



February 14, 2024

To whom it may concern:

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Notice Regarding Subsidiary's Withdrawal from New Shipbuilding Business

The Company hereby announces that, at a Board of Directors meeting held on February 14, 2024, a resolution was adopted to withdraw from the business of building new general commercial vessels. This venture has been conducted by its wholly owned subsidiary, Sumitomo Heavy Industries Marine&Engineering Co., Ltd. (hereinafter "SHI-ME").

1. Reason for Withdrawal from the Business

Our shipbuilding business originated with the establishment of Uruga Senkyo Corporation in 1897. Since then, we have operated this business alongside the manufacturing and repair activities for Besshi Copper Mines, two of our original ventures. In 2003, the shipbuilding business was spun off from the Company into a separate entity, SHI-ME. This new company adopted the motto of "becoming a top player in the middle-size tanker market," with a specific focus on Aframax tankers as a differentiation strategy. SHI-ME continued to engage in shipbuilding, ship repair, and other related businesses. Afterward, SHI-ME successfully expanded its reach. However, the bankruptcy of Lehman Brothers in 2008 and other factors contributed to a deteriorating environment for the shipbuilding business such as a rapid decline in ship prices. The company implemented various measures, including limiting the number of vessel orders it accepted and overhauling its shipbuilding system. However, anticipating the necessity to address the rising prices of steel and other materials and equipment, along with significant fluctuations in vessel prices and persisting intense competition with overseas companies due to an increasing supply-demand gap, we have extensively deliberated on the future of the shipbuilding business together with SHI-ME.

As a result, the Company has found it challenging to sustain the shipbuilding business and has decided not to accept new orders for general commercial vessels from FY2024 onwards, planning to exit the business after completing all backlogs of orders received by the end of FY2023.

2. Outline of Business Discontinuation

- (1) Overview of the business subject to withdrawal
- Business of building new general commercial vessels at SHI-ME

(2) FY2023 results of the new shipbuilding business

Orders	Net sales
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JPY16.96 billion	JPY19.50 billion
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3. Scheduled Activities

We are committed to fulfilling our obligations by completing the construction and delivery of all backlogged new vessels. In addition, we will continue to provide after-sales service for the previously constructed vessels and conduct the ship repair business. Furthermore, in accordance with the Energy & Lifeline segment policy outlined in the Medium-Term Management Plan 2026, we will advance the commercialization of base structures for offshore wind power generation, along with related vessels, in the decarbonized energy sector. Simultaneously, the Company will strive to stabilize SHI-ME's revenue through personnel reassignment and other forms of management resource reallocation.

As for a part of land used for new shipbuilding, our wholly owned subsidiary, Sumitomo Construction Machinery Co., Ltd. is planning to construct the Yokosuka Factory there and produce some models of hydraulic excavators.

4. Impact on Business Results

Due to the withdrawal from the business, we recorded JPY840 million in provisions of allowance for loss on business liquidation as an extraordinary loss in the fiscal year ending December 31, 2023. The impact of the withdrawal has been taken into account in the consolidated earnings forecasts for the fiscal year ending December 31, 2024.

End