Sumitomo Heavy Industries, Ltd.

CONSOLIDATED FINANCIALREPORT

For the Full Year ended March 31, 2007

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.

Summary of Consolidated Financial Results

For the Full Year Ended March 31, 2007

Presented May 8, 2007

Sumitomo Heavy Industries, Ltd.

Listed Exchanges	Tokyo Stock Exchange, Osaka Securities Exchange
Stock Code	6302
Head Office	Tokyo
President	Yoshinobu Nakamura
URL	www.shi.co.jp
Inquiries	Hideo Oshima, General Manager, Corporate Communications Dept.
Telephone	+81 3 5488 8219
Scheduled date of Ordinary Shareholders' Meeting	June 28, 2007
Scheduled date of filing Yukashoken-Hokokusho	June 28, 2007
Scheduled date of payment of cash dividends	June 29, 2007

1. FY 2007 Consolidated Results *(April 1, 2006 to March 31, 2007)*

(1) Business Results

(Millions of yen)

	Present Full Term April 1, 2006 to March 31, 2007		Previous Full Term April 1, 2005 to March 31, 2006	
		% change		% change
Net Sales	600,256	8.9	551,339	5.8
Operating Income	64,224	35.2	47,505	(2.6)
Ordinary Income	65,341	37.3	47,585	(0.6)
Net Income	37,352	25.6	29,742	30.5
Net Income per Share (yen)	61.99		49.45	
Fully Diluted Net Income per Share	--		--	
Return on Equity (ROE)	20.1		19.5	
Return on Assets (%)	11.1		8.3	
Ordinary Income to Net Sales (%)	10.7		8.6	

*Notes:
Equity method investment profit and loss:
Fiscal year ended March 31, 2007: 4,584 million yen
Fiscal year ended March 31, 2006: 4,303 million yen

(2) Financial Position

(Millions of yen)

	End of Present Full Year As of March 31, 2007	End of Previous Full Year As of March 31, 2006
Total Assets	600,890	579,233
Stockholders' Equity	206,010	167,740
Equity Ratio (%)	34.1	29.0
Net assets per Share (yen)	338.95	279.02

* Note: Equity:
Fiscal year ended March 31, 2007: 204,691 million yen
Fiscal year ended March 31, 2006: -- million yen

(3) Cash Flows

(Millions of yen)

	Present Full Year April 1, 2006 to March 31, 2007	Previous Full Year April 1, 2005 to March 31, 2006
Cash Flows from Operating Activities	56,789	50,023
Cash Flows from Investing Activities	(12,461)	(7,024)
Cash Flows from Financing Activities	(41,193)	(48,812)
Cash and Cash Equivalents at Period End	47,523	43,644

2. Dividends

	As of March 31, 2006	As of March 31, 2007	As of March 31, 2008 (forecast)
Annual Dividends per Share			
Interim (yen)	2.50	3.50	5.00
End of Term (yen)	2.50	3.50	5.00
Annual Dividends (yen)	5.00	7.00	10.00
Total Dividends (millions of yen)	3,007	4,217	--
Payout ratio (consolidated)	10.1%	11.3%	14.0%
Net assets dividend yield (consolidated)	2.0%	2.3%	--

3. FY 2007 Consolidated Forecasts *(April 1, 2007 to March 31, 2008)*

(Millions of yen)

	Interim April 1, 2007 to Sept. 31, 2007		Full Year April 1, 2007 to March 31, 2008	
Net Sales	300,000	9.7	650,000	8.3
Operating income	30,000	12.1	74,000	15.2
Ordinary Income	29,000	4.7	73,000	11.7
Net Income	17,000	1.8	43,000	15.1
Projected net income per share	28.15		71.20	

* Please consult page 8, 'Outlook for Fiscal Year through March 31, 2008', for further information concerning the projections.

4. Additional Notes

(1) Transfers of important subsidiaries during the fiscal period (moves of specific subsidiary due to change in scope of consolidation): None

(2) Changes in principles, procedures and presentation of accounting treatment in preparing consolidated financial statements:

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

(ii) Changes other than (i): None

* Please refer to "Important items that are fundamental to the preparation of consolidated financial statements" on page 23 for more details.

(3) Number of shares issued (common shares)

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

As of March 31, 2007	605,726,394 shares
As of March 31, 2006	602,625,585 shares

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

As of March 31, 2007	1,832,402 shares
As of March 31, 2006	1,439,859 shares

* Please refer to "Per Share Information" for the number of shares used as the basis for calculating net income (consolidated) per share for the term.

I. Business Results and Financial Position

1. Business Results

The Japanese domestic economy continued to expand during the year under review (‘the period’) as corporate business results have been broadly favorable, aided by private and corporate capital investment and growth in exports with stable exchange rates, and despite the continuing trend of decline in public works investment. Overseas economies remain firm despite a trend of mild deceleration seen in some sectors of the U.S. economy. High growth continues in China and promising markets such as Southeast Asia and India are expanding. The world economy remains strong on the whole.

The Sumitomo Heavy Industries Group has actively pursued management policies based on our “Leap to Excellence ’07” medium-term management plan, as implemented in fiscal 2005. This period saw the Group achieve the goals of the plan - namely, operating income of 60.0 billion yen or more, interest-bearing debt balance of 100.0 billion yen or less, and post-tax ROIC* of 10% or greater - one year ahead of schedule, in a firm economic environment.

The ROIC (Return on Invested Capital) for the Group is calculated from the formula below.

$$\text{ROIC} = \frac{\text{(Operating income + Interest earned, dividends) x 55\% (= 1 – Effective tax rate)}}{\text{(Average stockholders' equity at start and end of fiscal period + average interest-bearing debt at start and end of fiscal period)}}$$

Key Issues in the Period, the Second Year of the “Leap to Excellence ’07”

(1) Enhancing competitive edge of products

Believing that continual creation of globally competitive first class products is necessary to achieve sustainable growth, the Group has engaged in investment for the development and active marketing of promising products. We have been particularly active in introducing new models to the market for power transmissions, plastic machinery, and construction machinery.

(2) Strengthening collaboration between businesses and expanding component business

The Group is working to integrate its machinery business through the components business, which is our forte, by pursuing vertical integration. More specifically, we have fostered the growth of motion control drives for functional integration of our top-ranked power transmissions and precision control technology.

(3) Expanding orders and improving profitability for the Industrial Machinery

The industrial machinery, that is material handling system, turbines and pumps, and forging presses remains strong due to the favorable climate for the shipping, steel, energy, and the automotive businesses, contributing to improved profitability for the entire group. The Group has continued to invest in meeting client needs in order to sustain stable income for these businesses.

(4) Making structural transition from public demand to private demand

The Group continued its efforts of the last period to achieve a structural shift in demand from largely public demand to private demand for the Environmental Protection Facilities and Plant segment and the Steel Structure and Other Specialized Equipment segment. The water treatment business was spun off to enable swift decision making and flexible management of the business. This enhanced our ability to respond to demand in the water treatment business for non-public market.

(5) Expanding overseas sales

The Group has improved marketing power overseas through active expansion of sales and achieved this by expanding sales and service for the power transmission business, establishing a molding technology center in China, and improving local customer support.

(6) Production innovations

The Group made headway in establishing a global supply chain and overseas manufacturing sites. This included the completion of a motor manufacturing plant in Vietnam for the power transmission business. We also pursued initiatives to improve production efficiency in domestic plants for many businesses, including the material handling system business and the shipbuilding business.

(7) Augmenting human resource training

The Group worked to develop human resources that can contribute to the creation of “first class products” by enhancing the training program with the goal of increasing specialization, in addition to existing training programs designed for current top management and future leaders.

(8) Efforts to prevent global warming

The Group waged a campaign to reduce paper consumption after reducing the consumption of electricity. Goals have been set for a 10% reduction in electricity usage by fiscal 2007 (compared to fiscal 2004) and a 30% reduction in paper use by fiscal 2008 (compared to fiscal 2005). We are currently working to achieve these.

(9) Developing internal control system

The Group has been working systematically to establish a system of internal controls to further improve compliance and enable us to respond to revisions in and stricter application of laws and changes in the social environment, in addition to measures to address the legal requirements for a system of internal controls under the Company Law and the Financial Instruments and Exchange Law.

Work on the forgoing operating policies enabled the Group to achieve a 17% increase in orders received over last period, marking an historical high of 705.3 billion yen, and sales of 600.3 billion yen, an increase of 9% over last period. On the profit front, historical highs were recorded for both operating income at 64.2 billion yen and ordinary income at 65.3 billion yen. Net income for the period also rose 26% over last period to 37.4 billion yen, achieving an historical high for the fourth, consecutive period.

Parent results for the period were 322.2 billion yen in orders received, 259.4 billion yen in sales, 18.2 billion yen in operating income, 21.3 billion yen in ordinary income, and 12.8 billion yen in net income.

Group Results by Business Segment

Mass-Produced Machinery Segment

Operating results strong for the power transmission and control business, both domestically and overseas, due to active new product introduction, and expanding business by establishing a global supply chain and other means.

In the plastics machinery business there was a pause in demand for the automotive and electronic component industries, causing a slight decline in both orders received and sales compared with last period. Orders received for cryocoolers and cyclotrons for medical treatment, however, recorded growth, primarily for overseas.

As a result, total segment orders received rose 7% over last period to 234.7 billion yen, sales rose 1% over last period to 222.9 billion yen, and operating income declined 4% from last period to 28.8 billion.

Environmental Protection Facilities, Plants, and Others Segment

Orders received for multi-fuel boilers have been strong for the energy plant business, but sales for the entire segment declined slightly due to a decline in sales for the water treatment business. Resulting orders received for the division as a whole were 90.0 billion yen, up 8% over last period; sales were 79.4 billion yen, down 3% from last period, and operating income was 4.5 billion yen, up 8% from last period.

Ship, Steel Structure and Other Specialized Equipment Segment

Orders received for the shipping business showed a two-ship increase over last period to 13 ships and delivery of eight tankers was completed on the sales side. These results were due to marketing activities being restricted to Aframax tankers to match market needs with our shipbuilding capacity under a favorable market environment. Orders received for the reactor vessel business recorded strong growth due to active capital investments in the oil and chemical plant industries amidst expanding demand for energy and high oil prices.

As a result, segment orders received as a whole rose 27% over last period to 121.0 billion, sales rose 6% over last period to 69.5 billion yen, and operating income rose to 6.7 billion, versus an operating loss of 1.0 billion yen last period.

Industrial Machinery Segment

The business for material handling system expanded, mainly for large cranes, as we raised our capacity to handle investment in increased capacity for the domestic shipbuilding and steel companies. This resulted from detailed market forecasts and timely expansion of production facilities.
The turbine and pump business was favorable as investment in biomass generation plant and oil and petrochemical plant increased, primarily in overseas markets. Sales for the forging press business rose on sustained production of forging presses for the automotive industry.
This resulted in 36% year-on-year growth in orders received for the segment as a whole to 93.6 billion yen, sales growth of 22% year-on-year to 68.3 billion, and 63% growth in operating income over last year to 9.5 billion.

Construction Machinery Segment

Business for hydraulic excavators was favorable both domestically and overseas, due to measures such as the introduction of a new type of hydraulic excavators to the market to address the Phase III gas emission restrictions and increased production capacity. Of particular note was the growth in both sales and orders received concentrated in Europe and Asia.

Both orders received and sales for the construction crane business recorded strong growth amid continued dynamism of the North American market due to the ongoing introduction of new models and expansion of production at North American sites.

This resulted in a 22% year-on-year increase in orders received for the segment as a whole to 166.1 billion yen, 27% year-on-year growth in sales to 160.2 billion, and 69% year-on-year growth in operating income to 14.4 billion yen.

Sumitomo Heavy Industries was indicted on suspicion of violating the Antimonopoly Act with respect to steel bridge construction and sludge recycling plant. We were adjudged guilty. The Fair Trade Commission also ordered us to pay a surcharge on the sludge recycling plant and watergate construction, based on the Antimonopoly Act. Sumitomo Heavy Industries regards these events as very serious. The entire group will continue to work on further strengthening our compliance structure and on preventing a reoccurrence.

2. Outlook for the Fiscal Year through March 31, 2008

We expect demand to remain firm both domestically and overseas for the present despite a gradual trend of decline in some sections of the U.S. economy, and expect demand from capital investment to remain strong overall due to rising demand for basic materials and energy from sustained growth of the BRICs and increased production of materials and components attendant to expanding diffusion of and demand for such things as cars and flat panel televisions.

The Group will continue managerial efforts to seize the excellent opportunity presented by this market environment to achieve the tasks set for the “Leap to Excellence ‘07” medium term management plan without allowing the strong growth and development of the past few years to die out and will work to ensure a smooth transition to the next medium term management plan.

The present Group forecast for fiscal 2007 is as follows:

(Millions of yen)

Consolidated	Amount	Compared to fiscal 2007
Net sales	650.0	Increase by 8%
Operating income	74.0	Increase by 15%
Ordinary income	73.0	Increase by 12%
Net income	43.0	Increase by 15%

* Based on an assumed exchange rate of 115 yen for the first half and 110 yen for the second half.

The Company regards the forecasts and projections for the future operating results mentioned above to be reasonable, based on obtainable information at present. Actual operating results may therefore differ from the forecasts and projections noted above due to changes in various factors. Please see Business Risks section for detailed information about those factors.

3. Analysis of Financial Status

Total assets increased by 21.7 billion yen over last period to 600.9 billion yen due to an increase in fixed assets from active capital investment and increased inventory owing to steady growth in orders received. Interest bearing debt decreased by 37.5 billion yen from the end of last period to 88.0 billion yen due to efforts to repay loans. The debt-equity ratio improved to 14.7%. Stockholders' equity increased 37.0 billion yen compared to last period to 204.7 billion on strong operating results for the period.

Cash inflows from operating activities increased 6.8 billion yen compared with last period to 56.8 billion yen. This increase was mainly due to an increase in net profit before taxes and other adjustments and a reduction in accounts receivable. Cash outflows from investment activities rose 5.4 billion yen compared with last period to 12.5 billion yen from increased capital investment and other factors. Cash flows from financing activities declined 7.6 billion yen from last period to 41.2 billion yen owing to debt repayment efforts.

Cash Flow Indicators

	2006	2005	2004	2003	2002
Stockholders' equity ratio (%)	34.1	29.0	24.1	19.7	15.2
Stockholders' equity ratio at market value (%)	118.0	117.4	44.6	30.7	7.6
Years to debt redemption (year)	1.6	2.5	3.7	2.8	9.3
Interest coverage ratio (times)	34.1	21.0	15.0	19.5	6.3

(Notes)

1. Indicators calculated using the following formulae.

   Stockholders' equity ratio: Stockholders' 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. Market capitalization is calculated based on the number of shares issued, less treasury stock.

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

4. Basic Policies Relating to Profit Distribution

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

Combined with an interim dividend of 3.50 yen per share, the dividend for this period is projected at seven yen, a two yen increase over last period.

II. State of the Group

Disclosure of the “Diagram of Business Affiliations” and “Status of Affiliated Companies” has been omitted since there have been no significant changes from the most recent financial statements, published June 29, 2006.

III. Management Policies

1. Basic Management Policies

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

In order to realize high, stable growth on a global level, the Group intends to be an "organized, knowledge-creating company" that provides first class 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. Medium and Long-term Management Strategies

Under “Leap to Excellence ’07,” the medium-term, three-year management plan that began from fiscal 2005, the company is aiming for sustainable growth and development built on the three core features outlined below.

(1) The Group will strive to become an organized knowledge-creating company launching first-class products in the market.
(2) The Group’s businesses will be vertically integrated to pursue synergy.
(3) The Key Component business will be expanded and reinforced.

During fiscal 2007, we will make the vision targeted in “Leap to Excellence ‘07” a reality by further promoting the value chain through the vertical integration of our businesses.

3. Key Tasks for Fiscal 2007

The Group will work to the following tasks to put the finishing touches on the “Leap to Excellence ‘07” medium-term management plan during the financial year through March 2008, the final year of the plan:

(1) Enhance the Competitive Edge of Products and Bring First Class Products to Market

The Group will strive to engage in continual technological innovation and to apply the latest technology in order to create first class products that will always be well received worldwide and to bring these to market. We will strive to improve our capabilities in product development and to market products aggressively.

(2) Strengthen Collaboration between Businesses and Expand the Components Business

Establishing a competitive position through creating compatibility in precision control technology for the product lines such as the Mass-produced Machinery segment and Construction Machinery - this is the Group’s strength. We will promote the growth and diffusion of new products such as motion control drives and new businesses in the semiconductor and liquid crystal sectors as we continue to provide results for the market based on these strengths.

(3) Improving Capacity to Handle Production in the Industrial Machinery Business

The Group has received overwhelming acclaim for large cranes, forging presses, reactor vessels and other products in the Industrial Machinery business both domestically and overseas due to the superior technology and trust we have built as a group. We will expand production capacity in line with the expansion of demand and will continue to meet the expectations of our customers.

(4) Accelerating Overseas Expansion

The Group will accelerate expansion overseas even further as the march of globalization advances.

The Mass-produced Machinery segment has led globalization for the group thus far. The Group will further accelerate globalization next period and will expand and build new manufacturing, sales, and service facilities as we simultaneously work to reduce costs as far as possible.

Demand for the superior products offered by the Group in the Industrial Machinery segment has expanded among, not only domestic clients, but overseas clients as well. We will establish a stable supply structure overseas for product groups such as material handing system and forging presses in addition to products such as turbines and pumps which are already being marketed overseas.

As for Construction Machinery segment, the Group will strive to further expand sales to the Chinese and Asian markets that are experiencing growth in demand, in addition to the European and U.S. markets where we have long manifested our strength.

(5) Expanding Production Capacity

The Group will continue to engage actively in capital investment to expand sales of rapidly growing products and to enhance overseas development and will establish a structure that will enable us to achieve the high goals of the next medium-term management plan without trouble as the global increase in demand requires further expansion of production capacity. We will concentrate our focus on expanding production capacity for reactor vessels, the Industrial Machinery segment and the Construction Machinery segment, where we expect to expand sales overseas, and on reinforcing overseas production for the Mass-produced Machinery segment.

(6) Training and Development of Human Resources

In order to develop human resources utilizable worldwide, the Group will make further improvements to training programs for training specialized personnel and training programs for improving the abilities of top management and future leaders at strategic conceptualization. We will also initiate a lateral system of training to ensure that the technical expertise and skills of veterans are handed down.

(7) Initiatives to Prevent Global Warming

The Group will promote green distribution with the intent of improving the efficiency of product transport in addition to engaging in activities to reduce consumption of electricity and paper.

(8) Ensuring a Strong System of Internal Controls

While the Group has long been active in promoting compliance and risk management, we have made greater progress in establishing a framework of internal controls to address the requirements of the Company Law and the Financial Instruments and Exchange Law this period.

Next term we will concentrate our focus on implementing a system of internal controls for financial reporting and on establishing a format for evaluation. We will also work to further fortify compliance and risk management.

Next Medium-term Management Plan

The Group strove to reform operational structure through the “Leap to Excellence ‘07” medium-term management plan and established a strong financial base. As we achieve the final goals of “Leap to Excellence ’07,” we will work on creating the next three-year, medium-term management plan, which will begin in fiscal 2008, with the goal of achieving the “globalization of Sumitomo Heavy Industries.” We will dare to set even higher goals, to search for sources of growth overseas, and to take on the challenge of markets where intense competition awaits us. We will continually offer first class products to customers throughout the world and will contribute by continually improving value for our clients in order to achieve further growth.

IV - (1) Consolidated Income Statements

(Millions of yen)

	Present Full Year April 1, 2006 to March 31, 2007		Previous Full Year April 1, 2005 to March 31, 2006		Y/Y Change
	Amount	%	Amount	%	Amount
Net sales	600,256	100.0	551,339	100.0	48,917
Cost of sales	464,071	77.3	434,904	78.9	29,166
Gross income	136,186	22.7	116,435	21.1	19,751
Selling, general & administrative expenses	71,961		68,930		3,031
Operating income	64,224	10.7	47,505	8.6	16,720
Non-operating Income:					
Interest income	191		220		(29)
Dividend income	675		367		308
Equity in earnings of unconsolidated subsidiaries and affiliated companies	4,584		4,303		281
Other-net	2,774		3,305		(532)
Total Non-operating income	8,223		8,195		28
Non-operating expenses					
Interest expense	1,666		2,384		(719)
Loss on disposal of property, plant and equipment	1,012		836		176
Other-net	4,429		4,894		(465)
Total Non-operating expenses	7,107		8,114		(1,008)
Non-operating income/loss	1,116		81		1,035
Ordinary income	65,341	10.9	47,585	8.6	17,755
Extraordinary gains					
Gain on sale of securities	1,398		906		492
Gain on business transfer	294		--		294
Total extraordinary gains	1,693		906		787

(Millions of yen)

Extraordinary losses					
Loss from reorganization of business	1,870		--		1,870
Loss on business transfer	1,270		--		1,270
Loss on breach of antitrust law	746		705		42
Impairment losses	208		229		(21)
Loss on sale of property, plant and equipment	--		686		(686)
Loss on valuation of investment securities	--		471		(471)
Provision for retirement benefits to directors, corporate auditors and executive officers	--		257		(257)
Loss on liquidation of subsidiaries	--		70		(70)
Loss on valuation of shares of subsidiaries	--		7		(7)
Total extraordinary losses	4,093		2,425		1,668
Income before income taxes	62,940	10.5	46,066	8.4	16,874
Corporate income tax current	26,463		15,735		10,728
Corporate income tax deferred	(1,493)		135		(1,628)
Minority interests	618		454		164
Net income	37,352	6.2	29,742	5.4	7,610

VI - (2) Consolidated Statements of Surplus

(Millions of yen)

	Current Full Year April 1, 2006 to March 31, 2007
Capital Surplus	
Capital surplus at the beginning of term	16,803
Increase in capital surplus	5
Gain on disposition of treasury stock	5
Capital surplus at the end of term	16,808
Retained earnings	
Retained earnings at the beginning of term	42,677
Increase in retained earnings	30,419
Net income	29,742
Increase owing to merger	278
Increase from transfer from revaluation reserve for land	399
Decrease in retained earnings	4,248
Dividends	3,308
Bonuses for directors	42
Return of retirement allowance of subsidiaries in U.K.	839
Decrease due to increase in numbers of consolidated subsidiaries	12
Decrease due to decrease in numbers of consolidated subsidiaries and companies accounted for by the equity method	43
Other	4
Retained earnings at the end of term	68,848

Consolidated Statements of Changes to Stockholders' Equity

(Millions of Yen)

	Stockholders' Equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total stockholders' equity
Balance as of March 31, 2006	30,872	16,808	68,848	(544)	115,983
Fluctuations in the period					
Dividends (*Note)			(1,503)		(1,503)
Dividends			(2,104)		16,703
Net income			37,352		37,352
Acquisition of treasury stock				(457)	(457)
Disposal of treasury stock		182		78	259
Difference from transfer of revaluation reserve for land			1,731		1,731
Stock exchange with consolidated subsidiaries		3,521		(73)	3,448
Increase from increase of consolidated subsidiaries with change in scope of consolidation			634		634
Correction of capital allotment after merger of parent company and consolidated subsidiaries		7	(7)		--
Fluctuations other than stockholders' equity in the period (net)					
Total fluctuation in the period		3,710	36,103	(452)	39,361
Balance as of March 31, 2007	30,872	20,518	104,950	(996)	155,344

* Note: This item was a profit distribution item in the general stockholders meeting in June 2006.

	Appraisal and Translation Differences						Minority interests	Total net assets
	A	B	C	D	E	F		
Balance as of March 31, 2006	10,269	--	--	42,142	(654)	51,757	3,752	171,492
Fluctuations in the period								
Dividends (*Note)								(1,503)
Dividends								(2,104)
Net income								37,352
Acquisition of treasury stock								(457)
Disposal of treasury stock								259
Difference from transfer of revaluation reserve for land								1,731
Stock exchange with consolidated subsidiaries								3,448
Increase from change in scope of consolidation								634
Correction of capital allotment after merger of parent company and consolidated subsidiaries								--
Fluctuations other than stock-hokders' equity in the period (net)	926	(1,652)	(772)	(1,731)	820	(2,409)	(2,433)	(4,843)
Total fluctuation in the period	926	(1,652)	(772)	(1,731)	820	(2,409)	(2,433)	34,518
Balance as of March 31, 2007	11,195	(1,652)	(772)	40,411	166	49,348	1,319	206,010

* Note: This item was a profit disposal item in the general stockholders meeting in June 2006.

Segments:

A. Unrealized holding gains on other securities

B. Gain/ loss on deferred hedge

C. Adjustment of pension obligation for overseas subsidiaries

D. Difference from transfer of revaluation reserve for land

E. Foreign exchange translation adjustments

F. Total appraisal and translation differences

VI - (3) Consolidated Balance Sheets for the FY 2007 Full Year

(Millions of yen)

	End of Full Year As of March 31, 2007	End of Full Year As of March 31, 2006	Y/Y Change
	Amount	Amount	Amount
Assets			
Cash and deposits	48,155	43,917	4,238
Notes and account receivable	158,376	158,893	(517)
Inventories	100,519	92,981	7,538
Deferred income taxes	10,342	7,844	2,498
Other	15,893	14,971	922
Allowance for doubtful accounts	(776)	(794)	18
Current assets	**332,509**	**317,813**	**14,697**
Buildings and structure	40,734	40,918	(184)
Machinery and transportation tools	24,576	18,881	5,695
Land	111,468	114,115	(2,648)
Construction in progress	3,714	3,525	189
Other	4,653	4,041	612
Tangible assets	185,145	181,480	3,664
Intangible assets	6,276	4,789	1,487
Rights to use facilities	6,276	4,789	1,487
Investment securities	60,791	54,972	5,819
Long-term loans	38	97	(59)
Deferred income taxes	7,288	7,400	(112)
Other	10,435	14,985	(4,550)
Allowance for doubtful accounts	(1,593)	(2,302)	710
Investments and other assets	76,960	75,152	1,808
Fixed assets	**268,380**	**261,421**	**6,960**
Total assets	**600,890**	**579,233**	**21,656**

(Millions of yen)

	End of Full Year As of March 31, 2007	End of Full Year As of March 31, 2006	Y/Y change
Liabilities			
Notes and accounts payable	150,874	142,778	8,096
Short-term bank loans	21,711	28,188	(6,477)
Commercial paper	15,000	20,000	(5,000)
Long-term loans due within one year	14,285	30,529	(16,243)
Income tax payable	15,264	9,129	6,135,
Advance payments received on contracts	40,502	31,976	8,526
Allowance for guaranteed construction	4,801	3,410	1,391
Allowance for loss on ordered construction	13	45	(31)
Allowance for loss on reorganization of business	596	--	596
Allowance for loss on business transfer	161	--	161
Other	34,005	33,493	512
Current liabilities	**297,213**	**299,547**	**(2,334)**
Bond	10,000	10,000	--
Long-term debt due after one year	27,049	36,787	(9,737)
Employees' severance and retirement benefits	24,110	22,578	1,532
Allowance for directors' retirement benefits	896	921	(25)
Allowance for loss on product liability	262	--	262
Deferred income taxes on revaluation	32,306	33,505	(1,199)
Other	3,044	4,405	(1,360)
Long-term liabilities	**97,667**	**108,195**	**(10,528)**
Total liabilities	**394,880**	**407,742**	**(12,862)**
Minority interests	--	3,752	--
Stockholders' equity			
Common stock:			
Paid in capital	--	30,872	--
Capital surplus	--	16,808	--
Retained earnings	--	68,848	--
Revaluation reserve for land	--	42,142	--
Unrealized gains on securities	--	10,269	--
Foreign currency translation adjustments	--	(654)	--
Treasury stock	--	(544)	--
Total stockholders' equity	**--**	**167,740**	**--**
Liabilities minority interest, and stockholders' equity	**--**	**579,233**	**--**

Net Assets			
Common stock	30,872	--	--
Capital surplus	20,518	--	--
Retained earnings	104,950	--	--
Treasury stock	(996)	--	--
Stockholders' equity	**155,344**	--	--
Unrealized gains on securities	11,195	--	--
Profit/loss on deferred hedge	(1,652)	--	--
Adjustment regarding pension obligations of consolidated overseas subsidiaries	(772)	--	--
Revaluation reserve for land	40,411	--	--
Foreign currency translation adjustments	166	--	--
Appraisal and Translation Differences	**49,348**	--	--
Minority interests	**1,319**	--	--
Total net assets	**206,010**	--	--
Liabilities and net assets	**600,890**	--	--

VI - (4) Consolidated Cash Flows Statement

(Millions of yen)

	Current Full Year April 1, 2006 to March 31, 2007	Previous Full Year April 1, 2005 to March 31, 2006
Cash flows from operating activities		
Income before income taxes	62,940	46,066
Depreciation	10,649	9,072
Impairment losses	208	229
Gain on sale of fixed assets	(227)	(89)
Loss on sale of fixed assets	68	686
Loss on disposal of fixed assets	1,012	836
Gain on sale of investment securities	(1,398)	(906)
Loss on sale of investment securities	3	1
Loss from write-down of investment securities	136	471
Loss from liquidation of subsidiaries	--	70
Loss from write-down of shares of affiliated companies	--	7
Loss on business reorganization	1,870	--
Gain on business transfer	(294)	--
Loss on business transfer	1,270	--
Loss on breach of antitrust law	746	705
Increase in employees' severance and retirement benefits	(329)	1,315
Increase in provision for retirement benefits to directors, corporate auditors and executive officers	(21)	292
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(4,584)	(4,303)
Increase (decrease) in allowances	616	(5,227)
Interest and dividend income	(866)	(587)
Interest expense	1,666	2,384
(Increase) decrease in notes and accounts receivable	10,394	3,028
(Increase) decrease in deposits received	(4,119)	3,544
Increase in inventories	(7,213)	(1,634)
Increase (decrease) in notes and accounts payable	7,106	6,533
Other-net	(3,028)	5,956
Sub-total	**76,605**	**68,451**
Interest and dividend received	1,617	679
Interest expenses	(1,535)	(2,258)
Payments for income taxes	(19,898)	(16,848)
Net cash provided by operating activities	**56,789**	**50,023**

(Millions of yen)

Cash flows from investing activities		
(Increase) decrease in time deposits	(10)	278
Payments for securities	(5,577)	(1,295)
Proceeds from sale of securities	4,017	1,280
Disbursements for investment in affiliated company	--	(1,080)
Proceeds from liquidation of subsidiaries	--	1,528
Payments for purchases of property, plant and equipment	(16,657)	(11,497)
Proceeds from sale of property, plant and equipment	1,769	2,202
Proceeds from refund of investment	--	1,462
Payments for long-term loans receivable	(43)	(44)
Collection of long-term loans receivable	78	332
Proceeds from business transfer	5,895	--
Other-net	(1,934)	(190)
Net cash used in investing activities	**(12,461)**	**(7,024)**
Cash flows from financing activities		
Net decrease in short-term loans	(6,516)	(18,074)
Net increase (decrease) in commercial paper	(5,000)	8,500
Proceeds from long-term debt	4,500	17,990
Repayments for long-term debt	(30,482)	(52,540)
Payments for redemption of bonds	--	(1,000)
Proceeds from sale of treasury stock	379	8
Disbursement for acquisition of treasury stock	(454)	(352)
Cash dividends paid	(3,607)	(3,308)
Payment of dividends for minority stockholders	(14)	(36)
Net cash used in financing activities	**(41,193)**	**(48,812)**
Effect of exchange rate changes on cash and cash equivalents	260	343
Net decrease in cash and cash equivalents	3,395	(5,470)
Cash and cash equivalents at beginning of year	**43,644**	**49,108**
Increase due to new consolidated company	485	3
Increase due to merger and acquisition	--	215
Net decrease from the change in consolidated companies	--	(212)
Cash and cash equivalents at end of year	**47,523**	**43,644**

Significant Items Forming the Basis for Preparation of Consolidated Financial Statements

There have been no material changes to the “Significant Items Forming the Basis for Preparation of the Consolidated Financial Statements” since the most recent financial statements (published June 29, 2006). Disclosure has therefore been omitted.

Revisions to Significant Items Forming the Basis for Preparation of the Consolidated Financial Statements

Accounting Standards for Presentation of Net Assets in the Balance Sheet

Accounting Standards for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5; December 9, 2005) and Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet (ASBJ Implementation Guidance No. 8; December 9, 2005) have been applied from the current consolidated fiscal year. The amount equivalent to total Stockholders’ Equity as heretofore recorded is 207.12 billion yen. This has had no effect on income.

Accounting and Other Standards for Corporate Mergers

The Accounting Standards for Business Combination (Business Accounting Council; October 31, 2003), the Accountings Standard for Business Divestitures (ASBJ Statement No. 7; December 27, 2005) and the Implementation Guidance on Accounting Standards for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Implementation Guidance No. 10; latest revision on December 22, 2006) are effective from the current consolidated fiscal year. This has had no effect on income.

Items of Special Note Concerning the Consolidated Financial Statements

Disclosure of leases transactions, transactions with interested parties, tax effect accounting, marketable securities, derivative transactions and retirement benefits has been omitted since the need to disclose these has been determined to have little significance for the financial statements.

Segment Information

1. Segment Information by Business

Current Full Year *(April 1, 2006 to March 31, 2007)*

(Millions of yen)

Item \ Segment	A	B	C	D	E	Total	F	Consolidation
Net sales								
(1) Sales to external customers	222,906	79,397	69,491	68,286	160,177	600,256	--	600,256
(2) Internal sales between segments or exchanges	2,160	2,490	511	423	31	5,615	5,615	--
Total	225,066	81,887	70,002	68,709	160,208	605,872	5,615	600,256
Operating expenses	196,222	77,393	63,287	59,182	145,812	541,897	5,865	536,032
Operating income/loss	28,844	4,494	6,714	9,527	14,396	63,975	250	64,224
Assets, depreciation, impairment loss and capital expenditure								
Assets	239,031	59,213	88,760	50,451	123,991	561,446	39,444	600,890
Depreciation	5,601	892	1,250	1,240	1,666	10,649	--	10,649
Impairment loss	--	--	--	25	183	208	--	208
Capital expenditure	9,188	1,124	1,606	2,497	2,842	17,257	--	17,257

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, 2005 to March 31, 2006)*

(Millions of yen)

Item \ Segment	A	B	C	D	E	Total	F	Consolidation
Net sales								
(1) Sales to external customers	218,798	82,740	67,372	56,054	126,375	551,339	--	551,339
(2) Internal sales between segments or exchanges	2,059	2,902	421	335	56	5,774	5,774	--
Total	220,857	85,642	67,794	56,389	126,431	557,113	5,774	551,339
Operating expenses	191,519	81,365	68,273	50,542	117,898	509,598	5,763	503,834
Operating income/loss	29,338	4,277	(479)	5,847	8,533	47,515	10	47,505
Assets, depreciation, impairment loss and capital expenditure								
Assets	217,048	78,417	89,549	44,328	106,618	535,961	43,273	579,233
Depreciation	4,722	975	1,355	609	1,411	9,072	--	9,072
Impairment loss	--	--	--	--	--	--	229	229
Capital expenditure	5,316	1,458	1,206	1,010	1,295	10,285	--	10,285

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 & Control, Plastic Injection Molding Machines, Laser Processing Systems, Cryogenic equipment, Precision XY Stages, Ion Accelerators, Plasma Coating System for FPDs, Precision Forgings, Control Components, Defense Equipment
Environmental Protection Facilities, Plants & Others	Power Generation Systems, Industrial Waste Treatment Facilities, Water and Sewage Treatment Systems, Real Estate, Software
Ship, Steel Structure & Other Specialized Equipment	Ships, Pressure Vessels, Bridge
Industrial Machinery	Forging Machines, Material Handling Systems, Logistics System, Automated Parking System, Turbines, Pumps
Construction Machinery	Hydraulic Excavators, Mobile Cranes, Road Machinery

3. The value of assets eliminated or company-wide assets included in items for the company as a whole was 67.08 billion yen for the current fiscal year and 63.79 billion yen for the previous fiscal year. This mainly consists of assets involving surplus funds invested (cash and deposits) and funds invested long-term (securities for investment).

4. Changes in Segment Affiliation for the Current Consolidated Fiscal Year

   Japan Electron Beam Irradiation Service Co., Ltd. and SHI Examination and Inspection Ltd. have been transferred to the Mass-Produced Machinery segment from the current consolidated fiscal year due to changes in organizational management of the company. These companies have been transferred from the Environmental Protection Facilities, Plants and Other segment and the Ship, Steel Structures and Other Specialized Equipment segment, respectively, with which they were formerly affiliated.

   Compared to the previous method, these changes have resulted in the following increases for the Mass-produced Machinery segment and decreases in the Environmental Protection Facilities, Plants and Other, and Ship, Steel Structures and Other Specialized Equipment segments:

   Mass-produced Machinery Segment: An increase of 1.96 billion yen in sales, 1.42 billion in operating expenses, 537 million yen in operating profit, 1.72 billion in assets, 152 million in depreciation expenses, and 572 million in capital expenditures.

   Environmental Protection Facilities, Plants and Other Segment: A decline of 745 million yen in sales, 593 million yen in operating expenses, 152 million yen in operating profit, 403 million yen in assets, 19 million yen in depreciation expenses, and 72 million in capital expenditures.

   Ship, Steel Structures and Other Specialized Equipment Segment: A decline of 2.41 billion yen in sales, 1.88 billion yen in operating expenses, 526 million yen in operating profit, 1.63 billion yen in assets, 133 million yen in depreciation expenses, and 500 million yen in capital expenditures.

Information by business segment for the previous consolidated fiscal year stated in post-revision terms is as follows:

Previous Full Year *(April 1, 2005 to March 31, 2006)*

(Millions of yen)

Item \ Segment	A	B	C	D	E	Total	F	Consolidation
Net sales								
(1) Sales to external customers	220,989	82,062	65,859	56,054	126,375	551,339	--	551,339
(2) Internal sales between segments or exchanges	2,922	2,904	376	335	56	6,593	6,593	--
Total	223,911	84,966	66,235	56,389	126,431	557,932	6,593	551,339
Operating expenses	193,875	80,817	67,264	50,542	117,898	510,396	6,561	503,834
Operating income/loss	30,037	4,149	(1,029)	5,847	8,533	47,536	32	47,505
Assets, depreciation, impairment loss and capital expenditure								
Assets	219,094	78,201	88,922	44,328	106,618	537,164	42,070	579,233
Depreciation	4,803	960	1,289	609	1,411	9,072	--	9,072
Impairment loss	--	--	--	--	--	--	229	229
Capital expenditure	5,378	1,439	1,163	1,010	1,295	10,285	--	10,285

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

2. Segment Information by Geographical Area

Current Full Year *(April 1, 2006 to March 31, 2007)*

(Millions of yen)

Segment / Item	Japan	North America	Others	Total	Cancel-lation or general	Consolid-ation
Net sales						
(1) Sales to external customers	494,178	71,264	34,815	600,256	--	600,256
(2) Internal sales between segments or exchanges	31,671	745	12,330	44,746	44,746	--
Total	525,848	72,008	47,145	645,002	44,746	600,256
Operating expenses	472,246	64,054	44,200	580,500	44,468	536,032
Operating income	53,602	7,954	2,946	64,502	278	64,224
	481,001	43,137	33,645	557,783	43,107	600,890

Previous Full Year *(April 1, 2005 to March 31, 2006)*

(Millions of yen)

Segment / Item	Japan	North America	Others	Total	Cancel-lation or general	Consolid-ation
Net sales						
(1) Sales to external customers	465,769	56,672	28,898	551,339	--	551,339
(2) Internal sales between segments or exchanges	28,053	856	2,894	31,803	31,803	--
Total	493,822	57,528	31,792	583,142	31,803	551,339
Operating expenses	452,275	53,176	29,984	535,436	31,601	503,834
Operating income	41,547	4,352	1,808	47,706	202	47,505
	471,752	37,707	21,763	531,223	48,011	579,233

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. The value and main contents included in the item "Cancellation or general" are the same as in "1. Segment Information by Business" in Note 3.

3. Overseas Sales

Current Full Year *(April 1, 2006 to March 31, 2007)*

(Millions of yen)

	North America	Asia	Others	Total
I. Overseas sales	112,282	83,811	80,026	276,120
II. Consolidated sales				600,256
III. Overseas sales ratio （%）	18.7	14.0	13.3	46.0

Previous Full Year *(April 1, 2005 to March 31, 2006)*

(Millions of yen)

	North America	Asia	Others	Total
I. Overseas sales	94,903	73,514	61,889	230,306
II. Consolidated sales				551,339
III. Overseas sales ratio （%）	17.2	13.3	11.2	41.8

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.

Per Share Information

	Current fiscal year, April 1, 2006 to March 31, 2007	Previous fiscal year, April 1, 2005 to March 31, 2006
Net assets per share	338.95 yen	279.02 yen
Net income per share	61.99 yen	49.45 yen
	Also note that EPS adjusted for full dilution is not presented because there are no residual shares.	Also note that EPS adjusted for full dilution is not presented because there are no residual shares.

Basis for calculation of net income per share is as follows.

Net income for the period	37,352 million yen	29,742 million yen
A value not attributable to common stockholders	--	--
Net income for common stockholders	37,352 million yen	29,742 million yen
Average number of outstanding shares for the term	602,538,000 shares	601,407, 000 shares

Orders Received, Sales and Balance of Orders Received by Segment

Orders Received

(Millions of yen)

Businesses	April 1, 2006 to March 31, 2007		April 1, 2005 to March 31, 2006		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Mass-Produced Machinery	234,735	33.3	219,141	36.3	15,594	7.1
Environmental Protection Facilities, Plants & Others	89,963	12.8	83,605	13.9	6,359	7.6
Ship, Steel Structure & Other Specialized Equipment	120,971	17.1	95,171	15.8	25,801	27.1
Industrial Machinery	93,615	13.3	68,693	11.4	24,922	36.3
Construction Machinery	166,064	23.5	136,385	22.6	29,679	21.8
Total	705,349	100.0	602,995	100.0	102,354	17.0

Sales

(Millions of yen)

Businesses	April 1, 2006 to March 31, 2007		April 1, 2005 to March 31, 2006		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Mass-Produced Machinery	222,906	37.1	220,989	40.1	1,916	0.9
Environmental Protection Facilities, Plants & Others	79,397	13.2	82,062	14.9	(2,665)	(3.2)
Ship, Steel Structure & Other Specialized Equipment	69,491	11.6	65,859	11.9	3,632	5.5
Industrial Machinery	68,286	11.4	56,054	10.2	12,232	21.8
Construction Machinery	160,177	26.7	126,375	22.9	33,802	26.7
Total	600,256	100.0	551,339	100.0	48,917	8.9

Balance of Orders Received

(Millions of yen)

Businesses	April 1, 2006 to March 31, 2007		April 1, 2005 to March 31, 2006		Y/Y Change	
	Amount	%	Amount	%	Amount	%
Mass-Produced Machinery	76,937	16.3	66,360	18.0	10,577	15.9
Environmental Protection Facilities, Plants & Others	84,103	17.8	73,536	19.9	10,567	14.4
Ship, Steel Structure & Other Specialized Equipment	203,387	43.0	151,907	41.2	51,480	33.9
Industrial Machinery	81,033	17.1	55,703	15.1	25,329	45.5
Construction Machinery	27,405	5.8	21,518	5.8	5,888	27.4
Total	472,866	100.0	369,025	100.0	103,841	28.1

*Changes in Segment Affiliation

Japan Electron Beam Irradiation Service Co., Ltd. and SHI Examination and Inspection Ltd. were previously affiliated with the Environmental Protection Facilities, Plants and Other segment and the Ship, Steel Structures and Other Specialized Equipment segment, respectively. They have been re-affiliated with the Mass-produced Machinery Segment from the current consolidated fiscal year. The segments for the previous fiscal year stated in post-revision terms have therefore been shown.

Important Subsequent Events

A resolution was passed at the board of directors meeting held on May 8, 2007 to make the two wholly owned subsidiaries of Sumitomo Heavy Industries, Izumi Food Machinery Co., Ltd. (hereafter, "Izumi Food Machinery") and SNM Fastener Co., Ltd. (hereafter, "SNM Fastener"), wholly owned subsidiaries of Nihon Spindle Manufacturing Co., Ltd. (hereafter, "Nihon Spindle Manufacturing"), an affiliate of Sumitomo Heavy Industries, through a share exchange. Nihon Spindle Manufacturing is expected to become a subsidiary of Sumitomo Heavy Industries through this share exchange.

A summary of this follows:

1. Summary of subsidiaries being transferred

(1) Company name

Nihon Spindle Manufacturing Co., Ltd.

(2) Nature of corporate business

Environmental machinery and equipment, air conditioning equipment, industrial machinery and equipment, manufacture and sale of building materials

(3) Key reasons for the share exchange

The acquisition of Izumi Food Machinery and SNM Fastener by Nihon Spindle Manufacturing can be expected to accelerate the realization of strategic growth for Nihon Spindle Manufacturing and to facilitate business expansion for the two companies. Synergistic benefits from Izumi Food Machinery and SNM Fastener can also be expected. Sumitomo Heavy Industries will acquire 40.6% interest (including indirect holdings) in Nihon Spindle Manufacturing Co., Ltd. on a voting rights basis by exchanging all shares held in Izumi Food Machinery and SNM Fastener for shares of Nihon Spindle Manufacturing. Nihon Spindle Manufacturing is expected to become a subsidiary of the company as of October 1, 2007, the effective date for the share exchange. The acquisition of Nihon Spindle Manufacturing as a subsidiary is expected to benefit the SHI Group as the group implements its strategy for growth and expansion.

(4) Effective date for the share exchange
October 1, 2007 (anticipated date)

2. Number of shares to be acquired and shareholding status post-acquisition

(1) Pre-acquisition status

No. of shares held:	9,312,180 shares	(of this, indirectly held shares 198,000 shares)
Percentage of voting rights:	24.4%	(of this, percentage indirectly held 0.5%)

(2) No. of shares to be acquired 10,380,000 shares

(3) Post-acquisition status

No. of shares held:	19,692,180 shares	(of this, indirectly held shares 198,000 shares)
Percentage of voting rights:	40.6%	(of this, percentage indirectly held 0.4%)