

MHI Announces Outline of FY2009 First 3 Month Financial Results Ended June 30, 2009 (Consolidated)

Tokyo, July 31, 2009 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first three months of fiscal year (FY) 2009 ended June 30, 2009.

(billions of yen)

	FY2009 First 3 Months (From April 1 to June 30, 2009)	FY2008 First 3 Months (From April 1 to June 30, 2008)	Changes (%)
Orders Received	582.7	1,054.2	-44.7
Net Sales	603.3	698.3	-13.6
Operating Income	3.8	22.2	-82.9
Ordinary Income (Loss)	-3.2	32.9	-
Income (Loss) Before Taxes and Minority Interests	-3.2	-0.4	-
Net Income (Loss)	-8.2	0.1	-
Operating Cash Flow	151.2	153.9	-
Investment Cash Flow	-61.8	-42.6	-
Financing Cash Flow	-161.5	-144.5	-
Net Income (Loss) Per Share	-2.46 yen	0.06 yen	-

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2009 First 3 Months (From April 1 to June 30, 2009)	FY2008 First 3 Months (From April 1 to June 30, 2008)
Shipbuilding & Ocean Development	34.6	71.0
Power Systems	233.0	226.4
Machinery & Steel Structures	93.8	83.7
Aerospace	90.1	99.3
Mass and Medium-Lot Manufactured Machinery	118.4	206.3
Others	33.1	11.4
TOTAL	603.3	698.3

Operating Income (Loss) by Operational Segment

(billions of yen)

	FY2009 First 3 Months (From April 1 to June 30, 2009)	FY2008 First 3 Months (From April 1 to June 30, 2008)
Shipbuilding & Ocean Development	8.4	4.8
Power Systems	13.4	13.8
Machinery & Steel Structures	-3.9	-2.2
Aerospace	-0.0	-2.5
Mass and Medium-Lot Manufactured Machinery	-15.0	6.3
Others	0.9	2.0
TOTAL	3.8	22.2

Consolidated financial results (continued)

Estimate of Consolidated Financial Results for FY 2009

For the fiscal year 2009 ending March 31, 2010, MHI is expecting 3,000 billion yen in net sales, 65 billion yen in operating income, 20 billion yen in ordinary income, and 12 billion yen in net income. This estimate is based on the assumption of currency exchange rate of US\$ 1.00 = ¥95 and €1.00 = ¥125 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.

CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

	As of Jun.30, 2009	As of Mar.31, 2009
<u>ASSETS</u>		
Current assets:		
Cash and deposits	373,275	435,038
Trade receivables	848,517	1,082,569
Securities	509	3,010
Merchandise and finished products	180,503	170,754
Work in process	1,044,230	959,138
Raw materials and supplies	140,712	138,724
Deferred income taxes	133,497	136,341
Others	300,771	245,100
Allowance for doubtful receivables	(5,554)	(5,617)
Total current assets	3,016,463	3,165,059
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	331,625	331,063
Machinery and transportation equipment	272,549	282,371
Tools, equipment and furniture	58,000	65,916
Land	163,318	157,986
Leased assets	3,991	3,044
Construction in progress	56,079	51,966
Subtotal	885,564	892,347
Intangible assets	29,442	30,991
Investments and advances:		
Investment securities	334,164	274,195
Long-term loans and advances	2,324	2,505
Deferred income taxes	9,228	9,372
Others	156,120	162,274
Allowance for doubtful accounts	(8,816)	(10,533)
Subtotal	493,020	437,814
Total fixed assets	1,408,028	1,361,153
TOTAL ASSETS	4,424,491	4,526,213

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Jun.30, 2009	As of Mar.31, 2009
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	624,581	699,648
Short-term borrowings	100,372	248,734
Current portion of long-term borrowings	85,586	108,267
Commercial papers	70,000	115,000
Current portion of bonds	40,000	20,300
Reserve for product warranties	26,281	23,872
Reserve for losses on construction contracts	22,595	37,911
Reserve for legal claims	17,281	23,300
Advance payments received on contracts	571,324	479,004
Others	263,521	238,853
Total current liabilities	1,821,545	1,994,892
Long-term liabilities:		
Debentures	244,911	264,601
Long-term borrowings	907,364	855,956
Deferred income taxes	18,493	7,519
Reserve for retirement allowance	50,103	50,776
Reserve for treatment of PCB waste	4,434	4,293
Others	63,344	64,921
Total long-term liabilities	1,288,652	1,248,068
TOTAL LIABILITIES	3,110,197	3,242,961
<u>NET ASSETS</u>		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus	203,938	203,928
Retained earnings	783,782	788,948
Treasury stock	(5,034)	(5,041)
Total stockholders' equity	1,248,294	1,253,443
Valuation, translation adjustments and others:		
Net unrealized gains on investment securities	33,142	17,313
Deferred gains or losses on hedges	2,092	323
Foreign currency translation adjustments	(23,202)	(29,482)
Total valuation, translation adjustments and others	12,031	(11,845)
Share subscription rights	858	881
Minority interests	53,109	40,772
TOTAL NET ASSETS	1,314,293	1,283,251
TOTAL LIABILITIES AND NET ASSETS	4,424,491	4,526,213

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2008 First 3 Months (From Apr.1 to Jun.30, 2008)	FY2009 First 3 Months (From Apr.1 to Jun.30, 2009)
Net sales	698,342	603,331
Cost of sales	599,257	521,554
Gross profit	99,084	81,777
Selling, general and administrative expenses:		
Provision of allowance for doubtful accounts	4	-
Directors' compensations, salaries and allowances	30,131	30,892
Research and development expenses	10,797	10,446
Expenses for inquiries	5,761	7,102
Others	30,119	29,531
Total selling, general and administrative expenses	76,814	77,973
Operating income	22,270	3,804
Non-operating income:		
Interest income	1,609	1,156
Dividend income	3,988	1,662
Equity in earnings of unconsolidated subsidiaries and affiliates	1,846	-
Foreign exchange gain	9,854	3,888
Others	1,692	2,997
Total non-operating income	18,991	9,705
Non-operating expenses:		
Interest expense	4,934	5,516
Equity in losses of unconsolidated subsidiaries and affiliates	-	6,814
Loss on disposal of fixed assets	844	1,096
Others	2,525	3,312
Total non-operating expenses	8,304	16,739
Ordinary income (loss)	32,957	(3,229)
Extraordinary loss:		
Effect of the application of the accounting standard for measurement of inventories	33,436	-
Total extraordinary loss	33,436	-
Loss before income taxes and minority interests	(478)	(3,229)
Income taxes	(177)	5,943
Minority interests in loss after taxes	(491)	(905)
Net income (loss)	189	(8,267)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

	FY2008 First 3 Months (From Apr.1 to Jun.30,2008)	FY2009 First 3 Months (From Apr.1 to Jun.30,2009)
Cash flows from operating activities:		
Loss before income taxes and minority interests	(478)	(3,229)
Adjustments to reconcile loss before income taxes and minority interests to net cash provided by operating activities		
Depreciation and amortization	33,242	32,275
Increase in reserve for retirement allowance	5,836	802
Interest and dividend income	(5,597)	(2,819)
Interest expense	4,934	5,516
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	(1,846)	6,814
Loss on disposal of fixed assets	844	1,096
(Increase) decrease in receivables	136,461	247,071
(Increase) decrease in inventories and advances to suppliers	(91,966)	(91,796)
(Increase) decrease in other assets	(16,801)	(45,142)
Increase (decrease) in payables	(25,263)	(79,533)
Increase (decrease) in advance payments received on contracts	126,702	85,739
Increase (decrease) in other liabilities	26,451	10,233
Others	(5,692)	(2,156)
Subtotal	186,826	164,872
Interest and dividends received	5,966	3,109
Interest paid	(4,366)	(4,667)
Payments for income taxes	(34,469)	(12,028)
Net cash provided by operating activities	153,957	151,285
Cash flows from investing activities:		
Net (Increase) decrease in time deposits	505	(3,253)
Proceeds from sales and redemption of marketable securities	21	-
Purchases of property, plant, equipment and intangible assets	(35,989)	(45,980)
Proceeds from sales of property, plant, equipment and intangible assets	1,819	18,263
Purchases of investment securities	(10,555)	(34,196)
Proceeds from sales and redemption of investment securities	95	1,019
Disbursement of long-term loans	(11)	(2,801)
Collection of long-term loans	1,402	5,578
Others	80	(493)
Net cash used in investing activities	(42,632)	(61,864)
Cash flows from financing activities:		
Net decrease in short-term borrowings and commercial papers	(153,590)	(194,702)
Proceeds from long-term borrowings	3,991	55,874
Repayment of long-term borrowings	(8,400)	(25,476)
Payment for redemption of bonds	-	(350)
Proceeds from issuance of stock to minority stockholders of subsidiaries	23,486	13,406
Dividends paid to stockholders	(9,520)	(9,545)
Dividends paid to minority stockholders of subsidiaries	(489)	(432)
Others	(12)	(351)
Net cash provided by (used in) financing activities	(144,536)	(161,578)
Effect of exchange rate changes on cash and cash equivalents	(4,997)	4,432
Net decrease in cash and cash equivalents	(38,209)	(67,725)
Cash and cash equivalents at beginning of year	262,852	425,913
Cash and cash equivalents at end of period	224,642	358,188