

Part 1: Second Quarter Fiscal Summary and Projections for FY2009

Sumitomo Heavy Industries, Ltd.

FY2009 Second Quarter Performance Summary

■ Points

(1) Orders received

- Significant reduction in comparison with the same period of the previous year
- Mass-produced machinery reached the lowest point during the second half of FY2008 and turned around to maintain an upward trend

(2) Sales

- Reduction of sales in comparison with the same period the previous year, reflecting a reduction in the amount of orders received
- Decreases in the sales of mass-produced machinery; however, this decline is believed to have reached its lowest point

(3) Operating income

- Significant reduction is expected in comparison with the same period of the previous year; however, it is expected to be better than the projected figure due to cost reductions

(4) Net income

- Improvement in operating income restored profitability

Unit: JPY billion

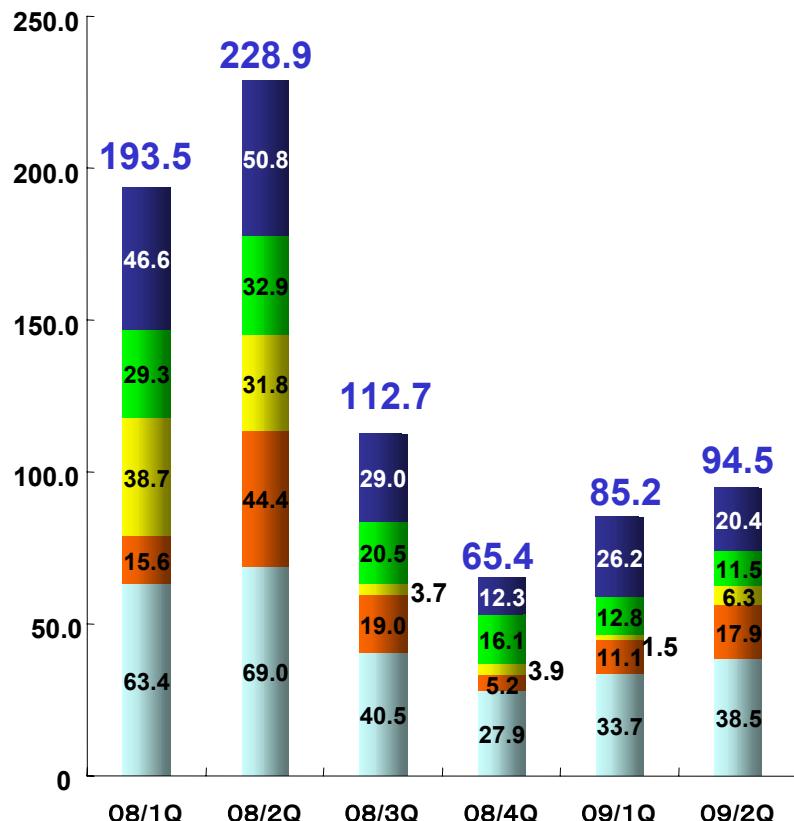
	2009 / 1H	2008 / 1H	Change
Orders received	179.7	422.5	(242.8)
Sales	251.7	340.8	(89.1)
Operating income	8.2	34.4	(26.1)
Operating income ratio	3.3%	10.1%	(6.8%)
Ordinary income	7.3	34.0	(26.7)
Ordinary income ratio	2.9%	10.0%	(7.1%)
Extraordinary income or loss	(0.2)	(0.2)	(0)
Net income	1.3	19.8	(18.5)
Net income rate	0.5%	5.8%	(5.3%)

Quarterly Transition of Orders Received and Sales

Unit: JPY billion

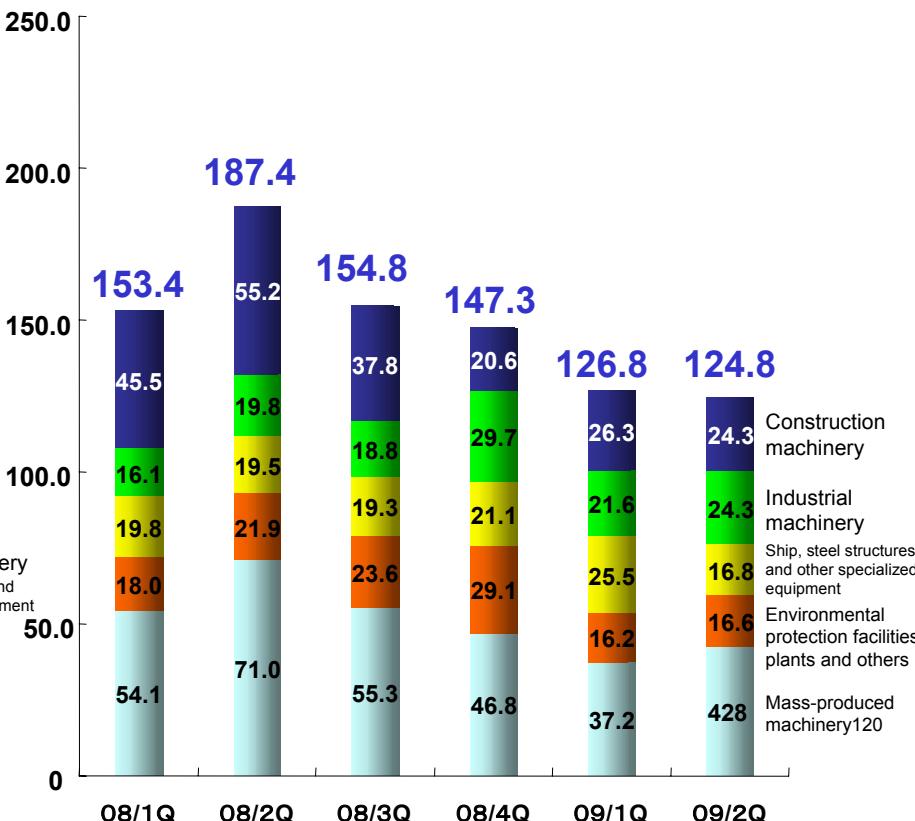
Orders received

The amount of orders received hit bottom during the fourth quarter of FY2008 and has since been in a recovering trend; however, figures continue to hover at low levels.



Sales

Sales hit bottom from the first to the second quarter of FY2009.



Construction
machinery
Industrial
machinery
Ship, steel structures
and other specialized
equipment
Environmental
protection facilities,
plants and others
Mass-produced
machinery

Operating Income by Segment

■ Mass-produced machinery

The performance for the half-year period was in the red; however, recovery was made in the second quarter, helped in part by the impact of a reduction in fixed costs and expenses. Reduction gears and plastics have both made recoveries.

■ Environmental protection facilities, plants and others

Revenue has decreased due to a reduction in the amount of sales; however, cost reductions brought about improvements over the projected figures.

■ Ship, steel structures and other specialized equipment

Rising raw materials costs and fluctuations in currency exchange rates caused a reduction in revenue; however, figures are better than the projected figures due to cost reductions.

■ Industrial machinery

Increased sales and cost reductions brought about improvements over projected figures.

■ Construction machinery

Hydraulic excavators have been in a recovery trend since the fourth quarter of the previous year.

Mobile cranes in the United States, on the other hand, are experiencing deteriorating market conditions.

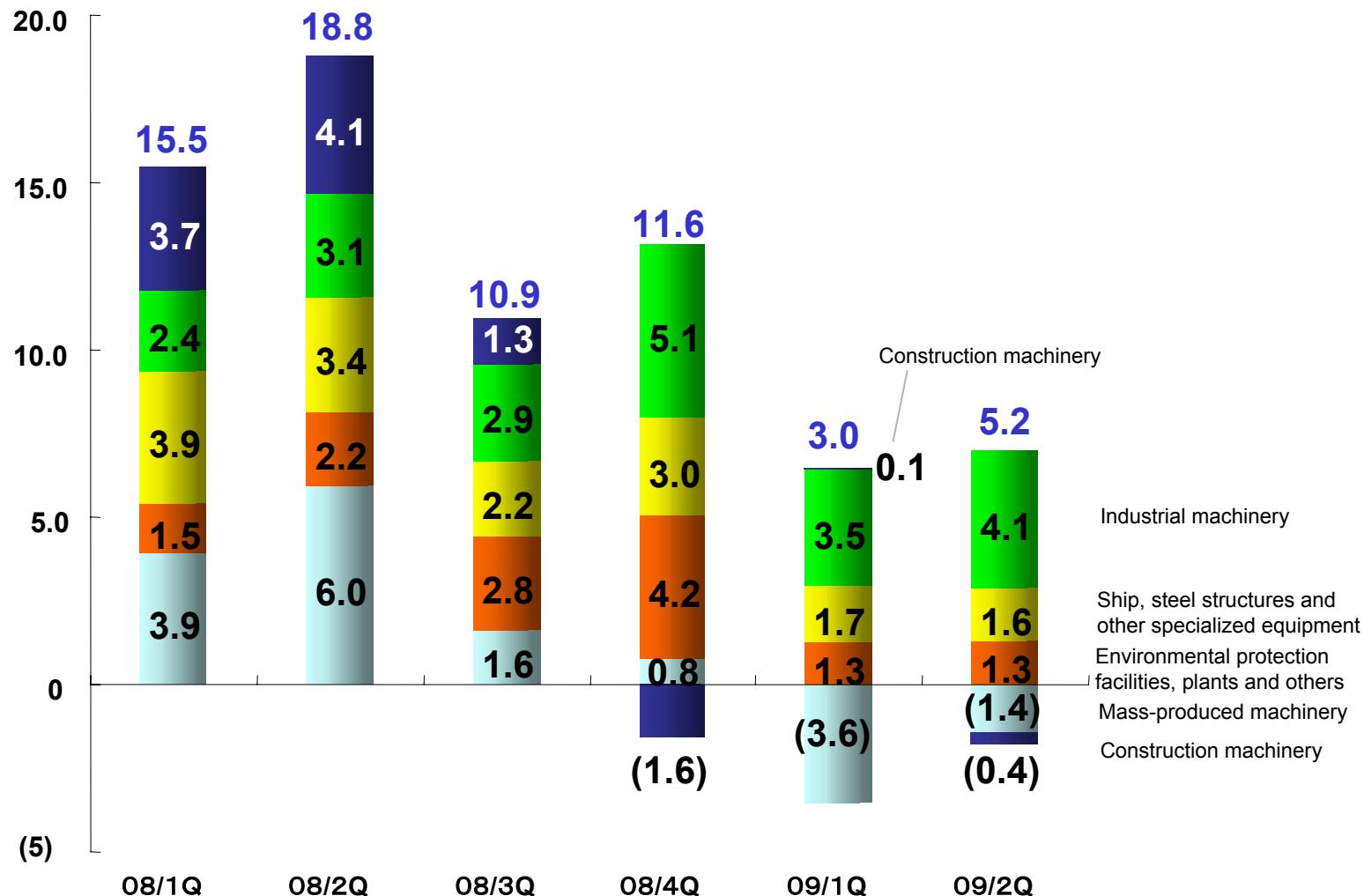
Unit: JPY billion

	FY2009 / 1H	FY2008 / 1H	Change
Mass-produced machinery	(5.0)	9.9	(14.9)
Environmental protection facilities, plants and others	2.6	3.7	(1.1)
Ship, steel structures and other specialized equipment	3.2	7.3	(4.1)
Industrial machinery	7.6	5.5	2.0
Construction machinery	(0.3)	7.8	(8.1)
Total	8.2	34.4	(26.1)

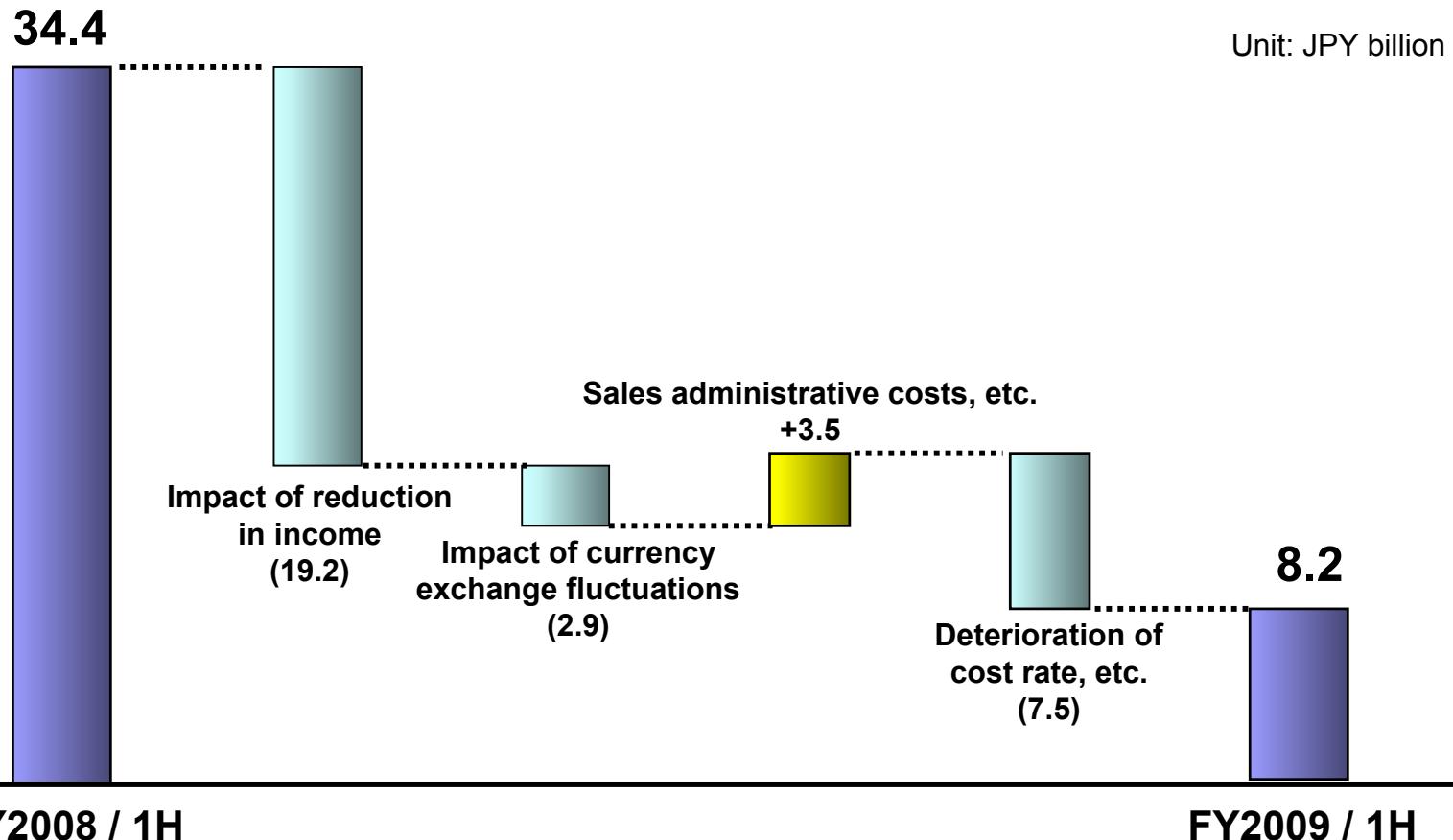
Quarterly Transition of Operating Income

The amount of orders received hit bottom during the first quarter of FY2009 and has since been in a recovery trend; however, figures continue to hover at low levels.

Unit: JPY billion



Operating Income Change Analysis (FY2008 / 1H to FY2009 / 1H)



Consolidated Balance Sheet

Unit: JPY billion

	September FY2009	March FY2009	Change		September FY2009	March FY2009	Change
Current assets	323.6	380.3	(56.7)	Liabilities	357.4	418.7	(61.3)
Cash and deposits	42.9	44.7	(1.8)	Notes and accounts payable	96.5	136.1	(39.6)
Notes and accounts receivable	116.3	155.7	(39.4)	Advance payments	46.7	50.0	(3.3)
Inventories	140.3	149.4	(9.1)	Interest-bearing debts	96.9	110.3	(13.4)
Others	24.1	30.6	(6.5)	Others	117.4	122.3	(5.0)
Fixed assets	278.1	277.1	1.0	Stockholders' equity	244.2	238.7	5.5
Tangible assets	222.9	214.0	8.8	Paid-in capital	199.9	198.6	1.3
Intangible assets	7.1	6.4	0.7	Variations in estimates and exchanges	34.7	30.0	4.7
Investments and other assets	48.1	56.7	(8.6)	Minority interests	9.7	10.1	(0.4)
Total	601.7	657.4	(55.7)	Total	601.7	657.4	(55.7)
				Ratio of net interest-bearing debts	9.0%	10.0%	(1.0%)
				Stockholders' equity ratio	39.0%	34.8%	4.2%

Consolidated Cash Flow Statement

Category	Unit: JPY billion		
	FY2009 / 1H	FY2008 / 1H	Change
Operating activities	23.2	28.3	(5.1)
Operating income before interest payments	17.2	42.2	(25.4)
Working capital	7.3	3.2	4.1
Other	(1.3)	(17.1)	16.2
Investing activities	(9.3)	(14.0)	4.7
Free cash flow	13.9	14.3	(0.4)
Financing activities	(17.1)	(10.0)	(7.1)
Net (increase) decrease in cash and cash equivalents	(2.3)	3.9	(6.2)
Cash and cash equivalents at end of fiscal term	42.1	33.8	8.3

Performance Forecasts for FY2009 by Segment

■ Points:

(1) Amount of orders hit bottom during 2H of FY2008. This trend leveled off during 1H of FY2009 and recovery started towards 2H.

(2) Sales hit bottom during 1H of FY2009. Recovery started towards 2H.

(3) Improvement of revenue for mass-produced machinery and construction machinery is crucial for improvement of operating income.

Unit: JPY billion

		Record for FY2008 / 2H	Record for FY2009 / 1H	Forecast for FY2009 / 2H	Forecast for FY2009	Record for FY2008
Mass-produced machinery	Orders received	68.4	72.2	92.8	165.0	200.8
	Sales	102.1	80.1	90.9	171.0	227.2
	Operating income	2.4	(5.0)	0.0	(5.0)	12.3
Environmental protection facilities, plants and others	Orders received	24.2	29.0	41.0	70.0	84.2
	Sales	52.7	32.8	47.2	80.0	92.6
	Operating income	7.0	2.6	4.9	7.5	10.7
Ship, steel structures and other specialized equipment	Orders received	7.6	7.7	7.3	15.0	78.1
	Sales	40.4	42.3	35.7	78.0	79.6
	Operating income	5.2	3.2	2.3	5.5	12.6
Industrial machinery	Orders received	36.6	24.2	45.8	70.0	98.8
	Sales	48.5	45.8	44.2	90.0	84.3
	Operating income	8.1	7.6	3.9	11.5	13.6
Construction machinery	Orders received	41.3	46.6	53.4	100.0	138.8
	Sales	58.5	50.6	50.4	101.0	159.2
	Operating income	(0.2)	(0.3)	(0.2)	(0.5)	7.5
Total	Orders received	178.2	179.7	240.3	420.0	600.7
	Sales	302.1	251.7	268.3	520.0	642.9
	Operating income	22.6	8.2	10.8	19.0	56.9

Performance Forecast for FY2009

■ Points:

- (1) Recovery projected for orders received in 2H.
- (2) Projected operating income for the fiscal year is favorable due to an improved operating income for 1H.
- (3) Dividends for the fiscal period expected to be JPY3 due to a favorable forecast net income for the fiscal year.

Unit: JPY billion

	Record for FY2009 / 1H	Forecast for FY2009 / 2H	Forecast for FY2009	Record for FY2008
Orders received	179.7	240.3	420.0	600.7
Sales	251.7	268.3	520.0	642.9
Operating income	8.2	10.8	19.0	56.9
Operating income ratio	3.3%	4.0%	3.7%	8.9%
Ordinary income	7.3	8.7	16.0	50.3
Ordinary income ratio	2.9%	3.2%	3.1%	7.8%
Extraordinary income or loss	(0.2)	-	(0.2)	(16.5)
Current net income	1.3	3.7	5.0	13.6
Current net income ratio	0.5%	1.4%	1.0%	2.1%
Dividends	JPY0	JPY3	JPY3	JPY6
Dividend payout ratio	-	-	36.2%	26.5%
ROIC (after tax)	-	-	3.2%	9.6%
Integrated exchange rate (US dollars)	JPY96	JPY90	-	JPY103

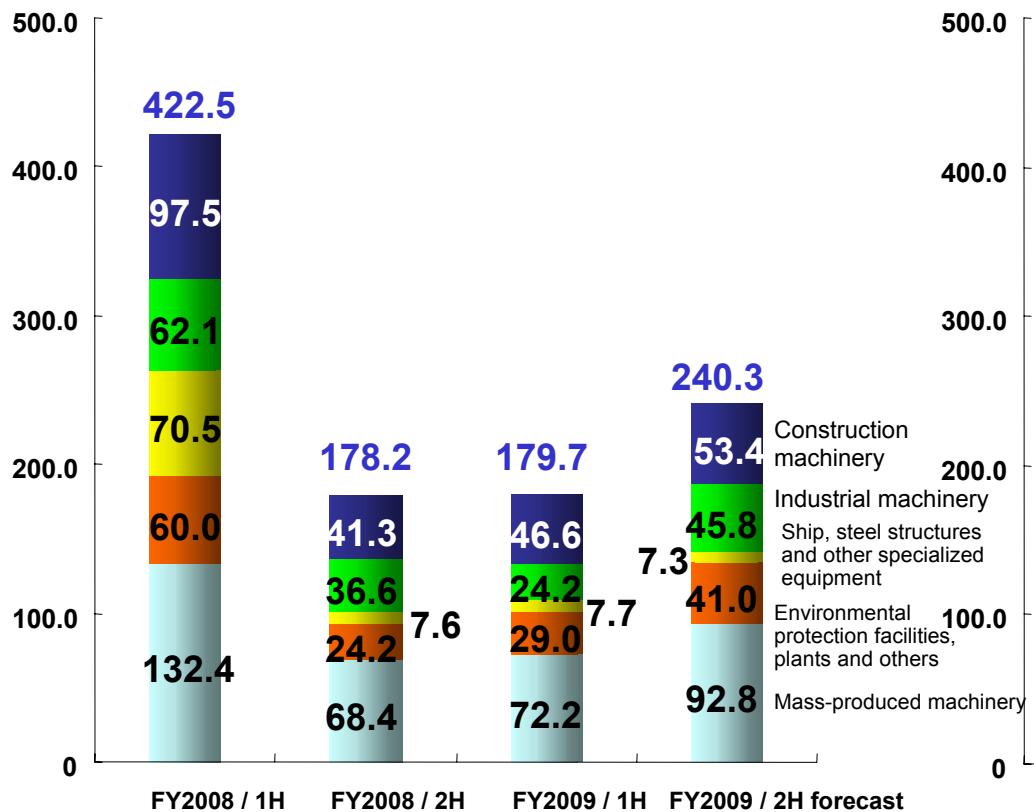
Part 2: Management Strategy

Semi-annual Transitions for Amount of Orders Received and Sales

Unit: JPY billion

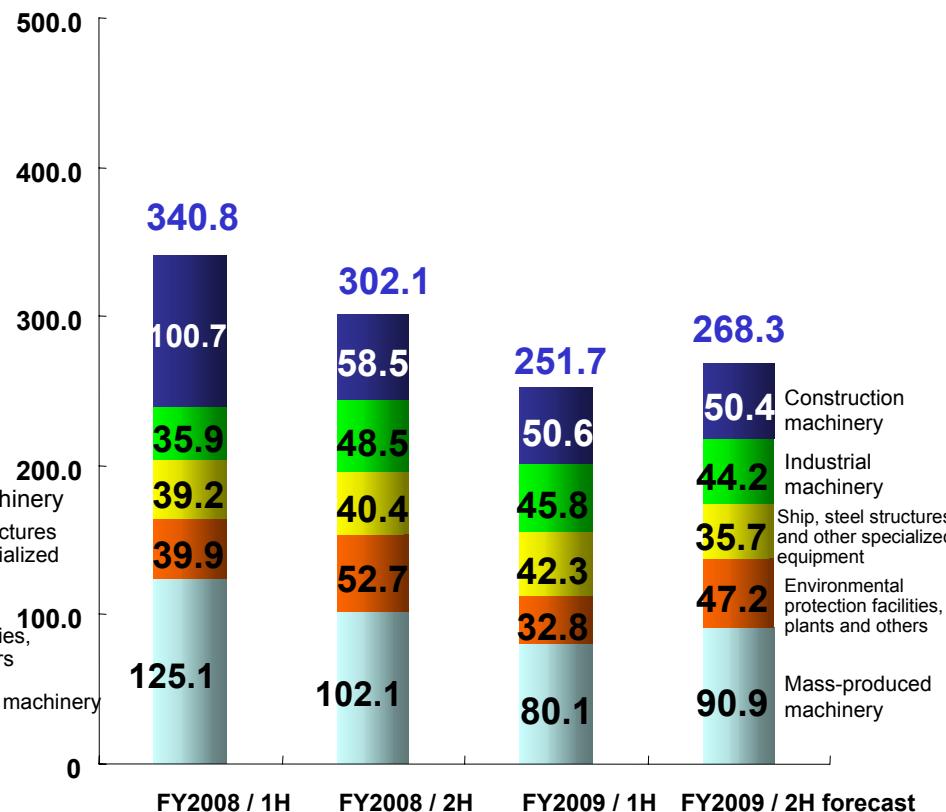
Amount of orders received

The amount of orders received hit bottom during the fourth quarter of FY2008 and has since been showing a recovering trend. This transition will continue to improve further in 2H of FY2009 but the level will still remain low.



Sales

The order-receiving status will reflect on the sales, which will gradually recover.



Order-Receiving Environment for FY2009 by Segment

- Overall level remains low for mass-produced machinery, although a steady recovery is shown.
- Heavy machinery continues to experience a severe order-receiving environment, due in part to the delays of major projects.

Unit: JPY billion

Segment		Order-receiving status	Amount of orders received for FY2009		
			Record for 1H	Forecast for 2H	Forecast for entire fiscal term
Mass-produced machinery	Power transmission and control	<ul style="list-style-type: none"> Severe order-receiving environment continues both in the domestic and overseas markets; however, the overall tendency is changing from leveling off to recovery. Infrastructure-related projects are starting overseas. 	29.4	36.1	65.5
	Plastic machinery	<ul style="list-style-type: none"> Potential business transactions are on the rise in Northern Asia but have leveled off in southern Asia. Potential business transactions are on the rise for OA communication equipment and electronic component fields. The automotive field is sluggish. Even though changes are gradual, signs of recovery are evident in Europe. 	17.3	19.7	37.0
	Precision control machinery, components and others	<ul style="list-style-type: none"> Steady growth overseas, primarily in Asia, for medical-related fields. Signs of challenges involving reviews and delays of facility investment plans are starting to become evident for liquid crystal displays and semiconductors. 	25.4	37.1	62.5
			Subtotal	72.2	92.8
				165.0	
Environmental facilities, plants and others		<ul style="list-style-type: none"> Severe order-receiving environment continues for boilers, although an order was received domestically in September. Number of orders received increased for water treatment systems, due to implementation of water and sewer treatment plants and facilities ahead of schedule. Demand for water treatment systems in the private sector are affected by some customer plans being postponed. 	29.0	41.0	70.0
Ship, steel structures and other specialized equipment		<ul style="list-style-type: none"> Ship repairs are steady but standby status to wait for changes continues for new ship building. Severe order-receiving environment continues for coke drums. 	7.7	7.3	15.0
Industrial machinery		<ul style="list-style-type: none"> Orders have been secured for turbines in North America and Southeast Asia. An order for a major project intended for EPC has been received for pumps. Major projects of customers for cranes, presses and steel manufacturing machinery-related businesses are being delayed. 	24.2	45.8	70.0
Construction machinery		<ul style="list-style-type: none"> Hydraulic excavators significantly exceeded plans in China, but this could not make up for reductions in Europe, the U.S., and Japan. Mobile cranes are expected to continue experiencing severe market conditions in the United States. 	46.6	53.4	100.0
			Total	179.7	240.3
				420.0	

Mass-produced Machinery

Power transmission equipment:

FY2009 / 1H: Transitioning with an upward trend since June. Some improving trends have been seen with medium-size products. Favorable performance continues with Seisa Gear, Ltd.

FY2009 / 2H: Performance of products intended for domestic markets is sluggish. Recovery is taking place gradually in Europe and the United States. Potential business transactions increased in parts of China and Southeast Asia. Expansion of sales in China is sought by getting the production at Tangshan plant under way.

Plastic machinery:

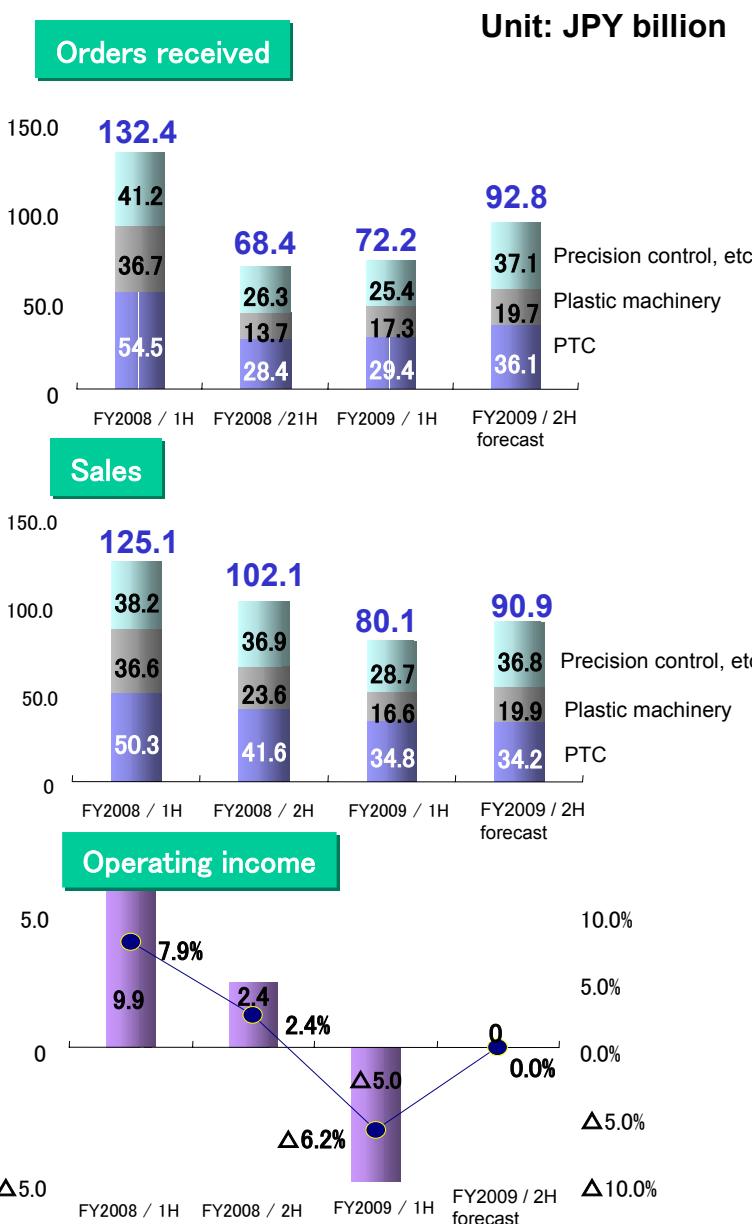
FY2009 / 1H: General demand from domestic manufacturers has been in an increasing trend since April. Potential business transactions are increasing in the OA communication equipment and electronic components field in northern Asia.

FY2009 / 2H: General demand of domestic manufacturers will level off at the current level for the time being. Further signs of recovery are seen in northern Asia, primarily in Korea, China and Taiwan. Some signs of recovery from the bottom are being seen in Europe.

Precision control machinery, components and others:

FY2009 / 1H: Order for a PET system has been received in China.

FY2009 / 2H: Continuation of investment plans for PET systems in China is expected. Proton cancer therapy system project starting to materialize. Increasing signs of market recovery have been seen for semiconductor-related businesses since the end of the first half of the fiscal year and the number of potential business transactions is on the rise.



Environmental Protection Facilities, Plants and Others

Energy plants:

FY2009 / 1H: Sluggish overall, although an order has been received in Japan for an industrial power generating boiler.

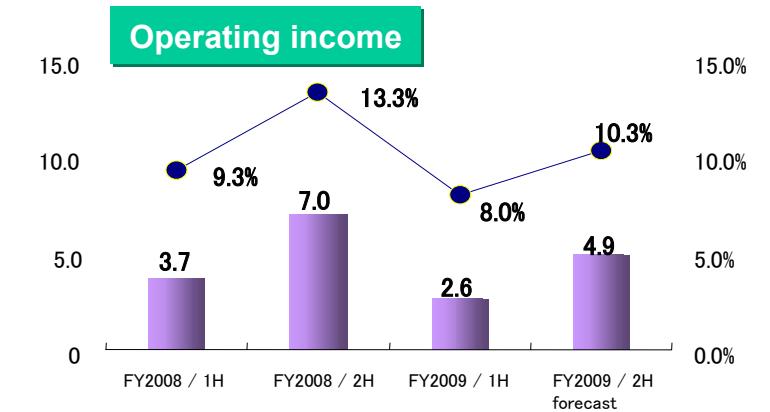
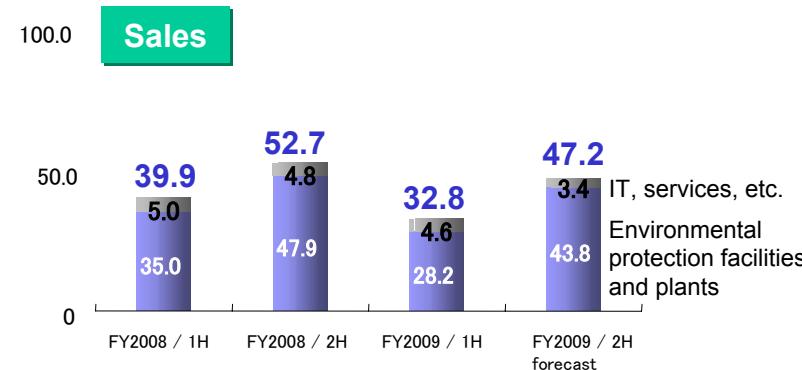
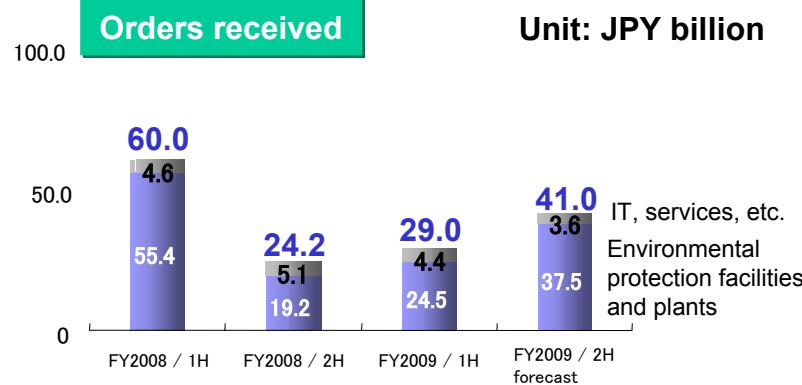
FY2009 / 2H: Sales operations are being enhanced in Southeast Asia with the aim of expanding sales.

Increased number of orders sought by further pursuit of domestic projects, as well as through development of projects for compact boilers.

Water treatment plants:

FY2009 / 1H: Increasing number of major projects in the private sector for sewage treatment facilities have been postponed to the second half of the fiscal year. Orders for public sector water and sewage treatment facilities have been implemented ahead of schedule, which resulted in the number of orders received exceeding the record for the previous year.

FY2009 / 2H: Concentrated efforts will be made on private sector projects. Development and sales expansions for unit equipment will also be promoted.



Ship, Steel Structures and Other Specialized Equipment

Ship:

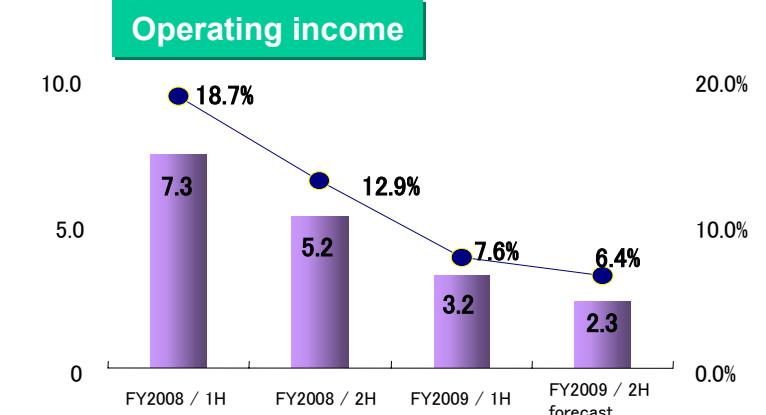
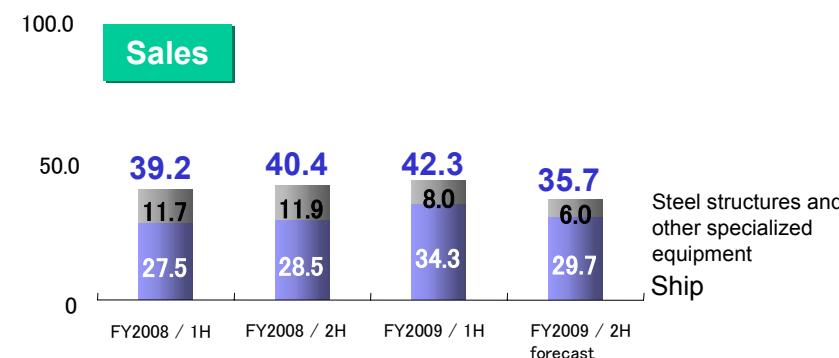
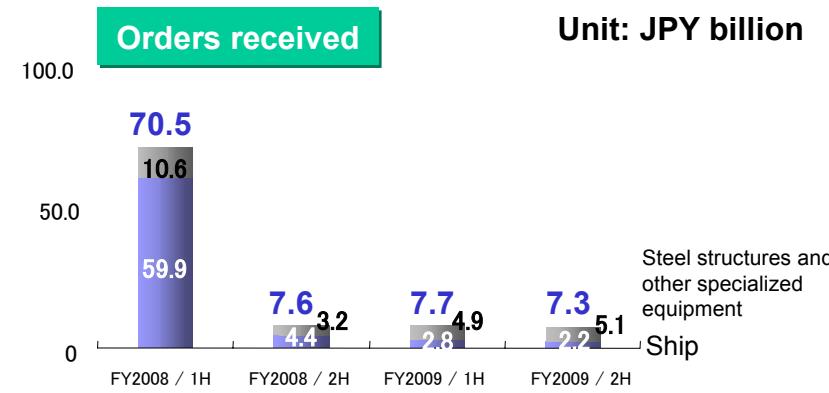
FY2009 / 1H: Ship owners continue to stand by waiting for changes, which resulted in zero for the number of orders received during the first half of the fiscal year. In terms of sales, five ships were sold, resulting in an increase by one ship over the previous term. Profit rates deteriorated due to the impact of rising raw materials costs and fluctuations in currency exchange rates. Steady performance was seen in terms of orders received for ship repairs.

FY2009 / 2H: Sales of four ships are planned for the term. Moderating raw materials cost rises are impacting the profit rate favorably.

Steel structures and other specialized equipment:

FY2009 / 1H: Some petroleum refinery projects have been restarted, resulting in orders received for coke drums. Amount of sales declined due to drastic drop in number of orders received during the previous term. Rising raw materials costs and fluctuating currency exchange rates have also made an impact.

FY2009 / 2H: Cautious investment planning by customers will lead to the continuation of severe conditions for orders received.



Industrial Machinery

Forging presses and steel manufacturing equipment:

FY2009 / 1H: Delays occurred with projects scheduled for the first half of the fiscal year, resulting in a significant drop in the amount of orders received from planned figures. Sales were steady due to the balance of orders received.

FY2009 / 2H: Efforts will be concentrated on the orders received that were postponed during the first half of the fiscal year. After-market business will be enhanced to secure orders.

Material handling systems:

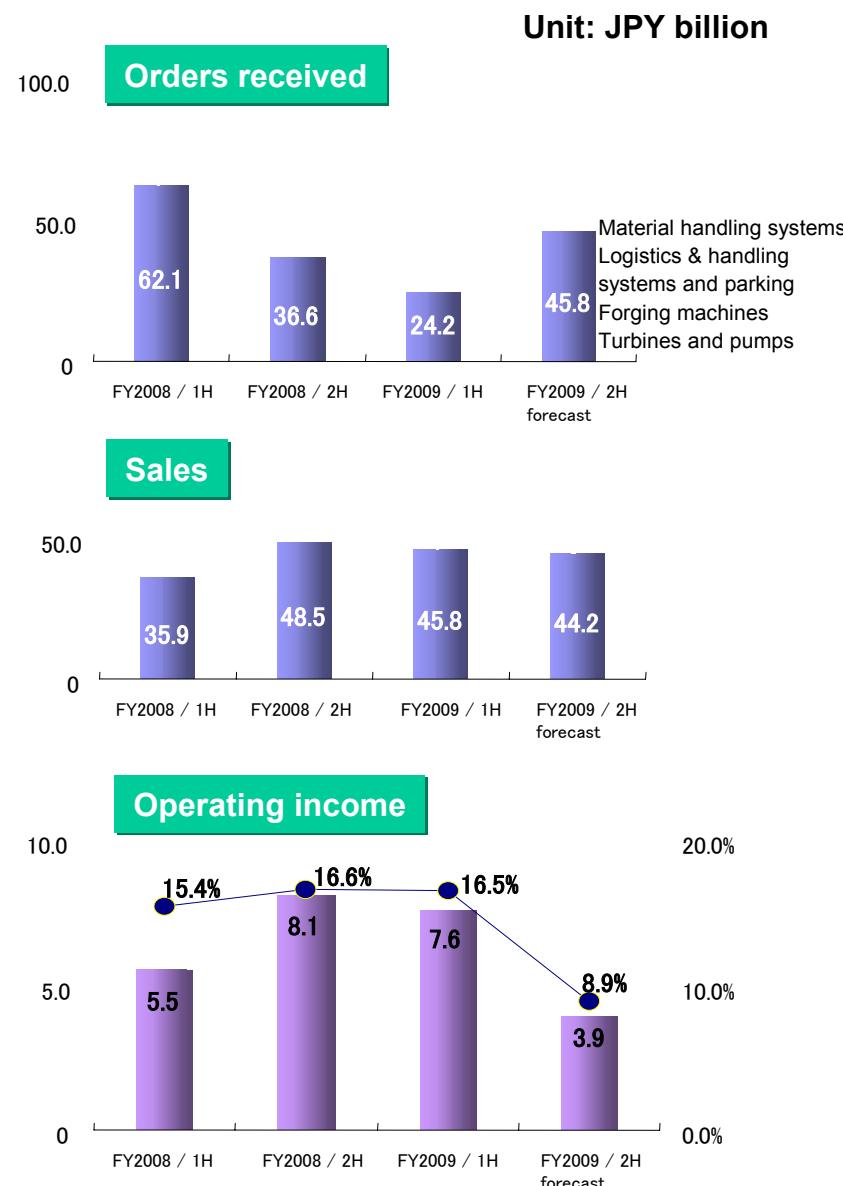
FY2009 / 1H: Delays occurred with the projects of orders received from steel manufacturers, resulting in targets being unattained during the first half of the fiscal year. Sales transitioned steadily due to the favorable amount of orders received during the previous term.

FY2009 / 2H: Potential business transactions with steel manufacturers are increasing and sales operations will be enhanced to acquire orders. Sales will be steady due to the balance of orders already received.

Turbines and pumps:

FY2009 / 1H: Orders are secured for turbines in North America and Southeast Asia. Sales were steady, exceeding the figures of the same period of the previous year. Major projects of the pumps intended for South Korea contributed towards increases in comparison with the first half of FY2008.

FY2009 / 2H: Orders for turbines will be secured through enhanced sales operations in Southeast Asia. Service activities will be enhanced and orders will be secured from EPC for pumps.



Construction Machinery

Excavators and road construction machinery:

FY2009 / 1H: Except for China, demand dropped significantly in comparison with the same period of the previous year. The manufacturing plant in Tangshan has been launched successfully and is operational.

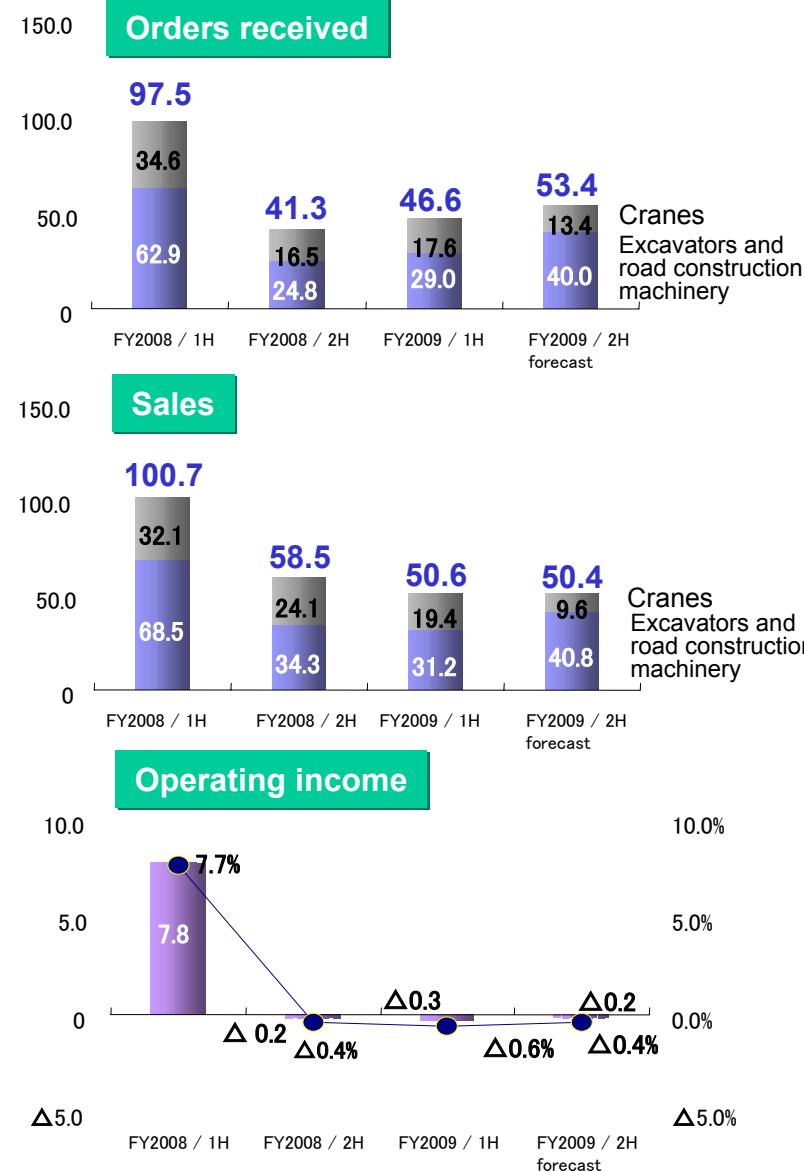
FY2009 / 2H: Domestic markets are transitioning under severe conditions.

In terms of overseas markets, North America will be leveling off at the bottom, whereas Europe has already hit bottom but without any sign of recovery in sight as yet. China alone is expected to transition in a steady manner. Expectations are high for increasing demand for asphalt finishers in China.

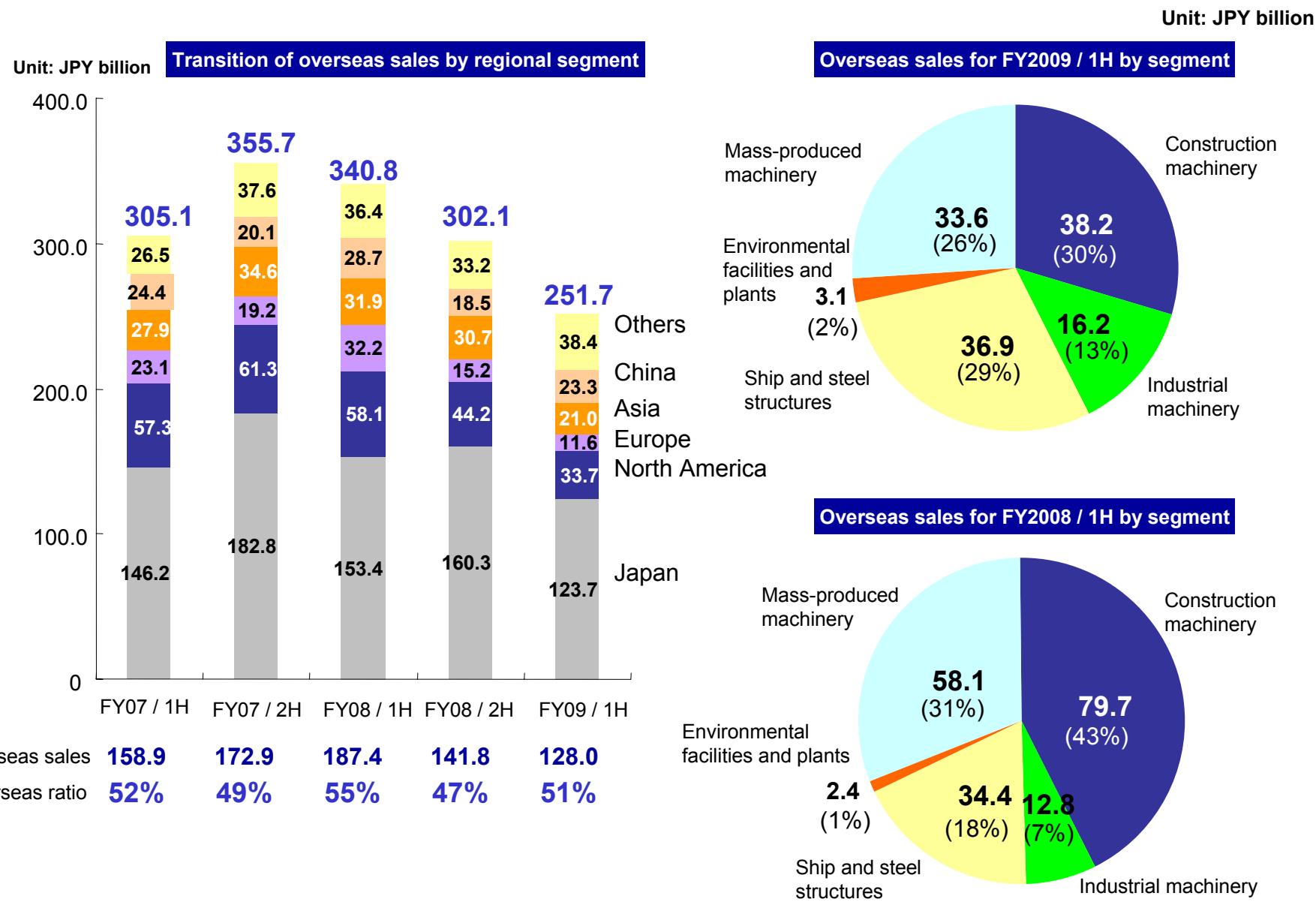
Cranes:

FY2009 / 1H: Rapid decline in demand for infrastructure maintenance in the North American market. Amount of orders received dropped to half of that during the same period of the previous fiscal year. Sales also decreased accordingly.

FY2009 / 2H: No recovering tendencies will be seen and orders are expected to be at the same level as the first half of the fiscal year. Amount of sales is expected to drop further from the first half of the fiscal year.



Overseas Sales



Manufacturing Plant in Full Operation at Tangshan, China

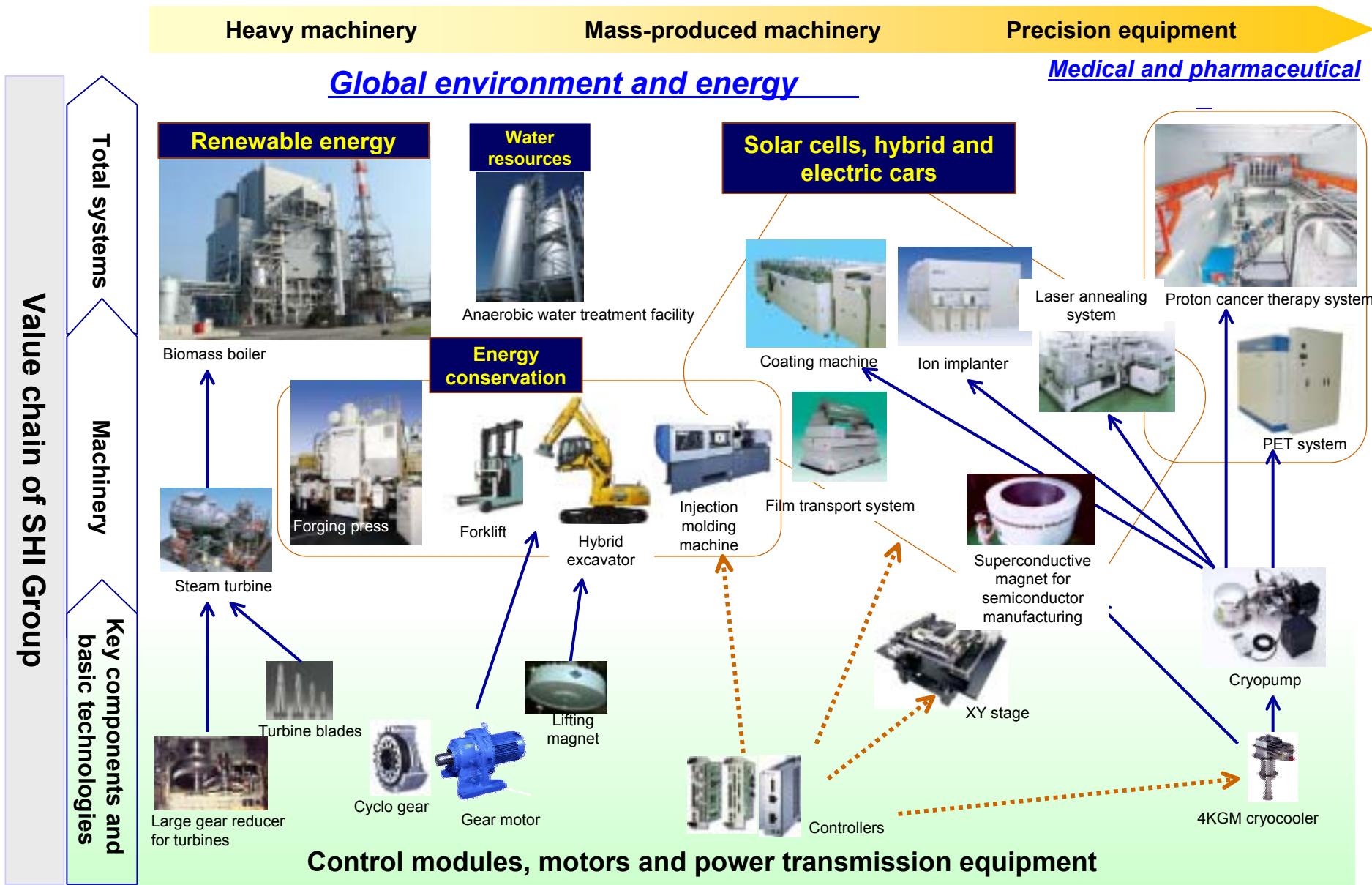
Sumitomo Heavy Industries (Tangshan) Ltd: Manufacturer of large gear reducer

Sumitomo Construction Machinery (Tangshan) Co., Ltd:
Manufacturer of hydraulic excavators

- The first large gear reducer was completed and shipped on February 16, 2009, while the first hydraulic excavator was completed and shipped on April 30 of the same year
- The opening ceremony was held on site on June 6, 2009
- Hydraulic excavator production plan for FY2009: 800 units



Strategies for Capturing Growing Markets Through Technical Innovations



Management Policies

- ✓ Aim for development of a healthy business by observing managerial and financial discipline, as well as by pursuing the establishment of a sustained competitive advantage.
- ✓ Secure revenue in a steady manner at all times by utilizing the superior business portfolio and personnel at our disposal.
- ✓ Take offensive and defensive steps in a well-balanced manner by gaining a proper understanding of changing times.

Overcome the global financial crisis and take the precise actions appropriate for future growth.

Statements regarding forecasts and projections of future business performance are considered to be reasonable by management based on information available at the time. Actual results may differ from the forecasts and projections contained in this document due to changes in a variety of factors.