

# FY2014 2Q Report

(ended on 30<sup>th</sup> September 2014)

Reported on 5<sup>th</sup> November 2014



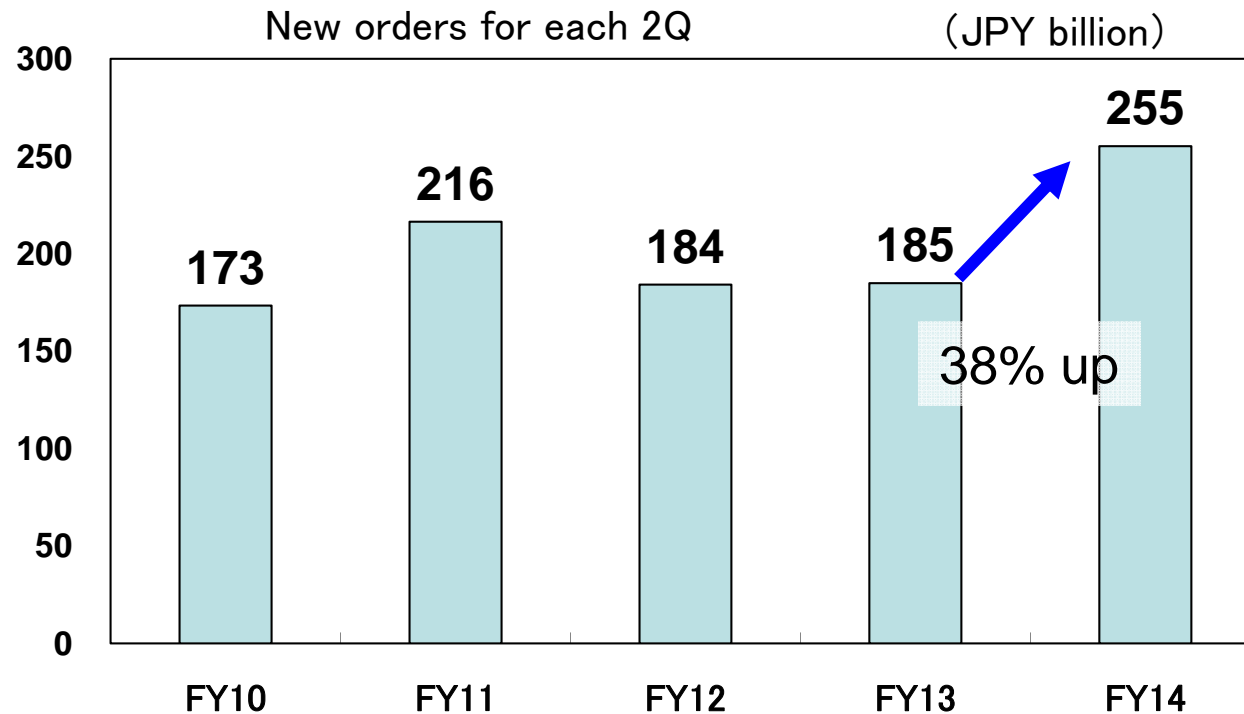
## Key Point of FY2014 2Q

---

- Favorable progress in new orders
- Good start toward achievement of sales and profit target

# Key Point of FY2014 2Q

## ● Favorable progress in new orders “increase in quantity”



### New ship (consolidated)

13 to 21 ships

### Cranes

JPY 8 billion  
to JPY 19 billion

### Techno-service

JPY 7 billion  
to JPY 10 billion

	FY10	FY11	FY12	FY13	FY14
Original plan for the year	650	710	680	800	870

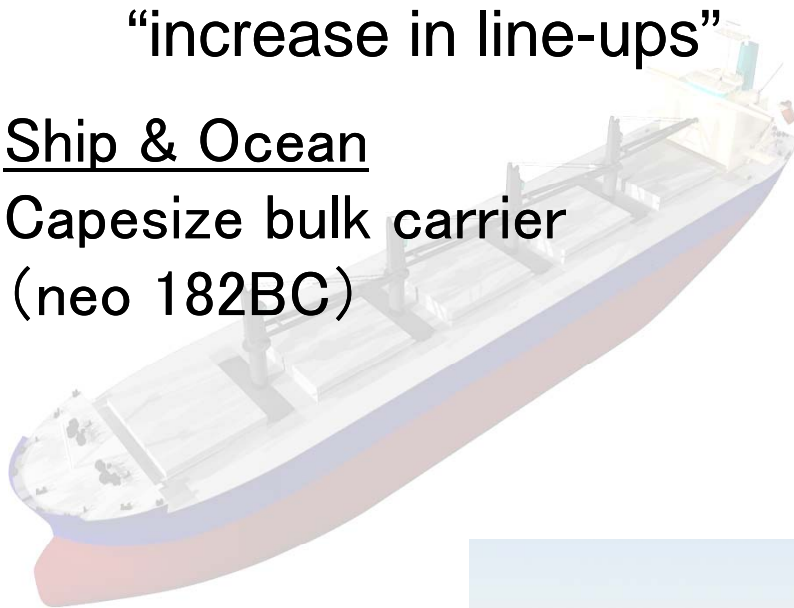
# Key Point of FY2014 2Q

## ● Favorable progress in new orders

“increase in line-ups”

### Ship & Ocean

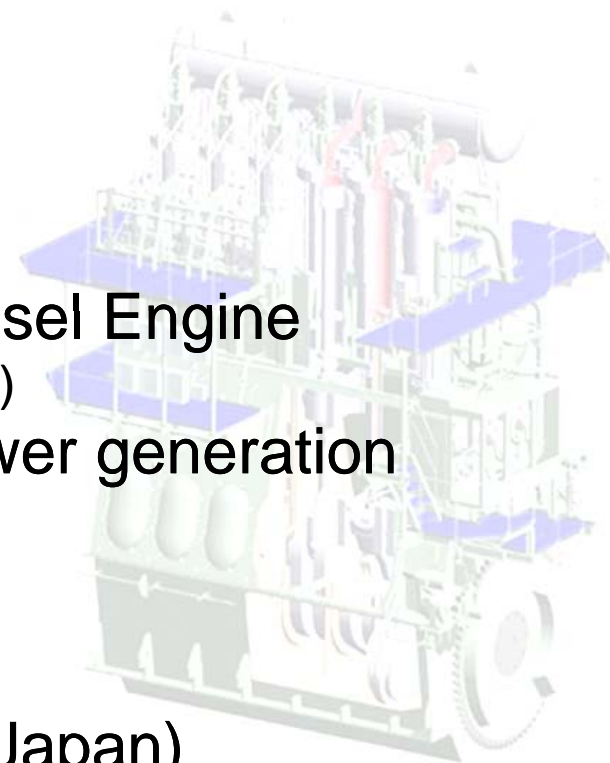
Capesize bulk carrier  
(neo 182BC)



### Machinery

ME-GI Diesel Engine  
(Gas Injection)

Binary power generation



### Engineering

Bio-gas power in Hokkaido (largest in Japan)

Mega solar power in Oita



# Key Point of FY2014 2Q

## ● Good start toward achievement of sales and profit target

	FY14 2Q		Var. (B)-(A)	(JPY billion) Plan for the year
	Original Plan (A)	Actual (B)		
Net Sales	<b>330.0</b>	<b>352.4</b>	<b>22.4</b>	<b>760</b>
Operating Income	<b>5.0</b>	<b>8.7</b>	<b>3.7</b>	<b>21</b>
Ordinary Income	<b>4.0</b>	<b>9.1</b>	<b>5.1</b>	<b>20</b>
Net Income	<b>1.0</b>	<b>4.3</b>	<b>3.3</b>	<b>10</b>

US\$ 2Q end

**109.45**

US\$ assumption

**100.00**

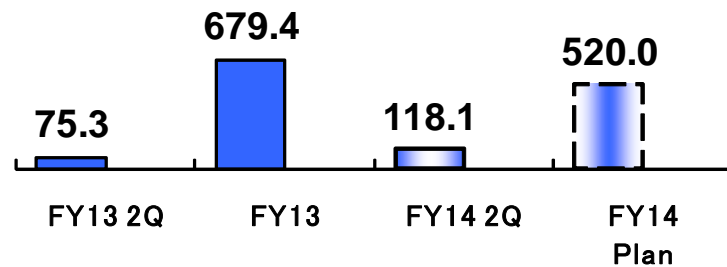
**105.00**

# Ship & Ocean

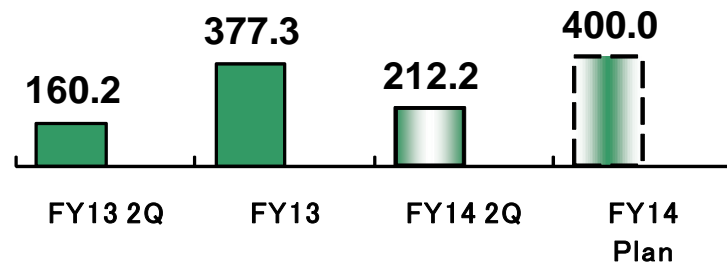
Major products: New ships, ship repairs, ocean structures

(JPY billion)

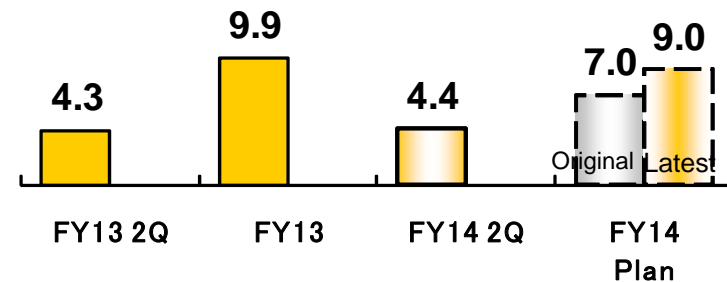
New Orders



Net Sales



Operating Income



## New Orders

MES received 11 BCs including capesize whereas 8 ships in last 2Q. Subsidiaries received BCs, reefers, and fishing vessels resulting new orders increased by JPY 42.8 billions compared to last 2Q.

Outlook is still unclear as ship price is still low. The business environment of ocean development is good. MODEC is aiming to receive large order within this FY.

## Net Sales

Net sales of new ships decreased slightly as ships with low price is posted in net sales, however, sales of MODEC covered decrease in ships resulting JPY 52 billion increase compared to last 2Q.

## Operating Income

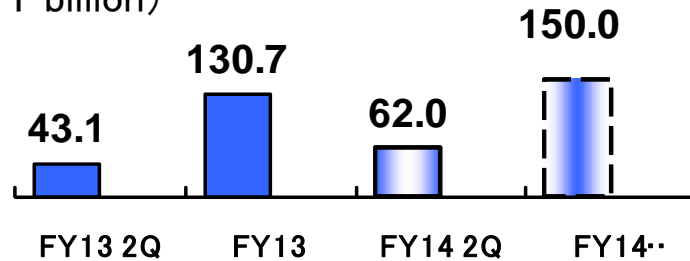
Although the ship price level is low and profitability is tough, operating income maintained level of last 2Q as a result of cost reduction effort, yen depreciation, and MODEC's contribution.

# Machinery & Systems

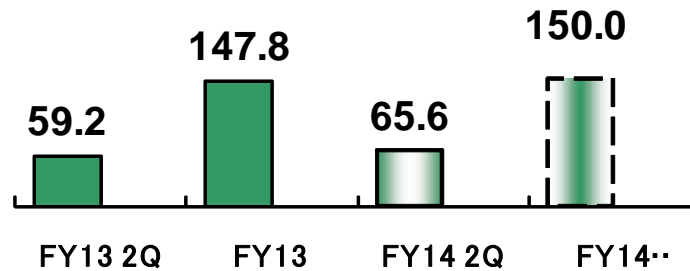
Main products: Diesel engines,  
industrial machinery, container cranes

(JPY billion)

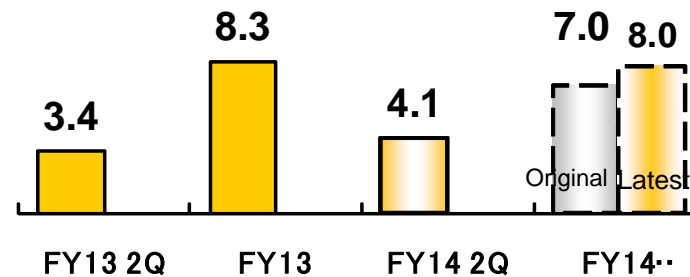
New Orders



Net Sales



Operating Income



## New Orders

First ME-GI (LNG and ethane) engines has been received. Order environment of ordinary engine is picking up. Order for cranes is continuingly favorable domestically and globally. Southeast Asia and Africa project is in scope for 2<sup>nd</sup> half.

After service and industrial machinery increased. Overall, new orders increased by JPY 18.9 billion compared to last 2Q.

## Net Sales

Marine diesel engines and after service business pulled up sales and net sales increased by JPY 6.4 billion compared to last 2Q.

## Operating Income

Although profitability of marine diesel engines is tough, after service and cranes helped growth and operating income slightly increased compared to last 2Q.

## Marine diesel engines (H.P. = 10 thousand horse power)

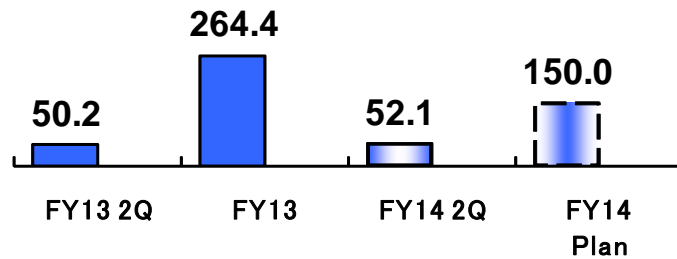
	FY132Q		FY13		FY142Q	
	unit	H.P.	unit	H.P.	unit	H.P.
Orders	10	19	137	273	36	63
Sales	67	149	149	343	84	157
Backlog	95	233	140	293	91	196
Production	76	176	164	357	88	162

# Engineering

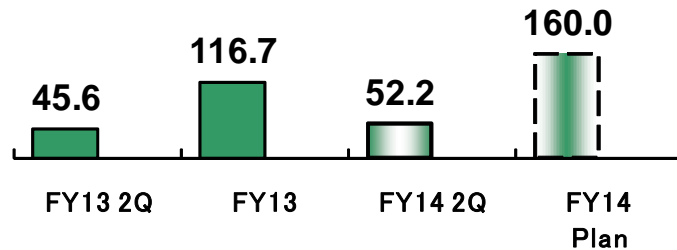
Main products: Chemical plants, water processing plants, foreign civil engineering, construction projects, power plants

(JPY billion)

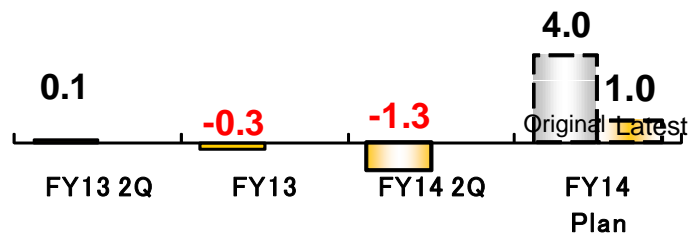
New Orders



Net Sales



Operating Income



## New Orders

New orders for domestic renewable energy project and additional order for oversea petro-chemical and thermal power plant has been received. In the 2<sup>nd</sup> half, overseas petro-chemical plant, diesel power plant, biomass power plant, and domestic wind power and biomass power plant are expected.

## Net Sales

Net sales increased by JPY 6.6 billion compared to last 2Q due to progress of existing projects and contribution of BWSC.

## Operating Income

Projects posted in 1<sup>st</sup> half sales include unprofitable project which was received in tough business background. We aim to maintain surplus in an environment marked by abundant back log.

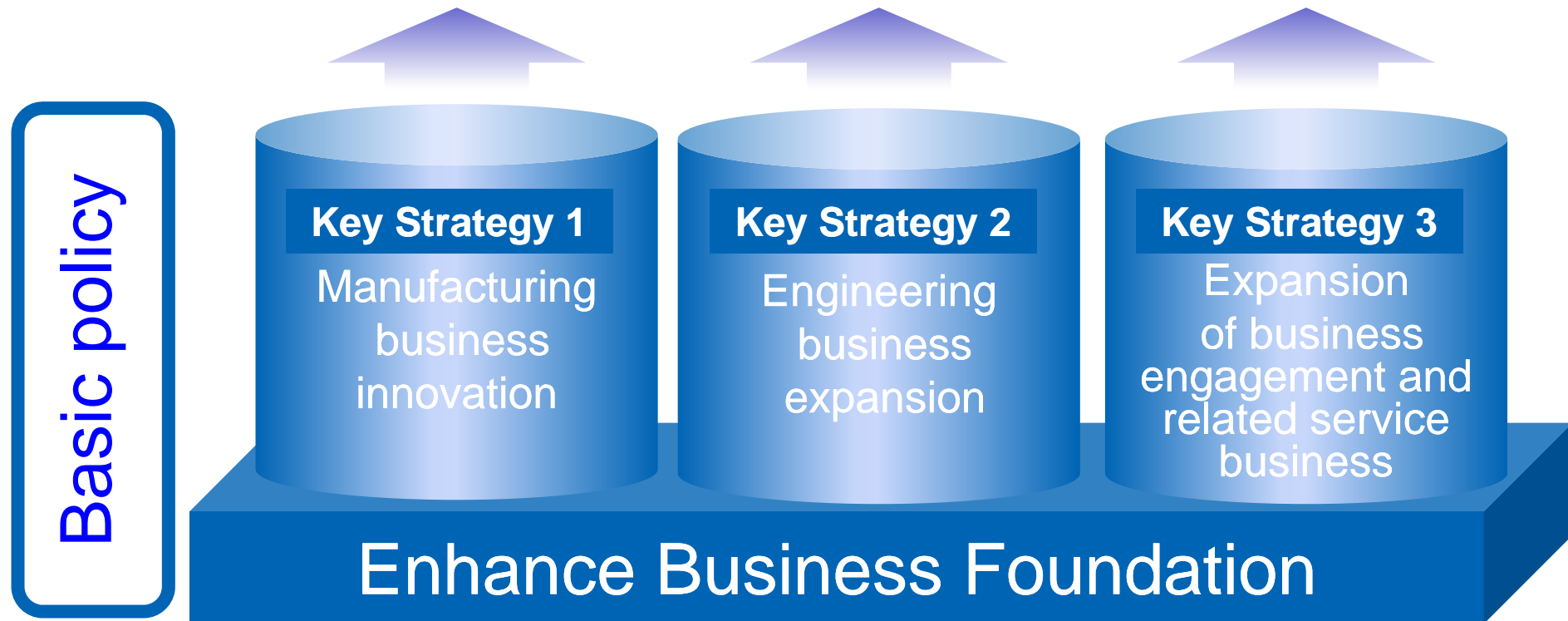
## Breakdown

JPY billion	FY13 2Q		FY13		FY14 2Q	
	Petro-chemical	Infra-structure, etc	Petro-chemical	Infra-structure, etc	Petro-chemical	Infra-structure, etc
Orders	6.8	43.4	153.4	114.3	15.3	36.8
Sales	21.9	23.7	53.9	63.5	19.3	32.9



# Basic Policy(1)

**Well-balanced Portfolio**  
**- Sustainable Growth and Solid Profit Stability -**



## ● Business domain and model innovation

### 【Strategy 1】 Manufacturing business innovation

#### ① Restructuring of domestic development and production system

Capex to enhance ocean development (new Cranes)

New order of cape size bulk carrier (neo 182BC)

R&D in MOSS multi-gas carrier (neo 82GC)

New order of ME-GI (Gas Injection diesel engine)

Withdrawal from LIB cathode material (selection and concentration)

#### ② Development of global business structure

Establishment of MES UBI HEAVY INDUSTRIES LCC (Process equipment)

#### ③ Development and expansion of key component

Turbo Hydraulic System

Fuel Gas Supply System

Binary power generation



## ● Business domain and model innovation

### 【Strategy 2】 Engineering Business Expansion

- ① Enhance and expand competitiveness in chemical, power generation and marine resources development EPC fields  
Generic FPSO, R&D in TOPSIDE module
- ② Expand environmental energy EPC field  
Bio-gas power in Hokkaido (largest in Japan)  
Mega solar power in Oita
- ③ Enhance group internal partnerships and global operations structure  
Support work for analysis and modification of plant in MES Asia  
Capital increase in MODEC (Enhance business foundation)  
Consideration of synergy with Showa Aircraft



## ● Business domain and model innovation

### 【Strategy 3】 Expansion of Business Engagement and Related Service Business

#### ① Enhance related services that revolve around our manufacturing business

Subsidiary and partnership in Qatar and Turkey (Techno service)

Modification work to improve fuel consumption for large container ship

Modification work to high-end hybrid transtainer crane

#### ② Enhance upstream and downstream services that center on EPC

Investment in SPC for biogas power project in Hokkaido

Investment in SPC for Mega solar project in Oita

Investment in SPC for biomass power project in U.K.

(BWSC)



# FY14 2Q Consolidated PL

(JPY billion)

	FY13 2Q	FY14 2Q	Var.	
<b>Net Sales</b>	276.7	352.4	75.7	MODEC increased by JPY54.7billion
<b>Gross Profit</b>	29.8	30.4	0.6	
SG&A	21.7	21.8	0.1	
<b>Operating Income</b>	8.1	8.7	0.6	
	0.0	0.0		
Other Income	7.6	4.6	△ 3.0	Exchange gain decreased by JPY 2.5 billion
Other Expenses	3.8	4.2	0.4	
<b>Ordinary Income</b>	11.9	9.1	△ 2.8	
Extraordinary Income	0.9	0.2	△ 0.7	
Extraordinary Losses	3.1	3.4	0.3	
<b>Income before tax and minority interest</b>	9.7	5.9	△ 3.8	
Income Taxes	4.0	3.1	△ 0.9	
Minority Interest	1.7	△ 1.5	△ 3.2	
<b>Net Income</b>	4.0	4.3	0.3	

# FY14 2Q Consolidated BS

(JPY billion)

	FY13 4Q	FY14 2Q	Var.	
Current Assets	407.0	460.3	53.3	MODEC: AR increased by JPY 43.4 billion  Short-term loans increased by JPY 23.2 billion
Fixed Assets	525.9	524.8	△ 1.1	
Total Assets	932.9	985.0	52.1	

	134Q末	142Q末	Var.	
Current Liabilities	368.5	406.8	38.4	MODEC: AP increased by JPY 30.7 billion
Long-term Liabilities	240.8	249.9	9.1	
Total Liabilities	609.3	656.8	47.5	
Shareholders' Equity	198.0	195.4	△ 2.6	
Others	22.5	21.5	△ 1.0	
Minority Interests	103.1	111.4	8.3	
Total Net Assets	323.6	328.3	4.6	
Total Liabilities and Net Assets	932.9	985.0	52.1	

# Actual and Plan by segment

(JPY billion)

	FY13 2Q			FY14 2Q			FY14 Plan		
	New Orders	Net Sales	Op. Income	New Orders	Net Sales	Op. Income	New Orders	Net Sales	Op. Income
Ship & Ocean	75.3	160.2	4.3	118.1	212.2	4.4	520.0	400.0	9.0
Machinery	43.1	59.2	3.4	62.0	65.6	4.1	150.0	150.0	8.0
Engineering	50.2	45.6	0.1	52.1	52.2	△1.3	150.0	160.0	1.0
Others	16.3	11.7	0.3	22.9	22.5	1.5	50.0	50.0	3.0
Total	1,84.9	276.7	8.1	255.2	352.4	8.7	870.0	760.0	21.0

# Consolidated Cash Flow

(JPY billion)

	FY13 2 Q Actual	FY14 2Q Actual	FY11 4Q Actual	FY12 4Q Actual	FY13 4Q Actual	FY14 4Q Plan
Operating CF	3.4	△13.9	13.6	47.2	14.5	△2.0
Investing CF	△13.6	△32.1	11.5	△12.1	△37.3	△32.0
Financial CF	12.1	24.3	△32.4	△4.8	15.5	2.0

Interest bearing debt	170.4	208.8	144.6	148.3	187.8	185.0
DE Ratio	0.9	1.0	0.8	0.8	0.9	0.8

Interest bearing debt = Loans and bond



# Appendix: segment breakdown

(JPY billion)

	FY13 2Q	FY14 2Q	FY14 Plan	
<b>New Orders</b>	Ship & Ocean	75.3	118.1	520.0
	Machinery	43.1	62.0	150.0
	Engineering	50.2	52.1	150.0
	Other	16.3	22.9	50.0
	<b>Total</b>	<b>184.9</b>	<b>255.2</b>	<b>870.0</b>
<b>Net Sales</b>	Ship & Ocean	160.2	212.2	400.0
	Machinery	59.2	65.6	150.0
	Engineering	45.6	52.2	160.0
	Other	11.7	22.5	50.0
	<b>Total</b>	<b>276.7</b>	<b>352.4</b>	<b>760.0</b>
<b>Backlog Orders</b>	Ship & Ocean	674.0	973.9	1,209.7
	Machinery	108.1	103.5	108.1
	Engineering	181.9	332.2	321.6
	Other	12.5	15.5	15.1
	<b>Total</b>	<b>976.5</b>	<b>1,425.1</b>	<b>1,654.5</b>

## Appendix: Major subsidiary, capex, employees

(JPY billion)

Major Subsidiary	FY13 2Q		FY 13		FY14 2Q		FY14 Plan	
	Orders	Sales	Orders	Sales	Orders	Sales	Orders	Sales
MODEC	30.8	107.3	518.5	254.4	35.6	162.7	—	300.0
BWSC	25.5	11.1	81.7	29.2	3.3	16.7	—	44.0
Showa Air	—	—	—	—		11.1		23.5

(JPY billion)

Capex.	Consolidated	FY13 2Q	FY13	FY14 2Q	FY 14 Plan
	Capex.		10.2	22.5	7.5
Depreciation		7.2	15.1	8.3	—
R&D		2.3	5.1	1.7	6.0

(employees)

Employees	Consolidated	FY 13 2Q	FY13	FY14 2Q	FY14
	Employees		9,986	12,055	12,365

## Appendix: FY14 2Q Breakdown of ships

Non-consolidated

(ship)

Types	Orders	Delivery	Backlog
Tankers	<b>0</b>	<b>0</b>	<b>0</b>
Bulk Carriers	<b>11</b>	<b>5</b>	<b>45</b>
Other	<b>0</b>	<b>3</b>	<b>5</b>
<b>Total</b>	<b>11</b>	<b>8</b>	<b>50</b>