

Sumitomo Heavy Industries, Ltd.

2Q CONSOLIDATED FINANCIAL REPORT

For the Six-Month Period from April 1 to September 30, 2010

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 forward-looking statements that 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. Amounts shown in this financial statement have been rounded to the nearest million yen.

Summary of Consolidated Financial Results
For the Second Quarter Ended September 30, 2010
 Presented November 4, 2010

Sumitomo Heavy Industries, Ltd.

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Scheduled reporting date for quarterly report	November 8, 2010
Scheduled date of payment of cash dividends	--
Availability of supplementary explanations for quarterly financial statement	None
Holding of meeting to explain quarterly financial statement	Yes (for Institutional Investors and Analysts)

1. FY 2010 2Q Consolidated Results (April 1, 2010, to September 30, 2010)

(1) Business Results

(Units: millions of yen)

	Second Quarter April 1 to September 30, 2010		Previous Second Quarter April 1 to September 30, 2009	
		% change		% change
Net sales	251,922	0.1	251,651	(26.2)
Operating income	16,301	98.3	8,218	(76.1)
Ordinary income	14,816	104.3	7,253	(78.6)
Net income	7,920	500.0	1,320	(93.3)
Net income per share (yen)	13.13		2.19	
Fully diluted net income per share (yen)	--		--	

(2) Financial Position

(Units: millions of yen)

	End of Second Quarter As of September 30, 2010	End of Previous Full Year As of March 31, 2010
Total assets	588,931	610,087
Shareholders' equity	255,831	254,153
Equity ratio (%)	41.7	40.0
Net assets per share (yen)	406.93	404.73

Note: Equity:
 Fiscal quarter ended September 30, 2010: 245,447 million yen
 Fiscal year ended March 31, 2010 244,221 million yen

2. Dividends

(Units: yen)

	Year Ended March 31, 2010	Year Ending March 31, 2011	Year Ending March 31, 2011 (forecast)
Annual dividends per share			
First quarter	--	--	
Second quarter	0.00	0.00	
Third quarter	--		--
End of term	4.00		6.00
Annual dividends	4.00		6.00

Note: Changes to dividend forecast for current quarter: Yes

3. FY 2010 Consolidated Forecasts (April 1, 2010, to March 31, 2011)

(Units: millions of yen)

	Full Year April 1, 2010, to March 31, 2011	
		% change
Net sales	550,000	6.6
Operating income	40,000	41.6
Ordinary income	35,000	32.9
Net income	20,000	50.6
Projected net income per share (yen)	32.85	

Note: Changes to consolidated forecasts for current quarter: Yes

4. Additional Notes

(For further details, please see "2. Other Notes" in the "Supplementary Materials" on page 9.)

(1) Transfers of important subsidiaries during the fiscal period: None

Newly consolidated: None

Excluded from consolidation: None

Note: Refers to movements of specified subsidiaries that have resulted from any changes to the range of consolidated entities during the current quarterly accounting period.

(2) Application of concise method on accounting procedure and special accounting procedures: Yes

Note: Refers to whether any special accounting treatment or any simplified accounting treatment was used during the development of the quarterly consolidated financial statements.

(3) Changes in principles, procedures, and presentation of accounting treatment

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

(ii) Changes other than (i): None

Note: Refers to changes to general rules and procedures, as well as to denotation methods for accounting treatment in relation to the development of current quarter consolidated financial statements as referenced in the section entitled "Changes to Important Items that Form the Basis of the Development of the Quarterly Consolidated Financial Statements".

(4) Number of shares issued (common shares)

(i) Number of shares issued at end of fiscal period (including treasury stock):

As of September 30, 2010 605,726,394 shares

As of March 31, 2010 605,726,394 shares

(ii) Amount of treasury stock at end of fiscal period

As of September 30, 2010 2,559,642 shares

As of March 31, 2010 2,315,778 shares

(iii) Average number of shares during fiscal period (cumulative quarterly period)

As of September 30, 2010 603,216,335 shares

As of September 30, 2009 603,453,904 shares

Recording of Implementation Conditions regarding Quarterly Review Procedures

This quarterly financial summary does not fall within the scope of the Quarterly Review Procedures referenced in the Financial Instruments and Exchange Act. At the time of disclosure of the quarterly financial summary, the Group was in the process of implementing the quarterly review procedures for its quarterly financial statements.

Explanations and Other Special Items regarding the Pertinent Reasons for the Earnings Forecast

(1) The earnings and dividend forecast that was announced on July 30, 2010 has been revised.

(2) Statements regarding the future contained in this document, including the earning forecast, are believed to be reasonable based on information available at the time of publication. Actual financial results may vary significantly from the forecast due to a variety of factors. For information on the assumptions that form the basis of the earnings forecast and items to note concerning the use of the earnings forecast, please see "(3) Qualitative Information Regarding the Consolidated Earnings Forecast" on page 9 of the "Supplementary Materials".

- (3) On October 1, 2010, Sumitomo Heavy Industries, Ltd.(hereinafter referred to as “SHI”) and Nihon Spindle Manufacturing Co., Ltd. executed a stock-swap agreement to convert the latter to a wholly-owned subsidiary of the former. As a result of this move, the number of outstanding shares of SHI has increased by 8,801,011 shares while the number of treasury stock of SHI has decreased by 2,510,000. Please note that the figure for Net Income per Share referenced in “3. FY2010 Consolidated Forecasts (April 1, 2010 to March 31, 2011)” already contemplates the impact of the aforementioned stock swap agreement.

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1. Qualitative Information regarding Current Quarterly Consolidated Business Performance

(1) Qualitative Information Regarding Consolidated Operating Results

The Japanese economy for the year-to-date period up to the end of the second quarter (April 1, 2010 to September 30, 2010) continued to show gentle recovery as exports to emerging markets, in particular China, improved, and measures to boost the domestic economy took hold. This was despite the fact that the Japanese yen significantly strengthened during the period. At the same time, emerging economies such as China continued their strong performance as measures to boost their economies took hold, further enhancing their presence on the global stage. On the other hand, the developed economies of Europe and North America remained unstable due to the financial uncertainty in Europe and the late recovery of markets in the United States.

Set against this economic backdrop, the SHI Group (hereinafter referred to as the “Group”) adapted to changes in the operating environment by carrying out such efforts as accelerating its plan to grow globally, with a specific focus on the ever-expanding emerging markets.

As a result, orders increased across all segments of the Group with the exception of Environmental Facilities and Plants, Ships and Others, to end at JPY243.8 billion, a 36% increase as compared to the same period last year (hereinafter referred to as the “previous period”). In addition, the Group posted total sales of JPY251.9 billion, which is approximately the same as the previous period.

Turning to income, the positive effects of cost cutting measures implemented during the period resulted in the Group posting operating income of JPY16.3 billion, an increase of 98% from the previous period, ordinary income of JPY14.8 billion, an increase of 104% from the previous period, and a quarterly net income of JPY7.9 billion, an increase of 500% from the previous period.

Conditions in each business segment are provided below:

1. Machinery Components

Orders across the entire segment improved as compared to the previous period as emerging markets, with a particular focus on China, recovered, and demand for gear speed reducers designed for precision controls as well as other devices trended well in the domestic market. However, total sales for the segment were relatively unchanged from the previous period. Consequently, the segment received orders worth JPY37.2 billion (an increase of 26% from the previous period), and posted net sales of JPY34.5 billion (a decrease of 1% from the previous period). Operating income for the segment totaled JPY1.6 billion.

2. Precision Machinery

Both orders and sales of plastics machinery increased as markets in East Asia, in particular China, recovered. In other areas of the segment, demand for medical devices forged ahead while machinery designed for the semiconductor and electronics sectors remained on the path to recovery, resulting in increases in both orders and sales. Consequently, the segment received orders worth JPY69.9 billion (an increase of 63% from the previous period), and posted net sales of JPY58.5 billion (an increase of 29% from the previous period). Operating income for the segment totaled JPY1.7 billion.

3. Construction Machinery

The hydraulic excavator business saw an increase in both orders and sales primarily as a result of the rapid expansion of Chinese markets. On the other hand, the delayed recovery of the US market continued to weigh heavily on the construction crane business as both orders and sales waned. Consequently, the segment received orders worth JPY67.4 billion (an increase of 45% from the previous period), and posted net sales of JPY63.8 billion (an increase of 26% from the previous period). Operating income for the segment totaled JPY3.1 billion.

4. Industrial Machinery

Orders for turbines and pumps trended positively as the level of capital improvements made by overseas customers in the resources and energy sectors recovered. However, sales figures in this segment area declined mainly due to weak order figures posted in the previous period. Also, the demand for materials handling products from companies in the electricity sector increased, and this development had a positive impact on orders. Again, however, sales figures in this segment area declined mainly due to weak order figures posted in the previous period. As a whole, the segment received orders worth JPY36.0 billion (an increase of 49% from the previous period), and posted sales of JPY32.8 billion (a decrease of 28% from the previous period). Operating income for the segment totaled JPY5.4 billion.

5. Ships

Recovery in the ship market has been slow and as a result, no new orders were received during the second quarter of the consolidated fiscal year. In regard to sales, four vessels were handed over during the current period, a decline of one vessel as compared to the previous period. Consequently, the segment received orders worth JPY900 million (a decrease of 68% from the previous period), and posted sales of JPY28.4 billion (a decrease of 17% from the previous period). Operating income for the segment totaled JPY3.2 billion.

6. Environmental Facilities & Plants

The energy plant business saw a decline in both orders and sales as the slowdown of the domestic market for industrial power generation boilers had a negative impact on the segment. Moreover, orders in the water treatment plant business also fell due to weak market conditions. However, sales in this segment area increased due to the significant number of orders outstanding from the end of the previous consolidated fiscal year. Consequently, the segment received orders worth JPY28.0 billion (a decrease of 5% from the previous period), and posted sales of JPY29.9 billion (a decrease of 17% from the previous period). Operating income for the segment totaled JPY600 million.

7. Others

This segment received orders worth JPY4.3 billion (a decrease of 4% from the previous period), and posted sales of JPY3.9 billion (a decrease of 14% from the previous period). Operating income for the segment totaled JPY700 million.

(2) Qualitative Information on the Group's Consolidated Financial Position

Total assets at the end of the current quarter (ended September 30, 2010) totaled JPY588.9 billion, a decrease of JPY21.2 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to a JPY17.4 billion decrease in cash and deposits, a JPY3.1 billion decrease in tangible fixed assets, a JPY2.6 billion decrease in trade notes and accounts receivable, and a JPY4.1 billion decrease in investments and other assets. Total liabilities also fell to JPY333.1 billion, a decrease of JPY22.8 billion as compared to the end of the previous consolidated fiscal year. More specifically, the JPY9.0 billion increase in trade notes and accounts payable was offset by a JPY19.5 billion decrease in interest-bearing liabilities.

Net assets totaled JPY255.8 billion, an increase of JPY1.7 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to the JPY5.6 billion increase in retained earnings surpassing the JPY2.0 billion decrease in the value of other marketable securities.

As a result, the shareholders' equity ratio for the consolidated fiscal year under review improved by 1.7 points from the previous fiscal year to finish at 41.7%.

Cash Flow Condition

Although the level of quarterly net income before taxes and other adjustments as well as the amount of accounts payable rose, the level of accounts receivable along with the level of inventory fell. In addition, payments of corporate and other taxes rose. As a result, cash flow from operating activities totaled JPY14.4 billion, a decrease of JPY8.8 billion as compared to the previous period.

Cash flow used for investing activities totaled JPY9.6 billion, an increase of JPY300 million from the previous period. More specifically, while there was a decrease in cash used to acquire fixed assets, there was an increase in the cash used to acquire shares of subsidiaries that resulted in a change to their consolidated status.

Cash flow used for financing activities totaled JPY22.1 billion, an increase of JPY5.0 billion from the previous period, as the Group increased its repayment of interest-bearing liabilities.

As a result of the foregoing, the balance of cash and cash equivalents at the end of second quarter of the consolidated fiscal year totaled JPY44.0 billion, a decrease of JPY17.5 billion as compared to the end of the previous consolidated fiscal year.

(3) Qualitative Information regarding Consolidated Earnings Forecast

In comparison to previous forecasts, the Second Quarter (2Q) Year-to-Date (YTD) Consolidated Fiscal Period saw net sales, operating income, ordinary income, and quarterly net income figures improve more than expected. More specifically, sales jumped in the Construction Machinery segment while cost-cutting measures in the Precision Machinery, Industrial Machinery and Ships businesses contributed to the overall positive performance.

On a full-year basis, although the operating environment that sets the backdrop of the Group's business continues on an unclear course, and doubts regarding the future remain, a decision was made to revise the forecast for operating income, ordinary income and net income upwards. This decision was primarily based on the improvements seen in the 2Q YTD Consolidated Fiscal Year numbers.

Please note that from the third-quarter onwards, a currency exchange rate of USD1 = JPY80 and EUR1 = JPY115 will be utilized. Further, the difference between the current forecast and the full-year consolidated earnings forecast that was announced along with the First Quarter Consolidated Financial Report on July 30, 2010 is outlined in the below table:

(Fiscal Year Ending March 2011)

(Units: millions of yen)

	Previous Forecast (A)	Current Forecast (B)	Difference (B-A)	% Difference	(Reference) Previous Year Results
Net sales	540,000	550,000	10,000	1.9	516,165
Operating income	36,000	40,000	4,000	11.1	28,254
Ordinary income	32,000	35,000	3,000	9.4	26,333
Net income	16,500	20,000	3,500	21.2	13,280
Net income per share (yen)	27.35	32.85	--	--	22.01

2. Other Notes

(1) Changes Involving Important Subsidiaries

There are no applicable items.

(2) Application of Simplified Accounting Methods and Special Accounting Procedure

I. Simplified Accounting Methods

- Method of calculating estimated bad debt write-offs in respect to general receivables
The ratio of bad debt write-offs used at the end of the previous fiscal year has been used.

- Valuation method for inventories

With regard to the calculation of inventories at the end of the second quarter, physical inventory has been omitted, and calculations have been performed in a reasonable manner on the basis of the results of physical inventory for the previous consolidated fiscal year.

- Method of calculating unrealized profit/loss in respect of inventories

The profit/loss ratio used at the end of the previous consolidated fiscal year has been used.

- Method of calculating depreciation on fixed assets

For assets that are depreciated using the declining-balance method, calculations have been made by prorating the amount of depreciation for the consolidated fiscal year.

- Method of calculating deferred and accrued accounts

Estimates obtained by using a reasonable calculation method have been recorded.

- Method of calculating corporate income tax, etc., as well as deferred tax assets and deferred tax liability

Tax payments on corporate income tax are calculated in such a way that addition/subtraction items and tax deduction items to be included are limited to important items only.

In determining the collectability of deferred tax assets, where no substantial changes have been identified in the management environment or in temporary differences arising after the end of the previous consolidated fiscal year, forecasts used for the previous consolidated fiscal year and tax planning have been used for calculation.

- II. Special Accounting Methods Used to Prepare the Consolidated Quarterly Financial Statements:

Not applicable

(3) Summary of Changes to Accounting Treatment Principles, Procedures, Presentation Methods, and Other Items

- I. Adoption of the "Accounting Standard for Equity Method Accounting of Investments" and the "Practical Solution for the Unification of Accounting Policies Applied to Associated Companies Accounted for Using the Equity Method"

As of the first quarter of the current consolidated fiscal year, the Group has adopted the Accounting Standard for Equity Method Accounting of Investments (Statement No. 16 of the Accounting Standards Board of Japan, dated March 10, 2008) and the Practical Solution for the Unification of Accounting Policies Applied to Associated Companies Accounted for Using the Equity Method (Practical Issues Task Force No. 24 of the Accounting Standards Board of Japan, dated March 10, 2008). There is no impact to operating income, ordinary income, or quarterly net income before taxes and other adjustments as a result of this change.

- II. Adoption of the "Accounting Standard for Asset Retirement Obligations"

As of the first quarter of the current consolidated fiscal year, the Group has adopted the Accounting Standard for Asset Retirement Obligations (Statement No. 18 of the Accounting Standards Board of Japan, dated March 31, 2008) and the Implementation Guidance on the Accounting Standard for Asset Retirement Obligations (Implementation Guidance No. 21 of the Accounting Standards Board of Japan, dated March 31, 2008). Although the impact on operating income, ordinary income, and segment information is minimal, the Group posted an extraordinary loss in the amount of JPY480 million for the first quarter as a result of applying the Accounting Standard for Asset Retirement Obligations.

- III. Adoption of the "Accounting Standard for Business Combinations"

As of the first quarter of the current consolidated fiscal year, the Group has adopted the Accounting Standard for Business Combinations (Statement No. 21 of the Accounting Standards Board of Japan, dated December 26, 2008), the Accounting Standard for Consolidated Financial Statements (Statement No. 22 of the Accounting Standards Board of Japan, dated December 26, 2008), the Partial Amendments to the Accounting Standard for Research and Development Costs (Statement No. 23 of the Accounting Standards Board of Japan, dated December 26, 2008), the Revised Accounting Standard for Business Divestitures (Statement No. 7 of the Accounting Standards Board of Japan, with a revision date of December 26, 2008), the Revised Accounting Standard for Equity Method of Accounting for Investments (Statement No. 16 of the Accounting Standards Board of Japan, with a revision date of December 26, 2008), and the Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Guidance No. 10 of the Accounting Standards Board of Japan, with a revision date of December 26, 2008).

(4) Summary of Key Events Related to the Premises of a Going Concern

There are no applicable items.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Units: millions of yen)

	End of Second Quarter As of September 30, 2010	End of Previous Fiscal Year As of March 31, 2010
	Amount	Amount
Assets		
Cash and deposits	45,106	62,511
Notes and accounts receivable	129,279	131,893
Inventory assets	129,568	123,416
Other	23,486	23,032
Allowance for doubtful accounts	(1,060)	(1,073)
Current assets	326,379	339,780
Land	116,482	115,971
Other (net)	96,881	100,506
Total tangible assets	213,363	216,477
Other	6,760	7,308
Total intangible assets	6,760	7,308
Other	44,027	48,096
Allowance for doubtful accounts	(1,598)	(1,574)
Investments and other assets	42,429	46,523
Fixed assets	262,552	270,308
Total assets	588,931	610,087

(Units: millions of yen)

	End of Second Quarter As of September 30, 2010	End of Previous Fiscal Year As of March 31, 2010
	Amount	Amount
Liabilities		
Notes and accounts payable	116,987	108,018
Short-term bank loans	18,917	30,524
Long-term loans due within one year	5,431	10,438
Allowance	6,915	7,807
Other	66,898	78,168
Current liabilities	215,148	234,954
Bonds	10,000	10,000
Long-term debt due after one year	33,803	36,698
Employees' severance and retirement benefits	32,070	32,426
Allowance	389	235
Deferred income taxes on revaluation	32,211	32,211
Other	9,479	9,411
Long-term liabilities	117,952	120,981
Total liabilities	333,100	355,935
Net assets		
Capital	30,872	30,872
Capital surplus	20,503	20,503
Retained earnings	167,507	161,951
Treasury stock	(1,614)	(1,494)
Stockholders' equity	217,267	211,831
Unrealized gains on securities	49	2,003
Profit (loss) on deferred hedge	1,299	1,125
Adjustment regarding pension obligations of consolidated overseas subsidiaries	(1,934)	(1,753)
Revaluation reserve for land	40,386	40,386
Foreign currency translation adjustments	(11,619)	(9,370)
Appraisal and translation differences	28,180	32,390
Minority interests	10,384	9,931
Total net assets	255,831	254,153
Liabilities and net assets	588,931	610,087

(2) Quarterly Consolidated Income Statements

(Units: millions of yen)

	Previous Second Quarter April 1, 2009, to September 30, 2009	Present Second Quarter April 1, 2010, to September 30, 2010
	Amount	Amount
Net sales	251,651	251,922
Cost of sales	204,170	198,158
Gross income	47,480	53,764
Selling, general & administrative expenses	39,262	37,463
Operating income	8,218	16,301
Non-operating income		
Interest income	59	76
Dividend income	518	709
Other	1,523	847
Total non-operating income	2,099	1,632
Non-operating expenses		
Interest expense	932	795
Other	2,133	2,321
Total non-operating expenses	3,065	3,116
Ordinary income	7,253	14,816
Extraordinary gains		
Revenues from grants and subsidies	896	—
Total extraordinary gains	896	—
Extraordinary losses		
Financial impact due to the application of the accounting standard for asset retirement obligations	—	480
Loss on devaluation of marketable securities	1,098	—
Total extraordinary losses	1,098	480
Income before income taxes	7,050	14,336
Corporate income tax, current	4,568	5,422
Corporate income tax, deferred	694	392
Total corporate income taxes	5,262	5,815
Quarterly net income before income or loss adjustments on minority interests	—	8,522
Minority interests	469	602
Net income	1,320	7,920

(3) Consolidated Cash Flows Statement

(Units: millions of yen)

	Previous Second Quarter April 1, 2009, to September 30, 2009	Present Second Quarter April 1, 2010, to September 30, 2010
Cash flows from operating activities		
Income before income taxes	7,050	14,336
Depreciation	9,562	8,735
Interest and dividend income	(577)	(784)
Interest expenses	932	795
(Increase) decrease in notes and accounts receivable	37,181	(3,106)
(Increase) decrease in inventories	12,550	(5,097)
Increase (decrease) in notes and accounts payable	(42,413)	9,563
Other	3,645	(2,153)
Subtotal	27,929	22,289
Interest and dividends received	1,165	785
Interest expenses	(890)	(798)
Payments for income taxes	(5,023)	(7,905)
Net cash provided by operating activities	23,181	14,370
Cash flows from investing activities		
(Increase) decrease in time deposits	1,978	(132)
(Increase) decrease in securities	1,500	—
Payments for purchases of property, plant, and equipment	(12,656)	(7,037)
Proceeds from sale of securities	31	359
Payments for acquisition of subsidiaries' stock accompanying changes in scope of consolidation	—	(2,608)
Other	(180)	(178)
Net cash used in investing activities	(9,327)	(9,596)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(1,740)	(10,866)
Net increase (decrease) in commercial paper	(19,000)	—
Proceeds from long-term debt	5,500	—
Repayments for long-term debt	(819)	(7,817)
Cash dividends paid	(11)	(2,411)
Payment of dividends for minority stockholders	(657)	(344)
Other	(403)	(693)
Net cash used in financing activities	(17,130)	(22,131)

	Previous Second Quarter April 1, 2009, to September 30, 2009	Present Second Quarter April 1, 2010, to September 30, 2010
Effect of exchange rate changes on cash and cash equivalents	1,008	(365)
Net increase (decrease) in cash and cash equivalents	(2,268)	(17,722)
Cash and cash equivalents at beginning of year	42,414	61,452
Increase due to new consolidated companies	1,942	236
Increase due to merger and acquisition	17	—
Cash and cash equivalents at end of period	42,105	43,967

(4) Notes on Premise of a Going Concern

There are no applicable items.

(5) Segment Information

1. Summary of Reporting Segments

The Group's reporting segments are based on those units within the Group where separate financial information is available and where the Board of Directors of the Group periodically deliberates over matters such as the distribution of management resources and the financial performance of such segments.

The Group formulates a comprehensive international and domestic strategy for individual products and services for the head office and for each consolidated subsidiary, and executes such strategies at the operating level. Consequently, the Group comprises segments that are split by categories of products and services offered by the head office and consolidated subsidiaries. More specifically, the six reporting segments of the Group are "Machinery Components", "Precision Machinery", "Construction Machinery", "Industrial Machinery", "Ships", and "Environmental Facilities & Plants".

Businesses	Main Products
Machinery Components	Power transmission and control
Precision Machinery	Plastic injection molding machines, film forming machines, semiconductor production equipment, laser processing systems, cryogenic equipment, precision XY stages, ion accelerators, plasma coating systems for FPDs, precision forgings, control components, defense equipment, machining tools
Construction Machinery	Hydraulic excavators, mobile cranes, road machinery
Industrial Machinery	Forging machines, material handling systems, logistics systems, automated parking systems, turbines, pumps
Ships	Ships
Environmental Facilities & Plants	Boilers, industrial waste treatment facilities, water and sewage treatment systems, paper machines, pressure vessels, bridges
Others	Real estate, software

2. Information Regarding Net Sales and Profit (Loss) Conditions by Reporting Segment
Current Second Quarter (April 1, 2010, to September 30, 2010)

(Units: millions of yen)

Item \ Segment	A	B	C	D	E	F	Subtotal	Other	Total	G	H
Net sales											
(1) Sales to external customers	34,514	58,500	63,779	32,843	28,426	29,913	247,975	3,947	251,922	—	251,922
(2) Internal sales between segments or exchanges	841	613	2	63	38	514	2,072	1,045	3,117	(3,117)	—
Total	35,355	59,113	63,781	32,906	28,464	30,428	250,047	4,992	255,038	(3,117)	251,922
Segment profit (loss)	1,628	1,672	3,109	5,393	3,154	604	15,560	722	16,282	18	16,301

Segments:

- A: Machinery Components
- B: Precision Machinery
- C: Construction Machinery
- D: Industrial Machinery
- E: Ships
- F: Environmental Facilities & Plants
- G: Adjustments*
- H: Value included on the quarterly consolidated income statement

*Mainly due to the deletion of intersegment transactions

3. Information on Impairment Losses Relating to Fixed Assets and Goodwill by Reporting Segment

There are no items of importance to note for the consolidated second quarter figures.

Additional Information

As of the current first quarter consolidated fiscal period, the Group has adopted the Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Statement No. 17 of the Accounting Standards Board of Japan, dated March 27, 2009) and the Implementation Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Implementation Guidance No. 20 of the Accounting Standards Board of Japan, dated March 21, 2008).

Reference Information

The table below provides a summary of the values from the second quarter of the previous consolidated fiscal year for all business segments as if they were displayed using the reporting segments used during the second quarter of the current consolidated fiscal year.

Previous Second Quarter (April 1, 2009, to September 30, 2009)

(Units: millions of yen)

Item	Segment	Segment						Subtotal	Other	Total	G	H
		A	B	C	D	E	F					
Net sales												
(1) Sales to external customers		34,799	45,276	50,620	45,827	34,291	36,255	247,068	4,583	251,651	—	251,651
(2) Internal sales between segments or exchanges		1,009	655	4	76	79	600	2,423	1,101	3,524	(3,524)	—
Total		35,808	45,931	50,624	45,903	34,370	36,855	249,491	5,683	255,174	(3,524)	251,651
Segment profit (loss)		(847)	(4,172)	(315)	7,552	2,518	2,693	7,429	636	8,065	153	8,218

Segments:

- A: Machinery Components
- B: Precision Machinery
- C: Construction Machinery
- D: Industrial Machinery
- E: Ships
- F: Environmental Facilities & Plants
- G: Adjustments*
- H: Value included on the quarterly consolidated income statement

*Mainly due to the deletion of intersegment transactions.

(6) Notes regarding Significant Fluctuations to Shareholders' Equity

There are no applicable items.

(7) Important Matters to Note that Occurred After the End of the Current Period

At a board meeting held on May 10, 2010 the respective boards of SHI and Nihon Spindle Manufacturing Co., Ltd. (hereinafter referred to as "Nihon Spindle") announced that they had passed a resolution to make the latter a wholly-owned consolidated subsidiary of the former through a stock swap arrangement. As a result of this move, on October 1, 2010, Nihon Spindle formally became a wholly-owned subsidiary of SHI. Furthermore, a goodwill impairment value of JPY3.4 billion was generated as a result of the stock-swap of which the entire amount will be fully depreciated during the third quarter of the fiscal year.

4. Supplementary Information

(1) Orders, Sales, and Balance of Orders by Segment

Orders Received

(Units: millions of yen)

Segments	Previous Second Quarter April 1, 2009, to September 30, 2009		Second Quarter April 1, 2010, to September 30, 2010		Y / Y Change		Previous Fiscal Year April 1, 2009, to March 31, 2010	
	Amount	%	Amount	%	Amount	%	Amount	%
Machinery Components	29,432	16.4	37,213	15.3	7,782	26.4	61,421	15.2
Precision Machinery	42,788	23.8	69,946	28.7	27,157	63.5	106,085	26.3
Construction Machinery	46,571	25.9	67,405	27.6	20,834	44.7	100,531	24.9
Industrial Machinery	24,237	13.5	36,039	14.8	11,802	48.7	59,834	14.8
Ships	2,798	1.5	893	0.4	(1,905)	(68.1)	4,290	1.1
Environmental Facilities & Plants	29,458	16.4	28,029	11.5	(1,429)	(4.9)	62,550	15.5
Other	4,447	2.5	4,267	1.7	(180)	(4.0)	8,726	2.2
Total	179,730	100.0	243,792	100.0	64,061	35.6	403,437	100.0

Sales

(Units: millions of yen)

Segments	Previous Second Quarter April 1, 2009, to September 30, 2009		Second Quarter April 1, 2010, to September 30, 2010		Y / Y Change		Previous Fiscal Year April 1, 2009, to March 31, 2010	
	Amount	%	Amount	%	Amount	%	Amount	%
Machinery Components	34,799	13.9	34,514	13.7	(285)	(0.8)	69,040	13.4
Precision Machinery	45,276	18.0	58,500	23.2	13,224	29.2	105,191	20.4
Construction Machinery	50,620	20.1	63,779	25.3	13,159	26.0	102,650	19.9
Industrial Machinery	45,827	18.2	32,843	13.0	(12,984)	(28.3)	85,637	16.6
Ships	34,291	13.6	28,426	11.3	(5,865)	(17.1)	62,927	12.2
Environmental Facilities & Plants	36,255	14.4	29,913	11.9	(6,342)	(17.5)	81,884	15.8
Other	4,583	1.8	3,947	1.6	(636)	(13.9)	8,835	1.7
Total	251,651	100.0	251,922	100.0	271	0.1	516,165	100.0

Balance of Orders Received

(Units: millions of yen)

Segments	End of Previous Fiscal Year As of March 31, 2010		End of Second Quarter As of September 30, 2010		Change		End of Previous Second Quarter As of September 30, 2009	
	Amount	%	Amount	%	Amount	%	Amount	%
Machinery Components	18,080	4.8	20,780	5.6	2,700	14.9	20,708	4.9
Precision Machinery	47,044	12.5	58,490	15.9	11,446	24.3	44,154	10.5
Construction Machinery	13,468	3.6	17,094	4.6	3,626	26.9	11,378	2.7
Industrial Machinery	78,813	20.9	82,008	22.2	3,196	4.1	84,457	20.1
Ships	142,720	37.9	115,187	31.3	(27,533)	(19.3)	169,864	40.5
Environmental Facilities & Plants	75,130	19.9	73,246	19.9	(1,884)	(2.5)	87,832	20.9
Other	1,619	0.4	1,939	0.5	321	19.8	1,593	0.4
Total	376,874	100.0	368,744	100.0	(8,130)	(2.2)	419,987	100.0