

MHI ANNOUNCES OUTLINE OF FY2008 FIRST 6 MONTH FINANCIAL RESULTS
ENDED SEPTEMBER 30, 2008 (CONSOLIDATED)

Tokyo, October 31, 2008 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first six months of fiscal year (FY) 2008 ended September 30, 2008.

(billions of yen)

	FY2008 First 6 Months (From April 1 to September 30, 2008)	FY2007 First 6 Months (From April 1 to September 30, 2007)
Orders Received	1,841.7	1,769.6
Net Sales	1,574.6	1,446.4
Operating Income	72.7	55.8
Ordinary Income	75.5	41.0
Income Before Taxes and Minority Interests	52.0	48.5
Net Income	29.0	27.9
Operating Cash Flow	91.9	105.3
Investment Cash Flow	-42.1	-88.2
Financing Cash Flow	-125.7	-7.4
Net Income Per Share	8.65 yen	8.34 yen

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2008 First 6 Months (From April 1 to September 30, 2008)
Shipbuilding & Ocean Development	127.6
Power Systems	541.5
Machinery & Steel Structures	219.1
Aerospace	215.9
Mass and Medium-Lot Manufactured Machinery	448.2
Others	22.0
TOTAL	1,574.6

Operating Income by Operational Segment

(billions of yen)

	FY2008 First 6 Months (From April 1 to September 30, 2008)
Shipbuilding & Ocean Development	6.8
Power Systems	42.6
Machinery & Steel Structures	3.5
Aerospace	0.3
Mass and Medium-Lot Manufactured Machinery	15.5
Others	3.8
TOTAL	72.7

Consolidated financial results (continued)

Estimate of Consolidated Financial Results for FY 2008

For the fiscal year 2008 ending March 31, 2009, MHI is expecting 3,400 billion yen in net sales, 130 billion yen in operating income, 110 billion yen in ordinary income and 54 billion yen in net income. This estimate is based on the assumption of currency exchange rate of US\$ 1.00 = ¥95 and €1.00 = ¥120 for the portion yet to be fixed.

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 Sep.30, 2008	As of Mar.31, 2008
<u>ASSETS</u>		
Current assets:		
Cash and deposits	192,590	274,885
Trade receivables	1,025,498	1,086,580
Securities	5,782	3,569
Merchandise and finished products	160,004	147,070
Work in process	993,471	889,473
Raw materials and supplies	135,291	128,309
Deferred income taxes	112,581	114,548
Others	289,150	298,125
Allowance for doubtful receivables	(6,757)	(5,677)
Total current assets	2,907,614	2,936,886
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	319,768	316,559
Machinery and transportation equipment	275,306	272,442
Tools, equipment and furniture	76,122	82,779
Land	154,642	153,615
Leased assets	439	-
Construction in progress	49,678	50,256
Subtotal	875,957	875,653
Intangible fixed assets	28,255	29,037
Investments and advances:		
Investment securities	511,160	609,248
Long-term loans and advances	2,771	3,119
Deferred income taxes	8,100	7,411
Others	66,195	74,281
Allowance for doubtful accounts	(13,385)	(18,490)
Subtotal	574,842	675,570
Total fixed assets	1,479,056	1,580,261
TOTAL ASSETS	4,386,670	4,517,148

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Sep.30, 2008	As of Mar.31, 2008
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	690,573	733,500
Bank loans	156,335	233,801
Current portion of long-term debt	117,380	85,416
Current portion of debentures	300	40,300
Reserve for product warranties	22,803	23,660
Reserve for losses on construction contracts	14,064	6,893
Reserve for legal claims	9,147	-
Advance payments received on contracts	560,833	469,285
Others	232,510	233,037
Total current liabilities	1,803,948	1,825,894
Long-term liabilities:		
Debentures	285,521	286,057
Long-term debt	664,740	719,818
Deferred income taxes	58,837	94,134
Reserve for retirement allowance	88,806	89,936
Reserve for treatment of PCB waste	4,300	4,300
Others	57,844	56,577
Total long-term liabilities	1,160,050	1,250,824
TOTAL LIABILITIES	2,963,999	3,076,719
<u>NET ASSETS</u>		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus	203,922	203,893
Retained earnings	803,831	787,007
Treasury stock	(5,037)	(5,045)
Total stockholders' equity	1,268,325	1,251,464
Valuation, translation adjustments and others:		
Net unrealized gains on investment securities	108,291	157,546
Deferred gains or losses on hedges	4,007	7,346
Foreign currency translation adjustments	(1,740)	3,847
Total valuation, translation adjustments and others	110,559	168,739
Share subscription rights	878	549
Minority interests	42,908	19,676
TOTAL NET ASSETS	1,422,671	1,440,429
TOTAL LIABILITIES AND NET ASSETS	4,386,670	4,517,148

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2008 First 6 Months (From Apr.1 to Sep.30, 2008)
Net sales	1,574,652
Cost of sales	1,345,032
Gross profit	229,619
Selling, general and administrative expenses:	
Directors' compensations, salaries and allowances	60,415
Research and development expenses	22,051
Expenses for inquiries	11,920
Others	62,510
Total selling, general and administrative expenses	156,897
Operating income	72,722
Non-operating income:	
Interest income	3,052
Dividend income	4,300
Equity in earnings of unconsolidated subsidiaries and affiliates	3,732
Foreign exchange gain	5,528
Others	2,696
Total non-operating income	19,311
Non-operating expenses:	
Interest expense	9,814
Loss on disposal of fixed assets	2,387
Others	4,329
Total non-operating expenses	16,531
Ordinary income	75,501
Extraordinary gain:	
Gain on sales of fixed assets	2,450
Gain on sales of investment securities	14,145
Total extraordinary gain	16,596
Extraordinary loss:	
Effect of the application of the accounting standard for measurement of inventories	33,436
Loss on legal claims	6,566
Total extraordinary loss	40,002
Income before income taxes and minority interests	52,095
Income taxes	22,328
Minority interests	735
Net income	29,031

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

	FY2008 First 6 Months (From Apr.1 to Sep.30, 2008)
Cash flows from operating activities:	
Income before income taxes and minority interests	52,095
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities	
Depreciation and amortization	70,658
Decrease in reserve for retirement allowance	(1,087)
Interest and dividend income	(7,353)
Interest expense	9,814
Equity in earnings of unconsolidated subsidiaries and affiliates	(3,732)
Gain on sales of investment securities	(14,145)
Gain on sales of fixed assets	(2,450)
Loss on disposal of fixed assets	2,387
Loss on legal claims	6,566
(Increase) decrease in receivables	56,764
(Increase) decrease in inventories and advances to suppliers	(138,472)
(Increase) decrease in other assets	15,116
Increase (decrease) in payables	(39,028)
Increase (decrease) in advance payments received on contracts	95,785
Increase (decrease) in other liabilities	45,289
Others	(3,338)
Subtotal	144,869
Interest and dividends received	8,095
Interest paid	(9,890)
Payments for income taxes	(51,153)
Net cash provided by operating activities	91,920
Cash flows from investing activities:	
Net decrease in time deposits	2,326
Purchases of marketable securities	(275)
Proceeds from sales and redemption of marketable securities	305
Purchases of property, plant, equipment and intangible assets	(76,719)
Proceeds from sales of property, plant, equipment and intangible assets	2,464
Purchases of investment securities	(21,039)
Proceeds from sales and redemption of investment securities	50,643
Disbursement of long-term loans	(1,477)
Collection of long-term loans	1,565
Others	80
Net cash used in investing activities	(42,125)
Cash flows from financing activities:	
Net decrease in bank loans	(75,977)
Proceeds from long-term debt	13,715
Repayment of long-term debt	(36,134)
Payment for redemption of bonds	(40,150)
Proceeds from issuance of stock to minority stockholders of subsidiaries	23,488
Dividends paid to stockholders	(10,033)
Dividends paid to minority stockholders of subsidiaries	(501)
Others	(113)
Net cash provided by (used in) financing activities	(125,706)
Effect of exchange rate changes on cash and cash equivalents	(1,976)
Net decrease in cash and cash equivalents	(77,887)
Cash and cash equivalents at beginning of year	262,852
Cash and cash equivalents at end of period	184,964

Reference

Financial Statements for the First 6 Months of the Previous Fiscal Year

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2007 First 6 Months (From Apr.1 to Sep.30, 2007)	
Net sales		1,446,416
Cost of sales		1,241,754
Gross profit	14.1%	204,662
Selling, general and administrative expenses		148,789
Operating income	3.9%	55,872
Non-operating income:		
Interest and dividend income		7,400
Equity in earnings of unconsolidated subsidiaries and affiliates		3,643
Other income		2,398
Total non-operating income		13,441
Non-operating expenses:		
Interest expense		9,846
Foreign exchange losses		9,230
Losses on disposal of fixed assets		2,747
Other expenses		6,478
Total non-operating expenses		28,303
Ordinary income	2.8%	41,010
Extraordinary income:		
Gains on sales of fixed assets		10,464
Total extraordinary income		10,464
Extraordinary expenses:		
Business improvement and restructuring charges		2,955
Total extraordinary expenses		2,955
Income before income taxes and minority interests	3.4%	48,519
Income taxes:		
Current		21,714
Deferred		(1,762)
Minority interests		578
Net income	1.9%	27,988

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

	FY2007 First 6 Months (From Apr.1 to Sep.30, 2007)
Cash flows from operating activities:	
Income before income taxes and minority interests	48,519
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities	
Depreciation and amortization	57,934
Increase (decrease) in reserve for retirement allowance	(1,443)
Interest and dividend income	(7,400)
Interest expense	9,846
Equity in earnings of unconsolidated subsidiaries and affiliates	(3,643)
Gains on sales of fixed assets	(10,464)
Losses on disposal of fixed assets	2,747
Business improvement and restructuring charges	2,955
(Increase) decrease in receivables	144,186
(Increase) decrease in inventories and advances to suppliers	(141,458)
(Increase) decrease in other assets	13,026
Increase (decrease) in payables	(71,372)
Increase (decrease) in advance payments received on contracts	109,325
Increase (decrease) in other liabilities	(15,732)
Others	1,237
Subtotal	138,265
Interest and dividends received	8,067
Interest paid	(9,724)
Payments for income taxes	(31,263)
Net cash provided by operating activities	105,345
Cash flows from investing activities:	
Net (Increase) decrease in time deposits	(201)
Purchases of marketable securities	(262)
Proceeds from sales and redemption of marketable securities	634
Purchases of property, plant, equipment and intangible assets	(83,807)
Proceeds from sales of property, plant, equipment and intangible assets	6,634
Purchases of investment securities	(9,673)
Proceeds from sales and redemption of investment securities	2,612
Disbursement of long-term loans	(4,485)
Collection of long-term loans	343
Net cash used in investing activities	(88,204)
Cash flows from financing activities:	
Net decrease in bank loans	(120,894)
Proceeds from long-term debt	19,693
Repayment of long-term debt	(22,847)
Proceeds from issuance of bonds	130,000
Payment for redemption of bonds	(2,553)
Dividends paid to stockholders	(10,040)
Dividends paid to minority stockholders of subsidiaries	(425)
Others	(335)
Net cash provided by (used in) financing activities	(7,403)
Effect of exchange rate changes on cash and cash equivalents	2,496
Net increase in cash and cash equivalents	12,233
Cash and cash equivalents at beginning of year	227,584
Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries	610
Cash and cash equivalents at end of period	240,428