

## 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
<b>TOTAL</b>	<b>3,274.7</b> <b>(100.0)</b>	<b>2,942.0</b> <b>(100.0)</b>	<b>332.6</b>

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</b>	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
<b>TOTAL</b>	<b>3,068.5</b> <b>(100.0)</b>	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)

	<b>FY2006</b>	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
<b>TOTAL</b>	<b>108.9</b>	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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# CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

	As of Mar 31, 2007	As of Mar 31, 2006	Increase (Decrease)
<b><u>ASSETS</u></b>			
<b>Current assets:</b>			
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)
<b>Total current assets</b>	<b>2,787,315</b>	<b>2,543,485</b>	<b>243,829</b>
<b>Fixed assets:</b>			
<b>Property, plant and equipment:</b>			
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
<b>Intangible fixed assets:</b>			
Software and others	33,444	35,769	(2,325)
Subtotal	33,444	35,769	(2,325)
<b>Investments and advances:</b>			
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
<b>Total fixed assets</b>	<b>1,604,549</b>	<b>1,503,637</b>	<b>100,912</b>
<b>TOTAL ASSETS</b>	<b>4,391,864</b>	<b>4,047,122</b>	<b>344,742</b>

## CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Mar 31, 2007	As of Mar 31, 2006	Increase (Decrease)
<b><u>LIABILITIES</u></b>			
<b>Current liabilities:</b>			
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
<b>Total current liabilities</b>	<b>1,807,411</b>	<b>1,626,662</b>	<b>180,748</b>
<b>Long-term liabilities:</b>			
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
<b>Total long-term liabilities</b>	<b>1,138,016</b>	<b>1,026,399</b>	<b>111,616</b>
<b>TOTAL LIABILITIES</b>	<b>2,945,428</b>	<b>2,653,062</b>	<b>292,365</b>
<b>MINORITY INTERESTS</b>	-	17,770	(17,770)
<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>
<b><u>NET ASSETS</u></b>			
<b>Stockholders' equity:</b>			
Common stock	265,608	-	265,608
Capital surplus	203,879	-	203,879
Retained earnings	744,562	-	744,562
Treasury stock	(5,063)	-	(5,063)
<b>Total stockholders' equity</b>	<b>1,208,987</b>	<b>-</b>	<b>1,208,987</b>
<b>Valuation and translation adjustments:</b>			
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
<b>Total valuation and translation adjustments</b>	<b>219,034</b>	<b>-</b>	<b>219,034</b>
<b>Share subscription rights</b>	<b>293</b>	<b>-</b>	<b>293</b>
<b>Minority interests</b>	<b>18,120</b>	<b>-</b>	<b>18,120</b>
<b>TOTAL NET ASSETS</b>	<b>1,446,436</b>	<b>-</b>	<b>1,446,436</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>4,391,864</b>	<b>-</b>	<b>4,391,864</b>

# 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
<b>Gross profit</b>	<b>386,636</b>	<b>331,288</b>	<b>55,348</b>
Selling, general and administrative expenses	277,724	260,376	17,348
<b>Operating income</b>	<b>108,912</b>	<b>70,912</b>	<b>37,999</b>
<b>Non-operating income:</b>			
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)
<b>Total non-operating income</b>	<b>24,665</b>	<b>21,019</b>	<b>3,645</b>
<b>Non-operating expenses:</b>			
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
<b>Total non-operating expenses</b>	<b>50,528</b>	<b>41,567</b>	<b>8,961</b>
<b>Ordinary income</b>	<b>83,048</b>	<b>50,365</b>	<b>32,683</b>
<b>Extraordinary income:</b>			
Gains on sales of fixed assets	9,763	13,675	(3,911)
Gains on sales of investment securities	8,901	-	8,901
<b>Total extraordinary income</b>	<b>18,664</b>	<b>13,675</b>	<b>4,989</b>
<b>Extraordinary expenses:</b>			
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)
<b>Total extraordinary expenses</b>	<b>18,002</b>	<b>11,657</b>	<b>6,344</b>
<b>Income before income taxes and minority interests</b>	<b>83,711</b>	<b>52,383</b>	<b>31,328</b>
Income taxes			
Current	33,087	8,112	24,974
Deferred	3,162	13,056	(9,893)
Minority interests	(1,378)	1,397	(2,776)
<b>Net income</b>	<b>48,839</b>	<b>29,816</b>	<b>19,023</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

	FY 2006	FY 2005	Differences
<b>Cash flows from operating activities:</b>			
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	<b>169,780</b>	<b>74,792</b>	<b>94,987</b>
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	<b>158,721</b>	<b>73,928</b>	<b>84,793</b>
<b>Cash flows from investing activities:</b>			
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	<b>(158,653)</b>	<b>(104,065)</b>	<b>(54,588)</b>
<b>Cash flows from financing activities:</b>			
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	<b>48,730</b>	<b>7,974</b>	<b>40,755</b>
Effect of exchange rate changes on cash and cash equivalents	<b>2,032</b>	<b>5,786</b>	<b>(3,753)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>50,830</b>	<b>(16,376)</b>	<b>67,207</b>
Cash and cash equivalents at beginning of year	<b>176,274</b>	<b>189,780</b>	<b>(13,506)</b>
Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries	<b>479</b>	<b>2,869</b>	<b>(2,390)</b>
Cash and cash equivalents at end of year	<b>227,584</b>	<b>176,274</b>	<b>51,310</b>