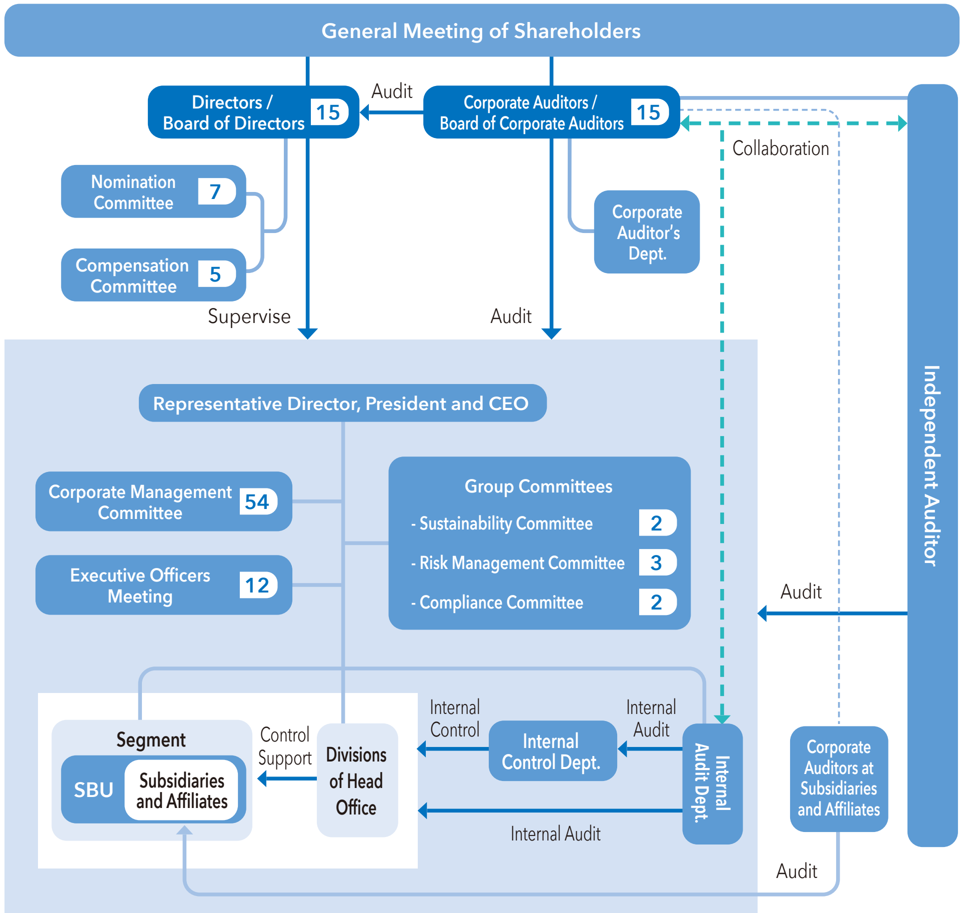
Corporate Governance System

We have adopted the form of a company with a board of corporate auditors. To enhance the transparency and fairness of management within the framework, we make sure that one-third of the board of directors are outside directors. We also have in place the Nomination Committee and the Compensation Committee, where outside directors comprise the majority, to ensure a rigorous supervisory function. We have introduced an executive officer system as part of the above framework, and we keep the business execution function and supervisory function separate in terms of our management.

Corporate Governance System Chart



Note: **The numbers highlighted in blue** are the numbers of times the boards / committees met during FY2025.

Board of Corporate Auditors

Body	Board of Directors	Board of Corporate Auditors	Nomination Committee	Compensation Committee
Composition	5 inside + 4 outside	2 inside + 3 outside	2 inside + 4 outside	2 inside + 4 outside
Ratio of outside officers	44%	60%	67%	67%
Chaired by	Representative Director, Chairman of the Board	Standing corporate auditor	Outside director	Outside director
Secretariat	Legal Dept.	Corporate Auditor's Dept.	Human Resources Group	Human Resources Group

- **Corporate Management Committee** · · · · [Chair] President and CEO
  [Membership] 9 (primarily vice presidents appointed by the President)
- **Executive Officers Meeting** · · · · · · · · · · · [Chair] President and CEO
  [Membership] 20 (inside directors, standing corporate auditors and vice presidents)
- **Sustainability Committee** · · · · · · · · · · · · [Chair] President and CEO
  [Membership] 11 (vice presidents in charge of Head Office, heads of the segments, General Manager of the Sustainability Dept. of Corporate Global Strategy Group)
  [Observers] 2 (standing corporate auditors)
- **Risk Management Committee** · · · · · · · · · [Chair] President and CEO
  [Membership] 14 (vice presidents in charge of Head Office and General Managers at Head Office)
  [Observers] 3 (standing corporate auditors and General Manager of the Internal Audit Dept.)
- **Compliance Committee** · · · · · · · · · · · · · [Chair] President and CEO
  [Membership] 14 (vice presidents in charge of Head Office and General Managers at Head Office)
  [Observers] 3 (standing corporate auditors and General Manager of the Internal Audit Dept.)

Director and Corporate Auditor Skills Matrix

		Board of Directors						
Name		 Shinji Shimomura	 Toshiro Watanabe	 Tatsuro Araki	 Haruhiko Tsuzuki	 Masaki Arai	 Susumu Takahashi	 Akio Hamaji
Gender		Male	Male	Male	Male	Male	Male	Male
Position		Representative Director, Chairman of the Board	Representative Director, President and CEO	Representative Director Senior Executive Vice President General Manager, Export Administration Dept. General Manager, Energy & Lifeline Segment	Director, Executive Vice President General Manager, Ehime Works General Manager, Logistics & Construction Segment	Director, Executive Vice President General Manager, Corporate Global Strategy Group	Outside Director	Outside Director
Status		Nomination Compensation	Nomination Compensation				Outside Independent Nomination Compensation	Outside Independent Nomination, Chair Compensation, Chair
Tenure (As of the conclusion of the Ordinary General Meeting of Shareholders in March 2026)		9 years and 9 months	3 years and 9 months	3 years	(Appointed in March 2026)	(Appointed in March 2026)	11 years and 9 months	5 years and 9 months
Board of Directors Meeting Attendance Rate (FY2025)		15/15 (100%)	15/15 (100%)	15/15 (100%)	—	—	14/15 (93%)	15/15 (100%)
Board of Corporate Auditors Meeting Attendance Rate (FY2025)		—	—	—	—	—	—	—
Necessary Attributes of the Board of Directors (Core Areas of Experience and Expertise)	Corporate Management	✓					✓	✓
	Legal Affairs / Compliance / Risk Management	✓		✓	✓	✓	✓	✓
	ESG / Sustainability	✓	✓			✓	✓	✓
	Business Strategy / Marketing			✓	✓	✓		
	Global	✓		✓		✓	✓	✓
	Technology / IT / Production	✓		✓	✓			✓
	Finance / Accounting		✓					✓

:Male :Female

Corporate Auditors

			Corporate Auditors				
							
Name	Sumie Morita	Miho Hanafusa	Hideo Suzuki	Kazunori Jikihara	Masaichi Nakamura	Mio Minaki	Hajime Watanabe
Gender	Female	Female	Male	Male	Male	Female	Male
Position	Outside Director	Outside Director	Standing Corporate Auditor	Standing Corporate Auditor	Outside Corporate Auditor	Outside Corporate Auditor	Outside Corporate Auditor
Status	Outside, Independent, Nomination, Compensation	Outside, Independent, Nomination, Compensation			Outside, Independent	Outside, Independent	Outside, Independent
Tenure (As of the conclusion of the Ordinary General Meeting of Shareholders in March 2026)	3 years	(Appointed in March 2026)	3 years and 9 months	(Appointed in March 2026)	8 years and 9 months	2 years	1 year
Board of Directors Meeting Attendance Rate (FY2025)	15/15 (100%)	—	15/15 (100%)	—	15/15 (100%)	15/15 (100%)	11/11 (100%) (Appointed as Corporate Auditor in March 2025)
Board of Corporate Auditors Meeting Attendance Rate (FY2025)	—	—	15/15 (100%)	—	15/15 (100%)	15/15 (100%)	11/11 (100%) (Appointed as Corporate Auditor in March 2025)
Necessary Attributes of the Board of Directors (Core Areas of Experience and Expertise)							
Corporate Management		✓					
Legal Affairs / Compliance / Risk Management		✓	✓	✓	✓	✓	✓
ESG / Sustainability	✓	✓	✓		✓	✓	
Business Strategy / Marketing							
Global	✓						✓
Technology / IT / Production	✓	✓		✓			
Finance / Accounting			✓		✓		✓

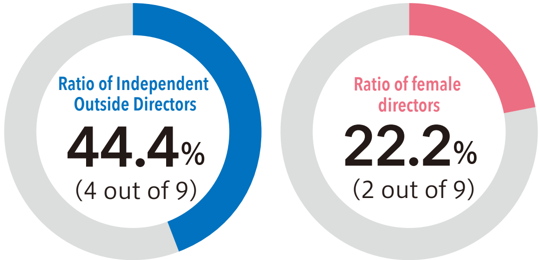
Note: This matrix does not represent all the knowledge and expertise possessed by the Directors and Corporate Auditors. For information regarding director nominations, including the reasons for selecting the skills required for the Board of Directors, please refer to our corporate website.:https://www.shi.co.jp/english/csr/governance/corporate/nomination.html

Message from the Representative Director, Chairman of the Board

Representative Director,
Chairman of the Board

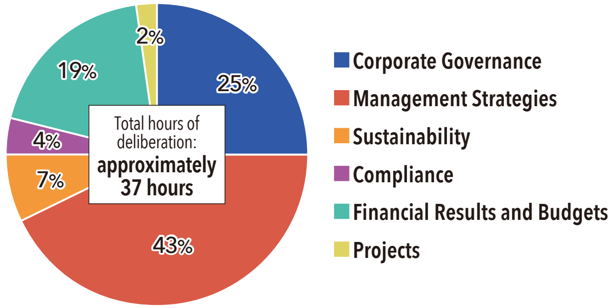
Shinji Shimomura

Composition of the Board of Directors



Note: As of the conclusion of the Ordinary General Meeting of Shareholders held in March 2026

Key Areas of Deliberation for the Board of Directors (FY2025)



Amid growing calls for greater profitability, businesses are finding it imperative to improve the effectiveness of the Board of Directors, which lies at the heart of corporate governance, and we are no exception. Since I assumed the role of the Board Chair in January 2026, the Board's composition has changed, including a reduction in the number of Inside Directors in March. With this in mind, and to improve the effectiveness of our Board, I have given a great deal of thought to the current challenges and the ideal state we should aspire to as I settle into my new role.

Recently, our Board has begun initiatives designed to realize its ideal state as one focused on the supervisory function. For example, we revised the agenda criteria to delegate substantial authority to executive officers, and we ensured through group discussions and other means that all Board members share a common understanding of the role of the Board of Directors. Consequently, we have had more substantive discussions than before on medium- to long-term management strategies and other key issues, and we have begun to see a shift in the mindset of our executive officers in response to the candid suggestions and challenging perspectives offered by our Outside Directors from the market's point of view. Overall, I believe these changes have made our Board more effective. At the same time, as our business environment and management priorities grow increasingly complex, the role our Board is expected to play is rapidly evolving, and I recognize the imperative for the Board to respond to these changes swiftly and appropriately.

To further enhance the effectiveness of our Board, we need to transform it into a platform for more fundamental, big-picture discussions on such matters as medium- to long-term management strategies, our business portfolio, the allocation of investment capital, and the enhancement of capital efficiency while encouraging an appropriate level of risk-taking in business segments that are rapidly emerging under the new SBU* framework. By fully sharing the Board's policies and awareness of issues with the executive team, we will strive to achieve an optimal relationship between the supervisory and executive teams that maximizes our profitability.

The Board's effectiveness is largely determined by its composition and diversity, as well as by each Director's understanding of their role. Accordingly, we will leverage the strengths of each Inside and Outside Director while maintaining a balanced representation of both corporate-wide and business segment perspectives. Concurrently, we will continue our discussions on the attributes expected of Board members, with due consideration given to the Board's diversity.

With the entire Board consistently working to increase its effectiveness and presenting a clear direction for the Company to pursue, we remain committed to fulfilling our roles and responsibilities to achieve sustainable growth and enhance corporate value over the medium to long term.

Corporate Governance	Board of Directors effectiveness evaluation
	Succession Planning
	Officers' remuneration
	Dialogue with shareholders
	Matters required by law and Articles of Incorporation
Management strategy	Amendment of the medium-term management plan
	Progress of the medium-term management plan
	Business portfolio reformation
	Enhancement of segment organizational capabilities
	Human resources strategy
	Financial strategy
	R&D strategy
	Intellectual property strategy
Sustainability	Status of sustainability promotion
	Revision of the Human Rights Policy
Compliance	Activities of the Risk Management Committee and Compliance Committee
Budgets and financial results	Budgets and financial results
	Revision of the earnings forecast
Individual case	Reorganization within the group

* Strategic Business Unit

Evaluation of Effectiveness of the Board of Directors

We evaluate the effectiveness of the Board of Directors annually to improve the functions of the Board through the continuous process of dealing with identified issues.

FY2025 Analysis and Evaluation Process

Survey

- Explored what angles could be adopted for the evaluation as well as what to include in the questionnaire, referring to advice from a third party.
- Outside officers met to discuss and decide on the content of the questionnaire

<<Content of questionnaire (44 questions)>>
To identify issues in all aspects of the Board of Directors, we set up a wide range of questions across 12 areas, including the role, the structure, management, and discussions of the Board of Directors, as well as the Board's performance, dialogues with shareholders, and respondents' own initiatives. Each question asked the respondent to provide an evaluation on a 5-point scale. A comment box was provided in each area of the questions to prompt the respondent to offer free-form opinions.

Interview: Interviewer: Outside Director | Interviewees: All directors (11) and all corporate auditors (5)

Outside officers' meeting

- Identified challenges from the survey and interview results
- Discussed the evaluation results and the selection of issues for the following fiscal year based on the results

Board of Directors: Deliberated and decided on issues for the following fiscal year

[Ensuring objectivity]
- Outside officers were involved in developing the survey.
- An Outside Director interviewed all members of the Board of Directors
- The results were finalized through discussions at outside officer meetings

[Diverse and many opinions]
- Through the interviews, we gathered more than 250 diverse opinions based on each interviewee's expertise.

FY2025 Initiatives Based on the Previous Year's Results

In FY2025, as in the previous year, we sought to deepen Board discussions on the role of the supervisory function, as well as on the operations and deliberations for exercising it effectively, primarily through the following initiatives.

Conducting group discussions	We held two group discussions in which we built a shared understanding of the roles expected of the inside and outside directors on our Board, as well as of how the Board should be shaped to strengthen our supervisory function.
Deliberating important themes	We enriched our deliberations on following up on the Medium-Term Management Plan and reforming our business portfolio—themes that many felt warranted deeper discussion—as well as on other high-priority topics.
Delegating broader authority to executives	To shift the Board of Directors toward a supervisory role, we substantially revised the criteria for selecting agenda items and expanded the scope of authority delegated to executives. In addition, to ensure the rationality and transparency of the executive's decision-making process, we disclosed materials and minutes for important internal meetings to the Board of Directors.
Providing training on organization design	We invited external experts to hold a training session. We fostered understanding of each type of organizational design, including its features and recent market trends.
Dialogue between Outside Directors and institutional investors, feedback for the Board of Directors	We held dialogues between our Outside Directors and institutional investors and reported the outcomes to the Board of Directors, thereby reflecting investors' views in the Board's discussions.

Overview of the FY2025 Evaluation Results and Future Initiatives

Overview of the evaluation results

- As a result of the survey, interviews, discussions at outside officer meetings, and deliberation by the Board of Directors, we confirmed that the Board of Directors was effective and functioning properly in FY2025.
- Based on the results, we have organized the issues for the Board of Directors to discuss into seven categories. In relation to each issue, the following matters were proposed for improvement and discussion:

Role of the Board of Directors
- Become aligned on **the scope** of the Board's **supervision**
- Establish **the executive system that allows** the Board of Directors to focus on **supervision**

Composition of the Board of Directors
- Lack of HR-related skills
- Review the inside director composition and consider adding outside directors

Operating the Board of Directors
- There are **too many agenda items for adequate discussion**
- Prepare materials, give presentations, and set agendas **from a supervisory perspective**

Discussion by the Board of Directors
- Enhance strategy-linked KPIs and process KPIs so that **the supervisory function can be effectively exercised**

Internal control and risk management
- Clarifying **the optimal overall picture of global governance** remains a challenge
- Need to monitor China-related risks and discuss risks related to management strategies

Support system for directors and corporate auditors
Need to provide further training on organization design, investor relations, shareholder relations, IT, human resources, geopolitical risks, etc.

Shareholder (investor) dialogue
- **Refine** and externally share our **value creation story** developed based on issues raised by investors
- Spread the substance of investor dialogues to the executive side, through business-line directors' own participation in such dialogues, etc.

- We have reaffirmed that the Board of Directors should aim to focus on supervision.
- Meanwhile, **the framework and the foundation of the Board of Directors**, including the executive system, **are not adequate for exercising the supervisory function.**

Initiatives for this fiscal year

- Continuing from the previous year, we will conduct activities to strengthen the supervisory function of the Board of Directors.
- We will deepen shared understanding with the executive side on the operational improvements that underpin the supervisory function, on investors' views, and on the direction the Board of Directors seeks to take.

(For the FY2025 effectiveness evaluation results, please also see our website: https://www.shi.co.jp/english/csr/governance/corporate/pdf/structure_02.pdf)

Officers' Selection and Remuneration

Components of Executive Remuneration

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

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

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

Status of Activities by the Nomination Committee/Compensation Committee

Upon receiving consultation from the Board of Directors, the Nomination Committee and the Compensation Committee deliberate on matters such as the selection and dismissal of executives, succession plans, and remuneration systems, etc.

◆Main agenda items for FY2025 Nomination Committee meetings (held seven times)

- Succession plans for CEO and other executives
- Nomination of candidates for directors and corporate auditors
- Selection of representative directors and directors with managerial positions
- Skill matrix for directors and corporate auditors
- Revision of the Nomination Committee Regulations

◆Main agenda items for FY2025 Compensation Committee meetings (held five times)

- Revision of officers' remuneration for FY2025
- Extension of the stock-based remuneration system
- Update of the performance-linked remuneration (remuneration based on divisions' performance) system
- The latest trends in officers' remuneration, issues with the current officer remuneration system, and the future direction of the officer remuneration system

Message from the Chair

From Perfunctory Governance to the Engine of Value Creation

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

The question I consistently posed at both committees throughout FY2025 was: "Does our current corporate governance system truly inspire management to change its behavior in ways that genuinely enhance our Group's corporate value?" I believe that nomination and remuneration are not merely elements of a management framework but should serve as key drivers for improving the quality of management decisions and accelerating the execution of strategy.

The Nomination Committee not only selects candidates for future executive positions, but also determines the kind of leadership we will need by backcasting from the future state we aspire to achieve. Emphasizing candidates' ability to transform our business portfolio and deepen sustainability-oriented management, we rigorously monitor the quality of business execution through objective evaluations that also incorporate an outside perspective.

As regards the succession of Board members, we prioritize optimizing the overall composition of the Board rather than considering each position in isolation. By recruiting individuals with diverse specialties and ensuring timely generational renewal, we aim to continuously improve the effectiveness of the supervisory function.

As for the remuneration system, we consider it important that it function as a mechanism that fosters change, not merely one that shares the rewards of success. By linking remuneration to medium- to long-term shareholder value and nonfinancial KPIs, as well as to short-term business performance, we help management make decisions that embrace business restructuring. Particularly, we will focus on designing incentives that align with the enhancement of capital efficiency, with a view to promoting a shift toward management conscious of the cost of capital.

The effectiveness of governance should be demonstrated through tangible results, not merely words. We are only halfway through the Company's transformation, and we must accelerate the reorganization of our business portfolio and enhance capital efficiency with a sense of urgency. As chair of the two committees, I intend to contribute to the sustainable enhancement of our corporate value by bringing greater discipline and dynamism to management through nomination and remuneration.

Board of Corporate Auditors

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

The Internal Audit Dept., which reports directly to the President and consists of a General Manager and 16 staff members, conducts regular audits of the SHI Group's business operations and reports the results to both the Board of Directors and the Board of Corporate Auditors.

● Key Actions

During 2025, the Board of Corporate Auditors met 15 times, adopted 10 resolutions, deliberated and discussed 11 matters, and made 35 reports.

Theme	Description/Action
Risk Management and Governance	• Conducted a review of risk awareness and governance status across business units and subsidiaries. • Engaged in discussions with Representative Directors. • Participated in the Risk Management Committee. (Standing Corporate Auditors)
Compliance	• Reviewed the headquarters' monitoring efforts regarding recurrence prevention measures. • Attended Compliance Committee meetings (Standing Corporate Auditor)
Key Strategic Issues	• Participated in the Long-term Strategy Meeting. • Provided suggestions aimed at enhancing corporate value and promoting sustainability.

Executive Officers

We have introduced an executive officer system to ensure a swift and precise response to rapid changes in the business environment.

:Male :Female

Current position	Director	Name	Gender	Appointments
President and CEO	○	Toshiro Watanabe	Male	
Senior Executive Vice President	○	Tatsuro Araki	Male	General Manager, Export Administration Dept.; General Manager, Energy & Lifeline Segment
Executive Vice President		Taiji Tsuchiya	Male	General Manager, Semiconductor Business Development Dept.
Executive Vice President		Shaun Dean	Male	Sumitomo Heavy Industries (Europe) B. V. Managing Director
Executive Vice President	○	Haruhiko Tsuzuki	Male	General Manager, Ehime Works and General Manager, Logistics & Construction Segment (In charge of Production Engineering Dept.)
Executive Vice President	○	Masaki Arai	Male	General Manager, Corporate Global Strategy Group Human Resources Group (In charge of Purchasing Div.)
Senior Vice President		Morihiro Kondo	Male	Regional General Manager, Kansai Office; Chairman of Sumitomo Heavy Industries (China), Ltd. (In charge of Internal Control Group, Legal Dept., Internal Audit Dept., Corporate Economic Security Dept., and General Administration Group)
Senior Vice President		Mitsukuni Tsukihara	Male	General Manager, Material Solutions SBU, Industrial Machinery Segment Representative Director, President and CEO, Sumitomo Heavy Industries Material Solutions Co., Ltd.
Senior Vice President		Melvin Porter	Male	General Manager, Link-Belt Cranes SBU, Logistics & Construction Segment LBCE Holdings, Inc. Chairman, Director, President and CEO
Senior Vice President		Hiroyuki Tominaga	Male	General Manager, Industrial Machinery Segment
Senior Vice President		Chie Okamoto	Female	General Manager, Mechatronics Segment and Advanced Technologies SBU
Vice President		Takanori Nagai	Male	General Manager, Process Plant SBU, Industrial Machinery Segment Representative Director, President and CEO, Sumitomo Heavy Industries Environment Co., Ltd.
Vice President		Yoichi Kato	Male	General Manager, Energy & Environment SBU
Vice President		Isamu Mitsuhashi	Male	General Manager, Construction Equipment SBU Representative Director, President and CEO of Sumitomo Construction Machinery Co., Ltd.; Representative Director, President and CEO of Sumitomo Construction Machinery Sales Co., Ltd.
Vice President / CIO		Kazuhiro Harada	Male	General Manager, Corporate ICT Group
Vice President		Akihisa Miwa	Male	General Manager, Drive Technologies SBU, PTC Segment
Vice President		Akira Yamamoto	Male	General Manager, Corporate Technology Management Group (In charge of Corporate Quality Group)
Vice President		Arata Ishimaru	Male	General Manager, Corporate Finance, Accounting & Administration Group

Note: At the end of the General Meeting of Shareholders in March 2026

Risk Management

The SHI Group manages risks in accordance with the Basic Policy for the Establish of the Internal Control System. The Head Office divisions manage the business and operational risks that fall within their areas of responsibility, and the Internal Control Group oversees the risks that should be addressed across the company and follows the steps to manage them as shown in the figure below. Identification of the Group's material risks and plans to control them are deliberated on and approved by the Risk Management Committee and reported to the Board of Directors.
(Please visit our website for the risk management framework: https://www.shi.co.jp/english/csr/governance/control/index.html)

Risk Management Process

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

Identify risks	• The Committee holds private meetings with each division responsible for managing the identified risks • Checks the previous year's list of risks and discusses with the relevant divisions whether any updates are needed.
Check risk controls	• The Committee holds private meetings with each division responsible for managing the identified risks • Checks how the risks are controlled and monitored using the list of risk controls.
Risk assessment	• Risk Assessment Subcommittee (held in November) • Evaluates the risks on a five-point scale based on their likelihood and potential impact (69 risks in FY2025). From the list of high-impact risks, select ones that require further action for mitigation.
Identify Group's material risks	• Risk Management Committee (held in November) • Based on the results of the evaluation by the Risk Assessment Subcommittee, this committee identifies risks that particularly require action as Group's material risks, and directs the heads of the divisions responsible for managing those risks to work out their risk control plans.
Develop plans to control Group's material risks	• The Risk Management Committee (held in January) • Deliberates on reports on the risk control plans received from the heads of the divisions responsible for managing the risks
Check the status of plans to control the Group's material risks	• The Risk Management Committee (held in July and November) • Deliberates on the report received on the progress of the planned risk controls

Group's Material Risks

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

Group's Material Risks in FY2026
Economic security risk
Quality fraud/Legal or regulatory noncompliance risks
Risk of noncompliance with the Antimonopoly Act
Information security risk
Risks involved in the transition to a decarbonized economy
Human rights risk

Compliance

Compliance in the SHI Group means complying with applicable laws and internal regulations as a member of society. It also signifies practicing the corporate ethics that are based on Sumitomo's Business Philosophy, our Purpose, and our Business Principles, and doing honest and fair business as a sensible member of the business community.

As part of our efforts to strengthen compliance, we have compiled the Compliance Manual, which outlines the rules and specific behavioral guidelines that must be observed by officers and employees of the SHI Group. This manual is distributed to all employees in an effort to ensure full commitment to compliance. Furthermore, we conduct an annual compliance awareness survey to gauge our employees' understanding of and commitment to compliance standards.
(For further details regarding our compliance initiatives, please visit our corporate website: https://www.shi.co.jp/english/csr/governance/control/index.html)

Compliance with the Competition Laws

The SHI Group places high priority on compliance with the Competition Laws. To ensure full compliance across the entire Group and to commit to fair competitions and fair trades, we have established the SHI Group Basic Policy on Compliance with the Competition Laws, which includes maintaining internal regulations and providing training for officers and employees.

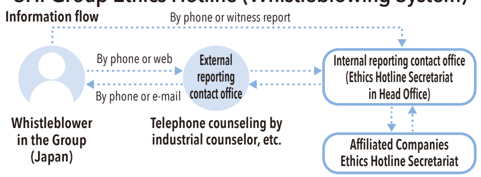
Anti-bribery Measures

To prevent bribery, the SHI Group has established the SHI Group Anti-Bribery Basic Policy and operates a Group-wide preliminary review system for entertainment and gifts offered to public officials in Japan and overseas.

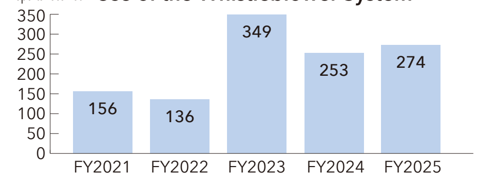
SHI Group Ethics Hotline (Whistleblowing System)

The SHI Group operates a whistleblowing system that allows officers and employees to report or seek consultation on any violation of laws or internal rules, or any facts that may constitute a violation, as well as a consultation service exclusively for workplace harassment issues. Through various training programs and other opportunities, we promote awareness regarding the use of these services, including whistleblower protection and the strict prohibition of disadvantageous treatment.

SHI Group Ethics Hotline (Whistleblowing System)



Use of the Whistleblower System



Quality Management

Basic Concept

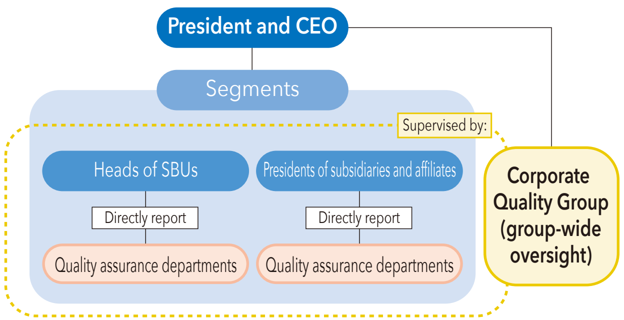
The Group's mission is to contribute to the development of society by providing first-rate products and services. We believe that earning the long-term trust of customers around the world will lead to the sustainable development of the Group and enhance its corporate value, while enabling us to meet the expectations of all stakeholders.

In order to continue providing high-quality products and services that customers can use with satisfaction and confidence across various industries, we have built quality assurance systems suitable for each product and adhere to the processes defined within these systems, while striving to pursue continual quality improvement.

Our quality philosophy and policy:
https://www.shi.co.jp/english/csr/social/customer/index.html

Quality Assurance System and Quality & Safety Governance

The Group has established a system of management oversight in which critical quality and safety nonconformities and customer complaints, as well as risks of legal and regulatory violations, are reported to the appropriate bodies according to the significance of each matter.



To ensure independence of the quality assurance function, quality assurance departments directly report to the head of each Strategic Business Unit (SBU) and the presidents of our subsidiaries and affiliates. In addition, these quality assurance activities are overseen group-wide by the Corporate Quality Group from the perspectives of management quality and the quality of products and services.

Risks of legal and regulatory violations and important compliance matters are monitored through the Compliance Committee and reported regularly—at least twice a year—to the Board of Directors. In addition, critical quality and safety matters are promptly reported to the management through the responsible SBU, subsidiary, or affiliate, and information sharing and supervision are conducted by the Board of Directors, as needed.

Initiatives to Improve Quality

The Group conducts a QMS (Quality Management System) audit once a year to review the processes through which quality improvement activities are implemented, thereby evaluating the effectiveness of its quality assurance system. Among our major manufacturing business divisions, 96% have become ISO9001 certified, as we strive to embed quality management practices in line with the international standards.

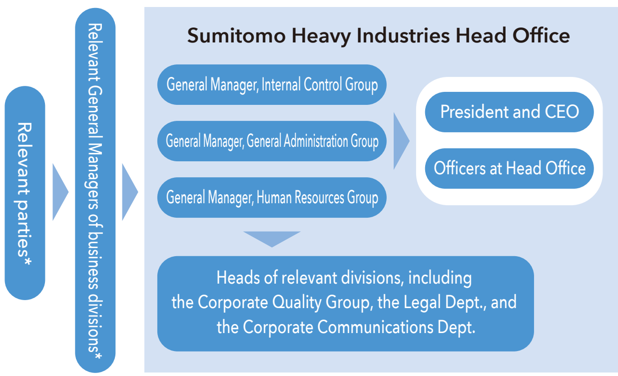
By explicitly prohibiting improper conduct in quality control, strengthening the process and the audit system, and educating our employees, we are working to ensure rigorous compliance in quality-related activities. In addition, through quality assurance general manager meetings, our SBUs, subsidiaries, and affiliates share approaches and policies for improving quality, and engage in continuous and multifaceted discussions. Furthermore, we regard ensuring the security of our products and services as a key management priority, and promote product security measures across the entire lifecycle, beginning at the design and development stage.

On the ground, with a focus on improving quality, we conduct an annual process review in which the head of each segment tours the production floor and assesses the operational processes. Focusing primarily on quality and manufacturing challenges, they engage in deep discussions with operational managers to delve into process-related issues and areas of improvement, thereby driving continuous improvement.

On the talent development front, we educate all new employees on basic quality concepts. We also introduced Six Sigma in FY1999, and have been improving our processes and organizational capabilities by developing certified professionals. As of the end of FY2025, 2,630 employees have been certified as Green Belts and 211 as Black Belts.

Reporting Flow for Product-Related Incidents

In the event of a serious accident, such as a fire or personal injury caused by a product supplied by the Group, we report the matter in accordance with the Sumitomo Heavy Industries Group Emergency Contact Guidelines to ensure prompt communication with top management, accurate information gathering, and swift and appropriate action.



*This includes the Sumitomo Heavy Industries Head Office, works, branches, SBUs, subsidiaries, and affiliates.