

Sumitomo Heavy Industries, Ltd.

CONSOLIDATED FINANCIAL REPORT

For the Six-Month Period from January 1 to June 30, 2023

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 Six-Month Period from January 1 to June 30, 2023
 Presented August 7, 2023

Sumitomo Heavy Industries, Ltd.

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Scheduled date for submitting quarterly report	August 9, 2023
Scheduled date of payment of cash dividends	September 1, 2023
Availability of supplementary explanations for quarterly financial statement	Yes
Holding of meeting to explain quarterly financial statement	Yes

1. FY2023 Second Quarter Consolidated Results (January 1, 2023 to June 30, 2023)

(1) Business Results

(Units: millions of yen)

	Second Quarter January 1 to June 30, 2023		Second Quarter April 1 to September 30, 2022	
		% change		% change
Net sales	510,059	—	576,648	—
Operating profit	30,655	—	26,733	—
Ordinary profit	32,889	—	28,542	—
Profit attributable to owners of parent	22,476	—	19,002	—
Profit attributable to owners of parent ratio (yen)	183.49		155.12	
Fully diluted profit attributable to owners of parent ratio	—		—	

Note 1: Comprehensive income:

Fiscal quarter ended June 30, 2023: 48,786 million yen, (— %)

Fiscal quarter ended September 30, 2022: 62,367 million yen, (— %)

Note 2: The Company has changed the closing date from March 31 to December 31 starting from the previous consolidated fiscal year. With regard to the previous consolidated cumulative second quarter, 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 six months from April 1, 2022 to September 30, 2022 in the case of the Company and its subsidiaries whose fiscal year ended in March and being set to be nine months from January 1, 2022 to September 30, 2022 in the case of its subsidiaries whose fiscal year ended in December. Therefore, year-on-year change rates are not described in this document.

(2) Financial Position

(Units: millions of yen)

	End of Second Quarter As of June 30, 2023	End of Previous Full Year December 31, 2022
Total assets	1,203,463	1,148,870
Total net assets	620,005	576,922
Equity ratio (%)	50.8	49.5

Reference: Equity:

Fiscal quarter ended June 30, 2023: 611,783 million yen
Fiscal year ended December 31, 2022: 569,263 million yen

2. Dividends

(Unit: yen)

	Year Ended December 31, 2022	Year Ending December 31, 2023	Year Ending December 31, 2023 (forecast)
Annual dividends per share			
First quarter	—	—	
Second quarter	45.00	60.00	
Third quarter	—		—
End of term	45.00		60.00
Annual dividends	90.00		120.00

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	1,075,000	—
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 1: Changes from the most recent dividend forecast: Yes

Note 2: As a result of the change of the closing date, accounts were closed in an irregular manner for the fiscal year ended December 31, 2022. Therefore, year-on-year change rates are not described in this document.

Additional Notes

- (1) Transfers of important subsidiaries during the six months ended March 31, 2023: None
 (moves of specific subsidiaries due to change in scope of consolidation)
- Newly consolidated: —
- Excluded from consolidation: —
- (2) Special accounting measures applied in the quarterly consolidated financial report: Applicable
- (3) 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
- (4) Number of shares issued (share capital)
- (i) Number of shares issued at end of fiscal period (including treasury shares):
- | | |
|-------------------------|--------------------|
| As of June 30, 2023 | 122,905,481 shares |
| As of December 31, 2022 | 122,905,481 shares |
- (ii) Number of treasury shares at end of fiscal period:
- | | |
|-------------------------|----------------|
| As of June 30, 2023 | 414,984 shares |
| As of December 31, 2022 | 409,650 shares |
- (iii) Average number of shares during fiscal period (cumulative quarterly period):
- | | |
|--------------------------|--------------------|
| As of June 30, 2023 | 122,493,313 shares |
| As of September 30, 2022 | 122,498,607 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.

* The Quarterly Summary of Financial Results is not subject to the Quarterly Review by a Certified Public Accountant or an Independent Auditor

* Earnings forecasts and outlooks concerning future financial results are believed to be reasonable based on information available at the time of publication. Actual financial results may vary from the above forecast and outlook due to a variety of factors. For information on the assumptions that form the basis of the earnings forecast and items to note concerning the use of earnings forecasts, please refer to the *Explanation of the Consolidated Earnings Forecast and Other Forward-Looking Estimates* in the *Supplementary Materials* section beginning on page 10.

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I. Qualitative Information regarding Current Quarterly Consolidated Business Performance

1. Explanation of Business Performance

The Company has changed the closing date from March 31 to December 31 starting from the previous consolidated fiscal year. With regard to the previous consolidated cumulative second quarter, 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 six months from April 1, 2022 to September 30, 2022 in the case of the Company and its subsidiaries whose fiscal year ended in March and being set to be nine months from January 1, 2022 to September 30, 2022 in the case of its subsidiaries whose fiscal year ended in December. Therefore, comparative information using the same quarter of the previous fiscal year, for which results are restated so that such period becomes comparable to the consolidated cumulative second quarter under review (such same quarter of the previous fiscal year is hereinafter referred to as “the same quarter of the previous fiscal year after adjustment”), is described in this document.

(Units: millions of yen)

	Same Period of Previous Year after Adjustment (January 1, 2022 to June 30, 2022)	Present Second Quarter (January 1, 2023 to June 30, 2023)	Y/Y Change	
	Amount	Amount	Amount	% change
Orders	580,990	512,671	(68,319)	(11.8)
Net sales	478,376	510,059	31,683	6.6
Operating profit	29,930	30,655	725	2.4
Ordinary profit	32,167	32,889	722	2.2
Quarterly profit attributable to owners of parent	20,788	22,476	1,688	8.1

Regarding the economic environment surrounding the Group for the second quarter under review, the Japanese economy in general showed a lack of strength, such as a gradual decrease in capital investment mainly in the manufacturing industry and a continued deterioration of the semiconductor market, although some sectors were robust. Turning to overseas regions, capital investment showed strength against a background of gradual economic recovery in the US and other countries; however, the investment mindset weakened in some regions and sectors as a result of global monetary tightening. In China, the recovery of production and consumption was slow and demand was on a downward trend. Also, there was a sense of easing in the rise of prices, but they were still at a high level, and the supply-demand tightness persisted for some procured products. In addition, the geopolitical landscape continued to pose risks (such as the issue between Russia and Ukraine). Due primarily to the above reasons, the economic outlook remained highly uncertain.

In this business environment, the Group promoted the “Medium-Term Management Plan 2023,” aiming to increase corporate value in a sustainable manner by solving social issues through products and services and moved forward with measures, such as developing a robust entity, making reform to improve corporate value, expanding contribution to SDGs and strengthening initiatives for reducing negative environmental impacts.

As a result, the Group’s orders amounted to JPY512.7 billion (down 12% from the same period of the previous fiscal year after adjustment) and sales increased by 7% as compared to the same period of the previous fiscal year after adjustment to finish at JPY510.1 billion. In terms of profitability, the Group posted operating profit of JPY30.7 billion (up 2% from the same period of the previous fiscal year after adjustment) and ordinary profit of JPY32.9 billion (up 2% from the same period of the previous fiscal year after adjustment) and quarterly profit attributable to owners of parent came to JPY22.5 billion

(up 8% from the same period of the previous fiscal year after adjustment).

The situation by segment is described below.

(i) Mechatronics

Orders decreased because demand for gear reducers and motors was sluggish due to inventory adjustment by customers in the US and Europe and a slowdown in the Chinese market. As a result, orders decreased. Meanwhile, both sales and operating profit increased due partly to an backlog of orders.

As a result, orders decreased by 4% as compared to the same period of the previous fiscal year after adjustment to finish at JPY105.7 billion, while sales increased by 17% as compared to the same period of the previous fiscal year after adjustment to finish at JPY106.9 billion. Further, the segment posted operating profit of JPY5.8 billion (up 150% from the same period of the previous fiscal year after adjustment).

(ii) Industrial Machinery

For the plastics machinery business, orders decreased due to a slowdown in demand for electrical and electronics-related products in China and sluggish investment in Japan and Europe. However, sales increased due partly to an backlog of orders. Meanwhile, operating profit decreased as prices of materials continued to rise.

For other businesses, orders decreased due partly to inventory adjustment and investment postponement by customers as a result of the softening of the semiconductor market. However, both sales and operating profit increased partly because there was an backlog of orders.

As a result, orders decreased by 19% as compared to the same period of the previous fiscal year after adjustment to finish at JPY140.5 billion, sales came to JPY133.9 billion, up 8% from the same period of the previous fiscal year after adjustment, and operating profit decreased by 1% as compared to the same period of the previous fiscal year after adjustment to finish at JPY11.2 billion.

(iii) Logistics & Construction

For the hydraulic excavator business, orders decreased due to a reactionary drop from advanced orders in the US in the previous fiscal year. However, both sales and operating profit increased due partly to an backlog of orders.

Turning to other businesses, the mobile crane business saw increases in both orders and sales due to strong demand from North America. On the other hand, operating profit decreased due in part to a surge in prices of materials.

Meanwhile, for the material handling machinery business, orders decreased due to a reduction in service projects for material handling systems but the existence of backlog of orders and other factors led to a growth in sales. However, operating profit decreased due to a change in the model lineup.

As a result, orders across the segment increased by 2% as compared to the same period of the previous fiscal year after adjustment to finish at JPY197.2 billion, while sales increased by 10% as compared to the same period of the previous fiscal year after adjustment to finish at JPY184.9 billion. The segment posted an operating profit of JPY12.3 billion, a 29% increase as compared to the same period of the previous fiscal year after adjustment.

(iv) Energy & Lifeline

In the energy plant business, orders, sales and operating profit all declined due to a decrease in large-scale projects for biomass-fueled power generation plants in Japan.

For other businesses, orders and sales decreased and an operating loss was recorded partly because the general waste treatment business was transferred in the previous fiscal year.

As a result, orders across the segment decreased by 34% as compared to the same period of the previous fiscal year after adjustment to finish at JPY66.4 billion, while sales decreased by 12% as compared to the same period of the previous fiscal year after adjustment to finish at JPY81.3 billion. The segment posted an operating profit of JPY0.4 billion, a 93% decrease as compared to the same period of the previous fiscal year after adjustment.

(v) Others

Orders increased by 2% as compared to the same period of the previous fiscal year after adjustment to finish at JPY2.9 billion, sales increased by 4% as compared to the same period of the previous fiscal year after adjustment to finish at JPY3.0 billion, and operating profit decreased by 36% to JPY0.9 billion from the same period of the previous fiscal year after adjustment.

2. Explanation of the Group's Consolidated Financial Position

1. Condition of Assets, Liabilities, and Net Assets

Total assets at the end of the second quarter of the current consolidated fiscal year under review (ended June 30, 2023) amounted to JPY1,203.5 billion, an increase of JPY54.6 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to increases of JPY46.8 billion in inventory assets and JPY14.7 billion in tangible fixed assets as compared to the end of the previous consolidated fiscal year, while cash and deposits decreased by JPY6.7 billion.

Total liabilities came to JPY583.5 billion, an increase of JPY11.5 billion as compared to the end of the previous consolidated fiscal year. This was partly because defined benefit liabilities and interest-bearing debts increased by JPY3.1 billion and JPY2.2 billion, respectively.

Net assets amounted to JPY620.0 billion, an increase of JPY43.1 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to increases of JPY25.4 billion and JPY17.1 billion in foreign currency translation adjustments and retained earnings, respectively.

As a result of the above, the shareholders' equity ratio increased by 1.3 point from the end of the previous consolidated fiscal year to finish at 50.8%.

2. Cash Flow Condition

Cash and cash equivalents at the end of the second quarter of the current consolidated fiscal year under review came to JPY86.7 billion, a decrease of JPY7.0 billion from the end of the previous consolidated fiscal year. Cash flows for the consolidated cumulative second quarter under review and the factors contributing to increases or decreases in cash flows are as follows.

With regard to the previous consolidated cumulative second quarter, 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 six months from April 1, 2022 to September 30, 2022 in the case of the Company and its subsidiaries whose fiscal year ended in March and being set to be nine months from January 1, 2022 to September 30, 2022 in the case of its subsidiaries whose fiscal year ended 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 JPY20.9 billion during the consolidated cumulative second quarter under review. The main sources of cash flow were quarterly profit before taxes and other adjustments of JPY32.6 billion and depreciation costs of JPY17.5 billion. The main sources of expenses were an increase in inventory assets of JPY33.4 billion and a decrease in notes and accounts payable of JPY11.5 billion.

(Cash Flow from Investing Activities)

Cash flow from investing activities decreased by JPY21.4 billion during the consolidated cumulative second quarter under review. The main reason for the cash outflow was JPY21.1 billion used to acquire fixed assets.

(Cash Flow from Financing Activities)

Cash flow from financing activities decreased by JPY7.9 billion during the consolidated cumulative second quarter under review. The main sources of expenses were payments of dividends of JPY5.5 billion.

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

As indicated below, we have revised the consolidated earnings forecast for the fiscal year ending December 31, 2023 that was announced in the financial report dated February 13, 2023.

(Full fiscal year ending December 31, 2023)

(Units: millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit attributable to owners of parent ratio (yen)
Previous forecast (A)	1,050,000	64,000	60,000	38,000	310.21
Revised forecast (B)	1,075,000	64,000	60,000	38,000	310.21
Difference (B-A)	25,000	—	—	—	—
% Change	2.4	—	—	—	—

We have decided to revise upward the previous forecast for net sales as production constraints caused by supply chains are expected to be eliminated. On the other hand, although net sales are expected to increase, we have decided to leave the previous forecast for operating profit unchanged because it is anticipated that the effects of higher fixed costs, increased prices of procured products and other factors will persist.

For main exchange rates for the third quarter of the current consolidated fiscal year and onwards, we assume that 1 dollar = 130 yen and 1 euro = 140 yen.

II. Quarterly Consolidated Financial Statements and Key Explanatory Notes

1. Quarterly Consolidated Balance Sheets

(Units: millions of yen)

	End of Full Year As of December 31, 2022	End of Second Quarter As of June 30, 2023
	Amount	Amount
Assets		
Current assets		
Cash and deposits	97,476	90,772
Notes and accounts receivable - trade and contract assets	300,281	296,665
Inventory assets	275,528	322,300
Other	43,734	39,560
Allowance for doubtful accounts	(5,662)	(6,950)
Total current assets	711,358	742,347
Fixed assets		
Tangible fixed assets		
Land	110,701	111,386
Other (net)	209,376	223,374
Total tangible fixed assets	320,077	334,760
Intangible fixed assets		
Goodwill	19,223	20,604
Other	37,421	39,101
Total intangible fixed assets	56,644	59,705
Investments and other assets		
Other	62,114	68,004
Allowance for doubtful accounts	(1,322)	(1,353)
Total investments and other assets	60,792	66,651
Total Fixed assets	437,512	461,117
Total assets	1,148,870	1,203,463

(Units: millions of yen)

	End of Full Year As of December 31, 2022	End of Second Quarter As of June 30, 2023
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	186,282	184,971
Short-term loans payable	36,442	45,800
Current portion of bonds payable	10,000	—
Current portion of long-term loans payable	16,985	22,895
Commercial Papers	25,000	15,000
Provision for bonuses	7,513	6,424
Provision for construction warranties	10,603	11,166
Other provision amount	4,177	3,375
Other	121,235	130,397
Total current liabilities	418,238	420,029
Fixed Liabilities		
Bonds payable	40,000	40,000
Long-term debt due after one year	32,338	39,249
Defined benefit liability	36,363	39,428
Deferred income taxes on revaluation	20,479	20,409
Provision amount	158	162
Other	24,371	24,183
Total non-current liabilities	153,710	163,430
Total liabilities	571,948	583,459
Net assets		
Shareholders' equity		
Capital stock	30,872	30,872
Capital surplus	25,203	25,203
Retained earnings	413,570	430,685
Treasury shares	(1,149)	(1,166)
Total Shareholders' equity	468,496	485,594
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,763	6,650
Deferred gains or losses on hedges	(752)	(1,721)
Revaluation reserve for land	40,442	40,288
Foreign currency translation adjustments	50,534	75,886

	End of Full Year As of December 31, 2022	End of Second Quarter As of June 30, 2023
	Amount	Amount
Remeasurements of defined benefit plans	5,780	5,086
Total accumulated other comprehensive income	100,767	126,190
Non-controlling interests	7,659	8,221
Total net assets	576,922	620,005
Total liabilities and net assets	1,148,870	1,203,463

2. Quarterly Consolidated Income Statements and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Income Statements

Six months ended June 30, 2023

(Units: millions of yen)

	Previous Second Quarter April 1, 2022 to September 30, 2022	Present Second Quarter January 1, 2023 to June 30, 2023
	Amount	Amount
Net sales	576,648	510,059
Cost of sales	450,721	392,474
Gross income	125,927	117,584
Selling, general and administrative expenses	99,194	86,929
Operating profit	26,733	30,655
Non-operating profit		
Interest income	490	667
Dividend income	289	333
Foreign exchange profit	2,508	2,870
Other	1,430	1,502
Total non-operating profit	4,717	5,372
Non-operating expenses		
Interest expenses	657	1,061
Patent related expenses	586	628
Other	1,665	1,449
Total non-operating expenses	2,908	3,139
Ordinary profit	28,542	32,889
Extraordinary profit		
Gain on business transfer	694	—
Total extraordinary profit	694	—
Extraordinary losses		
Impairment loss	220	304
Total extraordinary losses	220	304
Profit before income taxes	29,016	32,584
Income taxes	10,624	9,900
Profit	18,393	22,685
Profit (loss) attributable to non-controlling interests	(610)	208
Profit attributable to owners of parent	19,002	22,476

Quarterly Consolidated Statement of Comprehensive Income
Six months ended June 30, 2023

(Units: millions of yen)

	Previous Second Quarter April 1, 2022 to September 30, 2022	Present Second Quarter January 1, 2023 to June 30, 2023
	Amount	Amount
Profit	18,393	22,685
Other comprehensive income		
Valuation difference on available-for-sale securities	(401)	1,887
Deferred gains or losses on hedges	(956)	(969)
Foreign currency translation adjustments	46,118	25,876
Adjustment to retirement benefits	(789)	(696)
Share of other comprehensive income of entities accounted for using equity method	4	4
Total other comprehensive income	43,975	26,101
Comprehensive income	62,367	48,786
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	62,017	48,052
Quarterly comprehensive income attributable to non-controlling interests	350	733

3. Items of Special Note Concerning the Quarterly Consolidated Financial Statements

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

There are no applicable items.

(Notes regarding Significant Fluctuations to Shareholders' Equity)

There are no applicable items.

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

(Calculation of tax expenses)

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

(Subsequent Events of Significant Importance)

On July 19, 2023, the Company issued the following unsecured bonds.

- | | |
|--|---|
| 1. Name: | Sumitomo Heavy Industries Limited Series 8 Unsecured Bond (with Inter-Bond Pari Passu Clause) |
| 2. Total issuance amount: | JPY10,000,000,000 |
| 3. Issuance price: | JPY100 per JPY100 of face value |
| 4. Interest rate: | 0.414% per annum |
| 5. Redemption value: | JPY100 per JPY100 of face value |
| 6. Redemption period and repayment method: | July 19, 2028 (bullet maturity amortization) |
| 7. Purpose of loan: | To be allocated as funds for redeeming commercial paper |

III. Supplemental Information

1. Orders Received, Sales and Operating Profit/Loss, and Balance of Orders Received, by Segment

With regard to the previous consolidated cumulative second quarter, 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 six months from April 1, 2022 to September 30, 2022 in the case of the Company and its subsidiaries whose fiscal year ends in March and being set to be nine months from January 1, 2022 to September 30, 2022 in the case of its subsidiaries whose fiscal year ends in December. Therefore, comparative information using the same quarter of the previous fiscal year, for which results are restated so that such period becomes comparable to the consolidated cumulative second quarter under review (such same quarter of the previous fiscal year is hereinafter referred to as “the same quarter of the previous fiscal year after adjustment”), is described below as reference values.

(1) Orders Received

(Units: millions of yen)

Segment	After adjustment; January 1, 2022 to June 30, 2022	January 1, 2023 to June 30, 2023	Y/Y Change	
	Amount	Amount	Amount	%
Mechatronics	110,240	105,705	(4,535)	(4.1)
Industrial Machinery	174,150	140,510	(33,640)	(19.3)
Logistics & Construction	193,620	197,168	3,548	1.8
Energy & Lifelines	100,114	66,360	(33,755)	(33.7)
Others	2,867	2,929	62	2.2
Total	580,990	512,671	(68,319)	(11.8)

(2) Sales and operating profit/loss

(Units: millions of yen)

Segment	After adjustment; January 1, 2022 to June 30, 2022		January 1, 2023 to June 30, 2023		Y/Y Change	
	Sales	Operating profit/loss	Sales	Operating profit/loss	Sales	Operating profit/loss
Mechatronics	91,553	2,334	106,909	5,834	15,356	3,500
Industrial Machinery	123,435	11,301	133,885	11,208	10,450	(93)
Logistics & Construction	167,585	9,533	184,868	12,331	17,284	2,798
Energy & Lifelines	92,877	5,346	81,348	371	(11,529)	(4,976)
Others	2,926	1,195	3,048	900	122	(295)
Adjustment	—	221	—	12	—	(209)
Total	478,376	29,930	510,059	30,655	31,683	725

(3) Balance of Orders Received

(Units: millions of yen)

Segment	End of Full Year As of December 31, 2022	As of June 30, 2023	Y/Y Change	
	Amount	Amount	Amount	%
Mechatronics	113,465	112,261	(1,204)	(1.1)
Industrial Machinery	194,635	201,260	6,625	3.4
Logistics & Construction	254,822	267,122	12,299	4.8
Energy & Lifelines	262,517	247,529	(14,989)	(5.7)
Others	1,751	1,632	(119)	(6.8)
Total	827,191	829,804	2,612	0.3

Business segments of the Company are categorized as follows.

Businesses	Main Products
Mechatronics	Power transmission, control equipment, 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. (Summary) Quarterly Consolidated Cash Flows Statement

With regard to the previous consolidated cumulative second quarter, 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 six months from April 1, 2022 to September 30, 2022 in the case of the Company and its subsidiaries whose fiscal years end in March and being set to be nine months from January 1, 2022 to September 30, 2022 in the case of its subsidiaries whose fiscal years end in December. Since a period subject to comparison differs between cumulative results for the second quarter under review and results for the same period of the previous fiscal year, increases and decreases are not stated.

(Units: millions of yen)

	Previous Second Quarter April 1, 2022 to September 30, 2022	Present Second Quarter January 1, 2023 to June 30, 2023
Profit before income taxes	29,016	32,584
Depreciation	20,635	17,542
(Increase) decrease in notes and accounts receivable	33,072	14,231
(Increase) decrease in inventories	(27,836)	(33,428)
Increase (decrease) in notes and accounts payable - trade	(17,433)	(11,527)
Payments for income taxes	(13,761)	(2,459)
Other	524	3,978
Cash flows from operating activities	24,217	20,922
Purchase of fixed assets	(20,666)	(21,110)
Other	(891)	(316)
Cash flows from investing activities	(21,556)	(21,426)
Increase (decrease) in interest-bearing debts	17,954	(571)
Cash dividends paid	(9,788)	(5,521)
Other	(2,430)	(1,790)
Cash flows from financing activities	5,737	(7,882)
Other	6,313	1,338
Cash and cash equivalents at beginning of year	84,992	93,727
Cash and cash equivalents at end of quarter	99,702	86,679