

Financial Results for First Quarter FY2014

July 31, 2014

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I. 1Q FY2014 Financial Results

Summary of 1Q Financial Results

(In billion yen)

	FY2013-1Q	FY2014-1Q	Change
Orders received	585.4	817.1	+231.6
Net sales	747.4	859.7	+112.2
Operating income	(4.7%) 35.3	(6.5%) 56.0	+20.7
Ordinary income	(3.7%) 28.0	(5.8%) 50.0	+22.0
Extraordinary gain/loss	Δ 3.8	-	+3.8
Net income	(1.8%) 13.6	(2.6%) 22.5	+8.8

Net sales:

-Sales increased mainly in the Machinery, Equipment & Infrastructure and the Energy & Environment domains, primarily reflecting the effects of the change in the accounting periods of overseas group companies, in addition to the impact of M&A.

Operating income:

-Operating income increased mainly in the Machinery, Equipment & Infrastructure domain.

Net income:

-Net income rose, given higher operating income and a decline in extraordinary loss.

1Q Financial Results by Segment

(In billion yen)

	Orders received			Net sales			Operating income		
	FY2013 -1Q	FY2014 -1Q	Change	FY2013 -1Q	FY2014 -1Q	Change	FY2013 -1Q	FY2014 -1Q	Change
Energy & Environment	201.3	315.2	+113.8	284.9	300.8	+15.8	19.8	21.4	+1.6
Commercial Aviation & Transportation Systems	104.3	118.9	+14.6	127.7	114.7	- 13.0	7.0	6.0	- 0.9
Integrated Defense & Space Systems	21.0	11.4	- 9.6	81.2	82.3	+1.1	3.8	4.4	+0.5
Machinery, Equipment & Infrastructure	246.8	359.0	+112.1	239.0	349.1	+110.0	7.2	23.5	+16.2
Others	39.8	37.5	- 2.2	36.5	36.9	+0.4	2.2	2.2	- 0.0
Eliminations or Corporate	- 27.9	- 25.1	+2.8	- 22.1	- 24.3	- 2.1	- 4.8	- 1.6	+3.2
Total	585.4	817.1	+231.6	747.4	859.7	+112.2	35.3	56.0	+20.7

(In billion yen)

Balance Sheets

	As of March 31, 2014	As of June 30, 2014	Change
Trade receivables	1,188.9	1,019.3	-169.5
Inventories	1,150.9	1,249.1	+98.2
Other current assets	841.0	925.5	+84.5
Total fixed assets	1,101.5	1,084.3	-17.2
Investments and advances	603.5	642.5	+38.9
Total assets	4,886.0	4,920.9	+34.9
Trade payables	801.4	723.1	-78.3
Advance payments received on contracts	567.4	649.9	+82.4
Other current liabilities	785.4	711.5	-73.8
Interest-bearing debt	957.4	1,008.2	+50.7
Net Assets	1,774.2	1,828.0	+53.8
Net worth	1,543.3	1,588.6	+45.2
Total liabilities and net assets	4,886.0	4,920.9	+34.9

Assets

- A decline in trade receivables and an increase in inventories in the first quarter is the specific feature of the Company, which has a large number of delivery works in the second half of the fiscal year.
- The Group continued to improve asset efficiency through inventories compression and an improvement in payment terms.

Liabilities and Net Assets

- Interest-bearing debt increased due to the issuance of commercial papers.
- Net assets rose, given an increase in retained earnings.
- The Group sought to strengthen a financial foundation tailored to business expansion and risks.

(In billion yen)

Main Financial Target

	FY2013	FY2014-1Q	Change
Equity ratio	31.6%	32.3%	+0.7pt
Interest-bearing debt	957.4	1,008.2	50.7
D/E ratio	54%	55%	+1pt

Cash Flows

	FY2013-1Q	FY2014-1Q	Change
Operating activities	96.7	17.6	-79.0
Investing activities	-78.4	-55.2	+ 23.2
Free Cash Flow	18.2	-37.6	-55.8

(In billion yen)

	FY2013-1Q	FY2014-1Q	Change
Order Received	585.4	817.1	+231.6

	FY2013	FY2014-1Q	Change
Order Backlog(*)	5,373.8	5,291.4	- 82.3

(*) Contain none of mass-produced product turbocharger, air conditioners, etc.

➤ Market Trends:

- Asia : China remained sluggish, but other countries as a whole remained steady.
- Europe / Americas : The United States recovered gradually, and Europe also recovered, albeit at a slow pace.
- Japan: The economy remained on a gradual recovery trend, reflecting the government's aggressive economic policy.

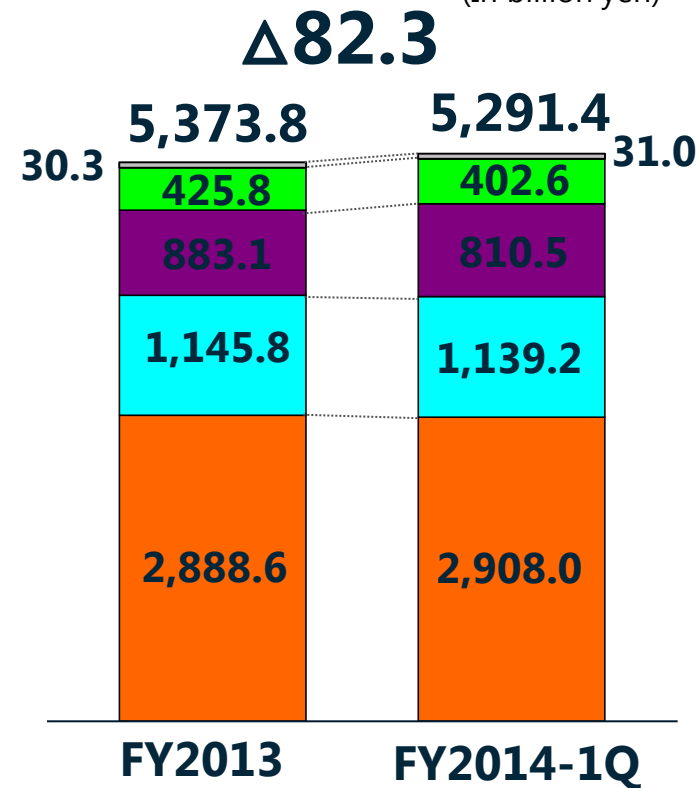
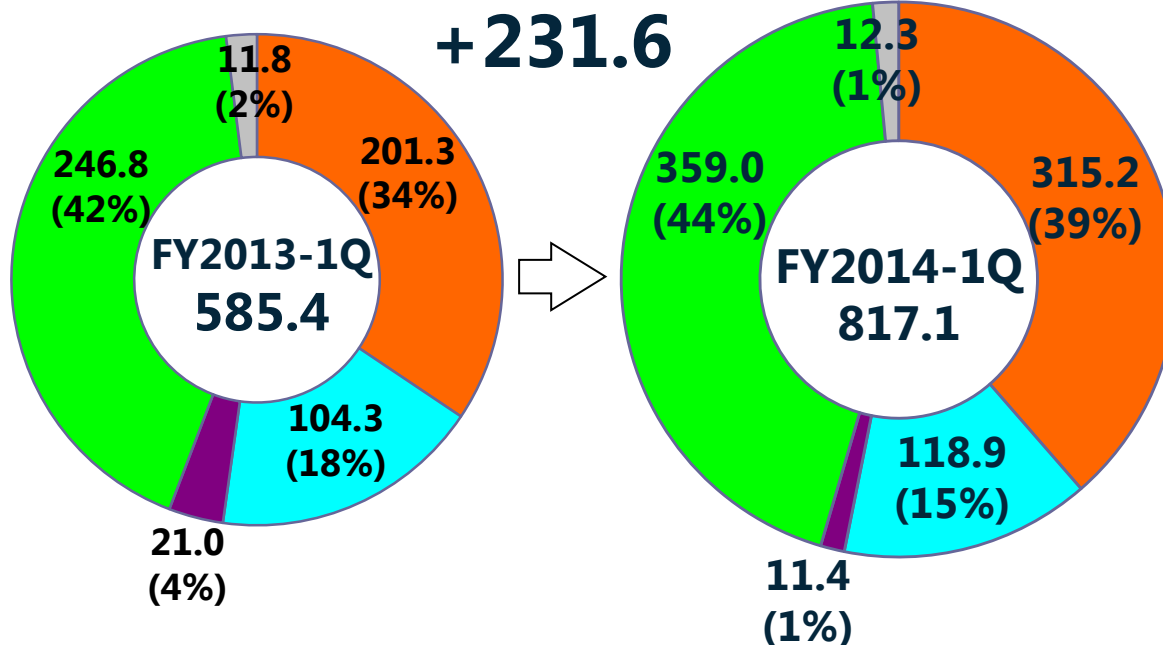
➤ The Group's initiatives to receive orders:

- The effects of M&A were gradually reflected in the thermal power generation and other businesses. Global activities to receive orders will be given greater impetus toward the achievement of a ¥5 trillion enterprise.

Order Received & Order Backlog by Segment

- Energy & Environment
- Commercial Aviation & Transportation Systems
- Integrated Defense & Space Systems
- Machinery, Equipment & Infrastructure
- Others, Eliminations or Corporate

(In billion yen)



➤ Energy & Environment

- Orders increased significantly mainly in thermal power generation plants and other businesses, reflecting the effects of the integration of the thermal power generation business.

➤ Commercial Aviation & Transportation Systems

- Orders remained steady, mainly reflecting an increase in commercial ships, due to the receipt of orders chiefly for LNG carriers.

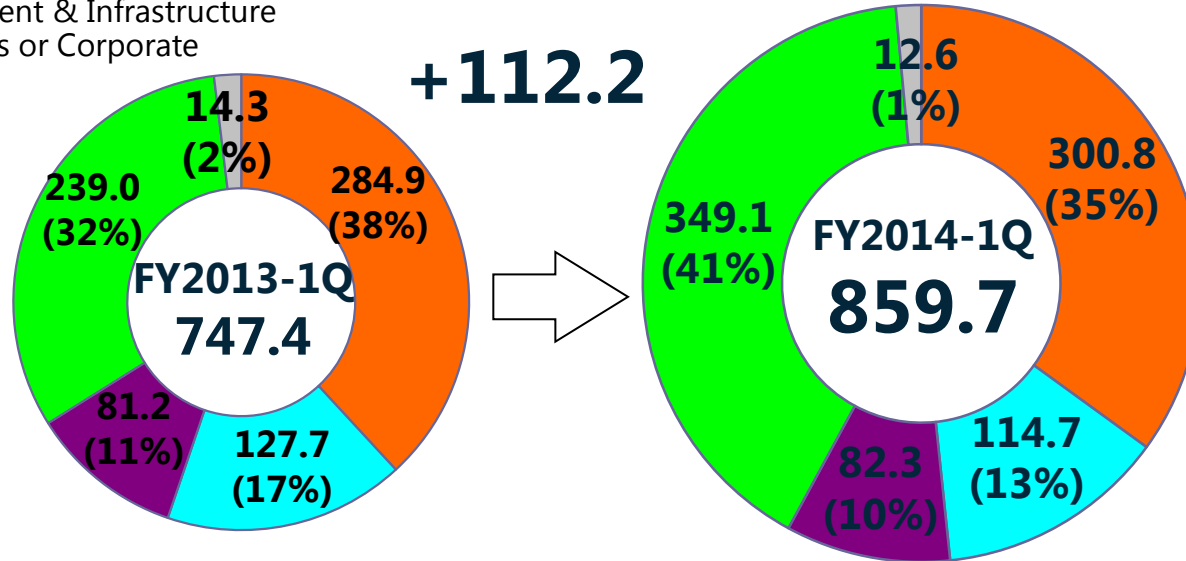
➤ Machinery, Equipment & Infrastructure

- Orders for air-conditioners (China and Europe), forklift trucks (the effects of the business integration), turbochargers (Europe and China) and other products increased noticeably.

Net Sales by Segment

(In billion yen)

- Energy & Environment
- Commercial Aviation & Transportation Systems
- Integrated Defense & Space Systems
- Machinery, Equipment & Infrastructure
- Others, Eliminations or Corporate



➤ **Energy & Environment**

-Sales jumped due to the effects of the integration of the thermal power generation business.

➤ **Commercial Aviation & Transportation Systems**

-Sales of commercial aircraft, etc. remained on a par with the year-ago level.

➤ **Integrated Defense & Space Systems**

-Sales of space systems and defense aircraft, among others, were as estimated.

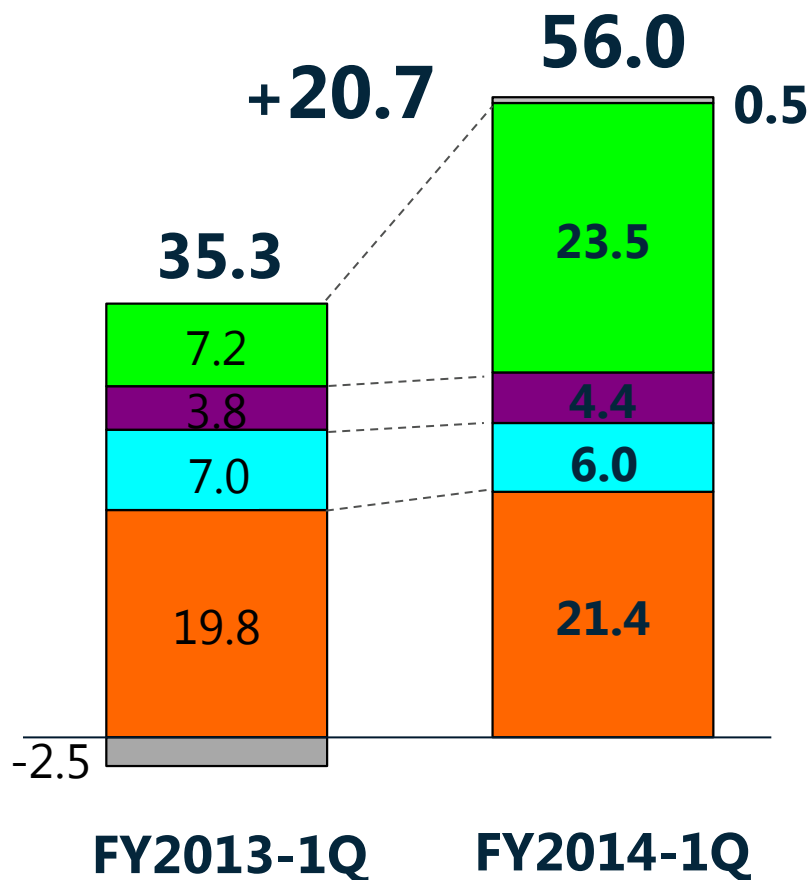
➤ **Machinery, Equipment & Infrastructure**

-Sales of air-conditioners (China and Europe), forklift trucks (the effects of the business integration), turbochargers (Europe and China) and other products increased noticeably.

Operating Income by Segment

(In billion yen)

- Energy & Environment
- Commercial Aviation & Transportation Systems
- Integrated Defense & Space Systems
- Machinery, Equipment & Infrastructure
- Others, Eliminations or Corporate



➤ Energy & Environment

-Operating income improved, reflecting the enhanced profitability of new thermal power generation plants and the expansion of after-sales services, in addition to higher sales, due to the effects of the integration of the thermal power generation business.

➤ Commercial Aviation & Transportation Systems

-Operating income declined slightly due to a fall in sales.

➤ Integrated Defense & Space Systems

-Income rose on increased sales of space systems.

➤ Machinery, Equipment & Infrastructure

-Income rose with an increase in sales of air conditioners, turbochargers, forklift trucks, etc. as well as improvement in profitability of compressors.

II . Forecast for FY2014

Forecasts regarding future performance in these materials are based on judgment made in accordance with information available at the time this presentation was prepared. As such, those projections involve risks and insecurity. For this reason, investors are recommended not to depend solely on these projections for making investment decision. It is possible that actual results may change significantly from these projections for a number of factors. Such factors include, but are not limited to, economic trends affecting the Company's operating environment, currency movement of the yen value to the U.S. dollar and other foreign currencies, and trends of stock markets in Japan. Also, the results projected here should not be construed in any way as being guaranteed by the company.

Summary of Forecast for FY2014

(In billion yen)

	FY2013 (Actual)	FY2014 (Forecast)	Change	2012 Business Plan
Orders received	3,420.0	4,150.0	+729.9 +21.3%	4,000.0
Net sales	3,349.5	4,000.0	+650.4 +19.4%	3,700.0
Operating income	206.1	250.0	+43.8 +21.3%	250.0
Ordinary income	183.1	230.0	+46.8 +25.6%	210.0
Net income	160.4	130.0	-30.4 -19.0%	130.0

There is no change in the forecast announced on May 9, 2014.

➤ Order received & Net sales

The Company expects growth of approximately 20% on the back of the recent M&A, and is steadily working to achieve a ¥5 trillion enterprise in the future.

<undetermined amount>

US\$: 3.0 billion

Euro: 0.5 billion

➤ Operating income & Net income

The targets of the 2012 Medium-Term Business Plan are expected to be achieved.

<exchange rate>

US\$ 1.00 = ¥100

Euro 1.00 = ¥130

Forecast for FY2014 by Segment

(In billion yen)

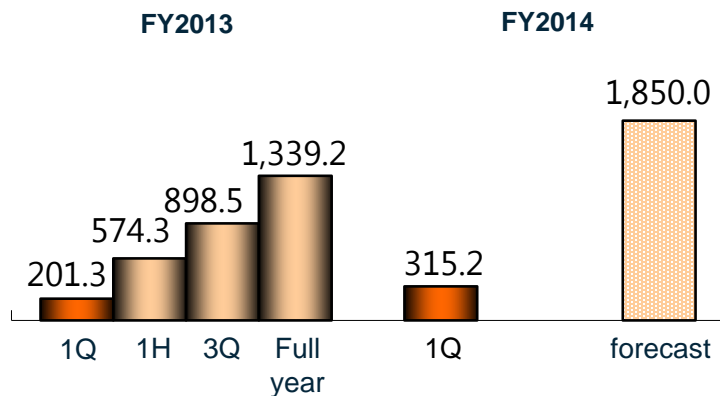
	Orders received			Net sales			Operating income		
	FY2013	FY2014	Change	FY2013	FY2014	Change	FY2013	FY2014	Change
Energy & Environment	1,339.2	1,850.0	+510.7	1,253.9	1,700.0	+446.0	112.3	135.0	+22.6
Commercial Aviation & Transportation Systems	360.3	600.0	+239.6	463.6	500.0	+36.3	18.3	30.0	+11.6
Integrated Defense & Space Systems	547.3	350.0	- 197.3	469.4	450.0	- 19.4	27.6	27.0	- 0.6
Machinery, Equipment & Infrastructure	1,106.5	1,250.0	+143.4	1,096.3	1,250.0	+153.6	51.6	68.0	+16.3
Others	183.5	200.0	+16.4	185.0	200.0	+14.9	14.6	13.0	- 1.6
Eliminations or Corporate	- 116.9	- 100.0	+16.9	- 118.9	- 100.0	+18.9	- 18.4	- 23.0	- 4.5
Total	3,420.0	4,150.0	+729.9	3,349.5	4,000.0	+650.4	206.1	250.0	+43.8

III. Supplementary Information

< Energy & Environment >

(In billion yen, accumulated amount)

Orders Received



Orders received : Up ¥113.8 billion YoY

-Orders exceeded the year-ago level due to an increase in orders for thermal power plants as a result of the effects of integration of the thermal power generation business with Hitachi, Ltd.

[Gas turbine orders] (Geographic distribution)

FY2013 : 3 units (North America 1, Japan 2)

FY2014 : 0 unit

[Backlog of Large-size Gas turbine orders (Non-consolidated)]

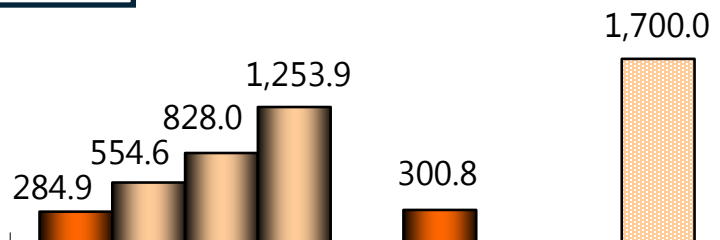
FY2013 : 42 units

FY2014-1Q : 40 units

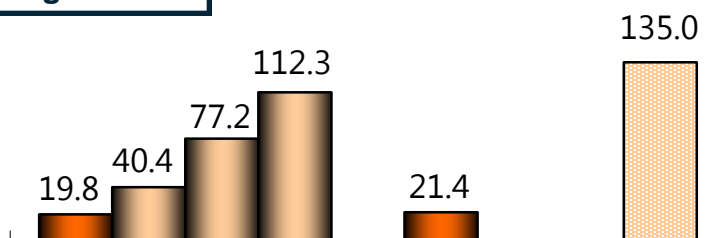
Net sales : Up ¥15.8 billion YoY

-Sales exceeded the year-ago level due to the effects of the integration of the thermal power generation business.

Net Sales



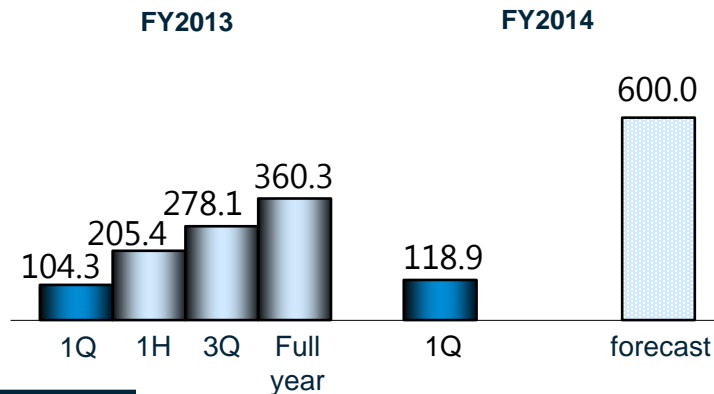
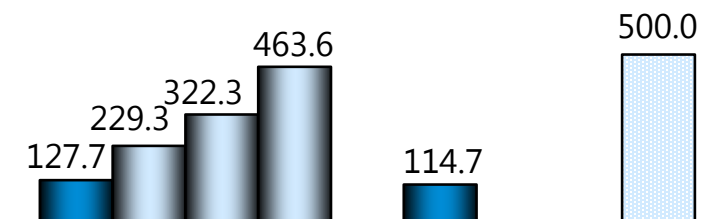
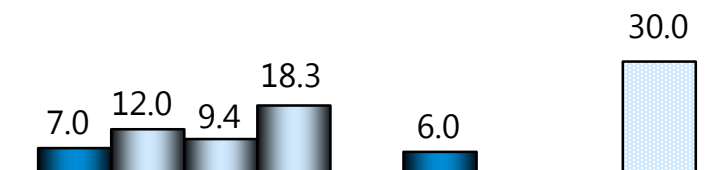
Operating Income



Earnings : Up ¥1.6 billion YoY

-Income increased year on year, primarily reflecting the enhanced profitability of the construction work for new thermal power generation plants and the expansion of after-sales services, in addition to increased sales, due to the effects of the integration of the thermal power generation business.

(In billion yen, accumulated amount)

Orders Received**Net Sales****Operating Income****Orders received : Up ¥14.6 billion YoY**

-Orders increased year on year, given orders received for LNG carriers and other businesses, offsetting a decline in the transportation systems that received large-scale orders in the same period a year ago.

[Number of ships orders received]

FY2013-1Q: 1 (1Q: 1, 2Q: 2, 3Q: 1, 4Q: 4)

FY2014-1Q: 3 (1Q: 3)

[Backlog of ship orders] 43

(9 LNG carriers, 5 LPG carriers, 5 ferries/passenger and cargo ships, 10 patrol vessels and others)

Net sales : Down ¥13.0billion YoY

-Sales declined year on year due to a decrease in commercial ships, although commercial aircraft remained the same as the year-ago level.

[Number of B777s delivered]

FY2013-1Q: 25 (1Q: 25, 2Q: 25, 3Q: 25, 4Q: 24)

FY2014-1Q: 26 (1Q: 26)

[Number of B787s delivered]

FY2013-1Q: 16 (1Q: 16, 2Q: 14, 3Q: 19, 4Q: 29)

FY2014-1Q: 32 (1Q: 32)

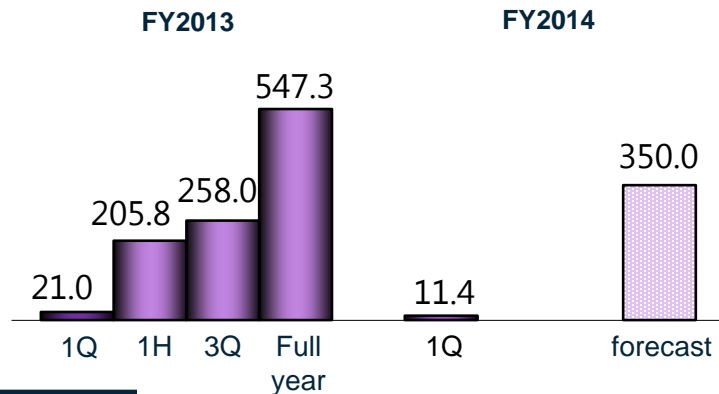
Earnings : Down ¥0.9billion YoY

-Income declined from a year ago due to a decrease in sales.

< Integrated Defense & Space Systems >

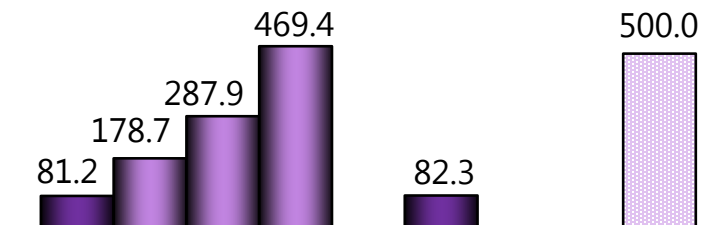
(In billion yen, accumulated amount)

Orders Received

**Orders received : Down ¥9.6 billion YoY**

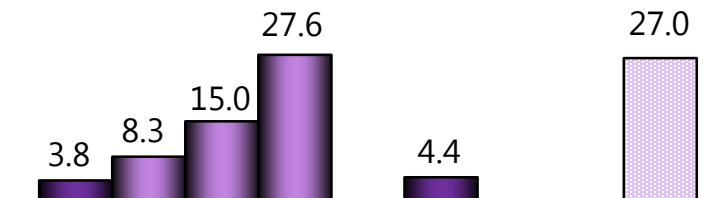
-Orders declined year on year because of a decrease in defense.

Net Sales

**Net sales : Up ¥1.1 billion YoY**

-Sales increased year on year primarily with the strong performance in space systems, such as the H-II A rocket and defense aircraft.

Operating Income

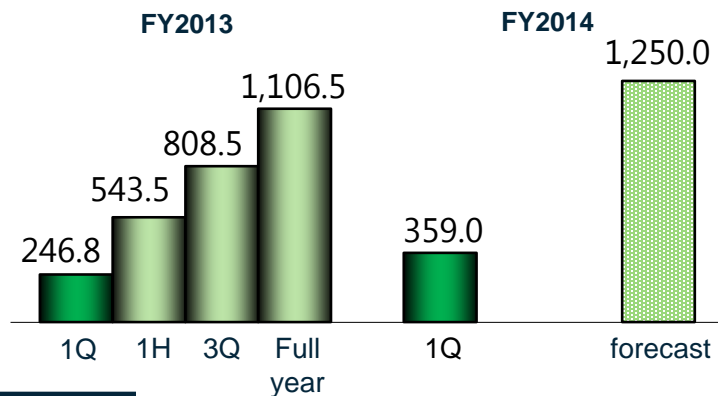
**Earnings : Up ¥0.5 billion YoY**

-Income exceeded the year-ago level primarily due to an increase in sales of space systems, etc.

< Machinery, Equipment & Infrastructure >

(In billion yen, accumulated amount)

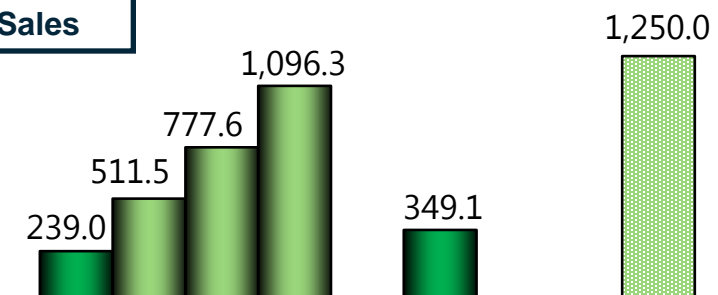
Orders Received

**Orders received : Up ¥112.1 billion YoY****Net sales: Up 110.0 billion YoY**

-Orders and sales for air-conditioners and turbochargers in China and Europe increased, and those for forklift trucks also rose both in Japan and overseas, reflecting the effects of the business integration.

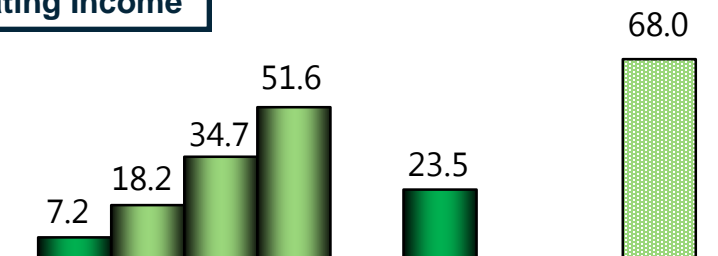
In addition, partly reflecting the effects of the change in the accounting periods of overseas group companies, overall orders and sales increased year on year.

Net Sales

**Earnings : Up ¥16.2 billion YoY**

-Income exceeded the year-ago level due to an increase in sales of air conditioners, turbochargers, forklift trucks, etc. as well as improvement in the profitability of compressors.

Operating Income



1. R&D Expenses, Depreciation and Amortization-Capital Expenditure

	FY2013-1Q	FY2014-1Q	FY2014 (Forecast)
R&D Expenses	21.3	26.4	150.0
Depreciation	29.5	35.0	150.0
Capital Expenditure	26.4	41.5	150.0

2. Selling, General and Administrative expenses

	FY2013-1Q	FY2014-1Q
SG&A	100.1	131.8

3. Foreign Exchange Rates

	FY2013-1Q	FY2014-1Q
US\$	100.1	102.0
Euro	126.8	140.5

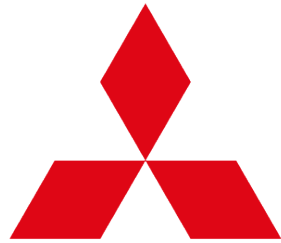
(In billion yen)

4. Overseas Sales by Region

	FY2013-1Q		FY2014-1Q	
Asia	141.5	(19%)	178.1	(21%)
North America	163.7	(22%)	161.1	(19%)
Europe	71.2	(9%)	99.3	(11%)
Central & South America	17.4	(2%)	23.3	(3%)
The Middle East	7.7	(1%)	29.4	(3%)
Africa	12.5	(2%)	23.9	(3%)
Oceania	6.6	(1%)	12.0	(1%)
Total	420.8	(56%)	527.4	(61%)

5. Segment Information by Geographic Distribution

		FY2013-1Q	FY2014-1Q
Japan	Net Sales	623.4	615.3
	Operating income	29.5	42.1
North America	Net Sales	110.9	105.2
	Operating income	4.1	1.7
Asia	Net Sales	41.2	133.4
	Operating income	1.7	10.0
Europe	Net Sales	32.9	104.1
	Operating income	0.2	1.7
Others	Net Sales	5.7	11.9
	Operating income	-0.2	0.3
Eliminations or Corporate	Net Sales	-66.7	-110.3
	Operating income	-	-
Total	Net Sales	747.4	859.7
	Operating income	35.3	56.0



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