

MHI Announces FY2010 Consolidated Financial Results

Tokyo, April 28, 2011 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for fiscal year (FY) 2010 ended March 31, 2011.

(billions of yen)

	FY2010	FY2009	Changes (%)
Orders Received	2,995.4	2,476.2	21.0
Net Sales	2,903.7	2,940.8	(1.3)
Operating Income	101.2	65.6	54.2
Ordinary Income	68.1	24.0	183.7
Income Before Taxes and Minority Interests	39.4	28.1	40.4
Net Income	30.1	14.1	112.6
Operating Cash Flow	337.8	117.9	
Investment Cash Flow	(137.2)	(180.7)	
Financing Cash Flow	(169.7)	(105.2)	
Net Income Per Share	8.97 yen	4.22 yen	112.6

Figures in parentheses are minus value.

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2010	FY2009
Shipbuilding & Ocean Development	302.4	230.6
Power Systems	996.9	1,066.1
Machinery & Steel Structures	557.5	625.7
Aerospace	472.2	500.2
General Machinery & Special Vehicles	343.0	286.8
Others	282.7	284.3
Eliminations or Corporate	(51.2)	(53.2)
TOTAL	2,903.7	2,940.8

Operating Income (Loss) by Operational Segment

(billions of yen)

	FY2010	FY2009
Shipbuilding & Ocean Development	1.8	14.5
Power Systems	83.0	82.6
Machinery & Steel Structures	27.0	3.0
Aerospace	(3.4)	(6.4)
General Machinery & Special Vehicles	(16.6)	(23.2)
Others	9.3	(4.8)
TOTAL	101.2	65.6

Figures in parentheses are minus value.

Consolidated financial results (continued)

Estimate of Consolidated Financial Results for FY 2011

For the fiscal year 2011 ending March 31, 2012, MHI is expecting 2,850 billion yen in net sales, 110 billion yen in operating income, 70 billion yen in ordinary income, and 35 billion yen in net income. This estimate is based on the assumption of currency exchange rate of US\$ 1.00 = ¥85 and €1.00 = ¥120 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.

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CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

	As of Mar.31, 2010	As of Mar.31, 2011
<u>ASSETS</u>		
Current assets:		
Cash and deposits	274,061	301,047
Trade receivables	948,200	852,645
Securities	9	8
Merchandise and finished products	171,699	175,630
Work in process	937,740	803,874
Raw materials and supplies	130,622	136,701
Deferred income taxes	142,720	161,823
Others	230,490	151,383
Allowance for doubtful receivables	(8,881)	(7,500)
Total current assets	2,826,662	2,575,613
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	344,601	355,449
Machinery and transportation equipment	277,390	251,507
Tools, equipment and furniture	49,527	39,714
Land	163,784	166,494
Leased assets	5,871	6,004
Construction in progress	55,176	42,358
Subtotal	896,350	861,528
Intangible assets	29,149	25,165
Investments and advances:		
Investment securities	342,480	321,285
Long-term loans and advances	3,597	5,180
Deferred income taxes	9,367	10,824
Others	164,917	198,938
Allowance for doubtful accounts	(9,665)	(9,535)
Subtotal	510,697	526,693
Total fixed assets	1,436,197	1,413,387
TOTAL ASSETS	4,262,859	3,989,001

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Mar.31, 2010	As of Mar.31, 2011
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	646,538	619,107
Short-term borrowings	117,679	85,488
Current portion of long-term borrowings	109,539	211,114
Commercial papers	6,000	-
Current portion of bonds	20,000	14,074
Reserve for product warranties	28,636	23,123
Reserve for losses on construction contracts	24,490	50,753
Reserve for legal claims	13,941	2,167
Advance payments received on contracts	389,041	330,275
Others	199,928	197,965
Total current liabilities	1,555,796	1,534,070
Long-term liabilities:		
Debentures	344,605	330,000
Long-term borrowings	897,501	684,989
Deferred income taxes	17,886	3,607
Reserve for retirement allowance	48,542	49,842
Reserve for treatment of PCB waste	7,358	7,007
Others	62,396	66,805
Total long-term liabilities	1,378,290	1,142,251
TOTAL LIABILITIES	2,934,087	2,676,322
<u>NET ASSETS</u>		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus	203,938	203,939
Retained earnings	800,199	815,145
Treasury stock	(5,025)	(5,425)
Total stockholders' equity	1,264,721	1,279,267
Accumulated other comprehensive income(loss)		
Net unrealized gains on investment securities	35,942	25,579
Deferred losses on hedges	(721)	(467)
Foreign currency translation adjustments	(21,894)	(42,311)
Total valuation, translation adjustments and others	13,327	(17,199)
Share subscription rights	1,184	1,509
Minority interests	49,540	49,101
TOTAL NET ASSETS	1,328,772	1,312,678
TOTAL LIABILITIES AND NET ASSETS	4,262,859	3,989,001

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2009	FY2010
Net sales	2,940,887	2,903,770
Cost of sales	2,537,257	2,461,857
Gross profit	403,629	441,913
Selling, general and administrative expenses:		
Provision of allowance for doubtful accounts	7,223	2,790
Directors' compensations, salaries and allowances	123,188	120,926
Research and development expenses	61,125	58,912
Expenses for inquiries	28,162	31,228
Others	118,267	126,835
Total selling, general and administrative expenses	337,968	340,693
Operating income	65,660	101,219
Non-operating income:		
Interest income	3,652	4,029
Dividend income	3,305	3,499
Equity in earnings of unconsolidated subsidiaries and affiliates	-	6,804
Others	5,678	5,867
Total non-operating income	12,636	20,201
Non-operating expenses:		
Interest expense	22,632	22,471
Equity in losses of unconsolidated subsidiaries and affiliates	2,074	-
Foreign exchange loss	419	14,556
Loss on disposal of fixed assets	6,279	5,882
Others	22,882	10,396
Total non-operating expenses	54,288	53,307
Ordinary income	24,009	68,113
Extraordinary gain:		
Gain on sales of fixed assets	10,086	10,870
Gain on sales of investment securities	5,063	4,972
Gain on revision of retirement benefit plan	4,950	-
Total extraordinary gain	20,100	15,842
Extraordinary loss:		
Business structure improvement expenses	15,972	22,684
Loss on disaster	-	10,240
Loss on revaluation of investment securities	-	9,519
Effect of the application of the accounting standard for asset retirement obligations	-	2,012
Total extraordinary loss	15,972	44,456
Income before income taxes and minority interests	28,137	39,499
Income taxes:		
Current	26,146	39,905
Deferred	(7,920)	(29,423)
Total income taxes	18,226	10,481
Income before minority interests	-	29,018
Minority interests in loss after taxes	(4,252)	(1,099)
Net income	14,163	30,117

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of Yen)

	FY2009	FY2010
Income before minority interests	-	29,018
Other comprehensive income (loss)		
Net unrealized gains (losses) on investment securities	-	(10,934)
Deferred gains (losses) on hedges	-	(262)
Foreign currency translation adjustments	-	(17,337)
Share of other comprehensive income (loss) of associates accounted for using equity method	-	(2,676)
Total other comprehensive income (loss)	-	(31,211)
Comprehensive income (loss)	-	(2,192)
Comprehensive income (loss) attributable to		
Owners of the parent	-	(408)
Minority interests	-	(1,784)

Consolidated Statements of Changes in Net Assets

(Millions of Yen)

	FY2009	FY2010
Stockholders' equity		
Common stock		
Balance at the end of previous period	265,608	265,608
Balance at the end of current period	265,608	265,608
Capital surplus		
Balance at the end of previous period	203,928	203,938
Changes in the period		
Disposal of treasury stock	10	0
Total changes in the period	10	0
Balance at the end of current period	203,938	203,939
Retained earnings		
Balance at the end of previous period	788,948	800,199
Changes in the period		
Cash dividends	(16,781)	(13,425)
Net income	14,163	30,117
Change of scope of consolidation	(0)	(1,763)
Change of scope of equity method	884	18
Changes in equity interest mainly due to reorganization	12,984	-
Total changes in the period	11,250	14,946
Balance at the end of current period	800,199	815,145
Treasury stock		
Balance at the end of previous period	(5,041)	(5,025)
Changes in the period		
Change of scope of equity method	(1)	-
Purchase of treasury stock	(21)	(412)
Disposal of treasury stock	38	12
Total changes in the period	16	(400)
Balance at the end of current period	(5,025)	(5,425)
Total stockholders' equity		
Balance at the end of previous period	1,253,443	1,264,721
Changes in the period		
Cash dividends	(16,781)	(13,425)
Net income	14,163	30,117
Change of scope of consolidation	(0)	(1,763)
Change of scope of equity method	882	18
Changes in equity interest mainly due to reorganization	12,984	-
Purchase of treasury stock	(21)	(412)
Disposal of treasury stock	49	12
Total changes in the period	11,277	14,546
Balance at the end of current period	1,264,721	1,279,267

(Millions of Yen)

	FY2009	FY2010
Accumulated other comprehensive income(loss)		
Net unrealized gains(losses) on investment securities		
Balance at the end of previous period	17,313	35,942
Changes in the period		
Net changes in items other than stockholders' equity	18,629	(10,363)
Total changes in the period	18,629	(10,363)
Balance at the end of current period	35,942	25,579
Deferred gains(losses) on hedges		
Balance at the end of previous period	323	(721)
Changes in the period		
Net changes in items other than stockholders' equity	(1,045)	254
Total changes in the period	(1,045)	254
Balance at the end of current period	(721)	(467)
Foreign currency translation adjustments		
Balance at the end of previous period	(29,482)	(21,894)
Changes in the period		
Net changes in items other than stockholders' equity	7,588	(20,416)
Total changes in the period	7,588	(20,416)
Balance at the end of current period	(21,894)	(42,311)
Total Valuation, translation adjustments and others		
Balance at the end of previous period	(11,845)	13,327
Changes in the period		
Net changes in items other than stockholders' equity	25,172	(30,526)
Total changes in the period	25,172	(30,526)
Balance at the end of current period	13,327	(17,199)
Share subscription rights		
Balance at the end of previous period	881	1,184
Changes in the period		
Net changes in items other than stockholders' equity	303	324
Total changes in the period	303	324
Balance at the end of current period	1,184	1,509
Minority interests		
Balance at the end of previous period	40,772	49,540
Changes in the period		
Net changes in items other than stockholders' equity	8,767	(439)
Total changes in the period	8,767	(439)
Balance at the end of current period	49,540	49,101

(Millions of Yen)

	FY2009	FY2010
Total net assets		
Balance at the end of previous period	1,283,251	1,328,772
Changes in the period		
Cash dividends	(16,781)	(13,425)
Net income	14,163	30,117
Change of scope of consolidation	(0)	(1,763)
Change of scope of equity method	882	18
Changes in equity interest mainly due to reorganization	12,984	-
Purchase of treasury stock	(21)	(412)
Disposal of treasury stock	49	12
Net changes in items other than stockholders' equity	34,243	(30,640)
Total changes in the period	45,521	(16,093)
Balance at the end of current period	1,328,772	1,312,678

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

	FY 2009	FY 2010
Cash flows from operating activities:		
Income before income taxes and minority interests	28,137	39,499
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities		
Depreciation and amortization	138,045	132,159
Increase (decrease) in reserve for retirement allowance	(665)	819
Interest and dividend income	(6,957)	(7,529)
Interest expense	22,632	22,471
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	2,074	(6,804)
Gain on sales of investment securities	(5,063)	(4,972)
Loss on revaluation of investment securities	-	9,519
Gain on sales of fixed assets	(10,086)	(10,870)
Loss on disposal of fixed assets	6,279	5,882
Effect of the application of the accounting standard for asset retirement obligations	-	2,012
Business structure improvement expenses	15,972	22,684
Loss on disaster	-	10,240
(Increase) decrease in receivables	136,737	82,377
(Increase) decrease in inventories and advances to suppliers	40,913	167,088
(Increase) decrease in other assets	(2,519)	(22,024)
Increase (decrease) in payables	(55,822)	(27,390)
Increase (decrease) in advance payments received on contracts	(91,386)	(54,465)
Increase (decrease) in other liabilities	(49,177)	8,297
Others	1,139	(301)
Subtotal	170,253	368,694
Interest and dividends received	8,326	9,472
Interest paid	(22,105)	(22,871)
Payments for income taxes	(38,497)	(17,490)
Net cash provided by operating activities	117,977	337,805
Cash flows from investing activities:		
Net (increase) decrease in time deposits	(607)	(154)
Purchases of property, plant, equipment and intangible assets	(183,304)	(138,099)
Proceeds from sales of property, plant, equipment and intangible assets	30,657	12,899
Purchases of investment securities	(38,841)	(16,835)
Proceeds from sales and redemption of investment securities	8,084	6,246
Disbursement of long-term loans	(15,820)	(2,729)
Collection of long-term loans	19,337	3,124
Others	(208)	(1,699)
Net cash used in investing activities	(180,704)	(137,248)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings and commercial papers	(241,103)	(32,522)
Proceeds from long-term borrowings	182,705	13,537
Repayment of long-term borrowings	(120,038)	(116,220)
Proceeds from issuance of bonds	100,000	-
Payment for redemption of bonds	(20,350)	(20,000)
Proceeds from issuance of stock to minority stockholders of subsidiaries	13,873	1,899
Dividends paid to stockholders	(16,698)	(13,351)
Dividends paid to minority stockholders of subsidiaries	(819)	(598)
Others	(2,860)	(2,537)
Net cash used in financing activities	(105,291)	(169,793)
Effect of exchange rate changes on cash and cash equivalents	3,478	(2,512)
Net increase (decrease) in cash and cash equivalents	(164,539)	28,251
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 year	261,373	288,868