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Notice of the 128th 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 128th Ordinary General Meeting of Shareholders to be held on Thursday, March 28, 2024. 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.”

Securities Code: 6302
March 6, 2024
Start date of the electronic provision measures: February 26, 2024

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

Notice of the 128th Ordinary General Meeting of Shareholders

Dear Shareholders:

We express our deepest sympathies to all who were affected by the recent 2024 Noto Peninsula Earthquake, and wish them a speedy recovery.

We hereby announce the Company's 128th 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 Wednesday, March 27, 2024, 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 Wednesday, March 27, 2024**, 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 Wednesday, March 27, 2024**.

Details

- 1. Date and Time:** Thursday, March 28, 2024, 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 128th fiscal year (from January 1, 2023 to December 31, 2023) 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 128th fiscal year (from January 1, 2023 to December 31, 2023)

Matters Requiring Shareholders' Resolutions:

- | | |
|----------------------|---|
| Agenda Item 1 | Disposition of Retained Earnings |
| Agenda Item 2 | Election of Eleven Directors |
| Agenda Item 3 | Election of One Corporate Auditor |
| Agenda Item 4 | Election of One Alternative Corporate Auditor |

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 provide shareholders with dividend payments proportionate to the fiscal year's profits and to increase them, while giving due consideration to securing retained earnings necessary to achieve long-term and stable business development. The payout ratio is basically at 30% or higher during the period of the Medium-Term Management Plan 2023.

With regard to the year-end dividend for the fiscal year under review, in line with the above dividend policy and in consideration of the Company's performance for the 128th 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 128th fiscal year be as follows:

Year-end dividend for the 128th 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: ¥60.00 per share of the Company's common stock
Total dividends: ¥7,353,288,420

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 128th fiscal year is ¥120 per share.

- (3) Effective date of dividend appropriated from retained earnings:**
March 29, 2024

Agenda Item 2: 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	Current Positions and Responsibilities at the Company	Attendance at Board of Directors Meetings
1	Reappointment	Tetsuya Okamura	Representative Director and Chairman of the Board Chairperson of the Board of Directors	17/17 meetings (100%)
2	Reappointment	Shinji Shimomura	Representative Director and President & CEO	17/17 meetings (100%)
3	Reappointment	Eiji Kojima	Representative Director and Executive Vice President General Manager of Export Administration Department and General Manager of Energy & Lifeline Segment	17/17 meetings (100%)
4	Reappointment	Kazuo Hiraoka	Director and Executive Vice President General Manager of Industrial Machinery Segment	17/17 meetings (100%)
5	Reappointment	Toshihiko Chijiwa	Director and Executive Vice President General Manager of Corporate Technology Management Group	17/17 meetings (100%)
6	Reappointment	Toshiro Watanabe	Director and Executive Vice President CFO	17/17 meetings (100%)
7	Reappointment	Tatsuro Araki	Director and Executive Vice President General Manager of Power Transmission & Controls Group	13/13 meetings (100%)
8	Reappointment Outside Independent	Susumu Takahashi	Outside Director	17/17 meetings (100%)
9	Reappointment Outside Independent	Akio Hamaji	Outside Director	17/17 meetings (100%)
10	Reappointment Outside Independent	Sumie Morita	Outside Director	13/13 meetings (100%)
11	New Candidate Outside Independent	Yaeko Hodaka	Outside Corporate Auditor	17/17 meetings (100%)

Reappointment	: Candidate to be reelected as a Director
New Candidate	: Candidate to be newly elected 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

- (Notes) 1. 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.
2. Ms. Yaeko Hodaka is currently an Outside Corporate Auditor of the Company and will resign as an Outside Corporate Auditor at the close of this General Meeting. Her attendance at Board of Directors Meetings shows the number of times she attended the meetings as Outside Corporate Auditor, her current position.
- (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 21 through 25.

No. **1**

Tetsuya Okamura

Reappointment

Nomination

Compensation

(Born on May 5, 1956)



Number of shares of the Company held

8,174 shares

Tenure as Director

5 years and 9 months

Attendance at Board of Directors Meetings

17/17 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	Representative Director and Chairman of the Board, Chairperson of the Board of Directors, to date

Significant Positions Held at Other Companies

None

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Reasons for Selection as Candidate for Director

After being appointed as 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
14,718 shares

Tenure as Director
7 years and 9 months

Attendance at Board of
Directors Meetings
17/17 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	Representative Director and President & CEO, to date

Significant Positions Held at Other Companies

None

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Reasons for Selection as Candidate for Director

As Representative Director and President & CEO of Sumitomo (S.H.I.) Construction Machinery Co., Ltd., Mr. Shinji Shimomura accomplished high business growth in the construction machinery 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 this fiscal year, 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
5,958 shares

Tenure as Director
6 years and 9 months

Attendance at Board of Directors Meetings
17/17 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	Representative Director and Executive Vice President, General Manager of Export Administration Department, General Manager of Energy & Lifeline Segment, to date

Significant Positions Held at Other Companies

None

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Reasons for Selection as Candidate for Director

After being appointed as General Manager of 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

6,491 shares

Tenure as Director
3 years and 9 months

Attendance at Board of
Directors Meetings
17/17 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	Director and Executive Vice President, General Manager of Industrial Machinery Segment, to date

Significant Positions Held at Other Companies

None

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Reasons for Selection as Candidate for Director

After being appointed as 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
7,517 shares
Tenure as Director
1 year and 9 months
Attendance at Board of
Directors Meetings
17/17 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	Director and Executive Vice President, General Manager of Corporate Technology Management Group, to date

Significant Positions Held at Other Companies

None

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Reasons for Selection as Candidate for Director

Mr. 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
2,342 shares

Tenure as Director
1 year and 9 months

Attendance at Board of
Directors Meetings
17/17 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	Director and Executive Vice President, CFO, to date

Significant Positions Held at Other Companies

None

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Reasons for Selection as Candidate for Director

Mr. 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
2,048 shares

Tenure as Director
1 year

Attendance at Board of Directors Meetings
13/13 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	Director and Executive Vice President, General Manager of Power Transmission & Controls Group, to date

Significant Positions Held at Other Companies

None

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Reasons for Selection as Candidate for Director

After being appointed as 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

9 years and 9 months

Attendance at Board of
Directors Meetings

17/17 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 the Compensation Committee, so the Company has determined that he is qualified to serve as an Outside Director of the Company, and hereby requests his reappointment.

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

- The Company has designated Mr. Susumu Takahashi as an independent officer and notified the Tokyo Stock Exchange to that effect.
 - The Company has entered into a contract with Mr. Susumu Takahashi to limit his liability for damages under Article 423, paragraph 1 of the Companies Act to ¥10 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.
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No. **9**

Akio Hamaji

Reappointment

Outside

Independent

Nomination (Chairperson)

Compensation

(Born on July 13, 1954)



Number of shares of the
Company held
0 shares

Tenure as Director
3 years and 9 months

Attendance at Board of
Directors Meetings
17/17 meetings (100%)

Career Summary, and Positions and Responsibilities at the Company

April 1979	Joined Mitsubishi Mining & Cement Co., Ltd.
June 2007	Executive Officer, General Manger, 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., to date
June 2020	Outside Director of the Company, to date

Significant Positions Held at Other Companies

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

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Reasons for Selection as Candidate for Outside Director 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 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. 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.
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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
1 year

Attendance at Board of Directors Meetings
13/13 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	Professor, Department of Information and Computer Science, Faculty of Systems Science and Technology, Akita Prefectural University, to date
March 2023	Outside Director of the Company, to date

Significant Positions Held at Other Companies

Professor, Department of Information and Computer Science, Faculty of Systems Science and Technology, Akita Prefectural University

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 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.
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No. **11**

**Yaeko
Hodaka**

New Candidate	Outside
Independent	Nomination
Compensation	

(Born on March 20, 1966)



Number of shares of the
Company held
0 shares

Tenure as Corporate Auditor
2 years and 9 months

Attendance at Board of
Directors Meetings
**17/17 meetings
(100%)**

Career Summary, and Positions and Responsibilities at the Company

April 1992	Registered as attorney-at-law , to date
April 1992	Joined Ishii Law Office
January 2005	Joined Morrison & Foerster
January 2011	Partner 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 , to date
April 2023	Partner and attorney-at-law of Isshiki & Partners , to date
May 2023	Outside Director, Member of the Audit and Supervisory Committee of YASKAWA Electric Corporation , to date
June 2023	Outside Auditor of Santen Pharmaceutical Co., Ltd. , 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 appointment.

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 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.
- 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 appointment is approved, the Company intends to enter anew into such a limitation of liability contract with Ms. Hodaka.

Agenda Item 3: Election of One Corporate Auditor

The terms of office of Corporate Auditor Yaeko Hodaka will expire at the close of this General Meeting. 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:

Mio Minaki

New Candidate

Outside

Independent

(Born on April 6, 1973)



Number of shares of the
Company held
0 shares

Career Summary and Positions at the Company

October 2003	Prosecutor of the Tokyo District Public Prosecutors Office
April 2004	Prosecutor of the Osaka District Public Prosecutors Office
April 2005	Prosecutor of the Fukuoka District Public Prosecutors Office
April 2014	Litigation Department Attorney of Ministry of Justice Fukuoka Legal Affairs Bureau
April 2016	Prosecutor of the Tokyo District Public Prosecutors Office
April 2017	Assigned as Head of Legal Affairs Department to Agriculture, Forestry and Fisheries Fund corporation for Innovation, Value-chain and Expansion Japan
April 2019	Registered as attorney-at-law , to date
April 2019	Partner and attorney-at law of Minaki and Kitazawa Law Office , to date
June 2019	Outside Director of Seikagaku Corporation , to date
June 2021	Outside Auditor of NITTOKU CO., LTD. , to date

Significant Positions Held at Other Companies

Partner and attorney-at-law of Minaki and Kitazawa Law Office
Outside Director of Seikagaku Corporation
Outside Auditor of NITTOKU 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 Corporate Auditor

Although Ms. Mio Minaki has no experience in corporate management other than serving as outside director and outside corporate auditor, she has been active as a prosecutor, and after her retirement, as an attorney-at-law. Ms. Minaki's extensive experience and knowledge cultivated through her long service in the judicial world will be extremely useful for the Company.

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

- The Company has designated Ms. Mio Minaki as an independent officer and notified the Tokyo Stock Exchange to that effect.
- If the appointment of Ms. Mio Minaki is approved, the Company intends to enter into a contract with her to limit her liability for damages under Article 423, paragraph 1 of the Companies Act to ¥10 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 Directors and Corporate Auditor (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 the appointment of Ms. Mio Minaki is approved, she 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 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 21 to 25.

Agenda Item 4: Election of One Alternative Corporate Auditor

The election of Mr. Takeo Wakae, Alternative Corporate Auditor, made at the 127th Ordinary General Meeting of Shareholders held on March 30, 2023, will cease to be effective at the commencement of this General Meeting. As a precautionary measure against the possibility of the Company lacking the minimum number of Outside Corporate Auditors designated by laws and regulations, the election of one Alternative Corporate Auditor is requested.

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

The candidate for Alternative Corporate Auditor is as follows:

Takeo Wakae

Outside

Independent

(Born on October 22, 1948)



Number of shares of the
Company held
0 shares

Career Summary and Positions at the Company

April 1983	Registered as attorney-at-law , to date
April 1992	Civil conciliation commissioner at Tokyo District Court
April 2003	Vice President of Daiichi Tokyo Bar Association (fiscal year 2003)
June 2012	Outside Corporate Auditor of the Company (resigned in June 2021)
April 2014	Executive Governor of Japan Federation of Bar Associations (fiscal year 2014)

Significant Positions Held at Other Companies

Attorney-at-law of Kumagai & Wakae Law Office

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

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

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

- If Mr. Takeo Wakae is appointed as an Outside Corporate Auditor after this agenda item is approved, the Company intends to designate him as an independent officer and notify the Tokyo Stock Exchange to that effect.
- If Mr. Takeo Wakae is appointed as an Outside Corporate Auditor after this agenda item 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 Directors and Corporate Auditor (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 (however, the matters that fall in the category of an exemption are excluded). If the appointment of Mr. Takeo Wakae is approved, he will be covered with the insurance.

(Reference) The Policies on and Procedures for Nominating Corporate Auditor Candidates and the Independence Standards for Outside Officers stipulated by the Company are stated on pages 21 to 23.

(Reference) Corporate Governance of the Company

Policies on and Procedures for Nominating Director Candidates

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

Policies on and Procedures for Nominating Corporate Auditor Candidates

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

Independence Standards for Outside Officers

1. If none of the following items apply to an Outside Director or an Outside Corporate Auditor, the Company shall consider the Outside Director or the Outside Corporate Auditor to be independent from the Company. However, (xiv) below shall only apply to an Outside Corporate Auditor.
 - (i) A person who is or was a person performing an executive role (*1) at the Company Group (*2).
 - (ii) A person who is a certified public accountant and is the Company's independent auditor or a certified public accountant who belongs to the audit firm that is the Company's independent auditor.
 - (iii) A consultant, an accounting expert, or a legal expert who receives large amount of money or other property (*3) other than officer remuneration from the Company (if the person who receives such property is an organization such as a corporation, a person who belongs to such organization).
 - (iv) A shareholder who owns shares of 10% or more of the Company's total voting rights as of the last day of the last fiscal year (if such shareholder is an organization such as a corporation, a person performing an executive role therein).
 - (v) A person performing an executive role in a corporation whose shares of 10% or more of its total voting rights are owned by the Company as of the last day of the last fiscal year.
 - (vi) A person who is a principal business counterparty of the Company (*4) (if such person is an organization such as a corporation, a person performing an executive role therein).
 - (vii) A person to whom the Company is a principal business counterparty (*5) (if such person is an organization such as a corporation, a person performing an executive role therein).
 - (viii) A person who is a principal lender to the Company (*6) (if such lender is an organization such as a corporation, a person performing an executive role at such organization or its parent company).
 - (ix) A person who receives donations of over ¥10 million 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 2 and Agenda Item 3 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	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	*		✓	✓			

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

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 FY2022 is listed on the Company's website. A summary of the evaluation result for FY2023 is to be posted on the Company's website by the end of March 2024.

<https://www.shi.co.jp/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>

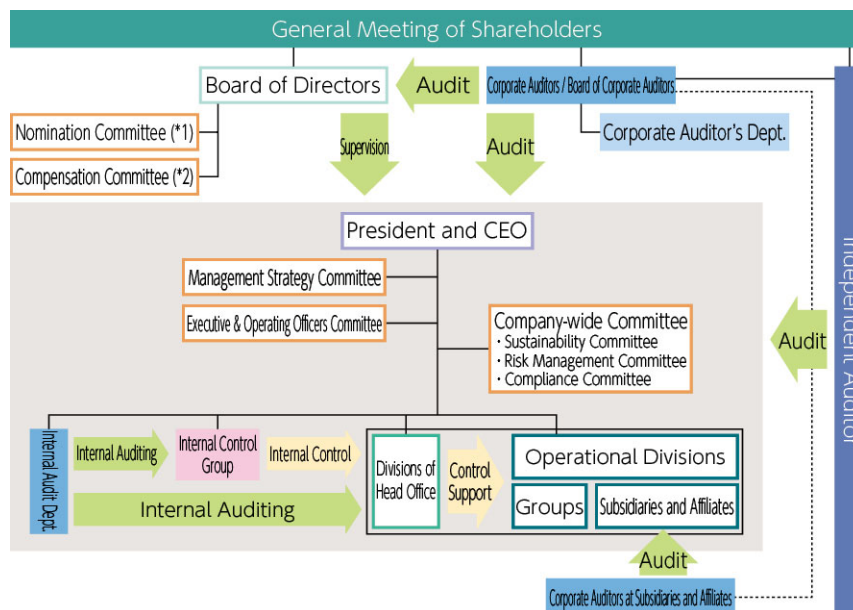


Corporate Governance System

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 Outside Corporate Auditors, and examines and reports regarding the nomination of Director and Corporate Auditor candidates, the dismissal of Directors and Corporate Auditors, and the appointment and removal of the Directors with a managerial position and representative Director, among other matters, upon an inquiry from the Board of Directors. The Nomination Committee also confirms the successor plans each year for the CEO and other key executives, and reports the progress to the Board of Directors.

*2 The Compensation Committee comprises members that include Outside Directors and Outside Corporate Auditors, and deliberates and reports regarding the remuneration system and standards of Directors and Executive Officers, among other matters, upon an inquiry from the Board of Directors.

BUSINESS AND FINANCIAL REPORT

(January 1, 2023 through December 31, 2023)

With the approval of “Partial Amendments to the Articles of Incorporation” at the 126th Ordinary General Meeting of Shareholders held on June 29, 2022, the fiscal year of the Company has been changed to start on January 1 and end on December 31 every year starting from the fiscal year ended December 31, 2022. The fiscal year ended December 31, 2022, which is the transitional period for the change of the fiscal year, is an irregular closing of accounts with the nine-month period from April 1, 2022, to December 31, 2022 as the consolidated accounting period for the Company and its consolidated subsidiaries for which the fiscal year started on April 1 of each year and ended on March 31 of the following year, and the twelve-month period from January 1, 2022 to December 31, 2022, as the consolidated accounting period for the consolidated subsidiaries for which the fiscal year started on January 1 and ended on December 31 every year. Therefore, comparative information for the previous fiscal year which has been reclassified to have the same period as the fiscal year under review (hereinafter “previous fiscal year after adjustment”) is presented.

I. CURRENT STATUS OF THE COMPANY GROUP

1. PERFORMANCE AND RESULTS OF OPERATIONS

In the fiscal year under review, regarding the management environment surrounding the Company Group, the Japanese economy in general showed signs of weakness, such as a lack of strength in capital investment centered on the manufacturing industry and a continued phase of adjustment in the semiconductor market, although some sectors were robust. Overseas, the U.S. and some other countries saw a gradual economic recovery, and capital investment remained strong. On the other hand, the European economy slowed down due to ongoing inflation, and the investment mindset weakened in Southeast Asia. In China, the recovery in production and consumption was sluggish following a deterioration in the real estate market, which has led to a continued decline in demand. In addition, a high level of uncertainty remained, including rising prices amid an easing of supply and demand constraints for some procured goods, and continued geopolitical risks such as the Russia-Ukraine issue.

Amid this business environment, the Company Group advanced Medium-Term Management Plan 2023. It did so while promoting measures such as establishing a strong business entity, carrying out innovation to enhance corporate value, making enhanced contributions to Sustainable Development Goals (SDGs), and strengthening initiatives to reduce environmental burden with the aim of sustainably improving corporate value through the resolution of social issues with products and services.

As a result, total orders received by the Company Group were ¥1,008.7 billion and net sales on a consolidated business were ¥1,081.5 billion. As for profits and losses, operating income was ¥74.4 billion and ordinary income was ¥70.2 billion. However, net income attributable to shareholders of the parent company was ¥32.7 billion as a result of recognition of large extraordinary losses. The extraordinary losses were mainly incurred by the posting of an impairment loss of ¥11.5 billion as a result of reassessing the expected future economic benefits of software assets (construction in progress) following the changes in the mission-critical system development plan, which we had been advancing; and the posting of an impairment loss of ¥6.9 billion on fixed assets held by Sumitomo Construction Machinery (Tangshan) Co., Ltd., a consolidated subsidiary of the Company, because it is no longer possible to achieve the earnings initially expected due to changes in the business environment in China.

In addition, ROIC* was 7.0%.

On September 12, 2023, Sumitomo Heavy Industries Material Handling Systems Co., Ltd., a subsidiary of the Company, was subject to an on-site inspection by the Japan Fair Trade Commission for suspected violations of antitrust laws concerning the manufacture and sale of mechanical parking equipment. We take this fact seriously and are fully cooperating with the Japan Fair Trade Commission's investigation.

* 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. Since the previous fiscal year was a transitional period for the change of the fiscal year, ROIC has been calculated for an irregular period on a consolidated basis. For this reason, comparison data has not been presented.

Financial Highlights

Orders

¥1,008.7 billion

a 13% decrease from
the previous fiscal year after adjustment

Net sales

¥1,081.5 billion

a 6% increase from
the previous fiscal year after adjustment

Operating income

¥74.4 billion

a 24% increase from
the previous fiscal year after adjustment

Ordinary income

¥70.2 billion

a 19% increase from
the previous fiscal year after adjustment

Net income attributable to shareholders of the parent company

¥32.7 billion

a 101% increase from
the previous fiscal year after adjustment

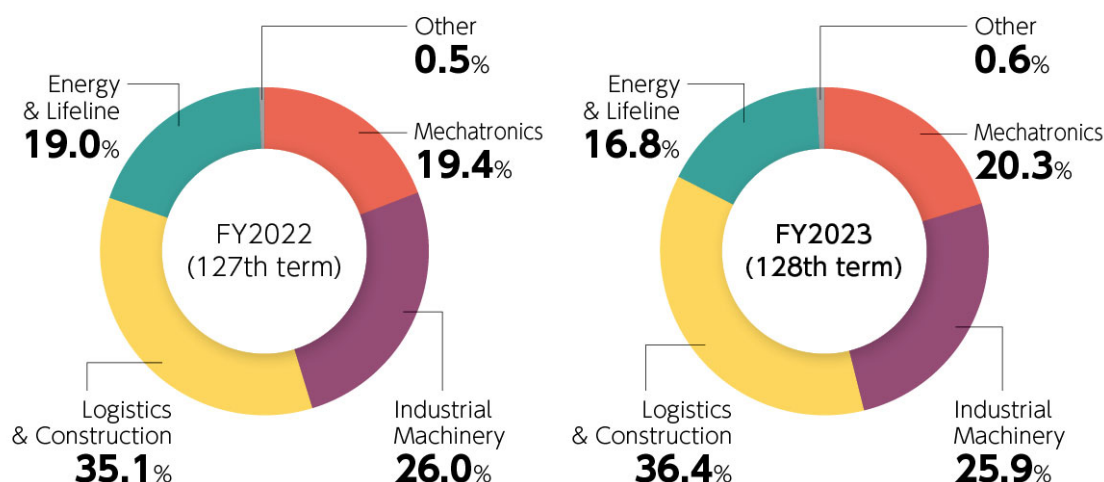
ROIC

7.0%

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

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	
	FY2022	FY2023	FY2022	FY2023	As of December 31, 2022	As of December 31, 2023
Mechatronics	220.6	197.8	197.9	220.0	112.6	90.4
Industrial Machinery	328.1	265.0	264.3	279.8	194.5	179.7
Logistics & Construction	416.0	393.6	357.2	393.4	253.1	253.2
Energy & Lifeline	194.2	146.3	193.4	182.2	262.3	226.5
Other	6.0	6.0	5.6	6.1	1.8	1.6
Total	1,164.8	1,008.7	1,018.3	1,081.5	824.3	751.4

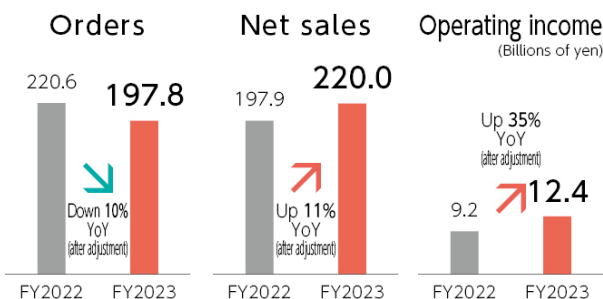
Note: As a result of a change of the fiscal year, FY2022 (the 127th term) constitutes an anomalous closing of accounts whereby the Company and its consolidated subsidiaries whose fiscal years had been from April 1 of each year until March 31 of the next year have the nine months from April 1, 2022 to 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. Accordingly, to provide year-on-year comparison, FY2022 (the 127th term) has been restated to reflect the same applicable period of FY2023 (the 128th term).

Mechatronics

Principal Business:

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

Orders declined as demand for small and medium-sized power transmission and control equipment, and motors stagnated due to the impact of inventory adjustments by customers in Europe and America as well as sluggish market conditions in China. On the other hand, both sales and operating income increased due in part to the order backlog.



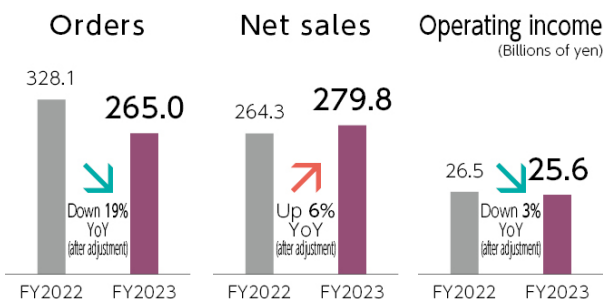
Industrial Machinery

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 plastics machinery business, orders, sales and operating income decreased due to stagnation in demand for electrical and electronics-related products in China and sluggish investment in Japan and Europe.

For other businesses, orders decreased due partly to customers' inventory adjustment and postponement of investment associated with the softening of the semiconductor market, but both sales and operating income increased partly because there was a backlog of orders.



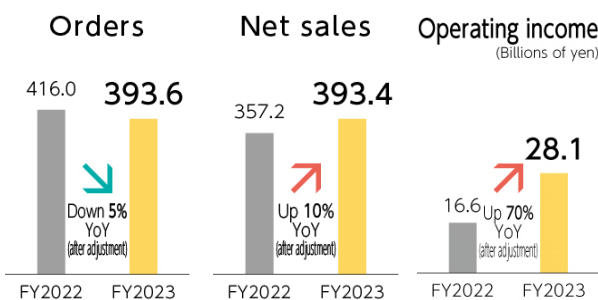
Logistics & Construction

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, although demand decreased due to reasons such as a reactionary drop from advanced orders in the U.S. in the previous fiscal year, both sales and operating income increased due partly to a backlog of orders.

In other businesses, the construction crane business saw an increase in both orders and sales as demand remained resilient in North America. Operating income unchanged from the previous fiscal year due partly to an increase in fixed costs. The material handling business saw an increase in orders with large-scale projects for port cranes, but both sales and operating income decreased because the number of projects that could be factored into sales in the fiscal year under review was small.



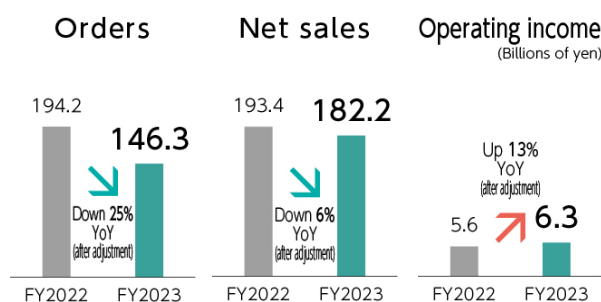
Energy & Lifeline

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, although orders and sales fell due to a decline in large biomass power generation projects in Japan, operating income increased due partly to a reduction in unprofitable large-scale projects in Europe.

For other businesses, orders, sales and operating income fell due partly to the impact of the transfer of the general waste treatment business in the previous fiscal year.



Other

Principal Business:

Software

In other businesses, orders were ¥6.0 billion, a 0% increase from the previous fiscal year after adjustment; net sales were ¥6.1 billion, a 9% increase from the previous fiscal year after adjustment; and operating income was ¥1.9 billion, an 11% decrease from the previous fiscal year after adjustment.

2. CAPITAL INVESTMENT AND OTHER INVESTMENT

(1) Capital investment

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

Specifically, we made investments to increase production capacity, update aging facilities, and to 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 ¥42.5 billion.

(2) R&D investment

During the fiscal year under review, with the purpose of providing value exceeding customers' expectations and contributing to the resolution of social issues, we carried out investment in development, focusing on the areas of "environment and energy" and "automation and digitalization" in particular, aiming to provide excellent products and services.

Specifically, as the main objectives, for the Industrial Machinery Segment, we invested in the development of all-electric injection molding machines, 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 ¥24.8 billion.

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 July 2023 to raise ¥10 billion.

As a result, the balance of interest-bearing debt was ¥162.2 billion at the end of the fiscal year.

4. BUSINESS RESTRUCTURING

- (i) On January 1, 2023, the Company absorbed and merged with Sumiju Logitech Co., Ltd., a consolidated subsidiary of the Company.
- (ii) On September 28, 2023, we entered into an absorption-type merger agreement, effective on April 1, 2024 (scheduled), with the Company as the surviving company and its consolidated subsidiary Sumitomo Heavy Industries Power Transmission & Controls Sales Co., Ltd. as the disappearing company.

5. CHALLENGES FACING THE COMPANY GROUP

The economic environment surrounding the business is still changing in complex ways and remains challenging. With a shift away from a society “living with COVID-19” and toward a post-COVID-19 society, economic activities are returning to pre-pandemic levels. However, soaring prices and delays in the supply of parts due to shortages of raw materials are not yet over. Rising prices of energy and commodities resulting from Russia’s invasion of Ukraine have calmed down for a while but are still fraught with risks. Turning overseas, while the U.S. economy is relatively strong, the situation remains uncertain, including recession concerns in Europe, the slow recovery of the Chinese economy and its repercussions for the global economy, and geopolitical risks in the Middle East and East Asia.

(1) Summary of Medium-Term Management Plan 2023

Positioning Medium-Term Management Plan 2023 as the period for reinforcing the foundation to achieve the long-term goal for 2030, and as one of its major aims, we have been working to resolve social issues in order to combine corporate value with social value. Sales achieved the planned target in the final year, helped by expanded construction machinery-related products and other factors. But orders and operating income fell short of the target, as orders were affected by reduced demand for semiconductors and energy-related products, and operating income struggled with the raw material costs and the price situation of procured goods, the impact of supply chain disruptions, etc. However, despite the challenging external environment, we have been preparing for long-term growth in ways including reorganizing segments and developing products in key areas. In reorganizing segments, setting our issue as “enhance and pursue exploration capabilities” to explore new businesses and “acquire new exploration capabilities” to combine and synergize core competencies, we reviewed a business portfolio based on the common direction and axis of business and reorganized our business into the Mechatronics Segment, the Industrial Machinery Segment, the Logistics & Construction Segment, and the Energy & Lifeline Segment. In an increasingly complex business environment, we have created new businesses for future growth by generating mutual synergies across existing entities.

On the other hand, with regard to related sustainability initiatives, we have set issues in each of Environment (E), Society (S), and Governance (G) categories with the aim of increasing social value, and have implemented initiatives to address those issues. In Environment (E), we endorsed the recommendations of TCFD* in 2021, and set targets for reducing CO₂ emissions by 2030 and being carbon neutral by 2050. In Society (S), we have promoted gender diversity by formulating a human rights policy, improving accommodation for LGBT people and taking other measures to transform into a company that people find comfortable as a workplace. In Governance (G), we have focused on initiatives that lead to strengthening the effectiveness of the Board of Directors and have enhanced and strengthened corporate governance.

In order to make these measures come to fruition toward our long-term goals, we have formulated Medium-Term Management Plan 2026.

(2) Overview of Medium-Term Management Plan 2026, future measures, etc.

Medium-Term Management Plan 2026 continues the policy of “enhancing the sustainable corporate value by resolving social issues with the products and services” by deducing social issues through backcasting our “ideal state” under Medium-Term Management Plan 2023, while newly formulating Purpose as an important guidepost to establish a common understanding of what the Company Group aims to achieve. Describing our “ideal state” in 2030 as “a company that supports a prosperous society with core technologies and realizes Creating Shared Value (CSV)**,” we have defined our basic policy as “establishment of a strong business entity,” which is resilient to change and unaffected by the environment while balancing “corporate value,” such as growth, profitability, and creditworthiness, with “social value” shown in terms of Environment (E), Society (S) and Governance (G). Based on this basic policy, we position “improvement of profitability,” “increasing capital efficiency” and “enhancing the exploration of new businesses” as our material issues. With them as our basic strategies to be executed from both corporate and segment perspectives, we will work on “strengthening of

earning power by digging deeper, and having management that focuses on profit,” “ensuring ROIC management” and “identifying business opportunities by exploration.” **[Figure 1]**

Under Medium-Term Management Plan 2026, the Company has set targets to achieve orders of ¥1,250.0 billion, operating income of ¥100.0 billion and ROIC of 8.0% by fiscal 2026, as well as non-financial targets for each of the material sustainability issues (E: Environmental load reduction; S: Realization of a better life and working style, safety, health and education of employees, coexistence and co-prosperity with local communities, building of sustainable supply chains; G: Strengthening governance, and ensuring product quality) classified in each of the ESG items.

(i) Corporate strategy

●Promotion of business portfolio reforms **[Figure 2]**

Aiming to expand our business, we will focus management resources on priority business areas that we expect to grow, and promote business portfolio reform. Given the wide range of technologies that support the Company Group’s products, and considering the external environment and the Company Group’s strengths, we have established the following four areas as “key investment areas” based on our core technologies: Robotics & Automation, Semiconductors, Advanced Medical Equipment, and Environment and Energy. With aggressive investments, which will be more than what we made under Medium-Term Management Plan 2023, in these “key investment areas,” we aim to grow our business, create new value and enhance corporate value.

●Capital strategy

Under Medium-Term Management Plan 2026, we plan 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 to make capital investments ¥190.0 billion yen and R&D investments of ¥90.0 billion, mainly in our key investment areas. We also plan to make returns of ¥80.0 billion to our shareholders.

We will strive to enhance shareholder returns even further going forward, with a policy over the medium- to long-term of maintaining 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.

For FY2024, we are forecasting dividends per share of ¥125, an increase of ¥5, and we have decided to conduct a repurchase of the Company shares to the value of ¥10.0 billion.

During the period of Medium-Term Management Plan 2026, we expect to achieve a total return ratio of at least 50% by increasing DOE to 3.5% and conducting ongoing repurchases of the Company shares.

●Enhancing the exploration of new businesses

Centered on the New Business Exploration Department established in 2023, we will coordinate and promote cross-segment exploration themes, and identify themes and promote commercialization from a corporate perspective in cooperation with the four segments and the divisions of our Head Office. We also plan to work on developing in-house entrepreneurial human resources expected to support the Company Group in the future.

●Strengthening business foundation

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

Regarding sustainability, we will strengthen our efforts to achieve the SDGs and the Company Group’s 2050 carbon neutrality goal, changing the risks posed by changes in the social environment into opportunities and striving to increase our corporate value. Specifically, we will distinguish

sustainability issues that machinery manufacturers must address, identify seven material issues, contribute to solving social issues through our business, and address medium- to long-term risks, including climate change risks.

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 the business. And based on this, we implement the human resource strategy with our material issues, namely, securing human resources, enhancing foundation for human resource development, developing a global human resource management foundation, strengthening organizational capabilities, and promoting diversity.

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

(ii) Segment strategy [Figure 3]

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 sets ROIC targets for each segment to execute the growth strategies.

Mechatronics: A segment that drives highly profitable growth

Industrial Machinery: A segment that drives highly profitable growth

Logistics & Construction: A foundational segment that secures stable earnings

Energy & Lifeline: A segment that nurtures future growth

In each segment, based on the four “key investment areas” established in the corporate strategy, we will strengthen earning power by digging deeper and identifying business opportunities by exploration.

The Mechatronics Segment focuses on Robotics & Automation and Semiconductors areas; the Industrial Machinery Segment on Semiconductors and Advanced Medical Equipment areas; the Logistics & Construction Segment on Robotics & Automation area; and the Energy & Lifeline Segment on Environment and Energy area.

Each segment will pursue synergies not only within the segment, but also across segments, while striving to improve the efficiency of the segment organization and build a strong business entity to achieve the goals.

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

<https://www.shi.co.jp/english/info/2024/6kgpsq0000003i49.html>

* TCFD (Task Force on Climate-related Financial Disclosures) is a special private-sector-led organization formed at the request of the G20 and composed of members from a wide range of economic sectors and financial markets around the world, including major corporations and credit rating agencies. It recommends that companies evaluate the financial impact of climate change risks and opportunities on their operations and disclose their governance, strategy, risk management, metrics and targets.

** Creating Shared Value (CSV) is the concept of realizing sustainable growth of our own company by helping to solve social issues through business activities.

*** Dividend on Equity Ratio (DOE) is a financial indicator calculated by dividing the total amount of dividends in the year by shareholders’ equity.

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

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

Figure 1
Basic Policy and Key Framework of “Medium-Term Management Plan 2026”

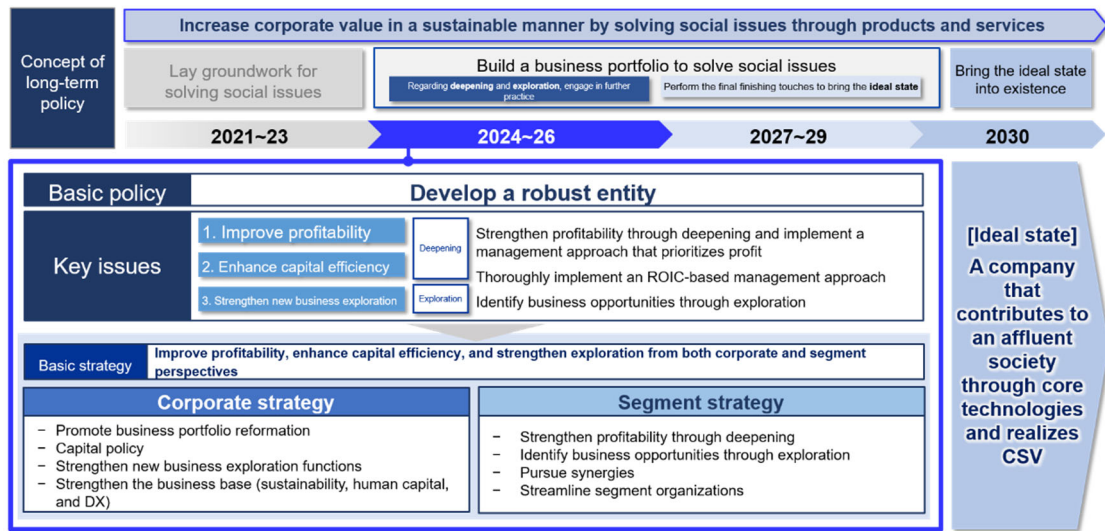


Figure 2
Corporate Strategy: Promoting Business Portfolio Reformation

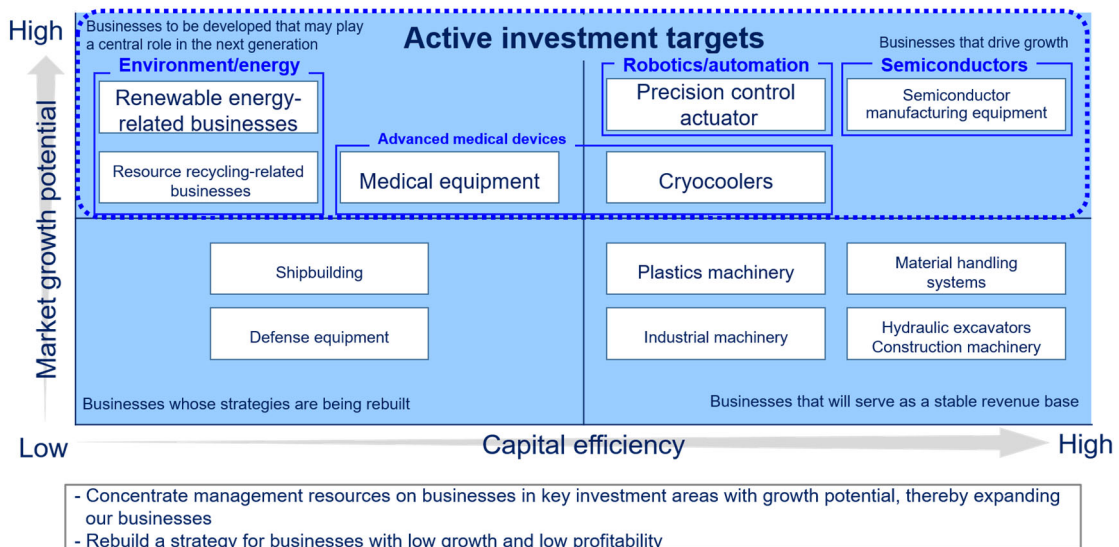


Figure 3

Segment Strategy: Roles and Direction by Segment

Segment	Role/Positioning	Direction to pursue	Key investment area
Mechatronics	Segment that drives growth with high profitability	<ul style="list-style-type: none"> - Active investment in the electric equipment control business - Growth in the semiconductor business - Boosting the rollout of electrically powered modules for robotics 	<ul style="list-style-type: none"> - Robotics/automation fields - Semiconductor field
Industrial Machinery		<ul style="list-style-type: none"> - Highly-profitable business entity that uses advanced technologies to respond to the global growth market and features an evolving portfolio - Growth in strategic business areas, such as semiconductor-related sectors and medical devices 	<ul style="list-style-type: none"> - Semiconductor field - Advanced medical equipment field
Logistics & Construction	Core segment that secures stable revenue	<ul style="list-style-type: none"> - Simultaneous realization of social value and corporate value through automation of logistics and construction machinery and minimization of labor and personnel - Product launch in a new market and development of new products through coordination between businesses - Development of products using new technologies, such as electrification and new components 	<ul style="list-style-type: none"> - Robotics/automation fields
Energy & Lifeline	Segment developed for future growth	<ul style="list-style-type: none"> - Creating a new business in the fields of decarbonized energy and resource recycling - Combining competence and synergy within a segment 	<ul style="list-style-type: none"> - Environment/energy fields

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

(Billions of yen, unless otherwise indicated)

Items	FY2020	FY2021	FY2022	FY2023 (this fiscal year)
Orders	813.9	1,075.3	984.7	1,008.7
Net sales	849.1	944.0	854.1	1,081.5
Operating income	51.3	65.7	44.8	74.4
Ordinary income	49.5	64.8	43.3	70.2
Net income attributable to shareholders of the parent company	26.8	44.1	5.8	32.7
Net income per share (Yen)	218.46	359.61	47.20	267.30
Total assets	1,030.7	1,094.9	1,148.9	1,200.9
Net assets	504.9	566.8	576.9	627.5
Net assets per share (Yen)	4,005.43	4,501.11	4,647.20	5,059.88

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, 2023)

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.
Sumitomo Heavy Industries Power Transmission & Controls Sales Co., Ltd.	400	100	Distribution of power transmission and control equipment, etc., and provision of related services
LBX Company, LLC (U.S.A.)	51,800 (Thousands of U.S. Dollars)	100	Distribution of hydraulic excavators and provision of related services
Sumitomo Machinery Corporation of America (U.S.A.)	12,423 (Thousands of U.S. Dollars)	100	Manufacturing and distribution of power transmission and control equipment, etc.
LBCE Holdings, Inc. (U.S.A.)	10,618 (Thousands of U.S. Dollars)	100	Control of overall business of construction cranes, etc.
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

Name	Stated Capital (Millions of yen)	Company's Shareholding Ratio (%)	Major Line of Business
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, 2023)

Name	Loans Outstanding (Millions of yen)
Sumitomo Mitsui Banking Corporation	37,198
Sumitomo Mitsui Trust Bank, Limited	14,515
MUFG Bank, Ltd.	7,072
The Norinchukin Bank	7,037

9. EMPLOYEES (as of December 31, 2023)

Segment	Number of Employees	Increase or Decrease from End of Last Fiscal Year
Mechatronics	8,053	(38)
Industrial Machinery	6,438	141
Logistics & Construction	5,344	(60)
Energy & Lifeline	3,884	(32)
Corporate Operations & Others	1,584	81
Total	25,303	92

10. MAJOR PLACES OF BUSINESS AND PLANTS (as of December 31, 2023)

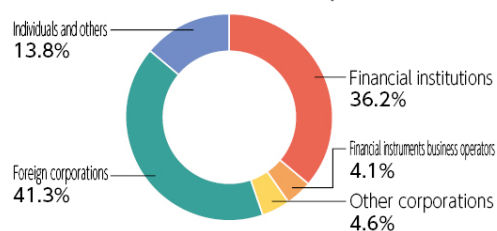
The Company	Head office	1-1, Osaki 2-chome, Shinagawa-ku, Tokyo, Japan
	Business offices	Chubu Office (Nagoya-shi), Kansai Office (Osaka-shi), Kyushu Office (Fukuoka-shi)
	Plants	Tanashi Works (Nishitokyo-shi, Tokyo), Chiba Works (Chiba-shi), Yokosuka Works (Yokosuka-shi, Kanagawa Pref.), Nagoya Works (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, 2023)

- (1) Total number of authorized shares: 360,000,000
- (2) Total number of issued shares: 122,905,481
- (3) Number of shareholders: 33,075
- (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)	20,309	16.6
Custody Bank of Japan, Ltd. (trust account)	9,373	7.6
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	8,150	6.6
Sumitomo Life Insurance Company	4,333	3.5
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	3,916	3.2
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	3,825	3.1
Sumitomo Heavy Industries, Ltd. Kyo-eikai	3,310	2.7
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	2,927	2.4
STATE STREET BANK AND TRUST COMPANY 505103	2,195	1.8
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	2,109	1.7

Note: Shareholding ratios are calculated based on the total number of shares excluding treasury shares (350,874 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, 2023)

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 Corporate Planning Group 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 Senior Vice President	General Manager of Corporate Finance, Accounting & Administration Group
Tatsuro Araki*	Director Senior Vice President	General Manager of Power Transmission & Controls Group
Susumu Takahashi	Director	
Hideo Kojima	Director	CPA, Hideo Kojima CPA Office
Akio Hamaji	Director	Outside Director of Japan Best Rescue System Co., Ltd.
Sumie Morita*	Director	Professor, Department of Information and Computer Science, Faculty of Systems Science and Technology, Akita Prefectural University
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
Yaeko Hodaka	Corporate Auditor	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.

Notes:

1. The persons marked with * are new Directors and a Corporate Auditor who were appointed on March 30, 2023.
2. Directors Susumu Takahashi, Hideo Kojima, Akio Hamaji and Sumie Morita are Outside Directors.
3. Corporate Auditors Masaichi Nakamura and Yaeko Hodaka are Outside Corporate Auditors.
4. The Company reported the appointments of Directors Susumu Takahashi, Hideo Kojima, Akio Hamaji and Sumie Morita, and Corporate Auditors Masaichi Nakamura and Yaeko Hodaka 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. Corporate Auditor who resigned during this term (resigned as of March 30,2023):
Corporate Auditor Jun Nogusa (expiration of term of office)

7. As of January 1, 2024, 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	
Hideo Kojima	Director	CPA, Hideo Kojima CPA Office
Akio Hamaji	Director	Outside Director of Japan Best Rescue System Co., Ltd.
Sumie Morita	Director	Professor, Department of Information and Computer Science, Faculty of Systems Science and Technology, Akita Prefectural University
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
Yaeko Hodaka	Corporate Auditor	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.
Toshiharu Tanaka	Executive Vice President	General Manager of Corporate Economic Security Department General Manager of Globalization Department
Tatsuya Endo	Executive Vice President	General Manager of Ehime Works General Manager of Logistics & Construction Segment
Taiji Tsuchiya	Executive Vice President	General Manager of Mechatronics Segment
Hiroo Morita	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.
Morihiro Kondo	Senior Vice President	General Manager of New Business Exploration Department
Shaun Dean	Senior Vice President	Managing Director of Sumitomo Heavy Industries (Europe) B.V.

Name	Title	Positions, Responsibilities, and Significant Positions Held at Other Companies
Shigeru Tajima	Senior Vice President	General Manager of Process Machinery Center Representative Director & President of Sumitomo Heavy Industries Process Equipment Co., Ltd.
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.
Takanori Nagai	Vice President	Representative Director, President & CEO of Sumitomo Heavy Industries Environment Co., Ltd.
Haruhiko Tsuzuki	Vice President	Representative Director, President & CEO of Sumitomo Heavy Industries Material Handling Systems 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 Industrial Equipment Division
Masaki Arai	Vice President	General Manager of Corporate Planning 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, Hideo Kojima, Akio Hamaji and Sumie Morita and Outside Corporate Auditors Masaichi Nakamura and Yaeko Hodaka, 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 consisting of members including Outside Directors and Outside Corporate Auditors, which was established on a voluntary basis, deliberates and provides

a report on the policies responding to an inquiry from the Board of Directors. Then, the policies are resolved at the Board of Directors.

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

i. Procedure to determine remuneration amount

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

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

ii. Overview of remuneration system

1) Remuneration structure and component ratio

The remuneration of the Company's Directors and Executive Officers shall consist of basic remuneration, performance-linked remuneration and stock-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)	402 (45)	253 (45)	11 (4)	116 (-)	7 (-)	32 (-)	7 (-)
Corporate Auditor (of which, Outside Corporate Auditor)	96 (24)	96 (24)	5 (2)	- (-)	- (-)	- (-)	- (-)

Notes: 1. The maximum compensation per month is ¥40 million in total for all Directors as a group (under the resolution

of the 110th Ordinary General Meeting of Shareholders held on June 29, 2006; the number of Directors at the end of the Ordinary General Meeting of Shareholders is ten (including one Outside Director), and ¥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: ¥854.1 billion, operating income: ¥44.8 billion, operating income ratio: 5.2%, annual dividend: ¥90

3. Separately from 1. above, the maximum amount of funds for purchase of shares that the Company will contribute for stock-based remuneration 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 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	17/17 (100%)	—	Expressed opinions based on his specialized knowledge about the economy and management, and his broad experience. Performed his role to advise for the Company's sustainable growth and the improvement of its corporate value, and to supervise its management.
Outside Director	Hideo Kojima	17/17 (100%)	—	Expressed opinions particularly from the perspective of an expert on finance and accounting as a CPA. In addition, he acts as the Chairperson of the Nomination Committee and the Compensation Committee. Performed his role to advise for the Company's sustainable growth and the improvement of its corporate value, and to supervise its management.
Outside Director	Akio Hamaji	17/17 (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	13/13 (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 Corporate Auditor	Masaichi Nakamura	17/17 (100%)	18/18 (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	Yaeko Hodaka	17/17 (100%)	18/18 (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.

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	¥158 million
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(ii) Total amount of money and other economic benefits to be paid by the Company and its subsidiaries to the Independent Auditor	¥278 million
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- 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.

Consolidated Financial Statements
CONSOLIDATED BALANCE SHEET (As of December 31, 2023)

(Millions of yen)

	Fiscal year under review
Assets	
Current assets	748,285
Cash and deposits	104,458
Notes and accounts receivable - trade, and contract assets	289,861
Inventories	321,086
Other	35,280
Allowance for doubtful receivables	(2,400)
Fixed assets	452,572
Property, plant and equipment	330,007
Buildings and structures	98,163
Machinery and delivery equipment	88,239
Land	111,169
Construction in progress	10,840
Other	21,595
Intangible fixed assets	45,612
Goodwill	19,312
Other	26,300
Investments and other assets	76,953
Investment securities	19,854
Long-term loans receivable	5,604
Deferred tax assets	22,456
Defined benefit asset	15,797
Other	21,151
Allowance for doubtful receivables	(7,909)
Total assets	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
Liabilities	
Current liabilities	416,329
Notes and accounts payable	180,822
Short-term bank loans	63,258
Current portion of corporate bonds	10,000
Long-term debt due within one year	9,741
Accrued income taxes	13,980
Contract liabilities	48,029
Provision for bonuses	7,753
Allowance for warranty	12,164
Allowance for losses on construction contracts	1,288
Provision for loss on guarantees	908
Provision for loss on business liquidation	840
Other	67,545
Long-term liabilities	157,064
Bonds payable	40,000
Long-term debt	39,231
Defined benefit liability	33,836
Deferred tax liabilities on land revaluation	20,408
Other provisions	161
Other	23,428
Total liabilities	573,393
Net assets	
Shareholders' equity	488,476
Common stock	30,872
Capital surplus	25,203
Retained earnings	433,579
Treasury stock	(1,177)
Accumulated other comprehensive income	131,295
Unrealized gains (losses) on securities	6,951
Deferred gains (losses) on hedges	(956)
Land revaluation difference	40,307
Foreign currency translation adjustments	72,163
Remeasurement of defined benefit plans	12,831
Non-controlling interests	7,693
Total net assets	627,464
Total liabilities and net assets	1,200,857

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CONSOLIDATED STATEMENT OF INCOME
(From January 1, 2023 to December 31, 2023)

(Millions of yen)

	Fiscal year under review
Net sales	1,081,533
Cost of sales	826,286
Gross profit	255,247
Selling, general and administrative expenses	180,880
Operating income	74,367
Other income	5,311
Interest and dividend income	1,839
Foreign exchange gains	381
Other – net	3,091
Other expenses	9,429
Interest expenses	2,487
Loss on retirement of non-current assets	1,644
Patent expenses	1,400
Other – net	3,897
Ordinary income	70,250
Extraordinary income	1,271
Gain on amortization of past service cost	1,271
Extraordinary losses	20,077
Impairment losses	19,237
Provision for loss on business liquidation	840
Net income before income taxes and non-controlling interests	51,444
Income tax – current	23,530
Income tax – deferred	(4,800)
Net income	32,714
Net loss attributable to non-controlling interests	(29)
Net income attributable to shareholders of the parent company	32,742

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(For Reference Purposes)
CONSOLIDATED STATEMENT OF CASH FLOWS
(From January 1, 2023 to December 31, 2023)

(Millions of yen)

Item	Amount
Cash flows from operating activities	65,370
Cash flows from investing activities	(43,271)
Cash flows from financing activities	(17,207)
Effect of exchange rate changes on cash and cash equivalents	1,616
Net increase (decrease) in cash and cash equivalents	6,508
Cash and cash equivalents at the beginning of year	93,727
Cash and cash equivalents at the end of year	100,235

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

BALANCE SHEET (As of December 31, 2023)

(Millions of yen)

	Fiscal year under review
Assets	
Current assets	176,412
Cash and deposits	18,964
Notes receivable	2,229
Accounts receivable - trade, and contract assets	55,761
Finished goods	20,412
Work in process	28,617
Raw materials and supplies	872
Advances	7,580
Prepaid expenses	2,192
Accounts receivable, other	14,806
Short-term loans receivable	24,298
Other	1,075
Allowance for doubtful receivables	(391)
Fixed assets	393,728
Property, plant and equipment	150,387
Buildings	33,044
Structures	6,143
Machinery and equipment	16,566
Ships	0
Vehicles and delivery equipment	45
Tools, furniture and fixtures	4,030
Land	87,466
Leased assets	69
Construction in progress	3,024
Intangible fixed assets	3,526
Software	2,166
Other	1,360
Investments and other assets	239,815
Investment securities	13,198
Stock of subsidiaries and affiliates	160,691
Investment in capital of subsidiaries and affiliates	35,708
Long-term loans to employees	6
Long-term loans receivable from subsidiaries and affiliates	11,904
Claims in bankruptcy and rehabilitation	134
Long-term prepaid expenses	720
Deferred tax assets	15,977
Other	4,002
Allowance for doubtful receivables	(2,526)
Total assets	570,141

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

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(Millions of yen)

	Fiscal year under review
Liabilities	
Current liabilities	225,317
Notes payable	5,143
Accounts payable	41,663
Short-term bank loans	29,100
Current portion of corporate bonds	10,000
Long-term debt due within one year	8,500
Lease obligations	19
Accounts payable, other	16,265
Accrued expenses	1,711
Accrued income taxes	1,158
Contract liabilities	28,747
Deposits received	76,412
Provision for bonuses	1,882
Allowance for warranty	3,244
Allowance for losses on construction contracts	45
Other	1,429
Long-term liabilities	165,459
Bonds payable	40,000
Long-term debt	36,900
Lease obligations	60
Provision for loss on business of subsidiaries and affiliates	10,710
Allowance for losses on business transfer	115
Allowance for retirement benefits	17,041
Asset retirement obligations	295
Deferred tax liabilities on land revaluation	20,408
Long-term deposits received	39,930
Total liabilities	390,776
Net assets	
Shareholders' equity	133,864
Common stock	30,872
Capital surplus	27,086
Capital reserve	27,073
Other capital surplus	13
Retained earnings	77,084
Legal reserve of retained earnings	6,295
Other retained earnings	70,789
Retained earnings brought forward	70,789
Treasury stock	(1,177)
Valuation and translation adjustments	45,501
Unrealized gains (losses) on securities	6,047
Deferred gains (losses) on hedges	(853)
Land revaluation difference	40,307
Total net assets	179,365
Total liabilities and net assets	570,141

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

STATEMENT OF INCOME (From January 1, 2023 to December 31, 2023)

(Millions of yen)

	Fiscal year under review
Net sales	221,864
Cost of sales	181,542
Gross profit	40,322
Selling, general and administrative expenses	32,878
Operating income	7,444
Other income	19,316
Interest and dividend income	14,069
Foreign exchange gains	1,998
Other – net	3,249
Other expenses	4,135
Interest expenses paid on loans and bonds	510
Loss on retirement of non-current assets	1,209
Patent expenses	917
Other – net	1,499
Ordinary income	22,625
Extraordinary income	1,942
Gain on amortization of past service cost	1,271
Gain on exchange from property dividend	470
Gain on extinguishment of tie-in shares	201
Extraordinary losses	16,265
Impairment losses	11,769
Provision for loss on business	4,496
Net income before income taxes	8,303
Income tax – current	2,201
Income tax – deferred	(2,246)
Net income	8,347

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