



Financial Results for Second Quarter FY2008

October 2008

 **MITSUBISHI HEAVY INDUSTRIES, LTD.**

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I. Financial Results for Second 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 Second Quarter (1)

(In billion yen)

	FY2007-1H	FY2008-2Q	Changes
Orders received	1,769.6	1,841.7	+72.1
Net sales	1,446.4	1,574.6	+128.2
Operating income	55.8	72.7	+16.8
Ordinary income	41.0	75.5	+34.4
Extraordinary income	7.5	-23.4	- 30.9
Income before income taxes	48.5	52.0	+3.5
Net income	27.9	29.0	+1.0

Summary of Financial Results for Second Quarter (2)

Orders received ⇒ Up ¥72.1 billion YoY (¥1,769.6 bn → ¥1,841.7 bn)

- Overall orders exceeded the year-ago level, reflecting a rise in the Power Systems segment boosted by significant growth in orders for gas turbines overseas.

Net sales ⇒ Up ¥128.2 billion YoY (¥1,446.4 bn → ¥1,574.6 bn)

- Overall sales increased from the same period of 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, Aerospace, and Mass and Medium-lot Manufactured Machinery segments also rose. The rises offset a decrease in the Shipbuilding & Ocean Development segment.

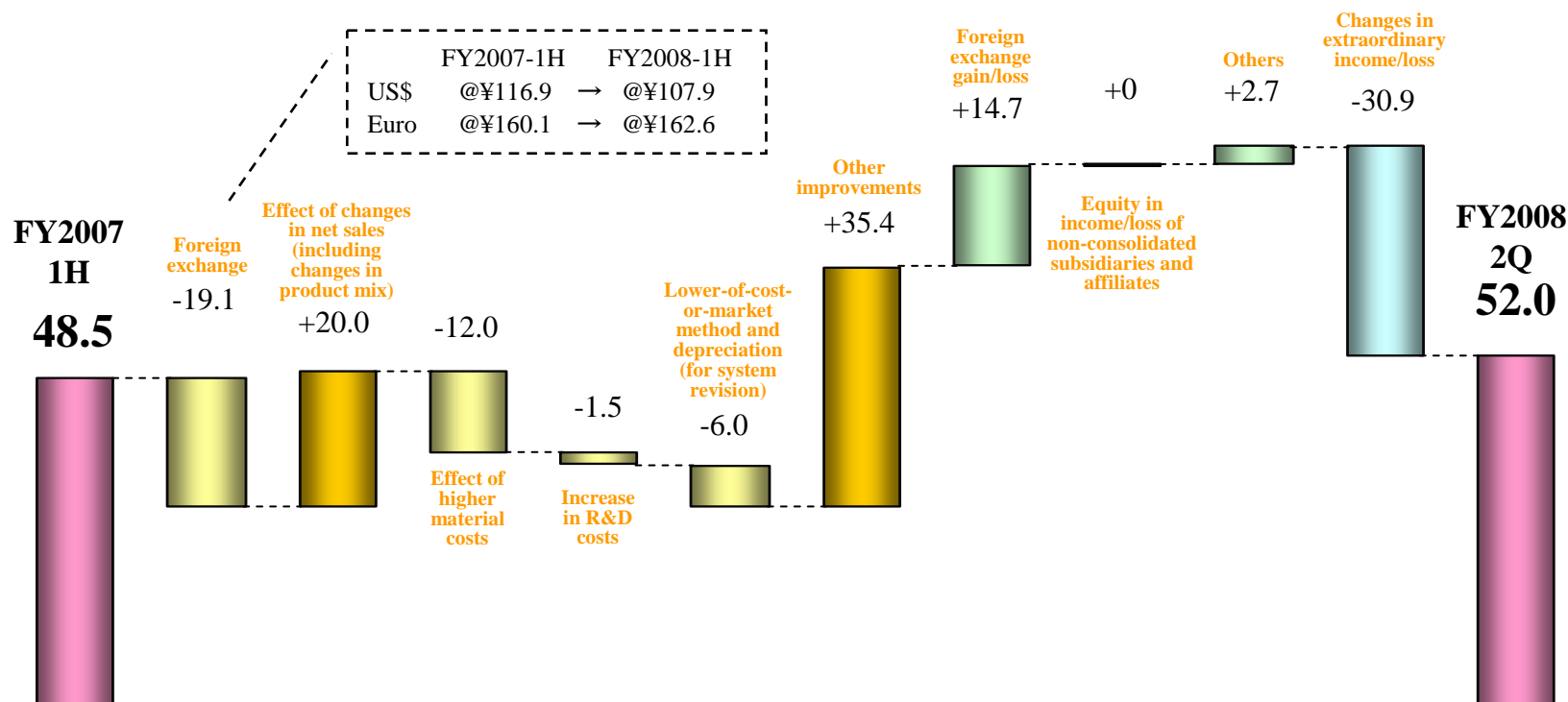
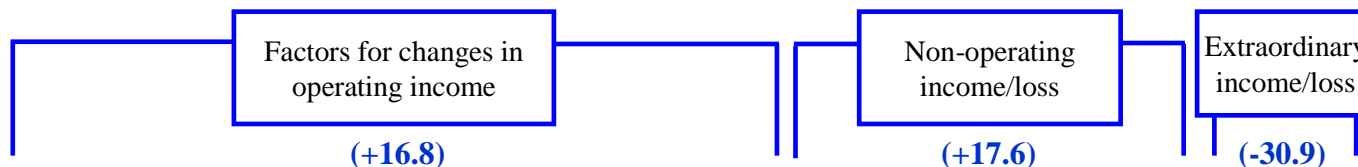
Net income ⇒ Up ¥1.0 billion YoY (¥27.9 bn → ¥29.0 bn)

- Operating income rose ¥16.8 billion from the same period of the previous year because of an increase in profit associated with an expansion in net sales and improved profitability. Ordinary income increased ¥34.4 billion because of a rise in operating income and improvements in the foreign exchange gain/loss posted as a non-operating income/loss, among other factors.

The Company posted a net income of ¥29.0 billion, almost the same level as the year-ago level, because it recorded the effect of the application of the accounting standard for measurement of inventories as an extraordinary loss in the first quarter.

Factors for Changes in Income before Income Taxes

Up ¥3.5 billion (¥48.5 bn → ¥52.0 bn)



Ordinary Income and Extraordinary Income

- Ordinary Income (+ ¥34.4 billion YoY (¥41.0 bn → ¥75.5 bn))

(In billion yen)

	FY2007-1H	FY2008-2Q	Changes
Operating income	55.8	72.7	+ 16.8
Foreign exchange gain/loss	-9.2	5.5	+ 14.7
Net interest loss	-2.4	- 2.4	0
Equity in income/loss of non-consolidated subsidiaries and affiliates	3.6	3.7	0
Others	-6.8	- 4.0	+ 2.8
Non-operating income/loss	-14.8	2.7	+ 17.6
Ordinary income	41.0	75.5	+ 34.4

- Extraordinary Income (- ¥30.9 billion YoY (¥7.5 bn → - ¥23.4 bn))

(In billion yen)

	FY2007-1H	FY2008-2Q	Changes
Gain on sale of fixed assets	10.4	2.4	- 8.0
Gain on sales of investment securities	-	14.1	+ 14.1
Extraordinary income	10.4	16.5	+ 6.1
Effect of the application of the accounting standard for measurement of inventories	-	- 33.4	- 33.4
Loss on legal claims	-	- 6.5	- 6.5
Business improvement and restructuring charges	-2.9	-	+ 2.9
Extraordinary loss	-2.9	- 40.0	- 37.0
Extraordinary income/loss	7.5	- 23.4	- 30.9

Financial Results by Business Segment

(In billion yen)

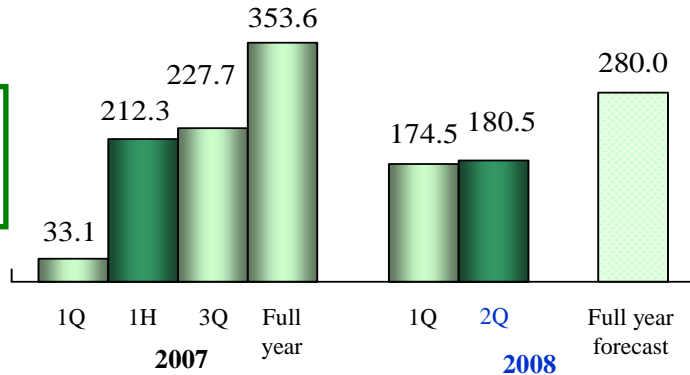
	Orders received		Net sales		Operating income	
	FY2007-1H	FY2008-2Q	FY2007-1H	FY2008-2Q	FY2007-1H	FY2008-2Q
Shipbuilding & Ocean Development	212.3	180.5	138.1	127.6	2.6	6.8
Power Systems	576.3	820.0	449.7	541.5	24.7	42.6
Machinery & Steel Structures	330.0	223.3	178.0	219.1	0.1	3.5
Aerospace	175.9	142.6	197.0	215.9	5.1	0.3
GM & SV	217.9	238.8	226.8	238.7	8.7	7.6
Air-Con	114.6	115.1	112.7	111.7	4.4	4.6
Industrial	114.2	97.5	105.4	97.8	4.8	3.2
Mass and Medium-lot Manufactured Machinery	446.7	451.5	445.0	448.2	18.0	15.5
Others	61.0	49.6	63.3	51.6	5.1	3.8
Inter-group consolidation adjustments	-32.9	- 25.9	-24.9	- 29.5	-	-
Total	1,769.6	1841.7	1,446.4	1574.6	55.8	72.7

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

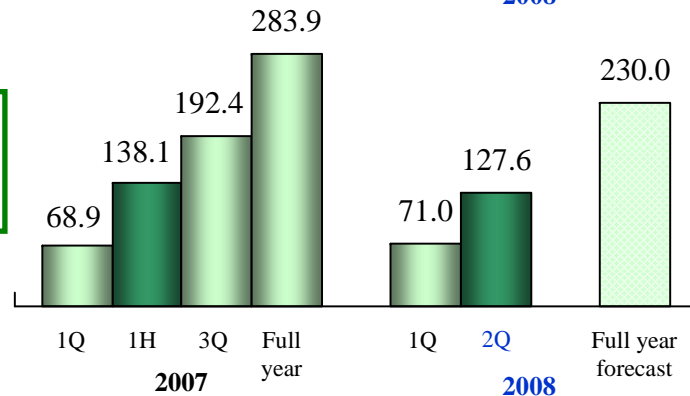
<Shipbuilding & Ocean Development>

(In billion yen, accumulated amount)

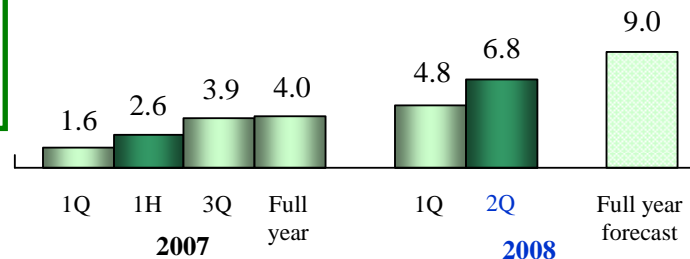
Orders Received



Net Sales



Operating Income



Orders received: Down ¥31.8 billion YoY

- Orders were received for a total of 16 new vessels in the period, comprising eight pure car carriers, three VLCCs, two container ships, two LPG carriers and one ferry.

[Number of ships ordered]

FY2007-1H: 21 (1Q: 4, 2Q: 17)

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

[Backlog of ship orders] 79

(30 pure car carriers, 14 container ships, 11 LPG carriers, 6 LNG carriers, and others)

Net sales/Earnings: Increased earnings (+ ¥4.2 billion YoY) on decreased sales (- ¥10.4 billion YoY)

- We delivered a total of 8 vessels, including four pure car carriers, two container ship, one LNG carrier, and one ferry.

[Number of ships delivered]

FY2007-1H: 9 (1Q: 6, 2Q: 3)

FY2008-2Q: 8 (1Q: 5, 2Q: 3)

- 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:

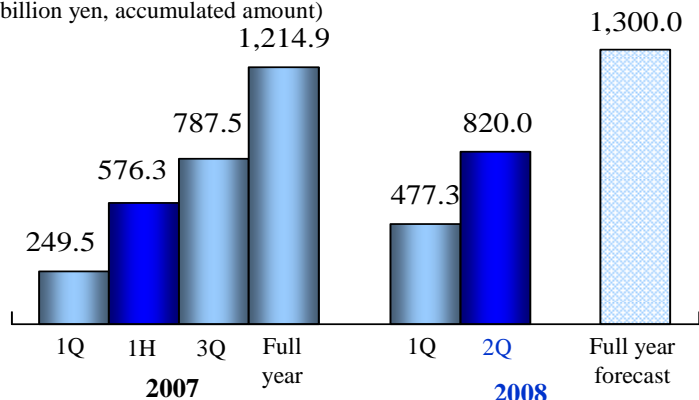
Orders: Orders received were revised from ¥320 billion to ¥280 billion to reflect changes in market conditions.

Operating income: Operating income was revised from ¥5 billion to ¥9 billion to reflect factors such as a change in the exchange rate in the direction of a weaker yen than the rate assumed for the period up to the second quarter.

Forecast for FY2008	Previous forecast	Revised forecast
Orders received	320.0	280.0
Net sales	230.0	230.0
Operating income	5.0	9.0

<Power Systems>

(In billion yen, accumulated amount)



Orders Received

Orders received: Up ¥243.7 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 both business and industrial power systems in Japan.

[Wind turbines (Output-based)]

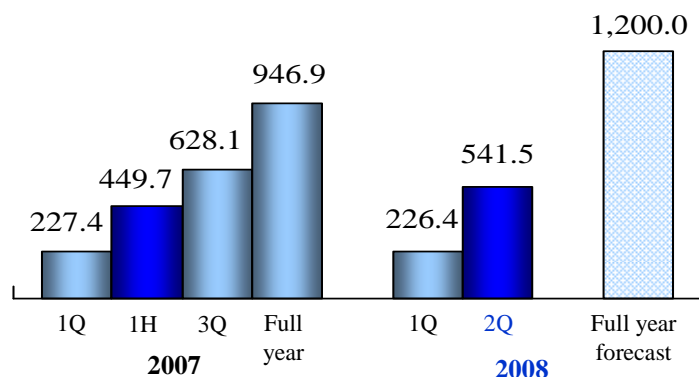
FY2007-1H: 1,351MW (FY2007: 1,575MW)

FY2008-2Q: 900MW

[Gas turbine order backlog (Non-consolidated)]

FY2007-1H: 66 (FY2007: 72)

FY2008-2Q: 77

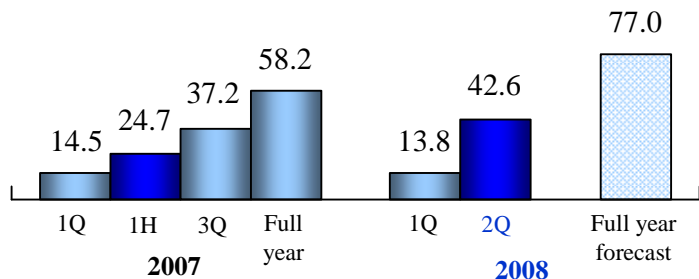


Net Sales

Net sales/Earnings: Both net sales and earnings were up ¥91.8 billion and ¥17.8 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.



Operating Income

Full-year forecast:

Orders: Orders were revised from ¥1,240 billion to ¥1,300 billion to reflect the status of negotiations.

Net sales: Net sales were revised from ¥1,000 billion to ¥1,200 billion to reflect factors such as the progress of construction work.

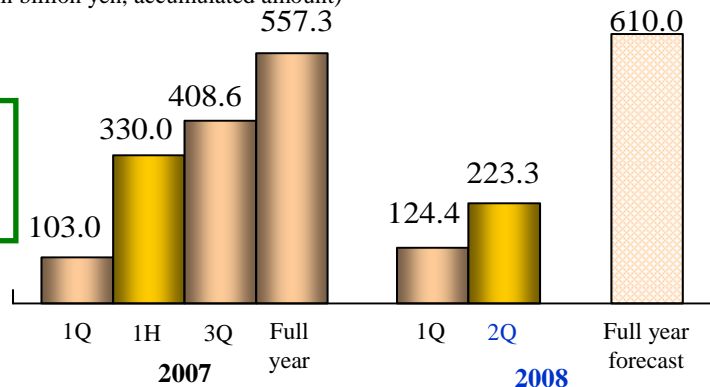
Operating income: Operating income was revised from ¥60 billion to ¥77 billion to reflect expected net sales growth and other factors.

Forecast for FY2008	Previous forecast	Revised forecast
Orders received	1,240.0	1,300.0
Net sales	1,000.0	1,200.0
Operating income	60.0	77.0

<Machinery & Steel Structures>

(In billion yen, accumulated amount)

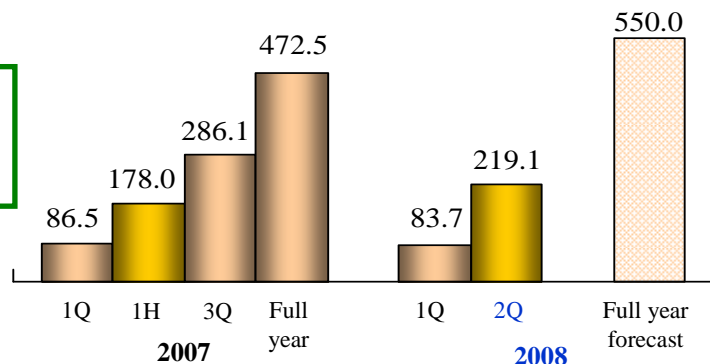
Orders Received



Orders received: Down ¥106.7 billion YoY

- Orders received fell from the same period of the previous year, when the Company received orders for large chemical plants.

Net Sales

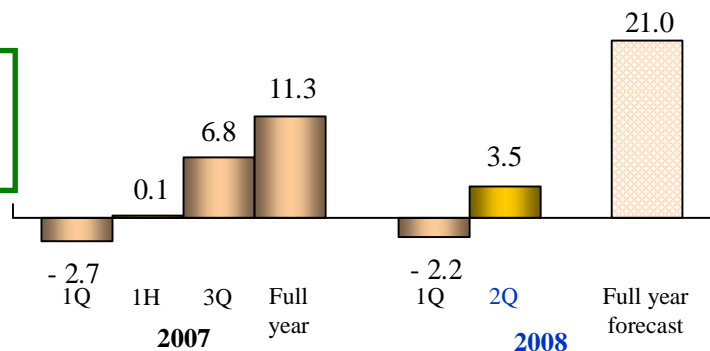


Net sales/Earnings: Both net sales and earnings were up ¥41.1 billion and ¥3.3 billion YoY, respectively

- 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 due to a rise in net sales and other factors.

Operating Income



Full-year forecast:

Orders: Orders were revised from ¥520 billion to ¥610 billion to reflect the status of negotiations.

Net sales: Net sales were revised from ¥490 billion to ¥550 billion to reflect factors such as the progress of construction work.

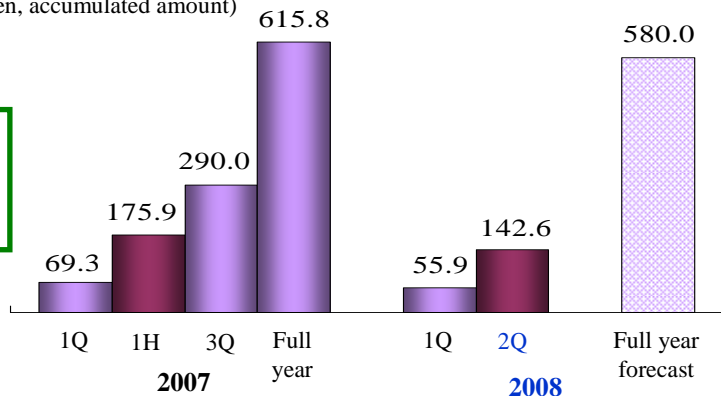
Operating income: Operating income was revised from ¥14 billion to ¥21 billion because of expected net sales growth and other factors.

Forecast for FY2008	Previous forecast	Revised forecast
Orders received :	520.0	610.0
Net sales :	490.0	550.0
Operating income :	14.0	21.0

<Aerospace>

(In billion yen, accumulated amount)

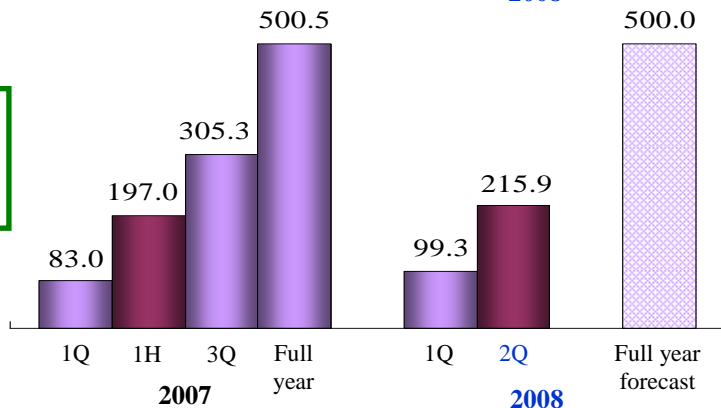
Orders Received



Orders received: Down ¥33.2 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 (- ¥4.8 billion YoY) on increased sales (+ 18.8 billion YoY)

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

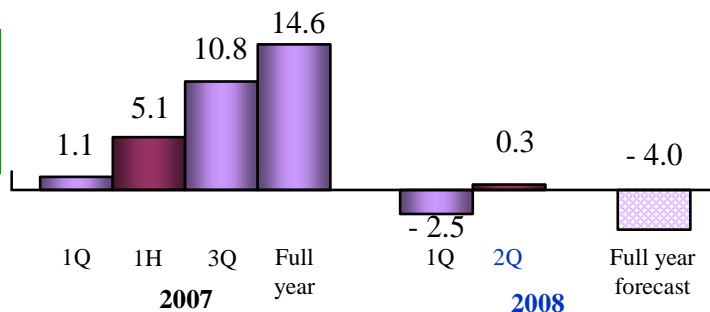
[Number of Boeing 777s delivered]

FY2007-1H: 40 (FY2007: 81)

FY2008-2Q: 42

- Earnings fell because of factors such as the effect of foreign exchange rates and the impact of the application of the accounting standard for measurement of inventories.

Operating Income



Full-year forecast:

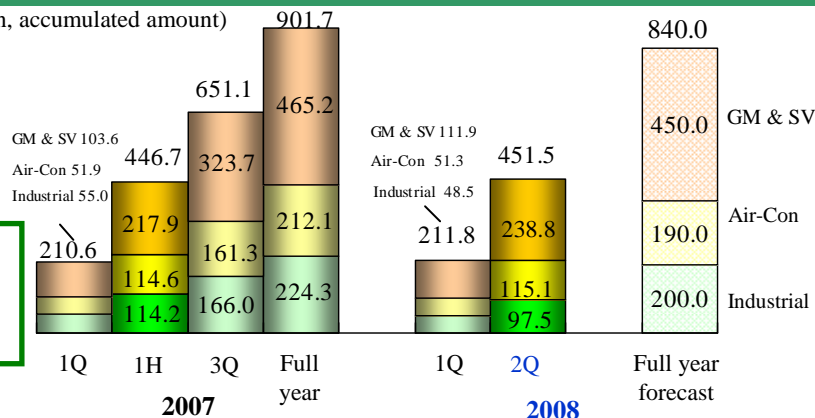
Orders: Orders were revised from ¥630 billion to ¥580 billion in response to factors such as the Boeing787 delivery schedule.

Forecast for FY2008	Previous forecast	Revised forecast
Orders received :	630.0	580.0
Net sales :	500.0	500.0
Operating income :	-4.0	-4.0

<Mass and Medium-lot Manufactured Machinery>

(In billion yen, accumulated amount)

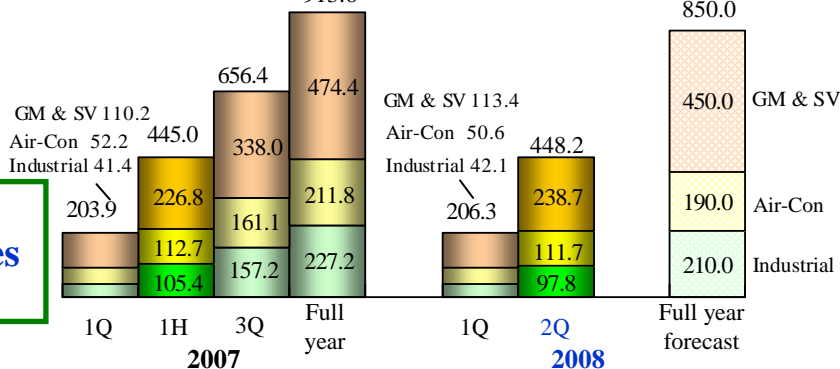
Orders Received



Orders received: Up ¥4.7 billion YoY

- GM & SV: Orders increased from the same period of the previous year, bolstered by increased orders for turbochargers and engines, etc.
- Air-Con: Orders rose slightly, almost unchanged.
- Industrial: Orders declined, reflecting a fall in orders for printing machinery.

Net Sales



Net sales/Earnings: Lower earnings (- ¥2.4 billion YoY) on increased sales (+ ¥3.2 billion YoY)

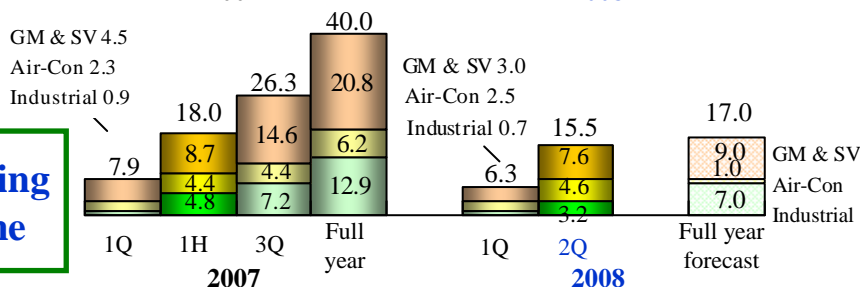
- GM & SV: Sales increased from the same period of the previous year, with declining orders for North America offset by rising orders (especially for turbochargers) for Europe and other regions.
- Air-Con: Sales fell slightly, almost unchanged.
- Industrial: Orders declined, reflecting a fall in orders for printing machinery.

Earnings in the Mass and Medium-lot Manufactured Machinery segment as a whole were down from the same period of the previous year because of the impact of exchange rates and rising material costs.

Full-year forecast:

Orders, net sales and income/loss were revised to reflect concerns about a weakening of market conditions in Japan and overseas.

Operating Income

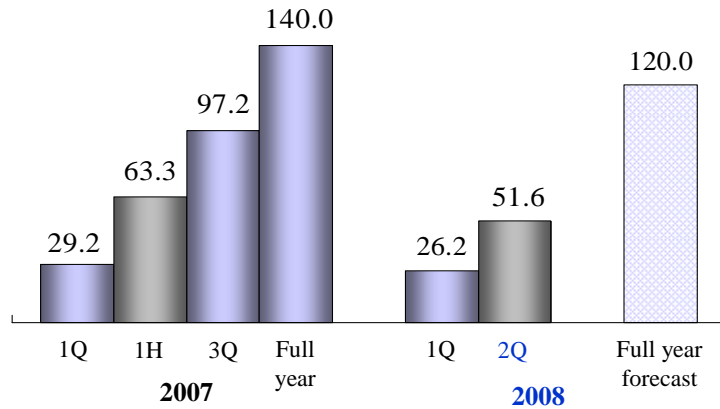


Forecast for FY2008		Previous forecast	Revised forecast
Orders received	GM & SV :	460.0	450.0
	Air-Con :	210.0	190.0
	Industrial :	230.0	200.0
	Total :	900.0	840.0
Net sales	GM & SV :	460.0	450.0
	Air-Con :	210.0	190.0
	Industrial :	230.0	210.0
	Total :	900.0	850.0
Operating income	GM & SV :	20.0	9.0
	Air-Con :	6.0	1.0
	Industrial :	13.0	7.0
	Total :	39.0	17.0

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

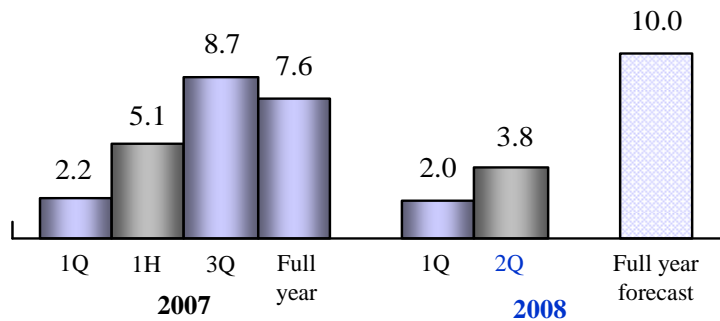
<Others>

(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 September 30, 2008	Changes
Assets			
Trade receivables	1,086.5	1,025.4	-61.0
Inventories	1,164.8	1,288.7	+123.9
Other current assets	685.4	593.3	-92.1
Total current assets	2,936.8	2,907.6	-29.2
Total fixed assets	1,580.2	1,479.0	-101.2
Total assets	4,517.1	4,386.6	-130.4
Liabilities and shareholders' equity			
Trade payables	733.5	690.5	-42.9
Advances received	469.2	560.8	+91.5
Other current liabilities	623.1	552.5	-70.5
Total current liabilities	1,825.8	1,803.9	-21.9
Total long-term liabilities	1,250.8	1,160.0	-90.7
Total liabilities	3,076.7	2,963.9	-112.7
Net assets			
Shareholders' capital	1,251.4	1,268.3	+16.8
Valuation and translation adjustments	168.7	110.5	-58.1
Others (Minority interests, etc.)	20.2	43.7	+23.5
Total net assets	1,440.4	1,422.6	-17.7
Total liabilities and net assets	4,517.1	4,386.6	-130.4
Interest-bearing debt outstanding	1,365.3	1,224.2	-141.1

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) '08.7.31	FY2008 (Forecast)
Orders received	3,715.2	3,700.0	3,700.0
Net sales	3,203.0	3,200.0	3,400.0
Operating income	136.0	120.0	130.0
Ordinary income	109.5	90.0	110.0
Net income	61.3	54.0	54.0

- ◇ Assumes foreign exchange rates of undetermined amount ¥95 to the U.S. dollar and ¥120 to the Euro (US\$0.9 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	320.0	280.0	283.9	230.0	230.0	4.0	5.0	9.0
Power Systems	1,214.9	1,240.0	1,300.0	946.9	1,000.0	1,200.0	58.2	60.0	77.0
Machinery & Steel Structures	557.3	520.0	610.0	472.5	490.0	550.0	11.3	14.0	21.0
Aerospace	615.8	630.0	580.0	500.5	500.0	500.0	14.6	- 4.0	- 4.0
GM & SV	465.2	460.0	450.0	474.4	460.0	450.0	20.8	20.0	9.0
Air-Con	212.1	210.0	190.0	211.8	210.0	190.0	6.2	6.0	1.0
Industrial	224.3	230.0	200.0	227.2	230.0	210.0	12.9	13.0	7.0
Mass and Medium-lot Manufactured Machinery	901.7	900.0	840.0	913.6	900.0	850.0	40.0	39.0	17.0
Others	122.8	130.0	130.0	140.0	130.0	120.0	7.6	6.0	10.0
Inter-group consolidation adjustments	- 51.1	- 40.0	- 40.0	- 54.6	- 50.0	- 50.0	-	-	-
Total	3,715.2	3,700.0	3,700.0	3,203.0	3,200.0	3,400.0	136.0	120.0	130.0

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