

Outline of Third Quarter FY2006
Financial Results

February 2007

 **MITSUBISHI HEAVY INDUSTRIES, LTD.**

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. Summary of Third Quarter FY2006 Financial Results

Summary of Third Quarter Financial Results (1)

(In billion yen)

	3Q FY2005	3Q FY2006	Changes
Orders received	1840.7	2015.1	+174.4
Net sales	1852.1	2048.6	+196.5
Operating income	41.4	73.7	+32.3
Ordinary income	30.4	57.5	+27.0
Extraordinary income	1.5	5.1	+3.6
Income before income taxes	32.0	62.7	+30.6
Net income	20.9	38.4	+17.4

Summary of Financial Results for Third Quarter (2)

Orders Received Up ¥ 174.4bn YoY (¥ 1,840.7bn ¥ 2,015.1bn)

- In Power Systems segment, orders received increased supported by strong orders in the U.S. for wind-driven electric power facilities and active deals for thermal electric power plants; Shipbuilding & Ocean Development segment received orders for 19 merchant ships; Aerospace segment enjoyed strong demand for commercial aircraft; and Mass & Medium-lot Manufactured Machinery segment saw healthy growth in overseas demand for forklifts and turbochargers.

As a result, total orders received increased year-on-year despite a decline in orders in Machinery & Steel Structures segment.

Net Sales Up ¥ 196.5bn YoY (¥ 1,852.1bn ¥ 2,048.6bn)

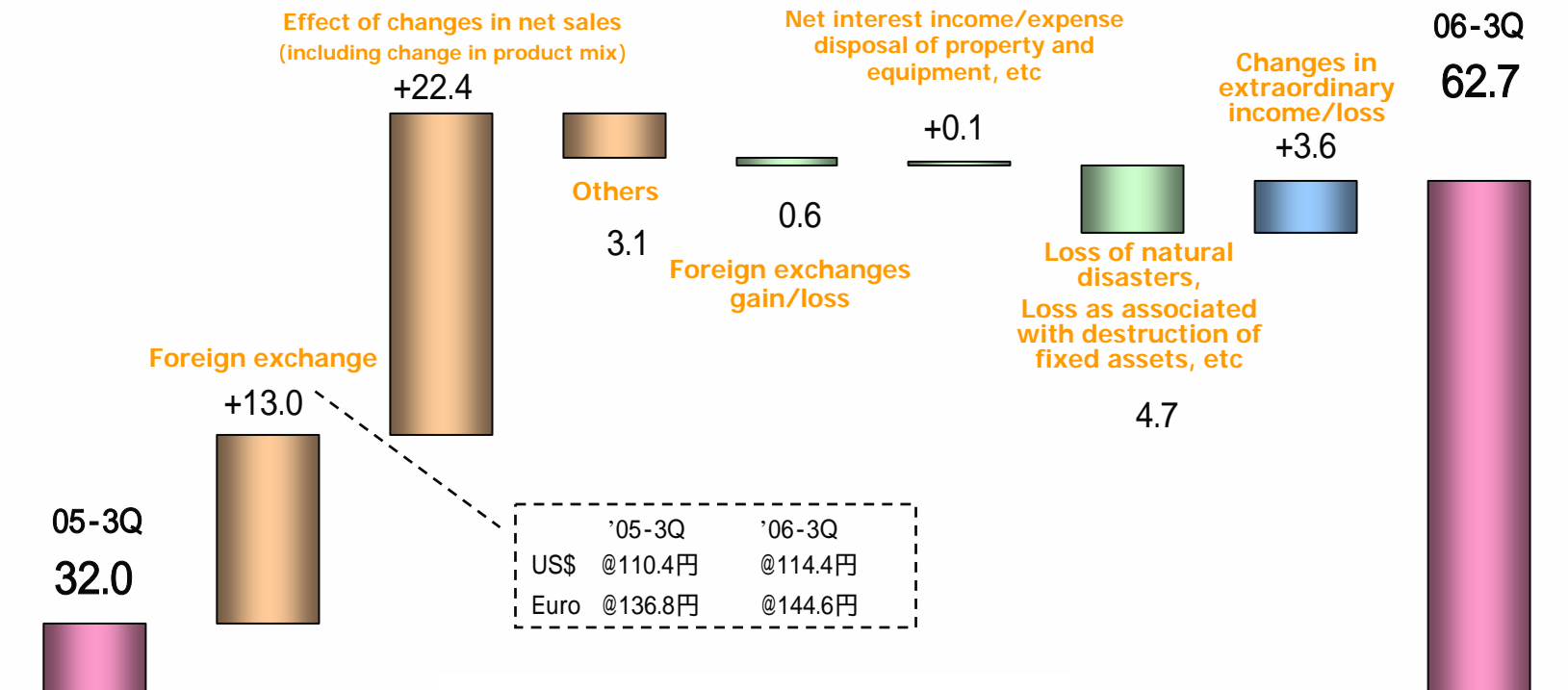
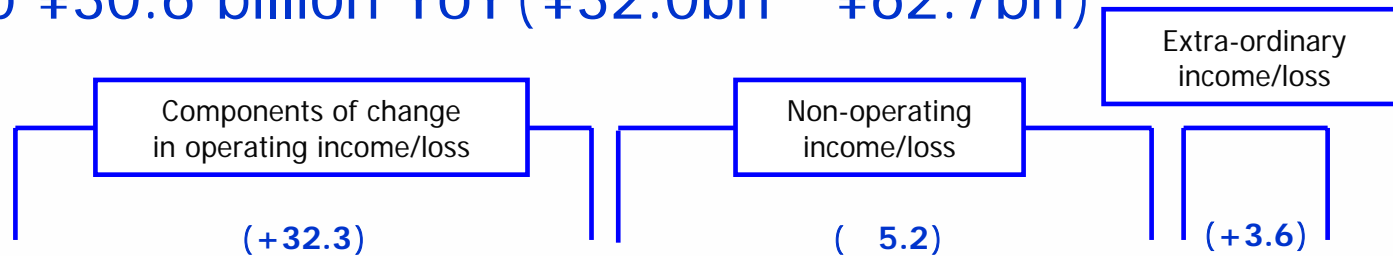
- Thanks to strong orders received in recent years, net sales increased year-on-year, reflecting growth in all categories except Machinery & Steel Structures segment.

Net Income Up ¥ 17.4bn YoY (¥ 20.9bn ¥ 38.4bn)

- Despite rising material costs and other unfavorable factors, net income grew year-on-year helped by increased sales, the weaker yen, as well as profitability improvement initiatives mainly focusing on cost reduction and efficiency improvement.

Components of change in Income before Income Taxes

Up ¥30.6 billion YoY (¥32.0bn → ¥62.7bn)



Ordinary Income and Extraordinary Income

- **Ordinary income** (+¥27.0billion YoY (¥30.4bn → ¥57.5bn))

	3Q FY2005	3Q FY2006	Changes
Operating Income	41.4	73.7	+ 32.3
Foreign exchange gain/loss	7.0	7.7	0.6
Net interest income/loss	2.3	1.3	+ 1.0
equity in income/loss of non-consolidated subsidiaries and affiliates	3.8	3.9	+ 0.1
Others	5.4	11.1	5.7
Non-operating income/loss	11.0	16.2	5.2
Ordinary income/loss	30.4	57.5	+ 27.0

- **Extraordinary Income** (+¥3.6billion YoY (¥1.5bn → ¥5.1bn))

	3Q FY2005	3Q FY2006	Changes
· Gain of sale of fixed assets	1.5	5.7	+ 4.1
· Gain of sale of investment securities	-	4.8	+ 4.8
Extraordinary income	1.5	10.5	+ 8.9
· Special expenses related to business improvement and restructuring	-	5.3	5.3
Extraordinary loss	-	5.3	5.3
Extraordinary income/loss	1.5	5.1	+ 3.6

Financial Results by Business Segment

(In billion yen)

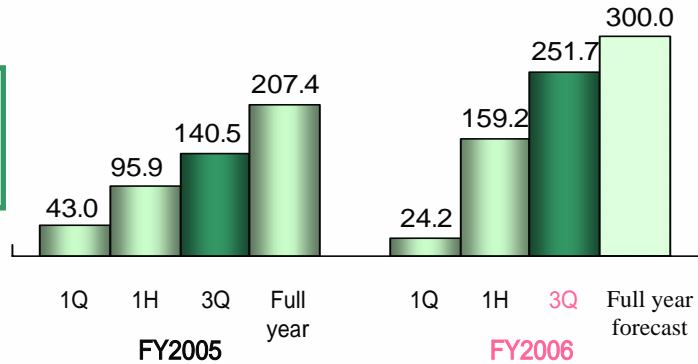
	Orders received		Net sales		Operating incomes	
	'05-3Q	'06-3Q	'05-3Q	'06-3Q	'05-3Q	'06-3Q
Shipbuilding & Ocean Development	140.5	251.7	154.4	196.1	7.8	3.1
Power Systems	437.3	544.8	479.9	600.3	24.9	44.2
Machinery & Steel Structures	415.8	291.3	345.2	314.2	2.6	3.5
Aerospace	203.1	250.7	247.3	281.3	9.0	6.1
GM & SV	265.5	305.0	279.2	307.1	-	14.0
Air-Con	144.1	149.6	144.2	148.3	-	2.5
Industrial	175.0	160.8	144.9	152.9	-	7.0
Mass and Medium-lot Manufactured Machinery	584.7	615.5	568.5	608.4	12.4	23.6
Others	59.1	60.8	56.6	48.0	5.5	6.3
Total	1,840.7	2,015.1	1,852.1	2,048.6	41.4	73.7

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

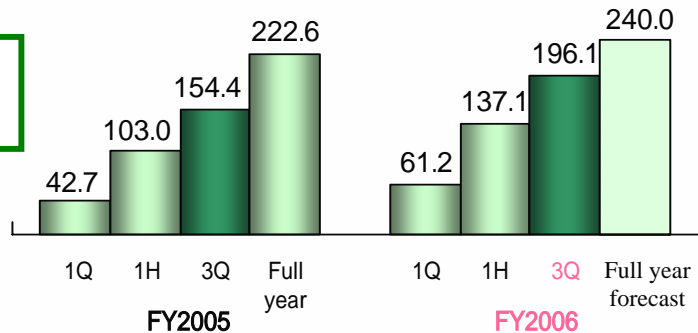
Shipbuilding & Ocean Development

(Cumulative in bn yen)

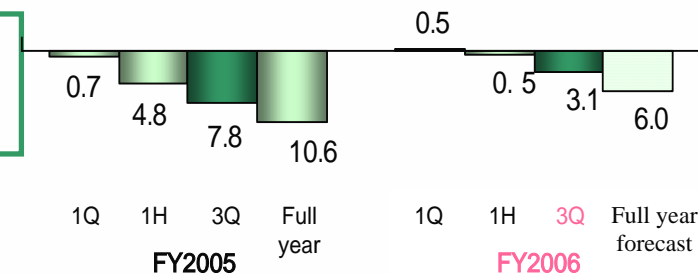
Orders Received



Net Sales



Operating Income



Orders Received: Up ¥111.1bn YoY

• In the third quarter, new orders were received for a total of 19 ships, including 6 LPG carriers, 5 pure car carriers, 5 container ships, 2 LNG carriers, and a ferry.

[Number of ship orders received] 3Q Cumulative

FY2005 : 13 (1Q:4 2Q:3 3Q:6)

FY2006 : 19 (1Q:2 2Q:10 3Q:7)

[Order backlog] : 62 (including 12 LNG carriers)

Full year
19

Net Sales/Income and Loss :

Up ¥ 41.7 bn/¥ 4.7 bn YoY reduction in loss

• Net Sales increased YoY as a result of deliveries for a total of 16 ships, including 6 pure car carriers, 3 container ships, 2 LNG carriers, 2 LPG carriers.

[Number of ships delivered] 3Q Cumulative

FY2005 : 11 (1Q:2 2Q:5 3Q:4)

FY2006 : 16 (1Q:5 2Q:7 3Q:4)

Full year
20

Full year forecast :

Orders Received

: Revised upward from ¥ 240bn to ¥300bn, given the favorable market conditions.

Net Sales

: Revised upward from ¥ 230bn to ¥ 240bn reflecting the strong performance.

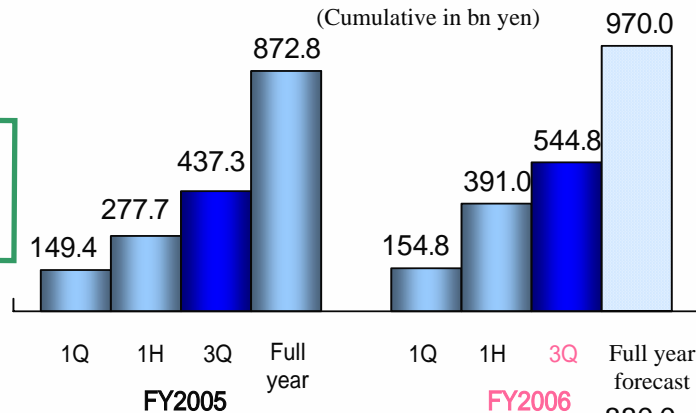
Operating Income/loss

: Revised upward from a loss of ¥ 9bn to a loss of ¥ 6bn on improving profitability.

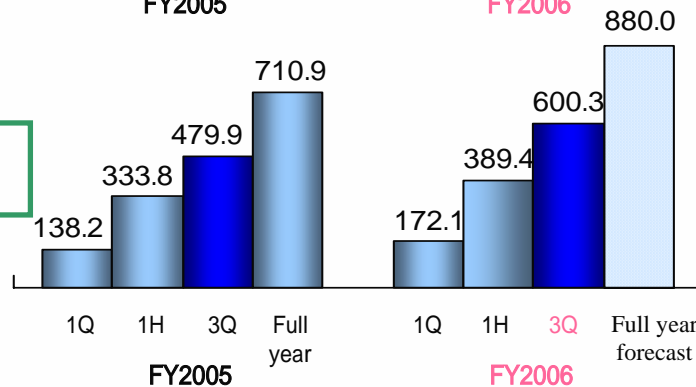
FY2006 Forecast	Previous	New
Orders Received :	240.0	300.0
Net Sales :	230.0	240.0
Operating Income :	9	6

Power Systems

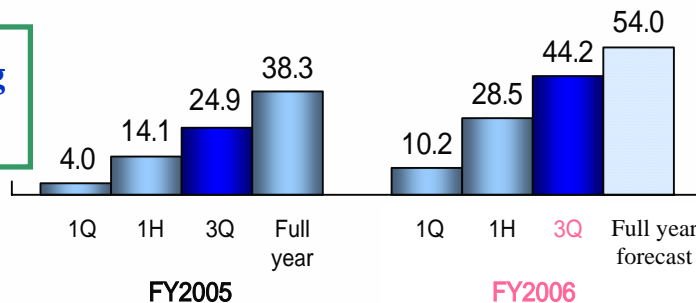
Orders Received



Net Sales



Operating Income



Orders Received : Up ¥ 107.5 bn YoY

- Orders increased supported by strong orders in the U.S. for wind turbines and active deals for fossil fuels.

[Gas turbine order backlog (Non-consolidated)]

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

FY2006 : 1Q:78 2Q:71 3Q:58

Net Sales/Income and Loss : Up ¥120.3 bn/¥19.3 bn YoY

- Net sales and Income increased helped by higher sales of overseas fossil fuels constructions reflecting the strong orders received in recent years as well as improving profitability.

Full year forecast :

Orders Received : Revised upward from ¥ 900bn to ¥ 970bn reflecting increased deals.

Net Sales : Revised upward from ¥ 840bn to ¥ 880bn reflecting progress of constructions.

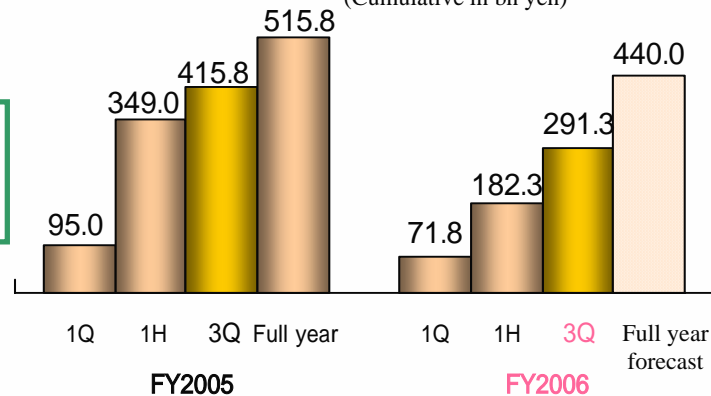
Operating Income : Revised upward from ¥ 48bn to ¥ 54bn on growing income resulting from increased sales and improved profitability.

FY2006 Forecast	Previous	New
Orders received :	900.0	970.0
Net sales :	840.0	880.0
Operating income :	48.0	54.0

Machinery & Steel Structures

(Cumulative in bn yen)

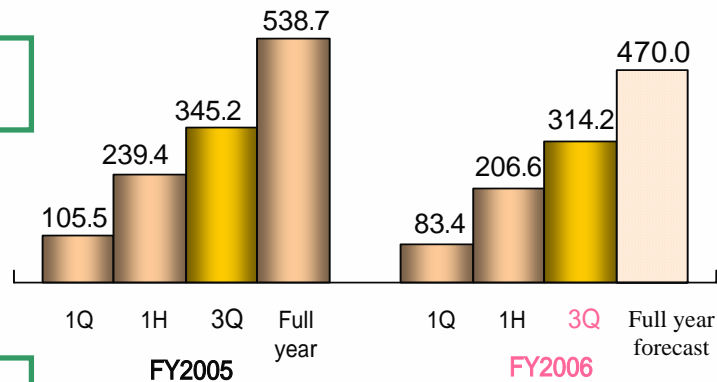
Orders Received



Orders Received : Down ¥ 124.5bn YoY

- Orders received in the third quarter recorded a decline because of a smaller number of large-scale orders compared to a year earlier. (Orders received in the same period a year earlier included an overseas transportation system, a chemical plant and other large-scale projects.)

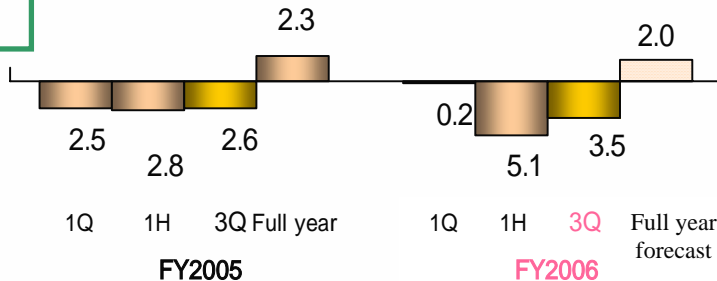
Net Sales



Net Sales/Income and Loss : Down ¥ 30.9bn/¥ 0.9bn YoY

- Sales and income decreased because of lower sales of waste disposal equipment and transportation systems, etc.

Operating Income



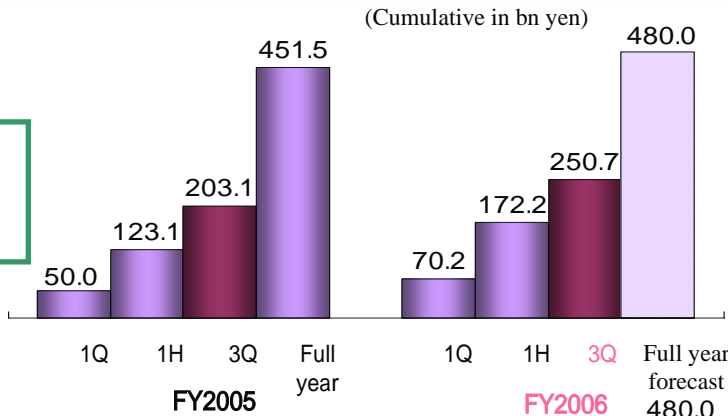
Full year forecast :

Orders Received : Revised downward from ¥ 480bn to ¥ 440bn as a result of receiving orders with sound risk assessment.

FY2006 Forecast	Previous	New
Orders received :	480.0	440.0
Net sales :	470.0	470.0
Operating income :	2.0	2.0

Aerospace

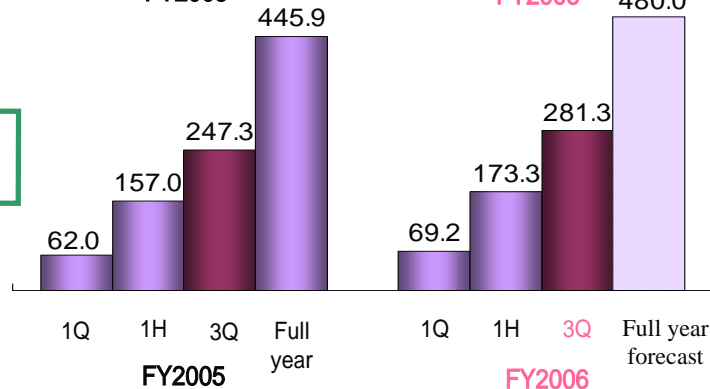
Orders Received



Orders Received : Up ¥ 47.6bn YoY

- Orders received increased in commercial aircraft including B777, engines for commercial aircraft, and defense-related products including missiles.

Net Sales



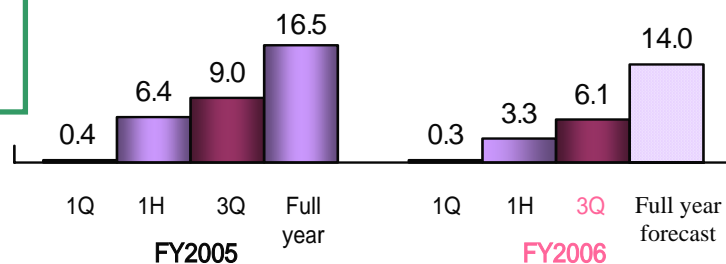
Net Sales/Income and Loss : Up ¥ 34bn /Down ¥ 2.9bn YoY

- Net sales increased in commercial aircraft related products and space systems, but income decreased because of higher R&D expenses and other factors.

[Number of B777s delivered]

Period	3Q Cumulative	Full year
FY2005	33 (1Q:12, 2Q:13, 3Q:8)	49
FY2006	53 (1Q:15, 2Q:17, 3Q:21)	

Operating Income



Full year forecast :

Orders Received : Revised upward from ¥ 450bn to ¥ 480bn owing to increased orders for commercial aircraft related products and defense-related products.

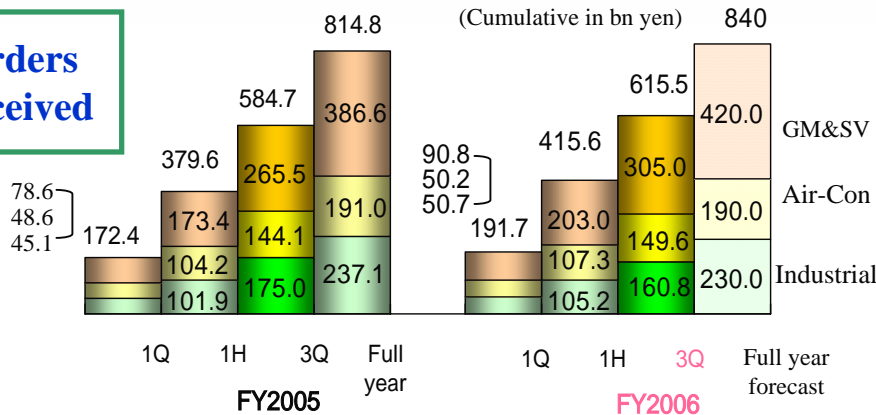
Net Sales : Revised upward from ¥ 450bn to ¥ 480bn reflecting strong performance.

Operating Income : Revised upward from ¥ 9bn to ¥ 14bn on increased sales and income.

FY2006 Forecast	Previous	New
Orders received :	450.0	480.0
Net sales :	450.0	480.0
Operating income :	9.0	14.0

Mass & Medium-lot Manufactured Machinery

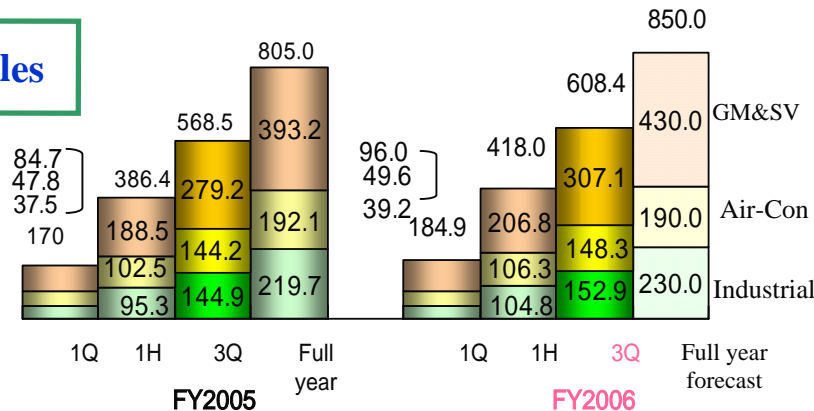
Orders Received



Orders Received : Up ¥ 30.8bn YoY

- Orders received increased in GM & SV including forklifts, medium and small engines and turbochargers to Europe and U.S.

Net Sales



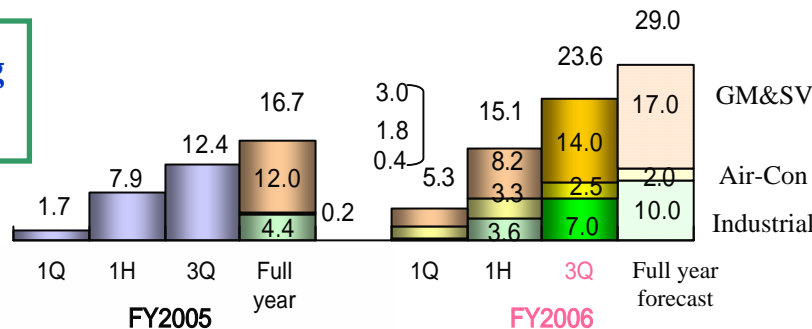
Net Sales/Income and Loss : Up ¥ 39.9bn/¥ 11.2bn YoY

- Net sales increased in each category of GM&SV, Air-Con, and Industrial.
- Income rose year-on-year supported by increased sales and favorable exchange rate.

Full year forecast :

- Orders Received** : Revised upward from ¥ 810bn to ¥ 840bn because of increase in forklifts, medium and small engines and turbochargers, etc.
- Net Sales** : Revised upward from ¥ 830bn to ¥ 850bn reflecting strong sales and favorable exchange rate.
- Operating Income** : Revised upward from ¥ 24bn to ¥ 29bn on increased sales and income.

Operating Income



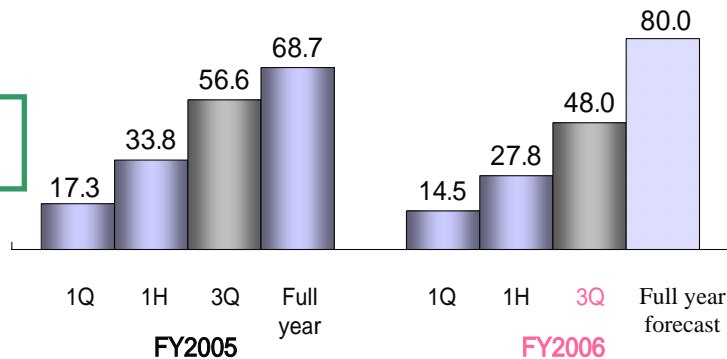
FY2006 Forecast

		Previous	New
Orders received	GM&SV :	400.0	420.0
	Air-con :	180.0	190.0
	Industrial :	230.0	230.0
	Total :	810.0	840.0
Net sales	GM&SV :	410.0	430.0
	Air-con :	190.0	190.0
	Industrial :	230.0	230.0
	Total :	830.0	850.0
Operating income	GM&SV :	14.0	17.0
	Air-con :	1.0	2.0
	Industrial :	9.0	10.0
	Total :	24.0	29.0

Others

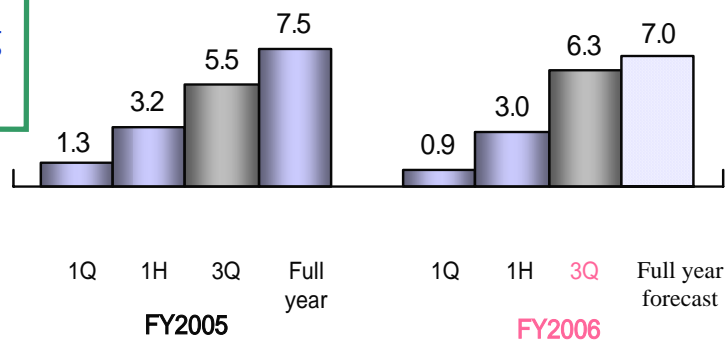
(Cumulative in bn yen)

Net Sales



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

Operating Income



FY2006 Forecast

	Previous	New
Net sales	80.0	80.0
Operating income	6.0	7.0

Balance Sheets

(in billion yen)

	As of Mar 31, 2006	As of Dec 31, 2006	Changes
Assets			
Trade receivables	1,097.4	1,019.4	77.9
Inventories	971.5	1,160.0	+ 188.5
Other current assets	474.5	566.5	+ 91.9
Total current assets	2,543.4	2,746.0	+ 202.5
Total fixed assets	1,503.6	1,518.3	+ 14.6
Total assets	4,047.1	4,264.3	+ 217.2
Liabilities			
Trade payables	669.6	663.1	6.4
Advances received	334.8	400.8	+ 65.9
Other current liabilities	622.1	631.7	+ 9.5
Total current liabilities	1,626.6	1,695.7	+ 69.1
Total long-term liabilities	1,026.3	1,167.5	+ 141.1
Total liabilities	2,653.0	2,863.3	+ 210.3
Net assets			
Shareholders' capital	1,182.7	1,198.0	+ 15.2
Valuation and translation adjustments	193.4	183.6	9.8
Other (Minority interests, etc.)	17.7	19.2	+ 1.5
Total net assets	1,394.0	1,400.9	+ 6.8
Total liabilities and net assets	4,047.1	4,264.3	+ 217.2
Balance of interest-bearing debts	1,198.6	1,286.9	+ 88.3
Equity ratio	34.0%	32.4%	1.6%

Following the enforcement of Company law in 2006, "Shareholders' equity" and "Minority interests" are integrated into "Net assets."

The figures of FY2005 in the left have been adjusted in accordance with the new law.

Supplementary information

1 . Foreign Exchange Rates

(¥/US\$)

Year	FY2003		FY2004		FY2005		FY2006	
	1H	Full Year	1H	Full Year	1H	Full Year	1H	3Q
Average rates for recording sales	119.1	113.0	110.7	108.7	109.5	111.3	113.7	114.4
(Reference) Rates at end of period	111.3	105.7	111.1	107.4	113.2	117.5	117.9	119.1

2 . Overseas Sales by Region

(In billion yen)

(Consolidated)	FY2003		FY2004		FY2005		FY2006	
	1H	Full Year	1H	Full Year	1H	Full Year	1H	3Q
North America	117.9 (30%)	262.1 (29%)	125.7 (27%)	265.5 (25%)	148.3 (25%)	322.5 (26%)	174.0 (26%)	260.4 (26%)
America	52.3 (13%)	95.1 (11%)	58.7 (12%)	147.1 (14%)	55.5 (9%)	108.5 (9%)	56.5 (8%)	79.6 (8%)
Asia	105.3 (27%)	324.6 (36%)	185.4 (39%)	416.8 (40%)	263.3 (44%)	522.4 (42%)	212.0 (32%)	315.8 (31%)
Middle East	21.2 (5%)	40.8 (5%)	18.2 (4%)	28.1 (3%)	23.8 (4%)	57.2 (5%)	86.4 (13%)	155.0 (15%)
Europe	69.3 (18%)	119.6 (13%)	67.1 (14%)	162.3 (15%)	91.6 (15%)	182.8 (15%)	123.5 (19%)	185.5 (18%)
Other	28.0 (7%)	50.2 (6%)	19.6 (4%)	29.3 (3%)	17.6 (3%)	32.2 (3%)	12.8 (2%)	17.4 (2%)
Total	394.2 (100%)	892.6 (100%)	474.9 (100%)	1,049.3 (100%)	600.3 (100%)	1,225.9 (100%)	665.4 (100%)	1,014.0 (100%)

· Europe includes Russia and Eastern Europe beginning in FY2004.

(Non-consolidated)

Summary of Financial Results for Third Quarter

(In billion yen)

	'05-3Q	'06-3Q	Changes
Orders received	1,386.7	1,531.1	+ 144.4
Net sales	1,473.7	1,624.7	+ 151.0
Operating income	20.5	48.1	+ 27.5
Ordinary income	15.7	39.8	+ 24.1
Extraordinary income	1.6	6.0	+ 4.3
Income before income taxes	17.3	45.8	+ 28.4
Net income	14.8	31.5	+ 16.7

. Forecast 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 forecast for FY2006

(In billion yen)

	FY2005 (Actual)	FY2006 (Previous forecast) '06.10.31	FY2006 (Forecast)
Orders received	2,942.0	2,950.0	3,100.0
Net sales	2,792.1	2,900.0	3,000.0
Operating income	70.9	80.0	100.0
Ordinary income	50.3	63.0	80.0
Extraordinary income	52.3	63.0	80.0
Income before income taxes	29.8	40.0	46.0

Exchange rate fluctuations of major currencies will have limited impact on FY2006 earnings.

Forecast for FY2006 by Business Segment

(In billion yen)

	Orders received			Net sales			Operating income		
	FY2005	FY2006		FY2005	FY2006		FY2005	FY2006	
		Previous forecast	forecast		Previous forecast	forecast		Previous forecast	forecast
Shipbuilding & Ocean Development	207.4	240.0	300.0	222.6	230.0	240.0	10.6	9.0	6.0
Power Systems	872.8	900.0	970.0	710.9	840.0	880.0	38.3	48.0	54.0
Machinery & Steel Structures	515.8	480.0	440.0	538.7	470.0	470.0	2.3	2.0	2.0
Aerospace	451.5	450.0	480.0	445.9	450.0	480.0	16.5	9.0	14.0
GM & SV	386.6	400.0	420.0	393.2	410.0	430.0	12.0	14.0	17.0
Air-Con	191.0	180.0	190.0	192.1	190.0	190.0	0.2	1.0	2.0
Industrial	237.1	230.0	230.0	219.7	230.0	230.0	4.4	9.0	10.0
Mass and Medium-lot Manufactured Machinery	814.7	810.0	840.0	805.0	830.0	850.0	16.6	24.0	29.0
Others	79.6	70.0	70.0	68.7	80.0	80.0	7.5	6.0	7.0
Total	2,941.8	2,950.0	3,100.0	2,791.8	2,900.0	3,000.0	70.6	80.0	100.0

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

[Non-consolidated]

Summary of Forecast for Third Quarter FY2006

(In billion yen)

	FY2005 (Actual)	FY2006 (Previous Forecast) '06.10.31	FY2006 (Forecast)
Orders received	2,318.3	2,300.0	2,450.0
Net sales	2,206.7	2,250.0	2,350.0
Operating income	38.2	60.0	70.0
Ordinary income	32.4	50.0	55.0
Extraordinary income	35.3	50.0	55.0
Income before income taxes	26.1	30.0	37.0