

Sumitomo Heavy Industries, Ltd.

CONSOLIDATED REPORT FY 2007, H1

For the Six-Month Period to September 30, 2007

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.

Summary of Financial Results for the First Half Ended September 30, 2007

Sumitomo Heavy Industries (TSE: 6302)

Presented October 31, 2007

Consolidated Financial Results (April 1, 2007 – September 30, 2007)

1. Consolidated Financial Results

(1) Results of Operations

	Millions of Yen - Except Per Share Data and Percents				
	First Half Ended September 30,				FY Ended 3/31
	2007	%	2006	%	2007
Net Sales.....	305,098	11.6	273,395	11.2	600,256
Operating Income.....	34,956	30.6	26,773	44.8	64,224
Ordinary Income.....	35,013	26.4	27,699	49.6	65,341
Net Income	20,161	20.7	16,703	33.3	37,352
Net Income per Share (yen).....	33.39		27.79		61.99
Net Income per Share, diluted (yen)	—		—		—
Note: Equity method investment profit and loss:			First half ended September 30, 2007		1,356 million yen
			First half ended September 30, 2006		2,286 million yen
			Fiscal year ended March 31, 2007		4,584 million yen

(2) Financial Position

	Millions of Yen - Except Per Share Data and Percents		
	First Half Ended September 30,		FY Ended 3/31
	2007	2006	2007
Total Assets	611,166	562,794	600,890
Shareholders' Equity.....	225,598	183,077	206,010
Shareholders' Equity Ratio	36.6%	31.9%	34.1%
Shareholders' Equity per Share (yen) ..	370.81	298.79	338.95
Note: Equity (consolidated):		First half ended September 30, 2007	223,845 million yen
		First half ended September 30, 2006	179,576 million yen
		Fiscal year ended March 31, 2007	204,691 million yen

(3) Cash Flows

	Millions of Yen - Except Per Share Data and Percents		
	First Half Ended September 30,		FY Ended 3/31,
	2007	2006	2007
Cash Flows from Operating Activities	11,452	23,430	56,789
Cash Flows from Investing Activities.....	(11,416)	(2,519)	(12,461)
Cash Flows from Financing Activities.....	(15,247)	(32,067)	(41,193)
Cash and Cash Equivalents End of Period	32,797	33,643	47,523

2. Dividends

Consolidated dividends per share (yen)	FY 2007	FY 2008 (*forecast)
End of interim period	3.50	5.00
End of second interim period	3.50	5.00*
Fiscal year	7.00	10.00*

3. Consolidated Operating Outlook for FY 2008

(April 1, 2007 – March 31, 2008)

	Millions of Yen - Except Per Share Data and Percents	
	Full Year	%
Net Sales	660,000	10.00
Operating Income	77,000	19.9
Ordinary Income	75,000	14.8
Net Income	43,000	15.1
Net Income per Share (yen).....	71.23	

* Percentages for net sales, operating income, recurring income and net income represent changes compared with the previous period.

4. Additional Items

(1) Changes in Scope of Consolidation: No

(2) Changes in principles, procedures and presentation of accounting treatment in preparing interim consolidated financial statements

(1) Changes resulting from revisions to accounting standards, etc. Yes

(2) Changes other than (1) No

Note: Please refer to (6) "Changes in Important Elements Forming the Basis for Producing the Consolidated Interim Financial Statements" on page 21 for more details

(3) Number of shares issued (common shares)

	First half ended Sept. 30,		Fiscal Year
	2007	2006	2007
Number of shares issued end of fiscal period (including treasury stock).....	605,726,394	602,625,585	605,726,394
Number of treasury stocks at end of period	2,057,922	1,609,438	1,832,402

Note: Please refer to (8) "Per Share Information" on page 27 for the number of shares used as the basis for calculating net income (consolidated) per share for the interim period.

Forward looking information

The consolidated operating outlook for the year ending March 31, 2008 has been revised upward from the forecast published in May 2007. Forward-looking information, such as business forecasts, made in these financial statements are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. For more information regarding our business forecasts, please refer to "I. Business Results, 1. Analysis of Business Results and Outlook for the Full Fiscal Year" on pages 4 – 7.

I. Business Results and Financial Position

1. Analysis of Business Results

The Japanese economy during the first half-year period of 2007 continued to maintain the overall economic expansion, and while it was affected by rising prices of oil and other raw materials, imports and capital spending have been growing steadily, showing favorable trends overall.

Turning to the overseas economy, while there are uncertain factors with respect to the United States such as confusion in the financial market triggered by the subprime loan issue, the Asian region, including China and India, is driving the global market. Moreover, economic recovery in Europe is underway, which, among others, indicates that the global economy is on a growing trend in general.

Under such business environment, where the Group aims for continuing growth under the mid-term management plan called "Leap to Excellence 07", for which this year is the plan's final year, the Group accomplished better performance during the first half-year period than originally anticipated, and continued its favorable trend from the last fiscal year.

During the first half-year period, the Company determined to acquire one of its affiliates, Nihon Spindle Manufacturing Co., Ltd., as its subsidiary in October 2007, and the Company has been advancing improvements designed for the Group's growth and expansion, for instance, by carrying out partial business restructuring of the power transmission and controls business.

Furthermore, the Company increased capital spending intended for business expansion, actively bringing new models to market at the same time.

As a result of the Company's efforts to implement these business measures, for the first half-year period, the Company achieved increases both in sales and profit (on a semi-annual net income base) for five consecutive terms, and accomplished a record-high amount of orders received, sales, operating income, ordinary income, and semi-annual net income.

As for the amount of orders received, while there was a decrease in the Environmental Protection Facilities, Plants and Others Segment, there was a favorable trend in the Construction Machinery Segment and the Mass-Produced Machinery Segment, and as a result, the amount of orders received was 343.8 billion yen, up 7% from the same period last year. Sales were 305.1 billion yen, up 12% from the same period last year, reflecting increases in all the segments, in particular, the Construction Machinery Segment.

Turning to the aspect of profit/loss, operating income was 35.0 billion yen, up 31% from the same period last year, reflecting a favorable turn in the profit/loss of the Ship, Steel Structures & Other Specialized Equipment Segment and the Construction Machinery Segment. Ordinary income was substantially the same as operating income, and was 35.0 billion yen, up 26% from the same period last year. Consequently, semi-annual net income was 20.2 billion yen, up 21% from the same period last year.

Results for each business segment are summarized below.

Mass-produced Machinery Segment

In the power transmission and controls business, due to strong performance of large-scale gear box and overseas operations, both the amount of orders received and sales were better than those for the same period last year.

Demand for electronic components market in the plastic injection molding machine business is on a consistent recovery, and both the amount of orders received and sales were level with those for the same period last year.

Precision control & equipment business saw a slight decline from last year's results because, among other reasons, growth in the semi-conductor and liquid-crystal related markets seems to have subsided.

As a result, for the whole segment, the amount of orders received was 121.4 billion yen, up 5% from the same period last year, sales were 110.2 billion yen, up 3% from the same period last year, and operating income was 12.7 billion yen, down 9% from the same period last year.

Environmental Protection Facilities, Plants, and Others Segment

As for the energy-related plant business, although the amount of orders received decreased due to fewer large-scale orders than the same period last year, sales saw an increase due to the strong orders during the previous fiscal year.

Turning to the water treatment plant business, as a result of shifting the focus to civil demands in terms of the business structure, orders increased, but sales decreased due to the decrease in orders during the previous fiscal year.

As a result, for the whole segment, the amount of orders received was 43.1 billion yen, down 14% from the same period last year, sales were 35.3 billion yen, up 12% from the same period last year, and

operating income/loss was an income of 1.9 billion yen, as compared with the loss of 0.1 billion yen in the same period last year.

Ship, Steel Structure and Other Specialized Equipment Segment

In the shipbuilding business, orders for two ships have been received as in the same period last year. In terms of sales, three tankers were delivered, increased by one tanker from the same period last year. The steel structures and equipment business saw an increase in orders for pressure vessels, reflecting an increase in the energy demands and active chemical products market.

As a result, for the whole segment, the amount of orders received was 36.0 billion yen, up 9% from the same period last year, and sales were 31.1 billion yen, up 6% from the same period last year. Operating income was 5.7 billion yen, up 153% from the same period last year.

Industrial Machinery Segment

In the material handling system business, orders increased, especially those for domestic shipbuilding, the area where capital spending is strong, and for large-scale cranes from steel manufacturing companies.

The turbine and pump business performed favorably mainly in biomass power facilities and petroleum refining facilities in the overseas market due to growing global demand for energies.

As a result, for the whole segment, the amount of orders received was 48.6 billion yen, up 6% from the same period last year, and sales were 38.5 billion yen, up 33% from the same period last year. Operating income was 5.5 billion yen, up 44% from the previous fiscal year.

Construction Machinery Segment

As for the hydraulic excavator business, although the demand dropped in response to sluggish housing investment in North America, the demand in other regions was on a favorable trend, and as a result of the efforts to expand sales of new models of hydraulic excavators which comply with the Third Exhaust Emission Control and enhance production capability, the amount of orders received and sales increased especially in Europe and China.

As for the mobile crane business, due to a favorable infrastructure-related demand in North America, and as a result of introducing new models, both the amount of orders received and sales increased significantly.

As a result, for the whole segment, the amount of orders received was 94.6 billion yen, up 22% from the same period last year, and sales were 89.9 billion yen, up 18% from the same period last year. Operating income was 9.0 billion yen, up 36% from the same period last year.

Note: As noted in "Segment Information", the method for allocation of operating expenses has been changed from the first half-year period of 2007, and with regard to operating income/loss as compared with that of the same period last year, comparison has been made between the results of the first half-year period of 2007 as amended by the change of the allocation method, and the results of the previous half year as they were before the change of the allocation method.

Outlook for the Full Fiscal Year

Although, with respect to the external environment, there are some causes for concern such as the slowing U.S. economy and uncertainty in the price of materials, given the strong performance of the first half-year period as stated above, the forecasts for the current fiscal year have been revised upwards from the figures released in May 2007.

(Units: billions of yen)

Consolidated	Amount	Previously Announced	Change
Net sales	660.0	650.0	10.0
Operating income	77.0	74.0	3.0
Ordinary income	75.0	73.0	2.0
Net income	43.0	43.0	—

(Based on the exchange rate of \$1.00 = 115 yen)

* Forecasts of future operating results represent the Company's rational judgment based on information available as of the release date. Consequently, actual results may differ from the forecasts because of changes in various factors.

2. Analysis of Financial Position

Due to, among others, an increase in inventory supported by strong orders, total assets reached 611.2 billion yen, increased by 10.3 billion yen from the same period last year. As a result of further reduction efforts, interest-bearing debt was 75.5 billion yen, decreased by 12.6 billion yen from the same period last year, reducing the ratio to the total assets to 12.3%, down 2.4 points from the same period last year. Equity capital, which is equal to net assets *minus* minority shareholders' interest, was 223.8 billion yen, reflecting the strong performance in the first half-year period, and the capital ratio was 36.6 %.

Turning to cash flow, cash flow from operating activities was 11.5 billion yen, down 12.0 billion yen from the same period last year, reflecting an increase in inventory as a result of the increase in production volume. As for the cash flow from investment activities, because capital spending increased, and because there was no income from a business transfer during the first half-year period of 2007, which

was the case in the same period last year, reduce in funds resulted in 11.4 billion yen, 8.9 billion yen increase from the same period last year. Cash flow from financing activities saw a decrease of 15.2 billion yen, reflecting repayment for borrowings. Given the above, the balance of cash and cash equivalents at the end of the first half-year period was 32.8 billion yen, decreased by 14.7 billion yen from the same period last year.

Cash Flow Indicators

	2005		2006		2007
	Interim	Full Year	Interim	Full Year	Interim
Capital Ratio (%)	26.4	29.0	31.9	34.1	36.6
Market Price Based Capital Ratio (%)	86.1	117.4	105.6	118.0	146.1
Years of Debt Redemption (years)	2.8	2.5	2.0	1.6	3.3
Interest Coverage Ratio (times)	18.9	21.0	26.7	34.1	14.8

Capital Ratio = Equity Capital / Total Assets

Market Price Based Capital Ratio = Total Market Value of Shares / Total Assets

Years of Debt Redemption = Interest-Bearing Debt / Operating Cash Flow

Interest Coverage Ratio = Operating Cash Flow / Interest Payments

* Each figure is calculated by using relevant amounts in financial statements on a consolidated basis.

* Total Market Value of Shares is calculated on the basis of the number of outstanding shares (with treasury shares excluded).

* Interest-Bearing Debt represents, of the liabilities recorded on the balance sheet, all the liabilities which bear interest.

3. Basic Principles Concerning Profit Distribution and Dividend for the Current Term

With regard to profit distribution of the Company, the basic principle is to provide dividends to shareholders corresponding to the profit earned during the term and to aim for enhancement, and the Company endeavors to retain internal reserves required for the purpose of long-term and steady business development.

In view of the operating results and financial condition described above, the dividend for the first half-year period has been determined to be 5 yen per share, an increase of 1.50 yen from the same period last year. It is anticipated that the year-end dividend will also be 5 yen per share, and that the annual dividend will be 10 yen, an increase of 3 yen from the previous year.

II. State of the Group

“Diagram of Business Affiliations” and “Status of Affiliated Companies” has been omitted as there have been no significant changes since the financial statements published June 28, 2007.

III. Management Policies

1. Basic Management Policies

As there has been no material change since disclosure was made on May 8, 2007 in the Financial Report ended March 2007, the disclosure for this section is omitted.

This Report of Financial Statements may be viewed from the URLs below.

Company's web page:

<http://www.shi.co.jp/press/utmfc000000g8c-att/utmfc000000g8u.pdf>

Tokyo Stock Exchange's web page (Listed Company Information, Company Search Page):

<http://www.tse.or.jp/disc/63020/200705080367-35080b80.pdf>

2. Targeted Management Ratios

As there has been no material change since disclosure was made on May 8, 2007 in the Financial Report ended March 2007, the disclosure for this section is omitted.

This Report of Financial Statements may be viewed from the URLs below.

Company's web page:

<http://www.shi.co.jp/press/utmfc000000g8c-att/utmfc000000g8u.pdf>

Tokyo Stock Exchange's web page (Listed Company Information, Company Search Page):

<http://www.tse.or.jp/disc/63020/200705080367-35080b80.pdf>

3. Medium- and Long-term Corporate Management Strategies

As there has been no material change since disclosure was made on May 8, 2007 in the Financial Report ended March 2007, the disclosure for this section is omitted.

This Report of Financial Statements may be viewed from the URLs below.

Company's web page:

<http://www.shi.co.jp/press/utmfc000000g8c-att/utmfc000000g8u.pdf>

Tokyo Stock Exchange's web page (Listed Company Information, Company Search Page):

<http://www.tse.or.jp/disc/63020/200705080367-35080b80.pdf>

4. Challenges to be Dealt with by the Company

As there has been no material change since disclosure was made on May 8, 2007 in the Financial Report ended March 2007, the disclosure for this section is omitted.

This Report of Financial Statements may be viewed from the URLs below.

Company's web page:

<http://www.shi.co.jp/press/utmfc000000g8c-att/utmfc000000g8u.pdf>

Tokyo Stock Exchange's web page (Listed Company Information, Company Search Page):

<http://www.tse.or.jp/disc/63020/200705080367-35080b80.pdf>

IV. Consolidated Interim Summary Financial Results

(1) Consolidated Statements of Income

(Units: millions of yen)

	Current First Half April 1 - Sept 30, 2007		Previous First Half April 1 - Sept 30, 2006		Change	End of Fiscal Year As of March 31, 2007	
Net sales	305,098		273,395		31,703	600,256	
Cost of sales	232,712	76.3%	211,311	77.3%	21,400	464,071	77.3%
Gross income	72,387	23.7%	62,084	22.7%	10,303	136,186	22.7%
Selling, general & administrative expenses	37,430		35,310		2,120	71,961	
Operating income	34,956	11.5%	26,773	9.8%	8,183	64,224	10.7%
Other income							
Interest income	137		76		61	191	
Dividend income	530		322		207	675	
Equity in earnings of unconsolidated subsidiaries and affiliated companies	1,356		2,286		(930)	4,584	
Other-net	1,204		1,212		(7)	2,774	
Total other income	3,228		3,897		(669)	8,223	
Other expenses							
Interest expense	704		852		(149)	1,666	
Other-net	2,468		2,119		349	5,441	
Total other expenses	3,171		2,971		200	7,107	
Other income / loss	56		926		(869)	1,116	
Ordinary income	35,013	11.5%	27,699	10.1%	7,313	65,341	10.9%

(1) Consolidated Statements of Income, cont'd.

(Units: millions of yen)

	Current First Half April 1 - Sept 30, 2007		Previous First Half April 1 - Sept 30, 2006		Change	End of Fiscal Year As of March 31, 2007	
Special gains							
Gain on business transfer	--		294		(294)	1,693	
Gain on sale of securities - net	--		--		--	1,398	
Special gains	--		294		(294)	294	
Special losses							
Settlement payment	1,038		--		1,038	--	
Headquarter relocation expenses	743		--		743	--	
Impairments losses of fixed assets	442		--		442	208	
Loss on business transfer	--		1,270		(1,270)	1,270	
Loss on breach of antimonopoly law	--		672		(672)	746	
Losses from reorganization of business	--		--		--	1,870	
Special losses	2,222		1,942		280	4,039	
Income before income taxes and minority interests	32,790	10.7%	26,051	9.%	6,739	62,940	10.5%
Income taxes current	13,113		11,037		2,076	26,463	
Income taxes deferred	(897)		(2,038)		1,141	(1,493)	
Minority interests	(413)		(349)		(64)	(618)	
Interim net income	20,161	6.6%	16,703	6.1%	3,458	37,352	6.2%

(2) Consolidated Interim Statements of Changes in Net Assets

(i) Current interim period

(Millions of Yen)

	Owners Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Sub-total
Balance at March 31, 2007	30,872	20,518	104,950	(996)	155,344
Changes in the interim period					
Dividends (Note*)			(2,114)		(2,114)
Net income for the current period			20,161		20,161
Acquisition of treasury stock				(324)	(324)
Disposal of treasury stock		2		4	7
Difference from transfer of revaluation reserve for land			(55)		(55)
Adjustment of tax reserves of overseas subsidiaries			(202)		(202)
Increase from increase of consolidated subsidiaries with change in scope of consolidation			67		67
Decreases from decrease of consolidated subsidiaries with change in scope of consolidation			(39)		(39)
Increase due to merger			1		1
Changes in items other than owner's equity in the interim period (net)					
Total changes in the interim period	--	2	17,820	(320)	17,502
Balance at Sept 30, 2007	30,872	20,520	122,770	(1,316)	172,846

	Appraisal and Translation Differences						Minority interests	Total
	Unrealized holding gains on other securities	Gain/ loss on deferred hedge	Adjustment for pension obligations of overseas subsidiaries	Revaluation reserve for land	Foreign exchange translation adjustments	Sub-total		
Balance at March 31, 2007	11,195	(1,652)	(772)	40,411	166	49,348	1,319	206,010
Changes in the interim period								
Dividends (Note*)								(2,114)
Net income for the current period								20,161
Acquisition of treasury stock								(324)
Disposal of treasury stock								7
Difference from transfer of revaluation reserve for land								(55)

Adjustment of tax reserves of overseas subsidiaries								(202)
Increase from increase of consolidated subsidiaries with change in scope of consolidation								67
Decreases from decrease of consolidated subsidiaries with change in scope of consolidation								(39)
Increase due to merger								1
Changes in items other than owner's equity in the interim period (net)	730	177	(332)	55	1,022	1,652	434	2,086
Total changes in the interim period	730	177	(332)	55	1,022	1,652	434	19,588
Balance at Sept 30, 2007	11,925	(1,475)	(1,103)	40,465	1,188	51,000	1,752	225,598

Note: Dividends were made within approval of the general stockholder's meeting held on June 29, 2007.

(ii) Previous interim period

(Millions of Yen)

	Owners Equity				Sub-total
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at March 31, 2006	30,872	16,808	68,848	(544)	115,983
Changes in the interim period					
Dividends (Note*)			(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 increase of consolidated subsidiaries with change in scope of consolidation			634		634
Correction of capital allotment after merger of parent company and consolidated subsidiaries		7	(7)		--
Changes in items other than owner's equity in the interim period (net)					
Total change in the interim period	--	12	17,553	(184)	17,381
Balance at September 30, 2006	30,872	16,819	86,401	(728)	133,364

	Appraisal and Translation Differences					Minority interests	Sub-total
	Unrealized holding gains on other securities	Gain/ loss on deferred hedge	Revaluation reserve for land	Foreign exchange translation adjustments	Sub-total		
Balance at March 31, 2006	10,269	--	42,142	(654)	51,757	3,752	171,492
Changes in the interim period							
Dividends (Note*)							(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 increase of consolidated subsidiaries with change in scope of consolidation							634
Correction of capital allotment after merger of parent company and consolidated subsidiaries							--
Changes in items other than owner's equity in the interim period (net)	(1,511)	(2,201)	(1,726)	(106)	(5,545)	(250)	(5,796)
Total change in the interim period	(1,511)	(2,201)	(1,726)	(106)	(5,545)	(250)	11,585
Balance at Sept 30, 2006	8,758	(2,201)	40,415	(761)	46,212	3,501	183,077

*Note: Dividends were made within approval of the general stockholders' meeting held on June 29, 2006.

(iii) Previous full fiscal year (from April 1, 2006 to March 31, 2007)

(Millions of Yen)

	Owners Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Sub-total
Balance at March 31, 2006	30,872	16,808	68,848	(544)	115,983
Fluctuations in the Interim Period					
Dividends (Note*)			(1,503)		(1,503)
Net income for the current period			(2,104)		(2,104)
Acquisition of treasury stock			37,352		37,352
Disposal of treasury stock				(457)	(457)
Difference from transfer of revaluation reserve for land		182		78	259
Adjustment of tax reserves of overseas subsidiaries			1,731		1,731
Increase from increase of consolidated subsidiaries with change in scope of consolidation		3,521		(73)	3,448
Decreases from decrease of consolidated subsidiaries with change in scope of consolidation			634		634
Increase due to merger		7	(7)		--
Fluctuations other than owner's equity in the fiscal year (net)					
Total change in the fiscal year	--	3,710	36,103	(452)	39,361
Balance at March 31, 2007	30,872	20,518	104,950	(996)	155,344

	Appraisal and Translation Differences						Minority interests	Sub-total
	Unrealized holding gains on other securities	Gain/ loss on deferred hedge	Adjustment for pension obligations of overseas subsidiaries	Revaluation reserve for land	Foreign exchange translation adjustments	Sub-total		
Balance at March 31, 2006	10,269	--	--	42,142	(654)	51,757	3,752	171,492
Changes in the fiscal year								
Dividends (Note*)								(1,503)
Net income for the current period								(2,104)
Acquisition of treasury stock								37,352
Disposal of treasury stock								(457)
Difference from transfer of revaluation reserve for land								259

Adjustment of tax reserves of overseas subsidiaries								1,731
Increase from increase of consolidated subsidiaries with change in scope of consolidation								3,448
Decreases from decrease of consolidated subsidiaries with change in scope of consolidation								634
Increase due to merger								--
Changes in items other than owner's equity in the fiscal year (net)	926	(1,652)	(772)	(1,731)	820	(2,409)	(2,433)	(4,843)
Total change in the fiscal year	926	(1,652)	(772)	(1,731)	820	(2,409)	(2,433)	34,518
Balance at March 31, 2007	11,195	(1,652)	(772)	40,411	166	49,348	1,319	206,010

*Note: Dividends were made within approval of the general stockholders' meeting held on June 29, 2006.

(3) Consolidated Interim Balance Sheet

(Units: millions of yen)

	End of First Half As of Sept 30, 2007	End of Fiscal Year As of March 31, 2007	Change	Previous First Half As of Sept 30, 2006
Assets				
Cash and deposits	33,355	48,155	(14,800)	33,812
Notes and accounts receivable	154,160	158,376	(4,216)	143,714
Inventories	120,702	100,519	20,183	102,444
Deferred income taxes	11,756	10,342	1,414	9,737
Other	17,280	15,893	1,387	14,124
Allowance for doubtful accounts	(705)	(776)	71	(823)
Current assets	336,549	332,509	4,039	303,007
Buildings and structure	41,691	40,734	958	40,355
Machinery and equipment	27,552	24,576	2,976	22,283
Land	110,888	111,468	(579)	111,005
Construction in progress	4,721	3,714	1,008	4,159
Other	4,806	4,653	152	4,461
Tangible assets	189,659	185,145	4,514	182,262
Intangible assets	6,520	6,276	244	5,732
Investment securities	63,277	60,791	2,486	54,379
Long-term loans	18	38	(20)	126
Deferred income taxes	6,041	7,288	(1,248)	8,080
Other	10,537	10,435	102	11,404
Allowance for doubtful receivables	(1,434)	(1,593)	159	(2,195)
Investments and other assets	78,439	76,960	1,479	71,793
Fixed assets	274,618	268,380	6,237	259,787
Total assets	611,166	600,890	10,277	562,794

(3) Consolidated Interim Balance Sheet, cont'd.

	End of First Half As of Sept 30, 2007	End of Fiscal Year As of March 31, 2007	Change	Previous First Half As of Sept 30, 2006
Liabilities				
Notes and accounts payable	149,675	150,874	(1,199)	136,732
Short-term bank loans	10,206	21,711	(11,505)	26,763
Commercial paper	23,000	150,000	8,000	8,000
Long-term debt due within one year	6,902	14,285	(7,383)	19,055
Accrued income taxes	9,575	15,264	(5,689)	9,126
Advance payments received on contracts	51,381	40,502	10,879	43,339
Allowance for guaranteed construction	4,758	4,801	(44)	3,737
Allowance for loss on ordered construction	--	13	(13)	75
Allowance for loss on reorganization of business	--	596	(596)	--
Allowance for loss on business transfer	161	161	--	161
Other	32,285	34,005	(1,720)	30,828
Current liabilities	287,943	297,213	(9,270)	277,815
Bond	10,000	10,000	--	10,000
Long-term debt due after one year	25,371	27,049	(1,679)	31,162
Employees' severance and retirement benefits	25,479	24,110	1,369	23,043
Allowance for retirement benefits for directors, corporate auditors and executive officers	--	896	(896)	874
Allowance for guarantees of construction	--	--	--	576
Allowance for loss on product liability	271	262	9	--
Deferred income taxes on revaluation	32,306	32,306	--	32,309
Other	4,199	3,044	1,155	3,938
Long-term liabilities	97,626	97,667	(41)	101,902
Total liabilities	385,569	394,880	(9,311)	379,717
Net Assets				
Common stock	30,872	30,872	--	30,872
Capital surplus	20,520	20,518	2	16,819
Retained earnings	122,770	104,950	17,820	86,401
Treasury stock	(1,316)	(996)	(320)	(728)
Total owners' equity	172,846	155,344	17,502	133,364
Unrealized gains on securities, net of income taxes	11,925	11,195	730	8,758
Unrealized losses on hedging derivatives, net of income taxes	(1,475)	(1,652)	177	(2,201)
Adjustment regarding pension obligations of consolidated overseas subsidiaries	(1,103)	(772)	(332)	--
Revaluation reserve for land, net of income taxes	40,465	40,411	55	40,415
Foreign currency translation adjustments	1,188	166	1,022	(761)
Total valuation and translation adjustments	51,000	49,348	1,652	46,212
Minority interests	1,752	1,319	434	3,501
Total net assets	225,598	206,010	19,588	183,077
Total liabilities and net assets	611,166	600,890	10,277	562,794

(4) Consolidated Interim Cash Flow Statements

(Units: millions of yen)

	First Half April 1, 2007 to Sept 30, 2007	Previous First Half April 1, 2006 to Sept 30, 2006	Previous FY April 1, 2006 to March 31, 2007
Cash flows from operating activities			
Income before income taxes and minority interests	32,790	26,051	62,940
Depreciation	6,412	5,170	10,649
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(1,356)	(2,286)	(4,584)
Increase (decrease) in allowances	(97)	1,465	266
Interest and dividend income	(667)	(399)	(866)
Interest expenses	704	852	1,666
(Increase) decrease in notes and accounts receivable	16,063	26,624	10,394
(Increase) decrease in deposits received	224	(4,040)	(4,119)
(Increase) decrease in inventories	(18,688)	(8,724)	(7,213)
Increase (decrease) in notes and accounts payable	(3,623)	(7,958)	7,106
Other-net	(3,101)	(2,424)	366
Subtotal	28,660	34,331	76,605
Interest and dividend received	1,746	484	1,617
Interest expenses	(744)	(877)	(1,535)
Payments for income taxes	(18,181)	(10,508)	(19,898)
Net cash provided by operating activities	11,452	23,430	56,789
Cash flows from investing activities			
(Increase) decrease in time deposits	102	103	(10)
Payments for securities	(1,905)	(2,939)	(5,577)
Proceeds from sale of securities	4	1,799	4,017
Payments for purchases of property, plant and equipment	(10,247)	(8,668)	(16,657)
Proceeds from sale of property, plant and equipment	769	1,491	1,769
Payments for long-term loans receivable	(51)	(37)	(43)
Collection of long-term loans receivable	63	113	148
Proceeds from business transfer	--	5,895	5,895
Other-net	(151)	(277)	(2,003)
Net cash used in investing activities	(11,416)	(2,519)	(12,461)

(4) Consolidated Interim Cash Flow Statements, Cont'd,

(Units: millions of yen)

	First Half April 1, 2007 to September 30, 2007	Previous First Half April 1, 2006 to September 30, 2006	Previous Fiscal Year April 1, 2006 to March 31, 2006
Cash flows from financing activities			
Net decrease in short-term loans	(11,736)	(1,216)	(6,516)
Net increase in commercial paper	8,000	(12,000)	(5,000)
Proceeds from long-term debt	200	3,500	4,500
Payments for long-term debt	(9,274)	(20,654)	(30,482)
Proceeds from sale of treasury stock	7	7	379
Disbursement for acquisition of treasury stock	(324)	(187)	(454)
Cash dividends paid	(2,104)	(1,503)	(3,607)
Payment of dividends for minority stockholders	(15)	(14)	(14)
Net cash used in financing activities	(15,247)	(32,067)	(41,193)
Effect of exchange rate changes on cash and cash equivalents	323	671	260
Net decrease in cash and cash equivalents	(14,887)	(10,485)	3,395
Cash and cash equivalents at beginning of year	47,523	43,644	43,644
Increase due to new consolidated company	170	485	485
Net decrease from the change in consolidated companies	(9)	--	--
Cash and cash equivalents at the end of year	32,797	33,643	47,523

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, 2007	September 30, 2006	March 31, 2007
Cash and cash equivalents	33,355	33,812	48,155
Time deposits exceeding 3 months	(291)	(168)	(288)
Restricted deposits	(267)	--	(344)
Cash and cash equivalents	32,797	33,643	47,523

(5) Important Elements Forming the Basis for Producing the Consolidated Interim Financial Statements

There have been no significant changes to the "Important Elements Forming the Basis for Producing the Consolidated Interim Financial Statements" in the most recent interim financial statements (submitted December 22, 2006). Disclosure of this has therefore been omitted.

(6) Changes in Important Elements Forming the Basis for Producing the Consolidated Interim Financial Statements

Change in the Depreciation Method for Significant Depreciable Assets

Due to changes in the Corporate Tax Law ((Law Revising Part of the Income Tax Law, etc.; Law No. 6, dated March 30, 2007) and (Government Ordinance Revising Part of the Enforcement Regulations for the Income Tax Law; Government Ordinance No. 83, dated March 30, 2007)), the method for depreciating intangible fixed assets acquired on or after April 1, 2007 has been changed to the method from the revised corporate tax law.

The impact of these changes on operating income, ordinary income and interim pre-tax income have been minor.

(7) Notes to the Consolidated Interim Financial Statements

Disclosure of this has been omitted since there were judged to be no significant notes on lease transactions, marketable securities, derivative transactions, company combinations, etc. deemed necessary to disclose in the interim financial statements.

V. Segment Information

1. Segment Information by Business

Current First Half (April 1, 2007 to September 30, 2007)

(Units: millions of yen)

	A	B	C	D	E	Total	F	Consolidated
Sales								
(1) Unaffiliated customers	110,224	35,306	31,081	38,544	89,943	305,098	--	305,098
(2) Intersegment	1,254	1,288	182	145	3	2,871	(2,871)	--
Total	111,477	36,594	31,263	38,689	89,946	307,969	(2,871)	305,098
Cost and expenses	98,777	34,690	25,515	33,183	80,973	273,139	(2,997)	270,142
Operating income	12,700	1,904	5,747	5,506	8,973	34,830	126	34,956

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: Elimination and/or corporate

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

(Units: millions of yen)

	A	B	C	D	E	Total	F	Consolidated
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: Elimination and/or corporate

Previous Full Year (April 1, 2006 to March 31, 2007)

(Units: millions of yen)

	A	B	C	D	E	Total	F	Consolidated
Sales								
(1) Unaffiliated customers	222,906	79,397	69,491	68,286	160,177	600,256	--	600,256
(2) Intersegment	2,160	2,490	511	423	31	5,615	(5,615)	--
Total	225,066	81,887	70,002	68,709	160,208	605,872	(5,615)	600,256
Cost and expenses	196,222	77,393	63,287	59,182	145,812	541,897	(5,865)	536,032
Operating income	28,844	4,494	6,714	9,527	14,396	63,975	250	64,224

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: Elimination and/or corporate

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, Precision 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. Change in the Method of Allocating Operating Expenses

The Company has heretofore allocated administrative division expenses only to segments of the division; however, we have changed to a method reflecting these in the operating results of all consolidated segments from the current consolidated interim period in order to more appropriately reflect the actual services provided by the Company's administrative division in segment information.

Compared with the previous method, this change has resulted in a decrease of 757 million yen in operating expenses and equivalent increase in operating income for "Mass-produced Machinery", a decrease of 238 million in operating expenses and corresponding increase in operating income for "Environment Protection Facilities & Plants", an increase of 241 million yen in operating expenses and corresponding decrease in operating income for "Ship, Steel Structure & Other Specialized Equipments", an increase of 162 million yen in operating expenses and corresponding decrease in operating income for "Industrial Machinery", and an increase of 592 million yen in operating expenses and corresponding decrease in operating income for "Construction Machinery". Below we show what these changes would have been in the previous consolidated interim period and the previous consolidated fiscal year if this method of allocation for the current interim consolidated fiscal period had been used.

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

(Units: millions of yen)

	A	B	C	D	E	Total	F	Consolidated
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	94,005	33,050	27,305	25,258	69,947	249,565	(2,944)	246,621
Operating income	14,504	(44)	2,160	3,790	6,225	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: Elimination and/or corporate

Previous Full Year (April 1, 2006 to March 31, 2007)

(Units: millions of yen)

	A	B	C	D	E	Total	F	Consolidated
Sales								
1) Unaffiliated customers	222,906	79,397	69,491	68,286	160,177	600,256	--	600,256
(2) Intersegment	2,160	2,490	511	423	31	5,615	(5,615)	--
Total	225,066	81,887	70,002	68,709	160,208	605,872	(5,615)	600,256
Cost and expenses	195,331	77,251	63,455	59,278	146,583	541,897	(5,865)	536,032
Operating income	29,736	4,636	6,546	9,432	13,625	63,975	250	64,224

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: Elimination and/or corporate

2. Segment Information by Geographic Area

Current First Half (April 1, 2007 to September 30, 2007)

(Units: millions of yen)

	Japan	North America	Other areas	Total	Elimination and/or corporate	Consolidated
Sales						
(1) Unaffiliated customers	240,619	42,212	22,268	305,098	--	305,098
(2) Intersegment	20,269	567	6,151	26,986	(26,986)	--
Total	260,887	42,778	28,419	332,084	(26,986)	305,098
Cost and expenses	233,277	37,505	25,938	296,720	(26,579)	270,142
Operating income	27,610	5,273	2,480	35,364	(407)	34,956

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

(Units: millions of yen)

	Japan	North America	Other areas	Total	Elimination and/or corporate	Consolidated
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	21,650	3,591	1,539	26,780	(7)	26,773

Previous Full Year (April 1, 2006 to March 31, 2007)

(Units: millions of yen)

	Japan	North America	Other areas	Total	Elimination and/or corporate	Consolidated
Sales						
(1) Unaffiliated customers	494,178	71,264	34,815	600,256	--	600,256
(2) Intersegment	31,671	745	12,330	44,746	(44,746)	--
Total	525,848	72,008	47,145	645,002	(44,746)	600,256
Cost and expenses	472,246	64,054	44,200	580,500	(44,468)	536,032
Operating income	53,602	7,954	2,946	64,502	(278)	64,224

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

2. Countries and regions belonging to each classification:

North America : USA and Canada

Other areas : UK, Germany, Singapore and China

3. Overseas Sales

Current First Half (April 1, 2007 to Sept 30, 2007)

(Units: millions of yen)

	To North America	To Asia	To other areas	Total
I. Overseas sales	57,281	52,317	49,349	158,947
II. Consolidated sales				305,098
III. Overseas sales ratio (%)	18.8	17.1	16.2	52.1

Previous First Half (April 1, 2006 to Sept 30, 2006)

(Units: millions of yen)

	To North America	To Asia	To other areas	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 Full Year (April 1, 2006 to March 31, 2007)

(Units: millions of yen)

	To North America	To Asia	To other areas	Total
I. Overseas sales	112,282	83,811	80,026	276,120
II. Consolidated sales				600,256
III. Overseas sales ratio (%)	18.7	14.0	13.3	46.0

Notes:

- Countries and regions classified by geographical proximity.
- Countries and regions belonging to each classification:
 North America: USA and Canada
 Asia: Singapore and China
 Others: UK and Germany
- Sales are from the Company and subsidiaries' countries and regions other than Japan.

(8) Per Share Information

Current Interim April 1, 2007 to September 30, 2007		Previous Interim April 1, 2006 to September 30, 2006		Previous Con. FY April 1, 2006 to March 31, 2007	
Net assets per share:	370.81 yen	Net assets per share:	298.79 yen	Net assets per share:	338.95 yen
Net income per share for the current period:	33.39 yen	Net income per share for the current period:	27.79 yen	Net income per share for the current period:	61.99 yen
Please note that net income per share after adjustment for residual shares has not been listed since there are no residual shares.		Please note that net income per share after adjustment for residual shares has not been listed since there are no residual shares.		Please note that net income per share after adjustment for residual shares has not been listed since there are no residual shares.	

N.B.: The basic components for calculating current period net income per share are listed below:

	Current Interim April 1, 2007 to Sept 30, 2007	Previous Interim April 1, 2006 to Sept 30, 2006	Previous Con. FY April 1, 2006 to March 31, 2007
Interim net income (for the current period) (millions of yen)	20,161	16,703	37,352
Amount not held by shareholders of ordinary shares (millions of yen)	--	--	--
Interim net income (for the current period) for ordinary shares (millions of yen)	20,161	16,703	37,352
Average number of shares during the period (thousands of shares)	603,770	601,086	602,538

(9) Orders Received, Sales and Balance of Orders Received by Segment

Orders Received

(Units: millions of yen)

Businesses	April 1, 2007 to Sept 30, 2007		April 1, 2006 to Sept 30, 2006		Y/Y Change	April 1, 2006 to March 31, 2007	
	Amount	%	Amount	%		Amount	%
Mass-Produced Machinery	121,447	35.3	116,155	36.0	4.6	234,735	33.2
Environmental Protection Facilities, Plants & Others	43,137	12.6	50,038	15.5	(13.8)	89,963	12.7
Ship, Steel Structure & Other Specialized Equipment	35,985	10.5	33,026	10.3	9.0	120,971	17.1
Industrial Machinery	48,634	14.1	45,862	14.2	6.0	93,615	13.2
Construction Machinery	94,597	27.5	77,357	24.0	22.3	168,089	23.8
Total	343,800	100.0	322,438	100.0	6.6	707,374	100.0

Sales

(Units: millions of yen)

Businesses	April 1, 2007 to Sept 30, 2007		April 1, 2006 to Sept 30, 2006		Y/Y Change	April 1, 2006 to March 31, 2007	
	Amount	%	Amount	%		Amount	%
Mass-Produced Machinery	110,224	36.1	107,365	39.3	2.7	222,906	37.1
Environmental Protection Facilities, Plants & Others	35,306	11.6	31,624	11.6	11.6	79,397	13.2
Ship, Steel Structure & Other Specialized Equipment	31,081	10.2	29,349	10.7	5.9	69,491	11.6
Industrial Machinery	38,544	12.6	28,898	10.6	33.4	68,286	11.4
Construction Machinery	89,943	29.5	76,159	27.8	18.1	160,177	26.7
Total	305,098	100.0	273,395	100.0	11.6	600,256	100.0

Balance of Orders Received

(Units: millions of yen)

Businesses	As of Sept 30, 2007		As of March 31, 2007		Change	As of Sept 30, 2006	
	Amount	%	Amount	%		Amount	%
Mass-Produced Machinery	88,169	17.2	76,937	16.2	14.6	75,254	18.0
Environmental Protection Facilities, Plants & Others	86,827	17.0	84,103	17.7	3.2	91,817	22.0
Ship, Steel Structure & Other Specialized Equipment	208,291	40.7	203,387	42.8	2.4	155,552	37.2
Industrial Machinery	91,122	17.8	81,033	17.1	12.5	72,668	17.4
Construction Machinery	37,613	7.3	29,430	6.2	27.8	22,715	5.4
Total	512,023	100.0	474,890	100.0	7.8	418,006	100.0

(10) Subsequent Events

At the meeting of the Board of Directors held on May 8, 2007, the Company resolved to consent that two 100% subsidiaries of the Company, Izumi Food Machinery Co., Ltd. ("Izumi Food Machinery") and SNM Fastener Co., Ltd. ("SNM Fastener"), become wholly owned subsidiaries of Nihon Spindle Manufacturing Co., Ltd. ("Nihon Spindle Manufacturing"), and affiliate company of the Company, through a stock exchange. As a result of this stock exchange, it is expected that Nihon Spindle Manufacturing will become a subsidiary of the Company on October 1, 2007.