



Financial Results
for First Half of FY2004
(April 1, 2004 – September 30, 2004)

October 2004



Outline of Consolidated Financial Results for First Half of FY2004

(Billion yen)

	FY2004 First Half	FY2003 First Half	Change (amount)	Change (%)
Orders Received	1,086.2	1,233.5	-147.3	-11.9%
Net Sales	1,126.3	1,000.0	126.3	12.6%
Operating Income/Loss	-4.0	10.5	-14.6	-
Ordinary Income/Loss	-6.5	-9.4	2.8	-
Extraordinary Income/Loss	-18.8	-2.0	-16.7	-
Income/Loss before Income Taxes	-25.3	-11.4	-13.9	-
Net Income/Loss	-21.5	-10.4	-11.0	-

First Half Results Comparison With Previous Year

(Operating Income/Loss · Ordinary Income/Loss)

(Billion yen for income/loss)

		(A) First Half of FY2004		(B) First Half of FY2003		Change
			(% of sales)		(% of sales)	(A)-(B)
Net Sales		1,126.3		1,000.0		+126.3
Gross Profit		129.6	(12.0%)	139.4	(14.0%)	-9.8
Operating Income/Loss		-4.0	(-0.3%)	10.5	(1.0%)	-14.6
Non-operating Income/Loss	Foreign Exchange Loss	-0.2		-13.9		+13.6
	Net Interest Expense	-2.5		-3.5		+0.9
	Other	0.3		-2.5		+2.8
Total		-2.4	(-)	-19.9	(-)	+17.4
Ordinary Income/Loss		-6.5	(-0.5%)	-9.4	(-0.9%)	+2.8

Principal Factors Contributing to ¥ 14.6 billion Decrease in Operating Income

- Foreign exchange losses -¥ 11.7 billion
US dollar was ¥110.7 in 1HFY2004 vs. ¥119.1 in 1HFY2003
- Effect of changes in applicable period for employees' bonuses - ¥ 13.5 billion
 - Effect on SG&A expenses - ¥3.8 billion
 - Effect on CGS - ¥9.7 billion
- Effect of changes in sales and CGS + ¥ 10.6 billion
 - Increase in gross profit resulting from the change in net sales + ¥14.9 billion
 - Effect of a reduction in gross profit margin - ¥ 4.3 billion

Principal Factors Contributing to ¥ 2.8 billion Increase in Ordinary Income

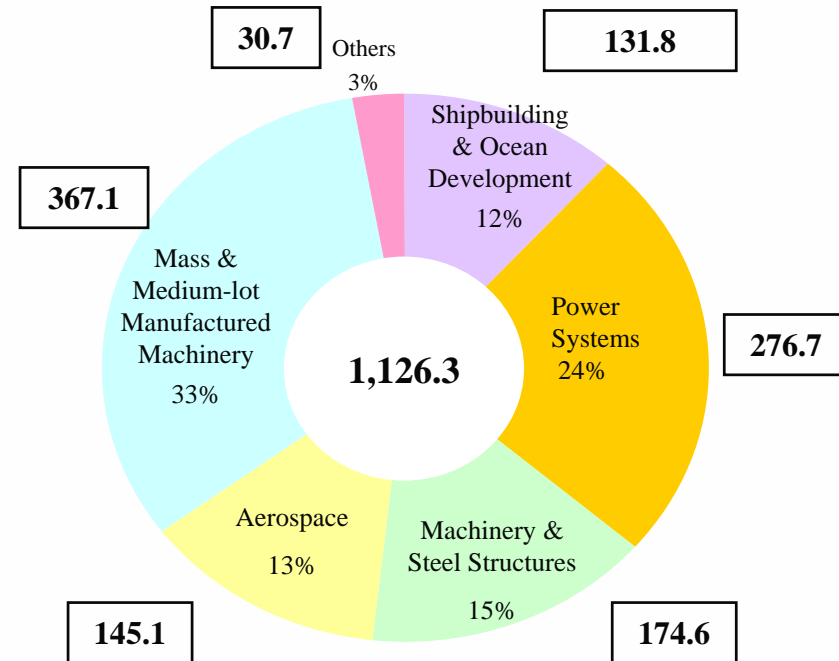
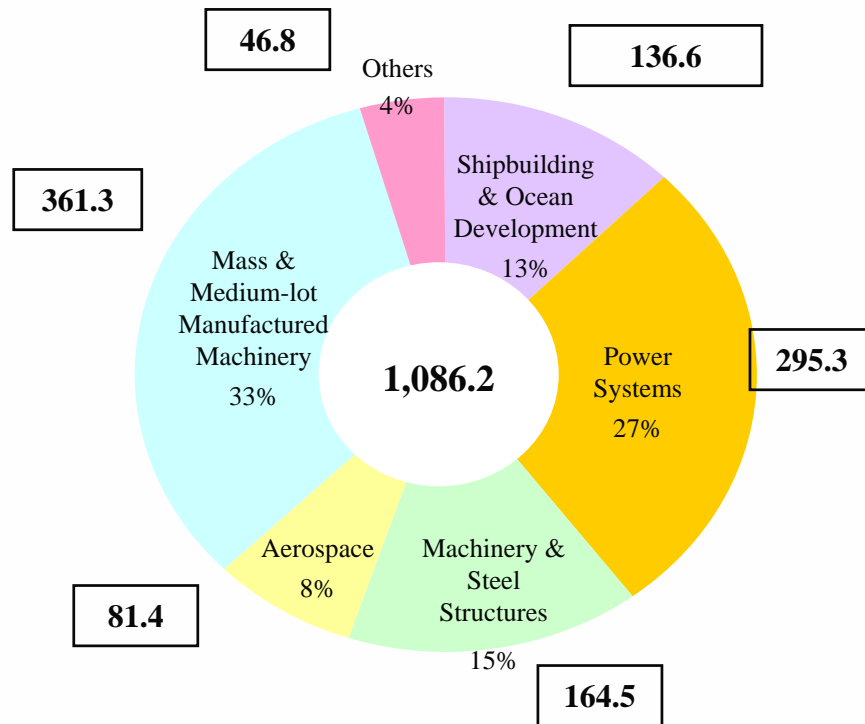
- Operating income decrease -¥ 14.6 billion (same as on the left)
- Non-operating income +¥ 17.4 billion
 - Foreign exchange +¥ 13.6 billion
(ref.) · US dollar was ¥111.05 (as of September 30, 2004) vs. ¥105.69 (as of March 31, 2004)
 - US dollar was ¥111.25 (as of September 30, 2003) vs. ¥120.20 (as of March 31, 2003)
- Net interest expense reduced due mainly to reduction in interest expense +¥ 9 billion
- Other +¥ 2.9 billion

Consolidated Orders Received and Net Sales by Segment (First Half of FY2004)

Orders Received

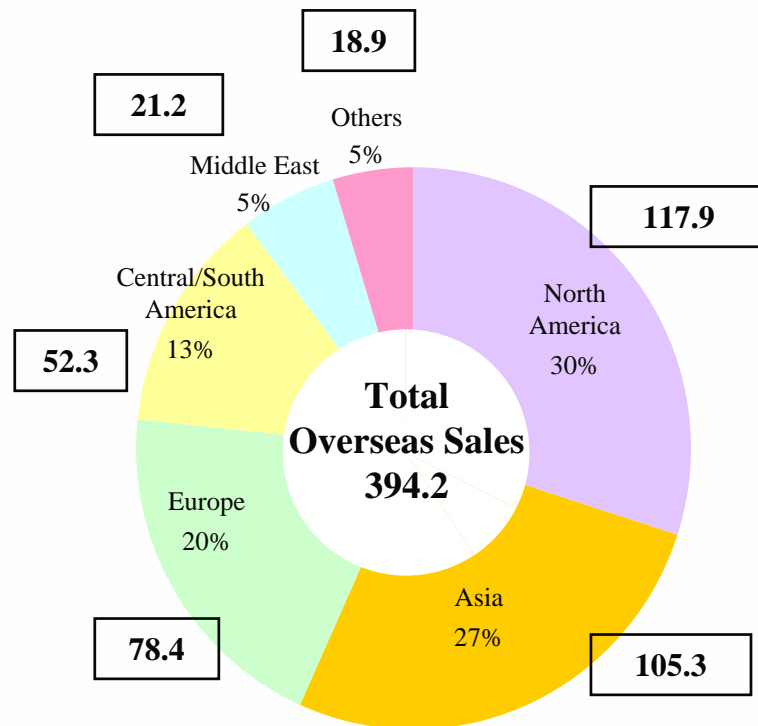
Net Sales

(Billion yen)



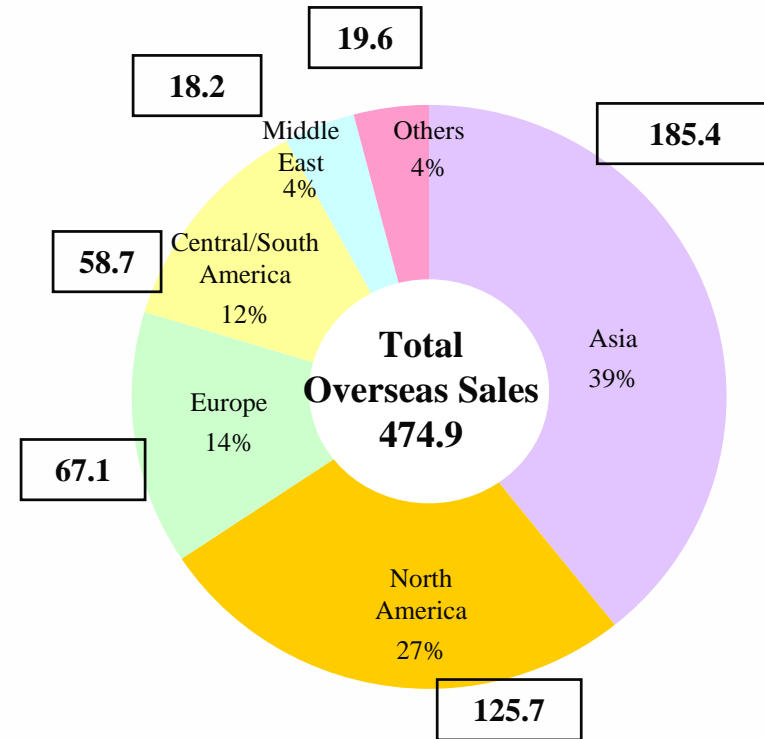
Overseas Consolidated Sales by Region

1H FY2003

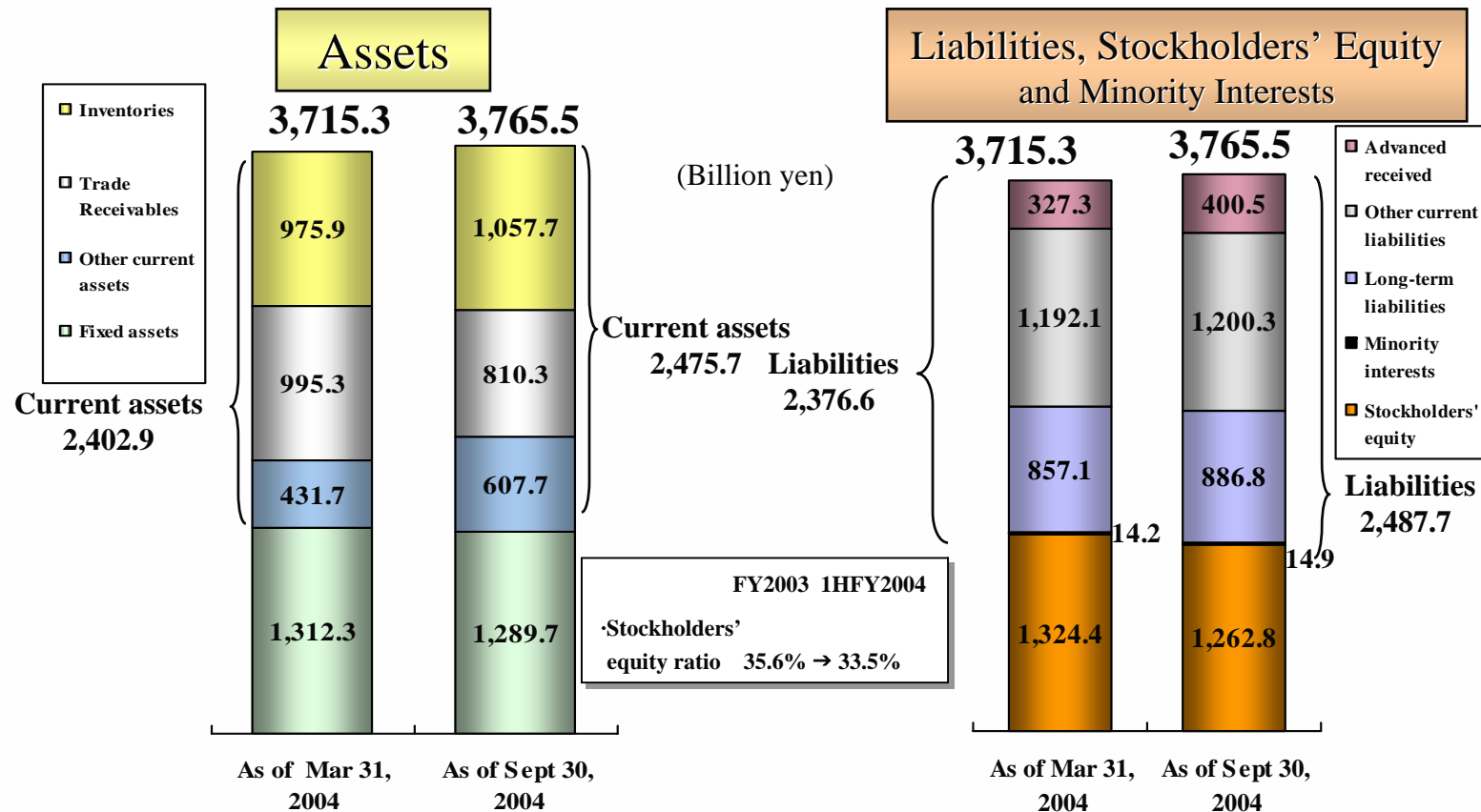


(Billion yen)

1H FY2004



Consolidated Balance Sheets



Changes in assets: (+50.1)

Inventories +81.7, Trade receivables -184.9, Marketable securities +133.6, Cash and cash equivalents +24.5, Investment securities -7.5 (Acquisition of Mitsubishi Motors' preferred shares +40.0, Reduction in fair value -47.5, etc.), Tangible fixed assets -8.6, etc.

Changes in liabilities (+111.0)

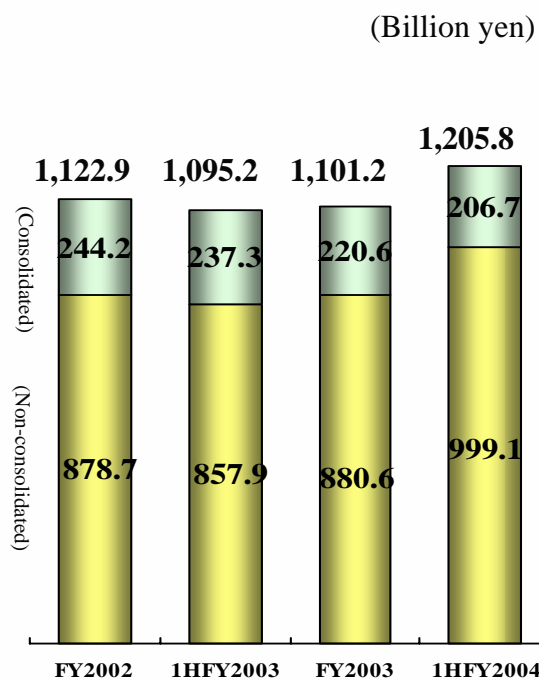
Advances received +73.2, Trade payables -46.1, Interest-bearing debt +104.5, Deferred tax liabilities (long-term) -20.2, etc.

Changes in stockholders' equity (-61.6)

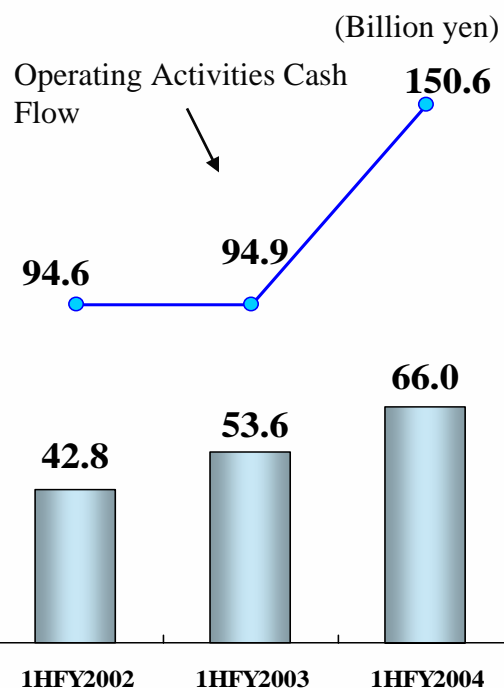
Retained earnings -32.1, Net unrealized gain on investment securities -27.3, etc.

Interest Bearing Debt and Free Cash Flows

Interest Bearing Debts



Free Cash Flows



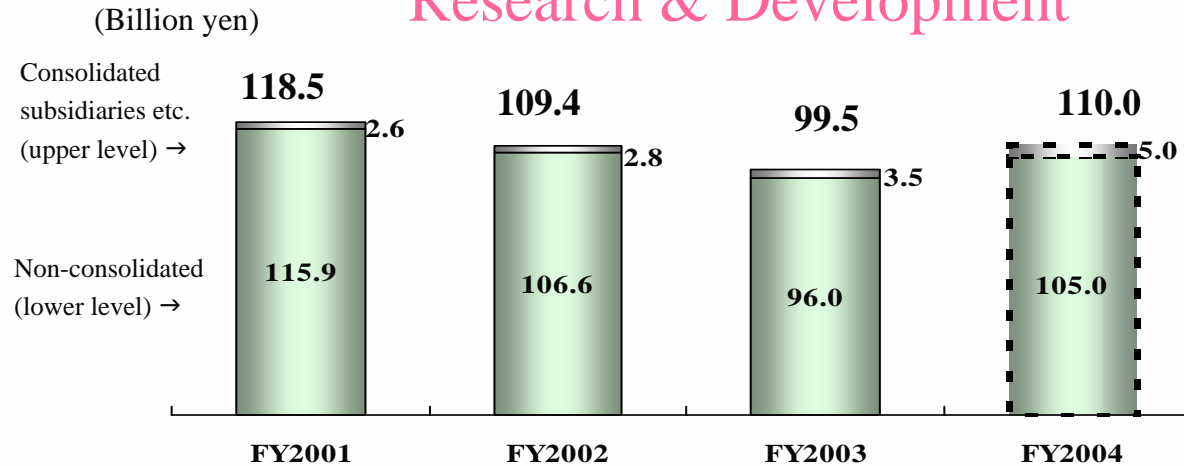
Operating results for 1H FY2004

- Operating activities cash flow increased by ¥55.7 billion y-o-y to ¥150.6 billion due mainly to the increase in operating revenue
- Investing activities cash flow decreased by ¥84.5 billion y-o-y reflecting the increase in cash used by ¥43.2 billion due to the purchase of Mitsubishi Motors' preferred shares
- Financing activities cash flow increased by ¥135.8 billion to ¥91.6 billion due mainly to the increase in borrowings made in anticipation of future needs

	1HFY2004	1HFY2003	Change (amount)
Operating activities CF	150.6	94.9	55.7
Investing activities CF	-84.5	-41.3	-43.2
Free CF	66.0	53.6	12.4
Financing activities CF	91.6	-44.1	135.8

*CF=Cash Flow

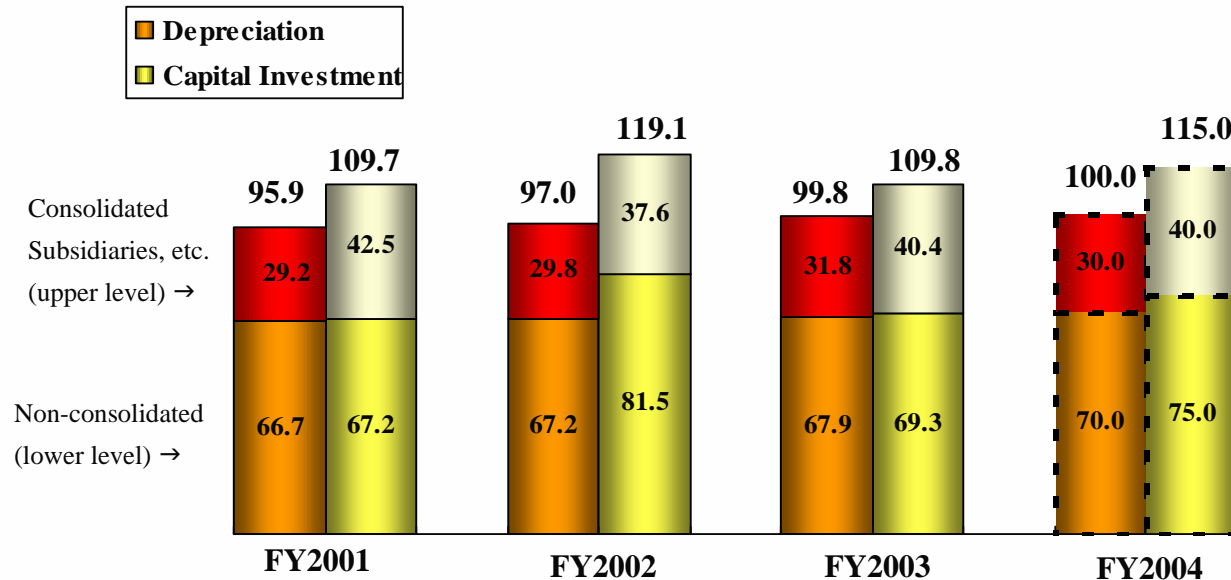
Research & Development



Focused and effective use of R&D budget in core business lines

- Composite main wings and engines for Boeing 7E7
- Next generation gas turbine
- Other

Depreciation and Capital Investment



Capex to exceed depreciation mainly for the expansion of production capacity

- Facilities for the development/production of civil aircraft
- Streaming of production facility to accommodate increased production of small turbo chargers
- Other

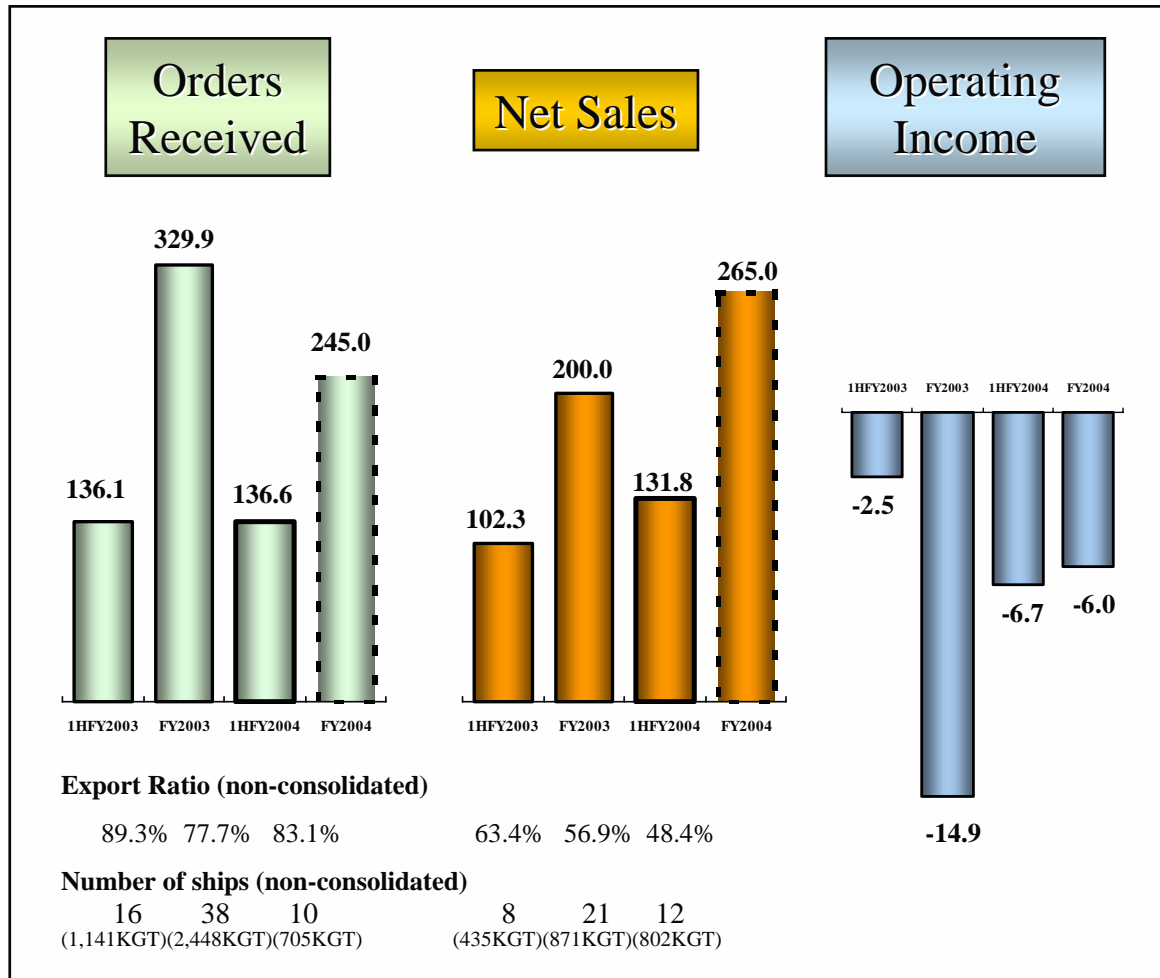
Outline of Non-Consolidated Financial Results for First Half of FY2004

(Billion yen)

	FY2004 First Half	FY2003 First Half	Change (amount)	Change (%)
Orders Received	850.8	1,001.9	-151.1	-15.1%
Net Sales	907.9	787.3	120.6	15.3%
Operating Income/Loss	-12.1	-8.7	-3.3	-
Ordinary Income/Loss	-12.9	-23.8	10.8	-
Extraordinary Income/Loss	-12.5	-2.0	-10.4	-
Income/Loss before Income Taxes	-25.5	-25.9	0.3	-
Net Income/Loss	-17.3	-16.8	-0.4	-

Shipbuilding and Ocean Development

(Billion yen)



[Business environment and orders received]

- Shipping market continues to be favorable
- 10 new orders received during 1H FY2004 include 6 LNG carriers and 3 auto mobile carriers (63 new carrier orders in backlog including 10 LNG carriers)

[Net sales/income]

- Revenue increased significantly during 1HFY2004 on the back of brisk domestic sales of carriers, but income fell short of the previous year's level reflecting the low margins at which orders were received during the weak demand period and the effect of exchange rate fluctuations

[Topics]

- Orders received for 5 LNG vessels from Malaysia
- Continue to reduce fixed costs including personnel expenses
(Workforce) 5,160 → 4,940 → 4,810 → 4,710 (plan)
(Apr2002) (Apr2003) (Apr2004) (Apr2005)

< Forecast for Orders Received/Sales/Earnings >

FY2004 forecast : **245.0 / 265.0 / -6.0**
 (Original forecast: 245.0 / 265.0 / -6.0)
 FY2003 results : **329.9 / 200.0 / -14.9**

Power Systems

(Billion yen) **[Business environment and orders received]**



- Domestic operating environment remains unfavorable as electric utilities continue to curb new investments
- Strong demand in Asia and Europe among the export markets

[Net sales/income]

- Revenue increased y-o-y for 1H FY2004 on increased sales from thermal power plant construction
- Income down vs. a year ago due mainly to the effect of exchange rate fluctuations. Full year income expected to reach previous year's level supported by favorable order intake and resulting increase in sales, and measures such as promotion of improvement/upgrade services and cost reduction

[Topics]

- Orders for gas turbine combined cycle power plant received in China, Mexico, New Zealand, etc.
- Test run of Japan's largest wind-power generation plant carried out (Yokohama)

< Forecast for Orders Received/Sales/Earnings >

FY2004 forecast : **675.0 / 625.0 / 20.0**
 (Original forecast: 675.0 / 625.0 / 20.0)
 FY2003 results : **670.7 / 549.8 / 23.4**

Machinery and Steel Structures

(Billion yen)



[Business environment and orders received]

- Public investment continues to shrink in domestic market. Overseas, the number of deals under negotiation increasing for transportation systems, chemical plant, LNG carriers, etc.
- Order intake increased for transportation systems and chemical plants for the 1H FY2004, but total order intake less than the previous year, when a large order was received from the government of Tokyo for a PCB process in facility

[Net sales/income]

- Interim period revenue exceeded previous year's level due mainly to the increase in sales from Taiwan Shinkansen construction
- The first half bottom line was a net loss, as revenue was not sufficient to cover fixed costs due to seasonality of sales where first half sales tend to be smaller than the second half. However full year revenue and income are expected to exceed previous year's levels as efforts are made to secure orders from brisk export markets and to strengthen cost competitiveness

[Topics]

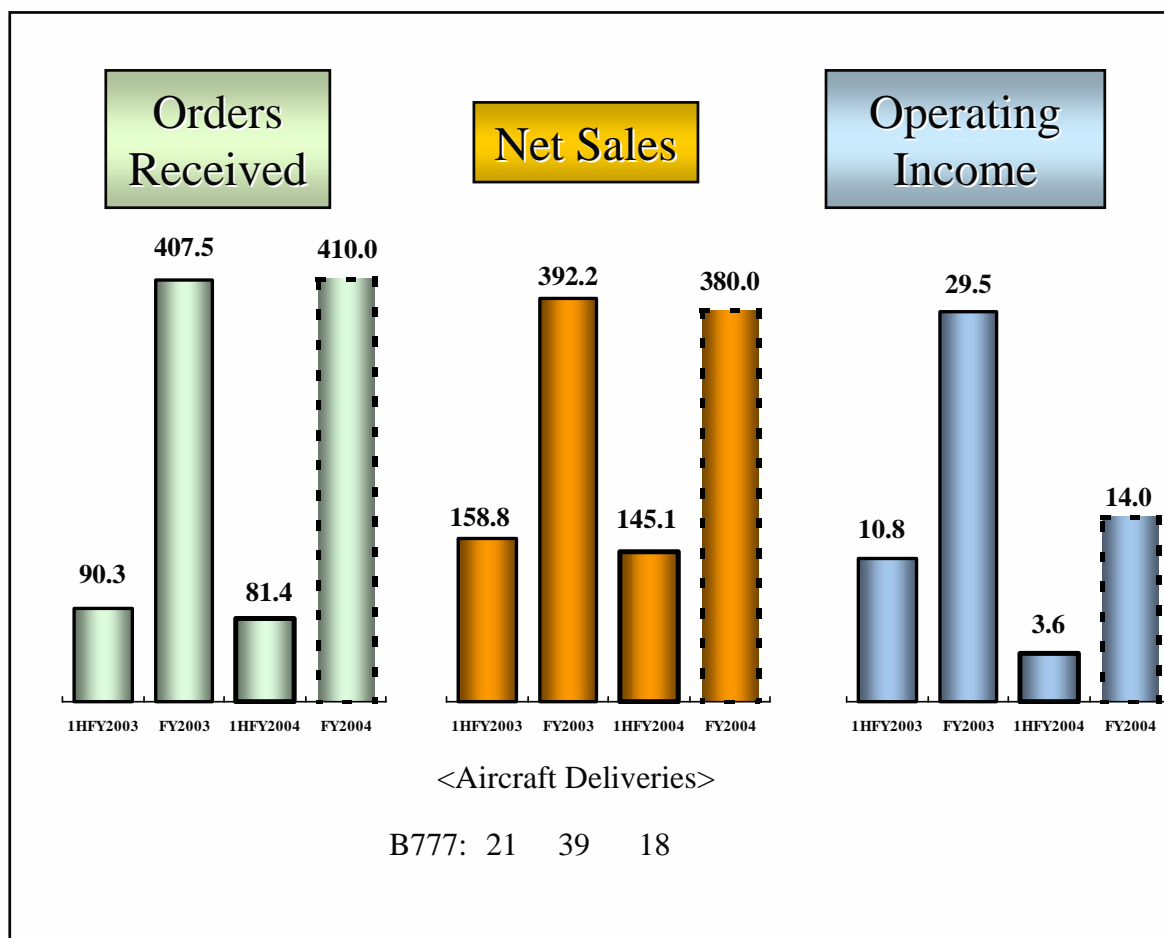
- First large scale tentative order received from Oman for fertilizer production plant
- Order for Automated People Mover (APM) received for installation at Dubai International Airport representing the first APM installation in Middle East

<Forecast for Orders Received/Sales/Earnings>

FY2004 forecast : **510.0 / 520.0 / 10.0**
 (Original forecast: 510.0 / 520.0 / 10.0)
 FY2003 results : **422.7 / 471.5 / 9.6**

Aerospace

(Billion yen)



[Business environment and orders received]

- Conventional type defense equipment is being scaled back. However, Japanese gov't defense budget for front-line defense equipment was increased for introduction of Ballistic Missile Defense (BMD) system, etc
- Signs of recovery in demand for air transport with respect to civil aircraft

[Net sales/income]

- During 1H FY2004, delivery of Global Express and other business jet planes increased in the civil aircraft sector. However, revenue lower than previous year due mainly to the reduction in the number of deliveries of patrol helicopters and H-IIA
- Income declined y-o-y because of reduced sales, impact of exchange rate fluctuations and increased burden of development cost of B7E7

[Topics]

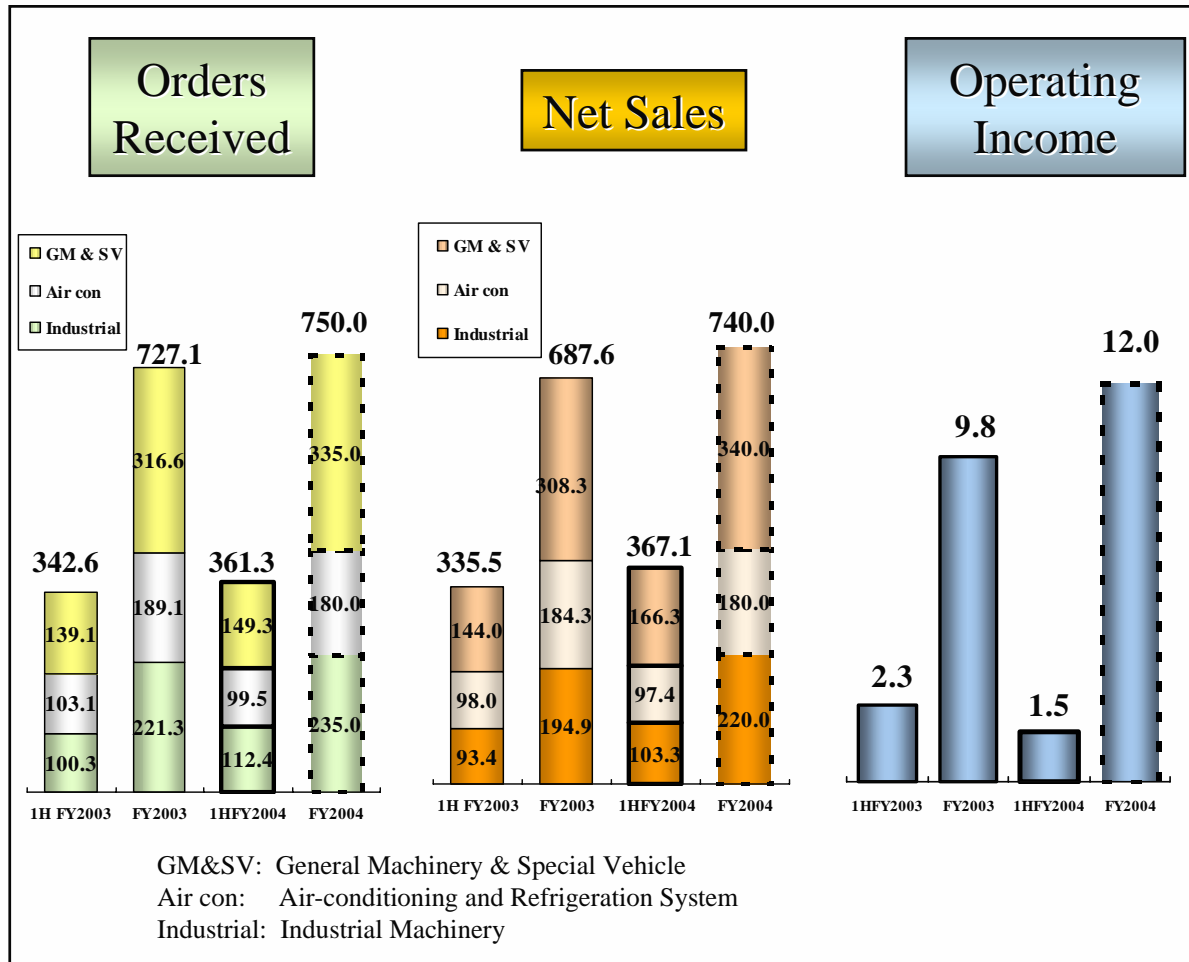
- Participation in joint development of B7E7 engines
Contract signed with Rolls-Royce in UK
(September 2004)
- Shipment of the first wing center section for B747
(August 2004)

< Forecast for Orders Received/Sales/Earnings >

FY2004 forecast : **410.0 / 380.0 / 14.0**
 (Original forecast: 410.0 / 380.0 / 14.0)
 FY2003 results : **407.5 / 392.2 / 29.5**

Mass and Medium-Lot Manufactured Machinery

(Billion yen)



[Business environment and orders received]

- Demand strong overseas in Europe and Asia
- Favorable order intake in domestic market for printing machine and machine tools for auto parts manufacturing. Positive y-o-y increase for the division as a whole

[Net sales/income]

- Domestic/export sales increased for general purpose engine and forklift during the interim period. Domestic sales also increased for printing machine. Revenue increase y-o-y as a whole
- Income slightly lower than previous year due to the impact of exchange rate fluctuations. However, full year income expected to exceed previous year due to brisk sales of 'GM&SV', increased sales of 'Industrial', and improved profitability of 'Air con'

[Topics]

- Expansion of production capacity of small turbochargers (annual production capacity increased from 2.45 million units to 3.20 million units)
- Orders received for 4 sets of world's fastest (180,000/hr) newspaper offset rotary press

<Forecast for Orders Received/Sales/Earnings>

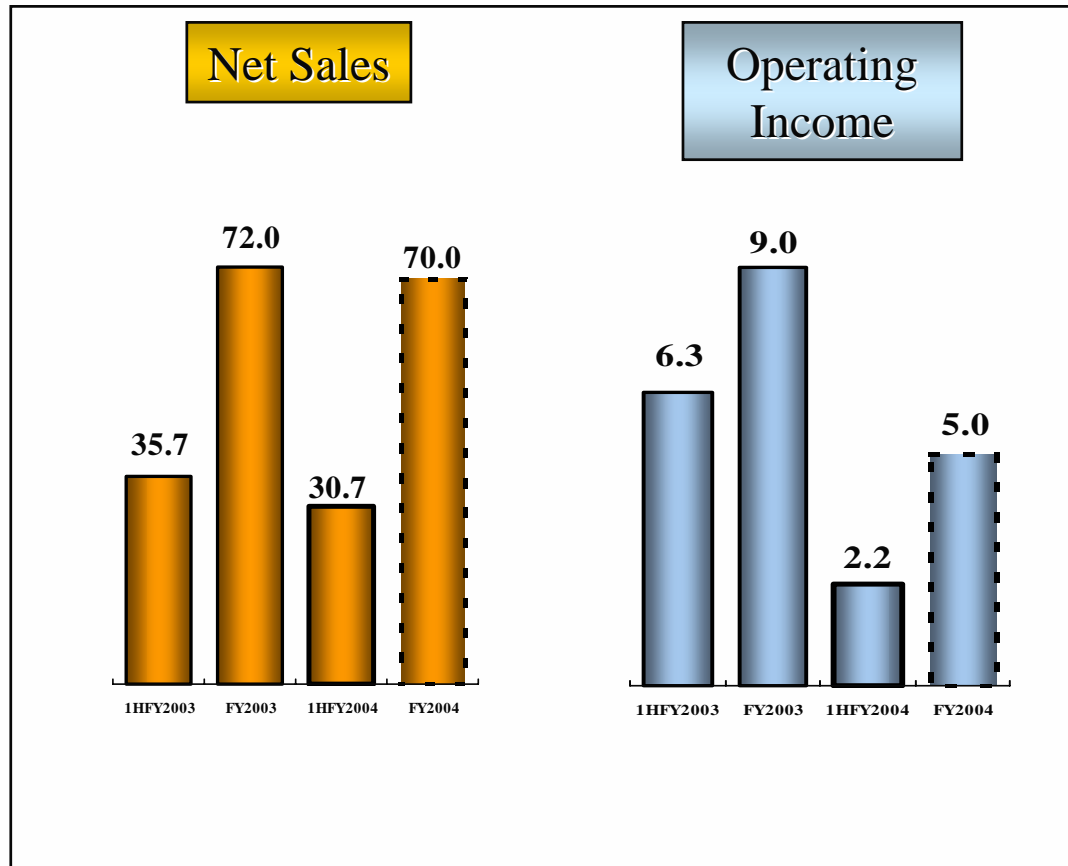
FY2004 forecast : **750.0 / 740.0 / 12.0**

(Original forecast 750.0 / 740.0 / 12.0)

FY2003 results: **727.1 / 687.6 / 9.8**

Other

(Billion yen)



- Construction and real estate
- Information and communication systems and other

<Forecast for Sales/Earnings>
FY2004 forecast : **70.0 / 5.0**
(Original forecast: 70.0 / 5.0)
FY2003 results : **72.0 / 9.0**

Consolidated Forecast for FY2004

(Year ending March 31)

(Billion yen)

	FY2003	FY2004		
	Results	Original Forecast	Updated Forecast	Change (amount)
Orders Received	2,662.8	2,700.0	2,700.0	-
Net Sales	2,373.4	2,600.0	2,600.0	-
Operating Income	66.6	55.0	55.0	-
Ordinary Income	29.7	37.0	37.0	-
Income before Income Taxes	50.1	37.0	37.0	-
Net Income	21.7	22.0	22.0	-

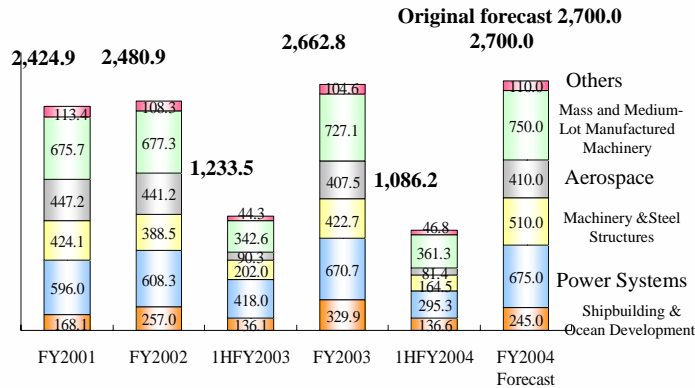
Forecasts regarding future performance in these materials are based on judgments made in accordance with information available at the time this presentation was prepared. As such, those projections imply risks and insecurity. For this reason, investors are recommended not to depend solely on these projections 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 market in Japan.

Forecast for FY2004 Orders

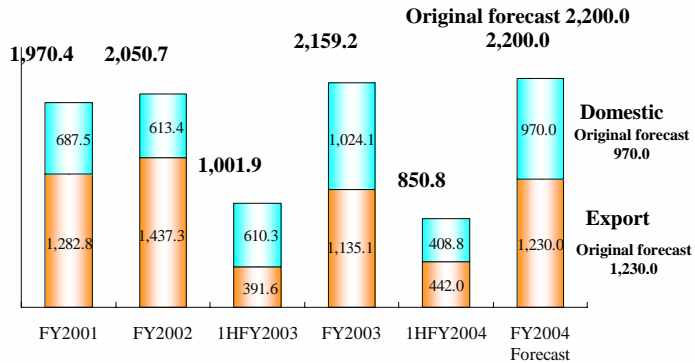
(Billion yen)

	FY2001	FY2002	1HFY2003 Results	FY2003	1HFY2004 Results	FY2004 Forecast
Consolidated	2,424.9	2,480.9	1,233.5	2,662.8	1,086.2	2,700.0
Non-Consolidated (Exports)	1,970.4	2,050.7	1,001.9	2,159.2	850.8	2,200.0
	(687.5)	(613.4)	(610.3)	(1,024.1)	(408.8)	(970.0)

<Trend in Orders Received (consolidated) by Segment>



<Trend in Orders Received (non-consolidated): Domestic/ Exports>



Summary of 1H FY2004

- » Orders lower compared to previous year when a number of large scale orders were received. However, orders trending favorable with high level of orders

«Made-to-order Products»

Capitalized on our competitive products in export sales (LNG carriers, Gas Turbine Combined Cycle (GTCC), Automated People Mover (APM), etc.)

«Mass & Medium-Lot Manufactured Machinery»

Effect of launch of new products and introduction of dedicated sales subsidiary (engine, forklift, printing machine, machine tools, etc.)

Objectives for 2H FY2004

- » Continue emphasis of export market development

1. Shipbuilding & Ocean Development:

- Focus on high value added vessels (LNG carriers, large scale container vessels, etc)

2. Power Systems:

- GTCC (including after-sales service), etc for Asia, Europe and Middle East
- Domestic replacement projects

3. Machinery & Steel Structures:

- Large scale chemical plant for the Middle East
- Transportation system for North America, China and SE Asia

4. Aerospace:

- Boeing 7E7 project

5. Mass & Medium-Lot Manufactured Machinery:

- Continued effect of launch of new products and introduction of dedicated sales subsidiary (engine, forklift, printing machine, machine tools, etc)

Forecast for FY2004 - Net Sales and Earnings

Net Sales and Earnings (Consolidated)

(Billion yen)

		FY2003		FY2004	
		First Half	Full Year	First Half	Full Year
Net Sales		1,000.0	2,373.4	1,126.3	2,600.0
Operating Income/ Loss	Ordinary	-3.0	42.6	-4.0	55.0
	Extraordinary	13.5	24.0	0.0	0.0
	Total	10.5	66.6	-4.0	55.0
Ordinary Income/loss		-9.4	29.7	-6.5	37.0
Income/Loss before Income Taxes		-11.4	50.1	-25.3	37.0

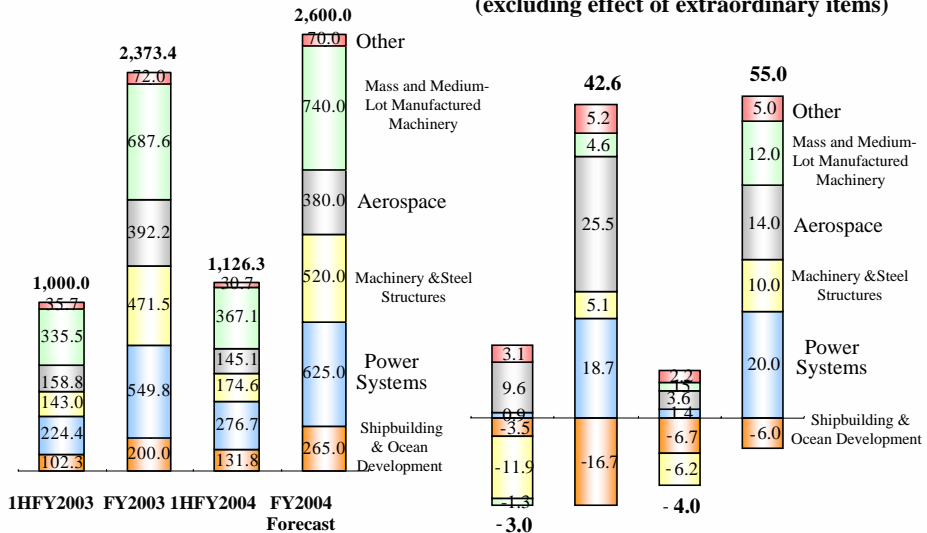
Major Strategies

» **Expand revenue/income through increased orders**

(Net Sales: 1H FY2004:¥1,126.3 billion =>2H FY2004:¥1,473.7 billion (+347.4 billion))

- Made-to-order Products: Steady execution of large scale projects
- Mass & Medium-Lot Manufactured Machinery: Continued launch of high value added products
- Promotion of improvement/upgrade services

<Trend in Net Sales (consolidated) > <Trend in Operating Income/Loss consolidated >
by Segment by Segment
(Billion yen) (excluding effect of extraordinary items)



» **Cost reduction through improvement in production process and procurement**

- Enhanced productivity through business process reengineering and improvement of construction method
- Company wide rollout of best practice activity
- Joint efforts with partners (suppliers of materials)
- Promotion of optimum global procurement

» **Speedy launch of two large-scale development projects (main wing and engine) of B7E7**



Non-Consolidated Forecast for FY2004

(Year ending March 31)

(Billion yen)

		FY2003	FY2004		Change (amount)
		Results	Original Forecast	Updated Forecast	
Orders Received		2,159.2	2,200.0	2,200.0	-
Net Sales		1,940.1	2,150.0	2,150.0	-
Operating Income		35.2	36.0	36.0	-
Ordinary Income		7.5	20.0	20.0	-
Income before Income Taxes		23.7	20.0	20.0	-
Net Income		5.2	10.0	10.0	-
Dividend per Share	Interim	3 yen	0 yen	0 yen	
	Full Year	6 yen	4 yen	4 yen	

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