# Sumitomo Heavy Industries, Ltd.

**THIRD QUARTER CONSOLIDATED FINANCIAL REPORT**

**For the Nine-Month Period from April 1 to December 31, 2014**

*All financial information has been prepared in accordance with generally accepted accounting principles in Japan. This document has been translated from the Japanese original as a guide to non-Japanese investors and contains forward-looking statements that are based on management's estimates, assumptions, and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. Amounts shown in this financial statement have been rounded to the nearest million yen.*

# Summary of Consolidated Financial Results

**For the Third Quarter Ended December 31, 2014**

**Presented January 30, 2015**

## Sumitomo Heavy Industries, Ltd.

| | |
|---|---|
| Listed exchanges | Tokyo Stock Exchange |
| Stock code | 6302 |
| Head office | Tokyo |
| President | Shunsuke Betsukawa |
| URL | www.shi.co.jp |
| Inquiries | Tsuneyoshi Sato<br>General Manager, Corporate Communications Dept. |
| Telephone | +81 3 6737 2331 |
| Scheduled reporting date for quarterly report | February 5, 2015 |
| Scheduled date of payment of cash dividends | – |
| Availability of supplementary explanations for quarterly financial statement | None |
| Holding of meeting to explain quarterly financial statement | None |

## 1. FY 2014 Third Quarter Consolidated Results *(April 1, 2014, to December 31, 2014)*

### (1) Business Results

(Units: millions of yen)

| | Third Quarter April 1 to December 31, 2014 | | Previous Third Quarter April 1 to December 31, 2013 | |
|---|---|---|---|---|
| | | % change | | % change |
| Net sales | 466,788 | 10.1 | 424,007 | 1.4 |
| Operating income | 34,032 | 82.6 | 18,635 | (15.4) |
| Ordinary income | 34,494 | 83.1 | 18,834 | (10.8) |
| Net income | 21,823 | 95.3 | 11,175 | 7.9 |
| Net income per share (yen) | 35.59 | | 18.22 | |
| Fully diluted net income per share (yen) | — | | — | |

Note: Comprehensive income
Fiscal quarter ended December 31, 2014: 24,258 million yen (-8.0%)
Fiscal quarter ended December 31, 2013: 26,365 million yen (178.7%)

### (2) Financial Position

(Units: millions of yen)

| | End of Third Quarter As of December 31, 2014 | End of Previous Full Year As of March 31, 2014 |
|---|---|---|
| Total assets | 752,868 | 724,182 |
| Shareholders' equity | 349,455 | 331,059 |
| Equity ratio (%) | 45.7 | 45.1 |

Reference: Equity
Fiscal quarter ended December 31, 2014: 344,390 million yen
Fiscal year ended March 31, 2014: 326,433 million yen

## 2. Dividends

(Units: yen)

| | Year Ended March 31, 2014 | Year Ended March 31, 2015 | Year Ended March 31, 2015 (forecast) |
|---|---|---|---|
| Annual dividends per share | | | |
| First quarter | — | — | |
| Second quarter | 3.00 | 5.00 | |
| Third quarter | — | — | |
| End of term | 4.00 | | 5.00 |
| Annual dividends | 7.00 | | 10.00 |

Note: Changes from the most recent dividend forecast: None

## 3. FY 2014 Consolidated Forecasts *(April 1, 2014, to March 31, 2015)*

(Units: millions of yen)

| | Full Year April 1, 2014, to March 31, 2015 | |
|---|---|---|
| | | % change |
| Net sales | 650,000 | 5.6 |
| Operating income | 42,000 | 22.3 |
| Ordinary income | 38,500 | 16.7 |
| Net income | 21,000 | 17.4 |
| Projected net income per share (yen) | 34.25 | |

Note: Changes from the most recent consolidated forecast: None

## Additional Notes

(1) Transfers of important subsidiaries during the fiscal period (moves of specific subsidiaries due to change in scope of consolidation): None

Newly consolidated: None

Excluded from consolidation: None

(2) Special accounting measures applied in the quarterly consolidated financial report: None

(3) Changes to accounting policies, changes to accounting estimates, and restatements

(i) Changes to accounting policies resulting from revisions to accounting standards, etc.: Yes

(ii) Changes other than (i): Yes

(iii) Changes to accounting estimates: Yes

(iv) Restatements: None

(4) Number of shares issued (common shares)

(i) Number of shares issued at end of fiscal period (including treasury stock):

| | |
|---|---|
| As of December 31, 2014 | 614,527,405 shares |
| As of March 31, 2014 | 614,527,405 shares |

(ii) Amount of treasury stock at end of fiscal period

| | |
|---|---|
| As of December 31, 2014 | 1,470,557 shares |
| As of March 31, 2014 | 1,248,184 shares |

(iii) Average number of shares during fiscal period (cumulative quarterly period)

| | |
|---|---|
| As of December 31, 2014 | 613,149,124 shares |
| As of December 31, 2013 | 613,452,697 shares |

Recording of Implementation Conditions regarding Quarterly Review Procedures

This quarterly financial summary does not fall within the scope of the Quarterly Review Procedures referenced in the Financial Instruments and Exchange Act. At the time of disclosure of the quarterly financial summary, the Group was in the process of implementing the quarterly review procedures for its quarterly financial statements.

Explanations and Other Special Items regarding the Pertinent Reasons for the Earnings Forecast

Earnings forecasts and outlooks concerning future financial results are believed to be reasonable based on information available at the time of publication. Actual financial results may vary from the above forecast and outlook because of a variety of factors. For information on the assumptions that form the basis of the earnings forecast and items to note concerning the use of earnings forecasts, please see the *Explanation of the Consolidated Earnings Forecast and Other Forward-Looking Estimates* in the *Supplementary Materials* on page 8.

## Supplementary Materials – Table of Contents

# 1. Qualitative Information regarding Current Quarterly Consolidated Business Performance

## (1) Explanation of Business Performance

The Japanese economy in the third quarter of the current consolidated fiscal year under review saw a delayed recovery from the slowdown in demand after the spike caused by the increase in sales tax (i.e. a rush to put in order prior to the increase in sales tax). On the other hand, capital investment levels remained relatively strong due to the weaker Japanese yen. Outside Japan, there were clear signs of economic recovery in the United States. On the other hand, the Eurozone started showing signs of a slowdown while the Chinese economy remained stagnant, and a heightened level of geopolitical risk engulfed the Middle East and Russia. As a result, the overall outlook of the global economy continued to remain unclear.

Set against this economic backdrop, the Group continued to implement the Medium-Term Management Plan 2016 during the third quarter of the current consolidated fiscal year, and executed business operations with a focus on achieving steady growth and increased competitiveness. As a result, orders increased across all segments of the Group, with the exception of the Other segment. In specific figures, the Group posted order figures of JPY551.3 billion, a 17% gain as compared to the same period last year (hereinafter referred to as the “previous term”). In terms of sales, the Group posted better than the previous term figures across all segments with the exception of the Other segment. In specific figures, sales totaled JPY466.8 billion, a 10% gain as compared to the previous term.

Turning to income, operating income was JPY34.0 billion, a 83% increase as compared to the previous term, and ordinary income was JPY34.5 billion, a 83% increase as compared to the previous term. Quarterly net income also increased by 95% as compared to the previous term to finish at JPY21.8 billion. The improvements in profitability were mainly as a result of an increase in sales as well as improvements made to profit margins.

Conditions in each business segment of the Group were as follows:

### 1. Machinery Components

Conditions in the domestic market continued to remain strong. Outside Japan, although conditions in the Eurozone and China remained weak, other markets, including North America, showed positive signs of growth, and as a result there was a rise in both orders and sales as compared to the previous term. In actual figures, the segment received orders worth JPY78.4 billion, a 9% gain as compared to the previous term, and posted sales of JPY74.2 billion, a 2% gain as compared to the previous term. Further, the segment posted operating income of JPY5.8 billion.

### 2. Precision Machinery

With respect to plastics machinery, there was an increase in IT-related demand from Asian markets, as well as a brisk market conditions seen in Japan and the Eurozone. As a result, both orders and sales figures for this product line showed improvements as compared to the previous term. In other product lines, the recovery in demand for the segment’s semiconductor-related products contributed to an increase in orders and sales for the entire segment. In actual figures, the segment received orders worth JPY110.6 billion, a gain of 12% as compared to the previous term, and posted sales of JPY107.1 billion, a gain of 13% as compared to the previous term. Further, the segment posted operating income of JPY10.4 billion.

### 3. Construction Machinery

The hydraulic excavator business saw a decrease in the Chinese market. Domestically, there was a slowdown mainly due to the rush to place orders at the end of FY 2013 (prior to the rise in sales tax) but the decline of the demand trend was actually gentle, Thankfully, a round of inventory adjustments resulted in improved performance in the North American and the Eurozone markets, resulting in an increase in orders and sales for the entire product line as compared to the previous term. The mobile crane business posted figures below the previous term in sales, but improved as compared to the previous term in orders as the North American market started to recover from the slowdown at the beginning of the fiscal year caused by the cold spell that gripped the region. As a result, the segment as a whole received orders worth JPY149.0 billion, a gain of 5% as compared to the previous term, and posted sales of JPY144.5 billion, a gain of 3% as compared to the previous term. Further, the segment posted operating income of JPY10.7 billion.

**4. Industrial Machinery**

The material handling business posted strong results as demand from the domestic shipbuilding sector showed signs of recovery. At the same time, the turbine business also posted strong results. As a result, orders for the entire segment increased as compared to the previous term. Sales, however, improved as compared to the previous term, boosted by increases seen in the turbine and pump business. In actual figures, the segment received orders worth JPY64.0 billion, a gain of 17% as compared to the previous term, and posted sales of JPY51.5 billion, a gain of 3% from the previous term. Further, the segment posted operating income of JPY3.4 billion.

**5. Ships**

The segment received orders for nine new vessels during the current period under review, an improvement of five vessels as compared to the previous term. With regard to sales, two vessels were handed over during the current period under review, as compared to one in the previous term. In actual figures, the segment received orders worth JPY59.8 billion, a gain of 148% as compared to the previous term, and posted sales of JPY18.7 billion, a gain of 80% as compared to the previous term. Further, the segment posted an operating loss of JPY800 million.

**6. Environmental Facilities & Plants**

Orders for the energy plant business were better than the previous term as the number of biomass-fueled electricity generation boiler projects in Japan continued to rise. In addition, orders for chemical plant equipment also rose as compared to the previous term, contributing to an overall rise in orders for the entire segment. Sales also increased as compared to the previous term as progress was made in the construction of electricity generation boiler projects. In actual figures, the segment received orders worth JPY81.6 billion, a gain of 14% as compared to the previous term, and posted sales of JPY64.8 billion, a gain of 33% as compared to the previous term. Further, the segment posted operating income of JPY3.1 billion.

**7. Other**

In this segment, both orders and sales figures fell as compared to the previous term. In actual figures, the segment received orders worth JPY8.0 billion, a fall of 10% as compared to the previous term, and posted sales of JPY5.9 billion, a fall of 13% as compared to the previous term. Further, the segment posted operating income of JPY1.6 billion.

## (2) Explanation of the Group's Consolidated Financial Position

**1. Condition of Assets, Liabilities, and Net Assets**

Total assets at the end of the current third quarter under review (ended December 31, 2014) amounted to JPY752.9 billion, an increase of JPY28.7 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to the JPY22.0 billion and JPY27.9 billion increases in marketable securities and inventory assets, respectively, offsetting the JPY15.8 billion decrease in cash and cash equivalents as compared to the end of the previous consolidated fiscal year and the JPY13.0 billion decrease in trade notes and accounts receivable.

Total liabilities rose to JPY403.4 billion, an increase of JPY10.3 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to the increases of JPY9.7 billion and JPY18.0 billion of trade notes and accounts payable and other in current liabilities, respectively exceeding the JPY18.9 billion decrease in the balance of interest-bearing liabilities.

Net assets rose to JPY349.5 billion, an increase of JPY18.4 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to the JPY3.5 billion rise in the foreign currency translation adjustment and the JPY16.2 billion increase in retained earnings.

As a result of the above, the shareholders' equity ratio improved by 0.6% from the end of the previous consolidated fiscal year to finish at 45.7%

**2. Cash Flow Condition**

Cash flow from operating activities totaled JPY40.7 billion, as compared to JPY28.2 billion in the previous term. When broken down, the main components of the proceeds were JPY34.2 billion in quarterly net income before tax and other adjustments, and the JPY31.4 billion reduction in trade receivables. The main sources of the outflow of cash were the JPY27.8 billion increase in inventory assets and the JPY14.4 billion payment of corporate tax.

Cash flow used for investing activities totaled JPY8.9 billion, as compared to an outflow of JPY22.6 billion during the previous term. The outflow was mainly as a result of the JPY10.8 billion used to acquire fixed assets.

Cash flow used for financing activities totaled JPY26.9 billion, as compared to an outflow of JPY2.6 billion in the previous term. The outflow of cash was mainly used to reduce outstanding debts (JPY20.1 billion) and to make dividend payments (JPY5.3 billion).

As a result of the foregoing, the balance of cash and cash equivalents at the end of the third quarter of the current consolidated fiscal year under review totaled JPY81.9 billion, an increase of JPY5.5 billion as compared to the end of the previous consolidated fiscal year.

### (3) Explanation of the Consolidated Earnings Forecast and Other Forward-Looking Estimates

No revisions have been made to the consolidated earnings forecast for the period ending March 2015 that was released to the public in conjunction with the second quarter financial report on October 30, 2014.

Please note that for the fourth quarter of the current consolidated fiscal year, the main exchange rates are assumed to be USD1 = JPY115 and EUR1 = JPY135.

## 2. Notes regarding Summarized Information (Explanatory Notes)

### (1) Changes Involving Important Subsidiaries during the Current Consolidated Year-to-Date Quarterly Period

There are no applicable items.

### (2) Special Accounting Procedures Adopted during the Development of the Quarterly Consolidated Financial Report

There are no applicable items.

### (3) Changes to Accounting Policies, Changes to Accounting Estimates, and Restatements

(Changes to Accounting Policies)

From the first quarter of the current consolidated fiscal year under review, the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Accounting Standard – ASBJ Statement No. 26 dated May 17, 2012; hereinafter referred to as the "Accounting Standards for Retirement Benefits") and the "Implementation Guidance on the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 dated May 17, 2012; hereinafter referred to as the "Implementation Guidance for the Retirement Benefit Accounting Standard") has been adopted in accordance with Item 35 of the Accounting Standards for Retirement Benefits and Item 67 of the Implementation Guidance for the Retirement Benefit Accounting Standard. As a result of this, the methods used to calculate retirement benefit obligations and service costs have changed. More specifically, the attribution method for projected retirement benefits has been changed from a service-period basis to a projected-benefit basis. Further, the method to determine the discount rate has been changed to a single weighted-average discount rate to reflect the projected payment period for retirement benefits and the individual amounts associated with each projected payment period.

The transitional adoption of the Accounting Standards for Retirement Benefits has been done in accordance with Item 37 of the Accounting Standards for Retirement Benefits. In line with this move, the amount generated by using the new method to calculate retirement benefit obligations and service costs has been subtracted from retained earnings from the beginning of the third quarter of the current consolidated fiscal year under review.

As a result, retirement benefit obligations increased by JPY1,861 million from the beginning of the third quarter of the current consolidated fiscal year under review while retained earnings fell by JPY1,475 million. Please note that the impact on operating income, ordinary income, and quarterly net income before taxes and other adjustments for the third quarter of the current consolidated fiscal year under review is considered to be minimal.

(Changes to Accounting Policies That are Difficult to Distinguish from Changes in Accounting-Based Estimates)

In the past, the Company's domestic subsidiaries have been using the declining balance method to depreciate tangible fixed assets. From the first quarter of the current consolidated fiscal year under review, the straight-line method has been used. Please note that the Company has already been using the straight-line method to depreciate any buildings acquired after April 1, 1998 (excluding building fixtures).

This change was made based on a review of the depreciation method after taking into account the strategies set forth in the new Medium-Term Management Plan, which was initiated from the beginning of the current consolidated fiscal year under review. According to the plan, the Company will look to increase the distribution of resources to overseas locations in response to anticipated growth from overseas markets, and shift investment domestically to ensure that stable production output can be achieved. As a result of the review, and the Company's projection that its domestic production facilities will operate in a stable manner for the foreseeable future, it was determined that the straight-line method of depreciating assets more appropriately reflected the operating conditions of such assets. In addition, this new depreciation method would also allow for the rational distribution of expenses.

As a result of this change, operating income, ordinary income, and quarterly net income before taxes and other adjustments for the third quarter of the current consolidated fiscal year under review have gone up by JPY1,820 million, respectively, as compared to the previous calculation methodology.

# 3. Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheets

(Units: millions of yen)

| | End of Previous Fiscal Year As of March 31, 2014 | End of Third Quarter As of December 31, 2014 |
|---|---|---|
| | Amount | Amount |
| **Assets** | | |
| Cash and deposits | 67,826 | 51,997 |
| Notes and accounts receivable | 181,961 | 168,968 |
| Marketable securities | 10,000 | 32,000 |
| Inventory assets | 144,249 | 172,121 |
| Other | 32,135 | 42,024 |
| Allowance for doubtful accounts | (1,217) | (1,225) |
| **Current assets** | **434,954** | **465,883** |
| Land | 109,265 | 109,086 |
| Other (net) | 111,019 | 112,922 |
| Total tangible assets | 220,284 | 222,008 |
| Other | 8,648 | 8,878 |
| Total intangible assets | 8,648 | 8,878 |
| Other | 61,782 | 58,020 |
| Allowance for doubtful accounts | (1,486) | (1,922) |
| Investments and other assets | 60,296 | 56,099 |
| **Fixed assets** | **289,228** | **286,984** |
| **Total assets** | **724,182** | **752,868** |

(Units: millions of yen)

| | End of Previous Fiscal Year As of March 31, 2014 | End of Third Quarter As of December 31, 2014 |
|---|---|---|
| | Amount | Amount |
| **Liabilities** | | |
| Notes and accounts payable | 124,211 | 133,926 |
| Short-term bank loans | 52,817 | 40,440 |
| Long-term loans due within one year | 16,855 | 21,455 |
| Corporate bonds redeemable within one year | 10,000 | 0 |
| Allowance | 10,406 | 10,264 |
| Other | 74,841 | 92,835 |
| **Current liabilities** | **289,130** | **298,920** |
| Bonds | 0 | 10,000 |
| Long-term debt due after one year | 27,761 | 16,618 |
| Allowance | 497 | 938 |
| Defined benefit liability | 40,037 | 40,482 |
| Deferred income taxes on revaluation | 24,608 | 24,568 |
| Other | 11,090 | 11,886 |
| **Total fixed liabilities** | **103,993** | **104,492** |
| **Total liabilities** | **393,123** | **403,412** |
| **Net assets** | | |
| Common stock | 30,872 | 30,872 |
| Capital surplus | 23,789 | 23,789 |
| Retained earnings | 221,101 | 237,289 |
| Treasury stock | (632) | (745) |
| **Total shareholders' equity** | 275,130 | 291,205 |
| Unrealized gains on securities | 3,753 | 4,707 |
| Profit (loss) on deferred hedge | (379) | (2,642) |
| Revaluation reserve for land | 38,272 | 38,201 |
| Foreign currency translation adjustments | 11,993 | 15,482 |
| Re-measurement of defined benefit plans | (2,336) | (2,562) |
| **Total accumulated other comprehensive income** | 51,304 | 53,185 |
| **Minority interests** | 4,626 | 5,066 |
| **Total net assets** | **331,059** | **349,455** |
| **Total liabilities and net assets** | **724,182** | **752,868** |

## (2) Consolidated Income Statements and Consolidated Statement of Comprehensive Income

### Consolidated Income Statements

(Units: millions of yen)

| | Previous Third Quarter April 1, 2013, to December 31, 2013 | Present Third Quarter April 1, 2014, to December 31, 2014 |
|---|---|---|
| | Amount | Amount |
| Net sales | 424,007 | 466,788 |
| Cost of sales | 332,612 | 357,573 |
| Gross income | 91,395 | 109,215 |
| Selling, general & administrative expenses | 72,761 | 75,184 |
| Operating income | 18,635 | 34,032 |
| Non-operating income | | |
| Interest income | 210 | 339 |
| Dividend income | 850 | 738 |
| Gain on foreign currency exchange | 1,078 | 1,316 |
| Investment gain on equity method | 691 | 1,442 |
| Other | 2,241 | 1,345 |
| Total non-operating income | 5,070 | 5,179 |
| Non-operating expenses | | |
| Interest expense | 1,823 | 1,663 |
| Other | 3,039 | 3,054 |
| Total non-operating expenses | 4,862 | 4,716 |
| Ordinary income | 18,843 | 34,494 |
| Extraordinary losses | | |
| Loss on impaired assets | 244 | 269 |
| Total extraordinary losses | 244 | 269 |
| Income before income taxes | 18,599 | 34,225 |
| Corporate income taxes | 7,658 | 12,024 |
| Quarterly net income before income or loss adjustments on minority interests | 10,941 | 22,202 |
| Minority interests | (234) | 378 |
| Net income | 11,175 | 21,823 |

## Consolidated Statement of Comprehensive Income

(Units: millions of yen)

| | Previous Third Quarter April 1, 2013, to December 31, 2013 | Present Third Quarter April 1, 2014, to December 31, 2014 |
|---|---|---|
| | Amount | Amount |
| Net income before adjusting for profit (loss) from minority interests | 10,941 | 22,202 |
| Other comprehensive income | | |
| Unrealized gains on securities | 2,900 | 943 |
| Profit (loss) on deferred hedge | (273) | (2,254) |
| Foreign currency translation adjustments | 13,598 | 3,593 |
| Adjustment to retirement benefits | — | (235) |
| Adjustment regarding pension obligations of consolidated overseas subsidiaries | (805) | — |
| Amount applied for equity method accounting of affiliates | 4 | 9 |
| Total other comprehensive income | 15,424 | 2,057 |
| Comprehensive income | 26,365 | 24,258 |
| (Breakdown) | | |
| Comprehensive income relating to parent company shareholdings | 26,080 | 23,776 |
| Comprehensive income relating to minority interests | 286 | 482 |

## (3) Notes regarding Consolidated Quarterly Financial Statements

### (Notes on Premise of a Going Concern)

There are no applicable items.

### (Notes regarding Significant Fluctuations to Shareholders' Equity)

There are no applicable items.

### (Subsequent Events of Significant Importance)

There are no applicable items.

# 4. Supplementary Information

## (1) Orders, Sales and Operational Profit, and Balance of Orders by Segment

### Orders Received

(Units: millions of yen)

| Segment | April 1, 2013, to December 31, 2013 | April 1, 2014, to December 31, 2014 | Y/Y Change | |
|---|---|---|---|---|
| | Amount | Amount | Amount | % |
| Machinery Components | 72,128 | 78,389 | 6,261 | 8.7 |
| Precision Machinery | 98,647 | 110,644 | 11,996 | 12.2 |
| Construction Machinery | 142,236 | 149,006 | 6,770 | 4.8 |
| Industrial Machinery | 54,762 | 63,992 | 9,230 | 16.9 |
| Ships | 24,127 | 59,751 | 35,624 | 147.7 |
| Environmental Facilities & Plants | 71,610 | 81,608 | 9,998 | 14.0 |
| Other | 8,839 | 7,956 | (883) | (10.0) |
| Total | 472,348 | 551,345 | 78,997 | 16.7 |

### Sales and Operational Profit

(Units: millions of yen)

| Segment | April 1, 2013, to December 31, 2013 | | April 1, 2014, to December 31, 2014 | | Y/Y Change | |
|---|---|---|---|---|---|---|
| | Sales | Operational Profit | Sales | Operational Profit | Sales | Operational Profit |
| Machinery Components | 72,810 | 4,804 | 74,215 | 5,810 | 1,405 | 1,005 |
| Precision Machinery | 95,129 | 6,523 | 107,121 | 10,406 | 11,992 | 3,882 |
| Construction Machinery | 140,277 | 6,229 | 144,528 | 10,655 | 4,251 | 4,426 |
| Industrial Machinery | 49,878 | 897 | 51,532 | 3,374 | 1,654 | 2,477 |
| Ships | 10,356 | (2,239) | 18,659 | (769) | 8,303 | 1,469 |
| Environmental Facilities & Plants | 48,764 | 751 | 64,805 | 3,057 | 16,040 | 2,306 |
| Other | 6,794 | 1,548 | 5,929 | 1,580 | (864) | 31 |
| Adjustments | — | 120 | — | (80) | — | (201) |
| Total | 424,007 | 18,635 | 466,788 | 34,032 | 42,781 | 15,397 |

## Balance of Orders Received

(Units: millions of yen)

| Segment | End of Previous Fiscal Year As of March 31, 2014 | End of Third Quarter As of December 31, 2014 | Change | |
|---|---|---|---|---|
| | Amount | Amount | Amount | % |
| Machinery Components | 28,919 | 33,093 | 4,174 | 14.4 |
| Precision Machinery | 41,756 | 45,279 | 3,523 | 8.4 |
| Construction Machinery | 27,555 | 32,033 | 4,478 | 16.3 |
| Industrial Machinery | 80,148 | 92,608 | 12,460 | 15.5 |
| Ships | 28,405 | 69,497 | 41,092 | 144.7 |
| Environmental Facilities & Plants | 107,351 | 124,165 | 16,804 | 15.7 |
| Other | 3,765 | 5,792 | 2,027 | 53.8 |
| Total | 317,910 | 402,467 | 84,557 | 26.6 |

The Group's operating segments are categorized as follows:

| Businesses | Main Products |
|---|---|
| Machinery Components | Power transmission and control equipment |
| Precision Machinery | Plastics machinery, film forming machines, semiconductor production equipment, laser processing systems, cryogenic equipment, precision positioning equipment, precision forgings, control components, defense equipment, machining tools |
| Construction Machinery | Hydraulic excavators, mobile cranes, road machinery |
| Industrial Machinery | Ion accelerators, medical machines and equipment, plasma coating systems for FPDs, forging machines, material handling systems, logistics systems, automated parking systems, turbines, pumps |
| Ships | Ships |
| Environmental Facilities & Plants | Private power generation facilities, boilers, industrial waste treatment facilities, air pollution control equipment, water and sewage treatment systems, process equipment, pressure vessels, mixing vessels, air-conditioning equipment, food processing machinery |

Adoption of Accounting Standards for Retirement Benefits

As noted in the *Changes to Accounting Policies* section, as of the first quarter of the current consolidated fiscal year under review, the method used to calculate retirement benefit obligations has been changed. Consequently, the method used to calculate retirement benefit obligations and service costs has also been changed at the business segment level. However, the impact of this change on segment income for the third quarter of the current consolidated fiscal year is considered to be minimal.

Changes to Depreciation Method for Tangible Fixed Assets

As mentioned in the “Changes to Accounting Policies That Are Difficult to Distinguish from Changes in Accounting-Based Estimates” section, from the first quarter of the current consolidated fiscal year under review, the straight-line method has been used to depreciate tangible fixed assets. As a result, the straight-line method has also been used to depreciate assets at the business segment level. As a result of this change, the segment income for the third quarter of the current consolidated fiscal year under review for Machinery Components, Precision Machinery, Construction Machinery, Industrial Machinery, Environmental Facilities & Plant, and Others increased by JPY200 million, JPY561 million, JPY639 million, JPY213 million, JPY130 million, and JPY42 million, respectively, as compared to the previously used method. Further, the segment loss improved by JPY34 million for the Ships segment.

Changes to the Measurement Methodology for Segment Income and/or Loss

In order to measure the financial performance of each business segment more accurately, the allocation method for research and development (R&D) costs has been changed from the first quarter of the current consolidated fiscal year under review.

Please note that the segment information, including profit and loss figures, provided herein for the third quarter of the previous consolidated fiscal year reflects the changes to the calculation methods noted above.

## (2) (Summary) Consolidated Cash Flows Statement

(Units: millions of yen)

| | Previous Third Quarter April 1, 2013, to December 31, 2013 | Present Third Quarter April 1, 2014, to December 31, 2014 | Y/Y Change |
|---|---|---|---|
| Income before income taxes | 18,599 | 34,225 | 15,626 |
| Depreciation | 13,614 | 11,935 | (1,679) |
| (Increase) decrease in notes and accounts receivable | 25,829 | 31,368 | 5,539 |
| (Increase) decrease in inventories | (14,260) | (27,799) | (13,539) |
| Increase (decrease) in notes and accounts payable | (4,401) | 7,731 | 12,132 |
| Payments for income taxes | (8,079) | (14,108) | (6,029) |
| Other | (3,088) | (2,654) | 434 |
| Net cash provided by operating activities | 28,214 | 40,698 | 12,484 |
| Payments for purchases of property, plant, and equipment | (12,440) | (10,765) | 1,675 |
| Cash outflow for loans | (13,440) | (1,349) | 12,090 |
| Other | 3,295 | 3,193 | (102) |
| Net cash used in investing activities | (22,585) | (8,921) | 13,664 |
| Net increase (decrease) in short-term loans | 3,175 | (20,145) | (23,320) |
| Cash dividends paid | (4,219) | (5,336) | (1,117) |
| Other | (1,543) | (1,378) | 165 |
| Net cash used in financing activities | (2,587) | (26,860) | (24,273) |
| Other | 4,110 | 604 | (3,506) |
| Cash and cash equivalents at beginning of period | 46,476 | 76,418 | 29,942 |
| Cash and cash equivalents at end of period | 53,627 | 81,939 | 28,312 |