# Sustainability-oriented Management

## Basic Concept

The SHI Group is committed to sustainability-oriented management with the focus on stakeholders. The Board of Directors resolves on our basic sustainability policy and seven material issues of sustainability (“Material Issues”). The Sustainability Committee deliberates on plans and issues concerning sustainability promotion and reports them to the Board of Directors. By addressing the Material Issues under this governance system, we aim to contribute to the creation of a sustainable society and retain the trust of stakeholders.

## FY2025 Achievements and Challenges, Actions for FY2026

In FY2025, the Sustainability Committee continued to report and deliberate on our actions to preserve biodiversity and address climate change, and our measures such as human rights due diligence and their progress, in addition to our efforts to meet ESG rating agencies’ requirements and preparation for statutory disclosure. The Board of Directors and the Sustainability Committee will take the lead in setting goals related to the Material Issues and ensuring the effective management of their progress.

## Management Structure

The General Manager of the Corporate Global Strategy Group oversees the SHI Group’s actions for sustainability. The Sustainability Committee deliberates on and monitors initiatives to address Material Issues from a medium- to long-term perspective to serve as the primary driver to implement the Group’s sustainability strategies. We have also set up a carbon neutrality project and a human rights risk project (please see “Management Structure” in “Respect for Human Rights” on page 59) to achieve carbon neutrality and to establish human rights management, respectively, and have been working to reach the objectives.


| | |
|---|---|
| **Committee Chair** | Representative Director, President and CEO |
| **Members** | 11 (Vice Presidents in charge of the Head Office, General Managers of the segments, General Manager of the Sustainability Dept. of the Corporate Global Strategy Group) |
| **Observers** | 2 (Standing Corporate Auditors) |
| **Frequency** | Twice a year |
| **Key Areas of Deliberation in FY2025** | - Actions for sustainability promotion and statutory disclosure (policy and framework, areas for improvement and progress made)<br>- Actions to address climate change (measures to reduce $CO_2$ and their outcomes)<br>- Business and actions to protect human rights (reports on human rights due diligence plans and investigation findings)<br>- Actions to preserve biodiversity (risk and opportunity assessments) |

## Promotion Activities

The Sustainability Dept. leads our activities to establish the Material Issues (page 13) and sustainability-oriented management.

**Sustainability Regular Meeting**: Divisions involved in sustainability promotion attend this interdepartmental meeting to share information and discuss issues.

**Meetings of General Managers (organized by the Head Office divisions)**: Progress on the Material Issues is reported at the Meetings of General Managers of Development, Design, Production, Quality Assurance, and Environmental Management Departments; Meetings of Procurement Managers; Meetings of Safety Managers; and Meetings of General Administration GL, among others, as necessary.

**Public Relations and Sustainability Committee**: Committee members from the Strategic Business Units, subsidiaries and affiliates, and works drive campaigns to raise awareness of and establish sustainability-oriented management at their organizations. They also engage in interdepartmental information exchanges.

(Please visit our website for the details of our promotion activities and internal campaigns: https://www.shi.co.jp/english/csr/group/index.html )

## Risk Management

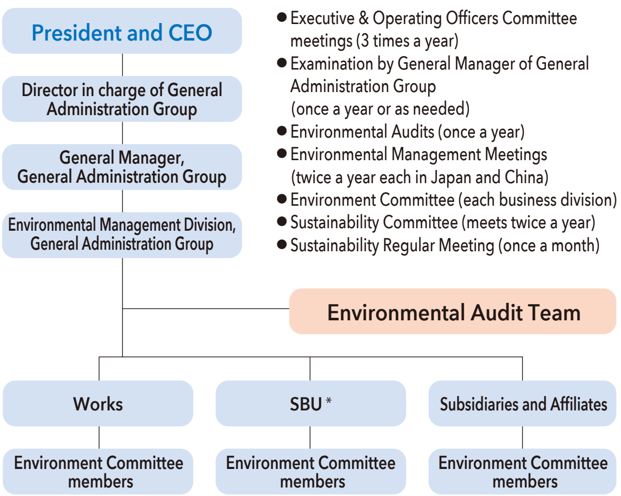
Sustainability-related risks are managed under the SHI Group’s risk management structure (“Risk Management” on page 69). Among these risks are climate risks and human rights-related risks. The Sustainability Committee deliberates on and reports on these risks to the Board of Directors.

# 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 negative environmental impact 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 Internal environmental audits are conducted in conjunction with on-site reviews to verify the status of environmental management at all manufacturing sites, including those operated by affiliated companies. The results of these activities are reported, and any identified issues are shared across the Group.




* Strategic Business Unit

## Medium-Term Environmental Plan

We formulated the 7th Medium-Term Environmental Plan (FY2024 to FY2026) as a medium-term implementation plan for environmental management. Under this plan, we are addressing three priority issues: (1) reduction of total $CO_2$ emissions, (2) enhancement of environmental management, and (3) reduction of environmental impact in business activities. These targets have been largely achieved, and we will continue strengthening Group-wide activities.

| | |
|---|---|
| **Key issues** | **● Reduction of total $CO_2$ emissions ● Enhancement of environmental management<br>● Reduction of environmental impact in business activities** |

| Index | Item | FY2025 | | |
|---|---|---|---|---|
| | | Targets | Results | Ratings |
| Environmental management | Number of serious environmental accidents | Zero | 0 | ✓ |
| Addressing climate change | Total $CO_2$ emissions | Annual reduction equivalent to 1% of FY2019 emissions | 1.3% reduction (Japan)<br>5.6% increase (overseas) | ✓<br>× |
| Reducing environmental impacts | Reduction of water consumption (Japan) | At or below the average for FY2020-2023 | 1.2% reduction (Japan) | ✓ |
| | Reduction of water consumption intensity (overseas) | | 10.6% 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.

**Data covered: The following environmental data for the period from January 1, 2025, to December 31, 2025:**

- Energy used by the Group through business activities: 31 sites in Japan and 47 overseas sites
- Water usage by the Group through business activities: 14 sites in Japan and 44 sites overseas
- Water discharged by the Group through business activities: 14 sites in Japan
- Scope 1 and Scope 2 greenhouse gas emissions ($CO_2$ 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

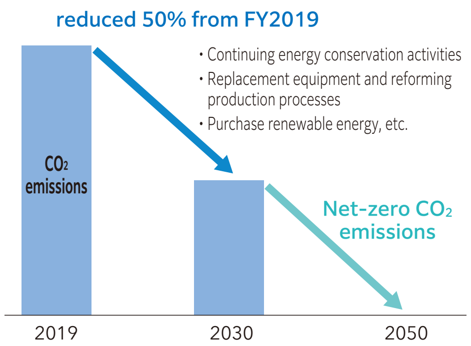
# Addressing Climate Change Risks

In May 2022, the SHI Group's Board of Directors adopted a target of achieving carbon neutrality, defined as net-zero $CO_2$ emissions across the Group, by 2050. The Group also established an interim emissions reduction target for 2030 and is implementing specific initiatives to achieve these targets.

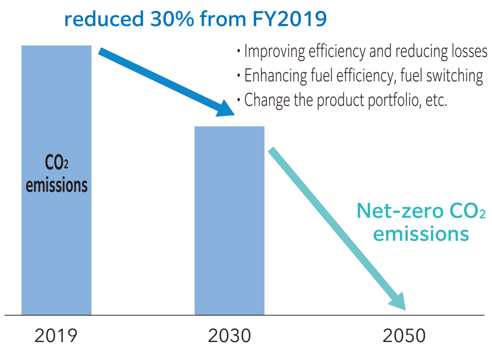
**SHI Group's Carbon Neutrality Targets**

- Aim to achieve carbon neutrality throughout the entire SHI Group by 2050
- $CO_2$ emissions during product manufacturing (Scopes 1 and 2) ⇒ 50% reduction by 2030 (compared to FY2019)
- $CO_2$ emissions during product use (Scope 3, Category 11) ⇒ 30% reduction by 2030 (compared to FY2019)

**$CO_2$ Emissions Reduction Targets During Product Manufacturing**




**$CO_2$ Emissions Reduction Targets During Products Use**




## SBTi Validation

In February 2026, SBTi Services validated the SHI Group's reduction targets by 2030.

The validated near-term targets we have set are as shown below.

(The base year is FY2019 for both targets.)

- Reduce absolute Scope 1 and 2 GHG emissions 50.0% by 2030
- Reduce absolute GHG emissions by 30% by 2030. The target covers Category 11, use of sold products.

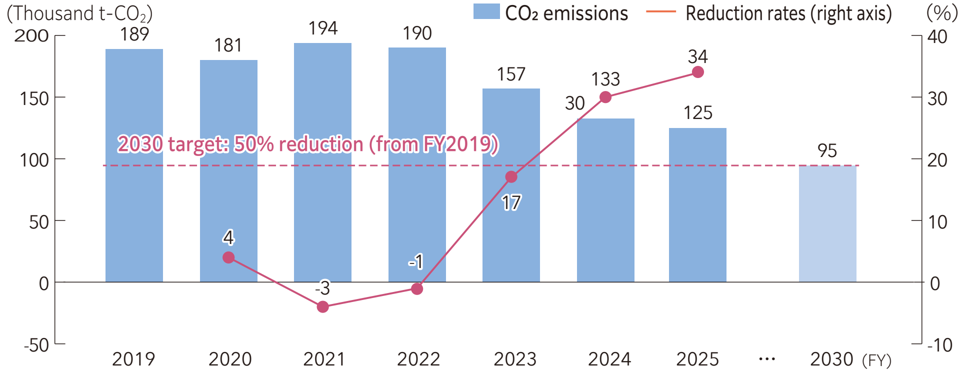
SCIENCE BASED TARGETS

## Reducing $CO_2$ Emissions (Scope 1 and 2)

In FY2025, $CO_2$ emissions totaled 125,000 t-$CO_2$ (34% reduction compared to FY2019) as a result of the continued implementation of existing energy-saving measures, the installation of solar power generation facilities, and the purchase of renewable electricity.

| Index | Unit | Base year (2019) | FY2023 | FY2024 | FY2025 |
|---|---|---|---|---|---|
| $CO_2$ emissions during manufacturing (Scope1 and 2) | Thousand t-$CO_2$ | 189 | 157 | 133 | **125** |

**Trends in $CO_2$ Emissions**




## Cross-Group Initiatives

The Carbon Neutral Project launched in January 2025 works to meet Group-wide challenge of achieving carbon neutrality.

In FY2025, the project focused primarily on the following initiatives:

- $CO_2$ emissions data visualization: Exploring the introduction of a calculation system and ways to improve calculation
- Target setting and disclosure: Obtaining SBTi validation
- Product-related initiatives: Incorporating eco-design criteria into the Quality Management System (QMS) and expanding the calculation of avoided emissions

We will continue to raise awareness of climate change across our business divisions and accelerate our efforts to achieve our targets.

## Initiatives to Reduce $CO_2$ Emissions

The SHI Group plans to increase the share of renewable energy in our electricity procurement to achieve our emissions reduction targets.

**● Installation of Solar Power Generation Facilities**

We aim to install solar power generation facilities with an expected combined annual output of 40 GWh by 2030. Under MTMP26, we plan to invest ¥3.0 billion in these facilities.

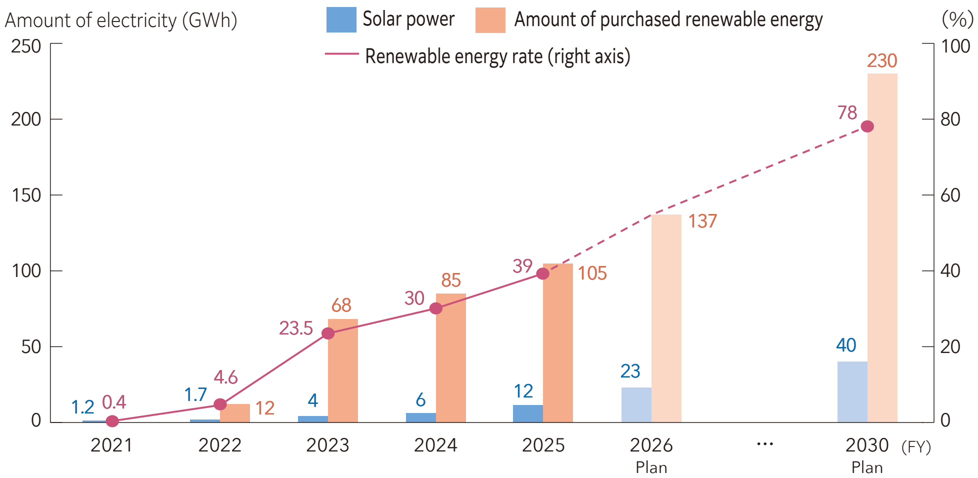
**● Purchase of Renewable Electricity**

To achieve its emissions reduction targets, the SHI Group is systematically expanding its procurement of renewable electricity worldwide. In FY2025, we purchased 105 GWh of such electricity, bringing the share of renewable electricity, including electricity generated by its solar power systems, to 39%.

In April 2026, Sumitomo Heavy Industries Modern, Ltd. established a scheme to share surplus electricity within the Group, in addition to installing solar power systems for on-site consumption and balancing the supply and demand of renewable electricity. Through these initiatives, the company became the first manufacturing site in the SHI Group to achieve net-zero $CO_2$ emissions associated with electricity use.

Furthermore, on April 1, 2026, the company joined the Japan Climate Leaders' Partnership (JCLP), a coalition committed to achieving a sustainable decarbonized society, as a supporting member.

### Implementation Situation of Solar Power / Renewable Energy Power and Our Plan




## Reducing $CO_2$ Emissions during Product Use (Scope 3, Category 11)

In FY2025, the $CO_2$ emissions during product use (Scope 3, Category 11) totaled 113 million t-$CO_2$.

Emissions had declined significantly since 2020, due to a decrease in deliveries of coal-fired boilers. In FY2025, however, two coal-fired boilers were delivered.

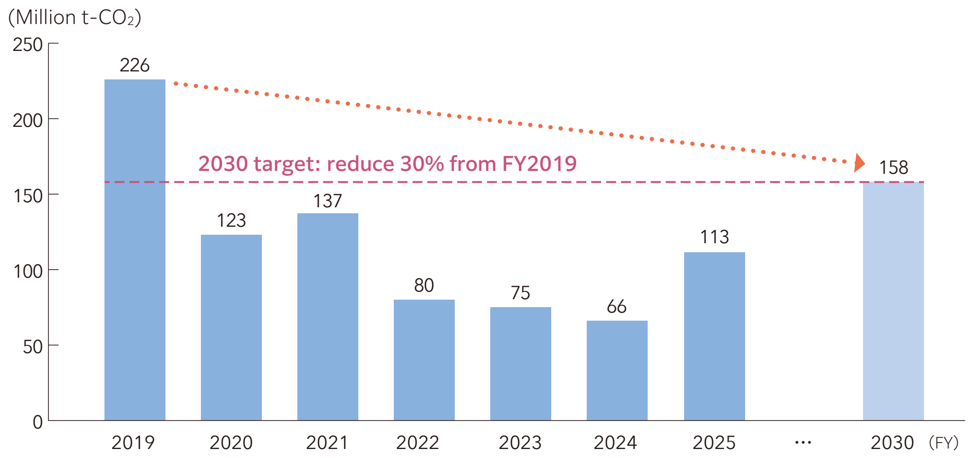
**Comment from the Energy & Lifeline Segment**

In FY2025, we received an order for coal-fired boiler design support services in the Philippines. Following this order, the SHI Group adopted a policy of restricting the acceptance of new orders related to coal-fired boilers.

We will continue our services to propose conversion geared to reduce the use of coal to zero or to cut the co-firing ratio in the future, in addition to design support for orders that our subsidiaries and affiliates receive as licensees.

We anticipate an increase in our $CO_2$ emissions toward 2030 because of our business growth. We will continue developing products that contribute to a decarbonized society.

### $CO_2$ Emissions Reduction Status (Scope 3, Category 11)



## Avoided Emissions

Since 2014, the SHI Group has been working to realize a low-carbon society by reducing $CO_2$ emissions during product use. In addition to continuing discussions about avoided emissions* during deliberation on development issues, we also established the $CO_2$ Reduction Award as a new category of the President's Award in FY2026 and began inviting submissions from across the Group for products that help avoid emissions and initiatives that reduce emissions from manufacturing processes.

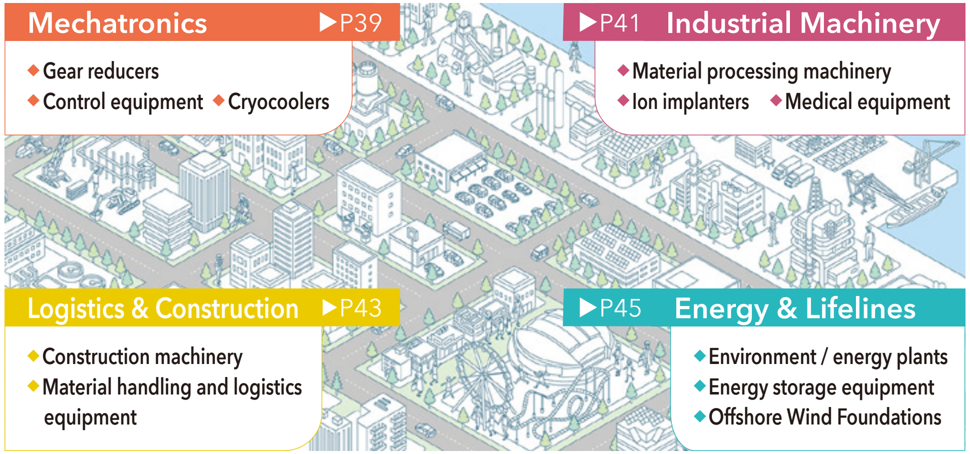
We will leverage the technologies developed over many years to enhance product competitiveness while working toward achieving our Scope 3 target.

*Avoided emissions calculated using the flow method

| SBU | Descriptions | FY2025 | Calculated |
|---|---|---|---|
| **Drive Technologies** | Shift to high-efficiency motors and other technologies | 2,556,000 t-$CO_2$ | Avoided emissions during the use of applicable products sold in FY2025 through the adoption of high-efficiency motors |
| **Energy & Environment** | Fuel conversion through major boiler retrofits | 2,532,000 t-$CO_2$ | Avoided emissions from boiler retrofit projects recognized as revenue in FY2025, based on continued coal-fired operation over the boilers' remaining useful lives |
| **Process Plant** | Avoided emissions through energy-saving products | 84,000 t-$CO_2$ | Avoided emissions during the use of applicable products sold in FY2025, calculated in comparison with the corresponding baseline products |
| **Total** | | **5,172,000 t-$CO_2$** | |

## Contributing to the Environment Through Our Business

The SHI Group contributes to the realization of a carbon-neutral society by providing products and services. (▶P7 "Our Products to Support Society")




# 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.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

## Governance (▶ P47 "Sustainability-oriented Management")

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

## Strategies

Climate change may have a significant impact on the SHI Group's business activities. We therefore analyzed risks and opportunities under the following two scenarios:
(1) 1.5°C scenario: a world in which climate action is taken and temperature rise is limited
(2) 4°C scenario: a world in which effective climate action is not taken and temperatures continue to rise

| Definition | |
|---|---|
| **High** | Serious impact on business, requiring a review of business strategy |
| **Medium** | Limited impact on business, requiring future action |
| **Low** | Minimal impact on business |

| Period | |
|---|---|
| **Short- term** | Through 2026 (final year of the MTMP26) |
| **Medium- term** | Through 2030 (interim carbon neutrality target) |
| **Long- term** | Through 2050 (final carbon neutrality target) |

## Risk Management (▶ P69 "Risk Management")

Climate-related risks are managed through the Group-wide risk management process.

## Metrics and Targets (▶ P49 "Addressing Climate Change Risks")

Through efforts to meet the three targets, we aim to contribute to achieving carbon neutrality.

| Scenarios (risks and opportunities) | | Description | Impact Level | Period | | | Major Initiatives |
|---|---|---|---|---|---|---|---|
| | | | | Short-term | Medium | Long-term | |
| 1.5℃ | Risks | **[Higher electricity and renewable energy prices]** Rising electricity and renewable energy prices increase production costs | High | | ● | ● | • Increase the efficiency of production, transportation, etc.<br>• Promote energy and resource conservation |
| 1.5℃ | Risks | **[Carbon tax]** Higher carbon taxes increase the tax burden on subsidiaries and affiliates in Japan and overseas | Medium | ● | ● | ● | • Improve efficiency in production and transportation and promote energy and resource conservation<br>• Introduce internal carbon pricing to promote energy-saving capital investment and purchase renewable energy to facilitate decarbonization |
| 1.5℃ | Risks | **[Higher development costs and delays in technology development]** Delays in technology development lead to increased costs, reduced sales, and lower profits | High | ● | ● | ● | • Accelerate collaboration within the Group and restructure businesses, including by establishing development centers<br>• Standardize technologies to facilitate development |
| 1.5℃ | Risks | **[Rising in raw material costs]** Higher raw material procurement and manufacturing costs erode price competitiveness | High | ● | ● | ● | • Promote energy and resource conservation<br>• Strengthen profitability by consolidating models and revising pricing |
| 1.5℃ | Opportunities | **[Mechatronics]** Electrification of customers' production equipment; rising demand for energy-saving, high-efficiency products; and growing demand for precision positioning equipment and vacuum robots, driven by semiconductor miniaturization and advances in 3D packaging | Low | ● | ● | ● | • Expand sales territories and strengthen production and supply capacity in each market<br>• Expand application-specific sales, maintain our competitive edge, and strengthen profitability<br>• Strengthen the installed-base business |
| 1.5℃ | Opportunities | **[Mechatronics]** Rising demand for energy-efficient and helium-saving cryogenic and superconducting technologies | Low | ● | ● | ● | • Accelerate the development of next-generation models and make effective use of the US assessment and development center<br>• Maintain competitive edge by expanding sales of energy-efficient refrigeration systems and accelerated cooling solutions for low-helium applications |
| 1.5℃ | Opportunities | **[IM]** Expansion of applicable models through the development of new materials and processes, and increased demand driven by process development and process advancement with leading global customers | Low | ● | ● | ● | • Strengthen competitiveness by developing differentiated products<br>• Create synergies through business integration and enhance global operations<br>• Consolidate models and reform business processes |
| 1.5℃ | Opportunities | **[IM]** Rising demand for products that reduce the weight of end products or contribute to carbon neutrality, along with market growth driven by increased electrification | Low | ● | ● | ● | • Keep the development of the next flagship models on schedule<br>• Improve profitability through business restructuring |
| 1.5℃ | Opportunities | **[L&C]** Electrification of construction machinery and logistics systems; government support for electric and ICT construction machinery; advances in battery technology; accelerating carbon-neutrality efforts; and investment in forest resources | Medium | | ● | ● | • Achieve differentiation and improve profitability through introduction of new models<br>• Promote the development of standardized technologies for electrification, remote control, automation, and DX, and establish a development center |
| 1.5℃ | Opportunities | **[L&C]** Increased demand for higher productivity, improved safety, and labor-saving solutions, including automation and improvements to the work environment | Medium | ● | ● | ● | • Increase the added value of services through DX<br>• Enhance production capacity<br>• Promote the development of standardized technologies (electrification/remote, automation/DX) and establish a development center |
| 1.5℃ | Opportunities | **[E&L]** Expansion of the biomass power generation, energy conversion, and energy storage markets<br>**[E&L]** Development of biomass fuels | High | | ● | ● | • Demonstrate $CO_2$ separation and capture, and carbon-negative technologies<br>• Develop LAES business models, and advance proposals for existing boilers' fuel switching and conversion<br>• Strengthen the service business through closer coordination within the segment and increased resources<br>• Establish CCU and gasification technologies<br>• Participate in studies on regional collaborative carbon management projects |
| 4.0℃ | Risks | **[Damage and relocation of manufacturing sites and supply chains]** Costs associated with restoring equipment damaged by increasingly severe natural disasters and relocating facilities due to impacts such as sea-level rise<br>**[Rising raw material costs, procurement difficulties]** Higher raw material procurement and manufacturing costs erode price competitiveness | High | | ● | ● | • Enhance business continuity plans (BCPs) for manufacturing sites and supply chains |
| 4.0℃ | Opportunities | **[L&C]** Machinery and equipment for disaster recovery | Low | ● | ● | ● | • Develop high-value-added products and brands differentiated by performance and quality<br>• Provide responsive, high-value-added services |
| 4.0℃ | Opportunities | **[E&L]** Growing demand for resilient public infrastructure and facilities | Medium | | ● | ● | • Operation and maintenance services leveraging accumulated expertise |

# Initiatives for Biodiversity Conservation and Natural Capital

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

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

## Understanding Our Relationship with Nature Using ENCORE

We selected key businesses from each of our four business segments and used ENCORE to analyze processes related to the main raw materials used in procurement activities (upstream). For manufacturing activities (direct operations), we analyzed business processes and selected multiple manufacturing processes considered to have relatively high environmental impacts.

**● Dependencies on Nature**

The analysis found that the Group's key businesses generally do not have a high level of dependency on nature.

**● Impacts on Nature**

"Emissions of toxic pollutants to water and soil" was rated "Very High," indicating that emissions of chemicals, heavy metals, and other substances from manufacturing processes could have significant impacts on soil and water quality. "Emissions of non-GHG air pollutants" was rated "High," indicating the potential impacts of emissions of NOx, SOx, dust, and other air pollutants. Based on these results, we decided to conduct a separate analysis of water-related risks.

### Our Key Businesses' Dependencies and Impacts on Nature

| | | | Dependencies on nature | | | | | | | Impacts on nature | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Segment | Key Businesses | Tier in the supply chain | 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, Ion implanter | 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

## Results of Site-Specific Water Risk Assessments and Future Initiatives

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

Five manufacturing sites were rated "Extremely High" for "Overall water risk." We conducted site-specific assessments at a total of seven sites, comprising these five sites and two additional sites in Japan with high water use.

(For details of the assessment results for each item, please visit our corporate website.: https://www.shi.co.jp/english/csr/environment/biodiversity/index.html)

**● Future Initiatives**

For manufacturing sites rated "High" or below for "Overall water risk," we will continue to identify water risks at all manufacturing sites using questionnaires as part of our FY2026 environmental audits.

In addition, as part of our supply chain engagement activities in 2026, we plan to add biodiversity-related items and conduct interviews during on-site visits.

### Aqueduct Results Following Site-Specific Assessments

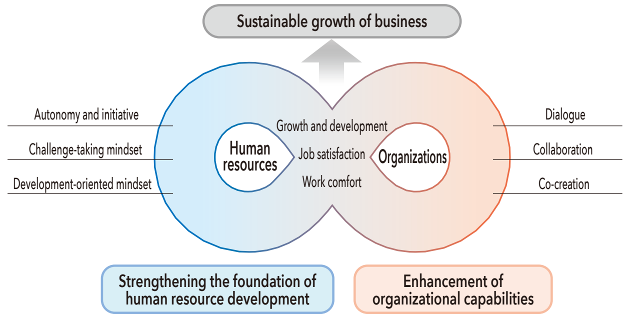
| Country | Site | Physical risks (quantity) | | | Physical risks (quality) | | Regulatory and reputational risks | |
|---|---|---|---|---|---|---|---|---|
| | | Water stress (total water demand) | Flood risks (riverine) | Flood risks (coastal) | Untreated wastewater | Eutrophication | Drinking water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

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

# Our Human Resource Strategy

The SHI Group is keenly aware of the significance of aligning its management strategies and human resource strategies. We maintain that human resources are our greatest assets, and that the sustainable growth of a business is rooted in the growth and development of both individuals and organizations. Hence, human resources are at the core of our business management and operations. As the figure on the right shows, a stronger foundation for human resource development and enhanced organizational capabilities are central to our human resource strategy. We continue to focus on these pivotal elements as we work toward the transition to an environment and corporate culture where individuals and the organization grow and prosper together.

Guided by this set of principles, we offer educational opportunities to facilitate the growth of each employee's skills and uniqueness, make organizational changes to enable diverse talent with different values and experiences to pursue successful careers, and provide the workplace environment that serves as the foundation for achieving the growth and success.




## Indicators and Targets

### ● Talent Acquisition (Targets are for FY2026)

| Indicator | Targets | Results (FY2025) |
|---|---|---|
| More human resources in the key investment areas | Consolidated in Japan: Approximate total of 500 | Consolidated in Japan: Total of 305 |
| More human resources for DX | Approximate total of 50 in Japan (non-consolidated) | Total of 38 in Japan (non-consolidated) |
| Ratio of new female graduate recruits | Non-consolidated: 20% or over | Non-consolidated: 23.9% |

### ● Strengthening the Foundation of Human Resource Development (Targets are for FY2026)

| Indicator | | Targets | Results (FY2025) |
|---|---|---|---|
| Employee training enhancement | Training hours per employee | Consolidated +20% from FY2024 in Japan | Consolidated +18.4% (33.8 hours) in Japan |
| | Training expenses per employee | | Consolidated +4.3% (¥78,785) in Japan |
| Development of global talent | Enrollment in the Global Talent Program | Consolidated in Japan: Total of 360 | Consolidated in Japan: Total of 358 |
| Digital transformation (DX) human resource development | DX literacy training participation rate | Consolidated in Japan: 100% each year | Consolidated in Japan: 96.4% |

### ● Enhancement of Organizational Capabilities (Targets are for January 1, 2027)

| Indicator | Targets | Results (FY2025) |
|---|---|---|
| Number of female directors | 2 | 2 |
| Ratio of female managers | Consolidated in Japan: 3.7%<br>Non-consolidated: over 5.0% | Consolidated in Japan: 2.6%<br>Non-consolidated: 3.4% |
| Ratio of mid-career hires among managers | Non-consolidated: 30% or over | Non-consolidated: 26.5% |
| Ratio of foreign employees among managers | Non-consolidated: 1.4% | Non-consolidated: 0.6% |
| Ratio of male employees taking childcare leave | Consolidated in Japan: 100%<br>Non-consolidated: 100% | Consolidated in Japan: 89.0%<br>Non-consolidated: 94.5% |

### ● Workplace Environment

| Indicator | Targets | Results (FY2025) |
|---|---|---|
| Boost employee engagement | Manufacturing industry average in Japan (Note 1) | 49% |
| Work-related fatalities | 0 | 0 (Note 2) |
| Percentage of smokers | 25% or lower maintained | 23.3% (Note 3) |
| Cardiovascular disease hospitalization rate | 0.7% or lower maintained | 0.8% (Note 4) |

Note 1: The FY2025 manufacturing industry average in Japan is 55% according to the latest survey (the benchmark data from the employee engagement survey by Korn Ferry Japan).
Note 2: The number is the non-consolidated total for Sumitomo Heavy Industries and the total for subsidiaries and affiliates in Japan.
Note 3: The number is the non-consolidated total of Sumitomo Heavy Industries employees aged 40 and above.
Note 4: The number is the non-consolidated total for Sumitomo Heavy Industries and the total for subsidiaries and affiliates in Japan.

# Message from the Director in charge of Human Resources

Director, Executive Vice President
General Manager, Corporate Global Strategy Group
**Masaki Arai**

## We continue to recruit talent aligned with our business needs, with a particular focus on hiring for businesses in our key investment areas and reallocating talent within the Group. The cornerstone of our human resource strategy is strengthening our talent development foundation and organizational capabilities, and this will remain a key area of focus.

### Human Capital Investment

**Q1 Under the banner of "improve profitability" and "enhance capital efficiency," you are pushing forward with the restructuring of flagship businesses and business portfolio reform. As part of this, you are optimizing the workforce. Could you share your thoughts on human capital investment?**

A To advance our business portfolio reform, we are pursuing a strategy of selection and concentration by preferentially allocating management resources to business domains with high growth potential. We reduced the headcount of our Group companies in Japan by approximately 500 through a voluntary retirement program and a review of reemployment contracts for employees aged 65 or over. It was undoubtedly a difficult decision, but to accomplish the business portfolio reform, we must also transform our human resource portfolio. We decided that taking action at this point was vital to the Group's future. After extensive discussions, we gained the understanding of the labor unions and moved forward with the initiative.

This workforce adjustment was intended to reshape our talent portfolio, optimize our workforce composition, and reduce indirect costs. It was never intended to curtail our investment in human capital. For the SHI Group to achieve sustainable growth, we recognize that it is essential to revitalize the organization through continued forward-looking investments in reforming both our business portfolio and our talent portfolio, rather than simply reducing headcount and fixed costs.

Specifically, we intend to continue recruiting talent aligned with our business needs, with a particular focus on hiring for businesses in our key investment areas and reallocating talent within the Group. For example, although our semiconductor equipment business is facing a challenging market environment due to delays in market recovery, it remains one of our most active businesses in recruiting talent. We will also strengthen our talent development foundation and organizational capabilities, which form the cornerstone of our human resource strategy.

Through these initiatives, we aim to transition to an "environment and culture that fosters mutual growth and development among people and the organization," enhance employee engagement, and drive the sustainable growth of the SHI Group. To this end, we will continue to make the investments necessary for the future while ensuring that everyone across the Group fully recognizes the importance of investing in human capital.

### Development and Promotion of Global Talent

**Q2 One of the keys to the SHI Group's sustainable growth is how we expand our overseas business, and this requires talent capable of delivering on this objective. How are you developing and promoting global talent?**

A That is an important point. It is difficult to imagine that any of our Group businesses will see significant growth in their respective markets in Japan. Thus, it is no exaggeration to say that the extent to which we can expand our overseas operations holds the key to our sustainable growth, and talent capable of leading this effort is indeed essential.

Recognizing this, the Human Resources Group has identified the development of a global talent management foundation as one of the key issues in its medium-term plan. Accordingly, in FY2024, we launched a global talent program as a concrete step to strengthen the readiness of our Japanese employees for global assignments.

In this program, employees selected from each division are expected to cultivate a global mindset, gain business knowledge and skills, and improve their language proficiency. Over a two-year period up to the end of FY2025, a total of 358 employees have taken the program. In FY2025, we also launched an overseas trainee program, offering younger employees' opportunities to apply and deepen what they learned in the global talent program through firsthand experience working and living abroad. Initially, two employees were assigned to the US.

Furthermore, we have established regular meetings between the General Managers of each segment and the Human Resources Group to align on succession plans for key positions, both in Japan and overseas, within their respective segments and to assess the readiness of successor candidates annually. The SHI President and the Human Resources Group also hold similar meetings to discuss key positions across the Group. Going forward, besides reviewing succession plans for key positions across the Group and each segment, we will take the next step by discussing how we can better develop and place successor candidates.

Whether in Japan or overseas, we will place high-potential talent in the right positions and provide them with challenging assignments to develop the next generation of global leaders.

## Organizational Development Activities

**Q3 You are working to transition to an "environment and culture that fosters mutual growth and development among people and the organization." Could you update me on the outcomes that the PRIDE PJ, a cross-Group organizational development project, has achieved over the 5 years since its launch in FY2020?**

A To realize our envisioned business models and management strategies, the SHI Group continuously promotes organizational development activities aimed at building organizations in which employees take ownership of these initiatives, think proactively, and take action to drive the growth and improvement of their own organizations. The status of these activities varies across business divisions. However, now that five years have passed since the project's launch, the majority of divisions are continuing the activities on their own. A steadily growing number of business divisions have gone through the preparation and implementation phases and are now approaching the embedding phase. Some divisions are also strengthening their promotion framework by, for example, establishing dedicated departments responsible for organizational development.

Other divisions have begun to see tangible results from activities designed to foster independence and autonomy, review strategies, and strengthen execution capabilities. In these business divisions, employees who participated in these initiatives showed significant improvements in their employee awareness survey results across departments and organizational levels. We believe this shows that each and every employee is beginning to feel their organization changing as they themselves embrace and drive change as members of their teams.

These changes are correlated, to some extent, with employee engagement and are reflected in responses to the "Initiatives taken since the previous survey" section of our employee awareness survey, which many companies consider a key indicator underpinning organizational culture improvement. Within the SHI Group, the percentage of affirmative responses to these questions has been improving and is higher than both the national average in Japan and the average for Japanese manufacturers. We believe this indicates that our organizational development activities are gaining traction.

Organizational development activities are not simply intended to improve corporate culture; they are beginning to function as a foundation for strengthening our ability to execute strategies and support sustainable growth. A closer look, however, shows that some business divisions are progressing faster than others. Looking ahead, we aim to further advance these activities across the Group by linking organizational development even more closely with management strategies, while taking into account the business environment and challenges of each business division.

## Employee Awareness Surveys

**Q4 Employee awareness surveys have been conducted regularly since FY2016. What measures have you taken based on the survey findings, and what outcomes have they produced?**

A Often referred to as a "health checkup for organizations," employee awareness surveys provide a snapshot of the state of an organization and the challenges it faces at the time of the survey. Since FY2025, the SHI Group has increased the frequency of the survey from once every two years to annually. This has helped accelerate the PDCA cycle, enabling us to more quickly assess the state of our organizations, identify challenges, and take action to drive improvement.

In responding to the survey results, each organizational level—(1) The entire Group, (2) Each business division, and (3) Each workplace—needs to take ownership and take action at their respective levels. We believe that employee engagement improves as a result of all these efforts.

Actions taken at Level 1 relate to raising awareness of our Purpose and help shape personnel measures common across the Group. To promote awareness of our Purpose, we designate individuals responsible for its promotion in each segment, business division, and Head Office division. These individuals work to raise awareness and engage in dialogue with their counterparts while sharing benchmark examples. For the personnel measures common across the Group, we are implementing a range of initiatives, including enhancing education and training, promoting diversity, and revising personnel systems.

Based on the findings for each business division, actions taken at Level 2 are designed to enhance the value and significance of the contributions made by its products and services while strengthening vertical and horizontal collaboration across divisions. As for actions taken at Level 3, we increase communication opportunities, improve workplace facilities, and actively introduce new tools.

Regrettably, it is still too early to say with confidence that these initiatives have resulted in higher employee engagement. However, the gap between our results and the average for Japanese manufacturers, our benchmark, is gradually narrowing. Precisely because employee engagement does not improve overnight or dramatically, we must continue making sustained efforts. We will engage the entire Group in these ongoing efforts.

# Our Actions

## Talent Acquisition

We have set out to hire about 500 more employees in the key investment areas and 50 more for DX during the MTMP26 period. While we have adjusted the pace of hiring to changes in the business environment, our focus remains on talent acquisition. During the two years leading up to the end of FY2025, we added 305 employees to the key investment areas and 38 for DX. We have also set the target ratio of 20% for new female graduate recruits since 2017 to ensure greater diversity across the organization, and we again achieved this target for the cohort joining in April 2026. This proactive recruitment of female talent has gradually increased gender diversity across the Group. Furthermore, to integrate mid-career hires smoothly into the workplace, we conduct follow-up interviews with them, coupled with a survey on how and what they feel as they work, as our onboarding activities.  In doing so, we aim to establish an organizational structure and an environment that enable them to work comfortably.

## Strengthening the Foundation of Human Resource Development

The SHI Group believes that it should offer its employees opportunities designed to support their autonomous growth and career development. We also consider it vital to strengthen the foundation of human resource development by providing practical training programs as we implement our management and business strategies. We are also aware that developing human resources we will need going forward is key to the Group's sustainable growth, and take the following actions accordingly:

### ● Promoting Career Autonomy

Guided by the principle that each employee's career autonomy and growth lead to sustainable business growth, we encourage and support our employees in their career autonomy. We have also implemented activities for career autonomy designed to motivate, assign, and train employees in alignment with our business needs since FY2025. We have phased in an e-learning program about career autonomy for all employees, lectures for officers and business managers, career counseling services, career management training, the introduction of an interview guide for supervisors, and internal job posting and self-nomination systems on a trial basis.

### ● Employee Training Enhancement

Businesses today  increasingly need to reskill their employees to adapt to change in the business environment, or upskill them to acquire deeper expertise. We are working to develop employee training that will drive organizational growth and honor employees' own intentions at the same time. We have been investing more in human resources, offering our employees opportunities to acquire certain skills aligned with our business strategies, coupled with opportunities for self-directed learning, to establish a mechanism by which employees acquire, apply, and integrate skills. In addition to further developing level-specific training, we have added more courses to SHI Open College, at which employees voluntarily enroll, and more specialized technical education courses that combine classroom learning and practical training. As of the end of FY2025, we offer 32 SHI Open College courses and 103 specialized technical education courses.

### ● Development of Global Talent

As businesses increasingly globalize, training employees to become globally competent is one of our key management challenges. In FY2024, we introduced the Global Talent Program. In this program, employees selected from each division cultivate a global mindset, acquire business knowledge and skills, and improve their foreign language skills, thereby enhancing their ability to remain competent in global settings. We set the total target enrollment of 360 during the MTMP26 period, and 358 in total enrolled over the two years leading up to the end of FY2025.

In FY2025, we also launched an overseas trainee program, which aims to enable younger employees to apply and further explore what they have learned in the Global Talent Program through hands-on work experience and life abroad, and sent two employees to the US.

### ● Digital Transformation (DX) Human Resource Development

Pursuing DX across all business areas is essential for continuing to provide value to society and customers through our products and services. In line with this, we have established our DX vision, which is to "utilize the power of digital technologies to make on-site work around the world more comfortable and bring happiness to everyone involved." We have also set up DX literacy levels based on the Digital Skill Standards for DX literacy defined by the Ministry of Economy, Trade and Industry, and have continued to provide training for all employees in Japan since FY2022. Our DX Literacy Training and Mindset Cultivation Project that advances these activities won the Excellent Project Award in the Large Project Category, coupled with the PMI Asia Pacific Award, at PM Award 2025 hosted by Project Management Institute (PMI) Japan.

### ● Development of Management Talent

For over 20 years, the SHI Group has continued its solution-oriented management talent training program for prospective business leaders selected from its divisions, thereby successfully developing numerous management talent. We have the Sumitomo Heavy Industries Business School (SBS) for managers and the Keiei-juku Management Training for general managers, which have annual enrollment of upwards of 10 and of around 7, respectively. The Keiei-juku aims to develop management talent with a focus on cultivating business managers' perspectives and aspirations, and its training revolves around medium- to long-term strategic planning and execution. This program endeavors to develop management talent by having our top management provide guidance directly to trainees and engage in conversation with them; advancing trainees' understanding of Sumitomo's Business Philosophy in Niihama, home to the Sumitomo Group; and having trainees join the business school where they engage with people from different industries. The SBS aims to discover prospective management talent while they are still early in their careers and train them over the medium- to long-term. It is a program in which participants set their own business growth-oriented themes and complete the whole process from developing a strategic business scenario to validating a hypothesis over the two-year period. Furthermore, in FY2024, we launched the Management School, in which participants acquire the basics of management literacy before they are selected for the SBS in order to create a more dynamic pool of prospective business leaders. We also conduct assessments to measure the aptitude and qualities of our human resources to develop leadership ability in them through their self-understanding and introspection, and to effectively use quantitative data to discover the right talent.

## Enhancement of Organizational Capabilities

To achieve sustainable growth, the SHI Group considers it essential to enhance its organizational capabilities needed to successfully implement its business strategies, and pursues the following activities accordingly:

### ● Organizational Development Activities

We have engaged in a company-wide organizational development initiative called PRIDE Project ("PRIDE PJ") since FY2020. PRIDE PJ aims to foster a culture in which individuals within each organization think for themselves and take proactive actions for the growth and improvement of their organization. We have established a promotion office at each business division, Head Office division, and subsidiary and affiliate. These promotion offices lead the initiative, with "dialogue" and "collaboration" as its core themes.

### ● Building an Organization Where Diverse Talent Thrives

The SHI Group considers diversity an indispensable foundation for its growth. We therefore respect differences in the traits and attributes of each person (e.g., age, nationality, birthplace, gender, gender identity, sexual orientation, sexual expression, the presence of disabilities), and we strive to foster an organizational culture and establish a workplace environment where every one of our diverse employees reaches their full potential and to work with enthusiasm. We have developed the SHI Group Diversity Declaration to pursue the activities outlined below, with "raising awareness," "revising systems," and "improving workplace environments" as the three pillars of our approaches.

These continuous efforts have been recognized by work with Pride, an organization that supports the promotion and integration of LGBTQ+ diversity management. We have been awarded Gold, the highest rank according to the PRIDE Indicator for LGBTQ+ initiatives, for three consecutive years since 2023.

| | |
|---|---|
| Women's career advancement | Interview female employees and their supervisors to support the employees' career development<br>Hold diversity management training for managers, etc. |
| Promotion of the use of childcare leave among male employees | Endorse the 100% Childcare Leave Declaration promoted by Work-Life Balance Co., Ltd.<br>Call on eligible employees and their supervisors to take the leave<br>Hold events intended to encourage the use of the leave, distribute personal accounts by employees who have taken the leave and other information for reference |
| Employment of persons with disabilities | Establish a special subsidiary (e.g., Sumiju Will Co., Ltd.), etc. |
| Efforts to ensure that LGBTQ+ persons are comfortable working for us | Distribute copies of a booklet designed to advance employees' understanding<br>Host lectures<br>Extend internal fringe benefits to employees' same-sex partners<br>Install pull-down changing platforms in all-gender restrooms (restrooms for everyone), etc. |

## Workplace Environment

To achieve sustainable growth in a disruptive era full of uncertainty, the SHI Group considers it vital to establish a workplace environment that serves as the foundation for the organization's development as well as employees' personal growth, and thus we pursue the following activities:

### ● Updating Human Resource Systems

We are updating our HR systems with three basic policies: 1. Encourage employees' proactive behavior, 2. Promote the success of diverse talent, and 3. Reward employees for their roles, duties, and achievements. More specifically, other than updating HR, salary, and retirement benefit systems, we launched the Plus Career System, which allows employees who meet certain conditions to have a second job. In doing so, we hope that these employees achieve self-fulfillment and autonomous career development, and that they bring benefits to their primary jobs and contribute to innovation. We have also extended our internal fringe benefits to employees' same-sex partners as part of our efforts to create a workplace environment where LGBTQ+ employees comfortably work.

### ● Challenge System

We have implemented the Challenge System across the Group to cultivate in our employees a drive to meet challenges and to invest in future products and technologies. Instead of the company assigning tasks, employees submit the themes around which they seek to build their success. Consequently, we offer a platform for the pursuit of dreams to employees with skills, ideas, and/or product visions. The Challenge System not only fosters a drive to rise to challenges in our employees, but also enables us to keep taking up the challenge of creating products and technologies for the future.

Our achievements through the Challenge System include the world's first electric energy recovery technology from anaerobically treated wastewater, and new magnetic-wheeled robots capable of traveling over curved surfaces of steel structures.

### ● Actions to Ensure 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 prepare a workplace environment aligned with the system so that every employee can continue to work, enjoying 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, our businesses, the health insurance association, and the labor union work together in Health Promotion Councils and collaborative health management to promote a range of health support initiatives, including data 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. We implement essential and engineering controls through various training that incorporates hands-on exercises as well as risk assessments as part of our efforts to create the workplace where each employee works with a smile.

# Respect for Human Rights

## Basic Concept

Guided by our business principle "Respect people," the SHI Group is committed to ensuring respect for human rights in accordance with the Human Rights Policy for the Sumitomo Heavy Industries Group.

As our businesses globalize, it is increasingly critical to demonstrate our adherence to human rights across each value chain. In July 2025, we updated the Human Rights Policy to specify that we practice the Ten Principles of the UN Global Compact, thereby clearly setting out our commitment to respect for human rights.

## Management Structure

The Board of Directors supervises our efforts to ensure respect for human rights, and the Director in charge of the Corporate Global Strategy Group is responsible for the promotion of these efforts. The status of the 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).

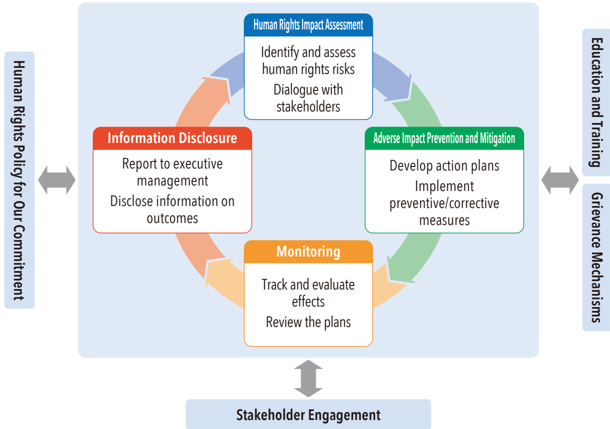
We make these efforts mostly through a company-wide human rights risk project. We pursue various activities to ensure respect for human rights based on the plans that have been finalized in this project.


SBU: Strategic Business Unit

## Human Rights Due Diligence

As part of our efforts to identify, prevent, and reduce adverse impact on human rights in alignment with the United Nations Guiding Principles on Business and Human Rights, we implement efforts at multiple priority levels, with a focus on high-risk areas.

### ■ Human Rights Due Diligence Process




### ■ Human Rights Due Diligence Implementation Status (FY2025)

| Initiatives | Results and Challenges |
|---|---|
| **Work environment surveys**<br>We assessed working conditions across the SHI Group's supply chains, referring to expert insights offered by ASSC*1, an NGO with expertise in international human rights and labor issues.<br>*1 The Global Alliance for Sustainable Supply Chain<br><br>Supplier surveys in India | • We found no critical issues, including life-threatening ones that would require immediate protection of workers. Yet we did find areas for improvement in labor management and in occupational health and safety, and urged the suppliers to take corrective actions.*2<br>• The surveys conducted at two companies in India did not include employee interviews. Ensuring that employee interviews are conducted will be a key task for future surveys.<br>*2 For detailed survey findings and corrective actions, please see "Responsible Procurement" (page 60). |
| **Respecting the human rights of subcontractors and temporary workers on our premises**<br>To ensure that subcontractors and temporary employment agencies who send their workers to our premises are clear about and fully practice the principle of respect for human rights, we receive written pledges from subcontractors and sign memoranda of understanding with temporary employment agencies in stages in order of priority. | • Yokosuka, Tanashi, and Okayama Works, which are our main factories, undertook the initiative.<br>• Ratio of memoranda of understanding signed with temporary employment agencies (100%)*3, Ratio of pledges received from subcontractors (98.6%)*3<br>• Target implementation ratio (in proportion to net sales) of 80% achieved (current cumulative total at the end of June 2026: 82.4%). The same initiative is also under consideration for our subsidiaries and affiliates as the next step.<br>*3 Cumulative total as of the end of June 2026 |

Please visit our website for the details of our human rights due diligence, including the process of identifying human rights risks : https://www.shi.co.jp/english/csr/social/humanrights/index.html

## Grievance Mechanisms (Human Rights Consultation Service)

To receive and respond to concerns and reports from stakeholders in our supply chains, we have established a dedicated contact point for suppliers on our corporate website. We are developing a framework to provide access to remedy through appropriate processes and information management, with the highest priority placed on protecting those who seek consultation or make reports.

## Education and Awareness Raising

We continually educate employees on human rights to raise their awareness through level-specific training, e-learning, messages from the President and CEO, and company newsletters. We are committed to advancing our employees' understanding of global human rights issues to reinforce their human rights awareness.

# Responsible Procurement

## Basic Concept

The SHI Group has established the CSR Procurement Guidelines aligned with the Basic Procurement Policy below. We advance responsible procurement across each supply chain to realize a sustainable society.

| Basic Procurement Policy | | |
|---|---|---|
| Open and Fair Competition | Compliance and Ethics | Social Responsibility |

**CSR Procurement Guidelines** Updated April 2026

1. Fair and equitable competition and transactions and thorough attention to compliance
2. Human rights, labor, and health and safety
3. Consideration of the environment
4. Promotion of communication with stakeholders through information disclosure
5. Social contribution and coexistence/co-prosperity with local communities
6. Application throughout the supply chain

## Supplier Survey

**Key Checkpoints**

In Japan and overseas, the survey focused mostly on labor management (e.g., employment contracts, wages, work hours), human rights practices (e.g., no forced labor, child labor, or discrimination; consideration for foreign workers), and occupational health and safety (e.g., protective equipment, evacuation routes, first-aid kits, emergency exits). We found no serious human rights violation or severe non-compliance.

| FY2025 Survey Results in Japan—Number of Companies | |
|---|---|
| Potentially high-risk suppliers | 5 |
| Suppliers surveyed based on questionnaire results | 5 |
| Suppliers engaged with for the environment | 3 |
| Total | 13 |

| Overseas Survey Results by Fiscal Year—Countries (Numbers of Companies) | |
|---|---|
| FY2023 | The Philippines (1) |
| FY2024 | South Korea (4), Vietnam (3), Indonesia (2), Finland (1) |
| FY2025 | Indonesia (2), India (2) |

### ● Japan

Based on the number of foreign workers they employ and the ratio of their revenue from the SHI Group, we have identified 24 suppliers as potentially high-risk suppliers we focus our monitoring on and have been conducting on-site surveys that we aim to complete by the end of FY2026.

During FY2025, we surveyed five of these 24 companies (bringing the cumulative total visited in this category to 21), along with another five suppliers for a survey based on questionnaire results and three others we engage with for environmental practices. The areas for improvement we found included the absence of evacuation route maps and regular evacuation drills, and lack of consideration for workers whose Japanese comprehension is limited. We requested that corrective actions be taken for each of these areas.

### ● Overseas

We conduct supplier surveys mostly in regions where the SHI Group's factories and other business sites are located. These surveys are based on the global supply chain risk analysis by our human rights risk project.

During FY2025, we visited four suppliers, two in Indonesia and two in India, to look into their working conditions through on-site surveys and engagement activities, referring to expert insights offered by ASSC*, an NGO with expertise in international human rights and labor issues. The areas for improvement we found included a lack of emergency exits, locked emergency exits, windows with iron bars as structural barriers to evacuation, employees not wearing protective gear, first aid kits and hygiene management that have room for improvement. We requested that corrective actions be taken for each of these areas.

* The Global Alliance for Sustainable Supply Chain

### Key On-site Findings

| Areas of Strength | Areas for Improvement |
|---|---|
| Japanese language workshops hosted for employees | Removal of obstacles blocking emergency exits |
| Documents and other written materials available in multiple languages | Full enforcement of the use of protective gear |
| Employee interaction advanced through club activities | Full enforcement of proper work hour management |

## Responsible Mineral Procurement

Guided by our policy updated in September 2024, we are in the process of identifying and assessing mineral sourcing risks in the Democratic Republic of the Congo and its surrounding countries, and in Conflict-Affected and High-Risk Areas (CAHRAs), in compliance with the OECD guidance.

In November 2024, we joined the Responsible Minerals Initiative (RMI), an international initiative to advance responsible mineral procurement, to establish the foundation for the use of international frameworks, including questionnaires and an assessment program for smelters and refiners.

In FY2025, at our customers' request, we identified cobalt and mica sourcing risks, in addition to those related to tin, tantalum, tungsten, and gold (3TG), associated with products offered by our precision equipment and Ion implanter businesses. Furthermore, our CSR procurement training for relevant internal staff members discusses how to ensure responsible mineral procurement. We are also looking into procurement across each of our supply chains to verify it is responsibly done. (Please visit our website for details: https://www.shi.co.jp/english/csr/social/supplychain/index.html)

### ● SHI Group's Five Steps

| | |
|---|---|
| STEP 1 | Develop a policy |
| STEP 2 | Select and survey items for investigation |
| STEP 3 | Request corrective actions |
| STEP 4 | Support Responsible Minerals Assurance Process (RMAP) |
| STEP 5 | Information Disclosure |

# Stakeholder Engagement

To fulfill our Group's PURPOSE of "enhancing society and those within it with compassion," we view collaboration and communication with all relevant stakeholders as our principal business base. In addition to incorporating the views of society into our management through ongoing dialogue, we strive to foster greater understanding of and confidence in our Group through appropriate information disclosure.

# 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. Our basic social contribution policy consists of (1) supporting the education of the next generation, (2) engaging with local communities, and (3) enriching society. With these three pillars, we pursue activities that align with regional characteristics.

We remain committed to our contributions to the realization of a sustainable society through talent development for the next generation, the advancement of engagement and mutual understanding with local communities, and the value we offer through our businesses (please visit our website for the details of our CSR activities: https://www.shi.co.jp/english/csr/social/community/index.html).

Our employees cleaning the street around Yokosuka Works

## ■ Status of Engagement

The numbers are from the FY2025 record.

| | |
|---|---|
| Customers | We are committed to understanding customers' needs through our daily sales activities, and to resolving issues customers have and meeting customers' expectations in order to build long-term relationships of trust. |
| Shareholders and investors | We are committed to maintaining and improving market confidence in our company and ongoing dialogue through general meetings of shareholders, IR activities, and timely disclosure.<br>• One-on-one interviews (Japan) : 87 (19 conducted by officers)<br>• One-on-one interviews (overseas) : 128 (45 conducted by officers)<br>• Small meetings attended by Outside Directors : 11 companies attended in Japan, 3 companies overseas |
| Suppliers | We are committed to building sound and mutually enhancing relationships to advance understanding through our CSR procurement survey and the dissemination of the CSR Procurement Guidelines, in addition to routine business communication. |
| Employees | We are committed to promoting communication with employees through various channels, including the company newsletter (4 issues per year), Intranet, employee engagement surveys (once per year), labor-management consultations (500 times in total), and our Ethics Hotline (274 reports). |
| Local communities and NGOs / NPOs | Guided by the Sumitomo Heavy Industries Group's Policy for CSR Activities, we work to understand issues and needs facing each region through dialogue and collaboration with local communities, NGOs, and NPOs. We continue to participate in CSR activities that include volunteering, making donations, and sponsoring events. We also work closely with organizations involved in these activities to work toward the resolution of issues. |

## TOPICS Promoting STEAM Education through the "School for a Compassionate Future" Workshop

Details of the School for a Compassionate Future: https://mirai-gakko.shi.co.jp/

**[Ehime]**
- Dates: Sat. and Sun., September 20–21, 2025
- Location: Main Building of Niihama Plant, Ehime Works (Niihama, Ehime Prefecture)
- Participants: approximately 70 elementary school students in Grades 4–6 from Ehime Prefecture
- Feature: The workshop was held as a new project led by Ehime Works.

**[Aichi]**
- Dates: Sun. and Mon. (public holiday), October 12–13, 2025
- Location: Obu Cultural Exchange Center (allobu) (Obu, Aichi Prefecture)
- Participants: approximately 100 elementary school students in Grades 1–6 from Aichi Prefecture
- Feature: This is the third workshop held as a continuation of an established initiative.


Group photo from the "School for a Compassionate Future" workshop

Children developing project ideas using Technodea Cards and worksheets

In FY2025, we held STEAM education workshops titled "School for a Compassionate Future" at two venues. Under the theme of "Future Ways of Living," children explored everyday issues and social challenges and engaged in hands-on activities to transform their ideas of "Wouldn't it be nice if…" into tangible creations. Through dialogue and hands-on making activities, the workshops provided opportunities for children to learn Science, Technology, Engineering, Arts, and Mathematics (STEAM) in an integrated way while fostering their creativity and their ability to think independently and learn through trial and error.