CONTENTS

Business Principles .......................................................... 01
Top Message ........................................................................ 02
Three Strengths Driving SHI’s Growth ................................ 10
Management Model for Medium- to Long-Term Growth .......... 12
STORY 1: Competitive Strength ........................................... 14
STORY 2: Management Capabilities ...................................... 16
STORY 3: Corporate Culture .................................................. 18
Segment Overview ................................................................. 20
At a Glance ........................................................................... 20
Machinery Components ....................................................... 22
Precision Machinery ............................................................. 24
Construction Machinery ....................................................... 26
Industrial Machinery ............................................................ 28
Ships .................................................................................. 30
Environmental Facilities & Plants ......................................... 32
Base Supporting SHI .............................................................. 34
Message from the External Directors .................................. 34
Directors, Corporate Auditors, and Executive Officers .......... 36
Research and Development .................................................. 38
Corporate Governance ......................................................... 40
CSR .................................................................................... 43
Eleven-Year Summary and Non-Financial Data ...................... 48
Major Subsidiaries and Affiliates ......................................... 50
Corporate Data ..................................................................... 52
Stock-Related Information/Our Website ................................. 53

Editorial Policy
The Sumitomo Heavy Industries Group (SHI Group) is publishing an Integrated Report for fiscal 2017 instead of the Annual Report that it has published until now. Integrated Report 2017 contains reports on financial information as well as the SHI Group’s unique strengths and the dynamics of its medium- to long-term growth with the aim of deepening understanding among a wide range of stakeholders, including shareholders and investors. Please refer to our website for detailed information and figures related to financial data (including Securities Reports) and non-financial data (such as CSR data).
◆ Website http://www.shi.co.jp/english

Reference Guidelines
* "International Integrated Reporting Framework,” International Integrated Reporting Council (IRC)
* "GRI G4 Sustainability Reporting Guidelines,” Global Reporting Initiative (GRI)
* "WICI Intangibles Reporting Framework Version 1.0,” World Intellectual Capital Initiative
* "World Intellectual Capital Initiative (WICI) Sustainability Reporting Framework Version 1.0,” World Intellectual Capital Initiative
* "International Integrated Reporting Framework,” International Integrated Reporting Council (IRC)
* "WICI Intangibles Reporting Framework Version 1.0,” World Intellectual Capital Initiative
* "G4 Sustainability Reporting Guidelines,” Global Reporting Initiative (GRI)

Cautionary Note Concerning Forward-Looking Statements
Integrated Report 2017 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. All information contained herein is subject to change in actual business performance.

Our Values

Customer First We exceed customer expectations by providing sophisticated efficient products and services, giving the utmost consideration to their needs and requirements.

Embrace Changes We will continue to drive and embrace changes without accepting the status quo.

Commitment to Technology and Innovation We are passionate about contributing to society by further developing our unique, in-house technologies.

Respect People We will nurture an organizational climate that fosters mutual respect, tolerance and learning for growth.

Integrating Report

We will aim to become a machinery manufacturer that continues to provide excellent products and services to the world.

With integrity being a key principle in the Group, we will contribute towards society by gaining high respect and confidence from all stakeholders.

Corporate Mission Statement
In FY2016, the Japanese economy trended towards a gentle recovery as corporate income increased due to higher export levels. Corporate capital investments into labor-saving plants and equipment as well as updates to aging plants and equipment continued in response to progressive dilapidation in facilities as well as a shortage of labor supply.

In the global economy overall, the US and European economies recovered gradually while the Chinese economy was supported by public sector investment. On the other hand, a profound lack of clarity persisted around political uncertainty and the risk of economic slowdown against a backdrop of a continued depression in private sector investment.

In this economic environment, the SHI Group proceeded steadily with business restructuring, implementing various measures aimed at creating a robust business structure.

**Review of Fiscal 2016**

In fiscal 2016, the final year of our Medium-Term Management Plan 2016 (MTMP16), net sales and operating income declined compared to fiscal 2015, but orders and profit attributable to owners of parent increased. (Table 1)

Orders totaled ¥711.1 billion, a substantial increase in particular compared to fiscal 2015 and exceeding our ¥700.0 billion target. The net interest-bearing debt ratio was –0.4%, as we have continued to effectively bear zero debt since fiscal 2015. The stockholders’ equity ratio was 50.0%.

Cash flows from operating activities were positive by a large margin due to improving working capital. We actively conducted capital investments and other investments in development, human resources, M&A and other areas.

**Financial Summary (Table 1)**

<table>
<thead>
<tr>
<th></th>
<th>FY2015 (Billions of yen)</th>
<th>FY2016 (Billions of yen)</th>
<th>Change (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>685.9</td>
<td>711.1</td>
<td>25.2</td>
</tr>
<tr>
<td>Net Sales</td>
<td>700.8</td>
<td>674.3</td>
<td>–26.5</td>
</tr>
<tr>
<td>Operating Income</td>
<td>50.6</td>
<td>48.4</td>
<td>–2.1</td>
</tr>
<tr>
<td>Operating Income Ratio</td>
<td>7.2%</td>
<td>7.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>49.1</td>
<td>48.3</td>
<td>–0.9</td>
</tr>
<tr>
<td>Ordinary Income Ratio</td>
<td>7.0%</td>
<td>7.2%</td>
<td>0.2 pt</td>
</tr>
<tr>
<td>Extraordinary Income or Loss</td>
<td>(2.0)</td>
<td>(1.0)</td>
<td>1.0</td>
</tr>
<tr>
<td>Current Net Income before Tax Adjustments</td>
<td>47.2</td>
<td>47.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Profit Attributable to Owners of Parent</td>
<td>33.1</td>
<td>33.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Current Net Income Ratio</td>
<td>4.7%</td>
<td>5.0%</td>
<td>0.3 pt</td>
</tr>
<tr>
<td>Exchange Rate (Yen vs USD)</td>
<td>¥ 115</td>
<td>¥ 108</td>
<td>¥ (7)</td>
</tr>
</tbody>
</table>
On a Three-year Cumulative Basis, We Were Able to Achieve the Targets of MTMP16 for Both Net Sales and Operating Income

[Performance]
The initial financial targets of MTMP16, which was formulated in fiscal 2014, were net sales of ¥700.0 billion and operating income of ¥52.5 billion, and these were nearly achieved one year ahead of time in fiscal 2015, the second year of the plan. In fiscal 2016, due to yen appreciation, stagnating electrical/electronic-related demand, and continued slowing in the Chinese economy, we were unable to achieve our targets on a single year basis. However, on a cumulative basis, for the three years of the MTMP16, we successfully met the targets for both net sales and operating income. (Table 2)

Orders set a new record-high in fiscal 2014. In fiscal 2016, they decreased on slumping demand in China for hydraulic excavators, among other factors, but in fiscal 2016, they maintained a level above ¥700.0 billion thanks to strong orders in Environmental Facilities & Plants. Net sales totaled record highs in both fiscal 2014 and fiscal 2015, and we achieved the MTMP16’s target one year ahead of time. In fiscal 2016, the target was not met due to a decline in Construction Machinery and other factors. Regarding operating income, the operating income ratio was 7.2% in fiscal 2015 and fiscal 2016, and we nearly achieved the target level of MTMP16. Construction Machinery was affected by declining demand, but growth in Industrial Machinery and the highly profitable Precision Machinery and Machinery Components segments boosted operating income. The Ships segment was profitable as planned.

Result of MTMP16 (Table 2)

<table>
<thead>
<tr>
<th>Performance</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>MTMP16 cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>650.0</td>
<td>667.1</td>
<td>717.1</td>
<td>700.8 1,074.3 257.7</td>
</tr>
<tr>
<td>Operating Income</td>
<td>37.0</td>
<td>46.0</td>
<td>9.0</td>
<td>49.0 50.6 1.6</td>
</tr>
<tr>
<td>Operating Income Ratio</td>
<td>5.7%</td>
<td>6.9%</td>
<td>1.2 pt</td>
<td>7.3% 7.2% (0.1 pt)</td>
</tr>
<tr>
<td>ROIC</td>
<td>5.3%</td>
<td>6.5%</td>
<td>1.2 pt</td>
<td>6.3% 7.6% 1.3 pt</td>
</tr>
<tr>
<td>Reference ROE</td>
<td>7.1%</td>
<td>9.0%</td>
<td>7.1%</td>
<td>8.7%</td>
</tr>
</tbody>
</table>

Investments (cumulative over three years)

<table>
<thead>
<tr>
<th>CAPEX</th>
<th>R&amp;D</th>
<th>Domestic recruitment</th>
<th>M&amp;A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan</td>
<td>Actual</td>
<td>Plan</td>
<td>Actual</td>
</tr>
<tr>
<td>¥50.0 billion</td>
<td>¥65.3 billion</td>
<td>¥45.0 billion</td>
<td>¥41.2 billion</td>
</tr>
</tbody>
</table>

[Progress on Three Basic Policies]
MTMP16 established the three basic policies of “Steady Growth,” “Return to Higher Levels of Profitability,” and “Persistent Efforts for Operational Quality Improvements,” and we executed various initiatives on the basis of these policies.

1. Steady Growth
Our specific policies for realizing steady growth are “Globalization (Expansion),” “Innovation (Change),” and “Group Synergies (Connect).”

First, we promoted “Globalization” by acquiring the CFB boiler business of Amec Foster Wheeler, plc. and jointly developing all-electric injection molding machines in Japan and Europe and entering the market for these. In addition, for “Innovation,” we actively made investments exceeding our medium-term management plan, centering on growth and high-profit businesses, seeking to accelerate new product development. Furthermore, for “Group Synergies,” we strengthened our product capabilities such as system technologies and advanced production innovation in various businesses within the Group, led by the technology division.

2. Return to Higher Levels of Profitability
To “Return to Higher Levels of Profitability,” we took advantage of the industrial crane business of Mitsubishi Heavy Industries Machinery Technology Corporation and worked to strengthen the business base for material handling systems. In addition, for further business growth, we actively conducted business reorganization and M&A, including making Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd. and Perkin Instruments Technologies Corporation, which manufactures and sells vacuum robots, into subsidiaries.

3. Persistent Efforts for Operational Quality Improvements
Furthermore, for “Persistent Efforts for Operational Quality Improvements,” under a basic principle of prioritizing compliance in all endeavors, we held training and discussions on preventing unfair competitive actions overseas as well as e-learning-based training, and thereby worked to reinforce our compliance system. We also strengthened compliance from the standpoint of safety and product quality through a variety of initiatives.

We achieved our financial targets in the first and second years of MTMP16, but our forecasts of external factors were too optimistic, and the third year we came up short. For this reason, in our Medium-Term Management Plan 2019 (MTMP19), we have set the basic policies as “Steady Growth Based on Close Scrutiny of the External Environment,” “Further Improvement in Profitability to be a High-Profit Company,” and “Further Improvement in Operational Quality.”

FY2016 M&A

Mobile cranes
Made a consolidated subsidiary of Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.

Circulating fluidized bed (CFB) boilers
Acquired the CFB boiler business of Amec Foster Wheeler, plc.

Cryogenic equipment
Acquired shares in Ferran Technology, Inc.

Cryogenic equipment
Acquired shares in Persimmon Technologies Corporation

<table>
<thead>
<tr>
<th>Mobile cranes</th>
<th>Circulating fluidized bed (CFB) boilers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacture, repair and sales of construction machinery such as crawler cranes and related machinery and equipment. Established in 2002 with equal investments from Hitachi Construction Machinery Co., Ltd. and Sumitomo Heavy Industries, Ltd. Consolidated as a subsidiary (66% ownership) in March 2017 with acquisition of additional shares. Aim to expand sales of cryopumps, enhance lineup of peripheral devices. Develop next-generation motor technologies for other businesses.</td>
<td></td>
</tr>
<tr>
<td>Plant engineering for CFB boiler power generation plants and service company. Holds the world No. 1 record for deliveries of CFB boilers. Promote growth strategies in the energy field and enhance the overseas development of the CFB boiler business.</td>
<td></td>
</tr>
</tbody>
</table>

Top Message
In Fiscal 2019, We Plan to Achieve Net Sales of Over ¥800.0 Billion and Operating Income of Over ¥60.0 Billion

Based on critical reflections on the previous plan, in the MTMP19, we have established five basic policies and will aim to be “a company that continually provides excellent products.”

Regarding financial targets, in fiscal 2019, we are targeting net sales of over ¥800.0 billion, operating income of over ¥60.0 billion, and an operating income ratio of over 7.5% (Table 3). We will make capital investments of ¥80.0 billion over the three years with a focus on growing and reinforcing mainstay businesses and utilizing information technology throughout the Company. For R&D expenses, we plan to invest ¥52.0 billion over the three years to strengthen product capabilities for growth. We will continue to actively hire personnel domestically, centering on people capable of strengthening technology and service businesses. During the period of the medium-term management plan we are planning to hire 1,400 people. For M&A, we will invest ¥30.0 billion over the three years to identify and develop growth opportunities in mainstay businesses (Table 4).

Our basic approach to shareholder returns is to maintain a payout ratio of 30%. When retention of surplus funds is expected, we will also consider share buybacks. Power transmission and controls, plastics machinery, cryocoolers and other key products currently constitute our Group’s main pillar for revenue and growth. In addition to this, we will actively develop the areas of energy/environment and material handling systems to turn them into a second pillar. Also, as growth products for the next generation, we will work to strengthen our business base in the areas of medicine, semiconductors and automotive products (Table 5).

Under MTMP19, in addition to these policies, “Actively Pursue CSR” was also established as a basic policy. We emphasize contributing to society as a basic aspect of corporate management and strive to earn the trust of society.

Medium-Term Management Plan 2019 Basic Concept

Customer First
Commitment to Technology and Innovation
Embrace Changes
Respect People
1. Look to achieve “Steady Growth” after carrying out a stringent examination of the external environment
2. Make the conversion to become a “High Profit Company”
3. Create excellent products and services through “A Tireless Commitment to Improving Operational Quality”
5. “Actively Pursue CSR”

Financial Targets (Table 3)

<table>
<thead>
<tr>
<th>FY2016 actual</th>
<th>FY2019 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>¥674.3 billion</td>
</tr>
<tr>
<td>Operating Income</td>
<td>¥48.4 billion</td>
</tr>
<tr>
<td>Operating Income Ratio</td>
<td>7.2%</td>
</tr>
<tr>
<td>ROIC</td>
<td>7.3%</td>
</tr>
<tr>
<td>Exchange Rate (vs USD)</td>
<td>¥108 (Actual)</td>
</tr>
<tr>
<td>Reference: ROE</td>
<td>8.7%</td>
</tr>
</tbody>
</table>

(As of May 2017 when the financial targets were announced)

Capital Policy

- Prioritize growth investment (capital investment, M&A)
- Basic policy on shareholder returns of maintaining a 30% payout ratio while also considering share buybacks when retention of capital surplus is expected.
The SHI Group’s Business Principles, based on the “Sumitomo Business Philosophy,” guide the actions of all members of the Group. Precisely because the social environment is changing so rapidly and remains unclear, the existence of Business Principles that provide Group members with a shared set of values and generate solidarity for business growth serves as a solid base for the Group’s strengths.

The Group completely revised its business principles in November 2015. The business structure, financial condition and management environment of the Group have significantly changed. The Group remains mindful of the corporate governance code, which forms the guiding principles for improving corporate value. We re-defined the “Corporate Mission Statement,” which outlines what kind of corporate entity we want to be, and formulated “Our Values.”

The Corporate Mission Statement clarifies our commitment to becoming “a machinery manufacturer that continues to provide excellent products and services to the world” and our direction of “we will contribute towards society by gaining high respect and confidence from all stakeholders.” We set out four values of “Customer First,” “Embrace Changes,” “Commitment to Technology and Innovation,” and “Respect People” that Group members should emphasize.

Sharing these business principles throughout the entire Group enables us to move forward in a drastically changing market environment without losing site of where we should be headed, provides a focus for Group strengths and enables creation of great strength.

Business Roles in Medium-Term Management Plan 2019 (Table 5)

<table>
<thead>
<tr>
<th>Role</th>
<th>Growth &amp; High Profitability</th>
<th>Improve Profitability</th>
<th>Stabilize Profit Margins</th>
</tr>
</thead>
<tbody>
<tr>
<td>Next-Generation Businesses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Device-Related Businesses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure-Related Businesses</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Contribute to Society by Providing Excellent Products and Services and Earn the Trust of Society

Modern companies, including the SHI Group, are required to contribute to resolving social issues as a member of society. We believe that CSR is essential for a company to be trusted as a member of society and achieve sustained growth. In MTMP19, we established “Actively Pursue CSR” as one of its basic policies.

In fiscal 2016 we established the CSR Promotion Office to actively advance these activities and concentrate human resources from divisions associated with CSR. This organization takes the lead in raising awareness within the Company and delivering information outside of the Company by clarifying challenges through dialogue with various business divisions about resolution of social issues through formulation of CSR policies and plans and products and services. These activities enable collecting information from inside and outside sources, we organized our thinking on activities already being conducted and activities that will be necessary going forward, and established long-term goals for the SHI Group’s CSR activities.

Providing excellent products and services and contributing to resolving social issues are a fundamental role of the manufacturing industry. The SHI Group is focused on resolving social issues through its main business of providing products and services. For example, we connect to the resolution of social issues through the provision of products such as power generation equipment through CFB boilers fueled by biomass, public water and sewer facilities, industrial use water treatment plants and medical equipment centered on cancer diagnosis and treatment, as well as by pursuing advanced functions such as energy saving, automation and enhanced safety in addition to supplying customers with components for their products and services.

In addition, we acquire society’s trust through greater reduction of the load on the environment, emphasizing relationships with various stakeholders, green procurement and strengthening internal governance and there are numerous areas where we need to actively advance, including the creation of workplace environments that allow each and every Group company member to work in a lively manner.

As a part of this, fiscal 2016 was positioned as the First Year for Diversity Promotion to create the foundation for an organization where diverse personnel can participate and advance while leveraging their own personal qualities, and we are, first of all, promoting women’s participation and advancement as a key management policy.

Through these initiatives, we will work to earn the trust of society and achieve sustained growth for the SHI Group by contributing to resolution of social issues.
Three Strengths Driving SHI’s Growth

The SHI Group has developed its business while responding to changes in society’s needs. The Group has overcome adverse management environments with its strengths in “excellent products and services,” “management with effective governance,” and “a culture of transformation.” These three strengths have been cultivated throughout the Group’s history. They will continue to be important factors in our growth over the medium and long term.
Management Model for Medium- to Long-Term Growth

The SHI Group continually reforms its management model, drawing on the strengths it has cultivated. We will continue to build a highly competitive business portfolio, and enhance the profitability, stability and growth potential of management.

INPUT

Manufacturing capital

Intellectual capital

Financial capital

Human capital

Social capital

Natural capital

OUTPUT

Excellent products and services

Operating income

Financial results from sound management

Stockholders’ equity ratio

Net interest-bearing debt ratio

Contribution to and impact on society and the environment

Waste volume

CO₂ emissions

Water reduction

Value provided to stakeholders

Customers

Shareholders and investors

Business partners

Employees

Society and the environment

Contribution to external environment

Economic conditions in countries and markets

Technological innovation and changes in industrial structures

Facilities investment demand centered on emerging countries

Competitors becoming more competitive

Increasing demand in life science fields

Contribution to safety, efficiency, comfort

Raise shareholder value through shareholder returns, etc.

Growth through collaboration and sharing expertise, etc.

Developing human resources that raise competitiveness

Environmental contribution through reducing environmental impact, etc.
Excellent products and services

Top market share in the power transmission and controls industry in Japan

The Story of the Power Transmission and Controls Business

The SHI Group’s power transmission and controls business began in 1911 with the production of DC motors for the Besshi copper mine, so it already has over 100 years of history. CYCLO®DRIVE, which was first produced in 1939, remains one of our mainstay products. It is an exceptional product that has led the global power transmission industry through developments in industrial technology and changes in society. It is an unshakable presence as the trusted partner of many customers.

“We are always moving forward in pursuit of new ideas that inspire our partners to create new values that will change the world.” Sumitomo Drive Technologies, the brand of our power transmission business, was adopted in 2003 as a symbol of our values. Through the brand, we strive to provide even higher value to customers by reaffirming our role as a “dependable partner with reliable products of unique technologies and innovations solutions” and further reinforcing “dynamic and speedy support and services.”

Development & Quality Support Excellent Products and Services

Listening closely to customers and working with them to directly tackle the issues they face is the basic stance of the SHI Group’s power transmission and controls business. Out of working with customers, we have developed an extensive, industry-leading product lineup ranging from small-scale gear motors of several watts to large-scale gearboxes of several thousand kilowatts, along with inverters and various types of motors.

Our R&D system forms the basis of all the SHI Group’s technologies and allows us to produce technologies as the top manufacturer of power transmissions. We conduct basic research on gears, shafts, casing and lubricants—the foundation technologies of power transmissions—and carry out development to commercialize products that meet customer needs. It is these wide-ranging development capacities that support our new products and new technologies.

The main reason customers choose our products is dependability. To ensure that quality built in at the development stage is maintained on actual production lines and to deliver highly dependable products to customers, we have established strict quality standards even at the manufacturing stage, to the level of the individual process.

Delivering Dependability to Customers Globally

Simply having an extensive product lineup is not enough without a system for delivering what the customer wants in a timely manner and supporting reliable and safe operation. We began developing the business on a global scale from an early stage to support the business activities of our globalizing customers. Sumitomo Machinery Corporation of America was established in 1966, and, in Europe, in 1974 we invested in CYCLO Getriebebau GmbH (now Sumitomo (SHI) Cyclo Drive Germany GmbH), the parent of the CYCLO®DRIVE.

Our current sales and service system has sales offices at 123 locations in 28 countries. We supply products and provide service to diverse sectors and applications, including steelmaking machinery, distribution systems, food products equipment, and semiconductor production equipment. Our regional sales offices have built a knowledge management system for sharing and refining information that allows them to quickly search projects from around the world to find and propose the optimal solution for each customer.

Toshiharu Tanaka
Director, Executive Vice President
General Manager of Power Transmission & Controls Group

Nagoya Works (Obu-shi, Aichi)
Creating a structure for ensuring profitability

Opportunity Risks Visualized through Order Evaluation
For sales opportunities in which certain risks are anticipated, such as when the monetary value or customer exceeds certain standards or when a newly developed technology or new business model is to be adopted, the SHI Group conducts strict order evaluations involving the judgment of top management that is based on opinions received from related specialist divisions within the Company. The focus of the evaluations is broad, including not only technologies and product quality but legal interpretations of contractual provisions and the precision of receivables collection. Visualization of the risks inherent in sales opportunities and repeatedly and thoroughly conducting advance preparations on mitigating risks also enables us to accumulate organizational knowledge in business divisions and take measures at an earlier stage. This system has been created out of our many experiences to date, and the fact that we are able to execute it faithfully we believe is one of the strengths of our organization.

Reporting and Discussion at the Executive & Operating Officers Committee
The Executive & Operating Officers Committee is convened every month with all directors, corporate auditors, and operating officers from each division. The committee receives reports on divisional performance and status, shares market information for the SHI Group’s wide-ranging businesses, and holds discussions on potential risks. For example, power transmission market reports, which make clear the response to market trends at a relatively early stage, are provided as reference to other business divisions and allow them to formulate important insights for forecasting their own markets. Sharing information on a regular basis among the operating officers of each business division constantly exposes the activities of each business division to the eyes of third parties, including external directors. For this reason, when something is perceived as somehow irregular, it is not neglected; measures are taken at an early stage for problems with the potential to have a serious impact on performance.

By ensuring that thorough reports are given at the Executive & Operating Officers Committee with a degree of scrutiny and tension, governance of the SHI Group functions in a very tangible way.

Learning Cycle for Ensuring Management Policies Penetrate the Group
Repeatedly implementing these various measures serves to accelerate the learning cycle in connection with mitigating risks and responding to problems. This learning cycle is implemented in business divisions as well to instill the entire Group with the direction sought by management and effective governance and to generate the strength that is needed to continue to provide first-class products and services.
Value Creation by Sumitomo Heavy Industries Material Handling Systems Co., Ltd.

Sumitomo Heavy Industries Material Handling Systems Co., Ltd. has earned the strong trust of its customers through comprehensive engineering related to the design, manufacture, assembly and installation of cranes and other material handling systems used at ports, shipyards, ironworks and in power and energy-related applications as well as of mechanical parking structures and other facilities, and lifecycle support that includes maintenance and after-sales service. The company conducts design and manufacturing at Ehime Works—Niihama Factory and supplies products not only to the domestic Japanese market but also to overseas markets, primarily in East Asia and Southeast Asia. Specifically, the company boasts the top share of the domestic market in gateway-shaped Goliath shipping cranes, an indispensable tool at large-scale shipyards, and continuous unloader (bucket elevator type), which are used to unload coal and iron ore at power stations and ironworks.

The company provides substantial value to customers through a positive cycle of raising customer satisfaction through conscientious service, listening to feedback from customers, and improving product quality and function by incorporating that feedback into its products.

Overcoming Crises to Foster a Culture of Transformation

The industrial crane business is the maiden business of SHI. In 1888, we began machinery repairs as the production and repair shop for the Besshi Copper Mine, and in 1912 we delivered our first overhead crane, continuing thereafter to conduct manufacturing activities at the Niihama site.

Around 2000, capital investment contracted amidst financial system anxiety and plunging stock prices and so we conducted structural reforms to accommodate these market changes. Amid declining product sales, we focused on service businesses, made progress on selecting certain models and concentrating resources in them. We put our business survival at stake by spinning off companies and began anew.

Subsequently, the business recovered steadily, however, performance deteriorated again following the global financial crisis of 2008. The Company further strengthened service businesses and revamped manufacturing structures. We have faced crises of business continuity in the past, and we have always overcome them by working together as an organization to implement resolute structural reforms.

Further Growth through Integrating Differing Cultures

Japan’s industrial crane market is maturing, and the service business is growing in importance. Overseas markets, on the other hand, are expected to grow, driven by infrastructure demand, mainly in Asia. However, competition with overseas companies is also expected to increase.

In response to these changes, Sumitomo Heavy Industries Material Handling Systems integrated the industrial crane business of Mitsubishi Heavy Industries Machinery Technology Corporation.

The fusion of the two companies’ traditions and backgrounds is no easy task. Discord can frequently occur due to differences in approaches and values that each has traditionally relied on. Nevertheless, Mitsubishi Heavy Industries Machinery Technology Corporation and the Company have complementary models and technologies, which will enable us to provide value to greater numbers of customers.

Within the culture of transformation that Sumitomo Heavy Industries Material Handling Systems has cultivated throughout its long history, we will leverage both companies integration synergies to the fullest extent, strengthening the service business in Japan and expanding the business in overseas markets to achieve further growth.

Within the culture of transformation that Sumitomo Heavy Industries Material Handling Systems has cultivated throughout its long history, we will leverage both companies integration synergies to the fullest extent, strengthening the service business in Japan and expanding the business in overseas markets to achieve further growth.
### Segment Overview

**Business Profile**

This segment’s main products are power transmissions and controls, which are essential for operating motor drives. Our power transmission and controls lower the rotating speed of a motor while increasing torque. They are used widely in various fields ranging from the handling line of production plants to robots. We have the leading domestic market share and a top-level sales record globally.

Our injection molding machines are used in the field of semiconductor equipment in cryopumps and more. We have the leading robot joints. We have the leading equipment in cryopumps and more.

The products in this segment include our hydraulic excavator models, which were the first pieces of construction machinery awarded prizes for energy efficiency. Moreover, our products have also superior operability and safety, and been bestowed with the good design award in the past. Our asphalt finishers are an essential piece of equipment for pavement finishing works.

This segment is responsible for various types of products including advanced devices that use cyclotrons to diagnose and treat cancer, forging presses for automotive components, large-scale cranes for shipyards and ports, and transport equipment for logistics. We are focusing on steam turbines for biomass captive power generators overseas. Our continuous unloaders hold the leading share in Japan.

Our circulating fluidized bed (CFB) boilers that can be used with various fuels, including biomass, boast the top share in the global market. Our efficient water treatment systems and sewage treatment systems used in production plants are highly regarded for their energy-saving performance and are being provided for a wide range of use, from construction facilities through to operation management.

### Net Sales Ratio by Segment (Billions of yen)

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery Components</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Precision-Machinery</td>
<td>29.0</td>
<td>32.6</td>
<td>37.0</td>
</tr>
<tr>
<td>Construction-Machinery</td>
<td>4.1</td>
<td>4.8</td>
<td>5.0</td>
</tr>
<tr>
<td>Industrial Machinery</td>
<td>87.9</td>
<td>98.9</td>
<td>107.6</td>
</tr>
<tr>
<td>Other</td>
<td>28.8</td>
<td>27.1</td>
<td>21.6</td>
</tr>
<tr>
<td>Total</td>
<td>201.9</td>
<td>208.6</td>
<td>227.2</td>
</tr>
</tbody>
</table>

### Sales by Region (Billions of yen)

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia (Including China)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas Ships</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>31.2</td>
<td>31.2</td>
<td>31.2</td>
</tr>
</tbody>
</table>

**Integrated Report 2017**

Sumitomo Heavy Industries, Ltd.
Fiscal 2016 Review and Key Topics
In new products, we launched the PARAMAX® 10 Series of large gearboxes. We focused on sales overseas, aiming to strengthen the gearbox business. Regarding specific applications, we rolled out traveling motors for stacker cranes. Specifically, SHI introduced water-resistant gear motors with an IP67 rating, primarily for food and hygiene equipment, and the world’s first gear motors treated with an antimicrobial coating to receive the Society of Industrial Technology for Antimicrobial Articles (SIAA) KOHKIN certification.
In Japan, we established a full lineup of products compliant with new efficiency rules for motors (top-runner efficiency rules for motors) introduced in April 2015 ahead of other companies. We are also strengthening customer service through standardization and support systems, and so forth, and responding to regulations overseas. Overseas, we worked to bolster the mining, infrastructure, and other gearbox markets by launching and expanding sales of PARAMAX® 10 Series gearboxes.

Fiscal 2017 Strategies and Initiatives
In FY2017, we will keep investing in overseas business sites. We will also continue to heighten our product capabilities, lead-time performance, and cost competitiveness by bolstering our product planning capabilities, sales networks, supply chains, and other aspects in Japan and around the world. Moreover, we will successively launch new models currently in development, as we strive for continuous business growth by reinforcing product capabilities and entering growth fields.
In April 2017, SHI integrated our gearbox business into the Group company Sumitomo Heavy Industries Gearbox Co., Ltd. We aim to augment the large gearbox business through this unification of its management.

Machinery Components
Main Products
• Power transmission and controls
• Motors

Market Environment
In FY2016, the domestic market was generally weak for heavy and chemical industries but strong for sectors related to lightweight transport, construction, and LCDs, among others. Overseas, momentum was relatively robust, led by Europe, North America, and Asia as well as factory automation.
In FY2017, despite a sense of uncertainty, domestic and overseas trends are likely to be solid, mainly in sectors related to robotics, food, and metal processing, driven by investments in infrastructure equipment and labor-saving due to labor shortages.
**Plastics Machinery**

**Market Environment**
Plastics machinery contracted in FY2016, hampered by global economic weakness. Growth slowed particularly in emerging markets, which had been driving demand. However, the market turned around as 2017 began, supported by brisk demand in North America and emerging markets such as China and Southeast Asia. Notably, the market for smartphone components and other electric and electronic components remains brisk in China, and market conditions are strong in Southeast Asia, the United States, and Mexico.

**Fiscal 2016 Review and Key Topics**
In FY2016, plastics machinery missed targets for the single fiscal year of 2016 as sales fell due to impact from market deceleration in China, but achieved cumulative three-year targets for orders, sales, and operating income. Sumitomo (SHI) Demag Plastics Machinery GmbH grew its market share on the back of a rise in electric motor sales. By sector, electrical and electronic-related markets saw active investment around smartphones and VR lenses in China from the latter half of FY2016. The domestic and US automotive markets were also robust.

**Fiscal 2017 Strategies and Initiatives**
To realize a competitive product portfolio, we will redouble efforts in related markets such as automotive and food containers in addition to our traditional electrical and electronic-related domains. Further, we will strengthen sales, service, and brand channel collaboration with Sumitomo (SHI) Demag Plastics Machinery GmbH under a common strategy.

With regard to the Internet of Things (IoT), we are making proposals to boost productivity and realize smart factories. These initiatives include centralized management of molding equipment.

**Orders**
<table>
<thead>
<tr>
<th>Orders (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>154.6</td>
</tr>
<tr>
<td>146.5</td>
</tr>
</tbody>
</table>

**Net Sales**
<table>
<thead>
<tr>
<th>Net Sales (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>140.5</td>
</tr>
<tr>
<td>125.0</td>
</tr>
</tbody>
</table>

**Operating Income/ Operating Income Ratio**
<table>
<thead>
<tr>
<th>Operating Income/ Operating Income Ratio (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.5</td>
</tr>
<tr>
<td>11.0</td>
</tr>
<tr>
<td>5.0</td>
</tr>
</tbody>
</table>

Precision Equipment and Others

**Market Environment**
In the medical MRI market, we expect overall global conditions to remain largely unchanged in light of flat trends in one of the biggest markets, China. The semiconductor market is likely to stay on a growth trajectory in FY2017, fueled by solid demand for data centers along with smartphone capacity growth and robust automotive and IoT demand. The display market is expected to grow as organic EL display demand for the China market and smartphones moves into full swing.

**Fiscal 2016 Review and Key Topics**
We are targeting greater market share with new products in cryogenic coolers and cryopumps and aiming to capture replacement demand. We launched highly efficient cryogenic coolers boosting performance by 20%. Going forward, we will keep helping customers to enhance their own product capabilities. We will also focus on tapping into demand for replacement of existing products. Our cryopumps launched in 2015 use 40% less energy and double Ar gas storage capacity compared with previous models, and these continue to perform well. We are delivering value by contributing to customers’ cutting-edge processes and promoting replacement of older products on their existing production lines.

**Fiscal 2017 Strategies and Initiatives**
In October 2016, we acquired the shares of the vacuum gauge developer Ferran Technology, Inc. (California, USA) and made it a subsidiary. Along with the cryopumps that we manufacture and sell, vacuum gauges are a critical instrument for measuring and establishing the required vacuum environment inside the chambers of semiconductor production equipment.

In March 2017, we acquired the shares of Persimmon Technologies Corporation (Massachusetts, USA) and made it a subsidiary. Persimmon’s customers are semiconductor and electronic component production equipment manufacturers. It primarily manufactures and sells vacuum robotics for use in semiconductor manufacturing processes such as wafer transport, where clean, highly reliable products are required.

In addition to expanding business in this way through M&A, we will leverage the production and quality systems and sales networks we have developed in cryopumps to win market share. In doing so, we will broaden our business domain in the vacuum equipment market and tie our efforts to semiconductor-related business growth.

**Main Products**
- Plastics machinery
  - Major Applications/Markets: Electronics, Electric equipment, Automotive, Containers, Medical equipment
- Ion-implantation systems
- Laser processing systems
- XY stages
- Transfer-molding press machines
- Cryogenic equipment
  - Major Applications/Markets: Medical equipment, Measuring and analyzing equipment, Semiconductors
- Precision forgings
  - Major Applications/Markets: Aerospace, Turbines for power generation
- Defense equipment
  - Major Applications/Markets: Defense

**Orders**
- 154.6
- 154.6
- 154.7

**Net Sales**
- 146.5
- 146.4
- 145.7

**Operating Income/ Operating Income Ratio**
- 13.5
- 13.2
- 12.1
- 11.0
- 10.0
- 9.2
- 5.0
- 5.0
- 5.0

*SICERA® Ultra cryopump*
**Market Environment**

In FY2016, the domestic hydraulic excavator market contracted 4% from the previous fiscal year. This reflects a recoil from the surge in demand especially focused around the rental market in FY2014 prior to the change in emission rules. The biggest market for hydraulic excavators, China, recovered from the second half of FY2016 to expand 25% from the previous fiscal year and drive global demand. Other markets, including Europe and the ASEAN region, were also solid. As a result, the overall global market grew 8% to 173,750 units sold in FY2016.

**Fiscal 2016 Review and Key Topics**

Our domestic market share reached a record high of 11.7%, thanks to bolstered marketing and servicing capabilities for new model hydraulic excavators, which offset lower rental demand. Moreover, our new model hydraulic excavator (SH250-7) introduced in July 2016 was the third generation in a row to be bestowed the Good Design Award. At our China and Indonesia plants, we ensured operational capacity by continuing steps from the previous fiscal year including manufacturing plates for use in our domestic plants. At the China plant, we ramped up production in line with market recovery from the latter half of FY2016. Turning to the road paving business, asphalt finisher export volumes grew and business expanded as production started at the China plant.

**Fiscal 2017 Strategies and Initiatives**

We expect global demand to grow from FY2016, buoyed by a surge in demand ahead of domestic emission regulation changes and recovery in the China and ASEAN markets. For the domestic market, we plan to roll out equipment meeting heightened needs for using ICT in construction, such as new model excavators and road machinery with our new model safety operating support system “Field View Monitor-II” (PVMI-II). Overseas, we aim to increase our market share through reinforced marketing and servicing activities tailored to specific areas around the world. In the service and components area, we are pushing for higher profitability. For production, including overseas, we will work even harder to cut costs and improve production efficiency.

**Crane Business**

Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.

**Market Environment**

In FY2016, the domestic mobile crane market was solid and demand rose, underpinned by private sector construction, including for the 2020 Tokyo Olympics, and the execution of the second supplementary budget for government construction investment. Overseas demand declined sharply. Key factors were less investment in North America due to cheaper crude oil, economic stagnation in Western Europe, partially as a result of the UK’s departure from the EU, lower raw material prices in emerging markets, and China’s economic slowdown.

**Fiscal 2016 Review and Key Topics**

Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd. (HSC), which had previously been equally owned, became our consolidated subsidiary in March 2017 as a result of a change in equity stakes in HSC to 66% for SHI and 34% for Hitachi Construction Machinery Co., Ltd. In FY2016, the Company’s consolidated subsidiary Link-Belt Cranes, L P, LLLP suffered from weak demand in North America, but it will enhance cooperation with HSC in areas such as sales, development, and procurement going forward.
Forging Presses

Market Environment

Overseas transplant investments are gaining steam, mainly in North America, as automakers increasingly adopt high-value-added parts. Domestic market investment is concentrated on maintaining production capacity including by overhauling and updating existing equipment.

Fiscal 2016 Review and Key Topics

Amid robust overseas transplant investments, we received orders for equipment used to manufacture automobile parts in North America and Southeast Asia. We also received orders in the domestic market including for large-scale refurbishment and new projects. Additionally, in 2015 we won an order for a world-leading automobile engine crankshaft forging line and delivered it. It has now started operating, and has been well received by the customer.

Medical Equipment

Market Environment

The domestic and overseas markets are generally firm for cyclotron systems for PET, which are used to manufacture radiopharmaceuticals for diagnoses related mainly to cancer, brain function, and other issues. Also, in terms of cutting-edge treatment, there is a growing interest in proton and heavy-ion cancer therapy systems in Asia, Europe, and North America.

Fiscal 2016 Review and Key Topics

In the diagnosis field, we got orders for cyclotron systems for PET, especially in China and Japan. In the treatment field, we reached an "Agreement on Comprehensive Cooperation on Fifth-Generation Quantum Beam Cancer Treatment Facility" with the National Institutes for Quantum and Radiological Science and Technology, and three other companies. Regarding boron neutron capture therapy (BNCT), which destroys cancer cells after the uptake of boron compound, we began Phase II clinical trials for head and neck cancer.

Fiscal 2017 Strategies and Initiatives

We are setting out to expand orders through stronger marketing, forge ahead with new product and technology development, and make our products even more competitive. These efforts will be guided by our business vision of "delivering the best customer service and products in the material handling domain to become the top domestic material handling systems manufacturer."

Material Handling Systems

Sumitomo Heavy Industries Material Handling Systems Co., Ltd.

Market Environment

In material handling systems, demand for refurbishment of aging facilities in the steelmaking sector is steady, and several thermal power investments are planned in the energy sector. In logistics equipment, demand is rising for automation equipment to deal with labor shortages in distribution industries. For machine-automated parking, redevelopment projects are anticipated in connection with the 2020 Tokyo Olympics as well as commercial and other facilities.

Fiscal 2016 Review and Key Topics

We received orders for material handling systems from the brisk steelmaking sector and secured a certain volume of orders from the shipbuilding industry, which made capital investments to strengthen competitiveness. For logistics equipment, we secured orders from a wide array of fields, and we are focusing on new product development. We beat our order target for underground machine-automated parking lots, thanks to the product capabilities supporting our top market share and strong demand.

Fiscal 2017 Strategies and Initiatives

Continuing to aim for higher customer satisfaction, we will enhance our servicing capabilities. In particular, we will work on preventative maintenance to help ensure customers’ stable operations. Additionally, we are developing a new FPZ series of forging presses based on the concepts of stable, suitable, and comfortable. Our goal is to contribute to a better forging work environment and to expand our business.

Orders

<table>
<thead>
<tr>
<th>Orders (Billion of yen)</th>
<th>10.0</th>
<th>9.0</th>
<th>8.0</th>
<th>7.0</th>
<th>6.0</th>
<th>5.0</th>
<th>4.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY14 FY15 FY16 (%)</td>
<td>99.6</td>
<td>92.6</td>
<td>91.3</td>
<td>87.9</td>
<td>83.3</td>
<td>75.8</td>
<td>68.1</td>
</tr>
</tbody>
</table>

Net Sales

<table>
<thead>
<tr>
<th>Net Sales (Billion of yen)</th>
<th>10.0</th>
<th>9.0</th>
<th>8.0</th>
<th>7.0</th>
<th>6.0</th>
<th>5.0</th>
<th>4.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY14 FY15 FY16 (%)</td>
<td>126.0</td>
<td>114.0</td>
<td>91.1</td>
<td>97.9</td>
<td>90.0</td>
<td>75.8</td>
<td>68.1</td>
</tr>
</tbody>
</table>

Operating Income/ Operating Income Ratio

<table>
<thead>
<tr>
<th>Operating Income/ Operating Income Ratio (Billion of yen)</th>
<th>10.0</th>
<th>9.0</th>
<th>8.0</th>
<th>7.0</th>
<th>6.0</th>
<th>5.0</th>
<th>4.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY14 FY15 FY16 (%)</td>
<td>7.6%</td>
<td>9.5%</td>
<td>10.8%</td>
<td>11.3%</td>
<td>10.8%</td>
<td>10.9%</td>
<td>11.3%</td>
</tr>
</tbody>
</table>

Fiscal 2017 Strategies and Initiatives

In the power generation business, projects for the domestic Feed-in Tariff (FIT) system for renewable energy remain strong. In the Southeast Asian private power generating segment, delays on decisions for new projects are emerging due in part to stricter conditions for construction permits. However, we expect a rise in planned investments for electricity projects to meet growing power demand in countries in the region. In the oil and gas business, excessive capacity is contributing to a downturn in investment. However, environmental initiative-related refinery projects are likely in Asia and India as well as new petroleum distillation and petrochemical projects in the Middle East and North America.

Fiscal 2016 Review and Key Topics

In the power generation business, we attained higher domestic order volume than in the previous fiscal year on brisk FIT business. Overseas order volume declined from the previous year, partially because of delays on plant order decisions. In the oil and gas business, we won orders to increase the capacity of existing plants in South Korea and other places. Nevertheless, order volume fell from the previous fiscal year, largely owing to new project cancellations and postponements. Overall, even though sales increased robustly, orders decreased slightly.

Fiscal 2017 Strategies and Initiatives

In the power generation business, we aim to expand orders in the overseas private power generating segment and the power selling segment by developing new markets and sustaining and adding to our loyal customer base. In the oil and gas business, we look to increase orders through marketing promotions and our strengths in turbine and pump packages.

Turbines and Pumps

Shin Nippon Machinery Co., Ltd.

Market Environment

In the power generation business, projects for the domestic Feed-in Tariff (FIT) system for renewable energy remain strong. In the Southeast Asian private power generating segment, delays on decisions for new projects are emerging due in part to stricter conditions for construction permits. However, we expect a rise in planned investments for electricity projects to meet growing power demand in countries in the region. In the oil and gas business, excessive capacity is contributing to a downturn in investment. However, environmental initiative-related refinery projects are likely in Asia and India as well as new petroleum distillation and petrochemical projects in the Middle East and North America.

Fiscal 2016 Review and Key Topics

In the power generation business, we attained higher domestic order volume than in the previous fiscal year on brisk FIT business. Overseas order volume declined from the previous year, partially because of delays on plant order decisions. In the oil and gas business, we won orders to increase the capacity of existing plants in South Korea and other places. Nevertheless, order volume fell from the previous fiscal year, largely owing to new project cancellations and postponements. Overall, even though sales increased robustly, orders decreased slightly.

Fiscal 2017 Strategies and Initiatives

We are setting out to expand orders through stronger marketing, forge ahead with new product and technology development, and make our products even more competitive. These efforts will be guided by our business vision of "delivering the best customer service and products in the material handling domain to become the top domestic material handling systems manufacturer."

Fiscal 2016 Review and Key Topics

The market situation for newly built vessel orders was extremely tough since the price for newly built vessels has been on a downtrend due to uncertain market prospects such as large numbers of newly built vessels still on order and countermeasures for new environmental regulations. However, in contrast to such market difficulties, we received three orders for newly built vessels in FY2016. As of the beginning of FY2017, we had secured three years’ worth of work to be carried out. Also, we completed the construction of three vessels during FY2016. By continuing to apply the Toyota Production System and otherwise enhance productivity and improving the profitability of individual shipbuilding projects, profit increased on a full-year basis. Moreover, we are proactively strengthening our flagship Aframax Tanker and other mid-sized tankers, including adoption of NOx Tier III regulations and new SOx emissions regulations.

Fiscal 2017 Strategies and Initiatives

Global oil shipping volumes are projected to keep growing for the foreseeable future as emerging markets’ import and/or consumption volumes continue to rise from FY2016, led by India and China, and changes in crude oil trading patterns lead to diversification of various countries’ crude oil suppliers —namely, an increase in crude oil exports from the US. Meanwhile, completions of newly built vessels are expected to remain at high levels in FY2017. However, new global environmental regulations, such as those for ballast water treatment, SOx and NOx, are expected to be a trigger to increase the scrapping of existing tonnage in the future. Against this situation, we will accelerate initiatives to receive orders and enhance our vessels’ product capabilities. Specifically, we will quickly develop vessels compliant with new environmental regulations, changing customer requirements, and diversifying trends. Further, we intend to raise shipbuilding efficiency through ongoing capital expenditures and improve the profitability of individual shipbuilding projects to increase profit levels from the previous fiscal year.

Market Environment

In the shipbuilding market, oversupply of new vessels temporarily improved as some overseas shipyards struggled financially. However, sentiment for placing newly built vessel orders has not improved since the start of FY2016 considering such factors as the continuing high volume of newly built vessels, the accumulation of last-minute orders ahead of new environmental regulations (NOx Tier III regulations) in FY2015, and consideration for countermeasures regarding sulfur oxide (SOx) emissions regulations (SOx Global CAP2020).
Energy Plants

Market Environment
The domestic power generation market remains strong, with a number of projects under development on the Feed-in Tariff (FIT) system launched in 2012 which use locally sourced forest thinnings and biomass fuel from overseas including palm kernel shells (PKS). Additionally major electricity companies are considering plans to construct large-scale biomass power plants to reduce CO2 emissions. Overseas, there is robust demand in emerging markets due to the lack of electricity and planning and construction of coal-fired power plants is underway in Asian countries.

Fiscal 2016 Review and Key Topics
During FY2016, we moved ahead with the construction and delivery of boiler facilities to customers, including one overseas and four domestic power generation facilities. Also, we received two new orders for circulating fluidized bed (CFB) boilers. In the domestic biomass power plant market, we are seeing a shift in demand toward greater fuel diversity and larger-scale facilities. We are drawing on our wealth of experience to meet market needs to deliver high-quality facilities, thereby helping to promote effective use of biomass resources and reduction of CO2 emissions.

Fiscal 2017 Strategies and Initiatives
In Japan we aim to receive our first order for a large-scale biomass power plant from a major electricity company. We will also target projects that can utilize lower-priced biomass sourced from Asia.

We recently acquired the CFB boiler business of Amec Foster Wheeler plc. and will strengthen our overseas business by harnessing the operational experience of the newly established Sumitomo SHI FW Energia Oy. Looking to the future, we will work to broaden our business area and deploy our biomass boiler expertise globally, targeting growth in energy fields for the Group.

Financial Overview
Orders (Billions of yen) 113.4 104.1 139.4 105.5 109.7 107.6
Net Sales (Billions of yen) 8.0 8.5 7.1% 7.8 7.2% 7.5%
Operating Income/Operating Income Ratio (Billions of yen) 4.0 4.0 20.0% 4.5 3.8% 20.5% 5.8 4.0% 22.0%

Environmental Facilities & Plants

Main Products
- Power generation systems
- Industrial wastewater treatment systems
- Modernization/Markets
- Air pollution control plants
- Chemical process equipment & plants
- Pressure vessels
- Steel structures
- Food processing machinery
- Water and sewage treatment systems
- Landfill leachate treatment systems
- Mixing vessels
- Oil refining
- Petrochemical industry
- Government agencies
- Iron and steel industry
- Petrochemical markets
- Iron and steel industry
- Food processing industry

Markets
- Electric utilities
- Paper manufacturing
- Steelmaking
- Cement
- Food processing plants
- Paper and pulp
- Chemicals
- Electricity and electronics
- Machinery

Business Models
- Government and public sector business
- Private sector business
- Overseas business
- M&A

Technology
- Soft technology
- Hardware technology
- Integrated proposals

Major Applications
- Water and sewage treatment systems
- Landfill leachate treatment systems
- Mixing vessels
- Oil refining
- Petrochemical industry

Fiscal 2016 Review and Key Topics
Despite a challenging market environment for private sector wastewater treatment systems, we received several orders for large-scale chemical industry projects as a result of concentrated sales activities targeting the food and chemical markets. In the governmental and public sector business, we stayed focused on introducing our units into sewage treatment plants.

To strengthen plant construction and service business collaboration, Sumitomo Heavy Industries Environment Co., Ltd. merged with its wholly owned subsidiary Sumiju Environmental Engineering Co., Ltd., which handles maintenance, repairs, and management of operations of existing facilities on April 1, 2017.

Fiscal 2017 Strategies and Initiatives
In private sector effluent treatment systems, we will work to expand orders by offering solutions to meet demand for extending the life of aging facilities that we have already supplied in sectors such as food and chemicals, and bolstering integrated proposals for water and wastewater treatment. In governmental and public sector business, we will keep concentrating on growing orders for our unit products, while advancing methodically and steadily with initiatives in areas such as plant design-and-build projects. We will also take steps on the public/private partnership business front and develop products and technologies to add to our lineup of offerings.
Message from the External Directors

To contribute to the sustainable growth of Sumitomo Heavy Industries and to a mid- to long-term increase in corporate value, SHI appoints two external directors. They offered the following messages regarding their role as external directors in strengthening corporate governance and increasing corporate value.

Contributing to Society through Human Resource Development

Over the past several years, Japanese firms are said to have made progress in governance reform efforts, and yet incidents of misconduct continue. This may be due to the fact that improvements in governance are still developing, and that efforts at compliance still remain mostly formalities. For governance reforms to truly take hold, it is essential that efforts at compliance still remain mostly formalities. For improvements in governance are still developing, and dents of misconduct continue. This may be due to the fact made progress in governance reform efforts, and yet inci-

Over the past several years, Japanese firms are said to have made progress in governance reform efforts, and yet incidents of misconduct continue. This may be due to the fact that improvements in governance are still developing, and that efforts at compliance still remain mostly formalities. For governance reforms to truly take hold, it is essential that efforts at compliance still remain mostly formalities. For improvements in governance are still developing, and dents of misconduct continue. This may be due to the fact made progress in governance reform efforts, and yet inci-

The Role of the External Director in Achieving the Goals of the New Medium-Term Management Plan

It is now three years since the Corporate Governance Code was applied to listed firms. Since the Governance Code was first applied, SHI has been active in responding to its require-ments, and has worked to enhance its ability to adapt to the items included in the Code. In FY2016, we implemented an evaluation of the effectiveness of the Board of Directors, which had been an outstanding issue. We verified that the Board of Directors was functioning effectively and that there were several areas for improvement, information which I think has proven helpful in subsequent efforts to improve effectiveness.

Some have pointed out that, under a long period of defla-
tion, Japan has neglected to invest in its human resources. At the same time, given predictions of a shrinking labor force amidst a lower birth rate and an aging society, awareness is growing that securing and developing human resources holds the key to corporate growth, and thus to the revival of the Japanese economy. For firms to develop their own human resources is to respond to the expectations of society, in effect.

The primary objective behind the introduction of the Corporate Governance Code is to increase corporate value and thus achieve sustainable growth. At SHI, FY2017 marks the start of the MTMP19, our new three-year plan. Five basic policies have been established for achieving the plan’s targets. The primary objective is to achieve steady growth, a goal which is deeply tied to achieving the other four goals: becoming a high-profit company; creating excellent products and services through a tireless commitment to improving operational quality; actively conducting business integrations, M&A and formation of business alliances with third-party entities and actively pursuing CSR. I believe that achieving these goals will only be possible through strengthened and enhanced governance. In particular, becoming a high-profit company and pursuing M&A and business alliances will require advanced management skill in selecting and focusing on specific product lines and projects. Enhanced governance will also support the goals of improving quality and actively pursuing CSR.

As an external director specializing in finance, accounting and auditing, I hope to be involved in these five basic policies through our efforts to strengthen and enhance corporate governance, and thus contribute to achieving the goals of the new medium-term management plan.
Directors, Corporate Auditors, and Executive Officers

(As of June 27, 2017)

Board of Directors

Yoshinobu Nakamura
Representative Director, Chairman of the Board

Apr. 1975 Joined the Company
Apr. 2000 Senior Vice President, General Manager of Laser Business Center
Jun. 2005 General Manager of President Replacement Group
Jun. 2013 Executive Vice President
Oct. 2015 General Manager of Corporate Planning Group
Jan. 2017 Representative Director, President and CEO

Shunsuke Betsukawa
Representative Director, President and CEO

Apr. 1979 Joined the Company
Apr. 2007 Senior Vice President, General Manager of Finance
Jun. 2009 General Manager of Corporate Planning & Business Development
Jun. 2009 Director
Apr. 2010 Executive Vice President
May 2011 Executive Vice President, General Manager of Corporate Planning & Business Development
Jun. 2011 Corporate Auditor (current)
Jun. 2011 Representative Director, President and CEO

Mikio Ide
Executive Director

Apr. 1979 Joined the Company
Mar. 1999 President of Eraino Work Design Center
Apr. 2005 Principal Engineer of Planning & Control Dept., President of Management Planning Center
Apr. 2006 General Manager of Planning & Control Dept.
Jun. 2010 Chief Representative of Chairman Replacement Planning & Development Dept.
Oct. 2011 General Manager of President Replacement Group
Jun. 2012 Director
Dec. 2012 Director (current)
Apr. 2014 Senior Executive Vice President
Jun. 2015 Corporate Auditor (current)
Oct. 2015 General Manager of Power Transmission & Controls Group

Susumu Takahashi
Executive Director

Feb. 2006 Chairman of The Japan Research Institute, Limited Aug. 2006 Chairman of The Japan Research Institute, Limited
Jun. 2011 Chairman of The Japan Research Institute, Limited
Jan. 2015 Director (current)

Shinji Nishimura
Representative Director, Senior Executive Vice President

Apr. 1975 Joined the Company
Nov. 2006 Senior Vice President, General Manager of Ship & Marine Business Center
Jan. 2010 Executive Vice President
Jun. 2012 Director (current)
Jan. 2012 Director (current)
Jan. 2015 Director (current)

Yoshiyuki Tomita
Director, Executive Vice President

Apr. 1987 Joined the Company
Apr. 2011 Vice President, General Manager of Technology Research, Corporate Technology Operations Group
Jan. 2012 Director (current)
Apr. 2013 Senior Vice President, General Manager of Corporate Technology Operations Group (current)
Apr. 2014 Executive Vice President (current)

Eiji Kojima
Director, Senior Vice President

Apr. 1990 Joined the Company
Nov. 2013 General Manager of Mechanization Divs
Jun. 2016 Senior Vice President (current)
Jul. 2016 General Manager of Energy & Environment Group
Jan. 2017 Director (current)

Hideo Kojima
External Director

Mar. 1980 Registered as Certified Public Accountant
May 1996 Registered as Executive of CPA Japan
Mar. 2000 Representative Director of Chiba Monei Construction Corporation
May 2000 Representative Director of Chiba Monei Corporation
May 2000 Representative Director of Shonan Construction Corporation
Jun. 2006 President of Nippon Spindle Manufacturing Co., Ltd.
Jul. 2010 President of Alpine Corporation, Ltd.
Jun. 2011 President of Alpine Corporation, Ltd.
Jan. 2013 Director (current)
Jan. 2015 Director (current)

Corporate Auditors

Yoji Takaishi
Standing Corporate Auditor

Apr. 1977 Joined the Company
Apr. 2000 Senior Vice President, General Manager of Human Resources
Jun. 2004 Executive Vice President, General Manager of Corporate Planning & Business Development
Jun. 2013 Corporate Auditor (current)
Jun. 2013 Representative Director and Executive Vice President
Jun. 2014 Corporate Auditor (current)
Jun. 2014 Director (current)

Takeo Wakah
External Corporate Auditor

Apr. 1940 Director (current)
Apr. 1952 Civil engineering commissioner at Tokyo District Court (current)
Apr. 2005 Vice President of Ota Takeda Asahikawa Association (current)
Apr. 2010 Active Director of Ota Takeda Asahikawa Association (current)

Masahiro Nakamura
External Corporate Auditor

Apr. 1967 Joined the Company
Aug. 1969 Manager of the Auditor Association
Jun. 2005 Representative Director and President of Kanto & Tohoku Shinkin Bank, LLC, Representative Director of Nippon Kosumon Construction Co., Ltd.
Jun. 2009 Director (current)
Jun. 2014 Corporate Auditor (current)

Executive Officers

President
Shunsuke Betsukawa
CEO
Senior Executive Vice President
Shinji Nishimura
General Manager of Export Administration Dept.
Senior Executive Vice President
Yoshinobu Nakamura
General Manager of Corporate Technology Operations Group
Senior Vice President
Tetsuya Okamura
General Manager of Industrial Equipment Div.
Senior Vice President
Akio Yakahaka
Representative Director and President of Shin Nippon Machinery Co., Ltd.
Senior Vice President
Hidetsuki Suzuki
General Manager of Corporate Finance, Accounting & Administration Group
Senior Vice President
Shinya Shumura
Representative Director and President of Sumsan (S.H.I.) Construction Machinery Sales Co., Ltd., Representative Director and President of Sumitomo (S.H.I.) Construction Machinery Sales Co., Ltd.
Senior Vice President
Hiro Morita
General Manager of Human Resources Group, Chairman of Sumitomo Heavy Industries (China), Ltd.
Senior Vice President
Kazuhiro Haraoka
General Manager of Plastics Machinery Div.
Senior Vice President
Tatsuya Endoh
Representative Director and President of Sumitomo Heavy Industries Material Handling Systems Co., Ltd., General Manager, Ehime Works
Senior Vice President
Tadashi Takaya
General Manager of Precision Equipment Group
Senior Vice President
Eiji Kojima
General Manager of Energy & Environment Group
Senior Vice President
Hiroshi Arito
Representative Director and CEO of Nihon Spindle Manufacturing Co., Ltd.
Senior Vice President
Hideo Shumata
General Manager of Ship & Marine Divs., Representative Director and President of Sumitomo Heavy Industries Marine & Engineering Co., Ltd.
Senior Vice President
Masahiro Kondo
General Manager of Corporate Planning Group
Vice President
Yuki Kuroda
Deputy General Manager of Corporate Technology Operations Group
Vice President
Seiichi Kohno
General Manager of Governor Business Unit, Power Transmission & Controls Group, General Manager, Nagoya Works
Vice President
Toshio Chihara
General Manager of Technology Research Center, Corporate Technology Operations Group
Vice President
Shawn Dean
General Manager of Global HQ, Power Transmission & Controls Group, Managing Director and CEO of Sumsan (SHI) Cyclo Drive Germany GmbH

Integrated Report 2017

Sumitomo Heavy Industries, Ltd. Integrated Report 2017
Research and Development

In the Medium-Term Management Plan 2019, which began this fiscal year, we will continue to promote technology and product development to fulfill the SHI Group’s corporate mission, which is “to become a machinery manufacturer that continues to provide excellent products and services to the world.”

R&D Framework

The Group will differentiate itself through products and services in order to convert to a high-earnings business model, and it will pool its collective capacities to create excellent products and services that deliver confidence to customers.

For new product development, we are promoting activities with close coordination between business divisions and the Technology Research Center, and we are implementing an integrated development process that involves conducting elemental technology development in advance at the center and commercialization development in our business divisions. In addition, the Technology Research Center is also focused on basic technology development, including materials, analysis, control, ICT, AI and robotics, based on a medium- to long-term roadmap.

SHI Group Business Domains

Table 1: Research and Development

<table>
<thead>
<tr>
<th>Branch</th>
<th>Business Divisions</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy and energy</td>
<td>Social infrastructure</td>
<td>Transportation</td>
</tr>
<tr>
<td>Automation</td>
<td>Semiconductors</td>
<td>Medical equipment</td>
</tr>
<tr>
<td>Water treatment systems</td>
<td>Inert gas systems</td>
<td>Power systems</td>
</tr>
<tr>
<td>Renewable energy facilities</td>
<td>Industrial zones</td>
<td>Power generation machines</td>
</tr>
<tr>
<td>Forest systems</td>
<td>Solar systems</td>
<td>Laser processing equipment</td>
</tr>
<tr>
<td>Road machines</td>
<td>Fish hatchery</td>
<td>Flow forming</td>
</tr>
<tr>
<td>Kei cars</td>
<td>Mobile zones</td>
<td>Precision processing</td>
</tr>
<tr>
<td>Forklifts</td>
<td>Fueling stations</td>
<td>Injection molding</td>
</tr>
<tr>
<td>Pumps</td>
<td>Rolls</td>
<td>LED lighting</td>
</tr>
<tr>
<td>Blades</td>
<td>Die-casting system</td>
<td>IC homes</td>
</tr>
<tr>
<td>Power transmission and controls</td>
<td>Gear motors</td>
<td>Control modules</td>
</tr>
<tr>
<td>Basic technologies (mechanical elements, materials, analysis, control, ICT, AI, robotics)</td>
<td>Proprietary technologies (cryogenics, quantum)</td>
<td></td>
</tr>
</tbody>
</table>

Collaborative Framework for Technology Headquarters and Business Divisions

The technology headquarters works in close collaboration with the business divisions through organizational units differentiated by function.

CIPO System

CIPO: Chief Intellectual Property Officer
Sub-CIPO: Deputy CIPO (Group Leader)
PL: Patent Leader

Presidential President

TOPICS

Establishment of Production Engineering Center

We have established the Production Engineering Center and will promote the development of technologies for production innovation and the further training of human resources in order to achieve a robust form of manufacturing that is responsive to diverse customer needs while securing a competitive advantage.

Promoting ICT Utilization

We gather and analyze operating data and measurement data from our products and are working to establish data-gathering mechanisms and analytical tools in order to strengthen services that help customers raise their profitability, including services that reduce unscheduled stoppages due to failure prediction and that prevent efficiency declines caused by status monitoring.

We are also involved in development with a view to securing product traceability and raising productivity by gathering and analyzing manufacturing data at our production facilities.

Intellectual Property

Strategy

Intellectual property for the SHI Group is a source of competitive advantage.

With a focus on creating, by securing rights to intellectual property, attacking, by utilizing exclusive rights, and defending, by respecting the rights of other companies, the SHI Group actively works on a unified basis to create, protect and utilize the Group’s intellectual property.

In addition, to establish a direct connection between senior management in business divisions and intellectual property activities, we have appointed chief intellectual property officers (CIPO) in each division, and then assigned them a rank equivalent to the general managers of technology and development departments. The Intellectual Property Department also participates in the intellectual property activities of business divisions in all respects and conducts activities to enhance interdivisional synergies to raise intellectual property value throughout the Group from a medium- to long-term standpoint and to further vitalize related activities at the division level.

Acquisition of Patent Rights

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Overseas Patents Acquired</th>
<th>Total Amount of Patents</th>
<th>Overseas Patents Percentage as Compared to Overall Patents %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>11</td>
<td>1,600</td>
<td>67.4</td>
</tr>
<tr>
<td>2012</td>
<td>12</td>
<td>2,000</td>
<td>68.0</td>
</tr>
<tr>
<td>2013</td>
<td>13</td>
<td>2,166</td>
<td>68.1</td>
</tr>
<tr>
<td>2014</td>
<td>14</td>
<td>2,500</td>
<td>68.4</td>
</tr>
<tr>
<td>2015</td>
<td>15</td>
<td>3,000</td>
<td>68.7</td>
</tr>
<tr>
<td>2016</td>
<td>16</td>
<td>3,500</td>
<td>69.0</td>
</tr>
<tr>
<td>2017</td>
<td>17</td>
<td>4,000</td>
<td>69.3</td>
</tr>
<tr>
<td>2018</td>
<td>18</td>
<td>4,500</td>
<td>70.0</td>
</tr>
<tr>
<td>2019</td>
<td>19</td>
<td>5,000</td>
<td>70.3</td>
</tr>
<tr>
<td>2020</td>
<td>20</td>
<td>5,787</td>
<td>70.6</td>
</tr>
</tbody>
</table>

Index of Intellectual Property

Table 2: Intellectual Property

<table>
<thead>
<tr>
<th>Branch</th>
<th>Intellectual Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>Precision Equipment Group</td>
<td>Intellectual Property</td>
</tr>
<tr>
<td>Industrial Equipment Group</td>
<td>Intellectual Property</td>
</tr>
<tr>
<td>Plastics Machinery Division</td>
<td>Intellectual Property</td>
</tr>
<tr>
<td>Power Transmission &amp; Control Group</td>
<td>Intellectual Property</td>
</tr>
<tr>
<td>Technology Research Center</td>
<td>Intellectual Property</td>
</tr>
</tbody>
</table>

Image 1: Intellectual Property

Image 2: Collaborative Framework for Technology

Image 3: SHI Group Business Domains
Corporate Governance

Sumitomo Heavy Industries (SHI) 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 of its stakeholders, including shareholders, customers, employees, and communities as a whole.

Corporate Governance System

Sumitomo Heavy Industries (SHI) has adopted the company with a board of corporate auditors system and, within this framework, 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, of whom two are external directors whose role is to supervise management from an independent standpoint and are in charge of appropriately reflecting the stakeholders’ perspective.

The Board of Corporate Auditors is comprised of four corporate auditors, including two external corporate auditors. The external corporate auditors have advanced specialist knowledge and a wealth of experience in various fields and the standing corporate auditors have specialist knowledge and a wealth of experience of SHI management. They will utilize these and provide highly effective audits.

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 preemptive 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, which is comprised mainly of executive officers, meets on a regular basis to oversee consolidated business results and to follow up on the implementation status 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 and CEO. This Committee deliberates on important matters, including those to be submitted to the Board of Directors, and, consequently, reports the results of any deliberation to the Company’s President and CEO.

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 external corporate auditors to reinforce the overall system for checking compliance and corporate accounting. Also, the Company has established the Corporate Auditor’s Department with staff directly supervised by the CEO.

Corporate Governance

Sumitomo Heavy Industries (SHI) has adopted the system to separate the business execution and supervision functions of corporate management. The Company has also established the Management Strategy Committee, comprised mainly of executive officers, meets on a regular basis. The Executive & Operating Officers Committee, which is comprised mainly of executive officers, meets on a regular basis. The Company has appointed a lawyer and a certified public accountant as external corporate auditors to reinforce the overall system for checking compliance and corporate accounting. Also, the Company has established the Corporate Auditor’s Department with staff directly supervised by the CEO.

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 external corporate auditors to reinforce the overall system for checking compliance and corporate accounting. Also, the Company has established the Corporate Auditor’s Department with staff directly supporting this Board of Corporate Auditors.

Nominating Committee and Compensation Committee

The Nominating Committee makes recommendations to the Board of Directors with regard to candidates for directors. Four of the current six members of the Compensation Committee have been externally appointed. More specifically, as an advisory committee to the Board of Directors, the Compensation Committee provides advice to the Board on the overall business strategy and remuneration that reflects the Company’s business performance while ensuring transparency and ethical appropriateness in remuneration decision processes.

External Directors and External Corporate Auditors

The Company has appointed two external directors and two external corporate auditors. Sumitomo Heavy Industries (SHI) ensures that all of its external directors 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.

<table>
<thead>
<tr>
<th>Title</th>
<th>Name</th>
<th>Reason for Appointment</th>
<th>Attendance at Meetings of the Board of Directors/Board of Corporate Auditors</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Director</td>
<td>Susumu Takahashi</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Director</td>
<td>Hideo Kojima</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Auditor</td>
<td>Takeo Wakae</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Auditor</td>
<td>Masashi Nakamura</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Compensation of Directors and Corporate Auditors

The maximum amount of compensation paid to directors shall not exceed ¥40.0 million per month pursuant to the resolution of SHI’s Ordinary General 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.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Amount of Compensation (Millions of yen)</th>
<th>Amount by Type of Compensation (Millions of yen)</th>
<th>Annual Compensation Amount</th>
<th>Number of Eligible Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (excluding external directors)</td>
<td>330</td>
<td>330</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Corporate auditors (excluding external corporate auditors)</td>
<td>69</td>
<td>69</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>External officers</td>
<td>38</td>
<td>38</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

Note: There were eight directors, two corporate auditors, and four external officers as of the end of the fiscal year under review. Included in the figures presented in the table above are the number of officers and compensation amounts paid for the period between April 2016 and June 2017 to one director who retired as of the close of the Company’s 12th Ordinary General Meeting of Shareholders held on June 29, 2016, one corporate auditor, and one external officer. (Accordingly, the aggregate number of eligible officers for the business term under review was nine directors, three corporate auditors, and five external officers.)
Compliance Activities
The Ethics Committee, chaired by the President and CEO, formulates the Company’s basic compliance policy. The Internal Control Group undertakes the rigorous implementation of the policy through a Group-wide internal control system. In addition, the Company distributes the Ethics Cards and the Compliance Manual to all employees (whichever Group employees must carry at all times) and undertakes regular ethics and compliance training. 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, the Company 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 (a whistleblowing 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 uncover 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 Group-wide 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 employees involved immediately report to executive management and take appropriate measures.

Information Disclosure and IR Activities
SHI diligently strives 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 and CEO provides briefings (half-yearly and yearly) on the Company’s interim and full fiscal year results for the benefit of institutional investors and analysts. Telephone conferences are also conducted by the officer responsible for finance and accounting. Moreover, top management makes visits to institutional investors and analysts in Japan and overseas and responds to requests for individual interviews related to IR. Briefings are also held for individual investors as SHI strives for deeper understanding of the Company among a broad range of investors.

CSR
The SHI Group engages in CSR based on the Sumitomo Business Spirit and our business principles. We are committed to realizing a sustainable society by working to solve social issues and raise corporate value, not only through good relationships with society and environmental preservation but also through our products and services.

Long-Term Objectives
1. The SHI Group will provide products and services that contribute to both economic and technological development that targets the realization of a sustainable society.
2. The SHI Group will make every effort to minimize the environmental load of its products and services across the entire lifecycle. In addition, the Group will protect the safety, security and health of every person that interacts with any corporate activity with the aim to create a vibrant workplace for every employee.

Four Priority Areas

<table>
<thead>
<tr>
<th>Key area</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CSR</strong></td>
<td>Develop products that tackle social issues</td>
</tr>
<tr>
<td>Conven-</td>
<td>Environment “E”</td>
</tr>
<tr>
<td>tional CSR</td>
<td>Society “S”</td>
</tr>
<tr>
<td></td>
<td>Employees</td>
</tr>
<tr>
<td>Governance “G”</td>
<td>Earn social trust</td>
</tr>
</tbody>
</table>

* CSR stands for Creating Shared Value. It refers to when companies and society cooperate to create shared value.
Products and Services

We contribute to society through business activities in each division with the goal of providing products and services that help solve social issues. We work to raise customer satisfaction by rigorously pursuing issues from the customer’s values, starting with the product planning and development stages.

Circulating Fluidized Bed (CFB) Boiler Power Generation Plants

Circulating fluidized bed (CFB) power generating systems generate electricity through combustion of various fuels within sand flowing actively at a high temperature. This technology makes it possible to utilize not only low-grade, flame-resistant coal but also diverse fuels like biomass fuels (unused forest thinnings, coconut shells, construction scrap, etc.) and waste products (scrap tires, etc.), which conventionally have been difficult to utilize. Use of non-fossil fuels allows coal to be conserved as a fuel resource and reduces CO₂ emissions to help prevent global warming. In addition, CFB power generation systems are being put to use in emerging countries that are struggling with power shortages due to rapid economic development and so are also playing an important role as environmentally sensitive infrastructure.

Sewage Treatment Equipment

Sewage facilities treat sewage that is emitted from the everyday activities of society, and the SHI Group contributes to society in this area through its products and services. Power used in sewage treatment is said to account for approximately 0.7% of the total power generated in Japan. There is a constant need in this sector therefore for high-efficiency, energy-saving equipment. For example, the Micras® superfine bubble membrane tube diffuser provides substantial energy savings due to high oxygen transfer efficiency made possible by superfine bubbles. Micras® is used at many treatment facilities and is helping to reduce power consumption. It also has a strong track record in renovation projects involving improving facilities that have deteriorated in efficiency due to age.

Environment

At the SHI Group, we have been promoting environmental management aware of the fact that businesses have the social responsibility to protect the global environment and engage in economic activities that are oriented toward recycling. In particular, we will step up efforts to curb CO₂ emissions with a focus on reducing environmental impact throughout product lifecycles.

Sumitomo Heavy Industries Group Environmental Policy

Environmental Philosophy

The SHI Group contributes to the realization of a sustainable society by holding fast to the “Sumitomo Business Spirit” and taking action throughout all its business activities to protect the global environment.

Environmental Policy

The SHI Group is actively engaged in activities based on the Environment Philosophy.

Transition of the Environmental Policy

The Environmental Committee was established in 1992 and since then the SHI Group has been promoting compliance and environmental protection in local communities. Moreover, in November 1999, we established the SHI Group Environmental Policy, to clarify the basic policy for activities across the Group and to expand environmental management across the Group as a whole, including overseas facilities.

Priority Issues

The SHI Group has formulated a Medium-Term Environmental Plan every three years since fiscal 2005 to achieve our Environmental Policy and enhance environmental management. The 5th Medium-Term Environmental Plan (2017–2019) outlines the following four areas as global priority issues, and advances activities.

1. Strengthen environmental risk management
2. Reduce CO₂ emissions throughout product lifecycles
3. Reduce burdens placed on the environment by business activities
4. Preserve ecosystems

* SHI contributes to the attainment of Sustainable Development Goals (SDGs) through the provision of each product or service.
We work to earn the trust of society by promoting clean procurement of materials needed for business activities and supporting and contributing to local communities. Further, we ensure work with suppliers to follow procurement guidelines and comply with various laws, regulations and social norms to raise the corporate value of both our suppliers and ourselves.

**Society**

Promoting Clean Procurement

Realizing clean procurement is an important element in contributing to the SHI Group solving social issues through products and services. As a result, we will conduct the following initiatives.

- Formulation and Disclosure of CSR Procurement Guidelines
  The SHI Group has determined items that it would like its business partners to advance, and formulated CSR Procurement Guidelines.
  - The CSR Procurement Guidelines are scheduled to be disclosed on the SHI Group website.
  - The six CSR Procurement Guidelines are:
    - Human rights, labor, and safety and health awareness
    - Environmental consideration
    - Fair competition and trade
    - Compliance with laws, regulations and social ethics
    - Disclosures
- SHI CSR and CSR Procurement Briefings for Suppliers
  Supplier briefings held by each business division are also used as an opportunity to provide briefings on SHI CSR and CSR Procurement Guidelines.

Supporting and Contributing to Local Communities

The SHI Group has a broad spread of manufacturing works and sales bases, including affiliated companies. These sites carry out support and contribution activities in their respective regions. The activities consist of local cleanups, participating in Community blood donation drives, disaster preparedness agreements with local governments, participating in community festivals, athletic meets and other events, and factory tours.

In addition to contributing to society by providing products that are beneficial to people’s lives, we also believe that the SHI Group’s contributions truly bear fruit when there is understanding and support from community residents in areas where the factories that produce the products are located.

- Community Cleanups
  SHI takes part in community cleanups in areas near business bases.
- Educational Support Activities
  - SHI supports Tobitate! (Leap for Tomorrow) Study Abroad Initiatives, the Ministry of Education, Culture, Sports, Science, and Technology (MEXT)'s campaign encouraging study overseas, and cooperates with the development of human resources capable of playing a role in the future international society.
  - Sumitomo Heavy Industries Environment Co., Ltd. took part in a community event held in Minami Ashigara City and continues providing environmental education to elementary school children.
  - Sumitomo (S.H.I.) Construction Machinery holds the Sumitomo (S.H.I.) Construction Machinery Youth Baseball Clinic as a social contribution activity. The clinic started in 2004 with the objectives of youth development and regional revitalization and has now been held on almost 60 occasions.
  - Sumitomo Heavy Industries Marine & Engineering continues to cooperate with the Blue Sea and Green Land Foundation’s BBQ Tokyo Bay Clean Experience Academy. Programs for children gathered from throughout Japan include giving them a tour of a shipbuilding works, and the experiences of riding on a tanker under construction and of seeing 3D CAD design and welding simulations.

**Employees**

To create workplaces that motivate every employee, we work to completely eliminate accidents, maintain working conditions conducive to physical and mental health, and advance diversity promotion activities. In promoting diversity activities, we focus particularly on active participation of women in the workforce as well as work-life balance.

**Promoting Diversity**

The Corporate Mission Statement of the SHI Group includes the following: “We will aim to become a machinery manufacturer that continues to provide excellent products and services to the world.” To continue to fulfill this mission, we believe it will be essential to have an organizational foundation that allows diverse personnel to participate while drawing on their unique personal qualities. To do that, we designated fiscal 2016 the “First Year for Diversity Promotion,” and with women’s participation and advancement as a key management issue, we are promoting diversity under the leadership of top management. Specific activities in fiscal 2016 included briefings on diversity promotion for management from each Group company and workshops for female employees.

In addition, training was given to people with female subordinates, where they learned about such matters as “unwitting bias” and “key points in the development of female subordinates” as part of initiatives to transform employee awareness and corporate culture. In addition, as a medium-term to long-term numerical target, the SHI Group moved ahead on initiatives to increase the number of female employees by 1.5 times from April 2015 to April 2020, to double the number of women in management and to raise the ratio of women among new graduate hires above 20%. In fiscal 2016, women accounted for over 20% of new graduate hires.

Meanwhile, to promote a work-life balance, each business division set annual goals to strive to reduce long working hours and to get employees to use their annual paid leave. Specifically, an initiative was promoted to achieve total annual working hours below 2,000 by fiscal 2019.

**Safety Initiatives**

The SHI Group positions safety as the prime management issue and accordingly advances health and safety activities. Currently, the Group has formulated and is implementing the third execution phase of the Health and Safety Improvement Plan for 2017–2019.

We have built a corporate culture of safety culture that gives top priority in all matters to safety, and we aim to secure the safety, security and good health of all working people through the realization of comfortable work environments. We actively advance initiatives to develop a company climate and temper safety in terms of the organization and individuals, we continuously strive to raise safety morale in all workplaces.

**Health Management**

In recent years, based on a belief that maintenance and promotion of employee health is an investment in future corporate earnings, focus has been placed on health management with management of employees’ health gaining greater strategic weight from a management viewpoint. The SHI Group is promoting occupational health and safety activities to clear the required evaluation items set under the Certified Health and Productivity Management Organization Recognition Program being advocated by the Ministry of Economy, Trade and Industry.
## Eleven-Year Summary and Non-Financial Data

**Summitomo Heavy Industries, Ltd. and Consolidated Subsidiaries**

For the years ended March 31

### Summary of Income (for the year):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>¥600,890</td>
<td>¥678,634</td>
<td>¥657,436</td>
<td>¥610,087</td>
<td>¥626,829</td>
<td>¥714,181</td>
<td>¥747,224</td>
<td>¥782,027</td>
<td>¥782,859</td>
<td>¥796,484</td>
<td></td>
</tr>
<tr>
<td>Net interest-bearing debt (Note 3)</td>
<td>39,890</td>
<td>59,311</td>
<td>65,654</td>
<td>25,149</td>
<td>15,347</td>
<td>23,149</td>
<td>50,732</td>
<td>29,607</td>
<td>(8,779)</td>
<td>(2,572)</td>
<td></td>
</tr>
<tr>
<td>Total net assets</td>
<td>206,010</td>
<td>246,371</td>
<td>238,697</td>
<td>254,153</td>
<td>269,380</td>
<td>282,145</td>
<td>331,059</td>
<td>365,101</td>
<td>382,817</td>
<td>409,171</td>
<td></td>
</tr>
</tbody>
</table>

### Cash Flows (for the year):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>¥600,256</td>
<td>¥660,769</td>
<td>¥642,918</td>
<td>¥516,165</td>
<td>¥548,015</td>
<td>¥624,100</td>
<td>¥585,871</td>
<td>¥615,271</td>
<td>¥667,099</td>
<td>¥700,838</td>
<td>¥674,328</td>
</tr>
<tr>
<td>Net sales</td>
<td>¥600,256</td>
<td>¥660,769</td>
<td>¥642,918</td>
<td>¥516,165</td>
<td>¥548,015</td>
<td>¥624,100</td>
<td>¥585,871</td>
<td>¥615,271</td>
<td>¥667,099</td>
<td>¥700,838</td>
<td>¥674,328</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>8,581</td>
<td>9,908</td>
<td>10,047</td>
<td>8,187</td>
<td>7,445</td>
<td>9,343</td>
<td>9,835</td>
<td>10,718</td>
<td>11,415</td>
<td>12,299</td>
<td>11,276</td>
</tr>
<tr>
<td>Operating income</td>
<td>64,224</td>
<td>77,790</td>
<td>56,940</td>
<td>28,254</td>
<td>45,803</td>
<td>47,135</td>
<td>31,288</td>
<td>34,329</td>
<td>45,998</td>
<td>50,568</td>
<td>48,306</td>
</tr>
<tr>
<td>EBITDA (Note 1)</td>
<td>74,773</td>
<td>91,758</td>
<td>75,260</td>
<td>47,979</td>
<td>63,744</td>
<td>64,955</td>
<td>49,570</td>
<td>52,948</td>
<td>62,279</td>
<td>70,289</td>
<td>64,472</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>65,341</td>
<td>75,977</td>
<td>50,275</td>
<td>26,333</td>
<td>44,253</td>
<td>44,619</td>
<td>30,997</td>
<td>33,000</td>
<td>45,133</td>
<td>49,131</td>
<td>48,274</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>37,352</td>
<td>42,974</td>
<td>13,649</td>
<td>13,280</td>
<td>27,926</td>
<td>19,492</td>
<td>5,865</td>
<td>17,891</td>
<td>24,348</td>
<td>33,133</td>
<td>33,613</td>
</tr>
</tbody>
</table>

### Financial Indexes:

- **Operating income ratio**: 10.7%
- **EBITDA ratio**: 12.5%
- **R&D expenses ratio to net sales**: 1.4%
- **Return on assets (ROA)**: 6.3%
- **Return on equity (ROE)**: 20.1%
- **Stockholders' equity ratio**: 34.1%
- **Interest-bearing debt ratio**: 14.7%
- **D/E ratio (Times)**: 0.4
- **ROIC (Note 5)**: 12.2%

### Investment in Plant and Equipment, and Others:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures</td>
<td>¥17,257</td>
<td>¥28,180</td>
<td>¥31,753</td>
<td>¥24,465</td>
<td>¥14,292</td>
<td>¥19,682</td>
<td>¥29,888</td>
<td>¥20,329</td>
<td>¥20,670</td>
<td>¥23,721</td>
<td>¥27,539</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>10,649</td>
<td>13,788</td>
<td>18,320</td>
<td>19,725</td>
<td>17,041</td>
<td>17,820</td>
<td>18,282</td>
<td>18,671</td>
<td>16,281</td>
<td>19,730</td>
<td>20,311</td>
</tr>
</tbody>
</table>

### Carbon dioxide (CO2) emissions:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total employees</td>
<td>12,561</td>
<td>14,408</td>
<td>14,984</td>
<td>15,463</td>
<td>17,025</td>
<td>18,139</td>
<td>18,245</td>
<td>17,936</td>
<td>18,061</td>
<td>18,491</td>
<td>19,321</td>
</tr>
<tr>
<td>Energy productivity (JYP million/CO2-tons) (Japan)</td>
<td>5.34</td>
<td>5.71</td>
<td>5.83</td>
<td>5.77</td>
<td>6.08</td>
<td>6.88</td>
<td>6.89</td>
<td>6.67</td>
<td>6.79</td>
<td>6.56</td>
<td>6.78</td>
</tr>
<tr>
<td>Volume of waste disposed (tons) (Japan)</td>
<td>30,948</td>
<td>33,813</td>
<td>33,999</td>
<td>30,836</td>
<td>29,024</td>
<td>33,428</td>
<td>29,107</td>
<td>25,094</td>
<td>26,442</td>
<td>30,976</td>
<td>29,345</td>
</tr>
</tbody>
</table>

---

**Notes:**

1. EBITDA = Earnings before Interest, Taxes, Depreciation and Amortization
2. Free cash flow = Cash flows from operating activities + Cash flows from investing activities
3. Net interest-bearing debt = Interest-bearing debt – (Cash and time deposits + Short-term investment)
4. Net income per share of common stock is based on the weighted average number of shares outstanding in each year.
5. ROIC (Return on Invested Capital) = (Operating income + Interest and dividends received) x (1 – Effective tax rate) * Effective tax rate = 45% until FY2013, 40% from FY2014, 35% from FY2015
6. Capital expenditures are capitalized and recorded as assets.
7. The FY2000 figure of 3.78 (t-CO2/10,000 kWh) from the Federation of Electric Power Companies was used as a fixed emissions coefficient.
### Major Subsidiaries and Affiliates

(As of June 30, 2017)

#### Machinery Components Segment

##### Power Transmission & Controls
- Sumitomo Heavy Industries Gearbox Co., Ltd.
- Sumitomo Heavy Industries PTC Sales Co., Ltd.
- Sumitomo Heavy Industries Gearmotors Co., Ltd.
- Sumiju Tomida Machinery Co., Ltd.
- Sumiju Technos, Ltd.
- Sumitomo (SHI) Cyclo Drive China, Ltd.
- Sumitomo (SHI) Cyclo Drive Logistics, Ltd.
- Sumitomo Heavy Industries (Tangshan), Ltd.
- Sumitomo Machinery Corporation of America
- Sumitomo (SHI) Cyclo Drive Germany GmbH
- Hansen Industrial Transmissions NV
- Sumitomo (SHI) Cyclo Drive Asia Pacific Pte. Ltd.
- Sumitomo Heavy Industries (Vietnam) Co., Ltd.
- Sumitomo Industries Pesadas do Brasil Ltda.
- Sumitomo (SHI) Cyclo Drive Korea, Ltd.

##### Precision Machinery Segment

- **Plastics Machinery**
  - Sumitomo Heavy Industries Modern, Ltd.
  - Sumiju Platec Co., Ltd.
  - Sumiju Logitech Co., Ltd.
  - Izumi Seiki Co., Ltd.
  - Ningbo Sumiju Machinery, Ltd.
  - Sumitomo (SHI) Demag Plastics Machinery GmbH
  - Sumitomo (SHI) Demag Plastics Machinery North America, Inc.
  - SHI Plastics Machinery (Hong Kong) Ltd.
  - S.H.I. Plastics Machinery (S) Pte. Ltd.
  - **Cryogenic Equipment**
    - Sumitomo (SHI) Cryogenics of America, Inc.
    - Sumitomo (SHI) Cryogenics of Europe GmbH
    - Sumitomo (SHI) Cryogenics of Europe, Ltd.
    - Sumitomo (SHI) Cryogenics Korea Co., Ltd.
    - Sumitomo (SHI) Cryogenics Taiwan Co., Ltd.
    - Sumitomo (SHI) Cryogenics Shanghai, Ltd.
    - SHI Manufacturing & Services (Philippines), Inc.
  - Persimmon Technologies Corporation
  - **Precision Equipment and Components**
    - Sumitomo Heavy Industries Himatzex Co., Ltd.
    - Sumiju Precision Forging Co., Ltd.
  - **LCD and Semiconductor Equipment**
    - Sumitomo Heavy Industries Ion Technology Co., Ltd.
  - **Machine Tools**
    - Sumitomo Heavy Industries Finetech, Ltd.
  - **Defense Equipment**
    - Sumiju Business, Ltd.
    - Sumiju Tokki Service Co., Ltd.

#### Construction Machinery Segment

- **Hydraulic Excavators and Road Machinery**
  - Sumitomo (S.H.I.) Construction Machinery Co., Ltd.
  - Sumitomo (S.H.I.) Construction Machinery Sales Co., Ltd.
  - Sumitomo (S.H.I.) Construction Machinery (Tangshan) Co., Ltd.
  - Sumiju SCE (Kumei) Construction Machinery Co., Ltd.
  - Sumitomo Heavy Industries (China) Financial Leasing, Ltd.
  - LBX Company, LLC
  - PT. SUMITOMO S.H.I. CONSTRUCTION MACHINERY INDONESIA
  - PT. SUMITOMO S.H.I. CONSTRUCTION MACHINERY SOUTHEAST ASIA

- **Mobile Cranes**
  - Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.
  - Link-Belt Cranes, L.P., LL LLP

#### Industrial Machinery Segment

- **Material Handling Systems**
  - Sumitomo Heavy Industries Material Handling Systems Co., Ltd.
  - Sumitomec Engineering Inc.
- **Turbines and Pumps**
  - Shin Nippon Machinery Co., Ltd.
- **Forklift Trucks**
  - Sumitomo NACCO Forklift Co., Ltd.
- **Quantum Equipment and Cyclotron Accelerators**
  - SHI-ATEX Co., Ltd.
  - SHI Accelerator Service Ltd.
  - Sumiju Magnet (Kunahari) Co., Ltd.

#### Ships Segment

- **Ships**
  - Sumitomo Heavy Industries Marine & Engineering Co., Ltd.

#### Environmental Facilities & Plants Segment

- **Energy-Related and Environmental Protection Systems**
  - Sumiju Plant Engineering Co., Ltd.
  - Sumitomo SHI FW Energia Oy
- **Water Treatment Systems**
  - Sumitomo Heavy Industries Environment Co., Ltd.
- **Pressure Vessels, Chemical Processing Equipment and Plants**
  - Sumitomo Heavy Industries Process Equipment Co., Ltd.
- **Food Processing Machinery**
  - Izumi Food Machinery Co., Ltd.
- **Industrial and Environment Equipment**
  - Nihon Spindle Mfg. Co., Ltd.

#### Others

- **Others**
  - Lightwall Co., Ltd.
  - Izumi Support Corporation
  - Sumitomo Heavy Industries Business Associates, Ltd.
  - Sumitomo Heavy Industries (China), Ltd.
  - Sumitomo Heavy Industries (USA), Inc.
  - PT. Sumitomo Heavy Industries Indonesia
Corporate Data (As of March 31, 2017)

**Head Office**
Sumitomo Heavy Industries, Ltd., 1-1, Chobi-2-chome, Shinya-ku, Tokyo 141-0025, Japan
Tel: +81-3-6737-2331
URL: http://www.shi.co.jp/english/index.html

**Founded**
1888

**Incorporated**
November 1, 1934

**Paid-in Capital**
JPY 30,871,651,300

**Number of Employees**
2,772 (Non-consolidated)

**Domestic Offices**

- **Chubu Office**
  20-14, Higashiaikawa-1-chome, Higashiai-ku, Osaka 530-0005, Japan
  Tel: +81-6-6335-3610

- **Kansai Office**
  3-3-3, Nakakosaka-shi 2-chome, Kitaku, Osaka, Osaka 530-0005, Japan
  Tel: +81-6-6342-0131

- **Kyushu Office**
  8-30, Tanyamachi, Hakata-ku, Fukuoka-shi, Fukuoka 812-0025, Japan
  Tel: +81-92-283-1670

- **Tansai Works**
  1-1, Yatate-2-chome, Naotokyo-ku, Tokyo 188-8585, Japan
  Tel: +81-4-468-4104

- **Chiba Works**
  731-1, Nagamunamachi, 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: +81-46-889-1842

- **Nagoya Works**
  1, Asaikamachi 6-chome, Oba-ku, Aichi 474-8501, Japan
  Tel: +81-562-48-5111

- **Okayama Works**
  8230, Tamatsukuri-Ohatsuka, Kurashiki-shi, Okayama 713-8501, Japan
  Tel: +81-86-525-6101

- **Ehime Works**
  5-2, Sobari-cho, Nihama-shi, Ehime 792-8888, Japan
  Factory: +81-8-977-32-6211

- **Ehime Works**
  1501, Inazuka, Saijo-shi, Ehime 795-1393, Japan
  Factory: +81-8-894-6485

- **Technology Center**
  19, Natsushima-cho, Yokosuka-shi, Kanagawa 237-8555, Japan
  Tel: +81-43-869-2300

- **Research**
  19, Natsushima-cho, Yokosuka-shi, Kanagawa 237-8555, Japan
  Tel: +81-43-869-2300

**Stock-Related Information**

- **Transfer Agent**
  Sumitomo Mitsui Trust Bank, Limited

- **Stock Exchange**
  Tokyo

- **Listing**
  614,527,405

- **Number of Shareholders**
  37,371

**Stock Information**

- **Other Japanese Corporations**
  5.92% (36,378)

- **Foreign Investors**
  41.67% (256,071)

- **Individuals and Others**
  4.08% (25,078)

- **Financial Institutions**
  35.38% (217,429)

**Stock-Related Information**

- **Equity Share**
  0.57% (37,371)

**Corporate Data**

- **History**
  1888: The Company was launched as a machinery production and repair shop for the Beashi Copper Mine
  1929: Name changed to Sumitomo Beashi Copper Mine, Ltd.—Nehama Works
  1934: Incorporated as Sumitomo Machinery Co., Ltd.
  1940: Name changed to Sumitomo Machinery Industries Co., Ltd.
  1940: Name changed to Shikoku Machinery Industries Co., Ltd.
  1952: Renamed Sumitomo Machinery Industries Co., Ltd.
  1961: Established Nagoya Works
  1962: Opened Higashi-ku Laboratory
  1965: Established Chiba Works
  1969: Merged Sumitomo Machinery Industries Co., Ltd. and Urago Heavy Industries Co., Ltd. to form Sumitomo Heavy Industries, Ltd.
  1972: Established Oppama Shipyard (currently known as Yokosuka Works)
  1973: Established Toy Factory (currently known as Ehime Works—Saijo Factory) and Nihon Suryouki to form Shin Nippon Machinery Co., Ltd.
  1979: Established Sumitomo Heavy Industries Casting and Forging Co., Ltd. (currently known as Sumitomo Heavy Industries Himeke Co., Ltd.)
  1982: Merged with Nittoku Metal Industries Co., Ltd. to form Precision Equipment Division (currently known as Precision Equipment Group)
  1983: Established Sumitomo Eaton Nova Corporation (currently known as Sumitomo Heavy Industries Ion Technology Co., Ltd.)
  1984: Established Sumitomo (SH) Construction Machinery Co., Ltd.
  1985: Formed the new technology research center building at the Ehime Works
  1989: Established Sumitomo Heavy Industries Techno-Fort Co., Ltd. (currently known as Sumitomo Heavy Industries Techno-Fort Co., Ltd.)
  1990: Established Sumitomo Heavy Industries (Tangshan), Ltd. (Niihama Factory) into Yokosuka Works
  1991: Separated the precision forging business from the Company and established Sumitomo Precision Forging Co., Ltd.
  1992: Separated the melt processing equipment business and Sumitomo Heavy Industries Techno-Fort Co., Ltd.
  1993: Established Sumitomo Heavy Industries Material Handling Systems Co., Ltd. (currently known as Sumitomo Heavy Industries Material Handling Systems Co., Ltd.)
  1995: Made Nihon Spindle Mfg. Co., Ltd. a subsidiary
  1995: Made Shin Nippon Machinery Co., Ltd. a wholly owned subsidiary
  1999: Made CBC Tech Co., Ltd., a manufacturer of extrusion molding machines and renamed as Sumitomo Heavy Industries Modern Machinery, Ltd. (currently known as Sumitomo Heavy Industries Modern Machinery, Ltd.)
  2000: Divided the company into five companies: Sumitomo Construction Machinery Co., Ltd., which focuses on roadwork equipment and excavators; Sumitomo Construction Crane Co., Ltd., which focuses on crane business; Sumitomo Heavy Industries Engineering & Services Co., Ltd., which focuses on the precision forging business from the Company and established Sumitomo Precision Forging Co., Ltd.; Sumitomo Heavy Industries Innovation Co., Ltd., which focuses on the precision forging business from the Company and established Sumitomo Precision Forging Co., Ltd.; and Sumitomo Heavy Industries Architectural Engineering Co., Ltd., which focuses on the precision forging business from the Company and established Sumitomo Precision Forging Co., Ltd.
  2001: Off-loaded the shipbuilding division and subsequently established Sumitomo Heavy Industries Marine Engineering & Co., Ltd.
  2002: Split the company’s manufacturing and machine division and established Sumitomo Heavy Industries Techno-Fort Co., Ltd.
  2003: Established the new technology research center building at the Ehime Works
  2007: Established Sumitomo Heavy Industries Techno-Fort Co., Ltd. (currently known as Sumitomo Heavy Industries Techno-Fort Co., Ltd.)
  2007: Established the new technology research center building at the Ehime Works
  2009: Made Demag Plastics Group a subsidiary
  2010: Established the new technology research center building at the Ehime Works
  2013: Integrated Sumitomo Heavy Industries Techno-Fort Co., Ltd. (currently known as Sumitomo Heavy Industries Techno-Fort Co., Ltd.)
  2013: Established the new technology research center building at the Ehime Works

**Major Shareholders**

- **The Master Trust Bank of Japan, Ltd. (Trust account)**
  6.4

- **Japan Trustee Services Bank, Ltd. (Trust account)**
  5.2

- **Sumitomo Life Insurance Company**
  3.5

- **BNY MELLON AS AGENT/CLIENTS LUCIS NON TREATY 1**
  3.0

- **Japan Trustee Services Bank, Ltd. (Trust account 9)**
  2.3

- **Sumitomo Heavy Industries, Ltd. Kyoeikai**
  2.2

- **Sumitomo Mitsui Banking Corporation**
  2.2

- **Japan Trustee Services Bank, Ltd. (Trust account 5)**
  1.8

- **THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT**
  1.6

- **JPMorgan Securities Japan Co., Ltd.**
  1.5

**Our Website**

Please refer to our website for detailed information and figures related to financial data (including Securities Reports and timely disclosure information) and non-financial data (such as environmental and CSR data).

**Investor Relations**

http://www.shi.co.jp/english/ir/

**CSR**

http://www.shi.co.jp/english/csr/