



# Outline of Third Quarter Results for FY 2005

February 2006

# < Table of Contents >

## I. Financial Results for Third Quarter FY2005

· Summary of Financial Results for Third Quarter of FY2005	4
· Summary of Financial Results for Third Quarter of FY2005 by Business Segment	5
Shipbuilding & Ocean Development	6
Power Systems	7
Machinery & Steel Structures	8
Aerospace	9
Mass & Medium-lot Manufactured Machinery	10
Others	11
· Balance Sheets	12

## II. Forecast for FY2005

· Summary of Forecast for FY2005	14
· Forecast for FY2005 by Business Segment	15

### < Reference >

[Non-consolidated]  
Summary of Financial Results for Third  
Quarter FY2005

[Non-consolidated]  
Summary of Forecast for FY2005

# **I. Financial Results for Third Quarter FY2005**

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# Summary of Financial Results for Third Quarter of FY2005

(In billion yen)

	<b>3QFY2004</b> (Cumulative)	<b>3QFY2005</b> (Cumulative)	<b>Changes</b>
<b>Orders received</b>	<b>1,665.8</b>	<b>1,840.7</b>	<b>+174.9</b>
<b>Net sales</b>	<b>1,632.5</b>	<b>1,852.1</b>	<b>+219.5</b>
<b>Operating income</b>	-	<b>41.4</b>	-
Foreign exchange gain	-	-7.0	-
Net interest income	-	-2.3	-
Equity in income of non-consolidated subsidiaries and affiliates	-	3.8	-
Others	-	-5.4	-
<b>Non-operating income</b>	-	<b>-11.0</b>	-
<b>Ordinary income</b>	-	<b>30.4</b>	-
<b>Extraordinary income</b>	-	<b>1.5</b>	-
<b>Income before income taxes</b>	-	<b>32.0</b>	-
<b>Net income</b>	-	<b>20.9</b>	-

# Orders Received and Net Sales by Business Segment

## [Orders Received]

(In billion yen)

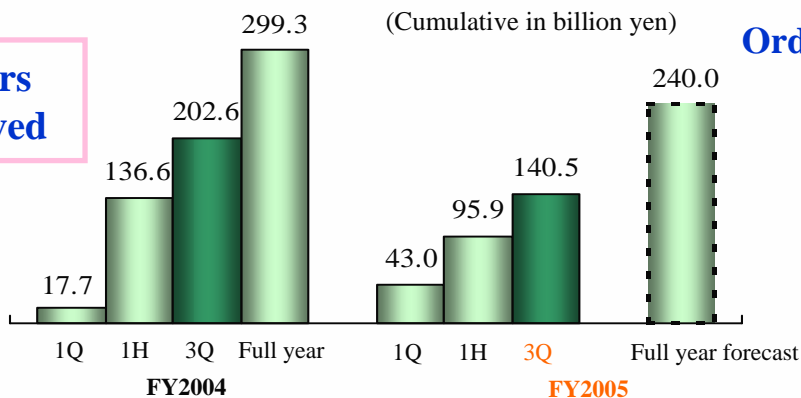
	3QFY2004 (Cumulative)	3QFY2005 (Cumulative)	Changes
Shipbuilding & Ocean Development	202.6	140.5	-62.0
Power Systems	428.3	437.3	+8.9
Machinery & Steel Structures	288.5	415.8	+127.3
Aerospace	146.0	203.1	+57.1
Mass and Medium-lot Manufactured Machinery	526.0	584.7	+58.7
Others	74.2	59.1	-15.1
<b>Total</b>	<b>1,665.8</b>	<b>1,840.7</b>	<b>+174.9</b>

## [Net Sales]

	3QFY2004 (Cumulative)	3QFY2005 (Cumulative)	Changes
Shipbuilding & Ocean Development	186.5	154.4	-32.1
Power Systems	396.6	479.9	+83.2
Machinery & Steel Structures	256.2	345.2	+88.9
Aerospace	220.1	247.3	+27.1
Mass and Medium-lot Manufactured Machinery	524.1	568.5	+44.4
Others	48.7	56.6	+7.9
<b>Total</b>	<b>1,632.5</b>	<b>1,852.1</b>	<b>+219.5</b>

# Shipbuilding & Ocean Development

## Orders Received



**Orders Received: Down ¥62.0billion YoY (¥202.6bn ¥140.5bn)**

- In the third quarter, new orders were received for a total of 6 ships, including 2 ferries and 2 pure car carriers, resulting in cumulative orders for a total of 13 ships, including 2 LNG tankers, 2 container ships, 5 pure car carriers and 2 ferries.

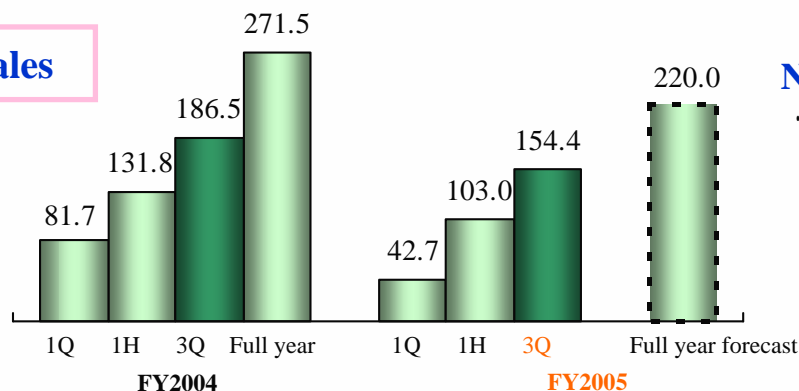
- Given the favorable market conditions, the focus of marketing activities is ship prices, centering on those ship types where Mitsubishi Heavy is strongest, including LNG tankers and container ships.

[Number of ship orders received]

	3Q Cumulative	Full year
FY2004	17 (1Q:3 2Q:7 3Q:7)	23
FY2005	13 (1Q:4 2Q:3 3Q:6)	

[Order backlog: 62 (including 14 LNG carriers)]

## Net Sales



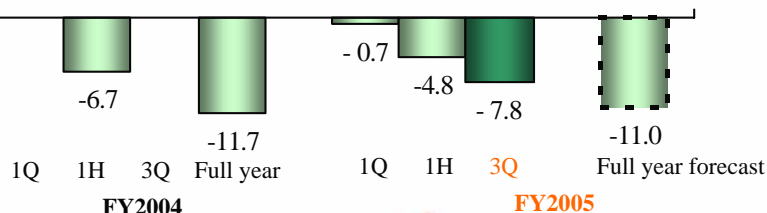
**Net Sales: Down ¥32.1billion YoY (¥186.5bn ¥154.4bn)**

- As the result of deliveries for a total of 4 ships including one container ship, 2 pure car carriers and one LNG tanker, the total number of cumulative ship deliveries is now 11, including 5 container ships, 3 pure car carriers, one LPG tanker and one VLCC1.

[Number of ships delivered]

	3Q Cumulative	Full year
FY2004	15 (1Q:7 2Q:5 3Q:3)	28
FY2005	11 (1Q:2 2Q:5 3Q:4)	

## Operating Income



## Forecast for the full year:

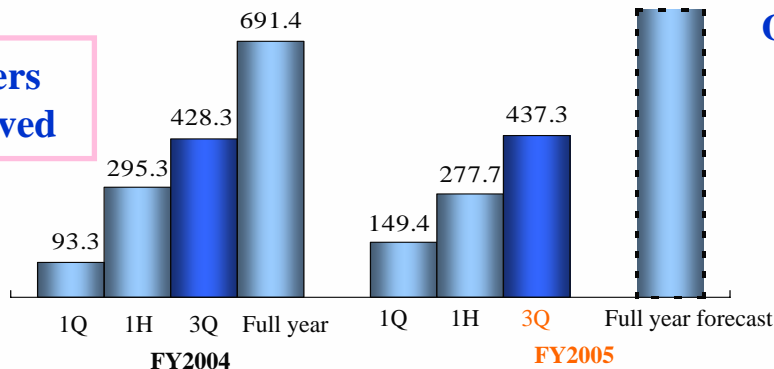
**Operating income** has been revised downward from a minus ¥8.0 billion to minus ¥11.0 billion, given sharp, higher than planned increases in materials and equipment costs.

	Forecast as of Oct 28, 2005	Forecast
Orders received	240.0	240.0
Net sales	220.0	220.0
Operating income	-8.0	-11.0

# Power Systems

(Cumulative in billion yen)

## Orders Received



**Orders Received: Up ¥8.9 billion YoY** (¥428.3bn ¥437.3bn)

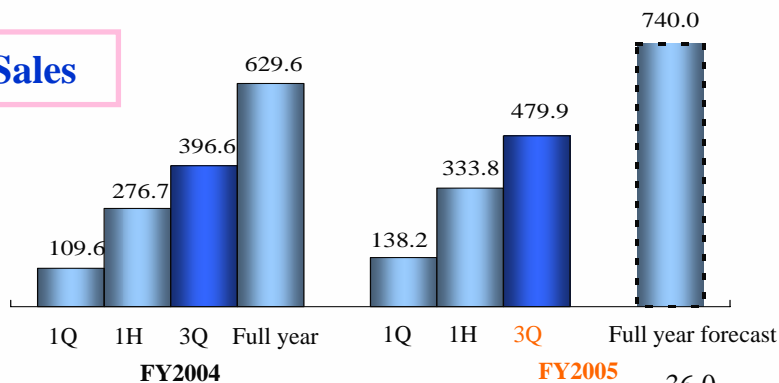
· In addition to favorable orders for gas turbine combined-cycle power facilities (GTCC) and other large-scale thermal power plants, strong orders in the U.S. for wind-driven electric power facilities helped to support orders at levels equal to the same period a year earlier.

[Gas turbine order backlog (Non-consolidated)]

FY2004 : 1Q:57 2Q:56 3Q:56 4Q: 71

FY2005 : 1Q:70 2Q:69 3Q:72

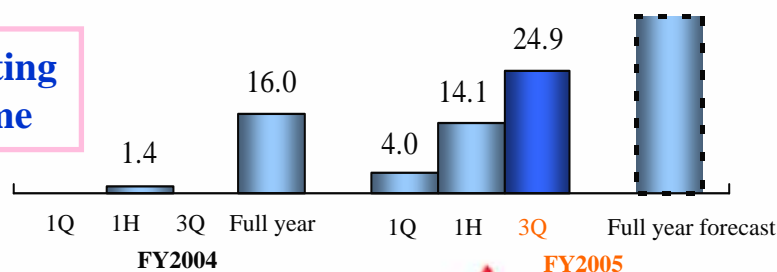
## Net Sales



**Net Sales: Up ¥83.2 billion YoY** (¥396.6bn ¥479.9bn)

· A sharp increase of ¥83.2 billion was recorded supported by increased sales of large-scale thermal power plants, the order trend for which has been strong since FY2003.

## Operating Income



## Forecast for the full year:

**Forecast orders** have been revised upward from ¥710.0 billion to ¥775.0 billion reflecting strong orders for GTCC and other large-scale thermal power plants and increased orders in the U.S. for wind-driven electric power facilities.

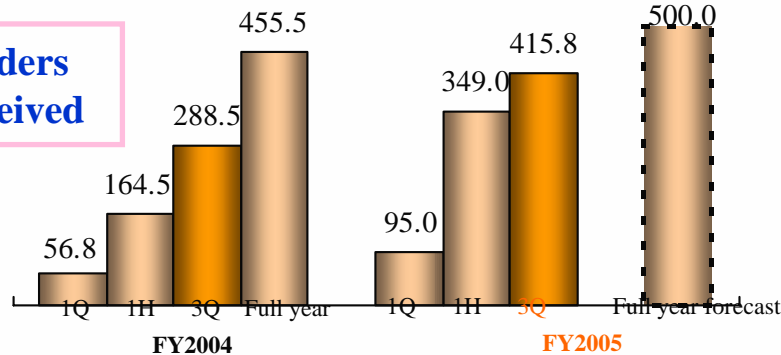
**Operating income** has been revised upward from ¥26.0 billion to ¥36.0 billion owing to cost reduction efforts.

	Forecast as of Oct 28, 2005	Forecast
Orders received	710.0	775.0
Net sales	740.0	740.0
Operating income	26.0	36.0

# Machinery & Steel Structures

(Cumulative in billion yen)

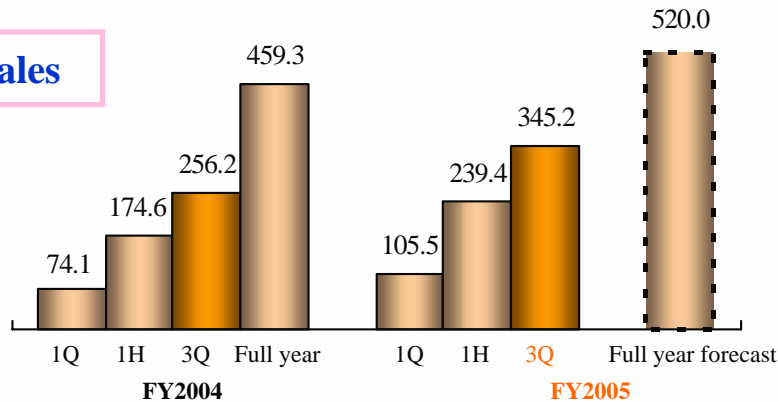
## Orders Received



**Orders Received: Up ¥127.3 billion YoY (¥288.5bn → ¥415.8bn)**

While orders received in the third quarter recorded a year-on-year decline centering on orders for small-scale constructions, cumulative orders received are significantly higher than the same period a year earlier because of large-scale orders received in the second quarter, including a transportation system for Dubai and a methanol plant for Saudi Arabia, in addition to higher steel manufacturing machinery orders as a result of the recovery in capital expenditures.

## Net Sales



**Net Sales: Up ¥88.9 billion YoY (¥256.2bn → ¥345.2bn)**

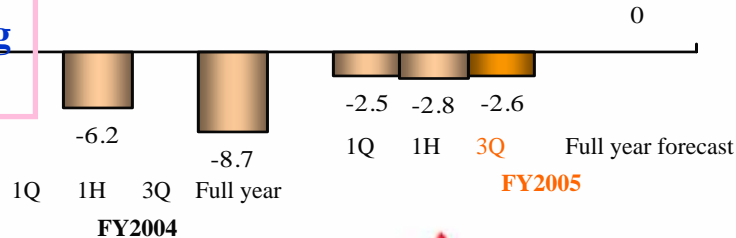
Sales of chemical plant, steel manufacturing machinery and others are growing, and resulted in a ¥88.9 billion year-on-year increase in sales.

## Forecast for the full year:

**Forecast orders** have been revised upward from ¥450 billion to ¥500 billion due to increased orders for steel manufacturing machinery and environmental system operations.

**Operating income** has been revised downward from ¥8.0 billion to ¥0 billion owing to additional costs (on domestic plants) for changes in specifications and lower-than-planned cost improvements.

## Operating Income



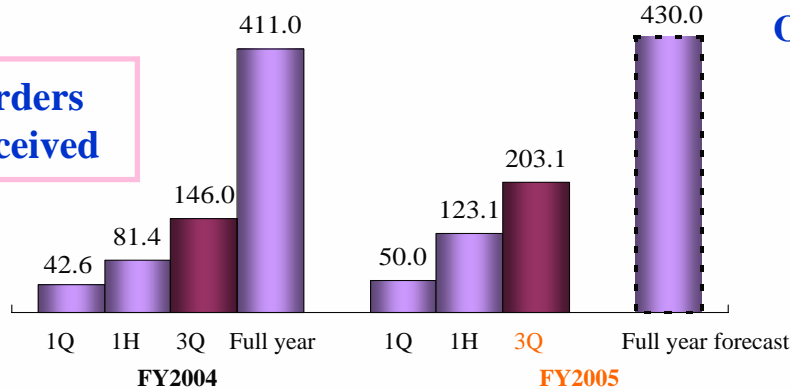
	Forecast as of Oct 28, 2005	Forecast
Orders received	450.0	500.0
Net sales	520.0	520.0
Operating income	8.0	0



# Aerospace

(Cumulative in billion yen)

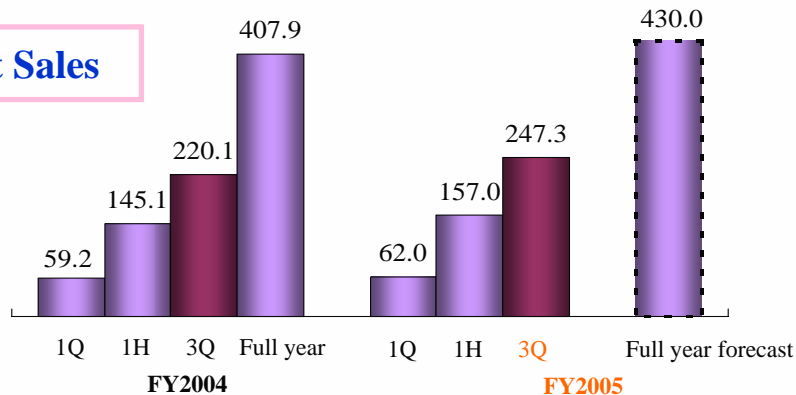
## Orders Received



**Orders Received: Up ¥57.1 billion YoY** (¥146.0bn ¥203.1bn)

- B787, B777 and other orders for commercial aircraft were favorable.
- Defense-related orders increased mainly on stronger demand for components for the guided surface-to-air missile, Patriot.

## Net Sales



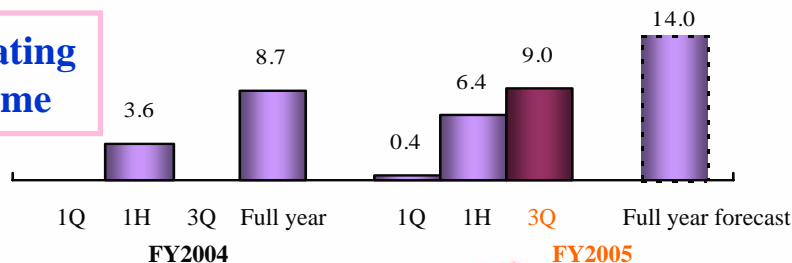
**Net Sales: Up ¥27.1 billion YoY** (¥220.1bn ¥247.3bn)

- Sales increased ¥27.1 billion year-on-year with increased deliveries of commercial aircraft and SH60-K as well as other helicopters.

[Number of B777s delivered]

	3Q Cumulative			Full year
FY2004	27	(1Q: 8 2Q:10 3Q:9)		39
FY2005	33	(1Q:12 2Q:13 3Q:8)		

## Operating Income



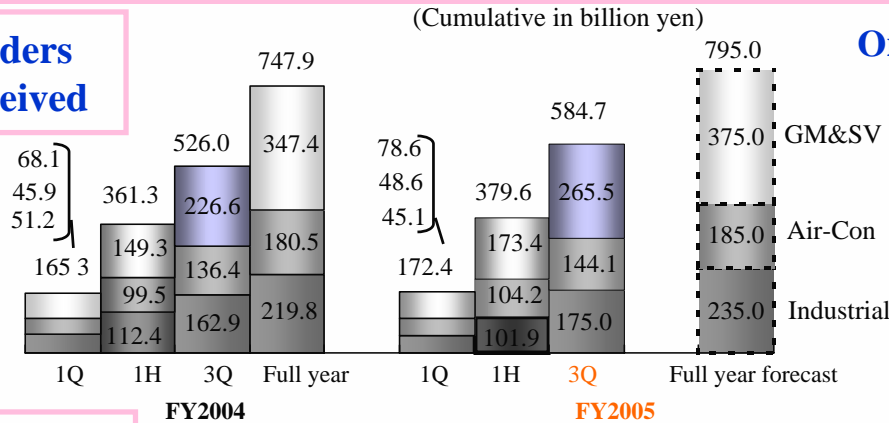
**Forecast for the full year:**

**Operating income** has been revised upward from ¥10.0 billion to ¥14.0 billion owing to reduced expenses and favorable exchange rates.

	Forecast as of Oct 28, 2005	Forecast
Orders received	430.0	<b>430.0</b>
Net sales	430.0	<b>430.0</b>
Operating income	10.0	<b>14.0</b>

# Mass & Medium-lot Manufactured Machinery

## Orders Received

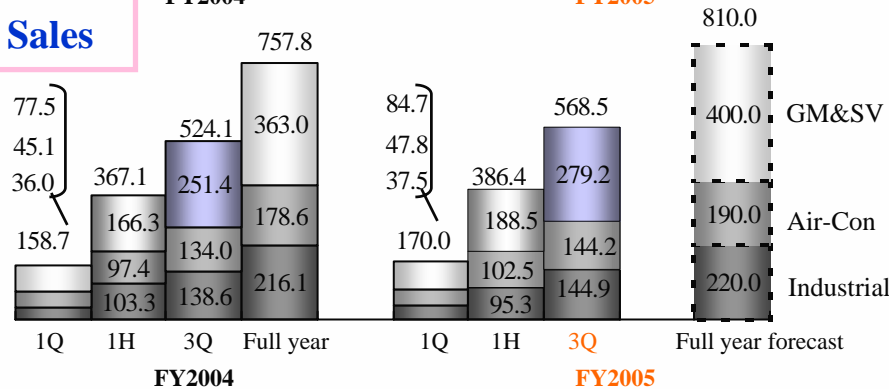


**Orders Received: Up ¥58.7 bn YoY (¥526.0bn ¥584.7bn)**

Year-on-year growth was recorded in orders for General Machinery & Special Vehicles, Air Conditioning and Refrigeration Systems and Industrial Machinery.

In particular, demand for GM & SV products (including forklifts, medium and small engines and turbochargers) remains strong. In addition, strong order flows from automobile manufacturers were recorded for Industrial (industrial machinery/machine tools).

## Net Sales



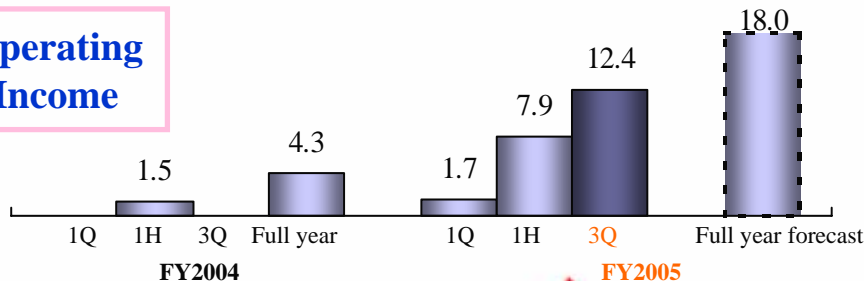
**Net Sales: Up ¥44.4 billion YoY (¥524.1bn ¥568.5bn)**

**GM&SV** ( +¥27.8 billion: ¥251.4bn ¥279.2bn )  
Forklift, turbocharger and medium/small engine all recorded increased sales.

**Air-Con** ( +¥10.2 billion: ¥134.0bn ¥144.2bn )  
Sales growth was primarily driven by car air conditioners.

**Industrial** ( +¥6.3 billion: ¥138.6bn ¥144.9bn )  
While printing equipment and extrusion machinery sales declined, overall sales growth was supported by sales of machine tools.

## Operating Income



## Forecast for the full year:

**Forecast orders** have been revised upward from ¥790.0 billion to ¥795.0 billion due to increased orders including forklifts.

**Operating income** has been revised upward from ¥15.0 billion to ¥18.0 billion owing to reduced expenses and favorable exchange rates.

		Forecast as of Oct 28, 2005	Forecast
Orders rec'd	GM&SV	370.0	375.0
	Air-Con	185.0	185.0
	Industrial	235.0	235.0
	Total	790.0	795.0
Net sales	GM&SV	390.0	400.0
	Air-Con	190.0	190.0
	Industrial	230.0	220.0
	Total	810.0	810.0
Income	Total	15.0	18.0

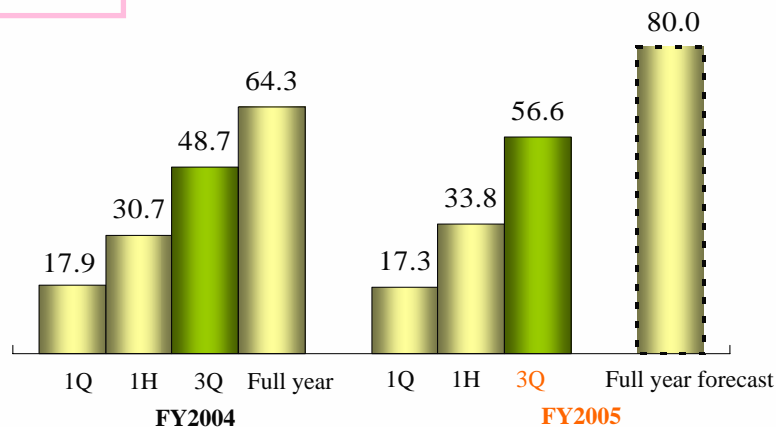
GM&SV: General Machinery & Special Vehicle  
Air con: Air-conditioning and Refrigeration System  
Industrial: Industrial Machinery



# Others

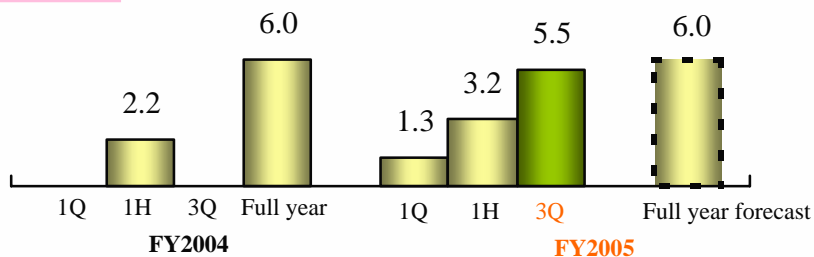
(Cumulative in billion yen)

## Net Sales



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

## Operating Income



	Forecast as of Oct 28, 2005	Forecast
Net sales	80.0	<b>80.0</b>
Operating income	6.0	<b>6.0</b>

# Balance Sheets

	As of Mar 31, 2005	As of Dec 31, 2005	Changes
<b>Assets</b>			
Trade receivables	1,048.8	971.6	-77.2
Inventories	958.5	1,126.4	+167.9
Other current assets	458.2	566.5	+108.3
Total current assets	2,465.6	2,664.6	+199.0
Total fixed assets	1,365.4	1,447.0	+81.5
Total assets	3,831.1	4,111.7	+280.6
<b>Liabilities and shareholders' equity</b>			
Trade payables	649.1	618.5	-30.5
Advances received	363.4	400.0	+36.6
Other current liabilities	555.3	714.7	+159.3
Total current liabilities	1,567.9	1,733.4	+165.4
Total long-term liabilities	937.9	1,009.7	+71.8
Total liabilities	2,505.9	2,743.2	+237.2
Minority interests	15.2	18.3	+3.1
Total shareholders' equity	1,309.9	1,350.2	+40.2
Total liabilities, minority interests and shareholders' equity	3,831.1	4,111.7	+280.6
Balance of interest-bearing debts	1,172.8	1,277.1	+104.2

(In billion yen)

Cash and deposits	+45.6 etc.
Investment securities	+68.0 ect.
Commercial papers	+75.0
Short-term borrowings	+43.5 etc.
Retained earnings	-31.5
Net unrealized gain on other securities	+67.9 etc.

## Update on Mitsubishi Motors Corp.

Mitsubishi Motors has been converted into an affiliate accounted for in consolidated results under the equity method, following the conversion of preferred shares held into common stock in December 2005, which raised Mitsubishi Heavy's share of total voting rights in the company to 16.1%. As a result, the valuation standard for the Company's stock has been changed from the market value method to the equity method. Consequently, valuation differentials for other marketable securities declined by ¥20.9 billion because of a reversal of valuation differentials recorded at the end of the previous fiscal year.

## II. Forecast for FY2005

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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, 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.

# Summary of Forecast for FY2005

(In billion yen)

	FY2004 Actual	FY2005 Forecast (As of Oct 28, 2005)	FY2005 Forecast (Newly revised)
Orders received	2,722.8	2,730.0	2,850.0
Net sales	2,590.7	2,800.0	2,800.0
Operating income	14.7	57.0	63.0
Ordinary income	12.5	36.0	46.0
Income before income taxes	16.3	36.0	51.0
Net income	4.0	18.0	30.0

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

## 【Major Reasons for the Revised Forecast】

### (Orders received)

- Growth in the power system segment, including orders for large-scale GTCC and other thermal power plants as well as for wind-powered electric power facilities in the U.S.
- Growth in the machinery & steel structures segment, supported by brisk orders for steel manufacturing machinery and environmental system operations.
- Favorable growth in the mass and medium-lot manufactured machinery segment supported by forklift and other orders.

### (Operating income)

- While sharp rises in material costs and specification changes were negative factors, these will be offset by positive factors such as better than planned reduced expenses and favorable exchange rates, resulting in a better outlook than the previous forecast.

### (Non-operating income, Extraordinary income)

- In addition to a partial improvement in non-operating income, we expect to record gains on the sale of fixed assets and expenses related to business restructuring and PCB processing as extraordinary items.

# Forecast for FY2005 by Business Segment

(In billion yen)

	Orders received	Net sales	Operating income	Operating margin
Shipbuilding & Ocean Development	240.0 (240.0)	220.0 (220.0)	-11.0 (-8.0)	-5.0% (-3.6%)
Power Systems	775.0 (710.0)	740.0 (740.0)	36.0 (26.0)	4.9% (3.5%)
Machinery & Steel Structures	500.0 (450.0)	520.0 (520.0)	0 (8.0)	0% (1.5%)
Aerospace	430.0 (430.0)	430.0 (430.0)	14.0 (10.0)	3.3% (2.3%)
Mass & Medium-lot Manufactured Machinery	795.0 (790.0)	810.0 (810.0)	18.0 (15.0)	2.2% (1.9%)
Others	110.0 (110.0)	80.0 (80.0)	6.0 (6.0)	7.5% (7.5%)
Total	2,850.0 (2,730.0)	2,800.0 (2,800.0)	63.0 (57.0)	2.3% (2.0%)

Figures in parenthesis represent the previous forecast.

[Non-consolidated]

## Summary of Financial Results for Third Quarter FY2005

(In billion yen)

	3QFY2004 (Cumulative)	3QFY2005 (Cumulative)	Changes
Orders received	1,294.8	1,386.7	+91.8
Net sales	1,314.1	1,473.7	+159.6
Operating income	-	20.5	-
Ordinary income	-	15.7	-
Extraordinary income	-	1.6	-
Income before income taxes	-	17.3	-
Net income	-	14.8	-



[Non-consolidated]

## Summary of Forecast for FY2005

(In billion yen)

	FY2004 Actual	FY2005 Forecast (As of Oct 28, 2005)	FY2005 Forecast (Newly revised)
Orders received	2,202.0	2,200.0	2,250.0
Net sales	2,097.9	2,220.0	2,220.0
Operating income	-9.7	35.0	40.0
Ordinary income	-9.6	25.0	30.0
Income before income taxes	0.2	25.0	35.0
Net income	-2.0	15.0	25.0

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