

# Financial Summary for FY2017 And Projections for FY2018

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May 2018



## I N D E X

**01 Financial Summary for FY2017**

**02 Performance Forecast for FY2018**

**03 Progress Status of “Medium-Term  
Management Plan 2019”**

# 01 Financial Summary for FY2017

## 01

## Financial Summary

Unit: JPY billion

## ■ Main Points

### (1) Orders

- Recorded a historical high.
- YoY increases, except for industrial machinery.
- Mass-produced machinery such as construction machinery, machinery components and precision machinery did well.
- Mobile cranes (entire year) and energy & environment (second-half) businesses were newly consolidated into the Group.

### (2) Net Sales

- Recorded a historical high.
- YoY increases, except for industrial machinery.
- As in the case of orders, mass-produced machinery did well as did the consolidation of businesses into the Group help increase sales.

### (3) Operating Income

- YoY increases, except for industrial machinery and ships
- Large increases in construction machinery and precision machinery. Machinery components were also strong.

	FY2016	FY2017	Change
Orders	711.1	864.0	152.9
Net Sales	674.3	791.0	116.7
Operating Income	48.4	69.9	21.5
Operating Income Ratio	7.2%	8.8%	1.6%
Ordinary Income	48.3	67.5	19.2
Ordinary Income Ratio	7.2%	8.5%	1.3%
Extraordinary Income or Loss	(1.0)	(14.8)	(13.8)
Current Net Income before Tax Adjustments	47.3	52.7	5.4
Current Net Income	33.6	34.7	1.0
Current Net Income Ratio	5.0%	4.4%	(0.6%)
Currency Exchange Rate (US dollars)	¥108	¥112	¥4



## 01

## Operating Income by Segment

Unit: JPY billion

## ➤ Comparison with Previous Fiscal Year

## &lt;Machinery components&gt;

The market for small-to-medium scale and precision gear reducers for robots is strong; the market for large scale gear reducers is also recovering leading to higher profits.

## &lt;Precision machinery&gt;

Increased sales for plastics machinery and semi-conductor-related equipment models have led to higher profits.

## &lt;Construction machinery&gt;

Demand has increased for hydraulic excavators, and with the consolidation of the mobile crane business (HSC) into the Group, these have led to large profit increases.

## &lt;Industrial machinery&gt;

Profits decreased due to reduced sales of industrial cranes and turbines.

## &lt;Ships&gt;

Lower profits as the market for new vessels enters a period of secular decline.

## &lt;Environmental facilities &amp; plants&gt;

Although SFW was consolidated in the energy and environmental business in the second-half, domestic sales decreased; profits increased marginally.

HSC: Sumitomo Heavy Industries Construction Cranes  
SFW: Sumitomo SHI FW

	FY2016	FY2017	Change
Machinery components	9.1	11.8	2.7
Precision machinery	14.6	19.5	4.9
Construction machinery	1.4	17.4	16.0
Industrial machinery	10.8	8.8	(2.0)
Ships	1.3	0.7	(0.6)
Environmental facilities & plants	9.1	9.5	0.4
Others	2.1	2.1	(0.0)
Total	48.4	69.9	21.5



## 01

## Consolidated Balance Sheet

Unit: JPY billion

	March 2017	March 2018	Change		March 2017	March 2018	Change
<b>Current Assets</b>	<b>507.6</b>	<b>564.8</b>	<b>57.2</b>	<b>Liabilities</b>	<b>387.3</b>	<b>450.6</b>	<b>63.3</b>
Cash and deposits	63.8	88.2	24.4	Notes and accounts payable	147.3	184.2	36.9
Notes and accounts receivable	242.5	269.4	27.0	Advanced payments received	32.2	42.5	10.4
Inventories	162.7	167.4	4.7	Interest-bearing debts	60.5	64.2	3.7
Others	38.6	39.8	1.2	Others	147.4	159.7	12.3
<b>Fixed Assets</b>	<b>288.8</b>	<b>330.7</b>	<b>41.9</b>	<b>Net Assets</b>	<b>409.2</b>	<b>445.0</b>	<b>35.8</b>
Tangible assets	227.7	239.6	11.9	Common equity	344.8	369.4	24.6
Intangible assets	15.2	50.3	35.1	Total accumulated other comprehensive income	53.8	61.6	7.8
Investments and other assets	45.9	40.8	(5.1)	Minority interests	10.6	14.0	3.4
<b>Total</b>	<b>796.5</b>	<b>895.6</b>	<b>99.1</b>	<b>Total</b>	<b>796.5</b>	<b>895.6</b>	<b>99.1</b>
				Net ratio of interest-bearing debts	(0.4%)	(2.7%)	(2.3%)
				Stockholders' equity ratio	50.0%	48.1%	(1.9%)

\* Increase of Total Asset for subsidiarization of SFW :  
60.7 billions of Yen



## 01

## Consolidated Cash Flow Statement

- Significant increase in operating CF due to improvements in working capital.
- Active approach to investments

Unit: JPY billion

Category	FY2016	FY2017	Change
<b>Operating Activities</b>	<b>38.2</b>	<b>71.1</b>	<b>33.0</b>
Income before income taxes	47.3	52.7	5.4
Depreciation	20.3	23.0	2.7
Working capital	(22.4)	5.1	27.5
Others (taxes etc.)	(7.1)	(9.7)	(2.6)
<b>Investing Activities</b>	<b>(25.9)</b>	<b>(37.8)</b>	<b>(12.0)</b>
<b>Free Cash Flow</b>	<b>12.3</b>	<b>33.3</b>	<b>21.0</b>
<b>Financing Activities</b>	<b>(17.8)</b>	<b>(10.1)</b>	<b>7.7</b>
<b>Change in Cash and Cash Equivalents</b>	<b>(7.6)</b>	<b>(24.4)</b>	<b>32.0</b>
Cash and Cash Equivalents at end of fiscal term	61.0	85.5	24.5



Ref.

## Overseas Sales by Regional Segment

Unit : JPY billion

	Total				Hydraulic Excavators			
	FY2016 (April - March)		FY2017 (April - March)		FY2016 (April - March)		FY2017 (April - March)	
	Sales	Sales Ratio	Sales	Sales Ratio	Sales	Sales Ratio	Sales	Sales Ratio
North America	107.9	16.0%	118.5	15.0%	28.9	20.8%	34.1	19.1%
Europe	53.5	7.9%	70.9	9.0%	14.1	10.1%	11.7	6.6%
Asia (Excluding China)	69.5	10.3%	90.4	11.4%	14.2	10.2%	22.0	12.3%
China	50.2	7.4%	80.4	10.2%	18.0	13.0%	37.3	20.9%
Others	22.9	3.4%	28.6	3.6%	9.5	6.8%	13.5	7.5%
Ships	31.2	4.6%	36.7	4.6%				
Japan	339.1	50.4%	365.5	46.2%	54.5	39.1%	60.0	33.6%
Total Sales	674.3	100%	791.0	100%	139.1	100%	178.7	100%

\* currency exchange rate (US dollars) FY2016: ¥108 FY2017: ¥112





## 02 Performance Forecast for FY2018

## 02

## Performance Forecast for FY2018

- Net sales increased as the environment for new orders remained strong.
- Operating income declined due to a stronger yen and rising costs.

Unit: JPY billion

	Actual FY2016	Actual FY2017	Forecast FY2018
Orders	711.1	864.0	870.0
Net Sales	674.3	791.0	850.0
Operating Income	48.4	69.9	64.0
Operating Income Ratio	7.2%	8.8%	7.5%
Ordinary Income	48.3	67.5	61.8
Ordinary Income Ratio	7.2%	8.5%	7.3%
Extraordinary Income / Loss	(1.0)	(14.8)	(4.0)
Current Net Income	33.6	34.7	38.0
Current Net Income Ratio	5.0%	4.4%	4.5%
Dividend Per Share	JPY80 (After considering reverse stock split)	JPY85 (Same as on the left)	JPY93
Dividend Payout Ratio	29.2%	30.1%	30.0%
ROIC (after Tax)	7.3%	10.3%	8.9%
[Ref.] ROE	8.7%	8.4%	8.6%
Projected Currency Exchange rate (US dollars)	JPY108 (Record)	JPY112 (Record)	JPY105



## 02

## Machinery Components

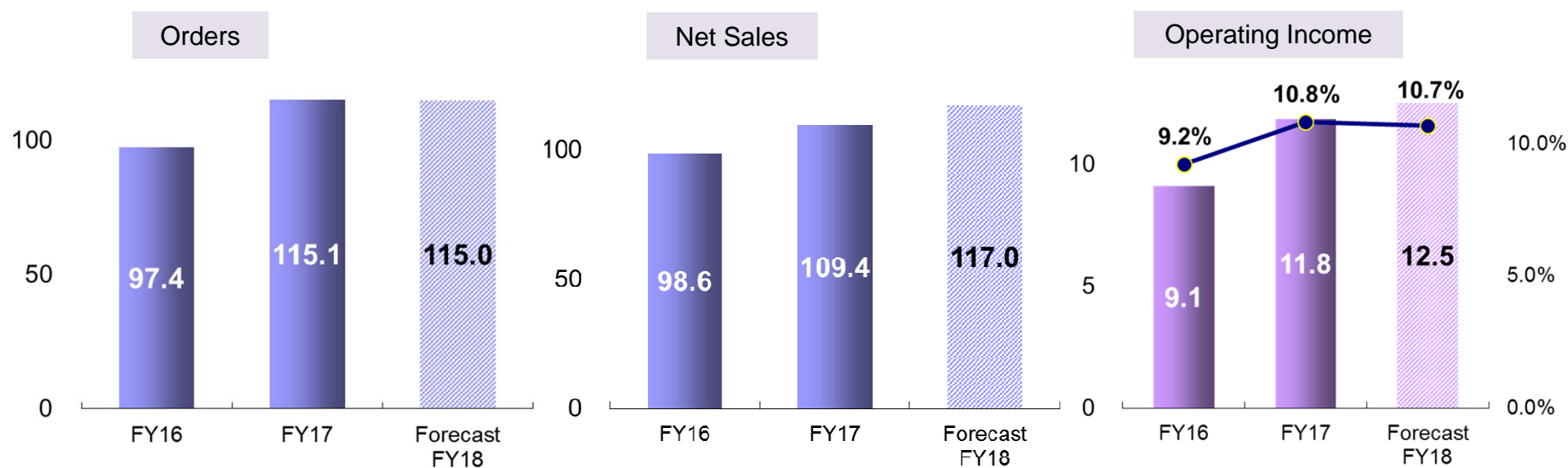
**FY2017:** The market for medium-to-small scale and precision gear reducers was strong and the large scale models are trending towards recovery.

The domestic large scale gear reducer business was integrated with Sumitomo Heavy Industries Gearbox.

We continued to invest in production capacity expansion for precision gear reducers.

**FY2018:** The market for medium-to-small scale gear reducers and precision gear reducers are expected to remain strong and the market for large scale models is projected to show continued recovery. We will develop new products and expand our production capacity for precision gear reducers and strengthen our global supply chain with the expansion of our plant in Vietnam.

Unit: JPY billion



## 02

## Precision Machinery

## &lt;Plastic Machinery&gt;

**FY2017:** High demand levels continued with strong demand coming from Europe and increased demand for electrical and electronics-related products in China.

We released our new all-electric injection molding machine in the European markets which we developed jointly with our German subsidiary

**FY2018:** We project demand for electrical and electronics-related products in China to normalize.

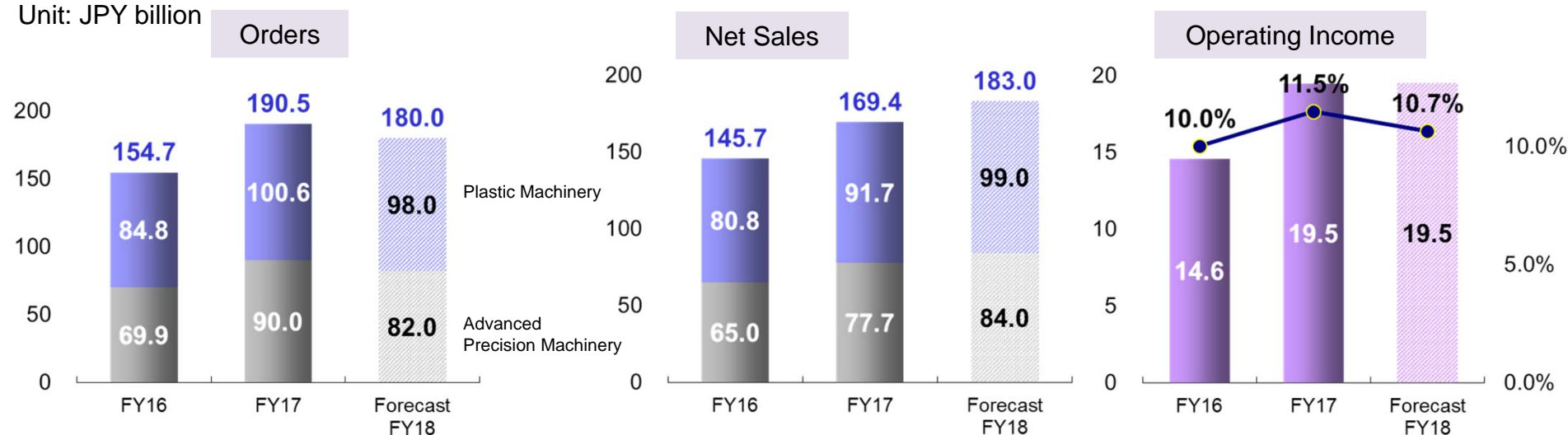
We will develop a series of all-electric injection molding machines in Europe and actively invest in production innovation in Japan.

## &lt;Precision Equipment and Others&gt;

**FY2017:** Positive demand trends developed for semiconductor-related products in Japan and abroad, while cryogenic equipment used for medical equipment and other products were also strong. We consolidated Persimmon Technologies into our Group and launched the development of our vacuum robotics and other businesses.

**FY2018:** The outlook for cryogenic equipment used in medical equipment is strong, while demand for semiconductor-related products is projected to enter an adjustment phase.

Unit: JPY billion



## 02

## Construction Machinery

## &lt;Hydraulic Excavators&gt;

**FY2017:** Demand increased in Japan and abroad, such as in China and North America.

We launched the sale of our new hydraulic excavator model conforming to the 2014 emission control regulation standards in Japan. Operations at our plants in China and Indonesia were restored as demand recovered.

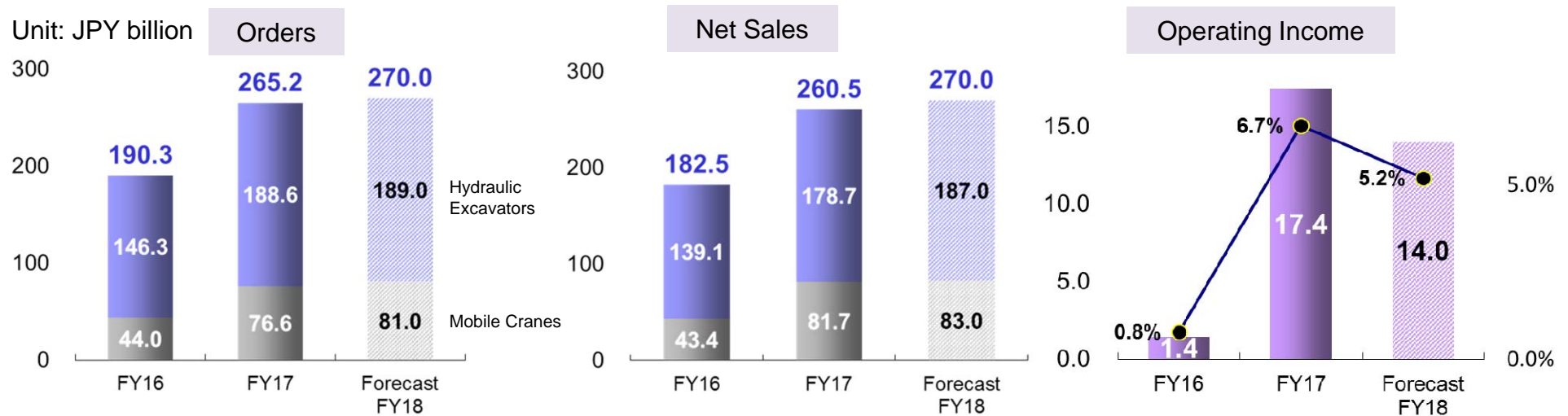
**FY2018:** We project strong demand to continue in all areas, such as China and North America.

We will expand our production capacity at sites in Japan and abroad, and strengthen our servicing sites in North America.

## &lt;Mobile Cranes&gt;

**FY2017:** The North American market trended towards recovery. We consolidated Sumitomo Heavy Industries Construction Cranes (HSC) into the Group as our subsidiary.

**FY2018:** Although the domestic market is contracting, we project the North American market will continue to recover. We will strengthen cooperative ties between LBC and HSC.



## 02

## Industrial Machinery

**FY2017:** Although orders for material handling equipment fell, orders for forging presses and others increased.

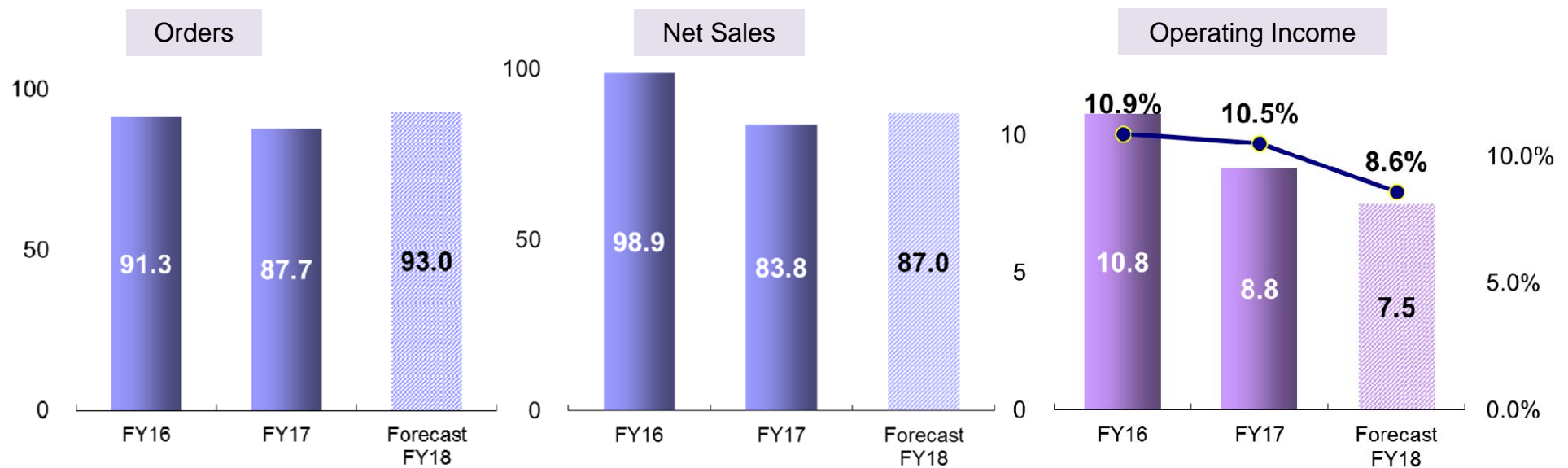
Although sales of medical-related equipment increased, sales of material handling equipment and turbines decreased.

**FY2018:** Turbines are trending towards recovery. We project sales will expand for material handling equipment to the steel and electric utility industries and for use at port facilities. We also project an increase in sales of logistics systems as distribution centers move to automate operations. We will actively promote investment in development as we move forward with the commercialization of STAF and the medical equipment application of BNCT.

Unit: JPY billion

※STAF: Our new proprietary body frame manufacturing system for automobiles.

※BNCT: Boron neutron capture therapy. The next generation of cancer treatment equipment.



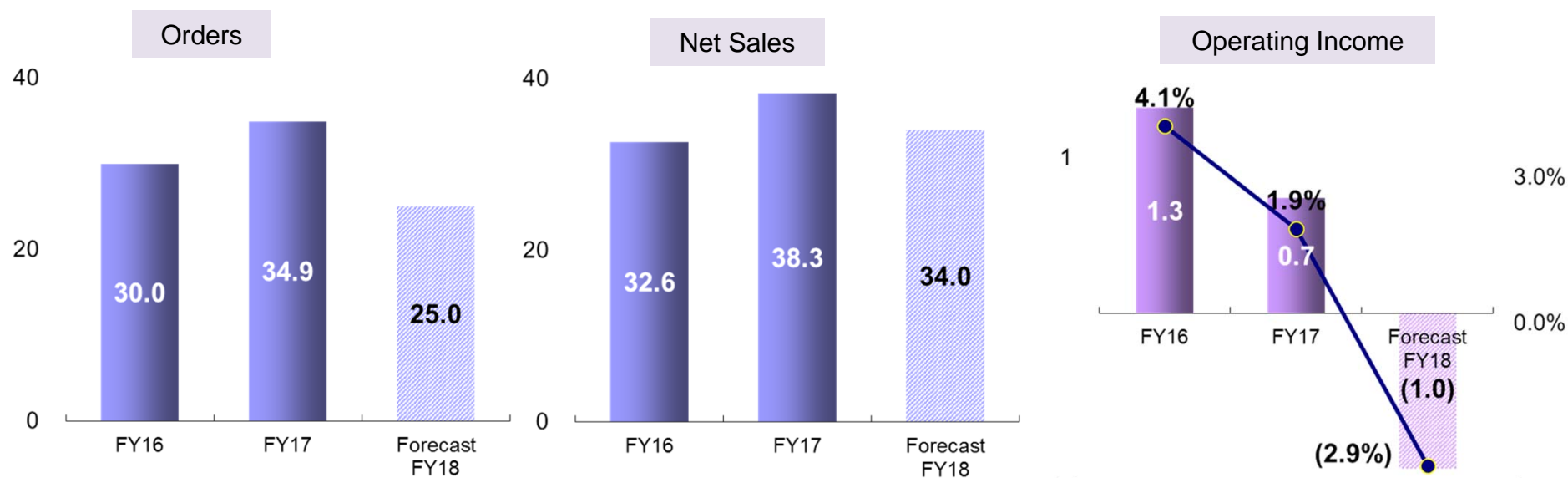
**FY2017:** The market for new vessels continued to be stagnant.

We received orders for four vessels, one vessel more than in the previous fiscal year and delivered five vessels, two vessels more than in the previous fiscal year.

**FY2018:** The market for new vessels is in a secular period of decline.

We will maintain our existing ship building capacity. We project to receive orders for three vessels and plan to deliver four.

Unit: JPY billion

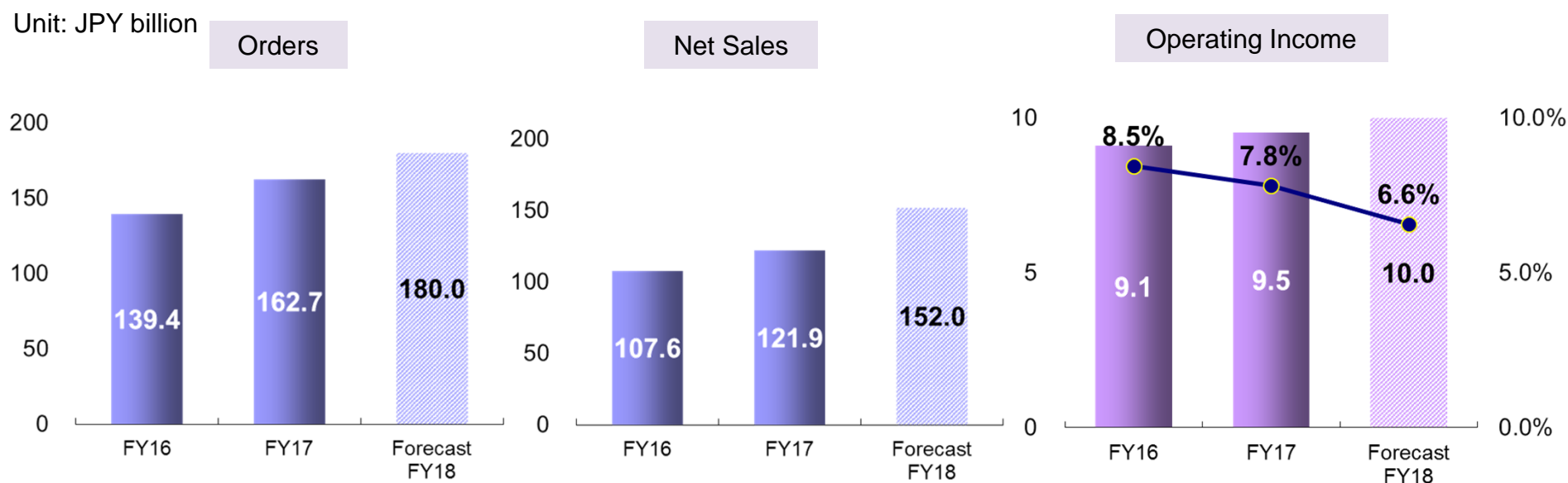




## 02

## Environmental Facilities and Plants

- FY2017:** Orders increased with the consolidation of Sumitomo SHI FW (“SFW”) into our energy plant business in the second-half. Domestic orders also increased for biomass-fueled power generation plants. Orders for the water treatment plant business decreased due to a decrease in the number of long-term operation and maintenance contracts. Sales increased as a result of SFW’s consolidation into our energy plant business. The operational management and the after-sales services of the water treatment plant business was integrated into Sumitomo Heavy Industries Environment.
- FY2018:** Orders and sales in the energy plant business should increase with the consolidation of SFW for the entire year. Demand for domestic biomass-fueled power generation plants are strong. Orders and sales for the water treatment plant business should fall as new demand for such facilities decreases.





## 02

## Performance Forecast for FY2018 by Segment

Unit: JPY billion

		Actual FY2016	Actual FY2017	Forecast FY2018
<b>Machinery Components</b>	Orders	97.4	115.1	115.0
	Net Sales	98.6	109.4	117.0
	Operating Income	9.1	11.8	12.5
<b>Precision Machinery</b>	Orders	154.7	190.5	180.0
	Net Sales	145.7	169.4	183.0
	Operating Income	14.6	19.5	19.5
<b>Construction Machinery</b>	Orders	190.3	265.2	270.0
	Net Sales	182.5	260.5	270.0
	Operating Income	1.4	17.4	14.0
<b>Industrial Machinery</b>	Orders	91.3	87.7	93.0
	Net Sales	98.9	83.8	87.0
	Operating Income	10.8	8.8	7.5
<b>Ships</b>	Orders	30.0	34.9	25.0
	Net Sales	32.6	38.3	34.0
	Operating Income	1.3	0.7	(1.0)
<b>Environmental Facilities &amp; Plants</b>	Orders	139.4	162.7	180.0
	Net Sales	107.6	121.9	152.0
	Operating Income	9.1	9.5	10.0
<b>Others</b>	Orders	8.0	7.7	7.0
	Net Sales	8.3	7.8	7.0
	Operating Income	2.1	2.1	1.5
<b>Total</b>	Orders	711.1	864.0	870.0
	Net Sales	674.3	791.0	850.0
	Operating Income	48.4	69.9	64.0



## 03 Progress Status of “Medium-Term Management Plan 2019”

## 03

## Progress Status of “MTMP19” (Overall)

- We will further promote investment in areas such as gear reducers and injection molding machines.

“MTMP19” Plan	Actual FY2017	Forecast FY2018	Plan FY2019
<b>Numerical targets FY2019</b>			
<b>Net sales:JPY800 billion</b>	JPY791.0 b	JPY850.0 b	JPY860.0 b
<b>Operating Income Ratio:7.5%</b>	8.8%	7.5%	7.8%
<b>ROIC: 7.5% or more</b>	10.3%	8.9%	8.8%
<b>Dividend Payout Ratio : Maintain a 30% level</b>	30.1%	30.0%	30% level
<b>Capital Investments : JPY80.0 billion (Three-Year Total *Based on Budget)</b>	JPY36.0 b	JPY46.0 b	JPY36.0 b
<b>R&amp;D Expenses : JPY52.0 billion (Three-Year Total)</b>	JPY14.8 b	JPY20.3 b	JPY20.0 b



## 03

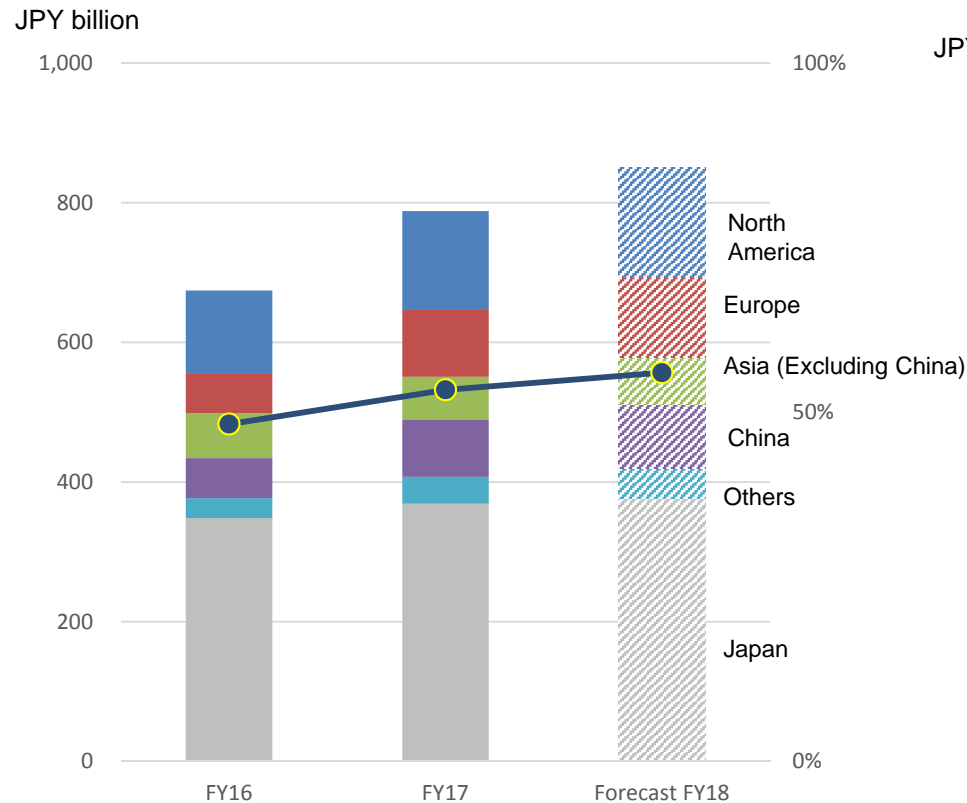
## Progress Status of “MTMP19” (Basic Concept)

Basic Concept	Specific Developments
1. Achieve “Steady Growth”	<p>Achieve growth globally (especially for high-volume products)</p> <p>Accelerate new product development and their introduction to the marketplace</p>
2. Become a “High Profit Company”	<p>Undertake investments (development/plant &amp; equipment/personnel) according to the roles of our respective business segments</p> <p>Self-supporting (operating income of 5% or more)</p>
3. Create excellent products and services through “A Tireless Commitment to Improving Operational Quality”	<p>Radical improvement in the quality of operations</p> <p>Reinforce the after-market business</p> <p>Promote the active utilization of systems technology (ICT,IoT)</p>
4. M&A, and formation of business alliances	<p>Pursue integration and ties between our organizations and actively seek M&amp;A opportunities and form business alliances/cooperative arrangements with other companies</p>
5. Establish non-financial objectives and actively promote CSR	<p>Provide solutions to social issues, improve product quality, and observe or shorten delivery deadlines in the course of providing products and services, promote diversity and reduce environmental load</p>

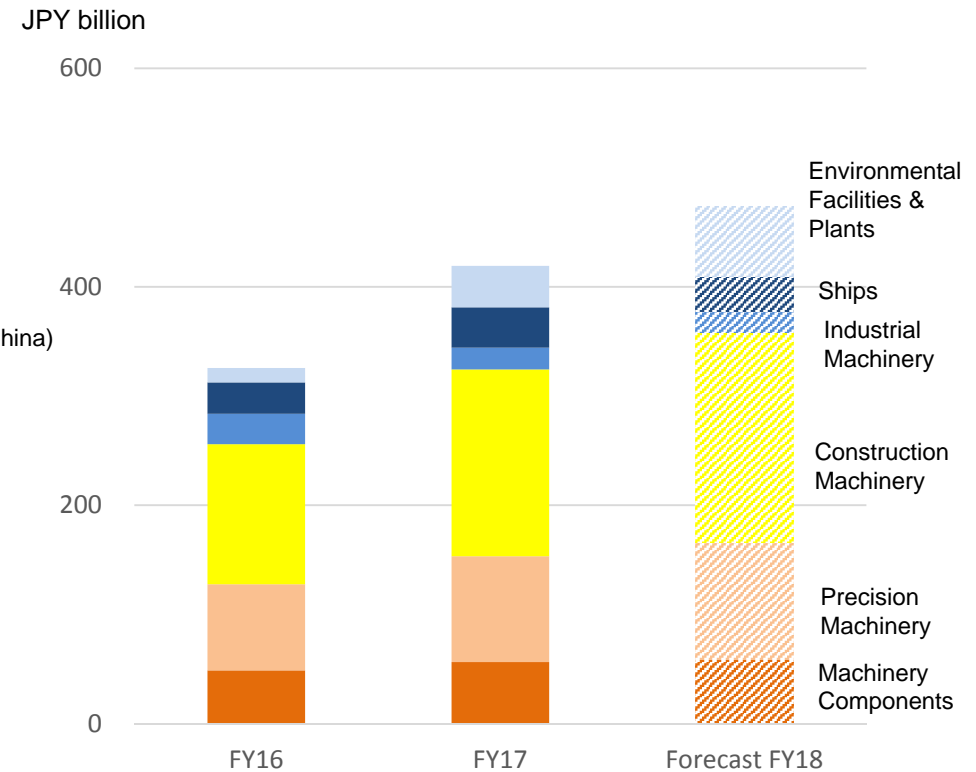
## 03

## Basic Concept 1 Growth of Overseas Sales

Overseas Sales by Regional Segment



Overseas Sales by Segment

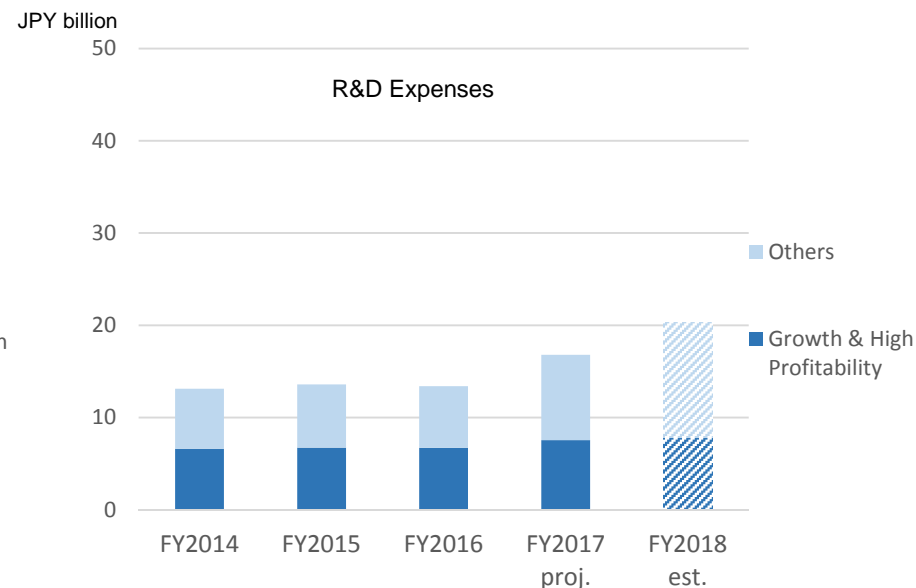
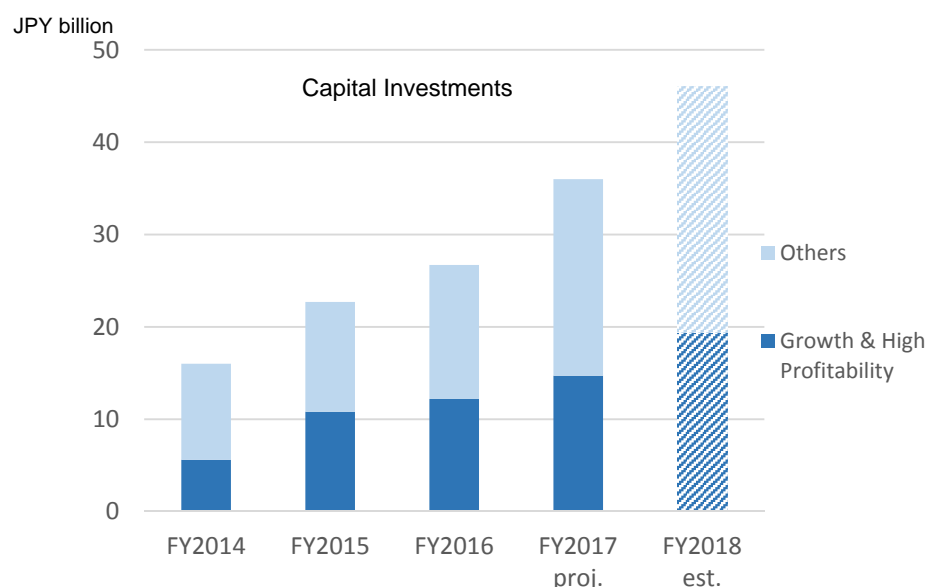


- Overseas sales of mass-produced machinery and environmental facilities & plants are steadily increasing.
- By geographic segment, North America and China are the leaders. Other regions are also projected to do well.
- The underlying trend in overseas sales for FY2017 and FY2018 is one of expansion.



## 03

## Basic Concept 2 Investment (Capital Investments / R&amp;D)



Role	Major Capital Investments	Major Development Investments
Growth & High Profitability	Service Technical Center (Machinery Components) Reinforce overseas production capacity (Machinery Components) Reinforce/renew domestic production capacity (Machinery Components, Injection Molding Machines)	Precision reducers for robots (Machinery Components) ALL-electric Injection Molding Machine for Europe market (Injection Molding Machines)
Improve Profitability	The new CFB pilot test equipment (Boilers)	Conforms to the next version of gas emission standards (Excavators)
Stabilize Profit Margins	Test unit for the STAF production system which achieves significant weight reductions in automotive body frames (Industrial Machinery)	STAF production system which achieves significant weight reductions in automotive body frames (Industrial Machinery)



## 03

## R&amp;D Investment &lt;Injection Molding Machine New Product&gt;

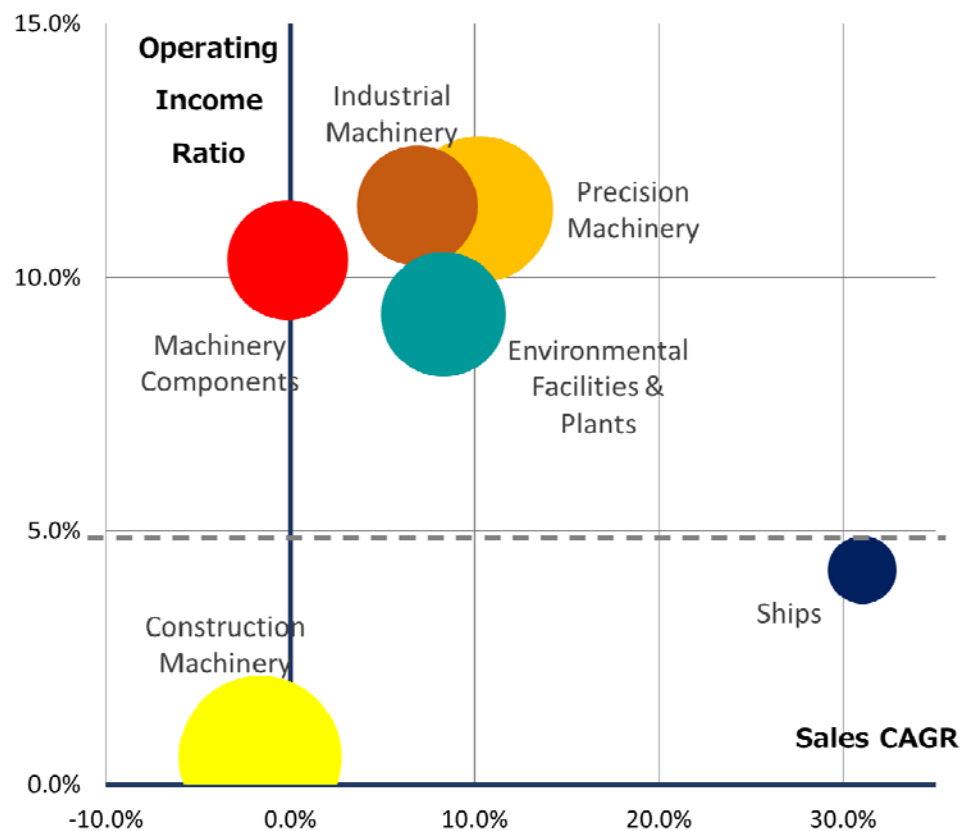
- Developed for the European markets based on SHI's electronic control technology; launched in May 2017
- The most recent model of the "IntElect" series of all-electric injection molding machines by Demag
- Excellent for precision molding for industrial and optical applications; installation area uses 10% less space than conventional models



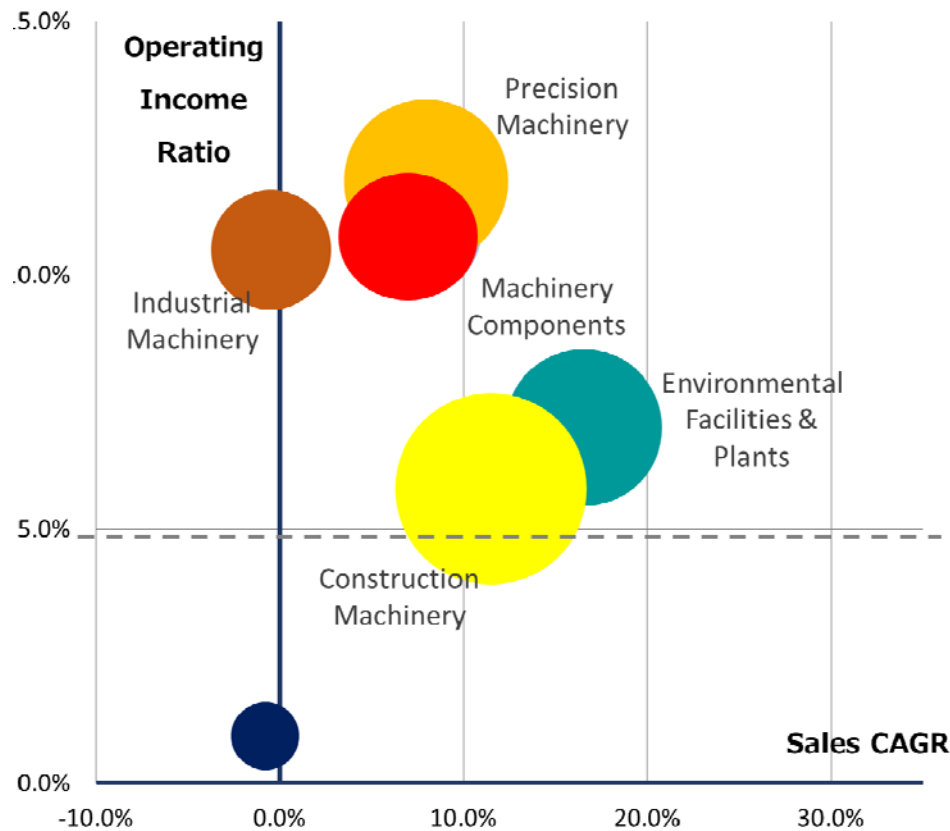
## 03

## Basic Concept 2 Performance by Segment (Sales CAGR / Operating Income Ratio)

MTMP16 Sales : FY2013 → FY2016  
Operating Income Ratio : FY2016



MTMP19 Sales : FY2016 → FY2019 Plan  
Operating Income Ratio : FY2019 Plan



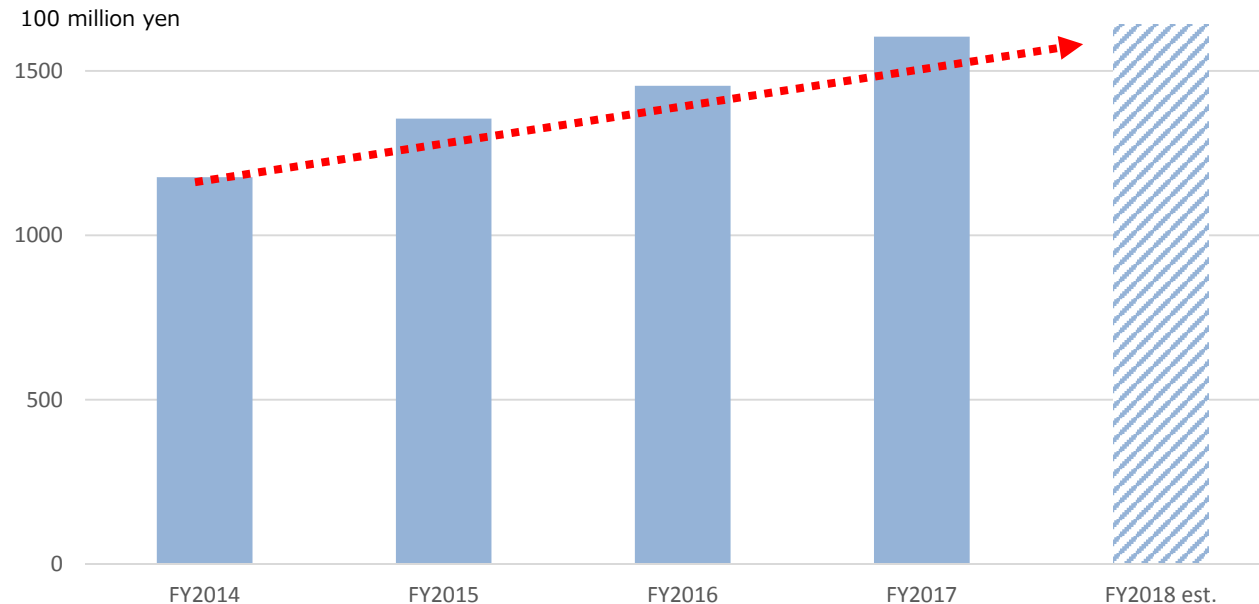
- In our “MTMP19,” we will secure an operating income ratio of 5% or more, with the exception of our Ships segment
- The first goal of our Environmental Facilities & Plants segment is to achieve growth





## 03

## Basic Concept 3 Sales of After Sales Services



## &lt;Our reinforcement measures for the after sales services business&gt;

1. Create replacement demand by our customer value proposition activities (cryocoolers)
2. Integrate our plant business and servicing business; create a virtuous cycle (water treatment)
3. Expand our restoration business; propose the improved utilization of IoT (hydraulic excavators)
4. Transition from inspection and diagnosis to a push strategy of proposing repairs (material handling equipment)

## &lt;Factors contributing to sales increases other than the above&gt;

HSC and SFW were consolidated into the Group as subsidiaries



## 03

## Basic Concept 4 Organizational Integrations and Alliances

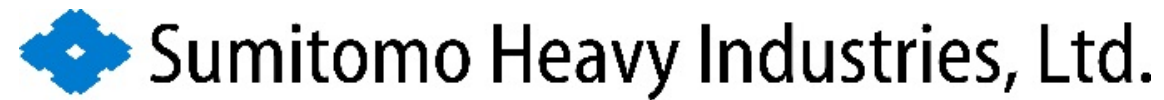
- Expand the scope of our semiconductor business with the application of our cryogenic technology
- Strengthen cooperative ties between HSC and LBC for our mobile crane business
- Strengthen domestic and international cooperative ties for our boiler business

Unit: JPY billion

Segment	New Consolidated Companies	Actual FY2017		Forecast FY2018	
		Orders	Net Sales	Orders	Net Sales
Precision Machinery	Persimmon Technologies	1.0	1.0	3.0	3.0
Construction Machinery	Sumitomo Heavy Industries Construction Cranes (HSC)	33.4	38.4	35.0	35.0
Environmental facilities and Plants	Sumitomo SHI FW (SFW)	19.6	25.3	50.0	50.0

\*For the 2017 consolidated fiscal year, Persimmon is included from 2Q onwards (9 months) and SFW is included from 3Q onwards (6 months).





All forward-looking statements regarding the company's future performance are based on information currently available to Sumitomo Heavy Industries and determined subjectively. Future performance is not guaranteed and all information related to future performance contained herein is subject to changes in business environments.