

MHI Announces Outline of FY2009 First 6 Month Financial Results Ended September 30, 2009 (Consolidated)

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

(billions of yen)

	FY2009 First 6 Months (From April 1 to September 30, 2009)	FY2008 First 6 Months (From April 1 to September 30, 2008)	Changes (%)
Orders Received	1,115.7	1,841.7	(39.4)
Net Sales	1,321.6	1,574.6	(16.1)
Operating Income	25.1	72.7	(65.5)
Ordinary Income	2.6	75.5	(96.5)
Income Before Taxes and Minority Interests	0.5	52.0	(98.9)
Net Income (Loss)	(3.1)	29.0	—
Operating Cash Flow	66.3	91.9	—
Investment Cash Flow	(113.8)	(42.1)	—
Financing Cash Flow	(206.6)	(125.7)	—
Net Income (Loss) Per Share	(0.92) yen	8.65 yen	—

Figures in parentheses are minus value.

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2009 First 6 Months (From April 1 to September 30, 2009)	FY2008 First 6 Months (From April 1 to September 30, 2008)
Shipbuilding & Ocean Development	105.5	127.6
Power Systems	487.2	541.5
Machinery & Steel Structures	214.9	219.1
Aerospace	213.7	215.9
Mass and Medium-Lot Manufactured Machinery	259.5	448.2
Others	40.6	22.0
TOTAL	1,321.6	1,574.6

Operating Income (Loss) by Operational Segment

(billions of yen)

	FY2009 First 6 Months (From April 1 to September 30, 2009)	FY2008 First 6 Months (From April 1 to September 30, 2008)
Shipbuilding & Ocean Development	12.5	6.8
Power Systems	31.7	42.6
Machinery & Steel Structures	3.8	3.5
Aerospace	3.1	0.3
Mass and Medium-Lot Manufactured Machinery	(29.3)	15.5
Others	3.1	3.8
TOTAL	25.1	72.7

Figures in parentheses are minus value.

Consolidated financial results (continued)

Estimate of Consolidated Financial Results for FY2009

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.

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CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

	As of Sep.30, 2009	As of Mar.31, 2009
<u>ASSETS</u>		
Current assets:		
Cash and deposits	188,581	435,038
Trade receivables	838,055	1,082,569
Securities	509	3,010
Merchandise and finished products	186,462	170,754
Work in process	1,047,648	959,138
Raw materials and supplies	141,107	138,724
Deferred income taxes	147,548	136,341
Others	273,587	245,100
Allowance for doubtful receivables	(7,335)	(5,617)
Total current assets	2,816,166	3,165,059
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	337,878	331,063
Machinery and transportation equipment	275,546	282,371
Tools, equipment and furniture	55,795	65,916
Land	163,442	157,986
Leased assets	5,776	3,044
Construction in progress	63,751	51,966
Subtotal	902,192	892,347
Intangible assets	31,941	30,991
Investments and advances:		
Investment securities	329,324	274,195
Long-term loans and advances	2,718	2,505
Deferred income taxes	9,573	9,372
Others	152,522	162,274
Allowance for doubtful accounts	(8,672)	(10,533)
Subtotal	485,466	437,814
Total fixed assets	1,419,600	1,361,153
TOTAL ASSETS	4,235,766	4,526,213

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Sep.30, 2009	As of Mar.31, 2009
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	596,824	699,648
Short-term borrowings	94,193	248,734
Current portion of long-term borrowings	80,017	108,267
Commercial papers	9,000	115,000
Current portion of bonds	40,000	20,300
Reserve for product warranties	28,042	23,872
Reserve for losses on construction contracts	20,502	37,911
Reserve for legal claims	14,679	23,300
Advance payments received on contracts	512,918	479,004
Others	211,400	238,853
Total current liabilities	1,607,579	1,994,892
Long-term liabilities:		
Debentures	244,800	264,601
Long-term borrowings	931,278	855,956
Deferred income taxes	16,679	7,519
Reserve for retirement allowance	49,156	50,776
Reserve for treatment of PCB waste	4,227	4,293
Others	64,096	64,921
Total long-term liabilities	1,310,239	1,248,068
TOTAL LIABILITIES	2,917,819	3,242,961
<u>NET ASSETS</u>		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus	203,938	203,928
Retained earnings	789,781	788,948
Treasury stock	(5,041)	(5,041)
Total stockholders' equity	1,254,287	1,253,443
Valuation, translation adjustments and others:		
Net unrealized gains on investment securities	29,758	17,313
Deferred gains or losses on hedges	(468)	323
Foreign currency translation adjustments	(19,595)	(29,482)
Total valuation, translation adjustments and others	9,694	(11,845)
Share subscription rights	1,184	881
Minority interests	52,781	40,772
TOTAL NET ASSETS	1,317,947	1,283,251
TOTAL LIABILITIES AND NET ASSETS	4,235,766	4,526,213

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2008 First 6 Months (From Apr.1 to Sep.30, 2008)	FY2009 First 6 Months (From Apr.1 to Sep.30, 2009)
Net sales	1,574,652	1,321,639
Cost of sales	1,345,032	1,137,434
Gross profit	229,619	184,205
Selling, general and administrative expenses:		
Provision of allowance for doubtful accounts	-	1,919
Directors' compensations, salaries and allowances	60,415	59,437
Research and development expenses	22,051	23,589
Expenses for inquiries	11,920	14,589
Others	62,510	59,559
Total selling, general and administrative expenses	156,897	159,095
Operating income	72,722	25,109
Non-operating income:		
Interest income	3,052	1,765
Dividend income	4,300	1,922
Equity in earnings of unconsolidated subsidiaries and affiliates	3,732	-
Foreign exchange gain	5,528	-
Others	2,696	4,243
Total non-operating income	19,311	7,932
Non-operating expenses:		
Interest expense	9,814	11,008
Equity in losses of unconsolidated subsidiaries and affiliates	-	9,316
Foreign exchange loss	-	1,832
Loss on disposal of fixed assets	2,387	2,275
Others	4,329	5,961
Total non-operating expenses	16,531	30,394
Ordinary income	75,501	2,647
Extraordinary gain:		
Gain on sales of fixed assets	2,450	-
Gain on sales of investment securities	14,145	-
Total extraordinary gain	16,596	-
Extraordinary loss:		
Business structure improvement expenses	-	2,096
Effect of the application of the accounting standard for measurement of inventories	33,436	-
Loss on legal claims	6,566	-
Total extraordinary loss	40,002	2,096
Income before income taxes and minority interests	52,095	551
Income taxes	22,328	4,918
Minority interests in income(loss) after taxes	735	(1,263)
Net income (loss)	29,031	(3,104)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

	FY2008 First 6 Months (From Apr.1 to Sep.30,2008)	FY2009 First 6 Months (From Apr.1 to Sep.30,2009)
Cash flows from operating activities:		
Income before income taxes and minority interests	52,095	551
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities		
Depreciation and amortization	70,658	65,734
Decrease in reserve for retirement allowance	(1,087)	(127)
Interest and dividend income	(7,353)	(3,688)
Interest expense	9,814	11,008
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	(3,732)	9,316
Gain on sales of investment securities	(14,145)	-
Gain on sales of fixed assets	(2,450)	-
Loss on disposal of fixed assets	2,387	2,275
Loss on legal claims	6,566	-
Business structure improvement expenses	-	2,096
(Increase) decrease in receivables	56,764	253,136
(Increase) decrease in inventories and advances to suppliers	(138,472)	(108,907)
(Increase) decrease in other assets	15,116	(10,902)
Increase (decrease) in payables	(39,028)	(109,685)
Increase (decrease) in advance payments received on contracts	95,785	29,456
Increase (decrease) in other liabilities	45,289	(43,926)
Others	(3,338)	(2,883)
Subtotal	144,869	93,453
Interest and dividends received	8,095	4,712
Interest paid	(9,890)	(10,775)
Payments for income taxes	(51,153)	(21,083)
Net cash provided by operating activities	91,920	66,307
Cash flows from investing activities:		
Net (Increase) decrease in time deposits	2,326	(1,237)
Purchases of marketable securities	(275)	-
Proceeds from sales and redemption of marketable securities	305	-
Purchases of property, plant, equipment and intangible assets	(76,719)	(100,194)
Proceeds from sales of property, plant, equipment and intangible assets	2,464	18,865
Purchases of investment securities	(21,039)	(35,551)
Proceeds from sales and redemption of investment securities	50,643	1,155
Disbursement of long-term loans	(1,477)	(1,075)
Collection of long-term loans	1,565	4,731
Others	80	(493)
Net cash used in investing activities	(42,125)	(113,801)
Cash flows from financing activities:		
Net decrease in short-term borrowings and commercial papers	(75,977)	(261,522)
Proceeds from long-term borrowings	13,715	140,262
Repayment of long-term borrowings	(36,134)	(87,176)
Payment for redemption of bonds	(40,150)	(350)
Proceeds from issuance of stock to minority stockholders of subsidiaries	23,488	13,886
Dividends paid to stockholders	(10,033)	(10,009)
Dividends paid to minority stockholders of subsidiaries	(501)	(710)
Others	(113)	(1,058)
Net cash provided by (used in) financing activities	(125,706)	(206,677)
Effect of exchange rate changes on cash and cash equivalents	(1,976)	3,907
Net decrease in cash and cash equivalents	(77,887)	(250,263)
Cash and cash equivalents at beginning of year	262,852	425,913
Cash and cash equivalents at end of period	184,964	175,649