

(Translation)

Reference Document Attached to the Notice of the 120th Ordinary General Meeting of Shareholders

Sumitomo Heavy Industries, Ltd.

120th Business and Financial Report

(April 1, 2015, through March 31, 2016)

Business Principles

Corporate Mission Statement

We will aim to become a machinery manufacturer that continues to provide excellent products and services to the world.

With integrity being a key principle in the Group, we will contribute towards society by gaining high respect and confidence from all stakeholders.

Our Values

■ Customer First:

We exceed customer expectations by providing sophisticated efficient products and services, giving the utmost consideration to their needs and requirements.

■ Embrace Changes:

We will continue to drive and embrace changes without accepting the status quo.

■ Commitment to Technology and Innovation:

We are passionate about contributing to society by further developing our unique, in-house technologies.

■ Respect People:

We will nurture an organizational climate that fosters mutual respect, tolerance and learning for growth.

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CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS, NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, STATEMENT OF CHANGES IN NET ASSETS and NOTES TO FINANCIAL STATEMENTS are published on the Company's website (<http://www.shi.co.jp>) pursuant to the applicable laws and regulations and Article 16 of the Company's Articles of Incorporation. Therefore, these items are not included in this document.

In this English translation, Sumitomo Heavy Industries, Ltd. is referred to as the "Company" and the Sumitomo Heavy Industries Group as the "Company Group" or the "Group."

BUSINESS AND FINANCIAL REPORT

(April 1, 2015, through March 31, 2016)

I. CURRENT STATUS OF THE COMPANY GROUP

1. PERFORMANCE AND RESULTS OF OPERATIONS

With regard to the overall Japanese economy for the fiscal year under review, personal consumption levels did not show any signs of strengthening, mainly due to a negative consumer mindset led by factors such as the lack of growth in real wages and the drop in share prices during the second half of the fiscal year. On the corporate side, although an improvement in financial performance resulted in an upward trend in capital investment levels, the cautious stance of businesses to make such investments grew stronger due to stagnating export levels. These two dynamics slowed the recovery of the Japanese economy. Outside of Japan, the U.S. economy continued to recover, and its fiscal policies shifted to a more normalized state. The European economy also continued on a path of gentle recovery. On the other hand, the slowdown of the Chinese economy became more apparent, and other emerging market economies also struggled to grow not only because of the knock-on effect from the stagnating Chinese economy but also because of a drop in recourse prices, including crude oil prices. The global economy as a whole remained on a moderate deceleration trend.

In this business environment, the Company Group promoted the Medium-Term Management Plan 2016 that was initiated during the previous fiscal year and operated businesses with the following priority measures for the fiscal year under review.

(1) Steady growth to establish the basis for sustainable growth

1) “Globalization (expanding)”

In the plastics machinery business, the Company continued to strengthen its collaboration with Sumitomo (SHI) Demag Plastics Machinery GmbH, its subsidiary in Germany, in sales and development of electric injection molding machines in Europe. At the same time, the Company Group enhanced its capability to respond to demand from the Chinese market and the other Asian markets by, among others, opening a new plant of Sumitomo (SHI) Demag Plastics Machinery GmbH in China. In the power transmission and control equipment business, the Company pushed forward with the restructuring of the overseas bases of Hansen Industrial Transmissions NV, its subsidiary in Belgium. Moreover, the supply chain for manufacturing large-scale power transmission and control equipment in the manufacturing bases in Japan and Asia was restructured. Through these activities, the Company Group looked to improve its cost competitiveness in these product areas. In the cryogenic coolers business, the Company Group established a new facility in China to enhance its sales and service capabilities in the Chinese market where further growth can be anticipated for this product line in the future. Thus, the Company Group has strived to enhance its sales capabilities.

2) “Innovation (changing)”

In the plastics machinery business, the Company Group focused on the development of a fully electric-driven medium-scale injection molding machine and launched the sale of SEEV-A-HD, a new product series that is capable of being equipped with larger molds as compared to previous models and improving the productivity of molded pieces. In the industrial machinery business, in order to obtain medicine device approval for the Boron Neutron Capture Therapy (BNCT) system that combines a cyclotron neutron irradiation system with a boron-based compound, the Company Group commenced clinical trials to study its effectiveness in treating cancer. The Company Group made progress toward realizing cutting-edge cancer treatment technology.

3) “Synergies within the Company Group (linking)”

The Company Group’s hybrid-type hydraulic excavators and field view monitors (FVMs), which enable improved rear visibility for excavators, achieved technology differentiation by using the system control technology nurtured within the Group and were widely distributed. Moreover, in the Company Group’s focus area of energy, cooperation within the Group (e.g., collaboration between the boiler business and the turbine business) was promoted, with the aim of enhancing competitiveness.

(2) Return to high levels of profitability

In the Precision Equipment segment, which includes the plastics machinery business and semiconductor-related business, sales and profitability continued to improve, mainly due to the increased ability to respond to customer needs through product differentiation. In addition, in the material handling business, sales and profitability also improved, mainly due to increased productivity achieved by promoting the transition to a repeatability-based production model. Furthermore, each business segment focused on strengthening the after-market business, a priority issue under the medium-term management plan, which greatly contributed to securing profitability amidst a fluid operating environment.

(3) Persistent efforts for operational quality improvements

The Corporate Quality Group of the Head Office took the initiative in continuing to implement measures to strengthen the product quality management function of the Company Group. With regard to measures to improve safety, the Company Group has strived to strengthen our capacity for safety and sanitation management and to eradicate occupational accidents based on the second phase of implementation of the Basic Health and Safety Improvement Plan.

(4) Rigorous Compliance

Pursuant to the basic principle of “Compliance Comes First,” during the fiscal year under review, the Company Group carried out training sessions, discussion-based education activities, and e-learning programs regarding compliance with anti-monopoly laws. In addition, the Company Group carried out discussion-based compliance training sessions across its Chinese bases to strengthen their compliance systems.

As a result of implementing the above managerial measures, during the fiscal year under review, total orders received by the Company Group were ¥685.9 billion, a 7% decrease from the previous fiscal year, and sales on a consolidated basis were a record high of ¥700.8 billion, a 5% increase from the previous fiscal year.

As for profits and losses, operating income was ¥50.6 billion, a 10% increase from the previous fiscal year, ordinary income was ¥49.1 billion, a 9% increase from the previous fiscal year, and net income attributable to shareholders of the parent company was ¥33.1 billion, a 36% increase from the previous fiscal year. In addition, the after-tax ROIC* was 7.6%.

The non-consolidated financial results of the Company for the fiscal year under review were orders of ¥173.9 billion, sales of ¥196.9 billion, operating income of ¥5.4 billion, ordinary income of ¥20.9 billion, and net profit of ¥18.9 billion.

Taking into account the above business results and financial position, the Company proposes a dividend increase of ¥4 from the previous fiscal year to ¥16 per share, including an interim dividend of ¥7 per share, which has already been distributed.

* The ROIC (Return on Invested Capital) is the ratio of after-tax profitability to invested capital, which is an indicator to show the level of profitability in light of the invested capital (a sum of

shareholders' equity and interest-bearing liabilities), thereby showing whether there was sufficient profitability to meet the investment costs.

(SUMMARY OF OPERATIONS AND PERFORMANCE BY SEGMENT)

(1) Machinery Components

Although there was a slowdown in the Chinese market, there was positive movement in the market conditions of Japan and North America. As a result, both orders and sales increased.

As a result, in the overall segment, orders stayed at almost the same level as the previous fiscal year at ¥105.0 billion; sales were ¥107.6 billion, a 5% increase from the previous fiscal year; and operating income was ¥8.9 billion, a 35% increase from the previous fiscal year.

(2) Precision Equipment

With respect to the plastics machinery business, strong demand from the IT industry in Asia slowed, while there was positive movement in the market conditions of Japan, Europe, and North America. As a result, both orders and sales increased.

In other businesses, although orders in the semiconductor-related equipment business fell, sales increased.

As a result, in the overall segment, orders stayed at almost the same level as the previous fiscal year at ¥154.6 billion; sales were ¥154.6 billion, a 6% increase from the previous fiscal year; and operating income was ¥18.7 billion, a 38% increase from the previous fiscal year.

(3) Construction Machinery

The hydraulic excavator business showed a drop both in orders and sales, mainly due to a significant drop-off in demand from the Chinese market, which shows no signs of recovery, and a slowdown in domestic sales following the temporary increase in demand arising from the rush to purchase models prior to the implementation of new emissions regulations in the prior fiscal year.

With respect to the construction crane business, orders decreased mainly due to a slowdown in demand from the North American market, while sales increased.

As a result, in the overall segment, orders were ¥197.1 billion, a 5% decrease from the previous fiscal year; sales stayed at almost the same level as the previous fiscal year at ¥201.9 billion; and operating income was ¥4.4 billion, a 63% decrease from the previous fiscal year.

(4) Industrial Machinery

The material handling systems business achieved improved results as demand from the domestic shipbuilding sector trended positively. In the industrial machinery business, the Company Group was able to secure an order for a proton beam cancer therapy device. Consequently, both orders and sales across the entire segment increased.

As a result, in the overall segment, orders were ¥92.6 billion, a 3% increase from the previous fiscal year; sales were ¥87.9 billion, a 16% increase from the previous fiscal year; and operating income was ¥10.0 billion, a 73% increase from the previous fiscal year.

(5) Ships

Although the market for medium-sized tankers in which the Company specializes remained comparatively stable, the overall condition of the shipbuilding market became more severe. This resulted in the Company Group receiving orders for two new vessels during the fiscal year under review, seven vessels less than the previous fiscal year. With regard to sales, three vessels were delivered during the fiscal year under review, which was the same number as the previous fiscal year.

As a result, in the overall segment, orders were ¥22.5 billion, a 64% decrease from the previous fiscal

year; sales were ¥29.0 billion, an 11% increase from the previous fiscal year; and operating income was ¥1.0 billion.

(6) Environmental Protection Facilities, Plants

In the energy plant business, the Company Group was able to secure orders for circulating fluidized bed boilers from overseas-based independent power producers (IPPs) as well as biomass power plant projects in Japan. Therefore, although overall orders fell, mainly due to a drop in the number of order-receiving projects, sales increased.

In the water treatment plant business, both orders and sales increased, mainly due to receiving an order for a large-scale refurbishment project.

As a result, in the overall segment, orders were ¥106.1 billion, a 7% decrease from the previous fiscal year; sales were ¥109.7 billion, a 4% increase from the previous fiscal year; and operating income was ¥5.8 billion, a 23% decrease from the previous fiscal year.

(7) Other

In other businesses, orders were ¥8.1 billion, a 20% decrease from the previous fiscal year; sales were ¥10.1 billion, an 18% increase from the previous fiscal year; and operating income was ¥1.8 billion, a 2% decrease from the previous fiscal year.

Orders, Sales and Backlog of Orders by Segment of the Company Group

(Billions of yen)

Segment	Order Bookings		Sales		Year-end Backlog of Orders as of March 31	
	FY2014	FY2015	FY2014	FY2015	2015	2016
Machinery Components	104.7	105.0	102.6	107.6	30.7	28.2
Precision Equipment	154.6	154.6	146.4	154.6	47.4	47.4
Construction Machinery	206.5	197.1	202.0	201.9	33.7	28.9
Industrial Machinery	89.6	92.6	75.8	87.9	98.1	102.7
Ships	61.9	22.5	26.1	29.0	65.2	58.7
Environmental Protection Facilities, Plants	113.4	106.1	105.5	109.7	113.5	109.9
Other	10.1	8.1	8.6	10.1	4.0	1.9
Total	740.8	685.9	667.1	700.8	392.6	377.7

Note: Business terminated by customers and similar items are adjusted under the year-end backlog of orders as of March 31, 2015.

2. CAPITAL INVESTMENT

Our capital investments during the fiscal year under review were mainly focused on growth and reinforcing the competitiveness of our highly profitable businesses in accordance with the Medium-Term Management Plan 2016. Total capital investment was ¥23.7 billion, a 15% increase from the previous fiscal year.

In the Machinery Components, Precision Equipment, and Construction Machinery segments, we made investments to increase production capacity and update manufacturing facilities and equipment, with the aim of enhancing cost competitiveness.

The Company Group as a whole made investments to renovate existing facilities mainly located in Japan and IT investments required for operational innovation.

3. FINANCING

During the fiscal year under review, the Company Group did not raise a significant amount of funds through capital increases or issuances of corporate bonds.

4. BUSINESS RESTRUCTURING

Sumitomo Heavy Industries Material Handling Systems Co., Ltd., a subsidiary of the Company, conducted an absorption-type company split with October 1, 2015, as the effective date, by which it succeeded to the material handling systems business from Mitsubishi Heavy Industries Machinery Technology Corporation, a subsidiary of Mitsubishi Heavy Industries, Ltd.

5. CHALLENGES FACING THE COMPANY GROUP

With respect to the economic environment surrounding our business, in Japan, the uncertain outlook for the global economy and financial situation has been reflected in the continued strengthening of the yen, and the markets show a wait-and-see stance regarding the effect of the negative interest rate policy announced by the Bank of Japan. This has resulted in slowing down any signs of positive growth. In addition, although the employment situation is good, the lack of growth in real wages has led to stagnation in personal consumption levels. On the corporate side, stagnant personal consumption and export levels has led to seesaw conditions in both manufacturing and shipments, while the temporary increase in capital investment levels has now dissipated. Overseas, although the U.S. economy continues to move forward on a positive path, there is continuing uncertainty in the outlook for the global economy due to the potential for a long-term slowdown of the Chinese economy and the resultant stagnation of growth in emerging market economies.

(1) Medium-Term Management Plan 2016

Under the Medium-Term Management Plan 2016, which was launched in fiscal 2014, the financial targets to be achieved by the end of fiscal 2016 are sales of ¥700 billion and an operating profit margin of 7.5%. Concerning ROIC, the Company Group's key performance indicator, we aim to secure an ROIC of 7% or higher.

To achieve these financial targets, aiming to become an “enterprise that continues to provide excellent products,” the Company Group will solidify our foundation and attain steady growth in order to return to high profitability.

With regard to our priority fields, from among the broad business fields of the Company Group, we define energy-related fields, where higher growth in demand is predicted, as a growth area, and will vigorously carry out business activities in these fields.

In implementing the plan, we will continue to maintain financial discipline. The Company Group has

set a target dividend payout ratio of 30% during the three-year period of implementation of the medium-term management plan.

(2) Priority Issues for Fiscal 2016

During fiscal 2016, which is the final year of implementation of the Medium-Term Management Plan 2016, the Company Group will focus on the following measures:

1) Steady growth to establish the basis for sustainable growth

Although the measures to be taken may vary depending on the external and operational environments surrounding each business location and each business, as measures for business expansion, focused and timely investments will be made to optimize the Company Group's overall operations with the aim of achieving steady growth.

In addition, we will not only refine our proprietary technologies nurtured within each product category but also strengthen product capability drawing on our technologies related to materials and control systems, which are common across our product categories. We will continue to improve joining, processing and other production technologies, which are the foundations of our manufacturing; innovate production practices; and promote activities toward innovation that aim to reinforce engineering. The Corporate Technology Operations Group will lead efforts to develop next-generation products with these technologies at their core, and at the Company Group-level, we will promote activities that utilize ICT.

Moreover, as a measure for cooperation among business segments, positioning the reinforcement of the service business as a common issue of the Company Group, we will reinforce the foundations, including the marketing function, business network, high-caliber human resources and computerization, etc., and will promote the innovation of sales processes to expand businesses.

2) Return to high levels of profitability

We will continue portfolio management, will clarify the target levels of profits and the priority issues based on the growth stage and external environment of each business, and will promote reallocation of management resources and innovation of the business structure. At the Head Office level, an external consulting firm has been retained to assist the Company Group in reducing indirect expenses. In the Company Group's leading business segments, including the machinery component and precision equipment businesses, we will set a high target to achieve high profitability. At the same time, we will set minimum goals to be achieved in all business segments, product categories, and regions, and we will aim to transform the Company Group into a highly profitable company with strong business units at its core.

3) Persistent efforts for operational quality improvements

(a) Improvement in product quality

We will continue to operate businesses giving first priority to quality. Specifically, the Head Office will cooperate with each business segment, and together we will strive to improve product quality with concerted efforts.

(b) Rigorous Compliance

The Company Group considers rigorous compliance as one of its highest priorities and has continued to provide compliance training sessions to officers and employees of the Company and our Group companies to ensure further heightened compliance awareness throughout the Group.

(c) Activities for safety

The Company Group has formulated the Basic Health and Safety Improvement Plan, and fiscal 2016 is the final year of the second phase of implementation of the plan. To achieve the plan's targets, we will strengthen our safety and sanitation management capacity, will strive to eradicate occupational accidents, and will promote health management.

(3) Formulation of New Medium-Term Management Plan

Fiscal 2016 marks the final year of implementation of the current medium-term management plan, Medium-Term Management Plan 2016. Due to various factors, including the uncertain outlook for the global economy and financial situation, along with the potential for a long-term slowdown of the Chinese economy and the resultant stagnation of growth in emerging market economies, it is becoming difficult for the Company Group to achieve the financial objectives set forth in the plan. Despite these difficult conditions, the Company Group is confident that it has made steady progress in achieving the key objectives of the plan: steady growth; return to high levels of profitability; and persistent efforts for operational quality improvements.

After taking into consideration the results of the Medium-Term Management Plan 2016 and the changing operating environment, the Company will develop a new medium-term management plan and begin execution at the beginning of fiscal 2017. Under the new management philosophy, the Company Group, as a machinery manufacturer that puts customers first, tackles changing conditions and continues to provide excellent products and services globally, will pursue its corporate mission of contributing towards the development of society. In order to achieve this, the Company Group intends to steadily execute and promote the above measures.

Our shareholders' continued understanding and support would be greatly appreciated.

6. CHANGES IN STATE OF ASSETS AND PROFIT/LOSS OF THE COMPANY GROUP AND THE COMPANY

(1) Changes in State of Assets and Profit/Loss of the Company Group

(Billions of yen, unless otherwise indicated)

Items	FY2012	FY2013	FY2014	FY2015 (this fiscal year)
Orders	550.7	658.2	740.8	685.9
Sales	585.9	615.3	667.1	700.8
Operating income	31.3	34.3	46.0	50.6
Ordinary income	31.0	33.0	45.1	49.1
Net income attributable to shareholders of the parent company	5.9	17.9	24.3	33.1
Net income per share of common stock (yen)	9.56	29.17	39.71	54.06
Total assets	647.7	724.2	786.0	782.9
Shareholders' equity	292.8	331.1	365.1	382.8
Shareholders' equity per share of common stock (yen)	470.69	532.28	587.37	614.51

(2) Changes in State of Assets and Profit/Loss of the Company

(Billions of yen, unless otherwise indicated)

Items	FY2012	FY2013	FY2014	FY2015 (this fiscal year)
Orders	156.9	194.2	237.4	173.9
Sales	177.4	160.3	192.2	196.9
Operating income	0.0	1.9	8.2	5.4
Ordinary income	14.3	10.8	17.9	20.9
Net income (or loss)	(0.1)	11.3	10.9	18.9
Net income (or loss) per share of common stock (yen)	(0.22)	18.45	17.79	30.78
Total assets	412.4	439.5	462.3	450.2
Shareholders' equity	134.7	142.5	147.7	158.5
Shareholders' equity per share of common stock (yen)	219.54	232.38	240.95	258.61

7. MAJOR LINES OF BUSINESS (as of March 31, 2016)

Segment	Major Products
Machinery Components	Power Transmission and Control Equipment, Motors
Precision Equipment	Plastic Injection Molding Machines, Extrusion Laminators, Semiconductor Manufacturing Equipment, Laser Processing Systems, Cryogenic Equipment, Precision-Positioning Stages, Precision Forgings, Control Systems, Defense Equipment, Machining Tools
Construction Machinery	Hydraulic Excavators, Construction Cranes, Road Construction Machinery
Industrial Machinery	Cyclotrons, Medical Equipment, Liquid Crystal Display Manufacturing Equipment, Forging Machines, Material Handling Systems, Logistics & Handling Systems, Automated Parking Systems, Turbines, Pumps
Ships	Ships
Environmental Protection Facilities, Plants	Power Generation Systems, Boiler Systems, Industrial Waste Treatment Plants, Air Pollution Prevention Equipment, Water Treatment Systems, Chemical Process Equipment & Plants, Pressure Vessels, Stirring Tanks, Air Conditioner, Food Production Equipment
Other	Real Estate, Software

8. MAJOR SUBSIDIARIES (as of March 31, 2016)

Name	Stated Capital (Millions of yen)	Company's Shareholding Ratio (%)	Major Line of Business
Sumitomo (S.H.I.) Construction Machinery Co., Ltd.	16,000	100	Manufacturing and distribution of hydraulic excavators, road construction machinery, etc.
Sumitomo (S.H.I.) Construction Machinery Sales Co., Ltd.	4,000	100	Domestic distribution of hydraulic excavators, road construction machinery, etc.
Nihon Spindle Manufacturing, Co., Ltd.	3,276	100	Manufacturing and distribution of environmental equipment, air conditioner and industrial equipment, etc.
Shin Nippon Machinery Co., Ltd.	2,408	100	Manufacturing and distribution of turbines, pumps, etc.
Sumitomo Heavy Industries Marine & Engineering Co., Ltd.	2,000	100	Manufacturing and distribution of ships, etc.
SEISA Gear, Ltd.	841	100	Manufacturing and distribution of gears and power transmission and control equipment
Sumitomo Heavy Industries Material Handling Systems Co., Ltd.	480	82.8	Manufacturing and distribution of general industrial machines
Sumitomo Heavy Industries Ion Technology Co., Ltd.	480	100	Manufacturing and distribution of ion implanters
Sumitomo Heavy Industries Environment Co., Ltd.	480	100	Manufacturing and distribution of industrial waste water treatment systems, water and sewerage treatment systems, etc.
Sumitomo Heavy Industries Process Equipment Co., Ltd.	480	100	Manufacturing and distribution of stirring tanks, pressure vessels, coke oven machinery, etc.
Sumitomo Heavy Industries PTC Sales Co., Ltd.	400	100	Distribution of power transmission and control equipment, etc., and provision of related services
Sumiju Environmental Engineering, Inc.	400	100	Maintenance, operation and administration, etc., of environmental and hygiene facilities and pollution prevention facilities
LBX Company, LLC (U.S.A.)	41,000(Thousands of U.S. Dollars)	100	Distribution of hydraulic excavators and provision of related services
Sumitomo Machinery Corporation of America (U.S.A.)	12,423(Thousands of U.S. Dollars)	100	Manufacturing and distribution of power transmission and control equipment, etc.
LBCE Holdings Inc. (U.S.A.)	10,618(Thousands of U.S. Dollars)	100	Control of overall business of construction cranes, etc.
Hansen Industrial Transmissions NV (Belgium)	7,000(Thousands of Euros)	100	Manufacturing and distribution of power transmission and control equipment
Sumitomo (SHI) Demag Plastics Machinery GmbH (Germany)	20,025(Thousands of Euros)	100	Manufacturing and distribution of plastic injection molding machines
Sumitomo (S.H.I.) Construction Machinery (Tangshan) Co., Ltd. (China)	798,938(Thousands of Yuan)	100	Manufacturing and distribution of hydraulic excavators
Sumitomo (SHI) Cyclo Drive China, Ltd. (China)	87,000(Thousands of Yuan)	100	Manufacturing and distribution of power transmission and control equipment

- Notes: 1. The Company's Shareholding Ratio includes the indirect holdings.
2 SEISA Gear, Ltd. changed its company name to Sumitomo Heavy Industries Gearbox Co., Ltd. as of April 1, 2016.

9. MAJOR LENDERS (as of March 31, 2016)

Name	Loans Outstanding (Millions of yen)
Sumitomo Mitsui Banking Corporation	26,215
Sumitomo Mitsui Trust Bank, Limited	9,329
Mizuho Bank, Ltd.	6,238
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,044

10. EMPLOYEES (as of March 31, 2016)

Segment	Number of Employees	Increase or Decrease from End of Last Fiscal Year
Machinery Components	5,394	41
Precision Equipment	4,070	28
Construction Machinery	3,123	87
Industrial Machinery	2,083	237
Ships	513	37
Environmental Protection Facilities, Plants	2,266	(6)
Corporate Operations & Others	1,042	6
Total	18,491	430

11. MAJOR PLACES OF BUSINESS AND PLANTS (as of March 31, 2016)

Company	Head office	1-1, Osaki 2-chome, Shinagawa-ku, Tokyo, Japan
	Business offices	Chubu Office (Nagoya-shi), Kansai Office (Osaka-shi), Kyushu Office (Fukuoka-shi)
	Plants	Tanashi Works (Nishitokyo-shi, Tokyo), Chiba Works (Chiba-shi), Yokosuka Works (Yokosuka-shi, Kanagawa Pref.), Nagoya Works (Obu-shi, Aichi Pref.), Okayama Works (Kurashiki-shi, Okayama Pref.), Niihama Plant of Ehime Works (Niihama-shi, Ehime Pref.), Saijo Plant of Ehime Works (Saijo-shi, Ehime Pref.)
	Laboratories	Technology Research Center (Yokosuka-shi, Kanagawa Pref.)
Subsidiaries	Plants	Sumitomo (S.H.I.) Construction Machinery Co., Ltd., Chiba Works (Chiba-shi) Sumitomo Heavy Industries Marine & Engineering Co., Ltd., Yokosuka Shipyard (Yokosuka-shi, Kanagawa Pref.) SEISA Gear, Ltd., Head Office and Head Plant (Kaizuka-shi, Osaka Pref.) Nihon Spindle Manufacturing Co., Ltd., Head Office and Head Plant (Amagasaki- shi, Hyogo Pref.) Shin Nippon Machinery Co., Ltd., Kure Works (Kure-shi, Hiroshima Pref.) Sumitomo Heavy Industries Material Handling Systems Co., Ltd., Niihama Plant (Niihama-shi, Ehime Pref.) Sumitomo Heavy Industries Ion Technology Co., Ltd., Ehime Plant (Saijo-shi, Ehime Pref.) Sumitomo Heavy Industries Process Equipment Co., Ltd., Head Office and Head Plant (Saijo-shi, Ehime Pref.) Sumitomo Machinery Corporation of America (U.S.A.) Link-Belt Construction Equipment Company, L.P., LLLP (U.S.A.) Hansen Industrial Transmissions NV (Belgium) Sumitomo (SHI) Demag Plastics Machinery GmbH (Germany) Sumitomo (SHI) Cyclo Drive Germany GmbH (Germany) Sumitomo (S.H.I.) Construction Machinery (Tangshan) Co., Ltd. (China) Sumitomo (SHI) Cyclo Drive China, Ltd. (China) Ningbo Sumiju Machinery Ltd. (China) Sumitomo Heavy Industries (Vietnam) Co., Ltd. (Vietnam)

Note: SEISA Gear, Ltd. changed its company name to Sumitomo Heavy Industries Gearbox Co., Ltd. as of April 1, 2016.

12. OTHER IMPORTANT MATTERS REGARDING THE CURRENT STATUS OF THE COMPANY GROUP

Regarding the construction work of an incinerated ash melting facility ordered by the city of Kyoto, the Company received a notice of cancelation of the contract from the city on August 5, 2013, for the reason that it would be impossible for the Company to deliver the facility by the delivery date. In addition, on March 20, 2014, the city filed a suit against the Company demanding compensation for damages, etc. The case is still pending as of the time of preparation of this document (May 23, 2016).

The progress of this lawsuit after the time of preparation of this document will be available on the Company's website (<http://www.shi.co.jp/english>).

II. CURRENT CONDITION OF THE COMPANY

1. STOCK (as of March 31, 2016)

- (1) Total number of authorized shares: 1,800,000,000
- (2) Total number of issued shares: 614,527,405
- (3) Number of shareholders: 42,227
- (4) Major shareholders:

Name of Shareholders	Number of Shares in Thousands	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	33,043	5.4
Japan Trustee Services Bank, Ltd. (trust account)	30,412	4.9
Japan Trustee Services Bank, Ltd. (trust account 9)	24,590	4.0
Sumitomo Life Insurance Company	21,666	3.5
BNYML - Non Treaty Account	19,053	3.1
Sumitomo Mitsui Banking Corporation	15,531	2.5
Sumitomo Heavy Industries, Ltd. Kyoekai	12,949	2.1
HSBC Bank Plc A/C Clients 1	11,405	1.9
State Street Bank and Trust Company 505001	10,948	1.8
Chase Manhattan Bank GTS Clients Account Escrow	9,110	1.5

Note: Shareholding ratios are calculated based on the total number of shares excluding treasury shares (1,648,819 shares). The treasury shares include 1,000 shares registered in the name of the Company in the Register of Shareholders but not substantially owned by the Company.

2. DIRECTORS AND CORPORATE AUDITORS OF THE COMPANY

(1) Directors and Corporate Auditors (as of March 31, 2016)

Name	Title	Position, Responsibilities, and Significant Positions Held at Other Companies
Yoshinobu Nakamura	Representative Director Chairman of the Board	Chairperson of the Board of Directors
Shunsuke Betsukawa	Representative Director President (CEO)	
Shinji Nishimura	Representative Director Senior Executive Vice President	General Manager of Corporate Planning Group
Yuji Takaishi	Representative Director Executive Vice President	General Manager of Export Administration Department and Regional General Manager of Kansai Office
Toshiharu Tanaka	Director Executive Vice President	General Manager of Power Transmission & Controls Group
Yoshiyuki Tomita	Director Senior Vice President	General Manager of Corporate Technology Operations Group
Kazuto Kaneshige	Director Senior Vice President	General Manager of Industrial Equipment Division
Mikio Ide	Director	Representative Director and President & CEO of Sumitomo (S.H.I.) Construction Machinery Co., Ltd.
Susumu Takahashi	Director	Chairman of The Japan Research Institute, Limited; Member of Council on Economic and Fiscal Policy, Cabinet Office; Member of the National Council for Promoting the Dynamic Engagement of All Citizens
Hideo Kojima *	Director	CPA, Hideo Kojima CPA Office; Outside Corporate Auditor of Alpine Electronics, Inc.
Yukio Kinoshita	Standing Corporate Auditor	
Kazumi Fujita	Standing Corporate Auditor	
Takeo Wakae	Corporate Auditor	Lawyer, Kumagai & Wakae Law Firm
Takashi Miyazawa *	Corporate Auditor	CPA

Notes:

- The persons marked with * are a new Director and a new Corporate Auditor who assumed office on June 26, 2015.
- Directors Susumu Takahashi and Hideo Kojima are Outside Directors.
- Corporate Auditors Takeo Wakae and Takashi Miyazawa are Outside Corporate Auditors.
- The Company reported the appointments of Directors Susumu Takahashi and Hideo Kojima and Corporate Auditors Takeo Wakae and Takashi Miyazawa to the Tokyo Stock Exchange as independent officers.
- Corporate Auditor Takashi Miyazawa has adequate expertise with regard to finance and accounting as a CPA.
- The Director and the Corporate Auditor who resigned during this term (resigned as of June 26, 2015):
Director Akio Yoshikawa (expiration of term of office)
Corporate Auditor Hideo Kojima (expiration of term of office)
- As of April 1, 2016, the positions, responsibilities, and significant positions held at other companies of the Directors, Corporate Auditors and Executive Officers are as below.

Name	Title	Position, Responsibilities, and Significant Positions Held at Other Companies
Yoshinobu Nakamura	Representative Director Chairman of the Board	Chairperson of the Board of Directors
Shunsuke Betsukawa	Representative Director President (CEO)	
Shinji Nishimura	Representative Director Senior Executive Vice President	General Manager of Corporate Planning Group; General Manager of Export Administration Department
Yoshiyuki Tomita	Director Executive Vice President	General Manager of Corporate Technology Operations Group
Toshiharu Tanaka	Director Executive Vice President	General Manager of Power Transmission & Controls Group
Kazuto Kaneshige	Director Senior Vice President	General Manager of Industrial Equipment Division
Yuji Takaishi	Director	
Mikio Ide	Director	Representative Director and Chairman of the Board of Sumitomo (S.H.I.) Construction Machinery Co., Ltd.
Susumu Takahashi	Director	Chairman of The Japan Research Institute, Limited; Member of Council on Economic and Fiscal Policy, Cabinet Office; Member of the National Council for Promoting the Dynamic Engagement of All Citizens

Name	Title	Position, Responsibilities, and Significant Positions Held at Other Companies
Hideo Kojima	Director	CPA, Hideo Kojima CPA Office; Outside Corporate Auditor of Alpine Electronics, Inc.
Yukio Kinoshita	Standing Corporate Auditor	
Kazumi Fujita	Standing Corporate Auditor	
Takeo Wakae	Corporate Auditor	Lawyer, Kumagai & Wakae Law Firm
Takashi Miyazawa	Corporate Auditor	CPA
Katsuhiko Taniguchi	Executive Vice President	General Manager of Corporate Quality Group; Chairman of the Board of Sumitomo Heavy Industries (China), Ltd.; Chairman of the Board of Sumitomo Heavy Industries (Shanghai) Management, Ltd.
Katsuhide Yokota	Executive Vice President	General Manager of Ehime Works, Representative Director and President & CEO of Sumitomo Heavy Industries Material Handling Systems Co., Ltd.
Chuck Martz	Executive Vice President	President, CEO & Chairman of LBCE Holdings, Inc.
Tetsuya Okamura	Senior Vice President	CEO of Sumitomo (SHI) Demag Plastics Machinery GmbH
Akio Yoshikawa	Senior Vice President	Representative Director and President of Shin Nippon Machinery Co., Ltd.
Nobutaka Miyawaki	Senior Vice President	General Manager of Ship & Marine Division; Representative Director and President & CEO of Sumitomo Heavy Industries Marine & Engineering Co., Ltd.
Hideo Suzuki	Senior Vice President	General Manager of Corporate Finance, Accounting & Administration Group
Shinji Shimomura	Senior Vice President	Representative Director and President & CEO of Sumitomo (S.H.I.) Construction Machinery Co., Ltd.; Representative Director and President & CEO of Sumitomo (S.H.I.) Construction Machinery Sales Co., Ltd.
Hiroo Morita	Senior Vice President	General Manager of Human Resources Group
Kazuo Hiraoka	Senior Vice President	General Manager of Plastics Machinery Division
Tatsuya Endo	Senior Vice President	General Manager of Defense Systems Group
Taiji Tsuchiya	Senior Vice President	General Manager of Precision Equipment Group
Eiji Kojima	Senior Vice President	General Manager of Mechatronics Group
Yukio Kumata	Vice President	Deputy General Manager of Corporate Technology Operations Group
Isao Kono	Vice President	General Manager of Gear Motor, Power Transmission & Controls Group

(Notes) The Company has established policies and procedures for the appointment of Executive Officers in the Corporate Governance Basic Policy of Sumitomo Heavy Industries, Ltd. and appoints Executive Officers in accordance with those policies and procedures, comprehensively taking into account the knowledge, experience and ability possessed by the candidates.

(2) Total Amount of Compensation, etc. Paid to Directors and Corporate Auditors

11 Directors ¥372 million

5 Corporate Auditors ¥86 million

Notes: The maximum compensation per month is ¥40 million in total for all Directors as a group (under the resolution of the 110th Ordinary General Meeting of Shareholders held on June 29, 2006), and ¥7.5 million in total for Corporate Auditors (under the resolution of the 109th Ordinary General Meeting of Shareholders held on June 29, 2005).

(3) Outside Officers

(i) Total amount of compensation, etc. paid to Outside Officers

¥34 million for 4 Outside Officers

(ii) Primary activities by Outside Officers

Name	Primary Activities
Susumu Takahashi	Attended 15 out of 16 meetings of the Board of Directors held during this fiscal year, and expressed opinions based on his specialized knowledge about the economy and management, and his broad experience.
Hideo Kojima	Attended all 16 meetings of the Board of Directors held during this fiscal year and all 4 meetings of the Board of Corporate Auditors held during his term of office as a Corporate Auditor before he took office as a Director on June 26, 2015, and expressed opinions particularly from a perspective as an expert on finance and accounting as a CPA. In addition, he acts as a Chairperson of the Nomination Committee and the Compensation Committee.
Takeo Wakae	Attended 15 out of 16 meetings of the Board of Directors and all 13 meetings of the Board of Corporate Auditors held during this fiscal year, and expressed opinions particularly from the perspective of an expert on legal issues as a lawyer.
Takashi Miyazawa	Attended all 12 meetings of the Board of Directors and all 9 meetings of the Board of Corporate Auditors held after he took office as a Corporate Auditor on June 26, 2015, and expressed opinions particularly from the perspective of an expert on finance and accounting as a CPA.

(iii) Outline of agreement for limited liability

The Company has entered into a contract with Outside Directors Susumu Takahashi and Hideo Kojima and Outside Corporate Auditors Takeo Wakae and Takashi Miyazawa, respectively, to limit their liability to the Company for damages under Article 423, Paragraph 1, of the Companies Act to ¥10 million or the minimum liability amount as provided in Article 425, Paragraph 1 of the Companies Act, whichever is higher.

3. INDEPENDENT CORPORATE AUDITORS

- (1) Name: KPMG AZSA LLC.
- (2) Amount of Compensation, etc., and Reason that the Board of Corporate Auditors Agreed to Such Compensation, etc.
 - (i) Amount of compensation, etc. to be paid to the Independent Corporate Auditors related to this fiscal year
152 million yen
 - (ii) Total amount of compensation, etc. and other financial benefits to be provided to the Independent Corporate Auditors by the Company and its subsidiaries
249 million yen

Notes: 1. The compensation for auditing under the Companies Act and auditing under the Financial Instruments and Exchange Act is not clearly differentiated in the Audit Agreement between the Company and the Independent Corporate Auditors and cannot be differentiated as a practical matter. Accordingly, the above-indicated amount of compensation, etc. to be paid to the Independent Corporate Auditors related to this fiscal year includes the total of such compensation amounts.

2. Among the important subsidiaries of the Company, LBX Company, LLC, Sumitomo Machinery Corporation of America, LBCE Holdings, Inc., Hansen Industrial Transmissions NV, Sumitomo (SHI) Demag Plastics Machinery GmbH, Sumitomo (S.H.I.) Construction Machinery (Tangshan) Co., Ltd., and Sumitomo (SHI) Cyclo Drive China, Ltd. were audited by auditing firms other than the Independent Corporate Auditors engaged by the Company.

(iii) Reason that the Board of Corporate Auditors agreed to the compensation, etc. of the Independent Corporate Auditors

Having confirmed and considered the contents of the audit plan, the previous audit status and compensation record, and the grounds for calculation of the estimated compensation, etc. provided by the related internal departments and Independent Corporate Auditors in accordance with the Guidelines for Practices Regarding Cooperation with Independent Corporate Auditors released by the Japan Audit & Supervisory Board Members Association, the Board of Corporate Auditors of the Company has determined that the compensation, etc. of Independent Corporate Auditors related to this fiscal year is appropriate, and therefore the agreement pursuant to Article 399, Paragraph 1 of the Companies Act was made.

(3) Details of Non-Audit Duties

The Company outsources to Independent Corporate Auditors the provision of advice regarding the introduction of systems, etc. which are outside the scope of work (non-audit duties) stipulated under Article 2, Paragraph 1 of the Certified Public Accountants Act.

(4) Policy for Determination to Dismiss or Not to Reappoint Independent Corporate Auditors

The Board of Corporate Auditors shall dismiss the Independent Corporate Auditors upon the consent of all Corporate Auditors in the event that it is determined that any item under Paragraph 1 of Article 340 of the Companies Act applies to the Independent Corporate Auditors. In this case, a Corporate Auditor appointed by the Board of Corporate Auditors shall report the

dismissal and the reason thereof at the Shareholders' Meeting first called after such dismissal. In addition, if it is determined that it is difficult for the Independent Corporate Auditors to perform their duties appropriately, the Board of Corporate Auditors shall propose the dismissal or non-reappointment of the Independent Corporate Auditors at a Shareholders' Meeting.

4. OPERATIONAL STRUCTURE FOR ENSURING THE APPROPRIATE CONDUCT OF OPERATIONS

The Company has developed the following basic policies to ensure appropriate conduct of its operations:

Basic Policies for Establishment of an Internal Control System

I. Purpose

The purpose of these basic policies is to improve the corporate value and ensure the sustainable development of the Company Group through the formulation and implementation by the Board of Directors of the Company of basic policies for the establishment of an internal control system.

II. Basic Policies

- (1) Establishment of a structure necessary to ensure the appropriate conduct of business by the Company
 - 1) Structure for ensuring that the execution of duties by the Directors of the Company is in compliance with laws and regulations and the Articles of Incorporation
 - (a) The Board of Directors of the Company shall determine the basic policies for the establishment of an internal control system, verify its effectiveness as necessary, and strive toward the continuous enhancement and improvement of the Company's internal control system as well as the internal control system of the Group.
 - (b) The Company shall elect Outside Director(s), who are independent of management, to improve the supervisory function of the Board of Directors.
 - (c) The Corporate Auditors of the Company shall audit the appropriateness of the execution of duties by the Directors concerning the establishment and operation of the Company's internal control system as well as the internal control system of the Group.
 - 2) Structure for maintenance and administration of information relating to the execution of duties by the Directors of the Company
 - (a) The information related to the execution of duties by the Directors of the Company shall be recorded and maintained under the related rules of the Company, and such records shall be made available to the Directors and the Corporate Auditors of the Company for inspection at any time.
 - (b) The Company shall make efforts to disclose material information related to the execution of duties by the Directors of the Company pursuant to related laws and regulations in an appropriate and timely manner.
 - 3) Rules and other relevant corporate structures on loss-risk management of the Company
 - (a) The Company shall establish an internal control promotion structure that consists of the persons responsible for the promotion of internal control deployed in each section. The Company's Internal Control Group shall supervise the internal control promotion structure and promote risk management.
 - (b) The section(s) responsible for specific types of risks shall stipulate the rules relevant to risk management, and shall strive to reduce risk through education, training, auditing, etc. based on such rules.
 - (c) The Company shall deploy persons responsible for being a liaison for emergencies in each section. At the occurrence of an emergency situation, the persons responsible for

being a liaison for emergencies shall report such emergency situation promptly to the top management in accordance with the related rules. The management who receive such a report shall take appropriate actions in a timely manner.

- 4) Structure for ensuring the reliability of the financial reporting of the Company
 - (a) The Company shall develop a necessary structure to ensure the appropriateness of financial information and to prepare and disclose reliable financial reports.
 - (b) The Company's internal audit department shall audit the operational status of the internal control system related to financial reporting to ensure the reliability of the Company's financial reporting.
 - 5) Structure for ensuring the efficient execution of duties by the Directors of the Company
 - (a) To conduct the efficient execution of duties, the Company shall adopt a system of Executive Officers wherein the Directors delegate authority to Executive Officers within an appropriate range under the Company's rules such as rules on approval authority.
 - (b) The Company shall adopt a structure to monitor the status of the execution of duties by having the responsible Executive and Operating Officers report the status of the execution of medium-term management plans and annual budgets that are determined by resolution of the Board of Directors of the Company at the monthly meetings of the Executive & Operating Officers Committee, etc.
 - (c) To make decisions on material managerial matters based on a multi-dimensional review, the Management Strategy Committee, etc. shall be established as an advisory organ to the President to consider and discuss such matters.
 - 6) Structure for ensuring that the execution of duties by the Company's Executive Officers and employees is in compliance with laws and regulations and the Articles of Incorporation
 - (a) The basic policies on compliance shall be determined at the Ethics Committee chaired by the President of the Company, and the Internal Control Group shall promote rigorous observance of such policies through the internal control promotion structure.
 - (b) The Company shall continue to provide training related to compliance. The Company shall also make the Directors, the Executive Officers and all managerial staff submit a pledge to observe specific compliance requirements, as necessary.
 - (c) The Company shall take a resolute position against entities or individuals that threaten the order and safety of civil society and shall sever any relations with such entities or individuals.
 - (d) The Company shall set up an in-house whistleblower system through which actual or suspected violations of laws and regulations or corporate ethics should be reported, and the use of this system shall be encouraged so that problems can be detected at an early stage.
 - (e) The execution of duties by the Executive Officers and employees of the Company shall be audited by the responsible section(s) to ensure that such execution of duties is in compliance with laws and regulations and the Articles of Incorporation.
- (2) Establishment of a structure necessary to ensure the appropriate conduct of business by the entire

Group comprising the Company and its subsidiaries

- 1) Structure for reporting to the Company on matters regarding the execution of duties by directors, etc. of the Company's subsidiaries
 - (a) The Company shall pursue strengthened governance and the efficient execution of duties of its subsidiaries based on the rules concerning the management of the business of the Group.
 - (b) The Company shall have its major subsidiaries formulate basic policies for the establishment of an internal control system, and the status of operation of the system shall be reported to the Company's Board of Directors through the Company's Internal Control Group.
- 2) Rules on loss-risk management of the Company's subsidiaries and other relevant corporate structures
 - (a) The Company's Internal Control Group shall promote group-wide risk management through the internal control promotion structure that has been established at major subsidiaries of the Company.
 - (b) The Company shall have its subsidiaries stipulate the rules to manage specific types of risks. The Company shall strive for group-wide risk reduction through education, training, auditing, etc. by the Company's responsible section for each risk.
 - (c) The Company shall deploy persons responsible for being a liaison for emergencies at its major subsidiaries. At the occurrence of an emergency situation, the persons responsible for being a liaison for emergencies shall report such emergency situation promptly to the directors of the subsidiary and the top management of the Company in accordance with the related rules. The management who receive such a report shall take appropriate actions in a timely manner.
- 3) Structure for ensuring the efficient execution of duties by the directors, etc. of the Company's subsidiaries
 - (a) Pursuant to the rules concerning the management of the business of the Group, the Company's subsidiaries shall formulate rules on approval authority and execute their duties efficiently.
 - (b) The medium-term management plans and annual budgets of the Company's major subsidiaries shall be executed after the Company's Board of Directors approves them. The Company shall adopt a structure to monitor the status of the execution of the businesses of the entire Group by having the subsidiaries' directors, etc. report the status of the execution of duties at the meetings of the Executive & Operating Officers Committee, etc. of the Company.
 - (c) To make decisions on the material managerial matters of the Company's major subsidiaries based on a multi-dimensional review, such matters shall be discussed and deliberated at the Company's Management Strategy Committee, etc.
- 4) Structure for ensuring that the execution of duties by the directors, etc. and employees of the Company's subsidiaries is in compliance with laws and regulations and the Articles of Incorporation
 - (a) The Company's Internal Control Group shall promote rigorous compliance throughout

the Group through the internal control promotion structure that has been installed at major subsidiaries of the Company.

- (b) The Company shall have its subsidiaries continue to provide training related to compliance. The Company shall also make the directors and all managerial staff of the subsidiaries submit a pledge to observe specific compliance requirements, as necessary.
 - (c) The Company shall cooperate with its subsidiaries, ensuring that the subsidiaries shall also take a resolute position against entities or individuals that threaten the order and safety of civil society and shall sever any relations with such entities or individuals.
 - (d) The Company shall have its subsidiaries set up an in-house whistleblower system, of which the contact persons shall include the subsidiary's corporate auditor(s). Contact persons of the in-house whistleblower system of major subsidiaries of the Company shall include the Company's Internal Control Group.
 - (e) The Company shall send Director(s) or Corporate Auditor(s) to its major subsidiaries to reinforce the internal control of the Group. The execution of duties by directors of the subsidiaries of the Company shall be audited by the responsible section(s) of the Company to ensure that such execution of duties is in compliance with laws and regulations and the Articles of Incorporation.
- 5) Structure for ensuring the reliability of financial reporting of the subsidiaries of the Company
- (a) To ensure the appropriateness of financial information of the subsidiaries of the Company and prepare and disclose reliable financial reports, the Company shall require its major subsidiaries to establish the internal control system related to financial reporting.
 - (b) The Company's internal audit department shall audit the operational status of the internal control system related to financial reporting at major subsidiaries of the Company to ensure the reliability of the financial reporting by subsidiaries of the Company.
- (3) Necessary matters for the execution of auditing duties by the Corporate Auditors of the Company
- 1) Matters related to the staff who assist the Corporate Auditors when the Corporate Auditors request to place such assistant staff
- As a department under the direct control of the Board of Corporate Auditors, the Corporate Audit Department, which includes dedicated staff who assist the Corporate Auditors of the Company with the execution of auditing duties, shall be established.
- 2) Matters related to independence of the staff who assist the Corporate Auditors with the execution of auditing duties from the Directors
- The personnel changes, performance appraisals to and disciplinary action against the staff of the Corporate Audit Department shall require approval of the Corporate Auditors of the Company.
- 3) Matters for ensuring the effectiveness of instructions given to staff who assist the Corporate Auditors of the Company with the execution of auditing duties
- Concerning the duties of staff who assist the Corporate Auditors of the Company with the execution of auditing duties, instructions and commands to the staff of the Corporate Audit Department shall be given by the Corporate Auditors of the Company.

- 4) Structure for reporting to the Corporate Auditors of the Company
- (a) Structure for Directors, Executive Officers and employees of the Company reporting to the Corporate Auditors of the Company
- (i) To audit the execution of duties by the Directors and the Executive Officers, the Corporate Auditors of the Company shall attend the meetings of the Board of Directors, the Executive & Operating Officers Committee and other important meetings of the Company and shall inspect major *ringisho* (documents for approval) and other important documents relating to the execution of duties.
- (ii) If any actual or potential violation of laws and regulations, the Articles of Incorporation or compliance obligations exists, the Directors, the Executive Officers and employees of the Company shall report to the Corporate Auditors of the Company promptly.
- (iii) The contact persons for the Company's in-house whistleblower system shall include the Company's Corporate Auditors.
- (b) Structure for directors or employees of subsidiaries of the Company or those who received a report from them reporting to the Corporate Auditors of the Company
- (i) If any actual or potential violation of laws and regulations, the Articles of Incorporation or compliance obligations exists, directors, corporate auditors or employees of the subsidiaries of the Company shall promptly report to the Corporate Auditors of the Company through the responsible section(s) of the Company.
- (ii) From among the issues reported to the in-house whistleblower system of the major subsidiaries of the Company, important issues shall be reported, as necessary, by the Company's Internal Control Group to the Company's Corporate Auditors as to the content of the report and how the issue has been addressed.
- (iii) Results of audits of the Company's subsidiaries conducted by the Company's internal audit department shall be reported to the Company's Corporate Auditors without delay.
- (c) Structure for ensuring that reporters in the preceding section will not receive detrimental treatment because of the reporting
- The Company and its major subsidiaries shall stipulate in their internal rules that whistleblowers or persons who report to the Company's Corporate Auditors shall not receive detrimental treatment because of such reporting, and their employees shall be well informed of this stipulation.
- 5) Policies related to the treatment of expenses or liabilities incurred in connection with the execution of duties by the Company's Corporate Auditors
- Expenses, etc. incurred in connection with the execution of duties by the Company's Corporate Auditors shall be included in the budget. In the case where legally prescribed prepayments, etc. are billed, the Company shall make such payments except in the case where it is determined that such payments are unnecessary for the execution of duties by such Corporate Auditors.
- 6) Other structures for ensuring effective auditing by the Company's Corporate Auditors
- (a) The Company's Directors and Executive Officers and the directors of the Company's

subsidiaries shall establish a structure for effective auditing by the Company's Corporate Auditors through liaisons and cooperation with the Company's internal audit department and internal control department, as well as the corporate auditors of subsidiaries and the Independent Corporate Auditors, etc.

- (b) To exchange information related to auditing and to enhance the auditing functions across the Company Group, the Company shall hold a group-wide Corporate Auditor meeting on a regular basis, attended by the Corporate Auditors of the Company and the corporate auditors of its subsidiaries.
- (c) Corporate Auditors elected by the Company shall include those who have an appropriate level of knowledge of finance and accounting.

III. Revision and Abolition of these Policies

The necessary revision of these policies shall be undertaken by resolution of the Board of Directors.

Note: These policies were revised as of May 1, 2015, in line with revisions made to the Companies Act and the Ordinance for Enforcement of the Companies Act.

(Outline of Operational Status of the Structure for Ensuring the Appropriate Conduct of Operations)

An outline of the operational status of the structure for ensuring the appropriate conduct of operations for this fiscal year is as follows:

- 1) Structure for ensuring that the execution of duties by the Directors of the Company is in compliance with laws and regulations and the Articles of Incorporation

In response to the amendment of the Companies Act and the Ordinance for Enforcement of the Companies Act, the Company revised its Basic Policies for Establishment of an Internal Control System and implemented them on and after May 1, 2015, based on the Board of Directors meeting resolution of April 28, 2015.

- 2) Structure for maintenance and administration of information relating to the execution of duties by the Directors of the Company

The Company appropriately maintains and administers the minutes of Shareholders' Meetings and Board of Directors meetings, etc. in accordance with the internal rules.

- 3) Rules and other relevant corporate structures on loss-risk management of the Company

- (a) In accordance with the internal rules of the Company, each section conducts self-risk assessment each fiscal year, sets categories to prioritize risk management, and reports the status of the improvement of risks to the Company on a quarterly basis.

- (b) Each section has a system in place for reporting the occurrence and status of emergency situations to top management in accordance with the internal rules of the Company and taking action in a timely manner.

- 4) Structure for ensuring the reliability of the financial reporting of the Company

The Company established the Internal Control Group to develop an internal control system regarding reliable financial reporting and deploys persons responsible for internal control and the promotion thereof to each business section. The Internal Audit Department audits the establishment and operational status of the internal control system regarding financial reporting.

- 5) Structure for ensuring the efficient execution of duties by the Directors of the Company

The Company ensures the efficient execution of duties by adopting a system of Executive

Officers wherein the Directors delegate authority to the Executive Officers in accordance with the internal rules, etc. In addition, the Company has the responsible Executive and Operating Officers report the monthly performance, the status of execution of medium-term management plans and annual budgets at the monthly meetings of the Executive & Operating Officers Committee.

- 6) Structure for ensuring that the execution of duties by the Company's Executive Officers and employees is in compliance with laws and regulations and the Articles of Incorporation
 - (a) The Ethics Committee confirms the basic policies on compliance and reports the status of general compliance for this fiscal year, such as the operational status of the in-house whistleblower system and the implementation status of training related to compliance.
 - (b) The Company provides training to and familiarizes all employees with the compliance necessary for their positions. In addition, the Company monitors the status of employee awareness of compliance through an annual compliance awareness investigation and implements improvement plans when necessary.
 - (c) The Company makes all managerial staff submit a pledge to observe compliance requirements every year.
- 7) Establishment of a structure necessary to ensure the appropriate conduct of business by the entire Group comprising the Company and its subsidiaries
 - (a) To ensure the appropriate and efficient operation of the Company Group's business, the Company established the Regulations of Prior Consultation and Reporting and keeps the domestic and overseas subsidiaries informed of those rules. In addition, major subsidiaries each formulated the Basic Policies for Establishment of an Internal Control System and report the operational status thereof to the Company.
 - (b) Major subsidiaries conduct self-risk assessment each fiscal year in accordance with the internal rules, set categories to prioritize risk management, and report the status of improvements to the Company on a quarterly basis.
 - (c) Domestic and overseas subsidiaries provide training regarding compliance and keep their employees informed of compliance issues. Also, domestic subsidiaries monitor employee awareness of compliance through compliance awareness investigations annually and report the results thereof and the status of improvements to the Company.
 - (d) For cases where a report is made to the in-house whistleblower system established by a domestic subsidiary, there is a system in place for the prompt reporting of such fact to such subsidiary's corporate auditors and the Company by such in-house whistleblower system.
 - (e) For the establishment of internal control systems regarding reliable financial reporting, major domestic and overseas subsidiaries deploy persons responsible for internal control and the promotion thereof. In addition, the Company's Internal Audit Department audits the establishment and the operational status of the internal control systems regarding the financial reporting of major domestic and overseas subsidiaries.
- 8) Structure for ensuring efficient auditing by the Corporate Auditors of the Company
 - (a) The Company established the Corporate Auditors' Department as a dedicated organization tasked with assisting the Corporate Auditors with their duties, and the Corporate Auditors instruct and direct the members of the Corporate Auditors' Department.

- (b) The Company includes the expenses, etc. to be incurred in connection with the execution of duties by the Corporate Auditors in the annual budget and manages them appropriately.
- (c) To ensure that the audits by the Corporate Auditors are effective, the Company provides information to the Corporate Auditors through important meetings such as the Board of Directors' meetings, Executive & Operating Officers Committee meetings, and Management Strategy Committee meetings, and also provides the Corporate Auditors and the Representative Director with regular opportunities to exchange opinions. In addition, the corporate auditors of affiliates and the Internal Audit Department and the Independent Corporate Auditors of the Company exchange information regarding their duties with the Corporate Auditors of the Company regularly or as necessary to enhance the audit functions across the Company Group.
- (d) The Company reports without delay cases or matters that are of violations of laws and regulations or compliance obligations to the Corporate Auditors through the Company's department in charge. The Company and the domestic subsidiaries also establish rules regarding the protection of whistleblowers and keep each company informed of those rules.

5. BASIC POLICY ON POSITION OF THE PERSON CONTROLLING DECISIONS ON FINANCIAL AND BUSINESS POLICIES OF THE COMPANY

(1) Contents of the Basic Policy

The Company believes that the position of the person controlling decisions on the financial and business policies of the Company should be ultimately decided by the shareholders from the standpoint of improving the Company's corporate value and protecting shareholders' common interests. Therefore, the Company believes that the issue of whether to accept a proposal for a large-scale acquisition of shares, etc. resulting in a change of control of the Company should be ultimately decided based on the intention of the shareholders.

However, the Company anticipates that certain large-scale acquisitions of shares may materially affect our corporate value or the shareholders' common interests, for instance, where they are expected to plainly infringe upon our corporate value or the shareholders' common interests in light of the purpose of the acquisition and the managerial policy to be adopted after the acquisition, or where they are conducted without providing the shareholders with reasonably necessary information to enable a decision on the acquisition proposal. The Company believes that it should make an exception in the above instances wherein a party who makes such a large-scale acquisition of shares is inappropriate as a person controlling decisions regarding the financial and business policies of the Company.

The Company's corporate value derives from offering "excellent products"; synergy generated by the value chain through the Company's business segments; and the Company's global network; as well as the relationship of trust among shareholders, customers, business partners, employees and the society as a whole, maintained and enhanced through a global network and management in conformity with the Sumitomo Business Spirit. These sources of our corporate value function in an organically integrated manner in order to generate further value.

The Company therefore has adopted the following basic policy: Our primary duty is to increase our corporate value and maximize the shareholders' common interests through sharing generated profits with shareholders, and the Company accepts in principle the fact that the Company is supported by shareholders who have obtained shares of the Company through free trading in the market. However, when there is a possibility that an acquisition of shares of the Company by a party who intends to obtain 20% or more of all the voting rights of the Company may infringe upon the Company's corporate value or the shareholders' common interests, the Company will consider such a party who intends to acquire shares of the Company to be inappropriate to control decisions regarding financial and business policies of the Company and shall take measures to protect and increase the Company's corporate value or the shareholders' common interests to the extent necessary and reasonable.

(2) Special Measures to Pursue the Basic Policy

The Company Group will take the following measures in order to pursue the above-stated basic policy.

1) Medium-term management plan and implementation thereof

In the Medium-Term Management Plan 2016, the Company Group aims to achieve the financial targets for fiscal year 2016: sales of ¥700 billion and an operating profit margin of 7.5%. In addition, the Company Group will continue to set ROIC as a performance indicator of the Company Group and to maintain $ROIC > WACC$ (weighted average of cost of capital)* and continually ensure an ROIC of 7% or higher.

To achieve the above financial targets, the Company Group sets forth three objectives: (i) steady growth to establish the basis for sustainable growth; (ii) return to high levels of profitability; and (iii) persistent efforts for operational quality improvements to be an "enterprise that

continues to provide excellent products.” It is important for the Company Group not only to achieve growth but also to solidify our foundation and attain steady growth in order to return to high profitability.

The targeted payout ratio is set at 30% over the three years covered by the Medium-Term Management Plan 2016.

2) Enhanced corporate governance

The Company has been promoting the enhancement of its corporate governance. Specifically, the Company has been striving to invigorate the Board of Directors and maintain the transparency of management; for instance, through the adoption of the system of Executive Officers in 1999, the election of Outside Directors since 2002, the adoption of a shortened term of Directors from two years to one year in 2007, the election of more than one Outside Director since 2015, etc.

In addition, in November 2015, the Company established the Corporate Governance Basic Policy of Sumitomo Heavy Industries, Ltd. in order to increase the corporate value of the Company Group and to enhance the evaluations by and trust of stakeholders, for the purpose of establishing an efficient and highly-transparent management structure.

In order to enhance auditing functions across the Company Group, the Corporate Auditors of the Company hold group-wide Corporate Auditor meetings on a regular basis. In addition, the Corporate Auditors conduct on-site audits annually at overseas subsidiaries in response to the increasingly globalized business conditions within the Company Group.

The Company has also notified Tokyo Stock Exchange, Inc. of all Outside Officers as independent officers, having determined that they are unlikely to have conflicts of interest with general shareholders. These independent officers are required to conduct activities taking into account the protection of general shareholders’ interests, for example, by giving necessary opinions, when the Board of Directors, etc. make decisions with respect to the execution of duties, to give consideration to general shareholders’ interests.

3) Measures to share generated profits with shareholders

The Company is committed to making further efforts, through the implementation of the above-stated measures and strategies, to improve our corporate value through further growth of the businesses and to share profits with shareholders by continuously increasing dividends, thus increasing the shareholders’ common interests.

(3) Plan to Prevent Any Inappropriate Party, in Light of the Company’s Basic Policy, from Controlling Decisions on the Financial and Business Policies of the Company

The Company’s proposal regarding the introduction of a plan for responding to large-scale acquisitions of the Company’s shares was approved at the 112th Ordinary General Meeting of Shareholders of the Company held on June 27, 2008. Thereafter, at the 115th Ordinary General Meeting of Shareholders of the Company held on June 29, 2011, and the 118th Ordinary General Meeting of Shareholders of the Company held on June 27, 2014, necessary changes thereto were made, and it was approved by a majority vote of the shareholders to continue the plan for responding to large-scale acquisitions of the Company’s shares (hereinafter such continued plan is referred to as the “Plan”).

The Plan requires a large-scale acquirer to comply with the Large-Scale Acquisition Rules. The Large-Scale Acquisition Rules provide that a large-scale acquirer shall furnish the Board of Directors with necessary and sufficient information prior to actually performing the acquisition; the Board of Directors

shall assess and consider such an acquisition; the Board of Directors or the Shareholders' Meeting as necessary shall resolve to take, not to take, or cease to take countermeasures while respecting as much as possible the recommendations by the Corporate Value Committee; and the large-scale acquirer may actually perform such acquisition only where a resolution not to take or to cease to take countermeasures is made.

Our countermeasures may be implemented in order to protect our corporate value and the shareholders' common interests where (i) the large-scale acquirer does not comply with the Large-Scale Acquisition Rules or (ii) it is determined that the large-scale acquisition will bring substantial damage to the Company's corporate value and the shareholders' common interests despite its compliance with such rules. Our countermeasures against large-scale acquisitions to be implemented under the Plan shall include an allotment of stock acquisition rights without consideration under Article 277 and subsequent articles of the Companies Act or such measures as the Board of Directors deems to be most appropriate at that time after considering the opinions of the Corporate Value Committee, provided these countermeasures shall be implemented to whatever extent necessary and reasonable to ensure maximization of the Company Group's corporate value and the shareholders' common interests or otherwise to protect such value and interests.

(4) The Board of Directors' Opinion on Specific Measures and Actions and Grounds for Opinion

The Board of Directors believes that the medium-term management plan and implementation thereof is a specific measure to produce a continuous and sustainable increase in the Company's corporate value and the shareholders' common interests, and thus is in conformity with the Company's basic policy.

Moreover, the Board of Directors believes that the Plan is in conformity with our basic policy because it has been adopted in order to protect and increase the Company's corporate value and the shareholders' common interests in the following respects: a large-scale acquirer is required to furnish the Company with necessary and sufficient information prior to actually performing the large-scale acquisition and to provide time for consideration or negotiation by the Company, which enables shareholders to make an informed decision on whether to accept such large-scale acquisition proposal and enables the Board of Directors to, based on recommendations made by the Corporate Value Committee, provide its opinion on whether or not to accept such a large-scale acquisition proposal, to make any alternative proposals to shareholders, or to negotiate with the large-scale acquirer on behalf of shareholders.

The Board of Directors would like to emphasize the following regarding the Plan: in the Plan, disclosure in advance is made more effective; shareholders' intention is respected effectively; hearing of opinions from outside experts is allowed; possible arbitrary decisions by the Board of Directors of the Company are eliminated by establishing the Corporate Value Committee; setting guidelines enhances objectivity and transparency with respect to the standards upon which decisions to take, not to take or to cease to take countermeasures are to rely; and no dead-hand or slow-hand type defensive measures are included. These and other points lead to our conclusion that the Plan meets the three principles stipulated in the Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005: (a) the principle to protect and increase corporate value and shareholders' common interests, (b) the principle to ensure prior disclosure and shareholders' intention, and (c) the principle to ensure the necessity and reasonableness of countermeasures. Also, the Plan's content is based on the report "Takeover Defense Measures in Light of Recent Environmental Changes" released by the Corporate Value Study Group set up at the Ministry of Economy, Trade and Industry on June 30, 2008, as well as other practices and discussion regarding takeover defense measures. For all these reasons, the Plan is highly reasonable and does not aim to maintain the positions of the officers of the Company.

* WACC (Weighted Average Cost of Capital): The typical method of calculating the cost of capital where the cost of liability and the cost of equity capital are weighted-averaged.

Note: Figures indicated in this Business and Financial Report are rounded off for fractions less than units.

CONSOLIDATED FINANCIAL STATEMENTS

(From April 1, 2015, to March 31, 2016)

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF INCOME

(For Reference Purposes)

CONSOLIDATED STATEMENT OF CASH FLOWS

(From April 1, 2015, to March 31, 2016)

FINANCIAL STATEMENTS

(From April 1, 2015, to March 31, 2016)

BALANCE SHEET

STATEMENT OF INCOME

CONSOLIDATED BALANCE SHEET

(As of March 31, 2016)

(Millions of yen)

Assets		Liabilities	
Current assets	493,002	Current liabilities	294,919
Cash and deposits	65,804	Notes and accounts payable	142,304
Notes and accounts receivable	219,929	Short-term bank loans	42,708
Marketable securities		Long-term debt due within one year	7,300
Inventories	5,000	Accrued income taxes	6,919
Deferred tax assets	156,270	Advances received on contracts	35,205
Other current assets	15,405	Allowance for warranty	9,092
Allowance for doubtful receivables	(1,674)	Allowance for losses on construction contracts	1,739
Fixed assets	289,857	Allowance for losses on business	3,970
Property, plant and equipment	227,769	Other current liabilities	45,682
Buildings and structures	50,338	Long-term liabilities	105,123
Machinery and delivery equipment	52,127	Bonds payable	10,000
Land	108,285	Long-term debt	8,224
Construction in progress	3,302	Allowance for losses on business transfer	115
Other tangible fixed assets	13,717	Allowance for losses on product liabilities	45
Intangible fixed assets	11,219	Defined benefit liability	51,623
Other intangible fixed assets	11,219	Deferred tax liabilities on land revaluation	21,027
Investments and other assets	50,868	Other long-term liabilities	14,089
Investment securities	25,987		
Long-term loans receivable	6,170		
Deferred tax assets	13,153		
Other assets	9,929		
Allowance for doubtful receivables	(4,371)		
		Total liabilities	400,042
		Net assets	

		Stockholders' equity	320,953
		Common stock	30,872
		Capital surplus	25,354
		Retained earnings	265,588
		Treasury stock	(861)
		Accumulated other comprehensive income	55,667
		Unrealized gains (losses) on securities, net of income taxes	2,355
		Deferred gains (losses) on hedges, net of income taxes	(121)
		Land revaluation difference	41,481
		Foreign currency translation adjustments	21,558
		Re-measurement of defined benefit plans	(9,607)
		Non-controlling interests	6,197
		Total net assets	382,817
Total assets	782,859	Total liabilities and net assets	782,859

“English Translation of Financial Statements Originally Issued in the Japanese Language”

(Note) Amounts shown in this financial statement have been rounded to the nearest million yen.

CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2015, to March 31, 2016)

		(Millions of yen)
Net sales		700,838
Cost of sales		537,502
Gross profit		163,337
Selling, general and administrative expenses		112,768
Operating income		50,568
Other income		
Interest and dividend income	1,658	
Equity in net income of consolidated subsidiaries and affiliated companies	2,083	
Other - net	2,679	6,421
Other expenses		
Interest expenses	1,829	
Foreign exchange losses	509	
Other - net	5,519	7,858
Ordinary income		49,131
Special losses		
Compensation for damages	1,448	
Impairment losses	524	1,972
Net income before income taxes and non-controlling interests		47,159
Income tax - current	15,074	
Income tax - deferred	1,016	16,090
Net income		31,070
Non-controlling interest in net loss		(2,063)
Net income attributable to shareholders of the parent company		33,133

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(Note) Amounts shown in this financial statement have been rounded to the nearest million yen.

(For Reference Purposes)

CONSOLIDATED STATEMENT OF CASH FLOWS

(From April 1, 2015, to March 31, 2016)

(Millions of yen)

Item	Amount
Cash flows from operating activities	18,315
Cash flows from investing activities	(15,350)
Cash flows from financing activities	(23,789)
Effect of exchange rate changes on cash and cash equivalents	(1,606)
Net decrease in cash and cash equivalents	(22,430)
Cash and cash equivalents at beginning of year	90,324
Increase in cash and cash equivalents due to changes in consolidation scope	731
Cash and cash equivalents at the end of year	68,625

“English Translation of Financial Statements Originally Issued in the Japanese Language”

(Note) Amounts shown in this financial statement have been rounded to the nearest million yen.

BALANCE SHEET

(As of March 31, 2016)

(Millions of yen)

Assets		Liabilities	
Current assets	169,046	Current liabilities	178,949
Cash and deposits	26,593	Notes payable	3,567
Notes receivable	2,653	Accounts payable	61,728
Accounts receivable	58,607	Short-term bank loans	3,866
Marketable securities	5,000	Long-term debt due within one year	4,000
Finished goods	10,322	Lease obligations	80
Work in process	17,201	Accounts payable, other	11,388
Raw materials and supplies	545	Accrued expenses	3,405
Advances	14,748	Accrued income taxes	2,076
Prepaid expenses	608	Advances received on contracts	21,834
Deferred tax assets	6,329	Deposits received	61,933
Accounts receivable, other	13,898	Allowance for warranty	3,534
Other current assets	14,150	Allowance for losses on construction contracts	1,254
Allowance for doubtful receivables	(1,608)	Other current liabilities	286
Fixed assets	281,174	Long-term liabilities	112,773
Property, plant and equipment	118,837	Bonds payable	10,000
Buildings	17,516	Long-term debt	6,300
Structures	2,430	Lease obligations	56
Machinery and equipment	5,859	Allowance for losses on business transfer	115
Ships	0	Allowance for retirement benefits	15,188
Vehicles and delivery equipment	35	Asset retirement obligations	295
Tools, furniture and fixtures	2,092	Deferred tax liabilities on land revaluation	21,027
Land	89,925	Long-term deposits received	59,515
Leased assets	102	Other long-term liabilities	276
Construction in progress	879	Total liabilities	291,722
Intangible fixed assets	3,553	Net assets	
Software	2,052	Stockholders' equity	115,058
Other intangible fixed assets	1,501	Common stock	30,872
Investments and other assets	158,783	Capital surplus	27,073
Investment securities	11,346	Capital reserve	27,073
Stock of subsidiaries and affiliates	105,590	Retained earnings	57,975
Investment in capital of subsidiaries and affiliates	30,706	Legal reserve of retained earnings	6,295
Long-term loans to employees	2	Other retained earnings	51,680
Claims in bankruptcy and rehabilitation	145	Retained earnings brought forward	51,680
Long-term prepaid expenses	69	Treasury stock	(861)
Deferred tax assets	7,835	Valuation and translation adjustments	43,439
Other assets	3,476	Unrealized gains (losses) on securities, net of income taxes	2,163
Allowance for doubtful receivables	(385)	Deferred gains (losses) on hedges, net of income taxes	(205)
		Land revaluation difference	41,481
		Total net assets	158,497
Total assets	450,220	Total liabilities and net assets	450,220

“English Translation of Financial Statements Originally Issued in the Japanese Language”

(Note) Amounts shown in this financial statement have been rounded to the nearest million yen.

STATEMENT OF INCOME

(From April 1, 2015, to March 31, 2016)

(Millions of yen)

Net sales		196,850
Cost of sales		169,477
Gross profit		27,373
Selling, general and administrative expenses		21,953
Operating income		5,420
Other income		
Interest and dividend income	16,774	
Other – net	1,916	18,690
Other expenses		
Interest expenses paid on loans and bonds	420	
Foreign exchange losses	127	
Patent expenses	528	
Other – net	2,095	3,171
Ordinary income		20,939
Special losses		
Compensation for damages	1,448	
Impairment loss	511	1,959
Net income before income taxes		18,980
Income tax – current	(189)	
Income tax – deferred	303	114
Net income		18,866

“English Translation of Financial Statements Originally Issued in the Japanese Language”

(Note) Amounts shown in this financial statement have been rounded to the nearest million yen.

OTHER SHAREHOLDER INFORMATION

The fiscal year of the Company is April 1 each year through March 31 of the following year. The Ordinary General Meeting of Shareholders is held in the month of June every year.

Record dates:

March 31st for Ordinary Shareholders Meeting; March 31st for payment of year-end dividends; and September 30th for payment of interim dividends

Custodian of the Register of Shareholders and the Institution that Manages the Special Accounts:

Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

Handling Place of Register of Shareholders:

Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

Mailing Address: Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency
Department 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan

Telephone Inquiries: Toll free number: 0120-782-031

Website: <http://www.smtb.jp/personal/agency/index.html>

[Special Accounts]

For shareholders who did not use Japan Securities Depository Center, Inc. (JASDEC) before share certificates were made electronic, we have set up an account (“special account”) at Sumitomo Mitsui Trust Bank, Limited, our Custodian of the Register of Shareholders.

For any inquiry about the special account or to report a change of address, etc., please contact the phone number indicated above.

Method of Public Notices: To be posted on the Company’s Website (<http://www.shi.co.jp>).

However, where required by unavoidable circumstances, public notices will be made in the Nihon Keizai Shimbun.

SUMITOMO HEAVY INDUSTRIES, LTD.