Briefing session on Air-conditioning & Refrigeration Systems,
Paper & Printing Machinery and Machine Tool operations

Section 2: Paper & Printing Machinery Operations

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General Manager,
Paper & Printing Machinery Division
Positioning of Industrial Machinery Operations
(Orders Received / Sales)

Orders received in 2006 (consolidated)
¥221.7 billion
(Figure for the entire company: ¥3,274.7 billion)

Net sales in 2006 (consolidated)
¥219.3 billion
(Figure for the entire company: ¥3,068.5 billion)
Changes in Business Scale
(Industrial Machinery - Consolidated)

Operating margin

(Units: Billion yen)

Orders received
Net sales

2005
2006
2007 (forecast)

237.1
219.7
221.7
219.3
240.0
220.0

$220 billion

Operating margin
5%

Business Scale

5%
Paper & Printing Machinery Division - Core Products

**Sheet-fed offset presses**

[DIAMOND V3000] Pursuit of the ideal next-generation sheet-fed printing press

**Newspaper offset presses**

- World’s fastest 4×2 press (90,000 IPH) [DIAMONDSTAR]
- World’s fastest 4×1 press (80,000 IPH) [DIAMONDSPIRIT]
- Conventional 4×2 press (75,000 IPH) [DIAMONDSPACE]

**Commercial web offset presses**

[LITHOPIA MAX Series]

**Paper converting machinery**

[EVOL] box-making machine

**Corrugating machinery**
Paper & Printing Machinery Division - Orders Received and Sales

**Orders received**

- Paper and Printing 55%
- Other industrial machinery 45%

**Sales**

- Paper and Printing 57%
- Other industrial machinery 43%

**FY2006 (Consolidated figures)**

<table>
<thead>
<tr>
<th>Product</th>
<th>Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheet-fed offset presses</td>
<td>480 presses</td>
</tr>
<tr>
<td>Commercial web offset presses</td>
<td>70 presses</td>
</tr>
<tr>
<td>Newspaper offset presses</td>
<td>20 presses</td>
</tr>
<tr>
<td>Corrugating machinery</td>
<td>24 units</td>
</tr>
<tr>
<td>Box-making machines</td>
<td>36 units</td>
</tr>
</tbody>
</table>

[Annual production capacity for core products]
Paper & Printing Machinery Division - Trends in R&D and Investment

(Non-consolidated figures)

- Active investment geared towards ongoing development of next-year and next-generation products based on a precise understanding of our customers’ needs
  - Efforts to conserve resources
  - Cutting running costs
  - Printing on multimedia, etc.

- Restructuring machine processing facilities to focus on dedicated assembly lines for key components

- Sales investment with an eye to establishing sales offices/service centers in growth markets
Medium - Long Term Strategy
[Specializing in paper manufacturing machinery services and focusing management resources on printing machinery]

1. Switching to an overseas oriented approach to business

- Shifting to an export oriented business structure for all products, with export ratios of over 50% by 2009
- Stable profits in domestic market, by enhancement of after-sales service and steady order at replacement of old presses.

2. Expanding business in emerging nations (BRICs, VISTA)

- Focusing operations in overseas markets on emerging nations
- Expanding our network of local distributors and establishing service centers in each region

3. New product development and production innovation initiatives

- Promoting base module design incorporating universal specifications
- Providing products designed to reduce environmental impact, increase efficiency and improve ROI
- Optimizing production lines and investing in the latest equipment and facilities
Types of Printing Machinery

- Lithographic printing machinery
- Gravure printing machinery
- Flexographic printing machinery
- Ink-jet printing machinery

**Sheet-fed offset presses**
- Straight Press (Simplex)
  - Size 7: (1200×1620)
  - Size 6: (1040×1440)
  - Size 5: (940×1300)
  - Size 4: (820×1120)
  - Size 3: (720×1020)
  - Size 2: (560×820)
  - Size 1: (520×720)
  - Size 0: (365×520)

**Commercial web offset presses**
- Perfecting Press (Duplex)
  - A size
  - B size
  - Magazine size

**Newspaper offset presses**
- 2 pages
- 4 pages
- 6 pages

**Digital printing**
- Mitsubishi Heavy Industries lineup
  - Size 8 pages
  - 16 pages
  - 32 pages
  - 48 pages
  - 64 pages

**Volume zone**
- Mitsubishi Heavy Industries lineup
Expanding Sheet-fed offset presses Operations to Overseas Bases

Overview of overseas bases

<table>
<thead>
<tr>
<th>Company</th>
<th>MLP-USA</th>
<th>MLP-C</th>
<th>MLP-E</th>
<th>MLP-UK</th>
<th>MLP-HK</th>
<th>Distributor network</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Chicago (USA)</td>
<td>Toronto (Canada)</td>
<td>Paris (France)</td>
<td>Leeds (UK)</td>
<td>Hong Kong</td>
<td>29 companies</td>
<td></td>
</tr>
<tr>
<td>Workforce</td>
<td>102</td>
<td>12</td>
<td>34</td>
<td>31</td>
<td>81</td>
<td>-</td>
<td>260</td>
</tr>
<tr>
<td>FY2006 Sales</td>
<td>¥11.4 billion</td>
<td>¥1.2 billion</td>
<td>¥3.9 billion</td>
<td>¥4.8 billion</td>
<td>¥6.6 billion</td>
<td>¥10.4 billion</td>
<td>¥38.3 billion</td>
</tr>
</tbody>
</table>

Note: (Consolidated figures)
Global Shipment Forecast for Printed Matter

Mitsubishi Heavy Industries’ Position in the Global Sheet-fed offset presses Market

Mitsubishi Heavy Industries is ranked 5th in the world, with around a 10% share of the global sheet-fed offset presses market.

(Estimates based on ¥500 billion global market for machinery for sizes more than 496mm x 636mm in 2005)
Strategy to Increase Our Share of the Sheet-fed offset presses Market (1/2)

1. Active investment in growth markets

(1) China: Established a production base for small sheet-fed offset presses (July 2006)
   Production of small sheet-fed offset presses:
   2007: 45 machines ⇒ 2010: 130 machines (planned)

(2) India: In the process of establishing a sales office/service center
          Plans to assign service staff from the Paper & Printing Machinery Division on a permanent basis
          (October 2007 onwards)

(3) Eastern Europe and Russia:
    Scouting new distributors and stepping up operations through existing distributors
2. Launching new products and technology

(1) Showcasing the DIAMOND V3000 sheet-fed offset presses at IGAS (September 2007) and launching sales

(2) Easy operation color tuning equipment: Launching Color Navigator onto the market

(3) Launching simultaneous plate changer equipment capable of world-leading plate changing speeds

(4) Unveiling the world’s fastest perfecting press at DRUPA (May 2008, Germany)
Mitsubishi Heavy Industries’ Position in the Paper converting machinery Market

- The market consists entirely of specialist manufacturers apart from Mitsubishi Heavy Industries. Isowa (Japan) is the only other company that manufactures both corrugating machinery and box-making machine.
- Strong demand for high productivity, high quality machine in mature markets (Japan, North America and Western Europe).
- Growth markets in Asia (especially China, India and Vietnam) and the Middle East in the future.

**Domestic market shares**
(Market scale: ¥14 billion)

- Mitsubishi Heavy Industries: 36%
- Isowa: 32%
- Umetani: 16%
- Shinko: 8%
- Daio: 5%
- Others: 3%

**Overseas market shares**
(Market scale: ¥70 billion)

- Mitsubishi Heavy Industries: 9%
- BHS (German): 29%
- Martin (French): 24%
- Fosber (Italy): 4%
- Agnati (Italy): 4%
- MWU (US): 10%
- Others: 20%
Overseas Strategy for Paper converting machinery

Global trends in corrugated board production

Mitsubishi Heavy Industries’ overseas market share

Strategy to increase our share of the paper converting machinery market

Global expansion revolving around box-making machine “EVOL”

- Securing orders from three major companies and further repeat orders on the back of a strong reputation, having entered the North American market in 2005

- Using the results of European market research to attract and secure inquiries from major companies likely to order domestic standardized specification for 84 inch machine

- Assigning human resources to growth markets (China, India, Vietnam, etc.)