

No. 1889

MHI Announces FY2014 Consolidated Financial Results

Tokyo, May 8, 2015 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for fiscal year (FY) 2014 ended March 31, 2015.

	(billions of yen)		
	FY2014	FY2013	Changes (%)
Orders Received	4,699.1	3,420.0	37.4
Net Sales	3,992.1	3,349.5	19.2
Operating Income	296.1	206.1	43.7
Ordinary Income	274.7	183.1	50.0
Income Before Taxes and Minority Interests	232.6	214.4	8.5
Net Income	110.4	160.4	(31.2)
Operating Cash Flow	212.8	296.2	
Investment Cash Flow	(174.1)	(151.5)	
Financing Cash Flow	(45.8)	(136.6)	
Net Income Per Share	32.90Yen	47.81 yen	(31.2)

Figures in parentheses are negative.

Consolidated financial results (continued)**Sales by Operational Segment**

(billions of yen)

	FY2014	FY2013
Energy & Environment	1,599.5	1,253.9
Commercial Aviation & Transportation Systems	529.5	463.6
Integrated Defense & Space Systems	483.9	469.4
Machinery, Equipment & Infrastructure	1,319.5	1,096.3
Others	182.8	185.0
Eliminations or Corporate	(123.3)	(118.9)
TOTAL	3,992.1	3,349.5

Operating Income (Loss) by Operational Segment

(billions of yen)

	FY2014	FY2013
Energy & Environment	162.6	112.3
Commercial Aviation & Transportation Systems	23.4	18.3
Integrated Defense & Space Systems	28.5	27.6
Machinery, Equipment & Infrastructure	84.1	51.6
Others	13.8	14.6
Eliminations or Corporate	(16.6)	(18.4)
TOTAL	296.1	206.1

Figures in parentheses are negative.

Consolidated financial results (continued)

Estimate of Consolidated Financial Results for FY 2015

For the fiscal year 2015 ending March 31, 2016, MHI is expecting 4,200 billion yen in net sales, 320 billion yen in operating income, 300 billion yen in ordinary income, and 130 billion yen in profit attributable to owners of parent. This estimate is based on the assumption of currency exchange rate of US\$ 1.00 = ¥115 and €1.00 = ¥130 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 Mar.31, 2015
<u>ASSETS</u>		
Current assets:		
Cash and deposits	381,056	367,415
Trade receivables	1,188,928	1,291,278
Merchandise and finished products	161,401	182,281
Work in process	846,201	985,570
Raw materials and supplies	143,298	157,010
Deferred income taxes	177,253	150,939
Others	290,737	429,027
Allowance for doubtful accounts	(8,015)	(11,519)
Total current assets	3,180,861	3,552,002
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	373,000	377,804
Machinery and transportation equipment	262,123	259,358
Tools, equipment and furniture	43,502	49,451
Land	176,418	184,691
Leased assets	4,843	4,856
Construction in progress	70,609	78,635
Subtotal	930,498	954,797
Intangible assets:		
Goodwill	116,175	95,588
Others	54,925	145,925
Subtotal	171,100	241,513
Investments and advances:		
Investment securities	402,827	583,496
Long-term loans and advances	3,212	19,422
Asset for retirement benefit	80,468	67,377
Deferred income taxes	41,091	15,495
Others	85,056	97,808
Allowance for doubtful accounts	(9,081)	(11,558)
Subtotal	603,575	772,043
Total fixed assets	1,705,174	1,968,354
TOTAL ASSETS	4,886,035	5,520,357

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Mar.31, 2014	As of Mar.31, 2015
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	760,444	794,780
Electronically recorded obligations	41,000	74,430
Short-term borrowings	166,296	177,780
Current portion of long-term borrowings	186,245	54,985
Commercial papers	-	95,000
Current portion of bonds	70,000	-
Income taxes payable	64,487	30,113
Reserve for product warranties	18,314	15,796
Reserve for loss on construction contracts	62,523	59,529
Reserve for loss on passenger vessel construction business	64,126	105,280
Advance payments received on contracts	567,470	663,176
Others	284,368	358,359
Total current liabilities	2,285,278	2,429,232
Long-term liabilities:		
Bonds	175,000	245,000
Long-term borrowings	359,946	402,822
Deferred income taxes	25,377	105,536
Reserve for treatment of PCB waste	10,459	9,845
Liability for retirement benefit	189,937	129,008
Others	65,812	78,896
Total long-term liabilities	826,533	971,109
TOTAL LIABILITIES	3,111,812	3,400,342
<u>NET ASSETS</u>		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus	203,978	204,039
Retained earnings	1,031,371	1,148,268
Treasury stock	(5,385)	(5,249)
Total stockholders' equity	1,495,573	1,612,668
Accumulated other comprehensive income (loss)		
Net unrealized gains (losses) on investment securities	43,188	81,499
Deferred gains (losses) on hedges	(1,001)	802
Foreign currency translation adjustments	34,658	68,413
Remeasurements of defined benefit plans	(29,019)	17,383
Total accumulated other comprehensive income (loss)	47,825	168,100
Share subscription rights	2,635	3,129
Minority interests	228,188	336,117
TOTAL NET ASSETS	1,774,223	2,120,014
TOTAL LIABILITIES AND NET ASSETS	4,886,035	5,520,357

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2013 (From Apr.1, 2013 to Mar.31, 2014)	FY2014 (From Apr.1, 2014 to Mar.31, 2015)
Net sales	3,349,598	3,992,110
Cost of sales	2,695,898	3,161,157
Gross profit	653,700	830,953
Selling, general and administrative expenses:		
Provision of allowance for doubtful accounts	116	1,119
Directors' compensations, salaries and allowances	163,294	185,890
Research and development expenses	64,622	77,540
Expenses for inquiries	34,804	41,496
Others	184,743	228,765
Total selling, general and administrative expenses	447,581	534,812
Operating income	206,118	296,140
Non-operating income:		
Interest income	3,483	7,324
Dividend income	3,297	5,539
Equity in earnings of unconsolidated subsidiaries and affiliates	1,492	-
Foreign exchange gain	2,086	13,862
Others	4,827	3,284
Total non-operating income	15,186	30,011
Non-operating expenses:		
Interest expense	15,629	15,365
Equity in losses of unconsolidated subsidiaries and affiliates	-	14,128
Loss on disposal of fixed assets	5,999	6,312
Others	16,517	15,557
Total non-operating expenses	38,146	51,364
Ordinary income	183,159	274,787
Extraordinary gain:		
Gain on changes in equity interest	130,661	17,157
Gain on return of assets from retirement benefits trust	-	11,986
Gain on sales of investment securities	13,360	10,787
Gain on sales of fixed assets	11,256	3,960
Gain on negative goodwill	4,928	-
Total extraordinary gain	160,206	43,892
Extraordinary loss:		
Loss on passenger vessel construction business reserve	64,126	69,534
Business structure improvement expenses	57,907	16,449
Impairment loss	6,910	-
Total extraordinary loss	128,944	85,983
Income before income taxes and minority interests	214,421	232,697
Income taxes		
Current	81,137	73,222
Deferred	(31,694)	27,921
Total income taxes	49,442	101,143
Income before minority interests	164,978	131,553
Minority interests in income after taxes	4,550	21,141
Net income	160,428	110,412

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of Yen)

	FY2013	FY2014
Income before minority interests	164,978	131,553
Other comprehensive income (loss)		
Net unrealized gains (losses) on investment securities	11,368	38,632
Deferred gains (losses) on hedges	(829)	1,111
Foreign currency translation adjustments	51,688	32,988
Remeasurements of defined benefit plans	-	48,677
Share of other comprehensive income (loss) of entities accounted for using the equity method	9,026	4,417
Changes in equity interest	4	-
Total other comprehensive income (loss)	71,258	125,827
Comprehensive income (loss)	236,237	257,381
Comprehensive income (loss) attributable to		
Shareholders of the parent	224,197	230,686
Minority interests	12,040	26,694

Consolidated Statements of Changes in Net Assets

(Millions of Yen)

	FY2013	FY2014
Stockholders' equity		
Common stock		
Balance at the beginning of current period	265,608	265,608
Balance at the end of current period	265,608	265,608
Capital surplus		
Balance at the beginning of current period	203,956	203,978
Changes in the period		
Disposal of treasury stock	22	61
Total changes in the period	22	61
Balance at the end of current period	203,978	204,039
Retained earnings		
Balance at the beginning of current period	901,397	1,031,371
Cumulative effects of changes in accounting policies	-	49,547
Restated balance	901,397	1,080,918
Changes in the period		
Cash dividends	(30,198)	(30,199)
Net income	160,428	110,412
Changes in scope of consolidation	(260)	(12,862)
Changes in equity interest	4	-
Total changes in the period	129,974	67,350
Balance at the end of current period	1,031,371	1,148,268
Treasury stock		
Balance at the beginning of current period	(5,394)	(5,385)
Changes in the period		
Purchase of treasury stock	(42)	(32)
Disposal of treasury stock	51	168
Total changes in the period	8	136
Balance at the end of current period	(5,385)	(5,249)
Total stockholders' equity		
Balance at the beginning of current period	1,365,568	1,495,573
Cumulative effects of changes in accounting policies	-	49,547
Restated balance	1,365,568	1,545,120
Changes in the period		
Cash dividends	(30,198)	(30,199)
Net income	160,428	110,412
Changes in scope of consolidation	(260)	(12,862)
Changes in equity interest	4	-
Purchase of treasury stock	(42)	(32)
Disposal of treasury stock	73	230
Total changes in the period	130,005	67,547
Balance at the end of current period	1,495,573	1,612,668

(Millions of Yen)

	FY2013	FY2014
Accumulated other comprehensive income		
Net unrealized gains(losses) on investment securities		
Balance at the beginning of current period	30,979	43,188
Changes in the period		
Net changes in items other than stockholders' equity	12,208	38,311
Total changes in the period	12,208	38,311
Balance at the end of current period	43,188	81,499
Deferred gains(losses) on hedges		
Balance at the beginning of current period	142	(1,001)
Changes in the period		
Net changes in items other than stockholders' equity	(1,143)	1,804
Total changes in the period	(1,143)	1,804
Balance at the end of current period	(1,001)	802
Foreign currency translation adjustments		
Balance at the beginning of current period	(18,040)	34,658
Changes in the period		
Net changes in items other than stockholders' equity	52,699	33,754
Total changes in the period	52,699	33,754
Balance at the end of current period	34,658	68,413
Remeasurements of defined benefit plans		
Balance at the beginning of current period	-	(29,019)
Changes in the period		
Net changes in items other than stockholders' equity	(29,019)	46,403
Total changes in the period	(29,019)	46,403
Balance at the end of current period	(29,019)	17,383
Total accumulated other comprehensive income		
Balance at the beginning of current period	13,081	47,825
Changes in the period		
Net changes in items other than stockholders' equity	34,744	120,274
Total changes in the period	34,744	120,274
Balance at the end of current period	47,825	168,100
Share subscription rights		
Balance at the beginning of current period	2,243	2,635
Changes in the period		
Net changes in items other than stockholders' equity	391	493
Total changes in the period	391	493
Balance at the end of current period	2,635	3,129
Minority interests		
Balance at the beginning of current period	49,332	228,188
Changes in the period		
Net changes in items other than stockholders' equity	178,856	107,929
Total changes in the period	178,856	107,929
Balance at the end of current period	228,188	336,117

(Millions of Yen)

	FY2013	FY2014
Total net assets		
Balance at the beginning of current period	1,430,225	1,774,223
Cumulative effects of changes in accounting policies	-	49,547
Restated balance	1,430,225	1,823,770
Changes in the period		
Cash dividends	(30,198)	(30,199)
Net income	160,428	110,412
Changes in scope of consolidation	(260)	(12,862)
Changes in equity interest	4	-
Purchase of treasury stock	(42)	(32)
Disposal of treasury stock	73	230
Net changes in items other than stockholders' equity	213,992	228,696
Total changes in the period	343,997	296,244
Balance at the end of current period	1,774,223	2,120,014

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

	FY 2013	FY 2014
Cash flows from operating activities:		
Income before income taxes and minority interests	214,421	232,697
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization of intangible assets	134,970	157,010
Impairment loss	6,910	-
Amortization of goodwill	5,792	11,937
Gain on negative goodwill	(4,928)	-
Increase (decrease) in reserve for retirement allowance	5,117	(2,409)
Interest and dividend income	(6,780)	(12,864)
Interest expense	15,629	15,365
(Income) loss from equity method investments	(1,492)	14,128
(Gain) loss on changes in equity interest	(130,661)	(17,157)
(Gain) loss on sales of investment securities	(13,360)	(10,787)
(Gain) loss on sales of fixed assets	(11,256)	(3,960)
Loss on disposal of fixed assets	5,999	6,312
Business structure improvement expenses	57,907	16,449
Loss on passenger vessel construction business reserve	64,126	69,534
Gain on return of assets from retirement benefits trust	-	(11,986)
(Increase) decrease in receivables	(73,900)	29,145
(Increase) decrease in inventories and advances to suppliers	(15,599)	(156,049)
(Increase) decrease in other assets	(6,590)	(8,798)
Increase (decrease) in payables	31,303	5,373
Increase (decrease) in advance payments received on contracts	42,685	24,934
Increase (decrease) in other liabilities	(22,820)	(17,341)
Others	27,333	2,507
Subtotal	324,807	344,040
Interest and dividends received	7,854	18,905
Interest paid	(16,103)	(15,960)
Income taxes paid	(20,342)	(134,151)
Net cash provided by operating activities	296,216	212,834
Cash flows from investing activities:		
Net (increase) decrease in time deposits	53	(2,230)
Purchases of property, plant, equipment and intangible assets	(158,198)	(163,402)
Proceeds from sales of property, plant, equipment and intangible assets	19,345	14,378
Purchases of investment securities	(27,630)	(50,319)
Proceeds from sales and redemption of investment securities	19,623	29,758
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(50,319)	-
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	3,398	-
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	-	2,573
Proceeds from sales of investments in subsidiaries	29,700	-
Disbursement of long-term loans	(12,886)	(18,275)
Collection of long-term loans	26,607	15,498
Others	(1,249)	(2,130)
Net cash used in investing activities	(151,555)	(174,149)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings and commercial papers	(7,251)	57,256
Proceeds from long-term borrowings	59,694	97,115
Repayment of long-term borrowings	(153,072)	(188,683)
Proceeds from issuance of bonds	45,000	70,000
Payment for redemption of bonds	(50,000)	(70,000)
Proceeds from issuance of stock to minority stockholders of subsidiaries	3,431	25,228
Dividends paid to stockholders	(30,107)	(30,139)
Dividends paid to minority stockholders of subsidiaries	(1,682)	(4,133)
Others	(2,681)	(2,516)
Net cash used in financing activities	(136,669)	(45,872)
Effect of exchange rate changes on cash and cash equivalents	(11,450)	(945)
Net increase (decrease) in cash and cash equivalents	(3,459)	(8,133)
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	27,957	-
Decrease in cash and cash equivalents due to changes in scope of consolidation	-	(10,845)
Increase in cash and cash equivalents from corporate partition	26,787	5,617
Cash and cash equivalents at end of year	370,710	357,349