Securities Code: 6302

The 131st Interim Business and Financial Report
January 1, 2026 through June 30, 2026

To Our Shareholders

I would like to express our sincere gratitude for your continued support and patronage. I am pleased to present our business and financial report for the first half of the 131st fiscal year (from January 1 through June 30, 2026) as follows.

Purpose

Enhance society and those within it with compassion through our ownership and vision
Please refer to our website for details.

Business Principles

Corporate Mission Statement

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

Our Values

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

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

Commitment to Technology and Innovation:
We are passionate about contributing to society by further developing our unique, in-house technologies.

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

Business Performance during the Half-Year Period under Review

During the six-month period ended June 2026, despite an uncertain future outlook stemming from a worsening situation in the Middle East and higher crude oil prices, capital investment and exports in Japan remained solid. Turning to overseas regions, the U.S. economy remained strong, and Europe experienced a gradual recovery. Meanwhile, demand in China remained sluggish.

Given this operating environment, the SHI Group worked to improve profitability, enhance capital efficiency, and strengthen new business exploration to develop a robust entity, while also implementing a variety of measures including initiatives to make a greater contribution to the achievement of the UN's Sustainable Development Goals (SDGs) and build on our efforts to reduce our environmental impact, with the aim of increasing corporate value in a sustainable manner by solving social issues through products and services based on the Medium-Term Management Plan 2026.

As a result of these efforts, orders increased 13% year on year, to ¥607.1 billion, while net sales rose 12%, to ¥554.2 billion.

In terms of profit, operating profit increased 73% year on year, to ¥37.4 billion, while ordinary profit was 81% higher, at ¥34.1 billion, and profit attributable to owners of parent increased 78%, to ¥22.0 billion.

Based on these interim results, we have decided to pay an interim dividend of ¥70 per share, an increase of ¥10 year on year.

Progress under the Medium-Term Management Plan 2026

Under the Medium-Term Management Plan 2026, we will identify social issues by backcasting the ideal state of SHI and maintain our policy of "Increase corporate value in a sustainable manner by solving social issues through products and services." With a basic policy of "Developing a robust entity," we have designated "Improving profitability," "Enhancing capital efficiency," and "Strengthening new business exploration" as key issues, and are addressing these issues using both corporate and segment measures.

(1) Corporate strategy

● **Promote business portfolio reformation**: We are concentrating management resources in key investment areas where growth is forecast, and steadily restructuring businesses with low growth and low profitability and businesses whose strategies need to be rebuilt. Specifically, along with investment for growth in fields such as robotics and automation and semiconductor, we are transforming our business portfolio from the perspectives of capital efficiency and strategic alignment, including decisions to transfer our parking system business and our steam turbine and process pump businesses. To meet growing demand for cranes for shipbuilding, we have also transferred our subsidiary Sumitomo Heavy Industries Process Equipment Co., Ltd. to the Logistics & Construction segment to increase the crane business's production capacity and profitability under unified management in the Ehime region.

In addition, we continue to restructure our main businesses toward improved profitability. During fiscal 2026, we are implementing decisive measures including in human resources and concentrating management resources in growth fields, which will lead to enhanced profitability from fiscal 2027 forward.

● **Capital policy**: We are promoting management that emphasizes capital efficiency and working to strengthen our generation of cash flow. Along with replacing assets, reducing inventories, and enhancing business-specific profit management, we are pursuing integrated measures for restructuring and portfolio transformation for the continuous improvement of capital efficiency.

● **Strengthen new business exploration functions**: We continue to identify cross-segment themes and pursue commercialization through coordination among respective segments and head office divisions. Focusing on areas that will contribute to the resolution of social issues including carbon neutrality, resource circulation, renewable energy, medical equipment, and robotics and automation, we are working to create new growth opportunities while looking for synergies with existing businesses and their commercial viability.

● **Strengthen the business base**: We continue to pursue sustainability, human capital, and digital transformation (DX). In terms of sustainability, we are working to contribute to the resolution of social issues through our businesses and address medium- to long-term risks toward the achievement of the SDGs and the Group's target of carbon neutrality by 2050. With regard to human capital, we are pursuing a human resource strategy focusing on the key issues of securing human resources, strengthening the human resource development framework, developing a global human resource management framework, enhancing organizational capabilities, and promoting diversity. We are building a foundation to promote DX that underpins a robust business entity, while creating new customer value through measures including transforming design and manufacturing value chains, and enhancing service businesses.

(2) Segment strategy

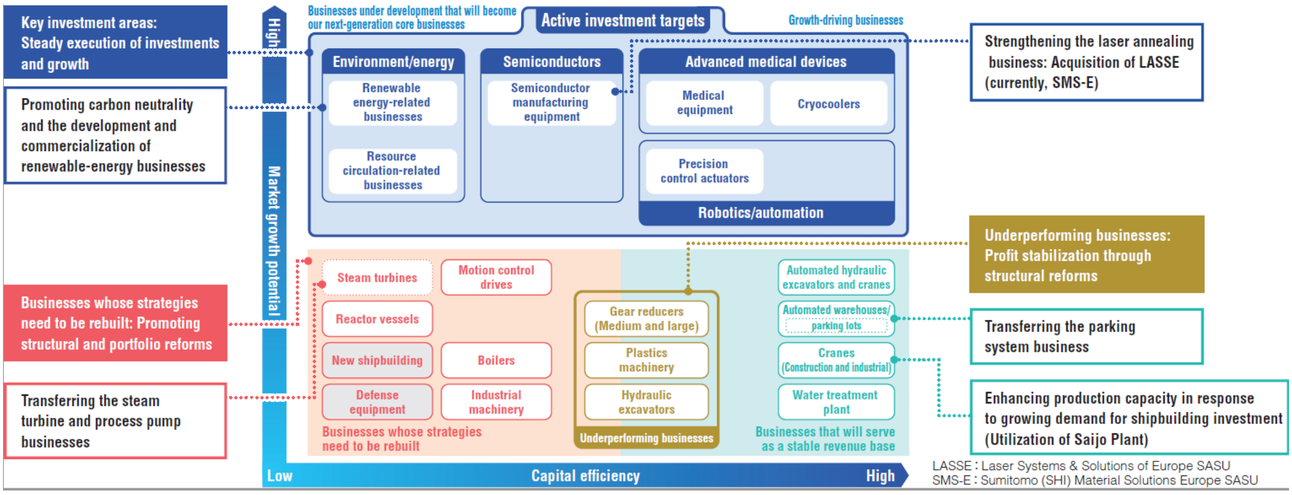
Our segment strategy is to clearly identify the roles of the four business segments—Mechatronics, Industrial Machinery, Logistics & Construction, and Energy & Lifeline—while pursuing growth strategies and improving profitability.

At the semiconductor manufacturing equipment business, one of the key investment areas, investment in artificial intelligence (AI) and data centers is driving market growth while non-AI demand is weak, delaying market recoveries in our business fields. Given this situation, we are placing our top priority on improving profitability and capital efficiency toward the next medium-term management plan. We are strengthening coordination between the ion implanter and laser annealing equipment businesses, strengthening the laser annealing equipment business by working with the semiconductor manufacturing equipment business operated by the French company Laser Systems & Solutions of Europe SASU ("LASSE," now "SMS-E*"), which we acquired in 2025, and pursuing business with new customers and joint development.

We are restructuring underperforming businesses by introducing measures to improve profitability primarily at the gear reducer, plastic injection molding machine, and hydraulic excavator businesses. Price revisions and withdrawal from unprofitable projects are underway at the gear reducer business, and domestic earnings are improving. The plastic injection molding machine business is seeing an underlying trend of improved profitability following a review of models and the business structure and scale, and we have begun to implement additional measures in response to the sluggish European market. We are optimizing the supply structure and strengthening earnings management at the hydraulic excavator business reflecting factors such as a decline in rental demand in Japan and tariffs and interest rates in North America.

* Sumitomo (SHI) Material Solutions Europe SASU

Progress in transforming the business portfolio under Medium-Term Management Plan 2026



Outline of Medium-Term Management Plan 2029

The next medium-term management plan, Medium-Term Management Plan 2029, will address issues that arose in the Medium-Term Management Plan 2026 by clarifying areas for growth investment and shifting management's focus from increasing scale to emphasizing "quality" in terms of profitability and capital efficiency. In particular, Medium-Term Management Plan 2029 will designate the Company's leading businesses as "driver businesses" and intensively allocate investment and resources in those businesses.

Driver businesses are defined as businesses that are able to establish a superior competitive position in growth markets and achieve high profitability and capital efficiency, to become the core businesses that support the Group's medium- to long-term growth. Specifically, we will focus on the crane business along with drive technologies and advanced technologies businesses in the Mechatronics segment, and use core technologies to expand high value-added businesses. At the semiconductor manufacturing equipment business, we will continue to work proactively with a view toward this becoming a driver business in the future, while continuing to place top priority on improving profitability for the time being.

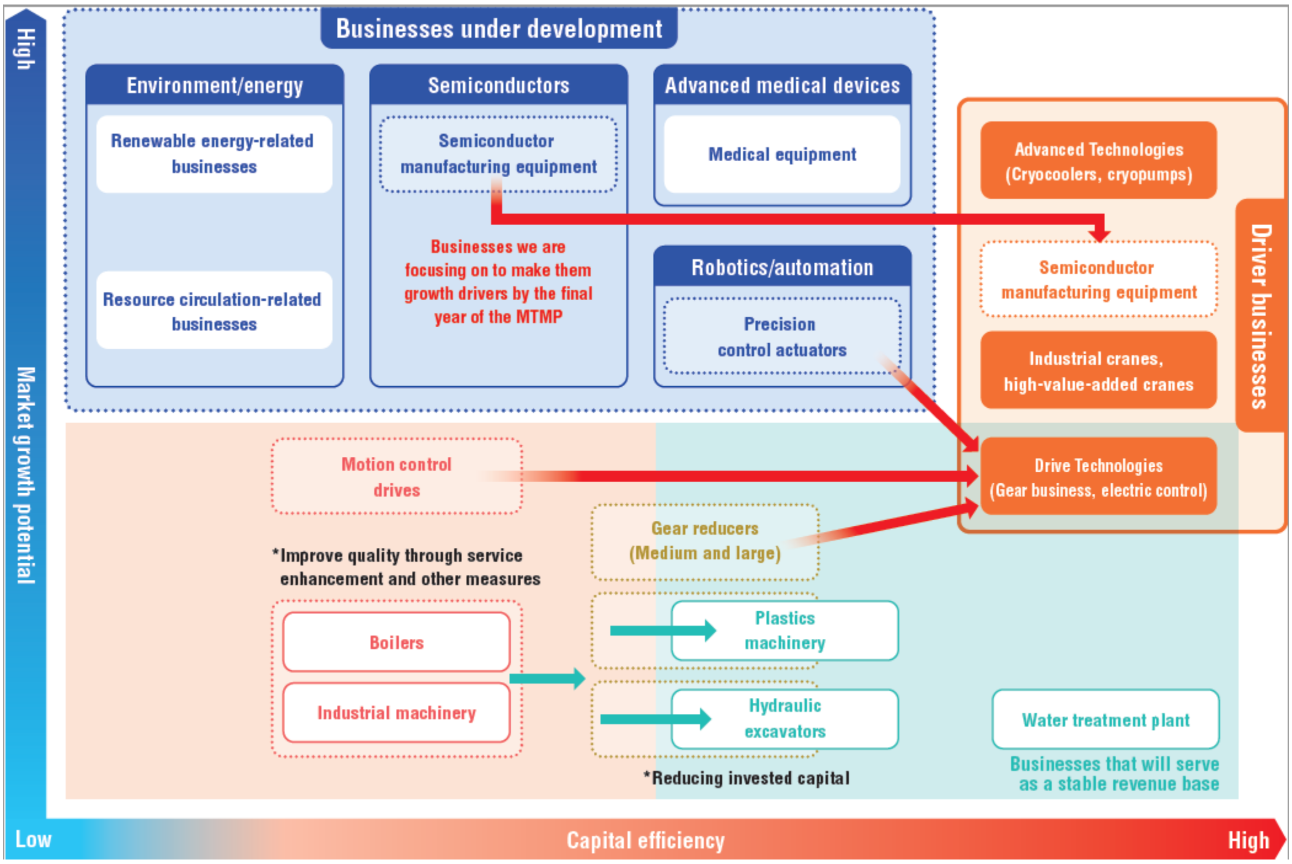
In addition, strengthening service businesses will be one of the priority issues under Medium-Term Management Plan 2029. Along with strengthening our ability to provide solutions based on our relationships with customers, we will use DX to make service businesses more advanced and shift to a stable, high-value-added earnings structure.

In corporate strategy, we will transform the portfolio across business segments, optimize the Companywide allocation of resources, and promote selection and concentration based on evaluations of business viability, while strengthening the business base in terms of DX, human capital, and corporate governance to build a structure that supports continuous growth.

Our segment strategy is to concentrate resources in driver businesses and service businesses, as well as implementing thorough management that emphasizes profitability and capital efficiency at each segment. We will work to improve the makeup of businesses with low profitability through reorganization and restructuring, which will lead to the strengthening of the Companywide earnings base overall.

In terms of finances, by shifting our approach to emphasize improved profitability and capital efficiency over the simple pursuit of scale, we will enhance management quality and achieve the continuous enhancement of corporate value. By focusing investment on driver businesses and transforming the portfolio, we aim to build a robust, highly profitable business entity.

Business portfolio transformation under Medium-Term Management Plan 2029



Although numerical issues remain with respect to Medium-Term Management Plan 2026, we are making steady progress in terms of restructuring, business portfolio transformation, and the concentration of management resources in growth fields. We will work toward the continuous enhancement of corporate value by improving profitability at businesses with issues and strengthening growth businesses, while responding quickly to changes in the external environment under the next medium-term management plan.

I ask for the continued understanding and support of our shareholders.

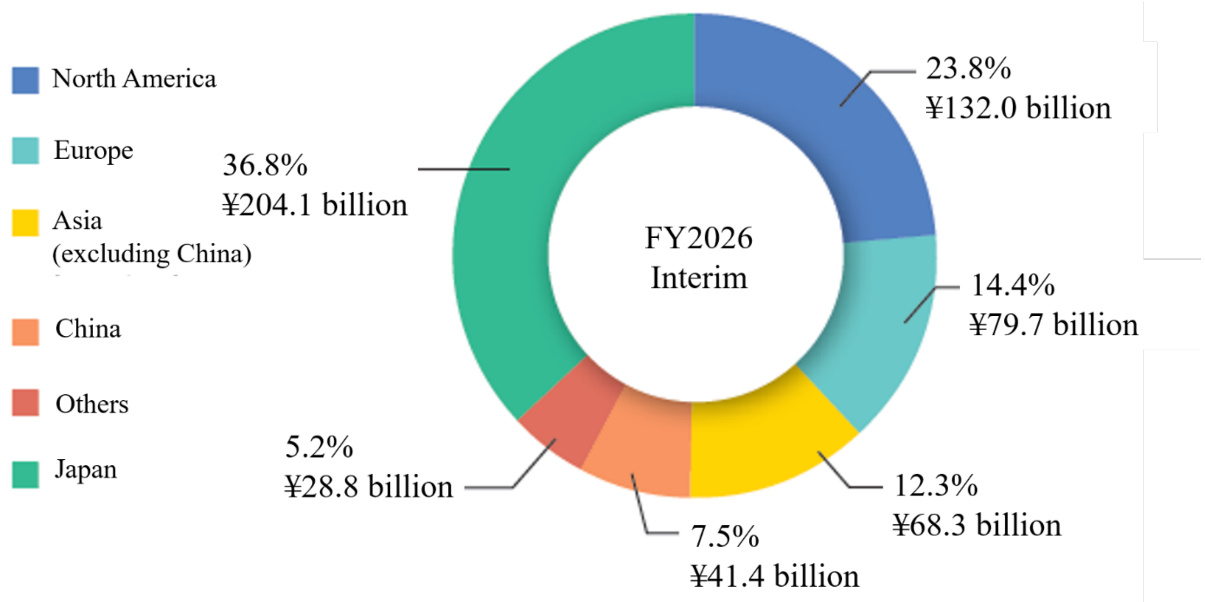
Toshiro Watanabe
President and CEO

Business Performance during the Half-Year Period under Review (figures rounded to the nearest ¥100 million)

Highlights

Orders	Increased across all segments excluding Industrial Machinery
Net sales	Increased across all segments
Operating profit	Increased across all segments due to higher sales
Profit attributable to owners of parent	Increased due to growth in operating profit

Net Sales Ratio by Region

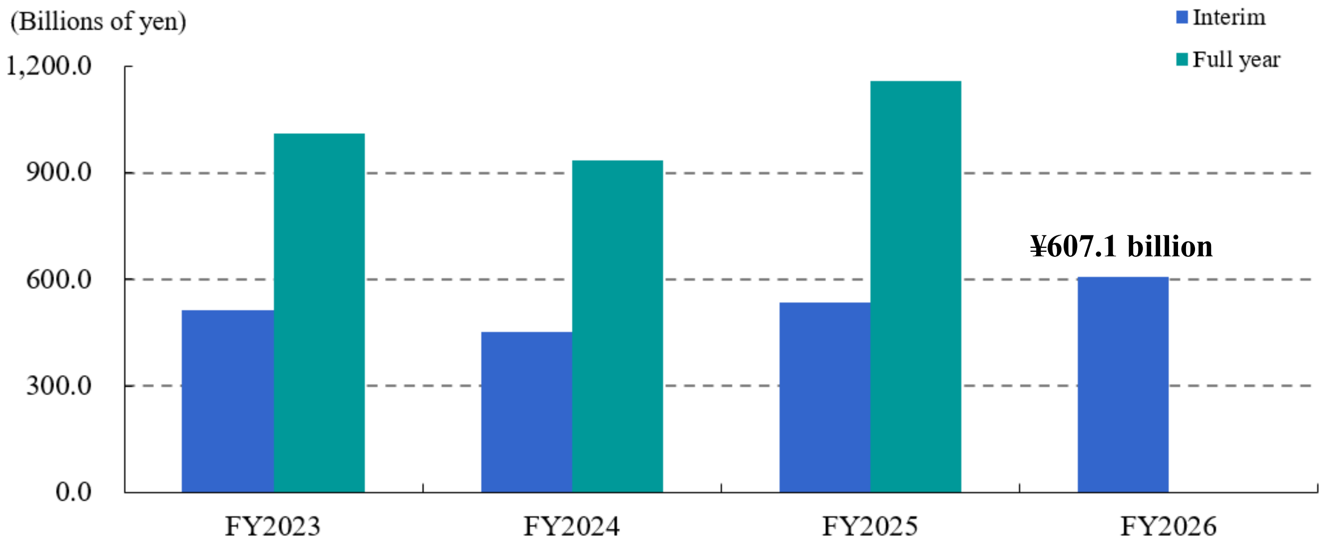


FY2026 Interim

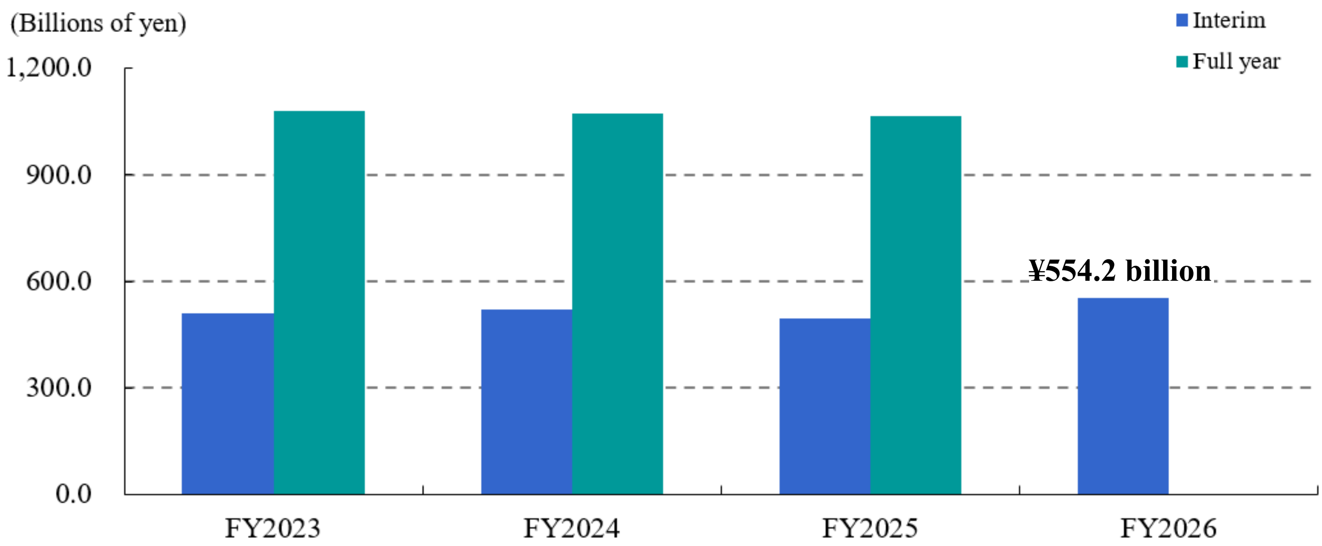
Region	Net sales (Billions of yen)	Net sales ratio (%)
North America	132.0	23.8
Europe	79.7	14.4
Asia (excluding China)	68.3	12.3
China	41.4	7.5
Others	28.8	5.2
Japan	204.1	36.8

Consolidated Financial Highlights

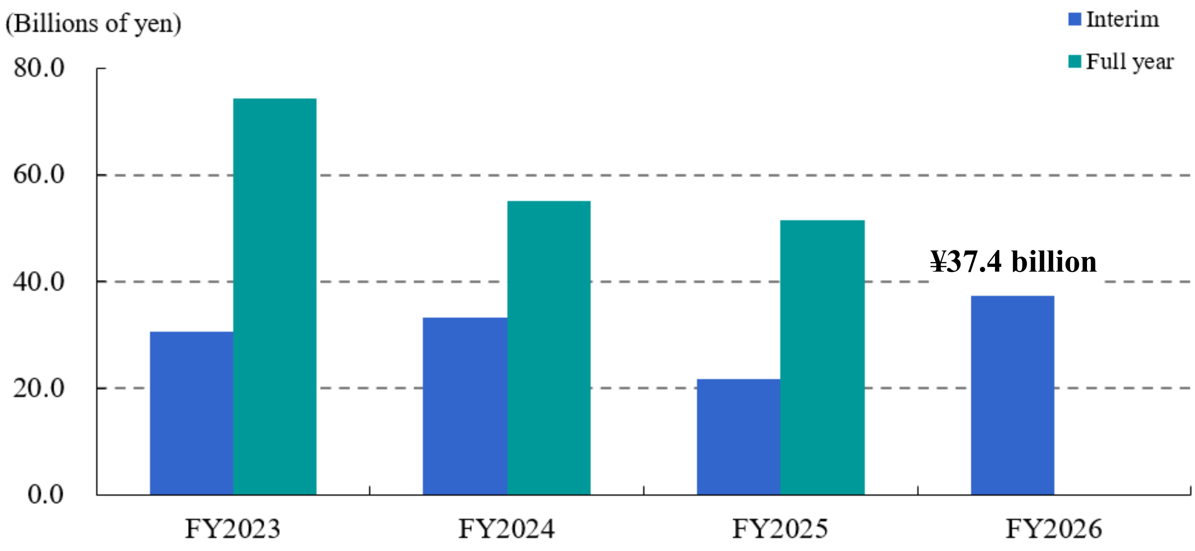
Orders



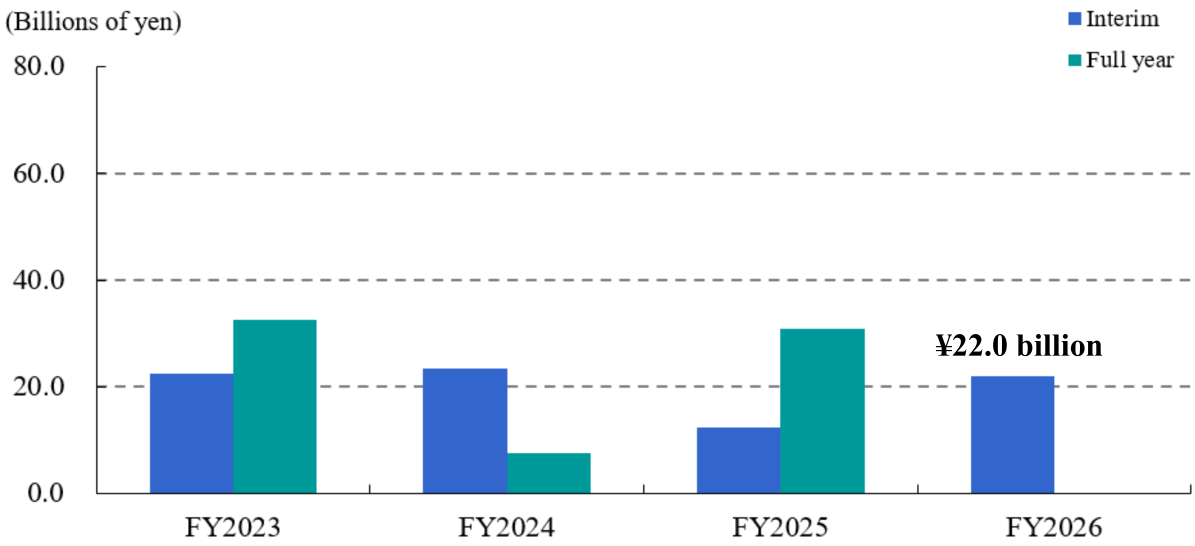
Net Sales



Operating Profit



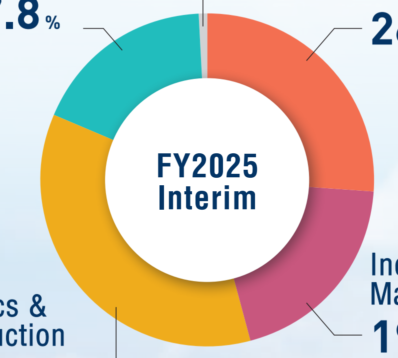
Profit Attributable to Owners of Parent

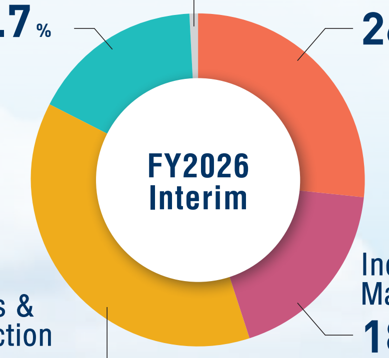


Review of Operations by Segment

Note: Numbers less than one unit are rounded to the nearest unit.

Net Sales Ratio by Segment

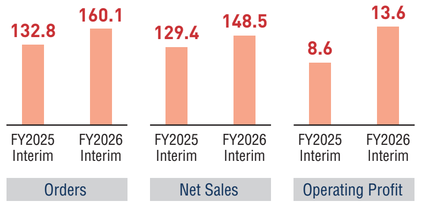




Mechatronics

Net Sales ¥148.5 billion　Year-on-Year Change +14.8%

Cyclo® Drive



Major Products

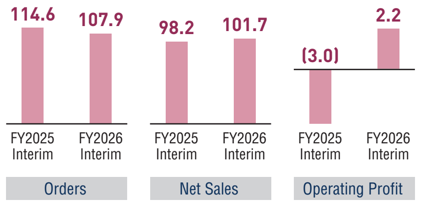
Gear reducers, Motors, Inverters, Cryocoolers, Precision Positioning Equipment

Demand for power transmission and control equipment was solid both in Japan and overseas, demand for motors and inverters from European customers increased, and growth in cryogenic equipment was fueled by a surge in semiconductor-related demand in the United States and China, resulting in increases in orders, sales, and operating profit for the segment.

Industrial Machinery

Net Sales ¥101.7 billion　Year-on-Year Change +3.6%

Plastic Injection Molding Machine



Major Products

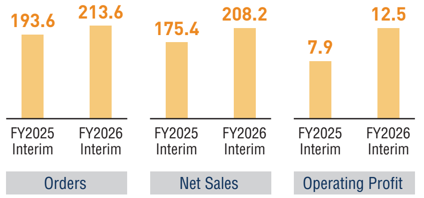
Plastics Machinery, Film Processing Machines, Precision Forgings, Semiconductor Manufacturing Equipment, Accelerators, Medical Machines and Equipment, Forging Presses, Air Conditioning Equipment, Defense Equipment

Although orders for semiconductor manufacturing equipment grew, lower orders for medical machines and equipment resulted in an overall decline in segment orders. On the other hand, a large order backlog led to increased sales, primarily in semiconductor manufacturing equipment, and in addition to sales growth, improved profitability at the plastics machinery business contributed to growth in operating profit.

Logistics & Construction

Net Sales ¥208.2 billion　Year-on-Year Change +18.7%

Hydraulic Excavator



Major Products

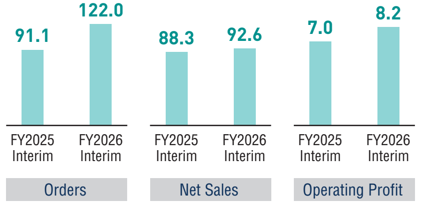
Hydraulic Excavators, Mobile Cranes, Road Construction Machinery, Material Handling Systems, Logistics Systems, Parking Systems

Orders for material handling systems declined, reflecting the solid level of orders secured in the previous year, but North American and European demand for hydraulic excavators grew and the mobile crane business in North America was solid, resulting in growth in orders for the segment as a whole. As a result, sales and operating profit rose as well.

Energy & Lifeline

Net Sales ¥92.6 billion　Year-on-Year Change +4.9%

Biomass Power Plant



Major Products

Power Generation Equipment (such as Boilers), Air Pollution Control Systems, Water Treatment Systems, Turbines, Pumps, Mixing Vessels, Food Processing Machinery, Ships, Marine Structures

Orders rose on large-scale orders for water treatment systems and marine structures, and with many water treatment system contributing to sales during the period under review, sales and operating profit also increased.

Special Feature 1: The Age of "Storing and Using" Electricity —World's First* LAES Commercial Demonstration Plant Commences Operations— *Based on SHI research

As solar and wind power generation continues to expand, "technologies for storing electricity" are becoming increasingly important. The Liquid Air Energy Storage (LAES) is a new long-duration energy storage technology that the SHI Group is working to commercialize. It stores electricity using air, a resource available all around us.

Please refer to our website for details ▶

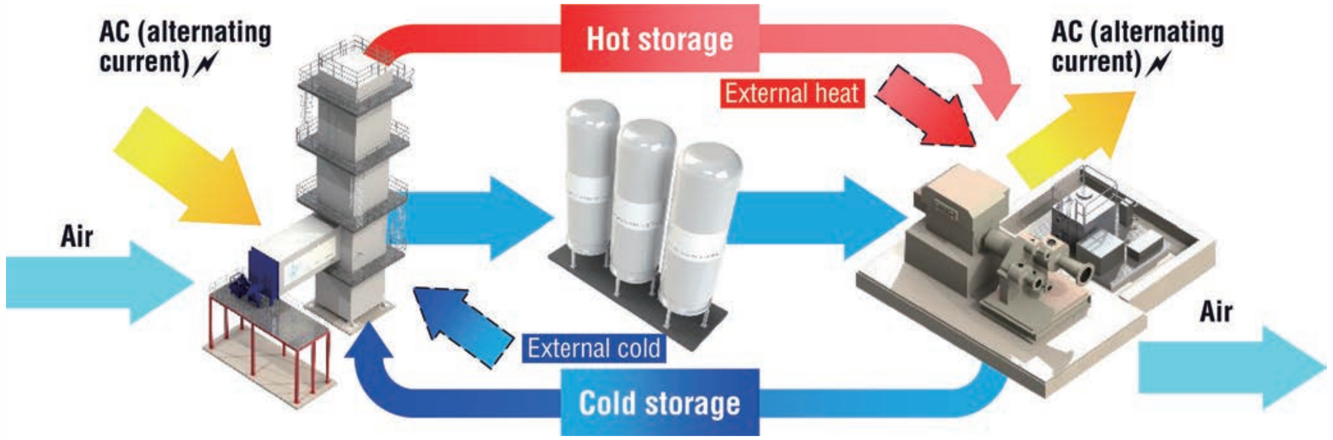
LAES—supporting the spread of renewable energy

LAES is an energy storage system consisting of three processes: "charge," in which surplus electrical power from renewable and other energy sources is used to compress and cool air into liquid form; "storage," in which liquid air and thermal energy are stored; and "discharge," in which the liquid air is vaporized, heated, and expanded to drive turbine generators and produce electricity.

The amount of solar and wind power generated fluctuates depending on the weather, and while they are clean sources of energy, the output is unstable. With LAES, surplus electrical power is stored and then provided when needed, making more effective use of renewable energy.

Another major feature is that there are relatively few geographic limitations on where the plant can be located, making it possible to be flexible in locating plants close to where demand exists.

▲The world's first LAES commercial demonstration plant (the two tanks in the center are liquid air storage tanks)



From the world's first to the next stage

In partnership with Hiroshima Gas Co., Ltd., we have built the world's first LAES commercial demonstration plant on the grounds of Hiroshima Gas's Hatsukaichi LNG Terminal, with an electrical storage capacity of 20 MWh (4.99 MW x 4 hours), the equivalent of one day's worth of electricity for roughly 1,800 ordinary households*. The plant commenced commercial operations in December 2025 and is currently collecting data and insights for commercialization through operations that simulate actual electricity market conditions.

As the use of renewable energy becomes more widespread, we believe LAES will become important energy infrastructure that supports stable supplies of electricity, contributing to the realization of power generation systems that do not solely rely on thermal power generation.

*Based on SHI estimates

Team pursuing a world-first challenge

The project to construct the LAES commercial demonstration plant presented challenges unprecedented in the SHI's history; in addition to an integrated system for the three processes of charge, storage, and discharge, together with equipment for storing and utilizing heat and cold energy.

To guide the team as it took on this challenge, a project-specific purpose, **"By using Liquid Air, we deliver Electricity and Happiness to the whole world,"** was formulated to align the project with the SHI Group Purpose.

This purpose created a path to ensure that the entire team continued to work toward the shared goal and cultivated an environment that made it enjoyable to pursue the challenge of creating new value. The self-driven actions of each individual were a key driving force toward the commercialization of LAES.

▲The project was driven mainly by younger employees

▲Discussions on-site to come up with optimal solutions

The world's first LAES commercial demonstration plant marks a starting point for the building of new energy infrastructure.

The SHI Group will continue to create businesses that support a next-generation society filled with compassion, while transforming these challenges into value for the future.

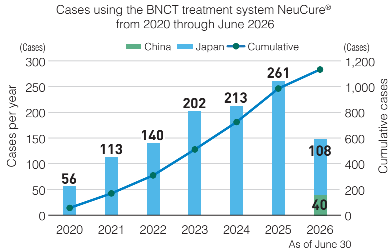
Special Feature 2: The Future of Cancer Treatment
—Boron Neutron Capture Therapy (BNCT)—

NeuCure
Boron Neutron Capture Therapy System

What is BNCT? Also, what are the key features of the BNCT treatment system NeuCure®?

Boron Neutron Capture Therapy (BNCT) is a next-generation radiation therapy in which a boron-containing agent is selectively taken up by cancer cells and subsequently irradiated with neutrons. This process destroys cancer cells from within while minimizing damage to surrounding healthy tissues. SHI possesses world-class expertise in cyclotron accelerator technology, which generates the neutron beams essential for BNCT. Since developing a hospital-installable BNCT treatment system that does not require a nuclear reactor in 2009, the Company has been engaged in the clinical development of BNCT.

In 2020, the BNCT treatment system NeuCure® became the world's first BNCT medical device to receive regulatory approval. It subsequently became available under Japan's national health insurance system for the treatment of unresectable locally advanced or locally recurrent head and neck cancer. As of June 2026, NeuCure® was in clinical use at two facilities in Japan (Fukushima and Osaka) and one overseas (Hainan Province, China), and more than 1,000 treatment cases had been accumulated.



What are the prospects for BNCT?

In addition to its current application primarily for superficial and intermediate-depth tumors, research and development efforts are underway to expand the use of BNCT to deep-seated cancers. Technological advancements, including higher-intensity neutron beams and improvements in boron drug formulations, are expected to broaden the range of treatable indications and support future market expansion.

Over the medium to long term, the radiation therapy market is expected to grow, driven by an increasing number of cancer patients and rising demand for less invasive treatment options. At the same time, adoption of BNCT remains limited, and its wider use will depend on the continued accumulation of clinical evidence and regulatory approvals across multiple jurisdictions.

Under its next Medium-Term Management Plan, SHI aims to expand equipment sales and service-related businesses in China and other overseas markets while pursuing the regulatory approvals required for entry into the U.S. market, including approval from the U.S. Food and Drug Administration (FDA). Through these initiatives, the Company aims to establish BNCT as a standard radiation therapy option.

▲BNCT treatment for head and neck cancer was administered for the first time at the Pengbo (Hainan, China) BNCT Center in March 2026.

Going forward, we aim to further expand the use and applications of BNCT, helping to enhance society and those within it with compassion.

BNCT was showcased at "Cancer Treatment Led by Osaka-Kansai: A Future Society Where Life Shines, Pioneered by BNCT," an event hosted by Osaka Prefecture at Expo 2025 Osaka, Kansai, Japan.

Please refer to the video for the BNCT treatment system NeuCure® ▶

Company Information (as of June 30, 2026)

Corporate Data

- Incorporated: November 1, 1934
- Paid-in capital: ¥30,871,651,300
- Number of employees (consolidated): 24,720
- Offices

Head office:	1-1, Osaki 2-chome, Shinagawa-ku, Tokyo, Japan
Business offices:	Chubu Office (Nagoya-shi) Kansai Office (Osaka-shi) Kyushu Office (Fukuoka-shi)
Plants:	Tanashi Works (Nishitokyo-shi, Tokyo) Chiba Works (Chiba-shi) Yokosuka Works (Yokosuka-shi, Kanagawa Pref.) Nagoya Works (Obu-shi, Aichi Pref.) Okayama Works (Kurashiki-shi, Okayama Pref.) Niihama Plant of Ehime Works (Niihama-shi, Ehime Pref.) Saijo Plant of Ehime Works (Saijo-shi, Ehime Pref.)
Laboratory:	Technology Research Center (Yokosuka-shi, Kanagawa Pref.)

Directors and Corporate Auditors

Representative Director and Chairman of the Board	Shinji Shimomura
Representative Director and President & CEO	Toshiro Watanabe
Representative Director	Tatsuro Araki
Director	Haruhiko Tsuzuki
Director	Masaki Arai
Director	Susumu Takahashi
Director	Akio Hamaji
Director	Sumie Morita
Director	Miho Hanafusa
Standing Corporate Auditor	Hideo Suzuki
Standing Corporate Auditor	Kazunori Jikihara
Corporate Auditor	Masaichi Nakamura
Corporate Auditor	Mio Minaki
Corporate Auditor	Hajime Watanabe

Executive Officers

President & CEO	Toshiro Watanabe
Senior Executive Vice President	Tatsuro Araki
Executive Vice President	Taiji Tsuchiya
Executive Vice President	Shaun Dean
Executive Vice President	Haruhiko Tsuzuki
Executive Vice President	Masaki Arai
Senior Vice President	Morihiro Kondo
Senior Vice President	Mitsukuni Tsukihara
Senior Vice President	Melvin Porter
Senior Vice President	Hiroyuki Tominaga
Senior Vice President	Chie Okamoto
Vice President	Takanori Nagai
Vice President	Yoichi Kato
Vice President	Isamu Mitsuhashi

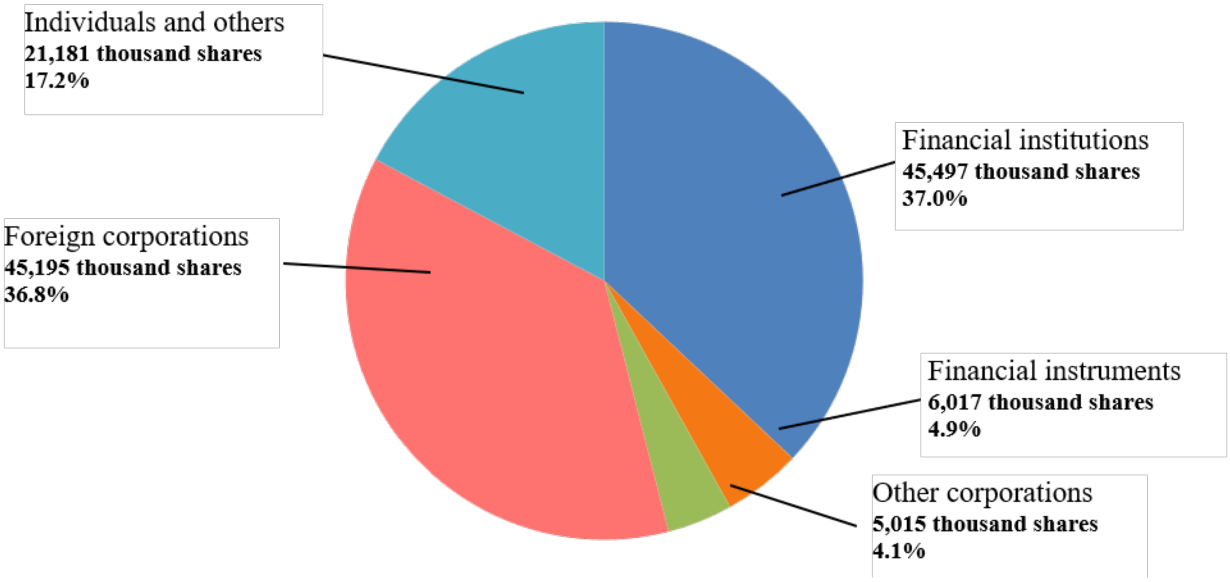
Vice President & CIO	Kazuhiro Harada
Vice President	Akihisa Miwa
Vice President	Akira Yamamoto
Vice President	Arata Ishimaru

Stock Information (as of June 30, 2026)

Stock Data

・Total number of authorized shares:	360,000,000
・Total number of issued shares:	122,905,481
・Number of shareholders:	41,619

Breakdown of Shareholders



Note: The number of shares and shareholding ratios are rounded to the nearest unit.

Shareholder Information

Fiscal Year	January 1 through December 31 of each year	
Ordinary General Meeting of Shareholders	March (every year)	
Record Dates	Ordinary General Meetings of Shareholders Payment of Interim Dividends Payment of Term-end Dividends	December 31 June 30 December 31
Custodian of the Register of Shareholders and the Institution that Manages the Special Accounts	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	
Handling Place of Register of Shareholders	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan [Mailing Address] Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan [Telephone Inquiries] Toll free number: 0120-782-031 Hours: 9:00–17:00 (except for Saturdays, Sundays, and holidays) [Website] https://www.smtb.jp/personal/procedure/agency/	
Method of Public Notice	To be posted on the Company's Website (https://www.shi.co.jp). However, where required by unavoidable circumstances, public notices will be made in the Nihon Keizai Shimbun.	

[Notification or Inquiries about Change of Address with Respect to Shares]

Shareholders who have an account with a securities company are asked to give notification or make inquiries about matters such as change of address to the securities company at which he or she has an account. Shareholders who do not have an account with a securities company are asked to call the following telephone number.

[Special Accounts]

For shareholders who did not use the depository and book-entry transfer system (*Hofuri*) operated by the Japan Securities Depository Center prior to dematerialization of share certificates, we have opened an account (called a special account) at the transfer agent Sumitomo Mitsui Trust Bank, Limited. Inquiries about, or notifications of, matters such as change of address with regard to special accounts should be made to the following telephone number.

[Request for the Purchase or Sale of Shares of Less than One Unit]

Please contact the securities company at which you have an account for requests for the purchase or sale of shares of less than one unit (100 shares). In the case of requests regarding shares recorded in a special account, please call the following telephone number.

Contact: Stock Transfer Agency Department
Sumitomo Mitsui Trust Bank, Limited
Toll free number: 0120-782-031
Hours: 9:00–17:00 (except for Saturdays, Sundays, and holidays)

Sumitomo Heavy Industries, Ltd.
Website www.shi.co.jp