

Part 1:
FY2006 Interim Financial Summary
and FY2006 Projections

Yukio Kinoshita
Executive Vice President

Medium-Term Performance Evaluation

Summary

- Targets for the three-year Medium-Term Management Plan, “Leap to Excellence 07,” are expected to be met one year ahead of schedule
- Higher earnings and sales for the fourth straight year (medium-term net income)
- New records for orders received, sales, operating income, ordinary income, and medium-term net income

Performance

- Sales: 273.4 billion yen (forecasted: 260 billion yen)
- Operating income: 26.8 billion yen
(forecasted: 19.5 billion yen)
- Ordinary income: 27.7 billion yen
(forecasted: 19.5 billion yen)
- Medium-term net income: 16.7 billion yen
(forecasted: 12.5 billion yen)
- Interest-bearing debt: 95 billion yen

Financial Summary for the 1st half of FY2006

Units: JPY billion

	1 st half of FY2006	1 st half of FY2005	Change
Orders received	322.4	282.4	40.0
Increase in all four segments, with the exception of Ship segment			
Sales	273.4	245.9	27.5
Increased sales in Mass-Produced Machinery, Ship, and Construction Machinery segments			
Operating income	26.8	18.5	8.3
Operating income ratio	9.8%	7.5%	2.3%
Ordinary income	27.7	18.5	9.2
Increased income in Ship, Industrial Machinery and Construction Machinery segments			
Ordinary income ratio	10.1%	7.5%	2.6%
Extraordinary income or loss	(1.6)	0.1	(1.7)
Improved return on equity and financial account balance			
Medium-term net income	16.7	12.5	4.2
Extraordinary income or loss			
Medium-term net income ratio	6.1%	5.1%	1.0%
Worsened due to factors such as transfer of business operations			

Operating Income by Segment

Units: JPY billion

Mass-produced machinery

Growth here, and especially in power transmission control, helped cover the decrease in plastic injection machine.

Environmental protection facilities, plants, and others

Maintained a similar level as previous term.

Ship, steel structures and other specialized equipment

Further progress in reducing cost of new ships as well as an improvement in steel structures.

Industrial machinery

Upturn in material handling systems, turbines, and pumps.

Construction machinery

Improved results from our US crane subsidiary. A rise in sales was accompanied by increased income.

	1 st half of FY2006	1 st half of FY2005	Change
Mass-produced machinery	14.0	13.7	0.2
Environmental protection facilities, plants, and others	(0.1)	0	(0.1)
Ship, steel structures and other specialized equipment	2.3	(1.9)	4.2
Industrial machinery	3.8	3.1	0.7
Construction machinery	6.6	3.5	3.1
Total	26.8	18.5	8.3

Balance Sheets

Units: JPY billion

	September FY2006	March FY2006	Change		September FY2006	March FY2006	Change
Current Assets	303.0	317.8	(14.8)	Liabilities	379.7	407.7	(28.0)
Cash and Deposits	33.8	43.9	(10.1)	Notes and Accounts Payable	136.7	142.8	(6.0)
Notes and Accounts Receivable	143.7	158.9	(15.2)	Advance Payments	43.3	32.0	11.4
Inventories	102.4	93.0	9.4	Interest-Bearing Debt	95.0	125.5	(30.5)
Other	23.0	22.0	1.0	Other	104.7	107.5	(2.8)
				Minority Interests	-	3.8	-
Fixed Assets	259.8	261.4	(1.6)	Stockholders' Equity	-	167.7	-
Tangible Assets	182.3	181.5	0.8	Paid in Capital	-	30.9	-
Intangible Assets	5.7	4.8	0.9	Capital Surplus	-	16.8	-
Investments and Other Assets	71.8	75.2	(3.4)	Retained Earnings	-	68.8	-
				Revaluation Reserve for Land	-	42.1	-
				Other	-	9.1	-
				Net Assets	183.1	-	-
				Common Equity	133.4	-	-
				Variations in Estimates and Exchanges	46.2	-	-
				Minority Interests	3.5	-	-
TOTAL	562.8	579.2	(16.4)	TOTAL	562.8	579.2	(16.4)
				Ratio of Interest-Bearing Debt	16.9%	21.7%	(4.8%)
				Stockholders' Equity Ratio	31.9%	29.0%	2.9%

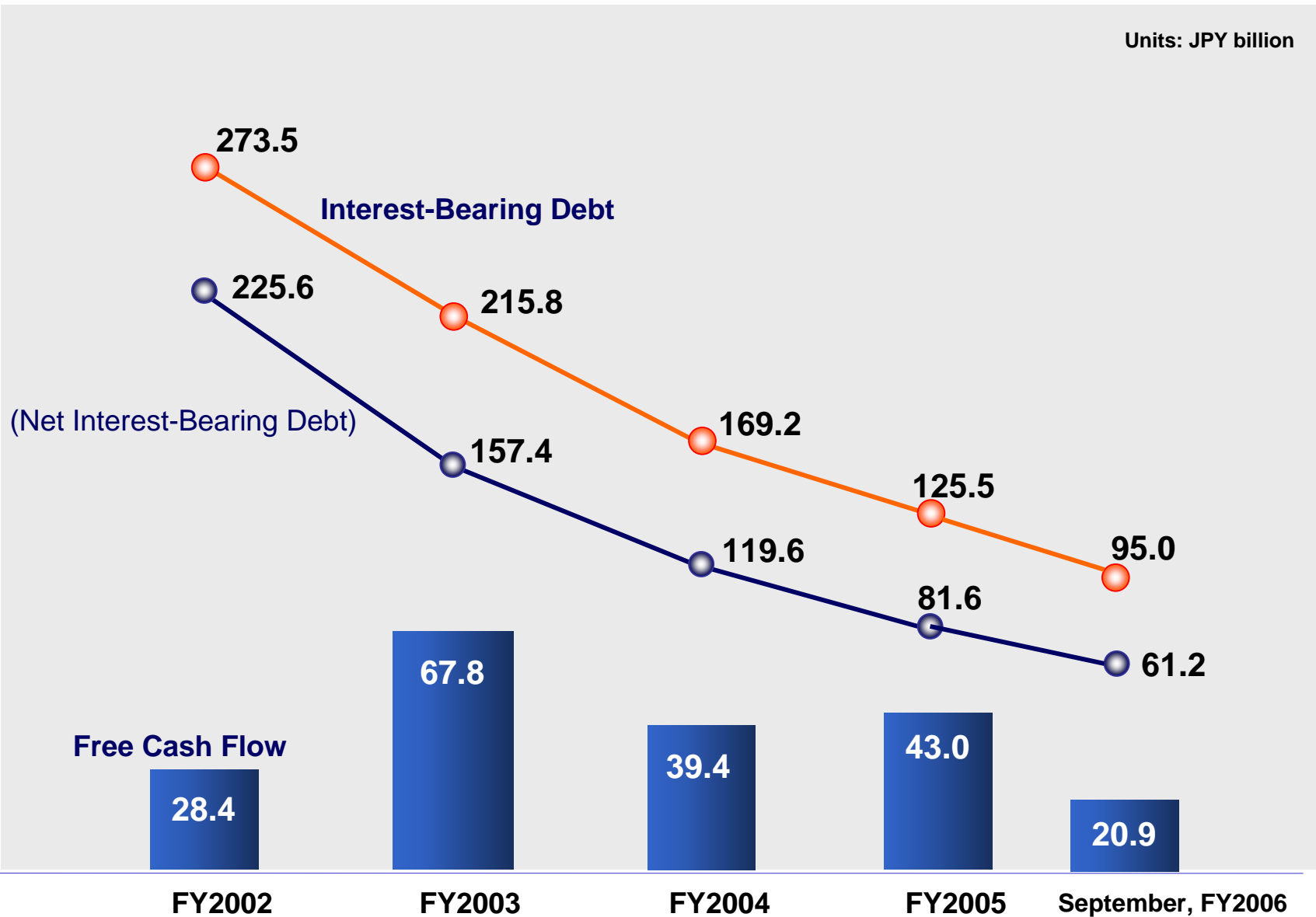
Statements of Cash Flow

Units: JPY billion

Category	1 st half of FY2006	1 st half of FY2005	Change
Cash Flows from Operating Activities	23.4	25.6	(2.2)
Working Capital	9.9	13.0	(3.1)
Operating Income Before Interest Payment	31.0	21.8	9.2
Other	(17.5)	(9.1)	(8.4)
Cash Flows from Investing Activities	(2.5)	(2.0)	(0.5)
Free Cash Flow	20.9	23.6	(2.7)
Cash Flows from Financing Activities	(32.1)	(25.9)	(6.1)
Increase or Decrease in Cash and Cash Equivalents	(10.5)	(2.2)	(8.3)
Cash and Cash Equivalents at the End of the Year	33.6	47.0	(13.3)

Change in Interest-Bearing Debt

Units: JPY billion



FY2006 Forecast of Operating Results

Units: JPY billion

	1st Half of FY2006 Actual	1st Half of FY2005 Actual	FY2006 Forecast	FY2005 Actual
Orders Received	322.4	282.4	660.0	603.0
Sales	273.4	245.9	595.0	551.3
Operating Income	26.8	18.5	60.0	47.5
Operating Income Ratio	9.8%	7.5%	10.1%	8.6%
Ordinary Income	27.7	18.5	60.0	47.6
Ordinary Income Ratio	10.1%	7.5%	10.1%	8.6%
Extraordinary Gain or Loss	(1.6)	0.1	(5.0)	(1.5)
Net Income	16.7	12.5	33.0	29.7
Net Income Ratio	6.1%	5.1%	5.5%	5.4%
ROIC (After tax)			11.0 %	8.8%
Projected Exchange Rate (US dollar)			110 yen	112 yen

FY2006 Forecast of Sales and Operating Income by Segment

Unit: JPY billion

		1 st half of FY2006 Actual	1 st half of FY2005 Actual	Change	FY2006 Forecast	FY2005 Actual	Change
Mass-Produced Machinery	Sales	107.4	104.5	2.8	225.0	221.0	4.0
	Operating Income	14.0	13.7	0.2	31.0	30.0	1.0
	Operating Income Ratio	13.0%	13.1%	(0.1%)	13.8%	13.6%	0.2%
Environmental Protection Facilities, Plants and Others	Sales	31.6	31.5	0.1	79.0	82.1	(3.1)
	Operating Income	(0.1)	0	(0.1)	4.5	4.1	0.4
	Operating Income Ratio	(0.2%)	0.0%	(0.2%)	5.7%	5.0%	0.7%
Ship, Steel Structure, and Other Specialized Equipment	Sales	29.3	23.6	5.7	68.0	65.9	2.1
	Operating Income	2.3	(1.9)	4.2	4.0	(1.0)	5.0
	Operating Income Ratio	7.7%	(8.0%)	15.7%	5.9%	(1.5%)	7.4%
Industrial Machinery	Sales	28.9	27.3	1.6	69.0	56.1	12.9
	Operating Income	3.8	3.1	0.7	8.5	5.8	2.7
	Operating Income Ratio	13.3%	11.4%	1.9%	12.3%	10.4%	1.9%
Construction Machinery	Sales	76.2	58.9	17.3	154.0	126.4	27.6
	Operating Income	6.6	3.5	3.1	12.0	8.5	3.5
	Operating Income Ratio	8.7%	6.0%	2.7%	7.8%	6.7%	1.1%
TOTAL	Sales	273.4	245.9	27.5	595.0	551.3	43.7
	Operating Income	26.8	18.5	8.3	60.0	47.5	12.5
	Operating Income Ratio	9.8%	7.5%	2.3%	10.1%	8.6%	1.5%

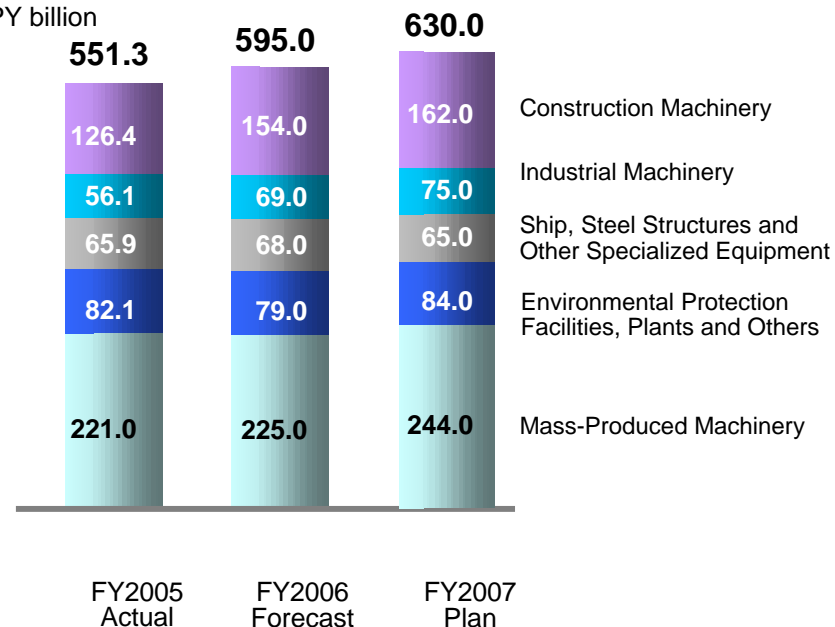
FY2007 Plan and Changes in Sales and Operating Income by Segment

FY2007 Plan Unit: JPY billion

Sales	630.0
Operating Income	70.0 (11.1%)
Ordinary Income	70.0 (11.1%)
Extraordinary Gain or Loss	(2.0)
Net Income	40.0 (6.3%)
ROIC (After tax)	12.0%

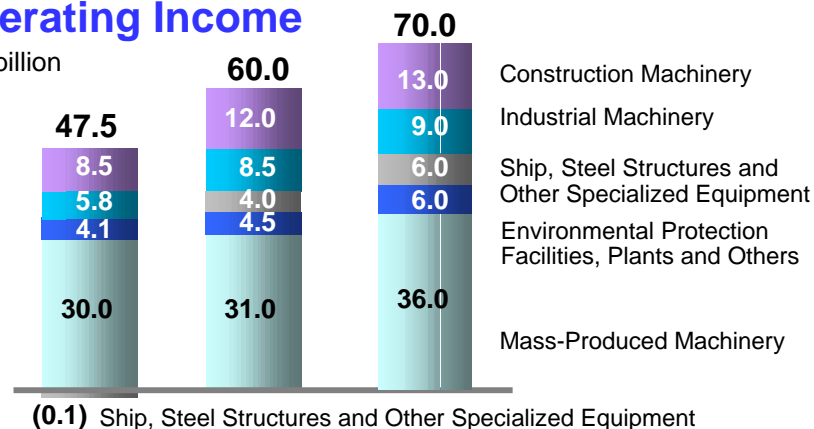
Sales

JPY billion



Operating Income

JPY billion

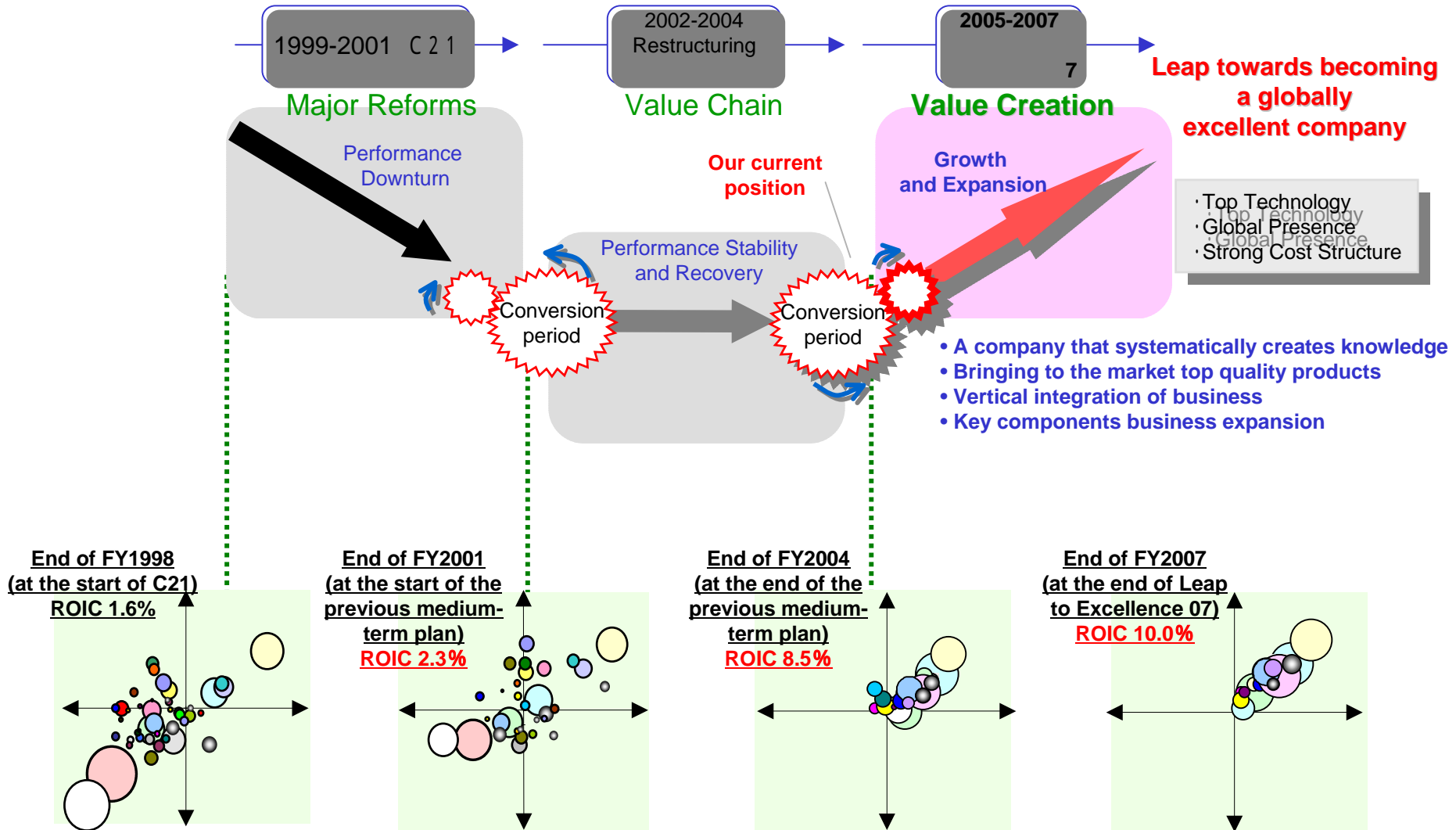


Part 2:
Management Strategy
...Progress of Medium-Term
Management Plan

Yoshio Hinoh, President and CEO

Position and its Meaning in FY 2006

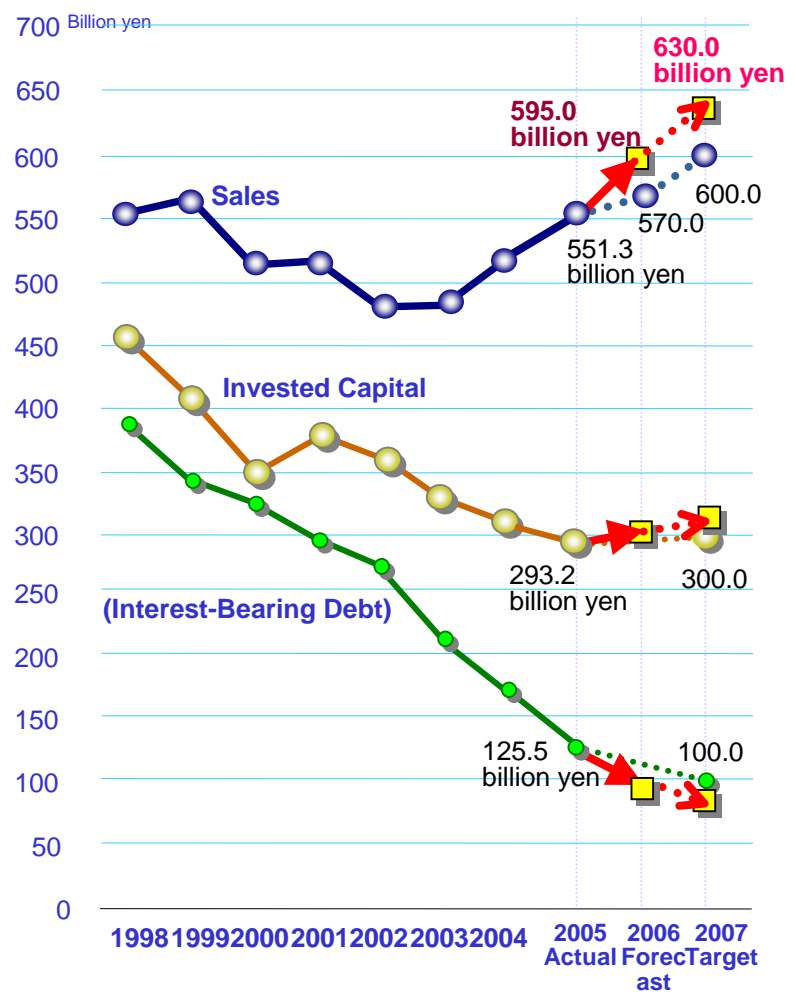
From a period of conversion to “development and expansion of top-line growth.”



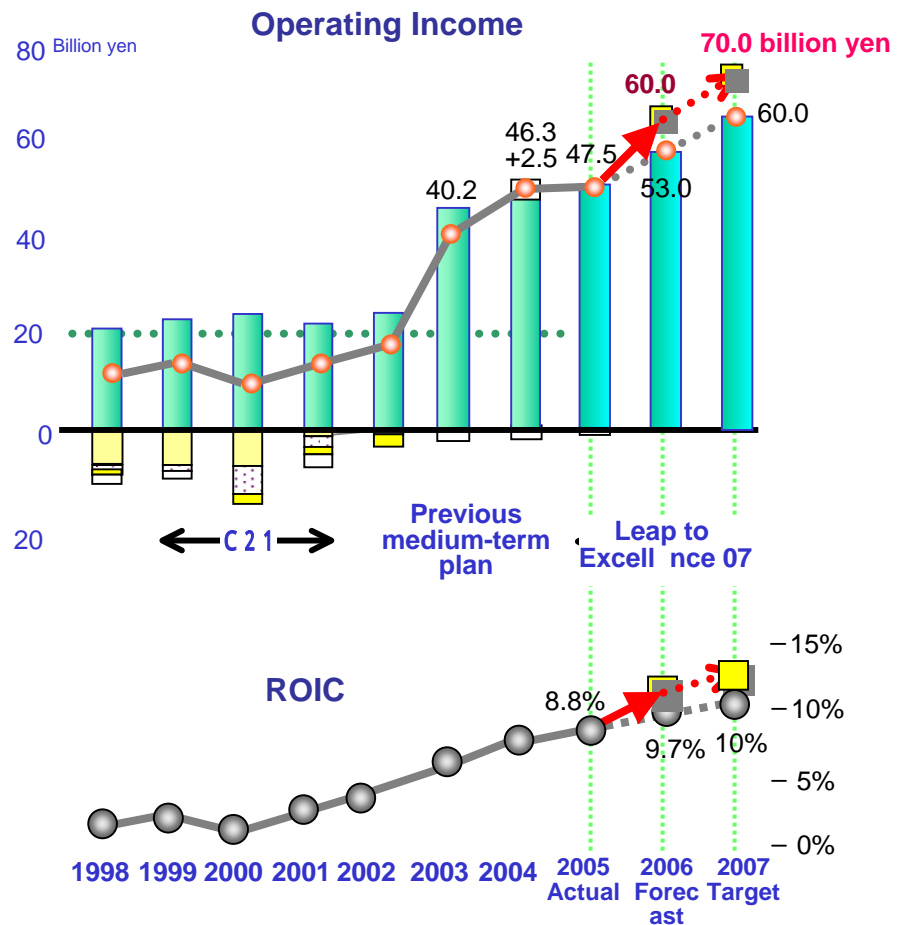
Performance Transition

The goals of the medium-term plan were achieved one year ahead of schedule, and target values for operating income in FY2007 were revised upward by 70 billion yen

Sales and Interest-Bearing Debt

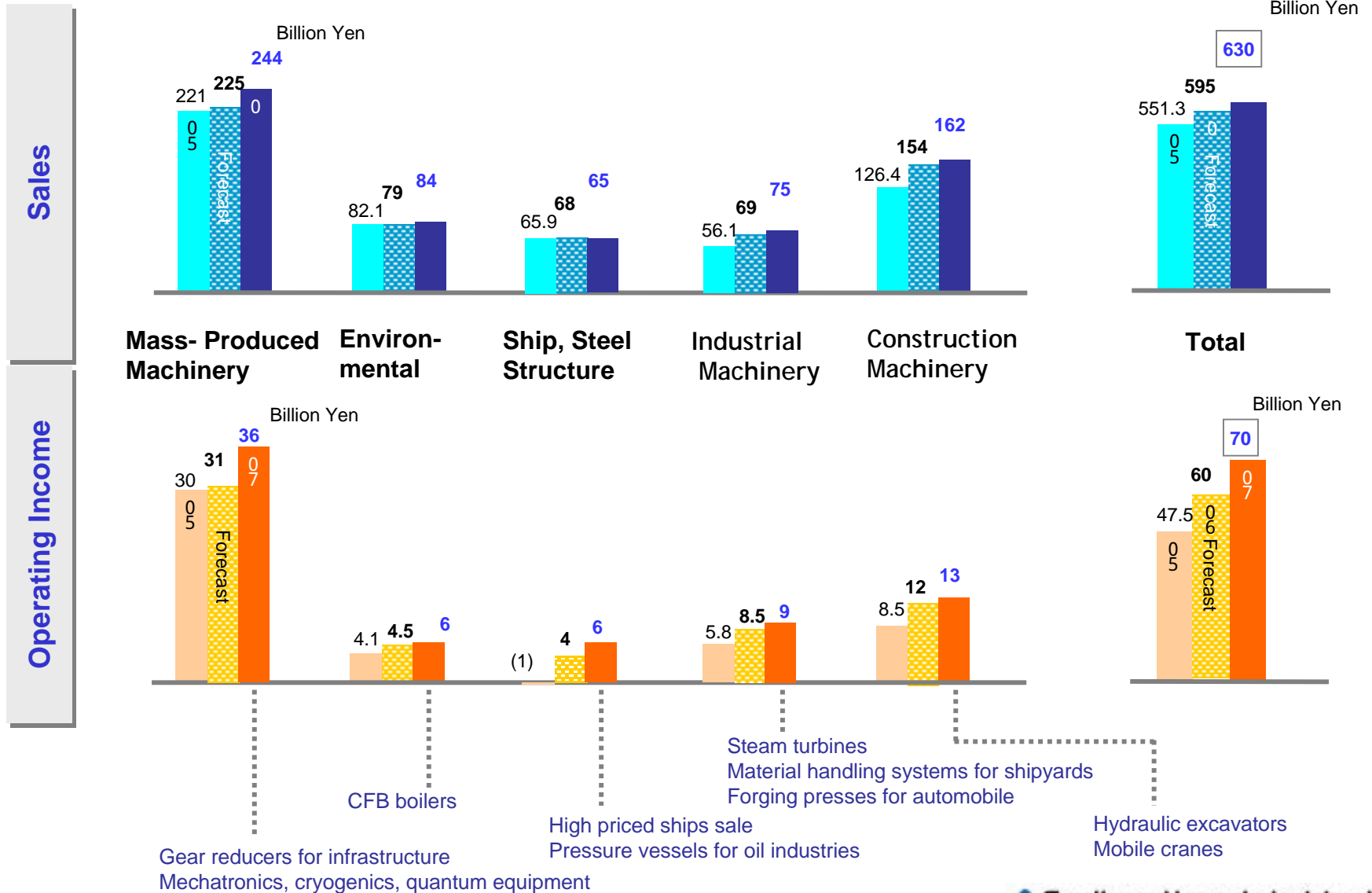


Operating Income and ROIC



FY2005-2007 Sales, Operating Income

FY2007 Revised Plan



FY2007 Outlook by Segment

Unit: billion yen

Segment		2006 forecast		Market	Strategy	2007 plan	
		Sales	Operating Income			Sales	Operating Income
Mass-Produced Machinery	Power Transmission & Control	91.0	31.0		<ul style="list-style-type: none"> Sales expansion to China and Europe. Improve each area's price competitiveness. Enhance Motion Control Device business. 	96.0	36.0
	Plastic Machinery	56.5			<ul style="list-style-type: none"> Increase share of general-use plastic injection molding machines. Expand sales of medium-size machines for automotive industries. 	60.0	
	Precision Control Machinery	77.5			<ul style="list-style-type: none"> Expand sales of cyclotron for PET in China. Cryo-pump business expansion. Enhance mechatronics components business. 	88.0	
Environmental Protection Facilities, Others		79.0	4.5		<ul style="list-style-type: none"> Circulating fluidized bed boiler export to Asia markets. Improve project management ability. 	84.0	6.0
Ship, Steel Structures		68.0	4.0		<ul style="list-style-type: none"> Sales of higher priced oil tankers. Serial shipbuilding of middle size tanker model. 	65.0	6.0
Industrial Machinery		69.0	8.5		<ul style="list-style-type: none"> Expand sales of material handling systems for shipbuilding and steel industries. Global presence of small steam turbines. Enhance forging press business for automotive industries. 	75.0	9.0
Construction Machinery		154.0	12.0		<ul style="list-style-type: none"> Introduction of fuel efficient, low emission, next generation machines. Increase sales in China and Asia. Expand sales of mobile crane. 	162.0	13.0
Total		595.0	60.0		Total	630.0	70.0

Core products: Topics

Industrial Machinery (Shin Nippon Machinery)

Global expansion of the small-scale steam turbine sector



Increased orders for small-scale multi-stage turbines to meet rising demand for biomass generated power

- Providing high reliability and optimal operation
- Increased overseas expansion aimed at the North American and European high value added power market

Construction Machinery (Excavator)

Launch of the superior **LEGEST**



SH200-5

Entry of a machine that meets third-generation exhaust emission regulations

- Excellent durability and fuel efficiency (20% reduction)
- Reduction in maintenance cost and time
- High performance transmitted to all five senses that's impossible to describe in the specs
- A new product that makes excellent use of hydraulic and electrical control technology, basic factor technology and 3DCAD-CAE

Core products: Topics

Environmental Protection Facilities, Plants and Others (Energy plant)

Aiming to be the Asian leader in CFB boilers that meet new energy needs



Increased growth in CFB boilers that meet the needs of new energy

- Business expansion of approximately 50 billion yen
- Moving from domestic leader to the leading Asian company in this sector
- Differentiation of fuel reforming and ash treatment by high-level and diversified technology development

Mass-Produced Machinery (Quantum equipment)

Launch of small-scale cyclotron for PET

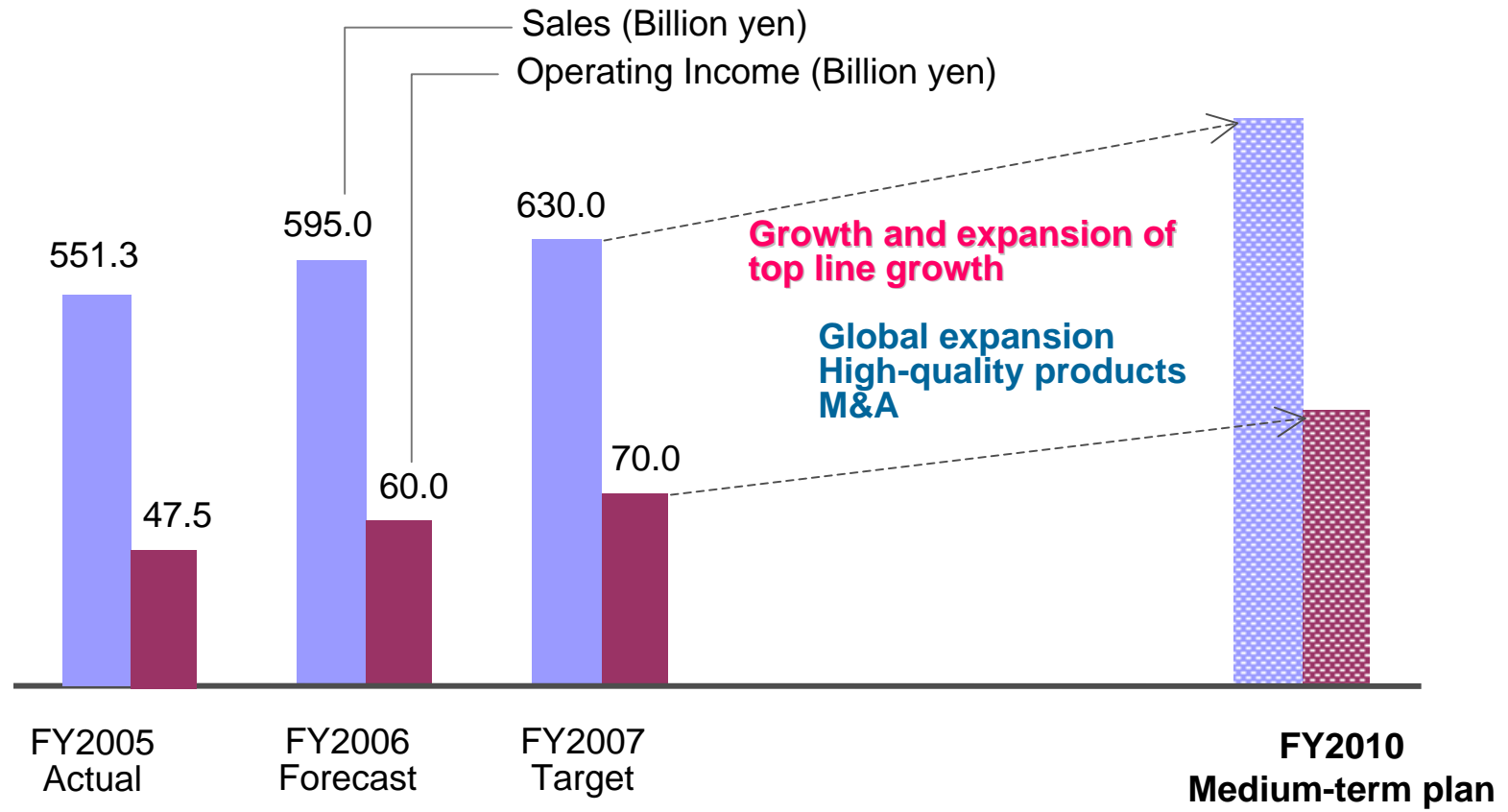


Product launch of small-scale cyclotron for PET

- Eliminates the need for a pit by reducing installation space, weight, and height with self-shielding function and miniaturization
- Achieves appropriate performance with simple operation
- Excellent reliability, easy maintenance

Next Medium-Term Plan

Significant steps to the next medium-term plan



← Leap to Excellence 07 →

← Next medium-term plan →