

No. 1982

MHI Announces FY2015 Consolidated Financial Results

Tokyo, May 9, 2016 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for fiscal year (FY) 2015 ended March 31, 2016.

(billions of yen)

| | FY2015 | FY2014 | Changes (%) |
|---|------------------|---------------|-------------|
| Orders Received | 4,485.5 | 4,699.1 | (4.5) |
| Net Sales | 4,046.8 | 3,992.1 | 1.4 |
| Operating Income | 309.5 | 296.1 | 4.5 |
| Ordinary Income | 272.5 | 274.7 | (0.8) |
| Income Before Taxes and Minority Interests | 132.6 | 232.6 | (43.0) |
| Profit Attributable to Owners of Parent | 63.8 | 110.4 | (42.2) |
| Operating Cash Flow | 270.0 | 212.8 | |
| Investment Cash Flow | (262.4) | (174.1) | |
| Financing Cash Flow | (23.1) | (45.8) | |
| Profit Attributable to Owners of Parent Per Share | 19.02 yen | 32.90 yen | (42.2) |

Figures in parentheses are negative.

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

| | FY2015 | FY2014 |
|--|----------------|---------|
| Energy & Environment | 1,542.7 | 1,599.5 |
| Commercial Aviation & Transportation Systems | 548.5 | 529.5 |
| Integrated Defense & Space Systems | 485.0 | 483.9 |
| Machinery, Equipment & Infrastructure | 1,432.3 | 1,347.4 |
| Others | 177.3 | 154.9 |
| Eliminations or Corporate | (139.2) | (123.3) |
| TOTAL | 4,046.8 | 3,992.1 |

Operating Income (Loss) by Operational Segment

(billions of yen)

| | FY2015 | FY2014 |
|--|---------------|--------|
| Energy & Environment | 154.6 | 162.6 |
| Commercial Aviation & Transportation Systems | 54.5 | 23.4 |
| Integrated Defense & Space Systems | 25.7 | 28.5 |
| Machinery, Equipment & Infrastructure | 80.0 | 87.7 |
| Others | 12.6 | 10.3 |
| Eliminations or Corporate | (18.1) | (16.6) |
| TOTAL | 309.5 | 296.1 |

Figures in parentheses are negative.

Consolidated financial results (continued)

Estimate of Consolidated Financial Results for FY 2016

For the fiscal year 2016 ending March 31, 2017, MHI is expecting 4,400 billion yen in net sales, 350 billion yen in operating income, 330 billion yen in ordinary income, and 130 billion yen in profit attributable to owners of parent. This estimate is based on the assumption of currency exchange rate of US\$ 1.00 = ¥110 and €1.00 = ¥125 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, 2015 | As of Mar. 31, 2016 |
|--|------------------------|------------------------|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and deposits | 367,415 | 310,523 |
| Trade receivables | 1,291,278 | 1,205,689 |
| Merchandise and finished products | 182,281 | 184,657 |
| Work in process | 985,570 | 991,408 |
| Raw materials and supplies | 157,010 | 156,313 |
| Deferred income taxes | 150,939 | 137,428 |
| Others | 429,027 | 547,848 |
| Allowance for doubtful accounts | (11,519) | (7,694) |
| Total current assets | 3,552,002 | 3,526,173 |
| Fixed assets: | | |
| Property, plant and equipment: | | |
| Buildings and structures | 377,804 | 397,292 |
| Machinery and transportation equipment | 259,358 | 257,306 |
| Tools, equipment and furniture | 49,451 | 56,570 |
| Land | 184,691 | 197,898 |
| Leased assets | 4,856 | 3,334 |
| Construction in progress | 78,635 | 75,497 |
| Subtotal | 954,797 | 987,900 |
| Intangible assets: | | |
| Goodwill | 95,588 | 145,605 |
| Others | 145,925 | 132,468 |
| Subtotal | 241,513 | 278,074 |
| Investments and advances: | | |
| Investment securities | 583,496 | 534,287 |
| Long-term loans and advances | 19,422 | 4,946 |
| Asset for retirement benefits | 67,377 | 27,459 |
| Deferred income taxes | 15,495 | 15,808 |
| Others | 97,808 | 125,601 |
| Allowance for doubtful accounts | (11,558) | (8,452) |
| Subtotal | 772,043 | 699,650 |
| Total fixed assets | 1,968,354 | 1,965,625 |
| TOTAL ASSETS | 5,520,357 | 5,491,799 |

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

| | As of Mar. 31, 2015 | As of Mar. 31, 2016 |
|--|------------------------|------------------------|
| <u>LIABILITIES</u> | | |
| Current liabilities: | | |
| Trade payables | 794,780 | 763,761 |
| Electronically recorded obligations | 74,430 | 96,888 |
| Short-term borrowings | 177,780 | 293,131 |
| Current portion of long-term borrowings | 54,985 | 61,715 |
| Commercial papers | 95,000 | 45,000 |
| Current portion of bonds | - | 20,000 |
| Income taxes payable | 30,113 | 18,091 |
| Reserve for product warranties | 15,796 | 15,128 |
| Reserve for loss on construction contracts | 59,529 | 56,866 |
| Reserve for loss on passenger vessel construction business | 105,280 | 72,842 |
| Reserve for stock benefits | - | 98 |
| Advance payments received on contracts | 663,176 | 749,747 |
| Others | 358,359 | 404,661 |
| Total current liabilities | 2,429,232 | 2,597,931 |
| Long-term liabilities: | | |
| Bonds | 245,000 | 245,000 |
| Long-term borrowings | 402,822 | 387,302 |
| Deferred income taxes | 105,536 | 63,903 |
| Reserve for stock benefits | - | 966 |
| Reserve for treatment of PCB waste | 9,845 | 7,258 |
| Liability for retirement benefits | 129,008 | 124,890 |
| Others | 78,896 | 66,467 |
| Total long-term liabilities | 971,109 | 895,789 |
| TOTAL LIABILITIES | 3,400,342 | 3,493,720 |
| <u>NET ASSETS</u> | | |
| Stockholders' equity: | | |
| Common stock | 265,608 | 265,608 |
| Capital surplus | 204,039 | 203,951 |
| Retained earnings | 1,148,268 | 1,173,053 |
| Treasury stock | (5,249) | (4,771) |
| Total stockholders' equity | 1,612,668 | 1,637,842 |
| Accumulated other comprehensive income (loss) | | |
| Net unrealized gains (losses) on investment securities | 81,499 | 40,108 |
| Deferred gains (losses) on hedges | 802 | 3,044 |
| Foreign currency translation adjustments | 68,413 | 17,762 |
| Remeasurements of defined benefit plans | 17,383 | (18,998) |
| Total accumulated other comprehensive income (loss) | 168,100 | 41,917 |
| Share subscription rights | 3,129 | 2,616 |
| Non-controlling interests | 336,117 | 315,702 |
| TOTAL NET ASSETS | 2,120,014 | 1,998,078 |
| TOTAL LIABILITIES AND NET ASSETS | 5,520,357 | 5,491,799 |

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

| | FY2014 | FY2015 |
|---|------------------|------------------|
| Net sales | 3,992,110 | 4,046,810 |
| Cost of sales | 3,161,157 | 3,184,596 |
| Gross profit | 830,953 | 862,213 |
| Selling, general and administrative expenses: | | |
| Provision of allowance for doubtful accounts | 1,119 | (958) |
| Directors' compensations, salaries and allowances | 185,890 | 192,802 |
| Research and development expenses | 77,540 | 89,030 |
| Expenses for inquiries | 41,496 | 43,684 |
| Others | 228,765 | 228,147 |
| Total selling, general and administrative expenses | 534,812 | 552,707 |
| Operating income | 296,140 | 309,506 |
| Non-operating income: | | |
| Interest income | 7,324 | 6,602 |
| Dividend income | 5,539 | 8,975 |
| Income from equity method investments | - | 5,647 |
| Foreign exchange gain | 13,862 | - |
| Others | 3,284 | 6,828 |
| Total non-operating income | 30,011 | 28,053 |
| Non-operating expenses: | | |
| Interest expense | 15,365 | 13,338 |
| Foreign exchange loss | - | 21,908 |
| Loss from equity method investments | 14,128 | - |
| Loss on disposal of fixed assets | 6,312 | 12,959 |
| Others | 15,557 | 16,853 |
| Total non-operating expenses | 51,364 | 65,060 |
| Ordinary income | 274,787 | 272,500 |
| Extraordinary gain: | | |
| Gain on negative goodwill | - | 6,867 |
| Gain on sales of fixed assets | 3,960 | 5,663 |
| Gain on revision of retirement benefit plan | - | 2,208 |
| Gain on changes in equity interest | 17,157 | - |
| Gain on return of assets from retirement benefits trust | 11,986 | - |
| Gain on sales of investment securities | 10,787 | - |
| Total extraordinary gain | 43,892 | 14,738 |
| Extraordinary loss: | | |
| Loss on passenger vessel construction business reserve | 69,534 | 103,911 |
| Business structure improvement expenses | 16,449 | 47,251 |
| Impairment loss | - | 3,393 |
| Total extraordinary loss | 85,983 | 154,556 |
| Income before income taxes | 232,697 | 132,682 |
| Income taxes | | |
| Current | 73,222 | 50,379 |
| Deferred | 27,921 | 5,651 |
| Total income taxes | 101,143 | 56,031 |
| Profit | 131,553 | 76,650 |
| Profit attributable to non-controlling interests | 21,141 | 12,816 |
| Profit attributable to owners of parent | 110,412 | 63,834 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of Yen)

| | FY2014 | FY2015 |
|--|----------------|------------------|
| Profit | 131,553 | 76,650 |
| Other comprehensive income (loss) | | |
| Net unrealized gains (losses) on investment securities | 38,632 | (42,469) |
| Deferred gains (losses) on hedges | 1,111 | 418 |
| Foreign currency translation adjustments | 32,988 | (51,910) |
| Remeasurements of defined benefit plans | 48,677 | (35,066) |
| Share of other comprehensive income (loss) of entities accounted for using the equity method | 4,417 | (6,249) |
| Total other comprehensive income (loss) | 125,827 | (135,277) |
| Comprehensive income (loss) | 257,381 | (58,626) |
| Comprehensive income (loss) attributable to | | |
| Owners of parent | 230,686 | (62,348) |
| Non-controlling interests | 26,694 | 3,721 |

Consolidated Statements of Changes in Net Assets

(Millions of Yen)

| | FY2014 | FY2015 |
|---|-----------|-----------|
| 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 | 203,978 | 204,039 |
| Changes in the period | | |
| Change in treasury shares of parent arising from transactions with non-controlling shareholder | - | (211) |
| Disposal of treasury stock | 61 | 123 |
| Total changes in the period | 61 | (87) |
| Balance at the end of current period | 204,039 | 203,951 |
| Retained earnings | | |
| Balance at the beginning of current period | 1,031,371 | 1,148,268 |
| Cumulative effects of changes in accounting policie | 49,547 | - |
| Restated balance | 1,080,918 | 1,148,268 |
| Changes in the period | | |
| Cash dividends | (30,199) | (40,275) |
| Profit attributable to owners of parent | 110,412 | 63,834 |
| Changes in scope of consolidation | (12,862) | (461) |
| Changes in scope of equity method application | - | 1,687 |
| Total changes in the period | 67,350 | 24,784 |
| Balance at the end of current period | 1,148,268 | 1,173,053 |
| Treasury stock | | |
| Balance at the beginning of current period | (5,385) | (5,249) |
| Changes in the period | | |
| Purchase of treasury stock | (32) | (32) |
| Disposal of treasury stock | 168 | 509 |
| Total changes in the period | 136 | 477 |
| Balance at the end of current period | (5,249) | (4,771) |
| Total stockholders' equity | | |
| Balance at the beginning of current period | 1,495,573 | 1,612,668 |
| Cumulative effects of changes in accounting policie | 49,547 | - |
| Restated balance | 1,545,120 | 1,612,668 |
| Changes in the period | | |
| Cash dividends | (30,199) | (40,275) |
| Profit attributable to owners of parent | 110,412 | 63,834 |
| Changes in scope of consolidation | (12,862) | (461) |
| Changes in scope of equity method application | - | 1,687 |
| Change in treasury shares of parent arising from transactions with non-controlling shareholder | - | (211) |
| Purchase of treasury stock | (32) | (32) |
| Disposal of treasury stock | 230 | 633 |
| Total changes in the period | 67,547 | 25,174 |
| Balance at the end of current period | 1,612,668 | 1,637,842 |

(Millions of Yen)

| | FY2014 | FY2015 |
|--|----------|-----------|
| Accumulated other comprehensive income | | |
| Net unrealized gains (losses) on investment securities | | |
| Balance at the beginning of current period | 43,188 | 81,499 |
| Changes in the period | | |
| Net changes in items other than stockholders' equity | 38,311 | (41,390) |
| Total changes in the period | 38,311 | (41,390) |
| Balance at the end of current period | 81,499 | 40,108 |
| Deferred gains (losses) on hedges | | |
| Balance at the beginning of current period | (1,001) | 802 |
| Changes in the period | | |
| Net changes in items other than stockholders' equity | 1,804 | 2,241 |
| Total changes in the period | 1,804 | 2,241 |
| Balance at the end of current period | 802 | 3,044 |
| Foreign currency translation adjustments | | |
| Balance at the beginning of current period | 34,658 | 68,413 |
| Changes in the period | | |
| Net changes in items other than stockholders' equity | 33,754 | (50,651) |
| Total changes in the period | 33,754 | (50,651) |
| Balance at the end of current period | 68,413 | 17,762 |
| Remeasurements of defined benefit plan | | |
| Balance at the beginning of current period | (29,019) | 17,383 |
| Changes in the period | | |
| Net changes in items other than stockholders' equity | 46,403 | (36,382) |
| Total changes in the period | 46,403 | (36,382) |
| Balance at the end of current period | 17,383 | (18,998) |
| Total accumulated other comprehensive income | | |
| Balance at the beginning of current period | 47,825 | 168,100 |
| Changes in the period | | |
| Net changes in items other than stockholders' equity | 120,274 | (126,182) |
| Total changes in the period | 120,274 | (126,182) |
| Balance at the end of current period | 168,100 | 41,917 |
| Share subscription rights | | |
| Balance at the beginning of current period | 2,635 | 3,129 |
| Changes in the period | | |
| Net changes in items other than stockholders' equity | 493 | (512) |
| Total changes in the period | 493 | (512) |
| Balance at the end of current period | 3,129 | 2,616 |
| Non-controlling interests | | |
| Balance at the beginning of current period | 228,188 | 336,117 |
| Changes in the period | | |
| Net changes in items other than stockholders' equity | 107,929 | (20,415) |
| Total changes in the period | 107,929 | (20,415) |
| Balance at the end of current period | 336,117 | 315,702 |

(Millions of Yen)

| | FY2014 | FY2015 |
|--|-----------|-----------|
| Total net assets | | |
| Balance at the beginning of current period | 1,774,223 | 2,120,014 |
| Cumulative effects of changes in accounting policie | 49,547 | - |
| Restated balance | 1,823,770 | 2,120,014 |
| Changes in the period | | |
| Cash dividends | (30,199) | (40,275) |
| Profit attributable to owners of parent | 110,412 | 63,834 |
| Changes in scope of consolidation | (12,862) | (461) |
| Changes in scope of equity method application | - | 1,687 |
| Change in treasury shares of parent | | |
| arising from transactions with non-controlling shareholder | - | (211) |
| Purchase of treasury stock | (32) | (32) |
| Disposal of treasury stock | 230 | 633 |
| Net changes in items other than stockholders' equity | 228,696 | (147,110) |
| Total changes in the period | 296,244 | (121,936) |
| Balance at the end of current period | 2,120,014 | 1,998,078 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

| | FY 2014 | FY 2015 |
|---|------------------|------------------|
| Cash flows from operating activities: | | |
| Income before income taxes | 232,697 | 132,682 |
| Adjustments to reconcile income before income taxes to net cash provided by operating activities: | | |
| Depreciation and amortization of intangible assets | 157,010 | 158,706 |
| Impairment loss | - | 3,393 |
| Amoritization of goodwill | 11,937 | 11,416 |
| Gain on negative goodwill | - | (6,867) |
| Increase (decrease) in liability for retirement benefit | (2,409) | (7,820) |
| Interest and dividend income | (12,864) | (15,577) |
| Interest expense | 15,365 | 13,338 |
| (Income) loss from equity method investments | 14,128 | (5,647) |
| (Gain) loss on changes in equity interest | (17,157) | - |
| (Gain) loss on sales of investment securities | (10,787) | - |
| (Gain) loss on sales of fixed assets | (3,960) | (5,663) |
| Loss on disposal of fixed assets | 6,312 | 12,959 |
| Gain on revision of retirement benefit plan | - | (2,208) |
| Business structure improvement expenses | 16,449 | 47,251 |
| Loss on passenger vessel construction business reserve | 69,534 | 103,911 |
| Gain on return of assets from retirement benefits trust | (11,986) | - |
| (Increase) decrease in receivables | 29,145 | 75,764 |
| (Increase) decrease in inventories and advances to suppliers | (156,049) | (116,847) |
| (Increase) decrease in other assets | (8,798) | (202,252) |
| Increase (decrease) in payables | 5,373 | (3,228) |
| Increase (decrease) in advance payments received on contracts | 24,934 | 107,093 |
| Increase (decrease) in other liabilities | (17,341) | (4,214) |
| Others | 2,507 | 19,090 |
| Subtotal | 344,040 | 315,280 |
| Interest and dividends received | 18,905 | 18,393 |
| Interest paid | (15,960) | (13,800) |
| Income taxes paid | (134,151) | (49,870) |
| Net cash provided by operating activities | 212,834 | 270,002 |
| Cash flows from investing activities: | | |
| Net (increase) decrease in time deposits | (2,230) | (2,180) |
| Purchases of property, plant, equipment and intangible assets | (163,402) | (161,160) |
| Proceeds from sales of property, plant, equipment and intangible assets | 14,378 | 12,535 |
| Purchases of investment securities | (50,319) | (13,112) |
| Proceeds from sales and redemption of investment securities | 29,758 | 11,055 |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | - | (105,425) |
| Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation | - | 9,574 |
| Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation | 2,573 | - |
| Payment for sales of investments in subsidiaries resulting in change in scope of consolidation | - | (6,369) |
| Payments for transfer of business | - | (2,708) |
| Disbursement of long-term loans | (18,275) | (6,240) |
| Collection of long-term loans | 15,498 | 4,259 |
| Others | (2,130) | (2,706) |
| Net cash used in investing activities | (174,149) | (262,479) |
| Cash flows from financing activities: | | |
| Net increase (decrease) in short-term borrowings and commercial papers | 57,256 | 20,506 |
| Proceeds from long-term borrowings | 97,115 | 44,889 |
| Repayment of long-term borrowings | (188,683) | (58,859) |
| Proceeds from issuance of bonds | 70,000 | 20,000 |
| Payment for redemption of bonds | (70,000) | - |
| Proceeds from issuance of stock to non-controlling shareholders | 25,228 | 4,144 |
| Dividends paid to stockholders | (30,139) | (40,269) |
| Dividends paid to non-controlling shareholders | (4,133) | (10,494) |
| Purchase of investments in subsidiaries resulting in no change in scope of consolidation | - | (571) |
| Others | (2,516) | (2,452) |
| Net cash used in financing activities | (45,872) | (23,106) |
| Effect of exchange rate changes on cash and cash equivalents | (945) | (35,194) |
| Net increase (decrease) in cash and cash equivalents | (8,133) | (50,778) |
| Cash and cash equivalents at beginning of year | 370,710 | 357,349 |
| Increase in cash and cash equivalents due to changes in scope of consolidation | - | 649 |
| Decrease in cash and cash equivalents due to changes in scope of consolidation | (10,845) | (6,953) |
| Increase in cash and cash equivalents from corporate partition | 5,617 | - |
| Cash and cash equivalents at end of period | 357,349 | 300,267 |

No. 1983

MHI Announces FY2015 Non-Consolidated Financial Results

Tokyo, May 9, 2016 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **non-consolidated** financial results for fiscal year (FY) 2015 ended March 31, 2016.

(billions of yen)

| | FY2015 | FY2014 | Changes (%) |
|----------------------------|------------------|---------------|-------------|
| Orders Received | 1,619.9 | 1,698.9 | (4.7) |
| Net Sales | 1,474.9 | 1,537.1 | (4.0) |
| Operating Income | 128.8 | 105.8 | 21.8 |
| Ordinary Income | 143.0 | 105.5 | 35.5 |
| Income Before Income Taxes | (1.4) | 34.5 | (104.3) |
| Net Income | 3.1 | 18.7 | (83.0) |
| Net Income Per Share | 0.95 yen | 5.58 yen | (83.0) |
| Dividend Per Share | 12.00 yen | 11.00 yen | |

Figures in parentheses are negative.

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NON-CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

| | As of Mar.31, 2015 | As of Mar.31, 2016 |
|--|-----------------------|-----------------------|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and deposits | 147,968 | 101,622 |
| Trade notes receivable | 1,565 | 890 |
| Trade accounts receivable | 591,829 | 441,344 |
| Merchandise and finished products | 15,035 | 13,252 |
| Work in process | 453,027 | 406,265 |
| Raw materials and supplies | 56,731 | 60,867 |
| Advances to suppliers | 71,825 | 79,167 |
| Prepaid expenses | 860 | 1,290 |
| Deferred income taxes | 72,133 | 67,120 |
| Short-term loans receivable from subsidiaries and affiliates | 160,755 | 357,186 |
| Others | 181,008 | 176,492 |
| Allowance for doubtful accounts | (59) | (51) |
| Total current assets | 1,752,681 | 1,705,449 |
| Fixed assets: | | |
| Property, plant and equipment: | | |
| Buildings | 199,713 | 205,080 |
| Structures | 18,867 | 18,090 |
| Docks and facilities for shipbuilding | 2,769 | 2,350 |
| Machinery | 93,047 | 88,631 |
| Vessels | 138 | 106 |
| Aircraft | 2 | 2 |
| Vehicles and transportation equipment | 1,952 | 2,458 |
| Tools, equipment and furniture | 23,539 | 26,592 |
| Land | 100,096 | 97,770 |
| Leased assets | 19,689 | 18,607 |
| Construction in progress | 24,599 | 29,634 |
| Subtotal | 484,416 | 489,324 |
| Intangible assets | | |
| Software | 8,204 | 11,168 |
| Right of using facilities | 375 | 243 |
| Leased assets | 106 | 132 |
| Others | 48 | 68 |
| Subtotal | 8,736 | 11,612 |
| Investments and advances: | | |
| Investment securities | 334,612 | 282,513 |
| Investments in shares of subsidiaries and affiliates | 647,711 | 721,342 |
| Investments in capital | 15 | 14 |
| Investments in capital of subsidiaries and affiliates | 74,351 | 80,749 |
| Long-term loans receivable from employees | 40 | 33 |
| Long-term loans receivable from subsidiaries and affiliates | 80,784 | 34,327 |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 2,163 | 1,044 |
| Long-term prepaid expense | 4,501 | 4,736 |
| Prepaid pension cost | 32,936 | 44,153 |
| Long-term receivables | 23,264 | 236 |
| Others | 42,345 | 45,821 |
| Allowance for doubtful accounts | (12,495) | (1,910) |
| Subtotal | 1,230,233 | 1,213,063 |
| Total fixed assets | 1,723,386 | 1,714,001 |
| TOTAL ASSETS | 3,476,067 | 3,419,451 |

NON-CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

| | As of Mar.31, 2015 | As of Mar.31, 2016 |
|--|-----------------------|-----------------------|
| <u>LIABILITIES</u> | | |
| Current liabilities: | | |
| Electronically recorded obligations | 52,886 | 46,931 |
| Trade accounts payable | 341,999 | 338,543 |
| Short-term borrowings | 400,823 | 445,297 |
| Current portion of long-term borrowings | 46,978 | 45,978 |
| Commercial papers | 95,000 | 45,000 |
| Current portion of bonds | - | 20,000 |
| Lease obligations | 1,480 | 1,495 |
| Accrued payables | 24,399 | 27,852 |
| Accrued expenses | 96,612 | 116,764 |
| Advance payments received on contracts | 325,761 | 379,974 |
| Deposits received | 21,132 | 32,550 |
| Reserve for product warranties | 44 | 288 |
| Reserve for loss on construction contracts | 23,927 | 14,592 |
| Reserve for loss on passenger vessel construction business | 105,280 | 72,842 |
| Reserve for legal claims | 105 | - |
| Reserve for stock benefits | - | 98 |
| Others | 2,323 | 2,496 |
| Total current liabilities | 1,538,753 | 1,590,705 |
| Long-term liabilities: | | |
| Bonds | 245,000 | 245,000 |
| Long-term borrowings | 354,416 | 347,989 |
| Lease obligations | 18,445 | 17,237 |
| Deferred income taxes | 19,663 | 270 |
| Reserve for stock benefits | - | 696 |
| Reserve for treatment of PCB waste | 9,341 | 6,624 |
| Asset retirement obligations | 2,856 | 2,823 |
| Others | 24,460 | 21,509 |
| Total long-term liabilities | 674,184 | 642,150 |
| TOTAL LIABILITIES | 2,212,937 | 2,232,856 |
| <u>NET ASSETS</u> | | |
| Stockholders' equity: | | |
| Common stock | 265,608 | 265,608 |
| Capital surplus: | | |
| Capital reserve | 203,536 | 203,536 |
| Other capital reserve | 185 | 2,806 |
| Total capital surplus | 203,721 | 206,342 |
| Retained earnings: | | |
| Legal reserve | 66,363 | 66,363 |
| Revenue reserve: | | |
| Reserve for specified business restructuring investment loss | 90,125 | 92,151 |
| Reserve for reduction in costs of fixed assets | 44,890 | 44,739 |
| Reserve for accelerated depreciation | 1,306 | 3,023 |
| General reserves | 460,000 | 460,000 |
| Earned surplus brought forward | 61,524 | 19,321 |
| Total Retained earnings | 724,209 | 685,598 |
| Treasury stock | (5,244) | (2,969) |
| Total stockholders' equity | 1,188,296 | 1,154,580 |
| Valuation, translation adjustments and others | | |
| Net unrealized gains (losses) on investment securities | 71,789 | 28,746 |
| Deferred gains (losses) on hedges | - | 763 |
| Total Valuation, translation adjustments and others | 71,789 | 29,510 |
| Share subscription rights | 3,044 | 2,504 |
| TOTAL NET ASSETS | 1,263,130 | 1,186,595 |
| TOTAL LIABILITIES AND NET ASSETS | 3,476,067 | 3,419,451 |

NON-CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

| | FY2014 | FY2015 |
|---|------------------|------------------|
| Net sales | 1,537,157 | 1,474,990 |
| Cost of sales | 1,316,816 | 1,226,023 |
| Gross profit | 220,341 | 248,967 |
| Selling, general and administrative expenses: | | |
| Provision of allowance for doubtful accounts | 475 | 494 |
| Directors' compensations, salaries and allowances | 40,574 | 40,444 |
| Depreciation | 10,909 | 5,777 |
| Research and development expenses | 21,829 | 35,530 |
| Commission fee | 21,233 | 22,682 |
| Expenses for inquiries | 11,258 | 8,659 |
| Others | 8,254 | 6,496 |
| Total selling, general and administrative expenses | 114,536 | 120,084 |
| Operating income | 105,804 | 128,882 |
| Non-operating income: | | |
| Interest income | 2,392 | 3,545 |
| Dividend income | 26,853 | 40,561 |
| Gain on sales of investment securities | - | 1,633 |
| Others | 974 | 1,582 |
| Total non-operating income | 30,220 | 47,322 |
| Non-operating expenses: | | |
| Interest expense | 9,240 | 8,418 |
| Interest on bonds | 3,188 | 2,988 |
| Foreign exchange loss | 4,243 | 6,901 |
| Loss on disposal of fixed assets | 4,246 | 4,782 |
| Litigation expenses | 3,654 | 4,595 |
| Others | 5,864 | 5,460 |
| Total non-operating expenses | 30,437 | 33,146 |
| Ordinary income | 105,588 | 143,059 |
| Extraordinary gain: | | |
| Gain on sales of fixed assets | 4,310 | 5,067 |
| Gain on return of assets from retirement benefits trust | 11,986 | - |
| Gain on sales of investment securities | 11,572 | - |
| Total extraordinary gain | 27,869 | 5,067 |
| Extraordinary loss: | | |
| Loss on passenger vessel construction business reserve | 69,534 | 103,911 |
| Business structure improvement expenses | 5,119 | 28,489 |
| Loss on revaluation of investment securities | 24,205 | 17,195 |
| Total extraordinary loss | 98,858 | 149,597 |
| Income (loss) before income taxes | 34,599 | (1,470) |
| Income taxes | | |
| Current | (14,397) | (8,941) |
| Deferred | 30,285 | 4,296 |
| Total income taxes | 15,888 | (4,645) |
| Profit | 18,710 | 3,174 |

Non-consolidated Statements of Changes in Net Assets

(Millions of Yen)

| | FY2014 | FY2015 |
|---|---------|---------|
| 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 | | |
| Capital reserve | | |
| Balance at the beginning of current period | 203,536 | 203,536 |
| Balance at the end of current period | 203,536 | 203,536 |
| Other capital reserve | | |
| Balance at the beginning of current period | 124 | 185 |
| Changes in the period | | |
| Disposal of treasury stock | 61 | 2,620 |
| Total changes in the period | 61 | 2,620 |
| Balance at the end of current period | 185 | 2,806 |
| Total capital surplus | | |
| Balance at the beginning of current period | 203,660 | 203,721 |
| Changes in the period | | |
| Disposal of treasury stock | 61 | 2,620 |
| Total changes in the period | 61 | 2,620 |
| Balance at the end of current period | 203,721 | 206,342 |
| Retained earnings | | |
| Legal reserve | | |
| Balance at the beginning of current period | 66,363 | 66,363 |
| Balance at the end of current period | 66,363 | 66,363 |
| Revenue reserve | | |
| Reserve for specified business restructuring investment loss | | |
| Balance at the beginning of current period | - | 90,125 |
| Changes in the period | | |
| Provision of reserve for specified business restructuring investment loss | 90,125 | 2,026 |
| Total changes in the period | 90,125 | 2,026 |
| Balance at the end of current period | 90,125 | 92,151 |
| Reserve for reduction in costs of fixed assets | | |
| Balance at the beginning of current period | 43,713 | 44,890 |
| Changes in the period | | |
| Provision of reserve for reduction in costs of fixed assets | 2,212 | 3,168 |
| Reversal of reserve for reduction in costs of fixed assets | (1,035) | (3,319) |
| Total changes in the period | 1,176 | (150) |
| Balance at the end of current period | 44,890 | 44,739 |
| Reserve for accelerated depreciation | | |
| Balance at the beginning of current period | - | 1,306 |
| Changes in the period | | |
| Provision of reserve for accelerated depreciation | 1,306 | 1,930 |
| Reversal of reserve for accelerated depreciation | - | (213) |
| Total changes in the period | 1,306 | 1,716 |
| Balance at the end of current period | 1,306 | 3,023 |

(Millions of Yen)

| | FY2014 | FY2015 |
|---|-----------|-----------|
| General reserves | | |
| Balance at the beginning of current period | 460,000 | 460,000 |
| Balance at the end of current period | 460,000 | 460,000 |
| Earned surplus brought forward | | |
| Balance at the beginning of current period | 126,647 | 61,524 |
| Cumulative effects of changes in accounting policies | 38,973 | - |
| Restated balance | 165,621 | 61,524 |
| Changes in the period | | |
| Provision of reserve for specified business restructuring investment loss | (90,125) | (2,026) |
| Provision of reserve for reduction in costs of fixed assets | (2,212) | (3,168) |
| Reversal of reserve for reduction in costs of fixed assets | 1,035 | 3,319 |
| Provision of reserve for accelerated depreciation | (1,306) | (1,930) |
| Reversal of reserve for accelerated depreciation | - | 213 |
| Cash dividends | (30,199) | (40,312) |
| Profit | 18,710 | 3,174 |
| Decrease by corporate division | - | (1,472) |
| Total changes in the period | (104,097) | (42,202) |
| Balance at the end of current period | 61,524 | 19,321 |
| Total retained earnings | | |
| Balance at the beginning of current period | 696,724 | 724,209 |
| Cumulative effects of changes in accounting policies | 38,973 | - |
| Restated balance | 735,698 | 724,209 |
| Changes in the period | | |
| Cash dividends | (30,199) | (40,312) |
| Profit | 18,710 | 3,174 |
| Decrease by corporate division | - | (1,472) |
| Total changes in the period | (11,488) | (38,610) |
| Balance at the end of current period | 724,209 | 685,598 |
| Treasury stock | | |
| Balance at the beginning of current period | (5,380) | (5,244) |
| Changes in the period | | |
| Purchase of treasury stock | (32) | (28) |
| Disposal of treasury stock | 168 | 2,302 |
| Total changes in the period | 136 | 2,274 |
| Balance at the end of current period | (5,244) | (2,969) |
| Total stockholders' equity | | |
| Balance at the beginning of current period | 1,160,613 | 1,188,296 |
| Cumulative effects of changes in accounting policies | 38,973 | - |
| Restated balance | 1,199,587 | 1,188,296 |
| Changes in the period | | |
| Cash dividends | (30,199) | (40,312) |
| Profit | 18,710 | 3,174 |
| Purchase of treasury stock | (32) | (28) |
| Disposal of treasury stock | 230 | 4,923 |
| Decrease by corporate division | - | (1,472) |
| Total changes in the period | (11,291) | (33,715) |
| Balance at the end of current period | 1,188,296 | 1,154,580 |

(Millions of Yen)

| | FY2014 | FY2015 |
|---|-----------|-----------|
| Valuation, translation adjustments and others | | |
| Net unrealized gains(losses) on investment securities | | |
| Balance at the beginning of current period | 36,500 | 71,789 |
| Changes in the period | | |
| Net changes in items other than stockholders' equity | 35,289 | (43,042) |
| Total changes in the period | 35,289 | (43,042) |
| Balance at the end of current period | 71,789 | 28,746 |
| Deferred gains(losses) on hedges | | |
| Balance at the beginning of current period | (6) | - |
| Changes in the period | | |
| Net changes in items other than stockholders' equity | 6 | 763 |
| Total changes in the period | 6 | 763 |
| Balance at the end of current period | - | 763 |
| Total Valuation, translation adjustments and others | | |
| Balance at the beginning of current period | 36,493 | 71,789 |
| Changes in the period | | |
| Net changes in items other than stockholders' equity | 35,296 | (42,279) |
| Total changes in the period | 35,296 | (42,279) |
| Balance at the end of current period | 71,789 | 29,510 |
| Share subscription rights | | |
| Balance at the beginning of current period | 2,592 | 3,044 |
| Changes in the period | | |
| Net changes in items other than stockholders' equity | 451 | (540) |
| Total changes in the period | 451 | (540) |
| Balance at the end of current period | 3,044 | 2,504 |
| Total net assets | | |
| Balance at the beginning of current period | 1,199,700 | 1,263,130 |
| Cumulative effects of changes in accounting policies | 38,973 | - |
| Restated balance | 1,238,673 | 1,263,130 |
| Changes in the period | | |
| Cash dividends | (30,199) | (40,312) |
| Profit | 18,710 | 3,174 |
| Purchase of treasury stock | (32) | (28) |
| Disposal of treasury stock | 230 | 4,923 |
| Decrease by corporate division | - | (1,472) |
| Net changes in items other than stockholders' equity | 35,747 | (42,819) |
| Total changes in the period | 24,456 | (76,535) |
| Balance at the end of current period | 1,263,130 | 1,186,595 |