



Financial Results for First Half FY2007 and Forecast for FY2007

October 2007



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I. Financial Results for First Half FY2007

Summary of Financial Results for First Half FY 2007 (1)

(Billion yen)

	1H FY2006	1H FY2007	Change
Order received	1,358.4	1,769.6	+ 411.2
Net sales	1,352.4	1,446.4	+ 93.9
Operating income	44.3	55.8	+ 11.5
Ordinary income	33.4	41.0	+ 7.5
Extraordinary income	2.9	7.5	+ 4.5
Income before income taxes	36.4	48.5	+ 12.0
Net income	21.9	27.9	+ 6.0

Summary of Financial Results for First Half FY 2007 (2)

Orders received ⇒ Up ¥411.2 billion YoY (¥1,358.4bn→¥1,769.6bn)

- Performance was robust. Orders increased, especially in the Power Systems segment, with a continuous stream of orders for wind turbines from the United States and for overseas large fossil fuel power plants, and in the Machinery and Steel Structures segment, where multiple agreements were concluded for large chemical plant projects. Orders also rose in the Shipbuilding & Ocean Development, Aerospace, and Mass and Medium-Lot Manufactured Machinery segments.

Net sales ⇒ Up ¥93.9 billion YoY (¥1,352.4bn→¥1,446.4bn)

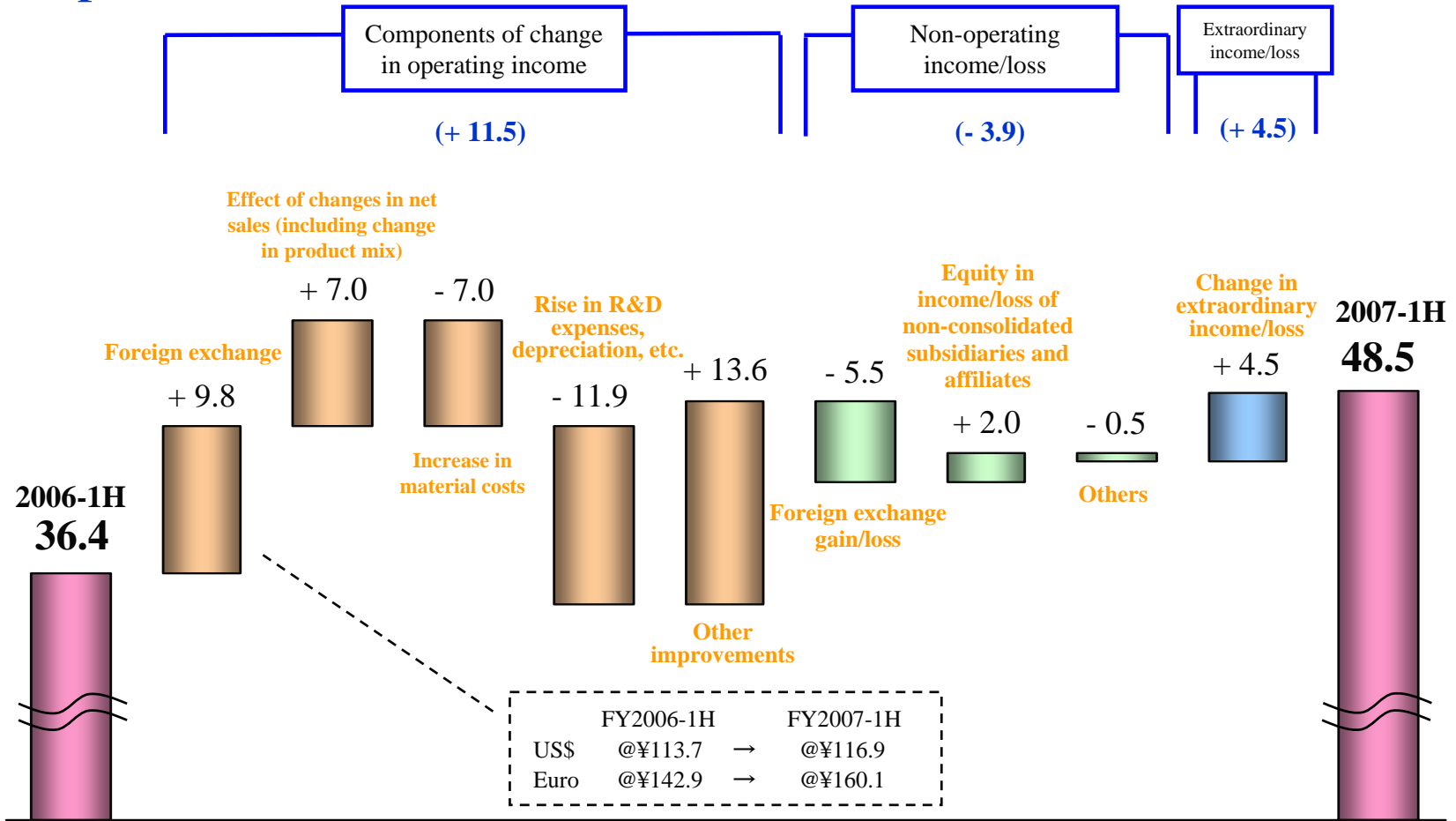
- Net sales rose in the Power Systems segment, with an increase in the number of construction projects. Net sales were also higher in all other segments except the Machinery and Steel Structures segment, reflecting the strong orders of recent years.

Net income ⇒ Up ¥6.0 billion YoY (¥21.9bn→¥27.9bn)

- As a result of the rise in profits associated with the higher sales, operating income amounted to ¥55.8 billion, a rise of ¥11.5 billion from the year-ago level, while ordinary income was ¥41.0 billion, up ¥7.5 billion. In addition, a gain on the sale of property and equipment was recorded as extraordinary income, while business improvement and restructuring charges were posted as an extraordinary expense. Consequently, net income was ¥27.9 billion, climbing ¥6.0 billion from the year-ago level.

Components of change in First Half FY2007 Income before Income Taxes

Up ¥12.0 billion YoY (¥36.4bn→¥48.5bn)



Ordinary Income and Extraordinary Income

- Ordinary Income (+¥7.5 billion YoY (¥33.4bn→¥41.0bn))

	1H FY 2006	1H FY 2007	Change
Operating income/loss	44.3	55.8	+ 11.5
Foreign exchange gain/loss	-3.6	-9.2	- 5.5
Net interest income/loss	-0.7	-2.4	- 1.6
equity in income/loss of non-consolidated subsidiaries and affiliates	1.5	3.6	+ 2.0
Others	-7.9	-6.8	+ 1.1
Non-operaitng income/loss	-10.8	-14.8	- 3.9
Ordinary income/loss	33.4	41.0	+ 7.5

- Extraordinary Income (+¥4.5 billion YoY (¥2.9bn→¥7.5bn))

	1H FY2006	1H FY2007	Change
• Gain on sale of fixed assets	2.8	10.4	+ 7.6
• Gain on sale of investment securities	1.9	—	- 1.9
Extraordinary income	4.7	10.4	+ 5.7
• Special expenses related to business improvement and restructuring	-1.7	-2.9	- 1.2
Extraordinary loss	-1.7	-2.9	- 1.2
Extraordinary income/loss	2.9	7.5	+ 4.5

Financial Results for First Half FY2007 by Business Segment

(Billion yen)

	Orders received		Net sales		Operating incomes	
	1H FY2006	1H FY2007	1H FY2006	1H FY2007	1H FY2006	1H FY2007
Shipbuilding & Ocean Development	159.2	212.3	137.1	138.1	△ 0.5	2.6
Power Systems	391.0	576.3	389.4	449.7	28.5	24.7
Machinery & Steel Structures	182.3	330.0	206.6	178.0	△ 5.1	0.1
Aerospace	172.2	175.9	173.3	197.0	3.3	5.1
GM&SV	203.0	217.9	206.8	226.8	8.2	8.7
Air-Con	107.3	114.6	106.3	112.7	3.3	4.4
Industrial	105.2	114.2	104.8	105.4	3.6	4.8
Mass and Medium-Lot Manufactured Machinery	415.6	446.7	418.0	445.0	15.1	18.0
Others	37.9	28.1	27.8	38.3	3.0	5.1
Total	1,358.4	1,769.6	1,352.4	1,446.4	44.3	55.8

GM&SV: General Machinery & Special Vehicle

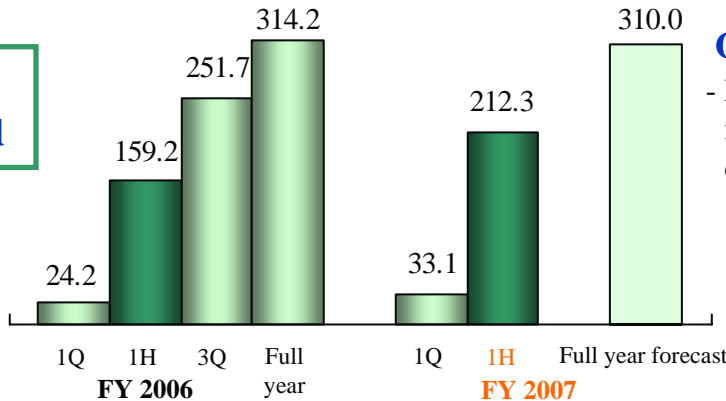
Air-Con: Air-conditioning and Refrigeration System

Industrial: Industrial Machinery

〈Shipbuilding & Ocean Development〉

(Billion yen, cumulative)

Orders Received



Orders received: UP ¥53.0 billion YoY

- Demand for new ships remained high, reflecting a very robust market. The Company received orders for 13 pure car carriers, seven container ships, and one fisheries training vessel.

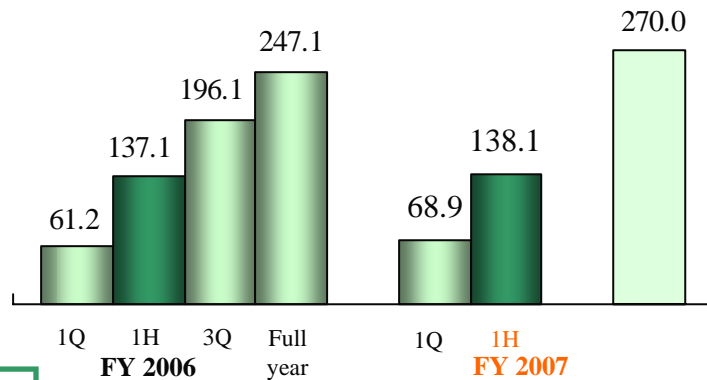
[Number of ships orders received]

	First half	Full year
FY2006:	12 (1Q: 2 / 2Q: 10)	23
FY2007:	21 (1Q: 4 / 2Q: 17)	-

[Backlog of ship orders]: 73

(27 pure car carriers, 18 container ships, 11 LNG carriers, 10 LPG carriers, and others)

Net Sales



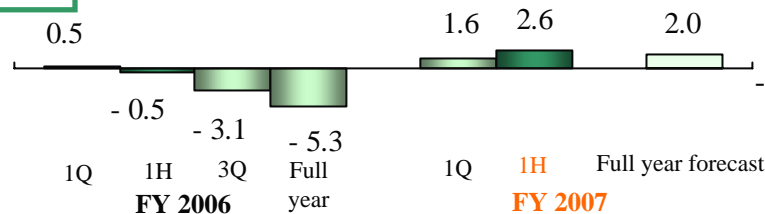
Net sales/Earnings: Increased earnings (+¥ 3.1 billion YoY) on increased sales (+¥1.0 billion YoY)

- A total of nine vessels were delivered: three container carriers, two pure car carriers, an LNG carrier, an LPG carrier, a fisheries training vessel, and a dredger. Sales rose slightly from the year-ago level.

[Number of ships delivered]

	First half	Full year
FY2006:	12 (1Q: 5 / 2Q: 7)	21
FY2007:	9 (1Q: 6 / 2Q: 3)	-

Operating Income

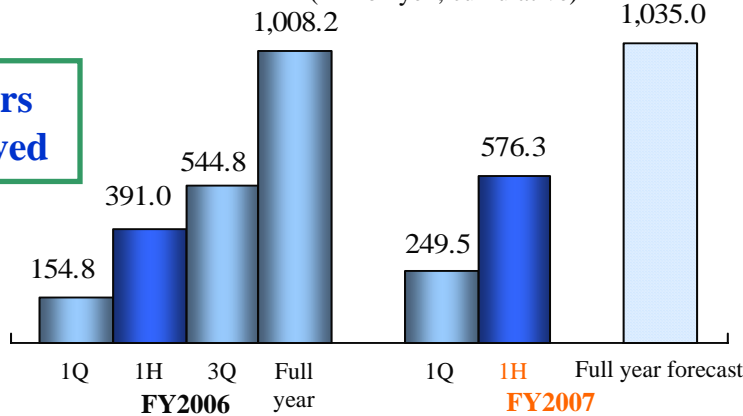


- Although impacted by rising material costs, earnings were in positive territory, partly because of a recovery in ship prices.

Power Systems

(Billion yen, cumulative)

Orders Received



Orders received: Up ¥185.3 billion YoY

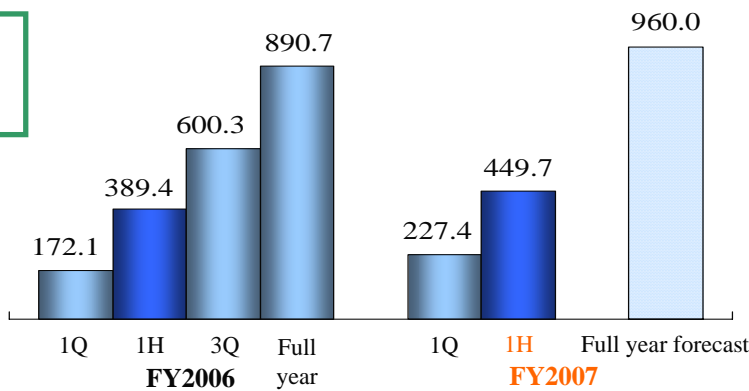
- Orders exceeded the year-ago level, primarily because of a rise in demand for wind turbines from the United States and a continuation of the healthy demand for the construction of overseas fossil fuel power plants.

[Wind turbine orders (on the basis of output)]

FY2006-1Q: 0MW, 2Q: 346MW

FY2007-1Q: 679MW, 2Q: 672MW

Net Sales



[Gas turbine order backlog (Non-consolidated)]

End of interim period End of fiscal year

FY2006: 71

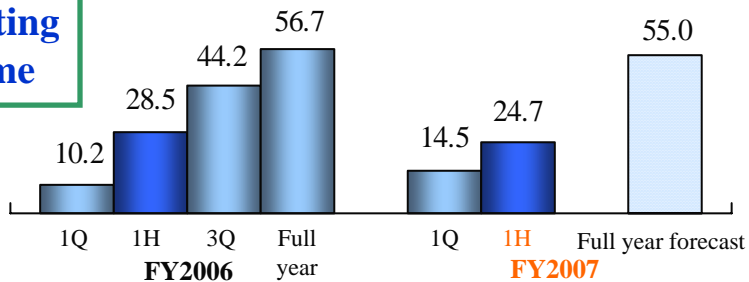
60

FY2007: 66

Net sales/Earnings: Decreased earnings (-¥3.7billion YoY) on increased sales (+¥60.2billion YoY)

- Net sales exceeded the year-ago level thanks to rising construction, both in Japan and overseas.

Operating Income

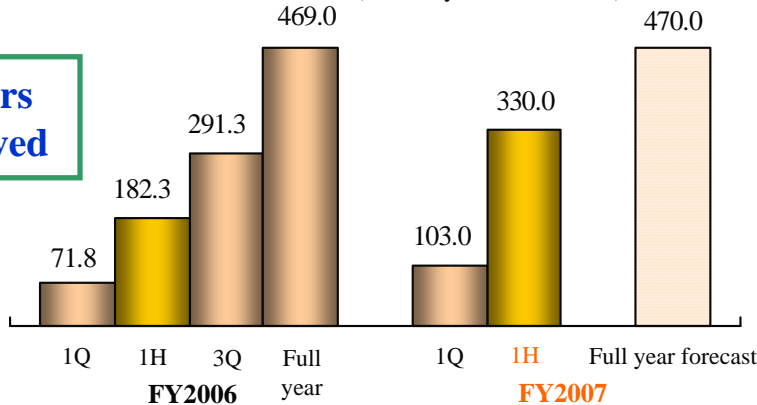


- Earnings were lower than the year-ago level, as negative factors such as higher material costs and R&D expenses outweighed the rise in net sales.

〈Machinery & Steel Structures〉

(Billion yen, cumulative)

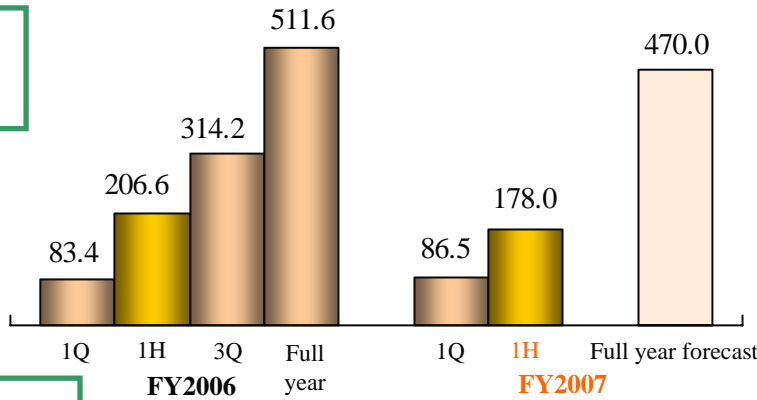
Orders Received



Orders received: Up ¥147.7 billion YoY

- Orders rose from the same period last year, thanks to large overseas projects relating to chemical plants and steel machinery.

Net Sales

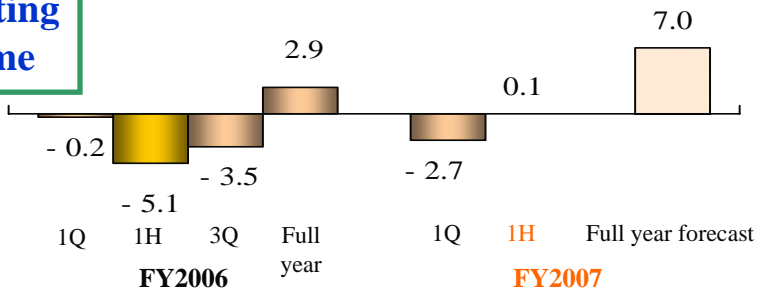


Net sales/Earnings: Increased earnings (+¥5.3 billion YoY) on decreased sales (-¥28.5 billion YoY)

- Net sales fell from the high level registered in the same period last year.

- Earnings moved into positive territory as an improvement in profitability offset the fall in net sales.

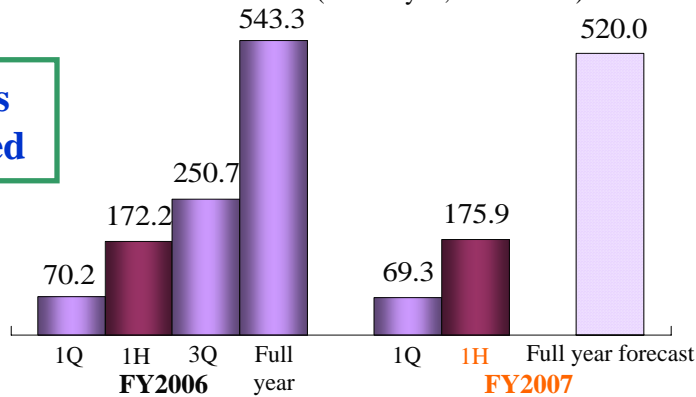
Operating Income



〈Aerospace〉

(Billion yen, cumulative)

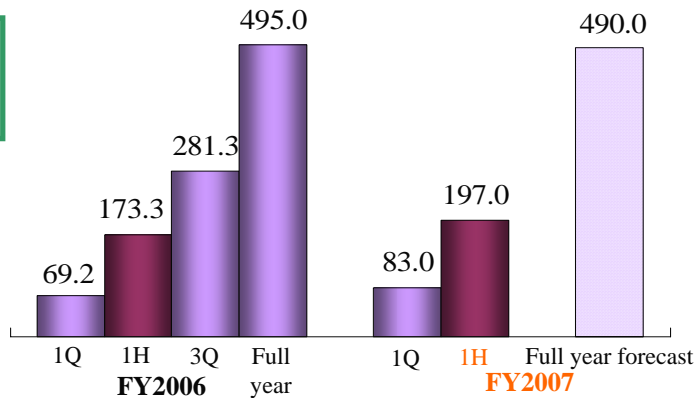
Orders Received



Orders received: Up ¥3.7 billion YoY

- Although orders for defense items and aerospace equipment fell from the year-ago level, demand for commercial transport aircraft was strong. As a consequence, total orders rose slightly.

Net Sales



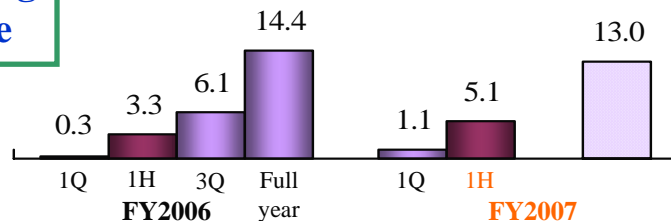
Net sales/Earnings: Increased earnings (+¥1.8 billion YoY) on increased sales (+¥23.7 billion)

- Net sales increased from the same period last year, the result of a rise in the number of commercial transport planes delivered, especially B777s.

[Number of B777s delivered]

	First half	Full year
FY2006:	32	75
FY2007:	40	-

Operating Income

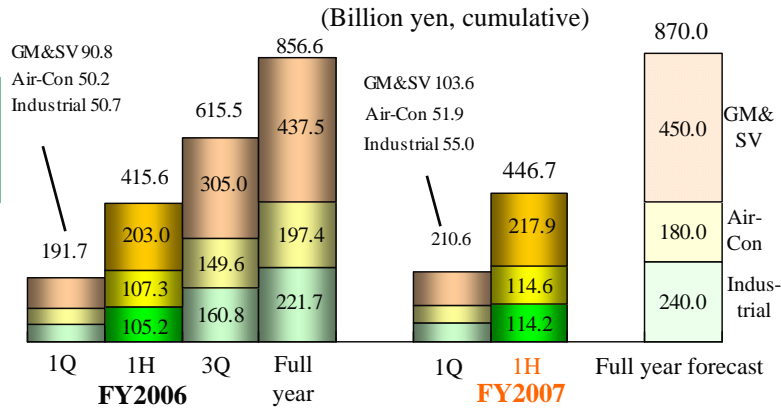


- Earnings exceeded the year-ago level, driven by an increase in net sales and the effect of foreign exchange rates.

〈Mass and Medium-Lot Manufactured Machinery〉



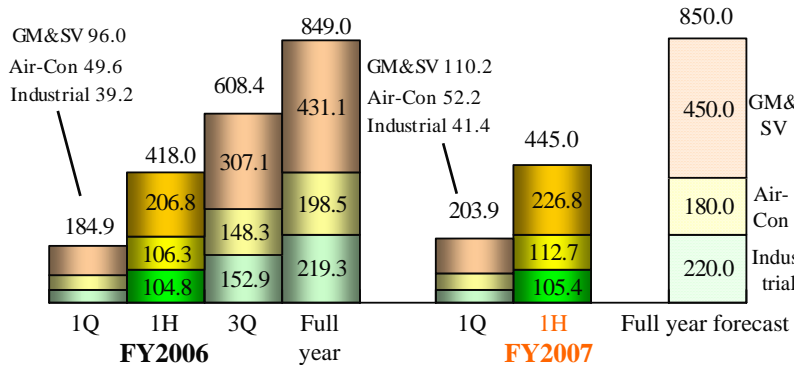
Orders Received



Orders received: Up ¥31.1 billion YoY

- GM&SV: Orders for small and midsize engines, forklifts, and turbochargers for international markets all increased.
- Air-Con: Orders rose, especially for package air conditioners and room air conditioners for international markets.
- Industrial: Orders increased, particularly demand for printing machines.

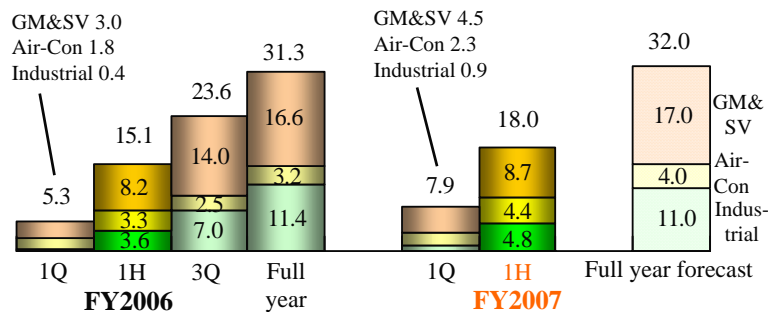
Net Sales



Net sales/Earnings: Increased earnings (+¥2.8 billion YoY) on increased sales (+¥26.9 billion YoY)

- GM&SV: Overseas sales of small and midsize engines, forklifts, and turbochargers all increased.
- Air-Con: Sales rose, especially overseas sales of package air conditioners and room air conditioners.
- Industrial: Led by demand for printing machineries, sales increased.

Operating Income



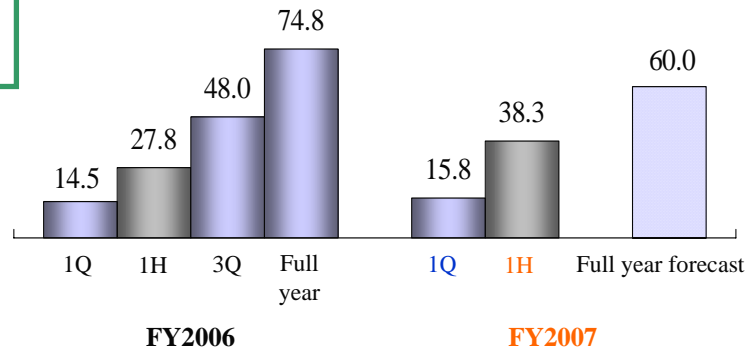
Total earnings in the Mass and Medium-Lot Manufactured Machinery segment exceeded the year-ago level, reflecting the influence of foreign exchange rates and other elements, which more than offset the impact of increases in material costs.

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

〈Others〉

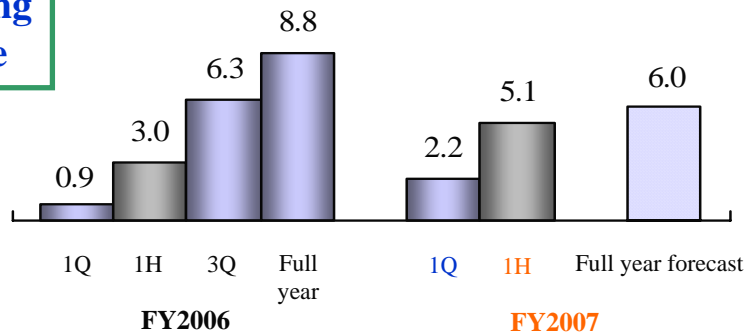
(Billion yen, cumulative)

Net Sales



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

Operating Income



Balance Sheets

(Billion yen)

	As of March 31, 2007	As of September 30, 2007	Change
Assets			
Trade receivables	1,166.7	1,031.1	△ 135.5
Inventories	1,048.5	1,181.3	+ 132.7
Other current assets	572.0	603.3	+ 31.3
Total current assets	2,787.3	2,815.9	+ 28.5
Total fixed assets	1,604.5	1,684.8	+ 80.3
Total assets	4,391.8	4,500.8	+ 108.9
Liabilities and shareholders' equity			
Trade payables	746.5	682.4	△ 64.1
Advances received	394.9	506.7	+ 111.8
Other current liabilities	665.8	574.7	△ 91.0
Total current liabilities	1,807.4	1,764.0	△ 43.3
Total long-term liabilities	1,138.0	1,240.8	+ 102.8
Total liabilities	2,945.4	3,004.9	+ 59.4
Net assets			
Shareholders' capital	1,208.9	1,228.1	+ 19.1
Valuation and translation adjustments	219.0	247.9	+ 28.9
Other (Minority interests, etc.)	18.4	19.7	+ 1.3
Total net assets	1,446.4	1,495.8	+ 49.4
Total liabilities and net assets	4,391.8	4,500.8	+ 108.9

Cash Flows, Interest-Bearing Debts

Cash Flows

(Billion yen)

	1H FY2006	1H FY2007	Change
Cash flows from operating activities	108.6	105.3	△ 3.3
Cash flows from investing activities	△ 64.7	△ 88.2	△ 23.4
Free cash flows	43.9	17.1	△ 26.7
Cash flows from financing activities	5.5	△ 7.4	△ 12.9

Overview of First Half FY2007

- Cash flows from operating activities were ¥105.3 billion, about the same as the year-ago level.
- Net cash outflows from investing activities rose ¥23.4 billion, to ¥88.2 billion, due primarily to aggressive capital investment in gas turbine and commercial aircraft.
- As a result, free cash flows were ¥17.1 billion (a fall of ¥26.7 billion from the year-ago period).
- Interest-bearing debt was up ¥6.3 billion from the end of the previous year.

Interest-Bearing Debt

(Billion yen)

	As of March 31, 2007	As of September 30, 2007	Change
Interest-bearing debts	1,273.5	1,279.9	+6.3

Supplementary Information

1. Foreign Exchange Rates

(¥/US\$)

	FY2004		FY2005		FY2006		FY2007
	1H	Full Year	1H	Full Year	1H	Full Year	1H
Average rates for recording sales	110.7	108.7	109.5	111.3	113.7	114.9	116.9
(Reference) Rates at end of period	111.1	107.4	113.2	117.5	117.9	118.1	115.4

2. Overseas Sales by Region

(Billion yen)

Consolidated	FY2004		FY2005		FY2006		FY2007
	1H	Full Year	1H	Full Year	1H	Full Year	1H
North America	125.7 (27%)	265.5 (25%)	148.3 (25%)	322.5 (26%)	174.0 (26%)	371.8 (25%)	188.8 (27%)
America	58.7 (12%)	147.1 (14%)	55.5 (9%)	108.5 (9%)	56.5 (8%)	123.7 (9%)	91.1 (13%)
Asia	185.4 (39%)	416.8 (40%)	263.3 (44%)	522.4 (42%)	212.0 (32%)	437.4 (30%)	201.5 (28%)
Middle East	18.2 (4%)	28.1 (3%)	23.8 (4%)	57.2 (5%)	86.4 (13%)	257.8 (18%)	84.9 (12%)
Europe	67.1 (14%)	162.3 (15%)	91.6 (15%)	182.8 (15%)	123.5 (19%)	237.4 (16%)	131.0 (18%)
Other	19.6 (4%)	29.3 (3%)	17.6 (3%)	32.2 (3%)	12.8 (2%)	34.3 (2%)	10.8 (2%)
Total	474.9 (100%)	1,049.3 (100%)	600.3 (100%)	1,225.9 (100%)	665.4 (100%)	1,462.6 (100%)	708.3 (100%)

•Europe includes Russia and Eastern Europe beginning in FY2004.

[Non-consolidated]

Summary of Financial Results for First Half FY2007

(Billion yen)

	1H FY2006	1H FY2007	Change
Orders received	1,039.4	1,280.4	+ 240.9
Net sales	1,060.3	1,140.2	+ 79.9
Operating income	28.2	39.1	+ 10.9
Ordinary income	20.0	24.7	+ 4.7
Extraordinary income	3.7	13.7	+ 9.9
Net income before income taxes	23.7	38.4	+ 14.7
Net income	15.6	24.4	+ 8.7

II. Forecast for FY2007

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, these projections are subject to risks and uncertainties. For this reason, investors are recommended not to depend solely on these projections for making investment decisions. It is possible that actual results may vary materially from these projections due to a number of factors. Such factors include, but are not limited to, economic trends affecting the Company's operating environment, fluctuations in the value of the yen against the U.S. dollar and other foreign currencies, and stock market movements in Japan.

Summary of Forecast for FY2007

	FY2006 (Actual)	FY2007 (Forecast)	(Billion yen) [Reference] (Non-consolidated Forecast)
Orders received	3,274.7	3,300.0	2,550.0
Net sales	3,068.5	3,100.0	2,450.0
Operating income	108.9	115.0	80.0
Ordinary income	83.0	90.0	60.0
Net income	48.8	54.0	40.0

- ◇ There has been no change from the forecasts announced last time (on July 31, 2007).
- ◇ The influence on ordinary income of fluctuations in exchange rates with major currencies for the current fiscal year is minor.

Forecast for FY2007 by Business Segment

(Billion yen)

	Orders received		Net sales		Operating income	
	FY2006	FY2007 Forecast	FY2006	FY2007 Forecast	FY2006	FY2007 Forecast
Shipbuilding & Ocean Development	314.2	310.0	247.1	270.0	△ 5.3	2.0
Power Systems	1,008.2	1,035.0	890.7	960.0	56.7	55.0
Machinery & Steel Structures	469.0	470.0	511.6	470.0	2.9	7.0
Aerospace	543.3	520.0	495.0	490.0	14.4	13.0
GM & SV	437.5	450.0	431.1	450.0	16.6	17.0
Air-Con	197.4	180.0	198.5	180.0	3.2	4.0
Industrial	221.7	240.0	219.3	220.0	11.4	11.0
Mass and Medium-Lot Manufactured Machinery	856.6	870.0	849.0	850.0	31.3	32.0
Others	83.0	95.0	74.8	60.0	8.8	6.0
Total	3,274.7	3,300.0	3,068.5	3,100.0	108.9	115.0

◇ There has been no change from the forecasts announced last time (on July 31, 2007)