



# Financial Results for First Half FY2006 and Forecast for FY2006

October 2006



# <Table of Contents>

## I. Financial Results for First Half FY2006

· Summary of Financial Results for First Half FY2006 (1)	4
· Summary of Financial Results for First Half FY2006 (2)	5
· Components of change in First Half FY2006 Income before Income Taxes	6
· Ordinary Income and Extraordinary Income	7
· Financial Results for First Half FY2006 by Business Segment	8
Shipbuilding & Ocean Development	9
Power Systems	10
Machinery & Steel Structures	11
Aerospace	12
Mass and Medium-lot Manufactured Machinery	13
Others	14
· Balance Sheets	15
· Cash Flows, Interest-Bearing Debts	16
· Supplementary Information	17

## II. Forecast for FY2006

· Summary of Forecast for FY2006	20
· Forecast for FY2006 by Business Segment	21

### < Reference >

· (Non-consolidated) Summary of Financial Results for First Half FY2006	18
· (Non-consolidated) Summary of Forecast for FY2006	22

# **I. Financial Results for First Half FY2006**

---

## Summary of Financial Results for First Half FY 2006 (1)

(In billion yen)

	1H FY2005	1H FY2006	Change
Order received	1,270.5	1,358.4	+ 87.8
Net sales	1,253.7	1,352.4	+ 98.6
Operating income	24.1	44.3	+ 20.1
Ordinary income	21.4	33.4	+ 12.0
Extraordinary income	-	2.9	+ 2.9
Income before income taxes	21.4	36.4	+ 15.0
Net income	14.9	21.9	+ 6.9

# Summary of Financial Results for First Half FY 2006 (2)

---

## Orders received Up ¥87.8 billion YoY (¥1,270.5bn ¥1,358.4bn)

- In the Power Systems business, orders for wind turbines increased sharply in the U.S. and order increase was also seen for gas turbine combined cycle (GTCC) power plants. The Shipbuilding & Ocean Development business received orders for LPG carriers and LNG carriers. The Aerospace business saw solid orders for civil aircraft, and the Mass & Medium-lot Manufactured Machinery business also received solid overseas orders for forklifts and turbochargers. All these businesses saw order increase year-on-year, offsetting a decrease in Machinery & Steel Structures orders. As a result, the Company saw a year-on-year increase in total amount of orders.

## Net sales Up ¥98.6 billion YoY (¥1,253.7bn ¥1,352.4bn)

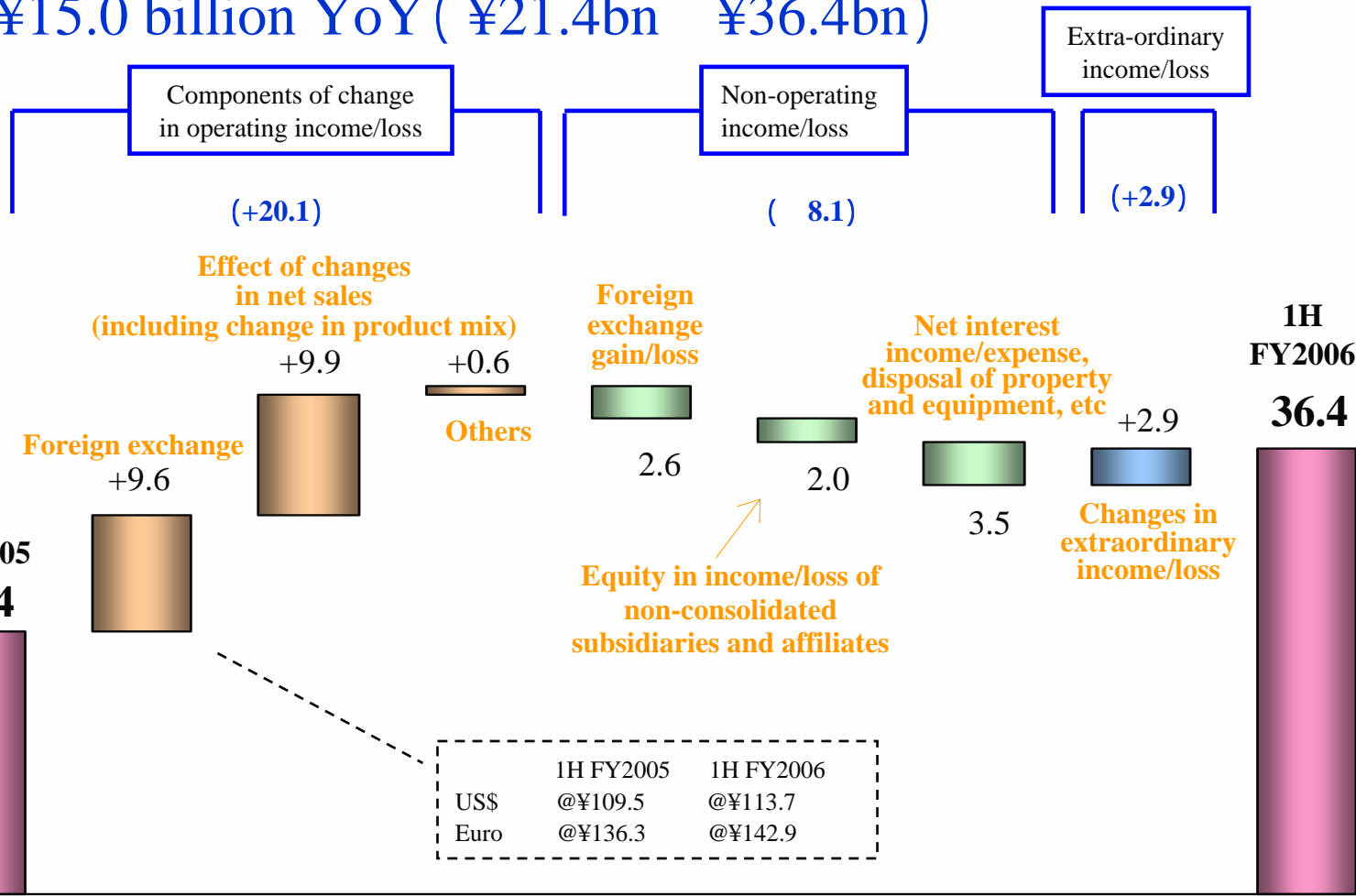
- Net sales increased in the Power Systems business, which saw an increase in overseas projects for construction of thermal electric power plants, and in the Shipbuilding & Ocean Development and Mass & Medium-lot Manufactured Machinery businesses, etc. As a result, total net sales increased year-on-year, offsetting lower sales in the Machinery & Steel Structures business.

## Net income Up ¥6.9 billion YoY (¥14.9bn ¥21.9bn)

- Net income increased from a year earlier period, with rising material costs and other negative factors outweighed by a year-on-year increase in net sales reflecting brisk orders in recent years, a weakness in the yen, and efforts to raise profitability through cost cuts and production efficiency improvement.

# Components of change in First Half FY2006 Income before Income Taxes

Up ¥15.0 billion YoY ( ¥21.4bn    ¥36.4bn )



# Ordinary Income and Extraordinary Income

· Ordinary Income ( +¥12.0 billion YoY (¥21.4bn ¥33.4bn) )

	1H FY 2005	1H FY 2006	Change
<b>Operating income/loss</b>	<b>24.1</b>	<b>44.3</b>	<b>+ 20.1</b>
Foreign exchange gain/loss	-1.0	-3.6	- 2.6
Net interest income/loss	-2.2	-0.7	+ 1.4
equity in income/loss of non-consolidated subsidiaries and affiliates	3.6	1.5	- 2.0
Others	-3.0	-7.9	- 4.8
<b>Non-operating income/loss</b>	<b>-2.7</b>	<b>-10.8</b>	<b>- 8.1</b>
<b>Ordinary income/loss</b>	<b>21.4</b>	<b>33.4</b>	<b>+ 12.0</b>

· Extraordinary Income ( +¥2.9 billion YoY (¥0bn ¥2.9bn) )

	1H FY2005	1H FY2006	Change
· Gain on sale of fixed assets	-	2.8	+ 2.8
· Gain on sale of investment securities	-	1.9	+ 1.9
<b>Extraordinary income</b>	<b>-</b>	<b>4.7</b>	<b>+ 4.7</b>
· Special expenses related to business improvement and restructuring	-	-1.7	- 1.7
<b>Extraordinary loss</b>	<b>-</b>	<b>-1.7</b>	<b>- 1.7</b>
<b>Extraordinary income/loss</b>	<b>-</b>	<b>2.9</b>	<b>+ 2.9</b>

# Financial Results for First Half FY2006 by Business Segment

(In billion yen)

	Orders received		Net sales		Operating incomes		
	1H FY2005	1H FY2006	1H FY2005	1H FY2006	1H FY2005	1H FY2006	
Shipbuilding & Ocean Development	95.9	159.2	103.0	137.1	4.8	0.5	
Power Systems	277.7	391.0	333.8	389.4	14.1	28.5	
Machinery & Steel Structures	349.0	182.3	239.4	206.6	2.8	5.1	
Aerospace	123.1	172.2	157.0	173.3	6.4	3.3	
Mass and Medium-lot Manufactured Machinery	GM&SV	173.4	203.0	188.5	206.8	-	8.2
	Air-Con	104.2	107.3	102.5	106.3	-	3.3
	Industrial	101.9	105.2	95.3	104.8	-	3.6
Others	44.9	37.9	33.8	27.8	3.2	3.0	
<b>Total</b>	<b>1,270.5</b>	<b>1,358.4</b>	<b>1,253.7</b>	<b>1,352.4</b>	<b>24.1</b>	<b>44.3</b>	

GM&amp;SV: General Machinery &amp; Special Vehicle

Air-Con: Air-conditioning and Refrigeration System

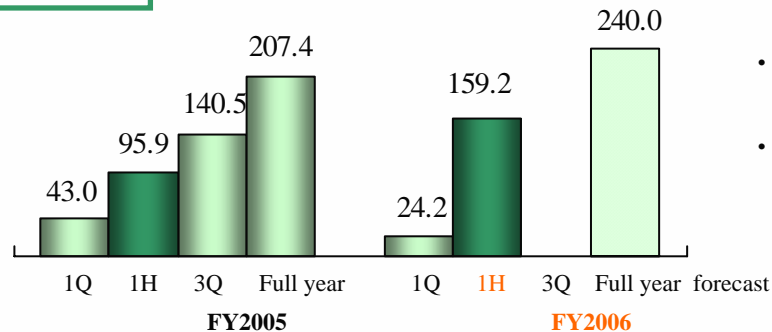
Industrial: Industrial Machinery



# Shipbuilding & Ocean Development

## Orders Received

(Cumulative in billion yen)



## Orders received :

**Up ¥63.2 billion YoY (¥95.9bn ¥159.2bn)**

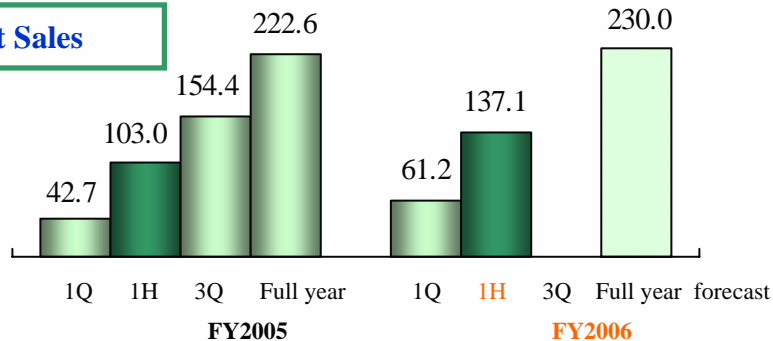
- The number of orders totaled 12 ships: five LPG carriers, four pure car carriers, two LNG carriers and one car ferry.
- Under the buoyant market environment, new shipbuilding orders remained at high levels and the Company made order activities for LNG carriers and LPG carriers in which it has strengths.

[Number of ship orders received]

	1H	Full Year
FY2005 :	7 (1Q:4 2Q:3)	19
FY2006 :	12 (1Q:2 2Q:10)	

[Order backlog : 59 (including 12 LNG carriers)]

## Net Sales



## Net sales · Earnings :

**Increased earnings (+¥4.2bn YoY)**

**on increased sales (+¥34.1bn YoY)**

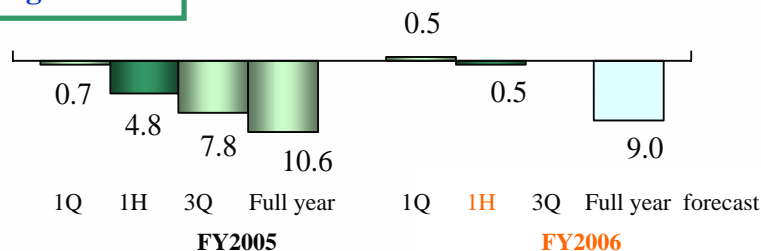
**smaller deficit**

- A total of 12 ships were delivered, including four pure car carriers, two LNG carriers and two containerships. As a result, net sales increased from a year earlier period when seven ships were delivered.

[Number of ships delivered]

	1H	Full Year
FY2005 :	7 (1Q:2 2Q:5)	20
FY2006 :	12 (1Q:5 2Q:7)	

## Operating Income



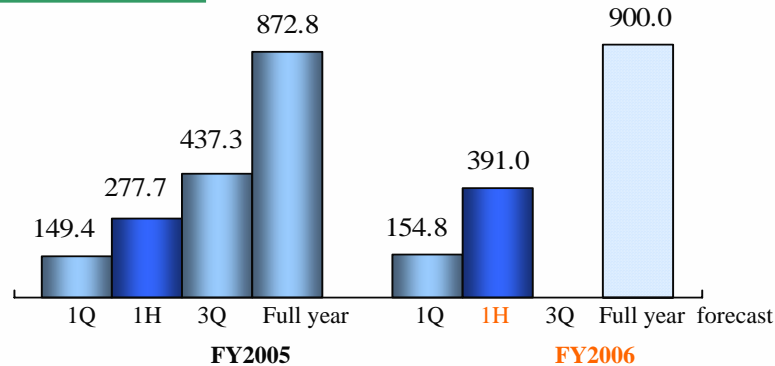
### Forecast for FY2006 (Full year)

	Previous forecast	Revised forecast
Orders received :	240.0	<b>240.0</b>
Net sales :	230.0	<b>230.0</b>
Operating income :	9.0	<b>9.0</b>

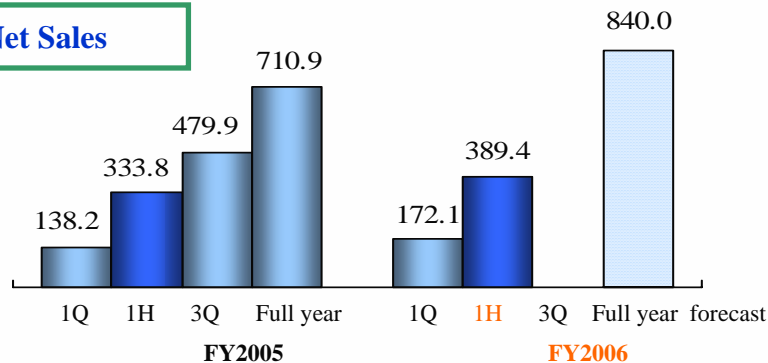
# Power Systems

## Orders Received

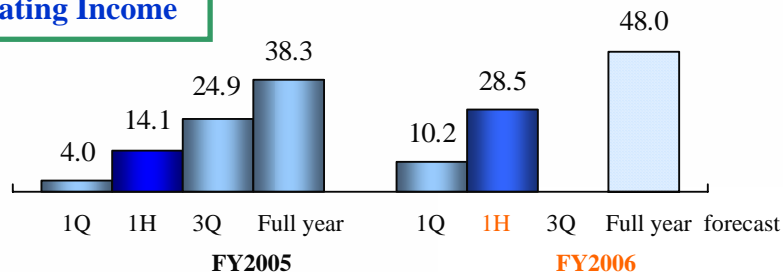
(Cumulative in billion yen)



## Net Sales



## Operating Income



## Orders received:

**Up ¥113.2 billion YoY (¥277.7bn ¥391.0bn)**

- In export business, the Company actively negotiated orders for GTCC plants, resulting in orders received from Europe and China. Also, the Company saw healthy growth in orders for wind turbines mainly in the U.S.
- In domestic business, the Company managed to maintain the levels of orders for improvement and upgrading services under a difficult business condition.

【Gas turbine order backlog (Non-consolidated)】

	1H	Full Year
FY2005	69	75
FY2006	71	

## Net sales · Earnings:

**Increased earnings (+¥14.3bn YoY)  
on increased sales (+¥55.5bn YoY)**

- Reflecting favorable order trends in recent years, both net sales and earnings increased, helped by an increase in net sales from construction of thermal electric power plants and others, and improved profitability.

## Forecast for the full year:

- The company is revising its operating income forecast from ¥40 billion to ¥48 billion to reflect the progress in efforts to raise profitability.

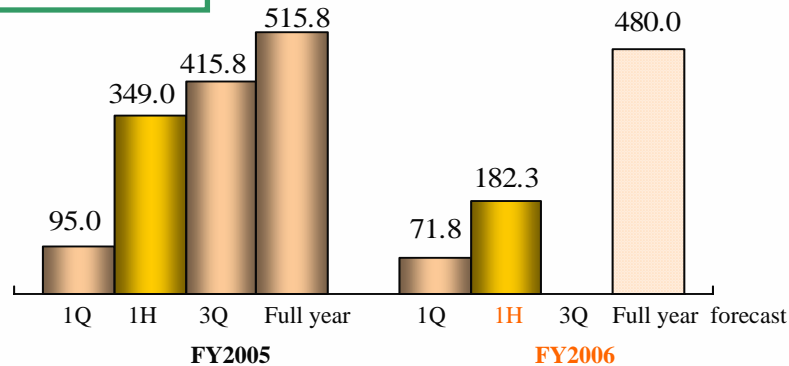
### Forecast for FY2006 (Full year)

	Previous forecast	Revised forecast
Orders received	900.0	<b>900.0</b>
Net sales	840.0	<b>840.0</b>
Operating income	40.0	<b>48.0</b>

# Machinery & Steel Structures

## Orders Received

(Cumulative in billion yen)



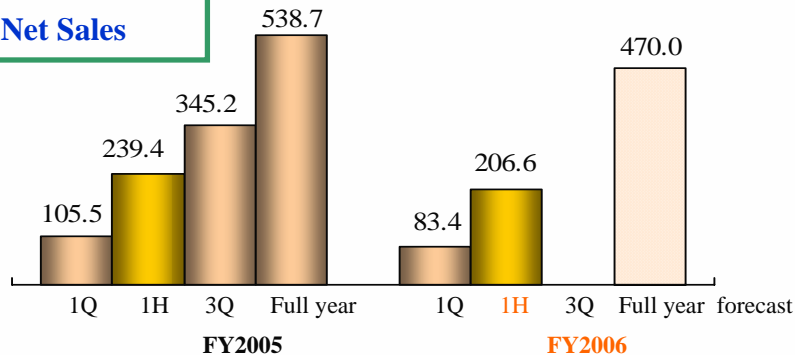
## Orders received :

**Down ¥166.7 billion YoY (¥349.0bn ¥182.3bn)**

- Due to fewer large-scale projects, orders decreased sharply from a year earlier period when the Company received a large scale of orders.

(In the year earlier period, the Company received orders for large projects including a city transportation system and chemical plants for an overseas customer.)

## Net Sales

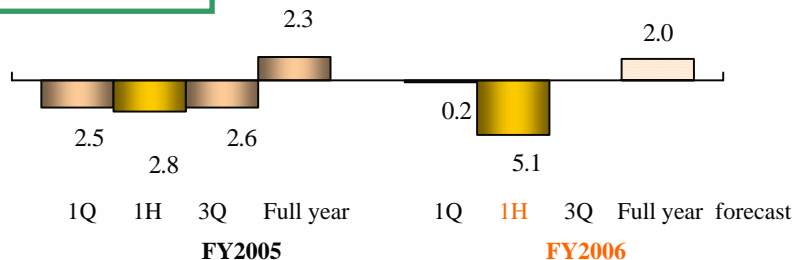


## Net sales · Earnings:

**Decreased earnings ( ¥ 2.3bn YoY)  
on decreased sales ( ¥ 32.8bn YoY)**

- Both net sales and earnings decreased year-on-year, due to a decrease in orders for waste treatment equipment and transportation systems and others, as well as due to the recognition of a charge associated with problems arising at the final stages of construction of some plant construction and other projects.

## Operating Income



## Forecast for the full year:

- The Company is revising operating income forecast from ¥10 billion to ¥2 billion to reflect additional charges and a delay in efforts to improve profit structure.

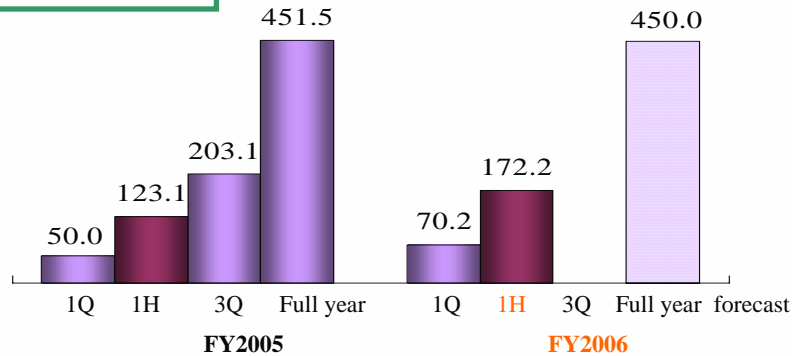
### Forecast for FY2006 (Full year)

	Previous forecast	Revised forecast
Orders received :	480.0	<b>480.0</b>
Net sales :	470.0	<b>470.0</b>
Operating income :	10.0	<b>2.0</b>

# Aerospace

(Cumulative in billion yen)

## Orders Received

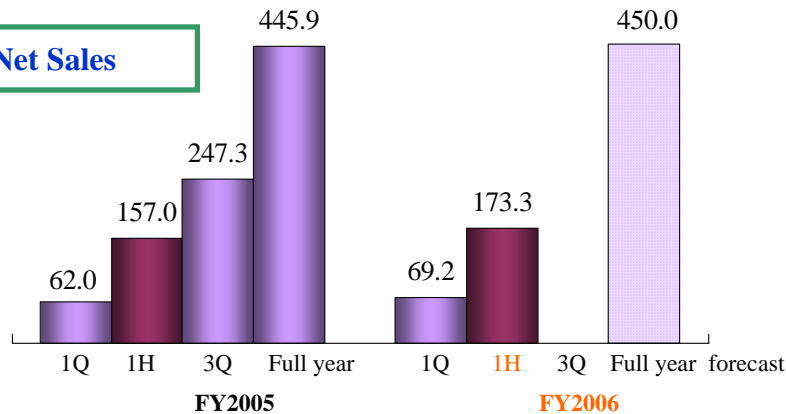


## Orders received :

**Up ¥49.0 billion YoY (¥123.1bn → ¥172.2bn)**

- Year-on-year growth in orders was recorded, supported by an increase in orders for B777 and other commercial aircraft and for missiles and other defense sector equipment.

## Net Sales

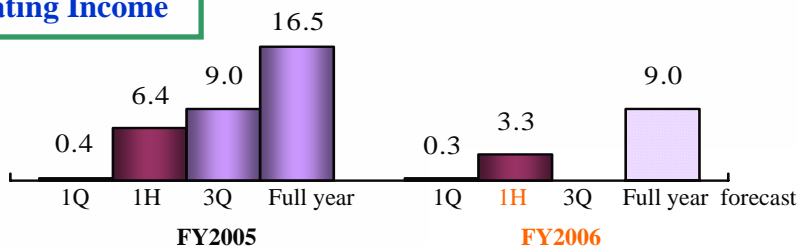


## Net sales · Earnings :

**Decreased earnings ( ¥3.1bn YoY)  
on increased sales (+¥16.2bn YoY)**

- Sales increased year-on-year, with sales increase from commercial aircraft and aerospace products offsetting weak sales from defense sector products. Earnings decreased due to higher R&D expenses and other factors.

## Operating Income



[Number of B777s delivered]

	1H	Full Year
FY2005 :	25	49
FY2006 :	32	

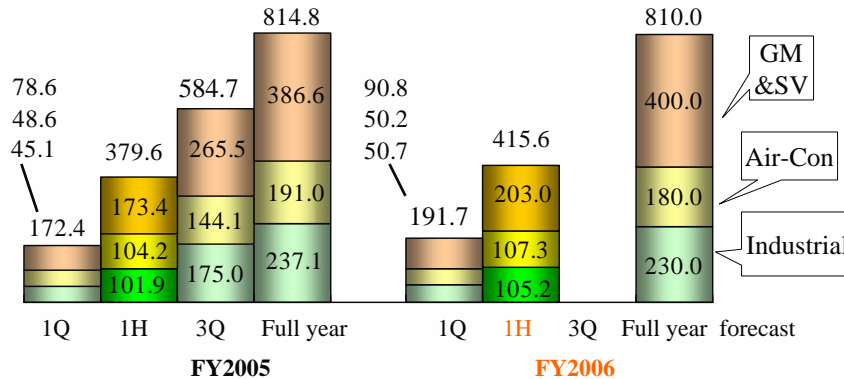
### Forecast for FY2006 (Full year)

	Previous forecast	Revised forecast
Orders received :	450.0	<b>450.0</b>
Net sales :	450.0	<b>450.0</b>
Operating income :	9.0	<b>9.0</b>

# Mass and Medium-lot Manufactured Machinery

## Orders Received

(Cumulative in billion yen)



## Orders received :

**Up ¥35.9 billion YoY (¥379.6bn ¥415.6bn)**

- Year-on-year growth in orders was seen primarily in GM&SV (Forklifts, All-purpose Engines, Turbos, etc.).

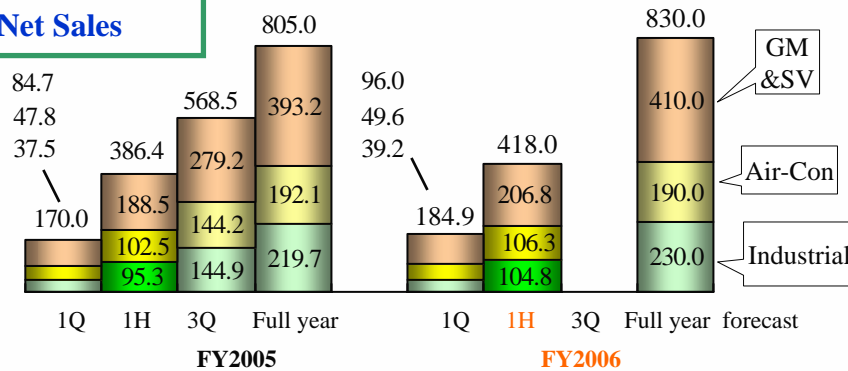
## Net sales · Earnings:

**Increased earnings (+¥7.2bn YoY)**

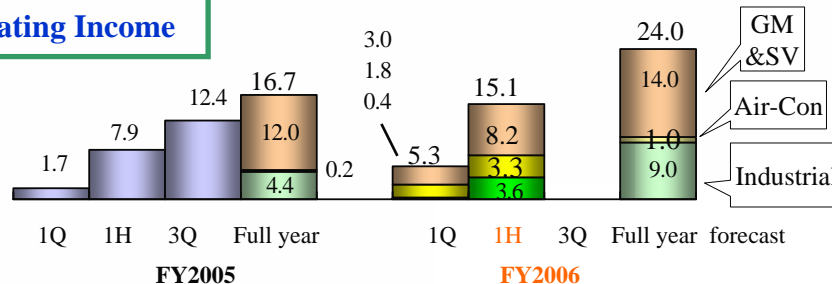
**on increased sales (+¥31.5bn YoY)**

- Sales increased in all of GM&SV, Air-Con and Industrial businesses.
- Earnings increased year-on-year, mainly reflecting sales increases and favorable exchange rates.

## Net Sales



## Operating Income



### Forecast for the FY2006 (Full year)

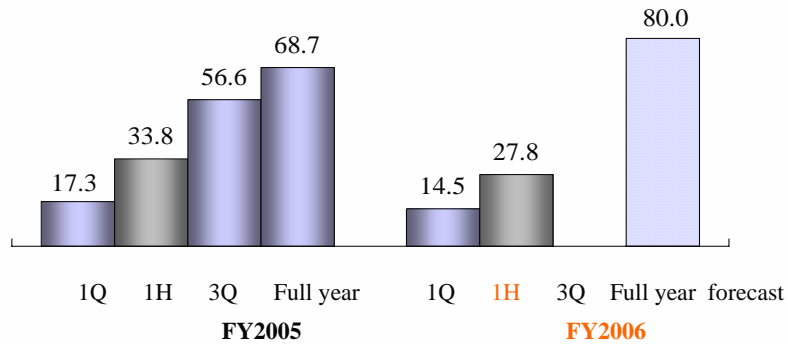
		Previous forecast	Revised forecast
Orders received	GM&SV :	400.0	<b>400.0</b>
	Air-Con :	180.0	<b>180.0</b>
	Industrial :	230.0	<b>230.0</b>
	<b>Total :</b>	<b>810.0</b>	<b>810.0</b>
Net sales	GM&SV :	410.0	<b>410.0</b>
	Air-Con :	190.0	<b>190.0</b>
	Industrial :	230.0	<b>230.0</b>
	<b>Total :</b>	<b>830.0</b>	<b>830.0</b>
Operating income	GM&SV :	14.0	<b>14.0</b>
	Air-Con :	1.0	<b>1.0</b>
	Industrial :	9.0	<b>9.0</b>
	<b>Total :</b>	<b>24.0</b>	<b>24.0</b>

**GM&SV: General Machinery & Special Vehicle**  
**Air-Con: Air-Conditioning and Refrigeration System**  
**Industrial: Industrial Machinery**

# Others

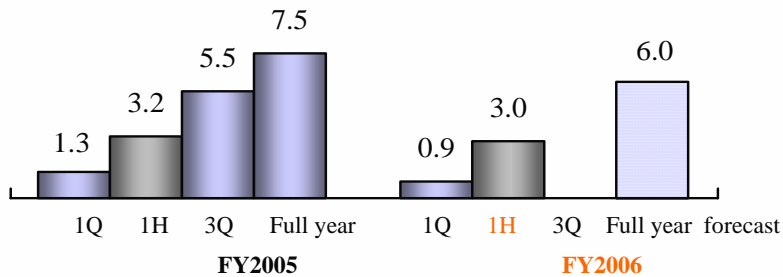
(Cumulative in billion yen)

## Net Sales



- Construction and real estate
- Information and communication systems, etc.

## Operating Income



### Forecast for FY2006 (Full year)

	Previous forecast	Revised forecast
Net sales	80.0	<b>80.0</b>
Operating income	6.0	<b>6.0</b>

# Balance Sheets

(In billion yen)

	As of March 31, 2006	As of September 30, 2006	Change
<b>Assets</b>			
Trade receivables	1,097.4	986.2	111.1
Inventories	971.5	1,064.5	+ 93.0
Other current assets	474.5	561.6	+ 87.0
Total current assets	2,543.4	2,612.4	+ 68.9
Total fixed assets	1,503.6	1,483.2	20.3
Total assets	4,047.1	4,095.6	+ 48.5
<b>Liabilities and shareholders' equity</b>			
Trade payables	669.6	659.2	10.4
Advances received	334.8	370.1	+ 35.2
Other current liabilities	622.1	627.7	+ 5.6
Total current liabilities	1,626.6	1,657.1	+ 30.4
Total long-term liabilities	1,026.3	1,060.9	+ 34.5
Total liabilities	2,653.0	2,718.0	+ 64.9
<b>Net assets</b>			
Shareholders' capital	1,182.7	1,191.5	+ 8.7
Valuation and translation adjustments	193.4	166.8	26.6
Other (Minority interests, etc.)	17.7	19.3	+ 1.5
Total net assets	1,394.0	1,377.6	16.3
<b>Total liabilities and net assets</b>	4,047.1	4,095.6	+ 48.5
Equity ratio	34.0%	33.2%	0.8%

Cash + 48.3 etc.

Investment securities 39.3 etc.

Following the implementation of the Corporate Law and others, effective fiscal 2006, shareholders' equity and minority interests, which had been separately presented, are now presented as net assets.

In the table, figures at the end of fiscal 2005 are presented in line with the presentation requirement by the Corporate Law.

# Cash Flows , Interest-Bearing Debts

## Cash Flows

(In billion yen)

	1H FY2005	1H FY2006	Change
Cash flows from operating activities	78.2	108.6	+30.4
Cash flows from investing activities	47.7	64.7	17.0
Free cash flows	30.5	43.9	+13.3
Cash flows from financing activities	47.9	5.5	+53.5

## Overview of First Half FY 2006

- Cash flows from operating activities increased by ¥30.4 billion to ¥108.6 billion due to an increase in net income before income taxes and others.
- Net cash outflows from investing activities increased by ¥17.0 billion to ¥64.7 billion due primarily to aggressive capital investment in commercial aircraft.
- As a result, free cash flows were plus ¥43.9 billion. (or, ¥13.3 billion increase compared with a year earlier period. )
- Interest-bearing debts increased by ¥18.5 billion year-on-year.

## Interest-Bearing Debts

(In billion yen)

	As of March 31, 2006	As of September 30, 2006	Change
Interest-bearing debts	1,198.6	1,217.1	+18.5



# Supplementary Information

## 1. Foreign Exchange Rates

(¥/US\$)

	FY2003		FY2004		FY2005		FY2006
	1H	Full Year	1H	Full Year	1H	Full Year	1H
Average rates for recording sales	119.1	113.0	110.7	108.7	109.5	111.3	113.7
(Reference) Rates at end of period	111.3	105.7	111.1	107.4	113.2	117.5	117.9

## 2. Overseas Sales by Region

(In billion yen)

Consolidated	FY2003		FY2004		FY2005		FY2006
	1H	Full Year	1H	Full Year	1H	Full Year	1H
North America	117.9 (30%)	262.1 (29%)	125.7 (27%)	265.5 (25%)	148.3 (25%)	322.5 (26%)	174.0 (26%)
America	52.3 (13%)	95.1 (11%)	58.7 (12%)	147.1 (14%)	55.5 (9%)	108.5 (9%)	56.5 (8%)
Asia	105.3 (27%)	324.6 (36%)	185.4 (39%)	416.8 (40%)	263.3 (44%)	522.4 (42%)	212.0 (32%)
Middle East	21.2 (5%)	40.8 (5%)	18.2 (4%)	28.1 (3%)	23.8 (4%)	57.2 (5%)	86.4 (13%)
Europe	69.3 (18%)	119.6 (13%)	67.1 (14%)	162.3 (15%)	91.6 (15%)	182.8 (15%)	123.5 (19%)
Other	28.0 (7%)	50.2 (6%)	19.6 (4%)	29.3 (3%)	17.6 (3%)	32.2 (3%)	12.8 (2%)
Total	394.2 (100%)	892.6 (100%)	474.9 (100%)	1,049.3 (100%)	600.3 (100%)	1,225.9 (100%)	665.4 (100%)

•Europe includes Russia and Eastern Europe beginning in FY2004.

[Non-consolidated]

# Summary of Financial Results for First Half FY2006

(In billion yen)

	1H FY2005	1H FY2006	Change
Orders received	941.6	1,039.4	+ 97.7
Net sales	994.4	1,060.3	+ 65.8
Operating income	11.0	28.2	+ 17.2
Ordinary income	9.4	20.0	+ 10.5
Extraordinary income	-	3.7	+ 3.7
Net income before income taxes	9.4	23.7	+ 14.2
Net income	7.9	15.6	+ 7.6

## II. Forecast for FY2006

---

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.

# Summary of Forecast for FY2006

(In billion yen)

	FY2005 (Actual)	FY2006 (Forecast)	Change
Orders received	2,942.0	2,950.0	+ 8.0
Net sales	2,792.1	2,900.0	+ 107.9
Operating income	70.9	80.0	+ 9.1
Ordinary income	50.3	63.0	+ 12.7
Income before income taxes	52.3	63.0	+ 10.7
Net income	29.8	40.0	+ 10.2

Exchange rate fluctuations of major currencies will have limited impact on FY2006 earnings.

# Forecast for FY2006 by Business Segment

(In billion yen)

	Orders received			Net sales			Operating income		
	FY2005 (Actual)	FY2006		FY2005 (Actual)	FY2006		FY2005 (Actual)	FY2006	
		Previous forecast	Forecast		Previous forecast	Forecast		Previous forecast	Forecast
Shipbuilding & Ocean Development	207.4	240.0	240.0	222.6	230.0	230.0	10.6	9.0	9.0
Power Systems	872.8	900.0	900.0	710.9	840.0	840.0	38.3	40.0	48.0
Machinery & Steel Structures	515.8	480.0	480.0	538.7	470.0	470.0	2.3	10.0	2.0
Aerospace	451.5	450.0	450.0	445.9	450.0	450.0	16.5	9.0	9.0
GM&SV	386.6	400.0	400.0	393.2	410.0	410.0	12.0	14.0	14.0
Air-Con	191.0	180.0	180.0	192.1	190.0	190.0	0.2	1.0	1.0
Industrial	237.1	230.0	230.0	219.7	230.0	230.0	4.4	9.0	9.0
Mass and Medium-lot Manufactured Machinery	814.8	810.0	810.0	805.0	830.0	830.0	16.7	24.0	24.0
Others	79.6	70.0	70.0	68.7	80.0	80.0	7.5	6.0	6.0
<b>Total</b>	<b>2,942.0</b>	<b>2,950.0</b>	<b>2,950.0</b>	<b>2,792.1</b>	<b>2,900.0</b>	<b>2,900.0</b>	<b>70.9</b>	<b>80.0</b>	<b>80.0</b>

## Summary of Forecast for First Half FY2006

(In billion yen)

	FY2005 (Actual)	FY2006 (Forecast)
Orders received	2,318.3	2,300.0
Net sales	2,206.7	2,250.0
Operating income	38.2	60.0
Ordinary income	32.4	50.0
Income before income taxes	35.3	50.0
Net income	26.1	30.0

Planned annual dividend is ¥6 per share (Interim dividend is ¥3 per share)