

No. 2044

MHI Announces Outline of FY2016 First 9 Month Financial Results Ended December 31, 2016 (Consolidated)

Tokyo, February 2, 2017 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first nine months of fiscal year (FY) 2016 ended December 31, 2016.

(billions of yen)

	FY2016 First 9 Months (From April 1 to December 31, 2016)	FY2015 First 9 Months (From April 1 to December 31, 2015)	Changes (%)
Orders Received	2,656.4	2,630.9	1.0
Net Sales	2,694.2	2,832.6	(4.9)
Operating Income	68.4	185.3	(63.1)
Ordinary Income	50.9	174.8	(70.8)
Income Before Income Taxes	31.1	104.8	(70.3)
Profit Attributable to Owners of Parent	(11.2)	53.3	—
Profit Attributable to Owners of Parent Per Share	(3.35) yen	15.91 yen	—

Figures in parentheses are negative.

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2016 First 9 Months (From April 1 to December 31, 2016)	FY2015 First 9 Months (From April 1 to December 31, 2015)
Energy & Environment	993.2	1,038.5
Commercial Aviation & Transportation Systems	360.5	405.7
Integrated Defense & Space Systems	310.1	326.1
Machinery, Equipment & Infrastructure	1,015.4	1,042.9
Others	119.7	113.3
Eliminations or Corporate	(104.8)	(94.1)
TOTAL	2,694.2	2,832.6

Operating Income (Loss) by Operational Segment

(billions of yen)

	FY2016 First 9 Months (From April 1 to December 31, 2016)	FY2015 First 9 Months (From April 1 to December 31, 2015)
Energy & Environment	44.5	69.1
Commercial Aviation & Transportation Systems	(28.3)	44.5
Integrated Defense & Space Systems	19.1	19.3
Machinery, Equipment & Infrastructure	37.8	55.3
Others	6.5	7.0
Eliminations or Corporate	(11.3)	(10.1)
TOTAL	68.4	185.3

Figures in parentheses are negative.

Estimate of Consolidated Financial Results for FY 2016

For the fiscal year 2016 ending March 31, 2017, MHI is expecting 4,000 billion yen in net sales, 240 billion yen in operating income, 180 billion yen in ordinary income, and 100 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 = ¥120 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, 2016	As of Dec. 31, 2016
<u>ASSETS</u>		
Current assets:		
Cash and deposits	310,523	244,493
Trade receivables	1,205,689	1,151,044
Merchandise and finished products	187,330	199,950
Work in process	992,160	1,131,365
Raw materials and supplies	156,507	169,573
Deferred income taxes	137,428	144,965
Other current assets	547,848	669,170
Allowance for doubtful accounts	(7,694)	(6,890)
Total current assets	3,529,792	3,703,674
Non-current assets:		
Property, plant and equipment, net:		
Buildings and structures	397,292	408,029
Machinery and transportation equipment	257,306	258,645
Tools, equipment and furniture	56,570	63,431
Land	197,898	197,548
Leased assets	2,873	3,832
Construction in progress	75,497	60,270
Subtotal	987,440	991,759
Intangible assets:		
Goodwill	136,003	122,294
Others	150,126	139,945
Subtotal	286,130	262,240
Investments and advances:		
Investment securities	534,287	570,496
Long-term loans	4,946	17,989
Asset for retirement benefit	27,459	35,696
Deferred income taxes	15,808	14,043
Others	125,601	117,135
Allowance for doubtful accounts	(8,452)	(8,370)
Subtotal	699,650	746,989
Total non-current assets	1,973,221	2,000,989
TOTAL ASSETS	5,503,013	5,704,663

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Mar. 31, 2016	As of Dec. 31, 2016
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	763,761	660,155
Electronically recorded obligations	96,888	106,698
Short-term borrowings	293,131	354,784
Current portion of long-term borrowings	61,715	29,003
Commercial papers	45,000	352,000
Current portion of bonds	20,000	60,000
Income taxes payable	18,091	21,604
Reserve for product warranties	15,128	15,137
Reserve for loss on construction contracts	56,866	52,659
Reserve for loss on passenger vessel construction business	72,842	24,063
Reserve for stock benefits	98	31
Advance payments received on contracts	749,747	690,903
Other current liabilities	407,108	417,096
Total current liabilities	2,600,378	2,784,136
Non-current liabilities:		
Bonds	245,000	215,000
Long-term borrowings	387,302	395,917
Deferred income taxes	70,385	82,168
Reserve for stock benefits	966	1,710
Reserve for treatment of PCB waste	7,258	7,031
Liability for retirement benefits	124,890	140,462
Other non-current liabilities	66,467	72,801
Total non-current liabilities	902,270	915,091
TOTAL LIABILITIES	3,502,649	3,699,228
<u>NET ASSETS</u>		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus	203,951	204,026
Retained earnings	1,173,053	1,115,700
Treasury stock	(4,771)	(4,708)
Total stockholders' equity	1,637,842	1,580,626
Accumulated other comprehensive income (loss)		
Unrealized holding gain (loss) on investment securities	40,108	102,966
Unrealized gain (loss) from hedging instruments	3,044	3,156
Translation adjustments	17,762	9,454
Retirement benefits liability adjustments	(18,998)	(16,537)
Total accumulated other comprehensive income (loss)	41,917	99,039
Share subscription rights	2,616	2,596
Non-controlling interests	317,987	323,171
TOTAL NET ASSETS	2,000,364	2,005,434
TOTAL LIABILITIES AND NET ASSETS	5,503,013	5,704,663

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2015 First 9 Months (From Apr. 1 to Dec. 31, 2015)	FY2016 First 9 Months (From Apr. 1 to Dec. 31, 2016)
Net sales	2,832,659	2,694,261
Cost of sales	2,246,238	2,205,603
Gross profit	586,420	488,658
Selling, general and administrative expenses:		
Provision of allowance for doubtful accounts	(1,284)	(85)
Directors' compensations, salaries and allowances	144,306	151,094
Research and development expenses	57,600	67,577
Expenses for inquiries	32,815	34,759
Other expenses	167,587	166,827
Total selling, general and administrative expenses	401,025	420,175
Operating income	185,394	68,482
Non-operating income:		
Interest income	5,114	3,034
Dividend income	8,061	8,018
Income from equity method investments	6,512	-
Foreign exchange gain	-	13,123
Other income	4,783	13,961
Total non-operating income	24,472	38,138
Non-operating expenses:		
Interest expense	10,368	8,908
Loss from equity method investments	-	21,419
Foreign exchange loss	9,071	-
Loss on disposal of fixed assets	4,088	4,864
Other expenses	11,512	20,460
Total non-operating expenses	35,039	55,652
Ordinary income	174,827	50,968
Extraordinary gain:		
Gain on sales of investment securities	-	4,641
Gain on sales of fixed assets	4,284	-
Total extraordinary gain	4,284	4,641
Extraordinary loss:		
Loss on passenger vessel construction business reserve	53,061	16,481
Loss on revaluation of investment securities	-	5,960
Business structure improvement expenses	18,524	1,997
Loss on sales of investment securities	2,653	-
Total extraordinary loss	74,239	24,439
Profit before income taxes	104,872	31,170
Income taxes	44,340	29,046
Profit	60,532	2,124
Profit attributable to non-controlling interests	7,143	13,365
Profit attributable to owners of parent	53,389	(11,240)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of Yen)

	FY2015 First 9 Months (From Apr. 1 to Dec.31, 2015)	FY2016 First 9 Months (From Apr. 1 to Dec.31, 2016)
Profit	60,532	2,124
Other comprehensive income (loss)		
Unrealized holding gain (loss) on investment securities	(4,962)	62,947
Unrealized gain (loss) from hedging instruments	(1,180)	(458)
Translation adjustments	(23,017)	(5,640)
Retirement benefits liability adjustments	5,201	628
Share of other comprehensive income (loss) of entities accounted for by the equity method	(3,662)	(4,320)
Total other comprehensive income (loss)	(27,621)	53,156
Comprehensive income	32,911	55,281
Comprehensive income attributable to		
Owners of parent	25,888	45,881
Non-controlling interests	7,022	9,399