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To Whom It May Concern:

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Notice Regarding the "Medium-Term Management Plan 2016"

Sumitomo Heavy Industries, Ltd. (hereinafter referred to as "SHI" or the "Company") has completed the development of the next three-year medium-term management plan entitled, "Medium-Term Management Plan 2016". Details of the Plan which will enter the first year of implementation in FY2014 are provided below:

The initial financial objectives set forth in the previous implementation period of the Innovation 21 Medium-Term Management Plan (i.e. attain sales of JPY730.0 billion and operating income of JPY73.0 billion by the end of FY2013), which was first introduced in FY2011, were not achieved mainly due to the impacts from the Great East Japan Earthquake, the Eurozone debt crisis, and the slowdown of the Chinese economy. However, the basic concepts of "globalization" and "innovation" are believed to be effective in any type of economic environment and with this in mind, the Group pushed forward with the construction of new plants and the expansion of existing overseas plants, strengthened links with acquired overseas subsidiaries, actively pursued design innovation, and introduced new products to the market.

Further, the Group formulated the new medium-term management plan entitled "Medium-Term Management Plan 2016" to ensure that the benefits of such strategies bear fruit.

1. Key Objectives in the Medium-Term Management Plan 2016
   The Company will aim to attain the following key financial targets by the end of FY2016:
   i. Net sales of JPY700.0 billion by the end of FY2016
   ii. Operating profit margin of 7.5% by the end of FY2016

   Please note that ROIC continues to be the Group's key performance indicator and the Plan calls for ROIC > WACC and for the figure to remain greater than 7%.

2. Management Strategies Set Forth in the Medium-Term Management Plan 2016
   In order to achieve these financial objectives, the Group has formulated the following three goals in the plan:
   1. Achieve steady growth to ensure that a foundation for sustainable growth is established;
   2. Return to high levels of profitability; and
   3. Exhibit persistent efforts at the improvement of the quality of operations.

   Through this, the Group will aim to continue being a corporation that supplies customers with first-class products. The key point here is that the Group will not aim to grow for the sake of growing. Rather, it will focus on achieving steady growth to build a foundation that ensures a return to high levels of profitability.

   In addition, across the wide range of business areas that the Group endeavors to meet the diverse needs of its customer base, the Medium-Term Management Plan 2016 has specifically identified the energy-related sector as an area of demand expansion and growth. With this in mind, the Group will look to actively develop this area of the business.

   Finally, as the plan is executed, the Group will continue to maintain its financial discipline, and actively make investments into growth areas that effectively utilize its stronger financial standing. More specifically, the Medium-Term

Management Plan 2016 calls for capital and development investments in the order of JPY95.0 billion to be made during the three year implementation period of the plan.

(1) Achieve Steady Growth to Ensure that a Foundation for Sustainable Growth is Established
The Group will aim to achieve growth by focusing its efforts on the three pillars of growth, which are "Globalization (Expansion)", "Innovation (Change)" and "Group Synergies (Connect)".

Under "Globalization (Expansion)", scenarios that allow for the investments made during the previous implementation period of the Innovation 21 Medium-Term Management Plan to generate results will be created and realized. Also, the Group will pursue technological differentiation and increase its presence in overseas markets.

"Innovation (Change)" is a common theme throughout the Group and emphasis in this category will be placed on strengthening the after-market business, restructuring the sales process, and the development of new products. In addition, innovation activities aimed at strengthening the competitiveness of its power transmission products in the mass produced machinery business as well as its engineering capabilities in the heavy machinery business will be promoted.

With regard to the "Group Synergies (Connect)" category, the Group will look to strengthen the synergies across its highly diversified product areas with system technology at its core and aim to increase customer value. In addition, synergies realized from organizational restructuring will also be pursued.

(2) Return to High Levels of Profitability
In business areas such as power transmissions and plastics machinery where the Group maintains a leadership position, a high profit margin target of around 10% has been set and every effort will be made to realize this figure. In addition, in order to ensure that all business divisions, product models and geographic segments are able to stand on its own (i.e. generate profits on an individual basis), the Group has set forth a target profit margin of 5% with the aim to return to high levels of profitability across the entire business.

3. Dividend Considerations
Starting in FY2014, SHI has set a 30% goal for the consolidated dividend payout ratio for the three-year period that the Plan is being implemented.

Note: ROIC stands for Return(after tax) on Invested Capital. It is a figure that represents profitability against the cost of capital through the measurement of the income generated as a ratio of invested capital (the sum of shareholders' equity and interest bearing liabilities). WACC stands for Weighted Average Cost of Capital and represents the cost of capital and cost of interest-bearing liabilities for a given company.

END