

MHI ANNOUNCES FY2006 CONSOLIDATED FINANCIAL RESULTS

Tokyo, April 27, 2007 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for fiscal year (FY) 2006 ended March 31, 2007.

(billions of yen)

	FY2006	FY2005	Changes (%)
Orders Received	3,274.7	2,942.0	11.3
Net Sales	3,068.5	2,792.1	9.9
Operating Income	108.9	70.9	53.6
Ordinary Income	83.0	50.3	64.9
Income Before Income Taxes and Minority Interests	83.7	52.3	59.8
Net Income	48.8	29.8	63.8
Operation Cash Flow	158.7	73.9	—
Investment Cash Flow	−158.6	−104.0	—
Financing Cash Flow	48.7	7.9	—
Net Income Per Share	14.56 yen	8.85 yen	64.4

Orders Received by Operational Segment (billions of yen)

	FY2006	FY2005	Differences
Shipbuilding & Ocean Development	314.2 (9.6)	207.4 (7.1)	106.8
Power Systems	1,008.2 (30.8)	872.8 (29.7)	135.4
Machinery & Steel Structures	469.0 (14.3)	515.8 (17.5)	−46.8
Aerospace	543.3 (16.6)	451.5 (15.3)	91.8
Mass and Medium-Lot Manufactured Machinery	856.6 (26.2)	814.8 (27.7)	41.8
Others	83.0 (2.5)	79.6 (2.7)	3.4
TOTAL	3,274.7 (100.0)	2,942.0 (100.0)	332.6

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

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2006	FY2005	Differences
Shipbuilding & Ocean Development	247.1 (8.1)	222.6 (8.0)	24.4
Power Systems	890.7 (29.0)	710.9 (25.5)	179.8
Machinery & Steel Structures	511.6 (16.7)	538.7 (19.3)	-27.0
Aerospace	495.0 (16.1)	445.9 (16.0)	49.0
Mass and Medium-Lot Manufactured Machinery	849.0 (27.7)	805.0 (28.8)	43.9
Others	74.8 (2.4)	68.7 (2.4)	6.0
TOTAL	3,068.5 (100.0)	2,792.1 (100.0)	276.3

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

Operating Income (Loss) by Operational Segment

(billions of yen)

	FY2006	FY2005	Differences
Shipbuilding & Ocean Development	-5.3	-10.6	5.2
Power Systems	56.7	38.3	18.4
Machinery & Steel Structures	2.9	2.3	0.5
Aerospace	14.4	16.5	-2.0
Mass and Medium-Lot Manufactured Machinery	31.3	16.7	14.6
Others	8.8	7.5	1.2
TOTAL	108.9	70.9	37.9

Consolidated financial results (continued)

Estimate of Consolidated Financial Results for FY 2007

For the fiscal year 2007 ending March 31, 2008, MHI is expecting 3,100 billion yen in net sales, 115 billion yen in operating income, 90 billion yen in ordinary income, 90 billion yen in income before income taxes and minority interests, and 54 billion yen in net income. This estimate is based on the assumption of currency exchange rate of US\$ 1.00 = ¥112.00 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.

Notes:

Number of consolidated subsidiaries:

<u>FY2006</u>	<u>FY2005</u>
201	187

Number of companies under the application of equity method:

<u>FY2006</u>	<u>FY2005</u>
35	33

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MHI ANNOUNCES FY2006 NON-CONSOLIDATED FINANCIAL RESULTS

Tokyo, April 27, 2007 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **non-consolidated** financial results for fiscal year (FY) 2006 ended March 31, 2007.

(billions of yen)

	FY2006	FY2005	Changes (%)
Orders Received	2,586.6	2,318.3	11.6
Net Sales	2,426.6	2,206.7	10.0
Operating Income	71.6	38.2	87.4
Ordinary Income	57.4	32.4	77.3
Income Before Income Taxes	59.0	35.3	67.1
Net Income	39.5	26.1	51.2
Net Income Per Share	11.80 yen	7.77 yen	51.8
Dividend Per Share	6.0 yen	4.0 yen	50.0

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CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

	As of Mar 31, 2007	As of Mar 31, 2006	Increase (Decrease)
<u>ASSETS</u>			
Current assets:			
Cash and deposits	244,233	195,185	49,047
Trade receivables	1,166,702	1,097,403	69,298
Securities	2,772	1,549	1,223
Inventories	1,048,586	971,508	77,077
Deferred income taxes	87,742	75,978	11,764
Other current assets	245,214	209,608	35,606
Allowance for doubtful receivables	(7,935)	(7,748)	(187)
Total current assets	2,787,315	2,543,485	243,829
Fixed assets:			
Property, plant and equipment:			
Buildings and structures	307,004	292,406	14,598
Machinery and transportation equipment	238,260	224,091	14,168
Tools, equipment and furniture	78,657	75,128	3,529
Land	144,422	139,951	4,470
Construction in progress	56,399	33,658	22,740
Subtotal	824,744	765,236	59,508
Intangible fixed assets:			
Software and others	33,444	35,769	(2,325)
Subtotal	33,444	35,769	(2,325)
Investments and advances:			
Investment securities	674,932	628,110	46,821
Deferred income taxes	6,309	10,158	(3,849)
Other assets	80,818	83,114	(2,295)
Allowance for doubtful accounts	(15,699)	(18,753)	3,053
Subtotal	746,360	702,630	43,729
Total fixed assets	1,604,549	1,503,637	100,912
TOTAL ASSETS	4,391,864	4,047,122	344,742

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Mar 31, 2007	As of Mar 31, 2006	Increase (Decrease)
<u>LIABILITIES</u>			
Current liabilities:			
Trade payables	746,591	669,667	76,924
Bank loans	354,275	409,388	(55,113)
Current portion of debentures	52,682	300	52,382
Reserve for product warranties	21,224	15,999	5,225
Allowance for losses on construction contracts	9,535	6,298	3,236
Advance payments received on contracts	394,932	334,879	60,053
Other current liabilities	228,170	190,128	38,041
Total current liabilities	1,807,411	1,626,662	180,748
Long-term liabilities:			
Debentures	196,605	213,311	(16,705)
Long-term debt	670,009	575,664	94,344
Deferred tax liabilities	120,617	95,691	24,926
Reserve for retirement allowance	98,497	108,710	(10,213)
Reserve for treatment of PCB waste	4,169	4,360	(191)
Other long-term liabilities	48,116	28,660	19,456
Total long-term liabilities	1,138,016	1,026,399	111,616
TOTAL LIABILITIES	2,945,428	2,653,062	292,365
MINORITY INTERESTS	-	17,770	(17,770)
<u>STOCKHOLDERS' EQUITY</u>			
Common stock	-	265,608	(265,608)
Capital surplus	-	203,864	(203,864)
Retained earnings	-	718,479	(718,479)
Net unrealized gains on investment securities	-	193,372	(193,372)
Foreign currency translation adjustments	-	117	(117)
Treasury stock	-	(5,154)	5,154
TOTAL STOCKHOLDERS' EQUITY	-	1,376,289	(1,376,289)
TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY	-	4,047,122	(4,047,122)
<u>NET ASSETS</u>			
Stockholders' equity:			
Common stock	265,608	-	265,608
Capital surplus	203,879	-	203,879
Retained earnings	744,562	-	744,562
Treasury stock	(5,063)	-	(5,063)
Total stockholders' equity	1,208,987	-	1,208,987
Valuation and translation adjustments:			
Net unrealized gains on investment securities	212,165	-	212,165
Deferred gains or losses on hedges	657	-	657
Foreign currency translation adjustments	6,211	-	6,211
Total valuation and translation adjustments	219,034	-	219,034
Share subscription rights	293	-	293
Minority interests	18,120	-	18,120
TOTAL NET ASSETS	1,446,436	-	1,446,436
TOTAL LIABILITIES AND NET ASSETS	4,391,864	-	4,391,864

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2006	FY2005	Increase (Decrease)
Net sales	3,068,504	2,792,108	276,396
Cost of sales	2,681,867	2,460,819	221,047
Gross profit	386,636	331,288	55,348
Selling, general and administrative expenses	277,724	260,376	17,348
Operating income	108,912	70,912	37,999
Non-operating income:			
Interest and dividend income	13,002	13,797	(795)
Equity in earnings of unconsolidated subsidiaries and affiliates	8,662	2,055	6,606
Other income	3,000	5,166	(2,166)
Total non-operating income	24,665	21,019	3,645
Non-operating expenses:			
Interest expense	17,810	15,765	2,044
Foreign exchange losses	12,992	9,386	3,606
Losses on disposal of fixed assets	6,507	5,382	1,124
Other expenses	13,218	11,032	2,185
Total non-operating expenses	50,528	41,567	8,961
Ordinary income	83,048	50,365	32,683
Extraordinary income:			
Gains on sales of fixed assets	9,763	13,675	(3,911)
Gains on sales of investment securities	8,901	-	8,901
Total extraordinary income	18,664	13,675	4,989
Extraordinary expenses:			
Business improvement and restructuring charges	10,742	5,558	5,183
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
Expense for treatment of PCB waste	-	4,360	(4,360)
Provision of reserve for directors' retirement allowance	-	1,737	(1,737)
Total extraordinary expenses	18,002	11,657	6,344
Income before income taxes and minority interests	83,711	52,383	31,328
Income taxes			
Current	33,087	8,112	24,974
Deferred	3,162	13,056	(9,893)
Minority interests	(1,378)	1,397	(2,776)
Net income	48,839	29,816	19,023

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

	FY 2006	FY 2005	Differences
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	83,711	52,383	31,328
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	106,608	100,810	5,798
Losses on impairment for fixed assets	-	934	(934)
Increase (decrease) in reserve for retirement allowance	(12,441)	(2,142)	(10,298)
Equity in earnings of unconsolidated subsidiaries and affiliates	(8,662)	(2,055)	(6,606)
Interest and dividend income	(13,002)	(13,797)	795
Interest expense	17,810	15,765	2,044
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	(9,763)	(13,675)	3,911
Losses on disposal of fixed assets	6,507	-	6,507
Business improvement and restructuring charges	10,742	5,558	5,183
Prior service cost due to change in defined interest rate of employee retirement annuity	2,032	-	2,032
Expense for treatment of PCB waste	-	4,360	(4,360)
Provision of reserve for directors' retirement allowance	-	1,737	(1,737)
(Increase) decrease in receivables	(63,857)	(36,938)	(26,918)
(Increase) decrease in inventories and advances to suppliers	(110,540)	(18,429)	(92,110)
(Increase) decrease in other assets	(4,275)	(16,249)	11,973
Increase (decrease) in payables	69,459	8,503	60,956
Increase (decrease) in advance payments received on contracts	59,140	(29,571)	88,711
Increase (decrease) in other liabilities	41,260	19,677	21,583
Others	(1,274)	(2,076)	802
Subtotal	169,780	74,792	94,987
Interest and dividends received	20,525	20,255	270
Interest paid	(17,090)	(15,711)	(1,379)
Payments for income taxes	(14,494)	(5,408)	(9,085)
Net cash provided by operating activities	158,721	73,928	84,793
Cash flows from investing activities:			
Net (Increase) decrease in time deposits	1,690	6,150	(4,460)
Purchases of property, plant, equipment and intangible assets	(174,396)	(123,973)	(50,422)
Proceeds from sales of property, plant, equipment and intangible assets	15,407	16,737	(1,330)
Purchases of investment securities	(15,295)	(4,982)	(10,313)
Proceeds from sales and redemption of marketable securities and investment securities	11,793	4,772	7,021
Disbursement of long-term loans	(2,496)	(6,074)	3,578
Collection of long-term loans	3,961	3,304	656
Others	682	-	682
Net cash used in investing activities	(158,653)	(104,065)	(54,588)
Cash flows from financing activities:			
Net increase (decrease) in bank loans	(19,201)	5,626	(24,827)
Proceeds from long-term debt	161,789	111,938	49,850
Repayment of long-term debt	(105,941)	(63,625)	(42,315)
Proceeds from issuance of bonds	35,819	-	35,819
Payment for redemption of bonds	(300)	(33,606)	33,306
Dividends paid to stockholders	(23,400)	(13,384)	(10,016)
Dividends paid to minority stockholders of subsidiaries	(529)	(395)	(133)
Others	494	1,421	(926)
Net cash provided by (used in) financing activities	48,730	7,974	40,755
Effect of exchange rate changes on cash and cash equivalents	2,032	5,786	(3,753)
Net increase (decrease) in cash and cash equivalents	50,830	(16,376)	67,207
Cash and cash equivalents at beginning of year	176,274	189,780	(13,506)
Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries	479	2,869	(2,390)
Cash and cash equivalents at end of year	227,584	176,274	51,310

NON-CONSOLIDATED BALANCE SHEETS (As of March 31, 2007) (1/2)

	As of Mar.31.2007	As of Mar.31,2006	(Millions of Yen) Increase (Decrease)
ASSETS			
Current assets:			
Cash and deposits	160,560	98,238	62,321
Trade notes receivable	9,695	9,147	547
Trade accounts receivable	1,000,528	945,892	54,635
Securities	315	9	306
Finished products	76,927	68,318	8,608
Raw materials and supplies	70,748	49,150	21,597
Work in process	701,332	701,731	(399)
Advances to suppliers	95,574	64,408	31,166
Prepaid expenses	913	735	178
Deferred income taxes	64,966	58,261	6,705
Other current assets	135,660	144,777	(9,117)
Allowance for doubtful receivables	(65)	(67)	2
Total current assets	2,317,157	2,140,605	176,551
Fixed assets:			
Property, plant and equipment:			
Buildings	214,742	209,228	5,514
Structures	23,700	23,482	217
Dock and facilities for ship building	3,127	3,246	(118)
Machinery	170,122	161,723	8,398
Vessels	21	22	(1)
Aircraft	185	241	(56)
Vehicles and transportation equipment	2,711	2,340	370
Tools, equipment and furniture	53,346	48,356	4,990
Land	109,935	108,349	1,585
Construction in progress	51,966	29,617	22,349
Subtotal	629,859	586,608	43,250
Intangible fixed assets:			
Software	14,408	17,236	(2,828)
Right for facility utilization	1,698	1,981	(283)
Other intangible fixed assets	566	804	(237)
Subtotal	16,673	20,022	(3,349)
Investments and advances:			
Investment securities	492,568	457,773	34,795
Investments in shares of subsidiaries and affiliates	207,909	307,709	(99,800)
Long-term loans and advances	11,112	10,518	593
Investment capital and guarantee deposits	5,889	6,930	(1,040)
Investments in capital of subsidiaries and affiliates	14,794	13,115	1,678
Long-term prepaid expenses	43,470	39,576	3,893
Other investments	14,736	19,936	(5,199)
Allowance for doubtful accounts	(10,921)	(15,089)	4,168
Subtotal	779,560	840,470	(60,910)
Total fixed assets	1,426,092	1,447,102	(21,009)
TOTAL ASSETS	3,743,249	3,587,707	155,542

NON-CONSOLIDATED BALANCE SHEETS (As of March 31, 2007) (2/2)

	As of Mar.31.2007	As of Mar.31,2006	(Millions of Yen) Increase (Decrease)
LIABILITIES			
Current liabilities:			
Trade accounts payable	648,939	583,644	65,295
Bank loans	243,276	277,861	(34,585)
Current portion of long-term debt for exports loans from main contractors	3,861	5,884	(2,022)
Current portion of debentures	50,000	-	50,000
Accrued payables	47,178	49,503	(2,325)
Accrued expenses	37,523	34,093	3,429
Accrued income taxes	16,779	-	16,779
Advance payments received on contracts	344,848	313,025	31,823
Deposits received	23,329	22,087	1,242
Reserve for product warranties	21,224	15,999	5,225
Allowance for losses on construction contracts	9,535	6,298	3,236
Reserve for directors' retirement allowance	-	1,737	(1,737)
Other current liabilities	16,021	18,396	(2,374)
Total current liabilities	1,462,516	1,328,531	133,985
Long-term liabilities:			
Debentures	190,000	210,000	(20,000)
Long-term debt	597,988	503,437	94,551
Long-term debt for exports loans from main contractors	8,054	11,916	(3,861)
Deferred tax liabilities	128,287	150,290	(22,003)
Reserve for retirement allowance	50,534	61,756	(11,221)
Reserve for treatment of PCB waste	3,884	4,075	(190)
Other long-term liabilities	28,928	10,608	18,320
Total long-term liabilities	1,007,676	952,083	55,593
TOTAL LIABILITIES	2,470,193	2,280,614	189,578
STOCKHOLDERS' EQUITY			
Common stock	-	265,608	(265,608)
Capital surplus:			
Capital reserve	-	203,536	(203,536)
Other capital reserve:			
Gains on sales of treasury stock	-	10	(10)
Subtotal	-	203,547	(203,547)
Retained earnings:			
Legal reserve	-	66,363	(66,363)
Revenue reserve:			
Reserve for reduction in costs of fixed assets	-	14,700	(14,700)
Reserve for accelerated depreciation	-	6,648	(6,648)
General reserves	-	460,000	(460,000)
Unappropriated earnings	-	40,809	(40,809)
Subtotal	-	588,522	(588,522)
Net unrealized gains on investment securities	-	254,567	(254,567)
Treasury stock	-	(5,153)	5,153
TOTAL STOCKHOLDERS' EQUITY	-	1,307,092	(1,307,092)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	-	3,587,707	(3,587,707)
NET ASSETS			
Stockholders' equity:			
Common stock	265,608	-	265,608
Capital surplus:			
Capital reserve	203,536	-	203,536
Other capital reserve	25	-	25
Retained earnings:			
Legal reserve	66,363	-	66,363
Revenue reserve:			
Reserve for reduction in costs of fixed assets	24,938	-	24,938
Reserve for accelerated depreciation	5,838	-	5,838
General reserves	460,000	-	460,000
Earned surplus brought forward	47,383	-	47,383
Treasury stock	(5,062)	-	(5,062)
Total stockholders' equity	1,068,631	-	1,068,631
Valuation, translation adjustments and others:			
Net unrealized gains on investment securities	203,768	-	203,768
Deferred gains or losses on hedges	362	-	362
Total valuation, translation adjustments and others	204,131	-	204,131
Share subscription rights	293	-	293
TOTAL NET ASSETS	1,273,056	-	1,273,056
TOTAL LIABILITIES AND NET ASSETS	3,743,249	-	3,743,249

NON-CONSOLIDATED STATEMENTS OF INCOME
(From April 1, 2006 to March 31, 2007)

	(Millions of Yen)		
	FY2006	FY2005	Increase (Decrease)
<u>ORDINARY INCOME</u>			
Operating income:			
Net sales	2,426,623	2,206,778	219,845
Cost of sales	2,215,149	2,030,993	184,156
Gross profit	211,473	175,784	35,689
Selling, general and administrative expenses	139,839	137,562	2,277
Operating income	71,633	38,221	33,412
Non-operating income:			
Interest and dividend income	25,666	22,871	2,795
Other income	2,879	5,584	(2,704)
Total	28,546	28,455	90
Non-operating expenses:			
Interest expense	13,950	12,418	1,531
Foreign exchange losses	12,759	9,830	2,929
Losses on disposal of fixed assets	5,836	4,816	1,020
Other expenses	10,166	7,194	2,972
Total	42,714	34,260	8,453
ORDINARY INCOME	57,465	32,416	25,049
<u>EXTRAORDINARY INCOME AND LOSS</u>			
Extraordinary income:			
Gains on sales of fixed assets	10,417	13,825	(3,407)
Gains on sales of investment securities	8,876	-	8,876
Total	19,294	13,825	5,469
Extraordinary expenses:			
Business improvement and restructuring charges	8,522	5,069	3,452
Losses on revaluation of investment securities	7,138	-	7,138
Prior service cost due to change in defined interest rate of employee retirement annuity	2,032	-	2,032
Expense for treatment of PCB waste	-	4,075	(4,075)
Provision of reserve for directors' retirement allowance	-	1,737	(1,737)
Total	17,693	10,882	6,810
INCOME BEFORE INCOME TAXES	59,067	35,359	23,708
Income taxes:			
Current	13,849	(5,818)	19,667
Deferred	5,619	14,980	(9,361)
NET INCOME	39,599	26,197	13,402
Retained earnings carried forward from previous period	-	14,612	
UNAPPROPRIATED EARNINGS	-	40,809	