

Outline of Third Quarter FY2007
Financial Results

February 2008



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I. Third Quarter FY2007 Financial Results

Summary of Third Quarter Financial Results (1)

(In billion yen)

	3Q FY2006	3Q FY2007	Change
Orders received	2,015.1	2,418.7	+403.5
Net sales	2,048.6	2,128.4	+79.8
Operating income	73.7	93.9	+20.1
Ordinary income	57.5	80.7	+23.2
Extraordinary income	5.1	7.6	+2.4
Income before income taxes	62.7	88.4	+25.6
Net income	38.4	54.1	+15.6

Summary of Financial Results for Third Quarter (2)

Orders Received ⇒ Up ¥ 403.5bn YoY (¥ 2,015.1bn→¥ 2,418.7bn)

- Performance was robust. Orders increased, especially in the Power Systems segment, driven by orders for wind turbines from the United States and for overseas large thermal electric 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 Aerospace and Mass and Medium-Lot Manufactured Machinery segments.

Net Sales ⇒ Up ¥79.8bn YoY (¥ 2,048.6bn → ¥ 2,128.4bn)

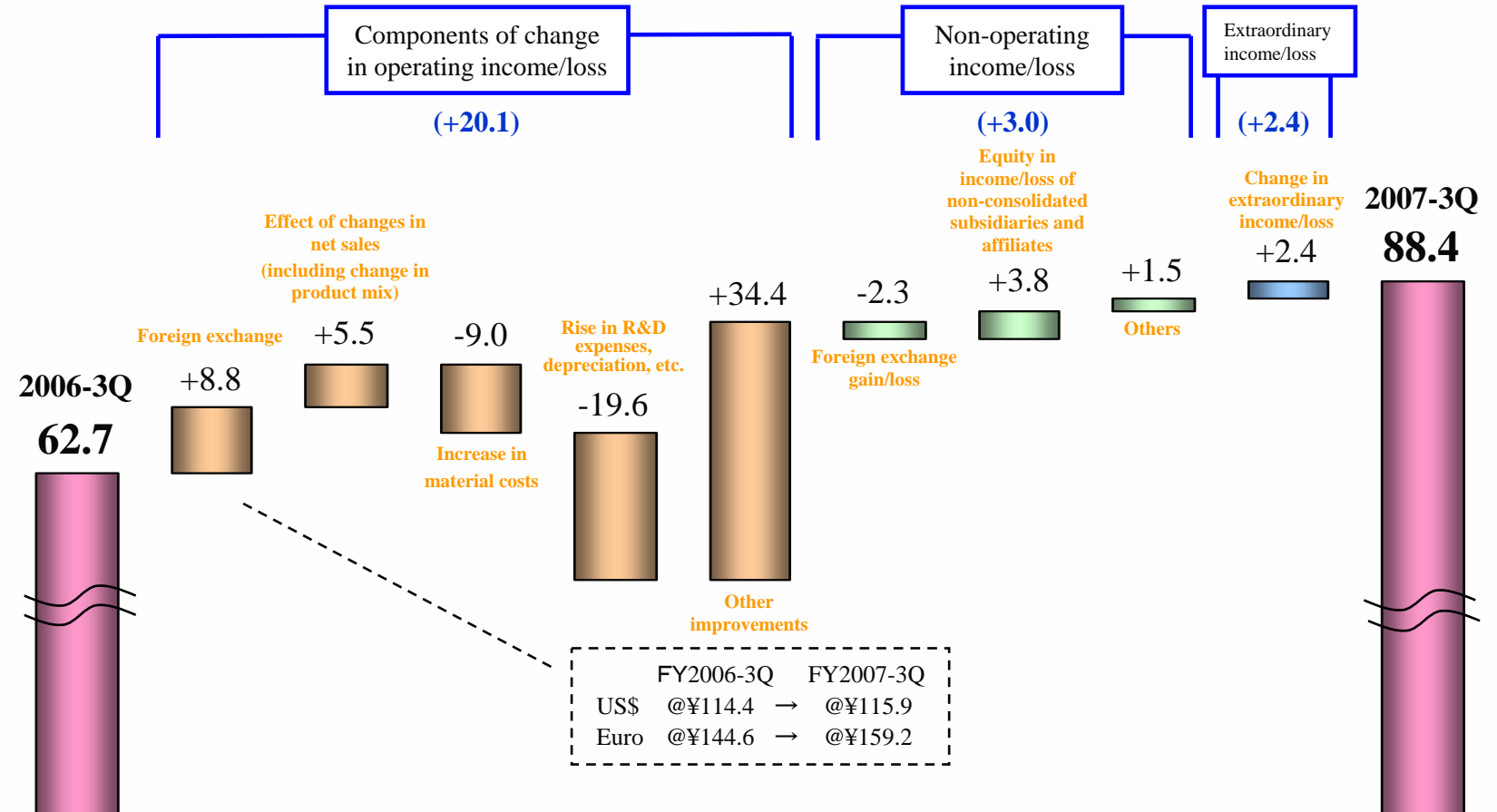
- Although net sales were below the year-ago level in the Shipbuilding and Ocean Development and Machinery & Steel Structures segments, net sales rose in the Mass and Medium-Lot Manufactured Machinery segment, where sales to Europe and Asia increased, and in the Power Systems and Aerospace segments.

Net Income ⇒ Up ¥15.6bn YoY (¥ 38.4bn → ¥54.1bn)

- Operating income, ordinary income, and net income exceeded the year-ago level, despite rises in materials costs and R&D expenses, thanks to the effects of a weaker yen and increased profits associated with a rise in sales and improved profitability.

Components of Change in Income Before Income Taxes

Up ¥25.6 billion YoY (¥62.7bn → ¥88.4bn)



Ordinary Income and Extraordinary Income

- Ordinary income (+¥23.2billion YoY (¥57.5bn → ¥80.7bn))

	3Q FY2006	3Q FY2007	Change
Operating Income	73.7	93.9	+20.1
Foreign exchange gain/loss	-7.7	-10.0	-2.3
Net interest income/loss	-1.3	-2.8	-1.4
Equity in income/loss of non-consolidated subsidiaries and affiliates	3.9	7.8	+3.8
Others	-11.1	-8.1	+3.0
Non-operating income/loss	-16.2	-13.2	+3.0
Ordinary income/loss	57.5	80.7	+23.2

- Extraordinary Income (+¥2.4billion YoY (¥5.1bn → ¥7.6bn))

	3Q FY2006	3Q FY2007	Change
- Gain of sale of fixed assets	5.7	10.5	+ 4.8
- Gain of sale of investment securities	4.8	0	-4.8
Extraordinary income	10.5	10.5	+0
- Special expenses related to business improvement and restructuring	-5.3	-2.9	+ 2.3
Extraordinary loss	-5.3	-2.9	+ 2.3
Extraordinary income/loss	5.1	7.6	+ 2.4

Financial Results by Business Segment

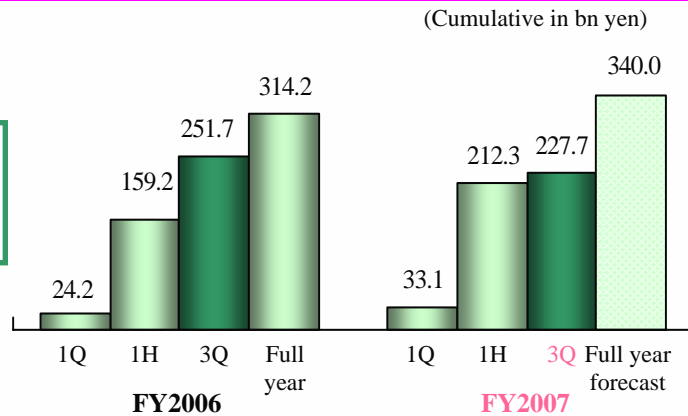
(In billion yen)

	Orders received		Net sales		Operating income	
	3Q FY2006	3Q FY2007	3Q FY2006	3Q FY2007	3Q FY2006	3Q FY2007
Shipbuilding & Ocean Development	251.7	227.7	196.1	192.4	-3.1	3.9
Power Systems	544.8	787.5	600.3	628.1	44.2	37.2
Machinery & Steel Structures	291.3	408.6	314.2	286.1	-3.5	6.8
Aerospace	250.7	290.0	281.3	305.3	6.1	10.8
GM & SV	305.0	323.7	307.1	338.0	14.0	14.6
Air-Con	149.6	161.3	148.3	161.1	2.5	4.4
Industrial	160.8	166.0	152.9	157.2	7.0	7.2
Mass and Medium-lot Manufactured Machinery	615.5	651.1	608.4	656.4	23.6	26.3
Others	60.8	53.5	48.0	59.9	6.3	8.7
Total	2,015.1	2,418.7	2,048.6	2,128.4	73.7	93.9

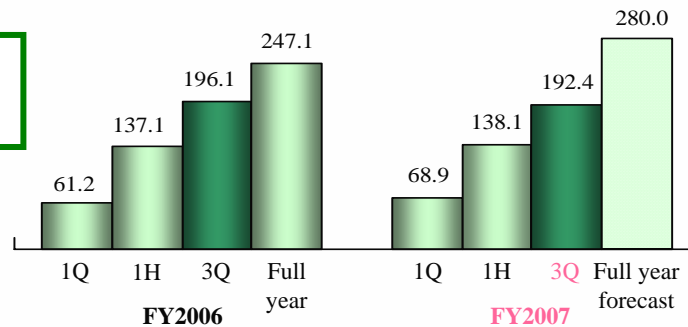
GM&SV: General Machinery & Special Vehicle
Air con: Air-conditioning and Refrigeration System
Industrial: Industrial Machinery

<Shipbuilding & Ocean Development>

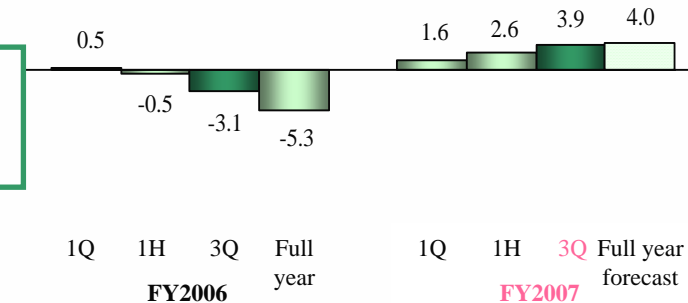
Orders Received



Net Sales



Operating Income



Orders received: Down ¥24.0 billion YoY

- Demand for new ships remained high. The Company received orders for a total of 25 ships: 13 pure car carriers, 7 container ships, 4 patrol boats, and a fisheries training vessel.

[Number of ships orders received] Third quarter
 FY2006: 19 (1Q: 2; 2Q: 10; 3Q: 7); Full year: 23
 FY2007: 25 (1Q: 4; 2Q: 17; 3Q: 4)

[Backlog of ship orders] 73
 (27 pure car carriers, 17 container ships, 10 LPG carriers, 9 LNG carriers, and others)

Net sales/Earnings: Increased earnings (+¥7.0 billion YoY) on decreased sales (-¥3.7 billion YoY)

- A total of 13 vessels were delivered: 4 container carriers, 3 LNG carriers, 2 pure car carriers, a LPG carrier, a ferry, a fisheries training vessel, and a dredger.

[Number of ships delivered] Third quarter
 FY2006: 16 (1Q: 5; 2Q: 7; 3Q: 4); Full year: 21
 FY2007: 13 (1Q: 6; 2Q: 3; 3Q: 4)

- Although impacted by rising material costs, earnings rose ¥7.0 billion year on year, partly because of improvements in profitability associated with a recovery in ship prices.

Full-year forecast:

Orders: Revised from ¥310.0 billion to ¥340.0 billion, reflecting the status of negotiations

Sales: Revised from ¥270.0 billion to ¥280.0 billion, reflecting results

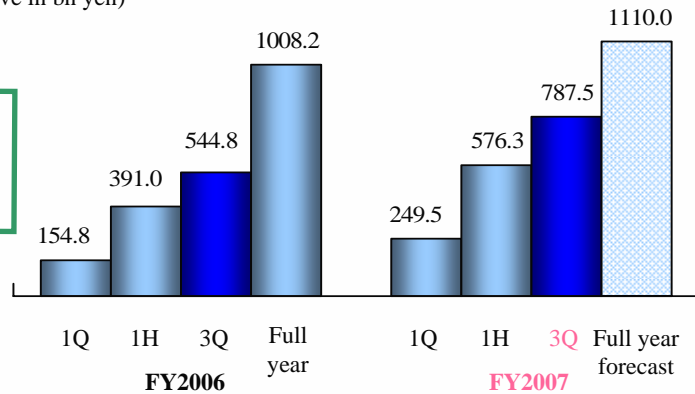
Operating income: Revised from ¥2.0 billion to ¥4.0 billion due to the progress of improvements in profitability

FY2007 Forecast	Previous	New
Orders Received :	310.0	340.0
Net Sales :	270.0	280.0
Operating Income :	2.0	4.0

<Power Systems>

(Cumulative in bn yen)

Orders Received



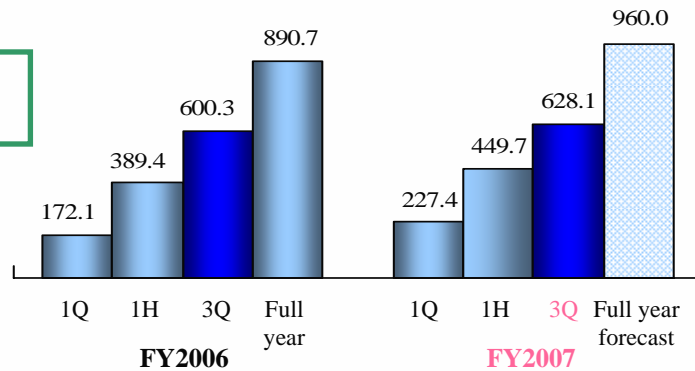
Orders received: Up ¥242.6 billion YoY

- 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 thermal electric power plants.

[Wind turbine orders (on the basis of output)] Third quarter
 FY2006: 712MW (1Q: 0MW 2Q: 346MW 3Q: 366MW)
 FY2007: 1,553MW (1Q: 679MW 2Q: 672MW 3Q: 202MW)

[Gas turbine order backlog (Non-consolidated)]
 FY2006: 1Q: 78 2Q: 71 3Q: 58 4Q: 60
 FY2007: 1Q: 61 2Q: 66 3Q: 65

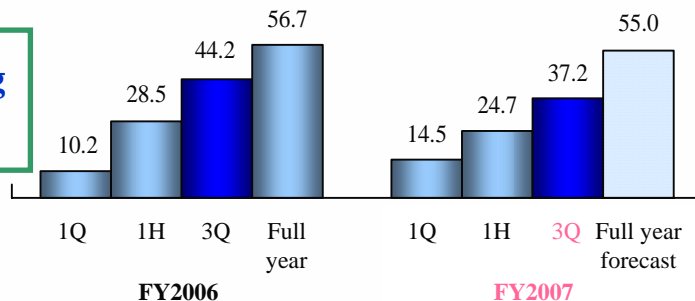
Net Sales



Net sales/ Earnings: Decreased earnings (-¥7.0 billion YoY) on increased sales (+¥27.8 billion)

- Sales rose from the year-ago level. In particular, sales of thermal electric power plants remained robust.
 - 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.

Operating Income



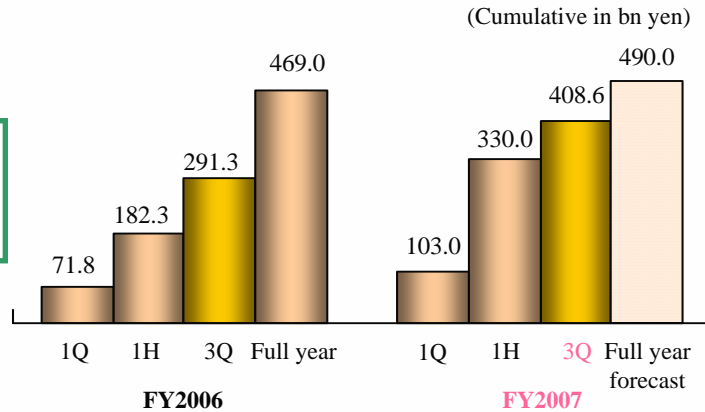
Full-year forecast:

Orders: Revised from ¥1,035.0 billion yen to ¥1,110.0 billion yen, reflecting the status of negotiations.

FY2007 Forecast	Previous	New
Orders received :	1,035.0	1,110.0
Net sales :	960.0	960.0
Operating income :	55.0	55.0

<Machinery & Steel Structures>

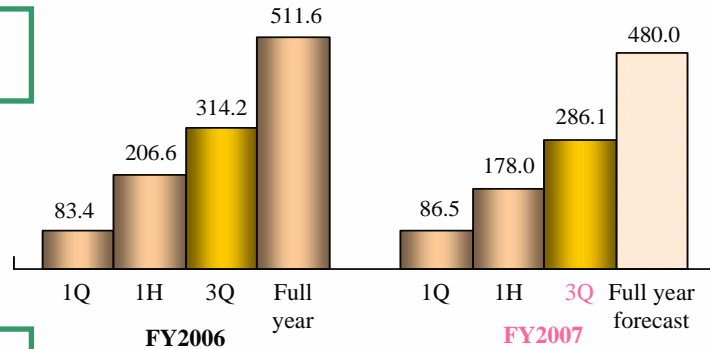
Orders Received



Orders received: Up ¥117.2 billion YoY

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

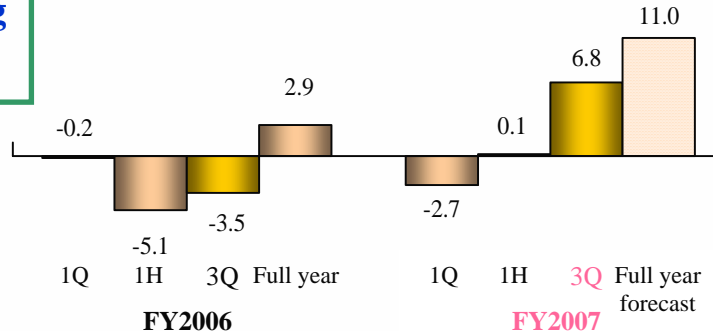
Net Sales



Net sales/ Earnings: Increased earnings (+¥10.4 billion YoY) on decreased sales (-¥28.1 billion YoY)

- Net sales fell from the high level registered in the same period last year.
 - Earnings rose ¥10.4 billion year on year partly due to the progress of improvements in profitability.

Operating Income



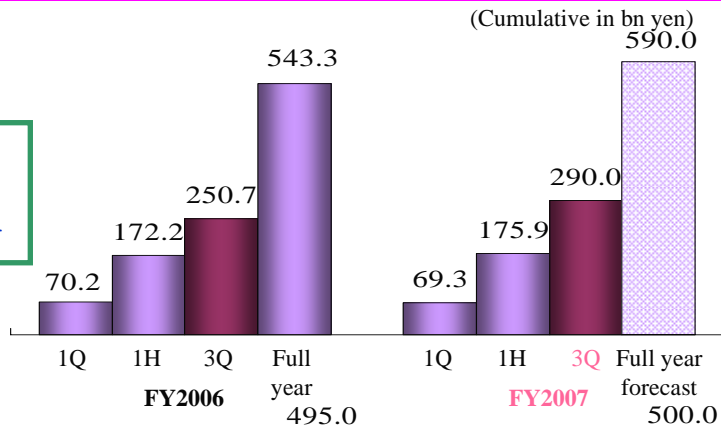
Full-year forecast:

Orders: Revised from ¥470.0 billion to ¥490.0 billion, reflecting the status of negotiations
 Sales: Revised from ¥470.0 billion to ¥480.0 billion, reflecting performance including the progress of construction
 Operating income: Revised from ¥7.0 billion to ¥11.0 billion due to progress in improvements in profitability

FY2007 Forecast	Previous	New
Orders received :	470.0	490.0
Net sales :	470.0	480.0
Operating income :	7.0	11.0

<Aerospace>

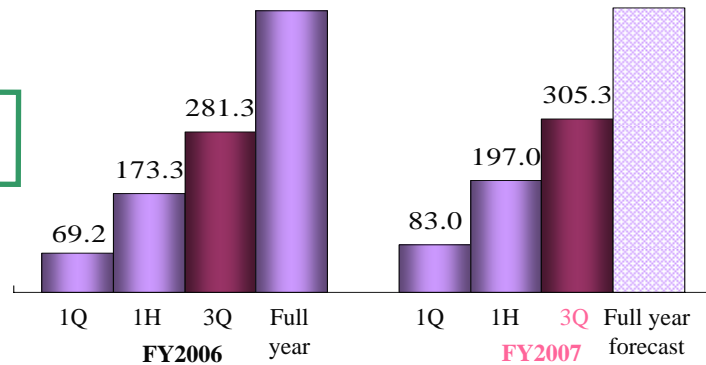
Orders Received



Orders received: Up ¥39.3 billion YoY

- Orders not only for commercial aircraft, which had been solid, but also for defense items and aerospace equipment rose from the year-ago level.

Net Sales



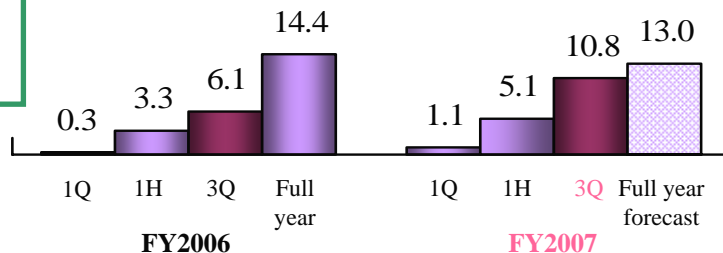
Net sales/ Earnings: Increased earnings (+¥4.7 billion YoY) on increased sales (+¥24.0 billion YoY)

- Net sales increased from the same period last year, not only in the field of commercial transport aircraft, where the number of B777 planes delivered rose, but also in defense items and aerospace equipment.

[Number of B777s delivered] Third quarter
 FY2006: 53 (1Q: 15 2Q: 17 3Q: 21) Full year: 75
 FY2007: 59 (1Q: 19 2Q: 21 3Q: 19)

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

Operating Income



Full-year forecast:

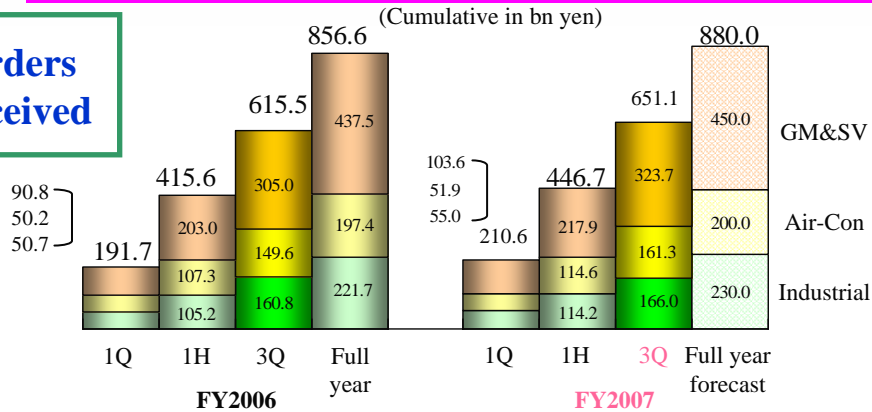
Orders: Revised from ¥520.0 billion to ¥590.0 billion, reflecting an increase in orders for commercial aircraft, among other factors.

Sales: Revised from ¥490.0 billion to ¥500.0 billion, reflecting results

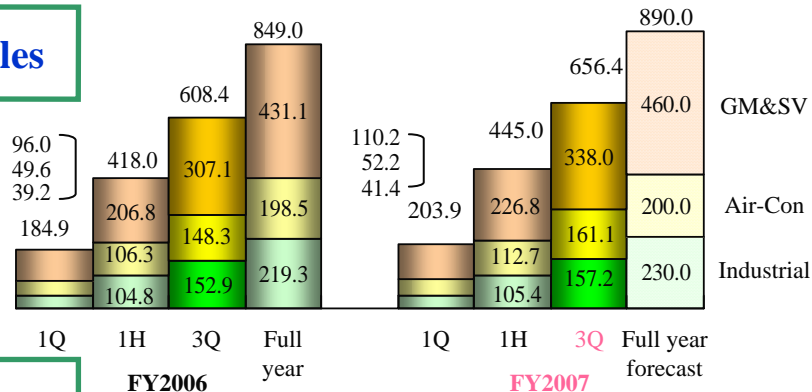
FY2007 Forecast	Previous	New
Orders received :	520.0	590.0
Net sales :	490.0	500.0
Operating income :	13.0	13.0

<Mass & Medium-lot Manufactured Machinery>

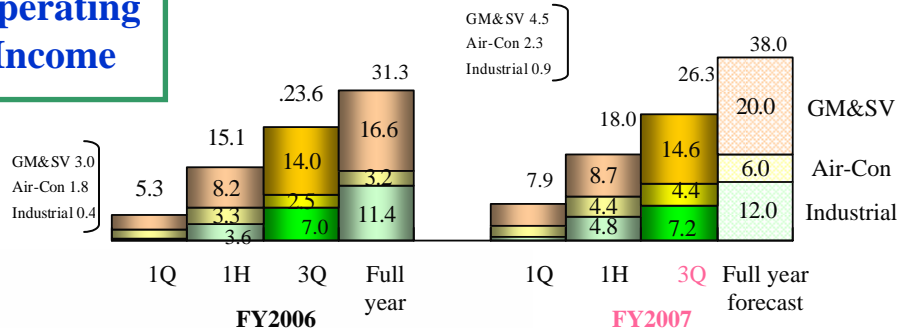
Orders Received



Net Sales



Operating Income



Orders received: Up ¥35.5 billion YoY

- GM&SV: Orders rose, particularly for forklifts, engines, and turbochargers for Europe.
- Air-Con: Orders increased, particularly for package air conditioners and room air conditioners for international markets.
- Industrial: Orders rose only slightly.

Net sales/ Earnings: Increased earnings (+¥2.6 billion YoY) on increased sales (+¥47.9 billion YoY)

- GM&SV: Net sales rose, especially sales of forklifts, engines, and turbochargers for Europe.
- Air-Con: Net sales increased, especially sales of package air conditioners and room air conditioners for international markets.
- Industrial: Net sales rose only slightly.

Overall earnings exceed the year-ago level given the effect of exchange rates and a rise in sales, despite the influence of increases in materials costs.

Full-year forecast:

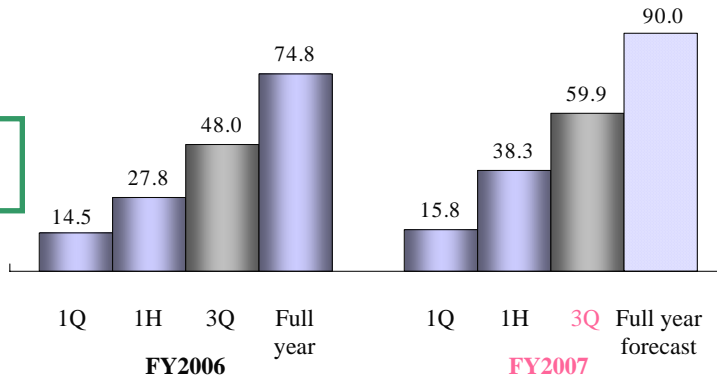
- Orders: Revised from ¥870.0 billion to ¥880.0 billion, reflecting results
- Sales: Revised from ¥850.0 billion to ¥890.0 billion, reflecting results
- Operating income: Revised from ¥32.0 billion to ¥38.0 billion, reflecting an increase in sales and others

FY2007 Forecast		Previous	New
Orders received	GM&SV :	450.0	450.0
	Air-con :	180.0	200.0
	Industrial :	240.0	230.0
	Total :	870.0	880.0
Net sales	GM&SV :	450.0	460.0
	Air-con :	180.0	200.0
	Industrial :	220.0	230.0
	Total :	850.0	890.0
Operating income	GM&SV :	17.0	20.0
	Air-con :	4.0	6.0
	Industrial :	11.0	12.0
	Total :	32.0	38.0

<Others>

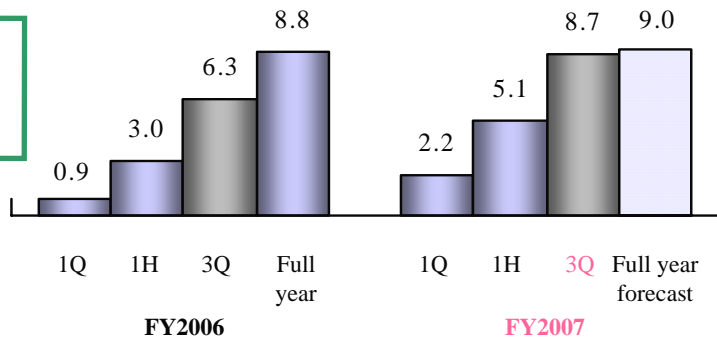
(Cumulative in bn yen)

Net Sales



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

Operating Income



FY2007 Forecast

	Previous	New
Net sales	60.0	90.0
Operating income	6.0	9.0

Balance Sheets

(In billion yen)

	As of Mar 31, 2007	As of Dec 31, 2007	Changes
Assets			
Trade receivables	1,166.7	1,010.5	-156.1
Inventories	1,048.5	1,321.6	+273.0
Other current assets	572.0	665.1	+93.0
Total current assets	2,787.3	2,997.3	+209.9
Total fixed assets	1,604.5	1,610.1	+5.5
Total assets	4,391.8	4,607.4	+215.5
Liabilities			
Trade payables	746.5	691.4	-55.1
Advances received	394.9	572.3	+177.3
Other current liabilities	665.8	689.9	+24.0
Total current liabilities	1,807.4	1,953.6	+146.2
Total long-term liabilities	1,138.0	1,190.3	+52.3
Total liabilities	2,945.4	3,144.0	+198.5
Net assets			
Shareholders' capital	1,208.9	1,244.2	+35.2
Valuation and translation adjustments	219.0	198.9	-20.0
Other (Minority interests, etc.)	18.4	20.1	+1.7
Total net assets	1,446.4	1,463.4	+16.9
Total liabilities and net assets	4,391.8	4,607.4	+215.5
Balance of interest-bearing debts	1,273.5	1,353.2	+79.6

Supplementary Information

1. Foreign Exchange Rates

(¥/US\$)

Year	FY2004		FY2005		FY2006		FY2007	
	1H	Full Year	1H	Full Year	1H	Full Year	1H	3Q
Average rates for recording sales	110.7	108.7	109.5	111.3	113.7	114.9	116.9	115.9
(Referece) Rates at end of period	111.1	107.4	113.2	117.5	117.9	118.1	115.4	114.2

2. Overseas Sales by Region

(In billion yen)

(Consolidated)	FY2004		FY2005		FY2006		FY2007	
	1H	Full Year	1H	Full Year	1H	Full Year	1H	3Q
North America	125.7 (27%)	265.5 (25%)	148.3 (25%)	322.5 (26%)	174.0 (26%)	371.8 (25%)	188.8 (27%)	274.7 (26%)
America	58.7 (12%)	147.1 (14%)	55.5 (9%)	108.5 (9%)	56.5 (8%)	123.7 (9%)	91.1 (13%)	126.0 (12%)
Asia	185.4 (39%)	416.8 (40%)	263.3 (44%)	522.4 (42%)	212.0 (32%)	437.4 (30%)	201.5 (28%)	317.0 (30%)
Middle East	18.2 (4%)	28.1 (3%)	23.8 (4%)	57.2 (5%)	86.4 (13%)	257.8 (18%)	84.9 (12%)	123.5 (12%)
Europe	67.1 (14%)	162.3 (15%)	91.6 (15%)	182.8 (15%)	123.5 (19%)	237.4 (16%)	131.0 (18%)	192.0 (18%)
Other	19.6 (4%)	29.3 (3%)	17.6 (3%)	32.2 (3%)	12.8 (2%)	34.3 (2%)	10.8 (2%)	15.7 (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%)	1,049.2 (100%)

- Europe includes Russia and Eastern Europe.

[Non-consolidated]

Summary of Financial Results for Third Quarter FY2007

(In billion yen)

	3Q FY2006	3Q FY2007	Changes
Orders received	1,531.1	1,754.1	+222.9
Net sales	1,624.7	1,673.2	+48.4
Operating income	48.1	63.6	+15.5
Ordinary income	39.8	44.6	+4.8
Extraordinary income	6.0	13.8	+7.8
Income before income taxes	45.8	58.5	+12.7
Net income	31.5	36.4	+4.8

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, 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.

Summary of Forecast for FY2007

(In billion yen)

	FY2006 (Actual)	FY2007 (Previous forecast) '07.10.31	FY2007 (Forecast)
Orders received	3,274.7	3,300.0	3,500.0
Net sales	3,068.5	3,100.0	3,200.0
Operating income	108.9	115.0	130.0
Ordinary income	83.0	90.0	105.0
Net income	48.8	54.0	60.0

◇ Exchange rate fluctuations of major currencies will have limited impact on FY2007 earnings.

Forecast for FY2007 by Business Segment

(Billion yen)

	Orders received			Net sales			Operating income		
	FY2006	FY2007		FY2006	FY2007		FY2006	FY2007	
		Previous forecast	forecast		Previous forecast	forecast		Previous forecast	forecast
Shipbuilding & Ocean Development	314.2	310.0	340.0	247.1	270.0	280.0	-5.3	2.0	4.0
Power Systems	1,008.2	1,035.0	1,110.0	890.7	960.0	960.0	56.7	55.0	55.0
Machinery & Steel Structures	469.0	470.0	490.0	511.6	470.0	480.0	2.9	7.0	11.0
Aerospace	543.3	520.0	590.0	495.0	490.0	500.0	14.4	13.0	13.0
GM & SV	437.5	450.0	450.0	431.1	450.0	460.0	16.6	17.0	20.0
Air-Con	197.4	180.0	200.0	198.5	180.0	200.0	3.2	4.0	6.0
Industrial	221.7	240.0	230.0	219.3	220.0	230.0	11.4	11.0	12.0
Mass and Medium-lot Manufactured Machinery	856.6	870.0	880.0	849.0	850.0	890.0	31.3	32.0	38.0
Others	83.0	95.0	90.0	74.8	60.0	90.0	8.8	6.0	9.0
Total	3,274.7	3,300.0	3,500.0	3,068.5	3,100.0	3,200.0	108.9	115.0	130.0

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

[Non-consolidated]

Summary of Forecast for Third Quarter FY2007

(In billion yen)

	FY2006 (Actual)	FY2007 (Previous Forecast) '07.10.31	FY2007 (Forecast)
Orders received	2,586.6	2,550.0	2,750.0
Net sales	2,426.6	2,450.0	2,500.0
Operating income	71.6	80.0	90.0
Ordinary income	57.4	60.0	65.0
Net income	39.5	40.0	42.0