**Business Segment Review**

**General Machinery & Special Vehicles**

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

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**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

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**Future Outlook and Targets**

<table>
<thead>
<tr>
<th>Year</th>
<th>Orders received (left scale)</th>
<th>Net sales (left scale)</th>
<th>Operating Income (Loss) (right scale)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>361.7 billion</td>
<td>385.1 billion</td>
<td>12.7 billion</td>
</tr>
<tr>
<td>2012</td>
<td>381.7 billion</td>
<td>389.1 billion</td>
<td>11.3 billion</td>
</tr>
<tr>
<td>2013</td>
<td>450.0 billion</td>
<td>450.0 billion</td>
<td>18.0 billion</td>
</tr>
<tr>
<td>2014</td>
<td>430.0 billion</td>
<td>430.0 billion</td>
<td>23.0 billion</td>
</tr>
</tbody>
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**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.

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**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...
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

Ability to respond to rapid business fluctuations
- Earnings structure with a low rate of return
- Affected by rapid exchange rate fluctuations

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

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Emerging countries, such as in Africa and Southeast Asia, as a means of shoring up electricity infrastructure; 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.

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