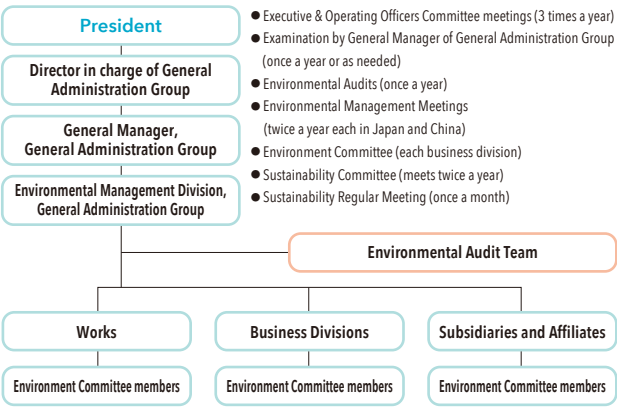


Environmental Initiatives

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



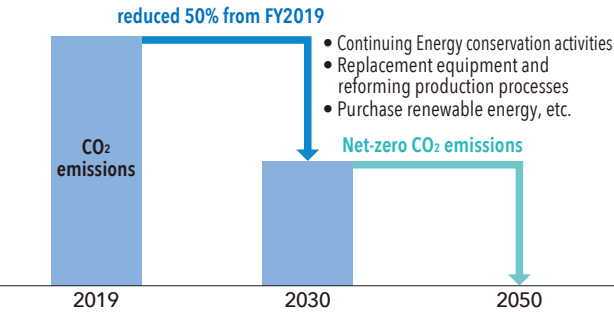
Addressing Climate Change Risks

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.

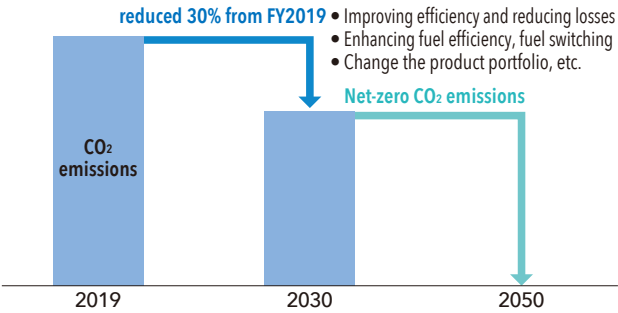
SHI Group's Carbon Neutrality Targets

- ◆ 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

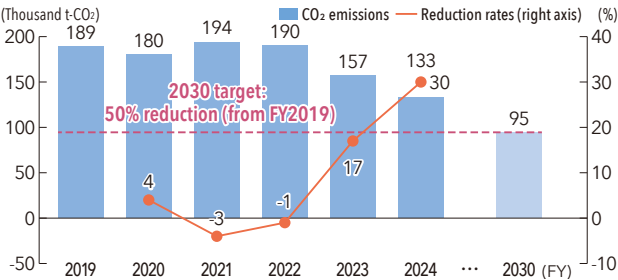


Reducing CO₂ Emissions (Scope 1 and 2)

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]

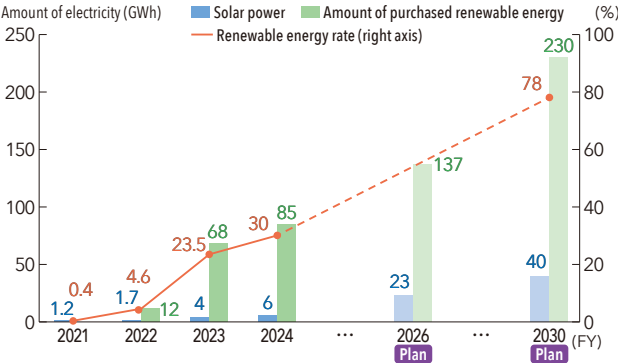
We aim to establish solar power generation facilities with a total capacity of up to 40 GWh by 2030 and plan to invest 3.0 billion yen in capital expenditures during the MTMP26 period.

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.

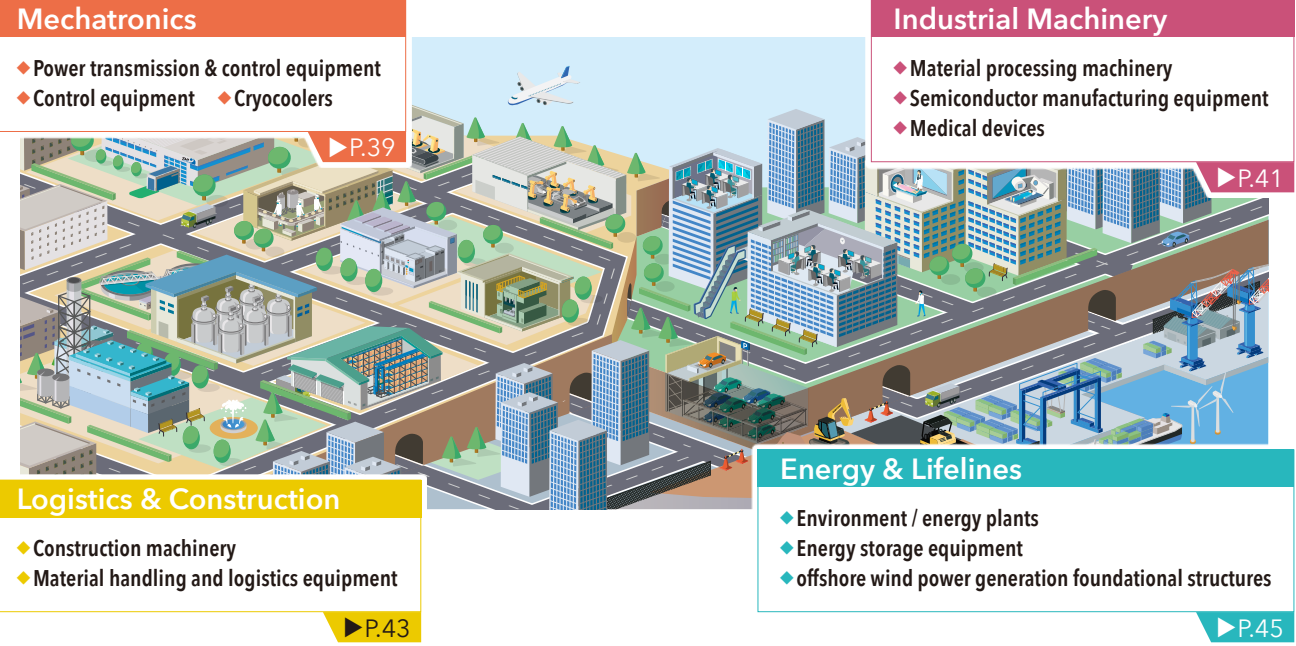
Cross-Group Initiatives

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”)

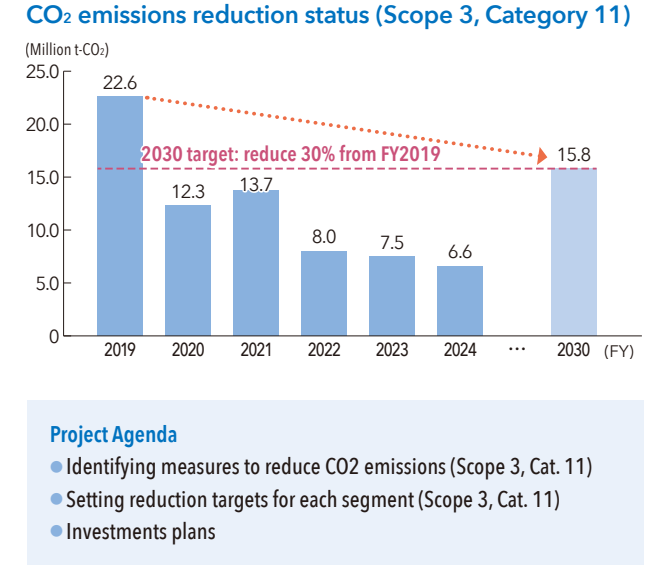
Main Business Areas and Products



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



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		●

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.

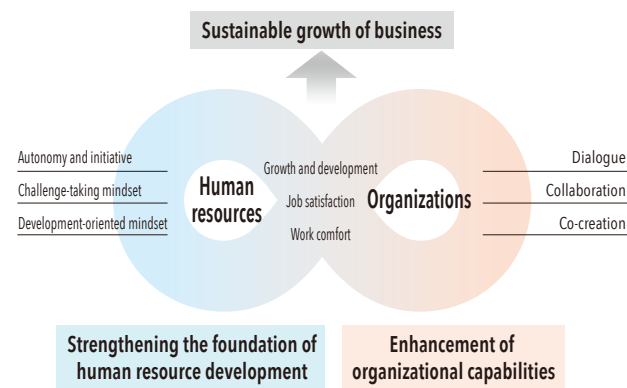
Conversely, the ratios of positive responses in the areas of “employee engagement” and “environment that brings out the best in employees” remain low. This is a reminder of the need to boost the quality and quantity of our efforts toward employees’ stronger sense of belonging to their companies and agency. 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.

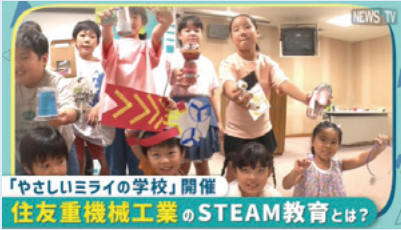
Promoting STEAM Education through the “School for a Compassionate Future” Workshop

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)