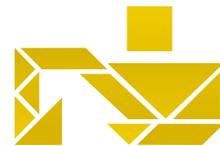


Integrated Report 2017

April 2016–March 2017



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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 sources 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 (IIRC)
- "WICI Intangibles Reporting Framework Version 1.0," World Intellectual Capital Initiative
- "G4 Sustainability Reporting Guidelines," Global Reporting Initiative (GRI)

Note: Reporting principles are used as a reference, but content does not always comply with the guidelines.

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 changes in actual business performance.



Cover

The SHI Group, as a machinery manufacturer that continues to provide excellent products and services to the world, hopes to contribute to society in various ways.

Consequently, it is not easy to come into everyday contact with the Group's products, so they have been symbolized and expressed in color tiles. We would be delighted if this helps to make people feel closer to the SHI Group.

Business Principles

Corporate Mission Statement

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.

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.



Earning the Trust of Society and Working for Sustained Growth



Shunsuke Betsukawa
President and CEO

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)

	(Billions of yen)		
	FY2015	FY2016	Change
Orders	685.9	711.1	25.2
Net Sales	700.8	674.3	(26.5)
Operating Income	50.6	48.4	(2.1)
Operating Income Ratio	7.2%	7.2%	—
Ordinary Income	49.1	48.3	(0.9)
Ordinary Income Ratio	7.0%	7.2%	0.2 pt
Extraordinary Income or Loss	(2.0)	(1.0)	1.0
Current Net Income before Tax Adjustments	47.2	47.3	0.1
Profit Attributable to Owners of Parent	33.1	33.6	0.5
Current Net Income Ratio	4.7%	5.0%	0.3 pt
Exchange Rate (Yen vs USD)	¥ 115	¥ 108	¥ (7)

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 2015 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)

Performance

(Billions of yen)

	FY2014			FY2015			FY2016			MTMP16 cumulative		
	Plan	Actual	Difference	Plan	Actual	Difference	Plan	Actual	Difference	Plan	Actual	Difference
Net Sales	650.0	667.1	17.1	670.0	700.8	30.8	700.0	674.3	(25.7)	2,020.0	2,042.3	22.3
Operating Income	37.0	46.0	9.0	49.0	50.6	1.6	52.5	48.4	(4.1)	138.5	145.0	6.5
Operating Income Ratio	5.7%	6.9%	1.2 pt	7.3%	7.2%	(0.1) pt	7.5%	7.2%	(0.3) pt	6.9%	7.1%	0.2 pt
ROIC	5.3%	6.5%	1.2 pt	6.3%	7.6%	1.3 pt	7.0%	7.3%	0.3 pt	—	—	—
Reference: ROE	7.1%			9.0%			8.7%			—	—	—

Investments (cumulative over three years)

CAPEX		R&D		Domestic recruitment	M&A
Plan	Actual	Plan	Actual	Actual	Actual
¥50.0 billion	¥65.3 billion	¥45.0 billion	¥41.2 billion	1,392 people	¥25.5 billion

[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 over 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 Persimmon Technologies Corporation, which manufactures and sells vacuum robotics, 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.

- 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 expedite global competitive strength together with Link-Belt Cranes, L.P., LLLP.

Circulating fluidized bed (CFB) boilers

Acquired the CFB boiler business of Amec Foster Wheeler, plc.

- 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.

Cryogenic equipment

Acquired shares in Persimmon Technologies Corporation

- To expand sales of cryopumps, enhance lineup of peripheral devices.
- Develop next-generation motor technologies for other businesses.

Cryogenic equipment

Acquired shares in Ferran Technology, Inc.

- Own a unique technology for vacuum gauges.
- Aim to expand business domains in the vacuum machinery market.

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



Framework for the Basic Principles of the MTMP19

Basic Concept of the Medium-Term Management Plan 2019 (MTMP19)

- 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”
- ④ Actively participate in “Business integrations, M&A, and formation of business alliances with third-party entities”
- ⑤ “Actively Pursue CSR”

Financial Targets (Table 3)

	FY2016 actual	FY2019 target
Net Sales	¥674.3 billion	¥800.0 billion
Operating Income	¥48.4 billion	¥60.0 billion
Operating Income Ratio	7.2%	7.5%
ROIC	7.3%	7.5% or more
Exchange Rate (vs USD)	¥108 (Actual)	¥110
Reference: ROE	8.7%	9%

(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.**

“Corporate Mission Statement” and “Our Values” Create Great Strength for the SHI Group

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 sight of where we should be headed, provides a focus for Group strengths and enables creation of great strength.

Investment Plan (Table 4)

	Capital Investments	R&D Expenses	Domestic Hires	M&A
Key Points	Focus investments in key business areas and information systems	Enhance product capabilities that target growth	Continue to actively fill positions in technology and service-related functions	Explore growth proposals from key business areas
Three-Year Total	¥80.0 billion	¥52.0 billion	1,400 people	¥30.0 billion

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

Role	Growth & High Profitability Aim to achieve growth while maintaining high levels of profitability (10% or greater)	Improve Profitability Aim to achieve growth while improving profitability	Stabilize Profit Margins Ensure a stable level of profit
Positioning			
Next-Generation Businesses	Cryogenic Equipment Core pillar of profitability and growth for the Group	Next-generation Growth Devices (e.g. medical, semiconductor, automotive)	Medical-related Equipment
Device-Related Businesses	Power Transmission and Controls Injection Molding Machines	Semiconductor Production Equipment Chemical Processing Equipment (e.g. agitators, food-related machinery)	Metal Processing Equipment (e.g. presses, flow forming, etc.) Hydraulic Excavators Stabilize business without being concerned about scale
Infrastructure-Related Businesses	Industrial Cranes / Mobile Cranes / Turbines / Boilers / Water Treatment Facilities Maximize profitability and create a second core pillar of growth (e.g. energy, environmental, transportation, etc.)		Shipbuilding

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.



Shunsuke Betsukawa
President and CEO



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.

Cultivated strengths

1
Competitive strength

Excellent products and services

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

2
Management capabilities

Management with effective governance

Creating a structure for ensuring profitability

3
Corporate culture

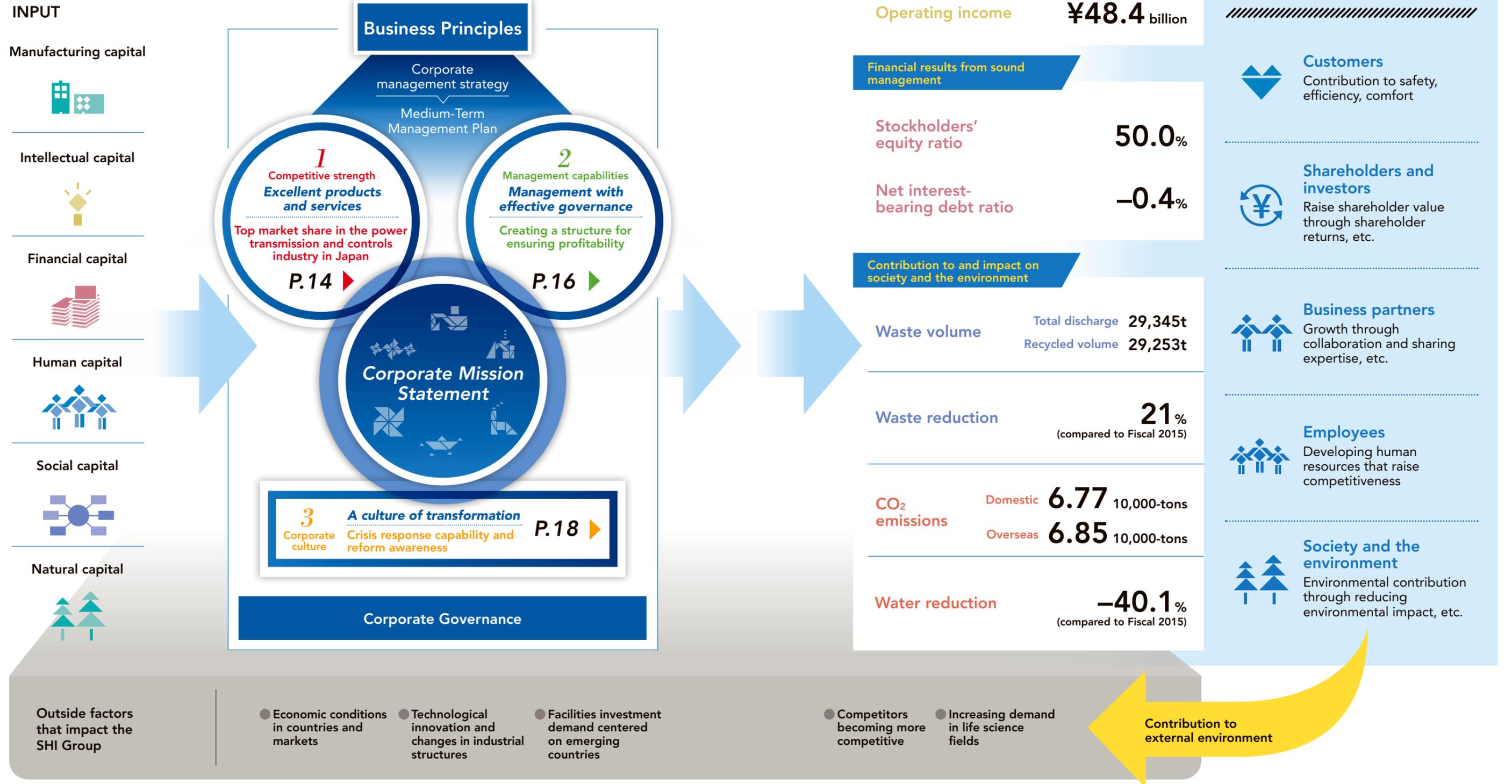
A culture of transformation

Crisis response capability and reform awareness



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.



STORY 1
Competitive Strength

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."



Nagoya Works (Obu-shi, Aichi)

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.



Precision speed reducer unit

CYCLO®DRIVE

Toshiharu Tanaka

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



STORY 2
Management Capabilities

Management with effective governance

Creating a structure for ensuring profitability

SHI Management for Maintaining Healthy Earnings

“Transform into a high-profit company” is one of the basic policies of MTMP19, not simply to increase our own profitability, but because we believe that healthy earnings are necessary to earn the high esteem and trust of all stakeholders and to continue contributing to society.

Through the plans so far, the SHI Group has conducted a variety of measures to build mechanisms to further pursue profit.

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.

By clarifying the risks at an early stage, the transparency of decisions made by top management at the final stage of the order evaluation is also raised and an organizational culture is fostered where risks are debated with frankness at each level of the organization starting with the level directly involved in sales activities.

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.

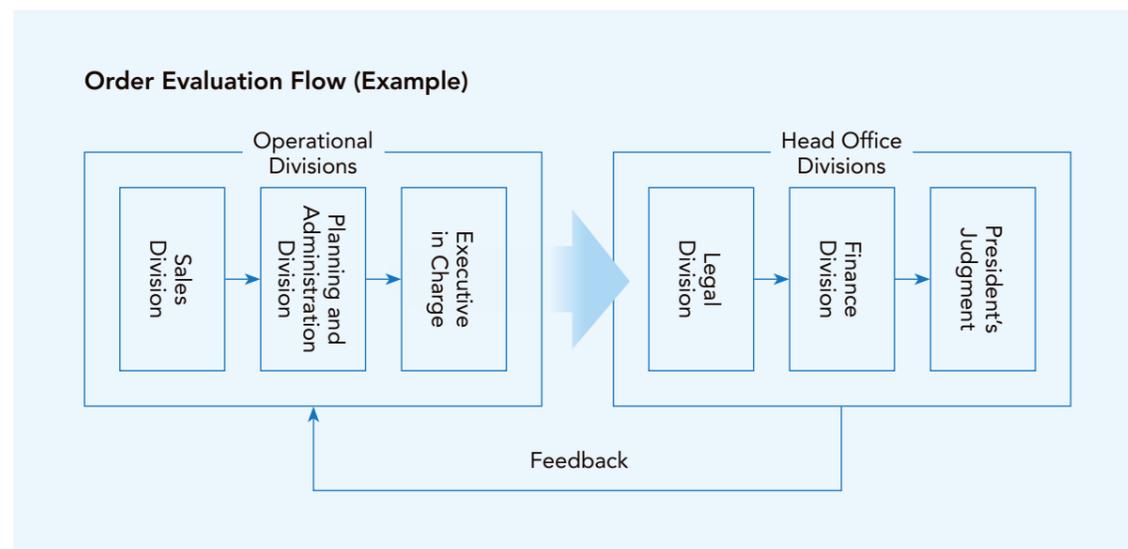
By ensuring that thorough reports are given at the Executive & Operating Officers Committee with a degree of scrutiny and tension, governance of the SHI Group functions in a very tangible way.

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.



Head Office (Shinagawa-ku, Tokyo)



Hideo Suzuki

Senior Vice President
General Manager of Corporate
Finance, Accounting &
Administration Group



A culture of transformation

Industrial Cranes: Our maiden business being constantly reborn

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.

Continuous unloader



Container crane

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.



Ehime Works
Niihama Factory (Niihama-shi, Ehime)

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.

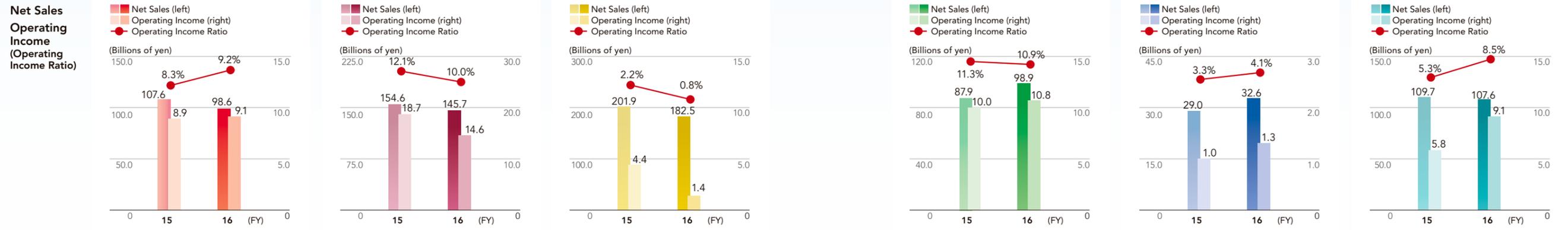
Tatsuya Endoh

Senior Vice President,
Representative Director and
President of Sumitomo Heavy
Industries Material Handling
Systems Co., Ltd., General
Manager, Ehime Works

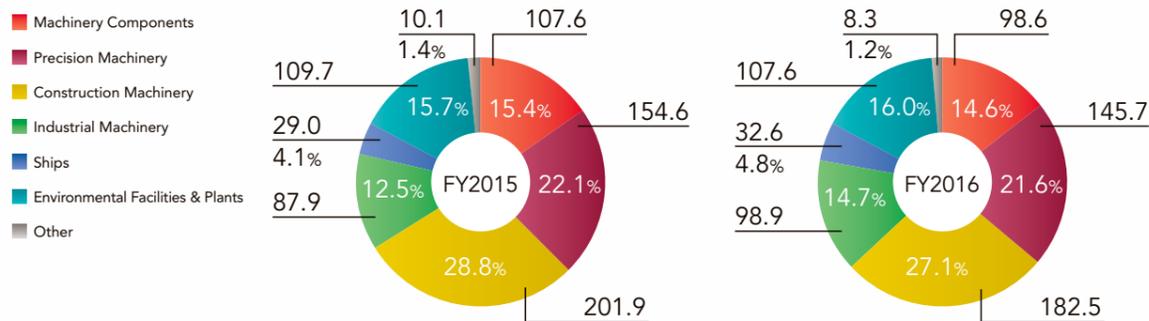


Segment Overview At a Glance: SHI Group's Business

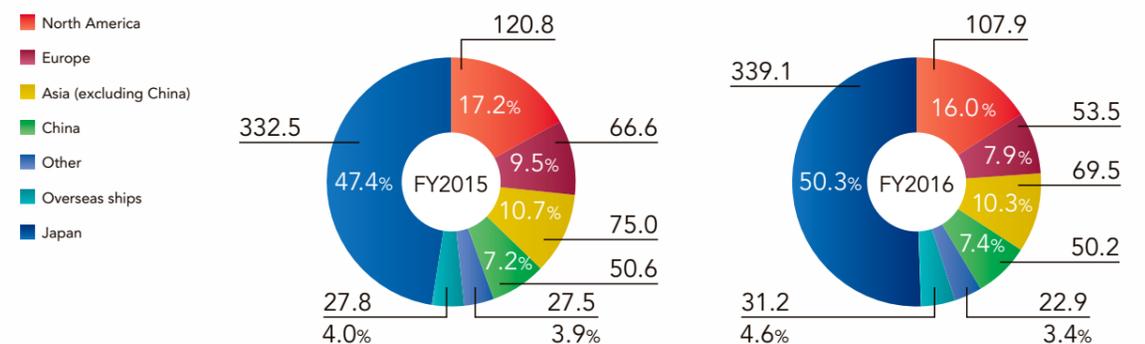
	Machinery Components	Precision Machinery	Construction Machinery	Industrial Machinery	Ships	Environmental Facilities & Plants
Main Products	<ul style="list-style-type: none"> Power transmission and controls Motors 	<ul style="list-style-type: none"> Plastics machinery Film processing machines Semiconductor equipment Laser processing systems Cryogenic equipment XY stages Precision forgings Control system equipment Defense equipment Machine tools 	<ul style="list-style-type: none"> Hydraulic excavators Mobile cranes Road machinery 	<ul style="list-style-type: none"> Cyclotrons Medical devices Forging presses Material handling systems Logistics systems Turbines Pumps Parking systems 	<ul style="list-style-type: none"> Ships 	<ul style="list-style-type: none"> Captive power generation systems Boilers Industrial waste treatment systems Air pollution control systems Water treatment systems Process equipment Mixing vessels Air conditioning equipment Food processing machinery Pressure vessels
Business Profile	<p>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 robot joints. We have the leading domestic market share and a top-level sales record globally.</p>	<p>Our injection molding machines used to manufacture plastic products excel in high-precision, high-cycle work and have particular strength in electric and electronic-related markets. Our cryogenic equipment is not only used in the medical field for MRI and the like, but is also widely used in the field of semiconductor equipment in cryopumps and more.</p>	<p>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.</p>	<p>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.</p>	<p>This segment specializes in mid-scale oil tankers. By narrowing down the number of vessel types we handle, it is possible to realize efficiencies in design and manufacturing, and achieve further differentiation in products.</p>	<p>Our circulating fluidized bed (CFB) boilers that can be used with various fuels, including biomass, boast the top share in the global market. Our effluent 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 uses, from construction of facilities through to operation management.</p>



Net Sales Ratio by Segment (Billions of yen)



Sales by Region (Billions of yen)



Power Transmission & Controls

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.



High-precision gearboxes used for industrial robots

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.

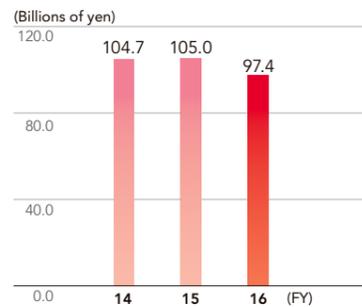
Overseas, we worked to bolster the mining, infrastructure, and other gearbox markets by launching and expanding sales of PARAMAX® 10 Series gearboxes.

Fiscal 2017 Strategies and Initiatives

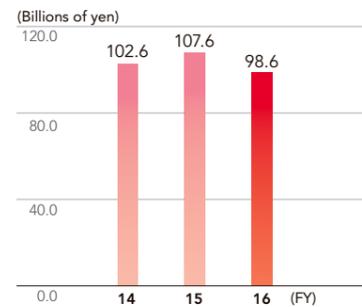
In FY2017, we will keep investing in overseas business sites. We will also continue to heighten our product capabilities, lead-time performance, and cost competitiveness by bolstering our product planning capabilities, sales networks, supply chains, and other aspects in Japan and around the world. Moreover, 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.

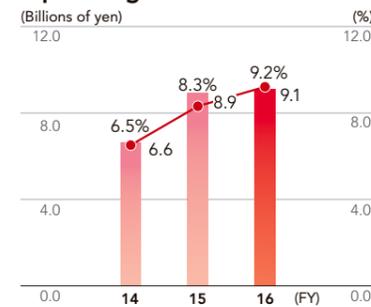
Orders



Net Sales



Operating Income/
Operating Income Ratio



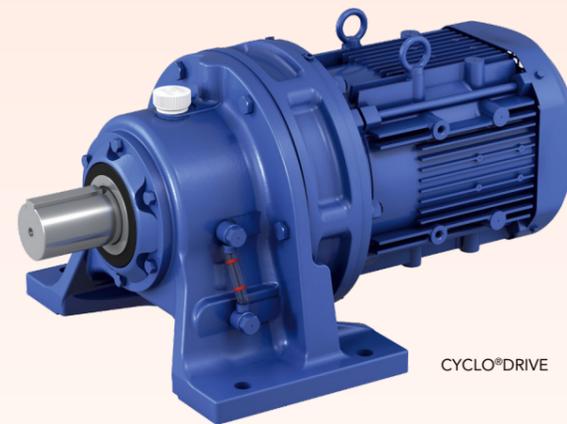
Machinery Components

Main Products

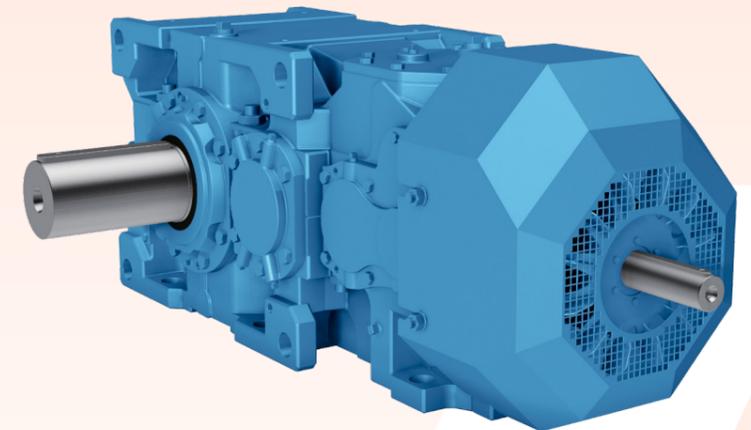
- Power transmission and controls
- Motors

Major Applications/Markets

Factory automation machinery, Industrial robots, Machine tools, Conveying and logistics machinery, Steel and iron making machinery, Chemical processing machinery, Material handling machinery, Mining machinery, Food processing machinery, Water treatment plants, Elevators and escalators



CYCLO®DRIVE



PARAMAX® 10 Series gear reducer



PREST® gear reducer (antimicrobial coating option)



HYPONIC® gear reducer (antimicrobial coating option)

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

cells around the iii-System (i cube system) for production management, traceability via molding machine and product trend analysis, and troubleshooting through the user support site, Tomenai.net.

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.

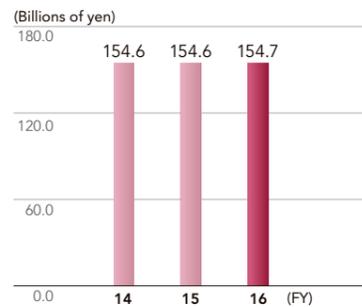
Fiscal 2017 Strategies and Initiatives

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.

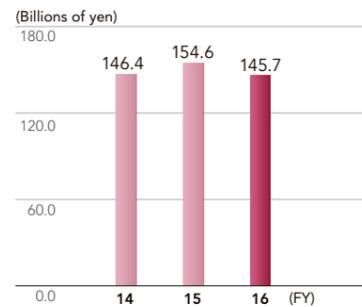
In March 2017, we acquired the shares of Persimmon Technologies Corporation (Massachusetts, USA) and made it a subsidiary. Persimmon's customers are semiconductor and electronic component production equipment manufacturers. It primarily manufactures and sells vacuum robotics for use in semiconductor 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.

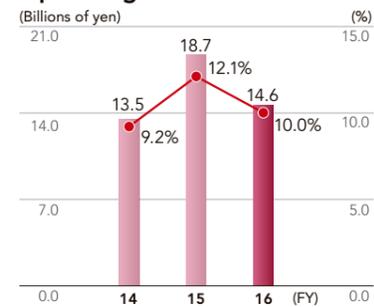
Orders



Net Sales



Operating Income/
Operating Income Ratio



Precision Machinery

Main Products

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

SICERA® Ultra cryopump



All-electric injection molder machine SE100EV-A



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

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" (FVM-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.

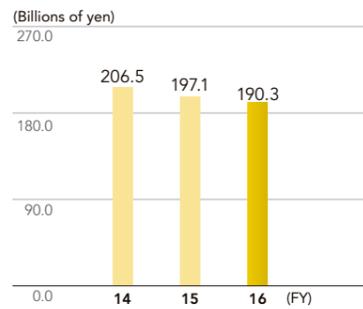
Fiscal 2016 Review and Key Topics

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.

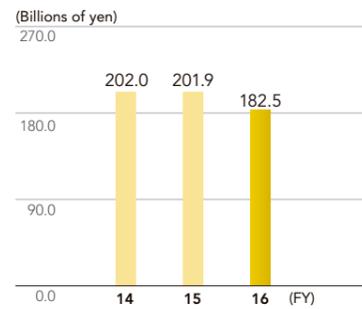
Fiscal 2017 Strategies and Initiatives

We expect the domestic market's strength to wane, and compensated for the decrease by reinforcing our relationships built on trust with overseas sales agents to cultivate customers abroad. Market conditions are likely to remain uncertain; however, we will develop new model equipment matching customer needs, thoroughly reduce costs, and strengthen ties with affiliates and sales agents to enhance customer satisfaction. We will also bolster our corporate structure, with an emphasis on internal controls, cash flow improvement, and fixed cost ratio reduction. We look to deepen ties with the SHI Group and continue to build a lean business structure that is competitive.

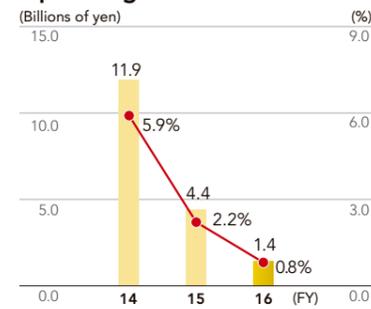
Orders



Net Sales



**Operating Income/
Operating Income Ratio**



Construction Machinery

Main Products

- **Hydraulic excavators**
Major Applications/Markets: Construction, Civil engineering, Scrap, Forestry
- **Mobile cranes**
Major Applications/Markets: Construction, Civil engineering
- **Road machinery**
Major Applications/Markets: Roadway construction

Hydraulic excavator SH250-7MH



Hydraulic excavator SH250-7



350-ton crawler crane SCX3500-3

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.

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.

Medical Equipment

Market Environment

The domestic and overseas markets are generally firm for cyclotron systems for PET, which are used to manufacture radioactive pharmaceuticals 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 will expand the business of PET cyclotron systems to overseas, actively responding to the demand from research institutions, delivery institutions, and so forth. With proton beams, we will work to develop high-speed scanning technology. We will also contribute to overseas development with regard to heavy-ion beams. For BNCT, we will endeavor to commercialize this medical device as soon as possible.

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

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."

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 downtrend 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.

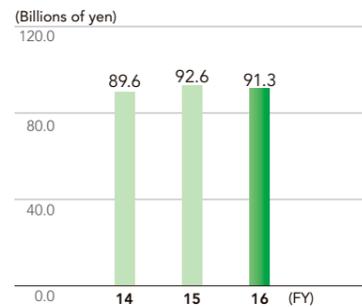
Fiscal 2016 Review and Key Topics

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.

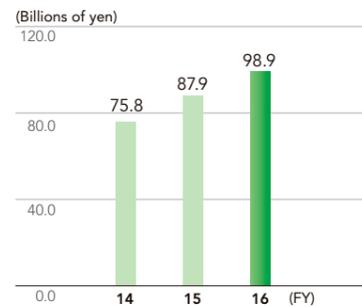
Fiscal 2017 Strategies and Initiatives

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.

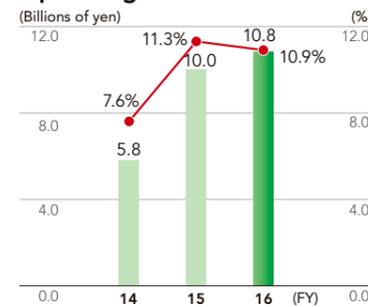
Orders



Net Sales



Operating Income/
Operating Income Ratio



Industrial Machinery

Main Products

- **Cyclotrons for medical use**
Major Applications/Markets: Medical equipment
- **Cyclotrons for research use**
Major Applications/Markets: Research
- **Coating systems**
Major Applications/Markets: LCDs
- **Forging presses**
Major Applications/Markets: Automobiles, Iron and steel, Non-ferrous metals
- **Material handling machinery and systems**
Major Applications/Markets: Iron and steel, Electric power, Shipbuilding, Port logistics
- **Logistics & handling systems**
Major Applications/Markets: Logistics
- **Turbines**
Major Applications/Markets: Power generation
- **Pumps**
Major Applications/Markets: Oil refineries, Petrochemical facilities



Steam turbine



Crankshaft forging lines

Ships

Sumitomo Heavy Industries Marine & Engineering Co., Ltd.

Market Environment

In the shipping market, depression in the tanker sector was generally mild compared with continued historical weakness in the dry bulk sector from the previous fiscal year. However, the tanker market has continued a downtrend since the start of FY2016, caused by geopolitical factors in places such as the Middle East and Africa coupled with increasing uncertainty in the shipping market due to a large number of newly built vessels.

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).

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 perspectives 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

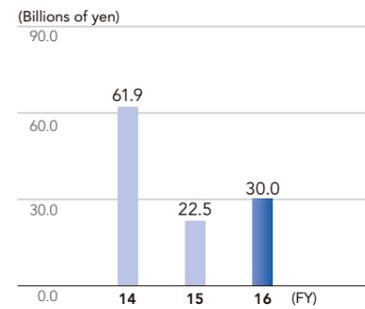
work to be carried out. Also, we completed the construction of three vessels during FY2016. By continuing to apply the Toyota Production System and otherwise enhance productivity and improving the profitability of individual shipbuilding projects, profit increased on a full-year basis. Moreover, we are 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

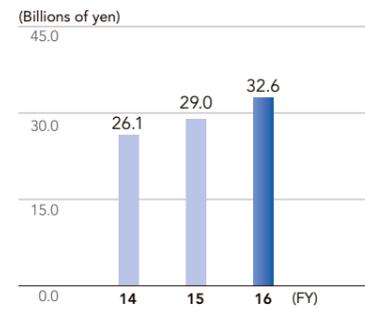
Global oil shipping volumes are projected to keep growing for the foreseeable future as emerging markets' import and/or consumption volumes continue to rise from FY2016, led by India and China, and changes in crude oil trading patterns lead to diversification of various countries' crude oil suppliers—namely, 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.

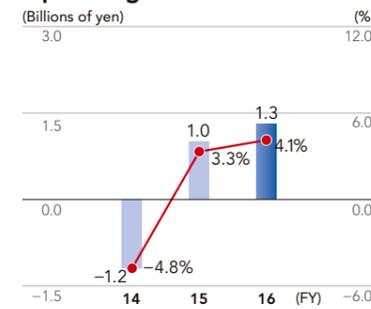
Orders



Net Sales



**Operating Income/
Operating Income Ratio**



Aframax Tanker SOLOMON SEA



Aframax Tanker NORTH SEA



Aframax Tanker ALFA ALANDIA

Ships

Main Products

- Ships
- Major Applications/Markets
- Marine transportation

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 we 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.

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

Market Environment

The private sector market for wastewater treatment systems is stable overall, supported by demand related to the refurbishment of aging facilities, rationalization (reducing operating costs and optimization), and environmental initiatives. However, conditions on an individual project basis remain difficult, owing partially to competition with other companies' products and demand for lower costs.

Governmental and public sector business competition with rivals also remains fierce. However, demand for things like upgrades and extending the life of aging facilities is underpinning solid market trends. Further, growing demand for public finance initiative (PFI) and other public-private partnership business is creating huge opportunities.

Fiscal 2016 Review and Key Topics

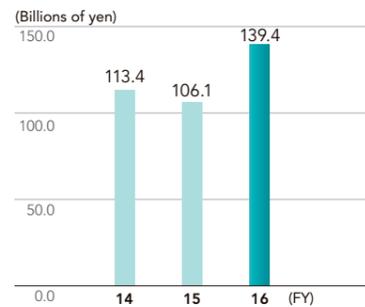
Despite a challenging market environment for private sector wastewater treatment systems, we received several orders for large-scale chemical industry projects as a result of concentrated sales activities targeting the food and chemical markets. In the governmental and public sector business, we stayed 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.

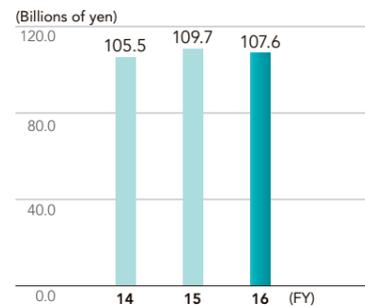
Fiscal 2017 Strategies and Initiatives

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.

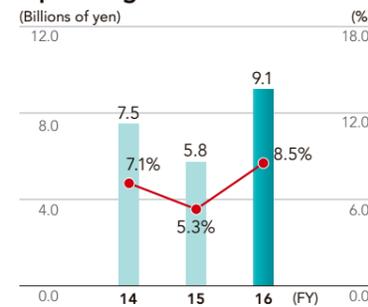
Orders



Net Sales



Operating Income/
Operating Income Ratio



Environmental Facilities & Plants

Main Products

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



Circulating fluidized bed (CFB) boiler power generation plant



Circulating fluidized bed (CFB) boiler power generation plant



Industrial wastewater treatment systems

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 companies constantly return to the root of the issue and ask

what such efforts are intended to accomplish and what kind of organization they aim to build, while working to change the mindset of each individual employee.

Through governance reforms, companies are expected not only to regulate their own conduct, but respond to the hopes of their stakeholders and society in general. To respond, companies must focus more than anything on increasing their own value.

Increasing corporate value requires more than short-term profitability. It also requires raising mid- to long-term profitability through active investment and R&D, and the key to tying those investments and R&D to increased sales and profitability is a company's human resource capabilities. In that sense, it would also not be going too far to say that personnel development is the secret to increasing corporate value.

Some have pointed out that, under a long period of deflation, 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.

Through improved governance and efforts at compliance, I hope to take on my responsibilities as external director, while helping to maintain the soundness of the organization and remaining aware of the importance of human resource development.



Susumu Takahashi
External Director

Chairman of The Japan Research Institute, Limited.
Appointed as a private sector member of the government's Economic and Financial Advisory Council in January 2013 and as External Director of the Company in June 2014.

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 requirements, 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.

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.



Hideo Kojima
External Director

Certified Public Accountant.
Appointed External Auditor of the Company in June 2011 and External Director in June 2015.

Directors, Corporate Auditors, and Executive Officers

(As of June 29, 2017)

Board of Directors



Yoshinobu Nakamura
Representative Director, Chairman of the Board

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



Shunsuke Betsukawa
Representative Director, President and CEO

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



Shinji Nishimura
Representative Director, Senior Executive Vice President

Apr. 1974 Joined the Company
Jun. 2002 Senior Vice President
Apr. 2003 Vice President, General Manager of Ship & Marine Div., Representative Director and President of Sumitomo Heavy Industries Marine & Engineering Co., Ltd.
Apr. 2005 Senior Vice President, General Manager of Corporate Planning & Development Dept.
Jun. 2005 Director
Apr. 2006 Executive Vice President
Apr. 2007 Representative Director (current), Senior Executive Vice President (current), General Manager of Power Transmission & Controls Group
Oct. 2014 General Manager of Corporate Planning Group
Apr. 2016 General Manager of Export Administration Dept. (current)



Yoshiyuki Tomita
Director, Executive Vice President

Apr. 1981 Joined the Company
Apr. 2011 Vice President, General Manager of Technology Research Center, Corporate Technology Operations Group
Jun. 2012 Director (current)
Apr. 2014 Senior Vice President, General Manager of Corporate Technology Operations Group (current)
Apr. 2016 Executive Vice President (current)



Toshiharu Tanaka
Director, Executive Vice President

Apr. 1983 Joined the Company
Apr. 2005 Principal Engineer of Planning & Control Dept., Quantum and Advanced Equipment Center, Precision Equipment Group
Apr. 2006 General Manager of Planning & Control Dept., Quantum Equipment Div.
Apr. 2010 Chief Staff Manager of Corporate Planning & Development Dept.
Apr. 2011 General Manager of Precision Equipment Div.
Apr. 2013 Senior Vice President
Jun. 2013 Director (current)
Apr. 2014 General Manager of Global Business Support Dept., Power Transmission & Controls Group
Oct. 2014 General Manager of Power Transmission & Controls Group (current)
Apr. 2015 Executive Vice President (current)



Eiji Kojima
Director, Senior Vice President

Apr. 1984 Joined the Company
Nov. 2013 General Manager of Mechatronics Div.
Apr. 2016 Senior Vice President (current)
Jul. 2016 General Manager of Energy & Environment Group (current)
Jun. 2017 Director (current)



Mikio Ide
Director

Apr. 1973 Joined the Company
Mar. 2001 Director of Sumitomo (S.H.I.) Construction Machinery Co., Ltd.
Jun. 2003 Vice President
Jun. 2005 Director (current)
Apr. 2010 Senior Executive Vice President
Apr. 2011 Representative Director, President and CEO of Sumitomo (S.H.I.) Construction Machinery Co., Ltd., Representative Director, President of Sumitomo (S.H.I.) Construction Machinery Sales Co., Ltd.
Apr. 2016 Chairman of the Board, Sumitomo (S.H.I.) Construction Machinery Co., Ltd. (current)



Shinji Shimomura
Director, Senior Vice President

Apr. 1982 Joined the Company
Apr. 2012 Director of Sumitomo (S.H.I.) Construction Machinery Co., Ltd.
Apr. 2013 Executive Managing Director of Sumitomo (S.H.I.) Construction Machinery Co., Ltd.
Apr. 2014 Executive Vice President of Sumitomo (S.H.I.) Construction Machinery Co., Ltd., Vice President
Apr. 2015 Senior Vice President (current)
Representative Director and President of Sumitomo (S.H.I.) Construction Machinery Sales Co., Ltd. (current)
Apr. 2016 Representative Director, President and CEO of Sumitomo (S.H.I.) Construction Machinery Co., Ltd. (current)
Jun. 2016 Director (current)



Susumu Takahashi
External Director

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



Hideo Kojima
External Director

Mar. 1980 Registered as Certified Public Accountant
May 1995 Representative Employee of Ota Showa Accounting Office
May 2000 Representative Director of Ota Showa Century Accounting Office
May 2004 General Manager of the International Department, Tokyo Office, ShinNihon Accounting Office
May 2006 Deputy Director of ShinNihon Accounting Office
Sep. 2010 Senior Adviser to Ernst & Young ShinNihon LLC
Jun. 2011 External Auditor of Alpine Electronics, Inc., Corporate Auditor
Established Hideo Kojima CPA Office
Jun. 2013 External Corporate Auditor of Mitsubishi UFJ Financial Group, Inc.
Jun. 2015 Director (current)
Jun. 2016 External Director (Audit and Supervisory Committee Member) of Alpine Electronics, Inc.

Corporate Auditors



Yuji Takaishi
Standing Corporate Auditor

Apr. 1977 Joined the Company
Apr. 2007 Senior Vice President, General Manager of Human Resources Dept.
Jun. 2007 Director
Apr. 2010 Executive Vice President, General Manager of Plastic Machinery Div.
Apr. 2012 General Manager of Corporate Planning & Development Dept.
Apr. 2013 Representative Director and Executive Vice President, General Manager of Corporate Planning & Development Dept. and General Manager of Export Administration Dept.
Apr. 2014 General Manager of Corporate Planning Group
Apr. 2015 General Manager of Kansai Office
Jun. 2016 Corporate Auditor (current)



Kazumi Fujita
Standing Corporate Auditor

Apr. 1976 Joined the Company
Nov. 2000 Director of SHI Financial Services Co., Ltd.
Sep. 2005 Representative Director and President of SHI Financial Services Co., Ltd.
Apr. 2010 Senior General Manager of Internal Control Dept.
Apr. 2011 Senior Vice President, General Manager of Internal Control Dept.
Apr. 2014 Adviser
Jun. 2014 Corporate Auditor (current)



Takeo Wakae
External Corporate Auditor

Apr. 1983 Registered as Lawyer
Apr. 1992 Civil conciliation commissioner at Tokyo District Court (current)
Apr. 2003 Vice President of Daiichi Tokyo BAR Association (fiscal year 2003)
Jun. 2012 Corporate Auditor (current)
Apr. 2014 Executive Governors of Japan Federation of Bar Associations (fiscal 2014)



Masaichi Nakamura
External Corporate Auditor

Mar. 1987 Registered as Certified Public Accountant
Aug. 2008 Managing Director of Ernst & Young ShinNihon LLC
Jul. 2014 Representative Partner and Vice President of Ernst & Young ShinNihon LLC, Representative Director of Ernst & Young Business Initiative Co., Ltd.
Sep. 2016 Established Masaichi Nakamura CPA Office
Jun. 2017 Corporate Auditor (current)

Executive Officers

President	Shunsuke Betsukawa	CEO
Senior Executive Vice President	Shinji Nishimura	General Manager of Export Administration Dept.
Executive Vice President	Toshiharu Tanaka	General Manager of Power Transmission & Controls Group
Executive Vice President	Yoshiyuki Tomita	General Manager of Corporate Technology Operations Group
Senior Vice President	Tetsuya Okamura	General Manager of Industrial Equipment Div.
Senior Vice President	Akio Yoshikawa	Representative Director and President of Shin Nippon Machinery Co., Ltd.
Senior Vice President	Hideo Suzuki	General Manager of Corporate Finance, Accounting & Administration Group
Senior Vice President	Shinji Shimomura	Representative Director, President and CEO of Sumitomo (S.H.I.) Construction Machinery Co., Ltd., Representative Director and President of Sumitomo (S.H.I.) Construction Machinery Sales Co., Ltd.
Senior Vice President	Hiroo Morita	General Manager of Human Resources Group, Chairman of Sumitomo Heavy Industries (China), Ltd.
Senior Vice President	Kazuo Hiraoka	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	Taiji Tsuchiya	General Manager of Precision Equipment Group
Senior Vice President	Eiji Kojima	General Manager of Energy & Environment Group
Senior Vice President	Hiroshi Arito	Representative Director, President and CEO of Nihon Spindle Manufacturing Co., Ltd.
Senior Vice President	Hideshi Shimamoto	General Manager of Ship & Marine Div., Representative Director and President of Sumitomo Heavy Industries Marine & Engineering Co., Ltd.
Senior Vice President	Morihiro Kondo	General Manager of Corporate Planning Group
Vice President	Yukio Kumata	Deputy General Manager of Corporate Technology Operations Group
Vice President	Isao Kohno	General Manager of Gearmotor Business Unit, Power Transmission & Controls Group, General Manager, Nagoya Works
Vice President	Toshihiko Chijiwa	General Manager of Technology Research Center, Corporate Technology Operations Group
Vice President	Shaun Dean	General Manager of Global HQ, Power Transmission & Controls Group, Managing Director and CEO of Sumitomo (SHI) Cyclo Drive Germany GmbH

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."

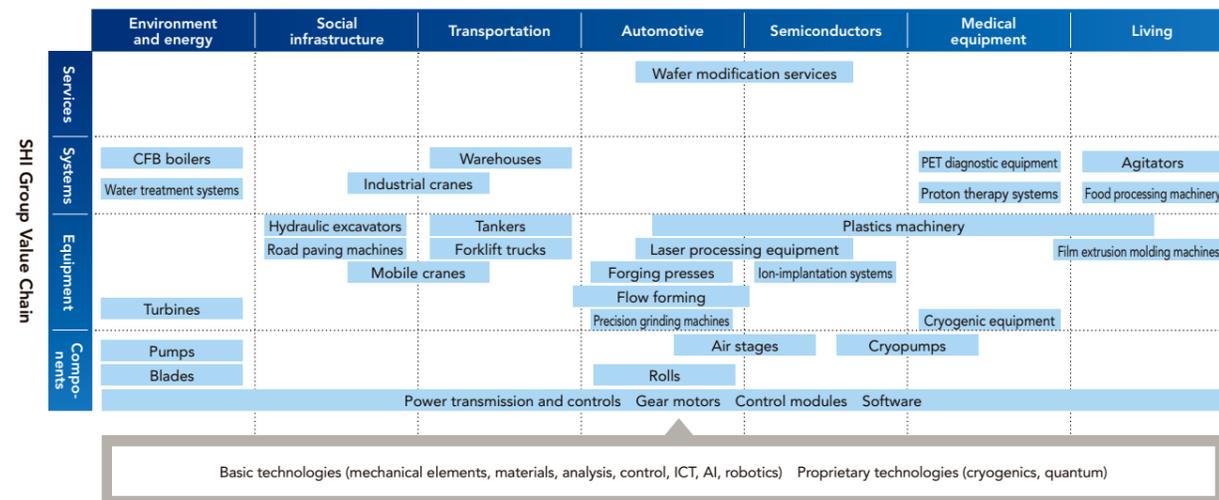
R&D Framework

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

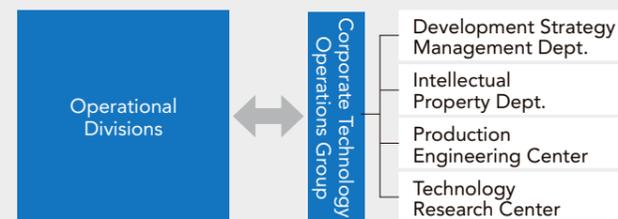
are implementing an integrated development process that involves conducting elemental technology development in advance at the center and commercialization development in our business divisions. In addition, the Technology Research Center is also focused on basic technology development, including materials,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

SHI Group Business Domains



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.



Technology Research Center (Yokosuka, Kanagawa Prefecture)

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

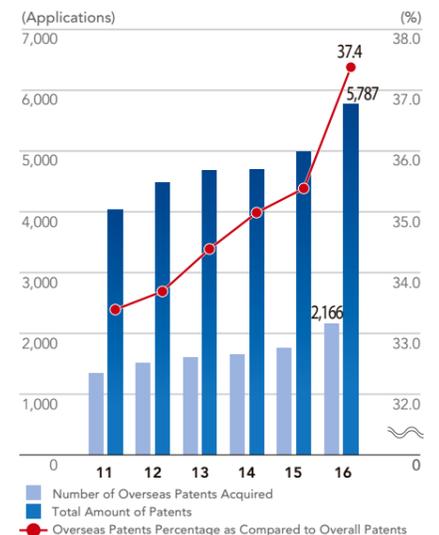
Strategy

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.

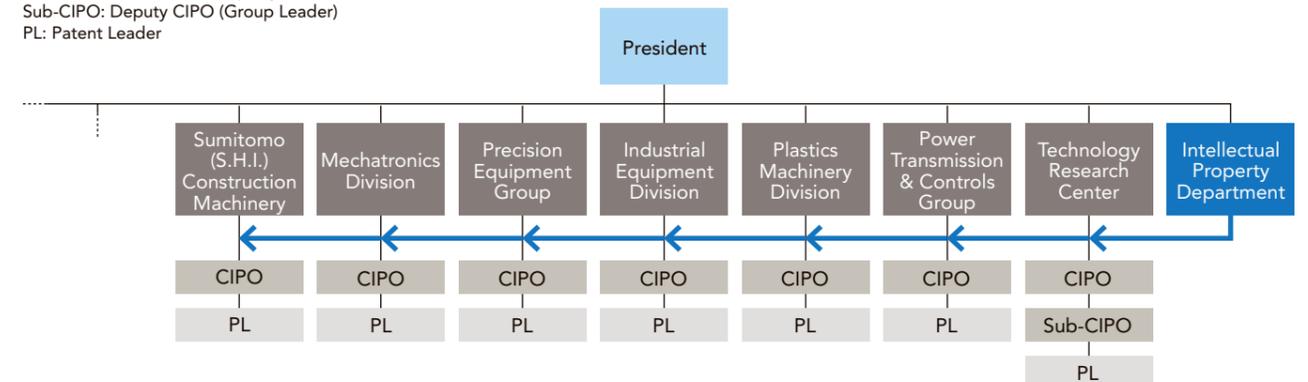
In addition, to establish a direct connection between senior management in business divisions and intellectual property activities, we have appointed chief intellectual property officers (CIPO) in each division, and then assigned them a rank equivalent to the general managers of technology and development 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



CIPO System

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



Corporate Governance

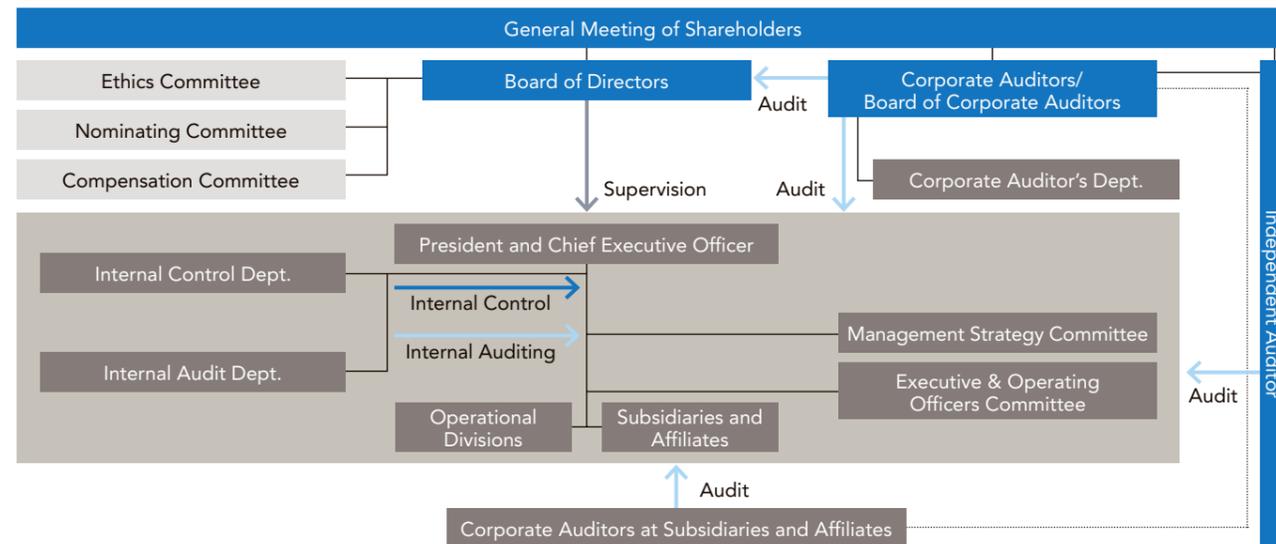
Sumitomo Heavy Industries (SHI) believes that the essence of corporate governance lies in the establishment of a system that enables efficient and transparent management. Sound corporate governance helps the Group achieve higher enterprise value and win the trust of all of its stakeholders, including 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 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 determines a level of director 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.

Title	Name	Reason for Appointment	Attendance at Meetings of the Board of Directors/ Board of Corporate Auditors
External Director	Susumu Takahashi	Susumu Takahashi possesses a high level of insight into economic and management matters. In addition, he has broad practical experience within private corporations and government organizations. Based on this insight and experience, Mr. Takahashi, as an external director, objectively and independently directs the management of the Company by providing advice on ways in which the Company can achieve sustainable growth and increase corporate value.	Mr. Takahashi attended 15 of 15 Board of Directors meetings in FY2016.
External Director	Hideo Kojima	Hideo Kojima is a certified public accountant and a specialist in finance and accounting with many years of practical experience. Based on this insight and experience, Mr. Kojima, as an external director, has objectively and independently directed the management of the Company by providing advice on ways in which the Company can achieve sustainable growth and increase corporate value.	Mr. Kojima attended 14 of 15 Board of Directors meetings in FY2016.
External Corporate Auditor	Takeo Wakae	As a lawyer, Takeo Wakae boasts a wealth of experience and has skillful insight through the law. Based on this experience and insight, he has independently and objectively audited the effectiveness of the Company's management through his role as external auditor.	Mr. Wakae attended 14 of 15 Board of Directors meetings in FY2016. Mr. Wakae attended 12 of 13 Board of Corporate Auditors meetings in FY2016.
External Corporate Auditor	Masaichi Nakamura	Masaichi Nakamura is a certified public accountant and a specialist in finance and accounting with many years of practical experience. Based on this insight and experience, he can objectively and independently audit the effectiveness of the Company's management through his role as external auditor.	Appointed as an external corporate auditor on June 29, 2017.

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.

Classification	Amount of Compensation (Millions of yen)	Amount by Type of Compensation (Millions of yen)	
		Annual Compensation Amount	Number of Eligible Officers
Directors (excluding external directors)	330	330	9
Corporate auditors (excluding external corporate auditors)	69	69	3
External officers	38	38	5

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 120th 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 (excluding external 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 (which all 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.



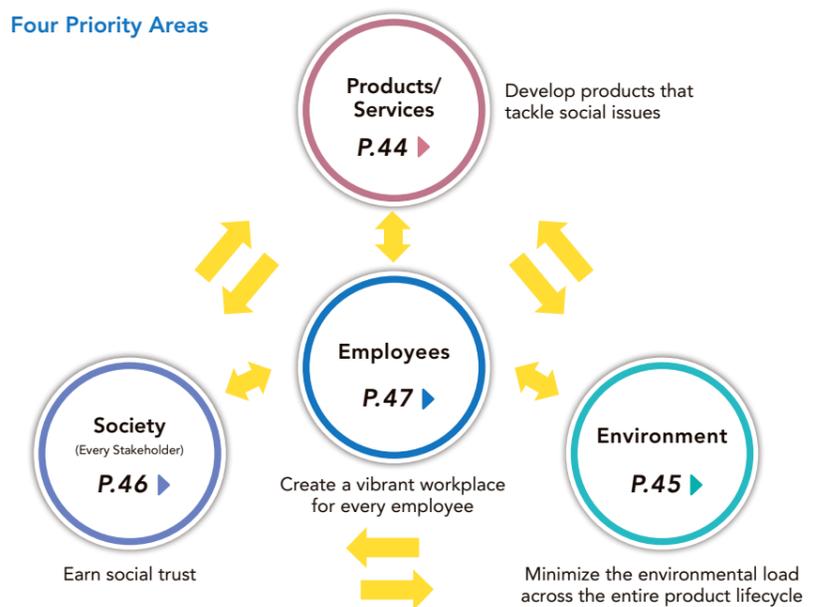
CSR

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



	Key areas	Purpose
CSV*	Products/Services	Develop products that tackle social issues
	Environment "E"	Minimize the environmental load across the entire product lifecycle
Conventional CSR	Society "S"	Gain the trust of society
	Employees	Create a vibrant workplace for every employee
	Governance "G"	Earn social trust

* CSV 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.



Service Skills Contest
Overseas, most Construction Machinery sales are made through sales agents, so service skills contests are held to improve the skills of mechanics at sales agents. Mechanics from various countries engage in a serious contest.

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.



Circulating fluidized bed (CFB) boiler power generation plant



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[®] super-fine bubble membrane tube diffuser provides substantial energy savings due to high oxygen transfer efficiency made possible by super-fine 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.



Micras[®] super-fine bubble membrane tube diffuser



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.



Tanashi Works/Forest of Inspiration
The Tanashi Works is preserving the Musashino Forest, which occupies approximately 30% of the area of the campus. Part of this forest has been named the Forest of Inspiration and is open to the public as a place for ordinary people to relax.

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.

- Prevent environmental pollution
- Realize a resource-recycling society
- Reinforce and constantly improve environmental management
- Contribute to the achievement of a low-carbon society
- Protect biodiversity
- Comply with laws and regulations

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

Environmental Management Framework



* SHI contributes to the attainment of Sustainable Development Goals (SDGs) through the provision of each product or service.

Society

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.



Cleanup Activities in Local Communities
We take part in community cleanup activities not only in the area around our factories, but also near the Head Office.

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.

1 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
- Environmental considerations
- Raising product competitiveness and customer satisfaction
- Compliance with laws, regulations and social ethics
- Fair competition and trade
- Disclosure

The SHI Group's Basic Policy on Conflict Minerals

In the Democratic Republic of Congo, armed groups are forcing local residents to mine tin, tungsten, tantalum and gold (hereinafter referred to as "Conflict Minerals") and are using the mined minerals to fund their activities. Moreover, the systematic violence against local residents is gaining international attention and condemnation.

The SHI Group has made it a policy not to become involved in the procurement of Conflict Minerals. This has already been disclosed on the SHI website.

2 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 Company 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.

1 Community Cleanups

SHI takes part in community cleanups in areas near business bases.

2 Educational Support Activities

◆ SHI supports Tobitate! (Leap for Tomorrow) Study Abroad Initiative, 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 B&G Tokyo Bay Ocean 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 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.

Global Service Meeting
The Service Department of the Precision Equipment Group, which supplies cryogenic equipment throughout the world, gathers members from bases around the world in Japan to hold meetings about service issues and global growth strategies.



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 policy, 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- 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.

Handbook for Bosses and Workers Dealing with Work and Childcare

We have produced the Handbook for Bosses and Workers Dealing with Work and Childcare, a pamphlet summarizing the childcare support system. This is not just for women, but for their superiors and co-workers to read to gain insight into some of the concerns felt by employees who are also mothers, and to enable superiors and their subordinates to share and think about the issue.



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 temperature of safety in terms of the organization and individuals, we continuously strive to raise safety morality in all workplaces.

Health Management

In recent years, based on a belief that maintenance and promotion of employee health is an investment in raising 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.

DIVERSITY & CSR MONTHLY NEWS email magazine

Create Our Future!

The Human Resources Group's Diversity Promotion Group and the CSR Promotion Office issue an email magazine for Group employees to deepen their understanding.

Topics that have already been covered in the magazine include:

- Work system labor regulations regarding childcare and nursing care revised
- Maternity work uniform lending started
- Breast cancer testing subsidies started
- Action targets set for measures to support development of future generations
- Achieve a good work-life balance with the planned acquisition of annual leave
- Foreign nationals talk about the difficulties of working in Japan
- How CSR self-awareness connects to Sumitomo's business spirit
- Employee interviews

Eleven-Year Summary and Non-Financial Data

Sumitomo Heavy Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31

Millions of yen

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Summary of Income (for the year):											
Net sales	¥600,256	¥660,769	¥642,918	¥516,165	¥548,015	¥624,100	¥585,871	¥615,271	¥667,099	¥700,838	¥ 674,328
R&D expenses	8,581	9,908	10,047	8,187	7,445	9,343	9,835	10,718	11,415	12,299	11,276
Operating income	64,224	77,790	56,940	28,254	45,803	47,135	31,288	34,329	45,998	50,568	48,431
EBITDA (Note 1)	74,873	91,578	75,260	47,979	63,744	64,955	49,570	52,946	62,279	70,289	68,742
Ordinary income	65,341	75,469	50,275	26,333	44,253	44,619	30,997	33,000	45,113	49,131	48,274
Profit attributable to owners of parent	37,352	42,974	13,649	13,280	27,926	19,492	5,865	17,891	24,348	33,133	33,613
Cash Flows (for the year):											
Cash flows from operating activities	¥ 56,789	¥ 29,096	¥ 34,676	¥ 57,513	¥ 36,521	¥ 23,309	¥ 2,660	¥ 63,661	¥ 62,170	¥ 18,315	¥ 38,158
Cash flows from investing activities	(12,461)	(41,250)	(35,924)	(13,954)	(23,513)	(22,672)	(19,660)	(27,622)	(14,112)	(15,350)	(25,852)
Free cash flows (Note 2)	44,328	(12,154)	(1,248)	43,559	13,008	638	(17,000)	36,039	48,058	2,965	12,306
Cash flows from financing activities	(41,193)	(5,238)	15,625	(26,686)	(22,020)	19,879	(11,428)	(9,498)	(36,889)	(23,789)	(17,809)
Cash and cash equivalents at the end of year	47,523	29,879	42,414	61,452	51,700	72,376	46,476	76,418	90,324	68,625	61,017
Financial Position (at year-end):											
Total assets	¥600,890	¥678,634	¥657,436	¥610,087	¥626,829	¥691,841	¥647,724	¥724,182	¥786,027	¥782,859	¥ 796,484
Interest-bearing debt	88,045	89,567	110,339	87,660	67,833	96,522	98,547	107,433	83,644	68,232	60,460
Net interest-bearing debt (Note 3)	39,890	59,311	65,654	25,149	15,347	23,149	50,732	29,607	(8,779)	(2,572)	(3,360)
Total net assets	206,010	246,371	238,697	254,153	269,380	282,145	292,826	331,059	365,101	382,817	409,171
Amounts per Share of Common Stock: (unit: Yen)											
Profit (Note 4)	¥ 61.99	¥ 71.19	¥ 22.62	¥ 22.01	¥ 45.87	¥ 31.75	¥ 9.56	¥ 29.17	¥ 39.71	¥ 54.06	¥ 54.85
Total net assets	338.95	392.80	378.78	404.73	435.10	454.43	470.69	532.28	587.37	614.51	650.47
Cash dividends	7.00	10.00	6.00	4.00	8.00	10.00	8.00	7.00	12.00	16.00	16.00
Financial Indexes: (unit: %)											
Operating income ratio	10.7	11.8	8.9	5.5	8.4	7.6	5.3	5.6	6.9	7.2	7.2
EBITDA ratio	12.5	13.9	11.7	9.3	11.6	10.4	8.5	8.6	9.3	10.0	10.2
R&D expenses ratio to net sales	1.4	1.5	1.6	1.6	1.4	1.5	1.7	1.7	1.7	1.8	1.7
Return on assets (ROA)	6.3	6.7	2.0	2.1	4.5	3.0	0.9	2.5	3.1	4.2	4.2
Return on equity (ROE)	20.1	19.5	5.9	5.6	10.9	7.1	2.1	5.8	7.1	9.0	8.7
Stockholders' equity ratio	34.1	34.9	34.8	40.0	42.6	40.3	44.6	45.1	45.8	48.1	50.0
Interest-bearing debt ratio	14.7	13.2	16.8	14.4	10.8	14.0	15.2	14.8	10.6	8.7	7.6
D/E ratio (Times)	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2
ROIC (Note 5)	12.2	14.0	9.6	4.8	7.8	7.4	4.9	4.8	6.5	7.6	7.3
Investment in Plant and Equipment, and Others:											
Capital expenditures (Note 6)	¥ 17,257	¥ 28,180	¥ 31,753	¥ 24,465	¥ 14,292	¥ 19,682	¥ 29,888	¥ 20,329	¥ 20,670	¥ 23,721	¥ 27,539
Depreciation and amortization	10,649	13,788	18,320	19,725	17,941	17,820	18,282	18,617	16,281	19,720	20,311
Non-Financial Indexes:											
Number of employees	12,561	14,408	14,984	15,463	17,025	18,139	18,245	17,936	18,061	18,491	19,321
Carbon dioxide (CO ₂) emissions (10,000 tons-CO ₂) (Japan) (Note 7)	9.43	9.30	8.44	6.79	7.21	7.00	6.12	6.02	6.39	6.78	6.77
Energy productivity (JYP million/CO ₂ -tons) (Japan)	5.34	5.71	5.83	5.77	6.08	6.88	6.89	6.67	6.79	6.56	6.78
Volume of waste disposed (tons) (Japan)	30,948	33,813	33,999	30,836	29,024	33,428	29,107	25,094	26,442	30,976	29,345

Notes: 1. EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) = Operating income + Depreciation and amortization

2. Free cash flows = 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) = $\frac{(\text{Operating income} + \text{Interest and dividends received}) \times (1 - \text{Effective tax rate}^*)}{(\text{FY average of stockholders' equity} + \text{FY average of interest-bearing debt})}$ * 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	<p>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 Industrias Pesadas do Brasil Ltda. Sumitomo (SHI) Cyclo Drive Korea, Ltd.</p>
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Precision Machinery Segment

Plastics Machinery	<p>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.</p>
Cryogenic Equipment	<p>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</p>
Precision Equipment and Components	<p>Sumitomo Heavy Industries Himatex Co., Ltd. Sumiju Precision Forging Co., Ltd.</p>
LCD and Semiconductor Equipment	<p>Sumitomo Heavy Industries Ion Technology Co., Ltd.</p>
Machine Tools	<p>Sumitomo Heavy Industries Finetech, Ltd.</p>
Defense Equipment	<p>Sumiju Business, Ltd. Sumiju Tokki Service Co., Ltd.</p>

Construction Machinery Segment

Hydraulic Excavators and Road Machinery	<p>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 (Xiamen) 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</p>
Mobile Cranes	<p>Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd. Link-Belt Cranes, L.P., LLLP</p>

Industrial Machinery Segment

Material Handling Systems	<p>Sumitomo Heavy Industries Material Handling Systems Co., Ltd. Sumimec Engineering Inc.</p>
Turbines and Pumps	<p>Shin Nippon Machinery Co., Ltd.</p>
Forklift Trucks	<p>Sumitomo NACCO Forklift Co., Ltd.</p>
Quantum Equipment and Cyclotron Accelerators	<p>SHI-ATEX Co., Ltd. SHI Accelerator Service Ltd. Sumiju Magnet (Kunshan) Co., Ltd.</p>

Ships Segment

Ships	<p>Sumitomo Heavy Industries Marine & Engineering Co., Ltd.</p>
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Environmental Facilities & Plants Segment

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

Others

Others	<p>Lightwell 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</p>
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Corporate Data (As of March 31, 2017)

Corporate Data

Head Office	Sumitomo Heavy Industries, Ltd. 1-1, Osaki 2-chome, Shinagawa-ku, Tokyo 141-6025, Japan
Tel	+81-3-6737-2331
URL	http://www.shi.co.jp/english/index.html
Founded	1888
Incorporated	November 1, 1934
Paid-in Capital	JPY 30,871,651,300
Number of Employees	19,321 (Consolidated) 2,772 (Non-consolidated)

Domestic Offices

Chubu Office	10-24, Higashi-sakura 1-chome, Higashi-ku, Nagoya-shi, Aichi 461-0005, Japan Tel: 81-52-971-3063
Kansai Office	3-33, Nakanoshima 2-chome, Kita-ku, Osaka-shi, Osaka 530-0005, Japan Tel: 81-6-7635-3610
Kyushu Office	8-30, Tenyamachi, Hakata-ku, Fukuoka-shi, Fukuoka 812-0025, Japan Tel: 81-92-283-1670
Tanashi Works	1-1, Yato-cho 2-chome, Nishitokyo-shi, Tokyo 188-8585, Japan Tel: 81-42-468-4104
Chiba Works	731-1, Naganumahara-machi, Inage-ku, Chiba-shi, Chiba 263-0001, Japan Tel: 81-43-420-1351
Yokosuka Works	19, Natsushima-cho, Yokosuka-shi, Kanagawa 237-8555, Japan Tel: 81-46-869-1842
Nagoya Works	1, Asahi-machi 6-chome, Obu-shi, Aichi 474-8501, Japan Tel: 81-562-48-5111
Okayama Works	8230, Tamashima-Otoshima, Kurashiki-shi, Okayama 713-8501, Japan Tel: 81-86-525-6101
Ehime Works – Niihama Factory	5-2, Sobiraki-cho, Niihama-shi, Ehime 792-8588, Japan Tel: 81-897-32-6211
Ehime Works – Saijo Factory	1501, Imazaikae, Saijo-shi, Ehime 799-1393, Japan Tel: 81-898-64-4811
Technology Research Center	19, Natsushima-cho, Yokosuka-shi, Kanagawa 237-8555, Japan Tel: 81-46-869-2300

History

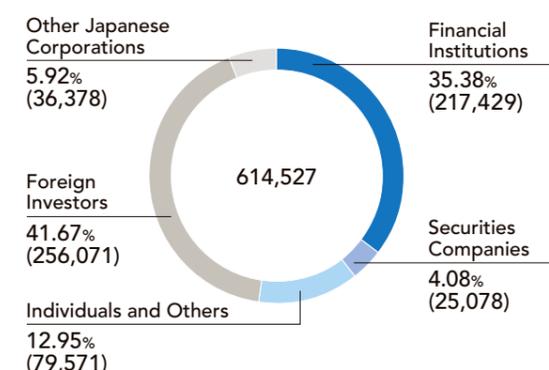
1888	The Company was launched as a machinery production and repair shop for the Besshi Copper Mine
1928	Name changed to Sumitomo Besshi Copper Mine, Ltd.—Niihama Works
1934	Incorporated as Sumitomo Machinery Co., Ltd.
1940	Name changed to Sumitomo Machinery Industries Co., Ltd.
1945	Name changed to Shikoku Machinery Industries Co., Ltd.
1952	Renamed Sumitomo Machinery Industries Co., Ltd.
1961	Established Nagoya Works
1962	Opened Hiratsuka Laboratory
1965	Established Chiba Works
1969	Merged Sumitomo Machinery Industries Co., Ltd. and Uruga Heavy Industries Co., Ltd. to form Sumitomo Heavy Industries, Ltd.
1972	Established Oppama Shipyard (currently known as Yokosuka Works)
1973	Established Toyo Factory (currently known as Ehime Works—Saijo Factory) Merged Kogyo Co., Ltd. and Nihon Suiryoku to form Shin Nippon Machinery Co., Ltd.
1980	Established Sumitomo Heavy Industries Casting and Forging Co., Ltd. (currently known as Sumitomo Heavy Industries Himatex Co., Ltd.)
1982	Merged with Nittoku Metal Industry 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.)
1986	Established Sumitomo (SHI) Construction Machinery Co., Ltd.
1988	Separated the Diesel Engine Group to form Diesel United Ltd. jointly with IHI
1995	Formed the naval venture Marine United jointly with IHI (current SHI stockholding ratio 0%)
1999	Acquired Osaka Chain and Machinery, Ltd. (currently known as Sumitomo Heavy Industries Gearbox Co., Ltd.) Established Sumitomo Heavy Industries Engineering & Services Co., Ltd. (currently known as Sumitomo Heavy Industries Material Handling Systems Co., Ltd.)
2000	Separated the precision forging business from the Company and established Sumiju Precision Forging Co., Ltd. Established Sumitomo Heavy Industries Finetech, Ltd. Acquired 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, Ltd.)
2001	Split Sumitomo Construction Machinery Co., Ltd. into two companies: Sumitomo Construction Machinery Co., Ltd., which focuses on roadwork equipment and excavators, and Sumiju Construction Crane Co., Ltd., which focuses on the crane business
2002	Split the Company's paper manufacturing machinery and press machine divisions and established Sumitomo Heavy Industries Techno-Fort Co., Ltd. Established Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd. jointly with Hitachi Construction Machinery Co., Ltd.
2003	Split the shipbuilding division and subsequently established Sumitomo Heavy Industries Marine & Engineering Co., Ltd. Made Shin Nippon Machinery Co., Ltd. a wholly owned subsidiary Merged the film processing equipment business and Sumitomo Heavy Industries Modern Machinery, Ltd. to form Sumitomo Heavy Industries Modern, Ltd.
2004	Established Sumitomo Heavy Industries (Shanghai), Limited
2006	Integrated the operations of the Research and Development Center (Niihama Factory) into Yokosuka Works
2007	Established Sumitomo Heavy Industries Environment Co., Ltd. Established Sumitomo Heavy Industries (Tangshan), Ltd. Established Sumitomo (S.H.I.) Construction Machinery (Tangshan) Co., Ltd. Made Nihon Spindle Mfg. Co., Ltd. a subsidiary
2008	Made Demag Plastics Group a subsidiary
2009	Made SEN Corporation, an SHI and Axcelis Company Co., Ltd., a wholly owned subsidiary (Currently known as SEN Corporation) Established Sumitomo Heavy Industries Process Equipment Co., Ltd.
2010	Established Sumitomo Heavy Industries Business Associates Co., Ltd.
2011	Made Hansen Industrial Transmissions NV. a wholly owned subsidiary Established Sumitomo Heavy Industries Gearmotors Co., Ltd.
2013	Integrated Sumitomo Heavy Industries Techno-Fort Co., Ltd. Transferred logistics system and machine-automated-parking businesses to Sumitomo Heavy Industries Material Handling Systems Co., Ltd.,
2015	Established the new technology research center building at the Ehime Works Transferred to Sumitomo Heavy Industries Material Handling Systems Co., Ltd. the industrial crane business of Mitsubishi Heavy Industries Machinery Technology Corporation
2017	Made Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd., a consolidated subsidiary Acquired Amec Foster Wheeler plc.'s CFB Boiler Business

Stock-Related Information (As of March 31, 2017)

Stock Information

Transfer Agent	Sumitomo Mitsui Trust Bank, Limited
Stock Exchange Listing	Tokyo
Shares Outstanding	614,527,405
Number of Shareholders	37,371

Stock Information



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

Major Shareholders

Name of shareholder	Percentage of total shares issued and outstanding
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
BNYMSANV AS AGENT/ CLIENTS LUX UCITS 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/>



 Sumitomo Heavy Industries, Ltd.

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

