

Sumitomo Heavy Industries, Ltd.

CONSOLIDATED FINANCIAL REPORT

For the Full Year Ended March 31, 2019

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, 2019
Presented May 8, 2019**

Sumitomo Heavy Industries, Ltd.

Listed exchanges	Tokyo Stock Exchange
Stock code	6302
Head office	Tokyo
President	Shinji Shimomura
URL	www.shi.co.jp
Inquiries	Michiko Watanabe General Manager, Corporate Communications Dept.
Telephone	+81 3 6737 2331
Scheduled date of ordinary shareholders' meeting	June 27, 2019
Scheduled date of payment of cash dividends	June 28, 2019
Scheduled date of securities report filing	June 27, 2019
Availability of supplementary explanatory materials for financial statement	Yes
Holding of meeting to explain financial statement	Yes (for analysts)

1. FY 2018 Consolidated Results (April 1, 2018, to March 31, 2019)

(1) Business Results

(Units: millions of yen)

	Current Full Term April 1, 2018 to March 31, 2019		Previous Full Term April 1, 2017 to March 31, 2018	
		% change		% change
Net sales	903,051	14.2	791,025	17.3
Operating income	75,244	7.6	69,921	44.4
Ordinary income	72,623	7.6	67,466	39.8
Net income attributed to shareholders of the parent company	45,650	31.7	34,660	3.1
Net income per share (yen)	372.56		282.83	
Fully diluted net income per share	—		—	
Return on equity (ROE, %)	10.3		8.4	
Return on assets (%)	7.9		8.0	
Ordinary income to net sales (%)	8.3		8.8	

Note: Comprehensive income:

Fiscal year ended March 31, 2019: 35,850 million yen, ((23.2)%)

Fiscal year ended March 31, 2018: 46,657 million yen, (45.8%)

Reference: Equity method investment profit and loss:

Fiscal year ended March 31, 2019: 70 million yen gain

Fiscal year ended March 31, 2018: 484 million yen gain

Note: We performed a reverse stock split at a ratio of 5 common shares for 1 common share on October 1, 2017. Net income per share for the current fiscal year was calculated on the assumption that the said reverse stock split was performed at the beginning of the previous consolidated fiscal year.

(2) Financial Position

(Units: millions of yen)

	End of Current Full Year March 31, 2019	End of Previous Full Year March 31, 2018
Total assets	954,051	894,835
Total net assets	465,001	444,964
Equity ratio (%)	47.5	48.2
Net assets per share (yen)	3,701.01	3,517.33

Reference: Equity:

Fiscal year ended March 31, 2019: 453,468 million yen

Fiscal year ended March 31, 2018: 431,008 million yen

Note: We performed a reverse stock split at a ratio of 5 common shares for 1 common share on October 1, 2017. Net assets per share were calculated on the assumption that the said reverse stock split was performed at the beginning of the previous consolidated fiscal year.

(3) Cash Flows

(Units: millions of yen)

	Current Full Term April 1, 2018 to March 31, 2019	Previous Full Term April 1, 2017 to March 31, 2018
Cash flows from operating activities	55,173	71,111
Cash flows from investing activities	(54,973)	(37,810)
Cash flows from financing activities	(13,314)	(10,146)
Cash and cash equivalents at end of period	69,776	85,503

2. Dividends

(Unit: yen)

	Year Ended March 31, 2018	Year Ended March 31, 2019	Year Ending March 31, 2020 (forecast)
Annual dividends per share			
First quarter	—	—	—
Second quarter	8.00	50.00	56.00
Third quarter	—	—	—
End of term	45.00	62.00	56.00
Annual dividends	—	112.00	112.00
Total dividends (million yen)	10,416	13,723	
Payout ratio (consolidated, %)	30.1	30.1	29.8
Net assets dividend yield (consolidated, %)	2.4	3.0	

Note: Pursuant to a 5 to 1 reverse stock split of common shares on October 1, 2017, the said reverse stock split was reflected in the amount of our year-end dividends for fiscal year ended March 2018. The second quarter-end dividend and the total annual dividend for the period ended March 2018, taking into consideration of the share consolidation, are 40 yen and 85 yen, respectively.

3. FY 2019 Consolidated Forecasts (April 1, 2019, to March 31, 2020)

(Units: millions of yen)

	Full Year April 1, 2019 to March 31, 2020	
		% change
Net sales	905,000	0.2
Operating income	72,000	(4.3)
Ordinary income	69,000	(5.0)
Net income attributed to shareholders of the parent company	46,000	0.8
Projected net income per share (yen)	375.43	

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: | None |
| (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, 2019 | 122,905,481 shares |
| As of March 31, 2018 | 122,905,481 shares |
| (ii) Number of treasury shares at end of fiscal period: | |
| As of March 31, 2019 | 379,953 shares |
| As of March 31, 2018 | 367,080 shares |
| (iii) Average number of shares during fiscal period: | |
| As of March 31, 2019 | 122,530,341 shares |
| As of March 31, 2018 | 122,547,151 shares |

Note: We performed a reverse stock split at a ratio of 5 common shares for 1 common share on October 1, 2017. We have calculated the fiscal year-end number of shares outstanding, the fiscal year-end number of treasury stock and the average number of shares during the fiscal year on the assumption that the said reverse stock split was performed at the beginning of the previous consolidated fiscal year.

The financial summary is outside the scope of external audit.

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 *Summary of Operating Performance for the Current Period Under Review* in the *Supplementary Materials* section beginning on page 7, and the section entitled *Future Outlook* on Page 9.

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I. Summary of Operating Performance

1. Summary of Operating Performance for the Current Period Under Review

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

In the current fiscal year, the Group operated in a business environment where worldwide demand for machinery increased gradually. In Japan, investment in plant and equipment showed steady increases as corporate earnings improved. In the overseas markets, US manufacturing production continued on a path of recovery thanks to improvements of domestic and overseas demand, while industrial production in China continued to be strong in general although the Chinese economy experienced a slowdown in its recovery process in the second half. On the negative side, the worsening trade disputes between the US and China, persistence of geopolitical risks, and emergence of concerns about exchange rates and finance in a part of emerging economies prolonged a state of uncertainty.

Amid this business environment, the Group moved forward with our “Medium-Term Management Plan 2019” to promote our policy priorities which include the active implementation of investment for growth, such as pursuing M&A opportunities and capital investments, and the active promotion of our CSR initiatives.

As a result, the Group’s orders and net sales in the current fiscal year increased to JPY952.2 billion and JPY903.1 billion, respectively, both reaching new records.

In terms of profitability, the Group posted operating income of JPY75.2 billion and ordinary income of JPY72.6 billion. Net income attributed to shareholders of the parent company for the current consolidated fiscal year under review came to JPY45.7 billion, setting a new record. Finally, the after-tax ROIC* ended at 10.5%.

With respect to improper inspections, etc. conducted in relation to products and services at the Company and other Group companies, we deeply apologize for the great inconvenience and anxieties caused to our shareholders. We take the incidents gravely and seriously, and have investigated the backgrounds and causes of the improper inspections, etc. by establishing a Special Investigation Committee that is chaired by an external director. Furthermore, in response to proposals made by the committee, we have formulated the Group’s recurrence prevention measures. Employees involved in the incidents have been punished strictly according to the corporate regulations and a part of executive officers surrendered a part of their remuneration.

* 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

The market for small-to-medium sized gear reducers trended positively and Lafert Group companies (such as Lafert S.p.A.) were consolidated into the Group as subsidiaries. As a result, both orders and sales increased. More specifically, orders increased by 16% as compared to the previous fiscal year to finish at JPY134.0 billion, while sales increased by 22% as compared to the previous fiscal year to finish at JPY133.4 billion. The segment posted an operating income of JPY11.1 billion, a 7% decrease as compared to the previous fiscal year.

(ii) Precision Machinery

With respect to the plastics machinery business, both orders and sales increased due to continuing high demand in China for electrical and electronics-related products and strong demand coming from Europe. For other precision machinery businesses, due to weak demand for a part of semiconductor-related models, orders decreased. However, sales increased because there were backlogs of orders from the previous fiscal year. As a result, orders increased by 1% to JPY191.5 billion, sales increased by 10% to JPY185.7 billion, and operating income decreased by 9% to JPY17.7 billion over the previous fiscal year, respectively.

(iii) Construction Machinery

With respect to the hydraulic excavator business, demand increased abroad, such as in China and North America, and this led to an increase in both orders and sales. As for the mobile crane business, the North American market trended towards recovery and demand in Japan was strong. Due to these and other factors, both orders and sales increased. As a result of the above, orders across the segment increased by 15% as compared to the previous fiscal year to finish at JPY305.3 billion, while sales increased by 12% as compared to the previous fiscal year to finish at JPY290.5 billion. The segment posted an operating income of JPY22.0 billion, a 26% increase as compared to the previous fiscal year.

(iv) Industrial Machinery

As demand from the electric utility and steel industries was strong in the material handling business, both orders and sales increased. Although orders fell in the other industrial machinery business due to a decrease in demand for industrial turbines, sales increased because demand for forging presses and others increased. As a result of the above, orders across the segment increased by 3% as compared to the previous fiscal year to finish at JPY90.8 billion, while sales increased by 12% as compared to the previous fiscal year to finish at JPY93.7 billion. The segment posted an operating income of JPY9.0 billion, a 2% increase as compared to the previous fiscal year.

(v) Ships

The market for vessels continued to be stagnant. In the current fiscal year, we received orders for three new vessels, one vessel less than in the previous fiscal year. Although we delivered four vessels, one vessel less than in the previous fiscal year, sales increased year-on-year due to an increase in vessel repair projects. As a result of the above, orders across the segment decreased by 8% as compared to the previous fiscal year to finish at JPY32.0 billion, while sales increased by 8% as compared to the previous fiscal year to finish at JPY41.4 billion. The segment also posted an operating income of JPY0.8 billion, a 12% increase as compared to the previous fiscal year.

(vi) Environmental Facilities & Plants

In the energy plant business, both orders and sales increased due partially to an increase in demand for biomass-fueled power generation plants and the consolidation of Sumitomo SHI FW Energie B.V. into the Group in the previous fiscal year. In the water treatment plant business, both orders and sales increased as we received orders for large-scale waste water treatment facilities and won long-term operation and maintenance contracts. As a result of the above, orders across the segment increased by 18% as compared to the previous fiscal year to finish at JPY191.3 billion, while sales increased by 24% as compared to the previous fiscal year to finish at JPY151.0 billion. The segment posted an operating income of JPY12.6 billion, a 32% increase as compared to the previous fiscal year.

(vii) Others

Orders decreased by 6% to JPY7.3 billion, sales decreased by 6% to JPY7.3 billion, and operating profits increased by 5% to JPY2.2 billion from the previous fiscal year, respectively.

2. Summary of Financial Condition for the Current Fiscal Year Under Review

Total assets increased by JPY59.2 billion to JPY954.1 billion from the end of the previous consolidated fiscal year as notes receivables and account receivables, inventories, and intangible fixed assets increased by JPY22.2 billion, JPY21.6 billion and JPY14.7 billion, respectively.

Total liabilities increased by JPY39.2 billion to JPY489.1 billion from the end of the previous consolidated fiscal year as advances received and interest-bearing liabilities increased by JPY10.0 billion and JPY9.1 billion, respectively. Please note that interest-bearing liabilities represented 7.7% of total assets, a 0.5-point rise from the previous fiscal year.

Net assets increased by JPY20.0 billion to JPY465.0 billion from the end of the previous consolidated fiscal year mainly due to an increase in retained earnings of JPY34.6 billion.

As a result of the above, the shareholders' equity ratio decreased by 0.7 points from the end of the previous consolidated fiscal year to finish at 47.5%.

3. Summary of Cash Flow Conditions during the Current Fiscal Year Under Review

The cash and cash equivalent balance at the end of the consolidated fiscal year under review stood at JPY69.8 billion, a decrease of JPY15.7 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 JPY55.2 billion (as compared to an increase in cash flow of JPY71.1 billion in the previous fiscal year). The main sources of cash flow were net income before taxes and other adjustments of JPY67.1 billion, as well as depreciation of JPY26.0 billion. Cash outflows primarily consisted of an increase in inventories by JPY22.4 billion and payment of corporate and other taxes amounting to JPY15.7 billion.

(Cash Flow from Investing Activities)

The decrease in cash flow as a result of investing activities was JPY55.0 billion (as compared to a decrease in cash flow of JPY37.8 billion in the previous fiscal year). The main reason for the cash outflow was JPY33.9 billion used to acquire fixed assets and JPY20.9 billion used to acquire shares of our subsidiary and make monetary contributions pursuant to a change in the scope of our consolidation.

(Cash Flow from Financing Activities)

The decrease in cash flow as a result of financing activities was JPY13.3 billion (as compared to a decrease in cash flow of JPY10.1 billion in the previous fiscal year). This was mainly due to dividends paid in the amount of JPY11.6 billion.

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

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Shareholders' equity ratio (%)	45.8	48.1	50.0	48.2	47.5
Shareholders' equity ratio on a market price basis (%)	61.4	36.4	59.7	55.3	46.0
Redemption period (years)	1.3	3.7	1.6	0.9	1.3
Interest coverage ratio (multiples)	29.3	9.1	28.9	72.5	51.2

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

4. Future Outlook

As of the publication date of this document, the outlook for the upcoming fiscal year ending March 31, 2020, is as follows:

Consolidated Results	Amount	As Compared to FY 2018
Sales	JPY905.0 billion	+0.2%
Operating income	JPY72.0 billion	(4.3%)
Ordinary income	JPY69.0 billion	(5.0%)
Net income attributed to shareholders of the parent company	JPY46.0 billion	+0.8%

(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.

5. Basic Policy on Earnings Appropriation and Dividend for the Consolidated Fiscal Year Under Review as well as the Fiscal Year Ending March 31, 2019

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. During the period of the "Medium-Term Management Plan 2019," the Group basically aims to maintain 30% as the consolidated dividend payout ratio.

Dividends for the fiscal year ended March 2019 will be JPY112 per share including an interim dividend of JPY50 per share. For the fiscal year ending March 2020, the Group is forecasting a dividend of JPY112 per share.

II. 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.

III. Consolidated Financial Statements and Key Explanatory Notes

1. Consolidated Balance Sheets

(Units: millions of yen)

	End of Full Year As of March 31, 2018	End of Full Year As of March 31, 2019
	Amount	Amount
Assets		
Current assets		
Cash and deposits	88,233	73,589
Notes and accounts receivable	269,409	291,578
Products	65,953	74,552
Works in progress	67,619	72,522
Raw materials and stock	33,828	41,971
Other	30,597	33,185
Allowance for doubtful accounts	(4,055)	(3,829)
Total current assets	551,584	583,568
Fixed assets		
Tangible fixed assets		
Buildings and structures	162,382	172,609
Accumulated depreciation	(109,157)	(115,147)
Buildings and structures (net)	53,225	57,462
Machinery and transportation tools	187,575	203,668
Accumulated depreciation	(131,279)	(142,832)
Machinery and transportation tools (net)	56,296	60,836
Land	107,826	107,720
Construction in progress	5,260	6,131
Other	53,035	54,550
Accumulated depreciation	(36,047)	(38,422)
Other (net)	16,988	16,128
Total tangible fixed assets	239,596	248,276
Intangible fixed assets		
Goodwill	18,030	24,049
Other	32,319	41,022
Total intangible fixed assets	50,349	65,071
Investments and other assets		
Investment securities	20,243	18,270
Long-term loans	4,466	3,812

	End of Full Year As of March 31, 2018	End of Full Year As of March 31, 2019
	Amount	Amount
Deferred income taxes	22,297	26,874
Other	11,824	13,493
Allowance for doubtful accounts	(5,524)	(5,314)
Total investments and other assets	53,306	57,136
Total Fixed assets	343,251	370,483
Total assets	894,835	954,051

(Units: millions of yen)

	End of Full Year As of March 31, 2018	End of Full Year As of March 31, 2019
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable	184,227	188,069
Short-term bank loans	33,516	23,444
Corporate bonds due within one year	—	10,000
Long-term loans due within one year	7,801	1,956
Commercial Paper	—	17,000
Income tax payable	5,726	11,453
Advance payments received on contracts	42,540	52,579
Allowance for guaranteed construction	13,478	13,339
Provision for loss on construction orders	5,451	6,309
Provision for loss on operations	228	—
Other	54,718	58,229
Total current liabilities	347,684	382,378
Fixed Liabilities		
Bonds	20,000	10,000
Long-term debt due after one year	2,864	10,912
Provision for loss on operation transfers	115	115
Provision for loss on product liability claims	40	39
Defined benefit liability	40,466	46,082
Deferred income taxes on revaluation	20,730	20,713
Other	17,972	18,812
Total fixed liabilities	102,187	106,673
Total liabilities	449,871	489,051
Net assets		
Shareholders' equity		
Capital stock	30,872	30,872
Capital surplus	25,267	26,071
Retained earnings	314,296	348,863
Treasury stock	(1,000)	(1,048)
Total Shareholders' equity	369,434	404,757
Accumulated other comprehensive income		

	End of Full Year As of March 31, 2018	End of Full Year As of March 31, 2019
	Amount	Amount
Unrealized gains on securities	5,406	3,871
Profit (loss) on deferred hedge	925	(318)
Revaluation reserve for land	40,831	40,820
Foreign currency translation adjustments	17,565	8,879
Re-measurement of defined benefit plans	(3,153)	(4,542)
Total accumulated other comprehensive income	61,574	48,711
Non-controlling interests	13,956	11,533
Total net assets	444,964	465,001
Total liabilities and net assets	894,835	954,051

2. Consolidated Income Statements and Consolidated Statement of Comprehensive Income

Consolidated Income Statements

(Units: millions of yen)

	Previous Full Year April 1, 2017 to March 31, 2018	Current Full Year April 1, 2018 to March 31, 2019
	Amount	Amount
Net sales	791,025	903,051
Cost of sales	598,285	693,128
Gross income	192,740	209,923
Selling, general and administrative expenses	122,819	134,679
Operating income	69,921	75,244
Non-operating income		
Interest income	559	915
Dividend income	993	825
Other	3,777	3,279
Total non-operating income	5,329	5,019
Non-operating expenses		
Interest expenses	1,023	1,082
Loss on foreign currency exchange	1,032	2,286
Patent related expenses	801	765
Other	4,928	3,507
Total non-operating expenses	7,784	7,640
Ordinary income	67,466	72,623
Extraordinary losses		
Loss on impaired assets	294	3,448
Loss on pension buyout	—	2,105
Loss on litigation-related settlement	14,480	—
Total extraordinary losses	14,774	5,553
Income before income taxes	52,692	67,070
Corporate income tax current	13,737	21,070
Corporate income tax deferred	1,505	(2,637)
Total corporate income taxes	15,241	18,433
Net income	37,451	48,637
Net income (or loss) attributable to non-controlling interests	2,791	2,987
Net income attributed to shareholders of the parent company	34,660	45,650

Consolidated Statement of Comprehensive Income

(Units: millions of yen)

	Previous Full Year April 1, 2017 to March 31, 2018	Current Full Year April 1, 2018 to March 31, 2019
	Amount	Amount
Net income	37,451	48,637
Other comprehensive income		
Unrealized gains on securities	1,277	(1,535)
Profit (loss) on deferred hedge	621	(1,240)
Revaluation reserve for land	7	—
Foreign currency translation adjustments	4,701	(9,168)
Adjustment to retirement benefits	2,595	(857)
Amount applied for equity method accounting of affiliates	6	13
Total other comprehensive income	9,207	(12,787)
Comprehensive income	46,657	35,850
(Breakdown)		
Comprehensive income relating to shareholders of the parent company	42,908	33,345
Comprehensive income relating to non-controlling interests	3,749	2,505

3. Consolidated Statements of Changes to Stockholders' Equity

Previous Full Year April 1, 2017 to March 31, 2018

(Units: millions of yen)

	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Stockholders' equity
Balance at beginning of period	30,872	25,267	289,587	(915)	344,810
Fluctuation in the period					
Dividends			(10,417)		(10,417)
Net income attributed to shareholders of the parent company			34,660		34,660
Acquisition of treasury stock				(86)	(86)
Disposal of treasury stock			1	1	2
Difference from transfer of revaluation reserve for land			465		465
Changes to parent company equity due to transactions with non-controlling shareholders					
Fluctuations other than stockholders' equity in the period (net)					
Total fluctuation in the period	—	—	24,709	(84)	24,624
Balance at end of period	30,872	25,267	314,296	(1,000)	369,434

(Units: millions of yen)

	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	4,128	320	41,289	13,824	(5,770)	53,791	10,570	409,171
Fluctuation in the period								
Dividends								(10,417)
Net income attributed to shareholders of the parent company								34,660
Acquisition of treasury stock								(86)
Disposal of treasury stock								2
Difference from transfer of revaluation reserve for land								465
Changes to parent company equity due to transactions with non-controlling shareholders								—
Fluctuations other than stockholders' equity in the period (net)	1,278	605	(458)	3,742	2,616	7,783	3,386	11,168
Total fluctuation in the period	1,278	605	(458)	3,742	2,616	7,783	3,386	35,792
Balance at end of period	5,406	925	40,831	17,565	(3,153)	61,574	13,956	444,964

Current Full Year April 1, 2018 to March 31, 2019

(Units: millions of yen)

	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Stockholders' equity
Balance at beginning of period	30,872	25,267	314,296	(1,000)	369,434
Fluctuation in the period					
Dividends			(11,641)		(11,641)
Net income attributed to shareholders of the parent company			45,650		45,650
Acquisition of treasury stock				(49)	(49)
Disposal of treasury stock		0		1	1
Difference from transfer of revaluation reserve for land			10		10
Changes to parent company equity due to transactions with non-controlling shareholders		804			804
Adjustment to retained earnings due to US tax reforms			548		548
Fluctuations other than stockholders' equity in the period (net)					
Total fluctuation in the period	—	804	34,568	(49)	35,323
Balance at end of period	30,872	26,071	348,863	(1,048)	404,757

	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	5,406	925	40,831	17,565	(3,153)	61,574	13,956	444,964	
Fluctuation in the period									
Dividends								(11,641)	
Net income attributed to shareholders of the parent company								45,650	
Acquisition of treasury stock								(49)	
Disposal of treasury stock								1	
Difference from transfer of revaluation reserve for land								10	
Changes to parent company equity due to transactions with non-controlling shareholders								804	
Adjustment to retained earnings due to US tax reforms								548	
Fluctuations other than stockholders' equity in the period (net)	(1,535)	(1,243)	(10)	(8,686)	(1,389)	(12,863)	(2,423)	(15,286)	
Total fluctuation in the period	(1,535)	(1,243)	(10)	(8,686)	(1,389)	(12,863)	(2,423)	20,037	
Balance at end of period	3,871	(318)	40,820	8,879	(4,542)	48,711	11,533	465,001	

4. Consolidated Cash Flows Statement

(Units: millions of yen)

	Previous Full Year April 1, 2017 to March 31, 2018	Current Full Year April 1, 2018 to March 31, 2019
Cash flows from operating activities		
Income before income taxes	52,692	67,070
Depreciation	23,003	25,975
Loss on pension buyout	—	2,105
Loss on impaired assets	294	3,448
Loss on litigation-related settlement	14,480	—
Interest and dividend income	(1,552)	(1,740)
Interest expenses	1,023	1,082
Increase (decrease) in reserve amount	4,178	597
(Increase) decrease in notes and accounts receivable	(3,776)	(11,622)
(Increase) decrease in inventories	(7,610)	(22,416)
Increase (decrease) in notes and accounts payable	16,475	2,972
Other	3,934	2,448
Subtotal	103,141	69,918
Interest and dividends received	1,553	2,028
Interest expenses	(981)	(1,078)
Amount paid for litigation-related settlement	(15,381)	—
Payments for income taxes	(17,221)	(15,696)
Net cash provided by operating activities	71,111	55,173
Cash flows from investing activities		
Cash outflow due to the acquisition of tangible and intangible fixed assets	(29,914)	(33,852)
Cash flow from the sale of tangible and intangible fixed assets	1,552	1,081
Expenses associated with the acquisition of shares in subsidiaries to change consolidation status	(14,547)	(20,908)
Expenses associated with the acquisition of shares in affiliated companies	(44)	(189)
Proceeds from sale of securities	3,911	—
Proceeds from the sale of investment securities	159	407
(Increase) decrease in short-term loans	6	139
Payments of loans receivable	(373)	(161)
Cash flow from loan recoveries	2,289	337
Other	(850)	(1,827)
Net cash used in investing activities	(37,810)	(54,973)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(3,740)	(12,615)
Increase (decrease) in commercial paper	(5,000)	17,000
Proceeds from long-term debt	3,563	9,642
Repayments for long-term debt	(1,709)	(8,944)

	Previous Full Year April 1, 2017 to March 31, 2018	Current Full Year April 1, 2018 to March 31, 2019
Proceeds from the issuance of corporate bonds	10,000	—
Cash dividends paid	(10,410)	(11,636)
Payment of dividends to non-controlling stockholders	(606)	(662)
Expenses associated with the acquisition of shares in subsidiaries without any change to the scope of consolidation	—	(5,166)
Other	(2,245)	(934)
Net cash used in financing activities	(10,146)	(13,314)
Effect of exchange rate changes on cash and cash equivalents	1,260	(2,613)
Net increase (decrease) in cash and cash equivalents	24,414	(15,728)
Cash and cash equivalents at beginning of year	61,017	85,503
Increase due to new consolidated companies	66	—
Increase in cash and cash equivalents pursuant to mergers	6	—
Cash and cash equivalents at end of year	85,503	69,776

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 in presentation methods)

The “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 of February 16, 2018) was applied starting from the beginning of the current consolidated fiscal year. As a result, the presentation methods were changed to include deferred income tax assets in the category of investments and other assets and deferred income tax liabilities in the category of fixed liabilities. Due to this, in the consolidated balance sheet for the previous consolidated fiscal year, “deferred income taxes” in the category of current assets decreased by 13,253 million yen, and “deferred income taxes” in the category of investments and other assets increased by 12,519 million yen. In addition, “other” in the category of current liabilities decreased by 36 million yen and “others” in the category of fixed liabilities decreased by 698 million yen.

It should be noted that total assets decreased by 734 million yen compared with the data before change, due to the effect of setting off deferred income tax assets against deferred income tax liabilities in terms of the same tax entity.

(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, 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, 2017, to March 31, 2018)

(Units: millions of yen)

Item \ Segment	A	B	C	D	E	F	Subtotal	Other ¹	Total	G ²	H
Net sales											
(1) Sales to external customers	109,396	169,405	260,457	83,790	38,291	121,885	783,224	7,801	791,025	—	791,025
(2) Internal sales between segments or exchanges	2,040	478	44	1,417	8	2,060	6,047	3,771	9,817	(9,817)	—
Total	111,436	169,883	260,501	85,207	38,299	123,945	789,271	11,572	800,843	(9,817)	791,025
Segment profit ³	11,847	19,462	17,448	8,810	742	9,531	67,840	2,067	69,907	14	69,921
Segment assets	123,909	187,158	235,905	75,957	61,147	133,730	817,806	50,632	868,437	26,398	894,835
Other categories											
Depreciation expense	4,228	4,529	9,428	1,718	810	1,727	22,439	564	23,003	—	23,003
Amortization of goodwill	—	417	414	111	—	335	1,277	—	1,277	—	1,277
Impairment loss	—	—	—	289	—	—	289	5	294	—	294
Investment in affiliates accounted for by the equity method	—	2,386	—	—	—	—	2,386	—	2,386	—	2,386
Increase in tangible and intangible assets	5,555	10,973	9,400	4,095	1,772	31,635	63,430	862	64,292	—	64,292

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 have been adjusted as compared to the operating income recorded in the Consolidated Income Statement.

Current Full Year (April 1, 2018, to March 31, 2019)

(Units: millions of yen)

Item \ Segment	A	B	C	D	E	F	Subtotal	Other ¹	Total	G ²	H
Net sales											
(1) Sales to external customers	133,426	185,688	290,472	93,737	41,443	150,951	895,716	7,335	903,051	—	903,051
(2) Internal sales between segments or exchanges	2,191	318	8	1,651	8	882	5,058	3,642	8,700	(8,700)	—
Total	135,617	186,006	290,480	95,387	41,451	151,832	900,774	10,976	911,750	(8,700)	903,051
Segment profit ³	11,069	17,682	21,957	8,955	830	12,565	73,058	2,180	75,238	6	75,244
Segment assets	165,368	195,393	245,701	73,346	68,081	134,094	881,984	47,627	929,611	24,440	954,051
Other categories											
Depreciation expense	5,603	5,395	9,442	1,744	1,149	2,083	25,416	559	25,975	—	25,975
Amortization of goodwill	664	537	414	122	—	460	2,197	—	2,197	—	2,197
Impairment loss	—	2,946	—	265	—	—	3,211	238	3,448	—	3,448
Investment in affiliates accounted for by the equity method	204	2,351	—	—	—	—	2,555	—	2,555	—	2,555
Increase in tangible and intangible assets	29,167	8,588	7,564	2,446	3,726	3,494	54,985	1,220	56,205	—	56,205

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, 2017 to March 31, 2018	Current Full Year April 1, 2018 to March 31, 2019
Net assets per share	3,517.33 yen	3,701.01 yen
Net income per share	282.83 yen	372.56 yen

Notes:

1. The diluted net income per share is not listed because there are no dilutive shares.
2. We performed a reverse stock split at a ratio of 5 common shares for 1 common share on October 1, 2017. Net assets per share for the current fiscal year were calculated on the assumption that the said reverse stock split was performed at the beginning of the previous consolidated fiscal year.
3. The basis for calculating the net income per share is outlined below:

Item	Previous Full Year April 1, 2017 to March 31, 2018	Current Full Year April 1, 2018 to March 31, 2019
Net income attributed to shareholders of the parent company	34,660 million yen	45,650 million yen
Value not attributable to common stockholders	—	—
Net income attributed to shareholders of the parent company's holdings of common stock	34,660 million yen	45,650 million yen
Average number of outstanding shares for the term	122,547 thousand shares	122,530 thousand shares

(Subsequent Events of Significant Importance)

There are no applicable items.

IV. Supplemental Information
Orders Received, Sales, and Balance of Orders Received, by Segment
(1) Orders Received

(Units: millions of yen)

Segment	April 1, 2017 to March 31, 2018		April 1, 2018 to March 31, 2019		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	115,130	13.3	134,018	14.1	18,888	16.4
Precision Machinery	190,545	22.1	191,545	20.1	1,000	0.5
Construction Machinery	265,209	30.7	305,320	32.1	40,110	15.1
Industrial Machinery	87,714	10.2	90,765	9.5	3,051	3.5
Ships	34,925	4.0	31,961	3.3	(2,964)	(8.5)
Environmental Facilities & Plants	162,743	18.8	191,321	20.1	28,579	17.6
Others	7,697	0.9	7,269	0.8	(428)	(5.6)
Total	863,964	100.0	952,199	100.0	88,235	10.2

(2) Sales

(Units: millions of yen)

Segment	April 1, 2017 to March 31, 2018		April 1, 2018 to March 31, 2019		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	109,396	13.8	133,426	14.8	24,030	22.0
Precision Machinery	169,405	21.4	185,688	20.5	16,283	9.6
Construction Machinery	260,457	32.9	290,472	32.2	30,015	11.5
Industrial Machinery	83,790	10.6	93,737	10.4	9,946	11.9
Ships	38,291	4.9	41,443	4.6	3,152	8.2
Environmental Facilities & Plants	121,885	15.4	150,951	16.7	29,066	23.8
Others	7,801	1.0	7,335	0.8	(466)	(6.0)
Total	791,025	100.0	903,051	100.0	112,025	14.2

(3) Balance of Orders Received

(Units: millions of yen)

Segment	End of Full Year As of March 31, 2018		End of Full Year As of March 31, 2019		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	36,580	6.6	37,172	6.2	592	1.6
Precision Machinery	77,383	14.0	83,241	13.8	5,858	7.6
Construction Machinery	58,099	10.5	72,947	12.1	14,848	25.6
Industrial Machinery	98,940	17.9	95,969	15.9	(2,971)	(3.0)
Ships	49,618	9.0	40,136	6.7	(9,482)	(19.1)
Environmental Facilities & Plants	231,093	41.8	271,464	45.1	40,370	17.5
Others	1,484	0.2	1,418	0.2	(66)	(4.4)
Total	553,197	100.0	602,346	100.0	49,149	8.9