



# Financial Results for Second Quarter FY2010

October 2010

 **MITSUBISHI HEAVY INDUSTRIES, LTD.**

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# I. Second Quarter FY2010 Financial Results

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## Summary of Second Quarter Financial Results

(In billion yen)

	FY2009-1H	FY2010-1H	Change
Orders received	1,115.7	1,201.0	+85.2
Net sales	1,321.6	1,356.8	+35.1
Operating income	25.1	64.5	+39.4
Ordinary income	2.6	43.4	+40.7
Extraordinary income	- 2.0	- 3.3	- 1.2
Income before income taxes	0.5	40.0	+39.4
Net income	- 3.1	17.3	+20.4

**Orders received ⇒ Up ¥85.2 billion YoY (¥1,115.7 bn → ¥1,201.0 bn)**

- Orders increased year on year, as orders increased in the General Machinery & Special Vehicle segment and in the Air-Conditioning & Refrigeration System Division, where demand was recovering, as well as in the Machinery & Steel Structures and the Aerospace segments, although orders declined in the Shipbuilding & Ocean Development and the Power Systems segments.

**Net sales ⇒ Up ¥35.1 billion YoY (¥1,321.6 bn → ¥1,356.8 bn)**

- Net sales increased year on year, with sales rising in the Shipbuilding & Ocean Development segment, where delivered ships increased, as well as in the Machinery & Steel Structures and the General Machinery & Special Vehicle segments and in the Air-Conditioning & Refrigeration System Division, offsetting a fall in sales in the Power Systems and Aerospace segments.

**Net income ⇒ Up ¥20.4 billion YoY ( - ¥3.1 bn → ¥17.3 bn)**

- Net income increased from a year ago due to higher sales and improved profitability, although the appreciation of the yen became a negative factor.

## Second Quarter Financial Results by Segment

(In billion yen)

	Orders received		Net sales		Operating income	
	FY2009-1H	FY2010-1H	FY2009-1H	FY2010-1H	FY2009-1H	FY2010-1H
Shipbuilding & Ocean Development	55.1	46.2	105.5	150.2	12.5	5.8
Power Systems	526.8	480.2	487.2	456.3	31.7	48.0
Machinery & Steel Structures ※	178.3	204.7	255.8	302.1	-5.3	20.3
Aerospace	118.7	188.4	213.7	178.4	3.1	-4.6
General Machinery & Special Vehicles ※	132.3	152.0	133.9	159.0	-15.1	-8.1
Air-con	70.6	83.6	68.2	81.2	-3.9	0.4
Machine Tool, Others	54.1	62.2	82.0	54.7	2.0	2.7
Others ※	124.8	145.9	150.3	135.9	-1.9	3.2
Eliminations or Corporate	-20.5	-16.7	-25.0	-25.4	-	-
<b>Total</b>	<b>1,115.7</b>	<b>1,201.0</b>	<b>1,321.6</b>	<b>1,356.8</b>	<b>25.1</b>	<b>64.5</b>

※【Changes in business segments】

• With the application of “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” and the reorganization of the Company’s organization, the Company changes business segments from FY2010. The changes are shown in the tables at right.

• “FY2009-1H” figures in the table above and FY2009 figures in the graph of page 8 -13 are calculated in accordance with the segments after the change.

【before】

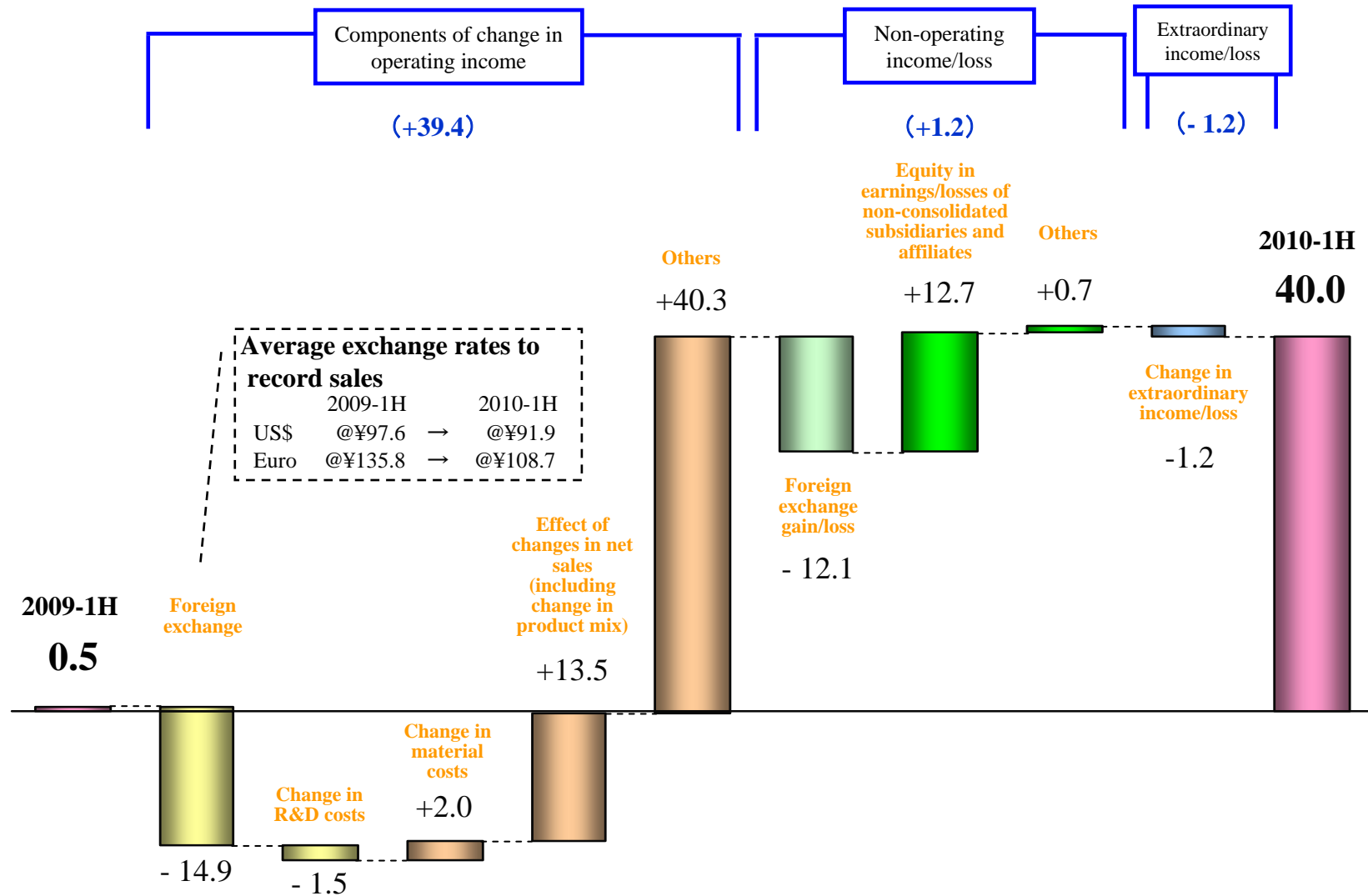
<b>Machinery &amp; Steel Structures</b>	
<b>Mass and Medium-Lot Manufactured Machinery</b>	GM & SV
	Air-Con
	Industrial Printing Machinery, Industrial Machinery, Machine Tool
<b>Others</b>	

【after】

<b>Machinery &amp; Steel Structures</b>	
<b>GM &amp; SV</b>	
	Air-Con
<b>Others</b>	Machine Tool, Others
Shipbuilding & Ocean Development, Power Systems, and Aerospace have not changed	

# Components of Change in Income before Income Taxes

Up ¥39.4 billion ( ¥0.5 bn → ¥40.0 bn)



## Ordinary Income and Extraordinary Income

### - Ordinary Income (Up ¥40.7 billion YoY ( ¥2.6 bn → ¥43.4 bn))

(In billion yen)

	FY2009-1H	FY2010-1H	Change
<b>Operating income</b>	<b>25.1</b>	<b>64.5</b>	<b>+ 39.4</b>
Foreign exchange gain/loss	- 1.8	- 14.0	- 12.1
Net interest loss	- 7.3	- 7.5	- 0.2
Equity in earnings of non-consolidated subsidiaries and affiliates	- 9.3	3.3	+ 12.7
Other	- 3.9	- 3.0	+ 0.9
<b>Non-operating income</b>	<b>- 22.4</b>	<b>- 21.1</b>	<b>+ 1.2</b>
<b>Ordinary income</b>	<b>2.6</b>	<b>43.4</b>	<b>+ 40.7</b>

### - Extraordinary Income (Down ¥1.2 billion YoY ( - ¥2.0 bn → - ¥3.3 bn))

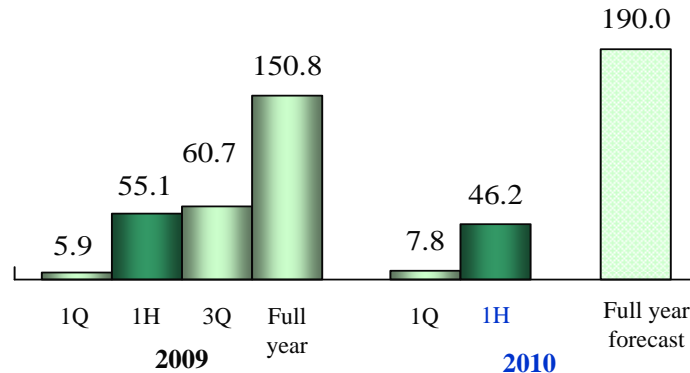
(In billion yen)

	FY2009-1H	FY2010-1H	Change
Gain on sales of investment securities	-	2.8	+ 2.8
<b>Extraordinary gain</b>	<b>-</b>	<b>2.8</b>	<b>+ 2.8</b>
Loss on revaluation of investment securities	-	- 4.1	- 4.1
Effect of the application of the accounting standard for asset retirement obligations	-	- 2.0	- 2.0
Business structure improvement expenses	- 2.0	-	+ 2.0
<b>Extraordinary loss</b>	<b>- 2.0</b>	<b>- 6.2</b>	<b>- 4.1</b>
<b>Extraordinary income/loss</b>	<b>- 2.0</b>	<b>- 3.3</b>	<b>- 1.2</b>

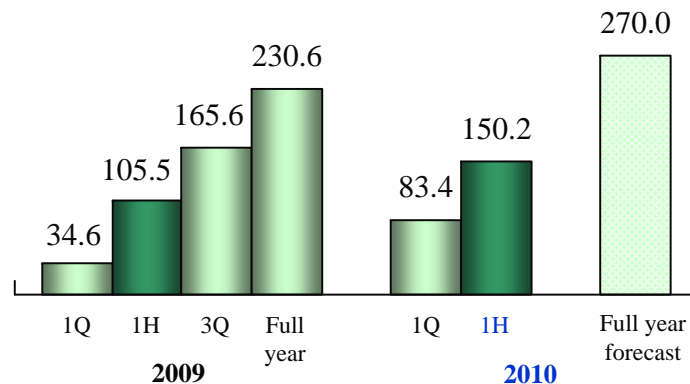
# <Shipbuilding & Ocean Development>

(In billion yen, accumulated amount)

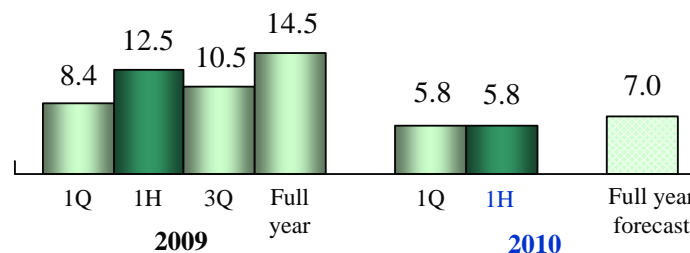
## Orders Received



## Net Sales



## Operating Income



### Orders received: Down ¥8.8 billion YoY

- Although the orders environment for new commercial ships remained difficult, we received orders for a total of four vessels: two VLCCs, one roll-on/roll-off vessel and one vessel dedicated to the transport of ironsand slurry in the period under review.

[Number of ships orders received]

FY2009-1H: 6 (1Q: 0, 2Q: 6)

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

[Backlog of ship orders] 49

(10 pure car carriers, 7 patrol vessels, 6 container ships, 5 roll-on/roll-off vessels, and others)

### Net sales/Earnings: Decreased earning (- ¥6.7 billion YoY) on increased sales (+ ¥44.7 billion YoY)

- We delivered a total of 14 vessels, including eight container ships, three car carriers, two LPG carriers, and one module carrier .

[Number of ships delivered]

FY2009-1H: 7 (1Q: 3, 2Q: 4)

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

- In terms of income, profitability was improving, aided by higher sales, despite negative factors such as the appreciation of the yen and a fall in income due to the revision of the reserve for losses on construction contracts.

### Full-year forecast:

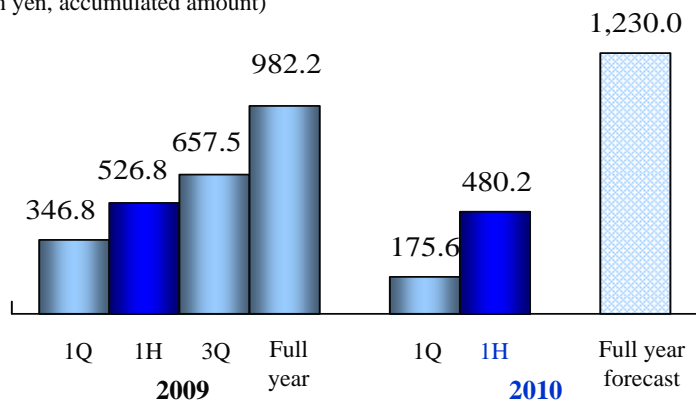
Operating income: Operating income was revised from ¥10.0 billion to ¥7.0 billion.



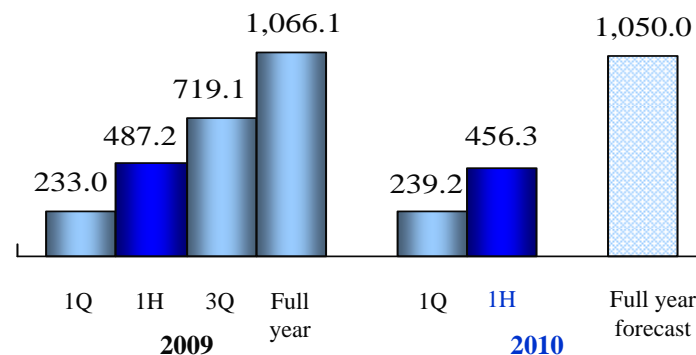
# <Power Systems>

(In billion yen, accumulated amount)

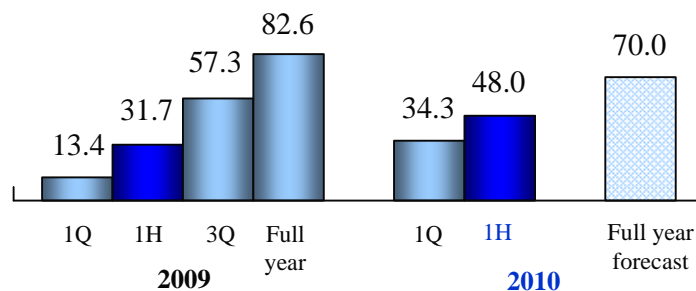
## Orders Received



## Net Sales



## Operating Income



## Orders received: Down ¥46.6 billion YoY

-We received orders for multiple thermal power plants in Japan and overseas in the second quarter.

-Although the environment for orders was very difficult because of the appreciation of the yen, we responded actively to expressions of interest in thermal power plants in Japan, Asia and the Middle East and in nuclear power plants overseas.

[Gas turbine orders]

FY2009-1H : 6units (Geographic distribution : Domestic 6)

FY2010-1H : 9units (Geographic distribution : Asia 6, Domestic 3)

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

FY2009-2Q: 67 (FY2009: 50)

FY2010-2Q: 48

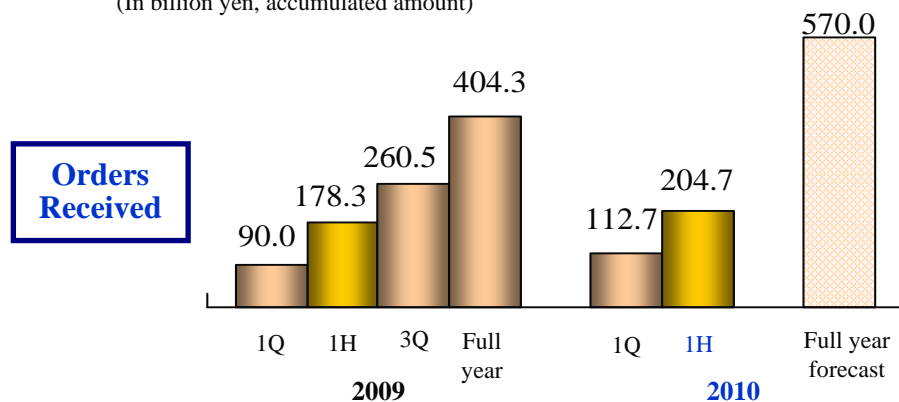
## Net sales/Earnings: Increased earning (+ ¥16.2 billion YoY) on decreased sales (- ¥30.8 billion YoY)

- Sales were below the year-ago level, as sales of gas turbines and wind turbines, etc. declined.

- Earnings were affected by the stronger yen, but rose from the year-ago level with the improved profitability of plant constructions, etc.

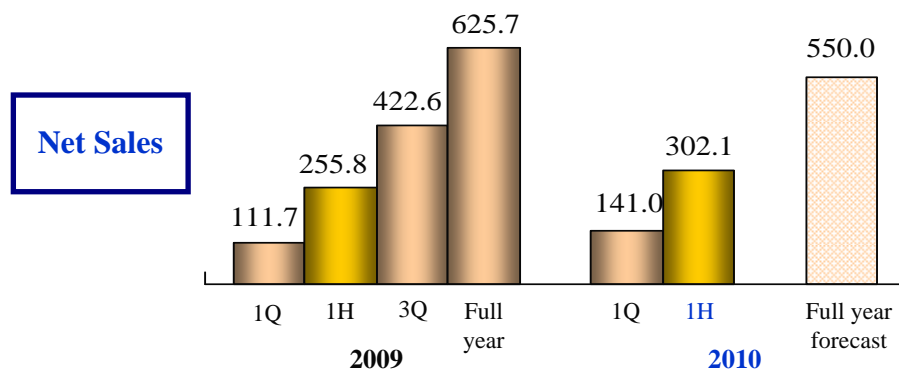
## <Machinery & Steel Structures>

(In billion yen, accumulated amount)



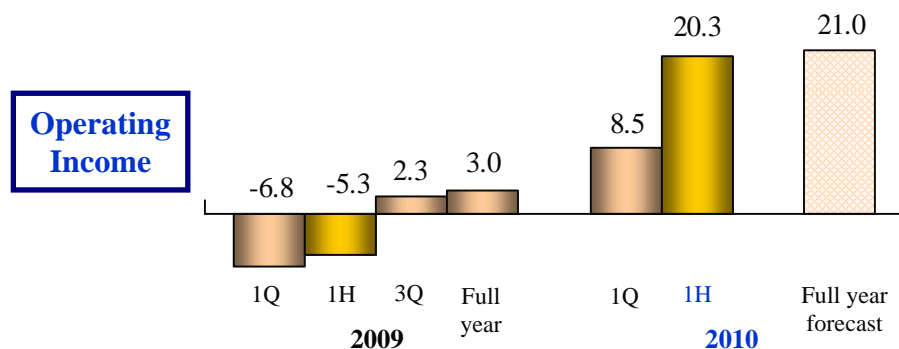
### Orders received: Up ¥26.4 billion YoY

- Orders increased from a year ago primarily thanks to orders for new transportation systems in Japan and steel manufacturing machinery in India.



### Net sales/Earnings: Increased earning (+ ¥25.6 billion YoY) on increased sales (+ ¥46.3 billion YoY)

- Sales increased year on year, mainly attributable to steady progress in construction work, centering on chemical plants overseas.  
- Income increased year on year chiefly due to higher sales and progress in profitability improvement in plant construction overseas.



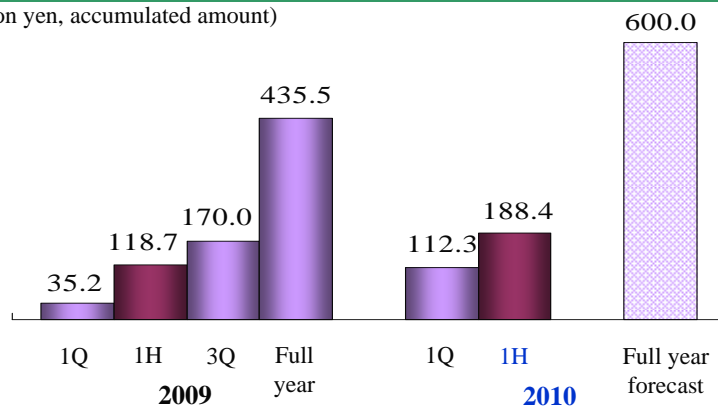
### Full-year forecast:

Operating income: Operating income was revised from ¥20.0 billion to ¥21.0 billion.

## <Aerospace>

(In billion yen, accumulated amount)

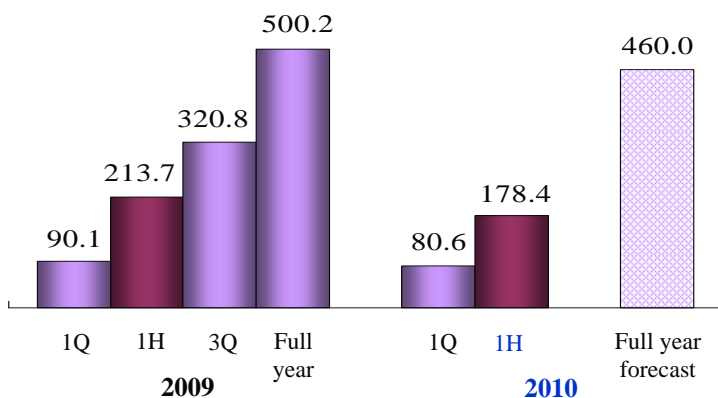
### Orders Received



### Orders received: Up ¥69.6 billion YoY

- A year-on-year increase was achieved in the commercial aircraft.

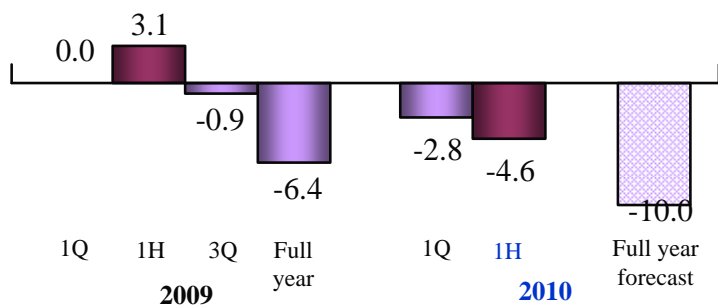
### Net Sales



### Net sales/Earnings: Decreased earning (- ¥7.8 billion YoY) on decreased sales (- ¥35.2 billion YoY)

- Sales declined year on year as defense-related and private aircraft-related sales decreased.

### Operating Income



[Number of B777s delivered]

FY2009-1H: 42 (FY2009: 82)

FY2010-1H: 32

[Number of B787s delivered]

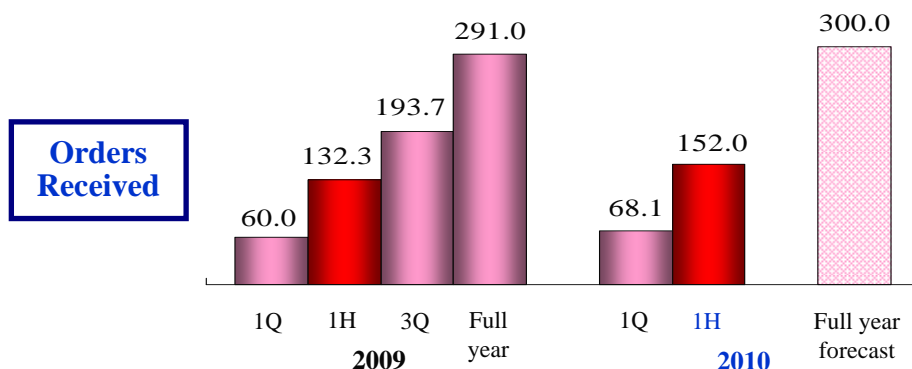
FY2009-1H: 5 (FY2009: 15)

FY2010-1H: 8

- Income decreased year on year mainly due to the appreciation of the yen in the foreign exchange market.

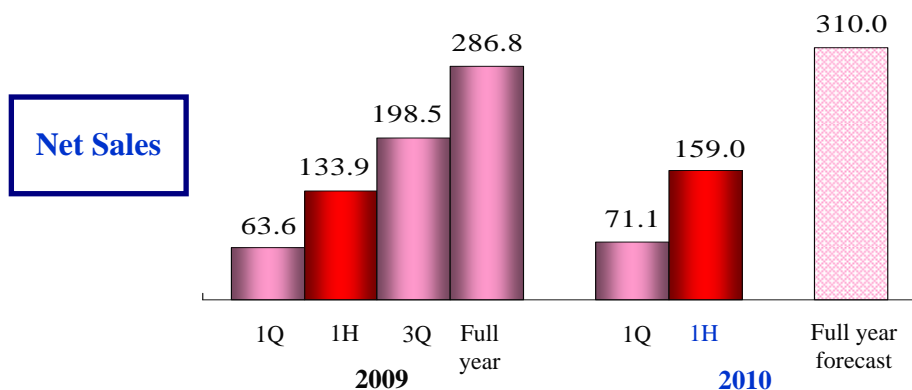
## <General Machinery & Special Vehicles >

(In billion yen, accumulated amount)



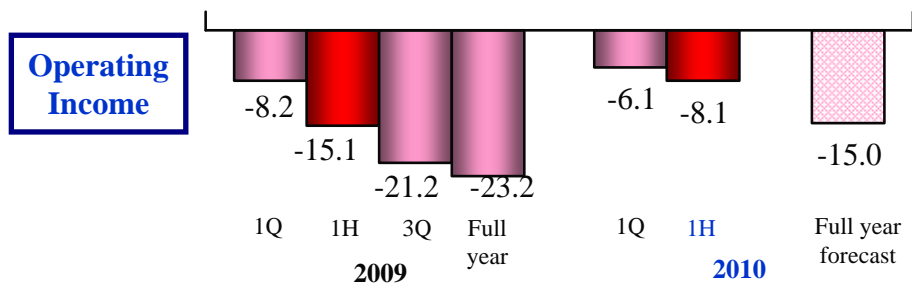
**Orders received/Net sales:  
Up ¥19.7 billion / ¥25.0 YoY respectively**

-Sales increased year on year thanks to an increase in orders for turbochargers in Japan and Europe, reflecting growth in auto sales as well as a rise in sales of small generators for construction equipment manufacturers and forklift trucks for emerging countries.



**Earnings: Up ¥7.0 billion YoY**

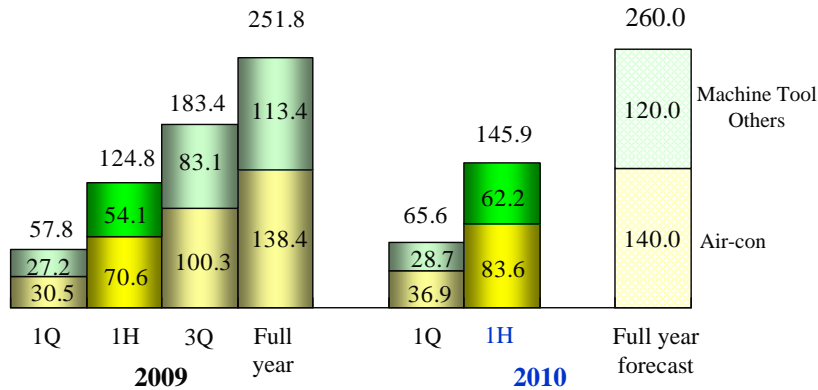
Losses fell year on year, mainly attributable to higher sales and progress in profitability improvement in turbochargers, generators and forklift trucks, despite the impact of the stronger yen.



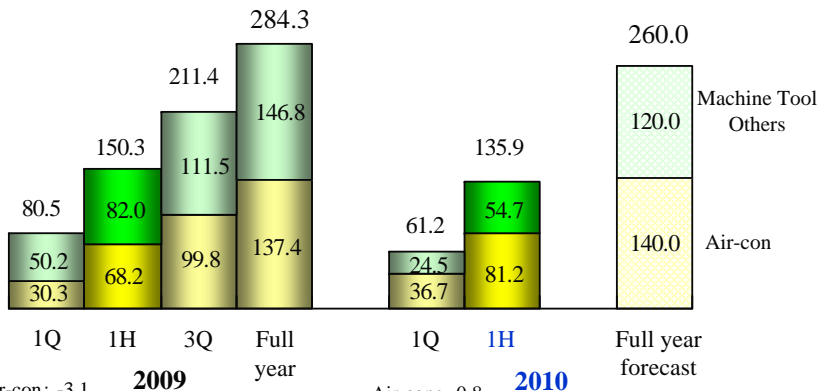
# <Others>

(In billion yen, accumulated amount)

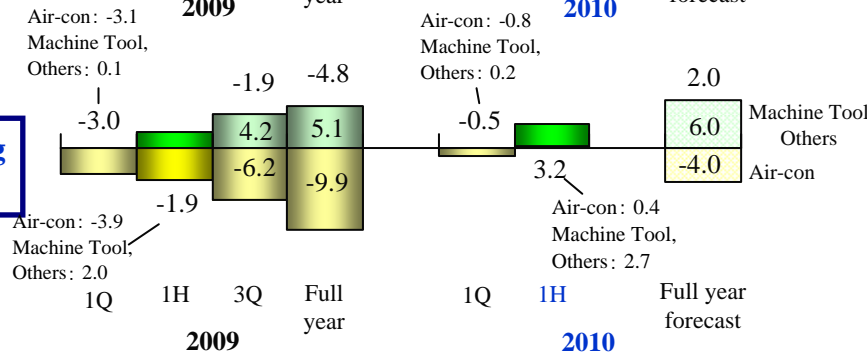
## Orders Received



## Net Sales



## Operating Income



## Air-conditioning & Refrigeration Systems

### Orders received/Net sales:

-Sales increased year on year as orders for automotive thermal systems, residential air conditioners and all-in-one air-conditioning systems increased.

### Earnings:

- Income improved from a year ago, primarily thanks to higher sales and progress in profitability improvement.

## Machine Tool

### Orders received/Net sales:

-Orders for special-purpose machines for automobiles and construction equipment increased.

### Earnings:

-Loss reduced year on year, mainly attributable to progress in profitability improvement.

## Others

- Real estate and construction
- Information and communication systems, etc.

## Full-year forecast:

Operating income: Operating income was revised from ¥0.0 billion to ¥2.0 billion.

(Operating income of Air-con was revised from - ¥6.0 billion to - ¥4.0 billion)

# Balance Sheets

(In billion yen)

	As of March 31, 2010	As of September 30, 2010	Changes
<b>Assets</b>			
Trade receivables	948.2	845.2	-102.9
Inventories	1,240.0	1,245.0	+4.9
Other current assets	638.4	660.6	+22.2
Total current assets	2,826.6	2,750.8	-75.7
Total fixed assets	1,436.1	1,433.8	-2.3
<b>Total assets</b>	4,262.8	4,184.7	-78.1
<b>Liabilities</b>			
Trade payables	646.5	584.9	-61.6
Advance payments received on contracts	389.0	458.8	+69.7
Other current liabilities	520.2	505.4	-14.7
Total current liabilities	1,555.7	1,549.1	-6.6
Total long-term liabilities	1,378.2	1,330.4	-47.8
Total liabilities	2,934.0	2,879.6	-54.4
<b>Net assets</b>			
Stockholders' equity	1,264.7	1,273.6	+8.9
Valuation, translation adjustments and others	13.3	-18.4	-31.7
Others (Minority interests, etc.)	50.7	49.9	-0.8
Total net assets	1,328.7	1,305.0	-23.6
<b>Total liabilities and net assets</b>	4,262.8	4,184.7	-78.1
Interest-bearing debt outstanding	1,495.3	1,402.7	-92.5

## Supplementary Information

### (1) Segment Information by Geographic Distribution

(In billion yen)

	FY2009-1H		FY2010-1H	
	Net sales	Operating income	Net sales	Operating income
Japan	1,242.5	27.1	1,259.9	60.5
North America	93.3	-1.7	82.8	0.0
Asia	45.5	1.2	61.8	1.7
Europe	52.4	-3.0	56.3	-0.3
Others	14.0	1.4	12.4	2.5
Eliminations or Corporate	-126.2	-	-116.5	-
Total	1,321.6	25.1	1,356.8	64.5

### (2) Overseas Net Sales

	FY2009-1H		FY2010-1H	
Asia	171.9	(25%)	192.3	(26%)
North America	158.4	(23%)	138.4	(19%)
Europe	112.4	(17%)	105.4	(15%)
Central and South America	79.3	(12%)	114.9	(16%)
The Middle East	97.4	(14%)	61.6	(8%)
Africa	55.1	(8%)	109.5	(15%)
Oceania	4.4	(1%)	6.2	(1%)
Total	679.3	(100%)	728.7	(100%)

### (3) Depreciation and Amortization-Capital Expenditure

(In billion yen)

	FY2009-1H	FY2010-1H	FY2010(Forecast)
Depreciation	66.9	63.7	140.0
Capital Expenditure	97.0	62.7	150.0

(FY2010 forecast of Capital Expenditure was revised from ¥160.0 billion to ¥150.0 billion)

### (4) R&D Expenses

(In billion yen)

	FY2009-1H	FY2010-1H	FY2010(Forecast)
R&D Expenses	48.3	50.8	130.0

## II. Forecast for FY2010

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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 projection simply 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 FY2010

(In billion yen)

	FY2009 (Actual)	FY2010 (Forecast)
Orders received	2,476.2	3,100.0
Net sales	2,940.8	2,850.0
Operating income	65.6	75.0
Ordinary income	24.0	35.0
Net income	14.1	20.0

- ◇ Assumes foreign exchange rates of undetermined amount ¥85 to the U.S. dollar and ¥110 to the Euro (US\$ 3.2 billion, Euro 0.5 billion undetermined)

## Forecast for FY2010 by Business Segment

(In billion yen)

	Orders received			Net sales			Operating income		
	FY2009	FY2010 Forecast		FY2009	FY2010 Forecast		FY2009	FY2010 Forecast	
		Previous forecast	forecast		Previous forecast	forecast		Previous forecast	forecast
Shipbuilding & Ocean Development	150.8	190.0	190.0	230.6	270.0	270.0	14.5	10.0	7.0
Power Systems	982.2	1,230.0	1,230.0	1,066.1	1,050.0	1,050.0	82.6	70.0	70.0
Machinery & Steel Structures ※	404.3	570.0	570.0	625.7	550.0	550.0	3.0	20.0	21.0
Aerospace	435.5	600.0	600.0	500.2	460.0	460.0	-6.4	-10.0	-10.0
General Machinery & Special Vehicles ※	291.0	300.0	300.0	286.8	310.0	310.0	-23.2	-15.0	-15.0
Air-con	138.4	140.0	140.0	137.4	140.0	140.0	-9.9	-6.0	-4.0
Machine Tool, Others	113.4	120.0	120.0	146.8	120.0	120.0	5.1	6.0	6.0
Others ※	251.8	260.0	260.0	284.3	260.0	260.0	-4.8	0.0	2.0
Eliminations or Corporate	-39.7	-50.0	-50.0	-53.2	-50.0	-50.0	-	-	-
<b>Total</b>	<b>2,476.2</b>	<b>3,100.0</b>	<b>3,100.0</b>	<b>2,940.8</b>	<b>2,850.0</b>	<b>2,850.0</b>	<b>65.6</b>	<b>75.0</b>	<b>75.0</b>

※【Changes in business segments】

• With the application of “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” and the reorganization of the Company's organization, the Company changes business segments from FY2010. The changes are shown in the tables at right.

• FY2009 figures in the table above are calculated in accordance with the segments after the change.

【before】

<b>Machinery &amp; Steel Structures</b>	
<b>Mass and Medium-Lot Manufactured Machinery</b>	GM & SV
	Air-Con
	Industrial Printing Machinery, Industrial Machinery, Machine Tool
<b>Others</b>	

【after】

<b>Machinery &amp; Steel Structures</b>	
<b>GM &amp; SV</b>	
<b>Others</b>	Air-Con
	Machine Tool, Others
Shipbuilding & Ocean Development, Power Systems, and Aerospace have not changed	