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# **Notice of the 126th 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 126th Ordinary General Meeting of Shareholders to be held on Wednesday, June 29, 2022. Please see the attachments for details.



Shinji Shimomura  
President and CEO

## Business Principles

### Corporate Mission Statement

We will aim to become a machinery manufacturer that continues to provide excellent products and services to the world.

With integrity being a key principle in the Group, we will contribute towards society by gaining high respect and confidence from all stakeholders.

### Our Values

■ Customer First:

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

■ Embrace Changes:

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

■ Commitment to Technology and Innovation:

We are passionate about contributing to society by further developing our unique, in-house technologies.

■ Respect People:

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

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

Securities Code: 6302  
June 7, 2022

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

## Notice of the 126th Ordinary General Meeting of Shareholders

Dear Shareholders:

We are pleased to announce the Company's 126th Ordinary General Meeting of Shareholders, which will be held on the date and at the time and place shown below for the purposes stated below.

**To prevent the spread of COVID-19, we request that our shareholders exercise their voting rights prior to the General Meeting of Shareholders by mail or via the Internet, and refrain from attending the meeting in person. In exercising these rights prior to this General Meeting, you may kindly review the attached reference documents indicated hereinafter and submit your vote by 6:00 p.m. on Tuesday, June 28, 2022, by mail or via the Internet.**

Sincerely yours,  
Shinji Shimomura  
President and CEO

### Procedure for the Exercise of Voting Rights:

■ **Voting by Attending the Meeting**

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

■ **Voting by Mail**

Please return the enclosed voting instruction card to reach us **no later than 6:00 p.m. on Tuesday, June 28, 2022**, 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 Tuesday, June 28, 2022**.

## Details

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- 1. Date and Time:** Wednesday, June 29, 2022, 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 126th fiscal year (from April 1, 2021 to March 31, 2022) 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 126th fiscal year (from April 1, 2021 to March 31, 2022)

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

- |                      |  |
|----------------------|--|
| <b>Agenda Item 1</b> | Disposition of Retained Earnings   |
| <b>Agenda Item 2</b> | Partial Amendments to the Articles of Incorporation                          |
| <b>Agenda Item 3</b> | Election of Nine Directors   |
| <b>Agenda Item 4</b> | Election of One Corporate Auditor  |
| <b>Agenda Item 5</b> | Election of One Alternative Corporate Auditor                                |
| <b>Agenda Item 6</b> | Decision of the Amount and Content of Stock-based Remuneration for Directors |
| <b>Agenda Item 7</b> | Revision of Remuneration for Corporate Auditors                              |

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## Other Matters Regarding this Notice

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

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>



## Reference Documents for the Shareholders' Meeting

### Agenda Item 1: Disposition of Retained Earnings

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

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 126th 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 126th fiscal year be as follows:

#### Year-end dividend for the 126th 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: ¥80.00 per share of the Company's common stock**

**Total dividends: ¥9,800,029,680**

For your reference:

Including ¥35 per share for the interim dividend, which has already been distributed, the annual dividend appropriated from retained earnings for the 126th fiscal year is ¥115 per share, an increase of ¥50 compared to the previous fiscal year.

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

**June 30, 2022**

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

### **1. Reasons for Amendments**

#### **(1) Amendment of purposes**

Required amendments shall be made to Article 2 of the current Articles of Incorporation, in order to clarify the purpose of business according to the current situation of the businesses of the Company, as well as to prepare for the development of businesses in the future.

#### **(2) Amendments of the provisions for the electronic provision system of materials to be provided for the General Meeting of Shareholders**

The Articles of Incorporation of the Company shall be amended as follows in preparation for the introduction of the electronic provision system for materials provided for the General Meeting of Shareholders, as the revised provisions stipulated in a proviso of Article 1 of the Supplementary Provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will come into effect on September 1, 2022:

- (i) It shall be stipulated that measures for electronic provision will be taken for information contained in the Reference Documents for the Shareholders’ Meeting (Article 16, paragraph 1 of the proposed amendment);
- (ii) A provision shall be established to limit the scope of matters to be included in the documents to be provided to shareholders who have requested the provision of documents (Article 16, paragraph 2 of the proposed amendment);
- (iii) The provisions for the disclosure on the Internet and deemed provision of the Reference Documents for the Shareholders’ Meeting shall be deleted, as they will become unnecessary (Article 16 of the current Articles of Incorporation); and
- (iv) As a result of the above introductions and deletions, supplementary provisions shall be established for their effective date, etc. (Article 1 of the Supplementary Provisions).

#### **(3) Change of the fiscal year**

The fiscal year of the Company is from April 1 of each year to March 31 of the following year. The Articles of Incorporation of the Company shall be amended as follows, in order to strengthen the global management base by unifying the fiscal year with overseas consolidated subsidiaries, as well as to grasp and disclose business performance in a timely manner for the unified accounting period.

The same amendment shall be made to consolidated subsidiaries in Japan with fiscal years other than those that start on January 1 and end on December 31 every year.

- (i) The fiscal year of the Company shall be changed to start on January 1 and ends on December 31 every year (Article 33 of the current Articles of Incorporation).
- (ii) Required amendments shall be made for adjustments due to the change (Article 13, paragraph 1, and Articles 14, 34 and 35 of the current Articles of Incorporation).
- (iii) Supplementary provisions shall be established as a transitional measure, since the 127th fiscal year covers nine months from April 1, 2022 to December 31, 2022, with the change of the fiscal year (Articles 2, 3, and 4 of Supplementary Provisions).

2. Details of the Amendments

Details of the amendments are as follows:

(Underlined portions are amended)

Current Articles of Incorporation	Proposed amendment
<p>(Purpose) Article 2. The Company has the purpose of engaging in the following businesses:</p> <p>1. Design, manufacture, installment, sale and repair of the following machinery, devices and comprehensive equipment related to them:</p> <p>(1) Iron manufacture/non-iron machinery, forging machinery, material handling systems, industrial vehicles, logistics machinery, parking equipment, construction machinery, chemical equipment, nuclear equipment, wind and hydraulic power machinery, hydraulic equipment, plastic processing machinery, ceramic processing machinery, glass processing machinery, machine tools, printing machinery, pulp manufacturing equipment, paper manufacture machinery, marine equipment, medical machinery and appliances, accelerators, electronic irradiation equipment, superconducting devices, laser equipment, semiconductor manufacturing equipment, liquid crystal manufacturing equipment, precision positioning devices, cryogenic equipment, precision machinery and appliances, molds, and other industrial and general machinery</p> <p>(2) (Omitted)</p> <p>(3) Turbines, boilers, and electric power generation equipment</p> <p>(4) (Omitted)</p> <p><u>(5) Yachts and other recreational equipment</u></p> <p><u>(6)-(7)</u> (Omitted)</p> <p>2.-13. (Omitted)</p> <p><u>14.Salvage and maritime transportation business</u></p> <p><u>15.-17.</u> (Omitted)</p> <p><u>18.Management of marine leisure, sports, accommodations, etc.</u></p> <p><u>19.</u> (Omitted)</p> <p>(Convocation) Article 13.The Ordinary General Meeting of Shareholders of the Company shall be called in <u>June</u> every year. (Omitted) (Omitted)</p>	<p>(Purpose) Article 2. The Company has the purpose of engaging in the following businesses:</p> <p>1. Design, manufacture, installment, sale and repair of the following machinery, devices and comprehensive equipment related to them:</p> <p>(1) Iron manufacture/non-iron machinery, forging machinery, material handling systems, industrial vehicles, logistics machinery, parking equipment, construction machinery, chemical equipment, nuclear equipment, wind and hydraulic power machinery, hydraulic equipment, plastic processing machinery, ceramic processing machinery, glass processing machinery, machine tools, printing machinery, pulp manufacturing equipment, paper manufacture machinery, marine equipment, medical machinery and appliances, accelerators, electronic irradiation equipment, superconducting devices, laser equipment, semiconductor manufacturing equipment, liquid crystal manufacturing equipment, precision positioning devices, cryogenic equipment, precision machinery and appliances, molds, <u>robots,</u> and other industrial and general machinery</p> <p>(2) (Unchanged)</p> <p>(3) Turbines, boilers, electric power generation equipment, <u>and electric power storage equipment</u></p> <p>(4) (Unchanged) (Deleted)</p> <p><u>(5)-(6)</u> (Unchanged) (Deleted)</p> <p>2.-13. (Unchanged) (Deleted)</p> <p><u>14.-16.</u> (Move up the item number by one) (Deleted)</p> <p><u>17.</u> (Move up the item number by two)</p> <p>(Convocation) Article 13.The Ordinary General Meeting of Shareholders of the Company shall be called in <u>March</u> every year. (Unchanged) (Unchanged)</p>



Current Articles of Incorporation	Proposed amendment
<p>(Record Date for the Ordinary General Meeting of Shareholders)  Article 14. The record date of voting rights for the Ordinary General Meeting of Shareholders of the Company shall be <u>March 31</u> every year.</p> <p><u>(Disclosure on the Internet and Deemed Provision of the Reference Documents for the Shareholders' Meeting)</u>  Article 16. When calling a Shareholders' Meeting, the Company may be deemed to have provided <u>shareholders, by disclosing through a method using the Internet in accordance with the provisions of the Ministry of Justice Order, with information concerning the matters to be contained or displayed in the Reference Documents for the Shareholders' Meeting, the Business and Financial Report, the Financial Statements or the Consolidated Financial Statements.</u></p> <p>(Newly established)</p> <p>Article 17.-32. (Omitted)</p> <p>(Fiscal Year)  Article 33. The fiscal year of the Company shall be from <u>April 1</u> of every year to <u>March 31</u> of the following year.</p> <p>(Dividends from Surplus)  Article 34. The Company shall pay dividends from surplus to shareholders recorded in the Register of Shareholders or registered pledgees of shares as of <u>March 31</u> every year, by the resolution of the Shareholders' Meeting.</p> <p>(Interim Dividend)  Article 35. The Company may pay an interim dividend to shareholders recorded in the Register of Shareholders or registered pledgees of shares as of <u>September 30</u> every year, by the resolution of the Board of Directors.</p>	<p>(Record Date for the Ordinary General Meeting of Shareholders)  Article 14. The record date of voting rights for the Ordinary General Meeting of Shareholders of the Company shall be <u>December 31</u> every year.</p> <p>(Deleted)</p> <p>(Measures for Electronic Provision, Etc.)  <u>Article 16. When calling a Shareholders' Meeting, the Company shall take measures to electronically provide information to be contained in the Reference Documents for the Shareholders' Meeting.</u>  <u>Among the matters for which measures for electronic provision are to be taken, all or some of them in the provisions of the Ministry of Justice Order may be omitted from the documents to be provided to shareholders who have requested the provision of documents by the record date of voting rights.</u></p> <p>Article 17.-32. (Unchanged)</p> <p>(Fiscal Year)  Article 33. The fiscal year of the Company shall be from <u>January 1</u> to <u>December 31</u> of every year.</p> <p>(Dividends from Surplus)  Article 34. The Company shall pay dividends from surplus to shareholders recorded in the Register of Shareholders or registered pledgees of shares as of <u>December 31</u> every year, by the resolution of the Shareholders' Meeting.</p> <p>(Interim Dividend)  Article 35. The Company may pay an interim dividend to shareholders recorded in the Register of Shareholders or registered pledgees of shares as of <u>June 30</u> every year, by the resolution of the Board of Directors.</p>

Current Articles of Incorporation	Proposed amendment
(Newly established)	<u>Supplementary Provisions</u> <u>Article 1.</u> 1. <u>The amendments to Article 16 of the Articles of Incorporation shall take effect from September 1, 2022, the effective date (hereinafter referred to as the "Effective Date") for the revised provisions stipulated in the proviso of Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019).</u> 2. <u>Notwithstanding the provisions of the preceding paragraph, Article 16 of the Articles of Incorporation (Disclosure on the Internet and Deemed Provision of the Reference Documents for the Shareholders' Meeting) shall remain in effect for the Shareholders' Meeting to be held within six months of the Effective Date.</u> 3. <u>This Article shall be deleted on the date after the lapse of six months from the Effective Date, or three months from the Shareholders' Meeting in the preceding paragraph, whichever is later.</u>
(Newly established)	<u>Article 2. Notwithstanding the provisions of Article 33 (Fiscal Year), the 127th fiscal year shall be nine months from April 1, 2022 to December 31, 2022.</u>
(Newly established)	<u>Article 3. Notwithstanding the provisions of Article 35 (Interim Dividend), if the interim dividend for the 127th fiscal year is paid, the record date shall be September 30, 2022.</u>
(Newly established)	<u>Article 4. The preceding two Articles and this Article shall be deleted upon the completion of the 127th fiscal year.</u>

### Agenda Item 3: Election of Nine Directors

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

The candidates for Directors are as follows:

No.	Nature of Candidacy	Name	Current Positions and Responsibilities at the Company	Attendance at Board of Directors Meetings
1	Reappointment	Tetsuya Okamura	Representative Director and Chairman of the Board Chairperson of the Board of Directors	14/14 meetings (100%)
2	Reappointment	Shinji Shimomura	Representative Director and President & CEO	14/14 meetings (100%)
3	Reappointment	Eiji Kojima	Representative Director and Executive Vice President General Manager of Export Administration Department and General Manager of Corporate Planning Group	14/14 meetings (100%)
4	Reappointment	Kazuo Hiraoka	Director and Executive Vice President General Manager of Precision Equipment Group	14/14 meetings (100%)
5	New Candidate	Toshihiko Chijiwa	Executive Vice President General Manager of Corporate Technology Management Group	-
6	New Candidate	Toshiro Watanabe	Senior Vice President General Manager of Corporate Finance, Accounting & Administration Group	-
7	Reappointment Outside Independent	Susumu Takahashi	Outside Director	13/14 meetings (93%)
8	Reappointment Outside Independent	Hideo Kojima	Outside Director	14/14 meetings (100%)
9	Reappointment Outside Independent	Akio Hamaji	Outside Director	14/14 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

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

(Reference) The Policies on and Procedures for Nominating Director Candidates, the Independence Standards for Outside Officers, and the Skills Matrix of the Board of Directors stipulated by the Company are stated on pages 27 through 30.

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No. **1**

**Tetsuya Okamura**

Reappointment

Nomination

Compensation

(Born on May 5, 1956)

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Number of shares of the Company held  
**5,928 shares**

Tenure as Director  
**4 years**

Attendance at Board of Directors Meetings  
**14/14 meetings (100%)**

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

April 1980	Joined the Company
March 2008	Managing Director & CEO of Demag Ergotech GmbH (currently Sumitomo (SHI) Demag Plastics Machinery GmbH)
April 2012	Senior Vice President of the Company
April 2017	Senior Vice President, General Manager of Industrial Equipment Division
April 2018	Executive Vice President, General Manager of Industrial Equipment Division
June 2018	Director and Executive Vice President, General Manager of Industrial Equipment Division
April 2020	Representative Director, Senior Executive Vice President, General Manager of Export Administration Department
January 2021	Representative Director, Senior Executive Vice President, General Manager of Export Administration Department, General Manager of Corporate ICT Group
April 2021	Representative Director and Senior Executive Vice President & CIO General Manager of Export Administration Department, General Manager of Corporate ICT Group, to date
April 2022	<b>Representative Director and Chairman of the Board, Chairperson of the Board of Directors, to date</b>

#### Significant Positions Held at Other Companies

None

#### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

#### Reasons for Selection as Candidate for Director

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

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No. **2**

## Shinji Shimomura

Reappointment

Nomination

Compensation

(Born on February 3, 1957)

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Number of shares of the Company held  
**12,313 shares**

Tenure as Director  
**6 years**

Attendance at Board of Directors Meetings  
**14/14 meetings (100%)**

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

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

### Significant Positions Held at Other Companies

None

### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

### Reasons for Selection as Candidate for Director

As Representative Director and President & CEO of Sumitomo (S.H.I.) Construction Machinery Co., Ltd., Mr. Shinji Shimomura accomplished high business growth in the Construction Machinery segment with his strong leadership, and was responsible for the management of the Company Group. After his appointment as Representative Director and President of the Company in 2019, he promoted the building of a robust business structure, with the aim of achieving the targets addressed in “Medium-Term Management Plan 2019.” In addition, in 2021, he has started “Medium-Term Management Plan 2023” aiming to enhance the sustainable corporate value by resolving social issues with the products and services, and demonstrated leadership in the management of the Company Group as CEO.

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

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No. 3

Eiji Kojima

Reappointment

(Born on January 3, 1960)

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Number of shares of the Company held  
**3,832 shares**

Tenure as Director  
**5 years**

Attendance at Board of Directors Meetings  
**14/14 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	<b>Representative Director and Executive Vice President, General Manager of Export Administration Department, General Manager of Corporate Planning Group, to date</b>

#### Significant Positions Held at Other Companies

None

#### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

#### Reasons for Selection as Candidate for Director

After being appointed as General Manager of Mechatronics Division in 2013, Mr. Eiji Kojima performed his duties as the person in charge of the business driving the control technologies across the Company Group. In 2016, he was appointed as a Senior Vice President, and the same year he was appointed as General Manager of the Energy & Environment Group. He has advanced initiatives to strengthen the business competitiveness and build a competitive advantage. In 2017, he was appointed as a Director. As soon as he was promoted to Executive Vice President in April 2021, he started taking leadership in the establishment and promotion of strategies for the entire Company Group as a person in charge of the Corporate Planning Group. In April 2022, he was appointed as a Representative Director being responsible for the management of the Company Group.

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

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No. 4

**Kazuo  
Hiraoka**

Reappointment

(Born on July 30, 1962)

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Number of shares of the  
Company held  
**4,250 shares**

Tenure as Director  
**2 years**

Attendance at Board of  
Directors Meetings  
**14/14 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	<b>Director and Executive Vice President, General Manager of Precision Equipment Group, to date</b>

**Significant Positions Held at Other Companies**

None

**Special Interest between Candidate and the Company**

The candidate has no special interest in the Company.

**Reasons for Selection as Candidate for Director**

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

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

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No. **5**

**Toshihiko  
Chijiwa**

New Candidate

(Born on August 12, 1960)

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Number of shares of the  
Company held  
**5,958 shares**

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

April 1984	Joined the Company
April 2007	Principal Engineer of Engineering Department, Mechatronics Division
April 2010	General Manager of Control Systems Engineering Department, Mechatronics Division
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	<b>Executive Vice President, General Manager of Corporate Technology Management Group, to date</b>

**Significant Positions Held at Other Companies**

None

**Special Interest between Candidate and the Company**

The candidate has no special interest in the Company.

**Reasons for Selection as Candidate for Director**

Mr. Toshihiko Chijiwa has contributed to technology development in the Company over a long period, holding positions in the technology division, including General Manager of Technology Research Center appointed in 2014 and General Manager of the Corporate Technology Management Group appointed in 2020. After being appointed as Vice President in 2017, he was promoted to Senior Vice President in 2020 and Executive Vice President in April 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 appointment.

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No. 6

**Toshiro  
Watanabe**

New Candidate

(Born on March 27, 1963)

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Number of shares of the  
Company held  
**1,623 shares**

**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	<b>Senior Vice President, General Manager of Corporate Finance, Accounting &amp; Administration Group, to date</b>

**Significant Positions Held at Other Companies**

None

**Special Interest between Candidate and the Company**

The candidate has no special interest in the Company.

**Reasons for Selection as Candidate for Director**

Mr. 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 Senior Vice President in April 2022. As the head of the finance and accounting division, he is promoting initiatives to improve profit of the Company Group, utilizing his extensive knowledge and experience in finance, accounting, etc.

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

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No. 7

## Susumu Takahashi

Reappointment

Outside

Independent

Nomination

Compensation

(Born on January 28, 1953)



Number of shares of the  
Company held

**0 shares**

Tenure as Director

**8 years**

Attendance at Board of  
Directors Meetings

**13/14 meetings (93%)**

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

April 1976	Joined the Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation) (resigned in January 2004)
February 2004	Counselor of The Japan Research Institute, Limited
August 2005	Director General for Economic Research, Cabinet Office
August 2007	Vice Chairman of The Japan Research Institute, Limited
June 2011	Chairman of The Japan Research Institute, Limited
June 2014	<b>Outside Director of the Company</b> , to date
April 2018	<b>Chairman Emeritus of The Japan Research Institute, Limited</b> , to date

### Significant Positions Held at Other Companies

Chairman Emeritus of The Japan Research Institute, Limited

### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

### Reasons for Selection as Candidate for Outside Director

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

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

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

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

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No. **8**

## Hideo Kojima

Reappointment

Outside

Independent

Nomination (Chairperson)

Compensation (Chairperson)

(Born on November 30, 1948)

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

Tenure as Director  
**7 years**

Attendance at Board of Directors Meetings  
**14/14 meetings (100%)**

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

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

### Significant Positions Held at Other Companies

Certified Public Accountant of Hideo Kojima CPA Office

### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

### Reasons for Selection as Candidate for Outside Director

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

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

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

- The Company has designated Mr. Hideo Kojima as an independent officer and notified the Tokyo Stock Exchange to that effect.
  - The Company has entered into a contract with Mr. Hideo Kojima to limit his liability for damages under Article 423, paragraph 1 of the Companies Act to 10 million yen or the minimum amount of liability as provided in Article 425, paragraph 1 of the Companies Act, whichever is higher. If his reappointment is approved, the Company intends to enter anew into such a limitation of liability contract with Mr. Kojima.
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No. 9

Akio Hamaji

Reappointment

Outside

Independent

Nomination

Compensation

(Born on July 13, 1954)



Number of shares of the Company held

**0 shares**

Tenure as Director

**2 years**

Attendance at Board of Directors Meetings

**14/14 meetings (100%)**

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

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

### Significant Positions Held at Other Companies

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

### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

### Reasons for Selection as Candidate for Outside Director

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

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

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

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

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

The terms of office of Corporate Auditor Yuji Takaishi will resign 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:

## Hideo Suzuki

New Candidate

(Born on January 7, 1960)



Number of shares of the Company held  
**12,421 shares**

Tenure as Director  
**4 years**

Attendance at Board of Directors Meetings  
**14/14 meetings (100%)**

### Career Summary and Positions at the Company

April 1982	Joined the Company
April 2012	General Manager of Corporate Finance, Accounting & Administration Group
April 2014	Senior Vice President, General Manager of Corporate Finance, Accounting & Administration Group
April 2018	Executive Vice President, General Manager of Corporate Finance, Accounting & Administration Group
June 2018	Director and Executive Vice President, General Manager of Corporate Finance, Accounting & Administration Group
April 2019	Director and Executive Vice President & CFO
April 2022	<b>Director</b> , to date

### Significant Positions Held at Other Companies

None

### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

### Reasons for Selection as Candidate for Corporate Auditor

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

Since he has a high-level of management knowledge and extensive experience, the Company has determined that he is capable of working with other Corporate Auditors to fulfill his responsibilities as a Corporate Auditor, and hereby requests his appointment.

- 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 the appointment of Mr. Hideo Suzuki is approved, he will be covered with the insurance.

(Reference) The Policies on and Procedures for Nominating Corporate Auditor Candidates stipulated by the Company are stated on page 27.

## Agenda Item 5: Election of One Alternative Corporate Auditor

The election of Mr. Takeo Wakae, Alternative Corporate Auditor, made at the 125th Ordinary General Meeting of Shareholders held on June 29, 2021, 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:

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### Takeo Wakae

Outside

Independent

(Born on October 22, 1948)

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

#### Career Summary and Positions at the Company

April 1983	Registered as <b>attorney-at-law</b> , to date
April 1992	Civil conciliation commissioner at Tokyo District Court
April 2003	Vice President of Daiichi Tokyo Bar Association (fiscal year 2003)
June 2012	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 yen or the minimum amount of liability as provided in Article 425, paragraph 1 of the Companies Act, whichever is higher.
- The Company has entered into a contract with an insurance company for directors and officers liability insurance, which is stipulated in Article 430-3, paragraph 1 of the Companies Act, designating all Directors and Corporate 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 (however, the matters that fall in the category of an exemption are excluded). If Mr. Takeo Wakae is appointed as an Outside Corporate Auditor after this agenda item is approved, he will be covered with the insurance.

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(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 27 to 29.

## **Agenda Item 6: Decision of the Amount and Content of Stock-based Remuneration for Directors**

### **1. Reasons for the Proposal and Appropriateness of the Remuneration System**

The remuneration of the Company's Directors consists of basic remuneration, performance-linked remuneration and stock purchase remuneration, and under this agenda item, the Company requests approval for the introduction of a new stock-based remuneration system (hereinafter referred to as the "System") for the Company's Directors (excluding Outside Directors, as discussed below). The Company would like the details to be left to the discretion of the Company's Board of Directors within the framework of 2. below.

The System shall aim 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, and the Company considers its introduction appropriate.

This agenda item proposes to provide Directors (excluding Outside Directors; the same shall apply hereinafter) who are in service during three fiscal years from the fiscal year ending December 31, 2022 to the fiscal year ending December 31, 2024 (hereinafter referred to as the "Eligible Period"\*1) with new stock-based remuneration, separately from the upper limit on the remuneration of Directors (less than ¥40 million per month; provided, however, remuneration as employees is not included) approved at the 110th Ordinary General Meeting of Shareholders held on June 29, 2006.

An outline of the content of the policies for determining the remuneration, etc. of individual Directors is as stated in "2. Directors and Corporate Auditors of the Company (4) Remuneration, etc. of Directors and Corporate Auditors for this fiscal year" on page 48 of the Business and Financial Report. At the Company's Board of Directors meeting held on May 10, 2022, it was determined that this content would be amended subject to the approval and adoption of this agenda item and Agenda Item 7. The outline of the amended content of the policies for determining the remuneration, etc. of individual Directors is as stated at the end of this proposal. As the content of this agenda item is necessary and reasonable content for the provision of remuneration etc. of the content in line with the amended policies, the content of this proposal is deemed to be appropriate.

If Agenda Item 3 "Election of Nine Directors" is approved and adopted in its original form, six Directors shall be eligible for this system.

\*1: Since the fiscal year shall be changed to the period from January 1 to December 31 of every year if Agenda Item 2 is approved and adopted in its original form, the business year is described as in the case of approval of the Agenda Item in its original form (provided, however, the fiscal year ending December 31, 2022 shall cover the period from April 1, 2022 to December 31, 2022).

\*2: If this agenda item is approved and adopted in its original form, the Company will introduce the same stock-based remuneration system for Vice Presidents who have concluded a delegation agreement with the Company. In this case, such Vice Presidents shall become beneficiaries of the trust under the System in the same manner. Moreover, the Company shall also entrust the funds for stock purchase to be provided to such Vice Presidents with the fund under 2. (1) below.

\*3: If this agenda item is approved and adopted in its original form, the current stock purchase remuneration shall be abolished.

## 2. Amount, Content, etc. of the Remuneration, etc. under the System

### (1) Summary of the System

The System is a stock-based remuneration system under which the Company contributes money and establishes a trust (hereinafter referred to as the “Trust”), which acquires Company’s common stock (hereinafter referred to as the “Company Shares”), and the number of the Company Shares, corresponding to the points to be granted by the Company to each Director, shall be issued to each Director via the Trust.

Directors shall receive the Company’s shares at the time of their retirement in principle.

(i) Eligible persons	Directors (excluding Outside Directors) of the Company
(ii) Eligible Period	From fiscal year ending December 31, 2022 to fiscal year ending December 31, 2024
(iii) During the Eligible Period (three fiscal years) in (ii), upper limit on cash to be contributed by the Company as funds for purchasing necessary Company Shares to be granted to eligible persons in (i)	¥112.5 million in total
(iv) Method for purchasing the Company Shares	Disposal of treasury shares, or purchase from the exchange market (including after-hours trading)
(v) Upper limit on the total points to be granted to eligible persons in (i)	30,000 points per fiscal year
(vi) Standards for granting points	Points to be granted according to the position, etc.
(vii) Timing of granting Company Shares to eligible persons in (i)	At retirement in principle

### (2) Upper limit on cash to be contributed by the Company

The initial trust period of the Trust shall be about three years, and as the funds for purchasing the necessary Company Shares to be granted to Directors under the System, the Company shall contribute cash with an upper limit of ¥112.5 million in total as the remuneration for Directors who are in service during the Eligible Period, and establish the Trust with Directors, who will obtain the beneficiary right as set out in (3) (iii) below, as beneficiaries. Using the cash trusted by the Company as funds, the Trust shall acquire the Company Shares by disposing of its treasury shares or purchasing from the stock market (including after-hours trading).

Note: In addition to the funds for purchasing the Company Shares, the Company shall together entrust necessary expenses, including trust fees and trust administrator remuneration.

The System may continue with the decision of the Company’s Board of Directors to extend the Eligible Period by specifying the period within five fiscal years each time, and along with it, to extend the trust period of the Trust (including the extension in effect of the trust period by transferring the trust assets of the Trust to the trust established by the Company with the same purpose of the Trust; the same shall apply hereinafter). In this



case, the Company shall continue the granting of points and its shares in (3) below, by additionally contributing cash with the upper limit of the amount calculated by multiplying the number of fiscal years in the extended Eligible Periods by ¥45 million to the Trust as additional funds for purchasing the necessary Company Shares to be granted to Directors under the System for the extended Eligible Period.

Moreover, if the System is not to be continued by extending the Eligible Period as stated above, the trust period of the Trust may be extended until the completion of granting the Company Shares at the retirement of such Directors, if there are Directors who have not yet retired despite having already received points at the time of the expiration of the trust period.

(3) Method of calculating Company Shares to be issued to Directors and their upper limit

(i) Method, etc. of granting points to Directors

In accordance with the stock issuance regulation determined by the Company's Board of Directors, the Company shall grant points to each Director according to the position, etc., on the date for granting points during the trust period stipulated by the stock issuance regulation.

Provided, however, the total number of points to be granted by the Company to Directors shall be up to 30,000 points per fiscal year.

(ii) Issuance of the Company Shares according to the granted number of points

Following the procedures in (iii) below, the Company Shares shall be issued to Directors, according to the number of points granted in (i) above; provided, however, if Directors retire, etc. for their own convenience, all or part of the points granted so far shall be extinguished, and the Company Shares corresponding to the extinguished points may not be issued.

One point corresponds to one Company share; provided, however, that if there is an event concerning the Company Shares, including a stock split or stock consolidation, in which it is deemed reasonable to adjust the number of Company Shares to be issued, the number of Company Shares per point shall be adjusted according to the split or consolidation ratio, etc.

(iii) Issuance of the Company Shares to Directors

Directors shall, in principle, obtain the beneficiary right of the Trust by following the prescribed procedures at their retirement, and as a beneficiary of the Trust, shall receive the Company Shares in (ii) above.

Provided, however, that for a certain percentage of the Company Shares among them, cash may be provided instead of the Company Shares, after the Company sells and converts them to cash in the Trust for the purpose of withholding funds for paying the withholding income tax, etc. Moreover, if the Company Shares are converted into cash, including cases where the Company Shares in the Trust have been settled after subscribing to a tender offer, cash may be provided instead of the Company Shares.

(4) Exercise of voting rights

The voting rights of the Company Shares in the Trust shall not be exercised without exception, based on the instruction of the trust administrator independent of the Company

and the Company's officers. With such a method, it is intended to secure the neutrality to the management of the Company for the exercise of the voting rights of the Company Shares in the Trust.

(5) Treatment of dividends

Dividends for the Company Shares in the Trust shall be received by the Trust, which shall use them for purchasing the Company Shares and for trust fees of the trustee for the Trust.

**Outline of amended content of the policies for determining the remuneration, etc. of individual Directors**

1. Procedure to determine remuneration system, remuneration level, etc.

The Company has established the Compensation Committee on a voluntary basis and it consists of members including Outside Directors and Outside Corporate Auditors. Responding to an inquiry from the Board of Directors, it 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.

2. 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 remuneration, and the ratio is about 60%, 30% and 10%, respectively.

(2) Basic remuneration

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

(3) Performance-linked remuneration

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

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

For the division's performance-linked basic remuneration of the performance-linked remuneration, the Company, having the President as the final decision-maker, defines ranks from A to E based on 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.

(4) Stock remuneration

The aim of stock remuneration is 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, a trust, which the Company establishes and contributes money to, acquires the Company's stock, and via that trust, each Director gets issued the Company's stock (at the number of the Company's shares, corresponding to the points to be granted by the Company to each Director). The number of points granted to each Director, which becomes the basis for the calculation to determine the number of shares to be issued, is granted in accordance with the position of the receiving Director within the range of the number of points resolved at the General Meeting of Shareholders. The timing at which the Directors receive the issuance of the Company's shares shall in principle be upon retirement.

3. 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.

**Agenda Item 7: Revision of Remuneration for Corporate Auditors**

The maximum compensation per month is ¥7.5 million in total for Corporate Auditors of the Company, which was approved at the 109th Ordinary General Meeting of Shareholders held on June 29, 2005, and has remained the same. It is hereby proposed that it be revised to ¥10 million per month, considering various circumstances, including subsequent changes in the economic situation, expansion of the scope to be audited due to the globalization of the Company Group such as acquisition of overseas companies, increased duties and expected roles of Corporate Auditors due to a strengthened corporate governance system and the securing of diverse human resources with extensive experience and a high-level of knowledge.

The number of current Corporate Auditors is four (including two Outside Corporate Auditors); if Agenda Item 4 “Election of One Corporate Auditor” is approved and adopted in its original form, the number of Corporate Auditors shall remain the same.

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

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

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

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

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

## Independence Standards for Outside Officers

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

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

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

## SKILLS MATRIX OF THE BOARD OF DIRECTORS

### Approach to Composition of the Company’s Board of Directors and 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 (areas of expected expertise and contributions) in embodying these business principles and conducting highly effective supervision over the management.

### Necessary Attributes of the Board of Directors (Areas of Expected Expertise and Contributions)

If Agenda Item 3 is approved and adopted in its original form, the areas of expected expertise and contributions from individual Directors are as follows:

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

Name (* indicates Independent Outside Directors)	Areas of expected expertise and contributions						
	Corporate management	Compliance/ risk management	ESG/ sustainability	Business strategy/ marketing	Global	Technology/ IT/ production	Finance/ accounting
Tetsuya Okamura		✓		✓	✓	✓	
Shinji Shimomura	✓	✓	✓		✓	✓	
Eiji Kojima		✓	✓	✓		✓	
Kazuo Hiraoka		✓		✓	✓	✓	
Toshihiko Chijiwa		✓	✓			✓	
Toshiro Watanabe		✓	✓				✓
Susumu Takahashi*	✓	✓	✓				
Hideo Kojima*		✓	✓				✓
Akio Hamaji*	✓	✓	✓			✓	✓



## 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.
Compliance /risk management	Under Sumitomo's business philosophy, it will be required for the continued Company group's sustainable development and improvement of corporate value, in order to promote risk management, taking into account compliance based on business principles and the ethics code.
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 the year ended March 31, 2022 is listed on the Company's website.

<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>

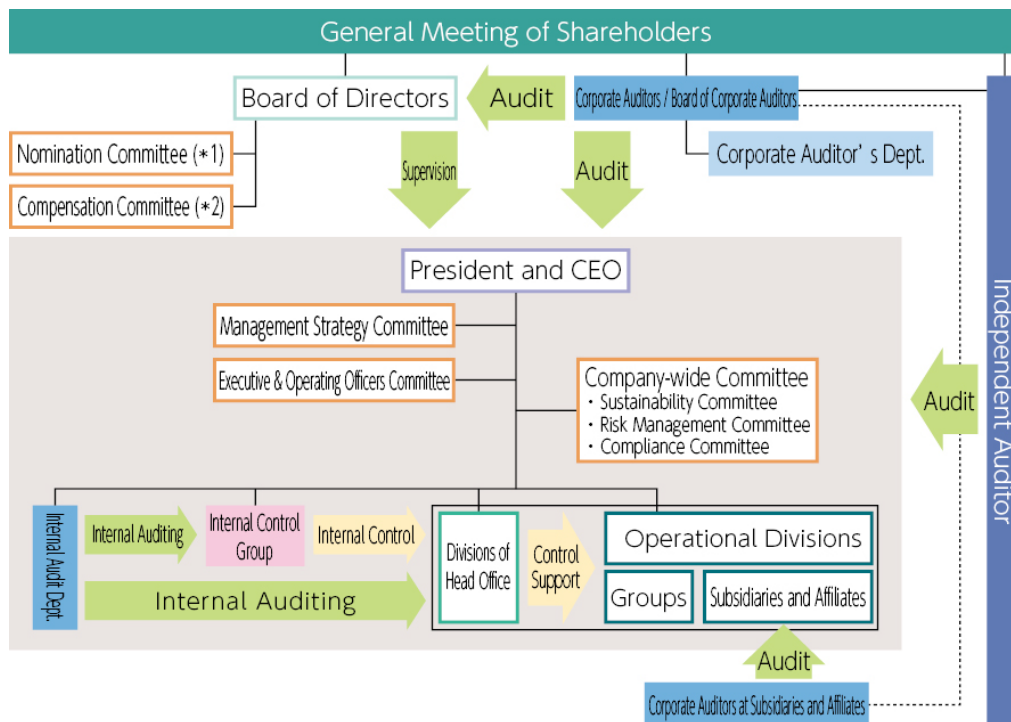


### Corporate Governance System

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 nine directors (the fixed number is 12), of whom three are outside directors whose role is to supervise management from an independent standpoint and are in charge of appropriately reflecting the stakeholders' perspective.

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



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

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

(Attached documents)

## **BUSINESS AND FINANCIAL REPORT**

(April 1, 2021 through March 31, 2022)

### **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, capital investment was recovering in Japan centered on the manufacturing industry despite a partly remaining effect of the spread of COVID-19. Overseas, we observed a recovery in capital investment against the background of economic recoveries in the U.S. and Europe. As a result, global machinery demand was on an increasing trend. On the other hand, recovery was slow in some regions and industries with lingering effects of the spread of COVID-19, showing bipolarization. In addition to this, moreover, uncertainties remained, including rising prices of raw materials and procured goods, tight supply and demand conditions, intensified U.S.-China trade friction, continued geopolitical risks, and fluctuations in crude oil prices.

Amid this business environment, the Company Group formulated “Medium-Term Management Plan 2023,” aiming to sustainably improve corporate value through the resolution of social issues with products and services, while promoting measures such as the development of a resilient business body, reform for improving corporate value, enhanced contributions to SDGs and strengthened initiatives to reduce environmental burden.

As a result, total orders received by the Company Group were ¥1,075.3 billion and net sales on a consolidated basis were ¥944.0 billion. As for profits and losses, operating income was ¥65.7 billion, ordinary income was ¥64.8 billion, and net income attributable to shareholders of the parent company was ¥44.1 billion. In addition, ROIC\* was 7.3%.

In accordance with the policy of “Medium-Term Management Plan 2023,” the reporting segments were changed from the fiscal year ended March 31, 2022. As a result of this change, the reporting segments of the Company Group were changed from “Machinery Components,” “Precision Machinery,” “Construction Machinery,” “Industrial Machinery,” “Ships” and “Environmental Facilities & Plants” to “Mechatronics,” “Industrial Machinery,” “Logistics & Construction,” and “Energy & Lifeline.” Moreover, figures for the previous consolidated fiscal year (the same period in the previous year) were also reclassified in accordance with the new segments.

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

## Financial Highlights

### Orders

**¥1,075.3 billion**

a 32% increase from  
the previous fiscal year

### Operating income

**¥65.7 billion**

a 28% increase from  
the previous fiscal year

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

**¥44.1 billion**

a 65% increase from  
the previous fiscal year

### Net sales

**¥944.0 billion**

a 11% increase from  
the previous fiscal year

### Ordinary income

**¥64.8 billion**

a 31% increase from  
the previous fiscal year

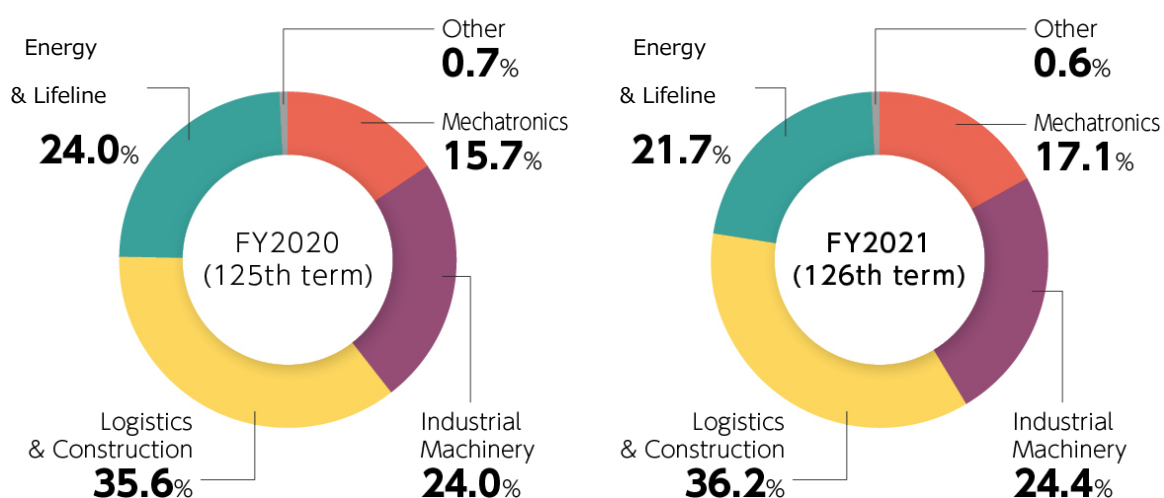
### ROIC

**7.3%**

(The previous fiscal year: 6.1%)

## SUMMARY OF OPERATIONS AND PERFORMANCE BY SEGMENT

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



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

(Billions of yen)

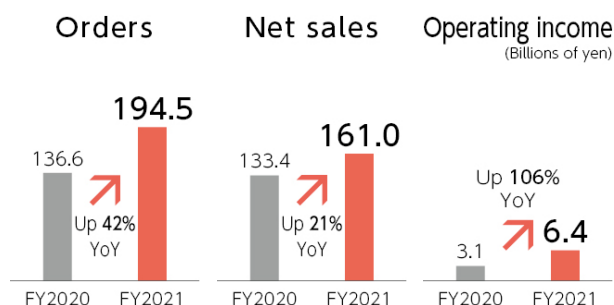
Segment	Orders		Sales		Year-end Backlog of Orders as of March 31,	
	FY2020	FY2021	FY2020	FY2021	2021	2022
Mechatronics	136.6	<b>194.5</b>	133.4	<b>161.0</b>	47.1	<b>80.6</b>
Industrial Machinery	184.8	<b>289.0</b>	204.2	<b>230.6</b>	85.8	<b>144.2</b>
Logistics & Construction	305.9	<b>400.1</b>	301.9	<b>341.4</b>	126.9	<b>185.6</b>
Energy & Lifeline	180.7	<b>185.6</b>	203.5	<b>205.1</b>	276.1	<b>256.6</b>
Other	5.9	<b>6.1</b>	6.0	<b>6.0</b>	1.1	<b>1.2</b>
Total	813.9	<b>1,075.3</b>	849.1	<b>944.0</b>	537.0	<b>668.2</b>

## Mechatronics

### **Principal Business:**

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

Orders, sales and operating income increased due to the stronger demand in Japan, Europe and America for small and medium-sized power transmission and control equipment, and precision speed reducers and motors for use in robotics.



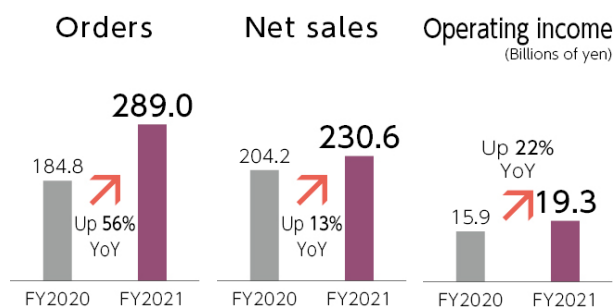
## Industrial Machinery

### **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 respect to the plastics machinery business, an increase in demand in the electric and electronic sector in China and in Europe led to increases in orders, sales, and operating income.

For other businesses, operating income decreased due to changes in machine types in sales, although orders and sales increased with the increase in semiconductor-related demand.



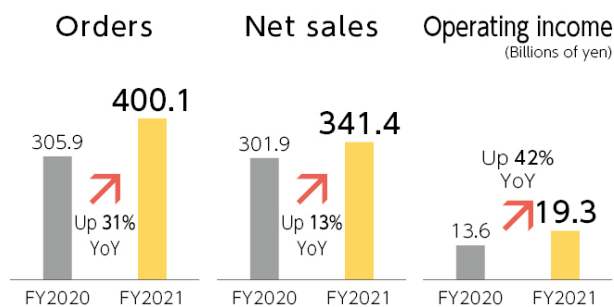
## Logistics & Construction

### **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, the Japanese market was robust and demand in the North America region started increasing, leading to increases in orders, sales, and operating income.

In other businesses, the construction crane business saw an increase in orders, sales and operating income due to the recovery of demand in Japan and the North America region, while the material handling business experienced a fall in orders, sales, and operating income as a result of the delayed recovery in demand related to ship building and steel.



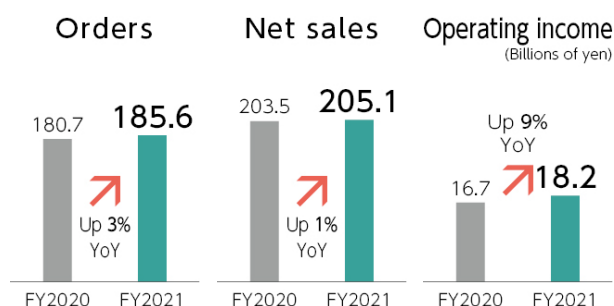
## Energy & Lifeline

### **Principal Business:**

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

Orders in the energy plant business fell compared to the previous fiscal year due to a decline of large biomass power generation projects in Japan, but sales and operating income increased due to the remaining orders.

For other businesses, both sales and operating income decreased despite the higher orders.



## Other

### **Principal Business:**

Software, Real Estate

In other businesses, orders were ¥6.1 billion, a 4% increase from the previous fiscal year; net sales were ¥6.0 billion, a 1% decrease from the previous fiscal year; and operating income was ¥2.4 billion, a 17% increase from the previous fiscal year.

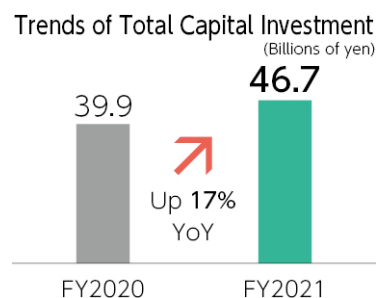
## 2. CAPITAL INVESTMENT AND OTHER INVESTMENT

### (1) Capital investment

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

Specifically, we made investments to increase production capacity, update aging facilities in the Mechatronics, Industrial Machinery, and Logistics & Construction segments, and to improve IT infrastructure.

As a result, the total amount of capital investment for the fiscal year under review was ¥46.7 billion.

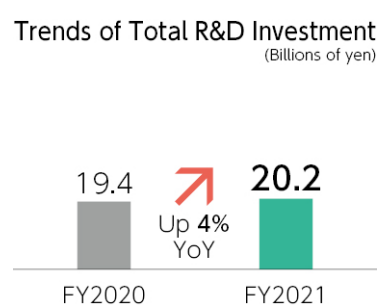


### (2) R&D investment

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 "automation and digitalization" and "environment and energy" in particular, aiming to provide excellent products and services.

Specifically, for the Logistics & Construction segment, we invested in the development of automated warehouses, etc. and for the Energy & Lifeline segment, in the development of a plant operation support system among others.

As a result, the total amount of R&D investment for the fiscal year under review was ¥20.2 billion.



## 3. FINANCING

During the fiscal year under review, we issued ¥100.0 billion in commercial papers to provide for short-term operating capital and to secure liquidity on hand. The balance of commercial papers was ¥6.0 billion at the end of the fiscal year.

## 4. BUSINESS RESTRUCTURING

On April 1, 2022, the Company absorbed and merged with Sumiju Business, Ltd., a wholly owned subsidiary of the Company.



## 5. CHALLENGES FACING THE COMPANY GROUP

The economic environment surrounding the business is changing more rapidly than ever with intensified severity, requiring flexible responses for the moment. With subsequent waves of COVID-19 still in force, with its strength not fading, there are increased uncertainties, due to economic sanctions as a result of Russia's invasion of Ukraine, in addition to competition over anticipating pent-up demand, hegemonic conflict between the U.S., and China, rises in energy prices and stagnation of logistics due to movements toward carbon neutrality, delays in production and supply of some materials, a rapid depreciation of the yen and the resulting emergence of inflation, although there are signs that economic activities are being resumed due to changes in policies to "living with COVID-19" mainly in the U.S. and Europe.

### (1) Summary of the fiscal year 2021

Under new waves of COVID-19, the Company Group secured more-than-expected earnings by tackling three issues of securing the safety of employees, cooperating in social requests to the maximum extent, and maintaining the business infrastructure, while maintaining global supply chains and strengthening competitiveness by reinforcing cooperation within the Group. Moreover, due to the increased demand for production goods in anticipation of the resumption of economic activities after COVID-19, the Company saw increased orders compared to the previous fiscal year, in particular, it saw substantially higher orders for semiconductor manufacturing equipment and electronic machine control-related uses. Going forward, we will aggressively carry out investment corresponding to such expanded production.

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

In the "Medium-Term Management Plan 2023" announced in FY2021, setting "the maintenance of both corporate value and social value" as a long-term goal, the Company Group decided to become a company that can keep growing while being profitable and contribute to the creation of social value even if the social and/or market structure changes. We identified the issues to be solved for the creation of social value by backcasting based on possible megatrends by 2030 and our goal.

To reinforce the foundation during the first medium-term management period to achieve the long-term goal by 2030, we will work on Medium-Term Management Plan 2023 based on the following policies:

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

We will continue endeavoring to become a strong business entity that can withstand changes in the environment by establishing a business continuity plan (BPC) that is capable of responding to any risks including COVID-19 while continuing to invest in the competence required for growth. In the environment of rising prices of energy and resources, we were able to achieve the initial earnings target in FY2021. Going forward, we will continue striving to develop a more resilient business structure by implementing aggressive capital investment and R&D investment.

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

We will further strengthen organizational capabilities by reforming business processes through the promotion of the utilization of DX\* as well as promoting initiatives such as the group-wide "PRIDE Project" activities to revitalize organizations, and accelerate innovation to enhance corporate value, such as by improving financial performance and effectively utilizing management resources by reviewing the business portfolio. Moreover, with the revision of the business portfolio, we changed the reporting segments from FY2021, established a consultation body for each segment as well as a meeting body to discuss long-term strategies with participation of members of the Board of Directors, and are discussing the ideal state of the Company Group businesses, including "Selection and Concentration." We will accelerate such initiatives, promote synergies within new segments, and increase corporate value.

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

Promoting measures to create a healthy and safe workplace, we will strive to develop human resources, so that diverse human resources can play an active role in the organization. We will also

promote diversity, utilize resources globally, and further promote the transformation into a company that people find comfortable as a workplace. In FY2021, we achieved the FY2023 target for the number of female managers ahead of schedule, tackled the promotion of diversity such as electing a female Corporate Auditor, and strived to develop the system to implement business activities stably by promoting remote working systems. Going forward, we will strengthen such initiatives.

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

By providing the products and services that would contribute to economic and technological development, we will continue striving to solve social issues, improve corporate value, and contribute to the realization of a sustainable society. In particular, we regard “environment and energy” and “automation and digitalization” as priority areas, and promote development and launch new products. We will continue to strive to promote Creating Shared Value (CSV)\*\* by providing products and services.

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

Throughout the Company Group’s business activities and the life cycle of products that we provide, we will further focus on the reduction of environmental impacts by decreasing greenhouse effect gases, promoting a circular economy, improving energy efficiency, etc. Moreover, we will contribute to climate change measure for the realization of a decarbonized society, by promoting the initiative to achieve the target for CO2 reduction in 2023 and realize carbon neutrality in 2050.

The Company has decided to revise the numerical targets of the Medium-Term Management Plan 2023 announced in FY2021. The decision was made in conjunction with the change of the fiscal year on condition of its approval at the 126th Ordinary General Meeting of Shareholders, and after considering several factors such as changes in the business environment against the backdrop of assimilation to the COVID-19 situation, the situation of booming capital investment in the semiconductor sector, the progression of yen depreciation and a switch from deflation to inflation. Under the new targets for FY2023, the final year under the plan, the Company is aiming for orders received of ¥1,070 billion, net sales of ¥1,050 billion, and ordinary income of ¥76.0 billion.

We will keep adopting ROIC as a management indicator of the Company Group, and trying to achieve ROIC > WACC\*\*\* and secure ROIC of 7.5% or higher.

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

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

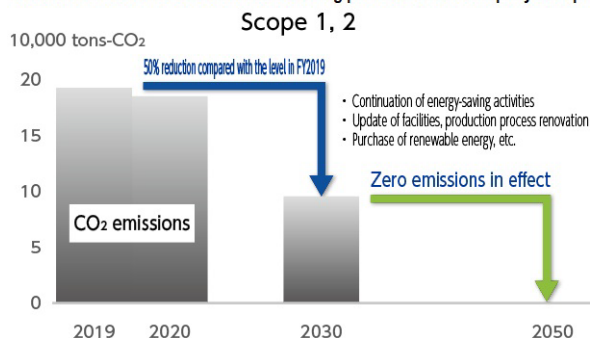
\*\*\* WACC (Weighted Average Cost of Capital) is a weighted average of the cost of debt and the cost of shareholders’ equity, which is a typical calculation method for the cost of capital.

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

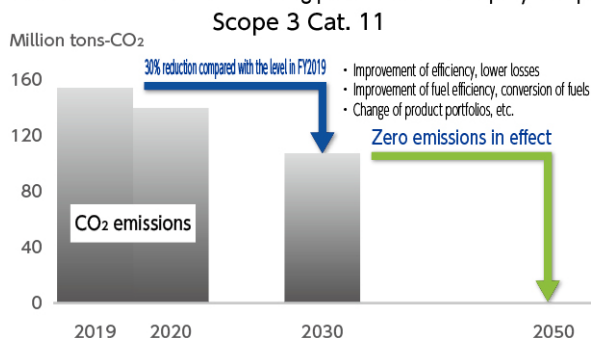
#### [Reference] The Company’s Targets for Climate Change to Realize a Decarbonized Society

- Reduce CO2 emissions in 2030 by 50% in manufacturing the Company products (compared with the level in FY2019)
- Reduce CO2 emissions in 2030 by 50% in using the Company products (compared with the level in FY2019)
- Aim to achieve carbon neutrality in 2050

Reduction of CO<sub>2</sub> emissions in manufacturing products of the Company Group



Reduction of CO<sub>2</sub> emissions in using products of the Company Group



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

(Billions of yen, unless otherwise indicated)

Items	FY2018	FY2019	FY2020	<b>FY2021 (this fiscal year)</b>
Orders	952.2	826.2	813.9	<b>1,075.3</b>
Net sales	903.1	864.5	849.1	<b>944.0</b>
Operating income	75.2	56.8	51.3	<b>65.7</b>
Ordinary income	72.6	52.6	49.5	<b>64.8</b>
Net income attributable to shareholders of the parent company	45.7	32.8	26.8	<b>44.1</b>
Net income per share (Yen)	372.56	267.77	218.46	<b>359.61</b>
Total assets	954.1	996.1	1,030.7	<b>1,094.9</b>
Net assets	465.0	477.6	504.9	<b>566.8</b>
Net assets per share (Yen)	3,701.01	3,790.99	4,005.43	<b>4,501.11</b>

## 7. MAJOR SUBSIDIARIES (as of March 31, 2022)

Name	Stated Capital (Millions of yen)	Company's Shareholding Ratio (%)	Major Line of Business
Sumitomo Construction Machinery Co., Ltd.	16,000	100	Manufacturing and distribution of hydraulic excavators, road construction machinery, etc.
Sumitomo Construction Machinery Sales Co., Ltd.	4,000	100	Domestic distribution of hydraulic excavators, road construction machinery, etc.
Sumitomo Heavy Industries Construction Cranes Co., Ltd.	4,000	66	Manufacturing and distribution, and repair of crawler cranes, etc.
Nihon Spindle Manufacturing Co., 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.
Sumitomo SHI FW Energie B.V. (Netherlands)	19 (Thousands of Euros)	100	Control of circulating fluidized bed boiler business
Sumitomo (SHI) Demag Plastics Machinery GmbH (Germany)	20,025 (Thousands of Euros)	100	Manufacturing and distribution of plastic injection molding machines
Sumitomo (SHI) Cyclo Drive Germany GmbH (Germany)	6,136 (Thousands of Euros)	100	Manufacturing and distribution of power transmission and control equipment
Lafert S.p.A. (Italy)	3,500 (Thousands of Euros)	100	Manufacturing and distribution of industrial motors
Sumitomo Construction Machinery (Tangshan) Co., Ltd. (China)	798,938 (Thousands of Yuan)	100	Manufacturing and distribution of hydraulic excavators
Sumitomo (SHI) Cyclo Drive China, Ltd. (China)	87,000 (Thousands of Yuan)	100	Manufacturing and distribution of power transmission and control equipment

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 March 31, 2022)

Name	Loans Outstanding (Millions of yen)
Sumitomo Mitsui Banking Corporation	16,589
Sumitomo Mitsui Trust Bank, Limited	7,044
The Shinkumi Federation Bank	4,300
Mizuho Bank, Ltd.	3,250

## 9. EMPLOYEES (as of March 31, 2022)

Segment	Number of Employees	Increase or Decrease from End of Last Fiscal Year
Mechatronics	7,516	368
Industrial Machinery	6,212	90
Logistics & Construction	5,356	103
Energy & Lifeline	4,042	(62)
Corporate Operations & Others	1,458	35
Total	24,584	534

## 10. MAJOR PLACES OF BUSINESS AND PLANTS (as of March 31, 2022)

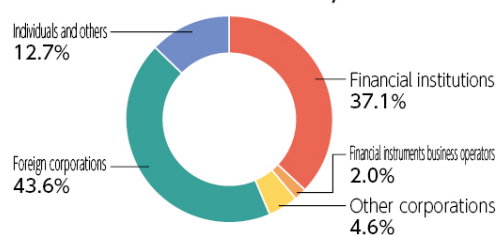
The Company	Head office	1-1, Osaki 2-chome, Shinagawa-ku, Tokyo, Japan
	Business offices	Chubu Office (Nagoya-shi), Kansai Office (Osaka-shi), Kyushu Office (Fukuoka-shi)
	Plants	Tanashi Works (Nishitokyo-shi, Tokyo), Chiba Works (Chiba-shi), Yokosuka Works (Yokosuka-shi, Kanagawa Pref.), Nagoya Works (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 March 31, 2022)

- (1) Total number of authorized shares: 360,000,000
- (2) Total number of issued shares: 122,905,481
- (3) Number of shareholders: 32,562
- (4) Major shareholders:

Breakdown of Shares Held by Shareholders



Name of Shareholders	Number of Shares in Thousands	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	20,297	16.6
Custody Bank of Japan, Ltd. (trust account)	9,247	7.5
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	7,083	5.8
Sumitomo Life Insurance Company	4,333	3.5
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	3,959	3.2
Sumitomo Heavy Industries, Ltd. Kyoeikai	3,070	2.5
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	2,442	2.0
Sumitomo Mitsui Banking Corporation	2,000	1.6
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	1,996	1.6
THE BANK OF NEW YORK MELLON 140042	1,948	1.6

Note: Shareholding ratios are calculated based on the total number of shares excluding treasury shares (405,310 shares). The treasury shares include 200 shares registered in the name of the Company in the Register of Shareholders but not substantially owned by the Company.

## 2. DIRECTORS AND CORPORATE AUDITORS OF THE COMPANY

### (1) Directors and Corporate Auditors (as of March 31, 2022)

Name	Title	Positions, Responsibilities, and Significant Positions Held at Other Companies
Shunsuke Betsukawa	Representative Director and Chairman of the Board	Chairperson of the Board of Directors
Shinji Shimomura	Representative Director President (CEO)	
Tetsuya Okamura	Representative Director Senior Executive Vice President CIO	General Manager of Export Administration Department; General Manager of Corporate ICT Group
Eiji Kojima	Director Executive Vice President	General Manager of Corporate Planning Group
Hideo Suzuki	Director Executive Vice President CFO	
Kazuo Hiraoka	Director Executive Vice President	General Manager of Precision Equipment Group
Susumu Takahashi	Director	Chairman Emeritus of The Japan Research Institute, Limited
Hideo Kojima	Director	CPA, Hideo Kojima CPA Office
Akio Hamaji	Director	Outside Director of Japan Best Rescue System Co., Ltd.
Yuji Takaishi	Standing Corporate Auditor	
Jun Nogusa	Standing Corporate Auditor	
Masaichi Nakamura	Corporate Auditor	CPA, Masaichi Nakamura CPA Office; Outside Director (Audit and Supervisory Committee Member) of SCSK Corporation; Independent Director (Audit/Supervisory Committee Member) of Terumo Corporation
Yaeko Hodaka*	Corporate Auditor	Partner and attorney-at-law of Baker & Mckenzie Fellow of Centre for the Fourth Industrial Revolution Japan

Notes:

1. The person marked with \* is new Corporate Auditor who is appointed on June 29, 2021.
2. Directors Susumu Takahashi, Hideo Kojima and Akio Hamaji 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 and Akio Hamaji, 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. The Directors and Corporate Auditors who resigned during this term (resigned as of June 29, 2021):  
 Director Toshiharu Tanaka (expiration of term of office)  
 Corporate Auditor Takeo Wakae (resignation)



7. As of April 1, 2022, 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	Director Executive Vice President	General Manager of Export Administration Department General Manager of Corporate Planning Group
Kazuo Hiraoka	Director Executive Vice President	General Manager of Precision Equipment Group
Shunsuke Betsukawa	Director Senior Executive Adviser	
Hideo Suzuki	Director	
Susumu Takahashi	Director	Chairman Emeritus of The Japan Research Institute, Limited
Hideo Kojima	Director	CPA, Hideo Kojima CPA Office
Akio Hamaji	Director	Outside Director of Japan Best Rescue System Co., Ltd.
Yuji Takaishi	Standing Corporate Auditor	
Jun Nogusa	Standing Corporate Auditor	
Masaichi Nakamura	Corporate Auditor	CPA, Masaichi Nakamura CPA Office; Outside Director (Audit and Supervisory Committee Member) of SCSK Corporation; Independent Director (Audit/Supervisory Committee Member) of Terumo Corporation
Yaeko Hodaka	Corporate Auditor	Partner and attorney-at-law of Baker & Mckenzie Fellow of Centre for the Fourth Industrial Revolution Japan
Toshiharu Tanaka	Executive Vice President	Assistant to the President in promoting globalization
Tatsuya Endo	Executive Vice President	Representative Director and Chairman of Sumitomo Construction Machinery Co., Ltd.; General Manager of Ehime Works
Taiji Tsuchiya	Executive Vice President	General Manager of Power Transmission & Controls Group
Toshihiko Chijiwa	Executive Vice President	General Manager of Corporate Technology Management Group
Hiroo Morita	Senior Vice President	In charge of Internal Control Group, Corporate Legal Department, Internal Audit Department and General Administration Group Regional General Manager of Kansai Office; Chairman of Sumitomo Heavy Industries (China), Ltd.;
Morihiro Kondo	Senior Vice President	General Manager of Plastic Machinery Division
Yasunobu Kazumi	Senior Vice President	Representative Director and President & CEO of Sumitomo Construction Machinery Co., Ltd.; Representative Director and President & CEO of Sumitomo Construction Machinery Sales Co., Ltd.
Shaun Dean	Senior Vice President	General Manager of EMEA HQ, Power Transmission & Controls Group; Director and CEO of Lafert S.p.A; Director and CEO of Invertek Drives Ltd.

Name	Title	Positions, Responsibilities, and Significant Positions Held at Other Companies
Tatsuro Araki	Senior Vice President	General Manager of Production Management Business Division, Power Transmission & Controls Group; Representative Director and President of Sumitomo Heavy Industries Gearbox Co., Ltd.
Toshiro Watanabe	Senior Vice President	General Manager of Corporate Finance, Accounting & Administration Group
Shigeru Tajima	Vice President	General Manager of Process Machinery Center; Representative Director & President of Sumitomo Heavy Industries Process Equipment Co., Ltd.
Kazutoshi Shiraishi	Vice President	General Manager of Human Resources Group
Mitsukuni Tsukihara	Vice President	Representative Director, President & CEO of Sumitomo Heavy Industries Ion Technology Co., Ltd.
Takanori Nagai	Vice President	Representative Director, President & CEO of Sumitomo Heavy Industries Environment Co., Ltd.
Haruhiko Tsuzuki	Vice President	Representative Director, President & CEO of Sumitomo Heavy Industries Material Handling Systems Co., Ltd.
Melvin Porter	Vice President	LBCE Holdings, Inc. President & CEO

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

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

The Company has entered into a contract with Outside Directors Susumu Takahashi, Hideo Kojima and Akio Hamaji and Outside Corporate Auditors 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 take responsibility for the execution of duties or when receiving a claim to pursue their responsibilities (however, the matters that fall in the category of an exemption are excluded). The insured persons of the insurance include Directors, Corporate Auditors and other officers of the Company and some of the Company's overseas subsidiaries.

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

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

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

Remuneration, etc. for individual Directors for this fiscal year are determined in accordance with

the Remuneration Regulations which were deliberated and reported on at the Compensation Committee along with the policies. The Board of Directors also evaluates that they comply with the policies.

i. Procedure to determine remuneration amount

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

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

ii. Overview of remuneration system

1) Remuneration structure and component ratio

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

2) Basic remuneration

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

3) Performance-linked remuneration

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

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

- For the division's performance-linked basic remuneration of the performance-linked remuneration, the Company, having the President as the final decision-maker, defines ranks from A to E based on 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.

4) Stock purchase remuneration

The stock purchase remuneration is remuneration that shall be paid for the purpose of purchasing the Company shares, and with this remuneration the Company's directors and executive officers shall purchase the Company shares

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

iii. Others

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

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

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

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

Category	Total amount of remuneration (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen) and number of applicable persons (persons)					
		Basic remuneration		Performance-linked remuneration		Stock purchase remuneration	
		Total amount	Number of Officers	Total amount	Number of Officers	Total amount	Number of Officers
Director (of which, Outside Director)	354 (29)	235 (29)	10 (3)	87 (-)	7 (-)	32 (-)	7 (-)
Corporate Auditor (of which, Outside Corporate Auditor)	88 (19)	88 (19)	5 (3)	- (-)	- (-)	- (-)	- (-)

- Notes: 1. The maximum compensation per month is ¥40 million in total for all Directors as a group (under the resolution of the 110th Ordinary General Meeting of Shareholders held on June 29, 2006; the number of Directors at the end of the Ordinary General Meeting of Shareholders is ten (including one Outside Director)), and ¥7.5 million in total for Corporate Auditors (under the resolution of the 109th Ordinary General Meeting of Shareholders held on June 29, 2005; the number of Corporate Auditors at the end of the Ordinary General Meeting of Shareholders is four (including two Outside Corporate Auditors)).
2. The company-wide results of the main indicators related to performance-linked remuneration for the fiscal year under review are as follows:  
Net sales: ¥849.1 billion, operating income: ¥51.3 billion, operating income ratio: 6.0%, annual dividend: ¥65

**(5) Primary activities by Outside Officers**

Category	Name	Attendance at Board of Directors Meetings	Attendance at Board of Corporate Auditors Meetings	Primary activities
Outside Director	Susumu Takahashi	13/14 (93%)	—	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	14/14 (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	14/14 (100%)	—	Expressed opinions based on long experience of actual professional practice as a manager, and his specialized knowledge about the corporate management. Performed his role to advise for the Company's sustainable growth and the improvement of its corporate value, and to supervise its management.
Outside Corporate Auditor	Masaichi Nakamura	12/14 (86%)	12/12 (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	10/10 (100%)	8/8 (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.

Note: For Outside Corporate Auditor Yaeko Hodaka, activities after appointment as Corporate Auditor on June 29, 2021 are stated.

### 3. INDEPENDENT AUDITOR

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

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

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(i) Amount of compensation, etc. to be paid to the Independent Auditor related to this fiscal year	¥151 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	¥245 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, Sumitomo Machinery Corporation of America, LBCE Holdings, Inc., Sumitomo SHI FW Energie B.V., Sumitomo (SHI) Demag Plastics Machinery GmbH, Sumitomo (SHI) Cyclo Drive Germany GmbH, Lafert S.p.A., Sumitomo Construction Machinery (Tangshan) Co., Ltd. (China), Sumitomo (SHI) Cyclo Drive China, Ltd. (China) and Sumitomo Heavy Industries (Vietnam) Co., Ltd. were audited by auditing firms other than the Independent Auditor engaged by the Company.

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

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

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

Not applicable.

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

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

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

**Consolidated Financial Statements**  
**CONSOLIDATED BALANCE SHEET (As of March 31, 2022)**

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
<b>Assets</b>		
Current assets	648,102	613,620
Cash and deposits	88,782	99,518
Notes and accounts receivable	-	282,928
Notes and accounts receivable - trade, and contract assets	294,771	-
Inventories	232,139	200,155
Other	35,897	34,276
Allowance for doubtful receivables	(3,487)	(3,258)
Fixed assets	446,828	417,064
Property, plant and equipment	301,014	275,804
Buildings and structures	77,350	64,400
Machinery and delivery equipment	71,402	65,461
Land	109,438	108,305
Construction in progress	18,278	13,825
Other	24,547	23,813
Intangible fixed assets	77,554	76,796
Goodwill	31,054	29,364
Other	46,500	47,432
Investments and other assets	68,260	64,465
Investment securities	21,913	22,812
Long-term loans receivable	3,057	2,658
Deferred tax assets	25,870	25,456
Defined benefit asset	8,836	4,591
Other	11,937	12,505
Allowance for doubtful receivables	(3,354)	(3,556)
Total assets	1,094,930	1,030,684

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

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

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
<b>Liabilities</b>		
Current liabilities	366,823	341,162
Notes and accounts payable	172,615	160,260
Short-term bank loans	19,198	31,698
Current portion of corporate bonds	10,000	-
Long-term debt due within one year	7,745	3,270
Commercial papers	6,000	-
Accrued income taxes	8,008	6,615
Advances received on contracts	-	57,676
Contract liabilities	55,952	-
Allowance for warranty	15,267	18,192
Allowance for losses on construction contracts	2,714	2,857
Other	69,324	60,595
Long-term liabilities	161,265	184,594
Bonds payable	40,000	50,000
Long-term debt	28,307	39,471
Defined benefit liability	46,911	51,662
Deferred tax liabilities on land revaluation	20,479	20,437
Other provisions	153	151
Other	25,414	22,873
Total liabilities	528,087	525,756
<b>Net assets</b>		
Shareholders' equity	478,923	446,179
Common stock	30,872	30,872
Capital surplus	26,071	26,071
Retained earnings	423,104	390,336
Treasury stock	(1,123)	(1,100)
Accumulated other comprehensive income	72,464	44,518
Unrealized gains (losses) on securities	4,763	5,030
Deferred gains (losses) on hedges	(1,363)	(834)
Land revaluation difference	40,442	40,342
Foreign currency translation adjustments	23,601	1,016
Remeasurement of defined benefit plans	5,022	(1,035)
Non-controlling interests	15,456	14,230
Total net assets	566,843	504,928
Total liabilities and net assets	1,094,930	1,030,684

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

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



## CONSOLIDATED STATEMENT OF INCOME (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
Net sales	943,979	849,065
Cost of sales	732,022	663,616
Gross profit	211,957	185,449
Selling, general and administrative expenses	146,279	134,106
Operating income	65,678	51,342
Other income	5,461	4,910
Interest and dividend income	1,218	1,539
Foreign exchange gains	1,155	-
Other – net	3,088	3,371
Other expenses	6,293	6,708
Interest expenses	748	954
Foreign exchange losses	-	575
Patent expenses	1,232	1,012
Soil contamination countermeasure expenses	1,138	-
Other – net	3,175	4,167
Ordinary income	64,847	49,544
Extraordinary losses	2,494	5,769
Impairment losses	2,494	5,769
Net income before income taxes and non-controlling interests	62,353	43,775
Income tax – current	17,660	16,399
Income tax – deferred	(555)	(1,265)
Net income	45,248	28,642
Net income attributable to non-controlling interests	1,195	1,877
Net income attributable to shareholders of the parent company	44,053	26,764

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

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

**(For Reference Purposes)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(From April 1, 2021 to March 31, 2022)

(Millions of yen)

Item	Amount
Cash flows from operating activities	61,679
Cash flows from investing activities	(49,678)
Cash flows from financing activities	(28,106)
Effect of exchange rate changes on cash and cash equivalents	4,856
Net increase (decrease) in cash and cash equivalents	(11,250)
Cash and cash equivalents at the beginning of year	96,242
Cash and cash equivalents at the end of year	84,992

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

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

**BALANCE SHEET (As of March 31, 2022)**

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
<b>Assets</b>		
Current assets	179,002	172,497
Cash and deposits	19,677	28,472
Notes receivable	2,841	4,610
Accounts receivable	-	70,615
Accounts receivable - trade, and contract assets	66,867	-
Finished goods	15,475	12,622
Work in process	20,973	19,959
Raw materials and supplies	744	691
Advances	6,486	6,781
Prepaid expenses	1,402	1,236
Accounts receivable, other	17,053	13,946
Other	28,986	15,037
Allowance for doubtful receivables	(1,503)	(1,472)
Fixed assets	397,450	388,020
Property, plant and equipment	143,778	135,895
Buildings	29,285	24,593
Structures	5,200	4,228
Machinery and equipment	13,027	12,359
Ships	0	1
Vehicles and delivery equipment	50	51
Tools, furniture and fixtures	3,297	2,975
Land	87,707	87,814
Leased assets	12	22
Construction in progress	5,202	3,852
Intangible fixed assets	15,638	17,509
Software	2,695	2,978
Other	12,943	14,531
Investments and other assets	238,033	234,616
Investment securities	10,347	11,093
Stock of subsidiaries and affiliates	173,331	171,677
Investment in capital of subsidiaries and affiliates	34,855	34,855
Long-term loans to employees	6	2
Claims in bankruptcy and rehabilitation	130	125
Long-term prepaid expenses	288	301
Deferred tax assets	15,854	13,504
Other	3,592	3,423
Allowance for doubtful receivables	(370)	(365)
Total assets	576,452	560,518

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

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

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
<b>Liabilities</b>		
Current liabilities	214,816	194,825
Notes payable	3,503	3,111
Accounts payable	45,458	57,963
Short-term bank loans	9,500	9,500
Current portion of corporate bonds	10,000	-
Long-term debt due within one year	5,400	-
Commercial papers	6,000	-
Lease obligations	68	94
Accounts payable, other	16,921	12,879
Accrued expenses	4,581	4,027
Accrued income taxes	4,467	833
Advances received on contracts	-	42,748
Contract liabilities	36,643	-
Deposits received	66,634	59,090
Allowance for warranty	3,875	3,382
Allowance for losses on construction contracts	45	137
Other	1,721	1,062
Long-term liabilities	158,660	181,189
Bonds payable	40,000	50,000
Long-term debt	26,300	36,700
Lease obligations	68	136
Provision for loss on business of subsidiaries and affiliates	2,428	-
Allowance for losses on business transfer	115	115
Allowance for retirement benefits	19,830	19,636
Asset retirement obligations	293	292
Deferred tax liabilities on land revaluation	20,479	20,479
Long-term deposits received	49,083	53,801
Other	62	29
<b>Total liabilities</b>	<b>373,476</b>	<b>376,014</b>
<b>Net assets</b>		
Shareholders' equity	159,681	140,813
Common stock	30,872	30,872
Capital surplus	27,073	27,073
Capital reserve	27,073	27,073
Other capital surplus	0	-
Retained earnings	102,860	83,969
Legal reserve of retained earnings	6,295	6,295
Other retained earnings	96,565	77,674
Retained earnings brought forward	96,565	77,674
Treasury stock	(1,123)	(1,100)
Valuation and translation adjustments	43,295	43,690
Unrealized gains (losses) on securities	4,027	4,111
Deferred gains (losses) on hedges	(1,173)	(763)
Land revaluation difference	40,442	40,342
<b>Total net assets</b>	<b>202,976</b>	<b>184,504</b>
<b>Total liabilities and net assets</b>	<b>576,452</b>	<b>560,518</b>

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

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

## STATEMENT OF INCOME (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
Net sales	231,478	238,511
Cost of sales	183,860	199,328
Gross profit	47,617	39,183
Selling, general and administrative expenses	27,565	27,272
Operating income	20,052	11,911
Other income	21,283	24,722
Interest and dividend income	17,700	21,410
Foreign exchange gains	1,439	792
Other – net	2,144	2,520
Other expenses	3,311	2,639
Interest expenses paid on loans and bonds	364	323
Patent expenses	783	628
Soil contamination countermeasure expenses	1,138	-
Other – net	1,026	1,688
Ordinary income	38,024	33,994
Extraordinary income	-	9,796
Gain on extinguishment of tie-in shares	-	9,796
Extraordinary losses	4,799	7,410
Impairment losses	2,371	4,482
Provision for loss on business	2,428	-
Loss on valuation of stock of subsidiaries and affiliates	-	2,929
Net income before income taxes	33,225	36,379
Income tax – current	5,243	3,260
Income tax – deferred	(2,157)	(1,531)
Net income	30,139	34,650

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