

# Sumitomo Heavy Industries, Ltd.

---

## 1Q CONSOLIDATED FINANCIAL REPORT

For the First Quarter ended June 30, 2007

*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.*

## SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

**For the First Quarter ended June 30, 2007**

Presented July 28, 2007

### Sumitomo Heavy Industries, Ltd.

Listed Exchanges	Tokyo Stock Exchange, Osaka Securities Exchange
Stock Code	6302
Head Office	Tokyo
President	Yoshinobu Nakamura
URL	<a href="http://www.shi.co.jp">www.shi.co.jp</a>
Inquiries	Hideo Oshima, General Manager, Corporate Communications Dept.
Telephone	+81 3 5488 8219

## 1. FY 2007 - 1Q Consolidated Results (April 1, 2007 to June 30, 2007)

### (1) Business Results

(Units: millions of yen)

	First Quarter		Previous First Quarter		Previous Full Term
	April 1 to June 30, 2007		April 1 to June 30, 2006		April 1, 2006 to March 31, 2007
		% change		% change	
Net Sales	134,223	6.7	125,827	21.1	600,256
Operating Income	14,744	53.9	9,583	54.5	64,224
Ordinary Income	15,405	56.7	9,831	53.0	65,341
Net Income	8,847	34.1	6,597	48.6	37,352
Net Income per Share (yen)	14.65		10.97		61.99
Fully Diluted Net Income per Share	--		--		--

\*Note: 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 Quarter	End of Previous First Quarter	End of Previous Full Year
	As of June 30, 2007	As of June 30, 2006	As of March 31, 2007
Total Assets	605,886	561,526	600,890
Net Assets	212,111	174,406	206,010
Equity Ratio (%)	34.8	30.5	34.1
Net Assets per Share (yen)	348.86	290.14	338.95

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

(Units: millions of yen)

	Half Year		Full Year	
	April 1, 2007 to Sept. 30, 2007		April 1, 2007 to March 31, 2008	
		% change		% change
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
Net Income per Share (yen)	28.16		71.22	

\*Note: (1) Projected net income per share for FY2007 (ending March 31, 2008): ..... 51.57 yen

**Consolidated Forecasts for the Full Year**

The interim and full-term forecasts of business results released on May 8, 2007 are unchanged.

\*Note: Forecasts of future operating results represent the Company's rational judgment based on information available as of the release date. Consequently, actual results may differ from the forecasts because of changes in various factors, such as variations in the economic environment of the principal markets and product demand, currency exchange rate variations and domestic and overseas regulation.

**3. Other**

- |     |  |     |
|-----|--|-----|
| (1) | Changes involving important subsidiaries during the quarter (changes involving specific subsidiaries as the scope of consolidation changed): | No  |
| (2) | Adoption of Concise Method on Accounting Procedure:  | Yes |
| (3) | Changes of Accounting Procedure from the Latest Consolidated Fiscal Year:  | Yes |

## Consolidated Business Results

The Japanese economy continued to expand steadily during the first quarter, despite concerns over the sustained high level of crude oil and raw material prices. Economic expansion overseas also remained firm without any significant change, particularly in the U.S. and China.

Under such economic conditions, the Sumitomo Heavy Industries Group continued to operate its business steadily, achieving higher operating results for the quarter than drafted in its “Leap to Excellence '07” medium-term plan.

Orders received rose in all segments, notably in the industrial machinery and construction machinery segment, reaching 189 billion yen, an increase of 11% from the same quarter in the previous year (the “previous term.”) Sales also rose, particularly in the construction machinery segment, and ship, steel structure and other specialized equipment segment, reaching 134.2 billion yen, an increase of 7% from the previous term.

In terms of income, in line with increasing sales, operating income rose to 14.7 billion yen (up 54% on the previous term) due to fall in the ratio of sales cost to net sales, ordinary income rose to 15.4 billion yen (up 57% on the previous term), and net income rose 8.8 billion yen (up 34% on the previous term).

Results for each segment are as follows.

### Mass - Produced Machinery

The laser system and mechatronics businesses remained sluggish, but due to the steady performance in the reduction gear and gearbox business, especially in overseas markets, overall orders received in this segment saw a slight increase, while sales fell slightly. The division recorded orders received of 59.5 billion yen (up 1% on the same quarter in the previous year), sales of 49. billion yen (down 2%) and an operating income of 5.2 billion yen.

### Environmental Protection Facilities, Plants, and Others

Power generation boilers and environmental equipment for the energy plant business enjoyed steady sales. The division recorded orders received of 30.7 billion yen (up 2% on the previous term), sales of 15.2 billion yen (up 8%) and an operating income of 0.6 billion yen.

### Ship, Steel Structure and Other Specialized Equipment

Orders received and sales in the shipbuilding business were the same as in the previous term, with orders for 2 Aframax tankers and sales of 1 Aframax tanker. However, owing to a rise in ship prices, the value of both orders received and sales increased. The sales cost ratio also improved thanks to cost reductions achieved by means of continuous shipbuilding. Among other models, orders for reactor vessels for petroleum product and chemical plant continued to rise. The division recorded orders received of 26.2 billion yen (up 16% on the previous term), sales of 12.5 billion yen (up 14%) and an operating income of 2.9 billion yen.

### Industrial Machinery

Transportation machinery for the shipbuilding and steel industries along with turbines and pumps, especially in overseas markets, continued to perform well. The division recorded orders received of 26.4 billion yen (up 27% on the previous term), sales of 16.0 billion yen (up 6%) and an operating income of 1.7 billion yen.

### Construction Machinery

The hydraulic excavator business performed well, recording an increase in both orders received and sales. The mobile crane business sector also saw orders received and sales growth thanks to the continued buoyancy of the North American markets. The division recorded orders received of 46.2 billion yen (up 25% on the previous term), sales of 41.4 billion yen (up 17%) and an operating income of 3.7 billion yen.

## Consolidated Financial Position

Total assets rose to 605.9 billion yen, up 5.0 billion yen on the level recorded at the end of the previous term. This increase is due to falls in bills & accounts receivable and cash & deposits, respectively of 17.8 billion yen and 6.7 billion yen, and to rises in inventory assets and tangible fixed assets, respectively of 19.9 billion yen and 1.9 billion yen. The balance of interest-bearing debt rose by 3.0 billion yen on the level recorded at the end of the previous term to 91 billion yen, and the ratio to total assets rose by 0.4 points on the level recorded at the end of the previous term, to 15.0%. Shareholders' equity ratio to total assets was 34.8%.

## Other

(1) Changes in Scope of Consolidation and Application of Equity Method: None

(2) Simplification of accounting methods:

- Treatment of corporation tax, etc.: a simplified method based on the statutory effective tax rate is used.
- Simplified methods are used in some areas, where the financial impact is negligible.

(3) Changes in consolidated accounting methods from the most recent fiscal year:

- In conjunction with revisions to the Corporation Tax Law ("Law revising portions of the income tax law, etc." - March 30, 2007, Law No. 6 - and "Government order revising portions of the Corporation Tax Law enforcement regulations" - March 30, 2007, Government order No. 83), depreciation costs relating to tangible fixed assets acquired on or after April 1, 2007 have been treated according to the revised Corporation Tax Law.

- These changes will have little impact on operating income, ordinary income and quarterly net income before tax and other adjustments.

## I. Quarterly Consolidated Income Statements (Summary)

(Units: Millions of Yen)

	First Quarter		Previous First Quarter		Change	Previous Fiscal Year	
	April 1, 2007 to June 30, 2007		April 1, 2006 to June 30, 2006			April 1, 2006 to March 31, 2007	
	Amount	%	Amount	%	Amount	Amount	%
<b>Net sales</b>	<b>134,223</b>	<b>100.0</b>	<b>125,827</b>	<b>100.0</b>	<b>8,396</b>	<b>600,256</b>	<b>100.0</b>
Cost of Sales	101,033	75.3	98,514	78.3	2,519	464,071	77.3
<b>Gross profit</b>	<b>33,190</b>	<b>24.7</b>	<b>27,313</b>	<b>21.7</b>	<b>5,877</b>	<b>136,186</b>	<b>22.7</b>
Selling, general & administrative expenses	18,446		17,730		716	71,961	
<b>Operating income</b>	<b>14,744</b>	<b>11.0</b>	<b>9,583</b>	<b>7.6</b>	<b>5,161</b>	<b>64,224</b>	<b>10.7</b>
Non-operating Income:							
Interest income and dividend income	394		299		95	866	
Other	1,398		1,353		45	7,357	
Total non-operating Income	1,791		1,652		140	8,223	
Non-operating expenses:							
Interest expenses	325		438		(113)	1,666	
Other	805		967		(162)	5,441	
Total Non-operating expenses	1,130		1,404		(275)	7,107	
<b>Non-operating income/loss</b>	<b>662</b>		<b>247</b>		<b>414</b>	<b>1,116</b>	
<b>Ordinary income</b>	<b>15,405</b>	<b>11.5</b>	<b>9,831</b>	<b>7.8</b>	<b>5,575</b>	<b>65,341</b>	<b>10.9</b>
Extraordinary gains	--		294		(294)	1,693	
Extraordinary losses	1,038		--		1,038	4,093	
Income before tax and adjustments	14,368	10.7	10,125	8.0	4,243	62,940	10.5
Corporate income taxes	5,344		3,368		1,975	24,971	
Loss (Gain) of minority shareholders	(178)		(160)		(18)	(618)	
<b>Net income</b>	<b>8,847</b>	<b>6.6</b>	<b>6,597</b>	<b>5.2</b>	<b>2,250</b>	<b>37,352</b>	<b>6.2</b>

## II. Quarterly Consolidated Balance Sheets (Summary)

(Units: Millions of Yen)

	End of First Quarter	End of Previous Fiscal Year	Change	End of Previous First Quarter
	As of June 30, 2007	As of March 31, 2007		As of June 30, 2006
<b>Assets</b>				
Cash and deposits	41,419	48,155	(6,737)	39,309
Notes and account receivable	140,543	158,376	(17,833)	133,383
Inventories	120,466	100,519	19,948	105,564
Other	32,436	26,236	6,201	22,531
Allowance for doubtful accounts	(753)	(776)	23	(820)
<b>Current assets</b>	<b>334,111</b>	<b>332,509</b>	<b>1,602</b>	<b>299,968</b>
Tangible assets	187,074	185,145	1,929	184,065
Intangible assets	6,246	6,276	(30)	5,042
Investments and other assets	78,455	76,960	1,495	72,451
<b>Fixed assets</b>	<b>271,775</b>	<b>268,380</b>	<b>3,394</b>	<b>261,558</b>
<b>Total assets</b>	<b>605,886</b>	<b>600,890</b>	<b>4,996</b>	<b>561,526</b>
<b>Liabilities</b>				
Notes and accounts payable	146,453	150,874	(4,421)	140,155
Short-term debt payable	28,770	21,711	7,059	22,100
Commercial paper	15,000	15,000	--	8,000
Long-term debt within one year	11,213	14,285	(3,072)	28,784
Other	96,829	95,343	1,487	80,669
<b>Current liabilities</b>	<b>298,265</b>	<b>297,213</b>	<b>1,053</b>	<b>279,708</b>
Corporate bond	10,000	10,000	--	10,000
Long-term debt due after one year	26,045	27,049	(1,004)	35,917
Other	59,464	60,618	(1,154)	61,495
<b>Long-term liabilities</b>	<b>95,509</b>	<b>97,667</b>	<b>(2,158)</b>	<b>107,412</b>
<b>Total liabilities</b>	<b>393,775</b>	<b>394,880</b>	<b>(1,105)</b>	<b>387,120</b>

	End of First Quarter As of June 30, 2007	End of Previous Fiscal Year As of March 31, 2007	Change	End of Previous First Quarter As of June 30, 2006
<b>Net Assets</b>				
Common stock	30,872	30,872	--	30,872
Capital surplus	20,519	20,518	1	16,817
Retained earnings	111,657	104,950	6,706	74,815
Treasury stock	(1,104)	(996)	(108)	(625)
<b>Shareholders' equity</b>	<b>161,943</b>	<b>155,344</b>	<b>6,599</b>	<b>121,879</b>
Unrealized gains on securities	12,718	11,195	1,523	8,461
Profit/loss on deferred hedge	(3,948)	(1,652)	(2,296)	(650)
Adjustment regarding pension obligations of consolidated overseas subsidiaries	(765)	(772)	7	--
Revaluation reserve for land	40,465	40,411	55	41,898
Foreign currency translation adjustments	216	166	50	(499)
<b>Appraisal and Translation Differences</b>	<b>48,687</b>	<b>49,348</b>	<b>(661)</b>	<b>49,211</b>
<b>Minority interests</b>	<b>1,482</b>	<b>1,319</b>	<b>163</b>	<b>3,316</b>
<b>Total net assets</b>	<b>212,111</b>	<b>206,010</b>	<b>6,101</b>	<b>174,406</b>
<b>Liabilities and net assets</b>	<b>605,886</b>	<b>600,890</b>	<b>4,996</b>	<b>561,526</b>



## II. Segment Information

### 1. Segment Information by Business

#### Current First Quarter (April 1, 2007 to June 30, 2007)

(Units: millions of yen)

Segment Item	A	B	C	D	E	Total	F	Consolidation
Net sales								
(1) Sales to external customers	49,091	15,223	12,512	16,011	41,386	134,223	--	134,223
(2) Internal sales between segments or exchanges	511	640	45	96	2	1,295	(1,295)	--
Total	49,601	15,863	12,557	16,108	41,388	135,518	(1,295)	134,223
Operating expenses	44,387	15,280	9,692	13,832	37,651	120,841	(1,362)	119,479
Operating income/loss	5,214	584	2,865	2,276	3,738	14,677	66	14,744

Segments:

A: Mass-Produced Machinery

B: Environmental Protection Facilities, Plants &amp; Others

C: Ship, Steel Structure &amp; Other Specialized Equipment

D: Industrial Machinery

E: Construction Machinery

F: Cancellation or general

#### Previous First Quarter (April 1, 2006 to June 30, 2006)

(Units: millions of yen)

Segment Item	A	B	C	D	E	Total	F	Consolidation
Net sales								
(1) Sales to external customers	50,138	14,127	10,963	15,127	35,472	125,827	--	125,827
(2) Internal sales between segments or exchanges	529	643	55	68	7	1,303	(1,303)	--
Total	50,667	14,770	11,018	15,195	35,480	127,130	(1,303)	125,827
Operating expenses	45,171	15,177	10,933	13,491	32,861	117,633	(1,389)	116,244
Operating income/loss	5,496	(407)	85	1,704	2,618	9,497	86	9,583

Segments:

A: Mass-Produced Machinery

B: Environmental Protection Facilities, Plants &amp; Others

C: Ship, Steel Structure &amp; Other Specialized Equipment

D: Industrial Machinery

E: Construction Machinery

F: Cancellation or general

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

(Units: millions of yen)

Segment Item	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

**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. Change in the segment during the first quarter:**

Expenses associated with the Company's administrative divisions had been distributed to only the segments that had the relevant business divisions at the Company, but since the first quarter the expense distribution was changed in such a way that the overall consolidated performance of the segments was reflected.

### III. Orders, Sales and Balance of Orders by Segment

#### Orders received

(Units: millions of yen)

Businesses	First Quarter April 1, 2007 to June 30, 2007		Previous First Quarter April 1, 2007 to June 30, 2006		Y/Y Change	Previous Fiscal Year April 1, 2006 to March 31, 2007	
	Amount	%	Amount	%		Amount	%
Mass-Produced Machinery	59,498	31.5	58,814	34.7	1.2	234,735	33.2
Environmental Protection Facilities, Plants & Others	30,747	16.3	30,239	17.8	1.7	89,963	12.7
Ship, Steel Structure & Other Specialized Equipment	26,175	13.8	22,622	13.3	15.7	120,971	17.1
Industrial Machinery	26,429	14.0	20,877	12.3	26.6	93,615	13.2
Construction Machinery	46,189	24.4	37,083	21.9	24.6	168,089	23.8
<b>Total</b>	<b>189,039</b>	<b>100.0</b>	<b>169,634</b>	<b>100.0</b>	<b>11.4</b>	<b>707,374</b>	<b>100.0</b>

#### Sales

(Units: millions of yen)

Businesses	First Quarter April 1, 2007 to June 30, 2007		Previous First Quarter April 1, 2007 to June 30, 2006		Y/Y Change	Previous Fiscal Year April 1, 2006 to March 31, 2007	
	Amount	%	Amount	%		Amount	%
Mass-Produced Machinery	49,091	36.6	50,138	39.9	(2.1)	222,906	37.1
Environmental Protection Facilities, Plants & Others	15,223	11.4	14,127	11.2	7.8	79,397	13.2
Ship, Steel Structure & Other Specialized Equipment	12,512	9.3	10,963	8.7	14.1	69,491	11.6
Industrial Machinery	16,011	11.9	15,127	12.0	5.8	68,286	11.4
Construction Machinery	41,386	30.8	35,472	28.2	16.7	160,177	26.7
<b>Total</b>	<b>134,223</b>	<b>100.0</b>	<b>125,827</b>	<b>100.0</b>	<b>6.7</b>	<b>600,256</b>	<b>100.0</b>

#### Balance of Orders received

(Units: millions of yen)

Businesses	As of June 30, 2007		As of March 31, 2007		Change	As of June 30, 2007	
	Amount	%	Amount	%		Amount	%
Mass-Produced Machinery	87,997	16.5	76,937	16.2	14.4	75,143	18.2
Environmental Protection Facilities, Plants & Others	99,221	18.6	84,103	17.7	18.0	89,649	21.7
Ship, Steel Structure & Other Specialized Equipment	217,051	40.7	203,387	42.8	6.7	163,566	39.6
Industrial Machinery	91,451	17.1	81,033	17.1	12.9	61,453	14.9
Construction Machinery	37,762	7.1	29,430	6.2	28.3	23,129	5.6
<b>Total</b>	<b>533,482</b>	<b>100.0</b>	<b>474,890</b>	<b>100.0</b>	<b>12.3</b>	<b>412,939</b>	<b>100.0</b>