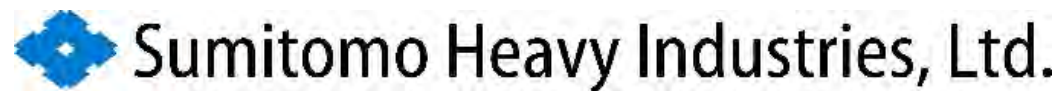


# Financial Presentation Material for FY2019

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May 2020



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# 01

# Financial Summary for FY2019

Unit: JPY billion

## ■ Main Points

### (1) Orders

- YoY decreases in all segments.
- Significant decrease especially in Construction Machinery and Environmental Facilities & Plants.
- The main reason is that demand for machinery was adjusted in each area.

### (2) Net Sales

- YoY decreases in all segments.
- Significant decrease especially in Construction Machinery.
- This is attributable to adjustment to demand for machinery and impact of Typhoon No. 19 on parts procurement and factory production

### (3) Operating profit

- YoY decreases in all segments.

	FY2018	FY2019	Change
Orders	952.2	826.2	(126.0)
Net Sales	903.1	864.5	(38.6)
Operating profit	75.2	56.8	(18.4)
Operating profit Ratio	8.3%	6.6%	(1.7%)
Ordinary profit	72.6	52.7	(20.0)
Ordinary profit Ratio	8.0%	6.1%	(1.9%)
Extra Ordinary profit or Loss	(5.6)	-	5.6
Current Profit before Tax Adjustments	67.1	52.7	(14.4)
Current Profit	45.7	32.8	(12.8)
Current Profit Ratio	5.1%	3.8%	(1.3%)
Dividend Per Share	JPY112	JPY91	(JPY21)
Currency Exchange Rate (US dollars)	¥111	¥108	(¥3)

## 01

## Operating profit by Segment

Unit: JPY billion

## ➤ Comparison with Previous Fiscal Year

## &lt;Machinery components&gt;

Profits decreased due to a decline in sales of small-to-medium sized gear reducers and precision motion control drives for robot articulations, an increase in expenses and a change in model configurations.

## &lt;Precision machinery&gt;

Decreased sales for plastics machinery led to lower profits. On the other hand, demand for semiconductor-related equipment models remained strong, resulting in higher profits.

## &lt;Construction machinery&gt;

For both hydraulic excavators and mobile cranes, sales decreased due to the impact of typhoons; this led to profit decreases.

## &lt;Industrial machinery&gt;

Decreased sales for both industrial cranes and other industrial machinery led to lower profits.

## &lt;Ships&gt;

The market for vessels was stagnant. Decreased sales and typhoon impact led to operating loss.

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

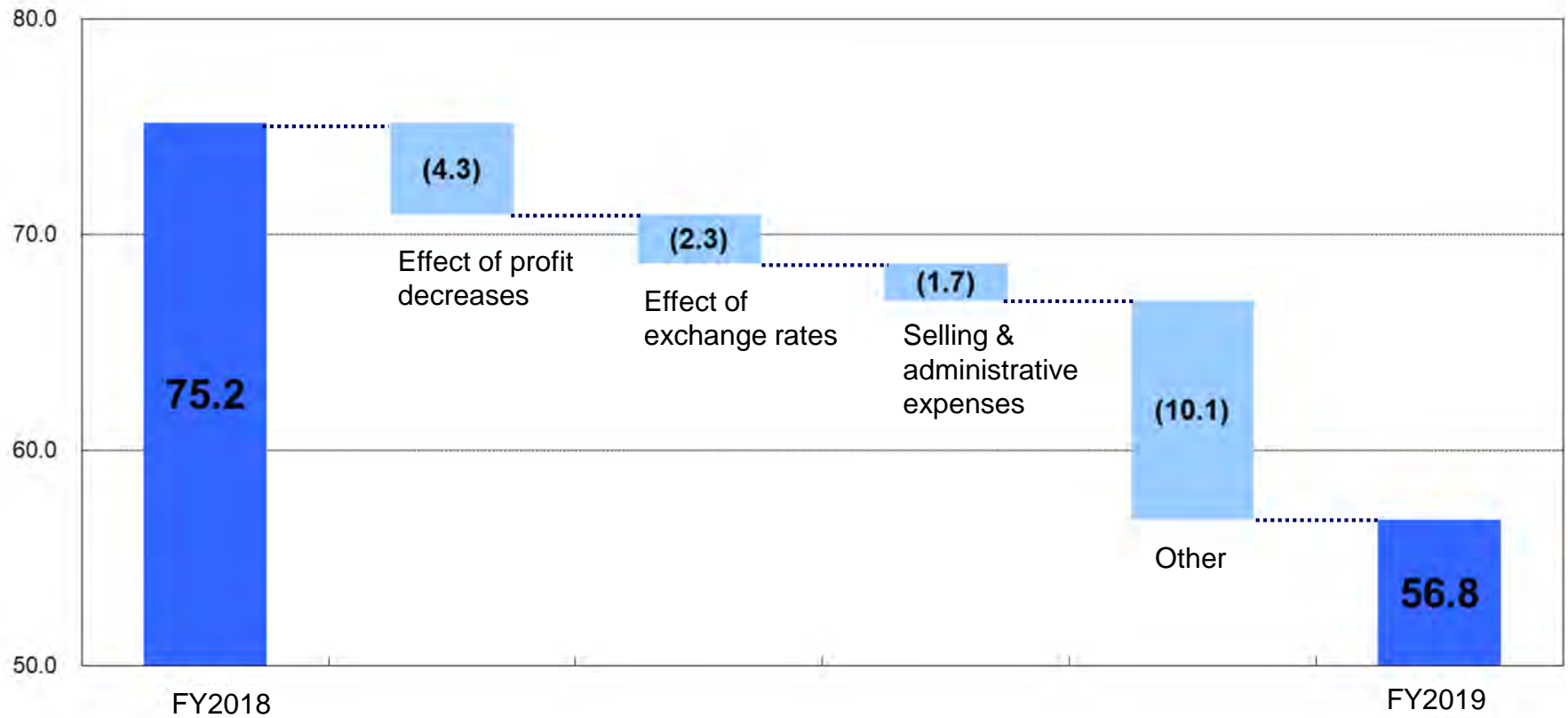
Although business conditions were generally strong, decreased sales led to slightly lower profits.

	FY2018	FY2019	Change
Machinery Components	11.1	5.5	(5.5)
Precision Machinery	17.7	14.9	(2.8)
Construction Machinery	22.0	17.1	(4.8)
Industrial Machinery	9.0	7.1	(1.9)
Ships	0.8	(2.1)	(2.9)
Environmental Facilities & Plants	12.6	11.9	(0.7)
Other	2.2	2.4	0.2
<b>Total</b>	<b>75.2</b>	<b>56.8</b>	<b>(18.4)</b>

## 01

## Analysis of Changes in Operating profit

Unit: JPY billion



## 01

## Consolidated Balance Sheet

- An increase in fixed assets through capital investments and implementation of M&A and an increase in cash and deposits led to an increase of 51.4 billion yen in interest-bearing debts.

Unit: JPY billion

	March 2019	March 2020	Change		March 2019	March 2020	Change
<b>Current Assets</b>	<b>583.6</b>	<b>592.8</b>	<b>9.2</b>	<b>Liabilities</b>	<b>489.1</b>	<b>517.5</b>	<b>28.5</b>
Cash and deposits	73.6	87.1	13.5	Notes and accounts payable - trade	188.1	158.5	(29.6)
Notes and accounts receivable	291.6	271.4	(20.2)	Advanced payments received	52.6	57.5	4.9
Inventories	189.0	201.0	11.9	Interest bearing debts	73.3	124.7	51.4
Others	29.4	33.3	4.0	Others	175.1	176.8	1.7
<b>Fixed Assets</b>	<b>370.5</b>	<b>402.4</b>	<b>31.9</b>	<b>Net Assets</b>	<b>465.0</b>	<b>477.6</b>	<b>12.6</b>
Tangible assets	248.3	268.1	19.8	Common equity	404.7	423.1	18.3
Intangible assets	65.1	73.2	8.1	Total accumulated other comprehensive income	48.7	41.4	(7.3)
Investments and other assets	57.1	61.2	4.0	Minority interests	11.5	13.2	1.7
<b>Total</b>	<b>954.1</b>	<b>995.2</b>	<b>41.1</b>	<b>Total</b>	<b>954.1</b>	<b>995.2</b>	<b>41.1</b>
Increase of Total Asset for subsidiarization of Invertek: 14.5 billion yen				Net ratio of interest-bearing debts	(0.03%)	3.8%	3.8%
				Stockholders' equity ratio	47.5%	46.7%	(0.9%)

## 01

## Consolidated Cash Flow Statement

- Operating cash flows decreased due to a decrease in current Profit.
- Free cash flows turned negative for the first time in seven fiscal years.

Unit: JPY billion

Category	FY2018	FY2019	Change
<b>Operating Activities</b>	<b>55.2</b>	<b>36.3</b>	<b>(18.9)</b>
Profit before income taxes	67.1	52.7	(14.4)
Depreciation	26.0	27.9	1.9
Working capital	(31.1)	(27.7)	3.4
Others (taxes etc.)	(6.8)	(16.6)	(9.8)
<b>Investing Activities</b>	<b>(55.0)</b>	<b>(57.8)</b>	<b>(2.8)</b>
<b>Free Cash Flow</b>	<b>0.2</b>	<b>(21.5)</b>	<b>(21.7)</b>
<b>Financing Activities</b>	<b>(13.3)</b>	<b>36.0</b>	<b>49.3</b>
<b>Change in Cash and Cash Equivalents</b>	<b>(15.7)</b>	<b>13.9</b>	<b>29.6</b>
Cash and Cash Equivalents at end of fiscal term	69.8	83.6	13.9



## Summary of Results by Segment (Orders, Sales and Operating profit)

Unit: JPY billion

		FY2017 (Apr. - Mar.)				FY2018 (Apr. - Mar.)				FY2019 (Apr. - Mar.)			
		Orders	Net Sales	Operating Profit	Operating Profit Ratio	Orders	Net Sales	Operating Profit	Operating Profit Ratio	Orders	Net Sales	Operating Profit	Operating Profit Ratio
Machinery Components		115.1	109.4	11.8	10.8%	134.0	133.4	11.1	8.3%	126.5	130.5	5.5	4.2%
	Plastic Machinery	100.6	91.7			103.8	104.1			83.4	91.5		
	Advanced Precision Machinery	90.0	77.7			87.7	81.6			106.4	93.5		
Precision Machinery		190.5	169.4	19.5	11.5%	191.5	185.7	17.7	9.5%	189.8	185.0	14.9	8.1%
	Hydraulic Excavators	188.6	178.7			215.0	204.2			179.6	191.8		
	Mobile Cranes	76.6	81.7			90.3	86.3			79.9	81.0		
Construction Machinery		265.2	260.5	17.4	6.7%	305.3	290.5	22.0	7.6%	259.5	272.8	17.1	6.3%
Industrial Machinery		87.7	83.8	8.8	10.5%	90.8	93.7	9.0	9.6%	88.4	87.0	7.1	8.1%
Ships		34.9	38.3	0.7	1.9%	32.0	41.4	0.8	2.0%	30.1	32.9	(2.1)	(6.4%)
Environmental Facilities & Plants		162.7	121.9	9.5	7.8%	191.3	151.0	12.6	8.3%	124.7	149.0	11.9	8.0%
Others		7.7	7.8	2.1	26.7%	7.3	7.3	2.2	29.8%	7.1	7.2	2.4	33.0%
Total		864.0	791.0	69.9	8.8%	952.2	903.1	75.2	8.3%	826.2	864.5	56.8	6.6%

# 02

# Future Outlook

**<Impact of COVID-19>**

- It is expected that orders will be generally stagnant, and in particular the Machinery Components, Precision Machinery and Construction Machinery segments that offer a short lead time after receiving orders will see significantly lower sales.
- Our supply chain will not greatly affect our production.
- In terms of cash flows, there is currently no problem because funds on hand and credit lines for fund raising are secured.

**<Postponement of Announcement of Consolidated Performance Forecast for FY2020>**

- There are many uncertainties with respect to the impact of COVID-19 infections on business performance and it is difficult to reasonably calculate performance forecasts. Therefore we have decided to postpone announcement of the performance forecast for FY2020.
- We will carefully examine the impact on business performance and promptly make the announcement when it becomes possible to create a reasonable forecast.

**<Dividends Forecast for FY2020>**

- The dividends forecast for FY2020 remains undetermined in line with postponement of announcement of the performance forecast. (A dividend for FY2019 was 91 yen)

**<Next Medium-Term Management Plan>**

- We will re-examine the next Medium-Term Management Plan, taking into account the spread of COVID-19 infections around the world and domestic and overseas business circumstances surrounding the Group. The plan is scheduled to be announced around May 2021.

**<Until the End of the Pandemic>**

Priority is given to safety of employees, the maximum cooperation to meet social requirements and maintenance of our operating bases.

**<Efforts in a Path to Recovery of Economic Activities>**

- Enhancement of the business continuity structure that assumes the second and later waves of infections
- Appropriate response to strong demand in the fields of semiconductors, logistics, automation-related products, etc.
- Bottom-line management
- Strict maintenance of financial discipline

**<Responses from a Long-Term Perspective>**

- Formulation of a medium-term plan that can respond to changes in social structures (Decentralization, society of physical distancing, re-building of global supply chains, etc.)
- Continuation of active R&D investments and strategic capital investments
- Continuous efforts to retain and cultivate human resources

# 01

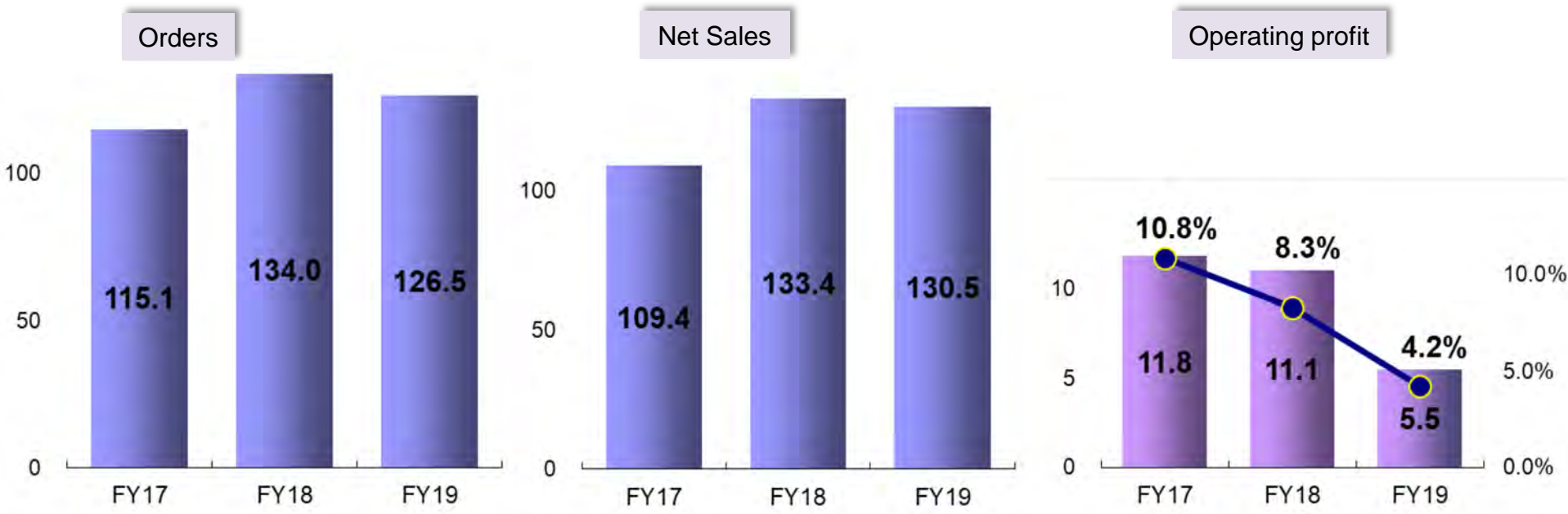
## Machinery Components

**FY2019:** Both orders and sales decreased due to a decline in demand for small-to-medium sized gear reducers and precision motion control drives for robot articulations.

In addition, Operating profit also decreased due to a decline in sales, an increase in expenses and a change in model configurations.

**FY2020:** For small sized and precision models, early recovery is expected because of promotion of investments related to logistics and automation. However, recovery of capital investments in general is uncertain and demand for flagship medium-sized models is projected to decline.

Unit: JPY billion



# 01

## Precision Machinery

### <Plastic Machinery>

**FY2019:** All of orders, sales and Operating profit decreased due to sluggish demand in China for electrical and electronics-related products and reduced demand in Japan and Europe.

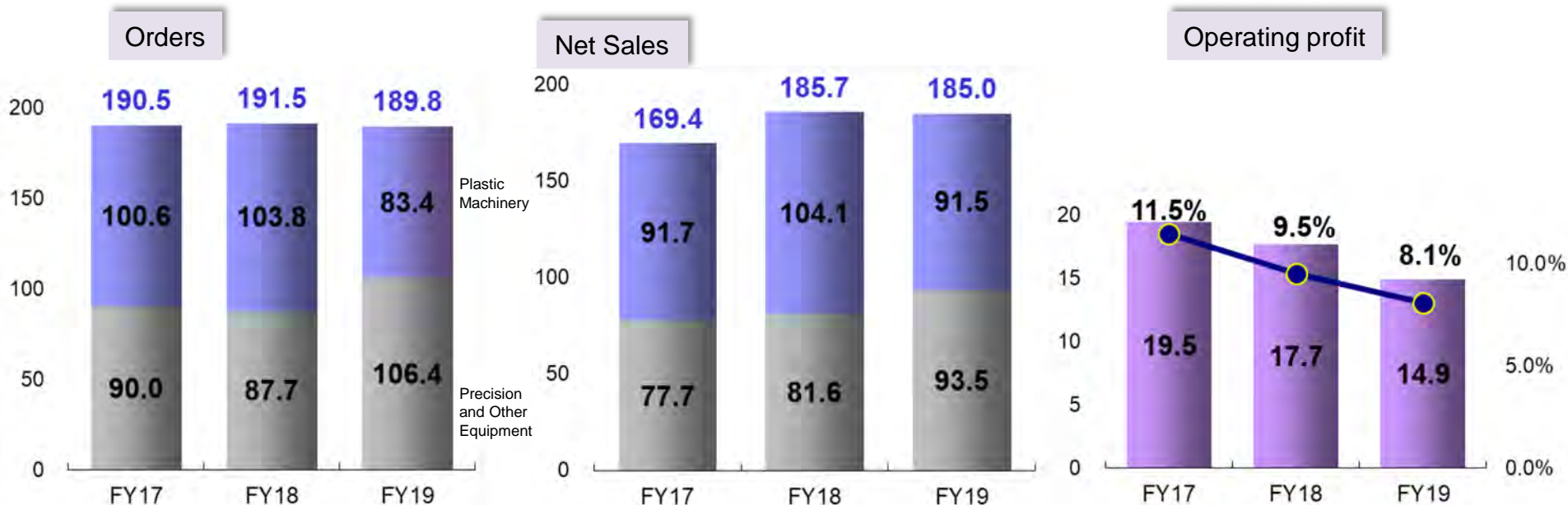
**FY2020:** Early recovery in demand for electrical and electronics-related products in China is expected. However, recovery in demand for automobile-related products is uncertain.

### <Precision and Other Equipment>

**FY2019:** High demand levels for semiconductor-related products continued, leading to increases in all of orders, sales and Operating profit.

**FY2020:** Demand for semiconductor-related equipment models will be robust, but will not be as strong as in the previous fiscal year.

Unit: JPY billion



# 01

## Construction Machinery

### <Hydraulic Excavators and Road Machinery>

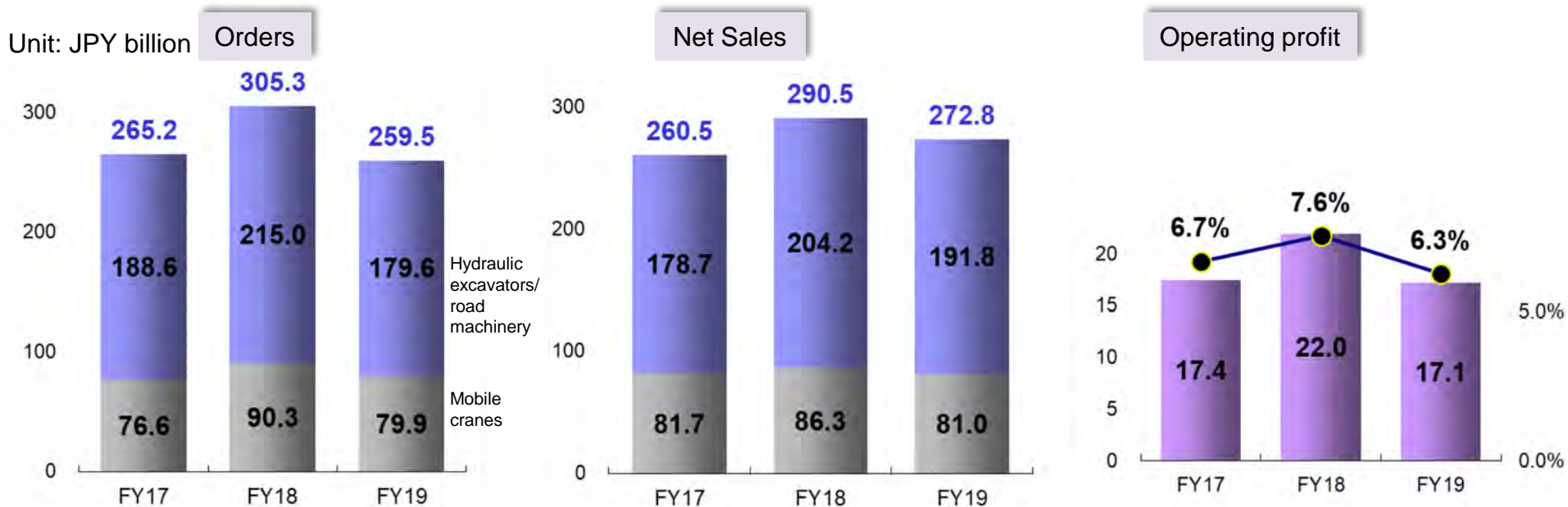
**FY2019:** All of orders, sales and Operating profit decreased due to factors such as reduced demand in the ASEAN region, sluggish growth in the Chinese market, and typhoon damage causing a problem with procurement of parts.

**FY2020:** Early recovery in China is expected but there are uncertainties with the US and European markets, etc.

### <Mobile Cranes>

**FY2019:** All of orders, sales and Operating profit decreased due partially to reduced demand in Japan and the North America district.

**FY2020:** Demand will not recover globally due to the impact of COVID-19 and lower oil prices.



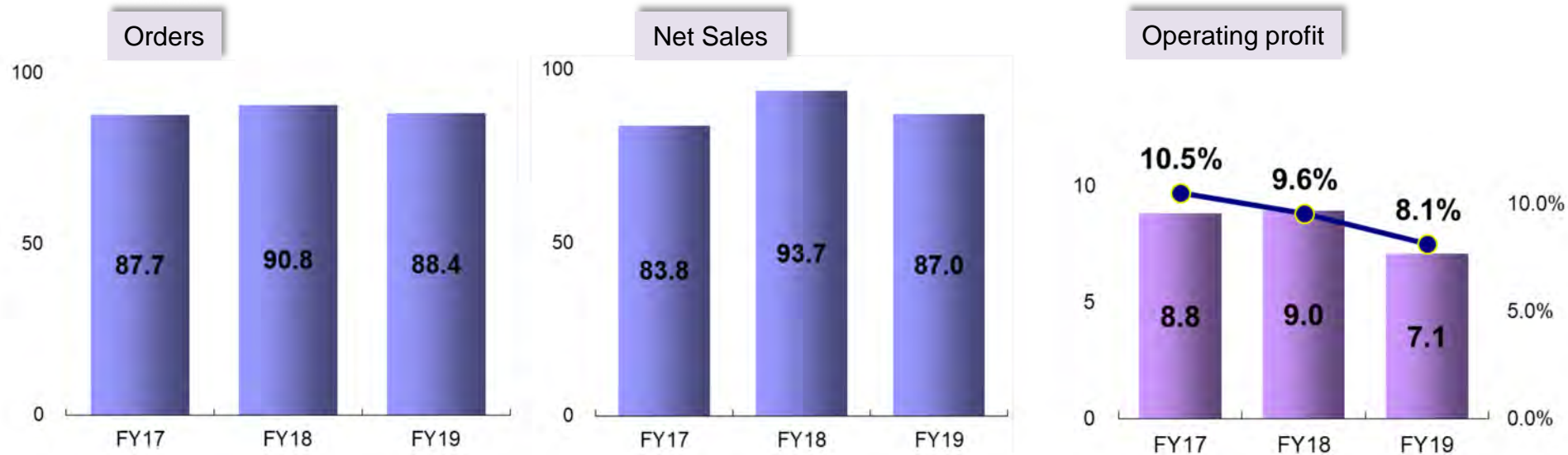


# 01

## Industrial Machinery

- FY2019:** For industrial cranes, orders remained unchanged as compared to the previous fiscal year due to reasons such as the fact that demand for products related to electricity and ports continued to be strong. However, sales of long lead items will be recorded in the next fiscal year or later, and this led to decreased sales. Operating profit also decreased due to a decline in sales and a change in model configurations. For a part of other industrial machinery, orders decreased as compared to the previous fiscal year. Sales and Operating profit also decreased because there were not many backlogs of orders at the end of the previous fiscal year.
- FY2020:** The industrial crane business will be relatively strong because there are backlogs of orders, but the number of profitable service projects is projected to decline. For presses and medical equipment, investments will tend to be postponed.

Unit: JPY billion



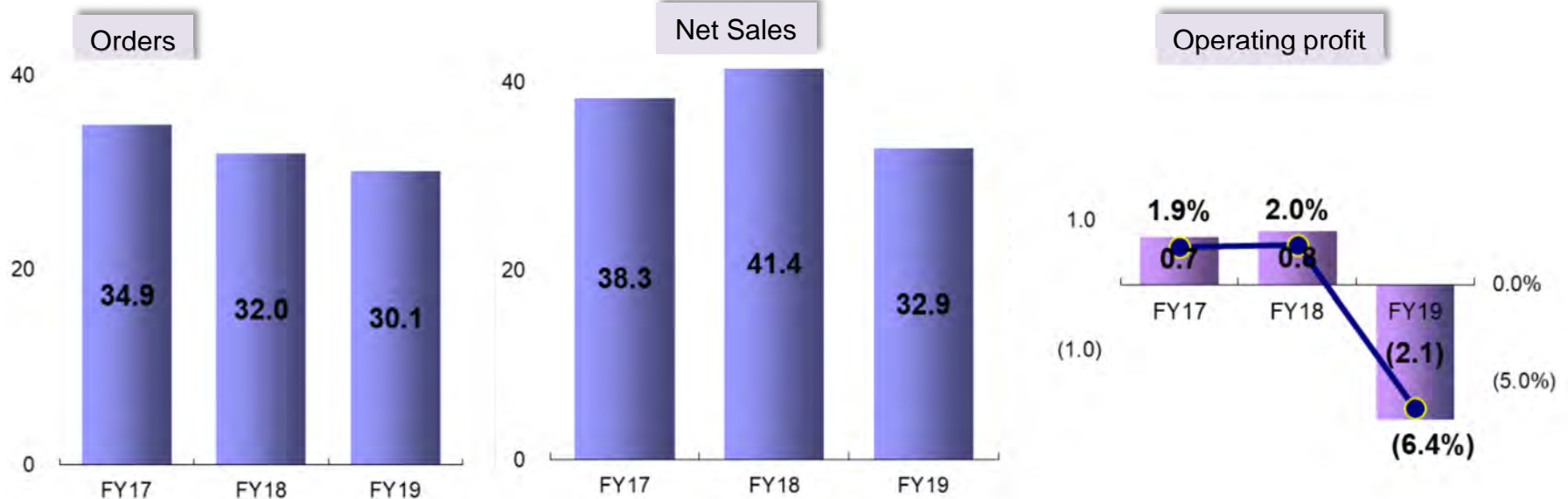


# 01

## Ships

- FY2019:** The market for vessels continued to be stagnant. In the current fiscal year, we received orders for three new vessels as in the previous fiscal year. Although we delivered four vessels as in the previous fiscal year, sales decreased year-on-year due partially to a decrease in vessel repair projects. Decreased sales and the impact of typhoon damage led to operating loss.
- FY2020:** Recovery in the vessel market will be delayed and it will continue to be difficult to obtain orders for new vessels.

Unit: PY billion



# 01

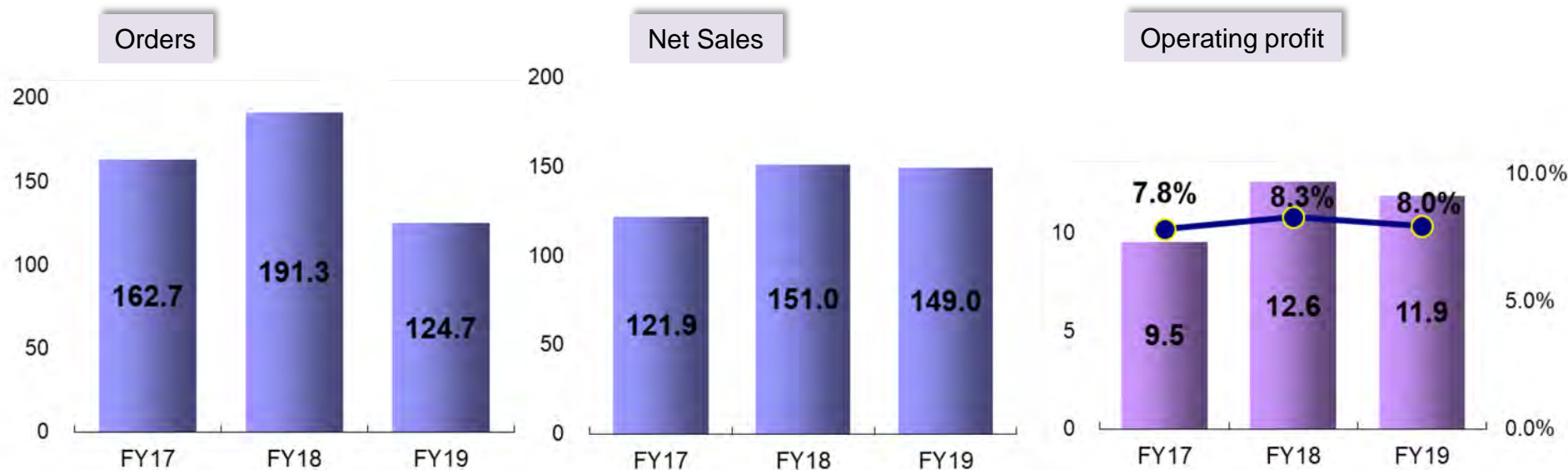
## Environmental Facilities & Plants

**FY2019:** In the energy plant business, orders decreased due to a year-on-year decrease in large-scale projects for biomass-fueled power generation plants in Japan. However, sales and Operating profit remained unchanged from the previous fiscal year because there were backlogs of orders.

In the water treatment plant business, orders decreased due to a year-on-year decrease in projects for waste water treatment facilities. However, sales and Operating profit remained unchanged from the previous fiscal year because there were backlogs of orders.

**FY2020:** There are backlogs of orders for energy plants mainly in Japan and there are also backlogs of orders for waste water treatment plants. This will lead to relatively strong business performance.

Unit: JPY billion



# 03

# Medium-Term Management Plan

# 03 Overall Review of “Medium-Term Management Plan 2019”

- We worked to transform into a steady growth and high profit company by strengthening overseas businesses and service activities, actively making investments, and implementing M&A deals and partnerships.
- Efforts were made with a focus on CSR.
- Consolidated performance targets  
Amid growing investments related to semiconductors in China and other places and a global economic boom, we implemented overseas M&A deals and actively made other investments to drive growth. As a result, the plan was achieved in FY2018.  
In FY2019, we failed to achieve final-year targets other than those for sales due to factors such as effects of a sluggish European economy and trade disputes between the US and China as well as typhoon damage sustained by a part of our business segments.

## 03

## Basic Concept of “MTMP19”

Basic Concept	Specific Developments
1. Achieve “Steady Growth”	<p>Achieve growth globally (especially for mass produced machinery)</p> <p>Accelerate new product development and their introduction to the marketplace</p>
2. Become a “High Profit Company”	<p>Undertake investments (R&amp;D/CAPEX/personnel) according to the roles of our respective business segments</p> <p>Become a self-reliance company (Operating profit 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 promote CSR procurement in the course of providing products and services, promote diversity and reduce environmental load (CO2 emissions)</p>



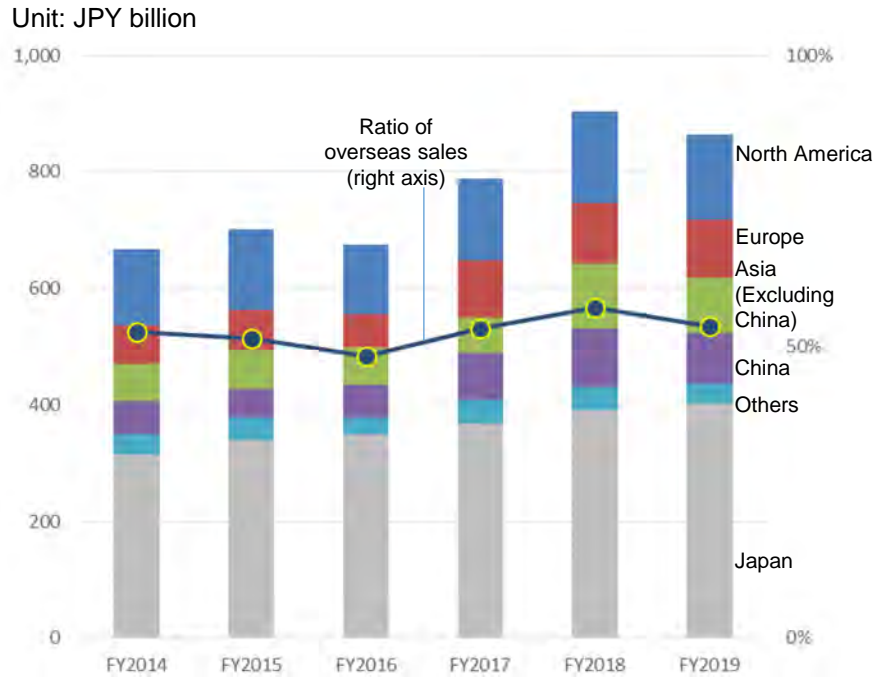
## Summary of “MTMP19”

	“MTMP19” Plan	Actual FY2017	Actual FY2018	Actual FY2019
Numerical targets FY2019	<b>Net sales: JPY800 billion</b>	JPY791.0 b	JPY903.0 b	JPY864.5 b
	<b>Operating profit Ratio: 7.5%</b>	8.8% JPY69.9 b	8.3% JPY75.2 b	6.6% JPY56.8 b
	<b>ROIC: 7.5% or more</b>	10.3%	10.5%	7.3%
	<b>Dividend Payout Ratio: Maintain a 30% level</b>	30.1%	30.1%	34.0%
	<b>Capital Investments: JPY80.0 billion (Three-Year Total *Based on Budget)</b>	JPY127.6 b (three-year total)		
		JPY36.0 b	JPY41.0 b	JPY50.6 b
	<b>R&amp;D Expenses: JPY52.0 billion (Three-Year Total)</b>	JPY56.5 b (three-year total)		
		JPY16.4 b	JPY18.3 b	JPY21.8 b

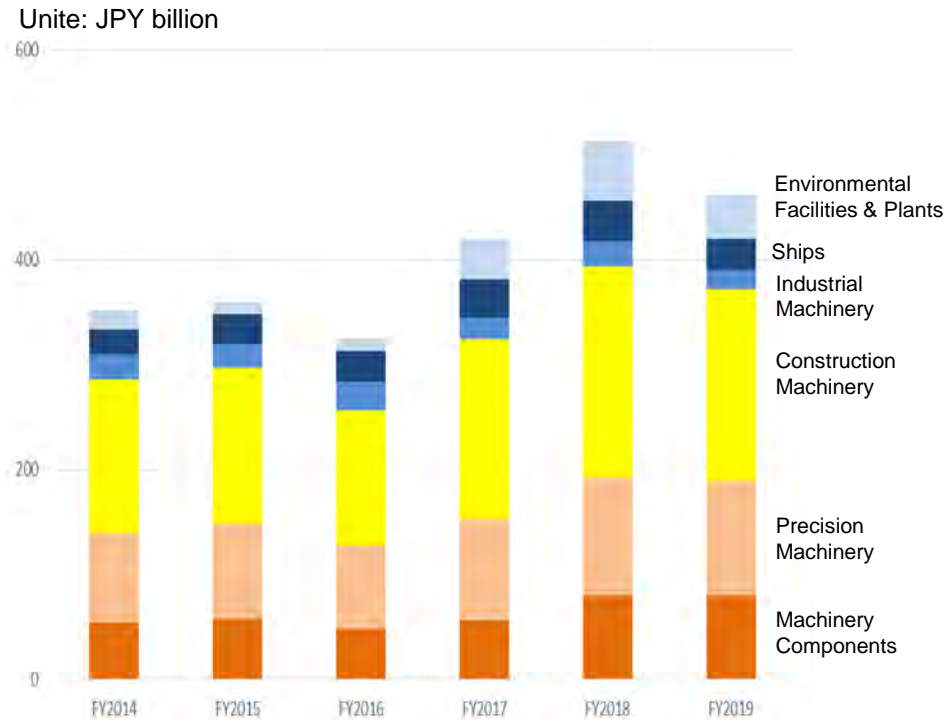
# 04

## Basic Concept 1 Growth of Overseas Sales

### Overseas Sales by Regional Segment



### Overseas Sales by Segment

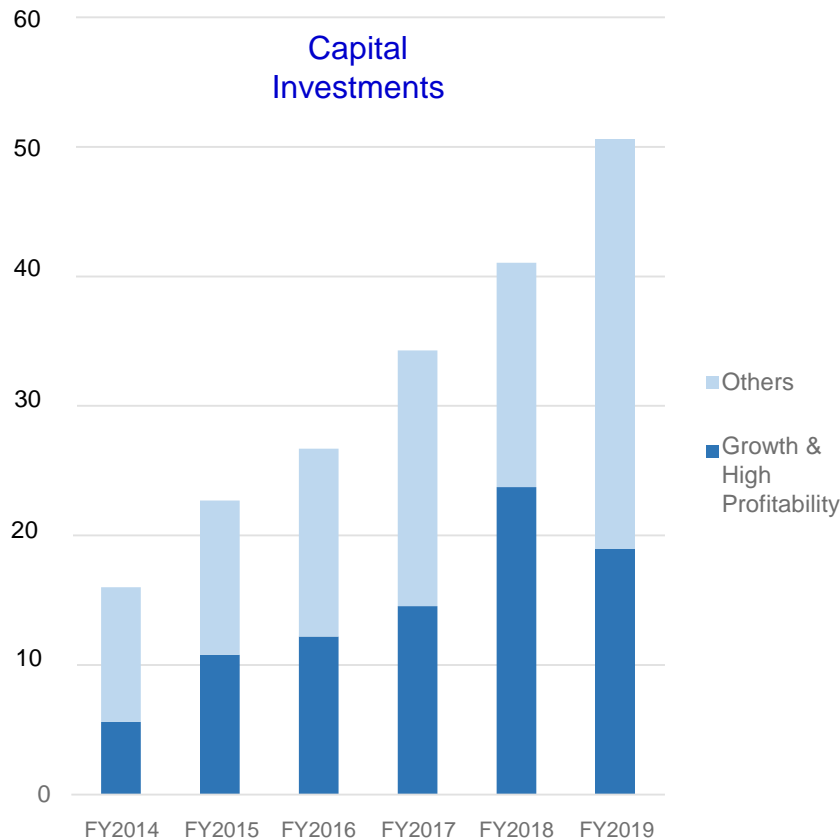


- Overseas M&A deals and favorable business conditions led to strong sales until FY2018. The markets entered an adjustment phase in FY2019.
- Overseas sales of mass-produced machinery (construction machinery in particular) and environmental facilities & plants increased.
- By geographic segment, North America, Asia including China and Europe were the leaders.

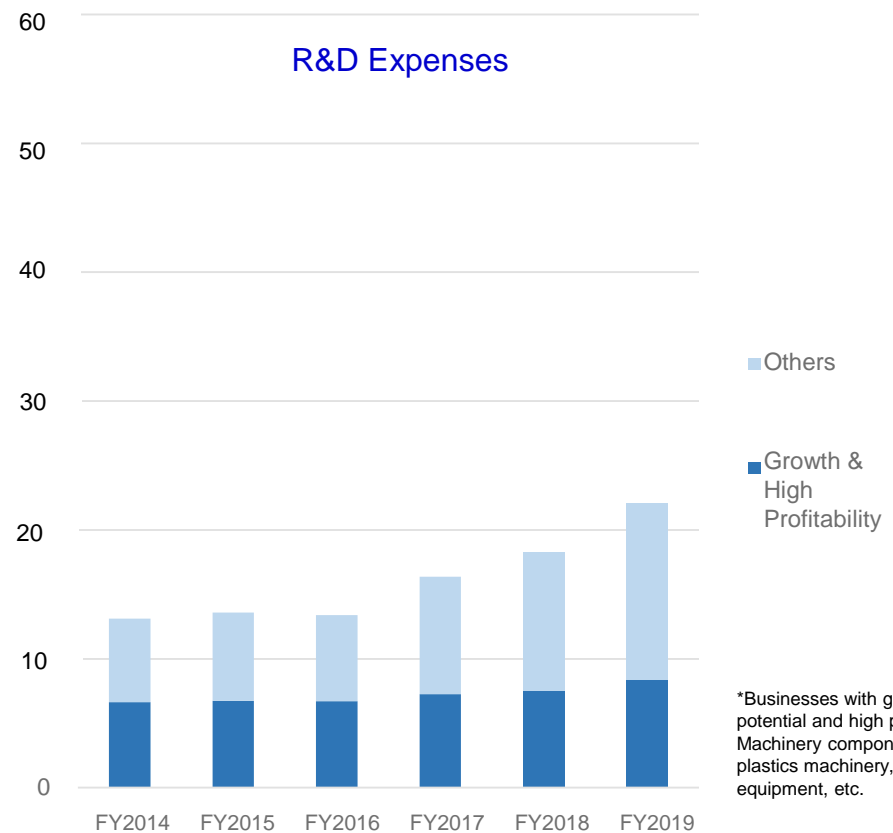
# 04 Basic Concept 2 Investment (Capital Investments / R&D)

- We actively made capital and development investments according to the Basic Concept of the Medium-Term Management Plan 2019.
- Capital investments are made with a focus on areas with growth potential and high profitability, such as gear reducers and injection molding machines.
- Development investments were made with a focus on areas with growth potential and high profitability and the fields of healthcare, automobiles and semiconductor-related equipment.

Unit: JPY billion



Unit: JPY billion

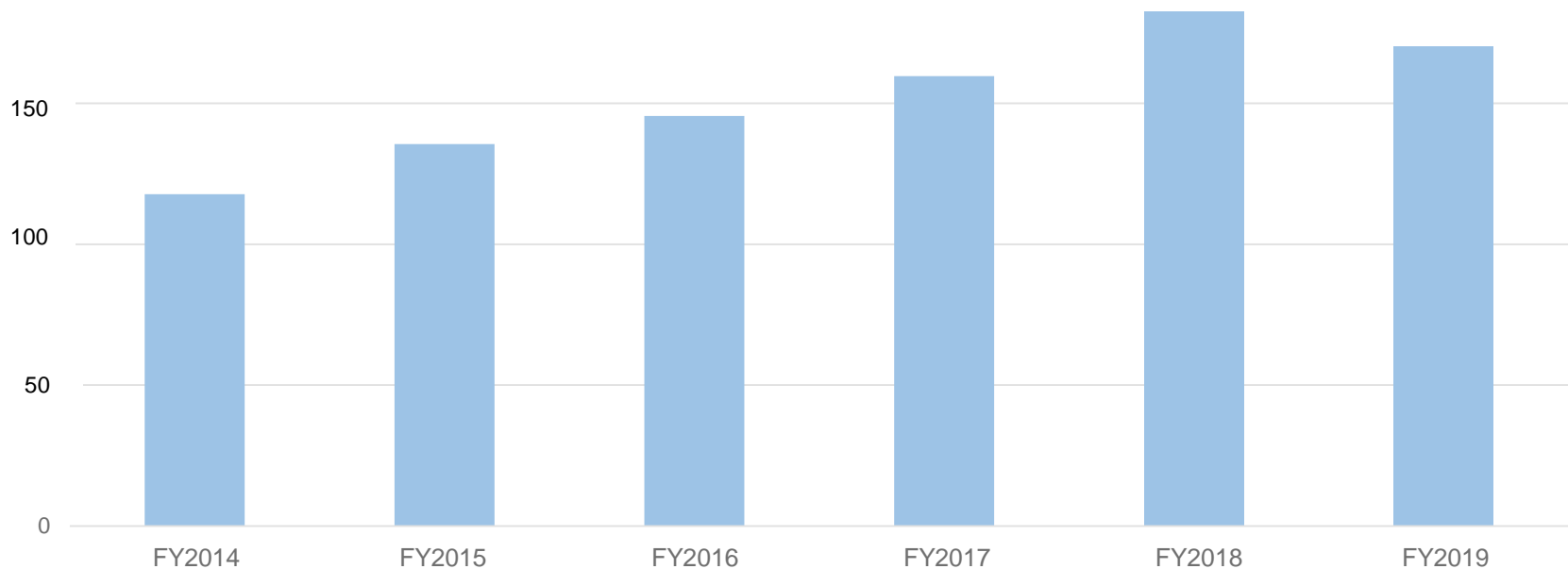


\*Businesses with growth potential and high profitability: Machinery components, plastics machinery, cryogenic equipment, etc.



# 03 Basic Concept 3 Trends in Sales of After Sales Services

Unit: JPY billion



- During the period of Medium-Term Management Plan 2019, sales of after-sales services increased as planned in the Basic Concept.
- Smooth increase due to the consolidation of SFW, etc. into the Group.
- On the other hand, increased sales of existing models also led to a steady increase of their after-sales services.
- In FY2019, revenues generally decreased year-on-year but an increasing trend of revenues was maintained.

# 03 Basic Concept 4 State of New Consolidated Companies

Unit: JPY billion

Segment	New Consolidated Companies	Actual FY2017		Actual FY2018		Actual FY2019	
		Orders	Net Sales	Orders	Net Sales	Orders	Net Sales
Machinery Components	Lafert Group	—	—	14.5	16.4	19.3	19.3
	Invertek	—	—	—	—	1.2	1.3
Precision Machinery	Persimmon Technologies	1.1	1.0	1.2	1.5	1.8	1.4
Construction Machinery	Sumitomo Heavy Industries Construction Cranes (HSC)	33.4	38.4	40.4	37.2	35.5	36.4
Environmental Facilities & Plants	Sumitomo SHI FW (SFW)	19.6	25.3	29.8	44.5	26.6	34.1

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

For the 2018 consolidated fiscal year, Lafert is included from 2Q onwards (9 months).

For the 2019 consolidated fiscal year, Invertek is included from 4Q onwards (3 months).

## 03

## Basic Concept 5 Active Promotion of CSR

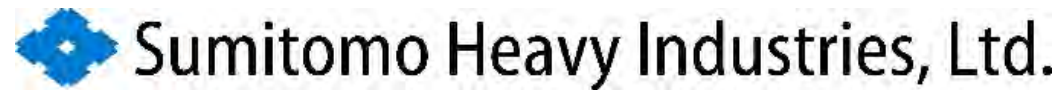
	<b>Actual results for the three-year period of Medium-Term Management Plan 2019</b>
<b>Overall</b>	<ul style="list-style-type: none"> <li>•Started the (first) CSR medium-term plan and <b>defined materiality of the Group</b></li> </ul>
<b>Products/ services</b>	<ul style="list-style-type: none"> <li>•Held <b>discussions</b> with 20 departments and built a base for CSR to create value (documentation of social significance of each business and establishment of CSR progress measurement parameters)</li> <li>•Re-start of evaluation of <b>environment-friendly products</b></li> </ul>
<b>Environment (E)</b>	<ul style="list-style-type: none"> <li>•Acquired ISO14001 multi-site certification</li> <li>•<b>Publicized the amount of Scope 3 (when products are used) CO2 emissions and the amount of contribution to CO2 reductions</b></li> <li>•Acquired <b>third-party certification</b> for Scopes 1 and 2 in Japan</li> </ul>
<b>Society (S)</b>	<ul style="list-style-type: none"> <li>•Promoted CSR procurement (inclusion of a CSR procurement clause in master transaction agreements)</li> <li>•Promoted diversity with <b>female managers increasing 1.3-fold</b> (from 12 persons in 2017 to 16 persons in 2020)</li> <li>•Started to operate health management system</li> <li>•Full-fledged implementation of work at home system (since before the spread of COVID-19 infections)</li> </ul>
<b>Governance (G)</b>	<ul style="list-style-type: none"> <li>•Publicized information on inappropriate inspections, etc. concerning products and services in FY2018 and then conducted <b>audits on product quality and surveys on compliance with industry laws in relation to all business segments</b></li> <li>•Established the basic policy for CSR</li> <li>•Newly established a risk management committee and reorganized the CSR Committee and the Compliance Committee</li> </ul>

# Ref. Sales by Regional Segment

Unit: JPY billion

	Total						Hydraulic Excavators					
	FY2017		FY2018		FY2019		FY2017		FY2018		FY2019	
	(April - March)		(April - March)		(April - March)		(April - March)		(April - March)		(April - March)	
	Net Sales	(Sales Ratio)	Net Sales	(Sales Ratio)	Net Sales	(Sales Ratio)	Net Sales	(Sales Ratio)	Net Sales	(Sales Ratio)	Net Sales	(Sales Ratio)
North America	118.5	15.0%	139.0	15.4%	135.1	15.6%	34.1	19.1%	44.8	21.9%	44.2	23.1%
Europe	70.9	9.0%	104.7	11.6%	90.5	10.5%	11.7	6.6%	16.7	8.2%	12.7	6.6%
Asia (Excluding China)	90.4	11.4%	97.9	10.8%	93.0	10.8%	22.0	12.3%	18.7	9.2%	18.6	9.7%
China	80.4	10.2%	99.4	11.0%	87.0	10.1%	37.3	20.9%	48.2	23.6%	42.5	22.2%
Other	28.6	3.6%	32.4	3.6%	26.5	3.1%	13.5	7.5%	14.8	7.3%	10.3	5.4%
Ships	36.7	4.6%	39.0	4.3%	30.1	3.5%						
Japan	365.5	46.2%	390.5	43.3%	402.4	46.4%	60.0	33.6%	61.1	29.8%	63.4	33.0%
Total Sales	791.0	100%	903.1	100%	864.5	100%	178.7	100%	204.2	100%	191.8	100%

\* Currency exchange rate (US dollars) FY2017: JPY112 FY2018: JPY111 FY2019: JPY108



Forecasts and outlooks concerning future results are considered by the Company to be reasonable based on information available at the time of publication. Actual results may vary from the above forecast and outlook because of a variety of factors.