



Outline of First Quarter FY2006 Financial Results

August 2006

 **MITSUBISHI HEAVY INDUSTRIES, LTD.**

< Table of Contents >

I. First Quarter FY2006 Financial Results

• Summary of First Quarter Financial Results (1)	4
• Summary of First Quarter Financial Results (2)	5
• Components of Change in Income Before Income Taxes	6
• Financial Results by Business Segment	7
<Shipbuilding & Ocean Development>	8
<Power Systems>	9
<Machinery & Steel Structure>	10
<Aerospace>	11
<Mass and Medium-lot Manufactured Machinery>	12
<Others>	13
• Balance Sheets	14
<Reference > (Non-consolidated) Summary of First Quarter FY2006 Financial Results	15

II. Forecasts for FY2006

• Summary of Forecasts for FY2006	17
<Reference > (Non-consolidated) Summary of Forecasts for FY2006	18

I. Summary of First Quarter FY2006 Financial Results

Summary of First Quarter Financial Results (1)

(In billion yen)

	1QFY2005	1QFY2006	Change
Orders received	530.6	535.1	+4.5
Net sales	536.0	585.5	+49.4
Operating income	4.3	17.2	+12.9
Ordinary income	5.7	13.3	+7.5
Extraordinary income	–	1.8	+1.8
Income before income taxes	5.7	15.2	+9.4
Net income	4.3	9.2	+4.8

Summary of First Quarter Financial Results (2)

Orders received ⇒ Almost flat YoY (\530.6bn → \535.1bn)

- Although order trends vary by segment, order growth generally remained strong in both domestic and overseas markets, reflecting customers' willingness to invest in facilities.

Net sales ⇒ Up \49.4 billion YoY (\ 536.0bn → \585.5bn)

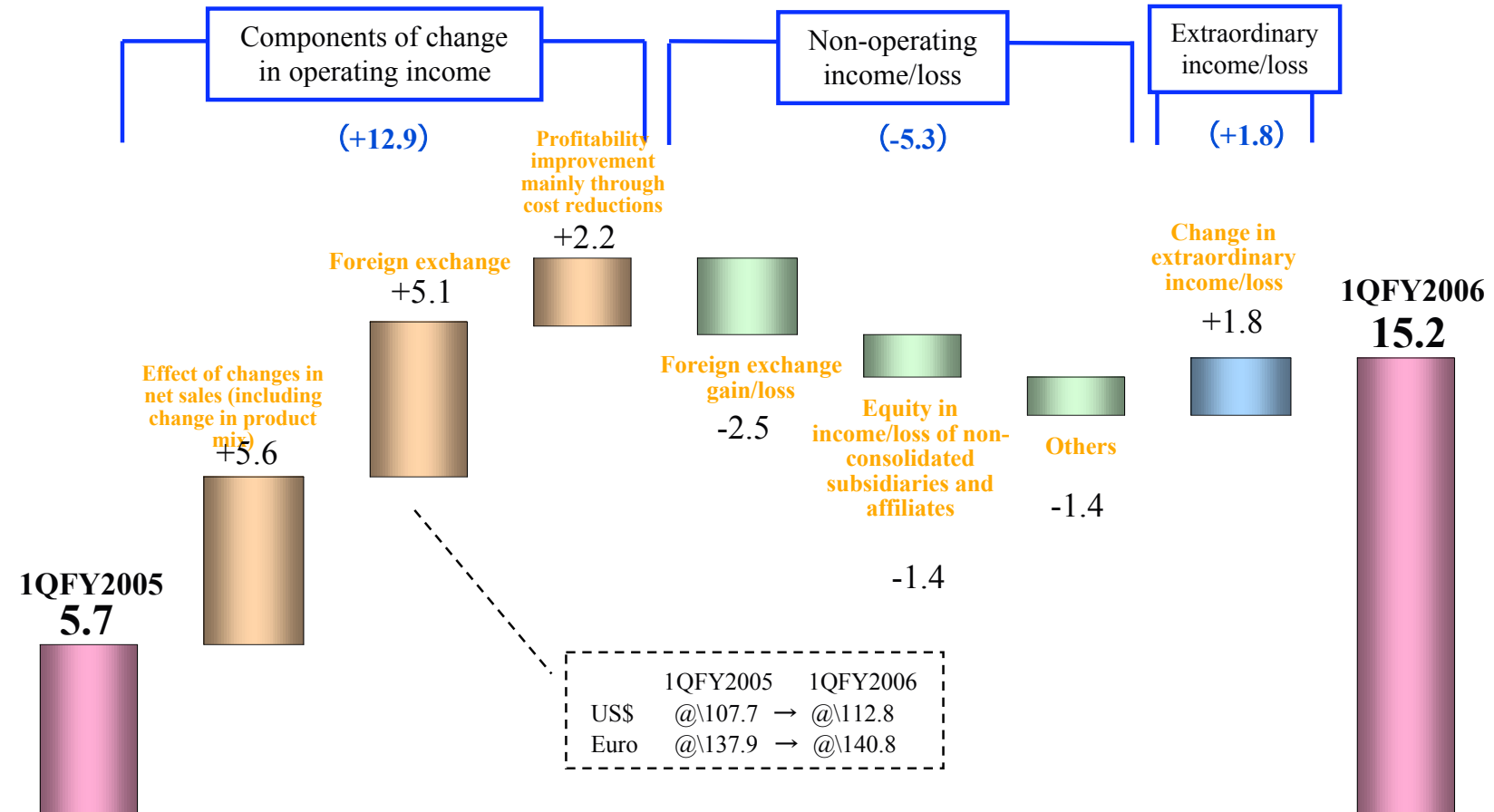
- Power Systems business and other segments recorded steady sales growth, resulting in Group net sales of \585.5 billion, an increase of \49.4 billion year-on-year.

Net income ⇒ Up \4.8 billion YoY (\4.3bn → \9.2bn)

- In terms of earnings, operating income and ordinary income were \17.2 billion and \13.3 billion respectively, showing a year-on-year increase of \12.9 billion and \7.5 billion, respectively.
- In addition to the sales increase, favorable foreign exchange rates, the effect of cost cuts and other factors contributed to improved earnings.
- After recognizing an extraordinary gain of \1.8 billion on sale of investment securities, net income for the period was \9.2 billion, an increase of \4.8 billion from a year earlier period.

Components of Change in Income Before Income Taxes

Up ¥9.4 billion YoY (¥5.7 billion → ¥15.2 billion)



Financial Results by Business Segment

(In billion yen)

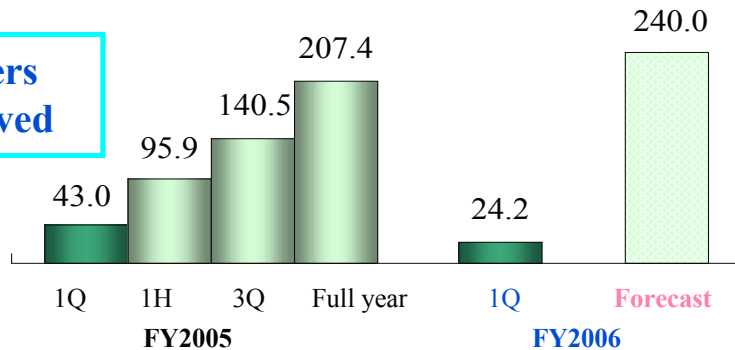
	Orders received		Net sales		Operating income	
	1QFY2005	1QFY2006	1QFY2005	1QFY2006	1QFY2005	1QFY2006
Shipbuilding & Ocea Development	43.0	24.2	42.7	61.2	- 0.7	0.5
Power Systems	149.4	154.8	138.2	172.1	4.0	10.2
Machinery & Steel Structure	95.0	71.8	105.5	83.4	- 2.5	- 0.2
Aerospace	50.0	70.2	62.0	69.2	0.4	0.3
GM&SV	78.6	90.8	84.7	96.0	-	3.0
Air-Con	48.6	50.2	47.8	49.6	-	1.8
Industrial	45.1	50.7	37.5	39.2	-	0.4
Mass and Medium-lc Manufactured	172.4	191.7	170.0	184.9	1.7	5.3
Others	20.4	22.3	17.3	14.5	1.3	0.9
Total	530.6	535.1	536.0	585.5	4.3	17.2

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

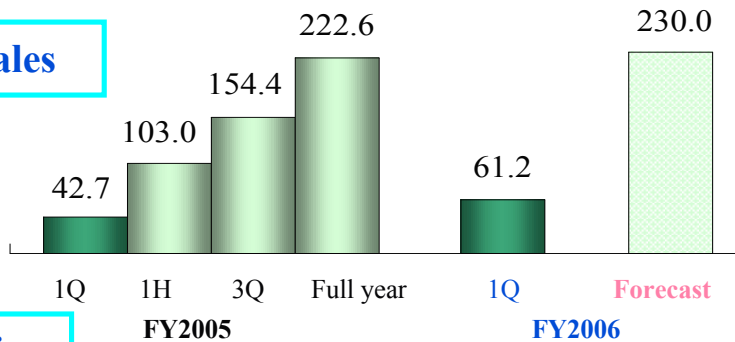
〈Shipbuilding & Ocean Development〉

(Cumulative in billion yen)

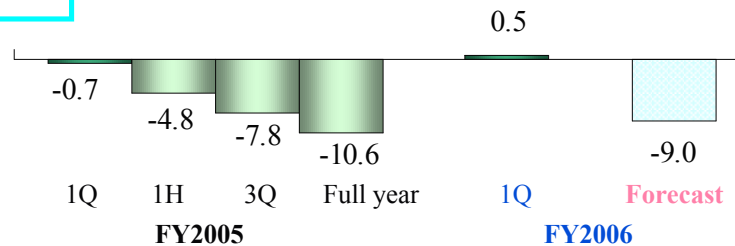
Orders Received



Net Sales



Operating Income



Orders received :

- Orders were received for two pure car carriers.
- Helped by the continued buoyancy in the shipping market, demand for new ships were maintained at high levels, and emphasis on order-taking activities was made mainly on LNG carriers, containerships and car ferries which are our specialty.

【Number of ship orders received】

1QFY2005 : 4 (FY2005: 19)

1QFY2006 : 2

【Order backlog : 56 (including 11 LNG carriers)】

Net sales・Earnings :

- A total of five ships were delivered, including one each of LNG carrier, containership and pure car carrier, and two patrol vessels.

【Number of ships delivered】

1QFY2005 : 2 (FY2005: 20)

1QFY2006 : 5

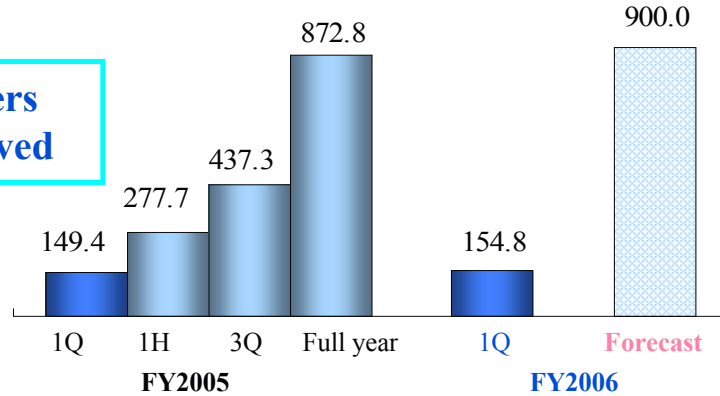
- Although the segment posted a positive operating result for the period, the level of operating income was low because sales were mainly from the orders received during the period of difficult pricing and also due to an impact of higher steel and other basic materials.

Forecasts for Full Year		
	Previous forecasts	Forecasts
Orders received:	240.0	240.0
Net sales:	230.0	230.0
Operating income:	-9.0	-9.0

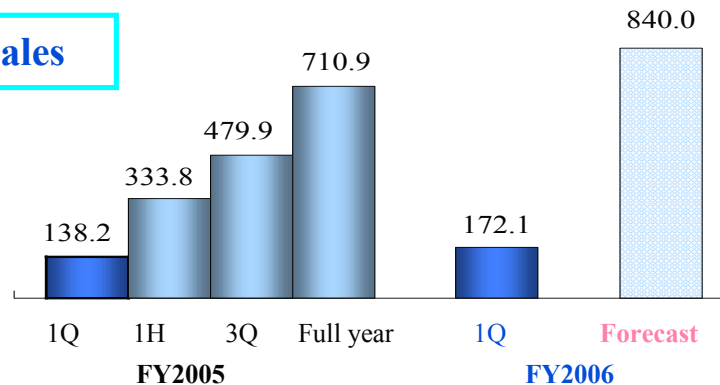
〈Power Systems〉

(Cumulative in billion yen)

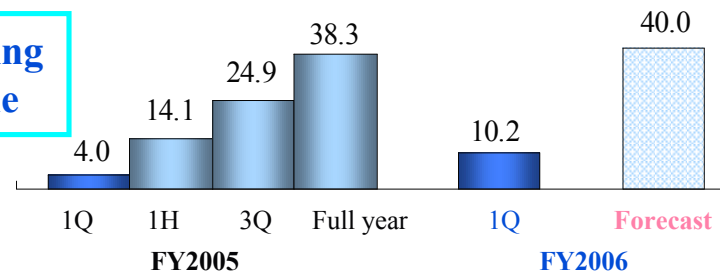
Orders Received



Net Sales



Operating Income



Orders received:

- In addition to solid orders for gas turbine combined-cycle (GTCC) systems from overseas customers, orders for wind power generation systems were solid in the U.S. and other markets.

【Gas turbine order backlog (Non-consolidated)】

At the end of 1QFY2005 : 1Q: 70 (At the end of FY2005: 75)

At the end of 1QFY2006 : 1Q: 78

Net sales・Earnings:

- Reflecting the favorable trend in orders since fiscal 2003, net sales were maintained at high levels.
- Higher earnings were achieved compared with a year earlier period due mainly to higher sales.

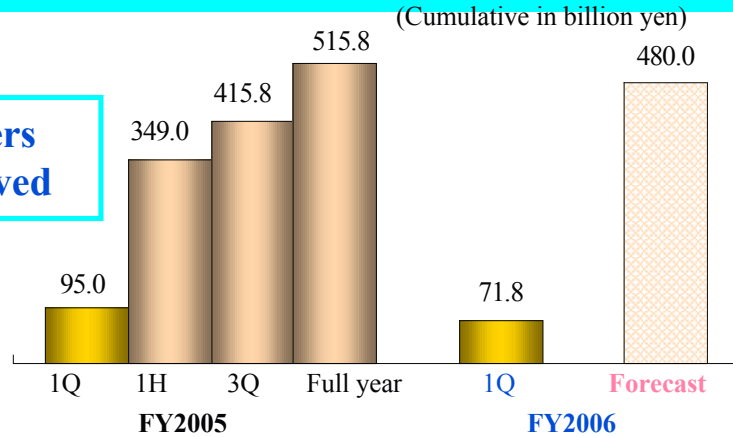
Forecasts for Full Year

	Previous forecasts	Forecasts
Orders received:	900.0	900.0
Net sales:	840.0	840.0
Operating income:	40.0	40.0

〈Machinery & Steel Structures〉

(Cumulative in billion yen)

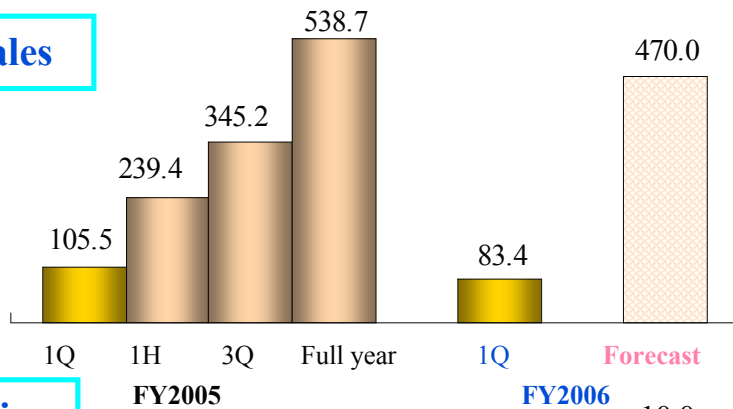
Orders Received



Orders received:

- Although orders declined year-on-year, aggressive order-taking activity was made mainly in transportation system, plants and wind power equipment.

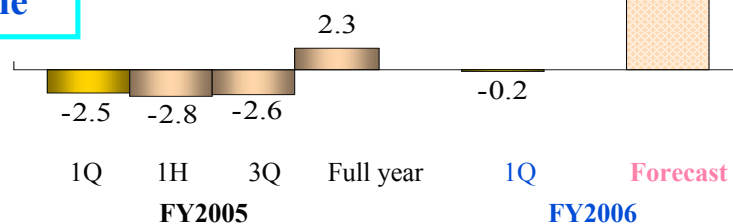
Net Sales



Net sales • Earnings:

- Although steel production equipment and other products reported sales growth, transportation system and waste disposal equipment, etc. saw a sales decline from the high levels seen a year earlier.
- In terms of earnings, a net loss was narrowed year-on-year despite negative factors including lower sales.

Operating Income



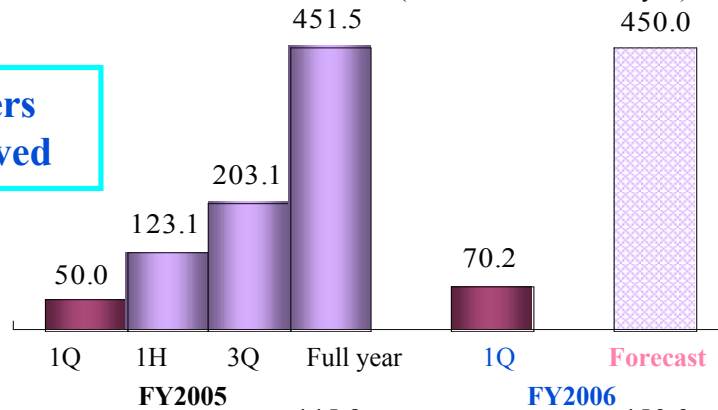
Forecasts for Full Year

	Previous forecasts	Forecasts
Orders received:	480.0	480.0
Net sales:	470.0	470.0
Operating income:	10.0	10.0

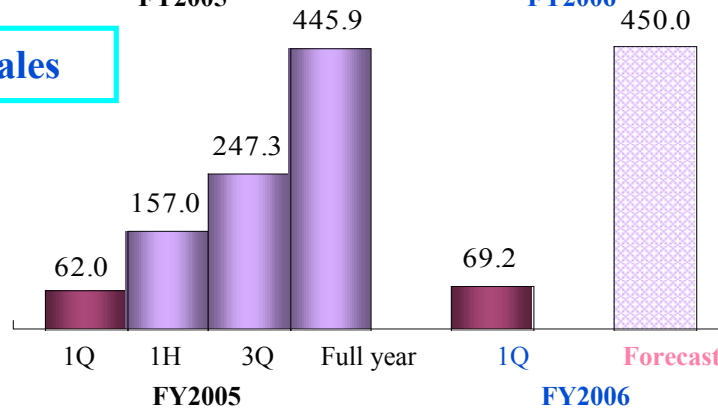
〈Aerospace〉

(Cumulative in billion yen)

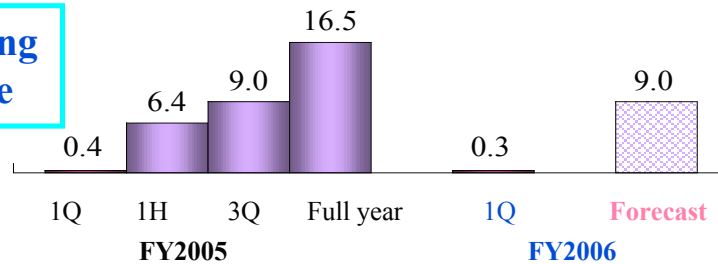
Orders Received



Net Sales



Operating Income



Orders received :

- Orders from the defense sector were flat while demand for civil aircraft was strong.

Net sales • Earnings :

- Net sales were slightly higher owing primarily to increased deliveries of civil aircraft, mainly B777 models.

【Number of B777s delivered】

1QFY2005 : 12 (FY2005 total: 49)

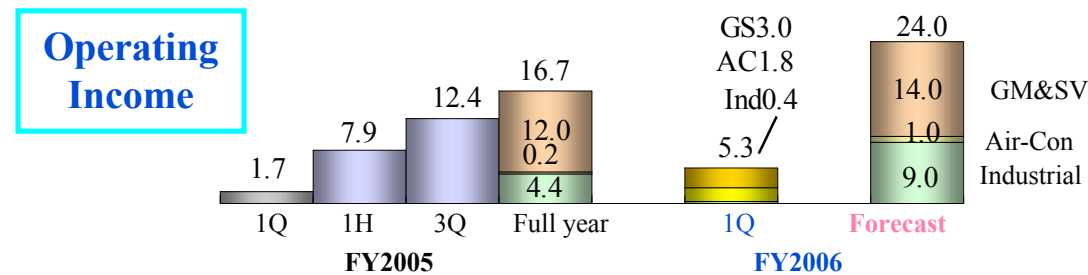
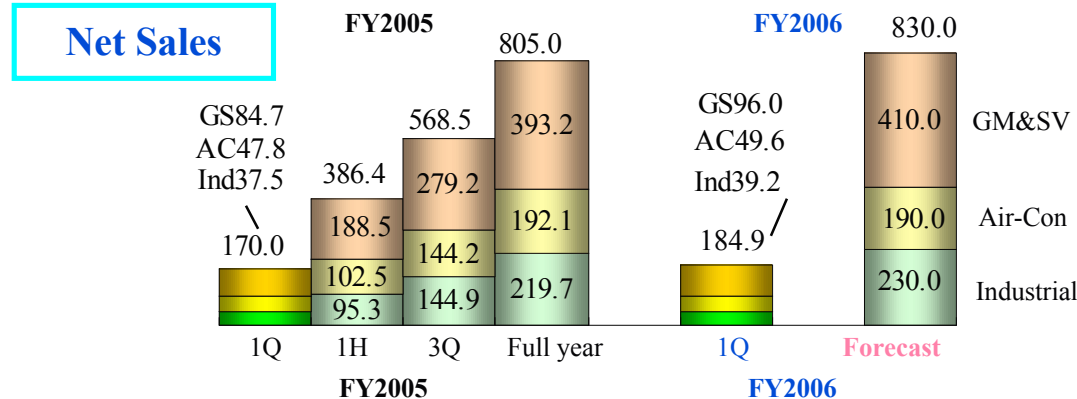
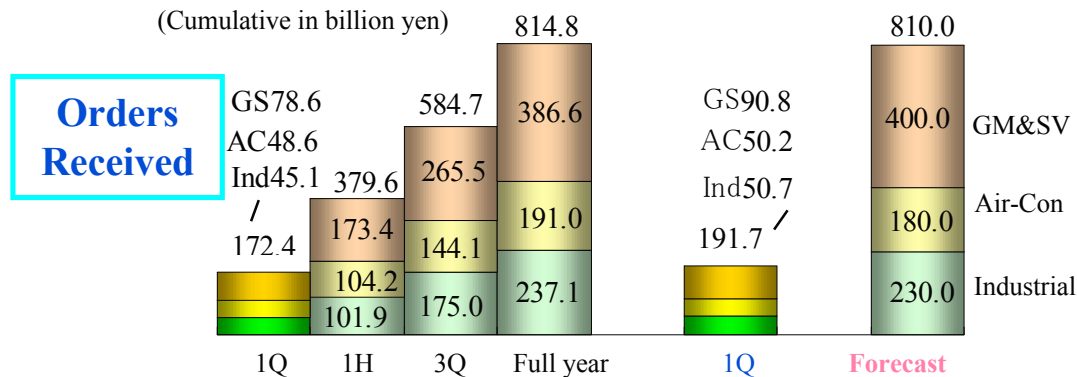
1QFY2006 : 15

- As with previous fiscal years, lower 1Q sales resulted in a low level in operating income.

Forecasts for Full Year

	Previous forecasts	Forecasts
Orders received:	450.0	450.0
Net sales:	450.0	450.0
Operating income:	9.0	9.0

Mass and Medium-lot Manufactured Machinery



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

Orders received: Up \19.3 billion YoY (\172.4bn → \191.7bn)

- GM&SV: Orders for forklifts, medium and small engines and turbochargers all increased
- Air-Con: Almost flat YoY
- Industrial: Sales increased mainly in machine tools and industrial equipment

Net sales • Earnings: Increased earnings (+\3.6bn YoY) on increased sales (+\14.8bn)

- GM&SV: Forklifts, medium and small engines and turbochargers all recorded sales increases
- Air-Con: Almost flat YoY
- Industrial: Sales increased mainly in machine tools and industrial equipment

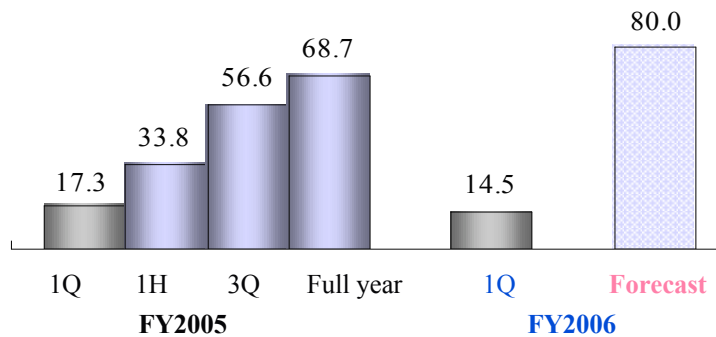
In terms of earnings for the segment as a whole, despite the impact of rising basic material costs, earnings were higher than a year earlier period partly due to sales increases, improved profitability and a favorable foreign exchange rate.

		Forecasts for Full Year	
		Previous forecasts	Forecasts
Orders received:	GM&SV:	400.0	400.0
	Air-Con:	180.0	180.0
	Industrial:	230.0	230.0
	Total:	810.0	810.0
Net sales:	GM&SV:	410.0	410.0
	Air-Con:	190.0	190.0
	Industrial:	230.0	230.0
	Total:	830.0	830.0
Operating income:	GM&SV:	14.0	14.0
	Air-Con:	1.0	1.0
	Industrial:	9.0	9.0
	Total:	24.0	24.0

〈Others〉

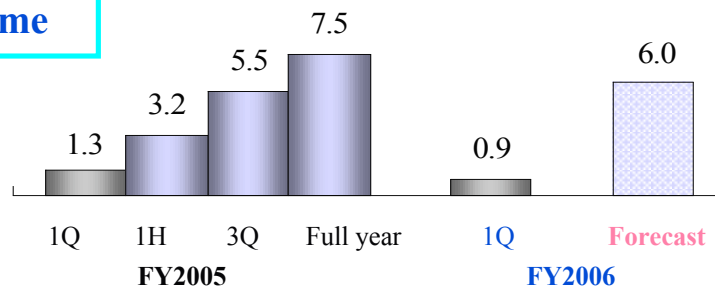
(Cumulative in billion yen)

Net Sales



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

Operating Income



Forecasts for Full Year

	Previous forecasts	Forecasts
Net sales:	80.0	80.0
Operating income:	6.0	6.0

Balance Sheets

(In billion yen)

	As of '06.3.31	As of '06.6.30	Change
Assets			
Trade receivables	1,097.4	944.5	△151.9
Inventories	971.5	1,072.8	101.3
Other current assets	474.5	538.2	62.7
Total current assets	2,543.4	2,556.5	12.1
Total fixed assets	1,503.6	1,452.9	△49.7
Total assets	4,047.1	4,010.4	△36.7
Liabilities			
Trade payables	669.6	612.2	△56.4
Advances received	334.8	427.3	91.5
Other current liabilities	622.1	586.7	△34.4
Total current liabilities	1,626.6	1,627.2	1.6
Total long-term liabilities	1,026.3	1,020.2	△6.1
Total liabilities	2,653.0	2,648.4	△4.6
Net assets			
Shareholders' capital	1,182.7	1,178.8	△3.9
Valuation and translation ad	193.4	165.6	△27.8
Minority interests	17.7	17.4	△0.3
Total net assets	1,395.8	1,362.8	△32.0
Total liabilities and net assets	4,049.8	4,012.2	△37.6
Balance of interest-bearing debts	1,198.6	1,164.3	△33.3

Investment se △49.3 他

With the Corporate Law (2005 Law No.86) taking effect in May 2006, "total shareholders' equity" and "minority interests", which had been presented separately, were presented in combination under "net assets" starting fiscal 2006. In this balance sheet, numbers at the end of fiscal 2005 are presented under the new method of presentation.

< Reference >

[Non-consolidated] Summary of First Quarter FY2006 Financial Results

Dramatic Technologies

Tomorrow created here



(In billion yen)

	1QFY2005	1QFY2006	Change
Orders received	372.4	392.9	+ 20.4
Net sales	427.0	450.6	+ 23.5
Operating income	1.2	13.0	+ 11.8
Ordinary income	5.6	12.8	+ 7.1
Extraordinary income	-	1.8	+ 1.8
Income before income taxes	5.6	14.7	+ 9.0
Net income	5.1	10.2	+ 5.1

II. Forecasts for FY2006

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 Forecasts 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

◇Prerequisite exchange rates: \$1.00 = @\112, 1 Euro = @\138
 (Currency exposure remained : \$1.5 billion, 200 million Euro)

< Reference >

[Non-consolidated] Summary of Forecasts for FY2006

Dramatic Technologies

Tomorrow created here



(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
Income before income taxes	35.3	50.0
Net income	26.1	30.0

◇Planned interim and annual dividends are ¥3 and ¥6 per share respectively.