

MHI ANNOUNCES OUTLINE OF FY2007 FIRST 3 MONTH FINANCIAL RESULTS ENDED JUNE 30, 2007 (CONSOLIDATED)

Tokyo, July 31, 2007 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first three months of fiscal year (FY) 2007 ended June 30, 2007.

(billions of yen)

| | FY2007 First 3 Months (From April 1 to June 30, 2007) | FY2006 First 3 Months (From April 1 to June 30, 2006) | Changes (%) |
|---|--|--|----------------|
| Orders Received | 674.6 | 535.1 | 26.1 |
| Net Sales | 685.7 | 585.5 | 17.1 |
| Operating Income | 24.7 | 17.2 | 43.1 |
| Ordinary Income | 21.4 | 13.3 | 60.9 |
| Income Before Taxes and Minority Interests | 27.1 | 15.2 | 78.6 |
| Net Income | 17.0 | 9.2 | 83.6 |
| Net Income Per Share | 5.07 yen | 2.76 yen | 83.6 |

Orders Received by Operational Segment

(billions of yen)

| | FY2007 First 3 Months (From April 1 to June 30, 2007) | FY2006 First 3 Months (From April 1 to June 30, 2006) | Differences |
|---|--|--|--------------|
| Shipbuilding & Ocean Development | 33.1 (4.9) | 24.2 (4.5) | 8.9 |
| Power Systems | 249.5 (37.0) | 154.8 (29.0) | 94.6 |
| Machinery & Steel Structures | 103.0 (15.3) | 71.8 (13.4) | 31.2 |
| Aerospace | 69.3 (10.3) | 70.2 (13.1) | -0.9 |
| Mass and Medium-Lot Manufactured Machinery | 210.6 (31.2) | 191.7 (35.8) | 18.8 |
| Others | 9.0 (1.3) | 22.3 (4.2) | -13.2 |
| TOTAL | 674.6 (100.0) | 535.1 (100.0) | 139.4 |

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

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

| | FY2007 First 3 Months (From April 1 to June 30, 2007) | FY2006 First 3 Months (From April 1 to June 30, 2006) | Differences |
|---|--|--|--------------------|
| Shipbuilding & Ocean Development | 68.9 (10.1) | 61.2 (10.4) | 7.7 |
| Power Systems | 227.4 (33.2) | 172.1 (29.4) | 55.3 |
| Machinery & Steel Structures | 86.5 (12.6) | 83.4 (14.3) | 3.0 |
| Aerospace | 83.0 (12.1) | 69.2 (11.8) | 13.7 |
| Mass and Medium-Lot Manufactured Machinery | 203.9 (29.7) | 184.9 (31.6) | 19.0 |
| Others | 15.8 (2.3) | 14.5 (2.5) | 1.3 |
| TOTAL | 685.7 (100.0) | 585.5 (100.0) | 100.1 |

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

Operating Income (Loss) by Operational Segment

(billions of yen)

| | FY2007 First 3 Months (From April 1 to June 30, 2007) | FY2006 First 3 Months (From April 1 to June 30, 2006) | Differences |
|---|--|--|--------------------|
| Shipbuilding & Ocean Development | 1.6 | 0.5 | 1.0 |
| Power Systems | 14.5 | 10.2 | 4.2 |
| Machinery & Steel Structures | -2.7 | -0.2 | -2.4 |
| Aerospace | 1.1 | 0.3 | 0.7 |
| Mass and Medium-Lot Manufactured Machinery | 7.9 | 5.3 | 2.5 |
| Others | 2.2 | 0.9 | 1.2 |
| TOTAL | 24.7 | 17.2 | 7.4 |

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 taxes and minority interests, and 54 billion yen in net income.

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 BALANCE SHEETS (1/2)

(Millions of Yen)

| | As of Jun 30, 2007 | As of Mar 31, 2007 | Increase (Decrease) |
|--|-----------------------|-----------------------|------------------------|
| <u>ASSETS</u> | | | |
| Current assets: | | | |
| Cash and deposits | 274,611 | 244,233 | 30,378 |
| Trade receivables | 1,015,546 | 1,166,702 | (151,156) |
| Securities | 2,729 | 2,772 | (42) |
| Inventories | 1,130,191 | 1,048,586 | 81,605 |
| Deferred income taxes | 93,425 | 87,742 | 5,683 |
| Other current assets | 311,044 | 245,214 | 65,829 |
| Allowance for doubtful receivables | (7,975) | (7,935) | (39) |
| Total current assets | 2,819,573 | 2,787,315 | 32,258 |
| Fixed assets: | | | |
| Property, plant and equipment: | | | |
| Buildings and structures | 304,310 | 307,004 | (2,694) |
| Machinery and transportation equipment | 239,479 | 238,260 | 1,219 |
| Tools, equipment and furniture | 77,125 | 78,657 | (1,532) |
| Land | 146,074 | 144,422 | 1,652 |
| Construction in progress | 66,183 | 56,399 | 9,784 |
| Subtotal | 833,174 | 824,744 | 8,429 |
| Intangible fixed assets: | | | |
| Software and others | 31,931 | 33,444 | (1,512) |
| Subtotal | 31,931 | 33,444 | (1,512) |
| Investments and advances: | | | |
| Investment securities | 708,037 | 674,932 | 33,105 |
| Deferred income taxes | 6,453 | 6,309 | 144 |
| Other assets | 77,603 | 80,818 | (3,215) |
| Allowance for doubtful accounts | (15,647) | (15,699) | 52 |
| Subtotal | 776,446 | 746,360 | 30,086 |
| Total fixed assets | 1,641,552 | 1,604,549 | 37,003 |
| TOTAL ASSETS | 4,461,126 | 4,391,864 | 69,261 |

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

| | As of Jun 30, 2007 | As of Mar 31, 2007 | Increase (Decrease) |
|--|-----------------------|-----------------------|------------------------|
| <u>LIABILITIES</u> | | | |
| Current liabilities: | | | |
| Trade payables | 694,100 | 746,591 | (52,490) |
| Bank loans | 305,009 | 354,275 | (49,266) |
| Current portion of debentures | 52,661 | 52,682 | (21) |
| Reserve for product warranties | 22,888 | 21,224 | 1,664 |
| Reserve for losses on construction contracts | 9,709 | 9,535 | 174 |
| Advance payments received on contracts | 502,753 | 394,932 | 107,820 |
| Other current liabilities | 258,752 | 228,170 | 30,582 |
| Total current liabilities | 1,845,875 | 1,807,411 | 38,463 |
| Long-term liabilities: | | | |
| Debentures | 196,552 | 196,605 | (53) |
| Long-term debt | 670,202 | 670,009 | 193 |
| Deferred tax liabilities | 130,321 | 120,617 | 9,703 |
| Reserve for retirement allowance | 103,958 | 98,497 | 5,460 |
| Reserve for treatment of PCB waste | 4,169 | 4,169 | - |
| Other long-term liabilities | 47,783 | 48,116 | (333) |
| Total long-term liabilities | 1,152,987 | 1,138,016 | 14,970 |
| TOTAL LIABILITIES | 2,998,862 | 2,945,428 | 53,433 |
| <u>NET ASSETS</u> | | | |
| Stockholders' equity: | | | |
| Common stock | 265,608 | 265,608 | - |
| Capital surplus | 203,882 | 203,879 | 2 |
| Retained earnings | 752,242 | 744,562 | 7,679 |
| Treasury stock | (5,075) | (5,063) | (11) |
| Total stockholders' equity | 1,216,657 | 1,208,987 | 7,670 |
| Valuation, translation adjustments and others: | | | |
| Net unrealized gains on investment securities | 227,225 | 212,165 | 15,060 |
| Deferred gains or losses on hedges | (8,126) | 657 | (8,784) |
| Foreign currency translation adjustments | 8,334 | 6,211 | 2,123 |
| Total valuation, translation adjustments and others | 227,434 | 219,034 | 8,399 |
| Share subscription rights | 293 | 293 | - |
| Minority interests | 17,878 | 18,120 | (242) |
| TOTAL NET ASSETS | 1,462,263 | 1,446,436 | 15,827 |
| TOTAL LIABILITIES AND NET ASSETS | 4,461,126 | 4,391,864 | 69,261 |

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

| | FY2007 First 3 Months (From Apr 1 to Jun 30, 2007) | FY2007 First 3 Months (From Apr 1 to Jun 30, 2006) | Increase (Decrease) |
|---|--|--|------------------------|
| Net sales | 685,710 | 585,557 | 100,152 |
| Cost of sales | 590,546 | 505,359 | 85,186 |
| Gross profit | 95,164 | 80,198 | 14,965 |
| Selling, general and administrative expenses | 70,418 | 62,907 | 7,511 |
| Operating income | 24,745 | 17,291 | 7,454 |
| Non-operating income: | | | |
| Interest and dividend income | 5,365 | 4,634 | 730 |
| Equity in earnings of unconsolidated subsidiaries and affiliates | 667 | - | 667 |
| Other income | 1,638 | 869 | 769 |
| Total non-operating income | 7,671 | 5,503 | 2,167 |
| Non-operating expenses: | | | |
| Interest expense | 4,721 | 4,027 | 694 |
| Foreign exchange losses | 3,396 | 733 | 2,662 |
| Equity in losses of unconsolidated subsidiaries and affiliates | - | 297 | (297) |
| Other expenses | 2,833 | 4,395 | (1,562) |
| Total non-operating expenses | 10,950 | 9,454 | 1,496 |
| Ordinary income | 21,466 | 13,341 | 8,125 |
| Extraordinary income: | | | |
| Gains on sales of fixed assets | 5,721 | - | 5,721 |
| Gains on sales of investment securities | - | 1,877 | (1,877) |
| Total extraordinary income | 5,721 | 1,877 | 3,844 |
| Income before income taxes and minority interests | 27,188 | 15,219 | 11,969 |
| Income taxes | 10,241 | 6,011 | 4,229 |
| Minority interests | (76) | (66) | (10) |
| Net income | 17,023 | 9,273 | 7,750 |

Consolidated Statements of Changes in Net Assets

(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 | | | |
| Balance as of March 31, 2007 | 265,608 | 203,879 | 744,562 | (5,063) | 1,208,987 | 212,165 | 657 | 6,211 | 219,034 | 293 | 18,120 | 1,446,436 |
| Changes in First quarter of FY2007 | | | | | | | | | | | | |
| Cash dividends | | | (10,067) | | (10,067) | | | | | | | (10,067) |
| Net income | | | 17,023 | | 17,023 | | | | | | | 17,023 |
| Increase in the scope of consolidation and equity method | | | 723 | | 723 | | | | | | | 723 |
| Purchase of treasury stock | | | | (48) | (48) | | | | | | | (48) |
| Disposal of treasury stock | | 2 | | 36 | 39 | | | | | | | 39 |
| Net changes in items other than stockholders' equity | | | | | — | 15,060 | (8,784) | 2,123 | 8,399 | — | (242) | 8,157 |
| Total changes in First quarter of FY2007 | — | 2 | 7,679 | (11) | 7,670 | 15,060 | (8,784) | 2,123 | 8,399 | — | (242) | 15,827 |
| Balance as of June 30, 2007 | 265,608 | 203,882 | 752,242 | (5,075) | 1,216,657 | 227,225 | (8,126) | 8,334 | 227,434 | 293 | 17,878 | 1,462,263 |

MHI ANNOUNCES OUTLINE OF FY2007 FIRST 3 MONTH FINANCIAL RESULTS
ENDED JUNE 30, 2007 (NON-CONSOLIDATED)

Tokyo, July 31, 2007 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **non-consolidated** financial results for first three months of fiscal year (FY) 2007 ended June 30, 2007.

(billions of yen)

| | FY2007 First 3 Months (From April 1 to June 30, 2007) | FY2006 First 3 Months (From April 1 to June 30, 2006) | Changes (%) |
|----------------------|--|--|--------------------|
| Orders Received | 460.2 | 392.9 | 17.1 |
| Net Sales | 537.8 | 450.6 | 19.4 |
| Operating Income | 17.5 | 13.0 | 34.6 |
| Ordinary Income | 16.6 | 12.8 | 29.6 |
| Income Before Taxes | 28.8 | 14.7 | 95.6 |
| Net Income | 18.8 | 10.2 | 83.1 |
| Net Income Per Share | 5.61 yen | 3.07 yen | 83.0 |

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