

Operating Performance Overview and Future Direction

Kazuo Tsukuda, President

October 2005

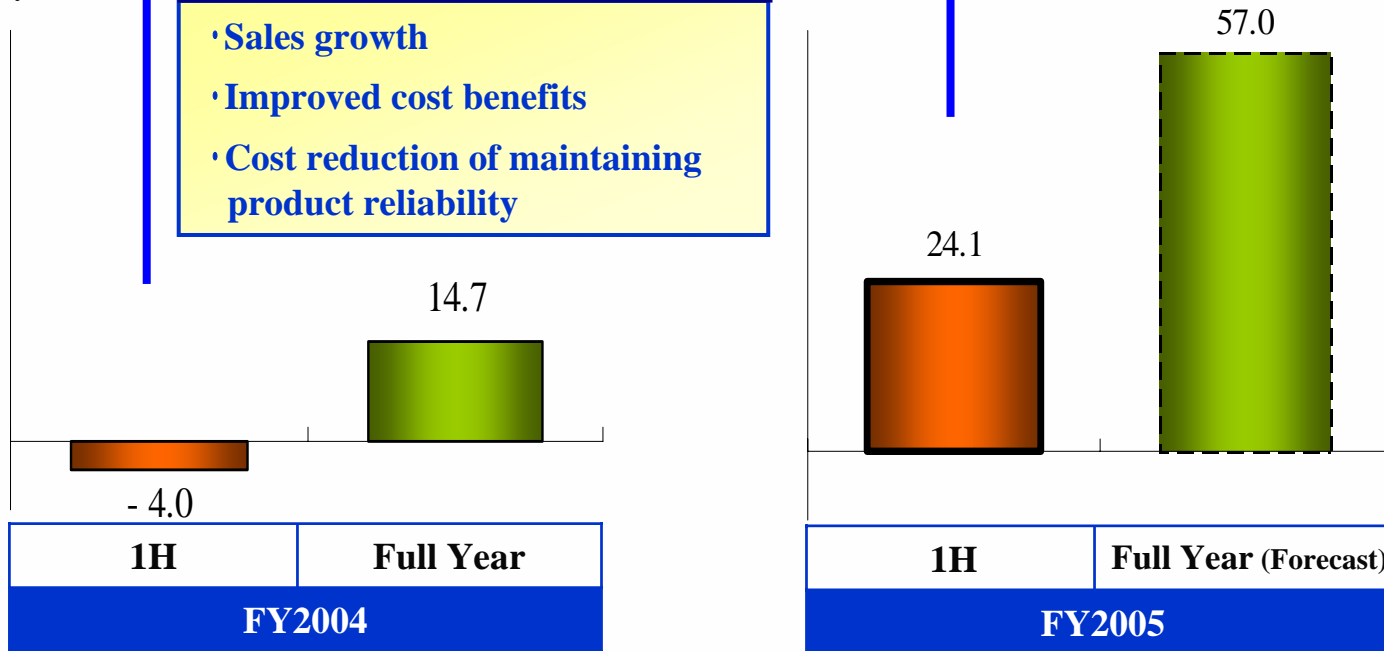
Financial Results for First-Half FY2005

“Action 05”

(Consolidated
Operating
Income/loss)
(Billion yen)

**Year-on-year improvement :
¥28.2 billion**

- Sales growth
- Improved cost benefits
- Cost reduction of maintaining product reliability



| | | | | |
|---------|-----------|-----------|-----------|-----------|
| (Sales) | (1,126.3) | (2,590.7) | (1,253.7) | (2,800.0) |
|---------|-----------|-----------|-----------|-----------|

“Action 05”



**Measures to improve
profitability**

All round cost reductions

**Sales expansion
Higher unit prices**

**Enhancement of product
reliability**



**Reinforcement of
business activities**

**Aggressive investment
in growth businesses**

**Countermeasures for
unprofitable businesses**

**Enhancement of manufacturing
capability**

Portfolio Reform Measures (Strengthen Product Business)

<Exemplary cases>

Power Systems

Gas turbine: Global market share growth on active development and capacity expenditures

Nuclear energy system: Accelerate overseas growth and establish MHI as the premier global PWR plant

Aerospace

Commercial aircraft: Participate in leading-edge composite wing and engine development. Establish a solid position in the global aircraft industry

Defense equipment: Entry into BMD and other integrated defense systems and active solution proposals

Mass & Medium-lot Manufactured Machinery

GM&SV: Expand market share with environmentally-friendly engine and turbocharger technologies as well as expanded production capacity

Industrial Machinery: Expand presence in the automobile-related sector through machine tool models where MHI has a competitive advantage

Machinery & Steel Structures

Transportation System: Overseas market development leveraging MHI's comprehensive engineering capabilities

Steel bridge and Mechanical parking facilities:
Spin off as a separate corporation in order to increase efficiency and strengthen competitiveness

Shipbuilding & Ocean Development

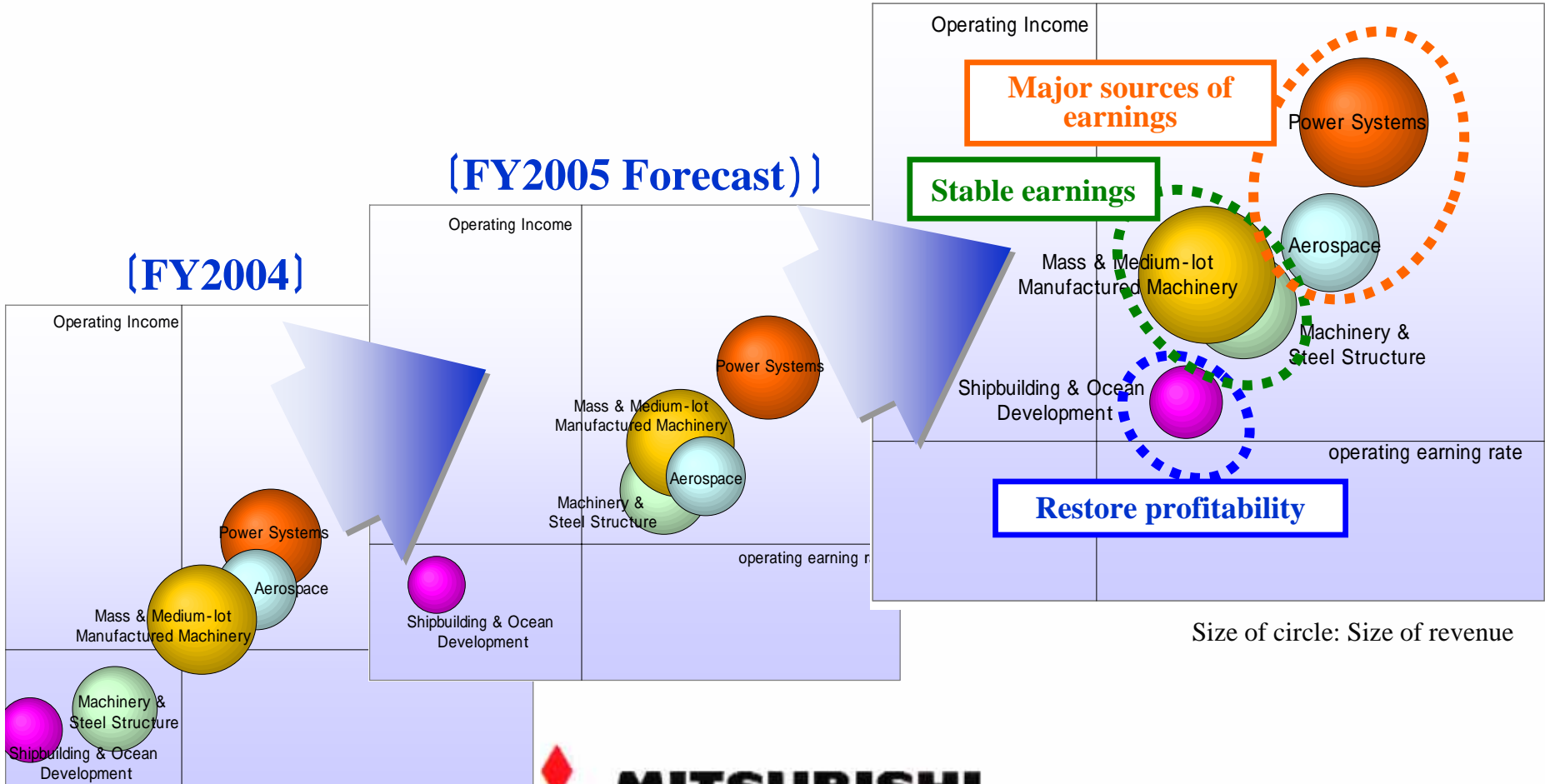
Reform production system to enhance productivity
Develop high value-added vessels

Business Portfolio Reforms



(FY2005 Forecast)

(FY2004)



Further details are scheduled to be
announced on March 2006