Sumitomo Heavy Industries, Ltd.

CONSOLIDATED FINANCIAL REPORT

For the Full Year Ended March 31, 2018

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, 2018
Presented May 8, 2018

Sumitomo Heavy Industries, Ltd.

Listed exchanges	Tokyo Stock Exchange
Stock code	6302
Head office	Tokyo
President	Shunsuke Betsukawa
URL	www.shi.co.jp
Inquiries	Michiko Watanabe General Manager, Corporate Communications Dept.
Telephone	+81 3 6737 2331
Scheduled date of ordinary shareholders' meeting	June 28, 2018
Scheduled date of payment of cash dividends	June 29, 2018
Scheduled date of securities report filing	June 28, 2018
Availability of supplementary explanatory materials for financial statement	Yes
Holding of meeting to explain financial statement	Yes (for analysts)

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

(1) Business Results

(Units: millions of yen)

	Current Full Term April 1, 2017 to March 31, 2018		Previous Full Term April 1, 2016 to March 31, 2017	
		% change		% change
Net sales	791,025	17.3	674,328	(3.8)
Operating income	69,921	44.4	48,431	(4.2)
Ordinary income	67,466	39.8	48,274	(1.7)
Net income attributed to shareholders of the parent company	34,660	3.1	33,613	1.4
Net income per share (yen)	282.83		274.24	
Fully diluted net income per share	—		—	
Return on equity (ROE, %)	8.4		8.7	
Return on assets (%)	8.0		6.1	
Ordinary income to net sales (%)	8.8		7.2	

Note: Comprehensive income:
Fiscal year ended March 31, 2018: 46,657 million yen, (45.8%)
Fiscal year ended March 31, 2017: 32,003 million yen, (56.8%)

Reference: Equity method investment profit and loss:
Fiscal year ended March 31, 2018: 484 million yen gain
Fiscal year ended March 31, 2017: 2,428 million yen gain

Note: We performed a reverse stock split at a ratio of 5 common shares for 1 common share on October 1, 2017. Net income per share for the current fiscal year was calculated on the assumption that the said reverse stock split was performed at the beginning of the previous consolidated fiscal year.

(2) Financial Position

(Units: millions of yen)

	End of Current Full Year March 31, 2018	End of Previous Full Year March 31, 2017
Total assets	895,569	796,484
Total net assets	444,964	409,171
Equity ratio (%)	48.1	50.0
Net assets per share (yen)	3,517.33	3,252.37

Reference: Equity:
Fiscal year ended March 31, 2018: 431,008 million yen
Fiscal year ended March 31, 2017: 398,601 million yen

Note: We performed a reverse stock split at a ratio of 5 common shares for 1 common share on October 1, 2017. Net assets per share were calculated on the assumption that the said reverse stock split was performed at the beginning of the previous consolidated fiscal year.

(3) Cash Flows

(Units: millions of yen)

	Current Full Year April 1, 2016 to March 31, 2018	Previous Full Year April 1, 2015 to March 31, 2017
Cash flows from operating activities	71,111	38,158
Cash flows from investing activities	(37,810)	(25,852)
Cash flows from financing activities	(10,146)	(17,809)
Cash and cash equivalents at end of period	85,503	61,017

2. Dividends

(Unit: yen)

	Year Ended March 31, 2017	Year Ended March 31, 2018	Year Ending March 31, 2019 (forecast)
Annual dividends per share			
First quarter	—	—	—
Second quarter	7.00	8.00	46.00
Third quarter	—	—	—
End of term	9.00	45.00	47.00
Annual dividends	16.00	—	93.00
Total dividends (million yen)	9,805	10,416	
Payout ratio (consolidated, %)	29.2	30.1	30.0
Net assets dividend yield (consolidated, %)	2.5	2.4	

Note: Pursuant to a 5 to 1 reverse stock split of common shares on October 1, 2017, the said reverse stock split was reflected in the amount of our year-end dividends for fiscal year ended March 2018.

3. FY 2018 Consolidated Forecasts (April 1, 2018, to March 31, 2019)

(Units: millions of yen)

	Full Year April 1, 2017 to March 31, 2018	
		% change
Net sales	850,000	7.5
Operating income	64,000	(8.5)
Ordinary income	61,800	(8.4)
Net income attributed to shareholders of the parent company	38,000	9.6
Projected net income per share (yen)	310.11	

Additional Notes

(1) Transfers of important subsidiaries during the fiscal period (moves of specific subsidiaries due to change in scope of consolidation): None

Newly consolidated: None

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, 2018	122,905,481 shares
As of March 31, 2017	122,905,481 shares

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

As of March 31, 2018	367,080 shares
As of March 31, 2016	348,358 shares

(iii) Average number of shares during fiscal period:

As of March 31, 2018	122,547,151 shares
As of March 31, 2017	122,565,689 shares

Note: We performed a reverse stock split at a ratio of 5 common shares for 1 common share on October 1, 2017. We have calculated the fiscal year-end number of shares outstanding, the fiscal year-end number of treasury stock and the average number of shares during the fiscal year on the assumption that the said reverse stock split was performed at the beginning of the previous consolidated fiscal year.

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 2, and the section entitled *Future Outlook* on Page 4.

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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

In the current fiscal year, the Group operated in a business environment where worldwide demand for machinery increased gradually. In Japan, investment in plant and equipment showed steady increases as corporate earnings improved. In the overseas markets, US manufacturing production continued on a path of recovery, while industrial production in China continued to grow at a high pace. On the negative side, the fear of trade disputes and geopolitical risks in the Korean peninsula persisted which prolonged a state of uncertainty.

Amid this business environment, the Group launched our “Medium-Term Management Plan 2019” to promote our policy priorities which include the active implementation of investment for growth, such as pursuing M&A opportunities and capital investments, engaging ourselves in the further betterment of the quality of our operations, and the active promotion of our CSR initiatives.

As a result, the Group’s orders increased by 21.5% in the current fiscal year over the previous fiscal year to JPY864.0 billion and net sales increased by 17.3% over the previous fiscal year to JPY791.0 billion.

In terms of profitability, the Group posted operating income of JPY69.9 billion, a 44.4% increase as compared to the previous fiscal year, and ordinary income of JPY67.5 billion, a 39.8% increase 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 3.1% to finish at JPY34.7 billion. Finally, the after-tax ROIC* ended at 10.3%.

* 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

The market for small-to-medium sized gear reducers and precision motion control drives for robot articulations trended positively in Japan as well as in Europe, North America and China, while market conditions for large-scale gear reducers continued on a path of recovery. As a result, both orders and sales increased. More specifically, orders increased by 18% as compared to the previous fiscal year to finish at JPY115.1 billion, while sales increased by 11% as compared to the previous fiscal year to finish at JPY109.4 billion. The segment posted an operating income of JPY11.8 billion, a 30% increase as compared to the previous fiscal year.

(ii) Precision Machinery

With respect to plastics machinery, both orders and sales increased due to continuing high demand in China for electrical and electronics-related products. For other machine models, orders and sales increased due to strong growth in our semiconductor-related models and cryogenic equipment. As a result, orders increased by 23% to JPY190.5 billion, sales increased by 16% to JPY169.4 billion, and operating income increased by 33% to JPY19.5 billion over the previous fiscal year, respectively.

(iii) Construction Machinery

In the hydraulic excavator business, both orders and sales increased helped by growing domestic and overseas demand. As for the mobile crane business, both orders and sales increased due to recovery trends in the North American market and the consolidation of Sumitomo Heavy Industries Construction Cranes Co., Ltd. into the Group as our subsidiary. As a result of the above, orders across the segment increased by 39% as compared to the previous fiscal year to finish at JPY265.2 billion, while sales increased by 43% as compared to the previous fiscal year to finish at JPY260.5 billion. The segment posted an operating income of JPY17.4 billion, 11 times increase as compared to the previous fiscal year.

(iv) Industrial Machinery

Although orders decreased in the material handling business, orders for forging presses in the industrial machinery equipment business increased. As for sales, health-related equipment in the industrial machinery equipment business increased; however, sales for the material handling business and the turbine business decreased. As a result of the above, orders across the segment decreased by 4% as compared to the previous fiscal year to finish at JPY87.7 billion, while sales decreased by 15% as compared to the previous fiscal year to finish at JPY83.8 billion. The segment posted an operating income of JPY88.0 billion, an 18% decrease as compared to the previous fiscal year.

(v) Ships

Although stagnant market conditions persist in the ships business, we secured orders for four new vessels, which was one vessel more than in the previous fiscal year. In addition, as for sales, five vessels were delivered, which was two more than in the previous fiscal year. As a result of the above, orders across the segment increased by 17% as compared to the previous fiscal year to finish at JPY34.9 billion, while sales increased by 17% as compared to the previous fiscal year to finish at JPY38.3 billion. The segment also posted an operating income of JPY0.7 billion, a 44% decrease as compared to the previous fiscal year.

(vi) Environmental Facilities & Plants

Although domestic sales decreased in the energy plant business, both orders are sales increased due to increase in orders for our biomass-fueled power generation plants and the consolidation of Sumitomo SHI FW Energie B.V. into the Group as our subsidiary. The water treatment plant business saw orders and sales decrease due to a decrease in securing long-term operation and maintenance contracts. As a result of the above, orders across the segment increased by 17% as compared to the previous fiscal year to finish at JPY162.7 billion, while sales increased by 13% as compared to the previous fiscal year to finish at JPY121.9 billion. The segment posted an operating income of JPY9.5 billion, a 5% increase as compared to the previous fiscal year.

(vii) Others

Orders decreased by 3% to JPY7.7 billion, sales decreased by 6% to JPY7.8 billion, and operating profits decreased by 1% to JPY2.1 billion from the previous fiscal year, respectively.

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

Condition of Assets, Liabilities, and Net Assets

Total assets increased by JPY99.1 billion to JPY895.6 billion from the end of the previous consolidated fiscal year as intangible fixed assets, notes receivables and account receivables, and cash and deposits increased by JPY35.1 billion, JPY27.0 billion and JPY24.4 billion, respectively.

Total liabilities increased by JPY63.3 billion to JPY450.6 billion from the end of the previous consolidated fiscal year as notes payable and account payables, advances received, and interest-bearing liabilities increased by JPY36.9 billion, JPY10.4 billion and JPY3.7 billion, respectively. Please note that interest-bearing liabilities represented 7.2% of total assets, a 0.4-point drop from the previous fiscal year.

Net assets increased by JPY35.8 billion to JPY445.0 billion from the end of the previous consolidated fiscal year mainly due to an increase in retained earnings of JPY24.7 billion.

As a result of the above, the shareholders' equity ratio decreased by 1.9 points from the end of the previous consolidated fiscal year to finish at 48.1%.

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 JPY85.5 billion, an increase of JPY24.5 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 JPY71.1 billion (as compared to an increase in cash flow of JPY38.2 billion in the previous fiscal year). The main sources of cash flow were net income before taxes and other adjustments of JPY52.7 billion, as well as depreciation of JPY23.0 billion. Cash outflows primarily consisted of payment of corporate and other taxes amounting to JPY17.2 billion and losses from the payment of litigation-related settlements costs of JPY15.4 billion.

(Cash Flow from Investing Activities)

The decrease in cash flow as a result of investing activities was JPY37.8 billion (as compared to a decrease in cash flow of JPY25.9 billion in the previous fiscal year). The main reason for the cash outflow was JPY29.9 billion used to acquire fixed assets and JPY14.5 billion used to acquires shares of our subsidiary pursuant to a change in the scope of our consolidation.

(Cash Flow from Financing Activities)

The decrease in cash flow as a result of financing activities was JPY10.1 billion (as compared to a decrease in cash flow of JPY17.8 billion in the previous fiscal year). This was mainly due to dividends paid in the amount of JPY10.4 billion.

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

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Shareholders' equity ratio (%)	45.1	45.8	48.1	50.0	48.1
Shareholders' equity ratio on a market price basis (%)	35.5	61.4	36.4	59.7	57.9
Redemption period (years)	1.7	1.3	3.7	1.6	0.9
Interest coverage ratio (multiples)	24.5	29.3	9.1	28.9	72.5

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

As of the publication date of this document, the outlook for the upcoming fiscal year ending March 31, 2019, is as follows:

Consolidated Results	Amount	As Compared to FY 2017
Sales	JPY850.0 billion	+7.5%
Operating income	JPY64.0 billion	(8.5%)
Ordinary income	JPY61.8 billion	(8.4%)
Net income attributed to shareholders of the parent company	JPY38.0 billion	+9.6%

(The above figures are calculated at an exchange rate of JPY105 and JPY130 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, 2019

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.

Dividends for the fiscal year ended March 2018 were JPY85 per share. Although we paid an interim dividend of JPY8 per share, this was with respect to shares prior to the reverse stock split or the equivalent of JPY40 per share after the reverse stock split.

For the fiscal year ending March 2019, the Group is forecasting a dividend of JPY93 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, 2017	End of Full Year As of March 31, 2018
	Amount	Amount
Assets		
Current assets		
Cash and deposits	63,820	88,233
Notes and accounts receivable	242,459	269,409
Products	69,092	65,953
Works in progress	65,029	67,619
Raw materials and stock	28,616	33,828
Deferred income taxes	15,321	13,253
Other	27,045	38,597
Allowance for doubtful accounts	(3,735)	(4,055)
Total current assets	507,648	564,837
Fixed assets		
Tangible fixed assets		
Buildings and structures	157,091	162,382
Accumulated depreciation	(106,883)	(109,157)
Buildings and structures (net)	50,209	53,225
Machinery and transportation tools	172,720	187,575
Accumulated depreciation	(121,222)	(131,279)
Machinery and transportation tools (net)	51,499	56,296
Land	107,762	107,826
Construction in progress	3,098	5,260
Other	49,577	53,035
Accumulated depreciation	(34,404)	(36,047)
Other (net)	15,173	16,988
Total tangible fixed assets	227,741	239,596
Intangible fixed assets		
Goodwill	1,982	18,030
Other	13,261	32,319
Total intangible fixed assets	15,243	50,349
Investments and other assets		
Investment securities	24,168	20,243

	End of Full Year As of March 31, 2017	End of Full Year As of March 31, 2018
	Amount	Amount
Long-term loans	5,143	4,466
Deferred income taxes	11,407	9,777
Other	10,300	11,824
Allowance for doubtful accounts	(5,164)	(5,524)
Total investments and other assets	45,853	40,786
Total Fixed assets	288,837	330,731
Total assets	796,484	895,569

(Units: millions of yen)

	End of Full Year As of March 31, 2017	End of Full Year As of March 31, 2018
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable	147,318	184,227
Short-term bank loans	36,711	33,516
Long-term loans due within one year	1,481	7,801
Commercial Paper	5,000	—
Income tax payable	8,904	5,726
Advance payments received on contracts	32,182	42,540
Allowance for guaranteed construction	9,609	13,478
Provision for loss on construction orders	2,732	5,451
Provision for loss on operations	979	228
Other	45,669	54,754
Total current liabilities	290,585	347,720
Fixed Liabilities		
Bonds	10,000	20,000
Long-term debt due after one year	7,268	2,864
Provision for loss on operation transfers	115	115
Provision for loss on product liability claims	44	40
Defined benefit liability	44,853	40,466
Deferred income taxes on revaluation	20,942	20,730
Other	13,505	18,670
Total fixed liabilities	96,728	102,885
Total liabilities	387,313	450,605
Net assets		
Shareholders' equity		
Capital stock	30,872	30,872
Capital surplus	25,267	25,267
Retained earnings	289,587	314,296
Treasury stock	(915)	(1,000)
Total Shareholders' equity	344,810	369,434
Accumulated other comprehensive income		
Unrealized gains on securities	4,128	5,406

	End of Full Year As of March 31, 2017	End of Full Year As of March 31, 2018
	Amount	Amount
Profit (loss) on deferred hedge	320	925
Revaluation reserve for land	41,289	40,831
Foreign currency translation adjustments	13,824	17,565
Re-measurement of defined benefit plans	(5,770)	(3,153)
Total accumulated other comprehensive income	53,791	61,574
Non-controlling interests	10,570	13,956
Total net assets	409,171	444,964
Total liabilities and net assets	796,484	895,569

2. Consolidated Income Statements and Consolidated Statement of Comprehensive Income

Consolidated Income Statements

(Units: millions of yen)

	Previous Full Year April 1, 2016 to March 31, 2017	Current Full Year April 1, 2017 to March 31, 2018
	Amount	Amount
Net sales	674,328	791,025
Cost of sales	518,046	598,285
Gross income	156,282	192,740
Selling, general and administrative expenses	107,852	122,819
Operating income	48,431	69,921
Non-operating income		
Interest income	457	559
Dividend income	1,642	993
Other	5,217	3,777
Total non-operating income	7,315	5,329
Non-operating expenses		
Interest expenses	1,320	1,023
Loss on foreign currency exchange	753	1,032
Patent related expenses	794	801
Other	4,605	4,928
Total non-operating expenses	7,472	7,784
Ordinary income	48,274	67,466
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 litigation-related settlement	—	14,480
Loss on impaired assets	2,955	294
Total extraordinary losses	2,955	14,774
Income before income taxes	47,298	52,692
Corporate income tax current	13,835	13,737
Corporate income tax deferred	(434)	1,505
Total corporate income taxes	13,401	15,241
Net income	33,897	37,451
Net income (or loss) attributable to non-controlling interests	284	2,791

	Previous Full Year April 1, 2016 to March 31, 2017	Current Full Year April 1, 2017 to March 31, 2018
	Amount	Amount
Net income attributed to shareholders of the parent company	33,613	34,660

Consolidated Statement of Comprehensive Income

(Units: millions of yen)

	Previous Full Year April 1, 2016 to March 31, 2017	Current Full Year April 1, 2017 to March 31, 2018
	Amount	Amount
Net income	33,897	37,451
Other comprehensive income		
Unrealized gains on securities	1,773	1,277
Profit (loss) on deferred hedge	448	621
Revaluation reserve for land	—	7
Foreign currency translation adjustments	(7,945)	4,701
Adjustment to retirement benefits	3,893	2,595
Amount applied for equity method accounting of affiliates	(63)	6
Total other comprehensive income	(1,894)	9,207
Comprehensive income	32,003	46,657
(Breakdown)		
Comprehensive income relating to shareholders of the parent company	31,929	42,908
Comprehensive income relating to non-controlling interests	74	3,749

3. Consolidated Statements of Changes to Stockholders' Equity

Previous 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
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
Difference from transfer of revaluation reserve for land			192		192
Changes to parent company equity due to transactions with non-controlling shareholders		(88)			(88)
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	25,267	289,587	(915)	344,810

(Units: millions of yen)

	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
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
Difference from transfer of revaluation reserve for land								192
Changes to parent company equity due to transactions with non-controlling shareholders								(88)
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

Current Full Year April 1, 2017 to March 31,8

(Units: millions of yen)

	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Stockholders' equity
Balance at beginning of period	30,872	25,267	289,587	(915)	344,810
Fluctuation in the period					
Dividends			(10,417)		(10,417)
Net income attributed to shareholders of the parent company			34,660		34,660
Acquisition of treasury stock				(86)	(86)
Disposal of treasury stock			1	1	2
Difference from transfer of revaluation reserve for land			465		465
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	—	—	24,709	(84)	24,624
Balance at end of period	30,872	25,267	314,296	(1,000)	369,434

	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	4,128	320	41,289	13,824	(5,770)	53,791	10,570	409,171
Fluctuation in the period								
Dividends								(10,417)
Net income attributed to shareholders of the parent company								34,660
Acquisition of treasury stock								(86)
Disposal of treasury stock								2
Difference from transfer of revaluation reserve for land								465
Changes to parent company equity due to transactions with non-controlling shareholders								—
Fluctuations other than stockholders' equity in the period (net)	1,278	605	(458)	3,742	2,616	7,783	3,386	11,168
Total fluctuation in the period	1,278	605	(458)	3,742	2,616	7,783	3,386	35,792
Balance at end of period	5,406	925	40,831	17,565	(3,153)	61,574	13,956	444,964

4. Consolidated Cash Flows Statement

(Units: millions of yen)

	Previous Full Year April 1, 2016 to March 31, 2017	Current Full Year April 1, 2017 to March 31, 2018
Cash flows from operating activities		
Income before income taxes	47,298	52,692
Depreciation	20,311	23,003
Gain from amortization of prior service costs	(1,038)	—
Gain from staged acquisitions	(941)	—
Loss on litigation-related settlement	—	14,480
Loss on impaired assets	2,955	294
Interest and dividend income	(2,098)	(1,552)
Interest expenses	1,320	1,023
Increase (decrease) in reserve amount	1,593	4,178
(Increase) decrease in notes and accounts receivable	(18,158)	(3,776)
(Increase) decrease in inventories	(5,242)	(7,610)
Increase (decrease) in notes and accounts payable	1,011	16,475
Other	3,462	3,934
Subtotal	50,473	103,141
Interest and dividends received	3,703	1,553
Interest expenses	(1,330)	(981)
Amount paid for litigation-related settlement	—	(15,381)
Amount paid for compensatory damages	(1,745)	—
Payments for income taxes	(12,944)	(17,221)
Net cash provided by operating activities	38,158	71,111
Cash flows from investing activities		
Cash outflow due to the acquisition of tangible and intangible fixed assets	(24,592)	(29,914)
Cash flow from the sale of tangible and intangible fixed assets	1,055	1,552
Expenses associated with the acquisition of shares in subsidiaries to change consolidation status	(2,559)	(14,547)
Expenses associated with the acquisition of shares in affiliated companies	(2,964)	(44)
Proceeds from sale of securities	—	3,911
Proceeds from the sale of investment securities	927	159
(Increase) decrease in short-term loans	119	6
Payments of loans receivable	(11)	(373)
Cash flow from loan recoveries	3,551	2,289
Other	(1,379)	(850)
Net cash used in investing activities	(25,852)	(37,810)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(3,831)	(3,740)
Increase (decrease) in commercial paper	5,000	(5,000)

	Previous Full Year April 1, 2016 to March 31, 2017	Current Full Year April 1, 2017 to March 31, 2018
Proceeds from long-term debt	1,292	3,563
Repayments for long-term debt	(7,596)	(1,709)
Proceeds from the issuance of corporate bonds	—	10,000
Cash dividends paid	(9,796)	(10,410)
Payment of dividends to non-controlling stockholders	(46)	(606)
Other	(2,833)	(2,245)
Net cash used in financing activities	(17,809)	(10,146)
Effect of exchange rate changes on cash and cash equivalents	(2,105)	1,260
Net increase (decrease) in cash and cash equivalents	(7,608)	24,446
Cash and cash equivalents at beginning of year	68,625	61,017
Increase due to new consolidated companies	—	66
Increase in cash and cash equivalents pursuant to mergers	—	6
Cash and cash equivalents at end of year	61,017	85,503

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.

(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, 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[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
Investment in affiliates accounted for by the equity method	—	1,884	—	3,518	—	—	5,402	—	5,402	—	5,402
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 profit have been adjusted as compared to the operating income recorded in the Consolidated Income Statement.

Current Full Year *(April 1, 2017, to March 31, 2018)*

(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	109,396	169,405	260,457	83,790	38,291	121,885	783,224	7,801	791,025	—	791,025
(2) Internal sales between segments or exchanges	2,040	478	44	1,417	8	2,060	6,047	3,771	9,817	(9,817)	—
Total	111,436	169,883	260,501	85,207	38,299	123,945	789,271	11,572	800,843	(9,817)	791,025
Segment profit [3]	11,847	19,462	17,448	8,810	742	9,531	67,840	2,067	69,907	14	69,921
Segment assets	124,198	187,398	236,296	75,817	61,199	133,883	818,791	50,609	869,400	34,204	903,604
Other categories											
Depreciation expense	4,228	4,529	9,428	1,718	810	1,727	22,439	564	23,003	—	23,003
Amortization of goodwill	—	417	414	111	—	335	1,277	—	1,277	—	1,277
Impairment loss	—	—	—	289	—	—	289	5	294	—	294
Investment in affiliates accounted for by the equity method	—	2,386	—	—	—	—	2,386	—	2,386	—	2,386
Increase in tangible and intangible assets	5,555	10,973	9,400	4,095	1,772	31,635	63,430	862	64,292	—	64,292

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, 2016 to March 31, 2017	Current Full Year April 1, 2017 to March 31, 2018
Net assets per share	3,252.37 yen	3,517.33 yen
Net income per share	274.24 yen	282.83 yen

Notes:

1. The diluted net income per share is not listed because there are no dilutive shares.
2. We performed a reverse stock split at a ratio of 5 common shares for 1 common share on October 1, 2017. Net assets per share for the current fiscal year were calculated on the assumption that the said reverse stock split was performed at the beginning of the previous consolidated fiscal year.
3. The basis for calculating the net income per share is outlined below:

Item	Previous Full Year April 1, 2016 to March 31, 2017	Current Full Year April 1, 2017 to March 31, 2018
Net income attributed to shareholders of the parent company	33,613 million yen	34,660 million yen
Value not attributable to common stockholders	—	—
Net income attributed to shareholders of the parent company's holdings of common stock	33,613 million yen	34,660 million yen
Average number of outstanding shares for the term	122,566 thousand shares	122,547 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, 2016 to March 31, 2017		April 1, 2017 to March 31, 2018		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	97,450	13.7	115,130	13.3	17,681	18.1
Precision Machinery	154,731	21.8	190,545	22.1	35,815	23.1
Construction Machinery	190,311	26.8	265,209	30.7	74,898	39.4
Industrial Machinery	91,312	12.8	87,714	10.2	(3,598)	(3.9)
Ships	29,975	4.2	34,925	4.0	4,951	16.5
Environmental Facilities & Plants	139,365	19.6	162,743	18.8	23,378	16.8
Others	7,968	1.1	7,697	0.9	(271)	(3.4)
Total	711,111	100.0	863,964	100.0	152,853	21.5

(2) Sales

(Units: millions of yen)

Segment	April 1, 2016 to March 31, 2017		April 1, 2017 to March 31, 2018		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	98,648	14.6	109,396	13.8	10,748	10.9
Precision Machinery	145,745	21.6	169,405	21.4	23,659	16.2
Construction Machinery	182,504	27.1	260,457	32.9	77,953	42.7
Industrial Machinery	98,913	14.7	83,790	10.6	(15,122)	(15.3)
Ships	32,611	4.8	38,291	4.9	5,681	17.4
Environmental Facilities & Plants	107,613	16.0	121,885	15.4	14,272	13.3
Others	8,294	1.2	7,801	1.0	(493)	(5.9)
Total	674,328	100.0	791,025	100.0	116,697	17.3

(3) Balance of Orders Received

(Units: millions of yen)

Segment	End of Full Year As of March 31, 2017		End of Full Year As of March 31, 2018		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Machinery Components	26,948	5.6	32,682	5.9	5,734	21.3
Precision Machinery	57,270	11.9	78,411	14.2	21,141	36.9
Construction Machinery	53,753	11.2	58,505	10.5	4,752	8.8
Industrial Machinery	95,029	19.8	98,953	17.9	3,924	4.1
Ships	53,310	11.1	49,944	9.0	(3,366)	(6.3)
Environmental Facilities & Plants	192,771	40.1	233,629	42.2	40,858	21.2
Others	1,588	0.3	1,484	0.3	(104)	(6.5)
Total	480,669	100	553,608	100	72,939	15.2