

# Sumitomo Heavy Industries, Ltd.

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## CONSOLIDATED FINANCIAL REPORT

For the Full Year Ended March 31, 2016

*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 Full Year Ended March 31, 2016  
Presented May 10, 2016**

**Sumitomo Heavy Industries, Ltd.**

Listed exchanges	Tokyo Stock Exchange
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Scheduled date of ordinary shareholders' meeting	June 29, 2016
Scheduled date of payment of cash dividends	June 30, 2016
Scheduled date of securities report filing	June 29, 2016
Availability of supplementary explanatory materials for financial statement	Yes
Holding of meeting to explain financial statement	Yes (for analysts)

**1. FY 2015 Consolidated Results (April 1, 2015, to March 31, 2016)**

**(1) Business Results**

(Unit: million yen)

	<b>Current Full Term April 1, 2015 to March 31, 2016</b>		<b>Previous Full Term April 1, 2014 to March 31, 2015</b>	
	% change		% change	
Net sales	700,838	5.1	667,099	8.4
Operating income	50,568	9.9	45,998	34.0
Ordinary income	49,131	8.9	45,113	36.7
Net income attributed to shareholders of the parent company	33,133	36.1	24,348	36.1
Net income per share (yen)	54.06		39.71	
Fully diluted net income per share	—		—	
Return on equity (ROE, %)	9.0		7.1	
Return on assets (%)	6.3		6.0	
Ordinary income to net sales (%)	7.2		6.9	

Note: Comprehensive income:

Fiscal year ended March 31, 2016: 20,410 million yen (-48.9%)

Fiscal year ended March 31, 2015: 39,922 million yen (-5.4%)

Reference: Equity method investment profit and loss:

Fiscal year ended March 31, 2016: (2,083 million yen gain)

Fiscal year ended March 31, 2015: (1,549 million yen gain)

**(2) Financial Position**

(Unit: million yen)

	End of Current Full Year March 31, 2016	End of Previous Full Year March 31, 2015
Total assets	782,859	786,027
Net assets	382,817	365,101
Equity ratio (%)	48.1	45.8
Net assets per share (yen)	614.51	587.37

Reference: Equity:

Fiscal year ended March 31, 2016: 376,619 million yen

Fiscal year ended March 31, 2015: 360,079 million yen

**(3) Cash Flows**

(Unit: million yen)

	Current Full Year April 1, 2015 to March 31, 2016	Previous Full Year April 1, 2014 to March 31, 2015
Cash flows from operating activities	18,345	62,170
Cash flows from investing activities	(15,350)	(14,112)
Cash flows from financing activities	(23,789)	(36,889)
Cash and cash equivalents at end of period	68,625	90,324

**2. Dividends**

(Unit: yen)

	Year Ended March 31, 2015	Year Ended March 31, 2016	Year Ending March 31, 2017 (forecast)
Annual dividends per share			
First quarter	—	—	—
Second quarter	5.00	7.00	7.00
Third quarter	—	—	—
End of term	7.00	9.00	7.00
Annual dividends	12.00	16.00	14.00
Total dividends (million yen)	7,356	9,806	
Payout ratio (consolidated, %)	30.2	29.6	30.6
Net assets dividend yield (consolidated, %)	2.0	2.6	

**3. FY 2016 Consolidated Forecasts (April 1, 2016, to March 31, 2017)**

(Unit: million yen)

	Second Quarter (Cumulative) April 1, 2016 to September 30, 2016		Full Year April 1, 2016 to March 31, 2017	
		% change		% change
Net sales	330,000	2.3	700,000	(0.1%)
Operating income	17,000	(7.5%)	47,000	(7.1%)
Ordinary income	16,000	(4.8%)	44,500	(9.4%)
Net income attributed to shareholders of the parent company	10,000	(12.7%)	28,000	(15.5%)
Projected net income per share (yen)	16.32		45.69	

## 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) Changes to accounting policies, changes to accounting estimates, and retrospective restatements
- |  |      |
|--|------|
| (i) Changes to accounting policies due to revisions to accounting standards: | Yes  |
| (ii) Changes to accounting policies not otherwise stated in (i):             | None |
| (iii) Changes to accounting estimates:                                       | None |
| (iv) Retrospective restatements:   | None |
- (3) Number of shares issued (common shares)
- (i) Number of shares issued at end of fiscal period (including treasury stock):
- |                      |                    |
|----------------------|--------------------|
| As of March 31, 2016 | 614,527,405 shares |
| As of March 31, 2015 | 614,527,405 shares |
- (ii) Number of treasury shares at end of fiscal period:
- |                      |                  |
|----------------------|------------------|
| As of March 31, 2016 | 1,647,819 shares |
| As of March 31, 2015 | 1,495,994 shares |
- (iii) Average number of shares during fiscal period:
- |                      |                    |
|----------------------|--------------------|
| As of March 31, 2016 | 612,933,747 shares |
| As of March 31, 2015 | 613,122,326 shares |

### Disclosure of Present Status of Audit Procedures

In compliance with the Financial Instruments and Exchange Act, audit procedures for financial statements are performed when the Consolidated Financial Results are announced.

### 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 due to 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 refer to the *Analysis of Operating Results* in the *Supplementary Materials* section beginning on page 7.

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## I. Results of Operations

### 1. Analysis of Operating Results

#### (1) Summary of Economic Climate during the Consolidated Fiscal Year

During the current consolidated fiscal year under review, personal consumption levels in Japan did not show any signs of strengthening mainly due to a negative consumer mindset leading from factors such as the lack of growth in real wages and the drop in share prices during the second half of the fiscal year. On the corporate side, although an improvement in financial performance resulted in an upward trend in capital investment levels, the cautious stance of businesses to make such investments grew stronger due to stagnating export levels. These two dynamics slowed the recovery of the Japanese economy.

Outside of Japan, the U.S. economy continued to recover as their fiscal policies shifted to a more normalized state. The Eurozone also continued on a path of gentle recovery. On the other hand, the slowdown of the Chinese economy became more apparent, while other emerging market economies struggled to grow not only because of the knock-on effect from the stagnating Chinese economy but also because of a drop in resource prices, with crude oil prices leading the way. As a result, the overall global economy showed signs of a gentle slowdown during the current consolidated fiscal year under review.

Under these conditions, the Sumitomo Heavy Industries Group (hereinafter referred to as “SHI” or the “Group”) continued to execute on the “Medium Term Management Plan 2016 (hereinafter referred to as “MTMP16” or the “Plan”)” that was initiated during the previous fiscal year. More specifically, the Group carried out business operations on the basis of the following key policies:

#### (i) “Steady growth” to establish a foundation for sustainable growth

##### (a) “Globalization (Expansion)”

In the plastics machinery business, ties with the Group’s German subsidiary, SUMITOMO (SHI) DEMAG PLASTICS MACHINERY, continued to strengthen for the sale and development of electric injection molding machines. At the same time, the SUMITOMO (SHI) DEMAG PLASTICS MACHINERY opened a new plant in China to enhance its capabilities to respond to demand from China and the broader Asian market.

In the gear reducer business, the Group pushed forward with optimizing the number of overseas locations operated by its Belgian subsidiary, HANSEN INDUSTRIAL TRANSMISSIONS NV. Moreover, the supply chain for the manufacturing of large-scale gear reducers in Japan and Asia was revamped. Through these moves, the Group looked to improve its cost competitiveness in this product area.

Finally, in the cryogenic coolers business, the Group enhanced its sales and service capabilities through the establishment of a new facility in China, a market where significant growth can be anticipated for this product line in the future.

##### (b) “Innovation (Change)”

In the area of plastics machines, the Group focused on the development of a fully electric-driven medium-scale injection molding machine. In addition, the sale of the SEEV-A-HD was launched, bringing excitement to the market because this new product series is capable of being equipped with larger molds as compared to previous models, improving the productivity of molded pieces. In the area of industrial machinery, the Group pushed forward with development of cutting-edge cancer treatment technology. More specifically, the approval of the Boron Neutron Capture Therapy (BNCT) system that the Group is developing, which combines a cyclotron neutron irradiation system with a boron-based compound, came one step closer to officially being approved as a medical device with the commencement of clinical trials to study its effectiveness in treating cancer.

##### (c) “Group Synergies (Connect)”

The Group was able to achieve increase sales of its hybrid hydraulic excavators as well as its field view monitors which enable improved rear visibility for excavators; two product differentiation innovations that were achieved through the use of system control technologies that were developed internally by SHI over many years. Moreover, in the Group’s focus area of energy, cooperation between the boiler business and turbine business was strengthened, with the aim to improve competitiveness and internal synergies.

**(ii) "Return to higher levels of profitability"**

An improvement in sales and profitability of the Precision Machinery Division that includes the plastics machinery business and semiconductor-related business was achieved mainly due to the increased ability to respond to customer needs through product differentiation. Sales and profitability of the material handling business also improved mainly due to increased productivity arising from the transition to a "repeatability-based production model". Finally, a focus on strengthening the aftermarket service business across all of the Group's divisions, a key strategy outlined in the MTMP16, greatly contributed to securing profitability amidst a fluid operating environment.

**(iii) "Persistent efforts for operational quality improvements"**

The Group continued to implement measures to strengthen its product quality management functions with the Corporate Quality Group located in the Head Office leading the charge. In the area of safety, the Group continued on the second execution phase of the Health and Safety Improvement Plan, with the aim to strengthen health and safety management capabilities and to eliminate workplace injuries.

**(iv) Thoroughly Implement Compliance Measures**

In line with the Group's guiding principle of "Prioritizing Compliance Above All Else", the Group carried out trainings, discussion-based education activities, and e-learning in the area of anti-competitive behaviors to emphasize the importance of compliance during the current consolidated fiscal year under review. In addition, the Group carried out discussion-based compliance training across its China operations to strengthen the overall compliance-based mindset of employees based in the country.

As a result of the above-mentioned activities, the current consolidated fiscal year under review saw orders finish at JPY685.9 billion, a 7.4% decline as compared to the previous fiscal year, and sales finish at JPY700.8 billion, a 5.1% improvement as compared to the previous fiscal year.

In terms of profitability, the Group posted operating income of JPY50.6 billion, a 9.9% improvement as compared to the previous fiscal year, and ordinary income of JPY49.1 billion, an 8.9% improvement as compared to the previous fiscal year. Net income attributed to shareholders of the parent company for the current consolidated fiscal year under review increased by 36.1% to finish at JPY33.1 billion. Finally, the after-tax ROIC\* ended at 7.6%.

On a non-consolidated basis, the fiscal year under review saw orders finish at JPY173.9 billion and sales finish at JPY196.8 billion. Further, the Group posted a non-consolidated operating income of JPY5.4 billion, a non-consolidated ordinary income of JPY20.9 billion and a non-consolidated net income of JPY18.9 billion for the fiscal year under review.

After considering the aforementioned financial performance and the Group's fiscal condition, the dividend from retained earnings for the current consolidated fiscal year under review has been set at JPY16 per share, an increase of JPY4 as compared to the previous fiscal year. It should be noted that this figure already includes the JPY7 per share that was announced as an interim dividend.

\* ROIC is an abbreviation for Return on Invested Capital, and it measures the amount of profit generated from invested capital (the sum of shareholders' equity and interest-bearing liabilities) as well as profitability as compared to the cost of capital.

**(2) Group Results by Segment****(i) Machinery Components**

Although there was a slowdown in the China market, there was positive movement in market conditions for both North America and Japan. As a result, both orders and sales increased as compared to the previous fiscal year.

More specifically, orders stayed at almost same level as compared to the previous fiscal year to finish at JPY105.0 billion, and sales increased by 5% as compared to the previous fiscal year to finish at JPY107.6 billion. The segment posted an operating income of JPY8.9 billion, a 35% increase as compared to the previous fiscal year.



**(ii) Precision Machinery**

With respect to plastics machinery business, strong demand from the IT industry in Asia slowed, while positive market conditions trended positively in Japan as well as the Eurozone and North America. As a result, both orders and sales increased as compared to the previous fiscal year. In other product areas, although orders in the semiconductor-related equipment business fell, sales continued to rise.

As a result of the above, orders across the segment stayed at almost same level as compared to the previous fiscal year to finish at JPY154.6 billion, while sales increased by 6% as compared to the previous fiscal year to finish at JPY154.6 billion. The segment posted an operating income of JPY18.7 billion, a 38% increase as compared to the previous fiscal year.

**(iii) Construction Machinery**

The hydraulic excavator business saw a drop in both orders and sales mainly due to a significant drop off in demand in the China market, and a slowdown in domestic sales following the temporary jump in demand arising from the rush to purchase models prior to the implementation of new emission regulations in the prior fiscal year. With respect to the mobile crane business, orders decreased as compared to the previous fiscal year, mainly due to a slowdown in demand from the North American market, while sales increased.

As a result of the above, orders across the segment decreased by 5% as compared to the previous fiscal year to finish at JPY197.1 billion, and sales stayed at almost same level as compared to the previous fiscal year to finish at JPY201.9 billion. The segment posted an operating income of JPY4.4 billion, a 63% decrease as compared to the previous fiscal year.

**(iv) Industrial Machinery**

The material handling business posted improved results for orders and sales as demand from the domestic shipbuilding sector trended positively. In the area of industrial machinery equipment business, it was able to secure an order for a proton cancer therapy equipment. As a result, orders and sales across the entire segment showed improvement as compared to the previous fiscal year.

As a result of the above, orders across the segment increased by 3% as compared to the previous fiscal year to finish at JPY92.6 billion, and sales increased by 16% as compared to the previous fiscal year to finish at JPY87.9 billion. The segment posted an operating income of JPY10.0 billion, a 73% increase as compared to the previous fiscal year.

**(v) Ships**

Although the market for medium-size tankers which the Group specializes in remained comparatively stable, overall conditions of shipbuilding market became tougher. This resulted in the segment receiving orders for only two new vessels during the current consolidated fiscal year under review, a drop of seven vessels as compared to the previous fiscal year. With regard to sales, three vessels were handed over during the current fiscal year, which was the same number as the previous fiscal year.

As a result of the above, orders across the segment decreased by 64% as compared to the previous fiscal year to finish at JPY22.5 billion, while sales increased by 11% as compared to the previous fiscal year to finish at JPY29.0 billion. The segment also posted an operating income of JPY1.0 billion for the current consolidated fiscal year under review.

**(vi) Environmental Facilities & Plants**

Although the energy plant business was able to secure orders for circulating fluidized bed boilers from overseas-based Independent Power Producer (IPP) customers as well as biomass-fueled power generation boiler projects in Japan, overall orders fell mainly due to a drop in the number of order-receiving projects. On the other hand sales grew in this area of the segment. Both orders and sales in the water treatment plant business increased mainly due receiving an order for a large-scale refurbishment project.

As a result of the above, orders across the segment decreased by 7% as compared to the previous fiscal year to finish at JPY106.1 billion, while sales increased by 4% as compared to the previous fiscal year to finish at JPY109.7 billion. The segment posted an operating income of JPY5.8 billion, a 23% decrease as compared to the previous fiscal year.

### (3) Outlook for the Upcoming Fiscal Year (Ending March 31, 2017)

The outlook for the economic environment that forms the backdrop of the Group's business is expected to remain on an unclear path for the upcoming fiscal year. In Japan, the murky outlook of the global economy and financial situation has not built confidence and subsequently economic activity has come to a standstill. In addition, the sense of stagnation in export levels as well as personal consumption levels has grown stronger. Overseas, although the North American market continues to move forward on a positive path, this is being offset by the potential for a long-term slowdown of the Chinese economy and the stagnating effect that this has on other emerging markets.

Under these conditions, the Group plans to accelerate the implementation of various measures outlined in the MTMP16 that was initiated at the beginning of FY2014, with the aim to achieve the goals set forth in the plan.

As of the publication date of this document, the outlook for the upcoming fiscal year ending March 31, 2017, is as follows:

Consolidated Results	Amount	As Compared to FY 2015
Sales	JPY700.0 billion	-0.1%
Operating income	JPY47.0 billion	-7.1%
Ordinary income	JPY44.5 billion	-9.4%
Net income attributed to shareholders of the parent company	JPY28.0 billion	-15.5%

(The above figures are calculated at an exchange rate of JPY110 and JPY125 against the dollar and euro, respectively.)

\* The above forecast concerning future financial results is believed to be reasonable based on information available at the time of publication. Actual financial results may vary from the above forecast due to a variety of factors.

## 2. Analysis of Financial Condition

### (1) Condition of Assets, Liabilities, and Net Assets

Total assets at the end of the current consolidated fiscal year under review amounted to JPY782.9 billion, a decrease of JPY3.2 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to the JPY8.4 billion increase in cash and deposits, the JPY25.0 billion increase in trade notes and accounts receivable, and the JPY2.4 billion increase in inventory assets, being offset by the JPY30.0 billion decrease in marketable securities, the JPY3.5 billion decrease in investable securities, and the JPY2.2 billion decrease in long-term loans.

Total liabilities fell to JPY400.0 billion, a decrease of JPY20.9 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to the JPY15.4 billion decrease in interest-bearing liabilities (interest-bearing liabilities as a ratio to total assets decreased by 1.9 points to 8.7%) and the JPY9.5 billion decrease in advance payments received on contracts.

Net assets increased by JPY17.7 billion as compared to the end of the previous consolidated fiscal year to finish at JPY382.8 billion. This was mainly due to the JPY25.8 billion increase in retained earnings, as well as the JPY5.1 billion decrease in the foreign currency translation adjustment account and the JPY5.6 billion decrease in the adjusted cumulative amount for employee retirement benefits.

As a result of the above, the shareholders' equity ratio improved by 2.3 points from the end of the previous consolidated fiscal year to finish at 48.1%.

### (2) Cash Flow Conditions

The cash and cash equivalent balance at the end of the consolidated fiscal year under review stood at JPY68.6 billion, an decrease of JPY21.7 billion as compared to the previous consolidated fiscal year.

The cash flow conditions in each area and the factors behind any changes are outlined below:

(Cash Flow from Operating Activities)

The increase in cash flow from operating activities was JPY18.3 billion (as compared to an increase in cash flow of JPY62.2 billion in the previous fiscal year). The main sources of cash flow were net income before taxes and other adjustments of JPY47.2 billion, depreciation of JPY19.7 billion and the JPY2.8 billion increase in trade payables. The main reasons for the cash outflow from operating activities were because of the JPY31.0 billion increase in trade receivables and the JPY16.4 billion used for the payment of corporate and other taxes.

(Cash Flow from Investing Activities)

The decrease in cash flow as a result of investing activities was JPY15.4 billion (as compared to a decrease in cash flow of JPY14.1 billion in the previous fiscal year). The main reason for the cash outflow was the JPY19.2 billion used to acquire fixed assets.

(Cash Flow from Financing Activities)

The decrease in cash flow as a result of financing activities was JPY23.8 billion (as compared to a decrease in cash flow of JPY36.9 billion in the previous fiscal year). The main reasons for the cash outflow were the JPY13.1 billion (net amount with cash inflow of loans) used to repay loans and the JPY8.6 billion used to pay dividends.

Trends in the Group's cash flow indices are provided below:

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Shareholders' equity ratio (%)	40.3	44.6	45.1	45.8	48.1
Shareholders' equity ratio on a market price basis (%)	40.8	36.1	35.5	61.4	36.4
Redemption period (years)	4.1	37.0	1.7	1.3	3.7
Interest coverage ratio (multiples)	14.0	1.3	24.5	29.3	9.1

Shareholders' equity ratio = shareholders' equity / total assets

Shareholders' equity ratio on market price basis = total market value of shares / total assets

Redemption period = outstanding interest-bearing debt / operating cash flow

Interest coverage ratio = operating cash flow / interest expense

### 3. Basic Policy on Earnings Appropriation and Dividend for the Consolidated Fiscal Year Under Review as well as the Fiscal Year Ending March 31, 2017

The Group's basic stance on profit sharing is to pay a dividend amount commensurate to the income earned during the period, and to keep that amount as high as possible. However, the decision on the actual amount of the dividend is made after making considerations for the level of retained earnings necessary to ensure that the Group is able to sustain a stable business model in the long term. In the current medium-term management plan, the Group has set a target of 30% for the consolidated dividend payout ratio.

For the consolidated fiscal year under review, the Group is forecasting a dividend of JPY16 per share (inclusive of the JPY7 per share interim dividend), an increase of JPY4 per share from the previous year.

For the fiscal year ending March 2017, the Group is forecasting a dividend of JPY14 per share.

## II. Status of the Business Group

The main business areas of the Group and the positioning of major Group companies in these areas are outlined below.

### 1. Machinery Components

In the area of power transmission equipment, both Sumitomo Heavy Industries and Seisa Gear, Ltd.<sup>\*1</sup> are responsible for the overall product manufacturing and distribution. The responsibility for global manufacturing and distribution of these products falls to Sumitomo Machinery Corporation of America in North America; Sumitomo (SHI) Cyclo Drive Germany GmbH and Hansen Industrial Transmissions NV in Europe; and Sumitomo (SHI) Cyclo Drive Asia Pacific Pte., Ltd. in Southeast Asia. In China, Sumitomo Heavy Industries (Tangshan) Ltd. carries out manufacturing while Sumitomo (SHI) Cyclo Drive China, Ltd. carries out manufacturing and is also responsible for the overall distribution of products in the country. Product distribution in Japan is the responsibility of Sumitomo Heavy Industries PTC Sales Co., Ltd.

<sup>\*1</sup> Effective April 1, 2016, Seisa Gear, Ltd. has been renamed Sumitomo Heavy Industries Gearbox Co., Ltd.

### 2. Precision Machinery

In the area of plastics machinery equipment, Sumitomo Heavy Industries, Ltd. is responsible for the overall manufacturing, distribution, and after-sales service of the product line. Sumitomo (SHI) Demag Plastics Machinery North America, Inc. is responsible for the overall distribution of the product line in the North American market, and Sumitomo (SHI) Demag Plastics Machinery GmbH is responsible for manufacturing and distribution of the product line in Europe.

Sumitomo Heavy Industries, Ltd. is responsible for overall manufacturing and distribution of laser processing systems, cryocoolers, precision positioning equipment, control system equipment, and defense equipment.

In the area of semiconductor production equipment, both Sumitomo Heavy Industries and Sumitomo Heavy Industries Ion Technology Co., Ltd. are responsible for overall manufacturing and distribution.

Finally, Sumitomo Nacco Materials Handling Co., Ltd.<sup>\*2</sup> is responsible for the overall manufacturing and distribution of forklift products.

<sup>\*2</sup> Effective April 1, 2016, Sumitomo Nacco Material Handling Co., Ltd. has been renamed Sumitomo Nacco Forklift Co., Ltd.

### 3. Construction Machinery

In the area of hydraulic excavators and road construction machinery, Sumitomo (S.H.I.) Construction Machinery Co., Ltd. is responsible for the manufacturing and distribution of products to overseas markets; Sumitomo (S.H.I.) Construction Machinery (Tangshan) Co., Ltd. is responsible for the manufacturing of products in China; Sumiju SCE (Xiamen) Construction Machinery Co., Ltd. is responsible for the distribution of products in China, PT. Sumitomo S.H.I. Construction Machinery Indonesia is responsible for the manufacturing of products in Indonesia; and Sumitomo (S.H.I.) Construction Machinery Sales Co., Ltd. is responsible for the distribution of products in Japan.

In the area of mobile cranes, Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd. is responsible for overall development, distribution, and manufacturing of products for the Japanese market, while Link-Belt Construction Equipment Company, L.P., LLLP mainly oversees the overall manufacturing and sales of products for the North American market.

### 4. Industrial Machinery

Sumitomo Heavy Industries is responsible for the overall manufacturing and distribution of accelerators, LCD display production equipment, and forging machines.

Sumitomo Heavy Industries Material Handling Systems Co., Ltd. is responsible for overall manufacturing and distribution of material handling systems, logistics and handling systems, and automated parking systems.

Shin Nippon Machinery Co., Ltd. is responsible for the overall manufacturing and distribution of industrial turbines and pumps.

## **5. Ships**

In this segment, shipbuilding is carried out by Sumitomo Heavy Industries Marine & Engineering Co., Ltd., while Sumitomo Heavy Industries is responsible for the distribution of the finished product.

## **6. Environmental Facilities & Plants**

In the areas of boiler systems, industrial waste treatment systems, pulp and paper machinery, and air pollution prevention equipment, both Sumitomo Heavy Industries and Nihon Spindle Manufacturing Co., Ltd. are responsible for overall manufacturing and distribution.

Sumitomo Heavy Industries Environment Co., Ltd. is responsible for the overall manufacturing and distribution of water treatment systems.

Further, the manufacturing and distribution of reactor vessels is handled by Sumitomo Heavy Industries and Sumitomo Heavy Industries Process Equipment Co., Ltd.

Finally, Izumi Food Machinery Co., Ltd. is responsible for the overall manufacturing and distribution of food machinery.

## III. Management Policies

### 1. Basic Management Policy

The Group is guided by the Sumitomo Business Spirit. The two components of the philosophy, namely “the placing of prime importance on conducting business with integrity and sound management” and “not pursuing easy gains or acting imprudently under any circumstances”, form the basis of the Group’s vision in any environment, regardless of the era or the state of the economy. The Group rigorously complies with the spirit of the philosophy, and actively pursues structural reforms to its business organization to ensure that it is able to build a strong corporate culture.

The Group also believes that by focusing on creating customer value, and thereby earning customers’ long-term trust, it can achieve sustainable growth and increase overall corporate value. Further, succeeding in this task will also lead to the Group meeting its corporate citizenship responsibilities to its shareholders, employees, and surrounding communities.

To ensure a highly stable growth trajectory on the global stage, the Group is committed to becoming a “Systematic Knowledge-Creating Company” that is able to sustainably supply customers with first-class products. Moreover, the Group is actively strengthening its functional efficiencies in the areas of marketing, development, and production in pursuit of the ultimate level of workmanship.

### 2. Medium- to Long-Term Management Strategy, Target Management Benchmarks and Action Items for the Group

In Japan, the murky outlook for the global economy and financial situation is now being reflected in the yen strengthening that has been seen in the market as well as the negative interest rate policy announced by the Bank of Japan. This has resulted in a wait-and-see approach in the Japanese economy, slowing down any signs of positive growth. In addition, although the employment situation is good, the lack of growth in real wages has led to stagnation in personal consumption levels. Moreover, on the corporate side, stagnant personal consumption levels and exports has led to seesaw conditions in both manufacturing and shipments, while the temporary jump in capital investment levels has now dissipated.

Overseas, although the North American market continues to move forward on a positive path, this is being offset by the potential for a long-term slowdown of the Chinese economy and the stagnating effect that this has on other emerging markets. This has resulted in a murky outlook for the global economy.

#### (1) “Medium-Term Management Plan 2016”

In the MTMP16 that was launched in the previous fiscal year, the Group established a target of JPY700.0 billion in sales, and an operating profit margin of 7.5% by FY2016. ROIC continues to be the Group’s key performance indicator and the plan calls for ROIC to remain greater than 7%.

In order to achieve these targets, the Group is aiming to become a first-class supplier of products. It will focus on achieving steady growth to build a solid foundation that ensures a return to high levels of profitability.

Also, across the wide range of businesses that the Group operates in, the MTMP16 has specifically identified the healthcare and energy-related sectors as areas of demand expansion and growth. With this in mind, the Group is looking to actively develop and promote business activities targeting these segments of the economy.

Moreover, as the Group executes on the plan, it will continue to maintain fiscal discipline while targeting a dividend payout ratio of 30% during the three-year implementation period of the plan.

#### (2) Key Areas of Focus for the Fiscal Year Ending March 31, 2017

During FY2016 which is the final implementation year of MTMP16, the Group will focus on the following activities:

##### (i) “Steady growth” to establish a foundation for sustainable growth

Although strategies will differ because of the external environment and business environment of each operation, focused and timely investments will be made to optimize the Group’s overall operations with the aim to achieve steady growth. In addition, the unique technologies developed for each product type will be refreshed, while at the same time, the strengthening of product capabilities will be promoted through the use of common technologies in areas such as materials and controls.

Innovation activities in the manufacturing area will also be promoted. For example, innovation activities will be pursued in areas of production technologies such as bonding and processing, which form the foundations of the manufacturing process, with the aim to achieve sustainable improvement and manufacturing breakthroughs. In addition, innovation activities to strengthen engineering-related areas will also be pursued. At the Group-level, the Corporate Technology Management Group will lead efforts to develop next-generation products with these technologies at its core, and the entire group will promote activities that utilize ICT.

Moreover, the strengthening of the service-related businesses has been positioned as a common goal across the entire Group as part of a broader strategy to form synergies across the various business units. More specifically, the office network will be expanded, and areas such as marketing, human resources and informatization, which form the basis of the service-related activities, will be strengthened. By doing so, innovation across the entire operations process can be promoted and the business can subsequently grow.

(ii) "Return to higher levels of profitability"

As part of the Group's portfolio management activities, the growth stage and external environment of each business unit will be taken into account before clearly establishing target profitability levels and key priorities. With this understanding, management resources can be re-distributed accordingly and the business can be restructured in an appropriate manner. At the head office level, an external consulting firm will be employed to assist in ways in which the Group can reduce indirect expenses.

Aggressive target levels will be set for the Group's leading business segments such as Machinery Components and Precision Machinery in order to drive high profitability levels. At the same time, baseline targets for all businesses, segments, product types and regions will be established. Through this, the Group will aim to transform itself into a highly profitable company with strong business units at its core.

(iii) "Persistent efforts for operational quality improvements"

(a) Improvements to Product Quality

The Group will implement a management style that puts quality first through such efforts as creating stronger cooperation between the Head Office and the various businesses to ensure that every effort is being made to increase product quality.

(b) Thorough Implementation of Compliance Measures

The Group firmly believes that ensuring compliance across all of its business activities is one of the most, if not the most, important responsibilities that it has. With this in mind various compliance-related training and education activities will be carried out across the Group for all directors and employees to ensure that recognition of the importance of compliance permeates.

(c) Safety-Related Activities

FY2016 marks the final year of implementing the second phase of the Group's Basic Health and Safety Improvement Plan. During this year, various activities to strengthen health and safety management functions, and promote the elimination of occupational injuries as well as health monitoring will be carried out with the aim to achieve the objectives set forth in the plan.

### **(3) Formulation of a New Medium-Term Management Plan**

As mentioned before, FY2016 marks the final year of implementing the current medium-term management plan, "MTMP16". Due to various factors including the murky outlook of global economic conditions and financial situation, along with the prospect of a long-term decline in the Chinese economy and the resultant stagnation of growth in emerging market economies, it will be difficult for the Group to achieve the financial objectives set forth in the original plan. Despite these difficult conditions, the Group is confident that it has made steady progress in achieving the key objectives of the plan which is to achieve "steady growth", "return to higher levels of profitability", and make "persistent efforts for operational quality improvements".

After taking into consideration the results of the MTMP16 and the changing operating environment, the Group will develop a new medium-term management plan and begin execution at the beginning of FY2017. Under the new management philosophy, the Group will put customers first, tackle changing conditions, and continue to be a machinery manufacturer that provides first-class products and services globally. By doing so, the Group will pursue its corporate mission of contributing towards the development of society. In order to achieve this, the Group intends to steadily execute and promote the above measures.



## **IV. Selection of Accounting Standards**

The Group plans to continue utilizing Japanese accounting standards for the foreseeable future. With regard to the use of international accounting standards in the future, the Group will take into account the situation across various domestic and international markets and take appropriate action if deemed necessary.

## V. Consolidated Financial Statements

### 1. Consolidated Balance Sheets

(Unit: million yen)

	End of Full Year As of March 31, 2015	End of Full Year As of March 31, 2016
	Amount	Amount
Assets		
Current assets		
Cash and deposits	57,423	65,804
Notes and accounts receivable	194,916	219,929
Marketable securities	35,000	5,000
Products	67,920	70,356
Works in progress	54,762	56,777
Raw materials and stock	31,154	29,137
Deferred income taxes	17,176	15,405
Other	34,852	32,268
Allowance for doubtful accounts	(1,202)	(1,674)
Total current assets	492,000	493,002
Fixed assets		
Tangible fixed assets		
Buildings and structures	151,984	154,038
Accumulated depreciation	(101,431)	(103,701)
Buildings and structures (net)	50,553	50,338
Machinery and transportation tools	167,445	167,859
Accumulated depreciation	(113,028)	(115,732)
Machinery and transportation tools (net)	54,417	52,127
Land	108,749	108,285
Construction in progress	3,288	3,302
Other	42,346	46,363
Accumulated depreciation	(31,053)	(32,645)
Other (net)	11,294	13,717
Total tangible fixed assets	228,302	227,769
Intangible fixed assets		
Other	9,333	11,219
Total intangible fixed assets	9,333	11,219
Investments and other assets		
Investment securities	29,509	25,987
Long-term loans	8,340	6,170

	End of Full Year As of March 31, 2015	End of Full Year As of March 31, 2016
	Amount	Amount
Deferred income taxes	9,607	13,153
Other	11,121	9,929
Allowance for doubtful accounts	(2,184)	(4,371)
Total investments and other assets	56,392	50,868
Total Fixed assets	294,027	289,857
Total assets	786,027	782,859

(Unit: million yen)

	End of Full Year As of March 31, 2015	End of Full Year As of March 31, 2016
	Amount	Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable	140,436	142,304
Short-term bank loans	42,110	42,708
Long-term loans due within one year	15,201	7,300
Income tax payable	8,590	6,919
Advance payments received on contracts	44,698	35,205
Allowance for guaranteed construction	7,985	9,092
Provision for loss on construction orders	1,518	1,739
Provision for loss on operations	3,542	3,970
Provision for loss on operation transfers	742	—
Allowance for compensatory damages	565	—
Other	47,385	45,682
<b>Total current liabilities</b>	<b>312,771</b>	<b>294,919</b>
<b>Fixed Liabilities</b>		
Bonds	10,000	10,000
Long-term debt due after one year	16,333	8,224
Provision for loss on operation transfers	161	115
Provision for loss on product liability claims	42	45
Defined benefit liability	46,162	51,623
Deferred income taxes on revaluation	22,293	21,027
Other	13,163	14,089
<b>Total fixed liabilities</b>	<b>108,155</b>	<b>105,123</b>
<b>Total liabilities</b>	<b>420,926</b>	<b>400,042</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	30,872	30,872
Capital surplus	23,789	25,354
Retained earnings	239,815	265,588
Treasury stock	(764)	(861)
<b>Total Shareholders' equity</b>	<b>293,712</b>	<b>320,953</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gains on securities	5,437	2,355
Profit (loss) on deferred hedge	(2,229)	(121)
Revaluation reserve for land	40,476	41,481

	End of Full Year As of March 31, 2015	End of Full Year As of March 31, 2016
	Amount	Amount
Foreign currency translation adjustments	26,641	21,558
Re-measurement of defined benefit plans	(3,957)	(9,607)
Total accumulated other comprehensive income	66,367	55,667
Non-controlling interests	5,022	6,197
Total net assets	365,101	382,817
Total liabilities and net assets	786,027	782,859

## 2. Consolidated Income Statements and Consolidated Statement of Comprehensive Income

### Consolidated Income Statements

(Unit: million yen)

	Previous Full Year April 1, 2014 to March 31, 2015	Current Full Year April 1, 2015 to March 31, 2016
	Amount	Amount
Net sales	667,099	700,838
Cost of sales	516,735	537,502
Gross income	150,364	163,337
Selling, general and administrative expenses	104,366	112,768
Operating income	45,998	50,568
Non-operating income		
Interest income	473	544
Dividend income	986	1,114
Investment gain on equity method	1,549	2,083
Gain on foreign currency exchange	1,807	—
Other	2,028	2,679
Total non-operating income	6,843	6,421
Non-operating expenses		
Interest expenses	2,148	1,829
Loss on foreign currency exchange	—	509
Other	5,580	5,519
Total non-operating expenses	7,728	7,858
Ordinary income	45,113	49,131
Extraordinary losses		
Compensation expenses	1,071	1,448
Loss on impaired assets	3,463	524
Business structure improvement costs	1,852	—
Total extraordinary losses	6,386	1,972
Income before income taxes	38,727	47,159
Corporate income tax current	16,622	15,074
Corporate income tax deferred	(2,235)	1,016
Total corporate income taxes	14,387	16,090
Net income	24,339	31,070
Net income (or loss) attributable to non-controlling interests	(9)	(2,063)
Net income attributed to shareholders of the parent company	24,348	33,133

**Consolidated Statement of Comprehensive Income**

(Unit: million yen)

	Previous Full Year April 1, 2014 to March 31, 2015	Current Full Year April 1, 2015 to March 31, 2016
	Amount	Amount
Net income	24,339	31,070
Other comprehensive income		
Unrealized gains on securities	1,682	(3,078)
Profit (loss) on deferred hedge	(1,886)	2,135
Revaluation reserve for land	2,275	1,174
Foreign currency translation adjustments	15,096	(5,211)
Adjustment to retirement benefits	(1,628)	(5,655)
Amount applied for equity method accounting of affiliates	44	(25)
Total other comprehensive income	15,582	(10,660)
Comprehensive income	39,922	20,410
(Breakdown)		
Comprehensive income relating to shareholders of the parent company	39,483	22,601
Comprehensive income relating to non- controlling interests	438	(2,192)

### 3. Consolidated Statements of Changes to Stockholders' Equity

Previous Full Year April 1, 2014 to March 31, 2015

(Unit: million yen)

	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Stockholders' equity
Balance at beginning of period	30,872	23,789	221,101	(632)	275,130
Cumulative effects of changes in accounting policies			(1,475)		(1,475)
Restated balance	30,872	23,789	219,626	(632)	273,655
Fluctuation in the period					
Dividends			(5,519)		(5,519)
Net income attributed to shareholders of the parent company			24,348		24,348
Acquisition of treasury stock				(135)	(135)
Disposal of treasury stock			0	3	3
Difference from transfer of revaluation reserve for land			72		72
Increase from addition of consolidated subsidiaries accompanying changes in scope of consolidation			1,287		1,287
Fluctuations other than stockholders' equity in the period (net)					
Total fluctuation in the period	—	—	20,189	(132)	20,057
Balance at end of period	30,872	23,789	239,815	(764)	293,712

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains on securities	Profit (loss) on deferred hedge	Revaluation reserve for land	Foreign currency translation adjustments	Re-measurement of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,753	(379)	38,272	11,993	(2,336)	51,304	4,626	331,059
Cumulative effects of changes in accounting policies								(1,475)
Restated balance	3,753	(379)	38,272	11,993	(2,336)	51,304	4,626	329,584
Fluctuation in the period								
Dividends								(5,519)
Net income attributed to shareholders of the parent company								24,348
Acquisition of treasury stock								(135)
Disposal of treasury stock								3
Difference from transfer of revaluation reserve for land								72
Increase from addition of consolidated subsidiaries accompanying changes in scope of consolidation								1,287
Fluctuations other than stockholders' equity in the period (net)	1,683	(1,850)	2,203	14,648	(1,621)	15,063	396	15,460
Total fluctuation in the period	1,683	(1,850)	2,203	14,648	(1,621)	15,063	396	35,516
Balance at end of period	5,437	(2,229)	40,476	26,641	(3,957)	66,367	5,022	365,101



**Current Full Year April 1, 2015 to March 31, 2016**

(Unit: million yen)

	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Stockholders' equity
Balance at beginning of period	30,872	23,789	239,815	(764)	293,712
Cumulative effects of changes in accounting policies					
Restated balance	30,872	23,789	239,815	(764)	293,712
Fluctuation in the period					
Dividends			(8,582)		(8,582)
Net income attributed to shareholders of the parent company			33,133		33,133
Acquisition of treasury stock				(99)	(99)
Disposal of treasury stock			0	1	2
Difference from transfer of revaluation reserve for land			169		169
Increase from addition of consolidated subsidiaries accompanying changes in scope of consolidation			1,053		1,053
Changes to parent company equity due to transactions with non-controlling shareholders		1,565			1,565
Fluctuations other than stockholders' equity in the period (net)					
Total fluctuation in the period	—	1,565	25,773	(98)	27,241
Balance at end of period	30,872	25,354	265,588	(861)	320,953

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains on securities	Profit (loss) on deferred hedge	Revaluation reserve for land	Foreign currency translation adjustments	Re-measurement of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,437	(2,229)	40,476	26,641	(3,957)	66,367	5,022	365,101
Cumulative effects of changes in accounting policies								
Restated balance	5,437	(2,229)	40,476	26,641	(3,957)	66,367	5,022	365,101
Fluctuation in the period								
Dividends								(8,582)
Net income attributed to shareholders of the parent company								33,133
Acquisition of treasury stock								(99)
Disposal of treasury stock								2
Difference from transfer of revaluation reserve for land								169
Increase from addition of consolidated subsidiaries accompanying changes in scope of consolidation								1,053
Changes to parent company equity due to transactions with non-controlling shareholders								1,565
Fluctuations other than stockholders' equity in the period (net)	(3,081)	2,108	1,005	(5,083)	(5,649)	(10,700)	1,175	(9,525)
Total fluctuation in the period	(3,081)	2,108	1,005	(5,083)	(5,649)	(10,700)	1,175	17,716
Balance at end of period	2,355	(121)	41,481	21,558	(9,607)	55,667	6,197	382,817

**4. Consolidated Cash Flows Statement**

(Unit: million yen)

	Previous Full Year April 1, 2014 to March 31, 2015	Current Full Year April 1, 2015 to March 31, 2016
<b>Cash flows from operating activities</b>		
Income before income taxes	38,727	47,159
Depreciation	16,281	19,720
Compensation expenses	1,071	1,448
Loss on impaired assets	3,463	524
Business structure improvement costs	1,852	—
Interest and dividend income	(1,459)	(1,658)
Interest expenses	2,148	1,829
Increase (decrease) in reserve amount	3,075	3,227
(Increase) decrease in notes and accounts receivable	6,458	(30,952)
(Increase) decrease in inventories	(4,526)	(6,452)
Increase (decrease) in notes and accounts payable	9,750	2,818
Other	1,984	(3,769)
<b>Subtotal</b>	<b>78,825</b>	<b>33,895</b>
Interest and dividends received	1,791	2,791
Interest expenses	(2,121)	(2,019)
Payments for income taxes	(16,324)	(16,353)
<b>Net cash provided by operating activities</b>	<b>62,170</b>	<b>18,315</b>
<b>Cash flows from investing activities</b>		
Cash outflow due to the acquisition of tangible and intangible fixed assets	(17,349)	(19,180)
Cash flow from the sale of tangible and intangible fixed assets	1,420	1,661
Proceeds from sale of securities	841	840
(Increase) decrease in short-term loans	1,297	23
Payments of loans receivable	(1,388)	(7)
Cash flow from loan recoveries	1,779	2,142
Other	(710)	(830)
<b>Net cash used in investing activities</b>	<b>(14,112)</b>	<b>(15,350)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans	(15,432)	2,550
Proceeds from long-term debt	4,771	2,300
Repayments for long-term debt	(18,859)	(17,995)
Cash flow from the issuance of corporate bonds	10,000	—
Cash outflow due to the repayment of corporate bonds	(10,000)	—
Cash dividends paid	(5,533)	(8,581)
Payment of dividends to non-controlling stockholders	(42)	(61)
Other	(1,793)	(2,002)
<b>Net cash used in financing activities</b>	<b>(36,889)</b>	<b>(23,789)</b>
Effect of exchange rate changes on cash and cash equivalents	2,812	(1,606)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>13,980</b>	<b>(22,430)</b>

	Previous Full Year April 1, 2014 to March 31, 2015	Current Full Year April 1, 2015 to March 31, 2016
Cash and cash equivalents at beginning of year	76,418	90,324
Increase due to new consolidated companies	46	731
Decrease in cash and cash equivalents due to the exclusion of consolidated subsidiaries	(120)	—
Cash and cash equivalents at end of year	90,324	68,625

## 5. Items of Special Note Concerning the Consolidated Financial Statements (Significant Events or Conditions that Question the Premise of a Going Concern)

There are no applicable items.

### (Changes to Accounting Policies)

The “Revised Accounting Standards for Business Combination” (Accounting Standards Board of Japan (ASBJ) Accounting Standard – ASBJ Statement No. 21 dated September 13, 2013; hereinafter referred to as the “Revised Business Combination Accounting Standards”), the “Revised Accounting Standard for Consolidated Financial Statements” (Accounting Standards Board of Japan (ASBJ) Accounting Standard – ASBJ Statement No. 22 dated September 13, 2013; hereinafter referred to as the “Revised Consolidated Financial Statements Accounting Standards”), and the “Revised Accounting Standards for Business Divestitures” (Accounting Standards Board of Japan (ASBJ) Accounting Standard – ASBJ Statement No. 7 dated September 13, 2013; hereinafter referred to as the “Revised Business Divestitures Accounting Standards”) have been adopted from the current consolidated fiscal year under review. Where control of certain subsidiaries continues under the new accounting standards, the differential change in equity of the Group is reported as additional paid-in capital. In addition, a change was made to account for acquisition-related costs as an expense item in the consolidated fiscal year where such costs are incurred.

Further, with regard to business combinations executed after the beginning of the current consolidated fiscal year under review, the allocated acquisition cost resulting from the provisional accounting of the item will now be reflected in the quarterly consolidated financial report for the quarter in which the business integration is completed. Moreover, the way in which quarterly net income is denoted has been changed, and the term minority interest has been changed to non-controlling interests. In order to reflect such changes, the quarterly consolidated financial statements and the full consolidated year financial statements for the previous consolidated fiscal year have been reclassified.

The implementation of the Revised Business Combination Accounting Standards has been carried out in accordance with Article 58-2(4) of the Revised Business Combination Accounting Standards, Article 44-5(4) of the Revised Consolidated Financial Statements Accounting Standards, and Article 57-4(4) of the Revised Business Divestitures Accounting Standards which allow for transitional treatment. The new standards have been adopted since the beginning of the current consolidated fiscal year under review.

As a result of the above, operating income and ordinary income has reduced by JPY206 million respectively for the current consolidated fiscal year under review. Net income before taxes and other adjustments also decreased by JPY1.771 million. The additional paid-in capital amount at the end of the current consolidated fiscal year under review increased by JPY1.565 million.

With regard to the Consolidated Statement of Cash Flow for the current consolidated fiscal year under review, the cash flow used to acquire shares of those subsidiaries that do not result in a change in the scope of consolidation is categorized under “cash flows from financing activities”. In addition, the expenses generated from the acquisition of shares of those subsidiaries that do not result in a change in the scope of consolidation are categorized under “cash flows from operating activities”.

The fiscal year-end balance of additional paid-in capital under the Consolidated Statement of Changes in Net Assets for the current consolidated fiscal year under review has increased by JPY1.565 million. The impact on a per-share basis is shown on the appropriate sections of the table.

**(Segment Information)**
**1. Summary of Reporting Segments**

The Group's reporting segments are based on those units within the Group where separate financial information is available and where the Group's Board of Directors periodically deliberates over such matters as the distribution of management resources and the financial performance of such segments.

The Group formulates a comprehensive international and domestic strategy for individual products and services for the head office and for each consolidated subsidiary, and executes such strategies at the operating level. Consequently, the Group comprises segments that are split by categories of products and services offered by the head office and consolidated subsidiaries. More specifically, the six reporting segments of the Group are "Machinery Components", "Precision Machinery", "Construction Machinery", "Industrial Machinery", "Ships", and "Environmental Facilities & Plants".

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 LCDs, forging press 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

**2. Information Regarding Net Sales, Profits, Assets, Liabilities, and Other Items by Reporting Segment**
**Previous Full Year (April 1, 2014, to March 31, 2015)**

(Unit: million yen)

Item \ Segment	A	B	C	D	E	F	Subtotal	Other <sup>1</sup>	Total	G <sup>2</sup>	H
Net sales											
(1) Sales to external customers	102,624	146,424	202,002	75,817	26,085	105,539	658,491	8,608	667,099	—	667,099
(2) Internal sales between segments or exchanges	2,060	1,497	16	1,020	103	614	5,309	3,073	8,382	(8,382)	—
Total	104,683	147,921	202,018	76,836	26,188	106,153	663,800	11,681	675,481	(8,382)	667,099
Segment profit (loss) <sup>3</sup>	6,635	13,527	11,949	5,758	(1,249)	7,537	44,158	1,874	46,031	(34)	45,998
Segment assets	110,995	147,656	230,131	61,668	51,407	72,648	674,504	52,339	726,843	59,184	786,027
Other categories											
Depreciation expense	4,320	3,219	6,655	859	289	672	16,015	266	16,281	—	16,281
Increase in tangible and intangible assets	2,899	4,464	9,317	1,115	552	1,609	19,958	712	20,670	—	20,670

**Segments:**

- A: Machinery Components
- B: Precision Machinery
- C: Construction Machinery
- D: Industrial Machinery
- E: Ships
- F: Environmental Facilities & Plants
- G: Adjustments
- H: Value included on the consolidated income statement

**Notes:**

1. "Other" represents businesses that are not included in the reporting segments. This includes the Group's real-estate businesses, software-related business, and other businesses.
2. Mainly due to the deletion of intersegment transactions
3. Segment profit or loss have been adjusted as compared to the operating income recorded in the Consolidated Income Statement.

**Current Full Year (April 1, 2015, to March 31, 2016)**

(Unit: million yen)

Item \ Segment	A	B	C	D	E	F	Subtotal	Other <sup>1</sup>	Total	G <sup>2</sup>	H
Net sales											
(1) Sales to external customers	107,614	154,556	201,916	87,939	28,974	109,706	690,706	10,133	700,838	—	700,838
(2) Internal sales between segments or exchanges	2,315	1,309	21	1,711	107	822	6,285	3,363	9,648	(9,648)	—
Total	109,929	155,865	201,937	89,650	29,081	110,528	696,990	13,496	710,486	(9,648)	700,838
Segment profit	8,929	18,718	4,409	9,977	967	5,787	48,788	1,843	50,631	(63)	50,568
Segment assets	109,506	154,722	222,088	82,027	52,988	67,688	688,999	61,204	750,203	32,743	782,946
Other categories											
Depreciation expense	4,570	3,673	8,205	1,366	531	777	19,122	599	19,720	—	19,720
Increase in tangible and intangible assets	4,267	5,387	8,814	1,616	1,248	1,412	22,744	976	23,721	—	23,721

**Segments:**

- A: Machinery Components
- B: Precision Machinery
- C: Construction Machinery
- D: Industrial Machinery
- E: Ships
- F: Environmental Facilities & Plants
- G: Adjustments
- H: Value included on the consolidated income statement

**Notes:**

1. "Other" represents businesses that are not included in the reporting segments. This includes the Group's real-estate businesses, software-related business, and other businesses.
2. Mainly due to the deletion of intersegment transactions
3. Segment profits have been adjusted as compared to the operating income recorded in the Consolidated Income Statement.

**(Per Share Information)**

	Previous Full Year April 1, 2014 to March 31, 2015	Current Full Year April 1, 2015 to March 31, 2016
Net assets per share	587.37 yen	614.51 yen
Net income per share	39.71 yen	54.51 yen

**Notes:**

1. The diluted net income per share is not listed because there are no dilutive shares.
2. As noted in the "Changes to Accounting Policies" section, the "Revised Accounting Standards for Business Combinations" has been adopted. As a result, the net asset per share has decreased by JPY0.34 and the net income per share has decreased by JPY2.89 for the current consolidated fiscal year under review.
3. The basis for calculating the net income per share is outlined below:

Item	Previous Full Year April 1, 2014 to March 31, 2015	Current Full Year April 1, 2015 to March 31, 2016
Net income attributed to shareholders of the parent company	24,348 million yen	33,133 million yen
Value not attributable to common stockholders	—	—
Net income attributed to shareholders of the parent company's holdings of common stock	24,348 million yen	33,133 million yen
Average number of outstanding shares for the term	613,122,000 shares	612,934,000 shares

**(Subsequent Events of Significant Importance)**

There are no applicable items.



## VI. Supplemental Information

### Orders Received, Sales, and Balance of Orders Received, by Segment

#### (1) Orders Received

(Unit: million yen)

Segment	April 1, 2014 to March 31, 2015		April 1, 2015 to March 31, 2016		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	104,690	14.1	105,047	15.3	357	0.3
Precision Machinery	154,625	20.9	154,571	22.5	(54)	(0.0)
Construction Machinery	206,461	27.9	197,060	28.7	(9,401)	(4.6)
Industrial Machinery	89,623	12.1	92,591	13.5	2,968	3.3
Ships	61,923	8.3	22,500	3.3	(39,423)	(63.7)
Environmental Facilities & Plants	113,406	15.3	106,089	15.5	(7,317)	(6.5)
Others	10,096	1.4	8,085	1.2	(2,010)	(19.9)
<b>Total</b>	<b>740,824</b>	<b>100.0</b>	<b>685,943</b>	<b>100.0</b>	<b>(54,881)</b>	<b>(7.4)</b>

#### (2) Sales

(Unit: million yen)

Segment	April 1, 2014 to March 31, 2015		April 1, 2015 to March 31, 2016		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	102,624	15.4	107,614	15.4	4,991	4.9
Precision Machinery	146,424	21.9	154,556	22.1	8,132	5.6
Construction Machinery	202,002	30.3	201,916	28.8	(86)	(0.0)
Industrial Machinery	75,817	11.4	87,939	12.5	12,122	16.0
Ships	26,085	3.9	28,974	4.1	2,889	11.1
Environmental Facilities & Plants	105,539	15.8	109,706	15.7	4,168	3.9
Others	8,608	1.3	10,133	1.4	1,525	17.7
<b>Total</b>	<b>667,099</b>	<b>100.0</b>	<b>700,838</b>	<b>100.0</b>	<b>33,740</b>	<b>5.1</b>

#### (3) Balance of Orders Received

(Unit: million yen)

Segment	End of Full Year As of March 31, 2015		End of Full Year As of March 31, 2016		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	30,734	7.8	28,167	7.5	(2,568)	(8.4)
Precision Machinery	47,404	12.1	47,419	12.6	15	0.0
Construction Machinery	33,712	8.6	28,856	7.6	(4,857)	(14.4)
Industrial Machinery	98,078	25.0	102,730	27.2	4,652	4.7
Ships	65,185	16.6	58,711	15.5	(6,474)	(9.9)
Environmental Facilities & Plants	113,542	28.9	109,925	29.1	(3,617)	(3.2)
Others	3,987	1.0	1,939	0.5	(2,047)	(51.4)
<b>Total</b>	<b>392,643</b>	<b>100.0</b>	<b>377,747</b>	<b>100.0</b>	<b>(14,895)</b>	<b>(3.8)</b>