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Notice of the 124th 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 124th Ordinary General Meeting of Shareholders to be held on Friday, June 26, 2020. 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.”

June 10, 2020

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

Notice of the 124th Ordinary General Meeting of Shareholders

Dear Shareholders:

We are pleased to announce the Company's 124th 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 strongly 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 regardless of their health condition. In exercising these rights prior to this General Meeting, you may kindly review the attached reference documents indicated hereinafter and submit your vote by 6:00 p.m. on Thursday, June 25, 2020, by mail or via the Internet.

Sincerely yours,

Shinji Shimomura
President and CEO

Procedure for the Exercise of Voting Rights:

■ Voting by Attending the Meeting

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

■ Voting by Mail

Please return the enclosed voting instruction card to reach us **no later than 6:00 p.m. on Thursday, June 25, 2020**, indicating your approval or disapproval for each agenda item.

■ Voting via the Internet

Please input your approval or disapproval for each agenda item via the Internet **no later than 6:00 p.m. on Thursday, June 25, 2020.**

Details

- 1. Date and Time:** Friday, June 26, 2020, at 10:00 a.m. (Open at 9:00 a.m.)
- 2. Place:** Conference Room, 25th Floor, Head Office of the Company
ThinkPark Tower, 1-1, Osaki 2-chome, Shinagawa-ku, Tokyo, Japan
- 3. Purposes of the Meeting:**

Matters to be Reported:

1. The contents of the Company's Business and Financial Report and Consolidated Financial Statements for the 124th fiscal year (from April 1, 2019 to March 31, 2020) 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 124th fiscal year (from April 1, 2019 to March 31, 2020)

Matters Requiring Shareholders' Resolutions:

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

Other Matters Regarding this Notice

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

The Company's website

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



Reference Documents for the Shareholders' Meeting

Agenda Item 1: Disposition of Retained Earnings

The Company's general policy for the distribution of profits is to provide shareholders with dividend payments proportionate to the fiscal year's profits and to increase them, while giving due consideration to securing retained earnings necessary to achieve long-term and stable business development. The Company determines its dividend payment amounts after comprehensively considering the above factors. The payout ratio is maintained basically at 30% over the period covered by the Medium-Term Management Plan 2019.

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 124th 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 124th fiscal year be as follows:

Year-end dividend for the 124th 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: ¥35.00 per share of the Company's common stock

Total dividends: ¥4,288,063,115

For your reference:

Including ¥56 per share for the interim dividend, which has already been distributed, the annual dividend appropriated from retained earnings for the 124th fiscal year is ¥91 per share, a decrease of ¥21 compared to the previous fiscal year.

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

June 29, 2020

Agenda Item 2: Election of Ten Directors

The terms of office of all nine Directors will expire at the close of this General Meeting. Therefore, to further enhance the functions of management supervision, the election of ten Directors including three Outside Directors is requested.

The candidates for Directors are as follows:

No.	Nature of Candidacy	Name	Current Positions and Responsibilities at the Company	Attendance at Board of Directors Meetings
1	Reappointment	Shunsuke Betsukawa	Representative Director and Chairman of the Board Chairperson of the Board of Directors	14/14 meetings (100%)
2	Reappointment	Shinji Shimomura	Representative Director and President & CEO	14/14 meetings (100%)
3	Reappointment	Tetsuya Okamura	Representative Director and Senior Executive Vice President Assistant to the President across the business General Manager of Export Administration Department	14/14 meetings (100%)
4	Reappointment	Toshiharu Tanaka	Director and Executive Vice President General Manager of Power Transmission & Controls Group	14/14 meetings (100%)
5	Reappointment	Hideo Suzuki	Director and Executive Vice President & CFO	14/14 meetings (100%)
6	New Candidate	Kazuo Hiraoka	Executive Vice President General Manager of Plastic Machinery Division	—
7	Reappointment	Eiji Kojima	Director and Senior Vice President General Manager of Energy & Environment Group	14/14 meetings (100%)
8	Reappointment Outside Independent	Susumu Takahashi	Outside Director	14/14 meetings (100%)
9	Reappointment Outside Independent	Hideo Kojima	Outside Director	14/14 meetings (100%)
10	New Candidate Outside Independent	Akio Hamaji	—	—

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

(Reference) The Policies on and Procedures for Nominating Director Candidates and the Independence Standards for Outside Officers stipulated by the Company are stated on page 19 and pages 20 through 21, respectively.

No. **1**

Shunsuke Betsukawa

Reappointment

Nomination

Compensation

(Born on May 9, 1954)



Number of shares of the
Company held
24,466 shares

Tenure as Director
11 years

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

Career Summary, and Positions and Responsibilities at the Company

April 1978	Joined the Company
April 2007	Senior Vice President, General Manager of Corporate Finance, Accounting & Administration Group
April 2009	Senior Vice President, General Manager of Corporate Finance, Accounting & Administration Group, and General Manager of Corporate Planning and Development Department
June 2009	Director and Senior Vice President, General Manager of Corporate Finance, Accounting & Administration Group, and General Manager of Corporate Planning and Development Department
April 2010	Director and Executive Vice President, General Manager of Corporate Finance, Accounting & Administration Group
April 2011	Representative Director and Executive Vice President & CFO, General Manager of Corporate Finance, Accounting & Administration Group, and General Manager of Export Administration Department
April 2012	Representative Director and Senior Executive Vice President & CFO, General Manager of Export Administration Department
April 2013	Representative Director and President & CEO
April 2019	Representative Director and Chairman of the Board , 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. Shunsuke Betsukawa was appointed as the Representative Director and President in 2013 after serving as the person in charge of the Finance, Accounting, and Corporate Planning divisions. He formulated two medium-term management plans titled “Medium-Term Management Plan 2016” and “Medium-Term Management Plan 2019,” and promoted the building of a robust business structure. Since being appointed as the Representative Director and Chairman of the Board in 2019, 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
6,652 shares

Tenure as Director
4 years

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

Career Summary, and Positions and Responsibilities at the Company

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

Significant Positions Held at Other Companies

None

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Reasons for Selection as Candidate for Director

As Representative Director and President & CEO of Sumitomo (S.H.I.) Construction Machinery Co., Ltd., Mr. Shinji Shimomura accomplished high business growth in the Construction Machinery segment with his strong leadership, and was responsible for the management of the Company Group. After his appointment as Representative Director and President of the Company in 2019, he has directed the management of the Company Group as CEO, such as promoting the building of a robust business structure, with the aim of achieving the targets addressed in “Medium-Term Management Plan 2019.”

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

Tetsuya Okamura

Reappointment

(Born on May 5, 1956)



Number of shares of the
Company held
3,315 shares

Tenure as Director
2 years

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

Career Summary, and Positions and Responsibilities at the Company

April 1980	Joined the Company
March 2008	Managing Director & CEO of Demag Ergotech GmbH (currently Sumitomo (SHI) Demag Plastics Machinery GmbH)
April 2012	Senior Vice President of the Company
April 2017	Senior Vice President, General Manager of Industrial Equipment Division
April 2018	Executive Vice President, General Manager of Industrial Equipment Division
June 2018	Director and Executive Vice President, General Manager of Industrial Equipment Division
April 2020	Representative Director, Senior Executive Vice President, General Manager of Export Administration Department, to date

Significant Positions Held at Other Companies

None

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Reasons for Selection as Candidate for Director

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

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

No. **4**

**Toshiharu
Tanaka**

Reappointment

(Born on January 30, 1959)



Number of shares of the
Company held
10,132 shares

Tenure as Director
7 years

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

Career Summary, and Positions and Responsibilities at the Company

April 1983	Joined the Company
April 2011	General Manager of Precision Equipment Group
April 2013	Senior Vice President, General Manager of Precision Equipment Group
June 2013	Director and Senior Vice President, General Manager of Precision Equipment Group
April 2014	Director and Senior Vice President, General Manager of Overseas Sales Department, Power Transmission & Controls Group
October 2014	Director and Senior Vice President, General Manager of Power Transmission & Controls Group
April 2015	Director and Executive Vice President, General Manager of Power Transmission & Controls Group , to date

Significant Positions Held at Other Companies

None

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Reasons for Selection as Candidate for Director

After being appointed as General Manager of Precision Equipment Group in 2011, Mr. Toshiharu Tanaka was appointed as a Director and a Senior Vice President in 2013. Since 2014, he has been advancing efforts to develop the business as the person in charge of the Machinery Components segment. Mr. Tanaka was promoted to be an Executive Vice President in 2015, 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. **5**

Hideo Suzuki

Reappointment

(Born on January 7, 1960)



Number of shares of the
Company held
8,632 shares

Tenure as Director
2 years

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

Career Summary, and Positions and Responsibilities at the Company

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

Significant Positions Held at Other Companies

None

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Reasons for Selection as Candidate for Director

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

Since he has a high-level of management knowledge and 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

**Kazuo
Hiraoka**

New Candidate

(Born on July 30, 1962)



Number of shares of the
Company held
2,133 shares

Career Summary, and Positions and Responsibilities at the Company

April 1985	Joined the Company
April 2007	General Manager of Engineering Department, Plastic Machinery Division
April 2010	Deputy General Manager of Ningbo Sumiju Machinery, Ltd.
April 2012	General Manager of Plastic Machinery Division of the Company
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, to date

Significant Positions Held at Other Companies

None

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Reasons for Selection as Candidate for Director

After being appointed as the General Manager of Plastic Machinery Division in 2012, Mr. Kazuo Hiraoka was appointed as Vice President in 2015, as Senior Vice President in 2016, and promoted to Executive Vice President in April 2020, and has promoted initiatives aimed at business growth as the person responsible for the business that drives the growth and high strong monetization 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 appointment.

No. **7**

Eiji Kojima

Reappointment

(Born on January 3, 1960)



Number of shares of the
Company held
2,080 shares

Tenure as Director
3 years

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

Career Summary, and Positions and Responsibilities at the Company

April 1984	Joined the Company
April 2006	Principal Engineer of Engineering Department, Mechatronics Division
May 2009	General Manager of Engineering Department, Mechatronics Division
April 2010	General Manager of Electromechanical Systems Engineering Dept., Mechatronics Division
April 2011	General Manager of Planning & Control Department, Mechatronics Division
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, to date

Significant Positions Held at Other Companies

None

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Reasons for Selection as Candidate for Director

After being appointed as General Manager of Mechatronics Division in 2013, Mr. Eiji Kojima performed his duties as the person in charge of the business driving the control technologies across the Company Group. In 2016, he was appointed as a Senior Vice President, and the same year he was appointed as General Manager of the Energy & Environment Group. He has advanced initiatives to strengthen the business competitiveness and build the competitive advantage. In 2017, he was appointed as a Director, and in this role he 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. 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

6 years

Attendance at Board of
Directors Meetings

14/14 meetings (100%)

Career Summary, and Positions and Responsibilities at the Company

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

Significant Positions Held at Other Companies

Chairman Emeritus of The Japan Research Institute, Limited

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Reasons for Selection as Candidate for Outside Director

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

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

- 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 10,000,000 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
5 years

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

Career Summary, and Positions and Responsibilities at the Company

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

- 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 10,000,000 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

New Candidate

Outside

Independent

(Born on July 13, 1954)



Number of shares of the
Company held
0 shares

Career Summary, and Positions and Responsibilities at the Company

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

Significant Positions Held at Other Companies

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

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Reasons for Selection as Candidate for Outside Director

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. In light of Mr. Hamaji's abilities, the Company has determined that he is qualified to serve as an Outside Director of the Company, and hereby requests his appointment.


- 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 intends to designate Mr. Akio Hamaji as an independent officer and notified the Tokyo Stock Exchange to that effect.
 - If the election of Mr. Akio Hamaji 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 10,000,000 yen or the minimum amount of liability as provided in Article 425, paragraph 1 of the Companies Act, whichever is higher.
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Agenda Item 3: Election of Two Corporate Auditors

The terms of office of Corporate Auditors Yuji Takaishi and Takeo Wakae 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		Yuji Takaishi	Reappointment
		(Born on November 25, 1954)	
		Career Summary and Positions at the Company	
Number of shares of the Company held 20,652 shares		April 1977	Joined the Company
Tenure as Corporate Auditor 4 years		April 2007	Senior Vice President, General Manager of Human Resources Department
Attendance at Board of Directors Meetings 14/14 meetings (100%)		June 2007	Director, Senior Vice President, General Manager of Human Resources Department
Attendance at Board of Corporate Auditors Meetings 12/12 meetings (100%)		April 2010	Director, Executive Vice President, General Manager of Plastics Machinery Division
		April 2012	Director, Executive Vice President, General Manager of Corporate Planning & Development Department
		April 2013	Representative Director, Executive Vice President, General Manager of Corporate Planning & Development Department, Export Administration Department
		April 2014	Representative Director, Executive Vice President, General Manager of Corporate Planning Group, Export Administration Department
		October 2014	Representative Director, Executive Vice President, Export Administration Department
		April 2015	Representative Director, Executive Vice President, General Manager of Export Administration Department, Regional General Manager of Kansai Office
		April 2016	Director
		June 2016	Corporate Auditor , to date
		Significant Positions Held at Other Companies	
		None	
		Special Interest between Candidate and the Company	
		The candidate has no special interest in the Company.	
		Reasons for Selection as Candidate for Corporate Auditor	
		Mr. Yuji Takaishi was appointed as Director and Senior Vice President in 2007 and promoted to Executive Vice President in 2010. As the person responsible for the Human Resources, Plastic Machinery and Corporate Planning divisions, he created results in each division. In 2013, he was appointed as Representative Director, and was responsible for the management of the Company Group. In 2016, he was appointed as Corporate Auditor. As Corporate Auditor, he is working on effective audit activities of the Company's management.	
		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 continue fulfilling his responsibilities as a Corporate Auditor, and hereby requests his reappointment.	

(Reference) The Policies on and Procedures for Nominating Corporate Auditor Candidates stipulated by the Company are stated on page 19.

No. **2**

Takeo Wakae

Reappointment

Outside

Independent

Compensation

(Born on October 22, 1948)



Career Summary and Positions at the Company

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

Number of shares of the
Company held
0 shares

Significant Positions Held at Other Companies

Attorney-at-law of Kumagai & Wakae Law Office

Tenure as Corporate Auditor
8 years

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Attendance at Board of
Directors Meetings
13/14 meetings (93%)

Reasons for Selection as Candidate for Outside Corporate Auditor

Attendance at Board of
Corporate Auditors Meetings
12/12 meetings (100%)

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 expects him to conduct effective audits of the Company's management from an objective and independent standpoint as an Outside Corporate Auditor. Also, he has performed his duties through his proactive comments at Board of Directors meetings and through his activities as a member of the Compensation Committee, so the Company has determined that he is qualified to serve as an Outside Corporate Auditor of the Company, and hereby requests his reappointment.

- The Company has designated Mr. Takeo Wakae as an independent officer and notified the Tokyo Stock Exchange to that effect.
- The Company has entered into a contract with Mr. Takeo Wakae to limit his liability for damages under Article 423, paragraph 1 of the Companies Act to 10,000,000 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. Wakae.

(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 19 and pages 20 through 21, respectively.

Agenda Item 4: Election of One Alternative Corporate Auditor

The election of Mr. Tomoyuki Kato, Alternative Corporate Auditor, made at the 123rd Ordinary General Meeting of Shareholders held on June 27, 2019, 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:

Tomoyuki Kato

Outside

Independent

(Born on August 14, 1944)



Number of shares of the
Company held
0 shares

Career Summary and Positions at the Company

April 1976	Registered as a certified public accountant , to date
July 1992	Representative Partner of Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)
July 2006	Established Kato CPA Office
June 2007	Outside Corporate Auditor of Toyo Wharf & Warehouse Co., Ltd.
June 2016	Outside Corporate Auditor of the Company
June 2017	Alternative Corporate Auditor , to date

Significant Positions Held at Other Companies

Certified Public Accountant

Special Interest between Candidate and the Company

The candidate has no special interest in the Company.

Reasons for Selection as Candidate for Alternative Outside Corporate Auditor

Although Mr. Tomoyuki Kato has no experience in corporate management other than serving as 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 has determined that Mr. Kato can conduct effective audits of the Company's management from objective and independent standpoints as an Outside Corporate Auditor, and hereby requests his appointment.

- If Mr. Tomoyuki Kato 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. Tomoyuki Kato 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 10,000,000 yen or the minimum amount of liability as provided in Article 425, paragraph 1 of the Companies Act, whichever is higher.
-

(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 19 and pages 20 through 21, respectively.

(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.

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.

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>

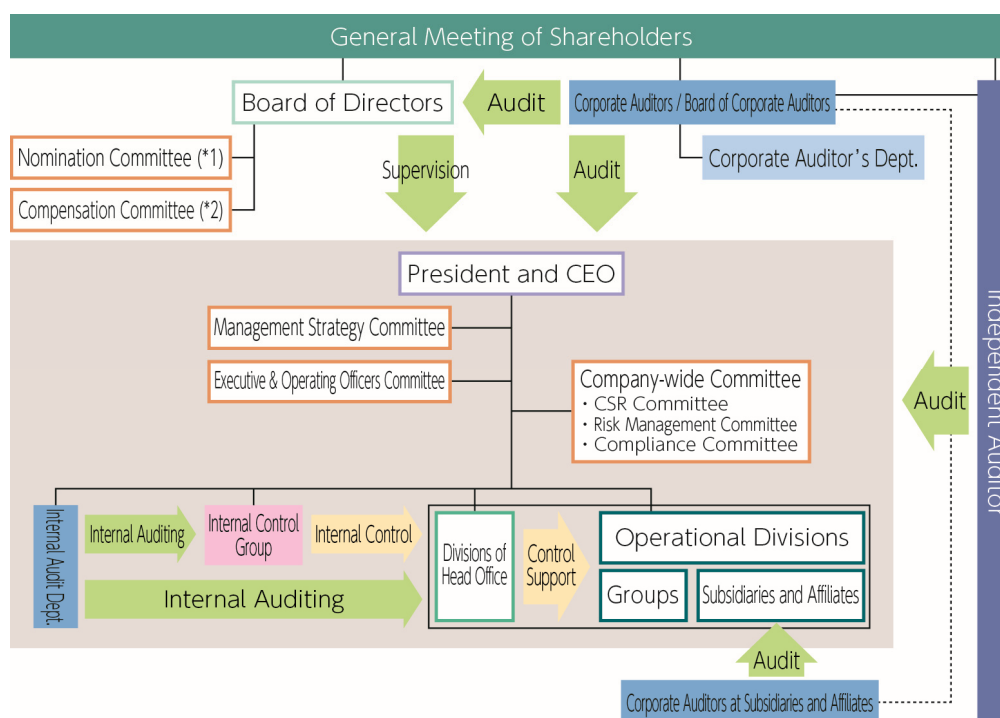


Corporate Governance System

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 two are outside directors whose role is to supervise management from an independent standpoint and are in charge of appropriately reflecting the stakeholders' perspective.

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



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

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

(Attached documents)

BUSINESS AND FINANCIAL REPORT

(April 1, 2019 through March 31, 2020)

I. CURRENT STATUS OF THE COMPANY GROUP

1. PERFORMANCE AND RESULTS OF OPERATIONS

In the fiscal year under review, although the business environment in which the Company Group operated was characterized by overall solid corporate results in Japan, machinery investment in the manufacturing industry was negative. Overseas, despite the continued recovery in the U.S. economy, its manufacturing industry was hit by the effects of the trade issues. In addition, China's economy was showing a gradual trend of slowing. As a result, global machinery demand entered an adjustment phase. Furthermore, there were increased factors of uncertainty including increasingly serious US-China trade friction, continued geopolitical risks, fluctuations in the forex market, and the spread of COVID-19.

Amid this business environment, the Company Group promoted the "Medium-Term Management Plan 2019," and advanced a number of key strategies, including capital investment, R&D and other growth investment, and aggressive promotion of CSR activities.

As a result, total orders received by the Company Group were ¥826.2 billion and net sales on a consolidated basis were ¥864.5 billion.

As for profits and losses, operating income was ¥56.8 billion, ordinary income was ¥52.7 billion, and net income attributable to shareholders of the parent company was ¥32.8 billion. In addition, the after-tax ROIC* was 7.3%.

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

Financial Highlights

Orders

¥826.2 billion

a 13% decrease from
the previous fiscal year

Net sales

¥864.5 billion

a 4% decrease from
the previous fiscal year

Operating income

¥56.8 billion

a 24% decrease from
the previous fiscal year

Ordinary income

¥52.7 billion

a 27% decrease from
the previous fiscal year

Net income attributable to shareholders of the parent company

¥32.8 billion

a 28% decrease from
the previous fiscal year

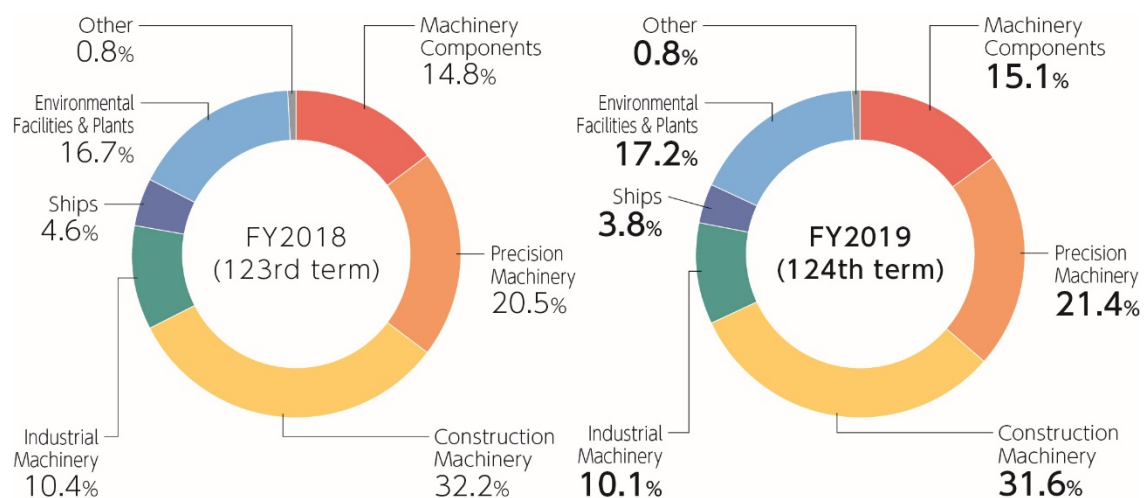
ROIC

7.3%

(The previous fiscal year: 10.5%)

SUMMARY OF OPERATIONS AND PERFORMANCE BY SEGMENT

Net Sales Ratio by Segment of the Company Group



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

(Billions of yen)

Segment	Orders		Sales		Year-end Backlog of Orders as of March 31,	
	FY2018	FY2019	FY2018	FY2019	2019	2020
Machinery Components	134.0	126.5	133.4	130.5	38.0	34.0
Precision Machinery	191.5	189.8	185.7	185.0	82.6	87.4
Construction Machinery	305.3	259.5	290.5	272.8	72.5	59.2
Industrial Machinery	90.8	88.4	93.7	87.0	95.8	97.2
Ships	32.0	30.1	41.4	32.9	40.0	37.2
Environmental Facilities & Plants	191.3	124.7	151.0	149.0	270.8	246.5
Other	7.3	7.1	7.3	7.2	1.4	1.3
Total	952.2	826.2	903.1	864.5	601.0	562.7

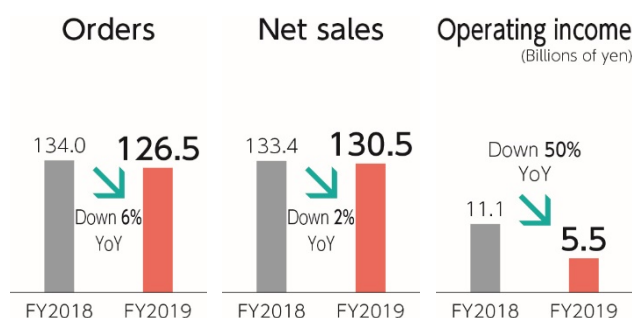
Machinery Components

Principal Business:

Power Transmission and Control Equipment, Motors, Inverters

Orders and sales decreased due to declined demand in small- to medium-sized power transmission and control equipment and precision speed reducers for use in robotics.

In addition to the decrease in sales, operating income also declined due to an increase in expenses and changes in the model composition.



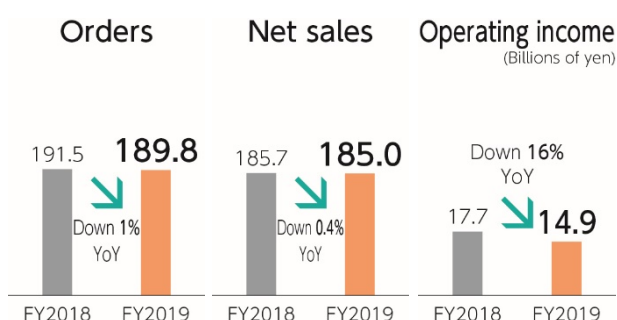
Precision Machinery

Principal Business:

Plastic Injection Molding Machines, Extrusion Laminator Machines, Semiconductor Manufacturing Equipment, Laser Processing Systems, Cryogenic Equipment, Precision-Positioning Stages, Precision Forgings, Control System Equipment, Defense Equipment, Machining Tools

With respect to the plastics machinery business, weak demand in the electric and electronic sector in China and a decrease in demand in Japan and Europe led to a decline in orders, sales, and operating income.

In other precision machinery business, demand for semiconductor-related equipment was strong, leading to an increase in orders, sales, and operating income.



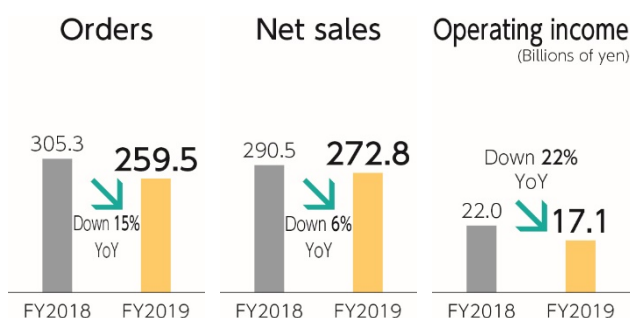
Construction Machinery

Principal Business:

Hydraulic Excavators, Construction Cranes, Road Construction Machinery

With respect to the hydraulic excavator business, demand in the ASEAN region declined, the Chinese market struggled, and issues with part procurement resulted from typhoon damage, leading to a decline in orders, sales, and operating income.

With respect to the construction crane business, orders, sales, and operating income all declined due to reduced demand in Japan and the North American region.



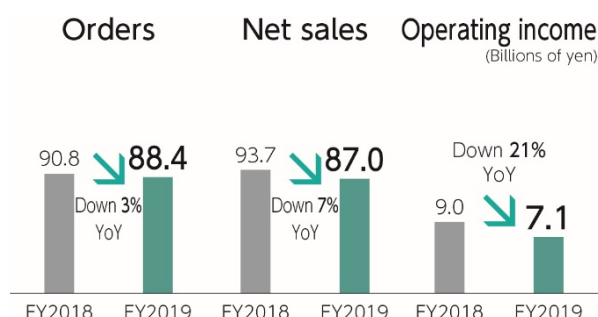
Industrial Machinery

Principal Business:

Cyclotrons, Medical Equipment, Forging Machines, Material Handling Systems, Logistics & Handling Systems, Automated Parking Systems, Turbines, Pumps

The material handling business recorded similar orders to the previous fiscal year due to continued strong demand from electric power and ports. However, sales declined due to many delivery dates for our order balance falling in the next fiscal year or beyond. Furthermore, operating income declined due to decreased sales and changes in the model composition.

In the other industrial machinery business, orders decreased due to a decline of those for a part of the industrial-use equipment from the previous fiscal year, and sales and operating income declined from a small order balance at the end of the previous fiscal year.

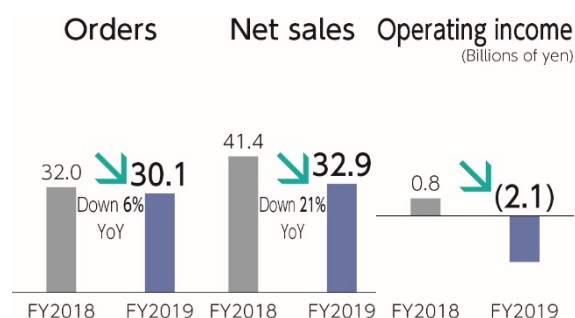


Ships

Principal Business:

Ships

As market conditions continued to flag, the Company Group received orders for three new vessels during the fiscal year under review, the same number as the previous fiscal year. While we delivered four vessels, the same number as the previous fiscal year, sales decreased due to a decline in ship maintenance and repair. Furthermore, the ships business experienced an operating loss due to reduced sales and the effects of typhoon damage.



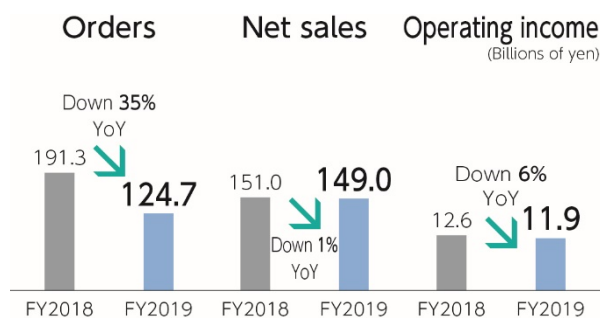
Environmental Facilities & Plants

Principal Business:

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

In the energy plant business, orders declined due to fewer large-scale projects in biomass power plant projects in Japan compared to the previous fiscal year, but sales and operating income were similar to the previous fiscal year due to our order balance.

In the water treatment plant business, orders fell due to a reduction in sewage treatment system projects compared to the previous fiscal year, but sales and operating income were similar to the previous fiscal due to our order balance.



Other

Principal Business:

Software, Real Estate

In other businesses, orders were ¥7.1 billion, a 2% decrease from the previous fiscal year; net sales were ¥7.2 billion, a 1% decrease from the previous fiscal year; and operating income was ¥2.4 billion, a 9% increase from the previous fiscal year.

2. CAPITAL INVESTMENT AND OTHER INVESTMENT

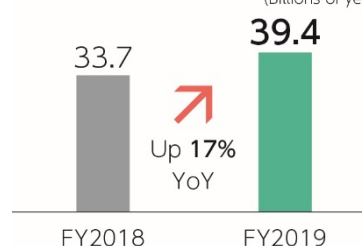
(1) Capital investment

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

Specifically, we made investments to increase production capacity, update aging facilities, and improve IT infrastructure in the Machinery Components, Precision Machinery, and Construction Machinery segments.

As a result, the total amount of capital investment for the fiscal year under review was ¥39.4 billion.

Trends of Total Capital Investment
(Billions of yen)



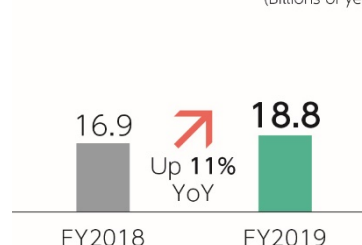
(2) R&D investment

With the aim of providing peace of mind to customers and contributing to the resolution of social issues, we carried out investment in development aimed at providing first-class products and services.

Specifically, in the Machinery Components segment, we made investments in the development of Cyclo speed reducers for precision control, and in the Industrial Machinery segment, we invested in the development of treatment systems using accelerators.

As a result, the total amount of R&D investment for the fiscal year under review was ¥18.8 billion.

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



3. FINANCING

During the fiscal year under review, we raised a total of ¥20.0 billion through the issuance of unsecured domestic straight bonds in July 2019 and January 2020 to fund capital expenditures and bond redemptions.

In addition to the above, to provide for short-term operating capital and to secure liquidity on hand, we issued ¥166.0 billion in commercial papers. The balance of commercial papers at the end of the fiscal year was ¥35.0 billion.

4. BUSINESS RESTRUCTURING

On November 7, 2019, the Company acquired shares of Inverter Drives Ltd., a manufacturer and distributor of industrial inverters. As a result, Inverter Drives Ltd. became a consolidated subsidiary of the Company.

5. CHALLENGES FACING THE COMPANY GROUP

The Group's business environment in Japan now faces extreme adversity that is considered more severe than the Global Financial Crisis. Amid weak exports due to the slowdown in overseas economies, due to the spread of COVID-19, the government has requested people to refrain from various activities, inbound tourism demand has evaporated, and supply chains have been decimated. Overseas, amid the impacts of a stalling European economy, conflict in the Middle East, and trade friction between the U.S. and China, economies are facing unforeseen difficulties such as lockdowns of cities around the world and attendant slumps in economic conditions under the unpredictable development of the COVID-19 pandemic.

(1) Summary of the Medium-Term Management Plan 2019

Under Medium-Term Management Plan 2019, which started in fiscal 2017, we made aggressive growth investments such as overseas M&As, backed by an increase in semiconductor-related investment in China and other countries, and firm business conditions in Japan. In the first two fiscal years of the plan, we achieved our financial targets, but in the final fiscal year, we were unable to achieve our financial targets for earnings, mainly due to the stalling European economy, the impact of trade friction between the U.S. and China, and typhoon damage in certain business segments.

However, we operate under the basic concept of “achievement of steady growth,” “conversion into a high profit company” and “persistent efforts for operational quality improvements.” And through “organizational integration, M&A and formation of business alliances with other companies” and “active pursuit of CSR,” we successfully enhanced businesses at the group level. In addition to the improved profitability and greater competitiveness achieved by strengthening the service business and reinforcing the global alliance within the group, we implemented measures for sustainable growth while steadily introducing new products in the markets. Moreover, for the growth of each business, we conducted active M&A by making companies such as Sumitomo SHI FW Energie B.V., Lafert Group (Lafert S.p.A., etc.) and Invertek Drives Ltd. our subsidiaries in 2017, 2018 and 2019 respectively.

Concerning inappropriate inspections in relation to products and services in the Company and at Group companies disclosed in fiscal 2018, by making sure to execute measures to prevent a recurrence, reaffirming operational quality improvements, and implementing management policies that make compliance the No.1 priority, we have been doing our utmost to restore trust.

(2) Issues for Fiscal 2020 and the Medium to Long Term

The Company formulated the next Medium-Term Management Plan with a view to further expanding on the achievements of Medium-Term Management Plan 2019. However, it is now necessary to reconsider the plan in light of the global spread of COVID-19 and business conditions for the Group in Japan and overseas. The announcement of the next Medium-Term Management Plan has therefore been postponed until around May 2021.

The Group will engage in the following strategies to address issues in fiscal 2020 and the medium to long term.

(i) Measures against COVID-19 infection

In response to the spread of COVID-19, we will prioritize the three points: ensuring employee safety, giving maximum cooperation to social demands, and maintaining our business base. Specifically, we will continue and strengthen measures to prevent the spread of infection such as teleworking by directors and employees and staggering shifts, suspend work as necessary during times of emergency, and maintain relationships with customers and cooperating partners, supporting them as needed.

(ii) Issues for fiscal 2020

For fiscal 2020, we will implement our short-term business continuity plan (BCP), such as maintaining production as infection cases occur; respond to customers' demands, including delivery times; maintain business during times when orders are slow; and work to secure operations, and so forth. In particular, we will establish a business continuity structure, including overseas manufacturing sites, to be adopted if a second wave of COVID-19 occurs, and so forth. We will also

prepare for a rebound and expansion in demand in the Machinery Components, Precision Machinery and other segments.

(iii) Issues for the medium to long term

As the impact of the spread of COVID-19 becomes protracted going forward, it is expected that the market structure may change. In response to this situation, our medium- to long-term tasks are to respond to changes in market structure, achieve high earnings, formulate and execute a scenario for returning to growth, and to formulate a full-fledged BCP that can respond to any change in the situation from the second half of fiscal 2020 onward. These tasks also include formulation of the next Medium-Term Management Plan.

Looking ahead, we will improve the quality of management to ensure that we can continue to produce profits even amid changes in the structure of society and the markets, and consolidate our foundations for business growth. At the same time, we will engage in CSR as the foundation of employee safety, health, and development, while promoting CSR for creating value by realizing better lifestyles and work styles and reducing environmental impacts, using these efforts to drive sustainable growth.

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

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

(Billions of yen, unless otherwise indicated)

Items	FY2016	FY2017	FY2018	FY2019 (this fiscal year)
Orders	711.1	864.0	952.2	826.2
Net sales	674.3	791.0	903.1	864.5
Operating income	48.4	69.9	75.2	56.8
Ordinary income	48.3	67.5	72.6	52.7
Net income attributable to shareholders of the parent company	33.6	34.7	45.7	32.8
Net income per share (Yen)	54.85	282.83	372.56	267.77
Total assets	796.5	894.8	954.1	995.2
Net assets	409.2	445.0	465.0	477.6
Net assets per share (Yen)	650.47	3,517.33	3,701.01	3,790.99

Note: 1. The Company carried out a one-for-five common share consolidation effective on October 1, 2017. Net income per share and net assets per share have been calculated as if the share consolidation had been carried out at the beginning of the fiscal year ended March 31, 2018

7. MAJOR SUBSIDIARIES (as of March 31, 2020)

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.

Name	Stated Capital (Millions of yen)	Company's Shareholding Ratio (%)	Major Line of Business
Sumitomo Heavy Industries Construction Cranes Co., Ltd.	4,000	66	Manufacturing and distribution, and repair of crawler cranes, etc.
Nihon Spindle Manufacturing Co., Ltd.	3,276	100	Manufacturing and distribution of environmental equipment, air conditioner and industrial equipment, etc.
Shin Nippon Machinery Co., Ltd.	2,408	100	Manufacturing and distribution of turbines, pumps, etc.
Sumitomo Heavy Industries Marine & Engineering Co., Ltd.	2,000	100	Manufacturing and distribution of ships, etc.
Sumitomo Heavy Industries Gearbox Co., Ltd.	841	100	Manufacturing and distribution of gears and power transmission and control equipment
Sumitomo Heavy Industries Material Handling Systems Co., Ltd.	480	100	Manufacturing and distribution of material handling machines, logistics & handling systems, automated parking systems, etc.
Sumitomo Heavy Industries Environment Co., Ltd.	480	100	Manufacturing and distribution, and maintenance and management of water and sewerage treatment systems, etc.
Sumitomo Heavy Industries Ion Technology Co., Ltd.	480	100	Manufacturing and distribution of ion implanters
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
Sumitomo Heavy Industries (Vietnam) Co., Ltd. (Vietnam)	41,300 (Thousands of U.S. Dollars)	100	Manufacturing and distribution of power transmission and control equipment

Note: The Company's Shareholding Ratio includes the indirect holdings.

8. MAJOR LENDERS (as of March 31, 2020)

Name	Loans Outstanding (Millions of yen)
Sumitomo Mitsui Banking Corporation	18,382
Sumitomo Mitsui Trust Bank, Limited	7,631
MUFG Bank, Ltd.	6,044
Mizuho Bank, Ltd.	3,629

Note: In addition to the above, the Company has syndicated loans arranged by 16 financial institutions (total amount 15,000 million yen).

9. EMPLOYEES (as of March 31, 2020)

Segment	Number of Employees	Increase or Decrease from End of Last Fiscal Year
Machinery Components	6,988	280
Precision Machinery	4,670	137
Construction Machinery	4,026	167
Industrial Machinery	2,261	84
Ships	570	8
Environmental Facilities & Plants	3,713	401
Corporate Operations & Others	1,407	15
Total	23,635	1,092

10. MAJOR PLACES OF BUSINESS AND PLANTS (as of March 31, 2020)

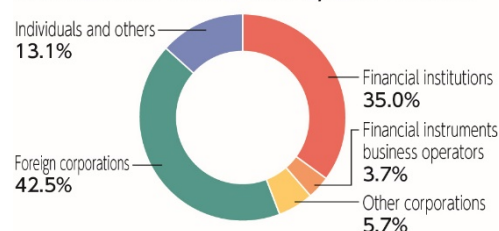
The Company	Head office	1-1, Osaki 2-chome, Shinagawa-ku, Tokyo, Japan
	Business offices	Chubu Office (Nagoya-shi), Kansai Office (Osaka-shi), Kyushu Office (Fukuoka-shi)
	Plants	Tanashi Works (Nishitokyo-shi, Tokyo), Chiba Works (Chiba-shi), Yokosuka Works (Yokosuka-shi, Kanagawa Pref.), Nagoya Works (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) Sumitomo Construction Machinery (Tangshan) Co., Ltd. (China) Sumitomo (SHI) Cyclo Drive China, Ltd. (China) Ningbo Sumiju Machinery, Ltd. (China) Sumitomo Heavy Industries (Vietnam) Co., Ltd. (Vietnam)

II. CURRENT CONDITION OF THE COMPANY

1. STOCK (as of March 31, 2020)

- (1) Total number of authorized shares: 360,000,000
- (2) Total number of issued shares: 122,905,481
- (3) Number of shareholders: 35,189
- (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)	10,880	8.9
Japan Trustee Services Bank, Ltd. (trust account)	6,367	5.2
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	5,092	4.2
Sumitomo Life Insurance Company	4,333	3.5
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	2,972	2.4
Sumitomo Heavy Industries, Ltd. Kyoeikai	2,826	2.3
Japan Trustee Services Bank, Ltd. (trust account 5)	2,329	1.9
Sumitomo Mitsui Banking Corporation	2,000	1.6
JP MORGAN CHASE BANK 385151	1,999	1.6
Japan Trustee Services Bank, Ltd. (trust account 9)	1,982	1.6

Note: Shareholding ratios are calculated based on the total number of shares excluding treasury shares (389,592 shares). The treasury shares include 200 shares registered in the name of the Company in the Register of Shareholders but not substantially owned by the Company.

2. DIRECTORS AND CORPORATE AUDITORS OF THE COMPANY

(1) Directors and Corporate Auditors (as of March 31, 2020)

Name	Title	Positions, Responsibilities, and Significant Positions Held at Other Companies
Shunsuke Betsukawa	Representative Director and Chairman of the Board	Chairperson of the Board of Directors
Shinji Shimomura	Representative Director President (CEO)	
Yoshiyuki Tomita	Representative Director Executive Vice President	General Manager of Export Administration Department; General Manager of Corporate Technology Operations Group
Toshiharu Tanaka	Director Executive Vice President	General Manager of Power Transmission & Controls Group
Tetsuya Okamura	Director Executive Vice President	General Manager of Industrial Equipment Division
Hideo Suzuki	Director Executive Vice President CFO	
Eiji Kojima	Director Senior Vice President	General Manager of Energy & Environment Group
Susumu Takahashi	Director	Chairman Emeritus of The Japan Research Institute, Limited
Hideo Kojima	Director	CPA, Hideo Kojima CPA Office
Yuji Takaishi	Standing Corporate Auditor	
Jun Nogusa	Standing Corporate Auditor	
Takeo Wakae	Corporate Auditor	Lawyer, Kumagai & Wakae Law Office
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

Notes:

1. Directors Susumu Takahashi and Hideo Kojima are Outside Directors.
2. Corporate Auditors Takeo Wakae and Masaichi Nakamura are Outside Corporate Auditors.
3. The Company reported the appointments of Directors Susumu Takahashi and Hideo Kojima and Corporate Auditors Takeo Wakae and Masaichi Nakamura to the Tokyo Stock Exchange as independent officers.
4. Corporate Auditor Masaichi Nakamura has adequate expertise with regard to finance and accounting as a CPA.
5. The Directors who resigned during this term (resigned as of June 27, 2019):
Director Yoshinobu Nakamura (expiration of term of office)

6. As of April 1, 2020, 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
Shunsuke Betsukawa	Representative Director Chairman of the Board	Chairperson of the Board of Directors
Shinji Shimomura	Representative Director President (CEO)	
Tetsuya Okamura	Representative Director Senior Executive Vice President	Assistant to the President across the business; General Manager of Export Administration Department
Toshiharu Tanaka	Director Executive Vice President	General Manager of Power Transmission & Controls Group
Hideo Suzuki	Director Executive Vice President CFO	
Eiji Kojima	Director Senior Vice President	General Manager of Energy & Environment Group
Yoshiyuki Tomita	Director	
Susumu Takahashi	Director	Chairman Emeritus of The Japan Research Institute, Limited
Hideo Kojima	Director	CPA, Hideo Kojima CPA Office
Yuji Takaishi	Standing Corporate Auditor	
Jun Nogusa	Standing Corporate Auditor	
Takeo Wakae	Corporate Auditor	Lawyer, Kumagai & Wakae Law Firm
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
Kazuo Hiraoka	Executive Vice President	General Manager of Plastics Machinery Division
Hiroo Morita	Senior Vice President	Chairman of the Board of Sumitomo Heavy Industries (China), Ltd. General Manager of Internal Control Group, Corporate Legal Department, Internal Audit Department, and General Administration Group
Tatsuya Endo	Senior Vice President	Representative Director and President & CEO of Sumitomo Heavy Industries Material Handling Systems Co., Ltd.; General Manager of Ehime Works
Taiji Tsuchiya	Senior Vice President	General Manager of Precision Equipment Group
Hiroshi Arito	Senior Vice President	Representative Director, President and CEO of Nihon Spindle Manufacturing Co., Ltd.
Hideshi Shimamoto	Senior Vice President	General Manager of Ship & Marine Division; Representative Director, President and CEO of Sumitomo Heavy Industries Marine & Engineering Co., Ltd.
Morihiro Kondo	Senior Vice President	General Manager of Corporate Planning Group General Manager of CSR Department
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
Toshihiko Chijiwa	Senior Vice President	General Manager of Corporate Technology Management Group; General Manager of Technology Research Center
Shaun Dean	Senior Vice President	General Manager of EMEA HQ, Power Transmission & Controls Group; Director and CEO of Lafert S.p.A; Director and CEO of Invertek Drives Ltd.
Tatsuro Araki	Vice President	General Manager of Gearbox Business Unit, Power Transmission & Controls Group; Representative Director and President of Sumitomo Heavy Industries Gearbox Co., Ltd.
Sadahiko Kimura	Vice President	General Manager of Mechatronics Division
Shigeru Tajima	Vice President	General Manager of Process Machinery Center; Representative Director & President of Sumitomo Heavy Industries Process Equipment Co., Ltd.
Kazutoshi Shiraishi	Vice President	General Manager of Human Resources Group
Toshiro Watanabe	Vice President	General Manager of Corporate Finance, Accounting & Administration Group

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

(2) Outline of agreement for limited liability

The Company has entered into a contract with Outside Directors Susumu Takahashi and Hideo Kojima and Outside Corporate Auditors Takeo Wakae and Masaichi Nakamura, 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) Total amount of compensation, etc. paid to Directors and Corporate Auditors

Category	Number of recipients	Amount paid
Director (of which, Outside Director)	10 (2)	¥391 million (¥19 million)
Corporate Auditor (of which, Outside Corporate Auditor)	4 (2)	¥88 million (¥19 million)

- 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), and ¥7.5 million in total for Corporate Auditors (under the resolution of the 109th Ordinary General Meeting of Shareholders held on June 29, 2005).
 2. The Policies on and Procedures for Determining the Remuneration of Directors and Executive Officers stipulated by the Company are stated on page 22.

(4) 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	14/14 (100%)	—	Expressed opinions based on his specialized knowledge about the economy and management, and his broad experience, as needed.
Outside Director	Hideo Kojima	14/14 (100%)	—	Expressed opinions particularly from the perspective of an expert on finance and accounting as a CPA, as needed. In addition, he acts as the Chairperson of the Nomination Committee and the Compensation Committee.
Outside Corporate Auditor	Takeo Wakae	13/14 (93%)	12/12 (100%)	Expressed opinions particularly from the perspective of an expert on legal issues as a lawyer, as needed.
Outside Corporate Auditor	Masaichi Nakamura	12/14 (86%)	12/12 (100%)	Expressed opinions particularly from the perspective of an expert on finance and accounting as a CPA, as needed.

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	¥154 million
(ii) Total amount of money and other economic benefits to be paid by the Company and its subsidiaries to the Independent Auditor	¥250 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 in accordance with the Guidelines for Practices Regarding Cooperation with Independent Auditor released by the Japan Audit & Supervisory Board Members Association, the Board of Corporate Auditors of the Company has determined that the compensation, etc. of Independent Auditor related to this fiscal year is appropriate, and therefore the agreement pursuant to Article 399, Paragraph 1 of the Companies Act was made.

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

The Company outsources to Independent Auditor the preparation of a comfort letter which are outside the scope of work (non-audit duties) stipulated under Article 2, Paragraph 1 of the Certified Public Accountants Act.

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

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

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

Consolidated Financial Statements
CONSOLIDATED BALANCE SHEET (As of March 31, 2020)

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
Assets		
Current assets	592,784	583,568
Cash and deposits	87,067	73,589
Notes and accounts receivable	271,406	291,578
Inventories	200,978	189,045
Other	36,673	33,185
Allowance for doubtful receivables	(3,341)	(3,829)
Fixed assets	402,370	370,483
Property, plant and equipment	268,066	248,276
Buildings and structures	62,217	57,462
Machinery and delivery equipment	64,589	60,836
Land	107,535	107,720
Construction in progress	9,250	6,131
Other	24,474	16,128
Intangible fixed assets	73,154	65,071
Goodwill	33,505	24,049
Other	39,649	41,022
Investments and other assets	61,151	57,136
Investment securities	19,771	18,270
Long-term loans receivable	3,213	3,812
Deferred tax assets	26,928	26,874
Defined benefit asset	2,936	1,213
Other	12,600	12,280
Allowance for doubtful receivables	(4,297)	(5,314)
Total assets	995,154	954,051

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

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

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
Liabilities		
Current liabilities	365,657	382,378
Notes and accounts payable	158,489	188,069
Short-term bank loans	28,139	23,444
Current portion of corporate bonds	—	10,000
Long-term debt due within one year	4,499	1,956
Commercial papers	35,000	17,000
Accrued income taxes	5,921	11,453
Advances received on contracts	57,523	52,579
Allowance for warranty	13,742	13,339
Allowance for losses on construction contracts	4,233	6,309
Other	58,111	58,229
Long-term liabilities	151,849	106,673
Bonds payable	30,000	10,000
Long-term debt	27,032	10,912
Allowance for losses on business transfer	115	115
Allowance for losses on product liabilities	38	39
Defined benefit liability	53,628	46,082
Deferred tax liabilities on land revaluation	20,628	20,713
Other	20,408	18,812
Total liabilities	517,506	489,051
Net assets		
Shareholders' equity	423,091	404,757
Common stock	30,872	30,872
Capital surplus	26,070	26,071
Retained earnings	367,229	348,863
Treasury stock	(1,080)	(1,048)
Accumulated other comprehensive income	41,366	48,711
Unrealized gains (losses) on securities	2,410	3,871
Deferred gains (losses) on hedges	(532)	(318)
Land revaluation difference	40,626	40,820
Foreign currency translation adjustments	4,911	8,879
Remeasurement of defined benefit plans	(6,049)	(4,542)
Non-controlling interests	13,191	11,533
Total net assets	477,648	465,001
Total liabilities and net assets	995,154	954,051

“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, 2019 to March 31, 2020)

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
Net sales	864,490	903,051
Cost of sales	670,199	693,128
Gross profit	194,291	209,923
Selling, general and administrative expenses	137,470	134,679
Operating income	56,821	75,244
Other income	5,073	5,019
Interest and dividend income	1,611	1,740
Other – net	3,462	3,279
Other expenses	9,237	7,640
Interest expenses	1,184	1,082
Foreign exchange losses	1,807	2,286
Patent expenses	904	765
Loss on valuation of investment securities	1,041	1
Other – net	4,301	3,507
Ordinary income	52,657	72,623
Extraordinary losses	–	5,553
Impairment losses	–	3,448
Loss on pension buyout	–	2,105
Net income before income taxes and non-controlling interests	52,657	67,070
Income tax – current	17,008	21,070
Income tax – deferred	830	(2,637)
Net income	34,819	48,637
Net income attributable to non-controlling interests	2,012	2,987
Net income attributable to shareholders of the parent company	32,807	45,650

“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.

(For Reference Purposes)

CONSOLIDATED STATEMENT OF CASH FLOWS

(From April 1, 2019 to March 31, 2020)

(Millions of yen)

Item	Amount
Cash flows from operating activities	36,263
Cash flows from investing activities	(57,752)
Cash flows from financing activities	35,964
Effect of exchange rate changes on cash and cash equivalents	(621)
Net increase in cash and cash equivalents	13,854
Cash and cash equivalents at the beginning of year	69,776
Cash and cash equivalents at the end of year	83,630

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

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

BALANCE SHEET (As of March 31, 2020)

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
Assets		
Current assets	159,262	153,990
Cash and deposits	24,800	15,145
Notes receivable	6,115	7,689
Accounts receivable	54,566	63,942
Finished goods	12,181	12,862
Work in process	18,899	19,610
Raw materials and supplies	665	690
Advances	10,226	10,465
Prepaid expenses	1,222	874
Accounts receivable, other	17,238	15,778
Other	14,827	11,396
Allowance for doubtful receivables	(1,477)	(4,461)
Fixed assets	381,980	350,377
Property, plant and equipment	135,233	128,240
Buildings	24,267	20,545
Structures	3,523	3,063
Machinery and equipment	12,703	11,929
Ships	1	2
Vehicles and delivery equipment	63	67
Tools, furniture and fixtures	2,965	2,735
Land	88,390	88,648
Leased assets	38	65
Construction in progress	3,283	1,186
Intangible fixed assets	15,367	12,533
Software	3,294	3,568
Other	12,074	8,965
Investments and other assets	231,379	209,604
Investment securities	8,720	12,578
Stock of subsidiaries and affiliates	171,462	146,674
Investment in capital of subsidiaries and affiliates	34,855	34,383
Long-term loans to employees	6	6
Claims in bankruptcy and rehabilitation	141	142
Long-term prepaid expenses	527	132
Deferred tax assets	12,656	11,497
Other	3,393	4,575
Allowance for doubtful receivables	(381)	(382)
Total assets	541,242	504,367

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

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

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
Liabilities		
Current liabilities	255,377	235,657
Notes payable	2,358	2,644
Accounts payable	48,342	63,247
Short-term bank loans	2,700	2,700
Current portion of corporate bonds	—	10,000
Long-term debt due within one year	1,800	—
Commercial papers	35,000	17,000
Lease obligations	42	51
Accounts payable, other	11,365	12,499
Accrued expenses	3,846	4,062
Accrued income taxes	1,593	5,459
Advances received on contracts	42,928	38,428
Deposits received	100,932	75,376
Allowance for warranty	3,523	3,474
Allowance for losses on construction contracts	314	235
Other	634	481
Long-term liabilities	132,479	111,815
Bonds payable	30,000	10,000
Long-term debt	24,700	8,700
Lease obligations	47	94
Allowance for losses on business transfer	115	115
Allowance for retirement benefits	17,667	15,354
Asset retirement obligations	291	289
Deferred tax liabilities on land revaluation	20,628	20,713
Long-term deposits received	38,917	56,347
Other	113	203
Total liabilities	387,856	347,472
Net assets		
Shareholders' equity	111,290	113,027
Common stock	30,872	30,872
Capital surplus	27,073	27,073
Capital reserve	27,073	27,073
Other capital surplus	—	0
Retained earnings	54,425	56,131
Legal reserve of retained earnings	6,295	6,295
Other retained earnings	48,131	49,836
Retained earnings brought forward	48,131	49,836
Treasury stock	(1,080)	(1,048)
Valuation and translation adjustments	42,097	43,868
Unrealized gains (losses) on securities	1,954	3,329
Deferred gains (losses) on hedges	(483)	(281)
Land revaluation difference	40,626	40,820
Total net assets	153,386	156,895
Total liabilities and net assets	541,242	504,367

“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, 2019 to March 31, 2020)

(Millions of yen)

	Fiscal year under review	Previous fiscal year (for reference)
Net sales	203,847	218,018
Cost of sales	171,841	182,542
Gross profit	32,007	35,477
Selling, general and administrative expenses	26,806	26,187
Operating income	5,200	9,289
Other income	12,721	19,031
Interest and dividend income	10,842	16,525
Other – net	1,878	2,506
Other expenses	4,814	2,611
Interest expenses paid on loans and bonds	274	300
Foreign exchange losses	466	481
Patent expenses	572	618
Loss on valuation of investment securities	1,041	–
Other – net	2,461	1,212
Ordinary income	13,107	25,710
Extraordinary income	–	219
Gain on extinguishment of tie-in shares	–	219
Extraordinary losses	–	6,699
Loss on valuation of stock of subsidiaries and affiliates	–	3,251
Provision of allowance for doubtful accounts for subsidiaries and affiliates	–	2,946
Impairment losses	–	502
Net income before income taxes	13,107	19,230
Income tax – current	1,318	1,999
Income tax – deferred	(769)	(775)
Net income	12,558	18,005

“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.