

# Financial Summary for FY2021 Projections for FY2022 and Progress of “Medium-Term Management Plan 2023”

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2022/5/10



Sumitomo Heavy Industries, Ltd.

President Shinji Shimomura

# I N D E X

**01****Financial Summary for FY2021****02****Projections for FY2022****03****Progress of “Medium-Term Management Plan 2023”**

## 01

## Financial Summary for FY2021

## 01

## Financial Summary for FY2021

## &lt;Comparison with the previous fiscal year&gt;

- Orders: Global demand for machinery was in an upward trend and orders increased in all segments and record high.
- Sales: Sales increased in all segments for the same reason as for orders and record high.
- Operating profit: Operating profit was affected by price increases of raw materials and procured products and a tight supply-and-demand situation but increased in all segments due partly to increased sales.

Unit: JPY billion	Actual FY2020	FY2021		Change	
		Latest forecast (October 2021)	Actual	Change from latest forecast (October 2021)	Year-on-year change
Orders	813.9	990.0	1,075.3	85.3	261.4
Net sales	849.1	950.0	944.0	(6.0)	94.9
Operating profit	51.3	60.0	65.7	5.7	14.3
Operating profit ratio	6.0%	6.3%	7.0%	0.6%	0.9%
Ordinary profit	49.5	57.0	64.8	7.8	15.3
Ordinary profit ratio	5.8%	6.0%	6.9%	0.9%	1.1%
Extraordinary loss	(5.8)	(2.0)	(2.5)	(0.5)	3.3
Profit before income taxes	43.8	55.0	62.4	7.4	18.6
Profit attributable to owners of parent	26.8	34.0	44.1	10.1	17.3
Profit ratio attributable to owners of parent	3.2%	3.6%	4.7%	1.1%	1.5%
ROIC	6.1%	6.8%	7.3%	0.5%	1.2%
Dividend per share	JPY65	JPY90	JPY115	JPY25	JPY50
Currency exchange rate (US dollars)	JPY106	JPY110	JPY112		

## 01

## Earnings Results by Segment

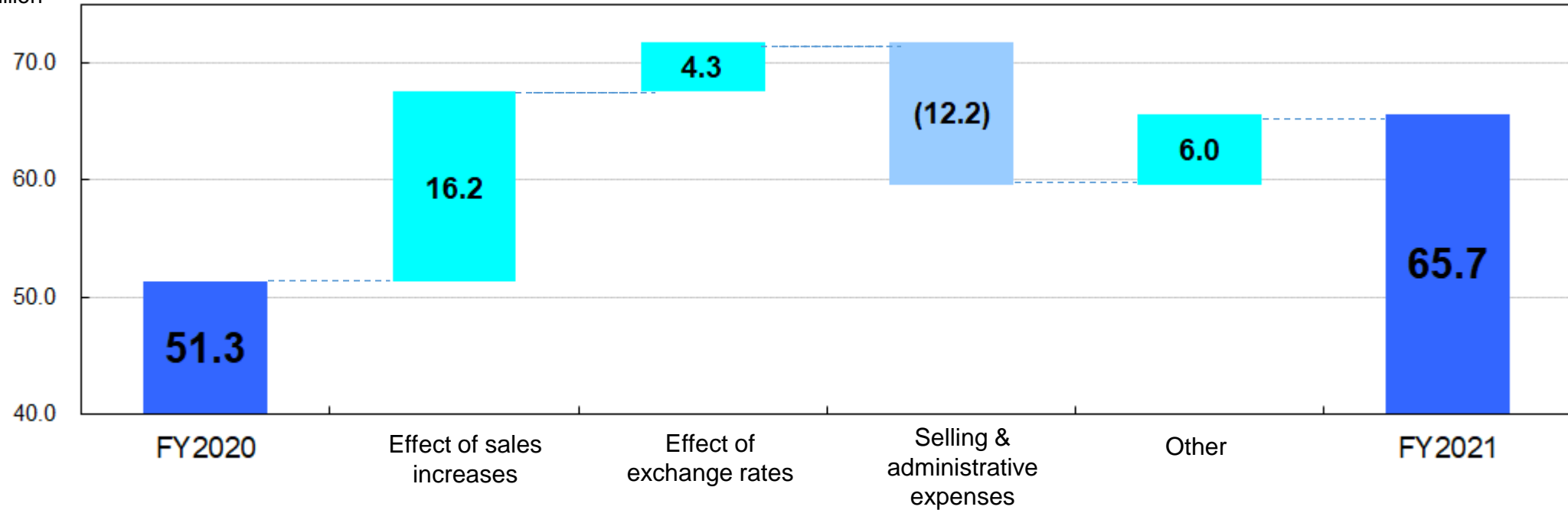
- (1) Orders:** Significantly increased because of strong Japanese markets for semiconductor-related products and hydraulic excavators and an increase in demand in the US as well as a rise in demand for small-to-medium sized gear reducers, precision gears for robot articulations and motors in Japan, Europe and the US.
- (2) Net sales:** Increased in all segments.
- (3) Operating profit:** Profit increased as a result of an increase in sales.

Unit: JPY billion	Orders (1)			Net Sales (2)			Operating profit (3)				
	Actual FY2020	Actual FY2021	Change	Actual FY2020	Actual FY2021	Change	Actual FY2020 /operating profit ratio (%)		Actual FY2021/operating profit ratio (%)		Change
<b>Mechatronics</b>	<b>136.6</b>	<b>194.5</b>	<b>57.9</b>	<b>133.4</b>	<b>161.0</b>	<b>27.5</b>	<b>3.1</b>	<b>2.3</b>	<b>6.4</b>	<b>4.0</b>	<b>3.3</b>
(Plastics machinery)	88.5	113.7	25.2	83.6	105.8	22.2					
(Others)	96.2	175.4	79.2	120.6	124.8	4.2					
<b>Industrial Machinery</b>	<b>184.6</b>	<b>289.0</b>	<b>104.4</b>	<b>204.2</b>	<b>230.6</b>	<b>26.4</b>	<b>15.9</b>	<b>7.8</b>	<b>19.3</b>	<b>8.4</b>	<b>3.4</b>
(Hydraulic excavators)	180.7	253.8	73.1	174.5	210.7	36.1					
(Others)	125.4	146.3	20.9	127.4	130.7	3.3					
<b>Logistics &amp; Construction</b>	<b>306.0</b>	<b>400.1</b>	<b>94.1</b>	<b>301.9</b>	<b>341.4</b>	<b>39.5</b>	<b>13.6</b>	<b>4.5</b>	<b>19.3</b>	<b>5.7</b>	<b>5.8</b>
<b>Energy &amp; Lifelines</b>	<b>180.7</b>	<b>185.6</b>	<b>4.8</b>	<b>203.5</b>	<b>205.1</b>	<b>1.5</b>	<b>16.7</b>	<b>8.2</b>	<b>18.2</b>	<b>8.9</b>	<b>1.5</b>
<b>Others</b>	<b>5.9</b>	<b>6.1</b>	<b>0.2</b>	<b>6.0</b>	<b>6.0</b>	<b>(0.1)</b>	<b>2.1</b>	<b>—</b>	<b>2.4</b>	<b>—</b>	<b>0.4</b>
<b>Total</b>	<b>813.9</b>	<b>1,075.3</b>	<b>261.4</b>	<b>849.1</b>	<b>944.0</b>	<b>94.9</b>	<b>51.3</b>	<b>6.0</b>	<b>65.7</b>	<b>7.0</b>	<b>14.3</b>

## 01

## Analysis of Changes in Operating Profit

Unit: JPY billion



## &lt;Effect of sales increases by segment&gt;

Mechatronics	6.0	Unit: JPY billion
Industrial Machinery	4.0	
Logistics & Construction	6.0	
Energy & Lifelines	0.2	

## &lt;Selling &amp; administrative expenses&gt;

**Sales transportation expenses, personnel costs, etc. increased as a result of increased sales.**

## 01

## Consolidated Balance Sheet (Assets)

Unit: JPY billion	March 2021	March 2022	Change
<b>Current Assets</b>	<b>613.6</b>	<b>648.1</b>	<b>34.5</b>
Cash and deposits	99.5	88.8	(10.7)
Notes and accounts receivable	282.9	294.8	11.8
Inventories	200.2	232.1	32.0
Others	31.0	32.4	1.4
<b>Non-current Assets</b>	<b>417.1</b>	<b>446.8</b>	<b>29.8</b>
Property, plant and equipment	275.8	301.0	25.2
Intangible assets	76.8	77.6	0.8
Investments and other assets	64.5	68.3	3.8
<b>Total</b>	<b>1,030.7</b>	<b>1,094.9</b>	<b>64.2</b>

## ■ Total assets:

Increased as a result of increases in sales and capital investment.

## ■ Notes and accounts receivable:

Increased in Energy & Lifelines where a progress was made for projects to which the percentage-of-the-completion method was applied and in Mechatronics where sales increased mainly in overseas areas.

## ■ Inventories:

Increased in Mechatronics and Industrial Machinery due to increased orders.

Operations were partially affected by a delay in supply of parts and insufficient production capacity, resulting in prolonged lead times.

## ■ Property, plant and equipment:

Increased due to active capital investment mainly in Mechatronics.

## 01

## Consolidated Balance Sheet (Liabilities and Net Assets)

Unit: JPY billion	March 2021	March 2022	Change
<b>Liabilities</b>	<b>525.8</b>	<b>528.1</b>	<b>2.3</b>
Notes and accounts payable - trade	160.3	172.6	12.4
Interest-bearing debts	124.4	111.3	(13.2)
Others	241.1	244.2	3.2
<b>Net Assets</b>	<b>504.9</b>	<b>566.8</b>	<b>61.9</b>
Shareholders' equity	446.2	478.9	32.7
Accumulated other comprehensive income	44.5	72.5	27.9
Non-controlling interests	14.2	15.5	1.2
<b>Total liabilities and net assets</b>	<b>1,030.7</b>	<b>1,094.9</b>	<b>64.2</b>
Net interest-bearing debts ratio	2.4%	2.1%	(0.4)%
Shareholders' equity ratio	47.6%	50.4%	2.7%

- Notes and accounts payable – trade:  
Increased due to increased orders in all segments excluding Energy & Lifelines.
- Interest-bearing debts:  
JPY10.7 billion of cash and deposits were spent or withdrawn.
- Net Assets:  
Retained earnings increased by JPY32.8 billion.  
Foreign currency translation adjustments increased by JPY22.6 billion due to the weaker yen.



## 01

## Consolidated Cash Flows Statement

Unit: JPY billion

Item	FY2020	FY2021	Change
<b>Operating Activities</b>	<b>64.1</b>	<b>61.7</b>	<b>(2.5)</b>
Profit before income taxes	43.8	62.4	18.6
Depreciation	29.7	30.9	1.2
Working capital	(11.6)	(28.7)	(17.2)
Other (such as taxes)	2.2	(2.9)	(5.0)
<b>Investing Activities</b>	<b>(43.7)</b>	<b>(49.7)</b>	<b>(5.9)</b>
<b>(Free Cash Flows)</b>	<b>20.4</b>	<b>12.0</b>	<b>(8.4)</b>
<b>Financing Activities</b>	<b>(8.0)</b>	<b>(28.1)</b>	<b>(20.1)</b>
Net increase (decrease) in cash and cash equivalents	11.7	(11.3)	(23.0)
Cash and cash equivalents at the end of the period	96.2	85.0	(11.3)

## ■ Cash flows from operating activities:

Positive as a result of increased working capital being offset by increased profit. Decreased by only JPY2.5 billion from the previous fiscal year.

## ■ Cash flows from investing activities:

High-level investment continued to be made.

## ■ Trend of cash flow indicators

	FY2017	FY2018	FY2019	FY2020	FY2021
Free cash flow (JPY billion)	33.3	0.2	(21.5)	20.4	12.0
Debt repayment term (years)*1	0.9	1.3	3.4	1.9	1.8
Interest coverage ratio (times)*2	72.5	51.2	30.5	66.2	81.8

\*1 Interest-bearing debts/Operating cash flows

\*2 Operating cash flows/Interest payment

## 02

## Projections for FY2022

## 02

## Change in Fiscal Year End (Financial Year End)

**[Projections for FY2022]**

Starting from this fiscal year (ending December 31, 2022), the financial year end is changed to December 31.

This fiscal year (**FY2022**), which is a transition period, consists of **nine months** with regard to Sumitomo Heavy Industries and its subsidiaries in Japan (hereinafter referred to as “Domestic”), and therefore a **12-month forecast that includes a 3-month forecast for January to March 2023** is included as a **[reference]**.

	FY2021	FY2022	1Q	2Q	3Q	FY2023
<b>Domestic</b>	April 2021 to March 2022	<b>April 2022 to December 2022 (9 months)</b>	April to June (3 months)	July to September	October to December	January 2023 to December 2023
<b>Overseas</b>	January 2021 to December 2021	January 2022 to December 2022 (12 months)	January to June (6 months)			

	2022				2023
	January to March	April to June	July to September	October to December	January to March
<b>Domestic</b>		1Q	2Q	3Q	
		1H of FY2022		2H of FY2022	
		<b>FY2022 Domestic 9 months</b>			
		<b>[Reference] FY2022 Domestic 12 months</b>			
<b>Overseas</b>		1Q	2Q	3Q	
		1H of FY2022		2H of FY2022	
		<b>FY2022 Overseas 12 months</b>			

## 02

## Performance Forecast for FY2022

- Capital investment and demand for machinery are assumed to steady in FY2022.
- Cost-increasing factors that can be ascertained as of now have been reflected in earnings forecasts.
- Disruptions in supply chains are not temporary and may be worsening.
- The outlook for geopolitical risks, the impact of the infectious disease, etc. is uncertain and such risks, impact, etc. need to be monitored.

Unit: JPY billion	Actual FY2020 (2020.4-2021.3)	Actual FY2021 (2021.4-2022.3)	Forecast FY2022 (Domestic 9 months) (Apr. 2022-Dec. 2022)	[Reference] Forecast FY2022 (Domestic 12 months) (Apr. 2022-Mar. 2023)
Orders	813.9	1,075.3	880.0	1,030.0
Net sales	849.1	944.0	850.0	1,010.0
Operating profit	51.3	65.7	51.0	64.0
Operating profit ratio	6.0%	7.0%	6.0%	6.3%
Ordinary profit	49.5	64.8	49.0	62.0
Ordinary profit ratio	5.8%	6.9%	5.8%	6.1%
Extraordinary loss	(5.8)	(2.5)	(2.0)	(2.0)
Profit attributable to owners of parent	26.8	44.1	30.0	39.0
Profit ratio attributable to owners of parent	3.2%	4.7%	3.5%	3.9%
Dividend per share	JPY65	JPY115	JPY90	-
Dividend payout ratio	29.8%	32.0%	36.8%	-
ROIC (after Tax)	6.1%	7.3%	7.0%	-
[Ref.] ROE	5.6%	8.5%	7.2%	-
Currency exchange rate (US dollars)	JPY106	JPY112	JPY120	JPY120

## 02

## Performance Forecast by Segment for FY2022

		Orders			Net sales			Operating Profit					
		Actual FY2021	Forecast FY2022 (9 months)	[Reference] Forecast FY2022 (12 months)	Actual FY2021	Forecast FY2022 (9 months)	[Reference] Forecast FY2022 (12 months)	Actual FY2021 /Operating profit ratio (%)		Forecast FY2022 (9 months) /Operating profit ratio (%)		[Reference] Forecast FY2022 (12 months) /Operating profit ratio (%)	
Unit: JPY billion													
Mechatronics		194.5	174.0	193.0	161.0	176.0	195.0	6.4	4.0	9.5	5.4	11.0	5.6
	(Plastics machinery)	113.7	94.0	103.0	105.8	96.0	105.0						
	(Others)	175.4	144.0	177.0	124.8	126.0	159.0						
Industrial Machinery		289.0	238.0	280.0	230.6	222.0	264.0	19.3	8.4	17.0	7.7	23.0	8.7
	(Hydraulic excavators)	253.8	193.0	234.0	210.7	198.0	240.0						
	(Others)	146.3	108.0	127.0	130.7	110.0	132.0						
Logistics & Construction		400.1	301.0	361.0	341.4	308.0	372.0	19.3	5.7	14.5	4.7	18.0	4.8
Energy & Lifelines		185.6	163.0	190.0	205.1	139.0	172.0	18.2	8.9	7.5	5.4	9.0	5.2
Others		6.1	4.0	6.0	6.0	5.0	7.0	2.4	-	2.5	-	3.0	-
Total		1,075.3	880.0	1,030.0	944.0	850.0	1,010.0	65.7	7.0	51.0	6.0	64.0	6.3

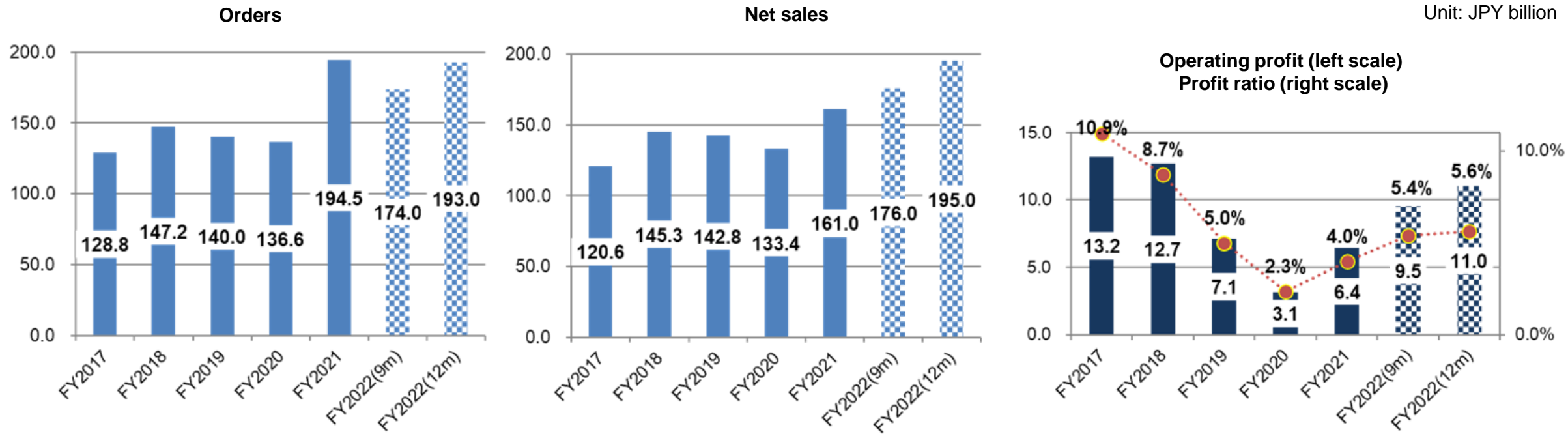
## 02

## Mechatronics

- FY2021** : Orders, sales and operating profit all increased because of a rise in demand for small-to-medium sized gear reducers, precision gears for robot articulations and motors in Japan, Europe and the US.
- FY2022\*** : We assume that the market condition will be strong. Because of reduction in advance orders (which were noticeable in the previous fiscal year), orders will decrease but sales and operating profit will increase because there is a backlog of orders.

\*The FY2022 forecast was made for Domestic companies for the 12 months. The same applies hereinafter to other segments as well.

	Actual FY2020	FY2021				FY2022			
		Forecast October 2021	Actual	Year-on- year change	Change from the October 2021 forecast	Forecast (9 months)	Year-on- year	[Reference] Forecast FY2022 (12m)	Year-on- year
Unit: JPY billion									
Orders	136.6	175.0	194.5	57.9	19.5	174.0		193.0	(1.5)
Net sales	133.4	163.0	161.0	27.5	(2.0)	176.0		195.0	34.0
Operating profit	3.1	7.5	6.4	3.3	(1.1)	9.5		11.0	4.6
Operating profit ratio (%)	2.3	4.6	4.0	1.6	(0.6)	5.4		5.6	1.7
Backlog of orders	47.1		80.6	33.5					



## [Reference]

## Gear reducer business : Sales contribution ratio by model (approximate numbers)

	Gear motor (middle size)	Gear box (large size)	For use in precision equipment (MCD)	Service	Electric control	Total
FY2021	40%	20%	10%	10%	20%	100%
FY2020	40%	20%	10%	10%	20%	100%

## 02

## Industrial Machinery

## &lt;Plastics machinery&gt;

**FY2021** : Orders, sales and operating profit increased due to increased demand in China (for electrical and electronics-related products) and in Europe.

**FY2022** : Orders will decrease due to reduction in projects involving many units (which were noticeable in the previous fiscal year). In addition, operating profit will decrease due to increased costs.

## &lt;Others&gt;

**FY2021** : Although orders and sales increased due to increased demand for semiconductor-related products, operating profit decreased because of a change in the sales mix of models.

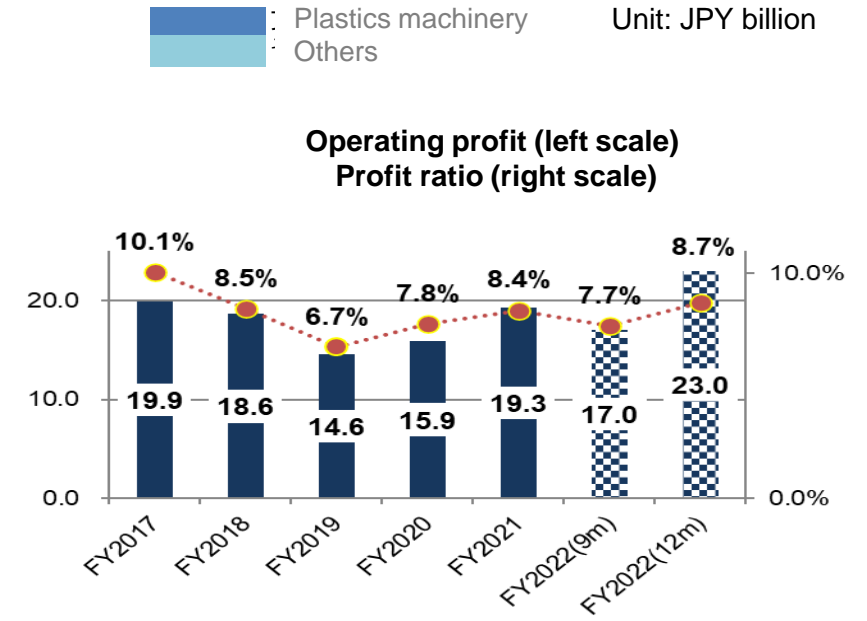
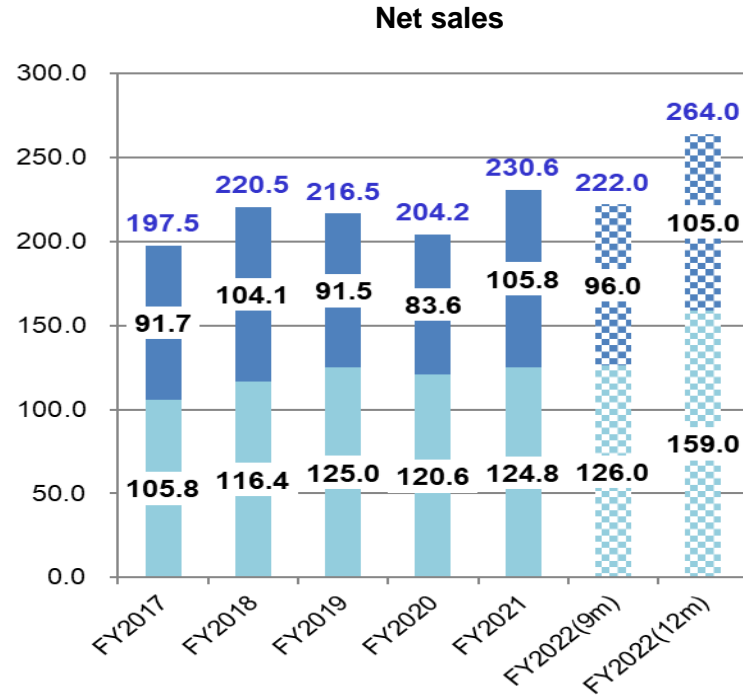
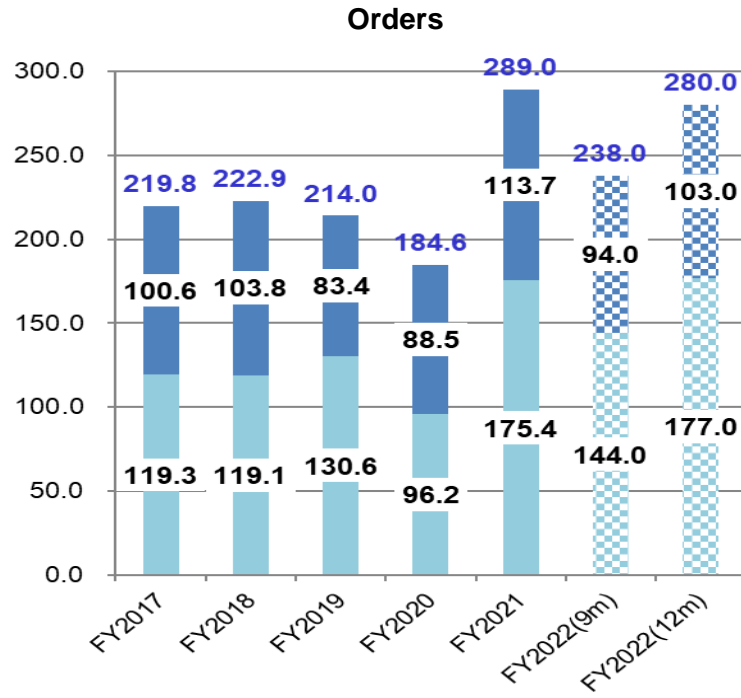
**FY2022** : Demand for semiconductor-related products will continue to be strong and orders, sales and operating profit will all increase.

	Actual FY2020	FY2021				FY2022			
		Forecast October 2021	Actual	Year-on-year change	Change from the October 2021 forecast	Forecast (9 months)	Year-on- year	[Reference] Forecast (12m)	Year-on- year
Unit: JPY billion									
Plastics machinery	88.5	107.0	113.7	25.2	6.8	94.0		103.0	(10.7)
Others	96.2	141.0	175.4	79.2	34.4	144.0		177.0	1.7
<b>Orders</b>	<b>184.6</b>	<b>248.0</b>	<b>289.0</b>	<b>104.4</b>	<b>41.0</b>	<b>238.0</b>		<b>280.0</b>	<b>(9.0)</b>
Plastics machinery	83.6	104.5	105.8	22.2	1.3	96.0		105.0	(0.9)
Others	120.6	121.5	124.8	4.2	3.3	126.0		159.0	34.3
<b>Net sales</b>	<b>204.2</b>	<b>226.0</b>	<b>230.6</b>	<b>26.4</b>	<b>4.6</b>	<b>222.0</b>		<b>264.0</b>	<b>33.4</b>
<b>Operating profit</b>	<b>15.9</b>	<b>16.0</b>	<b>19.3</b>	<b>3.4</b>	<b>3.3</b>	<b>17.0</b>		<b>23.0</b>	<b>3.7</b>
<b>Operating profit ratio (%)</b>	<b>7.8</b>	<b>7.1</b>	<b>8.4</b>	<b>0.6</b>	<b>1.3</b>	<b>7.7</b>		<b>8.7</b>	<b>0.3</b>
<b>Backlog of orders</b>	<b>85.8</b>		<b>144.2</b>	<b>58.4</b>					



## 02

## Industrial Machinery



## &lt;Reference&gt;

## - Sales mix of injection molding machines by segment (approximate numbers)

	Electric and electronic product-related	Automobile	Medical care, foods, containers, miscellaneous goods	Other	Total
FY2021	25%	15%	45%	15%	100%
FY2020	25%	15%	50%	10%	100%

## - Business performance for semiconductor production equipment (ion implanters) (approximate numbers)

Unit: JPY billion	Actual FY2019	Actual FY2020	Actual FY2021	Forecast FY2022 (12m)
Orders	46.0	23.0	61.0	49.0
Sales	32.0	40.0	36.0	48.0

## 02

## Logistics &amp; Construction

## &lt;Hydraulic excavators&gt;

**FY2021** : Demand was robust in Japan and demand from North America increased. As a result, orders, sales and operating profit all increased.

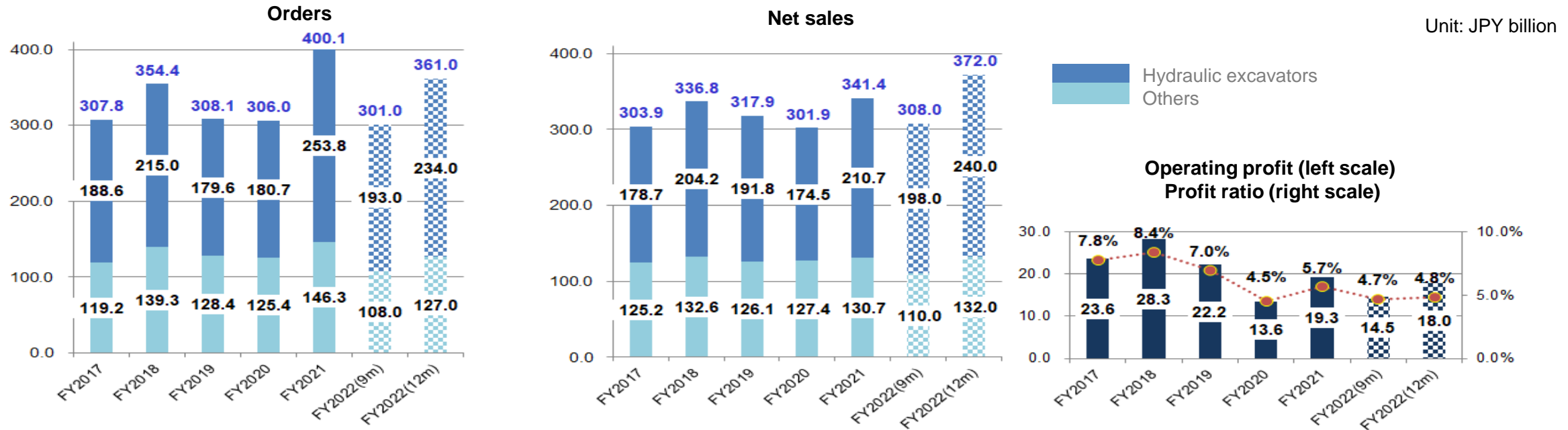
**FY2022** : Orders will decrease but sales and operating profit will increase because of a backlog of orders.

## &lt;Others&gt;

**FY2021** : The mobile crane business saw increases in all of orders, sales and operating profit as demand was recovering in Japan and North America. In the material handling system business, all of orders, sales and operating profit decreased due to a delay in recovery of demand related to shipbuilding and steel products.

**FY2022** : Orders will decrease due partly to a reactionary drop from a gain in the previous fiscal year. Sales will increase but operating profit will decrease due to increased costs and other factors.

	Actual FY2020	FY2021				FY2022			
		Forecast October 2021	Actual	Year-on- year change	Change from the October 2021 forecast	Forecast (9 months)	Year-on- year	[Reference] Forecast (12m)	Year-on- year
Unit: JPY billion									
Hydraulic excavators	180.7	240.0	253.8	73.1	13.8	193.0		234.0	(19.8)
Others	125.4	118.0	146.3	20.9	28.3	108.0		127.0	(19.3)
<b>Orders</b>	<b>306.0</b>	<b>358.0</b>	<b>400.1</b>	<b>94.1</b>	<b>42.1</b>	<b>301.0</b>		<b>361.0</b>	<b>(39.1)</b>
Hydraulic excavators	174.5	224.0	210.7	36.1	(13.3)	198.0		240.0	29.3
Others	127.4	127.0	130.7	3.3	3.7	110.0		132.0	1.3
<b>Net sales</b>	<b>301.9</b>	<b>351.0</b>	<b>341.4</b>	<b>39.5</b>	<b>(9.6)</b>	<b>308.0</b>		<b>372.0</b>	<b>30.6</b>
<b>Operating profit</b>	<b>13.6</b>	<b>17.0</b>	<b>19.3</b>	<b>5.8</b>	<b>2.3</b>	<b>14.5</b>		<b>18.0</b>	<b>(1.3)</b>
<b>Operating profit ratio (%)</b>	<b>4.5</b>	<b>4.8</b>	<b>5.7</b>	<b>1.2</b>	<b>0.8</b>	<b>4.7</b>		<b>4.8</b>	<b>(0.8)</b>
<b>Backlog of orders</b>	<b>126.9</b>		<b>185.6</b>	<b>58.7</b>					



## <Reference>

### - Hydraulic excavators: demand by region/changes in sales (approximate numbers)

Unit: 10,000 units (upper row)/  
JPY billion (lower row)

		North America	Europe	Asia (Excluding China)	China*	Japan	Others	Total
FY2021	Demand	4.0	4.8	2.4	4.9	2.7	-	
	Net sales	46.8	15.1	26.9	31.8	75.6	14.5	210.7
FY2020	Demand	2.5	3.5	1.4	7.0	2.6	-	
	Net sales	29.9	10.0	16.9	37.3	70.4	10.1	174.5

\*Foreign capital only

### - Industrial cranes: order mix by segment (approximate numbers)

	Electric power	Steel	Ship-building	Port	Other	Total
FY2021	40%	25%	15%	10%	10%	100%
FY2020	25%	40%	20%	10%	5%	100%

### - Mobile crane business: (Domestic) business performance (approximate numbers) (including intra-group sales)

Unit: JPY billion

	Actual FY2019	Actual FY2020	Actual FY2021	Forecast FY2022 (12m)
Orders	36.0	28.0	43.0	36.0
Sales	36.0	31.0	37.0	39.0

## 02

## Energy &amp; Lifelines

**FY2021** : Orders in the energy plant business decreased because orders for large-scale projects for biomass fueled power generation plants in Japan were reduced as compared to the previous fiscal year. Both sales and operating profit increased due to a backlog of orders.  
For other product areas, orders increased but both sales and operating profit decreased.

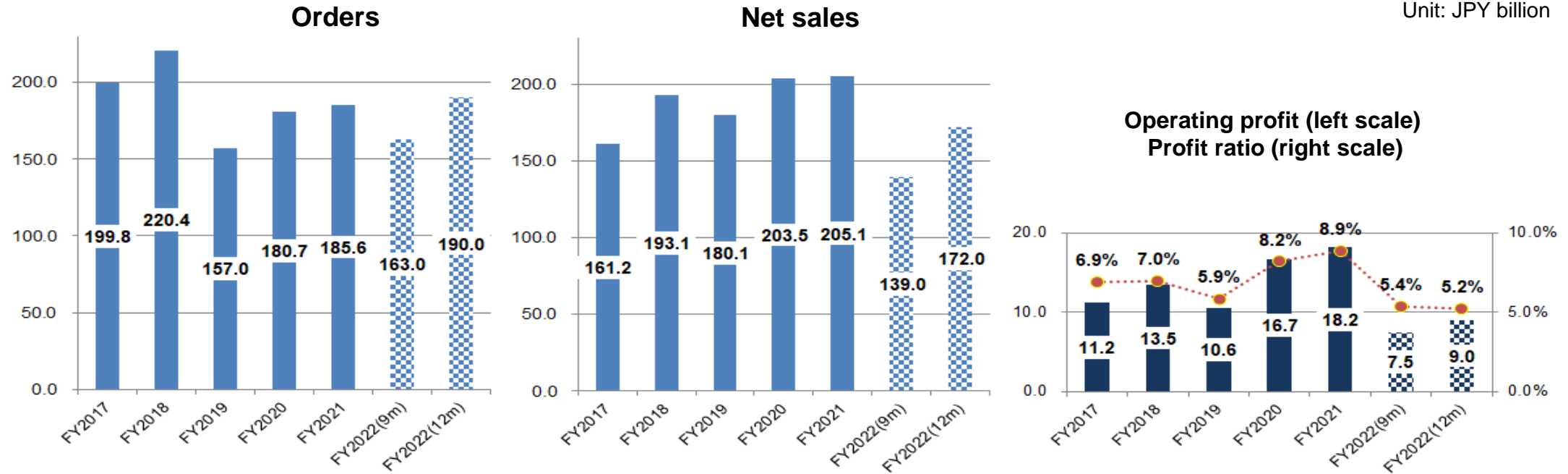
**FY2022** : The number of orders will remain unchanged from the previous fiscal year but sales and operating profit will decrease because of a reduction in energy plant projects in Japan that are reflected in the sales figure.

	Actual FY2020	FY2021				FY2022			
		Forecast October 2021	Actual	Year-on- year change	Change from the October 2021 forecast	Forecast (9 months)	Year-on- year	[Reference] Forecast FY2022 (12m)	Year-on- year
Unit: JPY billion									
Orders	180.7	203.0	185.6	4.8	(17.4)	163.0		190.0	4.4
Net sales	203.5	204.0	205.1	1.5	1.1	139.0		172.0	(33.1)
Operating profit	16.7	17.0	18.2	1.5	1.2	7.5		9.0	(9.2)
Operating profit ratio (%)	8.2	8.3	8.9	0.7	0.5	5.4		5.2	(3.6)
Backlog of orders	276.0		256.6	(19.5)					

## 02

## Energy &amp; Lifelines

Unit: JPY billion



## &lt;Reference&gt;

## - Energy plant business: main projects for which orders were received in FY2021

Customer	Construction site	Planned timing of operation start	Boiler type*
Sakaide Biomass Power	Sakaide City, Kagawa Prefecture	2025	75MW Class CFB
MT Energy	Miyakonojo City, Miyazaki Prefecture	2023	5MW Class CFB
Sendai Port Biomass Power	Sendai City, Miyagi Prefecture	2025	112MW Class CFB

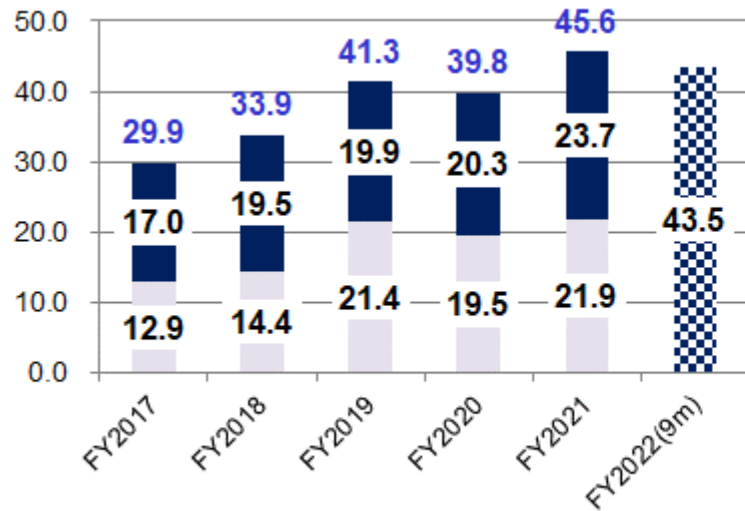
\*CFB: Circulating Fluidized Bed

Ref.

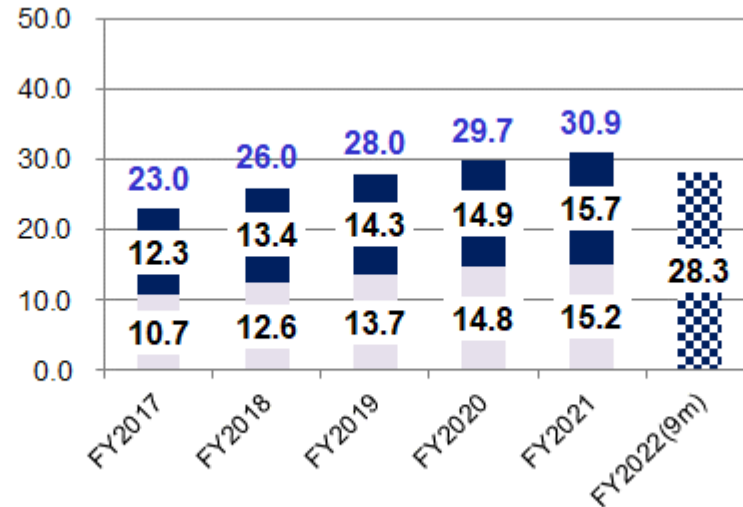
# Capital Investment, Depreciation Cost, Research & Development Cost, Personnel, Forex Sensitivity

## Capital investment\*

\*Actuals are based on cash flow.  
Forecast is based on budget.



## Depreciation & amortization

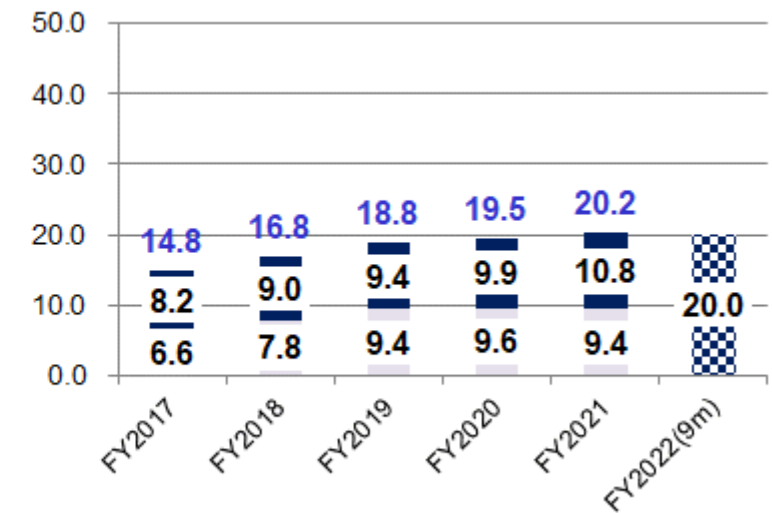


## Research & development\*

\*Actuals are based on P/L.  
Forecast is based on budget.

3-4Q  
1-2Q

Unit: JPY billion



## Personnel (as of end of each fiscal year)

Unit: persons	FY2018	FY2019	FY2020	FY2021
Consolidated total	22,543	23,635	24,050	24,584

## Forex sensitivity (FY2022 forecast)

Unit: JPY billion	Dollar	Euro	Total
Amount of operating profit affected by a one-yen change*	0.52	0.13	0.65

\*Assumed exchange rates for FY2022 are JPY120 per US dollar and JPY130 per euro

# Ref. Overseas Sales by Regional Segment

<Exchange rate: JPY112 per US dollar> Unit: JPY billion		FY2021 Full year (Apr. 2021 to Mar. 2022)																													
		North America		Europe		Asia (Excluding China)		China		Others		Overseas total		Japan		Total sales															
Mechatronics		27.6		35.0		14.5		15.9		9.7		102.7		58.3		161.0															
	(plastics machinery)	8.8		26.7		15.3		33.2		5.0		88.9		16.8		105.8															
Industrial Machinery		19.2		37.0		31.5		56.8		5.6		150.2		80.4		230.6															
	(hydraulic excavators)	46.8		15.1		26.9		31.8		14.5		135.1		75.6		210.7															
Logistics & Construction		101.2		16.2		32.1		32.0		15.4		196.8		144.5		341.4															
Energy & Lifelines		11.6		20.0		17.3		1.3		20.1		70.4		134.7		205.1															
Others		-		-		-		0		-		0		6.0		6.0															
Total / Sales ratio (%)		159.6		16.9		108.1		11.5		95.5		10.1		106.0		11.2		50.8		5.4		520.0		55.1		423.9		44.9		944.0	

<Exchange rate: JPY106 per US dollar> Unit: JPY billion		FY2020 Full year (Apr. 2020 to Mar. 2021)																													
		North America		Europe		Asia (Excluding China)		China		Others		Overseas total		Japan		Total sales															
Mechatronics		21.9		26.4		12.4		10.9		7.7		79.3		54.1		133.4															
	(plastics machinery)	9.9		20.8		10.6		25.2		4.2		70.7		12.9		83.6															
Industrial Machinery		20.7		28.2		41.1		39.1		4.5		133.7		70.5		204.2															
	(hydraulic excavators)	29.9		10.0		16.9		37.3		10.1		104.1		70.4		174.5															
Logistics & Construction		75.1		10.9		20.3		39.1		10.9		156.3		145.6		301.9															
Energy & Lifelines		8.4		13.1		26.5		1.2		18.6		67.8		135.7		203.5															
Others		-		-		-		0		-		0		6.0		6.0															
Total / Sales ratio (%)		126.2		14.9		78.6		9.3		100.3		11.8		90.4		10.6		41.7		4.9		437.2		51.5		411.9		48.5		849.1	

## 03

## Progress of “Medium-Term Management Plan 2023”



## 03

## “Medium-Term Management Plan 2023”: Changes in the Business Environment

## Factoring-in of external environments

## Impact on business

## Business issue

## Response

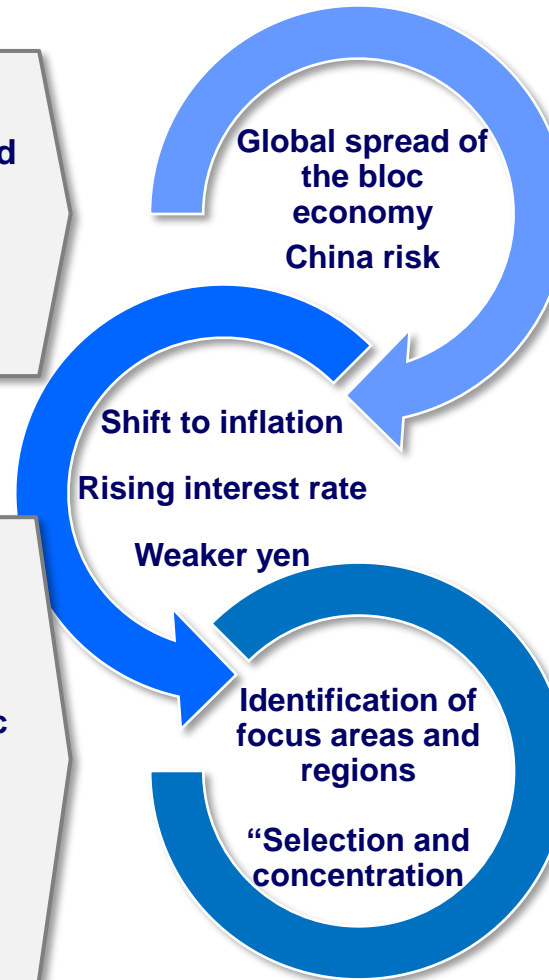
## Factored in when MTMP 23 was formulated

- Rapid progress of ESG action
- China becomes more influential in terms of economy and security
- Increase in value of information – Progress of DX
- Prolonged Covid-19 pandemic
- Expansion and materialization of exogenous risks



## Topics for FY2021

- COP26 agreement (commitment to GHG net-zero emissions)
- China: economic downturn, zero coronavirus policy and “Taiwan risk” + Russia’s aggression against Ukraine
- Prolonged imbalance between supply and demand of semiconductors and strengthening of production of strategic materials in own country: spread of the bloc economy and non-globalization
- Continued spread of COVID-19 and shifting to the “With-Corona” approach
- Rapid shift from deflation to inflation
- Rapid depreciation of the yen



Increase in  
production costs

Revise prices to  
ensure profits

Increase in capital  
costs

Expand services for  
making BS more  
efficient

Issues of  
sustainable growth

- Competitive advantage
- Monetization of social value
- Review of portfolio

Roll out new products by  
promoting product  
development in the  
“Environment/Energy”  
and “DX/Automation”  
fields

Create synergy between  
new segments  
“Selection and  
concentration”

## 03

## “Medium-Term Management Plan 2023”: Financial Targets

## ■ Financial targets

Unit: JPY billion	Actual FY2020	Actual FY2021	Forecast FY2022 (9 months)	[Reference] Forecast FY2022 (12 months)	FY2023 targets* (as of May 2021)	FY2023 targets* (as of May 2022)
Orders	813.9	1,075.3	880.0	1,030.0	1,000.0	1,070.0
Net sales	849.1	944.0	850.0	1,010.0	970.0	1,050.0
Operating profit	51.3	65.7	51.0	64.0	70.0	76.0
Operating profit ratio	6.0%	7.0%	6.0%	6.3%	7.2%	7.2%
ROIC	6.1%	7.3%	7.0%	-	7.5%	7.5%
Exchange rate (dollars)	JPY106	JPY112	JPY120	JPY120	JPY100	JPY120
[Reference] ROE	5.6%	8.5%	7.2%	-	8.0%	8.0%

## ■ Orders:

The initial plan is expected to be exceeded because order intake is strong

## ■ Net sales:

Exceed the plan, reflecting strong order intake

## ■ Operating profit:

Maintain the operating profit ratio and plan an increase in profit by factoring in the weaker yen and increased costs

## ■ ROIC:

Aim to achieve the initial target of 7.5% in the final fiscal year.

\*Revise the 2023 targets because of a change of the closing date

As of May 2021: Apr. 2023 to Mar. 2024

As of May 2022: Jan. 2023 to Dec. 2023

## ■ Investment plan

Unit: JPY billion	Capital investment	Research & development	M&A and new business
Key point	Focus on core businesses and investments in informatization	Strengthen of product capabilities to drive growth	Identify growth projects
3-year cumulative total (May 2021 → May 2022)	100.0→117.0	74.0→68.0	40.0
Actual results for FY2021 *	32.2	21.8	0
Forecast for FY2022 (9 months) *	43.5	20.0	-

\*Based on budget.

## ■ Capital investment:

Continue active investment.

## ■ Research &amp; development cost:

The estimated cumulative total is reduced because the fiscal year 2022 consists of 9 months

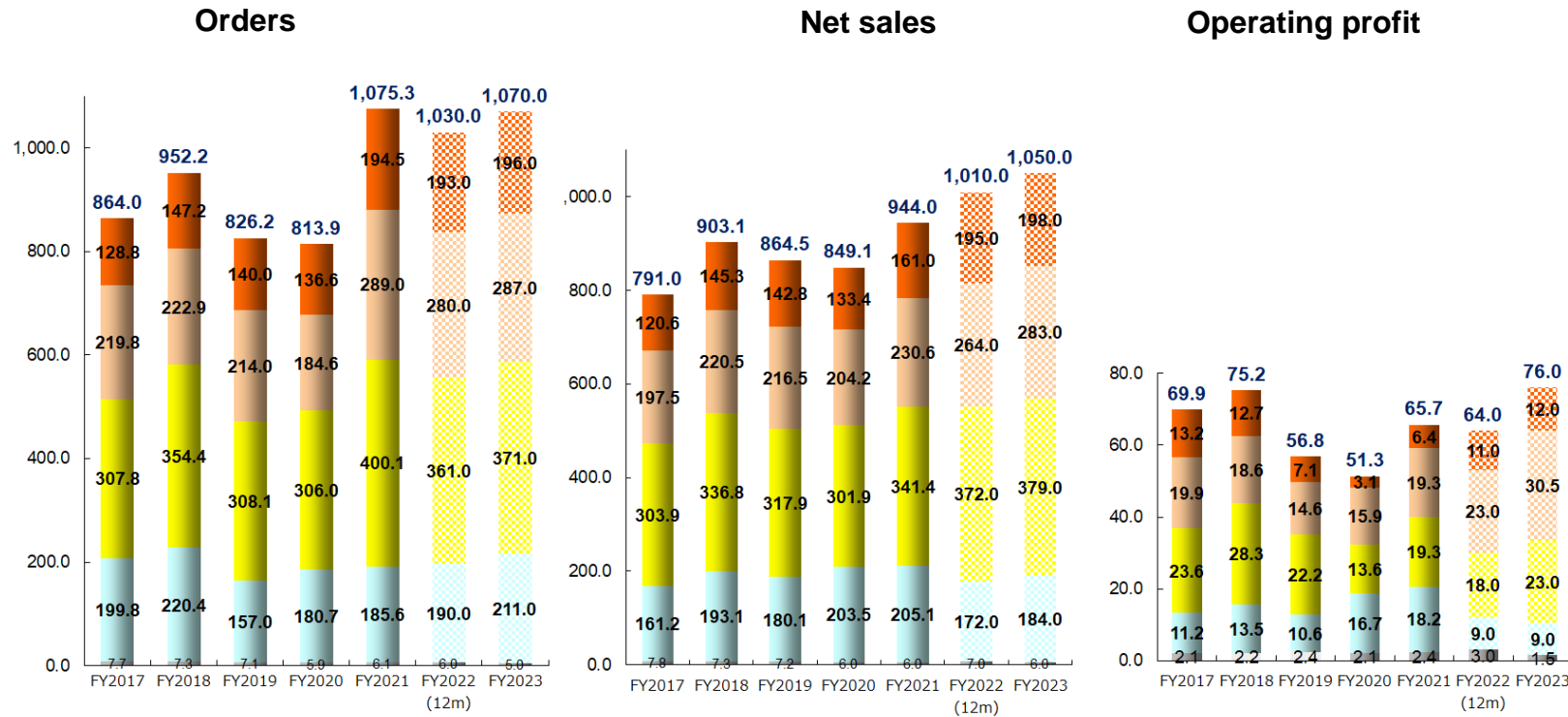
## ■ M&amp;A and new businesses:

Implement if there is any chance

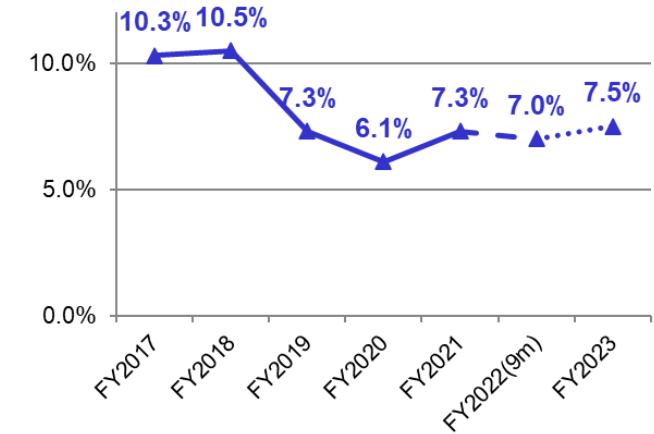
03

# “Medium-Term Management Plan 2023”: Changes in Financial Figures (Consolidated)

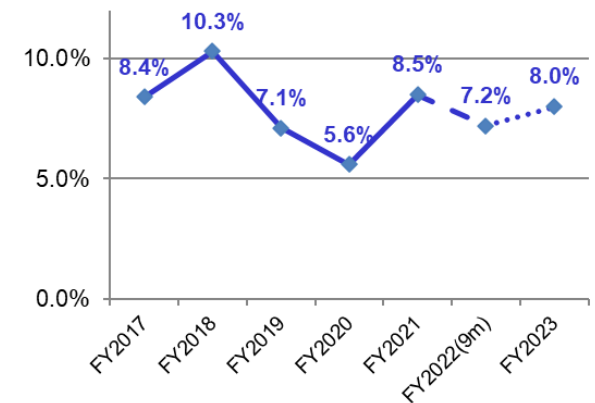
## ■ Changes in orders/sales/operating profit Unit: JPY billion



## ■ Changes in ROIC



## (Reference) Changes in ROE



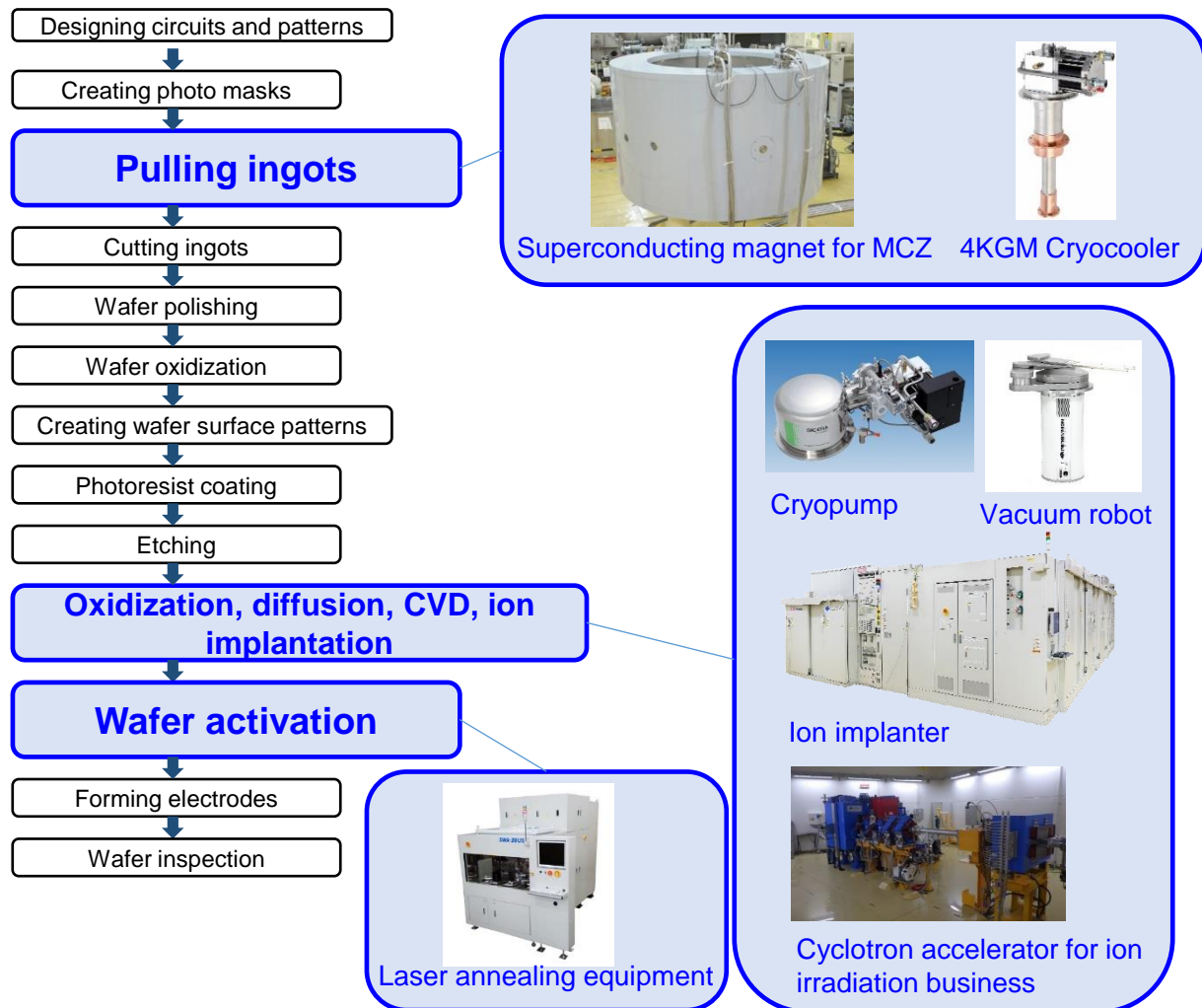
Basic policy	Specific developments
1. Develop a robust entity	<ul style="list-style-type: none"> <li>■ Actively made capital investments in growth areas and conducted research &amp; development activities</li> <li>■ Expanded the after-sales service business</li> <li>■ Ensured adequate business performance amid supply chain disruptions</li> </ul>
2. Make a reform to improve corporate value	<ul style="list-style-type: none"> <li>■ Achieved orders worth more than 1 trillion yen from the first fiscal year</li> <li>■ Made progress in terms of semiconductor models and electric control models</li> </ul> ...①
3. Shift to a company with a comfortable work environment	<ul style="list-style-type: none"> <li>■ Promoted gender diversity</li> <li>■ Stably conducted business amid the Covid-19 pandemic by promoting a remote work system</li> </ul>
4. Contribute to SDGs through products and services	<ul style="list-style-type: none"> <li>■ Promoted development activities and launched new products in the “Environment/Energy” and “Automation/Digitalization” fields</li> </ul> ...②
5. Reduce environmental burdens through our businesses	<ul style="list-style-type: none"> <li>■ Endorsed TCFD</li> <li>■ Set the 2030 CO2 emission reduction target</li> <li>■ Aim to achieve carbon neutrality by 2050</li> </ul> ...③

## 03

## “Medium-Term Management Plan 2023”: 2...① Our Semiconductor Production-related Businesses

## Semiconductor production processes\* (front-end)

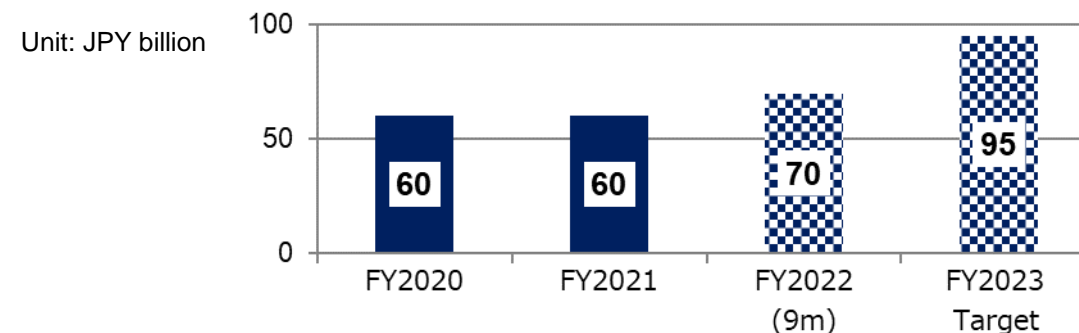
\*Classification of processes is based on materials prepared by the Semiconductor Equipment Association of Japan with some additions made by our company



## Products for semiconductor production that we possess and their key technologies

Product	Relationship with key technologies ◎: Close ○: Moderate		
	Beam control	Ultracold	Vacuum
Laser annealing equipment	◎		
4KGM Cryocooler/Cryopump		◎	◎
Vacuum robot			◎
Ion implanter	◎		○
Superconducting magnet for MCZ		◎	○
Ion irradiation business	◎		○

## Total sales from semiconductor production-related businesses (approximate numbers)



Key areas	Development targets	Actual results for FY2021
Environment	Develop environmental conservation technologies necessary for sustainable industries (Waste water/waste treatment technologies)	<ul style="list-style-type: none"> <li>■ New anaerobic treatment technology was used to significantly improve the speed at which fats and oils are broken down. Waste water was desulfurized. Power generation technology development was performed.</li> <li>■ To address the environmental issue associated with plastics, a polymerization process enabling quality plastics to be produced through chemical recycling of plastic waste was examined.</li> </ul>
Energy	Develop futuristic technologies towards a decarbonized society (Technologies to use carbon dioxide and waste heat; plant failure diagnosis/operation-support technologies)	<ul style="list-style-type: none"> <li>■ Development of CO2 fixation technologies using incinerated ash or algae and waste heat utilization technologies through chemical thermal storage was promoted.</li> <li>■ Development and demonstration of the plant operation support system (IZANA®*) were completed and the operation of the system was started in power generation facilities of our customer.</li> </ul>
Automation	Introduce intelligent/advanced moving objects and robot products; promote development towards production technology innovation	<ul style="list-style-type: none"> <li>■ Development of technologies for construction machinery operation support and automation using the MBD method was promoted. Testing for application to actual machines was performed.</li> <li>■ The scope of automation of material handling machines was expanded using sensing and information processing technologies.</li> </ul>
Digitalization	Improve intelligent technology and information infrastructure technology and implement various intelligent functions in products and services	<ul style="list-style-type: none"> <li>■ A prototype peripheral monitoring system for construction machinery using sensor fusion technologies was produced. Testing for application to actual machines was performed.</li> <li>■ Regarding failure diagnosis technologies for construction machinery, trial operation was started with regard to a specific market.</li> <li>■ Development of condition setting support and automation technologies for industrial machinery was promoted.</li> </ul>

\*IZANA is a registered trademark of Sumitomo Heavy Industries, Ltd.



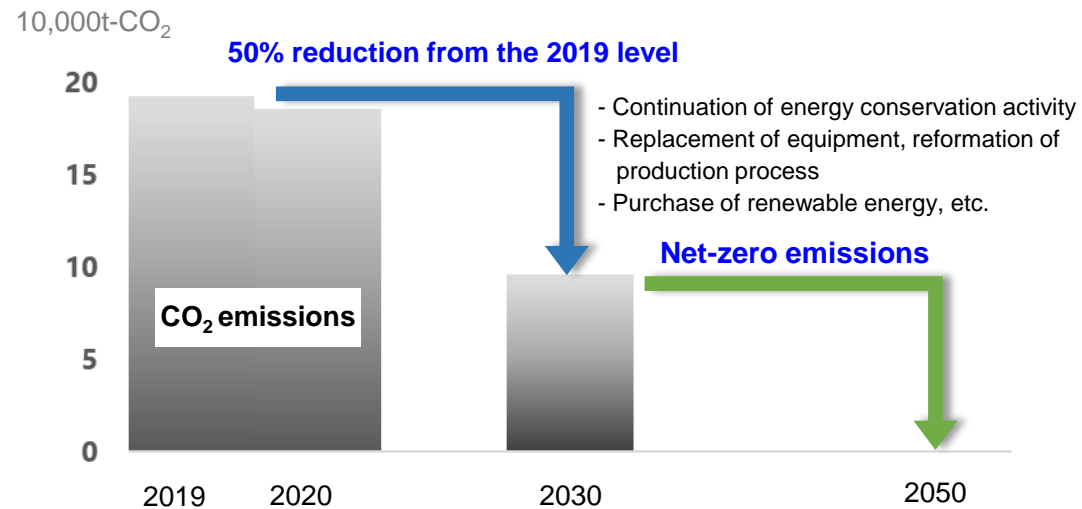
	Results of FY2021	Issue
<b>Overall</b>	<ul style="list-style-type: none"> <li>Established a basic sustainability policy</li> <li>Obtained a Bronze Medal from Eco Vadis*</li> <li>Increased non-financial information disclosure (Selected as a component of the ESG investment index “FTSE Blossom Japan Sector Relative Index”)</li> </ul>	<ul style="list-style-type: none"> <li>Promote CSV to improve social value</li> <li>Strengthen measures to respond to important issues of sustainability</li> <li>Improve the quantity and quality of disclosed information</li> </ul>
<b>Environment (E)</b>	<ul style="list-style-type: none"> <li>Accelerated response to climate change issues</li> <li>Endorsed TCFD</li> <li>Set the 2030 CO2 emission reduction target</li> <li>Aim to achieve carbon neutrality by 2050</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate risks and opportunities and formulate policies</li> <li>Draw up and implement a measure to achieve the CO2 emission reduction target and carbon neutrality</li> </ul>
<b>Society (S)</b>	<ul style="list-style-type: none"> <li>Strengthened CSR measures in the supply chain</li> <li>Implemented countermeasures against infectious diseases, including inoculations at workplaces</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen cooperation with suppliers</li> <li>Address human rights issues in the supply chain</li> <li>Realize the well-being of employees and contractors</li> </ul>
<b>Governance (G)</b>	<ul style="list-style-type: none"> <li>Increased the ratio of outside directors</li> <li>Appointed female outside auditors</li> <li>Established a basic anti-bribery policy</li> </ul>	<ul style="list-style-type: none"> <li>Further strengthen the presence of outside directors</li> <li>Gender diversity</li> </ul>

\*EcoVadis: One of the world’s largest providers of corporate sustainability ratings. It assesses the sustainability of more than 75,000 supplier companies in 160 countries worldwide in four areas: environment, labor and human rights, ethics, and sustainable procurement. The Bronze Medal is awarded to companies that meet certain criteria, such as achieving a score in the top 50% of their industry. Our group’s score was in the top 40% of the general machinery manufacturing industry.

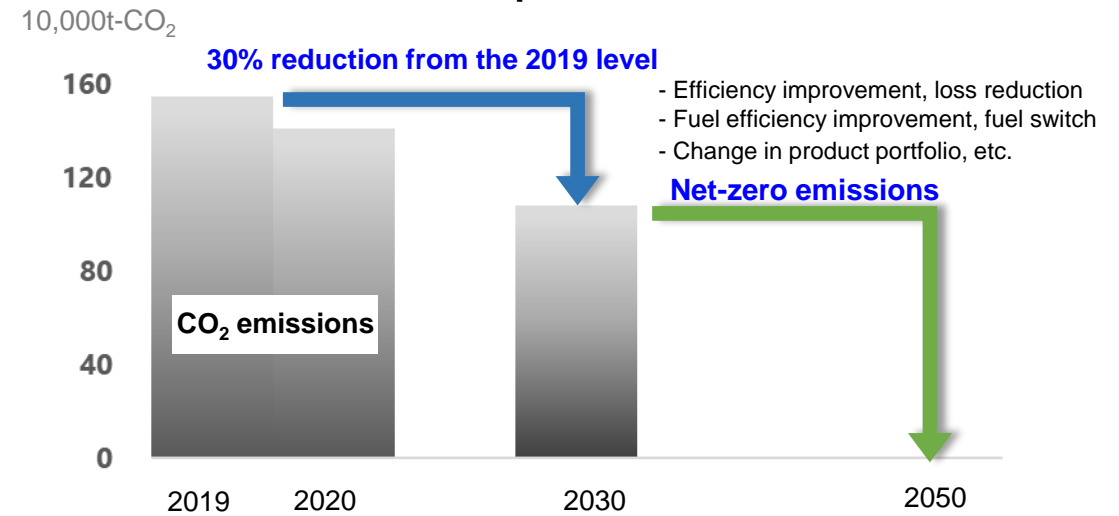
**Accelerating measures to address climate change**

- Reducing CO<sub>2</sub> emissions during production of our products (50% reduction by 2030 from the 2019 level)
- Reducing CO<sub>2</sub> emissions during use of our products (30% reduction by 2030 from the 2019 level)
- Aim to achieve carbon neutrality by 2050

**Reduction of CO<sub>2</sub> emissions from our group  
Scopes 1 and 2**



**Reduction of CO<sub>2</sub> emissions during use of our products  
Scope 3 Cat. 11**



**Contribute to measures to address climate change by reducing CO<sub>2</sub> emissions through our production activities, products and services**  
**⇒ Value creation story in the environmental field**





All forward-looking statements regarding the company's future performance are based on information currently available to Sumitomo Heavy Industries and determined subjectively. Future performance is not guaranteed and all information related to future performance contained herein is subject to changes in business environments.