

FY14 Report

(ended on 31st March 2015)

Reported on 7 May 2015



Agenda

- I Highlight of FY2014**
- II Forecast of FY2015 and progress of midterm business plan 14**
- III Breakdown of FY2014**

Highlight of FY2014

(JPY billion)

	FY13	FY14		vs. last year (C) - (A)	vs. forecast (C) - (B)
	(A)Actual	(B)Org Forecast	(C)Actual		
New Orders	1,107.8	870.0	959.8	Δ148.0	89.8
Net Sales	670.1	760.0	816.5	146.4	56.5
Operating Income (% to sales)	20.0 (3.0%)	21.0 (2.8%)	13.3 (1.6%)	Δ6.7	Δ7.7
Ordinary Income (% to sales)	26.2 (3.9%)	20.0 (2.6%)	14.9 (1.8%)	Δ11.3	Δ5.1
Net Income (% to sales)	42.9 (6.4%)	10.0 (1.3%)	9.5 (1.1%)	Δ33.4	Δ0.5

US\$ 144Q ending	102.92		120.17
US\$ 144Q average	95.56		107.48

New Orders

New orders intake maintained high level although it decreased compare to last year as there were large projects in MODEC and chemical plant.

Net Sales

Net sales marked record high due to yen depreciation, progress increase in MODEC and other EPC projects, and newly consolidated subsidiary.

Operating Income

Although MODEC's profit increased, profitability of certain project in chemical plant caused profit decline.

Net Income

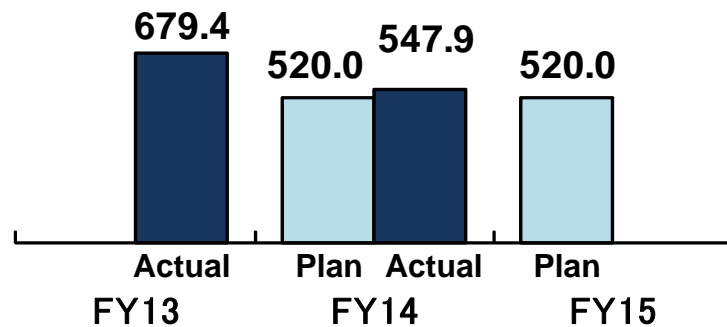
Net income stayed same level as last year excluding influence of extraordinary income of negative goodwill recorded in last year.

Ship & Ocean

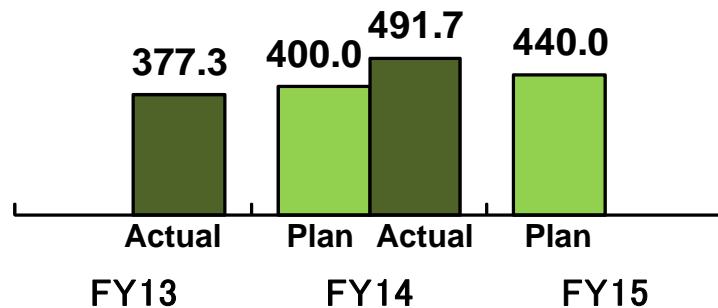
Major products: New ships, ship repairs, ocean structures

(JPY billion)

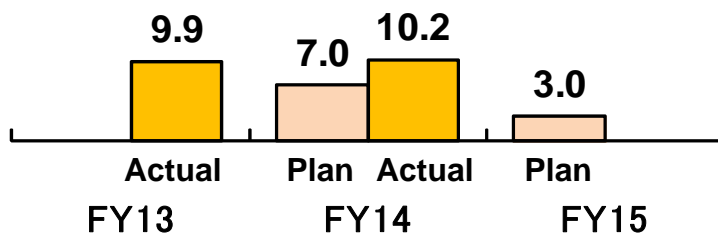
New Orders



Net Sales



Operating Income



New Orders: ¥131.5b decrease vs. last yr

MODEC decreased compare to last year.
(2 FPSO last year versus 1 FPSO and 1 TLP this year)

MES received 15 neo bulk carriers and 1 submarine rescue ship from Ministry of Defense. Subsidiaries received smaller bulk carriers and patrol ship.

Net Sales: ¥114.4b increase vs. last yr

Although sales of shipbuilding decreased as ship price level decreased, increase in progress on MODEC's FPSO construction helped exceed last years net sales.

Op. Income: ¥0.3b increase vs. last yr.

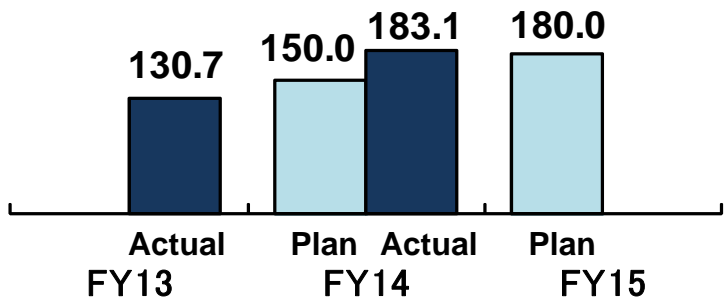
Improvement in production efficiency, yen depreciation, and profit increase in MODEC covered decrease of profitability on low price level of ships.

Machinery & Systems

Main products: Diesel engines, industrial machinery, container cranes

(JPY billion)

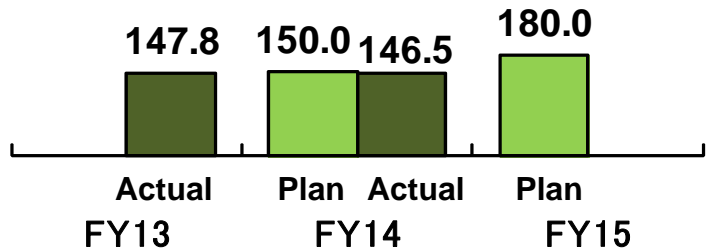
New Orders



New Orders: ¥52.4b increase vs. last yr

New order intake marked record high. Demand of cranes for container yard is strong in new and replacement. After service business increased as a result of effort of sales promotion. Marine diesel engine also exceeded last year.

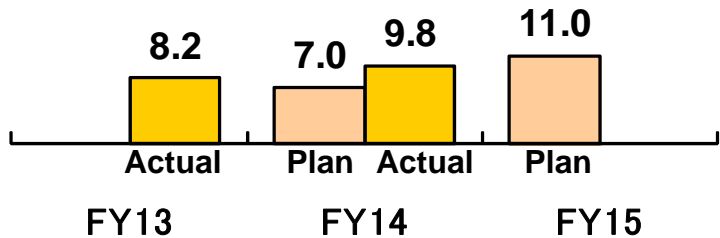
Net Sales



Net Sales: ¥1.3b decrease vs. last yr

Net sales slightly decreased due to decrease in marine diesel engine although after service business increased.

Operating Income



Op. Income: ¥1.6b increase vs. last yr.

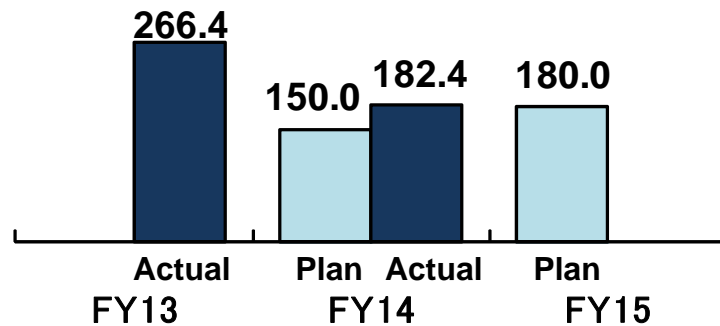
Although profitability of marine diesel engine is tough, after service business and cranes for container yard helped exceed last year.

Engineering

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

(JPY billion)

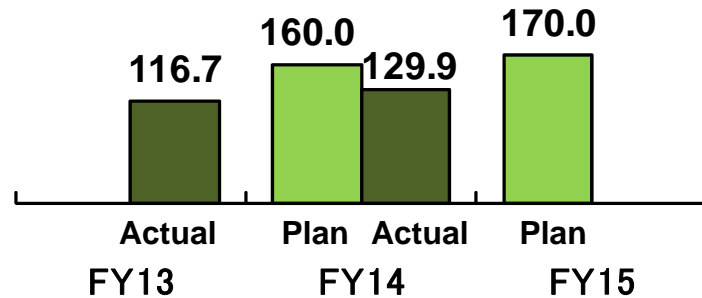
New Orders



New Orders: ¥84.0b decrease vs. last yr

Received LDPE plant from Sasol in US and civil engineering work for power plant in Vietnam. A subsidiary BWSC received biomass power plant in U.K. consecutively. The order intake is high level although it's below last year.

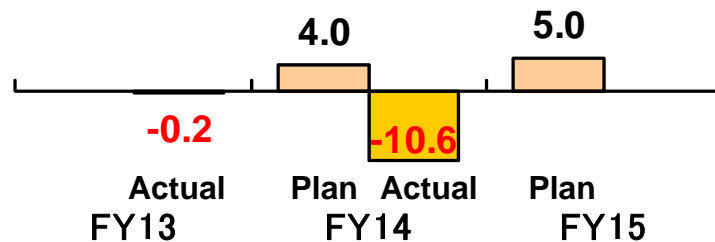
Net Sales



Net Sales: ¥13.2b increase vs. last yr

Progress of backlog including large-scale project received last year was steady and sales of a subsidiary BWSC increased.

Operating Income



Op. Income: ¥10.4b decrease vs. last yr.

A certain project in chemical plant caused huge cost overrun.

Forecast of FY2015

(JPY billion)

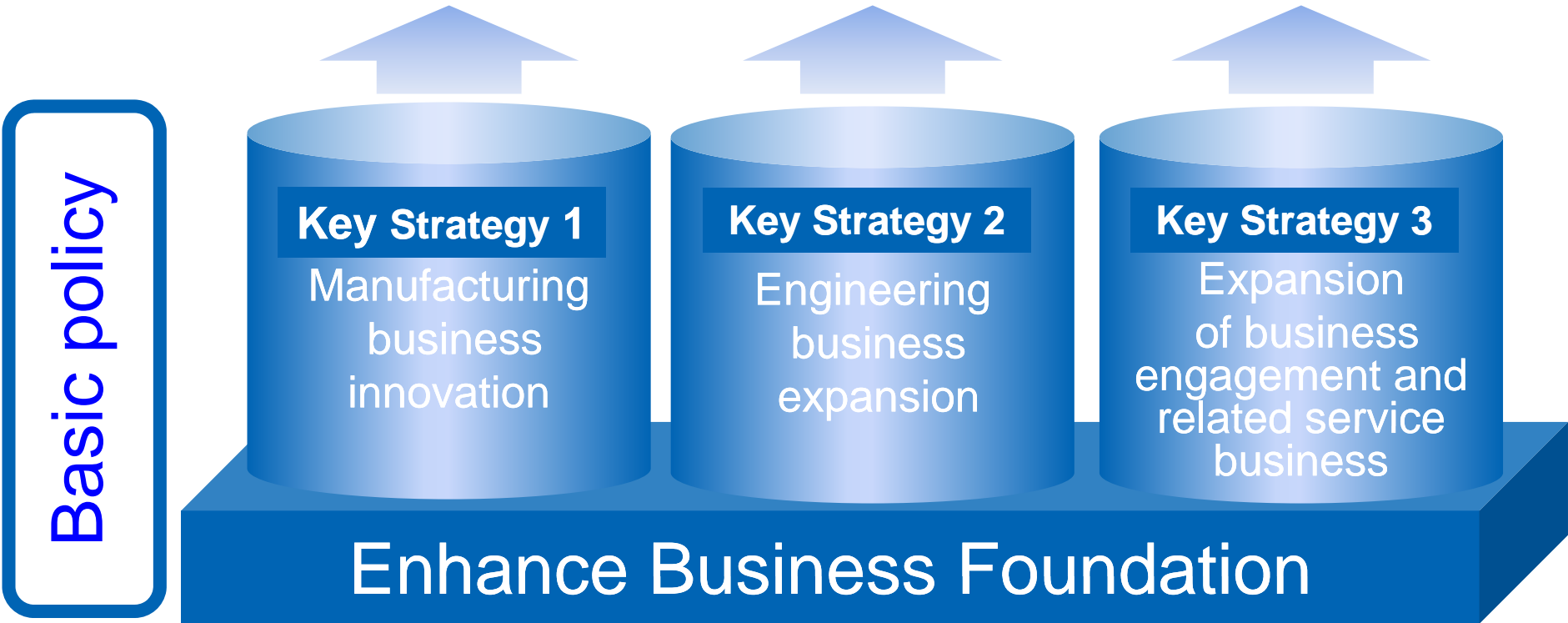
	FY14 Actual	FY15 Plan	Var.
New Orders	959.8	910.0	Δ49.8
Net Sales	816.5	830.0	13.5
Operating Income (% to sales)	13.3 (1.6%)	22.0 (2.7%)	8.7
Ordinary Income (% to sales)	14.9 (1.8%)	25.0 (3.0%)	10.1
Net Income (% to sales)	9.5 (1.1%)	13.0 (1.6%)	3.5
Dividend per share	2 yen	3 - 4 yen	

US\$ assumption

115.00

Progress of Midterm business plan 14

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



Progress of Midterm business plan 14

● Business domain and model innovation

【Strategy 1】 Manufacturing business innovation

Line-up of eco ship expanded (Cape size, VLCC under negotiation)

Fuel diversification of marine diesel engine (ME-GI, ME-GI-Ethane, ME-LGI)

Expansion and enforcement of ocean development (FPSO hull, support vessel)

Aggressive capex to expand production capacity

【Strategy 2】 Engineering business expansion

Expansion of order intake in petro/gas chemical field (High level of order)

Expansion and enforcement of renewable energy (Biogas/mass, wind power)

Internal partnership between subsidiaries (Exploitation of engineering capacity in DASH)

【Strategy 3】 Expansion of business engagement and related service

Expansion of techno-service bases (Turkey, Qatar)

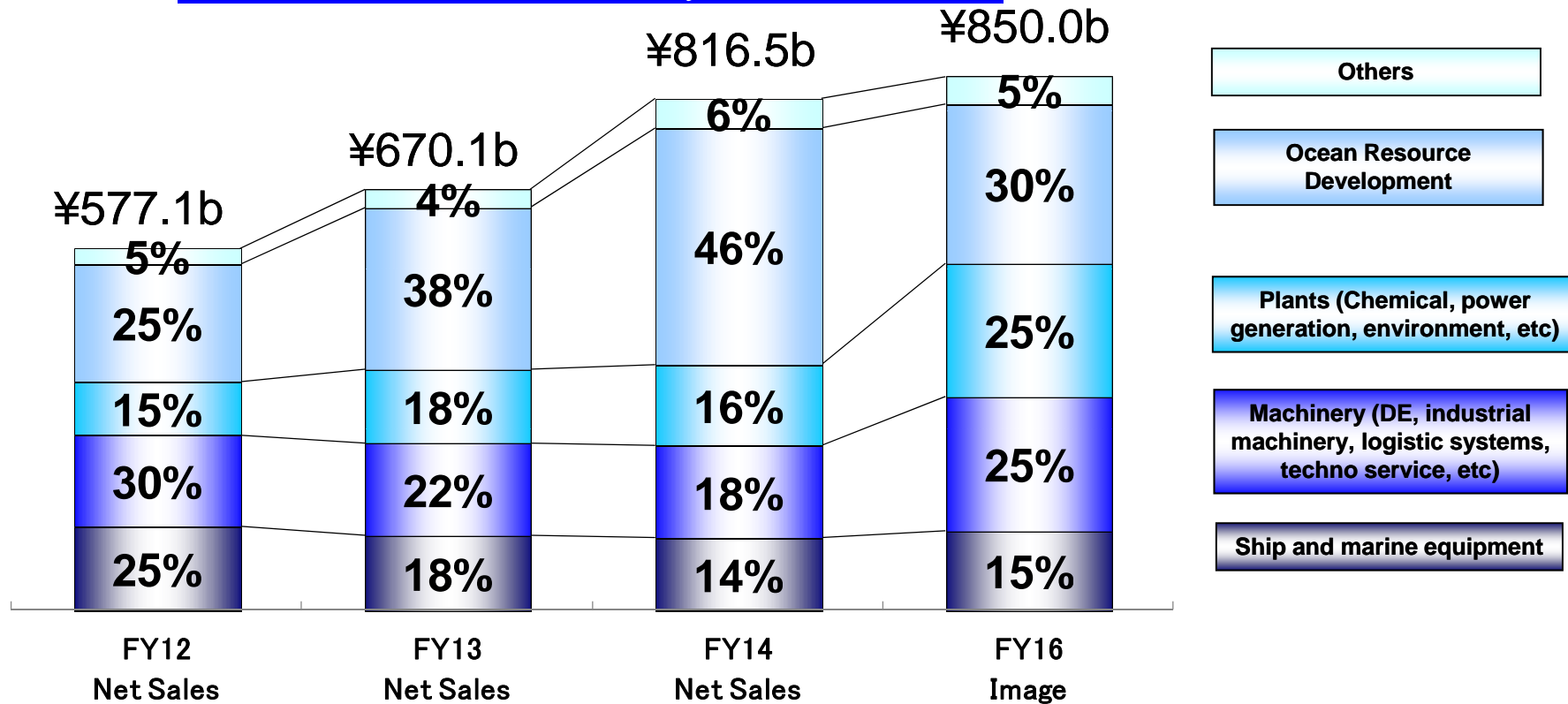
Services related to crane and terminal business (Selection of target)

Life cycle engineering service (MESA, renewable energy)

Progress of Midterm business plan 14

Toward well balanced business portfolio

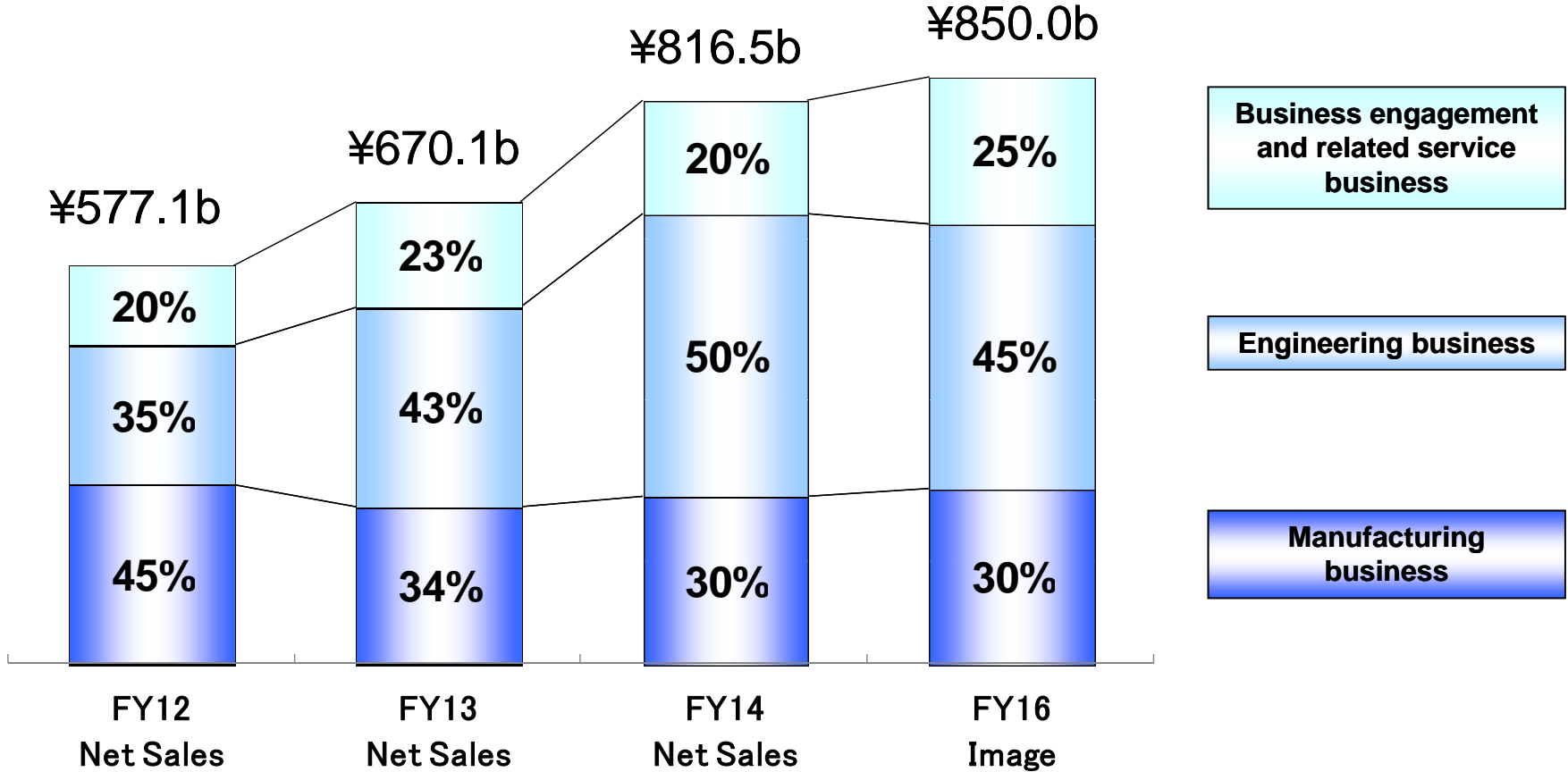
Consolidated net sales ratio by business domain



Progress of Midterm business plan 14

Toward well balanced business portfolio

Consolidated net sales ratio by business model



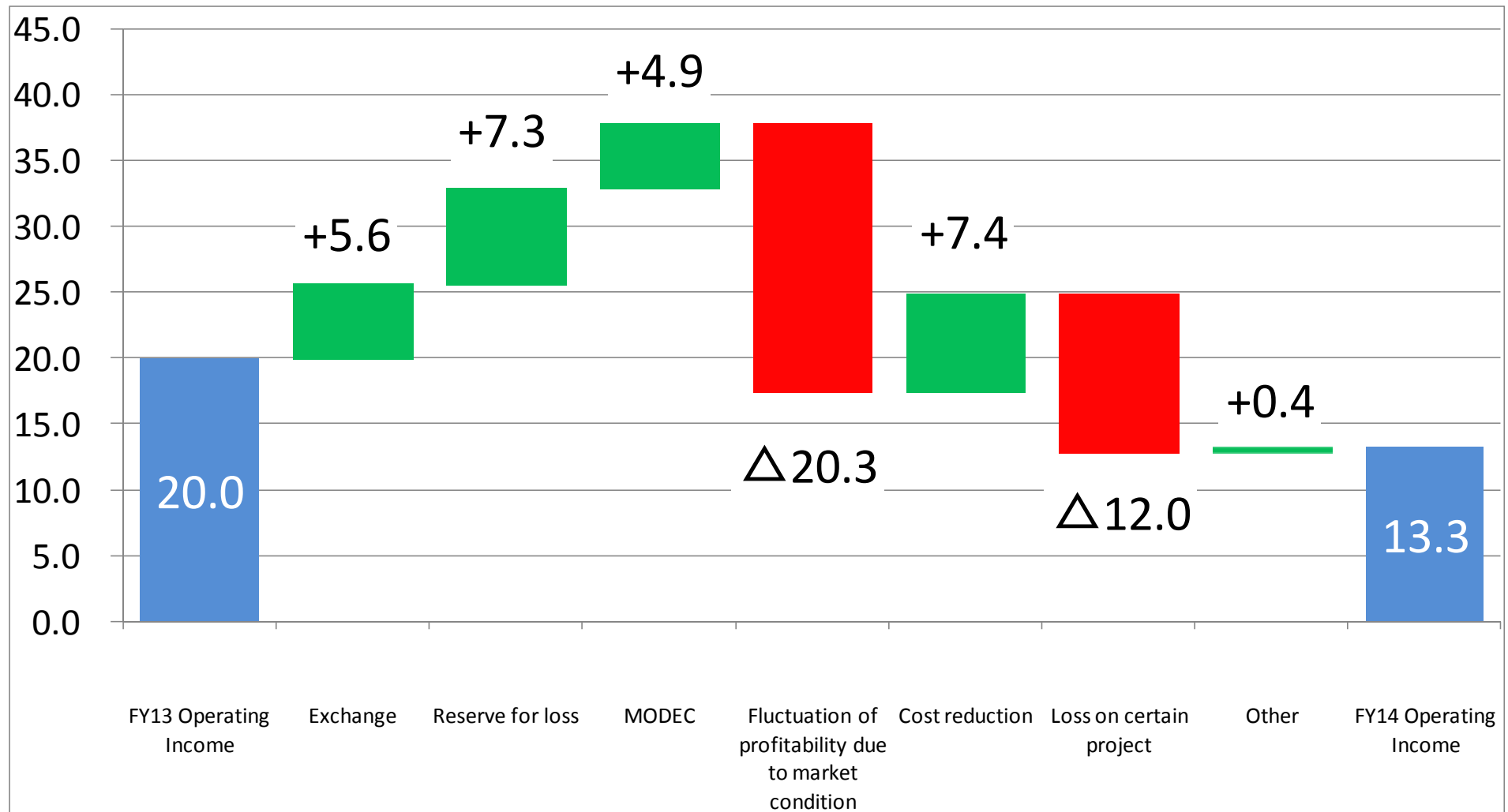
FY14 Consolidated PL

(JPY billion)

	FY13	FY14	Var.	Reason of variance
Net Sales	670.1	816.5	146.4	MODEC +124.1
Gross Profit	63.3	59.5	△ 3.8	
SG&A	43.3	46.2	2.9	Showa Aircraft consolidated +2.7
Operating Income	20.0	13.3	△ 6.7	Certain project in engineering segment cost overrun △10.4
	3.0%	1.6%		
Other Income	13.2	11.1	△ 2.1	Exchange gain △3.0
Other Expenses	7.0	9.5	2.5	Loss on valuation of derivative +2.1
Ordinary Income	26.2	14.9	△ 11.3	
Extraordinary Income	37.6	7.1	△ 30.5	Negative goodwill, etc △30.5
Extraordinary Losses	15.6	6.0	△ 9.6	
Income before tax and minority interest	48.2	16.0	△ 32.2	
Income Taxes	3.7	6.1	2.4	
Minority Interest	1.6	0.4	△ 1.2	
Net Income	42.9	9.5	△ 33.4	

Variance analysis on Operating Income

(JPY billion)



FY14 Consolidated PL

(JPY billion)

	FY13	FY14	Var.	Reason of variance
Current Assets	407.0	542.6	135.6	Accounts Receivable +83.3 (MODEC) Short term loans +25.0
Fixed Assets	525.9	532.0	6.1	
Total Assets	932.9	1,074.6	141.7	
	FY13	FY14	Var.	
Current Liabilities	368.5	482.9	114.4	Accounts Payable +72.3 (MODEC) Advances from customer +18.4
Long-term Liabilities	240.8	244.4	3.6	
Total Liabilities	609.3	727.3	118.0	
Shareholders' Equity	198.0	200.5	2.5	
Others	22.5	36.4	13.9	
Minority Interests	103.1	110.4	7.3	
Total Net Assets	323.6	347.3	23.7	
Total Liabilities and Net Assets	932.9	1,074.6	141.7	

Actual and Plan by segment

(JPY billion)

	New Orders			Net Sales			Operating Income		
	FY14 Actual	FY15 Plan	Var.	FY14 Actual	FY15 Plan	Var.	FY14 Actual	FY15 Plan	Var.
Ship & Ocean	547.9	520.0	Δ27.9	491.7	440.0	Δ51.7	10.2	3.0	Δ7.2
Machinery	183.1	180.0	Δ3.1	146.5	180.0	33.5	9.8	11.0	1.2
Engineering	182.4	180.0	Δ2.4	129.9	170.0	40.1	Δ10.6	5.0	15.6
Others	46.4	30.0	Δ16.4	48.3	40.0	Δ8.3	3.9	3.0	Δ0.9
Total	959.8	910.0	Δ49.8	816.5	830.0	13.5	13.3	22.0	8.7

Consolidated Cash Flow

(JPY billion)

	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Plan
Operating CF	47.2	14.5	15.2	37.0
Investing CF	△12.1	△37.3	△32.4	△53.0
FCF	35.1	△22.8	△17.2	△16.0
Financing CF	△4.8	15.5	△4.4	40.0

Interest bearing debt	148.3	187.8	188.3	225.0
DE Ratio	0.8	0.9	0.8	0.9
ROIC	8.2%	6.5%	4.2%	
ROE	△4.6%	21.6%	4.1%	

Interest bearing debt = Loans and bond

Appendix: segment breakdown

(JPY billion)

	FY13 Actual	FY14 Actual	FY15 Plan	
New Orders	Ship & Ocean	679.4	547.9	520.0
	Machinery	130.7	183.1	180.0
	Engineering	266.4	182.4	180.0
	Other	31.2	46.4	30.0
	Total	1,107.8	959.8	910.0
Net Sales	Ship & Ocean	377.3	491.7	440.0
	Machinery	147.8	146.5	180.0
	Engineering	116.7	129.9	170.0
	Other	28.3	48.3	40.0
	Total	670.1	816.5	830.0
Backlog Orders	Ship & Ocean	1,089.7	1,226.0	1,306.0
	Machinery	108.1	144.3	144.3
	Engineering	331.6	406.7	416.7
	Other	15.1	13.1	3.1
	Total	1,544.5	1,790.1	1,870.1

Appendix: Major subsidiary, capex, employees

(JPY billion)

Major Subsidiary	FY12 Actual		FY13 Actual		FY14 Actual		FY15 Plan	
	Order	Sales	Order	Sales	Order	Sales	Order	Sales
MODEC	342.7	186.9	518.5	254.4	395.8	378.5	—	300.0
BWSC	11.6	16.1	81.7	29.2	73.3	35.4	—	52.0
Showa Air	—	—	—	—		24.1		24.0

(JPY billion)

Capex.	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Plan
Consolidated				
Capex.	12.6	22.5	16.6	35.0
Depreciation	16.3	15.1	17.5	—
R&D	6.0	5.1	4.9	6.8

Employees	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Plan
Consolidated				
Employees	9,881	12,055	12,291	—

Appendix: Main products and customer (Ship & Ocean)

Shipbuilding

Products: commercial and naval ships, working ships, fishing vessels

Customer: domestic and overseas ship owner, shipping companies,
Ministry of Defense, Japan Coast Guard



Offshore structure

Products: FPSO/FSO (Floating Production, Storage, and Offloading)

Customer: oil resource development companies



Repair and others

Products: Repair and retrofit, marine related equipments, underwater vehicles

Customer: shipping companies, Ministry of Defense, Japan Coast Guard,
public institutions



FY14 breakdown of ships (non-consolidated)

(ships)

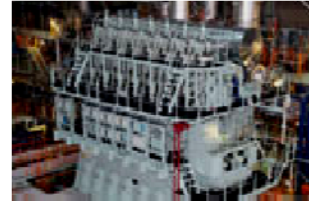
Ship types	New Orders	Deliveries	Backlog
Bulk Carriers neo series (eco type)	15	12	42
FPSO hull		1	
Naval, patrol ships and other	1	5	4
Total	16	18	46

Appendix: Main products and customer (Machinery)

Diesel engine

Products: marine diesel engines

Customer: mainly domestic shipbuilders



Industrial machinery

Products: compressors, blowers, gas and steam turbine, process unit, induction heaters, radar inspection equipment, manipulator

Customer: oil refineries, petro-chemical plant, steel, paper, power, auto companies



Techno service

Products: service parts and maintenance for diesel engine, machinery, and cranes

Customer: shipping, oil, steel companies, container terminal operators

Cranes for container terminal

Products: Portainer, Transtainer, industrial cranes, CTMS(management system)

Customer: container terminal operators, steel companies



Others

Products: marine and land generating equipments, forging, casting

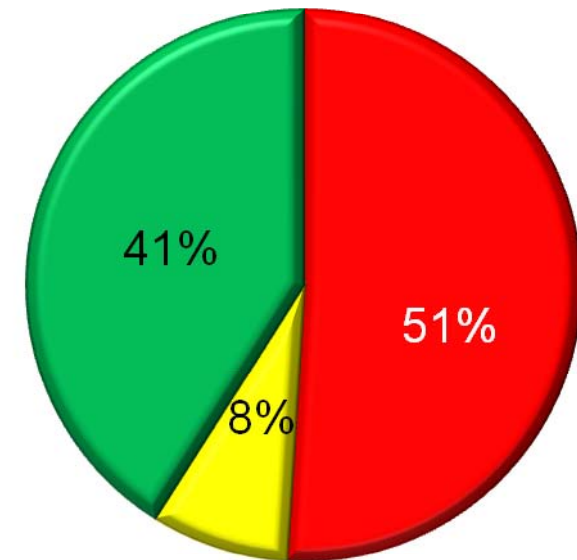
Customer: construction machinery makers, train, IT, machinery industries



Appendix: Details of Diesel engines

	FY13		FY14	
	Unit	Horse Power (10 k)	Unit	Horse Power (10 k)
New Orders	137	273	176 *(12)	322 *(31)
Deliveries	149	343	166	328
Back log	140	293	149 *(12)	284 *(31)
Production	164	357	181	354

Jan. to Dec. 2014
Marine Diesel Engines
domestic share



*Makita is sub-licensee of MES

*figures in bracket () represent gas fuel engines (GI and LGI) inclusive

Appendix: Main products and customer (Engineering)

Chemical Plant

Products: EPC for chemical plant such as plastic, synthetics fiber, rubber

Customer: domestic and overseas major chemical companies, petroleum companies

Infrastructures and power

Products: civil engineering for coal fired power plant, EPC and O&M for biomass, renewable energy plant, sludge treatment plant

Customer: major trading house, power producer, local governments

BWSC (Burmeister & Wain Scandinavian Contractor A/S)

Products: EPC and O&M for diesel and biomass power plant

Customer: major utility companies, IPP(Independent Power Producer)



Breakdown

(billion JPY)

	FY13		FY14	
	New Orders	Net Sales	New Orders	Net Sales
Chemical Plant	153.5	53.9	45.7	57.2
Infrastructures and power	112.9	62.8	136.7	72.7
Total	266.4	116.7	182.4	129.9