

## MHI ANNOUNCES FY2007 CONSOLIDATED FINANCIAL RESULTS

Tokyo, April 28, 2008 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for fiscal year (FY) 2007 ended March 31, 2008.

(billions of yen)

	<b>FY2007</b>	FY2006	Changes (%)
Orders Received	<b>3,715.2</b>	3,274.7	13.5
Net Sales	<b>3,203.0</b>	3,068.5	4.4
Operating Income	<b>136.0</b>	108.9	24.9
Ordinary Income	<b>109.5</b>	83.0	31.9
Income Before Income Taxes and Minority Interests	<b>101.3</b>	83.7	21.1
Net Income	<b>61.3</b>	48.8	25.6
Operation Cash Flow	<b>161.8</b>	158.7	—
Investment Cash Flow	<b>—193.0</b>	—158.6	—
Financing Cash Flow	<b>71.2</b>	48.7	—
Net Income Per Share	<b>18.28 yen</b>	14.56 yen	25.6

Consolidated financial results (continued)

**Orders Received by Operational Segment**

(billions of yen)

	<b>FY2007</b>	FY2006	Differences
Shipbuilding & Ocean Development	<b>353.6</b> (9.5)	314.2 (9.6)	39.3
Power Systems	<b>1,214.9</b> (32.7)	1,008.2 (30.8)	206.6
Machinery & Steel Structures	<b>557.3</b> (15.0)	469.0 (14.3)	88.3
Aerospace	<b>615.8</b> (16.6)	543.3 (16.6)	72.4
Mass and Medium-Lot Manufactured Machinery	<b>901.7</b> (24.3)	856.6 (26.2)	45.0
Others	<b>71.7</b> (1.9)	83.0 (2.5)	-11.3
<b>TOTAL</b>	<b>3,715.2</b> (100.0)	3,274.7 (100.0)	440.4

Figures in parentheses represent percentage of the segment's orders in total orders.

**Sales by Operational Segment**

(billions of yen)

	<b>FY2007</b>	FY2006	Differences
Shipbuilding & Ocean Development	<b>283.9</b> (8.9)	247.1 (8.1)	36.8
Power Systems	<b>946.9</b> (29.6)	890.7 (29.0)	56.2
Machinery & Steel Structures	<b>472.5</b> (14.7)	511.6 (16.7)	-39.1
Aerospace	<b>500.5</b> (15.6)	495.0 (16.1)	5.5
Mass and Medium-Lot Manufactured Machinery	<b>913.6</b> (28.5)	849.0 (27.7)	64.5
Others	<b>85.4</b> (2.7)	74.8 (2.4)	10.5
<b>TOTAL</b>	<b>3,203.0</b> (100.0)	3,068.5 (100.0)	134.5

Figures in parentheses represent percentage of each segment's sales in total sales.

## Consolidated financial results (continued)

### Operating Income (Loss) by Operational Segment (billions of yen)

	FY2007	FY2006	Differences
Shipbuilding & Ocean Development	4.0	-5.3	9.4
Power Systems	58.2	56.7	1.5
Machinery & Steel Structures	11.3	2.9	8.4
Aerospace	14.6	14.4	0.2
Mass and Medium-Lot Manufactured Machinery	40.0	31.3	8.6
Others	7.6	8.8	-1.1
<b>TOTAL</b>	<b>136.0</b>	<b>108.9</b>	<b>27.1</b>

### Estimate of Consolidated Financial Results for FY 2008

For the fiscal year 2008 ending March 31, 2009, MHI is expecting 3,200 billion yen in net sales, 120 billion yen in operating income, 90 billion yen in ordinary income, and 54 billion yen in net income. This estimate is based on the assumption of currency exchange rate of US\$ 1.00 = ¥100 and €1.00 = ¥150 for the portion yet to be fixed.

This estimate has been projected with currently available information and data. Therefore please be advised that the actual results may diverge broadly with the influence of the variety of the outside factors such as economics surrounding MHI or currency exchange rate fluctuation.

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# CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2007		FY2006		Increase (Decrease)	
Net sales		3,203,085		3,068,504	134,580	4.4%
Cost of sales		2,753,951		2,681,867	72,083	
<b>Gross profit</b>	14.0%	449,134	12.6%	386,636	62,497	16.2%
Selling, general and administrative expenses		313,103		277,724	35,379	
<b>Operating income</b>	4.2%	136,030	3.5%	108,912	27,117	24.9%
<b>Non-operating income:</b>						
Interest and dividend income		14,558		13,002	1,556	
Equity in earnings of unconsolidated subsidiaries and affiliates		8,224		8,662	(438)	
Other income		5,425		3,000	2,425	
<b>Total non-operating income</b>		28,208		24,665	3,543	
<b>Non-operating expenses:</b>						
Interest expense		20,288		17,810	2,478	
Foreign exchange losses		10,784		12,992	(2,208)	
Losses on disposal of fixed assets		7,344		6,507	837	
Other expenses		16,317		13,218	3,098	
<b>Total non-operating expenses</b>		54,734		50,528	4,206	
<b>Ordinary income</b>	3.4%	109,504	2.7%	83,048	26,455	31.9%
<b>Extraordinary income:</b>						
Gains on sales of fixed assets		18,467		9,763	8,704	
Gains on transfer of business		3,664		-	3,664	
Gains on sales of investment securities		-		8,901	(8,901)	
<b>Total extraordinary income</b>		22,132		18,664	3,467	
<b>Extraordinary expenses:</b>						
Business improvement and restructuring charges		30,261		10,742	19,518	
Losses on revaluation of investment securities		-		5,227	(5,227)	
Prior service cost due to change in defined interest rate of employee retirement annuity		-		2,032	(2,032)	
<b>Total extraordinary expenses</b>		30,261		18,002	12,258	
<b>Income before income taxes and minority interests</b>	3.2%	101,375	2.7%	83,711	17,664	21.1%
Income taxes:						
Current		58,889		33,087	25,801	
Deferred		(20,612)		3,162	(23,775)	
Minority interests		1,765		(1,378)	3,144	
<b>Net income</b>	1.9%	61,332	1.6%	48,839	12,493	25.6%

# CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

	As of Mar.31, 2008	As of Mar.31, 2007	Increase (Decrease)
<b><u>ASSETS</u></b>			
<b>Current assets:</b>			
Cash and deposits	274,885	244,233	30,652
Trade receivables	1,086,580	1,166,702	(80,121)
Securities	3,569	2,772	797
Inventories	1,164,853	1,048,586	116,267
Deferred income taxes	114,548	87,742	26,806
Other current assets	298,125	245,214	52,910
Allowance for doubtful receivables	(5,677)	(7,935)	2,258
<b>Total current assets</b>	<b>2,936,886</b>	<b>2,787,315</b>	<b>149,571</b>
<b>Fixed assets:</b>			
<b>Property, plant and equipment:</b>			
Buildings and structures	316,559	307,004	9,554
Machinery and transportation equipment	272,442	238,260	34,182
Tools, equipment and furniture	82,779	78,657	4,122
Land	153,615	144,422	9,192
Construction in progress	50,256	56,399	(6,143)
Subtotal	875,653	824,744	50,909
<b>Intangible fixed assets:</b>			
Software and others	29,037	33,444	(4,406)
Subtotal	29,037	33,444	(4,406)
<b>Investments and advances:</b>			
Investment securities	609,248	674,932	(65,684)
Deferred income taxes	7,411	6,309	1,102
Other assets	77,401	80,818	(3,417)
Allowance for doubtful accounts	(18,490)	(15,699)	(2,790)
Subtotal	675,570	746,360	(70,790)
<b>Total fixed assets</b>	<b>1,580,261</b>	<b>1,604,549</b>	<b>(24,287)</b>
<b>TOTAL ASSETS</b>	<b>4,517,148</b>	<b>4,391,864</b>	<b>125,283</b>

## CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Mar.31, 2008	As of Mar.31, 2007	Increase (Decrease)
<b><u>LIABILITIES</u></b>			
<b>Current liabilities:</b>			
Trade payables	733,500	746,591	(13,090)
Bank loans	319,217	354,275	(35,057)
Current portion of debentures	40,300	52,682	(12,382)
Reserve for product warranties	23,660	21,224	2,436
Reserve for losses on construction contracts	6,893	9,535	(2,642)
Advance payments received on contracts	469,285	394,932	74,352
Other current liabilities	233,037	228,170	4,866
<b>Total current liabilities</b>	<b>1,825,894</b>	<b>1,807,411</b>	<b>18,482</b>
<b>Long-term liabilities:</b>			
Debentures	286,057	196,605	89,452
Long-term debt	719,818	670,009	49,809
Deferred tax liabilities	94,134	120,617	(26,483)
Reserve for retirement allowance	89,936	98,497	(8,561)
Reserve for treatment of PCB waste	4,300	4,169	131
Other long-term liabilities	56,577	48,116	8,460
<b>Total long-term liabilities</b>	<b>1,250,824</b>	<b>1,138,016</b>	<b>112,807</b>
<b>TOTAL LIABILITIES</b>	<b>3,076,719</b>	<b>2,945,428</b>	<b>131,290</b>
<b><u>NET ASSETS</u></b>			
<b>Stockholders' equity:</b>			
Common stock	265,608	265,608	0
Capital surplus	203,893	203,879	14
Retained earnings	787,007	744,562	42,444
Treasury stock	(5,045)	(5,063)	18
<b>Total stockholders' equity</b>	<b>1,251,464</b>	<b>1,208,987</b>	<b>42,477</b>
<b>Valuation, translation adjustments and others:</b>			
Net unrealized gains on investment securities	157,546	212,165	(54,619)
Deferred gains or losses on hedges	7,346	657	6,688
Foreign currency translation adjustments	3,847	6,211	(2,364)
<b>Total valuation, translation adjustments and others</b>	<b>168,739</b>	<b>219,034</b>	<b>(50,295)</b>
<b>Share subscription rights</b>	<b>549</b>	<b>293</b>	<b>255</b>
<b>Minority interests</b>	<b>19,676</b>	<b>18,120</b>	<b>1,555</b>
<b>TOTAL NET ASSETS</b>	<b>1,440,429</b>	<b>1,446,436</b>	<b>(6,006)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>4,517,148</b>	<b>4,391,864</b>	<b>125,283</b>

## Consolidated Statements of Changes in Net Assets

### 1.Results for the Period from April 1, 2007 to March 31, 2008

(Millions of Yen)

	Stockholders' equity					Valuation, translation adjustments and others				Share subscription rights	Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Net unrealized gains on investment securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation, translation adjustments and others			
<b>Balance as of March 31, 2007</b>	265,608	203,879	744,562	(5,063)	1,208,987	212,165	657	6,211	219,034	293	18,120	1,446,436
<b>Changes in the period</b>												
Cash dividends			(20,135)		(20,135)							(20,135)
Net income			61,332		61,332							61,332
Change of scope of consolidation and equity method*			1,247		1,247							1,247
Purchase of treasury stock				(118)	(118)							(118)
Disposal of treasury stock		14		136	151							151
Net changes in items other than stockholders' equity						(54,619)	6,688	(2,364)	(50,295)	255	1,555	(48,483)
<b>Total changes in the period</b>	—	14	42,444	18	42,477	(54,619)	6,688	(2,364)	(50,295)	255	1,555	(6,006)
<b>Balance as of March 31, 2008</b>	265,608	203,893	787,007	(5,045)	1,251,464	157,546	7,346	3,847	168,739	549	19,676	1,440,429

\*523 million yen out of 1,247 million yen increase is due to the fact that one of our equity method affiliate changed its scope of consolidation.

### 2.Results for the Period from April 1, 2006 to March 31, 2007

(Millions of Yen)

	Stockholders' equity					Valuation, translation adjustments and others				Share subscription rights	Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Net unrealized gains on investment securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation, translation adjustments and others			
<b>Balance as of March 31, 2006</b>	265,608	203,864	718,479	(5,154)	1,182,798	193,372	—	117	193,490	—	17,770	1,394,060
<b>Changes in the period</b>												
Cash dividends*			(23,488)		(23,488)							(23,488)
Bonuses to directors and statutory auditors**			(110)		(110)							(110)
Net income			48,839		48,839							48,839
Change of scope of consolidation and equity method			841		841							841
Purchase of treasury stock				(92)	(92)							(92)
Disposal of treasury stock		14		183	198							198
Net changes in items other than stockholders' equity						18,792	657	6,093	25,544	293	349	26,188
<b>Total changes in the period</b>	—	14	26,082	90	26,188	18,792	657	6,093	25,544	293	349	52,376
<b>Balance as of March 31, 2007</b>	265,608	203,879	744,562	(5,063)	1,208,987	212,165	657	6,211	219,034	293	18,120	1,446,436

\*13,421 million yen out of 23,488 million yen is due to the appropriation of earnings for the previous fiscal year.

\*\*This item is due to the appropriation of earnings for the previous fiscal year.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

	FY 2007	FY 2006	Differences
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	101,375	83,711	17,664
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	128,260	106,608	21,652
Decrease in reserve for retirement allowance	(8,554)	(12,441)	3,886
Interest and dividend income	(14,558)	(13,002)	(1,556)
Interest expense	20,288	17,810	2,478
Equity in earnings of unconsolidated subsidiaries and affiliates	(8,224)	(8,662)	438
Gains on sales of investment securities	-	(8,901)	8,901
Losses on revaluation of investment securities	-	5,227	(5,227)
Gains on sales of fixed assets	(18,467)	(9,763)	(8,704)
Losses on disposal of fixed assets	7,344	6,507	837
Business improvement and restructuring charges	30,261	10,742	19,518
Gains on transfer of business	(3,664)	-	(3,664)
Prior service cost due to change in defined interest rate of employee retirement annuity	-	2,032	(2,032)
(Increase) decrease in receivables	80,076	(63,857)	143,933
(Increase) decrease in inventories and advances to suppliers	(140,789)	(110,540)	(30,248)
(Increase) decrease in other assets	(3,559)	(4,275)	716
Increase (decrease) in payables	(14,683)	69,459	(84,143)
Increase (decrease) in advance payments received on contracts	76,971	59,140	17,831
Increase (decrease) in other liabilities	(17,543)	41,260	(58,804)
Others	(504)	(1,274)	769
Subtotal	214,027	169,780	44,246
Interest and dividends received	16,240	20,525	(4,285)
Interest paid	(20,068)	(17,090)	(2,978)
Payments for income taxes	(48,375)	(14,494)	(33,881)
Net cash provided by operating activities	161,823	158,721	3,101
<b>Cash flows from investing activities:</b>			
Net decrease in time deposits	2,903	1,690	1,213
Proceeds from sales and redemption of marketable securities	793	59	734
Purchases of property, plant, equipment and intangible assets	(194,660)	(174,396)	(20,263)
Proceeds from sales of property, plant, equipment and intangible assets	15,100	15,407	(306)
Purchases of investment securities	(28,366)	(15,295)	(13,070)
Proceeds from sales and redemption of investment securities	8,986	11,733	(2,747)
Disbursement of long-term loans	(1,956)	(2,496)	539
Collection of long-term loans	1,142	3,961	(2,818)
Others	3,000	682	2,317
Net cash used in investing activities	(193,055)	(158,653)	(34,401)
<b>Cash flows from financing activities:</b>			
Net decrease in bank loans	(56,816)	(19,201)	(37,615)
Proceeds from long-term debt	132,219	161,789	(29,569)
Repayment of long-term debt	(60,402)	(105,941)	45,539
Proceeds from issuance of bonds	130,000	35,819	94,181
Payment for redemption of bonds	(52,656)	(300)	(52,356)
Dividends paid to stockholders	(20,078)	(23,400)	3,322
Dividends paid to minority stockholders of subsidiaries	(712)	(529)	(183)
Others	(324)	494	(819)
Net cash provided by (used in) financing activities	71,228	48,730	22,498
Effect of exchange rate changes on cash and cash equivalents	(5,339)	2,032	(7,372)
<b>Net increase in cash and cash equivalents</b>	<b>34,657</b>	<b>50,830</b>	<b>(16,173)</b>
Cash and cash equivalents at beginning of year	227,584	176,274	51,310
Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries	610	479	130
Cash and cash equivalents at end of year	262,852	227,584	35,267