

Financial Results for FY2014

May 8, 2015

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I . Financial Results for FY2014

(Finance, Segment Information)

Summary of Financial Results for FY2014

(In billion yen)

	FY2012		FY2013		FY2014		Change	
Orders received	3,032.2		3,420.0		4,699.1		+1,279.0	+37.4%
Net sales	2,817.8		3,349.5		3,992.1		+642.5	+19.2%
Operating income	(5.8%)	163.5	(6.2%)	206.1	(7.4%)	296.1	+90.0	+43.7%
Ordinary income	(5.3%)	149.0	(5.5%)	183.1	(6.9%)	274.7	+91.6	+50.0%
Extraordinary gain/loss	6.4		31.2		-42.0		-73.3	-
Net income	(3.5%)	97.3	(4.8%)	160.4	(2.8%)	110.4	-50.0	- 31.2%
ROE	7.4%		11.0%		6.5%		- 4.4pt	-
EBITDA	(10.0%)	283.0	(10.4%)	346.8	(11.7%)	465.0	+118.2	+34.1%

Breakdown of FY2014 Extraordinary gain/loss (-42.0)

<Extraordinary gain>

- Gain on changes in equity interest 17.1
- Gain on return of assets from retirement benefits trust 11.9
- Gain on sales of investment securities 10.7
- Gain on sales of fixed assets 3.9

<Extraordinary loss>

- Loss on passenger vessel construction business -69.5
- Business structure improvement expenses -16.4

Financial Results for FY2014 by Segment

(In billion yen)

	Orders received			Net sales			Operating income		
	FY2013	FY2014	Change	FY2013	FY2014	Change	FY2013	FY2014	Change
Energy & Environment	1,339.2	1,923.6	+584.3	1,253.9	1,599.5	+345.5	112.3	162.6	+50.3
Commercial Aviation & Transportation Systems	360.3	999.2	+638.9	463.6	529.5	+65.9	18.3	23.4	+5.1
Integrated Defense & Space Systems	547.3	417.4	- 129.9	469.4	483.9	+14.5	27.6	28.5	+0.9
Machinery, Equipment & Infrastructure	1,106.5	1,304.6	+198.1	1,096.3	1,319.5	+223.2	51.6	84.1	+32.4
Others	183.5	190.8	+7.3	185.0	182.8	- 2.2	14.6	13.8	- 0.7
Eliminations or Corporate	- 116.9	- 136.7	- 19.7	- 118.9	- 123.3	- 4.4	- 18.4	- 16.6	+1.8
Total	3,420.0	4,699.1	+1,279.0	3,349.5	3,992.1	+642.5	206.1	296.1	+90.0

(In billion yen)

	As of March 31, 2013	As of March 31, 2014	As of March 31, 2015	Changes
Trade receivables	931.4	1,188.9	1,291.2	+102.3
Inventories	1,009.8	1,150.9	1,324.8	+173.9
Other current assets	683.5	841.0	935.8	+94.8
Total fixed assets	822.1	1,101.5	1,196.3	+94.7
Investments and advances	488.1	603.5	772.0	+168.4
Total assets	3,935.1	4,886.0	5,520.3	+634.3
Trade payables	663.4	801.4	869.2	+67.7
Advance payments received on contracts	427.3	567.4	663.1	+95.7
Other current liabilities	382.8	785.4	892.3	+106.9
Interest-bearing debt	1,031.2	957.4	975.5	+18.0
Net Assets	1,430.2	1,774.2	2,120.0	+345.7
Net worth (owners equity)	1,378.6	1,543.3	1,780.7	+237.3
Total liabilities and net assets	3,935.1	4,886.0	5,520.3	+634.3

(In billion yen)

Main Financial Targets

	FY2012	FY2013	FY2014	Change
Equity ratio	35.0%	31.6%	32.3%	+0.7pt
Interest-bearing debt	1,031.2	957.4	975.5	+18.0
D/E ratio	72%	54%	46%	-8pt

Cash Flows

	FY2012	FY2013	FY2014
Operating activities Cash Flow	288.3	296.2	212.8
Investing activities Cash Flow	-76.7	-151.5	-174.1
Free Cash Flow	211.6	144.6	38.6

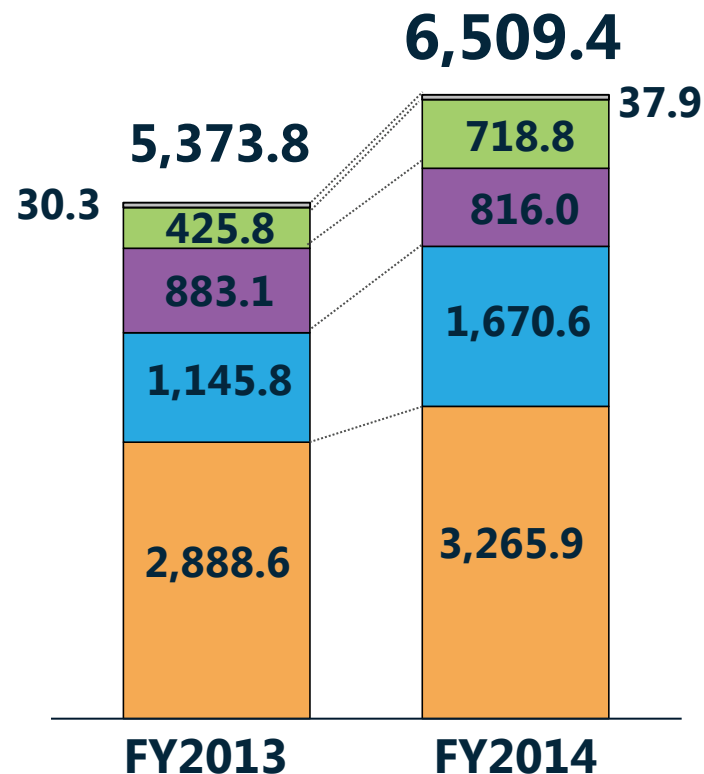
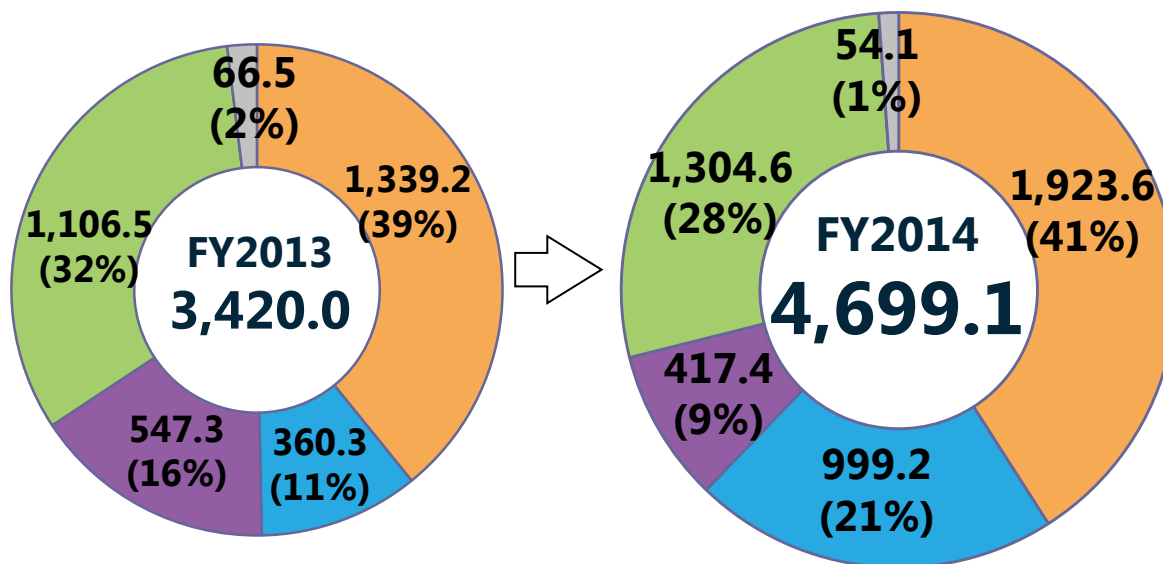
Orders Received & Order Backlog by Segment

(In billion yen)

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

Order Backlog +1,135.5

Orders Received +1,279.0



➤ Energy & Environment

- Orders increased mainly in Large and Industrial Conventional Plant, and others, reflecting the effects of the integration of the thermal power generation business.

➤ Commercial Aviation & Transportation Systems

- Orders increased mainly in a land transportation system (Doha Metro), MRJ, and others.

➤ Integrated Defense & Space Systems

- Orders declined from the same period of the previous fiscal year, when the segment enjoyed large orders.

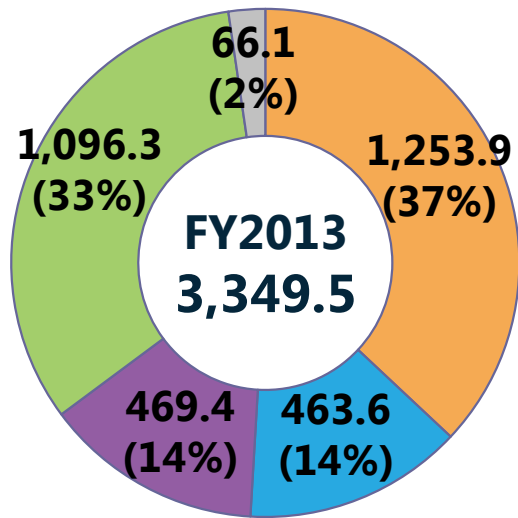
➤ Machinery, Equipment & Infrastructure

- Orders received increased, mainly for metals machinery, forklift trucks (due to the effect of business integration), turbochargers (in Europe and China), and air conditioners (in China and Europe).

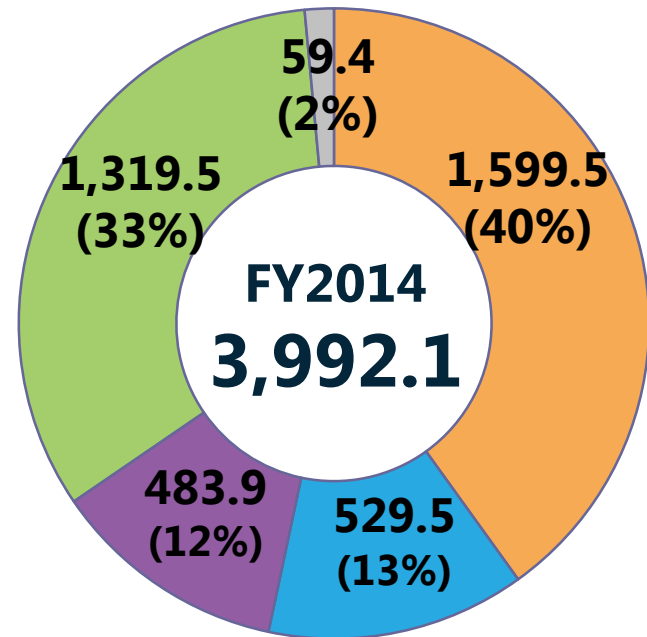
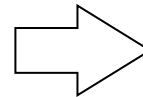
Net Sales by Segment

(In billion yen)

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



+642.5



➤ **Energy & Environment**

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

➤ **Commercial Aviation & Transportation Systems**

- Sales increased mainly in commercial airplanes.

➤ **Integrated Defense & Space Systems**

- Sales increased mainly in space systems.

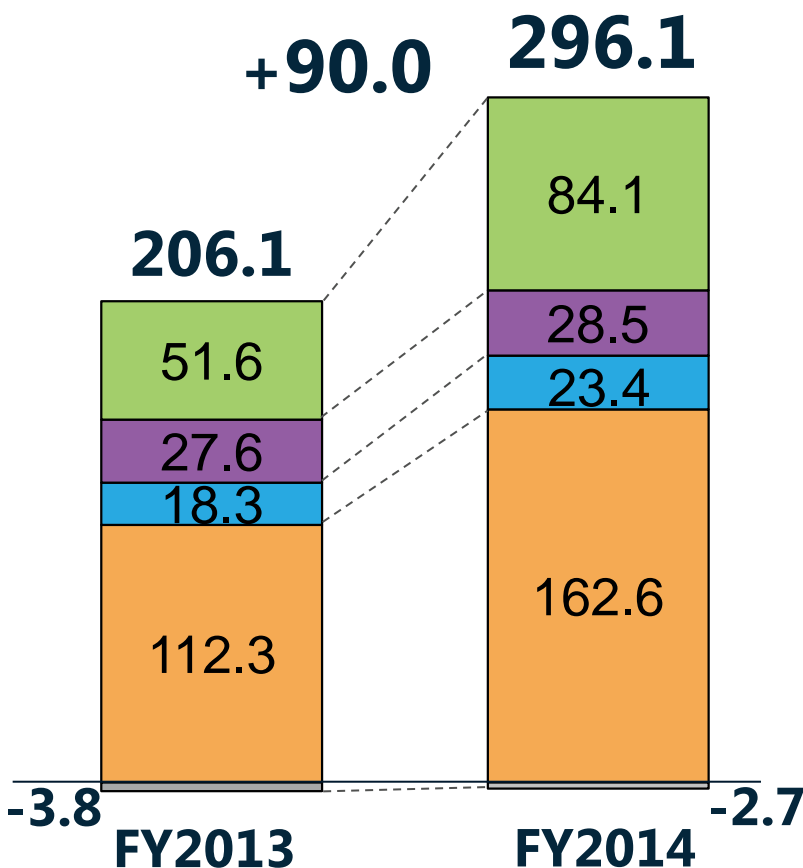
➤ **Machinery, Equipment & Infrastructure**

- Sales increased, mainly for metals machinery, forklift trucks (due to the effect of business integration), turbochargers (in Europe and China), and air conditioners (in China and Europe).

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 increased, chiefly due to the effects of the integration of the thermal power generation business and the improvement in profitability attributed to the growth of after-sales services.

➤ Commercial Aviation & Transportation Systems

- Operating income increased despite an increase in research and development expenses for MRJ, mainly reflecting increased sales of commercial airplanes and the effects of a weaker yen.

➤ Integrated Defense & Space Systems

- Operating income increased, due in part to increased sales of space systems.

➤ Machinery, Equipment & Infrastructure

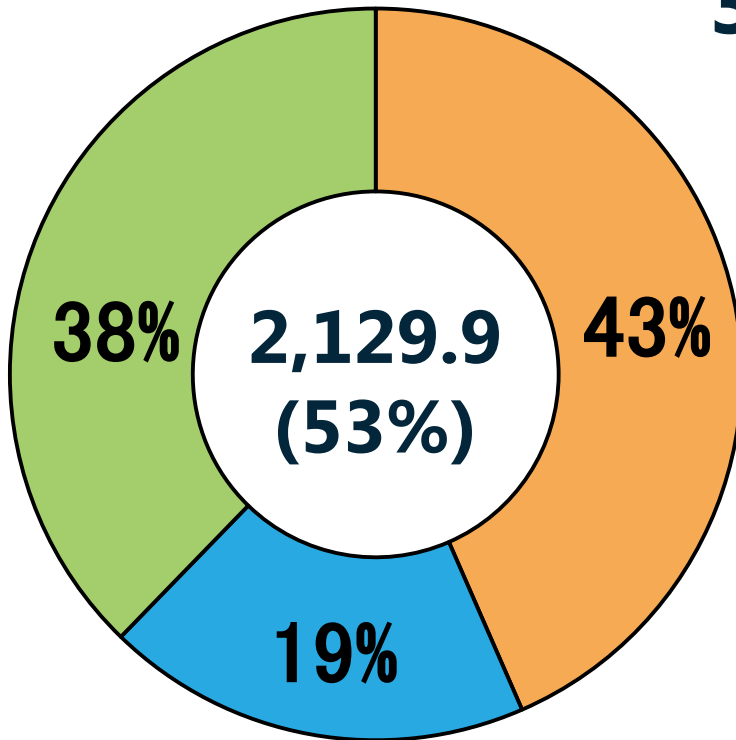
- Income rose with an increase in sales of turbochargers, air-conditioners, forklift trucks, etc. as well as improvement in profitability of compressors.

Net Sales by Geographic Area & Segment (1)

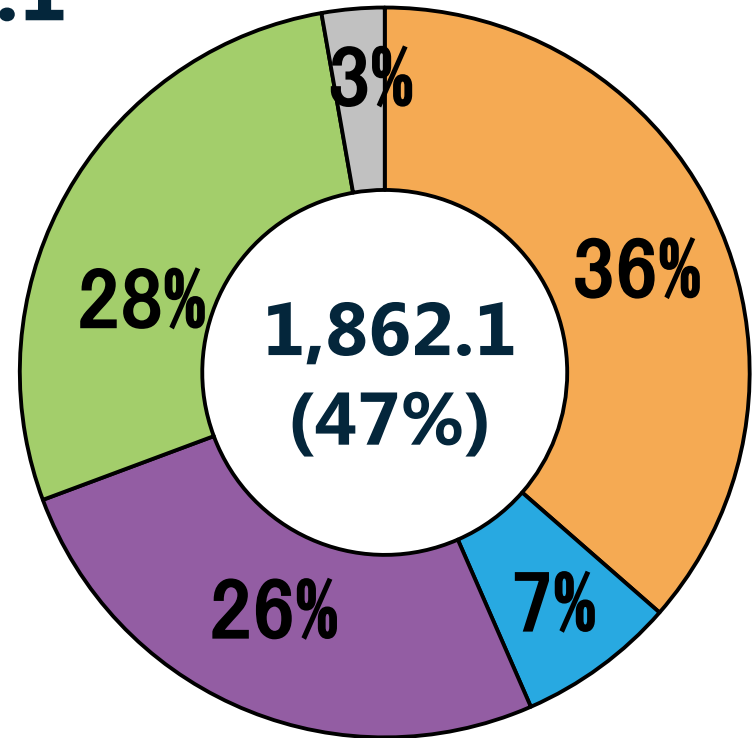
- Energy & Environment
- Commercial Aviation & Transportation Systems
- Integrated Defense & Space Systems
- Machinery, Equipment & Infrastructure
- Others, Eliminations or Corporate

(In billion yen)

3,992.1



Overseas

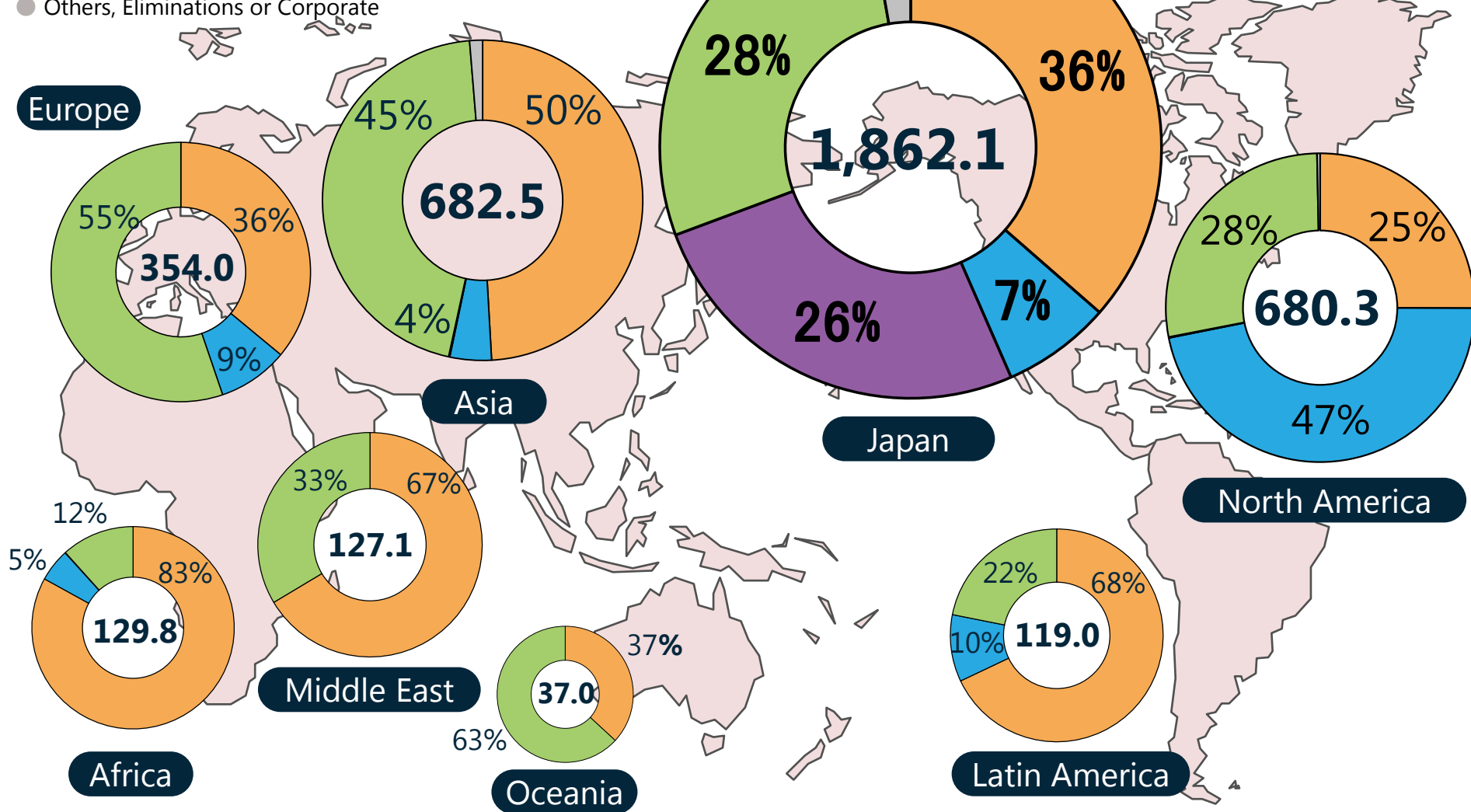


Domestic

Net Sales by Geographic Area & Segment (2)

(In billion yen)

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



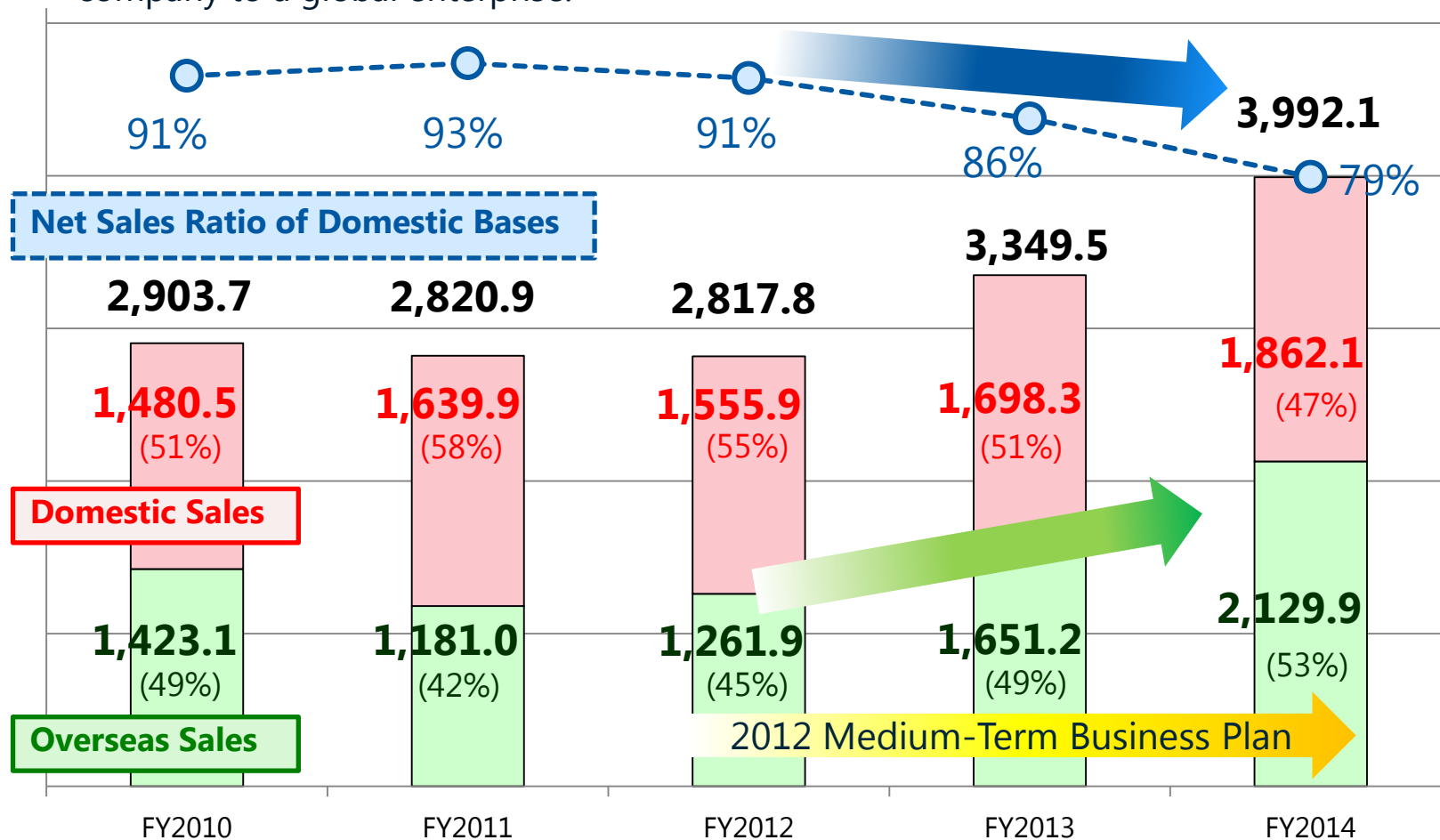
I . FY2014 Financial Results

(Business Analysis)

Changes in Net Sales by Market Region

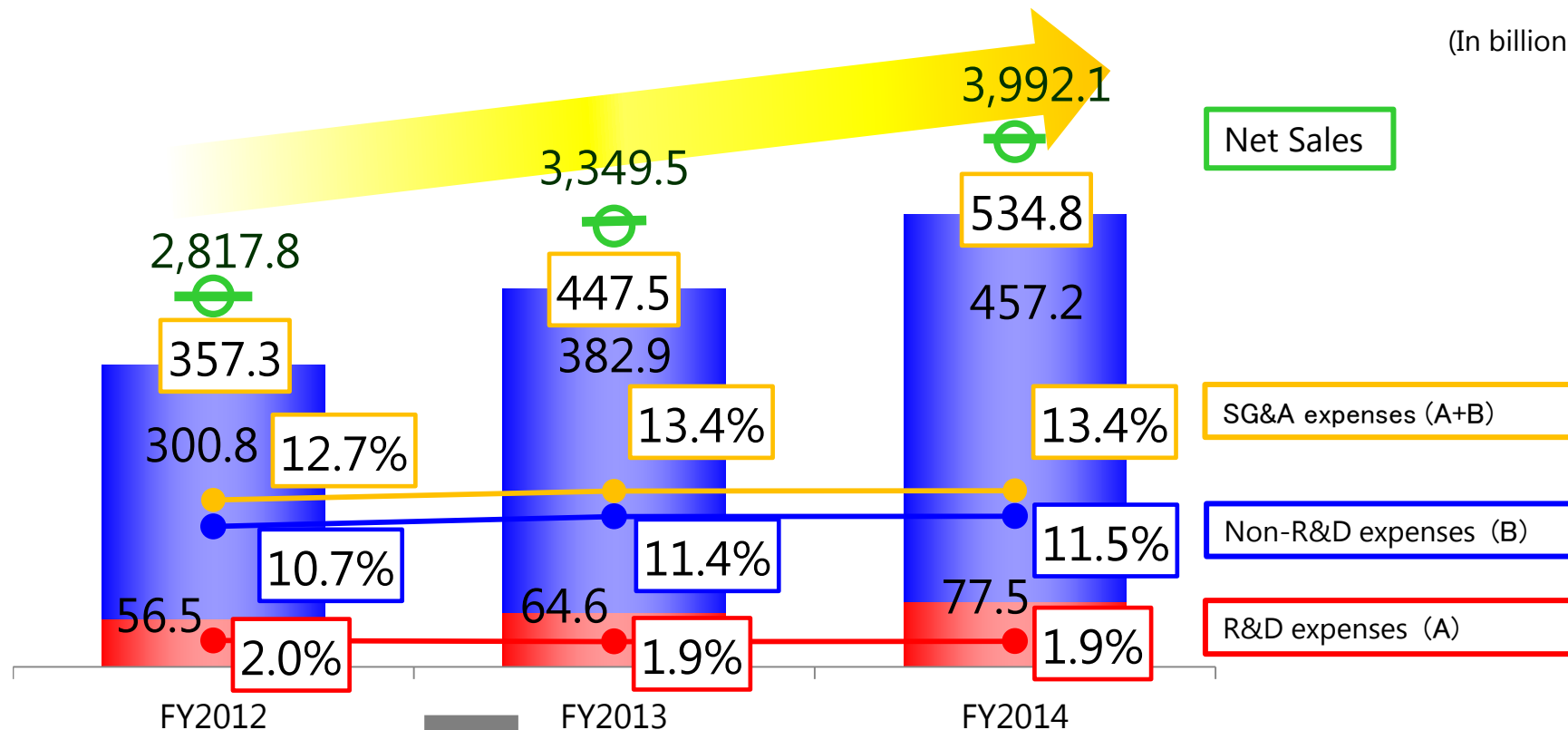
(In billion yen)

- "Global expansion" was promoted as a strategy of the 2012 Medium-Term Business Plan.
- Overseas sales increased and the sales ratio of domestic bases declined.
- Steady progress was made in transitioning from a domestically based export-driven company to a global enterprise.



Ratio of SG&A Expenses to Net Sales

(In billion yen)



(For reference)

Research and development Investment*

	FY2012	FY2013	FY2014
R&D Investment	120.0	138.5	145.5
Sales ratio	4.3%	4.1%	3.6%

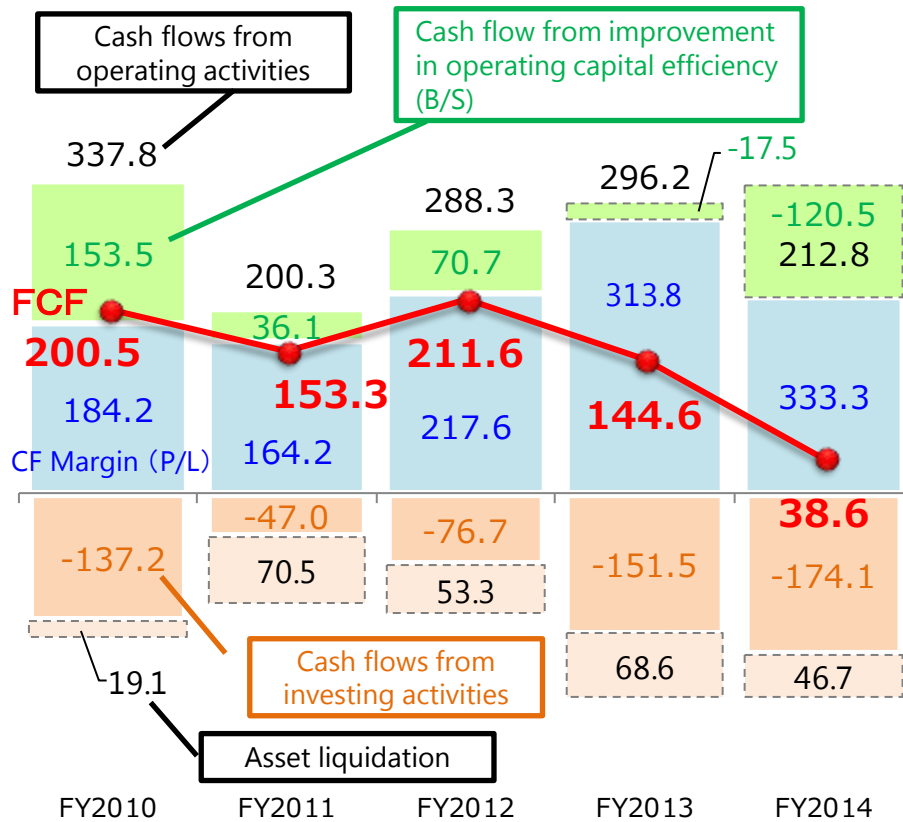
* Includes expenses related to R&D under contract.

Although the absolute value of SG&A expenses has been trending upward owing to M&A initiatives, net sales have also been increasing, enabling the ratio of SG&A expenses to net sales to hold to the year-earlier level.

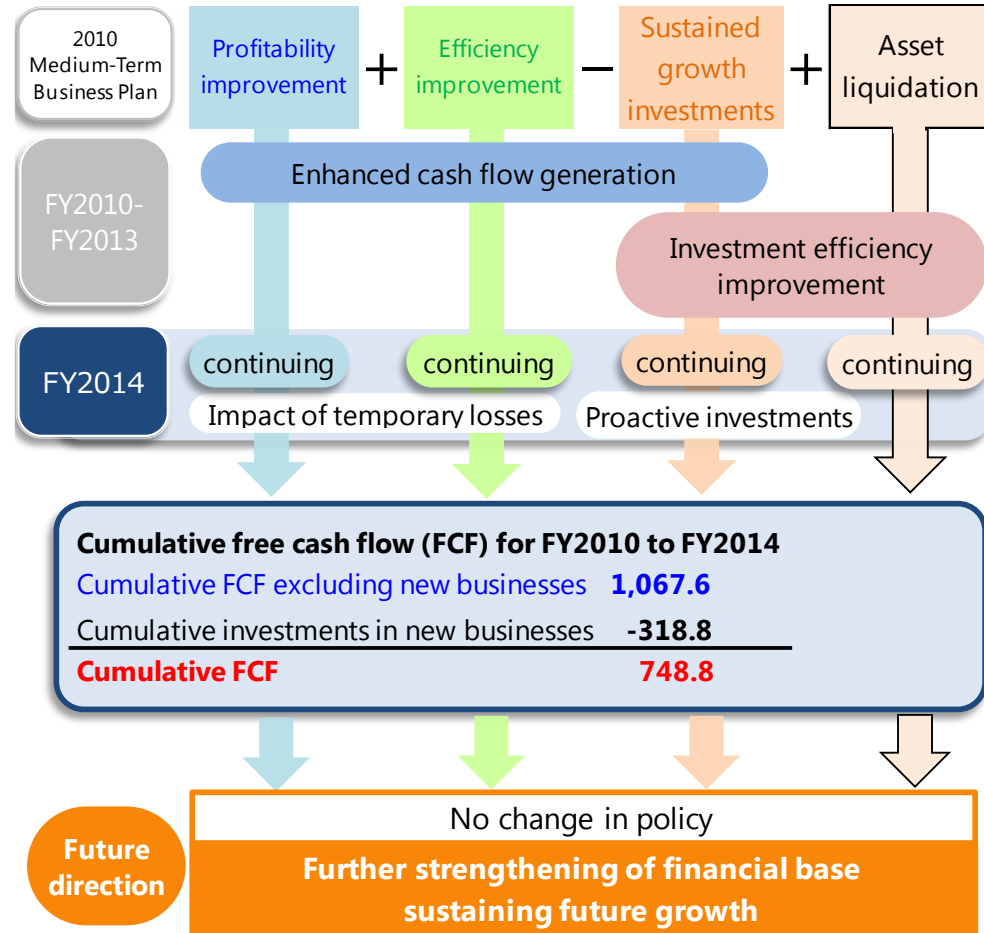
The ratio of SG&A expenses to net sales was pushed down by increased sales attributable to improved management efficiency and synergy effects from PMI.

(In billion yen)

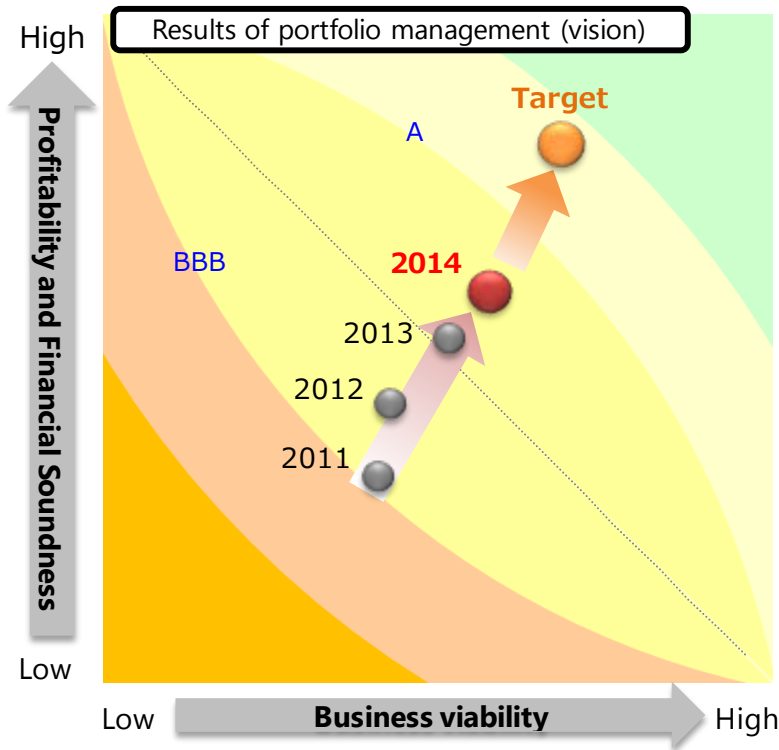
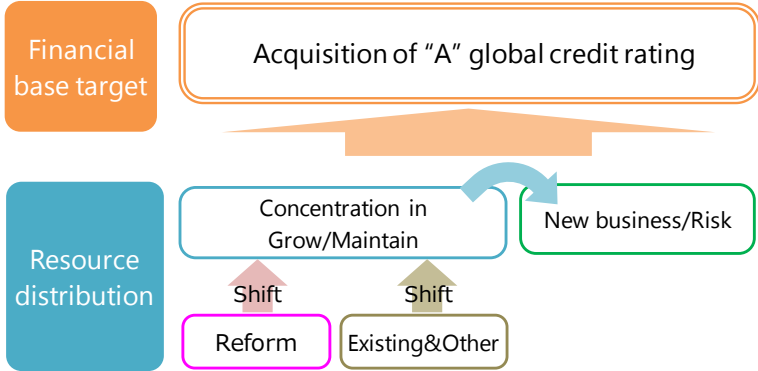
Free Cash Flow Movements: FY2010-FY2014



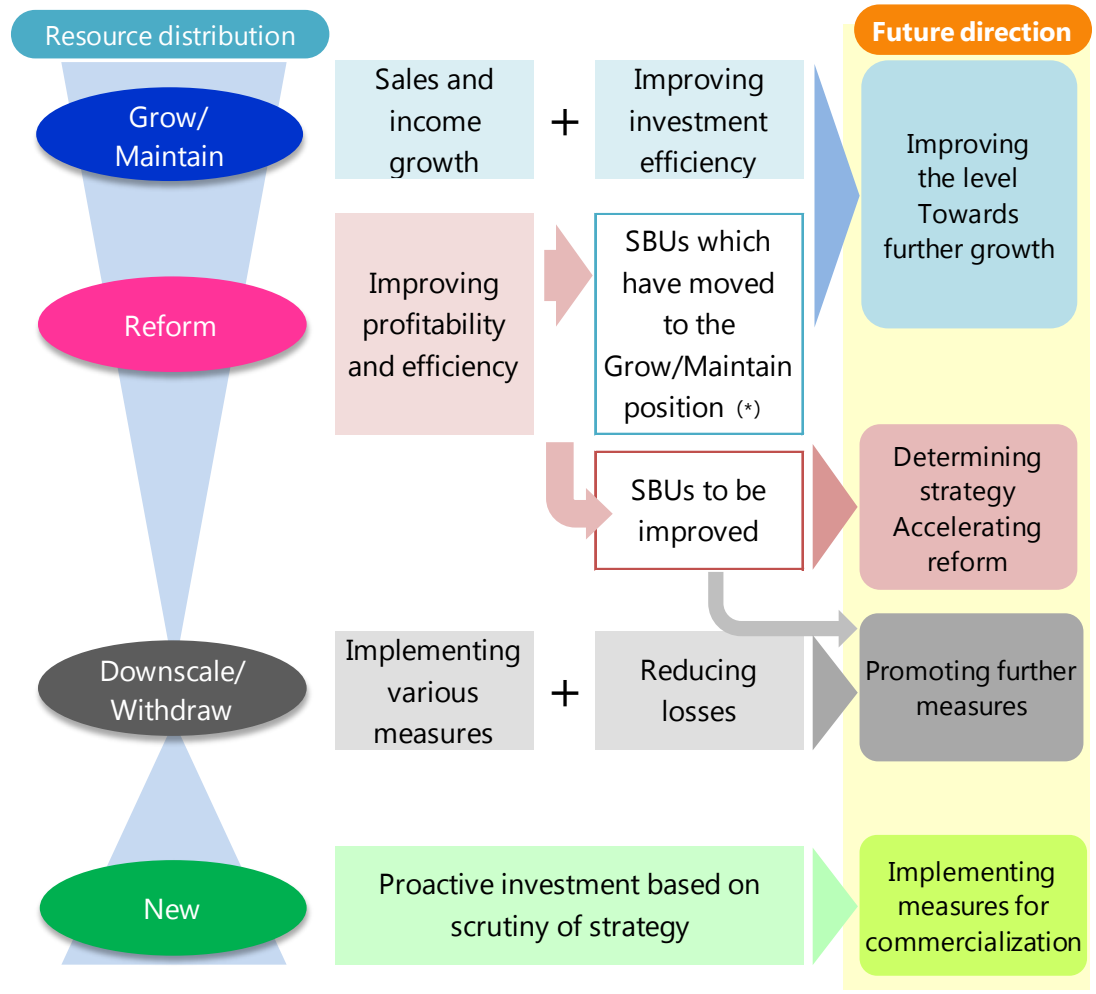
Enhancement of cash flow management



	FY2010	FY2011	FY2012	FY2013	FY2014
Return on invested capital	1.06x	1.11x	1.14x	1.29x	1.37x
EBITDA margin	8.1%	8.4%	10.0%	10.4%	11.7%
Interest-bearing debt	1,325.6	1,157.1	1,031.2	957.4	975.5
Interest expense	22.8	20.9	17.5	16.1	15.9



Portfolio management to drive corporate value

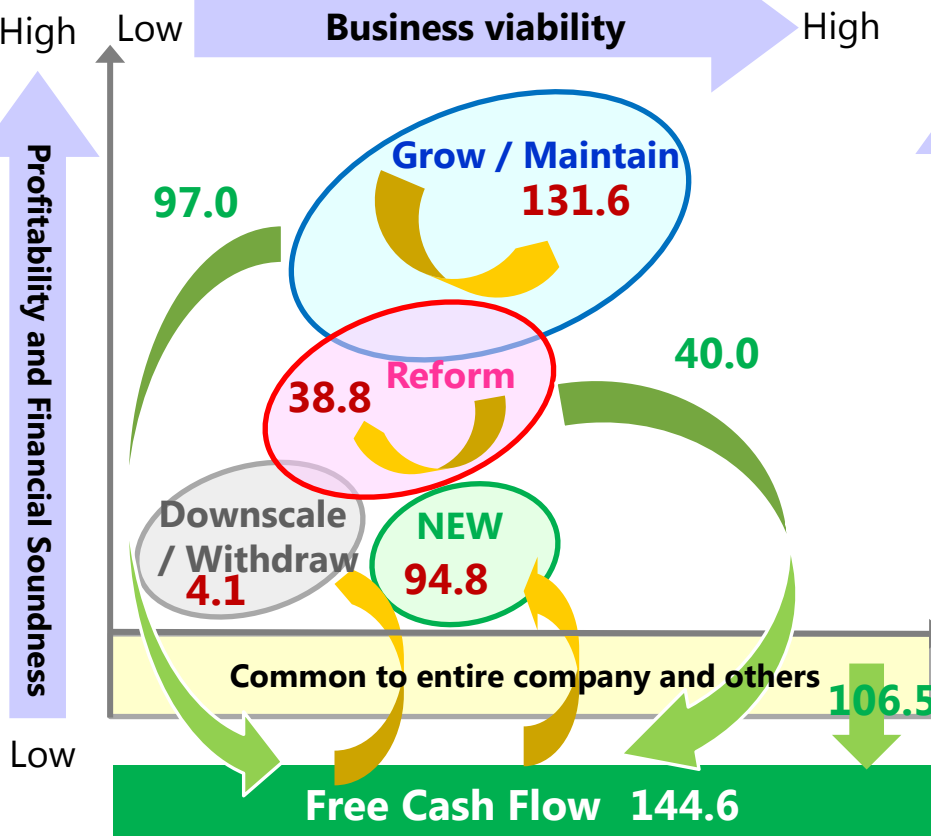


(*)Including SBU's close to Grow/Maintain position

Cash Flows

(In billion yen)

FY2013

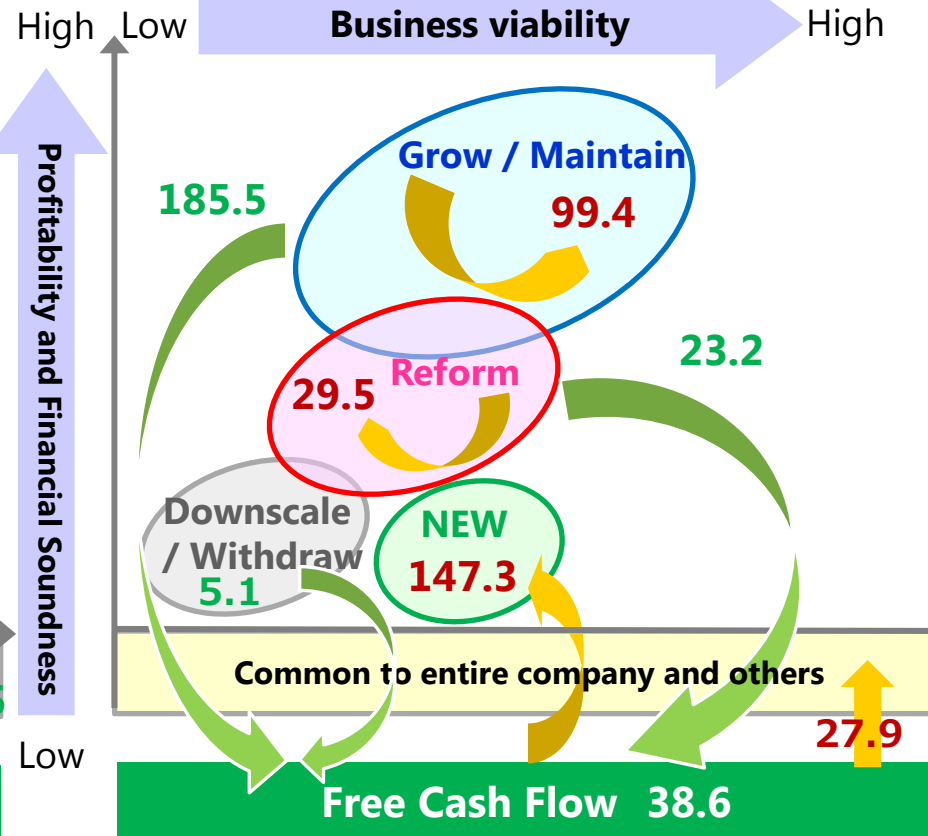


Shareholder returns
(Dividends)
(Including dividends for
minority shareholders)
31.7

Strengthening the
Financial foundation
112.9

Cash flow management for portfolio building

FY2014



Shareholder returns
(Dividends)
(Including dividends for
minority shareholders)
34.2

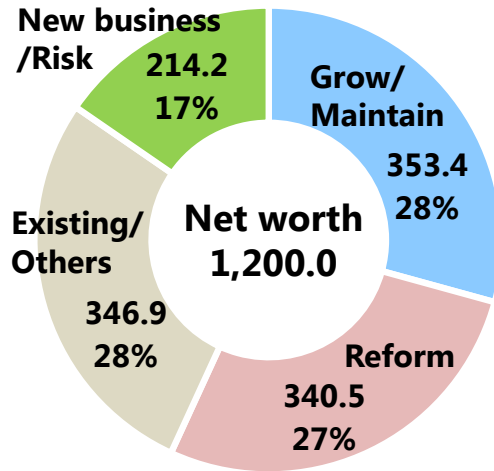
Strengthening the
Financial foundation
4.4

Capital Policy -Capital Allocation by Business Position-

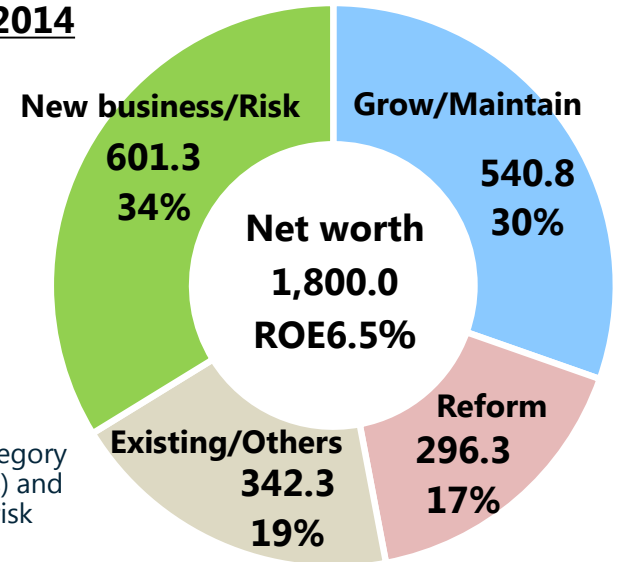
(In billion yen)

Capital allocation for becoming a highly profitable 5-trillion-yen enterprise

Start of FY2012



End of FY2014



Note:

- Net worth: net assets – minority interests – share subscription rights
- New Business/Risk: Capital for the existing SBUs in the New category as well as seed money (growth investments) and capital required as a buffer for unexpected risk
- Existing & Other: Capital for SBUs in the Downscale/Withdraw category and the Inter- group category

Target

the end of FY2017
Net worth : 2 trillion-yen level
ROE : 10%以上

Business scale expansion and higher profitability

Concentration in Grow/Maintain

Secure

New Business/Risk

Shift

Shift

Reform

Existing/Others

Resource distribution

Grow/Maintain

Securing high profits

Securing funds on New Business/Risk in Grow/Maintain

✓ Allocating surplus to New Business/Risk

Reform

Improving profitability and efficiency

Close to Grow/Maintain position

✓ Shift to the Grow/Maintain position

Existing/Others

Implementing measures steadily

Progress of measures

✓ Reducing capital allocation

The end of FY2014

Making steady progress toward the target

Basic policy

Returns will be provided to shareholders at a dividend payout ratio of around 30%, considering the balance between investments in future businesses and strengthening of net worth.

In the 2015 Medium-Term Business Plan, net worth of 2 trillion yen is deemed appropriate for future business opportunities/risks in the global market.

→ Establishing a solid financial base by increasing the net worth to 2 trillion yen while achieving ROE above 10%

Accordingly, during the period of the 2015 Medium-Term Business Plan dividend levels will be determined in consideration of the following three points:

- Status of net worth toward 2 trillion yen target
- Volume of business opportunities and risks
- Progress of ROE improvement

Dividend (for the last three years)

	Dividends per Share		Net Income (In billion yen)	Consolidated dividend payout ratio
FY2012	8.0 yen	(Interim: 3yen/year-end: 5yen)	97.3	27.6%
FY2013	8.0 yen	(Interim: 4yen/year-end: 4yen)	160.4	16.7%
FY2014	11.0 yen	(Interim: 5yen/year-end: 6yen)	110.4	33.4%

II . Forecast for FY2015

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 FY2015

(In billion yen)

	FY2014 (Actual)		FY2015 (Forecast)		Change	
Orders received		4,699.1		4,700.0	+0.8	+0.0%
Net sales		3,992.1		4,200.0	+207.8	+5.2%
Operating income	(7.4%)	296.1	(7.6%)	320.0	+23.8	+8.1%
Ordinary income	(6.9%)	274.7	(7.1%)	300.0	+25.2	+9.2%
Extraordinary gain/loss		- 42.0		-50.0	-7.9	-
Net income (*)	(2.8%)	110.4	(3.1%)	130.0	+19.5	+17.7%
ROE		6.5%		7.1%	+0.6pt	-
EBITDA	(11.7%)	465.0	(12.0%)	502.0	+36.9	+7.9%
Dividend (per share)		11.0yen Interim: 5.0yen year-end: 6.0yen		12.0yen Interim: 6.0yen year-end: 6.0yen	<exchange rate> US\$ 1.00 = ¥115 Euro 1.00 = ¥130 <undetermined amount> US\$: 3.0 billion Euro: 0.4 billion	

(*) In FY2015 forecast, profit attributable to owners of parent.

Forecast for FY2015 by Segment

(In billion yen)

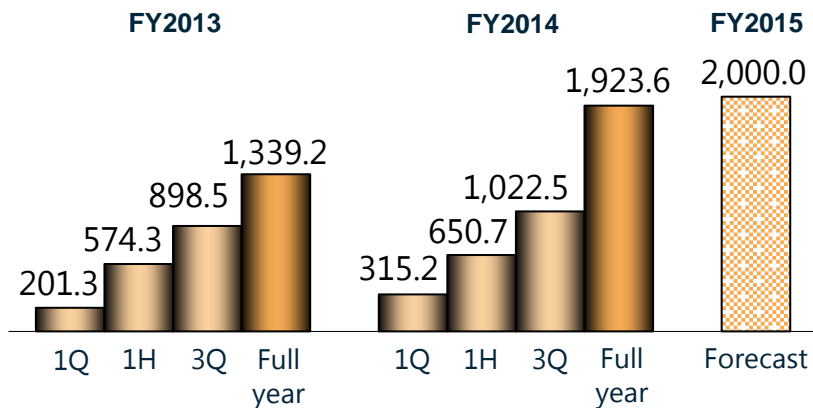
	Orders received			Net sales			Operating income		
	FY2014 (Actual)	FY2015 (Forecast)	Change	FY2014 (Actual)	FY2015 (Forecast)	Change	FY2014 (Actual)	FY2015 (Forecast)	Change
Energy & Environment	1,923.6	2,000.0	+76.3	1,599.5	1,600.0	+0.4	162.6	185.0	+22.3
Commercial Aviation & Transportation Systems	999.2	700.0	- 299.2	529.5	650.0	+120.4	23.4	30.0	+6.5
Integrated Defense & Space Systems	417.4	400.0	- 17.4	483.9	450.0	- 33.9	28.5	27.0	- 1.5
Machinery, Equipment & Infrastructure	1,304.6	1,500.0	+195.3	1,319.5	1,400.0	+80.4	84.1	85.0	+0.8
Others	190.8	200.0	+9.1	182.8	200.0	+17.1	13.8	15.0	+1.1
Eliminations or Corporate	- 136.7	- 100.0	+36.7	- 123.3	- 100.0	+23.3	- 16.6	- 22.0	- 5.3
Total	4,699.1	4,700.0	+0.8	3,992.1	4,200.0	+207.8	296.1	320.0	+23.8

Ⅲ. Supplementary Information

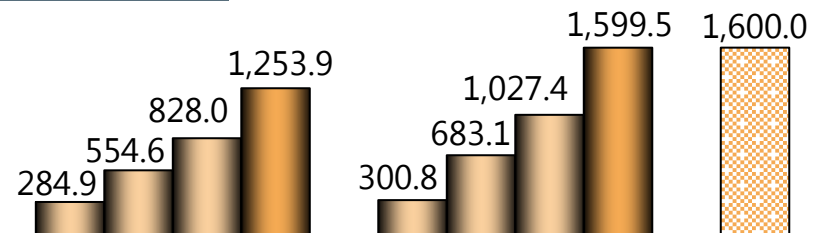
< Energy & Environment >

(In billion yen, accumulated amount)

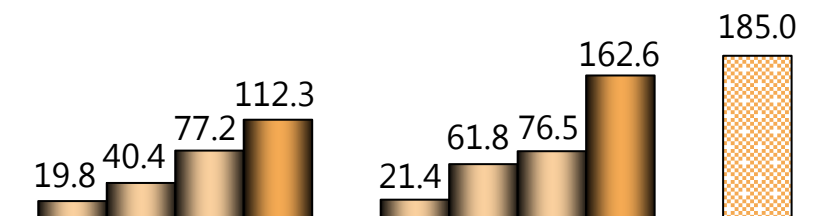
Orders Received



Net Sales



Operating Income



Orders received : Up ¥584.3 billion YoY

-Orders exceeded the year-ago level due to an increase in orders for thermal power plants (Large and Industrial Conventional Plant and others) as a result of the effects of the integration of the thermal power generation business with Hitachi, Ltd.

[Gas turbine orders]

		North America	Asia	Japan	Others	Total
FY2013	Large size	4	9	2	3	18
	Small to medium size	2	0	0	30	32
	Total	6	9	2	33	50
FY2014	Large size	7	4	2	0	13
	Small to medium size	0	5	7	20	32
	Total	7	9	9	20	45

[Backlog of Gas turbine orders]

	Large size	Small to medium size	Total
FY2013	42	34	76
FY2014	34	33	67

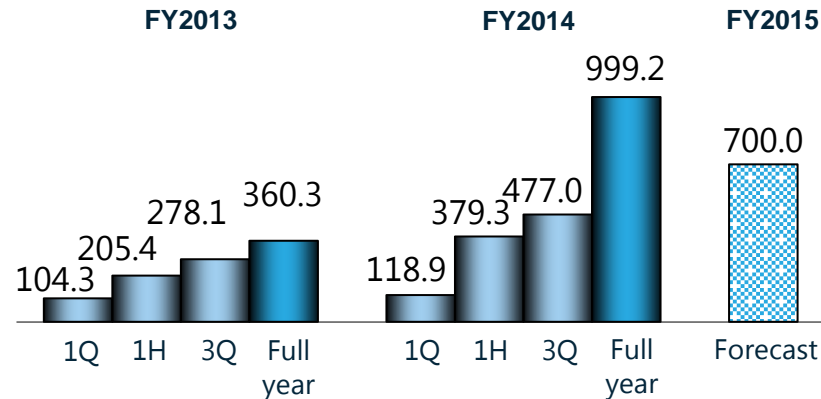
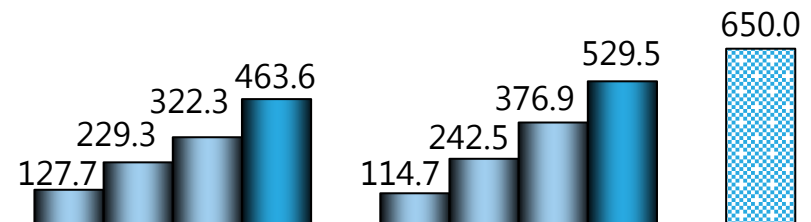
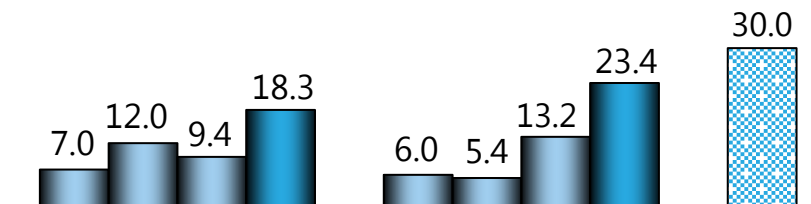
Net sales : Up ¥345.5 billion YoY

-Sales increased year on year, reflecting the effects of the integration of the thermal power generation business.

Earnings : Up ¥50.3 billion YoY

-Income increased from the year-ago level, due to higher sales reflecting the effects of the integration of the thermal power generation business and the growth of after-sales services and the enhanced profitability of chemical plants.

(In billion yen, accumulated amount)

Orders Received**Net Sales****Operating Income****Orders received : Up ¥638.9 billion YoY**

-Orders exceeded the year-ago level, due to large scale order such as the Doha Metro in land transportation systems and an increase in orders received for MRJ, commercial ships, and others.

[Number of ships orders received]

FY2013: 8 (1Q: 1, 2Q: 2, 3Q: 1, 4Q: 4)

FY2014: 11 (1Q: 3, 2Q: 3, 3Q: 1, 4Q: 4)

[Backlog of ship orders] 36

(8 LNG carriers, 7 LPG carriers, 4 ferries/passenger and cargo ships, 6 patrol vessels and others)

Net sales : Up ¥65.9 billion YoY

-Sales increased year on year, mainly reflecting higher sales of commercial airplanes and others.

[Number of B777s delivered]

FY2013: 99 (1Q: 25, 2Q: 25, 3Q: 25, 4Q: 24)

FY2014: 98 (1Q: 26, 2Q: 24, 3Q: 26, 4Q: 22)

[Number of B787s delivered]

FY2013: 78 (1Q: 16, 2Q: 14, 3Q: 19, 4Q: 29)

FY2014: 122 (1Q: 32, 2Q: 28, 3Q: 30, 4Q: 32)

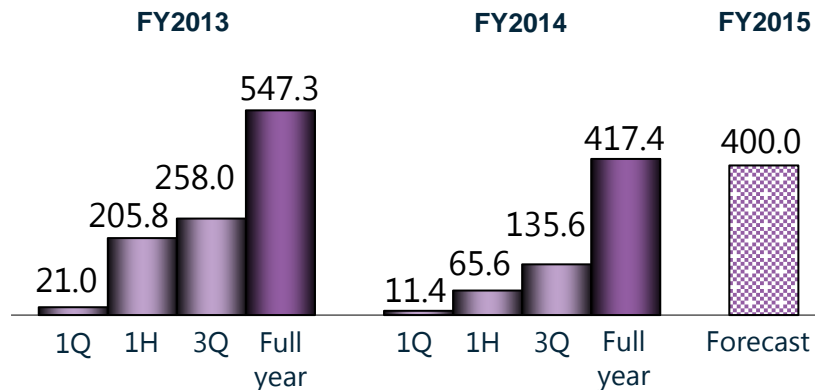
Earnings : Up ¥5.1 billion YoY

-Income increased despite an increase in research and development expenses for MRJ, mainly reflecting increased sales of commercial airplanes and the effects of a weaker yen.

< Integrated Defense & Space Systems >

(In billion yen, accumulated amount)

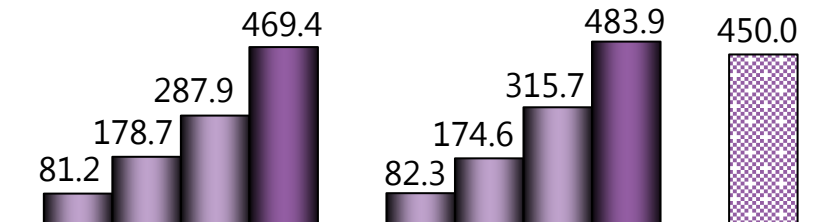
Orders Received



Orders received : Down ¥129.9 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.

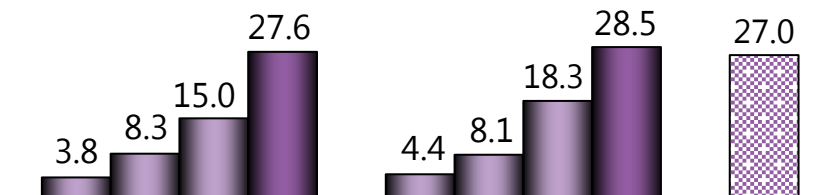
Net Sales



Net sales : Up ¥14.5 billion YoY

-Sales increased from the year-ago level due to higher sales of space systems, reflecting the launch of the H-IIA launch vehicle.

Operating Income



Earnings : Up ¥0.9 billion YoY

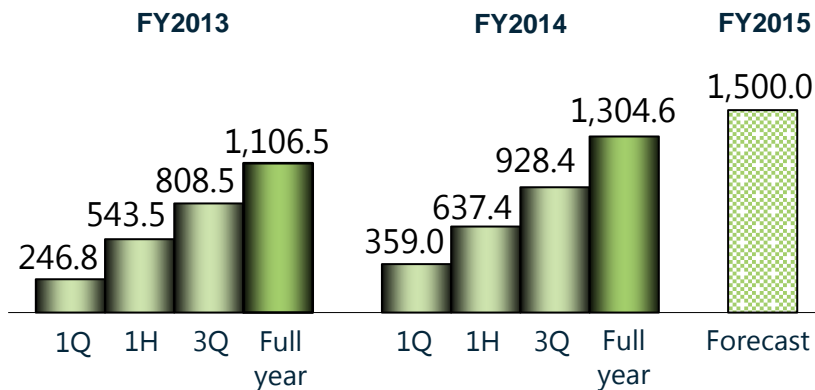
-Income increased from a year ago, reflecting increased sales in space systems.

Supplementary Information ① Financial Results by Business Segment

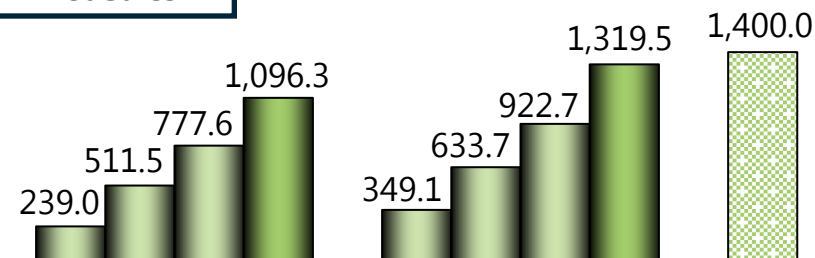
< Machinery, Equipment & Infrastructure >

(In billion yen, accumulated amount)

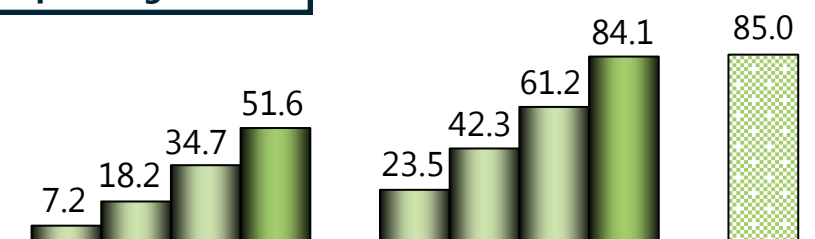
Orders Received



Net Sales



Operating Income



Orders received : Up ¥198.1 billion YoY

Net sales: Up ¥223.2 billion YoY

-Orders received increased due to the effects of the integration of the metals machinery business with Siemens AG, in addition to an increase in orders for forklift trucks attributed to the effects of business integration in the previous fiscal year.

The year-on-year growth of orders is also attributable to an increase in orders received for turbochargers and air-conditioners for Europe and China, the effects of the change in the accounting periods of overseas group companies, and other factors.

Earnings : Up ¥32.4 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.

(In billion yen)

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

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015 (Forecast)
R&D Expenses	123.2	121.4	120.0	138.5	145.5	150.0
Depreciation	134.4	126.2	119.4	134.9	157.0	170.0
Capital Expenditure	126.6	120.7	118.8	148.6	156.1	180.0

2. Cash Flows

	FY2010	FY2011	FY2012	FY2013	FY2014
Cash flows from operating activities	337.8	200.3	288.3	296.2	212.8
Cash flows from investing activities	-137.2	-47.0	-76.7	-151.5	-174.1
Free cash flows	200.5	153.3	211.6	144.6	38.6
Cash flows from financing activities	-169.7	-183.6	-154.2	-136.6	-45.8

3. Interest-Bearing Debt, D/E ratio

	FY2010	FY2011	FY2012	FY2013	FY2014
Interest-bearing debt	1,325.6	1,157.1	1,031.2	957.4	975.5
D/E ratio	101%	89%	72%	54%	46%

4. Foreign Exchange Rates

(¥/US\$)

	FY2010	FY2011	FY2012	FY2013	FY2014
Average rates for recording sales	88.5	81.0	83.6	100.1	109.4
(Reference)Rates at end of period	83.2	82.2	94.1	102.9	120.2

5. Employees

(Number of employees)

(Consolidated)	FY2010	FY2011	FY2012
Shipbuilding & Ocean Development	4,767	3,966	3,708
Power Systems	19,412	18,754	18,966
Machinery & Steel Infrastructure Systems	10,324	8,914	8,814
Aerospace Systems	9,942	9,364	9,513
General Machinery & Special Vehicles	9,000	8,709	8,630
Others	15,371	18,914	18,582
Total	68,816	68,621	68,213

(Non-Consolidated)

(33,031)

(32,494)

(31,111)

(Consolidated)	FY2013	FY2014
Energy & Environment	28,393	26,855
Commercial Aviation & Transportation Systems	8,182	7,129
Integrated Defense & Space Systems	6,477	6,022
Machinery, Equipment & Infrastructure	26,769	33,277
Others	10,762	8,562
Total	80,583	81,845

(Non-Consolidated)

(22,147)

(21,117)

6. Overseas Sales by Region

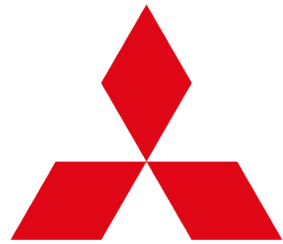
(In billion yen)

	FY2010	FY2011	FY2012	FY2013	FY2014
North America	347.4 (12.0%)	296.0 (10.5%)	379.0 (13.5%)	522.8 (15.6%)	680.3 (17.0%)
Central & South America	200.8 (6.9%)	142.1 (5.0%)	105.1 (3.7%)	104.0 (3.1%)	119.0 (3.0%)
Asia	373.7 (12.9%)	381.8 (13.5%)	457.6 (16.2%)	592.9 (17.7%)	682.5 (17.1%)
The Middle East	102.6 (3.5%)	68.7 (2.4%)	47.5 (1.7%)	78.6 (2.4%)	127.1 (3.2%)
Europe	217.0 (7.5%)	225.7 (8.0%)	217.5 (7.7%)	263.8 (7.9%)	354.0 (8.9%)
Africa	169.2 (5.8%)	51.6 (1.8%)	23.4 (0.8%)	67.3 (2.0%)	129.8 (3.3%)
Oceania	12.1 (0.4%)	14.8 (0.5%)	31.5 (1.1%)	21.5 (0.6%)	37.0 (0.9%)
Total	1,423.1 (49.0%)	1,181.0 (41.9%)	1,261.9 (44.8%)	1,651.2 (49.3%)	2,129.9 (53.4%)

(In billion yen)

7. Segment Information by Geographic Distribution

		FY2010	FY2011	FY2012	FY2013	FY2014	
Japan	Net Sales	2,652.1	2,621.7	2,565.6	2,873.9	3,141.2	(78.7%)
	Operating income	96.5	105.2	136.7	189.5	263.2	
North America	Net Sales	226.9	168.6	205.7	352.3	456.4	(11.4%)
	Operating income	1.1	0.7	13.2	1.9	4.2	
Asia	Net Sales	123.2	148.4	149.6	244.4	374.1	(9.4%)
	Operating income	1.8	5.6	8.9	14.8	26.7	
Europe	Net Sales	115.8	130.9	128.5	162.1	327.5	(8.2%)
	Operating income	-1.4	-1.5	4.7	-0.7	1.3	
Others	Net Sales	27.6	20.0	17.1	28.9	89.9	(2.3%)
	Operating income	3.1	1.8	-0.1	0.4	0.5	
Eliminations or Corporate	Net Sales	-242.1	-268.8	-248.8	-312.2	-397.2	(-10.0%)
	Operating income	-	-	-	-	-	
Total	Net Sales	2,903.7	2,820.9	2,817.8	3,349.5	3,992.1	(100.0%)
	Operating income	101.2	111.9	163.5	206.1	296.1	



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