

# Financial Summary for Q2 FY2022 Projections for FY2022

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2022/11/11



Sumitomo Heavy Industries, Ltd.

President Shinji Shimomura

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## 01

# Financial Summary for Q2 FY2022

## 01

# Change in Fiscal Year End (Financial Year End)

## (Reproduction of Announcement Made in May 2022)

### [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”).

	FY2021	FY2022	1Q	2Q	3Q	FY2023
Domestic	April 2021 to March 2022	April 2022 to December 2022 (9 months)	April to June (3 months)	July to September	October to December	January 2023 to December 2023
Overseas	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
Domestic		1Q	2Q	3Q	
		1H of FY2022		2H of FY2022	
		FY2022 Domestic 9 months			
Overseas	1Q	2Q	3Q		
		1H of FY2022		2H of FY2022	
	FY2022 Overseas 12 months				

## 01

## Financial Summary for Q2 FY2022

## &lt;Year-on-year comparison&gt;

- **Orders:** Global demand for machinery was in an upward trend and orders increased year-on-year in all segments.
- **Net sales:** Increased because of the impact of yen depreciation but the increase was limited due to production constraints resulting from procurement difficulty, a difference in progress of construction work in the Energy & Lifelines segment, and other factors.
- **Operating profit:** Although the depreciation of the yen positively affected operating profit, it decreased year-on-year due to price increases of raw materials and procured products, reduced sales resulting from a difference in progress of construction work, declining profit margins and other factors.

\*For both FY2021 and FY2022  
 Subsidiaries in Japan: 6 months from Apr to Sep  
 Overseas subsidiaries: 9 months from Jan to Sep

Unit: JPY billion	FY2021			FY2022			Changes (from 1H of 2022 - 1H of 2021)
	Actual 1Q (Apr-Jun)	Actual 2Q (Jul-Sep)	Actual 1H*	Actual 1Q (Apr-Jun)	Actual 2Q (Jul-Sep)	Actual 1H*	
Orders	351.1	258.6	609.7	400.9	304.5	705.4	95.6
Net sales	310.7	222.4	533.1	314.2	262.4	576.6	43.5
Operating profit	19.2	11.7	31.0	14.8	12.0	26.7	(4.2)
Operating profit ratio	6.2%	5.3%	5.8%	4.7%	4.6%	4.6%	(1.2%)
Ordinary profit	19.3	11.4	30.6	16.6	12.0	28.5	(2.1)
Ordinary profit ratio	6.2%	5.1%	5.7%	5.3%	4.6%	4.9%	(0.8%)
Extraordinary loss	(0.1)	(0.1)	(0.3)	0.5	(0.1)	0.5	0.7
Profit before income taxes	19.1	11.2	30.4	17.1	11.9	29.0	(1.4)
Profit attributable to owners of parent	11.8	7.9	19.7	10.3	8.7	19.0	(0.7)
Profit ratio attributable to owners of parent	3.8%	3.5%	3.7%	3.3%	3.3%	3.3%	(0.4%)
Dividend per share			JPY35			JPY45	
Currency exchange rate (US dollars)			JPY108			JPY132	

## 01

## Performance by Segment

- (1) **Orders:** Significantly increased partly because of strong demand for semiconductor-related products and receipt of orders for large-scale projects for biomass-fueled power generation plants in Japan as well as robust demand for small-to-medium sized gear reducers, precision gears for robot articulations and motors in Japan, Europe and the US.
- (2) **Net sales:** The increase was limited due to production constraints resulting from procurement difficulty in the Industrial Machinery and Logistics & Construction segments, a difference in progress of construction work in the Energy & Lifelines segment, and other factors.
- (3) **Operating profit:** Operating profit decreased due to price increases of raw materials and procured products and declining profit margins of energy plants.

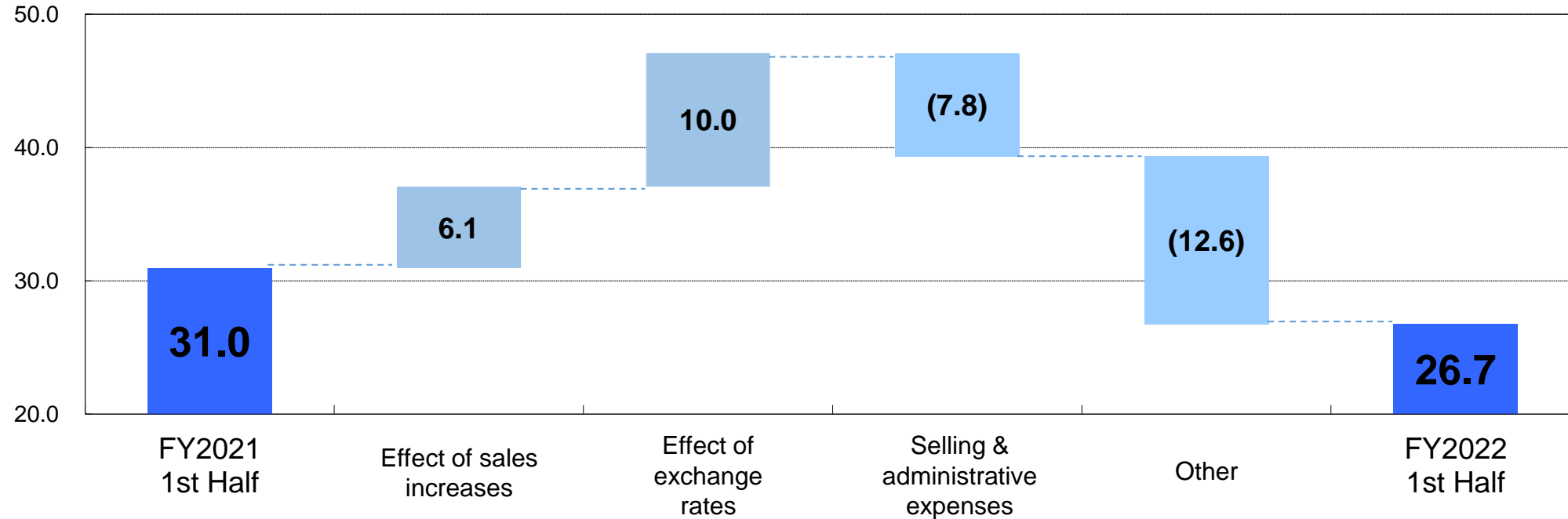
\*For both FY2021 and FY2022  
 Subsidiaries in Japan: 6 months from Apr to Sep  
 Overseas subsidiaries: 9 months from Jan to Sep

Unit: JPY billion	Orders (1)			Net sales (2)			Operating Profit (3)				
	Actual 1H* FY2021	Actual 1H* FY2022	Change	Actual 1H* FY2021	Actual 1H* FY2022	Change	Actual 1H* FY2021/Operating profit ratio (%)		Actual 1H* FY2022/Operating profit ratio (%)		Change
<b>Mechatronics</b>	123.9	151.5	27.7	101.9	126.9	25.0	3.9	3.8	4.7	3.7	0.8
(Plastics machinery)	78.8	67.8	(11.0)	70.7	66.4	(4.4)					
(Others)	83.8	125.3	41.5	62.2	85.9	23.8					
<b>Industrial Machinery</b>	162.6	193.1	30.6	132.9	152.3	19.4	10.0	7.5	13.4	8.8	3.4
(Hydraulic excavators)	150.4	159.7	9.3	122.2	119.1	(3.1)					
(Others)	82.1	88.0	5.9	72.6	83.0	10.4					
<b>Logistics &amp; Construction</b>	232.5	247.7	15.3	194.8	202.2	7.4	10.2	5.2	9.6	4.8	(0.6)
<b>Energy &amp; Lifelines</b>	87.5	110.1	22.6	100.6	92.6	(8.0)	5.9	5.8	(1.8)	(2.0)	(7.7)
<b>Others</b>	3.3	2.9	(0.5)	2.9	2.7	(0.2)	1.1	-	0.8	-	(0.2)
<b>Total</b>	609.7	705.4	95.6	533.1	576.6	43.5	31.0	5.8	26.7	4.6	(4.2)

## 01

## Analysis of Changes in Operating Profit

Unit: JPY billion



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

Unit: JPY billion

Mechatronics	4.1
Industrial Machinery	5.1
Logistics & Construction	(1.4)
Energy & Lifelines, and others	(1.8)

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

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

## &lt;Other&gt;

Impact from price increases of raw materials and procured products: decrease of JPY11.0 billion

Improvement by price transfer: increase of JPY5.0 billion etc.

## 01

## Consolidated Balance Sheet (Assets)

Unit: JPY billion	March 2022	September 2022	Change
<b>Current Assets</b>	<b>648.1</b>	<b>705.9</b>	<b>57.8</b>
Cash and deposits	88.8	103.0	14.2
Contract assets	294.8	287.0	(7.8)
Inventories	232.1	280.2	48.1
Others	32.4	35.7	3.3
<b>Non-current Assets</b>	<b>446.8</b>	<b>473.5</b>	<b>26.6</b>
Property, plant and equipment	301.0	319.4	18.4
Intangible assets	77.6	78.8	1.2
Investments and other assets	68.3	75.3	7.0
<b>Total</b>	<b>1,094.9</b>	<b>1,179.4</b>	<b>84.5</b>

## ■ Total assets:

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

## ■ Contract assets:

Decreased as a result of collection of accounts receivable in the Energy & Lifelines segment.

## ■ Inventories:

Increased in all segments due to increased orders. Impacted by prolongation of lead times due to a delay in parts procurement and insufficient production capacity.

## ■ Property, plant and equipment:

Increased due to active capital investment.



## 01

## Consolidated Balance Sheet (Liabilities and Net Assets)

Unit: JPY billion	March 2022	September 2022	Change
<b>Liabilities</b>	<b>528.1</b>	<b>560.6</b>	<b>32.5</b>
Notes and accounts payable - trade	172.6	170.3	(2.3)
Interest-bearing debts	111.3	132.9	21.7
Others	244.2	257.3	13.1
<b>Net Assets</b>	<b>566.8</b>	<b>618.9</b>	<b>52.0</b>
Shareholders' equity	478.9	488.1	9.2
Accumulated other comprehensive income	72.5	115.5	43.0
Non-controlling interests	15.5	15.3	(0.2)
<b>Total liabilities and net assets</b>	<b>1,094.9</b>	<b>1,179.4</b>	<b>84.5</b>
Net interest-bearing debts ratio	2.1%	2.5%	0.5%
Shareholders' equity ratio	50.4%	51.2%	0.8%

■ Notes and accounts payable – trade:  
Decreased due to difficulty in parts procurement in the Logistics & Construction segment.

■ Interest-bearing debts:  
Net interest-bearing debts after deduction of cash and deposits increased by JPY7.4 billion.

■ Net Assets:  
Retained earnings increased by JPY9.2 billion.  
Foreign currency translation adjustments increased by JPY45.1 billion due to the weaker yen.

## Consolidated Cash Flows Statement

Unit: JPY billion

Item	2022/1H
<b>Operating Activities</b>	<b>24.2</b>
Profit before income taxes	29.0
Depreciation	20.6
Working capital	(13.8)
Other (such as taxes)	(11.6)
<b>Investing Activities</b>	<b>(21.6)</b>
<b>(Free Cash Flows)</b>	<b>2.7</b>
<b>Financing Activities</b>	<b>5.7</b>
Net increase (decrease) in cash and cash equivalents	14.7
Cash and cash equivalents at the end of the period	99.7

■ Cash flows from operating activities:  
JPY24.2 billion due to an increase in working capital.

■ Cash flows from investing activities:  
High-level investment continued to be made.

## ■ Trend of cash flow indicators

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022/1H
Free cash flow (JPY billion)	33.3	0.2	(21.5)	20.4	12.0	2.7
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

## Performance Forecast for FY2022

- Capital investment and demand for machinery are expected to continue to be strong until the end of this fiscal year.
- Cost-increasing factors that can be ascertained as of now have been reflected in earnings forecasts.
- Disruptions in supply chains will continue to affect the procurement of semiconductors.
- The outlook for geopolitical risks, excessive yen depreciation, the impact of the infectious disease, etc. is uncertain and such risks, impact, etc. need to be monitored.

	Domestic	Overseas
*1	6 months from Apr. to Sep. 2021/2022	9 months from Jan. to Sep. 2021/2022
*2	9 months from Apr. to Dec. 2021/2022	12 months from Jan. to Dec. 2021/2022
*3	12 months from Apr. 2021 to Mar. 2022	12 months from Jan. to Dec. 2021

The same applies to all the following tables

Unit: JPY billion	Actual 1H* FY2021 (2021.4-2021.9)	Actual 1H* FY2022 (2022.4-2022.9)	Actual FY2021 *2 (2021.4-2021.12)	[Ref.] Forecast FY2022 *2 (As of May 2022) (2022.4-2022.12)	Forecast FY2022 *2 (As of November 2022) (2022.4-2022.12)
Orders	609.7	705.4	895.2	880.0	970.0
Net sales	533.1	576.6	779.8	850.0	870.0
Operating profit	31.0	26.7	50.6	51.0	43.0
Operating profit ratio	5.8%	4.6%	6.5%	6.0%	4.9%
Ordinary profit	30.6	28.5	49.3	49.0	44.0
Ordinary profit ratio	5.7%	4.9%	6.3%	5.8%	5.1%
Extraordinary loss	(0.3)	0.5	(0.4)	(2.0)	(2.0)
Profit attributable to owners of parent	19.7	19.0	32.4	30.0	26.0
Profit ratio attributable to owners of parent	3.7%	3.3%	4.2%	3.5%	3.0%
Dividend per share	JPY35	JPY45	*3 JPY115	JPY90	JPY90
Dividend payout ratio			*3 32.0%	36.8%	42.4%
ROIC (after Tax)			*3 7.3%	7.0%	5.8%
[Ref.] ROE			*3 8.5%	7.2%	6.0%
Currency exchange rate (US dollars)	JPY108	JPY132	*3 JPY112	JPY120	JPY145

## 02

## Performance Forecast by Segment for FY2022

		Orders			Net sales			Operating Profit					
		Actual 1H*1 FY2022	[Reference] Forecast FY2022*2 (As of May 2022)	Forecast FY2022*2	Actual 1H*1 FY2022	[Reference] Forecast FY2022*2 (As of May 2022)	Forecast FY2022*2	Actual 1H*1 FY2022 /Operating profit ratio (%)		[Reference] Forecast FY2022*2 (As of May 2022) /Operating profit ratio (%)		Forecast FY2022*2 /Operating profit ratio (%)	
Unit: JPY billion													
Mechatronics		151.5	174.0	203.0	126.9	176.0	186.0	4.7	3.7	9.5	5.4	7.0	3.7
	(Plastics machinery)	67.8	94.0	96.0	66.4	96.0	97.0						
	(Others)	125.3	144.0	172.0	85.9	126.0	129.0						
Industrial Machinery		193.1	238.0	268.0	152.3	222.0	226.0	13.4	8.8	17.0	7.7	16.0	7.1
	(Hydraulic excavators)	159.7	193.0	228.0	119.1	198.0	193.0						
	(Others)	88.0	108.0	117.0	83.0	110.0	116.0						
Logistics & Construction		247.7	301.0	345.0	202.2	308.0	309.0	9.6	4.8	14.5	4.7	15.0	4.8
Energy & Lifelines		110.1	163.0	148.0	92.6	139.0	143.0	(1.8)	(2.0)	7.5	5.4	1.0	0.7
Others		2.9	4.0	6.0	2.7	5.0	6.0	0.8	-	2.5	-	4.0	-
Total		705.4	880.0	970.0	576.6	850.0	870.0	26.7	4.7	51.0	6.0	43.0	4.9

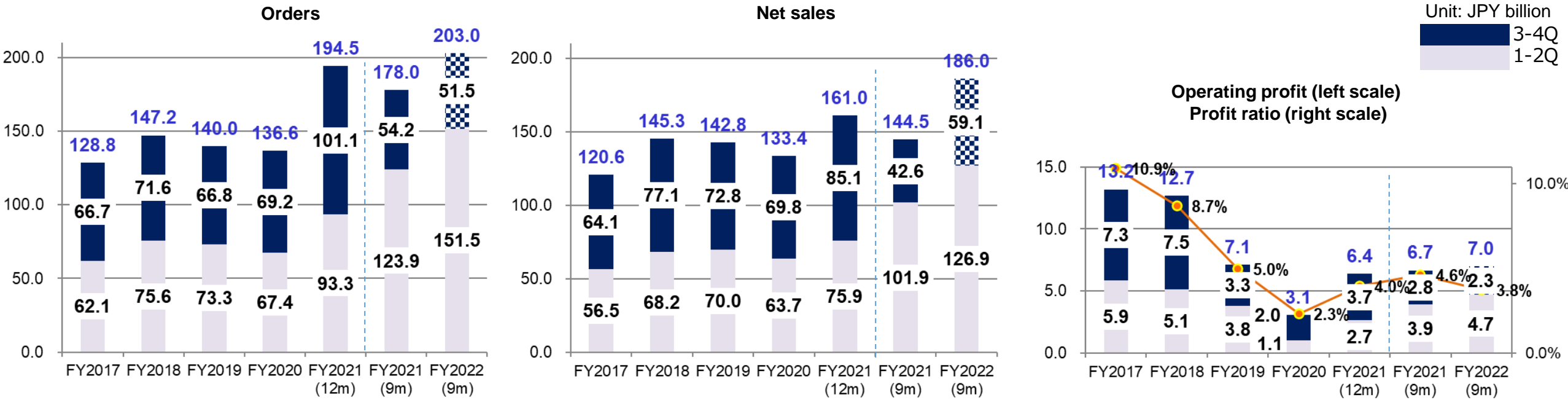
**1H FY2022:** Orders and sales increased due to a rise in demand for small-to-medium sized gear reducers, precision gears for robot articulations and motors in Japan, Europe and the US. Although operating profit was positively impacted by increased sales and yen depreciation, its improvement was limited due to an increase in costs for materials and transportation.

**FY2022:** We assume that the market condition will be strong and have revised upward the previous forecast for orders and sales. Meanwhile, we have revised downward the forecast for operating profit because of a higher rise in costs for materials and transportation than initially expected.

Unit: JPY billion	FY2021			FY2022				Change (1H of FY2022 - 1H of FY 2021)
	Actual 1H*1	Actual (9 months)*2	Actual (12 months)*3	Actual 1H*1	[Ref.] Forecast May 2022 *2	Forecast November 2022 *2	Estimated change	
Orders	123.9	178.0	194.5	151.5	174.0	203.0	29.0	27.7
Net sales	101.9	144.5	161.0	126.9	176.0	186.0	10.0	25.0
Operating profit	3.9	6.7	6.4	4.7	9.5	7.0	(2.5)	0.8
Operating profit ratio (%)	3.8	4.6	4.0	3.7	5.4	3.7	(1.6)	(0.1)
Backlog of orders	62.9	87.6	87.6	112.2				

## 02

## Mechatronics



## [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
1H FY2022*1	40%	20%	10%	10%	20%	100%
FY2021	40%	20%	10%	10%	20%	100%

## 02

## Industrial Machinery

## &lt;Plastics machinery&gt;

**1H FY2022:** Orders, sales and operating profit all decreased due to the cooling of demand from China and Europe, which had been strong in the first half.

**FY2022:** As there is almost no change from the previous forecast, orders and sales will increase slightly but operating profit will decrease due partly to a rise in materials costs.

## &lt;Others&gt;

**1H FY2022:** A rise in demand for semiconductor-related products led to increases in orders, sales and operating profit.

**FY2022:** We expect demand for semiconductor-related products to continue to be strong. Although we have revised upward the previous forecast for orders, we expect operating profit to slightly decrease due partly to a rise in materials costs.

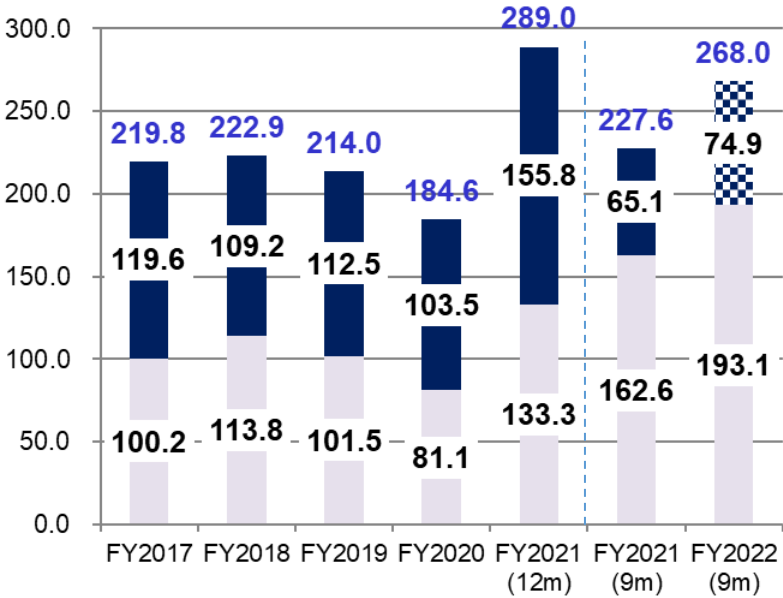
Unit: JPY billion	FY2021			FY2022				Change (1H of FY2022 - 1H of FY2021)
	Actual 1H*1	Actual (9 months)*2	Actual (12 months)*3	Actual 1H*1	[Ref.] Forecast May 2022 *2	Forecast November 2022 *2	Estimated change	
Plastics machinery	78.8	104.3	113.7	67.8	94.0	96.0	2.0	(11.0)
Others	83.8	123.4	175.4	125.3	144.0	172.0	28.0	41.5
<b>Orders</b>	<b>162.6</b>	<b>227.6</b>	<b>289.0</b>	<b>193.1</b>	<b>238.0</b>	<b>268.0</b>	<b>30.0</b>	<b>30.6</b>
Plastics machinery	70.7	96.4	105.8	66.4	96.0	97.0	1.0	(4.4)
Others	62.2	94.8	124.8	85.9	126.0	129.0	3.0	23.8
<b>Net sales</b>	<b>132.9</b>	<b>191.3</b>	<b>230.6</b>	<b>152.3</b>	<b>222.0</b>	<b>226.0</b>	<b>4.0</b>	<b>19.4</b>
<b>Operating profit</b>	<b>10.0</b>	<b>14.2</b>	<b>19.3</b>	<b>13.4</b>	<b>17.0</b>	<b>16.0</b>	<b>(1.0)</b>	<b>3.4</b>
<b>Operating profit ratio (%)</b>	<b>7.5</b>	<b>7.4</b>	<b>8.4</b>	<b>8.8</b>	<b>7.7</b>	<b>7.1</b>	<b>(0.6)</b>	<b>1.3</b>
<b>Backlog of orders</b>	<b>103.0</b>	<b>151.0</b>	<b>151.0</b>	<b>191.8</b>				



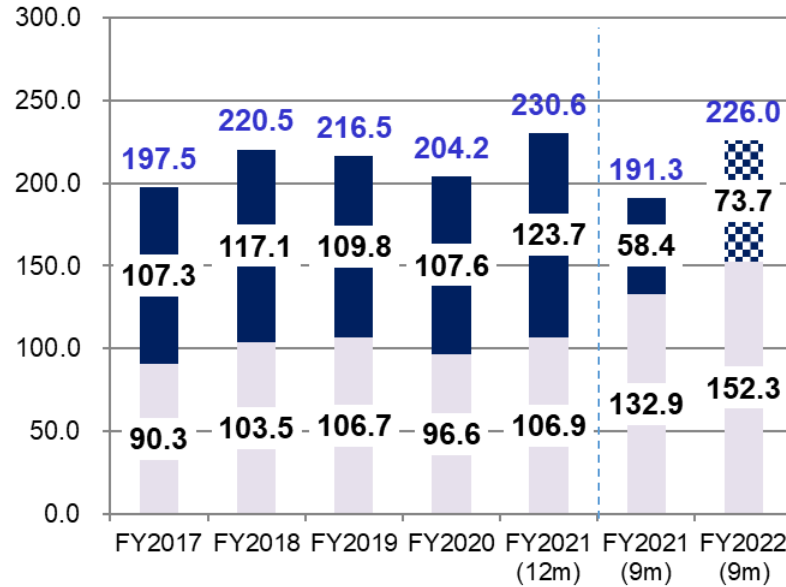
## 02

## Industrial Machinery

Orders



Net sales



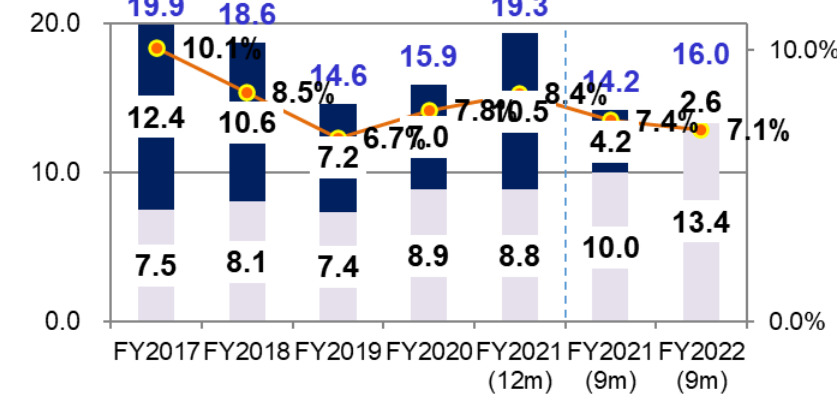
Unit: JPY billion

3-4Q

1-2Q

Operating profit (left scale)

Profit ratio (right scale)



## &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
1H FY2022*1	20%	15%	50%	15%	100%
FY2021	25%	15%	45%	15%	100%

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

Unit: JPY billion	Actual FY2020	Actual FY2021	Actual 1H FY2022*1	Forecast FY2022
Orders	23.0	61.0	32.0	43.0
Sales	40.0	36.0	27.0	36.0

## 02

## Logistics &amp; Construction

## &lt;Hydraulic excavators&gt;

**1H FY2022:** Demand from the Chinese market decreased significantly due to an economic slowdown and lockdowns in the country but demand from Japan and North America was strong, resulting in an increase in orders. Meanwhile, sales and operating profit decreased due partly to a slowdown in China and production constraints due to procurement difficulty.

**FY2022:** We have revised upward the previous forecast for orders but have revised downward the previous forecast for sales and operating profit due partly to production constraints due to procurement difficulty.

## &lt;Others&gt;

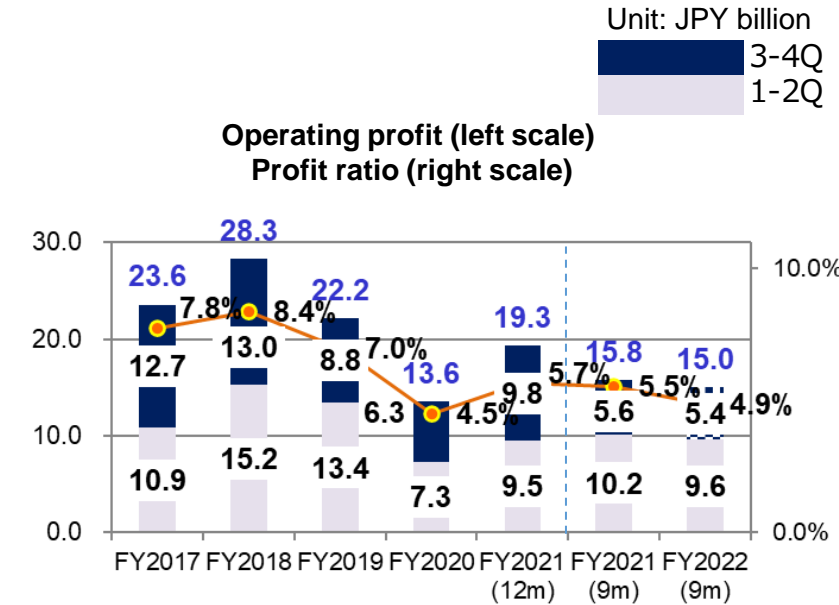
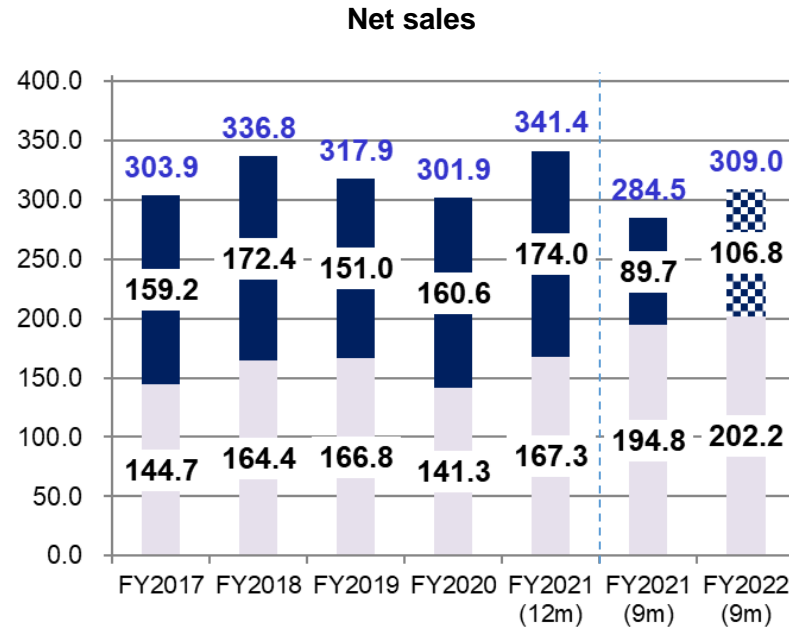
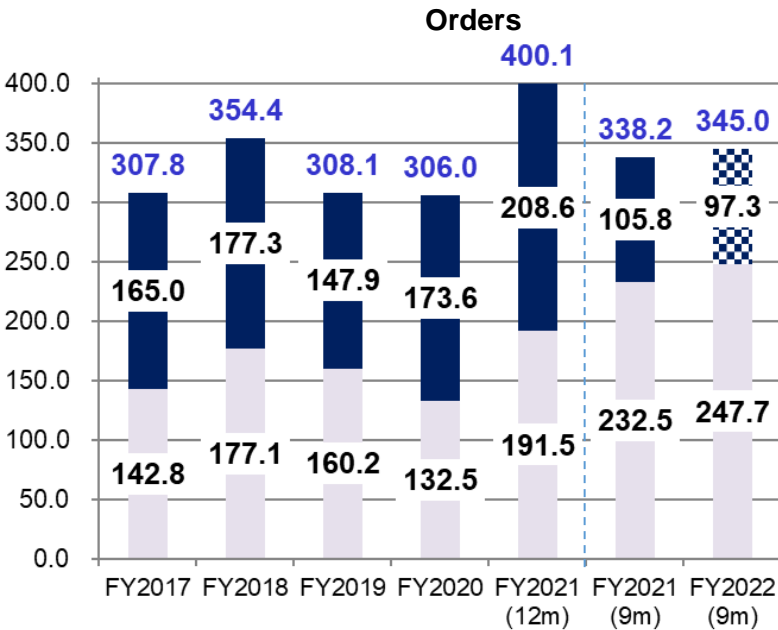
**1H FY2022:** The mobile crane business saw increases in all of orders, sales and operating profit partly because demand was strong in North America. In the material handling system business, orders decreased slightly due to a delay in recovery of demand in some segments but sales and operating profit increased because there was a backlog of orders.

**FY2022:** We have revised upward the previous forecast for all of orders, sales and operating profit due to an increase in demand for mobile cranes in North America in particular.

Unit: JPY billion	FY2021			FY2022				Change (1H of FY2022 - 1H of FY2021)
	Actual 1H*1	Actual (9 months)*2	Actual (12 months)*3	Actual 1H*1	[Ref.] Forecast May 2022 *2	Forecast November 2022 *2	Estimated change	
Hydraulic excavators	150.4	216.0	253.8	159.7	193.0	228.0	35.0	9.3
Others	82.1	122.2	146.3	88.0	108.0	117.0	9.0	5.9
<b>Orders</b>	<b>232.5</b>	<b>338.2</b>	<b>400.1</b>	<b>247.7</b>	<b>301.0</b>	<b>345.0</b>	<b>44.0</b>	<b>15.3</b>
Hydraulic excavators	122.2	177.3	210.7	119.1	198.0	193.0	(5.0)	(3.1)
Others	72.6	107.2	130.7	83.0	110.0	116.0	6.0	10.4
<b>Net sales</b>	<b>194.8</b>	<b>284.5</b>	<b>341.4</b>	<b>202.2</b>	<b>308.0</b>	<b>309.0</b>	<b>1.0</b>	<b>7.4</b>
<b>Operating profit</b>	<b>10.2</b>	<b>15.8</b>	<b>19.3</b>	<b>9.6</b>	<b>14.5</b>	<b>15.0</b>	<b>0.5</b>	<b>(0.6)</b>
<b>Operating profit ratio (%)</b>	<b>5.2</b>	<b>5.5</b>	<b>5.7</b>	<b>4.8</b>	<b>4.7</b>	<b>4.8</b>	<b>0.1</b>	<b>(0.5)</b>
<b>Backlog of orders</b>	<b>141.1</b>	<b>201.5</b>	<b>201.5</b>	<b>247.1</b>				

## 02

## Logistics &amp; Construction



## &lt;Reference&gt;

## - 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
Forecast FY2022*2	Demand	4.1	4.3	2.8	1.8	2.5	-	
1H FY2022*1	Net sales	36.5	8.7	21.5	10.0	33.8	8.5	119.1
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

\*Foreign capital only

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

	Electric power	Steel	Ship-building	Port	Other	Total
1H FY2022*1	0%	50%	35%	0%	15%	100%
FY2021	40%	25%	15%	10%	10%	100%

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

Unit: JPY billion	Actual FY2020	Actual FY2021	Actual 1H FY2022*1	Forecast FY2022
Orders	28.0	43.0	24.0	32.0
Sales	31.0	37.0	19.0	29.0

## 02

## Energy &amp; Lifelines

**1H FY2022:** Orders in the energy plant business increased partly because orders were received for large-scale projects for biomass-fueled power generation plants in Japan. Meanwhile, sales decreased due to a decrease in a backlog of orders in Japan, and an operating loss was recorded due to a reduction in sales and declining profit margins for large-scale projects in Europe.

For other product areas, orders, sales and operating profit all increased.

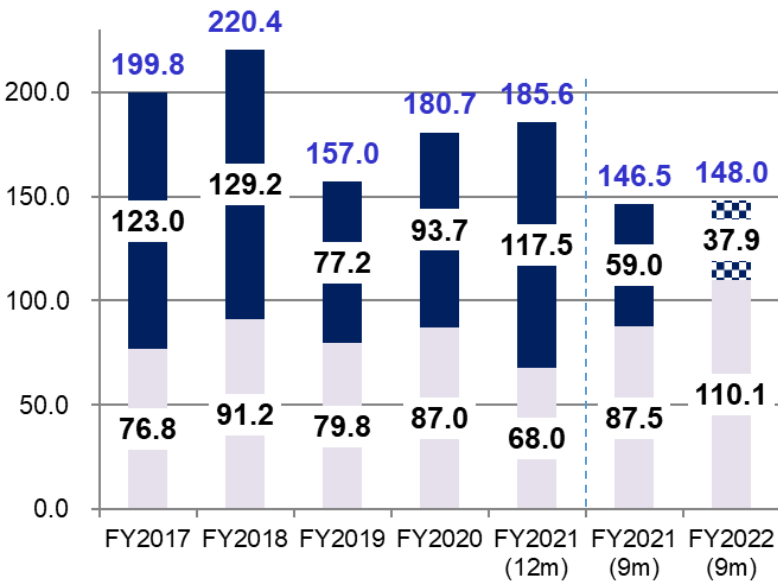
**FY2022:** For the energy plant business, we have revised downward the previous forecast for orders partly because contracts for large-scale projects will be formed later than expected. Also, we have revised downward the forecast for operating profit due partly to declining profit margins for overseas projects.

Unit: JPY billion	FY2021			FY2022				Change (1H of FY2022 - 1H of FY2021)
	Actual 1H*1	Actual (9 months)*2	Actual (12 months)*3	Actual 1H*1	[Ref.] Forecast May 2022 *2	Forecast November 2022 *2	Estimated change	
Orders	87.5	146.5	185.6	110.1	163.0	148.0	(15.0)	22.6
Net sales	100.6	155.0	205.1	92.6	139.0	143.0	4.0	(8.0)
Operating profit	5.9	12.4	18.2	(1.8)	7.5	1.0	(6.5)	(7.7)
Operating profit ratio (%)	5.8	8.0	8.9	(2.0)	5.4	0.7	(4.7)	(7.8)
Backlog of orders	263.5	246.8	246.8	264.3				

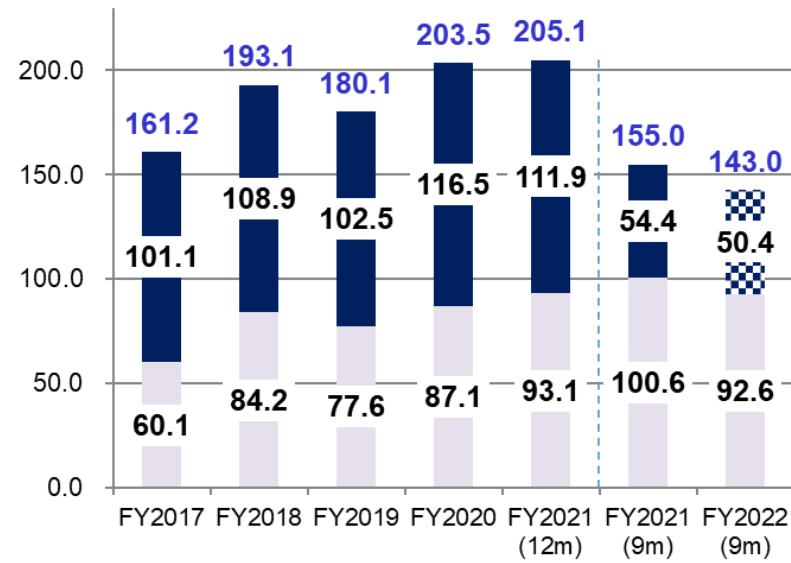
## 02

## Energy &amp; Lifelines

Orders

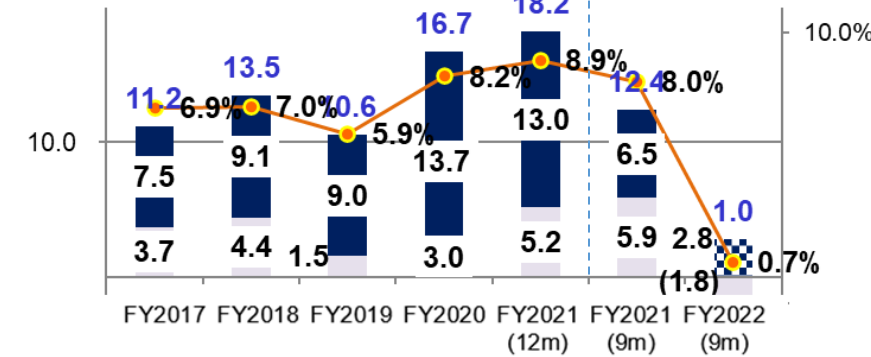


Net sales



Unit: JPY billion

 3-4Q  
 1-2Q

 Operating profit (left scale)  
 Profit ratio (right scale)


## &lt;Reference&gt;

## - Energy plant business: main projects for which orders were received in 1H FY2022

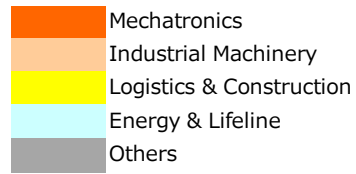
Customer	Construction site	Planned timing of operation start	Boiler type*
Tosoh Corporation	Shunan City, Yamaguchi Prefecture	2026	74MW Class CFB *1
Jämtkraft AB	Sweden	2025	25MW Class BFB *2

\*1 CFB: Circulating Fluidized Bed

\*2 BFB: Bubbling Fluidized Bed

Ref.

# Company-wide Changes in Orders/Sales/Operating Profit

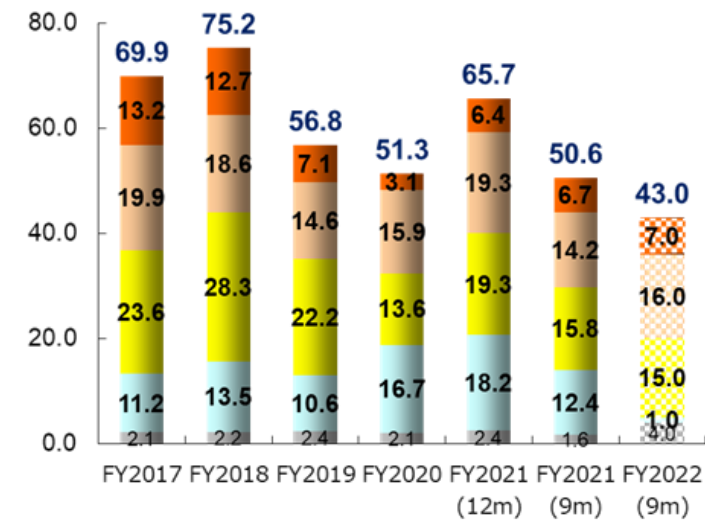
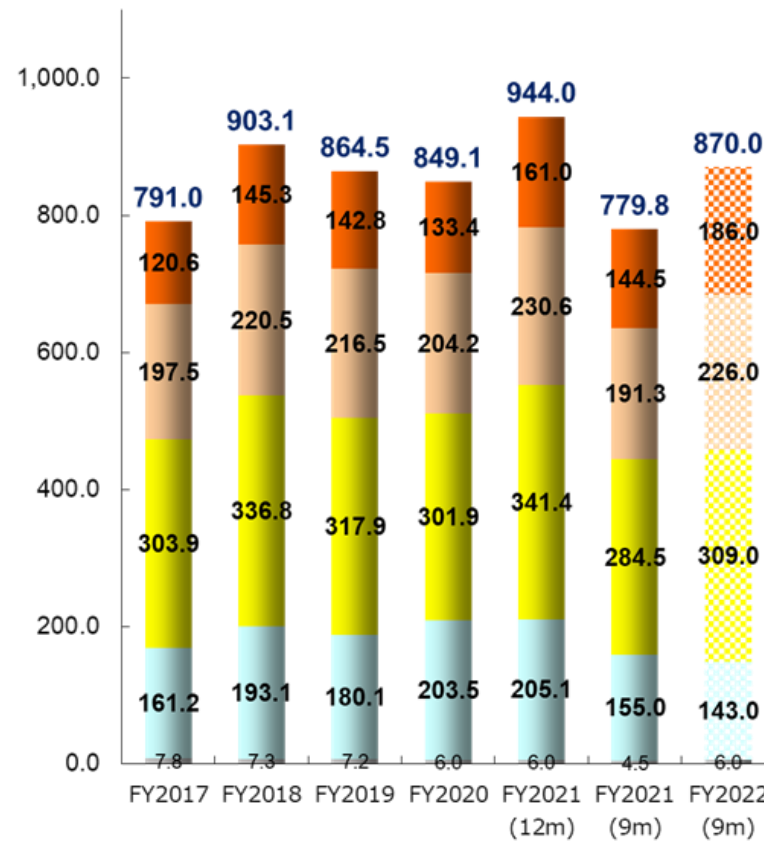
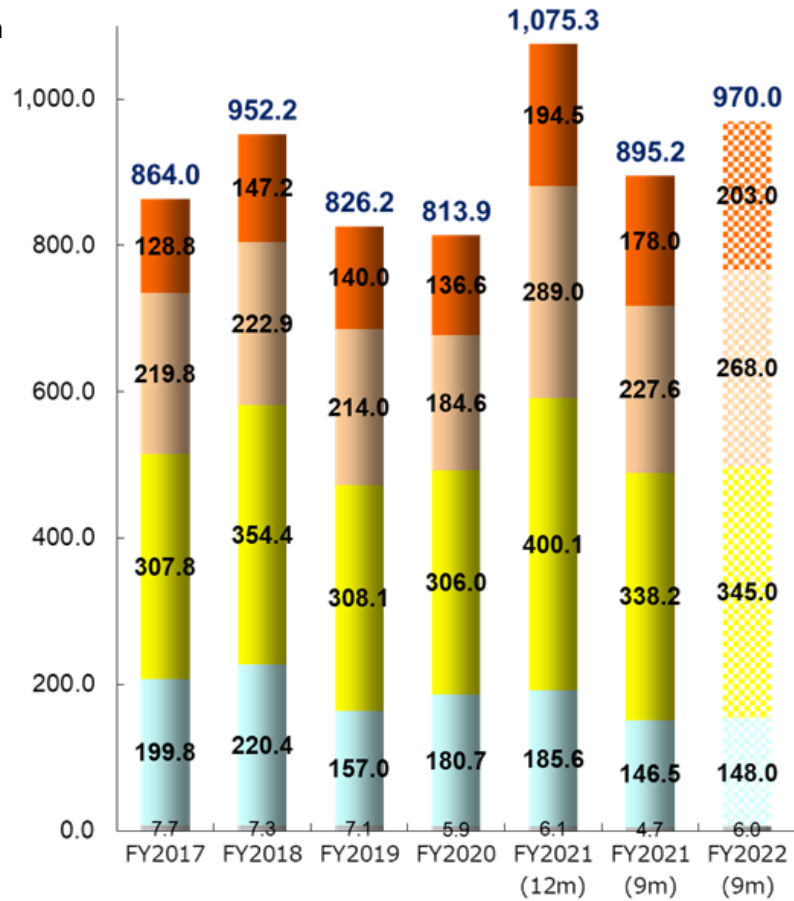


Orders

Net sales

Operating profit

Unit: JPY billion



# Segment Breakdown (Plastics Machinery and Hydraulic Excavators)

## Sales of the Semiconductor-Related Product Business

### Plastics machinery

Orders

Net sales

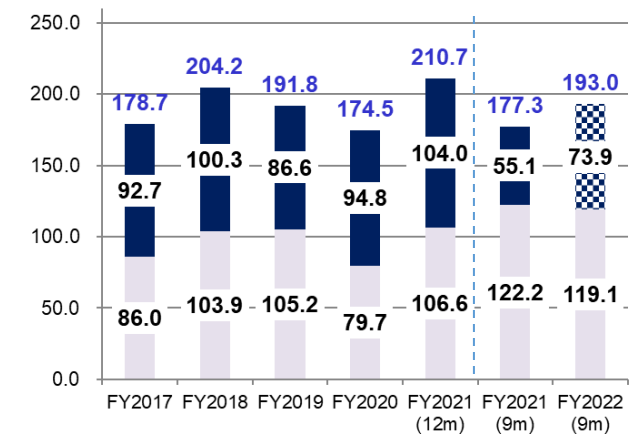
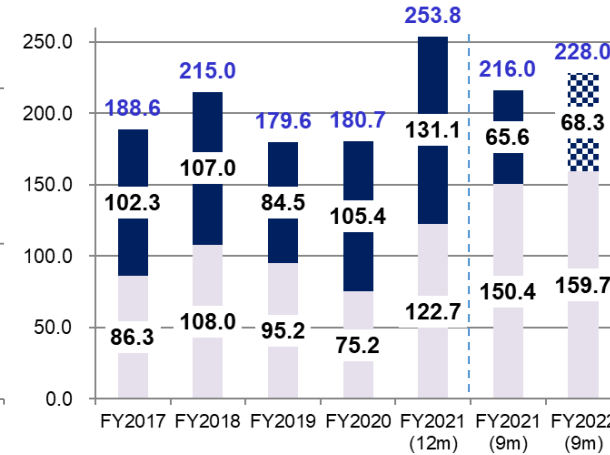
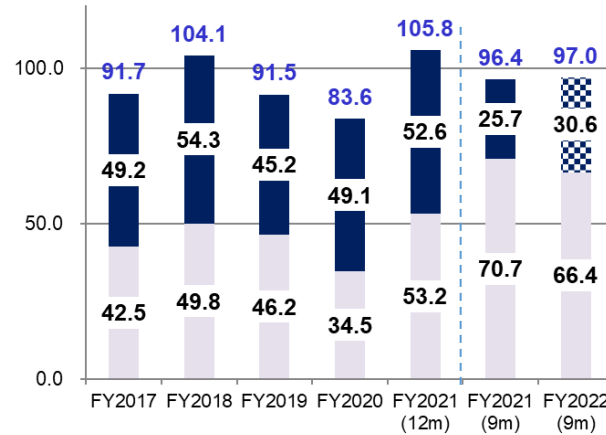
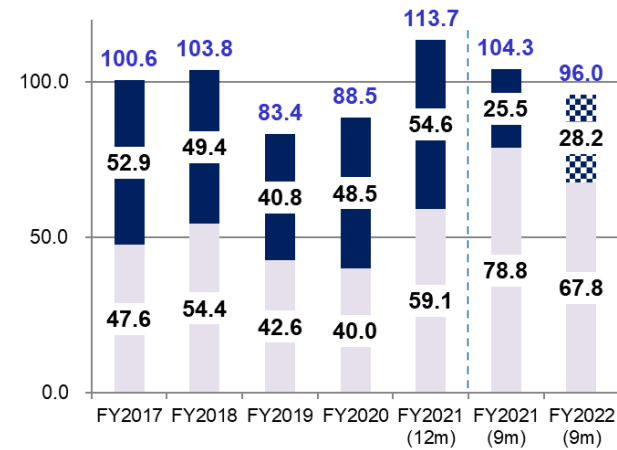
### Hydraulic excavators

Orders

Net sales

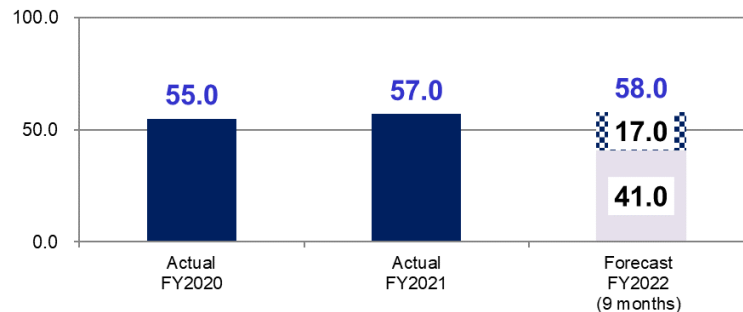
Unit: JPY billion

3-4Q  
1-2Q



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

Unit: JPY billion



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

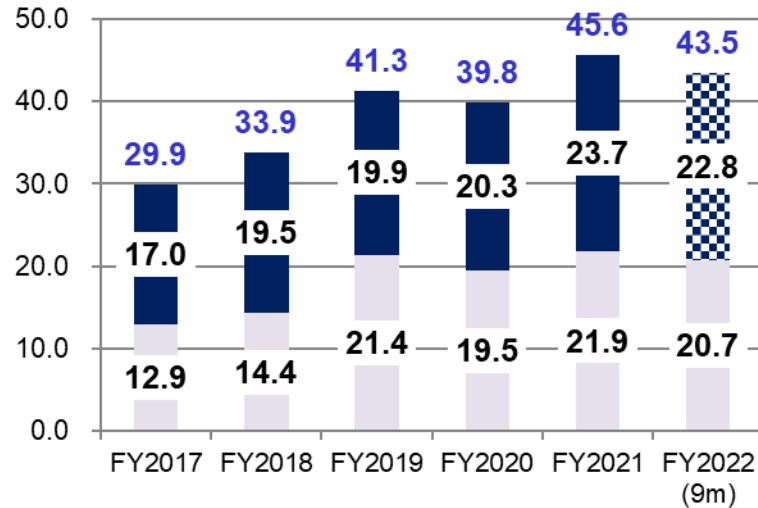
Product	Relevant segment	Relationship with key technologies ◎: Close ○: Moderate		
		Beam control	Ultracold	Vacuum
Laser annealing equipment	Mechatronics	◎		
4KGM Cryocooler/Cryopump	Industrial Machinery		◎	◎
Vacuum robot				◎
Ion implanter		◎		○
Superconducting magnet for MCZ			◎	○
Ion irradiation business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



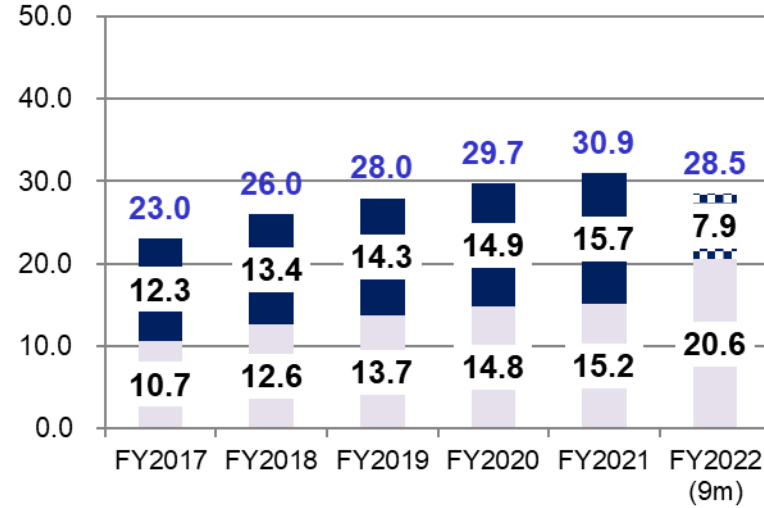
# Capital Investment, Depreciation Cost, Research & Development Cost, Personnel, Forex Sensitivity

## Capital investment\*

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

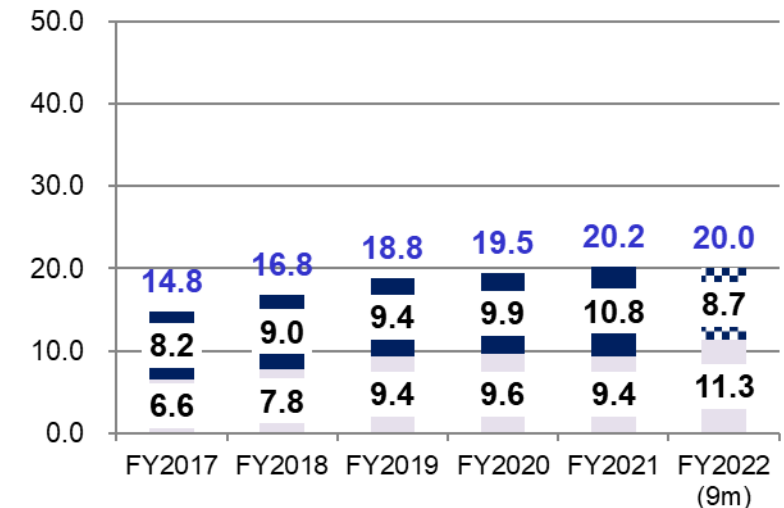


## Depreciation & amortization



## Research & development\*

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



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

Unit: persons	FY2019	FY2020	FY2021	FY2022 (End September)
Consolidated total	23,635	24,050	24,584	25,154

## Forex sensitivity (FY2022 forecast)

Unit: JPY billion	Dollar	Euro	Total
Amount of operating profit affected by a one-yen change*	2.3	1.4	3.7

\*Assumed exchange rates for FY2022 are JPY145 per US dollar and JPY140 per euro



# Ref. Overseas Sales by Regional Segment

<Exchange rate: JPY132 per US dollar> Unit: JPY billion		1H FY2022*1 (Apr. 2022 to Sep. 2022)														
		North America		Europe		Asia (Excluding China)		China		Others		Overseas total		Japan		Total sales
Mechatronics		30.9		32.3		12.7		12.9		9.4		98.3		28.6		126.9
	(plastics machinery)	9.3		20.0		9.2		17.3		3.7		59.6		6.8		66.4
Industrial Machinery		18.6		28.4		22.0		34.3		4.1		107.4		44.9		152.3
	(hydraulic excavators)	36.5		8.7		21.5		10.0		8.5		85.3		33.8		119.1
Logistics & Construction		81.3		10.0		24.2		10.0		9.6		135.1		67.0		202.2
Energy & Lifelines		6.3		13.3		13.4		0.9		10.0		43.9		48.8		92.6
Others		-		-		-		0		-		0		2.7		2.7
Total / Sales ratio (%)		137.0	24	84.0	15	72.3	13	58.2	10	33.2	6	384.7	67	192.0	33	576.6
<Exchange rate: JPY108 per US dollar> Unit: JPY billion		1H FY2021*1 (Apr. 2022 to Sep. 2022)														
		North America		Europe		Asia (Excluding China)		China		Others		Overseas total		Japan		Total sales
Mechatronics		20.4		25.7		10.2		11.2		6.9		74.4		27.5		101.9
	(plastics machinery)	6.5		20.1		8.2		24.8		3.6		63.1		7.6		70.7
Industrial Machinery		13.6		26.5		16.7		36.5		3.9		97.3		35.6		132.9
	(hydraulic excavators)	28.0		9.3		17.8		26.8		7.3		89.1		33.1		122.2
Logistics & Construction		65.3		9.7		20.4		26.9		7.6		129.9		64.9		194.8
Energy & Lifelines		5.0		13.4		7.9		0.6		10.2		37.1		63.6		100.6
Others		-		-		-		0		-		0		2.9		2.9
Total / Sales ratio (%)		104.3	20	75.2	14	55.1	10	75.3	14	28.7	5	338.7	64	194.5	36	533.1

## 03

## Topics

## 03

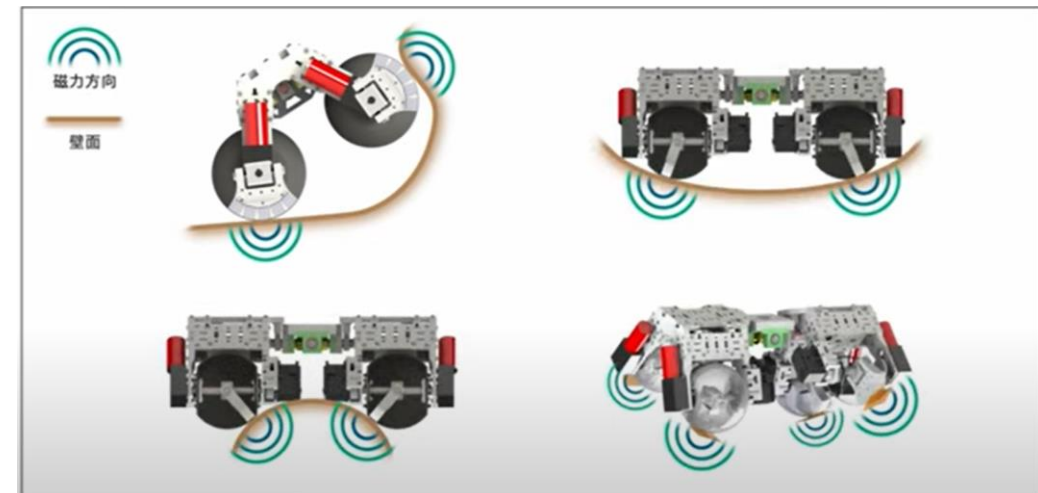
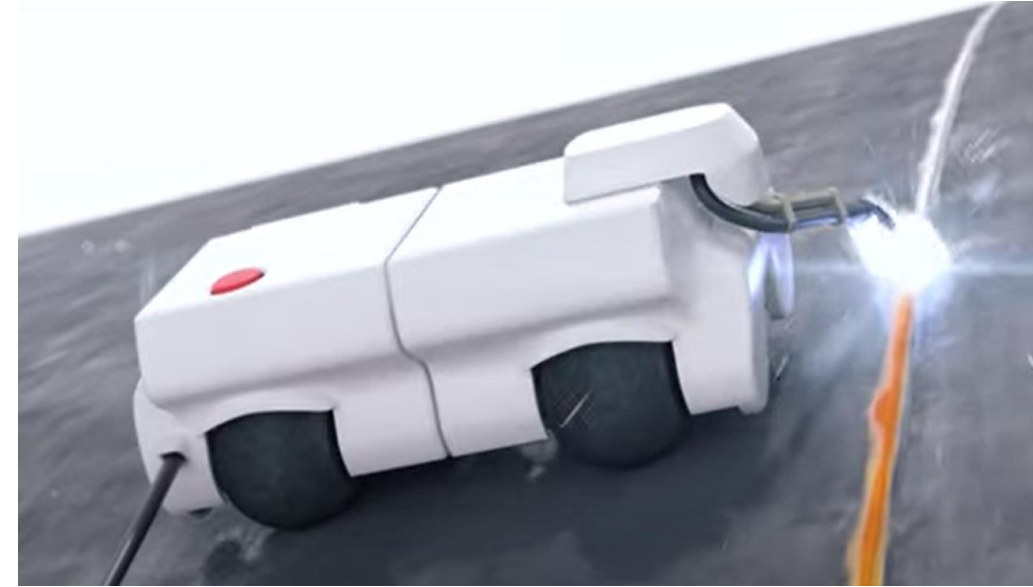
## &lt;“Medium-Term Management Plan 2023” Key Development Areas&gt;

Key areas	Development targets
<b>Environment</b>	Develop environmental conservation technologies necessary for sustainable industries (Waste water/waste treatment technologies)
<b>Energy</b>	Develop futuristic technologies towards a decarbonized society (Technologies to use carbon dioxide and waste heat; plant failure diagnosis/operation-support technologies)
<b>Automation</b>	Introduce intelligent/advanced moving objects and robot products; promote development towards production technology innovation
<b>Digitalization</b>	Improve intelligent technology and information infrastructure technology and implement various intelligent functions in products and services

## Successful development of magnetic wheeled robot capable of traveling over curved steel surfaces

- Utilizing the Challenge System,\* the Technology Research Center succeeded in developing a robot that can easily travel on curved steel surfaces.
- The new robot can perform difficult operations as follows without the need for complex control
  - ✓ Running on curved wall surfaces
  - ✓ Attaching and detaching from wall surfaces
  - ✓ Traveling over corners formed by two surfaces, such as a wall and a ceiling
- The robot is expected to be used in situations that are difficult to automate, such as welding on curved surfaces that requires advanced skills and work at heights that must be done manually, where ships, plant facilities, and other large steel structures are manufactured.
- The aim is to create safer and smarter next generation manufacturing sites with reduced physical burden on workers.

\*The Challenge System: A system started in FY2019 to provide a “place to realize dreams” for employees who have skills, ideas, and product concepts and will lead the Group in the future in order to “foster the spirit of challenge among employees” and “invest in future products and technologies.” The program is unique in that employees themselves apply with the themes they want to realize.



## A newly-developed actuator for robot drives wins the “HERMES AWARD 2022” at the Hannover Messe



Hannover Messe awards ceremon



TUAKA

- TUAKA, an all-in-one actuator jointly developed by SHI and its German subsidiary Sumitomo (SHI) Cyclo Drive Germany GmbH (SCG) won the “HERMES AWARD 2022” at Hannover Messe.
- “TUAKA” was developed as an easy-to-use actuator for driving robots. Necessary functions to drive the robot’s joint are integrated in it. Modularization that combines gearboxes with servo motors, encoders, drivers including safety functions, etc., make it easy to design robots by simply selecting the vital components.

\*This product is currently being prepared for market launch.

\*The HERMES AWARD is a technology award presented at the Hannover Messe, one of the world’s largest industrial trade fairs, for products and solutions that demonstrate a particularly high degree of innovation.

## 03

## Topics (3) &lt;Gear Reducers: Completion of the New Monterrey Plant (September 2022)&gt;

Completion and startup of a new plant in Monterrey, Mexico

The new plant is the largest of SHI's four gear reducer plants in Mexico.

Gear reducers are used to drive various forms of industrial machinery, such as equipment used in logistics distribution, cranes, and water treatment facilities. Demand is expected to remain strong in Mexico.

### 1. Function and purpose

- Assembly of gearmotors and gearboxes for Mexico's domestic market
- Machining of gear reducer parts and their supply to other bases
- Aim to further expand the gear reducer business in the North, Central and South America by increasing assembly and supply capacity

### 2. Outline

- (1) Location: Outside of Monterrey, Mexico
- (2) Investment: Approx. 12,000,000 USD
- (3) Building area: 15,561 m<sup>2</sup> Land area: 39,252 m<sup>2</sup>





# 03

## Topics (4) < Ion Implanter: Completion of a New Factory (October 2022)>

Sumitomo Heavy Industries Ion Technology Co., Ltd. (SMIT), a wholly owned subsidiary of SHI, manufactures, sells, and services ion implanters used in the semiconductor manufacturing process. The global semiconductor market—and especially the image sensor market, which is the main market for ion implanters—is expected to see a high rate of growth, driven by demand for smartphones, electric vehicles, and automated driving. SMIT recently completed a new plant within its Ehime works with this growth in mind.

### 1. Purpose

- To reinforce production capacity to meet growing demand and promote automation and labor saving
- To improve efficiency by changing the layout of existing factories

### 2. Outline

- (1) Location: Saijo City, Ehime
- (2) Investment: Approx. 12.0 billion yen
- (3) Production capacity: Double the current capacity when combined with existing facilities
- (4) Building area: 21,836 m<sup>2</sup>
- (5) Total floor area: 38,395 m<sup>2</sup>

\*An ion implanter is a device that implants accelerated ions into silicon wafers used as materials for semiconductor element structures.



## 03

## Topics (5) &lt;Development of a Next-Generation Heavy-Ion Cancer Therapy Device&gt;

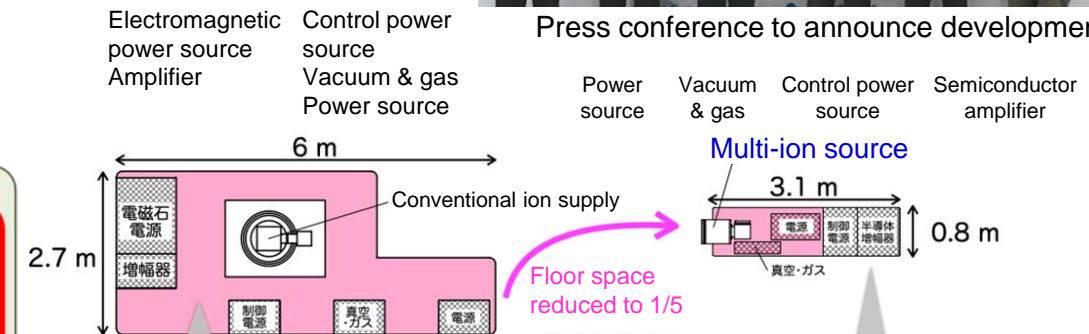
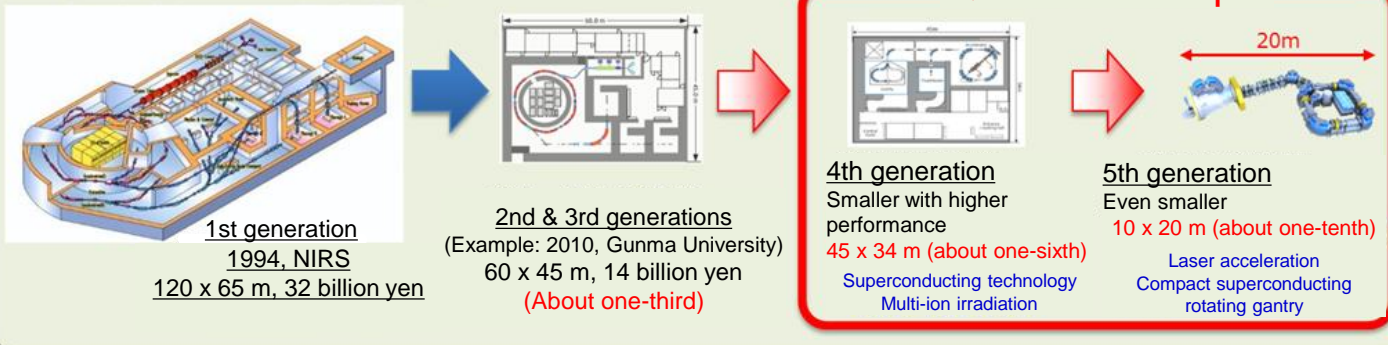
## Start of production of a demonstration model of the “Quantum Scalpel,” a next-generation heavy-ion cancer therapy device

- SHI and the National Institutes for Quantum Science and Technology successfully developed the world’s first multi-ion source that enables more advanced heavy-ion cancer therapy.
- This development makes possible treatment using the ions of neon, oxygen, helium, and other sources.
- This can increase the damage inflicted on cancer cells while reducing damage to surrounding normal cells.
- The floor space taken by the device is one-fifth of that of conventional ion sources. This helps to reduce installation costs.
- The plan is to start treatments in FY2026.



Press conference to announce development

### Heavy-ion cancer treatment devices



\*SHI has been a consistent supplier of 1st to 3rd-generation injectors (including ion sources) and is currently evaluating the performance of a 4th-generation multi-ion source. SHI has also started the joint development of a 5th generation injector with the National Institutes for Quantum Science and Technology.



## 04

## Promoting Sustainability

## 04

## Promoting Sustainability

	Results of 1H of FY2022	Issues
<b>Overall</b>	<ul style="list-style-type: none"> <li>- Started an earnest discussion to reduce CO2 emissions during the use of products by customers, a core CSV target</li> <li>- Increased non-financial information disclosure (Selected as a component of the ESG investment index “FTSE Blossom Japan Sector Relative Index”)</li> <li>- Contract agreement for Positive Impact Finance</li> </ul>	<ul style="list-style-type: none"> <li>- Promote CSV to improve social value</li> <li>- Strengthen measures to respond to material 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 risks (analysis and examination of response policy)</li> <li>- Set the 2030 CO2 emission reduction target and the 2050 carbon neutrality target</li> <li>- Started procurement of renewable energy</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 (Updated green procurement guidelines)</li> <li>- Implemented a survey on work environments of technical intern trainees</li> <li>- Continued to implement 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>- Promoted long-term strategy discussion with outside directors included as participants</li> <li>- Adopted a stock-based remuneration</li> </ul>	<ul style="list-style-type: none"> <li>- Further strengthen the presence of outside directors</li> <li>- Gender diversity</li> </ul>

## 04

## &lt;E (Environment: Response to Climate Change Risks&gt;

Perform climate change scenario analysis and conduct a study to reduce risks and utilize opportunities

### 1. Scenario analysis in line with TCFD disclosure

	Importance	Risk	Opportunity
<b>1.5°C Scenario</b>	High	Strengthening of regulations for fossil fuel power generation	Stable supply of renewable energy
	High	Increase in demand for energy-saving performance	Increase in demand for energy-saving products
	Medium	Strengthening of regulations for internal-combustion engines	Increase in demand for electrification and fuel conversion
	Low	Rise in carbon tax rate and raw materials costs	Increase in demand for energy-saving and resource-saving products
<b>4°C Scenario</b>	Medium	Intensification of natural disasters	Increase in demand for development of disaster prevention infrastructure
	Low	Sea level rise (long-term)	Increase in construction machinery for disaster recovery

### 2. Focusing on the Energy & Lifelines and Mechatronics segments which will be affected greatly and conduct a deeper study

Segment	Main product	Risk	Opportunity/response
<b>Energy &amp; Lifelines</b>	Power generation plant	<ul style="list-style-type: none"> <li>- Restrictions imposed by administrative agencies on coal fired power generation</li> <li>- Strengthening of regulations on biomass-fueled power generation using uncertified fuels</li> </ul>	<ul style="list-style-type: none"> <li>- Increase in demand for conversion to environmental-friendly energy supply systems (biomass-fueled power generation, energy storage system, etc.)</li> <li>- Increase in demand for alteration of existing coal fired power generation facilities to make them multi-fuel combustion ones using biomass</li> </ul>
<b>Mechatronics</b>	Gear reducers	<ul style="list-style-type: none"> <li>- Rise in demand for CO2 emission reduction at the time of manufacture and use by customers, and response to such demand</li> <li>- Strengthening of regulations imposed by administrative agencies on motor power generation efficiency</li> </ul>	<ul style="list-style-type: none"> <li>- Acceleration of electrification of production equipment</li> <li>- Increase in value of highly efficient products</li> <li>- Increase in demand for bundled services involving electricity, control and gear reducers</li> </ul>

We have started discussion to aim for decarbonization in terms of both direct approach through our own products (CO2 reduction in a narrower sense) and indirect approach through our customers' activities (CO2 reduction in a broader sense).

## 04

## &lt;S (Social): Response to Business and Human Rights&gt;

Accelerated response in line with a rise in demand for response to human rights issues in the supply chain  
With priority given to areas that are considered to carry a high risk, checked and evaluated such areas

**- The Group's approach:**

1. Risk evaluation: Identified technical intern trainees as the Company's high risk area in Japan
2. Survey: Together with an NGO, conducted a survey on work environments of technical intern trainees who work in our sites in Japan
3. Correction: Responded to identified issues (ethics hot line made available in multiple languages, etc.)
4. Information disclosure: Some information was reported in the Integrated Report 2022

**- Scheduled activities:**

1. Formulate a human rights policy
2. Continue a survey on our sites in Japan
3. Expand the survey to include suppliers (where intern trainees conduct work) in Japan



Hearing of opinions of technical intern trainees by a representative director of ASSC, an NGO

\*ASSC: The Global Alliance for Sustainable Supply Chain, a general incorporated association

## Toward further improved governance

### Issue 1: Composition and ideal state of the Board of Directors

- Continue to enhance the diversity of the Board of Directors, for example by appointing female directors.  
Examine a governance system including whether a change in an institutional design is required.

### Issue 2: Allocating management resources; business portfolio strategy

- Deepen and accelerate discussion about optimum structure of the business portfolio, taking into account the ideal state of long-term management of our company and the strategy for such management.

### Issue 3: Enhancing deliberations with an awareness of capital costs

- Determine further specific details of a plan and strategy for achieving ROIC targets, based on optimum KPIs for each business division with regard to the Medium-Term Management Plan and long-term strategies, and thereby improve discussion by the Board of Directors.



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.