

Business Segment Review

General Machinery & Special Vehicles



Machinery, Equipment & Systems



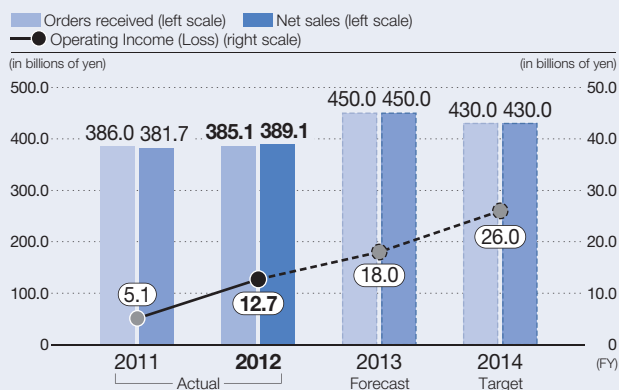
Integrated Defense & Space Systems

Key businesses: Turbochargers, Engines, Forklift trucks, Special vehicles, etc.

Basic Strategies

- Expand the service business
- Conduct in-depth cost-cutting activities
 - Improve percentage of local procurement
 - Improve productivity
- Expand solutions business
- Focus on North American market, and follow the China Plus One strategy

Future Outlook and Targets



Fiscal 2012 Review and Fiscal 2013 Outlook

Following on from fiscal 2011, MHI worked on achieving a streamlined structure, such as building a slim production framework, as well as reinforcing its service business and strengthening its global business. Consolidated orders received for turbochargers increased mainly in China and North America, where automobile production is steadily growing, while those for engines decreased in sluggish European markets. As a result, consolidated orders received remained largely unchanged year on year at ¥385.1 billion.

Consolidated net sales increased from the previous year to ¥389.1 billion due mainly to an increase in the delivery of turbochargers. Operating income, which returned to surplus in fiscal 2011, increased further to ¥12.7 billion, mainly as a result of increased profits from higher net sales and progress made in cost-cutting efforts, suggesting that surpluses had taken stronger root.

By continuing to promote structural reform, our targets for fiscal 2013 are consolidated orders received of ¥450.0 billion, consolidated net sales of ¥450.0 billion, and operating income of ¥18.0 billion.

Initiatives for Growth in the Medium to Long Term

Fiscal 2013 and 2014 have been designated as the two years for massive profit growth. MHI will build a robust organization and business structure facilitating sweeping reforms of business structure, departure from an earnings structure with a low rate of return, and a shift to surpluses unaffected by economic fluctuations.

In turbochargers, as turbocharging engines becomes more prevalent amid global environmental regulations, MHI aims to sell 10 million units in fiscal 2016, achieving a 30% share of the global market. It aims to achieve increased sales by boosting production capacity, not only at the new plant being established in the United States, but also at bases in Thailand, China and Europe, thereby meeting the local procurement needs of automakers. MHI will also work to further increase orders through the customer-based model, whereby it participates from the development stage of engines and provides support for development and verification close to customers.

In engines, MHI will aggressively capture demand for diesel and gas engine generators in distributed power source markets in

▼ "MEGANINJA" 1,500 kW Gas Engine Generation System in Container



▲ Turbocharger

▼ Hybrid Forklift Trucks



Atsushi Maekawa

Head of General Machinery & Special Vehicles



SWOT Matrix

Our strengths, weaknesses, opportunities and threats

- | Strengths (S) | Weaknesses (W) |
|--|---|
| <ul style="list-style-type: none"> □ Turbochargers: Customer-based model in Europe, the world's largest market □ Engines: Diverse lineup, from small to medium and large engines □ Forklift trucks: Extensive product lineup of internal combustion trucks, electric trucks and indoor distribution equipment □ Expansion of emerging markets such as Africa and Brazil □ Turbochargers: Shift to smaller, turbocharged engines against a background of environmental and fuel efficiency regulations □ Engines: Increased global demand for gas engines due to spread of low-cost shale gas | <ul style="list-style-type: none"> □ Ability to respond to rapid business fluctuations □ Earnings structure with a low rate of return □ Affected by rapid exchange rate fluctuations |
| Opportunities (O) | Threats (T) |
| <ul style="list-style-type: none"> □ Continuation of impact from European economic crisis □ Economic slumps in emerging countries such as China and India □ Decline in unit prices of products due to commoditization | |

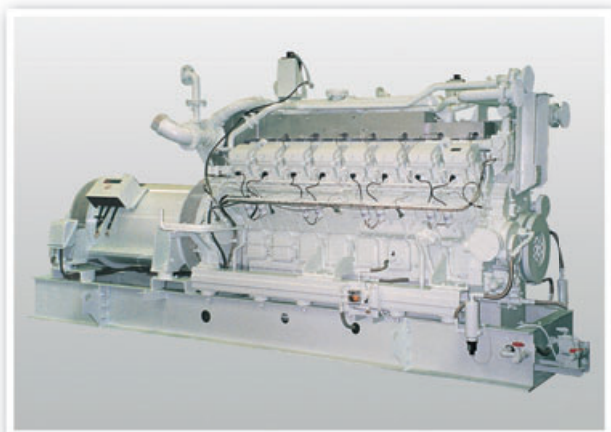
Main Projects

Announcement	Delivery	Project
March 2013	—	Operations commence at Mitsubishi Nichiyu Forklift, a company integrating the forklift trucks businesses of MHI and Nippon Yusoki
March 2013	—	Operations commence at joint venture with Shanghai Diesel Engine, aiming to expand share in rapidly growing engine market in China
December 2012	—	Base for producing turbochargers to be established in the United States, with mass production to commence in autumn 2014
June 2012	—	Development completed for MEGANINJA—a container-type 1,500 kW gas engine generator

emerging countries, such as in Africa and Southeast Asia, as a means of shoring up electricity infrastructures; in China, where power grids are in need of improvement; and in Japan, where there is an increasing need for backup power supplies at times of disaster. To this end, MHI will seek to increase sales through its solution proposal business, utilizing Group companies both in Japan and overseas, including Shanghai MHI Engine Co., Ltd., the joint venture company established in Shanghai.

In forklift trucks, a business integration with Nippon Yusoki Co., Ltd. in April 2013 led to the launch of Mitsubishi Nichiyu Forklift Co., Ltd., a consolidated subsidiary of MHI. Going forward, MHI will maximize the synergistic effects by enhancing its product lineup, sharing and optimizing overseas sales routes, effectively developing new products that match market needs, and optimizing personnel allocations and capital investments across the entire Group.

Based on these measures for each sector, MHI is aiming to achieve consolidated orders received of ¥430.0 billion, consolidated net sales of ¥430.0 billion and operating income of ¥26.0 billion for this business segment in fiscal 2014.



▲ Miller Cycle Gas Engine GS16R

TOPICS

Production base for turbochargers established in Indiana, United States

A turbocharger production plant currently being established in Indiana in the United States is scheduled to commence mass production in the autumn of 2014. Until recently, demand for turbochargers was modest in North America owing to the large number of gas-engine cars. But now, amid a tightening of fuel efficiency regulations, there is an increasing demand for more fuel-efficient engines equipped with turbochargers, especially for smaller gas-engine cars. By producing turbochargers locally, MHI looks to pursue shorter delivery times while simultaneously enhancing their quality and cost competitiveness.

Through this initiative, MHI will establish a structure enabling the final assembly of turbochargers in the three zeniths of global automobile markets, namely the United States, Europe and Asia.

Benefits

- Meets demand for turbochargers in the growing U.S. market
- Enables supply of products in close proximity to U.S. automakers
- Ensures the same quality for global common lines

