



Financial Results for FY2006 and Forecast for FY2007

April 2007

 **MITSUBISHI HEAVY INDUSTRIES, LTD.**

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I. Financial Results for FY2006

Summary of Financial Results for FY 2006 (1)

(In billion yen)

	FY2005	FY2006	Change
Order received	2,942.0	3,274.7	+ 332.6
Net sales	2,792.1	3,068.5	+ 276.3
Operating income	70.9	108.9	+ 37.9
Ordinary income	50.3	83.0	+ 32.6
Extraordinary income	2.0	0.6	- 1.3
Income before income taxes	52.3	83.7	+ 31.3
Net income	29.8	48.8	+ 19.0

Summary of Financial Results for FY 2006 (2)

Orders received ⇒ Up ¥332.6 billion YoY (¥2,942.0 bn → ¥3,274.7 bn)

- Orders increased significantly in the Power Systems segment, with demand for wind turbines from the United States particularly robust and active negotiations on thermal electric power plants overseas. Orders also surged in the Shipbuilding & Ocean Development segment, thanks to healthy demand for new commercial ships. In the Aerospace segment, too, orders were up, with healthy demand for commercial transport planes, while the Mass and Medium-Lot Manufactured Machinery segment enjoyed strong overseas orders for forklifts and turbochargers. Although orders in Machinery and Steel Structures declined, overall orders were higher than the year-ago level.

Net sales ⇒ Up ¥276.3 billion YoY (¥2,792.1 bn → ¥3,068.5 bn)

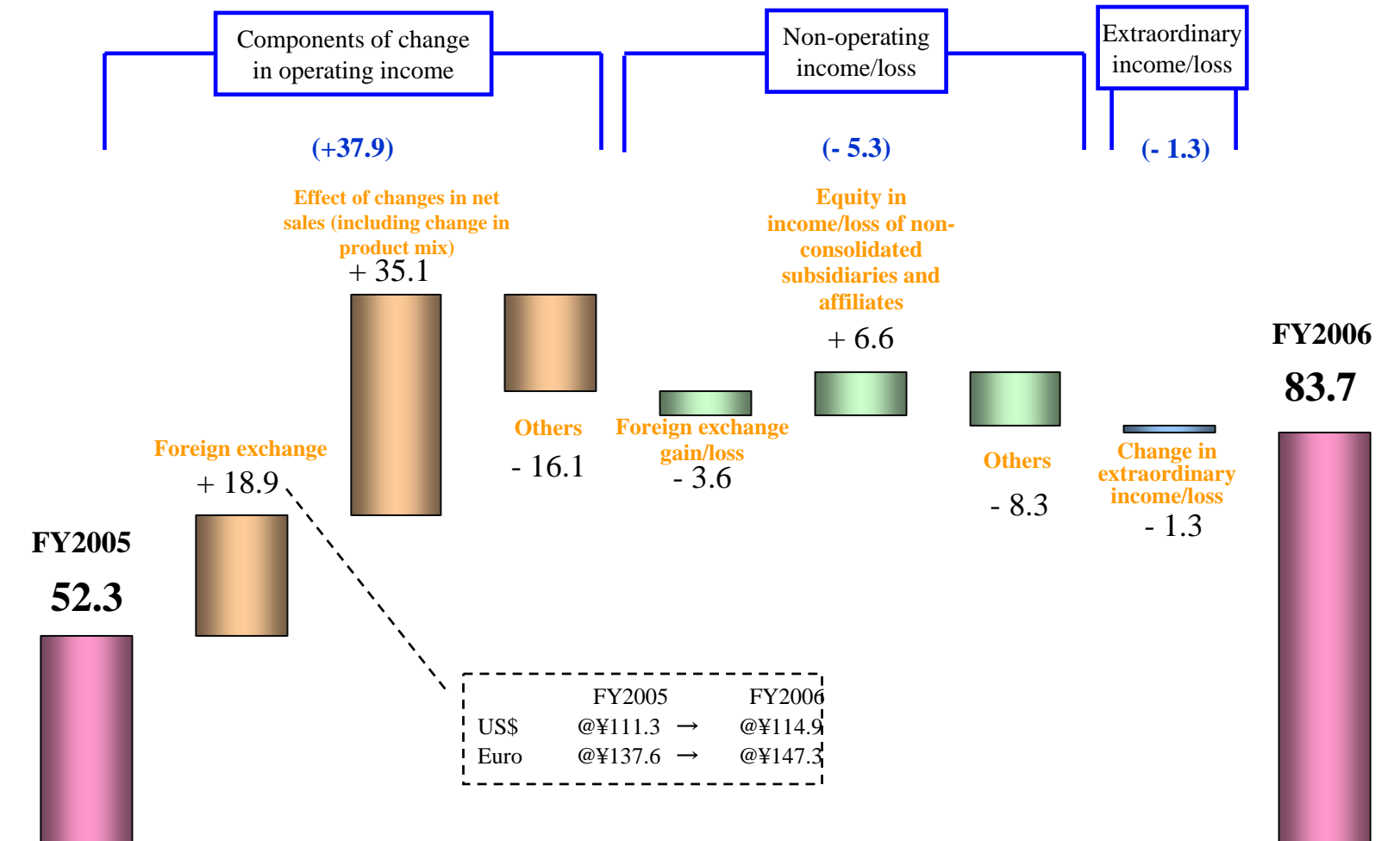
- Net sales increased in every segment except the Machinery and Steel Structures segment, reflecting strong orders in recent years. Consequently, total net sales exceeded the year-ago level.

Net income ⇒ Up ¥19.0 billion YoY (¥29.8 bn → ¥48.8 bn)

- Net income rose from the level of the previous fiscal year. An increase in net sales from the year-ago level, a weak yen, and activities to improve profitability such as cost cutting and the pursuit of production efficiency more than offset factors such as rising material costs.

Components of Change in FY2006 Income before Income Taxes

Up ¥31.3 billion YoY (¥52.3 bn → ¥83.7 bn)



Ordinary Income and Extraordinary Income

- Ordinary Income (+ ¥32.6 billion YoY (¥50.3 bn → ¥83.0 bn)) (In billion yen)

	FY2005	FY2006	Change
Operating income	70.9	108.9	+ 37.9
Foreign exchange gains	- 9.3	- 12.9	- 3.6
Net interest loss	- 1.9	- 4.8	- 2.8
Equity in gain of non-consolidated subsidiaries and affiliates	2.0	8.6	+ 6.6
Other	- 11.2	- 16.7	- 5.4
Non-operating income	- 20.5	- 25.8	- 5.3
Ordinary income	50.3	83.0	+ 32.6

- Extraordinary Income (- ¥1.3 billion YoY (¥2.0 bn → ¥0.6 bn))

	FY2005	FY2006	Change
Gain on sale of property and equipment	13.6	9.7	- 3.9
Gain on sale of investment securities	-	8.9	8.9
Extraordinary income	13.6	18.6	+ 4.9
Special expenses related to business improvement and restructuring	- 5.5	- 10.7	- 5.1
Valuation losses on investment securities	-	- 5.2	- 5.2
Revision of retirement pension benefit ratio, etc.	-	- 2.0	- 2.0
PCB waste material disposal expenses	- 4.3	-	+ 4.3
Provision for directors' retirement benefits	- 1.7	-	+ 1.7
Extraordinary loss	- 11.6	- 18.0	- 6.3
Extraordinary income/loss	2.0	0.6	- 1.3

Financial Results for FY2006 by Business Segment

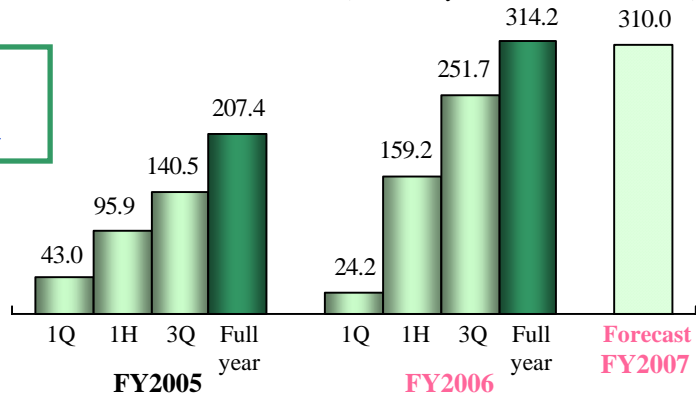
(In billion yen)

	Orders received		Net sales		Operating income	
	FY2005	FY2006	FY2005	FY2006	FY2005	FY2006
Shipbuilding & Ocean Development	207.4	314.2	222.6	247.1	- 10.6	- 5.3
Power Systems	872.8	1,008.2	710.9	890.7	38.3	56.7
Machinery & Steel Structures	515.8	469.0	538.7	511.6	2.3	2.9
Aerospace	451.5	543.3	445.9	495.0	16.5	14.4
GM & SV	386.6	437.5	393.2	431.1	12.0	16.6
Air-Con	191.0	197.4	192.1	198.5	0.2	3.2
Industrial	237.1	221.7	219.7	219.3	4.4	11.4
Mass and Medium-lot Manufactured Machinery	814.8	856.6	805.0	849.0	16.7	31.3
Others	79.6	83.0	68.7	74.8	7.5	8.8
Total	2,942.0	3,274.0	2,792.1	3,068.5	70.9	108.9

<Shipbuilding & Ocean Development>

(In billion yen, accumulated amount)

Orders Received



Orders received: Up ¥106.8 billion YoY

- Demand for new ships remained at high levels, and the market was booming. In this environment, the Company took steps to win orders for a broad array of vessels, especially high value-added vessels including LNG and LPG carriers, the production of which is an area of strength for the Company.
- Consequently, the Company received orders for a total of 23 ships during the term, including eight pure car carriers, six LPG carriers, five container ships, two LNG carriers, and one ferry.

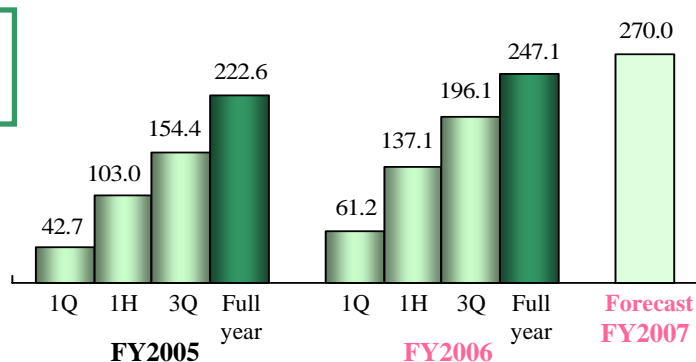
[Number of ships orders received]

FY2005: 19 (1Q: 4 2Q: 3 3Q: 6 4Q: 6)

FY2006: 23 (1Q: 2 2Q: 10 3Q: 7 4Q: 4)

[Backlog of ship orders]: 61 (Of these, number of LNG carriers: 12)

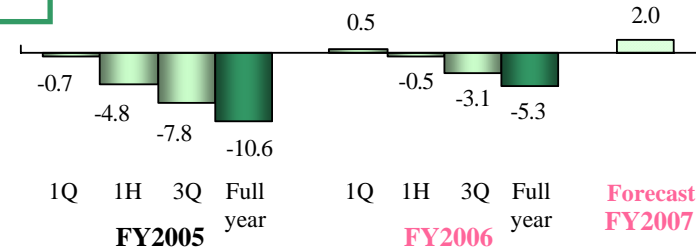
Net Sales



Net sales/Earnings: Increased earnings (+ ¥5.2 billion YoY) on increased sales (+ ¥24.4 billion YoY)

- A total of 21 ships were delivered, including seven pure car carriers, four container ships, two LNG ships, and two LPG ships. Sales rose from the previous year.

Operating Income



- Although earnings were affected by surging material costs, losses declined from the previous fiscal year on improved profitability, among other factors.

[Number of ships delivered]

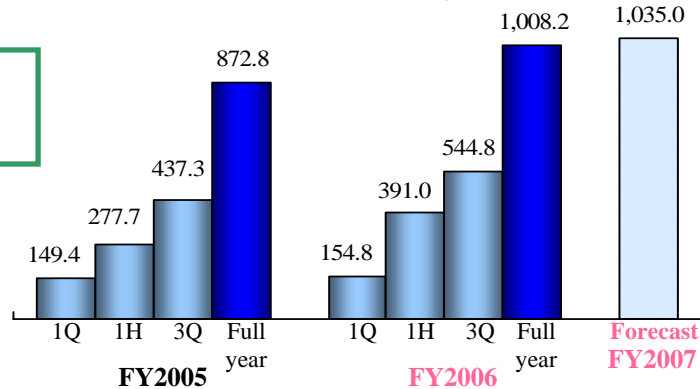
FY2005: 20 (1Q: 2 2Q: 5 3Q: 4 4Q: 9)

FY2006: 21 (1Q: 5 2Q: 7 3Q: 4 4Q: 5)

<Power Systems>

(In billion yen, accumulated amount)

Orders Received



Orders received: Up ¥135.4 billion YoY

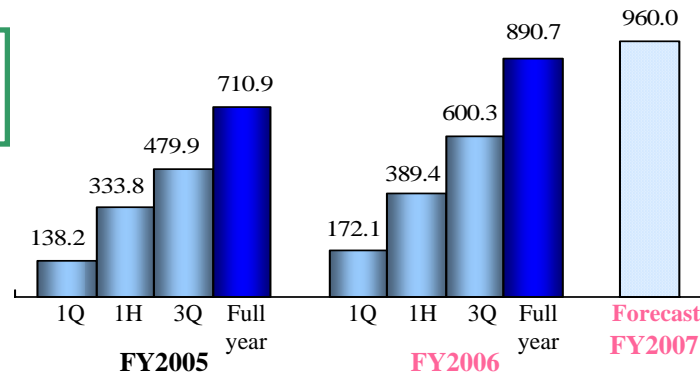
- Orders for overseas gas turbine combined cycle thermal electric power plants were robust. In addition, the Company signed an order for a large-scale combined thermal electric power plant from Saudi Arabia.
- There were strong orders for wind turbines, especially from the United States, attributable growing interest in natural energy.

[Gas turbine order backlog (Non-consolidated)]

FY2005: 1Q: 70 2Q: 69 3Q: 72 4Q: 75

FY2006: 1Q: 78 2Q: 71 3Q: 58 4Q: 60

Net Sales

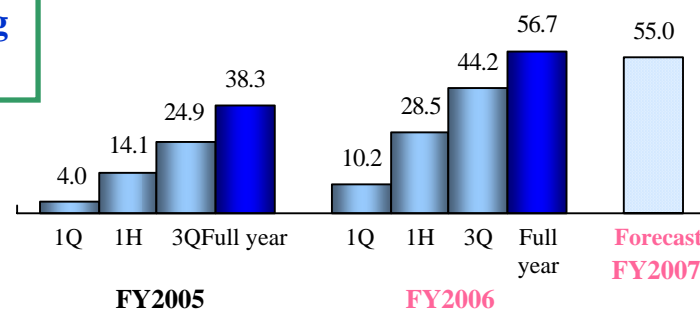


Net sales/Earnings: Increased earnings (+ ¥18.4 billion

YoY) on increased sales (+ ¥179.8 billion YoY)

- Both sales and earnings rose on an increase in construction of overseas thermal electric power plants, a reflection of strong orders in recent years.

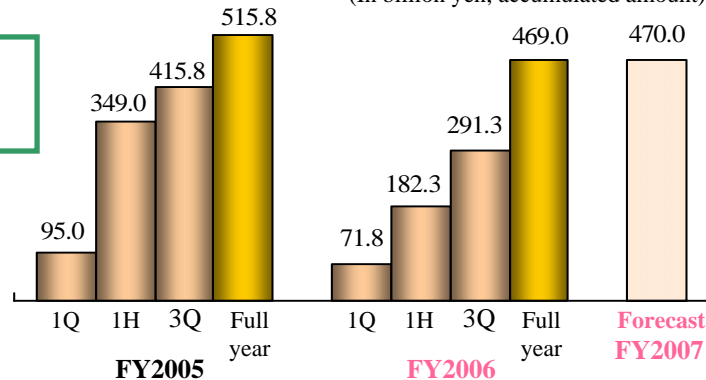
Operating Income



<Machinery & Steel Structures>

(In billion yen, accumulated amount)

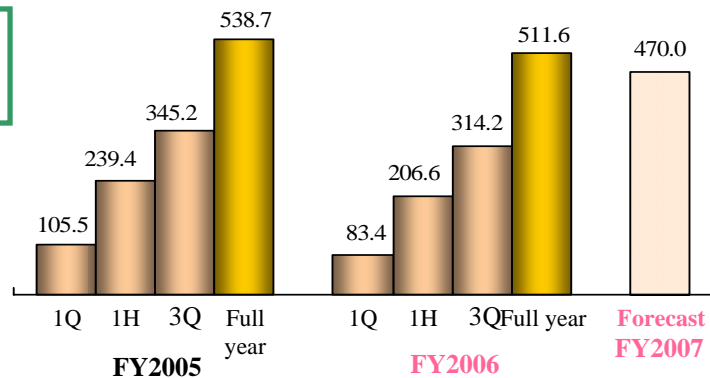
Orders Received



Orders received: Down ¥46.8 billion YoY

-Positive factors included a rise in orders for wind machines (compressors) for plants caused by growing demand for plant construction overseas. However, orders declined from the previous fiscal year, when the Company received orders for large overseas projects including a transportation system and chemical plant.

Net Sales

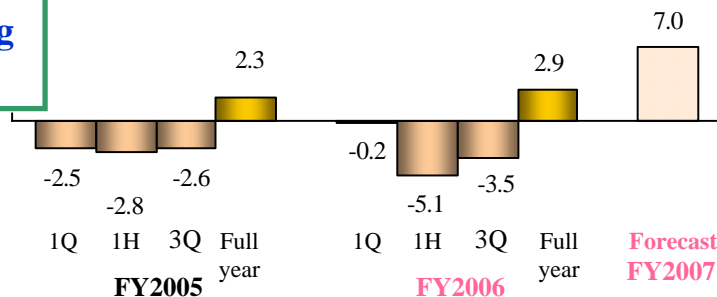


Net sales/Earnings: Increased earnings (+ ¥0.5 billion YoY) on declined sales (- ¥27 billion YoY)

-Sales from waste disposal equipment, transportation systems, etc. fell from the previous fiscal year, when sales were robust.

-Earnings exceeded the year-ago level although some projects incurred expenses for failure measures.

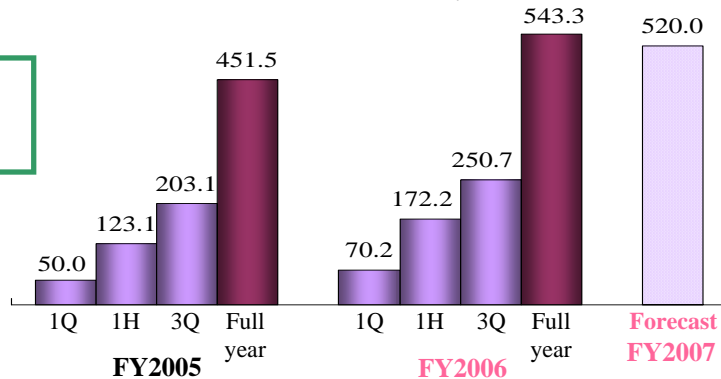
Operating Income



<Aerospace>

(In billion yen, accumulated amount)

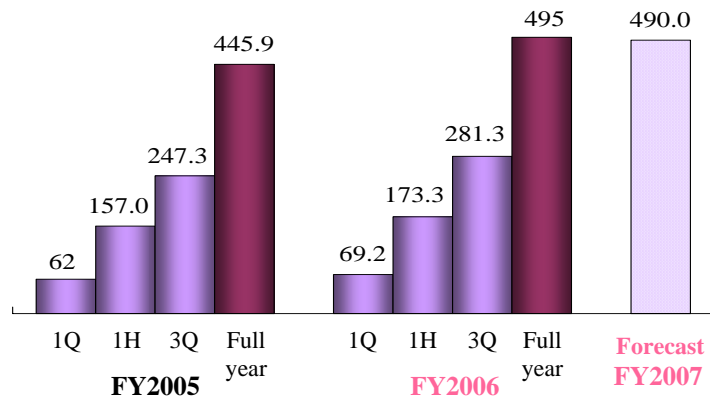
Orders Received



Orders received: Up ¥91.8 billion YoY

- Orders increased year on year. Orders increased for commercial transport planes, including B777s, engines for commercial transport aircraft, and other products, reflecting robust demand for aircraft. In addition, orders for guided flying objects and other items in the defense sector grew.

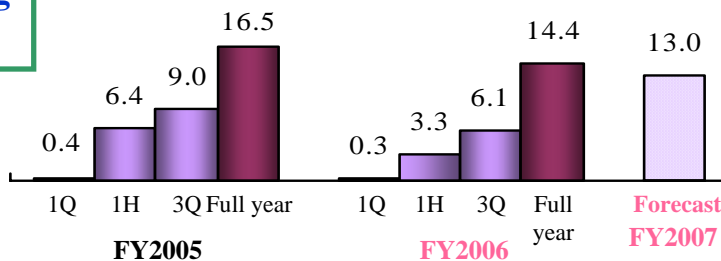
Net Sales



Net sales/Earnings: Decreased earnings (- ¥2.0 billion YoY) on increased sales (+ ¥49.0 billion YoY)

- Sales increased, mainly because of a rise in sales of products in the commercial transport aircraft segment.
 - Earnings fell as a result of an increase in research and development expenses, among other factors.

Operating Income



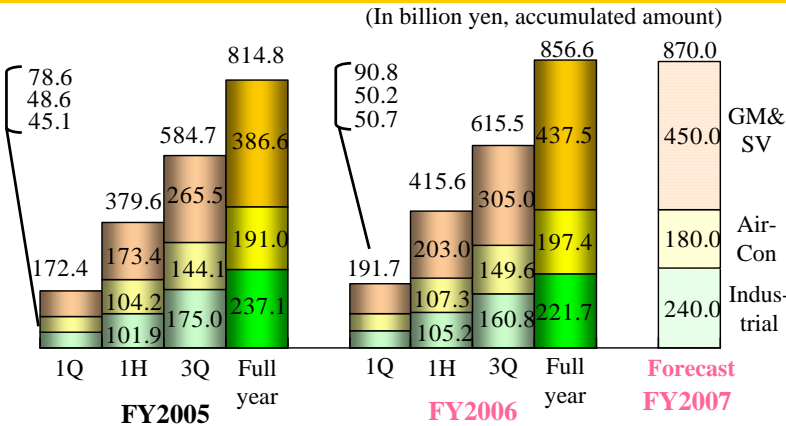
[Number of B777s delivered]

FY2005: 49 (1Q: 12, 2Q: 13, 3Q: 8, 4Q: 16)

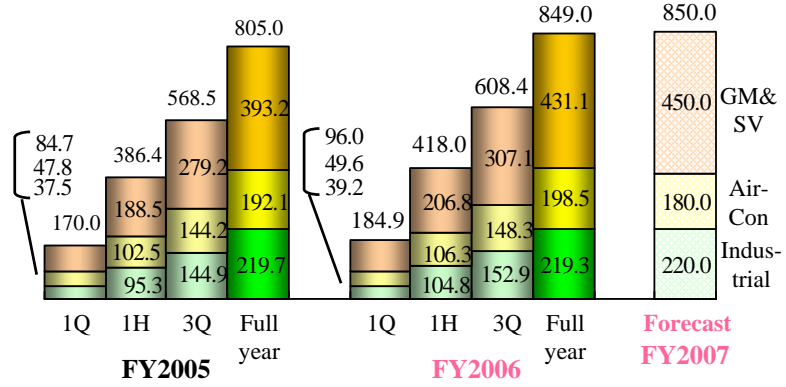
FY2006: 75 (1Q: 15, 2Q: 17, 3Q: 21, 4Q: 22)

<Mass and Medium-lot Manufactured Machinery>

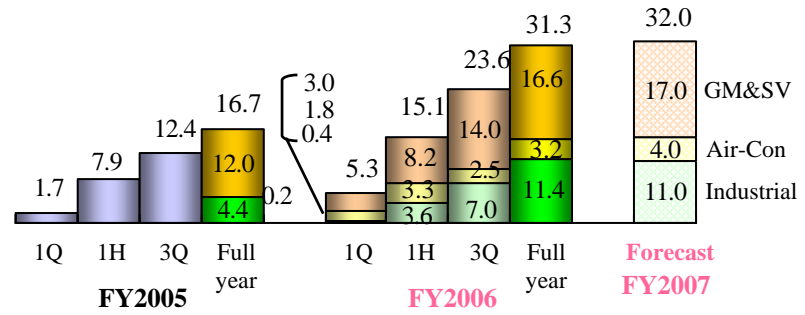
Orders Received



Net Sales



Operating Income



Orders received: Up ¥59.2 billion YoY

Orders rose in the General Machinery & Special Vehicle and Air-Conditioning segments, but fell in the industrial machinery from the previous fiscal year.

- GM&SV: Orders mainly for forklifts, utility engines and turbochargers for Europe and the United States increased.

- Air-Con: Orders for package air conditioners and room air conditioners rose, especially in Europe.

- Industrial: Orders declined from the previous fiscal year, when the Company enjoyed strong demand for commercial offset rotary printing equipment.

Net sales/Earnings: Increased earnings (+ ¥14.6

Billion YoY) on increased sales (+ ¥43.9 billion YoY)

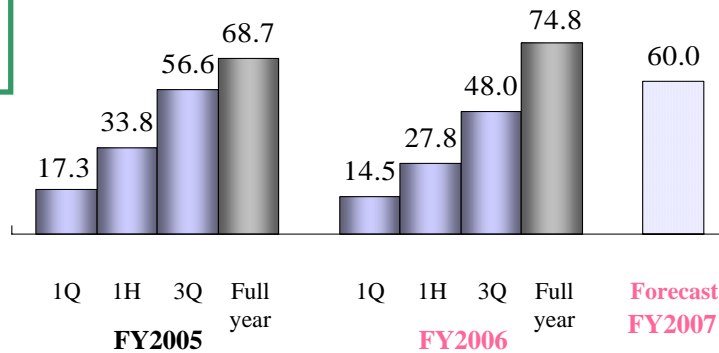
- Sales increased in GM&SV and Air-Con, while sales in the Industrial Machinery section stalled.

- Earnings rose in GM&SV, Air-Con and Industrial sections, mainly on the strength of rising sales and the influence of foreign exchange rates.

<Others>

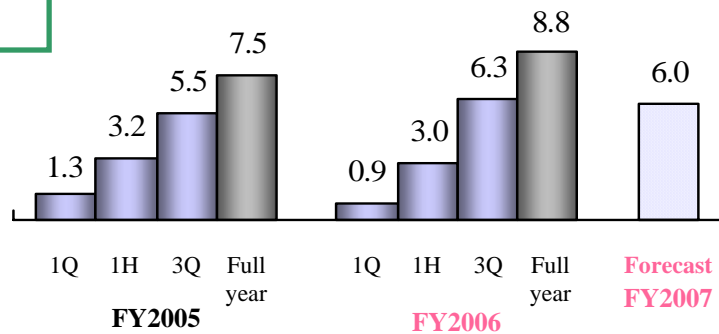
(In billion yen, accumulated amount)

Net Sales



- Real estate and construction
- Information and communication systems, etc.

Operating Income



Supplementary: [Non-consolidated]

Summary of Financial Results for FY2005

(In billion yen)

	FY2005	FY2006	Change
Orders received	2,318.3	2,586.6	+ 268.3
Net sales	2,206.7	2,426.6	+ 219.8
Operating income	38.2	71.6	+ 33.4
Ordinary income	32.4	57.4	+ 25.0
Extraordinary income	2.9	1.6	- 1.3
Net income before income taxes	35.3	59.0	+ 23.7
Net income	26.1	39.5	+ 13.4

Balance Sheets

	As of March 31, 2006	As of March 31, 2007	Change
Assets			
Trade receivables	1,097.4	1,166.7	+ 69.2
Inventories	971.5	1,048.5	+ 77.0
Other current assets	474.5	572.0	+ 97.4
Total current assets	2,543.4	2,787.3	+ 243.8
Total fixed assets	1,503.6	1,604.5	+ 100.9
Total assets	4,047.1	4,391.8	+ 344.7
Liabilities and shareholders' equity			
Trade payables	669.6	746.5	+ 76.9
Advances received	334.8	394.9	+ 60.0
Other current liabilities	622.1	665.8	+ 43.7
Total current liabilities	1,626.6	1,807.4	+ 180.7
Total long-term liabilities	1,026.3	1,138.0	+ 111.6
Total liabilities	2,653.0	2,945.4	+ 292.3
Net assets			
Shareholders' capital	1,182.7	1,208.9	+ 26.1
Valuation and translation adjustments	193.4	219.0	+ 25.5
Other (Minority interests, etc.)	17.7	18.4	+ 0.6
Total net assets	1,394.0	1,446.4	+ 52.3
Total liabilities and net assets	4,047.1	4,391.8	+ 344.7

(In billion yen)

Cash and deposits + 49.0 etc.

Investment securities + 46.8 etc.

With the introduction of the Corporation Law and other legislation, shareholders' equity and minority interests, which were previously separated, are combined as net assets from fiscal 2006.

In the left table, figures for fiscal 2005 are rearranged according to the classification adopted after the introduction of the Corporation Law.

Cash Flows , Interest-Bearing Debts

Cash flows

(In billion yen)

	FY2005	FY2006	Change
Cash flows from operating activities	73.9	158.7	+ 84.7
Cash flows from investing activities	- 104.0	- 158.6	- 54.5
Free cash flows	- 30.1	0.0	+ 30.2
Cash flows from financing activities	7.9	48.7	+ 40.7

Overview of FY2006

- Cash flows from operating activities increased ¥84.7 billion from the previous year to ¥158.7 billion due to an increase in income before taxes.
- Cash flows from investing activities increased ¥54.5 billion to ¥158.6 billion, reflecting active capital investment for commercial airplanes, etc.
- As a result, free cash flow was minus ¥0 billion (or, ¥30.2 billion increase compared with the end of the previous fiscal year)
- Interest-bearing debt increased by ¥74.9 billion from the end of the previous fiscal year.

Interest-bearing debt

(In billion yen)

	As of March 31, 2006	As of March 31, 2007	Change
Interest-bearing debt	1,198.6	1,273.5	+ 74.9

Supplementary Information (1)

1. Foreign Exchange Rates

(Yen/US\$)

	FY2002		FY2003		FY2004		FY2005		FY2006	
	1H	Full year	1H	Full year	1H	Full year	1H	Full year	1H	Full year
Average rates for recording sales	122.5	122.4	119.1	113.0	110.7	108.7	109.5	111.3	113.7	114.9
(Reference) Rates at end of period	122.6	120.2	111.3	105.7	111.1	107.4	113.2	117.5	117.9	118.1

2. R&D Expenses

(In billion yen)

	FY2002	FY2003	FY2004	FY2005	FY2006
R & D Expenses	109.4	99.5	124.0	100.7	106.3

3. Depreciation and Amortization - Capital Expenditure

(In billion yen)

	FY2002	FY2003	FY2004	FY2005	FY2006
Depreciation	97.0	99.8	99.1	100.8	106.7
Capital Expenditure	119.1	109.8	112.2	140.5	175.9

Supplementary Information (2)

4. Employees

(Number of employees)

	FY2002	FY2003	FY2004	FY2005	FY2006
(Consolidated)					
Shipbuilding & Ocean Development	5,796	5,707	5,531	5,388	5,285
Power Systems	13,949	13,665	13,749	14,218	15,070
Machinery & Steel Structures	8,136	8,121	7,839	8,998	8,246
Aerospace	7,504	7,374	7,314	7,712	8,211
Mass & Medium-lot Manufactured Machinery	17,346	16,203	16,154	16,930	17,032
Others	8,561	8,879	8,653	8,966	9,096
Total	61,292	59,949	59,240	62,212	62,940
(Non-consolidated)					
Total	35,530	34,396	33,500	32,627	32,552

5. Overseas Sales by Region

(In billion yen)

	FY2002		FY2003		FY2004		FY2005		FY2006	
(Consolidated)										
North America	271.2	(32%)	262.1	(29%)	265.5	(25%)	322.5	(26%)	371.8	(25%)
Central & South America	68.4	(8%)	95.1	(11%)	147.1	(14%)	108.5	(9%)	123.7	(9%)
Asia	212.7	(26%)	324.6	(36%)	416.8	(40%)	522.4	(42%)	437.4	(30%)
Middle East	55.5	(7%)	40.8	(5%)	28.1	(3%)	57.2	(5%)	257.8	(18%)
Europe	193.0	(23%)	119.6	(13%)	162.3	(15%)	182.8	(15%)	237.4	(16%)
Other	36.8	(4%)	50.2	(6%)	29.3	(3%)	32.2	(3%)	34.3	(2%)
Total	837.8	(100%)	892.6	(100%)	1,049.3	(100%)	1,225.9	(100%)	1,462.6	(100%)

Europe includes Russia and Eastern Europe from FY2004.

II. Forecast for FY2007

Forecasts regarding future performance in these materials are based on judgment made in accordance with information available at the time this presentation was prepared. As such, those projection simply risks and insecurity. For this reason, investors are recommended not to depend solely on these projections for making investment decision. It is possible that actual results may change significantly from these projections for a number of factors. Such factors include, but are not limited to, economic trends affecting the Company's operating environment, currency movement of the yen value to the U.S. dollar and other foreign currencies, and trends of stock markets in Japan.

Summary of Forecast for FY2007

(In billion yen)

	FY2006 (Actual)	FY2007 (Forecast)
Orders received	3,274.7	3,300.0
Net sales	3,068.5	3,100.0
Operating income	108.9	115.0
Ordinary income	83.0	90.0
Income before income taxes	83.7	90.0
Net income	48.8	54.0

- ◇ Assumes foreign exchange rates of undetermined amount ¥112 to the U.S. dollar and ¥150 to the Euro (US\$1 billion, EUR0.2 billion undetermined)

Forecast for FY2007 by Business Segment

(In billion yen)

	Order received		Net sales		Operating income		
	FY2006	FY2007 Forecast	FY2006	FY2007 Forecast	FY2006	FY2007 Forecast	
Shipbuilding & Ocean Development	314.2	310.0	247.1	270.0	- 5.3	2.0	
Power Systems	1,008.2	1,035.0	890.7	960.0	56.7	55.0	
Machinery & Steel Structures	469.0	470.0	511.6	470.0	2.9	7.0	
Aerospace	543.3	520.0	495.0	490.0	14.4	13.0	
	GM & SV	437.5	450.0	431.1	450.0	16.6	17.0
	Air-Con	197.4	180.0	198.5	180.0	3.2	4.0
	Industrial	221.7	240.0	219.3	220.0	11.4	11.0
Mass & Medium-lot Manufactured Machinery	856.6	870.0	849.0	850.0	31.3	32.0	
Others	83.0	95.0	74.8	60.0	8.8	6.0	
Total	3,274.7	3,300.0	3,068.5	3,100.0	108.9	115.0	