



# Outline of First Quarter FY2007 Financial Results

July 2007

 **MITSUBISHI HEAVY INDUSTRIES, LTD.**

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# **I. Summary of First Quarter FY2007 Financial Results**

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# Summary of First Quarter Financial Results (1)

(In billion yen)

	FY2006-1Q	FY2007-1Q	Change
Order received	535.1	674.6	+ 139.4
Net sales	585.5	685.7	+ 100.1
Operating income	17.2	24.7	+ 7.4
Ordinary income	13.3	21.4	+ 8.1
Extraordinary income	1.8	5.7	+ 3.8
Income before income taxes	15.2	27.1	+ 11.9
Net income	9.2	17.0	+ 7.7

# Summary of First Quarter Financial Results (2)

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## **Orders received ⇒ Up ¥139.4 billion YoY (¥535.1bn → ¥674.6bn)**

- Performance was robust. Orders increased in the Power Systems segment, with strong demand for wind turbines from the United States. Orders also rose in the Shipbuilding & Ocean Development, Machinery and Steel Structures and Mass and Medium-lot Manufactured Machinery segments.

## **Net sales ⇒ Up ¥100.1 billion YoY (¥ 585.5bn → ¥685.7bn)**

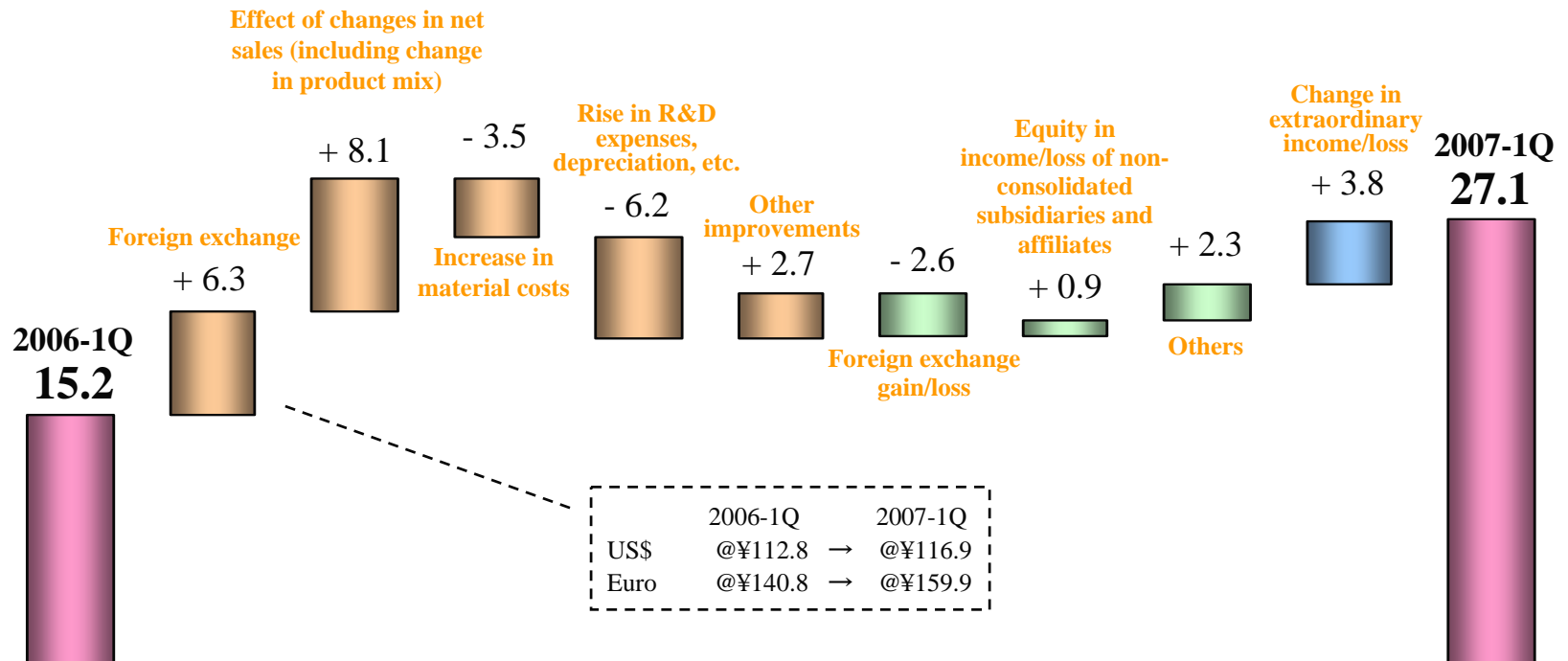
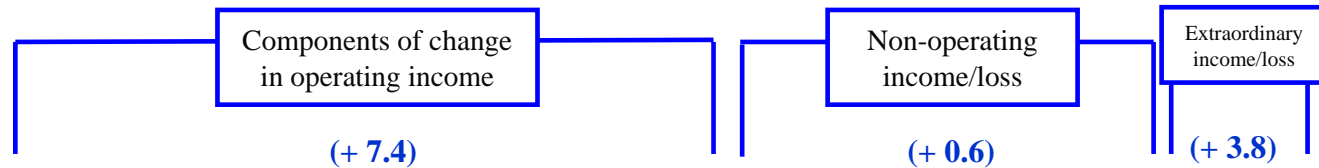
- Net sales rose in every segment, reflecting the strong orders of recent years.

## **Net income ⇒ Up ¥7.7 billion YoY (¥9.2bn → ¥17.0bn)**

- As a result of the rise in profits associated with the higher sales, operating income amounted to ¥24.7 billion, a rise of ¥7.4 billion from the year-ago level, while ordinary income was ¥21.4 billion, up ¥8.1 billion. In addition, a gain on the sale of property and equipment of ¥5.7 billion was recorded as extraordinary income. Consequently, net income was ¥17.0 billion, climbing ¥7.7 billion from the year-ago level.

# Components of Change in Income Before Income Taxes

Up ¥11.9 billion YoY (¥15.2 billion → ¥27.1 billion)



# Ordinary Income / Extraordinary Income

## - Ordinary Income (+ ¥8.1 billion YoY (¥13.3 bn → ¥21.4 bn))

(In billion yen)

	2006-1Q	2007-1Q	Change
<b>Operating income</b>	17.2	24.7	+ 7.4
Foreign exchange gains	- 0.7	- 3.3	- 2.6
Net interest loss	0.6	0.6	0.0
Equity in gain of non-consolidated subsidiaries and affiliates	- 0.2	0.6	+ 0.9
Other	- 3.5	- 1.1	+ 2.3
<b>Non-operating income</b>	- 3.9	- 3.2	+ 0.6
<b>Ordinary income</b>	13.3	21.4	+ 8.1

## - Extraordinary Income (+ ¥3.8 billion YoY (¥1.8 bn → ¥5.7 bn))

(In billion yen)

	2006-1Q	2007-1Q	Change
Gain on sale of property and equipment	-	5.7	+ 5.7
Gain on sale of investment securities	1.8	-	- 1.8
<b>Extraordinary income</b>	1.8	5.7	+ 3.8
<b>Extraordinary loss</b>	-	-	0.0
<b>Extraordinary income/loss</b>	1.8	5.7	+ 3.8

# Financial Results by Business Segment

(In billion yen)

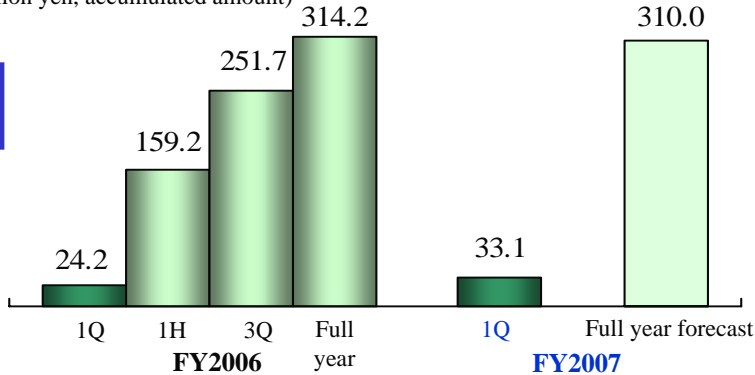
	Orders received		Net sales		Operating income	
	FY2006-1Q	FY2007-1Q	FY2006-1Q	FY2007-1Q	FY2006-1Q	FY2007-1Q
Shipbuilding & Ocean Development	24.2	33.1	61.2	68.9	0.5	1.6
Power Systems	154.8	249.5	172.1	227.4	10.2	14.5
Machinery & Steel Structures	71.8	103.0	83.4	86.5	- 0.2	- 2.7
Aerospace	70.2	69.3	69.2	83.0	0.3	1.1
GM & SV	90.8	103.6	96.0	110.2	3.0	4.5
Air-Con	50.2	51.9	49.6	52.2	1.8	2.3
Industrial	50.7	55.0	39.2	41.4	0.4	0.9
Mass and Medium-lot Manufactured Machinery	191.7	210.6	184.9	203.9	5.3	7.9
Others	22.3	9.0	14.5	15.8	0.9	2.2
Total	535.1	674.6	585.5	685.7	17.2	24.7



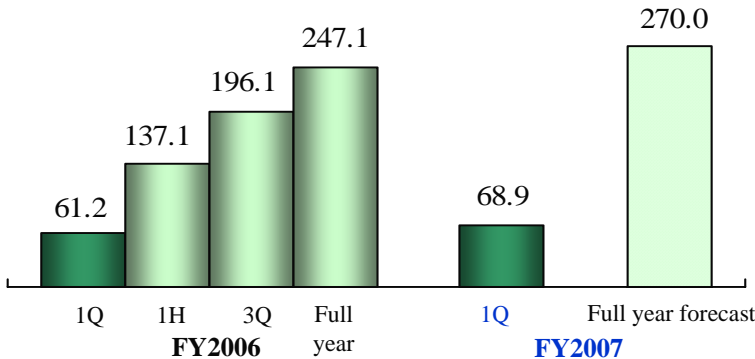
# <Shipbuilding & Ocean Development>

(In billion yen, accumulated amount)

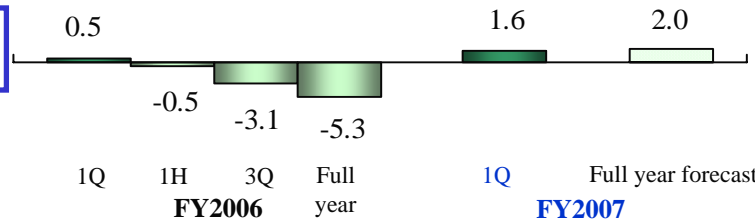
## Orders Received



## Net Sales



## Operating Income



## Orders received: Up ¥8.9 billion YoY

- The Company received orders for four pure car carriers.
- Demand for new ships remained at high levels, reflecting a very robust market. The Company is taking steps to win orders, especially in its areas of strength: LNG and LPG carriers, container ships, and pure car carriers.

[Number of ships orders received]

FY2006-1Q: 2 (FY2006: 23)

FY2007-1Q: 4

[Backlog of ship orders]: 59

(19 pure car carriers, 12 container ships, 11 LNG carriers, 11 LPG carriers, and others)

## Net sales/Earnings: Increased earnings (+¥1.0 billion YoY) on increased sales (+¥7.7 billion YoY)

- A total of six vessels were delivered, including two container carriers, an LNG carrier, a pure car carrier, a fisheries training vessel, and a dredger.

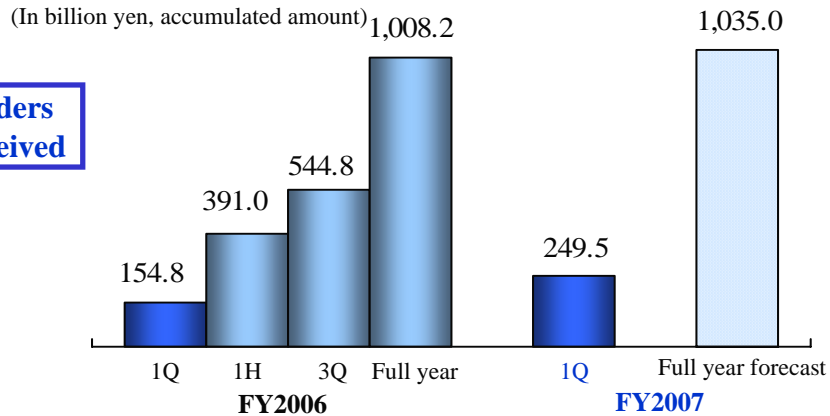
[Number of ships delivered]

FY2006-1Q: 5 (FY2006: 21)

FY2007-1Q: 6

- Although affected by rising material costs, earnings were in positive territory.

# <Power Systems>



## Orders received: Up ¥94.6 billion YoY

- Orders, especially orders from overseas, were strong and exceeded the year-ago level, mainly thanks to strong demand for wind turbines from the United States, reflecting growing interest in natural energy.

[Wind turbine orders (on the basis of output)]

FY2006-1Q: 0MW

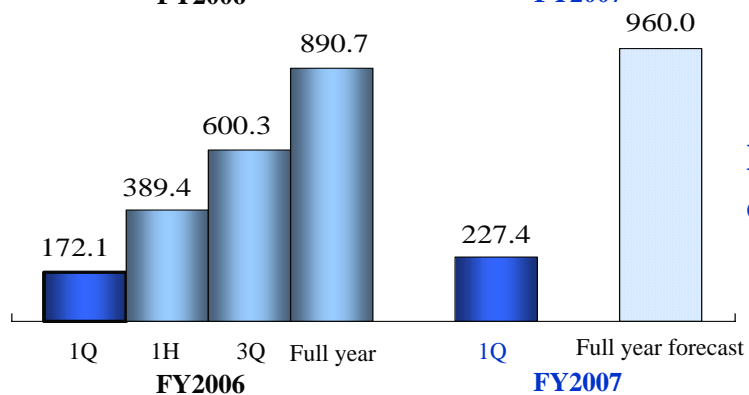
FY2007-1Q: 679MW

[Gas turbine order backlog (Non-consolidated)]

FY2006-1Q: 78 (FY2006: 60)

FY2007-1Q: 61

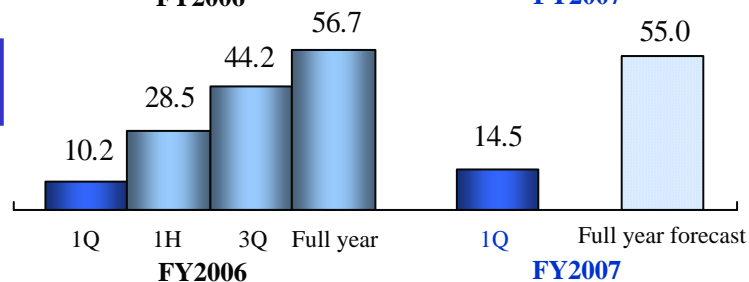
**Net Sales**



## Net sales/Earnings: Increased earnings (+ ¥4.2 billion YoY) on increased sales (+ ¥55.3 billion YoY)

- Sales increased on rising construction of overseas thermal electric power plants and wind turbines, a reflection of strong orders in recent years. Consequently, net sales exceeded the year-ago level.
- Negative factors such as higher material costs and R&D expenses were offset by a rise in net sales and other factors. As a consequence, earnings were higher than the year-ago level.

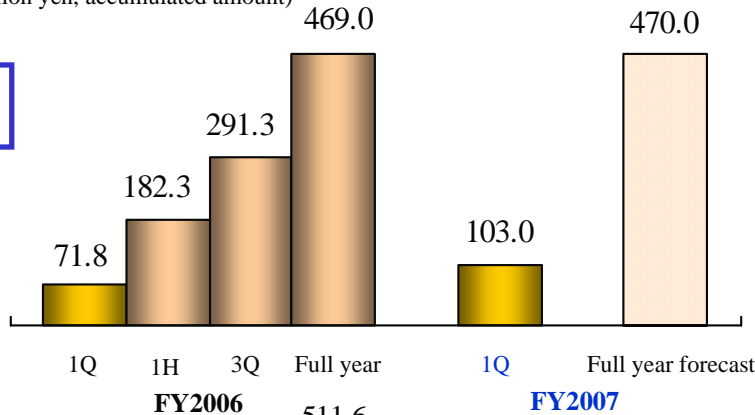
**Operating Income**



# <Machinery & Steel Structures>

(In billion yen, accumulated amount)

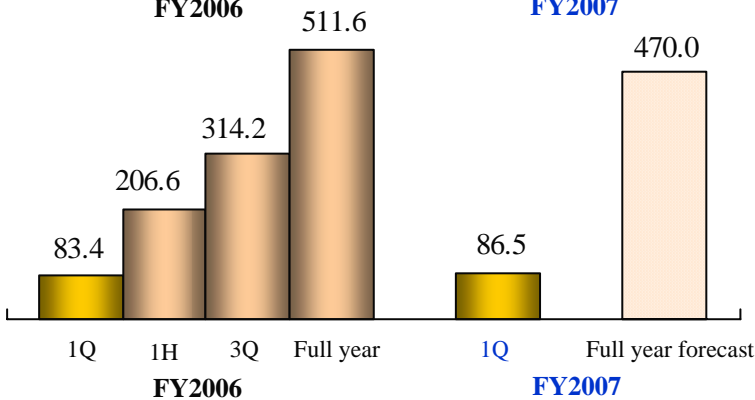
## Orders Received



## Orders received: Up ¥31.2 billion YoY

- Orders rose from the same period last year, thanks to strong demand for steel machinery and other products.

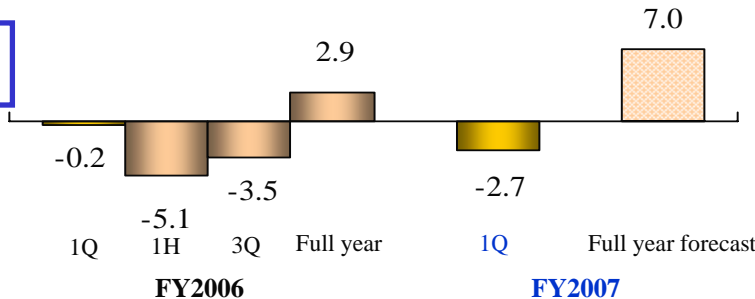
## Net Sales



## Net sales/Earnings: Decreased earnings (-¥2.4 billion YoY) on increased sales (+¥3.0 billion YoY)

- Net sales exceeded the year-ago level on rising sales of plants, wind machines (compressors), and others.
- Earnings were below the year-ago level, partly because of on-site rush work in some projects.

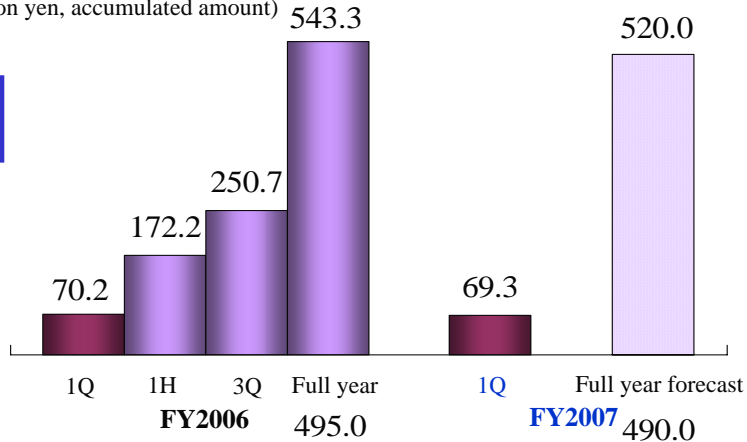
## Operating Income



# <Aerospace>

(In billion yen, accumulated amount)

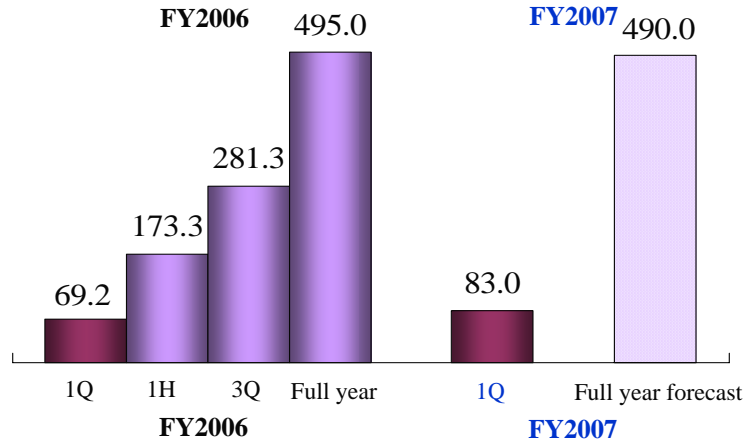
## Orders Received



## Orders received: Down ¥0.9 billion YoY

- Although orders for commercial transport aircraft, including B787s and B777s, were strong, orders for defense items and aerospace equipment fell from the year-ago level. As a consequence, total orders declined slightly.

## Net Sales

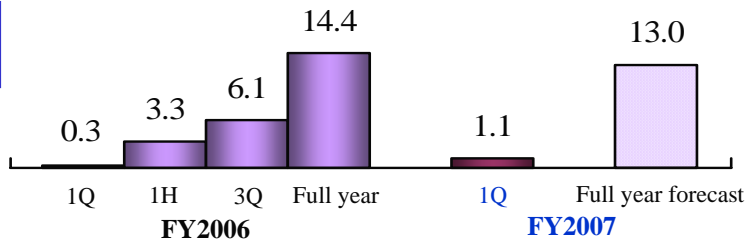


## Net sales/Earnings: Increased earnings (+¥0.7 billion YoY) on increased sales (+¥13.7 billion)

- Net sales increased from the same period last year, the result of a rise in the number of commercial transport planes delivered, especially B777s.

[Number of B777s delivered]  
 FY2006-1Q: 15 (FY2006: 75)  
 FY2007-1Q: 19

## Operating Income

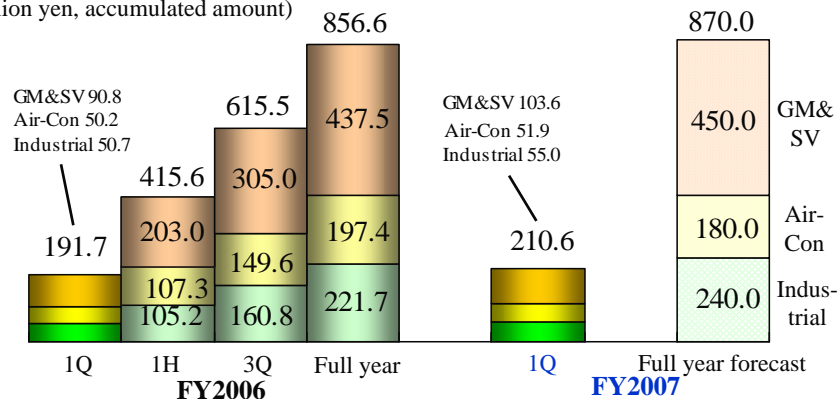


- Sales in the first quarter were low, as in past years. Hence operating income was low.

# <Mass and Medium-lot Manufactured Machinery>

(In billion yen, accumulated amount)

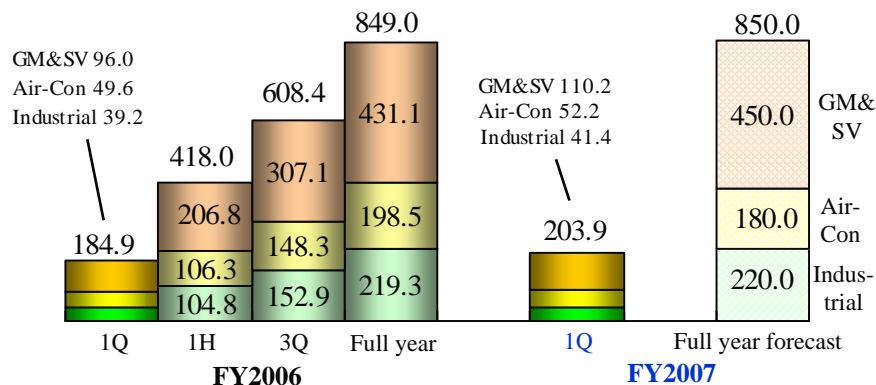
## Orders Received



## Orders received: Up ¥18.8 billion YoY

- GM&SV: Orders for forklifts, small and midsize engines, and turbochargers for international markets all increased.
- Air-Con: Orders rose, especially for package air conditioners and room air conditioners for international markets.
- Industrial: Orders increased, particularly demand for printing machines.

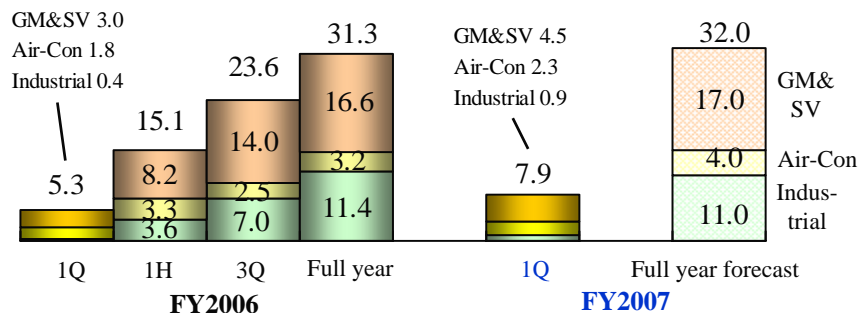
## Net Sales



## Net sales/Earnings: Increased earnings (+ ¥2.5 billion YoY) on increased sales (+ ¥19.0 billion YoY)

- GM&SV: Sales of overseas forklifts, small and midsize engines, and turbochargers all increased.
- Air-Con: Sales rose, especially sales of overseas package air conditioners and room air conditioners.
- Industrial: Led by demand for printing machines, sales increased.

## Operating Income

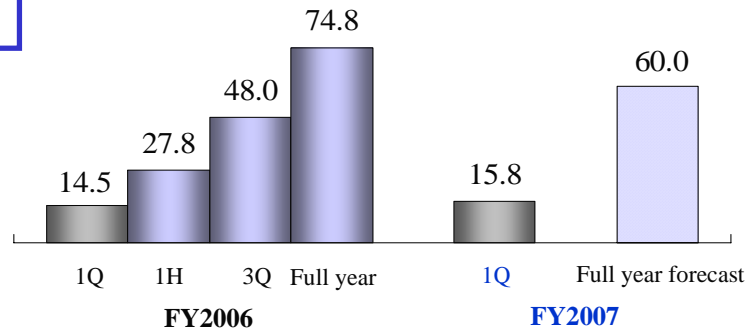


Total earnings in the Mass and Medium-Lot Manufactured Machinery segment exceeded the year-ago level, reflecting the influence of foreign exchange rates and other elements, which more than offset the impact of increases in material costs.

# <Others>

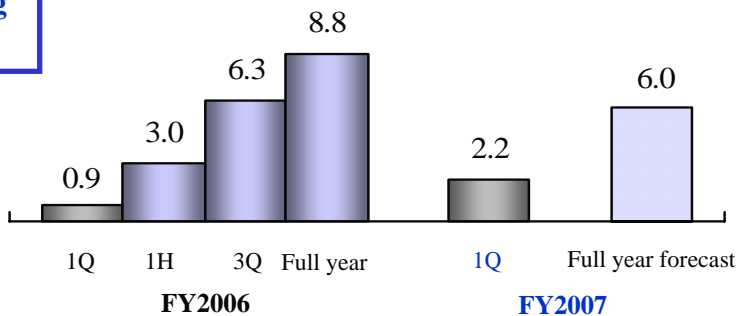
(In billion yen, accumulated amount)

## Net Sales



- Construction and real estate
- Information and communication systems, etc.

## Operating Income



# Balance Sheets

(In billion yen)

	As of March 31, 2007	As of June 30, 2007	Change
<b>Assets</b>			
Trade receivables	1,166.7	1,015.5	- 151.1
Inventories	1,048.5	1,130.1	+ 81.6
Other current assets	572.0	673.8	+ 101.8
Total current assets	2,787.3	2,819.5	+ 32.2
Total fixed assets	1,604.5	1,641.5	+ 37.0
<b>Total assets</b>	4,391.8	4,461.1	+ 69.2
<b>Liabilities and shareholders' equity</b>			
Trade payables	746.5	694.1	- 52.4
Advances received	394.9	502.7	+ 107.8
Other current liabilities	665.8	649.0	- 16.8
Total current liabilities	1,807.4	1,845.8	+ 38.4
Total long-term liabilities	1,138.0	1,152.9	+ 14.9
<b>Total liabilities</b>	2,945.4	2,998.8	+ 53.4
<b>Net assets</b>			
Shareholders' capital	1,208.9	1,216.6	+ 7.6
Valuation and translation adjustments	219.0	227.4	+ 8.3
Other (Minority interests, etc.)	18.4	18.1	- 0.2
Total net assets	1,446.4	1,462.2	+ 15.8
<b>Total liabilities and net assets</b>	4,391.8	4,461.1	+ 69.2
Interest-bearing debt outstanding	1,273.5	1,224.4	- 49.1

Cash and deposits + 30.3 etc.

Investment securities + 33.1 etc.

# Supplementary Information

## 1. Foreign Exchange Rates

(Yen/US\$)

Fiscal year	FY2004		FY2005		FY2006		FY2007
	1H	Full year	1H	Full year	1H	Full year	1Q
Average rates for recording sales	110.7	108.7	109.5	111.3	113.7	114.9	116.9
(Reference) Rates at end of period	111.1	107.4	113.2	117.5	117.9	118.1	123.3

## 2. Overseas Sales by Region

(In billion yen)

Fiscal year (Consolidated)	FY2004		FY2005		FY2006		FY2007
	1H	Full year	1H	Full year	1H	Full year	1Q
North America	125.7 (27%)	265.5 (25%)	148.3 (25%)	322.5 (26%)	174.0 (26%)	371.8 (26%)	97.6 (28%)
Central & South America	58.7 (12%)	147.1 (14%)	55.5 (9%)	108.5 (9%)	56.5 (8%)	123.7 (9%)	49.7 (14%)
Asia	185.4 (39%)	416.8 (40%)	263.3 (44%)	522.4 (42%)	212.0 (32%)	437.4 (42%)	99.9 (28%)
Middle East	18.2 (4%)	28.1 (3%)	23.8 (4%)	57.2 (5%)	86.4 (13%)	257.8 (5%)	43.8 (12%)
Europe	67.1 (14%)	162.3 (15%)	91.6 (15%)	182.8 (15%)	123.5 (19%)	237.4 (15%)	57.7 (16%)
Other	19.6 (4%)	29.3 (3%)	17.6 (3%)	32.2 (3%)	12.8 (2%)	34.3 (3%)	7.2 (2%)
Total	474.9 (100%)	1,049.3 (100%)	600.3 (100%)	1,225.9 (100%)	665.4 (100%)	1,462.6 (100%)	356.1 (100%)

- Europe includes Russia and Eastern Europe from FY2004.



## <Supplementary>

### [Non-consolidated] Summary of Financial Results for FY2007-1Q

(In billion yen)

	FY2006-1Q	FY2007-1Q	Change
Orders received	392.9	460.2	+ 67.3
Net sales	450.6	537.8	+ 87.1
Operating income	13.0	17.5	+ 4.5
Ordinary income	12.8	16.6	+ 3.7
Extraordinary income	1.8	12.1	+ 10.2
Net income before income taxes	14.7	28.8	+ 14.0
Net income	10.2	18.8	+ 8.5

## II. Forecasts for FY2007

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Forecasts regarding future performance in these materials are based on judgments made in accordance with information available at the time this presentation was prepared. As such, those projections imply 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 market in Japan.

# Summary of Forecasts 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

- ◇ There has been no change from the forecasts announced last time (on April 27, 2007).
- ◇ The influence on ordinary income of fluctuations in exchange rates with major currencies for the current fiscal year is minor.

# 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

◇ There has been no change from the forecasts announced last time (on April 27, 2007).