

No. 1852

MHI Announces Outline of FY2014 First 6 Month Financial Results
Ended September 30, 2014 (Consolidated)

Tokyo, October 31, 2014 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first six months of fiscal year (FY) 2014 ended September 30, 2014.

(billions of yen)

| | FY2014 First 6 Months (From April 1 to September 30, 2014) | FY2013 First 6 Months (From April 1 to September 30, 2013) | Changes (%) |
|---|---|---|----------------|
| Orders Received | 1,764.1 | 1,565.5 | 12.7 |
| Net Sales | 1,759.1 | 1,505.5 | 16.8 |
| Operating Income | 118.2 | 75.4 | 56.7 |
| Ordinary Income | 127.9 | 59.8 | 113.9 |
| Income Before Taxes and Minority Interests | 88.1 | 59.1 | 49.0 |
| Net Income | 38.0 | 32.8 | 15.9 |
| Operating Cash Flow | 5.9 | 73.9 | / |
| Investment Cash Flow | (100.4) | (106.3) | / |
| Financing Cash Flow | 4.9 | (4.4) | / |
| Net Income Per Share | 11.33 yen | 9.78 yen | 15.9 |

Figures in parentheses are negative.

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

| | FY2014 First 6 Months (From April 1 to September 30, 2014) | FY2013 First 6 Months (From April 1 to September 30, 2013) |
|---|---|---|
| Energy & Environment | 683.1 | 554.6 |
| Commercial Aviation & Transportation Systems | 242.5 | 229.3 |
| Integrated Defense & Space Systems | 174.6 | 178.7 |
| Machinery, Equipment & Infrastructure | 633.7 | 511.5 |
| Others | 70.8 | 79.9 |
| Eliminations or Corporate | (45.8) | (48.5) |
| TOTAL | 1,759.1 | 1,505.5 |

Operating Income (Loss) by Operational Segment

(billions of yen)

| | FY2014 First 6 Months (From April 1 to September 30, 2014) | FY2013 First 6 Months (From April 1 to September 30, 2013) |
|---|---|---|
| Energy & Environment | 61.8 | 40.4 |
| Commercial Aviation & Transportation Systems | 5.4 | 12.0 |
| Integrated Defense & Space Systems | 8.1 | 8.3 |
| Machinery, Equipment & Infrastructure | 42.3 | 18.2 |
| Others | 4.6 | 5.2 |
| Eliminations or Corporate | (4.2) | (8.9) |
| TOTAL | 118.2 | 75.4 |

Figures in parentheses are negative.

Estimate of Consolidated Financial Results for FY 2014

For the fiscal year 2014 ending March 31, 2015, MHI is expecting 4,000 billion yen in net sales, 260 billion yen in operating income, 230 billion yen in ordinary income, and 100 billion yen in net income. This estimate is based on the assumption of currency exchange rate of US\$ 1.00 = ¥105 and €1.00 = ¥135 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, 2014 | As of Sep.30, 2014 |
|--|-----------------------|-----------------------|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and deposits | 381,056 | 287,785 |
| Trade receivables | 1,188,928 | 1,058,697 |
| Merchandise and finished products | 161,401 | 176,951 |
| Work in process | 846,201 | 963,798 |
| Raw materials and supplies | 143,298 | 154,604 |
| Deferred income taxes | 177,253 | 177,966 |
| Others | 290,737 | 355,950 |
| Allowance for doubtful accounts | (8,015) | (7,282) |
| Total current assets | 3,180,861 | 3,168,471 |
| Fixed assets: | | |
| Property, plant and equipment: | | |
| Buildings and structures | 373,000 | 374,684 |
| Machinery and transportation equipment | 262,123 | 250,532 |
| Tools, equipment and furniture | 43,502 | 46,584 |
| Land | 176,418 | 177,543 |
| Leased assets | 4,843 | 4,865 |
| Construction in progress | 70,609 | 76,110 |
| Subtotal | 930,498 | 930,321 |
| Intangible assets: | | |
| Goodwill | 116,175 | 81,181 |
| Others | 54,925 | 119,741 |
| Subtotal | 171,100 | 200,923 |
| Investments and advances: | | |
| Investment securities | 402,827 | 440,518 |
| Long-term loans and advances | 3,212 | 25,158 |
| Asset for retirement benefit | 80,468 | 106,138 |
| Deferred income taxes | 41,091 | 19,094 |
| Others | 85,056 | 90,599 |
| Allowance for doubtful accounts | (9,081) | (10,395) |
| Subtotal | 603,575 | 671,113 |
| Total fixed assets | 1,705,174 | 1,802,359 |
| TOTAL ASSETS | 4,886,035 | 4,970,830 |

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

| | As of Mar.31, 2014 | As of Sep.30, 2014 |
|--|-----------------------|-----------------------|
| <u>LIABILITIES</u> | | |
| Current liabilities: | | |
| Trade payables | 760,444 | 648,454 |
| Electronically recorded obligations | 41,000 | 71,316 |
| Short-term borrowings | 166,296 | 186,929 |
| Current portion of long-term borrowings | 186,245 | 77,017 |
| Commercial papers | - | 35,000 |
| Current portion of bonds | 70,000 | 50,000 |
| Income taxes payable | 64,487 | 32,731 |
| Reserve for product warranties | 18,314 | 16,757 |
| Reserve for loss on construction contracts | 62,523 | 58,136 |
| Reserve for loss on passenger vessel construction business | 64,126 | 103,413 |
| Advance payments received on contracts | 567,470 | 611,906 |
| Others | 284,368 | 271,691 |
| Total current liabilities | 2,285,278 | 2,163,355 |
| Long-term liabilities: | | |
| Bonds | 175,000 | 245,000 |
| Long-term borrowings | 359,946 | 379,220 |
| Deferred income taxes | 25,377 | 64,926 |
| Reserve for treatment of PCB waste | 10,459 | 10,364 |
| Liability for retirement benefit | 189,937 | 131,035 |
| Others | 65,812 | 65,207 |
| Total long-term liabilities | 826,533 | 895,753 |
| TOTAL LIABILITIES | 3,111,812 | 3,059,109 |
| <u>NET ASSETS</u> | | |
| Stockholders' equity: | | |
| Common stock | 265,608 | 265,608 |
| Capital surplus | 203,978 | 204,008 |
| Retained earnings | 1,031,371 | 1,092,652 |
| Treasury stock | (5,385) | (5,328) |
| Total stockholders' equity | 1,495,573 | 1,556,940 |
| Accumulated other comprehensive income (loss) | | |
| Net unrealized gains (losses) on investment securities | 43,188 | 54,442 |
| Deferred gains (losses) on hedges | (1,001) | 341 |
| Foreign currency translation adjustments | 34,658 | 43,547 |
| Remeasurements of defined benefit plans | (29,019) | (24,178) |
| Total accumulated other comprehensive income (loss) | 47,825 | 74,153 |
| Share subscription rights | 2,635 | 3,233 |
| Minority interests | 228,188 | 277,392 |
| TOTAL NET ASSETS | 1,774,223 | 1,911,721 |
| TOTAL LIABILITIES AND NET ASSETS | 4,886,035 | 4,970,830 |

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

| | FY2013 First 6 Months (From Apr.1 to Sep.30, 2013) | FY2014 First 6 Months (From Apr.1 to Sep.30, 2014) |
|--|--|--|
| Net sales | 1,505,573 | 1,759,121 |
| Cost of sales | 1,227,128 | 1,387,523 |
| Gross profit | 278,444 | 371,597 |
| Selling, general and administrative expenses: | | |
| Provision of allowance for doubtful accounts | - | (18) |
| Directors' compensations, salaries and allowances | 78,785 | 90,574 |
| Research and development expenses | 27,278 | 32,744 |
| Expenses for inquiries | 16,645 | 21,049 |
| Others | 80,266 | 108,978 |
| Total selling, general and administrative expenses | 202,975 | 253,328 |
| Operating income | 75,469 | 118,269 |
| Non-operating income: | | |
| Interest income | 1,774 | 3,770 |
| Dividend income | 1,785 | 3,498 |
| Equity in earnings of unconsolidated subsidiaries and affiliates | 144 | 3,469 |
| Foreign exchange gain | - | 13,561 |
| Others | 4,214 | 2,768 |
| Total non-operating income | 7,918 | 27,068 |
| Non-operating expenses: | | |
| Interest expense | 7,709 | 7,862 |
| Foreign exchange loss | 8,024 | - |
| Loss on disposal of fixed assets | 2,122 | 2,352 |
| Others | 5,723 | 7,180 |
| Total non-operating expenses | 23,578 | 17,394 |
| Ordinary income | 59,809 | 127,943 |
| Extraordinary gain: | | |
| Gain on negative goodwill | 4,781 | - |
| Gain on changes in equity interest | 1,688 | - |
| Total extraordinary gain | 6,470 | - |
| Extraordinary loss: | | |
| Loss on passenger vessel construction business reserve | - | 39,841 |
| Impairment loss | 4,677 | - |
| Business structure improvement expenses | 2,481 | - |
| Total extraordinary loss | 7,159 | 39,841 |
| Income before income taxes and minority interests | 59,120 | 88,102 |
| Income taxes | 25,665 | 33,506 |
| Income before minority interests | 33,455 | 54,596 |
| Minority interests in income after taxes | 644 | 16,578 |
| Net income | 32,811 | 38,017 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of Yen)

| | FY2013 First 6 Months (From Apr. 1 to Sep 30, 2013) | FY2014 First 6 Months (From Apr. 1 to Sep 30, 2014) |
|--|--|--|
| Income before minority interests | 33,455 | 54,596 |
| Other comprehensive income (loss) | | |
| Net unrealized gains (losses) on investment securities | 17,196 | 11,448 |
| Deferred gains (losses) on hedges | (165) | 707 |
| Foreign currency translation adjustments | 27,136 | 10,521 |
| Remeasurements of defined benefit plans | - | 5,094 |
| Share of other comprehensive income (loss) of entities accounted for using the equity method | 3,092 | 1,178 |
| Changes in equity interest | 4 | - |
| Total other comprehensive income (loss) | 47,264 | 28,949 |
| Comprehensive income (loss) | 80,720 | 83,545 |
| Comprehensive income (loss) attributable to | | |
| Shareholders of the parent | 77,469 | 64,345 |
| Minority interests | 3,250 | 19,200 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

| | FY2013 First 6 Months (From Apr.1 to Sep.30,2013) | FY2014 First 6 Months (From Apr.1 to Sep.30,2014) |
|--|---|---|
| Cash flows from operating activities: | | |
| Income before income taxes and minority interests | 59,120 | 88,102 |
| Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities: | | |
| Depreciation and amortization | 60,261 | 75,318 |
| Impairment loss | 4,677 | - |
| Amortization of goodwill | 2,268 | 6,000 |
| Gain on negative goodwill | (4,781) | - |
| Increase (decrease) in reserve for retirement allowance | 9,405 | - |
| Increase (decrease) in liability for retirement benefit | - | (2,399) |
| Interest and dividend income | (3,560) | (7,269) |
| Interest expense | 7,709 | 7,862 |
| (Income) loss from equity method investments | (144) | (3,469) |
| (Gain) loss on changes in equity interest | (1,688) | - |
| (Gain) loss on sales of investment securities | - | (1,451) |
| Loss on disposal of fixed assets | 2,122 | 2,352 |
| Business structure improvement expenses | 2,481 | - |
| Loss on passenger vessel construction business reserve | - | 39,841 |
| (Increase) decrease in receivables | 72,298 | 138,703 |
| (Increase) decrease in inventories and advances to suppliers | (85,428) | (144,777) |
| (Increase) decrease in other assets | (16,422) | (36,496) |
| Increase (decrease) in payables | (27,375) | (95,403) |
| Increase (decrease) in advance payments received on contracts | 17,398 | 42,283 |
| Increase (decrease) in other liabilities | (30,803) | (31,748) |
| Others | 11,531 | 1,620 |
| Subtotal | 79,068 | 79,068 |
| Interest and dividends received | 4,064 | 10,530 |
| Interest paid | (7,982) | (8,194) |
| Income taxes paid | (1,201) | (75,457) |
| Net cash provided by operating activities | 73,948 | 5,948 |
| Cash flows from investing activities: | | |
| Net (increase) decrease in time deposits | 2,159 | (858) |
| Purchases of property, plant, equipment and intangible assets | (67,381) | (81,182) |
| Proceeds from sales of property, plant, equipment and intangible assets | 3,713 | 7,921 |
| Purchases of investment securities | (658) | (29,857) |
| Proceeds from sales and redemption of investment securities | 4,936 | 14,989 |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | (52,095) | - |
| Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation | 3,819 | - |
| Disbursement of long-term loans | (1,852) | (19,455) |
| Collection of long-term loans | 507 | 9,480 |
| Others | 509 | (1,489) |
| Net cash used in investing activities | (106,341) | (100,451) |
| Cash flows from financing activities: | | |
| Net increase (decrease) in short-term borrowings and commercial papers | 41,406 | 50,803 |
| Proceeds from long-term borrowings | 25,320 | 23,733 |
| Repayment of long-term borrowings | (46,466) | (114,306) |
| Proceeds from issuance of bonds | 45,000 | 70,000 |
| Payment for redemption of bonds | (50,000) | (20,000) |
| Proceeds from issuance of stock to minority stockholders of subsidiaries | 664 | 11,482 |
| Dividends paid to stockholders | (16,711) | (13,394) |
| Dividends paid to minority stockholders of subsidiaries | (1,066) | (1,930) |
| Others | (2,629) | (1,473) |
| Net cash provided by (used in) financing activities | (4,482) | 4,914 |
| Effect of exchange rate changes on cash and cash equivalents | (9,968) | 6,481 |
| Net increase (decrease) in cash and cash equivalents | (46,843) | (83,107) |
| Cash and cash equivalents at beginning of year | 319,426 | 370,710 |
| Increase in cash and cash equivalents due to changes in scope of consolidation | 3,933 | - |
| Decrease in cash and cash equivalents due to changes in scope of consolidation | - | (10,845) |
| Cash and cash equivalents at end of period | 276,516 | 276,758 |