

2008 Medium-Term Business Plan (2008~2010)

— PHASE CHANGE TO A GLOBAL PLAYER —

April 28, 2008



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Contents

1. Goals	3
2. Business Environment	4
3. Changing Phases to Achieve Goals	5
4. Numerical Targets	6
5. Basic Policy	7
6. Business Strategy by Category	8
7. Expanding Overseas Business	9
8. Targets by Business Category	10
9. Priority Initiatives	11
10. Enhancing Resources	26
11. Promoting CSR	27
Supplementary Information	29

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. Goals

Contribute to stakeholders
with solid revenue

**Develop businesses globally
to become a world leading company
– A strong and agile global player –**

- Expand the business and market share through a dynamic global strategy
- Establish a firm manufacturing capability throughout the value chain
- Earn the trust of society through CSR activities

2. Business Environment

1. Expanding the global market

- The market is expanding globally with the economic growth of emerging countries
- Environmental strategies are active worldwide



Business opportunities are expanding

2. Intensifying market competition

- The US economy is slowing, the yen is appreciating rapidly, and material costs are soaring
- Manufacturers in China and other parts of Asia are gaining strength
- Business reorganization is accelerating to expand market share



Business risks are increasing

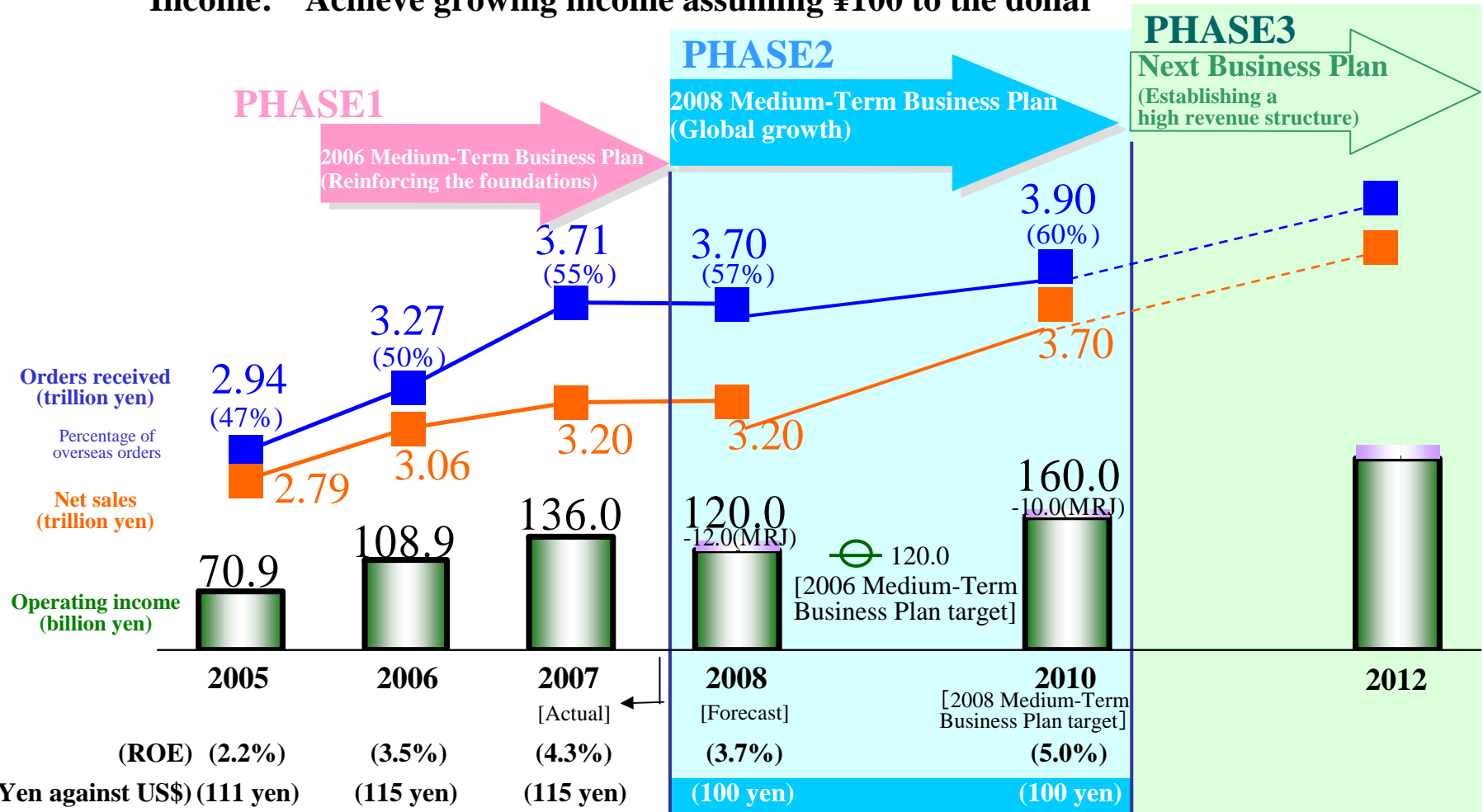
3. Changing Phases to Achieve Goals

Achieving sustainable growth even in a difficult business environment

[2008 Medium-Term Business Plan]

Orders: Expand overseas businesses, considering production capacity

Income: Achieve growing income assuming ¥100 to the dollar



4. Numerical Targets (Consolidated)

(In billion yen)

	2006 Actual	2007 Actual	2008 Forecast	2010 Target
Order received	3,274.7	3,715.2	3,700.0	3,900.0
Net sales	3,068.5	3,203.0	3,200.0	3,700.0
Operating income	108.9	136.0	120.0	160.0
Ordinary income	83.0	109.5	90.0	130.0
ROE	3.5%	4.3%	3.7%	5.0%
Debt with interest	1,273.5	1,365.3	1,500.0	1,600.0
Consolidated number of employees	62,940	64,103	67,000	70,000
Percentage of overseas orders	50%	55%	57%	60%
Dividend per share	6 yen	6 yen	6 yen	8 yen

5. Basic Policy

Promoting both wheels of Global growth in the production business and Business process reform

Global growth in production business – Business strategy by category –

Business process reform

I. Strategic investment (Power Systems/Aerospace)

- Businesses driving the growth of the Company
- Make strategic investments from a medium- to long-term perspective
- Aim to expand the scope and revenue of businesses to the level of the world's leading companies

II. Quick returns (Mass and Medium-Lot Manufactured Machinery)

- Increase market share in the global market
- Allocate resources for products to stay in step with market trends
- Aim to secure quick returns

III. Business Reform (Machinery & Steel Structures/Shipbuilding & Ocean Development)

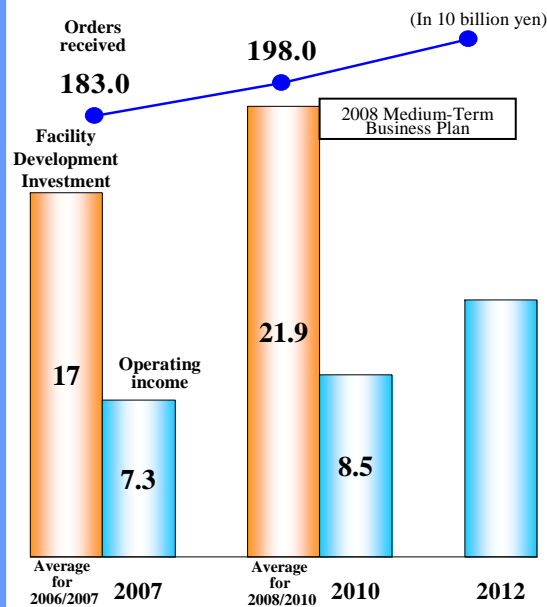
- Achieve profitability through business reform
- Continue to reform
- Aim to develop growth businesses

- Accelerating manufacturing reform
- Enhancing risk management
- Bolstering the business operation system

6. Business Strategy by Category

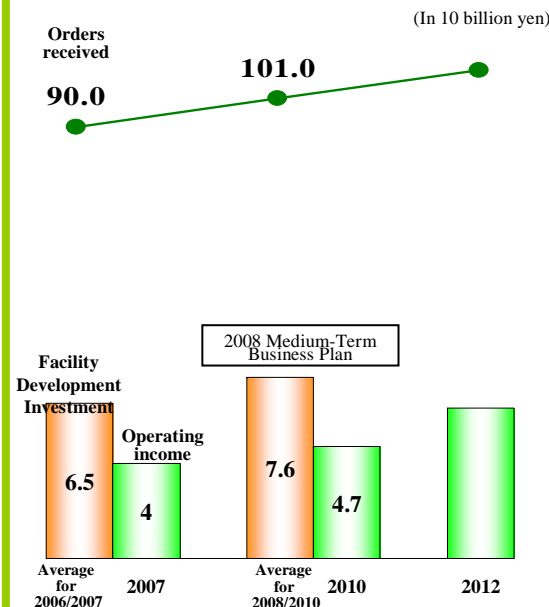
Continuing to expand revenues with business structures in which investments and profits are well balanced

I. Strategic investment (Power Systems/Aerospace)



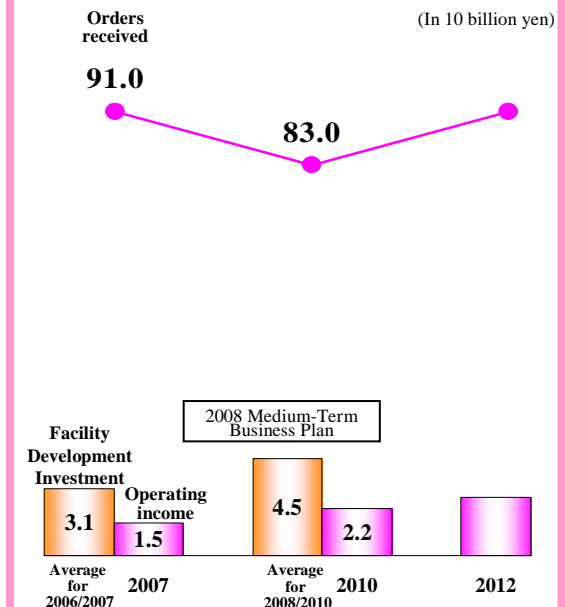
- Make strategic investments that will far exceed income.
- Expand income during the term of the business plan through gas turbines, wind turbines, and solar cells, which will bring relatively early paybacks.

II. Quick returns (Mass and Medium-Lot Manufactured Machinery)



- Bolster production capacity and bolster a global sales structure
- Increase income through a rapid investment recovery.

III. Business Reform (Machinery & Steel Structures/ Shipbuilding & Ocean Development)

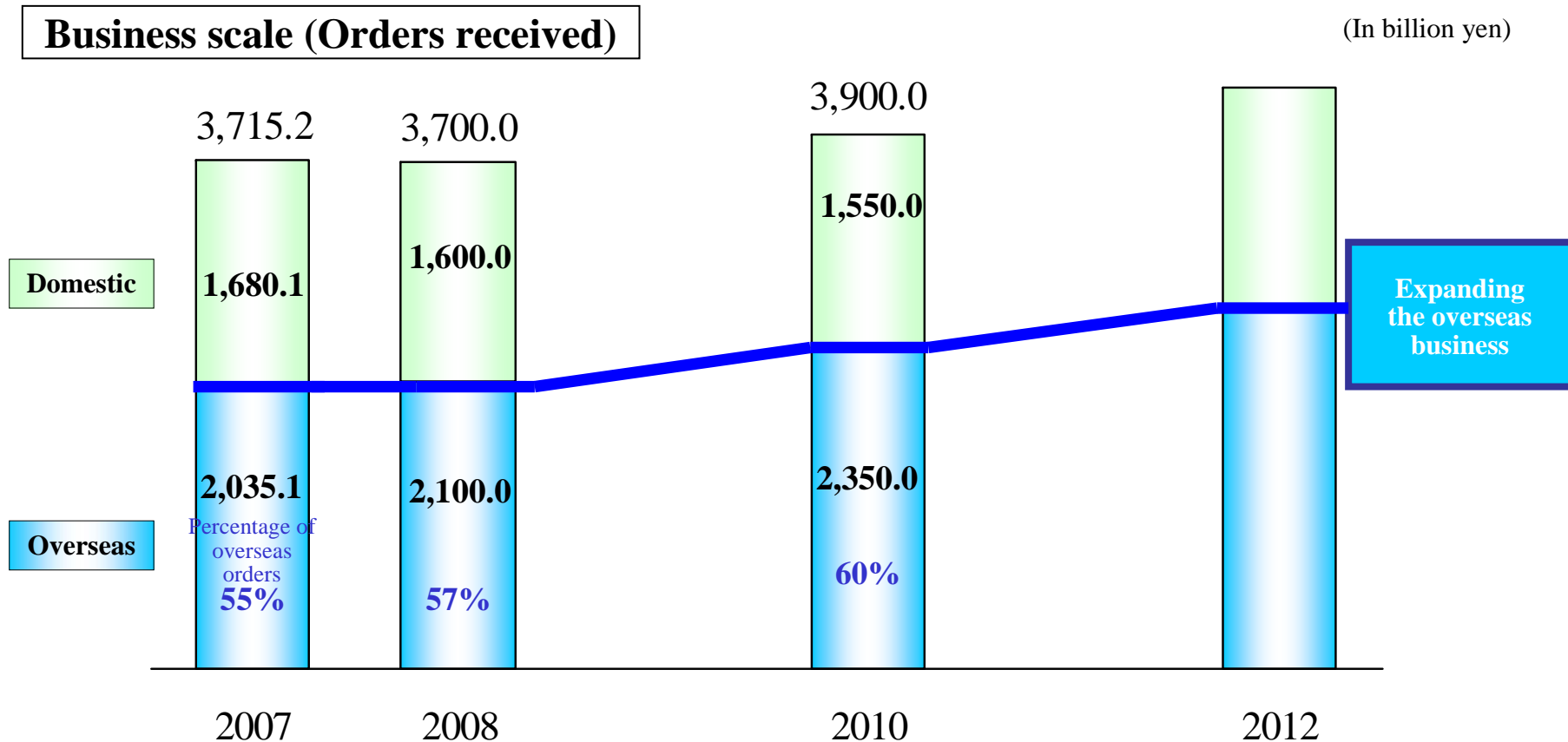


- Improve production efficiency and investment in new product development.
- Expand revenue steadily with the investment effect.

7. Expanding Overseas Business

Achieving global growth by expanding the overseas business

– Overseas orders for 2010: ¥2,350 bn –
(Ratio of overseas business: 55% → 60%)



8. Targets by Business Category

(In billion yen)

		Orders Received		Net Sales		Operating Income		
		2007	2010 Target	2007	2010 Target	2007	2010 Target	
Strategic investment	Power Systems	1,214.9	1,340.0	946.9	1,220.0	58.2	80.0	
	Aerospace	Excluding MRJ	615.8	640.0	500.5	570.0	14.6	15.0
		MRJ	—	(Included in the above)	—	—	—	-10.0
	Sub-total	615.8	640.0	500.5	570.0	14.6	5.0	
	Total	1,830.7	1,980.0	1,447.4	1,790.0	72.8	85.0	
Quick returns	Mass and Medium-Lot Manufactured Machinery	GM&SV	465.2	520.0	474.4	520.0	20.8	22.0
		Air-Con	212.1	230.0	211.8	230.0	6.2	8.0
		Industrial	224.3	260.0	227.2	260.0	12.9	17.0
	Total	901.7	1,010.0	913.6	1,010.0	40.0	47.0	
Reform	Shipbuilding & Ocean Development	353.6	270.0	283.9	280.0	4.0	7.0	
	Machinery & Steel Structures	557.3	560.0	472.5	540.0	11.3	15.0	
	Total	910.9	830.0	756.4	820.0	15.3	22.0	
	Others	71.7	80.0	85.4	80.0	7.6	6.0	
	Total	3,715.2	3,900.0	3,203.0	3,700.0	136.0	160.0	

GM&SV: General Machinery & Special Vehicle

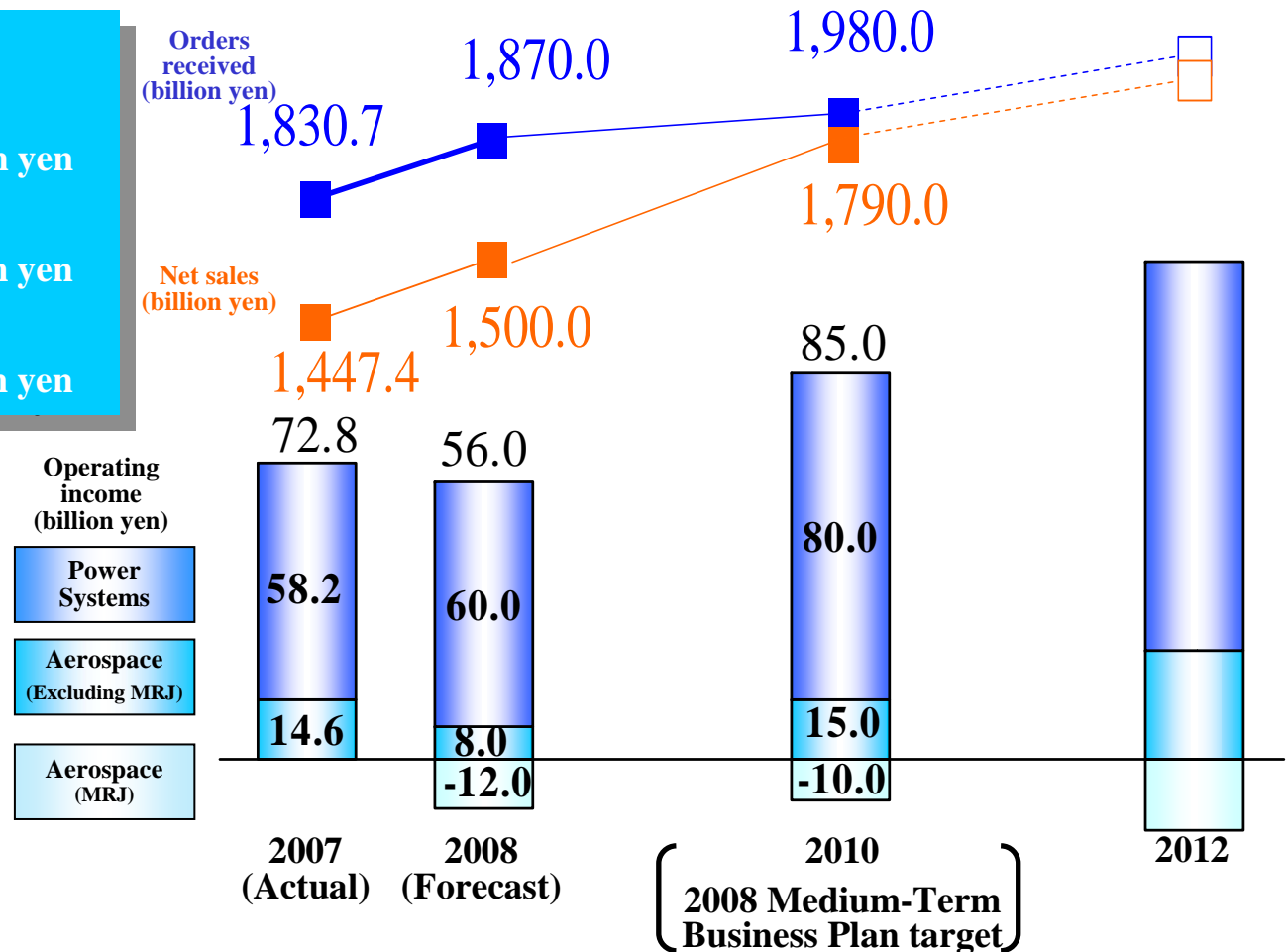
Air-Con: Air-Conditioning & Refrigeration Systems

Industrial: Industrial Machinery

9. Priority Initiatives –Strategic Investment –

Becoming a world leading manufacturer in the energy, environment, and aerospace businesses

2010 target:
Orders received: 1,980.0 billion yen
Net sales: 1,790.0 billion yen
Operating income: 85.0 billion yen

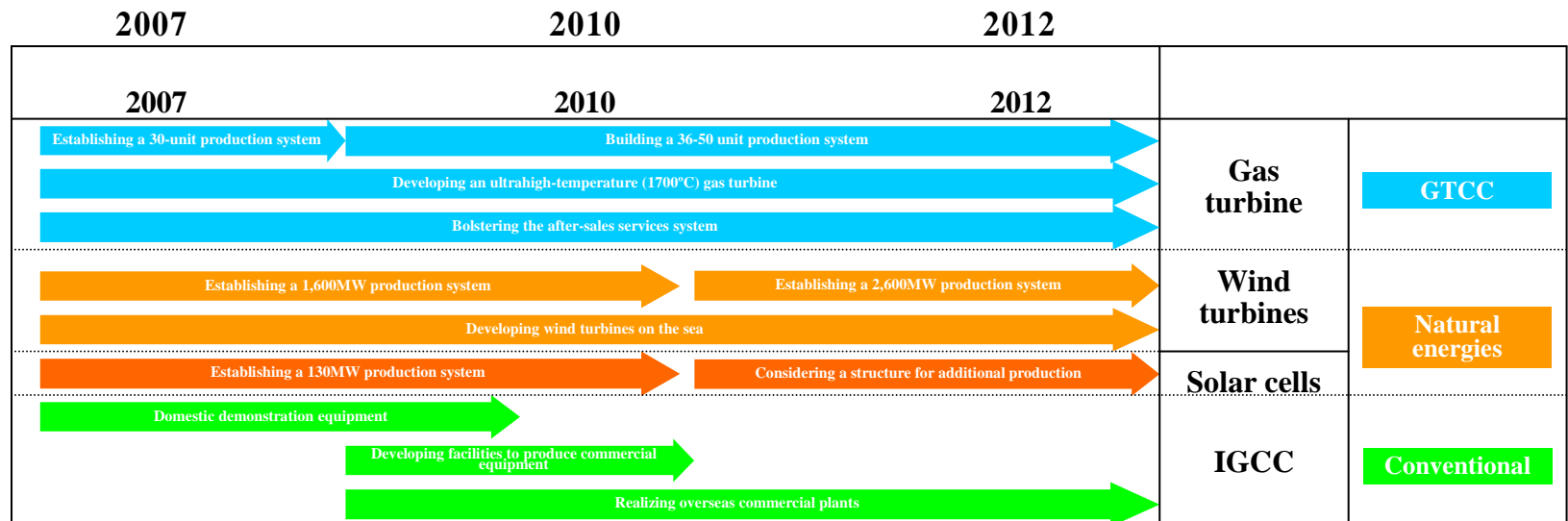
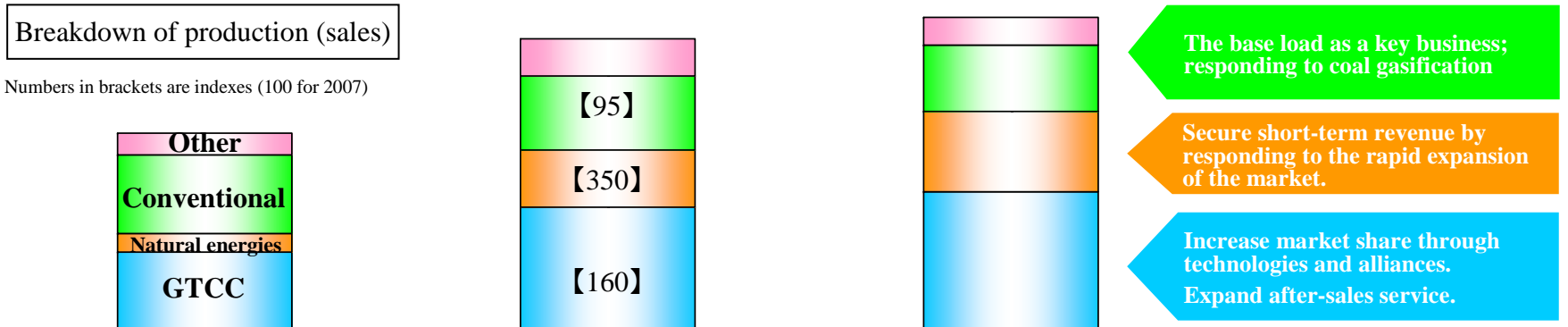


9. Priority Initiatives –Strategic Investment (1)–

<Power Systems>

Undertaking large-scale projects in response to the expanding global fight against global warming

**Expanding the scale and revenue of the business by accelerating the change from conventional thermal power to natural energy
(Accelerating the development of major products, bolstering production capacity)**



9. Priority Initiatives –Strategic Investment (2)–

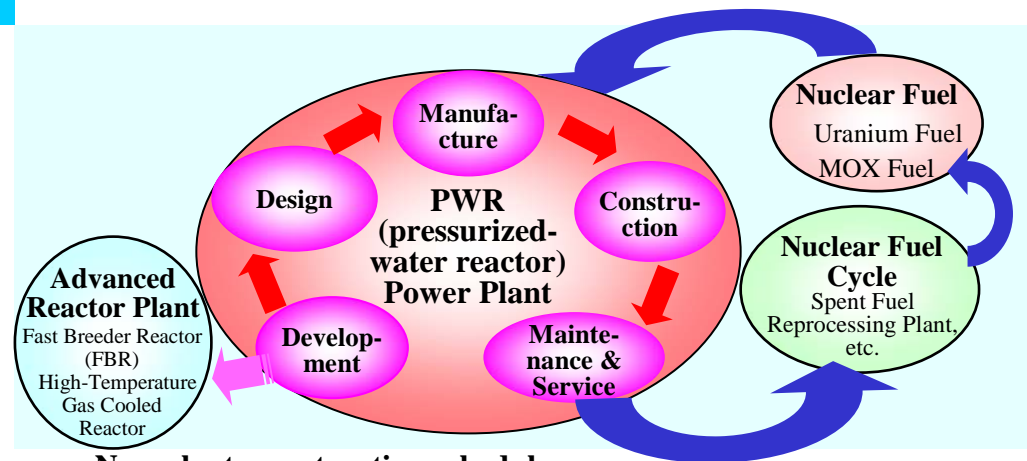
<Nuclear Energy Systems>

Becoming “A comprehensive nuclear energy company”
that leads the world

- Handling every aspect of plant life: nuclear fuel, plant construction, maintenance, and fuel cycle
- Continue the replacement of main equipment and maintain and bolster technologies in design and production.

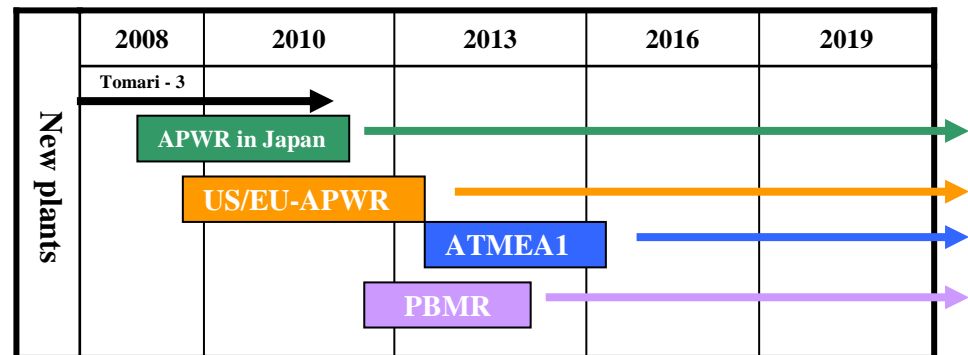
1. Developing a world strategy reactor series

- A large-sized strategic reactor [1700MWe class: US/EU-APWR]
 - Quickly complete the US-APWR DC application.
 - Expand sales in the United States and Europe. (Two reactors for Luminant have been accepted.)
- Mid-sized strategic reactor [1100MWe class: ATMEA1]
 - Accelerate development by establishing a joint venture with AREVA.
 - Expand sales in East Europe and Asia.
- Small-sized strategic reactor [170MWe class: PBMR]
 - Accelerate the development of demonstration reactors in South Africa. (Operations to begin in 2013)



New plants construction schedule

Substantial increase in new plant construction over medium and long terms
(10 years) ⇒ Expansion in business scale



2. Global development by bolstering alliances

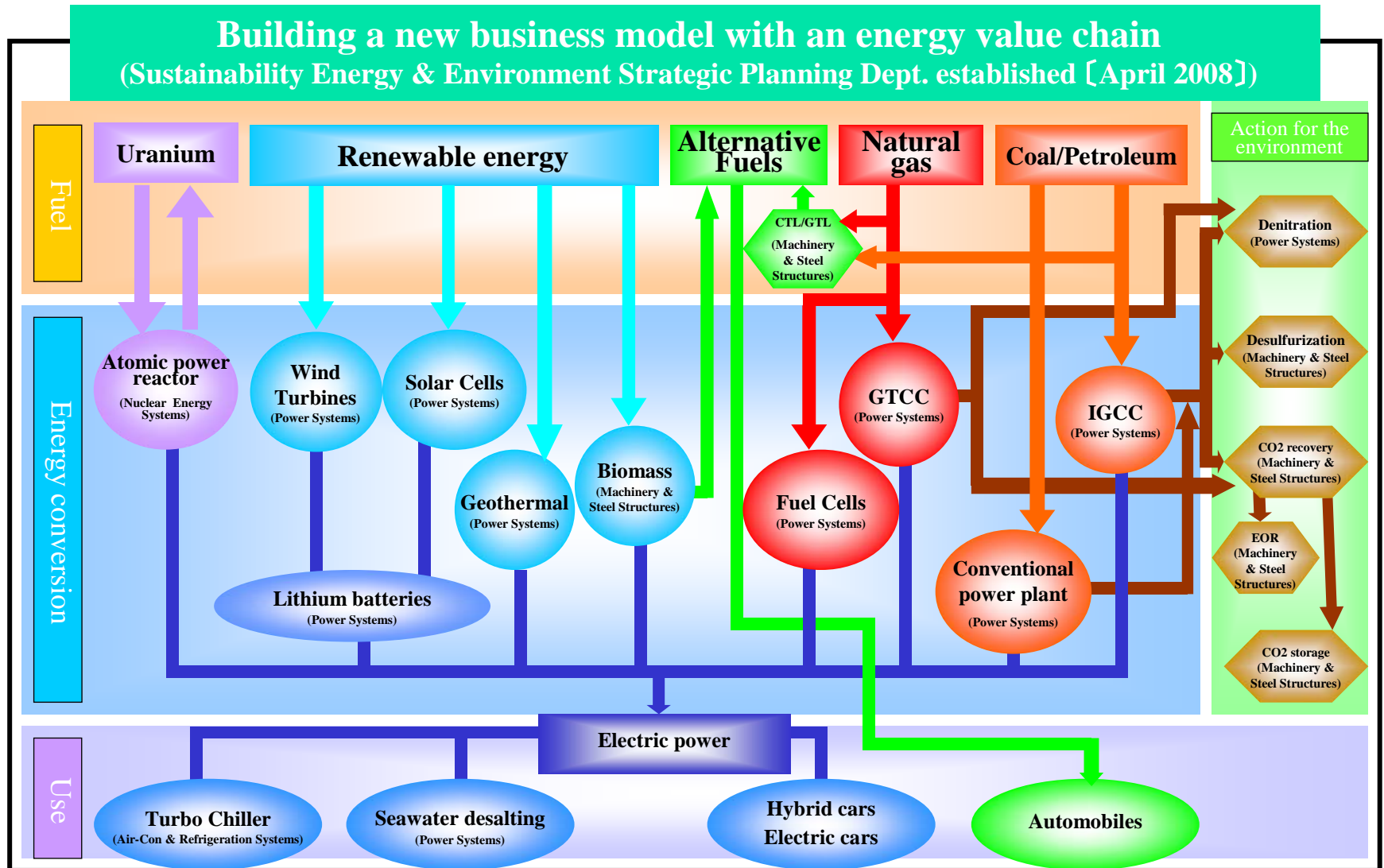
- Develop ATMEA1 jointly with AREVA, form alliances in the nuclear fuel business, and promote GNEP.

3. Leading the world in FBR development

- Start operating demonstration reactors in Japan in 2025 and commercial reactors in 2050.
- Develop a world standard reactor by joining GNEP.

9. Priority Initiatives –Strategic Investment (3)–

Promoting the fusion of energy and the environment to develop a business



CTL: Coal to Liquid GTL: Gas to Liquid EOR : Enhanced Oil Recovery

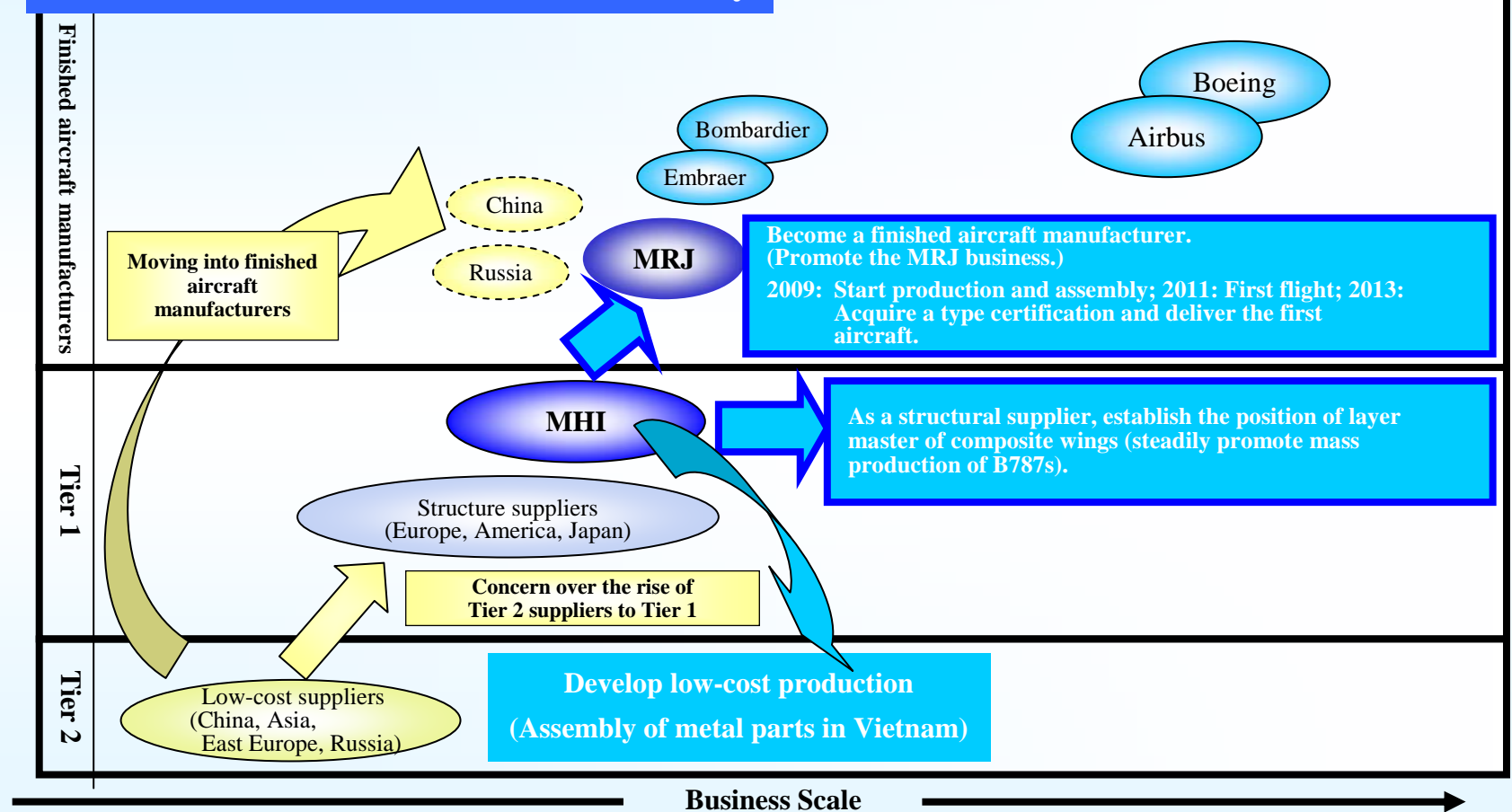
9. Priority Initiatives –Strategic Investment (4)–

<Aerospace>

Move to world class by developing new projects

– Establishing a position in the commercial aircraft industry to expand the business –

Trends in the commercial aircraft industry



9. Priority Initiatives –Quick Returns –

Accelerating the expansion of market share and investment recovery

2010 target:

Orders received:

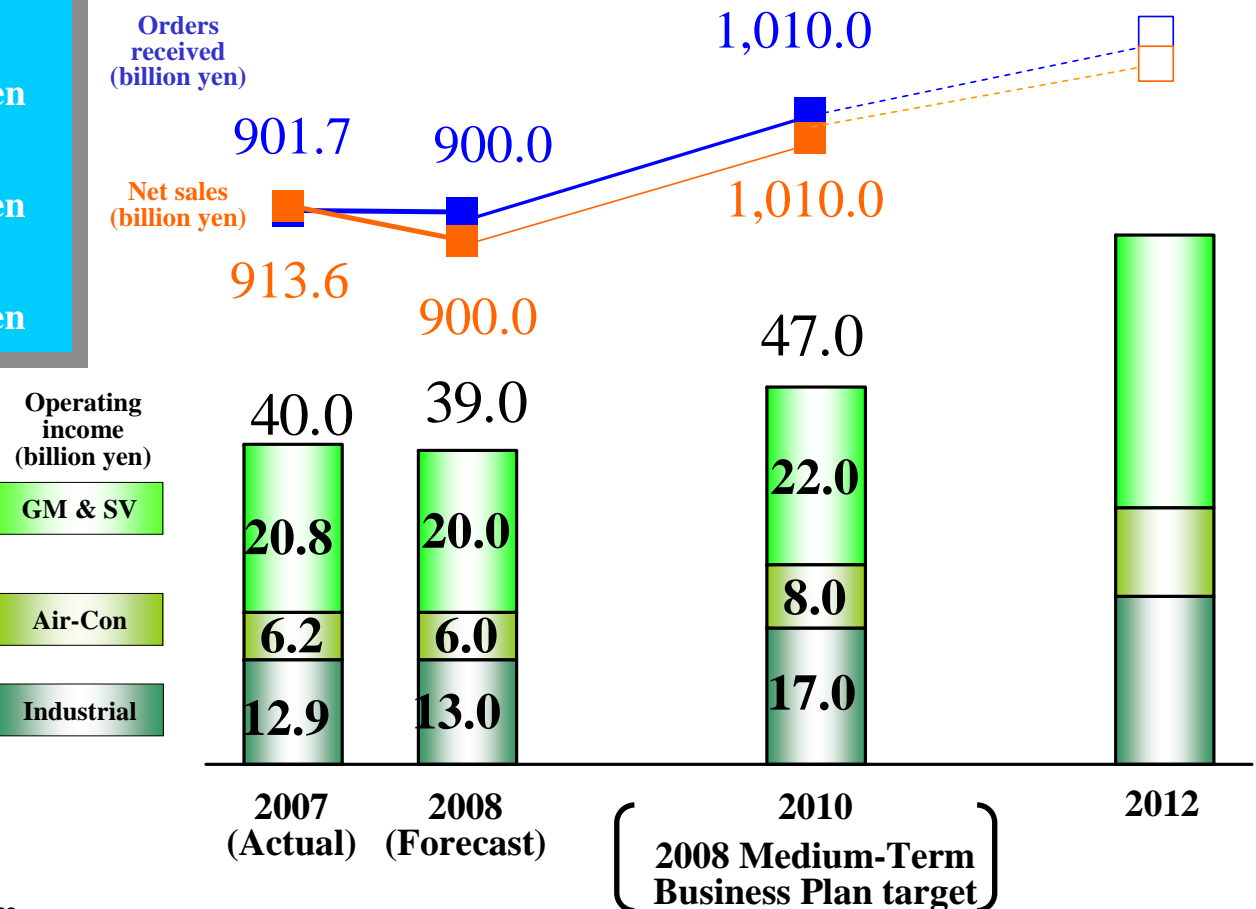
1, 010.0 billion yen

Net sales:

1,010.0 billion yen

Operating income:

47.0 billion yen



GM&SV: General Machinery & Special Vehicle
 Air-Con: Air-Conditioning & Refrigeration Systems
 Industrial: Industrial Machinery

9. Priority Initiatives –Quick Returns (1)–

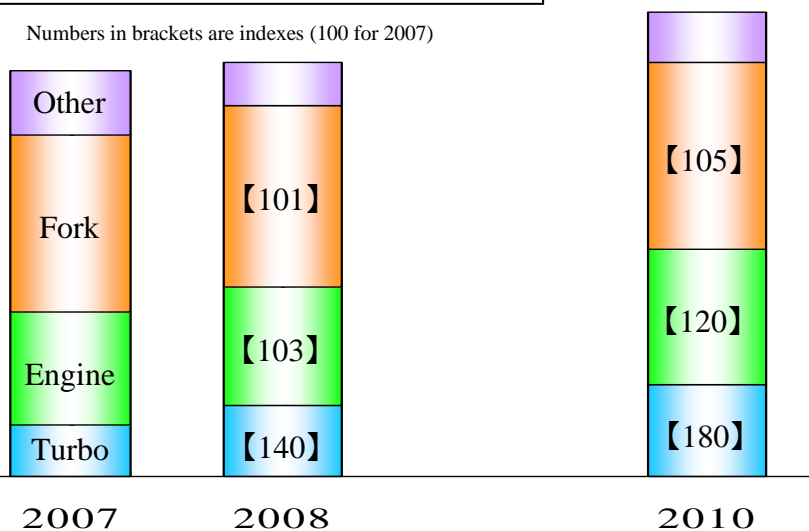
<General Machinery & Special Vehicle>

Securing revenue quickly by responding to the rapid expansion of demand in a timely manner

Securing revenue by expanding three major product types

Breakdown by product type (Net sales)

Numbers in brackets are indexes (100 for 2007)



	2008	2010
Turbo	Establishing a system for producing 6.9 million units (Thailand plant: To be completed in January 2009)	
Engine	Developing a model to comply with the fourth emission regulations	
	Establishing a 200,000 small engines production system	
Fork	Bolstering alliances	

□ Turbocharger

- Demand for turbochargers, which improve fuel efficiency, is increasing sharply with the tightening of regulations of gas/CO2 emissions.
- Secure the number two position in the world in terms of market share by establishing a system for producing 6.9 million units (in Japan, Thailand, and the Netherlands) and aim to become number one.

□ Engine

- Tightening of environmental regulations
⇒ Accelerate the development of a model that will comply with the fourth emission regulations.
- Demand in emerging markets, especially for engines for construction machines and agricultural equipment, is rising sharply.
⇒ Establish a system for producing 200,000 small diesel engines.

□ Forklift

- Demand for indoor transport equipment is increasing in developed countries because of improved efficiency in factory transport and smaller distribution lots.
⇒ Bolster the lineup of indoor transport equipment through alliances.
- Demand for engine vehicles is expanding with increases in distribution in emerging markets.
⇒ Effectively use the resources of existing plants (MCFA → Latin America, etc.).

Note) MCFA: Mitsubishi Caterpillar Forklift America Inc.

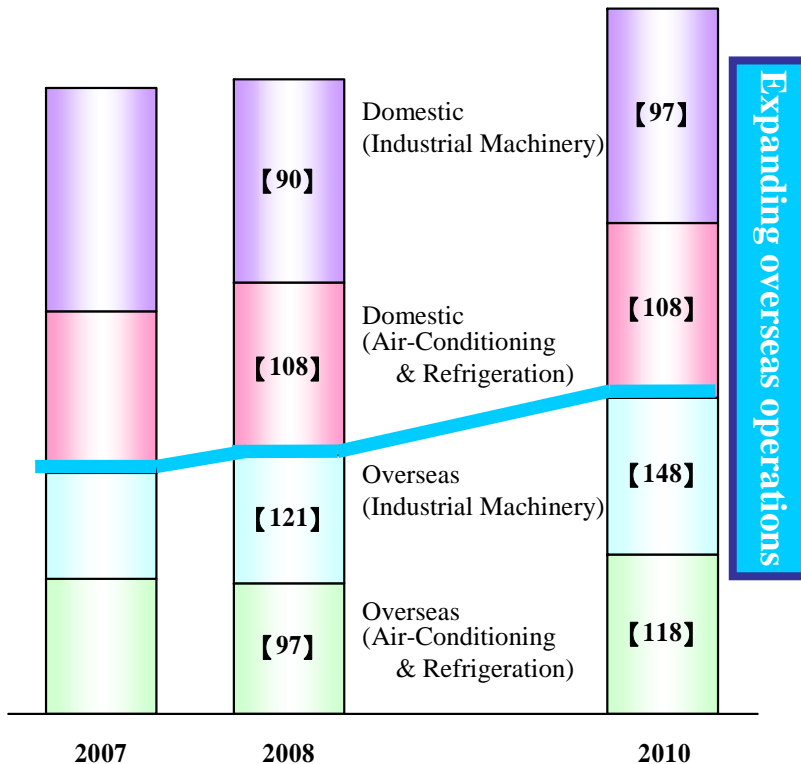
9. Priority Initiatives –Quick Returns (2)–

<Air-Conditioning & Refrigeration Systems and Industrial Machinery>

Securing revenues by expanding overseas operations

Orders plan

Numbers in brackets are indexes (100 for 2007)



□ Air-Conditioning & Refrigeration Systems

Air-Conditioners

- Bolster sales and service systems and expand business in Europe and China, where demand is increasing, focusing on high value-added, variable flow air-conditioners for buildings.

Automotive Thermal Systems

- Expanding sales of new types of compressors

QS compressor:

A small, light compressor with the world's highest efficiency, having a three-dimensional compression mechanism

Electric compressor:

Compressor for hybrid and electric vehicles, applying an inverter technology of air-conditioning equipment

Centrifugal Liquid Chillers

- Maintain the largest market share in Japan with centrifugal liquid chillers boasting the world's greatest efficiency, using gas turbine technology.
- Expand exports of world-class machinery.

□ Paper & Printing Machinery

- Expand sales of the DIAMOND series of sheet-fed printing machines enabling high-speed, high precision plate exchange.
- Expand sales in emerging markets/markets that we have not entered
China, India, Middle East, East Europe, Russia, Brazil, etc.

□ Machine Tool

- Expand exports of large machinery and gear machinery, particularly to auto and aircraft manufacturers : China, India, Southeast Asia, North America.

9. Priority Initiatives –Business Reform–

Introducing reforms and shifting to growth businesses

2010 target:

Orders received:

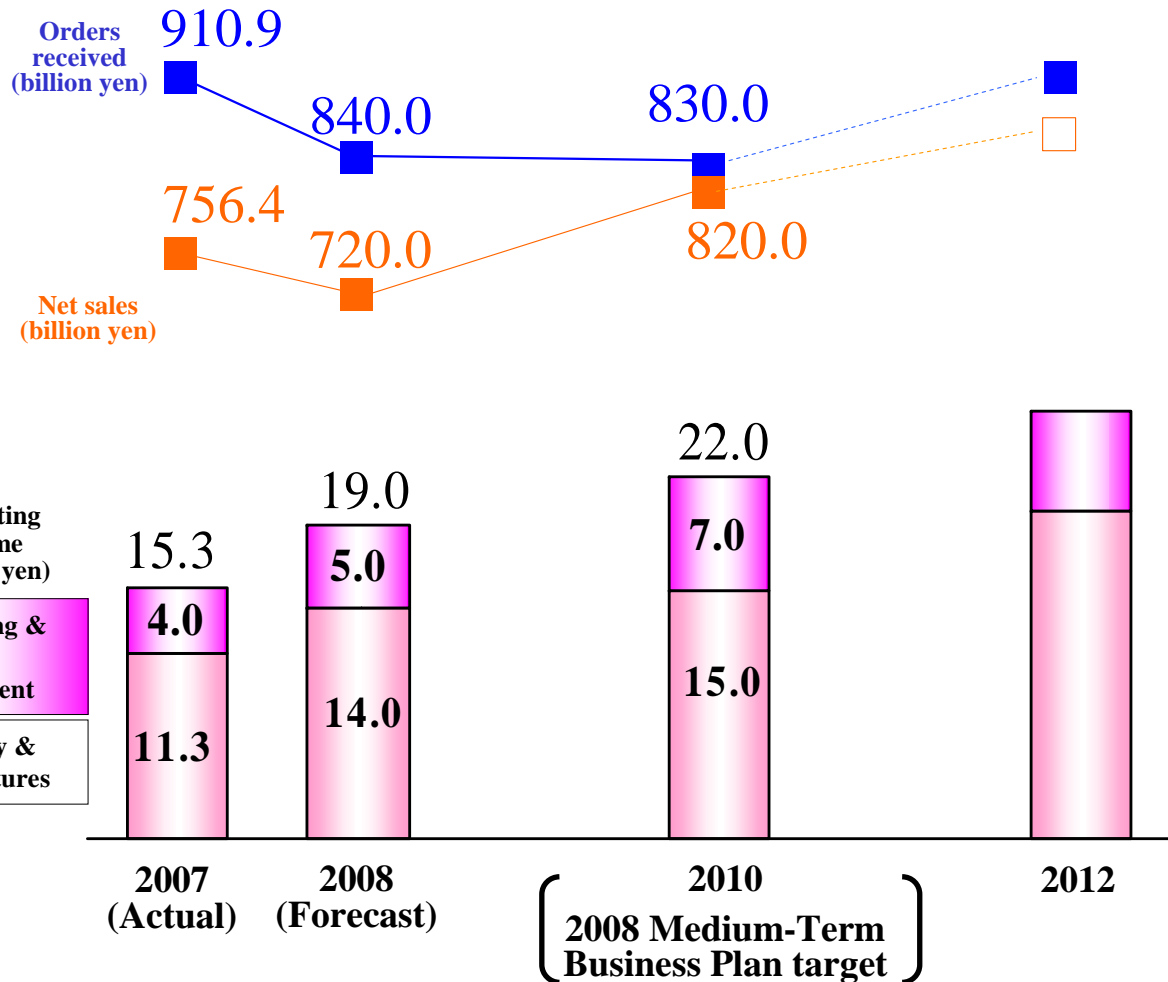
830.0 billion yen

Net sales:

820.0 billion yen

Operating income:

22.0 billion yen



9. Priority Initiatives –Business Reform (1)–

<Shipbuilding & Ocean Development>

Bolstering competitiveness to prevail in an intensely competitive market

Demand for shipbuilding and shipbuilding capacity

- Shipbuilding capacity will exceed demand in an intensely competitive environment.
- Demand is stable for high value-added ships (containers, LPG/LNG, Pure Car & Truck Carrier, etc), which are areas where the Company excels.

Specialize in high value-added ships and achieve stable revenue by improving technology and productivity.

- Accelerate gains in fuel efficiency and compliance with environmental regulations with the Company's comprehensive technologies and alliances.

Turbine, diesel, denitration technologies
(Power Systems Headquarters)

Desulfurization technologies
(Machinery & Steel Structures Headquarters)

Ballast water purification technology
(Hitachi Plant Technologies, Ltd.)

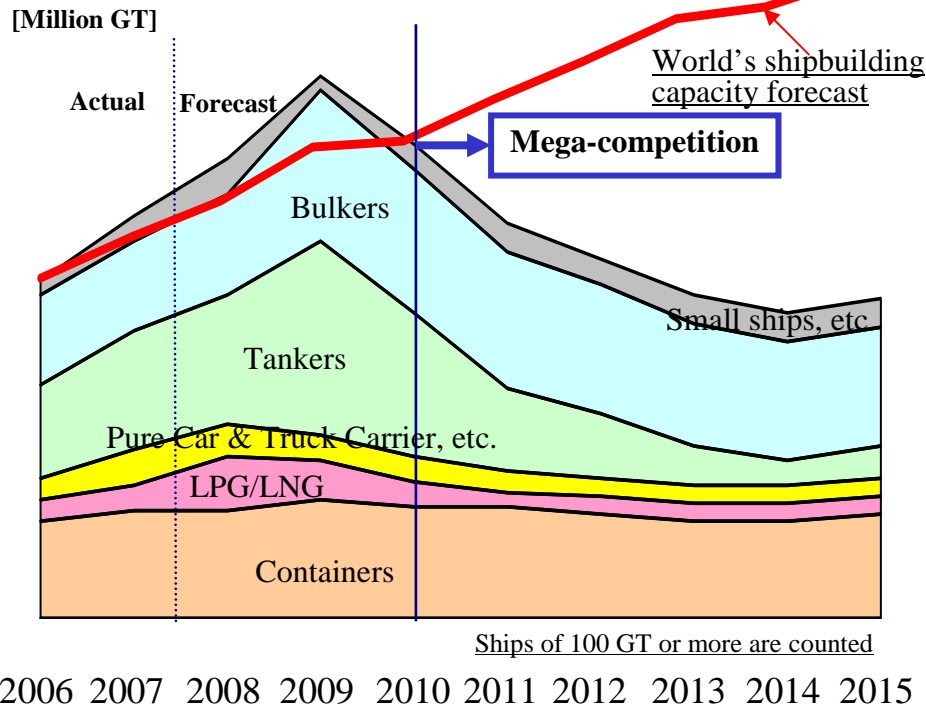
Develop a high-tensile steel plate
(Nippon Steel Corporation).

- Enhance cost competitiveness to overcome soaring material costs.

- Reform the settlement system using MATES
- Introduce the mega-block building method by modernizing equipment.

- Overseas development

- Consider developing the ship repair business in Vietnam, etc.



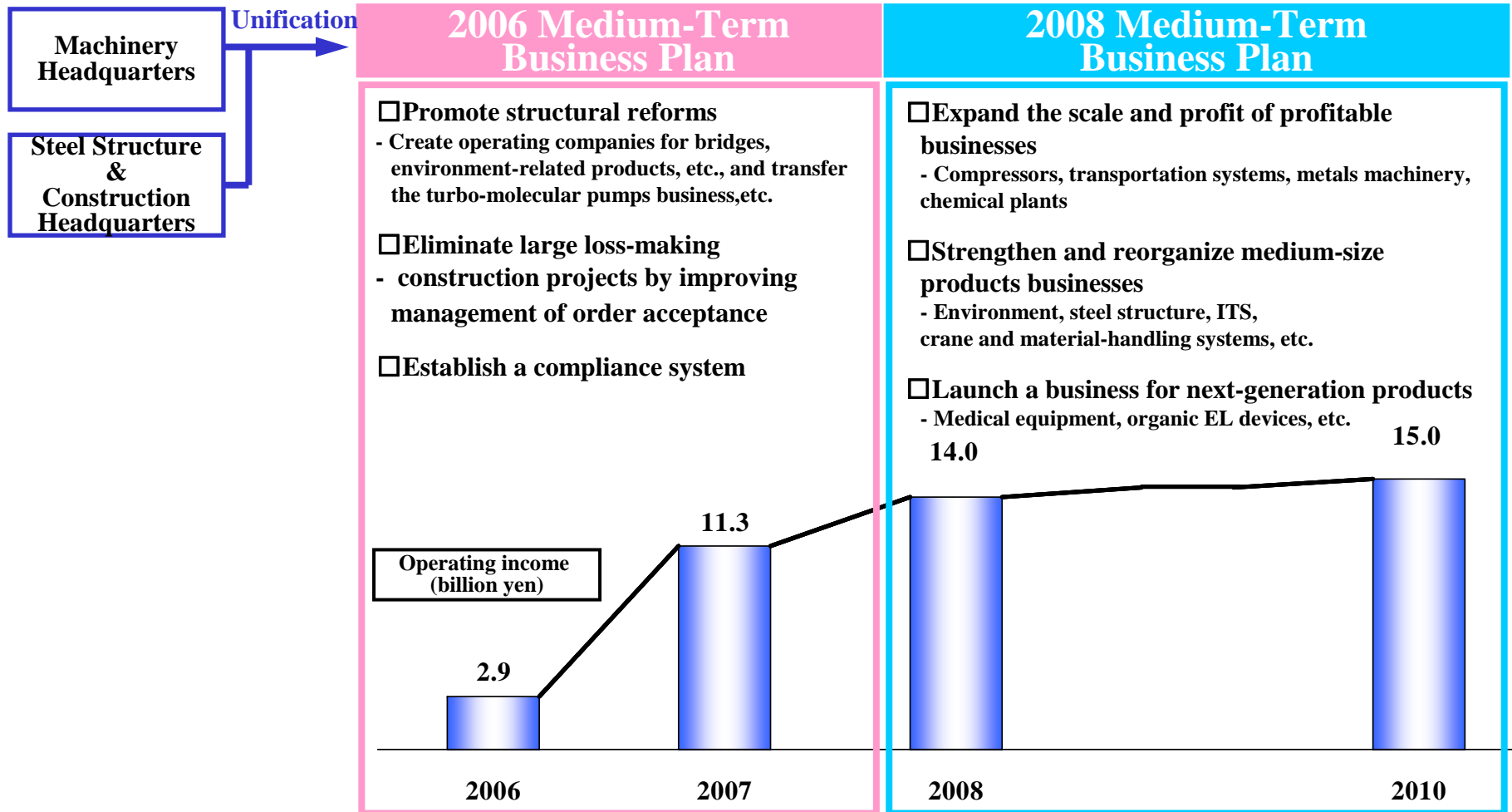
Notes) MATES : Mitsubishi Advanced

Total Engineering System Of Ship

9. Priority Initiatives –Business Reform (2)–

Machinery & Steel Structures

Expanding revenue by reforming the business structure and bolstering growth businesses.



9. Priority Initiatives – Business Process Reform (1) –

Extending and accelerating manufacturing reform throughout the value chain

Standardization/com
modification reform

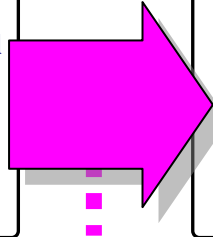
Current issues

Product orders : One product order model

- Specifications differ for each customer

Mass-market products : Mass production model

- Respond to customers based on project production/inventory management



Post reform

Repeat/project production model for orders

Repeat production model

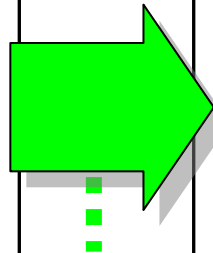
- Respond flexibly to customer needs by combining modules

A production model for a tailored response to customer needs with mass-market products

Improved productivity/shorter delivery time, consistent quality with shared drawings

Supply chain reform

- Diverse procurement methods/systems for each office/product
- Purchase after each order
- Large number of orders placed for products with special specifications

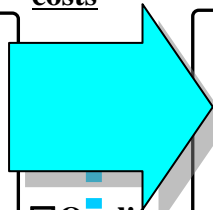


Reduced material costs

- Developing a procurement infrastructure for Company-wide optimization (Devising a system for ordering the optimal quantity, achieving a consistent flow of goods through plants/suppliers)
- Accelerating the shift in purchasing from products with special specifications to standard products
- Expanding Company-wide joint procurement through standardization, commoditization and the consolidation of procurement information throughout the Company
- Construction of the global supply chain (world optimal purchase)

Product reliability reform

- Establishing product reliability in response to product upgrades



Quality improvement

- Building quality and improving the verification function through case analysis and process improvement
- A robust design able to respond to disturbances and changes in use situation

9. Priority Initiatives – Business Process Reform (2) –

Company-wide action against a stronger yen and soaring costs of materials

1. Acceleration of cost cutting

- Speed up activities to reform manufacturing (standardization, sharing, supply chain reform).
- Expand low-cost overseas production, etc.

2. Timely exchange of contracts

- Manage cash flows meticulously and exchange contracts flexibly.

3. Expanding use of foreign currencies

- Expand overseas production, global sourcing, etc.

4. Reflection of measures in agreement provisions

- Accelerate increases in selling prices.
- Expand yen-denominated agreements.
- Use a range of currencies in agreements.
- Include escalation clauses.

9. Priority Initiatives – Business Process Reform (3) –

Enhancing overseas work risk management

Practicing comprehensive risk management, gathering knowledge from inside and outside the company

1. Comprehensive order acceptance management

Assess the capacity to carry out construction and decide whether to accept the order based on costs

-Estimate Review Meeting ← Regular internal audits

-Risk Review Meeting ← Review by internal experts (legal, accounting)

-Deliberative Council ← Deliberation on important items in the company

2. Bolstering the ability to carry out projects

Share internal best practices across the board.
(Share project management tools and management methods.)

-Share information on sites, suppliers, and subcontractors.

-Develop project management personnel (Project Manager/Site Manager).

-Enhancing project management by Power System Project Management Division.

3. Enhancing monitoring

Monitor profitability forecasts of major construction projects (Home office) on a monthly basis.

Regularly monitor the progress of overseas on-site projects (overseas bases).

9. Priority Initiatives – Business Process Reform (4) –

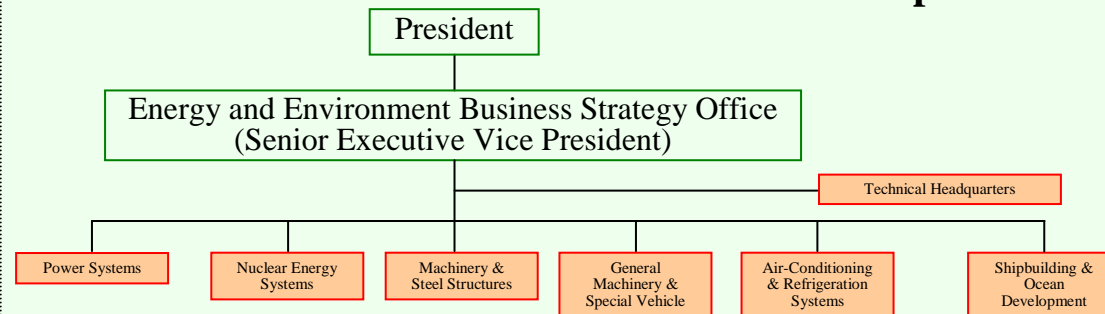
– Enhancing the management structure –

Bolstering the business promotion system

- Strengthen Company-wide strategies for the energy and environment business.

Sustainability Energy & Environment Strategic Planning Dept.
(established on April 1, 2008)

The office leads cross-functional business development and product development.



- Strengthen the management structure of the Power Systems business.
Bolster collaboration among headquarters, works, and Group companies.

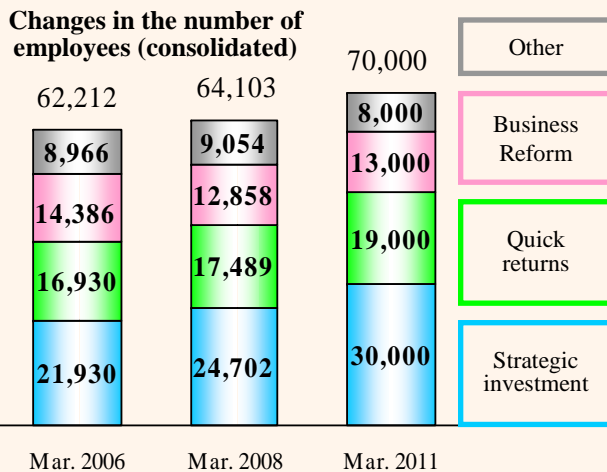
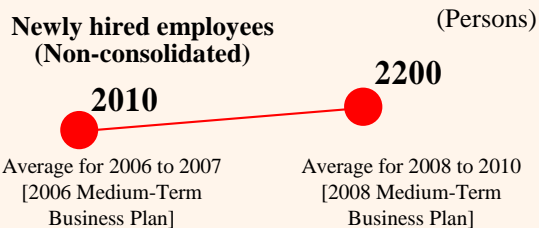
Establishing internal control for J-SOX

- Develop and introduce a mechanism
- Establish a system to facilitate internal controls and an audit system.

10. Enhancing Resources

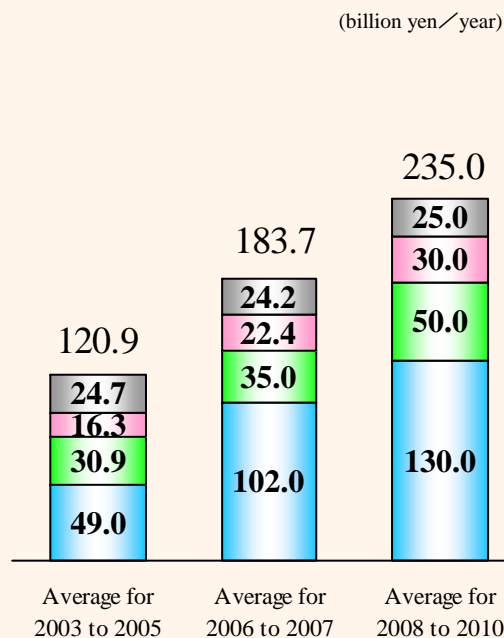
Securing human resources

- Continue to bolster the key staff necessary for growth.
- Improve human resources development programs for the rising number of young employees.



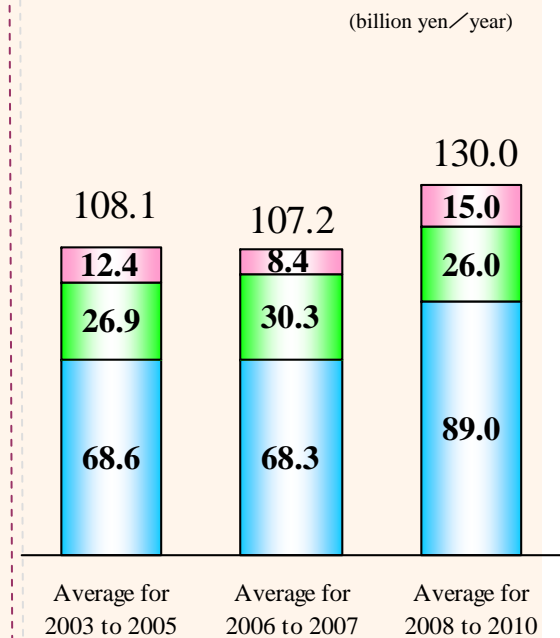
Capital expenditure

- Continue active investment in response to business growth, including advance investments in large-scale projects such as MRJ and nuclear power.
- Continue to improve the efficiency of backbone facilities systematically.



Investment in R&D

- Expand investments to develop large, next-generation products.
- Continue investing to bolster the competitiveness of major products and manufacturing capability.



11. Promoting CSR

- Earn high reliability in society by promoting CSR activities -

1. Fulfilling CSR through production

- Contributing to society through products : **Environmentally-friendly energy products, social infrastructure-related products**
- Minimizing the environmental burden from production activities : **Zero emissions, reduction of CO₂ emissions**
- Optimizing earnings allocations : **Growth of both stakeholders and the Group**

2. Reforming the corporate culture through CSR activities

- Spreading CSR awareness
Deepen awareness of CSR throughout the organization through activities based on CSR guidelines

- Continuing to hold town meetings with the president

Sharing business policies and reforming awareness through direct communication with young employees

CSR Action Guidelines

In order to ensure a secure future for the Earth, we will establish and maintain,

Close ties with the Earth

Safeguard an abundantly green Earth through environmental technologies and environmental awareness;

Close ties with society

Build a relationship of trust with society through proactive participation in society and trustworthy actions;

A bridge to the next generation

Contribute to the cultivation of human resources who can shoulder responsibility in the next generation through technologies that can realize dreams

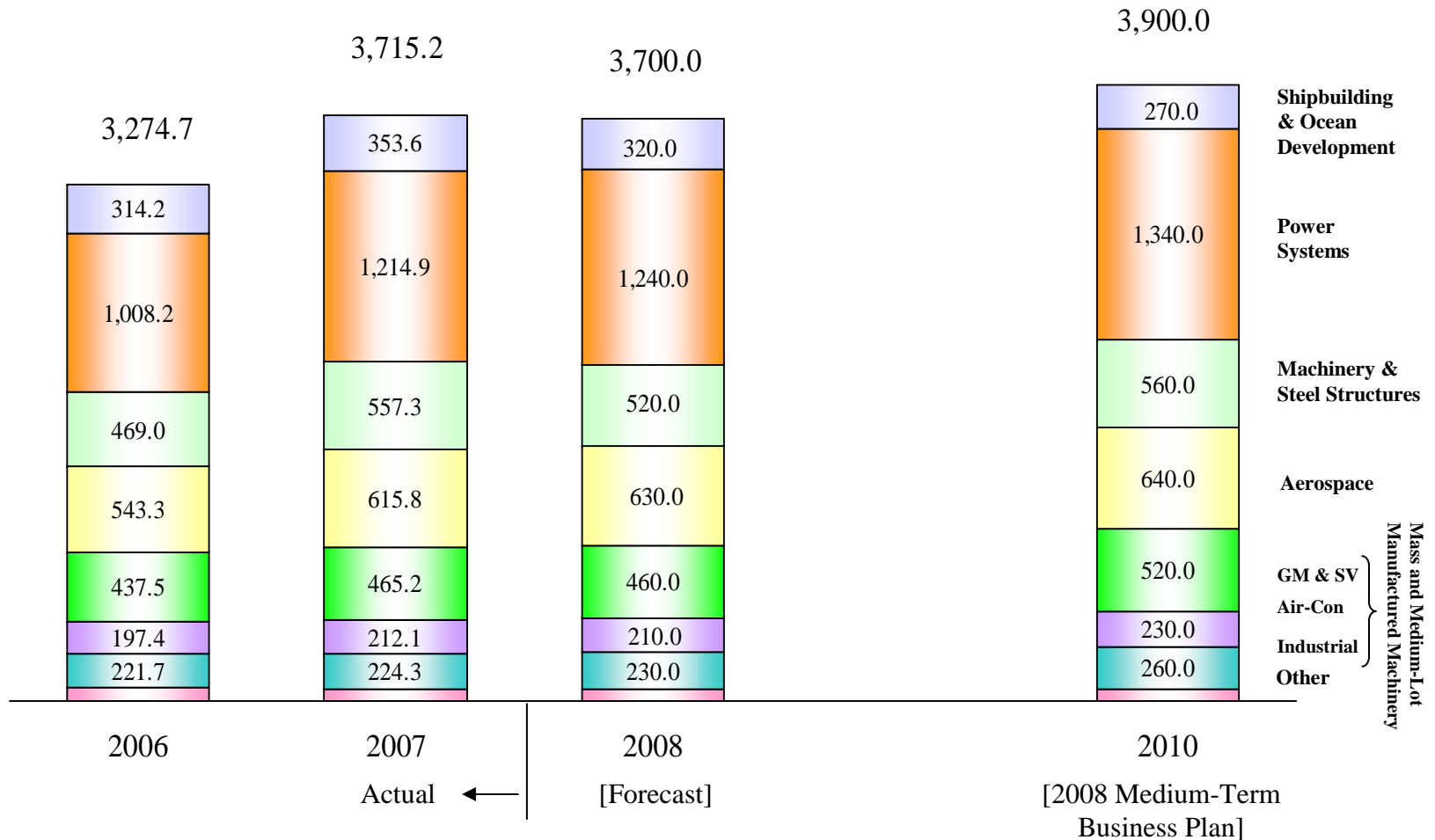


Town meeting

[A total of 35 meetings held since FY2006: A total of 1,736 employees have attended the meetings.]

Supplementary Information: Orders Targets by Segment (Consolidated)

(In billion yen)



Supplementary Information: Sales and Income Targets by Segment (Consolidated)

