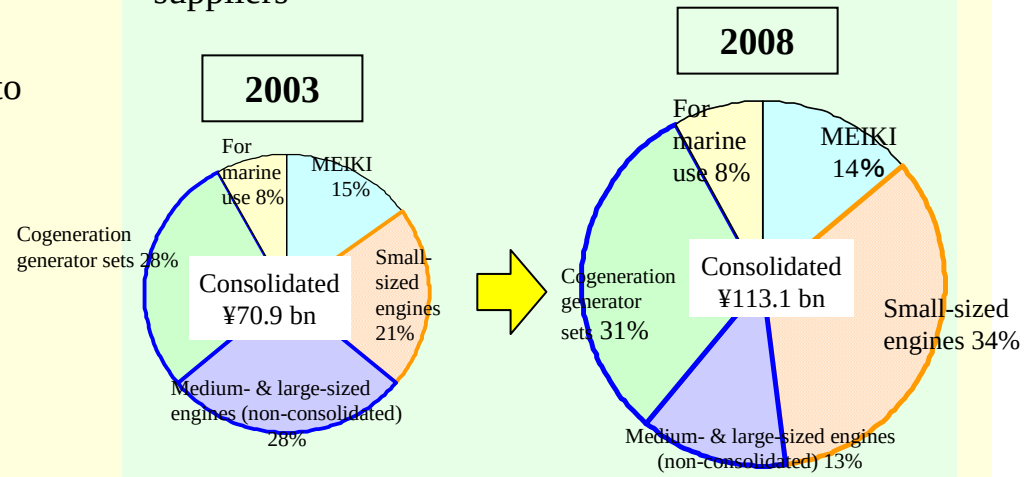
Market Environment

- Demand for replacement engines has increased as fuel emission regulations are being implemented
- Market size has expanded
  - -Demand for small-sized engines mainly for construction machinery and agricultural machinery for BRICs countries has grown
  - -Despite surging oil prices, demand for engines for power generation units has grown in areas where electric power supply is not stable
  - -Demand for engines for ships has increased chiefly in Southeast Asia
- Corporate needs have changed: from ownership to usage



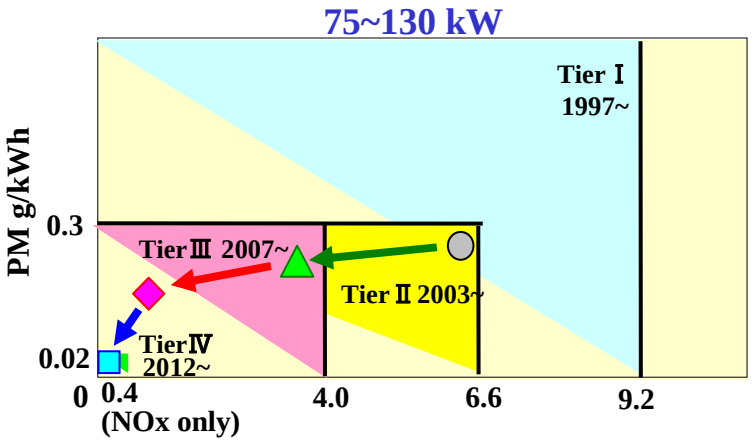
Efforts by MHI

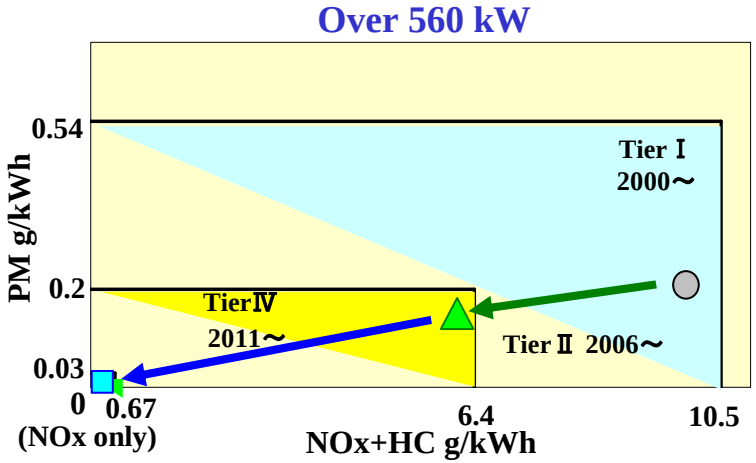
- Develop engines in line with environmental regulation timetables in Japan, U.S. and Europe
- Beef up production capacity of facilities, including overseas facilities, in a timely manner to adapt to growing demand
- Strengthen service operations, including EMS and full-maintenance service contracts, to accommodate diversified needs of corporate customers
- Beef up production capacity including capacity at suppliers



Efforts to Develop Environmental Technologies

U.S. emission standards for off-road vehicles and equipment and MHI's efforts





Development of engines in compliance with fuel emission regulations

Tier III-compliant engine with power output of100kW
Small-sized engine
- High turbo charging technology
- Production to start in Nov 2006

Tier-II compliant engine with power output of 2000kW
Medium- and large-sized engine
- High pressure fuel injection
- New model production to start in April 2007

Efforts for other environmental consideration

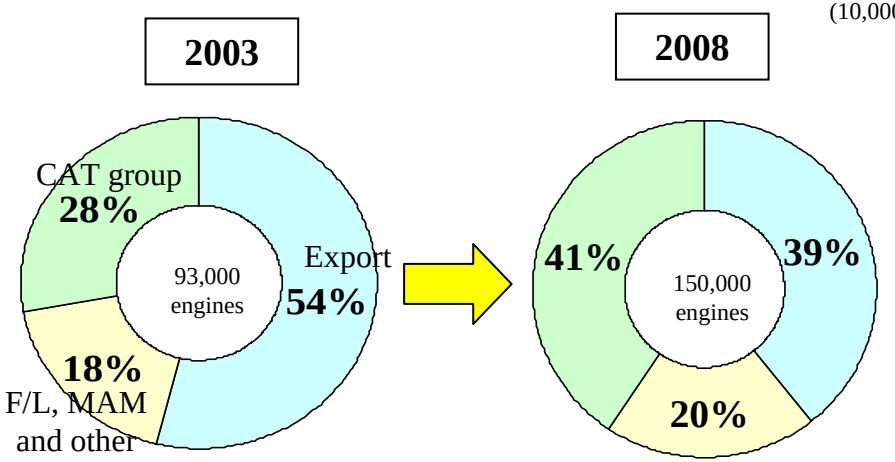
Highest heat efficiency in this class of engine
Clean emission mirror cycle gas engine

Ultra-low noise (70dB)
Generator package

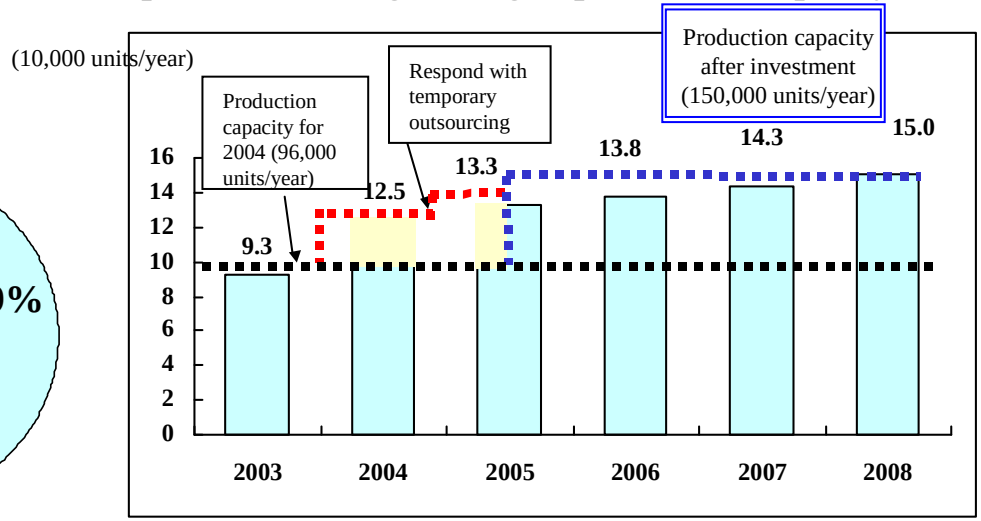
Small Engines – Main Strategies

Expand business of vehicle engines to respond to the tightening of environmental regulations

Number of Engines Manufactured



Sales plans and strengthening of production capacity



Response to the tightening of environmental regulations

- Complete development of Tier III-compliant engines (which can be marketed independently as an engine)
- Joint development of Tier IV engines with growing construction machinery manufacturers (which can be marketed as a finished product covering after treatment, etc.)
- Work on hybrid engine technology by leveraging strengths as a vehicle manufacturer

Strengthen production capacity

- Make an early start of operations of facilities invested (Establish (annual) production of 150,000 engines at the Sagamihara plant at an early time)
- Make progress in increasing production capacity at business partners (including ensuring sourcing of materials)

Expansion in growth markets

- Study possibility of entering in India, a growth market
- Explore new OEM opportunities in forklift trucks and construction machinery manufacturers

Strengthen services

- Accommodate wide ranging customer needs by establishing remanufacturing as a business
- Provide timely maintenance services based on operation records management

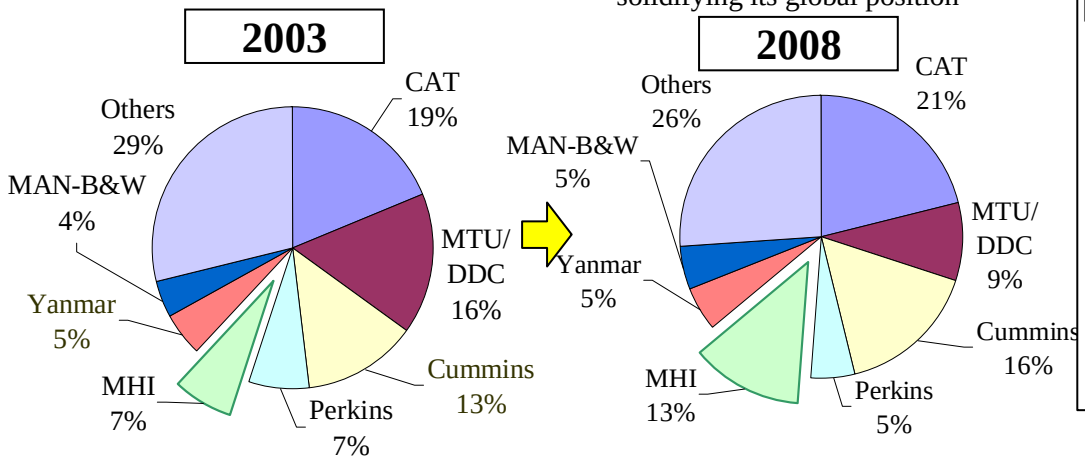
Medium and Large Sized Engines – Main Strategies

Focus on potentially profitable engines including engines for continuous power generation and ship engines

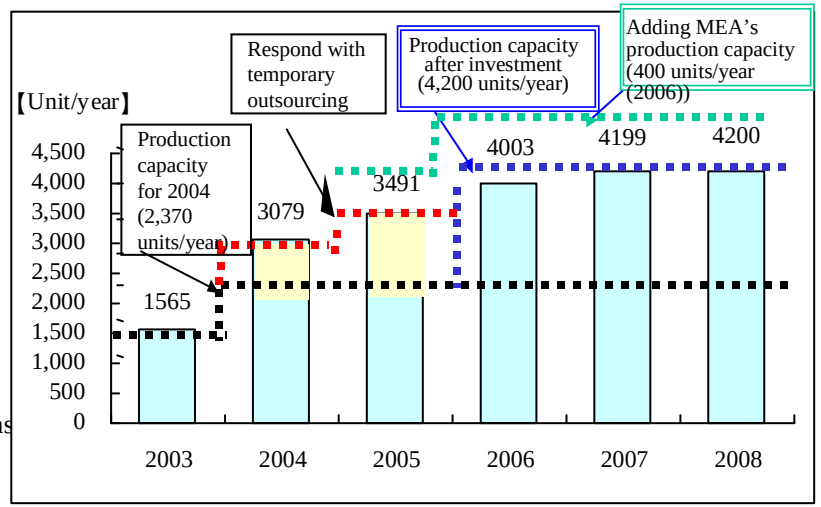
Number of Engines Manufactured

Market share (600 – 2500kW)

MHI jumped from the world's 5th largest to the 2nd largest group, solidifying its global position



Strengthening Sales Plan and production Capacity



Expansion of OEM business on a non-consolidated basis

- Continue OEM supply to large power generation unit manufacturers
- Make inroads into U.S. and European markets with a lineup of gas engines which have achieved further efficiency

Expand sales of engines for continuous power generation and ship engines

- Engines for continuous power generation: Respond to the shift in demand to gas engines reflecting surging oil prices
- Engines for marine use: Explore Southeast Asian and South American Markets

Respond to the tightening of environmental regulations

- Engines for continuous power generation: Respond to the shift in demand to gas engines reflecting surging oil prices
- Ship engines: Explore Southeast Asian and South American Markets

Beef up production capacity

- Strengthen capabilities of offering power generation units in Southeast Asia
- Promote overseas sourcing by strengthening purchasing functions at overseas facilities

Strengthen service operations

- Shift from generator sets to cogeneration
- Strengthen competitive strength of products by attaching value (including drying processing system, etc.)

Meiki Engines – Main Strategies

Increase profitability by shifting from a strategy to achieve higher margins without expanding scale to a strategy to achieve higher margins by expanding scale

Strategy
to achieve higher margins
without expanding scale

Review of business structure and system

Slash fixed expanses to build a leaner business structure with greater agility

Expansion Strategy

Expand scale by creating any kinds of sales opportunities through a change in mindset

Production strategy

- Produce and supply products and models accommodating markets and customers

Produce and supply products and models accommodating markets and customers

Sales strategy

- Expand sales by fully utilizing all sales channels of MHI, GMSVH and affiliated companies
- Develop finished products (portable power generation unit, lawn mower)
- Enhance overseas sales network

New business entry strategy

- Make entry into new business areas
  - Gas cogeneration

Expanding business

Current State of Development of New Tanks

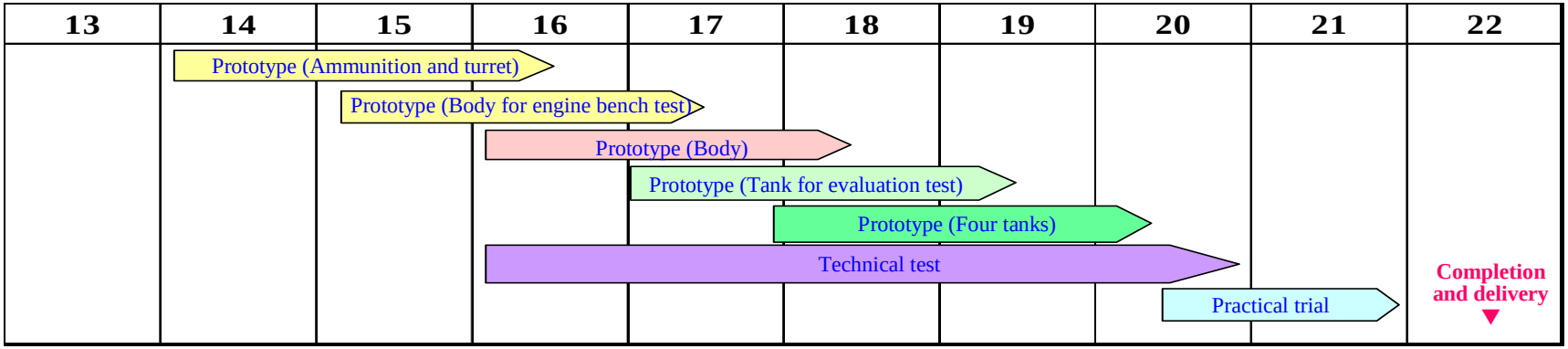
Theme of development

- Develop a tank which is smaller and lighter but maintains high levels of firepower and agility, in response to changes in needs from defense of domestic territories to defense of urban areas
- Achieve improved combat capability in a tank battle by making exhaustive use of IT technology

Name	New model	Type-90 tank	Type-74 tank
Gross weight (w/ fuel and ammunition)	Lighter than Type –90 tank	Approx. 50 tons	Approx. 38 tons
Number of crew	Same as Type-90	3	4
Main gun	Higher power than Type-90	120 mm smoothbore gun	105 mm tank gun
Maximum speed	Same as Type-90	Approx 70 km/h	53 km/h
C41 function*	○	×	×

* Self positioning and data-sharing-among-peer-tanks function
（C4I: Command, Control, Communication, Computer, and Intelligence）

Development Timetable



Medium- to Long-term Vision for GMSVH

Aim to expand scale while aiming to achieve higher quality and profitability

1. Transform business structure to achieve global standard and promote reform of a corporate culture which will support the transformation
2. Establish profit generating quality centering on production capabilities as the mother factory and product capabilities as the design center
3. Expand business globally by playing the role of control tower of overseas facilities