

# Sumitomo Heavy Industries, Ltd.

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## CONSOLIDATED FINANCIAL REPORT

For the Full Year ended March 31, 2008

*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 to non-Japanese investors and contains forwardlooking 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 Consolidated Financial Results**  
**For the Full Year Ended March 31, 2008**  
 Presented May 13, 2008

## Sumitomo Heavy Industries, Ltd.

Listed Exchanges	Tokyo Stock Exchange, Osaka Securities Exchange
Stock Code	6302
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Scheduled date of Ordinary Shareholders' Meeting	June 27, 2008
Scheduled date of filing Yukashoken-Hokokusho	June 27, 2008
Scheduled date of payment of cash dividends	June 30, 2008

### 1. FY 2008 Consolidated Results (April 1, 2007 to March 31, 2008)

#### (1) Business Results

(Units: millions of yen)

	Present Full Term April 1, 2007 to March 31, 2008		Previous Full Term April 1, 2006 to March 31, 2007	
		% change		% change
Net Sales	660,769	10.1	600,256	8.9
Operating Income	77,790	21.1	64,224	35.2
Ordinary Income	75,469	15.5	65,341	37.3
Net Income	42,974	15.1	37,352	25.6
Net Income per Share (yen)	71.19		61.99	
Fully Diluted Net Income per Share	--		--	
Return on Equity (ROE)	19.5		20.1	
Return on Assets (%)	11.8		11.1	
Ordinary Income to Net Sales (%)	11.8		10.7	

\*Note:

Equity method investment profit and loss:

Fiscal year ended March 31, 2008:

2,436 million yen

Fiscal year ended March 31, 2007:

4,584 million yen

**(2) Financial Position**

(Units: millions of yen)

	End of Present Full Year As of March 31, 2008	End of Present Full Year As of March 31, 2007
Total Assets	678,634	600,890
Shareholders' Equity	246,371	206,010
Equity Ratio (%)	34.9	34.1
Net assets per Share (yen)	392.80	338.95

\*Note:

Equity:	
Fiscal year ended March 31, 2008:	237,084 million yen
Fiscal year ended March 31, 2007:	204,691 million yen

**(3) Cash Flows**

(Units: millions of yen)

	Present Full Year April 1, 2007 to March 31, 2008	Present Full Year April 1, 2006 to March 31, 2007
Cash Flows from Operating Activities	29,096	56,789
Cash Flows from Investing Activities	(41,250)	(12,461)
Cash Flows from Financing Activities	(5,238)	(41,193)
Cash and Cash Equivalents at Period End	29,879	47,523

**2. Dividends**

	As of March 31, 2007	As of March 31, 2008	As of March 31, 2009 (forecast)
Annual Dividends per Share			
Interim (yen)	3.50	5.00	6.00
End of Term (yen)	3.50	5.00	6.00
Annual Dividends (yen)	7.00	10.00	12.00
Total Dividends (millions of yen)	4,217	6,036	--
Payout ratio (consolidated)	11.3%	14.0%	17.7%
Net assets dividend yield (consolidated)	2.3%	2.7%	--

**3. FY 2009 Consolidated Forecasts (April 1, 2008 to March 31, 2009)**

(Units: millions of yen)

	Second Quarter (Cumulative) April 1, 2008 to Sept. 31, 2008		Full Year April 1, 2008 to March 31, 2009	
		% change		% change
Net Sales	345,000	13.1	740,000	12.0
Operating Income	31,000	(11.3)	75,000	(3.6)
Ordinary Income	29,000	(17.2)	72,000	(4.6)
Net Income	16,000	(20.6)	41,000	(4.6)
Projected net income per share (yen)	26.51		67.93	

**IV - (1) Consolidated Income Statements**

(Units: millions of yen)

	Present Full Year April 1, 2007 to March 31, 2008		Present Full Year April 1, 2006 to March 31, 2007		Y/Y Change
	Amount	%	Amount	%	Amount
Net sales	660,769		600,256		60,513
Cost of sales	505,366	76.5%	464,071	77.3%	41,296
Gross income	155,403	23.5%	136,186	22.7%	19,217
Selling, general & administrative expenses	77,613		71,961		5,652
Operating income	77,790	11.8%	64,224	10.7%	13,565
Non-operating Income:					
Interest income	245		191		54
Dividend income	945		675		270
Equity in earnings of unconsolidated subsidiaries and affiliated companies	2,436		4,584		(2,148)
Other-net	2,921		2,774		147
Total Non-operating income	6,547		8,223		(1,676)
Non-operating expenses					
Interest expense	1,194		1,666		(471)
Other-net	7,673		5,441		2,231
Total Non-operating expenses	8,867		7,107		1,760
Non-operating income/loss	(2,320)		1,116		(3,436)
Ordinary income	75,469	11.4%	65,341	10.9%	10,129
Extraordinary gains					
Gain on sale of securities	689		1,398		(710)
Gain on business transfer	--		294		(294)
Total extraordinary gains	689		1,693		1,004
Extraordinary losses					
Settlement package	1,204		--		1,204
Amortization of transitional obligations of accounting standards for retirement benefits of newly consolidated subsidiaries	980		--		980
Head office relocation costs	759		--		759
Impairment losses	700		208		492
Loss from reorganization of business	--		1,870		(1,870)
Loss on business transfer	--		1,270		(1,270)
Loss on breach of antitrust law	--		746		(746)
Total extraordinary losses	3,643		4,093		(450)

	Present Full Year April 1, 2007 to March 31, 2008		Present Full Year April 1, 2006 to March 31, 2007		Y/Y Change
	Amount	%	Amount	%	Amount
Income before income taxes	72,515	11.0%	62,940	10.5%	9,575
Corporate income tax current	28,870		26,463		2,407
Corporate income tax deferred	(58)		(1,493)		1,434
Minority interests	729		618		111
Net income	42,974	6.5%	37,352	6.2%	5,622

**VI - (3) Consolidated Balance Sheets for the FY 2007 Full Year**

(Units: millions of yen)

	End of Full Year As of March 31, 2008	End of Full Year As of March 31, 2007	Y/Y Change
	Amount	Amount	Amount
<b>Assets</b>			
Cash and deposits	30,256	48,155	(17,899)
Notes and account receivable	185,912	158,376	27,536
Inventories	130,450	100,519	29,931
Deferred income taxes	8,501	10,342	(1,842)
Other	27,663	15,893	11,770
Allowance for doubtful accounts	(836)	(776)	(60)
<b>Current assets</b>	<b>381,946</b>	<b>332,509</b>	<b>49,437</b>
Buildings and structure	45,887	40,734	5,153
Machinery and transportation tools	31,663	24,576	7,087
Land	116,536	111,468	5,068
Construction in progress	5,406	3,714	1,693
Other	4,962	4,653	308
Tangible assets	204,454	185,145	19,309
Intangible assets	15,762	6,276	9,487
Investment securities	53,905	60,791	(6,886)
Long-term loans	98	38	60
Deferred income taxes	10,346	7,288	3,058
Other	13,682	10,435	3,247
Allowance for doubtful accounts	(1,560)	(1,593)	32
Investments and other assets	76,471	76,960	(489)
<b>Fixed assets</b>	<b>296,688</b>	<b>268,380</b>	<b>28,307</b>
<b>Total assets</b>	<b>678,634</b>	<b>600,890</b>	<b>77,744</b>

(Units: millions of yen)

	End of Full Year As of March 31, 2008	End of Full Year As of March 31, 2007	Y/Y Change
	Amount	Amount	Amount
<b>Liabilities</b>			
Notes and accounts payable	167,008	150,874	16,134
Short-term bank loans	16,932	21,711	(4,779)
Commercial paper	18,000	15,000	3,000
Long-term loans due within one year	2,724	14,285	(11,561)
Income tax payable	14,523	15,264	(741)
Advance payments received on contracts	48,600	40,502	8,098
Allowance for guaranteed construction	6,360	4,801	1,558
Allowance for loss on ordered construction	29	13	16
Allowance for loss on reorganization of business	--	596	(596)
Allowance for loss on business transfer	161	161	--
Other	35,843	34,005	1,838
<b>Current liabilities</b>	<b>310,181</b>	<b>297,213</b>	<b>12,968</b>
Bond	10,000	10,000	--
Long-term debt due after one year	41,911	27,049	14,862
Employees' severance and retirement benefits	32,748	24,110	8,638
Allowance for directors' retirement benefits	--	896	(896)
Allowance for loss on product liability	285	262	23
Deferred income taxes on revaluation	32,306	32,306	--
Other	4,831	3,044	1,787
<b>Long-term liabilities</b>	<b>122,082</b>	<b>97,667</b>	<b>24,415</b>
<b>Total liabilities</b>	<b>432,263</b>	<b>394,880</b>	<b>37,383</b>
<b>Net Assets</b>			
Common stock	30,872	30,872	--
Capital surplus	20,524	20,518	6
Retained earnings	142,053	104,950	37,103
Treasury stock	(1,425)	(996)	(429)
<b>Stockholders' equity</b>	<b>192,024</b>	<b>155,344</b>	<b>36,680</b>
Unrealized gains on securities	4,224	11,195	(6,971)
Profit/loss on deferred hedge	2,459	(1,652)	4,112



	End of Full Year As of March 31, 2008	End of Full Year As of March 31, 2007	Y/Y Change
	Amount	Amount	Amount
Adjustment regarding pension obligations of consolidated overseas subsidiaries	(999)	(772)	(227)
Revaluation reserve for land	40,477	40,411	66
Foreign currency translation adjustments	(1,101)	166	(1,267)
<b>Appraisal and Translation Differences</b>	<b>45,060</b>	<b>49,348</b>	<b>(4,287)</b>
<b>Minority interests</b>	<b>9,287</b>	<b>1,319</b>	<b>7,969</b>
<b>Total net assets</b>	<b>246,371</b>	<b>206,010</b>	<b>40,362</b>
<b>Liabilities and net assets</b>	<b>678,634</b>	<b>600,890</b>	<b>77,744</b>

**VI - (4) Consolidated Cash Flows Statement**

(Units: millions of yen)

	Current Full Year April 1, 2006 to March 31, 2008	Current Full Year April 1, 2006 to March 31, 2007
<b>Cash flows from operating activities</b>		
Income before income taxes	72,515	62,940
Depreciation	13,788	10,649
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(2,436)	(4,584)
Increase (decrease) in allowances	779	266
Interest and dividend income	(1,190)	(866)
Interest expense	1,194	1,666
(Increase) decrease in notes and accounts receivable	(9,522)	10,394
Increase in inventories	(21,758)	(7,213)
Increase (decrease) in notes and accounts payable	5,755	7,106
Other-net	(1,435)	(3,753)
<b>Sub-total</b>	<b>57,690</b>	<b>76,605</b>
Interest and dividend received	2,499	1,617
Interest expenses	(1,303)	(1,535)
Payments for income taxes	(29,789)	(19,898)
<b>Net cash provided by operating activities</b>	<b>29,096</b>	<b>56,789</b>
<b>Cash flows from investing activities</b>		
Increase (decrease) in time deposits	140	(10)
Payments for securities	(5,283)	(5,577)
Payments for acquisition of subsidiaries' stock accompanying changes in scope of consolidation	(11,944)	-
Proceeds from sale of securities	769	4,017
Net cash acquired through stock swap with subsidiaries	1,390	-
Payments for purchases of property, plant and equipment	(24,243)	(16,657)
Proceeds from sale of property, plant and equipment	1,429	1,769
Payments for long-term loans receivable	(68)	(43)
Collection of long-term loans receivable	77	148
Proceeds from business transfer	-	5,895
Other-net	(3,517)	(2,003)
<b>Net cash used in investing activities</b>	<b>(41,250)</b>	<b>(12,461)</b>
<b>Cash flows from financing activities</b>		
Net decrease in short-term loans	(5,742)	(6,516)

	Current Full Year April 1, 2006 to March 31, 2008	Current Full Year April 1, 2006 to March 31, 2007
Net increase (decrease) in commercial paper	3,000	(5,000)
Proceeds from long-term debt	17,500	4,500
Repayments for long-term debt	(14,443)	(30,482)
Proceeds from sale of treasury stock	19	379
Disbursement for acquisition of treasury stock	(442)	(454)
Cash dividends paid	(5,115)	(3,607)
Payment of dividends for minority stockholders	(15)	(14)
<b>Net cash used in financing activities</b>	<b>(5,238)</b>	<b>(41,193)</b>
Effect of exchange rate changes on cash and cash equivalents	(143)	260
Net decrease in cash and cash equivalents	(17,535)	3,395
<b>Cash and cash equivalents at beginning of year</b>	<b>47,523</b>	<b>43,644</b>
Increase due to new consolidated company	161	485
Net decrease from the change in consolidated companies	(292)	-
Increase due to merger and acquisition	22	-
<b>Cash and cash equivalents at end of year</b>	<b>29,879</b>	<b>47,523</b>

Note: Difference between cash and cash equivalents at end of the year and the amount recorded on consolidated balance sheets

(Units: millions of yen)

	March 31, 2008	March 31, 2007
Cash and deposits	30,256	48,155
Time deposits with a deposit period over three months	(32)	(288)
Derivative deposits	(345)	(344)
Cash and cash equivalents	29,879	47,523