Sumitomo Heavy Industries, Ltd.

CONSOLIDATED FINANCIAL REPORT

For the Full Year Ended March 31, 2014

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

Summary of Consolidated Financial Results

For the Full Year Ended March 31, 2014

Presented May 8, 2014

Sumitomo Heavy Industries, Ltd.

Listed exchanges	Tokyo Stock Exchange
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Scheduled date of ordinary shareholders' meeting	June 27, 2014
Scheduled date of payment of cash dividends	June 30, 2014
Scheduled date of securities report filing	June 27, 2014
Availability of supplementary explanatory materials for financial statement	Yes
Holding of meeting to explain financial statement	Yes (for analysts)

1. FY 2013 Consolidated Results *(April 1, 2013, to March 31, 2014)*

(1) Business Results

(Unit: million yen)

	Current Full Term April 1, 2014 to March 31, 2013		Previous Full Term April 1, 2013 to March 31, 2012	
		% change		% change
Net sales	615,271	5.0	585,871	(6.1)
Operating income	34,329	9.7	31,288	(33.6)
Ordinary income	33,000	6.5	30,997	(30.5)
Net income	17,891	205.1	5,865	(69.9)
Net income per share (yen)	29.17		9.56	
Fully diluted net income per share	—		—	
Return on equity (ROE, %)	5.8		2.1	
Return on assets (%)	4.8		4.6	
Ordinary income to net sales (%)	5.6		5.3	

Note: Comprehensive income:

Fiscal year ended March 31, 2014: 42,210 million yen (167.4%)

Fiscal year ended March 31, 2013: 15,784 million yen (-18.9%)

Reference: Equity method investment profit and loss:

Fiscal year ended March 31, 2014: (1,201 million yen gain)

Fiscal year ended March 31, 2013: (578 million yen gain)

(2) Financial Position

(Unit: million yen)

	End of Current Full Year March 31, 2014	End of Previous Full Year March 31, 2013
Total assets	724,182	647,724
Net assets	331,059	292,826
Equity ratio (%)	45.1	44.6
Net assets per share (yen)	532.28	470.69

Reference: Equity:
Fiscal year ended March 31, 2014: 326,433 million yen
Fiscal year ended March 31, 2013: 288,849 million yen

(3) Cash Flows

(Unit: million yen)

	Current Full Year April 1, 2013 to March 31, 2014	Previous Full Year April 1, 2012 to March 31, 2013
Cash flows from operating activities	63,611	2,660
Cash flows from investing activities	(27,622)	(19,660)
Cash flows from financing activities	(9,498)	(11,428)
Cash and cash equivalents at end of period	76,418	46,476

2. Dividends

(Unit: yen)

	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ending March 31, 2015 (forecast)
Annual dividends per share			
First quarter	—	—	—
Second quarter	4.00	3.00	4.00
Third quarter	—	—	—
End of term	4.00	4.00	5.00
Annual dividends	8.00	7.00	9.00
Total dividends (million yen)	4,909	4,293	
Payout ratio (consolidated, %)	83.7	24.0	29.1
Net assets dividend yield (consolidated, %)	1.7	1.3	

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

(Unit: million yen)

	Second Quarter (Cumulative) April 1, 2014 to September 30, 2014		Full Year April 1, 2014 to March 31, 2015	
		% change		% change
Net sales	300,000	9.9	650,000	5.6
Operating income	12,000	43.4	37,000	7.8
Ordinary income	10,500	34.1	33,500	2.1
Net income	5,500	62.9	19,000	7.0
Projected net income per share (yen)	8.97		30.98	

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, 2014	614,527,405 shares
As of March 31, 2013	614,527,405 shares

(ii) Number of treasury shares at end of fiscal period:

As of March 31, 2014	1,248,184 shares
As of March 31, 2013	857,899 shares

(iii) Average number of shares during fiscal period:

As of March 31, 2014	613,410,540 shares
As of March 31, 2013	613,696,384 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 business performance in the *Supplementary Materials* section beginning on page 6.

Supplementary Materials – Table of Contents

I. Results of Operations

1. Analysis of Operating Results

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

During the consolidated fiscal year under review, the overall Japanese economy showed signs of recovery due to factors such as the weaker Japanese Yen, and the increase in public- as well as private-sector capital investments. On the other hand, the overall direction of the global economy outside of Japan remained unclear as partial signs of recovery in the U.S. market were outweighed by the slowdown of emerging markets such as China and India, which drove global economic growth, and the delayed recovery of the Eurozone.

Set against this economic backdrop, the Sumitomo Heavy Industries Group (hereinafter referred to as the “Group”) positioned the current consolidated fiscal year under review as the Group’s turnaround year and implemented organizational reforms across all business divisions. In addition, it focused on improving product quality further in order to strengthen the foundation for future expansion. As a result of these efforts, the figures for orders, sales, operating income, ordinary income and net income for the current consolidated fiscal year under review exceeded those of the previous fiscal year.

The current consolidated fiscal year under review also marked the final implementation year of the Innovation 21 Medium-Term Management Plan. With this in mind, the Group raised the following as key initiatives:

(i) Enhance and Effectively Use the Group’s Global Network

Measures were implemented to maximize the performance of the Group’s global network of manufacturing, sales and service capabilities in various markets around the world.

In the power transmission business, the Group unified functional capabilities as highlighted in the integration of Hansen Industrial Transmission NV’s (the Group’s Belgian subsidiary) locations in North America and Australia with the Group’s other locations in these countries.

In the hydraulic excavator business, by improving links between the Tangshan (China), Indonesia and domestic plants, the Group strengthened its ability to respond to market fluctuations in each geography and stabilized profit margins.

(ii) Develop and Market Innovative Products (Product Innovation)

The Group continues to focus on developing “Green Products” that aim to reduce the load on the earth’s environment. During the consolidated fiscal year under review, the "Sumijetter® II", a sloped-ejection type grit jet pump designed for wastewater treatment plants, as well as the “SH200-6”, a hydraulic excavator that differentiates between operating modes, received the Chairman’s Award at the 2013 (34th) Excellence in Energy Efficient Equipment Ceremony which was held by the Japan Machinery Federation. The Sumijetter® II provides for an approximate 40% reduction in energy consumption and CO_2 emissions as compared to traditional models. In addition, the Group also commenced the sale of a model of SH200-6 that is equipped with hybrid machinery that is able to achieve a 15% reduction in fuel consumption as compared to the existing standard model.

(iii) Introduce Innovation into Manufacturing, Sales, and Business Execution (Process Innovation)

The Group has continued to engage in process innovation across all phases of the product life cycle including product planning, development and design, manufacturing, sales and after-sales service. In the field of product planning, the market development aspects of the process were strengthened to ensure that world-class products that boast top notch quality are created. As for product development and design, the Group implemented measures to reduce design lead times and minimize man-hours as part of its design process innovation measures. With regard to manufacturing, the Group worked to implement manufacturing reform activities based on the principles of the Toyota Production System (TPS), and shortened manufacturing lead times. Finally, within the sales and after-sales service functions, the Group promoted a common approach across the entire company to attract new customers as well as strengthen the relationship with existing customers with the aim to increase the number of orders for high-margin products.

(iv) Implement Structural Reforms Across the Entire Group Business

The Group implemented structural reforms across the entire Group business with a particular focus on the industrial machinery-related businesses. More specifically, the Logistics & Parking Systems Division went through an absorption-type company split whereby the operations of this division were succeeded by Sumitomo Heavy Industries Material Handling Systems Co., Ltd., a wholly owned subsidiary of the Group that manufactures material handling equipment. In addition, Sumitomo Heavy Industries Techno-Fort Co., Ltd., a wholly-owned subsidiary that manufactures forging presses, also went through an absorption-type company split whereby the operations of this company were merged into the Group's quantum equipment business. Through such structural reform measures across the entire Group business, a system that allows for the strategic allocation of management resources was established.

(v) Measures taken in the Ships Business

The Group prioritized improvements to profitability above everything else in its ships business. With this in mind, the Group looked to maintain the minimum level of shipbuilding infrastructure necessary to sustain business continuity. During the fiscal year under review, the Group received orders for five new vessels as market conditions in the shipbuilding industry showed signs of gradual improvement.

(vi) Thoroughly Implement Compliance Measures

In line with the Group's guiding principle of "Prioritizing Compliance Above All Else", the Group has made various and repeated efforts to ensure that the importance of compliance is understood across the entire Group.

During the consolidated fiscal year under review, to strengthen the compliance framework of its growing overseas business units, compliance-related training was conducted for the directors and executives of subsidiaries located in Southeast Asia and China. In Japan, compliance training was carried out for employees posted overseas. At the same time, educational seminars on the antitrust laws of Japan and overseas countries were also held. Last but not least, training sessions on the prevention of "power harassment" as well as "compliance in discussion methods" were also held.

As previously disclosed, the Ministry of Defense (MOD) suspended all orders from the Group's defense systems business (from December 18, 2013 to May 17, 2014) as a result of a discovery that inappropriate actions were taken during the manufacturing process of machine guns designated for the MOD. The Group fully accepted the gravity of the situation and immediately set up an internal investigation committee that looked into the background of the issue as well as the reasons for the occurrence. For those that participated in these inappropriate actions, disciplinary action was taken. In addition, the remuneration of a few directors was also clawed back. Moreover, the Group voluntarily agreed to rectify any product that is deemed to be defective as a result of the inappropriate action taken by a certain number of employees.

The Group has formulated and submitted a Future Recurrence Prevention Plan to the MOD that includes measures to clarify the manufacturing processes associated with its defense equipment. In addition, the plan calls for the establishment of an internal quality management system to prevent the delivery of non-conforming products. This plan is already being implemented in phases. Moreover, the Company is re-emphasizing compliance education across its entire employee base.

As a result of the above, the fiscal year under review saw orders increase by 20% from the previous fiscal year to finish at JPY658.2 billion and sales also increase by 5% from the previous fiscal year to finish at JPY615.3 billion on a consolidated basis.

From the standpoint of profit and loss, mainly as a consequence of improved sales figures, the fiscal year under review saw operating income increase by 10% from the previous fiscal year to finish at JPY34.3 billion, ordinary income increase by 6% from the previous fiscal year to finish at JPY33.0 billion, and net income increase by 205% from the previous fiscal year to finish at JPY17.9 billion, all on a consolidated basis. Finally, after-tax ROIC* was 4.8%.

On a non-consolidated basis, the fiscal year under review saw orders finish at JPY194.2 billion and sales finish at JPY160.3 billion. Further, the Group posted a non-consolidated operating income of JPY1.9 billion, a non-consolidated ordinary income of JPY10.8 billion and a non-consolidated net income of JPY11.3 billion for the fiscal year under review.

* The ROIC (return on invested capital) for the Group is calculated based on the following formula:

$$\text{ROIC}=\frac{(\text{operating income + interest income / dividend income}) \times 55\%\ (1 - \text{effective tax rate})}{(\text{average shareholder equity for the fiscal year}) + (\text{average interest-bearing liabilities for the fiscal year})}$$

(2) Group Results by Segment

(i) Machinery Components

The recovery of overseas markets as well as the strong demand in the domestic market for gear motors designed for general machinery resulted in improvements for both sales and orders.

In actual figures, the segment as a whole saw orders increase by 10% as compared to the previous fiscal year to finish at JPY98.5 billion and sales increase by 10% as compared to the previous fiscal year to finish at JPY100.0 billion. The segment also posted operating income of JPY5.9 billion, a 112% improvement as compared to the previous fiscal year.

(ii) Precision Machinery

With respect to the plastics machinery business, strong market conditions in the electronic and electrical sectors primarily in Asia as well as improved market conditions in Europe resulted in gains to both sales and orders. Other businesses in this segment posted mixed figures with strong demand for cryogenic coolers. As a result, orders and sales stay as same level as the previous year as a whole.

In actual figures, the segment as a whole saw orders increase by 13% as compared to the previous fiscal year to finish at JPY134.5 billion, and sales increase by 7% as compared to the previous fiscal year to finish at JPY133.5 billion. In addition, the segment posted an operating income of JPY8.7 billion, a 1% decrease as compared to the previous fiscal year.

(iii) Construction Machinery

The hydraulic excavator business posted increases in both orders and sales due to the upturn in the Japanese market and the robust level of demand from the overseas markets. Boosted by strong demand from North America, the construction crane business also followed suit with an increase in both orders and sales.

In actual figures, the segment as a whole saw orders improve by 28% as compared to the previous fiscal year to finish at JPY193.3 billion, and sales increase by 26% as compared to the previous fiscal year to finish at JPY192.5 billion. In addition, the segment posted an operating income of JPY10.3 billion, a 68% increase as compared to the previous fiscal year.

(iv) Industrial Machinery

In the turbine and pump business, orders increased as compared to the previous fiscal year due to strong conditions in the domestic biomass-fueled power generation facilities market. However, sales fell as compared to the previous fiscal year mainly due to a low amount of orders carried forward from previous periods.

The materials handling equipment business also saw an increase in orders as compared to the previous fiscal year as both the domestic and overseas market for power generation facilities-related equipment trended positively. However, sales fell as compared to the previous fiscal year due to the low amount of orders carried forward from previous periods.

In actual figures, the segment as a whole saw orders increase by 6% as compared to the previous fiscal year to finish at JPY84.5 billion, and sales fall by 6% as compared to the previous fiscal year to finish at JPY78.8 billion. In addition, the segment posted an operating income of JPY4.1 billion, a 7% decrease as compared to the previous fiscal year.

(v) Ships

As market conditions in the Ship segment continues to recover, five new ship orders were received during the current consolidated fiscal year under review, representing an increase of four ship orders as compared to the previous fiscal year. However, in terms of sales, only one vessel was handed over during the current consolidated fiscal year under review, four below the total from the previous fiscal year.

In actual figures, the segment as a whole saw orders increase by 159% as compared to the previous fiscal year to finish at JPY31.7 billion, and sales fall by 68% as compared to the previous fiscal year to finish at JPY14.8 billion. In addition, the segment posted an operating loss of JPY3.0 billion.

(vi) Environmental Facilities & Plants

The energy plant business saw an increase in both orders and sales as compared to the previous fiscal year mainly due to the high level of activity in the domestic biomass-fueled power generation boiler market. The water treatment plant business also saw an increase in both orders and sales as a result of buoyant market conditions for products in this sector.

In actual figures, the segment as a whole saw orders increase by 14% as compared to the previous fiscal year to finish at JPY104.2 billion, and sales increase by 10% as compared to the previous fiscal year to finish at JPY86.2 billion. In addition, the segment posted an operating income of JPY6.2 billion, an increase of 11% as compared to the previous fiscal year.

(3) Outlook for the Upcoming Fiscal Year (Ending March 31, 2015)

The economic environment that forms the backdrop of the Group's business remains unclear. On one hand, the domestic Japanese economy is on a path of recovery. On the other hand, overseas markets have seen a slowdown in the growth of emerging markets such as China and India, as well as the delayed recovery of the Eurozone from its debt crisis.

In this type of environment, the Group is focusing its efforts on the three pillars of growth, "Globalization (Expansion)", "Innovation (Change)" and "Group Synergies (Connect)" in line with the strategies set forth in the new medium-term management plan entitled "Medium-Term Management Plan 2016", which will be initiated during FY2014.

As of the publication date of this document, the outlook for the upcoming fiscal year ending March 31, 2015, is as follows:

Consolidated Results	Amount	As Compared to FY 2013
Sales	JPY650.0 billion	+5.6%
Operating income	JPY37.0 billion	+7.8%
Ordinary income	JPY33.5 billion	+1.5%
Net income	JPY19.0 billion	+6.2%

(The above figures are calculated at an exchange rate of JPY100 and JPY135 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 consolidated fiscal year under review stood at JPY724.2 billion, an increase of JPY76.5 billion from the end of the previous consolidated fiscal year. This was mainly due to increases of JPY20.0 billion in cash and deposits, JPY8.7 billion in accounts and notes receivable, JPY5.0 billion in inventory assets, and JPY9.6 billion in tangible fixed assets.

Total liabilities at the end of the consolidated fiscal year under review stood at JPY393.1 billion, an increase of JPY38.2 billion from the end of the previous consolidated fiscal year. This was mainly due to increases of JPY10.6 billion notes and accounts payable, and JPY8.9 billion in interest-bearing liabilities (the ratio of outstanding interest-bearing debt to total assets improved by 0.4% to 14.8%).

Net assets at the end of the consolidated fiscal year under review stood at JPY331.1 billion, an increase of JPY38.2 billion from the end of the previous consolidated fiscal year. This was mainly due to increases of JPY13.5 billion in retained earnings, and JPY21.5 billion in the foreign currency translation adjustment.

Consequently, the shareholders' equity ratio for the consolidated fiscal year under review improved by 0.5 points from the end of the previous consolidated fiscal year to finish at 45.1%.

(2) Cash Flow Conditions

The cash and cash equivalent balance at the end of the consolidated fiscal year under review stood at JPY76.4 billion, an increase of JPY29.9 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)

Cash flow from operating activities was JPY63.7 billion for the consolidated fiscal year under review, as compared to JPY2.7 billion during the previous fiscal year. The main sources of cash inflow was the JPY31.3 billion in net income before tax and other adjustments and the JPY10.2 billion decrease in inventory assets, The main sources of cash outflow was the payment of corporate income taxes amounting to JPY9.7 billion.

(Cash Flow from Investing Activities)

Cash flow used for investing activities totaled JPY27.6 billion for the consolidated fiscal year under review, as compared to JPY19.7 billion during the previous fiscal year. This was mainly due to the JPY19.0 billion used to acquire fixed assets, and the JPY12.6 billion used for the payment of loans receivable, surpassing the JPY1.7 billion of cash generated from the sale of investment securities.

(Cash Flow from Financing Activities)

Cash flow used for financing activities was JPY9.5 billion for the consolidated fiscal year under review, as compared to the JPY11.4 billion during the previous fiscal year. This was mainly due to the JPY10.0 billion used to repay commercial paper, the JPY4.3 billion used to pay dividends, and the JPY7.1 billion used to borrow funds.

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

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Shareholders' equity ratio (%)	40.0	42.6	40.3	44.6	45.1
Shareholders' equity ratio on a market price basis (%)	55.7	53.2	40.8	36.1	35.5
Redemption period (years)	1.5	1.9	4.1	37.0	1.7
Interest coverage ratio (multiples)	30.8	24.2	14.0	1.3	23.8

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 Current Fiscal Year Ending March 31, 2015

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. For the next medium-term management plan, the Group has set 30% as its goal for the consolidated dividend payout ratio.

For the consolidated fiscal year under review, the Group is forecasting a dividend of JPY7 per share (inclusive of the JPY3 per share interim dividend), a decrease of JPY1 per share from the previous year.

For the fiscal year ending March 2015, the Group is forecasting a dividend of JPY9 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 transmission power equipment, both Sumitomo Heavy Industries and Seisa Gear, Ltd. 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.

2. Precision Machinery

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

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

In the area of semiconductor production equipment, both Sumitomo Heavy Industries and SEN Corporation are responsible for overall manufacturing and distribution.

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; 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 in North America.

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.

Finally, Sumitomo Nacco Materials Handling Co., Ltd. is responsible for the overall manufacturing and distribution of forklift products.

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 overall terms, the economic environment that forms the backdrop of the Group's business in Japan is on track for recovery as the effects of government measures to stimulate the economy and the weaker Japanese yen driving export growth is outstripping any negative concerns resulting from the increase in the sales tax. Overseas, the situation remains murky as although the US economy has trended positively, the slowdown in the growth of emerging markets such as China and India, as well as the delayed recovery of the Eurozone from its debt crisis has slowed the pace of an overall recovery.

In this type of operating environment, the Group has completed the implementation of the Innovation 21 Medium-Term Management Plan, and will now look to focus on executing the new medium-term management plan entitled "Medium-Term Management Plan 2016".

(1) General Review of the Previous Innovation 21 Medium-Term Management Plan

The initial financial objectives set forth in the Innovation 21 Medium-Term Management, which was first introduced in FY2011, were not achieved mainly due to the impacts from the Great East Japan Earthquake, the Eurozone debt crisis, and the slowdown of the Chinese economy. However, the basic concepts of "globalization" and "innovation" are believed to be effective in any type of economic environment and with this in mind, the Group pushed forward with the construction of new plants and the expansion of existing overseas plants, strengthened links with acquired overseas subsidiaries, actively pursued design innovation, and introduced new products to the market.

Further, the Group formulated the new medium-term management plan entitled "Medium-Term Management Plan 2016" to ensure that the benefits of such strategies bear fruit.

(2) The New Medium-Term Management Plan Entitled "Medium-Term Management Plan 2016"

In the new "Medium-Term Management Plan 2016", the Group has established a goal of achieving JPY700.0 billion in sales, and an operating profit margin of 7.5% in FY2016. ROIC continues to be the Group's key performance indicator and the plan calls for ROIC > WACC and for the figure to remain greater than 7%.

In order to achieve these financial objectives, the Group has formulated the following three goals in the plan:

1. Achieve steady growth to ensure that a foundation for sustainable growth is established;
2. Return to high levels of profitability; and
3. Exhibit persistent efforts at the improvement of the quality of operations.

Through this, the Group will aim to continue being a corporation that supplies customers with first-class products. The key point here is that the Group will not aim to grow for the sake of growing. Rather, it will focus on achieving steady growth to build a foundation that ensures a return to high levels of profitability.

Also, across the wide range of business areas that the Group endeavors to meet the diverse needs of its customers, the Medium-Term Management Plan 2016 has specifically identified the energy-related sector as an area of demand expansion and growth. With this in mind, the Group will look to actively develop this area of the business.

Finally, as the plan is executed, the Group will continue to maintain its financial discipline, and actively make investments into growth areas that effectively utilize its stronger financial standing. More specifically, the Medium-Term Management Plan 2016 calls for capital and development investments in the order of JPY95.0 billion to be made during the three year implementation period of the plan.

Moreover, the Group has set 30% as its goal for the dividend payout ratio during the three year implmentaion period pf the plan.

(3) Key Areas of Focus for the Fiscal Year Ending March 31, 2015

As previously mentioned, FY2014 marks the start of the Medium-Term Management Plan 2016. During this year, the Group will focus on executing the following initiatives in order to achieve the targets set forth in the plan:

(i) Achieve Steady Growth to Ensure that a Foundation for Sustainable Growth is Established

The Group will aim to achieve growth by focusing its efforts on the three pillars of growth, which are “Globalization (Expansion)”, “Innovation (Change)” and “Group Synergies (Connect)”.

Under “Globalization (Expansion)”, scenarios that allow for the investments made in the mass produced machinery business during the previous implementation period of the Innovation 21 Medium-Term Management Plan to generate results will be created and realized. For example, in the plastics machinery business, the link between Sumitomo (SHI) Demag Plastics Machinery GmbH, a German subsidiary that was acquired by the Group, and the Group’s domestic Japanese plants will be strengthened. Through this, the Group will aim to become the leader in electric injection molding machines. In the heavy machinery business, the Group will pursue technological differentiation and increase its presence in overseas markets.

“Innovation (Change)” is a common theme throughout the Group and emphasis in this category will be placed on strengthening the after-market business, restructuring the sales process, and the development of new products. In addition, innovation activities aimed at strengthening the competitiveness of its power transmission products in the mass produced machinery business as well as its engineering capabilities in the heavy machinery business will be promoted.

With regard to the “Group Synergies (Connect)” category, a System Development Center was newly established at the Technology Research Center in April of this year. By doing this, the Group will look to strengthen the synergies across its highly diversified product areas with system technology at its core and aim to increase customer value. In addition, synergies realized from organizational restructuring will also be pursued. For example, in April of this year, the Group placed Sumitomo Heavy Industries Process Equipment Co., Ltd. and Izumi Food Machinery Co., Ltd. under the umbrella of the newly established Chemical Machinery Business Center, consolidating the Group’s chemical machinery business. Moreover, the Group is planning to separate a portion of its energy plant business and have Sumiju Plant Engineering Co., Ltd, a subsidiary of the Group, absorb and succeed this business on a go forward basis. This move is anticipated to be completed in July of this year.

(ii) Turnaround to High Levels of Profitability

In the Group’s leading business areas such as power transmissions and plastics machinery, a high profit margin target of 10% has been established and every effort will be made to realize this figure. In addition, in order to ensure that all business divisions, product models and geographic segments are able to stand on its own (i.e. generate profits on an individual basis), the Group has set forth a target profit margin of 5% with the aim to return to high levels of profitability across the entire business.

(iii) Exhibit Persistent Efforts at the Improvement of the Quality of Operations

As part of the Group's "Persistent efforts at the improvement of the quality of operations" we will be engaging in the following activities:

(a) Improve Product Quality

In April of this year, the Group made changes in the way the organization manages product quality in order to strengthen its functions. First, the Corporate Quality Department was upgraded to become the Corporate Quality Group. In addition, a new Product Quality Control Department was established within the Corporate Quality Group. Through such moves, not only will each business division engage in quality innovation, but the head office's ability to support and audit the business divisions will be strengthened.

(b) Thoroughly Implement 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. As the Group grows internationally, focus has been placed on conducting compliance-related activities not only for its domestic business units, but for all business units across the globe. During the upcoming period, efforts to improve awareness levels among the directors and employees of all Group companies will be continued to ensure that recognition of the importance of compliance permeates across the entire Group.

(c) Safety-Related Activities

FY2014 will mark the start of the second phase of implementing the Group's Basic Health and Safety Improvement Plan. Based on the results of the first phase of implementing the plan, the Group will set detailed objectives, strengthen health and safety management functions, and work to eliminate occupational injuries.

IV. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Unit: million yen)

	End of Full Year As of March 31, 2013	End of Full Year As of March 31, 2014
	Amount	Amount
Assets		
Current assets		
Cash and deposits	47,814	67,826
Marketable securities	—	10,000
Notes and accounts receivable	173,300	181,961
Products	66,877	63,819
Works in progress	44,791	49,144
Raw materials and stock	27,548	31,286
Deferred income taxes	12,191	13,201
Other	15,223	18,934
Allowance for doubtful accounts	(1,117)	(1,217)
Total current assets	386,628	434,954
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	48,807	49,975
Machinery and transportation tools (net)	43,447	49,552
Land	108,033	109,265
Construction in progress	2,614	2,884
Other (net)	7,750	8,609
Total tangible fixed assets	210,652	220,284
Intangible fixed assets		
Other	7,765	8,648
Total intangible fixed assets	7,765	8,648
Investments and other assets		
Investment securities	25,188	26,745
Long-term loans	51	13,786
Deferred income taxes	11,838	10,118
Other	7,420	11,134
Allowance for doubtful accounts	(1,817)	(1,486)
Total investments and other assets	42,679	60,296
Total Fixed assets	261,096	289,228
Total assets	647,724	724,182

(Unit: million yen)

	End of Full Year As of March 31, 2013	End of Full Year As of March 31, 2014
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable	113,575	124,211
Short-term bank loans	48,032	52,817
Long-term loans due within one year	1,245	16,855
Corporate bonds redeemable within one year	—	10,000
Commercial paper	10,000	—
Income tax payable	3,014	6,903
Advance payments received on contracts	20,937	30,493
Allowance for guaranteed construction	5,115	6,780
Other allowances	2,178	3,626
Other	38,919	37,446
Current liabilities	243,014	289,130
Fixed Liabilities		
Bonds	10,000	—
Long-term debt due after one year	29,270	27,761
Allowance for employees retirement benefits	39,169	—
Other allowances	48	497
Defined benefit liability	—	40,037
Deferred income taxes on revaluation	24,608	24,608
Other	8,789	11,090
Total fixed liabilities	111,883	103,993
Total liabilities	354,898	393,123
Net assets		
Shareholders' equity		
Capital stock	30,872	30,872
Capital surplus	23,789	23,789
Retained earnings	207,580	221,101
Treasury stock	(455)	(632)
Total Shareholders' equity	261,786	275,130
Accumulated other comprehensive income		
Unrealized gains on securities	2,694	3,753
Loss on deferred hedge	(562)	(379)
Adjustment regarding pension obligations of consolidated overseas subsidiaries	(3,808)	—

	End of Full Year As of March 31, 2013	End of Full Year As of March 31, 2014
	Amount	Amount
Re-measurement of defined benefit plans	—	(2,336)
Revaluation reserve for land	38,197	38,272
Foreign currency translation adjustments	(9,458)	11,993
Total accumulated other comprehensive income	27,064	51,304
Minority interests	3,977	4,626
Total net assets	292,826	331,059
Total liabilities and net assets	647,724	724,182

2. Consolidated Income Statements and Consolidated Statement of Comprehensive Income

Consolidated Income Statements

(Unit: million yen)

	Previous Full Year April 1, 2012 to March 31, 2013	Current Full Year April 1, 2013 to March 31, 2014
	Amount	Amount
Net sales	585,871	615,271
Cost of sales	465,309	483,104
Gross income	120,562	132,166
Selling, general and administrative expenses	89,274	97,837
Operating income	31,288	34,329
Non-operating income		
Interest income	259	337
Dividend income	2,117	1,013
Investment gain on equity method	578	1,201
Gain on foreign currency exchange	1,347	998
Other	2,322	2,731
Total non-operating income	6,624	6,280
Non-operating expenses		
Interest expenses	2,097	2,637
Other	4,818	4,973
Total non-operating expenses	6,915	7,609
Ordinary income	30,997	33,000
Extraordinary gains		
Gain on sale of investment securities	1,343	—
Reversal of reserve for legal actions	802	—
Total extraordinary gains	2,145	—
Extraordinary losses		
Loss on impaired assets	17,392	1,690
Loss relating to defense equipment business	4,986	—
Total extraordinary losses	22,378	1,690
Income before income taxes	10,764	31,309
Corporate income tax current	10,553	12,977
Corporate income tax deferred	(5,959)	526
Total corporate income taxes	4,594	13,503
Net income before adjusting for profit (loss) from minority interests	6,170	17,807
Minority interests in income (loss)	305	(84)
Net income	5,865	17,891

Consolidated Statement of Comprehensive Income

(Unit: million yen)

	Previous Full Year April 1, 2012 to March 31, 2013	Current Full Year April 1, 2013 to March 31, 2014
	Amount	Amount
Net income before adjusting for profit (loss) from minority interests	6,170	17,807
Other comprehensive income		
Unrealized gains on securities	426	1,049
Profit (loss) on deferred hedge	(811)	168
Adjustment regarding pension obligations of consolidated overseas subsidiaries	(234)	858
Foreign currency translation adjustments	10,235	22,303
Amount applied for equity method accounting of affiliates	(1)	25
Total other comprehensive income	9,614	24,403
Comprehensive income	15,784	42,210
(Breakdown)		
Comprehensive income relating to parent company shareholdings	15,068	41,442
Comprehensive income relating to minority interests	716	768

3. Consolidated Statements of Changes to Stockholders' Equity

Previous Full Year April 1, 2012 to March 31, 2013

(Unit: million yen)

	Stockholders' equity				
	Capital stock	Capital surplus	Earned surplus	Treasury stock	Total Stockholders' equity
Balance at beginning of period	30,872	23,789	201,433	(445)	255,649
Fluctuation in the period					
Dividends			(6,137)		(6,137)
Net income			5,865		5,865
Acquisition of treasury stock				(27)	(27)
Disposal of treasury stock			(6)	16	10
Difference from transfer of revaluation reserve for land			5,184		5,184
Increase from addition of consolidated subsidiaries accompanying changes in scope of consolidation			1,124		1,124
Increase due to mergers between consolidated and non-consolidated subsidiaries			118		118
Fluctuations other than stockholders' equity in the period (net)					
Total fluctuation in the period	—	—	6,147	(10)	6,137
Balance at end of period	30,872	23,789	207,580	(455)	261,786

	Accumulated other comprehensive income							Minority interests	Total net assets
	Unrealized holding gains on other securities	Loss on deferred hedge	Adjustment regarding pension obligations of consolidated overseas subsidiaries	Re-measurement of defined benefit plans	Difference from transfer of revaluation reserve for land	Foreign exchange translation adjustments	Total accumulated other comprehensive income		
Balance at beginning of period	2,267	277	(3,573)	—	43,381	(19,113)	23,239	3,258	282,145
Fluctuation in the period									
Dividends									(6,137)
Net income									5,865
Acquisition of treasury stock									(27)
Disposal of treasury stock									10
Difference from transfer of revaluation reserve for land									5,184
Increase from addition of consolidated subsidiaries accompanying changes in scope of consolidation									1,124
Increase due to mergers between consolidated and non-consolidated subsidiaries									118
Fluctuations other than stockholders' equity in the period (net)	427	(838)	(234)	—	(5,184)	9,654	3,824	719	4,544
Total fluctuation in the period	427	(838)	(234)	—	(5,184)	9,654	3,824	719	10,681

Balance at end of period	2,694	(562)	(3,808)	—	38,197	(9,458)	27,064	3,977	292,826

Current Full Year April 1, 2013 to March 31, 2014

(Unit: million yen)

	Stockholders' equity				
	Capital stock	Capital surplus	Earned surplus	Treasury stock	Total Stockholders' equity
Balance at beginning of period	30,872	23,789	207,580	(455)	261,786
Fluctuation in the period					
Dividends			(4,295)		(4,295)
Net income			17,891		17,891
Acquisition of treasury stock				(180)	(180)
Disposal of treasury stock			(1)	4	4
Difference from transfer of revaluation reserve for land			(75)		(75)
Increase from addition of consolidated subsidiaries accompanying changes in scope of consolidation			—		—
Increase due to mergers between consolidated and non-consolidated subsidiaries			—		—
Fluctuations other than stockholders' equity in the period (net)					
Total fluctuation in the period	—	—	13,520	(176)	13,344
Balance at end of period	30,872	23,789	221,101	(632)	275,130

	Accumulated other comprehensive income							Minority interests	Total net assets
	Unrealized holding gains on other securities	Loss on deferred hedge	Adjustment regarding pension obligations of consolidated overseas subsidiaries	Re-measurement of defined benefit plans	Difference from transfer of revaluation reserve for land	Foreign exchange translation adjustments	Total accumulated other comprehensive income		
Balance at beginning of period	2,694	(562)	(3,808)	—	38,197	(9,458)	27,064	3,977	292,826
Fluctuation in the period									
Dividends									(4,295)
Net income									17,891
Acquisition of treasury stock									(180)
Disposal of treasury stock									4
Difference from transfer of revaluation reserve for land									(75)
Increase from addition of consolidated subsidiaries accompanying changes in scope of consolidation									—
Increase due to mergers between consolidated and non-consolidated subsidiaries									—
Fluctuations other than stockholders' equity in the period (net)	1,059	183	3,808	(2,336)	75	21,451	24,240	649	24,889
Total fluctuation in the period	1,059	183	3,808	(2,336)	75	21,451	24,240	649	38,233
Balance at end of period	3,753	(379)	—	(2,336)	38,272	11,993	51,304	4,626	331,059

4. Consolidated Cash Flows Statement

(Unit: million yen)

	Previous Full Year April 1, 2012 to March 31, 2013	Current Full Year April 1, 2013 to March 31, 2014
Cash flows from operating activities		
Income before income taxes	10,764	31,309
Depreciation	18,282	18,617
Loss on impaired assets	17,392	1,690
Gain from the sale of investment securities	(1,343)	—
Reversal of provision for loss on litigation	(802)	—
Interest and dividend income	(2,377)	(1,350)
Interest expenses	2,097	2,637
(Increase) decrease in notes and accounts receivable	6,025	6,091
(Increase) decrease in inventories	12,702	10,177
Increase (decrease) in notes and accounts payable	(44,837)	2,306
Other	3,602	3,052
Subtotal	21,506	74,529
Interest and dividends received	2,240	1,398
Interest expenses	(2,038)	(2,595)
Payments for income taxes	(19,047)	(9,671)
Net cash provided by operating activities	2,660	63,661
Cash flows from investing activities		
Acquisition costs associated with fixed assets	(22,052)	(19,050)
Proceeds from sale of securities	1,362	1,747
Payments of loans receivable	(6)	(12,624)
Other	1,035	2,304
Net cash used in investing activities	(19,660)	(27,622)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	16,393	(5,736)
Increase (decrease) in the amount of commercial paper	10,000	(10,000)
Proceeds from long-term debt	15,416	15,032
Repayments for long-term debt	(44,429)	(2,236)
Cash dividends paid	(6,120)	(4,307)
Payment of dividends to minority stockholders	(426)	(260)
Other	(2,263)	(1,991)
Net cash used in financing activities	(11,428)	(9,498)
Effect of exchange rate changes on cash and cash equivalents	2,073	3,401
Net increase (decrease) in cash and cash equivalents	(26,356)	29,942
Cash and cash equivalents at beginning of year	72,376	46,476
Increase due to new consolidated companies	327	—
Increase in cash and cash equivalents due to mergers between consolidated and non-consolidated subsidiaries	128	—
Cash and cash equivalents at end of year	46,476	76,418

5. Items of Special Note Concerning the Consolidated Financial Statements

(Significant Events or Conditions that Question the Premise of a Going Concern)

No events or conditions are noted.

(Changes to Accounting Policies)

(The Implementation of Accounting Standards for Retirement Benefits)

As of the end of the current consolidated fiscal year under review, the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Accounting Standard – ASBJ Statement No. 26 dated May 17, 2012; hereinafter referred to as the “Accounting Standards for Retirement Benefits”) and the “Guidance on the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 dated May 17, 2012; hereinafter referred to as the “Implementation Guidance for the Retirement Benefit Accounting Standard”) has been adopted (with the exception of Item 35 of the Accounting Standards for Retirement Benefits and Item 67 of the Implementation Guidance for Retirement Benefit Accounting Standards). As a result of this, the balance left after subtracting pension assets from retirement benefit obligations is the retirement benefit amount that is accounted for as a liability. In addition, unrecognized actuarial differences and unrecognized prior service costs are also accounted for as a liability relating to retirement benefits.

The implementation of the Accounting Standards for Retirement Benefits has been done in accordance with Item 37 of the Implementation Guidance for the Retirement Benefit Accounting Standard where transitional treatment is allowed. As such, at the end of the current consolidated fiscal year under review, the amount impacted by this change has been adjusted in the re-measurement of the defined benefit plan under other comprehensive income.

Consequently, an amount equal to JPY40,037 million has been accounted for as a liability related to retirement benefits. In addition, other comprehensive income has increased by JPY613 million.

Moreover, as a result of implementing the Accounting Standards for Retirement Benefits, the adjustment regarding pension obligations of consolidated overseas subsidiaries which was displayed as a separate line item in the Group’s consolidated balance sheet is now combined with the re-measurement of the defined benefit plan figure.

Please note that information regarding the impact of this change on a per-share basis is noted in the appropriate section.

(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".

Please note that on April 1, 2013, Sumitomo Heavy Industries Techno-Fort Co., Ltd. was merged into the Group by absorption and integrated into the Group's quantum equipment business. As a result, ion accelerators, medical machines and equipment, and plasma coating systems for FPDs, which were previously categorized under the Precision Machinery segment, will now be categorized under the Industrial Machinery segment as of the beginning of the current consolidated fiscal year. Any segment information published during the current consolidated fiscal year will therefore reflect these new product classifications.

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

2. Information Regarding Net Sales, Profits, Assets, Liabilities, and Other Items by Reporting Segment

Previous Full Year *(April 1, 2012, to March 31, 2013)*

(Unit: million yen)

Item \ Segment	A	B	C	D	E	F	Subtotal	Other[1]	Total	G[2]	H
Net sales											
(1) Sales to external customers	91,174	124,603	152,773	84,264	46,013	78,584	577,410	8,460	585,871	—	585,871
(2) Internal sales between segments or exchanges	2,113	994	23	914	86	501	4,630	2,873	7,503	(7,503)	—
Total	93,287	125,597	152,796	85,178	46,099	79,084	582,041	11,333	593,374	(7,503)	585,871
Segment profit[3]	2,767	8,635	6,132	4,385	2,366	5,575	29,860	1,361	31,221	66	31,288
Segment assets	106,582	120,248	158,186	64,133	52,848	61,533	563,530	49,006	612,536	35,188	647,724
Other categories											
Depreciation expense	4,272	4,691	4,526	1,865	1,663	913	17,930	353	18,282	—	18,282
Increase in tangible and intangible assets	7,395	5,994	12,983	1,721	692	743	29,527	362	29,888	—	29,888

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 other 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 with operating income recorded in the consolidated income statement.

Current Full Year ***(April 1, 2013, to March 31, 2014)***

(Unit: million yen)

Item \ Segment	A	B	C	D	E	F	Subtotal	Other[1]	Total	G[2]	H
Net sales											
(1) Sales to external customers	99,994	133,518	192,511	78,793	14,814	86,166	605,796	9,475	615,271	—	615,271
(2) Internal sales between segments or exchanges	1,726	1,077	27	760	151	371	4,113	2,958	7,071	(7,071)	—
Total	101,720	134,595	192,538	79,553	14,965	86,538	609,910	12,432	622,342	(7,071)	615,271
Segment profit (loss)[3]	5,876	8,684	10,229	4,076	(2,992)	6,198	32,141	2,053	34,194	135	34,329
Segment assets	113,972	123,432	200,519	67,132	48,608	63,603	617,266	54,906	672,172	52,009	724,182
Other categories											
Depreciation expense	4,510	4,518	6,377	1,771	307	866	18,288	329	18,617	—	18,617
Increase in tangible and intangible assets	3,344	4,564	9,435	986	485	774	19,588	741	20,329	—	20,329

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 other 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 with operating income recorded in the consolidated income statement.

(Per Share Information)

	Previous Full Year April 1, 2012 to March 31, 2013	Current Full Year April 1, 2013 to March 31, 2014
Net assets per share	470.69 yen	532.28 yen
Net income per share	9.56 yen	29.17 yen

Notes:

1. The diluted net income per share for the current consolidated fiscal year under review is not listed because there are no dilutive shares.
2. As noted in the "Changes to Accounting Policies" section, the implementation of the Accounting Standards for Retirement Benefits has been done in accordance with Item 37 of the Implementation Guidance for the Retirement Benefit Accounting Standard where transitional treatment is allowed. Consequently, the net asset amount per share for the current consolidated fiscal year under review has increased by JPY1.00.
3. The basis for calculating the net income per share is outlined below:

Item	Previous Full Year April 1, 2012 to March 31, 2013	Current Full Year April 1, 2013 to March 31, 2014
Net income for the period	5,865 million yen	17,891 million yen
Value not attributable to common stockholders	—	—
Net income for common stock	5,865 million yen	17,891 million yen
Average number of outstanding shares for the term	613,696,000 shares	613,411,000 shares

V. Supplemental Information

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

(1) Orders Received

(Unit: million yen)

Segment	April 1, 2012 to March 31, 2013		April 1, 2013 to March 31, 2014		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	89,176	16.2	98,502	15.0	9,326	10.5
Precision Machinery	118,517	21.5	134,511	20.4	15,994	13.5
Construction Machinery	151,195	27.5	193,330	29.4	42,136	27.9
Industrial Machinery	79,520	14.4	84,509	12.8	4,990	6.3
Ships	12,258	2.2	31,736	4.8	19,478	158.9
Environmental Facilities & Plants	91,364	16.6	104,244	15.9	12,880	14.1
Others	8,662	1.6	11,400	1.7	2,738	31.6
Total	550,691	100.0	658,233	100.0	107,542	19.5

(2) Sales

(Unit: million yen)

Segment	April 1, 2012 to March 31, 2013		April 1, 2013 to March 31, 2014		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	91,174	15.6	99,994	16.3	8,820	9.7
Precision Machinery	124,603	21.3	133,518	21.7	8,915	7.2
Construction Machinery	152,773	26.1	192,511	31.3	39,738	26.0
Industrial Machinery	84,264	14.4	78,793	12.8	(5,471)	(6.5)
Ships	46,013	7.8	14,814	2.4	(31,199)	(67.8)
Environmental Facilities & Plants	78,584	13.4	86,166	14.0	7,583	9.6
Others	8,460	1.4	9,475	1.5	1,014	12.0
Total	585,871	100.0	615,271	100.0	29,400	5.0

(3) Balance of Orders Received

(Unit: million yen)

Segment	End of Full Year As of March 31, 2013		End of Full Year As of March 31, 2014		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	30,023	11.1	28,532	9.1	(1,492)	(5.0)
Precision Machinery	41,465	15.3	42,458	13.5	993	2.4
Construction Machinery	25,752	9.5	26,571	8.4	819	3.2
Industrial Machinery	73,660	27.1	79,376	25.3	5,717	7.8
Ships	10,973	4.0	27,895	8.9	16,922	154.2
Environmental Facilities & Plants	87,512	32.3	105,590	33.6	18,078	20.7
Others	1,840	0.7	3,765	1.2	1,925	104.6
Total	271,225	100.0	314,187	100.0	42,963	15.8