Sumitomo Heavy Industries, Ltd.

CONSOLIDATED FINANCIAL REPORT

For the Full Year Ended March 31, 2017

All financial information has been prepared in accordance with generally accepted accounting principles in Japan. This document has been translated from the Japanese original as a guide to non-Japanese investors, and contains forward-looking statements that are based on management's estimates, assumptions, and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. Amounts shown in this financial statement have been rounded to the nearest million yen.

Summary of Consolidated Financial Results

For the Full Year Ended March 31, 2017

Presented May 9, 2017

Sumitomo Heavy Industries, Ltd.

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Scheduled date of ordinary shareholders' meeting	June 29, 2017
Scheduled date of payment of cash dividends	June 30, 2017
Scheduled date of securities report filing	June 29, 2017
Availability of supplementary explanatory materials for financial statement	Yes
Holding of meeting to explain financial statement	Yes (for analysts)

1. FY 2016 Consolidated Results *(April 1, 2016, to March 31, 2017)*

(1) Business Results

(Units: millions of yen)

	Current Full Term April 1, 2016 to March 31, 2017		Previous Full Term April 1, 2015 to March 31, 2016	
		% change		% change
Net sales	674,328	(3.8)	700,838	5.1
Operating income	48,431	(4.2)	50,568	9.9
Ordinary income	48,274	(1.7)	49,131	8.9
Net income attributed to shareholders of the parent company	33,613	1.4	33,133	36.1
Net income per share (yen)	54.85		54.06	
Fully diluted net income per share	—		—	
Return on equity (ROE, %)	8.7		9.0	
Return on assets (%)	6.1		6.3	
Ordinary income to net sales (%)	7.2		7.2	

Note: Comprehensive income:
Fiscal year ended March 31, 2017: 32,003 million yen, 56.8%
Fiscal year ended March 31, 2016: 20,410 million yen, (48.9%)

Reference: Equity method investment profit and loss:
Fiscal year ended March 31, 2017: 2,428 million yen gain
Fiscal year ended March 31, 2016: 2,083 million yen gain

(2) Financial Position

(Units: millions of yen)

	End of Current Full Year March 31, 2017	End of Previous Full Year March 31, 2016
Total assets	796,484	782,859
Total net assets	409,171	382,817
Equity ratio (%)	50.0	48.1
Net assets per share (yen)	650.47	614.51

Reference: Equity:
Fiscal year ended March 31, 2017: 398,601 million yen
Fiscal year ended March 31, 2016: 376,619 million yen

(3) Cash Flows

(Units: millions of yen)

	Current Full Year April 1, 2016 to March 31, 2017	Previous Full Year April 1, 2015 to March 31, 2016
Cash flows from operating activities	38,158	18,315
Cash flows from investing activities	(25,852)	(15,350)
Cash flows from financing activities	(17,809)	(23,789)
Cash and cash equivalents at end of period	61,017	68,625

2. Dividends

(Unit: yen)

	Year Ended March 31, 2016	Year Ended March 31, 2017	Year Ending March 31, 2018 (forecast)
Annual dividends per share			
First quarter	—	—	—
Second quarter	7.00	7.00	8.00
Third quarter	—	—	—
End of term	9.00	9.00	8.00
Annual dividends	16.00	16.00	16.00
Total dividends (million yen)	9,806	9,805	
Payout ratio (consolidated, %)	29.6	29.2	30.6
Net assets dividend yield (consolidated, %)	2.6	2.5	

3. FY 2017 Consolidated Forecasts *(April 1, 2017, to March 31, 2018)*

(Units: millions of yen)

	Second Quarter (Cumulative) April 1, 2017 to September 30, 2017		Full Year April 1, 2017 to March 31, 2018	
		% change		% change
Net sales	347,000	9.2	710,000	5.3
Operating income	23,000	23.5	51,000	5.3
Ordinary income	22,000	20.6	49,000	1.5
Net income attributed to shareholders of the parent company	14,000	6.9	32,000	(4.8)
Projected net income per share (yen)	22.85		52.22	

Additional Notes

(1) Transfers of important subsidiaries during the fiscal period (moves of specific subsidiaries due to change in scope of consolidation): Yes

Newly consolidated: Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.

Excluded from consolidation: None

(2) Changes to accounting policies, changes to accounting estimates, and retrospective restatements

(i) Changes to accounting policies due to revisions to accounting standards: None

(ii) Changes to accounting policies not otherwise stated in (i): None

(iii) Changes to accounting estimates: None

(iv) Retrospective restatements: None

(3) Number of shares issued (common shares)

(i) Number of shares issued at end of fiscal period (including treasury stock):

As of March 31, 2017	614,527,405 shares
As of March 31, 2016	614,527,405 shares

(ii) Number of treasury shares at end of fiscal period:

As of March 31, 2017	1,741,792 shares
As of March 31, 2016	1,647,819 shares

(iii) Average number of shares during fiscal period:

As of March 31, 2017	612,828,444 shares
As of March 31, 2016	612,933,747 shares

The financial summary is outside the scope of external audit.

Explanations and Other Special Items regarding the Pertinent Reasons for the Earnings Forecast

Earnings forecasts and outlooks concerning future financial results are believed to be reasonable based on information available at the time of publication. Actual financial results may vary from the above forecast and outlook due to a variety of factors. For information on the assumptions that form the basis of the earnings forecast and items to note concerning the use of earnings forecasts, please refer to the *Summary of Operating Performance for the Current Period Under Review* in the *Supplementary Materials* section beginning on page 7, and the section entitled *Future Outlook* on Page 11.

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I. Summary of Operating Performance

1. Summary of Operating Performance for the Current Period Under Review

(1) Summary of Economic Climate during the Consolidated Fiscal Year

During the current consolidated fiscal year under review, the Japanese economy trended towards a gentle recovery as corporate income increased against a backdrop of higher export levels. In terms of personal consumption, there was a lack of positive signs. On the corporate side, however, capital investments into labor-saving plant and equipment as well as updates to aging plant and equipment continued against a backdrop of problems such as progressive dilapidation in facilities as well as a shortage of labor supply.

In overseas markets, the recovery of the US economy continued to progress due to several factors including the rise in personal consumption levels. Europe also continued to show signs of a gentle economic recovery. As for China, investments in the public sector continue to prop up the economy for the time being. However, there is a continued slowdown in the pace of investments in the private sector. Finally, the bottoming out of resource prices in other emerging markets has resulted in improved economic conditions. In overall terms, the global economy remains in an unclear state in its future direction mainly due to the risk of political uncertainty in the US and Europe as well as the risk of a slowdown of the Chinese economy.

Amid this environment, the Group focused on executing the following key strategies during the final implementation year of the Medium Term Management Plan 2016.

(i) “Steady growth” to establish a foundation for sustainable growth

(a) “Globalization (Expansion)”

In the plastics machinery business, the Group focused on strengthening ties with its Germany-based subsidiary, SUMITOMO (SHI) DEMAG PLASTICS MACHINERY GmbH to further push the sale and development of all-electric injection molding machines. During the current fiscal year under review, the Group established a European sales subsidiary and expanded its distribution network.

In the gear reducer business, the Group worked to improve management efficiency through various integrations of Group companies with SUMITOMO (SHI) CYCLO DRIVE GERMANY GmbH being the center of focus. In addition, efforts were made to strengthen the sales capabilities of the Group’s products in the EMEA (Europe, the Middle East and Africa) region.

(b) “Innovation (Change)”

In the gear reducer business, the Group launched a new model of the PARAMAX gearbox that boasts over half a century of operational performance. The PARAMAX Series 10 was made available for sale in China, Southeast Asia and Oceania. In the plastics machinery business, the SEEV-A-LGP was developed and brought to market. This new all-electric injection molding machine designed for light guide plates boasts the ability to mold the “world’s thinnest” wall.

Finally in the construction machinery business, the Group launched a new hydraulic excavator that meets the 2014 emission standards for non-road special motor vehicles and also achieves high-speed operation as well as high fuel efficiency level. The SH250-7, which is the representative model within the new product line-up, was awarded the “2016 Good Design Award” and has received much praise from customers.

(c) “Group Synergies (Connect)”

Through the use of system control technologies developed over the years by the Group, efforts to differentiate plastics machinery, cryogenic equipment and hydraulic excavators have been accelerated. In the energy and environment field, cooperation between the boiler and turbine businesses was strengthened, and the new facility construction business and the after-sales service business (i.e. O&M) of the water treatment plant division was merged, with the aim to increase competitiveness through improved collaboration between Group companies.

(ii) "Return to higher levels of profitability"

The material handling machinery business continued to strengthen its core operating base after agreeing to continue the material handling system business of Mitsubishi Heavy Industries Machinery Technology Corporation, a subsidiary of Mitsubishi Heavy Industries, Ltd. The boiler business was able to secure orders for Japan's largest biomass mix-fuel combustion power generation plant and the boiler unit for a biomass mono-fuel combustion power generation plant. As a result, the Group's high efficiency biomass-fueled power generation plants were praised for its high market share and performance.

(iii) "Persistent efforts for operational quality improvements"

The Group continued to implement measures to strengthen its product quality management functions with the Corporate Quality Group located in the Head Office leading the charge. As a result, product quality is now well-rooted within the culture of the Group. In the area of safety, the Group continued on the second execution phase of the Health and Safety Improvement Plan, with the aim to strengthen health and safety management capabilities and to eliminate workplace injuries.

(iv) Thoroughly Implement Compliance Measures

In line with the Group's guiding principle of "Prioritizing Compliance Above All Else", the Group carried out training sessions on the prevention of anti-competitive activities outside of Japan, and discussion-based education activities, as well as deployed e-learning programs to emphasize the importance of compliance during the current consolidated fiscal year under review. In addition, the Group deployed e-learning programs on compliance topics across its China operations to strengthen the overall compliance-based mindset of employees in the country.

As a result of the above-mentioned activities, the current consolidated fiscal year under review saw orders finish at JPY711.1 billion, a 3.7% improvement as compared to the previous fiscal year, and sales finish at JPY674.3 billion, a 3.8% decline as compared to the previous fiscal year.

In terms of profitability, the Group posted operating income of JPY48.4 billion, a 4.2% decline as compared to the previous fiscal year, and ordinary income of JPY48.3 billion, a 1.7% decline as compared to the previous fiscal year. Net income attributed to shareholders of the parent company for the current consolidated fiscal year under review increased by 1.4% to finish at JPY33.6 billion. Finally, the after-tax ROIC* ended at 7.3%.

Please note that in the crawler crane business within the Construction Machinery segment, the Group announced that it acquired further shares of Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd., an equity method affiliate of the Group, from Hitachi Construction Machinery Co., Ltd. with an effective date of March 31, 2017. As a result, Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd. became a consolidated subsidiary of the Group.

On a non-consolidated basis, the fiscal year under review saw orders finish at JPY209.5 billion and net sales finish at JPY189.3 billion. Further, the Group posted a non-consolidated operating income of JPY3.6 billion, a non-consolidated ordinary income of JPY13.3 billion and a non-consolidated net income of JPY5.7 billion for the fiscal year under review.

After considering the aforementioned financial performance and the Group's fiscal condition, the dividend from retained earnings for the current consolidated fiscal year under review has been set at JPY16 per share, which is the same level as the previous fiscal year. It should be noted that this figure already includes the JPY7 per share that was announced as an interim dividend.

* ROIC is an abbreviation for Return on Invested Capital, and it measures the amount of profit generated from invested capital (the sum of shareholders' equity and interest-bearing liabilities) as well as profitability as compared to the cost of capital.

(2) Group Results by Segment

(i) Machinery Components

Although the market for small-to-medium sized gear reducers trended positively domestically as well as in overseas markets such as China and EMEA, markets conditions for large-scale models in both domestic and overseas markets remained in decline. As a result, both orders and sales declined as compared to the previous fiscal year.

More specifically, orders decreased by 7% as compared to the previous fiscal year to finish at JPY97.4 billion, while sales decreased by 8% as compared to the previous fiscal year to finish at JPY98.6 billion. The segment posted an operating income of JPY9.1 billion, a 2% increase as compared to the previous fiscal year.

(ii) Precision Machinery

With respect to plastics machinery, although there was an increase in demand from the European markets, electrical and electronics related demand from China and other markets fell. As a result, both orders and sales fell as compared to the previous fiscal year. In other product areas, orders and sales increased mainly due to strong growth in cryogenic equipment and other products.

As a result of the above, orders across the segment stayed at almost the same level as compared to the previous fiscal year to finish at JPY154.7 billion, while sales decreased by 6% as compared to the previous fiscal year to finish at JPY145.7 billion, the segment posted an operating income of JPY14.6 billion, a decrease of 22% as compared to the previous fiscal year.

(iii) Construction Machinery

In the hydraulic excavator business, the trend of falling demand from China looks to be bottoming out, while efforts were made to increase market share in Japan and North America against a backdrop of declining demand. Despite this, factors such as a stronger Japanese Yen resulted in both orders and sales falling as compared to the previous fiscal year. In the mobile crane business, the continuing long-term slowdown of the North American market resulted in a drop in both orders and sales as compared to the previous term.

As a result of the above, orders across the segment decreased by 3% as compared to the previous fiscal year to finish at JPY190.3 billion, while sales decreased by 10% as compared to the previous fiscal year to finish at JPY182.5 billion. The segment posted an operating income of JPY1.4 billion, a 68% decrease as compared to the previous fiscal year.

(iv) Industrial Machinery

In the material handling business, there was an increase in orders mainly due to the agreement to continue the material handling system business of Mitsubishi Heavy Industries Machinery Technology Corporation, a subsidiary of Mitsubishi Heavy Industries, Ltd. into the Group. However, order levels fell in the industrial machinery equipment business and turbine business. As a result, there was a drop in orders across the whole segment as compared to the previous fiscal year. In terms of sales, steady progress was made to complete various material handling and industrial equipment projects, which resulted in an increase as compared to the previous fiscal year.

As a result of the above, orders across the segment decreased by 1% as compared to the previous fiscal year to finish at JPY91.3 billion, while sales increased by 12% as compared to the previous fiscal year to finish at JPY98.9 billion. The segment posted an operating income of JPY10.8 billion, an 8% increase as compared to the previous fiscal year.

(v) Ships

Although the slowdown in market conditions continues in the Ships segment, orders for three new vessels was secured during the current consolidated fiscal year under review, an increase of one vessel from the previous fiscal year. Also, three vessels were delivered during the current consolidated fiscal year under review, which represents the same number as the previous fiscal year.

As a result of the above, orders across the segment increased by 33% as compared to the previous fiscal year to finish at JPY30.0 billion, while sales increased by 13% as compared to the previous fiscal year to finish at JPY32.6 billion. The segment also posted an operating income of JPY1.3 billion, a 37% increase as compared to the previous fiscal year.

(vi) Environmental Facilities & Plants

The energy plant business was able to secure an order for Japan's largest biomass-fueled power generation plant as well as a large-scale ash treatment plant. As a result, order levels increased as compared to the previous fiscal year while sales fell due to a decline in the number of construction projects. The water treatment plant business saw orders and sales increase as compared to the previous fiscal year mainly due to securing orders for a long-term operation and maintenance contract and a large-scale refurbishment project.

As a result of the above, orders across the segment increased by 31% as compared to the previous fiscal year to finish at JPY139.4 billion, while sales decreased by 2% as compared to the previous fiscal year to finish at JPY107.6 billion. The segment posted an operating income of JPY9.1 billion, a 57% increase as compared to the previous fiscal year.

2. Summary of Financial Condition for the Current Fiscal Year Under Review

(1) Condition of Assets, Liabilities, and Net Assets

Total assets at the end of the current consolidated fiscal year under review amounted to JPY796.5 billion, an increase of JPY13.6 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to increases of JPY22.5 billion and JPY6.5 billion for trade notes and accounts receivable, and inventory assets, respectively, being offset by decreases of JPY2.0 billion and JPY5.0 billion for cash and cash deposits, and marketable securities, respectively.

Total liabilities fell to JPY387.3 billion, a decrease of JPY12.7 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to the JPY7.8 billion decrease in interest-bearing liabilities (interesting-bearing liabilities as a ratio to total assets decreased by 1.1 points to 7.6%) and the JPY3.0 billion decrease in advance payments received on contracts.

Net assets increased by JPY26.4 billion as compared to the end of the previous consolidated fiscal year to finish at JPY409.2 billion. This was mainly due to the JPY7.7 billion decrease in the foreign currency translation adjustment account being offset by JPY24.0 billion increase in retained earnings.

As a result of the above, the shareholders' equity ratio improved by 1.9 points from the end of the previous consolidated fiscal year to finish at 50.0%.

3. Summary of Cash Flow Conditions during the Current Fiscal Year Under Review

The cash and cash equivalent balance at the end of the consolidated fiscal year under review stood at JPY61.0 billion, an decrease of JPY7.6 billion as compared to the previous consolidated fiscal year.

The cash flow conditions in each area and the factors behind any changes are outlined below:

(Cash Flow from Operating Activities)

The increase in cash flow from operating activities was JPY38.2 billion (as compared to an increase in cash flow of JPY18.3 billion in the previous fiscal year). The main sources of cash flow were net income before taxes and other adjustments of JPY47.3 billion, as well as depreciation of JPY20.3 billion. The main reasons for the cash outflow from operating activities were because of the JPY18.2 billion increase in trade receivables and the JPY12.9 billion used for the payment of corporate and other taxes.

(Cash Flow from Investing Activities)

The decrease in cash flow as a result of investing activities was JPY25.9 billion (as compared to a decrease in cash flow of JPY15.4 billion in the previous fiscal year). The main reason for the cash outflow was the JPY24.6 billion used to acquire fixed assets.

(Cash Flow from Financing Activities)

The decrease in cash flow as a result of financing activities was JPY17.8 billion (as compared to a decrease in cash flow of JPY23.8 billion in the previous fiscal year). The main reasons for the cash outflow were the JPY10.1 billion (net amount with cash inflow of loans) used to repay loans and the JPY9.8 billion used to pay dividends.

Trends in the Group's cash flow indices are provided below:

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Shareholders' equity ratio (%)	44.6	45.1	45.8	48.1	50.0
Shareholders' equity ratio on a market price basis (%)	36.1	35.5	61.4	36.4	59.7
Redemption period (years)	37.0	1.7	1.3	3.7	1.6
Interest coverage ratio (multiples)	1.3	24.5	29.3	9.1	28.9

Shareholders' equity ratio = shareholders' equity / total assets

Shareholders' equity ratio on market price basis = total market value of shares / total assets

Redemption period = outstanding interest-bearing debt / operating cash flow

Interest coverage ratio = operating cash flow / interest expense

4. Future Outlook

The economic environment surrounding the business at the domestic level is expected to show a continued recovery due to factors such as underlying demand from the government and other public entities as well as a rally in exports. With regard to personal consumption, although employment conditions are good, the lack of growth in earnings is causing stagnation. On the corporate side, production and shipment levels are showing signs of recovery. Overseas, Europe looks to be on a gentle recovery while the US economy is in a positive state. Conversely, emerging markets, in particular China, are slowing down, resulting in an overall lack of direction for economy.

Against this backdrop, the Group commenced the initial implementation of the Medium-Term Management Plan 2019 during FY2017. As part of the Plan, the Group will look to achieve (1) achieve "Steady Growth", (2) become a "High Profit Company", (3) create first-class products and services through "A Tireless Commitment to Improving Operational Quality", (4) actively participate in "M&A and formation of business alliances", (5) and "Actively Pursue CSR" activities.

As of the publication date of this document, the outlook for the upcoming fiscal year ending March 31, 2018, is as follows:

Consolidated Results	Amount	As Compared to FY 2016
Sales	JPY710.0 billion	+5.3%
Operating income	JPY51.0 billion	+5.3%
Ordinary income	JPY49.0 billion	+1.5%
Net income attributed to shareholders of the parent company	JPY32.0 billion	(4.8%)

(The above figures are calculated at an exchange rate of JPY110 and JPY115 against the dollar and euro, respectively.)

* The above forecast concerning future financial results is believed to be reasonable based on information available at the time of publication. Actual financial results may vary from the above forecast due to a variety of factors.

5. Basic Policy on Earnings Appropriation and Dividend for the Consolidated Fiscal Year Under Review as well as the Fiscal Year Ending March 31, 2018

The Group's basic stance on profit sharing is to pay a dividend amount commensurate to the income earned during the period, and to keep that amount as high as possible. However, the decision on the actual amount of the dividend is made after making considerations for the level of retained earnings necessary to ensure that the Group is able to sustain a stable business model in the long term. In the current medium-term management plan, the Group has set a target of 30% for the consolidated dividend payout ratio.

For the consolidated fiscal year under review, the Group is forecasting a dividend of JPY16 per share (inclusive of the JPY7 per share interim dividend), which is the same amount as the previous fiscal year.

For the fiscal year ending March 2018, the Group is forecasting a dividend of JPY16 per share.

II. Selection of Accounting Standards

The Group plans to continue utilizing Japanese accounting standards for the foreseeable future. With regard to the use of international accounting standards in the future, the Group will take into account the situation across various domestic and international markets and take appropriate action if deemed necessary.

III. Consolidated Financial Statements and Key Explanatory Notes

1. Consolidated Balance Sheets

(Units: millions of yen)

	End of Full Year As of March 31, 2016	End of Full Year As of March 31, 2017
	Amount	Amount
Assets		
Current assets		
Cash and deposits	65,804	63,820
Notes and accounts receivable	219,929	242,459
Marketable securities	5,000	—
Products	70,356	69,092
Works in progress	56,777	65,029
Raw materials and stock	29,137	28,616
Deferred income taxes	15,405	15,321
Other	32,268	27,045
Allowance for doubtful accounts	(1,674)	(3,735)
Total current assets	493,002	507,648
Fixed assets		
Tangible fixed assets		
Buildings and structures	154,038	157,091
Accumulated depreciation	(103,701)	(106,883)
Buildings and structures (net)	50,338	50,209
Machinery and transportation tools	167,859	172,720
Accumulated depreciation	(115,732)	(121,222)
Machinery and transportation tools (net)	52,127	51,499
Land	108,285	107,762
Construction in progress	3,302	3,098
Other	46,363	49,577
Accumulated depreciation	(32,645)	(34,404)
Other (net)	13,717	15,173
Total tangible fixed assets	227,769	227,741
Intangible fixed assets		
Other	11,219	15,243
Total intangible fixed assets	11,219	15,243
Investments and other assets		
Investment securities	25,987	24,168

	End of Full Year As of March 31, 2016	End of Full Year As of March 31, 2017
	Amount	Amount
Long-term loans	6,170	5,143
Deferred income taxes	13,153	11,407
Other	9,929	10,300
Allowance for doubtful accounts	(4,371)	(5,164)
Total investments and other assets	50,868	45,853
Total Fixed assets	289,857	288,837
Total assets	782,859	796,484

(Units: millions of yen)

	End of Full Year As of March 31, 2016	End of Full Year As of March 31, 2017
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable	142,304	147,318
Short-term bank loans	42,708	36,711
Long-term loans due within one year	7,300	1,481
Commercial Paper	—	5,000
Income tax payable	6,919	8,904
Advance payments received on contracts	35,205	32,182
Allowance for guaranteed construction	9,092	9,609
Provision for loss on construction orders	1,739	2,732
Provision for loss on operations	3,970	979
Other	45,682	45,669
Total current liabilities	294,919	290,585
Fixed Liabilities		
Bonds	10,000	10,000
Long-term debt due after one year	8,224	7,268
Provision for loss on operation transfers	115	115
Provision for loss on product liability claims	45	44
Defined benefit liability	51,623	44,853
Deferred income taxes on revaluation	21,027	20,942
Other	14,089	13,505
Total fixed liabilities	105,123	96,728
Total liabilities	400,042	387,313
Net assets		
Shareholders' equity		
Capital stock	30,872	30,872
Capital surplus	25,354	25,267
Retained earnings	265,588	289,587
Treasury stock	(861)	(915)
Total Shareholders' equity	320,953	344,810
Accumulated other comprehensive income		
Unrealized gains on securities	2,355	4,128
Profit (loss) on deferred hedge	(121)	320
Revaluation reserve for land	41,481	41,289
Foreign currency translation adjustments	21,558	13,824

	End of Full Year As of March 31, 2016	End of Full Year As of March 31, 2017
	Amount	Amount
Re-measurement of defined benefit plans	(9,607)	(5,770)
Total accumulated other comprehensive income	55,667	53,791
Non-controlling interests	6,197	10,570
Total net assets	382,817	409,171
Total liabilities and net assets	782,859	796,484

2. Consolidated Income Statements and Consolidated Statement of Comprehensive Income

Consolidated Income Statements

(Units: millions of yen)

	Previous Full Year April 1, 2015 to March 31, 2016	Current Full Year April 1, 2016 to March 31, 2017
	Amount	Amount
Net sales	700,838	674,328
Cost of sales	537,502	518,046
Gross income	163,337	156,282
Selling, general and administrative expenses	112,768	107,852
Operating income	50,568	48,431
Non-operating income		
Interest income	544	457
Dividend income	1,114	1,642
Investment gain on equity method	2,083	2,428
Other	2,679	2,788
Total non-operating income	6,421	7,315
Non-operating expenses		
Interest expenses	1,829	1,320
Loss on foreign currency exchange	509	753
Expenses relating to contractual delivery delays	466	982
Patent related expenses	769	794
Other	4,283	3,622
Total non-operating expenses	7,858	7,472
Ordinary income	49,131	48,274
Extraordinary income		
Gain from amortization of prior service costs	—	1,038
Gain from staged acquisitions	—	941
Total extraordinary income	—	1,979
Extraordinary losses		
Loss on impaired assets	524	2,955
Compensation expenses	1,448	—
Total extraordinary losses	1,972	2,955
Income before income taxes	47,159	47,298
Corporate income tax current	15,074	13,835
Corporate income tax deferred	1,016	(434)
Total corporate income taxes	16,090	13,401
Net income	31,070	33,897
Net income (or loss) attributable to non-	(2,063)	284

	Previous Full Year April 1, 2015 to March 31, 2016	Current Full Year April 1, 2016 to March 31, 2017
	Amount	Amount
controlling interests		
Net income attributed to shareholders of the parent company	33,133	33,613

Consolidated Statement of Comprehensive Income

(Units: millions of yen)

	Previous Full Year April 1, 2015 to March 31, 2016	Current Full Year April 1, 2016 to March 31, 2017
	Amount	Amount
Net income	31,070	33,897
Other comprehensive income		
Unrealized gains on securities	(3,078)	1,773
Profit (loss) on deferred hedge	2,135	448
Revaluation reserve for land	1,174	—
Foreign currency translation adjustments	(5,211)	(7,945)
Adjustment to retirement benefits	(5,655)	3,893
Amount applied for equity method accounting of affiliates	(25)	(63)
Total other comprehensive income	(10,660)	(1,894)
Comprehensive income	20,410	32,003
(Breakdown)		
Comprehensive income relating to shareholders of the parent company	22,601	31,929
Comprehensive income relating to non-controlling interests	(2,192)	74

3. Consolidated Statements of Changes to Stockholders' Equity

Previous Full Year April 1, 2015 to March 31, 2016

(Units: millions of yen)

	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Stockholders' equity
Balance at beginning of period	30,872	23,789	239,815	(764)	293,712
Cumulative effects of changes in accounting policies					—
Restated balance	30,872	23,789	239,815	(764)	293,712
Fluctuation in the period					
Dividends			(8,582)		(8,582)
Net income attributed to shareholders of the parent company			33,133		33,133
Acquisition of treasury stock				(99)	(99)
Disposal of treasury stock			0	1	2
Retirement of treasury stock					
Difference from transfer of revaluation reserve for land			169		169
Increase from addition of consolidated subsidiaries accompanying changes in scope of consolidation			1,053		1,053
Changes to parent company equity due to transactions with non-controlling shareholders		1,565			1,565
Fluctuations other than stockholders' equity in the period (net)					
Total fluctuation in the period	—	1,565	25,773	(98)	27,241
Balance at end of period	30,872	25,354	265,588	(861)	320,953

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains on securities	Profit (loss) on deferred hedge	Revaluation reserve for land	Foreign currency translation adjustments	Re-measurement of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,437	(2,229)	40,476	26,641	(3,957)	66,367	5,022	365,101
Cumulative effects of changes in accounting policies								—
Restated balance	5,437	(2,229)	40,476	26,641	(3,957)	66,367	5,022	365,101
Fluctuation in the period								
Dividends								(8,582)
Net income attributed to shareholders of the parent company								33,133
Acquisition of treasury stock								(99)
Disposal of treasury stock								2
Retirement of treasury stock								
Difference from transfer of revaluation reserve for land								169
Increase from addition of consolidated subsidiaries accompanying changes in scope of consolidation								1,053
Changes to parent company equity due to transactions with non-controlling shareholders								1,565
Fluctuations other than stockholders' equity in the period (net)	(3,081)	2,108	1,005	(5,083)	(5,649)	(10,700)	1,175	(9,525)
Total fluctuation in the period	(3,081)	2,108	1,005	(5,083)	(5,649)	(10,700)	1,175	17,716
Balance at end of period	2,355	(121)	41,481	21,558	(9,607)	55,667	6,197	382,817

Current Full Year April 1, 2016 to March 31, 2017

(Units: millions of yen)

	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Stockholders' equity
Balance at beginning of period	30,872	25,354	265,588	(861)	320,953
Cumulative effects of changes in accounting policies					
Restated balance	30,872	25,354	265,588	(861)	320,953
Fluctuation in the period					
Dividends			(9,806)		(9,806)
Net income attributed to shareholders of the parent company			33,613		33,613
Acquisition of treasury stock				(55)	(55)
Disposal of treasury stock			(0)	1	1
Retirement of treasury stock		(88)			(88)
Difference from transfer of revaluation reserve for land			192		192
Increase from addition of consolidated subsidiaries accompanying changes in scope of consolidation					
Changes to parent company equity due to transactions with non-controlling shareholders					
Fluctuations other than stockholders' equity in the period (net)					
Total fluctuation in the period	—	(88)	23,999	(54)	23,857
Balance at end of period	30,872	252,267	289,587	(915)	344,810

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains on securities	Profit (loss) on deferred hedge	Revaluation reserve for land	Foreign currency translation adjustments	Re-measurement of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,355	(121)	41,481	21,558	(9,607)	55,667	6,197	382,817
Cumulative effects of changes in accounting policies								
Restated balance	2,355	(121)	41,481	21,558	(9,607)	55,667	6,197	382,817
Fluctuation in the period								
Dividends								(9,806)
Net income attributed to shareholders of the parent company								33,613
Acquisition of treasury stock								(55)
Disposal of treasury stock								1
Retirement of treasury stock								(88)
Difference from transfer of revaluation reserve for land								192
Increase from addition of consolidated subsidiaries accompanying changes in scope of consolidation								—
Changes to parent company equity due to transactions with non-controlling shareholders								—
Fluctuations other than stockholders' equity in the period (net)	1,772	441	(192)	(7,735)	3,837	(1,876)	4,373	2,498
Total fluctuation in the period	1,772	441	(192)	(7,735)	3,837	(1,876)	4,373	26,355
Balance at end of period	4,128	320	41,289	13,824	(5,770)	53,791	10,570	409,171

4. Consolidated Cash Flows Statement

(Units: millions of yen)

	Previous Full Year April 1, 2015 to March 31, 2016	Current Full Year April 1, 2016 to March 31, 2017
Cash flows from operating activities		
Income before income taxes	47,159	47,298
Depreciation	19,720	20,311
Gain from amortization of prior service costs	—	(1,038)
Gain from staged acquisitions	—	(941)
Compensation expenses	1,448	—
Loss on impaired assets	524	2,955
Interest and dividend income	(1,658)	(2,098)
Interest expenses	1,829	1,320
Increase (decrease) in reserve amount	3,227	1,593
(Increase) decrease in notes and accounts receivable	(30,952)	(18,158)
(Increase) decrease in inventories	(6,452)	(5,242)
Increase (decrease) in notes and accounts payable	2,818	1,011
Other	(3,263)	3,462
Subtotal	34,401	50,473
Interest and dividends received	2,791	3,703
Interest expenses	(2,019)	(1,330)
Amount paid for compensatory damages	(506)	(1,745)
Payments for income taxes	(16,353)	(12,944)
Net cash provided by operating activities	18,315	38,158
Cash flows from investing activities		
Cash outflow due to the acquisition of tangible and intangible fixed assets	(19,180)	(24,592)
Cash flow from the sale of tangible and intangible fixed assets	1,661	1,055
Expenses associated with the acquisition of shares in subsidiaries to change consolidation status	—	(2,559)
Expenses associated with the acquisition of shares in affiliated companies	(13)	(2,964)
Proceeds from sale of securities	840	927
(Increase) decrease in short-term loans	23	119
Payments of loans receivable	(7)	(11)
Cash flow from loan recoveries	2,142	3,551
Other	(817)	(1,379)
Net cash used in investing activities	(15,350)	(25,852)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	2,550	(3,831)
Increase (decrease) in commercial paper		5,000
Proceeds from long-term debt	2,300	1,292
Repayments for long-term debt	(17,995)	(7,596)
Cash dividends paid	(8,581)	(9,796)
Payment of dividends to non-controlling stockholders	(61)	(46)

	Previous Full Year April 1, 2015 to March 31, 2016	Current Full Year April 1, 2016 to March 31, 2017
Other	(2,002)	2,833
Net cash used in financing activities	(23,789)	(17,809)
Effect of exchange rate changes on cash and cash equivalents	(1,606)	(2,105)
Net increase (decrease) in cash and cash equivalents	(22,430)	(7,608)
Cash and cash equivalents at beginning of year	90,324	68,625
Increase due to new consolidated companies	731	—
Cash and cash equivalents at end of year	68,625	61,017

5. Items of Special Note Concerning the Consolidated Financial Statements

(Significant Events or Conditions that Question the Premise of a Going Concern)

There are no applicable items.

(Additional Information)

(Adoption of the Implementation Guidance on the Recoverability of Deferred Tax Assets)

The "Implementation Guidance on the Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ) Revised Guidance – ASBJ Guidance No. 26 dated March 28, 2016) has been adopted from the current consolidated fiscal year under review.

(Segment Information)

1. Summary of Reporting Segments

The Group's reporting segments are based on those units within the Group where separate financial information is available and where the Group's Board of Directors periodically deliberates over such matters as the distribution of management resources and the financial performance of such segments.

The Group formulates a comprehensive international and domestic strategy for individual products and services for the head office and for each consolidated subsidiary, and executes such strategies at the operating level. Consequently, the Group comprises segments that are split by categories of products and services offered by the head office and consolidated subsidiaries. More specifically, the six reporting segments of the Group are "Machinery Components", "Precision Machinery", "Construction Machinery", "Industrial Machinery", "Ships", and "Environmental Facilities & Plants".

Businesses	Main Products
Machinery Components	Power transmission and control equipment
Precision Machinery	Plastics machinery, film forming machines, semiconductor production equipment, laser processing systems, cryogenic equipment, precision positioning equipment, precision forgings, control components, defense equipment, machining tools
Construction Machinery	Hydraulic excavators, mobile cranes, road machinery
Industrial Machinery	Ion accelerators, medical machines and equipment, forging press machines, material handling systems, logistics systems, automated parking systems, turbines, pumps
Ships	Ships
Environmental Facilities & Plants	Private power generation facilities, boilers, industrial waste treatment facilities, air pollution control equipment, water and sewage treatment systems, process equipment, pressure vessels, mixing vessels, air-conditioning equipment, food processing machinery

2. Information Regarding Net Sales, Profits, Assets, Liabilities, and Other Items by Reporting Segment

Previous Full Year *(April 1, 2015, to March 31, 2016)*

(Units: millions of yen)

Item \ Segment	A	B	C	D	E	F	Subtotal	Other[1]	Total	G[2]	H
Net sales											
(1) Sales to external customers	107,614	154,556	201,916	87,939	28,974	109,706	690,706	10,133	700,838	—	700,838
(2) Internal sales between segments or exchanges	2,315	1,309	21	1,711	107	822	6,285	3,363	9,648	(9,648)	—
Total	109,929	155,865	201,937	89,650	29,081	110,528	696,990	13,496	710,486	(9,648)	700,838
Segment profit (loss)[3]	8,929	18,718	4,409	9,977	967	5,787	48,788	1,843	50,631	(63)	50,568
Segment assets	109,504	154,718	222,069	82,019	52,984	67,665	688,960	61,202	750,162	32,697	782,859
Other categories											
Depreciation expense	4,570	3,673	8,205	1,366	531	777	19,122	599	19,720	—	19,720
Impairment loss	—	74	297	—	—	—	371	153	524	—	524
Increase in tangible and intangible assets	4,267	5,387	8,814	1,616	1,248	1,412	22,744	976	23,721	—	23,721

Segments:

A: Machinery Components
B: Precision Machinery
C: Construction Machinery
D: Industrial Machinery
E: Ships
F: Environmental Facilities & Plants
G: Adjustments
H: Value included on the consolidated income statement

Notes:

1. “Other” represents businesses that are not included in the reporting segments. This includes the Group’s real-estate businesses, software-related business, and other businesses.
2. Mainly due to the deletion of intersegment transactions
3. Segment profit or loss have been adjusted as compared to the operating income recorded in the Consolidated Income Statement.

Current Full Year *(April 1, 2016, to March 31, 2017)*

(Units: millions of yen)

Item \ Segment	A	B	C	D	E	F	Subtotal	Other[1]	Total	G[2]	H
Net sales											
(1) Sales to external customers	98,648	145,745	182,504	98,913	32,611	107,613	666,034	8,294	674,328	—	674,328
(2) Internal sales between segments or exchanges	2,050	1,489	10	1,206	12	1,384	6,150	3,340	9,490	(9,490)	—
Total	100,698	147,234	182,514	100,119	32,623	108,997	672,184	11,634	683,818	(9,490)	674,328
Segment profit (loss)[3]	9,118	14,590	1,426	10,772	1,321	9,100	46,327	2,015	48,342	89	48,431
Segment assets	102,503	160,264	228,126	79,249	58,487	82,084	710,714	56,098	766,812	29,672	796,484
Other categories											
Depreciation expense	4,151	3,895	8,525	1,632	652	947	19,802	509	20,311	—	20,311
Impairment loss	1,381	47	—	1,507	—	—	2,935	20	2,955	—	2,955
Increase in tangible and intangible assets	4,754	6,329	7,639	4,409	1,655	1,880	26,666	874	27,539	—	27,539

Segments:

A: Machinery Components
B: Precision Machinery
C: Construction Machinery
D: Industrial Machinery
E: Ships
F: Environmental Facilities & Plants
G: Adjustments
H: Value included on the consolidated income statement

Notes:

1. “Other” represents businesses that are not included in the reporting segments. This includes the Group’s real-estate businesses, software-related business, and other businesses.
2. Mainly due to the deletion of intersegment transactions
3. Segment profits have been adjusted as compared to the operating income recorded in the Consolidated Income Statement.

(Per Share Information)

	Previous Full Year April 1, 2015 to March 31, 2016	Current Full Year April 1, 2016 to March 31, 2017
Net assets per share	614.51 yen	650.47 yen
Net income per share	54.06 yen	54.85 yen

Notes:

1. The diluted net income per share is not listed because there are no dilutive shares.
2. The basis for calculating the net income per share is outlined below:

Item	Previous Full Year April 1, 2015 to March 31, 2016	Current Full Year April 1, 2016 to March 31, 2017
Net income attributed to shareholders of the parent company	33,133 million yen	33,613 million yen
Value not attributable to common stockholders	—	—
Net income attributed to shareholders of the parent company's holdings of common stock	33,133 million yen	33,613 million yen
Average number of outstanding shares for the term	612,934 thousand shares	612,828 thousand shares

(Subsequent Events of Significant Importance)

There are no applicable items.

IV. Supplemental Information

Orders Received, Sales, and Balance of Orders Received, by Segment

(1) Orders Received

(Units: millions of yen)

Segment	April 1, 2015 to March 31, 2016		April 1, 2016 to March 31, 2017		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	105,047	15.3	97,450	13.7	(7,597)	(7.2)
Precision Machinery	154,571	22.5	154,731	21.8	160	0.1
Construction Machinery	197,060	28.7	190,311	26.8	(6,748)	(3.4)
Industrial Machinery	92,591	13.5	91,312	12.8	(1,279)	(1.4)
Ships	22,500	3.3	29,975	4.2	7,475	33.2
Environmental Facilities & Plants	106,089	15.5	139,365	19.6	33,275	31.4
Others	8,085	1.2	7,968	1.1	(117)	(1.4)
Total	685,943	100.0	711,111	100.0	25,168	3.7

(2) Sales

(Units: millions of yen)

Segment	April 1, 2015 to March 31, 2016		April 1, 2016 to March 31, 2017		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	107,614	15.4	98,648	14.6	(8,966)	(8.3)
Precision Machinery	154,556	22.1	145,745	21.6	(8,810)	(5.7)
Construction Machinery	201,916	28.8	182,504	27.1	(19,412)	(9.6)
Industrial Machinery	87,939	12.5	98,913	14.7	10,974	12.5
Ships	28,974	4.1	32,611	4.8	3,637	12.6
Environmental Facilities & Plants	109,706	15.7	107,613	16.0	(2,093)	(1.9)
Others	10,133	1.4	8,294	1.2	(1,839)	(18.1)
Total	700,838	100.0	674,328	100.0	(26,510)	(3.8)

(3) Balance of Orders Received

(Units: millions of yen)

Segment	End of Full Year As of March 31, 2016		End of Full Year As of March 31, 2017		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	27,283	7.3	26,084	6.3	(1,198)	(4.4)
Precision Machinery	46,580	12.4	55,565	13.5	8,985	19.3
Construction Machinery	28,583	7.6	36,390	8.8	7,807	27.3
Industrial Machinery	102,664	27.4	95,064	23.1	(7,601)	(7.4)
Ships	58,648	15.6	56,012	13.6	(2,636)	(4.5)
Environmental Facilities & Plants	109,655	29.2	141,407	34.3	31,752	29.0
Others	1,939	0.5	1,614	0.4	(326)	(16.8)
Total	375,353	100.0	412,137	100.0	36,783	9.8