



November 29, 2013

To Whom It May Concern:

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

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. This is to notify that today, the City of Kyoto has publically announced that they have lodged a claim for compensation from SHI.

1. Details of the Public Announcement Made by the City of Kyoto

- Amount Claimed – JPY20,282,122,056
- Inquiries are currently being made in regards to additional amounts relating to the repayment of government subsidies. Once the amount has been determined, an additional claim demand will be made as soon as practicable.
- Payment Deadline – December 30, 2013
- In addition to the above mentioned claim amount, the City of Kyoto has demanded that SHI dismantle and remove not only the plant and equipment installed but also the entire Incinerated Ash Melting Facility including non-plant and equipment items (e.g. building and structures, electrical/air-conditioning/sanitation/lift machinery, stockyard, etc.).

2. Contract Termination and SHI’s Thoughts

On August 5, 2013, the Company received a written notice from the City of Kyoto which stated their intent to terminate the contract regarding the Kyoto City Incinerated Ash Melting Facility (Provisional Name) construction works. On August 9th, SHI formally responded by saying that the termination request cannot be accepted and this stance remains unchanged with regard to the claim for compensation. After the successful completion of the first trial run of the facility, a partial malfunction was discovered during the second trial run, resulting in the suspension of the trial run. Subsequently, various proposals for remedial works were submitted to the City of Kyoto to ensure that the facility could be handed over on time. However, the City of Kyoto took an unilateral position to demand that the contract be terminated.

3. Future Outlook

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.

<Reference – Previous Notices Regarding this Topic>

<http://www.shi.co.jp/english/info/2013/6kgpsq0000001jv0-att/6kgpsq0000001jvi.pdf>

<http://www.shi.co.jp/english/info/2013/6kgpsq0000001jv0-att/6kgpsq0000001jvi.pdf>

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