

Financial Results for Third Quarter FY2008

February 2009

 **MITSUBISHI HEAVY INDUSTRIES, LTD.**

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I. Financial Results for Third Quarter FY2008

Starting from the current consolidated accounting year, the Company has applied the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Standard No.12), and “Guidance on Accounting Standard for Quarterly financial Reporting” (ASBJ Guidance No.14). Quarterly consolidated financial statements are prepared in accordance with specific rules governing the reporting of quarterly financial results in Japan.

Summary of Financial Results for Third Quarter (1)

(In billion yen)

	3Q FY2007	3Q FY2008	Changes
Orders received	2,418.7	2,613.2	+194.5
Net sales	2,128.4	2,379.6	+251.1
Operating income	93.9	100.5	+6.5
Ordinary income	80.7	86.6	+5.8
Extraordinary income	7.6	-26.7	- 34.3
Income before income taxes	88.4	59.8	- 28.5
Net income	54.1	27.8	- 26.3

Summary of Financial Results for Third Quarter (2)

Orders received ⇒ Up ¥194.5 billion YoY (¥2,418.7 bn → ¥2,613.2 bn)

- Orders exceeded the year-ago level in the Power Systems segment, which benefited from significant growth in orders for gas turbines overseas, and in the Machinery & Steel Structures segment, where orders for large-scale projects were received. In contrast, orders declined from the year-ago level in the Shipbuilding & Ocean Development, Aerospace, and Mass and Medium-Lot Manufactured Machinery segments, reflecting the effects of the global economic downturn.

Net sales ⇒ Up ¥251.1 billion YoY (¥2,128.4 bn → ¥2,379.6 bn)

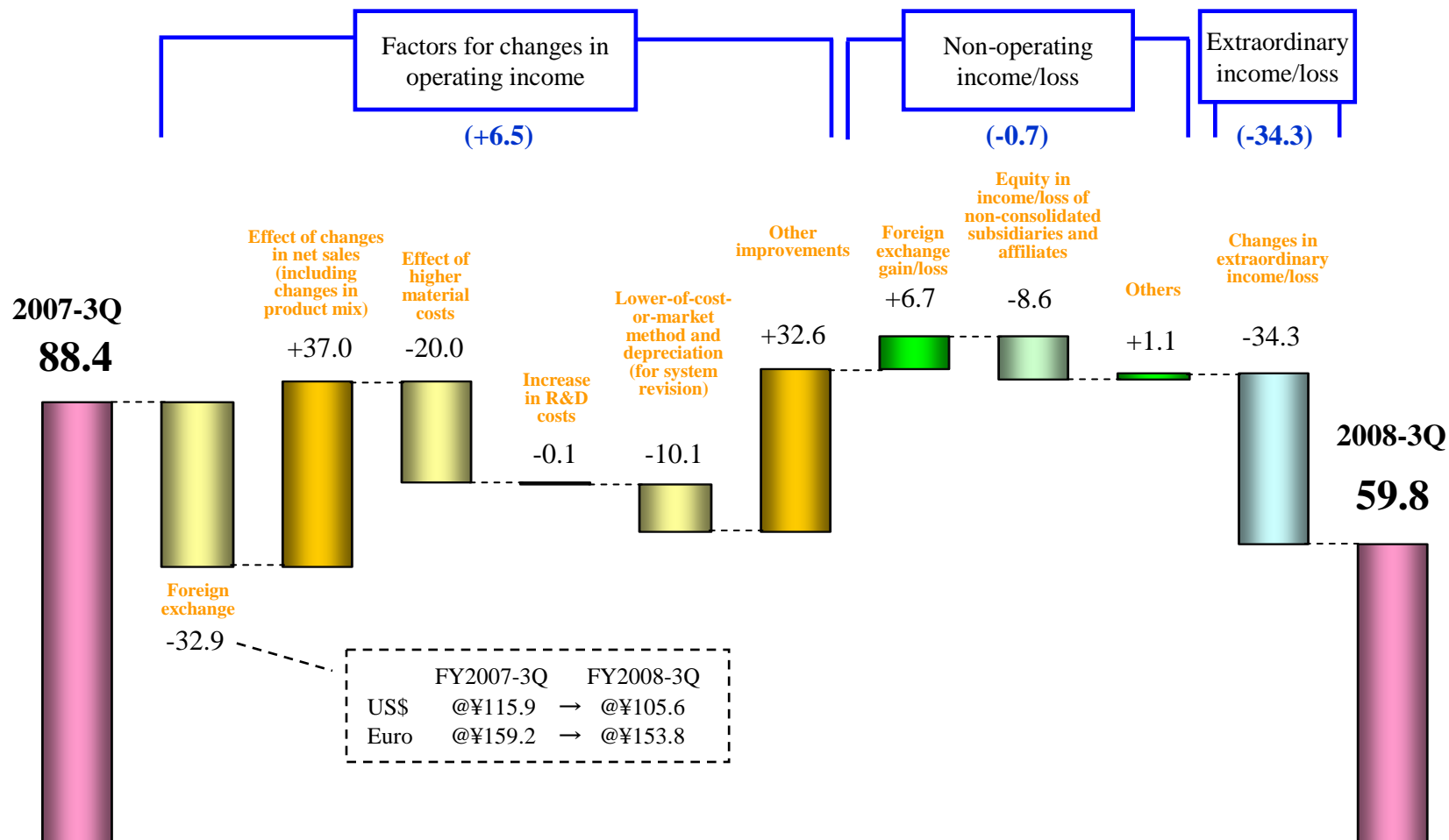
- Overall sales increased from the same period in the previous year. Sales in the Power Systems segment expanded, reflecting a rise in orders received in recent years. Sales in the Machinery & Steel Structures and Aerospace segments also climbed. The rises offset a decrease in the Shipbuilding & Ocean Development and Mass and Medium-Lot Manufactured Machinery segments.

Net income ⇒ Down ¥26.3 billion YoY (¥54.1 bn → ¥27.8 bn)

- Operating income and ordinary income were almost unchanged from a year ago with the effects of the appreciation of the yen against major currencies and rising materials costs offset by an increase in profit associated with an expansion in net sales and improved profitability.
The Company posted net income of ¥27.8 billion, ¥26.3 billion below the year-ago level, as it recorded the effect of the application of the accounting standard for measuring inventories as an extraordinary loss in the first quarter.

Factors for Changes in Income before Income Taxes

Down ¥28.5 billion (¥88.4 bn → ¥59.8 bn)



Ordinary Income and Extraordinary Income

- Ordinary Income (+ ¥5.8 billion YoY (¥80.7 bn → ¥86.6 bn))

(In billion yen)

	3Q FY2007	3Q FY2008	Changes
Operating income	93.9	100.5	+ 6.5
Foreign exchange gain/loss	-10.0	- 3.3	+ 6.7
Net interest loss	-2.8	- 2.1	+ 0.6
Equity in income/loss of non-consolidated subsidiaries and affiliates	7.8	- 0.7	- 8.6
Others	-8.1	- 7.7	+ 0.4
Non-operating income/loss	-13.2	- 13.9	-0.7
Ordinary income	80.7	86.6	+ 5.8

- Extraordinary Income (- ¥34.3 billion YoY (¥7.6 bn → - ¥26.7 bn))

(In billion yen)

	3Q FY2007	3Q FY2008	Changes
Gain on sale of fixed assets	10.5	2.7	- 7.8
Gain on sales of investment securities	-	14.1	+ 14.1
Extraordinary income	10.5	16.8	+ 6.2
Effect of the application of the accounting standard for measurement of inventories	-	- 33.4	- 33.4
Loss on legal claims	-	- 10.1	- 10.1
Business improvement and restructuring charges	-2.9	-	+ 2.9
Extraordinary loss	-2.9	- 43.5	- 40.6
Extraordinary income/loss	7.6	- 26.7	- 34.3

Financial Results by Business Segment

(In billion yen)

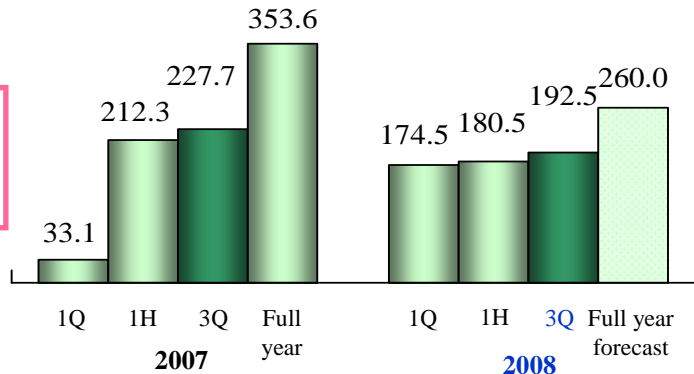
	Orders received		Net sales		Operating income	
	3Q FY2007	3Q FY2008	3Q FY2007	3Q FY2008	3Q FY2007	3Q FY2008
Shipbuilding & Ocean Development	227.7	192.5	192.4	186.5	3.9	8.6
Power Systems	787.5	1,080.0	628.1	847.2	37.2	66.6
Machinery & Steel Structures	408.6	449.2	286.1	354.5	6.8	17.5
Aerospace	290.0	243.5	305.3	325.1	10.8	- 6.0
GM & SV	323.7	334.5	338.0	337.1	14.6	2.7
Air-Con	161.3	156.9	161.1	154.0	4.4	3.8
Industrial	166.0	125.2	157.2	138.8	7.2	1.3
Mass and Medium-lot Manufactured Machinery	651.1	616.7	656.4	630.0	26.3	8.0
Others	90.6	73.7	97.2	79.6	8.7	5.7
Inter-group consolidation adjustments	-37.1	- 42.6	-37.2	- 43.5	-	-
Total	2,418.7	2,613.2	2,128.4	2,379.6	93.9	100.5

GM&SV: General Machinery & Special Vehicle
 Air con: Air-conditioning and Refrigeration System
 Industrial: Industrial Machinery

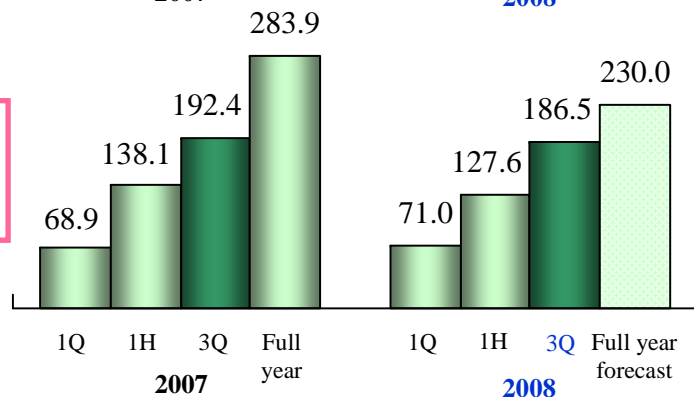
<Shipbuilding & Ocean Development>

(In billion yen, accumulated amount)

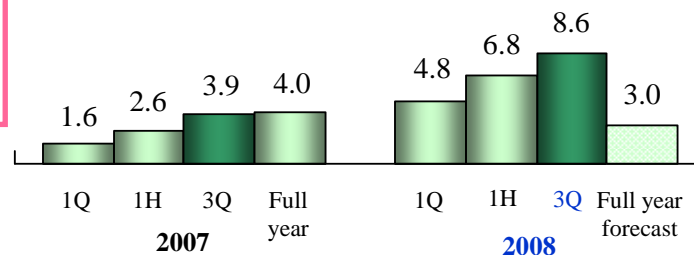
Orders Received



Net Sales



Operating Income



Orders received: Down ¥35.2 billion YoY

- Orders were received for a total of 16 new vessels including eight pure car carriers in the first quarter. However, negotiations slowed and no orders for new vessels were received subsequently, a reflection of the weakness of the marine transport market. As a result, overall orders fell short of the year-ago level.

[Number of ships ordered] Third quarter

FY2007: 25 (1Q: 4, 2Q: 17, 3Q:4)

FY2008: 16 (1Q: 16, 2Q: 0, 3Q:0)

[Backlog of ship orders] 74

(26 pure car carriers, 14 container ships, 10 LPG carriers, 6 LNG carriers, and others)

Net sales/Earnings: Increased earnings (+ ¥4.6 billion YoY) on decreased sales (- ¥5.9 billion YoY)

- We delivered a total of 13 vessels, including eight pure car carriers, two container ships, one LNG carrier, one LPG carrier, and one ferry.

[Number of ships delivered] Third quarter

FY2007: 13 (1Q: 6, 2Q: 3, 3Q:4)

FY2008: 13 (1Q: 5, 2Q: 3, 3Q:5)

- Earnings increased from the same period of the previous year, driven by improved profitability, which in turn reflected a recovery in vessel prices and other factors

Full-year forecast:

Orders: Orders received were revised from ¥280 billion to ¥260 billion to reflect the situation of negotiations.

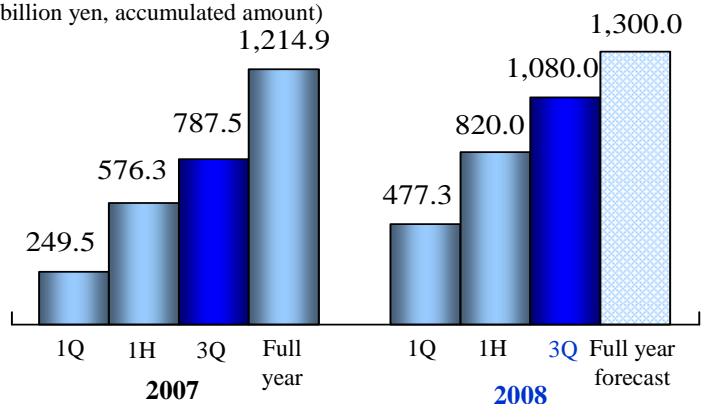
Operating income: Operating income was revised from ¥9 billion to ¥3 billion to reflect a review of the exchange rates that were the assumption on which the forecast was based.

Forecast for FY2008	Previous forecast	Revised forecast
Orders received :	280.0	260.0
Net sales :	230.0	230.0
Operating income :	9.0	3.0

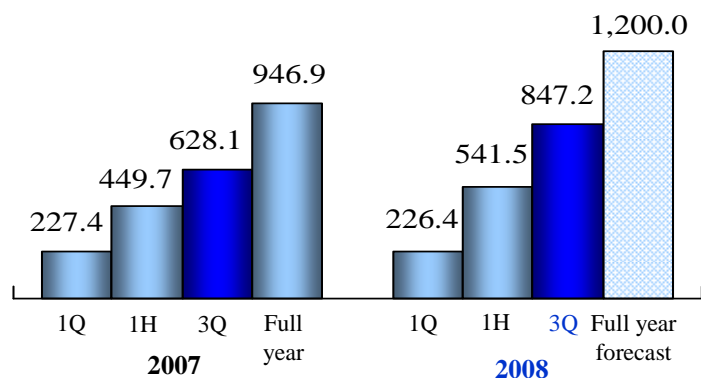
<Power Systems>

(In billion yen, accumulated amount)

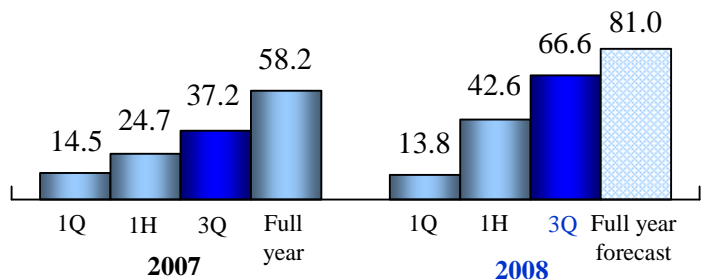
Orders Received



Net Sales



Operating Income



Orders received: Up ¥292.4 billion YoY

- Orders increased from the same period of the previous year, reflecting a continuation of brisk orders for gas turbines overseas and firm orders for those in Japan.

[Wind turbines (Output-based)] Third quarter

FY2007: 1,553MW (Full year: 1,575MW)

FY2008: 963MW

[Gas turbine order backlog (Non-consolidated)]

FY2007-3Q: 65 (FY2007-4Q: 72)

FY2008-3Q: 77

Net sales/Earnings: Both net sales and earnings were up ¥219.1 billion and ¥29.4 billion YoY, respectively

- Net sales increased both in Japan and overseas from the same period of the previous year.

- Earnings also rose with an increase in net sales and improved profitability.

Full-year forecast:

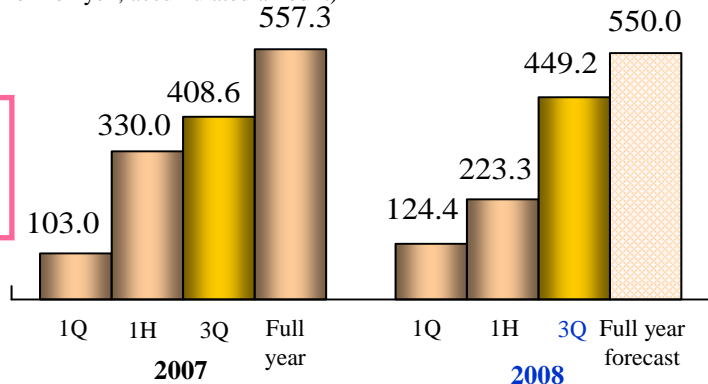
Operating income: Operating income was revised from ¥77 billion to ¥81 billion to reflect the improvement of profitability that was achieved up to the third quarter.

Forecast for FY2008	Previous forecast	Revised forecast
Orders received :	1,300.0	1,300.0
Net sales :	1,200.0	1,200.0
Operating income :	77.0	81.0

<Machinery & Steel Structures>

(In billion yen, accumulated amount)

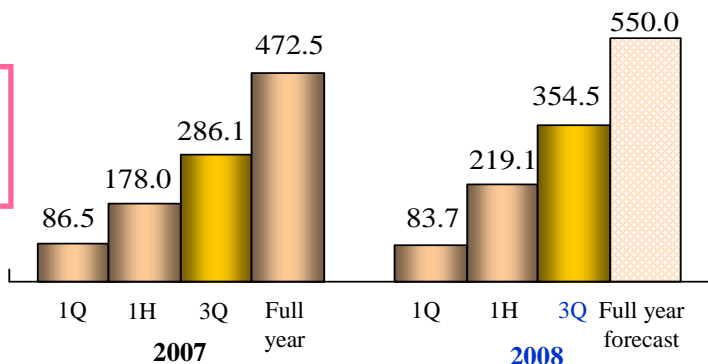
Orders Received



Orders received: Up ¥40.6 billion YoY

- Orders rose from the same period of the previous year owing to orders for large fertilizer plants.

Net Sales

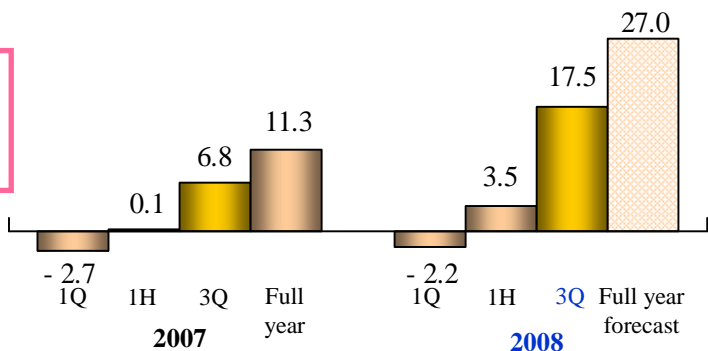


Net sales/Earnings: Both net sales and earnings were up ¥68.3 billion and ¥10.6 billion YoY, respectively

- Net sales rose from the same period of the previous year owing to growth in metals machinery and compressors, among other machinery and steel structures.

- Earnings also increased because of a rise in net sales and improvements in profitability.

Operating Income



Full-year forecast:

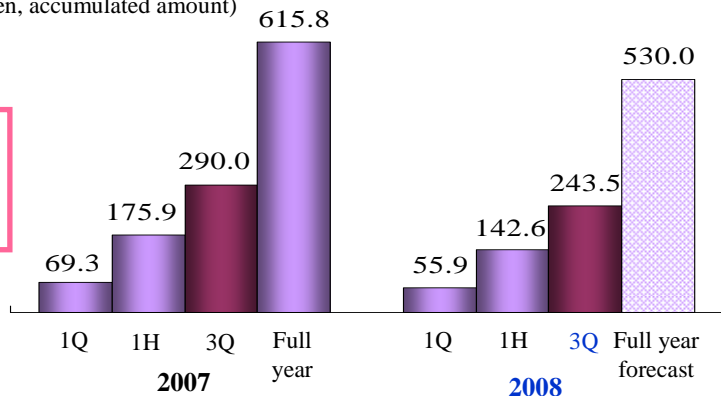
Orders: Orders were revised from ¥610 billion to ¥550 billion to reflect the progress of negotiations.

Operating income: Operating income was revised from ¥21 billion to ¥27 billion to reflect improvements in profitability.

Forecast for FY2008	Previous forecast	Revised forecast
Orders received	610.0	550.0
Net sales	550.0	550.0
Operating income	21.0	27.0

<Aerospace>

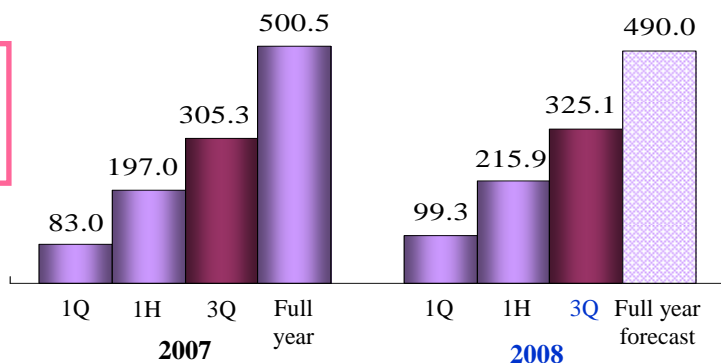
(In billion yen, accumulated amount)



Orders Received

Orders received: Down ¥46.5 billion YoY

- Orders declined from the same period of the previous year, reflecting a fall in orders for commercial aircraft.



Net Sales

Net sales/Earnings: Decreased earnings (- ¥16.9 billion YoY) on increased sales (+ 19.8 billion YoY)

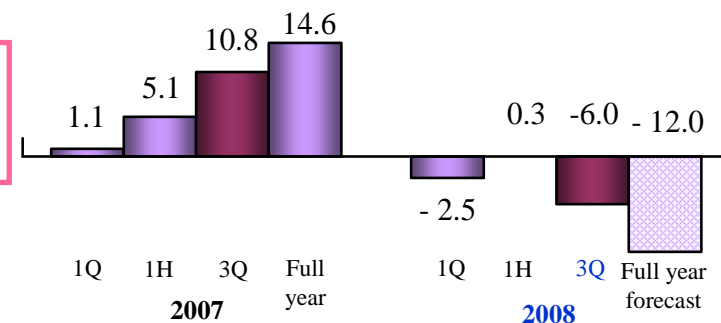
- Net sales were up from the same period of the previous year, as sales of defense-related products increased, although sales of commercial aircraft declined.

[Number of Boeing 777s delivered] Third quarter

FY2007: 59 (Full year: 81)

FY2008: 46

- Earnings fell because of factors such as the effect of a stronger yen against the dollar and the impact of the application of the accounting standard for measurement of inventories.



Operating Income

Full-year forecast:

Orders: Orders were revised from ¥580 billion to ¥530 billion to reflect the progress of negotiations.

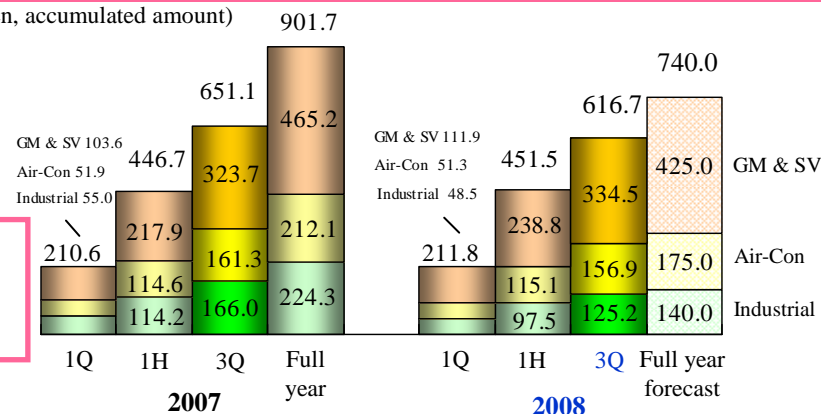
Net sales: Net sales were revised from ¥500 billion to ¥490 billion.

Operating income/loss: Operating income/loss was revised from a loss of ¥4 billion to a loss of ¥12 billion to reflect a review of the exchange rates that were the assumption on which the forecast was based.

Forecast for FY2008	Previous forecast	Revised forecast
Orders received	580.0	530.0
Net sales	500.0	490.0
Operating income	-4.0	-12.0

<Mass and Medium-lot Manufactured Machinery>

(In billion yen, accumulated amount)



Orders Received

Orders received: Down ¥34.3 billion YoY

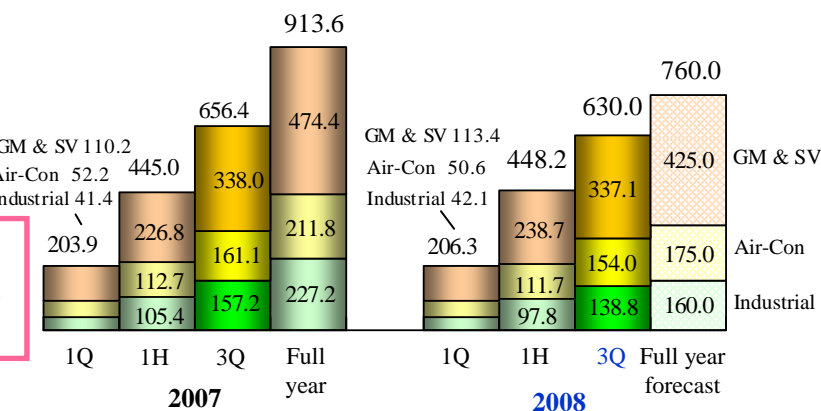
- Overall orders in the Mass and Medium-Lot Manufactured Machinery segment were slightly more than the year-ago level up to the second quarter. However, orders declined in the third quarter because of worsening market conditions. As a result, total orders for the first three quarters were less than those for the same period of the previous fiscal year.

Net sales/Earnings: Lower earnings (- ¥18.2 billion YoY) on decreased sales (- ¥26.3 billion YoY)

-GM & SV: Net sales in the first three quarters were almost on a par with the level of a year ago but fell in the third quarter on a year-on-year basis. Earnings declined from the same period in the previous fiscal year because of the appreciation of the yen against the U.S. dollar and euro and rising materials costs, among other factors.

-Air-Con: Net sales of products for both domestic and foreign markets declined. Earnings also fell below the year-earlier level.

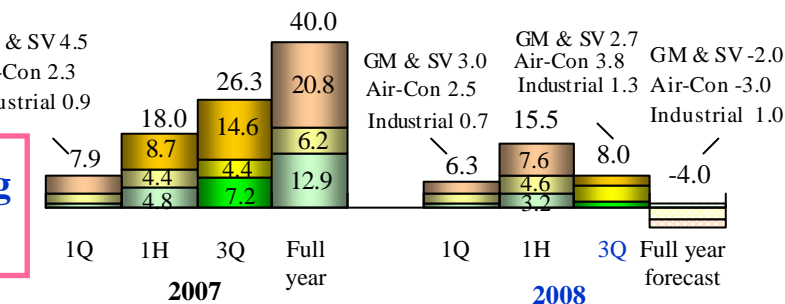
-Industrial: Net sales fell below the year-ago level, reflecting a fall in demand for printing machinery. Earnings also declined from the same period of the previous year because of a decrease in income due to a fall in net sales.



Net Sales

Full-year forecast:

Orders, net sales and income/loss were revised to reflect the deterioration in the market environment.



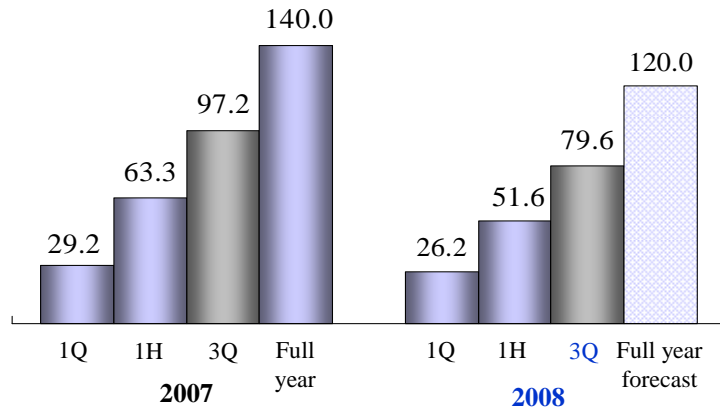
Operating Income

Forecast for FY2008		Previous forecast	Revised forecast
Orders received	GM & SV :	450.0	425.0
	Air-Con :	190.0	175.0
	Industrial :	200.0	140.0
Total :		840.0	740.0
Net sales	GM & SV :	450.0	425.0
	Air-Con :	190.0	175.0
	Industrial :	210.0	160.0
Total :		850.0	760.0
Operating income	GM & SV :	9.0	-2.0
	Air-Con :	1.0	-3.0
	Industrial :	7.0	1.0
Total :		17.0	-4.0

<Others>

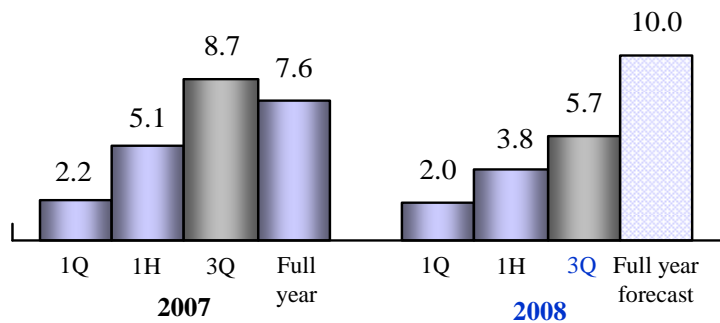
(In billion yen, accumulated amount)

Net Sales



- Real estate and construction
- Information and communication systems, etc.

Operating Income



Balance Sheets

(In billion yen)

	As of March 31, 2008	As of December 31, 2008	Changes
Assets			
Trade receivables	1,086.5	1,052.7	-33.8
Inventories	1,164.8	1,427.3	+262.4
Other current assets	685.4	719.3	+33.9
Total current assets	2,936.8	3,199.4	+262.6
Total fixed assets	1,580.2	1,388.9	-191.3
Total assets	4,517.1	4,588.4	+71.2
Liabilities and shareholders' equity			
Trade payables	733.5	711.7	-21.7
Advances received	469.2	528.9	+59.7
Other current liabilities	623.1	824.8	+201.7
Total current liabilities	1,825.8	2,065.5	+239.6
Total long-term liabilities	1,250.8	1,177.1	-73.6
Total liabilities	3,076.7	3,242.7	+166.0
Net assets			
Shareholders' capital	1,251.4	1,257.0	+5.6
Valuation and translation adjustments	168.7	45.4	-123.2
Others (Minority interests, etc.)	20.2	43.1	+22.9
Total net assets	1,440.4	1,345.7	-94.7
Total liabilities and net assets	4,517.1	4,588.4	+71.2
Interest-bearing debt outstanding	1,365.3	1,507.2	+141.8

Investment securities -190.0 etc.

Including Interest-bearing debt outstanding +152.7

Including Interest-bearing debt outstanding -10.8
Deferred income taxes -69.8 etc.

II. Forecast for FY2008

Forecasts regarding future performance in these materials are based on judgment made in accordance with information available at the time this presentation was prepared. As such, those projection imply risks and insecurity. For this reason, investors are recommended not to depend solely on 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 markets in Japan.

Summary of Forecast for FY2008

(In billion yen)

	FY2007 (Actual)	FY2008 (Previous forecast) '08.10.31	FY2008 (Forecast)
Orders received	3,715.2	3,700.0	3,430.0
Net sales	3,203.0	3,400.0	3,300.0
Operating income	136.0	130.0	105.0
Ordinary income	109.5	110.0	65.0
Net income	61.3	54.0	20.0

- ◇ Assumes foreign exchange rates of undetermined amount ¥90 to the U.S. dollar and ¥115 to the Euro (US\$0.7 billion, Euro 0.1 billion undetermined)

Forecast for FY2008 by Business Segment

(In billion yen)

	Orders received			Net sales			Operating income		
	FY2007	FY2008		FY2007	FY2008		FY2007	FY2008	
		Previous forecast	forecast		Previous forecast	forecast		Previous forecast	forecast
Shipbuilding & Ocean Development	353.6	280.0	260.0	283.9	230.0	230.0	4.0	9.0	3.0
Power Systems	1,214.9	1,300.0	1,300.0	946.9	1,200.0	1,200.0	58.2	77.0	81.0
Machinery & Steel Structures	557.3	610.0	550.0	472.5	550.0	550.0	11.3	21.0	27.0
Aerospace	615.8	580.0	530.0	500.5	500.0	490.0	14.6	- 4.0	- 12.0
GM & SV	465.2	450.0	425.0	474.4	450.0	425.0	20.8	9.0	- 2.0
Air-Con	212.1	190.0	175.0	211.8	190.0	175.0	6.2	1.0	- 3.0
Industrial	224.3	200.0	140.0	227.2	210.0	160.0	12.9	7.0	1.0
Mass and Medium-lot Manufactured Machinery	901.7	840.0	740.0	913.6	850.0	760.0	40.0	17.0	- 4.0
Others	122.8	130.0	100.0	140.0	120.0	120.0	7.6	10.0	10.0
Inter-group consolidation adjustments	- 51.1	- 40.0	- 50.0	- 54.6	- 50.0	- 50.0	-	-	-
Total	3,715.2	3,700.0	3,430.0	3,203.0	3,400.0	3,300.0	136.0	130.0	105.0

GM&SV: General Machinery & Special Vehicle
 Air con: Air-conditioning and Refrigeration System
 Industrial: Industrial Machinery