

No. 1532

MHI Announces FY2011 Consolidated Financial Results

Tokyo, April 27, 2012 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for fiscal year (FY) 2011 ended March 31, 2012.

(billions of yen)

	FY2011	FY2010	Changes (%)
Orders Received	3,188.8	2,995.4	6.5
Net Sales	2,820.9	2,903.7	(2.9)
Operating Income	111.9	101.2	10.6
Ordinary Income	86.1	68.1	26.5
Income Before Taxes and Minority Interests	69.8	39.4	76.8
Net Income	24.5	30.1	(18.5)
Operating Cash Flow	200.3	337.8	
Investment Cash Flow	(47.0)	(137.2)	
Financing Cash Flow	(183.6)	(169.7)	
Net Income Per Share	7.31yen	8.97 yen	(18.5)

Figures in parentheses are minus value.

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2011	FY2010
Shipbuilding & Ocean Development	311.6	302.4
Power Systems	955.3	996.9
Machinery & Steel Infrastructure Systems	428.8	557.5
Aerospace Systems	495.9	472.2
General Machinery & Special Vehicles	381.7	343.0
Others	294.4	282.7
Eliminations or Corporate	(47.1)	(51.2)
TOTAL	2,820.9	2,903.7

Operating Income (Loss) by Operational Segment

(billions of yen)

	FY2011	FY2010
Shipbuilding & Ocean Development	(7.7)	1.8
Power Systems	85.6	83.0
Machinery & Steel Infrastructure Systems	26.3	27.0
Aerospace Systems	(10.9)	(3.4)
General Machinery & Special Vehicles	3.5	(16.6)
Others	14.9	9.3
TOTAL	111.9	101.2

Figures in parentheses are minus value.

Consolidated financial results (continued)

Estimate of Consolidated Financial Results for FY 2012

For the fiscal year 2012 ending March 31, 2013, MHI is expecting 3,000 billion yen in net sales, 120 billion yen in operating income, 80 billion yen in ordinary income, and 40 billion yen in net income. This estimate is based on the assumption of currency exchange rate of US\$ 1.00 = ¥80 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. Also, the results projected here should not be construed in any way as being guaranteed by the company.

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CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

	As of Mar.31, 2011	As of Mar.31, 2012
<u>ASSETS</u>		
Current assets:		
Cash and deposits	301,047	262,287
Trade receivables	852,645	968,064
Securities	8	1
Merchandise and finished products	175,630	155,990
Work in process	803,874	773,782
Raw materials and supplies	136,701	123,670
Deferred income taxes	161,823	180,747
Others	151,383	180,826
Allowance for doubtful receivables	(7,500)	(6,368)
Total current assets	2,575,613	2,639,003
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	355,449	342,243
Machinery and transportation equipment	251,507	234,037
Tools, equipment and furniture	39,714	38,051
Land	166,494	137,337
Leased assets	6,004	5,356
Construction in progress	42,358	40,557
Subtotal	861,528	797,584
Intangible assets	25,165	25,313
Investments and advances:		
Investment securities	321,285	309,054
Long-term loans and advances	5,180	5,478
Deferred income taxes	10,824	11,180
Others	198,938	185,708
Allowance for doubtful accounts	(9,535)	(9,335)
Subtotal	526,693	502,086
Total fixed assets	1,413,387	1,324,984
TOTAL ASSETS	3,989,001	3,963,987

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Mar.31, 2011	As of Mar.31, 2012
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	619,107	651,101
Short-term borrowings	85,488	152,344
Current portion of long-term borrowings	211,114	131,713
Current portion of bonds	14,074	69,900
Reserve for product warranties	23,123	20,812
Reserve for losses on construction contracts	50,753	77,565
Reserve for legal claims	2,167	3,936
Advance payments received on contracts	330,275	399,288
Others	197,965	208,034
Total current liabilities	1,534,070	1,714,695
Long-term liabilities:		
Debentures	330,000	250,000
Long-term borrowings	684,989	553,189
Deferred income taxes	3,607	17,832
Reserve for retirement allowance	49,842	47,002
Reserve for treatment of PCB waste	7,007	11,604
Others	66,805	63,296
Total long-term liabilities	1,142,251	942,925
TOTAL LIABILITIES	2,676,322	2,657,621
<u>NET ASSETS</u>		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus	203,939	203,942
Retained earnings	815,145	822,473
Treasury stock	(5,425)	(5,418)
Total stockholders' equity	1,279,267	1,286,606
Accumulated other comprehensive income (loss)		
Net unrealized gains on investment securities	25,579	22,082
Deferred losses on hedges	(467)	12
Foreign currency translation adjustments	(42,311)	(53,611)
Total accumulated other comprehensive income (loss)	(17,199)	(31,517)
Share subscription rights	1,509	1,868
Minority interests	49,101	49,409
TOTAL NET ASSETS	1,312,678	1,306,366
TOTAL LIABILITIES AND NET ASSETS	3,989,001	3,963,987

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2010	FY2011
Net sales	2,903,770	2,820,932
Cost of sales	2,461,857	2,375,158
Gross profit	441,913	445,774
Selling, general and administrative expenses:		
Provision of allowance for doubtful accounts	2,790	318
Directors' compensations, salaries and allowances	120,926	124,207
Research and development expenses	58,912	48,954
Expenses for inquiries	31,228	28,225
Others	126,835	132,106
Total selling, general and administrative expenses	340,693	333,812
Operating income	101,219	111,961
Non-operating income:		
Interest income	4,029	3,637
Dividend income	3,499	4,248
Equity in earnings of unconsolidated subsidiaries and affiliates	6,804	4,960
Others	5,867	5,107
Total non-operating income	20,201	17,954
Non-operating expenses:		
Interest expense	22,471	20,522
Foreign exchange loss	14,556	5,094
Loss on disposal of fixed assets	5,882	5,725
Others	10,396	12,390
Total non-operating expenses	53,307	43,733
Ordinary income	68,113	86,182
Extraordinary gain:		
Gain on sales of fixed assets	10,870	28,344
Gain on sales of investment securities	4,972	-
Total extraordinary gain	15,842	28,344
Extraordinary loss:		
Business structure improvement expenses	22,684	38,116
Expense for treatment of PCB waste	-	4,098
Loss on revaluation of investment securities	9,519	2,479
Loss on disaster	10,240	-
Effect of the application of the accounting standard for asset retirement obligations	2,012	-
Total extraordinary loss	44,456	44,695
Income before income taxes and minority interests	39,499	69,831
Income taxes		
Current	39,905	46,031
Deferred	(29,423)	(855)
Total income taxes	10,481	45,175
Income before minority interests	29,018	24,655
Minority interests in income (loss) of consolidated subsidiaries	(1,099)	114
Net income	30,117	24,540

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of Yen)

	FY2010 (From Apr.1 to Mar.31, 2011)	FY2011 (From Apr.1 to Mar.31, 2012)
Income before minority interests	29,018	24,655
Other comprehensive income (loss)		
Net unrealized gains (losses) on investment securities	(10,934)	(3,607)
Deferred gains (losses) on hedges	(262)	549
Foreign currency translation adjustments	(17,337)	(9,455)
Share of other comprehensive income (loss) of entities accounted for using the equity method	(2,676)	(2,051)
Total other comprehensive income (loss)	(31,211)	(14,565)
Comprehensive income (loss)	(2,192)	10,090
Comprehensive income (loss) attributable to		
Shareholders of the parent	(408)	10,223
Minority interests	(1,784)	(132)

Consolidated Statements of Changes in Net Assets

(Millions of Yen)

	FY2010	FY2011
Stockholders' equity		
Common stock		
Balance at the beginning of current period	265,608	265,608
Balance at the end of current period	265,608	265,608
Capital surplus		
Balance at the beginning of current period	203,938	203,939
Changes in the period		
Disposal of treasury stock	0	3
Total changes in the period	0	3
Balance at the end of current period	203,939	203,942
Retained earnings		
Balance at the beginning of current period	800,199	815,145
Changes in the period		
Cash dividends	(13,425)	(16,775)
Net income	30,117	24,540
Changes in scope of consolidation	(1,763)	19
Changes in scope of equity method application	18	(4)
Changes in fiscal year end of consolidated subsidiaries	-	(452)
Total changes in the period	14,946	7,327
Balance at the end of current period	815,145	822,473
Treasury stock		
Balance at the beginning of current period	(5,025)	(5,425)
Changes in the period		
Purchase of treasury stock	(412)	(14)
Disposal of treasury stock	12	22
Total changes in the period	(400)	7
Balance at the end of current period	(5,425)	(5,418)
Total stockholders' equity		
Balance at the beginning of current period	1,264,721	1,279,267
Changes in the period		
Cash dividends	(13,425)	(16,775)
Net income	30,117	24,540
Changes in scope of consolidation	(1,763)	19
Changes in scope of equity method application	18	(4)
Changes in fiscal year end of consolidated subsidiaries	-	(452)
Purchase of treasury stock	(412)	(14)
Disposal of treasury stock	12	25
Total changes in the period	14,546	7,338
Balance at the end of current period	1,279,267	1,286,606

(Millions of Yen)

	FY2010	FY2011
Accumulated other comprehensive income		
Net unrealized gains(losses) on investment securities		
Balance at the beginning of current period	35,942	25,579
Changes in the period		
Net changes in items other than stockholders' equity	(10,363)	(3,497)
Total changes in the period	(10,363)	(3,497)
Balance at the end of current period	25,579	22,082
Deferred gains(losses) on hedges		
Balance at the beginning of current period	(721)	(467)
Changes in the period		
Net changes in items other than stockholders' equity	254	479
Total changes in the period	254	479
Balance at the end of current period	(467)	12
Foreign currency translation adjustments		
Balance at the beginning of current period	(21,894)	(42,311)
Changes in the period		
Net changes in items other than stockholders' equity	(20,416)	(11,300)
Total changes in the period	(20,416)	(11,300)
Balance at the end of current period	(42,311)	(53,611)
Total accumulated other comprehensive income		
Balance at the beginning of current period	13,327	(17,199)
Changes in the period		
Net changes in items other than stockholders' equity	(30,526)	(14,317)
Total changes in the period	(30,526)	(14,317)
Balance at the end of current period	(17,199)	(31,517)
Share subscription rights		
Balance at the beginning of current period	1,184	1,509
Changes in the period		
Net changes in items other than stockholders' equity	324	359
Total changes in the period	324	359
Balance at the end of current period	1,509	1,868
Minority interests		
Balance at the beginning of current period	49,540	49,101
Changes in the period		
Net changes in items other than stockholders' equity	(439)	307
Total changes in the period	(439)	307
Balance at the end of current period	49,101	49,409

(Millions of Yen)

	FY2010	FY2011
Total net assets		
Balance at the beginning of current period	1,328,772	1,312,678
Changes in the period		
Cash dividends	(13,425)	(16,775)
Net income	30,117	24,540
Changes in scope of consolidation	(1,763)	19
Changes in scope of equity method application	18	(4)
Changes in fiscal year end of consolidated subsidiaries	-	(452)
Purchase of treasury stock	(412)	(14)
Disposal of treasury stock	12	25
Net changes in items other than stockholders' equity	(30,640)	(13,650)
Total changes in the period	<u>(16,093)</u>	<u>(6,312)</u>
Balance at the end of current period	<u>1,312,678</u>	<u>1,306,366</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

	FY 2010	FY 2011
Cash flows from operating activities:		
Income before income taxes and minority interests	39,499	69,831
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization	132,159	123,964
Increase (decrease) in reserve for retirement allowance	819	(2,956)
Interest and dividend income	(7,529)	(7,885)
Interest expense	22,471	20,522
(Income) loss from equity method investments	(6,804)	(4,960)
(Gain) loss on sales of investment securities	(4,972)	(123)
Loss on revaluation of investment securities	9,519	2,479
(Gain) loss on sales of fixed assets	(10,870)	(28,344)
Loss on disposal of fixed assets	5,882	5,725
Loss on the application of the accounting standards for asset retirement obligations	2,012	-
Business structure improvement expenses	22,684	38,116
Expense for treatment of PCB waste	-	4,098
Loss on disaster	10,240	-
(Increase) decrease in receivables	82,377	(123,811)
(Increase) decrease in inventories and advances to suppliers	167,088	33,945
(Increase) decrease in other assets	(22,024)	(1,733)
Increase (decrease) in payables	(27,390)	38,004
Increase (decrease) in advance payments received on contracts	(54,465)	70,284
Increase (decrease) in other liabilities	8,297	14,622
Others	(301)	4,841
Subtotal	368,694	256,621
Interest and dividends received	9,472	8,447
Interest paid	(22,871)	(20,931)
Income taxes paid	(17,490)	(43,776)
Net cash provided by operating activities	337,805	200,361
Cash flows from investing activities:		
Net (increase) decrease in time deposits	(154)	4,417
Purchases of marketable securities	-	(40,000)
Proceeds from sales and redemption of marketable securities	-	40,000
Purchases of property, plant, equipment and intangible assets	(138,099)	(117,433)
Proceeds from sales of property, plant, equipment and intangible assets	12,899	66,963
Purchases of investment securities	(16,835)	(2,763)
Proceeds from sales and redemption of investment securities	6,246	3,557
Disbursement of long-term loans	(2,729)	(1,930)
Collection of long-term loans	3,124	1,887
Others	(1,699)	(1,746)
Net cash used in investing activities	(137,248)	(47,047)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings and commercial papers	(32,522)	69,278
Proceeds from long-term borrowings	13,537	2,835
Repayment of long-term borrowings	(116,220)	(212,859)
Payment for redemption of bonds	(20,000)	(24,228)
Proceeds from issuance of stock to minority stockholders of subsidiaries	1,899	1,775
Dividends paid to stockholders	(13,351)	(16,733)
Dividends paid to minority stockholders of subsidiaries	(598)	(1,375)
Others	(2,537)	(2,306)
Net cash used in financing activities	(169,793)	(183,614)
Effect of exchange rate changes on cash and cash equivalents	(2,512)	(4,045)
Net increase (decrease) in cash and cash equivalents	28,251	(34,347)
Cash and cash equivalents at beginning of year	261,373	288,868
Increase in cash and cash equivalents due to changes in scope of consolidation	275	84
Decrease in cash and cash equivalents due to changes in scope of consolidation	(1,031)	-
Cash and cash equivalents at end of year	288,868	254,605