Sumitomo Heavy Industries, Ltd.

117th Ordinary General Meeting of Shareholders Information Disclosed on the Website
(April 1, 2012 through March 31, 2013)

Notes to Consolidated Financial Statements
Notes to Financial Statements

Among the documents provided to the shareholders at the time of the notice of the 117th Ordinary General Meeting of Shareholders, the Notes to the Consolidated Financial Statements and the Notes to Financial Statements are only published on our website (http://www.shi.co.jp) in accordance with the applicable rules and regulations and Article 16 of the Articles of Incorporation.
Notes to Consolidated Financial Statements

(Notes regarding Important Basic Matters for Preparing Consolidated Financial Statements)

1. Matters Related to Scope of Consolidation

   (1) Number of consolidated subsidiaries and names of major consolidated subsidiaries

   Number of consolidated subsidiaries: 119

   Names of major consolidated subsidiaries:
   - Sumitomo (S.H.I.) Construction Machinery Co., Ltd.
   - Sumitomo (S.H.I.) Construction Machinery Sales Co., Ltd.
   - Nihon Spindle Manufacturing Co., Ltd.
   - Shin Nippon Machinery Co., Ltd.
   - Sumitomo Heavy Industries Marine & Engineering Co., Ltd.
   - SEISA Gear, Ltd.
   - Sumitomo Heavy Industries Engineering and Services Co., Ltd.
   - Sumitomo Heavy Industries Techno-Fort Co., Ltd.
   - Sumitomo Heavy Industries Environment Co., Ltd.
   - Sumitomo Heavy Industries Process Equipment Co., Ltd.
   - SEN Corporation
   - Sumitomo Heavy Industries PTC Sales Co., Ltd.
   - Sumiju Environmental Engineering, Inc.
   - 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.
   - Sumitomo Heavy Industries (Tangshan), Ltd.

   (2) Names, etc., of major non-consolidated subsidiaries:

   Names of major non-consolidated subsidiaries:
   - Shin Nichizo Engineering Co., Ltd.
   - Sumimec Engineering Inc.

   These non-consolidated subsidiaries are excluded from the scope of consolidation because the scale of each non-consolidated subsidiary is small, and their total assets, sales, net income or loss (the amount proportional to the relevant equity shares) and retained earnings (the amount proportional to the relevant equity shares) have no significant influence on the consolidated financial statements.

2. Matters Related to Application of Equity Method

   (1) Number of non-consolidated subsidiaries or affiliated companies to which the equity method is applied and names of major companies

   Number of affiliated companies to which the equity method is applied: 3

   Names of major companies:
   - Sumitomo Nacco Materials Handling Co., Ltd.
   - Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.

   (2) Names, etc., of non-consolidated subsidiaries or affiliated companies to which the equity method is not applied

   Names of major companies:
   - Kunshan Taiheiyo Precision Machinery Co., Ltd.
These non-consolidated subsidiaries and affiliated companies are excluded from the scope to which the equity method is applied because in light of their net income or loss (the amount proportional to the relevant equity shares) and retained earnings (the amount proportional to the relevant equity shares), their exclusion has only a slight influence on the consolidated financial statements and are insignificant as a whole.

3. Matters Related to Accounting Standards

(1) Basis and method of valuation of important assets

(i) Securities

Held-to-maturity debt securities: At amortized cost
Other securities:
Those with fair market value: At fair market value at the end of the fiscal year
(Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of the net assets. Realized gain on sale of such securities is computed using the moving average method.)
Those without fair market value: At cost based on the moving average method

(ii) Derivatives
At fair market value

(iii) Inventories

Work in process: Principally at cost based on the specific identification method (The balance sheet amount is computed by applying inventory write-downs due to decrease in profitability.)
Finished products, raw materials and supplies: Principally at cost based on the average method (The balance sheet amount is computed by applying inventory write-downs due to decrease in profitability.)

(2) Method of depreciation of important depreciable assets

(i) Property, plant and equipment (excluding leased assets)
The declining balance method is employed.
The useful life and residual value are mainly determined on the same basis as that of the method provided in the Corporation Tax Law.

However, for the Company and some of the domestic consolidated subsidiaries, the buildings (excluding building fixtures) acquired on and after the 1st day of April 1998 are depreciated by the straight-line method.

(ii) Intangible fixed assets (excluding leased assets)
The straight-line method is employed.
The amortization period is principally determined on the same basis as that of the method provided in the Corporation Tax Law.
However, software for internal use is depreciated by the straight-line method based on its estimated useful life in the Company (5 years).

(iii) Lease assets
The lease period is used as the useful life and the straight-line method with a residual value of zero is employed.
Of the finance leases other than those by which ownership is considered to pass to the lessees, those which are not significant and those which began on or before the 31st day of March 2008 are accounted for by a method similar to the method of accounting for ordinary lease transactions.
(3) Basis for determination of important allowances

(i) Allowance for doubtful receivables
In order to provide for possible losses due to uncollectibility of receivables, such allowance is calculated based on historical collection losses incurred in the past. Such allowance for account receivables with default possibility, and in bankruptcy and rehabilitation is booked based on an estimation of the uncollectible amount on a case-by-case basis.

(ii) Allowance for warranty
In order to provide for expenditures for repair work to be performed free of charge after delivery of products, this amount is stated based on the past experience of such repair work actually performed.

(iii) Allowance for losses on construction contracts
With regard to construction contracts that have not yet been delivered and have a high probability of generating substantial losses at the end of this fiscal year, and where it is possible to reasonably estimate the amount of such losses, the estimated amount of losses to be incurred in the future is provided as an allowance for losses on construction contracts.

(iv) Allowance for losses on business transfer
Allowance for losses on business transfer is provided at an estimated amount to be incurred in the future in connection with the resort development business transferred.

(v) Allowance for retirement benefits
In order to provide for retirement benefits to be paid to employees, the amount considered to have accrued as at the end of this fiscal year is stated based on the estimated amount of retirement benefit obligations and pension plan assets as at the end of this fiscal year. The prior service cost is recognized by the Company as expenses incurred during the year under review and is recognized by consolidated subsidiaries as expenses using the straight-line method over a period within the average remaining service years of the employees (primarily 12 years). The actuarial gains (losses) are recognized in expenses based on the straight-line method over a period within the average remaining service years of employees (primarily 12 years) commencing with the year following their accrual.

(vi) Allowance for losses from product liability
Allowance for losses from product liability is provided at an estimated amount of product liabilities to be incurred related to the crane business of overseas subsidiaries.
(4) Standards for recognition of income and expenses

The percentage-of-completion method has been applied for construction work for which the completion of a certain percentage of the entire work is clearly recognizable by the balance sheet date for the year under review (percentage of completion is estimated by the cost proportion method) and the completed-contract method has been applied for other contracts.

(5) Method of important hedge accounting

(i) Method of hedge accounting

Deferred hedge accounting is employed. However, with regard to interest-rate swaps that meet the requirements for exceptional accounting ("tokurei-shori"), exceptional accounting is employed.

With regard to forward exchange contracts that meet the requirements for deferral hedge accounting ("furiate-shori"), deferral hedge accounting is employed.

(ii) Means of hedging and hedged items

<table>
<thead>
<tr>
<th>Means of hedging</th>
<th>Hedged items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward exchange contracts</td>
<td>Foreign currency receivables, foreign currency payables and future transactions in foreign currency</td>
</tr>
<tr>
<td>Interest-rate swaps</td>
<td>Loans</td>
</tr>
</tbody>
</table>

(iii) Hedging policy

The purpose of hedging activities is to reduce exchange-rate fluctuation risks and interest-rate fluctuation risks in accordance with the “Market Risks Management Rules” established by the Board of Directors, and the Company makes it a rule to observe the real demand principle and not to conduct speculative trading.

(iv) Method of evaluation of effectiveness of hedging

By comparing every six months the total of cash flow fluctuations or market fluctuations of the hedged items and the total of cash flow fluctuations or market fluctuations of the means of hedging, and based on the amount of fluctuations in both the hedged items and the means of hedging, the effectiveness of hedging activities is evaluated. However, the evaluation of effectiveness of hedging is omitted for interest-rate swaps for which exceptional accounting is employed.

(6) Accounting for consumption tax, etc.

Consumption tax and local consumption tax are accounted for by the tax-excluded method.

(7) Adoption of consolidated tax payment system

The Company and some of the consolidated subsidiaries adopt the consolidated tax payment system.

4. Amortization Method for Goodwill and the Amortization Period

Goodwill and negative goodwill that was generated on and before March 31, 2010 are equally amortized over 5 years. However, if the amount of goodwill or negative goodwill is small, such amount is fully depreciated at the time of generation.
5. Changes in Important Basic Matters for Preparation of Consolidated Financial Statements

Changes in the scope of consolidation and scope of application of equity method

<table>
<thead>
<tr>
<th>Names of Companies</th>
<th>Reasons for Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demag Plastics Machinery (Ningbo) Co., Ltd. and eight other companies</td>
<td>Increased in importance</td>
</tr>
<tr>
<td>Sumitomo Heavy Industries (China) Financial Leasing, Ltd. and four other companies</td>
<td>Newly established</td>
</tr>
</tbody>
</table>

6. Change in Manner of Presentation

(1) Presentation method for “Long-term loans” (Consolidated Balance Sheet)
   The account item “Long-term loans,” which was separately presented for the previous fiscal year, has become insignificant in its amount and is therefore included in “Other assets” under “Investments and other assets” for this consolidated fiscal year. Long-term loans for this consolidated fiscal year were ¥51 million.

(2) Presentation method for “Foreign exchange gains” (Consolidated Statement of Income)
   The account item “Foreign exchange gains,” which was included in “Other-net” under “Other income” for the previous fiscal year, has become significant in its amount and is therefore separately presented for this consolidated fiscal year. Foreign exchange gains for the previous consolidated fiscal year were ¥349 million.

(3) Presentation method for “Gain on sales of investment securities” (Consolidated Statement of Income)
   The account item “Gain on sales of investment securities,” which was included in “Other-net” under “Other income” for the previous fiscal year, has become significant in its amount and is therefore presented under “Special income” for this consolidated fiscal year. Gain on sales of investment securities for the previous consolidated fiscal year was ¥274 million.

(4) Presentation method for “Loss on valuation of investment securities” (Consolidated Statement of Income)
   The account item “Loss on valuation of investment securities,” which was presented under “Special losses” for the previous fiscal year, has become insignificant in its amount and is therefore included in “Other-net” under “Other expenses” for this consolidated fiscal year. Loss on valuation of investment securities for this consolidated fiscal year was ¥15 million.

7. Change in Accounting Policy That is Difficult to Distinguish from the Change in Accounting Estimates

Effective from the fiscal year under review, pursuant to revisions to the Corporate Tax Law of Japan, the depreciation method for property, plant and equipment obtained on and after April 1, 2012, has been changed to that based on the revised Corporate Tax Law. The impact of this change in accounting policy on the consolidated statement of income for the fiscal year under review is immaterial.
(Notes to Consolidated Balance Sheet)

1. Assets Pledged and Liabilities Subject to the Pledge

   (1) Assets pledged

   (Millions of yen)
   
<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and deposits</td>
<td>122</td>
</tr>
<tr>
<td>Buildings and structure</td>
<td>850</td>
</tr>
<tr>
<td>Land</td>
<td>131</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,102</strong></td>
</tr>
</tbody>
</table>

   (2) Liabilities subject to the pledge

   (Millions of yen)
   
<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt due within one year</td>
<td>34</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>164</td>
</tr>
<tr>
<td>Guarantee obligations</td>
<td>968</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,167</strong></td>
</tr>
</tbody>
</table>

2. Accumulated Depreciation of Tangible Fixed Assets: ¥182,963 million

3. Guarantee Obligations, etc.

   (1) Obligation to repurchase with the liquidation of notes receivable: ¥2,277 million

   (2) Guarantee obligations

   With regard to borrowings, etc., of non-consolidated companies from financial institutions, etc., the Company guarantees the obligations.

   (Millions of yen)
   
<table>
<thead>
<tr>
<th>Company</th>
<th>Guarantee type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sumitomo Mitsui Finance &amp; Leasing Company Ltd.</td>
<td>Lease contract-related guarantee for purchase</td>
<td>21,547</td>
</tr>
<tr>
<td>IBJ Leasing Company, Limited</td>
<td>Lease contract-related guarantee for purchase</td>
<td>5,646</td>
</tr>
<tr>
<td>Mitsubishi UFJ Lease &amp; Finance Company Ltd</td>
<td>Lease contract-related guarantee for purchase</td>
<td>2,449</td>
</tr>
<tr>
<td>Century Tokyo Leasing Corporation</td>
<td>Lease contract-related guarantee for purchase</td>
<td>1,457</td>
</tr>
<tr>
<td>Fuyo General Lease Co., Ltd.</td>
<td>Lease contract-related guarantee for purchase</td>
<td>1,232</td>
</tr>
<tr>
<td>Others (18 lenders)</td>
<td>Lease contract-related guarantee for purchase</td>
<td>5,353</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>37,684</strong></td>
</tr>
</tbody>
</table>

   The above figures include guarantee obligations in foreign currencies of 2,220 million Chinese yuan (¥30,835 million)
(Notes to Consolidated Statement of Changes in Net Assets)

1. Class and Number of Issued Shares as of the End of This Fiscal Year

<table>
<thead>
<tr>
<th></th>
<th>Number of Shares as of the Beginning of this Fiscal Year</th>
<th>Increase in the Number of Shares from Previous Fiscal Year</th>
<th>Decrease in the Number of Shares from Previous Fiscal Year</th>
<th>Number of Shares as of the End of this Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued Shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Stock</td>
<td>614,527,405</td>
<td>—</td>
<td>—</td>
<td>614,527,405</td>
</tr>
<tr>
<td>Total</td>
<td>614,527,405</td>
<td>—</td>
<td>—</td>
<td>614,527,405</td>
</tr>
<tr>
<td>Treasury Stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Stock</td>
<td>811,946</td>
<td>75,887</td>
<td>29,934</td>
<td>857,899</td>
</tr>
<tr>
<td>Total</td>
<td>811,946</td>
<td>75,887</td>
<td>29,934</td>
<td>857,899</td>
</tr>
</tbody>
</table>

The breakdown of the increase in the number of shares of treasury stock was due to the buyback requests by shareholders holding odd-lot shares. The decrease in the number of shares of treasury stock was due to the top-up request for additional shares of odd-lot stock.

2. Matters Related to Dividends

(1) Amount of dividends paid

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Class of shares</th>
<th>Total dividend amount (Millions of yen)</th>
<th>Dividend per share (Yen)</th>
<th>Record date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary General Meeting of Shareholders held on June 28, 2012</td>
<td>Common stock</td>
<td>3,682</td>
<td>6.0</td>
<td>March 31, 2012</td>
<td>June 29, 2012</td>
</tr>
<tr>
<td>Meeting of Board of Directors held on November 1, 2012</td>
<td>Common stock</td>
<td>2,455</td>
<td>4.0</td>
<td>September 30, 2012</td>
<td>December 3, 2012</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>6,137</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(2) Among the dividends whose record date falls within this fiscal year, those whose effective date will fall within the next fiscal year, about which the following proposal is scheduled to be made at the Ordinary General Meeting of Shareholders to be held on June 27, 2013.

1) Total amount of dividend ¥2,455 million
2) Dividend per share ¥4.00
3) Record date March 31, 2013
4) Effective date June 28, 2013 (Planned)

The source for the payment of dividends is planned to be retained earnings.

(Notes Regarding Amounts Per Share)

(1) Net asset per share ¥470.69
(2) Net income per share ¥9.56
(Notes Regarding Financial Instruments)

1. Matters Related to Financial Instruments

(1) Policy for handling financial instruments

The Company Group is a comprehensive heavy machinery manufacturer that engages in the manufacture and distribution of power transmission equipment and other machines and equipment. The necessary funds for running the business and acquiring equipment are procured by bank loans and the issuance of corporate bonds. The management of a temporary surplus fund is limited to safe and short-term financial assets. Derivatives are used to hedge risks, which are explained later. The Company Group has a principle that it does not engage in speculative trading.

(2) Components and risks of financial instruments

Trade receivables (i.e., notes and accounts receivable) are exposed to customers’ credit risk. Trade receivables denominated in foreign currencies are exposed to foreign exchange rate fluctuation risk. To hedge the position of net trade receivables and trade payables in foreign currencies, forward exchange contracts and options are used to maintain the position at a constant hedge ratio. Hedge ratios and positions that are not yet hedged are regularly reported to the Board of Directors.

Securities and investment securities are mostly transaction-related corporate stocks that are exposed to market price fluctuation risk. Most trade payables (i.e., notes and accounts payable) are due within one year. Although some related to the import of raw materials are denominated in foreign currencies and exposed to foreign exchange rate fluctuation risk, the risk is constantly within the balance of the accounts receivable in the same currency.

The main purpose of loans, commercial paper and corporate bonds is to procure the necessary operating funds and to supplement the capital investment fund. Among these payables, derivatives (interest-rate swaps) are used to hedge individual contracts for a portion of long-term loans. With regard to the effectiveness of hedging, because the employed interest-rate swaps meet the requirements for exceptional accounting ("tokurei-shori"), the evaluation of effectiveness is omitted.

The Company Group’s derivative transactions consist of forward exchange contracts and currency options, which are aimed at hedging the exchange fluctuation risk associated with foreign-currency-denominated trade receivables/payables, and interest-rate swaps, which are aimed at hedging the interest-rate fluctuation risk associated with the interest paid on loans. For the means of hedging, the hedged items, the hedging policy and the method of evaluation of effectiveness of hedging, please see “Method of important hedge accounting” stated in the aforementioned “Matters Related to Accounting Standards.”

(3) Financial instrument–related risk control structure

1) Credit risk control (risk related to customers’ default of contracts)

With regard to domestic contracts and export-related contracts beyond a certain amount, the Company Group conducts a credit check before receiving orders, thereby alleviating concern about the collection of trade receivables. Each business segment conforms to the credit management regulations and manages the due dates of trade receivables and the balance for each counterparty, thereby quickly identifying a collectivity risk.

When using derivatives, the Company Group conducts transactions only with highly rated financial institutions to reduce counterparty risk.

The time deposit–related credit risk is low because the Company Group has time deposits only at highly rated financial institutions with which it has loan transactions in order to reduce redemption risk.

2) Management of market risk (exchange- and interest-rate fluctuation risk)

In compliance with the market risk management regulations that stipulate hedging ratios and the exchange-rate amounts yet to be hedged, etc., the Company hedges exchange-rate fluctuations with respect to its position of net trade receivables and trade payables denominated in foreign currencies. The hedging status is reported to the Board of Directors each month. At
those major consolidated subsidiaries that also hold trade receivables and payables in foreign currencies, in conformity with the exchange-rate hedging regulations that stipulate hedging ratios or exchange-rate amounts that are not hedged, etc., exchange-rate hedging is adopted to control foreign exchange rate fluctuation risk. In addition, the Company monitors loan-related interest payable, which is reported to the Board of Directors regularly. To reduce interest-rate fluctuation risk, interest-rate swaps are used. With regard to securities and investment securities, their current fair market value and the financial position of the issuers are checked regularly. Taking the relationship with the counterparty into consideration, the appropriateness of holding such securities is continually reviewed. Derivative transactions conducted by the Company and its major consolidated subsidiaries are solely for the purpose of hedging exchange- and interest-rate fluctuation risk as explained above. We check the balance with the counterparty each month.

3) Fund procurement-related liquidity risk management (risk of being unable to pay on the due date)

The Company Group introduced the cash management system to its major consolidated subsidiaries to comprehensively manage the Group’s funds. Based on reports from business segments and major subsidiaries, the Company timely formulates and updates the fund management plan and controls liquidity risk.

2. Matters Related to the Fair Market Value of Financial Instruments

Amounts recorded on the consolidated balance sheet, their fair market value and the difference between them as of March 31, 2013 (balance sheet date of the consolidated fiscal year under review), are as shown below. Financial instruments for which the fair market values are considered difficult to calculate are not included in the table. (See Note 2.)

<table>
<thead>
<tr>
<th></th>
<th>Amount on the Consolidated Balance Sheets*</th>
<th>Fair Market Value*</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cash and Deposits</td>
<td>47,814</td>
<td>47,814</td>
<td></td>
</tr>
<tr>
<td>2. Trade Receivables</td>
<td>173,300</td>
<td>172,728</td>
<td>-572</td>
</tr>
<tr>
<td>3. Investment Securities</td>
<td>13,066</td>
<td>13,066</td>
<td></td>
</tr>
<tr>
<td>4. Trade Payables</td>
<td>(113,575)</td>
<td>(113,575)</td>
<td></td>
</tr>
<tr>
<td>5. Short-Term Bank Loans</td>
<td>(48,032)</td>
<td>(48,032)</td>
<td></td>
</tr>
<tr>
<td>6. Corporate Bonds</td>
<td>(10,000)</td>
<td>(10,012)</td>
<td>-12</td>
</tr>
<tr>
<td>7. Long-term Debt</td>
<td>(30,515)</td>
<td>(30,749)</td>
<td>-235</td>
</tr>
<tr>
<td>8. Derivatives</td>
<td>(1,289)</td>
<td>(1,771)</td>
<td>-482</td>
</tr>
</tbody>
</table>

*Liabilities are indicated in parentheses.

(Notes)

1. Matters related to the calculation method for the fair market value of financial instruments, securities and derivatives

(1) Cash and deposits
Because these are settled in the short term, the fair market value is almost equal to the amount indicated on the Balance Sheets. Therefore, the Balance Sheet values have been adopted.

(2) Trade receivables
The fair market value of trade receivables is calculated based on their present value by discounting the amount of each trade receivable divided for each period using an interest rate that reflects the period until the due date and the credit risk.

(3) Investment securities:
The fair market value of the investment securities is based on their respective prices on the Stock Exchange.

(4) Trade payables and (5) Short-term bank loans
Because these items are settled in the short term, the fair market value is almost equal to the
amount indicated on the Balance Sheets. Therefore, the Balance Sheet values have been adopted.

(6) Corporate bonds
The fair market value of corporate bonds issued by the Company is based on the current value that is calculated by discounting the total of principal and interest using an interest rate that reflects the corporate bond’s remaining period and the credit risk.

(7) Long-term debt
The fair market value of long-term debt is the present value calculated by discounting the total of principal and interest using an interest rate that is reasonably estimated should a similar new loan be made.

(8) Derivatives
The fair market value of forward exchange contracts is based on forward exchange rates. The fair market values of options and interest rate swaps are based on the amounts presented by the relevant financial institutions.

2. The stock of non-consolidated subsidiaries and affiliates (¥9,717 million on the Consolidated Balance Sheets), unlisted stocks (¥2,394 million) and securities invested in non-consolidated subsidiaries and affiliates (¥11 million) do not have a market value because it is hard to estimate future cash flows, it is also difficult to obtain their fair market value. Therefore, these are not included in “(3) Investment securities”.

(Notes to Important Subsequent Events)
None applicable

(Other Notes)

1. Revaluation on Land
On March 31, 2002, the Company revalued its land used for business operations in accordance with the Law Concerning Land Revaluation (Law No. 34 promulgated on March 31, 1998) and the Law to Amend the Law Concerning Land Revaluation (Law No. 19 promulgated on March 31, 2001).

With respect to the revaluation difference, in accordance with the Law to Amend the Law Concerning Land Revaluation (Law No. 24 promulgated on March 31, 1999), the amount of tax relevant to such revaluation difference was stated in the section of liabilities as “Deferred tax liabilities on revaluation difference on land” and the amount of revaluation difference less the amount of such deferred tax liabilities is stated in the section of net assets as “revaluation difference on land.”

Method of revaluation:
While the land value was obtained by making a reasonable adjustment to the appraised amount of property tax as provided in Article 2, Item 3 of the Enforcement Order for the Law Concerning Land Revaluation (Cabinet Order No. 119 promulgated on March 31, 1998), the value of some of the land was obtained based on the licensed real estate appraiser’s appraised value as set forth in Article 2, Item 5 of the Enforcement Order.

Date of revaluation: March 31, 2002

Difference between the current value of the land as at the end of this fiscal year and its book value after revaluation: -¥19,515 million
2. Impairment Losses

(1) The Company booked the following impairment losses by asset group in the business year under review.

<table>
<thead>
<tr>
<th>Application</th>
<th>Location</th>
<th>Type</th>
<th>Amount (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business property, etc.</td>
<td>Yokosuka-shi, Kanagawa</td>
<td>Land, buildings, etc.</td>
<td>16,441</td>
</tr>
<tr>
<td>Idle, etc.</td>
<td>Kurashiki-shi, Okayama and five other assets</td>
<td>Land, buildings, etc.</td>
<td>951</td>
</tr>
</tbody>
</table>

(2) Reason for recognizing the impairment losses

Mainly due to significant deterioration of business environment, the Company can no longer expect to collect invested amounts. Accordingly, we resolved to apply impairment accounting to these assets.

(3) Asset grouping method

The asset grouping for the Group was made based on business segments. However, idle assets with no expected future use were categorized individually.

(4) Method to calculate collectible amounts

The collectible amounts are calculated mainly based on net sales value, deducting the asset disposal cost from the asset value at its disposal.

3. Treatment of Fractional Amounts

Stated amounts are rounded off for fractions less than units.

4. Business Restructuring

(1) The Company conducted an absorption-type company split with April 1, 2013 as the effective date, according to which the Company split off its logistics and parking systems business to be succeeded by Sumitomo Heavy Industries Engineering & Services Co., Ltd. Sumitomo Heavy Industries Engineering & Services Co., Ltd. changed its corporate name to Sumitomo Heavy Industries Material Handling Systems Co., Ltd., as of April 1, 2013.

(2) The Company conducted a merger by absorption with April 1, 2013 as the effective date, leaving the Company as the surviving company and Sumitomo Heavy Industries Techno-Fort Co., Ltd. as the non-surviving company.
Notes to Financial Statements

(Notes Regarding Matters Related to Significant Accounting Policies)

1. Basis and Method of Asset Valuation

(1) Securities
   Equity securities issued by subsidiaries and affiliated companies: At moving-average cost
   Other securities:
      Those with fair market value: At fair market value on the last day of the fiscal year
         (Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate
         component of the net assets. Realized gain on sale of such securities is computed using the moving-average method.)
      Those with no fair market value: At cost based on the moving-average method

(2) Derivatives: At fair market value

(3) Inventories
   Work in process: Mainly at cost based on the specific identification method
      (The balance sheet amount is computed by applying inventory write-downs due to decrease in profitability.)
   Finished products, raw materials
      and supplies: At cost based on the average method (The balance sheet amount is computed by applying inventory write-downs
      due to decrease in profitability.)

2. Method of Depreciation of Fixed Assets

(1) Property, plant and equipment (excluding leased assets)
   The declining balance method is employed.
   The useful life and residual value are determined on the same basis as that of the method provided in the Corporation Tax Law.
   However, the buildings (excluding building fixtures) acquired on and after the 1st day of April 1998 are depreciated using the straight-line method.

(2) Intangible fixed assets (excluding leased assets)
   The straight-line method is employed. The amortization period is determined on the same basis as that of the method provided in the Corporation Tax Law.
   Software for internal use is depreciated by the straight-line method based on its estimated useful life in the Company (5 years).

(3) Leased assets
   The lease period is used as the useful life and the straight-line method with a residual value of zero is employed.
   Of the finance leases other than those by which ownership is considered to pass to the lessees (“ownership non-transfer finance leases”), those which are not significant or those which began on or before the 31st day of March 2008 are accounted for by the method similar to the method of accounting for ordinary lease transactions.

3. Basis for Determination of Allowances

(1) Allowance for doubtful receivables
   In order to provide for possible losses due to uncollectibility of receivables, such allowance is calculated based on historical collection losses incurred in the past.
   Such allowance for accounts receivable with default possibility or in bankruptcy or rehabilitation is booked based on an estimation of the uncollectible amount on a case-by-case basis.
2. Allowance for warranty
   In order to provide for expenditures for repair work to be performed free of charge after delivery
   of products, this amount is stated based on the past experience of such repair work actually
   performed.

3. Allowance for losses on construction contract
   Of the construction projects yet to be delivered, when the project is highly likely to incur
   significant losses at the end of the current fiscal year, and where it is possible to reasonably
   estimate the amount of such losses, such losses will be posted for the following fiscal year or
   thereafter.

4. Allowance for losses from business transfer
   Allowance for losses from business transfer is provided at an estimated amount to be incurred in
   the future in connection with the resort development business transferred.

5. Provision for losses on business of subsidiaries and affiliates
   To provide for losses expected to be incurred by subsidiaries and affiliates of the Company, an
   allowance for such losses is provided at an estimated amount that the Company will have to pay
   beyond investments in those companies and loans receivable from them.

6. Allowance for retirement benefits
   In order to provide for retirement benefits to be paid to employees, the amount considered to
   have accrued as at the end of this fiscal year is stated based on the estimated amount of
   retirement benefit obligations and pension plan assets as at the end of this fiscal year.
   The prior service cost is recognized in expenses as incurred by the Company.
   The actuarial gains (losses) are recognized in expenses based on the straight-line method over a
   period within the average remaining service years of the employees (12 years) commencing with
   the year following their accrual.

4. Standards for Recognition of Income and Expenses
   The percentage-of-completion method has been applied for construction work for which the
   completion of a certain percentage of the entire work is clearly recognizable by the end of this fiscal
   year (percentage of completion is estimated by the cost proportion method), and the
   completed-contract method has been applied for other contracts.

5. Method of Hedge Accounting
   (1) Method of hedge accounting
       Deferred hedge accounting is employed.
       However, with regard to interest-rate swaps that meet the requirements for exceptional
       accounting (“tokurei-shori”), exceptional accounting is employed.
       With regard to forward exchange contracts that meet the requirements for deferral hedge
       accounting (“furiate-shori”), deferral hedge accounting is employed.

   (2) Means of hedging and hedged items
       | Means of hedging | Hedged items                           |
       |-----------------|--------------------------------------|
       | Forward exchange contracts | Foreign currency receivables, foreign currency payables, and future transactions in foreign currency |
       | Interest-rate swaps      | Loans                                |
(3) Hedging policy

The purpose of hedging activities is to reduce exchange-rate fluctuation risks and interest-rate fluctuation risks in accordance with the “Market Risks Management Rules” made by the Board of Directors, and the Company makes it a rule to observe the real demand principle and not to conduct speculative trading.

(4) Method of evaluation of effectiveness of hedging

By comparing every six months the total of cash flow fluctuations or market fluctuations of the hedged items and the total of cash flow fluctuations or market fluctuations of the means of hedging and based on the amount of fluctuations in both the hedged items and the means of hedging, the effectiveness of hedging activities is evaluated. However, the evaluation of effectiveness of hedging is omitted for interest-rate swaps for which exceptional accounting is employed.

6. Accounting for Consumption Tax, etc.

Consumption tax and local consumption tax are accounted for by the tax excluded method.

7. Adoption of Consolidated Tax Payment System

The consolidated tax payment system is adopted.

8. Change in Manner of Presentation

(1) Presentation of gain on sales of investment securities (Statement of Income)

The account item “Gain on sales of investment securities” that was included in “Other–income” under “Other income” for the previous fiscal year has become significant in its amount and is therefore presented under “Special gains” for this fiscal year. Gain on sales of investment securities for the previous fiscal year was ¥286 million.

(2) Presentation of loss on valuation of securities (Statement of Income)

The account item “Loss on valuation of securities” that was presented under “Special losses” for the previous fiscal year has become deteriorated in its amount and is therefore included in “Other–net” under “Other expenses” for this fiscal year. Loss on valuation of securities for this fiscal year was ¥225 million.
(Notes to Balance Sheet)

1. Accumulated Depreciation of Property, Plant and Equipment: ¥86,347 million

2. Guarantee Obligations, etc.
   (1) Obligation to repurchase with the liquidation of notes receivable: ¥493 million

   (2) Guarantee obligations
       With regard to borrowings, etc., of other companies from financial institutions, etc., the Company guarantees the obligations. (Millions of yen)
       | Company                                                                 | Amount |
       |-------------------------------------------------------------------------|--------|
       | Sumitomo Heavy Industries (USA), Inc.                                   | 5,349  |
       | Sumitomo (S.H.I.) Construction Machinery Co., Ltd.                      | 4,095  |
       | Sumitomo (SHI) Demag Plastics Machinery GmbH                            | 2,512  |
       | Sumitomo Heavy Industries (Vietnam) Co., Ltd.                           | 2,319  |
       | Sumitomo Heavy Industries Engineering & Services Co., Ltd.              | 2,183  |
       | Sumitomo (SHI) Cyclo Drive China, Ltd.                                  | 1,794  |
       | Sumitomo Heavy Industries Techno-Fort Co., Ltd.                        | 1,583  |
       | SEISA Gear, Ltd.                                                        | 1,453  |
       | Sumitomo Industrias Pesadas Do Brasil Ltda.                             | 1,225  |
       | Sumitomo (S.H.I.) Construction Machinery (Tangshan) Co., Ltd.           | 1,205  |
       | Sumitomo Heavy Industries Marine & Engineering Co., Ltd.                | 1,049  |
       | Others (9 lenders)                                                      | 5,566  |
       | **Total**                                                               | **30,335** |

   The figures in brackets in the above table are the amounts of obligations incurred by the Company. The above figures include guarantee obligations in foreign currencies of 111 million U.S. dollars (¥10,436 million), 28 million Euro (¥3,405 million), 168 million Chinese yuan (¥2,547 million), 26 million Brazilian real (¥1,225 million) and 3 million Australian dollars (¥277 million).

3. Money Claims against and Debt Owed to Affiliated Companies
   - Short-term receivables due from affiliated companies: ¥32,270 million
   - Long-term receivables due from affiliated companies: ¥384 million
   - Short-term payable due to affiliated companies: ¥63,830 million
   - Long-term payable due to affiliated companies: ¥54,727 million

(Notes to Income Statement)

- Sales to affiliated companies: ¥53,222 million
- Purchases from affiliated companies: ¥61,742 million
- Non-operating transactions with affiliated companies: ¥16,500 million

(Notes to Statement of Changes in Net Assets)

Class and number of treasury stock held as of the end of this fiscal year:
   Common stock: 857,899 shares

(Notes regarding Tax Effect Accounting)

The principal reasons for the accrual of deferred tax assets are the disallowance of an allowance for retirement benefits, impairment loss, and an allowance for warranty, etc. The principal reason for the accrual of deferred tax liabilities is land revaluation.
(Notes Regarding Transactions with Related Parties)

<table>
<thead>
<tr>
<th>Attribution</th>
<th>Name of Company, etc.</th>
<th>Percentage of Voting Rights Held</th>
<th>Relationship with the Related Party</th>
<th>Content of Transactions</th>
<th>Transaction Amount (Millions of yen)</th>
<th>Account Item</th>
<th>Balance at the End of Fiscal Year (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiary</td>
<td>Sumitomo Heavy Industries (USA), Inc.</td>
<td>100% directly held</td>
<td>Control of subsidiaries &amp; affiliates in Americas</td>
<td>Guarantee obligation</td>
<td>5,349</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

(Notes)
The above transaction amounts do not include consumption tax, etc.

(Notes Regarding Amounts Per Share)

1. Net asset per share ¥219.54
2. Net loss per share -¥0.22

(Other Notes)

1. Land Revaluation

On March 31, 2002, the Company revalued land used for business operations in accordance with the Law Concerning Land Revaluation (Law No. 34 promulgated on March 31, 1998) and the Law to Amend the Law Concerning Land Revaluation (Law No. 19 promulgated on March 31, 2001).

With respect to the revaluation difference, in accordance with the Law to Amend the Law Concerning Land Revaluation (Law No. 24 promulgated on March 31, 1999), the amount of tax relevant to such revaluation difference was stated in the section of liabilities as “Deferred tax liabilities on land revaluation” and the amount of revaluation difference less the amount of such deferred tax liabilities is stated in the section of net assets as “Revaluation difference on land.”

Method of revaluation:

While the land value was obtained by making a reasonable adjustment to the appraised amount of property tax as provided in Article 2, Item 3 of the Enforcement Order for the Law Concerning Land Revaluation (Cabinet Order No. 119 promulgated on March 31, 1998), the value of some of the land was obtained based on the licensed real estate appraiser’s appraised value as set forth in Article 2, Item 5 of the Enforcement Order.

Date of revaluation: March 31, 2002

Difference between the current value of the land at the end of this fiscal year and its book value after revaluation: -¥19,515 million

Appropriation of the land revaluation difference to payment of dividends is restricted in accordance with the provisions of Article 158, Item 3 of the Business Accounting Rules.
2. Impairment Losses

(1) The Company booked the following impairment losses by asset group in the business year under review.

<table>
<thead>
<tr>
<th>Application</th>
<th>Location</th>
<th>Type</th>
<th>Amount (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business property, etc.</td>
<td>Yokosuka-shi, Kanagawa</td>
<td>Land, buildings, etc.</td>
<td>16,026</td>
</tr>
<tr>
<td>Idle, etc.</td>
<td>Kurashiki-shi, Okayama and three other assets</td>
<td>Land, Buildings, etc.</td>
<td>922</td>
</tr>
</tbody>
</table>

(2) Reason for recognizing the impairment losses

Mainly due to significant deterioration of business environment, the Company can no longer expect to collect invested amounts. Accordingly, we resolved to apply impairment accounting to these assets.

(3) Asset grouping method

The asset grouping for the Company was made based on business segments. However, idle assets were categorized individually.

(4) Method to calculate collectible amounts

The collectible amounts are calculated mainly based on net sales value, deducting the asset disposal cost from the asset value at its disposal.

3. Treatment of Fractional Amounts

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4. Business Restructuring

(1) The Company conducted an absorption-type company split with April 1, 2013 as the effective date, according to which the Company split off its logistics and parking systems business to be succeeded by Sumitomo Heavy Industries Engineering & Services Co., Ltd. Sumitomo Heavy Industries Engineering & Services Co., Ltd. changed its corporate name to Sumitomo Heavy Industries Material Handling Systems Co., Ltd., as of April 1, 2013.

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