

A close-up photograph of industrial mechanical components, including a hydraulic cylinder and a motor, overlaid with a semi-transparent orange filter.

Mechatronics

A photograph of a large industrial machine, specifically a Sumitomo DEMAG SE100EV-S, overlaid with a semi-transparent purple filter.


Industrial Machinery

Integrated
Report
2025

January 2024–December 2024

A photograph of a Sumitomo excavator and a truck, overlaid with a semi-transparent yellow filter.

**Logistics &
Construction**

An aerial photograph of an industrial facility with large storage tanks and piping, overlaid with a semi-transparent teal filter.

**Energy &
Lifeline**

Purpose

Enhance society and those within it with compassion through our ownership and vision

The Sumitomo Heavy Industries (SHI) Group has evolved along with the development of society and industry since it was established in 1888 as a machinery production and repair shop for the Besshi Copper Mine, the founding business of the Sumitomo Group. We firmly maintain the Sumitomo Business Philosophy that has been passed down as the principle shared across the Sumitomo Group companies. We are also committed to the SHI Group's Business Principle to achieve sustainable growth and greater corporate value, thereby meeting stakeholders' expectations.

THE SUMITOMO BUSINESS PHILOSOPHY

Business Principles

Article 1

Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.

Article 2

Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

Fundamental idea and philosophy

Our reason for existence

PURPOSE

The Sumitomo Heavy Industries Group defined its reason for existence by unveiling its Purpose in January 2024.

We view our Purpose as a guide in management, bringing together the group's collective strengths for future growth. <https://www.shi.co.jp/english/company/purpose/index.html>

BUSINESS PRINCIPLE

Corporate Mission Statement

We will aim to become a machinery manufacturer that continues to provide excellent products and services to the world. With integrity being a key principle in the Group, we will contribute towards society by gaining high respect and confidence from all stakeholders.

Our Values

Customer First

We exceed customer expectations by providing sophisticated efficient products and services, giving the utmost consideration to their needs and requirements.

Embrace Changes

We will continue to drive and embrace changes without accepting the status quo.

Commit to Technology and Innovation

We are passionate about contributing to society by further developing our unique, in-house technologies.

Respect People

We will nurture an organizational climate that fosters mutual respect, tolerance and learning for growth.

Our mission

Approach to the mission

Our Ideal State in 2030 and Medium-Term Management Plan 2026

Our Ideal State in 2030

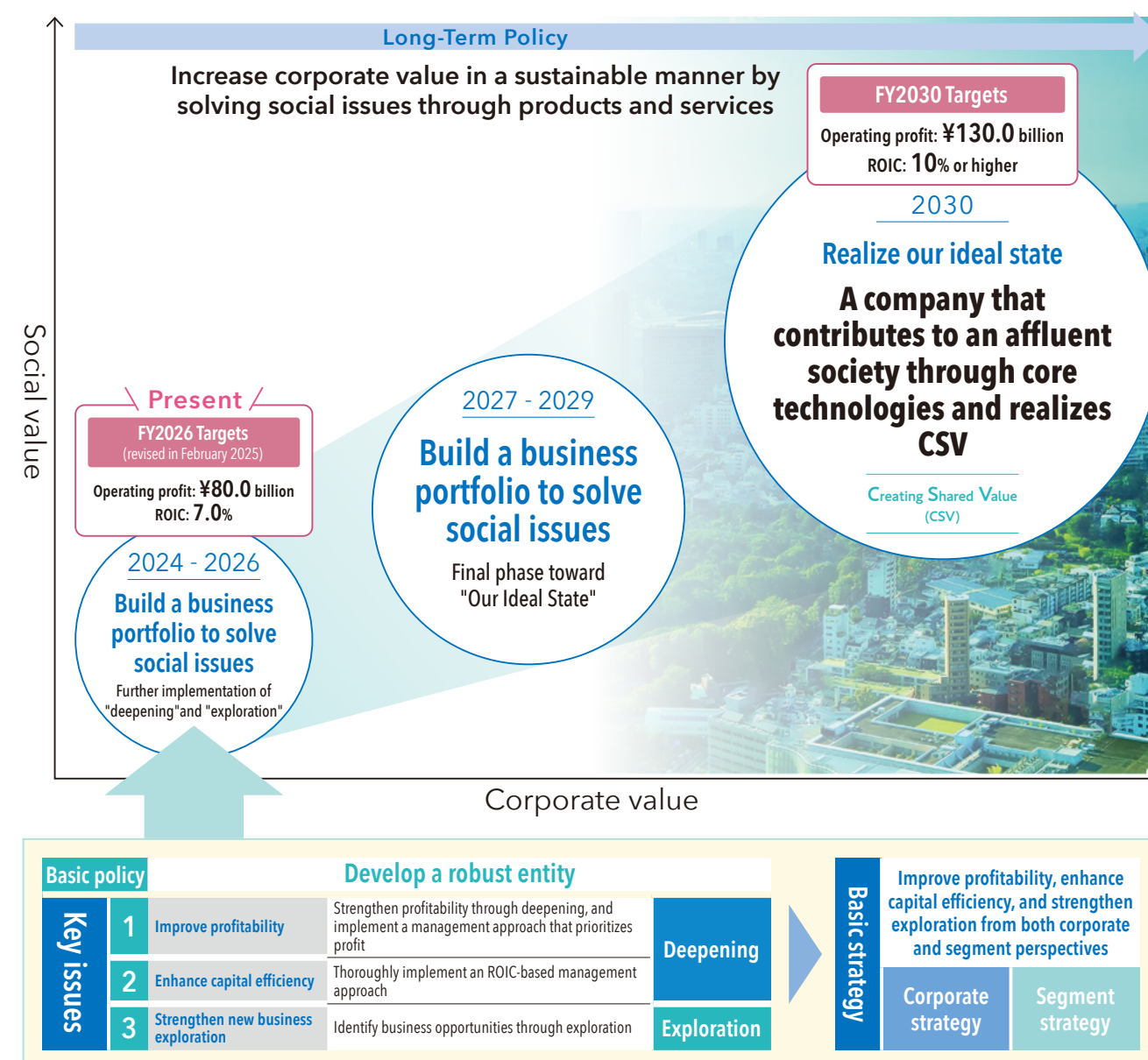
We established our Purpose in January 2024. We have also defined our ideal state we should achieve by 2030 as "a company that contributes to an affluent society through core technologies and realizes CSV." We have set financial and non-financial targets in line with this vision. To achieve the financial targets, we have set up four key investment areas based on our core technologies, while strengthening the revenue bases for our existing businesses.

Purpose Enhance society and those within it with compassion through our ownership and vision

While strengthening the revenue bases for the existing businesses, we will achieve growth in the following key investment areas based on core technologies in the four segments, thereby aiming to create new value and improve corporate value.

[Key investment areas] ♦ Robotics / automation ♦ Semiconductors ♦ Advanced medical devices ♦ Environment / energy

Financial and non-financial targets are established to maximize our corporate and social values. The financial targets are set to achieve profitability that continuously surpasses capital costs.



Introduction by Representative Directors

The Sumitomo Heavy Industries Group enhances society and those within it with compassion through our ownership and vision



Representative Director,
Chairman of the Board
Tetsuya Okamura



Representative Director,
President and CEO
Shinji Shimomura

Upon Publication of Integrated Report 2025

The Sumitomo Heavy Industries Group published its first annual report in the 1970s. Since 2017, we have been publishing an integrated report. With each publication, we have endeavored to ensure that the report serves as an effective tool for communicating with stakeholders and helping them understand who we are and what we do as a company. We have not only incorporated the opinions and requests we received from shareholders and investors into our management but have also used them to enhance our information disclosure.

Currently, based on the Purpose established in January 2024, we are working to advance the business operation geared to achieving the goals set in the Medium-Term Management Plan 2026 ("MTMP 2026"), which has been developed through backcasting from our ideal state in 2030, which is our long-term vision. Integrated Report 2025 illustrates our progress toward the vision, and why we have revisited the targets set in MTMP 2026 and what new measures have been added, taking into consideration the changing business environment. It also presents our aspirations to achieve the goals, along with the details of our business strategies. Moreover, it describes the various sustainability activities that we engage in to improve our social value, as well as the state that we are currently in and our future outlook. In particular, from our Integrated Report 2024 onwards, we would like to communicate the financial and social value we aim to achieve by strengthening our disclosure of how our material issues of sustainability are linked to the business strategies and performance of each segment, as well as the status of implementation of measures on both fronts.

We hope that this report will help deepen your understanding of the SHI Group.

Editorial Policy and Contents

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Editorial Policy

The Sumitomo Heavy Industries Group (SHI Group) published an Integrated Report for FY2017 in lieu of the Annual Report that it had published since the 1970s. Integrated Report 2025 contains reports on financial information as well as the SHI Group's unique strengths and the sources of its medium- to long-term growth with the aim of deepening understanding among stakeholders, including shareholders and investors. Please refer to our website for detailed information and figures related to financial data (including Securities Reports) and non-financial data (such as sustainability data).

■ Scope of Report

This report covers Sumitomo Heavy Industries, Ltd. and 141 consolidated subsidiaries (36 in Japan, 105 overseas). Context changes are duly noted in the text.

■ Timeline

This report covers FY2024(January 1, 2024~December 31, 2024), with the exception of one overseas subsidiary. Some content makes references to dates outside of this time period.

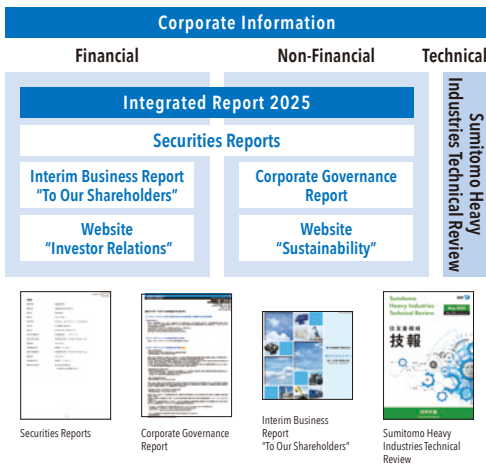
Reference Guidelines

- "International Integrated Reporting Framework," IFRS Foundation
- GRI Standards
- "WICI Intangibles Reporting Framework Version 1.0," World Intellectual Capital Initiative
- "Guidance for Collaborative Value Creation," METI of Japan

Cautionary Note Concerning Forward-Looking Statements

This report includes forward-looking statements regarding the future performance of Sumitomo Heavy Industries, Ltd. These forward-looking statements are based on information currently available to the Company and determined subjectively. All information contained herein is subject to changes in actual business performance.

Positioning of Integrated Report 2025

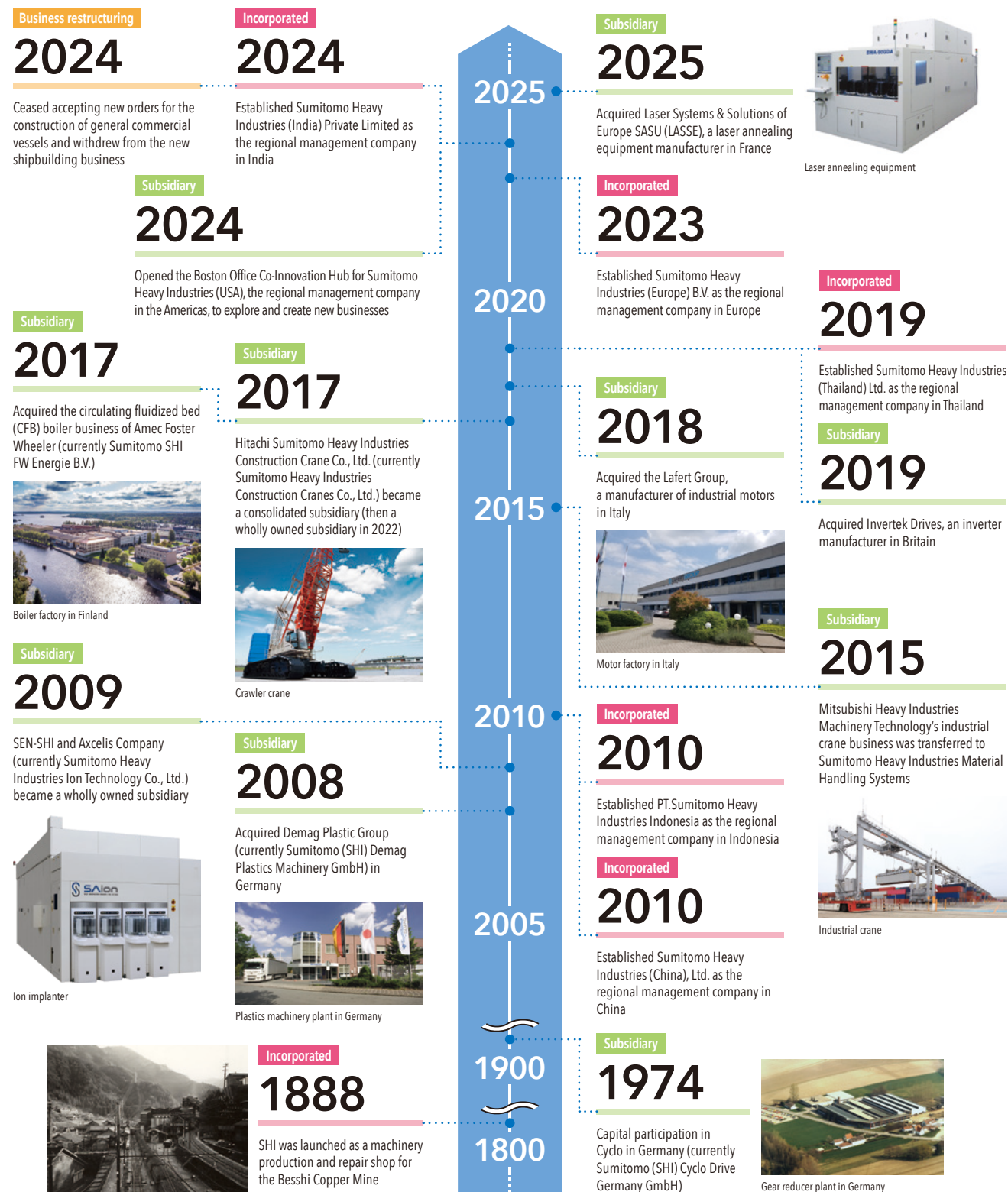


**SUSTAINABLE
DEVELOPMENT
GOALS**



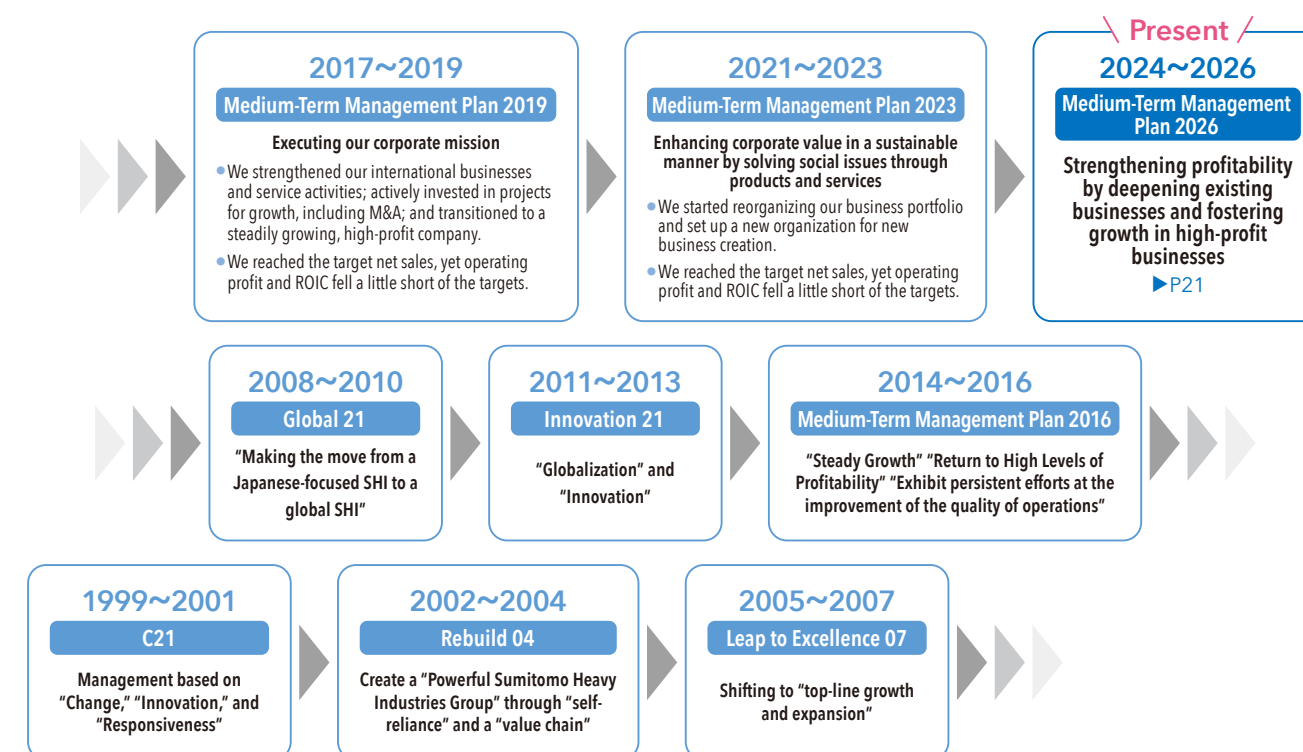
Timeline of Our Business Portfolio

The SHI Group has addressed customer and societal challenges through its products and services, building on its heritage as a core manufacturing company of the Sumitomo Group. We have set out to reform our business portfolio in accordance with the Medium-Term Management Plan 2026 that started in FY2024, allocating our management resources mostly to the four key investment areas in order to expand our businesses. We will also implement drastic measures to improve the profitability of businesses experiencing a profit slump, while reforming the structures of businesses that need rebuilding of their strategies.

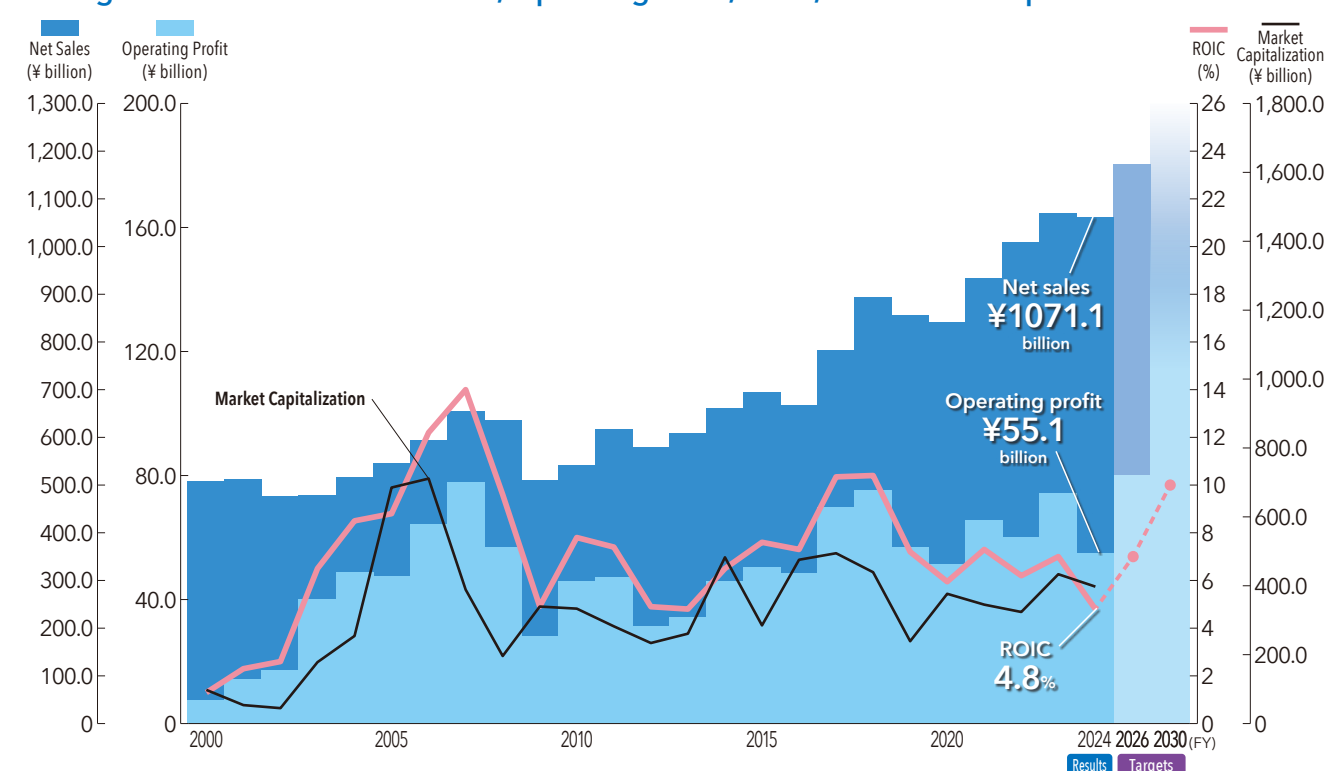


History of Our Medium-Term Management Plan

Consolidated net sales of the SHI Group have been on a growing trend, setting new record highs, while operating profit and ROIC have been showing little growth. The current medium-term plan focuses on strengthening our profitability to implement an ROIC-based management approach that prioritizes profit and to explore business opportunities. We plan to continue the efforts into the next medium-term plan as we work toward the ideal state we want to achieve by 2030.



Changes in Consolidated Net Sales, Operating Profit, ROIC, and Market Capitalization



Message from the President

We are committed to honing our ownership and building upon our corporate culture to create a business model geared to our ideal state in 2030. The starting point of this commitment is fulfilling the purpose and restoring profitability.



Shinji Shimomura
Representative Director,
President and CEO

My starting point as corporate manager: on-the-ground experience

Since I joined Sumitomo Heavy Industries more than 40 years ago, I have built my career mostly in manufacturing on the ground. At Saijo Plant (Ehime Works), in particular, I spent over 26 years and experienced all the manufacturing processes—from production technologies and order management to process control, procurement and quality assurance. At

that time, jobs were not subdivided, so I could engage in a variety of work across divisions.

In my second year, I worked on developing cyclotrons with Riken. In this project, I came to understand the true joy of manufacturing as I witnessed how technology development led to on-site production. I was able to gain experience this way and I became fully acquainted

with production processes. At the time of the stronger-then era, this knowledge enabled me to help boost our cost competitiveness by making international purchases at just the right time. There were times where I had to scramble for parts and materials from Italy.

These experiences were learning opportunities for me to gain first-hand knowledge of the importance of groundwork, the origin of the Company's strength. Other projects I worked in include pressure vessel production for a North American oil company, and one in the space industry. Through the Saijo Plant's large-scale work, I began to have a sense of responsibility for and pride in manufacturing. In particular, the experience of working on the infrared telescope, which was used in a NASA project, gave me great confidence as an engineer.

Regarding the quality assurance framework, I was involved in the efforts to obtain and update the ASME Certification Mark we had acquired in view of atomic energy machinery manufacturing. This experience allowed me to observe how a quality assurance framework following international standards works on the ground. All these experiences still help me make management decisions.

In 2008, I was transferred to the Head Office. I was scheduled to join a project to build an excavator plant in India under the President's direct supervision. Yet the project was postponed because of the collapse of Lehman Brothers, and I was assigned to the launch of a plant in China. The China plant began mass production in 2009, and it rapidly increased production from a few to 32 units of machinery a month. Increased demand was due to the Chinese government's stimulus package. When the economy slowed after the boom, the plant's monthly production took a deep dive from around 20 to the range of four to six.

This experience made me keenly aware of how a local business environment could be insecure and highly volatile. In this instance in China, our competitors also had to increase or decrease their production over a short period. All parts manufacturers and other related businesses considered scaling down or closing their businesses. This experience taught me the risks involved in business expansion, coupled with the importance of prudent and flexible local actions. What I underwent on the ground trained my intuition and judgment, which I rely on today as a business manager.

Building a business model toward 2030

The SHI Group's core competencies lie in our ownership. I don't simply mean our technical progressiveness and high product performance. These ownership also show our commitment to pursue a balance between precision and practicality that no other company can achieve. These ownership also serve as the critical foundation of our ideal state in 2030, presented in MTMP26. We are clearly aware of the mission of resolving social issues through our technological capabilities to create shared value (CSV).

Our competitive advantage comes from our technologies, including our design and manufacturing capabilities, for control equipment, cryogenics, and cyclotron equipment. Also, we continue to develop technologies for cyclotron equipment, mainly at Niihama Plant where SHI was founded, as part of our advanced medical devices initiatives. I believe that driving the further evolution of these competitive technologies will give us a clearer reason for our existence.

At the same time, we are convinced that people come before technology. Our corporate culture values honest communication with customers and employees based on Sumitomo's business philosophy. Our business was first founded as a machinery production and repair shop for the Besshi Copper Mine. Ever since, the business has continued to pass down its core values to date: groundwork and kindness to people.

To convey this corporate culture, we are focusing on creating workplaces where our employees find their work rewarding. In 2025, I interviewed middle-level employees to hear directly the voices of the employees and gain an accurate picture of our people's motivations and the issues they are aware of across the organization. Furthermore, as part of our efforts to foster a full awareness of the Purpose, established in 2024, which is meant to be more than a mere slogan, our business unit heads initiate dialogues as an approach to prompting actions.

To maintain sustainable competitiveness, the



ROIC dipping below 5% for the first time has caused a sense of crisis across the Company. We urgently need a strong core business to restore our profitability.

Company must continue enhancing this corporate culture, in addition to the specialist skills. With our unwavering core values and ever-evolving technologies

combined, I hope that we will remain a company that is needed by people and society.

Revision of MTMP26 and our commitment to restructuring

When MTMP26 was first published, it presented our plan to have a clear growth direction to achieve sustainable growth by adding key investment areas on top of a stable revenue base. It was a balance-oriented strategy that aimed to take up the challenge of advancing into new fields while maintaining and boosting the profitability of existing businesses.

However, in reality, we had to face unforeseen changes in the external environment. These multiple changes include a sudden downturn in the European automotive market, a continuing slowdown in the Chinese market, and sluggish growth of the semiconductor market, which had a considerable impact on our business plans. The structural decline in demand across Europe—mostly in Germany—was particularly notable because it plunged to the level far lower than our initial forecast, forcing us to redevelop our European market strategy. Our ROIC dipped below 5% in 2024 for the first time, and it is causing a sense of crisis across the Company, coupled with concern about our slow reaction.

The market for semiconductor-related equipment, for which we have had a strong capability, did not grow as much as we hoped, partly because the equipment is only remotely related to generative AI requiring mostly logic semiconductors. This slow market growth led to temporary stagnation of the areas we had initially assumed to grow, making it imperative to revisit MTMP26 as soon as possible.

The SHI Group has operated a wide range of businesses. They were connected in such a way that one struggling Group company's underperformance would be covered by another Group company. However, current environmental changes affected multiple businesses of ours at the same time, showing that the structure for mutual support does not always work. This experience renewed our awareness of the critical need to develop a strong core business for greater profitability, instead of simply diversifying our business.

Under these circumstances, we have acknowledged the urgent need to speed up the business portfolio reformation. We have revisited MTMP26 to restructure each business in each region, starting from Europe. Especially, we have decided that the restructuring of Lafert was urgent. Lafert has a strong capability for high-efficiency servomotors. Yet the company depends heavily on a certain industry, and it suffered a direct blow from the market changes. With this lesson learned, we intend to work toward maximum synergy with the gear reducer business we have always had while leveraging Lafert's strengths. We are currently reviewing the product mix and revenue structure with speed.

These reforms should not be limited to mere restructuring. Rebuilding to create new value is the key. For example, our product, combining a high-efficiency servomotor and a gear reducer, could help save manpower and create a decarbonized society as a highly energy-saving solution. From this medium- to

long-term perspective, we will continue restructuring, with the focus on how to leverage our existing resources to create sources of future revenue.

However, we remain careful about additional investments in our business in China. China's markets today are full of uncertainty, with a striking rise in local manufacturers. With electric vehicles advancing, demand for engine vehicle components is declining. Even European manufacturers are struggling to remain competitive. In Southeast Asian markets, which will continue to grow, our focus will be on offering products and services designed to meet local needs. Since some of our products enjoy good reputations from local customers, we are certain there are areas where we can make a strong showing of our advantages.

The updated MTMP26 continues pursuing the goals

of at least 10% ROIC and operating profit of ¥130 billion toward 2030. We are advancing reforms that revolve around exploring new business creation and efforts to boost the profitability of our existing businesses. Since maintaining business scales is not our priority, we intend to reconsider any unprofitable areas as soon as possible. Even if that leads to smaller sales volume to some extent, we will transition to a business structure that will reliably generate profit, thereby establishing a more solid business base.

I take this business restructuring as the starting reformation point to become a stronger corporate group for the future, rather than a temporary course of action. The whole Company will work as one team on the reformation to reach the next stage of growth that we believe will appear once we rise to this challenge.

Challenge to meet in order to revive profitability

We recognize the declining profitability of the existing core businesses (gear reducers, plastics machinery, hydraulic excavators, etc.) as a significant challenge. Although our businesses used to cover each other's underperformance when the economy fluctuated and the markets changed, this structure has not worked in recent years. Now, declining profit among some of the flagship businesses tends to considerably affect the performance of the entire Group. In business such as gear reducers and plastics machinery, more models have notably caused inefficiency, and the difficulty of cost pass-through is a factor behind the whole issue. We concluded that, to conquer this situation, we would need to further speed up "selection and concentration" to revive our profitability.

The gear reducer and plastics machinery businesses

are taking a practical course of action, which is to cut off unprofitable models and focus solely on the models that steadily generate profit in the markets. We also plan to reflect added value in the prices of the models we will retain in line with customer needs.

The construction machinery business faced changes in the North American market, especially for hydraulic excavators. Since demand rapidly rose in 2023, our dealers assumed the momentum would continue into 2024 and added stocks. Yet the market plateaued, and the inventory had to be adjusted. As a result, production declined, causing an operating loss. In the coming years, we plan to improve the accuracy of our market forecasts and work more closely with our dealers to optimize our overall operation.

Regarding products for which cost pass-through will

With this business restructuring as the starting point of reformation, we will move on to the next stage of growth.



not work in the SHI Group, we will broaden the scope of service to offer them as comprehensive solutions. In doing so, we hope to establish a new business model. We will collaborate with sales departments on proposals to advance the understanding that energy prices, shipping cost, and other indirect costs also constitute added value. We will offer comprehensive value that

includes after-sales support so that we can gain proper profit for products that are difficult to secure revenue only with the product itself. The SHI Group plans to increase net sales from its service businesses, which enjoy an operating profit ratio of 20% to 25%, to the level of 250 billion yen in 2026. We are fully committed to achieving this goal.

Evolving specialist skills and passing down corporate culture

The SHI group's products have continuously evolved to meet the needs of society and industry. We envisage that some of our products will undergo dramatic changes to keep up with various technological trends, including AI, automation, and carbon neutrality. For example, using AI for plastic forming constitutes a groundbreaking technology, enabling high-quality shaping regardless of the operator's skills. This directly leads to high productivity and quality at the same time.

There is also something that must remain unchanged. It is our corporate culture. Our central values rooted in the Sumitomo Business Philosophy are being faithful to customers, being uncompromising on quality, and people-oriented manufacturing. We must not relinquish them no matter what technological innovation the SHI Group achieves.

For example, some efforts contributing to decarbonization are gasification technologies with an eye to CO₂ recovery, including our biomass power

generation. Also, our cryogenic technology is anticipated to be applied as a vapor suppression technology in a hydrogen energy society. I believe that steadily developing a technology like this will provide the groundwork for the pillars of our businesses going forward.

Exploring new technologies for refinement is also essential to our evolution as an enterprise. We should consider accepting challenges in advanced areas in addition to the technologies that already give us advantages, primarily cryogenic technologies and medical cyclotron equipment. Therefore, Cs'-Lab, the research and development center which opened in 2025, will play an increasingly critical role. The functions of our research institute is based on the concept of a "space for cocreation." We are strengthening them while we establish a framework to discover and nurture seeds that will lead to future businesses.

Awareness of the Purpose and sustainability-oriented management

The SHI Group is committed to fostering Group-wide awareness of the Purpose established in 2024. The Purpose is not a mere philosophy. It takes on significance only when each executive and employee connects it to their work and acts to fulfill it through their daily routines. To ensure that everyone is aware of this, we measure the level of penetration on a five-point scale and identifying the status of initiatives and challenges at each workplace. In the survey conducted in January 2025, approximately 70% of the respondents replied that they were aware of our purpose. However, when it came to whether individuals had internalized the purpose as their own and were linking it to their work and actions, differences were observed across job types and departments. Given these findings, I set up opportunities for dialogues with employees, and I have been raising awareness through two-way communication. My goal is to make the Purpose serve as the guiding principle for all executive and employees and take root as part of our corporate culture.

The SHI Group also leads various initiatives to meet global requests in connection with sustainability-oriented management. Regulatory changes, mostly in Europe, are expected to gain speed in the long term. Recent years have seen the emergence of new areas requiring action, including human rights due diligence and the Taskforce on Nature-related Financial Disclosures (TNFD). To respond to these changes, we must establish and prioritize a stronger internal framework combined with strategic actions among all

companies.

In terms of diversity, our issues lie especially in hiring and training women. The number of women in science and technology we have hired remains unsatisfactory. We plan to increase career growth opportunities and training programs for all employees, including female engineers, to enhance our workplace environments.

In dialogues with shareholders and investors, we are sometimes compared to companies that have achieved results through structural reforms. We have received numerous comments pointing out the complexity of our business structure and the perceived lack of speed in implementing selection and concentration. Going forward, we will accelerate the transformation of our business portfolio with a strong sense of urgency. From a financial perspective, we will communicate quantitative and convincing results such as increased service revenue and improved ROIC. At the same time, we will enhance integrated disclosure by visualizing progress toward non-financial targets, such as CO₂ emissions reduction and the ratio of female managers.

With the reformation and challenges we have taken up as the driving force, the SHI Group will continue evolving toward the next stage to achieve our ideal state in 2030, moving ahead with restructuring and growth investments. I personally believe that a stock price of over ¥6,000, exceeding a PBR of 1, represents the corporate value we should aim for, and I am committed to leading the entire company in taking on the challenge of achieving it.



President engaging in dialogue with employees to raise the awareness of the Purpose in Europe and China

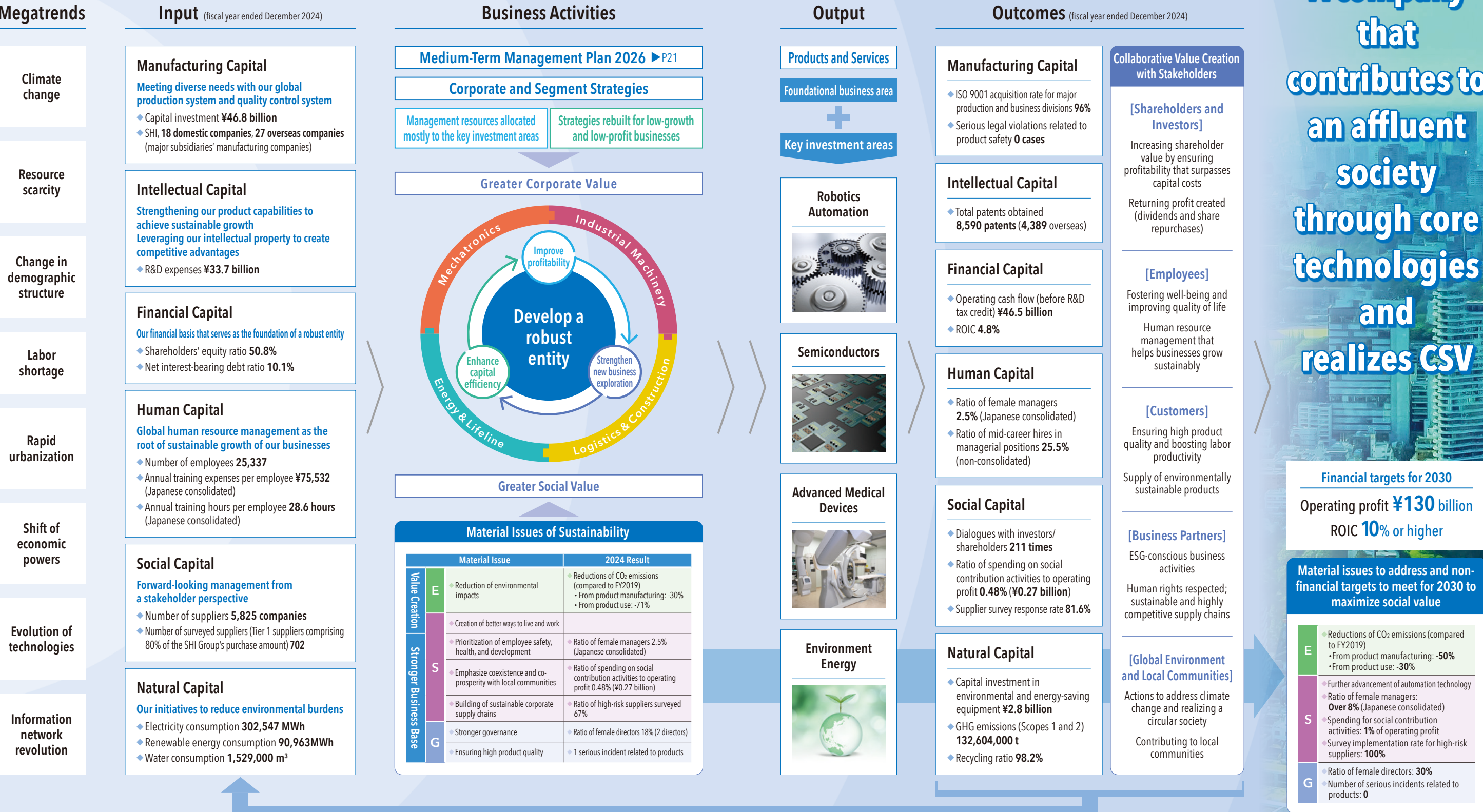


We are determined to complete business portfolio reformation tasks with speed in order to evolve toward our ideal state in 2030.



Value Creation Process

The SHI Group helps create value for customers and contributes to the sustainable development of society through products and services. This has been made possible by the diverse management resources that we have cultivated through our long history, as well as our superior management capabilities that leverage these resources to create social value and corporate value. We view our Purpose as a guidepost for management as we contribute to the realization of sustainable society.



Sumitomo Heavy Industries Group's Value Creation

The Sumitomo Heavy Industries Group has established the ideal state it should achieve by 2030 as being “a company that contributes to an affluent society through core technologies and realizes CSV.” To reach this ideal state, we are committed to sustainability-oriented management with the focus on collaborative value creation with stakeholders.

External Environment Surrounding the SHI Group

The business environment surrounding us is rapidly changing and increasingly uncertain. Climate change and resource scarcity have a progressively severe impact on the economy and our day-to-day living. Aging population and labor mobility have caused demographic changes, leading to economic power shift as well as technological evolution and information network revolution. This has dramatically changed how society works.

Amid this changing environment, the SHI Group faces the need to correctly assess risks and opportunities as it engages in its business activities.

Business Activities for Value Creation

We are working to strengthening our segment system in order to develop a robust and sustainable entity capable of faring well in an uncertain external environment. (► P21, “Medium-Term Management Plan 2026”)

Our segments are committed to business activities that are keenly conscious of the following three essential elements: (1) Improving profitability; (2) Enhancing capital efficiency; and (3) Strengthen new business exploration), thereby offering competitive products and services. (► “Highlights of Our Segments” from P37 and descriptions of the segments)

Collaboration with Stakeholders

We actively create opportunities to communicate with each stakeholder. (► P60, “Stakeholder Engagement”) Based on feedback received through our engagement activities, we aim to grow further with stakeholders.

Value Creation to Address Material Issues of Sustainability

The SHI Group's material issues of sustainability constitute materiality that has been identified in terms of the impact that the environment and society have on the Company, and of the impact that the Company's businesses have on the environment and society. We have established “reduction of environmental burdens” and “creation of better ways to live and work” among the seven material issues of sustainability as our material issues for value creation.

Our Initiatives to Reduce Environmental Burdens



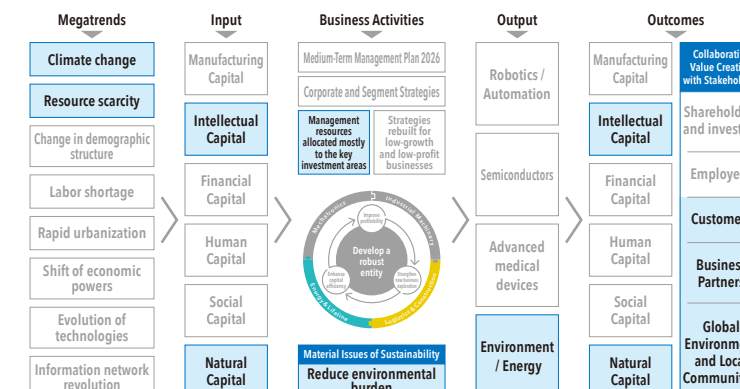
The SHI Group devotes considerable effort into the environment and energy field, which is one of its key investment areas, as the initiative to reduce environmental burdens. To give specific examples, we have launched Sustainability Plus Products (environmentally friendly products) and have been selling fuel cell (FC)-powered port cranes. Initiatives like these hinge on the evolution of intellectual capital.

The number of patents we obtained increased to 8,590 in 2024 from 7,010 in 2020, and the proportion of international patents is growing. (► P32, “Intellectual Capital”) The development project that was set up in 2018 aims to achieve the sales of ¥350 billion earned from “products aimed at the next 10 years” in around 2035. These products

revolve around the strategy for the intellectual property that the SHI Group aims to develop into products in 2030. Through these initiatives, we plan to contribute to the supply of customers' green products, business activities with partners geared to ESG, action against climate change, and the creation of a recycling-oriented society.



Liquid Air Energy Storage (LAES)



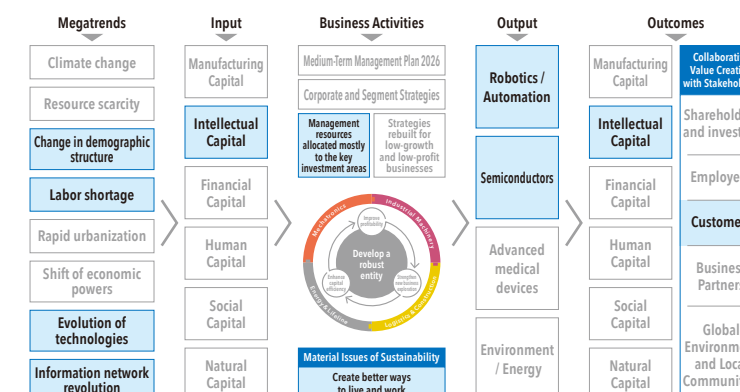
Efforts toward the Creation of Better Ways to Live and Work



The SHI Group focuses on robotics/automation and advanced medical device, which are the key investment areas, as part of its efforts to create better ways to live and work. More specifically, we Improve labor productivity through robotics technology and smart logistics, and develop devices for cancer diagnosis and cancer treatment, among others. Leveraging our gear reducers, which are our mechatronics segment's core products, we have made a roadmap to 2030 considering changes in the transportation/logistics market. Also, our advanced medical device business strives to win projects, so that proton devices and BNCT for cancer treatment and will come into wider use. These efforts are to develop the SHI Group's intellectual capital, facilitate change in how customers' employees work on the ground, improve labor productivity, and enhance the quality of life (QOL) of patients receiving treatment.



Remote-controlled Rubber Tired Gantry crane (RTG)



KPIs for Our Ideal State in 2030

To reach "Our Ideal State in 2030," we have set indicators for our financial and social value. As financial metrics, we aim for operating profit of ¥130 billion and 10% ROIC. To maximize our social value, we have set non-financial targets based on the seven material issues of sustainability. Our long-term plan is to continue enhancing our corporate and social value by offering solutions to social issues through our products and services, with the aim of raising our price-to-book ratio (PBR), which currently hovers between 0.5 and 0.6, to at least 1 in 2030.

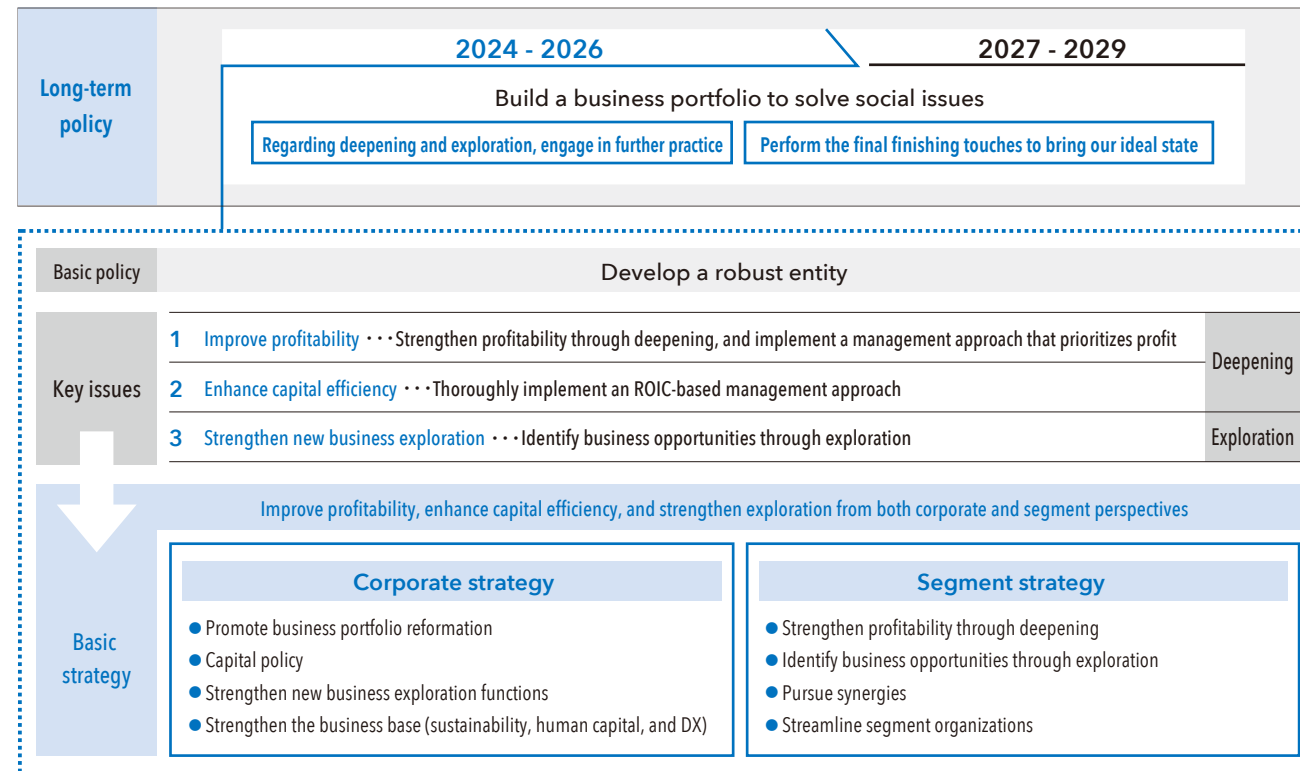
Seven Material Issues of Sustainability

	Material Issue	Relations with Business	Opportunities	Risks	Major Initiatives	Related Major Indicators and Targets	FY2024 Result	Related Pages
Material Issues for Value Creation	Reduce environmental burden	<ul style="list-style-type: none"> The SHI pursues toward the future the reduction of environmental burdens from its business activities and from the use of the Group's products by customers. Given that the Group's products are meant for long-time use, they need to have long service life. In addition, reducing environmental burdens throughout each product lifecycle by cutting greenhouse gas emissions coupled with raw material consumption and waste, among others, leads to lower production cost and higher value added to the Group's products. 	<ul style="list-style-type: none"> Efficiency enhancement for customers' production equipment/facilities and components; energy-saving product sales expansion (e.g., high-efficiency motors) Raw material production from gasified biomass in the environment and energy field; sustainable aviation fuel (SAF) and other fuel production; CO₂ capture and reuse 	<ul style="list-style-type: none"> Decline in the competitiveness of our products and businesses if efforts to achieve high product efficiency and energy savings do not progress Product obsolescence if new fuels and/or new materials are not adopted fast enough Considerable cost incurred due to the occurrence of environmental pollution 	<ul style="list-style-type: none"> Launch of Sustainability Plus Products Effective use of electricity using renewable energy; introduction of solar power generation Application of recycled materials to products; reduction of hazardous substances contained in products 	<p>[Indicators]</p> <ul style="list-style-type: none"> CO₂ emissions Water consumption Waste generation Number of environmental accidents VOC emissions <p>[Targets]</p> <ul style="list-style-type: none"> CO₂ emissions during the manufacturing of our products in 2030 (Scopes 1 and 2): 50% reduction (compared to FY2019) CO₂ emissions during the use of our products in 2030 (Scopes 3 Category 11): 30% reduction (compared to FY2019) Aim to achieve carbon neutrality throughout the entire SHI Group by 2050 	<ul style="list-style-type: none"> CO₂ emissions during the manufacturing of products (Scopes 1 and 2) 30% reduction from 2019 → Achieved CO₂ emissions during product use (Scope 3 Category 11) 71% reduction from 2019 → Achieved 	<ul style="list-style-type: none"> Intellectual Capital (▶ P.31) Natural Capital (▶ P.48) The 4 Segments of SHI (▶ P.37 and 38)
	Create better ways to live and work	<ul style="list-style-type: none"> The SHI Group has performed tasks beyond the physical ability of humans (e.g., carrying heavy loads, resin treatment, semiconductor manufacturing). The SHI Group helps alleviate our customers' workloads, implement work-style reforms, and improve safety through the automation and digitalization of our products. We continue to keep up with advances in society to realize workstyle reforms in various industries and create better ways for people to live. 	<ul style="list-style-type: none"> Expansion of sales of inverters, motors, electric modules, and motion components that are essential for robotics and automation Expansion of sales of semiconductor production equipment that contributes to the manufacturing of semiconductors indispensable to the convenience of daily life 	<ul style="list-style-type: none"> Product obsolescence caused by slow progress of automation and digitization 	<ul style="list-style-type: none"> Improvement in labor productivity through robotics technology and smart logistics Development of medical devices for cancer diagnosis, cancer treatment, etc. 	<p>[Principles]</p> <ul style="list-style-type: none"> Reducing the on-site customer workload through automation and optimization Increasing the sophistication of medical care by utilizing advanced technology and promoting a digital society 	<ul style="list-style-type: none"> Examples of advances in automation technology *Steel wall-climbing robots certified; demonstration tests of the robots conducted *Application of the remote management system expanded (e.g., remote monitoring system integrated into SIRMS® large cranes) 	<ul style="list-style-type: none"> Intellectual Capital (▶ P.31) The 4 Segments of SHI (▶ P.37 and 38)
Material Issues for Strengthening Our Business Foundation	Prioritize employee safety, health, and development	<ul style="list-style-type: none"> Human capital management is essential for the SHI Group to accelerate its globalization and provide products and services that meet the needs of society. Having established "Making safety and compliance our top priority" as its basic compliance policy, the Group prioritizes safety in any operations. We work on health and productivity management, talent development, and diversity promotion. 	<ul style="list-style-type: none"> Labor productivity enhancement by maintaining and improving employees' physical and mental health Issue resolution and creation of innovation by boosting employee engagement (injecting energy into problem solution and producing business ideas across divisions) 	<ul style="list-style-type: none"> Occupational accidents and employees' physical or mental problems that may disrupt smooth business activities and operation Slow talent development and low employee engagement Lack of fresh ideas and organizational inertia 	<ul style="list-style-type: none"> Regular discussions with the Central Committee on Safety and Health (collaboration between labor and management) Efforts to enhance organizational capabilities, such as strengthening the foundation of human resource development and promoting diversity Workstyle reforms, covering work-life balance, that serve as the foundation of enhancement Initiatives to promote employee health and safety 	<p>[Indicators]</p> <ul style="list-style-type: none"> Improvement in employee engagement Work-related Fatalities Occupational accident frequency rate Annual training hours and expenses per employee <p>[Targets by January 1, 2027]</p> <ol style="list-style-type: none"> Increase the number of newly employed women <ul style="list-style-type: none"> Ratio of women among new graduate hires: at least 20% per year Actively promote women <ul style="list-style-type: none"> Number of female directors: 2 Ratio of female managers: 3.7% on a consolidated basis in Japan; more than 5.0% on a non-consolidated basis Utilize diverse human resources <ul style="list-style-type: none"> Ratio of employees hired mid-career among managers: at least 30% Ratio of foreign employees among managers: 1.4% Childcare leave utilization ratio of male employees (including entitled leave): 100% on a consolidated basis in Japan; on a non-consolidated basis 100% Boost employee engagement <ul style="list-style-type: none"> Manufacturing industry average in Japan <p>[Targets by 2030]</p> <ul style="list-style-type: none"> Ratio of female managers: 10% on a non-consolidated basis; 8% on a consolidated basis in Japan 	<ul style="list-style-type: none"> Ratio of women among new graduate hires: 23% on a consolidated basis in Japan → Achieved Number of female directors: 2 → Achieved Female manager ratio <ul style="list-style-type: none"> Consolidated: 6.3% Consolidated in Japan: 2.5% Non-consolidated: 3.3% Ratio of employees hired mid-career among managers <ul style="list-style-type: none"> Consolidated in Japan: 25.5% Ratio of foreign employees among managers <ul style="list-style-type: none"> Non-consolidated: 0.3% Childcare leave utilization ratio of male employees <ul style="list-style-type: none"> Consolidated in Japan: 88.8% Non-consolidated: 98.9% Percentage of highly engaged employees SHI and 29 consolidated subsidiaries: 48% 	<ul style="list-style-type: none"> Human Capital (▶ P.53)
	Emphasize coexistence and co-prosperity with local communities	<ul style="list-style-type: none"> It is essential for the SHI Group, which operates its businesses across the globe, to emphasize coexistence and co-prosperity with local communities. We therefore grow with local communities by engaging in social contribution activities that leverage the resources and expertise in machine engineering, among others, that the SHI Group has. Through our local activities, we seek to boost employee engagement as well as to advance the understanding of social and environmental issues. 	<ul style="list-style-type: none"> Business activities stabilized by strengthening ties with local suppliers, municipalities, residents, etc., in the regions where our manufacturing sites are located Recruitment and retention of local talent 	<ul style="list-style-type: none"> Disruption to smooth operation caused by souring relations with a local community Shortages of human resources for production jobs that mostly hire local people 	<ul style="list-style-type: none"> Participation in local cleaning projects based on the Sumitomo Heavy Industries Group's Policy for CSR Activities; donations to international organizations 	<p>[Indicators]</p> <ul style="list-style-type: none"> Cooperation with NGOs / NPOs <p>[Targets by 2030]</p> <ul style="list-style-type: none"> Spending for social contribution activities Ratio to operating profit: 1% (e.g., cash/in-kind donations, personnel expenses) 	<ul style="list-style-type: none"> Ratio to operating profit: 0.48% (¥0.27 billion) 	<ul style="list-style-type: none"> Emphasize coexistence and co-prosperity with local communities (▶ P.60)
	Build sustainable corporate supply chains	<ul style="list-style-type: none"> As a corporate group with a range of global supply chains, it is important to address ESG risks such as human rights and climate change, from the perspective of CSR and business continuity. The SHI Group established the CSR Procurement Guidelines. We are committed to carrying out activities together with our business partners, considering the environment and human rights as well as quality, cost, and delivery time. 	<ul style="list-style-type: none"> Stable procurement, coupled with quality maintenance and improvement, by establishing supply chains that are environmentally- and human rights-conscious Supplier cost reduction and human resources secured through activities to raise domestic and international suppliers' awareness of environmental and human rights issues 	<ul style="list-style-type: none"> Loss of public credibility and suspension of business with customers due to inadequate action to address ESG issues in supply chains 	<ul style="list-style-type: none"> Requesting suppliers to comply with the CSR Procurement Guidelines Carrying out supplier surveys Carrying out human rights due diligence 	<p>[Targets by 2030]</p> <ul style="list-style-type: none"> Ratio of potentially high-risk suppliers* surveyed: 100% <p>*High-risk suppliers: Determined on the basis of the number of foreign workers employed and the net sales proportion to the Company. The definition is regularly updated.</p>	<ul style="list-style-type: none"> 67% (to be complete in 2026 based on a 3-year plan) 	<ul style="list-style-type: none"> Human Rights (▶ P.58) Responsible Procurement (▶ P.59)
	Strengthen governance	<ul style="list-style-type: none"> It is vital to fulfill expectations of investors and other stakeholders in order to grow as a global company. We devote further effort to full compliance and risk management, thereby ensuring more transparent and sound management. 	<ul style="list-style-type: none"> Business management built on transparent, fair, prompt, and resolute decision-making Revitalizing the Board of Directors through diversity 	<ul style="list-style-type: none"> Administrative punishment (e.g., penal charges, business suspension) or public trust eroded by such punishment Delay in management decision making 	<ul style="list-style-type: none"> Reading sessions on the Compliance Manual and efforts to ensure full compliance using e-learning and other means Appointment of one more female director and outside corporate auditor each Establishment of BCM / BCP for business continuity 	<p>[Indicators]</p> <ul style="list-style-type: none"> Compliance training attendance rate <p>[Targets by January 1, 2027]</p> <ul style="list-style-type: none"> Number of female directors: 2 <p>[Targets by 2030]</p> <ul style="list-style-type: none"> Ratio of female directors: 30% 	<ul style="list-style-type: none"> Compliance training attendance rate Consolidated: 52.5% Number of female directors: 2 (18%) 	<ul style="list-style-type: none"> Corporate Governance (▶ P.65) Risk Management (▶ P.73) Compliance (▶ P.74)
	Ensure high product quality	<ul style="list-style-type: none"> It is our responsibility to continue to provide our customers with a stable supply of high-quality, safe, and reliable products and services. Product quality encompasses not only functional features, but also operational safety, environmental impact, and cyber security, among others. We pursue product quality that keeps up with social change. 	<ul style="list-style-type: none"> Boosting sales by increasing the competitiveness of our products, improving the brand value of our Group's products Efficiency enhancement across society achieved through customers' greater productivity and product quality, and enhanced quality of customers' products in which our products are built 	<ul style="list-style-type: none"> Guarantee work and product liability if any problems are found in quality 	<ul style="list-style-type: none"> Enhancement of quality management by obtaining certification for quality management systems, such as ISO 9001, and conducting internal audits Ensuring product safety Compliance with laws and regulations 	<p>[Indicators]</p> <ul style="list-style-type: none"> ISO 9001 certification acquisition rate for major production and business divisions Serious legal violations related to product safety <p>[Targets by 2030]</p> <ul style="list-style-type: none"> Number of serious incidents related to products: 0 	<ul style="list-style-type: none"> ISO 9001 certification acquisition rate: 96% Serious legal violations related to product safety: 0 cases Number of serious incidents related to products: 1 	<ul style="list-style-type: none"> Manufacturing Capital (▶ P.35)

Medium-Term Management Plan 2026

Medium-Term Management Plan 2026: Basic Policy

The Medium-Term Management Plan 2026 ("MTMP26") presents the basic policy of developing a resilient business structure to achieve the ideal state we envision for 2030. By setting clear financial and non-financial targets and implementing our corporate and segment strategies, we aim to enhance our profitability and capital efficiency and to carry out more vigorous new business exploration.



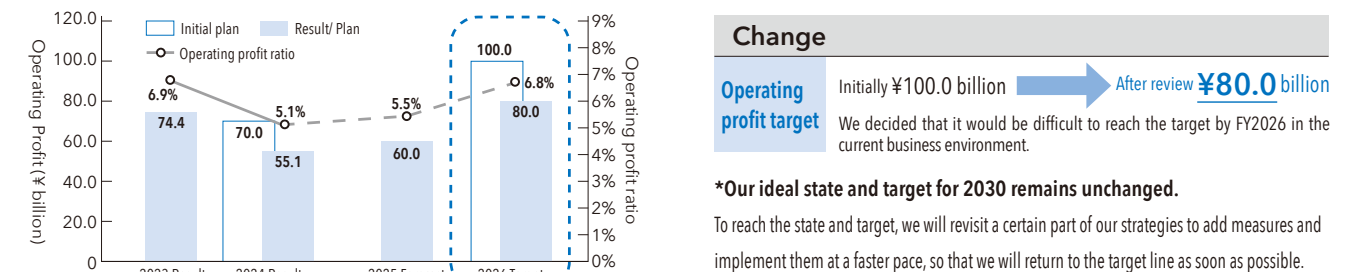
Changing Business Environment

MTMP26 started by listing the uncertain global economy, discontinuous business environment, and changing social style as the premises of the external environment. During FY2024, however, our businesses in Europe, and semiconductor and excavator businesses saw their environments growing more unfavorable than initially expected and their profitability fail to improve as planned. In the initial plan, we aimed to improve the profitability through reformation while securing the volumes of orders received and net sales. Yet we revisited our targets because we could no longer assume that these volumes of order and net sales would increase.

Deviations from the initial premises of the business environment	
Businesses in Europe	<ul style="list-style-type: none"> The automobile industry's slump because of slowing demand for EVs; deteriorated market conditions across Europe due to rising costs of energy Delays in customers' capital investments in the motor control technology and plastics machinery businesses; falling demand for the boiler business due to the trend toward decarbonization and tighter environmental regulations
Semiconductor business	<ul style="list-style-type: none"> Slow recovery of demand in the markets for the SHI Group's products; a slowdown in customers' capital investments
Excavator business	<ul style="list-style-type: none"> Reduced demand due to interest rates remaining high in North America; excess inventory because of a decrease in orders

Numerical Targets Set in the Medium-Term Management Plan 2026

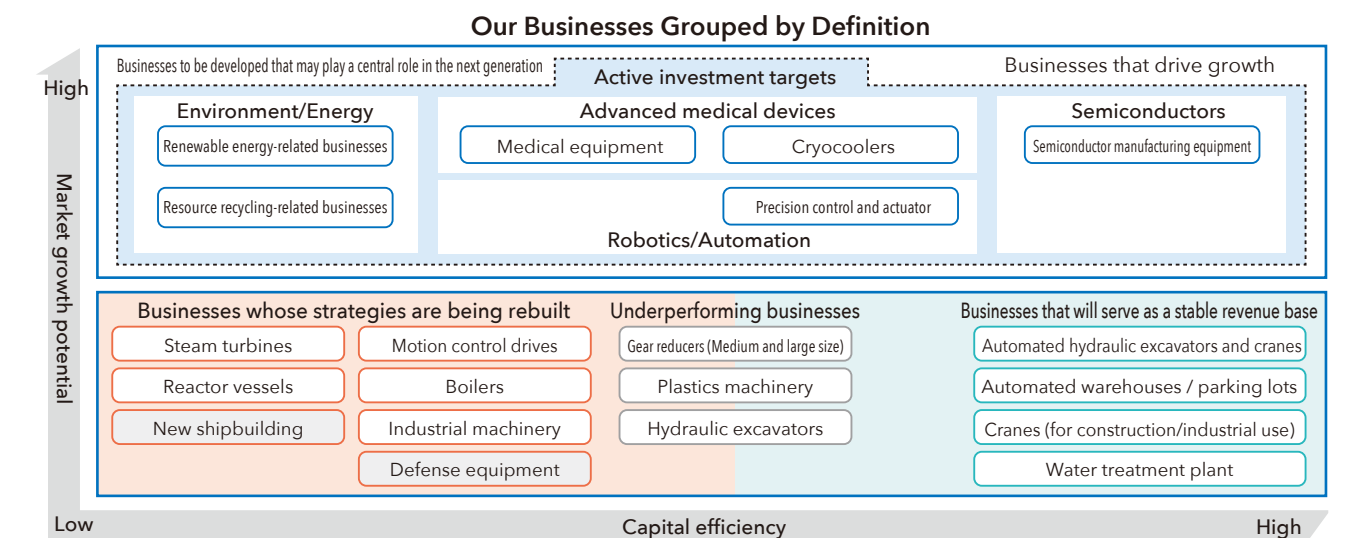
We revisited targets set in MTMP26 and changed the operating profit and ROIC targets to ¥80.0 billion (initially ¥100.0 billion) and 7.0% (initially 8.0%), respectively, for FY2026, taking account of the increasingly unfavorable external environment and our financial conditions. We aim to achieve the operating profit of ¥130.0 billion and ROIC of 10%, the targets for FY2030 by taking additional measures at a faster pace.



	FY2024 Result	FY2026 Target (as of Feb. 2024)	FY2026 Target After Review (as of Feb. 2025)	Change from Previously Announced Target
Orders	¥936.1 billion	¥1,280.0 billion	¥1,200.0 billion	(¥80.0 billion)
Net sales	¥1,071.1 billion	¥1,250.0 billion	¥1,173.0 billion	(¥77.0 billion)
Operating profit	¥55.1 billion	¥100.0 billion	¥80.0 billion	(¥20.0 billion)
Operating profit ratio	5.1%	8.0%	6.8%	(1.2pt)
ROIC	4.8%	8.0%	7.0%	(1.0pt)
(Ref.) ROE	1.2%	10.0%	7.8%	(2.2pt)
Capital investment (target 3-year total)	¥48.0 billion	¥190.0 billion	¥190.0 billion	-
Research and development (target 3-year total)	¥33.7 billion	¥90.0 billion	¥90.0 billion	-
Exchange rate (USD-JPY)	¥147	¥135	¥135	-

Business Portfolio Reformation

For business portfolio reformation, we have grouped our businesses and products into four categories. We defined the businesses in Category 1 that "drive growth" and those in Category 2 that are "to be developed to potentially play a central role in the next generation" as the key investment areas. Our management resources will be invested mostly in these areas in order to expand our businesses. We will plan and implement restructuring of the businesses in Category 3, which "need to have their strategies rebuilt". We will also implement measures to boost the profitability of the businesses experiencing a profit slump in Category 4.



Progress towards Targets Set in the Medium-Term Management Plan 2026

The world's economic environment remained uncertain during FY2024, the first year of MTMP26. Our businesses in Europe, semiconductor business, and excavator business had lower revenues than initially expected. Hence, we have reviewed the targets set in the medium-term plan. We will also add new measures to address issues that require our attention in order to achieve the targets for 2030.

Targets by Segment

Given that sluggish demand, mostly in Europe and the United States, led to a decrease in orders and delay in improving profitability, we revisited the targets by segment.

Unit: ¥ billion	FY2026 Target (as of Feb. 2024)				FY2026 Target After Review (as of Feb. 2025)				Change		
	Orders	Net sales	Operating profit	ROIC	Orders	Net sales	Operating profit	ROIC	Orders	Net sales	Operating profit
Mechatronics	330.0	323.0	30.0	9.0%	295.0	295.0	24.0	8.0%	(35.0)	(28.0)	(6.0)
(Plastics machinery)	110.0	110.0			105.0	105.0			(5.0)	(5.0)	
Industrial Machinery	280.0	277.0	27.0	10.0%	275.0	275.0	22.0	8.5%	(5.0)	(2.0)	(5.0)
(Hydraulic excavators)	290.0	290.0			260.0	260.0			(30.0)	(30.0)	
Logistics & Construction	460.0	460.0	33.0	10.0%	435.0	433.0	27.0	8.0%	(25.0)	(27.0)	(6.0)
Energy & Lifelines	210.0	190.0	10.0	6.0%	195.0	170.0	7.0	4.0%	(15.0)	(20.0)	(3.0)
Total	1,280.0	1,250.0	100.0	8.0%	1,200.0	1,173.0	80.0	7.0%	(80.0)	(77.0)	(20.0)

Note: Please see "the re-segmentation of our businesses" on page 25 for segment changes.

Challenges from the First Year of the Medium-Term Management Plan 2006 and How We Plan to meet These Challenges

To close the gap between our current state and ideal state for 2030, we have identified challenges and framed clear policies to meet them, which led us to revisit some of our strategies. We will also take measures at a faster pace to revive our profitability in order to achieve a revenue that goes above capital cost as soon as possible.

	Challenges to meet	Policies for meeting the challenges
1	<ul style="list-style-type: none">Improving the profitability of the revenue base businesses<ul style="list-style-type: none">Strengthening the ability to cope with changing market conditionsEnhancing production efficiency and improving profitability	<ul style="list-style-type: none">Restructuring the revenue base businesses<ul style="list-style-type: none">Reduce/integrate/abolish production capacity; sort out unprofitable models (in the motor control technology and plastic machinery businesses)Improve the accuracy of demand forecasts; improve productivity by developing a more solid structure for division of work at our main plants (excavators)
2	<ul style="list-style-type: none">Speeding up the promotion of business portfolio reformation<ul style="list-style-type: none">Streamlining segment organizationsAccelerating portfolio management (carrying out selection and concentration)	<ul style="list-style-type: none">Implementing business portfolio reformation<ul style="list-style-type: none">Advance a stronger segment structure and full transition to itPlan and advance the restructuring of the businesses with strategies that need rebuilding
3	<ul style="list-style-type: none">Thoroughly implementing an ROIC-based management approach<ul style="list-style-type: none">Revisiting the structure of fixed costsExpanding service businessesContributing to prompt revenue from acquired businesses	<ul style="list-style-type: none">Managing return on investment more rigorously; improving return on capital<ul style="list-style-type: none">Streamline indirect operations; sort out unnecessary assetsExpand high value-added service businesses making effective use of DXDevelop more robust functions to manage matters related to investments and loans (improve investment decisions and PMI)

Additional Measures and Policies to Achieve the Numerical Targets Set in the Medium-Term Management Plan

To meet the challenges and adapt to the changing business environment, we aim to achieve the Numerical targets set in the Medium-Term Management Plan by implementing Measures (1) to (4) with speed and a sense of urgency.

Key Measures and Policies	
(1) Restructuring of the businesses in Europe, which includes downsizing	
(2) Use of the effect produced by the integration of semiconductor manufacturing equipment businesses and expansion of sales in Europe and the United States	
(3) Review of the hydraulic excavators business's production system and improvement in operational quality	
(4) Identification of businesses for portfolio reformation and implementation of the reformation	

(1) Structural Reorganization and Roadmap for the European Business

Reform measure		2025	2026
LSPA	1. Reduce costs by closing and integrating certain plants and downsizing the workforce	✓Closing certain plants	Secure the profitability of the electric control business and reach a positive financial outcome quickly
		✓Integrating plants	
SDG	1. Reduce production capacity in line with market shrinkage 2. Downsize the workforce 3. Achieve high profitability by shifting to the production of high-end all-electric injection molding machines in response to the increasing demand for all-electric injection molding machines	✓Consolidating parts and improving in-house production	
		✓Optimizing production in coordination with plants in other areas	
SFW	1. Downsize the workforce in line with market shrinkage 2. Reassign personnel to strengthen the service system 3. Optimize assets and reduce fixed costs by streamlining unprofitable sites 4. Concentrate production functions in plants in Poland and maintain operations by increasing external sales	✓Reducing capacity and downsizing the workforce	Transition to a slimmer and leaner business
		✓Discontinuing the production of hydraulic machines and shifting to the production of high-end all-electric injection molding machines	
		✓Streamlining unprofitable sites	Develop a production capacity framework and strengthen after-sales service in response to market shrinkage
		✓Downsizing the workforce and transitioning to service personnel	
		✓Selling off manufacturing plants and consolidating production functions	

LSPA: Lafert S.p.A. SDG: Sumitomo (SHI) Demag Plastics Machinery GmbH SFW: Sumitomo SHI FW Energie GmbH

(2) Integration of semiconductor manufacturing equipment businesses and expansion of sales in Europe and the United States

Determine specific details of initiatives and accelerate them, focusing primarily on Europe, North America, and Japan/Asia

Europe		North America	
Collaboration with LASSE (Laser annealing equipment)		Evaluation and Development Center in the US (Precision positioning equipment) Expand the vacuum robot business	
★Gennevilliers, France (LASSE)		★Santa Clara ★Boston (SHI-USA/PERSIMMON)	
Integrate ion implantation and laser annealing businesses		Precision positioning equipment	
Laser annealing equipment offered by LASSE			
Europe	Promoting collaboration with LASSE	Establish sales channels for major power semiconductor manufacturing customers in Europe Stand against competitors and secure markets by acquiring high-productivity laser annealing equipment Collaborate to develop next-generation processes involving laser annealing equipment and ion implanters	
North America	Establish an evaluation and development center (Santa Clara, 2025)	Strengthen relationships with customers in North America through evaluation and development A platform for acquiring new customers for precision positioning equipment in North America	
Japan	Integrate ion implantation and laser annealing businesses	Synergies derived from integrating ion implantation and laser annealing businesses Enhance the power semiconductor segment by establishing the high-temperature ion implantation process	

(3) Review of the hydraulic excavator business’s production system

Logistics & Construction segment’s production sites across the globe

- The Logistics & Construction segment restructured to have 7 production sites (4 in Japan and 3 overseas) in stead of 6
- Each of the sites operating as a plant exclusively for the model (optimum production system)
- To the overseas sites, the principle of local production for local consumption applied, with mutual cooperation enlisted as necessary

(Nagoya) HSC
[Mass production plant for crawler cranes]

(Niihama) SHI-MH
[Plant for large cranes and logistics PS machines]

(Chiba) Sumitomo Construction Machinery
[Mass production plant for excavators and AF]

(Yokosuka) Sumitomo Construction Machinery
[New plant for large excavators and specialized machinery]

Excavators: From 1 plant to 2 plants for production in Japan
Chiba Works: Transition from mixed production of small- and large-sized excavators and specialized machinery to mass production of small- and medium-sized excavators only
Newly established 2027
Yokosuka Works: Plant for large-sized excavators and specialized machinery only

(Lexington, the USA) LBC
[Mass production plant for crawler and truck cranes]

(Tangshan, China) Sumitomo Construction Machinery
[Mass production plant for excavators and AF]

(Karawang, Indonesia) Sumitomo Construction Machinery
[Mass production plant for excavators]

AF: Asphalt finishers; PS: Parking system; HSC: Sumitomo Heavy Industries Construction Cranes Co., Ltd.
SHI-MH: Sumitomo Heavy Industries Material Handling Systems Co., Ltd.; LBC: Link-Belt Cranes

(4) Identification of businesses for portfolio reformation and implementation of the reformation

• Reconfiguration of our businesses

We reconfigured our businesses in order to manage the segments more efficiently and pursue synergy.

[Before reconfiguration]		[After reconfiguration]	
Segment name	Business (Product)	Segment name	Business (Product)
Mechatronics	Gear reducers, motors, inverters, laser systems , precision positioning equipment	Mechatronics	Gear reducers, motors, inverters, cryogenic equipment , precision positioning equipment
Industrial Machinery	Plastics machinery, cryogenic equipment , precision parts, semiconductor production equipment, quantum equipment, accelerators, forging presses, industrial/environmental equipment, machining tools, defense equipment	Industrial Machinery	Plastics machinery, precision parts, semiconductor production equipment, laser systems , quantum equipment, accelerators, forging presses, industrial/environmental equipment, machining tools, defense equipment

LASSE: Laser Systems & Solutions of Europe SASU (France)

• Progress in promoting business portfolio reformation

We made steady investments in the key investment areas. We also implemented additional measures for the businesses experiencing a profit slump and the businesses with strategies that need rebuilding.

Status of investment in key areas

Semiconductors

Acquiring France-based LASSE, establishing an evaluation/development center in the US, and developing a high-temperature injection system for SiC semiconductors

Robotics/automation

Developing a safety system for the functions of next-generation hydraulic excavators

Advanced medical devices

Developing an internal therapy system

Environment/energy

Developing LAES-based products

Underperforming businesses

For medium and large-sized gear reducers, plastics machinery and hydraulic excavators whose revenues are underperforming and are included in businesses that will serve as a stable revenue base, implement measures to enhance their earning capacity

Businesses whose strategies are being rebuilt

- Ceasing new orders and withdrawing from the shipbuilding business (implemented in FY2024)
A container crane is being built at Yokosuka Works. Concentrate management resources on key areas such as base structures for offshore wind power generation
- For the defense equipment business: merging Sumiju Tokki Service Co., Ltd. (implemented in January 2025)
- For steam turbines, reactor vessels, boilers, industrial machinery, and motion control drives, formulate and implement structural reorganization plans successively

Financial Capital

Message from the CFO

To reach our ideal state in 2030 and the PBR of 1, MTMP26 focuses on reviving profitability and achieving business portfolio reformation.



Director, Executive Vice President and CFO
Toshio Watanabe

〈Key Points〉

- Vulnerability to economic fluctuations and revenue structure issues brought to light by the FY2024 financial results
- Strategic shift in MTMP26 and profitability revival considering revenue structure issues
- Revisiting business portfolio reformation considering ROIC and market growth potential
- Future policy on efforts toward the PBR of 1 and PER improvement

The Sumitomo Heavy Industries Group's Basic Financial Policy and the Role of the CFO

The Sumitomo Heavy Industries Group's financial divisions follow the basic policy of enhancing corporate value by achieving financial soundness and greater profitability. MTMP26 sets clear financial goals as key performance indicators (KPIs) and defines the critical mission as the achievement of these goals using the backcasting method. Financial divisions play a crucial role by accurately allocating capital and making investment decisions.

As a CFO, I particularly focus on what I call “dialogues with capital markets.” We used to believe that good performance and proper internal efforts would lead us to earn a positive

valuation in capital markets. However, with the Tokyo Stock Exchange demanding that businesses practice management that is conscious of the cost of capital and stock prices, we are expected to put more effort than ever into enhancing corporate value, including the price book-value ratio (PBR). For this reason, we intend to have dialogues with shareholders and investors and keep them engaged so that how we are viewed in capital markets will be suitably reflected in our business management, thereby enhancing our corporate value, as we work toward the goals.

FY2024 Financial Results in Review

Although the FY2024 financial results fell short of expectations, we achieved certain progress from a financial strategy perspective. We revisited our capital policy based on MTMP26 and conducted our first share repurchase worth ¥10.0 billion. We maintained the planned dividends, even though the earnings results were below the planned figures at the beginning of the fiscal year. Operating cash flow also decreased because of the slow improvement in working

capital caused by lower orders and net sales than expected at the beginning of the fiscal year; however, we successfully managed the decrease through flexible financing. The biggest issue was a dip in operating profit. The causes were miscalculated demand forecasts in Europe and the semiconductor market, coupled with a delay in adjustments to the inventory of hydraulic excavators in North America.

Additionally, the impairment loss of ¥23.2 billion incurred

by Lafert in Italy put us in a situation where we had to make a prompt management decision. For our M&A strategy going forward, we are considering greater involvement of the Japan side, especially in the management of overseas subsidiaries. The profitability of our businesses in Europe decreased because a prolonged economic slowdown caused changes in the market structure that were different from initial expectations. The slow recovery of orders unrelated to AI in the semiconductor field affected the Company.

Downward movements in the economic cycle greatly affected the businesses of gear reducers, plastics machinery,

and hydraulic excavators, revealing the vulnerability of the revenue base. The FY2024 financial results raised a keen awareness shared across the Company that we would need to review not only changes in the external environment but also our own revenue structure and the nature of our businesses. We depend on a turnaround in the economy to improve profitability, which is our fundamental problem. We plan to review the revenue base and rebuild our businesses from an ROIC-based management perspective as we continue to work on the selection and concentration of business activities.

create synergy between our businesses and move ahead with the visualization of capital efficiency to conduct an assessment

from a company-wide perspective, in addition to managing each business division.

Financial Management Centered on the Enhancement of Corporate Value and ROIC

The SHI Group is putting great effort into improving ROIC to enhance its corporate value. It is also working to establish business management centered on the Company's efforts, along with a solid framework for management execution. ROIC is a key indicator used to measure whether a business generates a higher return than the weighted average cost of capital (WACC; 6%-8% envisaged). ROIC is effective in that it can be used for the quantitative assessment of corporate value in light of both capital efficiency and profitability. Because WACC is difficult to control, we aim to increase our corporate value by increasing returns on invested capital. To facilitate the ROIC-based management approach across the Company as a CFO, I review how we are assessed in capital markets to improve effectiveness while regularly putting in order the basic policy on our financial strategy, incorporating viewpoints offered by the Board of Directors reports and outside directors.

We used to play our budget mostly based on the income statement. Today, ROIC is central to the budget, and as we identify issues and discuss improvement measures, we determine if each division invests more than returns it

receives. On the basis of the Company's overall WACC, we ascertain the ROIC standard across the Group to set goals for each segment. As for business divisions, we visualize room for improvement in each component, such as profitability (operating profit ratio) and asset efficiency (invested capital turnover), through component parts analysis using an ROIC tree so that the divisions can autonomously acknowledge and manage their issues. Because there have been drops especially in revenues from the medium and large gear reducer, plastics machinery, and hydraulic excavator businesses, which constitute our stable revenue base, we plan improvements for each of these businesses according to its characteristics.

We began using ROIC as a KPI in FY1999. Previously, we made decisions on downsizing or expansion for each business, yet we currently work on improvements that regard businesses in one segment as an integrated whole. The key point in MTMP26 lies in strengthening ties for collaborative work between businesses within a larger framework than before to improve ROIC, rather than the conventional vertical management of each division. With this approach, we plan to

Key Points in the Revised MTMP26

Given the results for FY2024, the first year of the MTMP26 period, we revisited our plans, considering each segment's orders and changes in the business environment. Specifically, the plan sets out the following goals for FY2026: orders of ¥1,200.0 billion (initial plan: ¥1,280.0 billion), net sales of ¥1,173.0 billion (initial plan: ¥1,250.0 billion), operating profit of ¥80.0 billion (initial plan: ¥100.0 billion), and ROIC of 7.0% (initial plan: 8.0%).

This time, the correction made was not only to update the target figures but also to recreate strategic measures and add new measures intended to speed up the plan, such as restructuring the revenue base businesses, implementing business portfolio reformation, strengthening the management of return on investment, and improving return on capital. With the focus on reviving profitability, we are transitioning to a more realistic and workable plan.

MTMP26 initially set out a strategy to secure revenue in developed countries, namely, Japan, the US, and European states. However, China's economic slowdown and the souring US-China relationship have caused changes, most notably an adverse business environment for the automotive industry, especially in Germany, and a decelerated transition to electric vehicles. Given this climate, we have decided to set renewed goals and strategies with greater attention to structural changes to work on fundamental restructuring, rather than allowing our businesses to be at the mercy of economic fluctuations. Had the economic cycle been the major source

of influence on us, there was hope that our performance would improve in FY2026. However, we have become keenly aware of the changes in market structures, which require actions different from those needed to handle an economic cycle. Considering the vulnerability of our flagship businesses, we will need to steadily achieve positive outcomes of the measures we are currently taking.

We did not make changes to the target financial KPIs based on the ideal state that we aim to reach in 2030 (i.e., ROIC and operating profit). With value creation and corporate value enhancement as the starting point, the plan sets out a policy of continuing to secure profit at a certain level and capital efficiency. This direction remains unchanged. These targets are also highly attainable when the measures that have been added to the plan are steadily implemented.

Conversely, we aim to achieve timely product launches and establish a revenue base that leverages our technological and service capabilities in the growth sectors that we have determined as the key investment areas (robotics/automation, semiconductors, advanced medical devices, and environment/energy). We will also put more effort into after-sales service that draws on our delivery records to develop the ability to stably generate cash. We will continue to evolve our management strategies and ensure the consistency of our financial management to reach our ideal state in 2030 while facing changes in the external environment.

Progress of Business Portfolio Reformation and Future Direction

When MTMP26 was published, we started rebuilding our businesses in certain fields, such as new vessels and defense equipment, which is the focus of the business portfolio reformation. The effort has been progressing as planned. Although some of the growth sectors, such as semiconductors and cryocoolers, have been affected by market conditions, we will advance new product development, the establishment of overseas bases, and linkage between models, among others. In doing so, we will maintain a solid growth path.

Overall, the reformation has been progressing as initially planned. Now, we can more clearly present what has not been disclosed so far.

The group of businesses undergoing strategic restructuring accounts for approximately 10% of our total revenue. This group includes both large-scale operations, such as boilers and steam turbines, as well as smaller businesses, which cannot be evaluated based solely on the scale of their earnings. We will need to make judgments from all angles,

considering the effects on business management. When exploring options that include withdrawal or sale, the use of an alliance can be a realistic option. We are currently in the stage of developing execution plans, and decisions are being made on when to start and other details. Here, speed is required as we act and make decisions.

We also plan to focus on revisiting businesses experiencing a profit slump because the sales they generate are massive and the effect of the slump on overall MTMP26 is enormous. For example, we are working to consolidate or discontinue our gear reducer models and negotiate prices for unprofitable projects. As for plastics machinery, a plan to cut approximately 40% of the models is in progress. We are also working on our businesses in Europe in accordance with the policies that were established beforehand. Moreover, we intend to leverage our automation and remote control technologies to add greater value to the businesses that comprise our stable revenue base, such as cranes and water/wastewater

ROIC by Segment

	Actual FY2024	Forecast FY2025	Targets for FY2026	Issues to be addressed	Future response strategies
Mechatronics (After reconfiguration)	4.5%	5.2%	8.0%	<ul style="list-style-type: none">Improving the revenue of the electric control business (in Europe)Improving the revenue of gearmotor modelsReducing inventories and fixed assets	<ul style="list-style-type: none">Mass-produce new products, implement price pass-through measures, and improve the in-house production rateConsolidate models and optimize unprofitable modelsReview the supply chain and carry out consolidations and closures of production equipment
Industrial Machinery (After reconfiguration)	5.2%	4.4%	8.5%	<ul style="list-style-type: none">Improving the revenue of the plastics machinery businessImproving the productivityStrengthening the product lineup in preparation for semiconductor market recovery	<ul style="list-style-type: none">Carry out consolidations into highly profitable models (such as all-electric injection molding machines)Reduce excess production capacity and enhance global responsiveness to supply and demand fluctuationsExpand sales by developing differentiated products (such as high-temperature ion implanters)
Logistics & Construction	7.6%	7.0%	8.0%	<ul style="list-style-type: none">Securing orders and salesImproving the revenue of the construction machinery businessReducing inventories	<ul style="list-style-type: none">Make a shift to provide products and services of higher valueIncrease the construction machinery market share in North AmericaBuild an optimum production system
Energy & Lifeline	2.6%	3.4%	4.0%	<ul style="list-style-type: none">Finishing the structural reorganization of the boiler businessSecuring orders and improving individual profits and losses	<ul style="list-style-type: none">Implement strict financial disciplineEnhance after-sales servicesMake growth investments in the new business area

treatment, thereby improving profitability.

These efforts toward business portfolio reformation will continue to be interlocked with an ROIC-based management approach. We plan to strategically pursue reformation with capital efficiency and market growth potential in mind. We will move ahead with improvement measures that are planned

according to the characteristics of each business, which include declining profitability currently experienced by the hydraulic excavator business due to the fierce competitive environment and the gear reducer and plastics machinery businesses facing lower-than-average ROIC.

(▶ P22, “Business Portfolio Reformation”)

Effectiveness of Cash Allocation and Future Policies for the Balance Sheet

The Company is working to boost its ability to generate cash by linking its income statement and balance sheet forecasts to operating cash flow. However, we deliberately raised inventory levels during and after the COVID-19 pandemic to reduce lead time. This led to cash outflows from working capital of ¥45.4 billion in FY2023 and of ¥53.7 billion in FY2024. Currently, business divisions set specific targets for capital efficiency, and the Head Office actively supports their efforts, thereby establishing an integrated company-wide framework for improvement. The immediate challenge we must meet for our capital policy is improving our ability to generate cash by cutting surplus inventories and trade receivables. We are also reviewing manufacturing costs, as we aim to develop an efficient production system capable of flexibly adapting to change in demand. Operating cash flow for FY2024 (before R&D expenses deduction) was ¥46.5 billion, and we aim to achieve a total of ¥280.0 billion by adding ¥233.5 billion over the 2 years from FY2025 and FY2026.

MTMP26 sets out a capital investment plan (including M&A) totaling ¥190.0 billion as part of cash outflow. Approximately ¥80.0 billion of the amount is to be allocated to key

investment areas, namely, robotics/automation, semiconductors, advanced medical devices, and environment/energy fields. We have also been investing in R&D facilities and overseas bases, prioritizing strengthening development and production capabilities in regions close to our customers. Given that the semiconductor market has been recovering at a slower pace than expected, among other actions, we try to be flexible by reconsidering when to make some of investments. We also regard our corporate strategies for material issues of sustainability as part of our efforts toward the ideal state in 2030.

When making these investment decisions, we pay attention to ROIC and the internal rate of return to assess our investments in terms of capital efficiency and return. We do not have a hurdle rate to apply to all our investments; however, we maintain that the minimum rate must be above the WACC and each decision must be made according to the characteristics of the individual business. When we make a decision on a fixed asset investment, we examine whether the assets are worth owning or not, balancing the increase in fixed costs against benefits. Although payback periods vary among

investments, we generally expect approximately 7 years.

Net assets have increased since the yen weakened at the beginning of MTMP23 (FY2021). The current equity ratio is 51%; however, considering the effect of currency fluctuations, we estimate it to be approximately 43% in real terms. This is also a reasonable level in light of maintaining sound financial conditions. Therefore, we have decided that dramatically reducing net assets would not be the right move. That being said, we believe that it is acceptable to slightly lower the equity ratio (2-3 points) while considering the need to maintain our credit. As for returns to shareholders, we have established a dividend on equity (DOE) ratio of ≥ 3.5%, a

minimum dividend of ¥125 per share, and a total return ratio of ≥ 40%. We work to ensure consistent payments of dividends commensurate with shareholders' equity and repurchase of treasury stock, considering the capital policy.

As for interest-bearing debt, there is more room for its effective use. However, given that the current revenue base is not stable enough, I am careful about its active use as a CFO. We plan to optimize our financial balance by turning to leverage when we have a strong enough revenue base that will enable us to reliably earn good profit in the future. At present, I am convinced that it is not time for that.

Efforts to Improve PBR

One of the Company's primary goals is to achieve a PBR of 1 as soon as possible. To this end, we must steadily improve earnings per share, that is, our earnings results. At this point, our priority target is an operating profit of approximately ¥130.0 billion (at least 10% ROIC), which is a goal for FY2030, as the prerequisite to attain the PBR of 1.

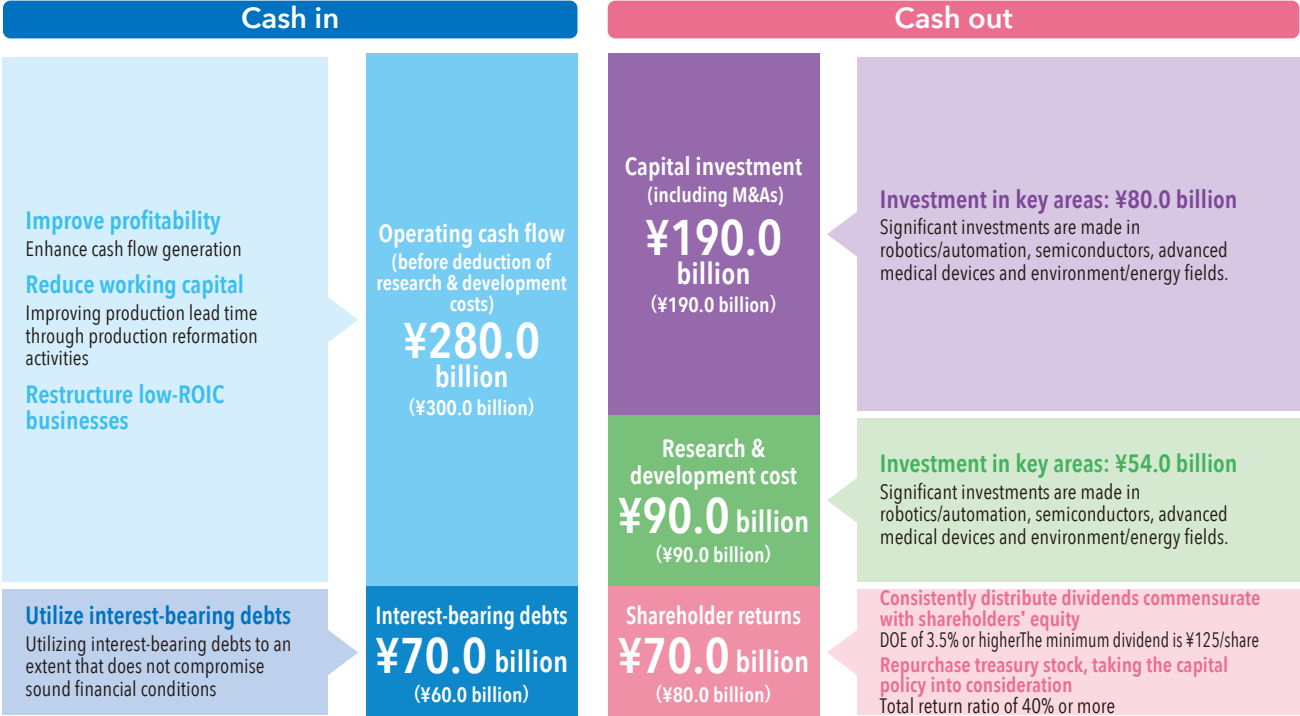
Additionally, we should not only watch net assets that constitute the denominator to calculate the PBR but also improve the evaluation of the numerator, that is, the price-earnings ratio (PER). We have made growth investments and clearly presented our growth scenario to capital markets as our traditional means of raising the PER. However, with the current profitability hovering low, improving PER is not an easy task. We first aim to recover the revenue level from the current state and accurately convey our medium- to long-term growth strategies to raise our PER, thereby achieving the PBR of 1 as soon as possible. Increasing our return on equity and publishing information that corroborates our growth potential

are vital.

In nonfinancial areas, we also need to devise a method for correctly conveying the value of our intangible assets, including human capital and intellectual property. We believe that the key to raising investors' hopes for our growth is to clearly present our competitive advantage in the intellectual property field, as well as technological strengths in the focus areas, including decarbonization and automation, in connection with our product and business capabilities. As an approach to improving our PER, we plan to make these intangible assets more visible to garner greater reputations from the markets.

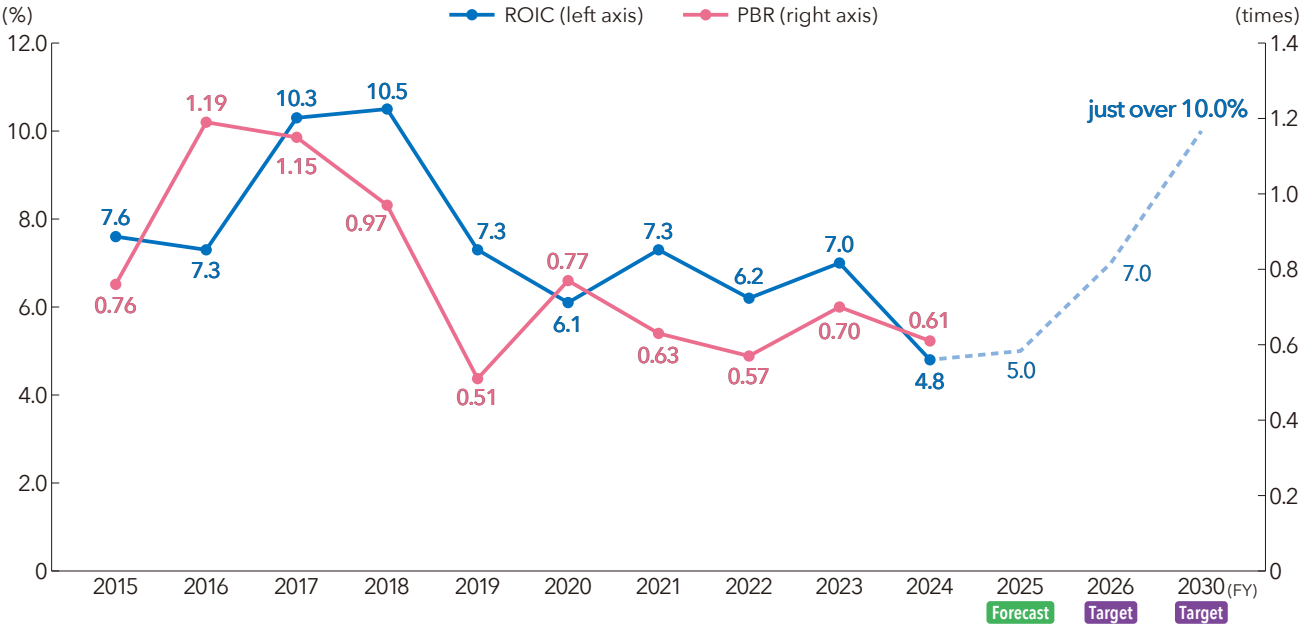
Total shareholder return reflects the stock price and returns to shareholders, and we regard it as a key indicator. We will continue our financial and nonfinancial efforts to enhance our corporate value. We are committed to steadily advancing the public's understanding of the SHI Group and earning a higher valuation through dialogues with capital markets.

Cash Allocation



*Figures in parentheses represent those under the initial plan (as of Feb. 2024)

Our ROIC and PBR Over the Years



Intellectual Capital

Message from the General Manager of Corporate Technology Management Group



Director and Executive Vice President
General Manager of Corporate Technology
Management Group

Toshihiko Chijiwa

By leveraging my experience in developing a wide range of products, I will lead the Group to achieve 350 billion yen in net sales through Long-term strategic products that are both profitable and socially impactful.

Key Points

- We aim to achieve 350 billion yen in net sales through Long-term strategic products.
- We develop solutions that address our material sustainability issues.

Professional Background, Role, and Mission

When I joined Sumitomo Heavy Industries, I was first assigned to the System Research Center, the earlier incarnation of the Technology Research Center today. I was advised by the General Manager at the time to broaden my perspective beyond research, in order to become a top-level engineer recognized across all business divisions. I worked closely with members of the development team to convert a conventional hydraulic-driven injection molding machine to an electric model, resulting in a successful product commercialization. Prior to becoming General Manager of the Technology Research Center, I engaged in research and development with various business divisions, primarily focusing on products related to power control, including sensorless inverters, laser annealing equipment for liquid crystal, and hybrid construction machinery and cranes. This period coincided with the emergence of the so-called VUCA era—marked by volatility, uncertainty, complexity, and ambiguity. While development themes based on conventional technologies were still common, we made a strategic

decision to pursue new products suited to the new era. Accordingly, we launched the development project titled "vision for Long-term strategic products". Anticipating the social environment of 2030, we used a backcasting approach to identify development themes based on future customer needs and the technologies required to meet them. We have since begun working on these themes. We initially identified two priority technological fields for focused development: "environment/energy" and "robotics/automation". With the addition of "semiconductors" and "advanced medical equipment" we currently have four key areas of investment. My mission is to achieve 350 billion yen in net sales by 2035 through "products for the next decade," developed in collaboration with our segments, business divisions, and external partners.

Introduction to the Technology Research Center and Human Resource Development

The Technology Research Center is home to several hundred researchers across a wide range of fields. They collaborate to develop market-ready products and conduct research that contributes to the company's profitability. Serving as our central hub for research and development, the Technology Research Center established "Cs'-Lab+" in Yokohama in April 2025 and also operates branch offices at several of our production sites to facilitate collaboration with business divisions. Based on the concept of a "Innovative space," "Cs'-Lab+" is equipped with various environments designed to foster active communication among employees. At the entrance, a gallery presents our core technologies, aiming to inspire emergence and co-creation with internal and external stakeholders. As part of its human resource development efforts, the Technology Research

Center provides opportunities to learn advanced technologies. These include proprietary technical training, joint technology presentations with business divisions, and overseas research programs that send engineers to universities in Japan, the United States, Germany, and other countries.



Inside Cs'-Lab+

Anticipated New Products

We have developed a roadmap aligned with market trends and technological advancements. We have also been steadily creating new products. We invested 64 billion yen in research and development over the three-year period covered by the Medium-Term Management Plan 2023. Given our increased focus on key investment areas, we plan to invest 90 billion yen over the three-year period of the Medium-Term Management Plan 2026, of which 54 billion yen will be allocated to those key areas. In the field of "environment/energy," we have established a demonstration plant for Liquid Air Energy Storage (LAES) on the premises of Hiroshima Gas Co., Ltd.. At this plant, electricity generated from renewable energy is stored for use when needed. The facility comes operational in FY2025. At The Chugoku Electric Power Co., Inc.'s Hofu Biomass Power Station, the BECCS (bioenergy with carbon dioxide capture and storage) project is in progress. Furthermore, we are actively pursuing the development of a range of green technologies, including SAF (sustainable aviation fuel) and methanation.

In the field of "robotics/automation," we are developing wall-climbing robots equipped with magnetic wheels. These robots can adhere to and move across steel walls. They are expected to be used for inspections of large-scale structures such as steelworks, chemical plants, and vessels. In the field of "advanced medical equipment," we are conducting research on cancer treatment using a proton therapy system equipped with superconducting cyclotron, which delivers the world's most powerful beam. Moreover, for the first time in the world, BNCT (boron neutron capture therapy) — a treatment that destroys cancer cells through nuclear reactions between boron and neutrons — has been covered by Japan's national health insurance. We are conducting research on utilizing this equipment for the treatment of intractable pancreatic cancer. We envision that our products developed from our "vision for Long-term strategic products." will be put into practical use throughout society.

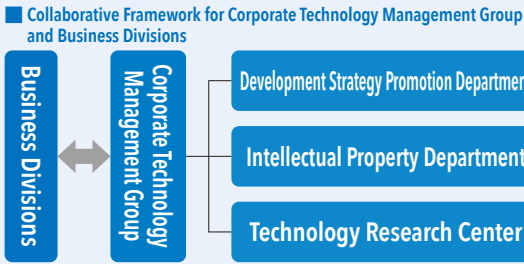
Relation to the Material Issues of Sustainability

Among the seven material sustainability issues that SHI Group focuses on, reducing environmental burdens and creating better ways to live and work are linked to the key investment areas "environment/energy" and "robotics/automation." We plan to conduct quantitative evaluations of our efforts to reduce environmental burdens—through improved

product life cycles, lower CO₂ emissions, and the development of environmentally friendly products, services, and manufacturing practices. For example, we quantify the CO₂ reductions achieved in the production of our hydraulic excavators and various actuators to visualize the impact of our initiatives.

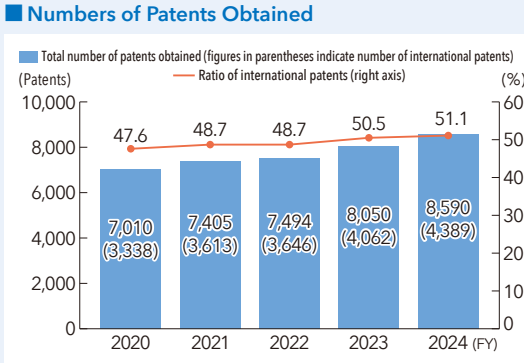
Collaborative Framework for Intellectual Capital

The Corporate Technology Management Group and business divisions work together on integrated activities to develop profitable new products. The Corporate Technology Management Group consists of three entities: the Development Strategy Promotion Department, Intellectual Property Department, and the Technology Research Center. The Technology Research Center collaborates with business divisions on product development for commercialization and business launches, while also taking the lead in elemental and fundamental technology development. The Corporate Technology Management Group collaborates closely with the business divisions through functionally differentiated organizational units.



Intellectual Property Strategy and Number of Patents Obtained

The SHI Group appoints a Chief Intellectual Property Officer (CIPO) in each business division to drive intellectual property activities aligned with business strategies. The Intellectual Property Management organizes Review Board and CIPO meetings to share expertise and insights across business divisions, promoting closer collaboration within the Group. The department actively protects our key differentiating technologies and prior art—areas in which we have strong capabilities—through intellectual property rights. It also conducts IP landscaping* to identify opportunities for new businesses and strategic partnerships, among other activities. We are also working to increase the proportion of our international patents in key markets to secure competitive advantages in our global operations.



*An approach that leverages both intellectual and non-intellectual property data to inform strategic business and management decisions.

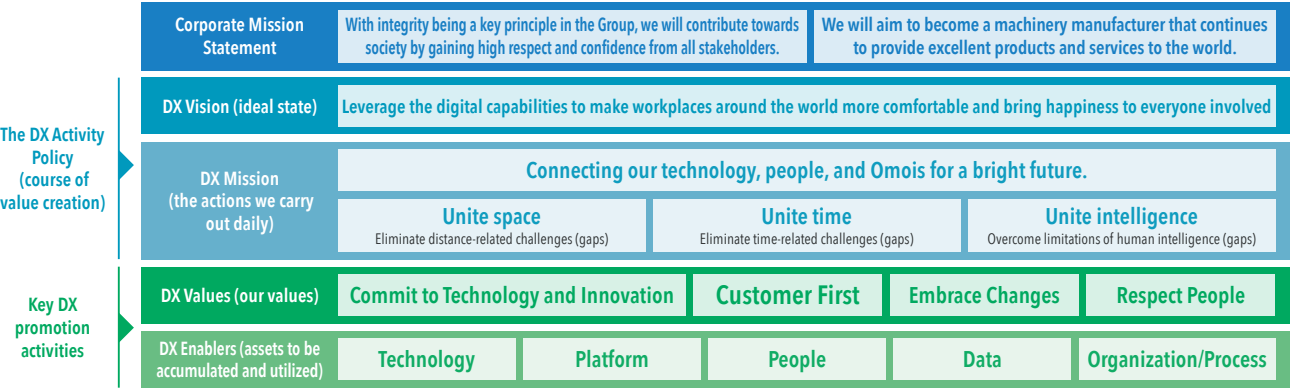
DX Strategy

DX Grand Design

Utilization of digital technologies and promotion of digital transformation (DX) are key strategic priorities of the Sumitomo Heavy Industries (SHI) Group. As a long-term initiative to advance DX, we formulated the SHI Group’s DX Grand Design, which was announced in January 2023. (<https://www.shi.co.jp/info/2023/6kgpsq000000lsn6.html>; in Japanese only)

Our DX Vision (ideal state) is to “leverage the digital capabilities to make workplaces around the world more comfortable and bring happiness to everyone involved.” Our DX Mission (the actions we carry out daily) is expressed as “Connecting our technology, people, and Omois for a bright future,” a symbolic phrase that represents our desire and effort to bridge “gaps” such as the “division” of time and space or the “limits” of intelligence. This is achieved by “connecting” products, processes, and people “through data and information” using various digital technologies. We also view DX as an evolving effort across the Group, supported by the formation and accumulation of various forms of capital and assets, which we refer to as DX Values and DX Enablers.

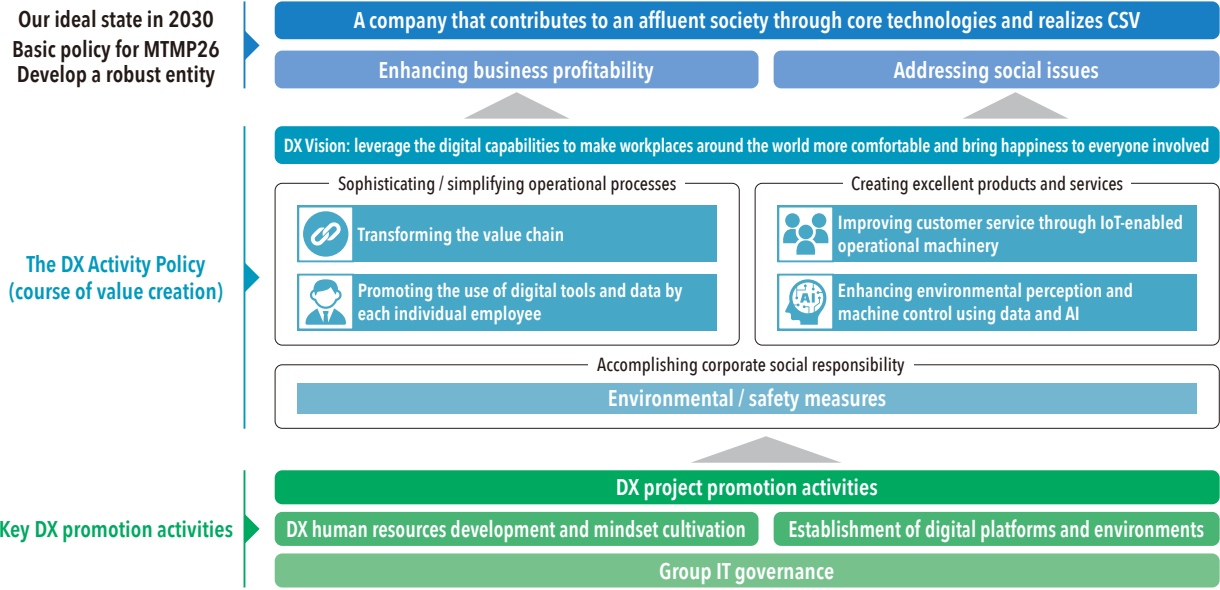
SHI Group’s DX Grand Design



DX Strategy

To realize the “building a robust business structure,” our ideal state in 2030 and the basic policy of the Medium-Term Management Plan 2026 (MTMP26), we have formulated a DX strategy aligned with the DX Grand Design. The DX Activity Policy within this strategy reflect to the DX Vision and DX Mission outlined in the DX Grand Design, while key DX promotion activities drive the formation and accumulation of the DX values and DX enablers.

SHI Group’s DX Strategy



Overview of the Initiatives for the DX Strategy

To achieve the three focus areas outlined in the DX Activity Policy (Sophisticating/simplifying operational processes, creating excellent products and services, and accomplishing corporate social responsibility) and the four key DX promotion activities (Group IT governance, DX human resources development and mindset cultivation, establishment of digital platforms and environments, and DX project promotion activities), we have established concrete project themes and KPIs to strengthen related initiatives.

Overview of the Initiatives for the DX Strategy

Category	Item	Particulars of the DX Guidelines	Descriptions	Examples, supplementary explanations, etc.
The DX Activity Policy	Sophisticating / simplifying operational processes	Transforming the value chain Promoting the use of digital tools and data by each individual employee	Digital initiatives to deliver quality products and services promptly and at reasonable prices	Transforming the engineering chain Making the most of Microsoft 365, utilizing BI tools
	Creating excellent products and services	Improving customer service through IoT-enabled operational machinery Enhancing environmental perception and machine control using data and AI	Digital initiatives to deliver excellent products and services through data collection, accumulation, analysis, and utilization	Developing products and services utilizing big data, IoT, and AI
	Accomplishing corporate social responsibility	Environmental/ safety measures	Digital initiatives required of manufacturing businesses for environmental and safety measures	Reducing carbon footprints, strengthening security measures
Key DX promotion activities	Group IT governance	—	Structured initiatives to promote IT / DX-oriented management across the corporate group	Building and implementing IT / DX governance and management systems through collaboration among management, business and IT divisions
	DX human resources development and mindset cultivation	—	Encouraging employees to take ownership in utilizing digital technology and DX, develop skills, and act proactively	Enhancing training programs (Group-wide DX literacy training, SHI Open College, specialized technical education, etc.) Mutual learning through the company portal and Group community
	Establishment of digital platforms and environments	—	Initiatives to develop digital platforms and usage environments	SHICuTe (IoT promotion platform)* SHI Datalink (data platform) Microsoft 365 (information sharing platform)
	DX project promotion activities	—	Initiative to advance business DX projects through cross-departmental collaboration	DX project support activities IoT promotion activities

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

Concrete Outcomes and Future Challenges

We have achieved tangible results in “Creating excellent products and services,” a core focus of the DX Activity Policy. Steady progress has also been made in DX values and DX enablers through “Key DX promotion activities.” Still, outcomes that truly embody “X (Transformation)” have yet to be realized, highlighting the need for stronger efforts in DX project promotion. Looking ahead, the SHI Group will move forward as one under the DX Grand Design to drive corporate transformation through digital technology.

Example Outcomes of Product / Service DX

SHI DX <https://www.shi.co.jp/company/DX/index.html> (in Japanese only)

Category	The DX Activity Policy	Segment	Mechatronics	Industrial Machinery	Logistics & Construction			Energy & Lifelines	
Services	Improving customer service through IoT-enabled operational machinery	Supported products	Gear reducers	Injection molding machines	Materials handling systems	Hydraulic excavators	Forklifts	CFB boilers	Ships
		Product name	Condition monitoring system solutions	i-Connect*	SIRMS*	G@Nav*	SNLink	IZANA*	AVEDAS*
Products	Enhancing environmental perception and machine control using data and AI	Supported products	Drive control systems	Laser annealing	Rubber tired gantry cranes (RTGs)	Crawler cranes	Hydraulic excavators	—	—
		Product name	High speed data logger unit GW 011	Real Time Process Monitoring System	Remotely controlled and automated RTG (ARTG)	Standing Appearance Inspection C-SAI* Surround view monitoring system ARGUS*	Surrounding monitoring device with notification function FVM2* FVM with collision impact reduction system FVM2+* and FVM3*	—	—

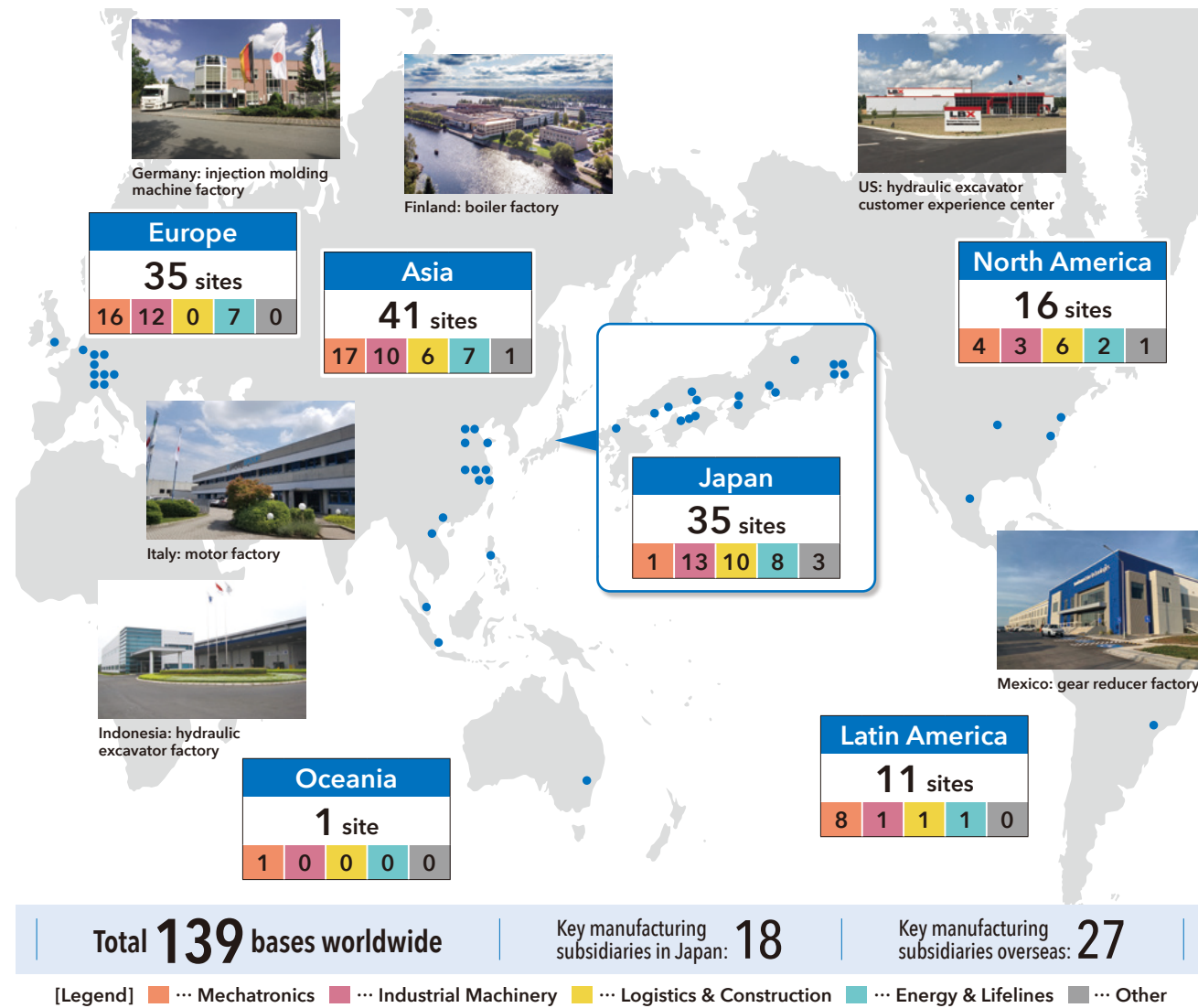
* i-Connect is a registered trademark of Sumitomo Heavy Industries, Ltd. SIRMS is a registered trademark of Sumitomo Heavy Industries Material Handling Systems Co., Ltd. C-SAI is a registered trademark of Sumitomo Heavy Industries Construction Cranes Co., Ltd. ARGUS is a registered trademark of Sumitomo Heavy Industries Construction Cranes Co., Ltd. G@Nav is a registered trademark of Sumitomo Construction Machinery Co., Ltd. FVM is a registered trademark of Sumitomo Heavy Industries, Ltd. IZANA is a registered trademark of Sumitomo Heavy Industries, Ltd. AVEDAS is a registered trademark of Sumitomo Heavy Industries Marine & Engineering Co., Ltd.

Manufacturing Capital

A Production System That Aims to Supply Excellent Products and Services to the World

SHI Group seeks to establish a robust and optimal production system in order to meet diversifying client needs and fluctuating demand in an appropriate manner. In addition to setting up the necessary global production sites by taking into account our shipping destinations and other factors, we have been constantly working to raise production capacity through the construction of new plants and improve production efficiency through improvements that take advantage of automation, labor-saving technologies, and better layouts.

Global Networks of Production and Sales Bases



Focused Investment in Businesses We Seek to Expand

Under the MTMP26, which began in fiscal 2024, we plan to invest a total of ¥190.0 billion. This plan will focus on key investment areas such as “robotics and automation,” “semiconductor,” “advanced medical devices,” and “environmental and energy.” We will commit ¥80.0 billion over three years to these priority fields.

* Actual figures are based on cash flow, while forecasts are based on budgeted figures.



Cs+Lab+, our new technology research and emergence center that opened in April 2025

Ensuring Product Safety and Product Quality

We believe that it is our responsibility to contribute to society by providing a stable supply of high-quality, safe, and reliable products and services that satisfy our customers. In view of this, we have established a group-wide quality policy and identified the assurance of product quality as one of our material issues of sustainability in order to “Ensure high product quality” across the SHI Group. We are making every effort to ensure “Product safety” by taking into account the attributes of our various products as well as the wide range of customers who use our products or are involved in them in other ways.

Evolving Our Quality Management System through Audits

Each of our operating divisions has been working to obtain ISO 9001 and other quality management system* (QMS) certifications. (As of the end of 2024, approximately 96% of our Group's major manufacturing divisions have acquired these certifications.) The Corporate Quality Group, which oversees quality across the Group, conducts annual QMS audits of each operating division. These are carried out as internal audits alongside those conducted independently by each division. The President also visits major business sites every year to inspect our manufacturing sites and hold dialogues with operational managers to discuss quality- and production-related issues and promote the evolution of our quality management processes.



Manufacturing site inspection by the President

* Includes QMS certifications such as JIS Q 9100 adapted for aerospace equipment, ISO 13485 adapted for medical devices, etc.

Setting Up an Employee Training System

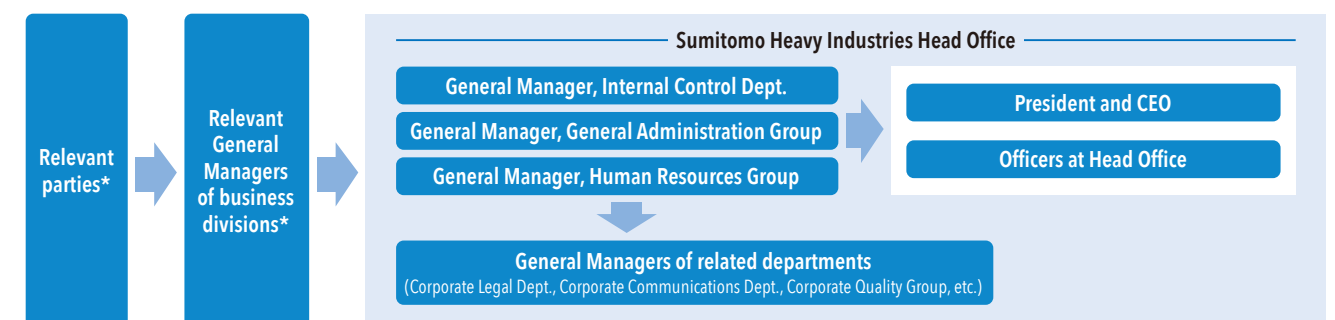
The SHI Group considers the assurance of product safety and quality to be a key priority that all employees should be deeply conscious of. In general, quality control training will be conducted for all new employees (including new graduates and career hires) when they join the company. We have also introduced the Six Sigma, an internationally recognized process improvement approach, as our shared quality reform framework, and we conduct practical training every year to raise awareness of this concept throughout our Group. In fiscal 2024, 79 employees have completed the Six Sigma training module.

Rigorous Quality Compliance

A section on “Prohibition of inappropriate conduct in quality control” has been included in our Compliance Manual, which outlines the various laws, regulations, and specific action guidelines that must be observed by our Group's employees in order to ensure that everyone in our Group is fully aware of the importance of quality compliance. In addition, we have been working to strengthen our quality control processes and quality audit system as well as enhance compliance through compliance training on an ongoing basis as part of our efforts to prevent the recurrence of inappropriate conduct in quality control that had taken place in the past.

Reporting Flow in the Event of Product Accidents, etc.

To prepare for the possibility of serious accidents caused by the products our Group delivered—such as fire accidents or accidents resulting in personal injury or fatality—we have defined a reporting procedure/flow in the Sumitomo Heavy Industries Group Emergency Contact Guidelines to help ensure prompt communication with our top management, the ability to obtain accurate information, and the ability to respond swiftly and appropriately.



* This includes the Sumitomo Heavy Industries Head Office, works, branches, business divisions (including Japanese and overseas subsidiaries and affiliates), and subsidiaries and affiliates (including Japanese and overseas subsidiaries and affiliates) over which the Head Office has jurisdiction.

Highlights of Our Segments

The Sumitomo Heavy Industries Group has four flagship segments. To reach our ideal state in 2030, and to achieve the goals set in MTMP26, we are working to boost the profitability of these segments through business portfolio reformation, among other actions.

Mechatronics



Key Businesses

- ◆ Power transmission & controls
- ◆ Precision machinery & control equipment
- ◆ Industrial control systems
- ◆ Cryocoolers

Main Products

- ◆ Gear reducers
- ◆ Motors
- ◆ Inverters
- ◆ Cryocoolers
- ◆ Precision positioning equipment

Net sales **¥256.4 billion** / Operating profit **¥11.7 billion** (operating profit ratio 4.6%)

Industrial Machinery



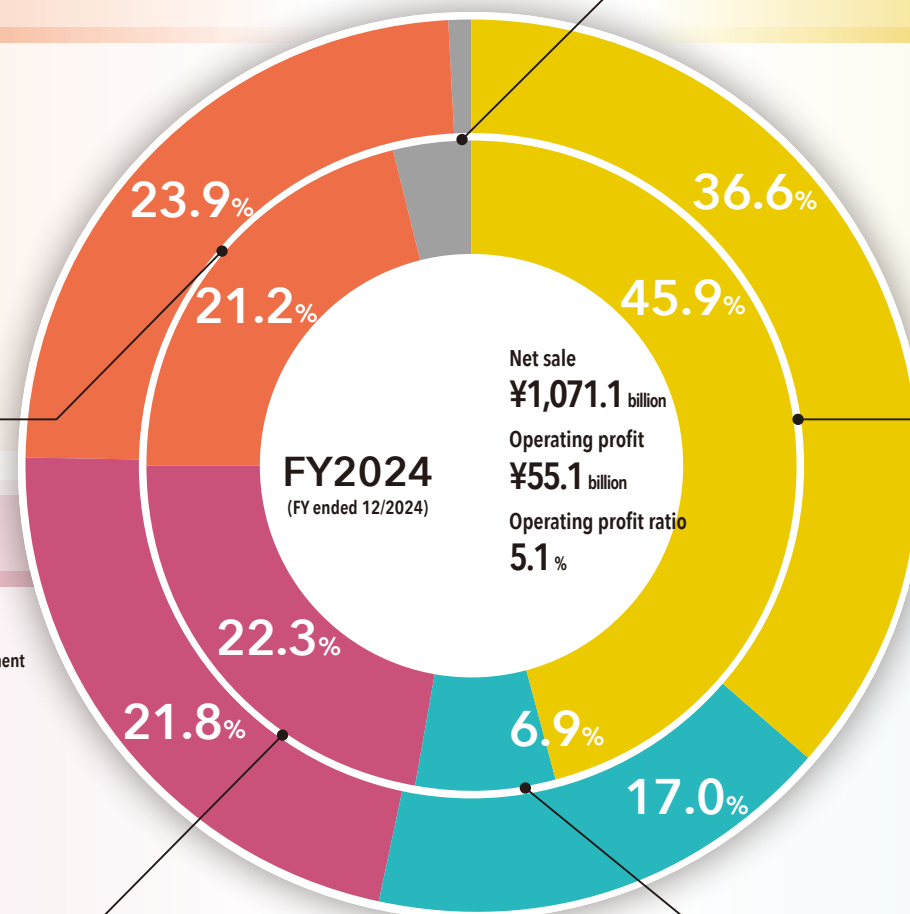
Key Businesses

- ◆ Plastics machinery
- ◆ Medical equipment
- ◆ Industrial machinery / Dust collectors / Precision air conditioning
- ◆ Precision grinders & coolant equipment
- ◆ Semiconductor Production Equipment
- ◆ Laser annealing equipment
- ◆ Industrial equipment & forging presses

Main Products

- ◆ Plastics machinery
- ◆ Precision parts
- ◆ Laser annealing equipment
- ◆ Forging presses
- ◆ Machine tools
- ◆ Precision parts
- ◆ Semiconductor production equipment
- ◆ Medical / Advanced / Cyclotron equipment
- ◆ Industrial equipment
- ◆ Defense equipment
- ◆ Environmental equipment

Net sales **¥234.0 billion** / Operating profit **¥12.3 billion** (operating profit ratio 5.2%)



Logistics & Construction

Key Businesses

- ◆ Construction machinery
- ◆ Material handling systems

Main Products

- ◆ Hydraulic excavators
- ◆ Mobile cranes
- ◆ Forklifts
- ◆ Road machinery
- ◆ Industrial crane
- ◆ Logistics system



Net sales **¥392.5 billion** / Operating profit **¥25.3 billion** (operating profit ratio 6.4%)

Energy & Lifeline

Key Businesses

- ◆ Energy plants
- ◆ Turbines & pumps
- ◆ Water treatment plants
- ◆ Marine engineering

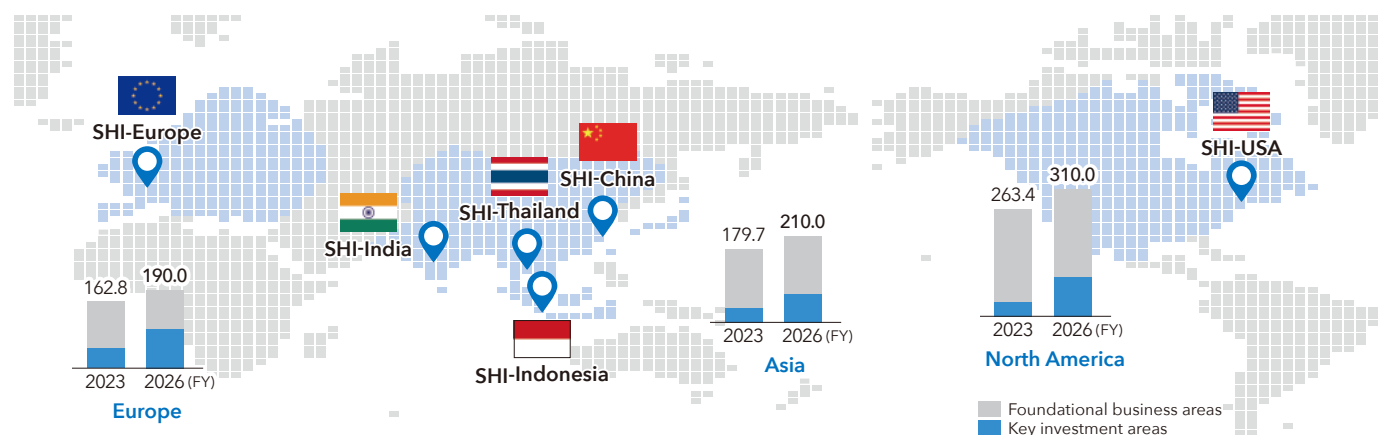
Main Products

- ◆ Energy and environment equipment
- ◆ Water treatment systems
- ◆ Turbines & Pumps
- ◆ Food processing machinery
- ◆ Foundational structures for offshore wind power generation, etc.
- ◆ Pressure vessels & Chemical instruments
- ◆ Marine engineering

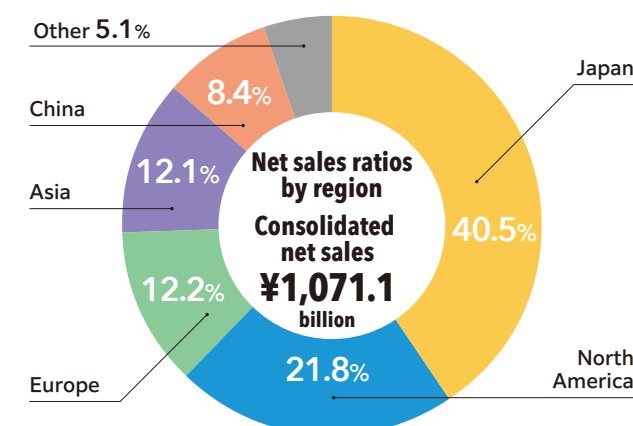


Net sales **¥182.0 billion** / Operating profit **¥3.8 billion** (operating profit ratio 2.1%)

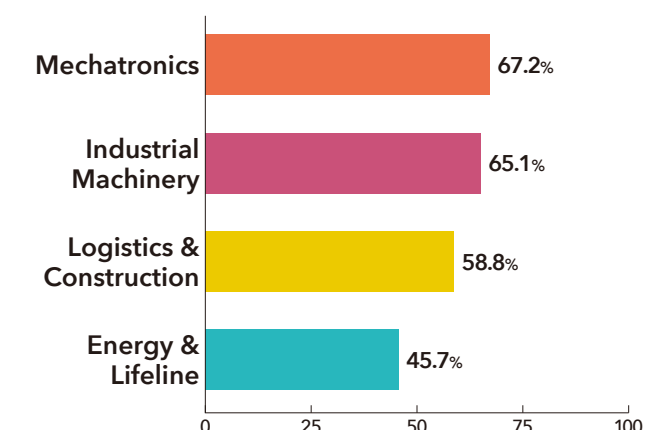
Global Operations (Regional management company and net sales by region (unit: billions of yen))



Net Sales Ratios by Region (FY2024)



Overseas Sales Ratios by Segment



Mechatronics Segment



Executive Vice President
General Manager,
Mechatronics segment
Taiji Tsuchiya

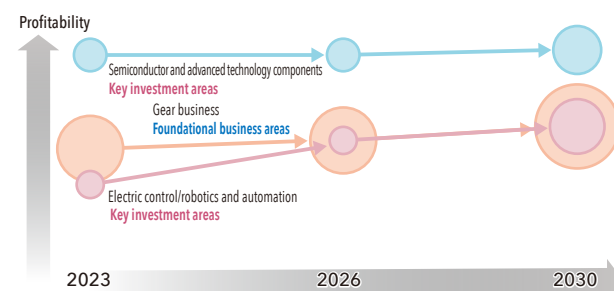


Ideal State in 2030

Help society and customers solve problems through mechatronic innovation and drive solutions

We aim to address social and customer challenges through mechatronics innovation and drive solutions. This will be achieved by actively investing in and expanding our key areas of motor control, robotics, and semiconductors, while also strengthening the profitability of our traditional gear business.

Business Portfolio Image



Key investment areas

✓ Electronic control/robotics and automation

- Expansion of existing businesses and improvement of profitability by acquiring Lafert and Invertex
- Expansion of the solution business through collaboration with the gear business in target markets, including transportation/logistics and HVAC+R (heating, ventilation, air-conditioning, and refrigeration)

✓ Semiconductor and advanced technology components

- Strengthening competitiveness in expanding markets / • Global expansion of precision positioning equipment

Foundational business areas

✓ Gear business

- Expanding the installed base business
- Price revisions and consolidation of models to improve profitability

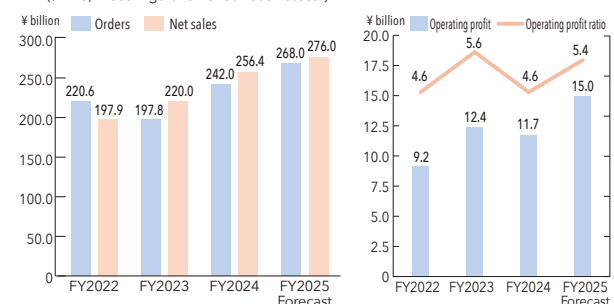
FY2024 Results and FY2025 Outlook

In FY2024, demand for small- and medium-sized gear reducers remained strong in Japan, but demand for gear reducers and motors remained sluggish in Europe and China. In addition, demand for semiconductor-related products decreased. As a result, orders and net sales came to ¥242.0 billion and ¥256.4 billion, respectively. Operating profit fell to ¥11.7 billion as sales declined, and the operating profit ratio was 4.6%.

In fiscal 2025, we expect orders will increase year on year to ¥268.0 billion, driven by a market recovery in Japan and Europe, as well as a recovery in demand for semiconductor-related product. We expect net sales of ¥276.0 billion and operating profit of ¥15.0 billion.

Historical Orders, Net Sales, and Operating Profit

Note: Figures for FY2022 and FY2023 are before the reconfiguration of our businesses.
(▶P25, "Reconfiguration of our businesses")



Basic Strategies for MTMP26

Basic Strategies for the Medium-Term Management Plan 2026

- Key investment areas: Expanding scale in growth and high-profit areas; strengthening sales expansion in target markets
- Foundational business area: Strengthening profitability and expanding services of gearmotor business

We aim to aggressively make growth investment in the key investment target areas of electronic control/robotics and automation (control systems, motion components, etc.) and semiconductors (cryocoolers/cryopumps, precision positioning equipment, etc.). In addition, we will strive to reform the profit structure and strengthen profitability of our foundational business areas of installed-base gearmotors and gearboxes by consolidating models and creating synergies between businesses, and aim to achieve our numerical targets.

FY2025 Earnings Forecasts and Numerical Targets of the MTMP

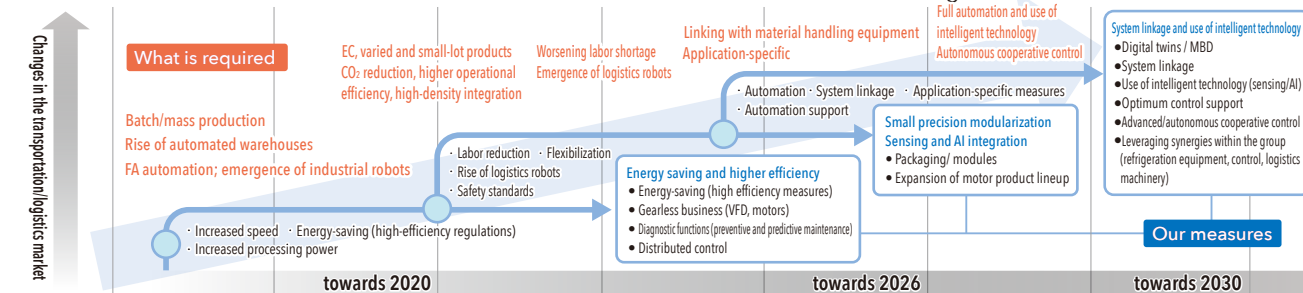
	FY2024	FY2025 Forecast	FY2026 Target
Orders (¥ billion)	242.0	268.0	295.0
Net Sales (¥ billion)	256.4	276.0	295.0
Operating Profit (¥ billion)	11.7	15.0	24.0
Operating Profit Ratio (%)	4.6	5.4	8.1
ROIC (%)	4.5	5.2	8.0

Business Strategies

In the electronic control/robotics and automation area, we will mainly target the transportation and logistics industry in which high demand is expected. In the semiconductor and advanced technology components area, we aim to leverage synergies within the segment to expand our business to major global customers.

Electric control/robotics and automation

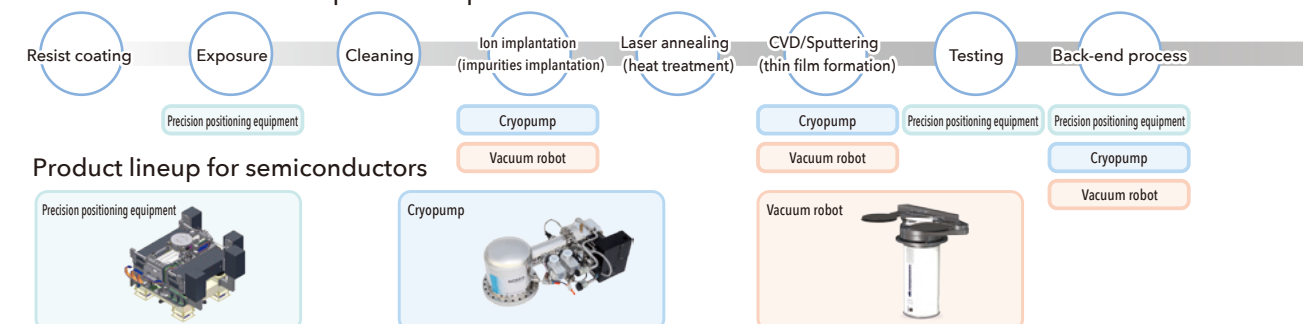
In the transportation and logistics market, which is one of the key markets for our gear reducer business, the required functions are growing more sophisticated as the times change. In response to this change, we aim to leverage our strengths in the area of electronic control/robotics and automation to take the measures as illustrated in the below diagram.



Semiconductor and advanced technology components

We will globally pursue synergies in sales and services with precision positioning equipment, cryopumps, and vacuum robots. Specifically, we aim to enhance our global competitiveness and expand our business by building close relationships with customers and providing a variety of solutions, as well as by addressing needs in new cutting-edge fields, including generative AI and power semiconductors.

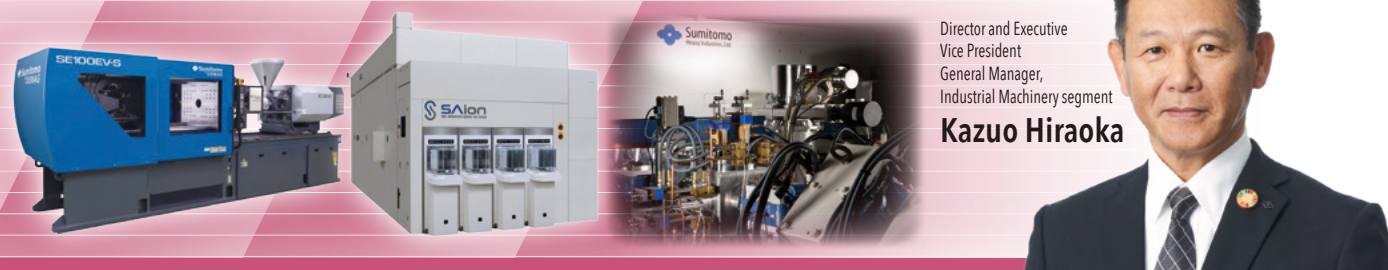
Advanced semiconductor production processes



Business Opportunities and Risks in Key Investment and Foundational Business Areas

	Key investment areas		Foundational business areas
	Electronic control/robotics and automation	Semiconductor and advanced technology components	Gear business
Strengths	<ul style="list-style-type: none"> Modular system suggestions leveraging a wide range of products Global sales network 	<ul style="list-style-type: none"> Strong trust from global leaders in semiconductors Advanced high-precision technologies Deep knowledge about customer applications 	<ul style="list-style-type: none"> Wide range of product lineups and high quality Customer base that spreads across industrial fields Global production/sales network
External environment / business opportunities	<ul style="list-style-type: none"> Demand increasing for energy conservation and higher efficiency driven by energy prices and environmental regulations Increased demand for collaborative and service robots and AMRs, as a result of labor shortages and higher labor costs Applications expanding for servo and high-efficiency motors Sales expansion to regions outside Europe 	<ul style="list-style-type: none"> Demand increases in new areas, including generative AI and power semiconductors, and accompanying changes in demand for each device Energy conservation Demand increasing for precision positioning equipment and vacuum robots, driven by acceleration of semiconductor miniaturization and three-dimensional packaging Demand increasing for energy- and helium-saving measures in medical systems 	<ul style="list-style-type: none"> Shift in market demand from component sales to system provision Strong demand for maintenance and repair of aging facilities Demand increasing for package modules and maintenance solutions Drop-in demand increasing, driven by increased end users in emerging markets
Risks / issues	<ul style="list-style-type: none"> Loss of market entry opportunities due to development delays 	<ul style="list-style-type: none"> Loss of opportunities due to delays in taking actions to expand or strengthen global services and S/C S/C risk resulting from US tariff measures Supply constraints due to US-China export restrictions 	<ul style="list-style-type: none"> S/C risk resulting from US tariff measures Declining price competitiveness due to higher material prices
Measures to address key issues	<ul style="list-style-type: none"> Acceleration of collaboration within the Group Expansion of sales areas Sales expansion targeting selected applications 	<ul style="list-style-type: none"> Strengthen development of next-generation models and utilize US assessment and development center Maintain competitive edge by expanding sales of energy-efficient refrigeration systems and accelerated cooling solutions that reduce helium consumption. 	<ul style="list-style-type: none"> Strengthen profitability by consolidating models and revising pricing Strengthen production and supply capacity for each market Strengthen the installed base business

Industrial Machinery Segment



Director and Executive
Vice President
General Manager,
Industrial Machinery segment

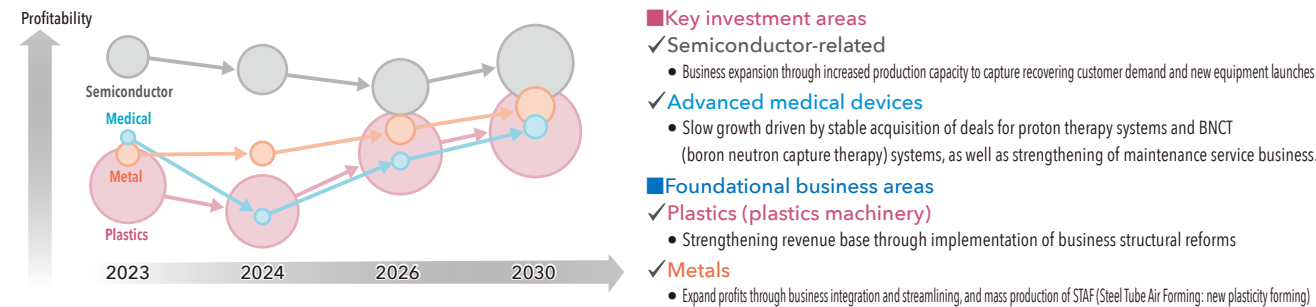
Kazuo Hiraoka

Ideal State in 2030

Highly profitable business entity that uses advanced technologies to respond to the global growth market and features an evolving portfolio

We aim to become a highly profitable business entity that responds to global growth markets with advanced technologies and an evolving portfolio. We will actively invest in key investment areas to enhance our competitiveness.

Business Portfolio Image

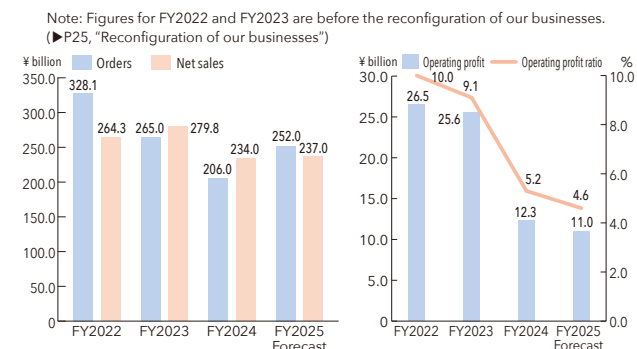


FY2024 Results and FY2025 Outlook

In FY2024, orders fell to ¥206.0 billion, affected by a slowdown in capital investment in Europe and sluggish spending on semiconductor equipment. Net sales resulted in ¥234.0 billion as order backlogs decreased especially in Europe. Operating profit came to ¥12.3 billion, with the decrease led by plastics machinery, and operating profit ratio was 5.2%.

For fiscal 2025, we expect orders to reach ¥252.0 billion, as we see a bottoming out of the European market and a recovery in the domestic market for plastics machinery, as well as a recovery in semiconductor and medical deals. While net sales are expected to increase slightly on year, we see a decrease in operating profit on year, dragged by a decrease in semiconductor-related sales.

Historical Orders, Net Sales, and Operating Profit



Basic Strategies for MTMP26

Basic Strategies for the Medium-Term Management Plan 2026
<ul style="list-style-type: none"> Key investment areas: Come out victorious in areas where we have a competitive advantage Foundational business areas: Implement structural reforms of plastics machinery business

We will implement investments to increase production capacity to drive growth and development-related investments to strengthen our competitiveness in semiconductor-related areas (ion implanters, laser annealing equipment, superconducting magnet for MCZ, etc.) and advanced medical devices (cancer treatment equipment, cancer diagnosis equipment, etc.), which we position as key investment areas. In the foundational business areas, we will work to rebuild our earning power by reviewing our product portfolio and addressing unprofitable models.

FY2025 Earnings Forecasts and Numerical Targets of the MTMP

	FY2024	FY2025 Forecast	FY2026 Target
Orders (¥ billion)	206.0	252.0	275.0
of which, Plastics Machinery	89.8	99.0	105.0
Net Sales (¥ billion)	234.0	237.0	275.0
of which, Plastics Machinery	92.5	95.0	105.0
Operating Profit (¥ billion)	12.3	11.0	22.0
Operating Profit Ratio (%)	5.3	4.6	8.0
ROIC (%)	5.2	4.4	8.5

Business Strategies

In the semiconductor business, we will work to expand business by developing new ion implanters, acquiring major European semiconductor customer channels through LASSE, which became part of our Group this fiscal year, and integrating the ion implanter and laser annealing equipment businesses.

In the advanced medical device business, we will work to increase our competitiveness by winning deals for proton therapy systems and BNCT systems, as well as expanding the range of applicable areas. We also aim to strengthen service businesses in each business segment to improve profitability.

Semiconductors

Ion implanters for power semiconductors (SMIT*)

✓ Complete high-temperature implantation technology

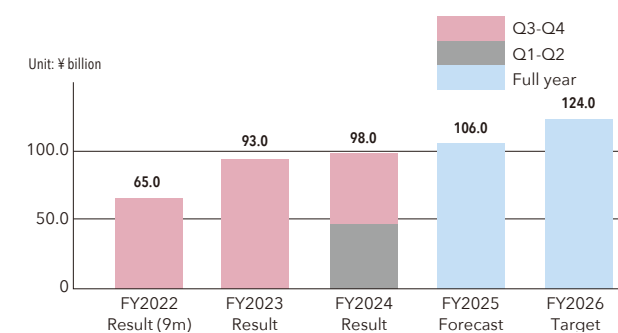
Next-generation ion implanters (SMIT)

✓ Complete the development of equipment targeting memory market and carry out customer evaluation

Laser annealing equipment (LASSE)

✓ Earn channels that connect us to major customers in the semiconductor business in Europe

Total sales of semiconductor-related businesses (approximate)



Advanced medical devices

Proton therapy systems

✓ Make sure to win orders for next-generation proton therapy systems

BNCT systems

✓ Deep-seated cancer application expansion
✓ Expansion in US through collaboration with SHI-USA

Services

Plastics machinery

✓ Management of modification sales deals
✓ Promotion of parts sales activities in Vietnam, Indonesia and China

Ion implanters (SMIT)

✓ Establish service support structure in Asia

Advanced medical devices

✓ Secure profits through overseas main unit sales expansion and maintenance deals

*Sumitomo Heavy Industries Ion Technology Co., Ltd.

Business Opportunities and Risks in Key Investment and Foundational Business Areas

	Key investment areas		Foundational business areas
	Semiconductor-related	Advanced medical devices	Plastics machinery
Strengths	<ul style="list-style-type: none"> Applied technology capabilities that enable us to handle cutting-edge processes Flexible customer support service response Customer channels in which ion implantation and laser annealing businesses mutually reinforce 	<ul style="list-style-type: none"> Increased presence through the introduction of a next-generation proton therapy system Expanded scope of application to deep-seated cancers through higher-current BNCT systems 	<ul style="list-style-type: none"> Advanced technology that reduces molding defect rates and save energy Strong organizational capabilities for helping customers solve problems Model lineup that can meet diverse needs
External environment / business opportunities	<ul style="list-style-type: none"> Semiconductor demand is driven by generative AI, but recovery remains slow in other markets, and customer capital spending is postponed. We expect a return to positive growth in the second half of 2025. China remains the largest market, there is a risk of blockage due to tariffs imposed by the US. 	<ul style="list-style-type: none"> Deal planning is thriving mainly in Japan and Asia, but there is a tendency to postpone projects due to soaring costs. BNCT systems continue to command high levels of interest, and standards and guidelines are being established both in Japan and overseas. 	<ul style="list-style-type: none"> Government stimulus measures led to demand recovery in the Chinese market, but demand remains sluggish in other regions. The European market suffers from prolonged slump in demand due to the continued shrinkage of the automotive market, and competition is intensifying with the entry of Asian electric motors.
Risks / issues	<ul style="list-style-type: none"> Expansion of applicable models through the development of new materials and processes Increased demand for laser annealing driven by process advancement Process development with global top users 	<ul style="list-style-type: none"> Continuation and acceleration of development investment in technological innovation in semiconductor processes Risk that recovery of the semiconductor market may take longer than expected 	<ul style="list-style-type: none"> Projects postponed or canceled due to soaring construction costs Emergence of rival products that use fixed gantries Early expansion of the scope of application (brain tumors, meningiomas, etc.)
Measures to address key issues	<ul style="list-style-type: none"> Strengthen competitiveness by developing differentiated products Achieve synergy through the integration of the ion implantation and laser annealing businesses Strengthen global expansion through channels owned by LASSE 	<ul style="list-style-type: none"> Implement expansion strategies for proton therapy systems (superconducting type) and BNCT systems (next-generation high-current type) Promote development efforts in the field of radiopharmaceutical therapy (internal treatment, etc.) 	<ul style="list-style-type: none"> Increased demand for products that reduces weight of end products or contributes to achieving carbon neutrality Expansion of market opportunities due to progress in electrification
			<ul style="list-style-type: none"> Impact of US reciprocal tariff policy on market conditions Intensifying price competition amid sluggish demand Shrinking European market and increasing entry by Asian molding machines
			<ul style="list-style-type: none"> Consolidate models and reform business processes Improve profitability by carrying out structural reforms of Demag

Logistics & Construction Segment

Senior Vice President
General Manager,
Logistics & Construction
segment

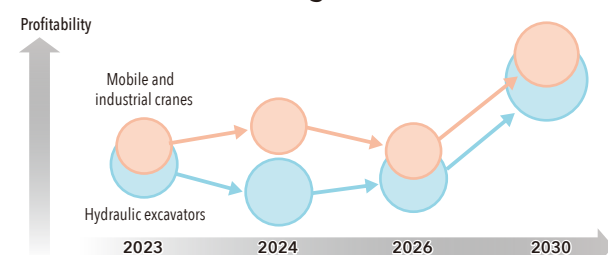
Haruhiko Tsuzuki

Ideal State in 2030

Business group leveraging technological innovation to construct social infrastructure using people and environmentally friendly logistics and construction machinery

We aim to simultaneously achieve corporate value and social value through our business activities while maintaining a clear competitive advantage in the industry as an unparalleled business group. As our strategies to realize our business plans, we focus on (1) development strategies in key investment areas, and (2) on sales and production strategies in our foundational business areas.

Business Portfolio Image



Foundational business areas

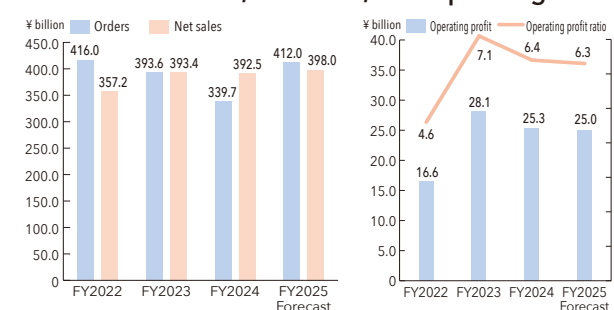
- ✓ Common
 - Increase revenue in advanced countries
 - Building an optimal global production system
- ✓ Construction machinery (hydraulic excavators and mobile cranes)
 - Differentiation and improved profitability through introduction of new models
- ✓ Logistics machinery (industrial cranes and logistics systems)
 - Increase added value of services through DX

FY2024 Results and FY2025 Outlook

In FY2024, orders fell to ¥339.7 billion, as demand declined for hydraulic excavators especially in the US and Japanese markets. Net sales were down to ¥392.5 billion as orders decreased for hydraulic excavators, despite an increase for cranes due to order backlog. Operating profit resulted in ¥25.3 billion, and the operating profit ratio was 6.4%.

For FY2025, we expect orders to reach ¥412.0 billion, as we see a recovery in demand for hydraulic excavators in the US market and stable demand for both mobile and industrial cranes. Net sales are forecast to rise slightly from the previous fiscal year, but operating profit is expected to remain flat due to an impact from a shift in the product mix.

Historical Orders, Net Sales, and Operating Profit



Basic Strategies for MTMP26

Basic Strategies for the Medium-Term Management Plan 2026

- Key investment areas: Promote the development of advanced technologies, including electrification, remote control, automation, and DX, with an aim of helping solve social issues.
- Foundational business areas: Secure profits in developed markets of Japan, the United States, and Europe, and establish a global production system

In the robotics/automation fields, which are positioned as a key investment area, we will step up measures to provide high value-added products and services that take advantage of electrification, remote control/automation (control technology), and DX, which are our strengths in hydraulic excavators and cranes.

In addition, we are working to build an “optimal production system” that can flexibly respond to global demand fluctuations, taking advantage of our seven production bases in Japan and overseas.

FY2025 Earnings Forecasts and Numerical Targets of the MTMP

	FY2024	FY2025 Forecast	FY2026 Target
Orders (¥ billion)	339.7	412.0	435.0
of which, Hydraulic Excavators	163.8	232.0	260.0
Net Sales (¥ billion)	392.5	398.0	433.0
of which, Hydraulic Excavators	221.5	223.0	260.0
Operating Profit (¥ billion)	25.3	25.0	27.0
Operating Profit Ratio (%)	6.4	6.3	6.2
ROIC (%)	7.6	7.0	8.0

Business Strategies

In the robotics/automation fields, we developed a 13.5-ton electric excavator and exhibited a demonstration model at a trade show.

For remote and automated RTGs, we are working on differentiation development projects through automation and carbon neutrality.

For service fields, we aim to strengthen our business by providing high value-added services, including DX tools that use a Group-exclusive cloud to improve the productivity of large cranes.

Robotics/automation

13.5-ton electric excavator

- ✓ Following the 7.5-ton model that has been developed, we are developing a 13.5-ton model for launch in the near future (demonstration model exhibited at International Construction & Survey Productivity Improvement Expo (June 2025, Makuhari Messe)).
- ✓ Responding to growing customer demand for carbon neutrality

ARTG: Automatic Rubber Tired Gantry crane

- ✓ We are working on a product differentiation development project through automation and carbon neutrality, Automated products are being developed, including manned truck transfer.



13.5-ton electric excavator



Remote-controlled RTG



Services

Large cranes

- ✓ Large crane productivity improvement support tool using DX (Sumitomo Heavy Industries Group's exclusive cloud: SHICuTe): Strengthen services by developing high added value using SIRMS
- ✓ Significant increase in demand for modification due to labor shortage in the logistics industry

Business Opportunities and Risks in Key Investment and Foundational Business Areas

	Key investment areas	Foundational business areas	
	Robotics/automation	Construction machinery (hydraulic excavators and mobile cranes)	Logistics machinery (industrial cranes and logistics systems)
Strengths	<ul style="list-style-type: none"> Common elemental technologies within the segment can be deployed in other models. Elemental technology development through value chains within the Group 	<ul style="list-style-type: none"> Customers appreciation of attentive service provided through direct service High value-added products and brands differentiated by performance and quality 	<ul style="list-style-type: none"> Advanced engineering capabilities supported by coordination Cutting-edge, advanced remote and automation technologies Provision of attentive, high value-added services
External environment / business opportunities	<ul style="list-style-type: none"> Significant demand for carbon neutrality-related measures Increased demand for productivity improvement, safety, and labor saving 	<ul style="list-style-type: none"> Domestic demand remains resilient. North America demand expected to return as early as second half 2025 	<ul style="list-style-type: none"> Sustained demand for upgrading industrial cranes Demand for improving logistics efficiency remains solid
	<ul style="list-style-type: none"> Government support for use and purchase of electric and ICT construction machinery Advances in AI technology Evolution of battery technology 	<ul style="list-style-type: none"> Demand for enhanced safety, cost reduction and shorter work periods in construction work Prolonged labor shortage and aging workers in construction sites Acceleration in carbon neutrality efforts by general contractors 	<ul style="list-style-type: none"> Accelerated carbon neutrality efforts (shift to electric furnaces and renewable energy sources) Diversified needs resulting from declining workforce (automation, working environment improvement, etc.) Efficiency improvement in and logistics transportation (labor and space saving)
Risks / issues	<ul style="list-style-type: none"> Functional safety, security measures AI startups' market entry and collaboration with general contractors High quality, high efficiency development enabled by development and use of common platforms Establishment of in-house differentiating elemental technologies 	<ul style="list-style-type: none"> Intensified price competition (low-priced products' entry into higher-grade markets) Global political developments affecting S/C 	<ul style="list-style-type: none"> Capital expenditures slowed or postponed due to spike in material and equipment prices Entry by low-price manufacturers from overseas (logistics systems)
Measures to address key issues	<ul style="list-style-type: none"> Establish development center in segment Promote development of common technologies (electrification/remote, automation/DX) 	<ul style="list-style-type: none"> Differentiation and improved profitability through introduction of new models Build optimal production system leveraging Yokosuka Works, etc. 	<ul style="list-style-type: none"> Introduce remote and automation functions in industrial cranes Use DX (SIRMS) to increase added value of services

Energy & Lifeline Segment



Representative Director,
Executive Vice President
General Manager,
Energy & Lifeline segment
Eiji Kojima

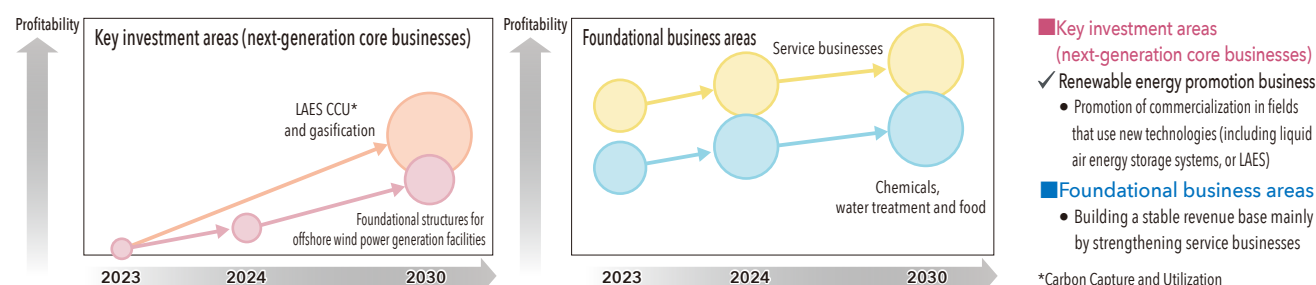
Ideal State in 2030

Solution provider in the decarbonized energy and resource recycling fields, built on the foundations of carbon neutrality and renewable energy businesses

We aim to transition and expand the strength of our businesses by focusing on “decarbonized energy” and “resource recycling.” We are promoting the development and commercialization of carbon recycling technologies (capture and reuse) in CO₂-emitting fields and working to expand our renewable energy initiatives through energy storage systems and offshore wind power generation.

We aim to continuously create customer value as a solution provider in these two areas.

Business Portfolio Image

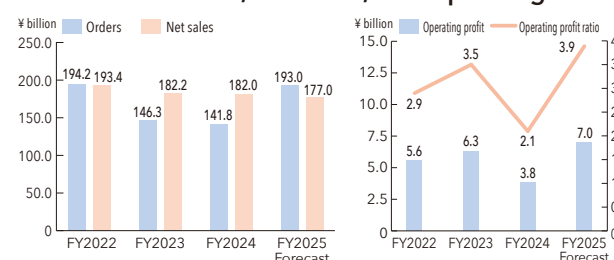


FY2024 Results and FY2025 Outlook

In FY2024, orders totaled ¥141.8 billion, mainly as we won a deal for domestic biomass power facility. Net sales decreased for the energy plant business but increased for other businesses as the number of deals increased, with the total figure reaching ¥182.0 billion. Operating profit totaled ¥3.8 billion due mainly to increased development costs for commercializing LAES, and operating profit ratio was 2.1%.

For FY2025, we expect total orders to increase year on year as we expect to win biomass power generation facility deals in Japan and overseas, as well as orders for large structures. Although we expect net sales to decrease as projects for which sales are accounted for in the current fiscal year will decrease, we see an increase in operating profit due to a decrease in LAES development costs.

Historical Orders, Net Sales, and Operating Profit



Basic Strategies for MTMP26

Basic Strategies for the Medium-Term Management Plan 2026

- Key investment areas: Promote development and commercialization of next-generation core businesses in carbon neutrality and renewable energy promotion businesses
- Foundational business areas: Carry out structural reforms of the boiler business and strengthen service businesses by strengthening functions, expand proposal menus, etc.

We have positioned as key investment areas the carbon neutrality business, which develops technologies for biomass power, CCU, and production of sustainable fuels from biomass through gasification (such as SAF), and the renewable energy promotion business, which includes commercialization of LAES and foundational structures for offshore wind power generation facilities, and will make investments for commercialization. For the foundational business area, we aim to strengthen profitability by enhancing service businesses.

FY2025 Earnings Forecasts and Numerical Targets of the MTMP

	FY2024	FY2025 Forecast	FY2026 Target
Orders (¥ billion)	141.8	193.0	195.0
Net Sales (¥ billion)	182.0	177.0	170.0
Operating Profit (¥ billion)	3.8	7.0	7.0
Operating Profit Ratio (%)	2.1	3.9	4.1
ROIC (%)	2.6	3.4	4.0

Business Strategies

As part of efforts to strengthen service businesses, we will take business expansion measures, including making proposals for decarbonizing boilers through fuel-switching modifications, in addition to our existing service activities for basic maintenance, operation management, etc. In the renewable energy promotion business, we will proceed with the development of a business model by starting commercial demonstration operation of a LAES demonstration machine currently under construction.

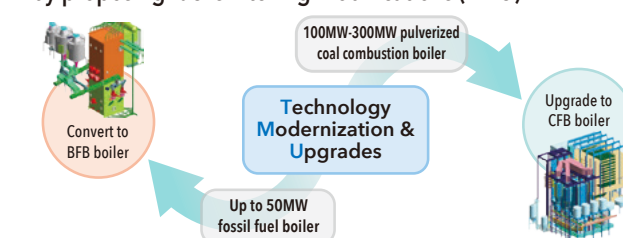
We will also work on measures to enhance our production system in preparation for mass production of foundational structures for offshore wind power generation facilities.

Energy plants (boilers)

Service (TMU (fuel switching modification proposals) and basic maintenance)

- ✓ We will seek to expand the scope of our regular inspection service to include boilers by other manufacturers, in addition to strengthening daily inspections and proposals for repairs to existing boilers through base expansion.
- ✓ Uncover demand for fuel switching modifications and other large-scale modification services, targeting customers who own fossil fuel boilers.

Realize decarbonization of customers using fossil fuel boilers by proposing fuel switching modifications (TMU)



Proposals for fuel-switching to biomass, based on the world's No. 1 track record in CFB boiler delivery and experience of over 30 BFB modification projects

Renewable energy promotion business (LAES and offshore wind power generation)

Construction and test drive of demonstration facilities in preparation for entry into LAES market

- ✓ Delivery of key equipment has been completed for the demonstration facility currently under construction at Hiroshima Gas, for which a test drive is scheduled to begin by the end of fiscal 2025
- ✓ Business models being developed through multiple FS contracts

Laying groundwork for mass production of foundational structures for offshore wind power generation facilities

- ✓ Create synergies by combining competencies within the segment
- ✓ Strengthen or develop production systems for the mass production of foundational structures



Sumitomo Heavy Industries Process Equipment Co., Ltd.
Technologies for processing very thick cylindrical structures, manufacturing cans, and welding, which we developed through manufacture of large pressure vessels

offshore wind power generation business promotion PJ Collaboration and mutual synergy

Technology for constructing and mass-producing large structures that require ship engineering and multilayer coating
Sumitomo Heavy Industries Marine&Engineering Co., Ltd.



Ehime Works (Saijo Factory)



Yokosuka Works (Yokosuka Naval Shipyard)

Business Opportunities and Risks in Key Investment and Foundational Business Areas

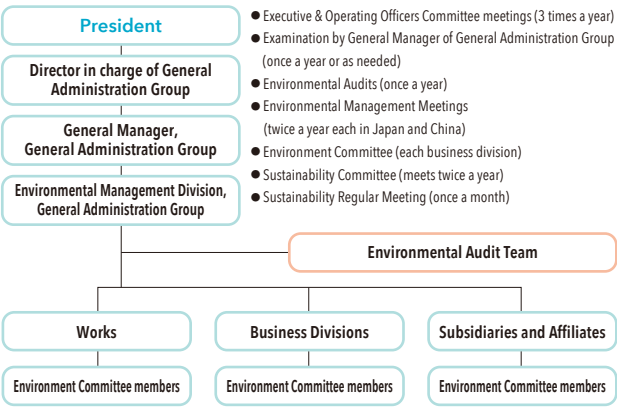
	Key investment areas		Foundational business areas
	Carbon neutrality business	Renewable energy promotion business	Chemical machine, water treatment, food processing machinery, and power boilers
Strengths	<ul style="list-style-type: none"> Highly efficient technologies specialized in each elemental technology EPC capabilities supported by abundant engineering experience Manufacturing and quality power developed through manufacture of large structures O&M know-how accumulated through many years of maintenance, management and operation services 		
External environment / business opportunities	<ul style="list-style-type: none"> There is a notable trend for stepping up decarbonization policies prompted by climate change risks. Development of technology and infrastructure for CO₂ separation, capture and utilization is in progress. 	<ul style="list-style-type: none"> Policies and public-private funding mobilization plans are being promoted for the promotion of the use of renewable energy and the recycling of resources. Associated with this, efforts to consider investment plans are also being stepped up. 	<ul style="list-style-type: none"> There are signs that market conditions will improve for chemicals and water treatment, although the supply-demand balance remains instable. The domestic and international boiler market has slowed, affected by a prolonged inflation in the EU region and soaring biomass fuel prices.
Risks / issues	<ul style="list-style-type: none"> Delays in technology development and formation of collaborative framework. Stagnation in efforts to develop a carbon business promotion model Delays in plans to introduce offshore wind power generation 		
Measures to address key issues	<ul style="list-style-type: none"> Completion of CO₂ separation and capture demonstration Establishing CCU and gasification technologies Carbon-negative technology demonstration Participation in the study of regional collaboration carbon management projects 	<ul style="list-style-type: none"> Starting commercial operation of LAES demonstration facility and promoting efforts to develop business models Strengthening sales capabilities to establish S/C early and develop production a system in preparation for commercialization of foundational structures for offshore wind power generation facilities 	<ul style="list-style-type: none"> Promoting boiler fuel switching modification proposals Strengthening service businesses through coordination between business units within the segment and resource expansion

Environmental Initiatives

Addressing global environmental issues, including climate change, is the responsibility of the SHI Group, which engages in business activities on a global scale. As our business is founded on the provision of industrial machinery to support our customers' production activities, we believe that improving the environmental performance of our products and services will contribute to the realization of a decarbonized society and enhance the competitiveness of our products. In view of this, we are working on environmental initiatives in line with the Sumitomo Heavy Industries Group Environmental Policy through a two-pronged approach that includes reducing the environmental burden of our business activities and improving the environmental performance of our products.

Structure

Management of SHI Group-wide environmental activities is implemented by the General Manager of the General Administration Group and the Environmental Management Division under the supervision of the Director in charge of the General Administration Group who is appointed by the President. Environmental audits are conducted in conjunction with local status checks to verify the status of environmental management at all manufacturing sites including those of affiliated companies. The results of these activities are reported, and any identified problems are shared.



Medium-Term Environmental Plan

We have formulated the 7th Medium-Term Environmental Plan (FY2024 to FY2026) as a medium-term implementation plan for environmental management. Under this plan, we have been working on three priority issues: (1) reduction of total CO₂ emissions, (2) enhancement of environmental management, and (3) reduction of environmental burden in business activities. These targets have been largely achieved, and we will continue strengthening SHI Group-wide activities.

Key issues	● Reduction of total CO ₂ emissions		● Enhancement of environmental management	
	● Reduction of environmental burden in business activities			

Index	Item	FY2024		
		Targets	Results	Ratings
Environmental management	Number of serious environmental accidents	Zero	0	✓
Response to climate change	Total CO ₂ emissions	Reduction by an amount equivalent to 1% of FY2019 emissions per year	2.1% reduction (Japan) 4.2% reduction (overseas)	✓ ✓
Promotion of resource savings and recycling	Reduction of water consumption (Japan)	Below the average emission level of FY2020-2023	0.4% reduction (Japan)	✓
	Reduction of water consumption intensity (overseas)		8.1% reduction (overseas)	✓

Third-Party Assurance of Environmental Impact Data

To enhance the reliability of its environmental impact data, the SHI Group has obtained a third-party assurance from Bureau Veritas Japan, Inc. Since fiscal 2024, the scope of assurance has been expanded to include water consumption and discharge, in addition to Scope 1, 2, and 3 emissions data.

Data covered: The following environmental data for the period from January 1, 2024, to December 31, 2024:

- Energy used by the Group through business activities: 31 sites in Japan and 41 overseas sites
- Water usage by the Group through business activities: 14 sites in Japan and 38 sites overseas
- Water discharged by the Group through business activities: 14 sites in Japan
- Scope 1 and Scope 2 greenhouse gas emissions (CO₂ emissions from energy use)
- Scope 3 greenhouse gas emissions (Category 1, 2, 3, 4, 5, 6, 7, and 11)* * Calculated based on the Company's rules



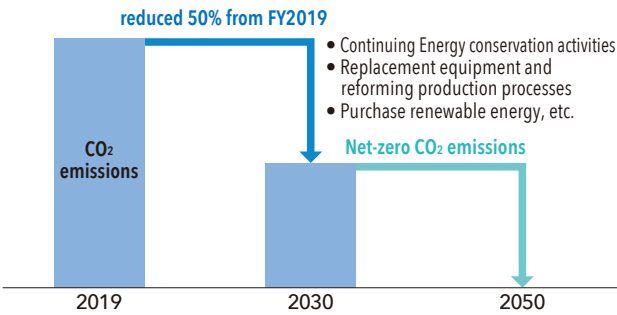
Addressing Climate Change Risks

At the Board of Directors meeting in May 2022, the SHI Group resolved to achieve carbon neutrality (net-zero CO₂ emissions) across the entire Group by 2050. In parallel, interim reduction targets for 2030 were established, and specific initiatives are currently being implemented to meet those goals.

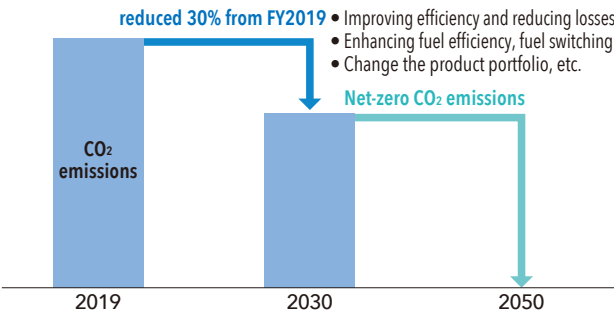
SHI Group's Carbon Neutrality Targets

- ◆ Aim to achieve carbon neutrality throughout the entire SHI Group by 2050
- ◆ CO₂ emissions during product manufacturing (Scopes 1 and 2) ⇒ 50% reduction by 2030 (compared to FY2019)
- ◆ CO₂ emissions during product use (Scope 3, Category 11) ⇒ 30% reduction by 2030 (compared to FY2019)

CO₂ emissions reduction targets during product manufacturing



CO₂ emissions reduction targets during product use

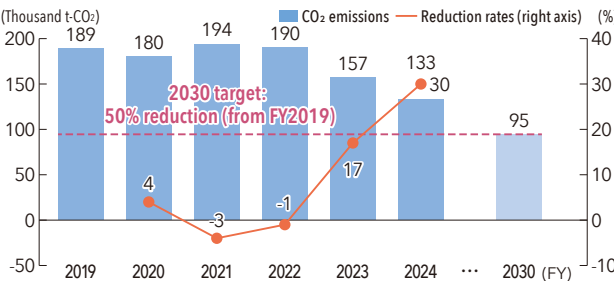


Reducing CO₂ Emissions (Scope 1 and 2)

In fiscal 2024, CO₂ emissions totaled 133,000 t-CO₂ (30% reduction compared to FY2019) due to the continued implementation of existing energy-saving measures, the installation of solar power generation facilities, and the purchase of renewable energy power.

Index	Unit	Base year (2019)	FY2023	FY2024
CO ₂ emissions during manufacturing (Scope1 and 2)	Thousand t-CO ₂	189	157	133

CO₂ emissions reduction targets



Initiatives to Reduce CO₂ Emissions

The SHI Group plans to increase the proportion of renewable energy procurement to meet its reduction targets.

[Establishment of solar power generation facilities]

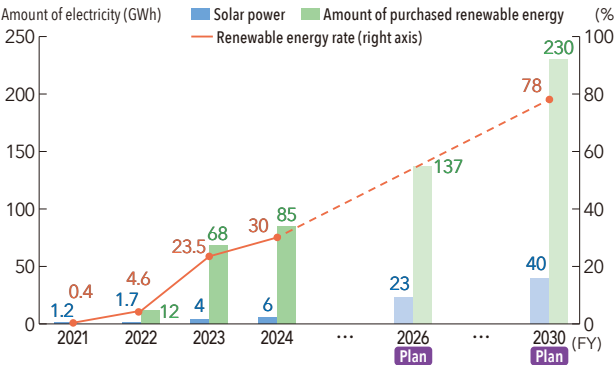
We aim to establish solar power generation facilities with a total capacity of up to 40 GWh by 2030 and plan to invest 3.0 billion yen in capital expenditures during the MTMP26 period.

Meanwhile, Yokosuka Innovation Hub, Cs'-Lab+, which was completed in April 2025, is seeking ZEB Ready certification.

[Purchase of renewable energy power]

To meet the reduction targets, we are implementing a global renewable energy power purchase plan. In fiscal 2024, we purchased 85 GWh of such electricity, raising the renewable energy share, including solar power, to 30%.

Implementation situation of solar power / renewable energy power and our plan



Reducing CO₂ Emissions during Product Use (Scope 3, Category 11)

In fiscal 2024, the CO₂ emissions during product use (Scope 3, Category 11) totaled 66 million t-CO₂.

Significant reductions continued, primarily due to a decrease in deliveries of coal-fired boilers. However, we expect emissions to rise toward 2030 as our business grows. We will continue developing products that contribute to a decarbonized society.

Cross-Group Initiatives

In January 2025, we launched a carbon neutrality project to accelerate progress toward our self-set targets by raising climate change awareness within each business division.

Contributing to the Environment Through Our Business

The SHI Group contributes to building a carbon-neutral society by providing products and services. (► P.5, “Sumitomo Heavy Industries Group’s Product Lines that Support the Society”)

Main Business Areas and Products

Mechatronics

- ◆ Power transmission & control equipment
- ◆ Control equipment ◆ Cryocoolers

► P.39

Industrial Machinery

- ◆ Material processing machinery
- ◆ Semiconductor manufacturing equipment
- ◆ Medical devices

► P.41

Logistics & Construction

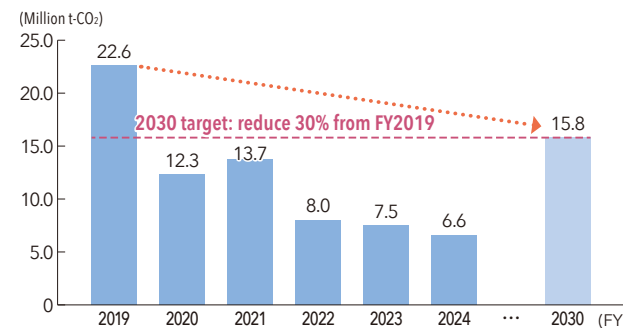
- ◆ Construction machinery
- ◆ Material handling and logistics equipment

► P.43

Energy & Lifelines

- ◆ Environment / energy plants
- ◆ Energy storage equipment
- ◆ offshore wind power generation foundational structures

► P.45

CO₂ emissions reduction status (Scope 3, Category 11)

Project Agenda

- Identifying measures to reduce CO₂ emissions (Scope 3, Cat. 11)
- Setting reduction targets for each segment (Scope 3, Cat. 11)
- Investments plans

Information Disclosure based on the TCFD Recommendations

In October 2021, the SHI Group endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Accordingly, we report the disclosure items recommended by the task force as follows.



Governance (► P.72, “Sustainability-oriented Management”)

We have established the Sustainability Committee, reporting directly to the President & CEO, to promote related initiatives under the supervision of the Board of Directors.

Strategies

Climate change may significantly impact the Group’s business activities. Therefore, we have analyzed risks and opportunities based on two assumed scenarios:

(1) 1.5°C scenario (measures are implemented and temperature rise is curbed)

(2) 4.0°C scenario (effective measures are not implemented and temperature continues to rise)

Definition		Period	
High	The impact on business is serious and necessitates a business strategy review.	Short-term	Until 2026 (final year of the MTMP26)
Medium	The impact on business is limited, but future action is necessary.	Medium-term	Until 2030 (interim target year for carbon neutrality)
Low	The impact on business is minimal.	Long-term	Until 2050 (final target year for carbon neutrality)

Scenarios (risks and opportunities)	Descriptions	Impact Level	Period		
			Short-term	Medium	Long-term
1.5°C	Risks	[Higher electricity and renewable energy prices] Rising electricity and renewable energy prices increase production costs.	High	●	●
		[Carbon tax] Higher carbon taxes increase the tax burden on subsidiaries and affiliates in Japan and abroad.	Medium	●	●
		[Higher development costs and delayed technology development] Delays in technology development lead to increased costs, reduced sales, and lower profits.	High	●	●
	Opportunities	[Mechatronics] Electrification of customer production equipment, energy-saving products, and products integrating electronic and control devices with gear reducers, as well as cryogenic and superconducting technologies (► P.39)	Low	●	●
		[IM] Electrification of customer production equipment, energy-saving products, and power semiconductor equipment (► P.41)	Low	●	●
		[L&C] Electrification of construction machinery and logistics systems, and investments in forest resources (► P.43)	Medium	●	●
4.0°C	Risks	[E&L] Biomass power generation, energy conversion, energy storage market expansion, and biomass fuel (► P.45)	High	●	●
		[Damage to and relocation of manufacturing sites] Costs related to restoring equipment damaged by intensifying natural disasters, and relocating facilities due to rising sea levels, etc.	High	●	●
	Opportunities	[L&C] Machinery and equipment for disaster recovery	Low	●	●
		[E&L] Resilient public infrastructure and facilities	Medium	●	●

Avoided Emissions

Since 2014, the SHI Group has been working to realize a low-carbon society by reducing CO₂ emissions during product manufacturing. In the current fiscal year, we began discussing Avoided Emissions* at development challenge meetings held by the Mechatronics and Logistics & Construction segments. By leveraging our extensive technology base to enhance product competitiveness, we aim to achieve our Scope 3 emissions reduction targets.

* Calculated using the flow method

Segment	Descriptions	FY2024
Mechatronics	Shifting to high-efficiency motors, etc.	315,000 t-CO ₂
Logistics & Construction	Improving the energy efficiency of construction machinery	29,000 t-CO ₂
Total		344,000 t-CO ₂

Risk Management (► P.73, “Risk Management”)

Climate change risks are managed through the Group’s risk management process.

Metrics and Targets (► P.48, “Addressing Climate Change Risks”)

By achieving the three targets, we aim to contribute to carbon neutrality.

Initiatives for Biodiversity Conservation and Natural Capital

In accordance with the SHI Group Environmental Policy, we conduct environmental management activities that support biodiversity. In line with the recommendations of the TNFD*, we disclose our dependencies and impacts on biodiversity and natural capital.

* The Taskforce on Nature-related Financial Disclosures (TNFD) is a framework for companies and organizations to assess and disclose information on the impact of their economic activities on the natural environment and biodiversity.

Understanding Our Relationship with Nature Using ENCORE

For each of the key businesses within the four business segments, we analyzed processes related to major raw materials in procurement activities (upstream), as well as business operations and multiple manufacturing processes considered to have a significant impact in manufacturing activities (direct operations).

Dependencies on nature

The analysis found that nature-related dependencies of the Group’s key businesses are generally low.

Impacts on nature

Regarding impacts on nature, the Group’s key businesses received a “Very High” rating for “Emissions of toxic substances into soil and water,” as chemical substances and heavy metals released during manufacturing can significantly affect soil and water quality. We were also evaluated as “High” for the “Emissions of non-GHG air pollutants,” indicating that NOx, SOx, dust, and other emissions may pose environmental risks. In response, we have decided to conduct an individual analysis of water-related risks.

Our key businesses’ dependencies and impacts on nature

Segment	Key Businesses	Tier in the supply chain	Dependencies on nature							Impacts on nature					
			Solid waste remediation	Soil and sediment retention	Water purification	Flood mitigation	Global climate regulation	Water supply	Storm mitigation	Disturbances (noise, light, etc.)	GHG emissions	Emissions of non-GHG air pollutants	Emissions of toxic substances into soil and water	Generation and release of solid waste	Volume of water use
Mechatronics	Gearmotors, gear reducers, precision control actuators	Procurement	M	L	M	M	VL	M	M	M	L	L	VH	L	M
		Manufacturing	M	L	M	M	VL	M	M	M	M	H	VH	L	M
IM	Molding machines, medical equipment, semiconductor manufacturing equipment	Procurement	M	L	M	M	VL	M	M	M	L	L	VH	L	M
		Manufacturing	M	L	M	M	VL	M	M	M	M	H	VH	L	M
L&C	Construction machinery	Procurement	M	L	M	M	VL	M	M	M	L	L	VH	L	M
		Manufacturing	M	L	M	M	VL	M	M	M	L	L	VH	L	M
E&L	Boilers	Procurement	L	L	M	M	VL	M	M	M	L	L	M	L	M
		Manufacturing	L	L	M	M	VL	M	M	M	L	L	M	L	M

Legend
VL : Very Low, L : Low, M : Medium, H : High, VH : Very High

Risk Analysis Using Aqueduct

We assessed water risks at 57 manufacturing sites in Japan and abroad using Aqueduct, a tool provided by the World Resources Institute.



Legend
● : Manufacturing sites of the SHI Group
○ : Countries/regions with particularly high water risks

Water risks

Five of our manufacturing sites were evaluated as “Extremely High” for “Overall water risk.” Including two additional high water-consuming sites in Japan, we conducted individual investigations at a total of seven sites. These seven sites accounted for 18% of the Group’s total water consumption in fiscal 2024.

Results of Individual Investigations of Water Risk and Future Initiatives

Individual investigations into each water risk item found that these seven sites either face minor risks or have implemented adequate measures. Below are the itemized findings and selected observations.

Countries	Site names	Physical risks (quantities)			Physical risks (quality)		Regulatory and reputational risks	
		Water stress (total water demand)	Flood risks (riverine)	Flood risks (coastal)	Untreated wastewater	Eutrophication	Drinking water	Sanitation
Indonesia	A	△	×→○				△	△→○
Italy	B	×				×→○		
	C	×				×→○		
Japan	D	△		△→○		×→○		
	E	△		△		×		
China	F	×	△→○	△→○	△→○			×→○
	G	×	△→○	△→○	△→○			×→○

Legend
○:Low, △:Medium~High, ×:Extremely High

Physical risks (quantities): Flood risks (riverine)

Site A in Indonesia is located approximately 9 km in a straight line from the Citarum River (Aqueduct risk basin), and has an elevation difference of 80m to 100m from the river. Furthermore, the site lies within an industrial zone equipped with a water discharge system and an artificial lake designed to manage rainwater after heavy rainfall and prevent flooding. Based on these conditions, the flood risk at this site is considered low.

Physical risks (quantities): Flood risks (coastal)

Site D in Japan is 8.5 km from the coast as the crow flies and stands 26m above sea level. According to Chiba City Government’s wind and inundation hazard maps, the site is outside the expected flood zone, indicating a low flood risk.

Site E in Japan is located in a coastal area, 2.3m-2.6m above sea level. According to Kanagawa Prefecture’s data, the site lies within an area potentially subject to tidal wave inundation of 0.3m-3m. Breakwaters are installed to the north and south of the premises, and water bars are fitted at some building entrances. Regular tsunami drills are conducted, demonstrating preparedness to address these risks.

Eutrophication

Sites B and C in Italy and Site D in Japan do not have water treatment facilities, but wastewater is discharged into the sewer system. Given this, eutrophication risks at these sites are considered low.

Site E in Japan discharges wastewater into Tokyo Bay through a water treatment facility. As the bay is subject to total volume control, automatic monitoring is conducted in accordance with wastewater discharge standards**. Given these measures, the site is deemed prepared to address eutrophication risks.

** Wastewater discharge standards pursuant to the Water Pollution Prevention Act and the Kanagawa Prefectural Ordinance on the Preservation of the Living Environment, etc.

Sanitation

Sites F and G in China use clean water and are equipped with flush toilets. Wastewater is discharged into the sewer system via a septic tank, indicating a good hygienic status.

Future initiatives

We will continue conducting separate investigations for sites whose “Overall water risk” is evaluated as “High” or below, as we seek to assess water risks at all manufacturing sites.

Interview with General Manager of the Human Resources Group

Taking the time to understand each employee is key to fostering employee engagement. It also develops our ability to enhance corporate value.

Senior Vice President and
General Manager of Human Resources Group
Kazutoshi Shiraishi



[Connecting Management Strategies and Human Resource Strategies]

Q1 Would you tell us how the Human Resources Group invests in human capital and acquires talent, especially in the growth areas, to successfully make the ideal state in 2030 a reality and reform your business portfolio?

A On the basis of the Purpose established in January 2024, the SHI Group defined its ideal state in 2030 as being “a company that contributes to an affluent society through core technologies and realizes CSV.” To reach the ideal state, the current Medium-Term Management Plan 2026 sets out the basic policy of “developing a robust entity” based on the company’s four segments. The role of the Human Resources Group is to acquire and train talent who will work to improve profitability, boost capital efficiency, and intensify exploration as part of our corporate and segment strategies. We also play a role in bringing changes to the organization.

To develop a robust entity, the Group has specified four key investment areas: robotics/automation, semiconductors, advanced medical devices, and environment/energy. In line with this decision, we have been engaging in activities that focus more on acquiring talent in these areas. To have sufficient human resources for our core technologies, which will drive our growth in key investment areas, we have been actively hiring and allocating new graduates and mid-career professionals with expertise in core technologies. As a matter of course, we offer a wealth of educational opportunities that will lead to personal growth and support in autonomous career development. As part of our efforts to create supportive physical environments, we have constructed a new building called “Cs'-Lab+” in Yokosuka Works for technological research and emergence. (<https://www.shi.co.jp/english/info/2025/6kgpsq0000003s0l.html>) Additionally, we plan to achieve the optimal allocation and use of resources within the SHI Group by cross-training our machinery design engineers, who make up a good part of the Group’s talent. To this end, we offer well-developed technical training programs, especially in the fields of core technologies, to facilitate reskilling and cross-training, which involves our employees’ autonomous learning efforts.

[Talent Management]

Q2 What are the attributes/requirements that business leaders are expected to have/meet? Please describe the principles of talent management of the SHI Group that encompass expanding a pool of qualified talent and evaluation and selection processes.

A I believe that the business leaders of the SHI Group are expected to have insight, the ability to bring change, and leadership. These leaders should have an in-depth understanding of Sumitomo’s business philosophy and act accordingly because they draw on those three qualities. Insight is the ability to view the entirety of our business to gain an accurate picture of present trends, thereby helping us to develop a strategy and analyze a risk. The ability to bring change refers to the capability to actively make changes to our business and organization without becoming content with the status quo while making the best use of management resources to flexibly adapting to change in the business environment. Leadership is the ability to involve and lead stakeholders in efforts toward a goal. Needless to say, a person in a leadership role must have an outstanding personality and a range of business management knowledge.

To train our employees to acquire the qualities they need to join management, the SHI Group has provided selective training programs for 27 years. More specifically, we offer a 2-year Sumitomo Heavy Industries Group Business School for managers and a 1-year Keiei-juku Management Training for general managers. These two programs are designed to provide practical training to prospective business leaders selected from our divisions in meeting challenges. In FY2024, we launched the Management School, in which managers and assistant managers acquire the basics of management literacy to create a greater pool of prospective business leaders. In addition to human resource development through these training programs, we also conduct assessment to measure the attributes of our human resources as leadership development through self-understanding and introspection. We also use this assessment also to identify talent with the potential to become leaders.

In addition to all these efforts, general managers of the segments,

business divisions, and Head Office divisions meet the Human Resources Group each year to present the status of their training for prospective successors to key positions and to discuss the succession plan that includes future use and allocation to keep the plan consistent. This way, they can see if talent development has been steadily in progress. The President and the Human Resources Group also hold similar meetings to discuss key positions across the Group.

[Career Autonomy]

Q3 The importance of career autonomy is widely discussed in today’s world. What programs or support measures does the SHI Group offer to encourage its employees to build their careers autonomously?

A The Group is keenly aware of the importance of career autonomy. In 2004, the Company adopted a system that allows each business division and function to recruit new graduates on their own. This system has continued ever since. We can say that employees have already taken their first autonomous step when they join a company, as they have decided on their own to start their careers there. In recent years, we have also been actively hiring mid-career professionals, who now make up approximately 60% of the Group’s new hires. These professionals carve out their careers in the SHI Group, drawing on previous experience and expertise, which we believe is also part of career autonomy.

The business divisions and functions allocated and trained their new and mid-career hires in such a way that would enhance their specialized skills. Then, we have decided to launch new measures at all Group companies in Japan in FY2025 to advance career autonomy-based talent management. There are two reasons for this launch. One is that allocating the right people to the right place has become even more critical across the Group since the Group’s diverse business divisions were reorganized into four segments in 2023. The other is that there is a growing need of employees for allocation and training that reflect their career orientation not only when they join the Company but also throughout their years at the Company. By advancing talent management that revolves around career autonomy, we support each employee in fulfilling their autonomy aspirations, which we hope will lead to greater employee engagement.

We introduce a framework for incorporating individuals’ career orientation into staff reassignment to give details of the measures. This includes offering well-developed training programs to assist each employee’s career autonomy, setting up career counseling services, and internal job postings. The key to having more highly autonomous employees in their careers is to have a management team that understands the necessity of career autonomy as it manages the workplace. For this reason, we will also focus on the shift in management mindset.

We believe that, amid the rapidly changing business environment, providing settings that enable our employees to draw on their strengths

to realize their aspirations will lead to employees’ personal growth, new energy injected into our organization, and greater competitive power of our businesses.

[Employee Engagement]

Q4 Which areas do you particularly focus on in the employee engagement survey? How do you implement the postsurvey actions?

A The SHI Group pays close attention to two result indicators that are considered to correlate closely with business performance, namely, “employee engagement” and “environment that brings out the best in employees.” We regard “employee engagement” as the key indicator that pertains to human resources and the organization, as it is directly connected to our corporate value. Since the employee awareness survey began in FY2016, we have regularly created visual representations of the organizational states of the 34 business divisions in Japan and the Head Office divisions.

To improve employee engagement, it is vital that we acknowledge the gap between the present and ideal states of the organization by studying the awareness survey results and through dialogues, that we work on improvements and reforms involving our employees, and that each employee experiences positive outcomes of these efforts. Hence, in FY2020, we launched an organizational development initiative called PRIDE PJ, which aims to foster a culture in which individuals within the organization think for themselves and take proactive actions for their organization’s growth and improvement. General managers of divisions, secretariats within the divisions, and human resources work collaboratively to promote the initiative so that improvements and reforms based on the results of the divisions’ awareness surveys are steadily moving forward. This initiative is taking root across divisions. More employees felt that actions were taken following the previous survey, and the ratio of positive responses to the applicable questions increased by 7 points. Certain improvements have also been made in the promotion of diversity and talent training.

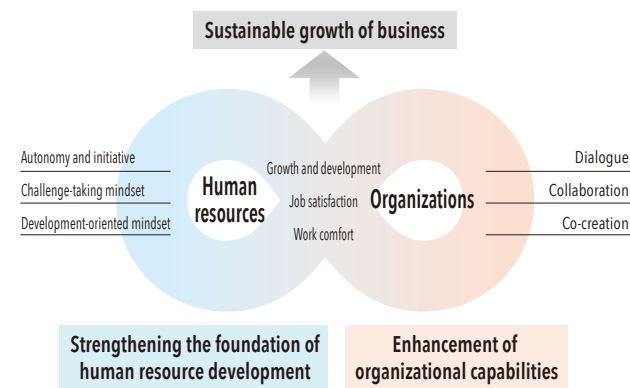
Conversely, the ratios of positive responses in the areas of “employee engagement” and “environment that brings out the best in employees” remain low. This is a reminder of the need to boost the quality and quantity of our efforts toward employees’ stronger sense of belonging to their companies and agency. Given this reality, the process review serves as the occasion when efforts related to the organizational development initiative are shared and opinions are exchanged starting from this fiscal year. The participants of the process review are the President, Head Office senior management, and managers in business divisions, among others, who meet to discuss various issues facing their divisions.

We will remain committed to actively taking specific actions based on the awareness survey to steadily improve employee engagement, thereby moving toward the ideal state in 2030 and continuously enhancing our corporate value.

Our Human Resource Strategy

Strengthening the Foundation of Human Resource Development

For the SHI Group to continue providing excellent products and services and sustaining business growth, it is essential to establish a virtuous cycle between human resources and organizations. To this end, we are transitioning to an “environment and culture that fosters mutual growth and development among people and the organization.” As shown on the right, “strengthening the foundation of human resource development” and “enhancing organizational capabilities” are critical to this transition. At the same time, we must also pursue “workstyle reforms” and promote the “health and safety of our employees.” Sustainable business growth will only be possible when these elements function organically. With this in mind, we encourage employees to act autonomously and embrace challenges, fostering an organization built on co-creation through dialogue and collaboration.



● Establishment of the Human Resource Development Center

To fully draw out each individual's capabilities, we are focusing on the development of human resources. In January 2024, we established the Human Resource Development Center to support business divisions in human resource development and launch training programs aimed at building the skills needed to execute business strategies. Giving top priority to the development of engineers, we are also training instructors who can efficiently pass down their expertise through on-the-job training, while offering off-the-job sessions to help employees acquire the specialized technologies required in their roles. Going forward, we plan to expand this initiative to job types beyond engineering.

● Development of Global Talent

As our business continues to expand globally, developing human resources who can make a strong impact on the international stage has become a key management priority. In response, the SHI Group introduced a training program (global talent program) in fiscal 2024 to accelerate the development of global talent. Selected individuals from each division are provided opportunities to cultivate a global mindset, gain business knowledge and skills, and improve their language proficiency. In fiscal 2025, we also launched an overseas trainee program, offering younger employees opportunities to apply and experience what they learned in the global talent program through hands-on work and life abroad. Through this series of programs, we intend to enhance both the quality and number of individuals who can succeed in global settings.

● Development of Managers

Developing potential managers is another critical issue, and we are intensifying our efforts in this area. We identify business leader candidates from each division and offer problem-solving-oriented development programs, including the Sumitomo Heavy Industries Business School (SBS) for managers and the Keiei-juku Management Training for general managers. In fiscal 2024, we also established the Management School as a preparatory program for prospective SBS trainees. This initiative offers more employees opportunities to acquire fundamental management literacy. By expanding the pool of business leader candidates and using assessments to visualize their potential, we promote leadership development through self-awareness and reflection, while also utilizing data to identify the right individuals for leadership roles.

● Challenge System

We have implemented the Challenge System across the Group to foster a philosophy that encourages employees to take on challenges and to invest in future products and technologies. This system is designed to give employees a chance to “make their dreams come true.” Employees with a strong passion for technologies, ideas, or product concepts that could shape the SHI Group's future can propose their own project themes. Successful applicants pursue these themes as time-limited members of a research center, contributing to higher job satisfaction.

Among the most successful projects are: the world's first electric energy recovery technology from anaerobically treated wastewater (<https://www.shi.co.jp/info/2021/6kgpsq000000hmk0.html>; in Japanese only) and magnetic-wheeled robots capable of traveling over curved steel surfaces (<https://www.shi.co.jp/english/info/2022/6kgpsq0000003be1.html>).

Enhancement of Organizational Capabilities

For the SHI Group to achieve sustainable growth, it is essential to enhance our organizational capabilities needed to steadily implement our business strategies. We are promoting organizational development activities that nurture autonomous individuals and a spirit of taking on challenges, alongside initiatives that promote diversity.

● PRIDE PJ

Launched in FY 2020, this cross-Group organizational development project aims to foster a “corporate culture where individuals think for themselves and take proactive actions,” an essential foundation for sustainable growth. To achieve this, we have established promotion offices at each organization to lead the initiative, with “dialogue” and “collaboration” as its core themes.

● Promoting Diversity

Guided by the SHI Group Diversity Declaration, we are promoting diversity through three main approaches: “raising awareness,” “revising systems,” and “improving workplace environments.” We respect the unique personalities and attributes of each individual (age, nationality, birthplace, gender, gender identity and sexual orientation, gender expression, the presence of disabilities, etc.), and strive to create a workplace environment where all can realize their full potential and work with enthusiasm.

● Empowerment of Women

Recognizing the empowerment of women in the workplace as a key driver of the SHI Group's sustainable growth, we have implemented a series of programs designed to support the career development of female employees. In more concrete terms, we are intensifying efforts to develop female managers by conducting diversity training for managerial staff, holding career support interviews with female employees and their supervisors, and providing access to external training opportunities.

● LGBTQ+ Initiatives

We believe in the importance of respecting differences in gender identity, sexual orientation, and gender expression, and in creating workplaces where all individuals, including sexual minorities, can thrive in a diverse and inclusive environment. To foster a workplace where LGBTQ+ individuals feel comfortable, we have distributed informational pamphlets aimed at promoting the understanding of these issues, shared updates through in-house newsletters, and held lectures, training sessions, and other awareness-raising activities. We have also expanded eligibility for various Group benefit systems. Furthermore, to accommodate transgender and other individuals, we renamed our multipurpose restrooms to “Restrooms for Everyone” and installed fitting boards for changing clothes, helping to provide gender-inclusive facilities. These efforts have been recognized with the Gold award, the highest rating of the PRIDE Index, for the second consecutive year, following 2023.

● Employment of Persons with Disabilities

Driven by a sincere desire to be a company where every employee, regardless of disabilities, has their own “WILL (aspirations, intentions),” shares in the joy of accomplishing major goals with colleagues, and feels a sense of contribution to customers and society, we established the special subsidiary Sumiju Will Co., Ltd. Our goal is to provide stable workplace environments for persons with disabilities, enabling a more diverse group of individuals to fully demonstrate their abilities in the workplace.

● Indicators and Targets

The SHI Group has established a range of indicators and targets to measure organizational diversity.

For recruitment of new graduates, since 2017 we have set a target of 20% or more for the ratio of women, a goal that we achieved for the cohort joining in April 2025. This proactive approach to recruiting women has gradually increased gender diversity across the Group. Also, the ratios of female managers, mid-career hires in managerial positions, and foreign employees are all on the increase. We will continue building an organization rich in diversity.

Indicators	Targets	Results (FY2024)
Ratio of newly employed women	Ratio of women among new graduate hires: 20% or more (non-consolidated)	Non-consolidated: 24.1%
Number of female directors	2	2
Ratio of female managers	January 2027 Consolidated in Japan: 3.7% Non-consolidated: over 5.0%	January 2025 Consolidated in Japan: 2.5% Non-consolidated: 3.3%
Ratio of mid-career hires among managers	January 2027 Non-consolidated: 30% or over	Non-consolidated: 25.5%
Ratio of foreign employees among managers	January 2027 1.4%	Non-consolidated: 0.3%
Ratio of male employees taking childcare leave	Consolidated in Japan: 100% Non-consolidated: 100%	Consolidated in Japan: 88.8% Non-consolidated: 98.9%

● Revision of HR Systems

As part of our efforts to foster an environment and corporate culture where individuals and the organization grow and prosper together, we are updating our HR systems based on three core policies: 1) encouraging proactive behavior from employees, 2) promoting the success of diverse talent, and 3) rewarding roles, duties, and achievements. Specifically, these revisions include changes to our personnel, salary, and retirement systems. One key initiative in this regard is the introduction of the Plus Career System, which allows employees to take on side jobs under certain conditions. This supports self-fulfillment, autonomous career development, and innovation that contributes to their primary roles. Additionally, we have expanded internal fringe benefits to include same-sex partners of LGBTQ+ employees. Moving forward, we will continue to enhance systems that contribute to employee satisfaction and engagement.

Workstyle Reforms

We believe that achieving both comfort and motivation in the workplace is essential for each and every employee to fully demonstrate their unique personalities and capabilities. To support this, we are developing and implementing various systems that support efficient workstyles and accommodate employees' needs related to childcare, nursing care, and self-directed activities.

● Flexible work hours and teleworking

We aim to support work-life balance and boost productivity through flexible, autonomous workstyles that allow employees to work anytime, anywhere.

● Promoting the use of annual paid vacations and accrued leave

We offer more annual paid leave days than legally required. Unused paid leave can be carried forward as accrued leave and used for purposes such as fertility treatment, childcare, nursing care, volunteer activities, etc.

● Promoting the use of childcare leave among males

In fiscal 2024, 14 companies in the SHI Group achieved a 100% childcare leave utilization rate among male employees. This success was driven by a series of initiatives: a company-wide declaration by the President calling for all male employees to use the childcare leave, efforts to encourage target employees and their supervisors to take the leave, events promoting leave-taking, and sharing experiences and insights from those who have already taken the childcare leave. Through these efforts, we will continue working to foster a workplace culture where taking childcare leave is fully supported and encouraged.

Employee Health and Safety

For the sustainable growth of the SHI Group, we believe it is essential to establish a robust health management system and improve the workplace environment so that every employee can continue working while maintaining their physical and mental well-being. In line with this belief, we have established the SHI Group's Declaration on Health Promotion. With the President and CEO serving as the Chief Health Manager, we are promoting a range of health support initiatives, including data health, collaborative health, mental health care, women's health care, and oncology-related support. Furthermore, to ensure the safety and security of everyone involved in the Group's business activities, we have drawn up the SHI Group Basic Safety and Health Philosophy, aimed at creating workplaces where everyone can work with a smile. As a result of our efforts to further enhance employee health, we have been continuously recognized as a Certified Health & Productivity Management Outstanding Organization (large enterprise category) by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Conference) since 2021. For more information on the SHI Group Health Declaration, please visit our corporate website at <https://www.shi.co.jp/english/csr/employee/health/index.html>.

● Initiatives in data-based health and collaborative health

In collaboration with the health insurance association, we have formulated a plan to create healthier workplaces using existing data such as the results of regular health checkups and treatment status. Based on this plan, we are promoting health support measures for all employees.

● Promotion of mental health measures

We conduct regular stress check tests, followed by interviews based on the results. In addition, we provide individual mental health follow-up support and offer training, etc., at each business site through both our internal occupational health staff and external support programs.

● Prevention of health hazards from harmful environments

In response to revisions in the Industrial Safety and Health Act, we are proactively managing chemical substances and promoting initiatives to prevent health hazards in high-risk work environments. Additionally, we ensure thorough special health examinations to accurately monitor the health status of relevant employees.

● Making Safety our Top Priority – “Creating a Safe and Secure Workplace”

The SHI Group has adopted the SHI Group Basic Safety and Health Philosophy as its guiding policy on occupational safety and health. We are committed to ensuring the safety and well-being of all subcontractors, both on and off our premises, as well as other affiliated personnel. Occupational safety and health is a critical issue for both employees and the company. To address this, we have established the Central Committee on Safety and Health, chaired by the officer in charge of the Human Resources Group, to regularly discuss basic policies and relevant measures. In 2024, we formulated the 5th Medium-Term Action Plan and are actively advancing initiatives in line with this plan. For more information on the SHI Group Basic Safety and Health Philosophy, visit our corporate website at <https://www.shi.co.jp/english/csr/employee/safety/index.html>.

Human Rights

Due to the advancement of business globalization, we have a stronger awareness than ever of the importance of respecting human rights throughout the value chain and are enhancing our efforts to respect human rights as a Group.

Human Rights Policy and Human Rights Management Structure

In February 2023, we formulated the Human Rights Policy for the Sumitomo Heavy Industries Group based on a resolution passed by the Board of Directors.

<https://www.shi.co.jp/english/csr/social/humanrights/index.html>

Our efforts to respect human rights are supervised by the Board of Directors, and our Senior Vice President and General Manager of the Corporate Planning Group is in charge of promoting such efforts. The status of these efforts is discussed at meetings of the Sustainability Committee, and the details of these discussions are regularly reported on at meetings of the Board of Directors (twice per year). We launched a company-wide human rights risk project and are pursuing initiatives aimed at respecting human rights based on the action plans determined in this project.

Human Rights Due Diligence

As part of our efforts to identify, prevent, and reduce adverse effects on human rights based on the UN's Guiding Principles on Business and Human Rights, we are implementing efforts at multiple priority levels, with a focus on high-risk areas.

<Risk identification process>

The SHI Group has established global supply chains and manufacturing sites across the globe. To protect workers' human rights from a global perspective, we have defined and identified relevant human rights risks.

Human rights due diligence approaches

Initiatives	Results and challenges
<p>Work environment surveys</p> <p>We conduct work environment surveys covering workers in the SHI Group's supply chain in collaboration with The Global Alliance for Sustainable Supply Chain (called ASSC below).</p>	 <p>In 2024, we conducted work environment surveys with employees at Japanese suppliers (8 companies), employees at an overseas bases (1 base in Indonesia and 2 bases in Vietnam), and employees at overseas suppliers (10 companies). No serious issues were identified that posed a threat to human life or required immediate protective action. However, an employment contract clause requiring employees to continue working after returning from overseas assignments was discovered. As a result, relevant SHI Group factories deleted the provision and initiated a review to ensure proper correction.</p>
<p>Respecting the human rights of subcontractors and temporary workers on our premises</p> <p>We assign priorities and take action to obtain human rights pledges from on-site subcontractors and to sign memoranda of understanding with temporary employment agencies to ensure respect for human rights.</p>	<p>In 2024, human rights due diligence was conducted at Chiba Works and Ehime Works, two of our major manufacturing sites.</p> <p>Ratio of memoranda of understanding signed with temporary employment agencies (100%)*1</p> <p>Ratio of pledges received from subcontractors (93%)*2</p> <p>We are prioritizing improved coverage based on the Group's net sales and are currently considering measures such as integrating this into the existing audit system.</p> <p>*1 Cumulative total as of the end of December 2024</p> <p>*2 Target implementation ratio based on net sales: 80% (Current cumulative total as of December 2024: 56.3%)</p>

Past initiatives: <https://www.shi.co.jp/english/csr/social/humanrights/index.html>

Participation in the UN Global Compact

In January 2025, the SHI Group declared its support for the initiative. Taking this opportunity, we will work together with our stakeholders to further strengthen responses in line with global standards, fulfilling our role as a responsible member of the international community.



Human Rights Consultation Service (Grievance Mechanisms)

We have established a dedicated consultation service for suppliers on the SHI website that affiliated personnel across the supply chain can use. We are preparing ways to provide relief through suitable processes and information management while placing the protection of consulting parties and whistleblowers as a top priority.

Employee Training

We are continually conducting training and awareness-raising activities on human rights, including level-specific training, e-learning, videos from the President and CEO, and company newsletters. Through these efforts, we strive to raise employee awareness based on an understanding of global human rights issues.

Responsible Procurement

As our Group expands globally, we are not only focused on cost, quality, and timely delivery but also on reducing ESG risks throughout our supply chain. We strive to cultivate mutually beneficial and sound relationships with our suppliers.

We conduct our business in an open, fair, and transparent manner while working closely with our suppliers on sustainability issue based on our philosophy respecting human rights, compliance, and environmental conservation. Through these efforts, we are advancing responsible procurement practices throughout our supply chain.

(SHI Group CSR Procurement Guidelines: https://www.shi.co.jp/english/csr/social/supplychain/pdf/CSR_Guidelines.pdf)

Surveys of Potentially High-Risk Suppliers in Japan

As a central action for building a sustainable supply chain, which is one of our material issues of sustainability, we are taking initiatives to respect the human rights of foreign workers, who are more prone to human rights violation. We have designated 24 suppliers based on the number of foreign workers they employ and their net sales proportions to our Group, labeling them as “potential high-risk suppliers.” Our goal by 2026 is to conduct on-site audits for all these suppliers and implement corrective measures if needed.

In fiscal 2024, we audited eight companies and confirmed that no serious issues were identified that posed a threat to human life or required immediate protective action. At the same time, we recommended improvements in occupational safety and health, including the proper use of personal protective equipment and clear display of evacuation routes.

Number of suppliers surveyed	
FY2023	7
FY2024	8
FY2025 (plan)	5
FY2026 (plan)	4

Survey of Overseas Suppliers

Overseas, we conduct surveys of our suppliers located in regions where the SHI Group operates factories and other business sites, based on the risk analysis from our global supply chain human rights risk project. To date, no serious issues posing a threat to human life or requiring immediate protective action have been identified. However, we have encouraged suppliers to make improvements in occupational safety and health where caution is warranted. Some of these overseas supplier surveys are conducted in collaboration with NGOs.

Surveys conducted thus far		
FY2023	The Philippines	1
	Indonesia	2
FY2024	Vietnam	3
	South Korea	4
	Finland	1



Seeking Cooperation from Tier2 Suppliers

Regarding the human rights violation that occurred in one of our suppliers, the SHI Group engaged the Tier2 supplier through Tier1 suppliers, organizing periodic dialogues for improvement in line with our Human Rights Policy.

Responsible Mineral Procurement

In September 2024, the SHI Group revised its Responsible Minerals Procurement Policy. In accordance with this policy, we identify and assess risks by referencing the “OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas” issued by the Organisation for Economic Co-operation and Development, ensuring responsible minerals procurement is upheld throughout our supply chain.

(Responsible Minerals Procurement Policy: https://www.shi.co.jp/english/csr/dialogue/pdf/Responsible_Minerals_Procurement_Policy_en.pdf)

Collaboration with External Organizations

In November 2024, the Company joined the Responsible Minerals Initiative (RMI), an international initiative leading efforts in responsible mineral procurement. In collaboration with external organizations, the Company aims to establish a transparent and responsible procurement process throughout the entire supply chain.



Stakeholder Engagement

To fulfill our Group’s PURPOSE of “enhancing society and those within it with compassion,” we recognize the importance of collaboration and communication with all relevant stakeholders. In addition to incorporating the views of society into our management through ongoing cooperation and dialogue with stakeholders, we also strive to foster greater understanding and confidence in our Group through appropriate information disclosure.

Status of Engagement

Customers	We strive to keep abreast of the needs of our customers through our day-to-day sales activities. We strive to build lasting relationships of trust by actively addressing customer issues and requests.
Shareholders and investors	We are committed to maintaining and improving market confidence in our company through general meetings of shareholders, IR activities, and timely disclosure. EGS meetings: 11 times, IR meetings: 200 times (including 13 meetings in Japan and 33 overseas attended by CEO and/or CFO)
Suppliers	We make every effort to build robust relationships with our business partners through information sessions and CSR surveys, in addition to our day-to-day interactions. CSR procurement information sessions: 5 times (hosted by the Purchasing Department)
Employees	We promote communication with employees through various channels, including the company newsletter (4 issues), Intranet, employee engagement surveys (once), labor union engagements (102 times), and our Ethics Hotline (253 reports).
Local communities and NGOs / NPOs	Under the Sumitomo Heavy Industries Group's policy for CSR Activities, we collaborate with local communities and participate in CSR activities to better understand and address societal challenges. We also promote public awareness of the SHI Group through advertising and information dissemination to foster stronger community relationships.

Coexistence and Co-prosperity with Local Communities

With our business sites located around the world, the SHI Group recognizes the importance of building relationships of trust with local communities. As such, we have identified our emphasis on coexistence and co-prosperity with local communities as one of the material issues of sustainability.

We strive to contribute to the development of a sustainable society through initiatives such as education of the next generation, exchange and mutual understanding with local communities, and social contribution through our business activities.

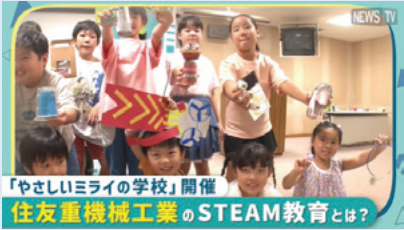
Promoting STEAM Education through the “School for a Compassionate Future” Workshop

Date: September 21 and 22, 2024
Place: Ehime Prefectural Science Museum (Niihama, Ehime Prefecture)
Participants: 80 elementary school (Grades 1–6) students in Ehime Prefecture
Outline: In response to the recent mandate for programming education at elementary and junior high schools, there is a growing emphasis on “thinking and creating.” As we commit to coexist and co-prosper with local communities as part of our initiatives towards material issues of sustainability, the SHI Group launched the School for a Compassionate Future STEAM workshop in 2023 to contribute to society through next-generation education leveraging our resources. The hands-on workshops inviting children to freely select materials and to create their own projects make a good introduction to STEAM education. Each session has sparked numerous ideas and designs from the participants. Furthermore, this initiative has been positively received and has helped enhance the SHI Group’s reputation. In order to contribute to the further spread of STEAM education in local communities and society*, we plan to continue this workshop in 2025.

* A 2024 company survey found that the STEAM education penetration rate remains below 20%, highlighting the need to broaden its reach.



“School for a Compassionate Future” logo



Covered by the media (News TV)

Interviews with Outside Directors

“Convince outside directors if you need to persuade investors.”
This awareness has taken root, with data-based reporting and constructive discussions becoming standard at Board of Directors meetings.

Independent Outside Director and Member of the Nomination and Remuneration Committee
Susumu Takahashi



Q1 Would you tell us what you think of SHI's efforts toward the long-term vision and the progress the company has been making?

A To achieve our long-term vision, SHI has been identifying material issues of sustainability and working to resolve them. Take climate change, for example. SHI believes that helping achieve carbon neutrality through its products and services will lead to new business opportunities. However, I feel that there are some areas where these efforts have not been adequately communicated to those outside the company. I think that SHI must disclose its sustainability-related information more elaborately if it seeks to be rated fairly by capital markets.

During discussions at Board of Directors meetings, I have always emphasized the importance of a DX strategy in particular. Innovation is essential to differentiation of products and services. Our DX staff is fundamental to it, and so DX talent training is the key to actualizing the long-term vision. For this reason, the Board of Directors constantly reviews the progress in carrying out the human resource strategy that is based on the Medium-Term Management Plan, with the focus on critical themes such as DX talent training, diversity that includes women's career advancement, and greater employee engagement. Moreover, the Remuneration Committee considers including the goals and outcomes of efforts to tackle the material issues of sustainability in an assessment of the performance-linked officers' remuneration.

Q2 The Medium-Term Management Plan 2026 was revised in its first year. What discussion did the Board of Directors have?

A The reason we revised our Medium-Term Management Plan is because we have come to the conclusion that the decline in profitability is due not only to cyclical factors such as the slow recovery of the semiconductor market but also to deeper structural issues facing SHI. We decided that SHI should undergo a

fundamental change from a medium-term perspective in order to do something about these structural factors. As a show of our commitment, we revised the medium-term plan. There is now a much stronger sense of crisis shared between management and outside directors than there was when the initial plan was formulated. At Board of Directors meetings, I ensure to ask executives to report on the progress of reforms based not only on qualitative explanations but also on quantitative data. I have always told the Board that they have to be able to convince outside directors if they must persuade investors. With this awareness taking root, quantitative reporting and constructive discussions are becoming the norm at the meetings.

Q3 Please tell us about the discussions at the Selection and Nomination Committee and your own thoughts regarding the selection and evaluation of management.

A I believe that the Selection and Nomination Committee should not only discuss who will be the successor to the President but also be actively involved in planning to train prospective directors and vice presidents. We have adopted a segment system and are currently working on delegating authority to the General Managers of the segments. We ask these General Managers to act from a broad perspective while focusing on partial optimization, considering that they may manage the whole of the SHI Group in the future. The term of office of a President or Director must be judged carefully, taking into account their performance evaluation during their term and the status of successor training. I also believe that to ensure a highly transparent process that can be presented outside the company, we should have more in-depth discussions about the selection of potential successors to outside directors. This is my personal opinion, but I think that we probably must consider revisiting the organizational design in the future to enhance the functions of the Selection and Nomination Committee.



Interviews with Outside Directors

We share with the management team a keen sense of crisis in the current situation where PBR is below 1. SHI urgently must review its business structure to improve ROE and act to raise our growth potential.

Independent Outside Director and Chair of the Nomination and Remuneration Committee
Akio Hamaji

Q1 Would you tell us what the Board of Directors are discussing and examining in relation to business portfolio reformation?

A For business areas where market growth is not expected and capital efficiency is low, redeveloping strategies and restructuring are essential. I advise the executives that they discuss the possibility of forming an alliance with other companies and of scaling down or shutting down businesses, if there is no long-term vision of those businesses. To improve ROE, it is imperative to rebuild the PTC, plastics machinery, and excavator businesses where the invested capital is sizeable but the profitability is low. We have set a clear ROIC target level for these businesses and are constantly reviewing their profitability. For the PTC and plastics machinery businesses that suffer low profitability, SHI has ceased the production of unprofitable models in Japan to dramatically limit the number of models produced. The Board of Directors intends to review and verify the progress of these structural reforms. It is vital to redevelop the strategies for low-profit businesses and to speed up resource shifts to businesses in the four key investment areas that we consider to be growing fields.

Q2 As for SHI's share price, the PBR is below 1. What does the Board of Directors discuss regarding this valuation?

A We share with the management team a keen sense of crisis in the current situation where PBR hovers below 1. SHI must urgently review its business structure to improve ROE and act to raise the growth potential. I also believe that SHI should publicize more persuasively about the possibilities that lie ahead in the businesses that it views as growing, including the semiconductor production equipment business. This would also work well for the

company's information disclosure.

Another issue is that the investments made for growth have not produced satisfactory outcomes. For example, by acquiring Lafert, SHI hoped to establish synergy between its gear reducers and Lafert's motor technology, yet no outcomes were achieved in the short term because of differences in specifications. In the international acquisition projects, we also learned that leaving everything to local management would prevent the Head Office's policy from permeating and result in delays in structural changes. In the coming years, the business divisions should take the lead in reforms to firmly establish synergy creation in the areas of products and services.

I also see the need to explore the means of improving ROE in terms of financial strategies, such as revisiting the capital structure and using financial leverage.

Q3 Please tell us about the discussions at the Selection and Nomination Committee and your own thoughts regarding the selection and evaluation of management.

A The Selection and Nomination Committee continually discusses the process of selecting CEO, directors, and auditors. In 2024, the committee asked outside officers for their opinions about the attributes expected in CEO. Consequently, the Selection and Nomination Committee now has the shared awareness that CEO should be equipped with excellent communication skills required to interact with internal and external stakeholders, besides the ability to carry out reforms, leadership, and foresight. These attributes will be used as criteria when selecting future CEOs.

As for the current management team, I believe it has the critical duty of recovering and ensuring as soon as possible, the profitability of the flagship businesses that goes above capital costs.

Interviews with Outside Directors

To thrive in the DX era, the SHI Group must further concentrate its knowledge on SHICuTe —its common infrastructure platform— and evolve it into a data platform that meets today's needs, driven by both IP management and technological strength.

Independent Outside Director and Member of the Nomination and Remuneration Committee

Sumie Morita



Q1 There is growing need for management strategies interlocked with human resource strategies to be implemented globally. Would you tell us about the outcomes that have been achieved and the issues to address so that we will realize the “ideal state in 2030”?

A The SHI Group has defined its ideal state in 2030 as “a company that contributes to an affluent society through core technologies and realizes CSV.” To reach this state, we have had a series of discussions at long-term strategy meetings and promoted specific efforts. For example, the Group has adopted a four-segment system to establish stronger governance. It has also clearly set the key investment areas, developed a company-wide portfolio strategy, carried out “selection and concentration,” and planned and reviewed measures concerning the organizational structure, among others, to gradually move from discussion to implementation.

The Group should visualize its management strategies and must have them firmly interlocked with its human resource strategies and swiftly carry them out across the globe. I personally believe that the Group especially and urgently should train staff for digitalization and make effective use of talent with considerable international experience. Having pools of these employees and assigning them strategically should work well. Moreover, to create shared value (CSV), stronger touch points with end users and offer solutions should be established, internally and externally, throughout each product cycle. To this end, I think a platform for using data must be established.

Q2 What do you think of the SHI Group's intellectual property strategy and the change of business model through DX?

A The intellectual property strategy was conventionally a reactive one. With DX making progress, it has become increasingly proactive. Considering that it has become essential to protect and effectively use intangible assets particularly, including data, algorithms,

and service models, intellectual property must be incorporated as part of a dynamic business model. SHI started working on the common infrastructure platform “SHICuTe” relatively early. Today, the company has an established process for offering high value-added solutions to customers through a remote monitoring function. The key to the SHI Group's further success in the age of DX is to concentrate the Group's knowledge on SHICuTe, so that intellectual property management combined with technological capability will facilitate the evolution of this platform into a data platform that will meet contemporary needs. I hope that SHICuTe will function as the core of the business model change through the analysis of collected data coupled with a cycle of new value creation generated from the analysis.

Q3 Regarding the selection and training of management for the next generation, please tell us what exactly the Selection and Nomination Committee discusses and what you think.

A During FY2024, the Selection and Nomination Committee not only met more often than before and discussed the selection process but also listed the names of specific individuals who would be candidates for top management positions of the next generation and who would be included in management training as part of its intense discussions. The committee also attempts to ensure that all its members have a shared understanding of what attributes are required in management. With those attributes in mind, I also believe that leaders who are capable of viewing the whole group in such a way that transcends the segments and developing a clear long-term vision should head the company in this age of uncertainty. Our management should become more diverse by removing age limits applied to promotion or advancement and actively appointing younger talent with a wide range of backgrounds regardless of gender and nationality. Hence, I think that we should create more training opportunities and foster a culture in which diversity is respected as we review internal rules and systems. From this perspective, the Selection and Nomination Committee should discuss specific approaches it could steadily take.



Interviews with Outside Directors

The transition to the monitoring board necessitates a business plan and KPIs that are detailed enough to support it. This topic should be included in the renewed discussions about the functions of the Board of Directors.

Independent Outside Director and Member of the Nomination and Remuneration Committee

Yaeko Hodaka

Q1 What would you say is the ideal state of the SHI Group's Board of Directors and your role as an outside director?

A Among the issues that became clear as a result of the Evaluation of Effectiveness of the Board of Directors conducted over the last years were that: items on the board meeting agenda are too detailed and there are too many items on the agenda. The majority of the board members maintain that each board meeting should spend more time on medium- to long-term critical topics, such as the selection and concentration of the company's business portfolio. It also became clear that the officers have different views on the definition of the monitoring board. The transition to the monitoring board necessitates a business plan and KPIs that are detailed enough to support it. This topic should be included in the renewed discussions about the functions of the Board of Directors.

Outside directors are expected to raise issues from their different perspectives to enhance the quality of discussions, rather than to offer technical advice. I hope to help improve the effectiveness of the Board of Directors by playing that role myself, too.

Q2 Would you tell us issues and your opinions, if any, regarding oversight function that the Board of Directors should provide in terms of the risk management framework and internal control across the Group?

A During FY2024, a subsidiary was found to have violated the Antimonopoly Act and the Subcontract Act. It was such a regrettable incident. One of the challenges of SHI in terms of risk management is that, because company's business areas are so diverse, it is difficult to roll out countermeasures to a problem that arises in one business to the entire group. This is because each product uses a different business model than the others in the same segment, which means the company has different considerations in light of the Antimonopoly Act. Under

these circumstances, starting from this fiscal year, SHI identifies the types of each business division's risks so that it evaluates the risks to see if they are high or low. If any of the divisions are judged to face high risks, the company provides technical training in managing risks specific to these divisions, besides regular education on the Antimonopoly Act. I hope that this initiative will facilitate the development and establishment of more effective risk management framework aligned with the diverse business characteristics of SHI.

Q3 What has the Remuneration Committee discussed in connection with the performance evaluations of CEO and vice presidents and the incentive design for officers' remuneration leading to greater corporate value? What is your opinion about this?

A The conventional remuneration structure had four issues in its design: (1) In terms of its composition, the ratio of basic remuneration was extremely high, while that of performance-linked and stock-based remuneration is low. (2) Regarding annual bonuses, no objective evaluation linked to targets was conducted. (3) Stock-based remuneration granted is not linked to performance. (4) Targets of performance evaluation did not include nonfinancial indicators.

To resolve these issues, the Remuneration Committee met more frequently in FY2024 to redesign the remuneration structure, incorporating advice offered by external professionals. The transition to the new system was scheduled for this fiscal year. However, considering the company's current weak performance, it has been deferred because the levels of remuneration would be considerably higher than those in the last year. I personally find it very regrettable that the transition to the new system had to be postponed. To keep raising the corporate value of SHI, I believe that incentive remuneration that rewards the management team for their achievement must be introduced.

Note: The numbers highlighted in orange are the numbers of times the boards/committees met during FY2024.

Necessary Attributes of the Board of Directors / Composition of Each Committee in 2025

	Name	Current position	Gender	Areas of expected expertise and contributions							Selection and Nomination Committee	Remuneration Committee	Corporate Management Committee	Executive & Operating Officers Meeting	Sustainability Committee	Risk Management Committee	Compliance Committee	Attendance at Meetings of the Board of Directors / Board of Corporate Auditors (Actual results for FY2024)	Tenure (Years)*	Name	
				Corporate Management	Legal Affairs / Compliance / Risk Management	ESG / Sustainability	Business Strategy / Marketing	Global	Technology / IT / Production	Finance / Accounting											
Board of Directors	Tetsuya Okamura	Representative Director, Chairman of the Board	Male		○		○	○	○		○	○	○	○				Meetings of the Board of Directors: 15/15 (100%)	6 years and 9 months	Tetsuya Okamura	Board of Directors
	Shinji Shimomura	Representative Director, President and CEO	Male	○	○	○		○	○		○	○	◎	◎	◎	◎	◎	Meetings of the Board of Directors: 15/15 (100%)	8 years and 9 months	Shinji Shimomura	
	Eiji Kojima	Representative Director	Male			○	○	○	○				○	○	○	○		Meetings of the Board of Directors: 15/15 (100%)	7 years and 9 months	Eiji Kojima	
	Kazuo Hiraoka	Director	Male				○	○	○					○				Meetings of the Board of Directors: 15/15 (100%)	4 years and 9 months	Kazuo Hiraoka	
	Toshihiko Chijiwa	Director	Male			○			○			○	○	○	○	○		Meetings of the Board of Directors: 15/15 (100%)	2 years and 9 months	Toshihiko Chijiwa	
	Toshiro Watanabe	Director	Male			○				○			○	○	○	○		Meetings of the Board of Directors: 15/15 (100%)	2 years and 9 months	Toshiro Watanabe	
	Tatsuro Araki	Director	Male		○		○		○					○				Meetings of the Board of Directors: 15/15 (100%)	2 years	Tatsuro Araki	
	Susumu Takahashi	Outside Director	Male	○	○	○		○			○	○		○				Meetings of the Board of Directors: 15/15 (100%)	10 years and 9 months	Susumu Takahashi	
	Akio Hamaji	Outside Director	Male	○	○	○		○	○	○	◎	◎		○				Meetings of the Board of Directors: 15/15 (100%)	4 years and 9 months	Akio Hamaji	
	Sumie Morita	Outside Director	Female			○		○	○		○	○		○				Meetings of the Board of Directors: 15/15 (100%)	2 years	Sumie Morita	
Corporate Auditors	Yaeko Hodaka	Outside Director	Female		○	○		○			○	○		○				Meetings of the Board of Directors: 15/14 (93%)	1 year	Yaeko Hodaka	Corporate Auditors
	Hideo Suzuki	Standing Corporate Auditor	Male		○	○				○			○	○				Meetings of the Board of Directors: 15/15 (100%) Meetings of the Board of Corporate Auditors: 15/15 (100%)	—	Hideo Suzuki	
	Shoji Uchida	Standing Corporate Auditor	Male		○		○	○					○	○				Meetings of the Board of Directors: 15/15 (100%) Meetings of the Board of Corporate Auditors: 15/15 (100%)	—	Shoji Uchida	
	Masaichi Nakamura	Outside Corporate Auditor	Male		○	○				○				○				Meetings of the Board of Directors: 15/15 (100%) Meetings of the Board of Corporate Auditors: 15/15 (100%)	—	Masaichi Nakamura	
	Mio Minaki	Outside Corporate Auditor	Female		○	○								○				Meetings of the Board of Directors: 11/11 (100%) Meetings of the Board of Corporate Auditors: 11/11 (100%) Appointed in March 2024	—	Mio Minaki	
	Hajime Watanabe	Outside Corporate Auditor	Male		○			○		○				○				Appointed in March 2025	—	Hajime Watanabe	

MaleFemale

◎:Chairperson ○:Committee member

Note: This table does not represent the full range of knowledge and expertise possessed by the Directors and Audit & Supervisory Board Members.
* At the end of the General Meeting of Shareholders in March 2025

Reasons for Selecting Necessary Attributes of the Board of Directors

Item	Necessity and reasons for selection
Corporate Management	In the midst of a substantially changing environment surrounding businesses, it will become necessary to indicate the direction of the Company (corporate strategies) and make quick business decisions, based on business principles, in order to respond to changes quickly, develop in a sustainable manner and improve corporate value
Legal Affairs / Compliance / Risk Management	For the Company Group's sustainable development and continued improvement of corporate value, based on Sumitomo's business philosophy, it will be required to promote risk management, taking into account compliance based on business principles, the ethics code and the laws
ESG / Sustainability	In the midst of emphasizing the role of companies for the realization of a sustainable society, it will become necessary to improve social value as a company while solving social issues, in order for the Company Group to develop in a sustainable manner and improve corporate value
Business Strategy / Marketing	It will be necessary to develop and implement realistic and specific business and marketing strategies in order to realize corporate strategies and achieve the Medium-Term Management Plan we commit to
Global	Experience in global business, and extensive experience in understanding overseas cultures, environments, etc. will be necessary to continue providing excellent products and services to the world
Technology / IT / Production	In order to be a machinery manufacturer that continues to provide excellent products and services to the world, it will be necessary to continue providing high-quality products and solutions, supported by solid technologies, and this will in turn require knowledge and experience in technology, IT and production
Finance / Accounting	Knowledge and experience in finance and accounting will be required to realize accurate financial reporting, development of a resilient corporate structure, and growth investments that contribute to sustainable development and improvement of corporate value

Executive Officers

Title	Director	Name	Appointments
President	○	Shinji Shimomura	CEO
Executive Vice President		Toshiharu Tanaka	General Manager of Corporate Economic Security Department, General Manager of Globalization Dept.
Executive Vice President	○	Kazuo Hiraoka	General Manager, Industrial Machinery Segment
Executive Vice President		Taiji Tsuchiya	General Manager, Mechatronics Segment
Executive Vice President	○	Eiji Kojima	General Manager of Export Administration Dept.; General Manager, Energy & Lifeline Segment
Executive Vice President	○	Toshihiko Chijiwa	General Manager of Corporate Technology Management Group
Executive Vice President	○	Tatsuro Araki	General Manager of Power Transmission & Controls Group
Executive Vice President	○	Toshiro Watanabe	CFO
Executive Vice President		Shaun Dean	Sumitomo Heavy Industries (Europe) B.V. Managing Director
Senior Vice President		Morihiro Kondo	Regional General Manager of Kansai Office; Chairman of Sumitomo Heavy Industries (China), Ltd.
Senior Vice President		Shigeru Tajima	General Manager of Process Machinery Center; Representative Director & President of Sumitomo Heavy Industries Process Equipment Co., Ltd.
Senior Vice President		Kazutoshi Shiraishi	General Manager of Human Resources Group
Senior Vice President		Mitsukuni Tsukihara	Representative Director, President & CEO of Sumitomo Heavy Industries Ion Technology Co., Ltd.
Senior Vice President		Haruhiko Tsuzuki	General Manager of Ehime Works; General Manager, Logistics & Construction Segment
Senior Vice President		Masaki Arai	General Manager of Corporate Planning Group
Vice President		Takanori Nagai	Representative Director, President & CEO of Sumitomo Heavy Industries Environment Co., Ltd.
Vice President		Melvin Porter	LBCE Holdings, Inc. Chairman, Director, President CEO
Vice President		Yoichi Kato	General Manager of Energy & Environment Group
Vice President		Isamu Mitsuhashi	Representative Director, President & CEO of Sumitomo Construction Machinery Co.,Ltd.; Representative Director, President & CEO of Sumitomo Construction Machinery Sales Co.,Ltd.
Vice President		Hiroyuki Tominaga	General Manager of New Business Exploration Dept.
Vice President		Chie Okamoto	General Manager of Precision Equipment Group

Message from Board Chair

For FY2024, both sales and profits were expected to fall below the previous fiscal year, and the PBR would be below 1. The Board of Directors feels a great deal of responsibility for failing to meet market expectations, and in these difficult times, we are once again keenly aware of the need for reform of the Board of Directors.

Up until now, our board of directors has shared the recognition that we need to shift our emphasis to supervisory functions, but the members have not necessarily shared the same vision of what this should look like in concrete terms. There were a large number of agenda items to be discussed, and I felt that we were unable to devote sufficient time to discussing important themes such as our medium- to long-term management policies and business portfolio.

In the evaluation of effectiveness of the Board of Directors for FY2023, these issues were identified as a challenge under the theme of 'deepening discussions on the role of the Board,' and group discussions were conducted. The topic was also deliberated at Board meetings, where discussions were further developed. As a result, we agreed that the top priority should be to reconsider the issues that should truly be discussed by the Board of Directors and to significantly revise the agenda criteria in order to realize a Board of Directors that places emphasis on the supervisory function.

Amid the major trend toward strengthening the supervisory function of the Board of Directors and delegating authority to executive officers, I, as the Board Chair, feel that (1) the relationship between inside and outside directors and (2) the relationship between the Board of Directors and executive officers are important.

Regarding item (1), the ideal relation is where the two parties are almost equally informed and fully understand our management challenges as they supervise execution from a broad perspective. Hence, I ensure that outside

Representative Director,
Chairman of the Board,
and Board Chair

Tetsuya Okamura



officers are fully provided with information that includes briefings before board meetings. As the Chair, I also exert effort in facilitating each meeting in such a way that encourages outside directors to actively speak in order for the two parties to exchange their views on an equal footing, which also helps them share the status of internal discussions with outside directors.

Regarding item (2), as the division of roles between the two parties progresses, we believe it is necessary to create a system in which the content of discussions at Board of Directors meetings is properly conveyed to execution and to ensure transparency of the execution decision-making process for the Board of Directors, in order to prevent any differences in understanding from arising.

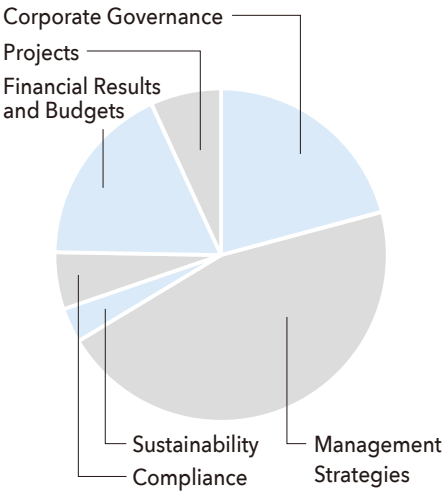
As the Chair, I feel a sense of accomplishment that all members of the Board of Directors have taken a major step forward with a unified view of the important topic of how the Board of Directors should function. At the same time, I believe it is necessary to continue discussing what the Board of Directors should be, including diversity on the Board of Directors and the roles of the Selection and Nomination Committee and the Remuneration Committee. The full details of these efforts should also be clearly presented to our shareholders and investors.

We will continue to explore what we can do to enhance our corporate governance in order to keep increasing our corporate value.

Key Areas of Deliberation for the Board of Directors (FY2024)

Corporate Governance	Discussion about an ideal state of the Board of Directors
	Updating the criteria for items on board meeting agendas
	Evaluation of Effectiveness of the Board of Directors
	Succession plan
	Officers' remuneration
Management Strategies	Dialogues with shareholders
	Requests in accordance with laws/the articles of incorporation
	Development of the Medium-Term Management Plan and progress made
	Our Human Resource Strategy
Sustainability	Financial strategy
	Development strategy
	Changes to material issues of sustainability
Compliance	Status of sustainability promotion
	Status of activities by the Risk Management Committee and the Compliance Committee
Financial Results and Budgets	Establishment of the basic policy on compliance with the Antimonopoly Act
	Budgets and financial results
Projects	Impairment loss
	Corporate acquisitions
	Restructuring of organizations in the Group
	Withdrawal of businesses

Hours Spent on Deliberation by Type of Agenda Item



Total hours of deliberation: approximately 46 hours

Officers' Remuneration

Components of Executive Remuneration

Remuneration for each of our directors and executive officers comprises basic remuneration, performance-linked remuneration, and stock-based remuneration. Remuneration for each outside directors consists only of basic remuneration (a fixed amount).

Remuneration Type		Ratio of Remuneration	Outline
Basic Remuneration		about 60%	Fixed amount paid as remuneration according to the position
Performance-Linked Remuneration	Dividend-based Remuneration (0% to 130%)	about 15%	Paid according to the Company's annual dividend
	Performance-based Remuneration (0% to 200%)	about 15%	Paid considering financial metrics (operating profit, operating profit margin, ROIC) and other factors such as safety performance
Stock-Based Remuneration		about 10%	As a rule, when the director or officer leaves his or her executive position, the Company's stocks are issued to him or her.

Note: An allowance is added to the remuneration for directors. 85% of it is a fixed amount of remuneration, and 15% variable remuneration based on the Company's annual dividend.

Remuneration Committee

The Remuneration Committee deliberates on the system and standards of remuneration for directors and executive officers, and other related matters, to respond to inquiries from the Board of Directors, and makes a report or gives advice to the Board of Directors.

The Committee met eight times during FY2024.

[Key Areas of Deliberation in FY2024]

- Officers' remuneration in FY2024
- Updating the rating index for performance-linked remuneration (remuneration based on divisions' performance)
- Officers' remuneration system going forward

Succession Plan (Director Selection Criteria and Process)

We view CEO succession planning as one of our top management priorities. The Selection and Nomination Committee annually reviews our training plan to discuss and deliberate on the status. The Committee also checks and discusses the status of training for successors of non-CEO positions in order to ensure that we work on succession according to our plans.

The Director's selection criteria focus on the following qualities: (1) integrity, excellent judgment and skills, coupled with a strong sense of ethics; (2) ability to take a bird's eye view of the SHI's business, skills needed to identify fundamental risks, and a broad range of knowledge about business management; (3) understanding of the Sumitomo Business Philosophy and the SHI Group's business principle, among others, and ability to enact them. When appointing director candidates, the Selection and Nomination Committee also considers and discusses each candidate's expertise, the balance of the candidates' experience (including experience in management and business as well as in global business operation), and diversity, among others, so that the Board of Directors will deliver on effective corporate governance. The Board of Directors deliberates on the candidates and makes decisions based on what the Committee reports as a result of the discussions.

(Please visit our website for the corporate auditor selection criteria : <https://www.shi.co.jp/english/csr/governance/corporate/index.html>)

Selection and Nomination Committee

The Selection and Nomination Committee deliberates on the appointment of director and corporate auditor candidates, dismissal of directors and corporate auditors, selection and dismissal of representative directors and directors with managerial positions, as well as the progress of the succession plan for the CEO and other top executives, to respond to inquiries from the Board of Directors, and makes a report or gives advice to the Board of Directors.

The Committee met eight times during FY2024.

[Key Areas of Deliberation in FY2024]

- Executive team for FY2025
- Succession plan for CEO and other executives
- Members of the Selection and Nomination Committee

Evaluation of Effectiveness of the Board of Directors

We evaluate the effectiveness of the Board of Directors annually to improve the functions of the Board through the continuous process of dealing with identified issues. In FY2024, we adopted a third-party evaluation in order to objectively identify issues that would not be found through self-evaluation.

Overview of the FY2024 Effectiveness Evaluation

Survey	<ul style="list-style-type: none">Explored what angles could be adopted for the evaluation as well as what to include in the questionnaire, referring to advice from a third party.Outside directors and outside corporate auditors met to discuss and decide on the content of the questionnaire <<Content of questionnaire (53 questions)>> To identify issues in all aspects of the Board of Directors, the questionnaire contained questions about as many as 14 areas, including the role, the structure, management, and discussions of the Board of Directors, as well as the Board's performance, dialogues with shareholders, and how the Selection and Nomination Committee and the Remuneration Committee were managed. Each question asked the respondent to provide an evaluation on a 5-point scale. A comment box was provided in each area of the questions to prompt the respondent to offer free-form opinions.	
	Interview	Interviewer: Third-party evaluator Interviewees: All directors (11) and corporate auditors (4)
	Outside officers' meeting	<ul style="list-style-type: none">Based on the survey and interview results, the third party presented issues identified and suggested what improvements to makeDiscussed the evaluation results and the selection of issues for the following fiscal year based on the results
Board of Directors Deliberated and decided on issues for the following fiscal year		

Issues Identified by the FY2024 Effectiveness Evaluation and Our Action

The FY2024 effectiveness evaluation made clear that our Board of Directors should work to focus on its supervisory function. However, many suggested that we establish a shared and detailed understanding of what that meant and entailed. The previous year's evaluation put forward "discussions about the role of the Board of Directors," and so our board members discussed the issue in small groups and on other occasions. These discussions led us to conclude that our priority is to substantially update what should be placed on the agenda, and so we reviewed the criteria for items that should be placed on board meeting agendas. Nevertheless, the Board of Directors did not arrive at a shared understanding of what exactly the supervisory function meant and entailed.

With the evaluation results this time and what transpired the previous year, we have decided to continue more in-depth discussions about "how the Board of Directors should work and discuss matters as it focuses on its supervisory function." These in-depth discussions will especially center around two themes, namely (1) The role of the Board of Directors, which includes the design of the organization and the roles of inside and outside directors; (2) How the Board of Directors should discuss our Medium-Term Management Plan, business portfolio, and dialogues with shareholders (investors), among others, and how it should move ahead of the discussions. (Please visit our website for information about the FY 2024 effectiveness evaluation: https://www.shi.co.jp/english/csr/governance/corporate/pdf/structure_02.pdf)

Board of Corporate Auditors

We have adopted a Board of Corporate Auditors, to ensure dual check functions, namely by the supervision of management through the Board of Directors' decisions on business execution, and audits by corporate auditors. Our corporate auditors and the Board of Corporate Auditors, and the internal audit department and independent auditors work closely together and share information about audit results in an effort to establish and facilitate an efficient auditing process.

The Internal Audit Department, which reports directly to the President and consists of a General Manager and 14 staff members, conducts regular audits of the SHI Group's business operations and reports the results to both the Board of Directors and the Board of Corporate Auditors.

◆Key actions

During 2024, the Board of Corporate Auditors met 15 times, adopted 11 resolutions, deliberated and discussed 11 matters, and made 40 reports.

Theme	Description/Action
Risk Management and Governance	<ul style="list-style-type: none">Conducted a review of risk awareness and governance status across business units and subsidiaries.Engaged in discussions with Representative Directors and participated in the Risk Management Committee.
Compliance	<ul style="list-style-type: none">Reviewed the headquarters' monitoring efforts regarding recurrence prevention measures.
Key Strategic Issues	<ul style="list-style-type: none">Participated in the Long-term Strategy Meeting.Provided suggestions aimed at enhancing corporate value and promoting sustainability.

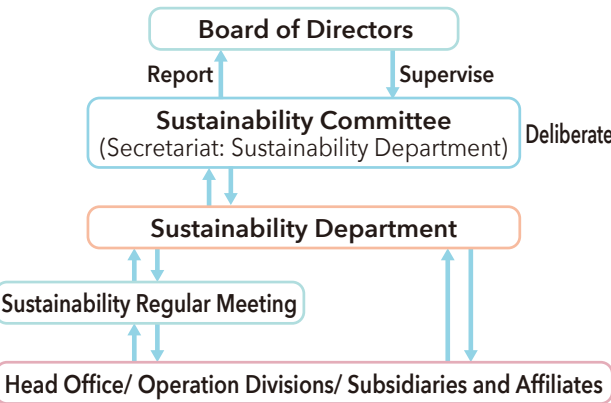
Sustainability-oriented Management

The SHI Group is committed to sustainability-oriented management with the focus on stakeholders. The Board of Directors determines the Basic Sustainability Policy and the Seven Material Issues. The Sustainability Committee deliberates on plans and issues concerning sustainability promotion and reports them to the Board of Directors. We are committed to addressing the material issues under this basic policy so that we will contribute to the creation of a sustainable society and retain stakeholder trust.

(Please visit our website for the Basic Sustainability Policy: <https://www.shi.co.jp/english/csr/group/index.html>)

Structure

The Sustainability Committee deliberates on plans and issues concerning sustainability promotion, among other matters.



Committee Chair	President
Members	12 (vice presidents in charge of Head Office, heads of the segments, General Manager of the Sustainability Department of the Corporate Planning Group)
Observers	2 (standing corporate auditors)
Frequency	Twice a year (FY2024)
Main topics discussed by the Sustainability Committee (FY2024)	<ul style="list-style-type: none">Status of information disclosure (policies/gaps in efforts)Actions to combat climate change (status of the reduction of GHG emissions and measures taken)Advancement of business implementation (actions to achieve our Purpose taken across the company)Human rights (reports on due diligence plans and results)

Promotion Activities

The Sustainability Department leads the activities that aim to establish the Seven Material Issues of Sustainability (page 19) and sustainability-oriented management.

◆ Sustainability Regular Meeting

The divisions involved in our sustainability promotion (internal control, corporate planning, corporate communications, corporate identity, general administration, the environment, human resources, corporate technology management, purchasing, corporate legal) share and discuss information related to the SHI Group's sustainability.

◆ Meetings of General Managers (organized by the Head Office divisions)

Progress on material issues and other relevant matters are reported at the Meetings of General Managers of Development, Design, Production, and Environmental Management Departments; Meetings of Safety Managers; and Meetings of General Administration GL, among others, as necessary.

◆ Public Relations and Sustainability Committee (organized by the Corporate Communication Department and Sustainability Department)

We appoint Public Relations and Sustainability Committee members as the contact persons for our sustainability activities (8 from business divisions, 19 from subsidiaries and affiliates, 9 from works). The committee members work to establish and publicize the SHI Group's sustainability activities in their organizations. They also exchange information across the organizations at the Public Relations and Sustainability Committee meeting held twice a year.

Sustainability Risk Management

The SHI Group manages risks related to sustainability within its risk management framework. Among these risks are climate risks and human rights risks, and the Sustainability Committee deliberates and reports on them to the Board of Directors. The Head Office divisions manage other risks that fall within their responsibility. (P.73, "Risk Management")

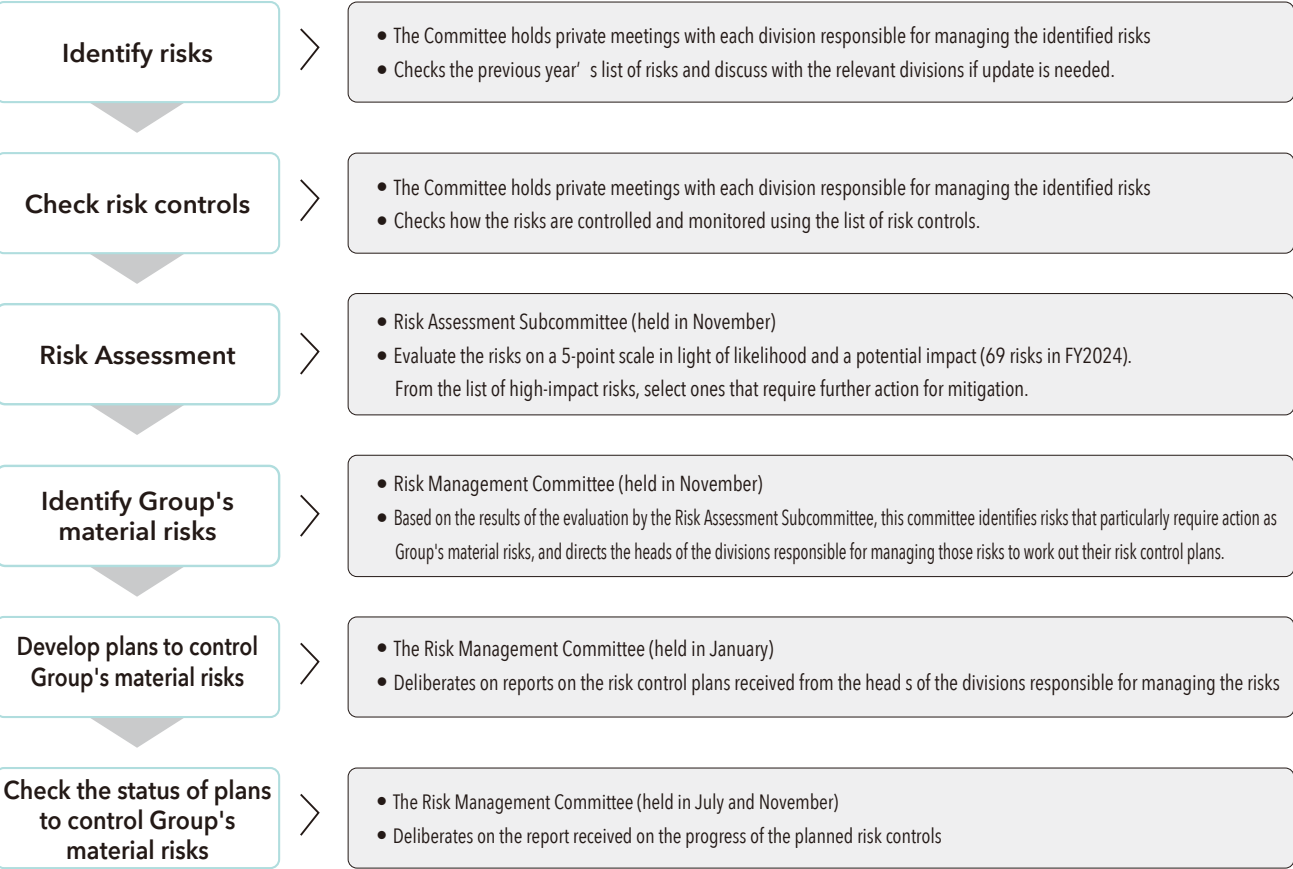
Risk Management

The SHI Group manages risks in accordance with the Basic Policy for Establishment of the Internal Control System. The Head Office divisions manage the business and operational risks that fall within their responsibility, and the Internal Control Group oversees the risks that should be addressed across the company and follows the steps to manage them as shown in the figure below. Identification of Group's material risks and plans to control them are deliberated on and approved by the Risk Management Committee and reported to the Board of Directors.

(Please visit our website for the risk management framework: <https://www.shi.co.jp/english/csr/governance/control/index.html>)

Risk Management Process

The Risk Management Committee takes the steps of the risk management processes shown below to identify material risks that could significantly impact the Group's business operation and keep track of how those risks are controlled.



Group's Material Risks

From the list of highly probable risks that would significantly impact our business operation, the Risk Management Committee for the year selects risks that are judged to require further management and controls as Group's material risks in the following year. Then the Committee develops plans to deal with those risks as part of our efforts toward more rigorous risk management. The table here shows the risks selected as Group's material risks in FY2025.

Group's Material Risks in FY2025	
	Economic security risk
	Quality fraud/Legal or regulatory noncompliance risks
	Information security risk
	Risk of noncompliance with the Antimonopoly Act
	Climate risk (risks involved in the transition to a decarbonized economy)
	Human rights risk

Compliance

Compliance in the SHI Group means complying with laws as well as internal policies and rules as a member of society. It also signifies practicing the corporate ethics that are based on the Sumitomo Business Philosophy, our Purpose, and our business principle, and doing honest and fair business as a sensible member of the business community. (Please visit our website for the framework for advancing compliance: <https://www.shi.co.jp/english/csr/governance/control/index.html>)

Initiatives to Enhance Compliance

We have compiled the Compliance Manual showing the rules and specific behavioral guidelines that must be observed by officers and employees of the SHI Group. The manual is provided to all employees. Each workplace holds sessions where employees read together the Compliance Manual in an effort to ensure that they remain fully committed to compliance. We also conduct an annual compliance awareness survey to gauge our employees' understanding of and commitment to compliance standards, and to identify potential compliance risks in the workplace. Furthermore, as a measure to facilitate full compliance, we require that the SHI Group's officers and managers submit a pledge of compliance once a year. (Please visit our website for our compliance training: <https://www.shi.co.jp/english/csr/governance/control/index.html>)

Compliance with the Competition Laws

Of all compliance issues, compliance with the competition laws has high priority in the SHI Group. We have established the SHI Group Basic Policy on Compliance with the Competition Laws to ensure full compliance with the competition laws across the SHI Group and to commit to fair competition and transactions. We also continue our efforts to embed the basic policy into the SHI Group, which include establishing and implementing internal policies, and providing training for officers and employees.

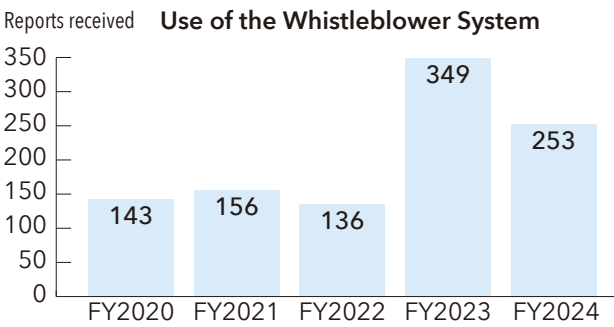
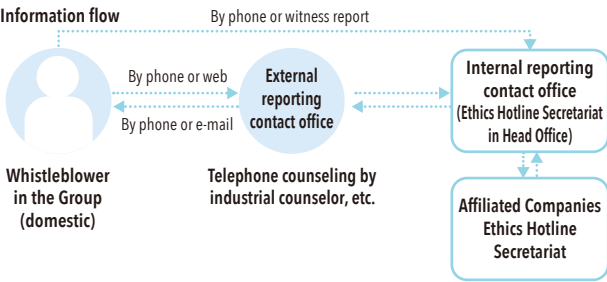
Anti-bribery Measures

We have established the SHI Group Anti-Bribery Basic Policy to clarify the anti-bribery rules that all officers and employees of the SHI Group must comply with in order to prevent bribery from taking place. This basic policy contains clauses on the prohibition of bribery (including facilitation payments), the prohibition of bribery through third parties such as consultants and agents, and the prohibition of excessive favors in the form of entertainment and gifts. To prevent bribery on occasions when contacting people like government employees to offer entertainment and/or gifts in Japan or overseas, we have in place a Group-wide preliminary review system.

SHI Group Ethics Hotline (Whistleblowing System)

The SHI Group has a whistleblowing system that receives reports from and offers consultation to officers and employees on any violation of law or internal rules, or any fact that may constitute a violation. Other than this system, we also have a consultation service exclusively for issues of harassment in the workplace. To advance the understanding of how important it is to report to and seek help from these systems, and to relieve the worries employees may have about reporting and consulting, we present the steps to use the services, how whistleblowers are protected, and the ban on disadvantageous treatment of whistleblowers, among others, through various training programs and other opportunities, coupled with posters, internal newsletters, websites, and other means.

SHI Group Ethics Hotline (Whistleblowing System)



Eleven-Year Summary and Key Financial Data

Sumitomo Heavy Industries, Ltd. and Consolidated Subsidiaries

(Unit)		FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 ^{*8}	FY2022 (Jan. to Dec.) Reference values ^{*9}	FY2023	FY2024
Summary of Income (for the financial year)	(million yen) Net sales	667,099	700,838	674,328	791,025	903,051	864,490	849,065	943,979	854,093	1,018,261	1,081,533	1,071,126
	R&D expenses	11,415	12,299	11,276	14,805	16,836	18,753	19,434	20,181	17,431	—	24,800	33,682
	Operating profit	45,998	50,568	48,431	69,921	75,244	56,806	51,342	65,678	44,803	59,950	74,367	55,103
	EBITDA^{*1}	62,279	70,289	68,742	92,925	101,219	84,758	81,089	96,609	74,437	—	110,741	92,480
	Ordinary profit	45,113	49,131	48,274	67,466	72,623	52,642	49,544	64,847	43,253	58,837	70,250	49,184
	Profit attributable to owners of parent	24,348	33,133	33,613	34,660	45,650	32,807	26,764	44,053	5,782	16,259	32,742	7,721
Cash Flows (for the financial year)	(million yen) Cash flows from operating activities	62,170	18,315	38,158	71,111	55,173	36,263	64,131	61,679	21,366	—	65,370	12,763
	Cash flows from investing activities	(14,112)	(15,350)	(25,852)	(37,810)	(54,973)	(57,752)	(43,729)	(49,678)	(37,279)	—	(43,271)	(49,482)
	Free cash flows^{*2}	48,058	2,965	12,306	33,301	199	(21,489)	20,402	12,000	(15,913)	—	22,099	(36,719)
	Cash flows from financing activities	(36,889)	(23,789)	(17,809)	(10,146)	(13,314)	35,964	(7,959)	(28,106)	21,677	—	(17,207)	41,908
	Cash and cash equivalents at the end of the period	90,324	68,625	61,017	85,503	69,776	83,630	96,242	84,992	93,727	—	100,235	107,542
Financial Position (at financial year-end)	(million yen) Total assets	786,027	782,859	796,484	894,835	954,051	996,111	1,030,684	1,094,930	1,148,870	—	1,200,857	1,260,242
	Interest-bearing debt	83,644	68,232	60,460	64,181	73,311	124,669	124,439	111,251	160,765	—	162,230	238,621
	Net interest-bearing debt^{*3}	(8,779)	(2,572)	(3,360)	(24,052)	(278)	37,602	24,921	22,468	63,289	—	57,772	127,488
	Total net assets	365,101	382,817	409,171	444,964	465,001	477,648	504,928	566,843	576,922	—	627,464	646,418
Amounts per Share of Common Stock^{*4}	(yen) Earnings^{*5}	39.71	54.06	54.85	282.83	372.56	267.77	218.46	359.61	47.20	—	267.30	63.86
	Net assets	587.37	614.51	650.47	3,517.33	3,701.01	3,790.99	4,005.43	4,501.11	4,647.20	—	5,059.88	5,331.01
	Cash dividends	12.00	16.00	16.00	85.00	112.00	91.00	65.00	115.00	90.00	—	120.00	125.00
Financial Indexes (%)	Operating profit ratio	6.9	7.2	7.2	8.8	8.3	6.6	6.0	7.0	5.2	5.9	6.9	5.1
	EBITDA ratio	9.3	10.0	10.2	11.7	11.2	9.8	9.6	10.2	8.7	—	10.2	8.6
	R&D expenses ratio to net sales	1.7	1.8	1.7	1.9	1.9	2.2	2.3	2.1	2.0	—	2.3	3.1
	Return on assets (ROA)	3.1	4.2	4.2	3.9	4.8	3.3	2.6	4.0	0.5	1.4	2.7	0.6
	Return on equity (ROE)	7.1	9.0	8.7	8.4	10.3	7.1	5.6	8.5	1.0	3.0	5.5	1.2
	Stockholders' equity ratio	45.8	48.1	50.0	48.2	47.5	46.6	47.6	50.4	49.5	—	51.6	50.8
	Interest-bearing debt ratio	10.6	8.7	7.6	7.2	7.7	12.5	12.1	10.2	14.0	—	13.5	18.9
	D/E ratio (times)	0.2	0.2	0.2	0.1	0.2	0.3	0.3	0.2	0.3	—	0.3	0.4
	ROIC^{*6}	6.5	7.6	7.3	10.3	10.5	7.3	6.1	7.3	4.6	6.2	7.0	4.8
Investment in Plant and Equipment and Others	(million yen) Capital expenditures^{*7}	20,670	23,721	27,539	30,432	33,713	39,435	39,885	46,729	44,629	—	42,502	46,784
	Depreciation	16,281	19,720	20,311	23,003	25,975	27,953	29,746	30,930	29,634	—	36,374	37,377

*1. EBITDA (Earnings before Interest, Taxes, Depreciation) = Operating profit + Depreciation

*2. Free cash flows = Cash flows from operating activities + Cash flows from investing activities

*3. Net interest-bearing debt = Interest-bearing debt - (Cash and deposits + Securities)

*4. The Company carried out a 5-to-1 reverse stock split for its common stock with an effective date of October 1, 2017. Amounts per share of common stock was calculated, under the assumption that such share consolidation was conducted at the beginning of FY2017.

*5. Earnings per share of common stock are based on the weighted average number of shares outstanding in each year.

6. ROIC (Return on invested capital) = $\frac{(\text{Operating profit} + \text{Interest and dividend income}) \times (1 - \text{Effective tax rate}^)}{(\text{FY average of stockholders' equity} + \text{FY average of interest-bearing debt})}$

*7. Capital expenditures are capitalized and recorded as assets.

*8. Due to a change in our accounting period, FY2022 will be a nine-month accounting period from April 2022 to December 2022.

*9. To compare our FY2022 results to past accounting periods, the FY2022 (nine-month accounting period) results have been converted to figures for the period from January to December.

* Effective tax rate = 45% until FY2013, 40% for FY2014, 35% for FY2015 and FY2016, 31% from FY2017

Non-Financial Key Data

Supplementary explanation regarding the period covered: Although the accounting period for FY2022 is the nine-month period from April to December, the 12-month period from January to December is included for the purpose of ensuring comparability.

Supplemental explanation of coverage: The consolidated coverage rate for “non-consolidated” in the social data is approximately 15.8%, while that for “domestic consolidated” is approximately 50.9% (both calculated based on FY2024 results and number of employees).

Environment

Addressing Climate Change

		Unit	2020	2021	2022	2023	2024
GHG Emissions (Scope 1)	Total	t-CO ₂	36,572	37,418	38,419	36,272	31,601
	Consolidated Coverage	%	85.9	92.6	91.1	92.3	99.9
GHG Emissions (Scope 2)	Total ^{*1}	t-CO ₂	144,092	156,518	151,681	120,631	101,003
	Consolidated Coverage	%	85.9	92.6	91.1	92.3	99.9
GHG Emissions (Scope 1, 2 total)	Total ^{*1}	t-CO ₂	180,664	193,936	190,100	156,903	132,604
	Consolidated Coverage	%	85.9	92.6	91.1	92.3	99.9
GHG Emissions (Scope 3)	Cat-01 Raw Materials ^{*2}	t-CO ₂	356,805	351,365	406,638	1,095,515	1,295,085
	Cat-02 Capital Goods	t-CO ₂	128,805	154,343	147,464	140,793	151,381
	Cat-03 Energy Usage	t-CO ₂	20,280	21,349	26,955	26,712	26,158
	Cat-04 Logistics (upstream)	t-CO ₂	11,046	11,082	11,045	10,160	8,899
	Cat-05 Waste Treatment	t-CO ₂	5,767	5,578	5,355	5,405	5,030
	Cat-06 Business Trips	t-CO ₂	2,171	3,761	3,277	3,289	3,294
	Cat-07 Employee Commuting	t-CO ₂	6,179	11,138	11,322	12,264	10,210
	Cat-08 Lease Asset (upstream)	t-CO ₂	0	0	0	0	0
	Cat-09 Logistics (downstream)	t-CO ₂	0	0	—	—	—
	Cat-10 Processing of Products to Be Sold	t-CO ₂	0	0	—	—	—
	Cat-11 Use of Sold Products	t-CO ₂	123,029,056	136,614,107	79,946,933	75,463,187	65,887,134
	Cat-12 Disposal of Unsold Products	t-CO ₂	0	0	—	—	—
	Cat-13 Lease asset (downstream)	t-CO ₂	0	0	—	—	—
	Cat-14 Franchise	t-CO ₂	—	—	—	—	—
	Cat-15 Investment	t-CO ₂	2,060	2,422	2,873	3,780	3,048
	Total	t-CO ₂	123,562,169	137,175,145	80,561,862	76,761,104	67,390,239
	Cat-11 Consolidated Coverage	%	96.8	96.5	94.6	94.6	91.8
	Results	t-CO ₂ / million yen	0.21	0.21	0.22	0.15	0.12
	Consolidated Coverage	%	85.9	92.6	91.1	92.3	99.9
CO ₂ Emission Intensity	Fuel Consumption	MWh	187,335	192,766	196,579	174,657	160,538
	Electricity Consumption	MWh	286,913	303,676	307,192	309,077	302,547
Energy Consumption	Water Chilling/Heating	MWh	9,307	10,249	9,306	10,686	11,407
	Total	MWh	483,555	506,691	513,077	494,421	474,493
	Consolidated Coverage	%	85.9	92.6	91.1	92.3	99.9
Renewable Energy Consumption	Total	MWh	1,230	1,298	14,203	72,617	90,963
	Consolidated Coverage	%	85.9	92.6	91.1	92.3	99.9

^{*1} Emissions data for Japan included in Scope 2 is calculated on a market basis ^{*2} The scope of calculation was expanded from FY2023

Environmental Management

		Unit	2020	2021	2022	2023	2024
ISO 14001 Certification Status	Number of Certifications Acquired	Instances	58	58	57	61	62
	Acquisition Rate	%	80.6	79.4	75.2	79.8	86.1
Serious Violations of Environmental Laws and Regulations ^{*3}	Number of Cases	Instances	0	0	0	0	0
	Of which, number of violations related to wastewater	Instances	0	0	0	0	0
	Consolidated Coverage	%	80.6	79.4	75.2	79.8	86.1

^{*3} Cases with fines and penalties of US\$10,000 or higher

Water Resources Preservation

		Unit	2020	2021	2022	2023	2024
Water Consumption	Municipal Tap Water	thousand m ³	725	737	736	698	718
	Water Supply Industrial Water	thousand m ³	610	618	613	604	615
	Fresh Water	thousand m ³	0	0	0	0	0
	Ground Water	thousand m ³	163	185	161	135	195
	Total	thousand m ³	1,498	1,541	1,510	1,436	1,529
	Consolidated Coverage	%	77.1	76.5	80.2	82.0	78.3
Wastewater Discharge	Total	thousand m ³	478	460	434	934	970
	Consolidated Coverage	%	51.6	47.5	43.6	49.3	78.3
	Surface water	thousand m ³	—	—	—	—	112.0
	Groundwater	thousand m ³	—	—	—	—	0.0
	Seawater	thousand m ³	—	—	—	—	690.0
	Water discharged to other organizations	thousand m ³	—	—	—	—	168.0
	Target		—	—	—	—	Domestic production sites

Pollution Prevention and Waste Management

		Unit	2020	2021	2022	2023	2024
Volume of Waste Disposed	Waste Generation	t	60,866	62,591	58,403	56,615	47,812
	Final Disposal Volume	t	1,235	1,294	1,004	1,106	881
	Consolidated Coverage	%	85.5	84.2	84.5	85.9	82.1
	Recycled Volume (Total Amount of Recovered and Reused Waste, etc.)	t	10,191	10,694	9,667	9,977	9,097
	Breakdown of domestic						
	Amount of Waste Incinerated Followed by Energy Recovery	t	2,497	2,702	2,506	2,335	2,041
	Amount of Waste Incinerated Not Followed by Energy Recovery	t	290	224	386	343	339
Amount of Non-disposed Waste	Recycled Volume	t	18,777	15,272	14,809	16,354	12,978
	Data coverage rate	%	85.5	84.2	84.5	85.9	82.1
Volume of Hazardous Waste Disposed	Waste Generation	t	818	708	693	650	737
	Amount of Waste Incinerated Followed by Energy Recovery	t	235	222	209	145	163
	Amount of Waste Incinerated Not Followed by Energy Recovery	t	168	118	46	30	98
	Target		SHI Group (Japan)				Domestic production sites
Volume of Volatile Organic Compounds (VOC)	Total	t	640	623	636	544	703
	Consolidated Coverage	%	88.6	86.0	87.2	86.6	84.3
	Breakdown of domestic						
	Toluene	t	99	100	91	69	63
	Xylene	t	262	258	280	211	251
	Ethylbenzene	t	158	149	154	163	247
Volume of NOx Emissions	Total	t	4.1	3.3	3.9	2.5	15.9
	Consolidated Coverage	%	46.9	45.3	43.8	49.3	47.4
Volume of SOx Emissions	Total	t	0.50	0.18	0.15	0.15	1.49
	Consolidated Coverage	%	46.9	45.3	43.8	49.3	47.4
Discharge into Water Bodies	COD	t	1.6	1.5	1.5	1.4	4.8
	T-N	t	6.6	6.2	5.6	4.9	4.6
	T-P	t	0.5	0.5	0.5	0.4	0.4
	Total	t	8.7	8.1	7.6	6.6	9.8
	Consolidated Coverage	%	51.6	47.5	43.6	49.3	47.4

Social

Employee Data

		Unit	2020	2021	2022	2023	2024
Employees (consolidated)	Male	Number of employees	—	—	20,138	21,256	21,152
	Female	Number of employees	—	—	4,120	4,228	4,185
	Ratio of women	%	—	—	17.0	16.6	16.5
	Total	Number of employees	24,050	24,584	24,258	25,484	25,337
Employees (SHI)	Male	Number of employees	2,960	2,965	3,350	3,497	3,774
	Female	Number of employees	396	405	499	536	636
	Ratio of women	%	11.8	12.0	13.0	13.3	14.4
	Total	Number of employees	3,356	3,370	3,849	4,033	4,410
Managers	Male	Number of employees	904	916	3,290	3,355	3,504
	Female	Number of employees	17	22	220	247	251
	Ratio of women	%	1.8	2.3	6.3	6.9	6.7
	Total	Number of employees	921	938	3,510	3,602	3,755
	Target		Non-consolidated		Consolidated		Consolidated
Assistant Managers	Male	Number of employees	—	—	1,786	1,850	2,075
	Female	Number of employees	—	—	174	183	218
	Ratio of women	%	—	—	8.9	9.0	9.5
	Total	Number of employees	—	—	1,960	2,033	2,293
	Target		Non-consolidated		Consolidated		Consolidated
Employees by Age Group	Under 30	Number of employees	551	529	4,452	4,622	4,349
	30~39	Number of employees	889	869	6,868	7,136	6,989
	40~49	Number of employees	831	839	5,835	6,144	6,239
	50~59	Number of employees	852	872	5,049	5,414	5,542
	Above 60	Number of employees	233	261	2,054	2,168	2,218
	Total	Number of employees	3,356	3,370	24,258	25,484	25,337
	Target		Non-consolidated		Consolidated		Consolidated
Average Length of Service by Gender	Male	Years	16.6	16.6	14.4	14.5	14.6
	Female	Years	11.9	12.1	10.5	11.2	10.6
	Total	Years	16.1	16.1	14.2	14.1	14.1
	Target		Non-consolidated		Japanese consolidated		Japanese consolidated
	Total	%	2.32	2.36	2.39	2.52	3.04
Employment Ratio of Disabled People	Target		Non-consolidated				Non-consolidated
Percentage of Employees Covered by Collective Bargaining Agreements	Total	%	64.2	60.4	63.4	63.9	63.6
	Target		Non-consolidated				Non-consolidated
Rounds of Collective Bargaining (Labor-Management Consultations) with Labor Unions	Total	Rounds	—	106	74	103	102
	Target		Non-consolidated				Non-consolidated

Employee Data

		Unit	2020	2021	2022	2023	2024
New Graduate Hires	Male	Number of employees	139	119	236	262	258
	Female	Number of employees	22	31	35	46	46
	Ratio of women	%	13.7	20.7	12.9	14.9	15.1
	Total	Number of employees	161	150	271	308	304
	Target	Non-consolidated		Japanese consolidated		Japanese consolidated	
Career Hires	Male	Number of employees	59	90	299	386	413
	Female	Number of employees	7	8	40	52	45
	Ratio of women	%	10.6	8.2	11.8	11.9	9.8
	Total	Number of employees	66	98	339	438	458
	Ratio of Mid-career Hires to Full-time Workers	%	29.1	39.5	55.6	58.7	60.1
Wage Difference Between Men and Women ^{*4}	Target	Non-consolidated		Japanese consolidated		Japanese consolidated	
	Full-Time Employees	%	—	—	70.6	72.8	71.5
	Non-Full-Time Employees	%	—	—	66.3	69.8	66.7
	All Workers	%	—	—	68.6	70.2	69.6
	Target	Non-consolidated		Japanese consolidated		Non-consolidated	
Total Turnover Rate	Male	%	—	2.4	2.7	3.7	3.3
	Female	%	—	4.2	3.1	3.3	4.3
	Total	%	2.4	2.6	2.7	3.7	3.4
	Target	Non-consolidated		Japanese consolidated		Japanese consolidated	
	Male	%	—	2.1	2.0	3.0	2.7
Turnover Rate for Personal Reasons	Female	%	—	3.0	2.3	2.7	3.6
	Total	%	1.6	2.2	2.0	3.0	2.8
	Target	Non-consolidated		Japanese consolidated		Japanese consolidated	
	Total	Hours	1,975	1,987	1,972	1,972	1,930
	Target	Non-consolidated (general employees)		Japanese consolidated (general employees)		Japanese consolidated (general employees)	
Working Hours Per Year	Percentage of Highly Engaged Employees	%	49	—	48	—	48
	Target	SHI and 30 consolidated subsidiaries		SHI and 30 consolidated subsidiaries		SHI and 29 consolidated subsidiaries ^{*5}	
	Total	%	73.6	68.6	75.3	79.0	80.2
	Target	Non-consolidated (general employees)		Japanese consolidated (general employees)		Japanese consolidated (general employees)	
	Male	%	71.4	68.9	69.2	85.5	88.8
Childcare Leave Utilization Ratio	Female	%	100	100	100	97.7	97.7
	Total	%	75.4	72.0	71.9	87.1	90.0
	Target	Non-consolidated		Japanese consolidated		Japanese consolidated	
	Total	Days	11.0	33.3	23.1	30.8	35.6
	Target	Non-consolidated		Japanese consolidated		Japanese consolidated	
Average Number of Days of Childcare Leave Taken by Male Employees	Male	Number of employees	—	—	7	7	10
	Female	Number of employees	—	—	82	89	83
	Total	Number of employees	—	—	89	96	93
	Target	Non-consolidated		Japanese consolidated		Japanese consolidated	
	Total	Hours	—	4.2	11.1	10.9	28.6
Annual Training Hours Per Employee ^{*6}	Target	Non-consolidated		Japanese consolidated		Japanese consolidated	
	Total	Yen	49,230	79,228	53,222	69,305	75,532
	Target	Non-consolidated		Japanese consolidated		Japanese consolidated	
	Male	Number of employees	—	—	7	7	10
	Female	Number of employees	—	—	82	89	83
	Total	Number of employees	—	—	89	96	93
	Target	Non-consolidated		Japanese consolidated		Japanese consolidated	
Annual Training Expenses Per Employee	Total	Hours	—	4.2	11.1	10.9	28.6
	Target	Non-consolidated		Japanese consolidated		Japanese consolidated	
	Total	Yen	49,230	79,228	53,222	69,305	75,532
	Target	Non-consolidated		Japanese consolidated		Japanese consolidated	
	Male	Number of employees	—	—	7	7	10
	Female	Number of employees	—	—	82	89	83
	Total	Number of employees	—	—	89	96	93
	Target	Non-consolidated		Japanese consolidated		Japanese consolidated	

^{*4} Female wages as a % of male wages ^{*5} Consolidated coverage is approximately 54.7% (based on headcount)
^{*6} Data for FY2023 covers only training programs organized by the headquarters. From FY2024, programs by business divisions are also included.

Occupational Health and Safety / Health Management

		Unit	2020	2021	2022	2023	2024
Fatalities	Total	Number of employees	0	0	0	0	0
	Target	Non-consolidated		Consolidated		Consolidated	
Occupational Accident Frequency Rate (employees)	Frequency rate	%	0.0	0.3	0.4	0.7	0.9
	Target	Non-consolidated		Non-consolidated		Non-consolidated	
Occupational Accident Frequency Rate (employees and contract workers)	Frequency rate	%	0.2	0.6	0.5	0.7	0.8
	Target	Non-consolidated		Non-consolidated		Non-consolidated	
Percentage of Companies with ISO 45001 Certification	Total	%	33.3	50.0	66.6	66.6	83.3
	Target	Domestic Main Works		Domestic Main Works		Domestic Main Works	
Percentage of Smokers	Total	%	27.7	26.6	23.1	23.4	25.0
	Target	Non-consolidated		Non-consolidated		Non-consolidated	

Social Contribution Activities

		Unit	2020	2021	2022	2023	2024
Social Contribution Expenditures	Total	million yen	301	33	26	156	267
	Target	Non-consolidated		Non-consolidated		Japanese consolidated and eight overseas affiliates	

Supply Chain Management

		Unit	2020	2021	2022	2023	2024
Supplier Status by Region (procurement amount ratio)	Japan	%	72.7	68.9	62.2	67.3	64.7
	China	%	10.9	12.1	12.0	9.3	10.6
	South Korea	%	2.5	2.4	2.4	2.7	2.7
	Taiwan	%	0.2	0.3	0.3	0.4	0.2
	Asia, etc.	%	4.7	6.3	8.3	7.1	8.1
	North America and Latin America	%	3.5	3.4	6.9	5.4	6.9
	Europe	%	5.5	6.6	7.7	7.7	6.6
Suppliers	Other Areas	%	0.0	0.0	0.0	0.1	0.1
	Number of Tier 1 Suppliers	Companies	7,537	7,481	6,230	5,658	5,825
Supplier Survey	Number of surveyed companies ^{*7}	Companies	—	—	—	—	702
	Number of responding companies ^{*8}	Companies	288	409	—	—	573
	Response rate	%	—	—	—	—	81.6
% of Purchasing Division Employees Who Received Sustainable Procurement Training	Target	%	—	—	9.5	89.8	85.0
	SHI and 9 consolidated subsidiaries	SHI and 16 consolidated subsidiaries	SHI and 16 consolidated subsidiaries	SHI and 16 consolidated subsidiaries	SHI and 16 consolidated subsidiaries	SHI and 16 consolidated subsidiaries	SHI and 16 consolidated subsidiaries

^{*7} Number of Tier 1 suppliers accounting for the top 80% of the SHI Group's total procurement value ^{*8} Conducted for non-substitutable suppliers in 2019 and 2021

Product Safety and Product Quality

		Unit	2020	2021	2022	2023	2024
ISO 9001 Certification Acquisition Rate of Major Production and Business Divisions		%	—	—	93	94	96
Number of Serious Legal Violations Related to Product Safety		Instances	0	0	0	0	0

Governance

Corporate Governance

		Unit	2020	2021	2022	2023	2024	2025
Composition of Directors ^{*9}	Total Number	Number of directors	10	9	9	11	11	11
	Executive Directors	Number of directors	7	6	6	7	7	7
	Non-executive Directors	Number of directors	3	3	3	4	4	4
	Outside Directors	Number of directors	3	3	3	4	4	4
	Female Directors	Number of directors	0	0	0	1	2	2
	Non-Japanese Directors	Number of directors	0	0	0	0	0	0
Average Attendance Rate at Board of Directors Meetings		Average	%	99.2	98.5	96.6	100	99.4
Average Tenure of Directors ^{*9}		Average	Years	4.0	4.7	3.8	3.7	3.9
Composition of Corporate Auditors ^{*9}	Total Number	Number of directors	4	4	4	4	4	5
	Outside Corporate Auditors	Number of directors	2	2	2	2	2	3
	Female Corporate Auditors	Number of directors	0	1	1	1	1	1
	Non-Japanese Corporate Auditors	Number of directors	0	0	0	0	0	0
Average Attendance Rate at Board of Corporate Auditors Meetings		Average	%	—	100	100	100	100

^{*9} Information that was current as of the end of the General Meeting of Shareholders for each year is shown

Business Ethics

		Unit	2020	2021	2022	2023	2024
Compliance Education by E-learning ^{*10}	Total	Number of directors	14,599	14,489	—	12,503	13,310
	Implementation Rate (% of all employees who have completed the program)	%	60.7	58.9	—	49.1	52.5
Employees Who Submitted the Compliance Pledge ^{*11}	Total	Number of directors	2,852	3,217	3,217	3,392	3,460
	Submission Rate (% of all employees who submitted the pledge)	%	11.9	13.1	13.3	13.3	13.7
Number of Cases Reported to Ethics Hotline	Total	Instances	143	156	136	349	253
	Harassment	Instances	50	71	61	151	116
	HR and Labor	Instances	50	38	41	131	48
	Violations of Company Regulations and Rules	Instances	17	13	14	16	15
	Other matters	Instances	26	34	20	51	74
	Cases for Which Corrections Were Made	Instances	59	71	41	114	95
Number of significant compliance violations ^{*12}	Total	Instances	—	—	—	—	1 ^{*12}
	Amount of Political Donations	¥ million	1.5	1.5	1.5	1.5	1.7
Target	Non-consolidated	Non-consolidated	Non-consolidated	Non-consolidated	Non-consolidated	Non-consolidated	Non-consolidated

^{*10} Employees in Japan are eligible to take the course ^{*11} Employees in management positions in Japan are eligible to submit the application
^{*12} Violations of the Subcontract Act by affiliated companies

Corporate Data

(As of December 31, 2024)

Corporate Data

Company Name	Sumitomo Heavy Industries, Ltd.
Head Office	1-1, Osaki 2-chome, Shinagawa-ku, Tokyo 141-6025, Japan
TEL	+81-3-6737-2000
URL	https://www.shi.co.jp/english/index.html
Founded	1888
Incorporated	November 1, 1934
Paid-In Capital	¥30,871,651,300

Domestic Offices

Chubu Office	10-24, Higashi-sakura 1-chome, Higashi-ku, Nagoya-shi, Aichi 461-0005, Japan	Tel: 81-52-971-3063
Kansai Office	3-33, Nakanoshima 2-chome, Kita-ku, Osaka-shi, Osaka 530-0005, Japan	Tel: 81-6-7635-3610
Kyushu Office	8-30, Tenyamachi, Hakata-ku, Fukuoka-shi, Fukuoka 812-0025, Japan	Tel: 81-92-283-1670
Tanashi Works	1-1, Yato-cho 2-chome, Nishitokyo-shi, Tokyo 188-8585, Japan	Tel: 81-42-468-4104
Chiba Works	731-1, Naganumahara-machi, Inage-ku, Chiba-shi, Chiba 263-0001, Japan	Tel: 81-43-420-1351
Yokosuka Works	19, Natsushima-cho, Yokosuka-shi, Kanagawa 237-8555, Japan	Tel: 81-46-869-1842
Nagoya Works	1, Asahi-machi 6-chome, Obu-shi, Aichi 474-8501, Japan	Tel: 81-562-48-5111
Okayama Works	8230, Tamashima-Otoshima, Kurashiki-shi, Okayama 713-8501, Japan	Tel: 81-86-525-6101
Ehime Works — Niihama Factory	5-2, Sobiraki-cho, Niihama-shi, Ehime 792-8588, Japan	Tel: 81-897-32-6211
Ehime Works — Saijo Factory	1501, Imazaike, Saijo-shi, Ehime 799-1393, Japan	Tel: 81-898-64-4811
Technology Research Center	19, Natsushima-cho, Yokosuka-shi, Kanagawa 237-8555, Japan	Tel: 81-46-869-2300

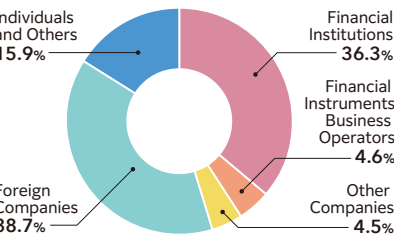
Stock-Related Information

(As of December 31, 2024)

Stock Information

Total Number of Authorized Shares	360,000,000
Shares Outstanding	122,905,481
Number of Shareholders	35,340

Distribution of Shareholders



Note: The number of shares and the shareholding ratio are rounded to the nearest display unit

Major Shareholders

Major Shareholders	Number of shares held (thousands of shares)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	21,071	17.5
Custody Bank of Japan, Ltd. (Trust account)	9,322	7.8
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	7,478	6.2
Sumitomo Life Insurance Company	4,333	3.6
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	3,883	3.2
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	3,769	3.1
Sumitomo Heavy Industries, Ltd. Kyoeikai	3,362	2.8
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	2,943	2.4
STATE STREET BANK AND TRUST COMPANY 505001	2,401	2.0
STATE STREET BANK AND TRUST COMPANY 505103	2,134	1.8

Note: Ownership ratios are calculated less treasury stock (2,659,762 shares). The Company's name is listed as the shareholder of record for treasury stock, but this figure includes 200 shares that the Company in effect does not own.

Share Price Chart



Total Shareholder Return (TSR)

Investment Period	1 Year	3 Years	5 Years	10 Years
	December 2023 ~ December 2024	March 2022 ~ December 2024	March 2020 ~ December 2024	March 2015 ~ December 2024
Sumitomo Heavy Industries	-5.2%	27.0%	92.7%	6.9%
TOPIX	20.5%	52.5%	121.0%	125.1%
TOPIX Sector Index (Machinery)	22.8%	57.4%	142.3%	135.1%

Note: The Company changed its fiscal year-end from March 31 to December 31 starting with the 127th fiscal year (fiscal year ended December 2022). Figures for fiscal years prior to the fiscal year ended March 2022 are based on the share price as of the end of March.

Stock Valuation

	Unit	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Stock price at end of term	(Yen)	3,075	2,818	2,644	3,555	3,245
PBR	(Times)	0.8	0.6	0.6	0.7	0.6
ROE	(%)	5.6	8.5	1.0	5.5	1.3
PER	(Times)	14.1	7.8	56.0	13.3	50.8
Dividend yield	(%)	2.1	4.1	3.4	3.4	3.9
Market capitalization	(Billions of yen)	376.7	345.2	324.1	435.7	390.2

Note: Market capitalization is calculated based on the number of shares issued, excluding treasury shares. For fiscal years up to and including FY2021, the fiscal year-end was March 31.

Recognition from External Organizations

(As of end of June 2025)



FTSE Blossom Japan Index

FTSE Blossom Japan Index



FTSE Blossom Japan Sector Relative Index

FTSE Blossom Japan Sector Relative Index

2025 CONSTITUENT MSCI日本株 ESGセレクト・リーダーズ指数

2025 CONSTITUENT MSCI JAPAN ESG Select Leaders Index



S&P/JPX Carbon Efficient Index



2025 SOMPO Sustainability Index



EcoVadis



CDP



Platinum Kurumin Certification awarded by MHLW



Excellent Enterprise of Health and Productivity anagement 2025



PRIDE Index Gold Award



DX Certification System established by METI [DX Certification]



NIKKEI Sustainable Management Survey - SDGs Edition



NIKKEI Sustainable Management Survey - Smart Work Edition



Sumitomo Heavy Industries, Ltd.