

# Financial Results for Third Quarter FY2014

February 4, 2015

## **I . 3Q FY2014 Financial Results**

---

- Summary of 3Q Financial Results	3
- 3Q 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 . 3Q FY2014 Financial Results**

---

# Summary of 3Q Financial Results

(In billion yen)

	FY2013-3Q	FY2014-3Q	Change
Orders received	2,295.6	2,618.2	+322.6
Net sales	2,262.7	2,683.3	+420.6
Operating income	(5.8%) 132.1	(6.4%) 171.6	+39.5
Ordinary income	(5.6%) 127.3	(7.0%) 188.2	+60.9
Extraordinary gain/loss	8.4	- 45.8	- 54.2
Net income	(3.5%) 78.2	(2.7%) 71.1	- 7.0

Breakdown for extraordinary gain/loss	
Loss on passenger vessel construction business	-39.8
Business structure improvement expenses	-5.9
<b>Total</b>	<b>-45.8</b>

## Orders received:

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

## Net income:

- Net income declined chiefly due to the booking of a loss on passenger vessel construction business and business structure improvement expenses as extraordinary losses.

# 3Q Financial Results by Segment

(In billion yen)

	Orders received			Net sales			Operating income		
	FY2013 -3Q	FY2014 -3Q	Change	FY2013 -3Q	FY2014 -3Q	Change	FY2013 -3Q	FY2014 -3Q	Change
Energy & Environment	898.5	1,022.5	+123.9	828.0	1,027.4	+199.4	77.2	76.5	- 0.6
Commercial Aviation & Transportation Systems	278.1	477.0	+198.9	322.3	376.9	+54.6	9.4	13.2	+3.8
Integrated Defense & Space Systems	258.0	135.6	- 122.4	287.9	315.7	+27.7	15.0	18.3	+3.2
Machinery, Equipment & Infrastructure	808.5	928.4	+119.8	777.6	922.7	+145.0	34.7	61.2	+26.5
Others	135.6	147.6	+11.9	121.6	122.2	+0.6	8.7	8.9	+0.2
Eliminations or Corporate	- 83.3	- 92.9	- 9.5	- 74.8	- 81.7	- 6.8	- 12.9	- 6.6	+6.3
Total	2,295.6	2,618.2	+322.6	2,262.7	2,683.3	+420.6	132.1	171.6	+39.5

(In billion yen)

## Balance Sheets

	As of March 31, 2014	As of December 31, 2014	Change
Trade receivables	1,188.9	1,099.5	-89.3
Inventories	1,150.9	1,377.1	+226.2
Other current assets	841.0	944.2	+103.2
Total fixed assets	1,101.5	1,132.1	+30.5
Investments and advances	603.5	725.4	+121.9
<b>Total assets</b>	4,886.0	<b>5,278.5</b>	+392.4
Trade payables	801.4	750.6	-50.7
Advance payments received on contracts	567.4	579.2	+11.8
Other current liabilities	785.4	787.0	+1.5
Interest-bearing debt	957.4	1,155.3	+197.8
Net Assets	1,774.2	2,006.2	+231.9
Net worth	1,543.3	1,698.1	+154.7
<b>Total liabilities and net assets</b>	4,886.0	<b>5,278.5</b>	+392.4

## 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

- Interest-bearing debt increased due to the issuance of commercial papers.
- Net assets rose attributable primarily to an increase in income including minority interests.

(In billion yen)

## Main Financial Target

	FY2013	FY2014-3Q	Change
Equity ratio	31.6%	32.2%	+0.6pt
Interest-bearing debt	957.4	1,155.3	+197.8
D/E ratio	54%	58%	+4pt

## 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.

	FY2013-3Q	FY2014-3Q	Change
Operating activities	28.2	-89.0	-117.3
Investing activities	-139.3	-132.0	+ 7.3
Free Cash Flow	-111.1	-221.1	-109.9

(In billion yen)

	FY2013-3Q	FY2014-3Q	Change
Orders Received	2,295.6	2,618.2	+322.6

	FY2013	FY2014-3Q	Change
Order Backlog(*)	5,373.8	5,399.1	+25.3

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

## Market Trends:

Asia: Economic growth in China slowed moderately.

Europe and the United States:

- The U.S. economy continued to recover, while recovery in Europe was sluggish.
- The Russian economy declined remarkably due to falling oil prices.

Japan: The economy was on a gradual recovery trend.

## The Group's initiatives to receive orders:

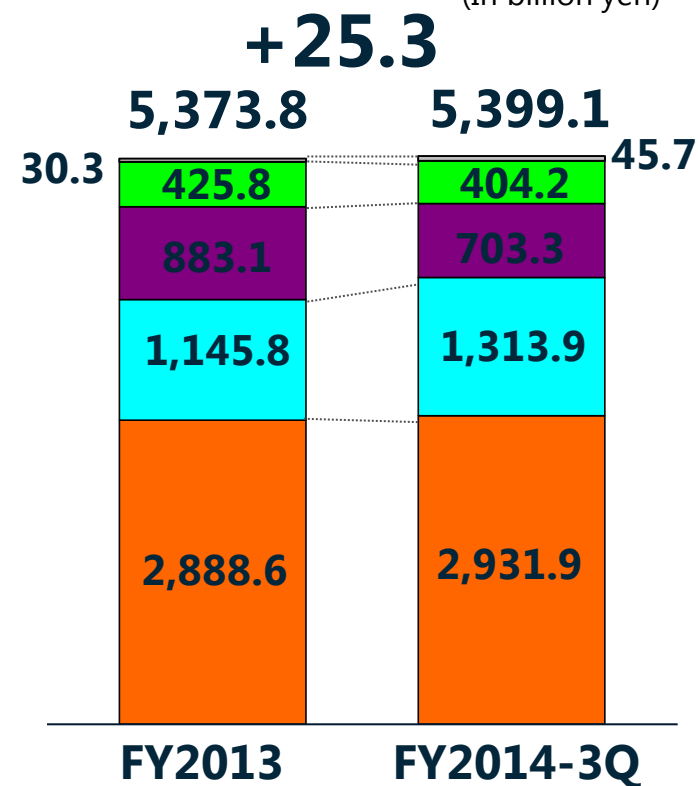
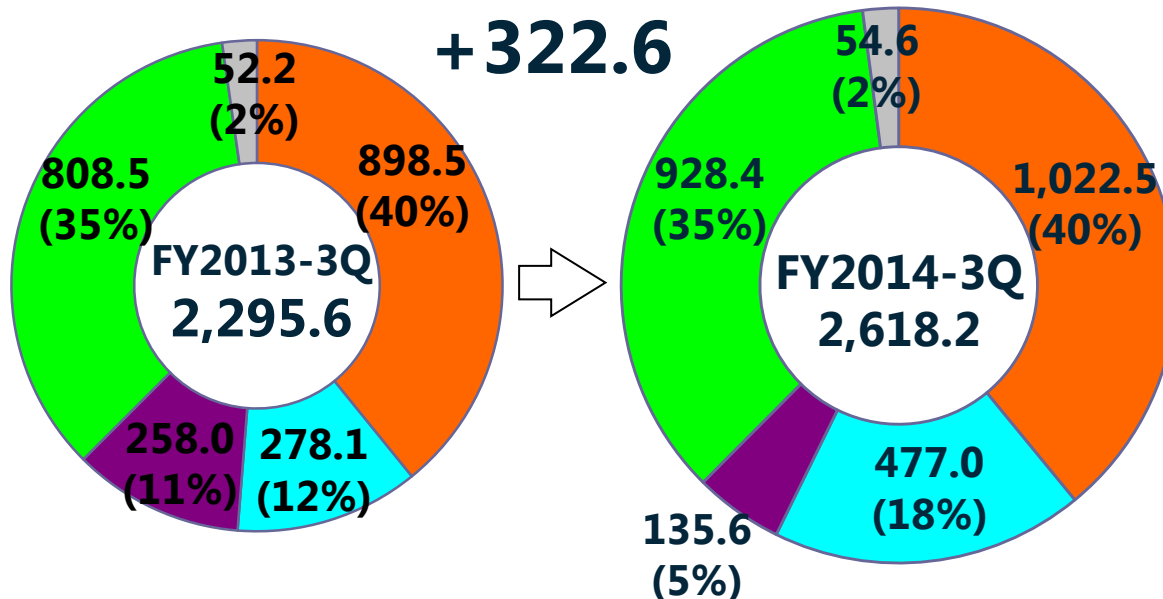
- The effects of M&A were gradually reflected in the thermal power generation and other businesses. Global activities to receive orders will be further accelerated toward the achievement of a ¥5 trillion enterprise.



# 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.

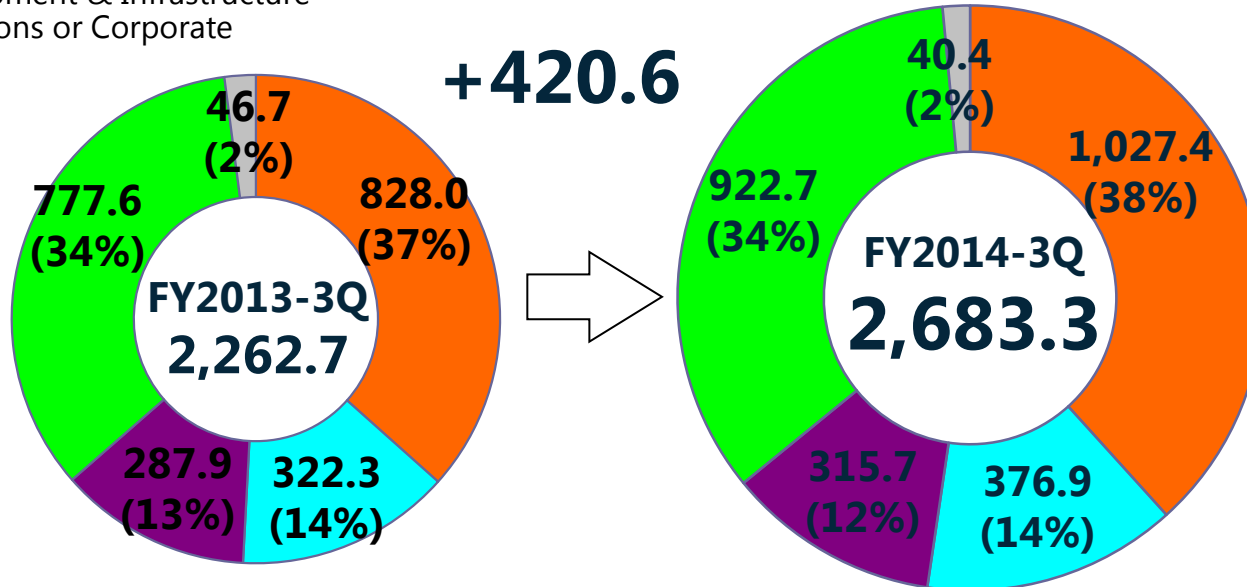
## ➤ Machinery, Equipment & Infrastructure

- 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 rose mainly due to an increase in the defense aircraft and space systems businesses.

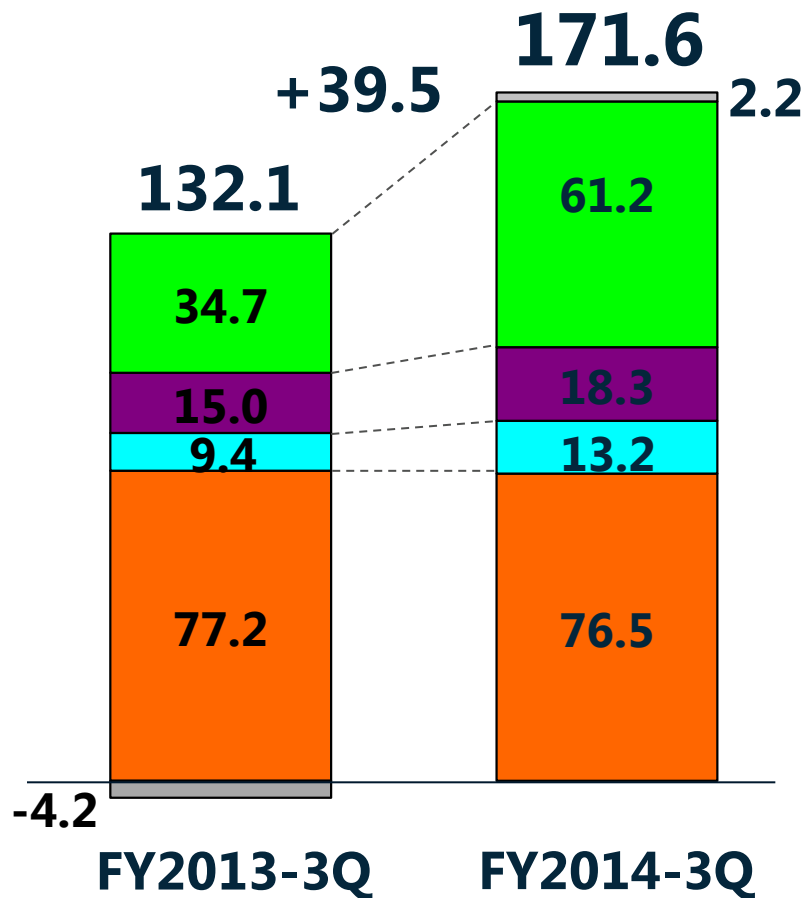
➤ **Machinery, Equipment & Infrastructure**

- 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 remained almost flat, with an increase due to the effects of the integration of the thermal power generation business and the expansion of after-sales services offset mainly by a difference in the profitability of the construction work for new thermal power generation plants.

## ➤ Commercial Aviation & Transportation Systems

- Despite an increase in research and development expenses for MRJ, operating income rose mainly due to an improvement in commercial aircraft production efficiency.

## ➤ Integrated Defense & Space Systems

- Operating income increased, reflecting increased sales mainly in space systems.

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

➤ **There is no change in the forecast announced on October 31, 2014.**

➤ **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.

<undetermined amount>

US\$: 0.5 billion (4.1 billion\*)

Euro: 0.3 billion (0.4 billion\*)

(\*) forecast at the beginning of the fiscal year

➤ **Operating income & Ordinary income**

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

➤ **Net income**

The target of the 2012 Medium-Term Business Plan will be difficult to achieve mainly due to the booking of a loss on passenger vessel construction business as an extraordinary loss.

<exchange rate>

US\$ 1.00 = ¥105

Euro 1.00 = ¥135

# Forecast for FY2014 by Segment

(In billion yen)

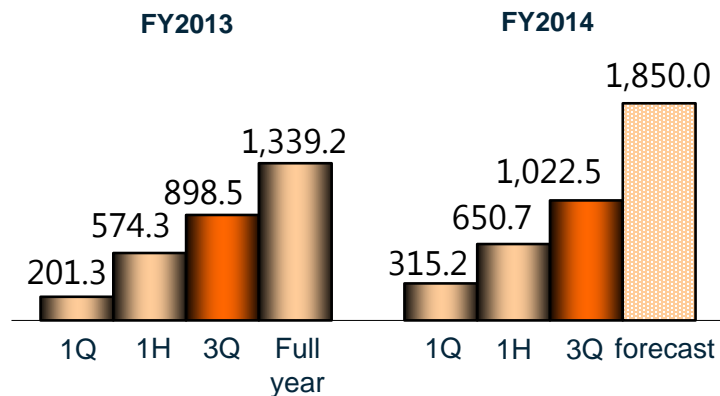
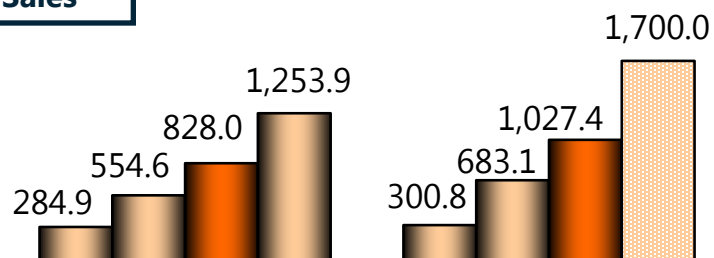
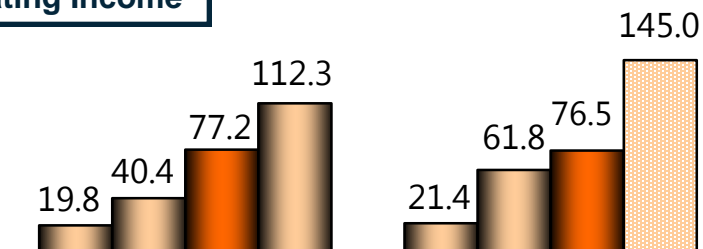
	Orders received			Net sales			Operating income		
	FY2013 (Actual)	FY2014 (Forecast)	Change	FY2013 (Actual)	FY2014 (Forecast)	Change	FY2013 (Actual)	FY2014 (Forecast)	Change
Energy & Environment	1,339.2	1,850.0	+510.7	1,253.9	1,700.0	+446.0	112.3	145.0	+32.6
Commercial Aviation & Transportation Systems	360.3	750.0	+389.6	463.6	500.0	+36.3	18.3	20.0	+1.6
Integrated Defense & Space Systems	547.3	350.0	- 197.3	469.4	450.0	- 19.4	27.6	27.0	- 0.6
Machinery, Equipment & Infrastructure	1,106.5	1,250.0	+143.4	1,096.3	1,250.0	+153.6	51.6	78.0	+26.3
Others	183.5	200.0	+16.4	185.0	200.0	+14.9	14.6	10.0	- 4.6
Eliminations or Corporate	- 116.9	- 100.0	+16.9	- 118.9	- 100.0	+18.9	- 18.4	- 20.0	- 1.5
Total	3,420.0	4,300.0	+879.9	3,349.5	4,000.0	+650.4	206.1	260.0	+53.8

# III. Supplementary Information

---

## &lt; Energy &amp; Environment &gt;

(In billion yen, accumulated amount)

**Orders Received****Net Sales****Operating Income****Orders received : Up ¥123.9 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]

FY2013-3Q : 48 units

	North America	Asia	Japan	Others	Total
Large size	3	9	2	2	16
Small to medium size*	2	-	-	30	32
Total	5	9	2	32	48

(\*)The number of small to medium size units does not include orders received by Hitachi, Ltd.

FY2014-3Q : 26 units

	North America	Asia	Japan	Others	Total
Large size	4	4	1	-	9
Small to medium size	-	1	7	9	17
Total	4	5	8	9	26

[Backlog of Gas turbine orders]

	Large size	Small to medium size	Total
FY2013-3Q	46	34*	80
FY2014-3Q	39	37	76

(\*)The number of small to medium size units of FY2013-3Q does not include orders received by Hitachi, Ltd.

**Net sales : Up ¥199.4 billion YoY**

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

**Earnings : Down ¥0.6 billion YoY**

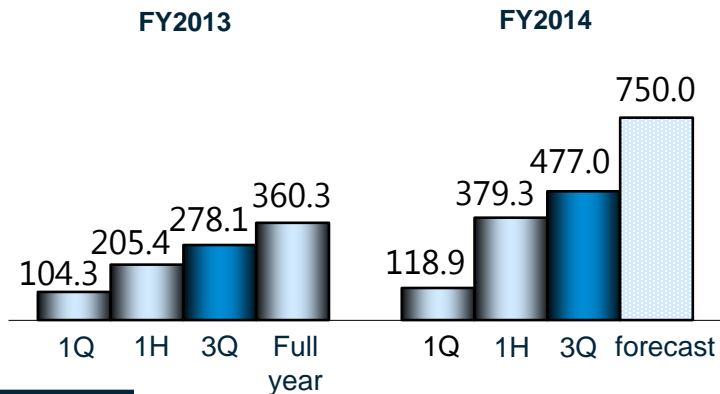
-Income remained almost flat from a year ago, with an increase due to the effects of the integration of the thermal power generation business and the expansion of after-sales services offset mainly by a difference in the profitability of the construction work for new thermal power generation plants.



# < Commercial Aviation & Transportation Systems >

(In billion yen, accumulated amount)

## Orders Received



## Orders received : Up ¥198.9 billion YoY

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

[Number of ships orders received]

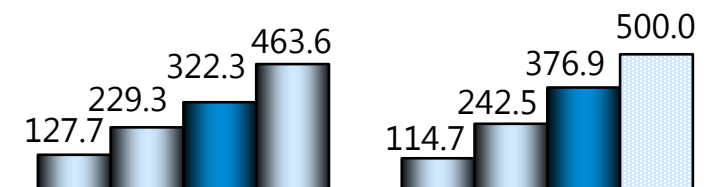
FY2013-3Q: 4 (1Q: 1, 2Q: 2, 3Q: 1, 4Q: 4)

FY2014-3Q: 7 (1Q: 3, 2Q: 3, 3Q: 1)

[Backlog of ship orders] 38

(5 LNG carriers, 6 LPG carriers, 6 ferries/passenger and cargo ships, 7 patrol vessels and others)

## Net Sales



## Net sales : Up ¥54.6 billion YoY

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

[Number of B777s delivered]

FY2013-3Q: 75 (1Q: 25, 2Q: 25, 3Q: 25, 4Q: 24)

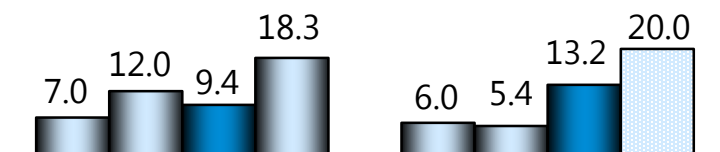
FY2014-3Q: 76 (1Q: 26, 2Q: 24, 3Q: 26)

[Number of B787s delivered]

FY2013-3Q: 49 (1Q: 16, 2Q: 14, 3Q: 19, 4Q: 29)

FY2014-3Q: 90 (1Q: 32, 2Q: 28, 3Q: 30)

## Operating Income

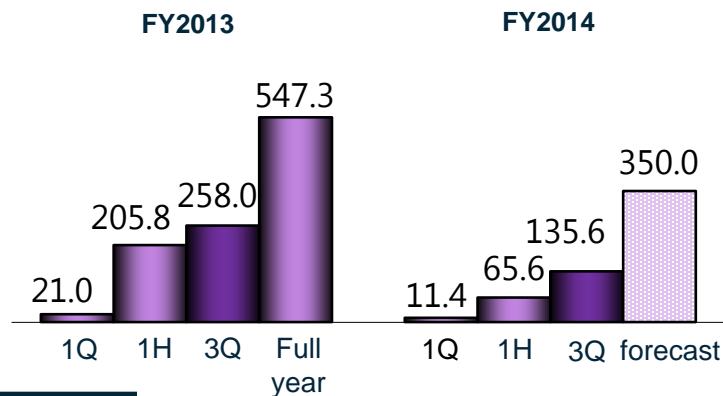


## Earnings : Up ¥3.8 billion YoY

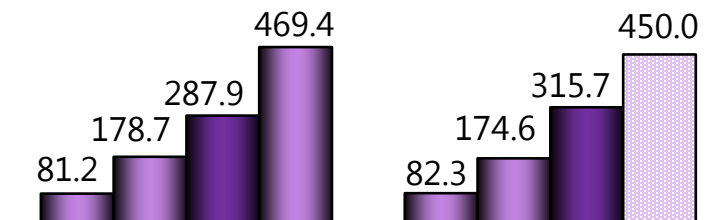
-Despite an increase in research and development expenses for MRJ, income rose from a year ago mainly due to an improvement in commercial aircraft production efficiency.

## &lt; Integrated Defense &amp; Space Systems &gt;

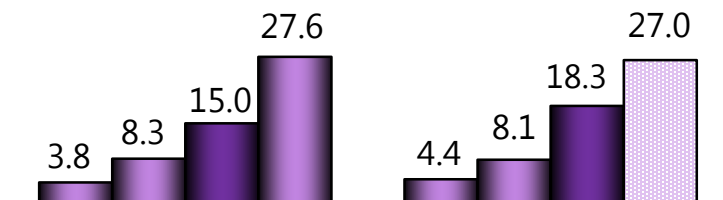
(In billion yen, accumulated amount)

**Orders Received****Orders received : Down ¥122.4 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.

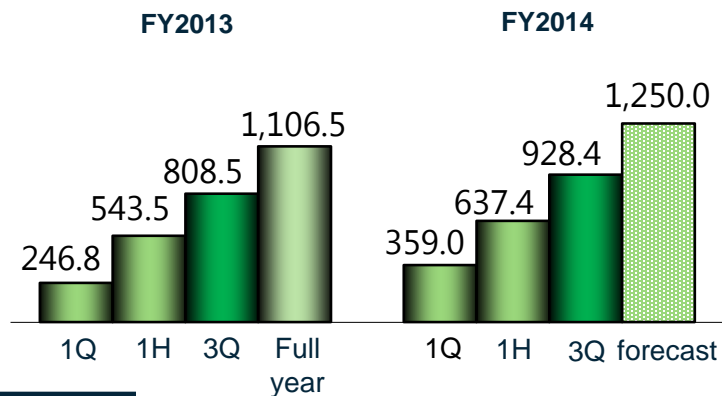
**Net Sales****Net sales : Up ¥27.7 billion YoY**

-Sales rose year on year due to an increase in the defense aircraft and space systems businesses.

**Operating Income****Earnings : Up ¥3.2 billion YoY**

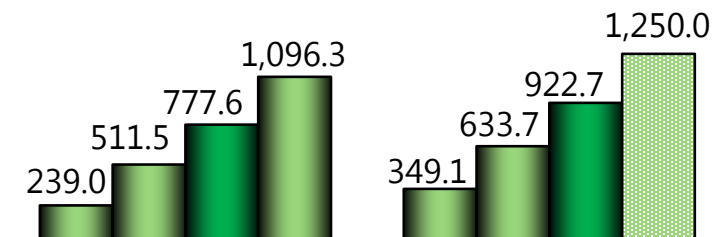
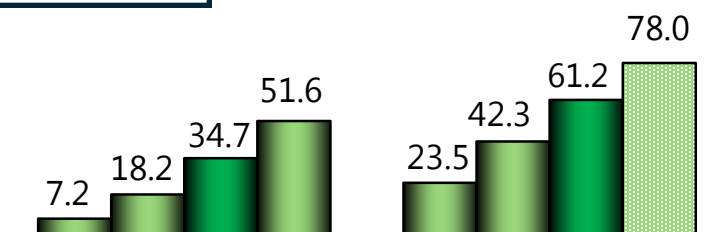
-Income increased from a year ago, reflecting increased sales mainly in space systems.

(In billion yen, accumulated amount)

**Orders Received****Orders received : Up ¥119.8 billion YoY****Net sales: Up 145.0 billion YoY**

-Orders and sales for forklifts increased both in Japan and overseas 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****Operating Income****Earnings : Up ¥26.5 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.

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

	FY2013-3Q	FY2014-3Q	FY2014 (Forecast)
R&D Expenses	83.7	91.5	150.0
Depreciation	96.6	114.7	150.0
Capital Expenditure	112.5	106.4	150.0

## 2. Selling, General and Administrative expenses

	FY2013-3Q	FY2014-3Q
SG&A	311.2	379.6

## 3. Foreign Exchange Rates

(In yen)

	FY2013-3Q	FY2014-3Q
US\$	99.0	106.2
Euro	130.4	141.2

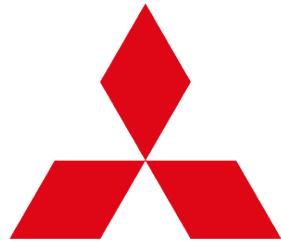
(In billion yen)

## 4. Overseas Sales by Region

	FY2013-3Q		FY2014-3Q	
Asia	425.8	(19%)	495.7	(18%)
North America	389.8	(17%)	471.9	(18%)
Europe	202.0	(9%)	255.9	(10%)
Central & South America	67.3	(3%)	82.0	(3%)
The Middle East	39.2	(2%)	90.3	(3%)
Africa	30.5	(1%)	61.2	(2%)
Oceania	15.4	(1%)	30.5	(1%)
Total	1,170.2	(52%)	1,487.7	(55%)

## 5. Segment Information by Geographic Distribution

		FY2013-3Q	FY2014-3Q
Japan	Net Sales	1,941.9	2,122.0
	Operating income	119.8	142.0
North America	Net Sales	247.1	312.8
	Operating income	0.8	2.0
Asia	Net Sales	168.0	283.1
	Operating income	9.9	22.6
Europe	Net Sales	110.9	230.0
	Operating income	1.0	5.4
Others	Net Sales	17.8	33.5
	Operating income	0.5	-0.4
Eliminations or Corporate	Net Sales	-223.1	-298.3
	Operating income	-	-
Total	Net Sales	2,262.7	2,683.3
	Operating income	132.1	171.6



**MITSUBISHI**  
**HEAVY INDUSTRIES, LTD.**

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'.