

Sumitomo Heavy Industries, Ltd.

CONSOLIDATED FINANCIAL REPORT

For the Full Year Ended March 31, 2020

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, 2020
Presented May 28, 2020**

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 26, 2020
Scheduled date of payment of cash dividends	June 29, 2020
Scheduled date of securities report filing	June 26, 2020
Availability of supplementary explanatory materials for financial statement	Yes
Holding of meeting to explain financial statement	Yes (for analysts)

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

(1) Business Results

(Units: millions of yen)

	Current Full Term April 1, 2019 to March 31, 2020		Previous Full Term April 1, 2018 to March 31, 2019	
		% change		% change
Net sales	864,490	(4.3)	903,051	14.2
Operating profit	56,821	(24.5)	75,244	7.6
Ordinary profit	52,657	(27.5)	72,623	7.6
Profit attributable to owners of parent	32,807	(28.1)	45,650	31.7
Profit per share (yen)	267.77		372.56	
Fully diluted profit per share	—		—	
Return on equity (ROE, %)	7.1		10.3	
Return on assets (%)	5.4		7.9	
Ordinary profit to net sales (%)	6.6		8.3	

Note: Comprehensive income:

Fiscal year ended March 31, 2020: 27,365 million yen, ((23.7)%)

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

Reference: Equity method investment profit and loss:

Fiscal year ended March 31, 2020: 244 million yen gain

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

(2) Financial Position

(Units: millions of yen)

	End of Current Full Year March 31, 2020	End of Previous Full Year March 31, 2019
Total assets	995,154	954,051
Total net assets	477,648	465,001
Equity ratio (%)	46.7	47.5
Net assets per share (yen)	3,790.99	3,701.01

Reference: Equity:

Fiscal year ended March 31, 2020: 464,457 million yen

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

(3) Cash Flows

(Units: millions of yen)

	Current Full Term April 1, 2019 to March 31, 2020	Previous Full Term April 1, 2018 to March 31, 2019
Cash flows from operating activities	36,263	55,173
Cash flows from investing activities	(57,752)	(54,973)
Cash flows from financing activities	35,964	(13,314)
Cash and cash equivalents at end of period	83,630	69,776

2. Dividends

(Unit: yen)

	Year Ended March 31, 2019	Year Ended March 31, 2020	Year Ending March 31, 2021 (forecast)
Annual dividends per share			
First quarter	—	—	—
Second quarter	50.00	56.00	—
Third quarter	—	—	—
End of term	62.00	35.00	—
Annual dividends	112.00	91.00	—
Total dividends (million yen)	13,723	11,149	
Payout ratio (consolidated, %)	30.1	34.0	—
Net assets dividend yield (consolidated, %)	3.0	2.4	

(Note) Dividends forecasts for the fiscal year ending March 31, 2021 remain undetermined due to difficulty in calculating forecasts for the full-year consolidated results as of now.

3. FY 2020 Consolidated Forecasts (April 1, 2020, to March 31, 2021)

With regard to forecasts for consolidated results for the fiscal year ending March 31, 2021, we are examining the impact of the global COVID-19 pandemic but currently have difficulty in making a reasonable estimate of such impact and therefore the forecasts remain undetermined.

We will promptly disclose the forecasts when it becomes possible to calculate them.

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 shares):
- | | |
|----------------------|--------------------|
| As of March 31, 2020 | 122,905,481 shares |
| As of March 31, 2019 | 122,905,481 shares |
- (ii) Number of treasury shares at end of fiscal period:
- | | |
|----------------------|----------------|
| As of March 31, 2020 | 389,392 shares |
| As of March 31, 2019 | 379,953 shares |
- (iii) Average number of shares during fiscal period:
- | | |
|----------------------|--------------------|
| As of March 31, 2020 | 122,519,612 shares |
| As of March 31, 2019 | 122,530,341 shares |

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 demand for machinery was adjusted globally. In Japan, corporate earnings remained strong in general, but manufacturers' investment in machinery showed signs of weakness. In the overseas markets, the US economy continued its recovery but the US manufacturing industry was impacted by trade issues and other factors, while the Chinese economy showed signs of a gradual downward trend. In addition, the worsening trade disputes between the US and China, persistence of geopolitical risks and fluctuations in exchange rates, as well as the spread of COVID-19 infections increased economic 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 capital investments and research & development, and the active promotion of our CSR initiatives.

As a result, the Group's orders and net sales increased to JPY826.2 billion and JPY864.5 billion, respectively.

In terms of profitability, the Group posted operating profit of JPY56.8 billion and ordinary profit of JPY52.7 billion. Profit attributable to owners of parent for the current consolidated fiscal year under review came to JPY32.8 billion. Finally, the after-tax ROIC* ended at 7.3%.

* 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

Both orders and sales decreased due to a decline in demand for small-to-medium sized gear reducers and precision motion control drives for robot articulations. In addition, operating income also decreased due to reduced sales as well as an increase in expenses and a change in model configurations. As a result, orders decreased by 6% as compared to the previous fiscal year to finish at JPY126.5 billion, while sales decreased by 2% as compared to the previous fiscal year to finish at JPY130.5 billion. The segment posted an operating profit of JPY5.5 billion, a 50% decrease as compared to the previous fiscal year.

(ii) Precision Machinery

With respect to the plastics machinery business, all of orders, sales and operating income decreased due to sluggish demand in China for electrical and electronics-related products and reduced demand in Japan and Europe. For other precision machinery businesses, due to strong demand for semiconductor-related products, all of orders, sales and operating profit increased. As a result, orders decreased by 1% as compared to the previous fiscal year to finish at JPY189.8 billion, sales remained unchanged from the previous fiscal year at JPY185.0 billion, and operating profit decreased by 16% as compared to the previous fiscal year to finish at JPY14.9 billion.

(iii) Construction Machinery

In the hydraulic excavator business, all of orders, sales and operating profit decreased due to factors such as reduced demand in the ASEAN region, sluggish growth in China, and typhoon damage causing a problem with procurement of parts. As for the mobile crane business, all of orders, sales and operating profit decreased due partially to reduced demand in Japan and the North America district. As a result of the above, orders across the segment decreased by 15% as compared to the previous fiscal year to finish at JPY259.5 billion, while sales decreased by 6% as compared to the previous fiscal year to finish at JPY272.8 billion. The segment posted an operating profit of JPY17.1 billion, a 22% decrease as compared to the previous fiscal year.

(iv) Industrial Machinery

In the material handling business, orders remained unchanged as compared to the previous fiscal year due to reasons such as the fact that demand for products related to electricity and ports continued to be strong. However, for many of backlogs of orders, delivery dates will come in the next fiscal year or later, and therefore sales decreased. In addition, operating profit also decreased due to a decline in sales and a change in model configurations. For other industrial machinery businesses, orders decreased due to a decline in orders for a part of industrial machinery as compared to the previous fiscal year and sales and operating profit also decreased because there were not many backlogs of orders at the end of the previous fiscal year. As a result of the above, orders across the segment decreased by 3% as compared to the previous fiscal year to finish at JPY88.4 billion, while sales decreased by 7% as compared to the previous fiscal year to finish at JPY87.0 billion. The segment posted an operating profit of JPY7.1 billion, a 21% decrease 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 as in the previous fiscal year. Although we delivered four vessels as in the previous fiscal year, sales decreased year-on-year due partially to a decrease in vessel repair projects. In addition, the segment recorded an operating loss due to the impact of typhoon damage in addition to reduced sales. As a result of the above, orders across the segment decreased by 6% as compared to the previous fiscal year to finish at JPY30.1 billion, while sales decreased by 21% as compared to the previous fiscal year to finish at JPY32.9 billion. The segment also posted an operating loss of JPY2.1 billion.

(vi) Environmental Facilities & Plants

In the energy plant business, orders decreased due to a year-on-year decrease in large-scale projects for biomass-fueled power generation plants in Japan but sales and operating profit remained unchanged from the previous fiscal year because there were backlogs of orders. In the water treatment plant business, orders decreased due to a year-on-year decrease in projects for waste water treatment facilities but sales and operating profit remained unchanged from the previous fiscal year because there were backlogs of orders. As a result of the above, orders across the segment decreased by 35% as compared to the previous fiscal year to finish at JPY124.7 billion, while sales decreased by 1% as compared to the previous fiscal year to finish at JPY149.0 billion. The segment posted an operating profit of JPY11.9 billion, a 6% decrease as compared to the previous fiscal year.

(vii) Others

Orders decreased by 2% to JPY7.1 billion, sales decreased by 1% to JPY7.2 billion, and operating profits increased by 9% to JPY2.4 billion from the previous fiscal year, respectively.

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

Total assets increased by JPY41.1 billion to JPY995.2 billion from the end of the previous consolidated fiscal year as tangible fixed assets, cash and deposits, and inventories increased by JPY19.8 billion, JPY13.5 billion and JPY11.9 billion, respectively.

Total liabilities increased by JPY28.5 billion to JPY517.5 billion from the end of the previous consolidated fiscal year as interest-bearing liabilities increased by JPY51.4 billion. Please note that interest-bearing debts represented 12.5% of total assets, a 4.8-point rise from the previous fiscal year.

Net assets increased by JPY12.6 billion to JPY477.6 billion from the end of the previous consolidated fiscal year mainly due to an increase in retained earnings of JPY18.4 billion.

As a result of the above, the shareholders' equity ratio decreased by 0.9 points from the end of the previous consolidated fiscal year to finish at 46.7%.

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 JPY83.6 billion, an increase of JPY13.9 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)

The increase in cash flow from operating activities was JPY36.3 billion (as compared to an increase in cash flow of JPY55.2 billion in the previous fiscal year). The main sources of cash flow were profit before income taxes and other adjustments of JPY52.7 billion, as well as a decrease in notes and accounts receivable of JPY21.2 billion. The main sources of expenses were a decrease in notes and accounts payable of JPY27.9 billion and payments for income taxes of JPY22.1 billion.

(Cash Flow from Investing Activities)

The decrease in cash flow as a result of investing activities was JPY57.8 billion (as compared to a decrease in cash flow of JPY55.0 billion in the previous fiscal year). The main reason for the cash outflow was JPY41.3 billion used to acquire fixed assets and JPY12.9 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 increase in cash flow as a result of financing activities was JPY36.0 billion (as compared to a decrease in cash flow of JPY13.3 billion in the previous fiscal year). This was due mainly to an increase in loans, etc. of JPY51.8 billion.

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

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Shareholders' equity ratio (%)	48.1	50.0	48.2	47.5	46.7
Shareholders' equity ratio on a market price basis (%)	36.4	59.7	55.3	46.0	24.0
Redemption period (years)	3.7	1.6	0.9	1.3	3.4
Interest coverage ratio (multiples)	9.1	28.9	72.5	51.2	30.5

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

With regard to the outlook for the upcoming fiscal year ending March 31, 2021, the Group, in particular its Machinery Components, Precision Machinery and Construction Machinery segments that offer a short lead time after receiving orders, is expected to be greatly affected by the spread of COVID-19 infections around the globe. However, as there are many uncertainties and it is difficult to make reasonable estimates, consolidated forecasts for the fiscal year ending March 31, 2021 remain undetermined. When it becomes possible to calculate the forecasts, we will promptly disclose them.

Additionally, as announced on May 14, 2020, we have decided to postpone the announcement of the next Medium-Term Management Plan (April 2020 to March 2023) to around May 2021, taking into account the above circumstances.

5. Basic Policy on Earnings Appropriation and Dividend for the Consolidated Fiscal Year Under Review as well as the Fiscal Year Ending March 31, 2021

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 dividend payout ratio.

Dividends for the fiscal year ended March 2020 will be JPY91 per share including an interim dividend of JPY56 per share.

Note that for the fiscal year ending March 31, 2021, forecasts remain undetermined due to difficulty in calculating forecasts for the full-year consolidated results.

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, 2019	End of Full Year As of March 31, 2020
	Amount	Amount
Assets		
Current assets		
Cash and deposits	73,589	87,067
Notes and accounts receivable	291,578	271,406
Products	74,552	81,573
Works in progress	72,522	76,565
Raw materials and supplies	41,971	42,840
Other	33,185	36,673
Allowance for doubtful accounts	(3,829)	(3,341)
Total current assets	583,568	592,784
Fixed assets		
Tangible fixed assets		
Buildings and structures	172,609	178,188
Accumulated depreciation	(115,147)	(115,971)
Buildings and structures (net)	57,462	62,217
Machinery and transportation tools	203,668	212,697
Accumulated depreciation	(142,832)	(148,108)
Machinery and transportation tools (net)	60,836	64,589
Land	107,720	107,535
Construction in progress	6,131	9,250
Other	54,550	66,653
Accumulated depreciation	(38,422)	(42,179)
Other (net)	16,128	24,474
Total tangible fixed assets	248,276	268,066
Intangible fixed assets		
Goodwill	24,049	33,505
Other	41,022	39,649
Total intangible fixed assets	65,071	73,154
Investments and other assets		
Investment securities	18,270	19,771
Long-term loans	3,812	3,213

	End of Full Year As of March 31, 2019	End of Full Year As of March 31, 2020
	Amount	Amount
Deferred income taxes	26,874	26,928
Defined benefit assets	1,213	2,936
Other	12,280	12,600
Allowance for doubtful accounts	(5,314)	(4,297)
Total investments and other assets	57,136	61,151
Total Fixed assets	370,483	402,370
Total assets	954,051	995,154

(Units: millions of yen)

	End of Full Year As of March 31, 2019	End of Full Year As of March 31, 2020
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable	188,069	158,489
Short-term bank loans	23,444	28,139
Corporate bonds due within one year	10,000	—
Long-term loans due within one year	1,956	4,499
Commercial Paper	17,000	35,000
Income tax payable	11,453	5,921
Advance payments received on contracts	52,579	57,523
Allowance for guaranteed construction	13,339	13,742
Provision for loss on construction orders	6,309	4,233
Other	58,229	58,111
Total current liabilities	382,378	365,657
Fixed Liabilities		
Bonds	10,000	30,000
Long-term debt due after one year	10,912	27,032
Provision for loss on operation transfers	115	115
Provision for loss on product liability claims	39	38
Defined benefit liability	46,082	53,628
Deferred income taxes on revaluation	20,713	20,628
Other	18,812	20,408
Total fixed liabilities	106,673	151,849
Total liabilities	489,051	517,506
Net assets		
Shareholders' equity		
Capital stock	30,872	30,872
Capital surplus	26,071	26,070
Retained earnings	348,863	367,229
Treasury shares	(1,048)	(1,080)
Total Shareholders' equity	404,757	423,091
Accumulated other comprehensive income		
Unrealized gains on securities	3,871	2,410

	End of Full Year As of March 31, 2019	End of Full Year As of March 31, 2020
	Amount	Amount
Profit (loss) on deferred hedge	(318)	(532)
Revaluation reserve for land	40,820	40,626
Foreign currency translation adjustments	8,879	4,911
Re-measurement of defined benefit plans	(4,542)	(6,049)
Total accumulated other comprehensive income	48,711	41,366
Non-controlling interests	11,533	13,191
Total net assets	465,001	477,648
Total liabilities and net assets	954,051	995,154

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

Consolidated Income Statements

(Units: millions of yen)

	Previous Full Year April 1, 2018 to March 31, 2019	Current Full Year April 1, 2019 to March 31, 2020
	Amount	Amount
Net sales	903,051	864,490
Cost of sales	693,128	670,199
Gross profit	209,923	194,291
Selling, general and administrative expenses	134,679	137,470
Operating profit	75,244	56,821
Non-operating income		
Interest income	915	1,017
Dividend income	825	594
Other	3,279	3,462
Total non-operating income	5,019	5,073
Non-operating expenses		
Interest expenses	1,082	1,184
Foreign exchange losses	2,286	1,807
Patent related expenses	765	904
Valuation loss on investment securities	1	1,041
Other	3,507	4,301
Total non-operating expenses	7,640	9,237
Ordinary profit	72,623	52,657
Extraordinary losses		
Loss on impaired assets	3,448	—
Loss on pension buyout	2,105	—
Total extraordinary losses	5,553	—
Profit before income taxes	67,070	52,657
Income tax current	21,070	17,008
Income tax deferred	(2,637)	830
Total income taxes	18,433	17,838
Profit	48,637	34,819
Profit attributable to non-controlling interests	2,987	2,012
Profit attributable to owners of parent	45,650	32,807

Consolidated Statement of Comprehensive Income

(Units: millions of yen)

	Previous Full Year April 1, 2018 to March 31, 2019	Current Full Year April 1, 2019 to March 31, 2020
	Amount	Amount
Profit	48,637	34,819
Other comprehensive income		
Unrealized gains on securities	(1,535)	(1,465)
Profit (loss) on deferred hedge	(1,240)	(215)
Foreign currency translation adjustments	(9,168)	(4,272)
Adjustment to retirement benefits	(857)	(1,509)
Amount applied for equity method accounting of affiliates	13	7
Total other comprehensive income	(12,787)	(7,453)
Comprehensive income	35,850	27,365
(Breakdown)		
Comprehensive income relating to shareholders of the parent company	33,345	25,657
Comprehensive income relating to non- controlling interests	2,505	1,709

3. Consolidated Statements of Changes in Equity

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

(Units: millions of yen)

	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total Stockholders' equity
Balance at the beginning of the period	30,872	25,267	314,296	(1,000)	369,434
Changes of items during the period					
Dividends			(11,641)		(11,641)
Profit attributable to owners of parent			45,650		45,650
Acquisition of treasury shares				(49)	(49)
Disposal of treasury shares		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 revision of the US tax system			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

(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	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 shares								(49)
Disposal of treasury shares								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 revision of the US tax system								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

Current Full Year April 1, 2019 to March 31, 2020

(Units: millions of yen)

	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total Stockholders' equity
Balance at beginning of period	30,872	26,071	348,863	(1,048)	404,757
Cumulative effects of changes to accounting policies			(178)		(178)
Balance at beginning of period that reflects changes to accounting policies	30,872	26,071	348,685	(1,048)	404,580
Fluctuation in the period					
Dividends			(14,458)		(14,458)
Net income attributed to shareholders of the parent company			32,807		32,807
Acquisition of treasury shares				(34)	(34)
Disposal of treasury shares		(0)	(0)	2	2
Difference from transfer of revaluation reserve for land			194		194
Fluctuations other than stockholders' equity in the period (net)					
Total fluctuation in the period	—	(0)	18,544	(32)	18,512
Balance at end of period	30,872	26,070	367,229	(1,080)	423,091

(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	3,871	(318)	40,820	8,879	(4,542)	48,711	11,533	465,001
Cumulative effects of changes to accounting policies								(178)
Balance at beginning of period that reflects changes to accounting policies	3,871	(318)	40,820	8,879	(4,542)	48,711	11,533	464,823
Fluctuation in the period								
Dividends								(14,458)
Net income attributed to shareholders of the parent company								32,807
Acquisition of treasury shares								(34)
Disposal of treasury shares								2
Difference from transfer of revaluation reserve for land								194
Fluctuations other than stockholders' equity in the period (net)	(1,462)	(213)	(194)	(3,968)	(1,507)	(7,344)	1,658	(5,686)
Total fluctuation in the period	(1,462)	(213)	(194)	(3,968)	(1,507)	(7,344)	1,658	12,825
Balance at end of period	2,410	(532)	40,626	4,911	(6,049)	41,366	13,191	477,648

4. Consolidated Statements of Cash Flows

(Units: millions of yen)

	Previous Full Year April 1, 2018 to March 31, 2019	Current Full Year April 1, 2019 to March 31, 2020
Cash flows from operating activities		
Income before income taxes	67,070	52,657
Depreciation	25,975	27,865
Loss on pension buyout	2,105	—
Loss on impaired assets	3,448	—
Interest and dividend income	(1,740)	(1,611)
Interest expenses	1,082	1,184
Increase (decrease) in reserve amount	597	(2,856)
(Increase) decrease in notes and accounts receivable	(11,622)	21,221
(Increase) decrease in inventories	(22,416)	(17,759)
Increase (decrease) in notes and accounts payable	2,972	(27,859)
Other	2,448	5,104
Subtotal	69,918	57,946
Interest and dividends received	2,028	1,582
Interest expenses	(1,078)	(1,189)
Payments for income taxes	(15,696)	(22,076)
Net cash provided by operating activities	55,173	36,263
Cash flows from investing activities		
Cash outflow due to the acquisition of tangible and intangible fixed assets	(33,852)	(41,316)
Cash flow from the sale of tangible and intangible fixed assets	1,081	934
Expenses associated with the acquisition of shares in subsidiaries to change consolidation status	(20,908)	(12,864)
Expenses associated with the acquisition of shares in affiliated companies	(189)	(5,211)
Proceeds from the sale of investment securities	407	839
(Increase) decrease in short-term loans	139	325
Payments of loans receivable	(161)	(543)
Cash flow from loan recoveries	337	190
Other	(1,827)	(106)
Net cash used in investing activities	(54,973)	(57,752)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(12,615)	5,135
Increase (decrease) in commercial paper	17,000	18,000
Proceeds from long-term debt	9,642	21,415
Repayments for long-term debt	(8,944)	(2,730)
Proceeds from the issuance of corporate bonds	—	20,000
Cash outflow due to redemption of corporate bonds	—	(10,000)
Cash dividends paid	(11,636)	(14,451)

	Previous Full Year April 1, 2018 to March 31, 2019	Current Full Year April 1, 2019 to March 31, 2020
Payment of dividends to non-controlling stockholders	(662)	(1,078)
Expenses associated with the acquisition of shares in subsidiaries without any change to the scope of consolidation	(5,166)	—
Other	(934)	(325)
Net cash used in financing activities	(13,314)	35,964
Effect of exchange rate changes on cash and cash equivalents	(2,613)	(621)
Net increase (decrease) in cash and cash equivalents	(15,728)	13,854
Cash and cash equivalents at beginning of year	85,503	69,776
Cash and cash equivalents at end of year	69,776	83,630

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

There are no applicable items.

(Changes to Accounting Policies)

(Application of Accounting Standard Codification (ASC) 606: Revenue from Contract with Customers)

At our overseas subsidiaries that have adopted US GAAP, ASC 606: Revenue from Contract with Customers has been applied starting from the current consolidated fiscal year. Due to this, when promised goods or services are transferred to customers, we recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

With regard to the application of such accounting standard, we have adopted a method where cumulative effects of the application are recognized on the start date of application in accordance with the transitional treatment, and such effects were added to or deducted from retained earnings at the beginning of the current consolidated fiscal year.

As a result, the amount of retained earnings at the beginning of the current consolidated fiscal year under review decreased by JPY178 million. This change had a minimal impact on the results through the end of the current consolidated fiscal year under review.

(Application of IFRS 16 “Leases”)

At the Group’s subsidiaries that have adopted IFRS, IFRS 16 “Leases” (publicized in January 2016) (hereinafter referred to as “IFRS 16”) has been applied starting from the current consolidated fiscal year. In applying IFRS 16, the Group has adopted a method of recognizing cumulative effects of the application on the start date of application, which is accepted as a transitional measure.

As for leases that the Group as lessee previously classified as operating leases by applying IAS 17, these leases were recognized as right-of-use assets or lease liabilities on the start date of application.

In line with the application of the standard, other tangible fixed assets, other current liabilities and other fixed liabilities in the consolidated balance sheet increased by JPY2,684 million, JPY1,146 million and JPY1,538 million, respectively, at the beginning of the current consolidated fiscal year. In addition, the portion of assets worth JPY2,830 million that was previously recorded as other intangible fixed assets has also been included in other tangible fixed assets starting from the current consolidated fiscal year. This change had a minimal impact on the results through the end of the current consolidated fiscal year under review. In the consolidated cash flows statement, cash outflows from operating activities decreased by 1,295 million yen and cash outflows from financial activities increased by 1,295 million yen.

(Changes in presentation methods)

(Presentation method of valuation loss on investment securities)

“Valuation loss on investment securities,” which was included in “Other” of “Non-operating expenses” in the previous consolidated fiscal year, is separately stated starting from the current consolidated fiscal year, taking into account the increased monetary impact of such loss to the financial statements.

(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, control equipment, motors, inverters
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, 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 profit have been adjusted as compared to the operating income recorded in the Consolidated Income Statement.

Current Full Year (April 1, 2019, to March 31, 2020)

(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	130,501	185,010	272,805	86,981	32,946	149,009	857,252	7,238	864,490	—	864,490
(2) Internal sales between segments or exchanges	2,061	232	33	1,601	6	1,262	5,197	3,655	8,851	(8,851)	—
Total	132,562	185,243	272,839	88,582	32,952	150,271	862,449	10,892	873,341	(8,851)	864,490
Segment profit or loss ³	5,522	14,931	17,144	7,073	(2,102)	11,862	54,430	2,391	56,820	0	56,821
Segment assets	189,933	187,526	258,542	77,383	63,880	131,933	909,197	63,053	972,250	22,904	995,154
Other categories											
Depreciation expense	6,588	5,553	9,192	1,632	1,283	2,965	27,213	652	27,865	—	27,865
Amortization of goodwill	985	32	414	134	—	621	2,186	—	2,186	—	2,186
Impairment loss	—	—	—	—	—	—	—	—	—	—	—
Investment in affiliates accounted for by the equity method	256	2,495	—	—	—	—	2,751	—	2,751	—	2,751
Increase in tangible and intangible assets	27,928	6,032	10,234	1,967	1,451	2,816	50,428	803	51,231	—	51,231

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

(Per Share Information)

	Previous Full Year April 1, 2018 to March 31, 2019	Current Full Year April 1, 2019 to March 31, 2020
Net assets per share	3,701.01 yen	3,790.99 yen
Net income per share	372.56 yen	267.77 yen

Notes:

1. The diluted net income per share is not listed because there are no dilutive shares.
2. The basis for calculating the net income per share is outlined below:

Item	Previous Full Year April 1, 2018 to March 31, 2019	Current Full Year April 1, 2019 to March 31, 2020
Net income attributed to shareholders of the parent company	45,650 million yen	32,807 million yen
Value not attributable to common stockholders	—	—
Net income attributed to shareholders of the parent company's holdings of common stock	45,650 million yen	32,807 million yen
Average number of outstanding shares for the term	122,530 thousand shares	122,520 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, 2018 to March 31, 2019		April 1, 2019 to March 31, 2020		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	134,018	14.1	126,458	15.3	(7,560)	(5.6)
Precision Machinery	191,545	20.1	189,815	23.0	(1,731)	(0.9)
Construction Machinery	305,320	32.1	259,542	31.4	(45,778)	(15.0)
Industrial Machinery	90,765	9.5	88,409	10.7	(2,356)	(2.6)
Ships	31,961	3.3	30,146	3.6	(1,815)	(5.7)
Environmental Facilities & Plants	191,321	20.1	124,742	15.1	(66,579)	(34.8)
Others	7,269	0.8	7,116	0.9	(153)	(2.1)
Total	952,199	100.0	826,228	100.0	(125,971)	(13.2)

(2) Sales

(Units: millions of yen)

Segment	April 1, 2018 to March 31, 2019		April 1, 2019 to March 31, 2020		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	133,426	14.8	130,501	15.1	(2,925)	(2.2)
Precision Machinery	185,688	20.5	185,010	21.4	(677)	(0.4)
Construction Machinery	290,472	32.2	272,805	31.6	(17,667)	(6.1)
Industrial Machinery	93,737	10.4	86,981	10.1	(6,755)	(7.2)
Ships	41,443	4.6	32,946	3.8	(8,497)	(20.5)
Environmental Facilities & Plants	150,951	16.7	149,009	17.2	(1,942)	(1.3)
Others	7,335	0.8	7,238	0.8	(97)	(1.3)
Total	903,051	100	864,490	100	(38,561)	(4.3)

(3) Balance of Orders Received

(Units: millions of yen)

Segment	End of Full Year As of March 31, 2019		End of Full Year As of March 31, 2020		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	38,009	6.3	33,967	6.1	(4,042)	(10.6)
Precision Machinery	82,584	13.7	87,388	15.5	4,804	5.8
Construction Machinery	72,469	12.1	59,206	10.5	(13,263)	(18.3)
Industrial Machinery	95,765	15.9	97,193	17.3	1,428	1.5
Ships	39,990	6.7	37,190	6.6	(2,800)	(7.0)
Environmental Facilities & Plants	270,767	45.1	246,500	43.8	(24,267)	(9.0)
Others	1,418	0.2	1,296	0.2	(122)	(8.6)
Total	601,002	100	562,740	100	(38,262)	(6.4)