

Financial Results for Second Quarter FY2011

October 2011

 **MITSUBISHI HEAVY INDUSTRIES, LTD.**

< Table of Contents >

I. Second Quarter FY2011 Financial Results

- Summary of Second Quarter Financial Results	4
- Second Quarter Financial Results by Segment	5
- Components of Change in Income before Income Taxes	6
- Ordinary Income and Extraordinary Income	7
- Financial Results by Business Segment	
<Shipbuilding & Ocean Development>	8
<Power Systems>	9
<Machinery & Steel Infrastructure Systems>	10
<Aerospace Systems>	11
<General Machinery & Special Vehicles>	12
<Others>	13
- Balance Sheets	14
- Supplementary Information	15

II. Forecast for FY2011

- Summary of Forecast for FY2011	17
- Forecast for FY2011 by Business Segment	18

I. Second Quarter FY2011 Financial Results

Summary of Second Quarter Financial Results

(In billion yen)

	FY2010-1H	FY2011-1H	Change
Orders received	1,201.0	1,403.1	+202.1
Net sales	1,356.8	1,293.6	- 63.1
Operating income	64.5	73.1	+8.6
Ordinary income	43.4	45.6	+2.2
Extraordinary income	-3.3	25.8	+29.2
Income before income taxes	40.0	71.4	+31.4
Net income	17.3	39.8	+22.5

Orders received ⇒ Up ¥202.1 billion YoY (¥1,201.0 bn → ¥1,403.1 bn)

-Orders increased overall from a year ago, primarily with rises in the Power Systems and Machinery & Steel Infrastructure Systems segments, which posted a number of large-scale orders, offsetting a decline in the Shipbuilding & Ocean Development and Aerospace Systems segments.

Net sales ⇒ Down ¥63.1 billion YoY (¥1,356.8 bn → ¥1,293.6 bn)

-Net sales declined from a year ago, chiefly as a result of falling sales in the Machinery & Steel Infrastructure Systems segment, which had recorded strong sales in the previous fiscal year, offsetting higher sales primarily in the Mass and Medium-Lot Manufactured Machinery business, including the General Machinery & Special Vehicles segment.

Net income ⇒ Up ¥22.5 billion YoY (¥17.3 bn → ¥39.8 bn)

-Net income rose from a year ago, principally because of further improvements in profitability, especially in the Power Systems and General Machinery & Special Vehicles segments, and the posting of extraordinary income from the sale of the head office building, although the stronger yen had a negative impact.

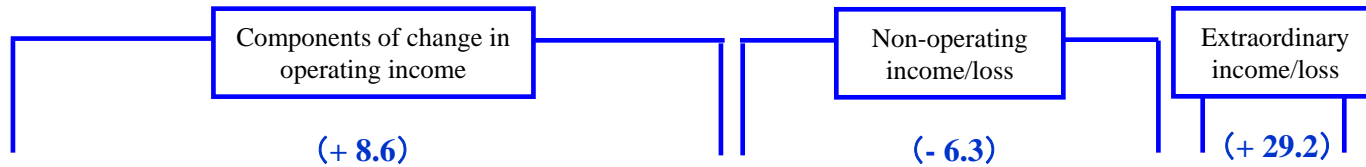
Second Quarter Financial Results by Segment

(In billion yen)

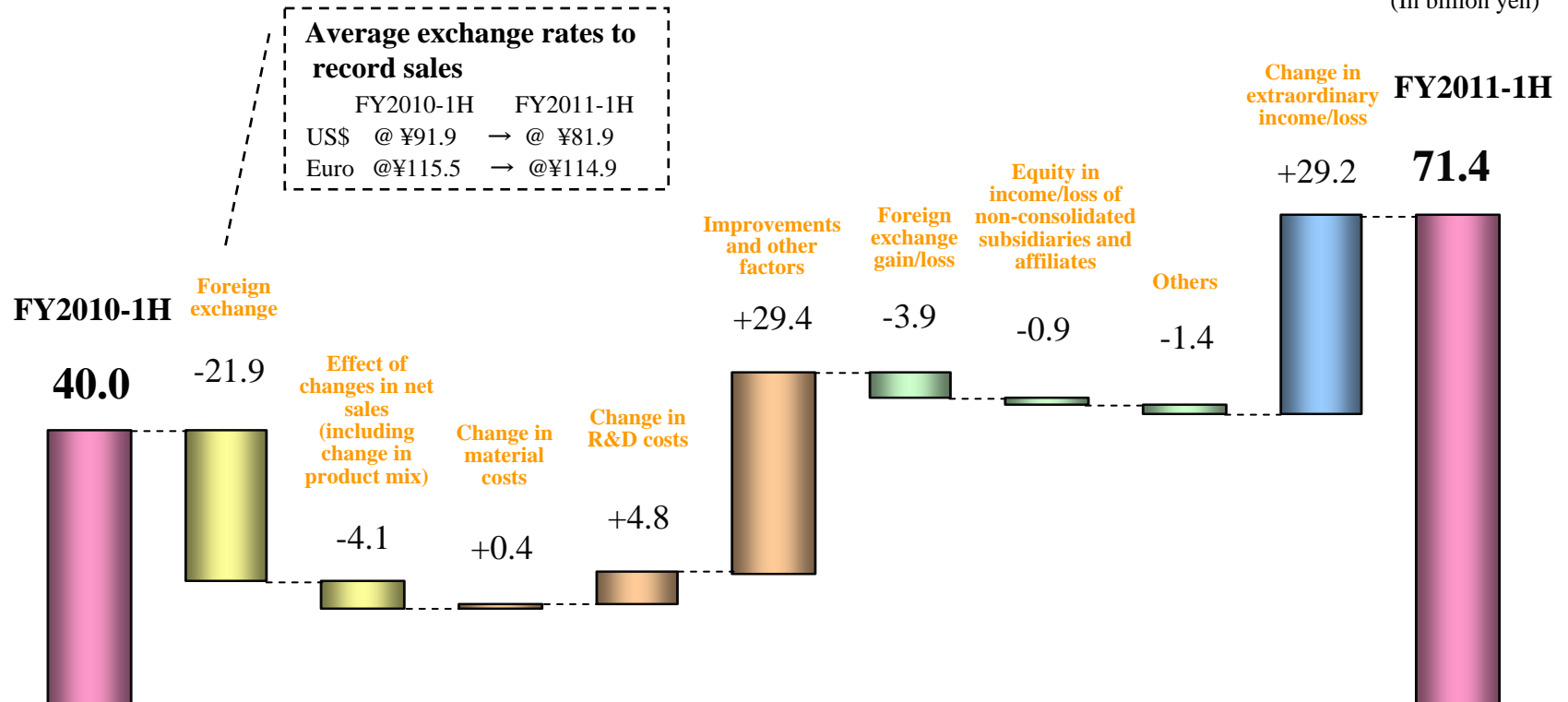
	Orders received			Net sales			Operating income		
	FY2010-1H	FY2011-1H	Change	FY2010-1H	FY2011-1H	Change	FY2010-1H	FY2011-1H	Change
Shipbuilding & Ocean Development	46.2	24.8	- 21.4	150.2	158.4	+8.1	5.8	- 1.0	- 6.8
Power Systems	480.2	649.2	+169.0	456.3	442.2	- 14.0	48.0	62.6	+14.6
Machinery & Steel Infrastructure Systems	204.7	288.6	+83.8	302.1	176.6	- 125.4	20.3	7.6	- 12.6
Aerospace Systems	188.4	130.6	- 57.8	178.4	208.8	+30.3	- 4.6	- 2.7	+1.9
General Machinery & Special Vehicles	152.0	174.7	+22.6	159.0	186.1	+27.1	- 8.1	0.4	+8.6
Air-Conditioning & Refrigeration Systems	83.6	87.7	+4.0	81.2	85.5	+4.3	0.4	1.6	+1.1
Machine Tool, Others	62.2	69.6	+7.4	54.7	56.3	+1.6	2.7	4.4	+1.6
Others	145.9	157.4	+11.5	135.9	141.9	+5.9	3.2	6.1	+2.8
Eliminations or Corporate	- 16.7	- 22.3	- 5.6	- 25.4	- 20.7	+4.6	-	-	-
Total	1,201.0	1,403.1	+202.1	1,356.8	1,293.6	- 63.1	64.5	73.1	+8.6

Components of Change in Income before Income Taxes

Up ¥31.4 billion YoY (¥40.0 bn → ¥71.4 bn)



(In billion yen)



Ordinary Income and Extraordinary Income

- Ordinary Income (Up ¥2.2 billion YoY (¥43.4 bn → ¥45.6 bn))

(In billion yen)

	FY2010-1H	FY2011-1H	Change
Operating income	64.5	73.1	+ 8.6
Foreign exchange gains	-14.0	-17.9	- 3.9
Net interest loss	-7.5	-6.8	+ 0.6
Equity in gain of non-consolidated subsidiaries and affiliates	3.3	2.3	- 0.9
Others	-3.0	-5.1	- 2.1
Non-operating income	-21.1	-27.5	- 6.3
Ordinary income	43.4	45.6	+ 2.2

- Extraordinary Income (Up ¥29.2 billion YoY(- ¥3.3 bn → ¥25.8 bn))

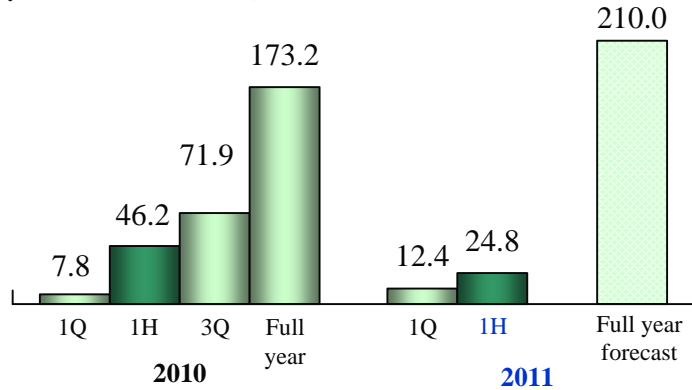
(In billion yen)

	FY2010-1H	FY2011-1H	Change
Gain on sales of fixed assets	-	28.0	+ 28.0
Gain on sales of investment securities	2.8	-	- 2.8
Extraordinary gain	2.8	28.0	+ 25.2
Loss on revaluation of investment securities	- 4.1	- 2.2	+ 1.9
Effect of the application of the accounting standard for asset retirement obligations	- 2.0	-	+ 2.0
Extraordinary loss	- 6.2	- 2.2	+ 3.9
Extraordinary income/loss	- 3.3	25.8	+ 29.2

<Shipbuilding & Ocean Development>

(In billion yen, accumulated amount)

Orders Received



Orders received : Down ¥21.4 billion YoY

- Orders were down from a year ago amid the continued slump in demand for new commercial vessels.
- Sales negotiations for new cruise ships are progressing smoothly. We are also focusing on prospective negotiations for LNG carriers, reflecting heightened demand for LNG.

[Number of ships orders received]

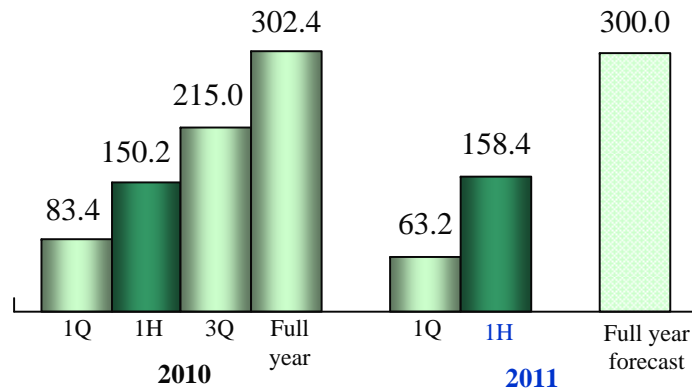
FY2010-1H: 4 (1Q: 0, 2Q: 4)

FY2011-1H: 2 (1Q: 0, 2Q: 2)

[Backlog of ship orders] 41

(6 pure car carriers, 6 patrol vessels, 5 LPG carriers, 4 ferries, and others)

Net Sales



Net sales/Earnings : Decreased earnings (- ¥6.8 billion YoY) on increased sales (+ ¥8.1 billion YoY)

- We delivered a total of 14 vessels, including 5 pure car carriers, 3 container ships, 2 VLCCs, 1 roll-on/roll-off vessel and 3 patrol vessels.

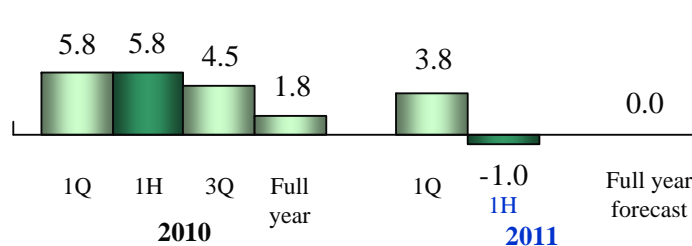
[Number of ships delivered]

FY2010-1H: 14 (1Q: 8, 2Q: 6)

FY2011-1H: 14 (1Q: 8, 2Q: 6)

- Earnings decreased from a year ago, due mainly to the effects of the stronger yen and a revision of the reserve for losses on construction contracts.

Operating Income



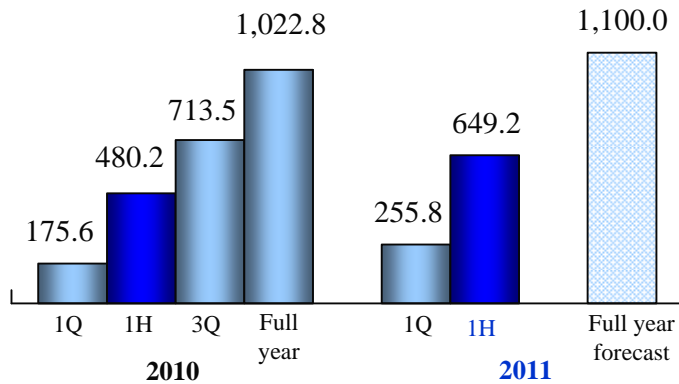
Full-year forecast:

Operating income: Operating income was revised from ¥5.0 billion to ¥0.0 billion.

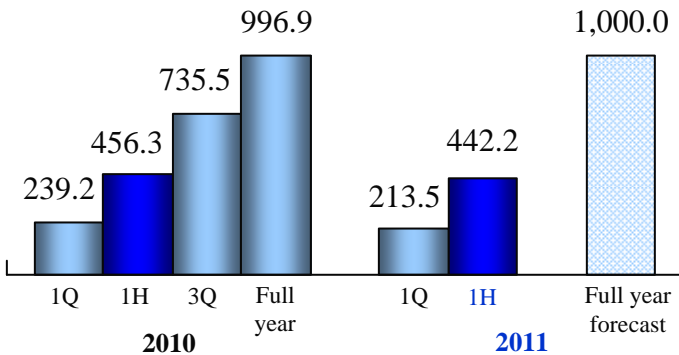
<Power Systems>

(In billion yen, accumulated amount)

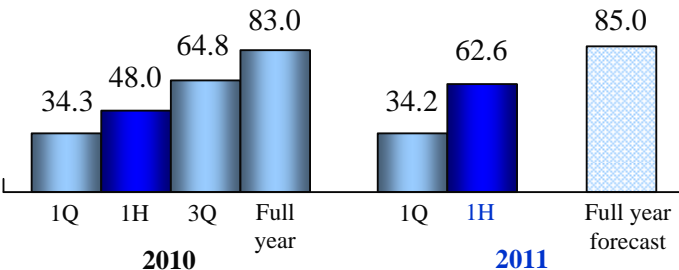
Orders Received



Net Sales



Operating Income



Orders received : Up ¥169.0 billion YoY

- Orders increased from a year ago, given orders for large-scale coal-fired power generation plant project overseas and orders for gas turbine combined cycle (GTCC) systems to offset power shortages in Japan, among other factors.
- Although the environment for orders is becoming increasingly severe due to severe competition and the stronger yen, negotiations involving thermal power plants are becoming more active, especially in emerging countries. We are proactively negotiating to receive orders.

[Gas turbine orders]

- FY2010-1H : 9units (Geographic distribution : Asia 6, Domestic 3)
- FY2011-1H : 10units (Geographic distribution : Domestic 5, North America 3, Asia 2)

[Backlog of Gas turbine orders (Non-consolidated)]

- FY2010-2Q: 48 (FY2010: 51)
- FY2011-2Q: 54

Net sales/Earnings : Increased earnings (+ ¥14.6 billion YoY) on decreased sales (- ¥14.0 billion YoY)

- Sales declined year on year, primarily attributable to the postponement of the deadlines of periodical inspections of nuclear power plants due to the effect of the earthquake.
- Earnings were affected by the stronger yen, but exceeded the year-ago level, reflecting further improvement in the profitability of overseas plant construction, among other factors.

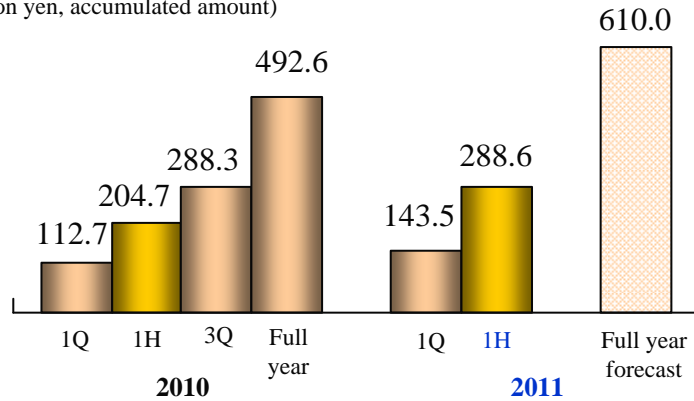
Full-year forecast:

Operating income: Operating income was revised from ¥80.0 billion to ¥85.0 billion.

<Machinery & Steel Infrastructure Systems>

(In billion yen, accumulated amount)

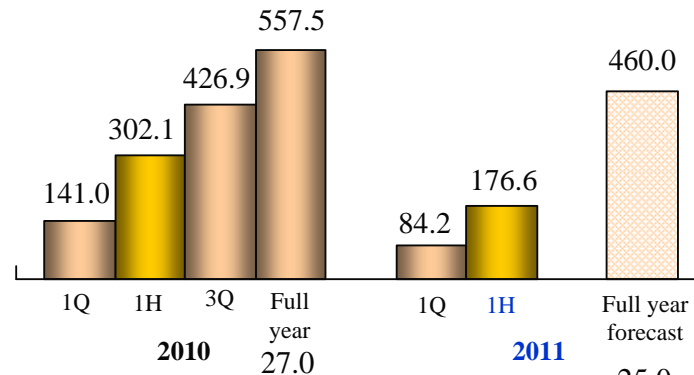
Orders Received



Orders received : Up ¥83.8 billion YoY

- Orders increased from a year ago, mainly reflecting orders for chemical plant in Malaysia and steel manufacturing machinery in India.
- We are actively conducting negotiations involving compressors for gas business fields, including LNG plants, which are expected to grow, and transportation systems in Asia.

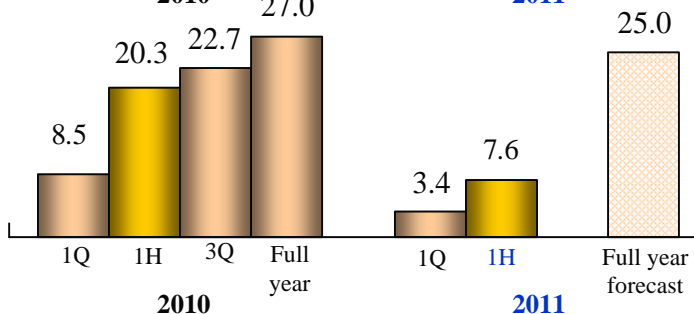
Net Sales



Net sales/Earnings : Decreased earnings (- ¥12.6 billion YoY) on decreased sales (- ¥125.4 billion YoY)

- Sales declined year on year, with sales falling in chemical plants and transportation systems, which had recorded large sales in the previous fiscal year.
- Earnings growth turned negative, affected by large falls in sales and the impacts of the stronger yen, although business restructuring is progressing.

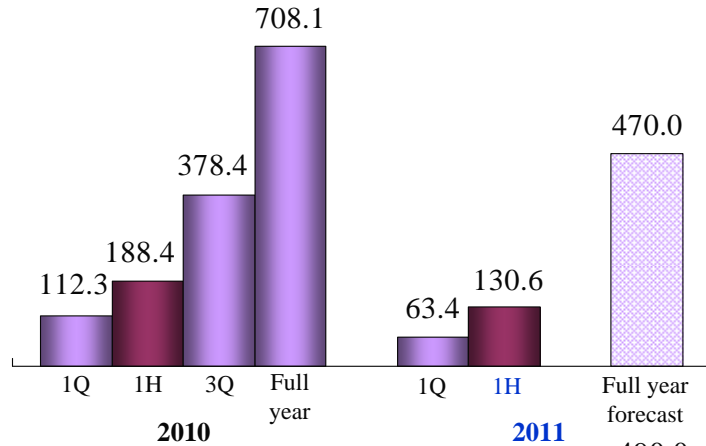
Operating Income



<Aerospace Systems>

(In billion yen, accumulated amount)

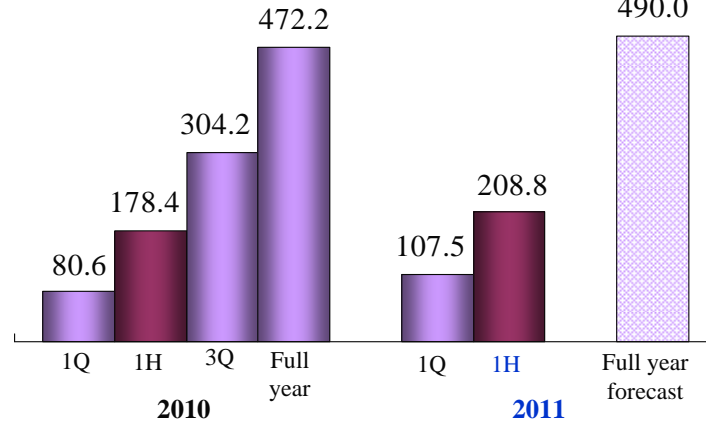
Orders Received



Orders received : Down ¥57.8 billion YoY

-Orders fell from a year ago level, with the absence of large-scale orders for commercial aircrafts.

Net Sales



Net sales/Earnings : Increased earnings (+ ¥1.9 billion YoY) on increased sales (+ ¥30.3 billion YoY)

-Sales increased year on year as a result of rises in sales related to defense and commercial aircrafts.

[Number of B777s delivered]

FY2010-1H: 32 (1Q: 16, 2Q: 16, 3Q: 14, 4Q: 17)

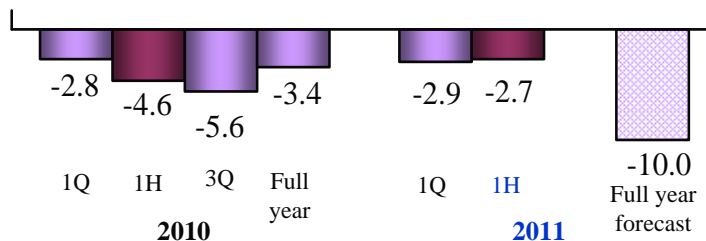
FY2011-1H: 41 (1Q: 22, 2Q: 19)

[Number of B787s delivered]

FY2010-1H: 8 (1Q: 4, 2Q: 4, 3Q: 3, 4Q: 6)

FY2011-1H: 11 (1Q: 7, 2Q: 4)

Operating Income

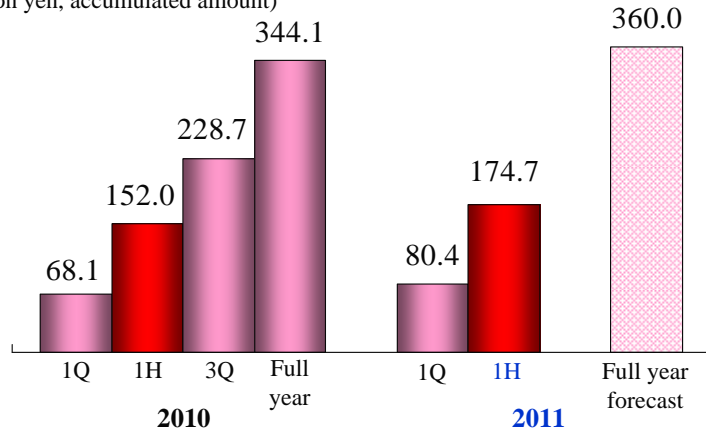


-Earnings were adversely affected by the stronger yen, but losses fell from a year ago, mainly reflecting the effect of higher sales.

<General Machinery & Special Vehicles >

(In billion yen, accumulated amount)

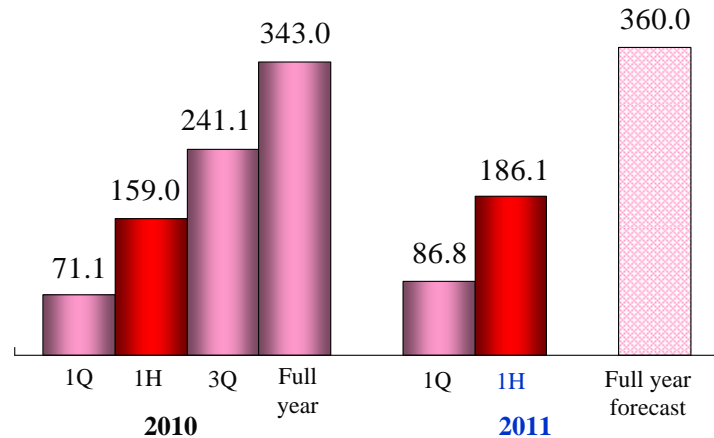
Orders Received



Orders received/Net sales: Up ¥22.6 billion/¥27.1 billion YoY respectively

- Sales of small generators for construction equipment manufacturers in China and emergency generator sets in Japan increased.
- Sales of forklift trucks in the Americas and turbochargers for auto manufacturers in Europe and Japan also rose. As a result, sales increased year on year.

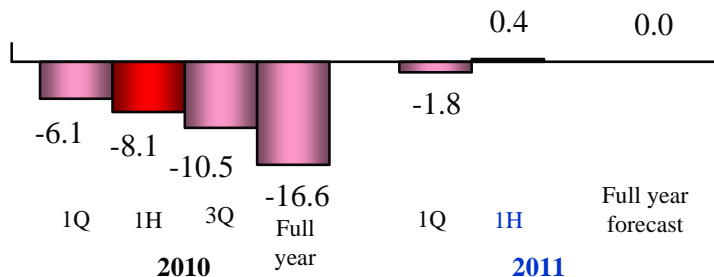
Net Sales



Earnings: Up ¥8.6 billion YoY

- Earnings moved into the black, mainly attributable to the leveraging effect of higher sales and accelerated activities for the improvement of profitability, including the focus of target models to our strengths, which offset the adverse effects of the stronger yen.

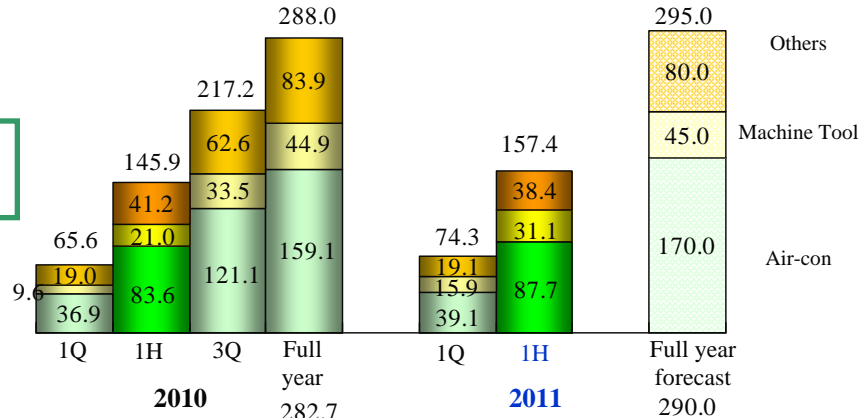
Operating Income



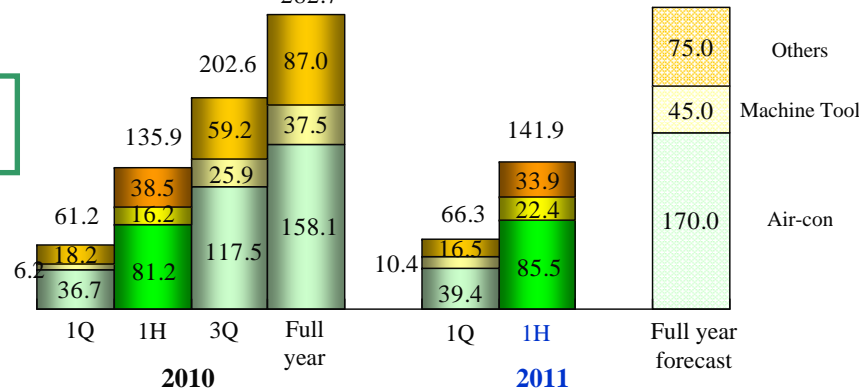
<Others>

(In billion yen, accumulated amount)

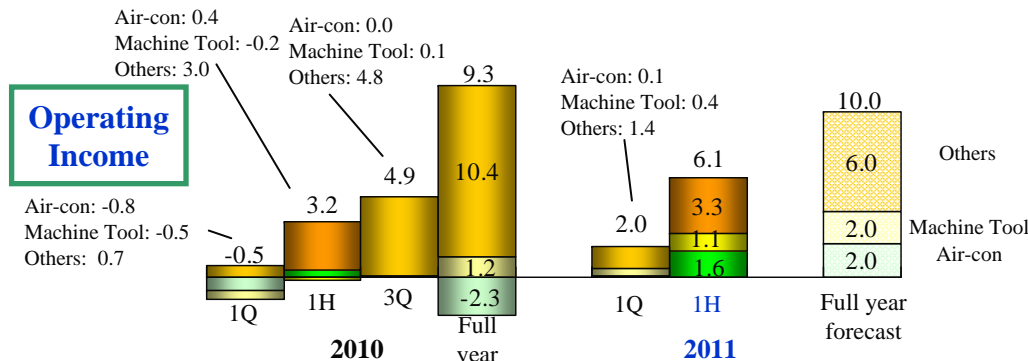
Orders Received



Net Sales



Operating Income



Air-Conditioning & Refrigeration Systems

Orders received /Net sales:

Up ¥4.0 billion/¥4.3 billion YoY respectively

-Orders received and net sales increased year on year, owing to growth in residential air conditioners, commercial air conditioners, etc.

Earnings: Up ¥1.1 billion YoY

-Earnings increased from a year ago, mainly attributable to the leveraging effect of higher sales.

Machine Tool

Orders received/Net sales:

Up ¥10.1 billion /¥6.2 billion respectively

-Orders grew at a healthy pace over a year ago, primarily thanks to such factors as recovering demand for gear cutting machines.

Earnings: Up ¥1.4 billion YoY

-Earnings improved compared to a year ago, mainly because of the leveraging effect of higher sales and the expansion of overseas production.

Others

- Real estate and construction
- Information and communication systems

Balance Sheets

(In billion yen)

	As of March 31, 2011	As of September 30, 2011	Changes
Assets			
Trade receivables	852.6	785.7	-66.8
Inventories	1,116.2	1,135.9	+19.7
Other current assets	606.7	668.2	+61.5
Total current assets	2,575.6	2,590.0	+14.4
Total fixed assets	1,413.3	1,329.4	-83.9
Total assets	3,989.0	3,919.4	-69.5
Liabilities			
Trade payables	619.1	566.0	-53.0
Advance payments received on contracts	330.2	376.1	+45.8
Other current liabilities	584.6	621.3	+36.6
Total current liabilities	1,534.0	1,563.5	+29.4
Total long-term liabilities	1,142.2	1,026.9	-115.2
Total liabilities	2,676.3	2,590.5	-85.7
Net assets			
Stockholders' equity	1,279.2	1,312.4	+33.1
Valuation, translation adjustments and others	-17.1	-32.9	-15.7
Others (Minority interests, etc.)	50.6	49.4	-1.1
Total net assets	1,312.6	1,328.9	+16.2
Total liabilities and net assets	3,989.0	3,919.4	-69.5
Interest-bearing debt outstanding	1,325.6	1,247.7	-77.9

Supplementary Information

(1) Segment Information by Geographic Distribution

(In billion yen)

	FY2010-1H		FY2011-1H	
	Net sales	Operating income	Net sales	Operating income
Japan	1,259.9	60.5	1,188.0	66.6
North America	82.8	0.0	80.3	3.5
Asia	61.8	1.7	70.7	2.0
Europe	56.3	- 0.3	64.5	- 0.6
Central & South America	9.5	2.3	8.2	1.4
Oceania	2.9	0.1	2.7	0.1
Africa	-	- 0.0	-	-
Eliminations or Corporate	- 116.5	-	- 120.9	-
Total	1,356.8	64.5	1,293.6	73.1

(2) Overseas Net Sales

(In billion yen)

	FY2010-1H		FY2011-1H	
Asia	192.3	(26%)	171.5	(31%)
North America	138.4	(19%)	147.9	(27%)
Europe	105.4	(15%)	104.0	(19%)
Central & South America	114.9	(16%)	57.4	(10%)
The Middle East	61.6	(8%)	39.2	(7%)
Africa	109.5	(15%)	27.6	(5%)
Oceania	6.2	(1%)	6.1	(1%)
Total	728.7	(100%)	553.8	(100%)

(3) Depreciation and Amortization-Capital Expenditure

(In billion yen)

	FY2010-1H	FY2011-1H	FY2011(Forecast)
Depreciation	63.7	59.9	130.0
Capital Expenditure	62.7	53.7	130.0

(4) R&D Expenses

(In billion yen)

	FY2010-1H	FY2011-1H	FY2011(Forecast)
R&D Expenses	50.8	44.0	130.0

II. Forecast for FY2011

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 projections involve risks and insecurity. For this reason, investors are recommended not to depend solely on these projections for making investment decision. It is possible that actual results may change significantly from 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 FY2011

(In billion yen)

	FY2010 (Actual)	FY2011 (Forecast)
Orders received	2,995.4	3,000.0
Net sales	2,903.7	2,850.0
Operating income	101.2	110.0
Ordinary income	68.1	70.0
Net income	30.1	35.0

◇ Assumption of currency exchange rate for the portion yet to be fixed

<undetermined amount>

US\$: 3.4 billion

Euro: 0.6 billion

<exchange rate>

US\$ 1.00 = ¥80 (at the beginning of the fiscal year: US\$ 1.00 = ¥85)

Euro 1.00 = ¥110 (at the beginning of the fiscal year: Euro 1.00 = ¥120)

Forecast for FY2011 by Business Segment

(In billion yen)

	Orders received			Net sales			Operating income		
	FY2010 (Actual)	FY2011 Forecast		FY2010 (Actual)	FY2011 Forecast		FY2010 (Actual)	FY2011 Forecast	
		Previous forecast (‘11.8.4)	forecast		Previous forecast (‘11.8.4)	forecast		Previous forecast (‘11.8.4)	forecast
Shipbuilding & Ocean Development	173.2	210.0	210.0	302.4	300.0	300.0	1.8	5.0	0.0
Power Systems	1,022.8	1,100.0	1,100.0	996.9	1,000.0	1,000.0	83.0	80.0	85.0
Machinery & Steel Infrastructure Systems	492.6	610.0	610.0	557.5	460.0	460.0	27.0	25.0	25.0
Aerospace Systems	708.1	470.0	470.0	472.2	490.0	490.0	-3.4	-10.0	-10.0
General Machinery & Special Vehicles	344.1	360.0	360.0	343.0	360.0	360.0	-16.6	0.0	0.0
Air-con	159.1	170.0	170.0	158.1	170.0	170.0	-2.3	2.0	2.0
Machine Tool, Others	128.8	125.0	125.0	124.6	120.0	120.0	11.6	8.0	8.0
Others	288.0	295.0	295.0	282.7	290.0	290.0	9.3	10.0	10.0
Eliminations or Corporate	-33.6	-45.0	-45.0	-51.2	-50.0	-50.0	-	-	-
Total	2,995.4	3,000.0	3,000.0	2,903.7	2,850.0	2,850.0	101.2	110.0	110.0