

No. 1935

MHI Announces Outline of FY2015 First 6 Month Financial Results
Ended September 30, 2015 (Consolidated)

Tokyo, October 30, 2015 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first six months of fiscal year (FY) 2015 ended September 30, 2015.

(billions of yen)

	FY2015 First 6 Months (From April 1 to September 30, 2015)	FY2014 First 6 Months (From April 1 to September 30, 2014)	Changes (%)
Orders Received	1,784.4	1,764.1	1.1
Net Sales	1,882.0	1,759.1	7.0
Operating Income	115.9	118.2	(1.9)
Ordinary Income	111.8	127.9	(12.6)
Income Before Income Taxes	79.0	88.1	(10.3)
Profit Attributable to Owners of Parent	43.3	38.0	14.0
Operating Cash Flow	(27.1)	5.9	/
Investment Cash Flow	(86.9)	(100.4)	/
Financing Cash Flow	88.6	4.9	/
Profit Attributable to Owners of Parent Per Share	12.92 yen	11.33 yen	14.0

Figures in parentheses are negative.

Consolidated financial results (continued)

Sales by Operational Segment

(billions of yen)

	FY2015 First 6 Months (From April 1 to September 30, 2015)	FY2014 First 6 Months (From April 1 to September 30, 2014)
Energy & Environment	681.1	683.1
Commercial Aviation & Transportation Systems	280.0	242.5
Integrated Defense & Space Systems	205.0	174.6
Machinery, Equipment & Infrastructure	689.8	633.7
Others	90.5	70.8
Eliminations or Corporate	(64.6)	(45.8)
TOTAL	1,882.0	1,759.1

Operating Income (Loss) by Operational Segment

(billions of yen)

	FY2015 First 6 Months (From April 1 to September 30, 2015)	FY2014 First 6 Months (From April 1 to September 30, 2014)
Energy & Environment	37.7	61.8
Commercial Aviation & Transportation Systems	33.0	5.4
Integrated Defense & Space Systems	11.4	8.1
Machinery, Equipment & Infrastructure	32.2	42.3
Others	8.2	4.6
Eliminations or Corporate	(6.6)	(4.2)
TOTAL	115.9	118.2

Figures in parentheses are negative.

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.

###

CONSOLIDATED BALANCE SHEETS (1/2)

(Millions of Yen)

	As of Mar. 31, 2015	As of Sep. 30, 2015
<u>ASSETS</u>		
Current assets:		
Cash and deposits	367,415	326,122
Trade receivables	1,291,278	1,123,710
Merchandise and finished products	182,281	194,379
Work in process	985,570	1,091,871
Raw materials and supplies	157,010	158,221
Deferred income taxes	150,939	152,998
Others	429,027	467,131
Allowance for doubtful accounts	(11,519)	(10,403)
Total current assets	3,552,002	3,504,033
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	377,804	377,356
Machinery and transportation equipment	259,358	252,014
Tools, equipment and furniture	49,451	50,899
Land	184,691	184,222
Leased assets	4,856	4,510
Construction in progress	78,635	81,899
Subtotal	954,797	950,903
Intangible assets:		
Goodwill	95,588	93,033
Others	145,925	133,326
Subtotal	241,513	226,360
Investments and advances:		
Investment securities	583,496	566,823
Long-term loans and advances	19,422	21,375
Asset for retirement benefits	67,377	87,180
Deferred income taxes	15,495	11,850
Others	97,808	106,527
Allowance for doubtful accounts	(11,558)	(11,178)
Subtotal	772,043	782,577
Total fixed assets	1,968,354	1,959,841
TOTAL ASSETS	5,520,357	5,463,875

CONSOLIDATED BALANCE SHEETS (2/2)

(Millions of Yen)

	As of Mar. 31, 2015	As of Sep. 30, 2015
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	794,780	702,102
Electronically recorded obligations	74,430	75,713
Short-term borrowings	177,780	293,921
Current portion of long-term borrowings	54,985	87,995
Commercial papers	95,000	60,000
Current portion of bonds	-	20,000
Income taxes payable	30,113	22,240
Reserve for product warranties	15,796	15,344
Reserve for loss on construction contracts	59,529	57,508
Reserve for loss on passenger vessel construction business	105,280	88,257
Reserve for stock benefits	-	53
Advance payments received on contracts	663,176	634,449
Others	358,359	356,899
Total current liabilities	2,429,232	2,414,486
Long-term liabilities:		
Bonds	245,000	245,000
Long-term borrowings	402,822	377,253
Deferred income taxes	105,536	90,582
Reserve for stock benefits	-	1,150
Reserve for treatment of PCB waste	9,845	9,026
Liability for retirement benefits	129,008	138,748
Others	78,896	82,872
Total long-term liabilities	971,109	944,634
TOTAL LIABILITIES	3,400,342	3,359,120
<u>NET ASSETS</u>		
Stockholders' equity:		
Common stock	265,608	265,608
Capital surplus	204,039	204,145
Retained earnings	1,148,268	1,171,719
Treasury stock	(5,249)	(5,025)
Total stockholders' equity	1,612,668	1,636,448
Accumulated other comprehensive income (loss)		
Net unrealized gains (losses) on investment securities	81,499	61,769
Deferred gains (losses) on hedges	802	(541)
Foreign currency translation adjustments	68,413	44,715
Remeasurements of defined benefit plans	17,383	19,817
Total accumulated other comprehensive income (loss)	168,100	125,760
Share subscription rights	3,129	2,872
Non-controlling interests	336,117	339,671
TOTAL NET ASSETS	2,120,014	2,104,754
TOTAL LIABILITIES AND NET ASSETS	5,520,357	5,463,875

CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2014 First 6 Months (From Apr.1 to Sep.30, 2014)	FY2015 First 6 Months (From Apr.1 to Sep.30, 2015)
Net sales	1,759,121	1,882,067
Cost of sales	1,387,523	1,495,252
Gross profit	371,597	386,814
Selling, general and administrative expenses:		
Provision of allowance for doubtful accounts	(18)	(630)
Directors' compensations, salaries and allowances	90,574	98,123
Research and development expenses	32,744	36,949
Expenses for inquiries	21,049	22,057
Others	108,978	114,344
Total selling, general and administrative expenses	253,328	270,844
Operating income	118,269	115,970
Non-operating income:		
Interest income	3,770	3,613
Dividend income	3,498	5,476
Income from equity method investments	3,469	4,757
Foreign exchange gain	13,561	-
Others	2,768	3,993
Total non-operating income	27,068	17,840
Non-operating expenses:		
Interest expense	7,862	6,974
Foreign exchange loss	-	4,868
Loss on disposal of fixed assets	2,352	2,679
Others	7,180	7,404
Total non-operating expenses	17,394	21,926
Ordinary income	127,943	111,884
Extraordinary gain:		
Gain on sales of fixed assets	-	4,223
Total extraordinary gain	-	4,223
Extraordinary loss:		
Loss on passenger vessel construction business reserve	39,841	30,953
Business structure improvement expenses	-	3,353
Loss on sales of investment securities	-	2,751
Total extraordinary loss	39,841	37,058
Income before income taxes	88,102	79,049
Income taxes	33,506	30,989
Profit	54,596	48,060
Profit attributable to non-controlling interests	16,578	4,707
Profit attributable to owners of parent	38,017	43,352

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of Yen)

	FY2014 First 6 Months (From Apr. 1 to Sep 30, 2014)	FY2015 First 6 Months (From Apr. 1 to Sep 30, 2015)
Profit	54,596	48,060
Other comprehensive income (loss)		
Net unrealized gains (losses) on investment securities	11,448	(20,827)
Deferred gains (losses) on hedges	707	(1,856)
Foreign currency translation adjustments	10,521	(15,278)
Remeasurements of defined benefit plans	5,094	3,895
Share of other comprehensive income (loss) of entities accounted for using the equity method	1,178	(4,773)
Total other comprehensive income (loss)	28,949	(38,841)
Comprehensive income (loss)	83,545	9,218
Comprehensive income (loss) attributable to		
Owners of the parent	64,345	1,013
Non-controlling interests	19,200	8,204

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

	FY2014 First 6 Months (From Apr.1 to Sep.30,2014)	FY2015 First 6 Months (From Apr.1 to Sep.30,2015)
Cash flows from operating activities:		
Income before income taxes and minority interests	88,102	79,049
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization of intangible assets	75,318	75,517
Amortization of goodwill	6,000	5,669
Increase (decrease) in liability for retirement benefit	(2,399)	(3,688)
Interest and dividend income	(7,269)	(9,089)
Interest expense	7,862	6,974
(Income) loss from equity method investments	(3,469)	(4,757)
(Gain) loss on sales of investment securities	(1,451)	2,751
(Gain) loss on sales of fixed assets	-	(4,223)
Loss on disposal of fixed assets	2,352	2,679
Business structure improvement expenses	-	3,353
Loss on passenger vessel construction business reserve	39,841	30,953
(Increase) decrease in receivables	138,703	158,884
(Increase) decrease in inventories and advances to suppliers	(144,777)	(136,679)
(Increase) decrease in other assets	(36,496)	(66,379)
Increase (decrease) in payables	(95,403)	(87,215)
Increase (decrease) in advance payments received on contracts	42,283	(25,229)
Increase (decrease) in other liabilities	(31,748)	(44,305)
Others	1,620	1,628
Subtotal	79,068	(14,108)
Interest and dividends received	10,530	10,373
Interest paid	(8,194)	(6,966)
Income taxes paid	(75,457)	(16,416)
Net cash provided by (used in) operating activities	5,948	(27,117)
Cash flows from investing activities:		
Net (increase) decrease in time deposits	(858)	(2,208)
Purchases of property, plant, equipment and intangible assets	(81,182)	(74,450)
Proceeds from sales of property, plant, equipment and intangible assets	7,921	5,753
Purchases of investment securities	(29,857)	(10,137)
Proceeds from sales and redemption of investment securities	14,989	2,896
Payment for sales of investments in subsidiaries resulting in change in scope of consolidation	-	(6,352)
Disbursement of long-term loans	(19,455)	(3,122)
Collection of long-term loans	9,480	2,335
Others	(1,489)	(1,633)
Net cash used in investing activities	(100,451)	(86,919)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings and commercial papers	50,803	89,465
Proceeds from long-term borrowings	23,733	5,742
Repayment of long-term borrowings	(114,306)	(2,743)
Proceeds from issuance of bonds	70,000	20,000
Payment for redemption of bonds	(20,000)	-
Proceeds from issuance of stock to minority stockholders of subsidiaries	11,482	3,246
Dividends paid to stockholders	(13,394)	(20,086)
Dividends paid to minority stockholders of subsidiaries	(1,930)	(7,992)
Purchase of investments in subsidiaries resulting in no change in scope of consolidation	-	(570)
Others	(1,473)	1,581
Net cash provided by (used in) financing activities	4,914	88,641
Effect of exchange rate changes on cash and cash equivalents	6,481	(15,248)
Net increase (decrease) in cash and cash equivalents	(83,107)	(40,643)
Cash and cash equivalents at beginning of year	370,710	357,349
Increase in cash and cash equivalents due to changes in scope of consolidation	-	433
Decrease in cash and cash equivalents due to changes in scope of consolidation	(10,845)	(1,590)
Cash and cash equivalents at end of period	276,758	315,548