

MHI Announces FY2007 First-Half Non-Consolidated Financial Results

Tokyo, October 31, 2007 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **non-consolidated** financial results for the first-half of fiscal year (FY) 2007 ended September 30, 2007.

(billions of yen)

	FY2007 Apr. – Sep.	FY2006 Apr. – Sep.	Change (%)	FY2006 Full-Year
Orders Received	1,280.4	1,039.4	23.2	2,586.6
Net Sales	1,140.2	1,060.3	7.5	2,426.6
Operating Income	39.1	28.2	38.8	71.6
Ordinary Income	24.7	20.0	23.8	57.4
Income Before Income Taxes	38.4	23.7	62.1	59.0
Net Income	24.4	15.6	56.1	39.5
Net Income Per Share (Fiscal)	7.28 yen	4.66 yen	56.1	11.80 yen
Dividend Per Share	3.0 yen	3.0 yen	—	6.0 yen

Estimate of Non-Consolidated Financial Results for FY 2007

For the fiscal year 2007 ending March 31, 2008, MHI is expecting 2,450 billion yen in net sales, 80 billion yen in operating income, 60 billion yen in ordinary income and 40 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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NON-CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

	As of Sep.30,2007	As of Mar.31,2007	Increase (Decrease)	As of Sep.30,2006
ASSETS				
Current assets:				
Cash and deposits	147,758	160,560	(12,801)	170,125
Trade notes receivable	10,217	9,695	522	9,482
Trade accounts receivable	877,136	1,000,528	(123,392)	852,067
Securities	9	315	(306)	322
Finished products	77,026	76,927	99	70,904
Raw materials and supplies	84,943	70,748	14,195	62,530
Work in process	782,924	701,332	81,592	733,536
Advances to suppliers	93,642	95,574	(1,931)	93,567
Prepaid expenses	1,384	913	470	1,515
Deferred income taxes	66,058	64,966	1,092	57,881
Other current assets	133,268	135,660	(2,392)	131,144
Allowance for doubtful receivables	(62)	(65)	3	(58)
Total current assets	2,274,308	2,317,157	(42,848)	2,183,020
Fixed assets:				
Property, plant and equipment:				
Buildings	215,429	214,742	687	211,842
Structures	23,538	23,700	(161)	23,284
Dock and facilities for ship building	3,036	3,127	(91)	3,161
Machinery	176,782	170,122	6,660	162,687
Vessels	20	21	0	20
Aircraft	185	185	0	224
Vehicles and transportation equipment	2,598	2,711	(112)	2,429
Tools, equipment and furniture	54,782	53,346	1,436	49,404
Land	109,885	109,935	(50)	108,399
Construction in progress	58,053	51,966	6,086	35,445
Subtotal	644,312	629,859	14,453	596,900
Intangible fixed assets:				
Software	12,589	14,408	(1,818)	16,294
Right for facility utilization	1,554	1,698	(143)	1,842
Other intangible fixed assets	436	566	(129)	664
Subtotal	14,581	16,673	(2,091)	18,801
Investments and advances:				
Investment securities	526,335	492,568	33,766	418,614
Investments in shares of subsidiaries and affiliates	229,791	207,909	21,882	199,219
Long-term loans and advances	21,117	11,112	10,004	10,510
Investment capital and guarantee deposits	5,664	5,889	(225)	6,322
Investments in capital of subsidiaries and affiliates	15,036	14,794	242	14,867
Long-term prepaid expenses	43,869	43,470	399	42,464
Other investments	14,553	14,736	(182)	16,532
Allowance for doubtful accounts	(10,633)	(10,921)	288	(11,827)
Subtotal	845,735	779,560	66,175	696,703
Total fixed assets	1,504,629	1,426,092	78,536	1,312,405
TOTAL ASSETS	3,778,937	3,743,249	35,687	3,495,426

NON-CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Sep.30,2007	As of Mar.31,2007	Increase (Decrease)	As of Sep.30,2006
<u>LIABILITIES</u>				
Current liabilities:				
Trade accounts payable	587,931	648,939	(61,007)	569,193
Bank loans	131,150	243,276	(112,125)	256,856
Current portion of long-term debt for exports loans from main contractors	-	3,861	(3,861)	4,955
Current portion of debentures	90,000	50,000	40,000	-
Accrued payables	41,294	47,178	(5,884)	46,219
Accrued expenses	38,406	37,523	883	39,439
Accrued income taxes	9,135	16,779	(7,643)	2,778
Advance payments received on contracts	415,853	344,848	71,005	347,699
Deposits received	18,195	23,329	(5,134)	21,189
Reserve for product warranties	23,350	21,224	2,125	16,546
Reserve for losses on construction contracts	7,900	9,535	(1,635)	6,317
Other current liabilities	4,186	16,021	(11,835)	32,698
Total current liabilities	1,367,404	1,462,516	(95,112)	1,343,892
Long-term liabilities:				
Debentures	280,000	190,000	90,000	240,000
Long-term debt	593,122	597,988	(4,865)	518,186
Long-term debt for exports loans from main contractors	-	8,054	(8,054)	9,886
Deferred tax liabilities	145,038	128,287	16,751	91,938
Reserve for retirement allowance	48,353	50,534	(2,181)	60,138
Reserve for treatment of PCB waste	3,884	3,884	0	3,884
Other long-term liabilities	30,609	28,928	1,681	14,111
Total long-term liabilities	1,101,007	1,007,676	93,331	938,145
TOTAL LIABILITIES	2,468,411	2,470,193	(1,781)	2,282,038
<u>NET ASSETS</u>				
Stockholders' equity:				
Common stock	265,608	265,608	0	265,608
Capital surplus:				
Capital reserve	203,536	203,536	0	203,536
Other capital reserve	33	25	7	19
Total capital surplus	203,569	203,561	7	203,555
Retained earnings:				
Legal reserve	66,363	66,363	0	66,363
Revenue reserve:				
Reserve for reduction in costs of fixed assets	24,938	24,938	0	21,007
Reserve for accelerated depreciation	5,838	5,838	0	8,054
General reserves	460,000	460,000	0	460,000
Earned surplus brought forward	61,749	47,383	14,366	35,216
Total revenue reserve	552,526	538,160	14,366	524,279
Total retained earnings	618,890	604,523	14,366	590,643
Treasury stock	(5,049)	(5,062)	12	(5,111)
Total stockholders' equity	1,083,018	1,068,631	14,387	1,054,696
Valuation, translation adjustments and others:				
Net unrealized gains on investment securities	222,039	203,768	18,271	160,268
Deferred gains or losses on hedges	4,915	362	4,553	(1,870)
Total valuation, translation adjustments and others	226,955	204,131	22,824	158,397
Share subscription rights	551	293	257	293
TOTAL NET ASSETS	1,310,525	1,273,056	37,469	1,213,387
TOTAL LIABILITIES AND NET ASSETS	3,778,937	3,743,249	35,687	3,495,426

NON-CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	For the six months ended Sep.30,2007		For the six months ended Sep.30,2006		Increase (Decrease)		FY2006	
Net sales		1,140,290		1,060,317	79,973	7.5%		2,426,623
Cost of sales		1,026,771		967,178	59,592			2,215,149
Gross profit	10.0%	113,519	8.8%	93,138	20,381	21.9%	8.7%	211,473
Selling, general and administrative expenses		74,329		64,903	9,426			139,839
Operating income	3.4%	39,190	2.7%	28,235	10,955	38.8%	3.0%	71,633
Non-operating income:								
Interest and dividend income		9,094		8,784	310			25,666
Other income		1,699		1,469	230			2,879
Total non-operating income		10,794		10,253	541			28,546
Non-operating expenses:								
Interest expense		7,742		6,476	1,265			13,950
Foreign exchange losses		9,278		3,941	5,336			12,759
Losses on disposal of fixed assets		2,593		1,930	662			5,836
Other expenses		5,609		6,140	(530)			10,166
Total non-operating expenses		25,223		18,488	6,734			42,714
Ordinary income	2.2%	24,762	1.9%	20,000	4,761	23.8%	2.4%	57,465
Extraordinary income:								
Gains on sales of fixed assets		16,682		3,571	13,110			10,417
Gains on sales of investment securities		-		1,910	(1,910)			8,876
Total extraordinary income		16,682		5,482	11,199			19,294
Extraordinary expenses:								
Business improvement and restructuring charges		2,955		1,743	1,211			8,522
Losses on revaluation of investment securities		-		-	-			7,138
Prior service cost due to change in defined interest rate of employee retirement annuity		-		-	-			2,032
Total extraordinary expenses		2,955		1,743	1,211			17,693
Income before income taxes	3.4%	38,488	2.2%	23,739	14,749	62.1%	2.4%	59,067
Income taxes:								
Current		13,933		930	13,003			13,849
Deferred		122		7,157	(7,035)			5,619
Net income	2.1%	24,433	1.5%	15,652	8,781	56.1%	1.6%	39,599