

MHI Announces Outline of FY2010 First 3 Month Financial Results Ended June 30, 2010 (Consolidated)

Tokyo, July 30, 2010 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first three months of fiscal year (FY) 2010 ended June 30, 2010.

(billions of yen)

	FY2010 First 3 Months (From April 1 to June 30, 2010)	FY2009 First 3 Months (From April 1 to June 30, 2009)	Changes (%)
Orders Received	534.7	582.7	(8.2)
Net Sales	664.1	603.3	10.1
Operating Income	39.0	3.8	927.5
Ordinary Income (Loss)	28.1	(3.2)	-
Income (Loss) Before Taxes and Minority Interests	24.6	(3.2)	-
Net Income (Loss)	10.4	(8.2)	-
Operating Cash Flow	155.8	151.2	/
Investment Cash Flow	(39.3)	(61.8)	/
Financing Cash Flow	(73.7)	(161.5)	/
Net Income (Loss) Per Share	3.12 yen	(2.46 yen)	-

Figures in parentheses are minus value.

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2010 First 3 Months (From April 1 to June 30, 2010)	FY2009 First 3 Months (From April 1 to June 30, 2009)
Shipbuilding & Ocean Development	83.4	34.6
Power Systems	239.2	233.0
Machinery & Steel Structures	141.0	111.7
Aerospace	80.6	90.1
General Machinery & Special Vehicles	71.1	63.6
Others	61.2	80.5
Eliminations or Corporate	(12.6)	(10.5)
TOTAL	664.1	603.3

Operating Income (Loss) by Operational Segment

(billions of yen)

	FY2010 First 3 Months (From April 1 to June 30, 2010)	FY2009 First 3 Months (From April 1 to June 30, 2009)
Shipbuilding & Ocean Development	5.8	8.4
Power Systems	34.3	13.4
Machinery & Steel Structures	8.5	(6.8)
Aerospace	(2.8)	0.0
General Machinery & Special Vehicles	(6.1)	(8.2)
Others	(0.5)	(3.0)
TOTAL	39.0	3.8

Figures in parentheses are minus value.

Consolidated financial results (continued)

In appreciation of “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” and in reflection of internal reorganization, the Company’s business segments have been changed effective from FY2010 operating results. The FY2009 results shown in the tables have also been modified to reflect the new segment classification.

Estimate of Consolidated Financial Results for FY 2010

For the fiscal year 2010 ending March 31, 2011, MHI is expecting 2,850 billion yen in net sales, 75 billion yen in operating income, 35 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 = ¥110 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 Jun.30, 2010	As of Mar.31, 2010
<u>ASSETS</u>		
Current assets:		
Cash and deposits	175,131	274,061
Trade receivables	790,566	948,200
Securities	140,009	9
Merchandise and finished products	184,174	171,699
Work in process	929,663	937,740
Raw materials and supplies	128,858	130,622
Deferred income taxes	144,206	142,720
Others	255,778	230,490
Allowance for doubtful receivables	(8,339)	(8,881)
Total current assets	2,740,048	2,826,662
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	349,306	344,601
Machinery and transportation equipment	272,959	277,390
Tools, equipment and furniture	48,824	49,527
Land	167,150	163,784
Leased assets	6,035	5,871
Construction in progress	53,992	55,176
Subtotal	898,268	896,350
Intangible assets	27,374	29,149
Investments and advances:		
Investment securities	320,070	342,480
Long-term loans and advances	3,560	3,597
Deferred income taxes	9,319	9,367
Others	197,484	164,917
Allowance for doubtful accounts	(9,260)	(9,665)
Subtotal	521,175	510,697
Total fixed assets	1,446,818	1,436,197
TOTAL ASSETS	4,186,866	4,262,859

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Jun.30, 2010	As of Mar.31, 2010
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	602,209	646,538
Short-term borrowings	107,553	117,679
Current portion of long-term borrowings	81,931	109,539
Commercial papers	4,000	6,000
Current portion of bonds	-	20,000
Reserve for product warranties	27,543	28,636
Reserve for losses on construction contracts	22,714	24,490
Reserve for legal claims	11,465	13,941
Advance payments received on contracts	430,954	389,041
Asset retirement obligations	6	-
Others	215,204	199,928
Total current liabilities	1,503,583	1,555,796
Long-term liabilities:		
Debentures	344,652	344,605
Long-term borrowings	888,496	897,501
Deferred income taxes	12,004	17,886
Reserve for retirement allowance	50,402	48,542
Reserve for treatment of PCB waste	7,310	7,358
Asset retirement obligations	3,392	-
Others	62,357	62,396
Total long-term liabilities	1,368,617	1,378,290
TOTAL LIABILITIES	2,872,200	2,934,087
<u>NET ASSETS</u>		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus	203,938	203,938
Retained earnings	802,217	800,199
Treasury stock	(5,030)	(5,025)
Total stockholders' equity	1,266,734	1,264,721
Valuation, translation adjustments and others:		
Net unrealized gains on investment securities	25,255	35,942
Deferred gains or losses on hedges	(1,682)	(721)
Foreign currency translation adjustments	(25,706)	(21,894)
Total valuation, translation adjustments and others	(2,134)	13,327
Share subscription rights	1,184	1,184
Minority interests	48,880	49,540
TOTAL NET ASSETS	1,314,665	1,328,772
TOTAL LIABILITIES AND NET ASSETS	4,186,866	4,262,859

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2009 First 3 Months (From Apr.1 to Jun.30, 2009)	FY2010 First 3 Months (From Apr.1 to Jun.30, 2010)
Net sales	603,331	664,124
Cost of sales	521,554	546,090
Gross profit	81,777	118,034
Selling, general and administrative expenses:		
Provision of allowance for doubtful accounts	-	399
Directors' compensations, salaries and allowances	30,892	30,171
Research and development expenses	10,446	10,492
Expenses for inquiries	7,102	8,117
Others	29,531	29,766
Total selling, general and administrative expenses	77,973	78,947
Operating income	3,804	39,086
Non-operating income:		
Interest income	1,156	873
Dividend income	1,662	1,473
Equity in earnings of unconsolidated subsidiaries and affiliates	-	969
Foreign exchange gain	3,888	-
Others	2,997	3,392
Total non-operating income	9,705	6,708
Non-operating expenses:		
Interest expense	5,516	5,763
Equity in losses of unconsolidated subsidiaries and affiliates	6,814	-
Foreign exchange loss	-	9,100
Loss on disposal of fixed assets	1,096	959
Others	3,312	1,799
Total non-operating expenses	16,739	17,623
Ordinary income(loss)	(3,229)	28,172
Extraordinary gain:		
Gain on sales of investment securities	-	2,666
Total extraordinary gain	-	2,666
Extraordinary loss:		
Loss on revaluation of investment securities	-	4,175
Effect of the application of the accounting standard for asset retirement obligations	-	2,012
Total extraordinary loss	-	6,187
Income(Loss) before income taxes and minority interests	(3,229)	24,651
Income taxes	5,943	14,925
Income before minority interests	-	9,725
Minority interests in loss after taxes	(905)	(748)
Net income(loss)	(8,267)	10,474

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

	FY2009 First 3 Months (From Apr.1 to Jun.30,2009)	FY2010 First 3 Months (From Apr.1 to Jun.30,2010)
Cash flows from operating activities:		
Income (Loss) before income taxes and minority interests	(3,229)	24,651
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities		
Depreciation and amortization	32,275	30,498
Increase in reserve for retirement allowance	802	946
Interest and dividend income	(2,819)	(2,347)
Interest expense	5,516	5,763
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	6,814	(969)
Gain on sales of investment securities	-	(2,666)
Loss on revaluation of investment securities	-	4,175
Loss on disposal of fixed assets	1,096	959
Effect of the application of the accounting standard for asset retirement obligations	-	2,012
(Increase) decrease in receivables	247,071	163,954
(Increase) decrease in inventories and advances to suppliers	(91,796)	6,988
(Increase) decrease in other assets	(45,142)	(72,487)
Increase (decrease) in payables	(79,533)	(59,025)
Increase (decrease) in advance payments received on contracts	85,739	41,078
Increase (decrease) in other liabilities	10,233	26,030
Others	(2,156)	2,352
Subtotal	164,872	171,914
Interest and dividends received	3,109	2,745
Interest paid	(4,667)	(5,429)
Payments for income taxes	(12,028)	(13,340)
Net cash provided by operating activities	151,285	155,889
Cash flows from investing activities:		
Net (increase) decrease in time deposits	(3,253)	(843)
Purchases of property, plant, equipment and intangible assets	(45,980)	(36,410)
Proceeds from sales of property, plant, equipment and intangible assets	18,263	30
Purchases of investment securities	(34,196)	(6,775)
Proceeds from sales and redemption of investment securities	1,019	4,145
Disbursement of long-term loans	(2,801)	(282)
Collection of long-term loans	5,578	764
Others	(493)	-
Net cash used in investing activities	(61,864)	(39,373)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings and commercial papers	(194,702)	(12,397)
Proceeds from long-term borrowings	55,874	5,500
Repayment of long-term borrowings	(25,476)	(39,741)
Payment for redemption of bonds	(350)	(20,000)
Proceeds from issuance of stock to minority stockholders of subsidiaries	13,406	441
Dividends paid to stockholders	(9,545)	(6,402)
Dividends paid to minority stockholders of subsidiaries	(432)	(590)
Others	(351)	(561)
Net cash provided by (used in) financing activities	(161,578)	(73,752)
Effect of exchange rate changes on cash and cash equivalents	4,432	(1,850)
Net increase (decrease) in cash and cash equivalents	(67,725)	40,913
Cash and cash equivalents at beginning of year	425,913	261,373
Increase in cash and cash equivalents from newly consolidated subsidiaries	-	275
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(1,031)
Cash and cash equivalents at end of period	358,188	301,530