

Sumitomo Heavy Industries, Ltd.

3Q CONSOLIDATED FINANCIAL REPORT

For the Nine-Month Period from April 1 to December 31, 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 Third Quarter Ended December 31, 2010

Presented January 31, 2011

Sumitomo Heavy Industries, Ltd.

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Scheduled reporting date for quarterly report	February 8, 2011
Scheduled date of payment of cash dividends	--
Availability of supplementary explanations for quarterly financial statement	None
Holding of meeting to explain quarterly financial statement	None

1. FY 2010 3Q Consolidated Results (April 1, 2010, to December 31, 2010)

(1) Business Results

(Units: millions of yen)

	Third Quarter April 1 to December 31, 2010		Previous Third Quarter April 1 to December 31, 2009	
		% change		% change
Net sales	369,196	2.7	359,414	(27.5)
Operating income	25,333	93.9	13,064	(71.2)
Ordinary income	22,986	99.5	11,521	(72.5)
Net income	15,773	239.6	4,645	(74.4)
Net income per share (yen)	25.99		7.70	
Fully diluted net income per share (yen)	--		--	

(2) Financial Position

(Units: millions of yen)

	End of Third Quarter As of December 31, 2010	End of Previous Full Year As of March 31, 2010
Total assets	615,445	610,087
Shareholders' equity	259,460	254,153
Equity ratio (%)	41.8	40.0
Net assets per share (yen)	418.70	404.73

Note: Equity:
 Fiscal quarter ended December 31, 2010: 257,259 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: No

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	555,000	7.5
Operating income	43,000	52.2
Ordinary income	39,000	48.1
Net income	22,000	65.7
Projected net income per share (yen)	35.81	

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 December 31, 2010 614,527,405 shares

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

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

As of December 31, 2010 105,185 shares

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

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

As of December 31, 2010 606,957,574 shares

As of December 30, 2009 603,446,118 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 November 4, 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 8 of the “Supplementary Materials”.

Supplementary Materials – Table of Contents

1. Qualitative Information Regarding Current Quarterly Consolidated Business Performance.....	6
(1) Qualitative Information Regarding Consolidated Operating Results	6
(2) Qualitative Information on the Group’s Consolidated Financial Position.....	7
(3) Qualitative Information Regarding Consolidated Earnings Forecast.....	8
2. Other Notes	9
(1) Changes Involving Important Subsidiaries.....	9
(2) Application of Simplified Accounting Methods and Special Accounting Procedure	9
(3) Summary of Changes to Accounting Treatment Principles, Procedures, Presentation Methods, and Other Items	9
(4) Summary of Key Events Related to the Premises of a Going Concern	10
3. Quarterly Consolidated Financial Statements	11
(1) Quarterly Consolidated Balance Sheets	11
(2) Quarterly Consolidated Income Statements.....	13
(3) Consolidated Cash Flows Statement	14
(4) Notes on Premise of a Going Concern	15
(5) Segment Information	15
(6) Notes Regarding Significant Fluctuations to Shareholders’ Equity	17
(7) Important Matters to Note that Occurred After the End of the Current Period.....	17
4. Supplementary Information	18
(1) Orders, Sales, and Balance of Orders by Segment	18

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 third quarter of the current consolidated fiscal year (April 1, 2010 to December 31, 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 financial uncertainty in Europe and the delayed recovery of markets in the United States.

Set against this economic backdrop, the Group worked to adapt to changes in the operating environment by carrying out such efforts as accelerating its global growth plan, with a specific focus on the ever-expanding emerging markets.

As a result of these efforts, orders increased across all segments of the Group with the exception of Environmental Facilities and Plants, and Others, to finish at JPY376.0 billion, a 33% increase as compared to the same period in the previous fiscal year (hereinafter referred to as the "previous period"). In addition, the Group posted total sales of JPY369.2 billion, a 3% increase as compared to 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 JPY25.3 billion, an increase of 94% from the previous period, and ordinary income of JPY23.0 billion, an increase of 100% from the previous period. In addition, the Group posted an extraordinary gain from negative goodwill generated from executing a stock-swap agreement with Nihon Spindle Manufacturing Co., Ltd. Consequently, quarterly net income for the period was JPY15.8 billion, an increase of 240% from the previous period.

Conditions in each business segment are provided below:

1. Machinery Components

Both orders and sales 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 reducers designed for precision controls as well as other devices trended well in the domestic market. Consequently, the segment received orders worth JPY56.9 billion (an increase of 29% from the previous period), and posted net sales of JPY54.1 billion (an increase of 5% from the previous period). Operating income for the segment totaled JPY3.2 billion.

2. Precision Machinery

Both orders and sales of plastics machinery increased as markets in East Asia, most notably 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 JPY111.5 billion (an increase of 51% from the previous period), and posted net sales of JPY91.9 billion (an increase of 33% from the previous period). Operating income for the segment totaled JPY4.6 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 the Chinese market. On the other hand, the delayed recovery of North American markets continued to weigh heavily on the construction crane business as both orders and sales waned. Consequently, the segment received orders worth JPY99.3 billion (an increase of 45% from the previous period), and posted net sales of JPY93.2 billion (an increase of 31% from the previous period). Operating income for the segment totaled JPY4.5 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, particularly from companies in the electricity generating 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 JPY48.3 billion (an increase of 12% from the previous period), and posted net sales of JPY45.8 billion (a decrease of 30% from the previous period). Operating income for the segment totaled JPY7.3 billion.

5. Ships

Although recovery in the ship market has been slow, two orders for new vessels were received in the third quarter of the consolidated fiscal year as compared to none during the same period last year. In regard to sales, four vessels were handed over, a decline of two vessels as compared to the previous period. Consequently, the segment received orders worth JPY13.1 billion (an increase of 26.9% from the previous period), and posted net sales of JPY30.1 billion (a decrease of 29% 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. 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 JPY40.4 billion (a decrease of 7% from the previous period), and posted net sales of JPY48.1 billion (a decrease of 9% from the previous period). Operating income for the segment totaled JPY1.6 billion.

7. Others

This segment received orders worth JPY6.4 billion (a decrease of 1% from the previous period), and posted net sales of JPY6.0 billion (a decrease of 6% from the previous period). Operating income for the segment totaled JPY1.0 billion.

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

Total assets at the end of current quarter (ended December 31, 2010) equaled JPY615.4 billion, an increase of JPY5.4 billion as compared to the end of the previous consolidated fiscal year. More specifically, cash and cash deposits, tangible fixed assets, and investments and other assets decreased by JPY20.6 billion, JPY3.6 billion and JPY4.6 billion, respectively. This was offset by a JPY28.5 billion increase in inventories and a JPY5.3 billion increase in notes and accounts receivables.

Total liabilities increased by JPY100 million as compared to the end of the previous consolidated fiscal year to equal JPY356.0 billion. This was mainly due to the JPY20.7 billion increase in notes and accounts payables exceeding the decrease of JPY8.2 billion and JPY1.3 billion in the balance of interest-bearing liabilities and accrued retirement benefits, respectively.

Net assets totaled JPY259.5 billion, an increase of JPY5.3 billion as compared to the end of the previous consolidated fiscal year. As a result of making Nihon Spindle Manufacturing Co., Ltd. a wholly-owned group subsidiary company through a stock-swap agreement, minority interests fell by JPY7.7 billion while additional paid-in capital increased by JPY3.3 billion. Moreover, the JPY4.4 billion decrease in the foreign currency translation adjustment account and the JPY1.2 billion decrease in the value of other marketable securities were offset by the JPY13.4 billion increase in retained earnings.

As a result, the shareholders' equity ratio improved by 1.8% from the end of the previous consolidated fiscal year to finish at 41.8%.

Cash Flow Condition

Although the level of quarterly net income before taxes and other adjustments as well as the level of accounts payable rose, the level of accounts receivable along with the level of inventories fell. In addition, payments of corporate and other taxes rose. As a result, cash flow from operating activities totaled JPY3.6 billion, a decrease of JPY22.8 billion as compared to the previous period.

Cash flow used for investing activities totaled JPY12.8 billion, an increase of JPY1.1 billion 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 JPY10.5 billion, a decrease of JPY1.0 billion from the previous period, as the Group reduced its repayment of interest-bearing liabilities.

As a result of the foregoing, the balance of cash and cash equivalents at the end of third quarter of the consolidated fiscal year totaled JPY41.3 billion, a decrease of JPY20.2 billion as compared to the end of the previous consolidated fiscal year.

(3) Qualitative Information Regarding Consolidated Earnings Forecast

The Consolidated Earnings Forecast for the period ending March 2011 that was previously announced on November 4, 2010 has been revised as follows:

(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	550,000	555,000	5,000	0.9	516,165
Operating income	40,000	43,000	3,000	7.5	28,254
Ordinary income	35,000	39,000	4,000	11.4	26,333
Net income	20,000	22,000	2,000	10.0	13,280
Net income per share (yen)	32.85	35.81	--	--	22.01

Although the operating environment that sets the backdrop for the Group's business continues to be unclear, and leaves doubts regarding the future outlook, a decision was made to revise the full-year forecast for net sales, operating income, ordinary income and net income in an upwardly direction. This decision was made based on the positive trends seen for order figures in the construction machinery segment, and the fact that the cost-cutting measures in the precision machinery segment continued to make significant headway.

Please note that from the fourth-quarter onwards, a currency exchange rate of USD1 = JPY82.5 and EUR1 = JPY110 will be utilized.

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 third 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 Third Quarter As of December 31, 2010	End of Previous Fiscal Year As of March 31, 2010
	Amount	Amount
Assets		
Cash and deposits	41,872	62,511
Notes and accounts receivable	137,165	131,893
Inventory assets	151,928	123,416
Other	24,420	23,032
Allowance for doubtful accounts	(1,033)	(1,073)
Current assets	354,351	339,780
Land	117,834	115,971
Other (net)	95,054	100,506
Total tangible assets	212,888	216,477
Other	6,302	7,308
Total intangible assets	6,302	7,308
Other	43,258	48,096
Allowance for doubtful accounts	(1,354)	(1,574)
Investments and other assets	41,904	46,523
Fixed assets	261,094	270,308
Total assets	615,445	610,087

(Units: millions of yen)

	End of Third Quarter As of December 31, 2010	End of Previous Fiscal Year As of March 31, 2010
	Amount	Amount
Liabilities		
Notes and accounts payable	128,756	108,018
Short-term bank loans	18,536	30,524
Commercial paper	14,000	—
Long-term loans due within one year	3,133	10,438
Allowance	6,905	7,807
Other	68,618	78,168
Current liabilities	239,948	234,954
Bonds	10,000	10,000
Long-term debt due after one year	33,779	36,698
Employees' severance and retirement benefits	31,132	32,426
Allowance	384	235
Deferred income taxes on revaluation	32,185	32,211
Other	8,557	9,411
Long-term liabilities	116,037	120,981
Total liabilities	355,985	355,935
Net assets		
Capital	30,872	30,872
Capital surplus	23,789	20,503
Retained earnings	175,396	161,951
Treasury stock	(58)	(1,494)
Stockholders' equity	229,999	211,831
Unrealized gains on securities	753	2,003
Profit (loss) on deferred hedge	1,608	1,125
Adjustment regarding pension obligations of consolidated overseas subsidiaries	(1,650)	(1,753)
Revaluation reserve for land	40,348	40,386
Foreign currency translation adjustments	(13,798)	(9,370)
Appraisal and translation differences	27,260	32,390
Minority interests	2,201	9,931
Total net assets	259,460	254,153
Liabilities and net assets	615,445	610,087

(2) Quarterly Consolidated Income Statements

(Units: millions of yen)

	Previous Third Quarter April 1, 2009, to December 31, 2009	Present Third Quarter April 1, 2010, to December 31, 2010
	Amount	Amount
Net sales	359,414	369,196
Cost of sales	289,745	288,288
Gross income	69,669	80,907
Selling, general & administrative expenses	56,606	55,574
Operating income	13,064	25,333
Non-operating income		
Interest income	124	113
Dividend income	618	819
Other	2,055	1,159
Total non-operating income	2,797	2,091
Non-operating expenses		
Interest expense	1,431	1,140
Other	2,909	3,297
Total non-operating expenses	4,340	4,438
Ordinary income	11,521	22,986
Extraordinary gains		
Gain from negative goodwill	—	3,437
Gain on sales of securities	1,272	—
Revenues from grants and subsidies	844	—
Total extraordinary gains	2,115	3,437
Extraordinary losses		
Financial impact due to the application of the accounting standard for asset retirement obligations	—	480
Loss on contracts	—	336
Loss on impaired assets	—	223
Loss on devaluation of marketable securities	840	—
Total extraordinary losses	840	1,038
Income before income taxes	12,796	25,384
Corporate income tax, current	5,044	6,633
Corporate income tax, deferred	2,483	2,203
Total corporate income taxes	7,527	8,836
Quarterly net income before income or loss adjustments on minority interests	—	16,549
Minority interests	624	776
Net income	4,645	15,773

(3) Consolidated Cash Flows Statement

(Units: millions of yen)

	Previous Third Quarter April 1, 2009, to December 31, 2009	Present Third Quarter April 1, 2010, to December 31, 2010
Cash flows from operating activities		
Income before income taxes	12,796	25,384
Depreciation	14,651	13,234
Gain from negative goodwill	—	(3,437)
Interest and dividend income	(742)	(932)
Interest expenses	1,431	1,140
(Increase) decrease in notes and accounts receivable	37,738	(9,956)
(Increase) decrease in inventories	7,046	(29,236)
Increase (decrease) in notes and accounts payable	(39,767)	22,138
Other	1,047	(4,287)
Subtotal	34,201	14,049
Interest and dividends received	1,316	942
Interest expenses	(1,231)	(1,104)
Payments for income taxes	(7,817)	(10,265)
Net cash provided by operating activities	26,468	3,622
Cash flows from investing activities		
(Increase) decrease in time deposits	1,999	(173)
(Increase) decrease in securities	1,500	—
Payments for purchases of property, plant, and equipment	(16,046)	(11,035)
Payments for acquisition of subsidiaries' stock accompanying changes in scope of consolidation	—	(2,608)
Proceeds from sale of securities	1,357	452
(Increase) decrease in short-term loans receivable	494	—
Other	(988)	537
Net cash used in investing activities	(11,684)	(12,829)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(565)	(10,635)
Net increase (decrease) in commercial paper	(24,000)	14,000
Proceeds from long-term debt	5,500	—
Repayments for long-term debt	(827)	(10,125)
Income from the issuance of bonds	10,000	—
Cash dividends paid	(13)	(2,413)

	Previous Third Quarter April 1, 2009, to December 31, 2009	Present Third Quarter April 1, 2010, to December 31, 2010
Payment of dividends for minority stockholders	(1,003)	(344)
Other	(621)	(977)
Net cash used in financing activities	(11,529)	(10,495)
Effect of exchange rate changes on cash and cash equivalents	361	(696)
Net increase (decrease) in cash and cash equivalents	3,616	(20,397)
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	47,989	41,292

(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

2. Information Regarding Net Sales and Profit Conditions by Reporting Segment
Current Third Quarter (April 1, 2010, to December 31, 2010)

(Units: millions of yen)

Item \ Segment	A	B	C	D	E	F	Subtotal	Other ¹	Total	G ²	H
Net sales											
(1) Sales to external customers	54,118	91,854	93,200	45,786	30,119	48,109	363,186	6,010	369,196	—	369,196
(2) Internal sales between segments or exchanges	1,175	848	7	108	57	690	2,886	1,573	4,460	(4,460)	—
Total	55,293	92,702	93,208	45,894	30,176	48,799	366,072	7,583	373,655	(4,460)	369,196
Segment profit (loss)	3,202	4,623	4,476	7,273	3,216	1,575	24,365	953	25,318	15	25,333

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

Notes:

1. The "Other" segment represents those business segments that are not included as part of any other reporting segment. This includes the Group's real-estate businesses, software-related business and other businesses.
2. Mainly due to the deletion of intersegment transactions

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

In the Environmental Facilities & Plants segment, the Group executed a stock-swap agreement with Nihon Spindle Manufacturing Co., Ltd. with an effective date of October 1, 2010. As a result of the event, negative goodwill in the amount of JPY3,437 million was generated and this amount was posted in the third quarter of the current consolidated fiscal year.

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 third quarter of the previous consolidated fiscal year for all business segments as if they were displayed using the reporting segments used during the third quarter of the current consolidated fiscal year.

Previous Third Quarter (April 1, 2009, to December 31, 2009)

(Units: millions of yen)

Item	Segment							Subtotal	Other ¹	Total	G ²	H
		A	B	C	D	E	F					
Net sales												
(1) Sales to external customers		51,644	69,208	71,408	65,360	42,563	52,814	352,996	6,418	359,414	—	359,414
(2) Internal sales between segments or exchanges		1,357	928	5	124	113	694	3,221	1,685	4,906	(4,906)	—
Total		53,001	70,136	71,413	65,484	42,675	53,508	356,217	8,103	364,320	(4,906)	359,414
Segment profit (loss)		13	(4,567)	(811)	10,684	3,278	3,474	12,071	942	13,013	50	13,064

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

Notes:

1. The "Other" segment represents those business segments that are not included as part of any other reporting segment. This includes the Group's real-estate businesses, software-related business and other businesses.
2. Mainly due to the deletion of intersegment transactions

(6) Notes Regarding Significant Fluctuations to Shareholders' Equity

On October 1, 2010, the Group executed a stock-swap agreement with Nihon Spindle Manufacturing Co., Ltd. Treasury stock, which was held by the Group, was appropriated for use as part of this agreement. As a result of this move, an increase of JPY3,286 million for additional paid-in capital and a decrease of JPY1,436 million for treasury stock was recorded in the third quarter year-to-date consolidated financial statements. Moreover, at the end of the third quarter of the current consolidated fiscal year, additional paid-in capital stood at JPY23,789 million while treasury stock stood at JPY58 million.

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

There are no applicable items.

4. Supplementary Information

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

Orders Received

(Units: millions of yen)

Segments	Previous Third Quarter April 1, 2009, to December 31, 2009		Third Quarter April 1, 2010, to December 31, 2010		Y / Y Change		Previous Fiscal Year April 1, 2009, to March 31, 2010	
	Amount	%	Amount	%	Amount	%	Amount	%
Machinery Components	43,978	15.6	56,897	15.1	12,919	29.4	61,421	15.2
Precision Machinery	73,606	26.1	111,503	29.6	37,897	51.5	106,085	26.3
Construction Machinery	68,370	24.2	99,307	26.4	30,936	45.2	100,531	24.9
Industrial Machinery	43,055	15.2	48,349	12.9	5,294	12.3	59,834	14.8
Ships	3,559	1.3	13,141	3.5	9,583	269.3	4,290	1.1
Environmental Facilities & Plants	43,288	15.3	40,438	10.8	(2,850)	(6.6)	62,550	15.5
Other	6,491	2.3	6,410	1.7	(80)	(1.2)	8,726	2.2
Total	282,346	100.0	376,045	100.0	93,699	33.2	403,437	100.0

Sales

(Units: millions of yen)

Segments	Previous Third Quarter April 1, 2009, to December 31, 2009		Third Quarter April 1, 2010, to December 31, 2010		Y / Y Change		Previous Fiscal Year April 1, 2009, to March 31, 2010	
	Amount	%	Amount	%	Amount	%	Amount	%
Machinery Components	51,644	14.4	54,118	14.7	2,474	4.8	69,040	13.4
Precision Machinery	69,208	19.2	91,854	24.9	22,646	32.7	105,191	20.4
Construction Machinery	71,408	19.9	93,200	25.2	21,792	30.5	102,650	19.9
Industrial Machinery	65,360	18.2	45,786	12.4	(19,574)	(29.9)	85,637	16.6
Ships	42,563	11.8	30,119	8.2	(12,444)	(29.2)	62,927	12.2
Environmental Facilities & Plants	52,814	14.7	48,109	13.0	(4,705)	(8.9)	81,884	15.8
Other	6,418	1.8	6,010	1.6	(408)	(6.4)	8,835	1.7
Total	359,414	100.0	369,196	100.0	9,781	2.7	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 Third Quarter As of December 31, 2010		Change		End of Previous Third Quarter As of December 31, 2009	
	Amount	%	Amount	%	Amount	%	Amount	%
Machinery Components	18,080	4.8	20,860	5.4	2,779	15.4	18,361	4.4
Precision Machinery	47,044	12.5	66,693	17.4	19,649	41.8	51,171	12.3
Construction Machinery	13,468	3.6	19,574	5.1	6,106	45.3	12,389	3.0
Industrial Machinery	78,813	20.9	81,375	21.2	2,562	3.3	83,742	20.2
Ships	142,720	37.9	125,743	32.8	(16,977)	(11.9)	162,353	39.2
Environmental Facilities & Plants	75,130	19.9	67,459	17.6	(7,671)	(10.2)	84,938	20.5
Other	1,619	0.4	2,019	0.5	401	24.8	1,801	0.4
Total	376,874	100.0	383,723	100.0	6,849	1.8	414,755	100.0