

# Financial Results for Second Quarter FY2013

October 31, 2013

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# I. Second Quarter FY2013 Financial Results

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# Summary of Second Quarter Financial Results

(In billion yen)

	FY2012-1H	FY2013-1H	Change
Orders received	1,005.2	1,565.5	+560.3
Net sales	1,325.4	1,505.5	+180.1
Operating income	47.2	75.4	+28.2
Ordinary income	30.4	59.8	+29.4
Extraordinary income/loss	-2.6	-0.6	+2.0
Income before income taxes	27.7	59.1	+31.4
Net income	19.1	32.8	+13.6

**Orders received** ⇒ Up **¥560.3 billion YoY** (¥1,005.2 bn → ¥1,565.5 bn)

-Orders significantly exceeded the year-ago level due to an increase in orders in all divisions, including Power Systems, which received large orders.

**Net Sales** ⇒ Up **¥180.1 billion YoY** (¥1,325.4 bn → ¥1,505.5 bn)

-Sales increased from a year ago, thanks to progress in the depreciation of the yen, the fiscal year-end change in overseas group companies, and effects associated with business integration.

**Operating Income** ⇒ Up **¥28.2 billion YoY** (¥47.2 bn → ¥75.4 bn)

-Operating income exceeded the year-ago level due to an increase in income in Aerospace Systems and Shipbuilding & Ocean Development, etc., despite a decline in income in Power Systems.

# Second Quarter Financial Results by Segment



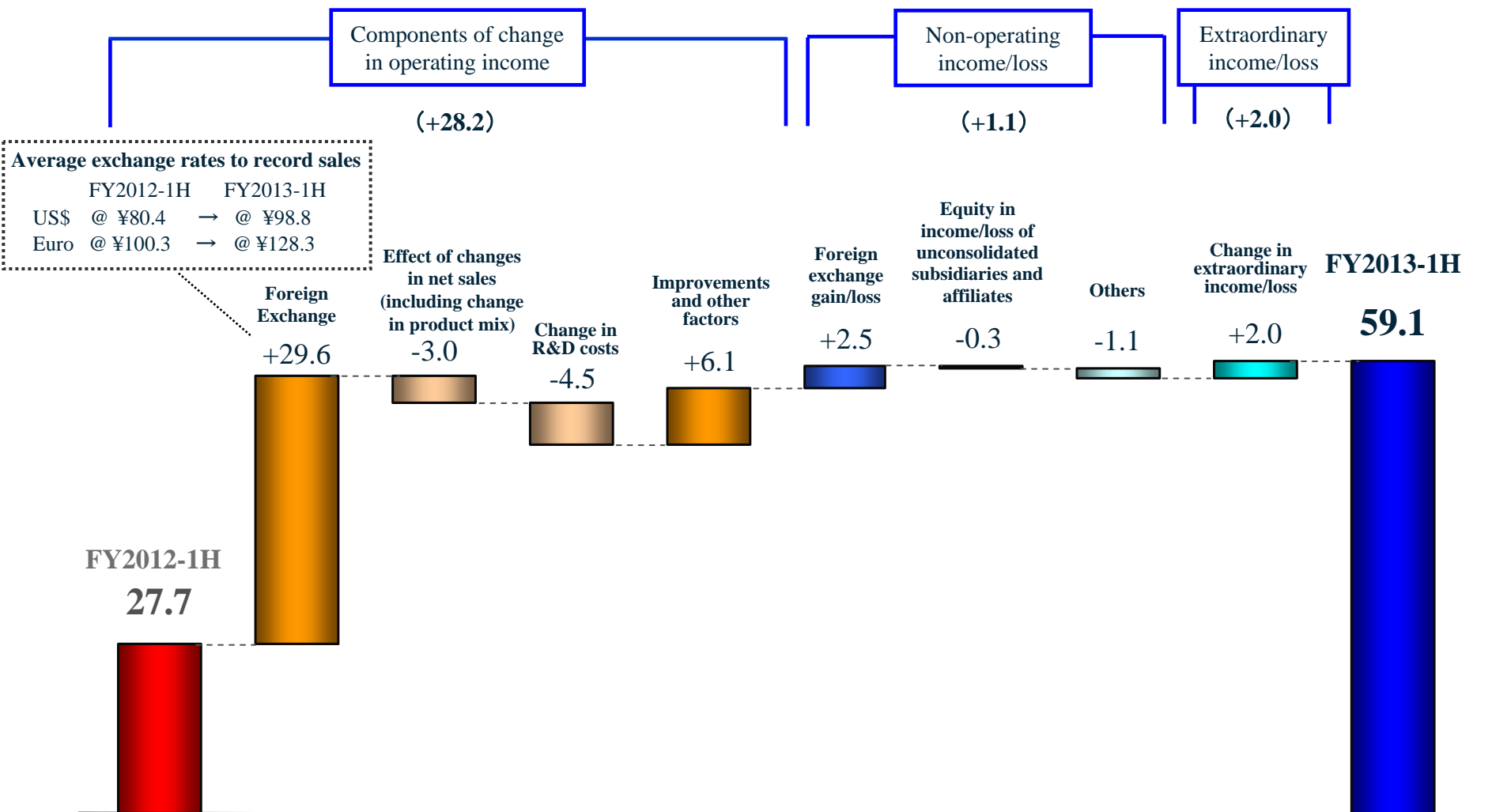
(In billion yen)

	Orders received			Net sales			Operating income		
	FY2012-1H	FY2013-1H	Change	FY2012-1H	FY2013-1H	Change	FY2012-1H	FY2013-1H	Change
Shipbuilding & Ocean Development	39.2	109.1	+69.8	132.6	103.8	- 28.8	- 6.3	0.4	+6.7
Power Systems	298.9	526.7	+227.8	479.0	508.2	+29.1	43.6	36.8	- 6.7
Machinery & Steel Infrastructure Systems	197.0	272.7	+75.6	204.1	228.7	+24.5	7.6	13.0	+5.4
Aerospace Systems	158.6	269.0	+110.3	190.3	271.3	+81.0	0.7	18.7	+18.0
General Machinery & Special Vehicles	181.6	241.0	+59.3	193.8	249.0	+55.2	4.9	9.2	+4.2
Air-Conditioning & Refrigeration Systems	78.7	96.7	+17.9	79.1	95.4	+16.3	- 0.4	1.7	+2.2
Machine Tool	22.6	24.6	+1.9	28.3	24.5	- 3.7	2.2	- 0.8	- 3.1
Others	58.8	81.8	+23.0	79.5	71.7	- 7.8	3.8	5.1	+1.3
Others	160.2	203.1	+42.9	187.0	191.7	+4.7	5.6	6.0	+0.3
Eliminations or Corporate	- 30.6	- 56.2	- 25.5	- 61.6	- 47.3	+14.3	- 9.0	- 8.9	+0.0
<b>Total</b>	<b>1,005.2</b>	<b>1,565.5</b>	<b>+560.3</b>	<b>1,325.4</b>	<b>1,505.5</b>	<b>+180.1</b>	<b>47.2</b>	<b>75.4</b>	<b>+28.2</b>

# Components of Change in Income before Income Taxes

Up ¥31.4 billion YoY ( ¥27.7 bn → ¥59.1 bn )

(In billion yen)



▪ **Ordinary Income** (Up ¥29.4 billion YoY ( ¥30.4 bn → ¥59.8 bn ))  
(In billion yen)

	FY2012-1H	FY2013-1H	Change
<b>Operating income</b>	<b>47.2</b>	<b>75.4</b>	<b>+ 28.2</b>
Foreign exchange gains	-10.6	-8.0	+ 2.5
Net interest loss	-5.2	-4.1	+ 1.0
Equity in gain of unconsolidated subsidiaries and affiliates	0.5	0.1	- 0.3
Others	-1.5	-3.6	- 2.1
<b>Non-operating income/loss</b>	<b>-16.8</b>	<b>-15.6</b>	<b>+ 1.1</b>
<b>Ordinary income</b>	<b>30.4</b>	<b>59.8</b>	<b>+ 29.4</b>

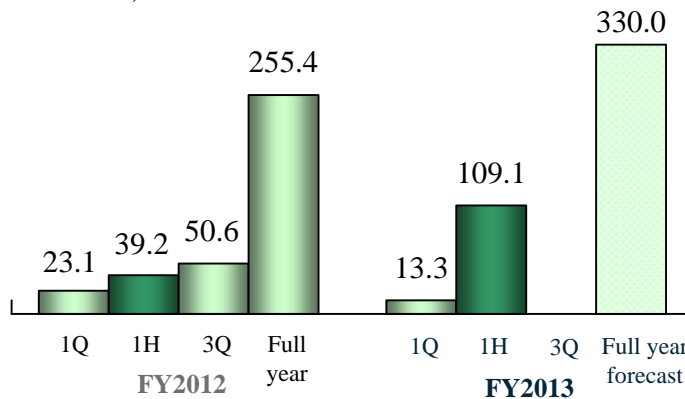
▪ **Extraordinary Income/Loss** (Up ¥2.0 billion YoY ( - ¥2.6 bn → - ¥0.6 bn ))  
(In billion yen)

	FY2012-1H	FY2013-1H	Change
Gain on sales of investment securities	6.8	-	- 6.8
Gain on negative goodwill	-	4.7	+ 4.7
Gain on changes in equity interest	-	1.6	+ 1.6
<b>Extraordinary income</b>	<b>6.8</b>	<b>6.4</b>	<b>- 0.3</b>
Business structure improvement expenses	-	- 2.4	- 2.4
Loss on revaluation of investment securities	- 9.5	-	+ 9.5
Impairment losses	-	- 4.6	- 4.6
<b>Extraordinary loss</b>	<b>- 9.5</b>	<b>- 7.1</b>	<b>+ 2.3</b>
<b>Extraordinary income/loss</b>	<b>- 2.6</b>	<b>- 0.6</b>	<b>+ 2.0</b>

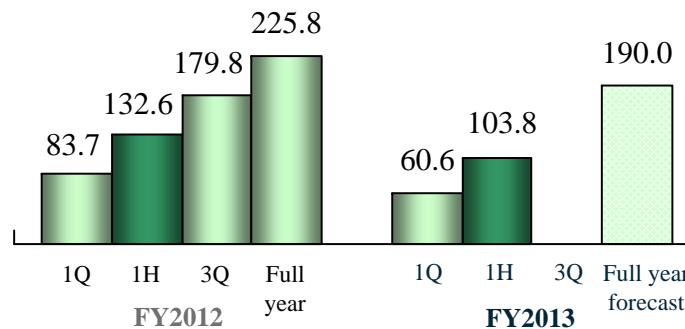
# < Shipbuilding & Ocean Development >

(In billion yen, accumulated amount)

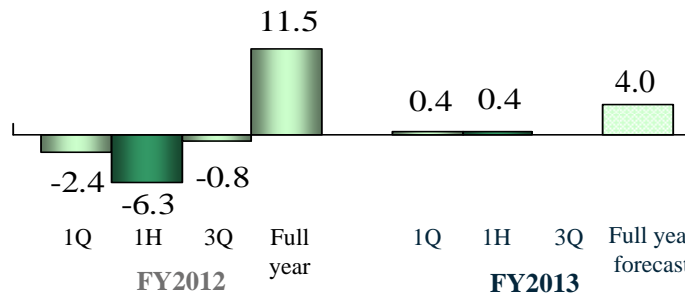
## Orders Received



## Net Sales



## Operating Income



### Orders received : Up ¥69.8 billion YoY

-Orders increased from a year ago as a result of orders for naval ships and wide-area seabed research vessels, etc.

We will focus on activities to receive orders for the engineering business and value-added vessels such as LNG carriers for which shipbuilding demand is rising by increasing use of natural gases.

[Number of ships orders received]

FY2012-1H: 3 (1Q: 1, 2Q: 2, 3Q: 2, 4Q: 24)

FY2013-1H: 5 (1Q: 1, 2Q: 4)

[Backlog of ship orders] 45

(10 LNG carriers, 8 ferries/passenger and cargo ships, 7 patrol vessels, 3 seismic vessels, 3 container ships, 3 pure car carriers, 3 roll-on/roll-off vessels, 2 cruise ships and others)

### Net sales/Earnings : Increased earnings (+ ¥6.7 billion YoY) on decreased sales (-¥28.8 billion YoY)

-We delivered a total of 5 vessels, including 1 seismic vessel, 1 research vessel, 1 container ship, 1 patrol vessel and 1 fisheries patrol vessel.

[Number of ships delivered]

FY2012-1H: 14 (1Q: 9, 2Q: 5, 3Q: 0, 4Q: 10)

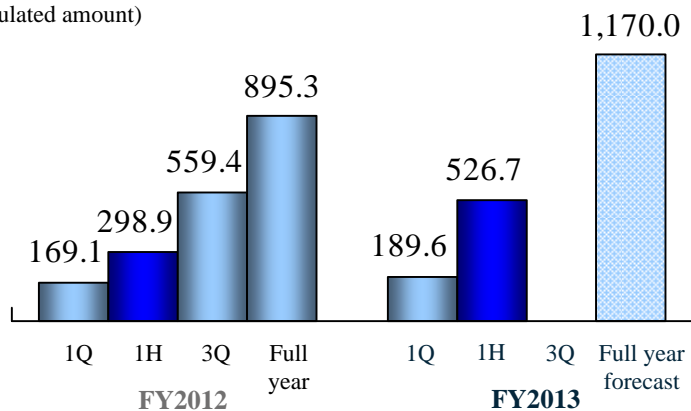
FY2013-1H: 5 (1Q: 2, 2Q: 3)

-Earnings increased from a year ago, due mainly to the effects of the depreciation of the yen.

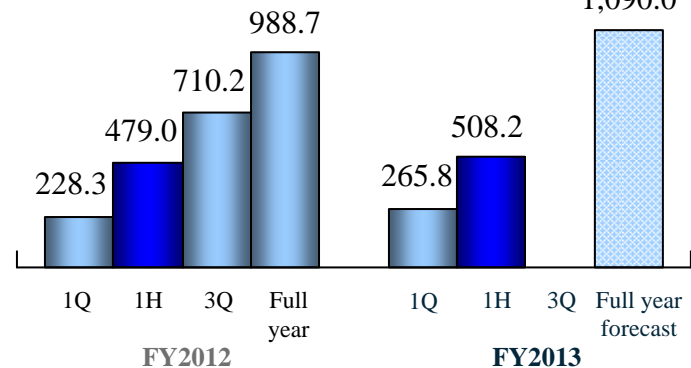


(In billion yen, accumulated amount)

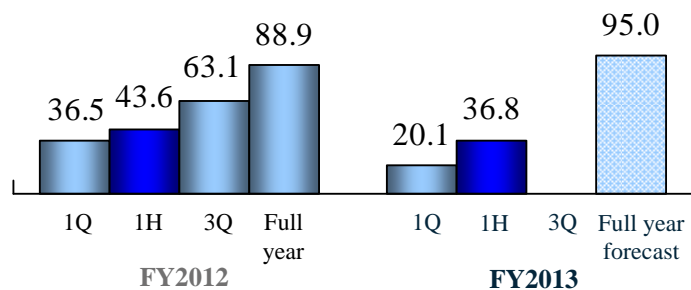
**Orders Received**



**Net Sales**



**Operating Income**



**Orders received : Up ¥227.8 billion YoY**

-Orders increased significantly from a year ago, mainly attributable to large orders for the GTCC in Taiwan and Thailand.

[Gas turbine orders]

FY2012-1H : 4 units (Geographic distribution : North America 3, Asia 1)

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

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

FY2012-2Q: 54 (FY2012: 45)

FY2013-2Q: 45

**Net sales/Earnings : Decreased earnings (- ¥6.7 billion YoY) on increased sales (+ ¥29.1 billion YoY)**

-Sales exceeded the year-ago level, mainly due to higher sales of the GTCC.

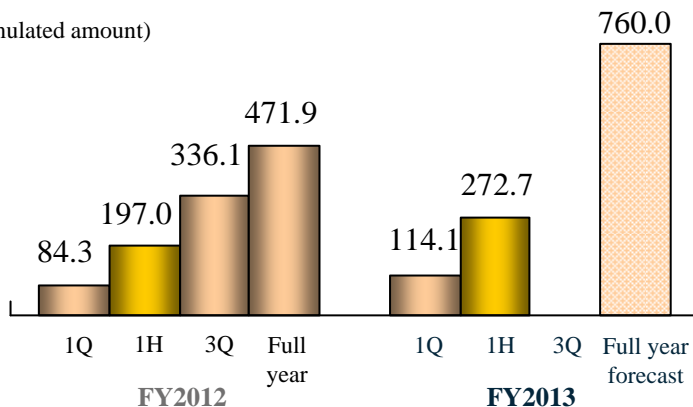
-Earnings declined from a year ago, primarily reflecting the concentration of profitable projects for the GTCC and conventional plants in the same period of the previous fiscal year.

GTCC: Gas Turbine Combined Cycle

# < Machinery & Steel Infrastructure Systems >

(In billion yen, accumulated amount)

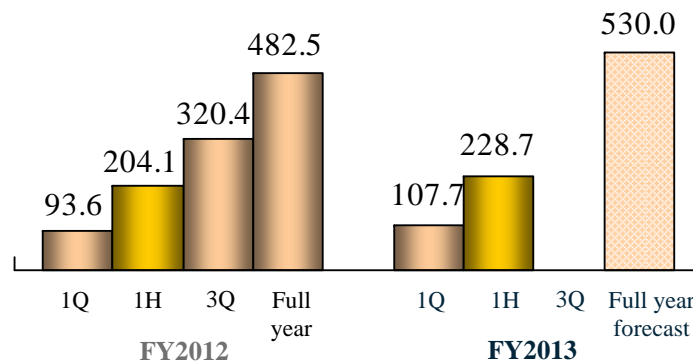
**Orders Received**



**Orders received : Up ¥75.6 billion YoY**

-Orders increased from a year ago chiefly due to higher orders for chemical plants for which there were large orders in Russia, and for compressors and environmental systems.

**Net Sales**

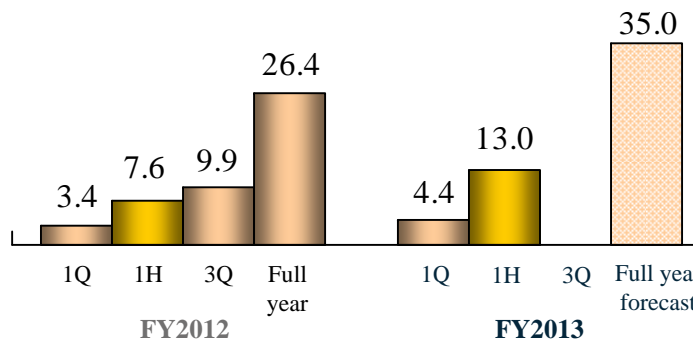


**Net sales/Earnings : Increased earnings (+ ¥5.4 billion YoY) on increased sales (+ ¥24.5 billion YoY)**

-Sales increased from a year ago, primarily reflecting increases in chemical plants and compressors.

-Earnings increased from a year ago due to higher sales.

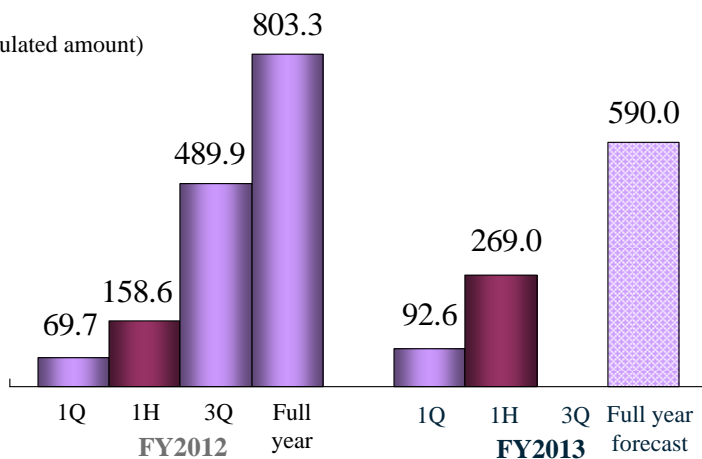
**Operating Income**



# < Aerospace Systems >

(In billion yen, accumulated amount)

## Orders Received



**Orders received : Up ¥110.3 billion YoY**

**Net sales : Up ¥81.0 billion YoY**

-Orders and sales exceeded the year-ago level attributable to rises in orders related to all of commercial aircraft, space and defense.

[Number of B777s delivered]

FY2012-1H: 42 (1Q: 21, 2Q: 21, 3Q: 24, 4Q: 24)

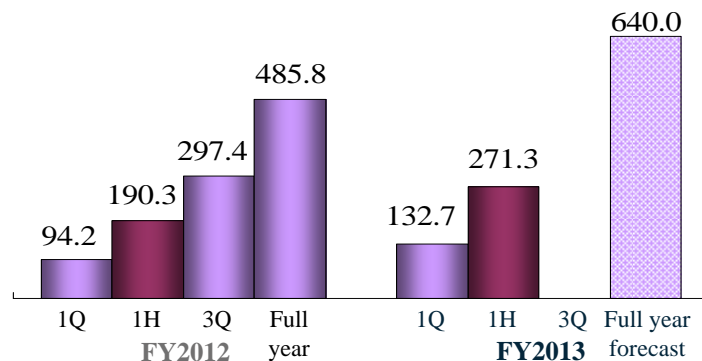
FY2013-1H: 50 (1Q: 25, 2Q: 25)

[Number of B787s delivered]

FY2012-1H: 22 (1Q: 11, 2Q: 11, 3Q: 14, 4Q: 16)

FY2013-1H: 30 (1Q: 16, 2Q: 14)

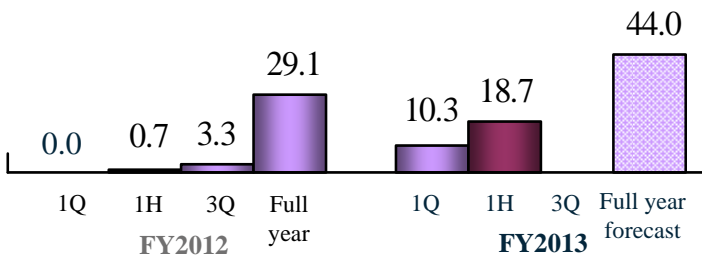
## Net Sales



**Earnings : Up ¥18.0 billion YoY**

-Earnings rose significantly from a year ago, as profitability improved mainly in commercial aircraft due to an improvement in production efficiency and the effect of the depreciation of the yen.

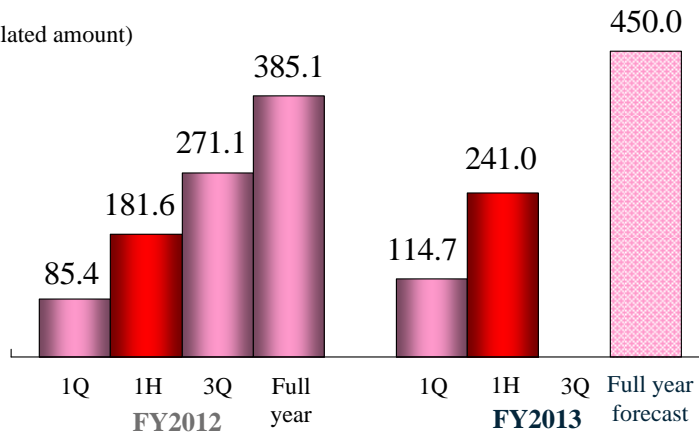
## Operating Income



# < General Machinery & Special Vehicles >

(In billion yen, accumulated amount)

## Orders Received

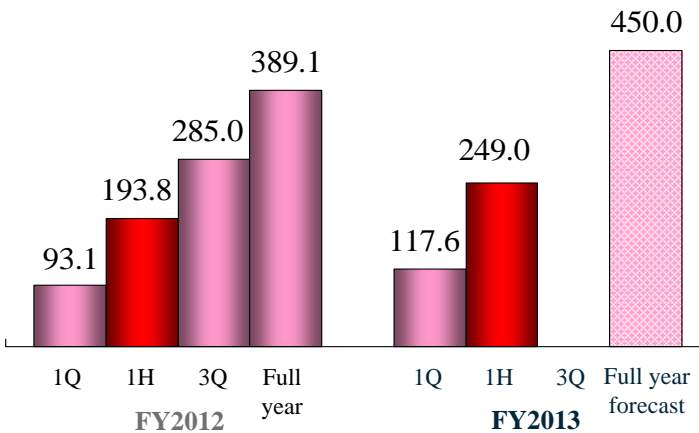


**Orders received : Up ¥59.3 billion YoY**

**Net sales : Up ¥55.2 billion YoY**

-Orders and sales increased from a year ago due to an increase in forklift trucks for the business integration with Nippon Yusoki Co., Ltd. and a rise in turbochargers for China and North America.

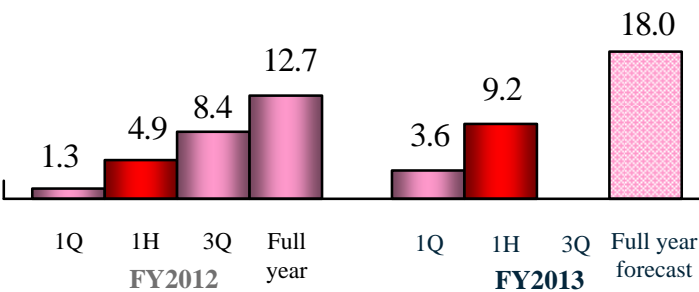
## Net Sales



**Earnings : Up ¥4.2 billion YoY**

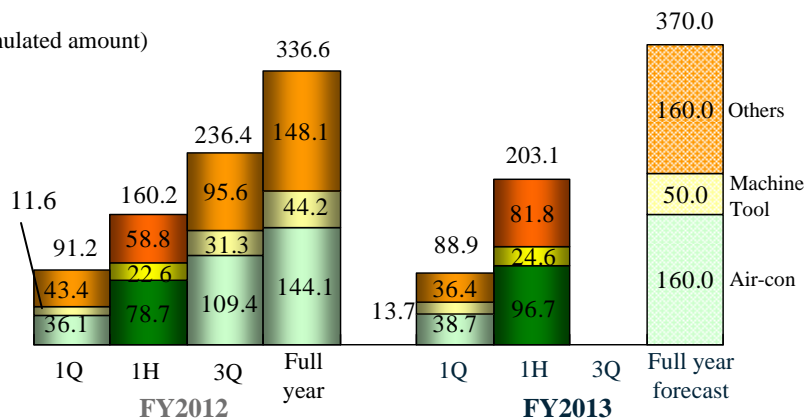
-Earnings increased from a year ago, reflecting higher sales of forklift trucks, the strong performance of turbochargers, and the effect of the depreciation of the yen.

## Operating Income



(In billion yen, accumulated amount)

**Orders Received**



**Air-Conditioning & Refrigeration Systems**

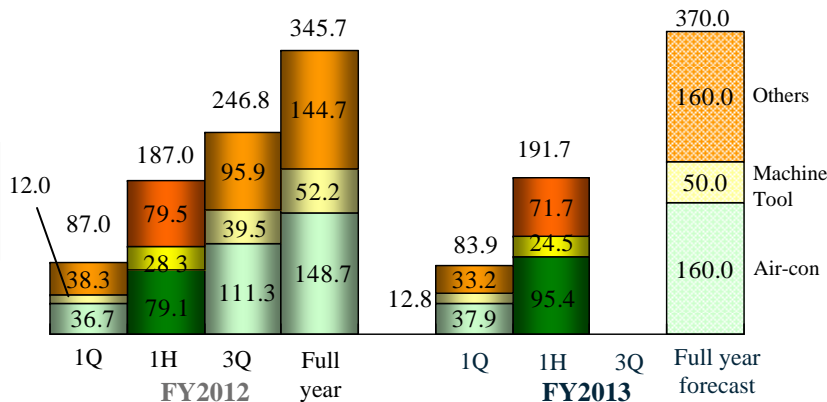
Orders received : Up ¥17.9 billion YoY

Net sales : Up ¥16.3 billion YoY

–Orders and sales rose from a year ago primarily with increases in air-conditioners for China and Asia and automotive thermal systems for Latin America due to growth in demand.

Earnings : Up ¥2.2 billion YoY

**Net Sales**



**Machine Tool**

Orders received : Up ¥1.9 billion YoY

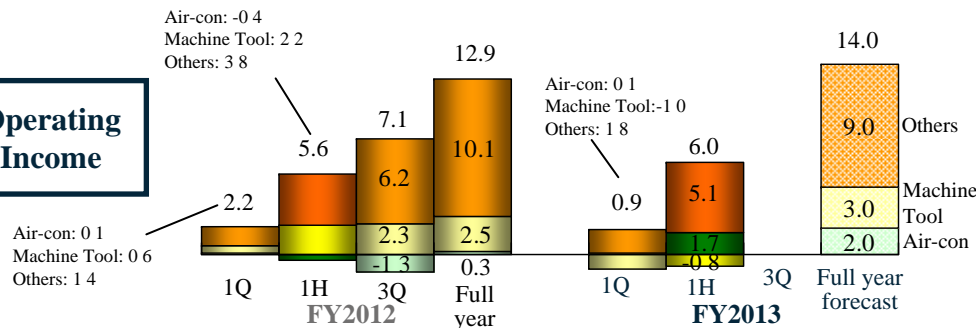
–Orders increased from a year ago attributable to growth in demand for precision machinery products for North America and the bottoming out of market conditions for machine tools.

Net sales : Down ¥3.7 billion YoY

–Sales declined from a year ago, as sales decreased mainly in machine tools influenced by the severe orders environment in the previous fiscal year.

Earnings : Down ¥3.1 billion YoY

**Operating Income**



**Others**

- Real estate and construction
- Information and communication systems

## Balance Sheets

	As of March 31, 2013	As of September 30, 2013	Changes
Trade receivables	931.4	924.7	-6.7
Inventories	1,009.8	1,107.9	+98.0
Other current assets	683.5	685.4	+1.9
<b>Total current assets</b>	<b>2,624.8</b>	<b>2,718.1</b>	<b>+93.3</b>
Total fixed assets	1,310.2	1,427.9	+117.6
<b>Total assets</b>	<b>3,935.1</b>	<b>4,146.0</b>	<b>+210.9</b>
Trade payables	663.4	688.9	+25.4
Advance payments received on contracts	427.3	452.0	+24.6
Other current liabilities	602.9	699.6	+96.6
<b>Total current liabilities</b>	<b>1,693.8</b>	<b>1,840.6</b>	<b>+146.8</b>
Total long-term liabilities	811.0	791.0	-19.9
<b>Total liabilities</b>	<b>2,504.8</b>	<b>2,631.7</b>	<b>+126.8</b>
Stockholders' equity	1,365.5	1,381.4	+15.8
Valuation, translation adjustments and others	13.0	57.7	+44.6
Others (Minority interests, etc.)	51.5	75.2	+23.6
<b>Total net assets</b>	<b>1,430.2</b>	<b>1,514.3</b>	<b>+84.1</b>
<b>Total liabilities and net assets</b>	<b>3,935.1</b>	<b>4,146.0</b>	<b>+210.9</b>

## Cash Flows

(In billion yen)

	FY2012-1H	FY2013-1H	Change
Cash flows from operating activities	131.4	73.9	- 57.4
Cash flows from investing activities	-21.0	-106.3	- 85.2
Free cash flows	110.3	-32.3	- 142.7

Forecast of Free cash flows (FY2013) : ¥100.0 billion

## Interest-Bearing Debt

(In billion yen)

	As of March 31, 2013	As of September 30, 2013	Change
Interest-bearing debt	1,031.2	1,061.8	+30.6

## Equity ratio

	As of March 31, 2013	As of September 30, 2013	Change
Equity ratio	35.0%	34.7%	-0.3pt

## D/E ratio

	As of March 31, 2013	As of September 30, 2013	Change
D/E ratio*	0.72	0.70	-0.02

$$* \text{ D/E ratio} = \frac{\text{Interest-Bearing Debt}}{\text{Net Assets}}$$

## (1) Segment Information by Geographic Distribution

(In billion yen)

	FY2012-1H		FY2013-1H	
	Net sales	Operating income	Net sales	Operating income
Japan	1,208.2	34.7	1,281.0	67.1
North America	96.2	5.5	178.4	3.4
Asia	77.9	4.4	102.4	4.9
Europe	64.5	2.3	70.8	0.0
Central & South America	4.2	0.1	6.0	-0.2
Oceania	2.3	0.0	3.3	0.0
The Middle East	0.0	0.0	2.4	0.0
Eliminations or Corporate	-128.2	-	-138.9	-
Total	1,325.4	47.2	1,505.5	75.4

## (2) Overseas Net Sales

(In billion yen)

	FY2012-1H		FY2013-1H	
Asia	203.0	(15%)	280.8	(18%)
North America	168.1	(13%)	271.5	(18%)
Europe	110.3	(8%)	147.9	(10%)
Central & South America	63.6	(5%)	41.4	(3%)
The Middle East	27.5	(2%)	18.4	(1%)
Africa	13.4	(1%)	24.4	(2%)
Oceania	12.3	(1%)	11.0	(1%)
Total	598.5	(45%)	795.7	(53%)

## (3) Depreciation, Amortization-Capital Expenditure and R&D Expenses

(In billion yen)

	FY2012-1H	FY2013-1H	FY2013(Forecast)
Depreciation	55.2	60.2	120.0
Capital Expenditure	56.1	61.7	130.0
R&D Expenses	41.4	51.4	140.0

## II. Forecast for FY2013

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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 FY2013

(In billion yen)

	FY2012 (Actual)	FY2013 (Forecast)
Orders received	3,032.2	3,550.0
Net sales	2,817.8	3,150.0
Operating income	163.5	190.0
Ordinary income	149.0	160.0
Net income	97.3	100.0

**There is no change in the forecast announced on July 31, 2013.**

**The business forecast above does not reflect the impact of the integration of the thermal power generation systems with Hitachi, Ltd.**

◇ Assumption of currency exchange rate for the portion yet to be fixed

<undetermined amount>

<exchange rate>

US\$: 2.4 billion ( forecast at the beginning of the fiscal year: 2.5 billion )

US\$ 1.00 = ¥95 ( at the beginning of the fiscal year: US\$ 1.00 = ¥95 )

Euro: 0.4 billion ( forecast at the beginning of the fiscal year: 0.5 billion )

Euro 1.00 = ¥120 ( at the beginning of the fiscal year: Euro 1.00 = ¥120 )

# Forecast for FY2013 by Business Domain

(In billion yen)

	Orders received			Net sales			Operating income		
	FY2012 (Actual)	FY2013 (forecast)	Change	FY2012 (Actual)	FY2013 (forecast)	Change	FY2012 (Actual)	FY2013 (forecast)	Change
Energy & Environment	937.6	1,330.0	+392.4	1,042.1	1,200.0	+157.9	89.9	100.0	+10.1
Commercial Aviation & Transportation Systems	778.9	630.0	- 148.9	418.5	500.0	+81.5	23.1	30.0	+6.9
Integrated Defense & Space Systems	405.9	450.0	+44.1	391.6	450.0	+58.4	21.9	24.0	+2.1
Machinery, Equipment & Systems	877.1	1,100.0	+222.9	925.2	960.0	+34.8	36.5	47.0	+10.5
Others	148.1	160.0	+11.9	144.7	160.0	+15.3	10.1	9.0	- 1.1
Eliminations or Corporate	- 115.5	- 120.0	- 4.5	- 104.5	- 120.0	- 15.5	- 18.3	- 20.0	- 1.7
<b>Total</b>	<b>3,032.2</b>	<b>3,550.0</b>	<b>+517.8</b>	<b>2,817.8</b>	<b>3,150.0</b>	<b>+332.2</b>	<b>163.5</b>	<b>190.0</b>	<b>+26.5</b>

# Forecast for FY2013 by Business Segment


(In billion yen)

	Orders received			Net sales			Operating income		
	FY2012 (Actual)	FY2013 (forecast)	Change	FY2012 (Actual)	FY2013 (forecast)	Change	FY2012 (Actual)	FY2013 (forecast)	Change
Shipbuilding & Ocean Development	255.4	330.0	+74.6	225.8	190.0	- 35.8	11.5	4.0	- 7.5
Power Systems	895.3	1,170.0	+274.7	988.7	1,090.0	+101.3	88.9	95.0	+6.1
Machinery & Steel Infrastructure Systems	471.9	760.0	+288.1	482.5	530.0	+47.5	26.4	35.0	+8.6
Aerospace Systems	803.3	590.0	- 213.3	485.8	640.0	+154.2	29.1	44.0	+14.9
General Machinery & Special Vehicles	385.1	450.0	+64.9	389.1	450.0	+60.9	12.7	18.0	+5.3
Air-Conditioning & Refrigeration Systems	144.1	160.0	+15.9	148.7	160.0	+11.3	0.3	2.0	+1.7
Machine Tool	44.2	50.0	+5.8	52.2	50.0	- 2.2	2.5	3.0	+0.5
Others	148.1	160.0	+11.9	144.7	160.0	+15.3	10.1	9.0	- 1.1
Others	336.6	370.0	+33.4	345.7	370.0	+24.3	12.9	14.0	+1.1
Eliminations or Corporate	- 115.5	- 120.0	- 4.5	- 99.9	- 120.0	- 20.1	- 18.3	- 20.0	- 1.7
<b>Total</b>	<b>3,032.2</b>	<b>3,550.0</b>	<b>+517.8</b>	<b>2,817.8</b>	<b>3,150.0</b>	<b>+332.2</b>	<b>163.5</b>	<b>190.0</b>	<b>+26.5</b>



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Our Technologies, Your Tomorrow

A thick red horizontal line that starts under the 'O' in 'Our' and ends with a pointed arrowhead under the 'w' in 'Tomorrow'.