

Sumitomo Heavy Industries, Ltd.

CONSOLIDATED FINANCIAL REPORT

For the Twelve-Month Period from January 1 to December 31, 2025

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, 2025
Presented February 10, 2026

Sumitomo Heavy Industries, Ltd.

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Scheduled date of ordinary shareholders' meeting	March 27, 2026
Scheduled date of payment of cash dividends	March 30, 2026
Scheduled date of securities report filing	March 26, 2026
Availability of supplementary explanatory materials for financial statement	Yes
Holding of meeting to explain financial statement	Yes

1. FY2025 Consolidated Results (January 1, 2025 to December 31, 2025)

(1) Business Results

(Units: millions of yen)

	Current Full Term January 1 to December 31, 2025		Previous Full Term January 1 to December 31, 2024	
	% change		% change	
Net sales	1,066,881	(0.4)	1,071,126	(1.0)
Operating profit	51,482	(6.6)	55,103	(25.9)
Ordinary profit	47,311	(3.8)	49,184	(30.0)
Profit attributable to owners of parent	30,937	300.7	7,721	(76.4)
Profit attributable to owners of parent ratio (yen)	257.42		63.86	
Fully diluted profit attributable to owners of parent ratio	—		—	
Return on equity (ROE, %)	4.7		1.2	
Return on assets (%)	3.7		4.0	
Ordinary income to net sales (%)	4.8		5.1	

Note: Comprehensive income:

Fiscal year ended December 31, 2025: 58,046 million yen, (29.8%)

Fiscal year ended December 31, 2024: 44,708 million yen, ((30.0)%)

Reference: Equity method investment profit and loss:

Fiscal year ended December 31, 2025: 280 million yen

Fiscal year ended December 31, 2024: 165 million yen

(2) Financial Position

(Units: millions of yen)

	End of Current Full Year December 31, 2025	End of Previous Full Year December 31, 2024
Total assets	1,320,527	1,260,242
Total net assets	686,223	646,418
Equity ratio (%)	51.6	50.8
Net assets per share (yen)	5,671.98	5,331.01

Reference: Equity:

Fiscal year ended December 31, 2025: 681,666 million yen

Fiscal year ended December 31, 2024: 640,681 million yen

(3) Cash Flows

(Units: millions of yen)

	End of Current Full Year December 31, 2025	End of Previous Full Year December 31, 2024
Cash flow from operating activities	63,666	12,763
Cash flow from investing activities	(59,357)	(49,482)
Cash flow from financing activities	(7,145)	41,908
Cash and cash equivalents at end of period	107,622	107,542

2. Dividends

(Unit: yen)

	Year Ended December 31, 2024	Year Ended December 31, 2025	Year Ending December 31, 2026 (forecast)
Annual dividends per share			
First quarter	—	—	—
Second quarter	60.00	60.00	70.00
Third quarter	—	—	—
End of term	65.00	65.00	75.00
Annual dividends	125.00	125.00	145.00
Total dividends (million yen)	15,031	15,040	
Payout ratio (consolidated, %)	194.7	48.6	51.3
Net assets dividend yield (consolidated, %)	2.3	2.3	

Note: Changes from the most recent dividend forecast: No

3. FY2026 Consolidated Forecasts (January 1, 2026 to December 31, 2026)

(Units: millions of yen)

	Full Year January 1, 2026 to December 31, 2026	
		% change
Net sales	1,090,000	2.2
Operating profit	60,000	16.5
Ordinary profit	55,000	16.3
Profit attributable to owners of parent	34,000	9.9
Profit attributable to owners of parent ratio (yen)	282.91	

(Note) At the Board of Directors meeting held on February 10, 2026, the Company resolved to acquire treasury shares. However, the “Profit attributable to owners of parent ratio (yen)” in the consolidated forecasts section does not reflect the impact of the acquisition of treasury shares. For the details of the acquisition, 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 22 of the Supplementary Materials.

Additional Notes

- | | |
|---|--------------------|
| (1) Significant changes in the scope of consolidation during the period under review : | 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: | Yes |
| (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, 2025 | 122,905,481 shares |
| As of December 31, 2024 | 122,905,481 shares |
| (ii) Number of treasury shares at end of fiscal period: | |
| As of December 31, 2025 | 2,724,082 shares |
| As of December 31, 2024 | 2,725,562 shares |
| (iii) Average number of shares during fiscal period: | |
| As of December 31, 2025 | 120,183,073 shares |
| As of December 31, 2024 | 120,912,444 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. FY2025 Non-Consolidated Results (January 1, 2025, to December 31, 2025)

(1) Non-Consolidated Business Results

(Units: millions of yen)

	Current Full Term January 1, 2025 to December 31, 2025		Previous Full Term January 1, 2024 to December 31, 2024	
	% change		% change	
Net sales	230,163	2.0	225,595	1.7
Operating profit	4,685	—	(3,128)	—
Ordinary profit	38,701	3.2	37,495	65.7
Profit attributable to owners of parent	32,943	96.1	16,800	101.3
Profit per share attributable to owners of parent (yen)	274.11		138.95	
Fully diluted profit attributable to owners of parent ratio	—		—	

(2) Non-Consolidated Financial Position

(Units: millions of yen)

	End of Current Full Year December 31, 2025	End of Previous Full Year December 31, 2024
Total assets	592,918	584,005
Total net assets	192,041	173,029
Equity ratio (%)	32.4	29.6
Net assets per share (yen)	1,597.93	1,439.75

Reference: Equity:

Fiscal year ended December 31, 2025: 192,041 million yen

Fiscal year ended December 31, 2024: 173,029 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 Period Under Review” and “Future Outlook” on page 7 and page 10, 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

Regarding the economic environment surrounding the Group for the fiscal year under review, the Japanese economy was on a gradual recovery trend. Turning to overseas regions, uncertainty surrounding the United States remained due to its trade policy, but recent economic conditions there continued to be robust. While signs of economic recovery were observed in Europe, China likewise saw a modest increase in demand despite lingering economic stagnation.

In this business environment, according to the "Medium-Term Management Plan 2026," the Group aimed to increase corporate value in a sustainable manner by solving social issues through products and services. Also, we moved forward with measures, such as expanding contribution to SDGs and strengthening initiatives for reducing negative environmental impacts, as well as improving our earning capacity and capital efficiency and strengthening our efforts to explore new businesses in order to develop a robust entity.

As a result, the Group's orders came to JPY1,158.4 billion (up 24% year on year), while sales were flat year on year at JPY1,066.9 billion. In terms of profitability, the Group posted operating profit of JPY51.5 billion (down 7% year on year), ordinary profit of JPY47.3 billion (down 4% year on year) and profit attributable to owners of parent came to JPY30.9 billion (up 301% year on year).

Finally, the ROIC ended at 4.2%.

(2) Situation by Segment

Starting in the consolidated fiscal year under review, we have decided to reconfigure businesses across segments to streamline segment management and promote synergies. Specifically, we have reallocated the laser systems business in the Mechatronics segment to the Industrial Machinery segment, and the cryocoolers business in the Industrial Machinery segment to the Mechatronics segment. For this reason, the year-on-year figures are presented as a comparison with the figures for the previous consolidated fiscal year, which have been restated based on the reporting segment categories after the reconfiguration.

(i) Mechatronics

Orders increased for gear reducers due to a recovery in demand in Japan and abroad. Orders for motors and inverters also rose, following the completion of inventory adjustments by customers in Europe. In addition, orders for cryocoolers grew due to an increase in semiconductor-related demand. Sales and operating profit also increased due to a rise in orders.

As a result, in year-on-year terms, orders increased by 14% to JPY275.3 billion, sales increased by 6% to JPY271.2 billion, and operating profit increased by 62% to JPY19.0 billion.

(ii) Industrial Machinery

Orders for plastics machinery increased partly due to a last-minute surge in orders ahead of the price revision. This contributed to higher sales and operating profit.

The other business segment saw higher orders, driven by large orders for medical equipment. Meanwhile, sales and operating profit decreased due to a smaller order backlog for semiconductor-related products.

As a result, in year-on-year terms, orders increased by 9% to JPY225.1 billion, sales decreased by 5% to JPY222.6 billion, and operating profit decreased by 65% to JPY4.2 billion.

(iii) Logistics & Construction

Orders for hydraulic excavators increased due to a last-minute surge in orders ahead of the price revision in Japan. Meanwhile, sales decreased due to lower orders in Japan and North America in the previous fiscal year, and operating profit also declined, reflecting a drop in sales and higher allowances for doubtful accounts.

The mobile crane business recorded higher orders thanks to strong demand from North America, but sales and operating profit stayed flat year on year due to a smaller order backlog.

In the material handling system business, orders and sales increased, driven by demand from shipbuilding and steel product applications. However, a decrease in highly profitable projects resulted in operating profit being flat year on year.

As a result, in year-on-year terms, orders increased by 17% to JPY399.1 billion, sales decreased by 1% to JPY388.9 billion, and operating profit decreased by 45% to JPY14.0 billion.

(iv) Energy & Lifeline

The energy plant business saw an increase in orders as a result of winning biomass power generation facility projects in Japan and Europe. Sales decreased due to a smaller backlog of orders, but operating profit increased because of improved project profitability and lower development expenses, as development investments for commercialization of the Liquid Air Energy Storage (LAES) were largely completed.

For other businesses, orders for water treatment equipment, marine structures, and other products increased. Sales and operating profit also rose due to an order backlog, mainly for water treatment equipment.

As a result, in year-on-year terms, orders increased by 78% to JPY252.7 billion, sales decreased by 2% to JPY177.6 billion, and operating profit increased by 221% to JPY12.1 billion.

(v) Others

In year-on-year terms, orders decreased by 4% to JPY6.3 billion, sales increased by 5% to JPY6.5 billion, and operating profit increased by 5% to JPY2.1 billion.

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

Total assets amounted to JPY1,320.5 billion, an increase of JPY60.3 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to increases of JPY25.2 billion in tangible fixed assets and JPY28.0 billion in defined benefit assets, while inventory assets decreased by JPY5.1 billion.

Total liabilities came to JPY634.3 billion, an increase of JPY20.5 billion as compared to the end of the previous consolidated fiscal year. This was partly because interest-bearing liabilities increased by JPY14.1 billion, while notes and accounts payable - trade decreased by JPY6.7 billion.

Net assets amounted to JPY686.2 billion, an increase of JPY39.8 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to increases of JPY15.8 billion and JPY18.1 billion in retained earnings and adjustment to defined benefits, respectively.

As a result of the above, the shareholders' equity ratio increased by 0.8 point 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 JPY107.6 billion, representing a JPY0.1 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.

(Cash Flow from Operating Activities)

In the consolidated fiscal year under review, cash flow from operating activities resulted in an increase in cash by JPY63.7 billion, reflecting a JPY50.9 billion increase compared to the previous consolidated fiscal year. This was mainly attributable to a slower increase in accounts receivable – trade and contract assets and a slower decline in notes and accounts payable.

(Cash Flow from Investing Activities)

In the consolidated fiscal year under review, cash flow from investing activities resulted in a decrease in cash by JPY59.4 billion, reflecting a JPY9.9 billion increase in cash outflow compared to the previous consolidated fiscal year. This was mainly attributable to increased spending on tangible and intangible fixed assets, higher spending on asset acquisitions, and increased cash outflow due to the acquisition of shares in subsidiaries that results in change in scope of consolidation.

(Cash Flow from Financing Activities)

In the consolidated fiscal year under review, cash flow from financing activities resulted in a decrease in cash by JPY7.1 billion, reflecting a JPY49.1 billion increase in cash outflow compared to the previous consolidated fiscal year. This was because of a slower increase in interest-bearing debts due partly to higher operating cash flows, while expenses for the acquisition of treasury shares decreased.

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

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Shareholders' equity ratio (%)	50.4	49.5	51.6	50.8	51.6
Shareholders' equity ratio on a market price basis (%)	31.5	28.2	36.3	30.9	37.8
Redemption period (years)	1.8	7.5	2.5	18.7	4.0
Interest coverage ratio (multiples)	81.8	20.0	27.1	3.4	16.8

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, 2026 are as follows.

[Consolidated results]

Net sales	JPY1,090.0 billion
Operating profit	JPY60.0 billion
Ordinary profit	JPY55.0 billion
Profit attributable to owners of parent	JPY34.0 billion

(Assumed exchange rates are: JPY145 per US dollar, and JPY170 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, 2026

While making necessary investments to improve corporate value and taking into account consolidated performance, cash flows and other factors, the Company has adopted a basic policy that targets a dividend on equity (DOE) of 3.5% or more, a minimum dividend of JPY125, and a total return ratio of 40% or more. Under this policy, we will work to realize stable and continuous dividends, thereby strengthening shareholder returns.

Dividends for the fiscal year ended December 31, 2025 will be JPY125 per share including an interim dividend of JPY 60 per share.

In addition, at its Board of Directors meeting held on February 10, 2026, the Company resolved to set a JPY10.0 billion limit on treasury share repurchases from March 2, 2026 to November 30, 2026. For details, 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."

For the fiscal year ending December 31, 2026, the Group is forecasting a dividend of JPY145 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 December 31, 2024	End of Full Year As of December 31, 2025
	Amount	Amount
Assets		
Current assets		
Cash and deposits	111,132	111,072
Notes and accounts receivable - trade and contract assets	307,423	313,661
Products	131,757	127,984
Works in progress	109,377	105,840
Raw materials and stock	92,718	94,953
Other	34,350	35,462
Allowance for doubtful accounts	(2,263)	(2,188)
Total current assets	784,495	786,782
Fixed assets		
Tangible fixed assets		
Buildings and structures	251,872	279,701
Accumulated depreciation	(147,006)	(154,309)
Buildings and structures (net)	104,866	125,392
Machinery and transportation tools	306,902	313,982
Accumulated depreciation	(214,779)	(215,584)
Machinery and transportation tools (net)	92,123	98,397
Land	112,062	112,606
Construction in progress	16,286	12,535
Other	83,716	86,655
Accumulated depreciation	(61,055)	(62,349)
Other (net)	22,661	24,306
Total tangible fixed assets	347,998	373,237
Intangible fixed assets		
Goodwill	8,020	11,045
Other	20,241	22,037
Total intangible fixed assets	28,261	33,083
Investments and other assets		
Investment securities	21,417	23,374
Long-term loans	8,198	9,650
Deferred income taxes	18,572	13,612
Defined benefit assets	31,961	59,980
Other	20,284	26,044
Allowance for doubtful accounts	(944)	(5,236)
Total investments and other assets	99,487	127,425
Total fixed assets	475,747	533,745
Total assets	1,260,242	1,320,527

(Units: millions of yen)

	End of Full Year As of December 31, 2024	End of Full Year As of December 31, 2025
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	153,158	146,422
Short-term loans payable	84,806	88,882
Current portion of bonds payable	20,000	—
Current portion of long-term loans payable	4,649	8,457
Commercial papers	17,000	23,000
Income tax payable	8,612	7,833
Contract liabilities	36,351	35,098
Provision for bonuses	7,963	9,135
Provision for construction warranties	11,451	12,583
Provision for loss on construction orders	863	1,056
Provision for business restructuring	2,374	1,196
Allowance for loss on business liquidation	840	—
Other	67,825	75,854
Total current liabilities	415,892	409,516
Fixed liabilities		
Bonds payable	40,000	60,000
Long-term debt due after one year	72,166	72,364
Defined benefit liability	35,011	34,709
Deferred income taxes on revaluation	20,408	20,854
Other provision amount	167	51
Other	30,181	36,811
Total fixed liabilities	197,933	224,788
Total liabilities	613,824	634,304
Net assets		
Shareholders' equity		
Capital stock	30,872	30,872
Capital surplus	25,203	24,060
Retained earnings	428,776	444,590
Treasury shares	(11,207)	(11,146)
Total shareholders' equity	473,644	488,376
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,953	9,011
Deferred gains or losses on hedges	(1,233)	(591)
Revaluation reserve for land	40,307	39,392
Foreign currency translation adjustments	96,993	104,338
Remeasurements of defined benefit plans	23,017	41,139
Total accumulated other comprehensive income	167,037	193,290
Non-controlling interests	5,737	4,557
Total net assets	646,418	686,223
Total liabilities and net assets	1,260,242	1,320,527

2. Consolidated Income Statements and Consolidated Statement of Comprehensive Income

Consolidated Income Statements

(Units: millions of yen)

	Previous Full Year January 1, 2024 to December 31, 2024	Current Full Year January 1, 2025 to December 31, 2025
	Amount	Amount
Net sale	1,071,126	1,066,881
Cost of sales	814,126	805,983
Gross income	257,001	260,898
Selling, general and administrative expenses	201,898	209,416
Operating profit	55,103	51,482
Non-operating profit		
Interest income	1,558	1,843
Dividend income	1,212	1,267
Proceeds from sale of investment securities	847	1,379
Other	3,145	4,514
Total non-operating profit	6,761	9,003
Non-operating expenses		
Interest expenses	3,611	3,760
Foreign exchange loss	2,673	1,841
Loss on retirement of non-current assets	746	1,762
Patent related expenses	1,559	1,407
Other	4,091	4,404
Total non-operating expenses	12,680	13,174
Ordinary profit	49,184	47,311
Extraordinary losses		
Expenses for business restructuring	2,614	1,416
Impairment loss	24,872	1,059
Total extraordinary losses	27,486	2,475
Profit before income taxes	21,698	44,836
Corporate income tax current	14,495	14,991
Corporate income tax deferred	(1,234)	(1,291)
Total income taxes	13,261	13,700
Net profit	8,438	31,135
Profit attributable to non-controlling interests	716	198
Profit attributable to owners of parent	7,721	30,937

Consolidated Statement of Comprehensive Income

(Units: millions of yen)

	Previous Full Year January 1, 2024 to December 31, 2024	Current Full Year January 1, 2025 to December 31, 2025
	Amount	Amount
Net profit	8,438	31,135
Other comprehensive income		
Valuation difference on available-for-sale securities	984	1,041
Deferred gains or losses on hedges	(277)	643
Revaluation reserve for land	—	(589)
Foreign currency translation adjustments	25,362	7,675
Adjustment to defined benefits	10,157	18,085
Share of other comprehensive income of entities accounted for using equity method	44	57
Total other comprehensive income	36,270	26,911
Comprehensive income	44,708	58,046
(Breakdown)		
Comprehensive income attributable to owners of parent	43,463	57,515
Comprehensive income attributable to non-controlling interests	1,245	531

3. Consolidated Statements of Changes to Stockholders' Equity

Previous Full Year January 1, 2024 to December 31, 2024

(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	433,579	(1,177)	488,476
Fluctuation in the period					
Dividends			(14,568)		(14,568)
Profit attributable to owners of parent			7,721		7,721
Acquisition of treasury shares				(10,035)	(10,035)
Disposal of treasury shares		0		5	5
Changes in scope of consolidation			2,045		2,045
Change in ownership interest of parent due to transactions with non- controlling interests		(0)			(0)
Fluctuations other than stockholders' equity in the period (net)					
Total fluctuation in the period	—	(0)	(4,802)	(10,030)	(14,832)
Balance at end of period	30,872	25,203	428,776	(11,207)	473,644

(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	6,951	(956)	40,307	72,163	12,831	131,295	7,693	627,464
Fluctuation in the period								
Dividends								(14,568)
Profit attributable to owners of parent								7,721
Acquisition of treasury shares								(10,035)
Disposal of treasury shares								5
Changes in scope of consolidation								2,045
Change in ownership interest of parent due to transactions with non- controlling interests								(0)
Fluctuations other than stockholders' equity in the period (net)	1,002	(277)	—	24,830	10,187	35,742	(1,956)	33,786
Total fluctuation in the period	1,002	(277)	—	24,830	10,187	35,742	(1,956)	18,954
Balance at end of period	7,953	(1,233)	40,307	96,993	23,017	167,037	5,737	646,418

Current Full Year January 1, 2025 to December 31, 2025

(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	428,776	(11,207)	473,644
Fluctuation in the period					
Dividends			(15,031)		(15,031)
Profit attributable to owners of parent			30,937		30,937
Acquisition of treasury shares				(14)	(14)
Disposal of treasury shares		(13)	(46)	76	18
Reversal of revaluation reserve for land			325		325
Changes in scope of consolidation			(372)		(372)
Change in ownership interest of parent due to transactions with non-controlling interests		(1,130)			(1,130)
Fluctuations other than stockholders' equity in the period (net)					
Total fluctuation in the period	—	(1,143)	15,813	62	14,733
Balance at end of period	30,872	24,060	444,590	(11,146)	488,376

(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	7,953	(1,233)	40,307	96,993	23,017	167,037	5,737	646,418
Fluctuation in the period								
Dividends								(15,031)
Profit attributable to owners of parent								30,937
Acquisition of treasury shares								(14)
Disposal of treasury shares								18
Reversal of land revaluation reserve								325
Changes in scope of consolidation								(372)
Change in ownership interest of parent due to transactions with non-controlling interests								(1,130)
Fluctuations other than stockholders' equity in the period (net)	1,057	643	(914)	7,345	18,122	26,253	(1,179)	25,073
Total fluctuation in the period	1,057	643	(914)	7,345	18,122	26,253	(1,179)	39,806
Balance at end of period	9,011	(591)	39,392	104,338	41,139	193,290	4,557	686,223

4. Consolidated Cash Flows Statement

(Units: millions of yen)

	Previous Full Year January 1, 2024 to December 31, 2024	Current Full Year January 1, 2025 to December 31, 2025
Cash flows from operating activities		
Profit before income taxes	21,698	44,836
Depreciation	37,377	38,596
Impairment loss	24,872	1,059
Business restructuring expenses	2,614	1,416
Loss on retirement of non-current assets	746	1,762
Profit (loss) on sale of investment securities	(847)	(1,379)
Interest and dividend income	(2,769)	(3,110)
Interest expenses	3,611	3,760
Increase (decrease) in reserve amount	(931)	3,475
(Increase) decrease in notes and accounts receivable and contract assets	(20,793)	(7,066)
(Increase) decrease in inventories	3,398	10,927
Increase (decrease) in notes and accounts payable	(36,333)	(9,869)
Other	1,874	(3,426)
Subtotal	34,518	80,981
Interest and dividends received	3,157	3,115
Interest expenses	(3,730)	(3,789)
Payments for income taxes	(21,181)	(16,642)
Net cash provided by or used in operating activities	12,763	63,666
Cash flows from investing activities		
Cash outflow due to the acquisition of tangible and intangible fixed assets	(47,687)	(52,337)
Cash flow from the sale of tangible and intangible fixed assets	78	1,619
Cash outflow due to the acquisition of shares in subsidiaries that results in change in scope of consolidation	—	(3,047)
Proceeds from sale of shares of subsidiaries that results in change in scope of consolidation	548	—
Expenses associated with the acquisition of shares in affiliated companies	(162)	(161)
Purchase of investment securities	(26)	(431)
Proceeds from the sale of investment securities	1,115	1,796
(Increase) decrease in short-term loans	(133)	(132)
Payments of loans receivable	(10,290)	(11,597)
Cash flow from loan recoveries	7,664	9,815
Cash outflow from business acquisitions	(129)	(4,696)
Other	(460)	(185)
Net cash provided by or used in investing activities	(49,482)	(59,357)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	17,912	3,842
Increase (decrease) in commercial papers	17,000	6,000
Proceeds from long-term debt	37,799	9,039
Repayments for long-term debt	(10,454)	(5,054)
Proceeds from the issuance of corporate bonds	20,000	20,000
Cash outflow due to redemption of corporate bonds payable	(10,000)	(20,000)
Cash dividends paid	(14,548)	(15,002)
Payment of dividends to non-controlling stockholders	(2,994)	(255)
Acquisition of treasury shares	(10,035)	(14)
Cash outflow due to the acquisition of shares in subsidiaries that does not result in change in scope of consolidation	—	(2,586)
Other	(2,773)	(3,115)
Net cash provided by or used in financing activities	41,908	(7,145)
Effect of exchange rate changes on cash and cash equivalents	2,117	2,927
Net increase (decrease) in cash and cash equivalents	7,306	90
Cash and cash equivalents at beginning of year	100,235	107,542
Increase in cash and cash equivalents due to newly consolidated subsidiaries	—	243
Decrease in cash and cash equivalents due to deconsolidation	—	(253)
Cash and cash equivalents at end of year	107,542	107,622

5. 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.

(Changes to Accounting Policies)

(Application of “Accounting Standards for Corporation Tax, Resident Tax, Business Tax, etc.”)

“Accounting Standards for Corporation Tax, Resident Tax, Business Tax, etc.” (ASBJ Statement No. 27, issued on October 28, 2022; hereinafter referred to as “2022 Revised Accounting Standards”), along with other guidance, have been applied from the beginning of the consolidated fiscal year under review.

In connection with the amendment to the accounting classification of corporation taxes, etc. (taxation on other comprehensive income), we follow the transitional treatments set forth in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standards and in the proviso to Paragraph 65-2 (2) of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, issued on October 28, 2022; hereinafter referred to as the “2022 Revised Implementation Guidance”). This change in accounting policy has no impact on the consolidated financial statements for the consolidated fiscal year under review.

In addition, regarding the amendments related to the revision of the treatment in consolidated financial statements when gains or losses from the sale of subsidiary shares, etc., between consolidated companies are deferred for tax purposes, the 2022 Revised Implementation Guidance has been applied from the beginning of the consolidated fiscal year under review. Please note that since the impact of this change in accounting policy on prior periods is minimal, no retroactive application or modification of retained earnings, etc., at the beginning of the consolidated fiscal year under review has been made. In addition, the impact of this change on consolidated financial statements for the consolidated fiscal year under review is minimal.

(Changes in presentation methods)

(Related to Consolidated Income Statements)

“Loss on retirement of non-current assets,” which was included in “Other” under “Non-operating expenses” in the previous consolidated fiscal year, is now presented separately starting from the consolidated fiscal year under review, taking into account its increased monetary impact on the financial statements. To reflect this change in presentation methods, consolidated financial statements for the previous consolidated fiscal year have been restated.

As a result, JPY4,837 million, which was stated in “Other” under “Non-operating expenses” in the Consolidated Income Statement for the previous consolidated fiscal year, is restated as entries of JPY746 million under “Loss on retirement of non-current assets” and JPY4,091 million under “Other.”

“Income taxes from previous years,” which were separately stated in the previous consolidated fiscal year, is included in “Corporate income tax current” starting from the consolidated fiscal year under review, taking into account the decreased monetary impact of such taxes to the financial statements. To reflect this change in presentation methods, consolidated financial statements for the previous consolidated fiscal year have been restated.

As a result, JPY18,916 million and JPY(4,421) million, which were stated under “Corporate income tax current” and “Income taxes from previous years,” respectively, in the Consolidated Income Statement for the previous consolidated fiscal year, are restated as a single entry of JPY14,495 million under “Corporate income tax current.”

(Related to Consolidated Statements of Cash Flows)

“Loss on retirement of non-current assets,” which was included in “Other” under “Cash flows from operating activities” in the previous consolidated fiscal year, is now presented separately starting from the consolidated fiscal year under review, taking into account its increased monetary impact on the financial statements. To reflect this change in presentation methods, consolidated financial statements for the previous consolidated fiscal year have been restated.

As a result, JPY2,620 million, which was stated in “Other” under “Cash flows from operating activities” in the Consolidated Cash Flows Statement for the previous consolidated fiscal year, is restated as entries of JPY746 million under “Loss on retirement of non-current assets” and JPY1,874 million under “Other.”

“Cash outflow from business acquisitions,” which was included in “Other” under “Cash flows from investing activities” in the previous consolidated fiscal year, is now presented separately starting from the consolidated fiscal year under review, taking into account its increased monetary impact on the financial statements.

As a result, JPY(589) million, which was stated in “Other” under “Cash flows from investing activities” in the Consolidated Cash Flows Statement for the previous consolidated fiscal year, is restated as entries of JPY(129) million under “Cash outflow from business acquisitions” and JPY(460) million under “Other.”

(Segment Information, etc.)

(Segment Information, etc.)

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	Gear reducers, motors, inverters, cryocoolers, precision positioning equipment
Industrial Machinery	Plastics machinery, film forming machines, precision forgings, semiconductor manufacturing equipment, accelerators, medical machines and equipment, forging press machines, air-conditioning equipment, defense equipment
Logistics & Construction	Hydraulic excavators, mobile cranes, road machinery, material handling systems, logistics systems, automated parking systems
Energy & Lifeline	Power generation equipment (such as boilers), air pollution control equipment, water and sewage treatment systems, turbines, pumps, mixing vessels, food processing machinery, ships, marine structures

2. Matters Related to Changes in Reporting Segments, etc.

Starting in the consolidated fiscal year under review, we have decided to reconfigure businesses across segments to streamline segment management and promote synergies. Specifically, we have reallocated the laser processing systems in the Mechatronics segment to the Industrial Machinery segment, and the cryogenic equipment in the Industrial Machinery segment to the Mechatronics segment. For this reason, the figures for the previous consolidated fiscal year, as outlined in “3. Information on Sales, Profit, and Loss Amounts by Reporting Segment,” have been restated in this document based on the reporting segment categories after the reconfiguration.

3. Information Regarding Net Sales, Profits, Assets, Liabilities, and Other Items by Reporting Segment

Previous Full Year (January 1, 2024, to December 31, 2024)

(Units: millions of yen)

Segment Item	A	B	C	D	Subtotal	Other ¹	Total	E ²	F
Net sales									
(1) Sales to external customers	256,382	233,990	392,549	181,976	1,064,896	6,230	1,071,126	—	1,071,126
(2) Internal sales between segments or exchanges	2,351	1,355	678	1,219	5,604	3,553	9,156	(9,156)	—
Total	258,733	235,345	393,227	183,195	1,070,500	9,783	1,080,283	(9,156)	1,071,126
Segment profit	11,718	12,277	25,311	3,766	53,072	2,037	55,109	(6)	55,103
Segment assets	349,076	263,564	376,891	178,399	1,167,930	93,575	1,261,504	(1,262)	1,260,242
Other categories									
Depreciation expense	14,158	8,559	10,340	3,798	36,855	523	37,377	—	37,377
Amortization of goodwill	2,028	—	—	—	2,028	—	2,028	—	2,028
Impairment loss	23,191	560	—	1,122	24,872	—	24,872	—	24,872
Investment in affiliates accounted for by the equity method	16	—	2,354	—	2,370	—	2,370	—	2,370
Increase in tangible and intangible assets	19,315	10,320	11,894	4,431	45,960	824	46,784	—	46,784

Segments:

A: Mechatronics

B: Industrial Machinery

C: Logistics & Construction

D: Energy & Lifeline

E: Adjustments

F: Value included on the consolidated financial statement

Notes:

- “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.
- Adjustment amounts are as follows:
 - The segment profit adjustment of minus JPY (6) million is due to the deletion of intersegment transactions.
 - The segment asset adjustment of JPY(1,262) million is attributed to assets related to surplus funds for investment (cash and deposit) and long-term investment funds (investment securities) held by the Company, as well as the elimination of intersegment transactions, etc.
- Segment profits have been adjusted as compared to the operating profit recorded in the Consolidated Income Statement.

Current Full Year (January 1, 2025, to December 31, 2025)

(Units: millions of yen)

Item \ Segment	A	B	C	D	Subtotal	Other ¹	Total	E ²	F
Net sales									
(1) Sales to external customers	271,190	222,623	388,908	177,626	1,060,347	6,533	1,066,881	—	1,066,881
(2) Internal sales between segments or exchanges	2,146	1,294	455	2,985	6,880	3,400	10,280	(10,280)	—
Total	273,337	223,917	389,363	180,611	1,067,227	9,933	1,077,161	(10,280)	1,066,881
Segment profit	19,015	4,243	14,020	12,080	49,358	2,081	51,439	43	51,482
Segment assets	388,456	275,201	395,570	175,611	1,234,838	103,312	1,338,150	(17,623)	1,320,527
Other categories									
Depreciation expense	12,937	9,910	11,293	3,778	37,919	677	38,596	—	38,596
Amortization of goodwill	793	61	—	—	854	—	854	—	854
Impairment loss	3	151	—	905	1,059	—	1,059	—	1,059
Investment in affiliates accounted for by the equity method	13	—	2,697	—	2,709	—	2,709	—	2,709
Increase in tangible and intangible assets	19,727	12,897	16,263	7,089	55,977	2,076	58,053	—	58,053

Segments:

A: Mechatronics

B: Industrial Machinery

C: Logistics & Construction

D: Energy & Lifeline

E: Adjustments

F: Value included on the Interim Consolidated financial 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 JPY43 million is due to the deletion of intersegment transactions.
 - (2) The segment asset adjustment of minus JPY(17,623) million is attributed to assets related to surplus funds for investment (cash and deposit) and long-term investment funds (investment securities) held by the Company, as well as the deletion of intersegment transactions and other factors.
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 January 1, 2024 to December 31, 2024	Current Full Year January 1, 2025 to December 31, 2025
Net assets per share	5,331.01 yen	5,671.98 yen
Profit per share attributable to owners of parent	63.86 yen	257.42 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 January 1, 2024 to December 31, 2024	Current Full Year January 1, 2025 to December 31, 2025
Profit attributable to owners of parent	7,721 million yen	30,937 million yen
Value not attributable to common stockholders	—	—
Profit attributable to owners of parent applicable to common stock	7,721 million yen	30,937 million yen
Average number of outstanding shares for the term	120,912 thousand shares	120,183 thousand shares

- The Company has introduced a stock compensation plan using a trust for directors and others. 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 shares of the Company held in the trust account (Previous consolidated fiscal year: 66,000 shares; consolidated fiscal year under review: 92,000 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 shares of the Company held in the trust account (Previous consolidated fiscal year: 66,000 shares; consolidated fiscal year under review: 136,000 shares).

(Subsequent Events of Significant Importance)

(Acquisition of Treasury Shares)

At the Board of Directors meeting held on February 10, 2026, the Company resolved to establish a treasury share repurchase program totaling JPY10,000 million.

1. Reasons for Repurchase of Treasury Shares

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

2. Details of Repurchase

- Type of shares subject to repurchase: Common shares of the Company
- Total number of shares that may be repurchased: 4,000,000 shares (upper limit)
Ratio to total number of issued shares (excluding treasury shares): 3.32%
- Total amount for repurchase of shares: JPY10.0 billion (upper limit)
- Period of repurchase: March 2, 2026 to November 30, 2026
- Method of repurchase: Purchases will be made on the Tokyo Stock Exchange

(Transfer of Shares of a Consolidated Subsidiary)

At the Board of Directors meeting held on February 10, 2026, the Company resolved to transfer all shares of Shin Nippon Machinery Co., Ltd. (hereinafter, "SNM"), a consolidated subsidiary of the Company, to Torishima Pump Mfg. Co., Ltd. On the same date, a share transfer agreement was executed. As a result of this share transfer, SNM and its wholly owned subsidiary Shin Nichizo Engineering Co., Ltd. will no longer be subsidiaries of the Company.

1. Reasons for the Transfer

The Company has been working to improve capital efficiency and strengthen the mobility of growth investment. To achieve this, we are further accelerating our "selection and concentration" approach to advance portfolio reform, which is a key strategy in the Medium-Term Management Plan 2026. SNM possesses advanced technologies and a strong track record in steam turbines, pumps, and after-sales services, for which it has earned a high reputation in Japan and overseas, particularly in the energy and petrochemical sectors. SNM's equipment, human resources, and service platform are highly valuable assets. On the other hand, the opportunities for coordination between segments and the business integration we had assumed are limited within the Group. Therefore, we have concluded that, in order to fully realize SNM's potential, it would be more effective for the company to operate under a comprehensive manufacturer of

fluid rotating equipment—one with strengths in social-infrastructure applications such as high-temperature, high-pressure, and large-flow-rate pumps, and with an established global sales and service network. We have determined that combining with Torishima Pump Mfg. Co., Ltd.—given its extensive customer base and operational expertise in the pump business—represents the best option for strengthening SNM's competitiveness and maximizing its value by leveraging the complementary technologies and product portfolios of both companies. Through this transfer, the Company will further advance its selection-and-concentration strategy, improve capital efficiency, and accelerate growth investments, thereby sustainably enhancing shareholder value.

2. Overview of the Subsidiary to Be Transferred

Name	Description of business
(1) Shin Nippon Machinery Co., Ltd.	Manufacturing and sales business for steam turbines and process pumps
(2) Shin Nichizo Engineering Co., Ltd.	Service business for steam turbines and process pumps in Japan

3. Overview of the Transferee

Name	Description of business
Torishima Pump Mfg. Co., Ltd.	High-tech pump business, project business, service business, and new energy/environment business

4. Share Transfer Closing Date
July 1, 2026 (planned)

5. Number of Shares to Be Transferred and Ownership Status Before and After

(1) Number of shares owned before the transfer	17,397,200 shares (ratio of voting rights held: 100.0%)
(2) Number of shares to be transferred	17,397,200 shares
(3) Transfer price	Shin Nippon Machinery Co., Ltd. JPY14.9 billion (estimated)
(4) Number of shares owned after the transfer	0 shares (ratio of voting rights held: 0.0%)

6. Future Outlook

As a result of this share transfer, a loss on sale of shares of subsidiaries and associates is expected to be recorded in the third quarter financial results for the fiscal year ending December 31, 2026.

The price is currently being calculated.

IV. Supplemental Information

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

As described in “1. Summary of Operating Performance, (1) Summary of Operating Performance for the Period under Review,” businesses across segments have been reconfigured starting in the consolidated fiscal year under review. For this reason, the figures for the previous consolidated fiscal year have been restated in this document based on the reporting segment categories after the reconfiguration.

(1) Orders Received

(Units: millions of yen)

Segment	Previous full year (January 2024 to December 2024)	Current full year (January 2025 to December 2025)	Y/Y Change	
	Amount	Amount	Amount	%
Mechatronics	242,065	275,271	33,206	13.7
Industrial Machinery	205,991	225,078	19,087	9.3
Logistics & Construction	339,744	399,089	59,346	17.5
Energy & Lifeline	141,821	252,717	110,896	78.2
Others	6,526	6,285	(242)	(3.7)
Total	936,147	1,158,441	222,293	23.7

(2) Sales

(Units: millions of yen)

Segment	Previous full year (January 2024 to December 2024)	Current full year (January 2025 to December 2025)	Y/Y Change	
	Amount	Amount	Amount	%
Mechatronics	256,382	271,190	14,809	5.8
Industrial Machinery	233,990	222,623	(11,367)	(4.9)
Logistics & Construction	392,549	388,908	(3,641)	(0.9)
Energy & Lifeline	181,976	177,626	(4,349)	(2.4)
Others	6,230	6,533	303	4.9
Total	1,071,126	1,066,881	(4,246)	(0.4)

(3) Balance of Orders Received

(Units: millions of yen)

Segment	Previous full year (December 31, 2024)	Current full year (December 31, 2025)	Y/Y Change	
	Amount	Amount	Amount	%
Mechatronics	95,349	99,430	4,081	4.3
Industrial Machinery	146,509	148,964	2,455	1.7
Logistics & Construction	205,911	216,092	10,181	4.9
Energy & Lifeline	192,267	267,358	75,091	39.1
Others	1,926	1,677	(248)	(12.9)
Total	641,962	733,522	91,560	14.3