

MHI ANNOUNCES FY2007 NON-CONSOLIDATED FINANCIAL RESULTS

Tokyo, April 28, 2008 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **non-consolidated** financial results for fiscal year (FY) 2007 ended March 31, 2008.

(billions of yen)

| | FY2007 | FY2006 | Changes (%) |
|----------------------------|------------------|-----------|-------------|
| Orders Received | 2,903.1 | 2,586.6 | 12.2 |
| Net Sales | 2,471.1 | 2,426.6 | 1.8 |
| Operating Income | 94.9 | 71.6 | 32.5 |
| Ordinary Income | 68.2 | 57.4 | 18.8 |
| Income Before Income Taxes | 54.2 | 59.0 | -8.2 |
| Net Income | 34.4 | 39.5 | -13.1 |
| Net Income Per Share | 10.26 yen | 11.80 yen | -13.1 |
| Dividend Per Share | 6.00 yen | 6.00 yen | - |

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NON-CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

| | FY2007 | | FY2006 | | Increase (Decrease) | |
|--|--------------|----------------|-------------|----------------|------------------------|----------------|
| Net sales | | 2,471,101 | | 2,426,623 | 44,478 | 1.8% |
| Cost of sales | | 2,217,247 | | 2,215,149 | 2,097 | |
| Gross profit | 10.3% | 253,853 | 8.7% | 211,473 | 42,380 | 20.0% |
| Selling, general and administrative expenses | | 158,934 | | 139,839 | 19,094 | |
| Operating income | 3.8% | 94,919 | 3.0% | 71,633 | 23,285 | 32.5% |
| Non-operating income: | | | | | | |
| Interest and dividend income | | 17,145 | | 25,666 | (8,520) | |
| Other income | | 3,583 | | 2,879 | 703 | |
| Total non-operating income | | 20,729 | | 28,546 | (7,817) | |
| Non-operating expenses: | | | | | | |
| Interest expense | | 16,506 | | 13,950 | 2,555 | |
| Foreign exchange losses | | 10,230 | | 12,759 | (2,529) | |
| Losses on disposal of fixed assets | | 6,614 | | 5,836 | 777 | |
| Other expenses | | 14,017 | | 10,166 | 3,850 | |
| Total non-operating expenses | | 47,369 | | 42,714 | 4,655 | |
| Ordinary income | 2.8% | 68,279 | 2.4% | 57,465 | 10,813 | 18.8% |
| Extraordinary income: | | | | | | |
| Gains on sales of fixed assets | | 21,027 | | 10,417 | 10,609 | |
| Gains on transfer of business | | 3,664 | | - | 3,664 | |
| Gains on sales of investment securities | | - | | 8,876 | (8,876) | |
| Total extraordinary income | | 24,692 | | 19,294 | 5,397 | |
| Extraordinary expenses: | | | | | | |
| Business improvement and restructuring charges | | 35,201 | | 8,522 | 26,679 | |
| Losses on revaluation of investment securities | | 3,561 | | 7,138 | (3,577) | |
| Prior service cost due to change in defined interest rate of employee retirement annuity | | - | | 2,032 | (2,032) | |
| Total extraordinary expenses | | 38,762 | | 17,693 | 21,069 | |
| Income before income taxes | 2.2% | 54,208 | 2.4% | 59,067 | (4,859) | (8.2%) |
| Income taxes: | | | | | | |
| Current | | 35,484 | | 13,849 | 21,635 | |
| Deferred | | (15,697) | | 5,619 | (21,316) | |
| Net income | 1.4% | 34,421 | 1.6% | 39,599 | (5,178) | (13.1%) |

NON-CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

| | As of Mar.31, 2008 | As of Mar.31, 2007 | Increase (Decrease) |
|---|-----------------------|-----------------------|------------------------|
| <u>ASSETS</u> | | | |
| Current assets: | | | |
| Cash and deposits | 161,985 | 160,560 | 1,424 |
| Trade notes receivable | 6,916 | 9,695 | (2,778) |
| Trade accounts receivable | 929,749 | 1,000,528 | (70,778) |
| Securities | 7 | 315 | (307) |
| Finished products | 82,268 | 76,927 | 5,341 |
| Raw materials and supplies | 93,197 | 70,748 | 22,449 |
| Work in process | 801,158 | 701,332 | 99,826 |
| Advances to suppliers | 99,206 | 95,574 | 3,632 |
| Prepaid expenses | 835 | 913 | (77) |
| Deferred income taxes | 86,580 | 64,966 | 21,614 |
| Other current assets | 161,927 | 135,660 | 26,266 |
| Allowance for doubtful receivables | (69) | (65) | (4) |
| Total current assets | 2,423,765 | 2,317,157 | 106,607 |
| Fixed assets: | | | |
| Property, plant and equipment: | | | |
| Buildings | 221,457 | 214,742 | 6,715 |
| Structures | 24,107 | 23,700 | 407 |
| Dock and facilities for ship building | 2,906 | 3,127 | (220) |
| Machinery | 200,847 | 170,122 | 30,725 |
| Vessels | 19 | 21 | (2) |
| Aircraft | 221 | 185 | 36 |
| Vehicles and transportation equipment | 3,521 | 2,711 | 810 |
| Tools, equipment and furniture | 59,307 | 53,346 | 5,961 |
| Land | 114,749 | 109,935 | 4,814 |
| Construction in progress | 36,755 | 51,966 | (15,211) |
| Subtotal | 663,895 | 629,859 | 34,036 |
| Intangible fixed assets: | | | |
| Software | 12,048 | 14,408 | (2,359) |
| Right for facility utilization | 1,411 | 1,698 | (286) |
| Other intangible fixed assets | 274 | 566 | (291) |
| Subtotal | 13,735 | 16,673 | (2,937) |
| Investments and advances: | | | |
| Investment securities | 415,764 | 492,568 | (76,804) |
| Investments in shares of subsidiaries and affiliates | 235,427 | 207,909 | 27,517 |
| Long-term loans and advances | 23,445 | 11,112 | 12,333 |
| Investment capital and guarantee deposits | 4,967 | 5,889 | (922) |
| Investments in capital of subsidiaries and affiliates | 15,336 | 14,794 | 542 |
| Long-term prepaid expenses | 39,052 | 43,470 | (4,418) |
| Other investments | 13,565 | 14,736 | (1,170) |
| Allowance for doubtful accounts | (9,162) | (10,921) | 1,758 |
| Subtotal | 738,396 | 779,560 | (41,163) |
| Total fixed assets | 1,416,027 | 1,426,092 | (10,064) |
| TOTAL ASSETS | 3,839,792 | 3,743,249 | 96,542 |

NON-CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

| | As of Mar.31, 2008 | As of Mar.31, 2007 | Increase (Decrease) |
|---|-----------------------|-----------------------|------------------------|
| <u>LIABILITIES</u> | | | |
| Current liabilities: | | | |
| Trade accounts payable | 636,946 | 648,939 | (11,993) |
| Bank loans | 221,456 | 243,276 | (21,819) |
| Current portion of long-term debt for exports loans from main contractors | - | 3,861 | (3,861) |
| Current portion of debentures | 40,000 | 50,000 | (10,000) |
| Accrued payables | 40,543 | 47,178 | (6,634) |
| Accrued expenses | 49,498 | 37,523 | 11,974 |
| Accrued income taxes | 25,244 | 16,779 | 8,465 |
| Advance payments received on contracts | 413,842 | 344,848 | 68,993 |
| Deposits received | 13,786 | 23,329 | (9,543) |
| Reserve for product warranties | 23,660 | 21,224 | 2,436 |
| Reserve for losses on construction contracts | 6,893 | 9,535 | (2,642) |
| Other current liabilities | 4,960 | 16,021 | (11,061) |
| Total current liabilities | 1,476,831 | 1,462,516 | 14,314 |
| Long-term liabilities: | | | |
| Debentures | 280,000 | 190,000 | 90,000 |
| Long-term debt | 659,998 | 597,988 | 62,010 |
| Long-term debt for exports loans from main contractors | - | 8,054 | (8,054) |
| Deferred tax liabilities | 102,062 | 128,287 | (26,225) |
| Reserve for retirement allowance | 41,191 | 50,534 | (9,342) |
| Reserve for treatment of PCB waste | 4,053 | 3,884 | 169 |
| Other long-term liabilities | 35,240 | 28,928 | 6,312 |
| Total long-term liabilities | 1,122,546 | 1,007,676 | 114,869 |
| TOTAL LIABILITIES | 2,599,377 | 2,470,193 | 129,184 |
| <u>NET ASSETS</u> | | | |
| Stockholders' equity: | | | |
| Common stock | 265,608 | 265,608 | 0 |
| Capital surplus: | | | |
| Capital reserve | 203,536 | 203,536 | 0 |
| Other capital reserve | 39 | 25 | 14 |
| Total capital surplus | 203,576 | 203,561 | 14 |
| Retained earnings: | | | |
| Legal reserve | 66,363 | 66,363 | 0 |
| Revenue reserve: | | | |
| Reserve for reduction in costs of fixed assets | 33,924 | 24,938 | 8,986 |
| Reserve for accelerated depreciation | 3,667 | 5,838 | (2,170) |
| General reserves | 460,000 | 460,000 | 0 |
| Earned surplus brought forward | 54,853 | 47,383 | 7,469 |
| Total revenue reserve | 552,445 | 538,160 | 14,285 |
| Total retained earnings | 618,809 | 604,523 | 14,285 |
| Treasury stock | (5,040) | (5,062) | 22 |
| Total stockholders' equity | 1,082,953 | 1,068,631 | 14,322 |
| Valuation, translation adjustments and others: | | | |
| Net unrealized gains on investment securities | 150,343 | 203,768 | (53,424) |
| Deferred gains or losses on hedges | 6,568 | 362 | 6,206 |
| Total valuation, translation adjustments and others | 156,912 | 204,131 | (47,218) |
| Share subscription rights | 549 | 293 | 255 |
| TOTAL NET ASSETS | 1,240,415 | 1,273,056 | (32,641) |
| TOTAL LIABILITIES AND NET ASSETS | 3,839,792 | 3,743,249 | 96,542 |

Non-consolidated Statements of Changes in Net Assets

1. Results for the Period from April 1, 2007 to March 31, 2008

(Millions of Yen)

| | Stockholders' equity | | | | | | | | | | | | |
|---|----------------------|-----------------|-----------------------|-----------------------|---------------|--|--------------------------------------|------------------|--------------------------------|-----------------------|-------------------------|----------------|----------------------------|
| | Common stock | Capital surplus | | | Legal reserve | Retained earnings | | | | | | Treasury stock | Total stockholders' equity |
| | | Capital reserve | Other capital reserve | Total capital surplus | | Revenue reserve | | | | | Total retained earnings | | |
| | | | | | | Reserve for reduction in costs of fixed assets | Reserve for accelerated depreciation | General reserves | Earned surplus brought forward | Total revenue reserve | | | |
| Balance as of March 31, 2007 | 265,608 | 203,536 | 25 | 203,561 | 66,363 | 24,938 | 5,838 | 460,000 | 47,383 | 538,160 | 604,523 | (5,062) | 1,068,631 |
| Changes in the period | | | | | | | | | | | | | |
| Provision of reserve for reduction in costs of fixed assets | | | | | | 10,210 | | | (10,210) | - | - | | - |
| Reversal of reserve for reduction in costs of fixed assets | | | | | | (1,223) | | | 1,223 | - | - | | - |
| Reversal of reserve for accelerated depreciation | | | | | | | (2,170) | | 2,170 | - | - | | - |
| Cash dividends | | | | | | | | | (20,135) | (20,135) | (20,135) | | (20,135) |
| Net income | | | | | | | | | 34,421 | 34,421 | 34,421 | | 34,421 |
| Purchase of treasury stock | | | | | | | | | | | | (114) | (114) |
| Disposal of treasury stock | | | 14 | 14 | | | | | | | | 136 | 151 |
| Net changes in items other than stockholders' equity | | | | | | | | | | | | | |
| Total changes in the period | - | - | 14 | 14 | - | 8,986 | (2,170) | - | 7,469 | 14,285 | 14,285 | 22 | 14,322 |
| Balance as of March 31, 2008 | 265,608 | 203,536 | 39 | 203,576 | 66,363 | 33,924 | 3,667 | 460,000 | 54,853 | 552,445 | 618,809 | (5,040) | 1,082,953 |

| | Valuation, translation adjustments and others | | | Share subscription rights | Total net assets |
|---|---|------------------------------------|---|---------------------------|------------------|
| | Net unrealized gains on investment securities | Deferred gains or losses on hedges | Total Valuation, translation adjustments and others | | |
| Balance as of March 31, 2007 | 203,768 | 362 | 204,131 | 293 | 1,273,056 |
| Changes in the period | | | | | |
| Provision of reserve for reduction in costs of fixed assets | | | | | - |
| Reversal of reserve for reduction in costs of fixed assets | | | | | - |
| Reversal of reserve for accelerated depreciation | | | | | - |
| Cash dividends | | | | | (20,135) |
| Net income | | | | | 34,421 |
| Purchase of treasury stock | | | | | (114) |
| Disposal of treasury stock | | | | | 151 |
| Net changes in items other than stockholders' equity | (53,424) | 6,206 | (47,218) | 255 | (46,963) |
| Total changes in the period | (53,424) | 6,206 | (47,218) | 255 | (32,641) |
| Balance as of March 31, 2008 | 150,343 | 6,568 | 156,912 | 549 | 1,240,415 |

Non-consolidated Statements of Changes in Net Assets

2. Results for the Period from April 1, 2006 to March 31, 2007

(Millions of Yen)

| | Stockholders' equity | | | | | | | | | | | | Total stockholders' equity |
|---|----------------------|-----------------|-----------------------|-----------------------|---------------|--|--------------------------------------|------------------|-------------------------------|-----------------------|-------------------------|----------------|----------------------------|
| | Common stock | Capital surplus | | | Legal reserve | Retained earnings | | | | | | Treasury stock | |
| | | Capital reserve | Other capital reserve | Total capital surplus | | Revenue reserve | | | | | Total retained earnings | | |
| | | | | | | Reserve for reduction in costs of fixed assets | Reserve for accelerated depreciation | General reserves | Eamed surplus brought forward | Total revenue reserve | | | |
| Balance as of March 31, 2006 | 265,608 | 203,536 | 10 | 203,547 | 66,363 | 14,700 | 6,648 | 460,000 | 40,809 | 522,158 | 588,522 | (5,153) | 1,052,524 |
| Changes in the period | | | | | | | | | | | | | |
| Provision of reserve for reduction in costs of fixed assets (previous fiscal year)* | | | | | | 6,900 | | | (6,900) | - | - | | |
| Reversal of reserve for reduction in costs of fixed assets (previous fiscal year)* | | | | | | (593) | | | 593 | - | - | | |
| Provision of reserve for reduction in costs of fixed assets (current year) | | | | | | 5,067 | | | (5,067) | - | - | | |
| Reversal of reserve for reduction in costs of fixed assets (current year) | | | | | | (1,137) | | | 1,137 | - | - | | |
| Provision of reserve for accelerated depreciation (previous fiscal year)* | | | | | | | 3,018 | | (3,018) | - | - | | |
| Reversal of reserve for accelerated depreciation (previous fiscal year)* | | | | | | | (1,612) | | 1,612 | - | - | | |
| Reversal of reserve for accelerated depreciation (current year) | | | | | | | (2,215) | | 2,215 | - | - | | |
| Cash dividends** | | | | | | | | | (23,488) | (23,488) | (23,488) | | (23,488) |
| Bonuses to directors and statutory auditors * | | | | | | | | | (110) | (110) | (110) | | (110) |
| Net income | | | | | | | | | 39,599 | 39,599 | 39,599 | | 39,599 |
| Purchase of treasury stock | | | | | | | | | | | | (92) | (92) |
| Disposal of treasury stock | | | 14 | 14 | | | | | | | | 183 | 198 |
| Net changes in items other than stockholders' equity | | | | | | | | | | | | | |
| Total changes in the period | - | - | 14 | 14 | - | 10,237 | (809) | - | 6,573 | 16,001 | 16,001 | 90 | 16,106 |
| Balance as of March 31, 2007 | 265,608 | 203,536 | 25 | 203,561 | 66,363 | 24,938 | 5,838 | 460,000 | 47,383 | 538,160 | 604,523 | (5,062) | 1,068,631 |

| | Valuation, translation adjustments and others | | | Share subscription rights | Total net assets |
|---|---|------------------------------------|---|---------------------------|------------------|
| | Net unrealized gains on investment securities | Deferred gains or losses on hedges | Total Valuation, translation adjustments and others | | |
| Balance as of March 31, 2006 | 254,567 | - | 254,567 | - | 1,307,092 |
| Changes in the period | | | | | |
| Provision of reserve for reduction in costs of fixed assets (previous fiscal year)* | | | | | - |
| Reversal of reserve for reduction in costs of fixed assets (previous fiscal year)* | | | | | - |
| Provision of reserve for reduction in costs of fixed assets (current year) | | | | | - |
| Reversal of reserve for reduction in costs of fixed assets (current year) | | | | | - |
| Provision of reserve for accelerated depreciation (previous fiscal year)* | | | | | - |
| Reversal of reserve for accelerated depreciation (previous fiscal year)* | | | | | - |
| Reversal of reserve for accelerated depreciation (current year) | | | | | - |
| Cash dividends** | | | | | (23,488) |
| Bonuses to directors and statutory auditors * | | | | | (110) |
| Net income | | | | | 39,599 |
| Purchase of treasury stock | | | | | (92) |
| Disposal of treasury stock | | | | | 198 |
| Net changes in items other than stockholders' equity | (50,799) | 362 | (50,436) | 293 | (50,142) |
| Total changes in the period | (50,799) | 362 | (50,436) | 293 | (34,036) |
| Balance as of March 31, 2007 | 203,768 | 362 | 204,131 | 293 | 1,273,056 |

* These items are due to the appropriation of earnings for the previous fiscal year.

**13,421 million yen out of 23,488 million yen is due to the appropriation of earnings for the previous fiscal year.