

March 24, 2025

**Summary of the Evaluation Results of the Effectiveness of the Company's Board of Directors  
for the Fiscal Year Ended December 31, 2024**

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, 2024 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, 2024**

- (1) At the meeting of outside officers (attended by all of the outside officers) held in November 2024, having considered evaluation perspectives and questionnaire survey items, and referred to advice from the third-party organization, outside officers discussed the contents of the questionnaire survey, and created the questionnaire.
- (2) A questionnaire survey was conducted in December 2024 using the questionnaire in (1) for all eleven Directors and all four Corporate Auditors.
- (3) Based on the results of the questionnaire survey in (2), in order to delve further into the awareness of issues by the Company's Board of Directors and other matters, interviews of all the Directors (eleven persons) and all the Corporate Auditors (four persons) were conducted in January 2025 with the third-party organization serving as the interviewer.
- (4) Based on the results of the interviews in (3), issues were identified by the third-party organization and proposals for the direction of improvement were received, and at the meeting of outside officers held in March 2025, 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, 2024.
- (5) Based on the discussions in (4), at the Board of Directors meeting held in March 2025, 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, 2024 were finalized.

Previously the Company had taken the self-evaluation approach to the evaluation of effectiveness, but this year it appointed a third-party organization with the goal of introducing an external perspective, thus enabling the identification of issues that might not be noticed in self-evaluation and that are also congruent with the perception of investors. We are considering evaluations of effectiveness implemented by a third-party organization at least once a year going forward.

As before, we secure the objectivity of the evaluation by ensuring that the outside officers continue to be extensively involved in the effectiveness evaluation, such as by establishing a process in which

they take part in the creation of the contents of a questionnaire survey, and by finalizing the results of the effectiveness evaluation based on discussions at a meeting of outside officers.

#### <Questionnaire Survey Items>

The major items of the questionnaire survey for the fiscal year ended December 31, 2024 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 five-level scale, and a space is provided to freely add remarks, etc. regarding each major item.

- (i) Ideal state of the Board of Directors
- (ii) Composition of the Board of Directors
- (iii) Operation of the Board of Directors (number of items deliberated, explanations provided in advanced, Board of Directors meeting materials/explanations, role of Chairperson)
- (iv) Discussions at the Board of Directors (deliberations that take into account the cost of capital, deliberations related to human capital, intellectual property and ESG)
- (v) Board of Directors monitoring function (skills matrix, incentive remuneration, risk management)
- (vi) Performance of Inside Directors
- (vii) Performance of Outside Directors
- (viii) Support structure for Directors/Corporate Auditors
- (ix) Training
- (x) Dialogue with shareholders (investors)
- (xi) Operation of the Nomination Committee and the Compensation Committee (composition of members, feedback to the Board of Directors)
- (xii) Nomination Committee \*only members respond
- (xiii) Compensation Committee \*only members respond
- (xiv) Summary

## II. Initiatives for the Fiscal Year Ended December 31, 2024 Based on the Analysis and Evaluation Results for the Previous Fiscal Year

In the previous fiscal year's evaluation of the effectiveness of the Board of Directors, issues were recognized with regard to (1) how the deliberations on medium- to long-term management policies and the business portfolio should be conducted, (2) how matters should be resolved by the Board of Directors and reported to the Board of Directors, and (3) the Board of Directors' composition and organizational design, in relation to "Deepening discussions on the ideal state of the Board of Directors." Issues were also recognized with regard to (1) deliberations on medium- to long-term management policies and the business portfolio, and (2) supervision of the allocation of human capital, intellectual property and other management resources, in relation to "Deepening and enhancing discussions at the Board of Directors." Based on the above, our approach to the fiscal year ended December 31, 2024 was as follows.

1. Deepening discussions on the ideal state of the Board of Directors

Members of the Board of Directors were split up into small groups to conduct group discussions on the theme of “How the Board of Directors should focus on the supervisory function,” and in addition to deepening discussions on the direction that the Board of Directors of the Company should take, implemented the following initiatives.

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

When formulating the Medium-Term Management Plan 2026, we worked to ensure the allocation of enough time to enable full discussions, including the reform of the business portfolio, by creating opportunities for deliberation split over six different meetings before coming to a resolution on the formulation.

(2) How matters should be resolved by the Board of Directors and reported to the Board of Directors

Based on the results of the above-mentioned group discussions on the ideal state of the Board of Directors, the criteria for submitting matters for the Board of Directors agenda were revised. Given the emphasis of the Board of Directors of the Company on the supervisory function, in accordance with the approach of shifting the role of the Board of Directors from individual decisions to deciding major policies, matters to be resolved involving delegation of authority to the executive were revised, and in order to allow the Board of Directors to exert its supervisory function matters that need to be reported were also revised, based on the idea of clarifying what matters actually need to be known.

(3) Board of Directors’ composition and organizational design

At the Ordinary General Meeting of Shareholders held in March 2024, in addition to strengthening the supervisory function by increasing the number of female Outside Directors, gender diversity was also increased.

2. Deepening and enhancing discussions at the Board of Directors

(1) Deliberations on medium- to long-term management policies and the business portfolio

When formulating the Medium-Term Management Plan 2026, in a continuation of the previous fiscal year, the contents of such matters were deliberated over multiple meetings. With regard to the business portfolio, while clarifying key areas for investment, businesses requiring the rebuilding of their strategies were identified and the decision to withdraw from some of them was made.

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

In terms of human capital, deliberations concerning the human resources division medium-term plan, basic recruitment policies, activities for developing the organization, employee

engagement, and other matters were engaged in. As for intellectual property, the development strategy set out in the Medium-Term Management Plan was discussed.

### III. Summary of the Analysis and Evaluation Results for the Fiscal Year Ended December 31, 2024

#### 1. Conclusion

Based on the results of the effectiveness evaluation questionnaire survey for the fiscal year ended December 31, 2024, interviews, discussions in the meeting of outside officers and deliberations by the Board of Directors, it was confirmed that the Board of Directors was effective and functioned effectively in the fiscal year ended December 31, 2024.

#### 2. Evaluation

The overall average for all questions in the questionnaire survey exceeded the benchmark score, from which it can be inferred that each of Directors and Corporate Auditors rates the Board of Directors as functioning effectively. In particular, high scores were awarded to “Supervision of the implementation and operation of internal control system by the Board of Directors,” “Discussions and measures taken to address issues drawn from the results of the effectiveness evaluation of the Board of Directors,” “Statements and raising of issues from a broad perspective by Outside Directors,” and “Number of members on the Nomination Committee and the Compensation Committee, ratio between internal and external members, and composition,” suggesting that these areas are functioning effectively.

As a result of the interviews conducted with each Director and Corporate Auditor, while many respondents believed that the effectiveness of the Board of Directors had improved as a result of initiatives taken in the previous fiscal year, there was also a consensus on “a Board of Directors focused on the supervisory function,” such as “Further discussions on the ideal state of the Board of Directors,” “Role of Internal Directors on the Board of Directors focused on the supervisory function,” “Composition of the Board of Directors in the event that it focuses on the supervisory function,” “Submitting matters for the agenda of the Board of Directors in the event that it focuses on the supervisory function,” and a variety of opinions were received in relation to what initiatives should be taken in the next step.

Based on the results of the evaluation, eight topics of discussion for the Board of Directors of the Company were arranged, with opinions expressed on matters for improvement and investigation for each topic being as follows.

##### (1) Ideal state of the Board of Directors

- (i) Although the perception that the Board of Directors should move in the direction of focusing on the supervisory function was agreed on by all officers and thus represented the majority view, multiple respondents expressed the opinion that the meaning and contents of focusing on the supervisory function must be made more concrete.

- (ii) With regard to Internal Directors, some respondents expressed the hope that they will engage in more proactive discussion from a group-wide perspective, while others expressed a desire for Outside Directors to engage in supervision and express their opinions from a broad perspective.
- (2) Composition of the Board of Directors
  - (i) While multiple respondents expressed the opinion that the ratio of Outside Directors should be raised and that Outside Directors should account for around half the Board of Directors, others made the argument that it is the substance that is important, and that there is a need to consider the number of members and other aspects of the composition, based on the real meaning of the supervisory function, by working backwards from the ideal state of the Board of Directors.
  - (ii) With regard to the diversity of the Board of Directors, many indicated that there is a need for diversity in the form of international representation.
- (3) Operation of the Board of Directors
  - (i) Although many expressed positive opinions regarding progress in organizing matters to be submitted to the Board of Directors, there were others who indicated that more improvements are necessary. Multiple respondents expressed the opinion that Outside Directors should be involved in the process for selecting proposals.
  - (ii) While some assessed the situation regarding the volume of materials for the Board of Directors as being better than it was, others argued that there was further room for improvement. In terms of the content, the view was expressed that materials created should clearly indicate the key points of the discussion.
- (4) Discussions at the Board of Directors
 

Many expressed opinions to the effect that there should be further enhancement of discussions at the Board of Directors regarding the Medium-Term Management Plan, the business portfolio, and human capital, and that the approach to discussion should be fine-tuned.
- (5) Board of Directors monitoring function
  - (i) In terms of risk management system, some expressed opinions to the effect that there is something of an issue with the reporting system and the provision of information to Outside Directors as it pertains to the coordination of risk information with the Board of Directors. The necessity of following up on emerging risks after the passing of resolutions was also pointed out.
  - (ii) Another view expressed was that monitoring must be strengthened, primarily for overseas subsidiaries, and others ventured the opinion that the Board of Directors should understand management plans and the status of various segments, implement supervision that includes subsidiaries, and raise issues with them as necessary.
- (6) Support structure for Directors/Corporate Auditors
 

Many expressed their belief that training is necessary. In terms of the content, suggested themes for both internal and outside officers included topics related to IR and institutional investors, as well as education on DX and AI, while there were multiple suggestions for the provision of onsite inspections as training for Outside Directors. Many respondents expressed the opinion that steps

should be taken to promote the understanding of the business by Outside Directors, such as by arguing for the necessity of providing them with opportunities to talk with various business units in order to get a grasp of the situation on the ground.

(7) Dialogue with shareholders (investors)

In terms of discussions based on dialogue with shareholders (investors), some respondents were of the view that it is necessary to further deepen discussions on how to reflect the results of this dialogue in management. Also on the subject of dialogue with shareholders (investors), multiple respondents expressed the opinion that the Board of Directors should discuss policy and strategy for dialogue, such as by taking a strategic rather than a passive approach to discussions as a company.

(8) Effectiveness of the Nomination and Compensation Committees

- (i) Although changes in the composition of the members of the Nomination Committee and the Compensation Committee led to positive responses, such as recognition that the number of members is more appropriate and that their independence has been enhanced, some expressed the opinion that reports by the committees to the Board of Directors should be more frequent and more granular.
- (ii) With regard to succession planning for the Chief Executive Officer (CEO), it was noted that the key issue is specific discussions on such matters as the direction and selection criteria for succession plans, and the selection and development of candidates from among the executives. On the subject of the selection of Outside Directors, one view expressed was that the involvement of the Nomination Committee should be strengthened.

#### IV. Future Initiatives Based on the Analysis and Evaluation Results for the Fiscal Year Ended December 31, 2024

As a result of this latest effectiveness evaluation, the majority recognized that the direction that the Board of Directors of the Company should aim for is that of “a Board of Directors focused on the supervisory function,” but some respondents expressed the opinion that there needs to be consensus among members of the Board of Directors in relation to the meaning and contents of “focused on the supervisory function,” and more specific discussions to that end.

Issues raised as “Discussions on ideal state of the Board of Directors” in the effectiveness evaluation of the previous fiscal year included discussions on the ideal state of the Board of Directors, a subject that was deliberated through small group discussions and other means. As a result, revisions to the criteria for submitting matters for the Board of Directors agenda were raised as a priority initiative for focusing on the supervisory function, in accordance with which revisions to the criteria for submission were made in January 2025.

However, as noted above, it cannot yet be said that a consensus has been achieved on the meaning and content of the supervisory function, and further deepening of such discussions is necessary. Accordingly, based on the results of this latest evaluation, the Board of Directors will continue to intensify its deliberations on how to address the supervisory function, and on operations and dialogue necessary to fulfill that function, with a particular focus on the following matters.

(1) Ideal state of the Board of Directors

- Organizational design
- About the expected role of internal/Outside Directors

(2) Discussions at the Board of Directors

How to approach and proceed with the specific discussion of following themes

- Discussion of Medium-Term Management Plan
- Discussion of business portfolio
- Discussions based on dialogue with shareholders (investors)