



May 8, 2014

To Whom It May Concern:

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Notice Regarding the Succession of Business by a Subsidiary after a Company Split

On May 8, 2014, the Board of Directors of Sumitomo Heavy Industries, Ltd. (hereinafter referred to as "SHI" or the "Company") passed a resolution to carry out an absorption-type company split (hereinafter referred to as the "Company Split") of the service-related business associated with the Company's power generation plant business, the ash treatment facility business, and the dry desulfurization/denitration facility business. At the same time, it was also agreed that Sumiju Plant Engineering Co., Ltd. (hereinafter referred to as "Sumiju Plant Engineering"), a wholly-owned subsidiary of SHI, will absorb the business areas that have been split, with the effective date of such absorption being July 1, 2014.

As this move is considered to be a simplified Company Split whereby SHI's wholly-owned subsidiary succeeds parts of the Company's business operations, certain matters and content are omitted from this disclosure.

Further details regarding the absorption-type company split are provided below:

1. Purpose of the Company Split

SHI's Energy and Environment Group (hereinafter referred to as "SHI E&E") has worked to expand its scale through the development, manufacturing, sale and service of products such as circulating fluidized bed (CFB) boiler power generation equipment, dry desulfurization/denitration facilities, resource recovery facilities, and ash treatment facilities. In recent years, order figures for CFB boilers have grown significantly as the feed-in tariff (FIT) system has boosted demand. This trend of strong demand from the domestic power generation plant sector is projected to continue into the future. In addition, the market for CFB boilers in emerging overseas markets is active, meaning that strengthening the Company's plant engineering capabilities and after-sale service offerings is a pressing issue that needs to be resolved in order to expand the business even further.

Sumiju Plant Engineering, on the other hand, has responded to the needs of customers in the electrical dust collection and evaporator market through its comprehensive engineering capabilities that encompass all aspects of the product life-cycle from initial design to delivery and after-sales service. Unfortunately, new orders for the construction of whole units have been subdued in recent years, and as such, Sumiju Plant Engineering has mainly focused on providing repair and maintenance services for existing units in operation. In order for Sumiju Plant Engineering to receive orders for new, large-scale construction projects for whole units in the future, it will need to strengthen its service offerings and also actively pursue synergies with SHI E&E, particularly in the area of sales activities associated with their products.

After taking the above into consideration, SHI and Sumiju Plant Engineering deliberated on strategies to grow the number of orders for the various products offered by SHI E&E and Sumiju

Plant Engineering, which are both actively targeting the plant-related chemical machinery market. As a result, it was decided that the existing functions of each entity will be split, and a management structure that is optimal for the operation of the respective business areas will be established. More specifically, it was determined that SHI E&E will mainly focus on the CFB-related power generation facilities business on a go-forward basis, whereas Sumiju Plant Engineering will look to strengthen its service capabilities through the integration of service business split from SHI E&E and take over the responsibilities associated with the dry desulfurization/denitration facility and ash treatment facility products.

2. Outline of Company Split

(1) Schedule for the Company Split

Date of Board of Directors Meeting to Approve the Company Split Agreement	May 8, 2014
Date of Finalizing Company Split Agreement	May 8, 2014
Date of General Shareholders' Meeting to Approve the Company Split Agreement (for Sumiju Plant Engineering)	June 19, 2014 (Anticipated)
Effective Date of Company Split	July 1, 2014 (Anticipated)

(2) Method of Company Split

The separation of the business will be carried out through an absorption-type company split in which SHI will be the "splitting company" and Sumiju Plant Engineering will be the "successor company". The Company Split falls under the category of a simplified absorption-type company split under Article 784, paragraph 3 of the Companies Act. Accordingly, the Company Split will be carried out without obtaining the prior approval of SHI's shareholders.

(3) Share Allotments Associated with the Company Split

The number of new shares issued by Sumiju Plant Engineering for the Company Split is one (1). This ordinary share will be allotted in its entirety to the Company.

(4) Increase or Decrease in Capital due to the Company Split

No increase or decrease in capital is anticipated as result of the Company Split.

(5) Handling of Warrants as well as Bonds with Warrants associated with the Company Split

SHI does not issue warrants or bonds with warrants.

(6) Rights and Obligations to be Assumed by the Successor Company in Association with the Company Split

Sumiju Plant Engineering will assume the assets that are deemed necessary to perform the duties of the business areas that are being split from SHI.

(7) Prospects for Fulfilling Debt Obligations

SHI has concluded that debt obligations to be borne by the Company and Sumiju Plant Engineering after the effective date of the Company Split can be satisfied in its entirety.

3. Profiles of the Companies Involved in the Company Split

(1) Trade Name	Sumitomo Heavy Industries, Ltd. (Splitting Company) – As of March 31, 2014	Sumiju Plant Engineering Co., Ltd. (Successor Company) – As of March 31, 2014
(2) Description of Business Operations	Manufacturing and sale of various industrial machinery ranging from general machinery to precision control machinery	Design, manufacturing, and sales, as well as refurbishing, repairing, inspecting and maintaining general industry

		machinery and chemical equipment and environmental equipment including evaporators/crystallizers, distillers/extractors, and collectors.
(3) Date of Establishment	November 1, 1934	October 1, 1986
(4) Address of Head Office	1-1 Osaki 2-Chome, Shinagawa-ku, Tokyo, Japan	1-1 Yato-Cho 2-Chome, Nishi Tokyo-shi, Tokyo, Japan
(5) Name and Position of Representative	Shunsuke Betsukawa, President and Chief Executive Officer	Ikuro Seino, President and Chief Executive Officer
(6) Capital	JPY30,872 million	JPY50 million
(7) Number of Shares Outstanding	614,527,405 shares	1,000 shares
(8) Fiscal Year End	March 31	March 31
(9) Major Shareholders and Shareholding Ratios	Japan Trustee Services Bank, Ltd. (Trust Account) – 6.9% The Master Trust Bank of Japan, Ltd. (Trust Account) – 6.4% Sumitomo Life Insurance Company – 3.5% State Street Bank and Trust Company 505224 – 3.2% Sumitomo Mitsui Banking Corporation – 2.5%	Sumitomo Heavy Industries, Ltd. – 100%
(10) Operating Results and Financial Condition		
	Sumitomo Heavy Industries, Ltd. (Consolidated Basis)	Sumiju Plant Engineering Co., Ltd.
Net Assets	JPY331,059 million	JPY3,031 million
Total Assets	JPY724,182 million	JPY3,658 million
Net Assets per Share	JPY532.28	JPY3,031,247.70
Sales	JPY615,271 million	JPY2,130 million
Operating Income (or Loss)	JPY34,329 million	JPY138 million
Ordinary Income (or Loss)	JPY33,000 million	JPY148 million
Net Income for the Fiscal Year Under Review	JPY17,891 million	JPY84 million
Net Income per Share for the Fiscal Year Under Review	JPY29.17	JPY83,951.28

* Please note that the data for operating results and financial condition in the above table are as of March 31, 2014.

4. Details of Business Areas to be Split

(1) Details of Business Areas to be Split

SHI will split the service-related business associated with the Company's power generation plant business, the ash treatment facility business, and the dry desulfurization/denitration facility business.

(2) Sales Associated with Business Areas to be Split for the Period Ended March 31, 2014

	Business Areas to be Split (a)	Overall SHI Results (b)	Ratio (a/b)
Sales (in millions of JPY)	JPY4,114	JPY160,337	2.6%

(3) Asset and Liability Amounts to be Transferred (Projected at the Time of the Company Split)

Assets to be transferred: Approximately JPY11 million

Liabilities to be transferred: JPY0

5. Condition of the Listed Company after the Company Split

There will be no change to the name of the listed company, location of the head office, name and position of the representative, capital, and fiscal year arising from the Company Split.

6. Future Outlook Regarding the Impact to Operating Results arising from the Company Split

As outlined in Paragraph 4.(2) above, the sales associated with the business areas that are the subject of the Company Split account for less than 3% of SHI's overall sales. As such, there will only be a de minimis impact on the Company's non-consolidated operating results. In addition, given that Sumiju Plant Engineering is a wholly-owned subsidiary of SHI, the Company Split is anticipated to have only a slight impact (de minimis) on the consolidated financial performance of the Company.

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