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To Whom It May Concern:

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Measures for Preventing the Recurrence of Improper Inspections, etc. in the Group

With respect to improper inspections, etc. conducted in relation to products and services at the Company and other Group companies, we deeply apologize for the great inconvenience caused to our customers, end-users, shareholders, business partners and other parties concerned.

With regard to improper inspections, etc. disclosed to the public on January 24, 2019, a Special Investigation Committee established by us (hereinafter the "Investigation Committee") has investigated the causes and considered a proposal for recurrence prevention measures.

In addition, regarding the incidents that occurred at our Group companies and were disclosed to the public last year, each such company already explained to its customers about the situation, offered apologies to them, took necessary responsive measures, formulated recurrence prevention measures and is currently implementing them. However, the Investigation Committee also verified the appropriateness of causal investigation and recurrence prevention measures, and examined recurrence prevention measures that should be added based on findings of such verification. Furthermore, in the course of the investigation of incidents made public last year, the Investigation Committee found new incidents with respect to Sumitomo Heavy Industries Himatex Co., Ltd. and therefore we have taken measures to provide explanations to our customers, investigate the causes and examine recurrence prevention measures.

Recently, the Investigation Committee submitted to the Board of Directors of the Company a "Special Investigation Committee Report on 'Improper Activities in Quality Management'" (hereinafter the "Report") that covers the incidents made public last year. In response, the Company has recently formulated recurrence prevention measures and we announce them as follows. In addition, for the Report, please see the attached material.

We will continue to provide explanations to our customers and try to obtain their understanding, while reliably implementing the aforementioned recurrence prevention measures.

Additionally, we will make every effort to regain your trust by taking measures for strengthening governance and improving the quality assurance system in the Group.

Details

I. Investigation of Causes of Improper Activities Recently Identified in the Group

The Report pointed out the following items as causes of improper inspections, etc. in the relevant divisions that were disclosed to the public. For details, please see pages 11 to 17 of the Report.

1. Disregard for requirements (laws, regulations and specifications) relating to products and services
2. Problems in quality-related frameworks
 - (i) Problems in the quality management process that lead to improper inspections, etc.
 - (ii) Weakness in the system for managing and auditing work quality
3. Problems in frameworks and initiatives for ensuring service quality
4. Business management and organizational management that are left to the hands of field workers and fail to strike a balance
5. Failure to thoroughly implement the management policy of giving the highest priority to compliance

II. Recurrence Prevention Measures

In view of the results of causal investigation conducted by the Investigation Committee and its proposal for recurrence prevention measures, we formulated recurrence prevention measures that not only the relevant divisions but also the Sumitomo Heavy Industries Group as a whole should work on by going back to its first objective. We roughly divided those measures into eight items. From now on, the Group will take measures so that the progress of implementation of recurrence prevention measures are regularly reported to the Board of Directors and they are reliably implemented under the supervision of the Board of Directors.

1. Confirming and thoroughly implementing the Sumitomo Business Spirit and Management Concept once again

In view of improper activities in quality management that were recently identified (hereinafter the “Recent Problems”), we will reaffirm the Sumitomo Business Spirit and Management Philosophy, the foundations of our business operations, and will make renewed efforts to ensure that they are incorporated into the code of conduct to be complied with by each employee.

2. Top and senior management exhibiting leadership to thoroughly implement the management policy of improving work quality and giving the highest priority to compliance
 - 1) Take every opportunity to continuously communicate messages from top management in regard to the management policy of improving work quality and giving the highest priority to compliance and thorough implementation of such policy, and thereby promote the thorough implementation of the management policy under the leadership of top management.
 - 2) Division managers and other lower-rank senior managers exhibit their leadership to ensure that the management policy communicated by top management for improving work quality and giving the highest priority to compliance is thoroughly implemented in every corner of their organization.
 - 3) In view of the Recent Problems, top management and respective divisions share the awareness of quality-related risks.
 - 4) Top management exhibits its leadership to promote recurrence prevention measures for the Recent Problems.

The Recurrence Prevention Measures Follow-up Team that directly reports to the President follows up the progress of recurrence prevention measures for the Group as a whole regularly.

3. Strengthening quality management process
 - 1) Conducting a survey of the actual state of the quality assurance system and formulating and implementing guidelines for the quality assurance system
 - 2) Reviewing customers’ requests (laws, regulations and specifications) and formulating guidelines on requirements for managing changes in the customers’ requests
 - 3) Revising the process for deciding to receive orders, and formulating and implementing guidelines for improving the operation of such process
 - 4) Establishing a quality management process that can deter improper activities
 - (i) Strengthening guidelines for improving the reliability of quality data that involves hand operation and manual intervention
 - (ii) Formulating and implementing guidelines for internal audits in divisions
 - 5) Formulating and implementing guidelines for ascertaining and continually improving process capacity
 - 6) Reviewing quality-related risk management
 - 7) Promoting optimization and automation of the inspection measurement system
 - 8) Upgrading and expanding education on quality
4. Strengthening the head office’s governance system for work quality
 - 1) Strengthening a quality audit system

The Quality Audit Team established at the Corporate Quality Group on February 1, 2019 implements quality audits.

2) Building an industry law administration and audit system

- (i) Conducting research on industry laws and doing the follow up after the research
 - (ii) Appointing the “industry law administration manager” in each division
 - (iii) Appointing the “industry law administration staff” in the Corporate Legal Department
- 3) Strengthening governance audits by the Internal Audit Department

5. Studying the Company’s frameworks and initiatives for ensuring quality related to services
Study an approach (framework and initiative) to ensuring quality assurance functions in service businesses for each division.

6. Promoting business management and organizational management that strike a balance

1) Appropriate investment in the field of services

Check whether or not capital investments (investments in facilities, equipment and apparatuses at service centers) and human capital investments (personnel) are made properly

2) Implementing measures to vitalize organizations

Implement measures to vitalize organizations, such as vitalization of communication within an organization, enhancement of coordination between organizations and creation of open corporate culture.

The Human Resources Group checks the implementation status of the measures in each division at the end of fiscal 2019, and the findings are used to create measures for the next fiscal year.

3) Strengthening line management

To strengthen line management, efforts are made to improve the content of education, while training is provided not only to new managers but also to those who have already been at a managerial position.

4) Implementing a personnel rotation system for the General Manager of the Quality Assurance Department

With respect to the General Manager of the Quality Assurance Department, study and implement a personnel rotation system.

7. Strengthening the promotion of compliance

1) Strengthening compliance promotion systems

To further improve the compliance promotion system of the Group, re-evaluate the functions of the Ethics Committee of Sumitomo Heavy Industries and strengthen the compliance promotion systems of each division and the Group as a whole.

2) Gathering risk-related information and strengthening responsive measures

The Internal Control Group gathers risk-related information acquired through surveys on how well compliance is understood, the ethics hotline whistle-blower system and other channels, groups such information into categories and takes appropriate measures.

3) Strengthening compliance education

- (i) Revising compliance manual and providing compliance education
- (ii) Providing education on cases of violations of compliance rules

8. Promoting risk management in the Group

After reviewing not only risks that materialized this time in relation to quality management and industry laws (laws and regulations that apply to management of businesses and workplaces) but also general risk management that generally covers business management of the Group, we will examine the risk management system and the promotion of specific measures once again.

III. Causal Analysis and Recurrence Prevention Measures for the Individual Incidents

With respect to the individual incidents, the Investigation Committee verified the appropriateness of causal analysis conducted and recurrence prevention measures formulated for each division or Group company, and put together the verification results in the appendix to the Report. We will implement

not only recurrence prevention measures for the Sumitomo Heavy Industries Group as a whole that are described in the section II. above but also those that respond to each such incident.

1. With respect to incidents at the Plastic Machinery Division and Group companies that were made public on January 24, 2019, we have given explanations about the situation and apologies to our customers, and are currently providing explanations to them successively about causal analysis and recurrence prevention measures, while simultaneously providing explanations about recurrence prevention measures for the Sumitomo Heavy Industries Group as a whole that are described in the section II. above. Through these activities, we are working to gain the understanding of our customers.
 - (i) Plastic Machinery Division (please see pages 26 to 28 of the appendix to the Report)
 - (ii) Sumitomo Heavy Industries Material Handling Systems Co., Ltd. (please see pages 32 to 34 of the appendix to the Report)
 - (iii) Sumitomo Heavy Industries Gearbox Co., Ltd. (please see pages 23 to 25 of the appendix to the Report)
 - (iv) Sumitomo Heavy Industries Power Transmission & Controls Sales Co., Ltd. (please see pages 29 to 31 of the appendix to the Report)

2. Incidents disclosed to the public last year

With respect to Group companies whose incidents were made public last year, each company already has given explanations about the situation and apologies to its customers and has taken necessary measures. In addition, the Investigation Committee also investigated the causes and verified the appropriateness of recurrence prevention measures, and we will implement recurrence prevention measures for each company that have been put together based on the verification results together with recurrence prevention measures for the Sumitomo Heavy Industries Group as a whole that are described in the section II. above.

- (i) Sumitomo Heavy Industries Himatex Co., Ltd. (please see pages 13 to 22 of the appendix to the Report)

In the course of investigation by the Investigation Committee, we found new incidents and provided explanations to our customers about them. We deeply apologize for the great inconvenience caused to our customers and all those affected. The new incidents identified are as described on pages 17 to 22 of the appendix to the Report.

Furthermore, with respect to the incidents identified this time in addition to incidents made public last year, we have performed causal analysis and formulated recurrence prevention measures, which have been verified by the Investigation Committee. In the future, we will explain to our customers successively about the causal analysis and recurrence prevention measures and endeavor to obtain their understanding.
- (ii) Sumitomo (S.H.I.) Construction Machinery Group (please see pages 1 to 6 of the appendix to the Report)
- (iii) Sumitomo Heavy Industries Construction Cranes Co., Ltd.

Improper dismantling and maintenance of large special vehicles was found last year but such improper activities were excluded from the scope of investigation by the Investigation Committee due to the fact that the improper activities were limited.
- (iv) Sumitomo Nacco Forklift Group (please see pages 7 to 12 of the appendix to the Report)

IV. Partial Return of Remuneration from Officers

We take the recent incidents seriously and officers of the Company have decided to surrender a part of their remuneration as shown below.

In addition, officers of Group companies where improper activities were conducted will make similar decisions and employees involved in the incidents will be punished strictly according to the work regulations.

Representative Director, President and CEO	Shunsuke Betsukawa	20% of monthly remuneration for two months
Representative Director, Executive Vice President (in charge of Corporate Quality Group)	Yoshiyuki Tomita	10% of monthly remuneration for one month
Director, Executive Vice President General Manager, Power Transmission & Controls Group	Toshiharu Tanaka	10% of monthly remuneration for one month
Director, Executive Vice President President of Sumitomo (S.H.I.) Construction Machinery Co., Ltd. and President of Sumitomo (S.H.I.) Construction Machinery Sales Co., Ltd.	Shinji Shimomura	10% of monthly remuneration for two months
Senior Vice President (in charge of Internal Control Group)	Hiroo Morita	10% of monthly remuneration for one month
Senior Vice President General Manager, Plastic Machinery Division	Kazuo Hiraoka	10% of monthly remuneration for one month
Senior Vice President President of Sumitomo Heavy Industries Material Handling Systems Co., Ltd.	Tatsuya Endoh	10% of monthly remuneration for two months
Vice President President of Sumitomo Heavy Industries Gearbox Co., Ltd.	Tatsuro Araki	10% of monthly remuneration for one month

V. Effect on Business Results

The effect of the incidents on our business results is expected to be minimal.

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