

Sumitomo Heavy Industries, Ltd.

CONSOLIDATED FINANCIAL REPORT

For the Full Year Ended December 31, 2022

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

Summary of Consolidated Financial Results
For the Full Year Ended December 31, 2022
Presented February 13, 2023

Sumitomo Heavy Industries, Ltd.

Listed exchanges	Tokyo Stock Exchange
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Scheduled date of ordinary shareholders' meeting	March 30, 2023
Scheduled date of payment of cash dividends	March 31, 2023
Scheduled date of securities report filing	March 30, 2023
Availability of supplementary explanatory materials for financial statement	Yes
Holding of meeting to explain financial statement	Yes

1. FY2022 Consolidated Results (April 1, 2022 to December 31, 2022)

(1) Business Results

(Units: millions of yen)

	Current Full Term April 1, 2022 to December 31, 2022		Previous Full Term April 1, 2021 to March 31, 2022	
		% change		% change
Net sales	854,093	—	943,979	11.2
Operating profit	44,803	—	65,678	27.9
Ordinary profit	43,253	—	64,847	30.9
Profit attributable to owners of parent	5,782	—	44,053	64.6
Profit attributable to owners of parent ratio (yen)	47.2		359.61	
Fully diluted profit attributable to owners of parent ratio	—		—	
Return on equity (ROE, %)	1.0		8.5	
Return on assets (%)	3.9		6.1	
Ordinary income to net sales (%)	5.2		7.0	

Note 1: Comprehensive income:

Fiscal year ended December 31, 2022: 33,369 million yen, (— %)
Fiscal year ended March 31, 2022: 74,024 million yen, (130.2%)

Reference: Equity method investment profit and loss:

Fiscal year ended December 31, 2022: (113) million yen
Fiscal year ended March 31, 2022: 207 million yen

Note 2: The Company has changed the closing date from March 31 to December 31 starting from the fiscal year 2022 as the "Proposal for a Partial Change to the Articles of Incorporation" was approved at the 126th Ordinary General Meeting of Shareholders held on June 29, 2022. With regard to the consolidated fiscal year under review, a transition period for the change of the closing date, accounts were closed in an irregular manner with a consolidation period being set to be nine months from April 1, 2022 to December 31, 2022 in the case of the Company and its subsidiaries whose fiscal year ends in March and being set to be twelve months from January 1, 2022 to December 31, 2022 in the case of its subsidiaries whose fiscal year ends in December. Therefore, year-on-year change rates are not described in this document.

(2) Financial Position

(Units: millions of yen)

	End of Current Full Year December 31, 2022	End of Previous Full Year March 31, 2022
Total assets	1,148,870	1,094,930
Total net assets	576,922	566,843
Equity ratio (%)	49.5	50.4
Net assets per share (yen)	4,647.20	4,501.11

Reference: Equity:

Fiscal year ended December 31, 2022: 596,263 million yen
Fiscal year ended March 31, 2022: 551,387 million yen

(3) Cash Flows

(Units: millions of yen)

	Current Full Term April 1, 2022 to December 31, 2022	Previous Full Term April 1, 2021 to March 31, 2022
Cash flows from operating activities	21,366	61,679
Cash flows from investing activities	(37,279)	(49,678)
Cash flows from financing activities	21,677	(28,106)
Cash and cash equivalents at end of period	93,727	84,992

2. Dividends

(Unit: yen)

	Year Ended March 31, 2022	Year Ended December 31, 2022	Year Ending December 31, 2023 (forecast)
Annual dividends per share			
First quarter	—	—	—
Second quarter	35.00	45.00	60.00
Third quarter	—	—	—
End of term	80.00	45.00	60.00
Annual dividends	115.00	90.00	120.00
Total dividends (million yen)	14,088	11,031	
Payout ratio (consolidated, %)	32.0	190.8	38.7
Net assets dividend yield (consolidated, %)	2.6	1.9	

Note: Changes from the most recent dividend forecast: No

3. FY2023 Consolidated Forecasts (January 1, 2023 to December 31, 2023)

(Units: millions of yen)

	Full Year January 1, 2023 to December 31, 2023	
		% change
Net sales	1,050,000	—
Operating profit	64,000	—
Ordinary profit	60,000	—
Profit attributable to owners of parent	38,000	—
Profit attributable to owners of parent ratio (yen)		310.21

(Note) For the year ended December 31, 2022, accounts were closed in an irregular manner due to a change of the closing date. Therefore, year-on-year change rates are not described in this document.

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:	—
Excluded from consolidation:	—

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

(i) Changes to accounting policies due to revisions to accounting standards:	None
(ii) Changes to accounting policies not otherwise stated in (i):	None
(iii) Changes to accounting estimates:	None
(iv) Retrospective restatements:	None

(3) Number of shares issued (share capital)

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

As of December 31, 2022	122,905,481 shares
As of March 31, 2022	122,905,481 shares

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

As of December 31, 2022	409,650 shares
As of March 31, 2022	405,110 shares

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

As of December 31, 2022	122,497,788 shares
As of March 31, 2022	122,503,539 shares

*Treasury stock that is deducted to calculate the number of term-end treasury stock and the average number of shares during the fiscal period includes shares of the Company held in the trust account related to the share delivery trust established for the stock compensation plan for directors and others.

Reference:

1. FY2022 Non-Consolidated Results (April 1, 2022, to December 31, 2022)

(1) Non-Consolidated Business Results

(Units: millions of yen)

	Current Full Term April 1, 2022 to December 31, 2022		Previous Full Term April 1, 2021 to March 31, 2022	
		% change		% change
Net sales	166,954	—	231,478	(2.9)
Operating profit	8,147	—	20,052	68.4
Ordinary profit	18,957	—	38,024	11.9
Profit attributable to owners of parent	(6,074)	—	30,139	(13.0)
Profit per share attributable to owners of parent (yen)	(49.58)		246.02	
Fully diluted profit attributable to owners of parent ratio	—		—	

(Note)

The Company has changed the closing date from March 31 to December 31 starting from the fiscal year 2022 as the "Proposal for a Partial Change to the Articles of Incorporation" was approved at the 126th Ordinary General Meeting of Shareholders held on June 29, 2022. With regard to the fiscal year under review, a transition period for the change of the closing date, accounts were closed in an irregular manner with a consolidation period being set to be nine months from April 1, 2022 to December 31, 2022. Therefore, year-on-year change rates are not described in this document.

(2) Non-Consolidated Financial Position

(Units: millions of yen)

	End of Current Full Year December 31, 2022	End of Previous Full Year March 31, 2022
Total assets	578,650	576,452
Total net assets	182,176	202,976
Equity ratio (%)	31.5	35.2
Net assets per share (yen)	1,487.20	1,656.95

Reference: Equity:

Fiscal year ended December 31, 2022:	182,176 million yen
Fiscal year ended March 31, 2022	202,976 million yen

* The financial summary is not subject to the Review by a Certified Public Accountant or an Independent Auditor.

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

Earnings forecasts and outlooks concerning future financial results are believed to be reasonable based on information available at the time of publication. Actual financial results may vary from the above forecast and outlook due to a variety of factors. For information on the assumptions that form the basis of the earnings forecast and items to note concerning the use of earnings forecasts, please refer to "Summary of Operating Performance for the Current Period Under Review" and "Future Outlook" on page 2 and page 4, respectively, of the Supplementary Materials.

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I. Summary of Operating Performance

1. Summary of Operating Performance for the Period Under Review

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

The Company has changed the closing date from March 31 to December 31 starting from the fiscal year 2022 as the “Proposal for a Partial Change to the Articles of Incorporation” was approved at the 126th Ordinary General Meeting of Shareholders held on June 29, 2022. With regard to the consolidated fiscal year under review, a transition period for the change of the closing date, accounts were closed in an irregular manner with a consolidation period being set to be nine months from April 1, 2022 to December 31, 2022 in the case of the Company and its subsidiaries whose fiscal year ends in March and being set to be twelve months from January 1, 2022 to December 31, 2022 in the case of its subsidiaries whose fiscal year ends in December. Therefore, in (2) Group Results by Segment, comparative information using the period of the previous fiscal year, for which results are restated so that such period becomes comparable to the consolidated fiscal year under review (such period is hereinafter referred to as “the previous fiscal year after adjustment”), is described in this document.

As for the business environment surrounding the Group during the fiscal year under review, capital investments were strong mainly in the manufacturing sector in Japan, although the impact of the spread of COVID-19 still partially remained. Turning to overseas regions, capital investments grew steadily due to an economic upturn in the US, Europe, etc. These factors resulted in a global uptick in demand for machinery. On the other hand, in some regions and sectors (such as China, which was affected by lockdowns due to the spread of COVID-19 infections), the pace of recovery was slow, indicating a polarized gap in the global economy. Also, uncertainty remained mainly due to higher prices of raw materials and procured products, strains in their supply-demand conditions, ongoing geopolitical risks (as exemplified by the issue between Russia and Ukraine), rapid changes in exchange rates and fluctuations in oil prices in addition to the aforementioned factors.

In this business environment, the Group aimed to increase corporate value in a sustainable manner by solving social issues through products and services as shown in the “Medium-Term Management Plan 2023,” and moved forward with measures, such as constructing a robust entity, making changes for improvement of corporate value, expanding contribution to SDGs and strengthening initiatives for reducing environmental burdens.

As a result, the Group’s orders and net sales amounted to JPY984.7 billion and JPY854.1 billion, respectively..

In terms of profitability, the Group posted operating profit of JPY44.8 billion and ordinary profit of JPY43.3 billion. However, profit attributable to owners of parent came to JPY5.8 billion because a large amount of extraordinary losses were sustained. The main reason for the extraordinary losses is that as a result of global movement for decarbonization, the solid fuel fired boiler market contracted significantly, in which Sumitomo SHI FW Energie B.V., our wholly-owned subsidiary mainly operates and accordingly we have judged that the subsidiary is unlikely to generate revenue as planned at the time of its acquisition, and recognized an impairment loss on fixed assets including goodwill.

Finally, the ROIC* ended at 4.6%.

* Since the consolidated fiscal year under review is a transition period for the change of the closing date, ROIC was calculated based on the irregular consolidated period.

(2) Group Results by Segment

(i) Mechatronics

Orders, sales and operating profit all increased due to a rise in demand for small-to-medium sized gear reducers, precision gears for robot articulations and inverters in Japan, Europe and the US. As a result, orders increased by 15% as compared to the same period of the previous fiscal year after adjustment to finish at JPY204.1 billion, while sales increased by 26% as compared to the same period of the previous fiscal year after adjustment to finish at JPY181.4 billion. Further, the segment posted operating profit of JPY9.5 billion (up 42% from the same period of the previous fiscal year after adjustment).

(ii) Industrial Machinery

For the Plastic machinery business, orders decreased due to the cooling of demand from China and Europe, which had been strong because of recovery from the COVID-19 pandemic. However, sales increased due partly to a backlog of orders. Meanwhile, operating profit decreased due partly to higher prices of raw materials and procured products. For other businesses, orders, sales and operating profit all increased due to growth in demand for semiconductor-related products and a rise in orders for medical machines and equipment. As a result, orders increased by 17% as compared to the same period of the previous fiscal year after adjustment to finish at JPY266.7 billion, sales came to JPY224.9 billion, up 18% from the same period of the previous fiscal year after adjustment, and operating profit increased by 51% as compared to the same period of the previous fiscal year after adjustment to finish at JPY21.3 billion.

(iii) Logistics & Construction

With regard to the hydraulic excavator business, demand from the Chinese market decreased significantly due to economic downturn and lockdowns in the country, but orders and sales increased due to strong demand from Japan and the North America, although operating profit decreased due to a decline in sales in the Chinese market, provision of allowance for receivables and other factors. Turning to other businesses, the mobile crane business saw increases in all of orders, sales and operating profit due partly to strong demand from the North America region. In addition, for the material handling business, orders, sales and operating profit all increased due partly to strong demand for products related to ports and electricity. As a result of the above, orders across the segment increased by 5% as compared to the same period of the previous fiscal year after adjustment to finish at JPY354.1 billion, while sales increased by 6% as compared to the same period of the previous fiscal year after adjustment to finish at JPY300.3 billion. The segment posted an operating profit of JPY13.0 billion, a 18% decrease as compared to the same period of the previous fiscal year after adjustment.

(iv) Energy & Lifelines

Orders and sales in the energy plant business decreased partly because fewer orders were received for large-scale projects for biomass-fueled power generation plants than the previous fiscal year, and an operating loss was recorded due to declining profit margins of large-scale projects in Europe. In other business areas, orders, sales and operating profit all increased. As a result of the above, orders across the segment increased by 6% as compared to the same period of the previous fiscal year after adjustment to finish at JPY155.2 billion, while sales decreased by 8% as compared to the same period of the previous fiscal year after adjustment to finish at JPY143.3 billion. The segment posted an operating loss of JPY0.5 billion.

(v) Others

Orders decreased by 3% to JPY4.6 billion, sales decreased by 9% to JPY4.1 billion, and operating profit decreased by 7% to JPY1.5 billion from the same period of the previous fiscal year after adjustment, respectively.

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

Total assets amounted to JPY1,148.9 billion, an increase of JPY53.9 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to increases of JPY43.4 billion in inventory assets and JPY19.1 billion in tangible fixed assets as compared to the end of the previous consolidated fiscal year, although intangible fixed assets decreased by JPY20.9 billion.

Total liabilities rose to JPY571.9 billion, an increase of JPY43.9 billion as compared to the end of the previous consolidated fiscal year. This was partly attributable to increases of JPY13.7 billion and JPY49.5 billion in notes and accounts payable-trade and interest-bearing debts, respectively.

Net assets amounted to JPY576.9 billion, an increase of JPY10.1 billion as compared to the end of the previous consolidated fiscal year. This was because foreign currency translation adjustments increased by JPY26.9 billion, while retained earnings decreased by JPY9.5 billion.

As a result of the above, the shareholders' equity ratio decreased by 0.8 points from the previous consolidated fiscal year to finish at 49.5%.

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

Cash and cash equivalent balance of the consolidated fiscal year under review came to JPY93.7 billion, an increase of JPY8.7 billion from the previous consolidated fiscal year. Cash flows and the factors contributing to increases or decreases in cash flows are as follows.

With regard to the consolidated fiscal year under review, as a result of the change of the closing date, accounts were closed in an irregular manner with a consolidation period being set to be nine months from April 1, 2022 to December 31, 2022 in the case of the Company and its subsidiaries whose fiscal year ends in March and being set to be twelve months from January 1, 2022 to December 31, 2022 in the case of its subsidiaries whose fiscal year ends in December. Therefore, year-on-year change rates are not described in this document.

(Cash Flow from Operating Activities)

Cash flow from operating activities increased by JPY21.4 billion during the consolidated fiscal year under review.

The main sources of cash flow were decreases in notes and accounts receivable and contract assets of JPY13.9 billion as well as depreciation costs of JPY29.6 billion and net income before taxes and other adjustments of JPY17.8 billion. The main sources of expenses were an increase in inventory assets of JPY33.0 billion.

(Cash Flow from Investing Activities)

Cash flow from investing activities decreased by JPY37.3 billion during the consolidated fiscal year under review. The main reason for the cash outflow was JPY36.5 billion used to acquire tangible and intangible fixed assets.

(Cash Flow from Financing Activities)

Cash flow from financing activities increased by JPY21.7 billion during the consolidated fiscal year under review. The main source of cash flow was an increase in interest-bearing debts of JPY47.6 billion. The main sources of expenses were payments of dividends of JPY15.3 billion.

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

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Shareholders' equity ratio (%)	47.5	46.6	47.6	50.4	49.5
Shareholders' equity ratio on a market price basis (%)	46.0	24.0	36.5	31.5	28.2
Redemption period (years)	1.3	3.4	1.9	1.8	7.5
Interest coverage ratio (multiples)	51.2	30.5	66.2	81.8	20.0

Shareholders' equity ratio = shareholders' equity / total assets

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

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

Interest coverage ratio = operating cash flow / interest expense

(Note) The fiscal year 2022 is a transition period for the change of the closing date. Therefore, with regard to the number of years for debt redemption and the interest coverage ratio, values calculated based on the irregular consolidated period are stated.

4. Future Outlook

As of now, forecasts for earnings results of the fiscal year ending December 31, 2023 are as follows. Note that since the fiscal year ended December 31, 2022 is a transition period for the change of the closing date, year-on-year change rates are not described in this document.

[Consolidated results]

Net sales	JPY1,050.0 billion
Operating profit	JPY64.0 billion
Ordinary profit	JPY60.0 billion
Profit attributable to owners of parent	JPY38.0 billion

(Assumed exchange rates are: JPY125 per US dollar, and JPY135 per euro.)

*Earnings forecasts and outlooks concerning future financial results mentioned above are believed to be reasonable based on information available at the time of publication. Actual financial results may vary from the above forecast and outlook due to a variety of factors.

5. Basic Policy on Earnings Appropriation and Dividend for the Consolidated Fiscal Year Under Review as well as the Fiscal Year Ending December 31, 2023

The Group's basic stance on profit sharing is to pay a dividend amount commensurate to the income earned during the period, and to keep that amount as high as possible. However, the decision on the actual amount of the dividend is made after making considerations for the level of retained earnings necessary to ensure that the Group is able to sustain a stable business model in the long term. During the period of the "Medium-Term Management Plan 2023," the Group basically aims to maintain at least 30% as the dividend payout ratio.

Dividends for the fiscal year ended December 31, 2022 will be JPY90 per share including an interim dividend of JPY45 per share.

For the fiscal year ending December 31, 2023, the Group is forecasting a dividend of JPY120 per share.

II. Selection of Accounting Standards

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

III. Consolidated Financial Statements and Key Explanatory Notes

1. Consolidated Balance Sheets

(Units: millions of yen)

	End of Full Year As of March 31, 2022	End of Full Year As of December 31, 2022
	Amount	Amount
Assets		
Current assets		
Cash and deposits	88,782	97,476
Notes and accounts receivable - trade and contract assets	294,771	300,281
Products	89,262	100,964
Works in progress	83,536	98,003
Raw materials and stock	59,342	76,561
Other	35,897	43,734
Allowance for doubtful accounts	(3,487)	(5,662)
Total current assets	648,102	711,358
Fixed assets		
Tangible fixed assets		
Buildings and structures	201,472	224,986
Accumulated depreciation	(124,122)	(130,775)
Buildings and structures (net)	77,350	94,211
Machinery and transportation tools	240,170	264,235
Accumulated depreciation	(168,768)	(184,150)
Machinery and transportation tools (net)	71,402	80,085
Land	109,438	110,701
Construction in progress	18,278	10,517
Other	73,379	77,731
Accumulated depreciation	(48,832)	(53,168)
Other (net)	24,547	24,563
Total tangible fixed assets	301,014	320,077
Intangible fixed assets		
Goodwill	31,054	19,223
Other	46,500	37,421
Total intangible fixed assets	77,554	56,644
Investments and other assets		
Investment securities	21,913	16,728

	End of Full Year As of March 31, 2022	End of Full Year As of December 31, 2022
	Amount	Amount
Long-term loans	3,057	3,117
Deferred income taxes	25,870	20,552
Defined benefit assets	8,836	8,524
Other	11,937	13,193
Allowance for doubtful accounts	(3,354)	(1,322)
Total investments and other assets	68,260	60,792
Total Fixed assets	446,828	437,512
Total assets	1,094,930	1,148,870

(Units: millions of yen)

	End of Full Year As of March 31, 2022	End of Full Year As of December 31, 2022
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable	172,615	186,282
Short-term loans payable	19,198	36,442
Current portion of bonds payable	10,000	10,000
Current portion of long-term loans payable	7,745	16,985
Commercial Papers	6,000	25,000
Income tax payable	8,008	3,177
Contract liabilities	55,952	60,473
Provision for bonuses	—	7,513
Provision for construction warranties	15,267	10,603
Provision for loss on construction orders	2,714	2,423
Provision for loss on loan guarantees	—	1,754
Other	69,324	57,585
Total current liabilities	366,823	418,238
Non-current Liabilities		
Bonds payable	40,000	40,000
Long-term debt due after one year	28,307	32,338
Defined benefit liability	46,911	36,363
Deferred income taxes on revaluation	20,479	20,479
Other provision amount	153	158
Other	25,414	24,371
Total non-current liabilities	161,265	153,710
Total liabilities	528,087	571,948
Net assets		
Shareholders' equity		
Share capital	30,872	30,872
Capital surplus	26,071	25,203
Retained earnings	423,104	413,570
Treasury shares	(1,123)	(1,149)
Total Shareholders' equity	478,923	468,496

	End of Full Year As of March 31, 2022	End of Full Year As of December 31, 2022
	Amount	Amount
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,763	4,763
Deferred gains or losses on hedges	(1,363)	(752)
Revaluation reserve for land	40,442	40,442
Foreign currency translation adjustments	23,601	50,534
Remeasurements of defined benefit plans	5,022	5,780
Total accumulated other comprehensive income	72,464	100,767
Non-controlling interests	15,456	7,659
Total net assets	566,843	576,922
Total liabilities and net assets	1,094,930	1,148,870

2. Consolidated Income Statements and Consolidated Statement of Comprehensive Income

Consolidated Income Statements

(Units: millions of yen)

	Previous Full Year April 1, 2021 to March 31, 2022	Current Full Year April 1, 2022 to December 31, 2022
	Amount	Amount
Net sales	943,979	854,093
Cost of sales	732,022	665,484
Gross income	211,957	188,609
Selling, general and administrative expenses	146,279	143,806
Operating profit	65,678	44,803
Non-operating profit		
Interest income	787	799
Foreign exchange profit	431	437
Dividend income	1,155	89
Other	3,088	2,300
Total non-operating profit	5,461	3,625
Non-operating expenses		
Interest expenses	748	1,126
Patent related expenses	1,232	927
Expenses for soil contamination countermeasures	1,138	—
Other	3,175	3,121
Total non-operating expenses	6,293	5,175
Ordinary profit	64,847	43,253
Extraordinary profit		
Gain on business transfer	—	861
Total extraordinary profit	—	861
Extraordinary losses		
Impairment loss	2,494	21,182
Valuation loss on investment securities	—	5,172
Total extraordinary losses	2,494	26,354
Profit before income taxes	62,353	17,761
Corporate income tax current	17,660	10,994
Corporate income tax deferred	(555)	2,233
Total corporate income taxes	17,105	13,227
Net profit	45,248	4,534
Profit attributable to no-controlling interests	1,195	(1,247)

	Previous Full Year April 1, 2021 to March 31, 2022	Current Full Year April 1, 2022 to December 31, 2022
	Amount	Amount
Profit attributable to owners of parent	44,053	5,782

Consolidated Statement of Comprehensive Income

(Units: millions of yen)

	Previous Full Year April 1, 2021 to March 31, 2022	Current Full Year April 1, 2022 to December 31, 2022
	Amount	Amount
Net profit	45,248	4,534
Other comprehensive income		
Valuation difference on available-for-sale securities	(264)	(1)
Deferred gains or losses on hedges	(532)	616
Foreign currency translation adjustments	23,523	27,471
Remeasurements of defined benefit plans	6,034	697
Share of other comprehensive income of entities accounted for using equity method	16	52
Total other comprehensive income	28,776	28,835
Comprehensive income	74,024	33,369
(Breakdown)		
Comprehensive income attributable to owners of parent	71,899	34,085
Comprehensive income attributable to non-controlling interests	2,125	(716)

3. Consolidated Statements of Changes to Stockholders' Equity

Previous Full Year April 1, 2021 to March 31, 2022

(Units: millions of yen)

	Stockholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total Stockholders' equity
Balance at beginning of period	30,872	26,071	390,336	(1,100)	446,179
Cumulative effects of changes to accounting policies			(38)		(38)
Balance at beginning of period that reflects changes to accounting policies	30,872	26,071	390,298	(1,100)	446,141
Fluctuation in the period					
Dividends			(11,148)		(11,148)
Profit attributable to owners of parent			44,053		44,053
Acquisition of treasury shares				(25)	(25)
Disposal of treasury shares		0		1	1
Difference from transfer of revaluation reserve for land			(99)		(99)
Fluctuations other than stockholders' equity in the period (net)					
Total fluctuation in the period	—	0	32,806	(23)	32,782
Balance at end of period	30,872	26,071	423,104	(1,123)	478,923

(Units: millions of yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,030	(834)	40,342	1,016	(1,035)	44,518	14,230	504,928
Cumulative effects of changes to accounting policies								(38)
Balance at beginning of period that reflects changes to accounting policies	5,030	(834)	40,342	1,016	(1,035)	44,518	14,230	504,889
Fluctuation in the period								
Dividends								(11,148)
Profit attributable to owners of parent								44,053
Acquisition of treasury shares								(25)
Disposal of treasury shares								1
Difference from transfer of revaluation reserve for land								(99)
Fluctuations other than stockholders' equity in the period (net)	(267)	(529)	99	22,585	6,057	27,946	1,225	29,171
Total fluctuation in the period	(267)	(529)	99	22,585	6,057	27,946	1,225	61,953
Balance at end of period	4,763	(1,363)	40,442	23,601	5,022	72,464	15,456	566,843

Current Full Year April 1, 2022 to December 31, 2022

(Units: millions of yen)

	Stockholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total Stockholders' equity
Balance at beginning of period	30,872	26,071	423,104	(1,123)	478,923
Fluctuation in the period					
Dividends			(15,315)		(15,315)
Profit attributable to owners of parent			5,782		5,782
Acquisition of treasury shares				(213)	(213)
Disposal of treasury shares		13		188	200
Changes to parent company equity due to transactions with non-controlling shareholders		(880)			(880)
Fluctuations other than stockholders' equity in the period (net)					
Total fluctuation in the period	—	(868)	(9,534)	(26)	(10,427)
Balance at end of period	30,872	25,203	413,570	(1,149)	468,496

(Units: millions of yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	4,763	(1,363)	40,442	23,601	5,022	72,464	15,456	566,843
Fluctuation in the period								
Dividends								(15,315)
Profit attributable to owners of parent								5,782
Acquisition of treasury shares								(213)
Disposal of treasury shares								200
Changes to parent company equity due to transactions with non-controlling shareholders								(880)
Fluctuations other than stockholders' equity in the period (net)	0	611	—	26,933	758	28,303	(7,797)	20,507
Total fluctuation in the period	0	611	—	26,933	758	28,303	(7,797)	10,079
Balance at end of period	4,763	(752)	40,442	50,534	5,780	100,767	7,659	576,922

4. Consolidated Cash Flows Statement

(Units: millions of yen)

	Previous Full Year April 1, 2021 to March 31, 2022	Current Full Year April 1, 2022 to December 31, 2022
Cash flows from operating activities		
Profit before income taxes	62,353	17,761
Depreciation	30,930	29,634
Impairment loss	2,494	21,182
Valuation loss on investment securities	—	5,172
Interest and dividend income	(1,218)	(1,236)
Interest expenses	748	1,126
Increase (decrease) in reserve amount	(3,843)	5,155
(Increase) decrease in notes and accounts receivable and contract assets	(2,017)	13,865
(Increase) decrease in inventories	(26,413)	(33,015)
Increase (decrease) in notes and accounts payable	4,174	4,268
Other	11,315	(22,032)
Subtotal	78,523	41,882
Interest and dividends received	1,380	1,188
Interest expenses	(754)	(1,070)
Payments for income taxes	(17,471)	(20,634)
Net cash provided by operating activities	61,679	21,366
Cash flows from investing activities		
Cash outflow due to the acquisition of tangible and intangible fixed assets	(45,637)	(36,544)
Cash flow from the sale of tangible and intangible fixed assets	559	100
Expenses associated with the acquisition of shares in subsidiaries to change consolidation status	(2,588)	(395)
Expenses associated with the acquisition of shares in affiliated companies	(162)	(65)
Proceeds from the sale of shares in affiliated companies	66	—
Proceeds from the sale of investment securities	845	71
(Increase) decrease in short-term loans	38	35
Payments of loans receivable	(1,218)	(1,561)
Cash flow from loan recoveries	918	1,839
Payments of contingent consideration for shares in subsidiaries	(1,563)	—
Other	(936)	(760)
Net cash used in investing activities	(49,678)	(37,279)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(14,042)	15,816
Increase (decrease) in commercial papers	6,000	19,000
Proceeds from long-term debt	1,737	21,048
Repayments for long-term debt	(8,993)	(8,233)
Cash dividends paid	(11,144)	(15,286)
Payment of dividends to non-controlling stockholders	(900)	(615)
Expenses associated with acquisition of shares in subsidiaries that	—	(7,346)

	Previous Full Year April 1, 2021 to March 31, 2022	Current Full Year April 1, 2022 to December 31, 2022
does not result in change in scope of consolidation		
Other	(764)	(2,707)
Net cash used in financing activities	(28,106)	21,677
Effect of exchange rate changes on cash and cash equivalents	4,856	2,971
Net increase (decrease) in cash and cash equivalents	(11,250)	8,735
Cash and cash equivalents at beginning of year	96,242	84,992
Cash and cash equivalents at end of year	84,992	93,727

5. Items of Special Note Concerning the Consolidated Financial Statements

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

There are no applicable items.

(Additional information)

(Application of the group tax sharing system)

The Company and a part of its consolidated subsidiaries in Japan made a shift from the consolidated taxation system to the group tax sharing system at the beginning of the consolidated fiscal year under review. As a result, with regard to accounting procedures and disclosure for income tax, local corporation tax and tax effect accounting, we apply the “Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System” (Practical Issues Task Force No. 42, August 12, 2021; hereinafter referred to as “PITF No. 42”). In addition, based on Paragraph 32(1) of PITF No. 42, we consider there will be no impact from changes in our accounting policy resulting from the application of PITF No. 42.

(Stock Compensation Plan for Directors and Vice Presidents)

The Company has introduced a stock compensation plan (hereinafter referred to as the “Plan”) for directors (excluding outside directors) and vice presidents (hereinafter collectively referred to as “Directors, etc.”) according to a resolution of the 126th Ordinary General Meeting of Shareholders held on June 29, 2022. The purpose of the Plan is to further clarify linkage between remuneration for Directors, etc. and the stock value of the Company and make Directors, etc. share the interests and risks arising due to fluctuations of the stock price with its shareholders, thereby raising their awareness of contributing to improvement of medium- to long-term business results and enhancement of corporate value.

1. Overview of Transactions

The Plan is such that a trust (hereinafter referred to as the “Trust”) established by the Company contributing funds acquires common shares of the Company (hereinafter referred to as the “Company’s Shares”) and the number of the Company’s Shares corresponding to the number of points allocated to Directors, etc. is allocated to Directors, etc. through the Trust. In principle, the Company’s Shares are delivered to Directors, etc. when they leave their offices.

2. Treasury Stock Remaining in the Trust

The Company’s Shares remaining in the Trust are recorded as treasury stock in the Net Assets section at their book value (excluding associated costs) in the Trust. The book value and number of shares of such treasury stock at the end of the consolidated fiscal year under review are JPY200 million and 67,500, respectively.

(Segment Information)
1. Summary of Reporting Segments

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

The Group formulates a comprehensive international and domestic strategy for individual products and services for the head office and for each consolidated subsidiary, and executes such strategies at the operating level. Consequently, the Group comprises segments that are split by categories of products and services offered by the head office and consolidated subsidiaries. More specifically, the four reporting segments of the Group are "Mechatronics", "Industrial Machinery", "Logistics & Construction", and "Energy & Lifelines".

Businesses	Main Products
Mechatronics	Gear reducers, motors, inverters, laser processing systems, precision positioning equipment, control components
Industrial Machinery	Plastics machinery, film forming machines, cryogenic equipment, precision forgings, semiconductor production equipment, ion accelerators, medical machines and equipment, forging press machines, machining tools, air-conditioning equipment, defense equipment
Logistics & Construction	Hydraulic excavators, mobile cranes, road machinery, material handling systems, logistics systems, automated parking systems
Energy & Lifelines	Private power generation facilities, boilers, air pollution control equipment, water and sewage treatment systems, turbines, pumps, pressure vessels, mixing vessels, food processing machinery, ships

2. Information Regarding Net Sales, Profits, Assets, Liabilities, and Other Items by Reporting Segment
Previous Full Year (April 1, 2021, to March 31, 2022)

(Units: millions of yen)

Item \ Segment	A	B	C	D	Subtotal	Other ¹	Total	E ²	F
Net sales									
(1) Sales to external customers	160,986	230,600	341,360	205,061	938,006	5,973	943,979	—	943,979
(2) Internal sales between segments or exchanges	1,718	1,296	348	834	4,197	3,602	7,798	(7,798)	—
Total	162,704	231,896	341,708	205,895	942,203	9,575	951,778	(7,798)	943,979
Segment profit ³	6,392	19,314	19,333	18,199	63,236	2,465	65,702	(23)	65,678
Segment assets	239,082	250,799	320,603	211,131	1,021,615	54,756	1,076,371	18,559	1,094,930
Other categories									
Depreciation expense	8,693	7,563	10,310	3,743	30,309	621	30,930	—	30,930
Amortization of goodwill	1,917	195	—	662	2,774	—	2,774	—	2,774
Impairment loss	2,057	64	—	374	2,494	—	2,494	—	2,494
Investment in affiliates accounted for by the equity method	72	—	2,702	—	2,774	—	2,774	—	2,774
Increase in tangible and intangible assets	17,722	14,679	13,609	3,358	49,369	1,607	50,976	—	50,976

Segments:

- A: Mechatronics
- B: Industrial Machinery
- C: Logistics & Construction
- D: Energy & Lifelines
- E: Adjustments
- F: Value included on the consolidated income statement

Notes:

1. "Other" represents businesses that are not included in the reporting segments. This includes the Group's real-estate businesses, software-related business, and other businesses.
2. The segment profit adjustment of minus JPY23 million is due to the deletion of intersegment transactions.
3. Segment profit have been adjusted as compared to the operating profit recorded in the Consolidated Income Statement.

Current Full Year (April 1, 2022, to December 31, 2022)

(Units: millions of yen)

Item \ Segment	A	B	C	D	Subtotal	Other ¹	Total	E ²	F
Net sales									
(1) Sales to external customers	181,431	224,926	300,315	143,332	850,004	4,089	854,093	—	854,093
(2) Internal sales between segments or exchanges	1,567	1,161	467	685	3,879	2,460	6,339	(6,339)	—
Total	182,998	226,086	300,782	144,018	853,883	6,549	860,432	(6,339)	854,093
Segment profit or loss ³	9,482	21,299	13,008	(475)	43,314	1,634	44,949	(146)	44,803
Segment assets	273,507	292,736	323,316	185,451	1,075,010	67,737	1,142,747	6,123	1,148,870
Other categories									
Depreciation expense	9,533	6,762	9,520	3,370	29,185	450	29,634	—	29,634
Amortization of goodwill	1,745	212	—	704	2,660	—	2,660	—	2,660
Impairment loss	—	3,010	—	18,172	21,182	—	21,182	—	21,182
Investment in affiliates accounted for by the equity method	77	—	2,642	—	2,719	—	2,719	—	2,719
Increase in tangible and intangible assets	12,691	21,169	6,136	4,442	44,438	532	44,969	—	44,969

Segments:

- A: Mechatronics
- B: Industrial Machinery
- C: Logistics & Construction
- D: Energy & Lifelines
- E: Adjustments
- F: Value included on the consolidated income statement

Notes:

1. "Other" represents businesses that are not included in the reporting segments. This includes the Group's real-estate businesses, software-related business, and other businesses.
2. The segment profit (loss) adjustment of minus JPY146 million is due to the deletion of intersegment transactions.
3. Segment profits or losses have been adjusted as compared to the operating profit recorded in the Consolidated Income Statement.

(Per Share Information)

	Previous Full Year April 1, 2021 to March 31, 2022	Current Full Year April 1, 2022 to December 31, 2022
Net assets per share	4,501.11 yen	4,647.20 yen
Profit per share attributable to owners of parent	359.61 yen	47.20 yen

Notes:

1. The diluted profit per share attributable to owners of parent is not listed because there are no dilutive shares.
2. The basis for calculating the profit per share attributable to owners of parent is outlined below:

Item	Previous Full Year April 1, 2021 to March 31, 2022	Current Full Year April 1, 2022 to December 31, 2022
Profit attributable to owners of parent	44,053 million yen	5,782 million yen
Value not attributable to common stockholders	—	—
Profit attributable to owners of parent applicable to common stock	44,053 million yen	5,782 million yen
Average number of outstanding shares for the term	122,504 thousand shares	122,498 thousand shares

3. The Company introduced a stock compensation plan using a trust for directors and others in the consolidated fiscal year under review. Regarding the average number of shares during the fiscal period based on which the profit attributable to owners of parent ratio is calculated, treasury stock that is deducted to calculate such average number includes 68,000 shares of the Company held in the trust account. In addition, to calculate the net assets per share, treasury stock that is deducted from the total number of shares issued as of the end of the fiscal period includes 68,000 shares of the Company held in the trust account.

(Subsequent Events of Significant Importance)

There are no applicable items.

IV. Supplemental Information

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

As stated in “1. (1) Summary of Operating Performance for the Current Period Under Review,” with regard to the consolidated fiscal year under review, as a result of the change of the closing date, accounts were closed in an irregular manner with a consolidation period being set to be nine months from April 1, 2022 to December 31, 2022 in the case of the Company and its consolidated subsidiaries whose fiscal year ends in March and being set to be twelve months from January 1, 2022 to December 31, 2022 in the case of its consolidated subsidiaries whose fiscal year ends in December. Therefore, comparative information using the period of the previous fiscal year, for which results are restated so that such period becomes comparable to the consolidated fiscal year under review (such period is hereinafter referred to as “the previous consolidated fiscal year after adjustment”), is described below as reference values.

(1) Orders Received

(Units: millions of yen)

Segment	Previous consolidated fiscal year after adjustment (April 2021 to December 2021)		Consolidated fiscal year under review April 1, 2022 to December 31, 2022		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Mechatronics	178,034	19.9	204,126	20.7	26,092	14.7
Industrial Machinery	227,641	25.4	266,662	27.1	39,021	17.1
Logistics & Construction	338,232	37.8	354,149	35.9	15,917	4.7
Energy & Lifelines	146,537	16.4	155,204	15.8	8,666	5.9
Others	4,723	0.5	4,593	0.5	(131)	(2.8)
Total	895,168	100.0	984,733	100.0	89,565	10.0

(2) Sales

(Units: millions of yen)

Segment	Previous consolidated fiscal year after adjustment (April 2021 to December 2021)		Consolidated fiscal year under review April 1, 2022 to December 31, 2022		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Mechatronics	144,515	18.5	181,431	21.2	36,915	25.5
Industrial Machinery	191,253	24.5	224,926	26.3	33,673	17.6
Logistics & Construction	284,518	36.5	300,315	35.2	15,797	5.6
Energy & Lifelines	155,026	19.9	143,332	16.8	(11,693)	(7.5)
Others	4,499	0.6	4,089	0.5	(410)	(9.1)
Total	779,812	100.0	854,093	100.0	74,281	9.5

(3) Balance of Orders Received

(Units: millions of yen)

Segment	End of Full Year As of March 31, 2022		End of Full Year As of December 31, 2022		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Mechatronics	85,035	12.6	107,730	13.4	22,695	26.7
Industrial Machinery	148,734	22.0	190,470	23.6	41,736	28.1
Logistics & Construction	193,765	28.7	247,599	30.7	53,834	27.8
Energy & Lifelines	246,319	36.5	258,190	32.1	11,871	4.8
Others	1,248	0.2	1,751	0.2	504	40.4
Total	675,100	100.0	805,741	100.0	130,641	19.4