

**MHI ANNOUNCES FY2006 FIRST QUARTER FINANCIAL RESULTS**  
**(CONSOLIDATED)**

Tokyo, August 4, 2006 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first quarter of fiscal year (FY) 2006 ended June 30, 2006.

(billions of yen)

	<b>FY2006 First Quarter</b>	FY2005 First Quarter	Changes (%)
Orders Received	<b>535.1</b>	530.6	0.9
Net Sales	<b>585.5</b>	536.0	9.2
Operating Income	<b>17.2</b>	4.3	300.3
Ordinary Income	<b>13.3</b>	5.7	132.2
Income Before Tax	<b>15.2</b>	5.7	164.9
Net Income	<b>9.2</b>	4.3	111.3
Net Income Per Share	<b>2.76 yen</b>	1.31 yen	110.7

**Orders Received by Operational Segment**

(billions of yen)

	<b>FY2006 First Quarter</b>	FY2005 First Quarter	Differences
Shipbuilding & Ocean Development	<b>24.2</b> <b>(4.5)</b>	43.0 (8.1)	-18.8
Power Systems	<b>154.8</b> <b>(29.0)</b>	149.4 (28.2)	5.3
Machinery & Steel Structures	<b>71.8</b> <b>(13.4)</b>	95.0 (17.9)	-23.2
Aerospace	<b>70.2</b> <b>(13.1)</b>	50.0 (9.4)	20.1
Mass and Medium-Lot Manufactured Machinery	<b>191.7</b> <b>(35.8)</b>	172.4 (32.5)	19.3
Others	<b>22.3</b> <b>(4.2)</b>	20.4 (3.9)	1.8
<b>TOTAL</b>	<b>535.1</b> <b>(100.0)</b>	530.6 (100.0)	4.5

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

**Consolidated** financial results (continued)

**Sales by Operational Segment**

(billions of yen)

	<b>FY2006 First Quarter</b>	FY2005 First Quarter	Differences
Shipbuilding & Ocean Development	<b>61.2</b> <b>(10.4)</b>	42.7 (8.0)	18.4
Power Systems	<b>172.1</b> <b>(29.4)</b>	138.2 (25.8)	33.8
Machinery & Steel Structures	<b>83.4</b> <b>(14.3)</b>	105.5 (19.7)	-22.0
Aerospace	<b>69.2</b> <b>(11.8)</b>	62.0 (11.6)	7.1
Mass and Medium-Lot Manufactured Machinery	<b>184.9</b> <b>(31.6)</b>	170.0 (31.7)	14.8
Others	<b>14.5</b> <b>(2.5)</b>	17.3 (3.2)	-2.8
<b>TOTAL</b>	<b>585.5</b> <b>(100.0)</b>	536.0 (100.0)	49.4

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

**Operating Income (Loss) by Operational Segment**

(billions of yen)

	<b>FY2006 First Quarter</b>	FY2005 First Quarter	Differences
Shipbuilding & Ocean Development	<b>0.5</b>	-0.7	1.3
Power Systems	<b>10.2</b>	4.0	6.1
Machinery & Steel Structures	<b>-0.2</b>	-2.5	2.2
Aerospace	<b>0.3</b>	0.4	-0.0
Mass and Medium-Lot Manufactured Machinery	<b>5.3</b>	1.7	3.6
Others	<b>0.9</b>	1.3	-0.3
<b>TOTAL</b>	<b>17.2</b>	4.3	12.9

## 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:

<u>FY2006</u>	<u>FY2005</u>
195	187

Number of companies under the application of equity method:

<u>FY2006</u>	<u>FY2005</u>
32	33

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#### **About Mitsubishi Heavy Industries**

Mitsubishi Heavy Industries, Ltd. (MHI), headquartered in Tokyo, Japan, is one of the world's leading heavy machinery manufacturers, with consolidated sales of 2,792 billion yen in fiscal 2005 (year ended March 31, 2006). MHI's diverse lineup of products and services encompasses shipbuilding, steel structures, power plants, chemical plants, environmental equipment, industrial and general machinery, aircraft, space rocketry and air-conditioning systems.

For more information, please visit the MHI website (<http://www.mhi.co.jp>).

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Daiya PR (in charge of public relations for Mitsubishi Heavy Industries, Ltd.)

CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

	As of Jun 30, 2006	As of Mar 31, 2006	Increase (Decrease)
<b><u>ASSETS</u></b>			
<b>Current assets:</b>			
Cash and deposits	228,035	195,185	32,849
Trade receivables	944,591	1,097,403	(152,812)
Securities	1,815	1,549	265
Inventories	1,072,836	971,508	101,327
Deferred income taxes	76,560	75,978	582
Other current assets	239,302	209,608	29,694
Allowance for doubtful receivables	(7,483)	(7,748)	265
<b>Total current assets</b>	<b>2,555,658</b>	<b>2,543,485</b>	<b>12,172</b>
<b>Fixed assets:</b>			
Property, plant and equipment	771,276	765,236	6,039
Intangible fixed assets	34,496	35,769	(1,273)
Investments and advances			
Investment securities	578,750	628,110	(49,360)
Deferred income taxes	9,441	10,158	(716)
Other assets	77,556	83,114	(5,557)
Allowance for doubtful accounts	(18,573)	(18,753)	180
<b>Total investments and advances</b>	<b>647,175</b>	<b>702,630</b>	<b>(55,454)</b>
<b>Total fixed assets</b>	<b>1,452,948</b>	<b>1,503,637</b>	<b>(50,688)</b>
<b>TOTAL ASSETS</b>	<b>4,008,607</b>	<b>4,047,122</b>	<b>(38,515)</b>

## CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Jun 30, 2006	As of Mar 31, 2006	Increase (Decrease)
<b><u>LIABILITIES</u></b>			
<b>Current liabilities:</b>			
Trade payables	612,293	669,667	(57,373)
Bank loans	366,731	409,388	(42,657)
Current portion of debentures	300	300	-
Reserve for product warranties	15,918	15,999	(81)
Allowance for losses on construction contracts	6,449	6,298	151
Advance payments received on contracts	427,360	334,879	92,480
Other current liabilities	197,345	190,128	7,216
<b>Total current liabilities</b>	<b>1,626,399</b>	<b>1,626,662</b>	<b>(263)</b>
<b>Long-term liabilities:</b>			
Debentures	213,299	213,311	(12)
Long-term debt	584,047	575,664	8,382
Deferred tax liabilities	75,641	95,691	(20,049)
Reserve for retirement allowance	113,316	108,710	4,605
Reserve for treatment of PCB waste	4,360	4,360	-
Other long-term liabilities	29,553	28,660	892
<b>Total long-term liabilities</b>	<b>1,020,218</b>	<b>1,026,399</b>	<b>(6,180)</b>
<b>TOTAL LIABILITIES</b>	<b>2,646,618</b>	<b>2,653,062</b>	<b>(6,444)</b>
<b><u>NET ASSETS</u></b>			
Common stock	265,608	-	265,608
Capital surplus	203,870	-	203,870
Retained earnings	714,496	-	714,496
Treasury stock	(5,117)	-	(5,117)
<b>Total stockholders' equity</b>	<b>1,178,857</b>	<b>-</b>	<b>1,178,857</b>
Net unrealized gains on investment securities	165,383	-	165,383
Gains on deferred hedge	68	-	68
Foreign currency translation adjustments	231	-	231
<b>Total valuation and translation adjustments</b>	<b>165,683</b>	<b>-</b>	<b>165,683</b>
<b>Minority interests</b>	<b>17,447</b>	<b>-</b>	<b>17,447</b>
<b>TOTAL NET ASSETS</b>	<b>1,361,989</b>	<b>-</b>	<b>1,361,989</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>4,008,607</b>	<b>-</b>	<b>4,008,607</b>
<b>MINORITY INTERESTS</b>	<b>-</b>	<b>17,770</b>	<b>(1,770)</b>
<b><u>STOCKHOLDERS' EQUITY</u></b>			
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
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>-</b>	<b>1,376,289</b>	<b>(1,376,289)</b>
<b>TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY</b>	<b>-</b>	<b>4,047,122</b>	<b>(4,047,122)</b>

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	<b>FY2006 First Quarter</b> (From April 1 to Jun 30 , 2006)	<b>FY2005 First Quarter</b> (From April 1 to Jun 30 , 2005)	Increase (Decrease)
Net sales	585,557	536,060	49,497
Cost of sales	505,359	467,428	37,930
<b>Gross profit</b>	<b>80,198</b>	<b>68,632</b>	<b>11,566</b>
Selling, general and administrative expenses	62,907	64,312	(1,405)
<b>Operating income</b>	<b>17,291</b>	<b>4,319</b>	<b>12,971</b>
<b>Non-operating income:</b>			
Interest and dividend income	4,634	3,548	1,086
Equity in earnings of unconsolidated subsidiaries and affiliates	-	1,159	(1,159)
Foreign exchange gains	-	1,858	(1,858)
Other income	869	1,136	(267)
<b>Total non-operating income</b>	<b>5,503</b>	<b>7,703</b>	<b>(2,199)</b>
<b>Non-operating expenses:</b>			
Interest expense	4,027	3,910	116
Equity in losses of unconsolidated subsidiaries and affiliates	297	-	297
Foreign exchange losses	733	-	733
Other expenses	4,395	2,367	2,027
<b>Total non-operating expenses</b>	<b>9,454</b>	<b>6,278</b>	<b>3,175</b>
<b>Ordinary income</b>	<b>13,341</b>	<b>5,744</b>	<b>7,596</b>
<b>Extraordinary income:</b>			
Gains on sales of investment securities	1,877	-	1,877
<b>Total extraordinary income</b>	<b>1,877</b>	<b>-</b>	<b>1,877</b>
<b>Income before income taxes and minority interests</b>	<b>15,219</b>	<b>5,744</b>	<b>9,474</b>
Income taxes	6,011	1,383	4,628
Minority interests	(66)	(27)	(38)
<b>Net income</b>	<b>9,273</b>	<b>4,388</b>	<b>4,885</b>

**MHI ANNOUNCES FY2006 FIRST QUARTER FINANCIAL RESULTS**  
**(NON-CONSOLIDATED)**

Tokyo, August 4, 2006 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **non-consolidated** financial results for the first quarter of fiscal year (FY) 2006 ended June 30, 2006.

(billions of yen)

	<b>FY2006 First Quarter</b>	FY2005 First Quarter	Changes (%)
Orders Received	<b>392.9</b>	372.4	5.5
Net Sales	<b>450.6</b>	427.0	5.5
Operating Income	<b>13.0</b>	1.2	947.3
Ordinary Income	<b>12.8</b>	5.6	126.1
Income Before Tax	<b>14.7</b>	5.6	159.2
Net Income	<b>10.2</b>	5.1	100.8
Net Income Per Share	<b>3.07 yen</b>	1.53 yen	100.7

**Estimate of Non-Consolidated Financial Results for FY 2006**

For the fiscal year 2006 ending March 31, 2007, MHI is expecting 2,250 billion yen in net sales, 60 billion yen in operating income, 50 billion yen in ordinary income, 50 billion yen in income before tax and 30 billion yen in net income. This estimate is based on the assumption of currency exchange rate of US\$ 1.00 = ¥112.00.

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