

FY2008 2Q Report

(ended on 30th September, 2008)

Growth and Innovation towards the Future

Reported on 5th November, 2008



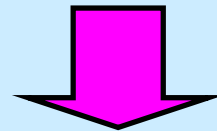
MES

MITSUI ENGINEERING &
SHIPBUILDING CO.,LTD.

Key point of FY2008 2Q

One-time loss concentrated in the 1st half

- Accident of the crane
- Arbitration of the project in the U.K.
- Delay of the work due to the delay of the incoming steel plate
- Increase of the labor fee at the site



Impact to the 2nd half is limited

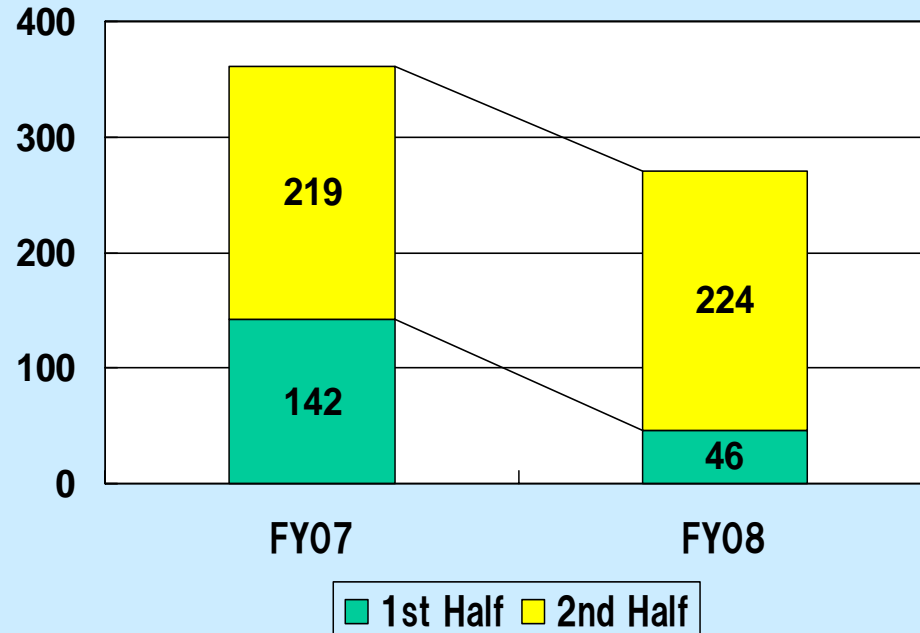
Key point of FY2008 2Q

Comparison of the Operating Income

(100 million Yen)

Operating Income	1st Half Actual	2nd Half Actual/Plan	Total Actual/Plan
FY07	142	219	361
FY08	46	224	270

(100 million Yen)



- Ope. Income of the 1st Half decreased due to the one-time loss
- Ope. Income of the FY08 2nd half is same level as the FY07

Highlights

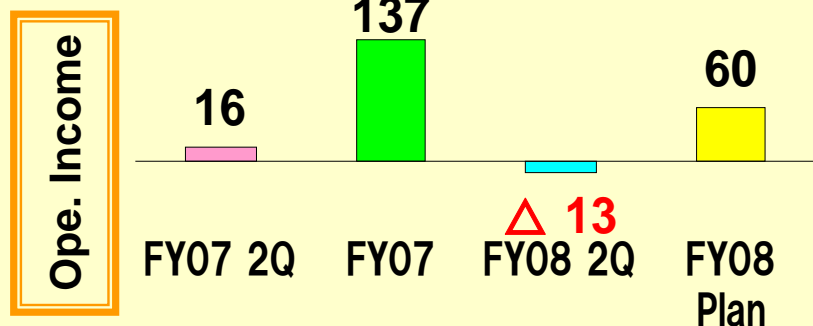
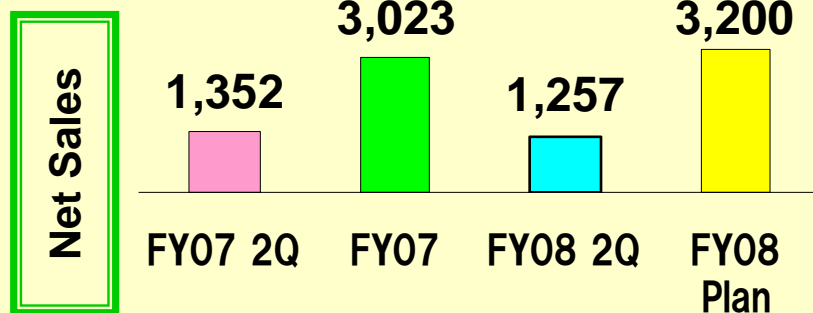
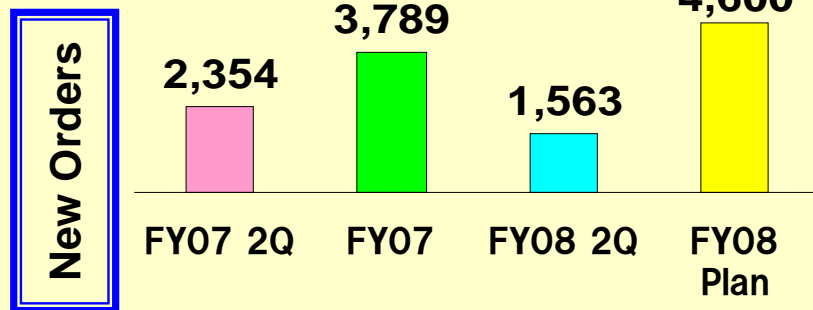
(100 million Yen)

	FY07 2Q Actual	FY08 2Q Revised Plan	FY08 2Q Actual	FY08 Original Plan	FY08 Revised Plan	FY08 Latest Plan
New Orders	4,441		3,598	8,200		8,400
Net Sales	2,908	3,000	2,858	7,100	7,100	7,100
Operating Income	142	70	46	350	300	270
Ordinary Income	129	60	43	320	270	240
Net Income	42	10	5	160	130	130

*Revised Plan is as of 7th August, 2008

Highlights - Ships

(100 million Yen)



Unfavorable factor is limited to this Fiscal Year

○New Orders

- Subsidiaries are steady
→ Upward revision of Consolidated New Orders
Consolidated 4,300 → 4,600
- Non-Consolidated continues selective New orders to maximize the profitability

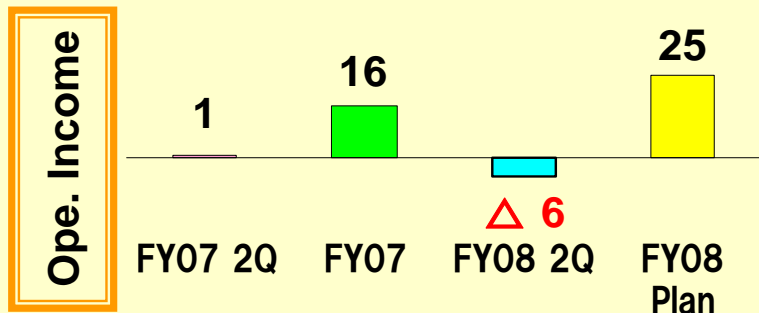
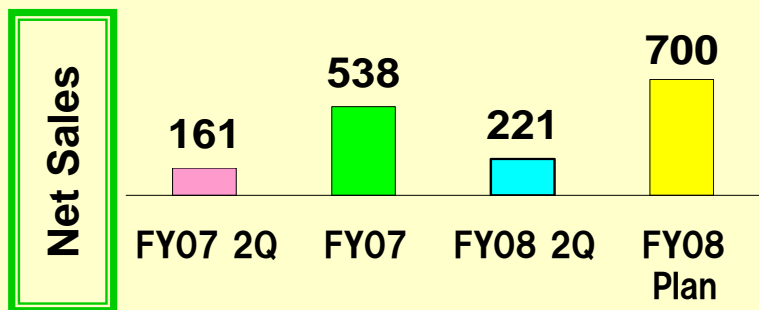
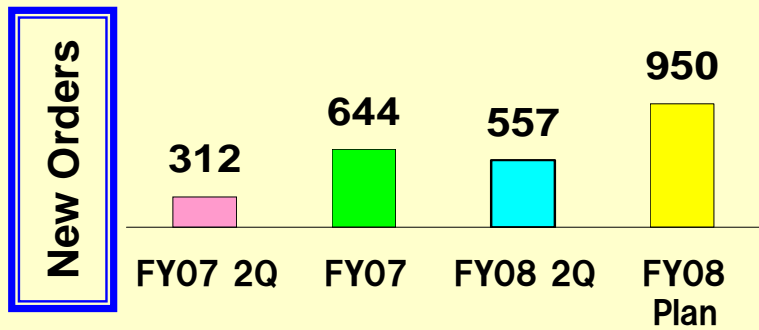
Non-consolidated (Ships)	FY07		FY08 2Q		FY08 Plan	
	New Orders	Delivery	New Orders	Delivery	New Orders	Delivery
5 6 BC	2 5	1 8	8	3		1 1

○Net Sales / Ope. Income

- Additional cost incurred by unexpected trouble of the imported equipment
→ Problem is already settled and the impact is limited only to this Fiscal Year

Highlights – Steel Structures/Construction

(100 million Yen)



Increase trend of the sales as the orders recovered

○New Orders

- New Orders of the large-size overseas civil construction
 - Steady demand on the Container Crane
→Upward revision of Consolidated New Orders
- Consolidated 900 → 950

(# of Crane)	FY07		FY08 2Q		FY08 Plan	
	New Orders	Delivery	New Orders	Delivery	New Orders	Delivery
Portainer	22	15	9	6	20	20
Transtainer	87	40	15	31	80	77

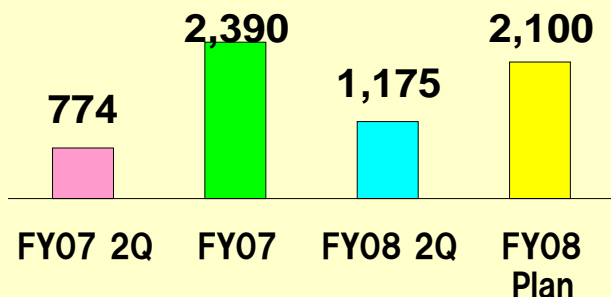
○Net Sales/ Ope. Income

- Sales increased by 6 Billion Yen, but increase of material and transportation cost pushed down the profit
→Increase of competitiveness by introducing value added products such as Hybrid Transtainer

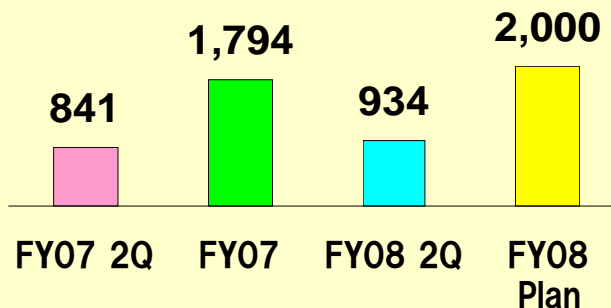
Highlights - Machinery

(100 million Yen)

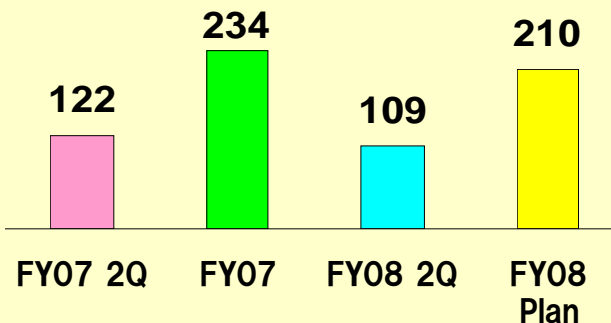
New Orders



Net Sales



Ope. Income



Demand on the Marine Diesel Engine Continues

○ New Orders

- Market of the Marine Diesel Engine is continuously in good shape
→ Aims annual production of 6 Million BHP

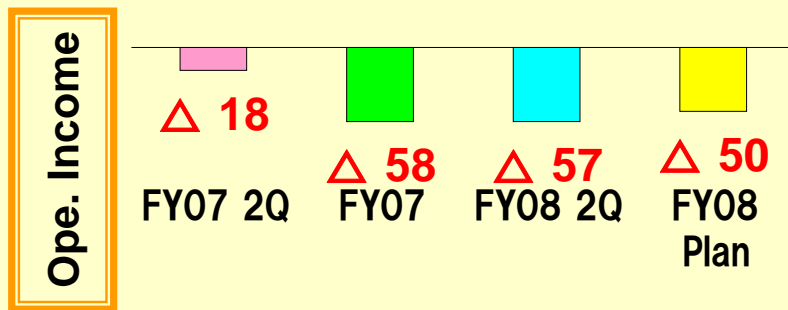
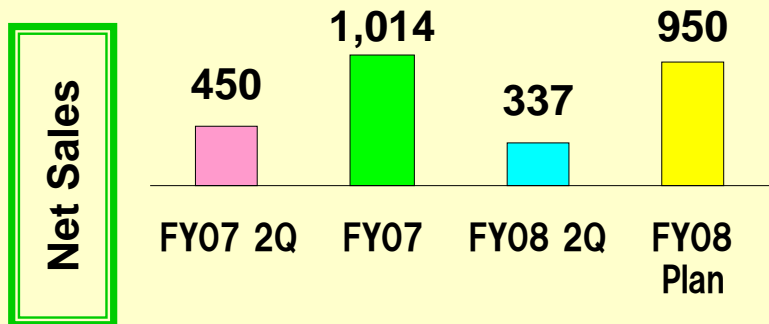
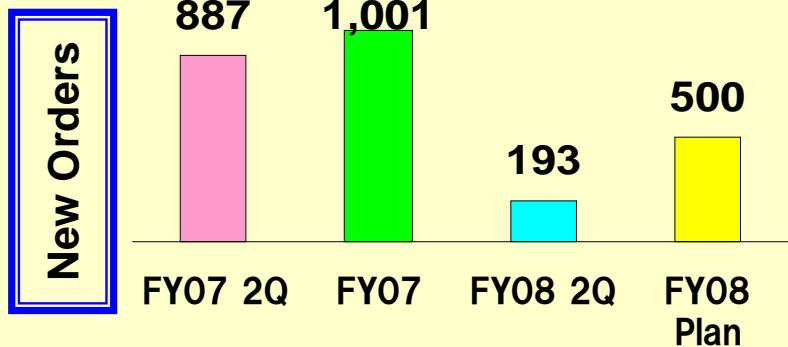
Marine Diesel Engine	FY07			FY08 2Q		
	New Orders	Delivery	Backlog Orders	New Orders	Delivery	Backlog Orders
Units	2 1 8	1 7 9	2 2 4	1 0 2	9 2	2 3 4

○ Net Sales / Ope. Income

- Sales of the Marine Diesel Engine is continuously good, and demand on the service parts is growing
- Profitability of the Advanced Machinery dropped due to slow down in the market of the semiconductor and liquid crystal related business

Highlights – Plants

(100 million Yen)



Sales decreased due to between season of the percentage completion projects

○New Orders

- Decreased by 69.4 Billion Yen
→Try to receive large-size orders after next year

○Net Sales / Ope. Income

- Sales decreased as the Large-size projects of petrochemical plant is in between season
- Additional cost incurred in the garbage disposal facility of the Environmental business

Net Sales (100 M Yen)	FY07	FY08 2Q	FY08 Plan
Petrochemical Plant	850	277	740
Environmental	164	60	210

Consolidated Balance Sheet (Summary)

(100 million Yen)

	FY07	FY08 2Q	Var.		FY07	FY08 2Q	Var.
Current Asset	(3,935)	(3,912)	(Δ 23)	Trade payables	1,540	1,542	2
Cash and time deposits	539	523	Δ 16	Advances from customers	1,304	1,461	157
Receivables	1,284	1,167	Δ 117	Others	2,515	2,459	Δ 56
Marketable securities	65	32	Δ 33	Liabilities Total	(5,359)	(5,463)	(104)
Work in progress	891	1,244	353	Common stock	444	444	0
Other current assets	1,157	946	Δ 211	Capital surplus	182	182	0
Fixed Assets	(3,180)	(3,206)	(26)	Retained earnings	523	485	Δ 38
Property, plant and equipment	1,927	2,049	122	Treasury stock	Δ 6	Δ 6	0
Intangible Assets	161	141	Δ 20	Valuation and translation adj.	370	313	Δ 56
Investment securities	687	584	Δ 103	Minority interests	243	236	Δ 7
Others	406	432	26	Net Assets	(1,756)	(1,655)	(Δ 101)
TOTAL	7,115	7,118	2	TOTAL	7,115	7,118	2

Consolidated Income Statement (Summary)

(100 million Yen)

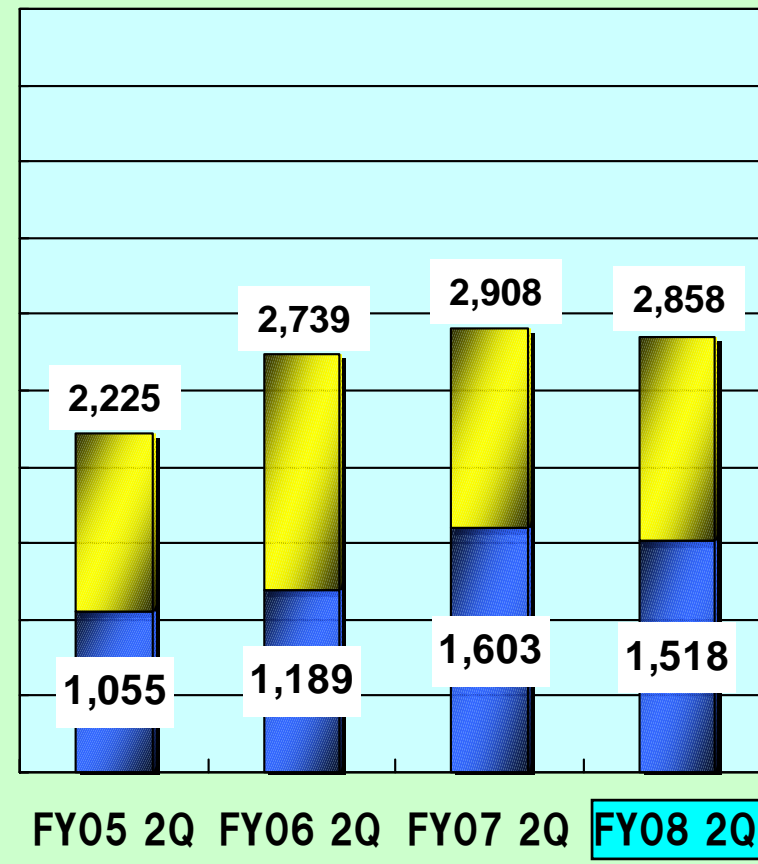
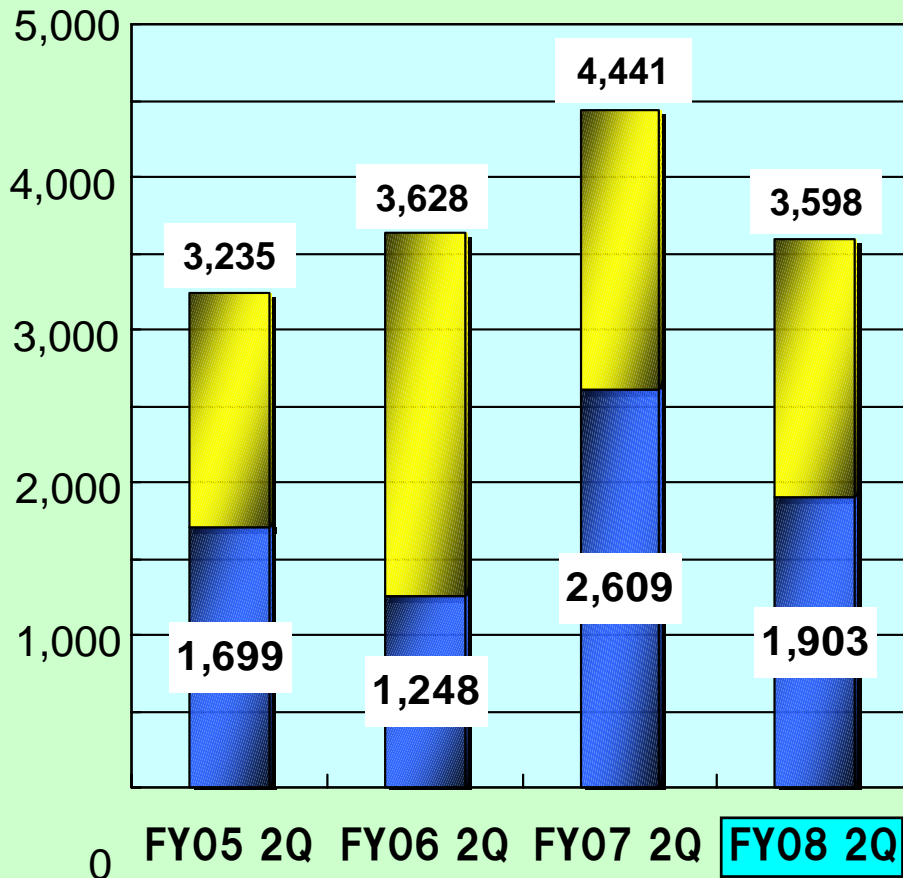
	FY07 2Q		FY08 2Q		Var.
	Amount	%	Amount	%	
Net Sales	2,908	(100.0%)	2,858	(100.0%)	△ 50
Cost of Sales	2,566		2,596		
Gross Profit	341		263		
Selling, General and Admin. Exp.	200		217		
Operating Income	142	(4.9%)	46	(1.6%)	△ 96
Other Income	42		37		
Other Expenses	54		40		
Ordinary Income	129	(4.4%)	43	(1.5%)	△ 86
Extraordinary Income	0		0		
Extraordinary Losses	36		22		
Income Before Income Taxes and Minority Interest	93	(3.2%)	21	(0.7%)	△ 72
Income Taxes - Current	32		44		
Income Taxes - Deferred	11		△ 37		
Minority Interest	7		8		
Net Income	42	(1.5%)	5	(0.2%)	△ 37

2Q Consolidated / Non-Consolidated New Orders and Net Sales

(100 million Yen)

New Orders

Net Sales



Consolidated
 Non-Consolidated

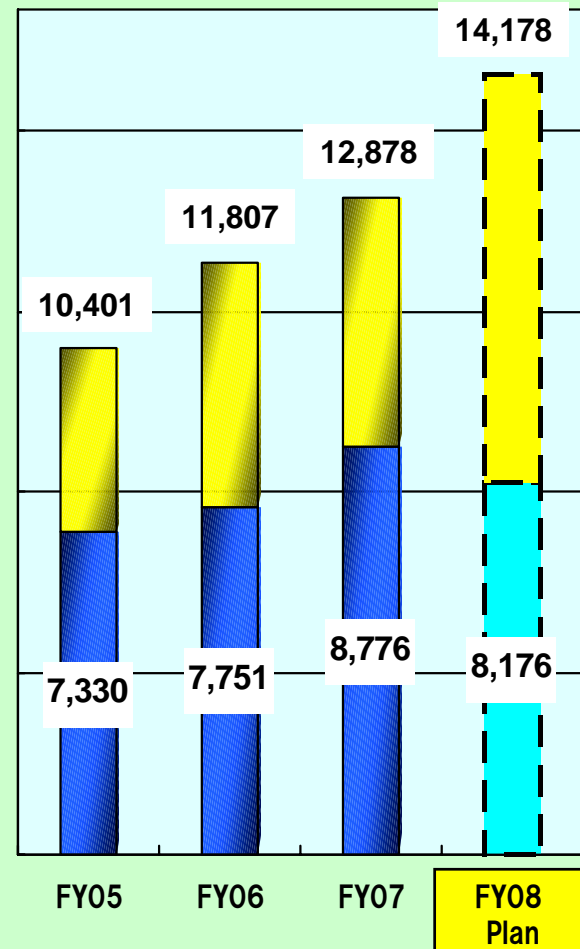
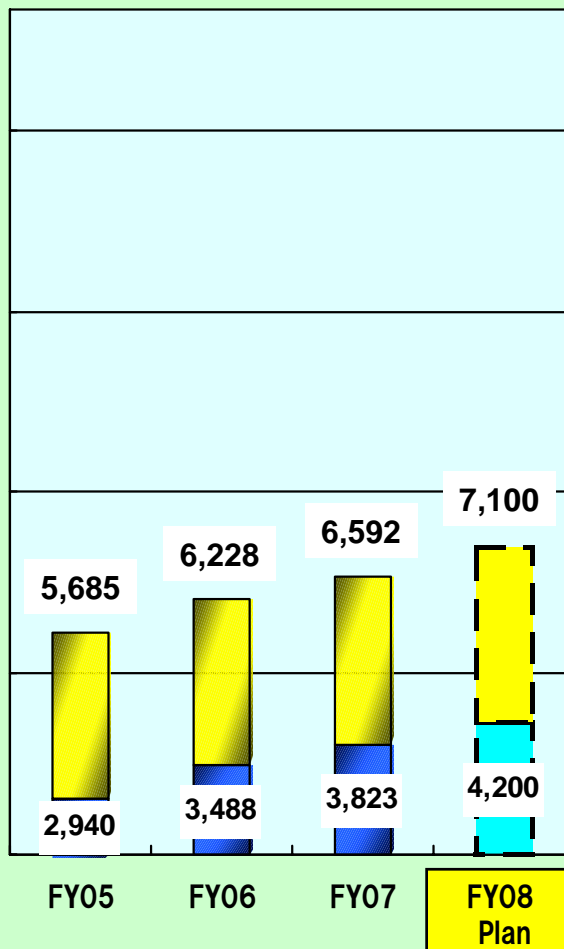
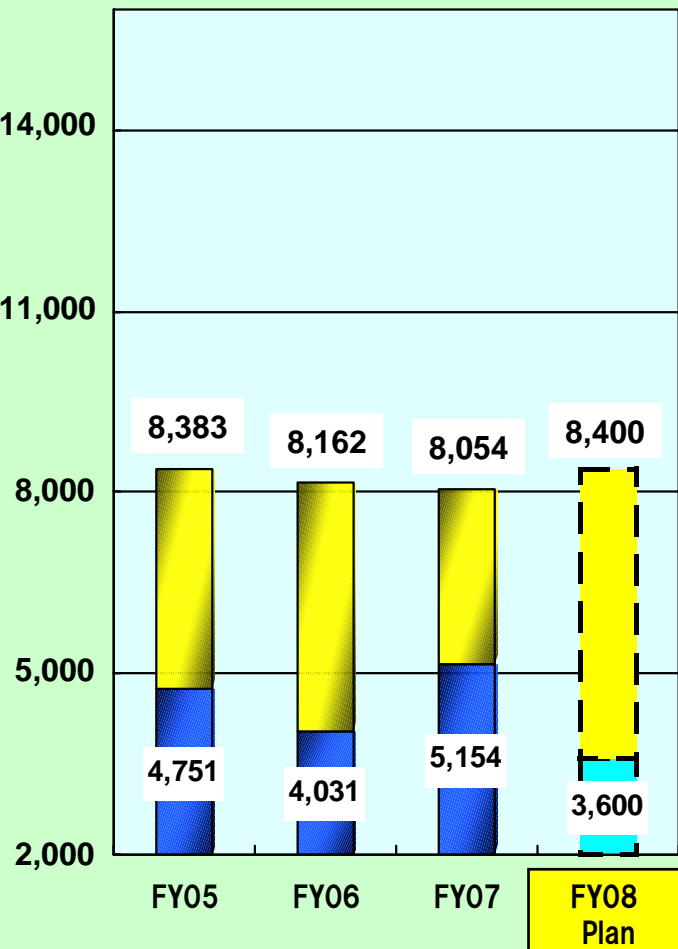
FY Consolidated / Non-Consolidated New Orders, Net Sales and Backlog Orders

New Orders

Net Sales

Backlog Orders

(100 million Yen)



Consolidated Non-Consolidated

2Q Consolidated Segment Information

(100 million Yen)

	FY07 2Q			FY08 2Q		
	New Orders	Net Sales	Ope. Income	New Orders	Net Sales	Ope. Income
Ships	2,354	1,352	16	1,563	1,257	△13
Steel	312	161	1	557	221	△6
Machinery	774	841	122	1,175	934	109
Plants	887	450	△18	193	337	△57
Other	114	104	21	110	109	13
Total	4,441	2,908	142	3,598	2,858	46

FY Consolidated Segment Information

(100 million Yen)

	New Orders			Net Sales			Ope. Income			
	FY07 Actual	FY08 Original Plan	FY08 Latest Plan	FY07 Actual	FY08 Original Plan	FY08 Latest Plan	FY07 Actual	FY08 Original Plan	FY08 Revised Plan	FY08 Latest Plan
Ships	3,789	4,300	4,600	3,023	3,200	3,200	137	100	80	60
Steel	644	900	950	538	700	700	16	25	25	25
Machinery	2,390	2,050	2,100	1,794	2,000	2,000	234	200	220	210
Plants	1,001	700	500	1,014	950	950	△58	0	△50	△50
Other	231	250	250	223	250	250	32	25	25	25
Total	8,054	8,200	8,400	6,592	7,100	7,100	361	350	300	270

*Revised Plan is as of 7th August, 2008

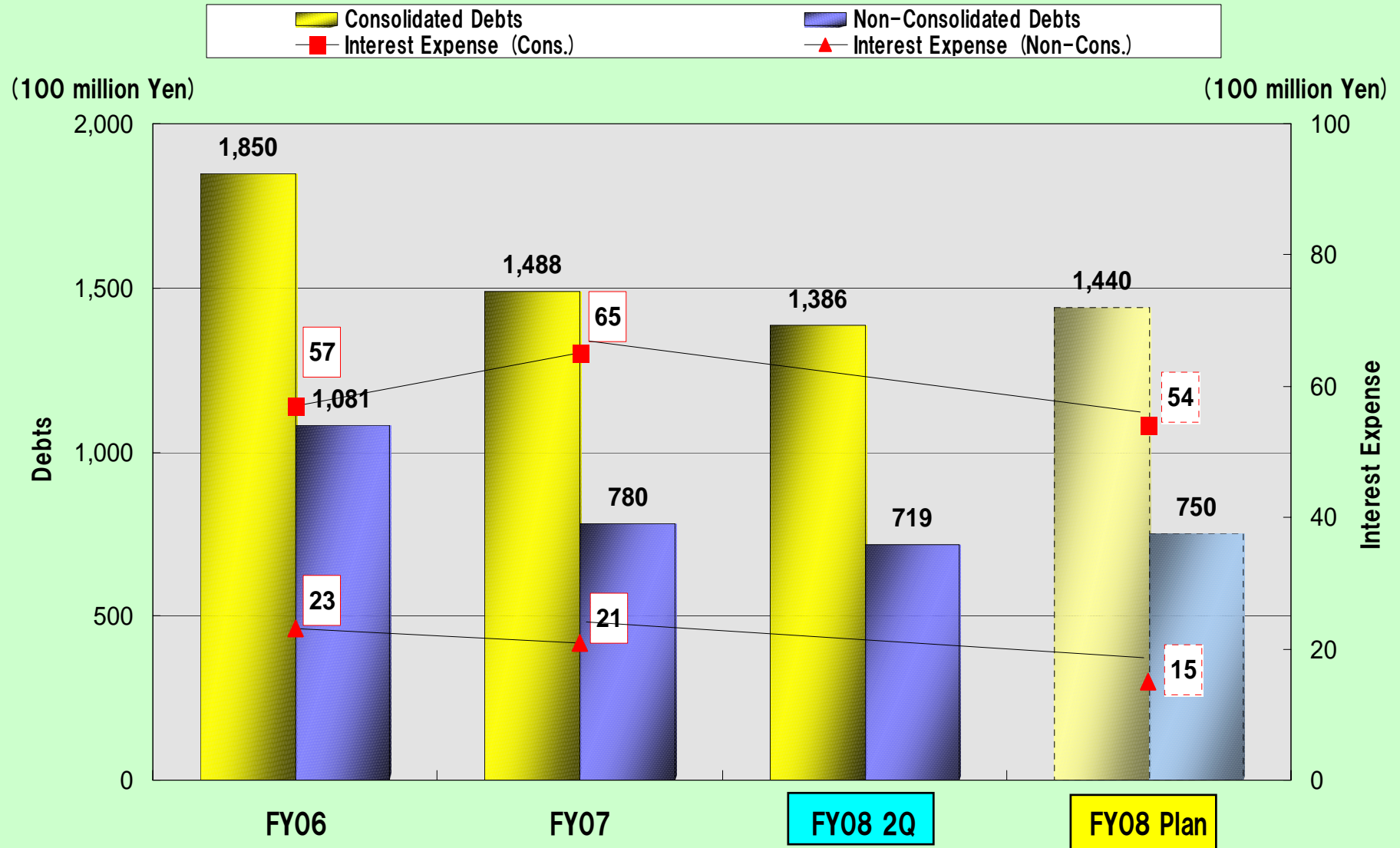
Consolidated Cash Flow

(100 million Yen)

	FY07 2Q	FY08 2Q	FY07 Actual	FY08 Original Plan	FY08 Latest Plan
Operating Cash Flow	△119	△83	483	180	20
Investing Cash Flow	△258	42	△180	△340	△180
Financing Cash Flow	△68	△124	△370	70	△50
Interest-bearing Debts	1,849	1,386	1,488	1,590	1,440

*Interest-bearing Debts excludes lease liability

Interest-bearing Debts and Interest Expense



***Interest-bearing Debts excludes lease liability**

Appendix

Consolidated Segments

(100 million Yen)

New Orders

Segment	FY06 2Q	FY07 2Q	FY08 2Q	FY08 Plan
Ships	1,625	2,354	1,563	4,600
Steel	208	312	557	950
Machinery	1,367	774	1,175	2,100
Plants	292	887	193	500
Other	136	114	110	250
Total	3,628	4,441	3,598	8,400

Net Sales

Segment	FY06 2Q	FY07 2Q	FY08 2Q	FY08 Plan
Ships	1,121	1,352	1,257	3,200
Steel	221	161	221	700
Machinery	1,101	841	934	2,000
Plants	152	450	337	950
Other	144	104	109	250
Total	2,739	2,908	2,858	7,100

Backlog Orders

Segment	FY06 2Q	FY07 2Q	FY08 2Q	FY08 Plan
Ships	6,916	9,221	8,654	10,022
Steel	555	567	853	763
Machinery	2,056	1,574	2,462	2,350
Plants	1,635	1,947	1,310	995
Other	54	49	48	48
Total	11,216	13,359	13,327	14,178

Appendix

Non-Consolidated Segments

(100 million Yen)

New Orders

Segment	FY06 2Q	FY07 2Q	FY08 2Q	FY08 Plan
Ships	444	1,151	493	1,000
Steel	92	152	437	700
Machinery	481	617	904	1,500
Plants	212	666	54	350
Other	21	24	15	50
Total	1,248	2,609	1,903	3,600

Net Sales

Segment	FY06 2Q	FY07 2Q	FY08 2Q	FY08 Plan
Ships	490	465	446	1,400
Steel	119	88	114	450
Machinery	435	640	662	1,500
Plants	104	394	281	800
Other	41	17	15	50
Total	1,189	1,603	1,518	4,200

Backlog Orders

Segment	FY06 2Q	FY07 2Q	FY08 2Q	FY08 Plan
Ships	4,100	5,246	5,379	4,875
Steel	384	341	691	613
Machinery	1,310	1,342	2,121	1,881
Plants	1,594	1,730	1,029	795
Other	5	12	11	12
Total	7,393	8,670	9,231	8,176

(100 million Yen)

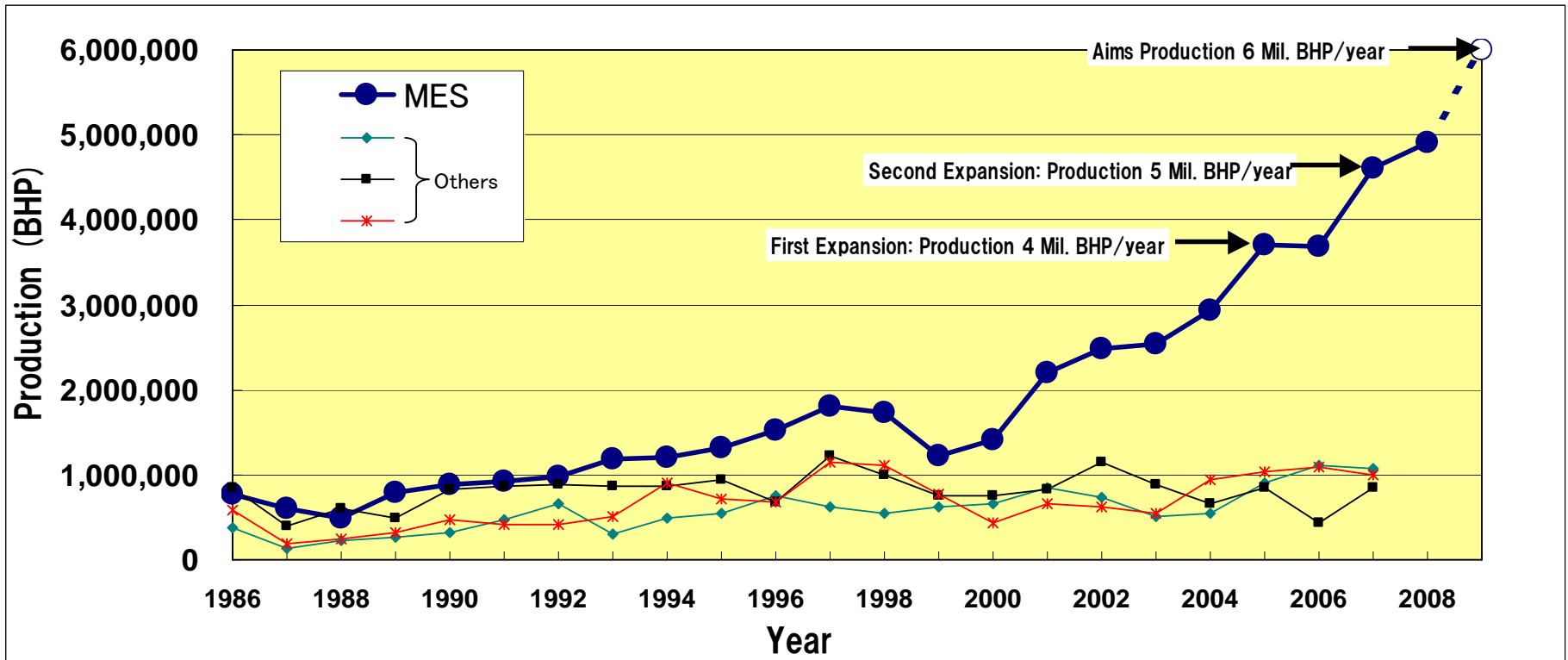
Main Subsidiary New Orders/ Net Sales	Company	FY07		FY07 2Q		FY08 2Q		FY08 Plan	
		New Orders	Net Sales	New Orders	Net Sales	New Orders	Net Sales	New Orders	Net Sales
	MODEC	1,268	1,440	1,061	729	975	641		1,400
	BWSC	254	188	19	89	80	123		260

(100 million Yen)

Cap. Ex. And Others		FY07		FY07 2Q		FY08 2Q		FY08 Plan	
		Consol.	Non- Consol.	Consol.	Non- Consol.	Consol.	Non- Consol.	Consol.	Non- Consol.
	Cap. Expenditure	136	72	79	23	72	48	210	135
	Depreciation	106	53	52	26	65	28		
	R&D	47	47	16	15	33	28	70	60

Employees		FY07		FY07 2Q		FY08 2Q		FY08 Plan	
		Consol.	Non- Consol.	Consol.	Non- Consol.	Consol.	Non- Consol.	Consol.	Non- Consol.
	# of Employees	9,910	3,716	9,791	3,795	10,332	4,386		

Output of Marine diesels by Japanese Manufacturers



Based on KP database till year 2007. The dotted line is based on our forecast.

Break Down of Ships (FY08 2Q)

(Ship)

Type of Ships	New Orders	Delivery	Backlog Orders
L N G	0	0	1
Tanker	0	3	12
(V L C C)	0	0	7
Bulk Carrier	8	4	90
(Handy Max BC)	8	3	74
Other	0	1	9
合 計	8	8	112