

## Machinery Group



front row  
from left : **Hajime Katsumura**  
Executive Vice President,  
Group CEO, Machinery Group

**Hideyuki Nabeshima**  
Executive Vice President,  
Group CO-CEO, Machinery Group

back row  
from left : **Hirotsugu Ishiyama**  
Division COO,  
Ship, Aerospace &  
Transportation  
Systems Division

**Seiji Shiraki**  
Senior Vice President,  
Division COO,  
Plant & Industrial  
Machinery Business  
Division

**Yasuo Nagai**  
Senior Vice President,  
Division COO,  
Power & Electrical  
Systems Division

**Kozo Shiraji**  
Senior Vice President,  
Division COO,  
Motor Vehicle  
Business Division

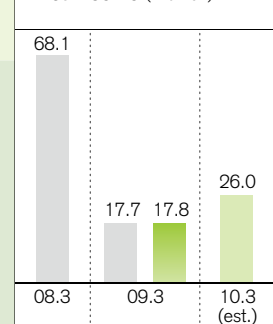
**Morikazu Chokki**  
Senior Vice President,  
Division COO,  
Isuzu Business  
Division



### Organizational Structure

- Machinery Group CEO Office
- Machinery Group Controller Office
- Power & Electrical Systems Division
- Plant & Industrial Machinery Business Division
- Ship, Aerospace & Transportation Systems Division
- Motor Vehicle Business Division
- Isuzu Business Division

Net Income (¥ billion)



■ Former organization basis  
■ New organization basis

\* Some facility transactions have been transferred from the Chemicals Group due to reorganization.

## Group CEO's Message

### Fiscal Year Ended March 31, 2009 Performance

The Machinery Group handles machinery across many different sectors ranging from large-scale plants used to manufacture key industrial materials to equipment for general industrial applications and motor vehicles. Leveraging our track record as well as our extensive network, high credibility as a trading company and detailed knowledge of a host of fields, we aim to construct and expand value chains spanning machinery sales, finance, and distribution as well as business development and our extensive business investments.

Our overall business performed creditably in the first half of the year ended March 31, 2009 as the global economy continued to expand steadily, buoyed by robust demand in developing countries. Pricing conditions were good in markets for marine transport and shipbuilding amid high levels of economic activity. In the second half, however, global demand and prices of resources both slumped amid deterioration in the real economy after the emergence of the global financial crisis in September 2008. Our operating environment changed suddenly. Most of our key businesses in sectors, such as plants, industrial machinery, ships and motor vehicles, were severely affected by the ensuing global recession.

Although ship charter fee income increased, our overall performance fell due to a combination of lower vehicle sales in overseas markets, the impact of foreign currency fluctuations, and losses stemming from the write-down of equity investments and fixed asset impairments. We posted consolidated net income (former organization basis) of ¥17.7 billion, a ¥50.4 billion decline compared with the previous year.

In the face of tough operating conditions, we also took measures aimed at ensuring growth over the medium and long terms. Specific actions included underwriting a third-party increase in capital at Chiyoda Corporation in April 2008; participating in a drill ship joint venture with PETRÓLEO BRASILEIRO S.A. ("Petrobras"), Brazil's national oil company; and establishing a motor vehicle sales company in China.

### Fiscal Year Ending March 31, 2010 Outlook and INNOVATION 2009

We expect the current harsh operating environment to persist at least until the end of March 2010, which will make the current fiscal year another challenging one.

Our policies remain unchanged. Our strategy is, first, to prioritize

investments of management resources in businesses operating in growth fields, while also continually upgrading and refining our trading\* functions—the foundation of the Machinery Group. Second, we aim to develop new business models by effectively synchronizing our trading activities with business investments. Third, through such actions, we aim to provide customers and partners with more advanced functions and greater value. Through this three-pronged strategy, we are focused on reinforcing a stable earnings base not easily affected by resource price volatility. In the short term, however, our priority under the current economic environment is to fortify our operations. Our efforts are focused on strengthening risk management, cutting costs, and adjusting inventory levels and maintaining operational funding at existing MC business investees.

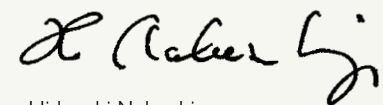
We also plan to continue implementing plans aimed at generating growth over the medium and long terms. Our basic policy is to target sectors and regions where we can leverage MC's strengths, generate a certain level of profits and create future growth. These include sectors such as infrastructure, resource and energy development, where global demand prospects remain firm. In our motor vehicle-related operations, we are also actively looking to develop business in new markets. Specific fields where we are looking to expand include electric power, nuclear power, renewable and alternative energy, plants, railways, ships, and industrial machinery. In the auto sector, we are targeting expansion into new developing country markets. We plan to continue making steady progress, depending on economic conditions.

We expect profits from ship-related operations to decline in the year ending March 31, 2010 due to a fall in rates in the chartered shipping market. We see business group consolidated net income (on the basis of our new organization structure) increasing by around ¥8.0 billion to ¥26.0 billion (compared with a figure of ¥17.8 billion for the year ended March 31, 2009 on the same organizational basis). In part, this projection assumes there will not be any repeat of losses stemming from the write-down of equity investments and fixed asset impairments.

\* Trading includes trading transactions of various types of machinery, including plants, facilities, equipment, ships, rolling stock, motor vehicles and parts, and after-sales services relating to these transactions.



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Group CEO, Machinery Group



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## Contributing to Our World Through Business

### Participation in Official Development Assistance (ODA) Initiatives

The Japanese government entered into the ODA program in 1954. Having received aid in the aftermath of WWII, Japan hoped to make a contribution to international peace and social development while also supporting security and prosperity at home.

As a *sogo shosha* engaged in international business development, MC has obligations to contribute to society as a member of the international community as well. MC is involved in ODA-funded projects that aim to promote sustainable economic growth in developing nations to raise living standards in these countries.

Grant Aid is particularly aimed at financing the construction of social infrastructure in developing countries, including roads, bridges, environmental and water systems, electrification facilities, and at the medical, broadcasting, meteorological and cultural fields. MC is promoting a variety of development projects across a wide range of sectors.

The Three Corporate Principles, MC's corporate philosophy, include "Shoki Hoko," which means 'corporate responsibility to society.' Based on this philosophy, MC will continue being involved in ODA projects for the mutual benefit of Japan and developing nations worldwide.



Water and sewage project in Luapula Province, Republic of Zambia. Children rejoice at the first well dug in the village.

## Machinery Group



### Power & Electrical Systems Division

- Power Systems Unit
- Power Systems Export Unit
- Elevator & Escalator Operation & Marketing Unit
- Power Generation & Marketing, International Unit
- Power Marketing, Japan Unit

Supported by 32 offices worldwide, this division is involved in global trading of power generation plants, elevators and other equipment. MC also actively promotes the sale of power at both the wholesale and retail levels.

Although business conditions in the past fiscal year were affected by the global financial crisis and economic downturn, demand for power remained firm in Japan and other parts of the world. The division's EPC\*<sup>1</sup> and trading businesses generated relatively steady growth, as did on-site (inside-the-fence) power generation operations in Japan. The main drag on divisional performance was share write-downs.

MC does not expect any rapid recovery in the external operating environment in the current fiscal year. However, a mild improvement is expected in some sectors as the global recession eases.

Given these conditions, MC plans to focus on maintaining and expanding its EPC and trading businesses while seeking to diversify supply sources for generating facilities and related equipment and further reinforcing solutions-providing functions. In relation to business investments within the overseas IPP\*<sup>2</sup> and domestic on-site power generation sectors, the division plans to implement measures aimed at driving growth while seeking to optimize its business investment portfolio. MC also plans to continue its domestic electricity retailing business, while optimizing its power source portfolio. Elsewhere, while continuing to develop MC's portfolio of European wind power assets through a fund established in the Netherlands in 2008, the division also plans to actively promote businesses aimed at realizing a low-carbon society through an increasing involvement in businesses based on new technologies such as CO<sub>2</sub> capture and storage. In the elevator business, the division is looking to expand these operations

in global partnership with Mitsubishi Electric Corporation.



Provided by MHI

MC, Mitsubishi Heavy Industries, Ltd. (MHI) and others have jointly won an order from Indonesia's state-owned electric utility for a 750 MW gas turbine combined cycle (GTCC) thermal power plant to be built at the existing Tanjung Priok site. This project involves renovating an aging facility using a more eco-friendly solution.

### Plant & Industrial Machinery Business Division

- Energy & Chemical Projects Unit
- Heavy Machinery & Steel Structures Unit
- Industrial Machinery & Equipment Business Unit
- Construction & Mining Equipment Project Unit

Working in the basic industry and social infrastructure sectors, this division seeks to leverage MC's resources and capabilities to offer optimal solutions to help customers worldwide realize capital investment plans.

Buoyant appetite for capital investment resulted in favorable growth in the plant business and business where we sell machinery and equipment in large volumes during the first half of the past fiscal year. In the second half, however, many companies deferred or froze capital spending plans in response to the economic downturn. This caused a drop in demand for machinery and equipment sold in large volumes. With conditions expected to remain harsh in the year ending March 31, 2010, MC's policy is first to prioritize supporting core operations. In the plant business, MC plans to continue executing ongoing projects while imposing strict credit management controls. In machinery and equipment sold in large volumes, MC aims to reinforce the base at core business investments such as Mitsubishi Corporation Technos and rental services provider Nikken Corporation.

EPC\*<sup>1</sup> and trading businesses, and business investments are the twin engines propelling the growth of this division. This is in line with a fundamental policy of contributing to the development of the Japanese economy and the rest of the world in cooperation with customers, business partners and other parts of MC. The division is committed to taking the necessary actions to target growth going forward.

Specific aims include (1) boosting enterprise value at Chiyoda Corporation; (2) upgrading MC's involvement in areas relating to new technologies and resources; and (3) developing new business projects with more diverse supply sources, particularly among Chinese manufacturers.



In its first full-scale cooperative venture with a China-based producer, the division is selling equipment for transporting ores to major metal resources companies. The first installation (pictured) will be at one of the world's largest mines.

### Ship, Aerospace & Transportation Systems Division

- Ship Unit
- Transportation Systems Unit
- Defense Systems Unit
- Space & Integrated Defense Systems Unit

This division's broad-based operations span equipment used in land, sea and air transportation, defense and aerospace systems, and products with applications related to positional or spatial information.

Ship-related operations reported year-on-year gains in performance despite the global financial crisis in the second half of the year, due mainly to the strength of prices in the marine transport market during the first half. In the railway sector, MC's rail-related operations generated strong growth due to rising demand for rail transportation worldwide. In the defense and

aerospace sector, performance dipped temporarily due to factors related to the timing of major projects. As a result, divisional profits were largely unchanged.

Going forward, MC aims to continue expanding divisional operations to take advantage of business opportunities once economies recover. In the ship-related business, MC is focusing on initiatives aimed at building a more stable earnings base by making operations more resilient to market fluctuations. In the railway sector, MC aims to expand EPC\*<sup>1</sup> and trading operations alongside business investments to capture rising demand for railways. In the defense and aerospace sector, MC is looking to develop new businesses to cater to emerging social needs in areas such as national security and the utilization of space for various purposes.



Construction of the first urban transport system in the Middle East is under way in Dubai, with a scheduled opening date in September 2009. MC aims to make use of the experience gained in this project to expand sales of railway systems.

## Motor Vehicle Business Division

- Motor Vehicle ASEAN & South West Asia Unit
- Motor Vehicle North Asia Unit
- Motor Vehicle Europe, Middle East & Africa Unit
- Motor Vehicle Americas & Australia Unit
- Motor Vehicle Domestic Operation Unit

Through business investments in the manufacture and sales of motor vehicles supplied by Mitsubishi Motors Corporation (MMC) and other manufacturers, this division aims to enhance the value added by building broad-based value chains.

Motor vehicle sales volumes declined worldwide in the second half of the year ended March 31, 2009 due to the

financial crisis. The yen's appreciation was another factor.

Although sales held up well in the early part of 2008 in Indonesia, growth slowed in the latter part of the year ended March 31, 2009 due to the effects of the global financial crisis. Markets across Western Europe remained depressed from the start of the year, and growth tapered off in Russia and Ukraine, two markets that had performed well in the previous year.

In China, MC targeted higher sales of imported built-up vehicles with the establishment of Mitsubishi Motor Sales (China) Co., Ltd., an importing and sales joint venture with MMC.

In the U.K., MC made The Colt Car Company Ltd. (CCC) and Spitalgate Dealer Services Ltd. (SDS), a provider of vehicle sales finance, wholly owned subsidiaries.

In South Korea, MC participated in the establishment of MMSK Corporation to sell motor vehicles in this market.

Business conditions are expected to remain harsh in the fiscal year ending March 31, 2010. MC is working to reinforce and develop existing operations that span approximately 20 countries around the world.



Mitsubishi Motor Sales (China) is an importing and sales joint venture with MMC. MC aims to expand sales of imported built-up vehicles in China while also building an automobile business value chain within the country.

## Isuzu Business Division

- Thai Business Unit
- Europe, Middle East & Africa, Americas Business Unit
- Asia & Oceania Business Unit

This division has investments in businesses that manufacture and sell Isuzu Motors vehicles and parts, mainly in Thailand, and also export these products overseas.

The fiscal year ended March 31, 2009 saw a sharp decline in the global automobile market as a result of the financial crisis.

In Thailand, the division's key market, MC is developing a broad-based value chain spanning parts manufacture and vehicle assembly as well as retail sales and finance operations. MC's sales of vehicles in the domestic Thai market fell 14% in year-on-year terms to around 130,000 units. This marked the third consecutive drop in annual sales. Exports of vehicles from Thailand were roughly flat at around 60,000 units.

The division also has existing operations in other markets in Europe, Mexico and the ASEAN region. In 2008, MC established a new company called Isuzu UTE Australia Pty Ltd to sell Isuzu pickup trucks in Australia. Based on a close cooperative relationship with Isuzu Motors, the division aims to expand operations further, using business experience and know-how gained in Thailand to sell more vehicles made by Isuzu Motors in markets worldwide.

While MC expects the global financial crisis to continue depressing vehicle markets, it also presents a valuable opportunity to strengthen the division's existing presence. MC plans to reinforce its existing business investment portfolio, not only in Thailand but also in other countries. With global competition in the auto industry expected to intensify, MC plans to work with Isuzu Motors to boost the competitiveness of the product range as well as reinforce sales capabilities with the aim of benefiting from the eventual market recovery.



Established to make inroads into the Australian market for pickup trucks, Isuzu UTE Australia began selling these products in October 2008. MC has plans to expand this business further.

\*<sup>1</sup> EPC: Engineering, Procurement and Construction

\*<sup>2</sup> IPP: Independent Power Producer