



Financial Results for First Half FY2005 and Forecast for FY2005

October 2005

<Table of Contents>

I. Financial Results for First Half FY2005

▪ Summary of Financial Results for First Half FY2005 (1)	4
▪ Summary of Financial Results for First Half FY2005 (2)	5
▪ Components of change in First Half FY2005 Income before Income Taxes	6
▪ Ordinary Income and Extraordinary Income	7
▪ Financial Results for First Half FY2005 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 FY2005

▪ Summary of Forecast for FY2005	19
▪ Forecast for FY2005 by Business Segment	20
▪ Forecast for FY2005 (Orders)	21
▪ Forecast for FY2005 (Net sales ▪ Earnings)	22

<Reference>

- [Non-consolidated]
Summary of Financial Results for First Half of FY2005
- [Non-consolidated]
Summary of Forecast for FY2005

I. Financial Results for First Half FY2005

Summary of Financial Results for First Half FY 2005 (1)

(In billion yen)

	1H FY2004	1H FY2005	Change
Order received	1,086.2	1,270.5	+ 184.3
Net sales	1,126.3	1,253.7	+ 127.4
Operating income	-4.0	24.1	+ 28.2
Ordinary income	-6.5	21.4	+ 27.9
Extraordinary income	-18.8	-	+ 18.8
Income before income taxes	-25.3	21.4	+ 46.7
Net income	-21.5	14.9	+ 36.4

Summary of Financial Results for First Half FY 2005 (2)

Orders received ⇒ Up ¥184.3 billion YoY (¥1,086.2bn→¥1,270.5bn)

- While orders declined for Shipbuilding & Ocean Development and Power Systems businesses because of large project orders received in the previous year, a large increase in orders was recorded in Machinery & Steel Structures businesses including large transportation systems and chemical plants for the Middle East. In addition, there was an increase in orders in Aerospace business for the new Boeing 787 airplanes, etc., while there was good order growth in Mass and Medium-lot Manufactured Machinery business for equipment such as forklifts, medium and small engines, turbochargers and machine tools. As a result, total orders received increased ¥184.3 billion year-on-year to ¥1,270.5 billion.

Net sales ⇒ Up ¥127.4 billion YoY (¥1,126.3bn→¥1,253.7bn)

- Shipbuilding & Ocean Development sales declined due to a small number of ship deliveries compared to the first half of the previous year, while Machinery & Steel Structures, Power Systems, Mass & Medium-lot Manufactured Machinery and Aerospace segment sales increased reflecting the strong trend in orders in recent years.

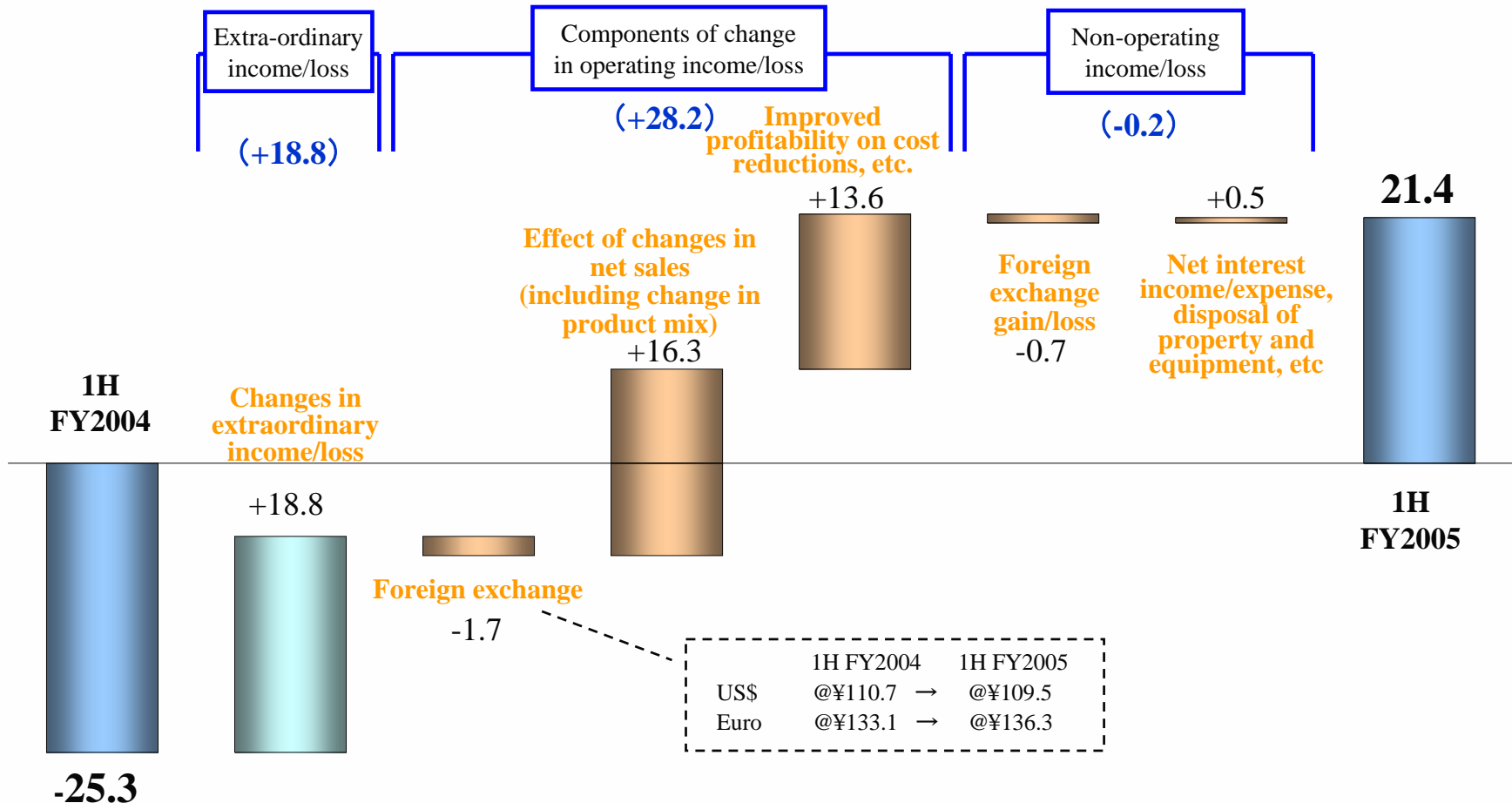
Net income ⇒ Up ¥36.4 billion YoY (- ¥21.5bn→¥14.9bn)

- Given the increase in net sales and a decline in SG&A expenses as well as cost reductions centering on efforts to improve profitability, operating income in all segments improved, while ordinary income was ¥21.4 billion, reversing the ¥6.5 billion deficit recorded in the first half of the previous year.

In addition to the improvement in ordinary income, no extraordinary losses were recorded in the first half of this fiscal year compared to an extraordinary loss of ¥18.8 billion recorded in the first half of the previous fiscal year. As a result, income before income taxes improved ¥46.7 billion, while net income that subtracts the increase in taxes (¥10.3 billion) improved ¥36.4 billion for the period.

Components of change in First Half FY2005 Income before Income Taxes

Up ¥46.7 billion YoY (-¥25.3bn→¥21.4bn)



Ordinary Income and Extraordinary Income

- Ordinary Income (+¥27.9 billion YoY (-¥6.5bn→¥21.4bn))

	1H FY2004	1H FY2005	Change
Operating income	-4.0	24.1	+ 28.2
Foreign exchange gain	-0.2	-1.0	- 0.7
Net interest income	-2.5	-2.2	+ 0.3
Others	0.3	0.5	+ 0.1
Non-operating expenses	-2.4	-2.7	- 0.2
Ordinary income	-6.5	21.4	+ 27.9

- Extraordinary Income (+¥18.8 billion YoY (-¥18.8bn→¥0bn))

	1H FY2004	1H FY2005	Change
Gain on sale of property and equipment	1.9	-	- 1.9
Provision for reserve for product guarantees	-10.8	-	+ 10.8
Impairment losses on property and equipment	-6.0	-	+ 6.0
Losses from natural disasters	-3.7	-	+ 3.7
Extraordinary income/loss	-18.8	-	+ 18.8

※No extraordinary income/losses were recorded in 1H FY2005

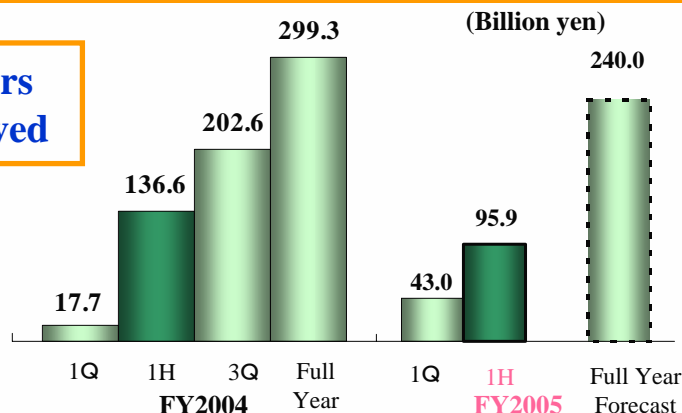
Financial Results for First Half FY2005 by Business Segment

(In billion yen)

	Orders received		Net sales		Operating income	
	1H FY2004	1H FY2005	1H FY2004	1H FY2005	1H FY2004	1H FY2005
Shipbuilding & Ocean Development	136.6	95.9	131.8	103.0	-6.7	-4.8
Power Systems	295.3	277.7	276.7	333.8	1.4	14.1
Machinery & Steel Structures	164.5	349.0	174.6	239.4	-6.2	-2.8
Aerospace	81.4	123.1	145.1	157.0	3.6	6.4
Mass and Medium-lot Manufactured Machinery	361.3	379.6	367.1	386.4	1.5	7.9
Others	46.8	44.9	30.7	33.8	2.2	3.2
Total	1,086.2	1,270.5	1,126.3	1,253.7	-4.0	24.1

〈Shipbuilding & Ocean Development〉

Orders Received



Orders received: Down ¥40.6 billion YoY

(¥136.6bn→¥95.9bn)

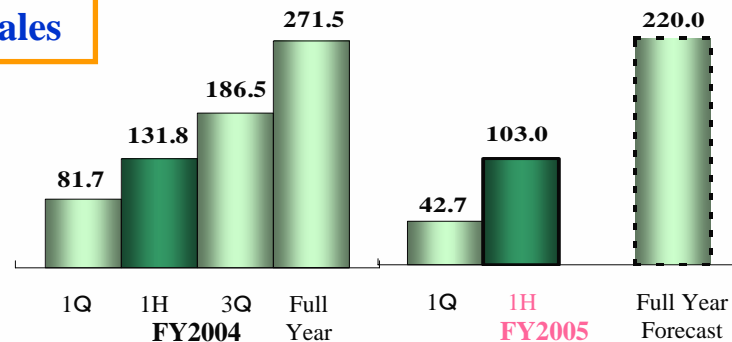
- Orders for seven vessels were received during the period, including two LNG carriers, two containerships and three pure car carriers
- While new ship orders are expected to trend at high levels for the foreseeable future, shipping companies and shipyards are becoming more cautious regarding the outlook. As a result, our current emphasis is mainly on LNG carrier and containership orders, which are our specialty.

【Number of ship orders received】

	1H	Full Year
FY2004	10(1Q:3 2Q:7)	23
FY2005	7(1Q:4 2Q:3)	-

【Order backlog: 60 (including 14 LNG carriers)】

Net Sales

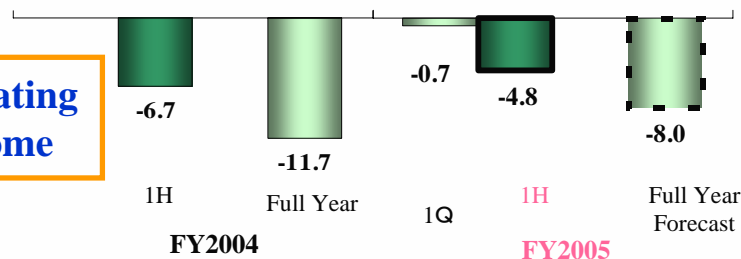


Net sales・Earnings:

Increased earnings (+¥1.9billion YoY) on declining sales (- ¥28.8billion YoY)

- Seven ships were delivered during the period, including four containerships, one VLCC and two other vessels, while net sales declined by ¥28.8 billion as twelve ships were delivered during the same period in the previous year.
- On the other hand, earnings improved ¥1.9 billion reflecting a better mix of ships and cost reduction efforts. However, as was the case in the previous year, recorded sales continued to reflect orders received when both the Yen and demand was weak, as well as the impact of sharply higher steel and other raw material prices, which resulted in a continued deficit.

Operating Income



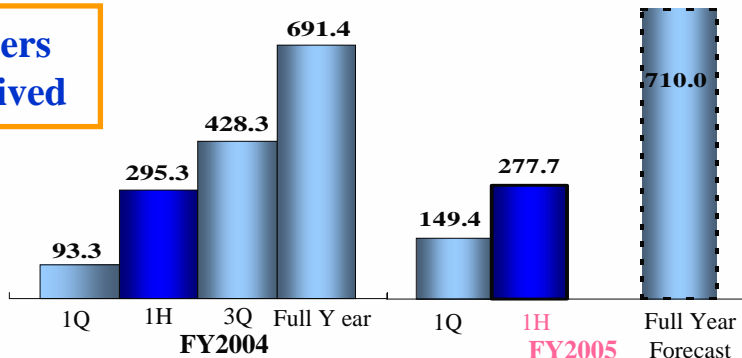
【Number of ships delivered】

	1H	Full Year
FY2004	12(1Q:7 2Q:5)	28
FY2005	7(1Q:2 2Q:5)	-

〈Power Systems〉

(Billion yen)

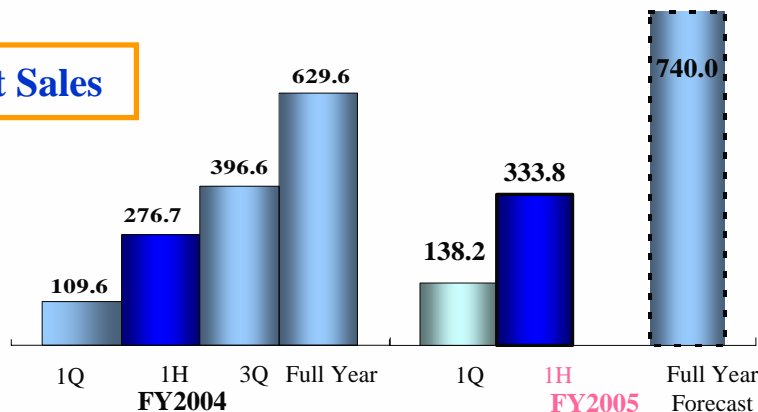
Orders Received



Orders received: Down ¥17.5 billion YoY
(¥295.3bn→¥277.7bn)

- Exports reflected active order negotiations for mainly gas turbine combined-cycle power facilities, and orders from Chile and China, while we received our first order from Electricite de France for a nuclear power plant replacement steam generator. On the other hand, there were no new large orders for domestic plants, and while the volume of maintenance and improvement works was maintained, orders received in the first half declined from the first half of the previous fiscal year.

Net Sales



【Gas turbine order backlog (Non-consolidated)】

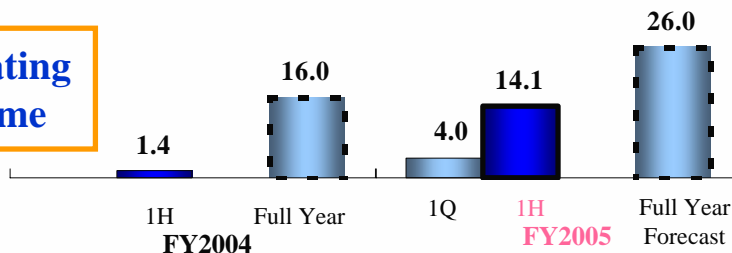
	1H	Full Year
FY2004	56	71
FY2005	69	

Net sales • Earnings:

Increased Earnings (+¥12.7billion YoY) on increased Sales (+¥57.1billion YoY)

- Reflecting the favorable order flow in recent years and increased sales from projects such as thermal electric power plant constructions, sharp growth of ¥57.1 billion was recorded in total segment sales.
- Earnings improved by ¥12.7 billion reflecting the increase in sales, as well as decreased costs of maintaining product reliability and other costs.

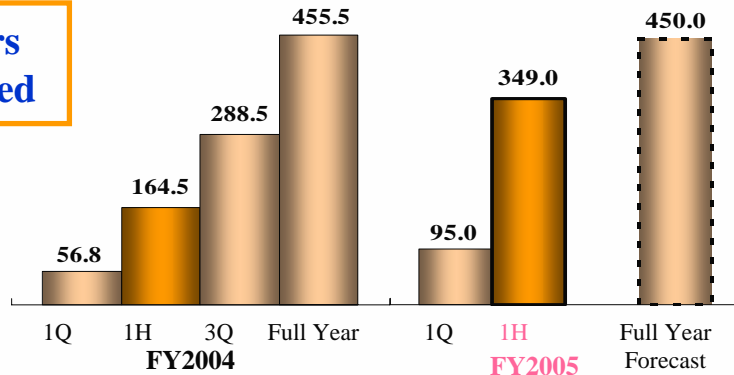
Operating Income



〈Machinery & Steel Structures〉

(Billion yen)

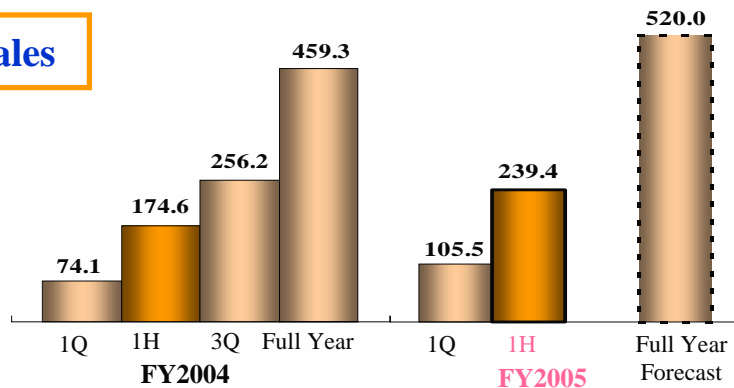
Orders Received



Orders received: Up ¥184.5 billion YoY
(¥164.5bn→¥349.0bn)

- While orders for domestic construction declined, export construction orders recorded a sharp increase reflecting strong markets for transportation systems and chemical plants. Orders were received for large projects such as a transportation system in Dubai and a methanol plant for Saudi Arabia. As a result a substantial year-to-year increase was recorded for the segment orders as a whole.

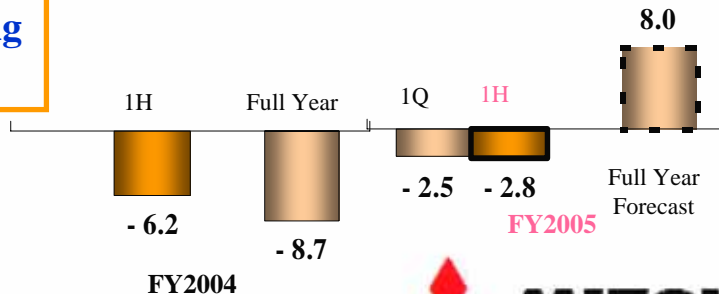
Net Sales



Net sales • Earnings:
Increased Earnings (+¥3.4 billion YoY) on
increased Sales (+¥64.7 billion YoY)

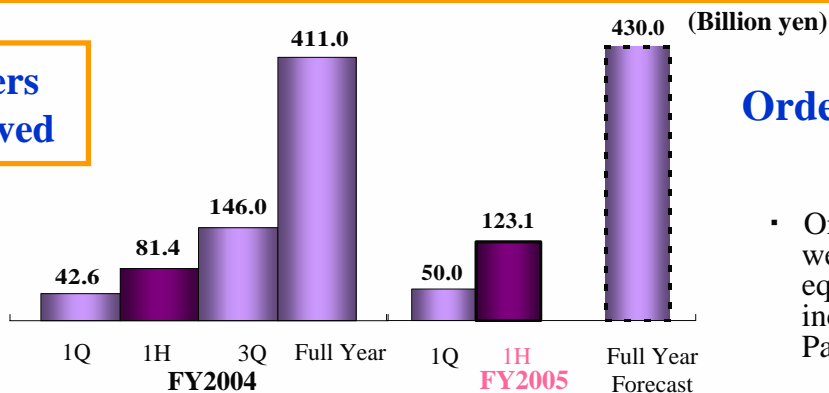
- While chemical plant and environmental system sales were higher, the improvement in losses was limited to ¥3.4 billion because of unprofitable overseas plant constructions recorded in the first half.

Operating Income



〈Aerospace〉

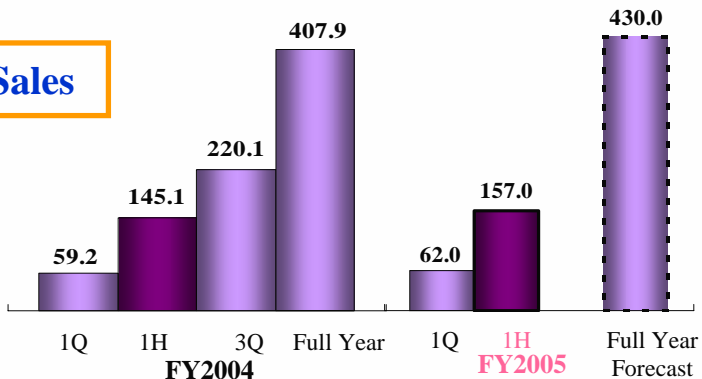
Orders Received



Orders received: Up ¥41.7 billion YoY
(¥81.4bn→¥123.1bn)

- Orders higher than the first half of the previous fiscal year were recorded, supported by private sector transportation equipment-related order growth on new B787 orders, and increased defense-related orders such as components for the Patriot surface-to-air missile.

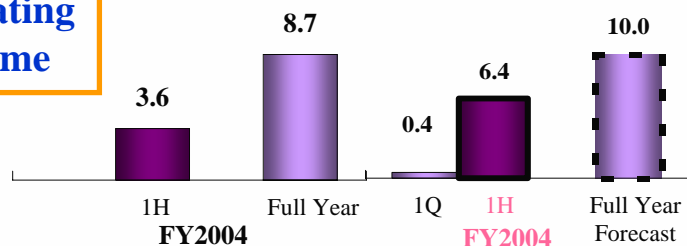
Net Sales



Net sales • Earnings:
Increased Earnings (+¥2.7 billion YoY) on
increased Sales (+¥11.9 billion YoY)

- While defense-related sales declined, total sales for the segment increased ¥11.9 billion and earnings improved ¥2.7 billion, supported by increased sales of commercial aircraft equipment and aerospace equipment.

Operating Income

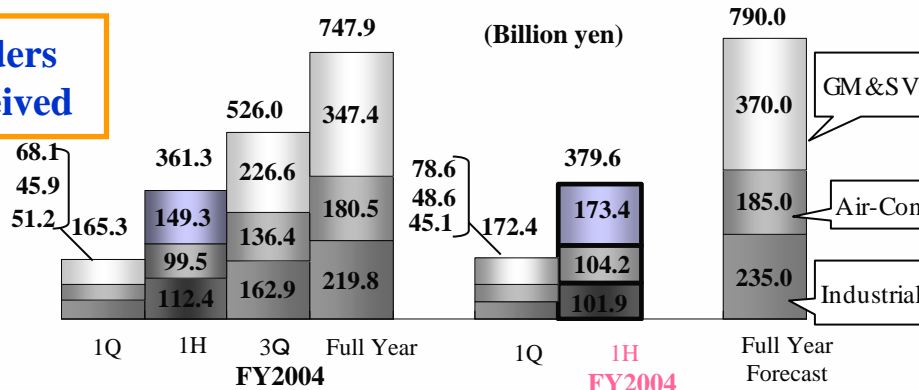


【Number of B777s delivered】

	1H	Full Year
FY2004	18	39
FY2005	25	

〈Mass and Medium-lot Manufactured Machinery〉

Orders Received



Orders received: Up ¥18.3 billion YoY (¥361.3bn→¥379.6bn)

- Orders for Air-Con and Industrial were basically flat with the first half of the previous fiscal year. GM&SV (forklifts, medium and small engines, turbochargers, etc.) were higher, which resulted in higher orders than the first half of the previous year for the segment as a whole.

Net sales・Earnings:

Increased Earnings (+¥6.3 billion YoY) on increased Sales (+¥19.3 billion YoY)

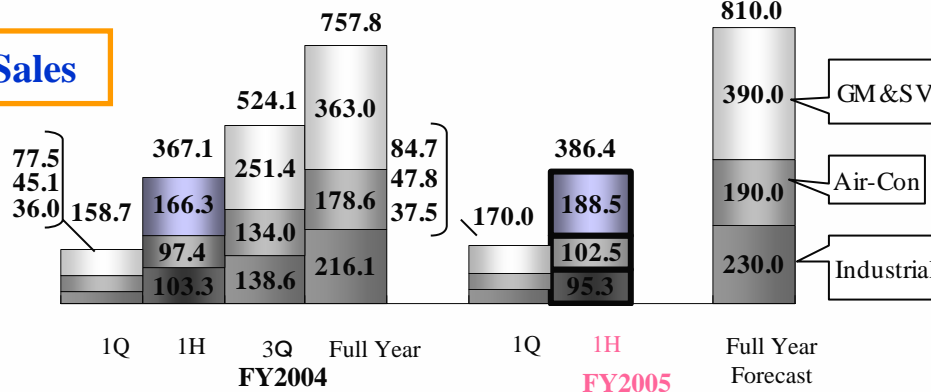
- While industrial machinery sales declined, growth in GM&SV and Air-Con sales supported an overall sales increase of ¥19.3 billion.
- Earnings improved ¥6.3 billion owing to the sales increase and improved profitability which was able to absorb the sharp increase in raw material costs.

(GM&SV: Net sales +¥22.2bn ¥166.3bn→¥188.5bn)
The sales increase was mainly in forklifts, medium and small engines and turbochargers.

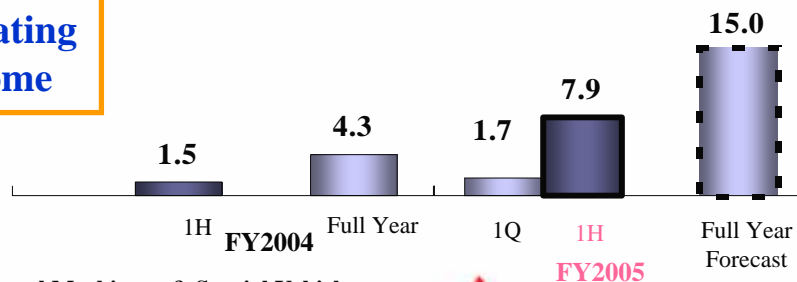
(Air-Con: Net sales +¥5.0bn ¥97.4bn→¥102.5bn)
Packaged air-conditioner, commercial and residential use air-conditioner sales were flat with the first half of the previous year. Automobile air-conditioner sales recorded positive year-on-year growth, and a slight increase was recorded in total air conditioning & refrigeration system sales.

(Industrial: Net sales -¥7.9bn ¥103.3bn→¥95.3bn)
Machine tool orders recorded year-on-year increase supported by firm demand, but because sales of newspaper offset presses, extrusion machinery and others declined, sales of industrial machinery as a whole were lower.

Net Sales



Operating Income

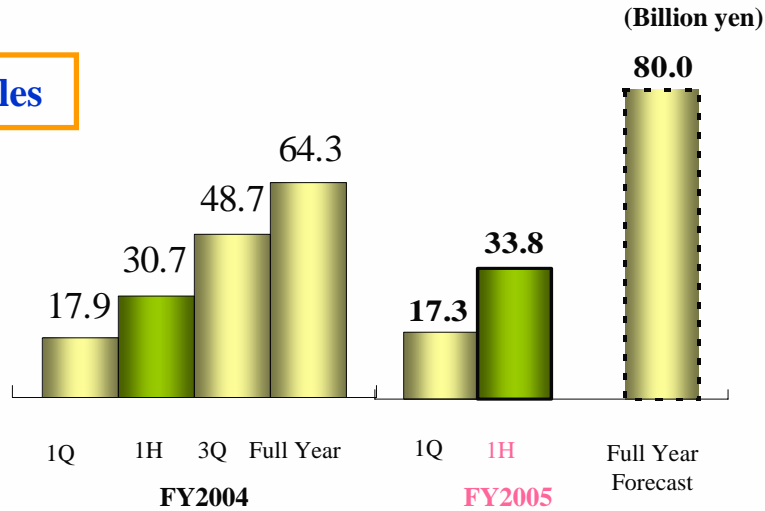


GM&SV: General Machinery & Special Vehicle
Air-Con: Air-conditioning and Refrigeration System
Industrial: Industrial Machinery



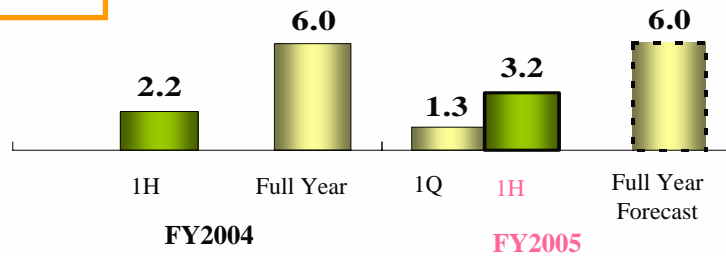
〈Others〉

Net Sales



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

Operating Income



Balance Sheets

(Billion yen)

	As of Mar 31, 2005	As of Sept 30, 2005	Change
Assets			
Trade receivables	1,048.8	954.3	-94.5
Inventories	958.5	1,056.3	+ 97.8
Other current assets	458.2	461.4	+ 3.2
Total current assets	2,465.6	2,472.2	+ 6.5
Total fixed assets	1,365.4	1,495.7	+ 130.2
Total assets	3,831.1	3,967.9	+ 136.7
Liabilities and shareholders' equity			
Trade payables	649.1	612.5	-36.5
Advances received	363.4	404.1	+ 40.7
Other current liabilities	555.3	571.4	+ 16.0
Total current liabilities	1,567.9	1,588.2	+ 20.2
Total long-term liabilities	937.9	966.8	+ 28.8
Total liabilities	2,505.9	2,555.0	+ 49.1
Minority interests	15.2	17.7	+ 2.5
Total shareholders' equity	1,309.9	1,395.0	+ 85.1
Total liabilities, minority interests and shareholders' equity	3,831.1	3,967.9	+ 136.7
Equity ratio	34.2%	35.2%	-1.4pt

Investment securities: +¥128.4bn

Retained earnings: +¥2.3bn
Net unrealized gain/loss on securities: +¥80.8bn

Cash Flows , Interest-Bearing Debts

Cash flows

(Billion yen)

	1H FY2004	1H FY2005	Change
Cash flows from operating activities	150.6	78.2	- 72.3
Cash flows from investing activities	- 84.5	- 47.7	+36.8
Free cash flows	66.0	30.5	- 35.5
Cash flows from financing activities	91.6	- 47.9	- 139.5

Overview of First Half FY 2005

- Cash flows from operating activities declined by ¥72.3 billion to ¥78.2 billion from the first half of the previous fiscal year. While income before income tax increased, operating capital also increased because of the expansion in sales.
- Cash flows from investing activities were minus ¥47.7 billion reflecting reduced investment in marketable securities and others.
- As a result, free cash flow was a positive ¥30.5 billion (or ¥35.5 billion lower than at the end of the first half of the previous fiscal year).
- Interest-bearing debt declined by ¥32.5 billion from the end of the previous fiscal year.

Interest-bearing debt

(Billion yen)

	As of Mar 31, 2005	As of Sept 30, 2005	Change
Interest-bearing debt	1,172.8	1,140.3	- 32.5

Supplementary Information

1. Foreign Exchange Rates

(¥/US\$)

	FY2002		FY2003		FY2004		FY2005
	1H	Full Year	1H	Full Year	1H	Full Year	1H
Average rates for recording sales	122.5	122.4	119.1	113.0	110.7	108.7	109.5
(Reference) Rates at end of period	122.6	120.2	111.3	105.7	111.1	107.4	113.2

2. Overseas Sales by Region

(Billion yen)

(Consolidated)	FY2002		FY2003		FY2004		FY2005
	1H	Full Year	1H	Full Year	1H	Full Year	1H
North America	147.5 (35%)	271.2 (32%)	117.9 (30%)	262.1 (29%)	125.7 (27%)	265.5 (25%)	148.3 (25%)
Central & South America	33.0 (8%)	68.4 (8%)	52.3 (13%)	95.1 (11%)	58.7 (12%)	147.1 (14%)	55.5 (9%)
Asia	90.3 (21%)	212.7 (26%)	105.3 (27%)	324.6 (36%)	185.4 (39%)	416.8 (40%)	263.3 (44%)
Middle East	28.6 (7%)	55.5 (7%)	21.2 (5%)	40.8 (5%)	18.2 (4%)	28.1 (3%)	23.8 (4%)
Europe	108.5 (25%)	193.0 (23%)	69.3 (18%)	119.6 (13%)	67.1 (14%)	162.3 (15%)	91.6 (15%)
Other	16.6 (4%)	36.8 (4%)	28.0 (7%)	50.2 (6%)	19.6 (4%)	29.3 (3%)	17.6 (3%)
Total	424.9 (100%)	837.8 (100%)	394.2 (100%)	892.6 (100%)	474.9 (100%)	1,049.3 (100%)	600.3 (100%)

•Europe includes Russia and Eastern Europe beginning in FY2004.

II. Forecast for FY2005

Summary of Forecast for FY2005

(Billion yen)

	FY2004 (Actual)	FY2005 (Forecast)	Change
Orders received	2,722.8	2,730.0	+ 7.2
Net sales	2,590.7	2,800.0	+ 209.3
Operating income	14.7	57.0	+ 42.3
Ordinary income	12.5	36.0	+ 23.5
Income before income taxes	16.3	36.0	+ 19.7
Net income	4.0	18.0	+ 14.0

【Orders Received】

- There is no change in our full-year projections given the orders received for large overseas projects and the favorable order flow in Mass and Medium-lot Manufactured Machinery.

【Net Sales】

- Sales increased reflecting the recovery in orders since fiscal 2002.

【Operating Income】

- In addition to the sales increase, a “Action 05” program to improve profitability is currently underway.
- The sharp gains in raw materials costs can be covered, and we foresee an earnings recovery.

◇ As we have essentially no currency exposure at other than pre-determined exchange rates, exchange rate fluctuations will have little impact.

Forecast for FY2005 by Business Segment

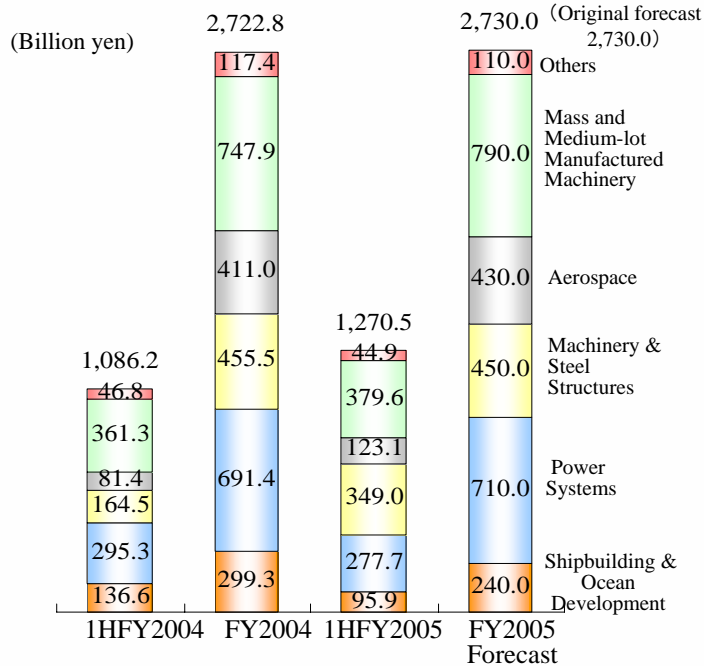
(Billion yen)

	Orders received	Net sales	Operating income
Shipbuilding & Ocean Development	240.0	220.0	-8.0
Power Systems	710.0	740.0	26.0
Machinery & Steel Structures	450.0	520.0	8.0
Aerospace	430.0	430.0	10.0
Mass and Medium-lot Manufactured Machinery	790.0	810.0	15.0
Others	110.0	80.0	6.0
Total	2,730.0	2,800.0	57.0

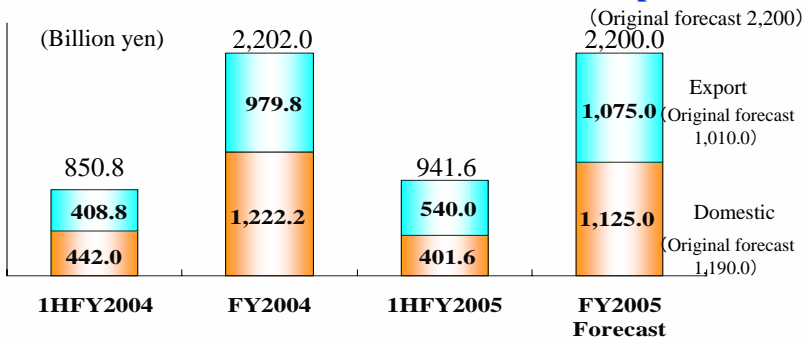
◇No change from the last forecast announced on June 30, 2005

Forecast for FY2005 (Orders)

<Trend in Orders Received (consolidated) by Segment>



<Trend in Orders Received: Domestic/Exports>



1. Review of the First Half

◇ Positive year-on-year growth was achieved

- Large-scale plant orders were received by leveraging our comprehensive engineering capabilities.
- Orders received were strong on increased demand centering on the Mass and Medium-lot Manufactured Machinery segment, and the impact of the introduction of new models.

2. Outlook for the Full Year

◇ Targets will be achieved by maintaining the strength of the first half and emphasizing profitability.

[Shipbuilding & Ocean Development]

- Increased selectivity based on price.

[Power Systems]

- Emphasis on gas turbine combined-cycle projects in Europe, North/South America and Asia.
- Secure flow of domestic service business.

[Machinery & Steel Structures]

- Capturing compressor and LNG export orders.

[Aerospace]

- Commercial aircraft: Increased orders supported by recovery in private sector demand and the introduction of B787.

[Mass and Medium-lot Manufactured Machinery]

- Medium and small engines, forklifts and turbochargers: Increased orders on growing demand in response to European exhaust gas restrictions and the introduction of new models.
- Machine tools: Continued favorable growth on mainly demand from automobile-related industries.

Forecast for FY2005 (Net sales・Earnings)

[On a consolidated basis]

(Billion yen)

	1H		
	FY2004(A)	F2005(B)	(B)-(A)
Net sales	1,126.3	1,253.7	127.4
Operating income	-4.0	24.1	28.2
Ordinary income	-6.5	21.4	27.9
Income before income taxes	-25.3	21.4	46.7

Forecast	
FY2005	FY2005
2,590.7	2,800.0
14.7	57.0
12.5	36.0
16.3	36.0

1. Review of the First Half

- ◇ Year-on-year improvement on sales growth, lower costs and the absorption of higher material and other costs with improved product quality.

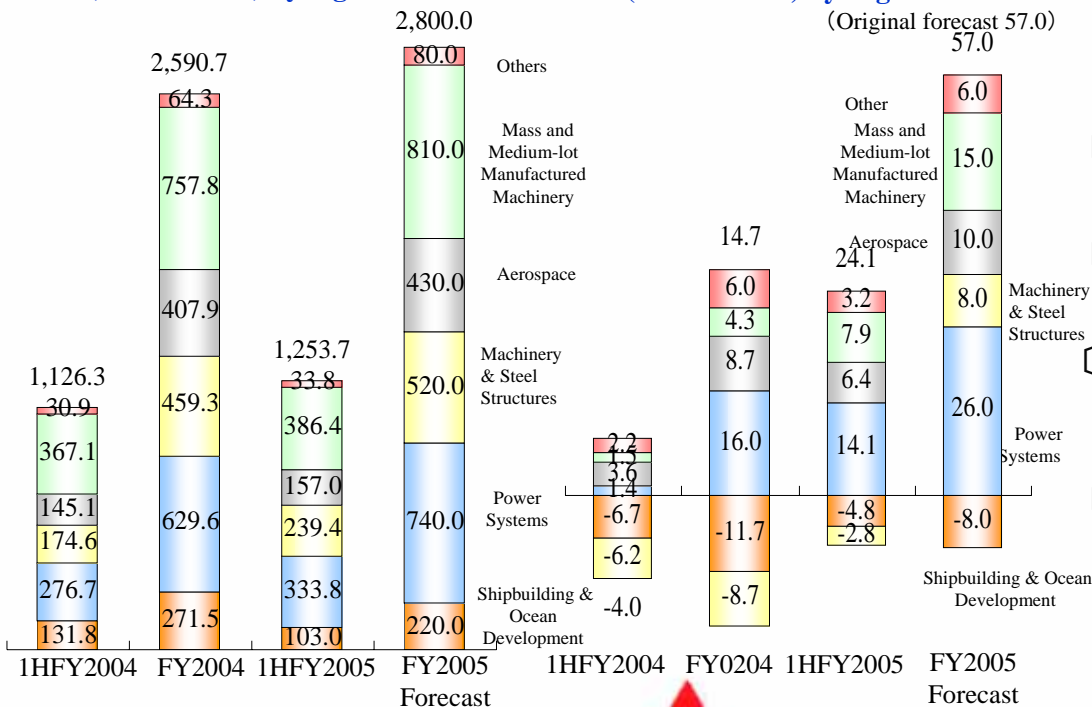
2. Outlook for the Full Year

- ◇ Realizing the Benefits of “Action 05”

<Trend in Net Sales (consolidated) by segment >

<Trend in operating income/loss (consolidated) by Segment >

(Original forecast 57.0)



- [Shipbuilding & Ocean Development]
 - Deficits continue on orders received when the yen and demand were weak.
 - Promotion of all round cost reductions to cover sharp rises in raw material costs.
- [Power Systems]
 - Expanded service and improved product maintenance cost.
- [Machinery & Steel Structures]
 - Improved profitability through sales growth and decreased low margin construction.
- [Aerospace]
 - Minimize raw material and component cost increases and streamline production process in response to production increases.
- [Mass and Medium-lot Manufactured Machinery]
 - Realize the benefits of measures to strengthen the business.
 - Improved profitability through increased production.

[Non-consolidated]

Summary of Financial Results for First Half FY2005

(Billion yen)

	1H FY2004	1H FY2005	Change
Orders received	850.8	941.6	+ 90.8
Net sales	907.9	994.4	+ 86.4
Operating income	-12.1	11.0	+ 23.1
Ordinary income	-12.9	9.4	+ 22.4
Extraordinary income	-12.5	-	+ 12.5
Net income before income taxes	-25.5	9.4	+ 35.0
Net income	-17.3	7.9	+ 25.3

[Non-consolidated]

Summary of Forecast for First Half FY2005

(Billion yen)

	FY2004 (Actual)	FY2005 (Forecast)	Change
Orders received	2,202.0	2,200.0	- 2.0
Net sales	2,097.9	2,220.0	+122.1
Operating income	-9.7	35.0	+44.7
Ordinary income	-9.6	25.0	+34.6
Net income before income taxes	0.2	25.0	+24.8
Net income	-2.0	15.0	+17.0

◇ Planned annual dividend is ¥4 per share (no interim dividend).