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# **Notice of the 125th Ordinary General Meeting of Shareholders**

**Sumitomo Heavy Industries, Ltd.**

Securities code: 6302

To our shareholders

I would like to express our sincere gratitude for your continued support and patronage. Here is the Notice of the Company's 125th Ordinary General Meeting of Shareholders to be held on Tuesday, June 29, 2021. Please see the attachments for details.



Shinji Shimomura  
President and CEO

## 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.

In this English translation, Sumitomo Heavy Industries, Ltd. is referred to as the “Company” and the Sumitomo Heavy Industries Group as the “Company Group” or the “Group.”

June 7, 2021

**Sumitomo Heavy Industries, Ltd.**  
1-1, Osaki 2-chome, Shinagawa-ku, Tokyo, Japan

## **Notice of the 125th Ordinary General Meeting of Shareholders**

Dear Shareholders:

We are pleased to announce the Company's 125th Ordinary General Meeting of Shareholders, which will be held on the date and at the time and place shown below for the purposes stated below.

To prevent the spread of COVID-19, we request that our shareholders exercise their voting rights prior to the General Meeting of Shareholders by mail or via the Internet, and refrain from attending the meeting in person. In exercising these rights prior to this General Meeting, you may kindly review the attached reference documents indicated hereinafter and submit your vote by 6:00 p.m. on Monday, June 28, 2021, by mail or via the Internet.

Sincerely yours,  
Shinji Shimomura  
President and CEO

### **Procedure for the Exercise of Voting Rights:**

#### ■ **Voting by Attending the Meeting**

Please submit the enclosed voting instruction card at the reception desk.

#### ■ **Voting by Mail**

Please return the enclosed voting instruction card to reach us **no later than 6:00 p.m. on Monday, June 28, 2021**, indicating your approval or disapproval for each agenda item.

#### ■ **Voting via the Internet**

Please input your approval or disapproval for each agenda item via the Internet **no later than 6:00 p.m. on Monday, June 28, 2021**.

## Details

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- 1. Date and Time:** Tuesday, June 29, 2021, at 10:00 a.m. (Open at 9:00 a.m.)
- 2. Place:** Conference Room, 25th Floor, Head Office of the Company  
ThinkPark Tower, 1-1, Osaki 2-chome, Shinagawa-ku, Tokyo, Japan
- 3. Purposes of the Meeting:**

### **Matters to be Reported:**

1. The contents of the Company's Business and Financial Report and Consolidated Financial Statements for the 125th fiscal year (from April 1, 2020 to March 31, 2021) and the results of the audit of the Consolidated Financial Statements by the Independent Auditor and Board of Corporate Auditors
2. The contents of the Company's Financial Statements for the 125th fiscal year (from April 1, 2020 to March 31, 2021)

### **Matters Requiring Shareholders' Resolutions:**

- |                      |   |
|----------------------|---|
| <b>Agenda Item 1</b> | Disposition of Retained Earnings              |
| <b>Agenda Item 2</b> | Election of Nine Directors                    |
| <b>Agenda Item 3</b> | Election of One Corporate Auditor             |
| <b>Agenda Item 4</b> | Election of One Alternative Corporate Auditor |

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## Other Matters Regarding this Notice

- Please note that among the documents that should be provided together with this Notice, the Operational Structure for Ensuring the Appropriate Conduct of Operations and the Outline of Its Operational Status and the Basic Policy on Position of the Person Controlling Decisions on Financial and Business Policies of the Company in the Business and Financial Report, the Consolidated Statement of Changes in Net Assets and the Notes to Consolidated Financial Statements in the Consolidated Financial Statements and the Statement of Changes in Net Assets and the Notes to Financial Statements in the Financial Statements are published on the Company's website in accordance with the applicable laws and regulations and Article 16 of the Articles of Incorporation.
- As part of the Business and Financial Report, the above Operational Structure for Ensuring the Appropriate Conduct of Operations and the Outline of Its Operational Status and the Basic Policy on Position of the Person Controlling Decisions on Financial and Business Policies of the Company are subject to auditing by the Corporate Auditors. As part of the Consolidated Financial Statements or the Financial Statements, the Consolidated Statement of Changes in Net Assets, the Notes to Consolidated Financial Statements, the Statement of Changes in Net Assets and the Notes to Financial Statements are subject to auditing by the Independent Auditor and the Corporate Auditors.
- If it becomes necessary to revise any of the matters contained in the Reference Documents for the Shareholders' Meeting, the Business and Financial Report, the Consolidated Financial Statements or the Financial Statements, such revisions will be posted on the Company's website.

A video recording of the meeting will be posted on our corporate website on the Internet later.

The Company's website

<https://www.shi.co.jp/english/index.html>



## Reference Documents for the Shareholders' Meeting

### Agenda Item 1: Disposition of Retained Earnings

The Company's general policy for the distribution of profits is to provide shareholders with dividend payments proportionate to the fiscal year's profits and to increase them, while giving due consideration to securing retained earnings necessary to achieve long-term and stable business development. The Company determines its dividend payment amounts after comprehensively considering the above factors. The payout ratio is maintained basically at 30% by continuing the dividend policy of the previous Medium-Term Management Plan 2019.

With regard to the year-end dividend for the fiscal year under review, in line with the above dividend policy and in consideration of the Company's performance for the 125th fiscal year, the current business environment and the need to secure retained earnings for the future growth of the Company, it is hereby proposed that the year-end dividend for the 125th fiscal year be as follows:

#### Year-end dividend for the 125th fiscal year:

**(1) Type of dividend:** Cash

**(2) Matters related to the distribution of dividends to shareholders and the total dividend amount:**

**Amount of dividend:** ¥56.00 per share of the Company's common stock

**Total dividends:** ¥6,860,451,136

For your reference:

Including ¥9 per share for the interim dividend, which has already been distributed, the annual dividend appropriated from retained earnings for the 125th fiscal year is ¥65 per share, a decrease of ¥26 compared to the previous fiscal year.

**(3) Effective date of dividend appropriated from retained earnings:**

**June 30, 2021**

## Agenda Item 2: Election of Nine Directors

The terms of office of all ten Directors will expire at the close of this General Meeting. Therefore, the election of nine Directors including three Outside Directors is requested.

The candidates for Directors are as follows:

No.	Nature of Candidacy	Name	Current Positions and Responsibilities at the Company	Attendance at Board of Directors Meetings
1	Reappointment	Shunsuke Betsukawa	Representative Director and Chairman of the Board Chairperson of the Board of Directors	13/13 meetings (100%)
2	Reappointment	Shinji Shimomura	Representative Director and President & CEO	13/13 meetings (100%)
3	Reappointment	Tetsuya Okamura	Representative Director and Senior Executive Vice President & CIO General Manager of Export Administration Department and General Manager of Corporate ICT Group	13/13 meetings (100%)
4	Reappointment	Eiji Kojima	Director and Executive Vice President General Manager of Corporate Planning Group	13/13 meetings (100%)
5	Reappointment	Hideo Suzuki	Director and Executive Vice President & CFO	13/13 meetings (100%)
6	Reappointment	Kazuo Hiraoka	Director and Executive Vice President General Manager of Precision Equipment Group	10/10 meetings (100%)
7	Reappointment Outside Independent	Susumu Takahashi	Outside Director	13/13 meetings (100%)
8	Reappointment Outside Independent	Hideo Kojima	Outside Director	13/13 meetings (100%)
9	Reappointment Outside Independent	Akio Hamaji	Outside Director	10/10 meetings (100%)

Reappointment	: Candidate to be reelected as a Director
Outside	: Candidate for Outside Director
Independent	: Independent Officer set forth by the Tokyo Stock Exchange
Nomination	: Member of the Nomination Committee
Compensation	: Member of the Compensation Committee

(Note) The Company has entered into a contract with an insurance company for directors and officers liability insurance, which is stipulated in Article 430-3, paragraph 1 of the Companies Act, designating all Directors and Corporate Auditor (hereinafter referred to as “Directors, etc.”) as covered persons. This covers the damage that arises when Directors take responsibility for the execution of duties or when receiving a claim to pursue their responsibilities (however, the matters that fall in the category of an exemption are excluded). If each candidate is appointed as Director, the person will be covered with the insurance. After the maturity of the contract term, the contract will be renewed based on the resolution of the Board of Directors meetings.

(Reference) The Policies on and Procedures for Nominating Director Candidates and the Independence Standards for Outside Officers stipulated by the Company are stated on page 17 and pages 18 through 19, respectively.

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No. **1**

## Shunsuke Betsukawa

Reappointment

Nomination

Compensation

(Born on May 9, 1954)

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Number of shares of the  
Company held  
**26,624 shares**

Tenure as Director  
**12 years**

Attendance at Board of  
Directors Meetings  
**13/13 meetings (100%)**

### Career Summary, and Positions and Responsibilities at the Company

April 1978	Joined the Company
April 2007	Senior Vice President, General Manager of Corporate Finance, Accounting & Administration Group
April 2009	Senior Vice President, General Manager of Corporate Finance, Accounting & Administration Group, and General Manager of Corporate Planning and Development Department
June 2009	Director and Senior Vice President, General Manager of Corporate Finance, Accounting & Administration Group, and General Manager of Corporate Planning and Development Department
April 2010	Director and Executive Vice President, General Manager of Corporate Finance, Accounting & Administration Group
April 2011	Representative Director and Executive Vice President & CFO, General Manager of Corporate Finance, Accounting & Administration Group, and General Manager of Export Administration Department
April 2012	Representative Director and Senior Executive Vice President & CFO, General Manager of Export Administration Department
April 2013	Representative Director and President & CEO
April 2019	<b>Representative Director and Chairman of the Board</b> , to date

### Significant Positions Held at Other Companies

None

### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

### Reasons for Selection as Candidate for Director

Mr. Shunsuke Betsukawa was appointed as the Representative Director and President in 2013 after serving as the person in charge of the Finance, Accounting, and Corporate Planning divisions. He formulated two medium-term management plans titled “Medium-Term Management Plan 2016” and “Medium-Term Management Plan 2019,” and promoted the building of a robust business structure. Since being appointed as the Representative Director and Chairman of the Board in 2019, he, as the Chairperson of the Board of Directors, has encouraged the enhancement of governance systems and has been responsible for the management of the Company Group.

Since he has a high-level of management knowledge and supervising ability, the Company has determined that he is qualified to serve as a Director of the Company, and hereby requests his reappointment.

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No. 2

## Shinji Shimomura

Reappointment

Nomination

Compensation

(Born on February 3, 1957)



Number of shares of the Company held  
**9,023 shares**

Tenure as Director  
**5 years**

Attendance at Board of Directors Meetings  
**13/13 meetings (100%)**

### Career Summary, and Positions and Responsibilities at the Company

April 1982	Joined the Company
April 2012	Director of Sumitomo (S.H.I.) Construction Machinery Co., Ltd.
April 2013	Executive Managing Director of Sumitomo (S.H.I.) Construction Machinery Co., Ltd.
April 2014	Senior Executive Director of Sumitomo (S.H.I.) Construction Machinery Co., Ltd.
April 2014	Vice President of the Company
April 2015	Senior Vice President
April 2015	Representative Director and President & CEO of Sumitomo (S.H.I.) Construction Machinery Sales Co., Ltd.
April 2016	Representative Director and President & CEO of Sumitomo (S.H.I.) Construction Machinery Co., Ltd.
June 2016	Director and Senior Vice President of the Company
April 2018	Director and Executive Vice President
April 2019	<b>Representative Director and President &amp; CEO</b> , to date

### Significant Positions Held at Other Companies

None

### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

### Reasons for Selection as Candidate for Director

As Representative Director and President & CEO of Sumitomo (S.H.I.) Construction Machinery Co., Ltd., Mr. Shinji Shimomura accomplished high business growth in the Construction Machinery segment with his strong leadership, and was responsible for the management of the Company Group. After his appointment as Representative Director and President of the Company in 2019, he promoted the building of a robust business structure, with the aim of achieving the targets addressed in "Medium-Term Management Plan 2019." In addition, in this fiscal year, he has started a new medium-term management plan aiming to enhance the sustainable corporate value by resolving social issues with the products and services, and demonstrated leadership in the management of the Company Group as CEO. Since he has a high-level of management knowledge and supervising ability, the Company has determined that he is qualified to serve as a Director of the Company, and hereby requests his reappointment.

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No. 3

## Tetsuya Okamura

Reappointment

(Born on May 5, 1956)

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Number of shares of the Company held  
**4,626 shares**

Tenure as Director  
**3 years**

Attendance at Board of Directors Meetings  
**13/13 meetings (100%)**

### Career Summary, and Positions and Responsibilities at the Company

April 1980	Joined the Company
March 2008	Managing Director & CEO of Demag Ergotech GmbH (currently Sumitomo (SHI) Demag Plastics Machinery GmbH)
April 2012	Senior Vice President of the Company
April 2017	Senior Vice President, General Manager of Industrial Equipment Division
April 2018	Executive Vice President, General Manager of Industrial Equipment Division
June 2018	Director and Executive Vice President, General Manager of Industrial Equipment Division
April 2020	Representative Director, Senior Executive Vice President, General Manager of Export Administration Department
January 2021	Representative Director, Senior Executive Vice President, General Manager of Export Administration Department, General Manager of Corporate ICT Group
April 2021	<b>Representative Director and Senior Executive Vice President &amp; CIO General Manager of Export Administration Department, General Manager of Corporate ICT Group, to date</b>

### Significant Positions Held at Other Companies

None

### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

### Reasons for Selection as Candidate for Director

After being appointed as Managing Director & CEO of Demag Ergotech GmbH (currently Sumitomo (SHI) Demag Plastics Machinery GmbH) in 2008, Mr. Tetsuya Okamura was appointed as a Senior Vice President of the Company in 2012, and he has contributed to strengthening the competitiveness of the Company Group's plastic machinery business. After his appointment as the General Manager of the Industrial Equipment Division in 2017, he was appointed as a Director and Executive Vice President in 2018. He has advanced initiatives to stabilize earnings and enhance the strengths of products in this business segment. He was appointed as Representative Director, Senior Executive Vice President in April 2020 and CIO in April 2021, and has been responsible for the management of the Company Group executing supervision of the Company's information technology, etc.

Since he has a high-level of management knowledge and supervising ability, the Company has determined that he is qualified to serve as a Director of the Company, and hereby requests his reappointment.

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No. **4**

**Eiji Kojima**

Reappointment

(Born on January 3, 1960)

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Number of shares of the  
Company held  
**2,951 shares**

Tenure as Director  
**4 years**

Attendance at Board of  
Directors Meetings  
**13/13 meetings (100%)**

#### Career Summary, and Positions and Responsibilities at the Company

April 1984	Joined the Company
November 2013	General Manager of Mechatronics Division
April 2016	Senior Vice President, General Manager of Mechatronics Division
July 2016	Senior Vice President, General Manager of Energy & Environment Group
June 2017	Director and Senior Vice President, General Manager of Energy & Environment Group
April 2021	<b>Director and Executive Vice President, General Manager of Corporate Planning Group, to date</b>

#### Significant Positions Held at Other Companies

None

#### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

#### Reasons for Selection as Candidate for Director

After being appointed as General Manager of Mechatronics Division in 2013, Mr. Eiji Kojima performed his duties as the person in charge of the business driving the control technologies across the Company Group. In 2016, he was appointed as a Senior Vice President, and the same year he was appointed as General Manager of the Energy & Environment Group. He has advanced initiatives to strengthen the business competitiveness and build a competitive advantage. In 2017, he was appointed as a Director. As soon as he was promoted to Executive Vice President in April 2021, he started taking leadership in the establishment and promotion of strategies for the entire Company Group as a person in charge of the Corporate Planning Group being responsible for the management of the Company Group.

Since he has a high-level of management knowledge and supervising ability, the Company has determined that he is qualified to serve as a Director of the Company, and hereby requests his reappointment.

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No. **5**

**Hideo Suzuki**

Reappointment

(Born on January 7, 1960)

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Number of shares of the  
Company held  
**10,562 shares**

Tenure as Director  
**3 years**

Attendance at Board of  
Directors Meetings  
**13/13 meetings (100%)**

#### Career Summary, and Positions and Responsibilities at the Company

April 1982	Joined the Company
April 2012	General Manager of Corporate Finance, Accounting & Administration Group
April 2014	Senior Vice President, General Manager of Corporate Finance, Accounting & Administration Group
April 2018	Executive Vice President, General Manager of Corporate Finance, Accounting & Administration Group
June 2018	Director and Executive Vice President, General Manager of Corporate Finance, Accounting & Administration Group
April 2019	<b>Director and Executive Vice President &amp; CFO</b> , to date

#### Significant Positions Held at Other Companies

None

#### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

#### Reasons for Selection as Candidate for Director

After being appointed as General Manager of Corporate Finance, Accounting & Administration Group in 2012, Mr. Hideo Suzuki was appointed as a Senior Vice President in 2014, and a Director and Executive Vice President in 2018. As CFO since 2019, he has been working to manage the Company Group's operating performance and maintain financial discipline in the Company's investment activities targeting growth.

Since he has a high-level of management knowledge and supervising ability, the Company has determined that he is qualified to serve as a Director of the Company, and hereby requests his reappointment.

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No. **6**

**Kazuo  
Hiraoka**

Reappointment

(Born on July 30, 1962)

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Number of shares of the  
Company held  
**3,010 shares**

Tenure as Director  
**1 year**

Attendance at Board of  
Directors Meetings  
**10/10 meetings (100%)**

**Career Summary, and Positions and Responsibilities at the Company**

April 1985	Joined the Company
April 2007	General Manager of Engineering Department, Plastic Machinery Division
April 2010	Deputy General Manager of Ningbo Sumiju Machinery, Ltd.
April 2012	General Manager of Plastic Machinery Division of the Company
April 2015	Vice President, General Manager of Plastic Machinery Division
April 2016	Senior Vice President, General Manager of Plastic Machinery Division
April 2020	Executive Vice President, General Manager of Plastic Machinery Division
June 2020	Director and Executive Vice President, General Manager of Plastic Machinery Division
April 2021	<b>Director and Executive Vice President, General Manager of Precision Equipment Group, to date</b>

**Significant Positions Held at Other Companies**

None

**Special Interest between Candidate and the Company**

The candidate has no special interest in the Company.

**Reasons for Selection as Candidate for Director**

After being appointed as the General Manager of Plastic Machinery Division in 2012, Mr. Kazuo Hiraoka was appointed as Vice President in 2015, as Senior Vice President in 2016, and as Director and Executive Vice President in 2020. From April 2021, as the person in charge of Precision Equipment Group that drives the growth and high strong monetization of the Company Group, he has promoted initiatives aimed at business growth as the person responsible for the business.

Since he has a high-level of management knowledge and supervising ability, the Company has determined that he is qualified to serve as a Director of the Company, and hereby requests his appointment.

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No. 7

## Susumu Takahashi

Reappointment

Outside

Independent

Nomination

Compensation

(Born on January 28, 1953)



Number of shares of the  
Company held  
**0 shares**

Tenure as Director  
**7 years**

Attendance at Board of  
Directors Meetings  
**13/13 meetings (100%)**

### Career Summary, and Positions and Responsibilities at the Company

April 1976      Joined the Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation) (resigned in January 2004)

February 2004      Counselor of The Japan Research Institute, Limited

August 2005      Director General for Economic Research, Cabinet Office

August 2007      Vice Chairman of The Japan Research Institute, Limited

June 2011      Chairman of The Japan Research Institute, Limited

June 2014      **Outside Director of the Company**, to date

April 2018      **Chairman Emeritus of The Japan Research Institute, Limited**, to date

### Significant Positions Held at Other Companies

Chairman Emeritus of The Japan Research Institute, Limited

### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

### Reasons for Selection as Candidate for Outside Director

Although Mr. Susumu Takahashi has no experience in corporate management other than serving as Outside Director, he possesses high-level knowledge in economy and management, and has broad experience of actual professional practice in both private sector and government institutions.

The Company looks forward to Mr. Takahashi providing advice for its sustainable growth and the improvement of its corporate value, and his supervision of the Company's management. Also, he has performed his duties through his proactive comments at Board of Directors meetings and through his activities as a member of the Nomination Committee and the Compensation Committee, so the Company has determined that he is qualified to serve as an Outside Director of the Company, and hereby requests his reappointment.

If he is appointed as a Director, based on high-level knowledge and broad experience in economy and management, he will supervise the Company's management and provide advice. At the same time, as a member of the Nomination Committee and the Compensation Committee, he will participate in the appointment of candidates for officers and the decision of officer remuneration from an independent standpoint.

- The Company has designated Mr. Susumu Takahashi as an independent officer and notified the Tokyo Stock Exchange to that effect.
- The Company has entered into a contract with Mr. Susumu Takahashi to limit his liability for damages under Article 423, paragraph 1 of the Companies Act to 10,000,000 yen or the minimum amount of liability as provided in Article 425, paragraph 1 of the Companies Act, whichever is higher. If his reappointment is approved, the Company intends to enter anew into such a limitation of liability contract with Mr. Takahashi.

No. 8

## Hideo Kojima

Reappointment

Outside

Independent

Nomination (Chairperson)

Compensation (Chairperson)

(Born on November 30, 1948)



Number of shares of the  
Company held  
**0 shares**

Tenure as Director  
**6 years**

Attendance at Board of  
Directors Meetings  
**13/13 meetings (100%)**

### Career Summary, and Positions and Responsibilities at the Company

March 1980	Registered as a <b>certified public accountant</b> , to date
May 1995	Representative Partner of Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)
May 2000	Vice Chairman of Century Ota Showa & Co. (currently Ernst & Young ShinNihon LLC)
May 2004	General Manager of International Division, Tokyo office, Ernst & Young ShinNihon (currently Ernst & Young ShinNihon LLC)
May 2006	Deputy Chief Executive Officer of Ernst & Young ShinNihon (currently Ernst & Young ShinNihon LLC)
September 2010	Senior Advisor of Ernst & Young ShinNihon LLC (currently Ernst & Young ShinNihon LLC)
June 2011	Outside Corporate Auditor of Alpine Electronics, Inc.
June 2011	Outside Corporate Auditor of the Company
June 2011	Established <b>Hideo Kojima CPA Office</b> , to date
June 2013	Outside Corporate Auditor of Mitsubishi UFJ Financial Group, Inc.
June 2015	<b>Outside Director of the Company</b> , to date
June 2016	Outside Director (Audit and Supervisory Committee Member) of Alpine Electronics, Inc. (resigned in January 2019)

### Significant Positions Held at Other Companies

Certified Public Accountant of Hideo Kojima CPA Office

### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

### Reasons for Selection as Candidate for Outside Director

Although Mr. Hideo Kojima has no experience in corporate management other than serving as Outside Director and Outside Corporate Auditor, he, as a certified public accountant, is an expert in finance and accounting and has long experience of actual professional practice. Such extensive experience and ample knowledge will be extremely useful for the Company.

The Company looks forward to Mr. Kojima providing advice for its sustainable growth and the improvement of its corporate value, and his supervision of the Company's management. Also, he has performed his duties through his proactive comments at Board of Directors meetings and through his activities as the Chair of the Nomination Committee and Chair of the Compensation Committee, so the Company has determined that he is qualified to serve as an Outside Director of the Company, and hereby requests his reappointment.

If he is appointed as a Director, from the perspective of an expert on finance and accounting, he will supervise the Company's management and provide advice. At the same time, as the Chair of the Nomination Committee and Chair of the Compensation Committee, he will participate in the appointment of candidates for officers and the decision of officer remuneration from an independent standpoint.

- The Company has designated Mr. Hideo Kojima as an independent officer and notified the Tokyo Stock Exchange to that effect.
- The Company has entered into a contract with Mr. Hideo Kojima to limit his liability for damages under Article 423, paragraph 1 of the Companies Act to 10,000,000 yen or the minimum amount of liability as provided in Article 425, paragraph 1 of the Companies Act, whichever is higher. If his reappointment is approved, the Company intends to enter anew into such a limitation of liability contract with Mr. Kojima.

No. 9

## Akio Hamaji

Reappointment

Outside

Independent

Nomination

Compensation

(Born on July 13, 1954)



Number of shares of the  
Company held

**0 shares**

Tenure as Director

**1 years**

Attendance at Board of  
Directors Meetings

**10/10 meetings (100%)**

### Career Summary, and Positions and Responsibilities at the Company

April 1979	Joined Mitsubishi Mining & Cement Co., Ltd. (currently Mitsubishi Materials Corporation)
June 2007	Executive Officer, General Manager, Corporate Planning Div. of Mitsubishi Materials Corporation
June 2010	Senior Executive Officer, General Manager, Corporate Planning Div. of Mitsubishi Materials Corporation
June 2012	Managing Director of Mitsubishi Materials Corporation
April 2015	Executive Vice President of Mitsubishi Materials Corporation
April 2016	President of Mitsubishi Aluminum Company, Ltd.
December 2019	<b>Outside Director of Japan Best Rescue System Co., Ltd., to date</b>
June 2020	<b>Outside Director of the Company, to date</b>

### Significant Positions Held at Other Companies

Outside Director of Japan Best Rescue System Co., Ltd.

### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

### Reasons for Selection as Candidate for Outside Director

Mr. Akio Hamaji has long experience of actual professional practice as a manager and is well-versed in corporate management. Such extensive experience and ample knowledge will be extremely useful for the Company.

The Company looks forward to Mr. Hamaji providing advice for its sustainable growth and the improvement of its corporate value, and his supervision of the Company's management. Also, he has performed his duties through his proactive comments at Board of Directors meetings and through his activities as a member of the Nomination Committee and the Compensation Committee, so the Company has determined that he is qualified to serve as an Outside Director of the Company, and hereby requests his reappointment.

If he is appointed as a Director, based on long and ample experience as a manager, he will supervise the Company's management and provide advice. At the same time, as a member of the Nomination Committee and the Compensation Committee, he will participate in the appointment of candidates for officers and the decision of officer remuneration from an independent standpoint.

- Mitsubishi Aluminum Company, Ltd., where Mr. Akio Hamaji served as President until September 2018, was found guilty by the Tokyo Summary Court in February 2019 of violating the Unfair Competition Prevention Act for misconduct related to product quality.
- The Company has designated Mr. Akio Hamaji as an independent officer and notified the Tokyo Stock Exchange to that effect.
- The Company has entered into a contract with Mr. Akio Hamaji to limit his liability for damages under Article 423, paragraph 1 of the Companies Act to 10,000,000 yen or the minimum amount of liability as provided in Article 425, paragraph 1 of the Companies Act, whichever is higher. If his reappointment is approved, the Company intends to enter anew into such a limitation of liability contract with Mr. Hamaji.



### Agenda Item 3: Election of One Corporate Auditor

Corporate Auditor Takeo Wakae will resign at the close of this General Meeting. Therefore, the election of one Corporate Auditor as his substitute is requested.

With regard to this agenda item, the consent of the Board of Corporate Auditors has been obtained.

The candidate for Corporate Auditor is as follows:

## Yaeko Hodaka

New Candidate

Outside

Independent

(Born on March 20, 1966)



Number of shares of the  
Company held  
**0 shares**

#### Career Summary and Positions at the Company

April 1992 Registered as **attorney-at-law**, to date  
April 1992 Joined Ishii Law Office  
January 2005 Joined Morrison & Foerster  
January 2011 **Partner, Baker & McKenzie (Gaikokuho Joint Enterprise)**, to date  
September 2020 **Fellow, Centre for the Fourth Industrial Revolution Japan**, to date

#### Significant Positions Held at Other Companies

Partner and attorney-at-law of Baker & McKenzie  
Fellow of Centre for the Fourth Industrial Revolution Japan

#### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

#### Reasons for Selection as Candidate for Corporate Auditor

Although Ms. Yaeko Hodaka has no experience in corporate management, as an attorney-at-law she is well versed in law. Such extensive experience and ample knowledge, especially regarding corporate legal affairs, will be extremely useful for the Company.

The Company expects her to conduct effective audits of the Company's management from an objective and independent standpoint as an Outside Corporate Auditor. In light of Ms. Hodaka's abilities, the Company has determined that she is qualified to serve as an Outside Corporate Auditor of the Company, and hereby requests her appointment.

- The Company has designated Ms. Yaeko Hodaka as an independent officer and notified the Tokyo Stock Exchange to that effect.
- If the election of Ms. Yaeko Hodaka is approved, the Company intends to enter into a contract with her to limit her liability for damages under Article 423, paragraph 1 of the Companies Act to 10,000,000 yen or the minimum amount of liability as provided in Article 425, paragraph 1 of the Companies Act, whichever is higher.
- The Company has entered into a contract with an insurance company for directors and officers liability insurance, which is stipulated in Article 430-3, paragraph 1 of the Companies Act, designating all Directors and Corporate Auditor (hereinafter referred to as "Directors, etc.") as covered persons. This covers the damage that arises when Directors take responsibility for the execution of duties or when receiving a claim to pursue their responsibilities (however, the matters that fall in the category of an exemption are excluded). If the appointment of Ms. Yaeko Hodaka is approved, she will be covered with the insurance.

(Reference) The Policies on and Procedures for Nominating Corporate Auditor Candidates and the Independence Standards for Outside Officers stipulated by the Company are stated on page 17 and pages 18 through 19, respectively.

## Agenda Item 4: Election of One Alternative Corporate Auditor

The election of Mr. Tomoyuki Kato, Alternative Corporate Auditor, made at the 124th Ordinary General Meeting of Shareholders held on June 26, 2020, will cease to be effective at the commencement of this General Meeting. As a precautionary measure against the possibility of the Company lacking the minimum number of Outside Corporate Auditors designated by laws and regulations, the election of one Alternative Corporate Auditor is requested.

With regard to this agenda item, the consent of the Board of Corporate Auditors has been obtained.

The candidate for Alternative Corporate Auditor is as follows:

### Takeo Wakae

Outside	Independent	Compensation
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(Born on October 22, 1948)



#### Career Summary and Positions at the Company

April 1983	Registered as <b>attorney-at-law</b> , to date
April 1992	Civil conciliation commissioner at Tokyo District Court
April 2003	Vice President of Daiichi Tokyo Bar Association (fiscal year 2003)
June 2012	<b>Outside Corporate Auditor of the Company</b> , to date
April 2014	Executive Governor of Japan Federation of Bar Associations (fiscal year 2014)

Number of shares of the  
Company held  
**0 shares**

#### Significant Positions Held at Other Companies

Attorney-at-law of Kumagai & Wakae Law Office

Tenure as Corporate Auditor  
**9 years**

#### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Attendance at Board of  
Directors Meetings

**13/13 meetings (100%)**

Attendance at Board of  
Corporate Auditors Meetings  
**11/11 meetings (100%)**

#### Reasons for Selection as Candidate for Outside Corporate Auditor

Although Mr. Takeo Wakae has no experience in corporate management other than serving as Outside Corporate Auditor, as an attorney-at-law he is well versed in law. Such extensive experience and ample knowledge will be extremely useful for the Company.

The Company has determined that he conducts effective audits of the Company's management from an objective and independent standpoint as an Outside Corporate Auditor. In light of Mr. Wakae's abilities, the Company requests his appointment.

- If Mr. Takeo Wakae is appointed as an Outside Corporate Auditor after this agenda item is approved, the Company intends to designate him as an independent officer and notify the Tokyo Stock Exchange to that effect.
- The Company has entered into a contract with Mr. Takeo Wakae to limit his liability for damages under Article 423, paragraph 1 of the Companies Act to 10,000,000 yen or the minimum amount of liability as provided in Article 425, paragraph 1 of the Companies Act, whichever is higher. If Mr. Wakae is appointed as an Outside Corporate Auditor after this agenda item is approved, the Company intends to enter into such a contract with Mr. Wakae.
- The Company has entered into a contract with an insurance company for directors and officers liability insurance, which is stipulated in Article 430-3, paragraph 1 of the Companies Act, designating all Directors and Corporate Auditor (hereinafter referred to as "Directors, etc.") as covered persons. This covers the damage that arises when Directors take responsibility for the execution of duties or when receiving a claim to pursue their (however, the matters that fall in the category of an exemption are excluded). If Mr. Wakae is appointed as an Outside Corporate Auditor after this agenda item is approved, he will be covered with the insurance.

(Reference) The Policies on and Procedures for Nominating Corporate Auditor Candidates and the Independence Standards for Outside Officers stipulated by the Company are stated on page 17 and pages 18 through 19, respectively.

## **(Reference) Corporate Governance of the Company**

### **Policies on and Procedures for Nominating Director Candidates**

1. The Company's director candidates shall be nominated from those who satisfy the matters specified in each of the following items:
  - (i) a person who has excellent character, insights, and abilities, as well as a great sense of ethics;
  - (ii) a person who has the capability to view the overall management system of the Company, the intrinsic sense of risks, and extensive knowledge on management; and
  - (iii) a person who may understand and embody the Sumitomo's business philosophy and the Company Group's business principles, among others.
2. In nominating director candidates, the Company shall consider the balance of the expertise and experience (including management and business experience and experience in developing global business) of each director candidate, and diversity, among other factors, to be able to realize effective corporate governance by the Board of Directors as a whole.
3. Inside director candidates shall be nominated also in consideration of their association with the Company's management strategy and business scope, and their past experience in management, business, and their specialized areas, among other fields.
4. Outside director candidates shall be nominated in consideration of not only their role to supervise the Company's management independently from the management team and appropriately reflect stakeholders' viewpoints, but also of their abundant experience as a manager or extensive knowledge on management, among other factors.
5. Director candidates shall be determined at a Board of Directors meeting following examination by and reporting of the Nomination Committee, an advisory body to the Board of Directors.

### **Policies on and Procedures for Nominating Corporate Auditor Candidates**

1. The Company's corporate auditor candidates (including alternative corporate auditor candidates; the same will apply hereinafter) shall be nominated from those who satisfy the matters specified in each of the following items and who have the ability to make appropriate judgements from an independent and objective standpoint:
  - (i) a person who has excellent character, insights, and abilities, as well as a great sense of ethics;
  - (ii) a person who has the capability to view the overall management system of the Company, the intrinsic sense of risks, and extensive knowledge on management; and
  - (iii) a person who may understand and embody the Sumitomo's business philosophy and the Company Group's business principles, among others.
2. In nominating corporate auditor candidates, the Company shall consider the balance of the expertise and experience (including management and business experience) of each corporate auditor candidate, and diversity, among other factors, to be able to realize effective audits by the Board of Corporate Auditors. In addition, the Company shall nominate at least one candidate who has appropriate knowledge on finance and accounting.
3. Inside corporate auditor candidates shall be nominated also in consideration of their understanding about the Company's management strategy, management, and business.
4. Outside corporate auditor candidates shall be nominated also in consideration of their abundant experience as a manager and extensive knowledge on finance, accounting, and legal affairs, among other areas.
5. Corporate auditor candidates shall be determined at a Board of Directors meeting following examination by and reporting of the Nomination Committee, an advisory body to the Board of Directors, and consent of the Board of Corporate Auditors.

## Independence Standards for Outside Officers

1. If none of the following items apply to an Outside Director or an Outside Corporate Auditor, the Company shall consider the Outside Director or the Outside Corporate Auditor to be independent from the Company. However, (xiv) below shall only apply to an Outside Corporate Auditor.
  - (i) A person who is or was a person performing an executive role (\*1) at the Company Group (\*2).
  - (ii) A person who is a certified public accountant and is the Company's independent auditor or a certified public accountant who belongs to the audit firm that is the Company's independent auditor.
  - (iii) A consultant, an accounting expert, or a legal expert who receives large amount of money or other property (\*3) other than officer remuneration from the Company (if the person who receives such property is an organization such as a corporation, a person who belongs to such organization).
  - (iv) A shareholder who owns shares of 10% or more of the Company's total voting rights as of the last day of the last fiscal year (if such shareholder is an organization such as a corporation, a person performing an executive role therein).
  - (v) A person performing an executive role in a corporation whose shares of 10% or more of its total voting rights are owned by the Company as of the last day of the last fiscal year.
  - (vi) A person who is a principal business counterparty of the Company (\*4) (if such person is an organization such as a corporation, a person performing an executive role therein).
  - (vii) A person to whom the Company is a principal business counterparty (\*5) (if such person is an organization such as a corporation, a person performing an executive role therein).
  - (viii) A person who is a principal lender to the Company (\*6) (if such lender is an organization such as a corporation, a person performing an executive role at such organization or its parent company).
  - (ix) A person who receives donations of over 10 million yen annually on average over the last three fiscal years from the Company (if such person is an organization such as a corporation, a person performing an executive role therein).
  - (x) A spouse or a relative within the second degree of kinship of a person to whom any of (i) through (ix) above applies (excluding an unimportant person (\*7)).
  - (xi) A person to whom any of (ii) through (ix) above applies within the last three years.
  - (xii) A spouse or a relative within the second degree of kinship of a person to whom any of (i) through (ix) above applies within the last three years (excluding an unimportant person).
  - (xiii) A person performing an executive role in another company with which the Company has a mutual appointment relationship of Outside Officers (\*8).
  - (xiv) A spouse or a relative within the second degree of kinship of a person to whom (a) or (b) below applies:
    - (a) a person who is a director performing a nonexecutive role in the Company's subsidiary; or
    - (b) a person who falls under (a) above or a director performing a nonexecutive role at the Company within the last one year.
- (\*1) A person performing an executive role refers to an executive director, a Statutory Executive Officer, an Executive Officer, or an employee including a manager (in the case of an organization such as a corporation other than a stock company, an officer, a member, or an employee performing an executive role in such organization).
- (\*2) The Company Group refers to the Company and its subsidiaries and affiliated companies.
- (\*3) Large amount of money or other property refers to money or other property received by a person if such person received the same over the last three fiscal years with an average amount of (i) 10 million yen or more annually if such person is an individual, or (ii) 2% or more of

such person's average annual consolidated sales if such person is an organization such as a corporation.

- (\*4) A person who is a principal business counterparty of the Company is a person to whom the Company's average annual sales over the last three fiscal years comprise 2% or more of the Company's average annual consolidated sales.
  - (\*5) A person to whom the Company is a principal business counterparty is a person to whom the Company's average annual payment over the last three fiscal years comprises 2% or more of such person's average annual consolidated sales.
  - (\*6) A person who is a principal lender to the Company refers to a person from whom the Company's average balance of borrowings over the last three fiscal years exceeds 2% of the Company's consolidated total assets as of the last day of the last fiscal year.
  - (\*7) An unimportant person refers to (i) with regard to a person performing an executive role, a person other than a Director, a Statutory Executive Officer, or an Executive Officer, and (ii) with regard to a specialized advisory firm (an audit firm, law firm, etc.) in consulting-related matters, a person other than a member or a partner (an associate or an employee).
  - (\*8) A mutual appointment relationship of Outside Officers refers to a relationship where a person performing an executive role who belongs to the Company is an Outside Officer of another company, and a person performing an executive role who belongs to such other company is an Outside Officer of the Company.
2. Even if any of the items in 1. above apply to an Outside Director or an Outside Corporate Auditor, the Company may appoint such Outside Director or Outside Corporate Auditor as an Independent Outside Director or an Independent Outside Corporate Auditor when it determines that such person is suitable for its Independent Outside Director or Independent Outside Corporate Auditor upon considering such person's character and insight, among others, provided that, it shall publically provide an explanation as to why it has determined that there is no possibility of a conflict of interest with general shareholders.

### **Policies on and Procedures for Determining the Remuneration of Directors and Executive Officers**

1. The remuneration of the Company's directors and executive officers shall consist of basic remuneration; performance-linked remuneration, which shall reflect the performance of the Company and its divisions; and stock purchase remuneration, which shall be paid for the purpose of purchase of the Company shares.
2. For the performance-linked remuneration outlined in the preceding paragraph, various management indicators shall be established to evaluate the performance of the Company and its divisions as performance evaluation indicators, and there shall be a structure to determine remuneration based on those management indicators. The remuneration of executive directors in charge of operational divisions shall reflect the performance of the operational division of which they are in charge. The stock purchase remuneration is the remuneration which shall be paid for the purpose of purchase of the Company shares, and by this remuneration the Company's directors and executive officers shall purchase the Company shares in excess of the amounts stipulated for each position through the officers' shareholding association. The Company's directors and executive officers shall hold these Company shares during their term of office.
3. The remuneration of outside directors shall consist only of basic remuneration as they shall assume the responsibility to supervise management independently from the business execution division.
4. The remuneration of directors and executive officers shall be determined at a Board of Directors meeting following reports on the remuneration system and standards by the Compensation Committee, an advisory body to the Board of Directors.

## Corporate Governance

The Company has established the Corporate Governance Basic Policy of Sumitomo Heavy Industries, Ltd. The Company is making efforts to enhance its corporate governance, aiming to establish an efficient and highly transparent management structure, in order to increase the Company Group's corporate value and further enhance its reputation among and trustfulness of all stakeholders.

### Corporate Governance Basic Policy of Sumitomo Heavy Industries, Ltd.

The Company's website

English <https://www.shi.co.jp/english/ir/policy/governance/index.html>

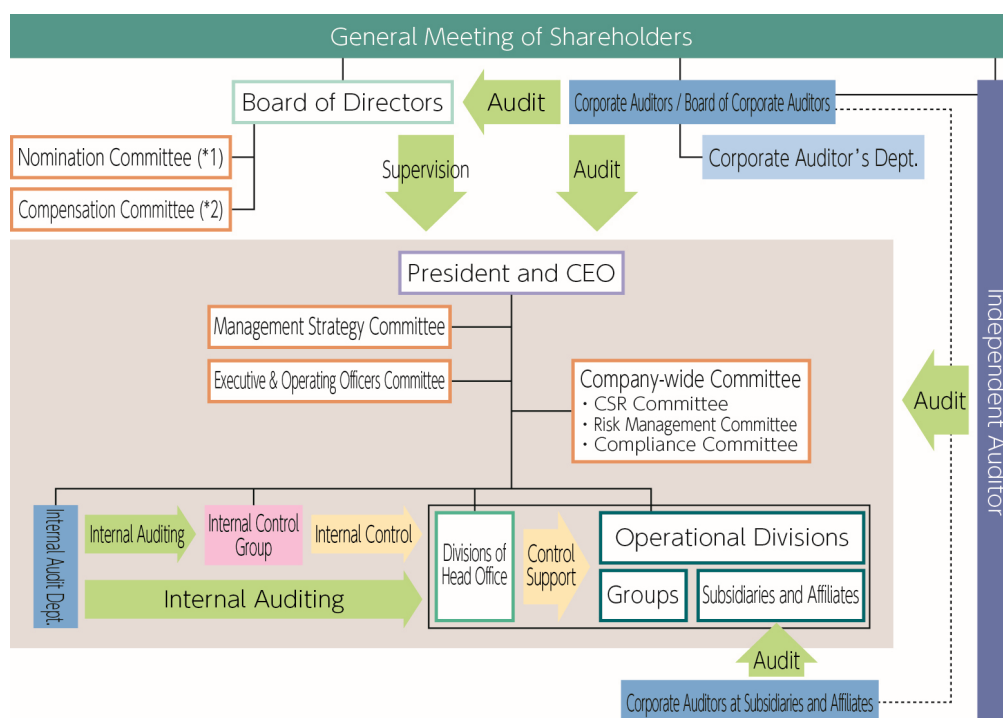


## Corporate Governance System

The Company has adopted the company with a board of corporate auditors system and, within this framework, introduced an executive officer system to separate the business execution and supervision functions of corporate management.

The Company has a Board of Directors, comprising ten directors (the fixed number is 12), of whom three are outside directors whose role is to supervise management from an independent standpoint and are in charge of appropriately reflecting the stakeholders' perspective.

The Board of Corporate Auditors is comprised of four corporate auditors (the fixed number is five), including two outside corporate auditors. The outside corporate auditors have advanced specialist knowledge and a wealth of experience in various fields and the standing corporate auditors have specialist knowledge and a wealth of experience of the Company's management. They utilize these and provide highly effective audits, as well as provide opinions to the management actively in the meetings of the Board of Directors and meetings of the Executive & Operating Officers Committee, etc.



\*1 The Nomination Committee comprises members that include outside directors, and examines and reports regarding the nomination of director and corporate auditor candidates, the dismissal of directors and corporate auditors, and the appointment and removal of the directors with a managerial position and representative director, among other matters, upon an inquiry from the Board of Directors. The Nomination Committee also confirms the successor plans each year for the CEO and other key executives, and reports the progress to the Board of Directors.

\*2 The Compensation Committee comprises members that include outside directors and outside corporate auditors, and deliberates and reports regarding the remuneration system and standards of directors and executive officers, among other matters, upon an inquiry from the Board of Directors.



## BUSINESS AND FINANCIAL REPORT

(April 1, 2020 through March 31, 2021)

### I. CURRENT STATUS OF THE COMPANY GROUP

#### 1. PERFORMANCE AND RESULTS OF OPERATIONS

In the fiscal year under review, the management environment surrounding the Company Group was affected by the spread of COVID-19. In Japan, after a state of emergency was issued, economic activities slowed down. Overseas, we observed lockdowns due to the pandemic and attendant slumps in economic conditions. As a result, global machinery demand entered a downward phase. Furthermore, there were increased factors of uncertainty including increasingly serious U.S.–China trade friction, continued geopolitical risks, and fluctuations and downturns of crude oil prices.

Amid this business environment, the Company Group promoted COVID-19 measures by securing employees' safety and providing the maximum cooperation in response to the demand of society. We implemented a short-term business continuity plan (BCP), such as maintaining production as infection cases occur, maintained business during times when orders were slow and worked to secure operations.

As a result, total orders received by the Company Group were ¥813.9 billion and net sales on a consolidated basis were ¥849.1 billion.

As for profits and losses, operating income was ¥51.3 billion, ordinary income was ¥49.5 billion, and net income attributable to shareholders of the parent company was ¥26.8 billion because a special loss of ¥5.8 billion was recorded by Ships segment, etc. In addition, the after-tax ROIC\* was 6.1%.

\* The ROIC (Return on Invested Capital) is the ratio of after-tax profitability to invested capital, which is an indicator to show the level of profitability in light of the invested capital (a sum of shareholders' equity and interest-bearing liabilities), thereby showing whether there was sufficient profitability to meet the investment costs.

#### Financial Highlights

##### Orders

**¥813.9 billion**

a 2% decrease from  
the previous fiscal year

##### Net sales

**¥849.1 billion**

a 2% decrease from  
the previous fiscal year

##### Operating income

**¥51.3 billion**

a 10% decrease from  
the previous fiscal year

##### Ordinary income

**¥49.5 billion**

a 6% decrease from  
the previous fiscal year

##### Net income attributable to shareholders of the parent company

**¥26.8 billion**

an 18% decrease from  
the previous fiscal year

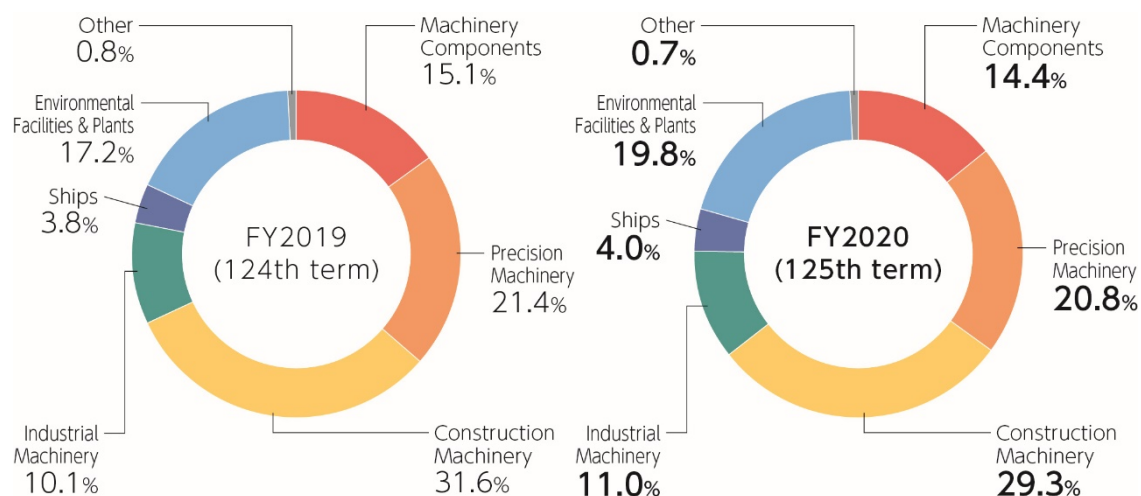
##### ROIC

**6.1%**

(The previous fiscal year: 7.3%)

## SUMMARY OF OPERATIONS AND PERFORMANCE BY SEGMENT

### Net Sales Ratio by Segment of the Company Group



### Orders, Sales and Backlog of Orders by Segment of the Company Group

(Billions of yen)

Segment	Orders		Sales		Year-end Backlog of Orders as of March 31,	
	FY2019	FY2020	FY2019	FY2020	2020	2021
Machinery Components	126.5	124.1	130.5	122.2	33.2	35.1
Precision Machinery	189.8	162.3	185.0	176.9	87.7	73.0
Construction Machinery	259.5	253.7	272.8	248.7	58.3	63.3
Industrial Machinery	88.4	86.3	87.0	93.2	97.2	90.2
Ships	30.1	29.3	32.9	34.0	37.0	32.3
Environmental Facilities & Plants	124.7	152.4	149.0	168.0	249.5	233.9
Other	7.1	5.9	7.2	6.0	1.3	1.1
Total	826.2	813.9	864.5	849.1	564.1	528.9

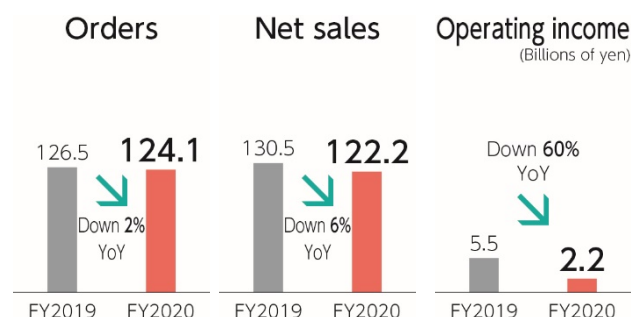


## Machinery Components

### Principal Business:

Power Transmission and Control Equipment, Motors, Inverters

Orders, sales and operating income decreased due to global expansion of COVID-19.



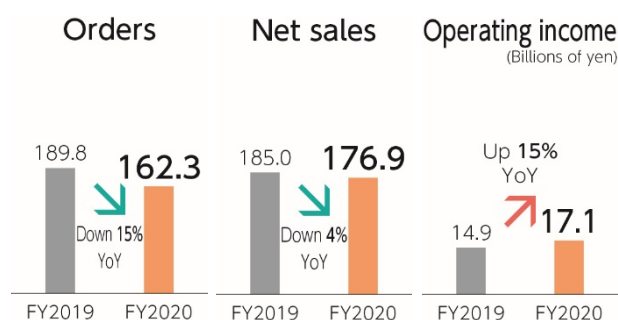
## Precision Machinery

### Principal Business:

Plastic Injection Molding Machines, Extrusion Laminator Machines, Semiconductor Manufacturing Equipment, Laser Processing Systems, Cryogenic Equipment, Precision-Positioning Stages, Precision Forgings, Control System Equipment, Defense Equipment, Machining Tools

With respect to the plastics machinery business, recovery of demand in the electric and electronic sector in China and an increase in demand in Europe and the U.S. led to an increase in orders, but sales decreased because of the lead time from the receipt of orders to the recording of sales. However, due to changes in the model composition, etc., operating income increased.

In other precision machinery business, demand for semiconductor-related equipment was at the adjustment phase and orders declined. However, due to the backlog of orders, sales remained at the same level as the previous year leading to an increase in operating income.

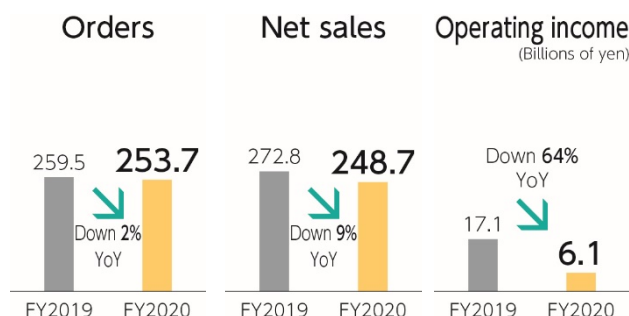


## Construction Machinery

### **Principal Business:**

Hydraulic Excavators, Construction Cranes, Road Construction Machinery

With respect to the hydraulic excavator business, the Japanese market was robust and demand in the North America region started recovering, leading to an increase in orders. However, due to the lead time from the receipt of orders to the recording of sales, sales were down. In addition, because of the burden of costs related to quality, operating income also declined.



With respect to the construction crane business, orders, sales, and operating income all declined due to reduced demand because of the spread of COVID-19 although demand in the North American region started picking up.

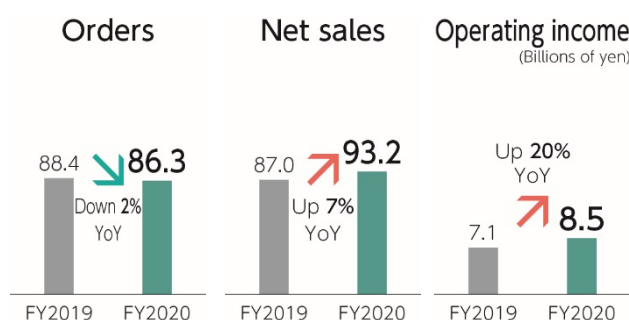
## Industrial Machinery

### **Principal Business:**

Cyclotrons, Medical Equipment, Forging Machines, Material Handling Systems, Logistics & Handling Systems, Automated Parking Systems, Turbines, Pumps

The material handling business demonstrated an order increase due to strong demand from electric power companies and ports as well as logistics and handling systems. Since there was a positive backlog of orders, both sales and operating income were up.

In the other industrial machinery business, sales and operating income declined due to the expansion of COVID-19.

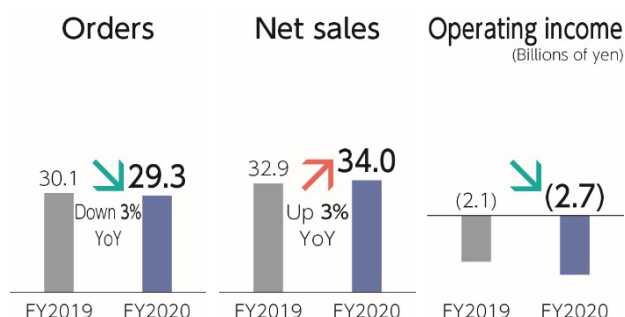


## Ships

### **Principal Business:**

Ships

As the ships business continued to flag, the Company Group received orders for three new vessels during the fiscal year under review, the same number as the previous fiscal year. While we delivered four vessels, the same number as the previous fiscal year, sales increased, but the ships business experienced an operating loss again in this fiscal year.



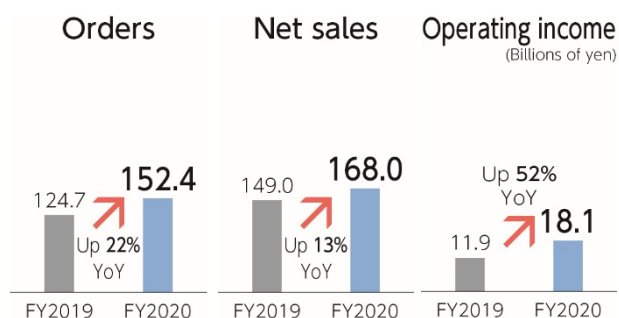
## Environmental Facilities & Plants

### **Principal Business:**

Power Generation Systems, Boiler Systems, Industrial Waste Treatment Plants, Air Pollution Prevention Equipment, Water Treatment Systems, Chemical Process Equipment & Plants, Pressure Vessels, Mixing Vessels, Air-Conditioner, Food Production Equipment

Orders in the energy plant business increased partly because more orders were received for large-scale projects in biomass power plants in Japan and Europe compared to the previous fiscal year, and there was a backlog of orders mainly in Japan. Accordingly, both sales and operating income increased.

In the water treatment plant business, orders fell due to a reduction in sewage treatment system projects compared to the previous fiscal year, but sales and operating income increased due to a backlog of orders.



## Other

### **Principal Business:**

Software, Real Estate

In other businesses, orders were ¥5.9 billion, an 18% decrease from the previous fiscal year; net sales were ¥6.0 billion, a 17% decrease from the previous fiscal year; and operating income was ¥2.1 billion, a 13% decrease from the previous fiscal year.

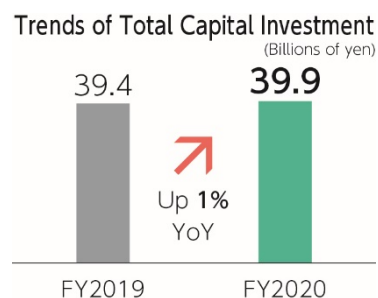
## 2. CAPITAL INVESTMENT AND OTHER INVESTMENT

### (1) Capital investment

During the fiscal year under review, we made necessary capital investments, focusing on core businesses and investment in IT.

Specifically, we made investments to increase production capacity and update aging facilities in the Machinery Components, Precision Machinery, and Construction Machinery segments, and to improve IT infrastructure.

As a result, the total amount of capital investment for the fiscal year under review was ¥39.9 billion.

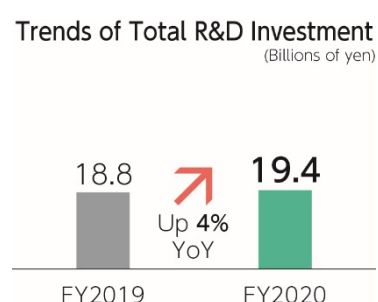


### (2) R&D investment

With the aim of providing peace of mind to customers and contributing to the resolution of social issues, we carried out investment in development aimed at providing first-class products and services.

Specifically, in the Construction Machinery segment, we made investments in the development of hydraulic excavators, and in the Precision Machinery segment, we invested in the development of ion implanters.

As a result, the total amount of R&D investment for the fiscal year under review was ¥19.4 billion.



## 3. FINANCING

During the fiscal year under review, we raised a total of ¥20.0 billion through the issuance of unsecured domestic straight bonds in September 2020 to fund capital expenditures and bond redemptions.

In addition to the above, to provide for short-term operating capital and to secure liquidity on hand, we issued ¥92.0 billion in commercial papers. There was no balance of commercial papers at the end of the fiscal year.

## 4. BUSINESS RESTRUCTURING

On February 1, 2021, Sumitomo Heavy Industries Environment Co., Ltd., a subsidiary of the Company, entered into the Absorption-type Company Split Agreement to transfer part of the general waste processing business, which the subsidiary conducts in Japan, to Nippon Steel Environmental Plant Solutions Corporation having July 1, 2021 as the effective date (planned).

## 5. CHALLENGES FACING THE COMPANY GROUP

The economic environment surrounding the business continues to be severe due to the spread of COVID-19. Vaccination has started, but due to the spread of variants of the virus, there is no prospect for the situation settling down in Japan and abroad. While some countries around the world have implemented lockdowns, various economic measures, etc. were implemented, resulting in a recovery in some regions and industries. However, the overall economy remains stagnant. Uncertainty is increasing against the backdrop of the conflict between the United States/Europe and China and the geopolitical risks of the Middle East and East Asia.

### (1) Summary of the fiscal year 2020

COVID-19 had a significant impact on the management of the Company. Although some businesses, such as semiconductor manufacturing equipment, are strong, demand in many areas has been sluggish due to the slowdown of the global economy. Amid this environment, we worked on three points: ensuring employee safety, giving maximum cooperation to social demands, and maintaining our business base. While maintaining our global supply chain, we have steadily implemented measures for sustainable growth, such as reinforcing competitiveness by strengthening collaboration within the Group, introducing new products to the market and purchasing Leifeld Metal Spinning GmbH, a German machinery manufacturer that manufactures and sells spinning machines and flow forming machines.

### (2) Medium-Term Management Plan 2023

Although we had postponed the announcement of the medium-term management plan for the next period for a year due to the spread of COVID-19, we have now formulated “Medium-Term Management Plan 2023.” For the establishment of “Medium-Term Management Plan 2023,” setting “the maintenance of both corporate value and social value” as a long-term goal, the Company Group decided to become a company that can keep growing while being profitable and contribute to the creation of social value even if the social and/or market structure changes. We identified the issues to be solved for the creation of social value by backcasting based on possible megatrends by 2030 and our goal.

To reinforce the foundation during the first medium-term management period to achieve the long-term goal, we will work on Medium-Term Management Plan 2023 based on the following policies:

#### (i) Establishment of strong business entity

We aim to become a strong business entity that can withstand changes in the environment by establishing a business continuity plan (BPC) that is capable of responding to any risks including COVID-19 while continuing to invest in the competence required for growth.

#### (ii) Innovation to enhance corporate value

We will strengthen organizational capabilities by reforming business processes through the promotion of the utilization of DX\* as well as initiatives such as the group-wide “PRIDE Project” activities to revitalize organizations, and promote innovation to enhance corporate value, such as by improving financial performance and effectively utilizing management resources by reviewing the business portfolio. Furthermore, as we will be carrying out changes to business segments from 2021 due to the review of the business portfolio, we will work to enhance corporate value by demonstrating synergies within the new segments.

#### (iii) Transforming into a company that people find comfortable as a workplace

Aiming to create a healthy and safe workplace, we will strive to develop human resources, so that diverse human resources can play an active role in the organization. We will also promote diversity, utilize resources globally, and promote the transformation into a company that people find comfortable as a workplace.

#### (iv) Contribution to Sustainable Development Goals (SDGs) through our products and services

By providing the products and services that would contribute to economic and technological

development, we strive to solve social issues, improve corporate value, and contribute to the realization of a sustainable society.

**(v) Reduction of environmental burden through businesses**

Throughout the Company Group's business activities and the life cycle of products that we provide, we will work on the reduction of environmental impacts by decreasing greenhouse effect gases, promoting a circular economy, improving energy efficiency, etc.

In "Medium-Term Management Plan 2023," our financial goals are to achieve orders of ¥1 trillion, net sales of ¥970 billion, and operating income of ¥70 billion in the final year of 2023. We will keep adopting ROIC as a management indicator of the Company Group, and trying to achieve ROIC > WACC\*\* and secure ROIC of 7.5% or higher.

\* DX (Digital transformation) refers to transforming all activities for the better by utilizing IT.

\*\* WACC (Weighted Average Cost of Capital) is a weighted average of the cost of debt and the cost of shareholders' equity, which is a typical calculation method for the cost of capital.

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

## 6. CHANGES IN STATE OF ASSETS AND PROFIT/LOSS OF THE COMPANY GROUP

(Billions of yen, unless otherwise indicated)

Items	FY2017	FY2018	FY2019	<b>FY2020 (this fiscal year)</b>
Orders	864.0	952.2	826.2	<b>813.9</b>
Net sales	791.0	903.1	864.5	<b>849.1</b>
Operating income	69.9	75.2	56.8	<b>51.3</b>
Ordinary income	67.5	72.6	52.6	<b>49.5</b>
Net income attributable to shareholders of the parent company	34.7	45.7	32.8	<b>26.8</b>
Net income per share (Yen)	282.83	372.56	267.77	<b>218.46</b>
Total assets	894.8	954.1	996.1	<b>1,030.7</b>
Net assets	445.0	465.0	477.6	<b>504.9</b>
Net assets per share (Yen)	3,517.33	3,701.01	3,790.99	<b>4,005.43</b>

- Notes: 1. The Company carried out a one-for-five common share consolidation effective on October 1, 2017. Net income per share and net assets per share have been calculated as if the share consolidation had been carried out at the beginning of the fiscal year ended March 31, 2018.
2. In the fiscal year under review, the provisional accounting treatment for the business combination was finalized, and ordinary income and total assets for the fiscal year ended March 31, 2020 are the figures that reflect the content of the provisional accounting treatment.

## 7. MAJOR SUBSIDIARIES (as of March 31, 2021)

Name	Stated Capital (Millions of yen)	Company's Shareholding Ratio (%)	Major Line of Business
Sumitomo Construction Machinery Co., Ltd.	16,000	100	Manufacturing and distribution of hydraulic excavators, road construction machinery, etc.
Sumitomo Construction Machinery Sales Co., Ltd.	4,000	100	Domestic distribution of hydraulic excavators, road construction machinery, etc.
Sumitomo Heavy Industries Construction Cranes Co., Ltd.	4,000	66	Manufacturing and distribution, and repair of crawler cranes, etc.
Nihon Spindle Manufacturing Co.,	3,276	100	Manufacturing and distribution of

Name	Stated Capital (Millions of yen)	Company's Shareholding Ratio (%)	Major Line of Business
Ltd.			environmental equipment, air conditioner and industrial equipment, etc.
Shin Nippon Machinery Co., Ltd.	2,408	100	Manufacturing and distribution of turbines, pumps, etc.
Sumitomo Heavy Industries Marine & Engineering Co., Ltd.	2,000	100	Manufacturing and distribution of ships, etc.
Sumitomo Heavy Industries Gearbox Co., Ltd.	841	100	Manufacturing and distribution of gears and power transmission and control equipment
Sumitomo Heavy Industries Material Handling Systems Co., Ltd.	480	100	Manufacturing and distribution of material handling machines, logistics & handling systems, automated parking systems, etc.
Sumitomo Heavy Industries Ion Technology Co., Ltd.	480	100	Manufacturing and distribution of ion implanters
Sumitomo Heavy Industries Environment Co., Ltd.	480	100	Manufacturing and distribution, and maintenance and management of water and sewerage treatment systems, etc.
Sumitomo Heavy Industries Process Equipment Co., Ltd.	480	100	Manufacturing and distribution of mixing vessels, pressure vessels, coke oven machinery, etc.
Sumitomo Heavy Industries Power Transmission & Controls Sales Co., Ltd.	400	100	Distribution of power transmission and control equipment, etc., and provision of related services
LBX Company, LLC (U.S.A.)	51,800 (Thousands of U.S. Dollars)	100	Distribution of hydraulic excavators and provision of related services
Sumitomo Machinery Corporation of America (U.S.A.)	12,423 (Thousands of U.S. Dollars)	100	Manufacturing and distribution of power transmission and control equipment, etc.
LBCE Holdings, Inc. (U.S.A.)	10,618 (Thousands of U.S. Dollars)	100	Control of overall business of construction cranes, etc.
Sumitomo SHI FW Energie B.V. (Netherlands)	19 (Thousands of Euros)	100	Control of circulating fluidized bed boiler business
Sumitomo (SHI) Demag Plastics Machinery GmbH (Germany)	20,025 (Thousands of Euros)	100	Manufacturing and distribution of plastic injection molding machines
Sumitomo (SHI) Cyclo Drive Germany GmbH (Germany)	6,136 (Thousands of Euros)	100	Manufacturing and distribution of power transmission and control equipment
Lafert S.p.A. (Italy)	3,500 (Thousands of Euros)	100	Manufacturing and distribution of industrial motors
Sumitomo Construction Machinery (Tangshan) Co., Ltd. (China)	798,938 (Thousands of Yuan)	100	Manufacturing and distribution of hydraulic excavators
Sumitomo (SHI) Cyclo Drive China, Ltd. (China)	87,000 (Thousands of Yuan)	100	Manufacturing and distribution of power transmission and control equipment
Sumitomo Heavy Industries (Vietnam) Co., Ltd. (Vietnam)	41,300 (Thousands of U.S. Dollars)	100	Manufacturing and distribution of power transmission and control equipment

Note: The Company's Shareholding Ratio includes the indirect holdings.

**8. MAJOR LENDERS (as of March 31, 2021)**

Name	Loans Outstanding (Millions of yen)
Sumitomo Mitsui Banking Corporation	24,649
Sumitomo Mitsui Trust Bank, Limited	9,890
MUFG Bank, Ltd.	5,210
Mizuho Bank, Ltd.	5,081

**9. EMPLOYEES (as of March 31, 2021)**

Segment	Number of Employees	Increase or Decrease from End of Last Fiscal Year
Machinery Components	6,873	(115)
Precision Machinery	4,792	122
Construction Machinery	4,259	233
Industrial Machinery	2,298	37
Ships	567	(3)
Environmental Facilities & Plants	3,838	125
Corporate Operations & Others	1,423	16
Total	24,050	415



# 10. MAJOR PLACES OF BUSINESS AND PLANTS (as of March 31, 2021)

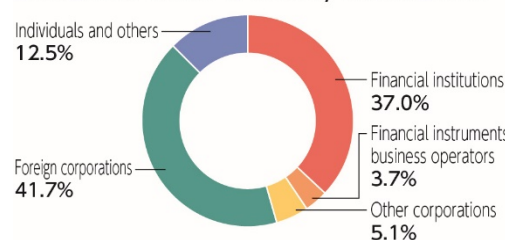
The Company	Head office	1-1, Osaki 2-chome, Shinagawa-ku, Tokyo, Japan
	Business offices	Chubu Office (Nagoya-shi), Kansai Office (Osaka-shi), Kyushu Office (Fukuoka-shi)
	Plants	Tanashi Works (Nishitokyo-shi, Tokyo), Chiba Works (Chiba-shi), Yokosuka Works (Yokosuka-shi, Kanagawa Pref.), Nagoya Works (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.)
	Laboratories	Technology Research Center (Yokosuka-shi, Kanagawa Pref.)
Subsidiaries	Plants	Sumitomo Construction Machinery Co., Ltd., Chiba Works (Chiba-shi) Sumitomo Heavy Industries Marine & Engineering Co., Ltd., Yokosuka Shipyard (Yokosuka-shi, Kanagawa Pref.) Sumitomo Heavy Industries Construction Cranes Co., Ltd., Nagoya Plant (Obu-shi, Aichi Pref.) Sumitomo Heavy Industries Gearbox Co., Ltd., Head Plant (Kaizuka-shi, Osaka Pref.) Nihon Spindle Manufacturing Co., Ltd., Head Office and Head Plant (Amagasaki-shi, Hyogo Pref.) Shin Nippon Machinery Co., Ltd., Kure Works (Kure-shi, Hiroshima Pref.) Sumitomo Heavy Industries Material Handling Systems Co., Ltd., Niihama Plant (Niihama-shi, Ehime Pref.) Sumitomo Heavy Industries Ion Technology Co., Ltd., Ehime Plant (Saijo-shi, Ehime Pref.) Sumitomo Heavy Industries Process Equipment Co., Ltd., Head Office and Head Plant (Saijo-shi, Ehime Pref.) Sumitomo Machinery Corporation of America (U.S.A.) Link-Belt Cranes, L.P., LLLP (U.S.A.) Invertek Drives Ltd. (U.K.) Sumitomo (SHI) Demag Plastics Machinery GmbH (Germany) Sumitomo (SHI) Cyclo Drive Germany GmbH (Germany) Lafert S.p.A. (Italy) Sumitomo Construction Machinery (Tangshan) Co., Ltd. (China) Sumitomo (SHI) Cyclo Drive China, Ltd. (China) Ningbo Sumiju Machinery, Ltd. (China) Sumitomo Heavy Industries (Vietnam) Co., Ltd. (Vietnam)

## II. CURRENT CONDITION OF THE COMPANY

### 1. STOCK (as of March 31, 2021)

- (1) Total number of authorized shares: 360,000,000
- (2) Total number of issued shares: 122,905,481
- (3) Number of shareholders: 32,957
- (4) Major shareholders:

Breakdown of Shares Held by Shareholders



Name of Shareholders	Number of Shares in Thousands	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	13,005	10.6
Custody Bank of Japan, Ltd. (trust account)	7,806	6.4
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	6,658	5.4
Sumitomo Life Insurance Company	4,333	3.5
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	3,997	3.3
Sumitomo Heavy Industries, Ltd. Kyoeikai	2,917	2.4
STATE STREET BANK AND TRUST COMPANY 505103	2,584	2.1
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	2,358	1.9
Sumitomo Mitsui Banking Corporation	2,000	1.6
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	1,790	1.5

Note: Shareholding ratios are calculated based on the total number of shares excluding treasury shares (397,625 shares). The treasury shares include 200 shares registered in the name of the Company in the Register of Shareholders but not substantially owned by the Company.

## 2. DIRECTORS AND CORPORATE AUDITORS OF THE COMPANY

### (1) Directors and Corporate Auditors (as of March 31, 2021)

Name	Title	Positions, Responsibilities, and Significant Positions Held at Other Companies
Shunsuke Betsukawa	Representative Director and Chairman of the Board	Chairperson of the Board of Directors
Shinji Shimomura	Representative Director President (CEO)	
Tetsuya Okamura	Representative Director Senior Executive Vice President	General Manager of Export Administration Department; General Manager of Corporate ICT Group
Toshiharu Tanaka	Director Executive Vice President	General Manager of Power Transmission & Controls Group
Hideo Suzuki	Director Executive Vice President CFO	
Kazuo Hiraoka*	Director Executive Vice President	General Manager of Plastic Machinery Division
Eiji Kojima	Director Senior Vice President	General Manager of Energy & Environment Group
Susumu Takahashi	Director	Chairman Emeritus of The Japan Research Institute, Limited
Hideo Kojima	Director	CPA, Hideo Kojima CPA Office
Akio Hamaji*	Director	Outside Director of Japan Best Rescue System Co., Ltd.
Yuji Takaishi	Standing Corporate Auditor	
Jun Nogusa	Standing Corporate Auditor	
Takeo Wakae	Corporate Auditor	Lawyer, Kumagai & Wakae Law Office
Masaichi Nakamura	Corporate Auditor	CPA, Masaichi Nakamura CPA Office; Outside Director (Audit and Supervisory Committee Member) of SCSK Corporation; Independent Director (Audit/Supervisory Committee Member) of Terumo Corporation

Notes:

1. The persons marked with \* are new Directors who are appointed on June 26, 2020.
2. Directors Susumu Takahashi, Hideo Kojima and Akio Hamaji are Outside Directors.
3. Corporate Auditors Takeo Wakae and Masaichi Nakamura are Outside Corporate Auditors.
4. The Company reported the appointments of Directors Susumu Takahashi, Hideo Kojima and Akio Hamaji and Corporate Auditors Takeo Wakae and Masaichi Nakamura to the Tokyo Stock Exchange as independent officers.
5. Corporate Auditor Masaichi Nakamura has adequate expertise with regard to finance and accounting as a CPA.
6. The Directors who resigned during this term (resigned as of June 26, 2020):  
Director Yoshiyuki Tomita (expiration of term of office)

7. As of April 1, 2021, the positions, responsibilities, and significant positions held at other companies of the Directors, Corporate Auditors and Executive Officers are as below.

Name	Title	Positions, Responsibilities, and Significant Positions Held at Other Companies
Shunsuke Betsukawa	Representative Director Chairman of the Board	Chairperson of the Board of Directors
Shinji Shimomura	Representative Director President (CEO)	
Tetsuya Okamura	Representative Director Senior Executive Vice President (CIO)	General Manager of Export Administration Department General Manager of Corporate ICT Group
Toshiharu Tanaka	Director Executive Vice President	Assistant to the President in promoting globalization
Eiji Kojima	Director Executive Vice President	General Manager of Corporate Planning Group
Hideo Suzuki	Director Executive Vice President (CFO)	
Kazuo Hiraoka	Director Executive Vice President	General Manager of Precision Equipment Group
Susumu Takahashi	Director	Chairman Emeritus of The Japan Research Institute, Limited
Hideo Kojima	Director	CPA, Hideo Kojima CPA Office
Akio Hamaji	Director	Outside Director of Japan Best Rescue System Co., Ltd.
Yuji Takaishi	Standing Corporate Auditor	
Jun Nogusa	Standing Corporate Auditor	
Takeo Wakae	Corporate Auditor	Lawyer, Kumagai & Wakae Law Firm
Masaichi Nakamura	Corporate Auditor	CPA, Masaichi Nakamura CPA Office; Outside Director (Audit and Supervisory Committee Member) of SCSK Corporation; Independent Director (Audit/Supervisory Committee Member) of Terumo Corporation
Tatsuya Endo	Executive Vice President	Representative Director and Chairman of Sumitomo Construction Machinery Co., Ltd.; General Manager of Ehime Works
Taiji Tsuchiya	Executive Vice President	General Manager of Power Transmission & Controls Group
Hiroo Morita	Senior Vice President	In charge of Internal Control Group, Corporate Legal Department, Internal Audit Department and General Administration Group Regional General Manager of Kansai Office; Chairman of Sumitomo Heavy Industries (China), Ltd.;
Hideshi Shimamoto	Senior Vice President	General Manager of Ship & Marine Division; Representative Director, President and CEO of Sumitomo Heavy Industries Marine & Engineering Co., Ltd.
Morihiro Kondo	Senior Vice President	General Manager of Plastic Machinery Division
Yasunobu Kazumi	Senior Vice President	Representative Director and President & CEO of Sumitomo Construction Machinery Co., Ltd.; Representative Director and President & CEO of Sumitomo Construction Machinery Sales Co., Ltd.
Toshihiko Chijiwa	Senior Vice President	General Manager of Corporate Technology Management Group

Name	Title	Positions, Responsibilities, and Significant Positions Held at Other Companies
Shaun Dean	Senior Vice President	General Manager of EMEA HQ, Power Transmission & Controls Group; Director and CEO of Lafert S.p.A; Director and CEO of Invertek Drives Ltd.
Tatsuro Araki	Senior Vice President	General Manager of Production Management Business Division, Power Transmission & Controls Group; Representative Director and President of Sumitomo Heavy Industries Gearbox Co., Ltd.
Sadahiko Kimura	Vice President	General Manager of Mechatronics Division
Shigeru Tajima	Vice President	General Manager of Process Machinery Center; Representative Director & President of Sumitomo Heavy Industries Process Equipment Co., Ltd.
Kazutoshi Shiraishi	Vice President	General Manager of Human Resources Group
Toshiro Watanabe	Vice President	General Manager of Corporate Finance, Accounting & Administration Group
Mitsukuni Tsukihara	Vice President	Representative Director, President & CEO of Sumitomo Heavy Industries Ion Technology Co., Ltd.
Takanori Nagai	Vice President	Representative Director, President & CEO of Sumitomo Heavy Industries Environment Co., Ltd.

Note: The Company has established policies and procedures for the appointment of Executive Officers in the Corporate Governance Basic Policy of Sumitomo Heavy Industries, Ltd. and appoints Executive Officers in accordance with those policies and procedures, comprehensively taking into account the knowledge, experience and ability possessed by the candidates.

## **(2) Outline of agreement for limited liability**

The Company has entered into a contract with Outside Directors Susumu Takahashi, Hideo Kojima and Akio Hamaji and Outside Corporate Auditors Takeo Wakae and Masaichi Nakamura, respectively, to limit their liability to the Company for damages under Article 423, Paragraph 1 of the Companies Act to ¥10 million or the minimum liability amount as provided in Article 425, Paragraph 1 of the Companies Act, whichever is higher.

## **(3) Summary of the coverage of directors and officers liability insurance**

The Company has entered into a contract for directors and officers liability insurance, which is stipulated in Article 430-3, paragraph 1 of the Companies Act, with an insurance company. It covers the damage that arises when the insured person take responsibility for the execution of duties or when receiving a claim to pursue their responsibilities (however, the matters that fall in the category of an exemption are excluded). The insured persons of the insurance include Directors, Corporate Auditors and other officers of the Company and some of the Company's overseas subsidiaries.

## **(4) Remuneration, etc. of Directors and Corporate Auditors for this fiscal year**

### **(i) Matters related to the policies for determining the remuneration, etc. of individual Directors**

The Company defines the policies for remuneration to establish a remuneration system that contributes to the Group's sustainable growth, the improvement of corporate value and value sharing with shareholders, and sets an appropriate remuneration standard for the Company's officers. The Compensation Committee consisting of members including Outside Directors and Outside Corporate Auditors, which was established on a voluntary basis, deliberates and provides a report on the policies responding to an inquiry from the Board of Directors. Then, the policies are

resolved at the Board of Directors.

Remuneration, etc. for individual Directors for this fiscal year are determined in accordance with the Remuneration Regulations which were deliberated and reported on at the Compensation Committee along with the policies. The Board of Directors also evaluates that they comply with the policies.

i. Procedure to determine remuneration amount

Responding to an inquiry from the Board of Directors, the Compensation Committee deliberates and provides a report on the system, level, etc. of the remuneration for Directors and Executive Officers, which are then resolved at the Board of Directors.

The remuneration is paid regularly during the term of office as an officer.

ii. Overview of remuneration system

1) Remuneration structure and component ratio

The remuneration of the Company's directors and executive officers shall consist of basic remuneration, performance-linked remuneration and stock purchase remuneration, and the ratio is about 60%, 30% and 10%, respectively.

2) Basic remuneration

The basic remuneration is a fixed remuneration determined for each position. For Directors, we provide a Directors' allowance, of which 85% is a fixed amount compensation.

3) Performance-linked remuneration

The performance-linked remuneration consists of the dividend-linked basic remuneration that fluctuates based on the Company's annual dividend and the division's performance-linked basic remuneration. For the Directors and Executive Officers at the Head Office, the performance-linked basic remuneration is changed based on the Company's consolidated financial results, and for the Directors and Executive Officers who are in charge of operational divisions, it reflects the performance of the operational division of which they are in charge. The ratio of the dividend-linked basic remuneration and the division's performance-linked basic remuneration is 50:50.

- The dividend-linked basic remuneration of the performance-linked remuneration is calculated by multiplying the basic remuneration for each position by a factor based on the Company's annual dividend. 15% of the Directors' allowance fluctuates by being multiplied by a dividend-linked basic remuneration factor.

- For the division's performance-linked basic remuneration of the performance-linked remuneration, the Company, having the President as the final decision-maker, defines ranks from A to E based on four indicators of ROIC, net income before income taxes and non-controlling interests, orders, and free cash flow, considering the status of safety record, compliance, etc. The amount is calculated by multiplying the basic amount for each position by a factor for each rank. As for the decision on the ranks, the President shall make the final decision after confirming with concerned divisions at the Head Office. By adopting these indicators, the Company intends to share the value with shareholders, and reflect perspectives such as profitability, growth, the maintenance of fiscal discipline, safety and compliance in officers' remuneration.

4) Stock purchase remuneration

The stock purchase remuneration is remuneration that shall be paid for the

purpose of purchasing the Company shares, and with this remuneration the Company's directors and executive officers shall purchase the Company shares in excess of the amounts stipulated for each position through the officers' shareholding association. In addition, the Company's directors and executive officers shall hold these Company shares during their term of office.

iii. Others

The remuneration of Outside Directors shall consist only of basic remuneration. The remuneration of Corporate Auditors is determined based on the discussion by Corporate Auditors.

**(ii) Matters concerning the delegation related to determination of individual remuneration, etc. for Directors**

The Company stipulates in the Remuneration Regulations, which were deliberated and reported on at the Compensation Committee responding to an inquiry from the Board of Directors and then resolved at the Board of Directors, that the decision of division performance ranks which serves as factors for the division's performance-linked basic remuneration of the performance-linked remunerations to be delegated to the President. In the fiscal year under review, Representative Director and President (CEO) Shinji Shimomura determined the ranks. The reason for the delegation is that the Company judged that the President, who is in charge of the Company Group's management, is suitable for determining the ranks based on division's performance, safety records, compliance, etc.

**(iii) Total amount of compensation, etc. paid to Directors and Corporate Auditors**

Category	Total amount of remuneration (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen) and number of applicable persons (persons)					
		Basic remuneration		Performance-linked remuneration		Stock purchase remuneration	
		Total amount	Number of Officers	Total amount	Number of Officers	Total amount	Number of Officers
Director (of which, Outside Director)	384 (26)	245 (26)	11 (3)	104 (-)	8 (-)	34 (-)	8 (-)
Corporate Auditor (of which, Outside Corporate Auditor)	88 (19)	88 (19)	4 (2)	- (-)	- (-)	- (-)	- (-)

- Notes: 1. The maximum compensation per month is ¥40 million in total for all Directors as a group (under the resolution of the 110th Ordinary General Meeting of Shareholders held on June 29, 2006; the number of Directors at the end of the Ordinary General Meeting of Shareholders is ten (including one Outside Director)), and ¥7.5 million in total for Corporate Auditors (under the resolution of the 109th Ordinary General Meeting of Shareholders held on June 29, 2005; the number of Corporate Auditors at the end of the Ordinary General Meeting of Shareholders is four (including two Outside Corporate Auditors)).
2. The company-wide results of the main indicators related to performance-linked remuneration for the fiscal year under review are as follows:  
ROIC: 7.3%, Net income before income taxes and non-controlling interests: ¥52.7 billion, order amount: ¥826.2 billion, free cashflow: - ¥21.5 billion, annual dividend: ¥91

### (5) Primary activities by Outside Officers

Category	Name	Attendance at Board of Directors Meetings	Attendance at Board of Corporate Auditors Meetings	Primary activities
Outside Director	Susumu Takahashi	13/13 (100%)	—	Expressed opinions based on his specialized knowledge about the economy and management, and his broad experience. Performed his role to advise for the Company's sustainable growth and the improvement of its corporate value, and to supervise its management.
Outside Director	Hideo Kojima	13/13 (100%)	—	Expressed opinions particularly from the perspective of an expert on finance and accounting as a CPA. Acted as the Chairperson of the Nomination Committee and the Compensation Committee. Performed his role to advise for the Company's sustainable growth and the improvement of its corporate value, and to supervise its management.
Outside Director	Akio Hamaji	10/110 (100%)	—	Expressed opinions based on long experience of actual professional practice as a manager, and his specialized knowledge about the corporate management. Performed his role to advise for the Company's sustainable growth and the improvement of its corporate value, and to supervise its management.
Outside Corporate Auditor	Takeo Wakae	13/13 (100%)	11/11 (100%)	Expressed opinions particularly from the perspective of an expert on legal issues as a lawyer. Performed his role to conduct effective audits of the Company's management from an objective and independent standpoint.
Outside Corporate Auditor	Masaichi Nakamura	12/13 (92%)	11/11 (100%)	Expressed opinions particularly from the perspective of an expert on finance and accounting as a CPA. Performed his role to conduct effective audits of the Company's management from an objective and independent standpoint.

Note: For Outside Director Akio Hamaji, activities after appointment as Director on June 26, 2020 are stated.



### 3. INDEPENDENT AUDITOR

(1) **Name:** KPMG AZSA LLC

(2) **Amount of compensation, etc., and reason that the Board of Corporate Auditors agreed to such compensation, etc.**

(i) Amount of compensation, etc. to be paid to the Independent Auditor related to this fiscal year	¥153 million
(ii) Total amount of money and other economic benefits to be paid by the Company and its subsidiaries to the Independent Auditor	¥248 million

- Notes:
1. The compensation for auditing under the Companies Act and auditing under the Financial Instruments and Exchange Act is not clearly differentiated in the Audit Agreement between the Company and the Independent Auditor and cannot be differentiated as a practical matter. Accordingly, the above-indicated amount of compensation, etc. to be paid to the Independent Auditor related to this fiscal year includes the total of such compensation amounts.
  2. Among the major subsidiaries of the Company, LBX Company, LLC, Sumitomo Machinery Corporation of America, LBCE Holdings, Inc., Sumitomo SHI FW Energie B.V., Sumitomo (SHI) Demag Plastics Machinery GmbH, Sumitomo (SHI) Cyclo Drive Germany GmbH, Lafert S.p.A., Sumitomo Construction Machinery (Tangshan) Co., Ltd. (China), Sumitomo (SHI) Cyclo Drive China, Ltd. (China) and Sumitomo Heavy Industries (Vietnam) Co., Ltd. were audited by auditing firms other than the Independent Auditor engaged by the Company.

(iii) **Reason that the Board of Corporate Auditors agreed to the compensation, etc. of the Independent Auditor**

Having confirmed and considered the contents of the audit plan, the previous audit status and compensation record, and the grounds for calculation of the estimated compensation, etc. provided by the related internal departments and Independent Auditor in accordance with the Guidelines for Practices Regarding Cooperation with Independent Auditor released by the Japan Audit & Supervisory Board Members Association, the Board of Corporate Auditors of the Company has determined that the compensation, etc. of Independent Auditor related to this fiscal year is appropriate, and therefore the agreement pursuant to Article 399, Paragraph 1 of the Companies Act was made.

(3) **Details of non-audit duties**

The Company outsources to Independent Auditor the preparation of a comfort letter which are outside the scope of work (non-audit duties) stipulated under Article 2, Paragraph 1 of the Certified Public Accountants Act.

(4) **Policy for determination to dismiss or not to reappoint Independent Auditor**

The Board of Corporate Auditors shall dismiss the Independent Auditor upon the consent of all Corporate Auditors in the event that it is determined that any item under Article 340, Paragraph 1 of the Companies Act applies to the Independent Auditor. In this case, a Corporate Auditor appointed by the Board of Corporate Auditors shall report the dismissal and the reason thereof at the General Meeting of Shareholders first called after such dismissal. In addition, if it is determined that it is difficult for the Independent Auditor to perform their duties appropriately, the Board of Corporate Auditors shall determine the content of an agenda item regarding the dismissal or non-reappointment of the Independent Auditor to be submitted to a General Meeting of Shareholders.

Note: Figures indicated in this Business and Financial Report are rounded off for fractions less than units.

**Consolidated Financial Statements**  
**CONSOLIDATED BALANCE SHEET (As of March 31, 2021)**

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
<b>Assets</b>		
Current assets	613,620	592,784
Cash and deposits	99,518	87,067
Notes and accounts receivable	282,928	271,406
Inventories	200,155	200,978
Other	34,276	36,673
Allowance for doubtful receivables	(3,258)	(3,341)
Fixed assets	417,064	403,327
Property, plant and equipment	275,804	268,066
Buildings and structures	64,400	62,217
Machinery and delivery equipment	65,461	64,589
Land	108,305	107,535
Construction in progress	13,825	9,250
Other	23,813	24,474
Intangible fixed assets	76,796	74,111
Goodwill	29,364	28,831
Other	47,432	45,280
Investments and other assets	64,465	61,151
Investment securities	22,812	19,771
Long-term loans receivable	2,658	3,213
Deferred tax assets	25,456	26,928
Defined benefit asset	4,591	2,936
Other	12,505	12,600
Allowance for doubtful receivables	(3,556)	(4,297)
Total assets	1,030,684	996,111

“English Translation of Financial Statements Originally Issued in the Japanese Language”

Note: Amounts shown in this financial statement have been rounded to the nearest million yen.

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
<b>Liabilities</b>		
Current liabilities	341,162	365,657
Notes and accounts payable	160,260	158,489
Short-term bank loans	31,698	28,139
Long-term debt due within one year	3,270	4,499
Commercial papers	—	35,000
Accrued income taxes	6,615	5,921
Advances received on contracts	57,676	57,523
Allowance for warranty	18,192	13,742
Allowance for losses on construction contracts	2,857	4,233
Other	60,595	58,111
Long-term liabilities	184,594	152,806
Bonds payable	50,000	30,000
Long-term debt	39,471	27,032
Allowance for losses on business transfer	115	115
Allowance for losses on product liabilities	36	38
Defined benefit liability	51,662	53,628
Deferred tax liabilities on land revaluation	20,437	20,628
Other	22,873	21,365
Total liabilities	525,756	518,463
<b>Net assets</b>		
Shareholders' equity	446,179	423,091
Common stock	30,872	30,872
Capital surplus	26,071	26,070
Retained earnings	390,336	367,229
Treasury stock	(1,100)	(1,080)
Accumulated other comprehensive income	44,518	41,366
Unrealized gains (losses) on securities	5,030	2,410
Deferred gains (losses) on hedges	(834)	(532)
Land revaluation difference	40,342	40,626
Foreign currency translation adjustments	1,016	4,911
Remeasurement of defined benefit plans	(1,035)	(6,049)
Non-controlling interests	14,230	13,191
Total net assets	504,928	477,648
Total liabilities and net assets	1,030,684	996,111

“English Translation of Financial Statements Originally Issued in the Japanese Language”

Note: Amounts shown in this financial statement have been rounded to the nearest million yen.

# **CONSOLIDATED STATEMENT OF INCOME** (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
Net sales	849,065	864,490
Cost of sales	663,616	670,199
Gross profit	185,449	194,291
Selling, general and administrative expenses	134,106	137,485
Operating income	51,342	56,806
Other income	4,910	5,073
Interest and dividend income	1,539	1,611
Insurance claim income	1,076	—
Other – net	2,295	3,462
Other expenses	6,708	9,237
Interest expenses	954	1,184
Foreign exchange losses	575	1,807
Patent expenses	1,012	904
Other – net	4,167	5,342
Ordinary income	49,544	52,642
Extraordinary losses	5,769	—
Impairment losses	5,769	—
Net income before income taxes and non-controlling interests	43,775	52,642
Income tax – current	16,399	17,008
Income tax – deferred	(1,265)	815
Net income	28,642	34,819
Net income attributable to non-controlling interests	1,877	2,012
Net income attributable to shareholders of the parent company	26,764	32,807

“English Translation of Financial Statements Originally Issued in the Japanese Language”

Note: Amounts shown in this financial statement have been rounded to the nearest million yen.

**(For Reference Purposes)**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

(From April 1, 2020 to March 31, 2021)

(Millions of yen)

Item	Amount
Cash flows from operating activities	64,131
Cash flows from investing activities	(43,729)
Cash flows from financing activities	(7,959)
Effect of exchange rate changes on cash and cash equivalents	(734)
Net increase in cash and cash equivalents	11,709
Cash and cash equivalents at the beginning of year	83,630
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	903
Cash and cash equivalents at the end of year	96,242

“English Translation of Financial Statements Originally Issued in the Japanese Language”

Note: Amounts shown in this financial statement have been rounded to the nearest million yen.

**BALANCE SHEET (As of March 31, 2021)**

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
<b>Assets</b>		
Current assets	172,497	159,262
Cash and deposits	28,472	24,800
Notes receivable	4,610	6,115
Accounts receivable	70,615	54,566
Finished goods	12,622	12,181
Work in process	19,959	18,899
Raw materials and supplies	691	665
Advances	6,781	10,226
Prepaid expenses	1,236	1,222
Accounts receivable, other	13,946	17,238
Other	15,037	14,827
Allowance for doubtful receivables	(1,472)	(1,477)
Fixed assets	388,020	381,980
Property, plant and equipment	135,895	135,233
Buildings	24,593	24,267
Structures	4,228	3,523
Machinery and equipment	12,359	12,703
Ships	1	1
Vehicles and delivery equipment	51	63
Tools, furniture and fixtures	2,975	2,965
Land	87,814	88,390
Leased assets	22	38
Construction in progress	3,852	3,283
Intangible fixed assets	17,509	15,367
Software	2,978	3,294
Other	14,531	12,074
Investments and other assets	234,616	231,379
Investment securities	11,093	8,720
Stock of subsidiaries and affiliates	171,677	171,462
Investment in capital of subsidiaries and affiliates	34,855	34,855
Long-term loans to employees	2	6
Claims in bankruptcy and rehabilitation	125	141
Long-term prepaid expenses	301	527
Deferred tax assets	13,504	12,656
Other	3,423	3,393
Allowance for doubtful receivables	(365)	(381)
<b>Total assets</b>	<b>560,518</b>	<b>541,242</b>

“English Translation of Financial Statements Originally Issued in the Japanese Language”

Note: Amounts shown in this financial statement have been rounded to the nearest million yen.

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
<b>Liabilities</b>		
Current liabilities	194,825	255,377
Notes payable	3,111	2,358
Accounts payable	57,963	48,342
Short-term bank loans	9,500	2,700
Long-term debt due within one year	–	1,800
Commercial papers	–	35,000
Lease obligations	94	42
Accounts payable, other	12,879	11,365
Accrued expenses	4,027	3,846
Accrued income taxes	833	1,593
Advances received on contracts	42,748	42,928
Deposits received	59,090	100,932
Allowance for warranty	3,382	3,523
Allowance for losses on construction contracts	137	314
Other	1,062	634
Long-term liabilities	181,189	132,479
Bonds payable	50,000	30,000
Long-term debt	36,700	24,700
Lease obligations	136	47
Allowance for losses on business transfer	115	115
Allowance for retirement benefits	19,636	17,667
Asset retirement obligations	292	291
Deferred tax liabilities on land revaluation	20,479	20,628
Long-term deposits received	53,801	38,917
Other	29	113
Total liabilities	376,014	387,856
<b>Net assets</b>		
Shareholders' equity	140,813	111,290
Common stock	30,872	30,872
Capital surplus	27,073	27,073
Capital reserve	27,073	27,073
Retained earnings	83,969	54,425
Legal reserve of retained earnings	6,295	6,295
Other retained earnings	77,674	48,131
Retained earnings brought forward	77,674	48,131
Treasury stock	(1,100)	(1,080)
Valuation and translation adjustments	43,690	42,097
Unrealized gains (losses) on securities	4,111	1,954
Deferred gains (losses) on hedges	(763)	(483)
Land revaluation difference	40,342	40,626
Total net assets	184,504	153,386
Total liabilities and net assets	560,518	541,242

“English Translation of Financial Statements Originally Issued in the Japanese Language”

Note: Amounts shown in this financial statement have been rounded to the nearest million yen.

# STATEMENT OF INCOME (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
Net sales	238,511	203,847
Cost of sales	199,328	171,841
Gross profit	39,183	32,007
Selling, general and administrative expenses	27,272	26,806
Operating income	11,911	5,200
Other income	24,722	12,721
Interest and dividend income	21,410	10,842
Foreign exchange gains	792	—
Other – net	2,520	1,878
Other expenses	2,639	4,814
Interest expenses paid on loans and bonds	323	274
Foreign exchange losses	—	466
Patent expenses	628	572
Other – net	1,688	3,502
Ordinary income	33,994	13,107
Extraordinary income	9,796	—
Gain on extinguishment of tie-in shares	9,796	—
Extraordinary losses	7,410	—
Impairment losses	4,482	—
Loss on valuation of stock of subsidiaries and affiliates	2,929	—
Net income before income taxes	36,379	13,107
Income tax – current	3,260	1,318
Income tax – deferred	(1,531)	(769)
Net income	34,650	12,558

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