

MHI ANNOUNCES OUTLINE OF FY2007 FIRST 3 MONTH FINANCIAL RESULTS ENDED JUNE 30, 2007 (CONSOLIDATED)

Tokyo, July 31, 2007 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first three months of fiscal year (FY) 2007 ended June 30, 2007.

(billions of yen)

	FY2007 First 3 Months (From April 1 to June 30, 2007)	FY2006 First 3 Months (From April 1 to June 30, 2006)	Changes (%)
Orders Received	674.6	535.1	26.1
Net Sales	685.7	585.5	17.1
Operating Income	24.7	17.2	43.1
Ordinary Income	21.4	13.3	60.9
Income Before Taxes and Minority Interests	27.1	15.2	78.6
Net Income	17.0	9.2	83.6
Net Income Per Share	5.07 yen	2.76 yen	83.6

Orders Received by Operational Segment

(billions of yen)

	FY2007 First 3 Months (From April 1 to June 30, 2007)	FY2006 First 3 Months (From April 1 to June 30, 2006)	Differences
Shipbuilding & Ocean Development	33.1 (4.9)	24.2 (4.5)	8.9
Power Systems	249.5 (37.0)	154.8 (29.0)	94.6
Machinery & Steel Structures	103.0 (15.3)	71.8 (13.4)	31.2
Aerospace	69.3 (10.3)	70.2 (13.1)	-0.9
Mass and Medium-Lot Manufactured Machinery	210.6 (31.2)	191.7 (35.8)	18.8
Others	9.0 (1.3)	22.3 (4.2)	-13.2
TOTAL	674.6 (100.0)	535.1 (100.0)	139.4

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

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2007 First 3 Months (From April 1 to June 30, 2007)	FY2006 First 3 Months (From April 1 to June 30, 2006)	Differences
Shipbuilding & Ocean Development	68.9 (10.1)	61.2 (10.4)	7.7
Power Systems	227.4 (33.2)	172.1 (29.4)	55.3
Machinery & Steel Structures	86.5 (12.6)	83.4 (14.3)	3.0
Aerospace	83.0 (12.1)	69.2 (11.8)	13.7
Mass and Medium-Lot Manufactured Machinery	203.9 (29.7)	184.9 (31.6)	19.0
Others	15.8 (2.3)	14.5 (2.5)	1.3
TOTAL	685.7 (100.0)	585.5 (100.0)	100.1

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

Operating Income (Loss) by Operational Segment

(billions of yen)

	FY2007 First 3 Months (From April 1 to June 30, 2007)	FY2006 First 3 Months (From April 1 to June 30, 2006)	Differences
Shipbuilding & Ocean Development	1.6	0.5	1.0
Power Systems	14.5	10.2	4.2
Machinery & Steel Structures	-2.7	-0.2	-2.4
Aerospace	1.1	0.3	0.7
Mass and Medium-Lot Manufactured Machinery	7.9	5.3	2.5
Others	2.2	0.9	1.2
TOTAL	24.7	17.2	7.4

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 taxes and minority interests, and 54 billion yen in net income.

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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CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

	As of Jun 30, 2007	As of Mar 31, 2007	Increase (Decrease)
<u>ASSETS</u>			
Current assets:			
Cash and deposits	274,611	244,233	30,378
Trade receivables	1,015,546	1,166,702	(151,156)
Securities	2,729	2,772	(42)
Inventories	1,130,191	1,048,586	81,605
Deferred income taxes	93,425	87,742	5,683
Other current assets	311,044	245,214	65,829
Allowance for doubtful receivables	(7,975)	(7,935)	(39)
Total current assets	2,819,573	2,787,315	32,258
Fixed assets:			
Property, plant and equipment:			
Buildings and structures	304,310	307,004	(2,694)
Machinery and transportation equipment	239,479	238,260	1,219
Tools, equipment and furniture	77,125	78,657	(1,532)
Land	146,074	144,422	1,652
Construction in progress	66,183	56,399	9,784
Subtotal	833,174	824,744	8,429
Intangible fixed assets:			
Software and others	31,931	33,444	(1,512)
Subtotal	31,931	33,444	(1,512)
Investments and advances:			
Investment securities	708,037	674,932	33,105
Deferred income taxes	6,453	6,309	144
Other assets	77,603	80,818	(3,215)
Allowance for doubtful accounts	(15,647)	(15,699)	52
Subtotal	776,446	746,360	30,086
Total fixed assets	1,641,552	1,604,549	37,003
TOTAL ASSETS	4,461,126	4,391,864	69,261

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Jun 30, 2007	As of Mar 31, 2007	Increase (Decrease)
LIABILITIES			
Current liabilities:			
Trade payables	694,100	746,591	(52,490)
Bank loans	305,009	354,275	(49,266)
Current portion of debentures	52,661	52,682	(21)
Reserve for product warranties	22,888	21,224	1,664
Reserve for losses on construction contracts	9,709	9,535	174
Advance payments received on contracts	502,753	394,932	107,820
Other current liabilities	258,752	228,170	30,582
Total current liabilities	1,845,875	1,807,411	38,463
Long-term liabilities:			
Debentures	196,552	196,605	(53)
Long-term debt	670,202	670,009	193
Deferred tax liabilities	130,321	120,617	9,703
Reserve for retirement allowance	103,958	98,497	5,460
Reserve for treatment of PCB waste	4,169	4,169	-
Other long-term liabilities	47,783	48,116	(333)
Total long-term liabilities	1,152,987	1,138,016	14,970
TOTAL LIABILITIES	2,998,862	2,945,428	53,433
NET ASSETS			
Stockholders' equity:			
Common stock	265,608	265,608	-
Capital surplus	203,882	203,879	2
Retained earnings	752,242	744,562	7,679
Treasury stock	(5,075)	(5,063)	(11)
Total stockholders' equity	1,216,657	1,208,987	7,670
Valuation, translation adjustments and others:			
Net unrealized gains on investment securities	227,225	212,165	15,060
Deferred gains or losses on hedges	(8,126)	657	(8,784)
Foreign currency translation adjustments	8,334	6,211	2,123
Total valuation, translation adjustments and others	227,434	219,034	8,399
Share subscription rights	293	293	-
Minority interests	17,878	18,120	(242)
TOTAL NET ASSETS	1,462,263	1,446,436	15,827
TOTAL LIABILITIES AND NET ASSETS	4,461,126	4,391,864	69,261

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2007 First 3 Months (From Apr 1 to Jun 30, 2007)	FY2007 First 3 Months (From Apr 1 to Jun 30, 2006)	Increase (Decrease)
Net sales	685,710	585,557	100,152
Cost of sales	590,546	505,359	85,186
Gross profit	95,164	80,198	14,965
Selling, general and administrative expenses	70,418	62,907	7,511
Operating income	24,745	17,291	7,454
Non-operating income:			
Interest and dividend income	5,365	4,634	730
Equity in earnings of unconsolidated subsidiaries and affiliates	667	-	667
Other income	1,638	869	769
Total non-operating income	7,671	5,503	2,167
Non-operating expenses:			
Interest expense	4,721	4,027	694
Foreign exchange losses	3,396	733	2,662
Equity in losses of unconsolidated subsidiaries and affiliates	-	297	(297)
Other expenses	2,833	4,395	(1,562)
Total non-operating expenses	10,950	9,454	1,496
Ordinary income	21,466	13,341	8,125
Extraordinary income:			
Gains on sales of fixed assets	5,721	-	5,721
Gains on sales of investment securities	-	1,877	(1,877)
Total extraordinary income	5,721	1,877	3,844
Income before income taxes and minority interests	27,188	15,219	11,969
Income taxes	10,241	6,011	4,229
Minority interests	(76)	(66)	(10)
Net income	17,023	9,273	7,750

Consolidated Statements of Changes in Net Assets

(Millions of Yen)

	Stockholders' equity					Valuation, translation adjustments and others				Share subscription rights	Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Net unrealized gains on investment securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation, translation adjustments and others			
Balance as of March 31, 2007	265,608	203,879	744,562	(5,063)	1,208,987	212,165	657	6,211	219,034	293	18,120	1,446,436
Changes in First quarter of FY2007												
Cash dividends			(10,067)		(10,067)							(10,067)
Net income			17,023		17,023							17,023
Increase in the scope of consolidation and equity method			723		723							723
Purchase of treasury stock				(48)	(48)							(48)
Disposal of treasury stock		2		36	39							39
Net changes in items other than stockholders' equity					—	15,060	(8,784)	2,123	8,399	—	(242)	8,157
Total changes in First quarter of FY2007	—	2	7,679	(11)	7,670	15,060	(8,784)	2,123	8,399	—	(242)	15,827
Balance as of June 30, 2007	265,608	203,882	752,242	(5,075)	1,216,657	227,225	(8,126)	8,334	227,434	293	17,878	1,462,263