

# **Financial Summary for FY2013 and Projections for FY2014**

 **Sumitomo Heavy Industries, Ltd.**

**President and CEO  
Shunsuke Betsukawa**

# Management Policies

## FY2014

- **Set FY2014 as a year to get on the growth track as the first year of the “Medium-Term Management Plan 2016”.**
- **Continue steady management for sustainable growth.**
- **Achieve Net Sales JPY650 billion and Operating Income JPY37 billion as commitment figures.**

- **Recover earning capacity of mass-produced machinery businesses**
  - ... **Rapidly recover earning capacity through such means as the introduction of new products.**
  - Establish a firm foundation for achieving 10% operating Income margin for Machinery Components and Precision Machinery.**
- **Promote structural reforms in heavy machinery businesses**
  - ... **Implement structural reforms for Industrial Machinery, Environmental Facilities and Plant-related organizations. Aim for self-reliance of businesses.**

# Financial Summary for FY2013

## ➤ Key points

### (1) Orders

- Orders increased for all segments in comparison with the previous term.
- Exceeded JPY650 billion for the first time since the global financial crisis.

### (2) Net sales

- Decreased in industrial machinery and ships.
- Other segments increased due to the impact of increased amount of orders received.

### (3) Operating income

- Increased in all segments except for industrial machinery and ships segments.

### (4) Current net income

- Profits increased significantly, without any major extraordinary losses.

Unit: JPY billion

	2012	2013	Change
Orders	550.7	658.2	107.5
Net sales	585.9	615.3	29.4
Operating income	31.3	34.3	3.0
Operating income ratio	5.3%	5.6%	0.3%
Ordinary income	31.0	33.0	2.0
Ordinary income ratio	5.3%	5.4%	0.1%
Extraordinary income or loss	(20.2)	(1.7)	18.5
Current net income before tax adjustments	10.8	31.3	20.5
Current net income	5.9	17.9	12.0
Current net income ratio	1.0%	2.9%	1.9%

# Operating Income by Segment

Unit: JPY billion

## ➤ Comparisons with previous fiscal year

### <Machinery components>

Profits increased significantly due to the recovery of overseas markets and good domestic market conditions.

### <Precision machinery>

Plastic machinery and cryogenic coolers performed well, while semiconductor-related businesses were sluggish.

### <Construction machinery>

Profit increased due to increased sales of both hydraulic excavators and mobile cranes.

### <Industrial machinery>

Profit decreased slightly as net sales decreased due to decreased order backlogs.

### <Ships>

One vessel was delivered.

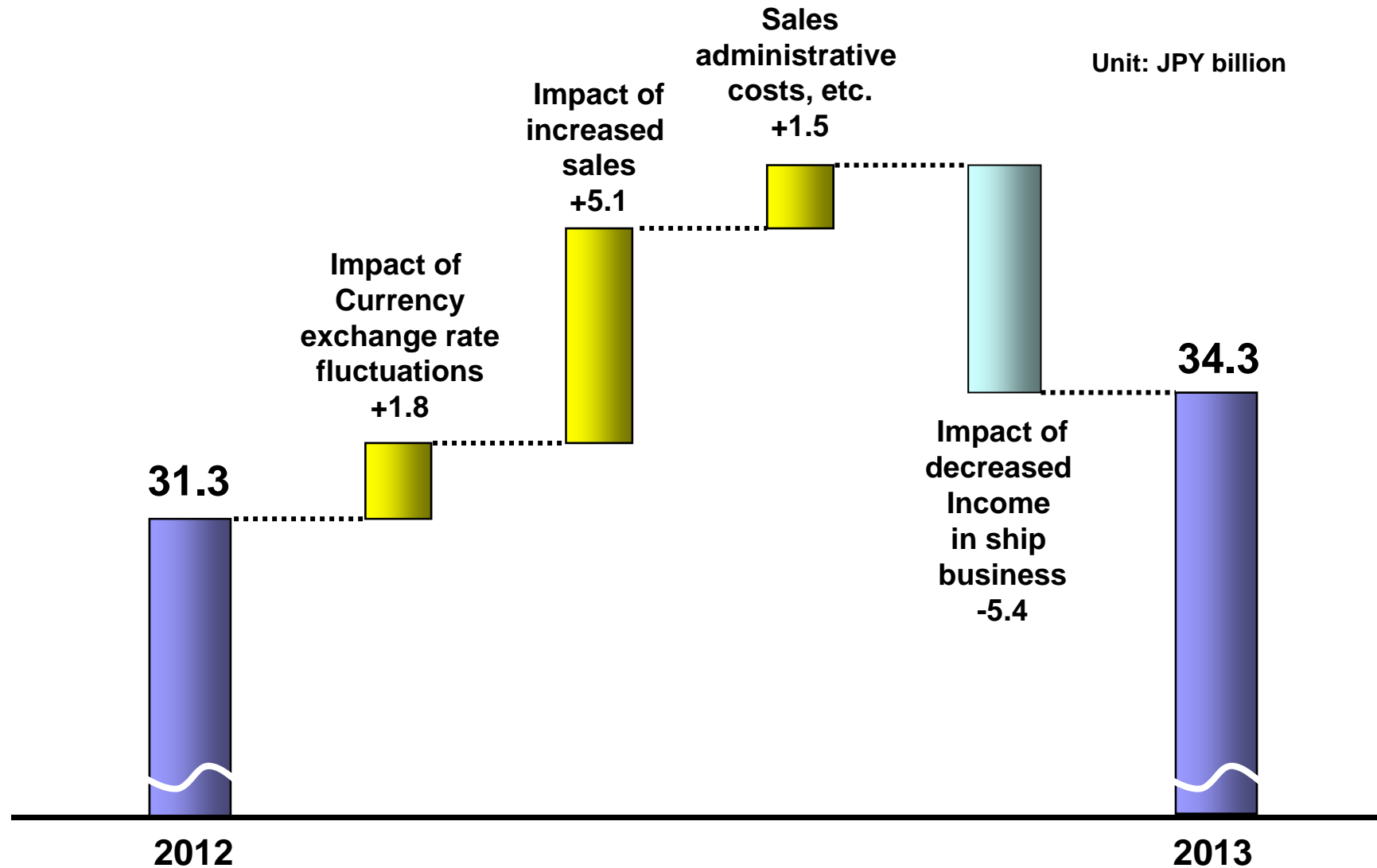
Profit decreased significantly due to operating losses incurred.

### <Environmental facilities & plants>

Profit increased due to increased sales.

	2012	2013	Change
Machinery components	2.8	5.9	3.1
Precision machinery	8.6	8.7	0
Construction machinery	6.1	10.3	4.2
Industrial machinery	4.4	4.1	(0.3)
Ships	2.4	(3.0)	(5.4)
Environmental facilities & plants	5.6	6.2	0.6
Others	1.4	2.2	0.7
<b>Total</b>	<b>31.3</b>	<b>34.3</b>	<b>3.0</b>

# Change in Operating Income (FY2012 to FY2013)



# Consolidated Balance Sheet

Unit: JPY billion

- Net assets exceeded JPY300 billion for the first time. The equity ratio reached 45.1%.
- Investments and other assets increased due to adding credits for leasing of construction machinery.

	End March 2013	End March 2014	Change		End March 2013	End March 2014	Change
<b>Current assets</b>	<b>386.6</b>	<b>435.0</b>	<b>48.2</b>	<b>Liabilities</b>	<b>354.9</b>	<b>393.1</b>	<b>38.2</b>
Cash and deposits	47.8	67.8	20.0	Notes and accounts payable	113.6	124.2	10.6
Notes and accounts receivable	173.3	182.0	8.7	Advanced payments received	20.9	30.5	9.6
Inventories	139.2	144.2	5.0	Interest-bearing debts	98.5	107.4	8.9
Others	26.3	40.9	14.6	Others	121.8	131.0	9.2
<b>Fixed assets</b>	<b>261.1</b>	<b>289.2</b>	<b>28.1</b>	<b>Net assets</b>	<b>292.8</b>	<b>331.1</b>	<b>38.2</b>
Tangible assets	210.7	220.3	9.6	Common equity	261.8	275.1	13.3
Intangible assets	7.8	8.6	0.9	Total accumulated other comprehensive income	27.1	51.3	24.2
Investments and other assets	42.7	60.3	17.6	Minority interests	4.0	4.6	0.6
<b>Total</b>	<b>647.7</b>	<b>724.2</b>	<b>76.5</b>	<b>Total</b>	<b>647.7</b>	<b>724.2</b>	<b>76.5</b>
				Net ratio of interest-bearing debts	7.8%	5.5%	(2.3%)
				Stockholders' equity ratio	44.6%	45.1%	0.5%

# Consolidated Cash Flow Statement

Unit: JPY billion

- Working capital made a favorable turn due to increased advanced payments received and accounts payable.

Category	FY2012	FY2013	Change
<b>Operating activities</b>	<b>2.7</b>	<b>63.7</b>	<b>61.0</b>
Income before income taxes and minority interests	10.8	31.3	20.5
Depreciation	18.3	18.6	0.3
Working capital	(26.1)	18.6	44.7
Others (income taxes etc.)	(0.3)	(4.8)	(4.5)
<b>Investing activities</b>	<b>(19.7)</b>	<b>(27.6)</b>	<b>(8.0)</b>
<b>Free cash flow</b>	<b>(17.0)</b>	<b>36.0</b>	<b>53.0</b>
<b>Financing activities</b>	<b>(11.4)</b>	<b>(9.5)</b>	<b>1.9</b>
<b>Change in cash and cash equivalents</b>	<b>(26.4)</b>	<b>29.9</b>	<b>56.3</b>
Cash and cash equivalents at end of fiscal term	46.5	76.4	29.9

# Performance Forecast for FY2014

- Net Sales and Income increase in FY2014.
- Annual dividends JPY7 for FY2013, and JPY9 for FY2014.

Unit: JPY billion

	Record 1H-FY13	Record 2H-FY13	Forecast 1H-FY14	Forecast 2H-FY14	Record FY2013	Forecast FY2014
Orders	306.5	351.7	320.0	330.0	658.2	650.0
Net Sales	273.0	342.3	300.0	350.0	615.3	650.0
Operating income	8.4	26.0	12.0	25.0	34.3	37.0
Operating income ratio	3.1%	7.6%	4.0%	7.1%	5.6%	5.7%
Ordinary income	7.8	25.2	10.5	23.0	33.0	33.5
Ordinary income ratio	2.9%	7.4%	3.5%	6.6%	5.4%	5.2%
Extraordinary income or loss	(0.2)	(1.5)	(1.0)	(0.5)	(1.7)	(1.5)
Current net income	3.4	14.5	5.5	13.5	17.9	19.0
Current net income ratio	1.2%	4.2%	1.8%	3.9%	2.9%	2.9%
Dividends	JPY3	JPY4	JPY4	JPY5	JPY7	JPY9
Dividend payout ratio					24.0%	29.1%
ROIC (after tax)					4.8%	5.3%
Projected currency exchange rate (US dollars)					JPY98.2 (actual)	JPY100



# Machinery Components

## Orders, Net Sales

**FY2013 :** Orders and net sales increased due to good domestic market conditions, in addition to the recovery of market conditions overseas. Demands for large-sized gearboxes for natural resource-related application continued with a downturn.

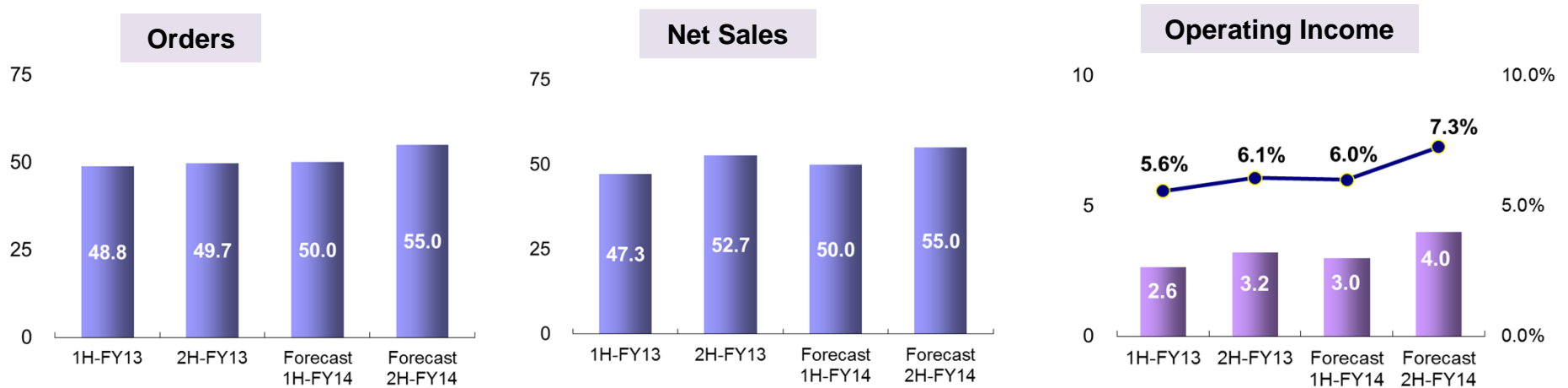
**FY2014 :** Domestic performance transitions steadily. A gradual recovery continues overseas, with North and South America showing a recovery trend but the recovery in China and Europe will be limited.

## Operating Income

**FY2013 :** Profitability at domestic operation and overseas production bases improved.

**FY2014 :** Profit rate is expected to improve by an improved profitability for large-sized gearboxes for overseas subsidiaries.

Unit: JPY billion



# Precision Machinery

## Orders, Net Sales

### <Plastic machinery>

**FY2013** : In addition to the good conditions in electronic and electrical fields primarily in Asia, orders and net sales increased in Europe.

**FY2014** : The electronic and electrical related demand is currently good in Asia, but there will be seasonal factors. The condition of the European market is at the same levels as last year. Sales activity for each market segment and region is enhanced.

### <Advanced precision machinery>

**FY2013** : Cryogenic coolers, which are components for medical equipment, continued with favorable trends.

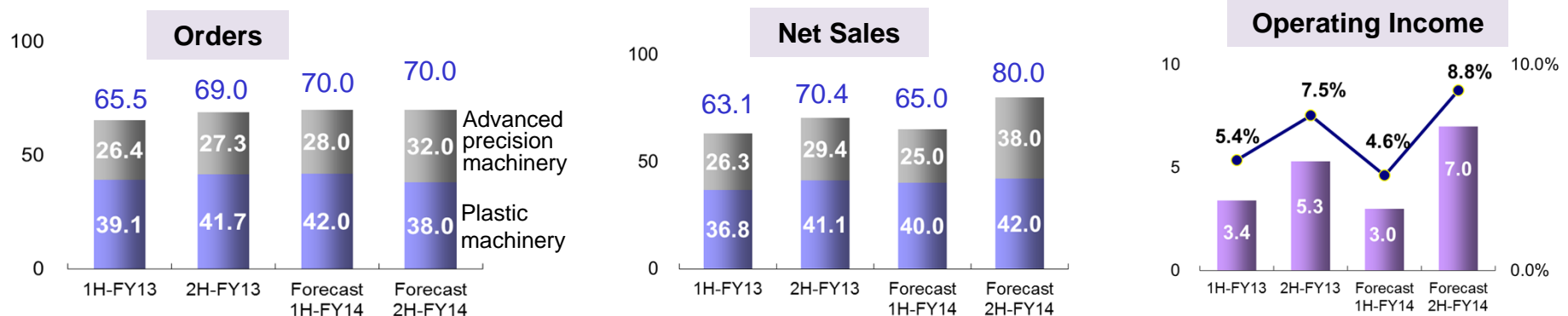
**FY2014** : Cryogenic coolers are expected to continue with a good performance. Sales activity for semiconductor related equipment is enhanced.

## Operating Income

**FY2013** : Although performance was sluggish in the semiconductor related business, the profit remained same as in the previous year, due to the recovery of injection molding machines.

**FY2014** : Recovery of advanced precision machinery businesses is expected.

Unit: JPY billion



# Construction Machinery

## Orders, Net Sales

### <Hydraulic excavators>

**FY2013** : The condition of domestic market was favorable due to the reconstruction demand and exhaust gas regulations. Orders received temporarily decreased in North America due to inventory adjustment. Orders increased in comparison with previous fiscal year in China, due to the enhanced efforts in the general construction field.

**FY2014** : A decline is expected to occur domestically due to backlash. Gradual increase occur in North America and China due to the recovery of market conditions.

### <Mobile cranes>

**FY2013** : A steady increase with energy and infrastructure related businesses in North America.

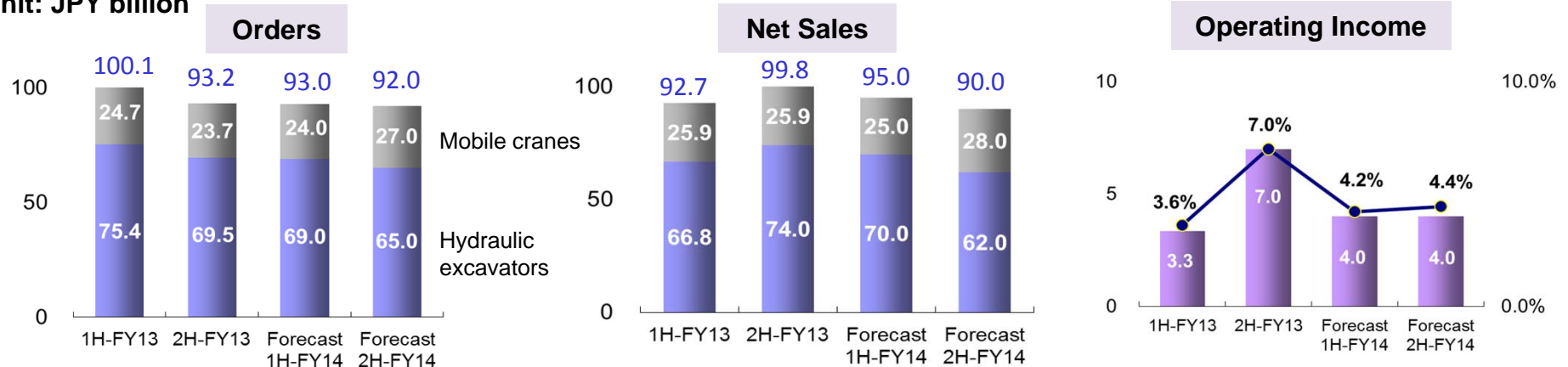
**FY2014** : Demands for the first half will be at the same level as in the previous year, and it will increase in the second half.

## Operating Income

**FY2013** : Profits increased for both hydraulic excavators and mobile cranes due to increased sales.

**FY2014** : Profits will decline due to a drop in sales for domestic hydraulic excavators.

Unit: JPY billion



# Industrial Machinery

## Orders, Net Sales

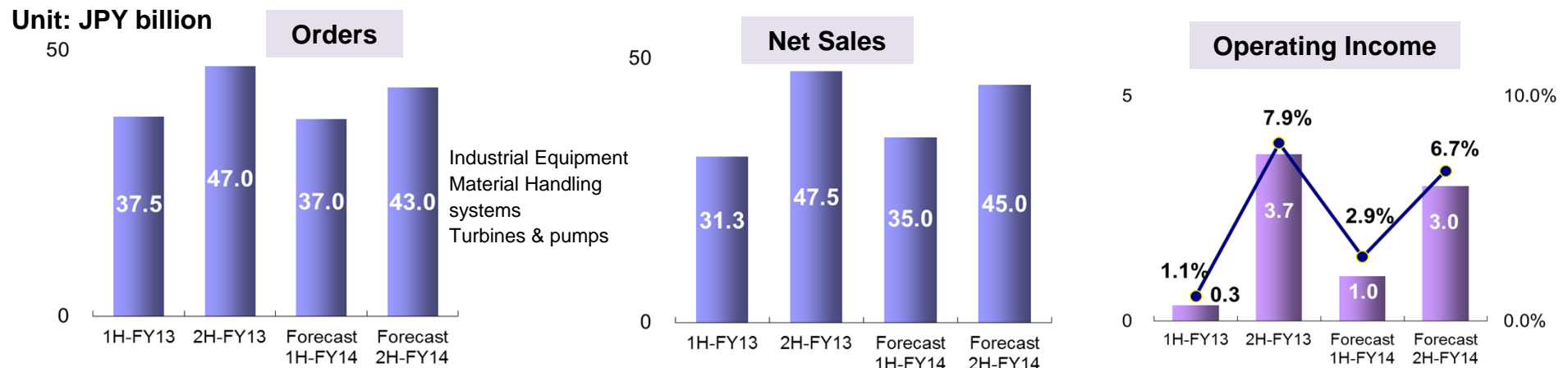
**FY2013 :** With regard to industrial equipment business, two orders received for proton beam cancer therapy systems. Orders received for large-scale material handling facilities, which were intended for domestic and overseas power plants. The orders for turbine and pumps increased due to the good conditions of the domestic biomass power generation market in addition to the favorable turn of the order receiving environment overseas due to depreciation of the yen.

**FY2014 :** Orders for turbine and pumps will increase due to the sustained favorable conditions of markets overseas, while orders for industrial equipment and material handling systems will decrease. Net sales as a whole will stay at the same level as the previous year due to order backlogs.

## Operating Income

**FY2013 :** Profitability deteriorated in medical equipment related business.

**FY2014 :** Although the severe condition continues to secure profits, improvement of profitability is sought for each business operation.



# Ships

## Orders

**FY2013** : Orders for two Aframax tankers were received in the first and third quarters respectively, while an order for one vessel was received in the fourth quarter. This resulted in a backlog of six vessels at the end of FY2013.

**FY2014** : Although the foreign currency exchange rates are on a positive trend, the severe order-receiving environment continues as the US dollar-based prices of vessels continue to stay at a low level. Orders for two vessels in the first half already received in April. Reception of orders for two vessels is planned in the second half.

## Net Sales

**FY2013** : Delivery was made for one ship in the first quarter.

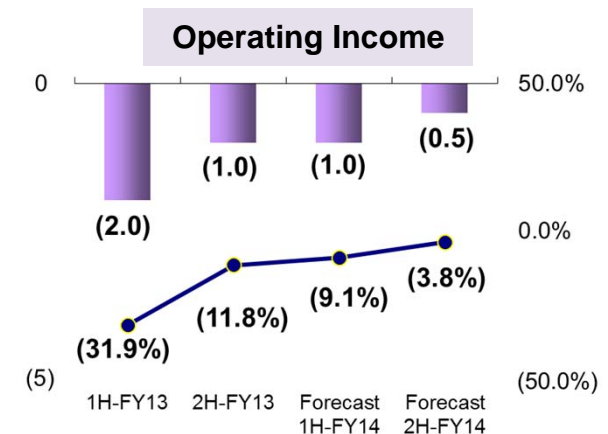
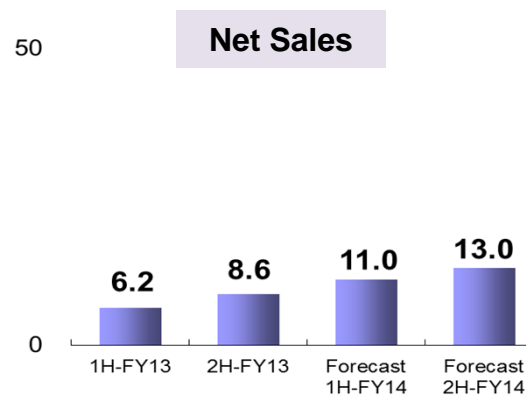
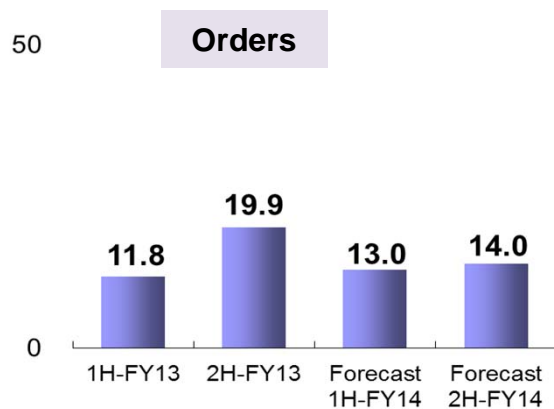
**FY2014** : One Aframax tanker in the first half and two for the second half are scheduled for delivery.

## Operating Income

**FY2013** : Deficit due to the low level of operations curtailed by reducing fixed costs.

**FY2014** : Deficit will be reduced due to the improved operation level by the recovery of orders received in the previous year.

Unit: JPY billion



# Environmental Facilities and Plants

## Orders, Net Sales

**FY2013 :** Orders and net sales increased for boilers, due to the strong demand of domestic biomass related projects.

Orders and net sales increased for water treatment business, due to the favorable domestic market trend.

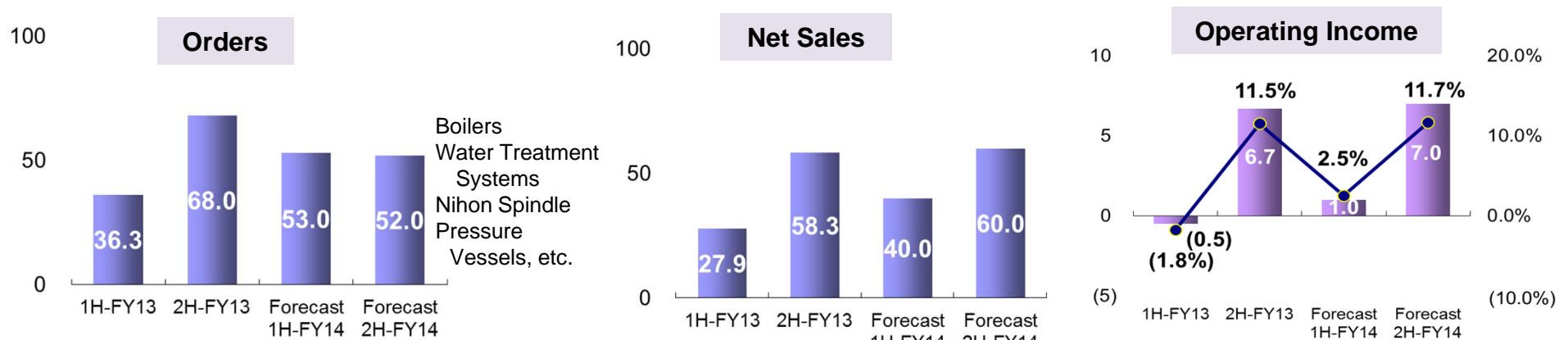
**FY2014 :** Boilers for domestic market continue good. Water treatment business is also steady.

## Operating Income

**FY2013 :** Profits improved primarily for boilers and water treatment business.

**FY2014 :** Operating income increase in comparison with the previous year, due to an increase of net sales.

Unit: JPY billion



May 9, 2014

# Performance Forecast for FY2014 by Segment

## Key Points

Unit: JPY billion

- (1) Orders remain above JPY 650 billion as in FY2013.
- (2) Net sales remain at the same levels or increase in all segments.
- (3) Operating income increase overall. A decrease with construction machinery is offset by other segments.

		Record 1H-FY13	Record 2H-FY13	Forecast 1H-FY14	Forecast 2H-FY14	Record FY2013	Forecast FY2014
<b>Machinery components</b>	Orders	48.8	49.7	50.0	55.0	98.5	105.0
	Net sales	47.3	52.7	50.0	55.0	100.0	105.0
	Operating income	2.6	3.2	3.0	4.0	5.9	7.0
<b>Precision machinery</b>	Orders	65.5	69.0	70.0	70.0	134.5	140.0
	Net sales	63.1	70.4	65.0	80.0	133.5	145.0
	Operating income	3.4	5.3	3.0	7.0	8.7	10.0
<b>Construction machinery</b>	Orders	100.1	93.2	93.0	92.0	193.3	185.0
	Net sales	92.7	99.8	95.0	90.0	192.5	185.0
	Operating income	3.3	7.0	4.0	4.0	10.3	8.0
<b>Industrial machinery</b>	Orders	37.5	47.0	37.0	43.0	84.5	80.0
	Net sales	31.3	47.5	35.0	45.0	78.8	80.0
	Operating income	0.3	3.7	1.0	3.0	4.1	4.0
<b>Ships</b>	Orders	11.8	19.9	13.0	14.0	31.7	27.0
	Net sales	6.2	8.6	11.0	13.0	14.8	24.0
	Operating income	(2.0)	(1.0)	(1.0)	(0.5)	(3.0)	(1.5)
<b>Environmental facilities &amp; plants</b>	Orders	36.3	68.0	53.0	52.0	104.2	105.0
	Net sales	27.9	58.3	40.0	60.0	86.2	100.0
	Operating income	(0.5)	6.7	1.0	7.0	6.2	8.0
<b>Others</b>	Orders	6.6	4.8	4.0	4.0	11.4	8.0
	Net sales	4.6	4.9	4.0	7.0	9.5	11.0
	Operating income	1.1	1.1	1.0	0.5	2.2	1.5
<b>Total</b>	Orders	306.5	351.7	320.0	330.0	658.2	650.0
	Net sales	273.0	342.3	300.0	350.0	615.3	650.0
	Operating income	8.4	26.0	12.0	25.0	34.3	37.0