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To Whom It May Concern:

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Notice Regarding “Innovation 21”, the New Medium-Term Management Plan

This news release provides a summary of the newly formulated medium-term management plan entitled “Innovation 21” that Sumitomo Heavy Industries, Ltd. (hereinafter referred to as “SHI” or “the Company”) is implementing for a three-year period commencing from this current fiscal year (FY 2011).

The financial objectives in the previous medium-term management entitled “Global 21” (i.e. Net sales of JPY850 billion and operating income of JPY100 billion in FY 2010) were not attained mainly due to the impact of the global financial crisis. However, considering the recovery of the global economy and the outlook for global markets, we firmly believe that focusing on the key words of “Globalization” and “Innovation” with the goal to become a “Global SHI” was the correct management strategy to implement at the time. Although the management environment, both domestically and overseas, continues to remain challenging, the development of the Innovation 21 Medium-Term Management Plan allows the Company to remain focused on “Globalization” and “Innovation” as key themes to increase its market competitiveness. At the same time, SHI will aim to become more flexible in responding to any type of market environment, achieve sustainable growth, and develop into a “Strong and Powerful SHI”.

Details of the Plan

1. New Objectives Established in the Innovation 21 Medium-Term Management Plan

SHI will aim to achieve the following financial objectives in the fiscal year 2013:

- i. Net Sales JPY730 billion
- ii. Operating Income JPY73 billion

In addition, ROIC will continue to be the main management index for the SHI Group with the goal to achieve ROIC > WACC and ROIC greater than 10%. At the same time, the Company will remain focused on growth strategies that will allow us to achieve the long-term objective of generating net sales totaling JPY1 trillion

2. Innovation 21 Management Strategy

In order to achieve the aforementioned financial objectives, it is essential that the Company innovate to become a “Stronger Sumitomo Heavy Industries”. With this in mind, SHI plans to implement the following strategies with a focus on the phrase “Innovation of Half and Double”. Further, the Company will continue to maintain financial discipline while at the same time investing in growth areas that will contribute towards attaining the target objectives. More specifically, the Company plans to make facility and development investments worth JPY150 billion during the three-year implementation period of the plan.

(1) Enhancement and Effective Use of the SHI Global Network

SHI will continue to enhance its global network of manufacturing, sales and service locations in recognition of the fact that this is the most important issue that the Company must tackle to achieve growth. In addition, SHI believes that it is imperative to effectively utilize the locations established to date and with this in mind, the Company plans to implement a framework that will allow management to act more autonomously to speedily reflect the state of markets in various regions. One example of this will be to set up regional head offices in various parts of the world. Moreover, SHI will aim to build an organic platform focused on “independence and collaboration” that will allow Group companies around the world to leverage the competitive edge that each boasts. This will allow SHI to develop a global network that is able to truly exhibit its global competitiveness.



(2) Development and Marketing of Innovative Products (Promotion of Product Innovation)

With the goal to create more value for customers across the world, SHI plans to increase collaboration among the various business units, head office functions, and Corporate Technology Operations Group to ensure that first-class products are developed and brought to the market. This will allow the Company to achieve sustainable growth while increasing profitability. In particular, SHI will accelerate the development of Green Products such as those that have energy-saving functions or use renewable sources of energy.

(3) Introducing Innovation into Manufacturing and Sales to Increase Productivity as well as into Business Execution Functions (Promotion of Process Innovation)

In Japan where SHI has introduced process innovation into areas such as development, design, manufacturing, sales, service and other indirect functions to increase its execution capabilities. The next step will be to generate results from such these efforts while at the same time continuing to improve in these areas. In addition, by utilizing process innovation across the global network, SHI plans to significantly reduce raw material costs while increasing market share in growth markets.

3. Dividend Plan

The Company will ensure that dividends are increased in a sustained manner.

*Note:

ROIC is an abbreviation for Return on Invested Capital, and it measures the amount of profit generated from invested capital (the sum of shareholders' equity and interest-bearing liabilities) as well as profitability as compared to the cost of capital. WACC is an abbreviation of the Weighted Average Cost of Capital and it represents the costs associated with shareholders' equity and interest-bearing liabilities.