

Sumitomo Heavy Industries, Ltd.

CONSOLIDATED FINANCIAL REPORT

For the Twelve-Month Period from January 1 to December 31, 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 Twelve-Month Period from January 1 to December 31, 2023
Presented February 14, 2024

Sumitomo Heavy Industries, Ltd.

Listed exchanges	Tokyo Stock Exchange
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Scheduled date of ordinary shareholders' meeting	March 28, 2024
Scheduled date of payment of cash dividends	March 29, 2024
Scheduled date of securities report filing	March 28, 2024
Availability of supplementary explanatory materials for financial statement	Yes
Holding of meeting to explain financial statement	Yes

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

(1) Business Results

(Units: millions of yen)

	Current Full Term January 1 to December 31, 2023		Previous Full Term April 1, 2022 to December 31, 2022
	%	% change	%
Net sales	1,081,533	—	854,093
Operating profit	74,367	—	44,803
Ordinary profit	70,250	—	43,253
Profit attributable to owners of parent	32,742	—	5,782
Profit attributable to owners of parent ratio (yen)	267.3		47.2
Fully diluted profit attributable to owners of parent ratio	—		—
Return on equity (ROE, %)	5.5		1.0
Return on assets (%)	6.0		3.9
Ordinary income to net sales (%)	6.9		5.2

Note 1: Comprehensive income:

Fiscal year ended December 31, 2023: 63,905 million yen, (— %)

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

Reference: Equity method investment profit and loss:

Fiscal year ended December 31, 2023: (510) million yen

Fiscal year ended December 31, 2022: (113) 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 fiscal year, 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, 2023	End of Previous Full Year December 31, 2022
Total assets	1,200,857	1,148,870
Total net assets	627,464	576,922
Equity ratio (%)	51.6	49.5
Net assets per share (yen)	5,059.88	4,647.20

Reference: Equity:

Fiscal year ended December 31, 2023: 619,771 million yen

Fiscal year ended December 31, 2022: 569,263 million yen

(3) Cash Flows

(Units: millions of yen)

	End of Current Full Year December 31, 2023	End of Previous Full Year December 31, 2022
Cash Flow from Operating Activities	65,370	21,366
Cash Flow from Investing Activities	(43,271)	(37,279)
Cash Flow from Financing Activities	(17,207)	21,677
Cash and cash equivalents at end of period	100,235	93,727

2. Dividends

(Unit: yen)

	Year Ended December 31, 2022	Year Ending December 31, 2023	Year Ending December 31, 2024 (forecast)
Annual dividends per share			
First quarter	—	—	—
Second quarter	45.00	60.00	60.00
Third quarter	—	—	—
End of term	45.00	60.00	65.00
Annual dividends	90.00	120.00	125.00
Total dividends (million yen)	11,031	14,707	
Payout ratio (consolidated, %)	190.8	44.9	37.4
Net assets dividend yield (consolidated, %)	1.9	2.4	

Note: Changes from the most recent dividend forecast: No

3. FY2024 Consolidated Forecasts (January 1, 2024 to December 31, 2024)

(Units: millions of yen)

	Full Year January 1, 2023 to December 31, 2023	
		% change
Net sales	1,110,000	2.6
Operating profit	70,000	(5.9)
Ordinary profit	66,000	(6.0)
Profit attributable to owners of parent	41,000	25.2
Profit attributable to owners of parent ratio (yen)	334.73	

(Note) At the Board of Directors meeting held on February 14, 2024, the Company resolved to repurchase treasury shares. However, the “Profit attributable to owners of the parent ratio” in the consolidated forecasts section does not reflect the impact of the repurchase of treasury shares. Additionally, regarding such repurchase, please refer to “5. Items of Special Note Concerning the Consolidated Financial Statements (Subsequent Events of Significant Importance) in III. Consolidated Financial Statements and Key Explanatory Notes” on page 28 of the Supplementary Materials.

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, 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 December 31, 2023 | 418,174 shares |
| As of December 31, 2022 | 409,650 shares |
| (iii) Average number of shares during fiscal period (cumulative quarterly period): | |
| As of December 31, 2023 | 122,490,896 shares |
| As of December 31, 2022 | 122,497,788 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. FY2023 Non-Consolidated Results (January 1, 2023, to December 31, 2023)

(1) Non-Consolidated Business Results

(Units: millions of yen)

	Current Full Term January 1, 2023 to December 31, 2023		Previous Full Term April 1, 2022 to December 31, 2022	
		% change		% change
Net sales	221,864	—	166,954	—
Operating profit	7,444	—	8,147	—
Ordinary profit	22,625	—	18,957	—
Profit attributable to owners of parent	8,347	—	(6,074)	—
Profit per share attributable to owners of parent (yen)	68.14		(49.58)	
Fully diluted profit attributable to owners of parent ratio	—		—	

* The Company has changed the closing date from March 31 to December 31 starting from the previous fiscal year. With regard to the previous fiscal year, a transition period for the change of the closing date, estimated values are stated 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, 2023	End of Previous Full Year December 31, 2022
Total assets	570,141	578,650
Total net assets	179,365	182,176
Equity ratio (%)	31.5	31.5
Net assets per share (yen)	1,464.35	1,487.20

Reference: Equity:

Fiscal year ended December 31, 2023: 179,365 million yen

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

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

* Explanation on the proper use of earnings forecasts, and other special remarks

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 8 and page 11, 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 previous consolidated fiscal year. With regard to the previous consolidated fiscal year, a transition period for the change of the closing date, estimated values are stated 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, 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.

(Units: billions of yen)

	Previous Fiscal Year after Adjustment (January 2022 to December 2022)	Consolidated Fiscal Year under Review (January 2023 to December 2023)	Y/Y Change	
	Amount	Amount	Amount	% change
Orders	1,164.8	1,008.7	(156.2)	(13.4)
Net sales	1,018.3	1,081.5	63.3	6.2
Operating profit	60.0	74.4	14.4	24.0
Ordinary profit	58.8	70.2	11.4	19.4
Profit attributable to owners of parent	16.3	32.7	16.5	101.4

Regarding the economic environment surrounding the Group for the fiscal year under review, the Japanese economy in general showed signs of weakness, such as a lack of strength in capital investment mainly in the manufacturing industry and a continued phase of adjustment in 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 European economy slowed down due to rising inflation and the investment mindset weakened in Southeast Asia. In China, the recovery in production and consumption was sluggish due to a deterioration in the real estate market, and a decline in demand is ongoing. In addition, amid an easing of strains in supply-demand conditions for procured goods, prices of some materials continued to rise and risks (such as the issue between Russia and Ukraine) persisted in the geopolitical landscape. 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 and net sales amounted to JPY1,008.7 billion and JPY1,081.5 billion, respectively.

In terms of profitability, the Group posted operating profit of JPY74.4 billion and ordinary profit of JPY70.2 billion. However, profit attributable to owners of parent came to JPY32.7 billion because a large amount of extraordinary losses were sustained. The extraordinary losses consisted mainly of an impairment loss of JPY11.5 billion. This loss was recognized as a result of a reassessment of whether software assets (construction in progress) qualify as assets, prompted by a change in the development plan for a main system under development. Furthermore, for our consolidated subsidiary, Sumitomo Construction Machinery (Tangshan) Co., Ltd., initially planned revenues became infeasible due to a change in the business environment in China. Consequently, an impairment loss of JPY6.9 billion

was recognized for the fixed assets held by the company.

Finally, the ROIC ended at 7.0%.

(2) Situation by Segment

(i) Mechatronics

Orders decreased because demand for small-to-medium-sized gear reducers and motors was sluggish due to inventory adjustment by customers in the US and Europe and a slowdown in the Chinese market. Meanwhile, both sales and operating profit increased due partly to a backlog of orders. As a result, orders decreased by 10% as compared to the previous fiscal year after adjustment to finish at JPY197.8 billion, while sales increased by 11% as compared to the previous fiscal year after adjustment to finish at JPY220.0 billion, and operating profit increased by 35% as compared to the previous fiscal year after adjustment to finish at JPY12.4 billion.

(ii) Industrial Machinery

For the plastics machinery business, orders, sales and operating profit all decreased due to a slowdown in demand for electrical and electronics-related products in China and sluggish investment in Japan and Europe.

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

As a result, orders decreased by 19% as compared to the previous fiscal year after adjustment to finish at JPY265.0 billion, sales came to JPY279.8 billion, up 6% from the previous fiscal year after adjustment, and operating profit decreased by 3% as compared to the previous fiscal year after adjustment to finish at JPY25.6 billion.

(iii) Logistics & Construction

For the hydraulic excavator business, orders decreased due to reasons such as a reactionary drop from advanced orders in the US in the previous fiscal year. However, both sales and operating profit increased due partly to a 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. Operating profit remained unchanged from the previous fiscal year due partly to an increase in fixed costs.

For the material handling system business, orders increased due to large-scale projects for port cranes, but both sales and operating profit decreased because of a reduction in projects that could be factored into sales in this fiscal year.

As a result, orders decreased by 5% as compared to the previous fiscal year after adjustment to finish at JPY393.6 billion, while sales increased by 10% as compared to the previous fiscal year after adjustment to finish at JPY393.4 billion. The segment posted an operating profit of JPY28.1 billion, a 70% increase as compared to previous fiscal year after adjustment.

(iv) Energy & Lifeline

Orders and sales in the energy plant business declined due to a decrease in large-scale projects for biomass-fueled power generation plants in Japan. However, a reduction in unprofitable large-scale projects in Europe and other factors led to an increase in operating profit.

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

As a result, orders decreased by 25% as compared to the previous fiscal year after adjustment to finish at JPY146.3 billion, sales decreased by 6% as compared to the previous fiscal year after adjustment to finish at JPY182.2 billion, while operating profit increased by 13% as compared to the previous fiscal year after adjustment to finish at JPY6.3 billion.

(v) Others

Orders remained unchanged from the previous fiscal year after adjustment, finishing at JPY6.0 billion, and sales increased by 9% as compared to the previous fiscal year after adjustment to finish at JPY6.1 billion, while operating profit decreased by 11% to JPY1.9 billion from the previous fiscal year after adjustment.

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

Total assets amounted to JPY1,200.9 billion, an increase of JPY52.0 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to increases of JPY45.6 billion in inventory assets and JPY15.1 billion in tangible fixed assets as compared to the end of the previous consolidated fiscal year, while intangible fixed assets decreased by JPY11.0 billion.

Total liabilities came to JPY573.4 billion, an increase of JPY1.4 billion as compared to the end of the previous consolidated fiscal year. This was partly because income taxes payable increased by JPY10.8 billion, although contract liabilities decreased by JPY12.4 billion.

Net assets amounted to JPY627.5 billion, an increase of JPY50.5 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to increases of JPY21.6 billion and JPY20.0 billion in foreign currency translation adjustments and retained earnings, respectively.

As a result of the above, the shareholders' equity ratio increased by 2.1 points from the end of the previous consolidated fiscal year to finish at 51.6%.

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

At the conclusion of the consolidated fiscal year under review, cash and cash equivalent balance came to JPY100.2 billion, representing a JPY6.5 billion increase from the end of 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 previous 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 JPY65.4 billion during the consolidated fiscal year under review. The main sources of cash flow were net income before taxes and other adjustments of JPY51.4 billion, depreciation costs of JPY36.4 billion. The main sources of expenses were an increase in inventory assets of JPY37.7 billion.

(Cash Flow from Investing Activities)

Cash flow from investing activities decreased by JPY43.3 billion during the consolidated fiscal year under review. The main reason for the cash outflow was JPY 39.5 billion used to acquire tangible and intangible fixed assets.

(Cash Flow from Financing Activities)

Cash flow from financing activities decreased by JPY17.2 billion during the consolidated fiscal year under review. The main sources of expenses were payments of dividends of JPY12.9 billion.

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

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Shareholders' equity ratio (%)	46.6	47.6	50.4	49.5	51.6
Shareholders' equity ratio on a market price basis (%)	24.0	36.5	31.5	28.2	36.3
Redemption period (years)	3.4	1.9	1.8	7.5	2.5
Interest coverage ratio (multiples)	30.5	66.2	81.8	20.0	27.1

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, 2024 are as follows.

[Consolidated results]

Net sales	JPY1,110.0 billion
Operating profit	JPY70.0 billion
Ordinary profit	JPY66.0 billion
Profit attributable to owners of parent	JPY41.0 billion

(Assumed exchange rates are: JPY135 per US dollar, and JPY148 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 Company strives to enhance shareholder returns by engaging in the following activities: making investments necessary to improve corporate value; taking into account the statuses of consolidated earnings results, cash flows and other factors; adhering to a basic policy targeting a Dividend on Equity ratio (DOE) of 3.5% or higher, a minimum dividend amount of JPY125 and a total return ratio of 40% or more; distributing dividends stably and consistently; and acquiring treasury shares in a flexible manner.

Dividends for the fiscal year ended December 31, 2023 will be JPY120 per share including an interim dividend of JPY60 per share.

Additionally, at the Board of Directors meeting held on February 14, 2024, the Company resolved to set an upper limit of JPY10 billion for the total amount allocated to repurchasing treasury shares (from March 1, 2024 to October 31, 2024). For details, please see "5. Items of Special Note Concerning the Consolidated Financial Statements (Subsequent Events of Significant Importance) in III. Consolidated Financial Statements and Key Explanatory Notes."

For the fiscal year ending December 31, 2024, the Group is forecasting a dividend of JPY125 per share.

Furthermore, during the Medium-Term Management Plan 2026 period (from the fiscal year ending December 31, 2024 to the fiscal year ending December 31, 2026), we plan to achieve a total return ratio of 50% or more by increasing the DOE to 3.5% or higher and consistently repurchasing treasury shares.

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 December 31, 2022	End of Full Year As of December 31, 2023
	Amount	Amount
Assets		
Current assets		
Cash and deposits	97,476	104,458
Notes and accounts receivable - trade and contract assets	300,281	289,861
Products	100,964	131,972
Works in progress	98,003	101,787
Raw materials and stock	76,561	87,327
Other	43,734	35,280
Allowance for doubtful accounts	(5,662)	(2,400)
Total current assets	711,358	748,285
Fixed assets		
Tangible fixed assets		
Buildings and structures	224,986	236,281
Accumulated depreciation	(130,775)	(138,118)
Buildings and structures (net)	94,211	98,163
Machinery and transportation tools	264,235	286,274
Accumulated depreciation	(184,150)	(198,035)
Machinery and transportation tools (net)	80,085	88,239
Land	110,701	111,169
Construction in progress	10,517	10,840
Other	77,731	79,480
Accumulated depreciation	(53,168)	(57,885)
Other (net)	24,563	21,595
Total tangible fixed assets	320,077	330,007
Intangible fixed assets		
Goodwill	19,223	19,312
Other	37,421	26,300
Total intangible fixed assets	56,644	45,612
Investments and other assets		
Investment securities	16,728	19,854

	End of Full Year As of December 31, 2022	End of Full Year As of December 31, 2023
	Amount	Amount
Long-term loans	3,117	5,604
Deferred income taxes	20,552	22,456
Defined benefit assets	8,524	15,797
Other	13,193	21,151
Allowance for doubtful accounts	(1,322)	(7,909)
Total investments and other assets	60,792	76,953
Total Fixed assets	437,512	452,572
Total assets	1,148,870	1,200,857

(Units: millions of yen)

	End of Full Year As of December 31, 2022	End of Full Year As of December 31, 2023
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	186,282	180,822
Short-term loans payable	36,442	63,258
Current portion of bonds payable	10,000	10,000
Current portion of long-term loans payable	16,985	9,741
Commercial Papers	25,000	—
Income tax payable	3,177	13,980
Contract liabilities	60,473	48,029
Provision for bonuses	7,513	7,753
Provision for construction warranties	10,603	12,164
Provision for loss on construction orders	2,423	1,288
Provision for loss on loan guarantees	1,754	908
Allowance for loss on business liquidation	—	840
Other	57,585	67,545
Total current liabilities	418,238	416,329
Fixed Liabilities		
Bonds payable	40,000	40,000
Long-term debt due after one year	32,338	39,231
Defined benefit liability	36,363	33,836
Deferred income taxes on revaluation	20,479	20,408
Other provision amount	158	161
Other	24,371	23,428
Total non-current liabilities	153,710	157,064
Total liabilities	571,948	573,393
Net assets		
Shareholders' equity		
Capital stock	30,872	30,872
Capital surplus	25,203	25,203
Retained earnings	413,570	433,579
Treasury shares	(1,149)	(1,177)
Total Shareholders' equity	468,496	488,476
Accumulated other comprehensive income		
Valuation difference on available-for-sale	4,763	6,951

	End of Full Year As of December 31, 2022	End of Full Year As of December 31, 2023
	Amount	Amount
securities		
Deferred gains or losses on hedges	(752)	(956)
Revaluation reserve for land	40,442	40,307
Foreign currency translation adjustments	50,534	72,163
Remeasurements of defined benefit plans	5,780	12,831
Total accumulated other comprehensive income	100,767	131,295
Non-controlling interests	7,659	7,693
Total net assets	576,922	627,464
Total liabilities and net assets	1,148,870	1,200,857

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

Consolidated Income Statements

(Units: millions of yen)

	Previous Full Year April 1, 2022 to December 31, 2022	Current Full Year January 1, 2023 to December 31, 2023
	Amount	Amount
Net sale	854,093	1,081,533
Cost of sales	665,484	826,286
Gross income	188,609	255,247
Selling, general and administrative expenses	143,806	180,880
Operating profit	44,803	74,367
Non-operating profit		
Interest income	799	1,562
Dividend income	437	277
Foreign exchange profit	89	381
Other	2,300	3,091
Total non-operating profit	3,625	5,311
Non-operating expenses		
Interest expenses	1,126	2,487
Loss on retirement of property, plant and equipment	602	1,644
Patent related expenses	927	1,400
Other	2,519	3,897
Total non-operating expenses	5,175	9,429
Ordinary profit	43,253	70,250
Extraordinary profit		
Gain from amortization of prior service costs	—	1,271
Gain on business transfer	861	—
Total extraordinary profit	861	1,271
Extraordinary losses		
Impairment loss	21,182	19,237
Provision of allowance for loss on business liquidation	—	840
Total extraordinary losses	5,172	—
Total extraordinary losses	26,354	20,077
Profit before income taxes	17,761	51,444
Corporate income tax current	10,994	23,530
Corporate income tax deferred	2,233	(4,800)

	Previous Full Year April 1, 2022 to December 31, 2022	Current Full Year January 1, 2023 to December 31, 2023
	Amount	Amount
Total corporate income taxes	13,227	18,730
Net profit	4,534	32,714
Profit attributable to no-controlling interests	(1,247)	(29)
Profit attributable to owners of parent	5,782	32,742

Consolidated Statement of Comprehensive Income

(Units: millions of yen)

	Previous Full Year April 1, 2022 to December 31, 2022	Current Full Year January 1, 2023 to December 31, 2023
	Amount	Amount
Net profit	4,534	32,714
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	2,187
Deferred gains or losses on hedges	616	(204)
Foreign currency translation adjustments	27,471	22,157
Adjustment to retirement benefits	697	7,031
Share of other comprehensive income of entities accounted for using equity method	52	21
Total other comprehensive income	28,835	31,192
Comprehensive income	33,369	63,905
(Breakdown)		
Comprehensive income attributable to owners of parent	34,085	63,405
Comprehensive income attributable to non-controlling interests	(716)	500

3. Consolidated Statements of Changes to Stockholders' Equity

Previous 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

	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

Current Full Year January 1, 2023 to December 31, 2023

(Units: millions of yen)

	Stockholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total Stockholders' equity
Balance at beginning of period	30,872	25,203	413,570	(1,149)	468,496
Fluctuation in the period					
Dividends			(12,869)		(12,869)
Profit attributable to owners of parent			32,742		32,742
Acquisition of treasury shares				(29)	(29)
Disposal of treasury shares		0		1	1
Changes to parent company equity due to transactions with non-controlling shareholders			135		135
Fluctuations other than stockholders' equity in the period (net)					
Total fluctuation in the period	—	0	20,009	(28)	19,980
Balance at end of period	30,872	25,203	433,579	(1,177)	488,476

(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	(752)	40,442	50,534	5,780	100,767	7,659	576,922
Fluctuation in the period								
Dividends								(12,869)
Profit attributable to owners of parent								32,742
Acquisition of treasury shares								(29)
Disposal of treasury shares								1
Changes to parent company equity due to transactions with non-controlling shareholders								135
Fluctuations other than stockholders' equity in the period (net)	2,187	(204)	(135)	21,629	7,051	30,528	34	30,561
Total fluctuation in the period	2,187	(204)	(135)	21,629	7,051	30,528	34	50,542
Balance at end of period	6,951	(956)	40,307	72,163	12,831	131,295	7,693	627,464

4. Consolidated Cash Flows Statement

(Units: millions of yen)

	Previous Full Year April 1, 2022 to December 31, 2022	Current Full Year January 1, 2023 to December 31, 2023
Cash flows from operating activities		
Profit before income taxes	17,761	51,444
Depreciation	29,634	36,374
Impairment loss	21,182	19,237
Valuation loss on investment securities	5,172	—
Interest and dividend income	(1,236)	(1,839)
Interest expenses	1,126	2,487
Increase (decrease) in reserve amount	5,155	2,926
(Increase) decrease in notes and accounts receivable and contract assets	13,865	6,697
(Increase) decrease in inventories	(33,015)	(37,683)
Increase (decrease) in notes and accounts payable	4,268	(14,427)
Other	(22,032)	10,762
Subtotal	41,882	75,976
Interest and dividends received	1,188	1,609
Interest expenses	(1,070)	(2,415)
Payments for income taxes	(20,634)	(9,800)
Net cash provided by operating activities	21,366	65,370
Cash flows from investing activities		
Cash outflow due to the acquisition of tangible and intangible fixed assets	(36,544)	(39,459)
Cash flow from the sale of tangible and intangible fixed assets	100	719
Expenses associated with the acquisition of shares in subsidiaries to change consolidation status	(395)	—
Expenses associated with the acquisition of shares in affiliated companies	(65)	(518)
Purchase of investment securities	(16)	(120)
Proceeds from the sale of investment securities	71	189
(Increase) decrease in short-term loans	35	(304)
Payments of loans receivable	(1,561)	(3,389)
Cash flow from loan recoveries	1,839	1,084
Other	(743)	(1,474)
Net cash used in investing activities	(37,279)	(43,271)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	15,816	24,848
Increase (decrease) in commercial papers	19,000	(25,000)
Proceeds from long-term debt	21,048	16,528
Repayments for long-term debt	(8,233)	(17,147)
Proceeds from the issuance of corporate bonds	—	10,000

	Previous Full Year April 1, 2022 to December 31, 2022	Current Full Year January 1, 2023 to December 31, 2023
Cash outflow due to redemption of corporate bonds payable	—	(10,000)
Cash dividends paid	(15,286)	(12,867)
Payment of dividends to non-controlling stockholders	(615)	(467)
Expenses associated with acquisition of shares in subsidiaries that does not result in change in scope of consolidation	(7,346)	—
Other	(2,707)	(3,102)
Net cash used in financing activities	21,677	(17,207)
Effect of exchange rate changes on cash and cash equivalents	2,971	1,616
Net increase (decrease) in cash and cash equivalents	8,735	6,508
Cash and cash equivalents at beginning of year	84,992	93,727
Cash and cash equivalents at end of year	93,727	100,235

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.

(Changes in presentation methods)

(Related to Consolidated Income Statements)

“Loss on retirement of property, plant and equipment,” which was included in “Other” of “Non-operating expenses” in the previous consolidated fiscal year, is separately stated starting from the consolidated fiscal year under review, taking into account the increased monetary impact of such loss to the financial statements.

As a result, JPY3,121 million, which was stated in “Other” of “Non-operating expenses” in the Consolidated Income Statement for the previous consolidated fiscal year, is restated as entries of JPY602 million and JPY2,519 million under “Loss on retirement of property, plant and equipment” and “Other,” respectively.

(Related to Consolidated Statements of Cash Flows)

“Purchase of investment securities,” which was included in “Other” of “Cash flows from investing activities” in the previous consolidated fiscal year, is separately stated starting from the consolidated fiscal year under review, taking into account the increased monetary impact of such purchase to the financial statements.

As a result, the deficit of JPY760 million, which was stated in “Other” of “Cash Flow from Investing Activities” in the Consolidated Cash Flow Statement for the previous consolidated fiscal year, is restated as deficits of JPY16 million and JPY743 million under “Purchase of investment securities” and “Other,” 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 & Lifeline”.

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 & Lifeline	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, 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 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. Adjustment amounts are as follows:
 - (1) The segment profit adjustment of minus JPY146 million is due to the deletion of intersegment transactions.
 - (2) The segment asset adjustment of JPY6,123 million is attributed to assets, etc. related to surplus funds for investment (cash and deposit) and long-term investment funds (investment securities) held by the Company.
3. Segment profit have been adjusted as compared to the operating profit recorded in the Consolidated Income Statement.

Current Full Year (January 1, 2023, to December 31, 2023)

(Units: millions of yen)

Item \ Segment	A	B	C	D	Subtotal	Other ¹	Total	E ²	F
Net sales									
(1) Sales to external customers	220,044	279,830	393,422	182,155	1,075,452	6,081	1,081,533	—	1,081,533
(2) Internal sales between segments or exchanges	2,156	1,669	435	707	4,968	3,303	8,270	(8,270)	—
Total	222,201	281,500	393,857	182,862	1,080,419	9,384	1,089,803	(8,270)	1,081,533
Segment profit or loss ³	12,408	25,602	28,123	6,342	72,476	1,880	74,356	12	74,367
Segment assets	284,135	303,860	360,287	163,497	1,111,779	83,316	1,195,095	5,762	1,200,857
Other categories									
Depreciation expense	11,441	9,426	11,403	3,544	35,815	559	36,374	—	36,374
Amortization of goodwill	1,898	41	—	—	1,939	—	1,939	—	1,939
Impairment loss	10,993	472	6,932	648	19,045	192	19,237	—	19,237
Investment in affiliates accounted for by the equity method	49	—	2,154	—	2,203	—	2,203	—	2,203
Increase in tangible and intangible assets	14,657	15,217	6,234	5,462	41,570	932	42,502	—	42,502

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. Adjustment amounts are as follows:
 - (1) The segment profit (loss) adjustment of minus JPY12 million is due to the deletion of intersegment transactions.
 - (2) The segment asset adjustment of JPY5,762 million is attributed to assets, etc. related to surplus funds for investment (cash and deposit) and long-term investment funds (investment securities) held by the Company.
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, 2022 to December 31, 2022	Current Full Year January 1, 2023 to December 31, 2023
Net assets per share	4,647.20 yen	5,059.88 yen
Profit per share attributable to owners of parent	47.20 yen	267.30 yen

Notes:

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

Item	Previous Full Year April 1, 2022 to December 31, 2022	Current Full Year January 1, 2023 to December 31, 2023
Profit attributable to owners of parent	5,782 million yen	32,742 million yen
Value not attributable to common stockholders	—	—
Profit attributable to owners of parent applicable to common stock	5,782 million yen	32,742 million yen
Average number of outstanding shares for the term	122,498 thousand shares	122,491 thousand shares

- 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. (Previous consolidated fiscal year: 68,000 shares; consolidated fiscal year under review: 68,000 shares) 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 the Company held in the trust account. (Previous consolidated fiscal year: 68,000 shares; consolidated fiscal year under review: 68,000 shares)

(Subsequent Events of Significant Importance)

At the Board of Directors meeting held on February 14, 2024, the Company resolved to set a limit of JPY10,000 million for the total amount allocated to repurchasing treasury shares.

1. Reasons for repurchasing treasury shares

The Company will repurchase its treasury shares to enhance shareholder returns and improve capital efficiency in accordance with the capital policy in the Medium-Term Management Plan 2026.

2. Details of repurchase

i. Type of shares subject to repurchase

Common shares of the Company

ii. Total number of shares that may be repurchased

4,000,000 shares (upper limit)

Ratio to total number of issued shares (excluding treasury shares): 3.26%

iii. Total amount for repurchase of shares

JPY10,000 million (upper limit)

iv. Period of repurchase

March 1, 2024 to October 31, 2024

v. Method of repurchase

Market Purchases are planned at the Tokyo Stock Exchange

(Reference) Holding status of treasury shares as of January 31, 2024

Total number of issued shares (excluding treasury shares) 122,554,516 shares

Number of treasury shares 350,965 shares

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,” 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 fiscal year, 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, 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 below as reference values.

(1) Orders Received

(Units: millions of yen)

Segment	Previous fiscal year after adjustment (January 2022 to December 2022)		Consolidated fiscal year under review (January 2023 to December 2023)		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Mechatronics	220,552	18.9	197,786	19.6	(22,767)	(10.3)
Industrial Machinery	328,064	28.2	264,958	26.3	(63,106)	(19.2)
Logistics & Construction	416,005	35.7	393,593	39.0	(22,412)	(5.4)
Energy & Lifelines	194,236	16.7	146,350	14.5	(47,886)	(24.7)
Others	5,970	0.5	5,977	0.6	7	0.1
Total	1,164,827	100.0	1,008,663	100.0	(156,163)	(13.4)

(2) Sales

(Units: millions of yen)

Segment	Previous fiscal year after adjustment (January 2022 to December 2022)		Consolidated fiscal year under review (January 2023 to December 2023)		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Mechatronics	197,901	19.4	220,044	20.3	22,143	11.2
Industrial Machinery	264,273	26.0	279,830	25.9	15,558	5.9
Logistics & Construction	357,157	35.1	393,422	36.4	36,266	10.2
Energy & Lifelines	193,368	19.0	182,155	16.8	(11,213)	(5.8)
Others	5,563	0.5	6,081	0.6	519	9.3
Total	1,018,261	100.0	1,081,533	100.0	63,272	6.2

(3) Balance of Orders Received

(Units: millions of yen)

Segment	End of Full Year As of December 31, 2022		End of Full Year As of December 31, 2023		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Mechatronics	112,641	13.7	90,383	12.0	(22,258)	(19.8)
Industrial Machinery	194,536	23.6	179,664	23.9	(14,872)	(7.6)
Logistics & Construction	253,074	30.7	253,244	33.7	171	0.1
Energy & Lifelines	262,315	31.8	226,509	30.2	(35,805)	(13.6)
Others	1,751	0.2	1,647	0.2	(104)	(6.0)
Total	824,317	100.0	751,447	100.0	(72,870)	(8.8)