Sumitomo Heavy Industries, Ltd.

CONSOLIDATED REPORT FY 2005, 1H

For the Six-Month Period to September 30, 2005

Note: 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 managements' estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. Amounts shown in this financial statement have been rounded down to the nearest million yen.

November 10, 2005

CONSOLIDATED FINANCIAL RESULTS
For the First Half Ended September 30, 2005

Sumitomo Heavy Industries, Ltd.

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Date of the Board of Directors meeting concerning consolidated interim accounts	November 10, 2005
U.S. GAAP accounting principles	Not adopted

1. FY 2005 1H Consolidated Results (April 1, 2005 to September 30, 2005)

(1) Business Results

(Units: millions of yen)

	First Half		Previous First Half		Previous Full Term
	April 1, 2005 to September 30, 2005		April 1, 2004 to September 30, 2004		April 1, 2004 to March 31, 2005
		% change		% change	
Net Sales	245,857	3.3	238,078	11.9	521,310
Operating Income	18,494	(13.0)	21,263	55.7	48,773
Ordinary Income	18,520	(17.2)	22,355	105.7	47,853
Net Income	12,527	15.5	10,850	136.4	22,792
Net Income per Share (yen)	20.83		18.03		37.80
Fully Diluted Net Income per Share	--		--		--

*Notes: (1) Gain from investments in subsidiaries and affiliated companies accounted for by equity method:
September 2005: 1,714 million yen
September 2004: 2,485 million yen
March 2005: 4,080 million yen
(2) Average number of outstanding shares for the term (consolidated):
As of September 2005: 601,535,553 shares
As of September 2004: 601,927,871 shares
As of March 2005: 601,826,660 shares
(3) Changes to accounting procedures: Yes
(4) Percentages for net sales, operating income, ordinary income and net income represent year-on-year changes.

(2) Financial Position

(Units: millions of yen)

	End of First Half	End of Previous First Half	End of Previous Full Year
	As of Sept. 30, 2005	As of Sept. 30, 2004	As of March 31, 2005
Total Assets	562,609	558,334	569,771
Shareholders' Equity	148,252	124,255	137,156
Equity Ratio (%)	26.4	22.3	24.1
Shareholders' Equity per Share (yen)	246.50	206.45	227.90

*Notes: Number of shares outstanding at the end of the period (consolidated):

As of September 30, 2005: 601,419,314 shares
As of September 30, 2004: 601,871,903 shares
As of March 31, 2005: 601,644,571 shares

(3) Cash Flows

(Units: millions of yen)

	First Half April 1, 2005 to September 30, 2005	Previous First Half April 1, 2004 to September 30, 2004	Previous Full Year April 1, 2004 to March 31, 2005
Cash Flow from Operating Activities	25,638	26,104	45,451
Cash Flow from Investing Activities	(2,010)	(3,493)	(6,087)
Cash Flow from Financing Activities	(25,944)	(34,532)	(46,490)
Cash and Cash Equivalents at Period End	46,988	45,763	49,108

(4) Scope of Consolidation and Application of equity method:

Number of consolidated subsidiaries: 90
Number of non-consolidated subsidiaries accounted for by the equity method: 2
Number of affiliates accounted for by the equity method: 8

(5) Changes in the scope of consolidation and Application of equity method:

Consolidated subsidiaries: (New) 1 (Removed) 2
Equity method: (New) -- (Removed) --

2. FY 2006 Consolidated Forecasts (April 1, 2005 to March 31, 2006)

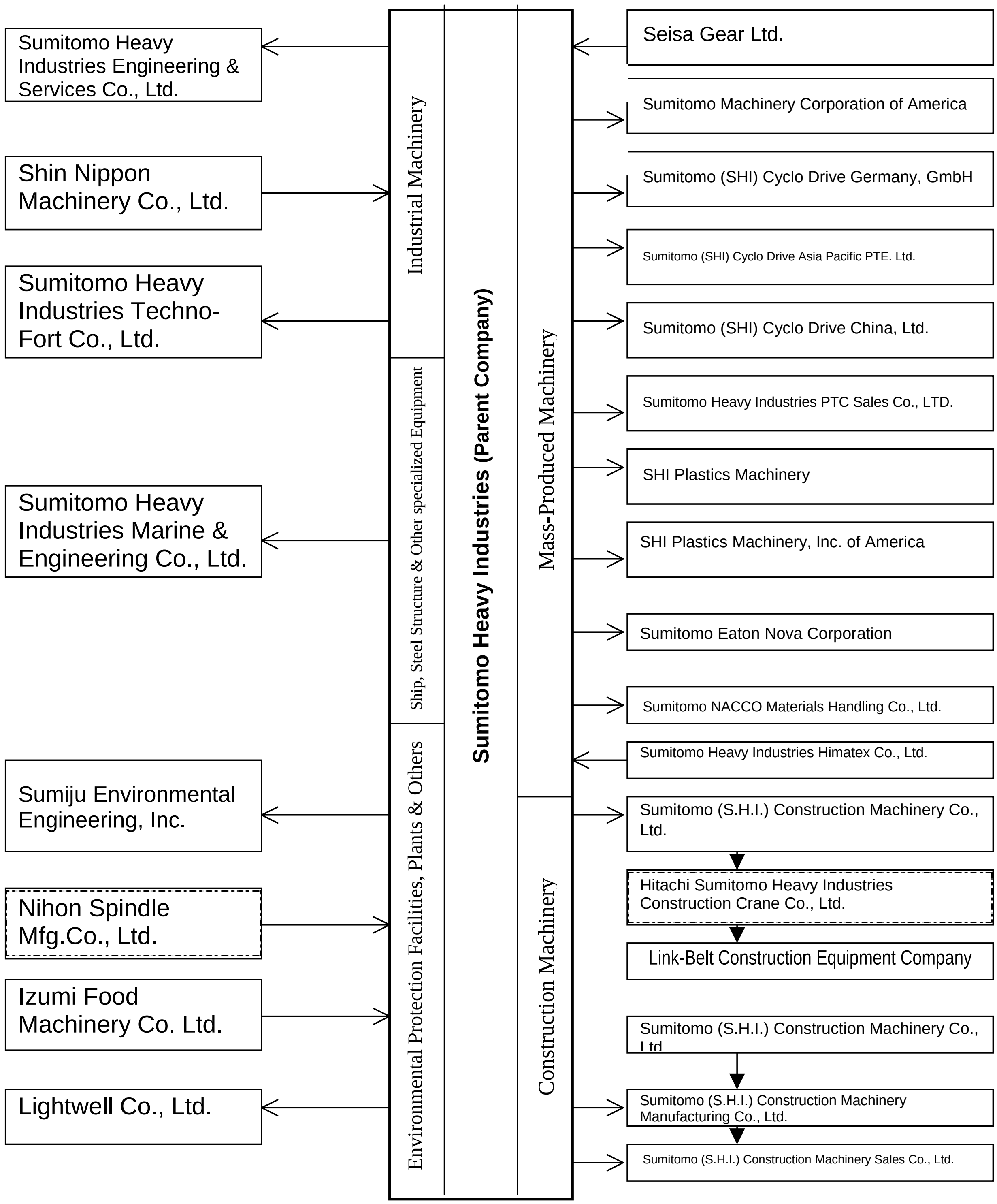
(Units: millions of yen)

	Full Year April 1, 2005 to March 31, 2006
Net Sales	540,000
Ordinary Income	41,000
Net Income	23,500

*Notes: (1) Projected net income per share for FY2005 (ending March 31, 2006): .... 39.07 yen

(2) Please consult page 10 of 3. Outlook for Fiscal Year in III. Business Results and Financial Position section for further information concerning the projections.

I. State of the Group



II. Management Policies

1. Basic Management Policies

The Group believes that securing long term customer trust through continuously "building value for consumer" is interconnected with the Group's efforts to maintain sustained development and increase business worth, and reflects the desires of shareholders, employees, and the local community.

In order to realize high, stable growth on a global level, the Group intends to be an "organized, knowledge-building-type company" that provides quality products to customers. Then, the Group will strengthen marketing, research and development, and production, and focus even more closely on the product itself.

2. Basic Policies Relating to Profit Distribution

The Company's basic policy is to pay shareholder dividends according to periodic income and to continue to increase these dividends, while replenishing internal reserves necessary for stable, long-term business development.

3. Medium- and Long-Term Management Strategies

Under "Leap to Excellence ‘07", the new FY2005 medium term management plan, the Group is forging an independent, vertically integrated business management model from the inter-business value chain model that it previously followed.

In order to create this new management model, about 50 business units will be reorganized into three segments.

The new segments will be "Key Components", centered on speed reducer and transmission equipment, precision control equipment, and other components; "Appliances", centered on injection molding machine; and "Total Systems", consisting of systems such as materials handling systems and energy plants.

These segments will be tied together through the value chain: “Appliances” will be differentiated from "Key Components", and “Total Systems” will be differentiated from " Appliances ".

Additionally, a base for stable growth was formed as a result of strengthening the Group's financial position during the previous medium term management plan. This will make it possible to accept a certain degree of risk and carry out aggressive investment during "Leap to Excellence ‘07", which in turn will allow business expansion in the future. As for investment in research and development, it is believed that there are several possibilities for development of new products between "Key Components" and " Appliances". This area promises potential for new products, and is driving a revolution in the prioritization of research and development investment.

"Leap to Excellence ‘07", the new medium term management plan, calls for the following quantitative indicators to be met by the end of 2007.

Operating income: More than 60 billion yen
Interest bearing debt: Less than 150 billion yen

The plan further calls for keeping ROIC (return on invested capital), a Group management indicator, above WACC (weighted average cost of capital), and above 10%.

4. Issues to be Addressed

The Group, in accordance with its new growth strategy, is, in addition to striving to revolutionize business building, marketing, product development, and craftsmanship, also exerting itself to build value for customers by providing quality products.

In this first half, selective capital investment in speed reducer and transmission equipment, a mechatronics business, a speed reducer n and transmission equipment business fusion project, and other business expansion and strengthening measures were carried out as means to manufacture quality products.

Further, the Group has continued to invest aggressively in the cultivation and appropriate posting of personnel and increasing educational opportunities to improve organizational strength.

Finally, the new personnel system introduced last Fiscal Year was firmly established, with clearly delineated objectives for each employee's position and performance evaluations based on those objectives which allows the Group to promote an organizational structure that provides increased job satisfaction.

5. Basic Approach to Corporate Governance and the Status of its Implementation

(1) Basic Approach to Corporate Governance

In order to increase business worth and, starting with stockholders, raise the confidence of customers, Company employees, the community, and other stakeholders, the Company is establishing an efficient and highly transparent management system as the basis of corporate governance.

(2) Status of Corporate Governance Implementation

A. Condition of upgrades to compliance and risk management within the internal control system

The Company has adopted the auditor system. Within this framework, it introduced the executive officer system in 1999, separating business management functions and supervisory functions.

The board of directors is small, consisting of only 9 directors, of which 1 member is elected from outside of the Company. The board works hard to insure that management remains transparent and that management supervisory functions are strengthened.

The board of directors deliberates items specified by commercial law. Important management issues are also selected beforehand for discussion.

In addition, the Compensation Committee, an advisory body to the board of directors, half of whose members come from outside the Company, was established in order to insure transparency and the appropriateness of the directors' compensation.

The Auditing Committee consists of 4 auditors (of which 2 are external auditors).

The organizational audit carried out by the directors and auditors checks for both legitimacy and appropriateness. In addition, the Group periodically holds meetings with auditors from the Company and its affiliates in order to exchange auditing related information and allow the Group's auditing functions to be carried out fully.

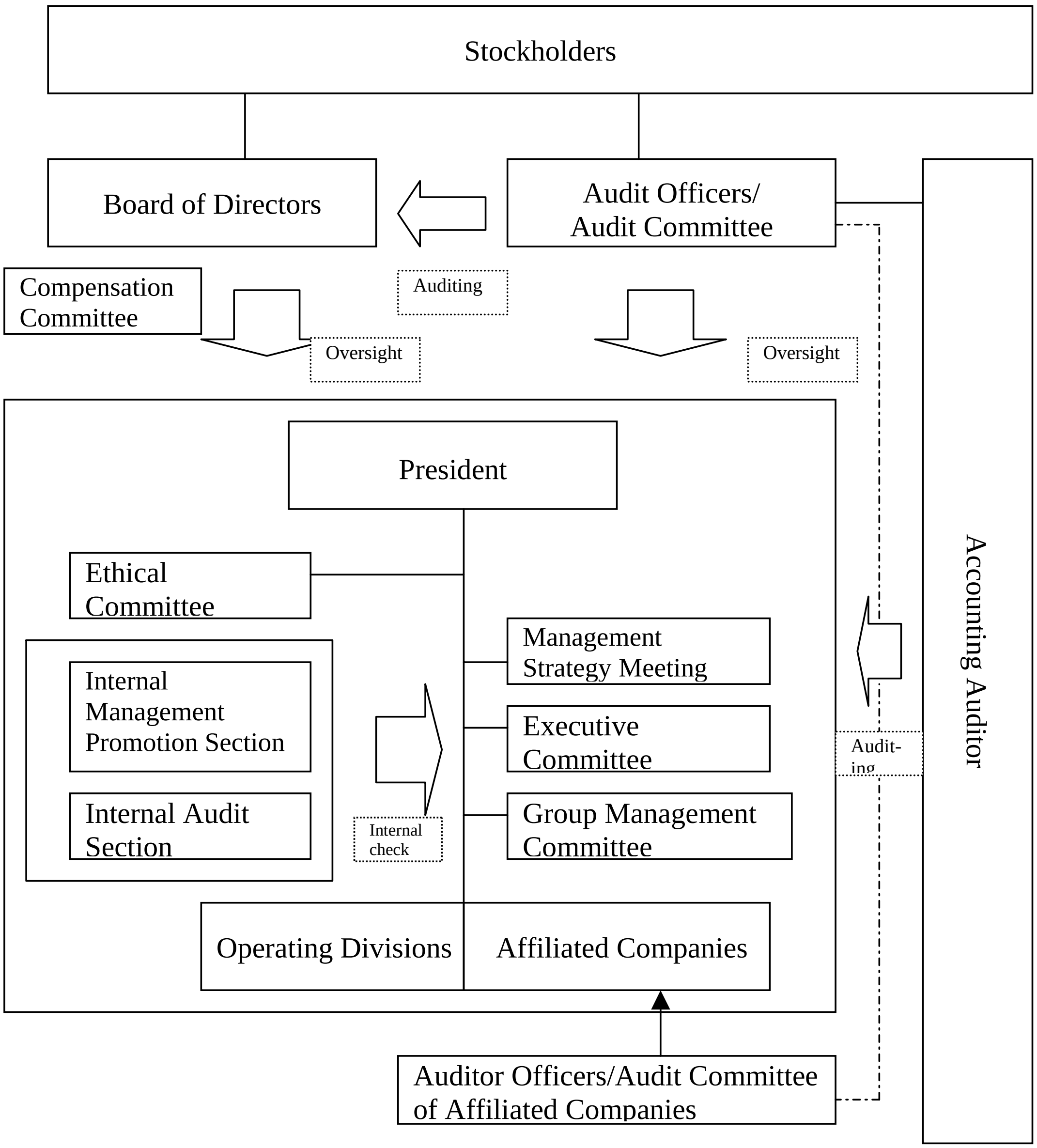
Moreover, an Auditing Committee Executive Office, a staff organization subordinate to the Auditing Committee, was established to support the Auditing Committee.

There are 16 executive officers (including 8 who serve concurrently as directors) elected to take responsibility for business management.

The Group established an Executive Committee, comprised of executive officers, as well as a Group Management Committee, consisting of the presidents of the Company and its primary related companies, and it is carrying out performance management from a consolidated base and following-up management measures.

Finally, a Management Strategy Meeting, comprised of the president of the Company and other Company executive officers and held in principle weekly, was established. In addition to serving as a forum for the advance deliberation of items for resolution at the meeting of the board, the Meeting also deliberates key management items within the scope of its authority as delegated by the board.

The Company's corporate governance system can be graphically represented as shown below.



B. Condition of upgrades to compliance and risk management within the internal control system

The Company instigated a code of ethics, established an Ethics Committee, and established an internal hotline for reporting unethical behavior in its efforts to maintain and improve respect for law, fairness, and ethical practice in its business activities.

The comprehensive risk management system introduced in 2001 was also reinforced and enhanced.

Starting in 2004, a Group-wide effort to build and enhance an internal control system that would function to unify business ethics and risk management activities was undertaken.

In August of 2004, a risk management office was reorganized within the internal control promotion office as a promotional organization for this activity, and an internal control promotion organization was established within the operations division.

In October of the same year, a compliance manual was formulated, and thorough dissemination of compliance throughout the Group was emphasized. By March of 2005, awareness-training activities had been undertaken throughout the entire Group, and throughout the Group's affiliated companies.

Given this background, the current incident involving the violation of Japan's Antimonopoly Law has been taken seriously. In addition to a resolution to strictly observe Japan's Antimonopoly Law that was passed at the meeting of the board of directors this July, a message of strict compliance has been sent out repeatedly.

In addition, the existing internal control promotion organization, which has the inherent function of strongly promoting compliance, was further expanded.

Further concrete management efforts to emphasize compliance, in addition to carrying out the re-education of all employees concerning Japan's Antimonopoly Law, required all officers and managers (except for auditors) to study and sign a compliance and Antimonopoly Law observance pledge book, and the "Ethics Hotline", a previously established internal reporting system, has been enhanced by including an external lawyer as the point of contact.

In order to enhance compliance where business operations related to public works projects are concerned, in addition to each business division self-checking bids for conformity with compliance issues, a new organization was also created within the Company to monitor orders.

Finally, in order to guarantee the effectiveness of these compliance programs, a compliance monitoring function was added to the audit office, the results of which are reported to the board of directors each quarter.

6. Items concerning the Parent Company, etc.

Not applicable as the company has no parent company.

III. Business Results and Financial Position

1. Business Results

Despite rising costs of materials such as steel and crude oil, Japan's economy in this first half was characterized by a steady revival of business activity with increases in private capital investment, following a recovery in business revenues, and increases in personal consumption.

Overseas, business activity expanded in the United States and China, and to a degree in Europe, where activity showed modest recovery.

Against this backdrop, the new mid-term management plan "Leap to Excellence ‘07" was launched. Due to measures in progress to improve profitability, this first half became the third accounting period to post continued increases in both sales and profits (interim simple profit base), and first half net sales and profits posted at the highest levels on record.

As regards orders received, the Construction Machinery segment expanded considerably on the back of strong order volume from North America. However, due to a slump in demand for bridges, environment-related works, and other government related demand, orders received totaled 282.4 billion yen, a year-on-year decrease.

Net sales increased 3% year-on-year to 245.9 billion yen, the result of strong overseas sales centering on North America. Strong sales were registered in Construction Machinery segment, the turbines & pumps, and forging presses for automobiles in Industrial Machinery segment. The Mass-Produced Machinery segment also experienced strong sales growth in speed reducer and transmission equipment.

Regards operating profit and loss, income from the Construction Machinery and Industrial Machinery segment increased. However, a relative year-on-year loss appears in operating income as a result of one-time sales in the real estate section in the previous interim. In the absence of real estate sales in this term, operating income decreased relatively 13% year-on-year to 18.5 billion yen.

Non-operating profit and loss also decreased as earnings on the equity method decreased. Ordinary income posted 18.5 billion yen, a year on year decrease of 17%.

Extraordinary profits posted at 12.5 billion yen, a year on year increase of 15% and record result for the Company, as a result of major improvements following the absence of the time differential for change in the standard pension benefit plan, which had been depreciating for a 5 year period ending last year, and the absence of losses on disposals of fixed assets.

Following these management results, the Company has resolved to pay out a dividend of 2.50 yen per share semiannually.

Results for each division are as follows.

Mass Produced Machinery Segment

Private capital investment in Japan stregnthened since the last accounting period, and overseas business activity improved greatly. Results, especially from activities targeted at the United States, power transmission & controls business showed steady improvement.

Plastic machinery business sales in Japan, centering on automobile-related machinery, were steady. However overseas sales decreased, due to a decline in IT-related investment.

Precision control equipment and components business sales increased markedly in cyrogenics, precision forged parts and machine tools, and other areas.

Orders received totaled 106.1 billion yen, roughly the same year-on-year, while net sales reached 103.6 billion yen, a year-on-year increase of 5%.

Operating income posted 13.1 billion yen, a year-on-year decrease of 2.6 billion yen, as sales for plastic machinery fell.

Environmental Protection Facilities, Plants, and Others Segment

Rising crude oil prices and increasing electric power demand worldwide resulted in an increase for the energy plant segment, however orders for public works construction decreased, and overall orders in the segment registered 37.4 billion yen, a year-on-year decrease of 19%.

Net sales totaled 31.9 billion yen, showing a year-on -year decrease of 7%, as this interim had nothing to replace the effect of the real estate section's sale of part of the land from the Tanashi plant during the previous first half.

Operating income posted at 0.1 billion yen, a year-on-year decrease of 2.5 billion yen.

Ship, Steel Structure and Other Specialized Equipment Segment

Shipbuilding orders for 5 Aframax tankers were awarded, the same number year-on-year, and as ship prices rose, order revenue levels showed an increase.

However steel structure and process equipment group orders decreased substantially, and orders for the entire segment totaled 43.9 billion yen, a year on year decrease of 8% .

Net sales for the entire segment was 24.3 billion yen, a year-on-year decrease of 4%, as an increase in shipbuilding sales following the delivery of 3 Aframax tankers, however, was offset by a decrease in ship repairs.

Operating losses registered 1.3 billion yen, a year-on-year deterioration of 0.7 billion yen, due to the influence of increases in the costs of steel and other raw materials.

Industrial Machinery Segment

Orders for forging presses for the automobile industry grew, while orders for large cranes also increased after reinvesting in the iron mill. Furthermore, turbines and pumps, centered on overseas business, also remained strong.

Orders received totaled 32.8 billion yen, almost the same year-on-year, and net sales reached 27.3 billion yen, a year on year increase of 7%.

Operating income nearly doubled year-on-year to 3.1 billion yen, following focus on marketing and exhaustive project management.

Construction Machinery Segment

Hydraulic excavator sales showed significant expansion overseas, centering on North America.

Sales of mobile cranes for construction were also strong, supported by the vigorous market in North America.

Orders received rose 11% year-on-year to 62.2 billion yen, and net sales registered 58.9 billion yen, a year on year increase of 8%.

Operating income registered 3.5 billion yen, a year on year increase of 1.5 billion yen.

2. Financial Position

Due to a steady recovery in collection of trade receivables, total assets posted 562.6 billion yen, a year-on-year decrease of 7.2 billion yen.

As a result of asset reduction efforts, interest-bearing debt posted 145.9 billion yen, a year-on-year decrease of 23.3 billion yen, or 25.9% of total assets, a year on year decrease of 3.8 points.

Stockholder's equity results for this first half were strong, posting 148.3 billion yen, a year-on-year increase of 11.1 billion yen, and stockholder's equity ratio, at 26.4%, showed a year on year improvement of 2.3 points.

Cash flows from operating activities totaled 25.6 billion yen, roughly the same as the previous year. Though corporate tax paid showed a year on year increase, we recorded steady progress in collection of trade receivables.

Cash flows from investing activities declined to 2 billion yen, a year on year decrease of 1.5 billion yen, despite income as a result of the clearing off distributions from overseas subsidiary companies from the previous accounting period.

Cash flows from financing activities posted a decrease of 25.9 billion yen due to repayment of loans.

As a result of the foregoing, cash and cash equivalents at the end of this interim accounting period registered 47 billion yen, a year on year decrease of 2.1 billion yen.

Cash Flow Indicators

	2003		2004		2005
	Interim	Full Year	Interim	Full Year	Interim
Shareholders' equity ratio	17.1	19.7	22.3	24.1	26.4
Shareholders' equity ratio at market value	25.0	30.7	35.1	44.6	86.1
Years to debt redemption	3.9	2.8	3.5	3.7	2.8
Interest coverage ratio	14.7	19.5	16.1	15.0	18.9

(Notes)

1. Indicators calculated using the following formulae.
Stockholders' equity ratio: Shareholders' equity/Total assets
Stockholders' equity ratio at market value: Market capitalization/Total assets
Years to debt redemption: Interest-bearing debt/Operating cash flow
Interest coverage ratio: Operating cash flow/Interest payments

2. All are calculated based on consolidated financial figures.

3. Interest-bearing debt indicates all liabilities posted in the balance sheets on which the Company pays interest.

3. Outlook for the Fiscal Year

As for the future business environment, there is some uncertainty, due to rising material costs and hesitant public investment. However, the Group will move forward to achieve the goals of the new medium term management plan "Leap to Excellence '07", and steadily carry out related management measures.
The outlook for this year's performance are as follows.

(Units: billions of yen)

Consolidated	Amount	Non-consolidated	Amount
Net sales	540.0	Net sales	265.0
Operating income	45.0	Operating income	19.0
Ordinary income	41.0	Ordinary income	17.0
Net income	23.5	Net income	9.0

*Expectations and outlooks for future performance are rational judgments made based on the information currently available.

Therefore, actual results may vary from written expectations and outlooks due to changes in various factors.

Please see Business Risks section for detailed information about those factors.

IV. Business Risks

The Group's operating results and financial position could be influenced by any of items enumerated below.

Items from the text that concern the future are based on the Group's judgments made at the end of the current interim consolidated accounting period.

(1) Economic conditions

Demand for the capital goods, which comprise the majority of the Group's net sales, is influenced by economic conditions of the areas within Japan and overseas where the Group conducts its sales.

Therefore, recessions in Japan, Asia, North America, Europe, and other major markets, and the subsequent reduction in demand for the Group's products, may affect the Group's performance and financial position.

(2) Exchange rate fluctuation

The Group's business activities include production and sales of its products in many countries around the world.

Transactions, including sales, expenses, assets, and liabilities, that are carried out in the local currency of each country are converted to yen in order to prepare consolidated financial statements.

Values of these items in the local currency may not change, however it is possible that the value after conversion to yen will be affected by the exchange rate at the time of conversion.

Moreover, as of September 31, 2005, dollar denominated back orders, centered on the shipbuilding business, were about 11 billion dollars.

To minimize the affects of fluctuations in the exchange rate on results, risk hedges such as forward exchange contracts are used, but it is difficult to remove risk entirely in this way.

As a result, the Group's performance results may be influenced by fluctuations in the exchange rate.

(3) Rise in raw materials prices

Increases in prices of raw materials such as iron, copper, and petroleum that accompanied worldwide business recovery have become pronounced, and the Company is concerned about the subsequent rise in the costs of raw materials necessary for its products.

The Group has endeavored to reduce costs through VE and similar activities, and has attempted to capture rising raw materials prices in the estimated costs of its products, but it is possible that not all cost increases can be absorbed, and results may be affected.

(4) Overseas business development

The Group works to develop global businesses, particularly in the Mass-Produced Machinery segment and the Construction Machinery segment, and focuses on markets in North America, Asia, and Europe. In order to increase overseas demand, it must enhance overseas sales networks, services and production facilities.

However, depending on the country, there are times when political changes and unforeseeable changes in laws and regulations may influence the market for a particular product. Especially in China, where the market can overheat due to sudden economic growth, financial regulation may be imposed as part of the application of investment control measures.

As a result, it is possible that the results of the Group's overseas business activities may be affected.

(5) Product quality

All of the Group's products are manufactured according to an exacting quality standard. None the less, not every product produced by the Group can be free of defects, and there is no guarantee that situations will not arise in which the Group will have to bear the burden of guarantee construction.

In addition, the Group carries product liability compensation insurance, but there is no guarantee that this insurance will cover all compensation amounts.

If the sums involved in guarantee construction and product liability compensation obligations borne by the Group as a result of problems with product quality are large, then they could have an adverse influence on the Group's performance results and financial position.

(6) Effects of impairment accounting

On March 31, 2002, the Company revaluated its land used for business purposes in accordance with Japan's Law Concerning Land Revaluation (Law No. 34, dated March 31, 1998) and Law Amending the Law Concerning Land Revaluation (Law No. 19, dated March 31, 2001) on the basis.

The difference between the book value of land at the end of the last accounting period and its value after the revaluation was 19.2 billion yen, a decrease of 18%. If the value of the land further depreciates in the future, there is a possibility it will register as a depreciation of fixed assets.

When the decrease is registered, it may be reflected in the Group's performance results.

(7) Environmental protection

The Group, in accordance with its Group Environmental Policy, devotes itself to the reduction of environmental impact, such as by avoiding environmental risks and minimizing waste.

Although the group has an exhaustive system in place to prevent environmental pollution, there is always the possibility that environmental pollution could occur due to unexpected circumstances.

If environmental pollution were to occur, the large costs involved might affect the Group's performance results.

(8) Disasters

In order to prevent or reduce to the smallest extent possible damages arising from disasters such as fire, earthquake, typhoon, and storms and flooding, the Group carries out inspections and training and has installed a communications system.

Nonetheless, physical damages and injuries resulting from disasters may impact the Group's activities.

Moreover, there is no insurance that can provide complete coverage of damages from disasters.

V. Consolidated Financial Statements

(1) Consolidated Income Statements

(Units: millions of yen)

	First Half April 1, 2005 to September 30, 2005		Previous First Half April 1, 2004 to September 30, 2004		Change	Previous Fiscal Year April 1, 2004 to, March 31, 2005	
	Amount	%	Amount	%	Amount	Amount	%
Net sales	245,857	100.0	238,078	100.0	7,778	521,310	100.0
Cost of sales	193,564	78.7	184,300	77.4	9,264	407,512	78.2
Gross profit	52,292	21.3	53,778	22.6	(1,486)	113,798	21.8
Selling, general & administrative expenses	33,799		32,516		1,283	65,025	
Operating income	18,494	7.5	21,263	8.9	(2,769)	48,773	9.4
Interest income	33		74		(40)	172	
Dividend income	296		208		88	289	
Equity in earnings of unconsolidated subsidiaries and affiliated companies	1,714		2,485		(771)	4,080	
Collection of allowance for doubtful accounts	407		387		20	561	
Interest expense	1,293		1,609		(316)	2,995	
Other-net	(1,130)		(453)		(677)	(3,026)	
Gain on sale of securities	661		--		661	506	
Gain on sale of property, plant and equipment	--		1,134		(1,134)	1,575	
Amortization of prior service cost	--		--		--	2,515	

(Units: millions of yen)

	First Half April 1, 2005 to September 30, 2005		Previous First Half April 1, 2004 to September 30, 2004		Change	Previous Fiscal Year April 1, 2004 to, March 31, 2005	
	Amount	%	Amount	%	Amount	Amount	%
Provision for retirement benefits to directors, statutory auditors and corporate officers	257		--		257	488	
Impairment losses	229		--		229	--	
Loss on valuation of affiliated companies	77		--		77	--	
Amortization of net transition obligation of severance and retirement benefits	--		2,792		(2,792)	5,584	
Loss on disposal of property, plant and equipment	--		1,925		(1,925)	1,925	
Loss from reorganization of business	--		724		(724)	2,810	
Loss from liquidation of subsidiaries	--		--		--	3,053	
Other income (expenses)	125		(3,216)		3,341	(10,185)	
Income before income taxes	18,619	7.6	18,047	7.6	572	38,588	7.4
Corporate income tax current	6,404		3,378		3,026	13,415	
Corporate income tax deferred	(490)		3,784		(4,275)	2,406	
Minority interests in consolidated subsidiaries	(178)		(35)		(144)	26	
Net income	12,527	5.1	10,850	4.6	1,677	22,792	4.4

(2) Consolidated Statements of Surplus

(Units: millions of yen)

Item \ Term	First Half April 1, 2005 to September 30, 2005	Previous First Half April 1, 2004 to September 30, 2004	Y/Y change	Previous Fiscal Year April 1, 2004 to March 31, 2005
Capital Surplus				
Capital surplus at the beginning of term	16,803	16,800	2	16,800
Increase in capital surplus	1	1	(0)	2
Gain on disposition of treasury stock	1	1	(0)	2
Capital surplus at the end of term	16,804	16,802	2	16,803
Retained earnings				
Retained earnings at the beginning of term	42,677	19,848	22,829	19,848
Increase in retained earnings	12,789	10,943	1,846	23,027
Net income	12,527	10,850	1,677	22,792
Increase owing to merger	117	--	117	--
Increase from transfer from revaluation reserve for land	145	93	52	235
Decrease in retained earnings	2,701	88	2,614	198
Dividends	1,805	--	1,805	--
Bonuses for directors	42	13	29	13
Return of retirement allowance of overseas subsidiaries	839	--	839	--
Decrease due to increase in numbers of consolidated subsidiaries	12	--	12	--
Decrease due to decrease in numbers of consolidated subsidiaries	--	39	(39)	149
Decrease due to increase in numbers of consolidated subsidiaries and companies accounted for by the equity method	--	35	(35)	35
Other	4	--	4	--
Retained earnings at the end of term	52,765	30,704	22,061	42,677

(3) Consolidated Balance Sheets for the FY 2005 First Half

(Units: millions of yen)

	End of First Half	End of Previous Consolidated Fiscal Year	Y/Y change	End of Previous First Half
	As of September 30, 2005	As of March 31, 2005		As of September 30, 2004
	Amount	Amount	Change	Amount
Assets				
Cash and deposits	47,504	49,636	(2,132)	46,271
Notes and account receivable	133,469	151,618	(18,149)	129,834
Inventories	100,451	88,859	11,593	103,930
Deferred income taxes	8,589	7,838	751	7,123
Other	17,320	20,151	(2,832)	18,584
Allowance for doubtful accounts	(1,626)	(1,937)	311	(2108)
Current assets	**305,707**	**316,166**	**(10,458)**	**303,634**
Buildings and structure	41,588	42,046	(458)	43,142
Equipment and transportation tools	18,627	18,362	264	19,575
Land	114,898	115,536	(639)	115,968
Construction in progress	2,020	1,462	558	3,780
Other	3,741	3,583	158	3,719
Tangible assets	180,873	180,990	(117)	186,184
Intangible assets	4,259	3,995	265	3,450
Investment securities	47,925	41,544	6,381	37,487
Deferred income taxes	9,176	11,498	(2,322)	11,490
Other	20,630	20,443	187	23,021
Allowance for doubtful accounts	(5,962)	(4,864)	(1,097)	(6,932)
Investments and other assets	71,770	68,621	3,149	65,065
Fixed assets	**256,902**	**253,605**	**3,297**	**254,700**
Total assets	**562,609**	**569,771**	**(7,162)**	**558,334**

(Units: millions of yen)

	End of First Half As of September 30, 2005	End of Previous Consolidated Fiscal Year As of March 31, 2005	Y/Y change	End of Previous First Half As of September 30, 2004
	Amount	Amount	Change	Amount
Liabilities				
Notes and accounts payable	128,326	134,439	(6,113)	126,780
Short-term debt payable	33,980	44,883	(10,904)	46,480
Commercial paper	15,000	11,500	3,500	15,000
Long-term debt within one year	39,646	52,471	(12,825)	47,826
Bond redemption within one year	1,000	1,000	--	3,000
Advance payments received on contracts	40,327	27,417	12,910	37,658
Allowance for guaranteed construction	3,729	2,940	790	2,735
Allowance for loss on ordered construction	411	--	411	--
Allowance for loss on liquidation of subsidiaries	1,939	--	1,939	200
Other	29,559	35,704	(6,145)	26,456
Current liabilities	**293,918**	**310,356**	**(16,438)**	**306,134**
Bond	10,000	10,000	--	1,000
Long-term debt due after one year	46,284	49,373	(3,090)	68,165
Employees' severance and retirement benefits	21,868	20,049	1,819	18,429
Allowance for directors' retirement benefits	938	629	309	--
Deferred income taxes on revaluation	33,679	31,055	2,625	31,152
Allowance for loss on liquidation of subsidiaries	--	1,881	(1,881)	--
Other	4,293	5,444	(1,151)	5,234
Long-term liabilities	**117,061**	**118,430**	**(1,369)**	**123,979**
Total liabilities	**410,979**	**428,786**	**(17,807)**	**430,112**
Minority interests	3,379	3,829	(450)	3,966
Stockholders' equity				
Common stock:				
Paid in capital	30,872	30,872	--	30,872
Capital surplus	16,804	16,803	1	16,802
Retained earnings	52,765	42,677	10,088	30,704
Revaluation reserve for land	42,396	45,265	(2,869)	45,407
Unrealized gains on securities	7,495	4,476	3,020	4,074
Foreign currency translation adjustments	(1,758)	(2,741)	983	(3,492)
Treasury stock	(321)	(195)	(126)	(111)
Total stockholders' equity	**148,252**	**137,156**	**11,096**	**124,255**
Liabilities minority interest, and stockholders' equity	**562,609**	**569,771**	**(7,162)**	**558,334**

(4) Consolidated Cash Flow Statements

(Units: millions of yen)

	First Half April 1, 2005 to September 30, 2005	Previous First Half April 1, 2004 to September 30, 2004	Previous Consolidated Fiscal Year April 1, 2005 to March 31, 2005
Cash flows from operating activities			
Income before income taxes	18,619	18,047	38,588
Depreciation	4,253	4,609	9,282
Impairment losses	229	--	--
Amortization of consolidation adjustment	(341)	(333)	(651)
Gain on sale of property, plant and equipment	(28)	(1,134)	(1,575)
Loss on sale of property, plant and equipment	130	132	214
Loss on disposal of property, plant and equipment	243	324	1,074
Loss on disposal of other assets	--	1,925	1,925
Gain on sale of securities	(661)	(96)	(506)
Loss on sale of securities	1	--	4
Loss on valuation of affiliated companies	77	--	--
Loss from liquidation of subsidiaries	--	--	3,053
Loss from reorganization of business	--	724	2,810
Increase in employees' severance and retirement benefits	820	2,247	3,826
Increase in provision for retirement benefits to directors, statutory auditors and corporate officers	309	--	629
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(1,714)	(2,485)	(4,080)
Increase (decrease) in allowances	1,962	270	(790)
Interest and dividend income	(329)	(282)	(461)
Interest expense	1,293	1,609	2,995
(Increase) decrease in notes and accounts receivable	30,782	22,400	(9,483)
Decrease (increase) in inventories	(10,866)	(10,146)	4,126
Increase (decrease) in notes and accounts payable	(6,904)	(3,347)	4,421
Other-net	(388)	(1,300)	518
Sub-total	37,485	33,165	55,921
Interest and dividend received	396	302	481
Payments for interest	(1,356)	(1,626)	(3,023)
Payments for income taxes	(10,886)	(5,736)	(7,928)
Net cash provided by operating activities	25,638	26,104	45,451

(Units: millions of yen)

	First Half April 1, 2005 to September 30, 2005	Previous First Half April 1, 2004 to September 30, 2004	Previous Consolidated Fiscal Year April 1, 2005 to March 31, 2005
Cash flows from investing activities			
Decrease in time deposits	29	295	256
Purchase of securities	(610)	(30)	(2,338)
Proceeds from sale of securities	893	1,355	2,758
Disbursements for investment in affiliates	(1,080)	(183)	(494)
Proceeds from liquidation of affiliates	1,528	33	65
Payments for purchases of property, plant and equipment	(4,960)	(6,226)	(10,178)
Proceeds from sale of property, plant and equipment	854	1,418	3,257
Proceeds from refund of investment	1,462	--	--
Payments for long-term loans receivables	(32)	(223)	(344)
Collection of long-term loans receivables	320	152	936
Other-net	(415)	(83)	(5)
Net cash used in investing activities	(2,010)	(3,493)	(6,087)
Cash flows from financing activities			
Decrease in short-term loans	(11,563)	(24,102)	(25,355)
Increase in commercial paper	3,500	5,000	1,500
Proceeds from long-term debt	17,580	1,630	2,930
Repayments for long-term debt	(33,495)	(16,474)	(31,916)
Proceeds from issue of bonds	--	--	10,000
Payment for redemption of bonds	--	(542)	(3,521)
Proceeds from sale of treasury stock	2	2	4
Disbursement for acquisition of treasury stock	(127)	(39)	(124)
Dividends paid	(1,805)	--	--
Payment of dividends for minority stockholders	(36)	(8)	(8)
Net cash used in financing activities	(25,944)	(34,532)	(46,490)
Effect of exchange rate changes on cash and cash equivalents	162	29	1
Decrease in cash and cash equivalents	(2,153)	(11,892)	(7,125)
Cash and cash equivalents at the beginning of term	49,108	57,678	57,678
Increase due to new consolidation	3	--	--
Increase due to merger and acquisition	215	--	--
Net decrease from the change in consolidated companies	(184)	(23)	(1,446)
Cash and cash equivalents at the end of term	46,988	45,763	49,108

VI. Significant Items Forming the Basis for Preparation of Interim Consolidated Financial Statements

1. Items concerning scope of consolidation

Number of subsidiaries: 90 companies
Names of major consolidated subsidiaries

Sumitomo (S.H.I.) Construction Machinery Co., Ltd., Shin Nippon Machinery Co., Ltd., Seisa Gear, Ltd., Sumitomo Heavy Industries Marine & Engineering Co., Ltd., Sumitomo Heavy Industries PTC Sales Co., Ltd. Sumiju Environmental Engineering, Inc., Link-Belt Construction Equipment Company, Sumitomo Machinery Corporation of America, and Sumitomo (SHI) Cyclo Drive Germany, GmbH

Non-consolidated subsidiaries (Shin Nichizo Engineering Co., Ltd. etc.) are small companies, and their combined total assets, sales, net income (amount corresponding to equity holding) and retained earnings (amount corresponding to equity holding) all have no important impact on first half consolidated financial statements.

2. Application of equity method

Number of non-consolidated subsidiaries accounted for by equity method: 2 companies
Number of affiliated companies not accounted for by the equity method: 8 companies
Names of major companies accounted for by equity method.
Sumitomo Eaton Nova Corporation, and Nihon Spindle Mfg. Co., Ltd.

Subsidiaries (Shin Nichizo Engineering Co., Ltd. etc.) and affiliated companies (Toa Koki Co., Ltd. etc.) that are not accounted for by the equity method have been excluded from the application of the equity method because they have minimal impact on first half consolidated net income and consolidated retained earnings, and have little importance in terms of overall group.

3. Changes in scope of consolidation and application of equity method

This interim consolidated accounting period, in addition to adding SM-Cyclo De Argentina S.A., a company which increased in importance, to the scope of consolidation, Ohtsuka Tech, which was completely liquidated, and Sumiju Structural Engineering & Construction, Ltd, which decreased in importance, were both removed from the scope of consolidation.

4. Fiscal years of consolidated subsidiaries

The consolidated overseas companies, Link-Belt Construction Equipment Company, Sumitomo Machinery Corporation of America, Sumitomo (SHI) Cyclo Drive Germany, GmbH, etc. have a first half account settlement date of June 30. When preparing first half consolidated financial statements, first half financial statement as of that date were used, and in the case of important transactions that occurred between that date and the first half consolidated account settlement date, necessary adjustments were made on a consolidated basis.

5. Accounting standards

(1) Valuation criteria and valuation methods for major assets

1) Securities
Bonds held to maturity
Amortized cost method

Other marketable securities
With fair market value ･･･Market value method based on quoted market price on first half consolidated account settlement date
(Appraisal differences are dealt with by means of the direct capital influx method, with cost of securities sold calculated with the moving average method.)

Without fair market value ･･･Stated at cost determined by the moving average method

2) Inventories

Work in process: Principally stated at cost based on specific cost method

Finished products, semi-finished products, raw materials and spplies: Principally stated at cost based on the total average method
As for products in Construction Machinery segment are principally stated at cost or market, whichever is lower based on specific cost method.

(2) Methods of depreciation for major depreciable assets

1) Property, plant and equipment

The Company computes depreciation by the declining balance method. Furthermore, as for useful life and residual value, the standard used is principally the same as the method stipulated in the income tax code.

However, the Company and some consolidated subsidiaries apply the straight-line method to buildings acquired after April 1, 1998 (excluding equipment belonging to buildings).

2) Intangible fixed assets

Depreciation is computed by the straight-line method. Furthermore, as for useful life and residual value, the standard used is principally the same as the method stipulated in the income tax code.
However, in the case of software used by the Company itself, the straight-line method based on the period of possible use within the Company (5 years) is adopted.

(3) Criteria for appropriation of important allowance

1) Allowance for doubtful accounts

To prepare s against credit losses, the Company makes additions to this allowance on the basis of loan loss ratios for standard loans, and on an individual basis for loans considered unlikely to be repaid in full, recording an amount equivalent to that thought to be irretrievable.

2) Allowance for guaranteed construction

In preparation for disbursements for expenses for gratuitous repair made after product delivery, allowances for guarantee construction are recorded based on historical results and the like.

3) Allowance for losses on ordered construction

As for undelivered construction orders for which it is estimated, at the end of the interim consolidated accounting period, that extensive losses are likely to occur after the interim consolidated accounting period, and for which a rational estimate of the amount of said losses is possible, the estimated amount of losses that are expected to occur after this first half are recorded.

4) Employees' severance and retirement benefits

To provide for employees' accrued retirement benefits, the Company charged to income the amount recognized as having been incurred at the end of the first half consolidated accounting period based on the projected amounts of the liability for accrued retirement benefit liabilities and pension assets at the end of the consolidated accounting fiscal year.

Additionally, the Company accounts for past service liability as expenses in the consolidated accounting year in which they occurred. Consolidated subsidiaries account for past service liability as expenses calculated by the straight line method, based on a fixed number of years (mainly 12 years) within the average remaining employee service time when they occurred.

Actuarial differences are amortized on a straight-line basis over a period which falls within the average estimated remaining years of service (12 years) of the participants commencing the year following.

5) Accrued retirement benefits to directors and corporate officers

As for accrued retirement benefits to directors and corporate officers, the retirement benefits system has been abolished within the Company and some of its consolidated subsidiaries: the amount recorded as an allowance for retirement benefits is determined on the basis of compensation commensurate with work performance during the term of duty.

6) Allowances for losses on the reorganization of affiliates

An amount equal to the estimated losses associated with the liquidation of an unconsolidated domestic subsidiary, which has entered liquidation proceedings, has been recorded.

(4) Procedure of important lease transaction

For financial lease where ownership of leased properties is not recognized to transfer to borrower, an accounting procedure pursuant to common methods for lease transaction is adopted.

(5) Derivatives and hedging activities

1) Hedge accounting methods

The Company uses deferral hedge accounting. In the case of Interest-rate swaps, if conditions for a special application are met, the special application is adopted. In addition, as for foreign currency futures contract, if conditions for appropriation are fulfilled, appropriation treatment is adopted.

2) Hedging measures and hedged items

Hedging instruments	Hedged items
Forward foreign exchange contracts	Foreign currency-denominated liabilities and planned transactions
Interest-rate swaps	Loans

3) Hedging policy

Based on the “Market Risk Management Rule” provided for by the board of directors, the Company aims at the decrease of the risk, and therefore does not engage in any speculative transactions.

4) Method of evaluating effectiveness of hedging

The fluctuations in the total sum and the quotation for fair value hedging and the fluctuation in the total sum and quotation for cashflows hedging are compared every 6 months, and, based on the amount of the fluctuation for each, hedge effectiveness is evaluated.

The Company does not evaluate the effectiveness of hedging interest-rate swaps by special applications.

(6) Other important items forming the basis for preparation of consolidated financial statements

1) Method of accounting for consumption tax, etc.

The Company adopts the tax exclusion method.

2) Adoption of a consolidated tax payment system

A consolidated tax payment system has been adopted.

5. Fund range in the statement of cash flows

Funds in the statement of cash flows
(cash and cash equivalents) comprise cash in hand, deposits withdrawable at any time, and easily cashable short -term investment with little risk and maturity date coming within three months from the acquisition date.

Changes in Accounting Method

Allowances for losses on ordered construction

The recording method has changed: from this interim consolidated financial period, if there are undelivered construction orders for which it is estimated, at the end of the interim consolidated financial period, that extensive losses are likely to occur after the interim consolidated financial period, and for which a rational estimate of the amount of the losses is possible, then the estimated amount of the losses which are expected to occur after the first half will be recorded under allowances for losses on construction orders.

This change is believed to firmly establish said allowances as accounting practices. It was made in order to improve financial reporting and to further improve the balancing of period profits and losses.

As a result, in comparison with previous methods, the cost of sales increased by 411 million yen, while operating profit, ordinary profit, and interim net income before taxes and other adjustments were all decreased by the same amount.

Accrued retirement benefits for directors and corporate officers

The recording method has changed: previously, retirement benefits for directors at some domestic consolidated subsidiaries were recorded at the time of retirement. However, this interim consolidated financial period, the retirement benefit system is abolished, and the amount recorded for directors' retirement benefit allowances is determined on the basis of compensation commensurate with work performance during the term of duty, in the hopes of further improving financial health.

The sum of 29 million yen incurred this interim consolidated financial period as a result of this change is recorded under selling, general, and administrative expenses, and the corresponding sum of 257 million yen from last financial year is recorded under extraordinary expenses.

As a result of the above, in comparison with former methods, operating income and ordinary income were each decreased by 29 million yen, and interim net income before taxes was decreased by 286 million yen.

Accounting standard for losses on fixed assets

Starting this interim consolidated financial period, the "Accounting Standards for Losses on Fixed Assets" ("Opinion Concerning the Establishment of Accounting Standards for Losses on Fixed Assets" (Business Accounting Council, August 9, 2002) and "Guidelines for Adopting Accounting Standards for Losses on Fixed Assets" (Guidelines for Adopting Business Accounting Standards No. 6, October 31, 2003)) will be adopted.

As a result of the above, net income before taxes and other adjustments posted a decrease of 229 million yen.

Notes to the Consolidated Balance Sheet

(Units: millions of yen)

Current First Half		Previous First Half		Previous Full Year	
1. Total depreciation on tangible fixed assets	166,807	1. Total depreciation on tangible fixed assets	169,478	1. Total depreciation on tangible fixed assets	164,541
2. Total depreciation on tangible fixed assets	39,960	1. Total depreciation on tangible fixed assets	40,160	1. Total depreciation on tangible fixed assets	40,101
	6,978		8,309		7,940
3. Total depreciation on tangible fixed assets	148	1. Total depreciation on tangible fixed assets	411	1. Total depreciation on tangible fixed assets	338
4. Total depreciation on tangible fixed assets	6,095	1. Total depreciation on tangible fixed assets	7,141	1. Total depreciation on tangible fixed assets	6,970
	5,985		7,009		6,848
	224		589		194
	224		589		194

Notes to the Consolidated Statement of Income

The Company recorded the following impairment loss in the current interim consolidated period.

Application	Category	Location	Amount
Idle	Land	Kurashiki-shi, Okayama prefecture	229 million yen

The above-mentioned land was previously held as company housing for employees, but the housing has since been dismantled, and it has become an idle asset.

There was no utilization plan, and, due to depreciation of the value of the land, it has been recorded as an impairment loss.

To make the impairment loss decision, business segments are as the basis, and, as idle property for which future use is not anticipated, it is grouped as an individual real estate unit.

Furthermore, the collectible value amount is measured by net sales worth.

VII. Marketable Securities

Current First Half (As of September 30, 2005)

1) Other marketable securities with market value

(Millions of yen)

	Acquisition Price	Value on the interim Balance Sheets	Difference
Stock	8,096	20,640	12,544

2) Other Marketable Securities without market value

(Millions of yen)

	Value on the Consolidated Balance Sheets
Bonds held to maturity	
Unlisted bond	10
Total	10
Other marketable securities	
Unlisted stock	4,674
Other	1,016
Total	5,690

Previous First Half (As of September 30, 2004)

1) Other marketable securities with market value

(Millions of yen)

	Acquisition Price	Value on the interim Balance Sheets	Difference
Stock	7,078	13,897	6,819
Bond	8	10	2
Other	13	11	(2)
Total	7,099	13,918	6,819

2) Other Marketable Securities without market value

(Millions of yen)

	Value on the Consolidated Balance Sheets
Bonds held to maturity	
Unlisted bond	10
Total	10
Other marketable securities	
Unlisted stock	5,518
Other	1,024
Total	6,542

Previous Fiscal Year (As of March 31, 2005)

1) Other marketable securities with market value

(Millions of yen)

	Acquisition Price	Value on the interim Balance Sheets	Difference
Stock	8,232	15,717	7,486

2) Other Marketable Securities without market value

(Millions of yen)

	Value on the Consolidated Balance Sheets
Bonds held to maturity	
Unlisted bond	10
Total	10
Other marketable securities	
Unlisted stock	4,775
Other	1,024
Total	5,800

VIII. Segment Information

1. Segment Information by Business

Current First Half (April 1, 2005 to September 30, 2005)

(Units: millions of yen)

Item \ Segment	A	B	C	D	E	Total	F	Consolida-tion
Net sales								
(1) Sales to external customers	103,566	31,853	24,281	27,274	58,882	245,857	--	245,857
(2) Internal sales between segments or exchanges	680	1,313	229	125	35	2,382	2,382	--
Total	104,246	33,166	24,509	27,400	58,918	248,239	2,382	245,857
Operating expenses	91,182	33,093	25,783	24,297	55,381	229,736	2,373	227,363
Operating income/loss	13,064	73	(1,274)	3,102	3,537	18,502	9	18,494

Segments:
A: Mass-Produced Machinery
B: Environmental Protection Facilities, Plants & Others
C: Ship, Steel Structure & Other Specialized Equipment
D: Industrial Machinery
E: Construction Machinery
F: Cancellation or general

Previous First Half (April 1, 2004 to September 30, 2004)

(Units: millions of yen)

Item \ Segment	A	B	C	D	E	Total	F	Consolida-tion
Net sales								
(1) Sales to external customers	98,654	34,255	25,265	25,429	54,476	238,078	--	238,078
(2) Internal sales between segments or exchanges	491	1,193	281	137	37	2,138	2,138	--
Total	99,145	35,447	25,546	25,566	54,512	240,217	2,138	238,078
Operating expenses	83,491	32,826	26,110	24,005	52,523	218,956	2,140	216,815
Operating income/loss	15,654	2,621	(564)	1,561	1,989	21,261	2	21,263

Segments:
A: Mass-Produced Machinery
B: Environmental Protection Facilities, Plants & Others
C: Ship, Steel Structure & Other Specialized Equipment
D: Industrial Machinery
E: Construction Machinery
F: Cancellation or general

Previous Full Year (April 1, 2004 to March 31, 2005)

(Units: millions of yen)

Segment / Item	A	B	C	D	E	Total	F	Consolidation
Net sales								
(1) Sales to external customers	205,091	87,937	65,288	54,008	108,985	521,310	--	521,310
(2) Internal sales between segments or exchanges	1,253	2,653	553	397	69	4,926	4,926	--
Total	206,345	90,591	65,842	54,405	109,054	526,236	4,926	521,310
Operating expenses	175,930	83,497	65,364	49,571	103,093	477,454	4,917	472,537
Operating income/loss	30,415	7,094	478	4,834	5,961	48,782	9	48,773

Segments:
A: Mass-Produced Machinery
B: Environmental Protection Facilities, Plants & Others
C: Ship, Steel Structure & Other Specialized Equipment
D: Industrial Machinery
E: Construction Machinery
F: Cancellation or general

Notes:
1. Business segment depends on sales total segment

2. Main products of each business segment

Businesses	Main Products
Mass-Produced Machinery	Power Transmission Equipment, Plastic Injection Molding Machines, Laser Processing Systems, Defense Equipment, Cryogenic Equipment, Precision XY Stages, Cyclotrons for Medical Use
Environmental Protection Facilities, Plants & Others	Water and Sewage Treatment Systems, Industrial Waste Treatment Facilities, Chemical Process Equipment & Plants, Software, Real Estate
Ship, Steel Structure & Other Specialized Equipment	Ships, Bridge & Steel Structures
Industrial Machinery	Forging Machines, Material Handling Systems, Turbines, Pumps
Construction Machinery	Hydraulic Excavators, Mobile Cranes

3. Changes in Accounting Method

Allowances for losses on ordered construction

The recording method has changed: from this interim consolidated financial period, if there are undelivered construction orders for which it is estimated, at the end of the interim consolidated financial period, that extensive losses are likely to occur after the interim consolidated financial period, and for which a rational estimate of the amount of the losses is possible, then the estimated amount of the losses which are expected to occur after the first half will be recorded under allowances for losses on construction orders.

As a result, in comparison with former method, "Ship, Steel Structure and Other specialized equipment" operating expenses and operating losses each increased by 411 million yen.

Accrued retirement benefits to directors and corporate officers

The recording method has changed: previously, retirement benefits for company officers at some domestic consolidated subsidiaries were recorded at the time of retirement. However, this interim consolidated financial period, the retirement benefit system is abolished, and the amount recorded for company officer retirement benefit allowances is determined on the basis of compensation commensurate with work performance during the term of duty, in the hopes of further improving financial health.

As a result of the above, in comparison with former method, operating expenses increased by 29 million yen, and operating income decreased by the same amount.

Effect by segment is as follows.

(Units: millions of yen)

Segment / Item	Mass-Produced Machinery	Environmental Protection Facilities, Plants & Others	Ship, Steel Structure & Other Specialized Equipment	Industrial Machinery	Construction Machinery	Total
Increase in operating expenses	9	5	3	3	9	29
Decrease in operating expenses	9	5	3	3	9	29

2. Segment Information by Geographical Area

Current First Half (April 1, 2005 to September 30, 2005)

(Units: millions of yen)

Segment / Item	Japan	North America	Others	Total	Cancellation or general	Consolidation
Net sales						
(1) Sales to external customers	207,537	25,556	12,764	245,857	--	245,857
(2) Internal sales between segments or exchanges	13,068	416	1,260	14,744	14,744	--
Total	220,605	25,972	14,023	260,601	14,744	245,857
Operating expenses	205,079	24,052	13,093	242,224	14,861	227,363
Operating income	15,526	1,920	931	18,377	117	18,494

Previous First Half (April 1, 2004 to September 30, 2004)

(Units: millions of yen)

Segment / Item	Japan	North America	Others	Total	Cancellation or general	Consolidation
Net sales						
(1) Sales to external customers	207,917	19,368	10,793	238,078	--	238,078
(2) Internal sales between segments or exchanges	13,335	502	1,421	15,259	15,259	--
Total	221,252	19,870	12,214	253,337	15,259	238,078
Operating expenses	201,506	19,084	11,243	231,833	15,018	216,815
Operating income	19,747	786	971	21,504	241	21,263

Previous Full Year (April 1, 2004 to March 31, 2005)

(Units: millions of yen)

Item \ Segment	Japan	North America	Others	Total	Cancellation or general	Consolidation
Net sales						
(1) Sales to external customers	458,947	39,535	22,829	521,310	--	521,310
(2) Internal sales between segments or exchanges	23,920	872	2,894	27,685	27,685	--
Total	482,867	40,406	25,723	548,996	27,685	521,310
Operating expenses	437,675	38,390	23,963	500,027	27,490	472,537
Operating income	45,192	2,017	1,760	48,968	195	48,773

Notes:
1. Countries and regions classified by geographical proximity.

2. Countries and regions belonging to each classification:
North America: USA, and Canada
Others: UK, Germany, Singapore, and China

3. Changes in Accounting Method

Allowances for losses on ordered construction

The recording method has changed: after this interim consolidated financial period, if there are undelivered construction orders for which it is estimated, at the end of the interim consolidated financial period, that extensive losses are likely to occur after the interim consolidated financial period, and for which a rational estimate of the amount of the losses is possible, then the estimated amount of the losses which are expected to occur after the first half will be recorded under allowances for losses on construction orders.

As a result, in comparison with former method, operating expenses for "Japan" increased by 411 million yen, and operating income decreased by the same amount.

Accrued retirement benefits to directors and corporate officers

The recording method has changed: previously, retirement benefits for company officers at some domestic consolidated subsidiaries were recorded at the time of retirement. However, this interim consolidated financial period, the retirement benefit system is abolished, and the amount recorded for company officer retirement benefit allowances is determined on the basis of compensation commensurate with work performance during the term of duty, in the hopes of further improving financial health.

As a result of the above, in comparison with former method, operating expenses for "Japan" increased by 29 million yen, and operating income decreased by the same amount.

3. Overseas Sales

Current First Half (April 1, 2005 to September 30, 2005)

(Units: millions of yen)

	North America	Asia	Others	Total
I. Overseas sales	41,348	30,669	29,629	101,646
II. Consolidated sales				245,857
III. Overseas sales ratio（%）	16.8	12.5	12.1	41.3

Previous First Half (April 1, 2004 to September 30, 2004)

(Units: millions of yen)

	North America	Asia	Others	Total
I. Overseas sales	35,724	31,061	29,380	96,165
II. Consolidated sales				238,078
III. Overseas sales ratio（%）	15.0	13.0	12.3	40.4

Previous Full Year (April 1, 2004 to March 31, 2005)

(Units: millions of yen)

	North America	Asia	Others	Total
I. Overseas sales	78,471	63,126	56,211	197,807
II. Consolidated sales				521,310
III. Overseas sales ratio（%）	15.1	12.1	10.8	37.9

Notes:
1. Countries and regions classified by geographical proximity.

2. Countries and regions belonging to each classification:
   North America: USA, and Canada
   Asia: Singapore, and China
   Others: UK, and Germany

3. Sales are from the Company and subsidiaries' countries and regions other than Japan.

IX. Orders, Sales and Balance of Orders by Segment

Orders received

(Units: millions of yen)

Businesses	April 1, 2005 to September 30, 2005		April 1, 2004 to September 30, 2004		Y/Y Change	April 1, 2004 to March 31, 2005	
	Amount	%	Amount	%	%	Amount	%
Mass-Produced Machinery	106,089	37.6	105,667	36.6	0.4	213,123	38.0
Environmental Protection Facilities, Plants & Others	37,419	13.3	46,416	16.1	(19.4)	100,343	17.9
Ship, Steel Structure & Other Specialized Equipment	43,875	15.5	47,888	16.6	(8.4)	75,725	13.5
Industrial Machinery	32,831	11.6	32,396	11.2	1.3	60,012	10.7
Construction Machinery	62,188	22.0	56,239	19.5	10.6	111,529	19.9
Total	282,403	100.0	288,606	100.0	(2.1)	560,731	100.0

Sales

(Units: millions of yen)

Businesses	April 1, 2005 to September 30, 2005		April 1, 2004 to September 30, 2004		Y/Y Change	April 1, 2004 to March 31, 2005	
	Amount	%	Amount	%	%	Amount	%
Mass-Produced Machinery	103,566	42.1	98,654	41.1	5.0	205,091	39.3
Environmental Protection Facilities, Plants & Others	31,853	12.9	34,255	14.4	(7.0)	87,937	16.9
Ship, Steel Structure & Other Specialized Equipment	24,281	9.9	25,265	10.6	(3.9)	65,288	12.5
Industrial Machinery	27,274	11.1	25,429	10.7	7.3	54,008	10.4
Construction Machinery	58,882	24.0	54,476	22.9	8.1	108,985	20.9
Total	245,857	100.0	238,078	100.0	3.3	521,310	100.0

Balance of Orders received

(Units: millions of yen)

Businesses	April 1, 2005 to September 30, 2005		April 1, 2004 to September 30, 2004		Y/Y Change	April 1, 2004 to March 31, 2005	
	Amount	%	Amount	%	%	Amount	%
Mass-Produced Machinery	70,579	20.0	67,787	21.4	4.1	66,141	20.1
Environmental Protection Facilities, Plants & Others	77,560	21.9	71,994	22.7	7.7	71,750	21.9
Ship, Steel Structure & Other Specialized Equipment	142,243	40.2	122,648	38.7	16.0	134,834	41.0
Industrial Machinery	48,621	13.7	43,064	13.6	12.9	44,028	13.4
Construction Machinery	14,813	4.2	11,507	3.6	28.7	11,872	3.6
Total	353,815	100.0	317,000	100.0	11.6	328,625	100.0