

Sumitomo Heavy Industries, Ltd.

CONSOLIDATED FINANCIAL REPORT

For the Full Year Ended March 31, 2021

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, 2021
Presented May 10, 2021**

Sumitomo Heavy Industries, Ltd.

Listed exchanges	Tokyo Stock Exchange
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Scheduled date of ordinary shareholders' meeting	June 29, 2021
Scheduled date of payment of cash dividends	June 30, 2021
Scheduled date of securities report filing	June 29, 2021
Availability of supplementary explanatory materials for financial statement	Yes
Holding of meeting to explain financial statement	Yes (for institutional investors, analysts and the media)

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

(1) Business Results

(Units: millions of yen)

	Current Full Term April 1, 2020 to March 31, 2021		Previous Full Term April 1, 2019 to March 31, 2020	
		% change		% change
Net sales	849,065	(1.8)	864,490	(4.3)
Operating profit	51,342	(9.6)	56,806	(24.5)
Ordinary profit	49,544	(5.9)	52,642	(27.5)
Profit attributable to owners of parent	26,764	(18.4)	32,807	(28.1)
Profit attributable to owners of parent ratio (yen)	218.46		267.77	
Fully diluted profit attributable to owners of parent ratio	—		—	
Return on equity (ROE, %)	5.6		7.1	
Return on assets (%)	4.9		5.4	
Ordinary profit to net sales (%)	6.0		6.6	

Note 1: Comprehensive income:

Fiscal year ended March 31, 2021: 32,162 million yen, (17.5%)

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

Note 2: For the consolidated fiscal year under review, a provisional accounting treatment related to a business combination was finalized and consolidated financial statements for the previous consolidated fiscal year reflect the finalized provisional accounting treatment.

Reference: Equity method investment profit and loss:
 Fiscal year ended March 31, 2021: 119 million yen gain
 Fiscal year ended March 31, 2020: 244 million yen gain

(2) Financial Position

(Units: millions of yen)

	End of Current Full Year March 31, 2021	End of Previous Full Year March 31, 2020
Total assets	1,030,684	996,111
Total net assets	504,928	477,648
Equity ratio (%)	47.6	46.6
Net assets per share (yen)	4,005.43	3,790.99

Reference: Equity:
 Fiscal year ended March 31, 2021: 490,697 million yen
 Fiscal year ended March 31, 2020: 464,457 million yen

(3) Cash Flows

(Units: millions of yen)

	Current Full Term April 1, 2020 to March 31, 2021	Previous Full Term April 1, 2019 to March 31, 2020
Cash flows from operating activities	64,131	36,263
Cash flows from investing activities	(43,729)	(57,752)
Cash flows from financing activities	(7,959)	35,964
Cash and cash equivalents at end of period	96,242	83,630

2. Dividends

(Unit: yen)

	Year Ended March 31, 2020	Year Ended March 31, 2021	Year Ending March 31, 2022 (forecast)
Annual dividends per share			
First quarter	—	—	—
Second quarter	56.00	9.00	35.00
Third quarter	—	—	—
End of term	35.00	56.00	35.00
Annual dividends	91.00	65.00	70.00
Total dividends (million yen)	11,149	7,963	
Payout ratio (consolidated, %)	34.0	29.8	31.8
Net assets dividend yield (consolidated, %)	2.4	1.6	

Note: Changes from the most recent dividend forecast: Yes

3. FY 2021 Consolidated Forecasts (April 1, 2021, to March 31, 2022)

(Units: millions of yen)

	Full year	
		% change
Net sales	870,000	2.5
Operating profit	50,000	(2.6)
Ordinary profit	46,000	(7.2)
Profit attributable to owners of parent	27,000	0.9
Profit attributable to owners of parent ratio (yen)	220.39	

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc. has been applied since the beginning of the fiscal year ending March 2022. Therefore, in the above consolidated forecasts, amounts were obtained by applying such accounting standard, etc. and year-on-year changes (%) are not described.

Additional Notes

- (1) Transfers of important subsidiaries during the fiscal period (moves of specific subsidiaries due to change in scope of consolidation):
- | | |
|--|------|
| | None |
|--|------|
- Newly consolidated:
- | | |
|--|------|
| | None |
|--|------|
- Excluded from consolidation:
- | | |
|--|------|
| | None |
|--|------|
- (2) Changes to accounting policies, changes to accounting estimates, and retrospective restatements
- | | |
|------------------------------------------------------------------------------|------|
| (i) Changes to accounting policies due to revisions to accounting standards: | None |
| (ii) Changes to accounting policies not otherwise stated in (i): | None |
| (iii) Changes to accounting estimates: | None |
| (iv) Retrospective restatements: | None |
- (3) Number of shares issued (common shares)
- | | |
|----------------------------------------------------------------------------------|--------------------|
| (i) Number of shares issued at end of fiscal period (including treasury shares): | |
| As of March 31, 2021 | 122,905,481 shares |
| As of March 31, 2020 | 122,905,481 shares |
| (ii) Number of treasury shares at end of fiscal period: | |
| As of March 31, 2021 | 397,425 shares |
| As of March 31, 2020 | 389,392 shares |
| (iii) Average number of shares during fiscal period: | |
| As of March 31, 2021 | 122,511,716 shares |
| As of March 31, 2020 | 122,519,612 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

As for the business environment surrounding the Group during the consolidated fiscal year under review, the spread of COVID-19 infections resulted in issuance of a declaration of an emergency situation in Japan, which dampened economic activities, and turning to overseas regions, pandemic lockdowns were enforced, leading to a deterioration in the economic environment. These and other factors prompted a global downturn in demand for machinery. Also, uncertainty over the global economy increased mainly due to escalation of trade disputes between the US and China, ongoing geopolitical risks, fluctuations in oil prices and their slump in addition to the aforementioned factors.

In this business environment, the Group moved forward with responsive measures to COVID-19, such as securing safety of employees and providing the maximum cooperation to meet social demands, and worked to implement a short-term business continuity plan (BCP) including maintenance of production in the case of an employee being infected, maintain the business amid declining orders, ensure continuation of factory operations, and carry out other activities.

As a result, the Group's orders and net sales increased to JPY813.9 billion and JPY849.1 billion, respectively.

In terms of profitability, the Group posted operating profit of JPY51.3 billion and ordinary profit of JPY49.5 billion. Profit attributable to owners of parent came to JPY26.8 billion because an impairment loss of JPY5.8 billion was recorded as extraordinary loss in Ships and other segments. Finally, the after-tax ROIC* ended at 6.1%.

* 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

Orders, sales and operating profit all decreased as the impact of spread of COVID-19 infections was seen all around the world. As a result, orders decreased by 2% as compared to the previous fiscal year to finish at JPY124.1 billion, while sales decreased by 6% as compared to the previous fiscal year to finish at JPY122.2 billion. The segment posted an operating profit of JPY2.2 billion, a 60% decrease as compared to the previous fiscal year.

(ii) Precision Machinery

For the plastic machinery business, orders increased due to recovery in demand from the electric and electronic sector in China and an increase in demand from the US and Europe. However, sales decreased due to a lead time from order receipt to sales. Meanwhile, a change in the model configuration resulted in an increase in operating profit. With regard to other product areas, although orders decreased because demand for semiconductor-related products entered an adjustment phase, sales remained unchanged from the previous fiscal year and operating profit increased due to a backlog of orders. As a result, orders decreased by 15% as compared to the previous fiscal year to finish at JPY162.3 billion, sales came to JPY176.9 billion, down 4% from the previous fiscal year, and operating profit increased by 15% as compared to the previous fiscal year to finish at JPY17.1 billion.

(iii) Construction Machinery

With regard to the hydraulic excavator business, orders increased due to the strong market in Japan and recovery in demand from the North America region. However, sales decreased due to a lead time from order receipt to sales and operating profit also decreased because of incurrence of quality costs in addition to a decrease in sales. With regard to the mobile crane business, demand was recovering in the North America region but the spread of COVID-19 infections impacted the business, prompting a drop in demand. As a result, orders, sales and operating profit all decreased. As a result of the above, orders across the segment decreased by 2% as compared to the previous fiscal year to finish at JPY253.7 billion, while sales decreased by 9% as compared to the previous fiscal year to finish at JPY248.7 billion. The segment posted an operating profit of JPY6.1 billion, a 64% decrease as compared to the previous fiscal year.

(iv) Industrial Machinery

With regard to the material handling business, orders increased as demand for products related to electricity and ports as well as logistics systems was strong, and both sales and operating profit increased because of a backlog of orders. For other product areas, all of orders, sales and operating profit decreased due to the spread of COVID-19 infections. As a result of the above, orders across the segment decreased by 2% as compared to the previous fiscal year to finish at JPY86.3 billion, while sales increased by 7% as compared to the previous fiscal year to finish at JPY93.2 billion. The segment posted an operating profit of JPY8.5 billion, a 20% increase as compared to the previous fiscal year.

(v) Ships

Amid the continuing sluggish market for the fiscal year under review, the segment booked an order for three new vessels as in the previous fiscal year. The segment delivered four vessels as in the previous fiscal year, resulting in increased sales, but operating loss was recorded as in 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 JPY29.3 billion, while sales increased by 3% as compared to the previous fiscal year to finish at JPY34.0 billion. The segment also posted an operating loss of JPY2.7 billion.

(vi) Environmental Facilities & Plants

Orders in the energy plant business increased partly because orders were received for large-scale projects for biomass-fueled power generation plants in Japan and Europe, and both sales and operating profit increased due primarily to a backlog of orders in Japan. With respect to the water treatment plant business, orders decreased partly because the number of projects for waste water treatment equipment declined from the previous fiscal year. However, sales and operating profit increased because of a backlog of orders. As a result of the above, orders across the segment increased by 22% as compared to the previous fiscal year to finish at JPY152.4 billion, while sales increased by 13% as compared to the previous fiscal year to finish at JPY168.0 billion. The segment posted an operating profit of JPY18.1 billion, a 52% increase as compared to the previous fiscal year.

(vii) Others

Orders decreased by 18% to JPY5.9 billion, sales decreased by 17% to JPY6.0 billion, and operating profit decreased by 13% to JPY2.1 billion from the previous fiscal year, respectively.

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

Total assets increased by JPY34.6 billion to JPY1,030.7 billion from the end of the previous consolidated fiscal year. This was mainly due to increases of JPY12.5 billion in cash and deposits, JPY11.5 billion in notes and accounts receivable, and JPY7.7 billion in tangible fixed assets.

Total liabilities increased by JPY7.3 billion to JPY525.8 billion from the end of the previous consolidated fiscal year as provision for construction warranties increased by JPY4.5 billion.

Net assets increased by JPY27.3 billion to JPY504.9 billion from the end of the previous consolidated fiscal year mainly due to an increase in retained earnings of JPY23.1 billion.

As a result of the above, the shareholders' equity ratio increased by 1.0 point from the end of the previous consolidated fiscal year to finish at 47.6%.

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 JPY96.2 billion, an increase of JPY12.6 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 increased by JPY64.1 billion during the consolidated fiscal year under review and increased by JPY27.9 billion from the same period of the previous fiscal year. This is because an increase in inventory assets slowed down and trade payables increased.

(Cash Flow from Investing Activities)

Cash flow from investing activities decreased by JPY43.7 billion during the consolidated fiscal year under review and cash outflow decreased by JPY14.0 billion from the same period of the previous fiscal year. This is partly attributable to a decrease in expenses for acquiring the shares of, and money invested in, a subsidiary, which results in a change in the scope of consolidation.

(Cash Flow from Financing Activities)

Cash flow from financing activities decreased by JPY8.0 billion during the consolidated fiscal year under review and cash outflow increased by JPY43.9 billion from the same period of the previous fiscal year. This is partly attributable to a decrease in interest-bearing liabilities.

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

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Shareholders' equity ratio (%)	50.0	48.2	47.5	46.6	47.6
Shareholders' equity ratio on a market price basis (%)	59.7	55.3	46.0	24.0	36.5
Redemption period (years)	1.6	0.9	1.3	3.4	1.9
Interest coverage ratio (multiples)	28.9	72.5	51.2	30.5	66.2

Shareholders' equity ratio = shareholders' equity / total assets

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

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

Interest coverage ratio = operating cash flow / interest expense

4. Future Outlook

As of now, forecasts for results for the fiscal year ending March 2022 are as follows.

[Consolidated results]

Net sales	JPY870.0 billion
Operating profit	JPY 50.0 billion
Ordinary profit	JPY46.0 billion
Profit attributable to owners of parent	JPY27.0 billion

(Assumed exchange rates are: JPY105 per US dollar, and JPY125 per euro.)

*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.

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc. has been applied since the beginning of the fiscal year ending March 2022. Therefore, in the above consolidated forecasts, amounts were obtained by applying such accounting standard, etc. and year-on-year changes (%) are not described.

5. Basic Policy on Earnings Appropriation and Dividend for the Consolidated Fiscal Year Under Review as well as the Fiscal Year Ending March 31, 2022

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 2021 will be JPY65 per share including an interim dividend of JPY9 per share. For details, please see "Notice on Changes to Term-end Dividend Forecasts for the Fiscal Year Ended March 2021" announced today (May 10, 2021)

For the fiscal year ending March 2022, the Group is forecasting a dividend of JPY70 per share.

II. Selection of Accounting Standards

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

III. Consolidated Financial Statements and Key Explanatory Notes

1. Consolidated Balance Sheets

(Units: millions of yen)

	End of Full Year As of March 31, 2020	End of Full Year As of March 31, 2021
	Amount	Amount
Assets		
Current assets		
Cash and deposits	87,067	99,518
Notes and accounts receivable	271,406	282,928
Products	81,573	80,272
Works in progress	76,565	77,721
Raw materials and stock	42,840	42,163
Other	36,673	34,276
Allowance for doubtful accounts	(3,341)	(3,258)
Total current assets	592,784	613,620
Fixed assets		
Tangible fixed assets		
Buildings and structures	178,188	183,375
Accumulated depreciation	(115,971)	(118,975)
Buildings and structures (net)	62,217	64,400
Machinery and transportation tools	212,697	221,183
Accumulated depreciation	(148,108)	(155,723)
Machinery and transportation tools (net)	64,589	65,461
Land	107,535	108,305
Construction in progress	9,250	13,825
Other	66,653	69,111
Accumulated depreciation	(42,179)	(45,298)
Other (net)	24,474	23,813
Total tangible fixed assets	268,066	275,804
Intangible fixed assets		
Goodwill	28,831	29,364
Other	45,280	47,432
Total intangible fixed assets	74,111	76,796
Investments and other assets		
Investment securities	19,771	22,812
Long-term loans	3,213	2,658

	End of Full Year As of March 31, 2020	End of Full Year As of March 31, 2021
	Amount	Amount
Deferred income taxes	26,928	25,456
Defined benefit assets	2,936	4,591
Other	12,600	12,505
Allowance for doubtful accounts	(4,297)	(3,556)
Total investments and other assets	61,151	64,465
Total Fixed assets	403,327	417,064
Total assets	996,111	1,030,684

(Units: millions of yen)

	End of Full Year As of March 31, 2020	End of Full Year As of March 31, 2021
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	158,489	160,260
Short-term loans payable	28,139	31,698
Current portion of long-term loans payable	4,499	3,270
Commercial papers	35,000	—
Income tax payable	5,921	6,615
Advance payments received on contracts	57,523	57,676
Provision for construction warranties	13,742	18,192
Provision for loss on construction orders	4,233	2,857
Other	58,111	60,595
Total current liabilities	365,657	341,162
Fixed Liabilities		
Bonds payable	30,000	50,000
Long-term debt due after one year	27,032	39,471
Provision for loss on operation transfers	115	115
Provision for loss on product liability claims	38	36
Defined benefit liability	53,628	51,662
Deferred income taxes on revaluation	20,628	20,437
Other	21,365	22,873
Total non-current liabilities	152,806	184,594
Total liabilities	518,463	525,756
Net assets		
Shareholders' equity		
Capital stock	30,872	30,872
Capital surplus	26,070	26,071
Retained earnings	367,229	390,336
Treasury shares	(1,080)	(1,100)
Total Shareholders' equity	423,091	446,179
Accumulated other comprehensive income		

	End of Full Year As of March 31, 2020	End of Full Year As of March 31, 2021
	Amount	Amount
Valuation difference on available-for-sale securities	2,410	5,030
Deferred gains or losses on hedges	(532)	(834)
Revaluation reserve for land	40,626	40,342
Foreign currency translation adjustments	4,911	1,016
Remeasurement of defined benefit plans	(6,049)	(1,035)
Total accumulated other comprehensive income	41,366	44,518
Non-controlling interests	13,191	14,230
Total net assets	477,648	504,928
Total liabilities and net assets	996,111	1,030,684

2. Consolidated Income Statements and Consolidated Statement of Comprehensive Income

Consolidated Income Statements

(Units: millions of yen)

	Previous Full Year April 1, 2019 to March 31, 2020	Current Full Year April 1, 2020 to March 31, 2021
	Amount	Amount
Net sales	864,490	849,065
Cost of sales	670,199	663,616
Gross income	194,291	185,449
Selling, general and administrative expenses	137,485	134,106
Operating profit	56,806	51,342
Non-operating profit		
Interest income	1,017	899
Dividend income	594	640
Insurance income	—	1,076
Other	3,462	2,295
Total non-operating profit	5,073	4,910
Non-operating expenses		
Interest expenses	1,184	954
Foreign exchange losses	1,807	575
Patent related expenses	904	1,012
Other	5,342	4,167
Total non-operating expenses	9,237	6,708
Ordinary profit	52,642	49,544
Extraordinary losses		
Impairment loss	—	5,769
Total extraordinary losses	—	5,769
Profit before income taxes	52,642	43,775
Income tax current	17,008	16,399
Income tax deferred	815	(1,265)
Total income taxes	17,823	15,133
Profit	34,819	28,642
Profit attributable to no-controlling interests	2,012	1,877
Profit attributable to owners of parent	32,807	26,764

Consolidated Statement of Comprehensive Income

(Units: millions of yen)

	Previous Full Year April 1, 2019 to March 31, 2020	Current Full Year April 1, 2020 to March 31, 2021
	Amount	Amount
Profit	34,819	28,642
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,465)	2,617
Deferred gains or losses on hedges	(215)	(306)
Foreign currency translation adjustments	(4,272)	(3,806)
Adjustment to retirement benefits	(1,509)	5,004
Share of other comprehensive income of entities accounted for using equity method	7	10
Total other comprehensive income	(7,453)	3,520
Comprehensive income	27,365	32,162
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	25,657	30,201
Quarterly comprehensive income attributable to non-controlling interests	1,709	1,961

3. Consolidated Statements of Changes to Stockholders' Equity

Previous 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 reflecting changes to accounting policies	30,872	26,071	348,685	(1,048)	404,580
Fluctuation in the period					
Dividends			(14,458)		(14,458)
Profit attributable to owners of parent			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	—	—	18,543	(32)	18,511
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
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	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 reflecting 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)
Profit attributable to owners of parent								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

Current Full Year April 1, 2020 to March 31, 2021

(Units: millions of yen)

	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total Stockholders' equity
Balance at beginning of period	30,872	26,070	367,229	(1,080)	423,091
Changes of period					
Balance at beginning of period reflecting changes to accounting policies	30,872	26,070	367,229	(1,080)	423,091
Fluctuation in the period					
Dividends			(5,391)		(5,391)
Profit attributable to owners of parent			26,764		26,764
Acquisition of treasury shares				(21)	(21)
Disposal of treasury shares			(0)	1	1
Difference from transfer of revaluation reserve for land			284		284
Changes to parent company equity due to transactions with non-controlling shareholders		0			0
Changes in scope of consolidation			1,450		1,450
Fluctuations other than stockholders' equity in the period (net)					
Total fluctuation in the period	—	0	23,107	(20)	23,088
Balance at end of period	30,872	26,071	390,336	(1,100)	446,179

(Units: millions of yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Re-measurement of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,410	(532)	40,626	4,911	(6,049)	41,366	13,191	477,648
Changes of period								
Balance at beginning of period reflecting changes to accounting policies	2,410	(532)	40,626	4,911	(6,049)	41,366	13,191	477,648
Fluctuation in the period								
Dividends								(5,391)
Profit attributable to owners of parent								26,764
Acquisition of treasury shares								(21)
Disposal of treasury shares								1
Difference from transfer of revaluation reserve for land								284
Changes to parent company equity due to transactions with non-controlling shareholders								0
Changes in scope of consolidation								1,450
Fluctuations other than stockholders' equity in the period (net)	2,620	(303)	(284)	(3,895)	5,014	3,152	1,040	4,192
Total fluctuation in the period	2,620	(303)	(284)	(3,895)	5,014	3,152	1,040	27,280
Balance at end of period	5,030	(834)	40,342	1,016	(1,035)	44,518	14,230	504,928

4. Consolidated Cash Flows Statement

(Units: millions of yen)

	Previous Full Year April 1, 2019 to March 31, 2020	Current Full Year April 1, 2020 to March 31, 2021
Cash flows from operating activities		
Profit before income taxes	52,642	43,775
Depreciation	27,953	29,746
Impairment loss	—	5,769
Interest and dividend income	(1,611)	(1,539)
Interest expenses	1,184	954
Increase (decrease) in reserve amount	(2,856)	3,096
(Increase) decrease in notes and accounts receivable	21,221	(10,942)
(Increase) decrease in inventories	(17,759)	(4,093)
Increase (decrease) in notes and accounts payable - trade	(27,859)	966
Other	5,032	11,343
Subtotal	57,946	79,077
Interest and dividends received	1,582	1,557
Interest expenses	(1,189)	(969)
Payments for income taxes	(22,076)	(15,534)
Net cash provided by operating activities	36,263	64,131
Cash flows from investing activities		
Cash outflow due to the acquisition of tangible and intangible fixed assets	(41,316)	(39,841)
Cash flow from the sale of tangible and intangible fixed assets	934	490
Expenses associated with the acquisition of shares in subsidiaries to change consolidation status	(12,864)	(2,112)
Expenses associated with the acquisition of shares in affiliated companies	(5,211)	(18)
Proceeds from the sale of investment securities	839	864
(Increase) decrease in short-term loans	325	96
Payments of loans receivable	(543)	(944)
Cash flow from loan recoveries	190	509
Payments for transfer of business	—	(2,300)
Other	(106)	(474)
Net cash used in investing activities	(57,752)	(43,729)
Cash flows from financing activities		
Net increase (decrease) in loans	5,135	3,410
Increase (decrease) in commercial papers	18,000	(35,000)
Proceeds from long-term debt	21,415	16,067
Repayments for long-term debt	(2,730)	(5,291)
Proceeds from the issuance of corporate bonds payable	20,000	20,000
Cash outflow due to redemption of corporate bonds	(10,000)	—

	Previous Full Year April 1, 2019 to March 31, 2020	Current Full Year April 1, 2020 to March 31, 2021
payable		
Cash dividends paid	(14,451)	(5,403)
Payment of dividends to non-controlling stockholders	(1,078)	(921)
Other	(325)	(821)
Net cash used in financing activities	35,964	(7,959)
Effect of exchange rate changes on cash and cash equivalents	(621)	(734)
Net increase (decrease) in cash and cash equivalents	13,854	11,709
Cash and cash equivalents at beginning of year	69,776	83,630
Increase in cash and cash equivalents resulting from new consolidation	—	903
Cash and cash equivalents at end of year	83,630	96,242

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

There are no applicable items.

(Changes in presentation methods)

(Related to Consolidated Income Statements)

Presentation method of valuation loss on investment securities (Consolidated Income Statements) "Valuation loss on investment securities" of "Non-operating expenses," which was separately stated in the previous consolidated fiscal year, is included in "Other" of "Non-operating expenses" starting from the current consolidated fiscal year, taking into account the decreased monetary impact of such loss to the financial statements. To reflect this change in presentation methods, consolidated financial statements for the previous consolidated fiscal year have been restated.

As a result, in the Consolidated Income Statement for the previous consolidated fiscal year, JPY1.041 billion, which was stated in "Valuation loss on investment securities" of "Non-operating expenses," is restated in "Other."

(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, 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 (loss) ³	5,507	14,931	17,144	7,073	(2,102)	11,862	54,415	2,391	56,806	0	56,806
Segment assets	190,890	187,526	258,542	77,383	63,880	131,933	910,154	63,053	973,207	22,904	996,111
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	912	32	414	134	—	621	2,114	—	2,114	—	2,114
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 profit (loss) has been adjusted as compared to the operating profit recorded in the Consolidated Income Statement.

Current Full Year (April 1, 2020, to March 31, 2021)

(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	122,156	176,902	248,701	93,238	34,045	167,980	843,022	6,043	849,065	—	849,065
(2) Internal sales between segments or exchanges	2,068	109	17	2,041	30	908	5,173	3,485	8,658	(8,658)	—
Total	124,224	177,011	248,718	95,279	34,075	168,888	848,195	9,528	857,723	(8,658)	849,065
Segment profit (loss) ³	2,228	17,105	6,119	8,473	(2,737)	18,083	49,271	1,978	51,250	92	51,342
Segment assets	194,818	193,804	263,567	84,788	55,259	148,346	940,582	60,996	1,001,578	29,106	1,030,684
Other categories											
Depreciation expense	7,704	5,809	9,397	1,753	1,298	3,125	29,085	661	29,746	—	29,746
Amortization of goodwill	1,304	31	—	67	—	736	2,137	—	2,137	—	2,137
Impairment loss	—	772	—	—	4,991	—	5,763	6	5,769	—	5,769
Investment in affiliates accounted for by the equity method	278	2,609	—	—	—	—	2,888	—	2,888	—	2,888
Increase in tangible and intangible assets	10,417	7,838	13,387	2,993	1,423	5,793	41,851	1,738	43,589	—	43,589

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 (loss) has been adjusted as compared to the operating profit recorded in the Consolidated Income Statement.

(Per Share Information)

	Previous Full Year April 1, 2019 to March 31, 2020	Current Full Year April 1, 2020 to March 31, 2021
Net assets per share	3,790.99 yen	4,005.43 yen
Profit attributable to owners of parent ratio	267.77 yen	218.46 yen

Notes:

1. The diluted profit attributable to owners of parent ratio is not listed because there are no dilutive shares.
2. The basis for calculating the profit attributable to owners of parent ratio is outlined below:

Item	Previous Full Year April 1, 2019 to March 31, 2020	Current Full Year April 1, 2020 to March 31, 2021
Profit attributable to owners of parent	32,807 million yen	26,764 million yen
Value not attributable to common stockholders	—	—
Profit attributable to owners of parent's holdings of share capital	32,807 million yen	26,764 million yen
Average number of outstanding shares for the term	122,520 thousand shares	122,512 thousand shares

(Subsequent Events of Significant Importance)
Changes in reporting segments

At the meeting of the Board of Directors held on May 10, 2021, the Company resolved to adopt a new Medium-Term Management Plan 2023, which was formulated for a three-year period starting in the fiscal year 2021.

In line with the policy of the new Medium-Term Management Plan, we have decided to change our reporting segments for the fiscal year 2021 and beyond. This decision aims to review the consolidation of businesses in each segment with a focus on shared features of businesses for the purpose of solving social issues, and thereby improve our corporate value through synergy in new segments.

As a result, the reporting segments of the Group have been changed from “Machinery Components,” “Precision Machinery,” “Construction Machinery,” “Industrial Machinery,” “Ships,” and “Environmental Facilities & Plants” to “Mechatronics,” “Industrial Machinery,” “Logistics & Construction” and “Energy & Lifelines.”

Note that information on sales and profit in each reporting segment after the change for the consolidated fiscal year under review is as follows.

Current Full Year (April 1, 2020, to March 31, 2021)

(Units: millions of yen)

	Reporting segment					Other ¹	Total	E ²	F
	A	B	C	D	Subtotal				
Net sales									
(1) Sales to external customers	133,446	204,177	301,870	203,529	843,022	6,043	849,065	—	849,065
(2) Internal sales between segments or exchanges	2,069	1,036	894	922	4,920	3,485	8,406	(8,406)	—
Total	135,515	205,213	302,764	204,451	847,943	9,528	857,471	(8,406)	849,065
Segment profit ³	3,106	16,441	12,996	16,720	49,263	1,978	51,241	101	51,342

Segments:

- A: Mechatronics
- B: Industrial Machinery
- C: Logistics & Construction
- D: Energy & Lifelines
- E: Adjustments
- F: Value included on the consolidated income statement

Notes:

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

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

(Units: millions of yen)

Segment	April 1, 2019 to March 31, 2020		April 1, 2020 to March 31, 2021		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	126,458	15.3	124,063	15.3	(2,396)	(1.9)
Precision Machinery	189,815	23.0	162,281	19.9	(27,534)	(14.5)
Construction Machinery	259,542	31.4	253,747	31.2	(5,795)	(2.2)
Industrial Machinery	88,409	10.7	86,253	10.6	(2,156)	(2.4)
Ships	30,146	3.6	29,289	3.6	(857)	(2.8)
Environmental Facilities & Plants	124,742	15.1	152,364	18.7	27,622	22.1
Others	7,116	0.9	5,867	0.7	(1,249)	(17.6)
Total	826,228	100.0	813,863	100.0	(12,365)	(1.5)

(2) Sales

(Units: millions of yen)

Segment	April 1, 2019 to March 31, 2020		April 1, 2020 to March 31, 2021		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	130,501	15.1	122,156	14.4	(8,345)	(6.4)
Precision Machinery	185,010	21.4	176,902	20.8	(8,109)	(4.4)
Construction Machinery	272,805	31.6	248,701	29.3	(24,104)	(8.8)
Industrial Machinery	86,981	10.1	93,238	11.0	6,257	7.2
Ships	32,946	3.8	34,045	4.0	1,099	3.3
Environmental Facilities & Plants	149,009	17.2	167,980	19.8	18,971	12.7
Others	7,238	0.8	6,043	0.7	(1,195)	(16.5)
Total	864,490	100.0	849,065	100.0	(15,425)	(1.8)

(3) Balance of Orders Received

(Units: millions of yen)

Segment	End of Full Year As of March 31, 2020		End of Full Year As of March 31, 2021		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	33,174	5.9	35,081	6.6	1,907	5.7
Precision Machinery	87,670	15.6	73,048	13.8	(14,621)	(16.7)
Construction Machinery	58,279	10.3	63,325	12.0	5,046	8.7
Industrial Machinery	97,156	17.2	90,171	17.1	(6,985)	(7.2)
Ships	37,012	6.6	32,255	6.1	(4,756)	(12.9)
Environmental Facilities & Plants	249,513	44.2	233,897	44.2	(15,616)	(6.3)
Others	1,296	0.2	1,120	0.2	(176)	(13.6)
Total	564,100	100.0	528,898	100.0	(35,202)	(6.2)