

MHI Announces Outline of FY2010 First 6 Month Financial Results Ended September 30, 2010 (Consolidated)

Tokyo, October 29, 2010 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first six months of fiscal year (FY) 2010 ended September 30, 2010.

(billions of yen)

	FY2010 First 6 Months (From April 1 to September 30, 2010)	FY2009 First 6 Months (From April 1 to September 30, 2009)	Changes (%)
Orders Received	1,201.0	1,115.7	7.6
Net Sales	1,356.8	1,321.6	2.7
Operating Income	64.5	25.1	157.2
Ordinary Income	43.4	2.6	—
Income Before Taxes and Minority Interests	40.0	0.5	—
Net Income (Loss)	17.3	(3.1)	—
Operating Cash Flow	208.9	66.3	/
Investment Cash Flow	(78.2)	(113.8)	/
Financing Cash Flow	(90.5)	(206.6)	/
Net Income (Loss) Per Share	5.18 yen	(0.92) yen	—

Figures in parentheses are minus value.

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2010 First 6 Months (From April 1 to September 30, 2010)	FY2009 First 6 Months (From April 1 to September 30, 2009)
Shipbuilding & Ocean Development	150.2	105.5
Power Systems	456.3	487.2
Machinery & Steel Structures	302.1	255.8
Aerospace	178.4	213.7
General Machinery & Special Vehicles	159.0	133.9
Others	135.9	150.3
Eliminations or Corporate	(25.4)	(25.0)
TOTAL	1,356.8	1,321.6

Operating Income (Loss) by Operational Segment

(billions of yen)

	FY2010 First 6 Months (From April 1 to September 30, 2010)	FY2009 First 6 Months (From April 1 to September 30, 2009)
Shipbuilding & Ocean Development	5.8	12.5
Power Systems	48.0	31.7
Machinery & Steel Structures	20.3	(5.3)
Aerospace	(4.6)	3.1
General Machinery & Special Vehicles	(8.1)	(15.1)
Others	3.2	(1.9)
TOTAL	64.5	25.1

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 = ¥85 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 Sep.30, 2010	As of Mar.31, 2010
<u>ASSETS</u>		
Current assets:		
Cash and deposits	168,856	274,061
Trade receivables	845,212	948,200
Securities	140,008	9
Merchandise and finished products	176,280	171,699
Work in process	930,391	937,740
Raw materials and supplies	138,353	130,622
Deferred income taxes	145,792	142,720
Others	214,207	230,490
Allowance for doubtful receivables	(8,234)	(8,881)
Total current assets	2,750,868	2,826,662
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	349,384	344,601
Machinery and transportation equipment	268,548	277,390
Tools, equipment and furniture	46,008	49,527
Land	166,878	163,784
Leased assets	6,079	5,871
Construction in progress	59,413	55,176
Subtotal	896,313	896,350
Intangible assets	25,824	29,149
Investments and advances:		
Investment securities	316,396	342,480
Long-term loans and advances	2,505	3,597
Deferred income taxes	10,245	9,367
Others	192,029	164,917
Allowance for doubtful accounts	(9,477)	(9,665)
Subtotal	511,700	510,697
Total fixed assets	1,433,838	1,436,197
TOTAL ASSETS	4,184,707	4,262,859

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Sep.30, 2010	As of Mar.31, 2010
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	584,905	646,538
Short-term borrowings	100,174	117,679
Current portion of long-term borrowings	91,392	109,539
Commercial papers	2,000	6,000
Current portion of bonds	14,424	20,000
Reserve for product warranties	26,266	28,636
Reserve for losses on construction contracts	26,212	24,490
Reserve for legal claims	9,552	13,941
Advance payments received on contracts	458,827	389,041
Others	235,435	199,928
Total current liabilities	1,549,192	1,555,796
Long-term liabilities:		
Debentures	330,000	344,605
Long-term borrowings	864,774	897,501
Deferred income taxes	9,699	17,886
Reserve for retirement allowance	49,356	48,542
Reserve for treatment of PCB waste	7,243	7,358
Others	69,345	62,396
Total long-term liabilities	1,330,419	1,378,290
TOTAL LIABILITIES	2,879,611	2,934,087
<u>NET ASSETS</u>		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus	203,938	203,938
Retained earnings	809,110	800,199
Treasury stock	(5,031)	(5,025)
Total stockholders' equity	1,273,626	1,264,721
Valuation, translation adjustments and others:		
Net unrealized gains on investment securities	21,116	35,942
Deferred gains or losses on hedges	(2,606)	(721)
Foreign currency translation adjustments	(36,965)	(21,894)
Total valuation, translation adjustments and others	(18,455)	13,327
Share subscription rights	1,509	1,184
Minority interests	48,414	49,540
TOTAL NET ASSETS	1,305,095	1,328,772
TOTAL LIABILITIES AND NET ASSETS	4,184,707	4,262,859

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2009 First 6 Months (From Apr.1 to Sep.30, 2009)	FY2010 First 6 Months (From Apr.1 to Sep.30, 2010)
Net sales	1,321,639	1,356,810
Cost of sales	1,137,434	1,125,834
Gross profit	184,205	230,975
Selling, general and administrative expenses:		
Provision of allowance for doubtful accounts	1,919	1,420
Directors' compensations, salaries and allowances	59,437	60,143
Research and development expenses	23,589	25,398
Expenses for inquiries	14,589	16,188
Others	59,559	63,252
Total selling, general and administrative expenses	159,095	166,403
Operating income	25,109	64,572
Non-operating income:		
Interest income	1,765	2,186
Dividend income	1,922	1,849
Equity in earnings of unconsolidated subsidiaries and affiliates	-	3,386
Others	4,243	3,977
Total non-operating income	7,932	11,399
Non-operating expense:		
Interest expense	11,008	11,583
Equity in losses of unconsolidated subsidiaries and affiliates	9,316	-
Foreign exchange loss	1,832	14,000
Loss on disposal of fixed assets	2,275	2,246
Others	5,961	4,733
Total non-operating expense	30,394	32,563
Ordinary income	2,647	43,409
Extraordinary gain:		
Gain on sales of investment securities	-	2,812
Total extraordinary gain	-	2,812
Extraordinary loss:		
Loss on revaluation of investment securities	-	4,192
Effect of the application of the accounting standard for asset retirement obligations	-	2,012
Business structure improvement expenses	2,096	-
Total extraordinary loss	2,096	6,205
Income before income taxes and minority interests	551	40,015
Income taxes	4,918	23,383
Income before minority interests	-	16,632
Minority interests in loss after taxes	(1,263)	(738)
Net income(loss)	(3,104)	17,370

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

	FY2009 First 6 Months (From Apr.1 to Sep.30,2009)	FY2010 First 6 Months (From Apr.1 to Sep.30,2010)
Cash flows from operating activities:		
Income before income taxes and minority interests	551	40,015
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities		
Depreciation and amortization	65,734	62,561
Decrease in reserve for retirement allowance	(127)	(15)
Interest and dividend income	(3,688)	(4,035)
Interest expense	11,008	11,583
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	9,316	(3,386)
Gain on sales of investment securities	-	(2,812)
Loss on revaluation of investment securities	-	4,192
Loss on disposal of fixed assets	2,275	2,246
Effect of the application of the accounting standard for asset retirement obligations	-	2,012
Business structure improvement expenses	2,096	-
(Increase) decrease in receivables	253,136	98,825
(Increase) decrease in inventories and advances to suppliers	(108,907)	10,521
(Increase) decrease in other assets	(10,902)	(44,772)
Increase (decrease) in payables	(109,685)	(66,705)
Increase (decrease) in advance payments received on contracts	29,456	72,943
Increase (decrease) in other liabilities	(43,926)	36,848
Others	(2,883)	921
Subtotal	93,453	220,946
Interest and dividends received	4,712	5,022
Interest paid	(10,775)	(11,732)
Payments for income taxes	(21,083)	(5,272)
Net cash provided by operating activities	66,307	208,963
Cash flows from investing activities:		
Net (increase) decrease in time deposits	(1,237)	(929)
Purchases of property, plant, equipment and intangible assets	(100,194)	(70,033)
Proceeds from sales of property, plant, equipment and intangible assets	18,865	739
Purchases of investment securities	(35,551)	(12,481)
Proceeds from sales and redemption of investment securities	1,155	4,249
Disbursement of long-term loans	(1,075)	(743)
Collection of long-term loans	4,731	1,908
Others	(493)	(915)
Net cash used in investing activities	(113,801)	(78,207)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings and commercial papers	(261,522)	(17,418)
Proceeds from long-term borrowings	140,262	5,768
Repayment of long-term borrowings	(87,176)	(51,241)
Payment for redemption of bonds	(350)	(20,000)
Proceeds from issuance of stock to minority stockholders of subsidiaries	13,886	441
Dividends paid to stockholders	(10,009)	(6,680)
Dividends paid to minority stockholders of subsidiaries	(710)	(598)
Others	(1,058)	(773)
Net cash provided by (used in) financing activities	(206,677)	(90,503)
Effect of exchange rate changes on cash and cash equivalents	3,907	(5,381)
Net increase (decrease) in cash and cash equivalents	(250,263)	34,871
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	175,649	295,488