Sumitomo Heavy Industries, Ltd.

SECOND QUARTER CONSOLIDATED FINANCIAL REPORT

For the Six-Month Period from April 1 to September 30, 2019

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 Second Quarter Ended September 30, 2019
Presented October 31, 2019

Sumitomo Heavy Industries, Ltd.

Listed exchanges	Tokyo Stock Exchange
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Scheduled reporting date for quarterly report	November 8, 2019
Scheduled date of payment of cash dividends	December 2, 2019
Availability of supplementary explanations for quarterly financial statement	Yes
Holding of meeting to explain quarterly financial statement	Yes (for analysts)

1. FY 2019 Second Quarter Consolidated Results *(April 1, 2019, to September 30, 2019)*
(1) Business Results

(Units: millions of yen)

	Second Quarter April 1 to September 30, 2019		Previous Second Quarter April 1 to September 30, 2018	
		% change		% change
Net sales	424,697	0.2	423,661	19.2
Operating income	27,197	(20.1)	34,052	17.5
Ordinary income	25,799	(21.9)	33,016	14.1
Net income attributed to shareholders of the parent company	16,437	(23.1)	21,362	8.1
Net income per share (yen)	134.15		174.34	
Fully diluted net income per share (yen)	—		—	

Note: Comprehensive income
Fiscal quarter ended September 30, 2019: 12,624 million yen, (14.8%)
Fiscal quarter ended September 30, 2018: 14,818 million yen, (26.9%)

(2) Financial Position

(Units: millions of yen)

	End of Second Quarter As of September 30, 2019	End of Previous Full Year As of March 31, 2019
Total assets	956,797	954,051
Total net assets	468,901	465,001
Equity ratio (%)	47.8	47.5

Reference: Equity
Fiscal quarter ended September 30, 2019: 457,150 million yen
Fiscal year ended March 31, 2019: 453,468 million yen

2. Dividends

(Units: yen)

	Year Ended March 31, 2019	Year Ending March 31, 2020	Year Ending March 31, 2020 (forecast)
Annual dividends per share			
First quarter	—	—	
Second quarter	50	56	
Third quarter	—		—
End of term	62		35
Annual dividends	112		91

Note: Changes from the most recent dividend forecast: Yes

3. FY 2019 Consolidated Forecasts *(April 1, 2019, to March 31, 2020)*

(Units: millions of yen)

	Full Year April 1, 2019, to March 31, 2020	
		% change
Net sales	885,000	(0.2)
Operating income	60,000	(20.3)
Ordinary income	57,000	(21.5)
Net income attributed to shareholders of the parent company	37,000	(18.9)
Projected net income per share (yen)	301.99	

Note: Changes from the most recent consolidated forecast: Yes

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) Special accounting measures applied in the quarterly consolidated financial report: Applicable

(3) Changes to accounting policies, changes to accounting estimates, and restatements

(i) Changes to accounting policies resulting from revisions to accounting standards, etc.: Applicable

(ii) Changes other than (i): None

(iii) Changes to accounting estimates: None

(iv) Restatements: None

(4) Number of shares issued (common shares)

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

As of September 30, 2019	122,905,481 shares
As of March 31, 2019	122,905,481 shares

(ii) Amount of treasury stock at end of fiscal period

As of September 30, 2019	386,765 shares
As of March 31, 2019	379,953 shares

(iii) Average number of shares during fiscal period (cumulative quarterly period)

As of September 30, 2019	122,522,292 shares
As of September 30, 2018	122,533,932 shares

* The Quarterly Summary of Financial Results is not subject to the Quarterly Review.

* 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 because of 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 see the *Explanation of the Consolidated Earnings Forecast and Other Forward-Looking Estimates* in the *Supplementary Materials* on page 8.

Supplementary Materials – Table of Contents

1. Qualitative Information regarding Current Quarterly Consolidated Business Performance

(1) Explanation of Business Performance

As for the business environment surrounding the Group during the second quarter of the current consolidated fiscal year under review, investments in machinery by manufacturers were weak in Japan although corporate performance was stable and maintained at a high level in the country. Turning to the overseas markets, the economic recovery in the US continued but the US manufacturing industry was affected by trade issues and other factors and the Chinese economy showed slightly slow growth. Due mainly to these factors, demand for machinery was adjusted globally. In addition, the global economy is still lacking clarity in its future direction mainly due to escalation of trade disputes between the US and China, ongoing geopolitical risks and continuation of yen value appreciation.

Despite this business environment, the Group promoted the Medium-Term Management Plan 2019, and pursued investments to drive growth through capital spending, research & development, etc., actively promoting CSR measures and other key initiatives.

Under these conditions, orders decreased in the Machinery Components, Precision Machinery, Construction Machinery and Environmental Facilities & Plants segments. On a consolidated basis, the Group posted an order figure of JPY418.6 billion, a 9% decrease as compared to the same period last year (hereinafter referred to as the “previous term”). Sales increased in the Machinery Components, Precision Machinery and Construction Machinery segments. In total, the Group posted a sales figure of JPY424.7 billion, the same level as in the previous term.

Turning to income, profits decreased across all segments of the Group and operating income was JPY27.2 billion, a 20% decrease as compared to the previous term, and ordinary income was JPY25.8 billion, a 22% decrease as compared to the previous term. Quarterly net income attributable to the shareholders of the parent company also decreased by 23% as compared to the previous term to finish at JPY16.4 billion.

With respect to improper inspections, etc. conducted in relation to products and services at the Company and other Group companies as publicized in the previous term, we once again take this opportunity to deeply apologize for the great inconvenience and anxieties caused to our shareholders. We take the incidents gravely and seriously and implement recurrence prevention measures in a reliable manner in the current fiscal year as well, striving to further strengthen our quality management and compliance activities. By doing so, we make every effort to restore confidence in the Group.

Conditions in each business segment of the Group were as follows:

1. Machinery Components

Orders decreased due to a decline in demand for small-to-medium scale gear reducers and precision gear reducers for use in robots in Japan, China and Europe. On the other hand, sales increased mainly due to the fact that the Lafert Group (including Lafert S.p.A.) was made a consolidated subsidiary of the Company and a backlog of orders. In actual figures, the segment received orders worth JPY65.9 billion, a fall of 3% as compared to the previous term, and posted sales of JPY64.7 billion, a rise of 4% as compared to the previous term. Further, the segment posted operating income of JPY3.4 billion.

2. Precision Machinery

As for the plastic machinery business, orders and sales decreased due to a decline in demand from the electric and electronic sector in China and from Japan and Europe and with respect to other product areas, orders and sales increased because demand for cryogenic coolers and semiconductor-related products trended positively. In actual figures, the segment received orders worth JPY89.2 billion, a fall of 9% as compared to the previous term, and posted sales of JPY89.8 billion, a rise of 3% as compared to the previous term. Further, the segment posted operating income of JPY7.5 billion.

3. Construction Machinery

With respect to the hydraulic excavator business, orders decreased mainly due to a drop in demand from the ASEAN region but sales increased because of factors such as a backlog of orders from companies in Japan. As for the mobile crane business, orders decreased due partially to a decline in demand from Japan and the North American market but sales increased partly because of a backlog of orders. In actual figures, the segment received orders worth JPY134.8 billion, a fall of 12% as compared to the previous term, and posted sales of JPY146.0 billion, a rise of 1% as compared to the previous term. Further, the segment posted operating income of JPY11.8 billion.

4. Industrial Machinery

With respect to the material handling machinery business, both orders and sales increased due to strong demand for products related to electric power and ports as well as strong demand for logistics systems and car-parking systems. As for other product areas, orders increased due to a rise in demand of industrial turbines but sales decreased because of a reduced backlog of orders. In actual figures, the segment received orders worth JPY46.1 billion, a rise of 7% as compared to the previous term, and posted sales of JPY40.1 billion, a fall of 4% as compared to the previous term. Further, the segment posted operating income of JPY2.0 billion.

5. Ships

Although the slowdown in market conditions continued in the Ships segment, during the second quarter of the current fiscal year under review, an order for one new vessel was secured which meant that the number of ordered vessels increased by one from the previous term. In addition, one vessel was delivered during the second quarter of the current fiscal year under review as compared to two vessels handed over in the previous term. In actual figures, the segment received orders worth JPY16.0 billion, a rise of 32% as compared to the previous term, and posted sales of JPY15.0 billion, a fall of 21% as compared to the previous term. Further, the segment posted operating loss of JPY1.4 billion.

6. Environmental Facilities & Plants

Both orders and sales in the energy plant business decreased partly because the number of large-scale projects for biomass-fueled power generation plants in Japan reduced from the previous term. As for the water treatment plant business, orders decreased partly because the number of projects for waste water treatment equipment declines from the previous term. However, sales increased due to a backlog of orders. In actual figures, the segment received orders worth JPY62.8 billion, a fall of 25% as compared to the previous term, and posted sales of JPY65.5 billion, a fall of 1% as compared to the previous term. Further, the segment posted an operating income of JPY2.8 billion.

7. Other

The Other segment received orders worth JPY3.8 billion, a rise of 2% as compared to the previous term, and posted sales of JPY3.7 billion, a rise of 7% as compared to the previous term. Further, the segment posted operating income of JPY1.1 billion.

(2) Explanation of the Group's Consolidated Financial Position

1. Condition of Assets, Liabilities, and Net Assets

Total assets at the end of the second quarter of the current consolidated fiscal year under review (ended September 30, 2019) amounted to JPY956.8 billion, an increase of JPY2.7 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to increases of JPY15.6 billion in inventory assets and JPY8.1 billion in tangible assets offsetting a decrease of JPY27.5 billion in trade notes and accounts receivable.

Total liabilities fell to JPY487.9 billion, a decrease of JPY1.2 billion as compared to the end of the previous consolidated fiscal year. This was partly because notes and accounts payable decreased by JPY14.2 billion and corporate and other taxes payable fell by JPY6.2 billion, while advances received and the balance of interest-bearing liabilities increased by JPY16.1 billion and JPY7.3 billion, respectively.

Net assets to JPY468.9 billion, an increase of JPY3.9 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to increase of JPY8.7 billion in retained earnings.

As a result of the above, the shareholders' equity ratio rose by 0.2 points from the end of the previous consolidated fiscal year to finish at 47.8%.

2. Cash Flow Condition

The increase in cash flow from operating activities was JPY30.7 billion (as compared to an increase in cash flow of JPY51.8 billion in the previous term). When broken down, the main components of the proceeds were JPY25.8 billion in quarterly net income before tax and other adjustments, and the JPY37.7 billion reduction in trade receivables. The main sources of the outflow of cash were the JPY20.1 billion increase in inventory assets and the JPY12.4 billion payment of corporate and other taxes.

The decrease in cash flow as a result of investing activities was JPY20.6 billion (as compared to a decrease in cash flow of JPY34.7 billion in the previous term). The main reason for the cash outflow was the JPY21.4 billion used to acquire fixed assets.

The decrease in cash flow as a result of financing activities was JPY0.6 billion (as compared to a decrease in cash flow of JPY7.9 billion in the previous term). The main reasons are increases of JPY8.4 billion in loans payable, etc. and the JPY7.6 billion used to pay dividends.

As a result of the foregoing, the balance of cash and cash equivalents at the end of the second quarter of the current consolidated fiscal year under review totaled JPY78.4 billion, an increase of JPY8.6 billion as compared to the end of the previous consolidated fiscal year.

(3) Explanation of the Consolidated Earnings Forecast and Other Forward-Looking Estimates

The consolidated earnings forecast for the fiscal year ending March 2020 that was announced in the Summary of Consolidated Financial Results dated May 8, 2019 has been revised as follows.

(Fiscal year ending March 2020; full year)

	Net sales (millions of yen)	Operating income (millions of yen)	Ordinary income (millions of yen)	Net income attributed to shareholders of the parent company (millions of yen)	Net income per share (yen)
Previous forecast (A)	905,000	72,000	69,000	46,000	375.43
Revised forecast (B)	885,000	60,000	57,000	37,000	301.99
Difference (B-A)	(20,000)	(12,000)	(12,000)	(9,000)	—
% Change	(2.2)	(16.7)	(17.4)	(19.6)	—
(Reference) Results for previous fiscal year	903,051	75,244	72,623	45,650	372.56

Demand mainly for equipment of mass-production type is decreasing due to a slowdown in global economic growth,. Due to this, the Company has decided to revise down the consolidated earnings forecast for the fiscal year ending March 2020 that was announced on May 8, 2019 with regard to net sales, operating income, ordinary income and net income attributed to shareholders of the parent company.

Please note that from the third quarter of the current consolidated fiscal year, the main exchange rates are assumed to be USD1 = JPY105 and EUR1 = JPY120.

2. Quarterly Consolidated Financial Statements and Key Explanatory Notes

(1) Quarterly Consolidated Balance Sheets

(Units: millions of yen)

	End of Previous Fiscal Year As of March 31, 2019	End of Second Quarter As of September 30, 2019
	Amount	Amount
Assets		
Cash and deposits	73,589	80,967
Notes and accounts receivable	291,578	264,042
Inventory assets	189,045	204,618
Other	33,185	33,974
Allowance for doubtful accounts	(3,829)	(3,546)
Current assets	583,568	580,055
Land	107,720	107,608
Other (net)	140,556	148,815
Total tangible assets	248,276	256,422
Goodwill	24,049	22,259
Other	41,022	38,046
Total intangible assets	65,071	60,305
Other	62,450	65,106
Allowance for doubtful accounts	(5,314)	(5,091)
Investments and other assets	57,136	60,015
Fixed assets	370,483	376,742
Total assets	954,051	956,797

(Units: millions of yen)

	End of Previous Fiscal Year As of March 31, 2019	End of Second Quarter As of September 30, 2019
	Amount	Amount
Liabilities		
Notes and accounts payable – trade	188,069	173,883
Short-term loans payable	23,444	26,889
Current portion of bonds payable	10,000	10,000
Current portion of long-term loans payable	1,956	4,294
Commercial papers	17,000	10,000
Provision for construction warranties	13,339	13,989
Other provision amount	6,309	4,944
Other	122,261	127,120
Current liabilities	382,378	371,120
Bonds payable	10,000	20,000
Long-term debt due after one year	10,912	9,464
Allowance	154	153
Defined benefit liability	46,082	46,782
Deferred income taxes on revaluation	20,713	20,713
Other	18,812	19,665
Total non-current liabilities	106,673	116,776
Total liabilities	489,051	487,897
Net assets		
Share capital	30,872	30,872
Capital surplus	26,071	26,070
Retained earnings	348,863	357,530
Treasury shares	(1,048)	(1,072)
Total shareholders' equity	404,757	413,400
Valuation difference on available-for-sale securities	3,871	3,475
Deferred gains or losses on hedges	(318)	(248)
Revaluation reserve for land	40,820	40,819
Foreign currency translation adjustments	8,879	2,464
Remeasurements of defined benefit plans	(4,542)	(2,760)
Total accumulated other comprehensive income	48,711	43,750
Non-controlling interest	11,533	11,751
Total net assets	465,001	468,901
Total liabilities and net assets	954,051	956,797

(2) Consolidated Income Statements and Consolidated Statement of Comprehensive Income

Consolidated Income Statements

(Units: millions of yen)

	Previous Second Quarter April 1, 2018, to September 30, 2018	Present Second Quarter April 1, 2019, to September 30, 2019
	Amount	Amount
Net sales	423,661	424,697
Cost of sales	323,170	328,776
Gross profit	100,491	95,922
Selling, general & administrative expenses	66,439	68,725
Operating profit	34,052	27,197
Non-operating income		
Interest income	336	467
Dividend income	517	425
Other	1,540	1,022
Total non-operating income	2,393	1,915
Non-operating expenses		
Interest expense	528	582
Foreign exchange losses	1,094	1,089
Other	1,806	1,641
Total non-operating expenses	3,428	3,312
Ordinary profit	33,016	25,799
Extraordinary losses		
Impairment loss	201	—
Total extraordinary losses	201	—
Profti before income taxes	32,815	25,799
Income taxes	9,467	7,954
Profit	23,348	17,846
Profit attributable to non-controlling interests	1,986	1,409
Profit attributable to owners of parent	21,362	16,437

Consolidated Statement of Comprehensive Income

(Units: millions of yen)

	Previous Second Quarter April 1, 2018, to September 30, 2018	Present Second Quarter April 1, 2019, to September 30, 2019
	Amount	Amount
Profit	23,348	17,846
Other comprehensive income		
Valuation difference on available-for-sale securities	(150)	(394)
Deferred gains or losses on hedges	(1,343)	68
Foreign currency translation adjustments	(7,233)	(6,677)
Remeasurements of defined loenefit plans	189	1,778
Share of other comprehensive income of entities accounted for using equity method	7	4
Total other comprehensive income	(8,530)	(5,221)
Comprehensive income	14,818	12,624
(Breakdown)		
Quarterly comprehensive income attribute to owners of parent	13,253	11,477
Quarterly comprehensive income attribute to non-controlling interests	1,565	1,147

(3) Notes regarding Consolidated Quarterly Financial Statements

(Notes on Premise of a Going Concern)

There are no applicable items.

(Notes regarding Significant Fluctuations to Shareholders' Equity)

There are no applicable items.

(Application of Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

The effective tax rate expected to be imposed on pretax net income (after tax effect accounting) applicable to the consolidated fiscal year in which the second quarter of the current consolidated fiscal year under review is included was estimated based on reasonable assumptions, and tax expenses were calculated by multiplying the quarterly pretax net income by the estimated effective tax rate.

(Change in Accounting Policy)

(Application of Accounting Standard Codification (ASC) 606: Revenue from Contract with Customers)

At our overseas subsidiaries that have adopted US GAAP, ASC 606: Revenue from Contract with Customers has been applied starting from the first quarter of the current consolidated fiscal year. Due to this, when promised goods or services are transferred to customers, we recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

With regard to the application of such accounting standard, we have adopted a method where cumulative effects of the application are recognized on the start date of application in accordance with the transitional treatment, and such effects were added to or deducted from retained earnings at the beginning of the first quarter of the current consolidated fiscal year.

As a result, the amount of retained earnings at the beginning of the second quarter of the current consolidated fiscal year under review decreased by JPY178 million. This change had a minimal impact on the results through the end of the second quarter of the current consolidated fiscal year under review.

(Application of IFRS 16 "Leases")

At the Group's subsidiaries that have adopted IFRS, IFRS 16 "Leases" (publicized in January 2016) (hereinafter referred to as "IFRS 16") has been applied starting from the first quarter of the current consolidated fiscal year. In applying IFRS 16, the Group has adopted a method of recognizing cumulative effects of the application on the start date of application, which is accepted as a transitional measure.

As for leases that the Group as lessee previously classified as operating leases by applying IAS 17, these leases were recognized as right-of-use assets or lease liabilities on the start date of application.

In line with the application of the standard, other tangible assets, other current liabilities and other fixed liabilities in the consolidated balance sheet increased by JPY2,684 million, JPY1,146 million and JPY1,538 million, respectively. In addition, the portion of assets worth JPY2,830 million that was previously recorded as other intangible assets has also been included in other tangible assets starting from the first quarter of the current consolidated fiscal year. This change had a minimal impact on the results through the end of the second quarter of the current consolidated fiscal year under review.

(Additional Information)

(Business combination through acquisition)

At the Board of Directors meeting held on September 27, 2019, the Company decided to enter into a stock exchange agreement with Invertek Drives Ltd., an inverter manufacturing company in the UK (hereinafter referred to as “Invertek”) with the aim of acquiring all shares in Invertek and make it a wholly-owned subsidiary.

(1) Overview of business combination

(i) Name of company acquired and description of its business activities

Name of company acquired	Invertek Drives Ltd.
Description of business activities	Research & development, manufacture and sales of inverter products

(ii) Main reasons for business combination

The business combination enables the Company to acquire technologies and production bases for control products of Invertek and enhance the business portfolio in the field of control systems, which will become more and more important in the future to respond to IoT, automation, labor saving, energy conservation and other issues. In addition, combination of such technologies with motor technologies of Lafert S.p.A., an industrial motor manufacturer in Italy, which was made a consolidated subsidiary of the Company in 2018 will enable the Company to respond to market needs for more advanced products. By doing so, the Company aims to build a system that can provide gears, motors and control products in an integrated manner with Europe (which plays a leading role in the market regarded by the Company as a focused area) serving as a starting base.

(iii) Date of business combination

November 7, 2019 (planned)

(iv) Legal form of business combination

Acquisition of shares

(v) Name of company after combination

The company name will not be changed after the business combination.

(vi) Ratio of voting rights acquired

Ratio of voting rights owned immediately prior to business combination: -%

Ratio of voting rights acquired on the date of business combination: 100.0%

Ratio of voting rights after acquisition: 100.0%

(vii) Main ground for choosing the company as an acquisition target

The Company can buy shares for cash.

(2) Breakdown of costs for acquiring the company and consideration by type

Cash delivered on date of business combination	Up to one million pounds
Acquisition cost	Up to one million pounds

(3) Details of major expenses related to acquisition and their amount

Not yet confirmed as of now.

(4) Amount of goodwill arising from the business combination, reason for which the goodwill is recorded, and method and period of amortization

Not yet confirmed as of now.

(5) Amounts of assets received and liabilities undertaken on the date of business combination and breakdown of the amounts

Not yet confirmed as of now.

(Subsequent Events of Significant Importance)

There are no applicable items.

3. Supplementary Information

(1) Orders, Sales and Operating Income, and Balance of Orders by Segment

Orders

(Units: millions of yen)

Segment	April 1, 2018, to September 30, 2018	April 1, 2019, to September 30, 2019	Y/Y Change	
	Amount	Amount	Amount	%
Machinery Components	68,254	65,935	(2,318)	(3.4)
Precision Machinery	98,107	89,155	(8,951)	(9.1)
Construction Machinery	152,406	134,772	(17,634)	(11.6)
Industrial Machinery	43,231	46,073	2,842	6.6
Ships	12,132	16,009	3,878	32.0
Environmental Facilities & Plants	83,591	62,834	(20,757)	(24.8)
Other	3,686	3,773	87	2.4
Total	461,406	418,552	(42,854)	(9.3)

Sales and Operating Income

(Units: millions of yen)

Segment	April 1, 2018, to September 30, 2018		April 1, 2019, to September 30, 2019		Y/Y Change	
	Sales	Operating Income	Sales	Operating Income	Sales	Operating Income
Machinery Components	62,409	4,423	64,665	3,399	2,256	(1,023)
Precision Machinery	87,014	7,665	89,819	7,509	2,804	(156)
Construction Machinery	144,234	13,091	146,032	11,785	1,799	(1,306)
Industrial Machinery	41,604	2,999	40,088	1,956	(1,516)	(1,043)
Ships	18,987	1,061	14,959	(1,367)	(4,027)	(2,427)
Environmental Facilities & Plants	65,987	3,625	65,466	2,820	(522)	(806)
Other	3,426	1,194	3,667	1,116	242	(78)
Adjustments	—	(7)	—	(22)	—	(15)
Total	423,661	34,052	424,697	27,197	1,036	(6,855)

Balance of Orders Received

(Units: millions of yen)

Segment	End of Previous Fiscal Year As of March 31, 2019	End of Second Quarter As of September 30, 2019	Change	
	Amount	Amount	Amount	%
Machinery Components	36,603	37,873	1,270	3.5
Precision Machinery	82,613	81,949	(664)	(0.8)
Construction Machinery	72,349	61,088	(11,261)	(15.6)
Industrial Machinery	95,969	101,953	5,985	6.2
Ships	39,969	41,018	1,050	2.6
Environmental Facilities & Plants	270,968	268,336	(2,632)	(1.0)
Other	1,418	1,524	106	7.5
Total	599,888	593,743	(6,145)	(1.0)

The Group's operating segments are categorized as follows:

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) (Summary) Consolidated Cash Flows Statement

(Units: millions of yen)

	Previous Second Quarter April 1, 2018, to September 30, 2018	Present Second Quarter April 1, 2019, to September 30, 2019	Y/Y Change
Profit before income taxes	32,815	25,799	(7,016)
Depreciation	12,678	13,728	1,050
(Increase) decrease in notes and accounts receivable	27,812	37,743	9,932
(Increase) decrease in inventories	(20,306)	(20,090)	217
Increase (decrease) in notes and accounts payable	7,129	(11,078)	(18,207)
Income taxes paid	(8,489)	(12,415)	(3,927)
Other	125	(2,993)	(3,117)
Net cash provided by operating activities	51,764	30,695	(21,069)
Payments for purchases of property, plant, and equipment	(14,445)	(21,379)	(6,934)
Other	(20,246)	765	21,011
Net cash used in investing activities	(34,691)	(20.614)	14,077
Net increase (decrease) in loans	(633)	8,392	9,026
Cash dividends paid	(5,511)	(7,593)	(2,082)
Other	(1,716)	(1,422)	295
Net cash used in financing activities	(7,861)	(622)	7,239
Other	(1,632)	(837)	796
Cash and cash equivalents at beginning of period	85,503	69,776	(15,728)
Cash and cash equivalents at end of period	93,083	78,398	(14,684)