

MHI ANNOUNCES OUTLINE OF FY2008 FIRST 9 MONTH FINANCIAL RESULTS
ENDED DECEMBER 31, 2008 (CONSOLIDATED)

Tokyo, February 5, 2009 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first nine months of fiscal year (FY) 2008 ended December 31, 2008.

(billions of yen)

	FY2008 First 9 Months (From April 1 to December 31, 2008)	FY2007 First 9 Months (From April 1 to December 31, 2007)
Orders Received	2,613.2	2,418.7
Net Sales	2,379.6	2,128.4
Operating Income	100.5	93.9
Ordinary Income	86.6	80.7
Income Before Taxes and Minority Interests	59.8	88.4
Net Income	27.8	54.1
Operating Cash Flow	-92.4	-
Investment Cash Flow	-87.7	-
Financing Cash Flow	153.1	-
Net Income Per Share	8.30 yen	16.14 yen

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2008 First 9 Months (From April 1 to December 31, 2008)
Shipbuilding & Ocean Development	186.5
Power Systems	847.2
Machinery & Steel Structures	354.5
Aerospace	325.1
Mass and Medium-Lot Manufactured Machinery	630.0
Others	36.0
TOTAL	2,379.6

Operating Income (Loss) by Operational Segment

(billions of yen)

	FY2008 First 9 Months (From April 1 to December 31, 2008)
Shipbuilding & Ocean Development	8.6
Power Systems	66.6
Machinery & Steel Structures	17.5
Aerospace	-6.0
Mass and Medium-Lot Manufactured Machinery	8.0
Others	5.7
TOTAL	100.5

Consolidated financial results (continued)

Estimate of Consolidated Financial Results for FY 2008

For the fiscal year 2008 ending March 31, 2009, MHI is expecting 3,300 billion yen in net sales, 105 billion yen in operating income, 65 billion yen in ordinary income and 20 billion yen in net income. This estimate is based on the assumption of currency exchange rate of US\$ 1.00 = ¥90 and €1.00 = ¥115 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 Dec.31, 2008	As of Mar.31, 2008
<u>ASSETS</u>		
Current assets:		
Cash and deposits	234,131	274,885
Trade receivables	1,052,772	1,086,580
Securities	1,519	3,569
Merchandise and finished products	169,524	147,070
Work in process	1,116,880	889,473
Raw materials and supplies	140,917	128,309
Deferred income taxes	112,802	114,548
Others	377,755	298,125
Allowance for doubtful receivables	(6,809)	(5,677)
Total current assets	3,199,495	2,936,886
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	324,665	316,559
Machinery and transportation equipment	282,009	272,442
Tools, equipment and furniture	71,510	82,779
Land	158,615	153,615
Leased assets	709	-
Construction in progress	41,623	50,256
Subtotal	879,134	875,653
Intangible fixed assets	26,661	29,037
Investments and advances:		
Investment securities	419,169	609,248
Long-term loans and advances	2,594	3,119
Deferred income taxes	7,925	7,411
Others	66,520	74,281
Allowance for doubtful accounts	(13,072)	(18,490)
Subtotal	483,137	675,570
Total fixed assets	1,388,933	1,580,261
TOTAL ASSETS	4,588,428	4,517,148

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Dec.31, 2008	As of Mar.31, 2008
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	711,701	733,500
Bank loans	295,342	233,801
Current portion of long-term debt	108,618	85,416
Commercial papers	108,000	-
Current portion of debentures	300	40,300
Reserve for product warranties	23,543	23,660
Reserve for losses on construction contracts	17,561	6,893
Reserve for legal claims	12,611	-
Advance payments received on contracts	528,999	469,285
Others	258,882	233,037
Total current liabilities	2,065,560	1,825,894
Long-term liabilities:		
Debentures	285,378	286,057
Long-term debt	709,615	719,818
Deferred income taxes	24,248	94,134
Reserve for retirement allowance	95,113	89,936
Reserve for treatment of PCB waste	4,300	4,300
Others	58,507	56,577
Total long-term liabilities	1,177,163	1,250,824
TOTAL LIABILITIES	3,242,724	3,076,719
<u>NET ASSETS</u>		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus	203,926	203,893
Retained earnings	792,584	787,007
Treasury stock	(5,043)	(5,045)
Total stockholders' equity	1,257,076	1,251,464
Valuation, translation adjustments and others:		
Net unrealized gains on investment securities	57,023	157,546
Deferred gains or losses on hedges	3,398	7,346
Foreign currency translation adjustments	(14,930)	3,847
Total valuation, translation adjustments and others	45,492	168,739
Share subscription rights	878	549
Minority interests	42,257	19,676
TOTAL NET ASSETS	1,345,704	1,440,429
TOTAL LIABILITIES AND NET ASSETS	4,588,428	4,517,148

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2008 First 9 Months (From Apr.1 to Dec.31, 2008)
Net sales	2,379,652
Cost of sales	2,040,951
Gross profit	338,701
Selling, general and administrative expenses:	
Directors' compensations, salaries and allowances	92,063
Research and development expenses	34,594
Expenses for inquiries	17,775
Others	93,704
Total selling, general and administrative expenses	238,138
Operating income	100,563
Non-operating income:	
Interest income	4,552
Dividend income	8,165
Others	3,047
Total non-operating income	15,765
Non-operating expenses:	
Interest expense	14,856
Equity in losses of unconsolidated subsidiaries and affiliates	746
Foreign exchange loss	3,354
Loss on disposal of fixed assets	3,966
Others	6,805
Total non-operating expenses	29,728
Ordinary income	86,600
Extraordinary gain:	
Gain on sales of fixed assets	2,712
Gain on sales of investment securities	14,146
Total extraordinary gain	16,859
Extraordinary loss:	
Effect of the application of the accounting standard for measurement of inventories	33,436
Loss on legal claims	10,146
Total extraordinary loss	43,582
Income before income taxes and minority interests	59,876
Income taxes	31,306
Minority interests	717
Net income	27,853

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

	FY2008 First 9 Months (From Apr.1 to Dec.31,2008)
Cash flows from operating activities:	
Income before income taxes and minority interests	59,876
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities	
Depreciation and amortization	110,977
Increase in reserve for retirement allowance	5,297
Interest and dividend income	(12,718)
Interest expense	14,856
Equity in losses of unconsolidated subsidiaries and affiliates	746
Gain on sales of investment securities	(14,146)
Gain on sales of fixed assets	(2,712)
Loss on disposal of fixed assets	3,966
Loss on legal claims	10,146
(Increase) decrease in receivables	13,060
(Increase) decrease in inventories and advances to suppliers	(265,870)
(Increase) decrease in other assets	(62,685)
Increase (decrease) in payables	(7,189)
Increase (decrease) in advance payments received on contracts	66,929
Increase (decrease) in other liabilities	62,719
Others	2,958
Subtotal	(13,787)
Interest and dividends received	13,674
Interest paid	(14,435)
Payments for income taxes	(77,925)
Net cash used by operating activities	(92,474)
Cash flows from investing activities:	
Net decrease in time deposits	2,518
Purchases of marketable securities	(257)
Proceeds from sales and redemption of marketable securities	567
Purchases of property, plant, equipment and intangible assets	(123,833)
Proceeds from sales of property, plant, equipment and intangible assets	3,779
Purchases of investment securities	(24,681)
Proceeds from sales and redemption of investment securities	50,637
Disbursement of long-term loans	(1,448)
Collection of long-term loans	4,910
Others	80
Net cash used in investing activities	(87,727)
Cash flows from financing activities:	
Net increase in bank loans and commercial papers	173,198
Proceeds from long-term debt	92,062
Repayment of long-term debt	(75,192)
Payment for redemption of bonds	(40,150)
Proceeds from issuance of stock to minority stockholders of subsidiaries	23,488
Dividends paid to stockholders	(19,597)
Dividends paid to minority stockholders of subsidiaries	(501)
Others	(156)
Net cash provided by financing activities	153,152
Effect of exchange rate changes on cash and cash equivalents	(13,034)
Net decrease in cash and cash equivalents	(40,084)
Cash and cash equivalents at beginning of year	262,852
Cash and cash equivalents at end of period	222,767

Reference

Financial Statements for the First 9 Months of the Previous Fiscal Year

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2007 First 9 Months (From Apr.1 to Dec.31, 2007)	
Net sales		2,128,458
Cost of sales		1,810,409
Gross profit	14.9%	318,048
Selling, general and administrative expenses		224,073
Operating income	4.4%	93,975
Non-operating income:		
Interest and dividend income		12,350
Equity in earnings of unconsolidated subsidiaries and affiliates		7,861
Other income		3,327
Total non-operating income		23,538
Non-operating expenses:		
Interest expense		15,151
Foreign exchange losses		10,085
Losses on disposal of fixed assets		3,894
Other expenses		7,622
Total non-operating expenses		36,755
Ordinary income	3.8%	80,758
Extraordinary income:		
Gains on sales of fixed assets		10,597
Total extraordinary income		10,597
Extraordinary expenses:		
Business improvement and restructuring charges		2,955
Total extraordinary expenses		2,955
Income before income taxes and minority interests	4.2%	88,401
Income taxes		32,956
Minority interests		1,285
Net income	2.5%	54,159