Overview of Our Medium-Term Management Plan

Basic Policy and Key Framework

- We were behind on the three key issues identified in the MTMP26, which resulted in recent underperformance. We therefore revised the targets in February 2025.
- As we are urged to achieve the revised MTMP targets, improving the profitability of our core businesses and semiconductor equipment business has become an urgent priority.

Concept of long-term policy

Increase corporate value in a sustainable manner by solving social issues through products and services

2021-2023	2024-2026	2027-2029	2030
Lay groundwork for solving social issues	Build a business portfolio to solve social issues: Regarding deepening and exploration, engage in further practice	Build a business portfolio to solve social issues: Final phase toward "Our Ideal State"	Realize our ideal state

Basic policy	Develop a robust entity		
Key issues	01 Improve profitability	･･･Strengthen profitability through deepening, and implement a management approach that prioritizes profit	Deepening
	02 Enhance capital efficiency	･･･Thoroughly implementing an ROIC-based management approach	Deepening
	03 Strengthen new business exploration	･･･Identify business opportunities through exploration	Exploration

Basic strategy

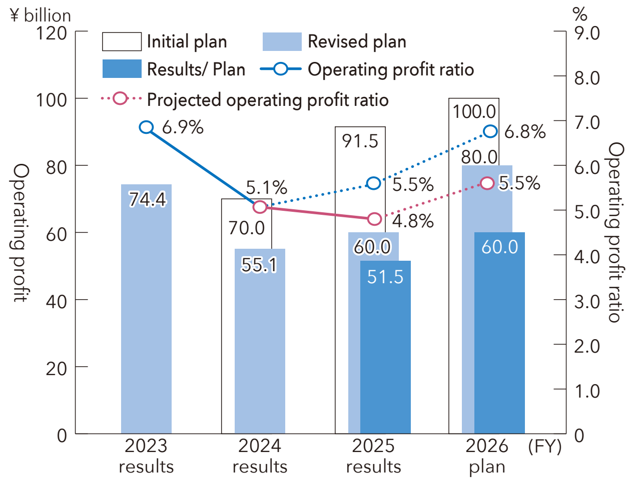
Improve profitability, enhance capital efficiency, and strengthen exploration from both corporate and segment perspectives

Corporate strategy
- Promote business portfolio reformation
- Capital policy
- Strengthen new business exploration functions
- Strengthen the business base (sustainability, human capital, and DX)

Segment strategy
- Strengthen profitability through deepening
- Identify business opportunities through exploration
- Pursue synergies
- Streamline segment organizations

- Changes in the business environment and outlook for MTMP26

Deviations from the initial premises of the business environment	
Businesses in Europe	•Our electric control business saw a decline in production due to supply restrictions resulting from US tariffs. •While the EV demand is on a recovery trend, the projected demand declined due to uncertain outlook, continuing to affect our plastics machinery business.
Semiconductor Business	• Due to sluggish investment demand for semiconductors for non-AI applications and power semiconductors, the recovery in Ion implanter and superconducting magnets for MCZ remained slow. •While the Chinese market is beginning to show signs of recovery, the country is increasingly shifting to domestic production. •The image sensor market is projected to recover in late 2026 or later.
Excavator Business	•Machine utilization in Japan remained unchanged, with the market still saturated. •Shipments declined in 2025 as distributor inventories in the U.S. remained elevated. From 2026, the impact of tariffs has intensified, dampening purchase sentiment and weighing on demand.



Summary of Business Restructuring

While improving profitability and reducing capital investment through business restructuring, we will concentrate management resources in growth domains with the aim of improving our ROIC and ROE.

Revitalize the organization by improving profitability and rebalancing our workforce age profile

Core business restructuring DT-SBU, PS-SBU, Construction Equipment SBU, HSC-SBU, Head Office divisions	•Execute human resource measures · Offer a voluntary retirement program · Review the renewal of reemployment contracts for employees aged 65 or older
	•Review our production system in line with revised demand projections •Restructure production sites in Japan/ overseas, etc.
Business portfolio reformation	•Execute from the perspectives of capital efficiency and strategic fit
Asset sales	•Sell securities •Dispose of idle land

Concentrate management resources in growth domains

FY2025 Results

Operating profit	¥51.5 billion
ROIC	4.2%
ROE	4.7%

FY2026 Outlook

Operating profit	¥60.0 billion
ROIC	4.8%
ROE	5.0%

Progress on KPIs for Strategic Challenges

- Changes in the external environment have caused delay in improving profitability and capital efficiency.
- The initiative to strengthen the profitability of the gear business, the electric control business, and the plastics machinery business has been progressing mostly as planned.
- In particular, improving the profitability of the semiconductor equipment business and the excavator business is an urgent priority. We will therefore accelerate priority initiatives while carrying out business restructuring, including staffing measures

	Strategic Challenges		KPI	Metrics	2026 Plan (As of February 2025)	2026 Projection (February 2026)	Progress
Corporate	Improve profitability	Strengthen profitability through deepening, and implement a management approach that prioritizes profit	Operating profit ratio	Operating profit ratio	6.8%	5.5%	×
				Operating profit	¥80.0 billion	¥60.0 billion	
		Promoting businesses whose strategies are being rebuilt	Formulating and executing reform plans	Progress (%)	100%	100%	○
	Enhance capital efficiency	Promoting ROIC-based management	ROIC	ROIC	7.0%	4.8%	×
	Growing in key investment business areas		Expanding sales of the semiconductor business	Sales	¥117.2 billion	¥86.3 billion	×
Mechatronics	Strengthening the profitability of underperforming businesses		Improving the operating profit ratio of the gear business	Operating profit ratio	9.7%	9.2%	△
			Expanding orders for the electric control business	Orders	¥45.6 billion	¥46.8 billion	○
Industrial Machinery	Strengthening the profitability of underperforming businesses		Improving the operating profit ratio of plastics machinery	Operating profit ratio	6.3%	6.0%	△
Logistics & Construction	Strengthening the profitability of the core businesses		Expanding orders for the excavator business	Orders	¥260.0 billion	¥215.0 billion	×

*Progress rating: ○-Achieved, △-Slightly behind, x-Behind

Business Portfolio and Challenges to Address (Progress Status)

● We will rebuild strategies for low-growth, underperforming businesses and concentrate management resources on four key investment business areas that are expected to grow, with the aim of expanding our business.

Key investment business areas

Business scale

Total net sales: approximately ¥340.0 billion

- Growth in the robotics/automation field
- Growth in the semiconductor field
- Growth in the advanced medical devices field
- Growth in the environment/energy field

Underperforming businesses

Business scale

Total net sales: approximately ¥450.0 billion

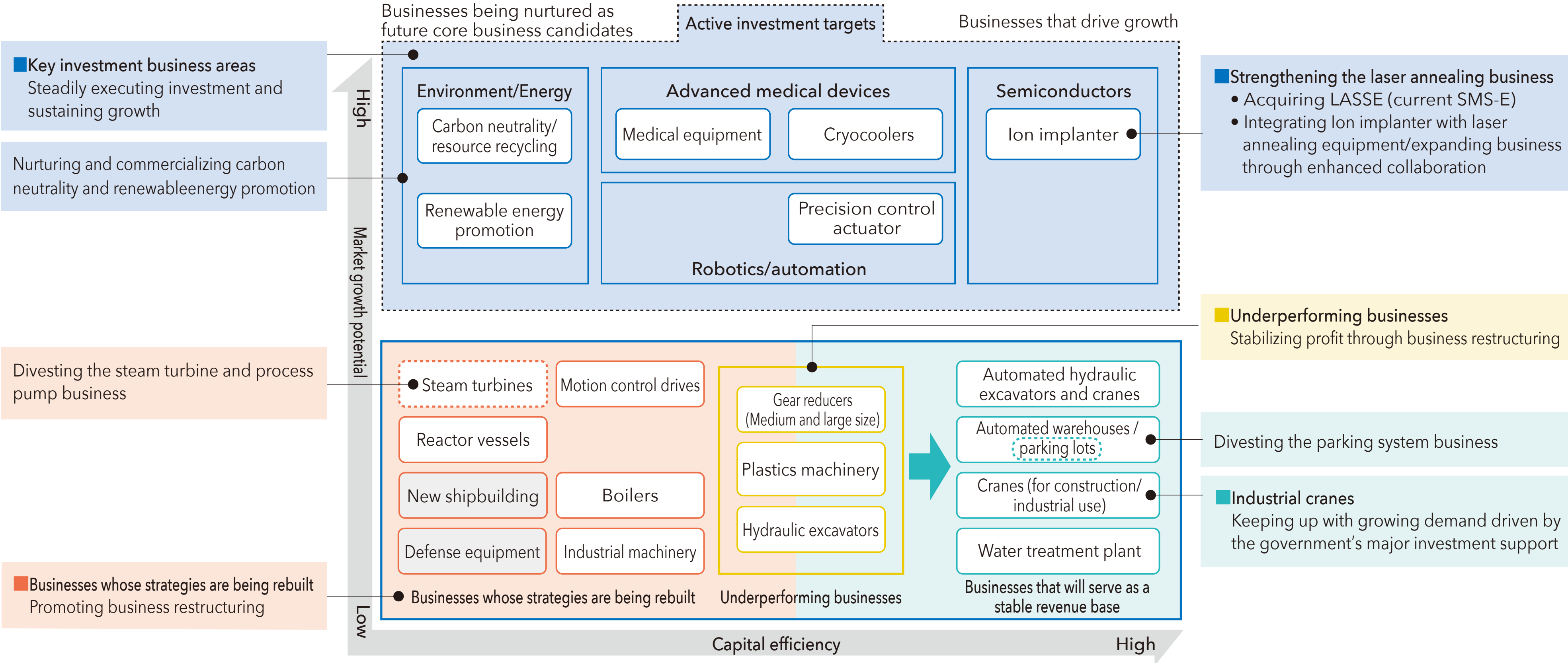
- Improving the operating profit of the gear business
- Expanding orders for the electric control business
- Improving the operating profit of plastics machinery
- Improving the operating profit of the excavator business
- Restructuring European businesses

Businesses whose strategies are being rebuilt

Business scale

Total net sales: approximately ¥120.0 billion

- Accelerating portfolio management (steam turbines, reactor vessels, boilers, industrial machinery, motion control drives)



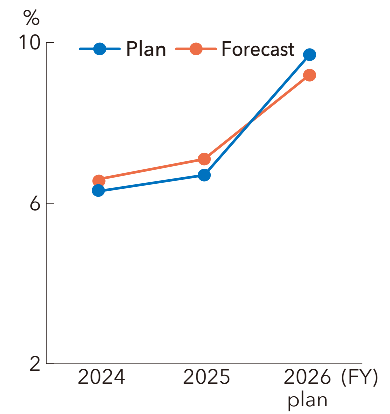
Business Portfolio and Challenges to Address (Progress Status)

● We will resolutely restructure our underperforming businesses and strengthen profitability.

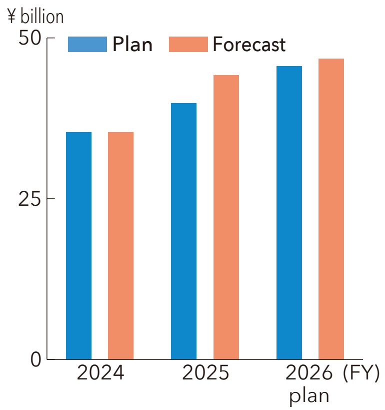
Segment	Mechatronics		Industrial Machinery	Logistics & Construction
SBU	Drive Technologies SBU (DT-SBU)	Drive Technologies SBU (DT-SBU)	Plastics Solutions SBU (PS-SBU)	Construction Equipment SBU
KPI	Improving the operating profit ratio of the gear business	Expanding orders for the electric control business	Improving the operating profit ratio of plastics machinery	Expanding orders for the excavator business
Progress in 2025	● Earnings are on an improving trend due to integration and discontinuation of models, price revisions, and withdrawal from unprofitable deals	● The collaboration between LSPA* and IDL* has allowed us to increase sales synergy and expand into new markets, putting us on track to achieve the plan.	● In addition to discontinuing inefficient models, we restructured our Chiba Works based on demand assumptions. ● PS-SBU as a whole achieved its plan, while Europe fell short. Therefore, SDG* is currently exploring additional measures.	● Japan fell short of the plan due to lower rental demand. ● For North America, distributor inventories remained elevated amid intensifying competition. The region fell far short of the plan and saw its share decline due to inadequate sales promotion measures.

Plan and Forecast

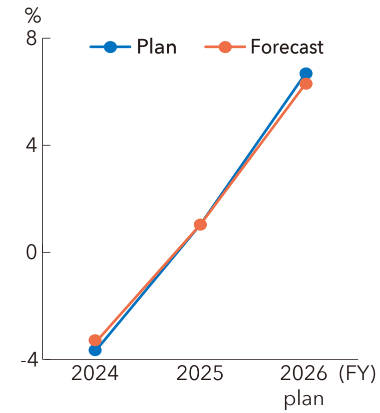
Gear business (Operating profit ratio)



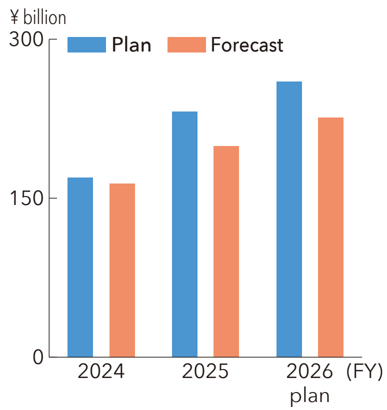
Electric control (orders)



Plastics machinery (operating profit ratio)



Hydraulic excavators (orders)



* LSPA: Lafert S.p.A IDL: Invertek Drives Ltd. SDG: Sumitomo (SHI) Demag Plastics Machinery GmbH

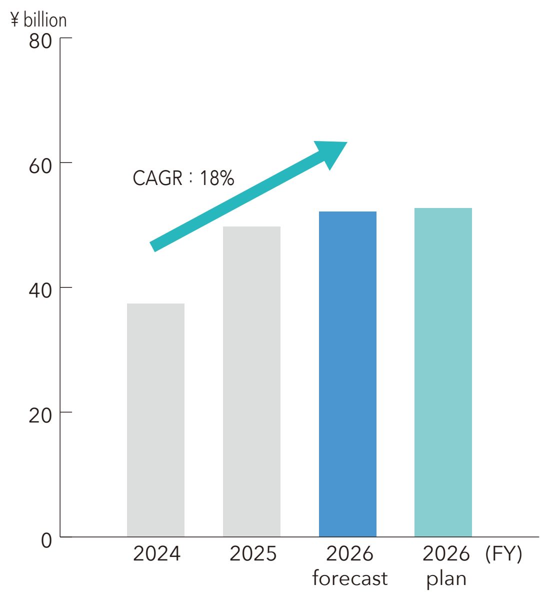
Promoting Reform for Businesses Whose Strategies Are Being Rebuilt

● As part of our initiative to reform our portfolio, we decided to divest our steam turbine and process pump business and our parking system business.

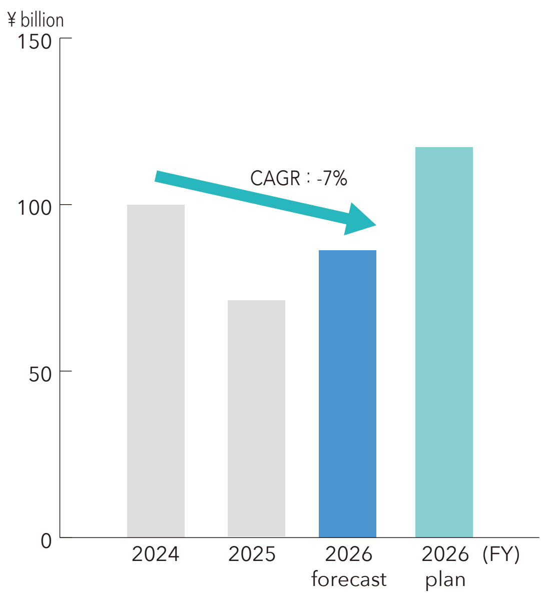
Business and Model	Product Overview	Actions Taken
Steam Turbines and Process Pumps	Steam turbines  Process pumps 	Concluded a share transfer agreement to transfer all the outstanding shares of Shin Nippon Machinery Co., Ltd. ("SNM"), which manufactures and sells steam turbines and process pumps, to Torishima Pump Mfg. Co., Ltd. **Background and expected impact** • Invest proceeds from the divestiture of SNM in businesses that drive growth and in businesses under development that will produce future core models • Concluded that Torishima Pump Mfg. Co., Ltd. is the best owner, as it holds a leading global share in the water pump segment • Scale of business to be divested: net sales ¥20.0 billion (FY2025) • Number of employees to be transferred: 530 • Divestiture scheduled for July 2026
Parking Systems	Parking system (Sumi Park Ace) 	Concluded an absorption-type company split agreement, under which the parking system manufacturing and sales business of Sumitomo Heavy Industries Material Handling Systems Co., Ltd. ("MH") will be succeeded by IHI Transport Machinery Co., Ltd. **Background and expected impact** • IHI Transport Machinery Co., Ltd. is a leading Japanese player in parking systems, and the transfer will strengthen the business foundation and contribute to the development of the industry. MH will shift management resources to other businesses such as cranes, aiming to become an even more highly profitable business entity. • Scale of business to be divested: net sales ¥8.0 billion (FY2025) • Number of employees to be transferred: 90 • Divestiture scheduled for November 2026

Growth in Key Investment Areas: Progress Status

Robotics/automation field: sales over time



Semiconductor field: sales over time



Progress in MTMP26

Robotics/automation field

The CAGR from 2024 to 2026 is expected to be approximately 18%, broadly in line with the plan.

Semiconductor field

Despite growth in advanced semiconductors for AI and other applications, rapid changes in the Chinese market, delayed market recovery, and other factors have affected the semiconductor equipment business. As a result, the business fell far short of the plan.

- Acquired LASSE (current SMS-E)
- Currently augmenting our production system to keep up with strong inquiries for our laser annealing equipment for advanced and other fields

Advanced medical devices field **Environment/energy field**

Roughly in line with the plan

Priority Initiatives Implemented in the Mechatronics Segment

Segment profit	MTMP for fiscal year ending December 2026: ¥24.0 billion	Forecast for fiscal year ending December 2026: ¥22.0 billion	Assessment of the current situation	• In the gear motor business, efforts to strengthen profitability have seen some delay in cost pass-through, while we continue to strengthen and expand our service business. • Precision positioning equipment faced headwinds as semiconductor deals for PCs and smartphones stalled. We are currently advancing efforts to win business with a targeted major US customer.

	Priority initiatives	Progress	Progress rating
Key investment areas			
Electric control, robotics/ automation (DT-SBU)	● Expand business with a focus on saving energy and improving efficiency in the transportation and logistics market	● Even though the development of gear motors with decentralized-control inverters for the transportation and logistics market was delayed, we are currently acquiring customers globally.	△
	● Expand the small precision module business	● Currently developing products and acquiring lighthouse customers	△
Semiconductor (component) (AT-SBU)	● Expand the new precision positioning equipment market	● Began evaluation of our precision positioning equipment at a targeted US customer	○
	● Establish a semiconductor sub-system component development center in the US and accelerate acquisition of global top-tier customers	● Established a US development center in November 2025, finished installing the equipment for evaluation, and began approaching global top-tier customers	△
Foundational business area			
Medium and large-sized gear reducers (DT-SBU)	● Strengthen services to meet replacement demand, propose drop-in solutions, and enhance the capabilities of gear motor products with high-efficiency motors	● Reviewed the Japanese service system, strengthened E/U activities, and promoted global distribution of drop-in solutions	○
	● Consolidate models	● Integrated and discontinued models, revised prices, and withdrew from unprofitable deals and customers	△

*Progress rating: ○-Achieved, △-Slightly behind, x-Behind

Priority Initiatives Implemented in the Industrial Machinery Segment

Segment profit	MTMP for fiscal year ending December 2026: ¥22.0 billion	Forecast for fiscal year ending December 2026: ¥8.0 billion	Assessment of the current situation	• Ion implanter and superconducting magnets for MCZ are facing headwinds due to sluggish demand in segments other than AI semiconductors. • Although we restructured the plastics machinery business, the European market is showing slower recovery than expected.

	Priority initiatives	Progress	Progress rating
Key investment areas			
Semiconductor (MS-SBU)	● Develop differentiating products and augment production capabilities to increase the sales of Ion implanter	● In 2025, sales dropped significantly due to decline in demand for image sensors and power semiconductors. In 2026, demand is expected to grow in the logic segment.	×
	● Expand into new segments—memory and logic— while distributing Ion implanter to European and US customers and promoting future development	● Newly established the Semiconductor Business Development Dept. in January 2026, began activities to increase the production of laser annealing equipment, and advanced engagement with new customers and joint development of equipment (Ion implanter, laser annealing equipment)	○
Advanced medical devices (MQS-SBU)	● Implement expansion strategies for proton therapy equipment (superconducting type) and BNCT (next-generation high-current type)	● In proton therapy, earnings deteriorated as a result of delays in construction progress, while BNCT was affected by delays in order intake. An order was received for CyBeam No. 2, a next-generation proton therapy system, and an order for No. 3 is expected in FY2026. For BNCT, No. 4 is scheduled to begin treatment in 2026 and No. 5 was ordered in 2025, with two additional orders anticipated in 2026.	△
Foundational business area			
Plastics machinery (PS-SBU)	● Consolidate models and reform business processes	● Production of 22 models was discontinued by the end of 2025 (one year ahead of schedule).	○
	● Implement additional rebuilding measures	● Revised demand forecast downward, and began restructuring works and their functions as well as the sales systems and organization	○
	● Restructure SDG	● While we are progressing in line with our initial plan, we are exploring additional measures in anticipation of sharper-than-expected drop in demand.	△

*Progress rating: ○-Achieved, △-Slightly behind, x-Behind

Priority Initiatives Implemented in the Logistics & Construction Segment

Segment profit	MTMP for fiscal year ending December 2026: ¥27.0 billion	Forecast for fiscal year ending December 2026: ¥19.0 billion	Assessment of the current situation
			• We are currently promoting the development of advanced technologies, including electrification, remote control, automation, and DX, to address social issues. • Profit declined on lower volumes, reflecting weaker domestic demand for mobile cranes and hydraulic excavators, as well as intensifying competition for hydraulic excavators in North America.

	Priority initiatives	Progress	Progress rating
Key investment areas			
Robotics/automation (segment)	● Establish a development center for this segment	● Added development center staff. Newly established a development department for DX, etc.	○
	● Accelerate shared development in electrification, remote control, automation, DX, etc. (13.5-ton electric excavators, etc.)	● Exhibited a 13.5-ton electric excavator at CSPI-EXPO2025 (International Construction & Survey Productivity Improvement Expo) and released ASTRA1.0, which automates road machinery	○
Foundational business area			
Construction machinery (Construction Equipment SBU) (HSC Cranes SBU)	● Differentiation and improved profitability through introduction of new models	● Gradually introduced new models of hydraulic excavators in major Japanese and U.S. markets to stimulate demand	×
	● Build an optimal production system leveraging Yokosuka Works	● Production to begin in FY2027; full-scale production postponed to FY2028	△
Logistics machinery (Material Handling Systems SBU)	● Develop differentiating products through automation and carbon neutrality (ARTG)	● Delivered FC fuel-replacement-type ARTGs* to the Port of Tokyo	○
	● Increase added value of services through DX (SIRMS®)	● The cumulative number of SIRMS-equipped units rose to 56.	○
	● Capture shipbuilding demand and develop new markets	● Currently reducing design workload through standard proposals while actively channeling resources and planning to strengthen production capabilities to meet growing shipbuilding demand	○

*Progress rating: ○-Achieved, △-Slightly behind, x-Behind

*ARTG: Automatic Rubber Tired Gantry crane

Priority Initiatives Implemented in the Energy & Lifeline Segment

Segment profit	MTMP for fiscal year ending December 2026: ¥7.0 billion	Forecast for fiscal year ending December 2026: ¥8.0 billion	Assessment of the current situation
			• Nurturing and commercialization of the carbon neutrality and renewable energy promotion business are progressing as planned. • The restructuring of the boiler business is largely on plan, and the service business is also growing through enhanced capabilities and a broader menu of proposals.

	Priority initiatives	Progress	Progress rating
Key investment areas			
Carbon neutrality/resource recycling (segment) (Energy & Environment SBU)	● Verify and evaluate carbon capture technology	● Completed the CO_2 separation and capture test in the EU; a FEED study for a commercial-scale unit is underway	○
	● Demonstrate biomass gasification-to-SAF production	● Participated in a NEDO demonstration project for gasification-to-SAF production; selected for a NEDO feasibility study on the Sakata carbon recycling project	○
	● Conduct a demonstration project for carbon fixation from unutilized biomass	● Finished demonstration of biochar production using various feedstocks	○
Renewable energy promotion (Energy & Environment SBU) (Marine & Steel Structures SBU)	● Start commercial operation of the LAES demonstration facility by the end of FY2025	● Began demonstration operation in December 2025 jointly with Hiroshima Gas Co., Ltd.	○
	● Strengthen sales capabilities to commercialize foundational Offshore Wind Foundations	● The first round to be re-tendered; currently preparing quotations to win orders in the second round	△
Foundational business area			
Energy plant (Energy & Environment SBU) Process machinery/plant (PP-SBU) Service (segment)	● Restructure the boiler business	● Implemented additional fixed cost measures in line with the operating volume	△
	● Promote boiler fuel switching modification (TMU)	● Order intake for TMU projects was delayed; strengthened response through a dedicated organizational structure	△
	● Expand the process machinery, water treatment, and food machinery businesses	● Sales plan exceeded thanks to an increase in orders	○
	● Expand the service business and strengthen collaboration within the segment	● Sales in the service business grew, driven by collaboration among business units	○

*Progress rating: ○-Achieved, △-Slightly behind, x-Behind

Mechatronics Segment

Senior Vice President
General Manager, Mechatronics Segment, General Manager, Advanced Technologies SBU
Chie Okamoto

Message from Segment General Manager

What distinguishes the Mechatronics Segment is its unmatched ability to expand globally with components at its core. By leveraging the overseas network and local talent we have cultivated over many years, we will continue to pursue sustainable growth while committing to expanding our global market share.

Our range of components built around three core functions—moving, cooling, and controlling—will help address social issues across a wide range of applications and customers' equipment. In addition, as our Group's flagship mass-production business, we will seek to further advance our manufacturing capabilities and build an organization that is resilient to changing demand. Furthermore, by leveraging our extensive global installed base, we will focus on expanding our service business grounded in customer value, thereby enhancing our profitability and global presence.

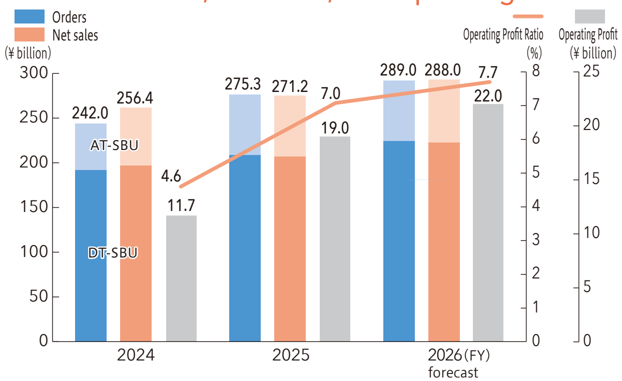
FY2025 Results

In FY2025, orders benefited from a recovery in domestic and overseas demand for gear reducers, while for motors and inverters, inventory adjustments at European customers ran their course. In addition, the increased semiconductor-related demand for cryocoolers resulted in orders of ¥275.3 billion, up 13.8% year on year. Net sales were ¥271.2 billion, up 5.8% year on year, as each business unit achieved higher revenue driven by the increase in orders. Operating profit, driven primarily by the higher revenue, reached ¥19.0 billion, up 62.4% year on year, and the operating profit ratio was 7.0%, up 2.4 percentage points year on year.

FY2026 Forecast

In FY2026, orders are expected to reach ¥289.0 billion, up 5.0% year on year, underpinned by robust demand in the US and Europe for gear reducers and electric and control devices, recovery of the Japanese market, as well as growing demand related to AI semiconductors. Net sales, driven partly by growing orders and price revisions, are projected to reach ¥288.0 billion, up 6.2% year on year. Thanks to an increase in revenue and the effect of business restructuring, operating profit is expected to increase 15.8% year on year to ¥22.0 billion, and the operating profit ratio to recover by 0.7 percentage points to 7.7%.

Historical Orders, Net Sales, and Operating Profit



FY2025 Business Performance by SBU

DT-SBU [Gear reducers, electric and control devices]

In the gear reducer business, we made rigorous efforts to improve productivity through consolidation and discontinuation of our model lineups, curb inventory, and pass higher material costs on to prices. In electric and control devices, we consolidated production sites to improve profitability, and accelerated the development of control devices integrated with gear motors with the aim of promptly introducing them to the market. In services, we flexibly addressed replacement demand for both in-house and third-party products to expand our business.

CYCLO®Drive

Lafert products

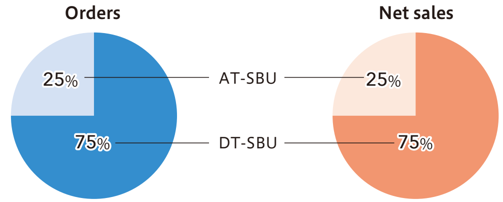
AT-SBU [Cryocoolers, cryopumps, stages, vacuum robots]

In MRI and medicine, low-helium MRI systems are increasingly being deployed in regions where such equipment was previously scarce. This has generated new demand, which continues to grow. In physical and chemical research, the US curbed research budgets, leading to concerns that orders might be delayed or postponed. However, public-sector investment primarily in the quantum and alternative energy fields has sustained demand for cryocoolers. The semiconductor field saw an increase in front-end investment amid growing AI-related demand, and demand for cryopumps, vacuum robots, and precision positioning stages grew.

4KGM Cryocoolers

Cryopump

Orders and Sales Mix by SBU (FY2025)



Business Strategies

In the electric and control/robotics and automation area, we will mainly enhance our measures for 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 reach major global customers.

● Electric and control/robotics and automation

In transportation and logistics, which is one of the key markets for our gear reducer business, the required functions are growing more sophisticated. We aim to leverage our strengths in electric and control/robotics and automation to enhance our measures.

● Semiconductor and advanced technology components

We will globally pursue synergies in sales and services with precision positioning stages, cryopumps, and vacuum robots. 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 meeting needs in cutting-edge fields, including generative AI and power semiconductors.

Investor FAQ

Q1 (DT/AT) Which products in the current business portfolio are expected to drive growth going forward? And why?

A Building on our stable revenue base underpinned by gears and motors, we are further refining our inverter-centered drive system with the aim of creating value sustainably. Amid the growing momentum toward decarbonization and energy saving, control technology serves as a core element that addresses social issues and contributes to customer value. By systematizing our products and rolling out our services, we will strengthen our ability to adapt to the growing market and enhance corporate value over the medium to long term.

Q2 (DT) In competing with overseas manufacturers, what kind of strengths has the Company demonstrated and what kind of challenges is it facing?

A Our comprehensive in-house drive technology, covering gears, motors, and inverters, together with our highly reliable and durable products, has allowed us to build a stable installed base in the industrial space. Meanwhile, progress in decarbonization and automation has heightened the importance of system value, including control devices and software. By advancing to an inverter-centered drive system and strengthening our ability to expand globally, we will address social issues and drive corporate value over the medium to long term.

Q3 (DT) The profitability of the gear reducer business is on a recovery trend. What is your assessment of this situation? What are the key factors to sustain and further enhance the situation?

A We believe that the profitability of our gear reducer business improved not because of temporary market conditions or increased production, but rather as a result of an improvement in the quality of our business structure itself. Our initiatives—revising prices, consolidating and discontinuing model lineups, curbing fixed costs, and reducing costs—are beginning to produce combined effects, bringing us into a phase of reasonably sustainable improvement.

Q4 (AT) In the cryogenics business, what is your outlook for demand trends in the MRI and semiconductor space over the medium to long term?

A For the cryogenics business, demand is expected to grow over the medium to long term. Demand for MRI cryocoolers is expected to remain flat in developed countries, where replacement needs predominate. However, we anticipate growth in new markets, driven by local shortages of MRI systems and demand for low-helium systems. Demand for cryopumps and vacuum robots is projected to grow in the semiconductor field, where AI-driven demand has sustained front-end investment. In addition, growth in fields such as quantum technology and alternative energies like hydrogen is expected to generate medium- to long-term growth opportunities for cryocoolers, including those in the high-temperature range.

Business Opportunities and Strengths in Key Investment and Foundational Business Areas

	Key Investment Areas		Foundational Business Areas
	Electric and control/robotics and automation	Semiconductor and advanced technology components	Gear business
Strengths	● Modular system proposals leveraging a wide range of products ● Global sales network	● Strong trust from global leaders in semiconductors ● Advanced high-precision technologies ● Deep knowledge about customer applications	● Wide range of product lineups and high quality ● Customer base that spreads across industrial fields ● Global production/sales network
Business Opportunities	● Increased demand 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	● Demand increases in new areas, including generative AI and power semiconductors, and accompanying changes in demand for each device ● Energy conservation ● Increased demand for precision positioning stages and vacuum robots, driven by acceleration of semiconductor miniaturization and three-dimensional packaging ● Demand increasing for energy- and helium- saving measures in medical systems	● 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

Industrial Machinery Segment

Senior Vice President
General Manager,
Industrial Machinery
Segment
Hiroyuki Tominaga

Message from Segment General Manager

The Industrial Machinery ("IM") Segment helps drive the value of the SHI Group through both strategic businesses that leverage cutting-edge technologies and core businesses that sustain stable profit. In growth areas such as Ion implanter and medical equipment, we will seek to maximize the value of our products and services by combining the high technological and service-proposal capabilities cultivated through our made-to-order products with our systems for quality, cost management, and after-sales service refined through mass-production models. We view the shift to the SBU structure as an opportunity to accelerate resource allocation and investment decisions across business units and to enhance our service businesses. In our core businesses, we will thoroughly streamline our product lineup and reinforce profit-and-loss management, while building a robust business foundation that generates stable revenue throughout the product lifecycle. In addition, by encouraging diverse talent to take on new challenges, we will drive sustainable growth and strengthen our competitiveness, thereby evolving into an even more appealing IM Segment.

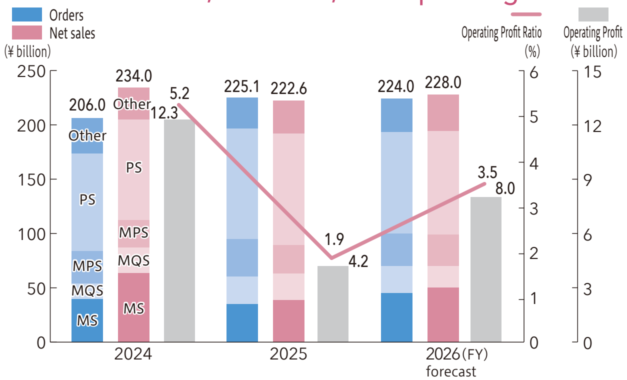
FY2025 Results

In FY2025, orders increased 9.3% year on year to ¥225.1 billion, driven by higher orders for plastics machinery and advanced medical devices. On the other hand, despite increased orders for plastics machinery, the lower order backlog for Ion implanter weighed on net sales, which came in at ¥222.6 billion, down 4.9% year on year. Operating profit fell 65.9% year on year to ¥4.2 billion, primarily due to lower sales of Ion implanter, and the operating profit ratio was 1.9%, down 3.3 percentage points year on year.

FY2026 Forecast

In FY2026, orders for Ion implanter are expected to increase 27.8% year on year, due to a partial resumption of customers' capital investment. However, assuming a reactionary decline in orders for plastics machinery, we project total orders to decrease slightly year on year to ¥224.0 billion. On the other hand, net sales are expected to reach ¥228.0 billion, up 2.4% year on year, driven primarily by increased orders for Ion implanter. Operating profit is projected to grow 90.5% year on year to ¥8.0 billion, driven by higher revenue as well as the restructuring of the plastics machinery business in Europe, among other factors, and the operating profit ratio to reach 3.5%, up 1.6 percentage points year on year.

Historical Orders, Net Sales, and Operating Profit



FY2025 Business Performance by SBU

MS-SBU [Ion implanter, laser annealing equipment]

Semiconductor manufacturing equipment (Ion implanter and laser annealing equipment) saw sluggish orders and sales both in Japan and overseas, due to delays in customer capital investment in the non-AI semiconductor field, particularly weak demand for power semiconductors.

Ion implanter

MQS-SBU [Medicine, advanced medical devices]

In advanced medical devices, we received orders for CyBeam No. 2, next-generation proton therapy systems and BNCT No. 5. Both orders and sales of superconducting magnet for MCZ decreased due to delayed recovery of wafer manufacturers.

BNCT

MPS-SBU [Forging presses, forging blades]

In blades for aircraft jet engines, both orders and sales performed well, underpinned by strong demand in the aircraft market. However, forging presses faced a slowdown in the EV market, and both orders and sales remained sluggish.

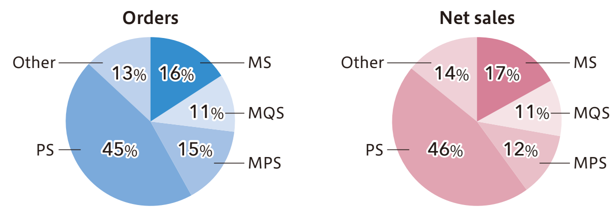
Engine blades

PS-SBU [Plastics machinery]

In plastics machinery, both orders and net sales in the Asian market—particularly the strong Chinese electrical and electronics market—recovered, whereas the European market faced sluggish demand due to the uncertain macroeconomic outlook.

Plastics machinery

Orders and Sales Mix by SBU (FY2025)



Business Strategies

In the Ion implanter business, we newly established the Semiconductor Business Development Dept. in January 2026. Through this department, we will increase production of laser annealing equipment and drive expansion into new areas such as memory and logic to grow the business. In the advanced medical devices business, we aim to further strengthen our competitiveness by winning orders for proton therapy systems and BNCT systems and by expanding the range of applicable areas. By enhancing our services across business units, we will work to reinforce the foundation for stable profit and improve our profitability.

● Ion implanter

Ion implanter for power semiconductors (SMS*)

✓ Complete high-temperature implantation technology

Next-generation Ion implanter (SMS*)

✓ Complete the development of equipment for the memory market and conduct customer evaluations

Laser annealing equipment (SMS-E*)

✓ Currently advancing bundled proposals with Ion implanter for major semiconductor customers in the Americas and Europe

*SMS: Sumitomo Heavy Industries Material Solutions Co., Ltd.
*SMS-E: Sumitomo (SHI) Material Solutions Europe SASU (formerly LASSE)

● Advanced medical devices

Proton Therapy Systems

✓ Secure orders for the next-generation proton therapy system CyBeam

BNCT systems

✓ Expand scope of application to deep-seated cancers through the next-generation high-current BNCT system

● Services

Plastics machinery

✓ Focus on modification sales deals

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

Ion implanter (SMS)

✓ Establish a global service system

Advanced medical devices

✓ Strengthen service business for new orders, and increase major update and upgrade orders

Business Opportunities and Strengths in Key Investment and Foundational Business Areas

	Key Investment Areas		Foundational Business Areas
	Semiconductor-related	Advanced medical devices	Plastics machinery
Strengths	● 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	● Increase presence by introducing the next-generation proton therapy system CyBeam ● Introduce the BNCT system to overseas markets	● Advanced technology that reduces molding defect rates and save energy ● Strong organizational capabilities for helping customers solve problems
Business Opportunities	● 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	● Robust project pipeline mainly in Asia ● BNCT systems continue to command high levels of interest, and standards and guidelines are being established both in Japan and overseas.	● Increased demand for products that reduce weight of end products or contribute to achieving carbon neutrality ● Expansion of market opportunities due to progress in electrification

Investor FAQ

Q1 (MS-SBU) What are your key expansion and growth strategies for devices, semiconductor manufacturing processes, etc.?

A In addition to CIS, which has traditionally accounted for a large market share, we are introducing a variety of newly developed devices suited to each region in order to acquire new customers. We are also cross-selling Ion implanter and laser annealing equipment to expand our sales regions while deepening our market penetration through a range of devices.

Q2 (MQS-SBU) This is one of the key investment areas. Tell us about products that drive growth and their future outlook.

A As growth drivers, we are strengthening our BNCT (Boron Neutron Capture Therapy) systems and perovskite solar cell (PSC) coating equipment, which we are developing using our distinctive technology.

Q3 (MPS-SBU) What is the future outlook for your forging blades, one of your core products?

A For blades for aircraft jet engines, we expect annual growth of 5% or higher to continue, underpinned by the growing number of aircraft delivered, advancing engine performance, and innovation in materials technology, among other factors.

Q4 (PS-SBU) What are your strategies for Japan, China, Asia, and Europe?

A For Japan, we aim to enhance molding solutions through our system proposal capabilities. For China, where precision requirements for molded products in the electrical and electronics sector are rising, we will focus our efforts on high-margin markets. For Asia, we will strengthen our response to transplant demand from China in the electrical and electronics industry. For Europe, we will stimulate demand for high-end electric machines in the container and medical markets.

Logistics & Construction Segment

Director
Executive Vice President
General Manager, Ehime Works
General Manager, Logistics & Construction Segment
Haruhiko Tsuzuki

Message from Segment General Manager

Our mission is to continue delivering high value to our customers by incorporating our competitive motion control technology into our product lineup—providing high operability and fuel efficiency as well as safety and comfort—and by continuing to evolve our post-delivery services. Under our next medium-term management plan, we will clarify our target markets and then shift our business model from “selling machinery” to “delivering value and experiences through machinery.” In addition, we will position segments where we can expand the fan base for the SUMITOMO, HSC, and Link-Belt brands as key markets, and seek to maximize LTV (Life Time Value) in those markets. To that end, we aim to build a business structure that can consistently secure an operating profit ratio of 10% or higher by developing frameworks that incorporate SDV (Software Defined Vehicle)-like concepts and by changing our value proposition in line with customers’ priority challenges.

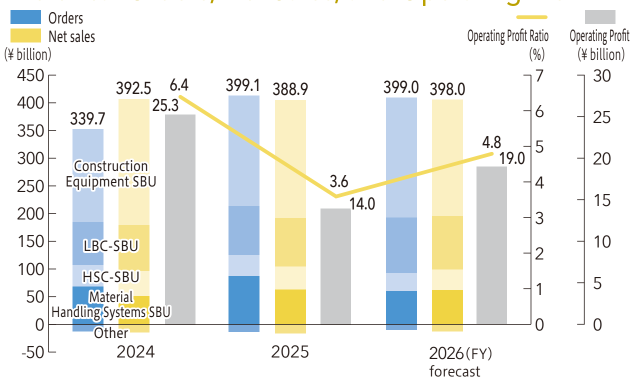
FY2025 Results

In FY2025, orders grew 17.5% year on year to ¥399.1 billion, fueled primarily by a last-minute surge in demand for hydraulic excavators ahead of price revisions in Japan and by higher orders for industrial cranes, mainly for the shipbuilding and steel industries. Meanwhile, despite revenue growth for industrial cranes—attributable to the fulfillment of the order backlog—the low order backlog for hydraulic excavators resulted in a slight year-on-year decrease to ¥388.9 billion. Operating profit was ¥14.0 billion, down 44.7% year on year, and the operating profit ratio was 3.6%, down 2.8 percentage points, due to lower revenue and a worsening product mix, among other factors.

FY2026 Forecast

For FY2026, orders are forecast at ¥399.0 billion, roughly in line with the previous year. While orders for hydraulic excavators and mobile cranes are expected to increase, the segment total partly reflects a reaction to the solid level of orders secured for industrial cranes in the previous fiscal year. That said, depending on future investment trends in shipbuilding cranes, results could exceed this forecast. Net sales are expected to grow 2.3% year on year to ¥398.0 billion, supported by an increase in orders for hydraulic excavators and mobile cranes. Operating profit is expected to grow 35.7% year on year to ¥19.0 billion, driven by higher revenue and the elimination of the recorded allowance for doubtful accounts. The operating profit ratio is forecast at 4.8%, up 1.2 percentage points.

Historical Orders, Net Sales, and Operating Profit



FY2025 Business Performance by SBU

Material Handling Systems SBU [Industrial cranes, logistics systems]

For industrial cranes, to meet the rising demand associated with the Japanese government’s goal of doubling shipbuilding output, we are working to maximize our crane production capacity. In logistics systems, we are steadily receiving orders for our automated storage system (Magic Rack).


Automatic Rubber Tired Gantry crane (ARTG)

HSC-SBU [Mobile cranes: HSC brand products]

Our mobile crane business, led by crawler cranes and earth drills, is facing delays and prolonged customer construction schedules. Under these circumstances, we are strengthening DX and services while advancing differentiation and improving profitability with a focus on high-value-added models that are well regarded by our customers.


Crawler crane

LBC-SBU [Mobile cranes: Link-Belt products]

In FY2025, both sales and orders grew for truck cranes equipped with telescopic booms and crawler cranes fitted with lattice booms, supported by strong demand in North America. By actively introducing new models and model-change units, we are advancing differentiation and strengthening our profitability.

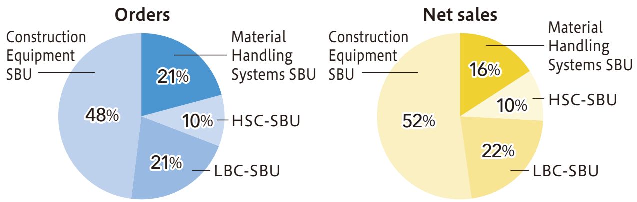

ATC

Construction Equipment SBU [Hydraulic excavators, road machinery]

Amid declining demand in Japan, our key market, and intensifying competition in North America, we are pursuing a wide range of initiatives—from revising prices to improve profitability, to strengthening our strategy for the European market, increasing orders and sales, and curbing fixed costs.


Electric excavators

Orders and Sales Mix by SBU (FY2025)



Business Strategies

To address social issues, we are developing and commercializing advanced technologies, including electrification, remote control, automation, and DX.

In the robotics/automation field, we are developing differentiated products such as electric excavators for carbon neutrality and ARTGs for remote control and automation.

In the service field, 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

Electric excavators

✓ We developed a 13.5-ton electric excavator, the "135e," and exhibited a demonstration unit at the International Construction & Survey Productivity Improvement Expo (June 2025, Makuhari Messe).

ARTG: Automatic Rubber Tired Gantry crane

✓ We delivered FC fuel-replacement-type ARTGs—featuring automation products that include manned truck transfer—to the Port of Tokyo, where they are now in operation.

● Services

Large cranes

✓ "SIRMS®" is a highly scalable system used to improve the productivity of large cranes through our DX solution for the shipbuilding industry (SHICuTe, a cloud platform dedicated to the Sumitomo Heavy Industries Group). The cumulative number of large cranes equipped with SIRMS® has grown to 56 units, helping enhance productivity in the shipbuilding industry as part of efforts to revitalize shipbuilding in Japan.

Business Opportunities and Strengths 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	● Common elemental technologies within the segment can be deployed in other models. ● Elemental technology development through value chains within the Group	● Customers' appreciation of attentive service provided through direct service ● High value-added products and brands differentiated by performance and quality	● Advanced engineering capabilities supported by coordination ● Cutting-edge, advanced remote and automation technologies ● Provision of attentive, high value-added services
Business Opportunities	● Significant demand for carbon neutrality-related measures ● Increased demand for productivity improvement, safety, and labor saving ● Government support for use and purchase of electric and ICT construction machinery ● Evolution of battery technology	● Domestic demand remains resilient. ● North American demand remains strong, but could soften depending on the policy direction of the current administration ● Improving construction safety, cost reduction, labor shortages, aging population, demand for shorter construction periods ● Acceleration in carbon neutrality efforts by general contractors	● Growing demand for shipbuilding cranes in line with the shipbuilding industry revitalization roadmap ● Sustained demand for upgrading industrial cranes ● Demand for improving logistics efficiency remains solid ● Accelerated carbon neutrality efforts (shift to electric furnaces and renewable energy sources) ● Diversified needs resulting from declining workforce (automation, working environment improvement, etc.)

Investor FAQ

Q1 How will you meet robust crane demand driven by the efforts to reinforce the Japanese shipbuilding industry?

A We are making full use of the SHI Group's development and production functions and sites for large steel structures, such as the Saijo Plant, located adjacent to our manufacturing site in Niihama City, Ehime Prefecture. By doing so, we are conducting various case studies to meet expectations for revitalizing the shipbuilding industry under the initiative of the Japanese government.

Q2 How do you assess the future outlook for hydraulic excavators and mobile cranes in the North American market?

A Despite such issues as tariffs and high interest rates, the North American market has significant potential for medium- to long-term growth, and we also expect local crane demand to increase in public and essential infrastructure development as well as in the oil and gas market. In anticipation of rising demand, we are advancing sales partnerships with our local subsidiaries and developing a stable product supply system.

Q3 Which areas are you currently focusing your capital expenditure and R&D investments on? How is the development of ICT construction machinery going?

A We are focusing our capital and development investments in solutions such as electrification, remote control, and automation. For ICT construction machinery, we are conducting joint R&D on remote-controlled and autonomous excavators with the Technology Research Center. Meanwhile, we have already introduced to the Japanese market a new ICT construction unit with improved efficiency and safety.

Q4 Given your relatively small business scale compared with competitors, what do you see as the strengths and characteristics of your hydraulic excavators?

A In our hydraulic excavator business, we are improving production and sales efficiency by focusing on the 20-ton class, the mainstream segment. Our products are highly rated for their safety and energy-saving performance.

Energy & Lifeline Segment

Representative Director
Senior Executive Vice President
General Manager, Export Administration Dept.
General Manager, Energy & Lifeline Segment
Tatsuro Araki

Message from Segment General Manager

The E&L Segment operates a range of businesses that support society and industrial infrastructure plants, including highly efficient energy plants, water treatment facilities, chemical equipment, and food machinery.

We are currently facing rapidly evolving needs for decarbonization, resource recycling, and alternative energy to address global climate risk and economic security concerns. Viewing these changes as growth opportunities, we are advancing growth strategies across our SBUs, with the core themes of "carbon-neutral energy" and "resource recycling." Specifically, in addition to the real-world implementation of new technologies that support power storage and SAF (sustainable aviation fuel) production, we are combining advanced water-treatment and process technologies to help reduce negative environmental impact and build a clean industrial foundation.

Through robust engineering capabilities and continuous innovation, we will drive corporate value over the medium to long term while living in harmony with the environment in a sustainable manner.

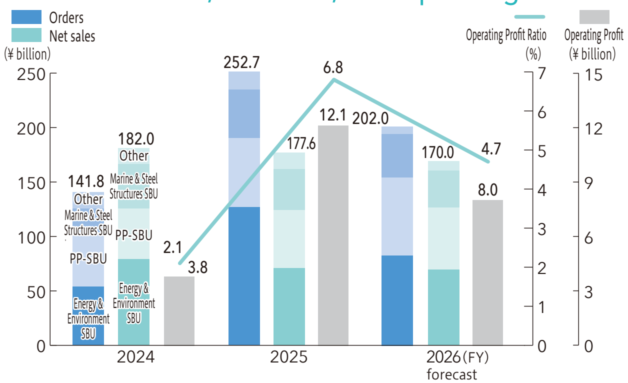
FY2025 Results

Orders for FY2025 significantly exceeded the previous year's result, increasing 78.2% year on year to ¥252.7 billion. This strong performance was driven by orders for large biomass power generation facilities in Japan and by growth in the water treatment business. However, net sales decreased 2.4% year on year to ¥177.6 billion, primarily due to a low order backlog for biomass power generation facilities. Despite the revenue decline, operating profit grew about 3.2 times year on year to ¥12.1 billion, and the operating profit ratio rose 4.7 percentage points year on year to 6.8%, supported by improved project profitability, reduced development costs for Liquid Air Energy Storage (LAES) systems, and the enhancement of our service business.

FY2026 Forecast

In FY2026, orders for process plants are projected to grow, but the segment total is forecast at ¥202.0 billion, down 20.1%, a reaction to the major deals secured in the previous year. Net sales are expected to decrease 4.3% year on year to ¥170.0 billion, primarily due to the divestiture of our steam turbine and process pump businesses. Operating profit, weighed down by the business divestiture and the revenue decline, is forecast at ¥8.0 billion, down 33.9% year on year, and the operating profit ratio at 4.7%, down 2.1 percentage points year on year.

Historical Orders, Net Sales, and Operating Profit



FY2025 Business Performance by SBU

Energy & Environment SBU [Boilers, renewable energy, resource recycling]

Orders were ¥127.6 billion, up ¥73.3 billion year on year, as we offset delays in overseas deals with major domestic deals. Net sales were broadly in line with the plan, and operating profit came in above the plan, owing to improved profitability of the service business and reduced fixed costs. We also fulfilled our first TMU (major modification) order, which helped further solidify our revenue base.

CFB Boilers (Circulating Fluidized Bed Boilers)

PP-SBU [Water treatment plants, chemical equipment, food machinery]

In the water treatment business, we saw a surge in orders across the public sector and the industrial wastewater field, and performance in process and food machinery remained robust. As a result, orders for the SBU reached ¥63.7 billion, up ¥13.1 billion year on year. Net sales also increased, and operating profit grew, driven partly by improved profitability across the product and service businesses.

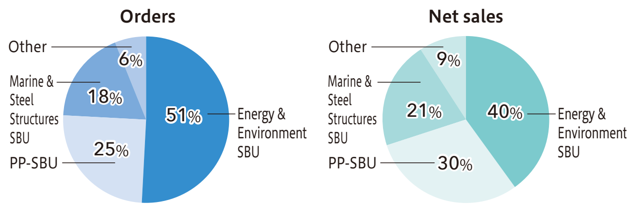
Sludge scrapers

Marine & Steel Structures SBU [Ship-related engineering, large steel structures]

Orders reached ¥40.0 billion, up ¥23.7 billion year on year, supported by solid demand for ship repair work and orders for mega-blocks, training vessels, and the like. However, despite an improvement in product profitability, net sales and operating profit came in below the previous year's results, affected by delays in closing major deals at our consolidated subsidiaries.

Offshore Wind Power Generation

Orders and Sales Mix by SBU (FY2025)



Business Strategies

As part of our efforts to strengthen our service business, we will reinforce traditional services such as basic maintenance and operation management while enhancing decarbonization proposals, including modifications to support boiler fuel conversion.

In our renewable energy promotion business, we will advance the development of a commercialization model, using the start of commercial demonstration operation of a LAES unit as a catalyst. We will also continue strengthening our production system in preparation for the mass production of Offshore Wind Foundations.

● Energy plants (boilers)

✓ Services

We seek to strengthen our operation management and maintenance business, as well as repair proposals for delivered boilers, while working to expand the scope of our periodic inspection services covering both in-house and third-party boilers. In addition, we aim to uncover demand for major modification services, such as fuel-conversion modifications, for customers that own fossil-fuel boilers.

✓ Gasification technology

We have decided to join NEDO's Development Project for Stable and Efficient Production Technologies of Sustainable Aviation Fuel (SAF), together with United Purpose Management Inc. and the Japan Carbon Frontier Organization. In addition to gasification, we are currently building a process for decentralized SAF production technology for local production and consumption. This technology uses FT synthesis technology, which produces liquid fuels from hydrogen and carbon monoxide.

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

✓ LAES

We have completed a demonstration plant at a facility of Hiroshima Gas Co., Ltd. The plant's pilot operation has also been completed. We are continuing demonstration operation with the aim of starting commercial demonstration runs in FY2027. We are currently considering feasibility studies (FS) with multiple users with the aim of winning the Long-Term Decarbonization Auction.

✓ Laying the groundwork to mass-produce foundation structures for Offshore Wind Foundations.

While generating synergies by combining capabilities within the segment, we are advancing the reinforcement and development of production systems for mass-producing foundation structures.

Business Opportunities and Strengths in Key Investment and Foundational Business Areas

	Key Investment Areas		Foundational Business Areas
	Carbon neutrality business	Renewable energy promotion business	Power boilers, water treatment, chemical machinery, food machinery
Strengths	● 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		
Business Opportunities	● There is a notable trend for stepping up decarbonization policies prompted by climate change risks. ● Energy security requirements are increasing the need for renewable energy promotion and alternative energy. ● Technology development and infrastructure building for capturing and utilizing CO_2 are progressing.	● Policies and public-private funding programs are being advanced to encourage the use of renewable energy and the recycling of resources. ● Associated with this, efforts to consider investment plans are also being stepped up.	● There are signs that market conditions will improve for chemicals and water treatment, although the supply-demand balance remains unstable. ● Although market conditions for boilers, both in Japan and overseas, remain challenging, the Japanese biomass boiler market is expected to recover, underpinned by continued support through the Long-Term Decarbonization Capacity Auction.

Investor FAQ

Q1 For LAES, how is the business modeling progressing, and what is your outlook for commercialization?

A In December 2025, we completed the demonstration plant, and are currently at the demonstration stage. We are not yet at a phase where revenue is expected in the near future, but we are considering feasibility studies (FS) with multiple users. Under our next MTMP, we will ramp up our sales activities, with the aim of achieving gradual revenue generation by 2030.

Q2 For your foundation structure business for offshore wind power, how do you assess market trends, and how will you expand the business?

A The offshore wind power market is expected to grow over the medium to long term, but we recognize that it is taking time to gain momentum. After closely monitoring market trends, we recognized that we were at the stage of developing technology and planning production systems, and we launched a dedicated organization to commercialize foundation structures for offshore wind power generation facilities. By strengthening our sales capabilities to deepen collaboration with companies across our supply chain, we plan to develop a production system in anticipation of starting mass production from 2030 onward.

Q3 What are the growth opportunities and further measures to improve profitability in the water treatment plant business?

A The water treatment plant business is expected to enjoy continued demand for essential infrastructure both from the public and private sectors, making it one of our stable business bases. While introducing new products featuring our latest technologies—such as BIOIMPACT-AC, launched in August 2025—we will combine various service elements such as maintenance and operation support to drive both growth and profitability. We will also take active measures to capture demand for new applications, such as semiconductor manufacturing processes.