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# **Notice of the 129th 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 129th Ordinary General Meeting of Shareholders to be held on Friday, March 28, 2025. Please see the attachments for details.



Shinji Shimomura  
President and CEO

## Purpose

Enhance society and those within it with compassion through our ownership and vision

## 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.”

# Purpose

The Sumitomo Heavy Industries Group defined its reason for existence by unveiling its Purpose in January 2024. We view our Purpose as a polestar in management, bringing together the group's collective strengths for future growth.

## Purpose Statement

Enhance society and those within it with compassion  
through our ownership and vision

## Key Objectives of the Purpose

### 1. Clarifying strategic focus areas and their significance

- Clearly define the values that support sustainable growth, leveraging Sumitomo Heavy Industries Group's strengths and uniqueness.
- Optimize our business portfolio, which is the foundation of our sustainable growth.

### 2. Boosting employee engagement

- Cultivate a sense of importance, value, and pride through part of the Sumitomo Heavy Industries Group.
- Inspire employees to take ownership and proactive action toward achieving the goals of our Medium-Term Management Plan 2026.

### 3. Enhancing corporate brand value

- Define a corporate brand image centered on our Purpose and establish a corporate identity (CI).

## Thoughts behind Our Purpose Statement

Our Purpose Statement is the result of extensive discussions involving our president, board members, and a wide range of employees, focusing on what makes "Sumitomo Heavy Industries unique," "our strengths," and "our vision for the future."

### What is "ownership"

- The term "ownership" reflects a commitment to continually pursue excellence in technology, work quality, customer satisfaction, and outcomes through personal responsibility and tenacity.
- The spirit of "ownership" is ingrained in every employee's mindset and approach.

### What is "our vision"

- We emphasize a collaborative approach with stakeholders that includes both inside and outside the company.
- The term "vision" highlights our readiness and proactive stance in the face of changes in the market, society, and customer needs.
- We aim to build this proactive stance as a core organizational capability.

### What is "society and those within it"

- The phrase "society and those within it" indicates that we will provide value to each individual living in society, as well as society as a whole.

### What is "with compassion"

- The term "compassion" embodies our dedication to resolving "negative" impacts while promoting progress and improvement for people and society.
- It also illustrates our employees' willingness and resolve to understand and tackle the challenges and needs of people and society, which is the premise for providing value as described above.

### What is "Enhance"

- Through the value that we provide as part of our "compassion," we strive to meet the needs of people and society to enhance their lives, solve challenges, and contribute to a happier, more well-being-oriented world.

Securities Code: 6302  
March 6, 2025  
Start date of the electronic provision measures: February 25, 2025

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

## **Notice of the 129th Ordinary General Meeting of Shareholders**

Dear Shareholders:

We hereby announce the Company's 129th 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.

**If you are unable to attend the meeting, please exercise your voting rights prior to this General Meeting of Shareholders by mail or via the Internet. 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 Thursday, March 27, 2025, 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 that should be provided together with this Notice, 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 Thursday, March 27, 2025**, 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 Thursday, March 27, 2025**.**

## Details

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- 1. Date and Time:** Friday, March 28, 2025, 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 129th fiscal year (from January 1, 2024 to December 31, 2024) 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 129th fiscal year (from January 1, 2024 to December 31, 2024)

**Matters Requiring Shareholders' Resolutions:**

- |                      |   |
|----------------------|---|
| <b>Agenda Item 1</b> | Disposition of Retained Earnings                    |
| <b>Agenda Item 2</b> | Partial Amendments to the Articles of Incorporation |
| <b>Agenda Item 3</b> | Election of Eleven Directors                        |
| <b>Agenda Item 4</b> | Election of One Corporate Auditor                   |

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## Other Matters Regarding this Notice

- In accordance with the applicable laws and regulations and the provisions of Article 16 of the Articles of Incorporation of the Company, 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 not included in the documents containing the electronic provision measures matters, which were sent to the shareholders who requested the provision of documents. In this regard, 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. In addition, 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 electronic provision measures matters, the matters before and after such revisions will be posted on the website of the Company and the Tokyo Stock Exchange.

The actual content of the meeting on the day will be posted on our corporate website on the Internet later.

The Company's website

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



The Tokyo Stock Exchange's website

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

## 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 consistently distribute dividends commensurate with shareholders' equity. Specifically, the basic policy for shareholder returns is to maintain a DOE (Dividend of Equity Ratio) of at least 3.5%, a minimum dividend of ¥125, and a total return ratio of at least 40% over the medium to long term.

With regard to the year-end dividend for the fiscal year under review, in line with the above basic policy for shareholder returns and in consideration of the Company's performance for the 129th 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 129th fiscal year be as follows:

#### Year-end dividend for the 129th 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:** ¥65.00 per share of the Company's common stock

**Total dividends:** ¥7,815,984,735

For your reference:

Including ¥60 per share for the interim dividend, which has already been distributed, the annual dividend appropriated from retained earnings for the 129th fiscal year is ¥125 per share, an increase of ¥5 from the previous fiscal year.

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

**March 31, 2025**

## Agenda Item 2: Partial Amendments to the Articles of Incorporation

### 1. Reasons for Amendments

In order to establish an optimal management structure in a flexible manner, the Company will amend Article 22, Paragraph 3 of the current Articles of Incorporation to allow the President to be elected not only from among the Directors but also from among the Executive Officers. In addition, the Company will, in connection therewith, make amendments to Article 15, Paragraph 1 and Paragraph 2 of the current Articles of Incorporation, which provide for the person authorized to convene and chair the General Meeting of Shareholders, and Article 23, Paragraph 1 of the current Articles of Incorporation, which provides for the person authorized to convene the Board of Directors, as well as other necessary amendments.

### 2. Details of the Amendments

Details of the amendments are as follows:

(Underlined portions are amended)

Current Articles of Incorporation	Proposed amendment
(Chairman) Article 15. The General Meeting of Shareholders shall be presided over by <u>the President of the Company</u> . If <u>the President</u> is unable to act, <u>a member of the Board of Directors</u> shall take his place in the order determined by the Board of Directors in advance.	(Chairman) Article 15. The General Meeting of Shareholders shall be presided over by <u>any of the Directors appointed by the Board of Directors in advance</u> . If <u>the Director mentioned above</u> is unable to act, <u>any other Director</u> shall take his/her place in the order determined by the Board of Directors in advance.
Chapter 4 Directors <u>and</u> Board of Directors	Chapter 4 Directors, Board of Directors <u>and Executive Officers</u>
(Representative Directors and <u>Directors</u> in Executive Positions) Article 22. The Board of Directors shall by its resolution elect one (1) or more Representative Directors from among its members. Representative Directors shall each represent the Company (Newly established)	(Representative Directors and <u>Officers</u> in Executive Positions) Article 22. (Unchanged)
The Board of Directors may by its resolution elect <u>from among its members, one (1) Chairman and</u> one (1) President of the Company.	(Unchanged)  <u>The Board of Directors may by its resolution elect one (1) Chairman from among its members.</u> The Board of Directors may by its resolution elect one (1) President of the Company <u>from among its members or Executive Officers.</u>



Current Articles of Incorporation	Proposed amendment
<p>(Convocation of Board of Directors)</p> <p>Article 23. Meetings of the Board of Directors shall be convened by Chairman, except as otherwise provided for by law. <u>Should the office of Chairman be vacant, the President of the Company shall act in his place.</u></p> <p>Notice of the meeting of the Board of Directors shall be sent to each Director and Auditor at least three (3) days prior to such meeting, provided, however, that the above notice period may be shortened in case of urgency.</p> <p><u>Chapter 5</u> Executive Officers</p> <p><u>Chapter 6</u> Auditors and Board of Auditors</p> <p><u>Chapter 7</u> Accounts</p>	<p>(Convocation of Board of Directors)</p> <p>Article 23. Meetings of the Board of Directors shall be convened by Chairman, except as otherwise provided for by law. <u>However, if the office of Chairman is vacant or he/she is unable to act, any other Director shall take his/her place in the order determined by the Board of Directors in advance.</u></p> <p>(Unchanged)</p> <p>(Deleted)</p> <p><u>Chapter 5</u> (Unchanged)</p> <p><u>Chapter 6</u> (Unchanged)</p>

(Note) Some underlining does not coincide with the Japanese version because of translation adjustments.

### Agenda Item 3: Election of Eleven Directors

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

The candidates for Directors are as follows:

No.	Nature of Candidacy	Name	Gender	Current Positions and Responsibilities at the Company	Attendance at Board of Directors Meetings
1	Reappointment	Tetsuya Okamura	Male	Representative Director and Chairman of the Board Chairperson of the Board of Directors Nomination Compensation	15/15 meetings (100%)
2	Reappointment	Shinji Shimomura	Male	Representative Director and President & CEO Nomination Compensation	15/15 meetings (100%)
3	Reappointment	Eiji Kojima	Male	Representative Director and Executive Vice President General Manager of Export Administration Department and General Manager of Energy & Lifeline Segment	15/15 meetings (100%)
4	Reappointment	Kazuo Hiraoka	Male	Director and Executive Vice President General Manager of Industrial Machinery Segment	15/15 meetings (100%)
5	Reappointment	Toshihiko Chijiwa	Male	Director and Executive Vice President General Manager of Corporate Technology Management Group	15/15 meetings (100%)
6	Reappointment	Toshiro Watanabe	Male	Director and Executive Vice President CFO	15/15 meetings (100%)
7	Reappointment	Tatsuro Araki	Male	Director and Executive Vice President General Manager of Power Transmission & Controls Group	15/15 meetings (100%)
8	Reappointment Outside Independent	Susumu Takahashi	Male	Outside Director Nomination Compensation	15/15 meetings (100%)
9	Reappointment Outside Independent	Akio Hamaji	Male	Outside Director Nomination (Chairperson) Compensation (Chairperson)	15/15 meetings (100%)
10	Reappointment Outside Independent	Sumie Morita	Female	Outside Director Nomination Compensation	15/15 meetings (100%)
11	Reappointment Outside Independent	Yaeko Hodaka	Female	Outside Director Nomination Compensation	14/15 meetings (93%)

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 Auditors (hereinafter referred to as "Directors, etc.") as covered persons. This covers the damage that arises when Directors, etc. 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, the Independence Standards for Outside Officers, and the SKILLS MATRIX OF THE BOARD OF DIRECTORS stipulated by the Company are stated on pages 23 through 27.

No. 1

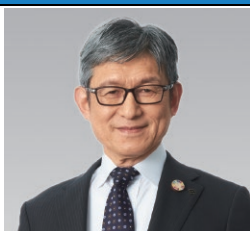
Tetsuya Okamura

Reappointment

Nomination

Compensation

(Born on May 5, 1956)



Number of shares of the  
Company held  
**9,276 shares**

Tenure as Director  
**6 years and 9 months**

Attendance at Board of  
Directors Meetings  
**15/15 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
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	Representative Director and Senior Executive Vice President & CIO General Manager of Export Administration Department, General Manager of Corporate ICT Group
April 2022	<b>Representative Director and Chairman of the Board, Chairperson of the Board of Directors, 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 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 person in charge 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 he worked on restructuring and strengthening the information divisions of the Company Group. Since being appointed as the Representative Director and Chairman of the Board in April 2022, 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.

No. 2

## Shinji Shimomura

Reappointment

Nomination

Compensation

(Born on February 3, 1957)



Number of shares of the  
Company held  
**15,686 shares**

Tenure as Director  
**8 years and 9 months**

Attendance at Board of  
Directors Meetings  
**15/15 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, 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

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 division 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 formulated Medium-Term Management Plan 2023 and has grown the Company Group into a one-trillion-yen company while seeking the enhancement of the sustainable corporate value by resolving social issues with products and services. In fiscal year 2024, he has newly started Medium-Term Management Plan 2026 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.

No. 3

Eiji Kojima

Reappointment

(Born on January 3, 1960)



Number of shares of the  
Company held  
**7,035 shares**

Tenure as Director  
**7 years and 9 months**

Attendance at Board of  
Directors Meetings  
**15/15 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	Director and Executive Vice President, General Manager of Corporate Planning Group
April 2022	Representative Director and Executive Vice President, General Manager of Export Administration Department, General Manager of Corporate Planning Group
January 2023	Representative Director and Executive Vice President, General Manager of Export Administration Department, General Manager of Corporate Planning Group, General Manager of Energy & Lifeline Segment
January 2024	<b>Representative Director and Executive Vice President, General Manager of Export Administration Department, General Manager of Energy &amp; Lifeline Segment, 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 the person in charge 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 the person in charge of the Corporate Planning Group. In April 2022, he was appointed as a Representative Director being responsible for the management of the Company Group. From January 2023, as the person in charge of the Energy & Lifeline Segment, he has been promoting efforts for business 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.

No. 4

## Kazuo Hiraoka

Reappointment

(Born on July 30, 1962)



Number of shares of the  
Company held  
**7,591 shares**

Tenure as Director  
**4 years and 9 months**

Attendance at Board of  
Directors Meetings  
**15/15 meetings**  
**(100%)**

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

April 1985	Joined the Company
April 2012	General Manager of Plastic Machinery Division
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	Director and Executive Vice President, General Manager of Precision Equipment Group
January 2023	<b>Director and Executive Vice President, General Manager of Industrial Machinery Segment, 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, as Director and Executive Vice President in 2020, and as the person in charge of Precision Equipment Group in 2021. From January 2023, as the person in charge of Industrial Machinery Segment 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 reappointment.

No. 5

## Toshihiko Chijiwa

Reappointment

(Born on August 12, 1960)



Number of shares of the Company held  
**8,279 shares**

Tenure as Director  
**2 years and 9 months**

Attendance at Board of Directors Meetings  
**15/15 meetings (100%)**

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

April 1984	Joined the Company
April 2014	General Manager of Technology Research Center, Corporate Technology Management Group General Manager of System Development Center, Technology Research Center, Corporate Technology Management Group
April 2017	Vice President, General Manager of Technology Research Center, Corporate Technology Management Group
April 2020	Senior Vice President, General Manager of Corporate Technology Management Group and General Manager of Technology Research Center, Corporate Technology Management Group
April 2021	Senior Vice President, General Manager of Corporate Technology Management Group
April 2022	Executive Vice President, General Manager of Corporate Technology Management Group
June 2022	<b>Director and Executive Vice President, General Manager of Corporate Technology Management 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

Mr. Toshihiko Chijiwa has held key positions in the technology division, including appointing as General Manager of Technology Research Center in 2014 and General Manager of the Corporate Technology Management Group in 2020, and has contributed to technology development in the Company over a long period. After being appointed as Vice President in 2017, he was promoted to Senior Vice President in 2020 and Director and Executive Vice President in 2022. He has led the Company Group's research and development as the head of the technology division, with wide and sophisticated technological knowledge, and produced results.

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



No. 6

## Toshiro Watanabe

Reappointment

(Born on March 27, 1963)



Number of shares of the Company held

**2,966 shares**

Tenure as Director

**2 years and 9 months**

Attendance at Board of Directors Meetings

**15/15 meetings  
(100%)**

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

April 1986	Joined the Company
April 2010	Chief Staff Manager of Planning & Control Department, Plastic Machinery Division
April 2011	General Manager of Planning & Control Department, Plastic Machinery Division
April 2014	General Manager of Corporate Administration Department, Corporate Finance, Accounting & Administration Group
April 2019	General Manager of Corporate Finance, Accounting & Administration Group
April 2020	Vice President, General Manager of Corporate Finance, Accounting & Administration Group
April 2022	Senior Vice President, General Manager of Corporate Finance, Accounting & Administration Group
June 2022	Director and Senior Vice President, General Manager of Corporate Finance, Accounting & Administration Group
January 2024	<b>Director and Executive Vice President, CFO, 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

Mr. Toshiro Watanabe has held key positions in the finance and accounting division. After being appointed as General Manager of Corporate Finance, Accounting & Administration Group in 2019, he was appointed as Vice President in 2020 and promoted to Director and Senior Vice President in 2022. He was promoted to Executive Vice President in January 2024, and as CFO, he is responsible for the planning and execution of financial strategies to enhance corporate value through the Company Group's accounting, finance and performance management.

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.

No. 7

## Tatsuro Araki

Reappointment

(Born on May 25, 1962)



Number of shares of the  
Company held  
**2,377 shares**

Tenure as Director  
**2 years**

Attendance at Board of  
Directors Meetings  
**15/15 meetings**  
**(100%)**

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

April 1986	Joined the Company
April 2013	President of SEISA Gear, Ltd.
April 2018	Vice President, General Manager of Gearbox Business Division Power Transmission & Controls Group of the Company
April 2021	Senior Vice President, General Manager of Production Management Business Division, Power Transmission & Controls Group
January 2023	Senior Vice President, General Manager of Power Transmission & Controls Group
March 2023	Director and Senior Vice President, General Manager of Power Transmission & Controls Group
January 2024	<b>Director and Executive Vice President, General Manager of Power Transmission &amp; Controls 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 Representative Director and President of SEISA Gear, Ltd. in 2013, Mr. Tatsuro Araki was appointed as a Vice President of the Company in 2018. He was promoted to Senior Vice President in 2021, appointed as a Director in 2023 and promoted to Executive Vice President in January 2024. As a person in charge of the Power Transmission & Controls business, he is working on initiatives to improve profit of the Company Group through combining manufacturing and sales and acting to transform the profit structure.

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.

No. 8

## Susumu Takahashi

Reappointment

Outside

Independent

Nomination

Compensation

(Born on January 28, 1953)



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

Tenure as Director  
**10 years and 9 months**

Attendance at Board of  
Directors Meetings  
**15/15 meetings  
(100%)**

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

April 1976      Joined the Sumitomo Bank, Limited (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  
(resigned in January 2023)

### 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 Outside Director and Outline of Expected Role

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 a member 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, 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 a member 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. 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 million 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 continue the limitation of liability contract with Mr. Takahashi.

No. 9

## Akio Hamaji

Reappointment

Outside

Independent

Nomination (Chairperson)

Compensation (Chairperson)

(Born on July 13, 1954)



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

Tenure as Director  
**4 years and 9 months**

Attendance at Board of  
Directors Meetings  
**15/15 meetings**  
**(100%)**

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

April 1979	Joined Mitsubishi Mining & Cement Co., Ltd.
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	Outside Director of Japan Best Rescue System Co., Ltd.
June 2020	<b>Outside Director of the Company</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 Outside Director and Outline of Expected Role

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 the Chair of the Nomination Committee and a member 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, based on long and ample experience as a manager, he will continue to supervise the Company's management and provide advice. At the same time, as the Chair of the Nomination Committee and the 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. 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 million 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 continue the limitation of liability contract with Mr. Hamaji.

No. 10

Sumie Morita

Reappointment

Outside

Independent

Nomination

Compensation

(Born on May 8, 1960)



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

Tenure as Director  
**2 years**

Attendance at Board of  
Directors Meetings  
**15/15 meetings  
(100%)**

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

April 1983	Joined Fujitsu Limited
July 2005	Project Manager, SEI CMMI L3 Certification Project Promotion Department, Communications Division, Fujitsu Limited
September 2006	General Manager of Next Generation Network BT21CN Project Promotion Department, Fujitsu Limited
October 2008	Project General Manager, Network Product Global Product Planning Department, Fujitsu Limited
October 2010	General Manager, Department of Network Product Software Development for Transmission Device for North America, Fujitsu Limited
April 2014	Chief Research Officer, Manufacturing Technology Laboratory of Fujitsu Laboratories Ltd.
November 2015	Chief Research Officer, Software Research Laboratory of Fujitsu Laboratories Ltd. Senior Director, Common Software Technology Department, Fujitsu Limited
January 2018	Chief Manager of Air Conditioning System Development Department, Fujitsu General Limited
April 2019	Corporate Executive of Fujitsu General Limited (in charge of Air Conditioning System Development)
April 2022	<b>Professor, Department of Information and Computer Science, Faculty of Systems Science and Technology of Akita Prefectural University, to date</b>
March 2023	<b>Outside Director of the Company, to date</b>
June 2024	<b>Outside Director of Nihon Kohden Corporation, to date</b>

#### Significant Positions Held at Other Companies

Professor, Department of Information and Computer Science, Faculty of Systems Science and Technology of Akita Prefectural University  
Outside Director of Nihon Kohden Corporation

#### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

#### Reasons for Selection as Candidate for Outside Director and Outline of Expected Role

Ms. Sumie Morita has extensive experience of actual professional practice as a developer of products in the area of telecommunications and information networks. In addition, she has engaged in corporate management serving as Corporate Executive. Such extensive experience and ample knowledge will be extremely useful for the Company. The Company looks forward to Ms. Morita providing valuable advice for its sustainable growth and the improvement of its corporate value, and her supervision of the Company's management. Also, she has performed her duties through her proactive comments at Board of Directors meetings and through her activities as a member of the Nomination Committee and a member of the Compensation Committee, so the Company has determined that she is qualified to serve as an Outside Director of the Company, and hereby requests her reappointment.

If she is appointed as a Director, based on long and ample experience in the information network area as well as that as a manager, she will continue to supervise the Company's management and provide advice. At the same time, as a member of the Nomination Committee and a member of the Compensation Committee, she will participate in the appointment of candidates for officers and the decisions about officer remuneration from an independent standpoint.

- The Company has designated Ms. Sumie Morita as an independent officer and notified the Tokyo Stock Exchange to that effect.
  - The Company has entered into a contract with Ms. Sumie Morita to limit her liability for damages under Article 423, paragraph 1 of the Companies Act to ¥10 million or the minimum amount of liability as provided in Article 425, paragraph 1 of the Companies Act, whichever is higher. If her reappointment is approved, the Company intends to continue the limitation of liability contract with Ms. Morita.
-

No. 11

## Yaeko Hodaka

Reappointment

Outside

Independent

Nomination

Compensation

(Born on March 20, 1966)



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

Tenure as Director  
**1 year**

Attendance at Board of  
Directors Meetings  
**14/15 meetings  
(93%)**

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

April 1992	Registered as <b>attorney-at-law</b> , to date
April 1992	Joined Ishii Law Office
January 2005	Joined Morrison & Foerster
January 2011	Partner and attorney-at-law of Baker & McKenzie (Gaikokuho Joint Enterprise)
September 2020	Fellow of, Centre for the Fourth Industrial Revolution Japan
June 2021	Outside Corporate Auditor of the Company
April 2023	<b>Partner and attorney-at-law of ISSHIKI &amp; PARTNERS</b> , to date
May 2023	<b>Outside Director, Member of the Audit and Supervisory Committee of YASKAWA Electric Corporation</b> , to date
June 2023	<b>Outside Auditor of Santen Pharmaceutical Co., Ltd.</b> , to date
March 2024	<b>Outside Director of the Company</b> , to date

### Significant Positions Held at Other Companies

Partner and attorney-at-law of ISSHIKI & PARTNERS  
Outside Director, Member of the Audit and Supervisory Committee of YASKAWA Electric Corporation  
Outside Auditor of Santen Pharmaceutical 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 and Outline of Expected Role

Although Ms. Yaeko Hodaka has no experience in corporate management other than serving as outside director and Outside Corporate Auditor, she is well versed in law as an attorney-at-law, and her extensive experience and knowledge in corporate law in particular will be extremely useful for the Company. The Company looks forward to Ms. Hodaka providing valuable advice for its sustainable growth and the improvement of its corporate value, and her supervision of the Company's management. Also, she has performed her duties through her proactive comments at Board of Directors meetings and through her activities as a member of the Nomination Committee and a member of the Compensation Committee, so the Company has determined that she is qualified to serve as an Outside Director of the Company, and hereby requests her reappointment.

If she is appointed as a Director, based on ample experience in the corporate law, she will supervise the Company's management and provide advice. At the same time, as a member of the Nomination Committee and a member of the Compensation Committee, she will continue to participate in the appointment of candidates for officers and the decisions about officer remuneration from an independent standpoint.

- The Company has designated Ms. Yaeko Hodaka as an independent officer and notified the Tokyo Stock Exchange to that effect. In this regard, there were transactions between the Company and the law firm of Baker & McKenzie, where she was a partner and attorney-at-law until April 2023, whereby the Company received advice on laws and regulations, etc. from the firm. However, the average annual transaction amount over the past three fiscal years was less than ¥500,000, which is minimal, and the Company has determined that this does not affect the independence of Ms. Hodaka. In addition, there is no direct business relationship between Ms. Hodaka and the Company.
- The Company has entered into a contract with Ms. Yaeko Hodaka to limit her liability for damages under Article 423, paragraph 1 of the Companies Act to ¥10 million or the minimum amount of liability as provided in Article 425, paragraph 1 of the Companies Act, whichever is higher. If her reappointment is approved, the Company intends to continue the limitation of liability contract with Ms. Hodaka.

**Agenda Item 4:** Election of One Corporate Auditor

In order to enhance and strengthen the auditing system, the Company proposes to increase the number of Corporate Auditors by one (1). Therefore, the election of one Corporate Auditor 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:



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# Hajime Watanabe

Male

New Candidate

Outside

Independent

(Born on August 17, 1962)

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

## Career Summary and Positions at the Company

April 1987	Joined Yokogawa Electric Corporation
April 2004	General Manager of Affiliated Company Management Office, Accounting & Treasury Center of Yokogawa Electric Corporation
April 2005	Director of Yokogawa Electric International Pte. Ltd.
April 2009	General Manager of YEI Headquarters Office, Global Business Headquarters of Yokogawa Electric Corporation
April 2013	General Manager of Overseas Business Management Department, Accounting & Treasury Headquarters of Yokogawa Electric Corporation
April 2014	Vice President, Head of Audit and Compliance Headquarters of Yokogawa Electric Corporation
April 2016	Vice President, Head of Corporate Administration Headquarters of Yokogawa Electric Corporation
April 2018	Vice President, Head of Audit, Compliance and Quality Assurance Headquarters of Yokogawa Electric Corporation
June 2020	Standing Corporate Auditor of Yokogawa Electric Corporation
June 2024	<b>Executive Advisor of Yokogawa Electric Corporation</b> , to date

## Significant Positions Held at Other Companies

Executive Advisor of Yokogawa Electric Corporation

## Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

## Reasons for Selection as Candidate for Outside Corporate Auditor

Mr. Hajime Watanabe has extensive experience of actual professional practice in accounting and treasury division and global business division, etc. and has engaged in corporate management as an executive officer. Mr. Watanabe is also a Certified Internal Auditor (CIA) and has extensive business experience as an auditor as well as a wide range of knowledge about internal control systems, internal auditing and risk management. Such extensive experience and ample knowledge will be extremely useful for the Company.

The Company looks forward to Mr. Watanabe conducting effective audit of the Company's management from an objective and independent standpoint as an Outside Corporate Auditor. In light of Mr. Watanabe's abilities, the Company has determined that he is qualified to serve as an Outside Corporate Auditor of the Company, and hereby requests his appointment.

- The Company has designated Mr. Hajime Watanabe as an independent officer and notified the Tokyo Stock Exchange to that effect.
- If the appointment of Mr. Hajime Watanabe is approved, the Company intends to enter into a contract with him to limit his liability for damages under Article 423, paragraph 1 of the Companies Act to ¥10 million 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 the Directors and Corporate Auditors (hereinafter referred to as "Directors, etc.") as the insured persons. This insurance covers the damage that arises when Directors, etc. take responsibility for the execution of duties or when receiving a claim to pursue their responsibilities (however, the matters that fall into the category of an exemption are excluded). If the appointment of Mr. Hajime Watanabe is approved, he 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.

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(Reference) The Policies on and Procedures for Nominating Corporate Auditor Candidates, the Independence Standards for Outside Officers and the SKILLS MATRIX OF THE BOARD OF DIRECTORS stipulated by the Company are stated on pages 23 to 27.

## **(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 after deliberation 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 after deliberation 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 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 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.

## SKILLS MATRIX OF THE BOARD OF DIRECTORS

### Composition of the Company's Board of Directors and Approach to Attributes Necessary for the Board of Directors

The Company Group shall have “Sumitomo’s business philosophy” as the basis of the management, and in the business principles, “We will aim to become a machinery manufacturer that continues to provide excellent products and services to the world” and “With integrity being a key principle in the Group, we will contribute towards society by gaining high respect and confidence from all stakeholders” as the corporate mission statement. The Company shall strive for sustainable development and improvement of corporate value through the resolution of social issues by providing excellent products and services globally, supported by solid technologies.

The composition of the Board of Directors shall be determined after considering the necessary attributes of the Board of Directors (primary areas of experience and expertise) in embodying these business principles and conducting highly effective supervision over the management.

### Necessary Attributes of the Board of Directors (Primary Areas of Experience and Expertise)

If Agenda Item 3 and Agenda Item 4 are approved and adopted in their original form, the primary areas of experience and expertise held by individual Directors and Corporate Auditors will be as follows:

\*The table below does not present all knowledge and expertise of Directors and Corporate Auditors.

Name		Independent Outside Directors	Primary Areas of experience and expertise						
			Corporate management	Legal affairs/ compliance/ risk management	ESG/ sustainability	Business strategy/ marketing	Global	Technology/ IT/ production	Finance/ accounting
Directors	Tetsuya Okamura			✓		✓	✓	✓	
	Shinji Shimomura		✓	✓	✓		✓	✓	
	Eiji Kojima				✓	✓	✓	✓	
	Kazuo Hiraoka					✓	✓	✓	
	Toshihiko Chijiwa				✓			✓	
	Toshiro Watanabe				✓				✓
	Tatsuro Araki			✓		✓		✓	
	Susumu Takahashi	*	✓	✓	✓		✓		
	Akio Hamaji	*	✓	✓	✓		✓	✓	✓
	Sumie Morita	*			✓		✓	✓	
	Yaeko Hodaka	*		✓	✓		✓		
Corporate Auditors	Hideo Suzuki			✓	✓				✓
	Shoji Uchida			✓		✓	✓		
	Masaichi Nakamura	*		✓	✓				✓
	Mio Minaki	*		✓	✓				
	Hajime Watanabe	*		✓			✓		✓

## Reasons for Selecting Necessary Attributes of the Board of Directors

Item	Necessity and reasons for selection
Corporate management	In the midst of a substantially changing environment surrounding businesses, it will become necessary to indicate the direction of the Company (corporate strategies) and make quick business decisions, based on business principles, in order to respond to changes quickly, develop in a sustainable manner and improve corporate value.
Legal affairs/ compliance /risk management	Under Sumitomo's business philosophy, it will be required for the continued Company Group's sustainable development and improvement of corporate value, in order to promote risk management, taking into account compliance based on business principles, the ethics code and the laws.
ESG/sustainability	In the midst of emphasizing the role of companies for the realization of a sustainable society, it will become necessary to improve social value as a company while solving social issues, in order for the Company Group to develop in a sustainable manner and improve corporate value.
Business strategy /marketing	It will be necessary to develop and implement realistic and specific business and marketing strategies in order to realize corporate strategies and achieve the Medium-Term Management Plan we commit to.
Global	Experience in global business, and extensive experience in understanding overseas cultures, environments, etc. will be necessary to continue providing excellent products and services to the world.
Technology/IT/production	In order to be a machinery manufacturer that continues to provide excellent products and services to the world, it will be necessary to continue providing high-quality products and solutions, supported by solid technologies, and this will in turn require knowledge and experience in technology, IT and production.
Finance/accounting	Knowledge and experience in finance and accounting will be required to realize accurate financial reporting, development of a resilient corporate structure, and growth investments that contribute to sustainable development and improvement of corporate value.

## 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, and stock-based remuneration.
2. The performance-linked remuneration outlined in the preceding paragraph shall consist 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 division's performance-linked basic remuneration, various management indicators shall be established to evaluate the performance of the Company and its divisions, and there shall be a structure to determine remuneration based on those 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 aim of stock-based remuneration is to improve awareness about the need to help enhance performance and increase corporate value in the medium to long term by having Directors share in profits and risks due to changes in the stock price with shareholders. Each Director is issued the Company's shares via a trust that is set up under the stock-based remuneration system. The timing at which the Directors receive the issuance of the Company's shares shall in principle be upon retirement.
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 after deliberation 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.

## Summary of the evaluation results of the effectiveness of the Board of Directors

The Company evaluates the effectiveness of the Board of Directors every year aiming to improve the function of the Board of Directors through the ongoing process to verify if the Board of Directors is functioning properly and take necessary measures to improve the issues and reinforce it based on the results.

A summary of the evaluation results of the effectiveness of the Board of Directors for FY2023 is listed on the Company's website. A summary of the evaluation results for FY2024 is to be posted on the Company's website by the end of March 2025.

<https://www.shi.co.jp/english/csr/governance/corporate/structure.html>

## 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>

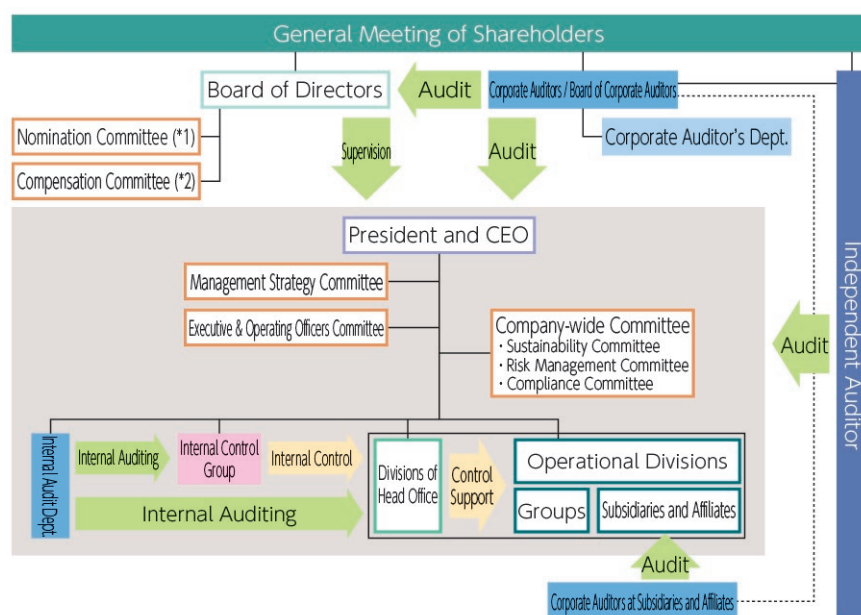


## Corporate Governance System

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 eleven Directors (the fixed number is 12), of whom four 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 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

(January 1, 2024 through December 31, 2024)

## I. CURRENT STATUS OF THE COMPANY GROUP

### Financial Highlights

- ▶ Orders: Decreased due to a continued decrease in demand in the excavator business and the semiconductor-related business
- ▶ Net sales: Decreased in areas except the Industrial Machinery Segment due to a decline in orders
- ▶ Operating income: Decreased in all segments due to decrease in net sales and increase in development investment
- ▶ Net income attributable to shareholders of the parent company: Decreased due to recognition of extraordinary losses

#### Orders

**¥936.1 billion**

a 7% decrease from  
the previous fiscal year

#### Net sales

**¥1,071.1 billion**

a 1% decrease from  
the previous fiscal year

#### Operating income

**¥55.1 billion**

a 26% decrease from  
the previous fiscal year

#### Ordinary income

**¥49.2 billion**

a 30% decrease from  
the previous fiscal year

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

**¥7.7 billion**

a 76% decrease from  
the previous fiscal year

#### ROIC

**4.8%**

7.0% in the previous fiscal year

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

## 1. PERFORMANCE AND RESULTS OF OPERATIONS

In the fiscal year under review, regarding the management environment surrounding the Company Group, while capital investment, mainly in the manufacturing industry, moved toward a gradual recovery, the Japanese economy showed signs of weakness in some areas, such as a temporary standstill of recovery in the semiconductor market. Overseas, in the U.S., while capital investment remained strong, the hydraulic excavator market saw a decline in demand. The European economy continued to be weak due to the impact of deteriorating economy by the monetary tightening, and in China, demand remained sluggish, triggered by deteriorating real estate market conditions.

Amid this business environment, the Company Group executed measures under the Medium-Term Management Plan 2026, such as improving profitability, enhancing capital efficiency, and strengthening new business exploration as well as making enhanced contributions to Sustainable Development Goals (SDGs) and strengthening initiatives to reduce environmental burden, in order to develop a robust entity, with the aim of increasing corporate value in a sustainable manner by solving social issues through products and services.

As a result, total orders received by the Company Group were ¥936.1 billion and net sales on a consolidated business were ¥1,071.1 billion. As for profits and losses, operating income was ¥55.1



billion and ordinary income was ¥49.2 billion. However, net income attributable to shareholders of the parent company was ¥7.7 billion as a result of recognition of extraordinary losses of ¥27.5 billion. The extraordinary losses were mainly incurred by the posting of an impairment loss on fixed assets, including goodwill of Lafert S.p.A., a consolidated subsidiary of the Company, as the Company determined it would be difficult to realize the earnings expected at the time of acquisition of Lafert S.p.A. due to the ongoing uncertainty in the business environment, affected by the sluggish market in Europe.

In addition, ROIC\* was 4.8%.

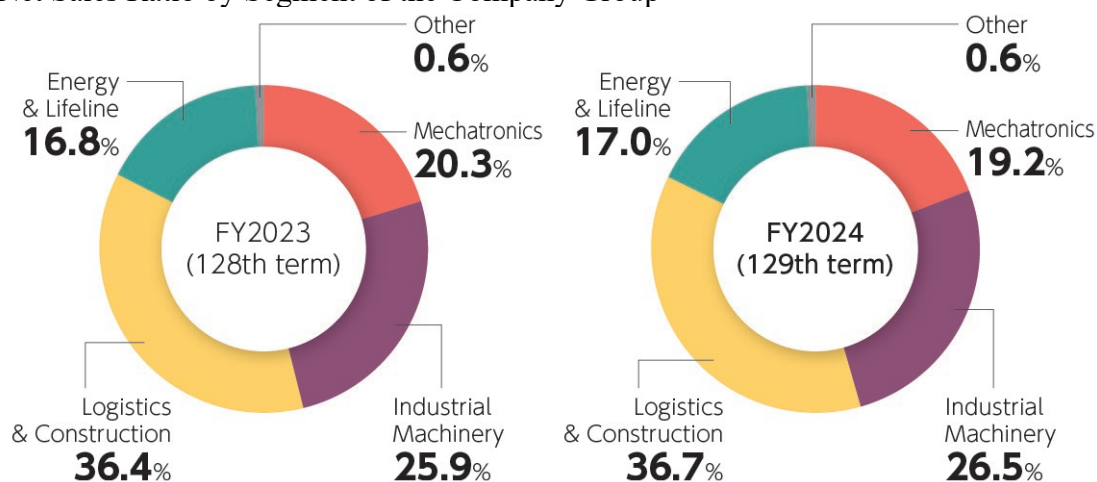
On November 21, 2024, Sumitomo Heavy Industries Himatex Co., Ltd. (“Himatex”), a subsidiary of the Company, received a recommendation from the Japan Fair Trade Commission under the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (“Act”). This recommendation was made because Himatex’s act of allowing its subcontractor, to which Himatex entrusted the manufacture of some parts of its products, to keep and store the molds, etc. owned by Himatex to be used for the manufacture of the parts free of charge, despite the fact that Himatex had not placed orders for the said parts for a long period of time, was determined to be in violation of Article 4, Paragraph 2, Item 3 of the Act. Himatex has held discussions with the subject subcontractor regarding compensation and has already paid the subcontractor an amount equivalent to the cost of storage, etc.

We take this fact seriously, and we will ensure that we comply with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, and will further improve and strengthen the compliance system of our Group.

\* ROIC is the return on invested capital, an indicator of how much profit is generated on invested capital (the sum of shareholders’ equity and interest-bearing debt) and whether profitability is commensurate with the cost of capital.

## 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)

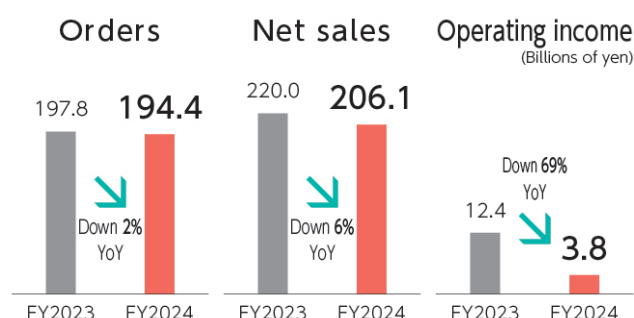
Segment	Orders		Sales		Year-end Backlog of Orders	
	FY2023	FY2024	FY2023	FY2024	As of December 31, 2023	As of December 31, 2024
Mechatronics	197.8	194.4	220.0	206.1	93.7	82.0
Industrial Machinery	265.0	253.6	279.8	284.3	183.1	152.5
Logistics & Construction	393.6	339.7	393.4	392.5	260.0	207.2
Energy & Lifeline	146.3	141.8	182.2	182.0	228.7	188.6
Other	6.0	6.5	6.1	6.2	1.6	1.9
Total	1,008.7	936.1	1,081.5	1,071.1	767.1	632.1

## Mechatronics

### **Principal Business:**

Power Transmission and Control Equipment, Motors, Inverters, Laser Processing Systems, Precision-Positioning Stages, Control System Equipment

While sales of small and medium-sized power transmission and control equipment progressed steadily in Japan, orders declined as demand for semiconductor-related products decreased. In addition, demand for power transmission and control equipment, and motors has not recovered in Europe and China, and both sales and operating income declined.

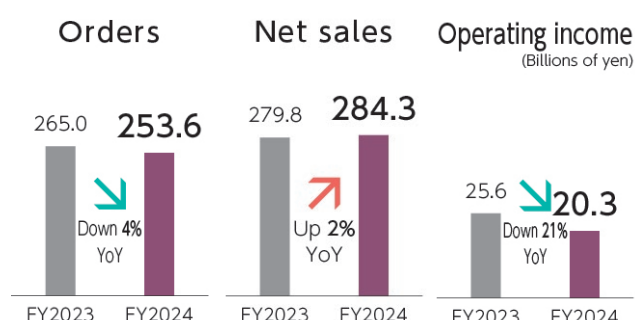


## Industrial Machinery

### **Principal Business:**

Plastic Injection Molding Machines, Extrusion Laminator Machines, Cryogenic Equipment, Precision Forgings, Semiconductor Manufacturing Equipment, Cyclotrons, Medical Equipment, Forging Machines, Machining Tools, Air-Conditioner, Defense Equipment

With regard to the plastic machinery business, orders remained the same as the previous fiscal year due to the continued stagnation in investment in Europe, although demand for electrical and electronics-related products bottomed out in China. On the other hand, sales and operating income decreased due to a decrease in backlog of orders mainly in Europe.



For other businesses, orders decreased due to the continuing impact of customers' inventory adjustment and postponements of investment associated with the softening of the semiconductor market. Sales increased due to the high level of the order backlog, but operating income slightly decreased due to the changes in model composition.

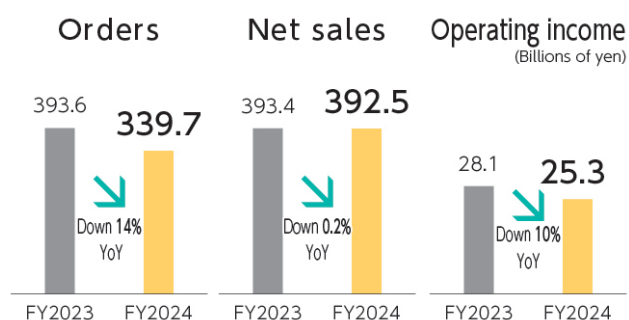
## Logistics & Construction

### **Principal Business:**

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

With respect to the hydraulic excavator business, orders, sales and operating income decreased due to a decline in demand, particularly for rentals, in Japan and the U.S.

In other business, the construction crane business saw an increase in both sales and operating income due to a high level of order backlog in North America, while orders decreased due to weak demand in Japan. The material handling business



saw an increase in orders and sales with large-scale projects for steelmaking and shipbuilding, but operating income remained at the same level as the previous fiscal year due to a decrease in highly profitable projects.

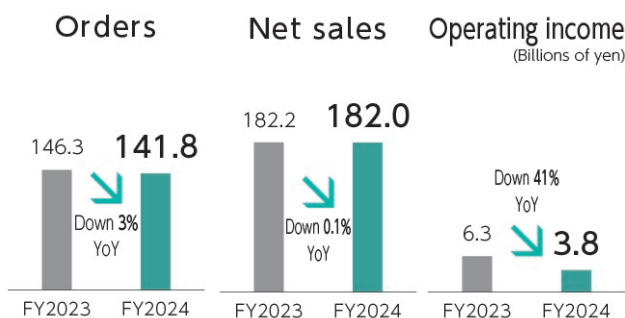
## **Energy & Lifeline**

### **Principal Business:**

Power Generation Systems, Boiler Systems, Air Pollution Prevention Equipment, Water Treatment Systems, Turbines, Pumps, Pressure Vessels, Mixing Vessels, Food Production Equipment, Ships

In the energy plant business, orders increased due to an increase in biomass power generation projects, but sales decreased due to a small backlog of orders, and operating income also decreased due to increased development costs for commercialization of liquid air energy storage system (LAES), etc.

For other businesses, orders decreased due to the withdrawal from the new shipbuilding business, but sales and operating income increased due to an increase in the number of projects eligible for sales in the fiscal year under review.



## **Other**

### **Principal Business:**

Software

In other businesses, orders were ¥6.5 billion, a 9% increase from the previous fiscal year; net sales were ¥6.2 billion, a 2% increase from the previous fiscal year; and operating income was ¥2.0 billion, a 3% increase 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 boost production capacity, raise productivity, update aging facilities, and improve IT infrastructure in the Mechatronics, Industrial Machinery and Logistics & Construction Segments.

As a result, the total amount of capital investment for the fiscal year under review was ¥46.8 billion.

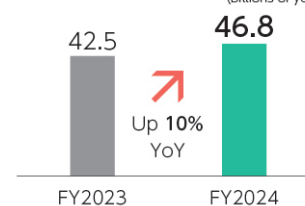
### (2) R&D investment

During the fiscal year under review, with the purpose of developing a robust entity and contributing to the solution of social issues through products and services, we carried out investment in development, focusing on growing areas of robotics and automation, semiconductors, advanced medical devices and environment and energy.

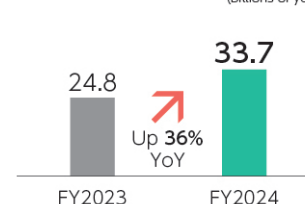
Specifically, as the main objectives, for the Industrial Machinery Segment, we invested in the development of a next-generation medium-current ion implanter, etc. and for the Energy & Lifeline Segment, in the development of liquid air energy storage (LAES), among others.

As a result, the total amount of R&D investment for the fiscal year under review was ¥33.7 billion.

Trends of Total Capital Investment  
(Billions of yen)



Trends of Total R&D Investment  
(Billions of yen)



## 3. FINANCING

During the fiscal year under review, we procured financing primarily through borrowing from financial institutions and commercial papers to provide for working capital and capital investment and to secure liquidity on hand. We also issued domestic unsecured straight corporate bonds in April 2024 to raise ¥20 billion.

As a result, the balance of interest-bearing debt was ¥238.6 billion at the end of the fiscal year.

## 4. BUSINESS RESTRUCTURING

- (i) On April 1, 2024, the Company absorbed and merged with Sumitomo Heavy Industries Power Transmission & Controls Sales Co., Ltd., a subsidiary of the Company.
- (ii) On January 1, 2025, the Company executed an absorption-type company split of the operations related to the manufacture, repair, maintenance, and sales of defense equipment and maritime safety equipment as well as contracted operations relating to the management, transport, and packaging of inventory items operated by Sumiju Tokki Service Co., Ltd., a subsidiary of the Company, to transfer said operations to the Company.
- (iii) On January 1, 2025, the Company transferred its business related to laser equipment to Sumitomo Heavy Industries Ion Technology Co., Ltd., a subsidiary of the Company.
- (iv) On January 17, 2025, the Company acquired all the shares of Laser System & Solutions of Europe SASU, a subsidiary of SCREEN Semiconductor Solutions Co., Ltd., that operates semiconductor manufacturing equipment business and made the company a wholly-owned subsidiary of the Company.

## 5. CHALLENGES FACING THE COMPANY GROUP

The economic environment surrounding the business is still changing in complex ways and remains

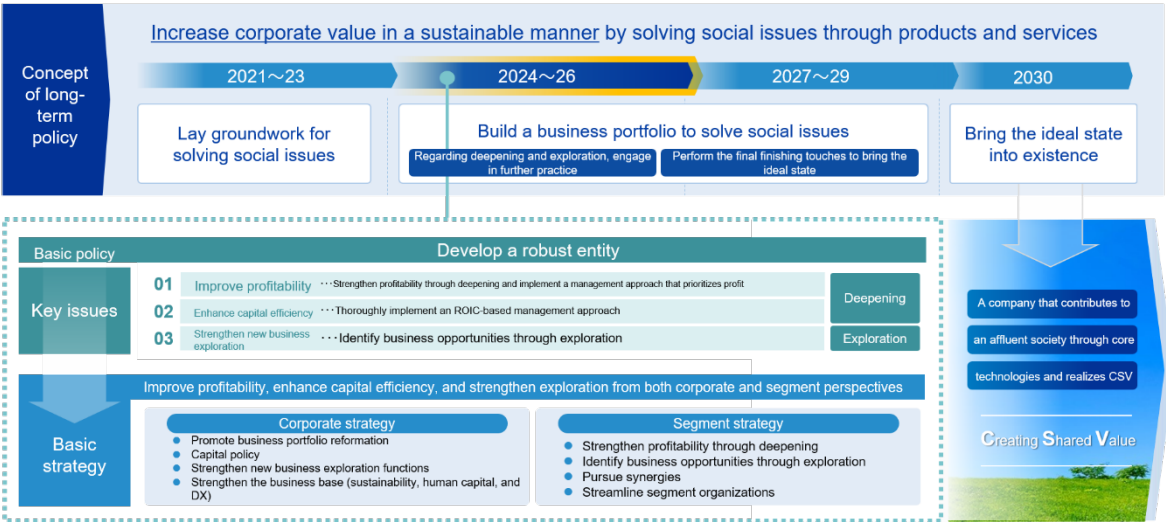
challenging. In Japan, economic conditions vary significantly by business sector, with the manufacturing industry encountering similar disparities. In the automotive industry, the shift to electric vehicles (EVs) has temporarily slowed. We furthermore anticipate a situation where the semiconductor industry, a key aspect of industrial infrastructure, has once again entered a growth phase following a transition to a recovery phase from a scenario where only enterprises involved with generative AI reap benefits. Overseas, although the U.S. alone continues to perform well, giving rise to the promise of active investment in infrastructure development, it is subject to lingering uncertainty associated with the nation’s new government administration. Europe remains in a persisting downward trajectory amid a scenario where Germany’s manufacturing industry has been subject to prolonged stagnation, although signs have emerged regarding the prospect of moderate recovery due to interest rate cuts. Meanwhile, China remains prone to uncertainties amid factors that include a continuing slowdown in growth amid the impact of U.S.-China trade disputes.

### (1) FY2024 summary

In FY2024, the initial fiscal year of Medium-Term Management Plan 2026, we encountered changes in the business environment along with delays in improving the profitability of our core businesses. In particular, substantial deviation in the business environment relative to initial expectations in the European, semiconductor, and excavator business culminated in a situation where performance of the Company Group underperformed initial projections.

### (2) Progress under Medium-Term Management Plan 2026

Medium-Term Management Plan 2026 continues the policy of seeking to “increase corporate value in a sustainable manner by solving social issues through products and services” by deducing social issues through backcasting our “ideal state” for 2030. It furthermore positions the key issues of “improve profitability,” “enhance capital efficiency,” and “strengthen new business exploration” under the basic policy of “develop a robust entity.”



Under Medium-Term Management Plan 2026, whereas the Company started with financial targets of achieving net sales of ¥1,250.0 billion, operating income of ¥100.0 billion and ROIC of 8.0% by FY2026, it has revised those FY2026 targets to net sales of ¥1,173.0 billion, operating income of ¥80.0 billion and ROIC of 7.0% having taken into account a slowdown in orders and operating income in FY2024 prompted by prolonged sluggish market conditions in Europe and other such changes in the external environment surrounding the Company Group. Underpinned by the basic policy of “develop

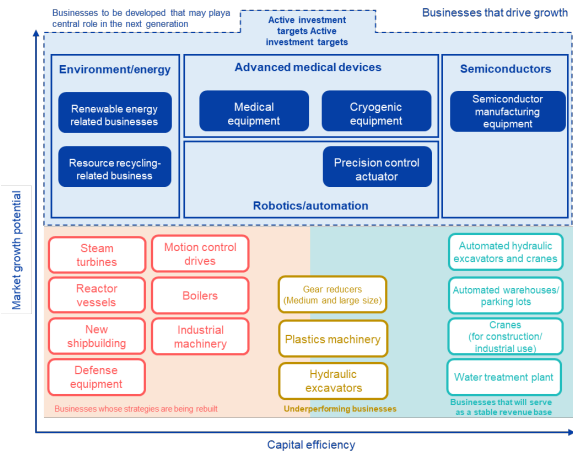
a robust entity,” we seek to strengthen profitability by engaging in initiatives focused on the key issue of “improve profitability.”

With respect to non-financial targets, we furthermore established respective targets associated with material sustainability issues classified under each of the ESG items and progressed as initially planned.

(i) Corporate strategy

●Promotion of business portfolio reforms

We are promoting business portfolio reform enlisting the aim of expanding our business by focusing management resources on businesses in four “key investment areas” with anticipated growth, while also rebuilding our strategy for low-growth, low-profit businesses. Going forward, we seek to expand our businesses by focusing our management resources on businesses in our “key investment areas,” while engaging in measures to enhance profitability in underperforming businesses and rebuilding strategies in low-growth, low-profit businesses.



Note: For the new shipbuilding, ceasing new orders and withdrawing from the shipbuilding business (implemented in FY2024)  
 For the defense equipment, splitting a partial business of Sumiju Tokki Service Co., Ltd. into our company (implemented in January 2025)

●Capital strategy

Under Medium-Term Management Plan 2026, we intend to strengthen our cash flow generation capability by promoting strategies to increase ROIC, while utilizing interest-bearing debt to an extent that does not impair our financial position, and had planned to make capital investments of ¥190.0 billion and R&D investments of ¥90.0 billion, mainly in our key investment areas, and make returns of ¥80.0 billion to our shareholders. However, in light of FY2024 results, that is being reconsidered.

In FY2024, we implemented repurchases of the Company shares of ¥10.0 billion and increased dividends per share by ¥5 to ¥125. Our policy over the medium to long term is to maintain a DOE of at least 3.5%, a minimum dividend of ¥125, and total return ratio of at least 40%, including repurchases of the Company shares. We will strive to enhance shareholder returns going forward by realizing stable and continuous dividends and enabling flexible purchase of own shares.

●Enhancing the exploration of new businesses

Centered on the New Business Exploration Department, we are coordinating and promoting cross-segment exploration themes, and identifying themes and promoting commercialization from a corporate perspective in cooperation with the four segments and the divisions of our Head Office. We are currently engaging in intensive activities at our Boston Office, established in April 2024 in close proximity to the Massachusetts Institute of Technology with the aim of conducting advanced technology research while also exploring and creating new businesses. Additionally, we arranged an in-house pitch competition in seeking to create new business ideas. We also engaged in initiatives



such as those involving activity programs for developing in-house entrepreneurial human resources and facilitating commercialization of new businesses in alignment with our plans.

### ●Strengthening business foundation

Under Medium-Term Management Plan 2026, we are striving to strengthen our business foundation (sustainability, human capital, DX) that supports the above initiatives.

Regarding sustainability, we are strengthening our efforts to achieve the SDGs and the Company Group's 2050 carbon neutrality goal. Specifically, we have identified seven material sustainability issues and accordingly engage in efforts in terms of contributing to solving social issues through our business and addressing medium- to long-term risks, including climate change risks. We plan to disclose our achievements for FY2024 in our Integrated Report scheduled for release in July 2025.

With respect to human capital, our idea is that human capital management for “enhancing the foundation for human resource development” and “strengthening organizational capabilities” will support the sustainable growth of our business. Based on this, we implement human resource strategy with our material issues, namely, securing human resources, enhancing the foundation for human resource development, developing a global human resource management foundation, strengthening organizational capabilities, and promoting diversity.

In DX, we continue digitalization and are building a foundation for promoting DX to support the realization of a robust entity. At the same time, we are creating new customer value, making first-class products and services, and more quickly transforming business processes such as design and manufacturing value chains, while also enhancing business involving services enlisting DX. In addition, with the aim of realizing the SDGs, we work on environmental and safety measures and promote solutions to social issues.

Category	Material issue	Implementation details for FY2024	Actual 2024	Target 2026
Issue of value creation	<b>E</b> Reduce environmental burden	<ul style="list-style-type: none"> <li>- Measures to reduce CO<sub>2</sub> emissions (Scope 1 and 2) during product manufacturing were implemented as planned</li> <li>- Expand the calculation scope for Scope 3 Category 1 (Procurement) in Japan</li> <li>- CFP calculation measures for main products</li> </ul>	<b>CO<sub>2</sub> emission reduction (compared to 2019)</b> <ul style="list-style-type: none"> <li>- At time of manufacturing products: -24%</li> <li>- At time of using products: -65%</li> </ul> *Actual results for FY2023	CO <sub>2</sub> emission reduction (compared to 2019) <ul style="list-style-type: none"> <li>- At time of manufacturing products: -35%</li> <li>- At time of using products: -50%</li> </ul>
	Create better ways to live and work	<ul style="list-style-type: none"> <li>- Certification for wall climbing robot for steel structures was acquired and demonstration experiments were conducted</li> <li>- The scope of application for remote control systems was expanded (SIRMS<sup>®</sup>: large crane-integrated remote monitoring system)</li> </ul>	(Refer to the rightmost column)	(Further advancement of automation technology)
Issue of strengthening the business base	<b>S</b> Prioritize employee safety, health, and development	<ul style="list-style-type: none"> <li>- Declaration of diversity promotion activities by each officer</li> <li>- Certified as an Excellent Health Management Corporation for 2024 (4 consecutive years)</li> <li>- Awarded the Gold Prize in the PRIDE Indicator 2024 (for 2 consecutive years)</li> </ul>	<b>- Female manager ratio: 2.5%</b> (on a consolidated basis in Japan)	- Female manager ratio: 3.7% (on a consolidated basis in Japan)
	Emphasize coexistence and co-prosperity with local communities	<ul style="list-style-type: none"> <li>- “School for a Compassionate Future” (STEAM education workshop) was held in Niihama City</li> </ul>	- Spending for social contribution activities: JPY260 million	- Spending for social contribution activities: JPY200 million
	Establish a sustainable supply chain	<ul style="list-style-type: none"> <li>- A working environment survey of our manufacturing sites and suppliers in Vietnam and Indonesia was conducted (human rights due diligence)</li> </ul>	- Implementation rate of survey on high risk suppliers :67%	- Implementation rate of survey on high risk suppliers :100%
	<b>G</b> Strengthen governance	<ul style="list-style-type: none"> <li>- The number of female directors was increased to 2</li> <li>- The ideal state of the Board of Directors was discussed, and matters to be presented to the Board of Directors were revised</li> </ul>	- Number of female directors: 2 (18%)	- Number of female directors: 2
	Ensure high product quality	<ul style="list-style-type: none"> <li>- Efforts to improve the quality of software in products were strengthened</li> </ul>	- Number of serious incidents related to products: 0	- Number of serious incidents related to products: 0

### (ii) Segment strategy

Medium-Term Management Plan 2026 positions the respective roles of the Mechatronics Segment, the Industrial Machinery Segment, the Logistics & Construction Segment, and the Energy & Lifeline Segment as follows, and executes growth strategies. In FY2024, we decided to reorganize business between segments in FY2025 with the aims of streamlining segment management and promoting synergies. Specifically, in January 2025, we reclassified laser systems of the Mechatronics Segment to the Industrial Machinery Segment, and cryogenic equipment of the Industrial Machinery Segment to the Mechatronics Segment.

Taking into account FY2024 performance, we seek to improve profitability by having the four segments focus not only on taking on challenges of the key investment areas, but also on securing profits in the foundational business areas.



Going forward, we will pursue synergies while simultaneously striving to improve efficiency of the segment organization and aiming to build a robust entity, and working toward achieving our goals.

Segment	Role/Positioning	Direction to pursue	Key investment area
<b>Mechatronics</b>	Segment that drives growth with high profitability	Key investment areas: Expand high-growth and high-profit sectors, and drive sales expansion in target markets Foundational business areas: Enhance the earning capacity of the gearmotor business, and expand services	- Robotics/automation fields - Semiconductor field
<b>Industrial Machinery</b>		Key investment areas: Achieve decisive victories in sectors where we hold a competitive edge Foundational business areas: Implement the structural reorganization of the plastics machinery business	- Semiconductor field - Advanced medical equipment field
<b>Logistics &amp; Construction</b>	Core segment that secures stable revenue	Key investment areas: Promote the development of cutting-edge technologies, such as electrification, remote control/automation and DX, to solve social issues Foundational business areas: Secure revenues and establish a global production system in developed markets, including Japan, the US, and Europe	- Robotics/automation fields
<b>Energy &amp; Lifeline</b>	Segment developed for future growth	Key investment areas: Promote the fostering and commercialization of the next-generation core businesses in carbon neutrality and renewable energy promotion businesses Foundational business areas: Implement the structural reorganization of the boiler business and strengthen the after-sales service by enhancing functions and expanding proposal menus	- Environment/energy fields

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

Details of Medium-Term Management Plan 2026 are posted on the Company's website.

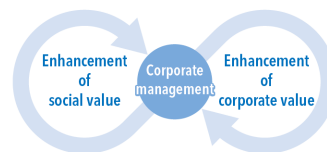
<https://www.shi.co.jp/ir/library/presentation/index.html>



# (Reference) Sustainability at the SHI Group

## Basic Sustainability Policy

Based on Sumitomo's Business philosophy and Sumitomo Heavy Industries Group's Purpose and management philosophy, we conduct corporate management by enhancing both social and corporate value for the realization of a sustainable society. We have clarified these ideas as a basic sustainability policy.



- 1 We shall provide products and services that contribute to economical and technological development and aim for our sustainable growth.
- 2 We shall make every effort to minimize the environmental load in all of our business activities, including the entire product life cycle. In addition, we shall protect the safety, security and health of every person involved in any corporate activities and create a workplace where everyone of us can work vibrantly.
- 3 We shall ensure thorough corporate ethics and improve management soundness and transparency.

## Process for Identifying Material Issues

Through a resolution passed by the Board of Directors in 2020, the SHI Group has identified seven material issues from both the perspectives of their importance to society and stakeholders as well as their importance to the SHI Group itself. Through our efforts to address these material issues, we seek to meet the expectations of our stakeholders while pursuing our vision of achieving sustainable growth for the Group.

### Identification Process

#### 1 Extraction of Issues

We identified the key sustainability issues that machinery manufacturers are required to address based on the SDGs as well as the standards of SASB, ISO 26000, and GRI, and with reference to the initiatives of other companies in the same industry.

#### 2 Narrowing Down of Issues

Through dialogue on key sustainability issues with 14 head office divisions and 15 main business divisions, as well as listening to the opinions of external advisors, we have narrowed down key sustainability issues based on the following two axes: the scale of impact on the society and how important those issues are to our company. At management meeting and business strategy committee, which are made up of executive officers, we reported on the progress of these activities and confirmed that there were no objections to the narrowed down ESG material issues.

#### 3 Expert Hearings














We consulted with sustainability experts to assess the validity of the material issues we have identified. We then reviewed the materiality of these issues based on the feedback that material issues for value creation should include not only environmental issues but also social issues (e.g., declining workforce).

#### 4 Resolutions at the Board of Directors Meetings

The Board of Directors passed a resolution containing these material issues as a key management resolution at its meeting in March 2020. It also held a review of the material issues following a resolution at its meeting in January 2024.

## The Seven Material Issues

	Material issues	Relevance to approach and business	Opportunities	Risks
Material issues for value creation	Reduce environmental burden	As an integrated machinery manufacturer, our Group recognizes the importance of both reducing the environmental impact of our production activities and reducing the environmental impact of our customers when they use our products. We are also proactively taking on challenges for a circular economy, as these initiatives help reduce the environmental impact across the entire product life cycle by reducing waste and other effects, as well as lowering production costs and bringing high added value to our products.	Boosting competitiveness and sales for products that contribute toward decarbonization and other ways of reducing environmental impact.	If efforts to achieve high product efficiency and energy savings do not progress, the competitiveness of our products and businesses may decline. Also, if environmental contamination occurs through an unexpected occurrence in our business activities, our Group's performance may be affected by enormous costs incurred as a result.
	Create better ways to live and work	We believe we can help alleviate the workload of our customers and end-users, implement work-style reforms, and improve safety through the automation and digitalization of our products. We hope to contribute to work-style reforms and better lifestyles for people working in various industries through the further strengthening of these efforts.	Boosting competitiveness and sales by automating and digitalizing our products	If efforts to create customer value by automating and digitalizing our products do not progress, the competitiveness of our products and businesses may decline.
Material issues for strengthening our business foundation	Prioritize employee safety, health, and development	We recognize that the management of human capital is a particularly significant theme for our Group in order to accelerate globalization and provide products and services that meet the needs of society. Based on our ethos of "People are our most important asset," which runs throughout the SHI Group, we not only put safety first in all our business operations but also actively engage in activities that include health management, human resource development, and diversity promotion.	Improving productivity and innovation by boosting employee engagement.	Occupational accidents and health issues among employees may hinder seamless business activities and operations at the Group. They may also delay human resource development, reduce engagement, bring a deficiency in diversity, lower productivity, or serve as an obstacle to innovation, which may result in a decline in competitiveness over the medium to long term.
	Emphasize coexistence and co-prosperity with local communities	With our numerous business sites, we believe that fostering a spirit of coexistence and co-prosperity with local communities is essential for business continuity. We therefore contribute to the development of local communities by engaging in social contribution activities that leverage the resources and strengths of our Group. Through such activities, we seek to strengthen employee engagement and raise social and environmental awareness.	Achieving stable business activities by bolstering ties with local communities and suppliers. Securing excellent human resources in the local area.	If our favorable relationship with local communities and society is damaged, this may serve as an obstacle to smooth business activities and operations.
	Strengthen governance	As a corporate group with global businesses, we believe that robust compliance and risk management are essential building blocks for the sustainable growth of our business. We are also continuously strengthening our corporate governance in order to enhance the soundness and transparency of management.	Building a resilient supply chain (with stable procurement and lower costs) by reducing ESG risk.	If a violation of laws or regulations occurs due to inadequate accommodation of strengthening or revising laws and regulations, our performance and financial status may deteriorate owing to administrative sanctions such as fines or business suspension, or a decline in trust from society following such sanctions.
	Building of sustainable corporate supply chains	As a corporate group building a global supply chain, we believe that it is important to address ESG risks such as human rights and climate change, from the perspective of CSR and business continuity. In view of this, we have established the CSR Procurement Guidelines, and we ask our business partners to carry out activities considering ESG as well as quality, cost, and delivery time.	Creating corporate value sustainably through transparent, fair, fast, and bold decision-making.	If an issue occurs regarding a lack of appropriate measures being carried out for ESG-related issues (such as human rights, climate change, or compliance) across the supply chain, this may affect the Group's performance through a loss of trust from society, cessation of transactions with customers, claims for damages, or other similar outcomes.
	Ensure high product quality	We believe that it is our responsibility to continue to provide our customers with a stable supply of high-quality, safe, and reliable products and services. We also believe that product quality is not only about the product's functional properties but also involves important attributes such as its safety for users. We therefore focus on improving our product safety.	Boosting sales by improving brand value for our Group and products and increasing the competitiveness of our products.	If a quality issue occurs, there may be significant costs incurred for the Group in relation to construction work held as compensation or in relation to product liability.

Major action items	Related major indicators and targets	Related SDGs
<ul style="list-style-type: none"> <li>Optimizing products to conserve energy and resources</li> <li>Reducing the environmental impact of business activities</li> <li>Formulating a climate change transition plan</li> <li>Carrying out biodiversity conservation activities</li> </ul>	<ul style="list-style-type: none"> <li>CO2 emissions</li> <li>Water consumption</li> <li>Waste generation</li> <li>Number of environmental accidents</li> <li>VOC emissions</li> </ul> <p><b>[Targets]</b></p> <ul style="list-style-type: none"> <li>CO2 emissions during the manufacturing of our products in 2030 (Scopes 1 and 2): 50% reduction (compared to FY2019)</li> <li>CO2 emissions during the use of our products in 2030 (Scope 3, Category 11): 30% reduction (compared to FY2019)</li> <li>Aim to achieve carbon neutrality throughout the entire SHI Group by 2050</li> </ul>	    
<ul style="list-style-type: none"> <li>Automating products to save manpower</li> <li>Enhancing product safety</li> <li>Applying advanced technology to products</li> </ul>	<ul style="list-style-type: none"> <li>Reducing the on-site customer workload through automation and optimization</li> <li>Increasing the sophistication of medical care by utilizing advanced technology and promoting a digital society</li> </ul>	    
<ul style="list-style-type: none"> <li>Occupational health and safety</li> <li>Health management</li> <li>Human resource development</li> <li>Organizational development</li> <li>Promoting work-life balance</li> <li>Promoting diversity</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening employee engagement</li> <li>Work-related fatalities</li> <li>Occupational accident frequency rate</li> <li>Annual training hours and expenses per employee</li> </ul> <p><b>&lt;Targets by January 1, 2027&gt;</b></p> <ol style="list-style-type: none"> <li><b>Increase the number of newly employed women</b> Ratio of women among new graduate hires: at least 20% per year</li> <li><b>Actively promote women</b> Number of female directors: 2 Number of female managers: above 5.0% in SHI; 3.7% consolidated in Japan</li> <li><b>Utilize diverse human resources</b> Ratio of mid-career hires among managers: at least 30% Ratio of foreign employees among managers: 1.4% Male childcare leave utilization ratio (including system leave): 100%</li> </ol>	   
<ul style="list-style-type: none"> <li>CSR activities</li> </ul>	<ul style="list-style-type: none"> <li>Cooperating with NGOs/NPOs</li> </ul> <p><b>[Targets]</b></p> <ul style="list-style-type: none"> <li>Social contribution expenditures: 1% of operating income (2030) (Cash donations, in-kind donations, personnel expenses, etc.)</li> </ul>	  
<ul style="list-style-type: none"> <li>Enhancing risk management</li> <li>Ensuring thorough compliance</li> <li>Enhancing corporate governance</li> <li>Formulating BCM/BCP</li> </ul>	<ul style="list-style-type: none"> <li>Compliance training attendance rate</li> </ul> <p><b>[Targets]</b></p> <ul style="list-style-type: none"> <li>Number of female directors as of January 2027: 2</li> </ul>	 
<ul style="list-style-type: none"> <li>Formulating the CSR Procurement Guidelines, requesting compliance from suppliers</li> <li>Carrying out supplier surveys</li> <li>Carrying out supplier engagement activities</li> <li>Carrying out human rights due diligence</li> </ul>	<p><b>[Targets]</b></p> <ul style="list-style-type: none"> <li>Ratio of engagement activities held with potential high-risk suppliers*: 100% (2030)</li> </ul> <p>* High-risk suppliers: Determined on the basis of the number of foreign workers employed and the net sales proportion to the Company. This definition is updated regularly.</p>	 
<ul style="list-style-type: none"> <li>Enhancing quality management</li> <li>Ensuring product safety</li> <li>Complying with laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>ISO 9001 acquisition rate of major production and business divisions</li> <li>Number of serious legal violations related to product safety</li> </ul>	 

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

(Billions of yen, unless otherwise indicated)

Items	FY2021	FY2022	FY2023	<b>FY2024 (this fiscal year)</b>
Orders	1,075.3	984.7	1,008.7	<b>936.1</b>
Net sales	944.0	854.1	1,081.5	<b>1,071.1</b>
Operating income	65.7	44.8	74.4	<b>55.1</b>
Ordinary income	64.8	43.3	70.2	<b>49.2</b>
Net income attributable to shareholders of the parent company	44.1	5.8	32.7	<b>7.7</b>
Net income per share (Yen)	359.61	47.20	267.30	<b>63.86</b>
Total assets	1,094.9	1,148.9	1,200.9	<b>1,260.2</b>
Net assets	566.8	576.9	627.5	<b>646.4</b>
Net assets per share (Yen)	4,501.11	4,647.20	5,059.88	<b>5,331.01</b>

Note: As a result of a change of the fiscal year, FY2022 (the 127th term) constitutes an anomalous closing of accounts whereby the Company and its consolidated subsidiaries whose fiscal years had been from April 1 of each year until March 31 of the next year have the nine months from April 1, 2022 to December 31, 2022 included and the Company's consolidated subsidiaries whose fiscal years had been from January 1 of each year until December 31 of that year have the twelve months from January 1, 2022 to December 31, 2022 included.

## 7. MAJOR SUBSIDIARIES (as of December 31, 2024)

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	100	Manufacturing and distribution, and repair of crawler cranes, etc.
Nihon Spindle Manufacturing Co., Ltd.	3,276	100	Manufacturing and distribution of 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.
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.
Invertek Drives Ltd. (U.K.)	61 (Thousands of GBP)	100	Manufacturing and distribution of inverters
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 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 December 31, 2024)**

Name	Loans Outstanding (Millions of yen)
Sumitomo Mitsui Banking Corporation	46,321
Sumitomo Mitsui Trust Bank, Limited	20,745
MUFG Bank, Ltd.	9,153
Mizuho Bank, Ltd.	8,745
The Norinchukin Bank	8,745

**9. EMPLOYEES (as of December 31, 2024)**

Segment	Number of Employees	Increase or Decrease from End of Last Fiscal Year
Mechatronics	7,763	(290)
Industrial Machinery	6,658	220
Logistics & Construction	5,450	106
Energy & Lifeline	3,785	(99)
Corporate Operations & Others	1,681	97
Total	25,337	34

## 10. MAJOR PLACES OF BUSINESS AND PLANTS (as of December 31, 2024)

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) PT Sumitomo Construction Machinery Indonesia (Indonesia) 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)

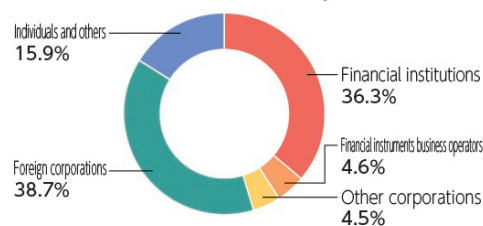


## II. CURRENT CONDITION OF THE COMPANY

### 1. STOCK (as of December 31, 2024)

- (1) Total number of authorized shares: 360,000,000
- (2) Total number of issued shares: 122,905,481
- (3) Number of shareholders: 35,340
- (4) Major shareholders:

Breakdown of Shares Held by Shareholders



\*Number of shares and shareholding ratio are rounded off for fractions less than units.

Name of Shareholders	Number of Shares in Thousands	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	21,071	17.5
Custody Bank of Japan, Ltd. (trust account)	9,322	7.8
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	7,478	6.2
Sumitomo Life Insurance Company	4,333	3.6
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	3,883	3.2
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	3,769	3.1
Sumitomo Heavy Industries, Ltd. Kyoeikai	3,362	2.8
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	2,943	2.4
STATE STREET BANK AND TRUST COMPANY 505001	2,401	2.0
STATE STREET BANK AND TRUST COMPANY 505103	2,134	1.8

Note: Shareholding ratios are calculated based on the total number of shares excluding treasury shares (2,659,762 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 December 31, 2024)

Name	Title	Positions, Responsibilities, and Significant Positions Held at Other Companies
Tetsuya Okamura	Representative Director and Chairman of the Board	Chairperson of the Board of Directors
Shinji Shimomura	Representative Director President (CEO)	
Eiji Kojima	Representative Director Executive Vice President	General Manager of Export Administration Department General Manager of Energy & Lifeline Segment
Kazuo Hiraoka	Director Executive Vice President	General Manager of Industrial Machinery Segment
Toshihiko Chijiwa	Director Executive Vice President	General Manager of Corporate Technology Management Group
Toshiro Watanabe	Director Executive Vice President	CFO
Tatsuro Araki*	Director Executive Vice President	General Manager of Power Transmission & Controls Group
Susumu Takahashi	Director	
Akio Hamaji	Director	
Sumie Morita	Director	Professor, Department of Information and Computer Science, Faculty of Systems Science and Technology of Akita Prefectural University Outside Director of Nihon Kohden Corporation
Yaeko Hodaka*	Director	Partner and attorney-at-law of ISSHIKI & PARTNERS Outside Director, Member of the Audit and Supervisory Committee of YASKAWA Electric Corporation Outside Auditor of Santen Pharmaceutical Co., Ltd.
Hideo Suzuki	Standing Corporate Auditor	
Shoji Uchida*	Standing Corporate Auditor	
Masaichi Nakamura	Corporate Auditor	CPA, Masaichi Nakamura CPA Office; Independent Director (Audit/Supervisory Committee Member) of Terumo Corporation
Mio Minaki*	Corporate Auditor	Partner, Minaki and Kitazawa Law Office Outside Director of SEIKAGAKU CORPORATION

Notes:

1. The persons marked with \* are new Directors and a Corporate Auditor who were appointed on March 28, 2024.
2. Directors Susumu Takahashi, Akio Hamaji, Sumie Morita and Yaeko Hodaka are Outside Directors.
3. Corporate Auditors Masaichi Nakamura and Mio Minaki are Outside Corporate Auditors.
4. The Company reported the appointments of Directors Susumu Takahashi, Akio Hamaji, Sumie Morita and Yaeko Hodaka and Corporate Auditors Masaichi Nakamura and Mio Minaki 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. Director and Corporate Auditor who resigned during this term (resigned as of March 28, 2024):  
 Director Hideo Kojima (expiration of term of office)  
 Corporate Auditor Yaeko Hodaka (expiration of term of office)

7. As of January 1, 2025, 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
Tetsuya Okamura	Representative Director Chairman of the Board	Chairperson of the Board of Directors
Shinji Shimomura	Representative Director President (CEO)	
Eiji Kojima	Representative Director Executive Vice President	General Manager of Export Administration Department General Manager of Energy & Lifeline Segment
Kazuo Hiraoka	Director Executive Vice President	General Manager of Industrial Machinery Segment
Toshihiko Chijiwa	Director Executive Vice President	General Manager of Corporate Technology Management Group
Toshiro Watanabe	Director Executive Vice President	CFO
Tatsuro Araki	Director Executive Vice President	General Manager of Power Transmission & Controls Group
Susumu Takahashi	Director	
Akio Hamaji	Director	
Sumie Morita	Director	Professor, Department of Information and Computer Science, Faculty of Systems Science and Technology of Akita Prefectural University Outside Director of Nihon Kohden Corporation
Yaeko Hodaka	Director	Partner and attorney-at-law of ISSHIKI & PARTNERS Outside Director, Member of the Audit and Supervisory Committee of YASKAWA Electric Corporation Outside Auditor of Santen Pharmaceutical Co., Ltd.
Hideo Suzuki	Standing Corporate Auditor	
Shoji Uchida	Standing Corporate Auditor	
Masaichi Nakamura	Corporate Auditor	CPA, Masaichi Nakamura CPA Office Independent Director (Audit/Supervisory Committee Member) of Terumo Corporation
Mio Minaki	Corporate Auditor	Partner, Minaki and Kitazawa Law Office Outside Director of SEIKAGAKU CORPORATION
Toshiharu Tanaka	Executive Vice President	General Manager of Corporate Economic Security Department General Manager of Globalization Department
Taiji Tsuchiya	Executive Vice President	General Manager of Mechatronics Segment
Shaun Dean	Executive Vice President	Managing Director of Sumitomo Heavy Industries (Europe) B.V.
Morihiro Kondo	Senior Vice President	In charge of Internal Control Group, Legal Department, Internal Audit Department, and General Administration Group Regional General Manager of Kansai Office Chairman of Sumitomo Heavy Industries (China), Ltd.
Shigeru Tajima	Senior Vice President	General Manager of Process Machinery Center Representative Director & President of Sumitomo Heavy Industries Process Equipment Co., Ltd.

Name	Title	Positions, Responsibilities, and Significant Positions Held at Other Companies
Kazutoshi Shiraishi	Senior Vice President	General Manager of Human Resources Group
Mitsukuni Tsukihara	Senior Vice President	Representative Director, President & CEO of Sumitomo Heavy Industries Ion Technology Co., Ltd.
Haruhiko Tsuzuki	Vice President	General Manager of Ehime Works General Manager of Logistics & Construction Segment
Masaki Arai	Vice President	General Manager of Corporate Planning Group
Takanori Nagai	Vice President	Representative Director, President & CEO of Sumitomo Heavy Industries Environment Co., Ltd.
Melvin Porter	Vice President	Chairman, Director, President CEO of LBCE Holdings, Inc.
Yoichi Kato	Vice President	General Manager of Energy & Environment Group
Isamu Mitsuhashi	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.
Hiroyuki Tominaga	Vice President	General Manager of New Business Exploration Department
Chie Okamoto	Vice President	General Manager of Precision Equipment Group

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, Akio Hamaji, Sumie Morita and Yaeko Hodaka and Outside Corporate Auditors Masaichi Nakamura and Mio Minaki, 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 takes 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 and they do not bear the insurance premiums.

## **(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, which was established on a voluntary basis and the majority of whose members are Outside Directors, 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-based 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 is calculated by multiplying the basic remuneration for each position by a factor based on the Company's annual dividend. Fifteen percent of the Directors' allowance fluctuates by being multiplied by a dividend-linked basic remuneration factor.

For the division's performance-linked basic remuneration, the Company, having the President as the final decision-maker, defines ranks from A to E based on three indicators\* of net sales, operating income, and operating income ratio, 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.

\*The indicators pertaining to the division's performance-linked basic remuneration were revised on January 1, 2024, to three indicators of operating income, operating income ratio and ROIC. The revised indicators will be reflected in remuneration from April 1, 2025.

#### 4) Stock-based remuneration

Stock-based remuneration aims to improve awareness about the need to help enhance earnings and increase corporate value in the medium to long term, by clarifying the linkage between remuneration of Directors to the Company's stock value, with Directors sharing profits and risks due to changes in the stock price with shareholders. Under this remuneration system, the Company contributes money and establishes a trust, which acquires the Company's shares, and the Company's shares (the number of the Company's shares, corresponding to the points to be granted by the Company to each Director) are issued to each Director via the trust.

Directors will receive the Company's shares at the time of their retirement in principle.

#### 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)					
		Monetary remuneration				Non-monetary remuneration	
		Basic remuneration		Performance-linked remuneration		Stock-based remuneration	
		Total amount	Number of Officers	Total amount	Number of Officers	Total amount	Number of Officers
Director (of which, Outside Director)	450 (49)	276 (49)	12 (5)	138 (-)	7 (-)	36 (-)	7 (-)
Corporate Auditor (of which, Outside Corporate Auditor)	97 (24)	97 (24)	5 (3)	- (-)	- (-)	- (-)	- (-)

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 ¥10 million in total for Corporate Auditors (under the resolution of the 126th Ordinary General Meeting of Shareholders).

held on June 29, 2022; 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:

Net sales: ¥1,081.5 billion, operating income: ¥74.4 billion, operating income ratio: 6.9%, annual dividend: ¥120

3. Separately from 1. above, the maximum amount of funds for purchase of shares needed for issuing shares to Directors under the stock-based remuneration system is ¥112.5 million in total for three fiscal years (from the fiscal year ended December 31, 2022, to the fiscal year ending December 31, 2024) and ¥45 million for one fiscal year should the eligible period be extended. The maximum number of points (one share of the Company is issued for each point in principle) to be granted to the Directors is 30,000 points in total for one fiscal year (resolution of the 126th Ordinary General Meeting of Shareholders held on June 29, 2022; the number of Directors (excluding Outside Directors) at the end of the Ordinary General Meeting of Shareholders is six).
4. The total amount of stock-based remuneration is the total amount recorded as expenses in the current fiscal year based on the stock-based remuneration system approved at the 126th Ordinary General Meeting of Shareholders held on June 29, 2022.

## (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	15/15 (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	Akio Hamaji	15/15 (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 Director	Sumie Morita	15/15 (100%)	—	Expressed opinions based on her specialized knowledge about the management, and her broad experience as a developer of products in the area of telecommunications and information networks. Performed her role to advise for the Company's sustainable growth and the improvement of its corporate value, and to supervise its management.
Outside Director	Yaeko Hodaka	14/15 (93%)	4/4 (100%)	Expressed opinions based on her specialized knowledge about corporate legal affairs and her broad experience as a lawyer. Performed her role to advise for the Company's sustainable growth and the improvement of its corporate value, and to supervise its management.
Outside Corporate Auditor	Masaichi Nakamura	15/15 (100%)	15/15 (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.
Outside Corporate Auditor	Mio Minaki	11/11 (100%)	11/11 (100%)	Expressed opinions particularly from the perspective of an expert on legal issues as a lawyer. Performed her role to conduct effective audits of the Company's management from an objective and independent standpoint.

Notes: 1. Yaeko Hodaka resigned as Outside Corporate Auditor at the close of the 128th Ordinary General Meeting of Shareholders held on March 28, 2024 and was appointed as Outside Director. Her attendance includes meetings attended during her tenure serving as Outside Corporate Auditor.

2. For Mio Minaki, the status since her appointment as Corporate Auditor on March 28, 2024 is shown.



### 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	¥174 million
(ii) Total amount of money and other economic benefits to be paid by the Company and its subsidiaries to the Independent Auditor	¥294 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, Invertek Drives Ltd., 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) 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, 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**

We pay the Independent Auditor consideration for “preparation of a comfort letter,” which is a service other than those set forth in Article 2, paragraph (1) of the Certified Public Accountants Act (non-audit service).

(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 December 31, 2024)**

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
<b>Assets</b>		
Current assets	784,495	748,285
Cash and deposits	111,132	104,458
Notes and accounts receivable - trade, and contract assets	307,423	289,861
Inventories	333,852	321,086
Other	34,350	35,280
Allowance for doubtful receivables	(2,263)	(2,400)
Fixed assets	475,747	452,572
Property, plant and equipment	347,998	330,007
Buildings and structures	104,866	98,163
Machinery and delivery equipment	92,123	88,239
Land	112,062	111,169
Construction in progress	16,286	10,840
Other	22,661	21,595
Intangible fixed assets	28,261	45,612
Goodwill	8,020	19,312
Other	20,241	26,300
Investments and other assets	99,487	76,953
Investment securities	21,417	19,854
Long-term loans receivable	8,198	5,604
Deferred tax assets	18,572	22,456
Defined benefit asset	31,961	15,797
Other	20,284	21,151
Allowance for doubtful receivables	(944)	(7,909)
Total assets	1,260,242	1,200,857

“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	415,892	416,329
Notes and accounts payable	153,158	180,822
Short-term bank loans	84,806	63,258
Current portion of corporate bonds	20,000	10,000
Long-term debt due within one year	4,649	9,741
Commercial paper	17,000	–
Accrued income taxes	8,612	13,980
Contract liabilities	36,351	48,029
Provision for bonuses	7,963	7,753
Allowance for warranty	11,451	12,164
Allowance for losses on construction contracts	863	1,288
Provision for business restructuring	2,374	–
Provision for loss on business liquidation	840	840
Provision for loss on guarantees	–	908
Other	67,825	67,545
Long-term liabilities	197,933	157,064
Bonds payable	40,000	40,000
Long-term debt	72,166	39,231
Defined benefit liability	35,011	33,836
Deferred tax liabilities on land revaluation	20,408	20,408
Other provisions	167	161
Other	30,181	23,428
Total liabilities	613,824	573,393
<b>Net assets</b>		
Shareholders' equity	473,644	488,476
Common stock	30,872	30,872
Capital surplus	25,203	25,203
Retained earnings	428,776	433,579
Treasury stock	(11,207)	(1,177)
Accumulated other comprehensive income	167,037	131,295
Unrealized gains (losses) on securities	7,953	6,951
Deferred gains (losses) on hedges	(1,233)	(956)
Land revaluation difference	40,307	40,307
Foreign currency translation adjustments	96,993	72,163
Remeasurement of defined benefit plans	23,017	12,831
Non-controlling interests	5,737	7,693
Total net assets	646,418	627,464
Total liabilities and net assets	1,260,242	1,200,857

“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 January 1, 2024 to December 31, 2024)

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
Net sales	1,071,126	1,081,533
Cost of sales	814,126	826,286
Gross profit	257,001	255,247
Selling, general and administrative expenses	201,898	180,880
Operating income	55,103	74,367
Other income	6,761	5,311
Interest and dividend income	2,769	1,839
Foreign exchange gains	–	381
Gain on sale of investment securities	847	76
Other – net	3,145	3,015
Other expenses	12,680	9,429
Interest expenses	3,611	2,487
Foreign exchange losses	2,673	–
Patent expenses	1,559	1,400
Other – net	4,837	5,542
Ordinary income	49,184	70,250
Extraordinary income	–	1,271
Gain on amortization of past service cost	–	1,271
Extraordinary losses	27,486	20,077
Impairment losses	24,872	19,237
Business restructuring expenses	2,614	–
Provision for loss on business liquidation	–	840
Net income before income taxes and non-controlling interests	21,698	51,444
Income tax – current	18,916	23,868
Income taxes for prior periods	(4,421)	(337)
Income tax – deferred	(1,234)	(4,800)
Net income	8,438	32,714
Net income (loss) attributable to non-controlling interests	716	(29)
Net income attributable to shareholders of the parent company	7,721	32,742

“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 January 1, 2024 to December 31, 2024)

(Millions of yen)

Item	Amount
Cash flows from operating activities	12,763
Cash flows from investing activities	(49,482)
Cash flows from financing activities	41,908
Effect of exchange rate changes on cash and cash equivalents	2,117
Net increase (decrease) in cash and cash equivalents	7,306
Cash and cash equivalents at the beginning of year	100,235
Cash and cash equivalents at the end of year	107,542

“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 December 31, 2024)

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
<b>Assets</b>		
Current assets	185,139	176,412
Cash and deposits	20,369	18,964
Notes receivable	5,166	2,229
Accounts receivable - trade, and contract assets	65,082	55,761
Finished goods	19,567	20,412
Work in process	32,100	28,617
Raw materials and supplies	852	872
Advances	2,259	7,580
Prepaid expenses	2,268	2,192
Accounts receivable, other	15,321	14,806
Short-term loans receivable	20,920	24,298
Other	1,330	1,075
Allowance for doubtful receivables	(96)	(391)
Fixed assets	398,867	393,728
Property, plant and equipment	159,655	150,387
Buildings	34,395	33,044
Structures	6,269	6,143
Machinery and equipment	17,207	16,566
Ships	0	0
Vehicles and delivery equipment	64	45
Tools, furniture and fixtures	4,295	4,030
Land	87,615	87,466
Leased assets	103	69
Construction in progress	9,707	3,024
Intangible fixed assets	3,526	3,526
Software	2,355	2,166
Other	1,171	1,360
Investments and other assets	235,686	239,815
Investment securities	15,673	13,198
Stock of subsidiaries and affiliates	135,607	160,691
Investment in capital of subsidiaries and affiliates	39,878	35,708
Long-term loans to employees	28	6
Long-term loans receivable from subsidiaries and affiliates	41,046	11,904
Claims in bankruptcy and rehabilitation	143	134
Long-term prepaid expenses	747	720
Deferred tax assets	13,770	15,977
Other	4,226	4,002
Allowance for doubtful receivables	(15,433)	(2,526)
Total assets	584,005	570,141

“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	226,294	225,317
Notes payable	6,039	5,143
Accounts payable	39,287	41,663
Short-term bank loans	39,800	29,100
Current portion of corporate bonds	20,000	10,000
Long-term debt due within one year	2,300	8,500
Commercial paper	17,000	–
Lease obligations	66	19
Accounts payable, other	14,257	16,265
Accrued expenses	1,949	1,711
Accrued income taxes	540	1,158
Contract liabilities	11,860	28,747
Deposits received	66,238	76,412
Provision for bonuses	2,082	1,882
Allowance for warranty	2,505	3,244
Allowance for losses on construction contracts	31	45
Other	2,341	1,429
Long-term liabilities	184,683	165,459
Bonds payable	40,000	40,000
Long-term debt	68,000	36,900
Lease obligations	77	60
Provision for loss on business of subsidiaries and affiliates	–	10,710
Allowance for losses on business transfer	115	115
Provision for loss on guarantees	4,579	–
Allowance for retirement benefits	18,554	17,041
Asset retirement obligations	295	295
Deferred tax liabilities on land revaluation	20,408	20,408
Long-term deposits received	32,654	39,930
Total liabilities	410,977	390,776
<b>Net assets</b>		
Shareholders' equity	126,066	133,864
Common stock	30,872	30,872
Capital surplus	27,086	27,086
Capital reserve	27,073	27,073
Other capital surplus	13	13
Retained earnings	79,316	77,084
Legal reserve of retained earnings	6,295	6,295
Other retained earnings	73,021	70,789
Retained earnings brought forward	73,021	70,789
Treasury stock	(11,207)	(1,177)
Valuation and translation adjustments	46,963	45,501
Unrealized gains (losses) on securities	7,776	6,047
Deferred gains (losses) on hedges	(1,120)	(853)
Land revaluation difference	40,307	40,307
Total net assets	173,029	179,365
Total liabilities and net assets	584,005	570,141

“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 January 1, 2024 to December 31, 2024)

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
Net sales	225,595	221,864
Cost of sales	183,320	181,542
Gross profit	42,275	40,322
Selling, general and administrative expenses	45,403	32,878
Operating income (loss)	(3,128)	7,444
Other income	44,702	19,316
Interest and dividend income	41,474	14,069
Foreign exchange gains	199	1,998
Other – net	3,029	3,249
Other expenses	4,080	4,135
Interest expenses paid on loans and bonds	1,039	510
Patent expenses	984	917
Other – net	2,057	2,708
Ordinary income	37,495	22,625
Extraordinary income	9,814	1,942
Gain on extinguishment of tie-in shares	9,814	201
Gain on amortization of past service cost	–	1,271
Gain on exchange from property dividend	–	470
Extraordinary losses	32,711	16,265
Loss on valuation of stock of subsidiaries and affiliates	24,848	–
Provision for loss on guarantees	4,579	–
Provision of allowance for doubtful receivables for subsidiaries and affiliates	2,095	–
Impairment losses	888	11,769
Loss on adjustment for unrealized gain on merger	301	–
Provision for loss on business	–	4,496
Net income before income taxes	14,597	8,303
Income tax – current	(5)	2,512
Income taxes for prior periods	(4,027)	(310)
Income tax – deferred	1,829	(2,246)
Net income	16,800	8,347

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