



August 9, 2013

To Whom It May Concern:

Company : Sumitomo Heavy Industries, Ltd.
Representative : Shunsuke Betsukawa
President and Chief Executive Officer
Code : 6302
Contact : Tsuneyoshi Sato
General Manager, Corporate
Communications Department
Phone : +81-3-6737-2333

**Notice Regarding the Contract Termination of the “Kyoto City Incinerated Ash Melting Facility (Provisional Name)
Construction Works – Plant/Equipment Installation” – Part II**

As disclosed earlier, Sumitomo Heavy Industries, Ltd. (hereinafter referred to as “SHI” or the “Company”) received a written notice from the City of Kyoto on August 5, 2013 which stated their intention to terminate the contract regarding the Kyoto City Incinerated Ash Melting Facility (Provisional Name) construction works. Today, SHI formally submitted a written response to the City of Kyoto stating its position that the termination request cannot be accepted.

1. Contents of the Termination Notice Received from the City of Kyoto
The notice received from the City of Kyoto on August 5, 2013 stated their intention to terminate the contract because the construction works for the project cannot be anticipated to be completed by the agreed upon period.
2. Developments to Date
 - a. From Contract Delivery Date to Handover Date Extension
Due to a malfunction that occurred during the testing and commissioning phase of the project, additional time was necessary to determine the cause and to carry out remedial construction works. For this reason, handover of the project on the contract delivery date was deemed to be difficult and the Company submitted a new handover date of August 31, 2013.
 - b. Up to the Current Project Handover Date
Working towards the August 31, 2013 handover date, the first trial run (which comprised of operating the facility for three consecutive days) was completed in June of this year, with the result being a “satisfactory” mark for performance given by the City of Kyoto. However, during the second trial run which was carried out in the latter part of June, an area of dust accumulation that was not found in first trial was discovered, resulting in the termination of the trial. Subsequently, various proposals for remedial works were submitted to the City of Kyoto but unfortunately, agreement could not be reached.
3. Future Outlook
As mentioned above, SHI formally submitted a written response to the City of Kyoto stating its position that the termination request cannot be accepted. At present, the impact of this decision on the Company’s financial performance is not yet known. Further information will be made available if there are any changes to the current condition.

END