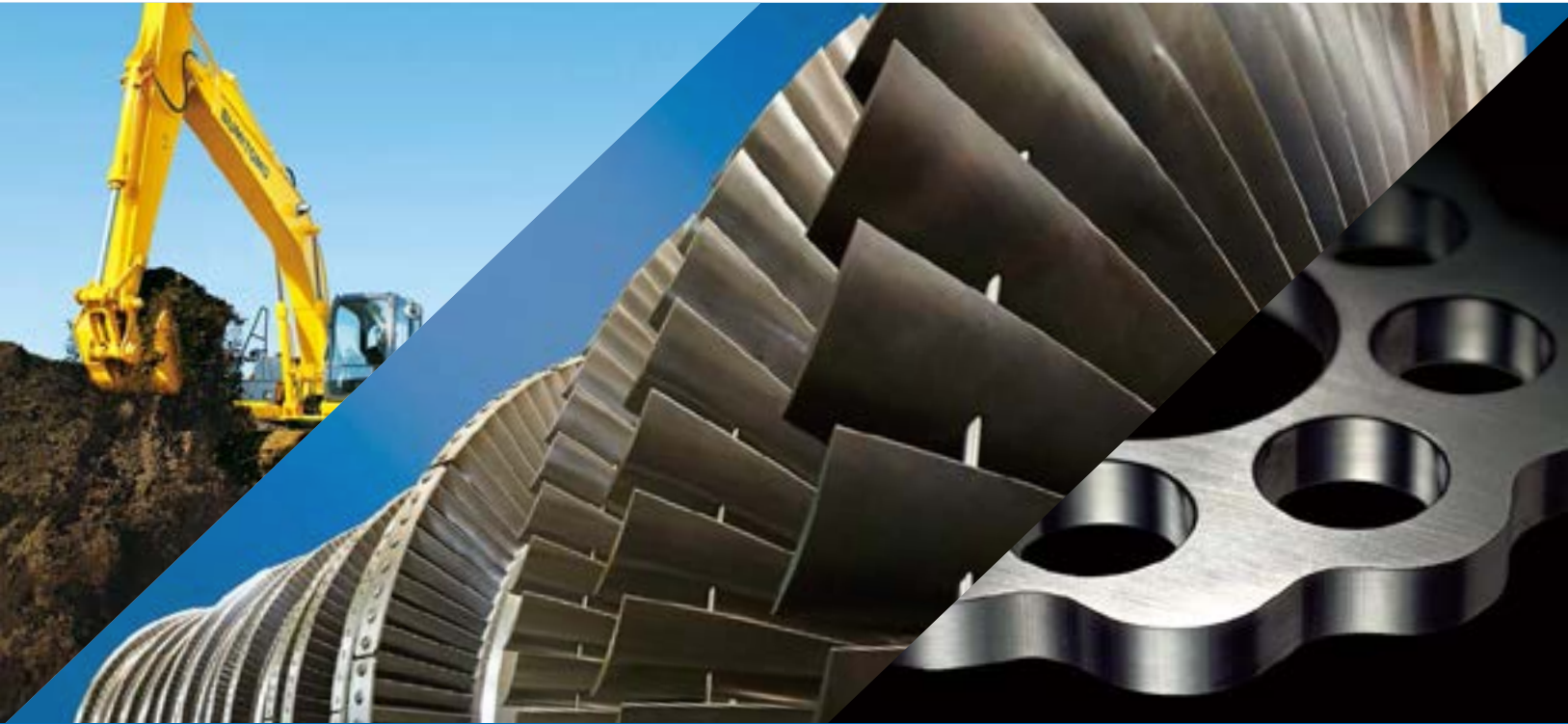




Annual Report 2015

For the year ended March 31, 2015



Building on a Solid Foundation



Contents

Click each item to go to the top page for that category.

- Overview of Operating Highlights..... 1
- Directors and Corporate Auditors..... 2
- Message from President Betsukawa 4
- Special Feature: Building on a Solid Foundation 10
- At a Glance..... 16
- Review of Operations..... 18
 - Machinery Components..... 18
 - Precision Machinery 20
 - Construction Machinery..... 22
 - Industrial Machinery 24
 - Ships 26
 - Environmental Facilities & Plants 28
- Overview by Geographical Area 30
- Social Contribution through Business Activities 32
- Research and Development 34
- Intellectual Property 36
- Corporate Governance..... 37
- Directors, Corporate Auditors, and Executive Officers..... 44
- Environmental Initiatives 46
- Financial Section 47
- Major Subsidiaries and Affiliates..... 86
- Glossary..... 88
- Corporate Data 90

Cautionary Note Concerning Forward-Looking Statements

This annual report includes forward-looking statements regarding the future performance of Sumitomo Heavy Industries, Ltd. These forward-looking statements are based on information currently available to the Company and determined subjectively. Future performance is not guaranteed and all information related to future performance contained herein is subject to changes in the business environment.

Overview of Operating Highlights

Sumitomo Heavy Industries, Ltd. Annual Report 2015

2014

Apr.

- Evaluation information regarding "Field View Monitor" registered on NETIS (new technology information system)
- Announced strengthening of technology provision to OEM suppliers for hydraulic excavators



May

- Announcement of Medium-Term Management Plan 2016



June

July

Aug.

- Order received for what will be the largest and most-efficient power generation plant in Japan. The principal fuel material will be wood chips.



Sept.

Oct.

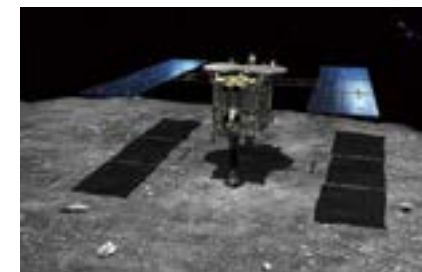
- Our SH135X-6 hydraulic excavators and Field View Monitor both received Good Design awards.
- Cancer treatment started at a private hospital in Japan with SHI's vertically arranged proton therapy system.



Nov.

Dec.

- The Hayabusa 2 exploration satellite is equipped to gather samples from the surface of asteroids.



Hayabusa 2 (Illustration by Akihiro Ikeshita, photo courtesy of JAXA)

Jan.

Feb.

- New R&D center established at the SHI Group's Ehime Works (Niijima Factory)
- 1,200-ton Goliath crane delivered to a domestic shipbuilding yard



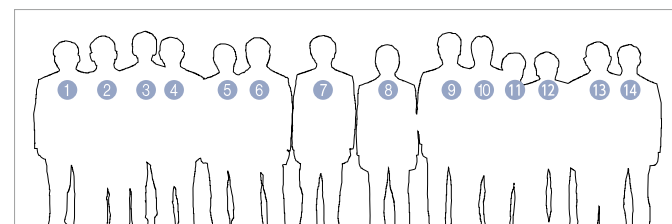
Mar.

Directors and Corporate Auditors (As of June 26, 2015)

Sumitomo Heavy Industries, Ltd. Annual Report 2015



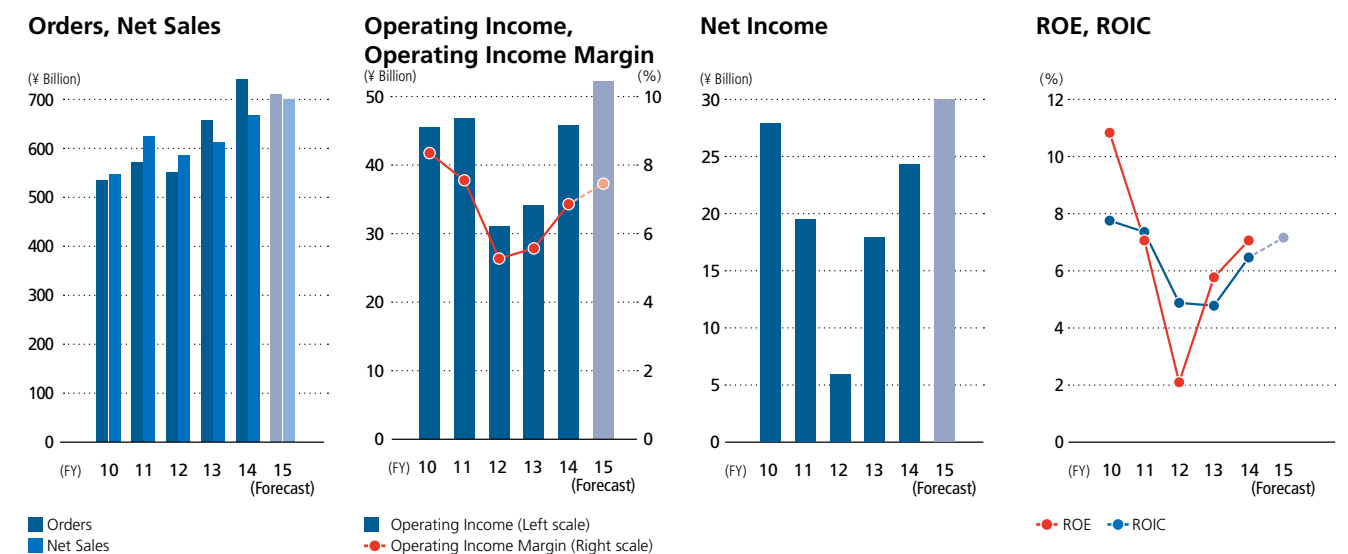
- 1 **Kazuto Kaneshige**
Director
Senior Vice President
- 2 **Yuji Takaishi**
Representative Director
Executive Vice President
- 3 **Yoshiyuki Tomita**
Director
Senior Vice President
- 4 **Shinji Nishimura**
Representative Director
Senior Executive Vice President
- 5 **Hideo Kojima**
External Director
- 6 **Yoshinobu Nakamura**
Representative Director
Chairman of the Board
- 7 **Shunsuke Betsukawa**
Representative Director
President and CEO
- 8 **Mikio Ide**
Director
- 9 **Toshiharu Tanaka**
Director
Executive Vice President
- 10 **Susumu Takahashi**
External Director
- 11 **Yukio Kinoshita**
Standing Corporate Auditor
- 12 **Takeo Wakae**
External Corporate Auditor
- 13 **Kazumi Fujita**
Standing Corporate Auditor
- 14 **Takashi Miyazawa**
External Corporate Auditor



Our Commitment

The mission of the Sumitomo Heavy Industries Group is to contribute to the growth and development of society through providing first-class products and services. Earning the enduring trust of our customers worldwide is key to realizing sustainable growth and enhancing our corporate value, and will, in turn, enable us to better meet the expectations of shareholders, customers, employees, and local communities.

Operating Results (Consolidated)



Formula for calculating the return on invested capital (ROIC)
 $ROIC = \frac{(\text{Operating income} + \text{Interest and dividends received}) \times (1 - \text{Effective tax rate}^*)}{(\text{Average of stockholders' equity} + \text{Average of interest-bearing debt})}$
 *Effective tax rate = 45% up to fiscal 2013 and 40% from fiscal 2014

Message from President Betsukawa



President and CEO, Shunsuke Betsukawa

Providing first-class products and services that contribute to the growth and development of society

Fiscal 2014 Operating Results

Highest Orders and Sales in the SHI Group History

For fiscal 2014, ended March 31, 2015, we reported orders amounting to ¥740.8 billion and net sales of ¥667.1 billion. Both were record levels for the SHI Group. As the first year of our Medium-Term Management Plan 2016 (MTMP16), we positioned fiscal 2014 as a year for setting the Company firmly on a growth track, and we made a generally smooth start toward our objectives.

Segments showing major growth in orders over the previous fiscal year were precision machinery, construction machinery, and ships. In the precision machinery business, as a result of the strong market for smartphones, orders for plastic injection molding machines increased, and demand for semiconductor manufacturing equipment

recovered and held firm. Orders for construction machinery in Japan, Europe, and the Americas were also strong. In the Ships segment, the market for medium-sized tankers, which is the focus of the SHI Group's shipbuilding activities, recovered, and the weakening of the yen provided a boost. As a result, we were successful in securing orders for nine Aframax tankers. In other businesses, conditions in the Japanese market for speed reducers continued to be favorable, and, in the industrial crane business, we received a number of orders for large-scale cranes from domestic shipyards. In the energy-related business, demand continued to be robust in Japan and overseas, and orders for our electric power plant steam turbines and boilers expanded.

Both sales and operating income exceeded our initial targets on the strength of increased orders for mass-produced machinery, mainly in the precision machinery, construction, and other businesses. Regrettably, quality issues arose in some businesses, certain equipment types, and other products, and this affected profitability adversely. Also, because profitability of many of our overseas operations is still relatively low, we have a number of profitability issues to address.

In fiscal 2015, we will move forward with addressing these issues, and, as we enter the second year of our Medium-Term Management Plan 2016, we will accelerate measures to attain our plan targets.

Progress of the "Medium-Term Management Plan 2016"

Objectives of "MTMP16"	Record FY2014	Forecast FY2015	Plan FY2016
1. "Steady growth"	} Continue to implement.		
2. "Return to higher levels of profitability"			
3. "Persistent efforts for operational quality improvements"			
4. Numerical targets	Expected to achieve one year in advance.		
FY2016 Net sales: JPY700 billion	JPY667.1 b	JPY700.0 b	Planned figures kept the same
Operating income ratio: 7.5%	6.9%	7.5%	
ROIC: 7% or more	6.5%	7.2%	
Dividend payout ratio (3 years): 30% targeted	30%	29%	
5. Investment	Raise plan figures through aggressive investments.		
Capital investment (3 years) JPY50 billion	JPY16.0 b	JPY27.0 b	JPY20.0 b (Total JPY63.0 b)
R&D (3 years) JPY45 billion	JPY14.0 b	JPY15.5 b	JPY15.5 b (Total JPY45.0 b)
6. Recruiting (3 years) 600 persons	233 persons	About 260 persons	About 190 (Total 690) persons

Progress Report on Medium-Term Management Plan 2016

Aiming to Meet Plan Targets a Year Early

The targets set in our Medium-Term Management Plan 2016 are net sales of ¥700 billion and operating income of ¥52.5 billion in fiscal 2016. Since orders received in fiscal 2014 were favorable, we have made these our targets for fiscal 2015. Also, our target for capital investment over the three years of the plan was ¥50.0 billion, but we have now raised the target to ¥63.0 billion. These additional funds for investment will be used to replace obsolete facilities and install new equipment as well as make other investments to improve productivity and conserve energy. In addition, we will make aggressive investments for future growth in the fields of medical systems and energy as well as in power transmission and control

equipment, plastic injection molding, and other businesses.

Continuing initiatives to implement the three policies of our plan: “steady growth,” “return to higher levels of profitability,” and “persistent efforts for operational quality improvements”

Steady growth

The keywords for realizing steady growth are “globalization” or “expansion,” “innovation” or “change,” and “Group synergies” or “ability to connect.” The principal businesses that will drive this growth are power transmission and control equipment and plastic injection molding machines, which are the mainstay segments that fall into the category of mass-produced machinery. In these businesses, which we have earmarked for global expansion, the keys

to growth will be to develop highly competitive products that can excel on the world stage and bolstering our area marketing activities based on an accurate grasp of each region’s and market’s specific attributes. In power transmission and control equipment, we will further reinforce collaboration with Hansen Industrial Transmissions NV of Belgium by standardizing our product platforms. In plastic injection molding machines, we will strengthen our cooperation with the Demag Plastics Group of Germany in the areas of sales and product development in Europe.

Return to higher levels of profitability

The SHI Group set the goal of improving its operating income margin to 7.5% by fiscal 2016, but has now made this its goal for fiscal 2015, as it

expects to achieve the target one year in advance. Within the Group itself, the ability to generate profits differs from business to business, and, for this reason, differing goals have been set for various businesses. Power transmission and control equipment, plastic injection molding machines, steam turbines, cryogenic equipment, and related products will be the Group’s high-earning businesses with an operating income margin target of around 10%. In the energy-related field, growth in both sales and profits is anticipated in the power generation boiler business and continued market expansion is anticipated. Meanwhile, the SHI Group has set an absolute minimum operating income margin of 5% across all businesses of the Group and will work to promote a bottom-up approach to lift profitability.

Persistent efforts for operational quality improvements

The SHI Group will place the utmost emphasis on improving the quality of its operations and to establish a robust operating platform through efforts to ensure product quality, safety, and compliance. In addition to all operating divisions taking part in activities to upgrade operating quality, the Group’s Head Office will bolster its support and check role and functions for all operating divisions.

Growth Drivers under Medium-Term Management Plan 2016

In addition to power transmission and control equipment and plastic injection molding machines, the SHI Group has positioned cryogenic equipment, medical equipment, and energy-related products as growth driver businesses.

Accordingly, the Group is focusing on strengthening these businesses as supporting pillars of its sales growth and high profitability. Key components used in cryogenic equipment and magnetic resonance imaging (MRI) devices are expected to show stable growth going forward. Also, in the proton cancer therapy system business, the Group will work to further accumulate technology and proceed with the development of new markets for Boron Neutron Capture Therapy (BNCT), based on its accelerator technology. Within the energy-related business, in the fields of boilers for electric power generation plants and steam turbines, the Group is moving ahead with activities to expand sales in both the domestic and overseas markets. Also, in the industrial crane business, the Group is aiming for growth through business integration.

“Medium-Term Management Plan 2016” Targets and Issues for Steady Growth

Keywords	Targets and Issues
Globalization (Expansion)	<ul style="list-style-type: none"> Enhancement of competitiveness of Power Transmission and Control Equipment (overseas) and Plastic Machinery. Enhancement of area marketing (Power Transmission and Control Equipment, Plastic Machinery, and Construction Machinery). Development of human resources for global operation.
Innovation (Change)	<ul style="list-style-type: none"> Creation of first-class products. Enhancement of project management capability. Focus on after-market business. Reform of sales process.
Group Synergies (Connect)	<ul style="list-style-type: none"> Promotion of corporate group internal value chain. Differentiation through system control technology. Enhancement of collaboration within each business operation group (Gear Speed Reducers, Plastic Machinery and Construction Machinery).
Focus on New Growth Fields	<ul style="list-style-type: none"> Reaching the top of the energy market niche and developing peripheral fields. Long-term growth in medical field.

Growth Driving Businesses in the “Medium-Term Management Plan 2016”

Power Transmission and Control Equipment	<ul style="list-style-type: none"> Enhance sales operations in North America and Southeast Asia. Make improvements in Europe. Focus on growth segments such as robots and machine tools. Launch new products and realize synergies with control systems area.
Plastic Machinery	<ul style="list-style-type: none"> Expand global share through the promotion of electric-driven machines in Europe. Focus not only on the IT sector but also automobile-related fields. Launch new products.
Medical Equipment	<ul style="list-style-type: none"> Accumulate technical know-how relating to proton cancer therapy systems. Develop new markets with accelerator technology at the core (BNCT).
CFB Boilers, Turbines	<ul style="list-style-type: none"> (CFB Boilers) – Focus on FIT related projects in Japan, and the ASEAN market overseas. (Turbines) – Focus on overseas private power generation sector. Develop and introduce a medium-scale reheat turbine.
Industrial Cranes	<ul style="list-style-type: none"> Enhance resources through the integration of Mitsubishi Heavy Industries Machinery Technology Corporation’s Industrial Crane business (e.g. personnel, technology, customer assets, etc.). Early realization of the integration benefits.

Message from President Betsukawa

Sumitomo Heavy Industries, Ltd. Annual Report 2015

Integrating the Industrial Crane Business

The SHI Group has concluded a contract with Mitsubishi Heavy Industries Machinery Technology Corporation (MT)'s industrial cranes business to absorb and integrate MT's crane business into Sumitomo Heavy Industries Material Handling Systems Co., Ltd.

The contract was announced on May 8, 2015, and the integration is scheduled for October 1, 2015.

Accompanying the shrinkage of Japan's port facilities, shipbuilding, steel manufacturing, and electric power industries over the long term, the domestic market for industrial cranes has matured, and the crane

industry is shifting to a service-based business model. On the other hand, although demand in overseas markets, mainly in the rest of Asia, is on a rising trend, competition with overseas suppliers has become more intense, and the choice of markets and the introduction of optimal products have become substantially more important. The integration with MT will expand our lineup of equipment and services, and, by combining the human resources, technological capabilities, know-how, and customer bases of the two companies, we will be positioned to further strengthen our capabilities for offering customer value and work toward becoming the top Japanese industrial crane maker. In addition, looking to the future, as the Group invests growth resources in overseas expansion and launches new products



The SHI Group's "Goliath" crane

and businesses, it will aim to create a crane business with sustainable competitive strengths.

ONE-SHI Strategy in Energy-Related Businesses

In Japan, active planning efforts are under way for small to medium-sized electric power installations that use wood-based biomass, such as currently unused forest cuttings, as fuel. Moreover, along with biomass power generation, the demand for in-house power generation facilities overseas is rising in emerging countries and elsewhere. Demand for the SHI Group's boilers and turbines for use in such power plants in Japan and overseas is growing, and the Group is working to realize synergies by sharing information on market trends and business strategies between these two busi-

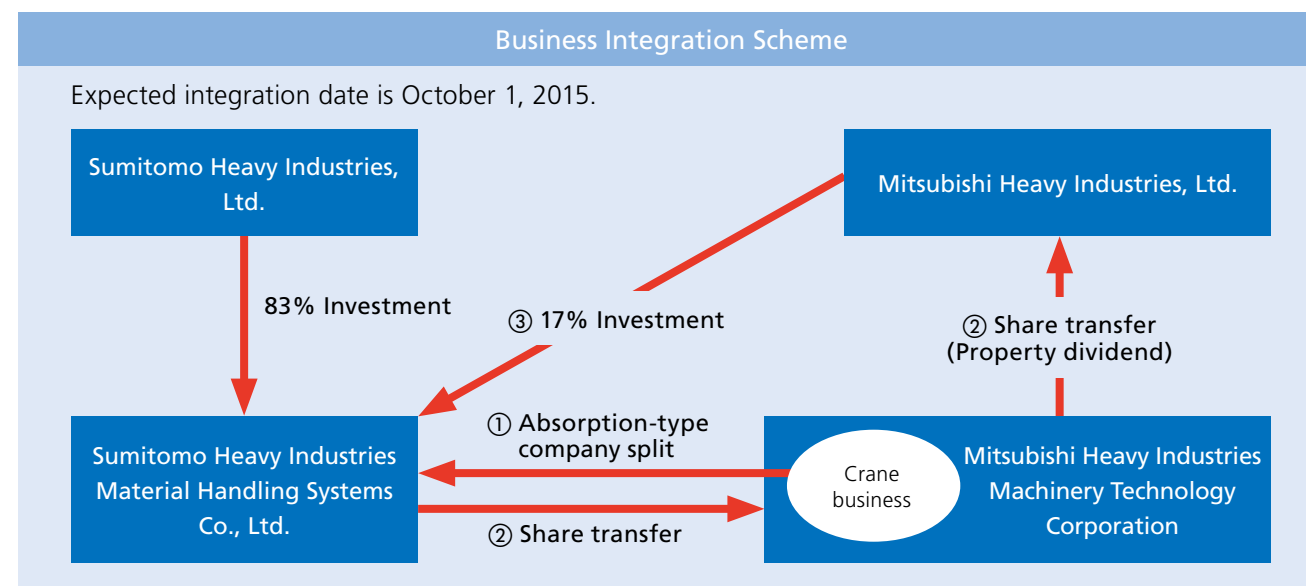


Steam turbine

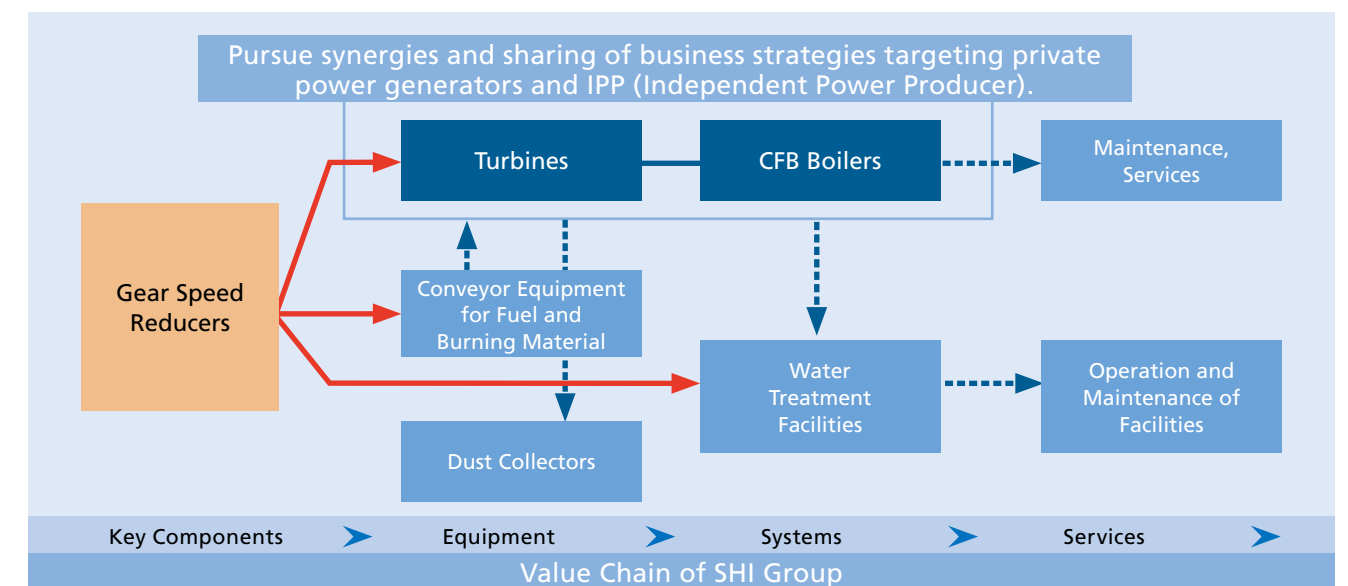
nesses. In addition to power generation equipment, there are peripheral items that the Group can supply. These include ships for transporting fuel and combustible substances, air filtration systems, water treatment facilities, and other machinery. Looking ahead, demand for energy is seen as likely to

expand both in Japan and overseas. In the SHI Group, the boiler and turbine businesses will collaborate and be the focal point for creating a ONE-SHI structure that facilitates the sharing of information on related businesses and products.

Integrating the Industrial Crane Business



Implement ONE-SHI strategy for energy-related businesses

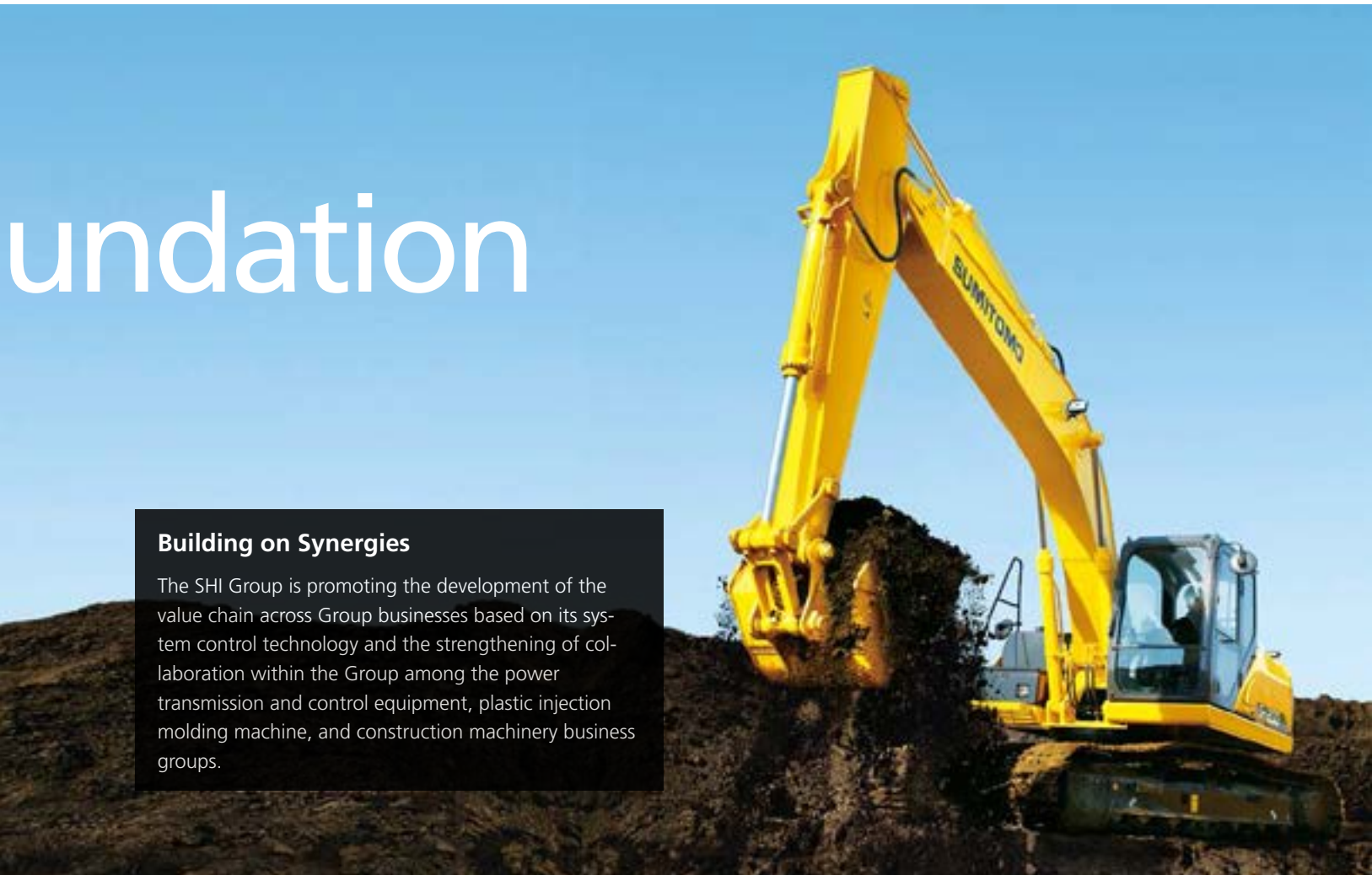


Special Feature

Building on a Solid Foundation



Establishing Global Businesses
 In the SHI Group's mainstay businesses of power transmission and control equipment and plastic injection molding machines, it is proceeding with the creation of products that can excel on the world stage while bolstering its area marketing activities based on an accurate grasp of the specific attributes of markets in each region.



Building on Synergies
 The SHI Group is promoting the development of the value chain across Group businesses based on its system control technology and the strengthening of collaboration within the Group among the power transmission and control equipment, plastic injection molding machine, and construction machinery business groups.



Building on New Strategic Areas
 The SHI Group has positioned medical equipment and, in the energy-related field, its boilers and steam turbines for electric power plants as major supports for realizing "steady growth." The focus of activities in these businesses is on the accumulation of technology and market development.



Creating a Spirit of Innovation
 The SHI Group is strengthening its capabilities for developing first-class products that are competitive and raising its capacity for the implementation of business processes and projects. In addition, the SHI Group is emphasizing after-sales services, including maintenance, inspection, and repair.

Establishing Global Businesses

Strengthening Product Competitiveness

Working for stronger global teamwork in the power transmission and control equipment and plastic molding machine businesses



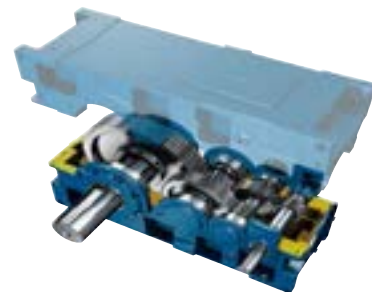
Electric-powered injection molding machine manufactured by Demag Plastics Group

In the power transmission and control equipment business, the SHI Group is engaged in the development of globally standardized gear speed reducers in collaboration with Hansen Industrial Transmissions NV of Belgium. Based on a long track record of delivering large-scale speed reducers, the SHI Group and Hansen are aiming to develop optimally-designed competitive speed reducers that can be used around the world and have in mind manufacturing these units in many parts of the globe. Also in the plastic injection molding machine business, where there is a market trend away from hydraulic to electric-driven machines in Europe, the SHI Group and Demag Plastics Machinery of Germany are collaborating in expanding sales of electric-driven units.

Strengthening Area Marketing

Expanding sales globally based on an accurate grasp of the specific attributes of markets in each region

In the power transmission and controls, plastic injection molding machine, and construction machinery businesses, which the Group is expanding globally, the approach of strengthening area marketing based on an accurate grasp of the specific attributes of markets in each region and formulating optimal



Paramax® medium- to large-sized gear speed reducers

sales strategies is important. Pricing and delivery are key elements, but market requirements, from options to after-sales service, are quite diverse, and there are special needs that vary by region. Drawing on the capabilities of the global SHI Group network and strengthening marketing capabilities by region will lead to future business expansion.

Nurturing Global Human Resources

Developing human resources who can support global business development

With growth slowing in the domestic market, to maintain steady growth all businesses in the SHI Group must develop their activities with an awareness of the global market. Nurturing human resources, or "global personnel," who can support this growth will be important. These personnel will be required to have the capabilities for communication and leadership in other cultures as well as the ability to look at things from a worldwide perspective. The SHI Group is focusing on hiring and nurturing personnel who can support the global development of its activities.



Creating a Spirit of Innovation

Making First-Class Products

Creating first-class products through "innovation"

Innovation is indispensable for establishing competitive superiority. Creating first-class innovative products and introducing these to the market will bring sustainable growth for the SHI Group. Examples from the medical equipment field are the launching of the world's first top and bottom placement type proton therapy system and the next-generation Boron Neutron Capture Therapy (BNCT) system, which is also used for cancer therapy and is attracting attention in the medical world. These are innovative systems that the SHI Group has introduced to priority markets. Also, in the power transmission and controls business, the SHI Group has developed a premium efficiency gearmotor that passes the industrial motor top-runner system (IE3 Efficiency Restrictions) and has introduced this to the market.



Premium efficiency gearmotor

New R&D Center at Niihama Factory

As the SHI Group's second R&D center in Japan, it will contribute to increasing the excellence in the SHI Group manufacturing.

To further strengthen R&D in materials, surface finishing, and other areas, the SHI Group has established a new R&D center at its Ehime Works (Niihama Factory). Testing and inspection equipment, previously in use for experimentation, was moved to the new facility,



Technology Research Center (in the Niihama Factory)

and the latest equipment types were also introduced. The new facility is prepared to respond to a wide range of research requirements from large-scale equipment to the chemical field. The new center building will be active as the SHI Group's second domestic R&D facility, after the Technology Research Center in Yokosuka. Its role will be to strengthen the competitiveness of each business, including Group companies, and further raise the level of manufacturing excellence in Japan.

Spotlight on After-Sales Service Business

Aiming to expand after-sales service activities



The SHI Group is strengthening its after-sales services, including repair and maintenance, inspection, and repairs, with the aim of winning the trust of customers and product users through establishing a favorable cycle that will lead to orders for new equipment. For equipment already in use, the SHI Group personnel will provide proper advice related to maintenance as they make rounds of customers' facilities and conduct periodic inspections. To speed up and make its repair services even more responsive, the Group will expand its service centers around the world for relevant products and equipment types.

Building on Synergies

Promoting Value Chain Synergies within the Group

Encouraging closer teamwork and realization of synergies within the Group



Within the businesses of the Group, there is a diversity of products ranging from key components and basic technologies for machinery to devices and large-scale equipment. Rather than competing just on the basis of the value and quality of these individual businesses and products, we can create more-competitive products through combining the value and technologies of various businesses. In the SHI Group, we have promoted the value chain concept for many years, and we have been engaging in Groupwide activities not only in product development but also in procurement, manufacturing, and quality control.

Establishing Competitive Superiority through System Control Technology

Building competitive dominance based on system control technology

To make machinery operate more precisely and efficiently, more-advanced system control technology is needed. The SHI Group's R&D centers and mechatronics business department have



accumulated a diversity of system control technologies, and this technology has been applied in many SHI Group products. For example, in the hybrid hydraulic excavator that the SHI Group has launched, system control technology developed in the Group has been applied to electric motors used for rotation motion, main engines, and hydraulic systems. This technology has made it possible to realize superior operating performance and low fuel consumption.

Strengthening Teamwork among Group Businesses

Bolstering teamwork within the Group in mainstay businesses

The SHI Group's power transmission and control, plastic injection molding machine, and construction machinery businesses are relatively large businesses within the Group. Moreover, they have also grown their operations to relatively a large size and on a global basis in terms of manufacturing and sales. Within the SHI Group, these businesses are strengthening their marketing capabilities and made progress in developing products that can be used throughout the world. These businesses are also strengthening their teamwork and aiming for steady growth as they draw on their manufacturing bases in various



parts of the world, optimize their supply chains, and promote the sharing of information among subsidiaries and affiliates.

Building on New Strategic Areas

Growth in Energy-Related Businesses

Planning for growth in power generation boilers and turbine businesses

In Japan, planning is under way for electric power businesses that use biomass obtained from currently unused forest cuttings and other sources as an energy fuel. These will use the feed-in tariff (FIT), or fixed price purchasing, system for sourcing biomass. Also, in the emerging countries, including ASEAN and other nations, because of the likely emergence of power shortages, demand for in-house power generation equipment that uses low-quality coal and biomass as a fuel is also growing. We are planning to take advantage of this rising trend in demand to drive growth in the SHI Group's boiler and turbine businesses.



Circulating fluidized bed boiler installation

Growth Fields Peripheral to the Energy Businesses

Also aiming for expansion in energy-related businesses

In addition to boilers and turbines, the SHI Group has many other types of equipment and products related to power generation. Examples include ships and other carriers for transporting fuel and combustible substances, air filtration systems, and water treatment facilities as well as gearmotors and



Steam turbine

speed reducers that are used in the drive systems of various kinds of machinery. Under our ONE-SHI structure, the companies of the Group aim to collaborate through sharing of information among businesses and product types, with the boiler and turbine business as the focal point, to develop projects in the power generation and peripheral fields.

Long-Term Growth in the Medical Field

Planning for long-term growth through the accumulation of technology



The SHI Group's proton therapy system

The SHI Group's particle accelerators, which are based on many years of accumulated technology, are used in the SHI Group's proton therapy systems and in equipment for the preparation of diagnostic chemicals for positron emission tomography (PET) systems. Also, the SHI Group's accelerators are in use in the world's first Boron Neutron Capture Therapy (BNCT) systems, which are next-generation devices for cancer therapy, to be installed in hospitals. Looking ahead also, the SHI Group will continue to accumulate technology for medical equipment, including cancer therapy systems, and will develop its medical-related businesses with a long-term perspective.

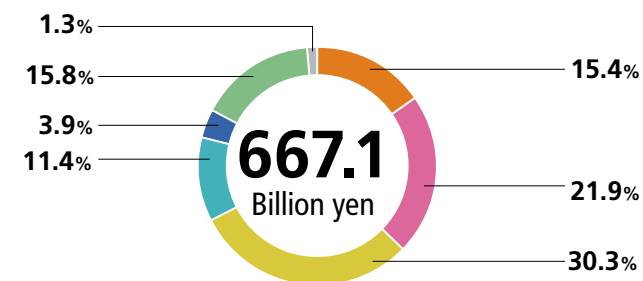
At a Glance

Sumitomo Heavy Industries, Ltd. Annual Report 2015

The SHI Group is pursuing business development across a wide spectrum of fields, ranging from leading-edge precision machinery and components through a broad variety of industrial machinery to ships and large-scale plants. The Group consistently offers first-class products and services that maximize customer value in each of these business fields while striving to secure high market shares and profitability. At the same time, we are strengthening inter-segment R&D collaboration in an effort to promote the development of innovative products.

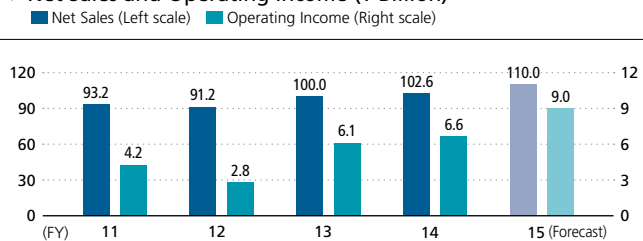
Note: Consolidated net sales and consolidated operating income are actual figures for fiscal 2014.

Consolidated Net Sales



- Machinery Components
- Precision Machinery
- Construction Machinery
- Industrial Machinery
- Ships
- Environmental Facilities & Plants
- Others

Net Sales and Operating Income (¥ Billion)



Outline

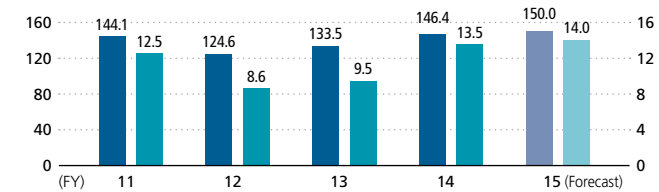
The SHI Group's power transmission and control equipment continues to attract wide acclaim for its high durability and performance thanks to its unique mechanism. In addition to a dominant market position in Japan, the Group boasts one of the top sales records in the global market.

Main Products

- Power transmission and control equipment
- Inverters

Segment Information

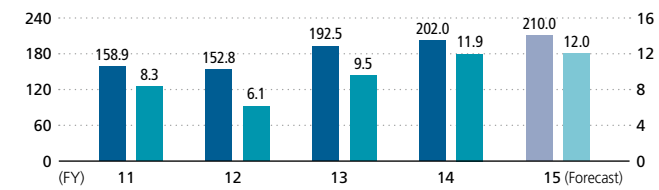
> P.18



Particularly strong in high-precision and high-cycle molding, the SHI Group is a leading Japanese manufacturer of plastic injection molding machines. The Group also boasts cutting-edge technologies in cryogenic equipment as well as semiconductor and LCD manufacturing equipment.

- Plastic injection molding machines
- Ion-implantation systems
- Laser processing systems
- Cryogenic equipment
- XY stages
- Transfer molding press machines
- Precision forgings, Defense equipment

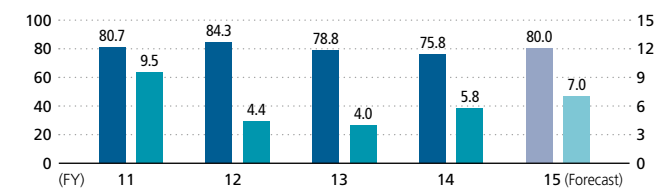
> P.20



The SHI Group's hydraulic excavators enjoy a solid reputation for their outstanding fuel efficiency and maneuverability. Building on this acclaim, the Group is expanding its market share in Japan and overseas. Turning to the North American market, the Group is steadily establishing its Link-Belt brand of mobile construction cranes.

- Hydraulic excavators
- Mobile cranes
- Road machinery

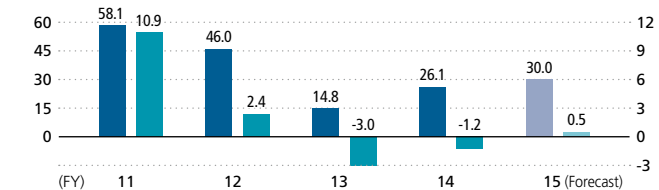
> P.22



In accelerators, the SHI Group has global top-class technology. In its steam turbine operations, the SHI Group commands an overwhelmingly dominant share of the global biomass power generation market. The Group is also the market leader in Japan for continuous ship unloaders.

- Cyclotrons for medical use
- Ion accelerators
- Plasma coating systems for FPDs
- Forging machines
- Material handling systems
- Logistics & handling systems
- Turbines
- Pumps

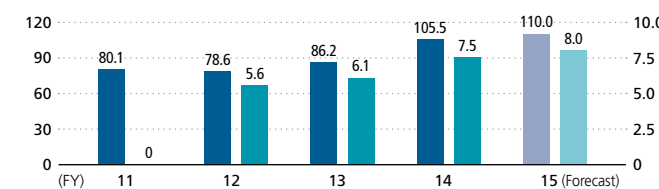
> P.24



The SHI Group specializes in midsized oil tankers. Considerable progress continues to be made in enhancing design and production efficiency, and delivering unique products.

- Ships

> P.26



The SHI Group's proven track record in circulating fluidized-bed (CFB) boilers underpins its leading share of the market in Japan. The Group also maintains the world's leading share of the market for coke drums, which are used in oil refining.

- Power generation systems, Industrial wastewater treatment systems
- Water and sewage treatment systems
- Landfill leachate treatment systems
- Air pollution control plants
- Chemical process equipment & plants
- Pressure vessels, Mixing vessels
- Steel structures, Food processing machinery

> P.28

<p>Consolidated Net Sales</p> <p>102.6 Billion yen</p> <p>Consolidated Operating Income</p> <p>6.6 Billion yen</p> <p>Machinery Components</p>
<p>Consolidated Net Sales</p> <p>146.4 Billion yen</p> <p>Consolidated Operating Income</p> <p>13.5 Billion yen</p> <p>Precision Machinery</p>
<p>Consolidated Net Sales</p> <p>202.0 Billion yen</p> <p>Consolidated Operating Income</p> <p>11.9 Billion yen</p> <p>Construction Machinery</p>
<p>Consolidated Net Sales</p> <p>75.8 Billion yen</p> <p>Consolidated Operating Income</p> <p>5.8 Billion yen</p> <p>Industrial Machinery</p>
<p>Consolidated Net Sales</p> <p>26.1 Billion yen</p> <p>Consolidated Operating Income (Loss)</p> <p>-1.2 Billion yen</p> <p>Ships</p>
<p>Consolidated Net Sales</p> <p>105.5 Billion yen</p> <p>Consolidated Operating Income</p> <p>7.5 Billion yen</p> <p>Environmental Facilities & Plants</p>



Sumitomo Heavy Industries, Ltd. Annual Report 2015

Power Transmission & Controls, Inverters

Market Environment

In fiscal 2014, conditions in the domestic market were favorable, particularly in the logistics and factory automation businesses. Factors accounting for this were the relocation of production facilities back in Japan and active capital investment results from continued measures to stimulate the economy and the depreciation of the yen. In overseas markets, conditions in the natural resources and infrastructure-related industries in China, Australia, and Latin America were stagnant and difficult conditions continued. On the other hand, in North America conditions in the logistics, automobile, and food sectors remained favorable.

In fiscal 2015, conditions in the domestic market are expected to continue to be firm, along with demand for the replacement of aging facilities. Overseas, although trends will continue to be firm in North America, recovery in China, Europe, and other areas is expected to be marginal. On the other hand, the outlook is for active investment in industrial robots and machine tools in China, Europe, and Japan.

Fiscal 2014 Review and Topics

In Japan, we launched products that respond to regulations on premium efficiency motors that were applied in April 2015 and brought our technological and delivery capabilities up to speed. We also opened new sales offices and moved forward with expanding our sales network.

Overseas, we established subsidiaries in Indonesia and Vietnam and conducted marketing activities in close contact with regional areas. We also expanded our

Main Products	Major Applications/Markets
Power transmission and control equipment, Inverters	Factory automation machinery, Industrial robots, Machine tools, Conveying and logistics machinery, Steel and iron making machinery, Chemical processing machinery, Material handling machinery, Mining machinery, Food processing machinery, Water treatment plants, Elevators and escalators

customer base by offering transactions in local currencies and working to increase the quality of service. In China, we realigned and strengthened our assembly and service locations, and proceeded with the relocation of the Shanghai Plant in preparation for beginning the assembly of gear speed reducers for precision control for the Chinese market beginning in fiscal 2015. In Europe and North America, we realized integration synergies with Hansen Industrial Transmissions NV, which we acquired in 2011. By using our respective sales and service networks fully, we strengthened our global gearbox sales network.

Fiscal 2015 Strategies and Initiatives

In fiscal 2015, in addition to investment in improvements at our overseas facilities, we will invest actively in the domestic market. At our factories in Japan, we will replace aging facilities and invest in production innovations to strengthen the precision of our factories and their capabilities for on-time deliveries as well as cost reductions. Moreover, to increase our competitiveness, we will launch new products that are under development as they are ready and strengthen the features of our existing products.

We will also continue with activities to strengthen our sales and service networks in markets around the world and improve our delivery-response capabilities through making our supply chains more autonomous and optimal. In China, where demand for industrial robots and machine tools is strong, we will begin to assemble gear speed reducers for precision control in our new Shanghai Plant to improve our capabilities for meeting rising demand.



CYCLO® speed reducer

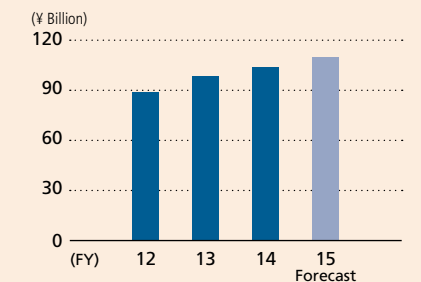


Gear speed reducer for precision control

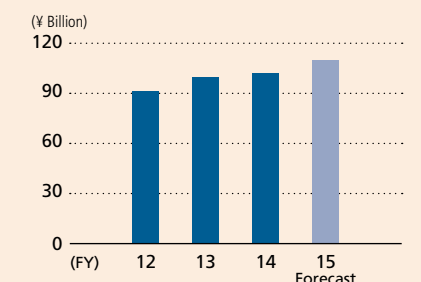
Fiscal 2014 Segment Results

Although conditions in Europe and China were stagnant during the fiscal year, the domestic market continued to be favorable, and conditions in North America and other regions were also favorable. As a result, both orders and sales expanded. Orders were up 6%, to ¥104.7 billion, sales expanded 3%, to ¥102.6 billion, and operating income rose 9%, to ¥6.6 billion.

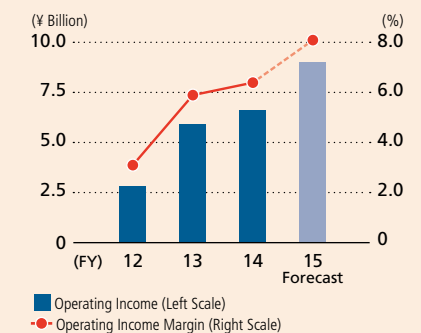
Orders



Sales



Operating Income





Precision Machinery

Sumitomo Heavy Industries, Ltd. Annual Report 2015

Plastic Machinery

Market Environment

In fiscal 2014, IT-related capital investment particularly in the areas of smartphones and tablet PCs in East Asia was robust. At the same time, automobile- and container-related capital expenditure in North America, Southeast Asia, and Japan held strong. While operating conditions are expected to remain favorable also in fiscal 2015, there are concerns that IT-related capital investment in Asia in the smartphone and other product areas may slow. The markets for automobiles and containers in Japan and North America are expected to continue strong. Demand in European markets will likely be at about the same level as in fiscal 2014.

Fiscal 2014 Review and Topics

Orders received were robust in fiscal 2014, mainly due to active IT-related investment, especially in the smartphone sector, and the Group expanded orders for equipment for the production of smartphone cases and lenses as well as light guide plates for which the Group introduced the SE180EV-LGP in fiscal 2013 with the aim of capturing demand for the smartphone manufacturing equipment. In the automobile-related sector, where demand remains strong, the Group stepped up its marketing activities in Japan, Southeast Asia, and North America.



All electric molding machine for light guide plate SE180EV-LGP



Ultra-high-energy ion-implantation equipment S-UHE

Main Products	Major Applications/Markets
Plastic injection molding machines	Electronics, Electric equipment, Automobiles, Containers, Medical equipment
Ion-implantation systems, Laser processing systems, XY stages, Transfer molding press machines	Semiconductors, LCDs
Cryogenic equipment	Medical equipment, Aerospace development, Semiconductors
Precision forgings	Jet engines for airplanes, Turbines for power generation
Defense equipment	Defense

Fiscal 2015 Strategies and Initiatives

The IT-related market as a whole is substantial, but is highly cyclical with significant peaks and troughs in demand, and the outlook is uncertain. Investment in the smartphone sector, which was favorable through fiscal 2014, is viewed as likely to experience a slowdown in fiscal 2015. On the other hand, the Group will strengthen its marketing in the automobile, food product container, and medical sectors where demand is firm. In Europe, we will strengthen our collaboration in the areas of marketing and product development with our subsidiary in Germany, Demag Plastics Machinery Group. We will also accelerate business development by drawing on our respective sales networks and build a strong global position in the molding machine business.

Precision Equipment and Others

Market Environment

The market for cryogenic equipment for medical institutions and research facilities is stable. Looking ahead, demand is anticipated to remain firm. In the semiconductor- and other IT-related electronic equipment areas, investment in manufacturing equipment is holding firm, reflecting favorable market conditions in the smartphone and other sectors.

Fiscal 2014 Review and Topics

Orders for cryogenic equipment used in magnetic resonance imaging (MRI) equipment continued to be strong. Outside the MRI field, the Group strengthened its marketing activities aimed at R&D uses and semiconductor manufacturing equipment. In addition, the Group focused on after-sales market business and moved forward with activities around the world to sell equipment to replace previously delivered units. In the market for semiconductor manufacturing equipment, the Group reported favorable expansion in orders for S-UHE, the ultra-high-energy ion-implantation system, and other products, backed by active capital investment by domestic and overseas semiconductor manufacturers.

Fiscal 2015 Strategies and Initiatives

The firm demand for MRIs in the previous fiscal year is forecast to be influenced by a deceleration in the Chinese market. In response, however, the Group will work to develop new demand by offering customers value-added proposals over the range of customer business activities, from the development and manufacturing to installation and after-sales service. In the semiconductor and other electronics equipment sectors, the Group will closely monitor demand trends in the smartphone and other IT device markets and work to create new demand through initiatives to replace customers' existing equipment previously supplied by competitors. For products incorporated into core semiconductor units, including ion-implantation systems, we will strive to enhance quality and reliability while strengthening marketing activities overseas.

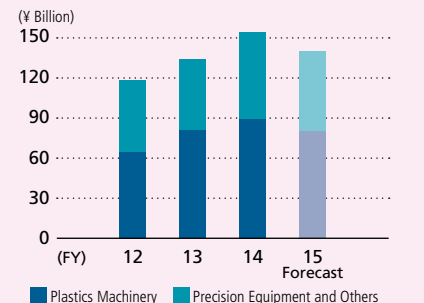
Fiscal 2014 Segment Results

In the plastics injection molding machine business, conditions in the IT-related market in Asia outside Japan were favorable, and markets in Japan and Europe held firm. As a result, both orders and sales expanded.

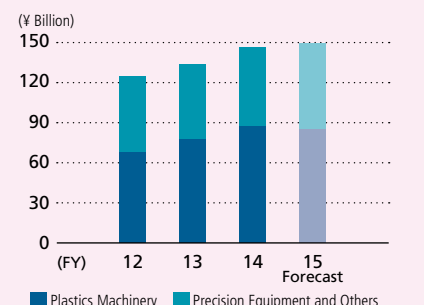
In the precision equipment and other businesses, orders and sales increased accompanying recovery in demand for semiconductor manufacturing equipment.

Total orders received rose 15%, to ¥154.6 billion, sales increased 10%, to ¥146.4 billion, and operating income grew 43%, to ¥13.5 billion.

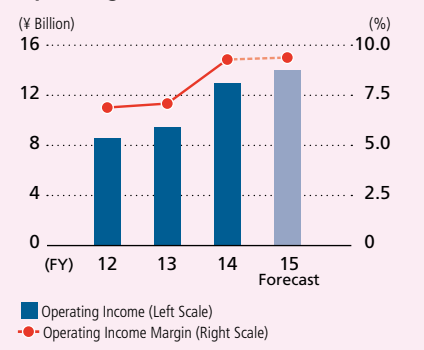
Orders



Sales



Operating Income





Construction Machinery

Hydraulic Excavators and Road Machinery Sumitomo (S.H.I.) Construction Machinery Co., Ltd. (SCM)

Market Environment

In fiscal 2014 in the Japanese market, there was a reactionary decline due to a temporary increase prior to the application of gas emissions regulations in the previous year. However, the decline in demand was not as large as initially assumed because of support from stable demand. Overseas, demand in North American and European markets continued to be firm, but demand in the Chinese and ASEAN markets was stagnant, and demand worldwide decreased about 30,000 units from the previous year, to 217,000 units.

Fiscal 2014 Review and Topics

In Japan, as a result of a surge in demand prior to the introduction of stricter emissions regulations and increasing demand for general construction, the level of orders was more favorable than initially expected. The SHI Group's share in the domestic market rose from 10.5% in the previous fiscal year to 10.7% for the year under review. Sales remained firm in North America and Europe, but, in the Chinese market, the decline in demand became pronounced. As a consequence, the SHI Group's total unit sales were below the level of the previous fiscal year.

The SHI Group's SH135X-6 hydraulic excavator and its Field View Monitor (FVM) both received Good Design awards in fiscal 2014. Among these, the SH135X-6 secured a Best Design 100 award. In addition, the SHI Group's SH200HB-6 hybrid excavator won plaudits for work performance and fuel economy, and units sold were above the planned levels.



SH135X-6 hydraulic excavator



ATC-3210 all-terrain crane

Main Products	Major Applications/Markets
Hydraulic excavators	Construction, Civil engineering, Scrap, Forestry
Mobile cranes	Construction, Civil engineering
Road machinery	Roadway construction

A contract has been made with CNH Industrial N.V. (CNHi), in addition to the current role of OEM supply, to give technical support for manufacturing hydraulic excavators at the CNHi factories based on SCM technology. This project is proceeding according to schedule. SCM and CNHi will further their global collaboration and work to be a winner in increasingly intensive world-scale competition.

Fiscal 2015 Strategies and Initiatives

We expect market conditions to be challenging in fiscal 2015 due to the reactionary slump in demand following the surge before the application of gas emissions regulations in the previous year and continued stagnant demand in the Chinese and ASEAN markets. In Japan, with the aim of working to increase customer satisfaction through strengthening its marketing and service capabilities and expanding earnings, the SHI Group built its first training center in Japan and it will go into operation in the latter half of fiscal 2015. Overseas, SCM will launch new products that meet emissions regulations in various regions and respond to regional market needs, while conducting active promotional initiatives. SCM will also substantially strengthen its collaboration with CNHi and concentrate on expanding overseas sales.

Crane Business Link-Belt Construction Equipment Company, L.P., LLLP

Market Environment

The North American crane market held firm during the first half of fiscal 2014, but, in the second half, companies began to restrain investments in oil exploration and refining industries because of the decline in crude oil prices. As a result, excessive inventories emerged in the crane market and conditions became unstable.

Fiscal 2014 Review and Topics

In fiscal 2014, Link-Belt sales declined from the previous fiscal year. Due to the cold wave at the beginning of the fiscal year, sales were temporarily affected but began to recover thereafter. However, the market became unstable, and sales declined in the second half. In March 2014, Link-Belt announced its new ATC-3210 all-terrain crane at the ConExpo2014, the construction machinery exhibition held in the United States, and it won plaudits for work performance and operability. In addition, Link-Belt introduced a new 150-ton rough-terrain crane and a 50-ton telescoping crawler crane.

Fiscal 2015 Strategies and Initiatives

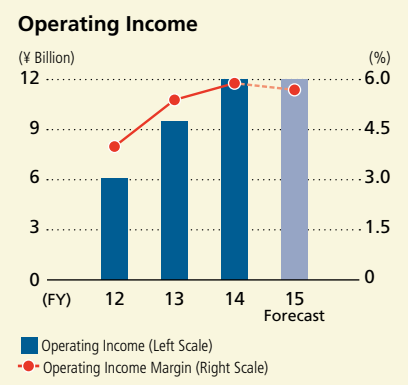
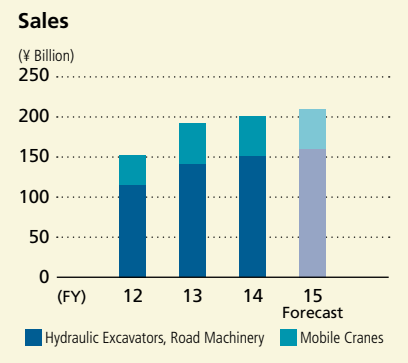
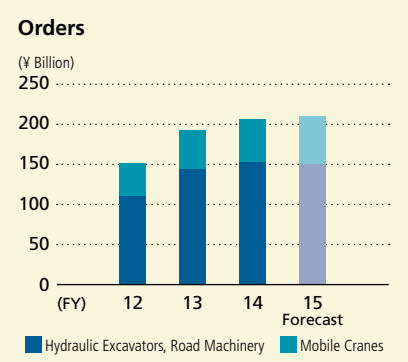
In fiscal 2015, the size of the North American crane market is believed likely to show further shrinkage from the previous fiscal year. Demand for cranes is declining because of the effects of the decline in oil prices, and unstable conditions are expected until the second half of the fiscal year. In the midst of difficult market conditions, Link-Belt will offer products that meet the requirements and expectations of customers and work to secure orders.

Fiscal 2014 Segment Results

In the hydraulic excavator business, demand declined in China, but favorable conditions continued overall. As a result, both orders and sales were above the previous fiscal year.

In the mobile crane business, orders increased in North America, but sales declined due to the cold wave at the beginning of the year, and sales for the fiscal year declined.

As a result, orders received rose 7% year on year, to ¥206.5 billion, sales expanded 5%, to ¥202.0 billion, and operating income expanded 25%, to ¥11.9 billion.





Sumitomo Heavy Industries, Ltd. Annual Report 2015

Industrial Machinery

Forging Presses and Medical Equipment



HM-205 PET cyclotron

Market Environment

Although capital investments in Japan as well as in North America may rise, demand trends are unstable, because of currency and economic conditions. Demand for cancer diagnosis equipment is firm, and cancer therapy equipment demand is on a rising trend.

Fiscal 2014 Review and Topics

Amid difficult conditions, the Group received three orders for forging presses in Japan and overseas. Orders for cyclotrons for positron emissions tomography (PET) applications held strong, but we received no orders for proton therapy systems. Nevertheless, the Group is aiming to win orders next fiscal year and is continuing to respond to inquiries in Japan and overseas.

Fiscal 2015 Strategies and Initiatives

In forging presses, the Group will leverage its local overseas bases and work to expand orders for new equipment and services business. In medical equipment, we will continue to expand sales in Japan and overseas while focusing on after-sales markets.



Continuous unloader



Steam turbine

Main Products	Major Applications/Markets
Cyclotrons for medical use	Medical equipment
Ion accelerators	Research
Plasma coating systems for flat panel displays (FPDs)	LCDs
Forging presses	Automobiles, Iron and steel, Non-ferrous metals
Material handling systems	Iron and steel, Electric power, Shipbuilding, Port logistics
Logistics systems	Logistics
Turbines	Power generation
Pumps	Oil and gas facilities (Refinery, Petrochemical)

Material Handling Systems Sumitomo Heavy Industries Material Handling Systems Co., Ltd.

Market Environment

In the domestic steel mill sector, demand for equipment renewal is expected to continue and the shipbuilding sector remains firm due to continued heavy investments in domestic shipyard facilities. In the energy segment, there are favorable trends in investments for thermal power plants. With strong investment activities in the manufacturing sector, the market for logistics equipment is robust.

Fiscal 2014 Review and Topics

In the material handling systems business, orders for large cranes for domestic shipbuilding and steel industries continued to be strong and have shown a large increase compared to the previous year. In the logistics equipment business, orders for large-scale systems were received from film and rechargeable battery factories.

Fiscal 2015 Strategies and Initiatives

In its material handling systems business, the Group will continue to secure orders, mainly from the electric power, steel, and shipbuilding markets. Also, integration of the SHI Group's crane business with the crane business of a Mitsubishi Heavy Industries, Ltd. subsidiary will combine the strengths of both companies. We will strengthen our service capabilities in all businesses.

Turbines and Pumps Shin Nippon Machinery Co., Ltd.

Market Environment

As a result of the feed-in tariff (FIT), or fixed price purchasing, system for renewable energy sources, demand for biomass power generation systems has increased in Japan. Also, demand for captive power systems is rising, especially in Asia.

Fiscal 2014 Review and Topics

In its turbine operations, orders expanded mainly for small to medium-sized turbines for biomass power generators. Overseas, we worked to expand our orders for turbines around the world, especially related to biomass power generation in sugar mills in Southeast Asia. We are also focusing on turbines for gas turbine combined cycle (GTCC) generators. In its pump business, the Group has received orders for petroleum refineries in the Middle East.

Fiscal 2015 Strategies and Initiatives

In addition to the FIT-related market for turbines in Japan, the Group will focus on expanding orders overseas in the captive power generation and GTCC markets. The Group will strengthen its after-sales services for pumps and other products.

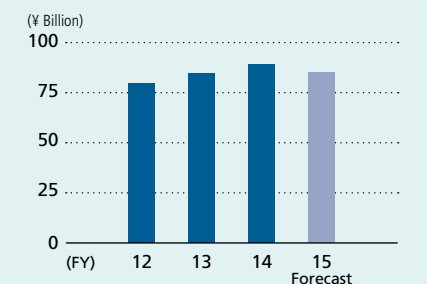
Fiscal 2014 Segment Results

In the material handling systems business, market trends took a favorable turn on the back of recovery in capital investment in the domestic shipbuilding industry, and orders increased.

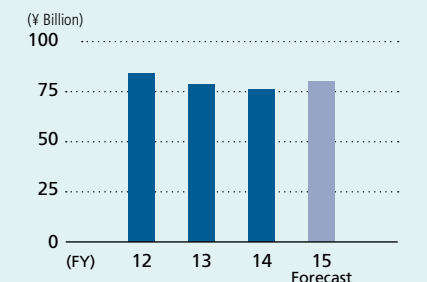
In the turbine and pump business, demand for turbines for use in overseas electric power generation was strong, and, as a result, both orders and sales increased.

Along with the aforementioned developments, the segment reported a 6% increase in orders, to ¥89.6 billion, a 4% drop in net sales, to ¥75.8 billion, and a gain in operating income of 46%, to ¥5.8 billion.

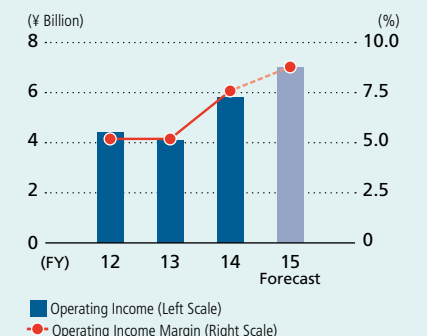
Orders



Sales



Operating Income





Ships

Sumitomo Heavy Industries, Ltd. Annual Report 2015

Sumitomo Heavy Industries Marine & Engineering Co., Ltd.

Market Environment

In contrast to the stagnant dry-bulk market, the tanker market is keeping its favorable supply-demand condition mainly because of active crude trades including stock-piles (due to the decline of the oil price) and increasing clean product trades. Under such circumstances, some overseas ship owners and shipyards moved to convert their bulk carriers on order to tankers, and some domestic shipyards re-entered the tanker building business. On the other hand, both the shipbuilding and shipping industries will be experiencing major cost increases as a result of implementation of a series of new regulations in 2015 and 2016. Although a surge in orders in advance of the new regulations is expected, however, a decline in demand for orders will be forecast thereafter.

Fiscal 2014 Review and Topics

The Group introduced a new type of Aframax tankers that offer improved energy-saving performance and cargo loading capacity, and has been winning plaudits from customers. Orders for nine Aframax tankers were received during fiscal 2014, and six of these were the new type. As a result, at the end of fiscal 2014, the Group had orders for 12 tankers, which represents about three years of construction work. In addition, during fiscal 2014, the Group delivered three ships, an increase over the previous fiscal year, and sales expanded year on year. Moreover, next fiscal year and beyond as well as this fiscal year, the Group continued to take measures of higher

Main Products	Major Applications/Markets
Ships	Marine transportation

productivity at shipyards including the application of the Toyota Production System in preparation for increasing shipyard operation.

Fiscal 2015 Strategies and Initiatives

The world marine transport market is forecast to continue to undergo changes in trade movements accompanying the expansion of both Panama and Suez canals, and tanker market conditions are believed likely to continue firm. The Group will continue to introduce ships that meet new regulations expected in the years ahead and to accelerate its development and order-taking activities that anticipate changes in trade movement and customer needs. The Group is also planning on a return to profitability on a full year basis through the increasing shipyard operation and the improvement in profitability of individual projects.

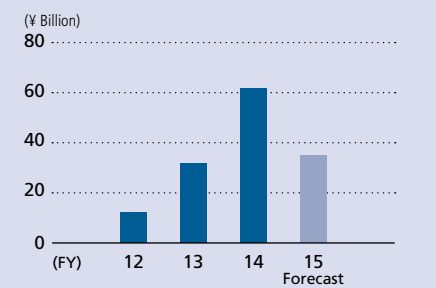


Aframax Tanker No. 1379 "ESTRELLA"

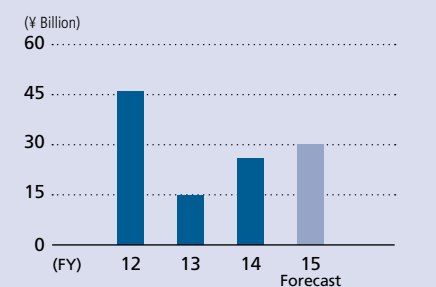
Fiscal 2014 Segment Results

Although the shipping market was generally stagnant, the medium-sized tanker market, where the Group is specialized, was favorably influenced by recovery in the market for medium-sized tankers and the depreciation in the value of the yen. As a result, nine ships were ordered during fiscal 2014, four more than in the previous fiscal year. In addition, sales increased along with the delivery of three ships, compared with two in the previous fiscal year. As a result, orders rose 95%, to ¥61.9 billion, sales expanded 76%, to ¥26.1 billion, and the operating loss amounted to ¥1.2 billion.

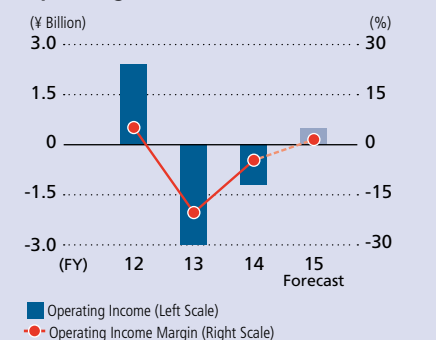
Orders



Sales



Operating Income





Environmental Facilities & Plants

Energy Plants

Market Environment

In the domestic electric power generation market, electric power producers are increasingly applying the feed-in tariff (FIT) system and utilizing biomass fuels, such as waste forest trimmings and palm kernel shells (PKS) imported from overseas. Overseas, in view of potential power shortages, there is a substantial latent demand for additional power generation. As a result, independent power producers (IPPs) are preparing the necessary infrastructure, companies are readying industrial power generators for in-house use, and, in the ASEAN region, there is spreading usage of generators employing renewable energy sources including applying the FIT system as well as working to reduce CO₂ emissions.

Fiscal 2014 Review and Topics

Continuing from the previous fiscal year, orders for circulating fluidized-bed (CFB) boilers were brisk. In total, orders for five of these boilers, including smaller and medium-sized boilers, were received. In the wood-based biomass generation field, requests are being made for a wider diversity of specifications, including energy sources and generator sizes. The SHI Group is responding to these customer needs, based on its extensive record of accomplishments in this field, by providing



Smaller-sized CFB boiler



Micras® superfine bubble membrane tube diffuser

Main Products	Major Applications/Markets
Power generation systems	Electric utilities, Paper manufacturing, Steelmaking, Cement
Industrial wastewater treatment systems	Food processing plants, Steelmaking, Paper and pulp, Chemicals, Electricity and electronics, Machinery
Water and sewage treatment systems, Landfill leachate treatment systems	Government agencies
Air pollution control plants	Electric utilities, Iron and steel industry
Chemical processing equipment and plants	Petrochemical plants
Pressure vessels, Mixing vessels	Oil refining, Petrochemical industries
Steel structures	Iron and steel industry
Food processing machinery	Food processing industry

high-quality equipment that effectively promotes the use of biomass resources and contributes to the reduction of CO₂ emissions.

Fiscal 2015 Strategies and Initiatives

In the domestic market, as in the previous fiscal year, the Group is focusing on the market for CFB power generation that applies the FIT system for biomass power generation. In overseas markets, based on the successful stable operation of facilities delivered in Singapore, we are endeavoring to secure orders and expand sales of boilers suitable for co-combustion of low-grade coal and biomass mainly in Indonesia.

Water and Wastewater Treatment Plants Sumitomo Heavy Industries Environment Co., Ltd.

Market Environment

Conditions in the private-sector wastewater treatment plant market are on a recovery trend, but remain difficult due to the large number of competitors. By industry, demand in the electric power and steelmaking industries is shrinking, but demand is rising in the general machinery and electric machinery industries.

Turning to the public sector, because of the upswing in diffusion rates of water and wastewater treatment plants, the number of new installations has declined and is stable at a low level. In addition, the size of investments in new installations is decreasing, and the repair of aging facilities has come to account for a large percentage of sales. Also, because of the financial difficulties of local government authorities, policies of giving prior to local companies and other factors, competition for these projects is intense.

Fiscal 2014 Review and Topics

In the private-sector market, the Group received an order for a large landfill leachate treatment plant. In the midst of a competitive market, the Group stepped up its marketing to the food product, chemical, pulp and paper, and steelmaking industries, focusing on new projects and the renewal of older facilities. In the business for public-sector customers, the Group continued to focus on persuading customers to adopt its unit-type products for wastewater treatment facilities. In addition, the Group received orders above its planned target by increasing orders for facilities operation, maintenance, and repair services businesses.

Fiscal 2015 Strategies and Initiatives

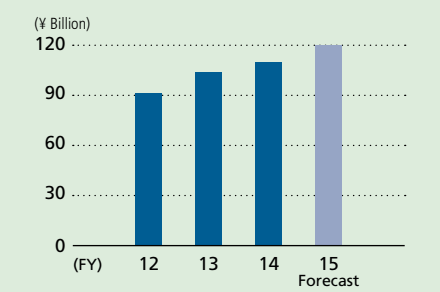
In the business for private-sector customers, the Group will work to cultivate new customers and develop anaerobic water treatment processing systems. In the public-sector market, the Group will concentrate on marketing its mainstay unit-type products, including its Micras® superfine bubble membrane tube diffuser.

In promoting overseas sales, the Group will use its presence in Indonesia as a base for obtaining orders from Japanese-related companies in Southeast Asia.

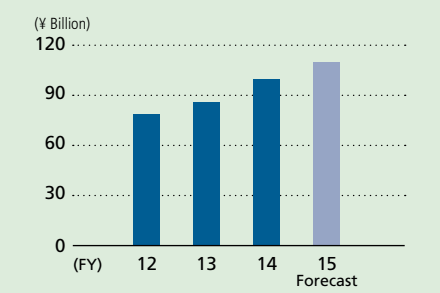
Fiscal 2014 Segment Results

Both orders and sales rose because of continued strong conditions in the energy plant business as additional projects for biomass boilers for power generators were commissioned. In the water treatment plant business, orders and sales declined because of the small number of new maintenance and management service projects. As a result, orders received rose 9% year on year, to ¥113.4 billion, sales expanded 22%, to ¥105.5 billion, and operating income expanded 24%, to ¥7.5 billion.

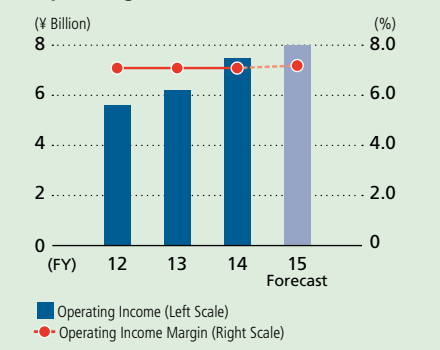
Orders



Sales



Operating Income



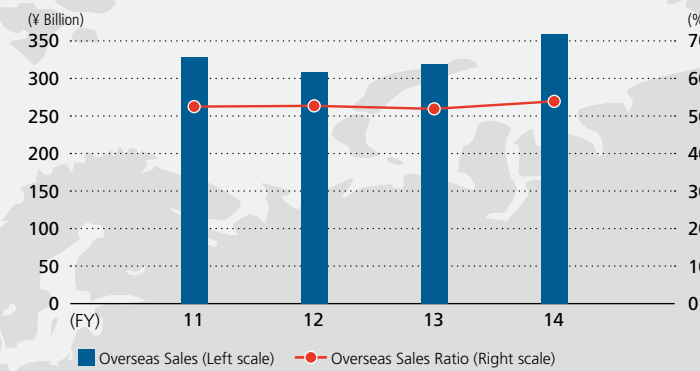
Overview by Geographical Area

Sumitomo Heavy Industries, Ltd. Annual Report 2015

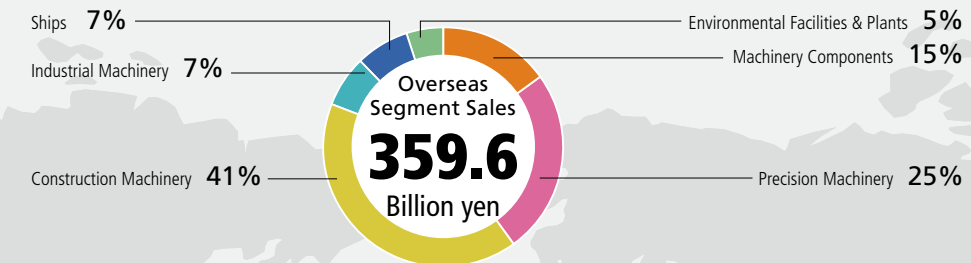
Fiscal 2014 Results

In fiscal 2014, the overseas economic environment was characterized by clear recovery trends in the United States, but continued weaker growth in the Chinese economy. As a whole, the world economy was generally on a gradual decelerating trend. Amid this business environment, the SHI Group began to implement its Medium-Term Management Plan 2016, and, as a result, overseas sales of fiscal 2014 totaled ¥359.6 billion (a ¥40.5 billion increase year on year). The ratio of overseas sales in consolidated net sales was 53.9% (2.0 percentage points higher year on year).

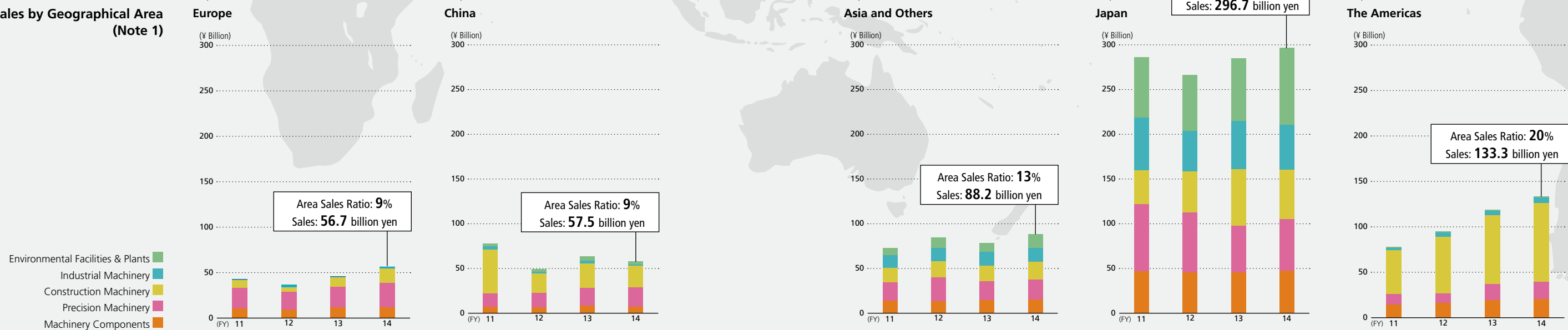
Overseas Sales



Overseas Segment Sales Ratio



Sales by Geographical Area (Note 1)



Fiscal 2014 Results
In the Precision Machinery segment, orders and sales of plastic injection molding machines by German subsidiary Demag held firm. In the hydraulic excavator business, following the completion of inventory adjustments, sales expanded.

Fiscal 2014 Results
Demand for hydraulic excavators in the Chinese market continued on a declining trend, and sales decreased.

Fiscal 2014 Results
In the Precision Machinery segment, demand for plastic injection molding machines continued, as conditions in the IT-related markets in Asia remained favorable.

Fiscal 2014 Results
The market for machinery components in the domestic market continued to be favorable. Within the Construction Machinery segment, demand for hydraulic excavators declined, but the imposition of strong emission regulations provided support for demand. Sales of boilers for biomass-fired power generation plants used in environmental facilities and other plants were favorable.

Fiscal 2014 Results
Conditions in the North American market for machinery components were favorable. In the hydraulic excavator business within the Construction Machinery segment, conditions continued to be strong after the completion of inventory adjustments.

Notes: 1. Sales by geographical area do not include Ships segment sales.
2. Businesses that include such products as cyclotron accelerators have been moved from Precision Machinery to Industrial Machinery from fiscal 2013.

Social Contribution through Business Activities

The SHI Group's products are contributing to the effective use of forest resources and the revitalization of regional communities.

The SHI Group's boilers and turbines are at work in electric power generating plants that burn unused forest cuttings and other materials as fuel.

Circulating Fluidized-Bed (CFB) Boilers

In Japan, business planning is under way for electric power plants that use biomass obtained from currently unused forest cuttings and other sources as an energy fuel. Electricity generated using forest cuttings and other wood-based biomass will be sold to electric power companies under the feed-in tariff (FIT), or fixed process purchasing system for sourcing biomass. Areas that have forestlands can, therefore, make effective use of their wood-based biomass resources, and this is expected to have synergies with other economic activities, including beneficial effects on the forestry industry and the creation of jobs in local communities.

The SHI Group's CFB boilers use a process in which fuels are circulated for ignition inside the furnace and are capable of efficiently burning even fire-resistant materials. These boilers are

especially well suited to power generation using wood-based biomass.

Many of the power plants built in Japan using biomass derived from forest cutting activities will be relatively small scale. For this reason, the SHI Group has responded to this demand by developing a relatively small 5MW-class generating plant using a CFB boiler as an energy source. These new boilers have a standardized basic modular design and block construction method, which make it possible to shorten the overall manufacturing process and save on construction costs.

Overseas, demand for electric power in the emerging countries of the ASEAN

Photo: Biomass-fired power generation plant Biomass power generator of Green Biomass Factory Co., Ltd., in Tsuno Town, Miyazaki Prefecture. Specifications: (1) Boiler type: CFB boiler, (2) Generating-end output capacity: 5.75MW, (3) Completed: February 11, 2015

region is strong, and the SHI Group is providing proposals for CFB boiler power generation installations with a focus on Indonesia, Malaysia, and Singapore. These generators can make effective use of low-quality coal and biomass that can be obtained in the vicinity as energy fuels, and the SHI Group is developing the market for these as power sources that were designed with a concern for human beings and the natural environment.



Steam Turbines

Steam turbines are devices that extract thermal energy from pressurized steam and turn it into rotating energy. In power plants that use steam turbines, coal, petroleum, natural gas, biomass, and other fuels are burned in boiler furnaces to generate high-temperature, high-pressure steam in large quantities. The steam is then blown through the turbine, and its energy is converted into rotating energy to generate electricity.

Within the SHI Group, subsidiary Shin Nippon Machinery Co., Ltd., manufactures small to medium-sized steam turbines with power output of 100MW or less, and it has delivered a cumulative total of close to 7,000 units for various uses, including biomass and in-house power generation in Japan and overseas.

In Japan, demand for steam turbines for use in biomass power generation systems that make use of the FIT purchasing

system, such as those that use CFB boilers, is increasing. Overseas also, the level of power generated by biomass systems is rising, and the number of these installations planned is rising, especially for in-house power generation in sugar mills in Southeast Asia and Latin America. Sugarcane stalks left over from the sugar-making process are used as biomass fuel for generating electricity. The power generated is sold to electric power utilities under FIT arrangements similar to those in Japan as well as used to meet mill power requirements. In addition to these trends, a considerable number of small to medium-sized power generating installations are planned around the world that will use biomass

Photo: Steam turbine Since these turbines for power generation rotate more than 10,000 times a minute, they are assembled with utmost attention to detail.

as fuel and to satisfy in-house power needs.

The SHI Group's steam turbines have earned a strong reputation in the market because of the SHI Group's long history of successfully delivering these units and their reliability. Going forward, the SHI Group will continue to contribute to the electric power field both in Japan and overseas.



Research and Development

Sumitomo Heavy Industries, Ltd. Annual Report 2015

R&D Strategy

Based on a vertically integrated synergistic value chain model, the SHI Group is actively engaged in the development of technologies and products. Namely, according to the model, our Technology Research Center first develops fundamental technologies and elemental technologies, then we chain them to components, equipment, and systems sequentially, and finally combine them with our existing SHI Group products. Consequently, we speed up the development of first-class products.

In the Medium-Term Management Plan 2016, the Group as a whole works on project activities "Smart Product Project"

which aims to create sophisticated and attractive products that will lead to our customers' progress of profitability.

Major R&D Results by Business Segment

(1) Machinery Components

This segment is actively engaged in the development of new products and related production technologies in the gear-motor and gearbox field.

(2) Precision Machinery

Regarding injection molding machines, the SHI Group has released the SE-EV-HD injection molding machine, which is suited to the precision molding of thick walled parts. The SHI Group has developed

injection unit and mold clamp drive control technology, which are suited to respond to the demand of thinner walled smartphones and tablet PCs. The SHI Group has improved overall cycle time of all electric two-material injection molding machines.

Other R&D accomplishments in this segment include the development of next-generation cryopumps that reduce power consumption by 40% compared with previous models.

(3) Construction Machinery

In the hydraulic excavator field, the SHI Group is conducting R&D activities aimed at improving the economy, eco-friendliness, and safety of its products. The SHI



SH200HB-6 Hybrid Excavator



Steam Turbine

Group's active hybrid excavator SH200HB-6, which was introduced in 2013, has won an excellent reputation for high operating efficiency and low fuel consumption, and we are expanding sales of these units.

(4) Industrial Machinery

In medical equipment, the Group's compact proton therapy system delivered to a private hospital in Japan went into service for the treatment of prostate cancer in September 2014. In December 2014, this system was certified for advanced medical treatment.

In the forging press business, the SHI Group launched 5,000 ton, 6,300 ton, and 8,000 ton class large-scale units.

The SHI Group completed the development of large-scale steam turbines and expanded the domain of its lineup to include turbines in the 100MW class.

In the material handling systems business, based on the SHI Group's accumulated experience in supplying more than

1,100 Mascot cranes, the SHI Group launched the Mascot II, which features superior quality and functionality.

(5) Ships

In addition to ongoing activities to provide ships that meet future environmental regulations and the changes in the market that are foreseen, the SHI Group is supplying mid-sized tankers with the enhanced customers' profitability, which also meet future environmental regulations and future changes in the market that are foreseen as typified by the shale oil/gas revolution.

(6) Environmental Facilities & Plants

In our industrial wastewater treatment activities, we demonstrated the effectiveness of our new high-speed clarifiers for use in processing emissions from steel mills. Moreover, we also demonstrated the effectiveness of our new belt press dehydrator for sewage sludge treatment.

In the mixing vessels business, we launched the brand-new impellers

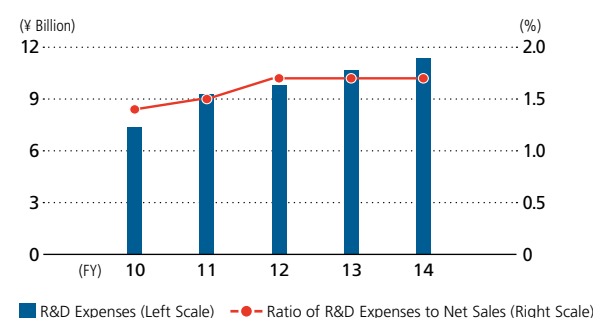
LvBLEND and RfBLEND and are expanding our product lineup for preparation and treatment in processes.

In the plasticity processing device field, we introduced our SRS150-T4 pipe processor for the manufacture of emission-related components for automobile mufflers.

(7) Technology Research Center

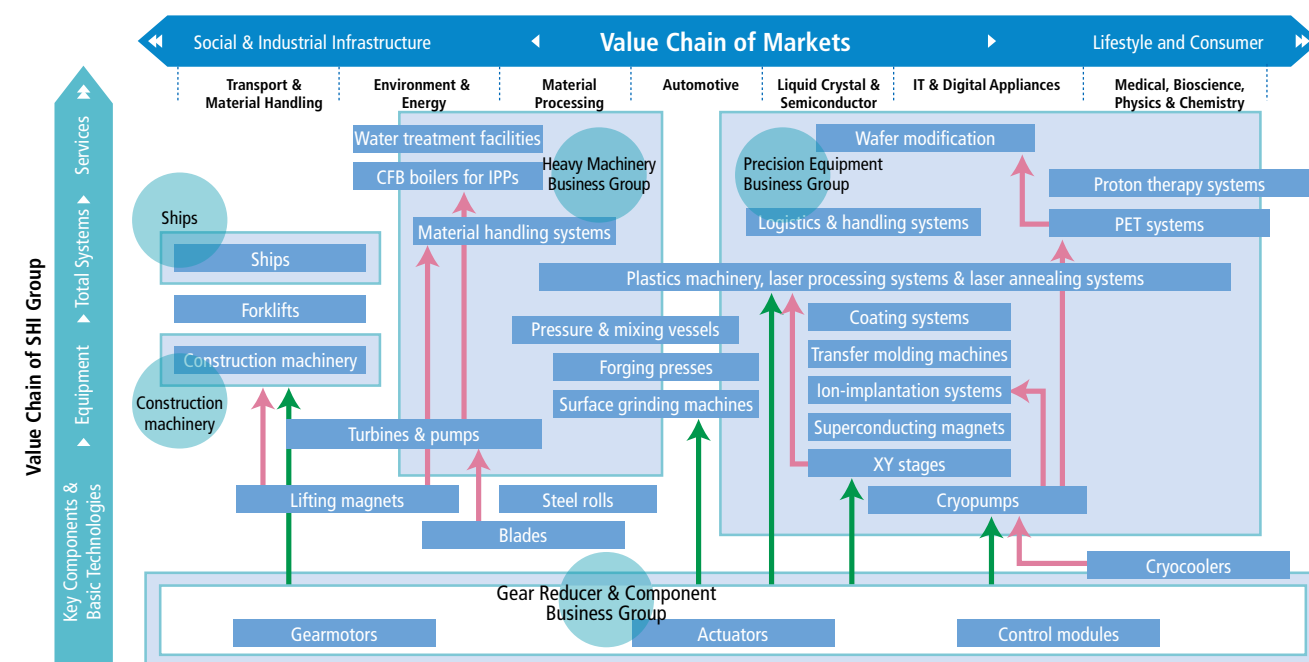
The Technology Research Center is focusing on both the basic development of key technologies and the advanced development of the component technologies for new products. Our success in these developments includes the control system components of hybrid excavators and the around-view monitor for human-operating machinery. In addition, we have continuous achievements in the new technology development in the fields of the medical equipment and energy-related systems.

R&D Expenses



Fully electrically operated SE-EV-HD injection molding machine

Business Portfolio and Value Chain of SHI Group



Vertically Arranged Proton Therapy System



Aframax Tanker

Intellectual Property

The SHI Group is oriented toward growth driven by distinctive technologies. As such, intellectual property is an issue of the utmost importance and the wellspring of the Group's competitive advantage. The principal focus of our efforts is directed at the three elements of intellectual property activity, namely, ensuring that rights to intellectual property are secured, utilizing exclusive rights, and respecting other companies' rights. In this way, we devote our Groupwide energies to the active creation, protection, and exploitation of the Group's invaluable "property."

Promotion Structure

To link the senior management of the SHI Group divisions directly with intellectual property activities, the Group has appointed Chief Intellectual Property Officers (CIPOs) to the same rank as the general managers of technology and development departments, a position immediately below and reporting directly to officers in charge of groups or divisional businesses. The CIPOs prepare optimal intellectual property strategies for each division, make all members of those divisions thoroughly acquainted with these strategies, and create the mechanisms to put those strategies into practice. In addition, the Intellectual Property Department participates fully in reform activities implemented by the CIPOs.

Major Activities and Achievements

(1) Intellectual Property Inspection Activities

We have formed an Inspection Committee composed principally

of CIPOs and established mechanisms for the regular evaluation of inventive proposals and decisions regarding substantive examination requests and rights maintenance. In this way, we foster the efficient and systematic management of patent applications ultimately intended for commercialization. Furthermore, by incorporating intellectual property evaluation in the design review (DR) process, we are striving to make our product capabilities more robust.

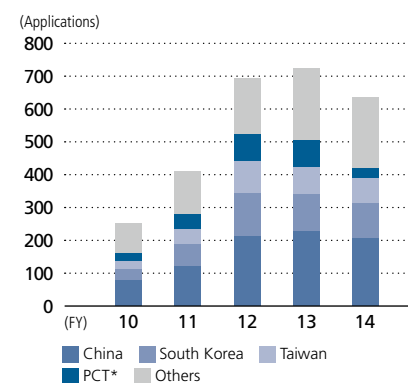
(2) Intellectual Property Evaluation Activities

The SHI Group evaluates the strength of individual patents held by the Group and strategically manages the processes for improving this strength. In addition to enhancing the quality of the Group's intellectual property portfolio, such evaluation and management processes enable the Group to keep reinforcing the competitive superiority of its products through the appropriate maintenance of its intellectual property.

(3) Accelerating Overseas Patent Applications

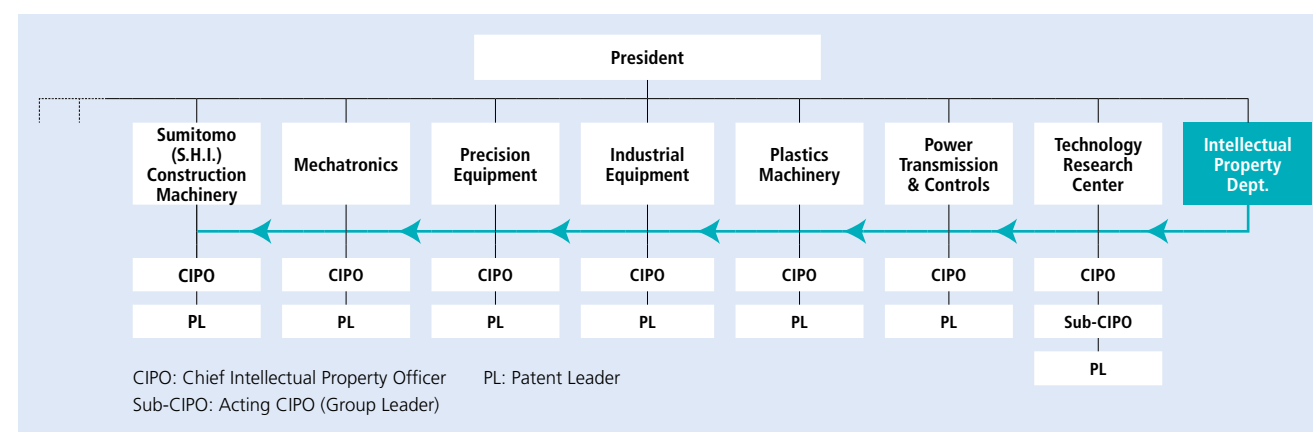
In tandem with the globalization of the business activities of the SHI Group, we have been calling on all operating divisions and other relevant divisions to actively work to file patent applications overseas. As a result, 1,652, or 35.0%, of the Group's total of 4,716 patents were held overseas as of April 2015. In recent years, the Group has been increasing patent applications, particularly in China, South Korea, and Taiwan.

SHI Group's Overseas Patent Applications



* Overseas patent applications under the Patent Cooperation Treaty (PCT)

CIPO System



Corporate Governance

The SHI Group believes that the essence of corporate governance lies in the establishment of a system that enables efficient and transparent management. Sound corporate governance helps the Group achieve higher enterprise value and win the trust of all its stakeholders, including shareholders, customers, employees, and communities as a whole.

Reinforcement of Corporate Governance

SHI has been working continually over a long period to strengthen its corporate governance function. Specifically, the Company adopted an executive officer system in 1999, appointed an external director in 2002, and shortened the term of office of directors from two years to one in 2007. These and other measures reflect SHI's ongoing efforts to reinvigorate the Board of Directors, ensure that business is executed in a timely manner, and secure the objectivity and transparency of the Company's management.

Moreover, corporate auditors, who take on the role of overseeing the man-

agement, regularly hold meetings attended by the corporate auditors of Group companies to reinforce the audit function covering the entire SHI Group. To address globalization, the Company also conducts annual onsite audits at its overseas subsidiaries.

SHI ensures that neither its external director nor external corporate auditors have a risk of conflict of interest with the Company's general shareholders and has reported them as independent officers to the Tokyo Stock Exchange on which the Company is listed.

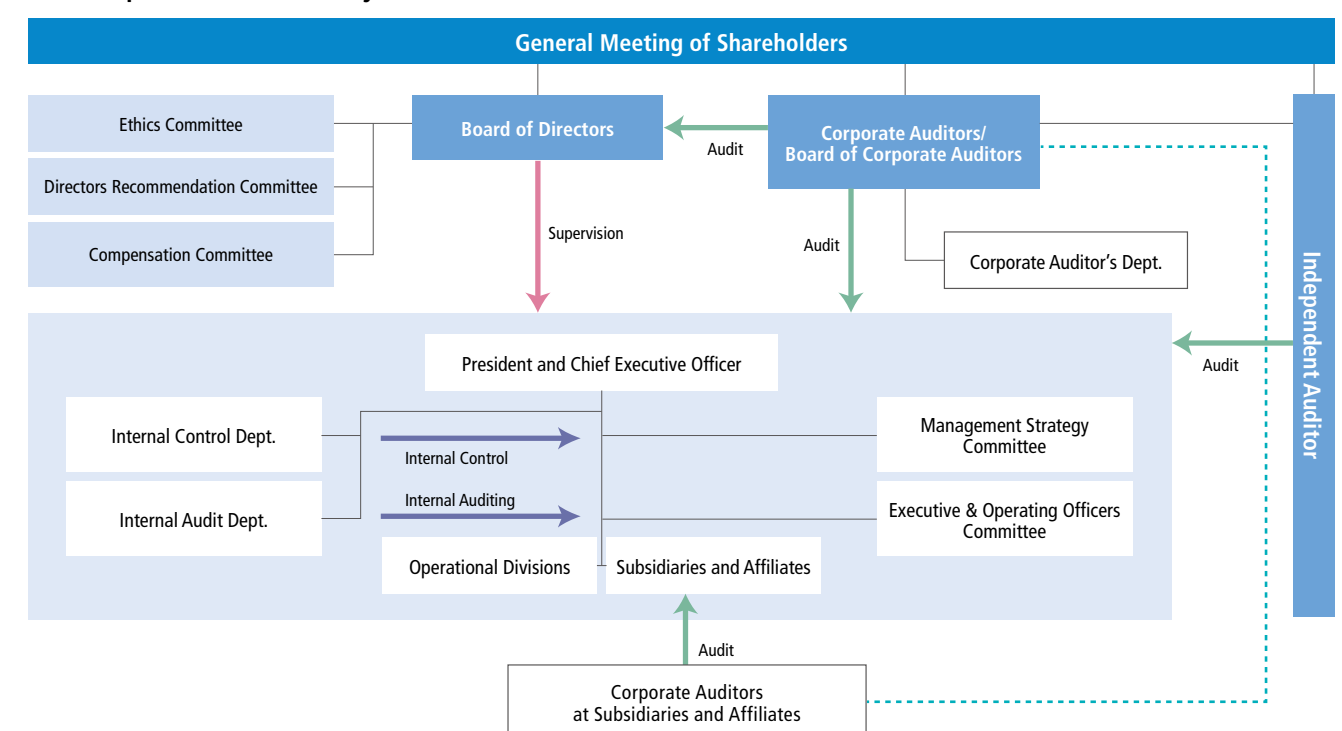
Corporate Governance System

SHI has adopted the corporate auditor system and, within this framework, has

introduced an executive officer system to separate the business execution and supervision functions of corporate management.

The Company has a Board of Directors, comprising 10 directors, and a Board of Corporate Auditors, comprising four corporate auditors. The Board of Corporate Auditors, including two external corporate auditors, and the Board of Directors, including two external directors, collaborate with executive officers in charge of internal auditing and internal control. In this manner, a system has been established to audit and supervise the execution of duties by the Company's management. The Company believes that this system will ensure that the

SHI's Corporate Governance System



Corporate Governance

Sumitomo Heavy Industries, Ltd. Annual Report 2015

corporate governance function is exercised to its fullest extent. The Company takes steps to further reinforce the corporate governance function.

• Board of Directors

The Board of Directors deliberates not only on matters stipulated under the Japanese Corporate Law, but also on important management issues in a pre-emptive manner. Also, the Company's Articles of Incorporation stipulate that the Company must have no more than 12 directors.

• Executive & Operating Officers Committee

The Executive & Operating Officers Committee comprises executive officers, who execute the Company's business, as well as operating officers. The Committee meets once a month to

manage consolidated business results and to ensure the implementation of management policies.

• Management Strategy Committee

The Company has also established the Management Strategy Committee, comprising executive officers assigned to the Company's Head Office, as an advisory body to the president. This Committee deliberates on important matters, including those to be submitted to the Board of Directors, and, consequently, reports deliberation results to the Company's president.

• Corporate Auditors and the Board of Corporate Auditors

The Company's corporate auditors audit the execution of duties by directors and executive officers from the perspectives of legality and appropriateness. At the

same time, corporate auditors of the Company and its subsidiaries and affiliates jointly hold regular meetings to exchange audit-related information and reinforce auditing functions covering the entire SHI Group. The Company has appointed a lawyer and a certified public accountant as its external corporate auditors to reinforce the overall system for checking compliance and corporate accounting. Also, the Company has established the Corporate Auditor's Department as a staff organization to support the Board of Corporate Auditors.

• Directors Recommendation Committee and the Compensation Committee

The Directors Recommendation Committee makes recommendations to the Board of Directors with regard to

candidates for new members of the Board of Directors and representative directors. Meanwhile, director remuneration is determined by the Compensation Committee. Three of the current seven members of the Compensation Committee have been externally appointed. More specifically, as an advisory body to the Board of Directors, the Compensation Committee determines a level of director remuneration that reflects the Company's business performance while ensuring transparency and ethical appropriateness in remuneration decision processes.

■ Internal Auditing, Auditing by Corporate Auditors, Independent Audits

The Company has established the Internal Audit Department (with a full-time staff of eight) as an internal auditing organization that reports directly to the president. The Internal Audit Department periodically conducts audits of business execution at the Company's internal organizations and at subsidiaries and affiliates in Japan and overseas,

provides advice on operational improvements, and follows up on the implementation of improvements. The department undertakes the reinforcement of the internal control functions in coordination with self-audits conducted by the operational divisions. Corporate auditors perform their duties in line with the audit plans and policies formulated by the Board of Corporate Auditors. To audit the execution of duties by the Company's directors and executive officers, they attend meetings of the Board of Directors and the Executive & Operating Officers Committee as well as other important meetings. In addition, corporate auditors are allowed to access principal internal memos and other important documents relating to business execution. The Company has appointed KPMG AZSA LLC as its independent auditor, has entered into an audit contract, and undergoes rigorous audits. Corporate auditors, the Board of Corporate Auditors, the Internal Audit Department, and the independent auditor closely collaborate with each other and exchange information about audit

results, thereby developing and implementing an efficient audit system.

■ External Directors and External Corporate Auditors

As mentioned previously, the Company has appointed two external directors and two external corporate auditors. SHI ensures that all of its outside officers have no risk of conflicts of interest with the Company's general shareholders and has reported them as independent officers to the Tokyo Stock Exchange on which the Company is listed.

Please note that Mr. Hideo Kojima was newly appointed as external director at the Company's 119th Ordinary General Meeting of Shareholders held on June 26, 2015, thus bringing the total number of external directors, including Mr. Susumu Takahashi, to two.

■ Compensation of Directors and Corporate Auditors

The maximum amount of compensation paid to directors shall not exceed ¥40 million per month pursuant to the resolution of SHI's Ordinary General

External Directors and External Auditors

Title	Name	Reason for appointment	Attendance at meetings of the Board of Directors
External Director	Susumu Takahashi	Based on his insights into economic and management matters as well as his broad experience in private corporations and government organizations, Mr. Takahashi, as he oversees the management of the Company, is expected to provide advice to the Company related to achieving sustainable growth and increasing corporate value from his objective and independent point of view. Acknowledging that Mr. Takahashi is not in a position to be considerably controlled by, or to considerably control the management of the Company, he was appointed an external director with the expectation of maintaining appropriate independence.	Mr. Takahashi attended 10 of the 11 Board of Directors' meetings after his appointment as an external director on June 27, 2014.
External Director	Hideo Kojima	Mr. Kojima was elected as external director because he is a certified public accountant and specialist in accounting and finance with many years of practical experience. Based on his extensive experience and insight, SHI is expecting him, as he performs his management oversight functions, to provide advice from his objective and independent perspective regarding how SHI can attain sustainable growth and increase its corporate value.	Appointed as an external director on June 26, 2015. In his role of external auditor, Mr. Kojima attended 15 Board of Directors' meetings and 15 of the 16 Board of Auditors' meetings held during the fiscal year.
External Corporate Auditor	Takeo Wakae	Based on his long-standing knowledge and wealth of experience as a lawyer, Mr. Wakae provided comments of a beneficial nature to the Company while pointing out various issues in a frank and objective manner.	Mr. Wakae attended all 15 Board of Directors meetings and all 16 Board of Corporate Auditors meetings during fiscal 2013.
External Corporate Auditor	Takashi Miyazawa	Mr. Miyazawa was elected as External Corporate Auditor because he is a certified public accountant and specialist in accounting and finance with many years of practical experience. Based on his extensive experience and insight and his objective and independent perspective, SHI is calling on him to conduct audits that are implementable in Company management.	Appointed as an external auditor on June 26, 2015.

There are no vested interests of note between the aforementioned external director and external corporate auditors and the Company. While SHI does not maintain specific criteria or policies with respect to the independence of external directors and external corporate auditors appointed by the Company, reference is made to the determination standards concerning the independence of officers issued by various securities exchanges.

Information related to Directors' Compensation in Fiscal 2014

Classification	Amount of Compensation (Millions of Yen)	Amount by Type of Compensation (Millions of Yen)	Number of Eligible Officers (Persons)
		Basic Compensation	
Directors (excluding external director)	436	436	10
Corporate auditors (excluding external corporate auditors)	67	67	3
External officers	19	19	4

Notes: 1. There were nine directors, two corporate auditors, and three external officers as of March 31, 2015. Included in the figures presented in the table above are the number of officers and compensation amounts paid for the period between April 2014 and June 2014 to one director who retired as of the close of the Company's 118th Ordinary General Meeting of Shareholders held on June 27, 2014, one corporate auditor, and one external officer. (Accordingly, the aggregate number of eligible officers for the business term under review was 10 directors (excluding the external director), three corporate auditors (excluding external corporate auditors), and four external officers.)

2. No officer received compensation of ¥100 million or more for the period. Accordingly, details of compensation paid to individual officers have been omitted.

Corporate Governance

Sumitomo Heavy Industries, Ltd. Annual Report 2015

Meeting of Shareholders ratified in June 2006. The Company has adopted a director compensation scheme that is linked to SHI's operating results. Individual director remuneration is determined by the Board of Directors on advice from the Compensation Committee regarding applicable standards that reflect SHI's performance.

The maximum amount of compensation paid to corporate auditors shall not exceed ¥7.5 million per month pursuant to the June 2005 resolution of SHI's Ordinary General Meeting of Shareholders. Remuneration paid to individual corporate auditors is determined through a process of deliberation among corporate auditors. As of the close of the Company's Ordinary General Meeting of Shareholders held in June 2005, SHI terminated its directors' retirement allowance system. In addition, the Company has not adopted a stock option system.

The compensation of the Company's directors and auditors in fiscal 2014 was as shown in the table on page 39.

Internal Control System

The SHI Group considers the internal control system to be an important management foundation for increasing its enterprise value and ensuring its sustainable development. The Board of Directors decides the basic policy for the development of the internal control system, which is the foundation of corporate governance. The Board appropriately verifies the effectiveness of the internal control system and undertakes constant enhancement and improvement. The Company appoints external directors to bring an outside perspective to the decisions of the Board of Directors. Corporate auditors conduct audits to ensure the appropriate execution of duties by the Company's directors with respect to the development and administration of the internal control system. Also, the Company works to strengthen its internal control over financial reporting. With the organization in charge conducting audits of the status of internal control system administration, the Company is striving to secure the reliability of its financial reporting.

Compliance Activities

The Ethics Committee, chaired by the president, formulates the Company's basic compliance policy. The Internal Control Group undertakes the rigorous implementation of the policy through a Groupwide internal control system. In addition, the Company distributes the Ethics Regulations and Compliance Manual to all employees and undertakes regular ethics and compliance education. When necessary, the Company collects written agreements from directors, executive officers, and all managers concerning individual compliance items. Moreover, each year on an anonymous basis, SHI conducts surveys encompassing all employees in an effort to assess and confirm levels of compliance awareness and understanding. The Company maintains a resolute stance against organizations or individuals that pose a threat to public order and safety and engages in no relations whatsoever with such organizations or individuals. The Company has established an ethics hotline (an in-house whistleblower system) as a point of contact to report matters that violate or may violate laws,

ordinances, or corporate ethics, promotes the use of the hotline, and endeavors to discover problems at an early stage. The Company conducts audits of the execution of duties by the Company's executive officers and by staff under the direct control of the executive officers through the organization in charge and ensures that their execution of duties complies with laws, ordinances, and the Articles of Incorporation.

Risk Management

The Company engages in risk management using the Groupwide internal control system. The Company takes a specialized approach to minimize risk. Through this approach, the business units in charge prepare regulations governing individual risks—such as environmental, legal, disaster, IT, and export control risk—while providing education and guidance and conducting audits. In the event of an emergency, in accordance with the Company's Emergency Reporting Procedures, the involved employees immediately report to executive management and take appropriate measures.

Information Disclosure and IR Activities

SHI strives diligently to ensure the timely disclosure of relevant information. At the same time, the Company actively promotes dialogue with shareholders and investors. In this regard, SHI recognizes dialogue as an appropriate means to ensure a deeper understanding of the Company and to further enhance its enterprise value.

The president provides briefings on the Company's interim and full fiscal year results for the benefit of institutional investors and analysts. Telephone

conferences are also conducted on a quarterly basis by the officer responsible for investor relations. Moreover, top management calls on institutional investors and analysts in Japan and overseas. Furthermore, more than 270 interviews and meetings with investors and analysts were conducted by IR staff members during fiscal 2014.

Takeover Defense Measures

SHI believes that—from the standpoint of increasing enterprise value and ensuring the common interests of the shareholders—the nature of persons who control decisions on the Company's financial and business policies should be ultimately decided by the shareholders. Some large-scale purchases of shares, in light of their purpose or post-purchase management policy, pose the risk of clear impairment of enterprise value or the common interests of shareholders. Some large-scale purchases—such as those conducted without the sufficient provision of information reasonably necessary for the shareholders to judge the purchase details—can be expected to

have a major impact on enterprise value or the common interests of the shareholders. The Company considers persons who seek to make such purchases of the Company's shares to be inappropriate as persons who control decisions on the Company's financial and business policies and has a basic policy on large-scale share purchases of devising measures, as far as is necessary and reasonable, to secure and increase the Company's enterprise value and the common interests of the shareholders. In accordance with this basic policy, as part of measures to prevent inappropriate parties from controlling the Company's decisions on financial and business policies, SHI adopted the Countermeasures to Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures) following approval of the Ordinary General Meeting of Shareholders held in June 2008. At the Ordinary General Meeting of Shareholders held in June 2014, the continuation of the Takeover Defense Measures was approved after making necessary changes.

Fiscal 2014 IR Activity Results

<p>Activities for Analysts/Institutional Investors</p>	<ul style="list-style-type: none"> • Financial results briefings (interim/full fiscal year) • Quarterly financial results telephone conferences • Individual visits to overseas institutional investors (North America: 1; Europe: 1; Asia: 1) • Participation in conferences for institutional investors sponsored by securities companies (seven times) • Individual IR interviews • Plant tour for analysts/institutional investors (one) • Presentations of results of principal businesses (one) • Presentations for individual investors (one)
<p>IR Materials Posted on the Company's Website</p>	<ul style="list-style-type: none"> • Convocation notice (Japanese/English) • Securities report/quarterly securities report • Corporate governance report • Summary of consolidated financial report/timely disclosure materials • Handout for financial results briefings • Webcast of financial results briefing (Japanese/English (translated version)) • Interim report (To our shareholders) • Annual report (Japanese/English)



Financial results briefing held in May 2015

External Director Interview



External Director, Susumu Takahashi
Chairman of The Japan Research Institute, Limited. Appointed as a private-sector member of the government's Economic and Financial Advisory Council in 2013, and became external director of the Company in 2014.

Mr. Susumu Takahashi, external director of SHI, is an economist and chairman of The Japan Research Institute, Limited. We interviewed Mr. Takahashi regarding SHI's corporate objectives and directions as well as issues to be addressed related to increasing the Company's corporate value.

On Becoming External Director

I have two thoughts regarding my election as external director. The first is related to corporate governance and compliance. Recently, corporate governance, in particular, has drawn attention in relation to discussions of how Japanese companies can regain earnings power. Amid current conditions, I have observed management from a director's perspective, and my impression is that Sumitomo Heavy Industries (SHI) is quite sincere about governance and compliance and is taking these issues seriously. My other thought regards my role as external director. The Japanese economy is at a major turning point, and the global economic environment is undergoing major change. In the midst of this change, I believe that, as an economist, I would like to draw on my experience gained from research on the economy and financial markets and in policy formulation to offer useful advice to corporate management.

Regaining Earnings Power

Many Japanese corporations have confronted difficulties due to deflation and the high valuation of the yen over close to 20 years. Over this period, corporations have restrained their investments in human resources and capital equipment. This has resulted in a decline in the ability of these companies to maintain manufacturing excellence and regain their earnings power. At SHI also, I believe that we are still in the process of regaining our underlying power to generate earnings. The key points in the years ahead are likely to be "developing new businesses" and "realizing synergies." It will be important for us to be fully aware of the next growth industries, including medical equipment, environmental preservation, and energy and then make the necessary investments in these fields. Another point is that SHI is a collection of business enterprises spanning the range from heavy machinery to IT. SHI will increase its earnings power by realizing synergies among these businesses and bringing all its resources to bear.

Issues Related to Increasing Corporate Value

To measure corporate value, superficially, we would use stock price. However, what the stock price reflects is SHI's earnings power. What will strengthen this power are things that may not appear in financial information. They include strengthening human resources and systems as well as capabilities for excellence in manufacturing. At the same time, it will also be important to gain the understanding of investors, through investor relations, public relations, and dialogue, regarding SHI's strengths, which lie not only in financial information, such as ROE and other profit ratios. As an external director, I want to give advice and suggestions from the perspective of strengthening SHI's capabilities for excellence in manufacturing.

Messages from the External Director and External Auditors



External Director, Hideo Kojima
Certified Public Accountant. Mr. Kojima was appointed External Auditor of the Company in June 2011 and External Director in June 2015.

Japan's Corporate Governance Code now applies to listed companies beginning this fiscal year, and they will be required to substantially upgrade their governance frameworks. External directors will play a major role in responding to requirements for implementing stronger corporate governance.

In the SHI Group, along with the global development of our business activities in recent years, issues that will need to be addressed are maintaining the quality of business operations and managing risks as well as substantially upgrading internal control systems. Moreover, in today's operating environment, companies must do more than just grow and improve their performance. They must also contribute to society and upgrade their global compliance systems, including responding to new international regulations. While maintaining a grasp of these issues, we will be required to be more conscious of corporate governance to reach and maintain the objectives of sustainable growth and improvement in SHI's financial position. I intend to be aware of the roles I must play as an external director in enhancing our governance system and conducting sound business management.



External Auditor, Takeo Wakae
Attorney at Law. Mr. Wakae was appointed External Auditor in June 2012.

A recent series of developments related to corporate governance, such as the revision of Japan's Companies Act and the implementation of revised implementation regulations for this act as well as the issuance of Japan's Corporate Governance Code, are an indication that the corporate governance of Japanese companies is under review with a view to placing greater emphasis on the interests of shareholders. Amid this groundswell, external directors who are independent are becoming more important, and there are expectations this trend will lead to corporate management that reflects the interests of shareholders and closer surveillance of management by shareholders.

As an external auditor, I am conducting the surveillance of the implementation of management from an independent and objective standpoint. As an attorney at law, I am requiring substantially higher standards of compliance. Thereby, I am working to raise the Company's corporate value and secure the interests of the shareholders.



External Auditor, Takashi Miyazawa
Certified Public Accountant. Mr. Miyazawa was appointed External Auditor in June 2015.

In May this year, Japan's revised Companies Act was implemented, and the Corporate Governance Code went into effect in June this year. Principle 4-4 of the Corporate Governance Code specifies, "Although so-called "defensive functions," such as business and accounting audits, are part of the roles and responsibilities expected of *kansayaku* (auditors) and the *kansayaku* board (board of auditors), in order to fully perform their duties, it would not be appropriate for *kansayaku* and the *kansayaku* board to interpret the scope of their function too narrowly, and they should positively and proactively exercise their rights and express their views at board meetings and to the management." This implies that the auditors are expected to collaborate with the directors and perform an oversight function.

I am working to draw on my experience as a certified public accountant and auditor of other companies and contribute to structuring and operating higher-quality corporate governance frameworks, as required by Japan's governance code.

Directors, Corporate Auditors, and Executive Officers (As of June 26, 2015)

Sumitomo Heavy Industries, Ltd. Annual Report 2015

Board of Directors



Yoshinobu Nakamura
Representative Director, Chairman of the Board
 Apr. 1975 Joined the Company
 Feb. 2001 General Manager of Laser Business Center
 Jun. 2002 Senior Vice President
 Jun. 2003 General Manager of Precision Equipment Group
 Jun. 2004 Executive Vice President
 Oct. 2004 General Manager of Mechatronics Div.
 Jun. 2005 Director
 Apr. 2006 General Manager of Electro-Mechanical Systems Div.
 Apr. 2007 Representative Director, President and CEO
 Apr. 2013 Representative Director, Chairman of the Board (current)



Shunsuke Betsukawa
Representative Director, President and CEO
 Apr. 1978 Joined the Company
 Jul. 2001 General Manager of Corporate Administration Dept. of Finance & Accounting Div.
 Apr. 2007 Senior Vice President, General Manager of Finance & Accounting Div.
 Apr. 2009 General Manager of Corporate Planning & Development Dept.
 Jun. 2009 Director
 Apr. 2010 Executive Vice President
 Apr. 2011 Representative Director, CFO, General Manager of Export Administration Dept.
 Apr. 2012 Senior Executive Vice President
 Apr. 2013 Representative Director, President and CEO (current)



Shinji Nishimura
Representative Director, Senior Executive Vice President
 Apr. 1974 Joined the Company
 Feb. 2001 General Manager of Ship and Steel Structure Group
 Jun. 2002 Senior Vice President
 Apr. 2003 Vice President, General Manager of Ship & Marine Div., Representative Director and President of Sumitomo Heavy Industries Marine & Engineering Co., Ltd.
 Apr. 2005 Senior Vice President, General Manager of Corporate Planning & Development Dept.
 Jun. 2005 Director
 Apr. 2006 Executive Vice President
 Apr. 2007 Representative Director (current), Senior Executive Vice President (current), General Manager of Power Transmission & Controls Group
 Oct. 2014 General Manager of Corporate Planning Group (current)



Kazuto Kaneshige
Director, Senior Vice President
 Apr. 1977 Joined the Company
 Feb. 2009 General Manager of Industrial Machinery Center
 Jun. 2010 Director of Sumitomo Heavy Industries Techno-Fort Co., Ltd.
 Apr. 2012 Representative Director, President and CEO of Sumitomo Heavy Industries Techno-Fort Co., Ltd.
 Apr. 2012 Senior Vice President (current)
 Apr. 2013 General Manager of Industrial Equipment Div. (current)
 Jun. 2014 Director (current)



Mikio Ide
Director
 Apr. 1973 Joined the Company
 Apr. 2001 Director of Sumitomo (S.H.I.) Construction Machinery Co., Ltd.
 Jun. 2003 Vice President
 Jun. 2005 Director (current)
 Apr. 2010 Senior Executive Vice President, Director and Senior Executive Vice President of Sumitomo (S.H.I.) Construction Machinery Co., Ltd.
 Apr. 2011 Representative Director, President and CEO of Sumitomo (S.H.I.) Construction Machinery Co., Ltd. (current)



Susumu Takahashi
External Director
 Feb. 2004 Counselor of The Japan Research Institute, Limited
 Aug. 2007 Vice Chairman of The Japan Research Institute, Limited
 Jun. 2011 Chairman of The Japan Research Institute, Limited (current)
 Jun. 2014 Director of the Company (current)



Yuji Takaishi
Representative Director, Executive Vice President
 Apr. 1977 Joined the Company
 Jul. 2000 Acting General Manager of Niihama Works
 Apr. 2005 General Manager of Human Resources Dept.
 Apr. 2007 Senior Vice President
 Jun. 2007 Director
 Apr. 2010 Executive Vice President (current), General Manager of Plastics Machinery Div.
 Apr. 2012 General Manager of Corporate Planning & Development Dept.
 Apr. 2013 Representative Director (current), General Manager of Export Administration Dept. (current)
 Apr. 2014 General Manager of Corporate Planning Group
 Apr. 2015 General Manager of Kansai Office (current)



Toshiharu Tanaka
Director, Executive Vice President
 Apr. 1983 Joined the Company
 Apr. 2011 General Manager of Precision Equipment Div.
 Jun. 2012 General Manager of Tanashi Works
 Apr. 2013 Senior Vice President
 Jun. 2013 Director (current)
 Apr. 2014 Deputy General Manager & General Manager of Global Business Support Dept. of Power Transmission & Controls Group
 Oct. 2014 General Manager of Power Transmission & Controls Group (current)
 Apr. 2015 Executive Vice President (current)



Yoshiyuki Tomita
Director, Senior Vice President
 Apr. 1981 Joined the Company
 May 2009 General Manager of Technology Development Center of Corporate Technology Operations Group
 Apr. 2011 Vice President, General Manager of Technology Research Center of Corporate Technology Operations Group
 Jun. 2012 Director (current)
 Apr. 2014 Senior Vice President (current), General Manager of Corporate Technology Operations Group (current)



Hideo Kojima
External Director
 Mar. 1980 Registered as Certified Public Accountant
 May 1995 Representative Employee, Ota Showa Accounting Office
 May 2000 Representative Director, Ota Showa Century Accounting Office
 May 2004 General Manager of the International Department, Tokyo Office, ShinNihon Accounting Office
 May 2006 Deputy Director of ShinNihon Accounting Office
 Sep. 2010 Senior Adviser to ShinNihon Accounting Office LLC
 Jun. 2011 Auditor of the Company, External Auditor of Alpine Electronics, Inc. (current)
 Jun. 2013 External Auditor of Mitsubishi UFJ Financial Group, Inc. (current)
 Jun. 2015 Director of the Company (current)

Corporate Auditors

Yukio Kinoshita Standing Corporate Auditor **Takeo Wakae** External Corporate Auditor
Kazumi Fujita Standing Corporate Auditor **Takashi Miyazawa** External Corporate Auditor

Executive Officers

Shunsuke Betsukawa	President and CEO	
Shinji Nishimura	Senior Executive Vice President	General Manager, Corporate Planning Group
Katsuhiko Taniguchi	Executive Vice President	General Manager, Corporate Quality Group
Yuji Takaishi	Executive Vice President	General Manager, Export Administration Dept., General Manager, Kansai Office
Katsuhide Yokota	Executive Vice President	Representative Director and President, Sumitomo Heavy Industries Material Handling Systems Co., Ltd., General Manager, Ehime Works
Chuck Martz	Executive Vice President	President, CEO & Chairman, LBCE Holdings, Inc.
Toshiharu Tanaka	Executive Vice President	General Manager of Power Transmission & Controls Group
Kazuto Kaneshige	Senior Vice President	General Manager, Industrial Equipment Div.
Tetsuya Okamura	Senior Vice President	CEO, Sumitomo (SHI) Demag Plastics Machinery GmbH
Akio Yoshikawa	Senior Vice President	China Head Representative, Chairman, Sumitomo Heavy Industries (China), Ltd., Chairman, Sumitomo Heavy Industries (Shanghai) Management, Ltd. Director and Executive Vice President, Sumitomo (S.H.I.) Construction Machinery Co., Ltd.
Nobutaka Miyawaki	Senior Vice President	General Manager, Ship & Marine Div., Representative Director and President, Sumitomo Heavy Industries Marine & Engineering Co., Ltd.
Yoshiyuki Tomita	Senior Vice President	General Manager, Corporate Technology Operations Group
Hideo Suzuki	Senior Vice President	General Manager, Corporate Finance, Accounting & Administration Group
Shinji Shimomura	Senior Vice President	Executive Vice President, Sumitomo (S.H.I.) Construction Machinery Co., Ltd., Representative Director and President, Sumitomo (S.H.I.) Construction Machinery Sales Co., Ltd.
Masami Deguchi	Senior Vice President	Representative Director and President, Shin Nippon Machinery Co., Ltd.
Hiroo Morita	Senior Vice President	General Manager, Human Resources Group
Yukio Kumata	Vice President	Deputy General Manager, Corporate Technology Operations Group
Isao Kohno	Vice President	Deputy General Manager, General Manager of Geared Motor Dept., Power Transmission & Controls Group
Kazuo Hiraoka	Vice President	General Manager, Plastic Machinery Div.

Environmental Initiatives

Basic Approach to Environmental Issues

Sumitomo Heavy Industries Group Environmental Philosophy

The Sumitomo Heavy Industries Group contributes to implementing sustainable development of society by holding fast to the "Sumitomo Business Spirit."

The Sumitomo Heavy Industries Group is taking action across the Group to protect the global environment.

Environmental Policy

In order to implement the sustainable development of society, we must respond to global environment issues and reduce the burden on the environment posed by various aspects of corporate activity. To do so, the Group is promoting autonomous and proactive initiatives to protect the environment.

In 1992, we established the Environmental Committee to promote environmental protection and compliance in local communities. In September 1997, we established the Sumitomo Heavy Industries Environmental Policy in order to drive home the message of environmental management. In addition, in

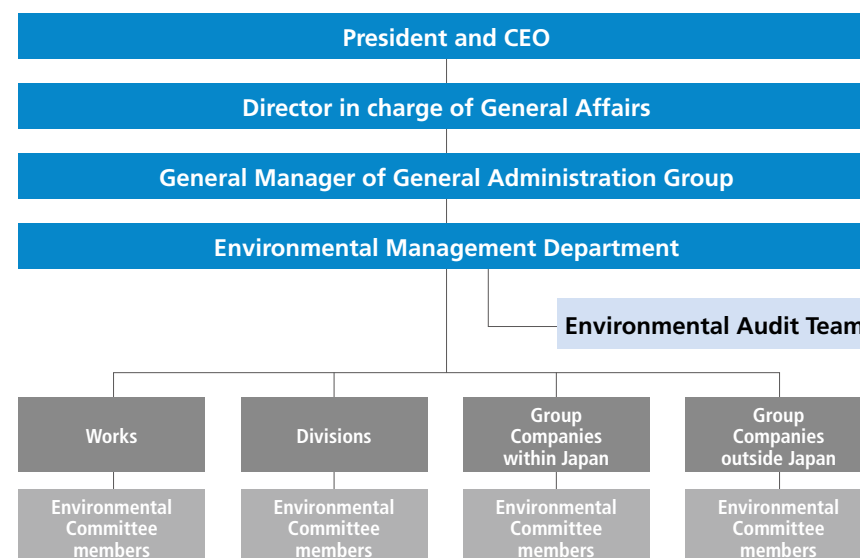
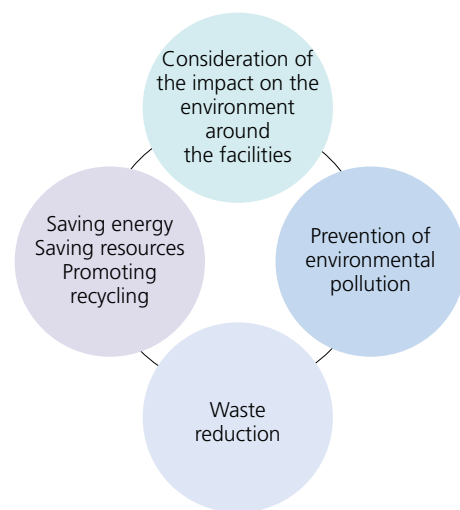
order to clarify the basic policy of activities across the SHI Group, we established the Sumitomo Heavy Industries Group Environmental Policy in November 1999, expanding environmental management across the Group as a whole, including overseas facilities.

Environmental Management

We have established an Environmental Management Department in the General Administration Group, which draws up the medium-term environmental plan (the current fourth medium-term environmental plan runs from FY2014 to FY2016), and environmental goals and promoting on an annual basis, and

develops environmental management across the Group, including personnel training. In 2011, we assigned an environmental manager to Shanghai, China, to promote environmental activity monitoring and support throughout China.

In addition, systematic environmental audits of overseas subsidiaries are conducted, similar to those performed in Group companies and manufacturing locations in Japan. In fiscal 2014, the following audits were conducted overseas: two factories in Vietnam, five in China, one in Indonesia, and two in the United States.



- Executive Board Conference (Four times per year)
- Evaluation by the General Manager, General Administration Group (Once per year)
- Environmental audit (Once per year)
- Sumitomo Heavy Industries Group Environmental Management Conference (Twice per year)
- Environment and Energy Conservation Conference for Prevention of Global Warming (Each region)

Financial Section

48	Eleven-Year Summary
50	Management's Discussion and Analysis of Financial Condition and Operating Results
53	Business Risks
54	Consolidated Balance Sheets
56	Consolidated Statements of Income
57	Consolidated Statements of Comprehensive Income
58	Consolidated Statements of Changes in Net Assets
60	Consolidated Statements of Cash Flows
62	Notes to Consolidated Financial Statements
85	Independent Auditor's Report

Click each item to go to the top page for that category.

Overview of Operating Highlights	Directors and Corporate Auditors	Message from President Betsukawa	Special Feature	Review of Operations	Social Contribution through Business Activities	Research and Development	Corporate Governance	Environmental Initiatives	Financial Section	Corporate Data
----------------------------------	----------------------------------	----------------------------------	-----------------	----------------------	---	--------------------------	----------------------	---------------------------	--------------------------	----------------

Eleven-Year Summary

Sumitomo Heavy Industries, Ltd. Annual Report 2015

Sumitomo Heavy Industries, Ltd. and Consolidated Subsidiaries

	Millions of yen											Thousands of U.S. dollars (Note 1)	
	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2014	FY2014
Summary of Income (for the year):													
Net sales	¥521,310	¥551,339	¥600,256	¥660,769	¥642,918	¥516,165	¥548,015	¥624,100	¥585,871	¥615,271	¥667,099	¥667,099	\$5,559,156
Cost of sales	407,512	434,904	464,071	505,366	503,072	412,751	426,479	490,878	465,309	483,104	516,735	516,735	4,306,123
Selling, general and administrative expenses	65,025	68,930	71,961	77,613	82,906	75,160	75,733	86,087	89,274	97,837	104,366	104,366	869,718
R&D expenses	6,317	7,434	8,581	9,908	10,047	8,187	7,445	9,343	9,835	10,718	11,415	11,415	95,128
Operating income	48,773	47,505	64,224	77,790	56,940	28,254	45,803	47,135	31,288	34,329	45,998	45,998	383,315
EBITDA (Note 2)	58,055	56,577	74,873	91,578	75,260	47,979	63,744	64,955	49,570	52,946	62,279	62,279	518,992
Net income	22,792	29,742	37,352	42,974	13,649	13,280	27,926	19,492	5,865	17,891	24,348	24,348	202,901
Cash Flows (for the year):													
Cash flows from operating activities	¥ 45,451	¥ 50,023	¥ 56,789	¥ 29,096	¥ 34,676	¥ 57,513	¥ 36,521	¥ 23,309	¥ 2,660	¥ 63,661	¥ 62,170	¥ 62,170	\$ 518,081
Cash flows from investing activities	(6,087)	(7,024)	(12,461)	(41,250)	(35,924)	(13,954)	(23,513)	(22,672)	(19,660)	(27,622)	(14,112)	(14,112)	(117,597)
Free cash flows (Note 3)	39,364	42,999	44,328	(12,154)	(1,248)	43,559	13,008	638	(17,000)	36,039	48,058	48,058	400,484
Cash flows from financing activities	(46,490)	(48,812)	(41,193)	(5,238)	15,625	(26,686)	(22,020)	19,879	(11,428)	(9,498)	(36,889)	(36,889)	(307,411)
Cash and cash equivalents at the end of year	49,108	43,644	47,523	29,879	42,414	61,452	51,700	72,376	46,476	76,418	90,324	90,324	752,697
Financial Position (at year-end):													
Total assets	¥569,771	¥579,233	¥600,890	¥678,634	¥657,436	¥610,087	¥626,829	¥691,841	¥647,724	¥724,182	¥786,027	¥786,027	\$6,550,224
Total current assets	316,166	317,813	332,509	381,946	380,293	339,780	365,342	429,046	386,628	434,954	492,000	492,000	4,099,999
Total non-current assets	253,605	261,421	268,381	296,688	277,143	270,308	261,487	262,795	261,096	289,228	294,027	294,027	2,450,225
Interest-bearing debt	169,228	125,504	88,045	89,567	110,339	87,660	67,833	96,522	98,547	107,433	83,644	83,644	697,030
Net interest-bearing debt (Note 4)	119,592	81,587	39,890	59,311	65,654	25,149	15,347	23,149	50,732	29,607	(8,779)	(8,779)	(73,158)
Stockholders' equity	137,157	167,740	—	—	—	—	—	—	—	—	—	—	—
Total net assets (Note 5)	—	—	206,010	246,371	238,697	254,153	269,380	282,145	292,826	331,059	365,101	365,101	3,042,504
Amounts per Share of Common Stock:													
Net income (Note 6)	¥ 37.80	¥ 49.45	¥ 61.99	¥ 71.19	¥ 22.62	¥ 22.01	¥ 45.87	¥ 31.75	¥ 9.56	¥ 29.17	¥ 39.71	¥ 39.71	\$ 0.33
Stockholders' equity	227.90	279.02	338.95	392.80	378.78	404.73	435.10	454.43	470.69	532.28	587.37	587.37	4.89
Cash dividends	3.00	5.00	7.00	10.00	6.00	4.00	8.00	10.00	8.00	7.00	12.00	12.00	0.10
Financial Indexes:													
Operating income margin	9.4	8.6	10.7	11.8	8.9	5.5	8.4	7.6	5.3	5.6	6.9	6.9	6.9
EBITDA margin	11.1	10.3	12.5	13.9	11.7	9.3	11.6	10.4	8.5	8.6	9.3	9.3	9.3
R&D expenses ratio to net sales	1.2	1.3	1.4	1.5	1.6	1.6	1.4	1.5	1.7	1.7	1.7	1.7	1.7
Return on assets (ROA)	4.0	5.2	6.3	6.7	2.0	2.1	4.5	3.0	0.9	2.5	3.1	3.1	3.1
Return on equity (ROE)	18.1	19.5	20.1	19.5	5.9	5.6	10.9	7.1	2.1	5.8	7.1	7.1	7.1
Stockholders' equity ratio	24.1	29.0	34.1	34.9	34.8	40.0	42.6	40.3	44.6	45.1	45.8	45.8	45.8
Interest-bearing debt ratio	29.7	21.7	14.7	13.2	16.8	14.4	10.8	14.0	15.2	14.8	10.6	10.6	10.6
D/E ratio (Times)	1.2	0.7	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2
ROIC (Note 7)	8.5	8.8	12.2	14.0	9.6	4.8	7.8	7.4	4.9	4.8	6.5	6.5	6.5
Investment in Plant and Equipment, and Others:													
Capital expenditures (Note 8)	¥ 8,175	¥ 10,285	¥ 17,257	¥ 28,180	¥ 31,753	¥ 24,465	¥ 14,292	¥ 19,682	¥ 29,888	¥ 20,329	¥ 20,670	¥ 20,670	\$ 172,250
Depreciation and amortization	9,282	9,072	10,649	13,788	18,320	19,725	17,941	17,820	18,282	18,617	16,281	16,281	135,672
Number of employees	11,149	11,319	12,561	14,408	14,984	15,463	17,025	18,139	18,245	17,936	18,061	18,061	18,061

Notes: 1. The U.S. dollar amounts have been translated, for convenience only, at ¥120=\$1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of March 31, 2015.

2. EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) = Operating income + Depreciation and amortization

3. Free cash flows = Cash flows from operating activities + Cash flows from investing activities

4. Net interest-bearing debt = Interest-bearing debt - (Cash and time deposits + Short-term investment)

5. Net assets are presented following enforcement of the new Japanese Corporate Law in 2006. Net assets comprise stockholders' equity as previously defined, plus minority interests and share subscription rights.

6. Net income per share of common stock is based on the weighted average number of shares outstanding in each year.

7. ROIC (Return on Invested Capital) = $\frac{\text{Operating income} + \text{Interest and dividends received}}{\text{Average of stockholders' equity} + \text{Average of interest-bearing debt}} \times (1 - \text{Effective tax rate}^*)$

8. Capital expenditures are capitalized and recorded as assets. *Effective tax rate = 45% up to fiscal 2013 and 40% from fiscal 2014

Management's Discussion and Analysis of Financial Condition and Operating Results

Sumitomo Heavy Industries, Ltd. Annual Report 2015

1. Overview of the Business Environment and Performance in Fiscal 2014

During the consolidated fiscal year under review (fiscal 2014), the recovery from the deceleration in the overall economy that followed the surge in demand prior to Japan's consumption tax increase was delayed. However, private capital investment continued to be relatively firm due to the improvement in corporate performance against a background of yen depreciation and other factors. Overseas, the recovery trend in the U.S. economy became increasingly clear, but growth in the economies of Europe slowed against a background of the developments in the Ukraine. Also, investment in the Chinese economy was restrained and growth continued to weaken. As a result of these and other factors, the global economy overall showed a weakening trend during the fiscal year.

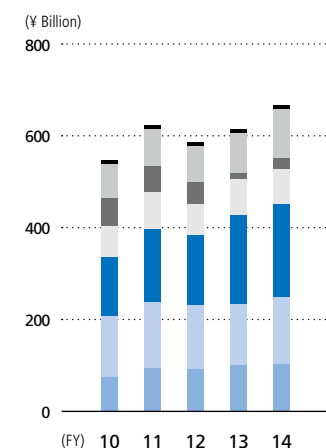
Set against this economic backdrop, the SHI Group embarked on the implementation of its new Medium-Term Management Plan 2016 and conducted business to implement measures to attain the three goals under the plan: namely, "steady growth," "return to higher levels of profitability," and "persistent efforts for operational quality improvements." As a result of these efforts, the figures for orders, net sales, operating income, and net income for fiscal 2014 exceeded those of the previous fiscal year.

2. Analysis of Operating Results

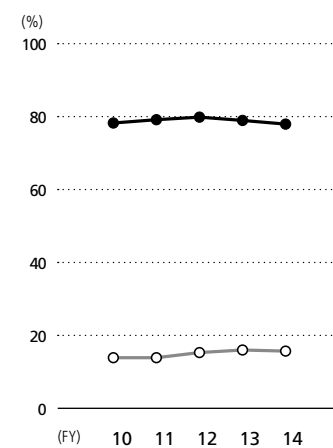
(1) Orders

Orders received during fiscal 2014 increased ¥82.6 billion compared with the previous fiscal year, to ¥740.8 billion, the highest level in the SHI Group history. In addition, the SHI Group's performance was up year on year across all business segments.

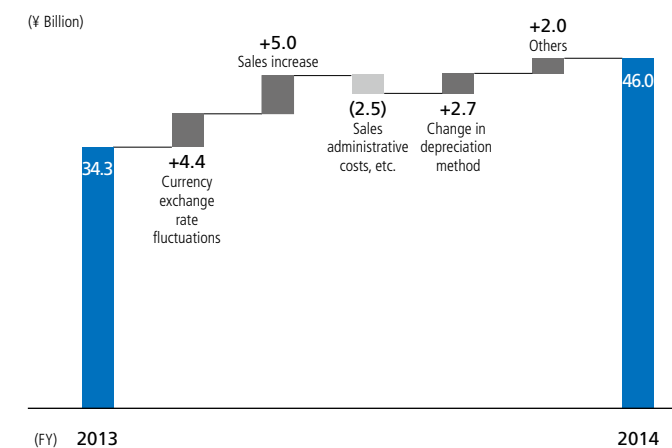
Net Sales



Cost of Sales Ratio, SG&A Expenses Ratio



Breakdown of Variation in Operating Income (Fiscal 2013–Fiscal 2014)



(6) Other Income and Expenses

Other income and expenses amounted to net expenses of ¥0.9 billion, representing an improvement of ¥0.4 billion from the previous year. Although other income amounted to ¥6.8 billion, ¥0.6 billion higher than in the previous fiscal year because of increased foreign exchange gains, other expenses rose ¥0.1 billion, still standing at ¥7.7 billion.

(7) Extraordinary Gains and Losses

Extraordinary gains and losses amounted to net losses of ¥6.4 billion, representing a deterioration of ¥4.7 billion from the previous fiscal year. Factors accounting for this were business structure improvement expenses of ¥1.9 billion and compensation expenses of ¥1.1 billion. No extraordinary gains were reported for fiscal 2014.

(8) Income Taxes (Total Income Taxes, Local Inhabitant Tax, Business Tax, and Deferred Income Taxes)

Income taxes increased ¥0.9 billion, to ¥14.4 billion. The effective tax rate was 37.15%.

(9) Minority Interests in Net Loss

Minority interests in net loss came to ¥9 million (compared with net loss of ¥84 million in the previous fiscal year).

(10) Net Income

Net income expanded ¥6.5 billion, to ¥24.3 billion. As a result, net income per share in fiscal 2014 came to ¥39.71 per share, compared with ¥29.17 per share in the previous fiscal year.

For an overview of operating results by business segment, please refer to the Review of Operations section of this report on pages 18 to 29.

3. Discussion and Analysis of Financial Condition as of Fiscal 2014 Year-End

(1) Assets, Liabilities, and Net Assets

As of March 31, 2015, total assets were ¥786.0 billion, up ¥61.8 billion from the previous year-end. Within total assets, an increase of ¥13.0 billion was reported for notes and accounts receivable, a rise of ¥9.6 billion in inventories, and an increase of ¥8.0 billion in property, plant and equipment.

Total liabilities at the end of fiscal 2014 stood at ¥420.9 billion, up ¥27.8 billion over the previous fiscal year-end. Within total liabilities, an increase of ¥16.2 billion was reported in notes and accounts payable and a rise of ¥14.2 billion in advance receipts on contracts. Interest-bearing debt decreased ¥23.8 billion from the end of the previous fiscal year. Net interest-bearing debt—the amounts of interest-bearing debt less cash and time deposits, and short-term investment—declined ¥38.4 billion to minus ¥8.8 billion.

Net assets as of the end of fiscal 2014 were ¥365.1 billion, up ¥34.0 billion from the end of the previous fiscal year. Retained earnings and foreign currency translation adjustments increased by ¥18.7 billion and ¥14.6 billion, respectively.

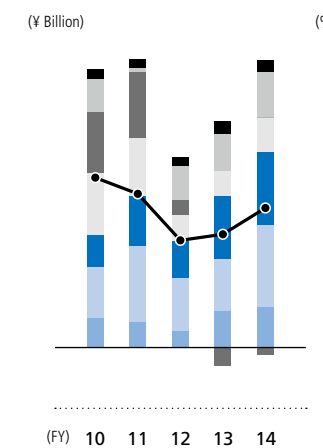
Consequently, the stockholders' equity ratio for fiscal 2014 rose 0.7 percentage point, to 45.8%.

(2) Cash Flows

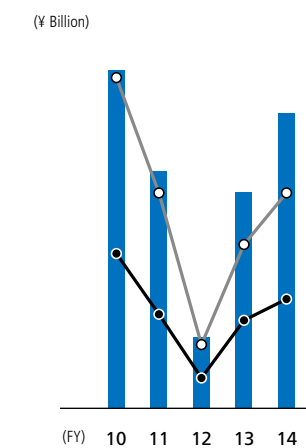
The SHI Group uses internal funds and funds procured through debt financing as working capital and fund capital spending.

Net cash provided by operating activities was ¥62.2 billion. The main sources of cash inflow were the ¥38.7 billion in income before income taxes and minority interests and ¥16.3 billion in depreciation and amortization. The main cash outflow was income taxes paid amounting to ¥16.3 billion.

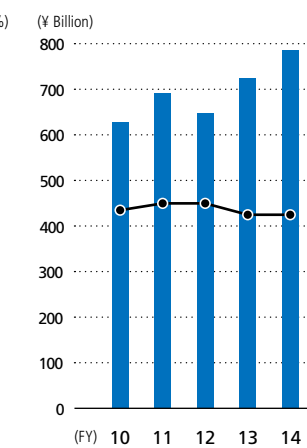
Operating Income, Operating Income Margin



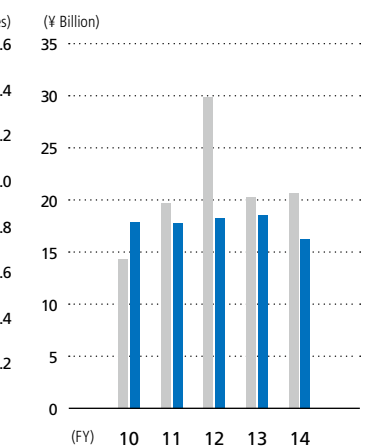
Net Income, Net Income Margin, ROE



Total Assets, Total Asset Turnover



Capital Expenditures, Depreciation and Amortization



Management's Discussion and Analysis of Financial Conditions and Operating Results

Cash flow used in investing activities was ¥14.1 billion. This was mainly due to the ¥17.3 billion used for the acquisition of property, plant and equipment and ¥1.4 billion in disbursements of loans receivable.

Net cash used in financing activities was ¥36.9 billion. This was mainly due to the repayment of long-term debt (after offsetting proceeds from long-term debt) amounting to ¥29.5 billion and ¥5.5 billion in cash dividends paid.

As a result, cash and cash equivalents as of March 31, 2015, stood at ¥90.3 billion, an increase of ¥13.9 billion from the previous fiscal year-end.

(3) Capital Expenditures and Depreciation and Amortization

In fiscal 2014, the SHI Group undertook capital expenditures for the purpose of strengthening the cost-competitiveness of its production bases.

Capital expenditures in fiscal 2014 totaled ¥20.7 billion, up ¥0.3 billion from the previous fiscal year. Depreciation and amortization amounted to ¥16.3 billion, representing a decline of ¥2.3 billion from the previous fiscal year.

Capital expenditures by segment were as follows.

a. Machinery Components

With the fortification of its global supply chain as a key priority, the Group focused mainly on strengthening the cost-competitiveness of its production bases, particularly in East Asia, Japan, and elsewhere. Capital expenditures in the Machinery Components segment in fiscal 2014 totaled ¥2.9 billion.

b. Precision Machinery

The Group placed emphasis on bolstering production capacity as well as productivity and undertook capital expenditures amounting to a total of ¥4.5 billion to enhance the cost-competitiveness of production bases in Japan and elsewhere.

c. Construction Machinery

With the primary aim of upgrading its supply chain and strengthening competitiveness of production bases in China and elsewhere, the Group undertook investments totaling ¥9.3 billion.

d. Industrial Machinery

To increase production capacity and improve productivity mainly through renewal of existing equipment and facilities, the Group made investments totaling ¥1.1 billion.

e. Ships

To increase production capacity and improve productivity in the Ships segment, the Group invested a total of ¥0.6 billion, mainly for the renewal of existing equipment and facilities.

f. Environmental Facilities and Plants

In the Environmental Facilities & Plants segment, the Group undertook capital expenditures totaling ¥1.6 billion aimed primarily at bolstering production capacity and improving productivity through renewal of existing facilities.

4. Policy on the Distribution of Profits

Regarding the distribution of profits, the SHI Group adheres to a basic policy of paying dividends commensurate with net income earned during the period while striving to increase dividend amounts. At the same time, the Group works to maintain retained earnings at a level sufficient to ensuring sustainable business growth over the long term. With due consideration given to this basic policy, the Group decided to target a dividend payout ratio of 30% under its new medium-term management plan.

For the fiscal year under review, and under the basic policy of maintaining the continuous and stable payment of dividends, the Company decided to increase its dividend from the previous fiscal year by ¥5, bringing the dividend for fiscal 2014 to ¥12 (including an interim dividend of ¥5 per share). On this basis, the payout ratio for fiscal 2014 was 30.2%.

Business Risks

Sumitomo Heavy Industries, Ltd. Annual Report 2015

Risks that could adversely affect the business performance or financial position of the SHI Group are as follows. All statements below regarding future events represent judgments made by the management of the Group as of March 31, 2015.

1. Macroeconomic Factors

Demand for capital equipment, which accounts for more than half of the Group sales, may be influenced by economic trends in both Japan and various overseas markets where the Group sells its products. Any contraction in demand triggered by a slump in the major markets for our products in Japan, the rest of Asia, North America, Europe, and other countries and regions could have an adverse impact on the business performance or financial position of the Group.

2. Exchange-Rate Fluctuations

The Group's business includes the production and marketing of products in countries all around the world. Yen translations are applied in the consolidated financial statements for transactions (involving overseas sales, expenses, assets, and liabilities) undertaken in local currencies. Due to exchange-rate effects, the Group may be adversely impacted by transaction values after yen translation even if there is no such change in local currency terms. For the fiscal year under review, the ratio of overseas sales to total sales was 53.9%. To minimize the impact of exchange-rate fluctuations on our business performance, the Group uses forward exchange contracts to hedge against risk. However, it is not possible to eliminate all risk using this method. For this reason, the Group could suffer an adverse impact on its business performance from exchange-rate fluctuations.

3. Overseas Businesses

The Group conducts its business on a global scale, with a focus on the Machinery Components, Precision Machinery, and Construction Machinery segments for markets in North America, Asia, and Europe. To meet expanding overseas demand, the Group is upgrading its marketing networks and production facilities. However, wherever we operate, markets are subject to political change and unpredictable legal and regulatory changes. Such changes could have an adverse impact on the performance of our overseas businesses.

4. Product Quality

The Group manufactures a wide range of products in line with very strict quality control standards. However, total defect elimination is impossible, and we cannot rule out having to undertake repair work under guarantee at our own expense in the event of product flaws. The Group has taken out insurance to cover product-defect liabilities, but cannot guarantee that these policies will cover the full sums of compensation that may become payable in liability settlements. Repairs performed under guarantee and product compensation payments can generate significant costs for the Group, and this can adversely

affect the business performance and financial position of the Group.

5. Impact of Impairment Accounting

Based on the Law Concerning Revaluation of Land (Ordinance No. 34, issued March 31, 1998) and the Law to Partially Modify the Law Concerning Revaluation of Land (Ordinance No. 19, March 31, 2001), the Company revalued land used by its businesses on March 31, 2002. The difference between the market and book values of the revalued land as of March 31, 2015 was ¥19.2 billion, a decline of 21%. If land values continue to fall, or conditions are such that the Group is not expected to recover the book values of its assets or asset groups, we may have to recognize impairment losses on fixed assets, which could adversely affect the business performance and financial position of the Group.

6. Individual Order Agreements

In the vast majority of cases, the SHI Group commences the manufacture of a product after concluding individual order agreements with customers. In the case of important construction and other projects where the contract amount is substantial, order deliberations are undertaken across multiple levels before the execution of an order agreement. However, cost overruns attributable to design, processing, and other issues that result from unforeseeable changes in economic conditions, any incidence of litigation, or the payment of penalties relating to a failure to meet predetermined product performance and delivery standards may result in a deterioration in earnings. In the event of an order cancellation at the request of a customer, the SHI Group could suffer an adverse impact on its business performance if it is unable to recoup related costs in full.

7. Environmental Protection Measures

Under the Group's Environmental Policy, we take a range of measures to reduce our environmental footprint, such as avoiding environmental risk factors and minimizing waste. We have taken every measure to prevent environmental pollution, but cannot rule out responsibility for instances of environmental pollution due to unforeseen events. Should the Group be responsible for an incidence of environmental pollution, significant costs could ensue, negatively affecting the business performance and financial position of the Group.

8. Natural and Other Disasters

The Group has in place inspection, training, and communications mechanisms for minimizing the occurrence and fallout from such disasters as fires, earthquakes, typhoons, and other wind and flood damage. However, the Group's business activities could be adversely affected if such disasters cause material damage to our operations or injury to our staff. We cannot guarantee that casualty insurance would be sufficient to cover all damages from such events.

Consolidated Balance Sheets

Sumitomo Heavy Industries, Ltd. Annual Report 2015

March 31, 2015 and 2014

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Current assets:			
Cash and time deposits (Notes 2, 4 and 11)	¥ 57,423	¥ 67,826	\$ 478,521
Trade receivables (Note 11):			
Notes receivable	19,444	12,724	162,034
Accounts receivable	175,472	169,237	1,462,265
Allowance for doubtful accounts	(1,202)	(1,217)	(10,018)
Short-term investment (Notes 11 and 12)	35,000	10,000	291,667
Inventories:			
Finished products	67,920	63,819	566,002
Work in process	54,762	49,144	456,346
Raw materials and supplies	31,154	31,286	259,614
Deferred tax assets (Note 5)	17,176	13,201	143,133
Other current assets (Note 13)	34,851	18,934	290,435
Total current assets	492,000	434,954	4,099,999
Property, plant and equipment:			
Land (Note 4)	108,749	109,265	906,243
Buildings and structure (Note 4)	130,291	125,920	1,085,755
Machinery and equipment	155,703	143,501	1,297,527
Construction in progress	3,288	2,884	27,402
Other tangible fixed assets	41,143	36,486	342,857
	439,174	418,056	3,659,784
Accumulated depreciation	(210,872)	(197,772)	(1,757,268)
Net property, plant and equipment	228,302	220,284	1,902,516
Intangible assets	9,333	8,648	77,778
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliated companies	12,220	10,918	101,832
Investment securities (Notes 11 and 12)	17,289	15,827	144,073
Long-term loans receivable (Note 11)	8,340	13,786	69,498
Deferred tax assets (Note 5)	9,607	10,118	80,054
Other assets	11,120	11,133	92,673
Allowance for doubtful accounts	(2,184)	(1,486)	(18,199)
Total investments and other assets	56,392	60,296	469,931
Total assets (Note 9)	¥786,027	¥724,182	\$6,550,224

LIABILITIES AND NET ASSETS

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Current liabilities:			
Short-term bank loans (Notes 4 and 11)	¥ 42,110	¥ 52,817	\$ 350,915
Long-term debts due within one year (Notes 4 and 11)	15,201	26,855	126,677
Trade payables (Note 11):			
Notes payable	27,549	25,623	229,574
Accounts payable	112,888	98,588	940,730
Advance receipt on contracts	44,698	30,493	372,484
Income taxes payable	8,590	6,903	71,583
Allowance for warranty	7,985	6,780	66,541
Allowance for losses on construction contracts	1,518	1,691	12,648
Allowance for losses on business	3,542	1,936	29,513
Allowance for losses on business transfer	742	—	6,183
Allowance for compensation for damages	565	—	4,708
Other current liabilities (Notes 4, 5 and 13)	47,383	37,444	394,871
Total current liabilities	312,771	289,130	2,606,427
Long-term liabilities:			
Long-term debts (Notes 4 and 11)	26,333	27,761	219,438
Allowance for losses on product liabilities	42	36	352
Allowance for losses on business transfer	161	461	1,344
Liability for retirement benefits (Note 14)	46,162	40,037	384,687
Deferred tax liabilities on revaluation difference on land	22,293	24,608	185,779
Other long-term liabilities (Notes 4 and 5)	13,164	11,090	109,693
Total long-term liabilities	108,155	103,993	901,293
Contingent liabilities (Note 7)			
Net assets (Note 6):			
Stockholders' equity:			
Common stock:	30,872	30,872	257,264
Number of shares authorized: 1,800,000 thousand shares			
Number of shares issued:			
614,527 thousand shares in 2015			
614,527 thousand shares in 2014			
Capital surplus	23,789	23,789	198,241
Retained earnings	239,815	221,101	1,998,454
Treasury stock at cost: 1,496 thousand shares in 2015			
1,248 thousand shares in 2014	(764)	(632)	(6,363)
Total stockholders' equity	293,712	275,130	2,447,596
Accumulated other comprehensive income:			
Unrealized gains on securities, net of income taxes	5,437	3,753	45,306
Unrealized losses on hedging derivatives, net of income taxes	(2,229)	(379)	(18,577)
Revaluation difference on land	40,475	38,272	337,297
Foreign currency translation adjustments	26,641	11,993	222,011
Accumulated adjustments for retirement benefits, net of income taxes (Note 14)	(3,957)	(2,336)	(32,979)
Total accumulated other comprehensive income	66,367	51,303	553,058
Minority interests	5,022	4,626	41,850
Total net assets	365,101	331,059	3,042,504
Total liabilities and net assets	¥786,027	¥724,182	\$6,550,224

See accompanying notes.

Consolidated Statements of Income

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales (Note 9)	¥667,099	¥615,271	\$5,559,156
Costs and expenses:			
Cost of sales	516,735	483,105	4,306,123
Selling, general and administrative expenses	104,366	97,837	869,718
Total	621,101	580,942	5,175,841
Operating income (Note 9)	45,998	34,329	383,315
Other income (expenses):			
Interest and dividend income	1,459	1,350	12,158
Interest expense	(2,148)	(2,637)	(17,897)
Equity in earnings of affiliated companies	1,549	1,201	12,910
Foreign exchange gain, net	1,807	998	15,059
Impairment losses on fixed assets (Note 3)	(3,463)	(1,690)	(28,857)
Loss on business restructuring	(1,852)	—	(15,434)
Loss on compensation for damages	(1,071)	—	(8,928)
Other—net	(3,552)	(2,242)	(29,602)
Income before income taxes and minority interests	38,727	31,309	322,724
Income taxes (Note 5):			
Current	16,623	12,976	138,521
Deferred	(2,235)	526	(18,626)
Total	14,388	13,502	119,895
Income before minority interests	24,339	17,807	202,829
Minority interests in net income	9	84	72
Net income	¥ 24,348	¥ 17,891	\$ 202,901

	Yen		U.S. dollars (Note 1)
	2015	2014	2015
Amounts per share of common stock:			
Net income	¥39.71	¥29.17	\$0.33
Diluted net income	—	—	—
Cash dividends applicable to the year (Note 15)	12.00	7.00	0.10

See accompanying notes.

Consolidated Statements of Comprehensive Income

Sumitomo Heavy Industries, Ltd. Annual Report 2015

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income before minority interests	¥24,339	¥17,807	\$202,829
Other comprehensive income:			
Unrealized gains on securities, net of income taxes	1,682	1,049	14,021
Unrealized gains (losses) on hedging derivatives, net of income taxes	(1,886)	168	(15,720)
Revaluation difference on land	2,275	—	18,957
Foreign currency translation adjustments	15,096	22,303	125,795
Adjustments for retirement benefits, net of income taxes	(1,628)	—	(13,566)
Adjustment on pension obligations of consolidated foreign subsidiaries	—	858	—
Share of other comprehensive income of affiliates accounted for using equity method	44	25	364
Total other comprehensive income (Note 8)	15,583	24,403	129,851
Comprehensive income	¥39,922	¥42,210	\$332,680
Comprehensive income attributable to:			
Owners of the parent	¥39,484	¥41,442	\$329,027
Minority interests	438	768	3,653

See accompanying notes.

Overview of Operating Highlights	Directors and Corporate Auditors	Message from President Betsukawa	Special Feature	Review of Operations	Social Contribution through Business Activities	Research and Development	Corporate Governance	Environmental Initiatives	Financial Section	Corporate Data
----------------------------------	----------------------------------	----------------------------------	-----------------	----------------------	---	--------------------------	----------------------	---------------------------	--------------------------	----------------

Consolidated Statements of Changes in Net Assets

Sumitomo Heavy Industries, Ltd. Annual Report 2015

Years ended March 31, 2015 and 2014

	Stockholders' equity						Accumulated other comprehensive income								
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Sub-total	Unrealized gains on securities, net of income taxes	Unrealized gains (losses) on hedging derivatives, net of income taxes	Revaluation difference on land	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits, net of income taxes	Adjustment on pension obligations of consolidated foreign subsidiaries	Sub-total	Minority interests	Total
Net assets at April 1, 2013	614,527	¥30,872	¥23,789	¥207,580	¥(455)	¥261,786	¥2,694	¥(562)	¥38,197	¥(9,458)	¥—	¥(3,808)	¥27,063	¥3,977	¥292,826
Dividends				(4,295)		(4,295)									(4,295)
Net income				17,891		17,891									17,891
Acquisition of treasury stock					(181)	(181)									(181)
Disposal of treasury stock				0	4	4									4
Increase due to transfer of revaluation difference on land				(75)		(75)									(75)
Changes in items other than stockholders' equity in the period (net)							1,059	183	75	21,451	(2,336)	3,808	24,240	649	24,889
Total changes in the period	—	—	—	13,521	(177)	13,344	1,059	183	75	21,451	(2,336)	3,808	24,240	649	38,233
Net assets at March 31, 2014	614,527	¥30,872	¥23,789	¥221,101	¥(632)	¥275,130	¥3,753	¥(379)	¥38,272	¥11,993	¥(2,336)	¥—	¥51,303	¥4,626	¥331,059

	Stockholders' equity						Accumulated other comprehensive income								
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Sub-total	Unrealized gains on securities, net of income taxes	Unrealized gains (losses) on hedging derivatives, net of income taxes	Revaluation difference on land	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits, net of income taxes	Adjustment on pension obligations of consolidated foreign subsidiaries	Sub-total	Minority interests	Total
Net assets at April 1, 2014	614,527	¥30,872	¥23,789	¥221,101	¥(632)	¥275,130	¥3,753	¥(379)	¥38,272	¥11,993	¥(2,336)	¥—	¥51,303	¥4,626	¥331,059
Cumulative effects of changes in accounting policies				(1,475)		(1,475)									(1,475)
Restated balance		30,872	23,789	219,626	(632)	273,655	3,753	(379)	38,272	11,993	(2,336)	—	51,303	4,626	329,584
Dividends				(5,519)		(5,519)									(5,519)
Net income				24,348		24,348									24,348
Acquisition of treasury stock					(135)	(135)									(135)
Disposal of treasury stock				0	3	3									3
Increase due to transfer of revaluation difference on land				72		72									72
Increase of consolidated subsidiaries with change in scope of consolidation				1,288		1,288									1,288
Changes in items other than stockholders' equity in the period (net)							1,684	(1,850)	2,203	14,648	(1,621)	—	15,064	396	15,460
Total changes in the period	—	—	—	20,189	(132)	20,057	1,684	(1,850)	2,203	14,648	(1,621)	—	15,064	396	35,517
Net assets at March 31, 2015	614,527	¥30,872	¥23,789	¥239,815	¥(764)	¥293,712	¥5,437	¥(2,229)	¥40,475	¥26,641	¥(3,957)	¥—	¥66,367	¥5,022	¥365,101

	Stockholders' equity						Accumulated other comprehensive income								
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Sub-total	Unrealized gains on securities, net of income taxes	Unrealized gains (losses) on hedging derivatives, net of income taxes	Revaluation difference on land	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits, net of income taxes	Adjustment on pension obligations of consolidated foreign subsidiaries	Sub-total	Minority interests	Total
Net assets at April 1, 2014	614,527	\$257,264	\$198,241	\$1,842,506	\$(5,263)	\$2,292,748	\$31,279	\$(3,159)	\$318,937	\$99,941	\$(19,468)	\$—	\$427,530	\$38,548	\$2,758,826
Cumulative effects of changes in accounting policies				(12,291)		(12,291)									(12,291)
Restated balance		257,264	198,241	1,830,215	(5,263)	2,280,457	31,279	(3,159)	318,937	99,941	(19,468)	—	427,530	38,548	2,746,535
Dividends				(45,988)		(45,988)									(45,988)
Net income				202,901		202,901									202,901
Acquisition of treasury stock					(1,124)	(1,124)									(1,124)
Disposal of treasury stock				1	24	25									25
Increase due to transfer of revaluation difference on land				597		597									597
Increase of consolidated subsidiaries with change in scope of consolidation				10,728		10,728									10,728
Changes in items other than stockholders' equity in the period (net)							14,027	(15,418)	18,360	122,070	(13,511)	—	125,528	3,302	128,830
Total changes in the period	—	—	—	168,239	(1,100)	167,139	14,027	(15,418)	18,360	122,070	(13,511)	—	125,528	3,302	295,969
Net assets at March 31, 2015	614,527	\$257,264	\$198,241	\$1,998,454	\$(6,363)	\$2,447,596	\$45,306	\$(18,577)	\$337,297	\$222,011	\$(32,979)	\$—	\$553,058	\$41,850	\$3,042,504

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Heavy Industries, Ltd. Annual Report 2015

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥38,727	¥31,309	\$322,724
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	16,281	18,617	135,672
Impairment losses on fixed assets	3,463	1,690	28,857
Loss on business restructuring	1,852	—	15,434
Loss on compensation for damages	1,071	—	8,928
Interest and dividend income	(1,459)	(1,350)	(12,158)
Interest expense	2,148	2,637	17,897
Increase in allowances	3,075	2,638	25,629
Changes in operating assets and liabilities:			
Decrease in notes and accounts receivable	6,458	6,091	53,816
(Increase) Decrease in inventories	(4,526)	10,177	(37,715)
Increase in notes and accounts payable	9,750	2,306	81,253
Other—net	1,984	414	16,535
Sub-total	78,825	74,529	656,872
Interest and dividend received	1,791	1,398	14,922
Interest paid	(2,121)	(2,595)	(17,678)
Income taxes paid	(16,325)	(9,671)	(136,035)
Net cash provided by operating activities	¥62,170	¥63,661	\$518,081

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows from investing activities:			
Acquisition of property, plant and equipment	¥(17,349)	¥(19,050)	\$(144,573)
Proceeds from sale of property, plant and equipment	1,420	1,407	11,830
Proceeds from sale of securities	841	1,747	7,005
Net decrease in short-term loans receivable	1,297	1,385	10,806
Payments of long-term loans receivable	(1,388)	(12,624)	(11,569)
Collection of long-term loans receivable	1,779	14	14,823
Other—net	(712)	(501)	(5,919)
Net cash used in investing activities	(14,112)	(27,622)	(117,597)
Cash flows from financing activities:			
Net decrease in short-term bank loans	(15,432)	(5,736)	(128,599)
Net decrease in commercial paper	—	(10,000)	—
Proceeds from long-term debts	4,771	15,032	39,759
Repayments of long-term debts	(18,859)	(2,236)	(157,161)
Proceeds from issuance of bonds	10,000	—	83,333
Redemption of bonds	(10,000)	—	(83,333)
Cash dividends paid	(5,533)	(4,307)	(46,112)
Cash dividends paid to minority stockholders	(42)	(260)	(351)
Other—net	(1,794)	(1,991)	(14,947)
Net cash used in financing activities	(36,889)	(9,498)	(307,411)
Effect of exchange rate changes on cash and cash equivalents	2,812	3,401	23,430
Net increase in cash and cash equivalents	13,980	29,942	116,503
Cash and cash equivalents at beginning of year	76,418	46,476	636,816
Increase in cash and cash equivalents from newly consolidated subsidiaries	46	—	382
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(120)	—	(1,004)
Cash and cash equivalents at end of year (Note 2)	¥ 90,324	¥ 76,418	\$ 752,697

See accompanying notes.

Notes to Consolidated Financial Statements

Sumitomo Heavy Industries, Ltd. Annual Report 2015

1. Significant accounting
policies**Basis of presenting consolidated financial statements**

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of foreign consolidated subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified five items as applicable.

The accompanying consolidated financial statements for Sumitomo Heavy Industries, Ltd. ("SHI") and subsidiaries (collectively, "the Company") have been reformatted and translated into English (with certain expanded descriptions) from the ones prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2015, which was ¥120 to U.S. \$1. The convenience translations should not be construed as representations of what the Japanese yen amounts have been, could have been, or could in the future be when converted into U.S. dollars at this or any other rate of exchange.

Principles of consolidation

The consolidated financial statements include the accounts of SHI and its significant subsidiaries. All significant inter-company balances and transactions are eliminated in consolidation. Investments in significant affiliated companies are accounted for using the equity method of accounting.

Marketable and investment securities

Held-to-maturity debt securities are stated at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Available-for-sale securities with fair values are stated at fair value. Unrealized holding gains and losses, net of applicable income taxes, on available-for-sale securities are excluded from earnings and reported as a separate component of accumulated other comprehensive income until realized. Realized gains and losses from the sale of such securities are computed using the moving-average method. Investment securities in unconsolidated subsidiaries and affiliated companies that are not subject to the equity method of accounting are stated at cost based on the moving-average method. Unlisted available-for-sale securities are stated at cost based on the moving-average method.

Inventories

Finished products, raw materials and supplies are stated at the lower of cost (determined primarily by the weighted average method) or market. Work-in-process is stated at the lower of cost (determined primarily by specific identification method) or market.

Property, plant and equipment**(A) Tangible fixed assets (excluding lease assets)**

Tangible assets are stated at cost and depreciated by the straight-line method.

The estimated useful lives of tangible assets are as follows:

- Buildings and structure 10 to 50 years
- Machinery and equipment 5 to 12 years

(B) Lease assets

Property and equipment held under finance lease arrangements, which are not subject to the ownership transfer from a lessor to a lessee, are depreciated on a straight-line basis over the lease term except for certain immaterial arrangements or ones commenced prior to March 31, 2008, which are accounted for as operating leases.

Intangible assets

Costs of software obtained for internal use are amortized using the straight-line method over the estimated useful lives (5 years).

Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts for estimated losses inherent in its receivable portfolio. The required allowance is determined based on historical losses for general accounts receivables. For accounts receivable considered at risk (bankruptcy, companies under a reorganization plan), the required allowance is determined based on certain specific factors such as current market conditions, customers' financial condition, the amount of receivables in dispute, current receivables aging, and current payment patterns on an individual basis.

Allowance for warranty

Allowance for warranty is provided for the estimated future warranty costs associated with repair work after delivery of products. These estimates are derived from historical data and trends of product reliability, and costs of repairing and replacing defective products.

Allowance for losses on construction contracts

Allowance for losses on construction contracts is provided when the current estimates of total contract revenue and contract cost indicate substantial losses, and such losses are reasonably estimated.

Allowance for losses on business

Allowance for losses on business is provided for the estimated future expenses that are expected to be incurred associated with maintenance of the transaction agreement between an affiliated company and its sales agents.

Allowance for losses on business transfer

Allowance for losses on business transfer is provided for the estimated future expenses due to the transfer of resort development business.

Allowance for compensation for damages

Allowance for compensation for damages is provided for the estimated future expenses that are expected to be incurred associated with fulfillment of compensation for damages.

Allowance for losses on product liabilities

Allowance for losses on product liabilities is provided at an estimated amount of product liabilities to be incurred in relation to crane business of foreign subsidiaries.

Retirement benefits

In calculating the retirement benefit obligation, a benefit formula basis is used to attribute the expected benefit attributable to the respective fiscal years.

Prior service costs are amortized using the straight-line method over a period within the average remaining service life of active employees.

The actuarial difference is amortized using the straight-line method over a period within the average remaining service life of active employees commencing from the following year of the incurrence.

Derivatives and hedge accounting

The Company recognizes all derivative instruments as either assets or liabilities in the consolidated balance sheet at their respective fair values, and changes in the fair values are recognized as gains or losses. For derivatives designated in hedging relationships, the related gains or losses are deferred until the hedged items affect earnings.

For forward foreign exchange contracts that meet certain hedging criteria, they are accounted for as follows:

When a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

1. The difference, between the yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the carrying value of the receivable or payable is recognized in the consolidated statement of income in the period which includes the inception date, and
2. The discount or premium on the contract (that is, the difference between the yen amount of the contract using the contracted forward rate and the amount using the spot rate at the inception date of the contract) is recognized over the term of the contract.

When forward foreign exchange contracts are executed to hedge a future transaction in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses will be recognized.

For interest rate swap contracts that meet certain hedging criteria, the net amount to be paid or received is added to or deducted from the interest on the liabilities for which the swap contracts were executed.

For currency option contracts that are executed to hedge future transactions in foreign currencies, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the currency option contracts are recognized.

Revenue recognition on construction contracts

The percentage-of-completion method is applied to construction contracts when the outcome of individual contracts is reliably estimated. The completed-contract method is applied to the other construction contracts.

Amortization of goodwill

Goodwill is amortized using the straight-line method over 5 years. In case of the insignificant amount, it is amortized in full at the time of the incurrence.

Revaluation difference on land

The Company revaluated land held for business use as of March 31, 2002 in accordance with Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land effective March 31, 1998.

The current market value of the land as of March 31, 2015 has declined by ¥19,225 million (\$160,212 thousand) as compared to the carrying value.

Research and development costs

Research and development costs are expensed when incurred. Research and development costs included in manufacturing cost and selling, general and administrative expenses were ¥11,475 million (\$95,621 thousand) and ¥10,718 million for the years ended March 31, 2015 and 2014, respectively.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss and tax credit carryforwards. Deferred

tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

SHI files a Japanese consolidated tax return with certain domestic consolidated subsidiaries.

Foreign currency translation and transactions

All asset and liability accounts of foreign subsidiaries and affiliated companies are translated into yen at the applicable balance sheet date exchange rates of each foreign subsidiary, except for common stock, capital surplus and retained earnings, which are translated at historical rates. Revenues, costs, and expenses are translated into yen at average exchange rates for the year.

Transactions in foreign currencies are translated at the exchange rate in effect at the time of the transaction. Any assets and liabilities denominated in foreign currencies are translated into yen using the year-end exchange rate. Gains and losses resulting from transactions in foreign currencies are included in the consolidated statements of income.

Amounts per share

The computation of net income per share of common stock is based on a weighted-average number of shares of common stock outstanding during each fiscal year.

The diluted net income per share is not presented as the Company does not have any outstanding convertible bonds or bonds with share subscription rights.

Cash dividends per share have been presented on an accrual basis and include the year-end cash dividend resolved at the shareholders' meeting held after the end of the fiscal year, but applicable to the year-end.

Reclassifications

Certain amounts in the consolidated financial statements for the year ended March 31, 2014 have been reclassified to conform to the 2015 presentation.

Change in accounting policies**The Implementation of Accounting Standards for Retirement Benefits**

SHI and its consolidated domestic subsidiaries adopted article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015 (hereinafter, "Guidance No. 25")) from the current fiscal year, and have changed the determination of retirement benefit obligations and current service costs. With regard to the change, SHI and its consolidated domestic subsidiaries have changed the method of attributing expected benefit to periods from the straight-line method to the benefit formula basis. In addition, the method to determine the discount rate has been changed to the one that utilizes a single weighted average discount rate that reflects the projected payment period for retirement benefits and the amount for each payment period.

In accordance with article 37 of Statement No. 26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

As a result of the application, the liability for retirement benefits increased by ¥1,861 million (\$15,508 thousand) and retained earnings decreased by ¥1,475 million (\$12,291 thousand) at the beginning of the current fiscal year. Meanwhile, the impact of this change to operating income, and income before taxes and minority interests for the current consolidated fiscal year is minimal.

Changes in the accounting policy which is not distinguishable from a change in an accounting estimate

Historically, SHI and its consolidated domestic subsidiaries depreciated their property, plant and equipment primarily using the declining-balance method except for buildings acquired after April 1, 1998 that were depreciated using the straight-line method. However, from the current fiscal year, the depreciation method was changed to the straight-line method.

Based on the medium-term management plan which begins in the current fiscal year, the Company is planning to distribute more resources to overseas locations in response to the anticipated growth of overseas markets, and for domestic locations, invest in areas to ensure the sustainable and stable production. For these factors, SHI and its consolidated domestic subsidiaries reconsidered the depreciation method and determined that the straight-line method is more appropriate as it better reflects the pattern of operation of those assets and makes the better cost allocation due to the anticipated future stable operation at their domestic production facilities.

As a result of this change, operating income, and income before income taxes and minority interests for the current consolidated fiscal year under review has increased by ¥2,651 million (\$22,092 thousand) as compared to using the previous calculation methodology.

Impending application of newly issued accounting standards, etc.

Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013), Revised Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, September 13, 2013), Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013), Revised Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 13, 2013)

(1) Summary

The above standards and guidance have been revised primarily to account for:

- How the changes of the shares in subsidiaries, over which SHI continues to control, should be treated by SHI when additional stock of a subsidiary is acquired.
- Treatment of acquisition related costs
- Presentation of current net income and the change of stockholder's equity from minority interests to non-controlling interests
- Provisional application of accounting treatments

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2016.

Provisional application of the accounting standards is scheduled to begin for business combinations effective after the beginning of the fiscal year ending March 31, 2016.

(3) Effects of the application of the standards

SHI and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

2. Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less. Those are readily convertible to known amounts of cash and have negligible risk of changes in value.

Cash and cash equivalents as of March 31, 2015 and 2014 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and time deposits	¥57,423	¥67,826	\$478,521
Time deposits with maturities over three months	(2,064)	(1,248)	(17,201)
Restricted deposits	(35)	(160)	(290)
Securities (cash equivalents)	35,000	10,000	291,667
Cash and cash equivalents	¥90,324	¥76,418	\$752,697

3. Impairment losses on fixed assets

(A) The Company recognized the following impairment losses in the year ended March 31, 2015.

Use	Type of assets	Location	Millions of yen	Thousands of U.S. dollars
			2015	2015
Business assets	Buildings, etc.	Brazil, etc.	¥3,158	\$26,314
Idle	Buildings, etc.	Yokosuka, Kanagawa Pref., etc.	305	2,543
Total			¥3,463	\$28,857

Reason for recognition of impairment losses

Due to decline of profitability, an impairment analysis was required. As a result of the cash flow analysis, it was determined that the carrying values of the related fixed assets were not recoverable, resulting in the impairment for the year ended March 31, 2015.

Grouping of assets

Each division is considered an asset group since the asset group is the lowest level at which cash flows can be identified that are largely independent of the cash flows of other asset groups. A temporarily idle asset is also considered an asset group.

Measurement of recoverable amount

The recoverable amount of business assets is measured mainly based on the value in use of the assets which is calculated by discounting the future cash flows at the rate of 13%. Meanwhile, the recoverable amount of idle assets is measured based on the net selling value less costs to sell.

(B) The Company recognized the following impairment losses in the year ended March 31, 2014.

Use	Type of assets	Location	Millions of yen
			2014
Business assets, etc.	Buildings, etc.	Nishitokyo, Tokyo Metropolis, etc.	¥1,210
Idle, etc.	Buildings, etc.	Yokosuka, Kanagawa Pref., etc.	480
Total			¥1,690

Notes to Consolidated Financial Statements

Sumitomo Heavy Industries, Ltd. Annual Report 2015

Reason for recognition of impairment losses

Due to the significant adverse change in the business environment, an impairment analysis was required. As a result of the cash flow analysis, it was determined that the carrying values of the related fixed assets were not recoverable, resulting in the impairment for the year ended March 31, 2014.

Grouping of assets

Each division is considered an asset group since the asset group is the lowest level at which cash flows can be identified that are largely independent of the cash flows of other asset groups. A temporarily idle asset is also considered an asset group.

Measurement of recoverable amount

The recoverable amount is generally measured based on a net selling price of each asset, which is calculated by deducting the related selling expenses from the selling price.

4. Bank loans, commercial paper, lease obligations and long-term debts

Bank loans as of March 31, 2015 and 2014 consist of short-term loans, bearing average interest at 3.19% and 3.11% per annum, respectively.

There was no balance of the commercial paper as of March 31, 2015 and 2014.

The amounts of lease obligation under finance leases include the imputed interest expense portion.

Long-term debts and lease obligations as of March 31, 2015 and 2014 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
0.3% domestic bonds due in October 2019	¥10,000	¥ —	\$ 83,333
0.9% domestic bonds due in December 2014	—	10,000	—
Loans principally from banks and insurance companies due serially through October 2018 with interest ranging from 0.47% to 6.15% in FY2014			
Secured	77	206	641
Unsecured	31,457	44,410	262,140
Lease obligations	7,214	5,796	60,122
	¥48,748	¥60,412	\$406,236
Amount due within one year	17,213	28,206	143,441
Amount due after one year	31,535	32,206	262,795

Long-term debts and lease obligations are due as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
	2015	2015
2016	¥17,213	\$143,441
2017	9,434	78,613
2018	4,586	38,215
2019	6,972	58,096
2020	10,446	87,066
2021 and thereafter	97	805
Total	¥48,748	\$406,236

As of March 31, 2015 and 2014, assets pledged as collateral for long-term loans from banks and contingent liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and time deposits	¥ 35	¥ 160	\$ 290
Buildings and structure	1,002	1,036	8,350
Land	167	166	1,395
Total	¥1,204	¥1,362	\$10,035

The Company has agreements for revolving lines of credit with twelve banks to efficiently raise working capital.

As of March 31, 2015 and 2014, unused revolving lines of credit are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Limit of revolving lines of credit	¥36,000	¥52,461	\$300,000
Used	—	1,469	—
Unused	¥36,000	¥50,992	\$300,000

5. Income taxes

SHI and its consolidated domestic companies are subject to corporate, inhabitants' and enterprise taxes, which, in the aggregate show a statutory tax rate in Japan of approximately 35% and 38% for the years ended March 31, 2015 and 2014, respectively.

The following table summarizes the tax rate reconciliation from the statutory tax rate to the effective tax rate for consolidated financial statement purposes for the years ended March 31, 2014 and 2015.

(Note: The tax rate reconciliation for the year ended March 31, 2015 is not disclosed as the difference between the statutory tax rate and the effective tax rate is less than 5% of the statutory tax rate.)

	2015	2014
Statutory tax rate	—	38.01%
Non-deductible expenses for tax purpose such as meals and entertainment, etc.	—	1.07
Per capita inhabitant tax	—	0.56
Non-taxable income such as dividend income	—	(0.92)
Tax credit	—	(2.40)
Valuation allowance	—	1.49
Equity in earnings of affiliates	—	(1.46)
Undistributed earnings in consolidated overseas subsidiaries	—	2.25
Different tax rates applied to consolidated overseas subsidiaries	—	2.81
Income taxes for prior periods	—	1.21
Others	—	0.51
Effective tax rate	—	43.13%

Notes to Consolidated Financial Statements

Sumitomo Heavy Industries, Ltd. Annual Report 2015

Main components of deferred tax assets and liabilities as of March 31, 2015 and 2014 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Accrued bonuses	¥ 2,992	¥ 3,104	\$ 24,935
Allowance for doubtful accounts	1,706	1,179	14,214
Allowance for warranty	2,399	2,214	19,990
Liability for retirement benefits	16,414	15,261	136,782
Unrealized profit on inventories	2,073	1,547	17,275
Devaluation of marketable securities and investments into affiliated companies	1,625	973	13,545
Depreciation	1,066	845	8,884
Net operating loss carryforward	2,710	3,373	22,583
Loss on valuation of inventories	4,776	5,407	39,803
Impairment losses on fixed assets	2,823	3,425	23,526
Unrealized gains or losses on hedging derivatives	706	138	5,885
Others	7,393	8,239	61,607
Total deferred tax assets	46,683	45,705	389,029
Less—valuation allowance	(8,646)	(13,004)	(72,058)
Deferred tax assets—net	¥ 38,037	¥ 32,701	\$ 316,971
Deferred tax liabilities:			
Tax depreciation reserve	(43)	(81)	(361)
Difference on revaluation of assets and liabilities of subsidiaries	(3,002)	(3,313)	(25,016)
Accelerated depreciation	(3,594)	(2,610)	(29,953)
Undistributed earnings in consolidated overseas subsidiaries	(3,703)	(3,070)	(30,862)
Net unrealized holding gains on securities	(1,925)	(1,377)	(16,040)
Others	(666)	(589)	(5,541)
Deferred tax liabilities	¥(12,933)	¥(11,040)	\$(107,773)
Net deferred tax assets	¥ 25,104	¥ 21,661	\$ 209,198

(Revision of statutory tax rate)

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.6% for the fiscal year ended March 31, 2015 to 33.1% and 32.3%, respectively, as of March 31, 2015.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥988 million (\$8,233 thousand) as of March 31, 2015, and deferred income tax expense recognized for the fiscal year ended March 31, 2015 increased by ¥1,239 million (\$10,325 thousand).

6. Net assets

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law ("the Law"), in case where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or a legal earnings reserve. A legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, generally the legal earnings reserve and additional paid-in-capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting.

Under the Law, all additional paid-in-capital and all legal earnings reserves may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount allowed to be distributed as dividend is determined based on the entity's non-consolidated financial statements in accordance with the Japanese laws and regulations.

At the general shareholders' meeting held on June 26, 2015, the shareholders resolved a cash dividend amounting to ¥4,291 million (\$35,760 thousand). Such appropriations have not been accrued in the accompanying consolidated financial statements as of March 31, 2015 and will be recorded in the period in which they are resolved.

7. Contingent liabilities

SHI and certain consolidated domestic subsidiaries are contingently liable as endorsers of trade notes receivable discounted with banks in the amounts of ¥2,772 million (\$23,099 thousand) and ¥4,895 million as of March 31, 2015 and 2014, respectively. In addition, SHI and certain consolidated subsidiaries are contingently liable as guarantors for bank loans or other borrowings obtained by unconsolidated subsidiaries, affiliated companies and employees in the amounts of ¥26,841 million (\$223,678 thousand) and ¥34,033 million as of March 31, 2015 and 2014, respectively.

Notes to Consolidated Financial Statements

Sumitomo Heavy Industries, Ltd. Annual Report 2015

8. Statement of comprehensive income

Amounts reclassified to net income in the current fiscal period that were recognized in other comprehensive income in the current or previous period and related tax effects for each component of other comprehensive income in the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrealized gains on securities, net of income taxes			
Increase (decrease) during the year	¥ 2,292	¥ 2,039	\$ 19,107
Reclassification adjustments	(80)	(457)	(671)
Sub-total, before tax	2,212	1,582	18,436
Tax (expense) or benefit	(530)	(533)	(4,415)
Sub-total, net of tax	1,682	1,049	14,021
Unrealized gains (losses) on hedging derivatives, net of income taxes			
Increase (decrease) during the year	(2,968)	(1,494)	(24,737)
Reclassification adjustments	515	1,769	4,295
Sub-total, before tax	(2,453)	275	(20,442)
Tax (expense) or benefit	567	(107)	4,722
Sub-total, net of tax	(1,886)	168	(15,720)
Revaluation difference on land			
Tax (expense) or benefit	2,275	—	18,957
Foreign currency translation adjustments			
Increase (decrease) during the year	15,096	22,303	125,795
Adjustments for retirement benefits			
Increase (decrease) during the year	(2,846)	—	(23,723)
Reclassification adjustments	(197)	—	(1,639)
Sub-total, before tax	(3,043)	—	(25,362)
Tax (expense) or benefit	1,415	—	11,796
Sub-total, net of tax	(1,628)	—	(13,566)
Adjustment on pension obligations of consolidated foreign subsidiaries			
Increase (decrease) during the year	—	797	—
Reclassification adjustments	—	497	—
Sub-total, before tax	—	1,294	—
Tax (expense) or benefit	—	(436)	—
Sub-total, net of tax	—	858	—
Share of other comprehensive income of affiliates accounted for using equity method			
Increase (decrease) during the year	47	20	392
Reclassification adjustments	(3)	5	(28)
Sub-total, net of tax	44	25	364
Total other comprehensive income	¥15,583	¥24,403	\$129,851

9. Segment information**(A) Segment information**

The Company's major operations comprise (1) the machinery components segment, (2) the precision machinery segment, (3) the construction machinery segment, (4) the industrial machinery segment, (5) the ships segment, and (6) the environmental facilities and plants segment. The method of the accounting of the reportable operating segments is generally the same as explained in the Note 1. "Significant accounting policies". Inter-segment sales are based on the current market price.

In the fiscal year ended March 31, 2015, SHI has changed the method of allocation of research and development costs, etc. for the purpose of measuring performance of each operating segment more effectively. Due to this change, profits or losses in the segment information reported in the fiscal year ended March 31, 2014 has been revised based on the new calculation method.

A summary of net sales, profits or losses, assets and other items by operating segments for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen									
	Reportable segment						Total	Other	Adjustment	Consolidated
	Machinery components	Precision machinery	Construction machinery	Industrial machinery	Ships	Environmental facilities and plants				
2015										
Net sales:										
Outside customers	¥102,624	¥146,424	¥202,002	¥75,817	¥26,085	¥105,539	¥658,491	¥ 8,608	¥ —	¥667,099
Inter-segment	2,059	1,497	17	1,019	103	614	5,309	3,073	(8,382)	—
Total	104,683	147,921	202,019	76,836	26,188	106,153	663,800	11,681	(8,382)	667,099
Segment income (loss)	¥ 6,635	¥ 13,528	¥ 11,949	¥ 5,758	¥ (1,249)	¥ 7,537	¥ 44,158	¥ 1,874	¥ (34)	¥ 45,998
Segment assets	¥110,995	¥147,656	¥230,130	¥61,668	¥51,407	¥ 72,648	¥674,504	¥52,339	¥59,184	¥786,027
Other items:										
Depreciation	¥ 4,320	¥ 3,219	¥ 6,656	¥ 859	¥ 289	¥ 672	¥ 16,015	¥ 266	¥ —	¥ 16,281
Impairment losses on fixed assets	2,909	68	64	55	—	—	3,096	201	166	3,463
Investments in equity method affiliates	—	1,583	6,195	3,304	—	—	11,082	—	—	11,082
Increase in property, plant and equipment, and intangible assets	2,899	4,464	9,319	1,115	552	1,609	19,958	712	—	20,670

Notes: 1. "Other" includes the other operating segments such as real estate, software, and other operations, which are not included in the reportable segments.

2. "Adjustment" is referred to below:

(1) Adjustment of segment income (loss) (¥34 million) represents elimination of inter-segment transactions.

(2) Adjustment of segment assets (¥59,184 million) primarily represents the Company's cash and time deposits and marketable securities.

(3) Adjustment of impairment losses on fixed assets (¥166 million) is related to the Company's corporate assets such as housing lots, etc.

3. Segment income (loss) has been reconciled with operating income in the accompanying consolidated statements of income.

	Millions of yen									
	Reportable segment						Total	Other	Adjustment	Consolidated
	Machinery components	Precision machinery	Construction machinery	Industrial machinery	Ships	Environmental facilities and plants				
2014										
Net sales:										
Outside customers	¥ 99,994	¥133,518	¥192,511	¥78,793	¥14,814	¥86,166	¥605,796	¥ 9,475	¥ —	¥615,271
Inter-segment	1,726	1,077	28	760	151	372	4,114	2,957	(7,071)	—
Total	101,720	134,595	192,539	79,553	14,965	86,538	609,910	12,432	(7,071)	615,271
Segment income (loss)	¥ 6,106	¥ 9,456	¥ 9,534	¥ 3,954	¥ (2,996)	¥ 6,087	¥ 32,141	¥ 2,053	¥ 135	¥ 34,329
Segment assets	¥113,972	¥124,893	¥200,519	¥65,672	¥48,608	¥63,603	¥617,267	¥54,906	¥52,009	¥724,182
Other items:										
Depreciation	¥ 4,510	¥ 4,518	¥ 6,376	¥ 1,711	¥ 307	¥ 866	¥ 18,288	¥ 329	¥ —	¥ 18,617
Impairment losses on fixed assets	17	571	13	—	321	—	922	305	463	1,690
Investments in equity method affiliates	—	1,461	5,024	3,261	—	—	9,746	—	—	9,746
Increase in property, plant and equipment, and intangible assets	3,344	4,564	9,435	986	485	774	19,588	741	—	20,329

Notes: 1. "Other" includes the other operating segments such as real estate, software, and other operations, which are not included in the reportable segments.

2. "Adjustment" is referred to below:

(1) Adjustment of segment income (loss) (¥135 million) represents elimination of inter-segment transactions.

(2) Adjustment of segment assets (¥52,009 million) primarily represents the Company's cash and time deposits and marketable securities.

(3) Adjustment of impairment losses on fixed assets (¥463 million) is related to the Company's corporate assets such as housing lots, etc.

3. Segment income (loss) has been reconciled with operating income in the accompanying consolidated statements of income.

Notes to Consolidated Financial Statements

Sumitomo Heavy Industries, Ltd. Annual Report 2015

Thousands of U.S. dollars

	Reportable segment						Total	Other	Adjustment	Consolidated
	Machinery components	Precision machinery	Construction machinery	Industrial machinery	Ships	Environmental facilities and plants				
2015										
Net sales:										
Outside customers	\$855,196	\$1,220,200	\$1,683,352	\$631,808	\$217,377	\$879,489	\$5,487,422	\$ 71,734	\$ —	\$5,559,156
Inter-segment	17,163	12,474	133	8,496	860	5,119	44,245	25,606	(69,851)	—
Total	872,359	1,232,674	1,683,485	640,304	218,237	884,608	5,531,667	97,340	(69,851)	5,559,156
Segment income (loss)	\$ 55,295	\$ 112,728	\$ 99,574	\$ 47,986	\$ (10,411)	\$ 62,809	\$ 367,981	\$ 15,614	\$ (280)	\$ 383,315
Segment assets	\$924,958	\$1,230,464	\$1,917,762	\$513,897	\$428,388	\$605,398	\$5,620,867	\$436,161	\$493,196	\$6,550,224
Other items:										
Depreciation	\$ 36,004	\$ 26,828	\$ 55,456	\$ 7,162	\$ 2,405	\$ 5,604	\$ 133,459	\$ 2,213	\$ —	\$ 135,672
Impairment losses on fixed assets	24,242	568	533	459	—	—	25,802	1,675	1,380	28,857
Investments in equity method affiliates	—	13,189	51,625	27,535	—	—	92,349	—	—	92,349
Increase in property, plant and equipment, and intangible assets	24,162	37,203	77,644	9,296	4,602	13,407	166,314	5,932	—	172,246

- Notes: 1. "Other" includes the other operating segments such as real estate, software, and other operations, which are not included in the reportable segments.
 2. "Adjustment" is referred to below:
 (1) Adjustment of segment income (loss) (\$280 thousand) represents elimination of inter-segment transactions.
 (2) Adjustment of segment assets (\$493,196 thousand) primarily represents of the Company's cash and time deposits and marketable securities.
 (3) Adjustment of impairment losses on fixed assets (\$1,380 thousand) is related to the Company's corporate assets such as housing lots, etc.
 3. Segment income (loss) has been reconciled with operating income in the accompanying consolidated statements of income.

(B) Related information
 Information by geographical area

1. Net sales

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Japan	¥307,476	¥296,195	\$2,562,300
U.S.A.	112,270	90,534	935,581
China	57,523	63,192	479,358
Other areas	189,830	165,350	1,581,917
Total	¥667,099	¥615,271	\$5,559,156

* Net sales are classified into the country or the region based on customers' locations.

2. Property, plant and equipment

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Japan	¥163,226	¥158,071	\$1,360,217
Other areas	65,076	62,213	542,299
Total	¥228,302	¥220,284	\$1,902,516

10. Leases

(A) As lessee

The Company has various finance leases for its machinery and other assets, which have been accounted for in the same manner as operating leases. The information of the gross amount of such assets and the related accumulated depreciation as well as their carrying value as of March 31, 2015 and 2014 is as follows:

2015	Millions of yen		
	Acquisition cost	Accumulated depreciation	Carrying value
Machinery and equipment	¥887	¥800	¥87
Other tangible fixed assets	—	—	—
Total	¥887	¥800	¥87

2014	Millions of yen		
	Acquisition cost	Accumulated depreciation	Carrying value
Machinery and equipment	¥2,992	¥2,472	¥520
Other tangible fixed assets	210	146	64
Total	¥3,202	¥2,618	¥584

2015	Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Carrying value
Machinery and equipment	\$7,388	\$6,663	\$725
Other tangible fixed assets	—	—	—
Total	\$7,388	\$6,663	\$725

Total lease payments for finance leases, which are not subject to the ownership transfer from a lessor to a lessee, amounted to ¥190 million (\$1,582 thousand) and ¥413 million for the years ended March 31, 2015 and 2014, respectively.

Future lease payments (including interest) under finance leases as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥70	¥492	\$586
Due after one year	17	92	139
Total	¥87	¥584	\$725

Also, future lease payments under non-cancelable operating leases as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥1,330	¥1,275	\$11,088
Due after one year	1,316	2,010	10,966
Total	¥2,646	¥3,285	\$22,054

(B) As lessor

The Company has some finance leases for its certain assets, which have been accounted for in the same manner as operating leases. The information of the gross amount of such assets and the related accumulated depreciation as well as their carrying value is not disclosed due to immateriality.

Total lease payments receivable under finance leases, which are not subject to the ownership transfer from a lessor to a lessee, for the years ended March 31, 2015 and 2014 are not disclosed because the amounts are not material.

Future lease receivables under finance leases as of March 31, 2015 and 2014 are not disclosed due to immateriality.

Also, future lease receivables under non-cancelable operating leases as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 31	¥ 39	\$ 259
Due after one year	176	206	1,464
Total	¥207	¥245	\$1,723

Notes to Consolidated Financial Statements

Sumitomo Heavy Industries, Ltd. Annual Report 2015

11. Financial instruments

(A) Qualitative information on financial instruments

1. Utilization policy of financial instruments

The Company obtains the required funds for its operation and investment primarily from bank loans and bond issuances. The Company limits its investment portfolio for temporary excess funds to short-term financial assets that carry little risk. The derivative instruments are utilized only to mitigate the risks described below and no speculative transactions are permitted under the Company's policy.

2. Financial instruments and related risks

Trade receivables and long-term loans receivable are exposed to the credit risk in relation to customers and trading partners. Trade receivables denominated in foreign currencies are exposed to the foreign exchange rate fluctuation risk. The Company mitigates such risks through entering into forward exchange contracts and option contracts, and maintains the ratio of the exposure within a certain range. The hedge ratio and unhedged balances are regularly reported to the Board of Directors.

Short-term investment is the negotiable certificates of deposit with maturities within three months, which are easily convertible into cash with a slight risk of price fluctuations.

Investment securities are held primarily for maintaining business relationships and exposed to the market price fluctuation risk.

Most trade payables are due within one year. As some of them involving the import of raw materials are denominated in foreign currencies and exposed to foreign exchange rate fluctuation risks, the Company hedges such risks using forward exchange contracts.

Loans and corporate bonds are primarily used for obtaining the funds required for operation and capital investment. For part of long-term loans, the Company enters into an interest rate swap contract for each individual loan as hedging instruments. As the interest rate swap contracts the Company enters into are qualified for the "special treatment," in the Japanese GAAP, the measurement of the hedge effectiveness is not required. Loans denominated in foreign currencies are exposed to the foreign exchange rate fluctuation risk.

The Company enters into forward exchange contracts or currency option contracts as derivative transactions to hedge risk of fluctuation in a foreign currency exchange rate with respect to trade receivables/payables denominated in foreign currencies. The Company also enters into interest rate swaps or currency swaps as derivative transactions to hedge risk of fluctuation in an interest rate on loans or the foreign currency exchange rate. For the Company's hedge accounting such as hedging instruments, hedged items, hedging policy and hedge effectiveness, please refer to "Derivatives and hedge accounting" in the aforementioned "1. Significant accounting policies" section.

3. Risk management for financial instruments:

(1) Credit risk

The Company reviews credit status of customers before accepting orders to mitigate their credit risk exposure. In accordance with a credit management policy, each business unit monitors collection and balance of receivables for each customer to minimize uncollectible amounts.

For derivatives and deposits, the Company enters into contracts only with highly rated financial institutions.

(2) Market risk

In relation to amounts of net of trade receivables and trade payables denominated in foreign currencies, the Company executes the hedge transaction to mitigate the exchange rate fluctuation risk in accordance with a market risk management policy. The status of the hedging activities is reported to the Board of Directors every month. Major consolidated subsidiaries also manage the foreign exchange rate fluctuation risk in the same manner.

Loan-related interest payable is also monitored and reported to the Board of Directors regularly. To mitigate the interest-rate fluctuation risk, interest-rate swaps are used.

In relation to investment securities, the current fair market value and the financial condition of the issuers are monitored regularly. The Company continuously reevaluates the investment portfolio in consideration of relationships with counterparties.

The Company's derivative transactions are executed solely for the purpose of hedging risks concerning exchange rate and interest rate fluctuations as explained above. The Company reconciles outstanding balances with the contract counterparties on a monthly basis.

(3) Liquidity risk

The Company has implemented a cash management system among major consolidated subsidiaries whereby SHI centralizes management of available funds within the consolidated group companies. The Company timely formulates and updates the fund management plan based on reports from business units and major subsidiaries, and monitors the liquidity risk.

(B) Fair values of financial instruments

The following table presents the carrying amounts and fair values of the Company's financial instruments recorded on the consolidated balance sheets as of March 31, 2015 and 2014. Certain financial instruments are excluded from the following table as the fair value information is not available.

2015	Millions of yen		
	Carrying amount	Fair value	Difference
Cash and time deposits	¥ 57,423	¥ 57,423	¥ —
Trade receivables	194,915	194,011	(904)
Short-term investment and investment securities	49,923	49,923	—
Long-term loans receivable	8,340	8,560	220
Assets total	310,601	309,917	(684)
Trade payables	140,436	140,436	—
Short-term bank loans	42,110	42,110	—
Corporate bonds	10,000	10,051	51
Long-term bank loans	31,534	31,938	404
Liabilities Total	224,080	224,535	455
Derivatives	(2,100)	(2,249)	(149)

2014	Millions of yen		
	Carrying amount	Fair value	Difference
Cash and time deposits	¥ 67,826	¥ 67,826	¥ —
Trade receivables	181,961	180,952	(1,009)
Short-term investment and investment securities	23,419	23,419	—
Long-term loans receivable	13,786	14,920	1,134
Assets total	286,992	287,117	125
Trade payables	124,211	124,211	—
Short-term bank loans	52,817	52,817	—
Corporate bonds	10,000	10,000	—
Long-term bank loans	44,616	45,116	500
Liabilities Total	231,644	232,144	500
Derivatives	(285)	(578)	(293)

2015	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
Cash and time deposits	\$ 478,521	\$ 478,521	\$ —
Trade receivables	1,624,299	1,616,763	(7,536)
Short-term investment and investment securities	416,025	416,025	—
Long-term loans receivable	69,498	71,335	1,837
Assets total	2,588,343	2,582,644	(5,699)
Trade payables	1,170,303	1,170,303	—
Short-term bank loans	350,915	350,915	—
Corporate bonds	83,333	83,759	426
Long-term bank loans	262,782	266,144	3,362
Liabilities Total	1,867,333	1,871,121	3,788
Derivatives	(17,502)	(18,739)	(1,237)

Notes to Consolidated Financial Statements

Sumitomo Heavy Industries, Ltd. Annual Report 2015

1. Cash and time deposits

The carrying amounts approximate the fair values because of the short-term maturity of these instruments.

2. Trade receivables

The discounted cash flow method is used to estimate the fair values, based on discount rates calculated as totals of appropriate baseline rates and credit risk spreads.

3. Short-term investment and investment securities

Short-term investment represents the certificate deposit with the short-term maturity, which is recorded at its carrying amount as it approximates the fair value. Investment securities represent the equity securities, and the market prices are used to estimate fair values.

4. Long-term loans receivable

The discounted cash flow method is used to estimate the fair values, based on discount rates calculated as totals of appropriate baseline rates and credit risk spreads.

5. Trade payables and short-term bank loans

The carrying amounts approximate the fair values because of short-term settlement of these instruments.

6. Corporate bonds

The discounted cash flow method is used to estimate the fair values, based on discount rates calculated as totals of appropriate baseline rates and credit risk spreads.

7. Long-term bank loans

The discounted cash flow method is used to estimate the fair values, based on marginal borrowing rates as discount rates.

8. Derivatives

The fair values of forward exchange contracts are based on quoted forward exchange rates. The fair values of options, interest rate swaps and currency swaps are based on the quotes from financial institutions.

The affiliate stocks, the unlisted stocks and the investment bonds in the following table are not included in the above table because there is no fair value available.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Affiliate stocks	¥12,220	¥10,918	\$101,832
Unlisted stocks	2,360	2,403	19,671
Investment bonds	5	5	45

The aggregate maturities of financial assets subsequent to March 31, 2015 and 2014 are as follows:

2015	Millions of yen		
	Within one year	Over one year within five years	Over five years
Cash and time deposits	¥ 57,423	¥ —	¥ —
Trade receivables	190,959	3,855	101
Long-term loans receivable	8	8,323	9
Total	¥248,390	¥12,178	¥110

2014	Millions of yen		
	Within one year	Over one year within five years	Over five years
Cash and time deposits	¥ 67,826	¥ —	¥ —
Trade receivables	178,044	3,662	255
Long-term loans receivable	3,149	10,626	11
Total	¥249,019	¥14,288	¥266

2015	Thousands of U.S. dollars		
	Within one year	Over one year within five years	Over five years
Cash and time deposits	\$ 478,521	\$ —	\$ —
Trade receivables	1,591,327	32,125	847
Long-term loans receivable	67	69,359	72
Total	\$2,069,915	\$101,484	\$919

The aggregate maturities of long-term bank loans and corporate bonds subsequent to March 31, 2015 and 2014 are as follows:

2015	Millions of yen					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Long-term bank loans	¥15,201	¥7,777	¥2,241	¥6,315	¥ —	¥—
Corporate bonds	—	—	—	—	10,000	—

2014	Millions of yen					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Long-term bank loans	¥16,856	¥13,980	¥5,918	¥1,549	¥6,313	¥—
Corporate bonds	10,000	—	—	—	—	—

2015	Thousands of U.S. dollars					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Long-term bank loans	\$126,677	\$64,812	\$18,672	\$52,621	\$ —	\$—
Corporate bonds	—	—	—	—	83,333	—

12. Short-term investment and investment securities

(A) Carrying amounts of short-term investment and investment securities not stated at fair values as of March 31, 2015 and 2014 are disclosed in Note 11. "Financial instruments".

(B) Acquisition costs and carrying amounts of available-for-sale securities as of March 31, 2015 and 2014 are as follows:

Available-for-sale securities	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Equity securities			
Acquisition cost	¥ 7,597	¥ 8,260	\$ 63,310
Carrying amount	14,923	13,419	124,358
Difference	¥ 7,326	¥ 5,159	\$ 61,048
Other securities			
Acquisition cost	¥35,000	¥10,000	\$291,667
Carrying amount	35,000	10,000	291,667
Difference	¥ —	¥ —	\$ —

(C) Total sales amount of available-for-sale securities and the related net gain in the fiscal years ended March 31, 2015 and 2014 are as follows:

Sale of securities	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net gain	¥841	¥1,747	\$7,005
	90	459	753

Notes to Consolidated Financial Statements

Sumitomo Heavy Industries, Ltd. Annual Report 2015

(D) There were no available-for-sale securities with maturity and held-to-maturity securities as of March 31, 2015 and 2014.

(E) Impairment of securities

Impairment losses for securities were ¥10 million (\$83 thousand) and ¥2 million for the years ended March 31, 2015 and 2014, respectively.

13. Derivatives information

(A) Forward foreign exchange contracts for which no hedge accounting is applied

The aggregate contracted amounts and the fair values of forward foreign exchange contracts for which no hedge accounting is applied as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Contracted amounts:			
To buy foreign currencies	¥ 532	¥ 82	\$ 4,431
To sell foreign currencies	35,570	17,795	296,416
Fair value:			
To buy foreign currencies	1	1	10
To sell foreign currencies	317	158	2,641
Net unrealized exchange gain (loss)	¥ 318	¥ 159	\$ 2,651

(B) Currency swap contracts for which no hedge accounting is applied

The aggregate contracted amounts to be paid / received and the fair values of currency swap contracts for which no hedge accounting is applied as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Currency swap contracts:			
Contracted amounts	¥1,918	¥289	\$15,984
Fair value	480	61	3,997

(C) Forward foreign exchange contracts for which hedge accounting is applied

The aggregate contracted amounts and the fair values of forward foreign exchange contracts for which hedge accounting is applied as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred hedge accounting			
Contracted amounts:			
To buy foreign currencies	¥ 6,382	¥ 1,037	\$ 53,186
To sell foreign currencies	42,220	21,224	351,830
Fair value:			
To buy foreign currencies	445	34	3,706
To sell foreign currencies	(3,343)	(541)	(27,857)
Alternative method (Note)			
Contracted amounts:			
To buy foreign currencies	1,341	820	11,173
To sell foreign currencies	1,013	946	8,442
Fair value:			
To buy foreign currencies	80	28	670
To sell foreign currencies	(122)	(122)	(1,015)
Net unrealized exchange gain (loss)	¥ (2,940)	¥ (601)	\$ (24,496)

Note: When certain conditions are met, foreign currency denominated receivables and payables are translated into Japanese yen based on the fixed exchange rates provided by the respective forward contracts.

(D) Interest rate swap contracts for which hedge accounting is applied

The aggregate amounts of interest rate swap contracts for which hedge accounting is applied as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Interest rate swap contracts (special treatment) (Note)			
Contract amounts:			
Interest swap fixed rate to floating rate	¥12,677	¥21,398	\$105,641
Fair value:			
Interest swap fixed rate to floating rate	(107)	(198)	(892)

Note: When certain conditions are met, the net amount under an interest rate swap contract is added to or deducted from interest on liabilities for which the interest rate swap contract is executed.

14. Retirement benefits

1. Summary of defined benefit plans

SHI and most of its domestic consolidated subsidiaries provide both a lump-sum severance payment plan and a defined contribution plan for employees. Some foreign consolidated subsidiaries sponsor a defined benefit plan for their employees.

Additionally, SHI provides a "Retirement Benefit Trust".

Liability for retirement benefits and retirement benefit costs are determined based on a simplified method for some lump-sum severance payment plans operated by respective consolidated subsidiaries.

2. Defined benefit plans, except plan applied simplified method

(1) Movement in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥77,504	¥72,867	\$645,863
Cumulative effects of changes in accounting policies	1,861	—	15,512
Restated balance	79,365	72,867	661,375
Service cost	3,266	2,843	27,220
Interest cost	1,582	1,752	13,185
Actuarial loss (gain)	7,034	(1,348)	58,619
Benefits paid	(4,537)	(4,789)	(37,812)
Prior service costs	(127)	(189)	(1,055)
Other	3,441	6,368	28,666
Balance at end of year	¥90,024	¥77,504	\$750,198

(2) Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥40,317	¥32,291	\$335,978
Expected return on plan assets	1,230	972	10,251
Actuarial gain (loss)	3,050	4,664	25,416
Contributions paid by the employer	1,422	894	11,850
Benefits paid	(1,465)	(1,166)	(12,206)
Other	2,399	2,662	19,986
Balance at end of year	¥46,953	¥40,317	\$391,275

Notes to Consolidated Financial Statements

Sumitomo Heavy Industries, Ltd. Annual Report 2015

(3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligations	¥68,571	¥58,682	\$571,422
Plan assets	46,953	40,317	391,272
	21,618	18,365	180,150
Unfunded retirement benefit obligations	21,452	18,822	178,770
Total net liability (asset) for retirement benefits at end of year	43,070	37,187	358,920
Liability for retirement benefits	43,070	37,187	358,920
Total net liability (asset) for retirement benefits at end of year	¥43,070	¥37,187	\$358,920

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥3,266	¥2,843	\$27,220
Interest cost	1,582	1,752	13,185
Expected return on plan assets	(1,230)	(972)	(10,251)
Amortization of actuarial difference	2,108	1,942	17,563
Amortization of prior service cost	(14)	78	(116)
Other	44	(12)	363
Total retirement benefit costs	¥5,756	¥5,631	\$47,964

(5) Adjustments for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Prior service cost	¥ 113	¥—	\$ 939
Actuarial difference	(1,877)	—	(15,640)
Other	(1,279)	—	(10,661)
Total	¥(3,043)	¥—	\$(25,362)

(6) Accumulated adjustments for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service cost	¥ 280	¥ (303)	\$ 2,330
Unrecognized actuarial difference	(7,134)	(3,508)	(59,450)
Total balance at end of year	¥(6,854)	¥(3,811)	\$(57,120)

(7) Plan assets

(a) Plan assets comprise:

	2015	2014
Equity securities	78%	80%
Cash and time deposits	1%	2%
Other	21%	18%
Total	100%	100%

Notes: Total plan assets include retirement benefit trust provided for SHI's lump-sum severance payment plan, which comprises 56% of the plan assets and amounts to ¥26,433 million (\$220,272 thousand) as of March 31, 2015.

(b) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2015 and 2014 are as follows:

	2015	2014
Assumed discount rate	0.2%~5.0%	Mainly 1.5%
Long-term expected rate of return	0.0%~8.0%	Mainly 0.0%

3. Defined benefit plan applying the simplified method

(1) Movement in liability for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥2,850	¥3,001	\$23,752
Service cost	693	402	5,772
Benefits paid	(391)	(373)	(3,258)
Contributions paid to plan	(68)	(68)	(564)
Other	8	(112)	65
Balance at end of year	¥3,092	¥2,850	\$25,767

(2) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligations	¥ 838	¥ 830	\$ 6,980
Plan assets	(824)	(768)	(6,866)
	14	62	114
Unfunded retirement benefit obligations	3,078	2,788	25,653
Total net liability (asset) for retirement benefits at end of year	3,092	2,850	25,767
Liability for retirement benefits	3,092	2,850	25,767
Total net liability (asset) for retirement benefits at end of year	¥3,092	¥2,850	\$25,767

(3) Total retirement benefit costs based on the simplified method amounted to ¥693 million (\$5,772 thousand) and ¥402 million for the years ended March 31, 2015 and 2014, respectively.

4. Defined contribution plan

Contributions paid to defined contribution plan in SHI and consolidated subsidiaries amounted to ¥634 million (\$5,281 thousand) and ¥597 million for the years ended March 31, 2015 and 2014, respectively.

Notes to Consolidated Financial Statements

15. Subsequent events

Appropriations of retained earnings

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2015, were approved at the SHI's general shareholders' meeting held on June 26, 2015:

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Year-end cash dividends ¥7.00 (\$0.06) per share	¥4,291	\$35,760

The approved dividend will be paid to the shareholders as of March 31, 2015.

16. Others

In connection with an order received from the city of Kyoto for the "Construction Work (specifically only for plant equipment work) for the Kyoto City Incinerated Ash Melting Facility (Provisional Name)", SHI received a cancellation notice from the city of Kyoto on August 5, 2013, which states that SHI was unable to deliver the said facility by the prefixed delivery deadline. In addition, the city of Kyoto filed a damages lawsuit on March 20, 2014, with the Kyoto District Court, claiming compensation for the damages of ¥18,454 million (\$153,783 thousand) against SHI by reason of the cancellation.

SHI petitioned for arbitration to the Central Construction Work Disputes Committee in accordance with the relevant provisions of the contract with the city of Kyoto that state, in case of any disputes, a resolution would be pursued via the mediation or arbitration of the Committee of Construction Work Disputes under the Construction Business Act. However, arbitration by the Central Committee was terminated on July 31, 2014 because the city of Kyoto did not decide to participate in the arbitration.

SHI attempted to commence the second trial run for the plant which was almost complete, but the city of Kyoto did not allow it. Due to the situation, SHI believes it was not able to carry out one of the final steps of the contract and it has the right to claim payment for the outstanding balance of the contract. Accordingly, it filed the counterclaim against the city of Kyoto on August 29, 2014, with the Kyoto District Court, to claim payment for the outstanding balance of the contract of ¥1,399 million (\$11,658 thousand).

SHI believes that the cancellation at the stage near the completion of the intended work is invalid and therefore that the city of Kyoto's claim of compensation for the damages based on such cancellation is groundless. SHI intends to fully insist on the legitimacy of its position in the lawsuit.

Independent Auditor's Report

Independent Auditor's Report

To the Board of Directors of Sumitomo Heavy Industries, Ltd.:

We have audited the accompanying consolidated financial statements of Sumitomo Heavy Industries, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Heavy Industries, Ltd. and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements. From the year ended March 31, 2015, Sumitomo Heavy Industries, Ltd. and its domestic consolidated subsidiaries have changed the depreciation method for property, plant and equipment from the declining-balance method to the straight-line method.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 26, 2015
Tokyo, Japan

Major Subsidiaries and Affiliates (As of April 1, 2015)

Sumitomo Heavy Industries, Ltd. Annual Report 2015

Segment	Business	Company Name	Telephone Number	
Machinery Components	Power Transmission and Control Equipment	Sumitomo Heavy Industries Gearmotors Co., Ltd.	0562-88-3040	
		Sumitomo Heavy Industries, PTC Sales Co., Ltd.	03-6737-2580	
		Sumiju Tomida Machinery Co., Ltd.	0562-48-4167	
		Sumiju Technos, Ltd.	0562-48-5115	
		SEISA Gear, Ltd.	072-431-3021	
		Sumitomo Heavy Industries (Tangshan), Ltd.	86-0315-339-0080	
		Sumitomo (SHI) Cyclo Drive China, Ltd.	86-22-2499-3501	
		Sumitomo (SHI) Cyclo Drive Logistics, Ltd.	86-21-5774-8866	
		Sumitomo Heavy Industries (Vietnam) Co., Ltd.	84-4-3955-0010	
		Sumitomo (SHI) Cyclo Drive Germany GmbH	49-8136-66-0	
		Sumitomo (SHI) Cyclo Drive Asia Pacific Pte. Ltd.	65-6-591-7800	
		Sumitomo (SHI) Cyclo Drive Korea, Ltd.	82-2-730-0151	
		Sumitomo Machinery Corporation of America	1-757-485-3355	
		Sumitomo Industrias Pesadas do Brasil Ltda.	55-11-4866-1000	
		SM Cyclo of Canada, Ltd.	1-905-469-1050	
		Hansen Industrial Transmissions NV	32-3-450-12-11	
Precision Machinery	Plastic Machinery	Sumitomo Heavy Industries Modern, Ltd.	045-547-7711	
		Sumiju Platec Co., Ltd.	043-420-1558	
		Sumiju Logitech Co., Ltd.	043-420-1680	
		Izumi Seiki Co., Ltd.	0897-32-6232	
		Ningbo Sumiju Machinery, Ltd.	86-574-2689-0119	
		Sumitomo (SHI) Demag Plastics Machinery GmbH	49-911-5061-717	
		Sumitomo (SHI) Demag Plastics Machinery North America, Inc.	1-770-447-5430	
		SHI Plastics Machinery (Hong Kong) Ltd.	852-2750-6630	
		S.H.I. Plastics Machinery (S) Pte. Ltd.	65-6-779-7544	
		Cryogenic Equipment	Sumitomo (SHI) Cryogenics of America, Inc.	1-610-791-6700
			Sumitomo (SHI) Cryogenics of Europe GmbH	49-6151-860610
			Sumitomo (SHI) Cryogenics of Europe, Ltd.	44-1256-853333
			SHI Manufacturing & Services (Philippines), Inc.	63-43-405-6263
	Precision Equipment and Components	Sumitomo Heavy Industries Himatex Co., Ltd.	0897-32-6485	
		Sumiju Precision Forging Co., Ltd.	046-869-1659	
	LCD and Semiconductor Equipment	Sumitomo Heavy Industries Mechatronics, Ltd.	03-6737-2531	
		Sumitomo Heavy Industries Ion Technology Co., Ltd.	03-6737-2690	
	Machine Tools	Sumitomo Heavy Industries Finetech, Ltd.	086-525-6281	
	Defense Equipment	Sumiju Business, Ltd.	042-468-4311	
		Sumiju Tokki Service Co., Ltd.	042-468-4451	

Segment	Business	Company Name	Telephone Number
Construction Machinery	Hydraulic Excavators	Sumitomo (S.H.I.) Construction Machinery Co., Ltd.	03-6737-2600
		Sumitomo (S.H.I.) Construction Machinery Sales Co., Ltd.	03-6737-2610
	Road Machinery	Sumitomo (S.H.I.) Construction Machinery (Tangshan) Co., Ltd.	61-3391000
		LBX Company, LLC	1-859-245-3900
		Sumitomo Heavy Industries (China) Financial Leasing, Ltd.	86-21-5204-9192
		PT. SUMITOMO S.H.I. CONSTRUCTION MACHINERY INDONESIA	62-21-5795-2254
	Mobile Cranes	PT. SUMITOMO S.H.I. CONSTRUCTION MACHINERY SOUTHEAST ASIA	62-21-8910-8688
		Link-Belt Construction Equipment Company, L.P., LLLP	1-859-263-5200
Industrial Machinery	Material Handling Systems	Sumitomo Heavy Industries Material Handling Systems Co., Ltd.	03-6737-2640
		Sumimec Engineering Inc.	0897-34-1421
	Turbines and Pumps	Shin Nippon Machinery Co., Ltd.	03-6737-2630
	Forklift Trucks	Sumitomo NACCO Materials Handling Co., Ltd.	0562-48-5251
	Quantum Equipment and Cyclotron Accelerators	Sumiju Examination & Inspection, Ltd.	0898-65-4868
		SHI Accelerator Service Ltd.	03-5434-8468
		Japan Electron Beam Irradiation Service Co., Ltd.	03-5434-8467
Sumiju Magnet (Kunshan) Co., Ltd.	86-512-5768-9200		
Ships	Ships	Sumitomo Heavy Industries Marine & Engineering Co., Ltd.	03-6737-2620
Environmental Facilities & Plants	Energy-Related and Environmental Protection Systems	Sumiju Plant Engineering Co., Ltd.	03-6737-2890
		Sumiju Environmental Technologies, Ltd.	03-6737-2820
	Water Treatment Systems	Sumitomo Heavy Industries Environment Co., Ltd.	03-6737-2700
		Sumiju Environmental Engineering, Inc.	03-5719-5020
	Pressure Vessels, Chemical Processing Equipment and Plants	Sumitomo Heavy Industries Process Equipment Co., Ltd.	0898-64-6936
		Nihon Spindle Mfg. Co., Ltd.	06-6499-5551
Food Processing Machinery	Izumi Food Machinery Co., Ltd.	06-6718-6150	
Others	Others	Sumitomo Heavy Industries Business Associates, Ltd.	03-6737-2342
		Lightwell Co., Ltd.	03-5828-9230
		Izumi Support Corporation	03-6737-2666
		PT. Sumitomo Heavy Industries Indonesia	62-0-21-57951095
		Sumitomo Heavy Industries (China), Ltd.	86-21-6219-8232
		Sumitomo Heavy Industries (Shanghai) Management, Ltd.	86-21-3462-7660
Sumitomo Heavy Industries (USA), Inc.	1-610-791-6782		

Glossary

Sumitomo Heavy Industries, Ltd. Annual Report 2015

Machinery Components

[Power transmission and control equipment]
Power transmission and control equipment raises torque as the rotary speed of a motor is reduced to an optimum level. This kind of equipment has many applications, including elevators, escalators, industrial robots, and factory production lines. The SHI Group produces a wide range of power transmission and control devices, from micro-miniature devices with a motor capacity of 6 watts to very large devices of several thousand kilowatts. The SHI Group has the leading share of the Japanese market for this equipment.



Precision Machinery

[Plastic injection molding machines]
Plastic injection molding machines are used to pour melted plastic into molds. Of the two system types, hydraulic and electromotive, the latter enables greater molding precision. The SHI Group specializes in the precision, high-cycle molding required for manufacturing optical discs and connectors.



[Ion-implantation system]
To create the transistors and other components that comprise semiconductors, the necessary type/volume of elements required for such components must be added to a flat silicon single-crystal substrate known as a wafer. Ion-implantation systems electrically ionize the elements and accelerate the resulting ions at high voltage for high-precision injection into the wafer.



[Cryocoolers]
Cryocoolers utilize a process under which helium gas is compressed and expanded, enabling cooling to temperatures near absolute zero (-273°C).



[Laser drills]
Laser drills employ laser beams to cut holes in insulating resin. Primarily applied during printed circuit board manufacturing processes, the Company's laser drills boast the industry's highest speeds with the potential to cut over 1,000 holes per second.



Construction Machinery

[Telescopic machinery]
Telescopic refers to a configuration that can both contract and expand much like the term "telescope" in English. The telescopic boom crawler crane, for example, delivers a crane arm that can both extend and contract.

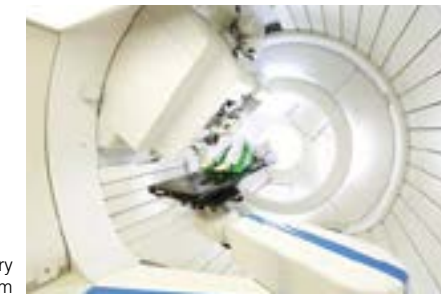


[Asphalt pavers]
Self-propelled machines used to spread asphalt when paving roads, the SHI Group is the market leader in asphalt pavers in Japan.

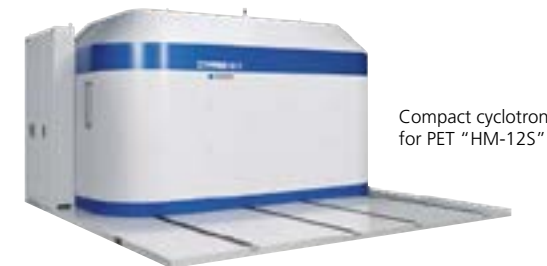


Industrial Machinery

[Proton therapy system]
Proton therapy is a type of radiation therapy that destroys cancer cells by bombarding affected areas with a proton beam. Allowing the minimally invasive treatment of cancer cells, proton therapy systems minimize damage to surrounding normal cells, thus reducing burden on the patient's body. Due to such features, these systems eliminate the need for hospitalization and enable the outpatient treatment of cancer.



[Cyclotrons]
A cyclotron is an accelerator for particles that it ionizes using magnetic force. The SHI Group is the only manufacturer of these devices in Japan and has the top share of the domestic market for cyclotrons for positron emission tomography (PET) applications, which are highly effective in discovering and pinpointing cancer cells.



[Servo-driven presses]
By generating pressure, forging presses apply a compression molding process to materials. In addition to high intensity and high rigidity, forging presses can be used in the manufacture of components with complex shapes. The SHI Group boasts the world's largest class pressing capacity.



[Continuous ship unloaders]
Continuous ship unloaders are large harbor-installed hoists used for the continuous unloading of iron ore and other bulk raw materials from cargo vessels at docks. The SHI Group has the top share of this market in Japan.



Ships

[Aframax tankers]
Aframax tankers are mid-sized oil tankers with dead weight freight capacity in the 80,000 to 120,000MTDW class.

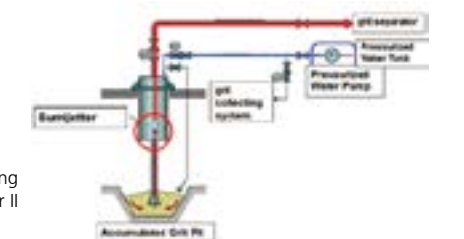


Environmental Facilities & Plants

[Circulating fluidized-bed (CFB) boilers]
Employing jets of air blown from below to evenly mix fuel particles at a high temperature, this CFB boiler is an efficient combustor suitable for use with a wide variety of fuels. The CFB boiler can even burn such renewable energy fuels as low-grade coal and biomass-based fuels.



[Grit pumping systems]
Grit lifters are typically used inside the grit chambers of wastewater treatment plants and other facilities. It is a device that uses pressurized water to remove and transfer the built-up grit that has settled in the chamber.



Corporate Data (As of March 31, 2015)

Head Office: Sumitomo Heavy Industries, Ltd.
1-1, Osaki 2-chome, Shinagawa-ku,
Tokyo 141-6025, Japan
Tel: +81-3-6737-2331
URL: <http://www.shi.co.jp>

Founded: 1888

Incorporated: November 1, 1934

Paid-in Capital: ¥30,871,651,300

Number of Employees: 18,061 (Consolidated)
2,560 (Non-consolidated)

Domestic Offices:

Chubu Office

10-24, Higashi-sakura 1-chome, Higashi-ku, Nagoya-shi,
Aichi 461-0005, Japan
Tel: 81-52-971-3063

Kansai Office

3-33, Nakanoshima 2-chome, Kita-ku, Osaka-shi,
Osaka 530-0005, Japan
Tel: 81-6-7635-3610

Kyushu Office

6-20, Nakasu 5-chome, Hakata-ku, Fukuoka-shi,
Fukuoka 810-0801, Japan
Tel: 81-92-283-1670

Tanashi Works

1-1, Yato-cho 2-chome, Nishitokyo-shi, Tokyo 188-8585, Japan
Tel: 81-42-468-4104

Chiba Works

731-1, Naganumahara-machi, Inage-ku, Chiba-shi,
Chiba 263-0001, Japan
Tel: 81-43-420-1351

Yokosuka Works

19, Natsushima-cho, Yokosuka-shi, Kanagawa 237-8555, Japan
Tel: 81-46-869-1842

Nagoya Works

1, Asahi-machi 6-chome, Obu-shi, Aichi 474-8501, Japan
Tel: 81-562-48-5111

Okayama Works

8230, Tamashima-Otoshima, Kurashiki-shi,
Okayama 713-8501, Japan
Tel: 81-86-525-6101

Ehime Works-Niihama Factory

5-2, Sobiraki-cho, Niihama-shi, Ehime 792-8588, Japan
Tel: 81-897-32-6211

Ehime Works-Saijo Factory

1501, Imazaike, Saijo-shi, Ehime 799-1393, Japan
Tel: 81-898-64-4811

Technology Research Center

19, Natsushima-cho, Yokosuka-shi, Kanagawa 237-8555, Japan
Tel: 81-46-869-2300

Transfer Agent: Sumitomo Mitsui Trust Bank, Limited

Stock Exchange Listing: Tokyo

Shares Outstanding: 614,527,405

Number of Shareholders: 42,236

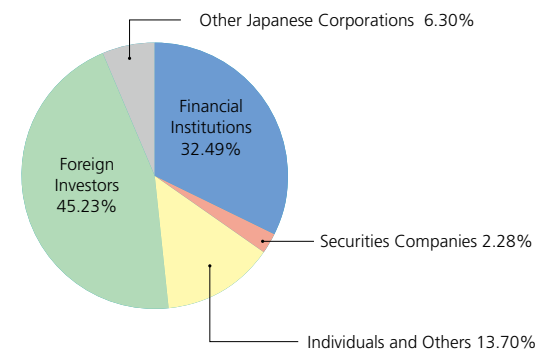
Major Shareholders:

Name of shareholder	Percentage of total shares issued and outstanding
The Master Trust Bank of Japan, Ltd. (Trust account)	4.8
Japan Trustee Services Bank, Ltd. (Trust account)	4.5
Sumitomo Life Insurance Company	3.5
Japan Trustee Services Bank, Ltd. (Trust account 9)	2.6
Sumitomo Mitsui Banking Corporation	2.5
Sumitomo Heavy Industries, Ltd. Kyoeikai	2.1
MORGAN STANLEY & CO. LLC	1.7
STATE STREET BANK AND TRUST COMPANY 505225	1.6
STATE STREET BANK AND TRUST COMPANY 505001	1.5
Japan Trustee Services Bank, Ltd. Sumitomo Mitsui Trust Retirement Benefit Trust Account	1.3

Breakdown of Shareholders as of March 31, 2015:

Breakdown of shareholders	Number of shares held (unit 1,000)
Financial Institutions	199,633
Securities Companies	14,012
Individuals and Others	84,183
Foreign Investors	277,980
Other Japanese Corporations	38,720

The "Other Japanese Corporations" category also includes treasury stock, government institutions, and local governments.
The number of shares held is rounded down to the nearest 1,000.



Additional copies of this annual report and other information may be obtained at the following URL or by contacting:

Corporate Communications Department,
Sumitomo Heavy Industries, Ltd.
1-1, Osaki 2-chome, Shinagawa-ku, Tokyo 141-6025, Japan
Tel: +81-3-6737-2331

URL: <http://www.shi.co.jp>



 Sumitomo Heavy Industries, Ltd.

<http://www.shi.co.jp>

