

## **2017 ANNUAL REPORT**

**Year Ended March 31, 2017**



To always be selected by customers

**SINTOKOGIO, LTD.**

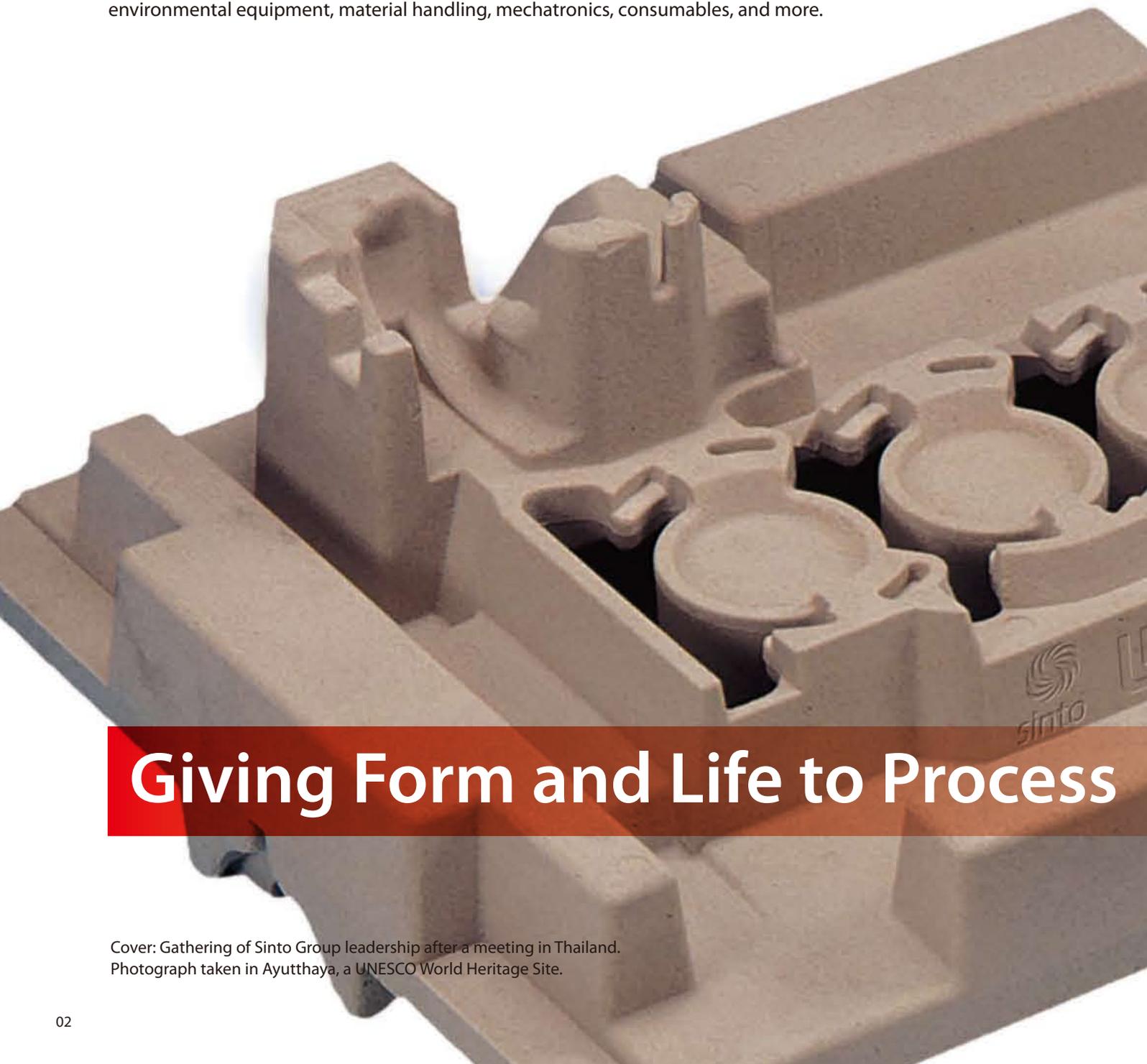
# Corporate Profile

## In the Foundry Business Since 1934

Since its founding, Sinto has been committed to developing the most innovative technologies in order to supply the best foundry equipment in the process materials industry. This is based on the concept of "Giving Form and Life to Process Materials".

As a result, Sinto has become the world's largest and most trusted manufacturer of foundry equipment. We can offer sophisticated foundry technologies for improving casting quality, productivity, and the work environment.

Sinto has applied its expertise and know-how of foundry technology to related fields, such as surface treatment, environmental equipment, material handling, mechatronics, consumables, and more.



# Giving Form and Life to Process

Cover: Gathering of Sinto Group leadership after a meeting in Thailand.  
Photograph taken in Ayutthaya, a UNESCO World Heritage Site.

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# Materials

## To Our Stakeholders



### Business Results for Fiscal 2016

With the economic situation for Sinto-related industries, overseas, the United States economy maintained favorable conditions, and in China, positive effects of measures supporting business could be seen, but the future is uncertain, with looming matters such as monetary policy normalization in the U.S., and growth overall remained slow. Domestically, an increase in exports was accompanied by an upward trend in production, contributing to improved corporate earnings, but movement toward economic recovery lacked power.

Regarding Sinto's business environment, domestically, results were patchy between industries and for individual business segments within. Capital investment was sluggish overall, but there was a rise in growth opportunities from new lines for a portion of automotive manufacturers. Overseas, with increased activity for capital investment in the U.S. automotive industry and infrastructure investment bottoming out in China, there was a slight recovery overall. Under these conditions, we had an order volume of ¥100,074 million (6.8% increase from the previous fiscal year), net sales of ¥95,048 million (0.9% increase), and order backlog of ¥34,092 million (17.3% increase).

As for income, we made efforts to control cost through improved design efficiency and productivity, but as a result of the capital investment cycle due to government subsidies domestically, operating income was ¥4,887 million (14.4% decrease). Conversely, with an increased return on investment through foreign exchange gain and equity method, income before taxes added up to ¥5,844 million (5.6% increase), and net income attributable to shareholders of the parent company amounted to ¥3,358 million (24.1% increase).

### Forecasting Fiscal 2017

Looking to the future economy, overseas, accelerated growth of the U.S. economy is expected, and recovery is spreading in Europe as well, with continued mitigation by the Central Bank. Domestically, due to a revival in production based on exports, the Japanese economy is also showing signs of a slow recovery. The basic trends



of the overall global economy are not bad, but with worries of worldwide geopolitical risks as well as political risks in Europe, conditions are still unpredictable.

For the business environment surrounding the Sinto Group, among steady trends for automobile production and sales in the U.S. and China, widening capital investment by related manufacturers is expected. Domestically, it is predicted that, while small, there will be movement toward recovery due to intended capital investment in response to expectations for recovering corporate performance. However, we must bear in mind that should export conditions worsen due to a stronger yen, a decrease in the operation rate of automobile-related industries and a decrease in capital investment intention can be predicted.

This year marks the final year of the mid-term management plan “Vital Sinto”, which Sinto Group has been enacting since 2015. Aiming to meet the goals set forth by Vital Sinto, we will continue to equip our group locations in Asia, a growing market, in order to increase sales of strategic products. We will also work to meet the vigorous demand in the North American aircraft and power generation fields, as well as lay the foundation for our aluminum business in Europe. In addition, for customers who have purchased our equipment, we will strengthen support by expanding our service lineup of preventative maintenance and corrective maintenance using IoT, and we will launch the global expansion of this service. For new fields, in keeping with the changing times, we will accelerate our development in the fields of medicine, electric vehicles, and organic electroluminescent panels.

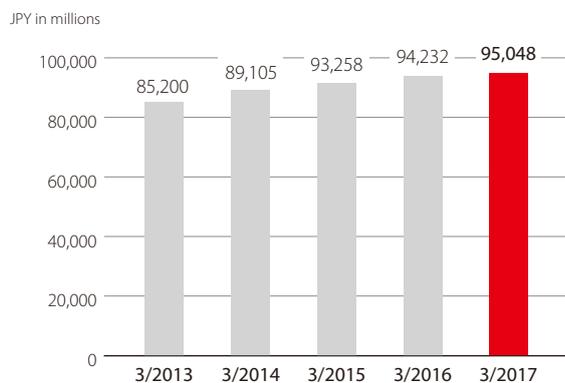
In addition, with the reconstruction of our basic computer system, which we have undertaken for several years, we have laid the groundwork for increasing the speed and efficiency of our business. We will continue to thoroughly improve added value and decrease costs, working toward an expansion in sales and increase in profits.



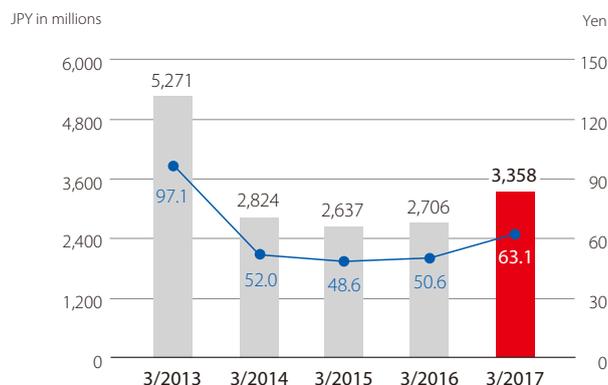
June 2017  
Atsushi Nagai, President

# Financial Highlights

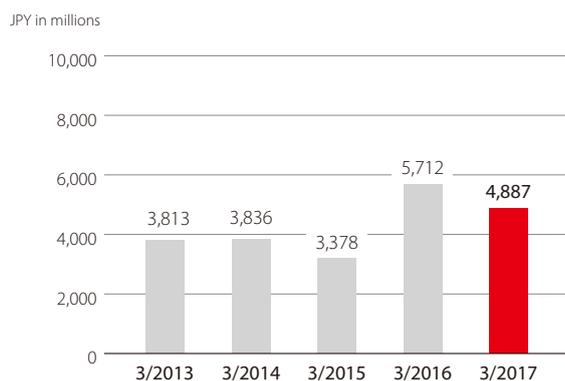
## Net sales



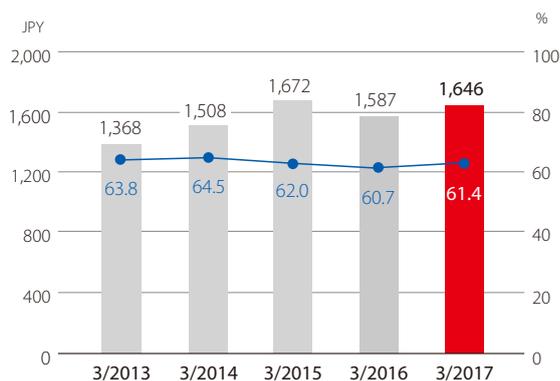
## Net income attributable to shareholders of the parent company / Net income attributable to shareholders of the parent company per share



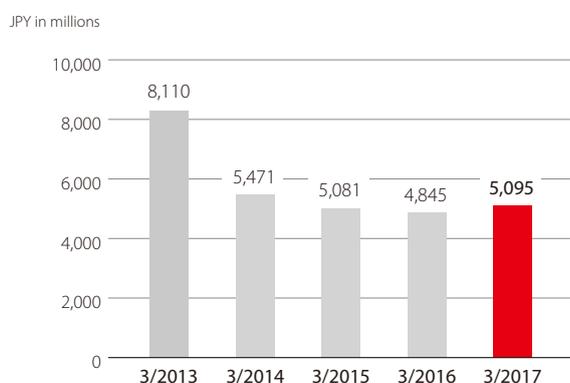
## Operating income



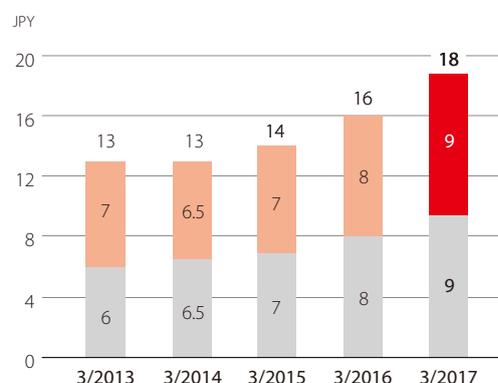
## Net assets excluding non-controlling interests per share / Equity ratio



## Income before income taxes



## Dividends per share



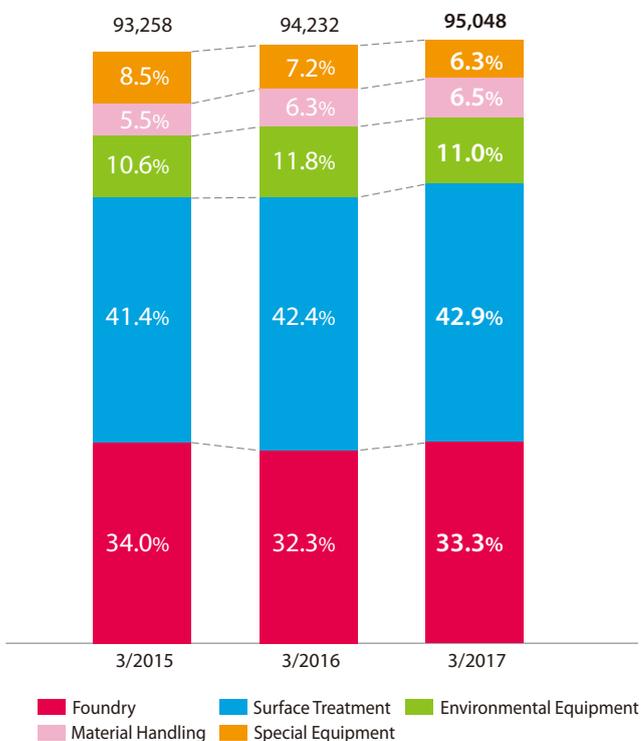
	Japanese Yen in millions			U.S. Dollars in thousands
	3/2015	3/2016	3/2017	3/2017
Net sales	¥ 93,258	¥ 94,232	¥ 95,048	\$ 847,213
Operating income	3,378	5,712	4,887	43,566
Operating income margin	3.6%	6.1%	5.1%	5.1%
Income before income taxes	5,081	4,845	5,095	45,417
Income before income taxes margin	5.4%	5.1%	5.4%	5.4%
Net income attributable to shareholders of the parent company	2,637	2,706	3,358	29,937
Return on sales	2.8%	2.9%	3.5%	3.5%
Total assets	146,315	139,207	142,759	1,272,480
Net assets	95,278	88,899	91,775	818,038
Equity ratio	62.0%	60.7%	61.4%	61.4%

	Japanese Yen			U.S. Dollars
Net income attributable to shareholders of the parent company per share	¥ 48.58	¥ 50.57	¥ 63.08	\$ 0.56
Net assets excluding non-controlling interests per share	¥ 1,672.19	¥ 1,587.79	¥ 1,646.55	\$ 14.68
Return on equity	3.1%	3.1%	3.9%	3.9%

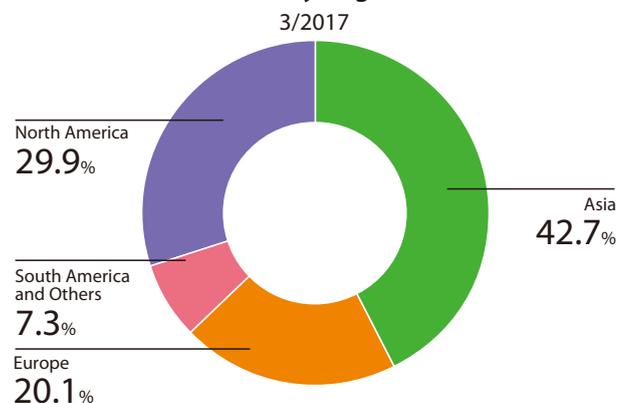
Notes: 1. The exchange rate used in these calculations is ¥112.19 per U.S. dollar as of March 31, 2017.

2. Net income attributable to shareholders of the parent company per share is computed using the weighted average number of outstanding shares during the fiscal year April 1, 2016 through March 31, 2017. Net assets excluding non-controlling interests per share are computed using the actual number of outstanding shares at the end of the fiscal year.

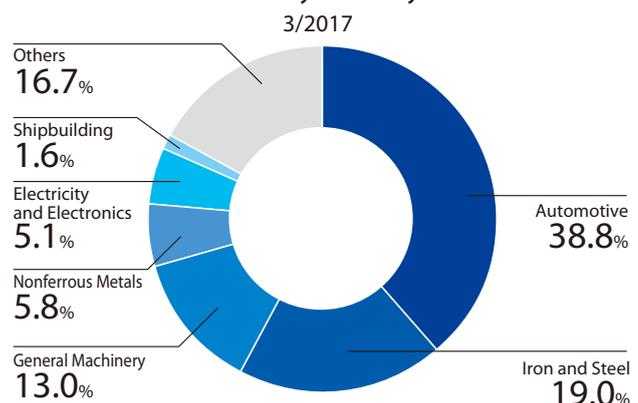
### Sales by Division



### Sales by Region



### Sales by Industry



# Industry Involvement

## Electronics



Using state-of-the-art technology, Sinto applies comprehensive surface treatment for various types of electronic parts.

## Aviation



Sinto technology helps to maintain the high quality and reliability required for aircraft parts.

## Automobile



Sinto contributes to manufacturing in the automobile industry, which requires even better fuel efficiency and dependability year after year.



**Sinto offers innovative, top-class solutions to meet the various needs of customers and industries all over the globe. Our influence reaches a wide variety of industries, perhaps in unexpected ways.**

## Ships



To support the increasing trend in sea transport, Sinto offers a wide array of solutions for shipbuilding, from steel plates to improvement of the work environment.

## Construction machinery



Beginning with various surface treatment processes such as pre-coat surface finishing, Sinto's technology is widely applied in the construction machinery industry.

## Rail



From train cars to infrastructure, Sinto's technology and products are used in all kinds of processes for the rail industry.

# Management Policy

## Sinto Beliefs

In 2015, Sinto Group systematically organized its management policy and philosophy into Sinto Beliefs, which was shared with all group employees. Sinto Beliefs represents each Sinto employee's convictions and is the foundation for our actions.

Sinto Group's corporate philosophy is "HEART (Human Enrichment & Achievement through Reliable Technology)". Our mission based on this philosophy is to create new value for manufacturing and to share our achievements and joy with our customers all over the world. We aim to deepen our bonds with all related people through our "Technology Differentiation" and "Reliable Support", enhancing Sinto's brand value by continuing to offer new solutions.

Under this policy, our long-term goal is to build emotional connections with our customers, promote sustainable growth and development on a global basis, and increase shareholder value.



## Company song "Let's Go Team Sinto"

To strengthen solidarity between all Sinto Group companies around the world as One Global Sinto, we made an English company song titled "Let's Go Team Sinto". By singing it together when Sinto Group employees gather, we can share our corporate philosophy even more broadly.

Access the "Let's Go Team Sinto" video using the QR code below.



### Let's Go Team Sinto

We always have something new  
It's another winning technology

That's what we do, Let's do our best  
We will show you what makes us different

Customers trust Sinto every time  
Because we listen to what they need

That's what we do, Let's do our best  
We will provide you with reliable support

There is a reason why they always choose Sinto  
We share the joy of making things  
and working together in harmony  
"Kizuna" is the bond that joins us  
"Shinrai" is the trust that we'll earn

Let's go team Sinto, One Global Sinto  
Let's go team Sinto, Team Sinto!

We are working all over the world  
but never left our home

That's what we do, Let's do our best  
Let the world know we are proud of being Sinto

There is a reason why they always choose Sinto  
We share the joy of making things  
and working together in harmony  
"Kizuna" is the bond that joins us  
"Shinrai" is the trust that we'll earn

Let's go team Sinto, One Global Sinto  
Let's go team Sinto, Team Sinto!

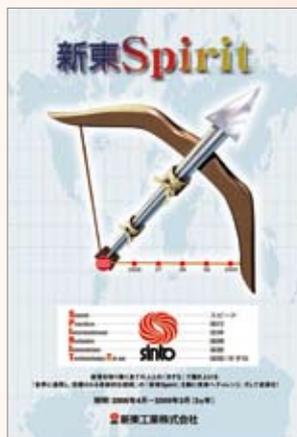
There is a reason why they always choose Sinto  
We share the joy of making things  
and working together in harmony  
"Kizuna" is the bond that joins us  
"Shinrai" is the trust that we'll earn

Let's go team Sinto, One Global Sinto  
Our work makes everyone smile all over the world

# Medium-term Management Plan “Vital Sinto”

## Support from the Previous Medium-term Management Plans

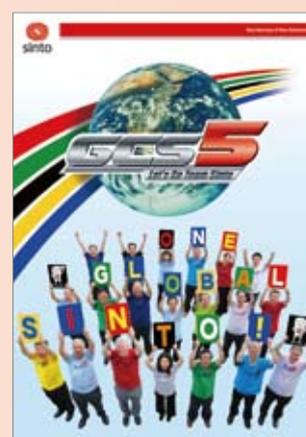
Through our previous medium-term management plans, from the four focal points of 1) increasing product competitiveness, 2) strengthening after-sales services, 3) developing employees’ skills, and 4) enhancing operations as a global group, we strived to create a strong base for developing business. This made it possible to take an aggressive stance during the next medium-term management plan.



SPIRIT  
4/2006-3/2009



SPIRIT, Here Comes Team Sinto  
4/2009-3/2012



GCS5  
4/2012-3/2015

### Four focal points we have tackled till now:

- 1** Increasing product competitiveness
- 3** Developing employees’ skills
- 2** Strengthening after-sales services
- 4** Enhancing operations as a global group

## Future Developments with Vital Sinto

In order to always be selected by customers, Sinto Group continuously works to generate

- New products**
- New services**
- New businesses**

with a tireless spirit of inquiry. From now on, we will continue our efforts to succeed at these new challenges in all industries.



### Peening technology for non-automotive industries

Sinto offers the use of peening technology for aircraft parts, which require high reliability, light weight, and durability. In this way, we are expanding the application of our technology by proposing surface treatment processes to non-automotive industries.



### Integrated foundry plants using IoT technology

By using IoT to connect the various processing points that make up casting manufacturing, data can be centrally managed, strengthening traceability. Sinto is offering proposals using these latest technologies, aiming for zero casting defects.

## Current Medium-term Management Plan “Vital Sinto”



Common target shared by the Sinto group

Number of new customers:	<b>8% up</b>
Customer coverage ratio:	<b>5pt up</b>
Operating income margin (Consolidated basis):	<b>8%</b>

This year, we enter the final year of our current medium-term management plan established in April 2015. Basing our operations on creating a workplace filled with hope, we will boldly strive to meet our goals with even greater speed and efficiency in order to always be selected by customers.



### Cultivation of new fields in electricity

For the manufacturing processes of next-generation vehicles such as electric and fuel-cell vehicles, Sinto is developing new materials and offering to vehicle makers various technologies such as electrical characteristic testing and uniform lamination of materials.



### Development in medical fields with stainless steel

In 2014, Sinto made a capital investment in Airex Co., and through their sterile, containment, and removal technologies, they are working to make contributions to fields such as pharmaceuticals and regenerative medicine.

### 2017 Keyword

With speed and efficiency, we will

**fight in earnest**

to complete the medium-term management plan.

# Global Development

Main overseas manufacturing and sales bases — 26 bases in 11 countries

## In order to provide Sinto's products to customers all over the world

Sinto began its global development in the 1950s with exports to China and East Asia. After that, with a growth in exports, Sinto made its full-fledged start in global business development by working with an overseas partner to jointly establish a new company in 1963.

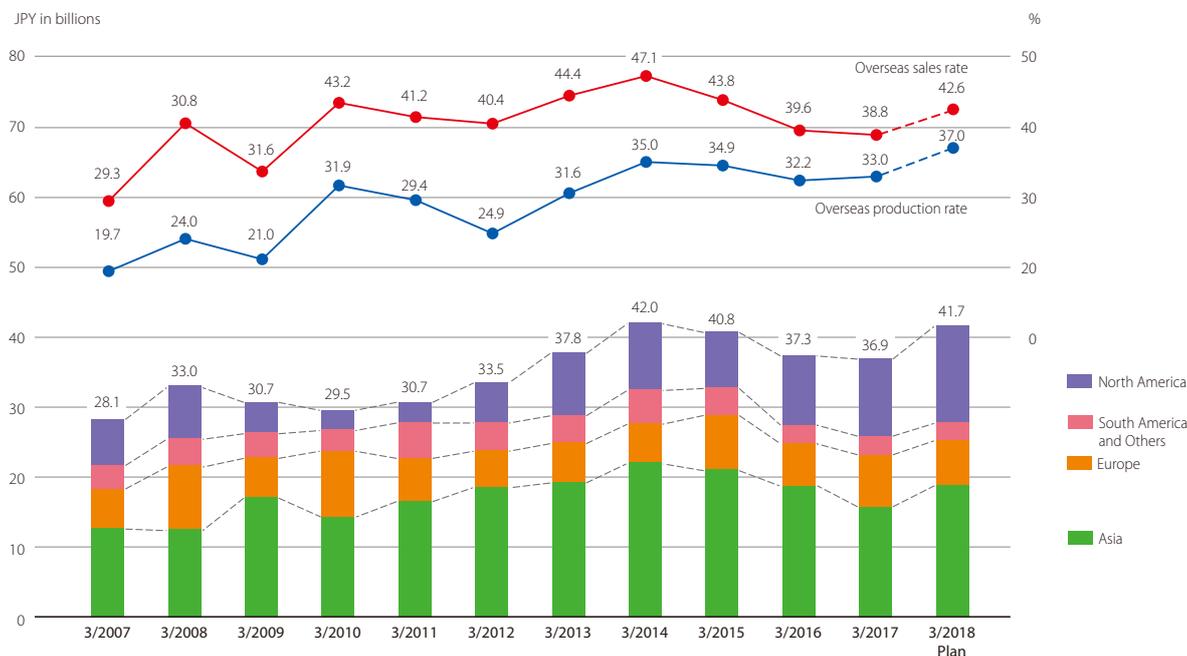
Since then, based on our corporate philosophy, "HEART (Human Enrichment & Achievement through Reliable Technology)", by proactively transferring our technology to each group company established, we have created a system through which we can provide Sinto's products to customers all over the world.



During the previous medium-term management plans, we worked to especially raise group companies' ability to respond to customers' needs locally, focusing on establishing new locations and expanding plant equipment. As a result, the number of Sinto overseas group companies in Asia, Europe, North and South America, and other regions today has risen to 26. Utilizing this network, we will unite as One Global Sinto to create and deliver better products and services to our customers.

Atsushi Nagai, President

## Trends in Sales by Region



## Asia

Manufacturing/sales bases: 10 Service locations: 3

### Jiangsu Taisintong Machinery Technology Co., Ltd. established in China

In 2016 in China's Jiangsu Province, we established a production plant equipped with foundry plant equipment using the latest technology and automated units. Now closer than ever, we will continue to provide our customers with cutting-edge equipment and service.



## Europe

Manufacturing/sales bases: 4

### Building up business in cores

Use of inorganic cores that make considerations for the work environment has been spreading from Europe. Many automobile manufacturers in Japan are also beginning to consider use of inorganic cores. Considering those factors, we made a capital investment in Laempe Mössner Sinto GmbH (LMS) in 2015. Along with strengthening Sinto Group's core machine lineup, through the synergy created in cooperation with German group company Heinrich Wagner Sinto, we are aiming to further enlarge our market share.



LMS



HWS

## North America

Manufacturing/sales bases: 5 Service locations: 3

### Alliance with Lambda in field of surface treatment

Sinto and Lambda Technologies Group, a U.S. company that does business in metal surface inspection/analysis and surface treatment, joined together in agreement that the companies would cooperate to promote business. In addition to ongoing initiatives in the automotive industry, we will also strengthen support in the growing field of aircraft part production.



## South America

Manufacturing/sales bases: 1

### Participation in FENAF

The Latin American Foundry Fair takes place in Brazil once every two years. Sinto group company Sinto Brasil Produtos Limitada, which handles all of Sinto's customers in South America, participated in the fair. They promoted various Sinto products and technologies, focusing mainly on surface treatment equipment.



# Business Segments

■ Foundry ■ Surface Treatment ■ Environmental Equipment ■ Material Handling ■ Special Equipment



## Foundry

The foundry business has been driving Sinto's growth for over 80 years. It has developed in response to customers' demands and the needs of the times, contributing to the development of the industry all over the world. Casting products are used in various industrial fields such as the automobile and aircraft industries, and Sinto delivers this production equipment to more than 60 countries. Sinto is now a world-leading manufacturer of foundry plants.

### High-quality Castings and Harmony with the Environment

Through automation to preserve manpower, energy, and space, Sinto reduces total costs and provides customers with environmentally friendly equipment. We have developed innovative technology including the Seiatsu molding system using airflow (recognized as "SEIATSU" all over the world) and the ACE molding system equipped with a mechanism for sand filling by aeration. We manufacture safe, maintainable, and environmentally-friendly products to help customers produce higher quality castings while reducing the impact on the environment.

We have also focused efforts in recent years on aluminum casting, with sales of the tilting gravity die casting machine GDCX. Safe and energy efficient, the GDCX makes it possible to produce high-quality castings while reducing defects. In May 2017, it received high praise from the industry and was recognized for contributing to the establishment of equipment development and technology that leads to the growth of the foundry industry.



## Testimonial from Sinto Customer



**Olsberg GmbH** is one of the oldest companies anywhere in Germany. They treat and process steel, aluminum, and stainless steel products, and they also manufacture and sell products such as electric thermal storage heaters.

Based on the history and experience they have built up since they began their business smelting domestic iron ore, Olsberg believes that future success will be based on projects involving technologically advanced products in small and medium-sized batches. Feeling that a new molding plant was needed, they considered a number of competitors but ultimately chose Heinrich Wagner Sinto. The deciding factor was not only HWS' extensive

knowledge and technological support, but also their good relationship of trust.

According to Managing Director Mr. Kersting, "We Olsbergers believe that with our exceptional employees and technologically top-notch suppliers, we will be able to enjoy continued success here in Germany." His outlook for the future is optimistic.



## Aiming to be the best foundry system integrator in the world

### Customer Support on a Global Scale

The biggest goal for Sinto is to support the stable and uninterrupted operation of customers' equipment once it has been delivered. The Sinto Support System™ is one of the ways we hope to achieve this goal. Our experts remotely analyze the operating state of customers' equipment, providing maintenance support and early action for sudden equipment failure. Thus we can support the stable operation of equipment, ensuring and improving product quality. We will continue to develop the Sinto Support System™ on a global basis in cooperation with our overseas group companies so that it can be utilized all over the world.

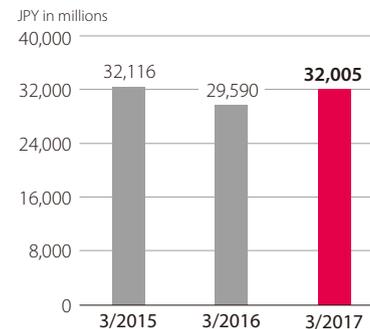


Support Center monitoring customers' equipment

Sales by Division



Sales



### Results for Fiscal 2016

While there was a large slump in Asia overall, there was no longer a decline in foundry equipment in the Japanese automobile and auto parts industries. This, along with active capital investment in the U.S. and European automotive industries, led to sales of ¥32,005 million (4.0% increase from previous fiscal year). Meanwhile, while efforts to decrease sales administration expenses continued, because of the worsening profit margin for large equipment, operating income fell to ¥1,409 million (1.2% decrease).

# Business Segments

■ Foundry ■ Surface Treatment ■ Environmental Equipment ■ Material Handling ■ Special Equipment



## Surface Treatment

Most industrial products and daily necessities including automobiles, airplanes, and electronic devices are surface treated. In addition to removing unnecessary matter created during the production process such as burs, contaminants, rust, and more, surface treatment also applies luster and allows for precise processing, among other functions necessary for each product. Surface treatment can be applied to a wide range of materials, from metal, resin, and rubber, to wood and stone.

### Three-in-One + $\alpha$

Based on the three strengths of "Technology and Equipment", "Shot and Media", and "Support for Stable Operation", Sinto offers the three-in-one combination of environment, safety, and know-how as a total solution for all of our customers' surface treatment needs.

To provide higher functionality and precision, since our Blast Technology Center (BTC) opened in 2011, our experienced technicians have used the continually improving BTC's latest processing

and evaluation equipment to propose optimal surface treatment processes, including shot and after service. This contributes to the improved quality and total cost reduction of our customers' manufacturing.



Blast Technology Center

### Sinto's Advanced Shot Peening Technology

Among Sinto's many surface treatment technologies, we are strengthening our shot peening technology, which contributes to the improved life span and decreased weight of aircraft parts. U.S. group companies National Peening and Technical Metal Finishing have received certification from specific companies as well as industry certification from the international special processes accreditation system Nadcap. They provide service to top global manufacturers such as General Electric.

## Testimonial from Sinto Customer



**“The Sinto machine has improved not only the environment and productivity, but also the finish quality for cold-finished steel bars.”**

**Camellia Metal Co., Ltd.**  
Mr. Chen Yang hui, Chairman

**Camellia Metal Co., Ltd.** is a production plant located in Changhua, Taiwan that produces approximately 8,000 tons of cold-finished steel bars every month, and in 2015, they were listed in the Taiwanese stock market.

They decided to change the descaling method in their production line from acid cleaning to shot blasting, and among a number of Japanese equipment manufacturers, they chose the product from Sintokogio, with many good results in the past as well as a maintenance location in Taiwan.

Compared to a shot blasting machine already purchased from another company, workpieces treated using Sinto's shot blasting

machine had lower surface roughness. In addition to being satisfied with the improved finish quality of their products, the new machine led to dust reduction, less shot leakage, noise prevention, and improvement of the environment. They will continue to make efforts to be the leader in the wire rod industry in Taiwan.

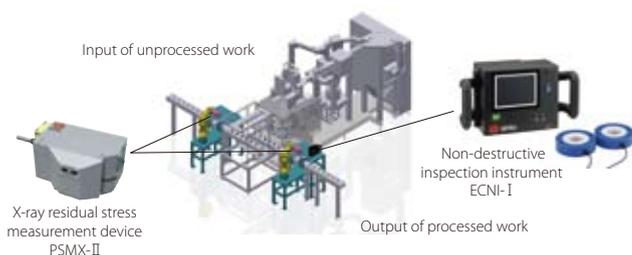


## Aiming to be the world's leading surface treatment company

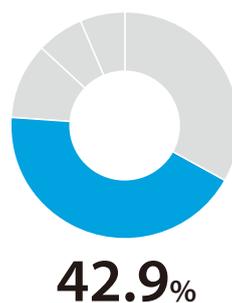
### More Dependable Surface Treatment Processing

In addition, we have not only advanced processing technology, but also technology to confirm the quality of surfaces before and after processing. By combining these technologies, we are able to offer reliable, high-quality products to our customers. Sinto's surface evaluation technology, Sightia, is the latest technology for evaluating surface treatment processes. It contributes to the manufacturing of components, springs, gears, and other parts for the automotive, aircraft, and construction machinery industries.

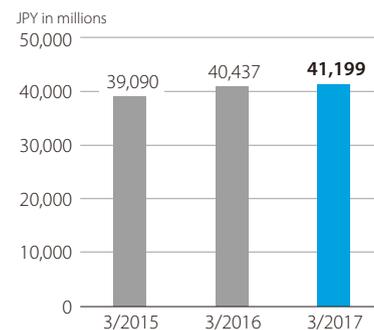
For surface treatment processes that are difficult to evaluate visually, this new industry process can inspect all parts in a short time. We are proposing this widely to customers around the globe.



Sales by Division



Sales



### Results for Fiscal 2016

Domestically and internationally, the equipment and abrasives markets were weak overall, but due to favorable conditions for domestic aircraft part shot peening machines and contributions from new consolidated subsidiaries, sales rose to ¥41,199 million (1.9% increase). However, because of the worsening profit margin for large equipment and the rising cost of raw materials, operating income was limited to ¥4,081 million (14.8% decrease).

# Business Segments

■ Foundry ■ Surface Treatment ■ Environmental Equipment ■ Material Handling ■ Special Equipment



## Environmental Equipment

The ideal environmental technology pursued by Sinto is the harmonization of people, industry, and the environment. If as humans are unable to lead rich lives and protect the global environment at the same time, then our lives are not truly rich.

In 1963 when the notion of “public pollution” did not yet exist, we came out with a corporate advertisement about the necessity and importance of clean air. For over 50 years since then, we have expanded our efforts based on the needs of the times globally, including improving the work environment and supporting a sound material-cycle society. We have continued to assist in protecting workers’ health and safety as well as the community environment.

### Combining Environment and Efficiency

Sinto is now the only manufacturer in Japan that can collectively offer environmental preservation technology including treatment and prevention of air, gas, water, noise, and vibration pollution, as well as improved production efficiency through energy and environmental preservation measures. In pursuit of the harmony of

people, industry, and the environment, we will continue to offer environmental technology indispensable to manufacturing both within and beyond Japan.

Most recently, we have begun sales for vacuum filter unit DUP, with high clarifying filtration and compact, high-functionality wastewater treatment.



DUP

### Proposal to Improve the Plant Environment

When renewing the painting equipment used in the production line for the compact general-purpose dust collector Dusmic series, we installed our top-selling new-type dust collector UDC-M and package-type VOC removal



## Testimonial from Sinto Customer



**"We have to use melting furnaces every day. With Sinto, we can operate continuously with peace of mind."**

**PT. DAIKI ALUMINIUM INDUSTRY  
INDONESIA**  
Mr. Montani, President Director

As a local branch of Japanese company Daiki Aluminium Industry, **Daiki Aluminium Indonesia** produces 50,000 tons of aluminium alloy every year, serving customers within Indonesia and in the surrounding countries throughout ASEAN.

In the process of melting scraps (the raw materials for aluminium alloy), paint and oil are burned up, and smoke is produced. Therefore, to protect the environment around the plant and comply with local regulations, manufacturers must collect that smoke and release it as clean air into the atmosphere. But a standard dust collector is not enough, and that is the difficulty with melting reprocessed aluminium.

In addition, for aluminium refinement, the most important thing is that equipment does not stop working. Up till now, Daiki Aluminium has had to worry about momentary stops and fires from dust collectors that have halted work throughout the plant, but now, thanks to Sinto's proposals, they are able to operate continuously with peace of mind.



## Making proposals for the safety and health of workers

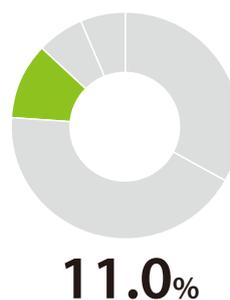
unit ETSP, greatly improving the work environment. Visitors can see our initiatives to protect the safety and health of workers as well as our technology to preserve the earth's environment. It is a demonstration of Sinto's problem solving power as we propose solutions from the perspective of both a manufacturer and a user.

As part of our efforts to prevent dust explosions, we strengthened the anti-explosion lineup in our compact general-purpose dust collector Dusmic series. These dust collectors reduce the risk of dust explosions that occur inside the dust collector when handling particles or during material processing, thus protecting workers and equipment.

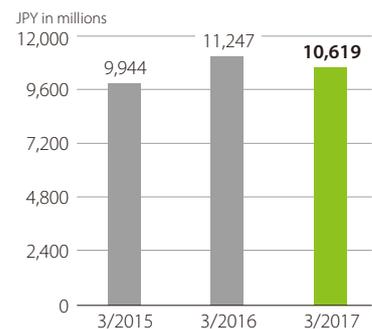


Anti-dust explosion dust collectors  
SCN and FNB

Sales by Division



Sales

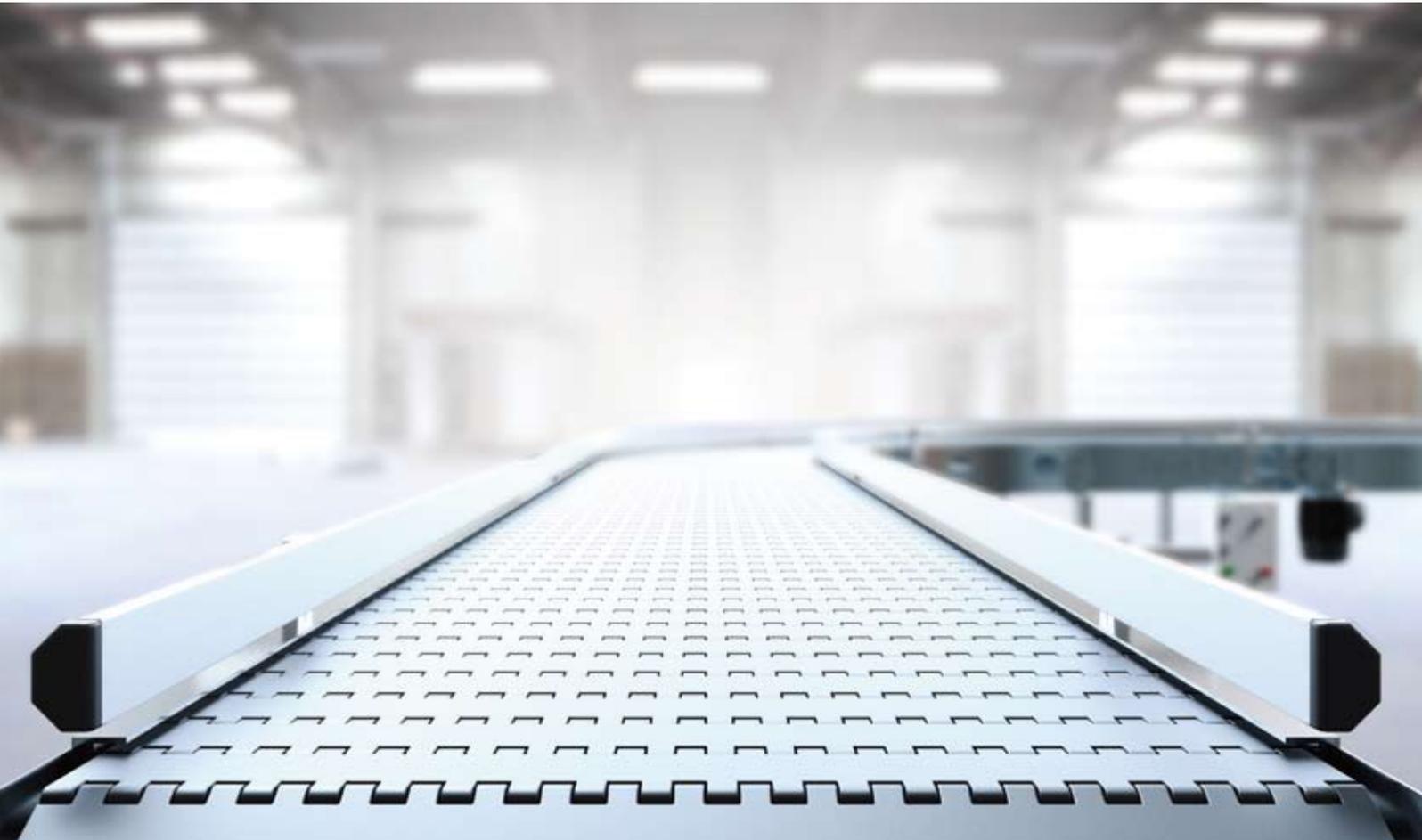


### Results for Fiscal 2016

The domestic market for general-purpose dust collectors and VOC gas purifiers was weak, resulting in sales of ¥10,619 million (5.6% decrease), but the foundry and aluminum industries are showing firm demand for dust collectors. Despite efforts to reduce sales administration expenses, due to the large influence of declining sales and a worsening cost ratio, operating income fell to ¥631 million (25.4% decrease).

# Business Segments

■ Foundry ■ Surface Treatment ■ Environmental Equipment ■ Material Handling ■ Special Equipment



## Material Handling

Taking advantage of technology and experience accumulated over the past 60 years, Sinto contributes globally to the streamlining, automation, and improved productivity of material handling in domestic and overseas industrial fields.

Material handling using mechatronics technology and new interconnections linking points from left to right, up and down. Through our group companies, MEIKIKOU Corporation in Japan and Roberts Sinto Corporation in the United States, we provide these and more to our global customers.

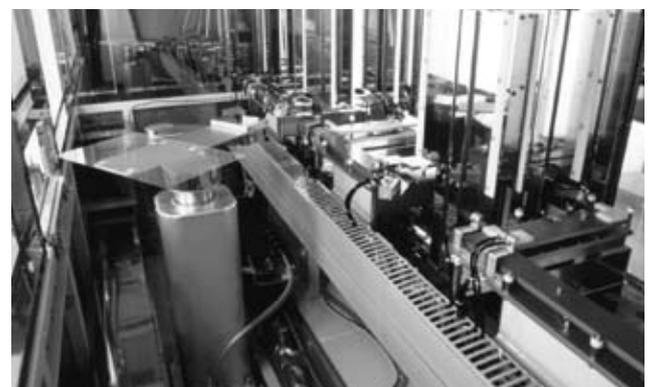
### High Durability, High Precision and Safety for Customers in All Sectors

MEIKIKOU engages in the three businesses of scissor lifts, conveyors, and clean systems.

In the scissor lift business, we offer safety as well as value including high durability and high precision in industries ranging from auto parts to IT to precision machinery. In recent years, required functions for ascent/descent have become more sophisticated;

our strength, electric scissor lift technology, can meet these demands. It is an indispensable technology for interfacing with IoT and robots.

Our conveyor systems are used globally in the physical distribution industry and in production lines of various manufacturing industries. With a basis in roller conveyors, we design and manufacture case and pallet flow conveyors as the key machines of physical distribution.



Handling equipment inside a clean room

## Featured Topic

### Expansion into food, medicine and nursing care industries

Through MEIKIKOU, we are focusing our efforts on the manufacture and sales of scissor lifts (lifting devices) and conveyor lines for the food, medicine, and nursing care industries, which are expected to show market growth in the future.

#### For the food industry

MEIKIKOU sells washable stainless steel scissor lifts, which can be used in food processing plants requiring strict sanitation management. We contribute to the safety and productivity of food processing plants.

#### For the medicine and nursing care industries

MEIKIKOU's scissor lifts are used in bathtub lifts to help handicapped individuals use the bathtub. With the lifting function of scissor lifts, instead of lifting the individual by machine, the bathtub itself moves up and down, reducing the burden on the individual.



Conveyor line for food products



Scissor lift for food products

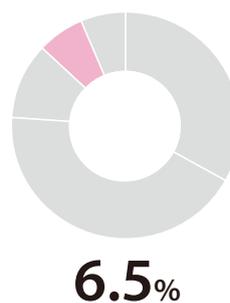
## Offering new interconnections

In the field of clean flow systems, we provide high-precision handling systems for clean rooms used in the manufacturing of liquid crystal glass substrates.

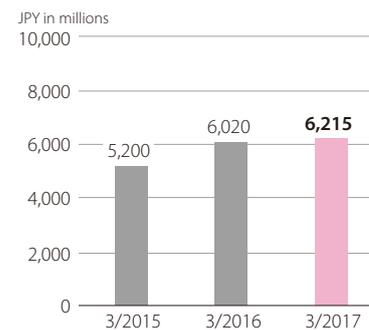
We also offer equipment to streamline truck loading, helping to alleviate common problems in the industry such as labor shortage, long hours, and inefficiency. For example, we sell the Debander Lite, which is useful for loading and unloading trucks and containers. Past performance has shown that it can be used to sort multiple types of products with half the workers in half the time, contributing to the overall streamlining of loading work.

In addition, Roberts Sinto manufactures and sells automatic handling systems mainly serving automobile manufacturers. They have a track record of successfully handling products of many shapes and sizes as well as the ability to assemble and test the systems beforehand in-house. In recent years, they have supplied many systems to companies like Fiat Chrysler Automobiles.

Sales by Division



Sales



### Results for Fiscal 2016

Conveyor lines for the domestic automotive industry showed stagnation, but it was offset by renewed demand in the food processing industry, for overall sales of ¥6,215 million (3.2% increase). With recovered sales, coupled with efforts to decrease expenses, operating income rose to ¥386 million (47.6% increase). In addition, there was expansion in conveyors for the distribution industry, with an order volume of ¥7,383 million (31.4% increase) and order backlog of ¥2,074 million (137.8% increase).

# Business Segments

■ Foundry ■ Surface Treatment ■ Environmental Equipment ■ Material Handling ■ Special Equipment



## Special Equipment

Sinto provides the latest technology for peripheral industries such as mechatronics, molds and forming, powder processing, and ceramics.

Sinto's mechatronics technology started with measurement and control systems for foundry equipment. From there, it expanded to semiconductor- and liquid crystal-related equipment, test and inspection devices, robots, and servo cylinders. Our extensive and unique technologies are also used in the fields of plastic forming machines for interior auto parts and ceramic precision parts.



Precision laminator for fuel-cell manufacturing CYPRV

Recently, Sinto has launched ultra-precision heating presses for the on-vehicle second battery industry, in response to needs for higher precision and energy preservation, as well as high-speed processing hot presses for fuel cells.

In this way, we will work to improve production technology usability and customer satisfaction at various sites, contributing to the spread of new energy soon emerging in new fields of electricity.

### Inspection and Measurement Technology in Cutting-edge Fields

In the field of inspection and measurement, we are developing and selling inspection devices to measure electric characteristics for equipment such as inverters and automobile semiconductors.

In recent years, through Sinto group company Sinto S-Precision Co., Ltd., we have been able to offer customers measuring devices capable of recording figures on the micron and nanometer level. At Sinto S-Precision, we have built up elemental technologies for measurement technology, such as precision mechanisms, electrical

## Featured Topic

### Expansion of business into electrical and medical fields

For measurement devices used in manufacturing organic electroluminescent panels, Sinto S-Precision already has overwhelming performance with length measurement. Demand in organic EL is expected to grow, and Sinto S-Precision is making those initiatives a core business, developing new products and expanding sales.



2D coordinate measurement device SMIC-300III



Automatic 2D/3D coordinate measurement device OMIC-800

In 2014, we made a capital investment in Airex, a company that produces isolators (high-power sterilized clean rooms) with top-class technology and results in Japan. Now, along with beginning their full advance into the global pharmaceutical manufacturing market, in Japan, they are planning to further expand their business by entering into the field of regenerative medicine.



Sterile clean room

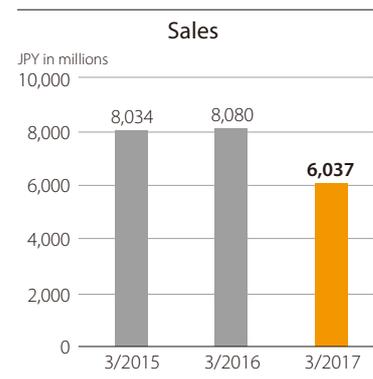
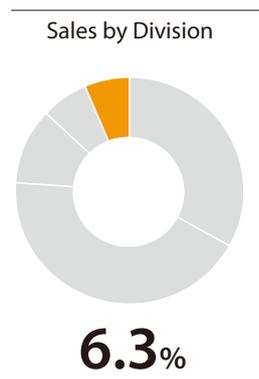
## Creating business through the fusion of technology

control, software, and optics. By using these technologies, we offer products such as precision coordinate measurement and lamination equipment, making it possible to perform the precision and line width measurement necessary to the production of liquid crystal panels and organic electroluminescent panels.

Sinto and each individual group company will continue to combine these diverse technologies and increase the sophistication of our technologically innovative manufacturing in the industries of energy, electronics, recycling, and more.

### Results for Fiscal 2016

There was a large slump in presses and inspection devices, resulting in sales of ¥6,037 million (12.6% decrease). With contributions from liquid crystal panel clean systems, the revision of the press and inspection device production system, and a decrease in expenses, operating income rose to ¥109 million, returning to positive figures after being in the red (losses of ¥8 million during the previous fiscal year). Sales of organic electroluminescent

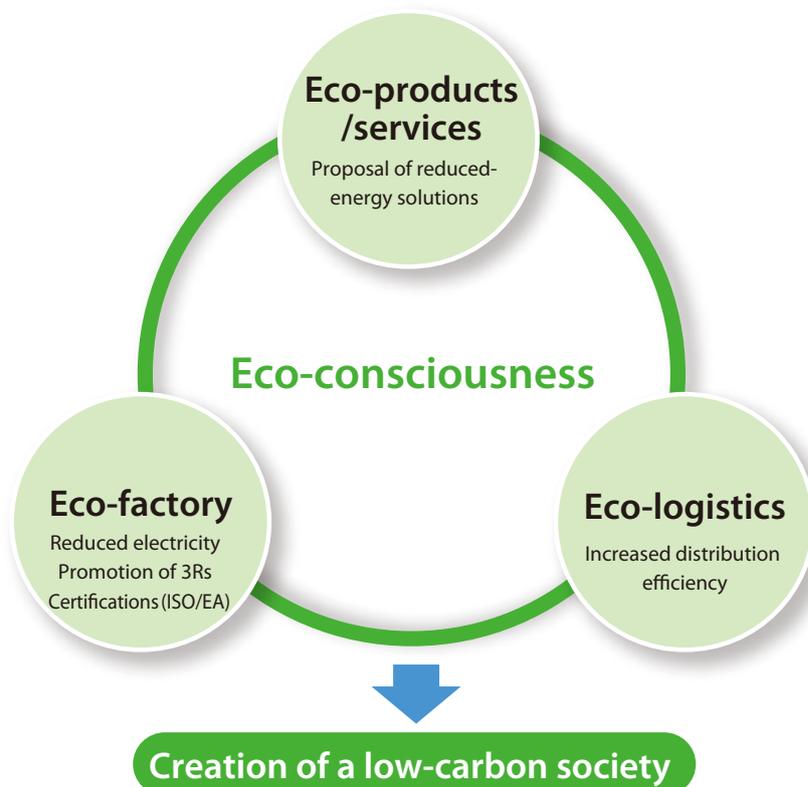


inspection machines also continued to grow, resulting in an order volume of ¥8,868 million (29.7% increase) and order backlog of ¥5,457 million (121.2% increase).

## Initiatives for Environmental Operations

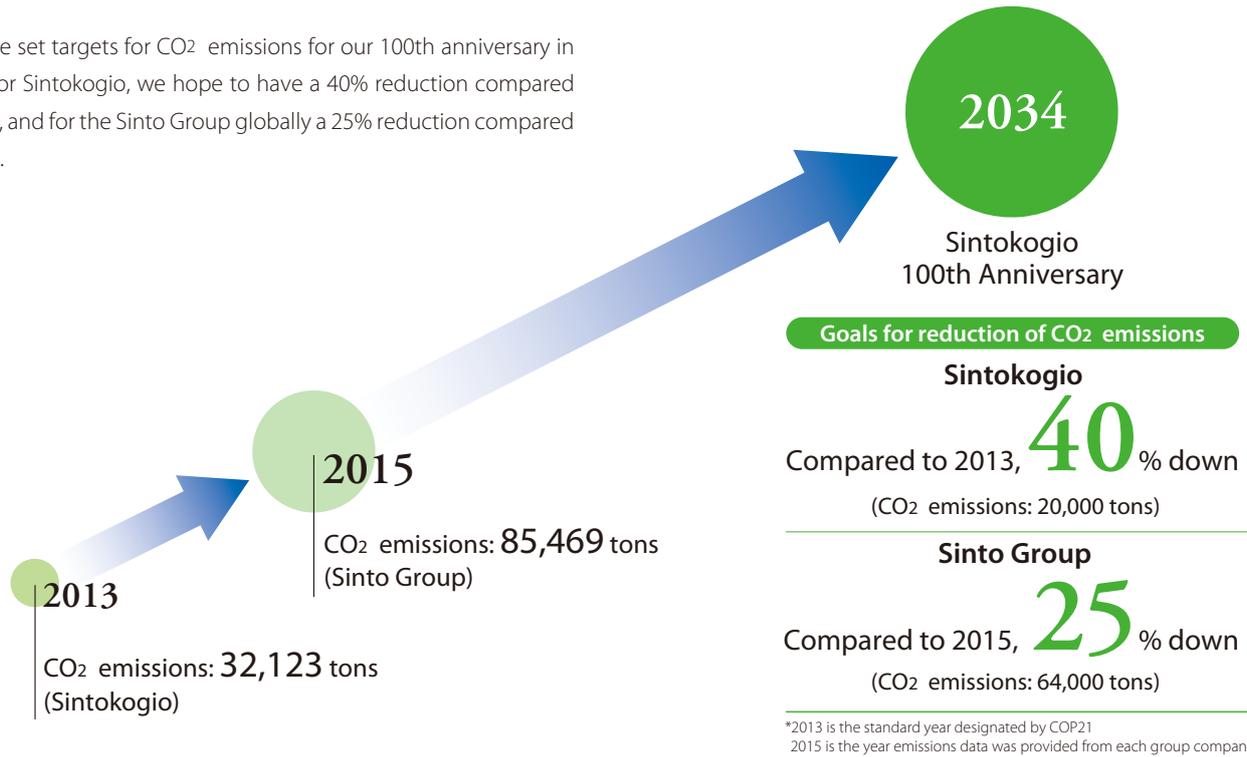
As a result of goals raised during the United Nations Climate Change Conference (COP21) held in December 2015, there has been increased social awareness regarding the reduction of CO<sub>2</sub> emissions. Initiatives to reduce environmental problems are of great importance to manufacturing companies, and the Sinto Group will make efforts to improve employees' eco-consciousness across all group companies.

Specifically, in efforts to create a low-carbon society, we have set forth goals for three activities — eco-factory, eco-products/services, and eco-logistics — in order to reduce CO<sub>2</sub> emissions. We will be even more proactive than before to promote these activities, and we will contribute to bringing about a sustainable society, to create a bright future for our children.



## Setting Our 100th Anniversary as a Target Year

We have set targets for CO<sub>2</sub> emissions for our 100th anniversary in 2034. For Sintokogio, we hope to have a 40% reduction compared to 2013, and for the Sinto Group globally a 25% reduction compared to 2015.



## Eco-products / services

By proposing environmentally-friendly products and services, we contribute to the reduction of customers' CO<sub>2</sub> emissions during production.

### Example of a reduced-energy system



Dust collector reduced-energy system

Using inverter control for optimal operations that match the amount of dust generated, a reduced-energy system is made possible.

### Improvement proposals for equipment and processes

We incorporate into the manufacturing process the mechanisms used in karakuri dolls. These do not require electricity, thus saving energy.



Application of karakuri mechanisms

### Emissions reduced by environmental products

2016

**11,000 tons**



Tilting gravity die casting machine GDCX

### Offering simple, slim, and compact products

We greatly reduced the actuators needed for tilting and shaking dies, and we greatly reduced the weight of the machine itself. Through the optimization of the hydraulic unit controls, we made energy reduction possible.

## Eco-factory

In 2016, all domestic business places participated in the visualization and subdivision of electricity use. Based on the electric energy data gathered, each individual employee takes part in energy-saving activities.

### Improvement of Sinto Eco Rally activities

In Sinto Eco Rally activities, all Sinto Group employees enact initiatives to reduce the impact on the environment. Based on the visualized electric energy data, we take action with a focus on reducing electric energy consumption.

#### Replacement with LED



Replacement is performed in stages in the workplace

By replacing fluorescent bulbs with energy-saving and long-life LED bulbs, electric energy consumption is reduced.

#### Installation of green walls



Green wall for saving electricity

Installing green walls to block direct sunlight from the window leads to the review of air conditioner temperature settings.



#### Measures against the heat

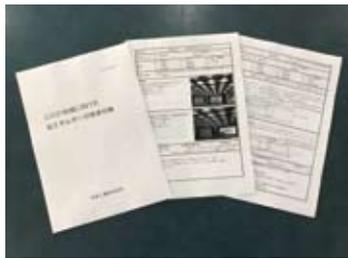


Installation of mist fan

Mist fans can cool the surrounding air with lower power consumption compared to air conditioners, utilizing the heat of vaporization of the mist.



#### Examples of energy-saving measures

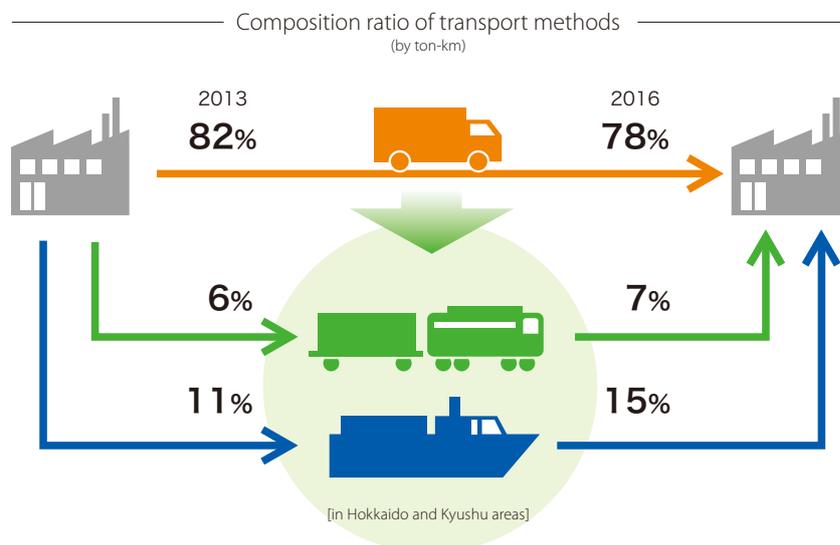


Examples

Through the environmental promotion committee organized across all domestic business places, we share successful examples of energy-saving measures.

## Eco-logistics

By changing our abrasives transportation method from trucks to rail and sea transport, with less impact on the environment, we reduce CO<sub>2</sub> emissions.



# Employees



Sinto Group overseas leadership and Thai Sinto staff at Thai Sinto

## Health and Productivity Management Organization

In February 2017, Sintokogio was recognized as a Health and Productivity Management Organization (White 500), a list newly established by the Ministry of Economy, Trade and Industry. Based on initiatives for overcoming health-related challenges in regional communities and promoting health-conscious activities led by the Nippon Kenko Kaigi, the Certified Health and Productivity Management Organization Recognition Program celebrates outstanding enterprises engaging in efforts for health and productivity management. By making visible those outstanding health and productivity management enterprises, the program aims to create an environment in which they can be highly regarded socially.

For the large enterprise category in the White 500, METI plans to have recognized by 2020 over 500 companies at the forefront of health and productivity management. In 2017, of the 235 companies recognized nationally, Sintokogio was one of only 13 companies from the three Tokai prefectures recognized. Sinto will continue to maintain and promote health and work-life balance by taking measures such as limiting long work hours, encouraging annual leave, and enacting mental healthcare initiatives. We will proactively take steps to remain a health and productivity management organization.

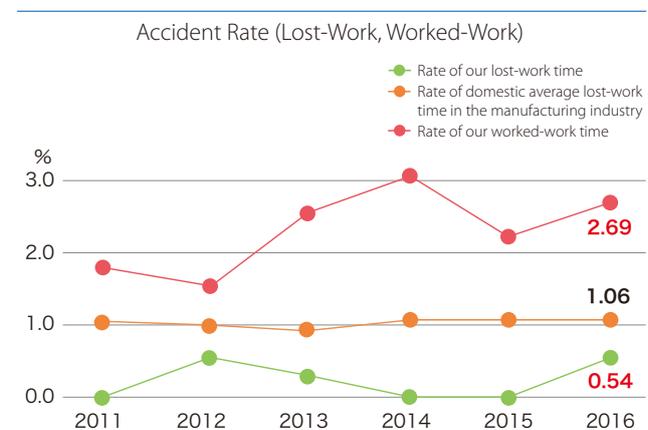


## Developing Human Resources for Work Safety

We have obtained JISHA\*1 Standards certification for OSHMS\*2 at seven domestic business places, creating a work environment in which we can independently conduct occupational safety and health activities. In addition, with our Skill & Safety Training Center, we have established a place for our employees and customers to advance their skills in danger forecasting and learn about health and safety management, and we put great effort into education of the next generation. In 2016, we trained 70 customers at the Center, the most in the Center's history. We will continue to run the PDCA cycle and level up to meet our goal of zero occupational injuries.

\*1 JISHA: Japan Industrial Safety and Health Association

\*2 OSHMS: Occupational Safety and Health Management System



# Communities



Children from local Kowloon Primary School. China's Qingdao Sinto Machinery donated construction funds to the school after moving to Jiaozhou City.

**As a good corporate citizen, Sinto Group promotes activities to deepen our bonds with communities all over the world.**

## Internship Agreement with Jiaozhou City Government

In November 2016, Sintokogio signed an internship agreement with the government of Jiaozhou City, Shandong Province, China, where group company Qingdao Sinto Machinery is located. For five years starting in 2017, Sintokogio will receive two interns every year from the Jiaozhou City Government, in order to contribute to fostering young executive trainees of the government.



Internship agreement signing ceremony

## Renovation of Facilities at Local Primary School

Thai Sinto visited a local primary school in Ayutthaya and renovated their school facilities. One room in the school building had gone to ruins, so the staff of Thai Sinto worked together with staff from another company, which had donated materials for the floor and walls, to transform the room into a new classroom.



Renovation of floor and walls

## Free Loan of Testing Equipment to University

In September 2016, Heinrich Wagner Sinto (HWS) provided a molding machine to the foundry department at Freiberg University in Germany. The machine, which is on free loan to the university, is being used for research on new casting technologies.



Local newspaper featuring the free loan of the molding machine

HWS president and managing director, Mr. Wilbert, was named Honorary Foundryman by Freiberg University.

## Sinto Imono Campus® Workshops Held Nationwide

Many types of castings are used all around us in our daily lives. In hopes of having people understand that more broadly, and with the goal of providing kids the opportunity to experience the joy of manufacturing, we hold our casting manufacturing workshop, Sinto Imono (Casting) Campus®, at various events every year.



Shinshiro Company Exhibition in Shinshiro

## Donation for Construction of Local Primary School

When Qingdao Sinto Machinery in China built a new plant in Jiaozhou City, they used the opportunity to deepen their relationship with the local area by donating money toward the construction costs for a local school, Kowloon Primary School. That donation was used for the construction of an audio-visual classroom, which will be of great use to the students' audio-visual instructors.



New school building for Kowloon Primary School with audio-visual classroom

## Support of Taiwanese Students

The Association of Nagai Yen Educational Funds was established in 1985 with the founder of a Taiwanese partner company, in order to support the growth of promising talent in the Taiwanese foundry industry.

Many students are supported every year, and the 2016 scholarship award ceremony was held during the Taiwan Foundry Society annual meeting, where the students received their awards.



Students who received scholarships

## Support of Children of Sinto Employees

In honor of the great work of Mr. Donlan, former Chairman of Sinto America, the James E. Donlan Memorial Scholarship was created in 2015 to support children of Sinto employees who show interest in manufacturing.

In 2016, Mr. Don Kworka, president of U.S. group company Roberts Sinto, awarded this scholarship to two students.



Family of scholarship recipient with President Kworka (right)

## Celebrating and Fostering Science & Technology

The Nagai Foundation for Science & Technology was established in 1983 to promote science and technology and encourage socioeconomic development. Through its activities, the foundation fosters the development of science and technology related to process materials, and it facilitates international exchange.

Every year, the foundation offers research grants to honor researchers and academic research groups who have made great achievements in various fields. It also supports organizations that work to provide growth and education in science and technology for the next generation's young researchers.

# Customers



## Delivering Safe Products

Our company puts safety first above all else, and following this philosophy, for all of our products, we perform risk assessment starting from the design phase. Based on domestic/overseas regulations as well as our own safety standards, we identify risk factors and enact countermeasures against risks in order to deliver safe products to our customers.

In addition, our employees are earning individual Safety Assessor official certifications for product safety. Currently, 101 employees are certified.



Safety Sub-assessor training

## For Our Customers' Peace of Mind

To ensure that our customers' equipment keeps running and to assist with delivering better manufacturing, we offer support with both preventative maintenance and corrective maintenance through regular management during normal periods and a system utilizing IoT. We put every effort into the Sinto Support System™, helping our customers solve their problems and use their equipment with greater efficiency, safety, and reliability.

\*Sinto Support System™ is the name of Sinto's customer support system.

## Quality Assurance

In accordance with our company's quality policy, we are constantly working to improve the quality of our products and services. This allows us to continue to offer trustworthy products with trustworthy technology to customers all over the world.

We aim to ensure that the same problem does not happen twice, so for each project, we manage a list of errors that have occurred and we work to find the true cause of the problem. This initiative takes place throughout Sinto, linking directly to our customers' satisfaction. Also, in every plant we put up an index to nurture personnel consciousness, ensuring quality that our customers can trust.

In September 2016, we underwent a renewal examination for ISO9001 and a change review for uniformity between certifying bodies. All of our plants received certification.

# Corporate Governance



## Corporate Governance

To achieve successful corporate governance, it is crucial to have the coexistence of sound leadership and transparent and impartial decision-making on the part of the managing body.

The Board of Directors makes precise and speedy decisions with the participation of three external directors who have a wealth of experience and deep insight into company management.

The Corporate Governance and Nominating Committee was established from the perspective of company management. This committee is made up of an external director acting as committee head and four external officers.

Director nominees are chosen by considering whether they understand and enact our business and management philosophy, and can contribute to making decisions promoting continuous, far-reaching growth. After deliberation about various items including the directors' compensation, nominations are brought to the Board of Directors for discussion, where checks and

balances are applied.

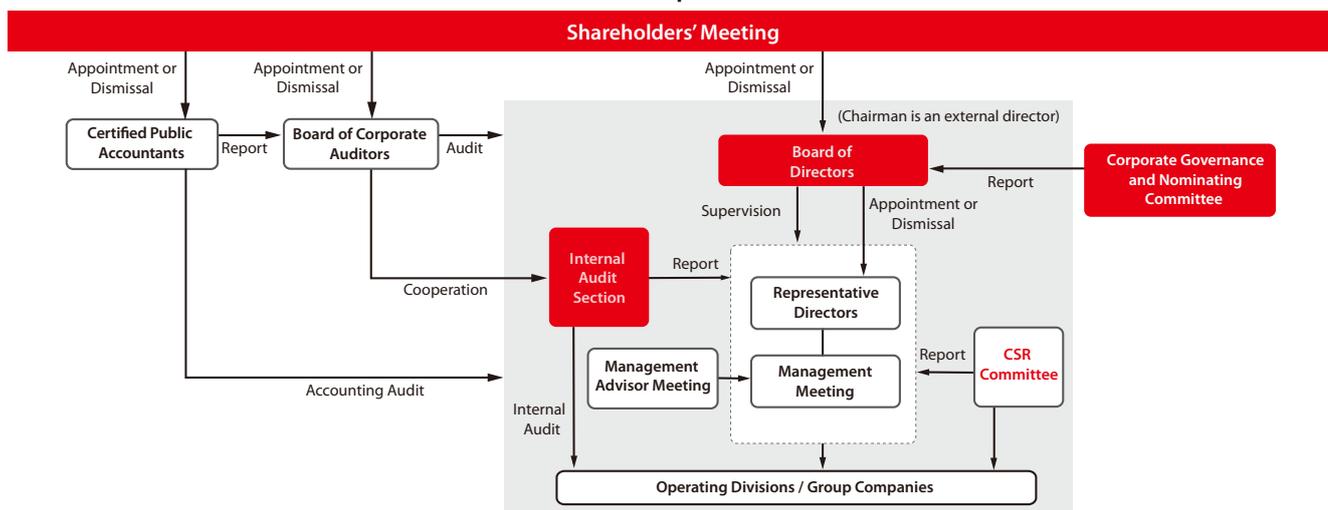
In addition, an external chairman for the Board of Directors has been nominated starting in June 2017, further strengthening supervision of the directors.

## Internal Control

We develop and administer a basic policy for our internal control system to ensure appropriate business execution throughout the Sinto Group.

Based on the Financial Instruments and Exchange Act's internal control reporting system, our internal audit section audits at regular intervals to confirm that internal control is being developed and administered properly, and then we receive an assessment report from our auditing firm. Finally, we submit an internal control report to the Financial Services Agency for each business year.

## Structure of Corporate Governance



# Financial Data

## Consolidated Balance Sheets

As of March 31, 2017 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 6)
	March 31 2017	March 31 2016	March 31 2017
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	¥ 26,640	¥ 18,865	\$ 237,457
Short-term investments	6,298	11,743	56,139
Notes and accounts receivable:			
Trade notes	10,649	10,506	94,922
Trade accounts	23,519	25,523	209,637
Allowance for doubtful accounts	(540)	(568)	(4,817)
Subtotal	33,628	35,461	299,742
Inventories	12,170	11,776	108,484
Deferred tax assets	878	1,001	7,826
Other current assets	1,244	1,101	11,091
Total current assets	80,859	79,950	720,741
<b>Property, Plant, and Equipment:</b>			
Land	7,241	7,288	64,544
Buildings and structures	25,524	25,569	227,511
Machinery, equipment, and vehicles	25,677	25,529	228,878
Construction in progress	264	404	2,361
Others	5,423	5,173	48,343
Subtotal	64,132	63,964	571,639
Accumulated depreciation	(37,721)	(36,540)	(336,227)
Net property, plant, and equipment	26,410	27,424	235,411
<b>Investments and Other Assets:</b>			
Investment securities	29,355	26,785	261,656
Deferred tax assets	491	445	4,384
Other assets	5,641	4,601	50,286
Total investments and other assets	35,488	31,832	316,326
<b>TOTAL</b>	¥ 142,759	¥ 139,207	\$ 1,272,480

See "Notes to Consolidated Financial Statements".  
(Continued)

## Consolidated Balance Sheets

As of March 31, 2017 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 6)
	March 31 2017	March 31 2016	March 31 2017
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities:</b>			
Short-term borrowings (Note 3)	¥ 8,083	¥ 2,003	\$ 72,052
Notes and accounts payable:			
Trade notes	7,983	8,369	71,156
Trade accounts	6,235	6,988	55,581
Subtotal	14,218	15,357	126,737
Income taxes payable	1,154	1,418	10,293
Advances received	4,990	2,822	44,482
Other current liabilities	6,941	7,219	61,870
Total current liabilities	35,388	28,821	315,437
<b>Long-Term Liabilities:</b>			
Long-term borrowings (Note 3)	7,821	13,937	69,714
Net defined benefit liability	747	1,089	6,665
Directors' and corporate auditors' retirement benefits	401	372	3,575
Deferred tax liabilities	5,621	4,999	50,102
Other long-term liabilities	1,003	1,088	8,945
Total long-term liabilities	15,594	21,485	139,004
<b>Contingent Liabilities (Note 4)</b>			
<b>Net Assets (Note 5):</b>			
Common stock	5,752	5,752	51,272
Additional paid-in capital	6,238	6,238	55,602
Retained earnings	67,755	65,304	603,935
Less: Treasury stocks	(1,476)	(1,475)	(13,159)
Total shareholders' equity	78,269	75,819	697,650
Net unrealized gain on available-for-sale securities	8,869	7,314	79,056
Deferred gain or loss on hedges	-	-	-
Foreign currency translation adjustments	290	1,641	2,591
Remeasurements of defined benefit plans	237	(235)	2,116
Total accumulated other comprehensive income	9,397	8,720	83,764
Non-controlling interests	4,108	4,360	36,623
Total net assets	91,775	88,899	818,038
<b>TOTAL</b>	¥ 142,759	¥ 139,207	\$ 1,272,480

See "Notes to Consolidated Financial Statements".  
(Concluded)

## Consolidated Statements of Income

Years Ended March 31, 2017 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 6)
	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017
<b>Net Sales</b>	¥ 95,048	¥ 94,232	\$ 847,213
<b>Cost of Sales</b>	67,099	65,342	598,088
<b>Gross Profit</b>	27,949	28,890	249,124
<b>Selling, General, and Administrative Expenses</b>	23,061	23,177	205,557
<b>Operating Income</b>	4,887	5,712	43,566
<b>Other Income (Expenses):</b>			
Interest and dividend income	635	729	5,660
Interest expense	(155)	(163)	(1,383)
Exchange Gain (Loss) - net	139	(503)	1,239
Gain (Loss) on sales of securities - net	54	0	481
Gain on redemption of securities	0	(4)	4
Loss on revaluation of securities	(99)	-	(891)
Gain (Loss) on sales and disposal of property, plant, and equipment - net	67	43	602
Equity in earnings of non-consolidated subsidiaries and affiliates	157	(337)	1,402
Other - net	(590)	(632)	(5,264)
Total	207	(867)	1,850
<b>Income before Income Taxes</b>	5,095	4,845	45,417
<b>Income Taxes:</b>			
Current	1,887	2,139	16,821
Deferred	(156)	(215)	(1,397)
Total	1,730	1,924	15,424
<b>Net Income</b>	3,364	2,921	29,993
<b>Net Income Attributable to Non-controlling Interests</b>	6	214	56
<b>Net Income Attributable to Shareholders of the Parent Company</b>	¥ 3,358	¥ 2,706	\$ 29,937

See "Notes to Consolidated Financial Statements".

## Consolidated Statements of Comprehensive Income

Years Ended March 31, 2017 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 6)
	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017
<b>Net Income</b>	¥ 3,364	¥ 2,921	\$ 29,993
<b>Other Comprehensive Income</b>			
Net unrealized gain on available-for-sale securities	1,559	(3,375)	13,901
Deferred gain (loss) on hedges	-	16	-
Foreign currency translation adjustments	(1,310)	(2,502)	(11,682)
Remeasurements of defined benefit plans	472	(964)	4,215
Share of other comprehensive income of non-consolidated subsidiaries and affiliates	(165)	(301)	(1,478)
Total other comprehensive income	555	(7,127)	4,955
<b>Comprehensive Income</b>	¥ 3,920	¥ (4,206)	\$ 34,949
Attributable to:			
Shareholders of the parent company	4,036	(4,196)	35,975
Non-controlling interests	(115)	(9)	(1,026)

See "Notes to Consolidated Financial Statements".

## Consolidated Statements of Changes in Net Assets

Year Ended March 31, 2017

Millions of Yen

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stocks	Subtotal
Balance at April 1, 2016	5,752	6,238	65,304	(1,475)	75,819
Net increase/decrease during the fiscal year					
Cash dividends			(907)		(907)
Net income attributable to shareholders of the parent company			3,358		3,358
Purchase of treasury stocks				0	0
Total increase/decrease during the fiscal year	-	-	2,450	0	2,449
Balance at March 31, 2017	5,752	6,238	67,755	(1,476)	78,269

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain on available-for-sale securities	Deferred gain or loss on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subtotal		
Balance at April 1, 2016	7,314	-	1,641	(235)	8,720	4,360	88,899
Net increase/decrease during the fiscal year							
Cash dividends							(907)
Net income attributable to shareholders of the parent company							3,358
Purchase of treasury stocks							0
Net changes of items other than shareholders' equity	1,555	-	(1,350)	472	677	(251)	426
Total increase/decrease during the fiscal year	1,555	-	(1,350)	472	677	(251)	2,875
Balance at March 31, 2017	8,869	-	290	237	9,397	4,108	91,775

Thousands of U.S. Dollars (Note 6)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stocks	Subtotal
Balance at April 1, 2016	51,272	55,602	582,090	(13,150)	675,814
Net increase/decrease during the fiscal year					
Cash dividends			(8,092)		(8,092)
Net income attributable to shareholders of the parent company			29,937		29,937
Purchase of treasury stocks				(8)	(8)
Total increase/decrease during the fiscal year	-	-	21,844	(8)	21,835
Balance at March 31, 2017	51,272	55,602	603,935	(13,159)	697,650

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain on available-for-sale securities	Deferred gain or loss on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subtotal		
Balance at April 1, 2016	65,195	-	14,628	(2,098)	77,725	38,864	792,404
Net increase/decrease during the fiscal year							
Cash dividends							(8,092)
Net income attributable to shareholders of the parent company							29,937
Purchase of treasury stocks							(8)
Net changes of items other than shareholders' equity	13,860	-	(12,036)	4,215	6,038	(2,240)	3,798
Total increase/decrease during the fiscal year	13,860	-	(12,036)	4,215	6,038	(2,240)	25,633
Balance at March 31, 2017	79,056	-	2,591	2,116	83,764	36,623	818,038

See "Notes to Consolidated Financial Statements".

## Consolidated Statements of Cash Flows

Years Ended March 31, 2017 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 6)
	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017
<b>Operating Activities:</b>			
Income before income taxes	¥ 5,095	¥ 4,845	\$ 45,417
Adjustments for:			
Depreciation and amortization	2,655	2,619	23,669
Increase (decrease) in net defined benefit liability	(422)	(470)	(3,765)
Increase (decrease) in directors' and corporate auditors' retirement benefits	34	21	303
Loss (gain) on disposal of property, plant, and equipment	(63)	(43)	(566)
Loss (gain) on sale and valuation of marketable securities	25	7	229
Decrease (increase) in trade receivables	1,411	(5,172)	12,584
Decrease (increase) in inventories	(629)	(819)	(5,611)
Increase (decrease) in trade payables	(790)	1,032	(7,048)
Income taxes – paid	(2,228)	(1,765)	(19,863)
Increase (decrease) in Advances received	2,311	(479)	20,600
Other – net	366	2,717	3,265
Total adjustment	2,669	(2,353)	23,798
Net cash provided by operating activities	7,765	2,491	69,216
<b>Investing Activities:</b>			
Proceeds from sales of property, plant, and equipment	171	123	1,530
Purchases of property, plant, and equipment	(2,327)	(2,002)	(20,746)
Purchases of securities	(1,603)	-	(14,294)
Purchases of investment securities	(763)	(3,854)	(6,801)
Proceeds from sales of securities	1,509	688	13,453
Other – net	4,565	(98)	40,692
Net cash provided in investing activities	1,551	(5,142)	13,833
<b>Financing Activities:</b>			
Increase (decrease) in short-term borrowings - net	322	53	2,872
Proceeds from long-term borrowings	215	3,176	1,922
Repayment of long-term borrowings	(691)	(769)	(6,165)
Payment of bond retirement	-	(66)	-
Dividends paid	(908)	(806)	(8,096)
Other – net	(326)	(1,562)	(2,910)
Net cash provided by financing activities	(1,388)	24	(12,377)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>			
	(153)	(571)	(1,371)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	7,774	(3,197)	69,300
<b>Cash and Cash Equivalents, Beginning of Year</b>	18,865	22,063	168,156
<b>Cash and Cash Equivalents of Newly Consolidated Subsidiaries, Beginning of Year</b>	-	-	-
<b>Cash and Cash Equivalents, End of Year</b>	¥ 26,640	¥ 18,865	\$ 237,457

See "Notes to Consolidated Financial Statements".

## Notes to Consolidated Financial Statements, Year Ended March 31, 2017

### 1. Basis of Consolidated Financial Statements

Consolidated financial statements include the accounts of Sintokogio, Ltd. (the "Company") and its subsidiaries. The consolidated financial statements are prepared in conformity with Japanese generally accepted accounting principles. Certain items presented in the original consolidated financial statements have been reclassified for easier comprehension by readers unfamiliar with Japanese accounting practices.

### 2. Significant Accounting Policies

#### a. Principles of Consolidation

The consolidated financial statements as of March 31, 2017 include the accounts of the Company and its significant 37 (40 in 2016) subsidiaries (together, the "Group"). Investments in 9 (9 in 2016) non-consolidated subsidiaries and 5 (5 in 2016) affiliated companies are accounted for by the equity method. Investment in the remaining affiliated companies is stated at cost, as the effect on consolidated financial statements is not material.

#### b. Inventories

Finished goods and work-in-process are mainly valued at cost, determined by the individual identification method. Raw materials and supplies are stated at cost, mainly determined by the semiannual average cost method.

#### c. Property, Plant, and Equipment

Property, plant, and equipment are valued at acquisition cost. Depreciation is mainly calculated using the declining-balance method based on the estimated useful life of the item.

#### d. Marketable Securities and Investment Securities

Securities are classified as held-to-maturity debt securities or available-for-sale securities. The held-to-maturity debt securities are stated at the amortized cost. Securities with market values in available-for-sale securities are stated at market value. The difference between cost and market value is shown as "Net unrealized gain (loss) on available-for-sale securities" in a separate component of net assets. Available-for-sale securities whose fair value is not readily determinable are stated at cost, determined by the moving-average method.

#### e. Income Taxes

Deferred tax assets and liabilities are to reflect the impact of the temporary difference between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

### 3. Interest-bearing Debts

On March 31, 2017 and 2016, interest-bearing debts were as follows:

	Millions of Yen		Thousands of
	3/2017	3/2016	U.S. Dollars
<b>Current Liabilities:</b>			
Short-term borrowings			
Sintokogio, Ltd.	¥ 6,000	¥ -	\$ 53,480
Consolidated Subsidiaries	2,083	2,003	18,572
Total	8,083	2,003	72,052
<b>Long-term Liabilities:</b>			
Long-term borrowings			
Sintokogio, Ltd.	¥ 7,000	¥ 13,000	\$ 62,394
Consolidated Subsidiaries	821	937	7,320
Total	7,821	13,937	69,714

### 4. Contingent Liabilities

On March 31, 2017 and 2016, contingent liabilities consisted of the following:

	Millions of Yen		Thousands of
	3/2017	3/2016	U.S. Dollars
Notes sold with recourse (Note 1)	¥ 18	¥ 40	\$ 162
Notes endorsed (Note 2)	18	12	162

Notes 1. Notes liquidated at discount 2. Notes endorsed for payments

### 5. Shareholders' Equity

Common stock: Authorized March 31, 2017: 230,476 thousand shares March 31, 2016: 230,476 thousand shares  
 Issued March 31, 2017: 54,580 thousand shares March 31, 2016: 54,580 thousand shares

### 6. U.S. Dollar Amounts

The Company maintains its consolidated accounting records in Japanese yen. Japanese yen are translated to U.S. dollars for easier comprehension by the reader. The exchange rate used is ¥112.19=\$1.00 on March 31, 2017. The inclusion of such amounts is not intended to imply that the Japanese yen amounts have been or could be readily converted, realized, or settled in U.S. dollars at that or any other rate.

### 7. Subsequent Events (Sintokogio, Non-consolidated)

Appropriation of retained earnings: During the Board of Directors meeting held on May 24, 2017, the Board of Directors decided the following appropriation of retained earnings as of March 31, 2017.

	Millions of Yen	Thousands of
		U.S. Dollars
Appropriations for cash dividends	480	4,284

# Corporate Information

## Corporate Data

As of March 31, 2017

Headquarters	3-28-12, Mei-eki, Nakamura-ku, Nagoya 450-6424, Japan Tel: +81-52-582-9211 Fax: +81-52-586-2279 Website: <a href="http://www.sinto.co.jp">http://www.sinto.co.jp</a> Global site: <a href="http://www.sinto.com">http://www.sinto.com</a>		
Manufacturing Facilities	Toyokawa, Koda, Nishiharu, Oharu, Osaki, Ichinomiya, Shinshiro, Kyushu		
Establishment	October 2, 1934		
Paid-in Capital	¥5,752 million		
Common Stock	Authorized	230,476,000	
	Issued and Outstanding	54,580,928	
Stock Listings	Tokyo, Nagoya		
Number of Employees	3,839 Consolidated 1,647 Sintokogio, Ltd.		
Number of Shareholders	4,291		



Sintokogio Toyokawa Works

## Board of Directors and Corporate Auditors

As of June 23, 2017

Chairman (Chairman for the Board of Directors)	Yoshiki Ueda *1	Director	Masatoshi Ozawa *1
President	Atsushi Nagai	Director	Yasuhiro Yamauchi *1
Managing Director	Tsuneyasu Kuno	Auditor	Toshinobu Natsume
Managing Director	Moriyasu Izawa	Auditor	Kazuaki Kawakami
Director	Yatsuka Taniguchi	Auditor	Yasumasa Karaki *2
Director	Toshikazu Morishita	Auditor	Toshiro Kojima *2
Director	Masaharu Hashizume		
Director	Tsuyoshi Goto		
Director	Masaaki Hibi		

\*1 External director  
\*2 External corporate auditor

## Major Shareholders

Name of Major Shareholder	Number of Shares Held (in thousands)
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)	2,350
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.	2,289
MEIJI YASUDA LIFE INSURANCE COMPANY	2,276
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	2,112
STATE STREET BANK AND TRUST COMPANY 505223	2,044
RESONA BANK, LIMITED	1,668
THE NAGAI FOUNDATION FOR SCIENCE AND TECHNOLOGY	1,405
MIZUHO BANK, LTD.	1,001
SINTO EMPLOYEE STOCK OWNERSHIP	924
SINTO SUPPLIER STOCK OWNERSHIP	910

\*The treasury stock of 1,174 thousand shares is not included in the major shareholders.

## Global Network

Main overseas manufacturing and sales bases — 26 bases in 11 countries



### Overseas subsidiaries

#### Asia

##### Taiwan

Taiwan Sintong Machinery Co., Ltd.  
Taiwanabrator Co., Ltd.

##### Korea

Korea Sinto Co., Ltd.

##### China

Qingdao Sinto Machinery Co., Ltd.  
Sintokogio (Kunshan) Co., Ltd  
Zhejiang Sinto Abrasive Co., Ltd.  
Guangzhou Sinto Zhongtong Machinery Co., Ltd.  
Sinto Frohn Metal Abrasive (Qingdao) Co., Ltd.  
Jiangsu Taisintong Machinery Technology Co., Ltd.

##### Thailand

Siambrotor Co., Ltd.  
Thai Sintokogio Co., Ltd.

##### India

Sinto Bharat Manufacturing Private Limited

##### Indonesia

PT. Sinto Indonesia

#### Europe

##### Germany

Heinrich Wagner Sinto Maschinenfabrik GmbH  
Frohn GmbH

#### North America

##### U.S.A.

Sinto America, Inc.  
Roberts Sinto Corporation  
SandMold Systems, Inc.  
National Peening Inc.  
CTP Sinto America, LLC  
Technical Metal Finishing, Inc.  
Frohn North America, Inc.

##### Mexico

Roberts Sinto De Mexico, S. De R. L. De C. V.

#### South America and Others

##### Brazil

Sinto Brasil Produtos Limitada

### Overseas affiliated companies

#### Europe

##### Germany

Laempe Mössner Sinto GmbH

##### Austria

Chemisch Thermische Prozesstechnik GmbH

**SINTOKOGIO, LTD.**

3-28-12, Mei-eki, Nakamura-ku, Nagoya 450-6424, Japan

Website: <http://www.sinto.co.jp> Global site: <http://www.sinto.com>