

Financial Results for Third Quarter FY2014 (for the year ending March 31, 2015)

January 29, 2015



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Summary of Financial Results

Summary of Income Statement

(Billion Yen)

< Operating Income > +14.2 (FY2013.3Q 46.0 FY2014.3Q 60.3)

Net sales	+	95.5	(	920.8		1,016.4)
Cost of sales	+	76.7	(	750.8		827.6)
Selling, general & administrative expenses	+	4.5	(	123.9		128.4)
- Salaries and benefits	+	2.4	(	33.9		36.3)
- R&D expenses	-	0.2	(	27.3		27.1)

< Non-operating Income/Expenses > +11.7 (FY2013.3Q -7.3 FY2014.3Q 4.4)

Net Interest expense (incl. dividend income)	-	0.1	(	-1.9		-2.0)
Equity in income of unconsolidated subsidiaries and affiliates	+	4.1	(	4.0		8.1)
Gain and loss on foreign exchange	+	8.6	(	-9.1		-0.4)
Others	-	0.9	(	-0.2		-1.2)

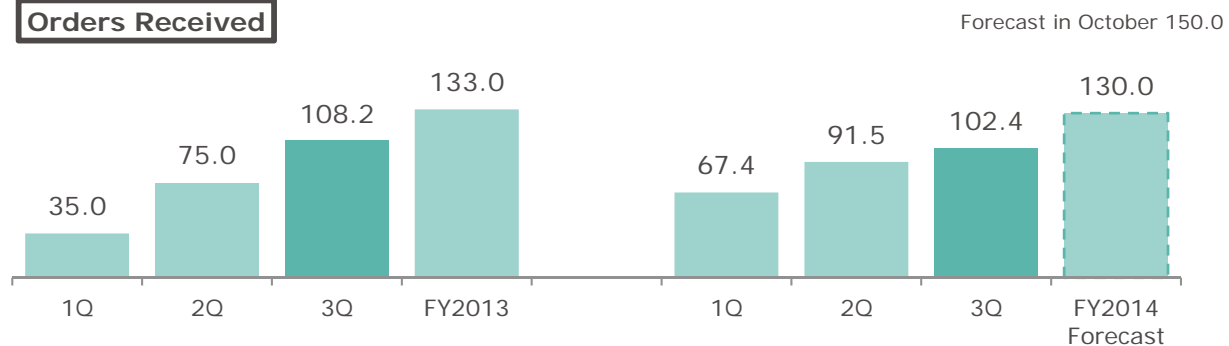
< Extraordinary Income/Losses > 0 (FY2013.3Q 0 FY2014.3Q 0)

Rolling Stock

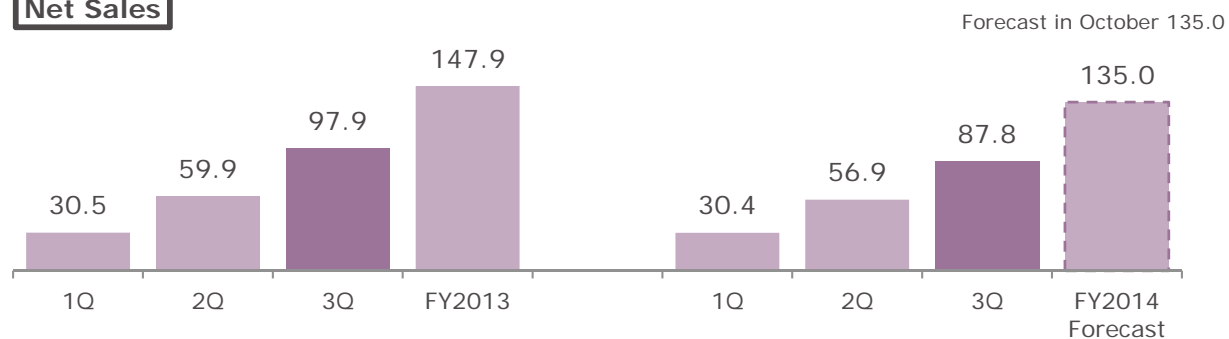
Main Products : Electric train cars (incl. Shinkansen), Electric and diesel locomotives, Passenger coaches, Gigacell® (High-Capacity, Full Sealed Ni-MH Battery)

Billion Yen / In accumulated amount

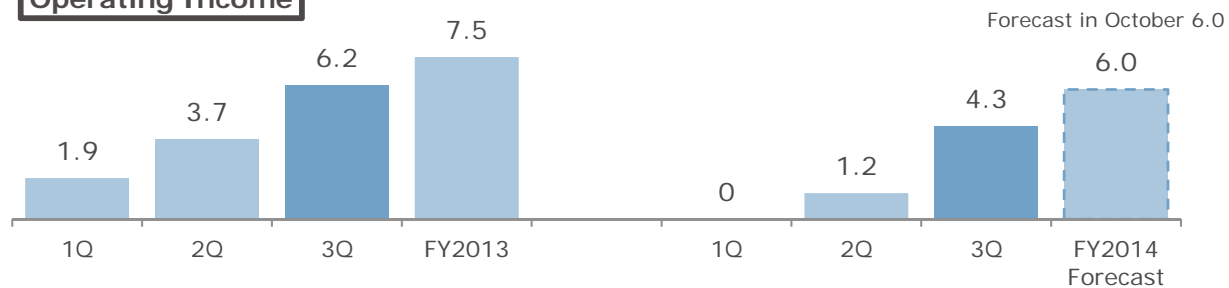
Orders Received



Net Sales

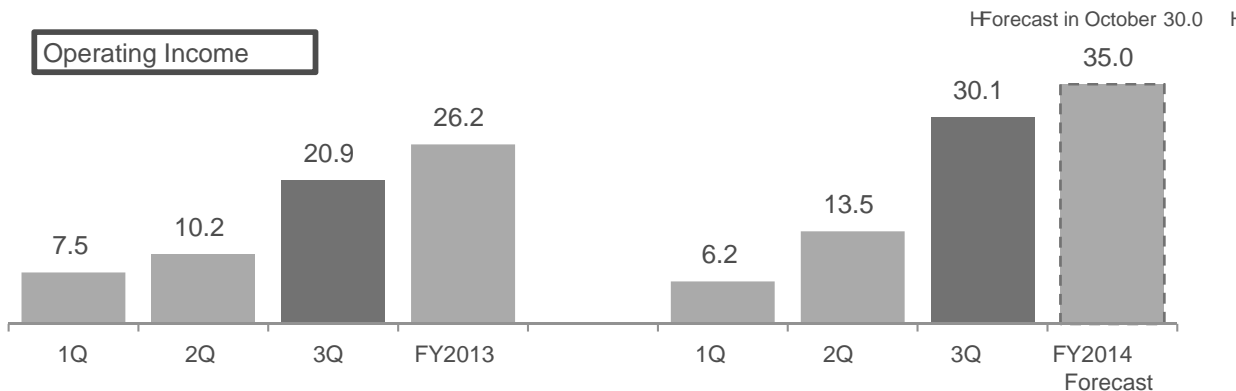
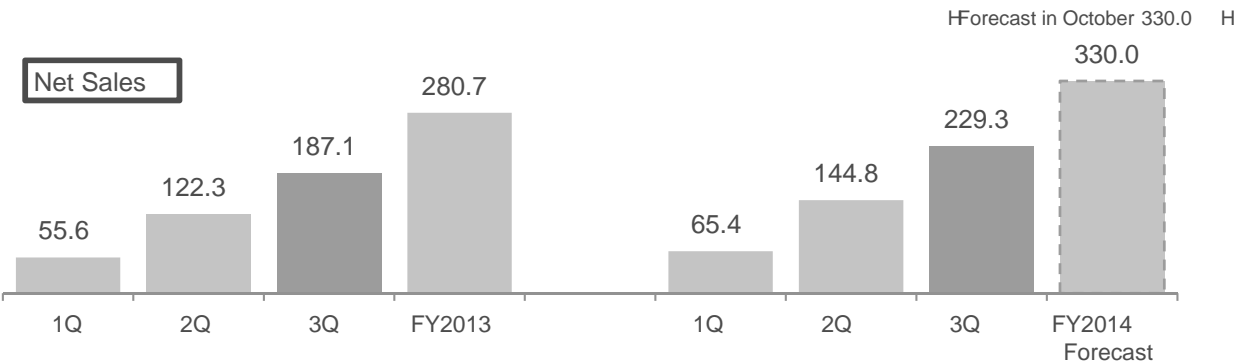
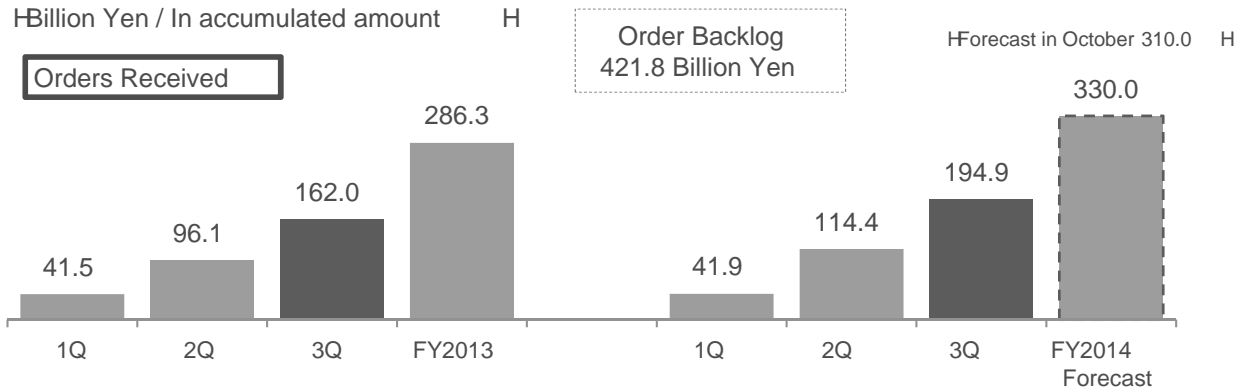


Operating Income



Aerospace

Main Products : Aircrafts for Japan Ministry of Defense, Component parts for commercial aircrafts, Commercial helicopters, Missiles, Space equipment



FY2014.3Q

(vs. FY2013.3Q)

Orders Received: Increased due to increase in orders received for the Japan Ministry of Defense (MOD) and component parts for Boeing 787

Net Sales: Increased due to increase in sales to the MOD, component parts for Boeing 777 and 787 and other factors

Operating Income: Increased significantly due to sales increase and profitable projects being accounted for in this quarter

FY2014 Forecast

(vs. Forecast in October)

Orders Received: Revised up due to revision of assumed exchange rate and increase in orders from the MOD

Net Sales: No Change

Operating Income: Revised up due to revision of assumed exchange rate and other factors

< Sales units of component parts for commercial aircrafts > (units)

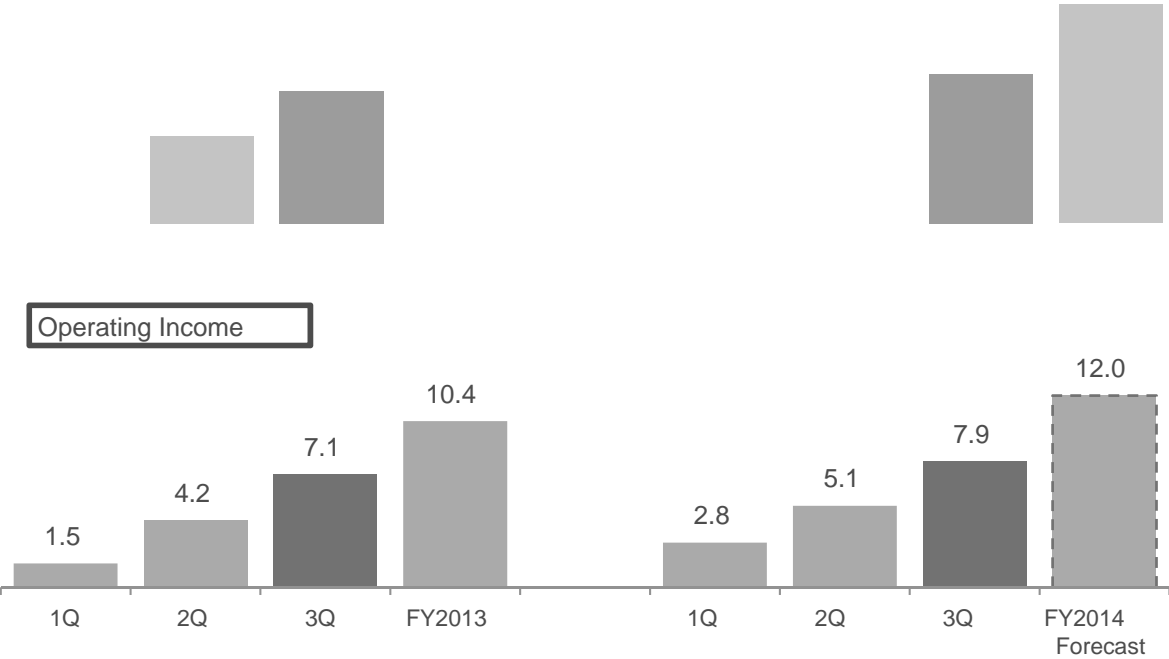
	FY2013.3Q	FY2014.3Q
Boeing 777	75	77
Boeing 767	9	12
Boeing 787	55	90
Embraer170/175	35	63
Embraer190/195	32	21



Precision Machinery

Main Products H Hydraulic components (pumps, motors & valves), Hydraulic systems for industrial use, Hydraulic marine machinery, Precision Machinery / Electric-powered devices, Industrial Robots

Operating Income



Summary of Balance Sheet

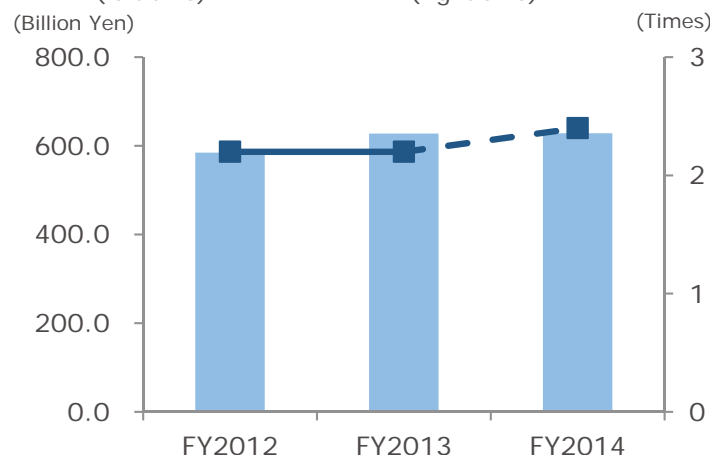
(Billion Yen)

	End of Mar. 2014	End of Dec. 2014	Change
Cash on hand and in banks	47.9	45.5	-2.3
Trade receivables	415.6	509.0	+93.3
Inventories	458.0	540.9	+82.8
Total fixed assets	401.1	430.7	+29.5
Other assets	231.6	274.5	+42.9
Total assets	1,554.4	1,800.7	+246.3
Trade payables	306.0	316.0	+10.0
Interest-bearing debt	444.6	632.8	+188.2
Advances from customers	137.5	145.6	+8.0
Other liabilities	289.4	281.9	-7.5
Total liabilities	1,177.7	1,376.5	+198.7
Total shareholders' equity	376.2	406.3	+30.0
Other net assets	0.4	17.8	+17.4
Total net assets	376.6	424.2	+47.5
Total liabilities and net assets	1,554.4	1,800.7	+246.3

Ratio of shareholders' equity to total assets	23.3%	22.6%
Net Debt Equity Ratio	109.3%	143.7%

< Changes in working capital >

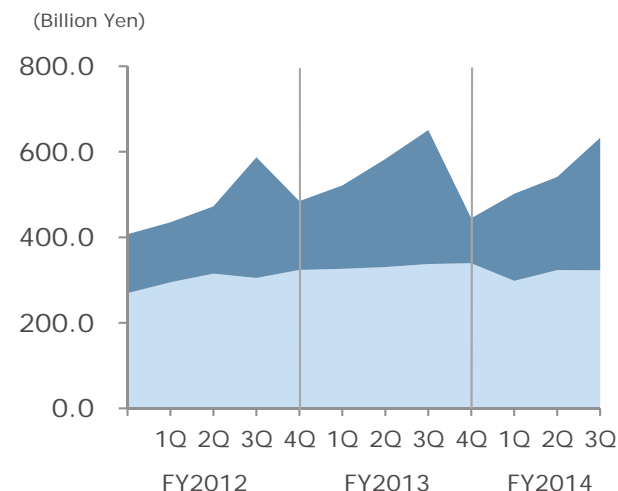
Working capital(3Q) (left axis) Working capital turnover* (right axis)



*Turnover=Sales(12months)/working capital
*Sales for FY2014 is a forecast number

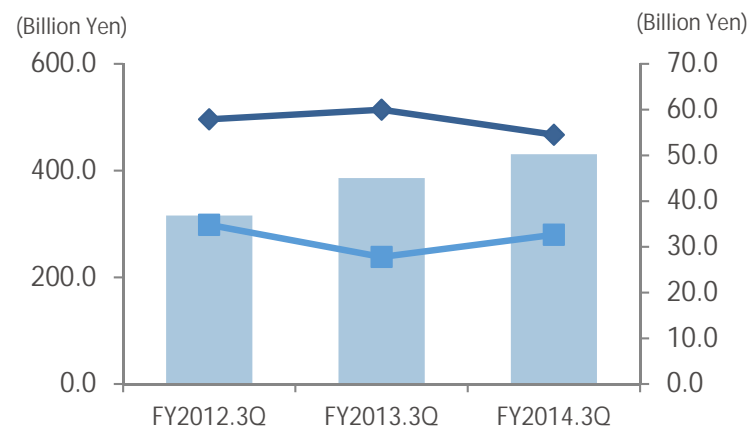
< Changes in interest-bearing debt >

Long-term debt Short-term debt



< Changes in CAPEX and others >

Fixed Asset (left axis) CAPEX (right axis) DA* (right axis)



*Depreciation & Amortization

< Overview of Balance Sheet >

On December 31, 2014, total assets increased from March 31, 2014, attributing to increase in trade receivable resulting from recording of sales, inventory growth stemming from progress in construction works, and increase in fixed assets due to CAPEX.

Liabilities on December 31, 2014, increased due to increase in interest-bearing debt such as commercial papers.

Net assets increased due to recognition of net income, despite decrease due to dividend payments.

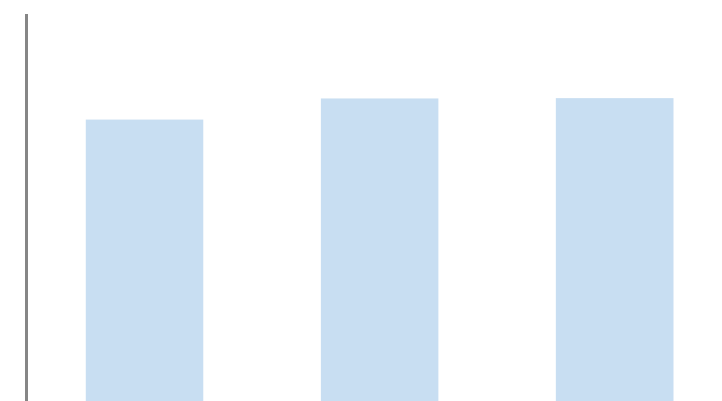
Summary of Cash Flows

(Billion Yen)

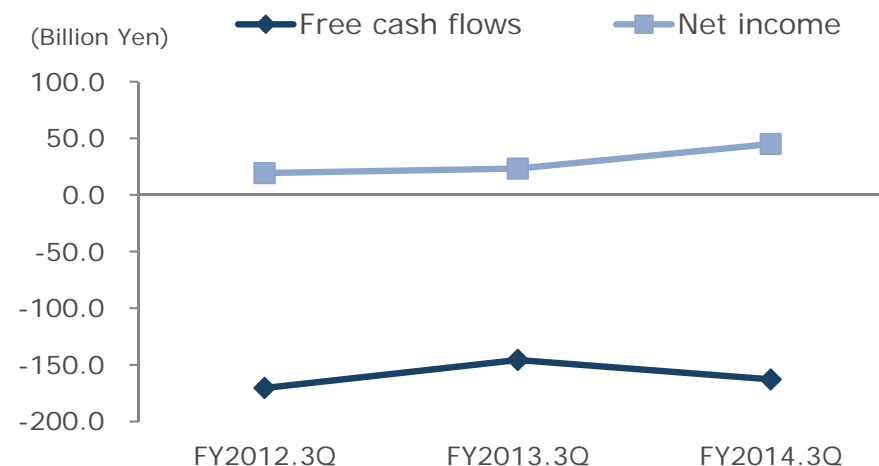
	FY2013 3Q	FY2014 3Q	Change
Cash flows from operating activities	-82.9	-110.3	-27.4
Cash flows from investing activities	-62.7	-52.4	+10.2
Free Cash Flows	-145.6	-162.8	-17.1
Cash flows from financing activities	141.8	+161.0	+19.2

< Overview of Cash Flows > (vs.FY2013.3Q)

Cash flows from operating activities decreased, due to a decrease in cash inflows from collection of trade receivables and an increase in cash outflows in the Gas Turbine & Machinery segment, due to production increase of component parts of current commercial aircraft jet engines, and increased development costs for component parts of new commercial aircraft jet engines. Due to a decrease in CAPEX and expenditures for CAPEX having concentrated in the previous same period, cash outflows from investing activities decreased. Given the above mentioned changes, free cash flows decreased.



< Changes in free cash flows and net income >



Consolidated Operating Performance

	FY2013 Actual	FY2014 Forecast		Change		"MTBP 2013" FY2015 Target (As of April 2013)
		In October	In January	vs. FY2013	vs. Forecast in October	
Orders Received	1,455.4	1,640.0	1,660.0	+204.6	+20.0	-
Net Sales	1,385.4	1,510.0	1,510.0	+124.6	0	1,600.0
Operating Income	72.3	77.0	86.0	+13.7	+9.0	90.0
Recurring Profit	60.6	72.0	84.0	+23.4	+12.0	85.0
Net Income	38.6	48.0	56.0	+17.4	+8.0	-
Before-tax ROIC	8.1%	9.3%	10.0%	+1.9%	+0.7%	11.0%

Reasons for the Revision

< Orders Received >

Yen / US\$	99.63	105	115
Yen / EUR	134.56	135	135

95
-

Forecast by Segment

(Billion Yen)

	Orders Received			Net Sales			Operating Income		
	FY2013 Actual	FY2014 Forecast		FY2013 Actual	FY2014 Forecast		FY2013 Actual	FY2014 Forecast	
		In October	In January		In October	In January		In October	In January
Ship & Offshore Structure	117.8	150.0	160.0	80.8	95.0	95.0	-2.0	2.0	4.0
Rolling Stock	133.0	150.0	130.0	147.9	135.0	135.0	7.5	6.0	6.0
Aerospace	286.3	310.0	330.0	280.7	330.0	330.0	26.2	30.0	35.0
Gas Turbine & Machinery	222.0	240.0	240.0	189.2	230.0	220.0	10.4	10.0	11.0
Plant & Infrastructure	103.9	190.0	190.0	103.8	120.0	120.0	6.3	6.0	6.0
Motorcycle & Engine	322.2	320.0	330.0	322.2	320.0	330.0	16.1	13.0	14.0
Precision Machinery	127.2	140.0	140.0	123.2	140.0	140.0	10.4	12.0	12.0
Others	142.6	140.0	140.0	137.2	140.0	140.0	4.4	5.0	5.0
Eliminations and corporate	-	-	-	-	-	-	-7.2	-7.0	-7.0
Total	1,455.4	1,640.0	1,660.0	1,385.4	1,510.0	1,510.0	72.3	77.0	86.0

"Eliminations and corporate" includes some expenses incurred at Head Office which are not allocated to each industry segment for internal reporting

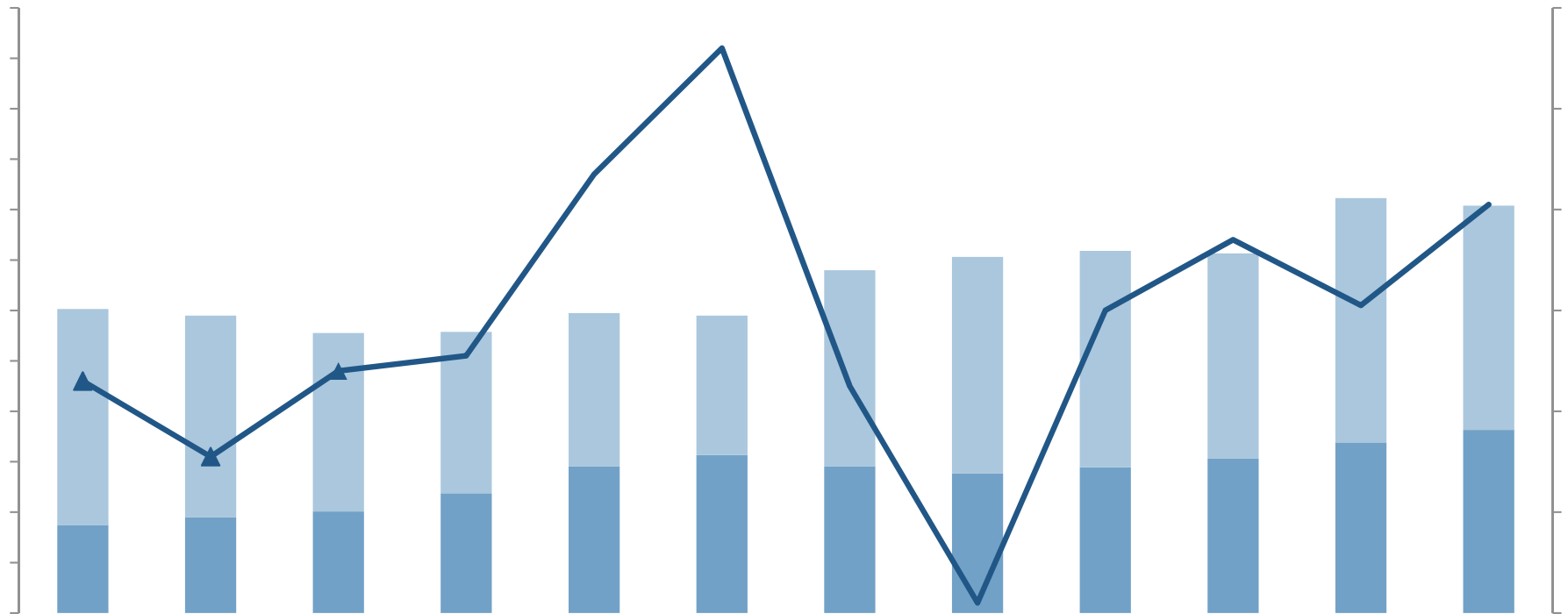
R&D/CAPEX/Number of Employees

* No changes in the forecast for FY2014 from October 29, 2014.

(Billion Yen / Persons)

	FY2013 Actual	FY2014 Forecast	Change
R&D Expenses	40.3	47.0	+6.7
CAPEX (Construction Base)	87.7	95.0	+7.3
Depreciation & Amortization	37.8	46.0	+8.2
Domestic	25,531	26,200	+669
Overseas	9,089	9,200	+111
Number of Employees	34,620	35,400	+780

Capital expenditures represent the total of newly recorded property, plant and equipment and newly recorded intangible assets.



• Group Management Model 2018

	Group Management Model 2018	FY2014 Forecast	FY2013 Actual
Before-tax ROIC	12% or higher	10.0%	8.1%
Operating Income Margin	6% or higher	5.7%	5.2%
Net Debt Equity Ratio	70%-80%	-	109.3%
Total Asset Turnover	1.00 times or more	0.90 times	0.89 times
(Reference: Net sales)	(¥1,800.0 billion)	(¥1,510.0 billion)	(¥1,385.4 billion)
Yen / US\$ FX Rates (actual & assumed)	100	1-3Q(actual): 106.24 4Q(assumed): 115	99.63

Notes:

- Before-tax ROIC = $\frac{\text{EBIT (Income before income taxes + Interest expense)}}{\text{Invested capital at year-end (Interest-bearing debt + Shareholders' equity)}}$
- Total Asset Turnover = Net sales / Total assets at year-end

