

March 26, 2024

**Summary of the Evaluation Results of the Effectiveness of the Company's Board of Directors  
for the Fiscal Year Ended December 31, 2023**

Sumitomo Heavy Industries, Ltd.

The Company evaluates the effectiveness of the Board of Directors every year aiming to improve the function of the Board of Directors through the ongoing process to verify if the Board of Directors is functioning properly and take necessary measures to improve the issues and reinforce it based on the results.

As the evaluation for the fiscal year ended December 31, 2023, has been completed, the Company has released the following summary of the results.

**I. Analysis and Evaluation Process for the Fiscal Year Ended December 31, 2023**

- (i) At the meeting of outside officers (attended by all of the outside officers) held in December 2023, outside officers discussed the contents of the questionnaire survey for evaluating the effectiveness of the Board of Directors, and created the questionnaire.
- (ii) A questionnaire survey was conducted from December 2023 to January 2024 using the questionnaire in (i) for all 11 Directors and all four Corporate Auditors.
- (iii) Based on the results of the questionnaire survey in (ii), in order to delve further into the awareness of issues by the Company's Board of Directors and other matters, interviews of all of the outside officers and some of the Directors and Corporate Auditors (total of 12 persons) were conducted from January 2024 to February 2024 with the Specific Outside Director serving as the interviewer.
- (iv) Based on the results of the interviews in (iii), at the meeting of outside officers held in March 2024, outside officers discussed the results of the evaluation of the effectiveness of the Company's Board of Directors for the fiscal year ended December 31, 2023.
- (v) Based on the discussions in (iv), at the Board of Directors meeting held in March 2024, deliberations regarding the results of the evaluation of the effectiveness of the Company's Board of Directors were conducted among all of the Directors and Corporate Auditors, and the evaluation results for the fiscal year ended December 31, 2023, were finalized.

The Company believes that a certain degree of objectivity is ensured by establishing a process whereby outside officers create the contents of the questionnaire survey and also by involving outside officers in many aspects of the effectiveness evaluation, such as having an Outside Director serve as the interviewer, conducting interviews with all of the outside officers, and finalizing the results of the effectiveness evaluation based on discussions at the meeting of outside officers, and the Company is continuously using the self-evaluation method.

#### <Questionnaire Survey Items>

The major items of the questionnaire survey for the fiscal year ended December 31, 2023, are as follows (the major sub-items are enclosed in parentheses). In principle, a response is given for each question based on an evaluation using a four-level scale, and a space is provided to freely add remarks, etc. regarding each item.

1. Roles and responsibilities of the Board of Directors (direction of the Board of Directors, follow-up regarding medium-term management plans, sustainability, allocation of management resources, business portfolio strategy, deliberations that take into account the cost of capital, activities of the Nomination Committee and the Compensation Committee, and other matters)
2. Composition of the Board of Directors
3. Support for operations of Board of Directors meetings and for officers (materials and explanations for Board of Directors meetings, officer training, support for outside officers, and other matters)
4. Relationship with shareholders and other stakeholders
5. Evaluation of the effectiveness of the Board of Directors (method of evaluation, and other matters)
6. Other (general matters regarding the Board of Directors (freely added remarks))

#### II. Initiatives for the Fiscal Year Ended December 31, 2023, Based on the Analysis and Evaluation Results for the Previous Fiscal Year

With respect to the evaluation of the effectiveness of the Board of Directors for the previous fiscal year, the Company implemented the following initiatives in the fiscal year ended December 31, 2023, based on the issues that were identified regarding strengthening of the supervisory function of the Board of Directors, discussions regarding long-term strategy and composition of the business portfolio, enhancement of deliberations that take into account the cost of capital, discussions regarding the strengthening and appropriate allocation of investment in human capital and intellectual property, and other matters.

1. Strengthening of the supervisory function of the Board of Directors  
The Company appointed a female Outside Director at the Ordinary General Meeting of Shareholders held in March 2023, so that the Board of Directors attained an increased gender diversity and higher ratio of Outside Directors. In addition, the Company reduced matters to be submitted to the Board of Directors in accordance with the new standard revised concurrently with the introduction of the segment system, revised the Policies on Determining the Remuneration of Officers and focused on discussions on medium- to long-term strategies, mainly on the three-year medium-term management plan starting in fiscal year ending December 31, 2024.
2. Discussions regarding long-term strategy and composition of the business portfolio

At meetings of the Board of Directors and at meetings attended by all members of the Board of Directors including outside officers to discuss long-term strategies, discussion on medium-term management plan for the three-year period starting in fiscal year ending December 31, 2024, including the ideal state for 2030 and business portfolio reform policies, was proceeded. Furthermore, the Board of Directors discussed and established the Purpose indicating the medium- to long-term direction of the Group.

3. Deliberations that take into account the cost of capital

Considering the necessity for the Board of Directors to conduct deliberations that further take into account the cost of capital, the Board of Directors intensively examined ROIC\* in each business division's report to the Board of Directors and worked to enhance deliberations.

\* ROIC: Return on Invested Capital

4. Discussions regarding the strengthening and appropriate allocation of investment in human capital and intellectual property

During the discussion on the medium-term management plan for the three-year period starting in fiscal year ending December 31, 2024, the Board of Directors examined human capital management policies that position human resources as the greatest capital, as well as strengthening development investment in priority investment areas.

III. Summary of the Analysis and Evaluation Results for the Fiscal Year Ended December 31, 2023

(i) Conclusion

Based on the results of the effectiveness evaluation questionnaire survey for the fiscal year ended December 31, 2023, interviews, discussions in the meeting of outside officers and deliberations by the Board of Directors, it was confirmed that the effectiveness of the Board of Directors was secured and the Board of Directors functioned effectively in the fiscal year ended December 31, 2023.

(ii) Evaluation

- Regarding the Company's Board of Directors, there were many opinions stating that, of the functions of business execution and supervision, a direction that focuses on supervision is desirable.
- In the effectiveness evaluation questionnaire survey, a high percentage of the Directors and Corporate Auditors answered "Agree" or "Mostly agree" for many of the question items for the evaluation of the current situation.
- Among the issues from the previous fiscal year, there were many opinions that a certain level of improvement had been made regarding "Discussions regarding long-term strategy and composition of the business portfolio" and "Enhancement of deliberations that take into account the cost of capital," while there were many opinions requesting further initiatives regarding the issues of "Strengthening of the supervisory function of the Board of Directors" and "Discussions regarding the strengthening and appropriate allocation of investment in human capital and intellectual property."

- There were proposals, recommendations, problems pointed out, etc. for all of the question items, which confirmed that each Director and Corporate Auditor conducted an appropriate analysis of the effectiveness of the Board of Directors based on its roles and responsibilities. In particular, there was a high level of recognition regarding issues in “Strengthening of the supervisory function of the Board of Directors,” “Discussions regarding medium- to long-term management policy and business portfolio” and “Supervision of the allocation of human capital, intellectual property and other management resources.” Furthermore, it was confirmed that the Board of Directors must continue to supervise the progress of initiatives for addressing climate change and other sustainability-related issues.

As a result of the evaluation, the following points were confirmed to be the main areas to be continuously improved.

1. Deeper discussions on how the Board of Directors should be

While the Company’s Board of Directors has considered itself to be a hybrid-type Board of Directors that incorporates mechanisms to strengthen supervisory functions, based on a management-type Board of Directors that emphasizes the decision-making function for individual business execution, in recent evaluations of the effectiveness of the Board of Directors, the majority opinion is that the supervisory function should be further strengthened. In response, the Company’s Board of Directors has taken initiatives such as increasing the number of Outside Directors including a female Director, establishing a meeting body to discuss long-term strategies, and revising the criteria for discussion at the Board of Directors meetings, as well as providing prior explanations to outside officers and actions to improve the management of proceedings, such as by extending the deliberation time for important agenda items, and has received a certain level of praise from members of the Board of Directors for these initiatives.

In this fiscal year’s evaluation of the effectiveness of the Board of Directors, there were opinions that there was insufficient discussion of medium- to long-term management policy and portfolio reform, that the deliberation time was insufficient, and agenda were too detailed. In order to improve these points, it may be necessary to consider a revision of the current hybrid-type operation. Although individual Board of Directors members actively express their opinions in the evaluation of the effectiveness of the Board of Directors, some opinions remain at an individual level, and it is necessary to summarize these opinions into the thoughts of the Board of Directors.

Based on the above circumstances, the Company would like to set “discussion on the form of the Board of Directors” as a challenge for the Board of Directors in fiscal year ending December 31, 2024, and by clarifying how the Board of Directors should be and working to realize it, the Company aims to improve its corporate value.

The following are the main items to be specifically considered in the discussion of how the Board of Directors should be:

- (i) How the deliberations on medium- to long-term management policies and the business portfolio be conducted

Consideration at the Board of Directors about the methods and ideas for effectively conducting deliberations regarding medium- to long-term management policies and business portfolios

(Main opinions in the questionnaire surveys and interviews)

- The Board of Directors should place emphasis on the discussion of overall strategy and the function of supervision over the execution.
- Discussions regarding the selection and concentration of the business should be enhanced..

- (ii) How the items for resolutions at the Board of Directors and the reports to the Board of Directors should be

Consideration of the matters to be discussed at the Board of Directors, as well as their content and timing, based on the fact that, being pointed out that the Board of Directors' deliberation is insufficient, on the one hand it is necessary to reduce the number of matters to be discussed in order to secure time to deliberate on important agenda items, while, on the other hand, necessary information needs to be reported in a timely manner for effective supervision of execution

(Main opinions in the questionnaire surveys and interviews)

- It is necessary to narrow down the matters to be submitted to the Board of Directors and ensure sufficient time for deliberation.
- Reports should be focused on issues, not just business explanations.

- (iii) Board of Directors' composition and organizational design

Consideration of an optimal personnel composition (skill matrix, ratio of outside officers, diversity) and organizational design in light of the functions of the Company's Board of Directors, including the possibility of changing the organizational design

(Main opinions in the questionnaire surveys and interviews)

- Personnel with corporate management experience and global experience are desired for the Board of Directors.
- There is a trend in the market going forward that requires the appointment of a majority of independent Outside Directors.
- Discussion should be made on the necessity of changing the organizational design to strengthen the supervisory function

2. Deepening and enhancement of deliberations at the Board of Directors

At the Board of Directors, it is necessary to deepen and enhance the deliberations especially on the following items:

(i) Deliberations regarding medium- to long-term management policy and business portfolio

It is necessary to deepen discussion on the medium- to long-term management policy and the optimal composition of the business portfolio

(Main opinions in the questionnaire surveys and interviews)

- Discussion should be enhanced on action plan toward the ideal state in 2030
- Discussion on developing core competencies is required

(ii) Supervision of the allocation of human capital, intellectual property and other management resources

It is necessary to deepen discussion on investment in human capital and intellectual property based on the key investment areas established in Medium-Term Management Plan 2026.

(Main opinion in the questionnaire surveys and interviews)

- Discussion is required to develop the human resources and technologies in required fields

IV. Future Initiatives Based on the Analysis and Evaluation Results for the Fiscal Year Ended December 31, 2023

As a result of discussions by the Board of Directors based on recommendations, etc. from Directors and Corporate Auditors, the Company will promote further improvements in the fiscal year ending December 31, 2024, mainly in the following area.

1. Discussion on how the Board of Directors should be, including strengthening of the supervisory function of the board of directors

Clarify the ideal state of the Company's Board of Directors and deepen considerations on the method to achieve such a state, mainly on (i) how the deliberations on medium- to long-term management policies and the business portfolio be conducted, (ii) how the items for resolutions at the Board of Directors and the reports to the Board of Directors should be, and (iii) the Board of Directors' composition and organizational design.

2. Deepening and enhancement of deliberations at the Board of Directors

Deepen and enhance the deliberations at the Board of Directors especially in the areas of (i) deliberations regarding medium- to long-term management policy and business portfolio and (ii) supervision of the allocation of human capital, intellectual property and other management resources.