

Financial Summary for FY2014 and Projections for FY2015



**President and CEO
Shunsuke Betsukawa**

Management Policies

FY2015

- **Achieve the targets set forth in the “Medium-Term Management Plan 2016” one year in advance and aim to make a further leap forward before the next medium-term management plan.**
- **Continue steady management**
 - ~ Operate with a quality-first mentality.
- **Achieve sales target of JPY700 billion and operating income target of JPY52.5 billion.**

Financial Summary for FY2014

Unit: JPY billion

➤ Key points

(1) Orders

- All-time high recorded.
- All segments showed growth over prior year.

(2) Net sales

- All-time high recorded.
- Industrial Machinery segment posted a decrease.
- All other segments increased mainly due to the increase in order levels.

(3) Operating income

- All segments showed growth over prior year due to factors such as a weaker Japanese yen.

(4) Current net income

- Increased despite posting extraordinary items such as impairment losses.

	2013	2014	Change
Orders	658.2	740.8	82.6
Net sales	615.3	667.1	51.8
Operating income	34.3	46.0	11.7
Operating income ratio	5.6%	6.9%	1.3%
Ordinary income	33.0	45.1	12.1
Ordinary income ratio	5.4%	6.8%	1.4%
Extraordinary income or loss	(1.7)	(6.4)	(4.7)
Current net income before tax adjustments	31.3	38.7	7.4
Current net income	17.9	24.3	6.5
Current net income ratio	2.9%	3.6%	0.7%

Operating Income by Segment

Unit: JPY billion

➤ Comparisons with previous fiscal year

<Machinery Components>

Increase in income due to strong sales in the Japanese and North American markets

<Precision Machinery>

Significant increase in income driven by injection molding machines, as well as favorable trend for semiconductor-related equipment and precision machinery

<Construction Machinery>

Increase in income due to sales growth in the North American and European markets for hydraulic excavators

<Industrial Machinery>

Increase in income due to strong demand for turbines for private power generators in overseas markets

<Ships>

Three new ships handed over as compared to one in the previous year.

Profitability improved due to increase in capacity utilization

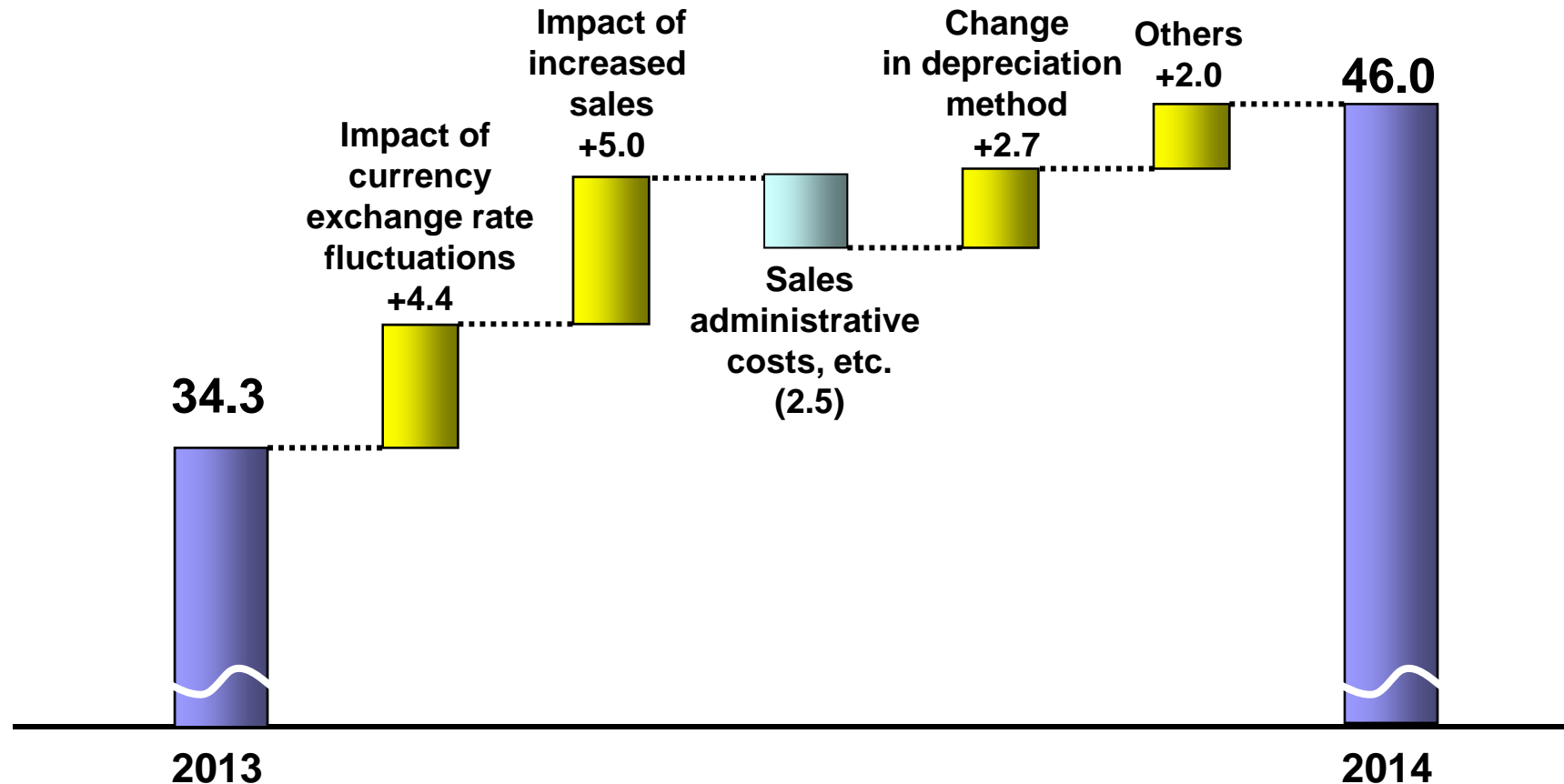
<Environmental Facilities & Plants>

Increase in income due to progress made in the construction of CFB boilers

	2013	2014	Change
Machinery components	6.1	6.6	0.5
Precision machinery	9.5	13.5	4.1
Construction machinery	9.5	11.9	2.4
Industrial machinery	4.0	5.8	1.8
Ships	(3.0)	(1.2)	1.7
Environmental facilities & plants	6.1	7.5	1.5
Others	2.2	1.8	(0.3)
Total	34.3	46.0	11.7

Change in Operating Income (FY2013 to FY2014)

Unit: JPY billion



Consolidated Balance Sheet

➤ Net interest-bearing debts turned to negative figure.

➤ Increase in working capital related items due to growth in orders and sales.

Unit: JPY billion

	March 2014	March 2015	Change		March 2014	March 2015	Change
Current assets	435.0	492.0	57.0	Liabilities	393.1	420.9	27.8
Cash and deposits *	77.8	92.4	14.6	Notes and accounts payable	124.2	140.4	16.2
Notes and accounts receivable	182.0	194.9	13.0	Advanced payments received	30.5	44.7	14.2
Inventories	144.2	153.8	9.6	Interest-bearing debts	107.4	83.6	(23.8)
Others	30.9	50.8	19.9	Others	131.0	152.1	21.1
Fixed assets	289.2	294.0	4.8	Net assets	331.1	365.1	34.0
Tangible assets	220.3	228.3	8.0	Common equity	275.1	293.7	18.6
Intangible assets	8.6	9.3	0.7	Total accumulated other comprehensive income	51.3	66.4	15.1
Investments and other assets	60.3	56.4	(3.9)	Minority interests	4.6	5.0	0.4
Total	724.2	786.0	61.8	Total	724.2	786.0	61.8
				Net ratio of interest-bearing debts	4.1%	(1.1%)	(5.2%)
				Stockholders' equity ratio	45.1%	45.8%	0.7%

* Cash and deposits include cash and cash equivalents.

Consolidated Cash Flow Statement

Unit: JPY billion

Category	FY2013	FY2014	Change
Operating activities	63.7	62.1	(1.5)
Income before income taxes and minority interests	31.3	38.7	7.4
Depreciation	18.6	16.3	(2.3)
Working capital	18.6	11.7	(6.9)
Others (income taxes etc.)	(4.8)	(4.5)	0.3
Investing activities	(27.6)	(14.1)	13.5
Free cash flow	36.0	48.1	12.0
Financing activities	(9.5)	(36.9)	(27.4)
Change in cash and cash equivalents	29.9	14.0	(16.0)
Cash and cash equivalents at end of fiscal term	76.4	90.3	13.9

Performance Forecast for FY2015

Unit: JPY billion

- FY2014 was a record year for orders. Aim to achieve a figure greater than JPY700 billion in FY2015.
- Sales and profit expected to increase in FY2015. Aim to achieve record figures greater than JPY700 billion for sales.
- FY2014 dividend set at JPY12 as compared to the initial forecast of JPY9. Dividend forecast for FY2015 is JPY14.

	Record 1H-FY14	Record 2H-FY14	Forecast 1H-FY15	Forecast 2H-FY15
Orders	365.5	375.3	340.0	370.0
Net Sales	306.3	360.8	330.0	370.0
Operating income	19.9	26.1	20.0	32.5
Operating income ratio	6.5%	7.2%	6.1%	8.8%
Ordinary income	20.0	25.1	19.5	30.5
Ordinary income ratio	6.5%	7.0%	5.9%	8.2%
Extraordinary income or loss	(0.3)	(6.1)	(0.5)	(0.5)
Current net income	12.3	12.1	11.0	19.0
Current net income ratio	4.0%	3.3%	3.3%	5.1%
Dividends	JPY5	JPY7	JPY7	JPY7
Dividend payout ratio				
ROIC (after tax)				
Projected currency exchange rate (US dollars)				

Record FY2014	Forecast FY2015
740.8	710.0
667.1	700.0
46.0	52.5
6.9%	7.5%
45.1	50.0
6.8%	7.1%
(6.4)	(1.0)
24.3	30.0
3.6%	4.3%
JPY12	JPY14
30.2%	28.6%
6.5%	7.2%
JPY107 (actual)	JPY118

Machinery Components

Orders, Net Sales

FY2014: Orders and sales increased as positive conditions in the domestic market continued and the North American market also performed well. Orders and sales figures were at record highs. Demands for large-scale gearboxes for natural resource-related application continued with a downturn.

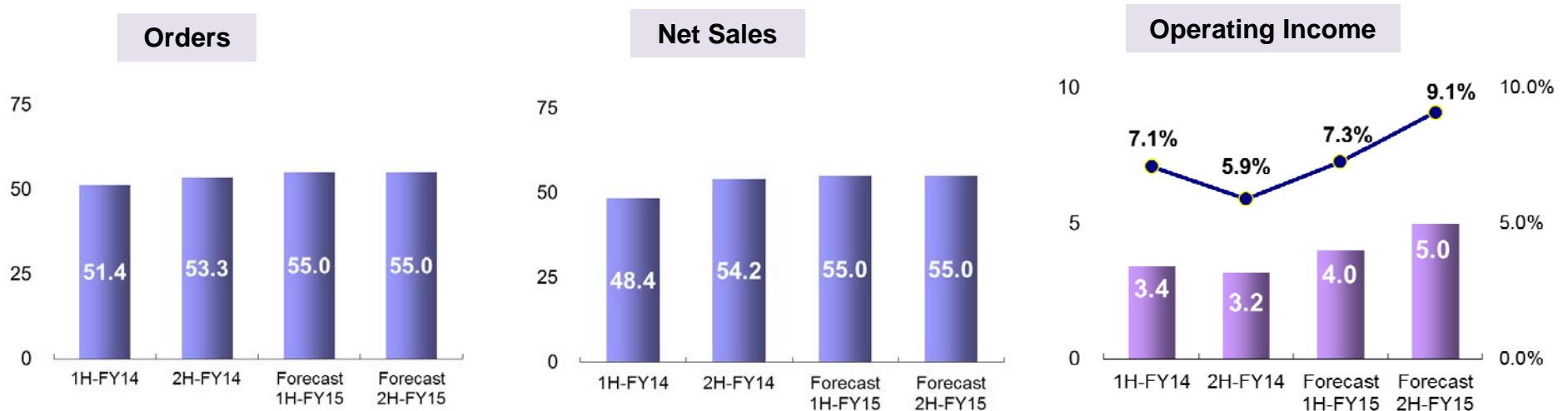
FY2015: Domestic and North American market will continue to be strong while the recovery of the China market will be delayed. Although the demand for large-scale gearboxes for the overseas natural resources industry remains stagnant, there are plans for recovery with new models launched.

Operating Income

FY2014: Income increased due to the strong performance of both the domestic and North American markets.

FY2015: Income expected to increase due to the strong domestic market and improved profitability of overseas subsidiaries.

Unit: JPY billion



Precision Machinery

Orders, Net Sales

<Plastic machinery>

FY2014: Orders and sales increased due to strong demand from the Asian IT sector, and solid performance of the European markets.

FY2015: Demand from the Asian IT sector will remain strong for the time being but a slowdown is anticipated.

The automobile and container sectors in North America will continue to remain strong. Europe will show similar results from the previous fiscal year.

<Advanced precision machinery>

FY2014: Demand recovered for semiconductor manufacturing equipment. Strong demand also seen for cryogenic coolers for medical equipment.

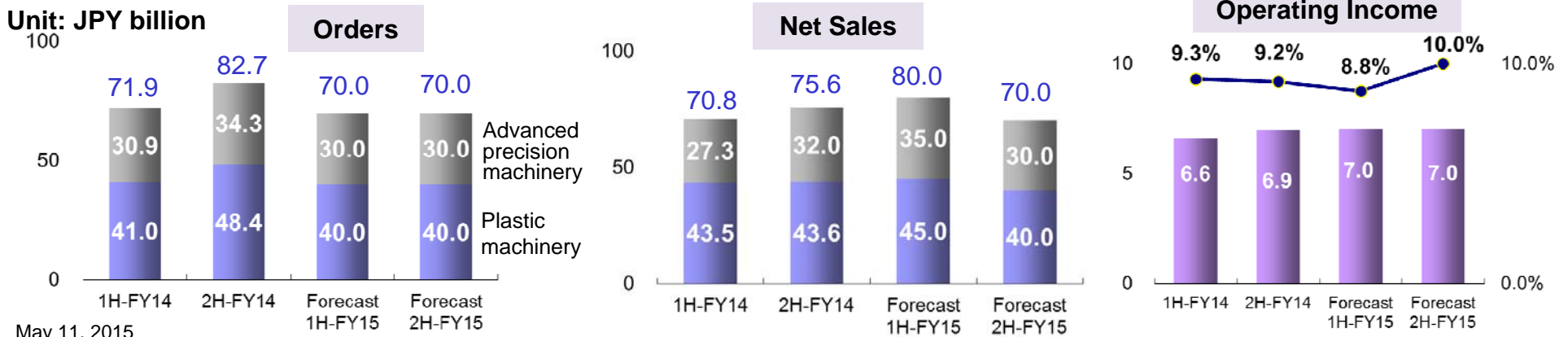
FY2015: Cryogenic coolers will continue to show growth while a slowdown is anticipated for the semiconductor manufacturing equipment market.

Operating Income

FY2014: Income increased significantly due to sales growth and improved profitability for injection molding machines and improved profitability of advanced precision machinery.

FY2015: Continued growth expected for injection molding machines during the first half of the year. Advanced precision machinery performance will continue to remain strong.

Unit: JPY billion



May 11, 2015

Construction Machinery

Orders, Net Sales

<Hydraulic excavators>

FY2014: Although domestic demand declined, it has been propped up by demand due to emissions regulations. Sales increased in the North American and European markets after completing a cycle of inventory adjustments. Demand continued to decline in China. A new partnership with CNHi was launched.

FY2015: Demand in Japan will decline due to backlash relating to the emission regulations. The delay in recovery of the China market will be offset by the North American and other markets. Accelerate collaboration with CNHi.

<Mobile cranes>

FY2014: Sales declined due to the impact of the cold wave in North America at the start of the fiscal year and a slowdown in demand from the energy sector.

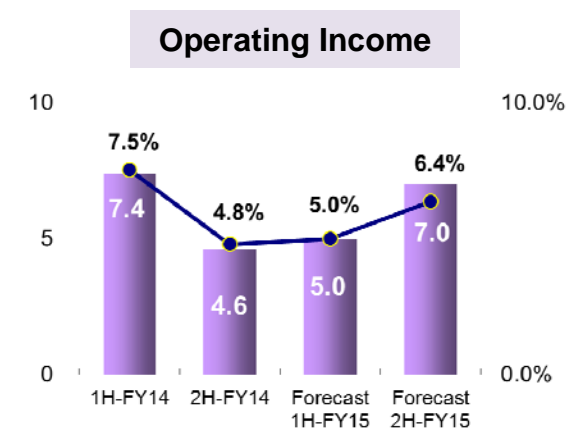
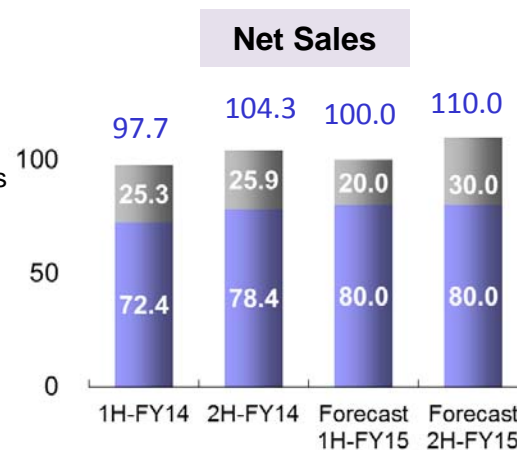
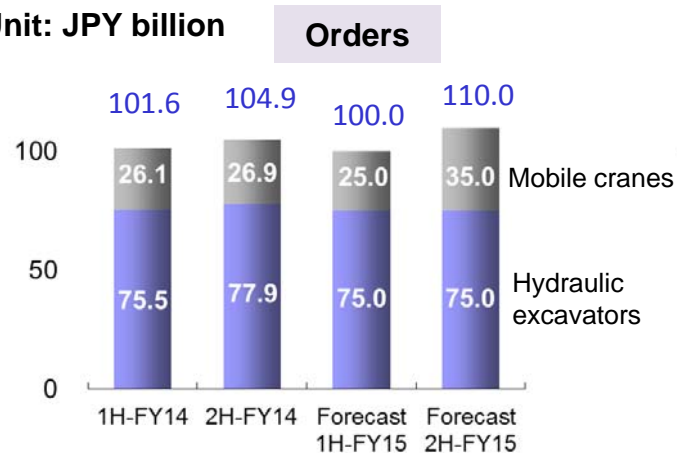
FY2015: Recovery of the North American market is projected.

Operating Income

FY2014: Income increased due to a rise in sales of hydraulic excavators and positive movements in the currency exchange rate.

FY2015: Maintain income levels as sales for excavators and cranes will be moderate.

Unit: JPY billion



Industrial Machinery

Orders, Net Sales

FY2014: Orders increased for industrial cranes as investment in the domestic shipbuilding sector recovered. Orders increased for turbines and pumps as demand from the sugar production industry in Thailand increased due to political stability. There was positive demand for products aimed at private power generators from both the domestic and overseas markets. In terms of sales, declines were seen in steelmaking equipment and forging presses.

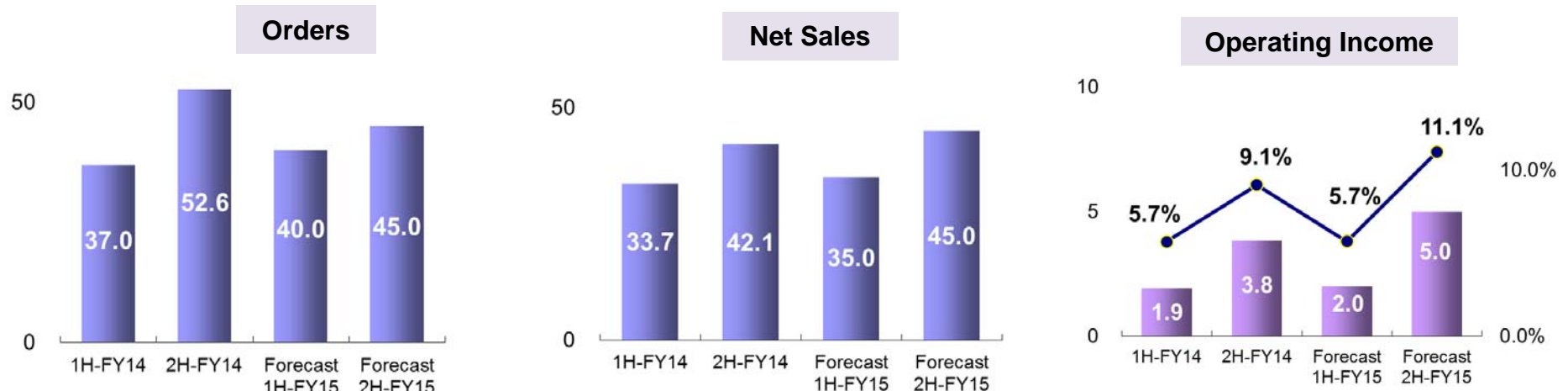
FY2015: Demand for turbines and pumps will continue to remain strong, while stable orders are anticipated for industrial cranes. Orders are also expected for medical devices including proton cancer therapy equipment. Sales figures are anticipated to grow for turbines and pumps as well as industrial cranes.

Operating Income

FY2014: Profitability of industrial cranes as well as turbines and pumps was favorable.

FY2015: Income is anticipated to increase due to a rise in sales.

Unit: JPY billion



May 11, 2015

Ships

Orders, Net Sales

FY2014: Gradual recovery seen in the medium-scale tanker market. Orders received for nine Aframax tankers (an increase of four vessels from the previous fiscal year). At the end of FY2014, the balance of outstanding orders was 12 vessels, ensuring production until FY2017. Sales increased as three vessels were handed over during FY2014 (an increase of two vessels from the previous FY).

FY2015: While tanker market is expected to remain steady, the Group will assess the orders receiving within the building of four to five vessels per year and a amount of approximately three years order backlogs. Three vessels are again anticipated to be handed over during FY2015 but sales will increase due to increased sales recognition in the percentage-completion method.

Operating Income

FY2014: Profitability improved due to better capacity utilization and cuts to fixed costs.

FY2015: Full-year profit is expected as further increase in capacity utilization due to recovery in orders are anticipated and individual performance is also expected to improve.

Unit: JPY billion



Environmental Facilities and Plants

Orders, Net Sales

FY2014: Orders and sales for CFB boilers increased due to strong demand from the domestic biomass-fueled power generation sector. Orders and sales fell for water treatment plants due to the lack of large-scale renovation projects.

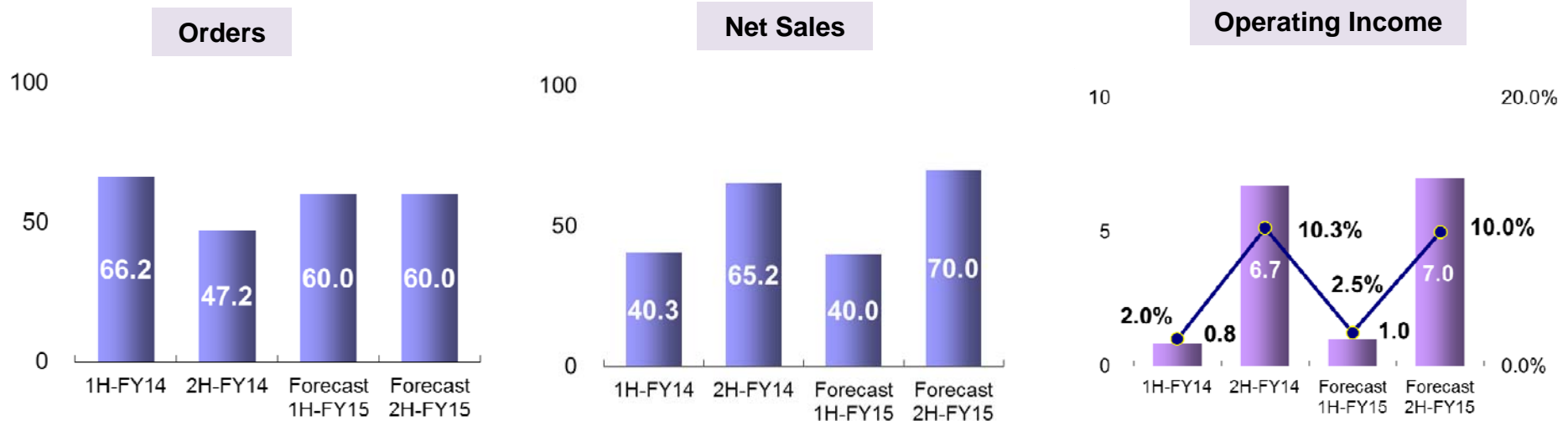
FY2015: Demand for CFB boilers for the domestic biomass-fueled power generation sector will remain strong. Orders for water treatment plants are expected to rise due to an increase in renovation projects.

Operating Income

FY2014: Increase in profits due to a rise in sales for CFB boilers.

FY2015: Maintain similar profit margins to the prior fiscal year.

Unit: JPY billion



Performance Forecast for FY2015 by Segment

Unit: JPY billion

		Record 1H-FY14	Record 2H-FY14	Forecast 1H-FY15	Forecast 2H-FY15	Record FY2014	Forecast FY2015
Machinery components	Orders	51.4	53.3	55.0	55.0	104.7	110.0
	Net sales	48.4	54.2	55.0	55.0	102.6	110.0
	Operating income	3.4	3.2	4.0	5.0	6.6	9.0
Precision machinery	Orders	71.9	82.7	70.0	70.0	154.6	140.0
	Net sales	70.8	75.6	80.0	70.0	146.4	150.0
	Operating income	6.6	6.9	7.0	7.0	13.5	14.0
Construction machinery	Orders	101.6	104.9	100.0	110.0	206.5	210.0
	Net sales	97.7	104.3	100.0	110.0	202.0	210.0
	Operating income	7.4	4.6	5.0	7.0	11.9	12.0
Industrial machinery	Orders	37.0	52.6	40.0	45.0	89.6	85.0
	Net sales	33.7	42.1	35.0	45.0	75.8	80.0
	Operating income	1.9	3.8	2.0	5.0	5.8	7.0
Ships	Orders	32.1	29.9	10.0	25.0	61.9	35.0
	Net sales	11.5	14.5	15.0	15.0	26.1	30.0
	Operating income	(1.1)	(0.1)	0.0	0.5	(1.2)	0.5
Environmental facilities & plants	Orders	66.2	47.2	60.0	60.0	113.4	120.0
	Net sales	40.3	65.2	40.0	70.0	105.5	110.0
	Operating income	0.8	6.7	1.0	7.0	7.5	8.0
Others	Orders	5.4	4.8	5.0	5.0	10.1	10.0
	Net sales	3.8	4.8	5.0	5.0	8.6	10.0
	Operating income	1.0	0.9	1.0	1.0	1.8	2.0
Total	Orders	365.5	375.3	340.0	370.0	740.8	710.0
	Net sales	306.3	360.8	330.0	370.0	667.1	700.0
	Operating income	19.9	26.1	20.0	32.5	46.0	52.5

The Progress of “Medium-Term Management Plan 2016”



Sumitomo Heavy Industries, Ltd.

**President and CEO
Shunsuke Betsukawa**

Progress of the “Medium-Term Management Plan 2016”

Objectives of “MTMP16”	Record FY2014	Forecast FY2015	Plan FY2016
1. “Steady growth”	<div> }</div> Continue to implement.		
2. “Return to higher levels of profitability”			
3. “Persistent efforts for operational quality improvements”			
4. Numerical targets	Expected to achieve one year in advance.		
FY2016 Net sales: JPY700 billion	JPY667.1 b	JPY700.0 b	Planned figures kept the same
Operating income ratio: 7. 5%	6.9%	7.5%	
ROIC: 7% or more	6.5%	7.2%	
Dividend payout ratio (3 years): 30% targeted	30%	29%	
5. Investment	Raise plan figures through aggressive investments.		
Capital investment(3 years) JPY50 billion	JPY16.0 b	JPY27.0 b	JPY20.0 b (Total 63.0 b)
R&D(3 years) JPY45 billion	JPY14.0 b	JPY15.5 b	JPY15.5 b (Total 45.0 b)
6. Recruiting (3 years) - 600 persons	233 persons	About 260 persons	About 190 (Total 690) persons

“Medium-Term Management Plan 2016”

Targets and Issues for Steady Growth

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Keywords	Targets and Issues
Globalization (Expansion)	<ul style="list-style-type: none"> ● Enhancement of competitiveness of Gear Speed Reducers (overseas) and Plastic Machinery. ● Enhancement of area marketing (Gear Speed Reducers, Plastic Machinery and Construction Machinery). ● Development of human resources for global operation.
Innovation (Change)	<ul style="list-style-type: none"> ● Creation of first-class products. ● Enhancement of project management capability. ● Focus on after-market business. ● Reform of sales process.
Group Synergies (Connect)	<ul style="list-style-type: none"> ● Promotion of corporate group internal value chain. ● Differentiation through system control technology. ● Enhancement of collaboration within each business operation group (Gear Speed Reducers, Plastic Machinery and Construction Machinery).
Focus on New Growth Fields	<ul style="list-style-type: none"> ● Reaching the top of the energy market niche and developing peripheral fields. ● Long-term growth in medical field.

Positioning of Businesses in the “Medium-Term Management Plan 2016”

	Growth businesses (businesses aiming to grow and achieve high profitability levels)	Stable profitability (businesses aiming to strengthen profitability)	Self-sustaining (businesses focusing on becoming self-sustaining and stable)
Next generation businesses	Cryogenic Coolers Medical Equipment		
Device-type businesses	Gear Speed Reducers Plastic Machinery	Hydraulic Excavators	Forging Presses
Infrastructure- type businesses	Industrial Cranes CFB Boilers Turbines	Mobile Cranes	Ships

Priority areas for investment

Growth Driving Businesses in the “Medium-Term Management Plan 2016”

Gear Speed Reducers	<ul style="list-style-type: none"> ➤ Enhance sales operations in North America and Southeast Asia. Make improvements in Europe. ➤ Focus on growth segments such as robots and machine tools. ➤ Launch new products and realize synergies with control systems area.
Plastic Machinery	<ul style="list-style-type: none"> ➤ Expand global share through the promotion of electric-driven machines in Europe. ➤ Focus not only on the IT sector but also automobile-related fields. ➤ Launch new products.
Medical Equipment	<ul style="list-style-type: none"> ➤ Accumulate technical know-how relating to proton cancer therapy systems. ➤ Develop new markets with accelerator technology at the core (BNCT).
CFB Boilers Turbines	<ul style="list-style-type: none"> ➤ (CFB Boilers) – Focus on FIT related projects in Japan, and the ASEAN market overseas. ➤ (Turbines) – Focus on overseas private power generation sector. ➤ Develop and introduce a medium-scale reheat turbine.
Industrial Cranes	<ul style="list-style-type: none"> ➤ Enhance resources through the integration of Mitsubishi Heavy Industries Machinery Technology Corporation’s Industrial Crane business (e.g. personnel, technology, customer assets, etc.). ➤ Early realization of the integration benefits.

Integrating the Industrial Crane Business

- Aim to become the top Japanese crane maker while strengthening overseas operations.

Summary

Sumitomo Heavy Industries Material Handling Systems Co., Ltd. (MH) will absorb Mitsubishi Heavy Industries Machinery Technology Corporation's (MT) Industrial Cranes business:

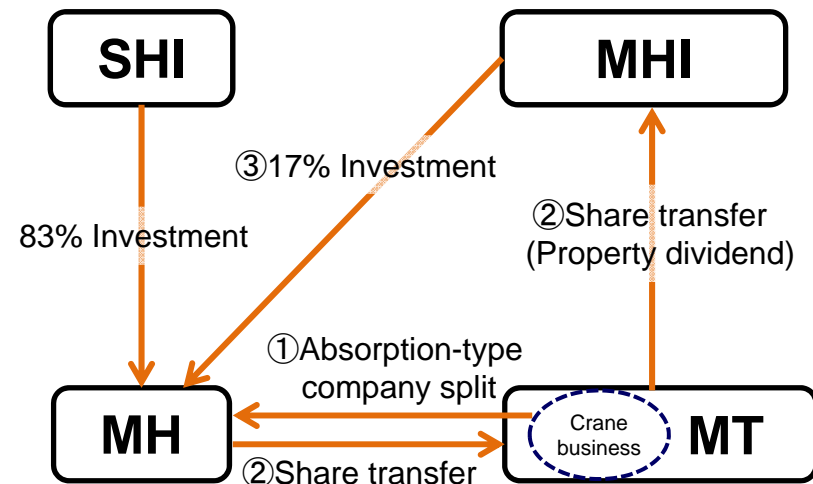
- Expected integration date is October 1, 2015.
- Mitsubishi Heavy Industries(MHI) will invest capital into MH.
- The ultimate plan is to integrate operations to Niihama Works.

Purpose

- (1) Inherit good and plentiful customer base.
 - Delivery history, customers in good-standing
- (2) Enhance human resources.
 - Mutually complementary
- (3) Acquire high-grade technology assets.
 - Automation, controls, seismic isolation systems, etc.

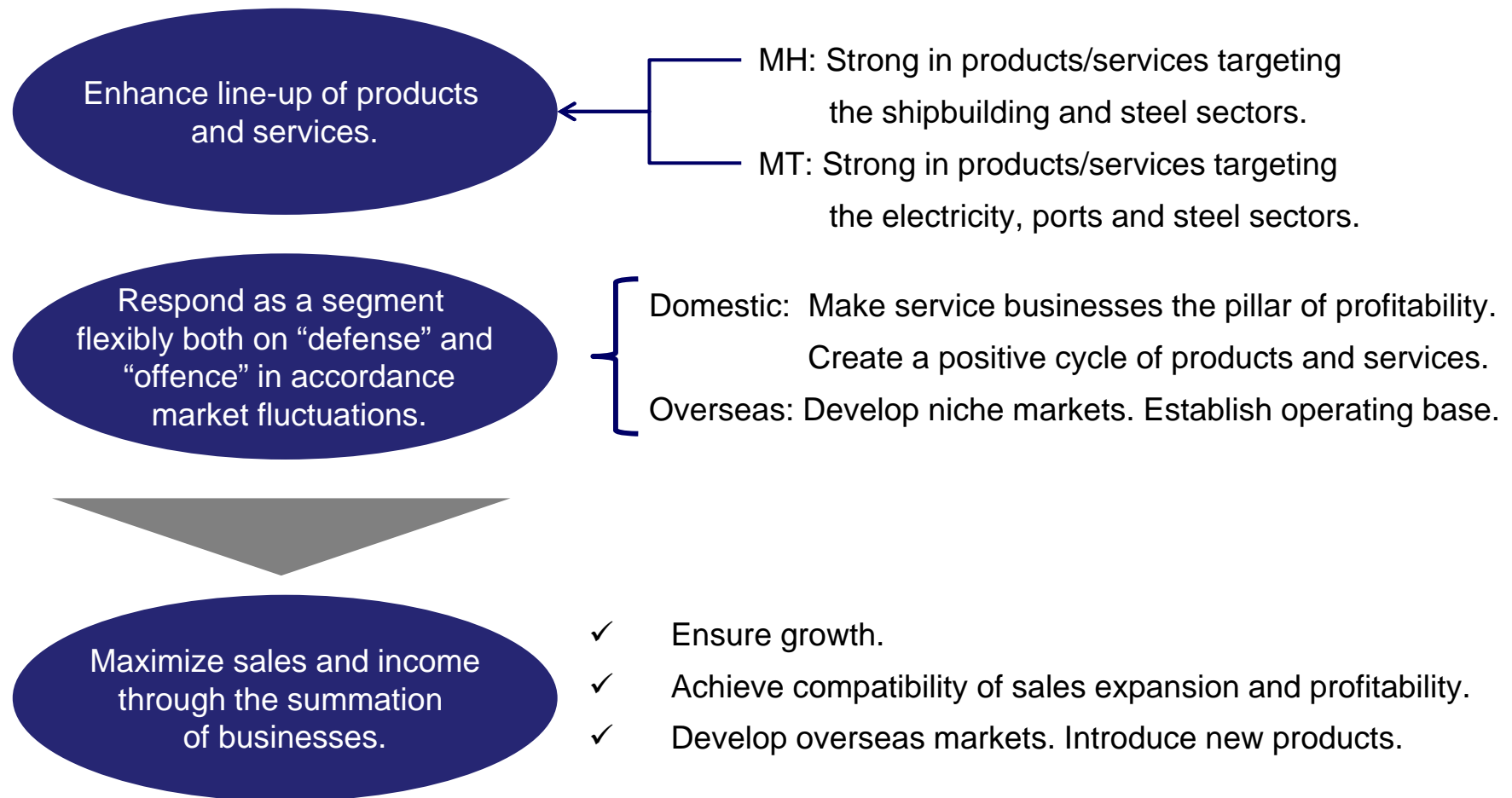
Scheme

1. Absorption-type company split
MT will separate its industrial crane business and MH will absorb it.
2. Share transfer
MH will transfer new shares to MT. MT to make immediate dividend in kind to Mitsubishi Heavy Industries (MHI).



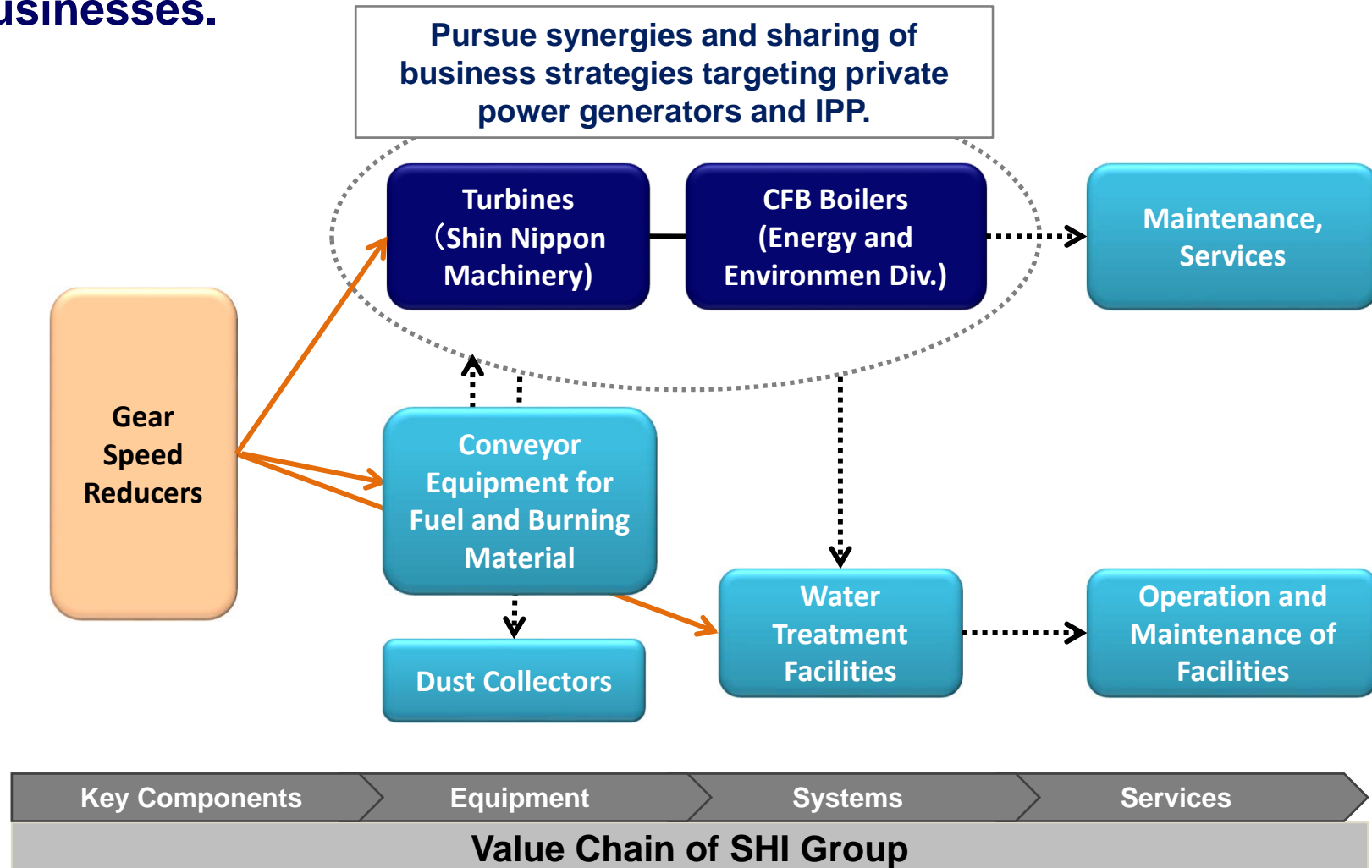
Industrial Crane Business Strategy

- **Stable growth through the ability to flexibly respond to market needs through a diverse portfolio of products and services.**



Implement ONE-SHI strategy for energy-related businesses

- Promote collaboration and information sharing between divisions and product models in areas relating to the turbine and boiler businesses.



Orders and future forecast for energy-related businesses

■ Strong order receiving trend for boilers and turbines.

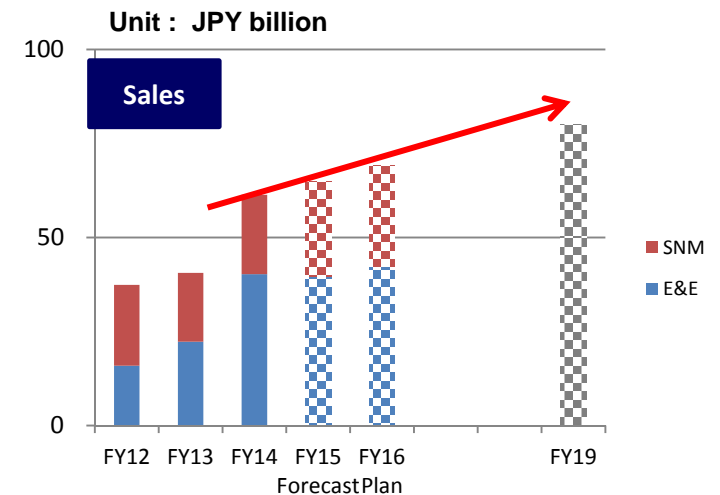
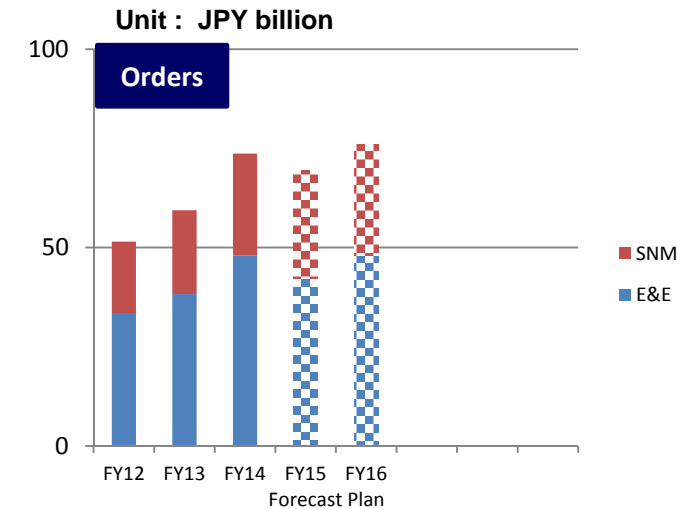
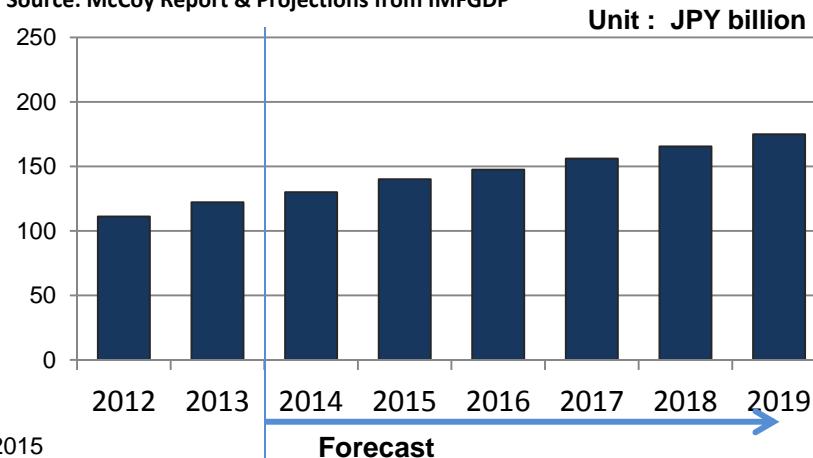
Increase in demand due to the FIT System, and strong energy demand in emerging markets.

< CFB boilers orders received (number of projects) >

		2012	2013	2014	2015	2016
Domestic	30-200MW	1	1	3	Approx. 2 per year	
	5-30MW	2	2			
	-5MW	1	4	2	Approx. 1-3 per year	
Overseas	30-200MW				Approx. 1 per year	
	5-30MW	1				
	-5MW				Approx. 1 per year	

Market volume trend of Decentralized Power Generation Market (<100MW)

Source: McCoy Report & Projections from IMFGDP



* SNM: Shin Nippon Machinery Co., Ltd.

E&E: Energy & Environment Division

 Sumitomo Heavy Industries, Ltd.

All forward-looking statements regarding the company's future performance are based on information currently available to Sumitomo Heavy Industries and determined subjectively. Future performance is not guaranteed and all information related to future performance contained herein is subject to changes in business environments.