Sumitomo Heavy Industries, Ltd.

CONSOLIDATED REPORT FY 2006, 1H

For the Six-Month Period to September 30, 2006

Note: All financial information has been prepared in accordance with generally accepted accounting principles in Japan. This document has been translated from the Japanese original as a guide for non-Japanese investors and contains forward-looking statements that are based on managements' estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. Amounts shown in this financial statement have been rounded down to the nearest million yen.

November 10, 2006

CONSOLIDATED FINANCIAL RESULTS
For the First Half Ended September 30, 2006

Sumitomo Heavy Industries, Ltd.

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Date of the Board of Directors meeting concerning consolidated interim accounts	November 9, 2006
U.S. GAAP accounting principles	Not adopted

1. FY 2006 1st Half Consolidated Results (April 1, 2006 to September 30, 2006)

(1) Business Results

(Units: millions of yen)

	First Half April 1, 2006 to September 30, 2006		Previous First Half April 1, 2005 to September 30, 2005		Previous Full Term April 1, 2005 to March 31, 2006
		% change		% change	
Net Sales	273,395	11.2	245,857	3.3	551,339
Operating Income	26,773	44.8	18,494	(13.0)	47,505
Ordinary Income	27,699	49.6	18,520	(17.2)	47,585
Net Income	16,703	33.3	12,527	15.5	29,742
Net Income per Share (yen)	27.79		20.83		49.45
Fully Diluted Net Income per Share	--		--		--

*Notes: (1) Gain from investments in subsidiaries and affiliated companies accounted for by equity method:
September 2006: 2,286 million yen
September 2005: 1,714 million yen
March 2006: 4,303 million yen
(2) Average number of outstanding shares for the term (consolidated):
As of September 2006: 601,086,311 shares
As of September 2005: 601,535,553 shares
As of March 2006: 601,406,863 shares
(3) Changes to accounting procedures: No
(4) Percentages for net sales, operating income, ordinary income and interim net income represent year-on
-year changes.

(2) Financial Position

(Units: millions of yen)

	End of First Half	End of Previous First Half	End of Previous Full Year
	As of Sept. 30, 2006	As of Sept. 30, 2005	As of March 31, 2006
Total Assets	562,794	562,609	579,233
Stockholders' Equity	183,077	148,252	167,740
Equity Ratio (%)	31.9	26.4	29.0
Stockholders' Equity per Share (yen)	298.79	246.50	279.02

*Notes: Number of shares outstanding at the end of the period (consolidated):

As of September 30, 2006:	601,016,147 shares
As of September 30, 2005:	601,419,314 shares
As of March 31, 2006:	601,185,726 shares

(3) Cash Flows

(Units: millions of yen)

	First Half	Previous First Half	Previous Full Year
	April 1, 2006 to September 30, 2006	April 1, 2005 to September 30, 2005	April 1, 2005 to March 31, 2006
Cash Flows from Operating Activities	23,430	25,638	50,023
Cash Flows from Investing Activities	(2,519)	(2,010)	(7,024)
Cash Flows from Financing Activities	(32,067)	(25,944)	(48,812)
Cash and Cash Equivalents at Period End	33,643	46,988	43,644

(4) Scope of Consolidation and Application of equity method:

Number of consolidated subsidiaries:	91
Number of non-consolidated subsidiaries accounted for by the equity method:	2
Number of affiliates accounted for by the equity method:	7

(5) Changes in the scope of consolidation and Application of equity method:

Consolidated subsidiaries:	(New)	5	(Removed)	2
Equity method:	(New)	--	(Removed)	--

2. FY 2007 Consolidated Forecasts (April 1, 2006 to March 31, 2007)

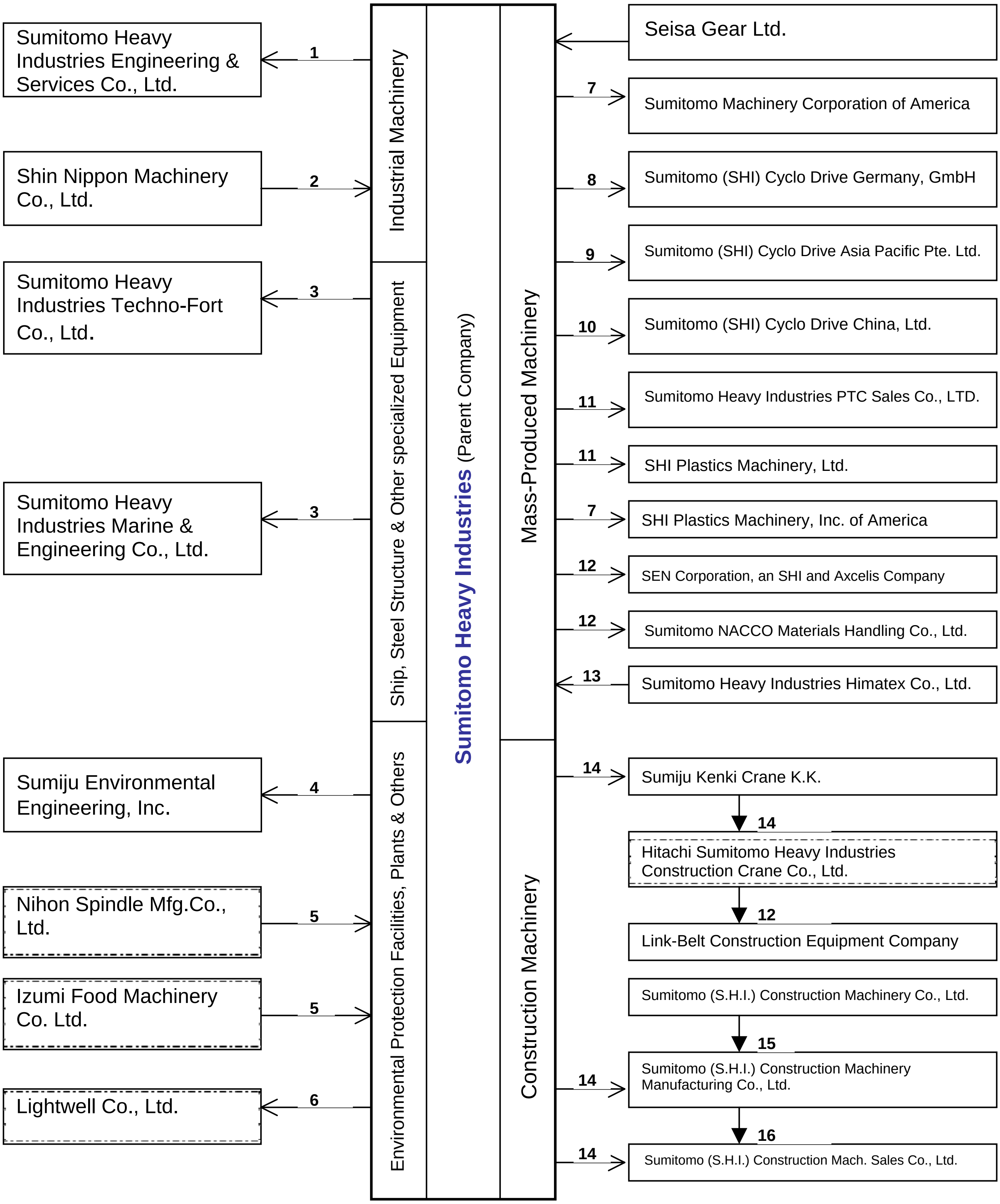
(Units: millions of yen)

	Full Year
	April 1, 2006 to March 31, 2007
Net Sales	595,000
Ordinary Income	60,000
Net Income	33,000

*Notes: (1) Projected net income per share for FY2006 (ending March 31, 2007): .... 54.91 yen

(2) Please consult page 9 of 3. Outlook for Fiscal Year in III. Business Results and Financial Position section for further information concerning the projections.

I. State of the Group



Notes:

1. represents consolidated subsidiaries and represents affiliates accounted for by the equity method .
2. Nihon Spindle Mfg.Co., Ltd., which is an affiliate accounted for by the equity method, is listed on the first section of Tokyo Stock Exchange and the fist section of Osaka Securities Exchange.
3. Relationship between Group companies:
    1. Consignment of design, manufacturing, maintenance and management
    2. Purchase of equipment
    3. Consignment of design and manufacturing
    4. Consignment of operation and maintenance
    5. Purchase of equipment
    6. Consignment of software development
    7. Supply of parts to North America regional base
    8. Supply of parts to Europe regional base
    9. Supply of parts to South-east Asia regional base
    10. Supply of parts to China regional base
    11. Product sales agent
    12. Supply of equipment
    13. Purchase of raw materials
    14. Lease of fixed assets
    15. Consignment of manufacturing
    16. Sale of products

II. Management Policies

1. Basic Management Policies

The Group believes that securing long term customer trust through continuously "creating value for consumer" is interconnected with the Group's efforts to maintain sustained development and increase business worth, and reflects the desires of stockholders, employees, and the local community.

In order to realize high, stable growth on a global level, the Group intends to be an "organized, knowledge-creating company" that provides first class quality products to customers. Then, the Group will strengthen marketing, research and development, and production, and focus even more closely on the product itself.

2. Basic Policies Relating to Profit Distribution

The Company's basic policy is to pay stockholder dividends according to periodic income and to continue to increase these dividends, while replenishing internal reserves necessary for stable, long-term business development.

3. Medium- and Long-term Management Strategies

Under "Leap to Excellence '07," the medium-term, three-year management plan that began from last year, the company is aiming for sustainable growth and development built on the three core features outlined below.

(1) The Group will strive to become an organized knowledge-creating company launching first-class products in the market.
(2) The Group's businesses will be vertically integrated to pursue synergy.
(3) The Key Component business will be expanded and reinforced.

"Leap to Excellence '07", the medium term management plan, calls for the following quantitative indicators to be met by the end of 2007.

Operating income: More than 70 billion yen
Interest-bearing debt: Less than 100 billion yen

The plan further calls for keeping ROIC (return on invested capital), a Group management indicator, above WACC (weighted average cost of capital), and above 10%

* The Group uses the equation below to calculate ROIC after taxes.

$$\text{ROIC} = \frac{\text{(Operating income + Interest earned, dividends) x 55\% (= 1 – Effective tax rate)}}{\text{(Average stockholders' equity at start and end of fiscal period + average interest-bearing debt at start and end of fiscal period)}}$$

4. Issues to be Addressed

FY 2006 is the midway point in the Company's medium-term management plan, "Leap to Excellence '07." We will address the following issues to ensure that our objectives are achieved.

(1) Enhancing the competitive edge of products

Believing that continual creation of first class products to maintain our global competitive edge is necessary to achieve sustainable growth, the Company is working to step up investment in development and to maintain aggressive marketing of promising products.

(2) Strengthening collaboration between businesses and expanding the components business

The Company is working to integrate our machinery business through the components business, which is our forte, by engaging in activities to create a chain of strong products as we continue to pursue vertical integration. More specifically, we have been enhancing functional collaboration among various businesses we believe will foster integration of motion control drives with the power transmission and precision control technology in which we possess an overwhelming advantage.

(3) Sustaining strong performance for the Industrial Machinery

Favorable growth for industrial machinery is sustaining profitability for the Group as a whole. We continue to invest in accordance with customer needs to sustain stable profitability for this business.

(4) Business restructuring

We continue to work on accelerating the reorientation of the business structure for the Environmental Protection Facilities and Plant business and the Steel Structure and Other Specialized Equipment Business to private demand.

(5) Strengthening alliances for overseas business

The goal of the Group is to expand our business through global business development. We are concentrating our efforts on enhancing local sales and service networks overseas, and expanding capacity in China, the Philippines, and Vietnam, and will continue to invest in further enhancements to expand the scale of our business.

(6) Developing an internal control system

The Group has been involved in internal control activities for some time now, but we continue involve the entire Group in laying a stronger foundation for our system of internal controls and compliance.

5. Items Relating the Parent Company, etc.

Not applicable as the Company has no parent company.

III. Business Results and Financial Position

1. Business Results

The Japanese economy continued to grow in the first half of the current fiscal year, boosted by growth in exports and capital investment coupled with strong consumer spending, despite the impact of sustained high levels for crude oil and material prices. Although U.S. economic growth decelerated, the Chinese economy continued to expand, also joined by sustained growth for promising markets such as Southeast Asia and India. The world economy in general continued to expand as the economic recovery for Europe progressed as well.

The goal of the Group under the “Leap to Excellence ‘07” mid-term management plan, which began the previous year, is to achieve sustained growth. We succeeded in maintaining the steady business management achieved for last period during the first half of the current fiscal year, exceeding business forecasts as a result. The Company made progress in establishing overseas manufacturing plants and a global supply chain for our power transmission business with the completion of a motor manufacturing plant in Vietnam during the first half. We also maintained an aggressive schedule of new product introductions, including a new hydraulic shovel and laser drill, as well as new models for plastics machinery and power transmissions.

These management policies resulted in growth in both sales and income (interim net income basis) for the first half of the current fiscal year, for the fourth straight period. We achieved record highs for orders received and sales, as well as operating, ordinary and interim net income.

Operating results for the first half of the current fiscal year recorded broad growth overall, sustained by a turnaround in growth for other divisions, in addition to strong growth for the Mass-produced Machinery segment. Orders received rose 14% year-on-year to 322.4 billion yen due to an increase in orders received for our Construction Machinery, Industrial Machinery, and Environmental Protection Facilities, Plant and Other businesses. We were able to achieve sales growth of 11% year-on-year to 273.4 billion yen, boosted by growth in Construction Machinery and the Ship, Steel Structure, and Other Specialized Equipment segments. On the profit front, operating income rose 45% year-on-year to 26.8 billion yen as profits staged a turnaround for the Ship, Steel Structure, and Other Specialized Equipment segment and for the Construction Machinery segment. Ordinary income rose 50% to 27.7 billion yen and interim net income rose 33% to 16.7 billion yen due to improvement in non-operating income from investment gains on equity interests.

We have declared a dividend of 3.5 yen per share for the first half of the current fiscal year in light of the above operating results and financial status. This represents an increase of 1.0 yen per share over the first half of the previous year.

Results for each division are as follows.

Mass Produced Machinery Segment

The Company exceeded the results for the first half of the previous fiscal year in our power transmission and control business for both sales and orders received, where growth was concentrated in large machinery, particularly for overseas markets. Our plastics machinery business secured orders received on level with the first half of the previous fiscal year despite sluggish demand for specialty injection molding machines for disks. This was due to increased share for newly introduced products. Steady orders received were recorded for other machinery due to strong orders received for cryocoolers and cyclotrons for PET inspection. As a result, orders received for the entire segment rose 8% year-on-year to 116.2 billion yen, sales rose 3% year-on-year to 107.4 billion yen, and operating income recorded growth of 2% year-on-year to 14.0 billion yen.

Environmental Protection Facilities, Plants, and Others Segment

Orders received for our energy plant business recorded growth in boilers for power generation due to active conversion of the energy sources for boilers from heavy oil to coal and industrial wastes for fuel. Orders received for our water treatment plant business declined as the business continued to undergo a restructuring from public to private demand. As a result, orders received for the entire segment rose 35% year-on-year to 50.0 billion yen, sales remained almost level with the first half of the previous fiscal year at 31.6 billion yen, and a 100 million yen operating loss was sustained due to rising material costs, among other factors.

Ship, Steel Structure and Other Specialized Equipment Segment

We secured orders received for five Aframax tankers for our Ship, Steel Structure, and Other Specialized Equipment business due to aggressive marketing for orders received during the first half of the previous fiscal year, but only secured orders received for two tankers for the current first half. Sales were booked for delivery of two tankers. Our steel structure and other specialized equipment business recorded order growth for reactor vessels, owing to the trend toward capacity expansion for oil refineries. As a result, orders received for the entire segment declined 24% year-on-year to 33.0 billion yen, while sales rose 24% year-on-year to 29.3 billion. This segment went from a 1.9 billion yen operating loss for the first half of the previous fiscal year to a 2.3 billion yen profit for the current first half.

Industrial Machinery Segment

Growth in orders received for material handing system was concentrated in large cranes as domestic ship builders and steel manufacturers substantially increased capital spending.

Orders received for turbines and pumps rose as favorable market conditions were sustained by capacity expansion for biomass power generation and oil refineries, and marketing capabilities were enhanced by segment for clients, by region and by market. As a result, orders received for the entire segment rose 40% year-on-year to 45.9 billion yen and sales rose 6% year-on-year to 28.9 billion. Operating income rose 24% year-on-year to 3.8 billion yen.

Construction Machinery Segment

Both orders received and sales for hydraulic shovels rose as we worked to increase capacity to keep pace with growth in demand, and worked to expand sales through alliances with corporate partners and groups overseas. This growth was concentrated in Europe and Asia. Strong growth in both orders received and sales for mobile cranes were recorded for North America as we expanded marketing to take advantage of strong demand generated by the introduction of new models that meet customer needs. As a result, orders received for the entire segment rose 24% year-on-year to 77.4 billion yen, sales rose 29% year-on-year to 76.2 billion yen, and operating income recorded growth of 87% year-on-year to 6.6 billion yen.

2. Financial Position

Total assets decreased by 16.4 billion yen over the end of last period to 562.8 billion yen, due to steady progress in collection of accounts receivable, among other factors. Progress in asset reduction led to a 30.5 billion yen reduction in interest-bearing debt to 95.0 billion yen, which, in turn, led to a 4.8 point reduction in the debt-equity ratio over the end of last period to 16.9%. Stockholders' equity after exclusion of minority interests from net assets was 179.6 billion yen, owing to strong operating results for the first half. The ratio of stockholders' equity to total assets was 31.9%.

Cash inflow from operating activities declined by 2.2 billion yen year-on-year to 23.4 billion yen due to the smaller reduction in accounts receivable. Cash outflow from investment activities rose by 500 million yen to 2.5 billion yen due to an increase in capital expenditures which exceeded the 5.9 billion yen in income from business spin-offs. Repayment of loans resulted in a 32.1 billion yen decline in funds due to financing activities. The above factors resulted in a 10.0 billion yen decline in cash and equivalents on hand for the current first half, compared with the end of the previous fiscal year, to 33.6 billion yen.

Cash Flow Indicators

	2004		2005		2006
	Interim	Full Year	Interim	Full Year	Interim
Stockholders' equity ratio	22.3	24.1	26.4	29.0	31.9
Stockholders' equity ratio at market value	35.1	44.6	86.1	117.4	105.6
Years to debt redemption	3.5	3.7	2.8	2.5	2.0
Interest coverage ratio	16.1	15.0	18.9	21.0	26.7

(Notes)

1. Indicators calculated using the following formulae.
Stockholders' equity ratio: Stockholders' equity/Total assets
Stockholders' equity ratio at market value: Market capitalization/Total assets
Years to debt redemption: Interest-bearing debt/Operating cash flow
Interest coverage ratio: Operating cash flow/Interest payments

2. All are calculated based on consolidated financial figures.

3. Interest-bearing debt indicates all liabilities posted in the balance sheets on which the Company pays interest.

3. Outlook for the Full Fiscal Year

While deceleration of the heretofore expanding U.S. economy and lack of clarity on materials prices are sources of concern for the external environment going forward, management will continue to work to achieve goals set under "Leap to Excellence '07," our medium-term management plan. Our operating results forecast for the current fiscal year is as follows. We expect to achieve our numerical goals for the medium-term management plan one year ahead of schedule.

(Units: billions of yen)

Consolidated	Amount	Non-consolidated	Amount
Net sales	595.0	Net sales	267.0
Operating income	60.0	Operating income	20.0
Ordinary income	60.0	Ordinary income	21.0
Net income	33.0	Net income	12.0

*Expectations and outlooks for future performance are rational judgments made based on the information currently available.
Therefore, actual results may vary from written expectations and outlooks due to changes in various factors.
Please see Business Risks section for detailed information about those factors.

IV. Business Risks

The Group's operating results and financial position could be influenced by any of items enumerated below.

Items from the text that concern the future are based on the Group's judgments made at the end of the current interim consolidated accounting period.

(1) Economic conditions

Demand for the capital goods, which comprise the majority of the Group's net sales, is influenced by economic conditions of the areas within Japan and overseas where the Group conducts its sales.

Therefore, recessions in Japan, Asia, North America, Europe, and other major markets, and the subsequent reduction in demand for the Group's products, may affect the Group's performance and financial position.

(2) Exchange rate fluctuation

The Group's business activities include production and sales of its products in many countries around the world.

Transactions, including sales, expenses, assets, and liabilities, that are carried out in the local currency of each country are converted to yen in order to prepare consolidated financial statements.

Values of these items in the local currency may not change, however it is possible that the value after conversion to yen will be affected by the exchange rate at the time of conversion.

Moreover, as of September 30, 2006, dollar denominated back orders received, centered on the shipbuilding business, were about 1.2 billion dollars.

To minimize the affects of fluctuations in the exchange rate on results, risk hedges such as forward exchange contracts are used, but it is difficult to remove risk entirely in this way.

As a result, the Group's performance results may be influenced by fluctuations in the exchange rate.

(3) Rise in raw materials prices

Increases in prices of raw materials such as iron, copper, and petroleum that accompanied worldwide business recovery have become pronounced, and the Company is concerned about the subsequent rise in the costs of raw materials necessary for its products.

In addition to this, some suppliers of components and materials are reaching the limits of their capacity, making it difficult to secure the requisite volume. While the Group is working to reduce costs, incorporate material price hikes in pricing quotes to pass the added cost through to the sales price, and reassess production plans, it is possible that cost increases and procurement difficulties will have an impact on operating results.

(4) Overseas business development

The Group works to develop global businesses, particularly in the Mass-Produced Machinery segment and the Construction Machinery segment, and focuses on markets in North America, Asia, and Europe. In order to increase overseas demand, it must enhance overseas sales networks, services and production facilities.

However, depending on the country, there are times when political changes and unforeseeable changes in laws and regulations may influence the market for a particular product. Especially in China, where the market can overheat due to sudden economic growth, financial regulation may be imposed as part of the application of investment control measures.

As a result, it is possible that the results of the Group's overseas business activities may be affected.

(5) Product quality

All of the Group's products are manufactured according to an exacting quality standard. None the less, not every product produced by the Group can be free of defects, and there is no guarantee that situations will not arise in which the Group will have to bear the burden of guarantee construction.

In addition, the Group carries product liability compensation insurance, but there is no guarantee that this insurance will cover all compensation amounts.

If the sums involved in guarantee construction and product liability compensation obligations borne by the Group as a result of problems with product quality are large, then they could have an adverse influence on the Group's performance results and financial position.

(6) Effects of impairment accounting

On March 31, 2002, the Company revaluated its land used for business purposes in accordance with Japan's Law Concerning Land Revaluation (Law No. 34, dated March 31, 1998) and Law Amending the Law Concerning Land Revaluation (Law No. 19, dated March 31, 2001) on the basis.

The difference between the book value of land at the end of the last accounting period and its value after the revaluation was 21.7 billion yen, a decrease of 21%. If the value of the land further depreciates in the future, there is a possibility it will register as a depreciation of fixed assets.

When the decrease is registered, it may be reflected in the Group's performance results.

(7) Environmental protection

The Group, in accordance with its Group Environmental Policy, devotes itself to the reduction of environmental impact, such as by avoiding environmental risks and minimizing waste.

Although the group has an exhaustive system in place to prevent environmental pollution, there is always the possibility that environmental pollution could occur due to unexpected circumstances.

If environmental pollution were to occur, the large costs involved might affect the Group's performance results.

(8) Disasters

In order to prevent or reduce to the smallest extent possible damages arising from disasters such as fire, earthquake, typhoon, and storms and flooding, the Group carries out inspections and training and has installed a communications system.

Nonetheless, physical damages and injuries resulting from disasters may impact the Group's activities.

Moreover, there is no insurance that can provide complete coverage of damages from disasters.

V. Consolidated Income Statements

(Units: millions of yen)

	First Half April 1, 2006 to September 30, 2006		Previous First Half April 1, 2005 to September 30, 2005		Change	Previous Fiscal Year April 1, 2005 to March 31, 2006	
	Amount	%	Amount	%	Amount	Amount	%
Net sales	273,395		245,857		27,538	551,339	
Cost of sales	211,311	77.3	193,564	78.7	17,747	434,904	78.9
Gross income	62,084	22.7	52,292	21.3	9,791	116,435	21.1
Selling, general & administrative expenses	35,310		33,799		1,511	68,930	
Operating income	26,773	9.8	18,494	7.5	8,280	47,505	8.6
Non-operating income							
Interest income	76		33		43	220	
Dividend income	322		296		26	367	
Equity in earnings of unconsolidated subsidiaries and affiliated companies	2,286		1,714		572	4,303	
Collection of allowance for doubtful accounts	17		407		(390)	383	
Other-net	1,195		1,369		(175)	2,923	
Total Non-operating income	3,897		3,820		77	8,195	
Non-operating expenses							
Interest expense	852		1,293		(441)	2,384	
Other-net	2,119		2,500		(381)	5,730	
Total Non-operating expenses	2,971		3,793		(822)	8,114	
Non-operating income/loss	926		27		899	81	
Ordinary income	27,699	10.1	18,520	7.5	9,179	47,585	8.6

(Units: millions of yen)

	First Half April 1, 2006 to September 30, 2006		Previous First Half April 1, 2005 to September 30, 2005		Change	Previous Fiscal Year April 1, 2005 to March 31, 2006	
	Amount	%	Amount	%	Amount	Amount	%
Extraordinary gains							
Gain of business transfer	294		--		294	--	
Gain on sale of securities - net	--		661		(661)	906	
Extraordinary gains	294		661		(367)	906	
Extraordinary losses							
Loss on business transfer	1,270		--		1,270	--	
Loss on breach of antitrust law	672		--		672	705	
Provision for retirement benefits to directors, corporate auditors and executive officers	--		257		(257)	257	
Impairment losses	--		229		(229)	229	
Loss on valuation of affiliated companies	--		77		(77)	7	
Loss on sales of property, plant and equipment	--		--		--	686	
Loss on valuation of investment securities	--		--		--	471	
Loss from liquidation of subsidiaries	--		--		--	70	
Extraordinary losses	1,942		563		1,379	2,425	
Income before income taxes	26,051	9.5	18,619	7.6	7,433	46,066	8.4
Corporate income tax current	11,037		6,404		4,634	15,735	
Corporate income tax deferred	(2,038)		(490)		(1,548)	135	
Minority interests	(349)		(178)		(171)	(454)	
Interim net income	16,703	6.1	12,527	5.1	4,176	29,742	5.4

VI. Consolidated Statements of Changes to Stockholders' Equity

(Millions of Yen)

	Stockholders' Equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total stockholders' equity
Balance as of March 31, 2006	30,872	16,808	68,848	(544)	115,983
Fluctuations in the interim period					
Dividends			(1,503)		(1,503)
Interim net income			16,703		16,703
Acquisition of treasury stock				(187)	(187)
Disposal of treasury stock		4		3	7
Difference from transfer of revaluation reserve for land			1,726		1,726
Increase from change in scope of consolidation			634		634
Correction of capital allotment after merger of parent company and consolidated subsidiaries		7	(7)		--
Fluctuations other than stockholders' equity in the interim period (net)					
Total fluctuation in the interim period		12	17,553	(184)	17,381
Balance as of September 30, 2006	30,872	16,808	86,401	(728)	133,364

	Appraisal and Translation Differences						
	Unrealized holding gains on other securities	Gain/ loss on deferred hedge	Difference from transfer of revaluation reserve for land	Foreign exchange translation adjustments	Total appraisal and translation differences	Minority interests	Total net assets
Balance as of March 31, 2006	10,269	--	42,142	(654)	51,757	3,752	171,492
Fluctuations in the interim period							
Dividends							(1,503)
Interim net income							16,703
Acquisition of treasury stock							(187)
Disposal of treasury stock							7
Difference from transfer of revaluation reserve for land							1,726
Increase from change in scope of consolidation							634
Correction of capital allotment after merger of parent company and consolidated subsidiaries							--
Fluctuations other than stock-hokders' equity in the interim period (net)	(1,511)	(2,201)	(1,726)	(106)	(5,545)	(250)	(5,796)
Total fluctuation in the interim period	(1,511)	(2,201)	(1,726)	(106)	(5,545)	(250)	11,585
Balance as of September 30, 2006	8,758	(2,201)	40,415	(761)	46,212	3,501	183,077

VII. Consolidated Statements of Surplus

(Units: millions of yen)

Item \ Term	Previous First Half April 1, 2005 to September 30, 2005	Previous Fiscal Year April 1, 2005 to March 31, 2006
Capital Surplus		
Capital surplus at the beginning of term	16,803	16,803
Increase in capital surplus	1	5
Gain on disposition of treasury stock	1	5
Capital surplus at the end of term	16,804	16,808
Retained earnings		
Retained earnings at the beginning of term	42,677	42,677
Increase in retained earnings	12,789	30,419
Interim net income	12,527	29,742
Increase owing to merger	117	278
Increase from transfer of revaluation reserve for land	145	399
Decrease in retained earnings	2,701	4,248
Dividends	1,805	3,308
Bonuses for directors	42	42
Return of retirement allowance of overseas subsidiaries in U.K.	839	839
Decrease due to increase in numbers of consolidated subsidiaries	12	12
Decrease due to decrease in numbers of consolidated subsidiaries and companies accounted for by the equity method	--	43
Other	4	4
Retained earnings at the end of term	52,765	68,848

VIII. Consolidated Balance Sheet for the First Half of FY 2006

(Units: millions of yen)

	End of First Half As of September 30, 2006	End of Previous Consolidated Fiscal Year As of March 31, 2006	Change	End of Previous First Half As of September 30, 2005
	Amount	Amount	Change	Amount
Assets				
Cash and deposits	33,812	43,917	(10,106)	47,504
Notes and account receivable	143,714	158,893	(15,180)	133,469
Inventories	102,444	92,981	9,463	100,451
Deferred income taxes	9,737	7,844	1,893	8,589
Other	14,124	14,971	(847)	17,320
Allowance for doubtful accounts	(823)	(794)	(29)	(1,626)
Current assets	**303,007**	**317,813**	**(14,806)**	**305,707**
Buildings and structure	40,355	40,918	(563)	41,588
Machinery and transportation tools	22,283	18,881	3,402	18,627
Land	111,005	114,115	(3,111)	114,898
Construction in progress	4,159	3,525	634	2,020
Other	4,461	4,041	420	3,741
Tangible assets	182,262	181,480	782	180,873
Intangible assets	5,732	4,789	944	4,259
Investment securities	54,379	54,972	(593)	47,925
Deferred income taxes	8,080	7,400	680	9,176
Other	11,529	15,082	(3,553)	20,630
Allowance for doubtful accounts	(2,195)	(2,302)	107	(5,962)
Investments and other assets	71,793	75,152	(3,359)	71,770
Fixed assets	**259,787**	**261,421**	**(1,634)**	**256,902**
Total assets	**562,794**	**579,233**	**(16,439)**	**562,609**

(Units: millions of yen)

	End of First Half As of September 30, 2006	End of Previous Consolidated Fiscal Year As of March 31, 2006	Change	End of Previous First Half As of September 30, 2005
	Amount	Amount	Change	Amount
Liabilities				
Notes and accounts payable	136,732	142,778	(6,046)	128,326
Short-term bank loans	26,763	28,180	(1,425)	33,980
Commercial paper	8,000	20,000	(12,000)	15,000
Long-term debt due within one year	19,055	30,529	(11,474)	39,646
Bond redemption due within one year	--	--	--	1,000
Income tax payable	9,126	9,129	(3)	6,111
Advance payments received on contracts	43,339	31,976	11,363	40,327
Allowance for guaranteed construction	3,737	3,410	326	3,729
Allowance for loss on ordered construction	75	45	31	411
Allowance for loss on liquidation of subsidiaries	--	--	--	1,939
Allowance for loss on business transfer	161	--	161	--
Other	30,828	33,493	(2,666)	23,448
Current liabilities	**277,815**	**299,547**	**(21,732)**	**293,918**
Bond	10,000	10,000	--	10,000
Long-term debt due after one year	31,162	36,787	(5,625)	46,284
Employees' severance and retirement benefits	23,043	22,578	465	21,868
Allowance reserve	1,450	921	530	938
Deferred income taxes on revaluation	32,309	33,505	(1,196)	33,679
Other	3,938	4,405	(467)	4,293
Long-term liabilities	**101,902**	**108,195**	**(6,292)**	**117,061**
Total liabilities	**379,717**	**407,742**	**(28,024)**	**410,979**
Minority interests	--	3,752	--	3,379
Stockholders' equity				
Common stock:				
Paid in capital	--	30,872	--	30,872
Capital surplus	--	16,808	--	16,804
Retained earnings	--	68,848	--	52,765
Revaluation reserve for land	--	42,142	--	42,396
Unrealized gains on securities	--	10,269	--	7,495
Foreign currency translation adjustments	--	(654)	--	(1,758)
Treasury stock	--	(544)	--	(321)
Total stockholders' equity	**--**	**167,740**	**--**	**148,252**
Liabilities minority interest, and stockholders' equity	**--**	**579,233**	**--**	**562,609**

Net Assets				
Common stock	30,872	--	--	--
Capital surplus	16,819	--	--	--
Retained earnings	86,401	--	--	--
Treasury stock	(728)	--	--	--
Stockholders' equity	**133,364**			
Unrealized gains on securities	8,758	--	--	--
Profit/loss on deferred hedge	(2,201)	--	--	--
Revaluation reserve for land	40,415	--	--	--
Foreign currency translation adjustments	(761)	--	--	--
Appraisal and Translation Differences	**46,212**			
Minority interests	**3,501**	**--**	**--**	**--**
Total net assets	**183,077**	**--**	**--**	**--**
Liabilities and net assets	**562,794**	**--**	**--**	**--**

IX. Consolidated Cash Flow Statements

(Units: millions of yen)

	First Half April 1, 2006 to September 30, 2006	Previous First Half April 1, 2005 to September 30, 2005	Previous Consolidated Fiscal Year April 1, 2005 to March 31, 2006
Cash flows from operating activities			
Income before income taxes	26,051	18,619	46,066
Depreciation	5,170	4,253	9,072
Impairment losses	--	229	229
Amortization of goodwill	(118)	--	--
Amortization of consolidation adjustment	--	(341)	(573)
Gain on sale of property, plant and equipment	(156)	(28)	(89)
Loss on sale of property, plant and equipment	24	130	686
Loss on disposal of property, plant and equipment	202	243	836
Gain on sale of investment securities	(19)	(661)	(906)
Loss on sale of investment securities	--	1	1
Loss from write-down of investment securities	35	--	471
Loss from liquidation of subsidiaries	--	--	70
Loss from write-down of shares of affiliated companies	--	77	7
Gain on business transfer	(294)	--	--
Loss on business transfer	1,270	--	--
Loss on breach of antitrust law	672	--	705
Increase in employees' severance and retirement benefits	480	820	1,315
Increase in provision for retirement benefits to directors, corporate auditors and executive officers	(42)	309	292
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(2,286)	(1,714)	(4,303)
Increase (decrease) in allowances	1,027	1,962	(5,227)
Interest and dividend income	(399)	(329)	(587)
Interest expenses	852	1,293	2,384
(Increase) decrease in notes and accounts receivable	26,624	30,782	3,028
(Increase) decrease in deposits received	(4,040)	(556)	3,544
Increase in inventories	(8,724)	(10,866)	(1,634)
Increase (decrease) in notes and accounts payable	(7,958)	(6,904)	6,533
Other-net	(4,038)	168	6,528
Subtotal	34,331	37,485	68,451
Interest and dividend received	484	396	679
Interest expenses	(877)	(1,356)	(2,258)
Payments for income taxes	(10,508)	(10,886)	(16,848)
Net cash provided by operating activities	23,430	25,638	50,023

(Units: millions of yen)

	First Half April 1, 2006 to September 30, 2006	Previous First Half April 1, 2005 to September 30, 2005	Previous Consolidated Fiscal Year April 1, 2006 to March 31, 2006
Cash flows from investing activities			
Decrease in time deposits	103	29	278
Payments for securities	(2,939)	(610)	(1,295)
Proceeds from sale of securities	1,799	893	1,280
Disbursements for investment in affiliated company	--	(1,080)	(1,080)
Proceeds from liquidation of subsidiaries	--	1,528	1,528
Payments for purchases of property, plant and equipment	(8,668)	(4,960)	(11,497)
Proceeds from sale of property, plant and equipment	1,491	854	2,202
Proceeds from refund of investment	--	1,462	1,462
Payments for long-term loans receivable	(37)	(32)	(44)
Collection of long-term loans receivable	113	320	332
Proceed from business transfer	5,895	--	--
Other-net	(277)	(415)	(190)
Net cash used in investing activities	(2,519)	(2,010)	(7,024)
Cash flows from financing activities			
Net decrease in short-term loans	(1,216)	(11,563)	(18,074)
Net increase in commercial paper	(12,000)	3,500	8,500
Proceeds from long-term debt	3,500	17,580	17,990
Repayments for long-term debt	(20,654)	(33,495)	(52,540)
Payments for redemption of bonds	--	--	(1,000)
Proceeds from sale of treasury stock	7	2	8
Disbursement for acquisition of treasury stock	(187)	(127)	(352)
Cash dividends paid	(1,503)	(1,805)	(3,308)
Payment of dividends for minority stockholders	(14)	(36)	(36)
Net cash used in financing activities	(32,067)	(25,944)	(48,812)
Effect of exchange rate changes on cash and cash equivalents	671	162	343
Net decrease in cash and cash equivalents	(10,485)	(2,153)	(5,470)
Cash and cash equivalents at beginning of year	43,644	49,108	49,108
Increase due to new consolidated company	485	3	3
Increase due to merger and acquisition	--	215	215
Net decrease from the change in consolidated companies	--	(184)	(212)
Cash and cash equivalents at end of year	33,643	46,988	43,644

Note: The relationship between cash and cash equivalents at the end of the interim period (end of period) and values given in the various sections of the Consolidated Balance Sheet for the First Half of FY 2006 is as follows:

(Units: millions of yen)

	September 30, 2006	September 30, 2005	March 31, 2006
Cash and cash equivalents	33,812	47,504	43,917
Time deposits exceeding 3 months	(168)	(516)	(274)
Cash and cash equivalents	33,643	46,988	43,644

Significant Items Forming the Basis for Preparation of Interim Consolidated Financial Statements

1. Items concerning scope of consolidation

Number of subsidiaries: 91 companies
Names of major consolidated subsidiaries

Sumitomo (S.H.I.) Construction Machinery Co., Ltd., Shin Nippon Machinery Co., Ltd., Seisa Gear, Ltd., Sumitomo Heavy Industries Marine & Engineering Co., Ltd., Sumitomo Heavy Industries PTC Sales Co., Ltd. Sumiju Environmental Engineering, Inc., Link-Belt Construction Equipment Company, Sumitomo Machinery Corporation of America, and Sumitomo (SHI) Cyclo Drive Germany, GmbH

Non-consolidated subsidiaries (Shin Nichizo Engineering Co., Ltd. etc.) are small companies, and their combined total assets, sales, net income (amount corresponding to equity holding) and retained earnings (amount corresponding to equity holding) all have no important impact on first half consolidated financial statements.

2. Application of equity method

Number of non-consolidated subsidiaries accounted for by equity method: 2 companies
Number of affiliated companies accounted for by the equity method: 7 companies
Names of major companies accounted for by equity method.
SEN Corporation, an SHI and Axcelis Company, and Nihon Spindle Mfg. Co., Ltd.

Subsidiaries (Shin Nichizo Engineering Co., Ltd. etc.) and affiliated companies (Toa Koki Co., Ltd. etc.) that are not accounted for by the equity method have been excluded from the application of the equity method because they have minimal impact on first half consolidated net income and consolidated retained earnings, and have little importance in terms of overall group.

3. Changes in scope of consolidation and application of equity method

NingBo ZhuZhong Machinery Co., Ltd. and four other companies have been included in the scope of consolidation for the first half of the current consolidated fiscal year due to their increased importance. Synex Corporation, which merged with Sumitomo Heavy Industries Ltd., and SHI Resort Development Ltd., which is no longer an affiliate due to the sale of the company's shares, have been excluded from the scope of consolidation.

4. Fiscal years of consolidated subsidiaries

The consolidated overseas companies, Link-Belt Construction Equipment Company, Sumitomo Machinery Corporation of America, Sumitomo (SHI) Cyclo Drive Germany, GmbH, etc. have a first half account settlement date of June 30. When preparing first half consolidated financial statements, first half financial statement as of that date were used, and in the case of important transactions that occurred between that date and the first half consolidated account settlement date, necessary adjustments were made on a consolidated basis.

5. Accounting standards

(1) Valuation criteria and valuation methods for major assets

1) Securities
  Bonds held to maturity
    Amortized cost method

  Other marketable securities
    With fair market value ･･･Market value method based on quoted market price on first half consolidated account settlement date
    (Appraisal differences are dealt with by means of the direct net asset influx method, with cost of securities sold calculated with the moving average method.)

Without fair market value ･･･Stated at cost determined by the moving average method

2) Inventories

Work in process: Principally stated at cost based on specific cost method

Finished products, semi-finished products, raw materials and supplies: Principally stated at cost based on the total average method
As for products in Construction Machinery segment are principally stated at cost or market, whichever is lower based on specific cost method.

(2) Derivative transactions

Market method.

(3) Methods of depreciation for major depreciable assets

1) Property, plant and equipment

The Company computes depreciation by the declining balance method. Furthermore, as for useful life and residual value, the standard used is principally the same as the method stipulated in the income tax code.

However, the Company and some consolidated subsidiaries apply the straight-line method to buildings acquired after April 1, 1998 (excluding equipment belonging to buildings).

2) Intangible fixed assets

Depreciation is computed by the straight-line method. Furthermore, as for useful life and residual value, the standard used is principally the same as the method stipulated in the income tax code.
However, in the case of software used by the Company itself, the straight-line method based on the period of possible use within the Company (5 years) is adopted.

(4) Criteria for appropriation of important allowance

1) Allowance for doubtful accounts

To prepare against credit losses, the Company makes additions to this allowance on the basis of loan loss ratios for standard loans, and on an individual basis for loans considered unlikely to be repaid in full, recording an amount equivalent to that thought to be irretrievable.

2) Allowance for guaranteed construction

In preparation for disbursements for expenses for gratuitous repair made after product delivery, allowances for guarantee construction are recorded based on historical results and the like.

3) Allowance for losses on ordered construction

As for undelivered construction orders received for which it is estimated, at the end of the consolidated interim period, that extensive losses are likely to occur after the period, and for which a rational estimate of the amount of said losses is possible, the estimated amount of losses that are expected to occur after the first half are recorded.

4) Allowance for loss on business transfer
The estimated amount of losses on business transfer expected to occur in the future are recorded.

5) Employees' severance and retirement benefits

To provide for employees' accrued retirement benefits, the Company charged to income the amount recognized as having been incurred at the end of the first half consolidated accounting period based on the projected amounts of the liability for accrued retirement benefit liabilities and pension assets at the end of the consolidated accounting fiscal year.

Additionally, the Company accounts for past service liability as expenses in the consolidated accounting year in which they occurred. Consolidated subsidiaries account for past service liability as expenses calculated by the straight line method, based on a fixed number of years (mainly 12 years) within the average remaining employee service time when they occurred.

Actuarial differences are amortized on a straight-line basis over a period which falls within the average estimated remaining years of service (12 years) of the participants commencing the year following.

(5) Important lease transaction procedures

For financial lease where ownership of leased properties is not recognized to transfer to borrower, an accounting procedure pursuant to common methods for lease transaction is adopted.

(6) Hedging activities

1) Hedge accounting methods

The Company uses deferral hedge accounting. In the case of Interest-rate swaps, if conditions for a special application are met, the special application is adopted. In addition, as for foreign currency futures contract, if conditions for appropriation are fulfilled, appropriation treatment is adopted.

2) Hedging measures and hedged items

Hedging measures	Hedged items
Forward foreign exchange contracts	Foreign currency-denominated liabilities and planned transactions
Interest-rate swaps	Loans

3) Hedging policy

Based on the “Market Risk Management Rule” provided for by the board of directors, the Company aims at the decrease of the risk, and therefore does not engage in any speculative transactions.

4) Method of evaluating effectiveness of hedging

The fluctuations in the total sum and the quotation for fair value hedging and the fluctuation in the total sum and quotation for cash flows hedging are compared every 6 months, and, based on the amount of the fluctuation for each, hedge effectiveness is evaluated.

The Company does not evaluate the effectiveness of hedging interest-rate swaps by special applications.

(7) Other important items forming the basis for preparation of consolidated financial statements

1) Method of accounting for consumption tax, etc.

The Company adopts the tax exclusion method.

2) Adoption of a consolidated tax payment system

A consolidated tax payment system has been adopted.

6. Fund range in the statement of cash flows

Funds in the statement of cash flows (cash and cash equivalents) comprise cash in hand, deposits withdrawable at any time, and easily cashable short -term investment with little risk and maturity date coming within three months from the acquisition date.

Changes to Accounting Methods

Accounting Methods Pertaining to the Representation of Net Assets on the Balance Sheet

*Accounting Standards for Presentation of Net Assets in the Balance Shee*t (ASBJ Statement No. 5; December 9, 2005) and *Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet* (ASBJ Implementation Guidance No. 8; December 9, 2005) have been applied from the first half of the current consolidated fiscal year. The amount equivalent to total Stockholders' Equity as heretofore recorded is 181.78 billion yen. This has had no effect on profits.

Notes to the Consolidated Balance Sheet

(Units: millions of yen)

	First Half April 1, 2006 to September 30, 2006	Previous First Half April 1, 2005 to September 30, 2005	Previous Consolidated Fiscal Year April 1, 2005 to March 31, 2006
1. Total depreciation on tangible fixed assets	159,235	166,807	166,854
2. Discount on notes receivable	25	148	90
3. Matured bills at end of fiscal period			
Bills receivable	784	--	--
Bills payable	1,503	--	--
4. Pledged assets and secured obligations			
Pledged assets	39,240	39,960	39,742
Secured obligations	4,427	6,978	5,364
5. Guaranteed obligations			
Guaranteed obligations	5,812	6,104	5,922
(of which Group's obligation)	5,724	5,994	5,822
Commitment to guarantee	15	224	--
(of which Group's obligation)	15	224	--

X. Marketable Securities

Current First Half (As of September 30, 2006)

1) Other marketable securities with market value

(Units: millions of yen)

	Acquisition Price	Value on the Interim Balance Sheets	Difference
Stock	10,691	24,964	14,273

2) Other Marketable Securities without market value

(Units: millions of yen)

	Value on the Consolidated Balance Sheets
①Bonds held to maturity	
1) Unlisted bond	10
Total	10
②Other marketable securities	
1) Unlisted stock	2,973
2) Other	1,011
Total	3,984

Previous First Half (As of September 30, 2005)

1) Other marketable securities with market value

(Units: millions of yen)

	Acquisition Price	Value on the Interim Balance Sheets	Difference
Stock	8,096	20,640	12,544

2) Other Marketable Securities without market value

(Units: millions of yen)

	Value on the Consolidated Balance Sheets
①Bonds held to maturity	
1) Unlisted bond	10
Total	10
②Other marketable securities	
1) Unlisted stock	4,674
2) Other	1,016
Total	5,690

Previous Fiscal Year (As of March 31, 2006)

1) Other marketable securities with market value

(Units: millions of yen)

	Acquisition Price	Value on the Interim Balance Sheets	Difference
Stock	8,703	25,865	17,162

2) Other Marketable Securities without market value

(Units: millions of yen)

	Value on the Consolidated Balance Sheets
①Bonds held to maturity	
1) Unlisted bond	10
Total	10
②Other marketable securities	
1) Unlisted stock	4,266
2) Other	1,011
Total	5,277

XI. Segment Information

1. Segment Information by Business

Current First Half (April 1, 2006 to September 30, 2006)

(Units: millions of yen)

Item \ Segment	A	B	C	D	E	Total	F	Consolidation
Sales								
(1) Unaffiliated customers	107,365	31,624	29,349	28,898	76,159	273,395	--	273,395
(2) Intersegment	1,144	1,383	116	150	13	2,806	(2,806)	--
Total	108,509	33,007	29,465	29,047	76,173	276,200	(2,806)	273,395
Cost and expenses	94,538	33,064	27,192	25,212	69,560	249,565	(2,944)	246,621
Operating income/loss	13,971	(57)	2,273	3,836	6,613	26,635	(138)	26,773

Segments:
A: Mass-Produced Machinery
B: Environmental Protection Facilities, Plants & Others
C: Ship, Steel Structure & Other Specialized Equipment
D: Industrial Machinery
E: Construction Machinery
F: Cancellation or general

Previous First Half (April 1, 2005 to September 30, 2005)

(Units: millions of yen)

Item \ Segment	A	B	C	D	E	Total	F	Consolidation
Sales								
(1) Unaffiliated customers	103,566	31,853	24,281	27,274	58,882	245,857	--	245,857
(2) Intersegment	680	1,313	229	125	35	2,382	(2,382)	--
Total	104,246	33,166	24,509	27,400	58,918	248,239	(2,382)	245,857
Cost and expenses	91,182	33,093	25,783	24,297	55,381	229,736	(2,373)	227,363
Operating income/loss	13,064	73	(1,274)	3,102	3,537	18,502	(9)	18,494

Segments:
A: Mass-Produced Machinery
B: Environmental Protection Facilities, Plants & Others
C: Ship, Steel Structure & Other Specialized Equipment
D: Industrial Machinery
E: Construction Machinery
F: Cancellation or general

Previous Full Year (April 1, 2005 to March 31, 2006)

(Units: millions of yen)

Item \ Segment	A	B	C	D	E	Total	F	Consolida-tion
Sales								
(1) Unaffiliated customers	218,798	82,740	67,372	56,054	126,375	551,339	--	551,339
(2) Intersegment	2,059	2,902	421	335	56	5,774	(5,774)	--
Total	220,857	85,642	67,794	56,389	126,431	557,113	(5,774)	551,339
Cost and expenses	191,519	81,365	68,273	50,542	117,898	509,598	(5,763)	503,834
Operating income/loss	29,338	4,277	(479)	5,847	8,533	47,515	(10)	47,505

Segments:
A: Mass-Produced Machinery
B: Environmental Protection Facilities, Plants & Others
C: Ship, Steel Structure & Other Specialized Equipment
D: Industrial Machinery
E: Construction Machinery
F: Cancellation or general

Notes:
1. Business segment depends on sales total segment

2. Main products of each business segment

Businesses	Main Products
Mass-Produced Machinery	Power Transmission & Control, Plastic Injection Molding Machines, Laser Processing Systems, Cryogenic equipment, Precision XY Stages, Ion Accelerators, Plasma Coating System for FPDs, Presition Forgings, Control Components, Defense Equipment
Environmental Protection Facilities, Plants & Others	Power Generation Systems, Industrial Waste Treatment Facilities, Water and Sewage Treatment Systems, Real Estate, Software
Ship, Steel Structure & Other Specialized Equipment	Ships, Pressure Vessels, Bridge
Industrial Machinery	Forging Machines, Material Handling Systems, Logistics System, Automated Parking System, Turbines, Pumps
Construction Machinery	Hydraulic Excavators, Mobile Cranes, Road Machinery

3. Changes in Segment Affiliation for the First Half of the Current Consolidated Fiscal Year

Japan Electron Beam Irradiation Service Co., Ltd. and SHI Examination and Inspection, Ltd. have been transferred to the Mass-Produced Machinery segment from the first half of the current consolidated fiscal year due to changes in organizational management of the company. These companies have been transferred from the Environmental Protection Facilities, Plants and Other segment and the Ship, Steel Structures and Other Specialized Equipment segment, respectively, with which they were formerly affiliated.

These changes have resulted in the following changes compared with the former method of accounting: Sales for Mass-produced Machinery have increased 639 million yen, operating expenses by 483 million yen, and operating income by 156 million yen; sales for Environmental Protection Facilities, Plants and Other have decreased by 356 million yen, operating expenses by 295 million yen, and operating income by 61 million yen; sales for Ship, Steel Structures and Other Specialized Equipment decreased 1,051 million yen, operating expenses by 806 million yen, and operating profit by 245 million yen.

Segment information for the first half of the previous consolidated fiscal year and for the previous consolidated fiscal year are as shown below, according to the segments after the change was made:

Previous First Half (April 1, 2005 to September 30, 2005)

(Units: millions of yen)

Item \ Segment	A	B	C	D	E	Total	F	Consolidation
Sales								
(1) Unaffiliated customers	104,543	31,516	23,641	27,274	58,882	245,857	--	245,857
(2) Intersegment	1,049	1,314	159	125	35	2,683	(2,683)	--
Total	105,593	32,830	23,800	27,400	58,918	248,540	(2,683)	245,857
Cost and expenses	91,865	32,816	25,683	24,297	55,381	230,043	(2,680)	227,363
Operating income/loss	13,727	13	(1,883)	3,102	3,537	18,497	(3)	18,494

Segments:
A: Mass-Produced Machinery
B: Environmental Protection Facilities, Plants & Others
C: Ship, Steel Structure & Other Specialized Equipment
D: Industrial Machinery
E: Construction Machinery
F: Cancellation or general

Previous Full Year (April 1, 2005 to March 31, 2006)

(Units: millions of yen)

Item \ Segment	A	B	C	D	E	Total	F	Consolidation
Sales								
(1) Unaffiliated customers	220,989	82,062	65,859	56,054	126,375	551,339	--	551,339
(2) Intersegment	2,922	2,904	376	335	56	6,593	(6,593)	--
Total	223,911	84,966	66,235	56,389	126,431	557,932	(6,593)	551,339
Cost and expenses	193,875	80,817	67,264	50,542	117,898	510,396	(6,561)	503,834
Operating income/loss	30,037	4,149	(1,029)	5,847	8,533	47,536	(32)	47,505

Segments:
A: Mass-Produced Machinery
B: Environmental Protection Facilities, Plants & Others
C: Ship, Steel Structure & Other Specialized Equipment
D: Industrial Machinery
E: Construction Machinery
F: Cancellation or general

2. Segment Information by Geographical Area

Current First Half (April 1, 2006 to September 30, 2006)

(Units: millions of yen)

Item \ Segment	Japan	North America	Others	Total	Cancella-tion or general	Consolida-tion
Sales						
(1) Unaffiliated customers	223,265	33,466	16,664	273,395	--	273,395
(2) Intersegment	15,012	404	6,224	21,640	(21,640)	--
Total	238,277	33,870	22,888	295,035	(21,640)	273,395
Cost and expenses	216,626	30,279	21,349	268,255	(21,633)	246,621
Operating income/loss	21,650	3,591	1,539	26,780	(7)	26,773

Previous First Half (April 1, 2005 to September 30, 2005)

(Units: millions of yen)

Item \ Segment	Japan	North America	Others	Total	Cancella-tion or general	Consolida-tion
Sales						
(1) Unaffiliated customers	207,537	25,556	12,764	245,857	--	245,857
(2) Intersegment	13,068	416	1,260	14,744	(14,744)	--
Total	220,605	25,972	14,023	260,601	(14,744)	245,857
Cost and expenses	205,079	24,052	13,093	242,224	(14,861)	227,363
Operating income/loss	15,526	1,920	931	18,377	117	18,494

Previous Full Year (April 1, 2005 to March 31, 2006)

(Units: millions of yen)

Item \ Segment	Japan	North America	Others	Total	Cancella-tion or general	Consolida-tion
Sales						
(1) Unaffiliated customers	465,769	56,672	28,898	551,339	--	551,339
(2) Intersegment	28,053	856	2,894	31,803	(31,803)	--
Total	493,822	57,528	31,792	583,142	(31,803)	551,339
Cost and expenses	452,275	53,176	29,984	535,436	(31,601)	503,834
Operating income/loss	41,547	4,352	1,808	47,706	(202)	47,505

Notes:
1. Countries and regions classified by geographical proximity.

2. Countries and regions belonging to each classification:
   North America: USA and Canada
   Others: UK, Germany, Singapore and China

3. Overseas Sales

Current First Half (April 1, 2006 to September 30, 2006)

(Units: millions of yen)

	North America	Asia	Others	Total
I. Overseas sales	53,446	40,939	34,292	128,677
II. Consolidated sales				273,395
III. Overseas sales ratio （%）	19.5	15.0	12.5	47.1

Previous First Half (April 1, 2005 to September 30, 2005)

(Units: millions of yen)

	North America	Asia	Others	Total
I. Overseas sales	41,348	30,669	29,629	101,646
II. Consolidated sales				245,857
III. Overseas sales ratio （%）	16.8	12.5	12.1	41.3

Previous Full Year (April 1, 2005 to March 31, 2006)

(Units: millions of yen)

	North America	Asia	Others	Total
I. Overseas sales	94,903	73,514	61,889	230,306
II. Consolidated sales				551,339
III. Overseas sales ratio （%）	17.2	13.3	11.2	41.8

Notes:
1. Countries and regions classified by geographical proximity.

2. Countries and regions belonging to each classification:
   North America: USA and Canada
   Asia: Singapore and China
   Others: UK and Germany

3. Sales are from the Company and subsidiaries' countries and regions other than Japan.

XII. Orders Received, Sales and Balance of Orders Received by Segment

Orders Received

(Units: millions of yen)

Businesses	April 1, 2006 to September 30, 2006		April 1, 2005 to September 30, 2005		Y/Y Change	April 1, 2005 to March 31, 2006	
	Amount	%	Amount	%	%	Amount	%
Mass-Produced Machinery	116,155	36.0	107,097	37.9	8.5	219,141	36.3
Environmental Protection Facilities, Plants & Others	50,038	15.5	37,082	13.1	34.9	83,605	13.9
Ship, Steel Structure & Other Specialized Equipment	33,026	10.3	43,205	15.4	(23.6)	95,171	15.8
Industrial Machinery	45,862	14.2	32,831	11.6	39.7	68,693	11.4
Construction Machinery	77,357	24.0	62,188	22.0	24.4	136,385	22.6
Total	322,438	100.0	282,403	100.0	14.2	602,995	100.0

Sales

(Units: millions of yen)

Businesses	April 1, 2006 to September 30, 2006		April 1, 2005 to September 30, 2005		Y/Y Change	April 1, 2005 to March 31, 2006	
	Amount	%	Amount	%	%	Amount	%
Mass-Produced Machinery	107,365	39.3	104,543	42.5	2.7	220,989	40.1
Environmental Protection Facilities, Plants & Others	31,624	11.6	31,516	12.8	0.3	82,062	14.9
Ship, Steel Structure & Other Specialized Equipment	29,349	10.7	23,641	9.6	24.1	65,859	11.9
Industrial Machinery	28,898	10.6	27,274	11.1	6.0	56,054	10.2
Construction Machinery	76,159	27.8	58,882	24.0	29.3	126,375	22.9
Total	273,395	100.0	245,857	100.0	11.2	551,339	100.0

Balance of Orders Received

(Units: millions of yen)

Businesses	As of September 30, 2006		As of March 31, 2006		Change	As of September 30, 2005	
	Amount	%	Amount	%	%	Amount	%
Mass-Produced Machinery	75,254	18.0	66,360	18.0	13.4	70,663	20.0
Environmental Protection Facilities, Plants & Others	91,817	22.0	73,536	19.9	24.9	77,560	21.9
Ship, Steel Structure & Other Specialized Equipment	155,552	37.2	151,907	41.2	2.4	142,159	40.2
Industrial Machinery	72,668	17.4	55,704	15.1	30.5	48,621	13.7
Construction Machinery	22,715	5.4	21,518	5.8	5.6	14,813	4.2
Total	418,006	100.0	369,025	100.0	13.3	353,815	100.0

Changes in Segment Affiliation

Japan Electron Beam Irradiation Service Co., Ltd. and SHI Examination and Inspection Ltd. have been transferred to the Mass-Produced Machinery segment from the first half of the current consolidated fiscal year due to changes in organizational management of the company. These companies have been transferred from the Environmental Protection Facilities, Plants and Other segment and the Ship, Steel Structures and Other Specialized Equipment segment, respectively, with which they were formerly affiliated.

We have therefore shown segmentation following these changes for the previous fiscal year and for the first half of the previous fiscal year as well.

XIII. Important Subsequent Events

The total number of shares issued has increased by 3,100,809 shares and surplus capital on the balance sheet has increased by 3,451 million yen due to the share exchange with Seisa Gear, Ltd. conducted by the Company on October 1, 2006.