



January 31, 2023

To whom it may concern:

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Sumitomo Heavy Industries, Ltd.
Representative:
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Notice Regarding the Recording of Extraordinary Losses and Revision of the Earnings Forecast

Sumitomo Heavy Industries, Ltd. hereby announces that the following extraordinary losses are expected to be recorded in its financial results for the fiscal year ended December 31, 2022 (April 1, 2022 to December 31, 2022) and it has accordingly revised its consolidated earnings forecast for the full year ended December 31, 2022, announced on November 11, 2022, as shown below.

1. Regarding the Recording of Extraordinary Losses

(1) Impairment losses

In March 2017, with the aim of strengthening our circulating fluidized bed boiler business, SHI acquired 100% of the issued shares of FW Energie B.V. (now known as Sumitomo SHI FW Energie B.V.; hereinafter "SFW"). However, with the trend of global decarbonization, we have since determined that it will be difficult to realize the sales proceeds anticipated at the time of the acquisition of SFW, as the market for solid fuel-fired boilers, one of SFW's core businesses, has shrunk significantly, resulting in a business outlook that falls short of our original business plans. Resultingly, 17.7 billion yen (128 million euros) in fixed assets including goodwill for SFW will be recorded as impairment losses under extraordinary losses.

In addition, in May 2020, our wholly owned representative office Nihon Spindle Manufacturing Co., Ltd. acquired 100% of the issued shares of Leifeld Metal Spinning AG (currently, Leifeld Metal Spinning GmbH; hereinafter "LMS") with the aim of strengthening its business base in the area of spinning/flow forming machines. However, due to a significant drop in orders which has been slow to recover as a result of the Covid-19 pandemic, we have since determined that it will be difficult to realize the sales proceeds anticipated at the time of the acquisition of LMS, resulting in a business outlook that falls short of our original business plans. Resultingly, 3.0 billion yen (22 million euros) in fixed assets including goodwill for LMS will be recorded as impairment losses under extraordinary losses.

Furthermore, in addition to the two cases detailed above, we will also record 0.5 billion yen in impairment losses pertaining to business assets and other assets.

(2) Losses on valuation of investment securities

In February 2020, in order to acquire energy storage technology, SHI invested 46 million USD in Highview Enterprises Limited (hereinafter "Highview"), a UK company leading the development of liquid air energy storage ("LAES"). We believe LAES technology will play a key role in realizing a decarbonized society in the future. Despite this, Highview's net assets have been significantly damaged due to prior forward-looking investments at this point. As a result, we are recording the amount of 5.2 billion yen invested in Highview as losses on valuation of investment securities under extraordinary losses.

2. Regarding the Revision of the Consolidated Earnings Forecast for the Full Year Ended December 31, 2022

(April 1, 2022 to December 31, 2022)

(Amounts are rounded to the nearest 1 million yen)

	Sales	Operating profit	Ordinary profit	Net profit attributable to owners of parent	Net profit per share
Previously released forecast (A)	Millions of yen 870,000	Millions of yen 43,000	Millions of yen 44,000	Millions of yen 26,000	Yen 212.25
Revised forecast (B)	854,000	44,000	43,000	5,000	40.82
Change (B-A)	(16,000)	1,000	(1,000)	(21,000)	—
Change (%)	(1.8)	2.3	(2.3)	(80.8)	—
(Reference) Actual results last period (period ended March 31, 2022)	943,979	65,678	64,847	44,053	359.61

3. Rationale for Revising the Earnings Forecast

For the outlook for the full year, compared with the previous forecast (released on November 11, 2022), sales are expected to decrease in Logistics & Construction and other segments. We expect that operating profit will meet the full-year forecast but ordinary profit will fall below the full-year estimate due partly to the unfavorable effect of exchange rates. In addition, we will record impairment losses pertaining to SFW and LMS, and losses on valuation of investment securities for the amount invested in Highview, under extraordinary losses. As a result of the above, we decided to revise the previous forecast in regard to sales, operating profit, ordinary profit, and net profit.

For the expected year-end dividend, we are planning to pay a year-end dividend of 45 yen per share (annual dividend of 90 yen per share) and there is no change to the previous forecast.

Note: Since an audit of extraordinary losses stated in each item of this document has currently not yet been completed by the accounting auditor, actual losses may differ from the forecasted figures.

In addition, the above forecasts were prepared based on information that was available at the time of publishing this announcement. Actual results may differ from the forecasted figures due to a variety of factors.

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