

## MHI Announces FY2006 First-Half Non-Consolidated Financial Results

Tokyo, October 31, 2006 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **non-consolidated** financial results for the first-half of fiscal year (FY) 2006 ended September 30, 2006.

(billions of yen)

	<b>FY2006</b> April – Sept.	FY2005 April – Sept.	Change (%)	FY2005 Full-Year
Orders Received	<b>1,039.4</b>	941.6	10.4	2,318.3
Net Sales	<b>1,060.3</b>	994.4	6.6	2,206.7
Operating Income	<b>28.2</b>	11.0	156.5	38.2
Ordinary Income	<b>20.0</b>	9.4	110.9	32.4
Income Before Tax	<b>23.7</b>	9.4	150.3	35.3
Net Income	<b>15.6</b>	7.9	96.0	26.1
Net Income Per Share (Fiscal)	<b>4.66 yen</b>	2.38 yen	96.0	7.77 yen
Dividend Per Share	<b>3.0 yen</b>	0.0 yen	—	4.0 yen

### 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. Impact of exchange rate fluctuation on this estimates is expected to be minor.

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

**NON-CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS**

(From April 1, 2006 to September 30, 2006)

	For the Six months ended Sep.30,2006	For the Six months ended Sep.30,2005	(Millions of Yen) Increase (Decrease)
<b><u>ORDINARY INCOME</u></b>			
<b>Operating income:</b>			
Net sales	1,060,317	994,435	65,881
Cost of sales	967,178	917,362	49,816
<b>Gross profit</b>	<b>93,138</b>	<b>77,073</b>	<b>16,065</b>
Selling, general and administrative expenses	64,903	66,063	(1,160)
<b>Operating income</b>	<b>28,235</b>	<b>11,009</b>	<b>17,226</b>
<b>Non-operating income:</b>			
Interest and dividend income	8,784	9,409	(625)
Other income	1,469	2,051	(582)
<b>Total</b>	<b>10,253</b>	<b>11,461</b>	<b>(1,208)</b>
<b>Non-operating expenses:</b>			
Interest expense	6,476	6,222	254
Foreign exchange losses	3,941	1,690	2,250
Losses on disposal of fixed assets	1,930	1,797	133
Other expenses	6,140	3,278	2,861
<b>Total</b>	<b>18,488</b>	<b>12,988</b>	<b>5,500</b>
<b>ORDINARY INCOME</b>	<b>20,000</b>	<b>9,482</b>	<b>10,517</b>
<b><u>EXTRAORDINARY INCOME AND LOSS</u></b>			
<b>Extraordinary income:</b>			
Gains on sales of fixed assets	3,571	-	3,571
Gains on sales of investment securities	1,910	-	1,910
<b>Total</b>	<b>5,482</b>	<b>-</b>	<b>5,482</b>
<b>Extraordinary expenses:</b>			
Business improvement and restructuring charges	1,743	-	1,743
<b>Total</b>	<b>1,743</b>	<b>-</b>	<b>1,743</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>23,739</b>	<b>9,482</b>	<b>14,256</b>
<b>Income taxes:</b>			
Current	930	(1,774)	2,704
Deferred	7,157	3,272	3,885
<b>NET INCOME</b>	<b>15,652</b>	<b>7,984</b>	<b>7,667</b>
Retained earnings carried forward from previous period	-	14,612	
<b>UNAPPROPRIATED EARNINGS</b>	<b>-</b>	<b>22,597</b>	

NON-CONSOLIDATED BALANCE SHEETS (As of September 30, 2006) (1/2)

(Millions of Yen)

	As of Sep.30.2006	As of Mar.31,2006	Increase (Decrease)
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits	170,125	98,238	71,887
Trade notes receivable	9,482	9,147	334
Trade accounts receivable	852,067	945,892	(93,825)
Securities	322	9	313
Finished products	70,904	68,318	2,585
Raw materials and supplies	62,530	49,150	13,380
Work in process	733,536	701,731	31,804
Advances to suppliers	93,567	64,408	29,158
Prepaid expenses	1,515	735	780
Deferred income taxes	57,881	58,261	(380)
Other current assets	131,144	144,777	(13,632)
Allowance for doubtful receivables	(58)	(67)	9
<b>Total current assets</b>	<b>2,183,020</b>	<b>2,140,605</b>	<b>42,415</b>
<b>Fixed assets:</b>			
<b>Property, plant and equipment:</b>			
Buildings	211,842	209,228	2,614
Structures	23,284	23,482	(198)
Dock and facilities for ship building	3,161	3,246	(85)
Machinery	162,687	161,723	963
Vessels	20	22	(1)
Aircraft	224	241	(17)
Vehicles and transportation equipment	2,429	2,340	88
Tools, equipment and furniture	49,404	48,356	1,048
Land	108,399	108,349	49
Construction in progress	35,445	29,617	5,828
Subtotal	596,900	586,608	10,291
<b>Intangible fixed assets:</b>			
Software	16,294	17,236	(941)
Right for facility utilization	1,842	1,981	(139)
Other intangible fixed assets	664	804	(139)
Subtotal	18,801	20,022	(1,221)
<b>Investments and advances:</b>			
Investment securities	418,614	457,773	(39,159)
Investments in shares of subsidiaries and affiliates	199,219	307,709	(108,490)
Long-term loans and advances	10,510	10,518	(8)
Investment capital and guarantee deposits	6,322	6,930	(607)
Investments in capital of subsidiaries and affiliates	14,867	13,115	1,751
Long-term prepaid expenses	42,464	39,576	2,888
Other investments	16,532	19,936	(3,404)
Allowance for doubtful accounts	(11,827)	(15,089)	3,262
Subtotal	696,703	840,470	(143,767)
<b>Total fixed assets</b>	<b>1,312,405</b>	<b>1,447,102</b>	<b>(134,697)</b>
<b>TOTAL ASSETS</b>	<b>3,495,426</b>	<b>3,587,707</b>	<b>(92,281)</b>

## NON-CONSOLIDATED BALANCE SHEETS (As of September 30, 2006) (2/2)

	As of Sep.30.2006	As of Mar.31,2006	(Millions of Yen) Increase (Decrease)
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Trade accounts payable	569,193	583,644	(14,451)
Bank loans	256,856	277,861	(21,005)
Current portion of long-term debt for exports loans from main contractors	4,955	5,884	(929)
Accrued payables	46,219	49,503	(3,284)
Accrued expenses	39,439	34,093	5,345
Accrued income taxes	2,778	-	2,778
Advance payments received on contracts	347,699	313,025	34,674
Deposits received	21,189	22,087	(898)
Reserve for product warranties	16,546	15,999	547
Allowance for losses on construction contracts	6,317	6,298	18
Reserve for directors' retirement allowance	-	1,737	(1,737)
Other current liabilities	32,698	18,396	14,302
<b>Total current liabilities</b>	<b>1,343,892</b>	<b>1,328,531</b>	<b>15,361</b>
<b>Long-term liabilities:</b>			
Debentures	240,000	210,000	30,000
Long-term debt	518,186	503,437	14,749
Long-term debt for exports loans from main contractors	9,886	11,916	(2,029)
Deferred tax liabilities	91,938	150,290	(58,352)
Reserve for retirement allowance	60,138	61,756	(1,617)
Reserve for treatment of PCB waste	3,884	4,075	(190)
Other long-term liabilities	14,111	10,608	3,503
<b>Total long-term liabilities</b>	<b>938,145</b>	<b>952,083</b>	<b>(13,937)</b>
<b>TOTAL LIABILITIES</b>	<b>2,282,038</b>	<b>2,280,614</b>	<b>1,423</b>
<b>STOCKHOLDERS' EQUITY</b>			
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
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>-</b>	<b>1,307,092</b>	<b>(1,307,092)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>-</b>	<b>3,587,707</b>	<b>(3,587,707)</b>
<b>NET ASSETS</b>			
<b>Stockholders' equity:</b>			
Common stock	265,608	-	265,608
Capital surplus:			
Capital reserve	203,536	-	203,536
Other capital reserve	19	-	19
Retained earnings:			
Legal reserve	66,363	-	66,363
Revenue reserve:			
Reserve for reduction in costs of fixed assets	21,007	-	21,007
Reserve for accelerated depreciation	8,054	-	8,054
General reserves	460,000	-	460,000
Earned surplus brought forward	35,216	-	35,216
Treasury stock	(5,111)	-	(5,111)
<b>Total stockholders' equity</b>	<b>1,054,696</b>	<b>-</b>	<b>1,054,696</b>
<b>Valuation, translation adjustments and others:</b>			
Net unrealized gains on investment securities	160,268	-	160,268
Deferred gains or losses on hedges	(1,870)	-	(1,870)
<b>Total valuation, translation adjustments and others</b>	<b>158,397</b>	<b>-</b>	<b>158,397</b>
Share subscription rights	293	-	293
<b>TOTAL NET ASSETS</b>	<b>1,213,387</b>	<b>-</b>	<b>1,213,387</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>3,495,426</b>	<b>-</b>	<b>3,495,426</b>