

MHI ANNOUNCES FY2005 CONSOLIDATED FINANCIAL RESULTS

Tokyo, April 28, 2006 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for fiscal year (FY) 2005 ended March 31, 2006.

(billions of yen)

	FY2005	FY2004	Changes (%)
Orders Received	2,942.0	2,722.8	8.0
Net Sales	2,792.1	2,590.7	7.8
Operating Income	70.9	14.7	380.0
Ordinary Income	50.3	12.5	301.7
Income Before Tax	52.3	16.3	219.4
Net Income	29.8	4.0	636.2
Operation Cash Flow	73.9	107.0	- 31.0
Investment Cash Flow	- 104.0	- 163.3	- 36.3
Financing Cash Flow	7.9	57.9	- 86.2
Net Income Per Share	8.85 yen	1.20 yen	637.5

Orders Received by Operational Segment (billions of yen)

	FY2005	FY2004	Differences
Shipbuilding & Ocean Development	207.4 (7.1)	299.3 (11.0)	- 91.8
Power Systems	872.8 (29.7)	691.4 (25.4)	181.3
Machinery & Steel Structures	515.8 (17.5)	455.5 (16.7)	60.2
Aerospace	451.5 (15.3)	411.0 (15.1)	40.4
Mass and Medium-Lot Manufactured Machinery	814.8 (27.7)	747.9 (27.5)	66.8
Others	79.6 (2.7)	117.4 (4.3)	- 37.8
TOTAL	2,942.0 (100.0)	2,722.8 (100.0)	219.1

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

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2005	FY2004	Differences
Shipbuilding & Ocean Development	222.6 (8.0)	271.5 (10.5)	- 48.9
Power Systems	710.9 (25.5)	629.6 (24.3)	81.3
Machinery & Steel Structures	538.7 (19.3)	459.3 (17.7)	79.3
Aerospace	445.9 (16.0)	407.9 (15.7)	37.9
Mass and Medium-Lot Manufactured Machinery	805.0 (28.8)	757.8 (29.3)	47.2
Others	68.7 (2.4)	64.3 (2.5)	4.4
TOTAL	2,792.1 (100.0)	2,590.7 (100.0)	201.3

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

Operating Income (Loss) by Operational Segment

(billions of yen)

	FY2005	FY2004	Differences
Shipbuilding & Ocean Development	- 10.6	- 11.7	1.1
Power Systems	38.3	16.0	22.2
Machinery & Steel Structures	2.3	- 8.7	11.0
Aerospace	16.5	8.7	7.7
Mass and Medium-Lot Manufactured Machinery	16.7	4.3	12.4
Others	7.5	6.0	1.5
TOTAL	70.9	14.7	56.1

Consolidated financial results (continued)

Estimate of Consolidated Financial Results for FY 2006

For the fiscal year 2006 ending March 31, 2007, MHI is expecting 2,900 billion yen in net sales, 80 billion yen in operating income, 63 billion yen in ordinary income, 63 billion yen in income before tax and 40 billion yen in net income. This estimate is based on the assumption of currency exchange rate of US\$ 1.00 = ¥112.00.

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: 187 (154 in FY2004)

Number of companies under the application of equity method:

<u>FY2005</u>	<u>FY2004</u>
33	47

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CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

	As of Mar. 31, 2006	As of Mar. 31, 2005	Increase (Decrease)
<u>ASSETS</u>			
Current assets:			
Cash and deposits	195,185	211,911	(16,725)
Trade receivables	1,097,403	1,048,892	48,510
Securities	1,549	2,571	(1,022)
Inventories	971,508	958,513	12,995
Deferred income taxes	75,978	65,500	10,477
Other current assets	209,608	184,867	24,740
Allowance for doubtful receivables	(7,748)	(6,612)	(1,135)
Total current assets	2,543,485	2,465,645	77,840
Fixed assets:			
Property, plant and equipment	765,236	736,500	28,736
Intangible fixed assets	35,769	33,726	2,042
Investments and advances			
Investment securities	628,110	538,792	89,317
Deferred income taxes	10,158	9,745	413
Other assets	83,114	98,445	(15,331)
Allowance for doubtful accounts	(18,753)	(51,712)	32,958
Total investments and advances	702,630	595,272	107,358
Total fixed assets	1,503,637	1,365,499	138,137
TOTAL ASSETS	4,047,122	3,831,144	215,978

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Mar. 31, 2006	As of Mar. 31, 2005	Increase (Decrease)
<u>LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY</u>			
LIABILITIES:			
Current liabilities:			
Trade payables	669,667	649,144	20,523
Bank loans	409,388	356,682	52,706
Current portion of debentures	300	33,426	(33,126)
Reserve for product warranties	15,999	11,913	4,086
Allowance for losses on construction contracts	6,298	6,401	(102)
Advance payments received on contracts	334,879	363,447	(28,568)
Other current liabilities	190,128	146,972	43,156
Total current liabilities	1,626,662	1,567,987	58,675
Long-term liabilities:			
Debentures	213,311	213,334	(22)
Long-term debt	575,664	569,452	6,211
Deferred tax liabilities	95,691	17,464	78,226
Reserve for retirement allowance	108,710	109,797	(1,087)
Reserve for treatment of PCB waste	4,360	-	4,360
Other long-term liabilities	28,660	27,919	741
Total long-term liabilities	1,026,399	937,968	88,430
TOTAL LIABILITIES	2,653,062	2,505,955	147,106
MINORITY INTERESTS	17,770	15,211	2,559
STOCKHOLDERS' EQUITY:			
Common stock	265,608	265,608	0
Capital surplus	203,864	203,854	9
Retained earnings	718,479	741,234	(22,754)
Net unrealized gains on investment securities	193,372	110,460	82,912
Foreign currency translation adjustments	117	(6,007)	6,124
Treasury stock	(5,154)	(5,173)	19
TOTAL STOCKHOLDERS' EQUITY	1,376,289	1,309,977	66,311
TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY	4,047,122	3,831,144	215,978

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2005	FY2004	Increase (Decrease)
Net sales	2,792,108	2,590,733	201,375
Cost of sales	2,460,819	2,300,894	159,924
Selling, general and administrative expenses	260,376	275,065	(14,689)
Operating income	70,912	14,772	56,140
Non-operating income:			
Interest and dividend income	13,797	9,907	3,890
Equity in earnings of unconsolidated subsidiaries and affiliates	2,055	10,003	(7,948)
Foreign exchange gains	-	1,631	(1,631)
Other income	5,166	4,229	937
Total non-operating income	21,019	25,771	(4,752)
Non-operating expenses:			
Interest expense	15,765	15,496	268
Foreign exchange losses	9,386	-	9,386
Losses on disposal of fixed assets	5,382	4,932	449
Other expenses	11,032	7,576	3,456
Total non-operating expenses	41,567	28,005	13,561
Ordinary income	50,365	12,538	(37,826)
Extraordinary income:			
Gains on sales of fixed assets	13,675	10,356	3,318
Gains on sales of investment securities	-	15,745	(15,745)
Total extraordinary income	13,675	26,102	(12,426)
Extraordinary expenses:			
Business improvement and restructuring charges	5,558	1,778	3,780
Expense for treatment of PCB waste	4,360	-	4,360
Provision of reserve for directors' retirement allowance	1,737	-	1,737
Provision of reserve for product warranties	-	10,889	(10,889)
Losses on impairment for fixed assets	-	6,107	(6,107)
Losses on damage from natural disasters	-	3,466	(3,466)
Total extraordinary expenses	11,657	22,242	(10,584)
Income before income taxes and minority interests	52,383	16,398	35,984
Income taxes			
Current	8,112	3,539	4,572
Deferred	13,056	7,926	5,129
Minority interests in income after taxes	1,397	882	515
Net income	29,816	4,049	25,766

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Yen)

	FY 2005	FY 2004	Differences
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	52,383	16,398	35,984
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	100,810	99,183	1,626
Losses on impairment for fixed assets	934	6,107	(5,173)
Increase (decrease) in reserve for retirement allowance	(2,142)	(4,802)	2,659
Equity in earnings of unconsolidated subsidiaries and affiliates	(2,055)	(10,003)	7,948
Interest and dividend income	(13,797)	(9,907)	(3,890)
Interest expense	15,765	15,496	268
Gains on sales of investment securities	-	(15,745)	15,745
Gains on sales of fixed assets	(13,675)	(10,356)	(3,318)
Business improvement and restructuring charges	5,558	1,778	3,780
Expense for treatment of PCB waste	4,360	-	4,360
Provision of reserve for directors' retirement allowance	1,737	-	1,737
Provision of reserve for product warranties	-	10,889	(10,889)
Losses on damage from natural disasters	-	3,466	(3,466)
(Increase) decrease in receivables	(36,938)	(53,197)	16,258
(Increase) decrease in inventories and advances to suppliers	(18,429)	53,101	(71,531)
(Increase) decrease in other assets	(16,249)	(41,710)	25,461
Increase (decrease) in payables	8,503	18,758	(10,255)
Increase (decrease) in advance payments received on contracts	(29,571)	36,248	(65,820)
Increase (decrease) in other liabilities	19,677	10,917	8,760
Others	(2,076)	(8,118)	6,041
Subtotal	74,792	118,503	(43,711)
Interest and dividends received	20,255	9,689	10,565
Interest paid	(15,711)	(15,670)	(40)
Payments for income taxes	(5,408)	(5,457)	49
Net cash provided by operating activities	73,928	107,065	(33,137)
Cash flows from investing activities:			
Net (Increase) decrease in time deposits	6,150	2,983	3,166
Purchases of property, plant, equipment and intangible assets	(123,973)	(108,233)	(15,740)
Proceeds from sales of property, plant, equipment and intangible assets	16,737	11,813	4,924
Purchases of investment securities	(4,982)	(91,266)	86,284
Proceeds from sales and redemption of marketable securities and investment securities	4,772	23,516	(18,743)
Disbursement of long-term loans	(6,074)	(3,783)	(2,291)
Collection of long-term loans	3,304	4,070	(765)
Others	-	(2,423)	2,423
Net cash used in investing activities	(104,065)	(163,321)	59,256
Cash flows from financing activities:			
Net increase (decrease) in bank loans	5,626	(2,055)	7,681
Proceeds from long-term debt	111,938	181,077	(69,138)
Repayment of long-term debt	(63,625)	(106,533)	42,907
Payment for redemption of bonds	(33,606)	(300)	(33,306)
Dividends paid to stockholders	(13,384)	(10,109)	(3,274)
Dividends paid to minority stockholders of subsidiaries	(395)	(316)	(78)
Others	1,421	(3,828)	5,249
Net cash provided by (used in) financing activities	7,974	57,933	(49,958)
Effect of exchange rate changes on cash and cash equivalents	5,786	2,798	2,987