

Sumitomo Heavy Industries, Ltd.

FIRST QUARTER CONSOLIDATED FINANCIAL REPORT

For the Three-Month Period from April 1 to June 30, 2013

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 First Quarter Ended June 30, 2013
 Presented July 31, 2013

Sumitomo Heavy Industries, Ltd.

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Scheduled reporting date for quarterly report	August 7, 2013
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 2013 First Quarter Consolidated Results (April 1, 2013, to June 30, 2013)

(1) Business Results

(Units: millions of yen)

	First Quarter April 1 to June 30, 2013		Previous First Quarter April 1 to June 30, 2012	
		% change		% change
Net sales	120,057	(17.9)	146,299	6.1
Operating income	1,341	(84.8)	8,844	(12.4)
Ordinary income	2,074	(77.5)	9,220	(4.3)
Net income	600	(88.6)	5,276	52.3
Net income per share (yen)	0.98		8.60	
Fully diluted net income per share (yen)	—		—	

Note: Comprehensive income

Fiscal quarter ended June 30, 2013: 9,693 million yen (13.2%)

Fiscal quarter ended June 30, 2012: 8,560 million yen (28.8%)

(2) Financial Position

(Units: millions of yen)

	End of First Quarter As of June 30, 2013	End of Previous Full Year As of March 31, 2013
Total assets	642,469	647,724
Total net assets	300,049	292,826
Equity ratio (%)	46.0	44.6

Reference: Equity

Fiscal quarter ended June 30, 2013: 295,668 million yen

Fiscal year ended March 31, 2013: 288,849 million yen

2. Dividends

(Units: yen)

	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2014 (forecast)
Annual dividends per share			
First quarter	—	—	
Second quarter	4.00		3.00
Third quarter	—		—
End of term	4.00		3.00
Annual dividends	8.00		6.00

Note: Changes from the most recent dividend forecast: None

3. FY 2013 Consolidated Forecasts (April 1, 2013, to March 31, 2014)

(Units: millions of yen)

	Second Quarter (Cumulative) April 1, 2013, to September 30, 2013		Full Year April 1, 2013, to March 31, 2014	
		% change		% change
Net sales	275,000	(6.2)	600,000	2.4
Operating income	7,000	(59.8)	30,000	(4.1)
Ordinary income	6,000	(63.8)	26,000	(16.1)
Net income	2,000	(79.7)	14,000	138.7
Projected net income per share (yen)	3.26		22.81	

Note: Changes from the most recent consolidated forecast: None

Additional Notes

- (1) Transfers of important subsidiaries during the fiscal period (moves of specific subsidiaries due to change in scope of consolidation): None
 Newly consolidated: None
 Excluded from consolidation: None
- (2) Special accounting measures applied in the quarterly consolidated financial report: None
- (3) Changes to accounting policies, changes to accounting estimates, and restatements
- (i) Changes to accounting policies resulting from revisions to accounting standards, etc.: None
 - (ii) Changes other than (i): None
 - (iii) Changes to accounting estimates: None
 - (iv) Restatements: None
- (4) Number of shares issued (common shares)
- (i) Number of shares issued at end of fiscal period (including treasury stock):

As of June 30, 2013	614,527,405 shares
As of March 31, 2013	614,527,405 shares
 - (ii) Amount of treasury stock at end of fiscal period

As of June 30, 2013	874,342 shares
As of March 31, 2013	857,899 shares
 - (iii) Average number of shares during fiscal period (cumulative quarterly period)

As of June 30, 2013	613,657,498 shares
As of June 30, 2012	613,714,527 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

Earnings forecasts and outlooks concerning future financial results are believed to be reasonable based on information available at the time of publication. Actual financial results may vary from the above forecast and outlook because of 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 earnings forecasts, please see the *Explanation of the Consolidated Earnings Forecast and Other Forward-Looking Estimates* in the *Supplementary Materials* on page 8.

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1. Qualitative Information regarding Current Quarterly Consolidated Business Performance

(1) Explanation of Business Performance

The Japanese economy in the first quarter of the fiscal year under review remained unstable, as on one hand, there were signs of optimism mainly because of the correction of the strong Japanese yen, whereas on the other, the level of capital investment remained weak. Outside Japan, overall conditions remained uncertain, as any economic recovery seen in portions of the U.S. market was dragged down by continuing stagnation in the eurozone and the slumping Chinese economy.

Set against this economic backdrop, the Group focused on implementing structural reforms that aimed to improve profitability, and executed strategies to increase competitiveness. As a result, orders increased across all segments of the Group to end at JPY151.1 billion, a 22% gain as compared to the same period last year (hereinafter referred to as the "previous term"). In terms of sales, the Group posted figures that were weaker than those of the previous term, with the exception of the Machinery Components, Construction Machinery, and Other segments. In actual figures, sales totaled JPY120.1 billion, an 18% decrease as compared to the previous term.

Turning to income, the impact of the fall in sales resulted in the Group posting an operating income figure of JPY1.3 billion, an 85% decline as compared to the previous term, and ordinary income of JPY2.1 billion, a 78% decline as compared to the previous term. Quarterly net income also fell 89% as compared to the previous term to finish at JPY600 million.

Conditions in each business segment of the Group were as follows:

1. Machinery Components

In overseas markets, although conditions in the eurozone remained quite weak, other regional markets showed signs of growth, and as a result, there was a rise in both orders and sales as compared to the previous term. In actual figures, the segment received orders worth JPY23.8 billion, a 3% gain as compared to the previous term, and posted sales of JPY21.7 billion, a 2% gain as compared to the previous term. Further, the segment posted an operating income of JPY800 million.

2. Precision Machinery

With respect to plastics machinery, there was an increase in IT-related demand, and as a result, orders increased while sales fell. In other product areas, although demand for the segment's semiconductor-related products was weak, the overall segment was able to post an increase in orders while sales fell. In actual figures, the segment received orders worth JPY29.7 billion, a gain of 1% as compared to the previous term, and posted sales of JPY27.2 billion, a decrease of 14% as compared to the previous term. Further, the segment posted operating income of JPY400 million.

3. Construction Machinery

The hydraulic excavator business saw an increase in orders from domestic market as compared to the previous term. However, sales figures fell for this product line. The mobile crane business posted gains in both orders and sales as North American markets continued to show signs of recovery. As a result, the segment as a whole received orders worth JPY50.8 billion, a gain of 30% as compared to the previous term, and posted sales of JPY39.9 billion, a gain of 2% as compared to the previous term. Further, the segment posted operating income of JPY1.6 billion.

4. Industrial Machinery

Orders for turbines and pumps as well as material handling products increased as compared to the previous term, mainly because of a rise in exports, a consequence of the weaker Japanese yen. On the other hand, sales fell as compared to the previous term because of the low balance of orders carried over from previous years. In actual figures, the segment received orders worth JPY21.2 billion, a gain of 21% as compared to the previous term, and posted sales of JPY15.4 billion, a decrease of 31% from the previous term. Further, the segment posted operating income of JPY100 million.

5. Ships

The segment received orders for two new vessels during the period under review, an improvement as compared to the previous term, during which no orders were received. With regard to sales, one vessel was handed over during the period under review, which is one vessel fewer as compared to the previous term. In actual figures, the segment received orders worth JPY9.2 billion, a gain of 379% as compared to the previous term, and posted sales of JPY2.9 billion, a decrease of 83% as compared to the previous term. Further, the segment posted an operating loss of JPY1.0 billion.

6. Environmental Facilities & Plants

Orders for the overall segment rose as the increase in orders for the water treatment plant business outstripped the fall in orders in the energy plant business. On the other hand, sales fell as compared to the previous term because of the low balance of orders carried over from previous years. In actual figures, the segment received orders worth JPY12.4 billion, a gain of 12% as compared to the previous term, and posted sales of JPY10.6 billion, a decrease of 20% as compared to the previous term. Further, the segment posted an operating loss of JPY1.2 billion.

7. Other

In this segment, both orders and sales figures rose as compared to the previous term. In actual figures, the segment received orders worth JPY4.1 billion, a gain of 94% as compared to the previous term, and posted sales of JPY2.3 billion, a gain of 28% as compared to the previous term. Further, the segment posted operating income of JPY500 million.

(2) Explanation of the Group's Consolidated Financial Position

1. Condition of Assets, Liabilities, and Net Assets

Total assets at the end of the quarter under review (ended June 30, 2013) amounted to JPY642.5 billion, a decrease of JPY5.3 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to the JPY7.3 billion decrease in cash and deposits, and the JPY24.7 billion decrease in trade notes and accounts receivable outstripping the JPY20.0 billion increase in inventory assets.

Total liabilities fell to JPY342.4 billion, a decrease of JPY12.5 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to the JPY3.9 billion decrease in trade notes and accounts payable, and the JPY12.0 billion decrease in the balance of interest-bearing liabilities, exceeding the JPY8.0 billion increase in advances received.

Net assets amounted to JPY300.0 billion, an increase of JPY7.2 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to the JPY8.2 billion increase in the foreign currency translation adjustment.

As a result of the above, the equity ratio improved by 1.4% from the end of the previous consolidated fiscal year to finish at 46.0%.

2. Cash Flow Condition

Cash flow from operating activities totaled JPY12.7 billion, as compared to an outflow of JPY1.1 billion in the previous term, mainly because of an increase in trade receivables and a decrease in inventory assets.

Cash flow used for investing activities totaled JPY3.3 billion, a decrease of JPY600 million as compared to the previous term. This was mainly due to a decrease in the cash used to acquire fixed assets.

Cash used for financing activities totaled JPY18.9 billion, an increase of JPY3.9 billion as compared to the previous term. This was mainly due to the repayment of interest-bearing liabilities.

As a result of the foregoing, the balance of cash and cash equivalents at the end of the first quarter of the current consolidated fiscal year totaled JPY38.5 billion, a decrease of JPY8.0 billion as compared to the end of the previous consolidated fiscal year.

(3) Explanation of the Consolidated Earnings Forecast and Other Forward-Looking Estimates

No revisions have been made to the consolidated earnings forecast for the fiscal year ending March 31, 2014, which was published along with the earnings summary on May 8, 2013.

From the second quarter of the current consolidated fiscal year, the following currency exchange rates are being assumed: USD1 = JPY95; EUR1 = JPY125.

2. Notes regarding Summarized Information (Other)**(1) Changes Involving Important Subsidiaries during the Current Consolidated Year-to-Date Quarterly Period**

There are no applicable items.

(2) Special Accounting Procedures Adopted during the Development of the Quarterly Consolidated Financial Report

There are no applicable items.

(3) Changes to Accounting Policies, Changes to Accounting Estimates, and Restatements

There are no applicable items.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Units: millions of yen)

	End of Previous Fiscal Year As of March 31, 2013	End of First Quarter As of June 30, 2013
	Amount	Amount
Assets		
Cash and deposits	47,814	40,563
Notes and accounts receivable	173,300	148,634
Inventory assets	139,217	159,264
Other	27,414	28,454
Allowance for doubtful accounts	(1,117)	(1,023)
Current assets	386,628	375,892
Land	108,033	108,276
Other (net)	102,619	105,397
Total tangible assets	210,652	213,673
Other	7,765	8,226
Total intangible assets	7,765	8,226
Other	44,497	46,364
Allowance for doubtful accounts	(1,817)	(1,686)
Investments and other assets	42,679	44,678
Fixed assets	261,096	266,577
Total assets	647,724	642,469

(Units: millions of yen)

	End of Previous Fiscal Year As of March 31, 2013	End of First Quarter As of June 30, 2013
	Amount	Amount
Liabilities		
Notes and accounts payable	113,575	109,663
Short-term bank loans	48,032	46,216
Long-term loans due within one year	1,245	7,335
Commercial paper	10,000	—
Allowance	7,294	7,357
Other	62,870	66,227
Current liabilities	243,014	236,798
Bonds	10,000	10,000
Long-term debt due after one year	29,270	22,957
Employees' severance and retirement benefits	39,169	39,772
Allowance	48	45
Deferred income taxes on revaluation	24,608	24,608
Other	8,789	8,239
Long-term liabilities	111,883	105,622
Total liabilities	354,898	342,420
Net assets		
Common stock	30,872	30,872
Capital surplus	23,789	23,789
Retained earnings	207,580	205,725
Treasury stock	(455)	(462)
Stockholders' equity	261,786	259,924
Unrealized gains on securities	2,694	3,459
Profit (loss) on deferred hedge	(562)	(416)
Adjustment regarding pension obligations of consolidated overseas subsidiaries	(3,808)	(4,218)
Revaluation reserve for land	38,197	38,197
Foreign currency translation adjustments	(9,458)	(1,279)
Total accumulated other comprehensive income	27,064	35,744
Minority interests	3,977	4,380
Total net assets	292,826	300,049
Liabilities and net assets	647,724	642,469

(2) Consolidated Income Statements and Consolidated Statement of Comprehensive Income
Consolidated Income Statements

(Units: millions of yen)

	Previous First Quarter April 1, 2012, to June 30, 2012	Present First Quarter April 1, 2013, to June 30, 2013
	Amount	Amount
Net sales	146,299	120,057
Cost of sales	115,200	95,307
Gross income	31,099	24,750
Selling, general & administrative expenses	22,255	23,409
Operating income	8,844	1,341
Non-operating income		
Interest income	80	53
Dividend income	578	575
Other	899	1,455
Total non-operating income	1,556	2,082
Non-operating expenses		
Interest expense	498	533
Other	682	817
Total non-operating expenses	1,180	1,350
Ordinary income	9,220	2,074
Extraordinary losses		
Loss on impaired assets	—	34
Loss on devaluation of marketable securities	580	—
Total extraordinary losses	580	34
Income before income taxes	8,640	2,039
Corporate income taxes	3,265	1,343
Quarterly net income before income or loss adjustments on minority interests	5,376	696
Minority interests	100	96
Net income	5,276	600

Consolidated Statement of Comprehensive Income

(Units: millions of yen)

	Previous First Quarter April 1, 2012, to June 30, 2012	Present First Quarter April 1, 2013, to June 30, 2013
	Amount	Amount
Net income before adjusting for profit (loss) from minority interests	5,376	696
Other comprehensive income		
Unrealized gains on securities	(929)	765
Profit (loss) on deferred hedge	315	153
Adjustment regarding pension obligations of consolidated overseas subsidiaries	(203)	(410)
Foreign currency translation adjustments	3,995	8,496
Amount applied for equity method accounting of affiliates	6	(7)
Total other comprehensive income	3,184	8,997
Comprehensive income	8,560	9,693
(Breakdown)		
Comprehensive income relating to parent company shareholdings	8,271	9,280
Comprehensive income relating to minority interests	289	412

(3) Notes regarding Consolidated Quarterly Financial Statements
(Notes on Premise of a Going Concern)

There are no applicable items.

(Notes regarding Significant Fluctuations to Shareholders' Equity)

There are no applicable items.

(Subsequent Events of Significant Importance)

There are no applicable items.

4. Supplementary Information

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

Orders Received

(Units: millions of yen)

Segment	April 1, 2012, to June 30, 2012	April 1, 2013, to June 30, 2013	Y/Y Change	
	Amount	Amount	Amount	%
Machinery Components	23,174	23,772	598	2.6
Precision Machinery	29,440	29,702	262	0.9
Construction Machinery	39,115	50,766	11,651	29.8
Industrial Machinery	17,548	21,186	3,639	20.7
Ships	1,923	9,215	7,292	379.2
Environmental Facilities & Plants	11,037	12,374	1,337	12.1
Other	2,107	4,094	1,987	94.3
Total	124,344	151,109	26,765	21.5

Sales and Operational Profit

(Units: millions of yen)

Segment	April 1, 2012, to June 30, 2012		April 1, 2013, to June 30, 2013		Y/Y Change	
	Sales	Operational Profit	Sales	Operational Profit	Sales	Operational Profit
Machinery Components	21,161	(128)	21,690	766	529	894
Precision Machinery	31,741	2,622	27,235	365	(4,506)	(2,257)
Construction Machinery	39,066	1,802	39,921	1,626	855	(176)
Industrial Machinery	22,098	1,067	15,352	125	(6,747)	(943)
Ships	17,161	3,182	2,906	(956)	(14,255)	(4,137)
Environmental Facilities & Plants	13,240	40	10,608	(1,194)	(2,632)	(1,234)
Other	—	264	2,345	525	514	261
Adjustments	1,831	(5)	—	84	—	90
Total	146,299	8,844	120,057	1,341	(26,241)	(7,503)

Balance of Orders Received

(Units: millions of yen)

Segment	End of Previous Fiscal Year As of March 31, 2013	End of First Quarter As of June 30, 2013	Change	
	Amount	Amount	Amount	%
Machinery Components	28,841	30,923	2,082	7.2
Precision Machinery	40,587	43,054	2,467	6.1
Construction Machinery	25,862	36,707	10,845	41.9
Industrial Machinery	77,686	83,520	5,834	7.5
Ships	10,796	17,105	6,309	58.4
Environmental Facilities & Plants	87,789	89,554	1,765	2.0
Other	1,836	3,586	1,749	95.3
Total	273,397	304,450	31,052	11.4

The Group's operating segments are categorized as follows:

Please note that on April 1, 2013, Sumitomo Heavy Industries Techno-Fort Co., Ltd. was merged into the Group by absorption and integrated into the Group's quantum equipment business. As a result, ion accelerators, medical machines and equipment and plasma coating systems for FPDs, which were previously categorized under the Precision Machinery segment, will now be categorized under the Industrial Machinery segment as of the beginning of the current consolidated fiscal year. Any segment information published during the current consolidated fiscal year will therefore reflect these new product classifications.

Businesses	Main Products
Machinery Components	Power transmission and control
Precision Machinery	Plastic injection molding machines, film forming machines, semiconductor production equipment, laser processing systems, cryocoolers, precision positioning equipment, precision forgings, control components, defense equipment, machining tools
Construction Machinery	Hydraulic excavators, mobile cranes, road machinery
Industrial Machinery	Ion accelerators, medical machines and equipment, plasma coating systems for FPDs, forging machines, material handling systems, logistics systems, automated parking systems, turbines, pumps
Ships	Ships
Environmental Facilities & Plants	Private power generation facilities, boilers, industrial waste treatment facilities, air pollution control equipment, water and sewage treatment systems, process equipment, pressure vessels, agitation tanks, air-conditioning equipment, food processing machinery

(2) (Summary) Consolidated Cash Flows Statement

(Units: millions of yen)

	Previous First Quarter April 1, 2012, to June 30, 2012	Present First Quarter April 1, 2013, to June 30, 2013	Y/Y Change
Income before income taxes	8,640	2,039	(6,601)
Depreciation	4,160	4,278	118
(Increase) decrease in notes and accounts receivable	11,273	35,464	24,192
(Increase) decrease in inventories	(4,098)	(14,154)	(10,056)
Increase (decrease) in notes and accounts payable	(8,720)	(6,996)	1,724
Payments for income taxes	(10,673)	(3,583)	7,090
Other	(1,725)	(4,337)	(2,612)
Net cash provided by operating activities	(1,143)	12,711	13,855
Payments for purchases of property, plant, and equipment	(4,666)	(3,967)	699
Proceeds from sale of securities	281	693	412
Other	567	19	(548)
Net cash used in investing activities	(3,818)	(3,256)	563
Net increase (decrease) in short-term loans	(10,724)	(16,277)	(5,553)
Cash dividends paid	(3,266)	(2,166)	1,100
Other	(968)	(457)	511
Net cash used in financing activities	(14,959)	(18,900)	(3,941)
Other	1,549	1,436	(113)
Cash and cash equivalents at beginning of period	72,376	46,476	(25,900)
Cash and cash equivalents at end of period	54,004	38,467	(15,537)