

Financial Results for Second Quarter FY2014

October 31, 2014

I . 2Q FY2014 Financial Results

- Summary of 2Q Financial Results** 3
- 2Q Financial Results by Segment** 4
- Balance Sheets, Main Financial Targets, Cash Flows** 5
- Orders Received & Order Backlog** 7
- Net Sales** 9
- Operating Income** 10

II . Forecast for FY2014

- Summary of Forecast for FY2014** 12
- Forecast for FY2014 by Segment** 13

III . Supplementary Information

- Supplementary Information** 15

I . 2Q FY2014 Financial Results

Summary of 2Q Financial Results

(In billion yen)

	FY2013-1H	FY2014-1H	Change
Orders received	1,565.5	1,764.1	+198.6
Net sales	1,505.5	1,759.1	+253.5
Operating income	(5.0%) 75.4	(6.7%) 118.2	+42.7
Ordinary income	(4.0%) 59.8	(7.3%) 127.9	+68.1
Extraordinary gain/loss	- 0.6	- 39.8	- 39.1
Net income	(2.2%) 32.8	(2.2%) 38.0	+5.2

Orders received:

- Orders increased in the Commercial Aviation & Transportation Systems, as well as the Machinery, Equipment & Infrastructure and the Energy & Environment domains.

Net sales:

- Sales increased mainly in the Energy & Environment and the Machinery, Equipment & Infrastructure domains, primarily reflecting the effects of the change in the accounting periods of overseas group companies, in addition to the impact of M&A.

Operating income:

- Operating income increased mainly in the Machinery, Equipment & Infrastructure and the Energy & Environment domains.

Net income:

- Net income increased, despite the booking of a loss on passenger vessel construction business(- 39.8 billion yen) as an extraordinary loss.

2Q Financial Results by Segment

(In billion yen)

	Orders received			Net sales			Operating income		
	FY2013 -1H	FY2014 -1H	Change	FY2013 -1H	FY2014 -1H	Change	FY2013 -1H	FY2014 -1H	Change
Energy & Environment	574.3	650.7	+76.4	554.6	683.1	+128.4	40.4	61.8	+21.4
Commercial Aviation & Transportation Systems	205.4	379.3	+173.9	229.3	242.5	+13.1	12.0	5.4	- 6.6
Integrated Defense & Space Systems	205.8	65.6	- 140.2	178.7	174.6	- 4.0	8.3	8.1	- 0.1
Machinery, Equipment & Infrastructure	543.5	637.4	+93.9	511.5	633.7	+122.2	18.2	42.3	+24.1
Others	92.5	95.5	+3.0	79.9	70.8	- 9.0	5.2	4.6	- 0.6
Eliminations or Corporate	- 56.2	- 64.6	- 8.4	- 48.5	- 45.8	+2.7	- 8.9	- 4.2	+4.6
Total	1,565.5	1,764.1	+198.6	1,505.5	1,759.1	+253.5	75.4	118.2	+42.7

(In billion yen)

Balance Sheets

	As of March 31, 2014	As of September 30, 2014	Change
Trade receivables	1,188.9	1,058.6	-130.2
Inventories	1,150.9	1,295.3	+144.4
Other current assets	841.0	814.4	-26.6
Total fixed assets	1,101.5	1,131.2	+29.6
Investments and advances	603.5	671.1	+67.5
Total assets	4,886.0	4,970.8	+84.7
Trade payables	801.4	719.7	-81.6
Advance payments received on contracts	567.4	611.9	+44.4
Other current liabilities	785.4	754.2	-31.1
Interest-bearing debt	957.4	973.1	+15.6
Net Assets	1,774.2	1,911.7	+137.4
Net worth	1,543.3	1,631.0	+87.6
Total liabilities and net assets	4,886.0	4,970.8	+84.7

Assets

- Trade receivables were collected more quickly following an improvement in payment terms and the further acceleration of the securitization of receivables.
- While inventories were on an upward trend mainly due to the effect of the expansion of business scale, the Group continued activities to reduce inventories.

Liabilities and Net Assets

- Net assets rose attributable primarily to an increase in income including minority interests.

(In billion yen)

Main Financial Target

	FY2013	FY2014-1H	Change
Equity ratio	31.6%	32.8%	+1.2pt
Interest-bearing debt	957.4	973.1	+15.6
D/E ratio	54%	51%	-3pt

Cash Flows

- The Group promoted an improvement in cash flows by further increasing asset efficiency through the reduction of operating capital and steps to boost earnings strength.

	FY2013-1H	FY2014-1H	Change
Operating activities	73.9	5.9	-68.0
Investing activities	-106.3	-100.4	+ 5.8
Free Cash Flow	-32.3	-94.5	-62.1

(In billion yen)

	FY2013-1H	FY2014-1H	Change
Orders Received	1,565.5	1,764.1	+198.6

	FY2013	FY2014-1H	Change
Order Backlog(*)	5,373.8	5,387.6	+13.7

(*) Contain none of mass-produced product turbocharger, air conditioners, etc.

➤ Market Trends:

- Asia : China remained sluggish, but growth was stable in general.
- Europe and the United States: The economy recovered gradually in the United States, and Europe was picking up as a whole.
- Japan: The economy was on a gradual recovery trend as a backlash against the last-minute demand due to the consumption tax hike eased, although improvement in capital investment and corporate earnings was at a standstill.

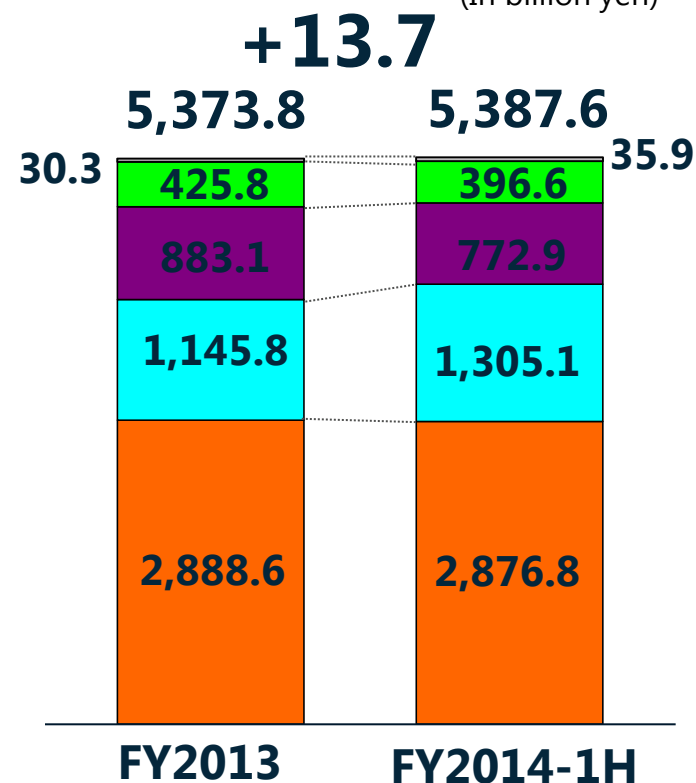
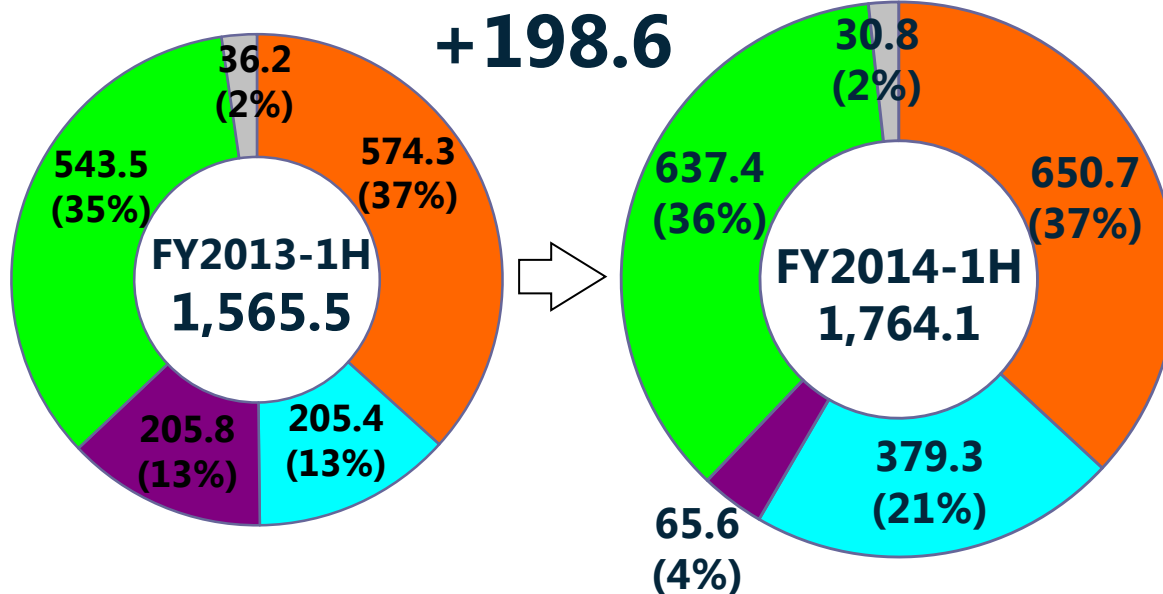
➤ The Group's initiatives to receive orders:

- The effects of M&A were gradually reflected in the thermal power generation and other businesses. Global activities to receive orders will be further accelerated toward the achievement of a ¥5 trillion enterprise.

Orders Received & Order Backlog by Segment

- Energy & Environment
- Commercial Aviation & Transportation Systems
- Integrated Defense & Space Systems
- Machinery, Equipment & Infrastructure
- Others, Eliminations or Corporate

(In billion yen)



➤ Energy & Environment

- Orders increased mainly in thermal power generation plants and other businesses, reflecting the effects of the integration of the thermal power generation business.

➤ Commercial Aviation & Transportation Systems

- Orders increased due to orders received for MRJ and others.

➤ Integrated Defense & Space Systems

-Orders remained steady compared with the plan for the current fiscal year, although orders declined from the same period of the previous fiscal year when the segment enjoyed large orders.

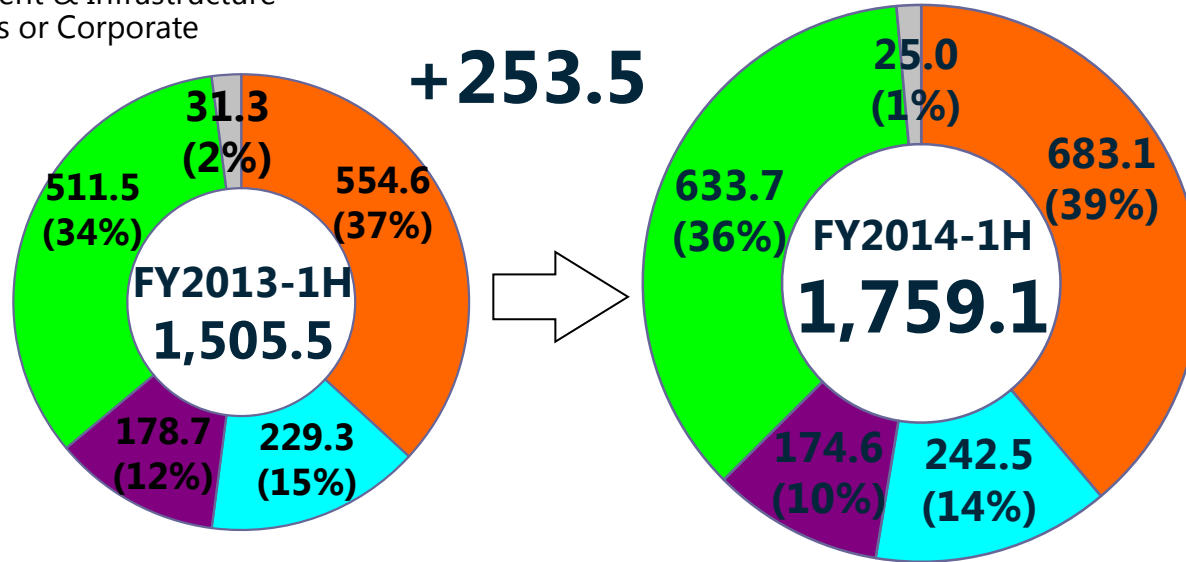
➤ Machinery, Equipment & Infrastructure

- Orders for forklift trucks (the effects of the business integration), turbochargers (Europe and China), air-conditioners (China and Europe) and other products increased.

Net Sales by Segment

(In billion yen)

- Energy & Environment
- Commercial Aviation & Transportation Systems
- Integrated Defense & Space Systems
- Machinery, Equipment & Infrastructure
- Others, Eliminations or Corporate



➤ Energy & Environment

-Sales jumped due to the effects of the integration of the thermal power generation business.

➤ Commercial Aviation & Transportation Systems

-Sales increased mainly in commercial aircraft and transportation systems.

➤ Integrated Defense & Space Systems

-Sales remained generally in line with the plan.

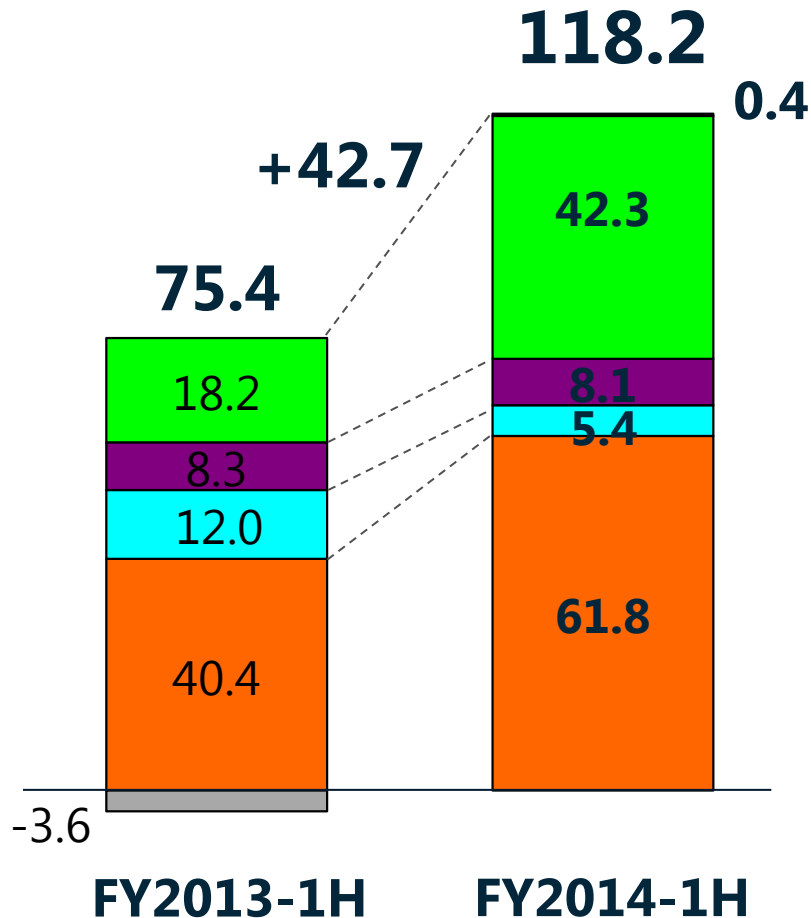
➤ Machinery, Equipment & Infrastructure

-Sales of forklift trucks (the effects of the business integration), turbochargers (Europe and China), air-conditioners (China and Europe) and other products increased noticeably.

Operating Income by Segment

(In billion yen)

- Energy & Environment
- Commercial Aviation & Transportation Systems
- Integrated Defense & Space Systems
- Machinery, Equipment & Infrastructure
- Others, Eliminations or Corporate



➤ Energy & Environment

-Operating income improved, reflecting the enhanced profitability of new thermal power generation plants and the expansion of after-sales services, in addition to higher sales, due to the effects of the integration of the thermal power generation business.

➤ Commercial Aviation & Transportation Systems

-Operating income declined, mainly reflecting the deterioration of profits in commercial ships and an increase in research and development expenses for MRJ.

➤ Integrated Defense & Space Systems

-Operating income made progress almost at the same level as in a year ago.

➤ Machinery, Equipment & Infrastructure

-Income rose with an increase in sales of turbochargers, air-conditioners, forklift trucks, etc. as well as improvement in profitability of compressors.

II . Forecast for FY2014

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 projections involve 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. Also, the results projected here should not be construed in any way as being guaranteed by the company.

Summary of Forecast for FY2014

(In billion yen)

	FY2013 (Actual)	FY2014		Change	2012 Business Plan
		(Forecast)	(Previous Forecast) 2014.7.31		
Orders received	3,420.0	4,300.0	4,150.0	+879.9 +25.7%	4,000.0
Net sales	3,349.5	4,000.0	4,000.0	+650.4 +19.4%	3,700.0
Operating income	206.1	260.0	250.0	+53.8 +26.1%	250.0
Ordinary income	183.1	230.0	230.0	+46.8 +25.6%	210.0
Net income	160.4	100.0	130.0	-60.4 -37.7%	130.0

➤ Orders received & Net sales

The Company expects growth of approximately 20% on the back of the recent M&A, and is steadily working to achieve a ¥5 trillion enterprise in the future.

➤ Operating income & Ordinary income

The targets of the 2012 Medium-Term Business Plan are expected to be achieved.

➤ Net income

The Company revised down its forecast, mainly due to the booking of loss on passenger vessel construction business as an extraordinary loss.

<undetermined amount>

US\$: 2.1 billion (4.1 billion*)

Euro: 0.4 billion (0.4 billion*)

(*)forecast at the beginning of the fiscal year

<exchange rate>

US\$ 1.00 = ¥105 (¥100*)

Euro 1.00 = ¥135 (¥130*)

(*) previous forecast

Forecast for FY2014 by Segment

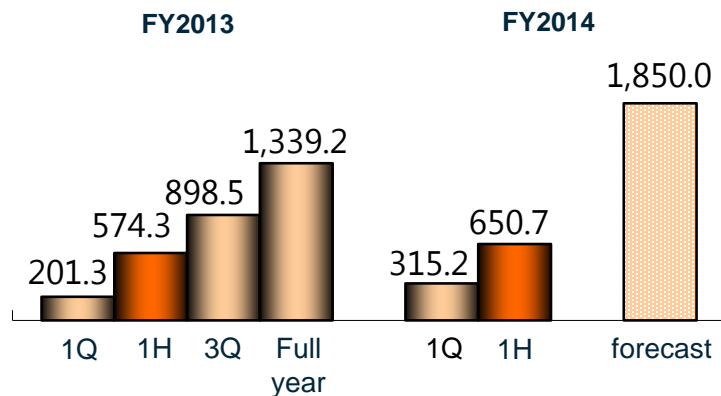
(In billion yen)

	Orders received			Net sales			Operating income		
	FY2013	FY2014		FY2013	FY2014		FY2013	FY2014	
	(Actual)	(Forecast)	(Previous Forecast) 2014.7.31	(Actual)	(Forecast)	(Previous Forecast) 2014.7.31	(Actual)	(Forecast)	(Previous Forecast) 2014.7.31
Energy & Environment	1,339.2	1,850.0	1,850.0	1,253.9	1,700.0	1,700.0	112.3	145.0	135.0
Commercial Aviation & Transportation Systems	360.3	750.0	600.0	463.6	500.0	500.0	18.3	20.0	30.0
Integrated Defense & Space Systems	547.3	350.0	350.0	469.4	450.0	450.0	27.6	27.0	27.0
Machinery, Equipment & Infrastructure	1,106.5	1,250.0	1,250.0	1,096.3	1,250.0	1,250.0	51.6	78.0	68.0
Others	183.5	200.0	200.0	185.0	200.0	200.0	14.6	10.0	13.0
Eliminations or Corporate	- 116.9	- 100.0	- 100.0	- 118.9	- 100.0	- 100.0	- 18.4	- 20.0	- 23.0
Total	3,420.0	4,300.0	4,150.0	3,349.5	4,000.0	4,000.0	206.1	260.0	250.0

III. Supplementary Information

< Energy & Environment >

(In billion yen, accumulated amount)

Orders Received**Orders received : Up ¥76.4 billion YoY**

-Orders exceeded the year-ago level due to an increase in orders for thermal power plants as a result of the effects of integration of the thermal power generation business with Hitachi, Ltd.

[Gas turbine orders] (Geographic distribution)

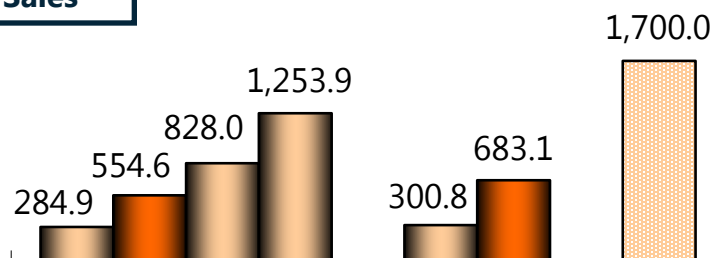
FY2013-1H : 13 units (North America 1, Asia 8, Japan 2, Others 2)

FY2014-1H : 2 units (Asia 1, Japan 1)

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

FY2013-1H : 45 units (FY2013 : 42 units)

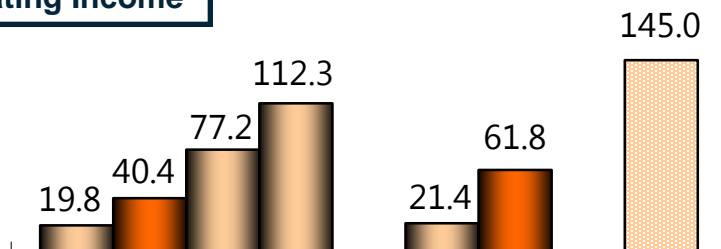
FY2014-1H : 37 units

Net Sales**Net sales : Up ¥128.4 billion YoY**

-Sales far exceeded the year-ago level due to the effects of the integration of the thermal power generation business.

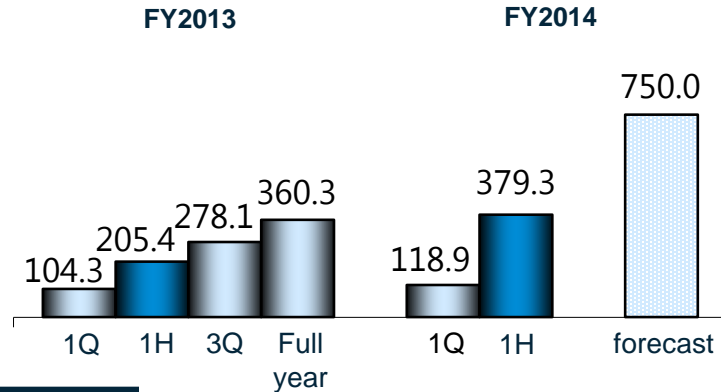
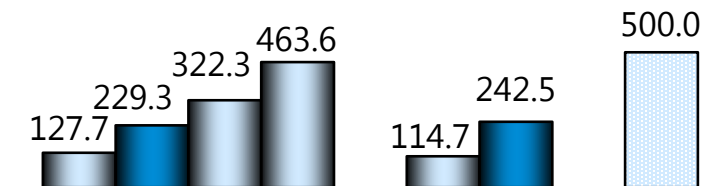
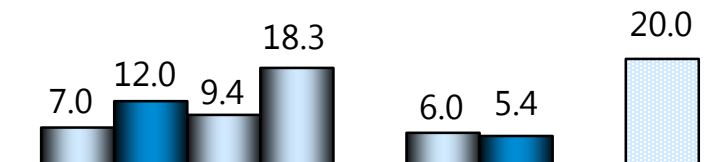
Earnings : Up ¥21.4 billion YoY

-Income increased significantly year on year, primarily reflecting the enhanced profitability of the construction work for new thermal power generation plants and the expansion of after-sales services, in addition to increased sales, due to the effects of the integration of the thermal power generation business.

Operating Income**Full-year forecast :**

-Operating income was revised from ¥135.0 billion to ¥145.0 billion.

(In billion yen, accumulated amount)

Orders Received**Net Sales****Operating Income****Orders received : Up ¥173.9 billion YoY**

-Orders increased year on year, given large orders received such as MRJ and transportation systems.

[Number of ships orders received]

FY2013-1H: 3 (1Q: 1, 2Q: 2, 3Q: 1, 4Q: 4)

FY2014-1H: 6 (1Q: 3, 2Q: 3)

[Backlog of ship orders] 43

(8 LNG carriers, 6 LPG carriers, 6 ferries/passenger and cargo ships, 8 patrol vessels and others)

Net sales : Up ¥13.1 billion YoY

-Sales increased year on year, reflecting higher sales in commercial aircraft and transportation systems.

[Number of B777s delivered]

FY2013-1H: 50 (1Q: 25, 2Q: 25, 3Q: 25, 4Q: 24)

FY2014-1H: 50 (1Q: 26, 2Q: 24)

[Number of B787s delivered]

FY2013-1H: 30 (1Q: 16, 2Q: 14, 3Q: 19, 4Q: 29)

FY2014-1H: 60 (1Q: 32, 2Q: 28)

Earnings : Down ¥6.6 billion YoY

-Income declined from a year ago mainly due to the deterioration of profits in commercial ships and an increase in research and development expenses for MRJ.

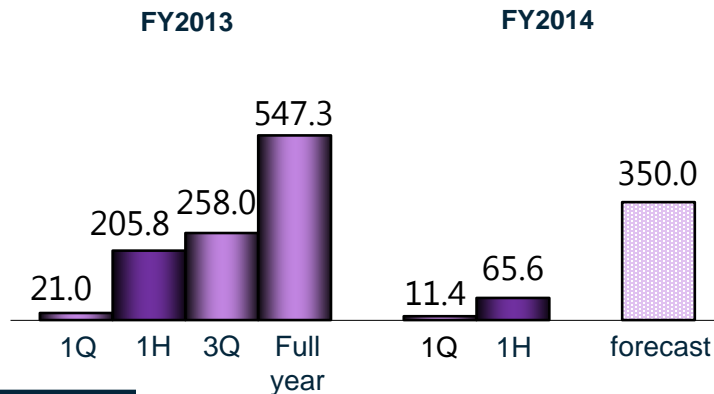
Full-year forecast :

-Orders Received was revised from ¥600.0 billion to ¥750.0 billion.

-Operating income revised from ¥30.0 billion to ¥20.0 billion.

(In billion yen, accumulated amount)

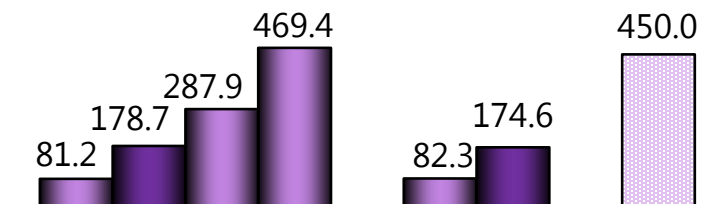
Orders Received



Orders received : Down ¥140.2 billion YoY

-Orders declined year on year due to a drop in orders for defense aircraft, naval ships, etc. that had attracted large-scale orders a year earlier.

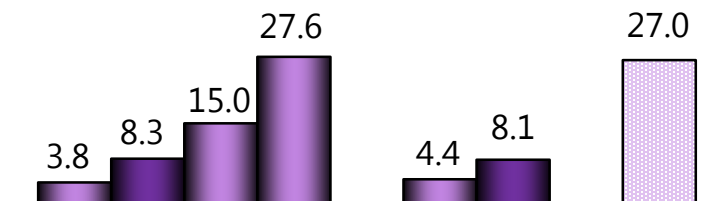
Net Sales



Net sales : Down ¥4.0 billion YoY

-Sales fell slightly below the year ago level due to a decline in sales of naval ships, despite higher sales of defense aircraft.

Operating Income

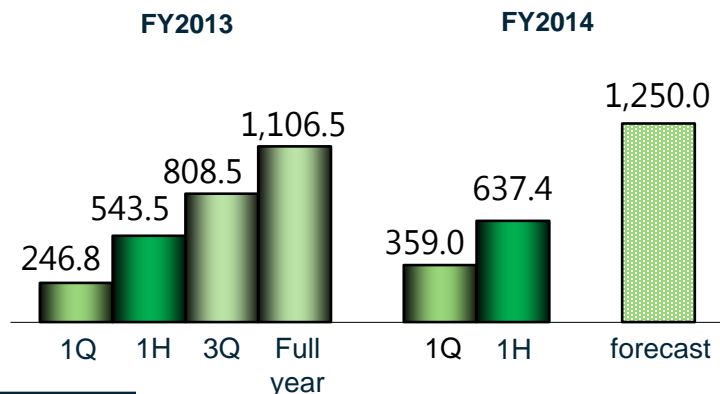


Earnings : Down ¥0.1 billion YoY

-Income was almost in line with the year ago level.

(In billion yen, accumulated amount)

Orders Received

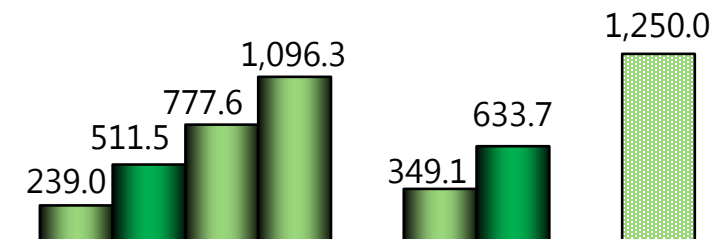


Orders received : Up ¥93.9 billion YoY

Net sales: Up 122.2 billion YoY

-Orders and sales for forklifts increased due to the effect of business integration, and those for turbochargers and air-conditioners in Europe and China increased. In addition, partly reflecting the effects of the change in the accounting periods of overseas group companies, overall orders and sales increased year on year.

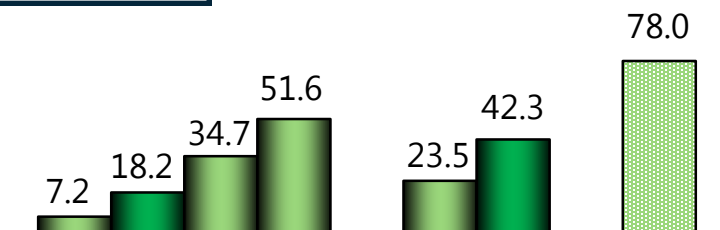
Net Sales



Earnings : Up ¥24.1 billion YoY

-Income exceeded the year-ago level due to an increase in sales of turbochargers, air-conditioners, forklift trucks, etc. as well as improvement in the profitability of compressors.

Operating Income



Full-year forecast :

-Operating income was revised from ¥68.0 billion to ¥78.0 billion.

(In billion yen)

1. R&D Expenses, Depreciation and Amortization-Capital Expenditure

	FY2013-1H	FY2014-1H	FY2014 (Forecast)
R&D Expenses	51.4	57.3	150.0
Depreciation	60.2	75.3	150.0
Capital Expenditure	61.7	75.4	150.0

2. Selling, General and Administrative expenses

	FY2013-1H	FY2014-1H
SG&A	202.9	253.3

3. Foreign Exchange Rates

(In yen)

	FY2013-1H	FY2014-1H
US\$	98.8	102.5
Euro	128.3	137.3

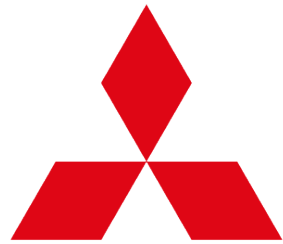
(In billion yen)

4. Overseas Sales by Region

	FY2013-1H		FY2014-1H	
Asia	280.8	(18%)	339.4	(20%)
North America	271.5	(18%)	308.4	(18%)
Europe	147.9	(10%)	178.4	(10%)
Central & South America	41.4	(3%)	52.0	(3%)
The Middle East	18.4	(1%)	60.3	(3%)
Africa	24.4	(2%)	43.0	(2%)
Oceania	11.0	(1%)	20.7	(1%)
Total	795.7	(53%)	1,002.5	(57%)

5. Segment Information by Geographic Distribution

		FY2013-1H	FY2014-1H
Japan	Net Sales	1,281.0	1,368.5
	Operating income	67.1	95.7
North America	Net Sales	178.4	201.5
	Operating income	3.4	1.2
Asia	Net Sales	102.4	207.7
	Operating income	4.9	16.9
Europe	Net Sales	70.8	164.3
	Operating income	0.0	3.7
Others	Net Sales	11.8	21.3
	Operating income	-0.1	0.6
Eliminations or Corporate	Net Sales	-138.9	-204.5
	Operating income	-	-
Total	Net Sales	1,505.5	1,759.1
	Operating income	75.4	118.2



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Our Technologies, Your Tomorrow

A thick red horizontal line that starts as a thin stroke on the left and tapers into a pointed arrowhead on the right, positioned below the tagline.