

Second Quarter Financial Summary and Projections for FY2014



**President and CEO
Shunsuke Betsukawa**

Financial Summary

➤ Key points

(1) Orders

- Increased from previous term in all segments except the industrial machinery segment.
- Strong orders for injection molding machines and advanced precision machinery in the precision machinery segment.
- Orders for 5 vessels received this period as compared to 2 in the previous term in the ships segment.
- Strong orders for boilers in the environmental facilities & plants segment.

(2) Sales

- Increased from previous term in all segments.
- Significant jump in sales for injection molding machines in the precision machinery segment.
- Strong sales for boilers in the environmental facilities & plants segment.

(3) Operating Income

- Increased in all segments.

Unit: JPY billion

	FY2013 1H	FY2014 1H	Change
Orders	306.5	365.5	59.0
Net sales	273.0	306.3	33.3
Operating income	8.4	19.9	11.6
Operating income ratio	3.1%	6.5%	3.4%
Ordinary income	7.8	20.0	12.2
Ordinary income ratio	2.9%	6.5%	3.6%
Extraordinary income or loss	(0.2)	(0.3)	(0.1)
Current net income before tax adjustments	7.6	19.7	12.1
Current net income	3.4	12.3	8.9
Current net income ratio	1.2%	4.0%	2.8%

Operating Income by Segment

Unit: JPY billion

➤ Comparison with same term previous fiscal year

<Machinery Components>

Good performance in domestic market as well as markets in North America and Europe (for small-to-medium sized products).

<Precision Machinery>

Increased due to increased sales of plastic machinery and improved profitability of advanced precision machinery.

<Construction Machinery>

Increased due to increased sales of hydraulic excavators.

<Industrial Machinery>

Increased due to increased sales of turbines and pumps as well as benefit from effects of cost-cutting measures.

<Ships>

Handover of new vessel was one, same as previous term. Operating deficit reduced by increasing operation.

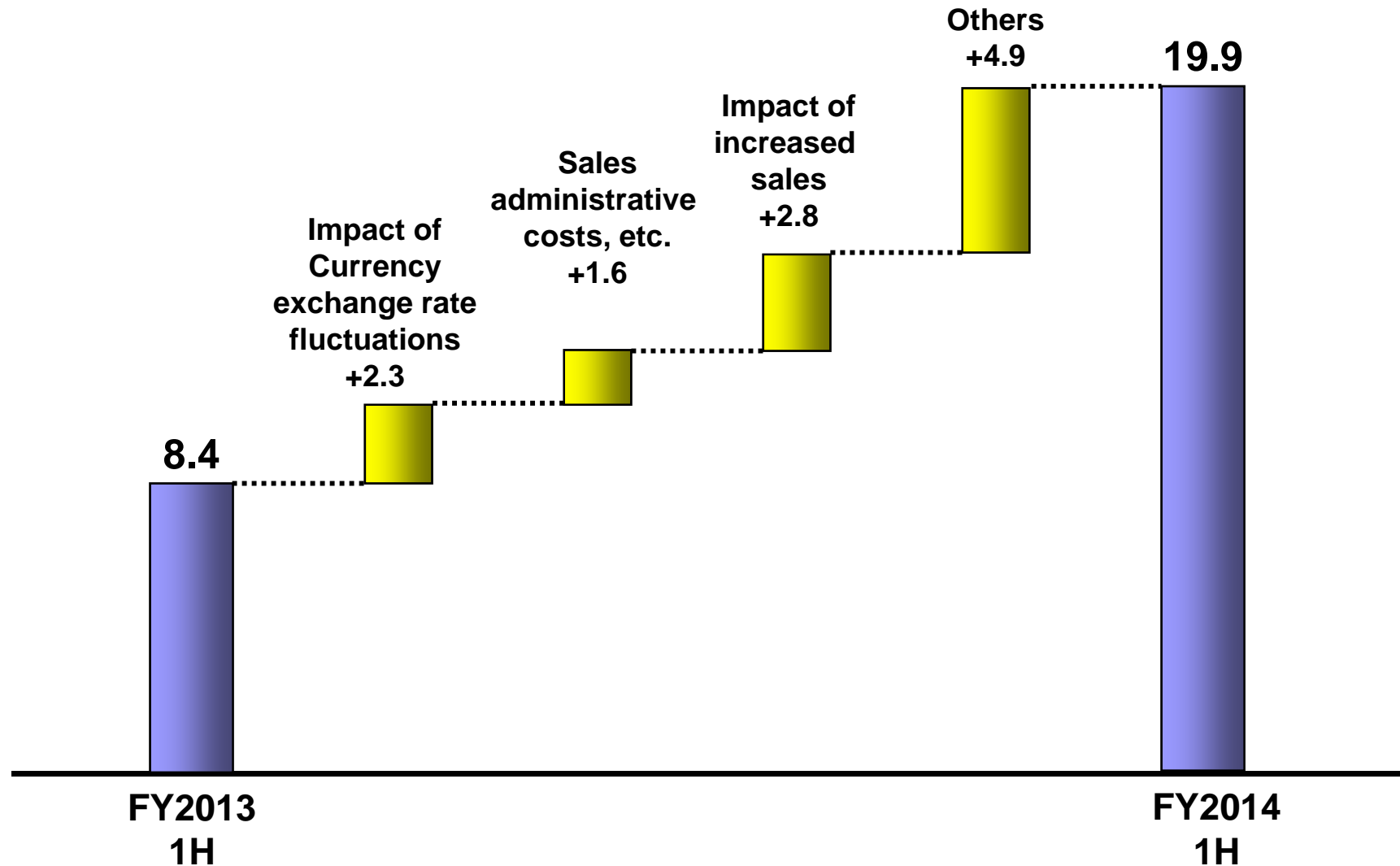
<Environmental Facilities & Plants>

Increased due to increased sales of boilers.

	FY2013 1H	FY2014 1H	Change
Machinery components	2.8	3.4	0.7
Precision machinery	3.8	6.6	2.8
Construction machinery	3.0	7.4	4.4
Industrial machinery	0.2	1.9	1.7
Ships	(2.0)	(1.1)	0.8
Environmental facilities & plants	(0.5)	0.8	1.4
Others	1.1	1.0	(0.0)
Total	8.4	19.9	11.6

Change in Operating Income

Unit: JPY billion



Consolidated Balance Sheet

Unit: JPY billion

	March 2014	September 2014	Change		March 2014	September 2014	Change
Current assets	435.0	444.7	9.8	Liabilities	393.1	391.0	(2.1)
Cash and deposits*	77.8	86.4	8.6	Notes and accounts payable	124.2	129.7	5.5
Notes and accounts receivable	182.0	166.4	(15.6)	Advance payments received	30.5	43.3	12.8
Inventories	144.2	154.4	10.2	Interest-bearing debts	107.4	90.3	(17.1)
Others	30.9	37.5	6.6	Others	131.0	127.7	(3.2)
Fixed assets	289.2	281.1	(8.2)	Net assets	331.1	334.8	3.7
Tangible assets	220.3	217.5	(2.8)	Common equity	275.1	284.7	9.6
Intangible assets	8.6	8.5	(0.1)	Total accumulated other comprehensive income	51.3	45.4	(5.9)
Investments and other assets	60.3	55.1	(5.2)	Minority interests	4.6	4.7	0.1
Total	724.2	725.8	1.6	Total	724.2	725.8	1.6
				Net ratio of interest-bearing debts	4.1%	0.5%	(3.6%)
				Stockholders' equity ratio	45.1%	45.5%	0.4%

* Cash and deposits include cash and cash equivalents.

Consolidated Cash Flow Statement

Unit: JPY billion

Category	FY2013 1H	FY2014 1H	Change
Operating activities	13.9	31.9	18.1
Income before income taxes	7.6	19.7	12.1
Depreciation	8.8	8.0	(0.8)
Working capital	6.5	17.0	10.5
Others (taxes etc.)	(9.1)	(12.8)	(3.7)
Investing activities	(5.9)	(5.1)	0.8
Free cash flow	8.0	26.8	18.8
Financing activities	(6.2)	(17.5)	(11.3)
Change in cash and cash equivalents	5.6	8.4	2.8
Cash and cash equivalents at end of fiscal term	52.1	84.8	32.7

Performance Forecast for FY2014

- The FY2014 full-year forecast for income have been revised upwards with increased sales compared to previous year.
- The FY2014 interim dividend has been increased by JPY1 from the previous forecast, making the annual dividend amount JPY10. (Target dividend payout ratio of 30%)

Unit: JPY billion

	Record 1H-FY13	Record 2H-FY13	Record 1H-FY14	Forecast 2H-FY14
Orders	306.5	351.7	365.5	304.5
Net Sales	273.0	342.3	306.3	343.7
Operating income	8.4	26.0	19.9	22.1
Operating income ratio	3.1%	7.6%	6.5%	6.4%
Ordinary income	7.8	25.2	20.0	18.5
Ordinary income ratio	2.9%	7.4%	6.5%	5.4%
Extraordinary income or loss	(0.2)	(1.5)	(0.3)	(2.2)
Current net income	3.4	14.5	12.3	8.7
Current net income ratio	1.2%	4.2%	4.0%	2.5%
Dividends	JPY3	JPY4	JPY5	JPY5
Dividend payout ratio				
ROIC (after tax)				
Projected currency exchange rate (US dollars)			JPY102 (actual)	JPY105

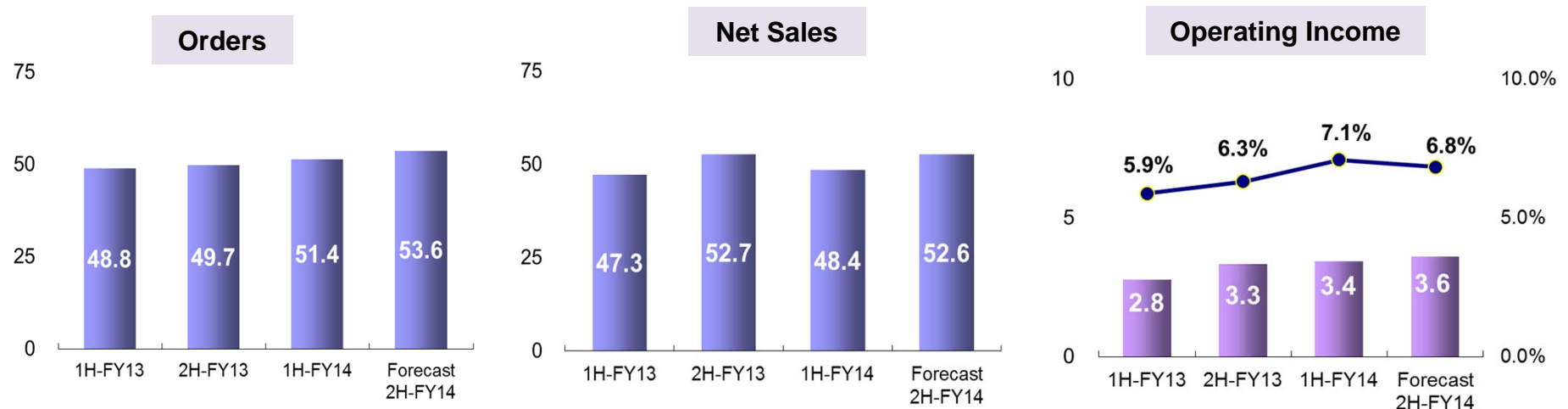
Record FY2013	Forecast FY2014
658.2	670.0
615.3	650.0
34.3	42.0
5.6%	6.5%
33.0	38.5
5.4%	5.9%
(1.7)	(2.5)
17.9	21.0
2.9%	3.2%
JPY7	JPY10
24.0%	29.2%
4.8%	5.3%
JPY98.2 (actual)	JPY105

Machinery Components

1H of FY2014 : Both orders and sales increased as compared to previous term. Domestic market along with North America and Europe (for small-to-medium sized products) performed well. Sluggish demand condition continued for large-scale gear reducers for natural resources fields. Profitability of both domestic and overseas production plants is improving.

2H of FY2014 : A gentle recovery trend is expected to continue in the domestic market. Delays of recovery are expected in the China and South American markets.

Unit: JPY billion



Precision Machinery

<Plastic machinery>

1H of FY2014 : Sales increased due to favorable order trend in IT-related demand in Asia along with a backlog of orders carried forward from the previous period. Eurozone also showed signs of gradual recovery.

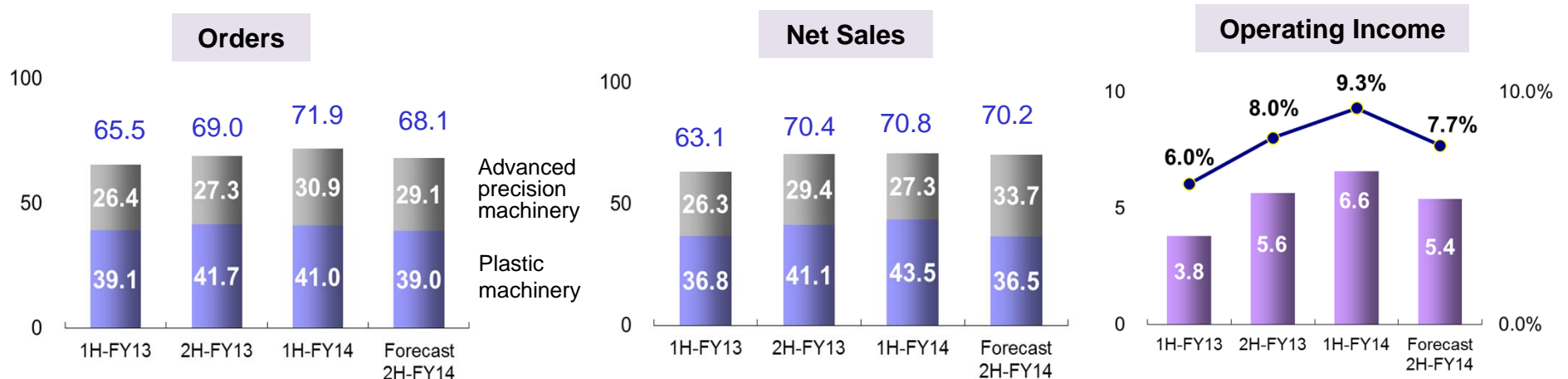
2H of FY2014 : IT-related demand, a key area for plastics machinery, is expected to slow.

<Advanced precision machinery>

1H of FY2014 : Favorable order trend continued in cryogenic equipment, a medical device component. Conditions in the domestic market improved for semiconductor-related products.

2H of FY2014 : The market for cryogenic coolers for medical devices is expected to continue stable condition.

Unit: JPY billion



October 31, 2014

Construction Machinery

<Hydraulic excavators>

1H of FY2014 : Domestic demand was strong due to reconstruction demands as well as rush demands before revisions to the emission regulations. North American demand was also strong due to the recovering economy as well as new emission regulations. China market continued sluggish. Collaboration with CNHi※ was being promoted.

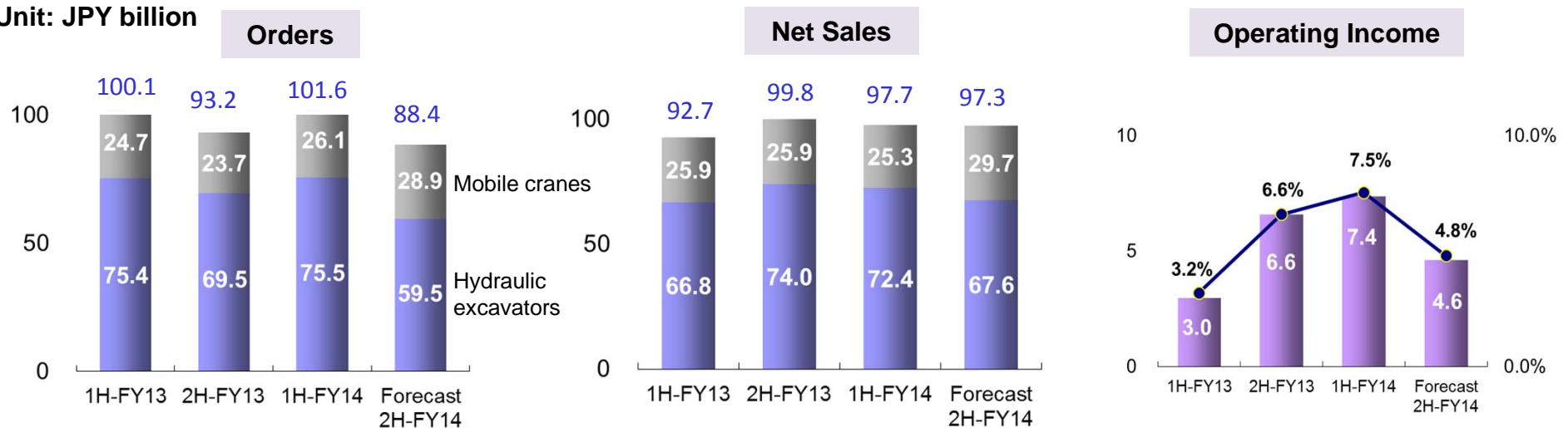
2H of FY2014: Favorable conditions expected to continue in Japan, the United States and Europe. Demand trends are unclear for emerging markets, especially China, with a concern of downturn.

<Mobile cranes>

1H of FY2014 : Order level recovered from the slowdown due to severe cold weather in North America from January to March. Sales declined as compared to previous term.

2H of FY2014 : The pace of recovery in the North American market will be moderate.

Unit: JPY billion



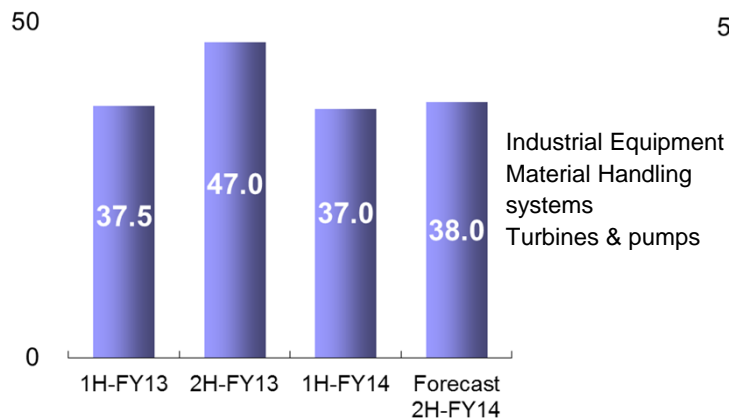
※ CNHi – CNH Industrial N.V. is a UK-headquartered global manufacturer of construction and agricultural machinery. Historically, SHI was an OEM supplier to CNHi. In April 2014, the two companies came to a basic agreement regarding the licensing of new technologies in order to strengthen and expand the current partnership.

Industrial Machinery

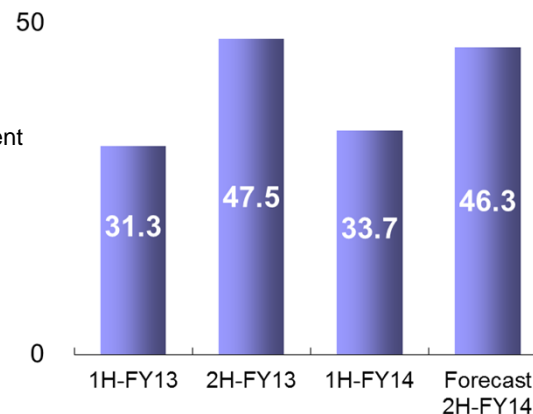
1H of FY2014 : Orders for materials handling equipment were strong, especially from the shipbuilding sector. Orders were also strong for turbines for the power generation sector. Orders for forging presses in the industrial equipment area fell. Turbines and pumps recovered to make a profit as a result of increased sales and cost improvements.

2H of FY2014 : Demand will continue to remain strong for turbines for both the domestic and overseas power generation sector. Market conditions are expected to remain positive for materials handling equipment.

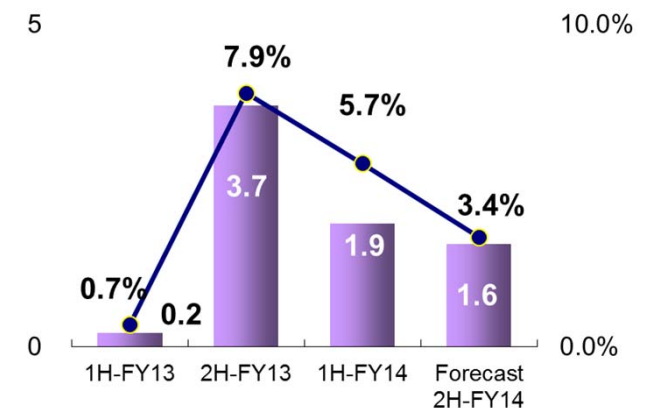
Unit: JPY billion **Orders**



Net Sales



Operating Income



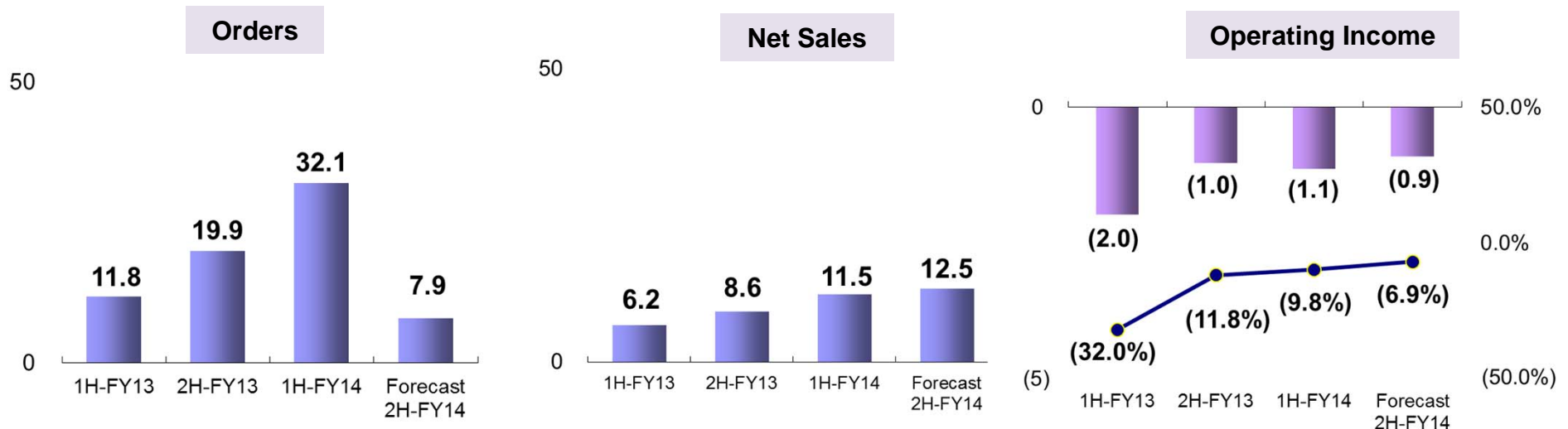
Ships

1H of FY2014 : Received orders for three Aframax tankers in 1Q, and two in 2Q.

One vessel was delivered as same as previous term, but sales increased by three vessels on a percentage-of-completion sales basis. The amount of operating deficit was reduced by increasing operations as compared to previous term.

2H of FY2014 : Ship market expected to remain difficult. However, the vessel price for Aframax tankers is rising and, through the introduction of new ship models, improvements to profitability of new order-receivings are projected.

Unit: JPY billion

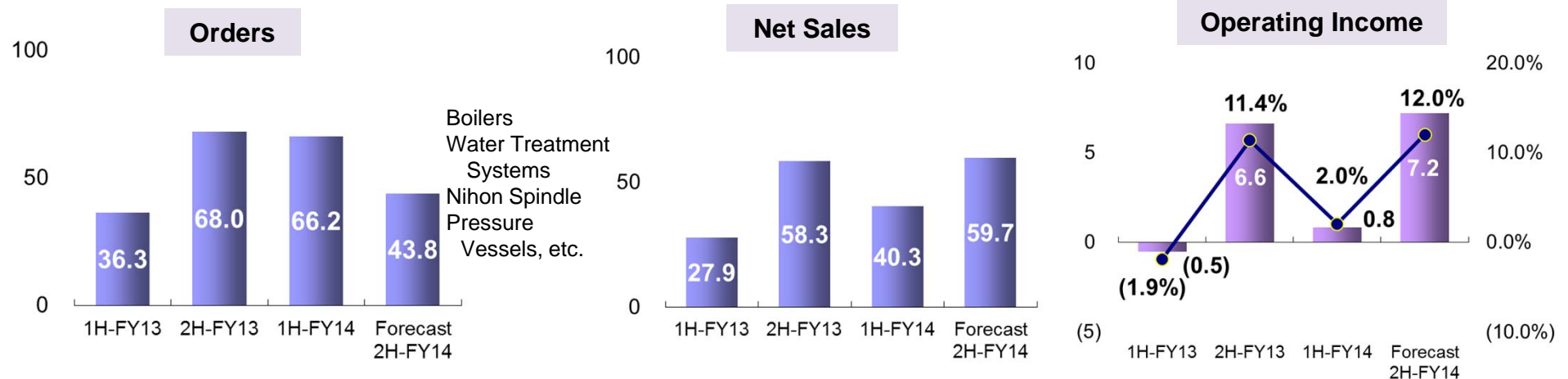


Environmental Facilities and Plants

1H of FY2014 : Orders were strong from the domestic biomass-fueled power generation sector for CFB boiler. While overseas, numbers of inquiries were increasing in the Southeast Asian market. For water treatment related equipment, orders increased due to front-loaded implementation of order-placing from the public sector. Orders were good for pressure vessels for overseas and food-related machinery.

2H of FY2014 : Favorable order trend is expected to continue for CFB boilers. Orders for water treatment plants are expected to slow. Sales are projected to rise due to higher percentage of completion.

Unit: JPY billion



Performance Forecast for FY2014 by Segment

Key Points

- (1) The order forecast has been revised to JPY670 billion, an increase of JPY20 billion from the previous forecast.
- (2) Sales forecast remains unchanged from the previous forecast.
- (3) The operating income figure has been revised to JPY42 billion, an increased of JPY5 billion from the previous forecast.

Unit: JPY billion

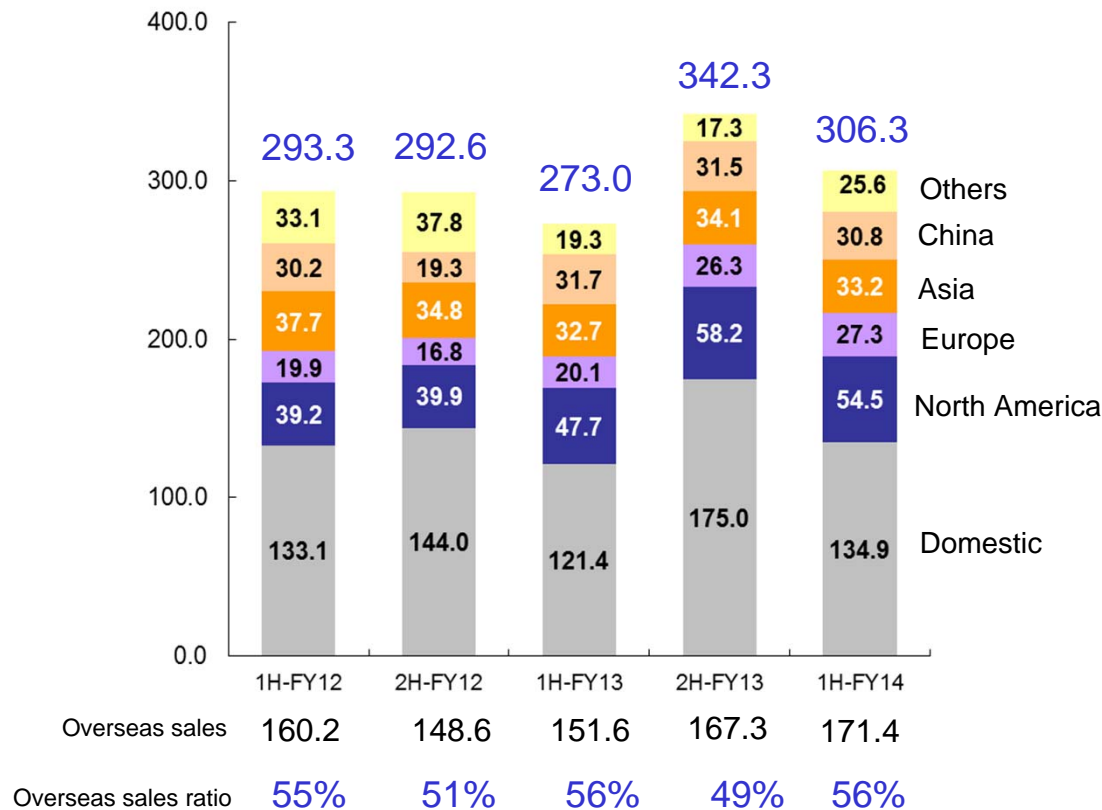
		Record 1H-FY13	Record 2H-FY13	Record 1H-FY14	Forecast 2H-FY14	Record FY2013	Forecast FY2014	
Machinery components	Orders	48.8	49.7	51.4	53.6	98.5	105.0	
	Net sales	47.3	52.7	48.4	52.6	100.0	101.0	
	Operating income	2.8	3.3	3.4	3.6	6.1	7.0	
Precision machinery	Orders	65.5	69.0	71.9	68.1	134.5	140.0	
	Net sales	63.1	70.4	70.8	70.2	133.5	141.0	
	Operating income	3.8	5.6	6.6	5.4	9.5	12.0	
Construction machinery	Orders	100.1	93.2	101.6	88.4	193.3	190.0	
	Net sales	92.7	99.8	97.7	97.3	192.5	195.0	
	Operating income	3.0	6.6	7.4	4.6	9.5	12.0	
Industrial machinery	Orders	37.5	47.0	37.0	38.0	84.5	75.0	
	Net sales	31.3	47.5	33.7	46.3	78.8	80.0	
	Operating income	0.2	3.7	1.9	1.6	4.0	3.5	
Ships	Orders	11.8	19.9	32.1	7.9	31.7	40.0	
	Net sales	6.2	8.6	11.5	12.5	14.8	24.0	
	Operating income	(2.0)	(1.0)	(1.1)	(0.9)	(3.0)	(2.0)	
Environmental facilities & plants	Orders	36.3	68.0	66.2	43.8	104.2	110.0	
	Net sales	27.9	58.3	40.3	59.7	86.2	100.0	
	Operating income	(0.5)	6.6	0.8	7.2	6.1	8.0	
Others	Orders	6.6	4.8	5.4	4.6	11.4	10.0	
	Net sales	4.6	4.9	3.8	5.2	9.5	9.0	
	Operating income	1.1	1.1	1.0	0.5	2.2	1.5	Previous forecast
Total	Orders	306.5	351.7	365.5	304.5	658.2	670.0	650.0
	Net sales	273.0	342.3	306.3	343.7	615.3	650.0	650.0
	Operating income	8.4	26.0	19.9	22.1	34.3	42.0	37.0

Overseas Sales

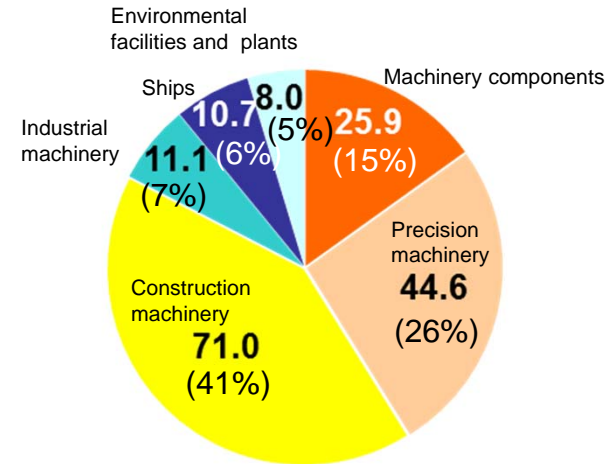
Unit: JPY billion

Overseas Sales by Regional Segment

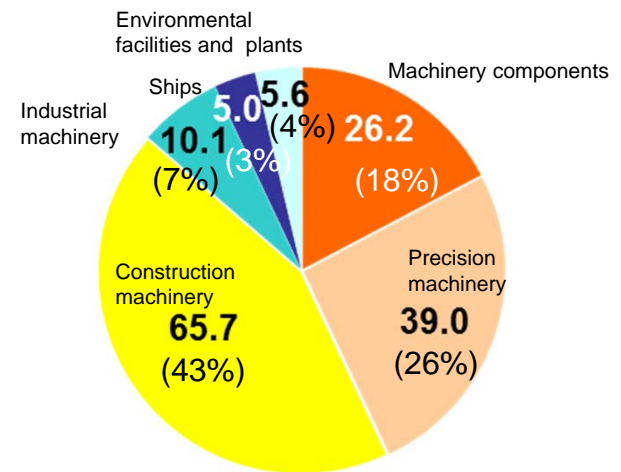
Unit: JPY billion



FY2014 / 1H Overseas Sales by Segment



FY2013 / 1H Overseas Sales by Segment



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