

**Part 1:**  
**FY2005 Financial Summary**  
**and FY2006 Projections**

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**Executive Vice President**

# Current Performance Evaluation

## Summary

- Sales 551.3 billion yen  
higher sales for three straight year
- Net income 29.7 billion yen  
higher earnings for three straight year
- Order 603.0 billion yen, net income 29.7 billion yen  
new records for three consecutive year

## performance

- Operating income 47.5 billion yen  
(forecasted: 45.0 billion yen)
- Net income 29.7 billion yen  
(forecasted: 23.5 billion yen)
- Interest-bearing debt 125.5 billion yen  
(forecasted: 140.0 billion yen)
- ROIC (after tax) 8.8% (forecasted: 8.2%)

# Financial Summary for FY2005

Units: JY billion

**Orders**  
Increase in Construction Machinery,  
Shipbuilding

**Sales**  
Increase in Mass-Produced  
Machinery  
(esp. power transmission control,  
precision equipment), Construction  
Machinery

**Operating income**  
Practically increase in profit  
(included gain on sale of property  
in 2004)

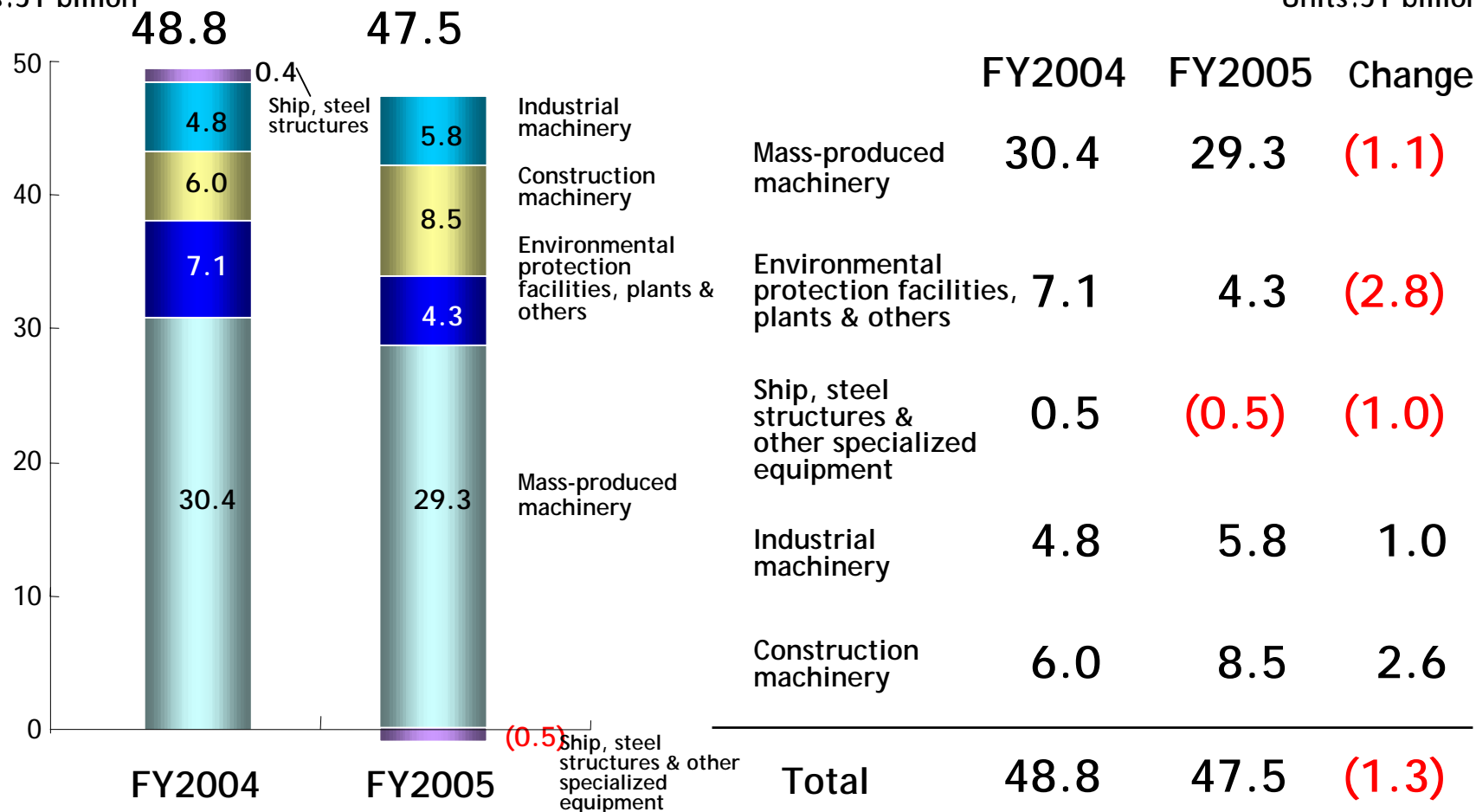
**Extraordinary income or loss**  
Improved because of completed  
amortization of net transition  
obligation of severance and  
retirement benefits, etc in 2004.

	FY2004	FY2005	Change
Orders	560.7	603.0	42.3
Net sales	521.3	551.3	30.0
Operating income	48.8	47.5	(13)
Operating income ratio	9.4%	8.6%	(0.8%)
Extraordinary income or loss	(9.3)	(1.5)	7.7
Net income	22.8	29.7	6.9
Net income ratio	4.4%	5.4%	1.0%
ROIC (after tax)	8.5%	8.8%	0.3%

# Operating income by segment

Units: JY billion

Units: JY billion



included income of 2.5 JY billion on sale of property in Environmental protection facilities, plants & others segment in 2004

# Breakdown of extraordinary gain or loss

Units: JY billion

		FY2004	FY2005	Change
Extraordinary gain	Income on Sale of Investment Securities	0.5	0.9	0.4
	Amortization of prior service cost	2.5	-	(2.5)
	Income on Sale of Fixed Assets	1.6	-	(1.6)
	<b>Sub-total</b>	<b>4.6</b>	<b>0.9</b>	<b>(3.7)</b>
Extraordinary loss	Loss on breach of the Antitrust Law	-	0.7	0.7
	Write-down of investment in securities	-	0.5	0.5
	Retirement Reserve to Directors and Auditors	0.5	0.3	(0.2)
	Loss due to impairment	-	0.2	0.2
	Loss disposition of affiliated companies	3.1	0.1	(3.0)
	Retirement Allowance Write-off	5.6	-	(5.6)
	Loss Related to Business reorganization	2.8	-	(2.8)
	Disposal from Retirement of Fixed Assets, etc.	1.9	0.7	(1.2)
<b>Sub-total</b>	<b>13.9</b>	<b>2.4</b>	<b>(11.4)</b>	
<b>Total</b>	<b>(9.3)</b>	<b>(1.5)</b>	<b>7.7</b>	

# Consolidated Balance Sheets

Units: JY billion

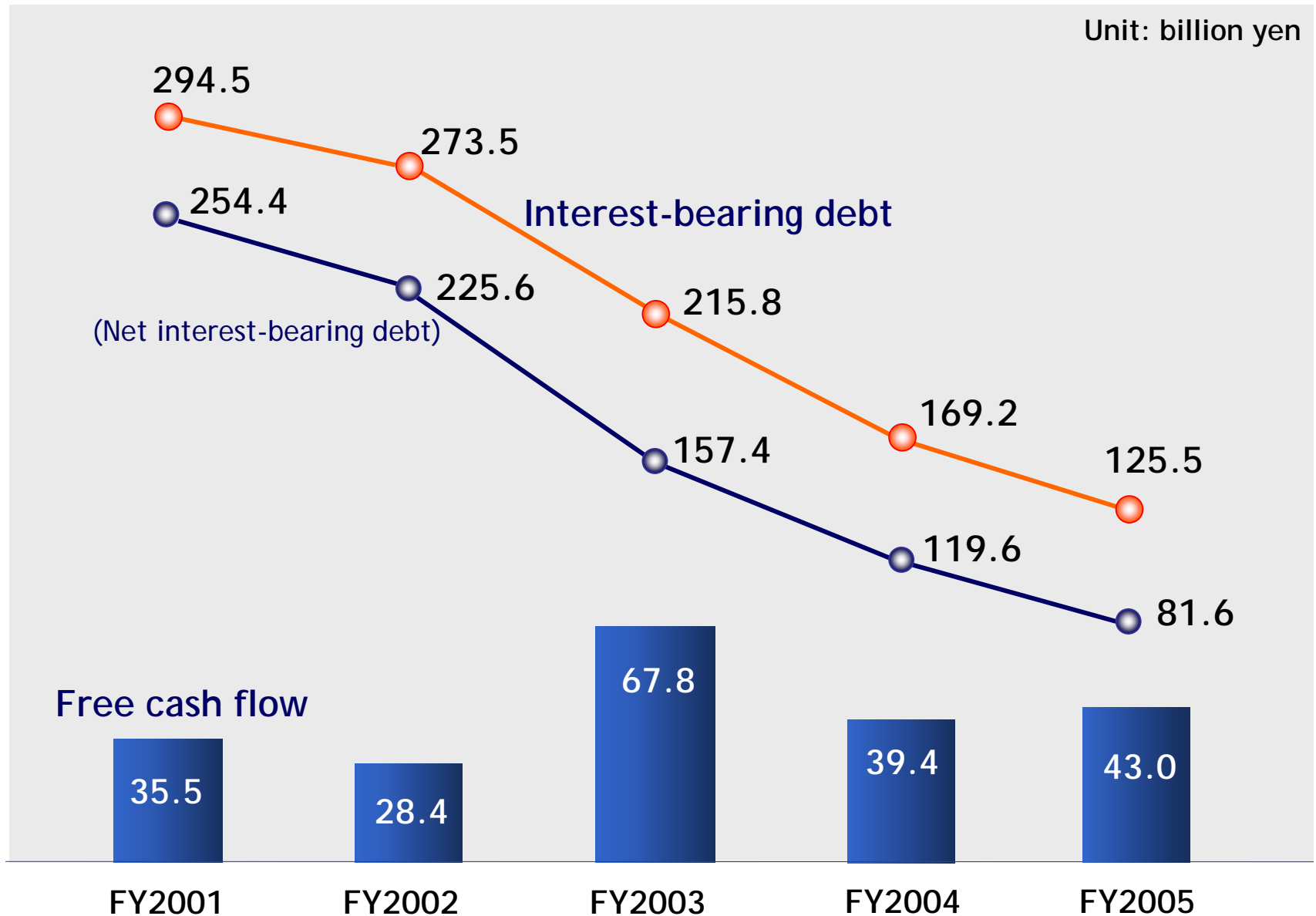
	End of FY2005	End of FY2006	Increase or Decrease		End of FY2005	End of FY2006	Increase or Decrease
<b>Current Assets</b>	<b>316.2</b>	<b>317.8</b>	<b>1.6</b>	<b>Liabilities</b>	<b>428.8</b>	<b>407.7</b>	<b>(21.0)</b>
Cash and deposit	49.6	43.9	(5.7)	Trade Payable	134.4	142.8	8.3
Account receivable	151.6	158.9	7.3	Advance Payments received on contracts	27.4	32.0	4.6
Inventories	88.9	93.0	4.1	Interest-Bearing Debt	169.2	125.5	(43.7)
Other Assets	26.1	22.0	(4.0)	Other Liabilities	97.7	107.5	9.8
				Minority Interests	3.8	3.8	(0.1)
<b>Fixed Assets</b>	<b>253.6</b>	<b>261.4</b>	<b>7.8</b>	<b>Stockholders' Equity</b>	<b>137.2</b>	<b>167.7</b>	<b>30.6</b>
Tangible Fixed Assets	181.0	181.5	0.5	Capital	30.9	30.9	0
Intangible Fixed Assets	4.0	4.8	0.8	Capital Surplus	16.8	16.8	0
Investments and Other Assets	68.6	75.2	6.5	Retained Earnings	42.7	68.8	26.2
				Revaluation reserve for land, net of income taxes	45.3	42.1	(3.1)
				Other	1.5	9.1	7.5
<b>TOTAL</b>	<b>569.8</b>	<b>579.2</b>	<b>9.5</b>	<b>TOTAL</b>	<b>569.8</b>	<b>579.2</b>	<b>9.5</b>
				Ratio of Interest-Bearing Liabilities	29.7%	21.7%	(8.0%)
				Shareholders' Equity Ratio	24.1%	29.0%	4.9%

# Consolidated Statements of Cash Flow

Units: JY billion

Category	FY2004	FY2005	Change
Cash Flows from Operating Activities	45.5	50.0	4.6
Working Capital	(0.9)	7.9	8.9
Operating Revenue before interest payment	53.4	53.9	0.5
Other	(7.0)	(11.8)	(4.8)
Cash Flows from Investing Activities	(6.1)	(7.0)	(0.9)
Free Cash Flow	39.4	43.0	3.6
Cash Flows from Financing Activities	(46.5)	(48.8)	(2.3)
Increase or decrease in cash and cash equivalents	(7.1)	(5.5)	1.7
Cash and cash equivalents at the end of year	49.1	43.6	(5.5)

# Change in Interest-Bearing Debt





# FY2006 & 2007 Operating Result Forecast

Unit: billion yen

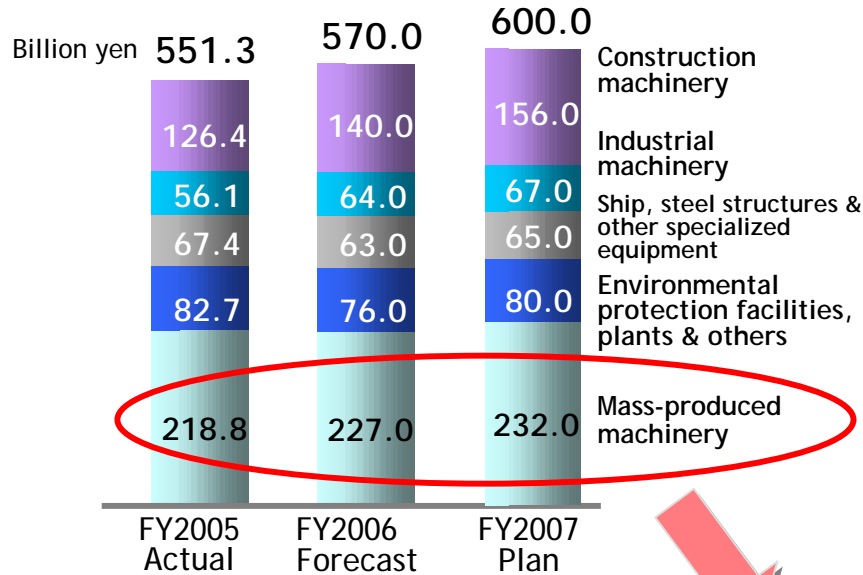
	First Half of FY2005 Actual	First Half of FY2006 Forecast	FY2005 Actual	FY2006 Forecast	FY2007 Plan
Orders received	282.4	290.0	603.0	600.0	
Net Sales	245.9	260.0	551.3	570.0	600.0
Operating Income	18.5	19.5	47.5	53.0	60.0
Operating Income Ratio	7.5%	7.5%	8.6%	9.3%	10.0%
Extraordinary gain or Loss	0.1	(2.0)	(1.5)	(3.0)	
Net Income	12.5	12.5	29.7	31.0	36.0
Net Income Ratio	5.1%	4.8%	5.4%	5.4%	6.0%
ROIC (After tax)			8.8%	9.7%	10.0%
Projected exchange rate (US dollar)			112yen	110yen	

# FY2005 Forecast of Net Sales and Operating Income by Segment

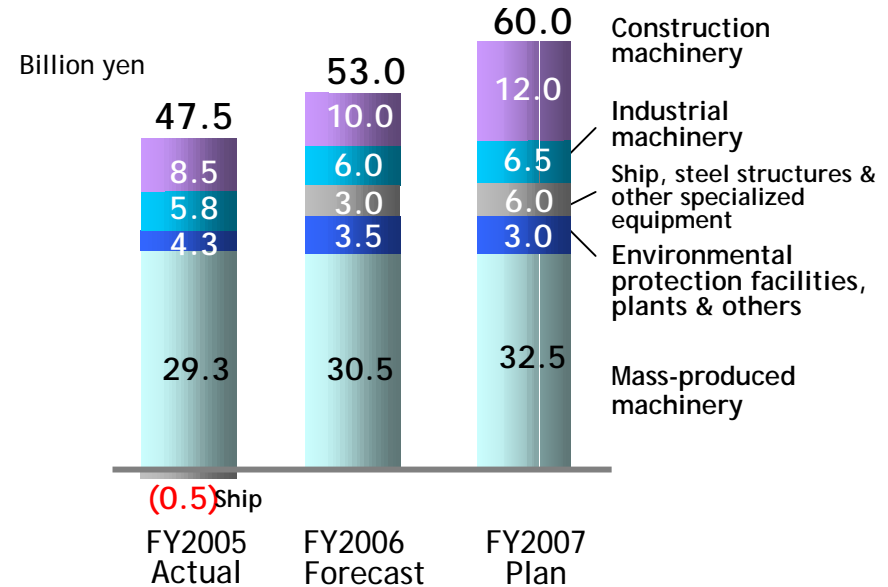
		Unit: billion yen					
		First Half of FY2005 (Actual)	First Half of FY2006 (Forecast)	Increase and Decrease	FY2005 (Actual)	FY2006 (Forecast)	Increase and Decrease
Mass-Produced Machinery	Net Sales	103.6	108.0	4.4	218.8	227.0	8.2
	Operating Income	13.1	14.5	1.4	29.3	30.5	1.2
	Operating Income Ratio	12.6%	13.4%	0.8%	13.4%	13.4%	0.0%
Environmental Protection Facilities, Plants & Others	Net Sales	31.9	29.0	(2.9)	82.7	76.0	(6.7)
	Operating Income	0.1	(1.0)	(1.1)	4.3	3.5	(0.8)
	Operating Income Ratio	0.2%	(3.4%)	(3.6%)	5.2%	4.6%	(0.6%)
Ship, Steel Structure & Other Specialized Equipment	Net Sales	24.3	26.0	1.7	67.4	63.0	(4.4)
	Operating Income	(1.3)	0	1.3	(0.5)	3.0	3.5
	Operating Income Ratio	(5.2%)	0%	5.2%	(0.7%)	4.8%	5.5%
Industrial Machinery	Net Sales	27.3	28.0	0.7	56.1	64.0	7.9
	Operating Income	3.1	2.0	(1.1)	5.8	6.0	0.2
	Operating Income Ratio	11.4%	7.1%	(4.3%)	10.4%	9.4%	(1.0%)
Construction Machinery	Net Sales	58.9	69.0	10.1	126.4	140.0	13.6
	Operating Income	3.5	4.0	0.5	8.5	10.0	1.5
	Operating Income Ratio	6.0%	5.8%	(0.2%)	6.7%	7.1%	0.4%
TOTAL	Net Sales	245.9	260.0	14.1	551.3	570.0	18.7
	Operating Income	18.5	19.5	1.0	47.5	53.0	5.5
	Operating Income Ratio	7.5%	7.5%	0.0%	8.6%	9.3%	0.7%

# FY2006 & 2007 Forecast by Segment

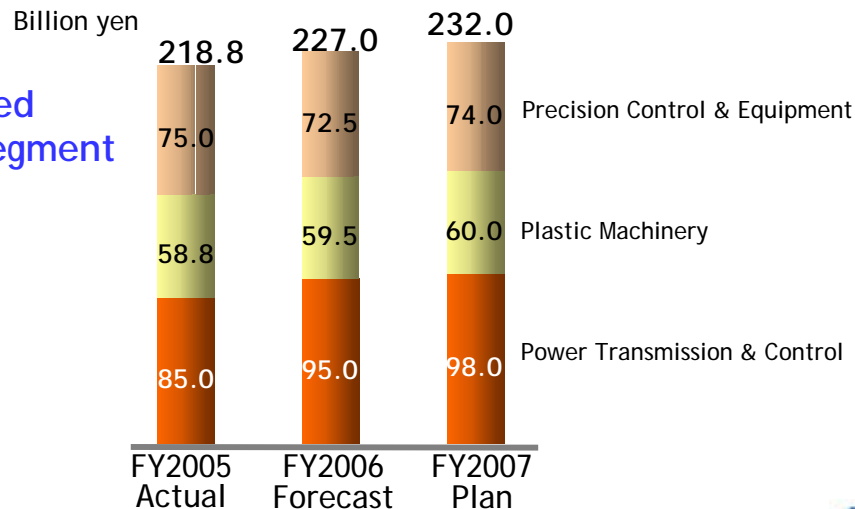
## Sales



## Operating income



## Mass-Produced Machinery Segment



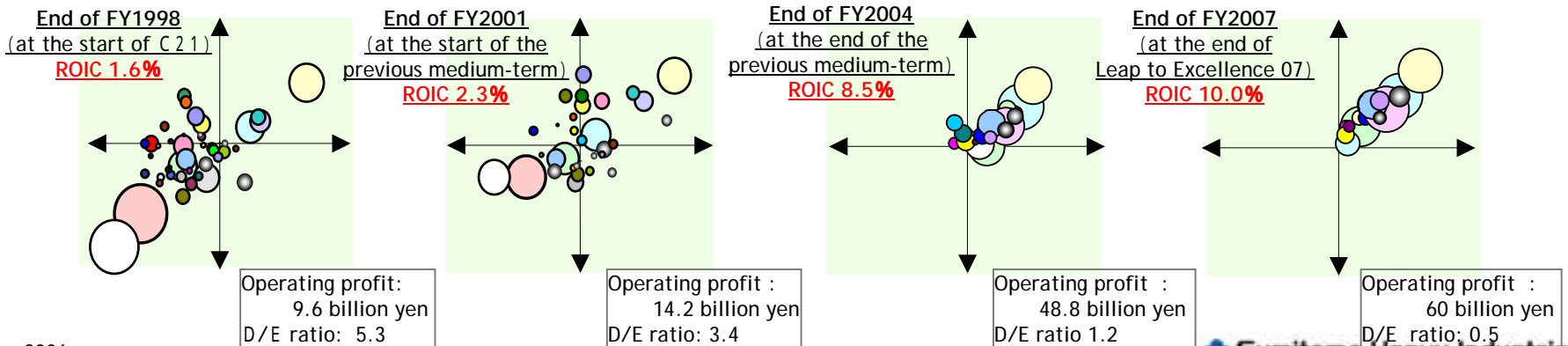
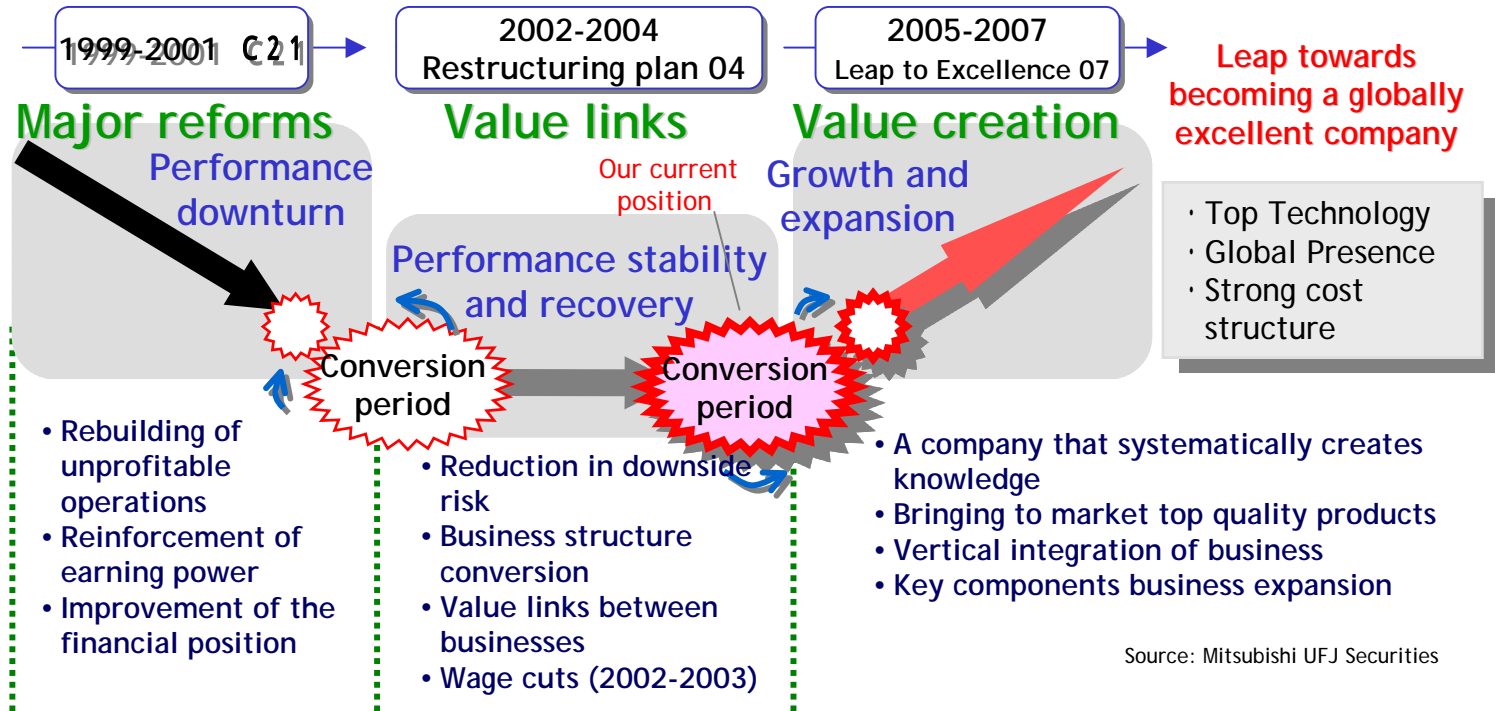


**Part 2:**  
**Management Strategy**  
**... Progress of Medium-Term**  
**Management Plan**

**Yoshio Hinoh, President and CEO**

# Position and its Meaning in Fiscal Year 2006

From bottom line management to top line growth



# Mid-term Management Plan “Leap to Excellence 07” Fiscal Year 2005

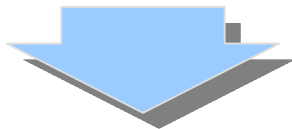
## “Leap to Excellence 07” Review and Fiscal 2005 Results

Medium-Term Targets

- To break the mould and become [a company that systematically creates knowledge], delivering top quality products to the market
- Vertically integrated business mode ~ Development and enhancement of a Segment Synergy Model
- Expansion and reinforcement of key component businesses ~ Uniting of PTC and mechatronics

- Numerical targets (Fiscal Year end 2007)
 

ROIC	Exceeding 10%
Operating income	Exceeding 60 billion yen
Interest-bearing debt	Less than 150 billion yen

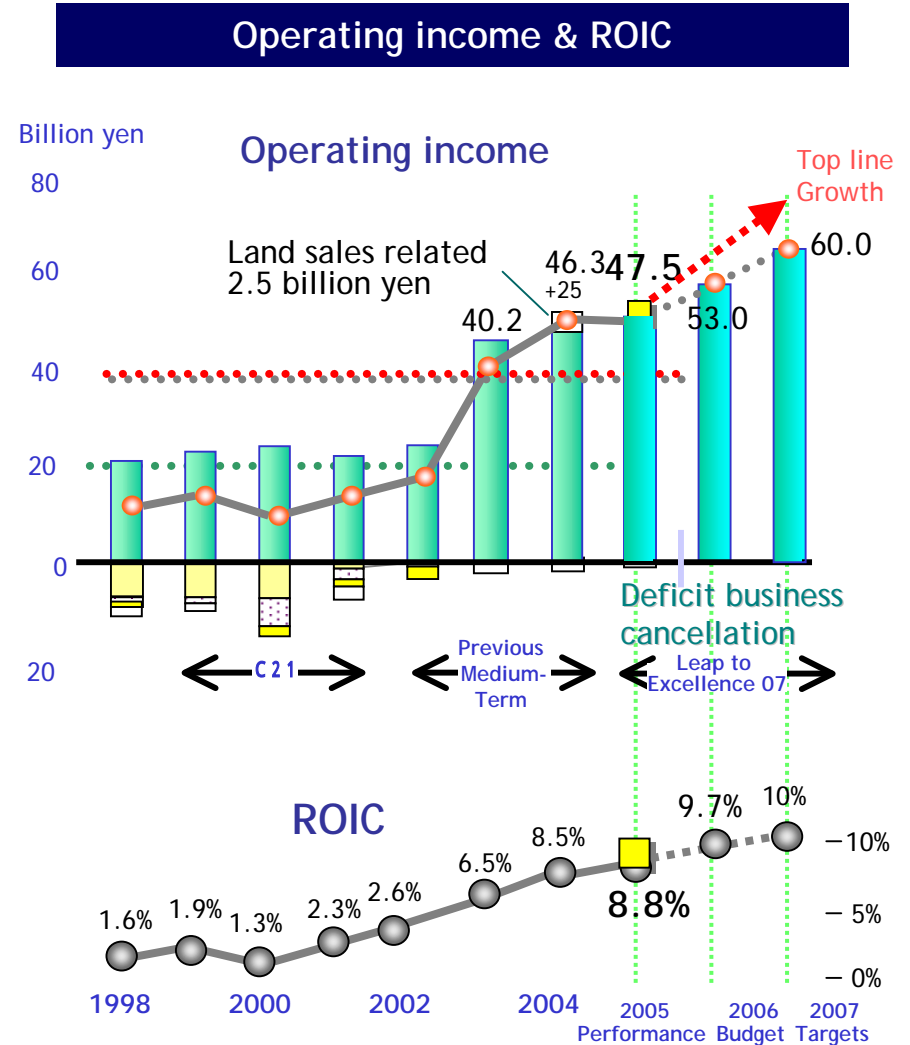
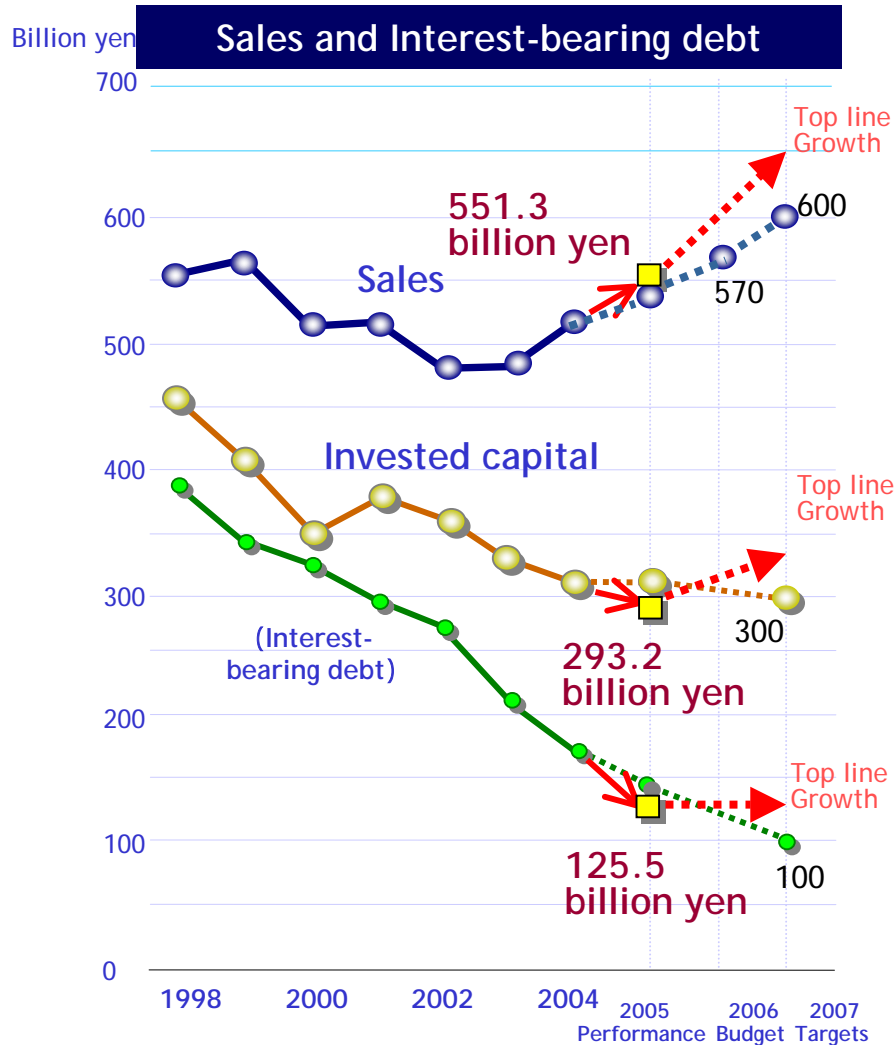


### Fiscal Year 2005 Results

ROIC	8.8 %	(Forecast 8.2%)
Operating Profit	47.5 billion yen	(Forecast 45 billion yen)
Interest-bearing debt	125.5 billion yen	(Forecast 140 billion yen)

# Performance Transition

Operating income reached a level of 40 billion yen, transitioning towards the growth and expansion phase





# "Leap to Excellence 07" Fiscal Year 2005 Measures and Future Direction

## Building a footing for growth and expansion jumps from 2005

### Fiscal Year 2005 Measures

#### Driving reinforcement of [advanced products]

- Nomination of advanced products and investment in research development resources

#### Realization of [extreme workmanship] and [extraordinary quality]

- Consistent development and capital investment

#### Synergy Model One-SHI enhancement

- Pursue the growth of small scale business and value links between businesses
- Redefinition of the strategy segment and reorganization of the operations division
- Establishment of the MCD Business Unit (PTC + Mechatronics)

#### Reinforcement of foreign business and overseas cooperation

- Initiation of One-SHI in the foreign sales and service base of the Operations division
- Enhancement of production capabilities in China, Vietnam and the Philippines

#### Focused investment in growth businesses

- Focus on precision control equipment and component fields

#### Reform of human resources management

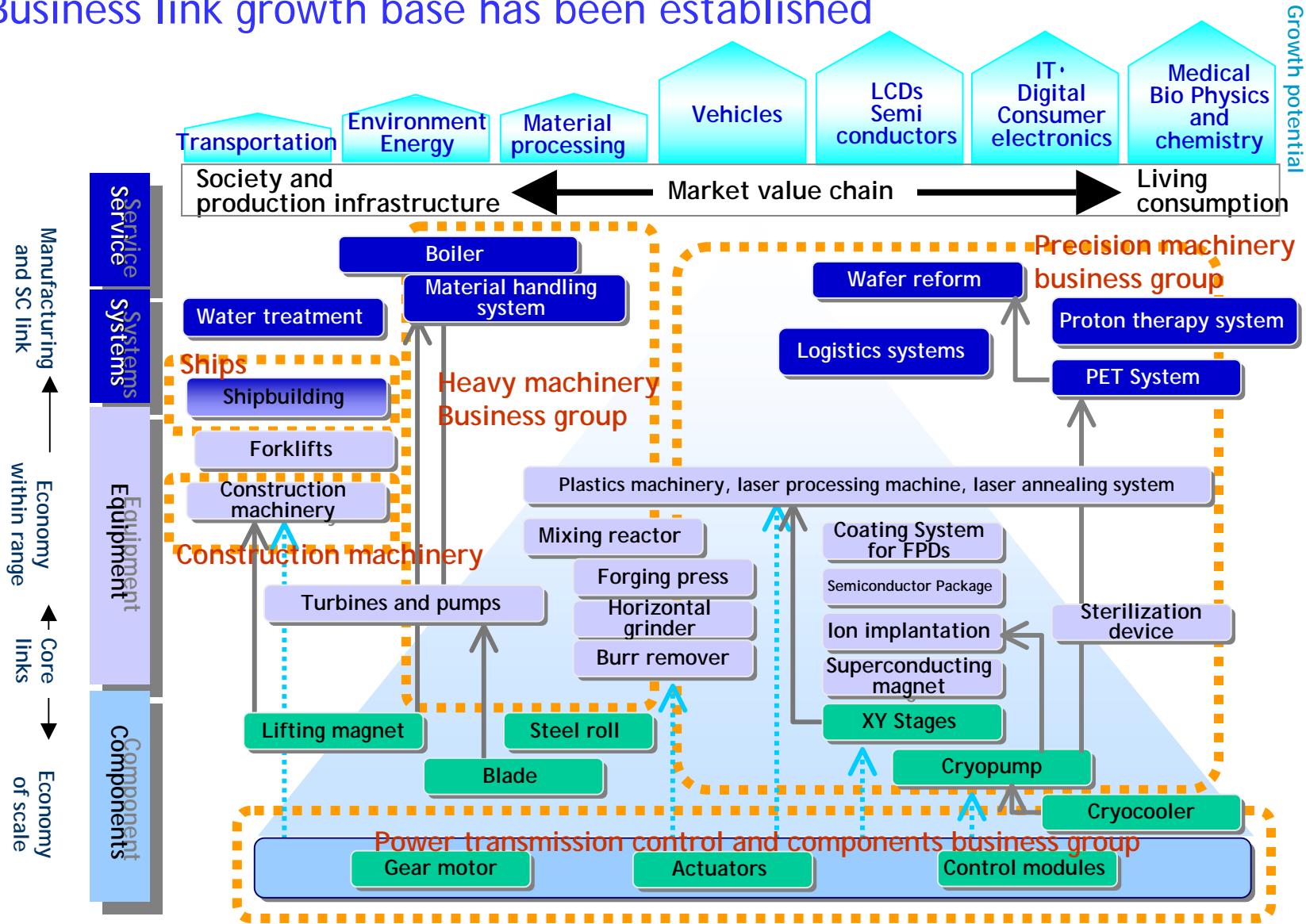
- Development of human resources in operations management (management training programs, in-house business schools and new human resource systems)

### Future Direction

- Shift towards top quality products formulation
- Ongoing proactive investment
- Further integration of links
- Establishment of overseas branch network
- Establishment of a global supply chain
- Ongoing proactive investment
- Development of technical expertise

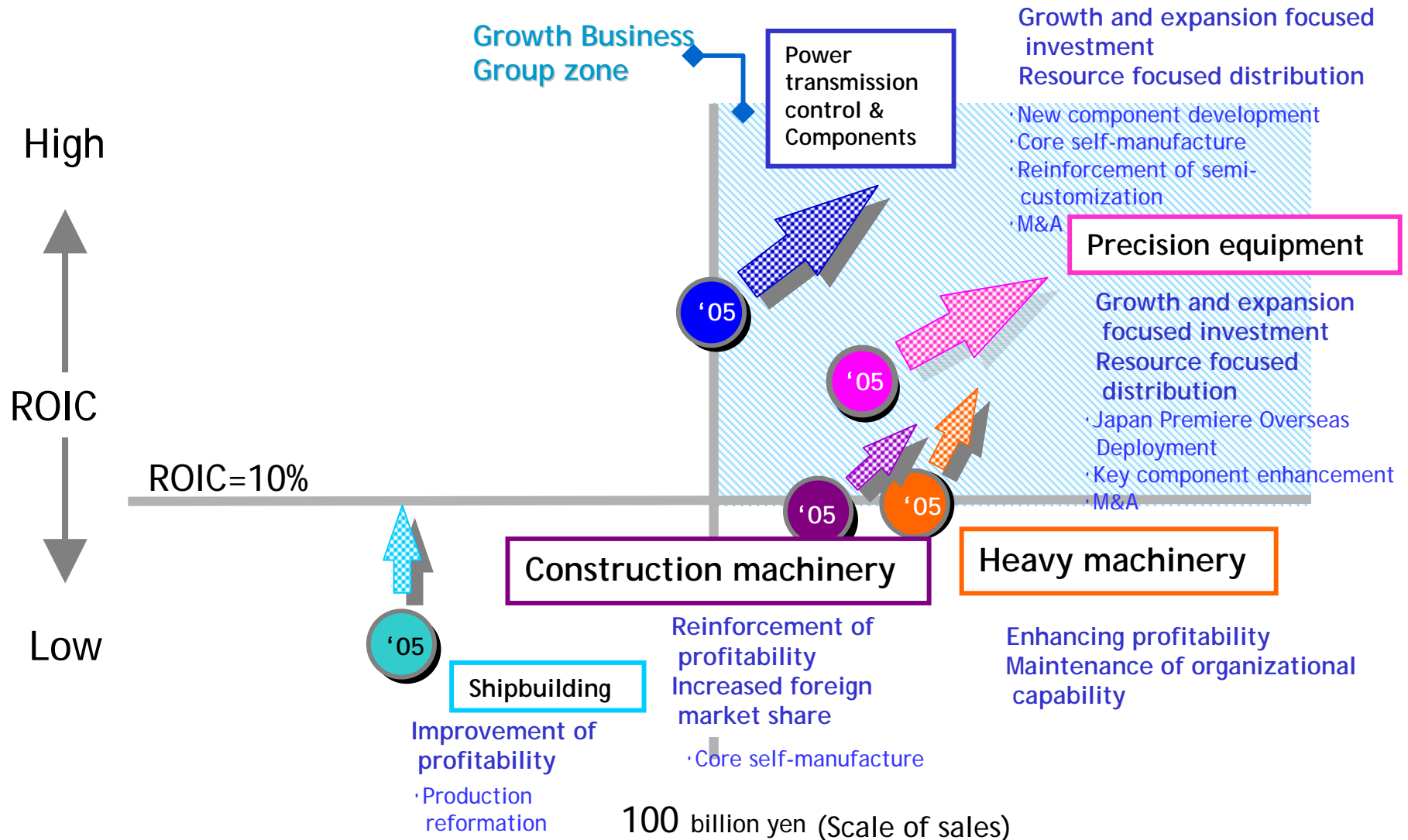
# Synergy Model - One-SHI

Business link growth base has been established



# ROIC Portfolio and Growth Direction

Strategy Segment Business Group What is the direction of the growth strategy?



# Core products: Topics

## Gear motor

### Reinforcement of the compact equipment line-up

- New release of an orthogonal gear motor with separated motor gears delivering high efficiency, low noise and high power output
- Full model change for the Altax series with low noise, increased reliability



## Injection molding machines

### Implementation of commercialization strategies in line with the market place

- 220 ~ 450 ton machine series
- HD Series: Emphasis on duty      vehicle industry  
HS Series: Emphasis on speed      containers, medical equipment industry
- Smooth sales since the switch of models from SE-S      SE-HD/HS from the latter half of 2005
- New customers being developed toward the achievement of a 25% market share in medium sized equipment

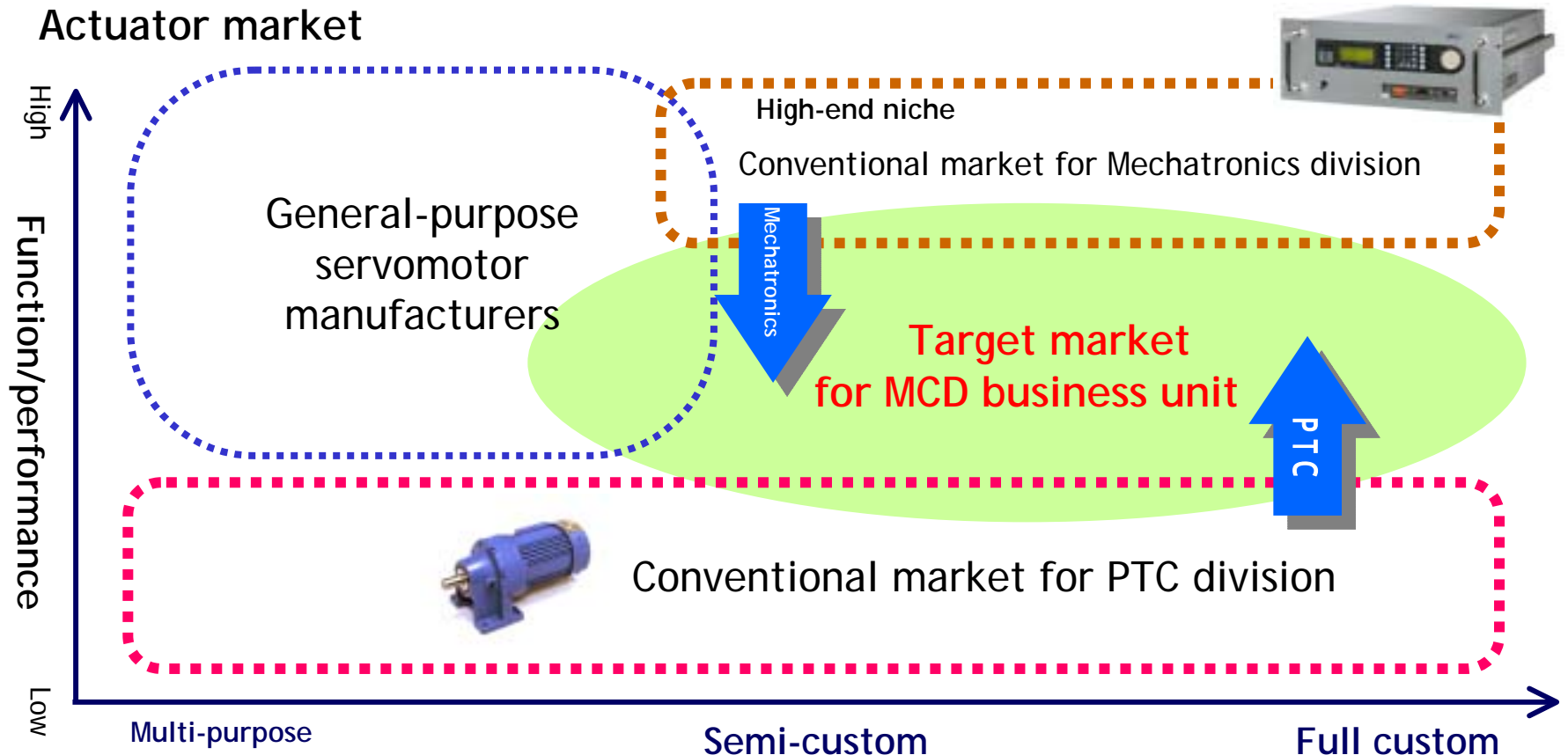


# Target for MCD business unit (PTC&Mechatronics)

## Strategic issues

Be the leader in the actuator market  
 Strengthen product competitiveness within the Group and  
 achieve a vertically integrated value chain

Actuator: Components to move and work machinery by gaining energy from various sources



# Core products: Topics

## Next-generation hydraulic excavator

A Machine that meets next exhaust emissions regulations launch in FY2006

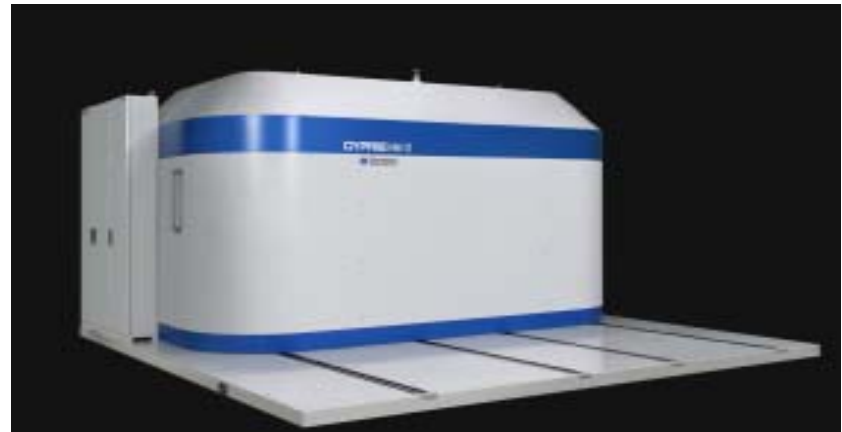
- High performance transmitted to all five senses that's impossible to describe in the specs
- A new product that makes excellent use of hydraulic and electrical control technology, basic factor technology and 3DCAD-CAE



## Small 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.



# Numerical Targets, Measures and Focus for Fiscal Year 2006

## Numerical Targets

■ Sales	570 billion yen
■ ROIC (after tax)	9.7%
■ D/EBITDA	1.9
■ D/E	0.6
■ Operating income	53 billion yen
■ Net income	31 billion yen

## Measures and focus

■ Driving reinforcement of [advanced products]	Shift towards top quality products formulation
· Realization of a [strong cost structure], [extreme workmanship] and [extraordinary quality]	
■ Enhancement of Synergy Model One-SHI	Further integration of links
· Establishment of a overseas network base and a global supply chain	
■ Focused investment in growth business	Ongoing proactive investment
■ Reform of human resources management	Development of technical experts

The projections, estimates and other information concerning future operating results are forecasts the Company has evaluated to be reasonable based on information available to the Company. Accordingly, actual operating results might vary from the projections and estimates described in this report as a result of changes in various factors.