

Note: This document has been translated from the Japanese original for reference purpose only, without any warranty as to the accuracy or completeness of the information. The Japanese original version is the sole official version.

# **Notice of the 127th 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 127th Ordinary General Meeting of Shareholders to be held on Thursday, March 30, 2023. 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  
March 8, 2023

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

## Notice of the 127th Ordinary General Meeting of Shareholders

Dear Shareholders:

We are pleased to announce the Company's 127th 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 Wednesday, March 29, 2023, by mail or via the Internet.**

Sincerely yours,  
Shinji Shimomura  
President and CEO

### Procedure for the Exercise of Voting Rights:

■ **Voting by Attending the Meeting**

**Please submit the enclosed voting instruction card that should be provided together with this Notice, at the reception desk.**

■ **Voting by Mail**

**Please return the enclosed voting instruction card to reach us **no later than 6:00 p.m. on Wednesday, March 29, 2023**, indicating your approval or disapproval for each agenda item.**

■ **Voting via the Internet**

**Please input your approval or disapproval for each agenda item via the Internet **no later than 6:00 p.m. on Wednesday, March 29, 2023**.**

## Details

---

**1. Date and Time:** **Thursday, March 30, 2023, at 10:00 a.m.** (Open at 9:00 a.m.)

(There is a gap between the dates for the Ordinary General Meeting of Shareholders of the last time (June 29, 2022) and this time because the end of the fiscal year of the Company was changed from March 31 to December 31 starting from the 127th fiscal year.)

**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 127th fiscal year (from April 1, 2022 to December 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 127th fiscal year (from April 1, 2022 to December 31, 2022)

**Matters Requiring Shareholders' Resolutions:**

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

---

## Other Matters Regarding this Notice

- In accordance with the applicable laws and regulations and the provisions of Article 16 of the Articles of Incorporation of the Company, the Operational Structure for Ensuring the Appropriate Conduct of Operations and the Outline of Its Operational Status and the Basic Policy on Position of the Person Controlling Decisions on Financial and Business Policies of the Company in the Business and Financial Report, the Consolidated Statement of Changes in Net Assets and the Notes to Consolidated Financial Statements in the Consolidated Financial Statements and the Statement of Changes in Net Assets and the Notes to Financial Statements in the Financial Statements are not stated in the documents stating the electronic provision measures matters, which were sent to the shareholders who requested the provision of documents. In this regard, as part of the Business and Financial Report, the above Operational Structure for Ensuring the Appropriate Conduct of Operations and the Outline of Its Operational Status and the Basic Policy on Position of the Person Controlling Decisions on Financial and Business Policies of the Company are subject to auditing by the Corporate Auditors. In addition, as part of the Consolidated Financial Statements or the Financial Statements, the Consolidated Statement of Changes in Net Assets, the Notes to Consolidated Financial Statements, the Statement of Changes in Net Assets and the Notes to Financial Statements are subject to auditing by the Independent Auditor and the Corporate Auditors.
- If it becomes necessary to revise any of the electronic provision measures matters, the matters before and after such revisions will be posted on the website of the Company and the Tokyo Stock Exchange.

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

The Company's website

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



The Tokyo Stock Exchange's website

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

## Reference Documents for the Shareholders' Meeting

### Agenda Item 1: Disposition of Retained Earnings

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

With regard to the year-end dividend for the fiscal year under review, in line with the above dividend policy and in consideration of the Company's performance for the 127th 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 127th fiscal year be as follows:

#### Year-end dividend for the 127th 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:            ¥45.00 per share of the Company's common stock**

**Total dividends:                ¥5,515,349,895**

For your reference:

Including ¥45 per share for the interim dividend, which has already been distributed, the annual dividend appropriated from retained earnings for the 127th fiscal year is ¥90 per share.

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

**March 31, 2023**

## Agenda Item 2: Election of Eleven Directors

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

The candidates for Directors are as follows:

No.	Nature of Candidacy	Name	Current Positions and Responsibilities at the Company	Attendance at Board of Directors Meetings
1	Reappointment	Tetsuya Okamura	Representative Director and Chairman of the Board Chairperson of the Board of Directors	13/13 meetings (100%)
2	Reappointment	Shinji Shimomura	Representative Director and President & CEO	13/13 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 General Manager of Energy & Lifeline Segment	13/13 meetings (100%)
4	Reappointment	Kazuo Hiraoka	Director and Executive Vice President General Manager of Industrial Machinery Segment	13/13 meetings (100%)
5	Reappointment	Toshihiko Chijiwa	Director and Executive Vice President General Manager of Corporate Technology Management Group	9/9 meetings (100%)
6	Reappointment	Toshiro Watanabe	Director and Senior Vice President General Manager of Corporate Finance, Accounting & Administration Group	9/9 meetings (100%)
7	New Candidate	Tatsuro Araki	Senior Vice President General Manager of Power Transmission & Controls Group	-
8	Reappointment Outside Independent	Susumu Takahashi	Outside Director	13/13 meetings (100%)
9	Reappointment Outside Independent	Hideo Kojima	Outside Director	13/13 meetings (100%)
10	Reappointment Outside Independent	Akio Hamaji	Outside Director	13/13 meetings (100%)
11	New Candidate Outside Independent	Sumie Morita	-	-

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 21 through 24.



---

No. **1**

# Tetsuya Okamura

Reappointment

Nomination

Compensation

(Born on May 5, 1956)

---



Number of shares of the Company held  
**6,997 shares**

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

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

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

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

## Significant Positions Held at Other Companies

None

## Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

## Reasons for Selection as Candidate for Director

After being appointed as Managing Director & CEO of Demag Ergotech GmbH in 2008, Mr. Tetsuya Okamura was appointed as a Senior Vice President of the Company in 2012, and he has contributed to strengthening the competitiveness of the Company Group's plastic machinery business. After his appointment as the person in charge of the Industrial Equipment Division in 2017, he was appointed as a Director and Executive Vice President in 2018. He has advanced initiatives to stabilize earnings and enhance the strengths of products in this business segment. He was appointed as Representative Director, Senior Executive Vice President in April 2020 and CIO in April 2021, and he worked on restructuring and strengthening the information divisions of the Company Group. Since being appointed as the Representative Director and Chairman of the Board in April 2022, he, as the Chairperson of the Board of Directors, has encouraged the enhancement of governance systems and has been responsible for the management of the Company Group.

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

---

---

No. **2**

## Shinji Shimomura

Reappointment

Nomination

Compensation

(Born on February 3, 1957)

---



Number of shares of the Company held

**13,717 shares**

Tenure as Director

**6 years and 9 months**

Attendance at Board of Directors Meetings

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

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

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

### Significant Positions Held at Other Companies

None

### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

### Reasons for Selection as Candidate for Director

As Representative Director and President & CEO of Sumitomo (S.H.I.) Construction Machinery Co., Ltd., Mr. Shinji Shimomura accomplished high business growth in the construction machinery division with his strong leadership, and was responsible for the management of the Company Group. After his appointment as Representative Director and President of the Company in 2019, he 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.

---

---

No. 3

Eiji Kojima

Reappointment

(Born on January 3, 1960)

---



Number of shares of the  
Company held  
**4,804 shares**

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

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

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

April 1984	Joined the Company
November 2013	General Manager of Mechatronics Division
April 2016	Senior Vice President, General Manager of Mechatronics Division
July 2016	Senior Vice President, General Manager of Energy & Environment Group
June 2017	Director and Senior Vice President, General Manager of Energy & Environment Group
April 2021	Director and Executive Vice President, General Manager of Corporate Planning Group
April 2022	Representative Director and Executive Vice President, General Manager of Export Administration Department, General Manager of Corporate Planning Group
January 2023	<b>Representative Director and Executive Vice President, General Manager of Export Administration Department, General Manager of Corporate Planning Group, General Manager of Energy &amp; Lifeline Segment, to date</b>

#### Significant Positions Held at Other Companies

None

#### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

#### Reasons for Selection as Candidate for Director

After being appointed as General Manager of Mechatronics Division in 2013, Mr. Eiji Kojima performed his duties as the person in charge of the business driving the control technologies across the Company Group. In 2016, he was appointed as a Senior Vice President, and the same year he was appointed as the person in charge of the Energy & Environment Group. He has advanced initiatives to strengthen the business competitiveness and build a competitive advantage. In 2017, he was appointed as a Director. As soon as he was promoted to Executive Vice President in April 2021, he started taking leadership in the establishment and promotion of strategies for the entire Company Group as the person in charge of the Corporate Planning Group. In April 2022, he was appointed as a Representative Director being responsible for the management of the Company Group. From January 2023, as the person in charge of the Energy and Lifeline Segment, he has been promoting efforts for business growth.

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

---

---

No. 4

**Kazuo  
Hiraoka**

Reappointment

(Born on July 30, 1962)

---



Number of shares of the  
Company held

**5,316 shares**

Tenure as Director

**2 years and 9 months**

Attendance at Board of  
Directors Meetings

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

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

April 1985	Joined the Company
April 2012	General Manager of Plastic Machinery Division
April 2015	Vice President, General Manager of Plastic Machinery Division
April 2016	Senior Vice President, General Manager of Plastic Machinery Division
April 2020	Executive Vice President, General Manager of Plastic Machinery Division
June 2020	Director and Executive Vice President, General Manager of Plastic Machinery Division
April 2021	Director and Executive Vice President, General Manager of Precision Equipment Group
January 2023	<b>Director and Executive Vice President, General Manager of Industrial Machinery Segment, to date</b>

**Significant Positions Held at Other Companies**

None

**Special Interest between Candidate and the Company**

The candidate has no special interest in the Company.

**Reasons for Selection as Candidate for Director**

After being appointed as the General Manager of Plastic Machinery Division in 2012, Mr. Kazuo Hiraoka was appointed as Vice President in 2015, as Senior Vice President in 2016, as Director and Executive Vice President in 2020, and as the person in charge of Precision Equipment Group in 2021. From January 2023, as the person in charge of Industrial Machinery Segment that drives the growth and high strong monetization of the Company Group, he has promoted initiatives aimed at business growth as the person responsible for the business.

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

---

---

No. **5**

**Toshihiko  
Chijiwa**

Reappointment

(Born on August 12, 1960)

---



Number of shares of the  
Company held

**6,706 shares**

Tenure as Director

**9 months**

Attendance at Board of  
Directors Meetings

**9/9 meetings (100%)**

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

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

**Significant Positions Held at Other Companies**

None

**Special Interest between Candidate and the Company**

The candidate has no special interest in the Company.

**Reasons for Selection as Candidate for Director**

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

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

---

---

No. 6

**Toshiro  
Watanabe**

Reappointment

(Born on March 27, 1963)

---



Number of shares of the  
Company held

**1,962 shares**

Tenure as Director

**9 months**

Attendance at Board of  
Directors Meetings

**9/9 meetings (100%)**

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

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

**Significant Positions Held at Other Companies**

None

**Special Interest between Candidate and the Company**

The candidate has no special interest in the Company.

**Reasons for Selection as Candidate for Director**

Mr. Toshiro Watanabe has held key positions in the finance and accounting division. After being appointed as General Manager of Corporate Finance, Accounting & Administration Group in 2019, he was appointed as Vice President in 2020 and promoted to Director and Senior Vice President in 2022. 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 reappointment.

---

---

No. 7

**Tatsuro Araki**

New Candidate

(Born on May 25, 1962)

---



Number of shares of the  
Company held  
**1,933 shares**

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

April 1986	Joined the Company
April 2010	General Manager of Manufacturing Department of Sumitomo Heavy Industries Techno-Fort Co., Ltd.
April 2013	President of SEISA Gear, Ltd.
April 2018	Vice President, General Manager of Gearbox Business Division Power Transmission & Controls Group
April 2021	Senior Vice President, General Manager of Production Management Business Division, Power Transmission & Controls Group
January 2023	<b>Senior Vice President, General Manager of Power Transmission &amp; Controls Group, to date</b>

**Significant Positions Held at Other Companies**

None

**Special Interest between Candidate and the Company**

The candidate has no special interest in the Company.

**Reasons for Selection as Candidate for Director**

After being appointed as the Representative Director and President of SEISA Gear, Ltd. in 2013, Mr. Tatsuro Araki was appointed as a Vice President of the Company in 2018. He was promoted to Senior Vice President in 2021 and started promoting the initiatives to improve profit of the Company Group as a person in charge of the Power Transmission & Controls business in January 2023.

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.

---

---

No. **8**

## Susumu Takahashi

Reappointment

Outside

Independent

Nomination

Compensation

(Born on January 28, 1953)

---



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

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

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

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

April 1976      Joined the Sumitomo Bank, Limited (resigned in January 2004)  
February 2004    Counselor of The Japan Research Institute, Limited  
August 2005     Director General for Economic Research, Cabinet Office  
August 2007     Vice Chairman of The Japan Research Institute, Limited  
June 2011        Chairman of The Japan Research Institute, Limited  
June 2014        **Outside Director of the Company**, to date  
April 2018        Chairman Emeritus of The Japan Research Institute, Limited  
(resigned in January 2023)

### Significant Positions Held at Other Companies

None

### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

### Reasons for Selection as Candidate for Outside Director

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.
-



No. **9**

## Hideo Kojima

Reappointment

Outside

Independent

Nomination (Chairperson)

Compensation (Chairperson)

(Born on November 30, 1948)



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

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

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

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

March 1980	Registered as a <b>certified public accountant</b> , to date
May 1995	Representative Partner of Showa Ota & Co.
May 2000	Vice Chairman of Century Ota Showa & Co.
May 2004	General Manager of International Division, Tokyo office, Ernst & Young ShinNihon
May 2006	Deputy Chief Executive Officer of Ernst & Young ShinNihon
September 2010	Senior Advisor of 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.

---

No. **10**

**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 and 9 months**

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

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

April 1979	Joined Mitsubishi Mining & Cement Co., Ltd.
June 2007	Executive Officer, General Manger, Corporate Planning Div. of Mitsubishi Materials Corporation
June 2010	Senior Executive Officer, General Manager, Corporate Planning Div. of Mitsubishi Materials Corporation
June 2012	Managing Director of Mitsubishi Materials Corporation
April 2015	Executive Vice President of Mitsubishi Materials Corporation
April 2016	President of Mitsubishi Aluminum Company, Ltd.
December 2019	<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.
-

---

No. **11**

**Sumie Morita**

New Candidate

Outside

Independent

(Born on May 8, 1960)

---



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

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

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

#### Significant Positions Held at Other Companies

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

#### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

#### Reasons for Selection as Candidate for Outside Director

Ms. Sumie Morita has extensive experience of actual professional practice as a developer of products in the area of telecommunications and information networks. In addition, she has engaged in corporate management serving as Corporate Executive. Such extensive experience and ample knowledge will be extremely useful for the Company. The Company looks forward to Ms. Morita providing valuable advice for its sustainable growth and the improvement of its corporate value, and her supervision of the Company's management. In light of Ms. Morita's abilities, the Company has determined that she is qualified to serve as an Outside Director of the Company, and hereby requests her appointment.

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

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

### Agenda Item 3: Election of Two Corporate Auditors

The terms of office of Corporate Auditors Jun Nogusa and Masaichi Nakamura will expire at the close of this General Meeting. Therefore, the election of two Corporate Auditors is requested.

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

The candidates for Corporate Auditors are as follows:

No. **1**

**Shoji Uchida**

New Candidate

(Born on November 16, 1958)



Number of shares of the  
Company held  
**1,973 shares**

#### Career Summary and Positions at the Company

April 1981	Joined the Company
April 2006	Manager of Planning Department of Sumitomo (S.H.I.) Construction Machinery Manufacturing Co., Ltd.
April 2009	Manager of Planning and Administration Department of Sumitomo (S.H.I.) Construction Machinery Co., Ltd.
April 2012	Manager of Planning and Administration Department and Manager of Human Resources Department of Sumitomo (S.H.I.) Construction Machinery Co., Ltd.
April 2013	Director and General Manager of ASEAN Business Headquarter of Sumitomo (S.H.I.) Construction Machinery Co., Ltd.
June 2013	Director and General Manager of ASEAN Business Headquarter of Sumitomo (S.H.I.) Construction Machinery Co., Ltd. President Director, PT. Sumitomo S.H.I. Construction Machinery Indonesia
April 2018	Managing Director of Sumitomo (S.H.I.) Construction Machinery Sales Co., Ltd.
June 2021	<b>Corporate Auditor of Sumitomo Construction Machinery Co., Ltd., 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 Corporate Auditor

After being appointed as a Director and General Manager of ASEAN Business Headquarter of Sumitomo (S.H.I.) Construction Machinery Co., Ltd. in 2013, Mr. Shoji Uchida was appointed as Managing Director of Sumitomo (S.H.I.) Construction Machinery Sales Co., Ltd. in 2018. Since 2021, he has been conducting effective audits by assuming the office of a Corporate Auditor of Sumitomo Construction Machinery Co., Ltd.

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.

- Mr. Shoji Uchida will resign as a Corporate Auditor of Sumitomo Construction Machinery Co., Ltd. in March 2023.
- The Company has entered into a contract with an insurance company for directors and officers liability insurance, which is stipulated in Article 430-3, paragraph 1 of the Companies Act, designating all Directors and Corporate Auditor (hereinafter referred to as "Directors, etc.") as covered persons. This covers the damage that arises when Directors, etc. take responsibility for the execution of duties or when receiving a claim to pursue their responsibilities (however, the matters that fall in the category of an exemption are excluded). If the appointment of Mr. Shoji Uchida 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 21.

No. **2**

## Masaichi Nakamura

Reappointment

Outside

Independent

Nomination

Compensation

(Born on January 9, 1957)



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

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

Attendance at Board of Directors Meetings  
**12/13 meetings (92%)**

Attendance at Board of Corporate Auditors  
**13/13 meetings (100%)**

### Career Summary and Positions at the Company

March 1987	Registered as a <b>certified public accountant</b> , to date
August 2008	Managing Director of Ernst & Young ShinNihon LLC
July 2014	Representative Partner and Vice President of Ernst & Young ShinNihon LLC
July 2014	Representative Director of Ernst & Young Business Initiative Co., Ltd.
September 2016	<b>Established Masaichi Nakamura CPA Office</b> , to date
June 2017	<b>Outside Director (Audit and Supervisory Committee Member) of SCSK Corporation</b> , to date
June 2017	<b>Outside Corporate Auditor of the Company</b> , to date
June 2019	<b>Independent Director (Audit/Supervisory Committee Member) of Terumo Corporation</b> , to date

### Significant Positions Held at Other Companies

CPA, Masaichi Nakamura CPA Office  
Outside Director (Audit and Supervisory Committee Member) of SCSK Corporation  
Independent Director (Audit/Supervisory Committee Member) of Terumo Corporation

### Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

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

Mr. Masaichi Nakamura is an expert on finance and accounting as a CPA with long experience of actual professional practice. In addition, he has experience in corporate management serving as Representative Director. Such extensive experience and ample knowledge will be extremely useful for the Company.

The Company has determined that he continues to conduct effective audits of the Company's management from an objective and independent standpoint as an Outside Corporate Auditor. Therefore, the Company requests his appointment.

If he is appointed as an Outside Corporate Auditor, 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 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. Masaichi Nakamura as an independent officer and notified the Tokyo Stock Exchange to that effect.
- The Company has entered into a contract with Mr. Masaichi Nakamura 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. Nakamura.
- The Company has entered into a contract with an insurance company for directors and officers liability insurance, which is stipulated in Article 430-3, paragraph 1 of the Companies Act, designating all Directors and Corporate Auditor (hereinafter referred to as "Directors, etc.") as covered persons. This covers the damage that arises when Directors, etc. take responsibility for the execution of duties or when receiving a claim to pursue their responsibilities (however, the matters that fall in the category of an exemption are excluded). If the appointment of Mr. Masaichi Nakamura is approved, he will be covered with the insurance.

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

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

The election of Mr. Takeo Wakae, Alternative Corporate Auditor, made at the 126th Ordinary General Meeting of Shareholders held on June 29, 2022, will cease to be effective at the commencement of this General Meeting. As a precautionary measure against the possibility of the Company lacking the minimum number of Outside Corporate Auditors designated by laws and regulations, the election of one Alternative Corporate Auditor is requested.

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

The candidate for Alternative Corporate Auditor is as follows:

---

## Takeo Wakae

Outside

Independent

(Born on October 22, 1948)

---



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

#### Career Summary and Positions at the Company

April 1983	Registered as <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 Auditor (hereinafter referred to as "Directors, etc.") as covered persons. This covers the damage that arises when Directors, etc. take responsibility for the execution of duties or when receiving a claim to pursue their (however, the matters that fall in the category of an exemption are excluded). If the appointment of Mr. Takeo Wakae is approved, he will be covered with the insurance.

---

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

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

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

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

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

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

## Independence Standards for Outside Officers

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

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

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

The composition of the Board of Directors shall be determined after considering the necessary attributes of the Board of Directors (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 2 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		✓	✓				✓
Tatsuro Araki		✓		✓		✓	
Susumu Takahashi*	✓	✓	✓				
Hideo Kojima*		✓	✓				✓
Akio Hamaji*	✓	✓	✓			✓	✓
Sumie Morita*		✓	✓			✓	

## 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>

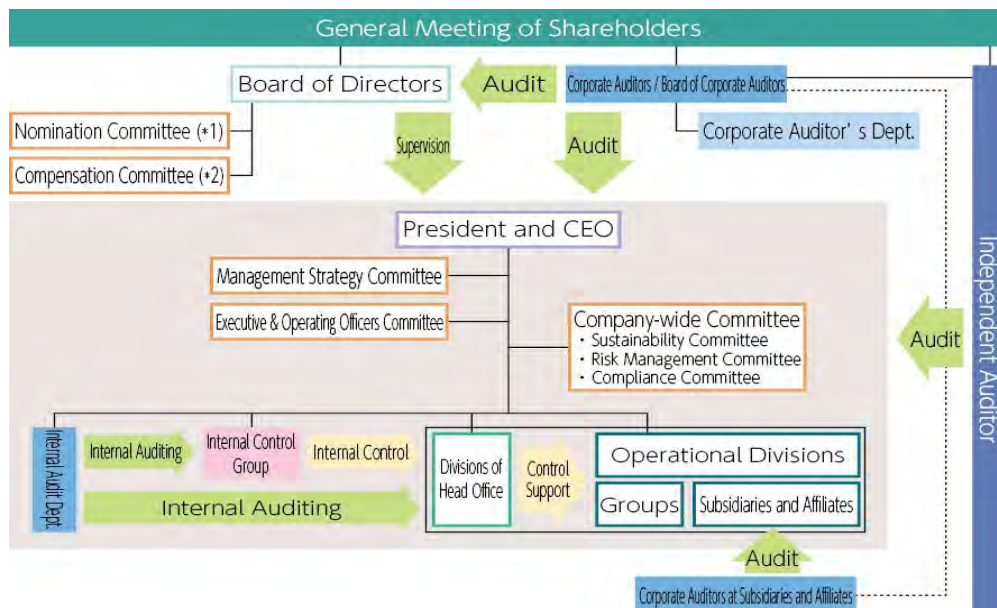


### Corporate Governance System

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 outside corporate auditors, and examines and reports regarding the nomination of director and corporate auditor candidates, the dismissal of directors and corporate auditors, and the appointment and removal of the directors with a managerial position and representative director, among other matters, upon an inquiry from the Board of Directors. The Nomination Committee also confirms the successor plans each year for the CEO and other key executives, and reports the progress to the Board of Directors.
- \*2 The Compensation Committee comprises members that include outside directors and outside corporate auditors, and deliberates and reports regarding the remuneration system and standards of directors and executive officers, among other matters, upon an inquiry from the Board of Directors.

# BUSINESS AND FINANCIAL REPORT

(April 1, 2022 through December 31, 2022)

With the approval of “Partial Amendments to the Articles of Incorporation” at the 126th Ordinary General Meeting of Shareholders held on June 29, 2022, the fiscal year of the Company has been changed to start on January 1 and end on December 31 every year starting from the fiscal year ended December 31, 2022. The fiscal year ended December 31, 2022, which is the transitional period for the change of the fiscal year, is an irregular closing of accounts with the nine-month period from April 1, 2022, to December 31, 2022 as the consolidated accounting period for the Company and its consolidated subsidiaries for which the fiscal year started on April 1 of each year and ended on March 31 of the following year, and the twelve-month period from January 1, 2022 to December 31, 2022, as the consolidated accounting period for the consolidated subsidiaries for which the fiscal year started on January 1 and ended on December 31 every year. Therefore, comparative information for the previous fiscal year which has been reclassified to have the same period as the fiscal year under review (hereinafter “previous fiscal year after adjustment”) is presented, except for “6. Changes in State of Assets and Profit/Loss of the Company Group.”

## 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 remained strong in Japan centered on the manufacturing industry despite a partly remaining effect of the spread of COVID-19. Overseas, capital investment demonstrated solid growth 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, business conditions were sluggish in some regions and industries, including the impact of lockdowns due to the spread of COVID-19 in China, showing bipolarization. In addition to this, moreover, uncertainties remained, including rising prices of raw materials and procured goods, tight supply and demand conditions, continued geopolitical risks represented by the Russia-Ukraine issue, sharp fluctuations in exchange rates, and fluctuations in crude oil prices.

Amid this business environment, the Company Group aimed 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 entity, reform for improving corporate value, enhanced contributions to SDGs and strengthened initiatives to reduce environmental burden as set forth in the Medium-Term Management Plan 2023.

As a result, total orders received by the Company Group were ¥984.7 billion and net sales on a consolidated business were ¥854.1 billion. As for profits and losses, operating income was ¥44.8 billion and ordinary income was ¥43.3 billion. However, net income attributable to shareholders of the parent company was ¥5.8 billion as a result of recognition of large extraordinary losses. The extraordinary losses were mainly incurred by the Company’s wholly owned subsidiary Sumitomo SHI FW Energie B.V., which posted impairment loss on fixed assets, including goodwill, because it was judged that it would be difficult to achieve the earnings envisaged at the time of the company’s acquisition as the market for its mainstay business of solid fuel fired boilers has contracted significantly due to global moves toward decarbonization. In addition, ROIC\* was 4.6%.

\* ROIC is the return on invested capital, an indicator of how much profit is generated on invested capital (the sum of shareholders’ equity and interest-bearing debt) and whether profitability is commensurate with the cost of capital. Since the fiscal year under review was a transitional period for the change of the fiscal year, ROIC has been calculated for an irregular period on a consolidated basis.

## Financial Highlights

### Orders

**¥984.7 billion**

a 10% increase from  
the previous fiscal year after adjustment

### Operating income

**¥44.8 billion**

an 11% decrease from  
the previous fiscal year after adjustment

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

**¥5.8 billion**

an 82% decrease from  
the previous fiscal year after adjustment

### Net sales

**¥854.1 billion**

a 10% increase from  
the previous fiscal year after adjustment

### Ordinary income

**¥43.3 billion**

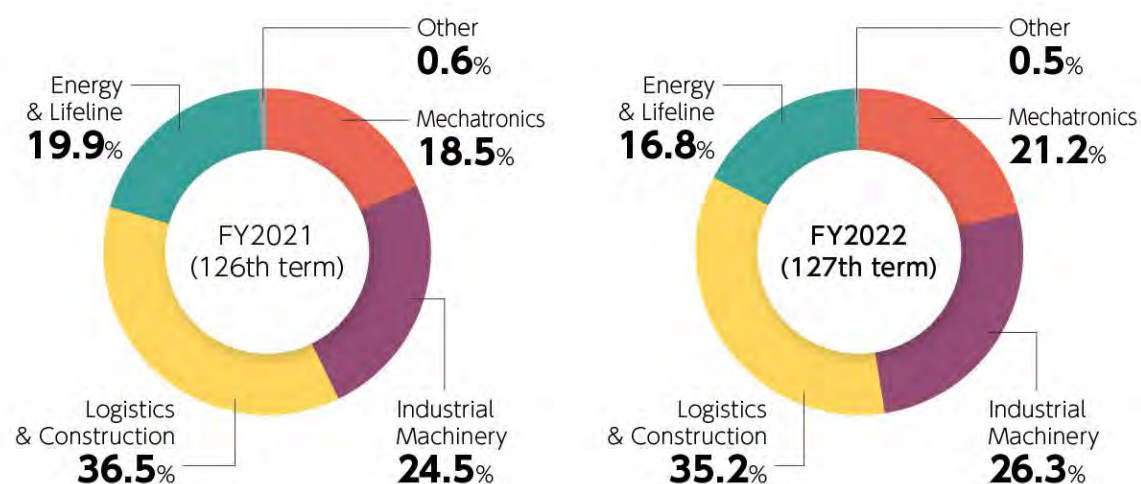
a 12% decrease from  
the previous fiscal year after adjustment

### ROIC

**4.6%**

## 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	
	FY2021	FY2022	FY2021	FY2022	As of March 31, 2022	As of December 31, 2022
Mechatronics	178.0	204.1	144.5	181.4	85.0	107.7
Industrial Machinery	227.6	266.7	191.3	224.9	148.7	190.5
Logistics & Construction	338.2	354.1	284.5	300.3	193.8	247.6
Energy & Lifeline	146.5	155.2	155.0	143.3	246.3	258.2
Other	4.7	4.6	4.5	4.1	1.2	1.8
Total	895.2	984.7	779.8	854.1	675.1	805.7

Note: As a result of a change of the fiscal year, FY2022 (the 127th term) constitutes an anomalous closing of accounts whereby the Company and its consolidated subsidiaries whose fiscal years had been from April 1 of each year until March 31 of the next year have the nine months from April 1, 2022 to December 31, 2022 included and the Company's consolidated subsidiaries whose fiscal years had been from January 1 of each year until December 31 of that year have the twelve months from January 1, 2022 to December 31, 2022 included. Accordingly, to provide year-on-year comparison, FY2021 (the 126th term) has been restated to reflect the same applicable periods.

## 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, 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 regard to the plastics machinery business, demand in China and Europe, which had been strong due to recovery from the COVID-19 pandemic, slowed leading to a decrease in orders, although sales increased, due in part to the order backlog. On the other hand, operating income decreased, mainly owing to rising prices of raw materials and procured goods.



For other businesses, orders, sales and operating income increased with the increase in semiconductor-related demand and in medical equipment orders.

## Logistics & Construction

### **Principal Business:**

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

With respect to the hydraulic excavator business, although demand in China decreased significantly due to the impact of economic slowdown and lockdowns, demand in the Japanese and North American markets was robust, leading to increases in orders and sales. However, operating income decreased, mainly owing to the decline in sales in China and the recording of provision for doubtful accounts.



In other businesses, the construction crane business saw an increase in orders, sales, and operating



income as demand remained strong in North America. The material handling business also saw an increase in orders, sales, and operating income as demand for products for use in ports and electric power remained robust.

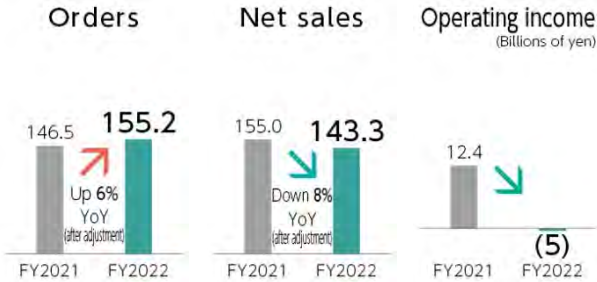
**Energy & Lifeline**

**Principal Business:**

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

Orders and sales in the energy plant business fell due to a decline of large biomass power generation projects compared to the previous fiscal year and profitability of large projects in Europe fell, leading to an operating loss.

For other businesses, orders, sales and operating income increased.



**Other**

**Principal Business:**

Software, Real Estate

In other businesses, orders were ¥4.6 billion, a 3% decrease from the previous fiscal year after adjustment; net sales were ¥4.1 billion, a 9% decrease from the previous fiscal year after adjustment; and operating income was ¥1.5 billion, a 7% decrease from the previous fiscal year after adjustment.

## **2. CAPITAL INVESTMENT AND OTHER INVESTMENT**

### **(1) Capital investment**

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

Specifically, we made investments to increase production capacity, update aging facilities 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 ¥44.6 billion.

### **(2) R&D investment**

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

Specifically, as the main objectives, for the Mechatronics Segment, we invested in the development of an actuator for robot drive, etc. and for the Industrial Machinery Segment, in the development of an accelerator-based particle therapy system, among others.

As a result, the total amount of R&D investment for the fiscal year under review was ¥17.4 billion.

## **3. FINANCING**

During the fiscal year under review, we procured financing primarily through borrowing from financial institutions and commercial papers to provide for working capital and capital investment and to secure liquidity on hand.

As a result, the balance of interest-bearing debt was ¥160.8 billion at the end of the fiscal year.

## **4. BUSINESS RESTRUCTURING**

- (i) On April 1, 2022, the Company absorbed and merged with Sumiju Bisness, Ltd., a wholly owned subsidiary of the Company.
- (ii) Effective April 1, 2022, Sumitomo Heavy Industries Environment Co., Ltd., the Company's subsidiary, implemented an absorption-type company split under which it split off the non-industrial waste processing business it operates in Japan, which was transferred to Nippon Steel Environmental & Energy Solutions Corporation.
- (iii) On July 1, 2022, the Company absorbed and merged with Sumiju Environmental Technologies, Ltd., a wholly owned subsidiary of the Company.
- (iv) Effective December 31, 2022, the Company acquired all shares of Sumitomo Heavy Industries Construction Cranes, Ltd. held by Hitachi Construction Machinery, Co. Ltd., and made Sumitomo Heavy Industries Construction Cranes into a wholly-owned subsidiary of the Company.
- (v) On January 1, 2023, the Company absorbed and merged with Sumiju Logitech Co., Ltd., a wholly owned subsidiary of the Company.

## 5. CHALLENGES FACING THE COMPANY GROUP

The economic environment surrounding the business is changing in complex ways and becoming even more challenging. Although COVID-19 is having less impact than previously due to a shift toward a society “living with COVID-19,” uncertainties are intensifying, including soaring prices and delays in supply for parts due to shortages of raw materials associated with resumption of economic activities, and rising prices of energy and commodities resulting from Russia’s invasion of Ukraine.

### (1) Summary of the fiscal year 2022

Demand for production goods increased due to resumption of economic activities with COVID-19, and the Company saw increased orders and sales compared to the previous fiscal year after adjustment. In particular, it saw substantially higher orders and sales for semiconductor manufacturing equipment and electronic machine control-related uses. On the other hand, production constraints were unavoidable due to greater-than-expected increases in material costs and procurement difficulties, resulting in lower earnings than initially expected.

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

We regard the Medium-Term Management Plan 2023 as the initial period for reinforcing the foundation to achieve the long-term goal by 2030. As one of the major aims, we are working to resolve social issues in order to combine corporate value with social value. In fiscal 2023, the final year of the Medium-Term Management Plan 2023, we will work on the following measures to achieve the plan.

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

We endeavored to build a strong business entity that can withstand changes in the environment by establishing a business continuity plan (BCP) that is capable of considering changes in the global environment and responding to any risks, including COVID-19, while continuing to invest in the competence required for growth. Nevertheless, in fiscal 2022, we experienced greater-than-expected increases in the prices of components and lengthening of lead times and were unable to achieve the initial earnings target. We will continue striving to develop a more resilient business entity by implementing price revisions in line with manufacturing costs, securing production through implementation of a procurement BCP, and continuing to invest in growth.

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

We will continue to strengthen organizational capabilities by reforming business processes through the promotion of the utilization of DX\* as well as through 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. In the revision of the business portfolio, we reorganized the Group’s businesses based on four segments. Going forward, we will aim to increase corporate value by promoting synergies within new segments and deepening discussion of the ideal state of the Company Group businesses, including the selection and concentration, with an eye on long-term strategies.

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

Promoting measures to create a healthy and safe workplace, we will implement human resource and organizational development, so that diverse human resources can play an active role in the organization. We will also promote diverse workstyles, including telecommuting, in addition to developing female managers, increasing the percentage of male employees taking child care leave, introducing measures to accommodate LGBT, and other measures to strongly promote the transformation into a company that more diverse human resources find comfortable as a workplace. In addition, we will continue making every effort on initiatives for respecting human rights and put into practice the Human Rights Policy for the Sumitomo Heavy Industries with the aim of becoming a company where all people involved in the Company Group’s operations are able to work with energy and vitality.

#### (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 for development, and we will continue to strive to promote Creating Shared Value (CSV)\*\* by providing products and services taking these priority areas into consideration.

#### (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. In 2022, we set a long-term goal aimed at realizing carbon neutrality in 2050 and the target for CO<sub>2</sub> reduction for 2030. Going forward, we will develop measures which we will implement in our business activities to achieve the target.

The Company has set targets to achieve orders of ¥1,070 billion, net sales of ¥1,050 billion, and operating income of ¥76.0 billion in fiscal 2023, the final year under the Medium-Term Management Plan 2023. We will keep adopting ROIC as a management indicator of the Company Group, and trying to achieve ROIC > WACC\*\*\* and secure ROIC of 7.5% or higher.

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

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

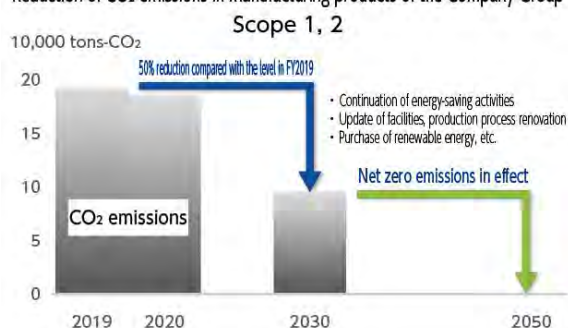
\*\*\* WACC (Weighted Average Cost of Capital) is a weighted average of the cost of debt and the cost of shareholders’ equity, which is a typical calculation method for the cost of capital.

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 CO<sub>2</sub> emissions in 2030 by 50% in manufacturing the Company products (compared with the level in FY2019)
- Reduce CO<sub>2</sub> emissions in 2030 by 30% 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	FY2019	FY2020	FY2021	<b>FY2022 (this fiscal year)</b>
Orders	826.2	813.9	1,075.3	<b>984.7</b>
Net sales	864.5	849.1	944.0	<b>854.1</b>
Operating income	56.8	51.3	65.7	<b>44.8</b>
Ordinary income	52.6	49.5	64.8	<b>43.3</b>
Net income attributable to shareholders of the parent company	32.8	26.8	44.1	<b>5.8</b>
Net income per share (Yen)	267.77	218.46	359.61	<b>47.20</b>
Total assets	996.1	1,030.7	1,094.9	<b>1,148.9</b>
Net assets	477.6	504.9	566.8	<b>576.9</b>
Net assets per share (Yen)	3,790.99	4,005.43	4,501.11	<b>4,647.20</b>

## 7. MAJOR SUBSIDIARIES (as of December 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	100	Manufacturing and distribution, and repair of crawler cranes, etc.
Nihon Spindle Manufacturing Co., Ltd.	3,276	100	Manufacturing and distribution of environmental equipment, air conditioner and industrial equipment, etc.
Shin Nippon Machinery Co., Ltd.	2,408	100	Manufacturing and distribution of turbines, pumps, etc.
Sumitomo Heavy Industries Marine & Engineering Co., Ltd.	2,000	100	Manufacturing and distribution of ships, etc.
Sumitomo Heavy Industries Gearbox Co., Ltd.	841	100	Manufacturing and distribution of gears and power transmission and control equipment
Sumitomo Heavy Industries Material Handling Systems Co., Ltd.	480	100	Manufacturing and distribution of material handling machines, logistics & handling systems, automated parking systems, etc.
Sumitomo Heavy Industries Ion Technology Co., Ltd.	480	100	Manufacturing and distribution of ion implanters
Sumitomo Heavy Industries Environment Co., Ltd.	480	100	Manufacturing and distribution, and maintenance and management of water and sewerage treatment systems, etc.
Sumitomo Heavy Industries Process Equipment Co., Ltd.	480	100	Manufacturing and distribution of mixing vessels, pressure vessels, coke oven machinery, etc.
Sumitomo Heavy Industries Power Transmission & Controls Sales Co., Ltd.	400	100	Distribution of power transmission and control equipment, etc., and provision of related services
LBX Company, LLC (U.S.A.)	51,800 (Thousands of U.S. Dollars)	100	Distribution of hydraulic excavators and provision of related services
Sumitomo Machinery Corporation of America (U.S.A.)	12,423 (Thousands of U.S. Dollars)	100	Manufacturing and distribution of power transmission and control equipment, etc.
LBCE Holdings, Inc. (U.S.A.)	10,618 (Thousands of U.S. Dollars)	100	Control of overall business of construction cranes, etc.
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 December 31, 2022)

Name	Loans Outstanding (Millions of yen)
Sumitomo Mitsui Banking Corporation	27,232
Sumitomo Mitsui Trust Bank, Limited	11,122
The Norinchukin Bank	4,629
The Shinkumi Federation Bank	4,300

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

Segment	Number of Employees	Increase or Decrease from End of Last Fiscal Year
Mechatronics	8,091	575
Industrial Machinery	6,297	85
Logistics & Construction	5,404	48
Energy & Lifeline	3,916	(126)
Corporate Operations & Others	1,503	45
Total	25,211	627

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

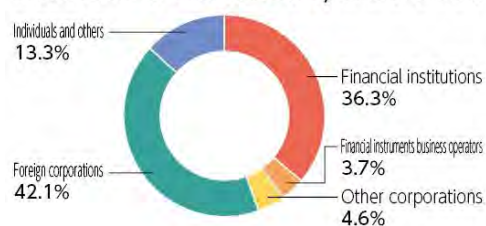


## II. CURRENT CONDITION OF THE COMPANY

### 1. STOCK (as of December 31, 2022)

- (1) Total number of authorized shares: 360,000,000
- (2) Total number of issued shares: 122,905,481
- (3) Number of shareholders: 33,705
- (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)	19,955	16.3
Custody Bank of Japan, Ltd. (trust account)	10,121	8.3
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	7,816	6.4
Sumitomo Life Insurance Company	4,333	3.5
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	3,760	3.1
Sumitomo Heavy Industries, Ltd. Kyoeikai	3,227	2.6
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	2,998	2.4
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	2,573	2.1
THE BANK OF NEW YORK MELLON 140042	2,079	1.7
BNYM AS AGT/CLTS NON TREATY JASDEC	2,030	1.7

Note: Shareholding ratios are calculated based on the total number of shares excluding treasury shares (342,350 shares). The treasury shares include 200 shares registered in the name of the Company in the Register of Shareholders but not substantially owned by the Company.

## 2. DIRECTORS AND CORPORATE AUDITORS OF THE COMPANY

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

Name	Title	Positions, Responsibilities, and Significant Positions Held at Other Companies
Tetsuya Okamura	Representative Director and Chairman of the Board	Chairperson of the Board of Directors
Shinji Shimomura	Representative Director President (CEO)	
Eiji Kojima	Representative Director Executive Vice President	General Manager of Export Administration Department General Manager of Corporate Planning Group
Kazuo Hiraoka	Director Executive Vice President	General Manager of Precision Equipment Group
Toshihiko Chijiwa*	Director Executive Vice President	General Manager of Corporate Technology Management Group
Toshiro Watanabe*	Director Senior Vice President	General Manager of Corporate Finance, Accounting & Administration Group
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.
Hideo Suzuki*	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:

- The persons marked with \* are new Directors and a Corporate Auditor who were appointed on June 29, 2022.
- Directors Susumu Takahashi, Hideo Kojima and Akio Hamaji are Outside Directors.
- Corporate Auditors Masaichi Nakamura and Yaeko Hodaka are Outside Corporate Auditors.
- 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.
- Corporate Auditor Masaichi Nakamura has adequate expertise with regard to finance and accounting as a CPA.
- The Directors and Corporate Auditors who resigned during this term (resigned as of June 29, 2022):  
 Director Shunsuke Betsukawa (expiration of term of office)  
 Director Hideo Suzuki (expiration of term of office)  
 Corporate Auditor Yuji Takaishi (resignation)

7. As of January 1, 2023, the positions, responsibilities, and significant positions held at other companies of the Directors, Corporate Auditors and Executive Officers are as below.

Name	Title	Positions, Responsibilities, and Significant Positions Held at Other Companies
Tetsuya Okamura	Representative Director Chairman of the Board	Chairperson of the Board of Directors
Shinji Shimomura	Representative Director President (CEO)	
Eiji Kojima	Representative Director Executive Vice President	General Manager of Export Administration Department General Manager of Corporate Planning Group General Manager of Energy & Lifeline Segment
Kazuo Hiraoka	Director Executive Vice President	General Manager of Industrial Machinery Segment
Toshihiko Chijiwa	Director Executive Vice President	General Manager of Corporate Technology Management Group
Toshiro Watanabe	Director Senior Vice President	General Manager of Corporate Finance, Accounting & Administration Group
Susumu Takahashi	Director	Chairman Emeritus of The Japan Research Institute, Limited (resigned in January 2023)
Hideo Kojima	Director	CPA, Hideo Kojima CPA Office
Akio Hamaji	Director	Outside Director of Japan Best Rescue System Co., Ltd.
Hideo Suzuki	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	General Manager of Globalization Dept.
Tatsuya Endo	Executive Vice President	Representative Director and Chairman of Sumitomo Construction Machinery Co., Ltd. General Manager of Ehime Works General Manager of Logistics & Construction Segment
Taiji Tsuchiya	Executive Vice President	General Manager of Mechatronics Segment
Hiroo Morita	Senior Vice President	In charge of Internal Control Group, 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 New Business Exploration Dept.
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.

Name	Title	Positions, Responsibilities, and Significant Positions Held at Other Companies
Shaun Dean	Senior Vice President	General Manager of EMEA HQ, Power Transmission & Controls Group Director and CEO of Lafert S.p.A Director and CEO & Chairman of Invertek Drives Ltd.
Tatsuro Araki	Senior Vice President	General Manager of Power Transmission & Controls Group
Shigeru Tajima	Senior Vice President	General Manager of Process Machinery Center Representative Director & President of Sumitomo Heavy Industries Process Equipment Co., Ltd.
Kazutoshi Shiraishi	Senior Vice President	General Manager of Human Resources Group
Mitsukuni Tsukihara	Senior Vice President	Representative Director, President & CEO of Sumitomo Heavy Industries Ion Technology Co., Ltd.
Takanori Nagai	Vice President	Representative Director, President & CEO of Sumitomo Heavy Industries Environment Co., Ltd.
Haruhiko Tsuzuki	Vice President	Representative Director, President & CEO of Sumitomo Heavy Industries Material Handling Systems Co., Ltd.
Melvin Porter	Vice President	LBCE Holdings, Inc. President, CEO & Chairman
Yoichi Kato	Vice President	General Manager of Energy & Environment Group
Isamu Mitsuhashi	Vice President	Assisting the President of Sumitomo Construction Machinery Co., Ltd., in the Sumitomo Construction Machinery business

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 takes responsibility for the execution of duties or when receiving a claim to pursue their responsibilities (however, the matters that fall in the category of an exemption are excluded). The insured persons of the insurance include Directors, Corporate Auditors and other officers of the Company and some of the Company's overseas subsidiaries and they do not bear the insurance premiums.

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

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

The Company defines the policies for remuneration to establish a remuneration system that contributes to the Group's sustainable growth, the improvement of corporate value and value sharing with shareholders, and sets an appropriate remuneration standard for the Company's officers. The Compensation Committee consisting of members including Outside Directors and

Outside Corporate Auditors, which was established on a voluntary basis, deliberates and provides a report on the policies responding to an inquiry from the Board of Directors. Then, the policies are resolved at the Board of Directors.

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

i. Procedure to determine remuneration amount

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

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

ii. Overview of remuneration system

1) Remuneration structure and component ratio

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

2) Basic remuneration

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

3) Performance-linked remuneration

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

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

For the division's performance-linked basic remuneration, the Company, having the President as the final decision-maker, defines ranks from A to E based on three indicators of net sales, operating income, and operating income ratio, considering the status of safety record, compliance, etc. The amount is calculated by multiplying the basic amount for each position by a factor for each rank. As for the decision on the ranks, the President shall make the final decision after confirming with concerned divisions at the Head Office.

By adopting these indicators, the Company intends to share the value with shareholders, and reflect perspectives such as profitability, growth, the maintenance of fiscal discipline, safety and compliance in officers' remuneration.

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.

This remuneration system was discontinued on June 30, 2022.

5) Stock-based remuneration

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

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

iii. Others

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

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

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

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

Category	Total amount of remuneration (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen) and number of applicable persons (persons)							
		Monetary remuneration						Non-monetary remuneration	
		Basic remuneration		Performance-linked remuneration		Stock purchase remuneration		Stock-based remuneration	
		Total amount	Number of Officers	Total amount	Number of Officers	Total amount	Number of Officers	Total amount	Number of Officers
Director (of which, Outside Director)	279 (25)	176 (25)	11 (3)	80 (-)	8 (-)	8 (-)	6 (-)	15 (-)	6 (-)
Corporate Auditor (of which, Outside Corporate Auditor)	70 (17)	70 (17)	5 (2)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)

- Notes:
1. The maximum compensation per month is ¥40 million in total for all Directors as a group (under the resolution of the 110th Ordinary General Meeting of Shareholders held on June 29, 2006; the number of Directors at the end of the Ordinary General Meeting of Shareholders is ten (including one Outside Director)), and ¥10 million in total for Corporate Auditors (under the resolution of the 126th Ordinary General Meeting of Shareholders held on June 29, 2022; the number of Corporate Auditors at the end of the Ordinary General Meeting of Shareholders is four (including two Outside Corporate Auditors)).
  2. The company-wide results of the main indicators related to performance-linked remuneration for the fiscal year under review are as follows:  
Net sales: ¥944.0 billion, operating income: ¥65.7 billion, operating income ratio: 7.0%, annual dividend: ¥115
  3. Separately from 1. above, the maximum amount of funds for purchase of shares that the Company will contribute for stock-based remuneration is ¥112.5 million in total for three fiscal years (from the fiscal year ended December 31, 2022, to the fiscal year ending December 31, 2024) and ¥45 million for one fiscal year should the eligible period be extended. The maximum number of points to be granted to the Directors is 30,000 points in total for one fiscal year (resolution of the 126th Ordinary General Meeting of Shareholders held on June 29, 2022; the number of Directors (excluding Outside Directors) at the end of the Ordinary General Meeting of Shareholders is six).
  4. The total amount of stock-based remuneration is the total amount recorded as expenses in the current fiscal year based on the stock-based remuneration system approved at the 126th Ordinary General Meeting of Shareholders held on June 29, 2022.

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

Category	Name	Attendance at Board of Directors Meetings	Attendance at Board of Corporate Auditors Meetings	Primary activities
Outside Director	Susumu Takahashi	13/13 (100%)	—	Expressed opinions based on his specialized knowledge about the economy and management, and his broad experience. Performed his role to advise for the Company's sustainable growth and the improvement of its corporate value, and to supervise its management.
Outside Director	Hideo Kojima	13/13 (100%)	—	Expressed opinions particularly from the perspective of an expert on finance and accounting as a CPA. 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	13/13 (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	12/13 (92%)	13/13 (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	13/13 (100%)	13/13 (100%)	Expressed opinions particularly from the perspective of an expert on legal issues as a lawyer. Performed her role to conduct effective audits of the Company's management from an objective and independent standpoint.



### 3. INDEPENDENT AUDITOR

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

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

---

(i) Amount of compensation, etc. to be paid to the Independent Auditor related to this fiscal year	¥141 million
--	--------------

---

(ii) Total amount of money and other economic benefits to be paid by the Company and its subsidiaries to the Independent Auditor	¥233 million
--	--------------

---

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

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

Having confirmed and considered the contents of the audit plan, the previous audit status and compensation record, and the grounds for calculation of the estimated compensation, etc. provided by the related internal departments and Independent Auditor, 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 December 31, 2022)**

(Millions of yen)

	Fiscal year under review
<b>Assets</b>	
Current assets	711,358
Cash and deposits	97,476
Notes and accounts receivable - trade, and contract assets	300,281
Inventories	275,528
Other	43,734
Allowance for doubtful receivables	(5,662)
Fixed assets	437,512
Property, plant and equipment	320,077
Buildings and structures	94,211
Machinery and delivery equipment	80,085
Land	110,701
Construction in progress	10,517
Other	24,563
Intangible fixed assets	56,644
Goodwill	19,223
Other	37,421
Investments and other assets	60,792
Investment securities	16,728
Long-term loans receivable	3,117
Deferred tax assets	20,552
Defined benefit asset	8,524
Other	13,193
Allowance for doubtful receivables	(1,322)
<b>Total assets</b>	<b>1,148,870</b>

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

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

(Millions of yen)

	Fiscal year under review
<b>Liabilities</b>	
Current liabilities	418,238
Notes and accounts payable	186,282
Short-term bank loans	36,442
Current portion of corporate bonds	10,000
Long-term debt due within one year	16,985
Commercial papers	25,000
Accrued income taxes	3,177
Contract liabilities	60,473
Provision for bonuses	7,513
Allowance for warranty	10,603
Allowance for losses on construction contracts	2,423
Provision for loss on guarantees	1,754
Other	57,585
Long-term liabilities	153,710
Bonds payable	40,000
Long-term debt	32,338
Defined benefit liability	36,363
Deferred tax liabilities on land revaluation	20,479
Other provisions	158
Other	24,371
Total liabilities	571,948
<b>Net assets</b>	
Shareholders' equity	468,496
Common stock	30,872
Capital surplus	25,203
Retained earnings	413,570
Treasury stock	(1,149)
Accumulated other comprehensive income	100,767
Unrealized gains (losses) on securities	4,763
Deferred gains (losses) on hedges	(752)
Land revaluation difference	40,442
Foreign currency translation adjustments	50,534
Remeasurement of defined benefit plans	5,780
Non-controlling interests	7,659
Total net assets	576,922
Total liabilities and net assets	1,148,870

“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, 2022 to December 31, 2022)  
(Millions of yen)

	Fiscal year under review
Net sales	854,093
Cost of sales	665,484
Gross profit	188,609
Selling, general and administrative expenses	143,806
Operating income	44,803
Other income	3,625
Interest and dividend income	1,236
Foreign exchange gains	89
Other – net	2,300
Other expenses	5,175
Interest expenses	1,126
Patent expenses	927
Other – net	3,121
Ordinary income	43,253
Extraordinary income	861
Gain on sale of businesses	861
Extraordinary losses	26,354
Impairment losses	21,182
Loss on valuation of investment securities	5,172
Net income before income taxes and non-controlling interests	17,761
Income tax – current	10,994
Income tax – deferred	2,233
Net income	4,534
Net loss attributable to non-controlling interests	(1,247)
Net income attributable to shareholders of the parent company	5,782

“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, 2022 to December 31, 2022)

(Millions of yen)

Item	Amount
Cash flows from operating activities	21,366
Cash flows from investing activities	(37,279)
Cash flows from financing activities	21,677
Effect of exchange rate changes on cash and cash equivalents	2,971
Net increase (decrease) in cash and cash equivalents	8,735
Cash and cash equivalents at the beginning of year	84,992
Cash and cash equivalents at the end of year	93,727

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

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

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

(Millions of yen)

	Fiscal year under review
<b>Assets</b>	
Current assets	182,547
Cash and deposits	17,574
Notes receivable	2,479
Accounts receivable - trade, and contract assets	56,292
Finished goods	18,379
Work in process	26,920
Raw materials and supplies	885
Advances	7,243
Prepaid expenses	1,352
Accounts receivable, other	16,539
Short-term loans receivable	30,255
Other	4,628
Fixed assets	396,103
Property, plant and equipment	145,696
Buildings	32,117
Structures	5,448
Machinery and equipment	14,270
Ships	0
Vehicles and delivery equipment	40
Tools, furniture and fixtures	3,495
Land	87,707
Leased assets	27
Construction in progress	2,592
Intangible fixed assets	15,420
Software	2,437
Other	12,983
Investments and other assets	234,986
Investment securities	10,548
Stock of subsidiaries and affiliates	160,479
Investment in capital of subsidiaries and affiliates	35,708
Long-term loans to employees	5
Long-term loans receivable from subsidiaries and affiliates	12,224
Claims in bankruptcy and rehabilitation	135
Long-term prepaid expenses	705
Deferred tax assets	14,516
Other	3,607
Allowance for doubtful receivables	(2,940)
<b>Total assets</b>	<b>578,650</b>

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

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

(Millions of yen)

	Fiscal year under review
<b>Liabilities</b>	
Current liabilities	231,995
Notes payable	3,490
Accounts payable	46,264
Short-term bank loans	16,000
Current portion of corporate bonds	10,000
Long-term debt due within one year	15,500
Commercial papers	25,000
Lease obligations	69
Accounts payable, other	16,335
Accrued expenses	1,690
Accrued income taxes	120
Contract liabilities	34,608
Deposits received	56,677
Provision for bonuses	1,785
Allowance for warranty	3,247
Allowance for losses on construction contracts	12
Other	1,197
Long-term liabilities	164,478
Bonds payable	40,000
Long-term debt	29,900
Lease obligations	25
Provision for loss on business of subsidiaries and affiliates	6,215
Allowance for losses on business transfer	115
Allowance for retirement benefits	18,203
Asset retirement obligations	294
Deferred tax liabilities on land revaluation	20,479
Long-term deposits received	49,247
Total liabilities	396,474
<b>Net assets</b>	
Shareholders' equity	138,279
Common stock	30,872
Capital surplus	27,086
Capital reserve	27,073
Other capital surplus	13
Retained earnings	81,471
Legal reserve of retained earnings	6,295
Other retained earnings	75,176
Retained earnings brought forward	75,176
Treasury stock	(1,149)
Valuation and translation adjustments	43,897
Unrealized gains (losses) on securities	4,193
Deferred gains (losses) on hedges	(738)
Land revaluation difference	40,442
Total net assets	182,176
Total liabilities and net assets	578,650

“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, 2022 to December 31, 2022)

(Millions of yen)

	Fiscal year under review
Net sales	166,954
Cost of sales	135,661
Gross profit	31,293
Selling, general and administrative expenses	23,147
Operating income	8,147
Other income	13,874
Interest and dividend income	11,461
Foreign exchange gains	469
Other – net	1,944
Other expenses	3,063
Interest expenses paid on loans and bonds	313
Patent expenses	625
Provision of allowance for doubtful receivables for subsidiaries and affiliates	1,066
Other – net	1,058
Ordinary income	18,957
Extraordinary income	1,016
Gain on extinguishment of tie-in shares	1,016
Extraordinary losses	23,922
Loss on valuation of stock of subsidiaries and affiliates	19,911
Provision for loss on business	3,787
Impairment losses	224
Net loss before income taxes	(3,949)
Income tax – current	963
Income tax – deferred	1,162
Net loss	(6,074)

“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.