

MHI Announces Outline of FY2010 First 9 Month Financial Results Ended December 31, 2010 (Consolidated)

Tokyo, February 3, 2011 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first nine months of fiscal year (FY) 2010 ended December 31, 2010.

(billions of yen)

	FY2010 First 9 Months (From April 1 to December 31, 2010)	FY2009 First 9 Months (From April 1 to December 31, 2009)	Changes (%)
Orders Received	1,873.7	1,496.1	25.2
Net Sales	2,087.7	1,999.3	4.4
Operating Income	80.8	46.0	75.4
Ordinary Income	50.8	17.9	183.7
Income Before Taxes and Minority Interests	47.7	15.3	210.5
Net Income	17.9	4.2	318.5
Operating Cash Flow	139.2	(5.9)	/
Investment Cash Flow	(110.1)	(149.2)	/
Financing Cash Flow	(89.8)	(27.9)	/
Net Income Per Share	5.35 yen	1.28 yen	318.5

Figures in parentheses are minus value.

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2010 First 9 Months (From April 1 to December 31, 2010)	FY2009 First 9 Months (From April 1 to December 31, 2009)
Shipbuilding & Ocean Development	215.0	165.6
Power Systems	735.5	719.1
Machinery & Steel Structures	426.9	422.6
Aerospace	304.2	320.8
General Machinery & Special Vehicles	241.1	198.5
Others	202.6	211.4
Eliminations or Corporate	(37.8)	(38.9)
TOTAL	2,087.7	1,999.3

Operating Income (Loss) by Operational Segment

(billions of yen)

	FY2010 First 9 Months (From April 1 to December 31, 2010)	FY2009 First 9 Months (From April 1 to December 31, 2009)
Shipbuilding & Ocean Development	4.5	10.5
Power Systems	64.8	57.3
Machinery & Steel Structures	22.7	2.3
Aerospace	(5.6)	(0.9)
General Machinery & Special Vehicles	(10.5)	(21.2)
Others	4.9	(1.9)
TOTAL	80.8	46.0

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 2,880 billion yen in net sales, 95 billion yen in operating income, 50 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 = ¥82 and €1.00 = ¥110 for the portion yet to be fixed.

Please note that this estimate has been projected with currently available information and data. As such, these projections involve risks and uncertainties. For this reason, investors are recommended not to depend solely on these projections for making investment decisions. The actual results, therefore, may diverge broadly with the influence of a variety of outside factors such as economics surrounding MHI, currency movement of the yen to the U.S. dollar and other foreign currencies, and trends of stock markets in Japan.

CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

	As of Dec.31, 2010	As of Mar.31, 2010
<u>ASSETS</u>		
Current assets:		
Cash and deposits	205,848	274,061
Trade receivables	873,543	948,200
Securities	8	9
Merchandise and finished products	171,248	171,699
Work in process	913,564	937,740
Raw materials and supplies	137,577	130,622
Deferred income taxes	145,623	142,720
Others	223,601	230,490
Allowance for doubtful receivables	(8,100)	(8,881)
Total current assets	2,662,914	2,826,662
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	351,578	344,601
Machinery and transportation equipment	263,627	277,390
Tools, equipment and furniture	42,422	49,527
Land	166,886	163,784
Leased assets	6,017	5,871
Construction in progress	56,742	55,176
Subtotal	887,275	896,350
Intangible assets	26,323	29,149
Investments and advances:		
Investment securities	326,040	342,480
Long-term loans and advances	3,911	3,597
Deferred income taxes	9,274	9,367
Others	188,111	164,917
Allowance for doubtful accounts	(8,643)	(9,665)
Subtotal	518,694	510,697
Total fixed assets	1,432,293	1,436,197
TOTAL ASSETS	4,095,208	4,262,859

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Dec.31, 2010	As of Mar.31, 2010
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	604,804	646,538
Short-term borrowings	87,209	117,679
Current portion of long-term borrowings	92,401	109,539
Commercial papers	80,000	6,000
Current portion of bonds	14,191	20,000
Reserve for product warranties	24,862	28,636
Reserve for losses on construction contracts	40,114	24,490
Reserve for legal claims	3,072	13,941
Advance payments received on contracts	365,805	389,041
Others	210,769	199,928
Total current liabilities	1,523,231	1,555,796
Long-term liabilities:		
Debentures	330,000	344,605
Long-term borrowings	804,193	897,501
Deferred income taxes	13,064	17,886
Reserve for retirement allowance	50,319	48,542
Reserve for treatment of PCB waste	7,194	7,358
Others	64,869	62,396
Total long-term liabilities	1,269,640	1,378,290
TOTAL LIABILITIES	2,792,872	2,934,087
<u>NET ASSETS</u>		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus	203,938	203,938
Retained earnings	802,994	800,199
Treasury stock	(5,038)	(5,025)
Total stockholders' equity	1,267,503	1,264,721
Valuation, translation adjustments and others:		
Net unrealized gains on investment securities	26,391	35,942
Deferred gains or losses on hedges	(2,855)	(721)
Foreign currency translation adjustments	(38,690)	(21,894)
Total valuation, translation adjustments and others	(15,154)	13,327
Share subscription rights	1,509	1,184
Minority interests	48,476	49,540
TOTAL NET ASSETS	1,302,335	1,328,772
TOTAL LIABILITIES AND NET ASSETS	4,095,208	4,262,859

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2009 First 9 Months (From Apr.1 to Dec.31, 2009)	FY2010 First 9 Months (From Apr.1 to Dec.31, 2010)
Net sales	1,999,312	2,087,762
Cost of sales	1,703,758	1,756,540
Gross profit	295,553	331,222
Selling, general and administrative expenses:		
Provision of allowance for doubtful accounts	2,346	1,218
Directors' compensations, salaries and allowances	93,267	89,523
Research and development expenses	41,792	42,532
Expenses for inquiries	21,589	24,248
Others	90,492	92,886
Total selling, general and administrative expenses	249,487	250,410
Operating income	46,065	80,811
Non-operating income:		
Interest income	2,895	2,928
Dividend income	2,926	2,986
Equity in earnings of unconsolidated subsidiaries and affiliates	-	3,670
Others	5,106	5,344
Total non-operating income	10,929	14,929
Non-operating expenses:		
Interest expense	16,790	17,113
Equity in losses of unconsolidated subsidiaries and affiliates	7,407	-
Foreign exchange loss	750	18,784
Loss on disposal of fixed assets	4,003	3,711
Others	10,125	5,298
Total non-operating expenses	39,077	44,907
Ordinary income	17,917	50,834
Extraordinary gain:		
Gain on sales of investment securities	-	2,871
Total extraordinary gain	-	2,871
Extraordinary loss:		
Loss on revaluation of investment securities	-	3,899
Effect of the application of the accounting standard for asset retirement obligations	-	2,012
Business structure improvement expenses	2,526	-
Total extraordinary loss	2,526	5,911
Income before income taxes and minority interests	15,391	47,794
Income taxes	14,488	31,464
Income before minority interests	-	16,330
Minority interests in loss after taxes	(3,390)	(1,636)
Net income	4,293	17,966

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

	FY2009 First 9 Months (From Apr.1 to Dec.31,2009)	FY2010 First 9 Months (From Apr.1 to Dec.31,2010)
Cash flows from operating activities:		
Income before income taxes and minority interests	15,391	47,794
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities		
Depreciation and amortization	101,103	96,843
Increase in reserve for retirement allowance	1,240	1,005
Interest and dividend income	(5,822)	(5,915)
Interest expense	16,790	17,113
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	7,407	(3,670)
Gain on sales of investment securities	-	(2,871)
Loss on revaluation of investment securities	-	3,899
Loss on disposal of fixed assets	4,003	3,711
Effect of the application of the accounting standard for asset retirement obligations	-	2,012
Business structure improvement expenses	2,526	-
(Increase) decrease in receivables	171,122	66,487
(Increase) decrease in inventories and advances to suppliers	(144,870)	47,022
(Increase) decrease in other assets	(28,564)	(60,803)
Increase (decrease) in payables	(97,666)	(45,039)
Increase (decrease) in advance payments received on contracts	25,554	(19,539)
Increase (decrease) in other liabilities	(22,424)	13,407
Others	(2,168)	1,766
Subtotal	43,624	163,224
Interest and dividends received	7,176	7,502
Interest paid	(15,751)	(16,822)
Payments for income taxes	(40,957)	(14,690)
Net cash provided by (used in) operating activities	(5,908)	139,214
Cash flows from investing activities:		
Net (increase) decrease in time deposits	(1,489)	(562)
Purchases of property, plant, equipment and intangible assets	(138,566)	(98,781)
Proceeds from sales of property, plant, equipment and intangible assets	21,001	1,794
Purchases of investment securities	(38,627)	(13,466)
Proceeds from sales and redemption of investment securities	2,146	4,250
Disbursement of long-term loans	(467)	(2,598)
Collection of long-term loans	6,955	2,341
Others	(203)	(3,131)
Net cash used in investing activities	(149,249)	(110,154)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings and commercial papers	(155,364)	47,702
Proceeds from long-term borrowings	144,881	11,733
Repayment of long-term borrowings	(111,755)	(115,618)
Proceeds from issuance of bonds	100,000	-
Payment for redemption of bonds	(350)	(20,000)
Proceeds from issuance of stock to minority stockholders of subsidiaries	13,971	1,644
Dividends paid to stockholders	(16,386)	(13,087)
Dividends paid to minority stockholders of subsidiaries	(806)	(598)
Others	(2,157)	(1,635)
Net cash used in financing activities	(27,968)	(89,859)
Effect of exchange rate changes on cash and cash equivalents	3,526	(6,742)
Net decrease in cash and cash equivalents	(179,600)	(67,542)
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	246,313	193,074