

Medium-Term Management Plan 2019 (Power Transmission & Control Group)



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Summary of “Medium-Term Management Plan 2016”

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The achievement result of "Medium-Term Management Plan 2016"(MTP16)

■ "MTP16"

Unit : JPY billion

	FY2014			FY2015			FY2016			MTP16 Cumulative		
	Plan	Actual	Achievement Ratio	Plan	Actual	Achievement Ratio	Plan	Actual	Achievement Ratio	Plan	Actual	Achievement Ratio
Sales	105.0	102.6	97.7%	108.0	107.6	99.6%	110.0	98.6	89.7%	323.0	308.9	95.6%
Operating income	7.0	6.6	94.8%	8.5	8.9	105.1%	10.0	9.1	91.2%	25.5	24.7	96.8%
Operating income ratio	6.7%	6.4%	-	7.9%	8.3%	-	9.1%	9.2%	-	7.9%	8.0%	-

■ Previous MTP

Unit : JPY billion

	FY2011	FY2012	FY2013	Cumulative
	Actual	Actual	Actual	Actual
Sales	93.2	91.2	100.0	284.4
Operating income	4.2	2.8	5.9	12.9
Operating income ratio	4.5%	3.0%	5.9%	4.5%

Overview:

Earning power is almost at plan levels

During the implementation period of MTP16, sales grew by approximately 9% and operating income increased by almost 1.9x as compared to the previous MTP implementation period, indicating that our earning power has certainly increased.

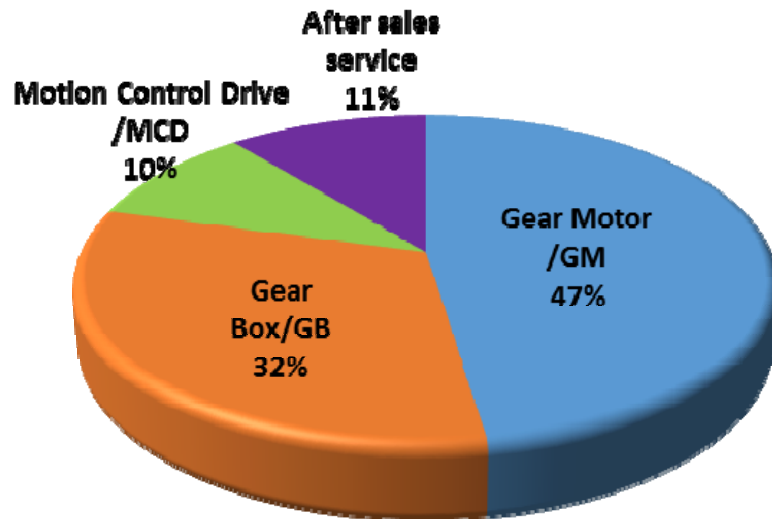
Operating income improved significantly due to profit improvement measures implemented at the product level and across the overseas and local operating locations.

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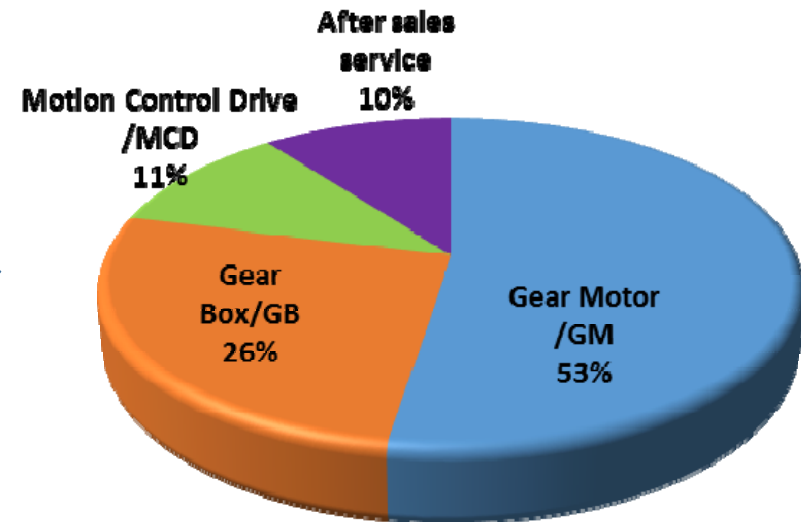
Net sales configuration by product type

Net sales configuration by product type

FY2014



FY2016



Gear motor (GM) : Gain 6 %

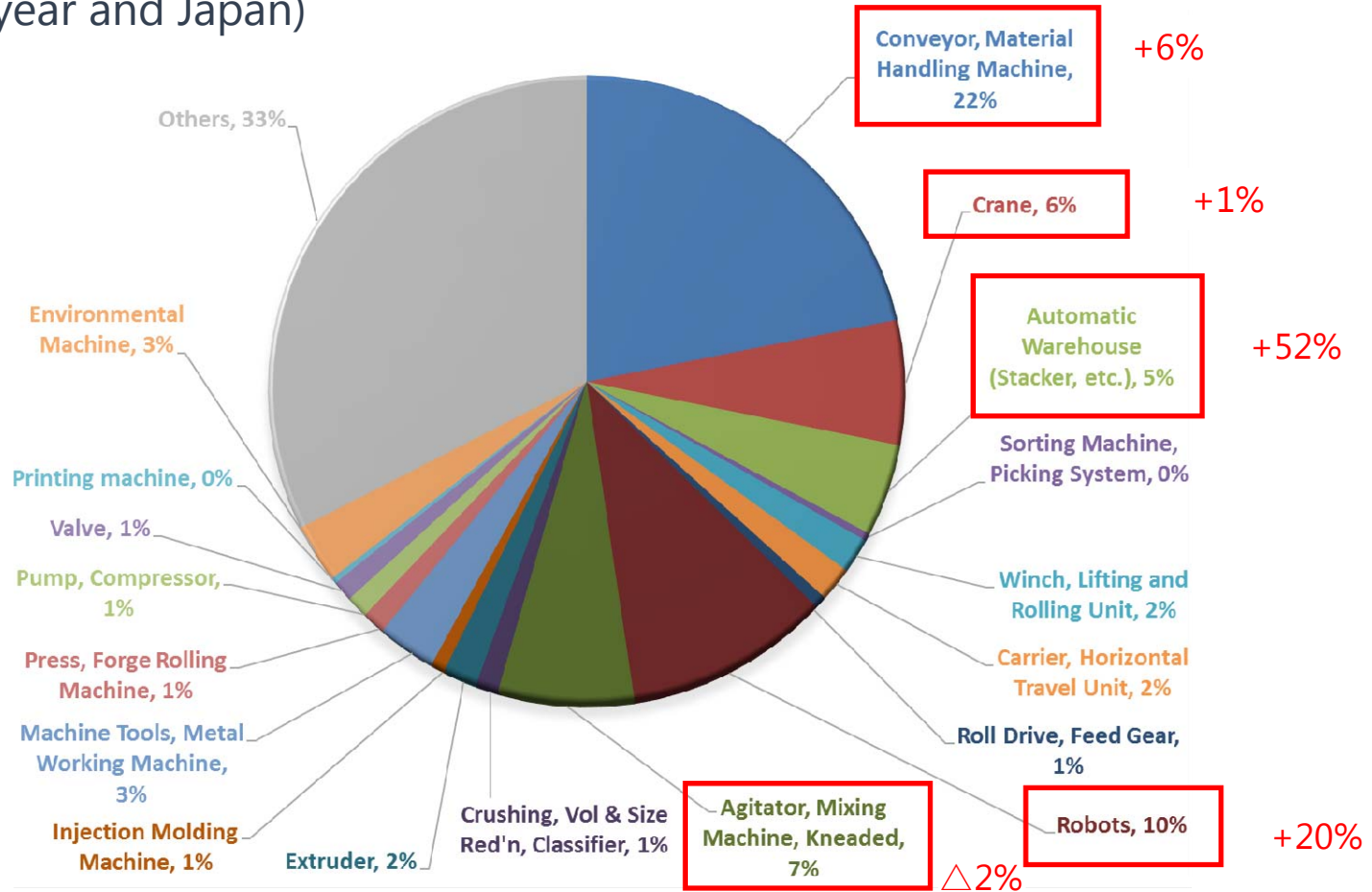
Gear box (GB) : Down 6 %

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Net sales configuration by application

Net sales configuration by application
(2016 Fiscal year and Japan)

FY2014 to FY2016
Net sales growth rate



No major variation in composition proportion.
Logistics, material handling or robotics market continued strong demand.

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Overview of “Medium-Term Management Plan 2019”

02

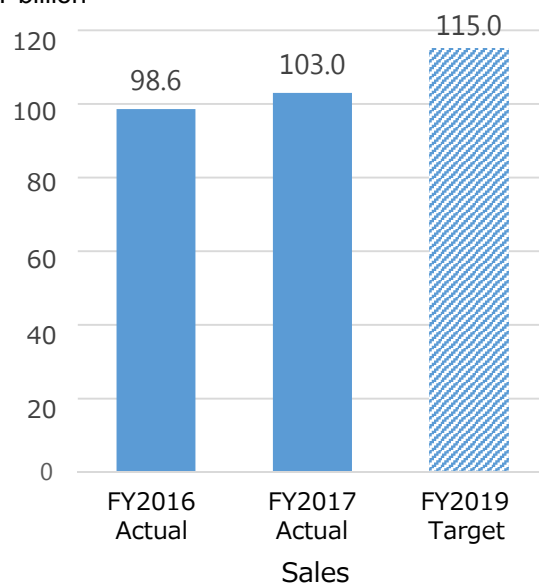
Financial targets of "Medium-term Management Plan 2019"
(MTP19)

■ "MTP19" Financial target

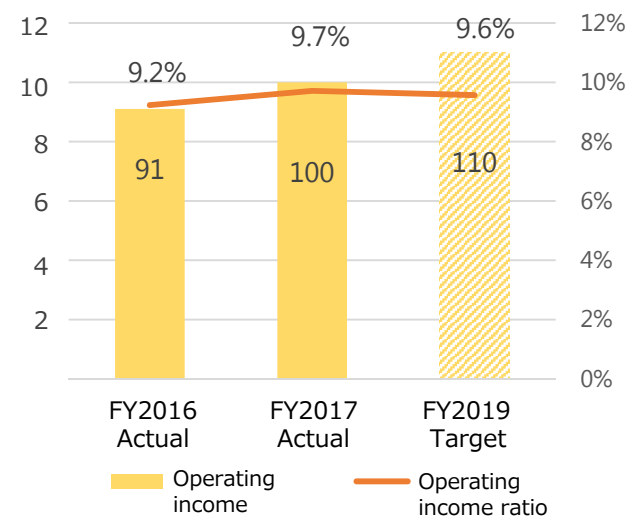
Unit : JPY billion

	FY2016	FY2017	FY2019
	Actual	Plan	Target
Net sales	98.6	103.0	115.0
Operating income	9.1	10.0	11.0
Operating income ratio	9.2%	9.7%	9.6%

Unit : JPY billion



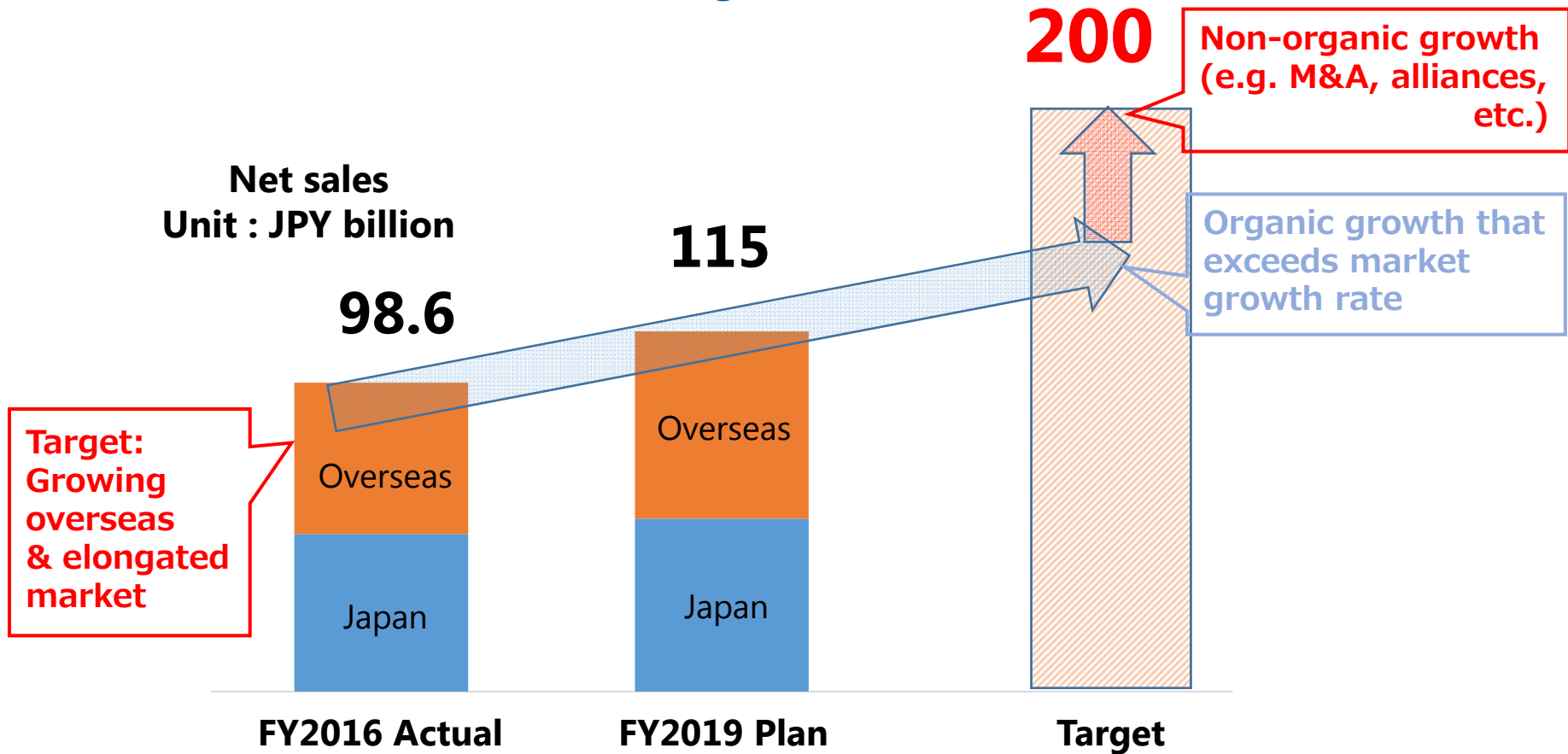
Unit : JPY billion



02

The vision of PTC Business growth

The vision of PTC business growth



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“Medium-Term Management Plan 2019” Outlook by region

■ Outlook by region

	Japan	America	EMEA	China	Southeast Asia Oceania
Demand outlook	<ul style="list-style-type: none"> Domestic production will be shifted to overseas in the future, although production levels are growing Conveyors and material handling, Logistic, FA, Robotics Industry is very active 	<ul style="list-style-type: none"> Demand from the logistics, airports and F&B sectors is strong. Mining-related demand looks to have bottomed out; recovery anticipated during the 2H of 2017 	<ul style="list-style-type: none"> Companies leading in the field of IoT (e.g. FA and robots) are driving the market forward 	<ul style="list-style-type: none"> Investment activities in automation are high and strong demand seen for robots, conveyors, FA Recovery of demand from the mining sector will begin from environmental countermeasures 	<ul style="list-style-type: none"> Indonesia, Malaysia and Thailand continues stagnation Agricultural-related demand is showing steady growth in line with population growth
*Demand estimates (CAGR 15-20)	GM : 2.3% GB : 0.4% (Incl. Asia Pacific)	GM : 2.3% GB : 0.6%	GM : 2.1% GB : 0.4%	GM : 2.3% GB : 0.4% (Incl. Asia Pacific)	
Net sales growth rate (CAGR FY16-FY19)	3.8%	9.1%	8.0%	10.2%	5.4%
Estimated market share	53%	North America:11% Latin America:8%	Europe:3%	5%	15%
Target segment	Logistic →	Logistic →	Factory Automation →	Factory Automation →	Agricultural →
	Port →	Food →	Power plant →	Automotive →	Water treatment →
	Automotive →	Mining →	Environment →	Power plant →	Power plant →

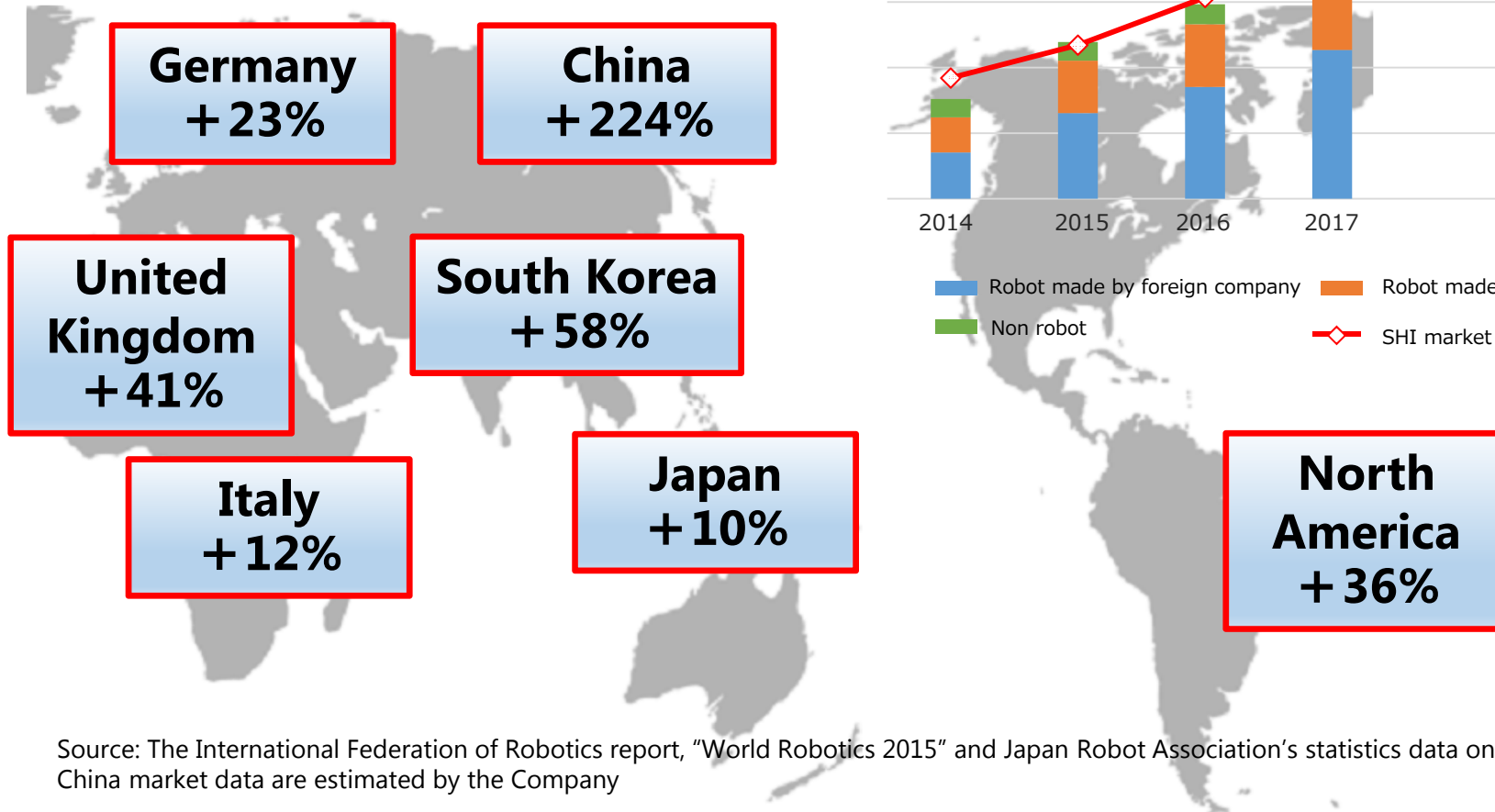
*Demand estimates are generated by the Company based on the IHS review report. Asia Pacific: Japan, China, Southeast Asia and Oceania

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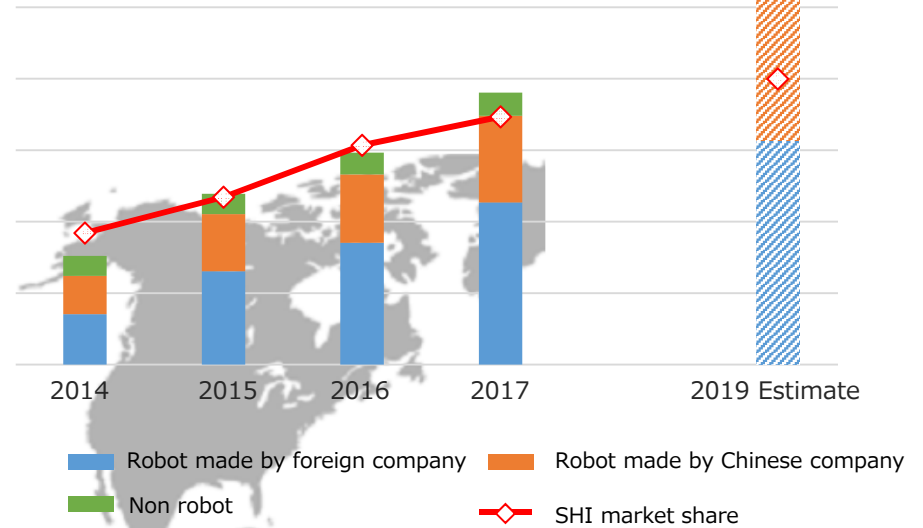
Install base growth rate of industrial robots by the world's major countries and regions

Install base growth rate of industrial robots

Year 2014 to 2018
Growth rate of the number



Precision gear reducer market in China

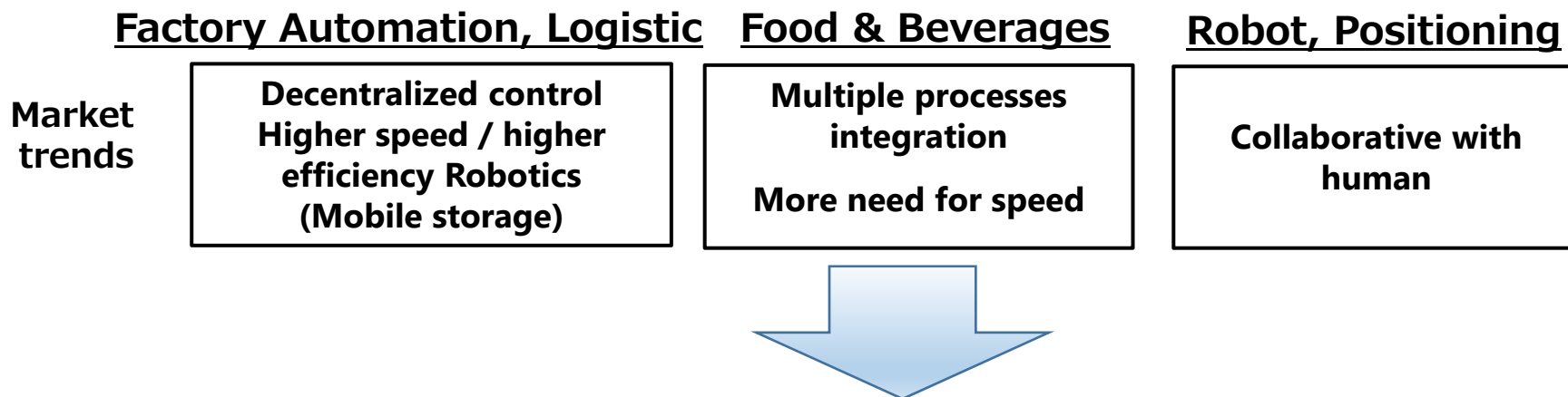


Source: The International Federation of Robotics report, "World Robotics 2015" and Japan Robot Association's statistics data on 2015
China market data are estimated by the Company

02

Market trends relating to Logistics, F&B and Robots

- Market trends relating to logistics, F&B and robots
 - In accordance with the full-fledged trend of IoT, customer demand is switching towards solutions providing, packaged products and intelligent devices
 - With the expansion of e-Commerce, qualitative changes and quantitative increases are being exhibited by the FA market
 - Open innovation momentum is increasing



■ The future vision of the PTC Group

- Shift from a "supplier of gear reducers" to a "solutions provider"
- Make the investments necessary for growth during the implementation period of the MTP19
- Actively seek out technology deficiencies through M&A and alliances

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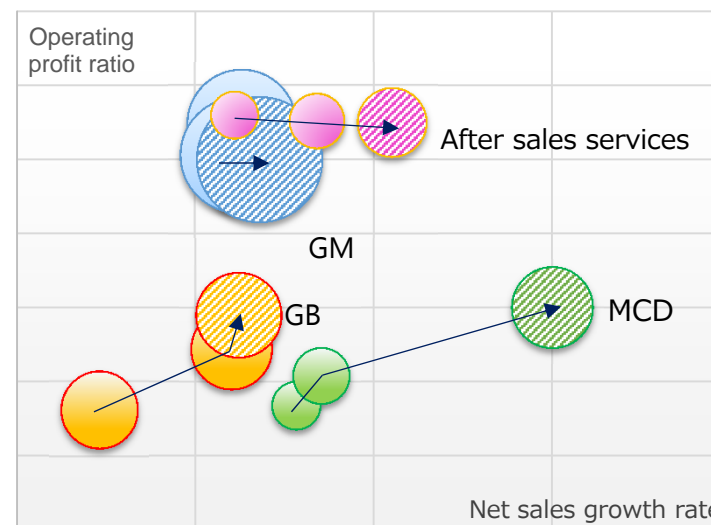
Basic concept of the roles and investments of business unit

■ Basic concept of the roles and investments of business unit

Business Unit	Role	Main business challenges and investments	Net sales growth rate (FY2016 to FY2019)
GM	High Profitability	Each GM plant to undergo a plant transformation (increase precision, achieve further automation (IoT compatibility), etc.)	112%
MCD	Growth	Track and follow market trends (increase precision, achieve compatibility with mass production processes, develop new products, etc.)	135%
GB	Stable Profit	Stabilize profitability of each GB plant	110%
After sales services	Contribution to earnings	Increase ability to meet customer needs on a global scale (expand the number of service locations)	134%

■ Sales and operating profit by business unit

- Bubble represents the sales scale (FY2016 Actual → FY2019 Plan → Target)
- Net sales growth rate (FY2013 → FY2016 → FY2019 Plan → Target)





All forward-looking statements regarding the company's future performance are based on information currently available to Sumitomo Heavy Industries and determined subjectively. Future performance is not guaranteed and all information related to future performance contained herein is subject to changes in business environments.