



Financial Results for FY2005 and Forecast for FY2006

April 2006

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I. Financial Results for FY2005

Summary of Financial Results for FY 2005 (1)

(In billion yen)

	FY2004	FY2005	Change
Order received	2,722.8	2,942.0	+219.1
Net sales	2,590.7	2,792.1	+201.3
Operating income	14.7	70.9	+56.1
Ordinary income	12.5	50.3	+37.8
Extraordinary income	3.8	2.0	- 1.8
Income before income taxes	16.3	52.3	+35.9
Net income	4.0	29.8	+25.7

Summary of Financial Results for FY 2005 (2)

Orders received ⇒ Up ¥219.1 billion YoY (¥2,722.8bn→¥2,942.0bn)

- Orders increased ¥219.1 billion over the previous fiscal year to ¥2,942.0 billion with strong marketing efforts to win orders particularly in areas of strength and a special emphasis on profitability.
- While Shipbuilding & Ocean Development orders declined, the Power Systems business recorded orders for a number of large scale thermal electric power plants, strong overseas orders for forklifts in Mass & Medium-lot Manufactured Machinery, higher orders for large-scale city transportation systems and others in Machinery & Steel Structures, and year-on-year growth in the Aerospace segment.

Net sales ⇒ Up ¥201.3 billion YoY (¥2,590.7bn→¥2,792.1bn)

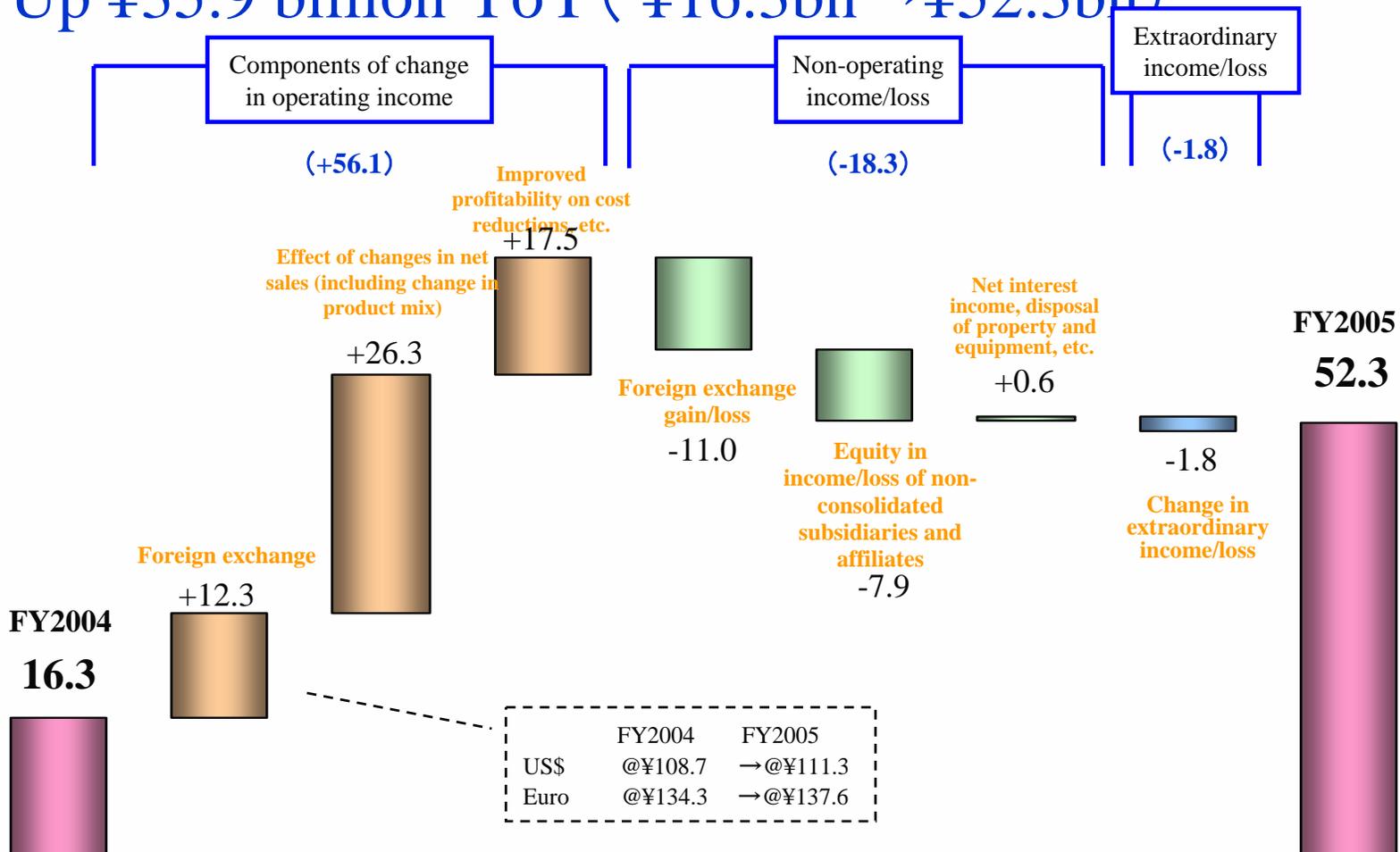
- Net sales, reflecting the expansion in orders since fiscal 2003 onward, increased ¥201.3 billion to ¥2,792.1 billion.
- Shipbuilding & Ocean Development sales saw year-on-year declines due to a lower number of ship deliveries. Power Systems business recorded growth mainly due to overseas electric power plants, the Machinery & Steel Structures business recorded strong growth supported mainly by chemicals plants, and the Mass and Medium-lot Manufactured Machinery business as well as the Aerospace business saw growth.

Net income ⇒ Up ¥25.7 billion YoY (¥4.0bn→¥29.8bn)

- In terms of earnings, operating income and ordinary income were ¥70.9 billion and ¥50.3 billion respectively, and ¥56.1 billion and ¥37.8 billion higher than the previous fiscal year, respectively.
- The sales increase and improved product mix supported by the results of order activities over the past several years, productivity improvements as the result of expanded production capacity in response to increased construction work volume, lower product guarantee expenses reflecting efforts to raise product quality and reliability, and reduced selling, general and administrative expenses as well as manufacturing costs due to concentrated profitability improvement efforts supported the year-on-year increase in earnings, despite negative factors such as rising basic material costs.
- In addition, as extraordinary gains from the sale of fixed assets exceeded extraordinary losses from special business improvement and restructuring expenses, pretax income was ¥52.3 billion and net income for the period was ¥29.8 billion, which represented improvements of ¥35.9 billion and ¥25.7 billion respectively over the previous fiscal year.

Components of Change in FY2005 Income before Income Taxes

Up ¥35.9 billion YoY (¥16.3bn→¥52.3bn) (In billion yen)



Ordinary Income and Extraordinary Income

- Ordinary Income (+¥37.8 billion YoY (¥12.5bn→¥50.3bn)) (In billion yen)

	FY2004	FY2005	Change
Operating income	14.7	70.9	+ 56.1
Foreign exchange gains	1.6	-9.3	- 11.0
Net interest loss	-5.5	-1.9	+ 3.6
Equity in gain of non-consolidated subsidiaries and affiliates	10.0	2.0	- 7.9
Other	-8.2	-11.2	- 2.9
Non-operating income	-2.2	-20.5	- 18.3
Ordinary income	12.5	50.3	+ 37.8

- Extraordinary Income (- ¥1.8 billion YoY (¥3.8bn→¥2.0bn))

	FY2004	FY2005	Change
Gain on sale of property and equipment	10.3	13.6	+ 3.3
Gain on sale of investment securities	15.7	-	- 15.7
Extraordinary income	26.1	13.6	- 12.4
Special expenses related to business improvement and restructuring	-1.7	-5.5	- 3.7
PCB waste material disposal expenses	-	-4.3	- 4.3
Provision for directors' retirement benefits	-	-1.7	- 1.7
Provision for reserve for product guarantees	-10.8	-	+ 10.8
Impairment losses on property and equipment	-6.1	-	+ 6.1
Loss from natural disasters	-3.4	-	+ 3.4
Extraordinary loss	-22.2	-11.6	+ 10.5
Extraordinary income/loss	3.8	2.0	- 1.8

Financial Results for FY2005 by Business Segment

(In billion yen)

	Orders received		Net sales		Operating income	
	FY2004	FY2005	FY2004	FY2005	FY2004	FY2005
Shipbuilding & Ocean Development	299.3	207.4	271.5	222.6	- 11.7	- 10.6
Power Systems	691.4	872.8	629.6	710.9	16.0	38.3
Machinery & Steel Structures	455.5	515.8	459.3	538.7	- 8.7	2.3
Aerospace	411.0	451.5	407.9	445.9	8.7	16.5
GM&SV	347.4	386.6	363.0	393.2	-	12.0
Air-Con	180.5	191.0	178.6	192.1	-	0.2
Industrial	219.8	237.1	216.1	219.7	-	4.4
Mass and Medium-lot Manufactured Machinery	747.9	814.8	757.8	805.0	4.3	16.7
Others	117.4	79.6	64.3	68.7	6.0	7.5
Total	2,722.8	2,942.0	2,590.7	2,792.1	14.7	70.9

GM&SV: General Machinery & Special Vehicle

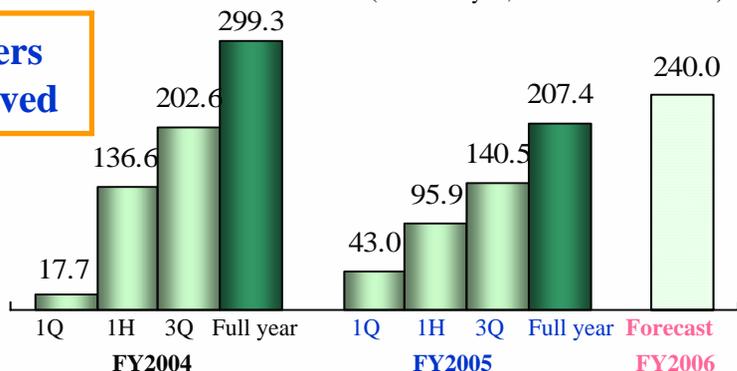
Air-Con: Air-conditioning and Refrigeration System

Industrial: Industrial Machinery

〈Shipbuilding & Ocean Development〉

(In billion yen, accumulated amount)

Orders Received



Orders received : Down ¥91.8 billion YoY

(¥299.3bn→¥207.4bn)

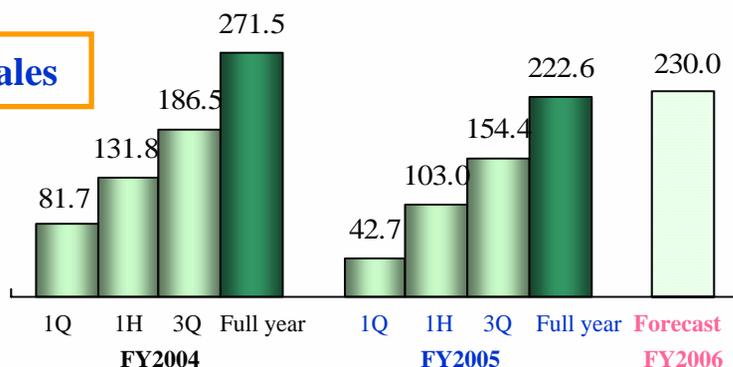
- Orders were received for a total of 19 ships, including nine pure car carriers, two LNG carriers, two containerships, two LPG carriers and two car ferries.
- Demand for new ships continues at high levels, and given a sufficient level of demand, the emphasis on order activities is mainly on those high value-added ships which are our specialty.

【Number of ship orders received】

FY2004 : 23 (1Q:3 2Q:7 3Q:7 4Q:6)

FY2005 : 19 (1Q:4 2Q:3 3Q:6 4Q:6)

Net Sales



Net sales・Earnings:

Increased earnings (+¥1.1billion YoY) on declining sales (- ¥48.9billion YoY)

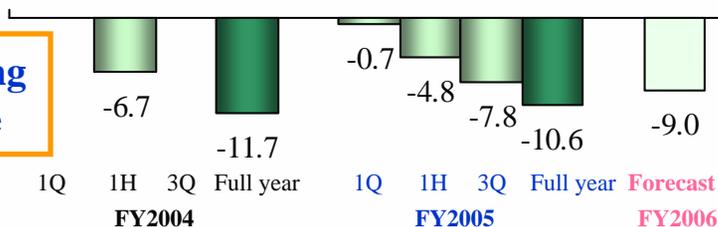
- A total of 20 ships were delivered, including seven pure car carriers, six containerships, two LNG carriers and two LPG carriers, which was lower than the 28 ships delivered in the previous fiscal year. Sales declined ¥48.9 billion YoY.

【Number of ships delivered】

FY2004 : 28 (1Q:7 2Q:5 3Q:3 4Q:13)

FY2005 : 20 (1Q:2 2Q:5 3Q:4 4Q: 9)

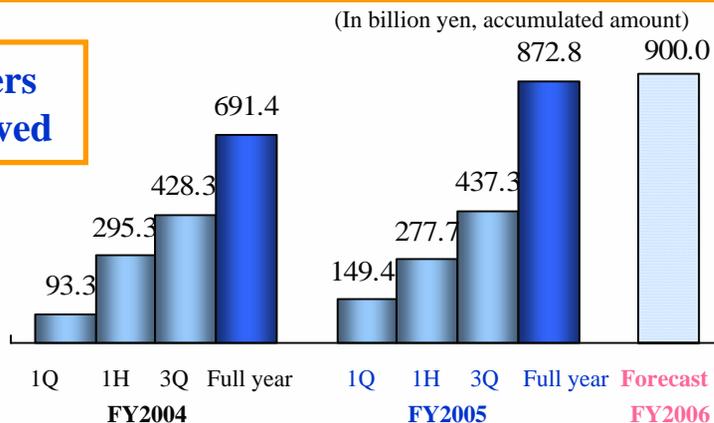
Operating Income



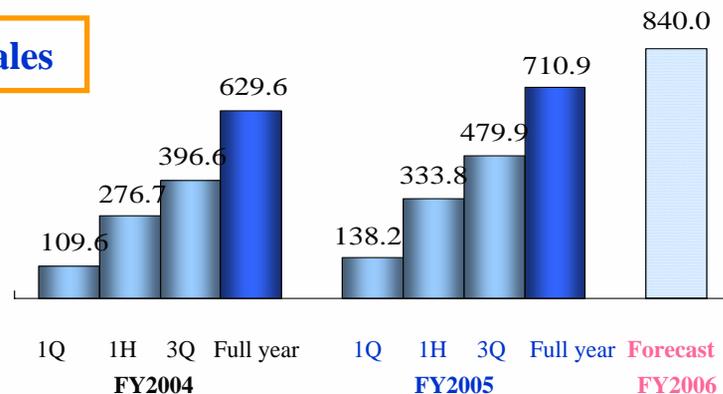
- As was the case with the previous fiscal year, sales values reflected orders that were received when demand was weak, and given the sharp rise in steel and other basic materials, earnings were in deficit.

〈Power Systems〉

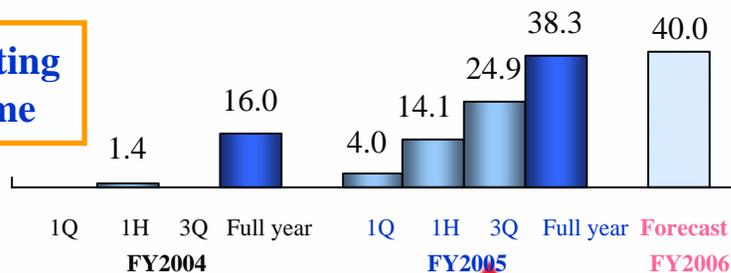
Orders Received



Net Sales



Operating Income



Orders received: Up ¥181.3 billion YoY

(¥691.4bn→¥872.8bn)

- Beginning with the successful order from Saudi Arabia for a large scale combined thermal electric power plant, efforts to expand orders mainly in Asia where demand is strong resulted in orders being received from Mexico, Viet Nam, Thailand, China and Chile for large-scale thermal electric power plants. In addition, we received the first order for steam generators for a nuclear power plant in France
- In Japan we recorded an increase in orders for the upgrading and remodeling of already delivered plans due to marketing efforts to expand demand.

【Gas turbine order backlog (Non-consolidated)】

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

FY2005 : 1Q:70 2Q:69 3Q:72 4Q: 75

Net sales・Earnings:

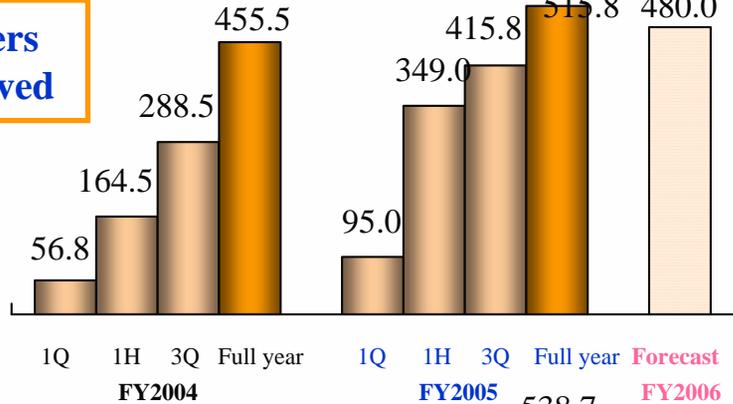
Increased earnings (+¥22.2billion YoY) on increased sales (+¥81.3billion YoY)

- Reflecting the favorable trend in orders since fiscal 2003, constructions for large scale thermal electric power plants and others increased, resulting in a ¥81.3 billion year-on-year increase in sales.
- In addition to the increase in earnings due to higher sales, a decline in product guarantee costs and cost reductions supported a marked ¥22.2 billion improvement in earnings.

〈Machinery & Steel Structures〉

(In billion yen, accumulated amount)

Orders Received

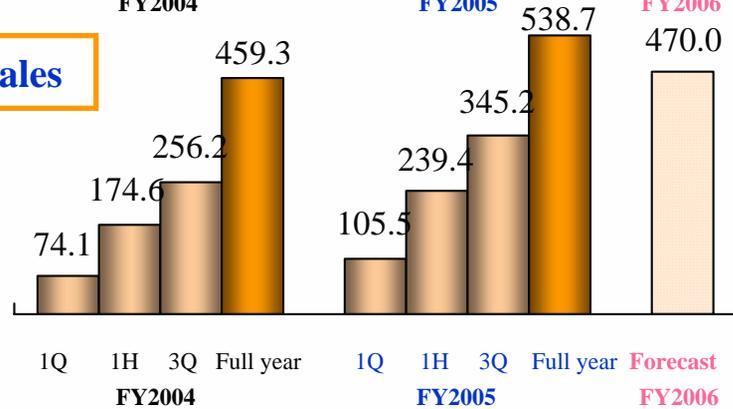


Orders received: Up ¥60.2 billion YoY

(¥455.5bn→¥515.8bn)

- While orders for domestic bridge works and waste disposal equipment declined, the successful conclusion of orders for a city transportation system in Dubai, a chemical plant in Saudi Arabia and others supported a year-on-year increase in total orders received.

Net Sales

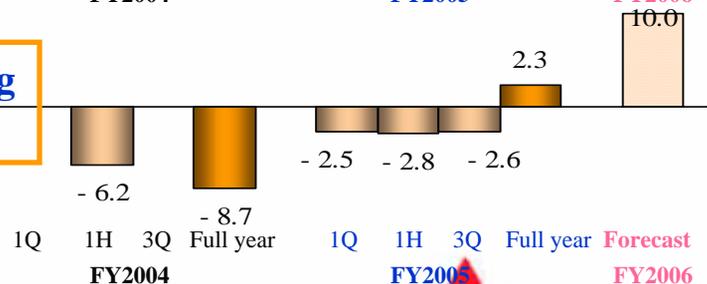


Net sales·Earnings:

Increased earnings (+¥11.0 billion YoY) on increased sales (+¥79.3 billion YoY)

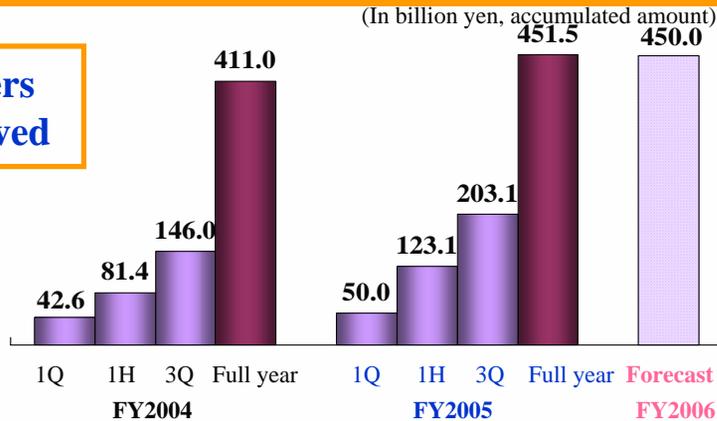
- Supported by progress in large scale chemical plant constructions, steel production equipment sales and other supported a ¥79.3 billion increase to segment sales.
- In terms of earnings, the improvement in profitability due to increased construction volume supported a ¥11.0 billion improvement over the previous fiscal year. On the other hand, unprofitable constructions and increased costs related to changes in project specifications meant that profitability remained at low levels.

Operating Income

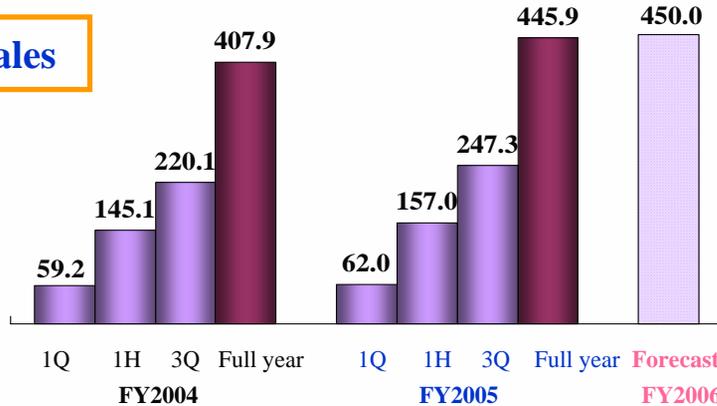


〈Aerospace〉

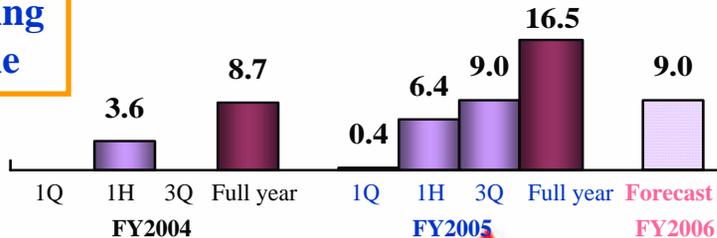
Orders Received



Net Sales



Operating Income



Orders received: Up ¥40.4 billion YoY

(¥411.0bn→¥451.5bn)

- Year-on-year growth in orders was recorded supported by growth in B787 (main wing) and B777 (rear fuselage) related orders on recovering demand for passenger aircraft
- In the defense sector, orders for new Patriot missiles (PAC-3 missiles) in keeping with the installation of BMD (ballistic missile defense) systems supported a slight year-on-year increase in orders for the sector.

Net sales・Earnings:

Increased earnings (+¥7.7 billion YoY) on increased sales (+¥37.9 billion YoY)

- Sales increased ¥37.9 billion owing to increased deliveries of civil aircraft, mainly B777 models.

【Number of B777s delivered】

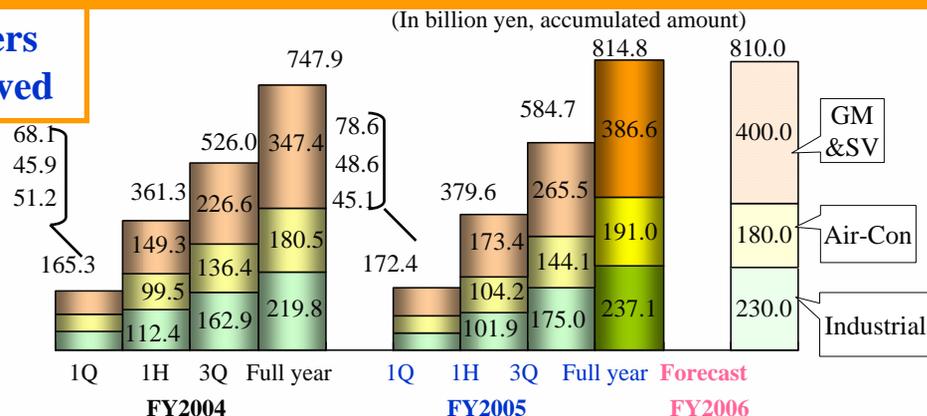
FY2004 : 39 (1Q: 8 2Q:10 3Q:9 4Q:12)

FY2005 : 49 (1Q:12 2Q:13 3Q:8 4Q:16)

- Earnings increased ¥7.7 billion supported by the growth in sales and the effects of cost reductions as well as more favorable exchange rate.

〈Mass and Medium-lot Manufactured Machinery〉

Orders Received

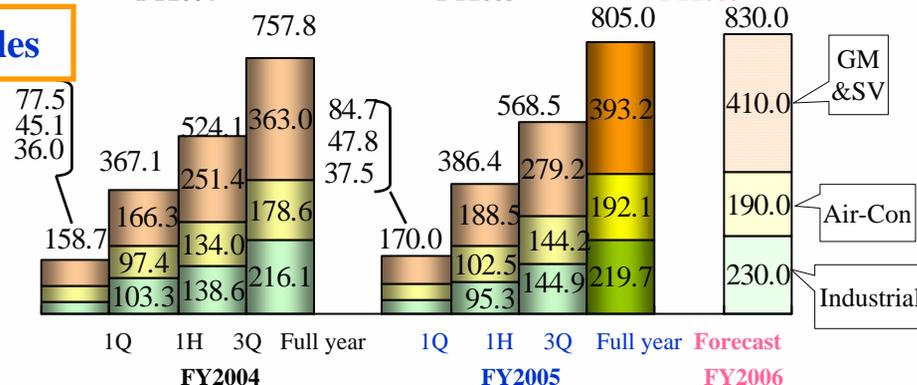


Orders received: Up ¥66.8 billion YoY (¥747.9bn→¥814.8bn)

Year-on-year growth in orders were seen in the GM&SV, Air Conditioners and Industrial sectors.

- **GM&SV** The increase in GM &SV was supported by forklift, small and medium-sized motor and turbo marketing activities.
- **Air-Con** The increase Air Conditioning orders was mainly supported by car air conditioners
- **Industrial** In addition to large scale orders for newspaper offset rotary printing equipment, orders for machine tools used in the automobile industry were also strong.

Net Sales



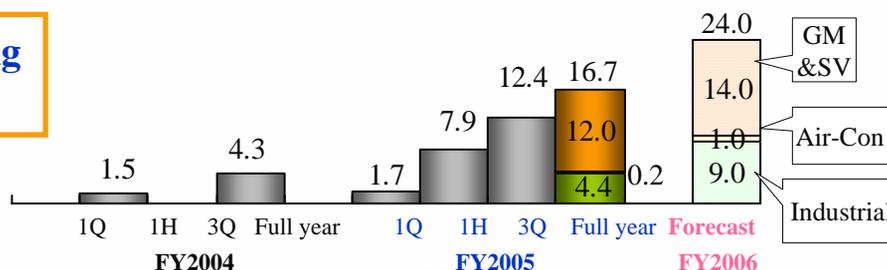
Net sales - Earnings:

Increased earnings (+¥12.4billion YoY) on increased sales (+¥47.2 billion YoY)

Earnings increased ¥12.4 billion supported by expanded sales volumes due to the favorable growth in orders, in addition to efforts to improve profitability and favorable exchange rates.

- **GM&SV (Net sales +30.1 bn)**
Forklift, Medium and Small Engines and Turbos recorded sales increases
- **Air-Con (Net sales +13.4 bn)**
Increase was mainly due to higher car air conditioner and package air conditioners
- **Industrial (Net sales +3.5bn)**
While extrusion molding equipment and newspaper offset rotary printing equipment declined, machine tools and sheet feed equipment recorded growth

Operating Income

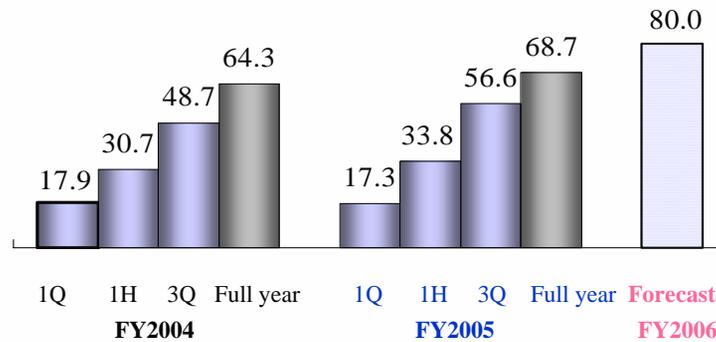


GM&SV: General Machinery & Special Vehicle
Air-Con: Air-conditioning and Refrigeration System
Industrial: Industrial Machinery

〈Others〉

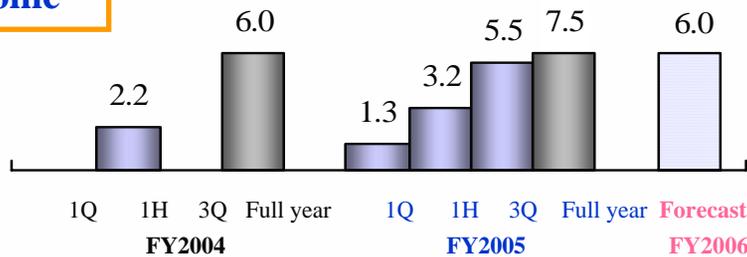
(billion yen, accumulated amount)

Net Sales



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

Operating Income



Balance Sheets

(In billion yen)

	As of March 31, 2005	As of March 31, 2006	Change
Assets			
Trade receivables	1,048.8	1,097.4	+ 48.5
Inventories	958.5	971.5	+ 12.9
Other current assets	458.2	474.5	+ 16.3
Total current assets	2,465.6	2,543.4	+ 77.8
Total fixed assets	1,365.4	1,503.6	+ 138.1
Total assets	3,831.1	4,047.1	+ 215.9
Liabilities and shareholders' equity			
Trade payables	649.1	669.6	+ 20.5
Advances received	363.4	334.8	28.5
Other current liabilities	555.3	622.1	+ 66.7
Total current liabilities	1,567.9	1,626.6	+ 58.6
Total long-term liabilities	937.9	1,026.3	+ 88.4
Total liabilities	2,505.9	2,653.0	+ 147.1
Minority interests	15.2	17.7	+ 2.5
Total shareholders' equity	1,309.9	1,376.2	+ 66.3
Total liabilities, minority interests and shareholders' equity	3,831.1	4,047.1	+ 215.9
Equity ratio	34.2%	34.0%	-0.2%

Investment securities +89.3 etc.

Short-term borrowings +52.7 etc.

Deferred tax liabilities +78.2 etc.

Retained earnings -22.7
Other, Net unrealized
gain/loss on securities +82.9 etc.

In December 2005, Mitsubishi Heavy Industries, Ltd. converted the company into an affiliate recorded in consolidated accounts under the equity method by converting preferred shares held into common stock, which raised its share of total voting shares to 16.1%. As a result, the method of valuing the company's stock was changed from the current value method to the share of equity method, which resulted in a reversal of valuation differential recorded at the end of the previous fiscal year. Consequently, other securities' valuation gains declined ¥20.9 billion. In addition, retained earnings at the time of inclusion under the equity method declined ¥40.0 billion.

Cash Flows , Interest-Bearing Debts

Cash flows

(In billion yen)

	FY2004	FY2005	Change
Cash flows from operating activities	107.0	73.9	- 33.1
Cash flows from investing activities	- 163.3	- 104.0	+59.2
Free cash flows	- 56.2	- 30.1	+26.1
Cash flows from financing activities	+ 57.9	7.9	- 49.9

Overview of FY2005

- Cash flows from operating activities declined by ¥33.1 billion to ¥73.9 billion from the previous year due to increase in operating funds including accounts receivable and inventories as well as orders received and net sales.
- In spite of the increase in capital expenditure, net cash outflow from investing activities declined by ¥59.2 billion to ¥104.0 billion. This reflects the fact that in the previous year the Company subscribed to the capital increase by the Mitsubishi Motors.
- As a result, free cash flow was minus ¥30.1 billion (or, ¥26.1 billion increase compared with the end of the previous fiscal year)

Interest-bearing debt

(In billion yen)

	As of March 31, 2006	As of March 31, 2006	Change
Interest-bearing debt	1,172.8	1,198.6	+ 25.7

- Interest-bearing debt increased by ¥25.7 billion from the end of the previous fiscal year.

Supplementary Information (1)

1. Foreign Exchange Rates

(¥/US\$)

	FY2001		FY2002		FY2003		FY2004		FY2005	
	1H	Full Year								
Average rates for recording sales	119.7	122.3	122.5	122.4	119.1	113.0	110.7	108.7	109.5	111.3
(Reference) Rates at end of period	119.4	133.3	122.6	120.2	111.3	105.7	111.1	107.4	113.2	117.5

2. R&D Expenses

(In billion yen)

	FY2001	FY2002	FY2003	FY2004	FY2005
R&D Expenses	118.5	109.4	99.5	124.0	100.7

3. Depreciation and Amortization - Capital Expenditure

(In billion yen)

	FY2001	FY2002	FY2003	FY2004	FY2005
Depreciation	95.9	97.0	99.8	99.1	100.8
Capital Expenditure	109.7	119.1	109.8	112.2	140.5

Supplementary Information (2)

4. Employees

(Number of employees)

	FY2001	FY2002	FY2003	FY2004	FY2005
(Consolidated)					
Shipbuilding & Ocean Development	5,946	5,796	5,707	5,531	5,388
Power systems	14,163	13,949	13,665	13,749	14,218
Machinery & Steel Structures	8,445	8,136	8,121	7,839	8,998
Aerospace	7,615	7,504	7,374	7,314	7,712
Mass & Medium-lot Manufactured Machinery	17,935	17,346	16,203	16,154	16,930
Others	8,649	8,561	8,879	8,653	8,966
Total	62,753	61,292	59,949	59,240	62,212
(Non-consolidated) Total	36,692	35,530	34,396	33,500	32,627

5. Overseas Sales by Region

(In billion yen)

Concolidated	FY2001		FY2002		FY2003		FY2004		FY2005	
North America	346.5	(34%)	271.2	(32%)	262.1	(29%)	265.5	(25%)	322.5	(26%)
Central & South America	157.3	(15%)	68.4	(8%)	95.1	(11%)	147.1	(14%)	108.5	(9%)
Asia	188.2	(19%)	212.7	(26%)	324.6	(36%)	416.8	(40%)	522.4	(42%)
Middle East	121.0	(12%)	55.5	(7%)	40.8	(5%)	28.1	(3%)	57.2	(5%)
Europe	171.0	(17%)	193.0	(23%)	119.6	(13%)	162.3	(15%)	182.8	(15%)
Other	34.6	(3%)	36.8	(4%)	50.2	(6%)	29.3	(3%)	32.2	(3%)
Total	1,018.7	(100%)	837.8	(100%)	892.6	(100%)	1,049.3	(100%)	1,225.9	(100%)

•Europe includes Russia and Eastern Europe from FY2004.

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)
Orders received	2,942.0	2,950.0
Net sales	2,792.1	2,900.0
Operating income	70.9	80.0
Ordinary income	50.3	63.0
Income before income taxes	52.3	63.0
Net income	29.8	40.0

◇ Assumes foreign exchange rates of ¥112 to the U.S. dollar and ¥138 to the Euro (US\$1.7 billion, EUR0.2 billion undetermined)

Forecast for FY2006 by Business Segment

(In billion yen)

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

GM&SV: General Machinery & Special Vehicle

Air-Con: Air-conditioning and Refrigeration System

Industrial: Industrial Machinery



Supplementary:

[Non-consolidated] Summary of Financial Results for FY2005

(In billion yen)

	FY2004	FY2005	Change
Orders received	2,202.0	2,318.3	+ 116.2
Net sales	2,097.9	2,206.7	+ 108.8
Operating income	- 9.7	38.2	+ 47.9
Ordinary income	- 9.6	32.4	+ 42.0
Extraordinary income	9.9	2.9	- 6.9
Net income before income taxes	0.2	35.3	+ 35.0
Net income	- 2.0	26.1	+ 28.2

Supplementary:

[Non-consolidated] Summary of Forecast for 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
Net income before income taxes	35.3	50.0
Net income	26.1	30.0

◇Planned annual dividend is ¥ 6 per share (¥3 interim dividend).