

Sumitomo Heavy Industries, Ltd.

THIRD QUARTER CONSOLIDATED FINANCIAL REPORT

for the Nine-Month Period from April 1 to December 31, 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 management's estimates, assumptions, and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. Amounts shown in this financial statement have been rounded to the nearest million yen.

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

Third Quarter of the Financial Year ending March 31, 2008

Presented January 30, 2008

Sumitomo Heavy Industries, Ltd.

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1. FY 2007 Third Quarter Consolidated Results (April 1, 2007 to December 31, 2007)

(1) Business Results

(Units: millions of yen)

	Nine Months		Previous Nine Months		Previous Full Term
	April 1 to Dec. 31, 2007		April 1 to Dec. 31, 2006		April 1, 2006 to March 31, 2007
		% change		% change	
Net Sales	465,524	13.4	410,649	11.4	600,256
Operating Income	53,325	33.9	39,823	38.4	64,224
Ordinary Income	53,387	28.7	41,467	44.2	65,341
Net Income	30,521	24.2	24,575	32.9	37,352
Net Income per Share (yen)	50.56		40.82		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 Third Quarter	End of Previous Third Quarter	End of Previous Full Year
	As of Dec. 31, 2007	As of Dec. 31, 2006	As of March 31, 2007
Total Assets	646,063	582,243	600,890
Shareholders' Equity	235,152	190,984	206,010
Equity Ratio (%)	34.9	32.6	34.1
Shareholders' Equity per Share (yen)	374.08	314.26	338.95

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

(Percentages indicate changes from the previous term.)

	Full Year	
	April 1, 2007 to March 31, 2008	
	millions of yen	% change
Net Sales	660,000	10.0
Operating Income	77,000	19.9
Ordinary Income	75,000	14.8
Net Income	43,000	15.1
Projected Net Income per Share for FY2007 (yen)		71.24

Consolidated Forecasts for the Full Year

There is no change in the forecasts announced October 31, 2007.

*Note: Forecasts of future operating results represent the Company's rational judgment based on information available as of the date of release. Consequently, actual results may differ from these 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 regulations.

3. Other Information

(1) Important changes within subsidiary companies during the term (changes to the scope of consolidation as well as changes within specific subsidiary companies): yes

New: 1 company (Nihon Spindle Manufacturing Co., Ltd.) Exclusions: none

(2) Adoption of simplified accounting practices: yes

(3) Changes in accounting practices since the most recent consolidated accounting period: yes

Note: For details please see Section 3 (Other Information) under [Qualitative Information and Information on Financial Statements] on page 4.

Qualitative Information and Information on Financial Statements

1. Qualitative Information on Operating Results

During this third quarterly period, the Japanese economy tended to lose momentum due to the sharp rise in the crude oil price and material costs and the unstable exchange fluctuation, creating increasing uncertainty in the outlook. The overseas economies overall remained robust, buoyed by active investments although the U.S. economy showed a slowdown under the influence of the subprime problem.

In this economic environment, our group conducted successful business operations where we achieved a result higher than expected in the medium-term management plan "Leap to Excellence '07" to be concluded in this fiscal year.

All businesses except the segment of environmental protection facilities, plants and other business, remained favorable for orders, which were ¥542.9 billion, a 7% increase compared with the same period of the previous year. Sales increased in all the businesses, mainly in the construction machinery business, to ¥465.5 billion by 13% compared with the same period of the previous year.

Under profit and loss, the operating income increased by 34% to ¥53.3 billion compared with the same period of the previous year, which was attributable to increased sales and the decreased ratio of cost to sales. Ordinary income increased by 29% to ¥53.4 billion compared with the same period of the previous year and quarterly net income increased by 24% to ¥30.5 billion compared with the same period of the previous year.

A review of the operations by segment is provided below: It should be noted that the allocation method of operating costs is and will be changed for and after the present period as noted in "4. (Summary) Quarterly Consolidated Financial Statements, (3) Information by Segment".

1) Mass-Produced Machinery

The power transmission equipment business and plastic injection molding machine business continued to show strong performances while the other precision equipment business recorded a slight drop in performance from the same period of the previous year, reflecting a leveling off in the semiconductor and liquid crystal-related market. As a result, orders were ¥183.4 billion (a 5% increase compared with the same period of the previous year), sales were ¥167.7 billion (a 5% increase compared with the same period of the previous year) and operational income was ¥199 billion.

2) Environmental Protection Facilities, Plants and Others

In the energy plant business, sales increased, reflecting strong orders in the previous year while large-scale orders were fewer than those in the previous year. As a result, orders were ¥65.9 billion (a 9% decrease compared with the same period of the previous year), sales were ¥57.1 billion (a 19% increase compared with the same period of the previous year), and operational income was ¥3 billion.

3) Ships, Steel Structures and Other Specialized Equipment

Orders for reactor vessels for petrochemical plants decreased from the same period of the previous year. In the ship business, however, orders increased to eight orders, which were for Aframax tankers, two orders up from the same period of the previous year, and sales increased to five deliveries, one delivery up from the same period of the previous year. As a result, orders were ¥83.7 billion (a 20% increase compared with the same period of the previous year), sales were ¥51.7 billion (a 25% increase compared with the same period of the previous year) and operational income was ¥8.8 billion.

4) Industrial Machinery

The transportation machinery business continued to show a strong performance in products for domestic shipbuilding and steel companies where active investments were made, and the turbine and pump business also remained favorable in products for overseas. As a result, orders were ¥74.4 billion (an 8% increase compared with the same period of the previous year), sales were ¥57.6 billion (a 24% increase compared with the same period of the previous year) and operational income was ¥8.6 billion.

5) Construction Machinery

The hydraulic excavator business remained buoyant in overseas markets other than in North America where we were adversely affected by the decreased housing-related demand, and notably, both orders and sales increased mainly in Europe and China. Furthermore, the crane business continued to show a strong performance for infrastructure-related demand in North America, resulting in increases both in orders and sales. As a result, orders were ¥135.5 billion (an 11% increase compared with the same period of the previous year), sales were ¥131.4 billion (a 14% increase compared with the same period of the previous year) and operational income was ¥12.9 billion.

2. Qualitative Information on Financial Condition

Total assets were ¥646.1 billion, an increase of ¥45.2 billion compared with the end of the previous period. This is attributable to the fact that factors of inventory assets, and property, plants and equipment increased by ¥34.8 billion and ¥ 14.1 billion, respectively, while cash and deposits decreased by ¥12.1 billion. Outstanding interest-bearing debt increased to ¥100.6 billion, ¥12.6 billion up from the end of the previous period and the ratio of outstanding interest-bearing debt in total assets was 15.6%, 0.9% up from the end of the previous period. Shareholders' equity ratio was 34.9%.

3. Other Information

(1) Change in important subsidiary during this period (change in wholly owned subsidiary resulting in change in scope of consolidation)

We made Nihon Spindle Manufacturing Co., Ltd. our consolidated subsidiary on October 1, 2007 due to the stock exchange conducted by the company.

Trade Name	Amount of Capital	Main businesses	Percentage of our ownership in voting rights
Nihon Spindle Manufacturing Co., Ltd.	¥3,275 million	Environmental equipment, air-conditioning equipment, industrial equipment, and manufacturing and sale of construction materials	40.6%

(2) Adoption of simplified methods under the accounting policies

- Income tax is accounted for by a simplified method based on statutory effective tax rate.
- Some other items of account are accounted for by simplified methods where the adoption of such methods make negligible effects.

(3) Change of accounting policies from those in the last consolidated financial year

Depreciation of property, plants and equipment acquired on and after April 1, 2007 was accounted for by a new method of depreciation in compliance with the revised Corporation Tax Law (such revision is under the Law to Amend Part of Income Tax Law, Law No. 6 legislated on March 30 and the Cabinet Order to Amend Part of the Order for Enforcement of Corporation Tax Law, Cabinet Order No. 83 enacted on March 30).

It should be noted that this change had only a slight effect on operation income, ordinary income and quarterly net income before income tax.

4. Quarterly Consolidated Financial Statements (Summary)

(1). Quarterly Consolidated Income Statements (Summary)

(Units: millions of yen)

	Nine Months April 1, 2007 to December 31, 2007		Previous Nine Months April 1, 2006 to December 31, 2006		Change Amount	Previous Fiscal Year April 1, 2006 to March 31, 2007	
	Amount	%	Amount	%		Amount	Amount
Net sales	465,524		410,649		54,875	600,256	
Cost of goods sold	355,580	76.4%	317,879	77.4%	37,701	464,071	77.3%
Gross profit	109,944	23.6%	92,770	22.6%	17,174	136,186	22.7%
Selling, general & administrative expenses	56,619		52,947		3,673	71,961	
Operating income	53,325	11.5%	39,823	9.7%	13,502	64,224	10.7%
Non-operating income:							
Interest and dividend income	939		538		401	866	
Other	3,671		5,688		(2,018)	7,357	
Total non-operating income	4,610		6,226		(1,617)	8,223	
Non-operating expenses:							
Interest expenses	884		1,248		(364)	1,666	
Other	3,663		3,335		328	5,441	
Total non-operating expenses	4,547		4,583		(36)	7,107	
Non-operating income/loss	63		1,643		(1,581)	1,116	
Ordinary income	53,387	11.5%	41,467	10.1%	11,921	65,341	10.9%
Extraordinary gains	--		1,579		(1,579)	1,693	
Extraordinary losses	3,225		3,808		(584)	4,093	
Income before tax and adjustments	50,163	10.8%	39,237	9.6%	10,925	62,940	10.5%
Corporate income taxes	19,327		14,169		5,158	24,971	
Loss (gain) of minority shareholders	(315)		(494)		179	(618)	
Net income	30,521	6.6%	24,575	6.0%	5,946	37,352	6.2%

(2) Quarterly Consolidated Balance Sheets (Summary)

(Units: millions of yen)

	End of Third Quarter	End of Previous Consolidated Fiscal Year	Change	End of Previous Third Quarter
	As of Dec. 31, 2007	As of March 31, 2007		As of Dec. 31, 2006
Assets				
Cash and deposits	36,052	48,155	(12,103)	36,752
Notes and accounts receivable	166,804	158,376	8,428	139,307
Inventories	135,287	100,519	34,769	117,720
Other	27,287	26,236	1,051	27,608
Allowance for doubtful accounts	(645)	(776)	131	(762)
Current assets	364,786	332,509	32,277	320,624
Tangible assets	199,233	185,145	14,088	184,254
Intangible assets	6,701	6,276	425	5,646
Investments and other assets	75,344	76,960	(1,616)	71,720
Fixed assets	281,277	268,380	12,897	261,619
Total assets	646,063	600,890	45,174	582,243
Liabilities				
Notes and accounts payable	153,752	150,874	2,878	141,195
Short-term bank loans	19,710	21,711	(2,001)	29,901
Commercial paper	38,000	15,000	23,000	15,000
Long-term debt due within one year	5,255	14,285	(9,031)	17,858
Other	93,032	95,343	(2,310)	89,329
Current liabilities	309,749	297,213	12,536	293,282
Bond	10,000	10,000	—	10,000
Long-term debt due after one year	27,645	27,049	596	29,196
Other	63,518	60,618	2,900	58,781
Long-term liabilities	101,163	97,667	3,496	97,977
Total liabilities	410,912	394,880	16,032	391,259
Net Assets				
Common stock	30,872	30,872	—	30,872
Capital surplus	20,523	20,518	5	20,512
Retained earnings	130,125	104,950	25,174	92,169
Treasury stock	(1,403)	(996)	(407)	(873)
Stockholders' equity	180,116	155,344	24,772	142,681
Unrealized gains on securities	8,001	11,195	(3,194)	9,410
Profit/loss on deferred hedge	(1,316)	(1,652)	337	(2,636)
Pension liability adjustment for overseas subsidiaries	(1,082)	(772)	(310)	—
Revaluation reserve for land	40,465	40,411	55	40,415
Foreign currency translation adjustments	(388)	166	(554)	(61)
Appraisal and translation differences	45,680	49,348	(3,667)	47,128
Minority interests	9,355	1,319	8,037	1,175
Total net assets	235,152	206,010	29,142	190,984
Liabilities and net assets	646,063	600,890	45,174	582,243

III. Segment Information

1. Segment Information by Business

Current Nine Months (April 1, 2007 to December 31, 2007)

(Units: millions of yen)

Segment Item	Segment					Total	F	Consoli- dation
	A	B	C	D	E			
Net sales								
(1) Sales to external customers	167,720	57,062	51,674	57,631	131,437	465,524	—	465,524
(2) Internal sales between segments or exchanges	1,968	2,011	639	259	5	4,882	(4,882)	—
Total	169,688	59,074	52,313	57,890	131,441	470,406	(4,882)	465,524
Operating expenses	149,779	56,046	43,558	49,310	118,588	417,282	(5,083)	412,199
Operating income	19,909	3,028	8,755	8,580	12,853	53,124	201	53,325

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 Nine Months (April 1, 2006 to December 31, 2006)

(Units: millions of yen)

Segment Item	Segment					Total	F	Consoli- dation
	A	B	C	D	E			
Net sales								
(1) Sales to external customers	159,125	47,875	41,395	46,520	115,734	410,649	—	410,649
(2) Internal sales between segments or exchanges	2,139	2,025	160	292	24	4,639	(4,639)	—
Total	161,264	49,900	41,554	46,812	115,758	415,288	(4,639)	410,649
Operating expenses	140,899	48,957	39,144	40,761	105,881	375,643	(4,817)	370,825
Operating income	20,365	943	2,410	6,051	9,876	39,645	178	39,823

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, 2006 to March 31, 2007)

(Units: millions of yen)

Segment Item	Segment					Total	F	Consolidation
	A	B	C	D	E			
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	195,331	77,251	63,455	59,278	146,583	541,897	(5,865)	536,032
Operating income	29,736	4,636	6,546	9,432	13,625	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 & control, plastic injection molding machines, laser processing systems, cryogenic equipment, precision XY stages, ion accelerators, plasma coating systems 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, bridges
Industrial Machinery	Forging machines, material handling systems, logistics systems, automated parking systems, turbines, pumps
Construction Machinery	Hydraulic excavators, mobile cranes, road machinery

3. Changes to the allocation method for operating expenses
 Previously, operating expenses associated with our management division have been allocated only to segments with operating divisions. From the current term, however, a portion of these expenses will be allocated to all consolidated segments. The figures for the corresponding quarter of the previous year as well as the previous term have been changed to reflect this allocation method.

IV. Orders, Sales, and Balance of Orders by Segment

Orders Received

(Units: millions of yen)

Businesses	April 1, 2007 to December 31, 2007		April 1, 2006 to December 31, 2006		Y/Y Change	April 1, 2006 to March 31, 2007	
	Amount	%	Amount	%		Amount	%
Mass-Produced Machinery	183,364	33.8	175,080	34.4	4.7	234,735	33.2
Environmental Protection Facilities, Plants & Others	65,869	12.1	72,035	14.2	(8.6)	89,963	12.7
Ship, Steel Structure & Other Specialized Equipment	83,736	15.4	69,561	13.7	20.4	120,971	17.1
Industrial Machinery	74,432	13.7	68,974	13.6	7.9	93,615	13.2
Construction Machinery	135,528	25	122,626	24.1	10.5	168,089	23.8
Total	542,931	100.0	508,275	100.0	6.8	707,374	100.0

Sales

(Units: millions of yen)

Businesses	April 1, 2007 to December 31, 2007		April 1, 2006 to December 31, 2006		Y/Y Change	April 1, 2006 to March 31, 2007	
	Amount	%	Amount	%		Amount	%
Mass-Produced Machinery	167,720	36	159,125	38.8	5.4	222,906	37.1
Environmental Protection Facilities, Plants & Others	57,062	12.3	47,875	11.6	19.2	79,397	13.2
Ship, Steel Structure & Other Specialized Equipment	51,674	11.1	41,395	10.1	24.8	69,491	11.6
Industrial Machinery	57,631	12.4	46,520	11.3	23.9	68,286	11.4
Construction Machinery	131,437	28.2	115,734	28.2	13.6	160,177	26.7
Total	465,524	100.0	410,649	100.0	13.4	600,256	100.0

Balance of Orders Received

(Units: millions of yen)

Businesses	April 1, 2007 to December 31, 2007		April 1, 2006 to March 31, 2007		Y/Y Change	April 1, 2006 to December 31, 2006	
	Amount	%	Amount	%		Amount	%
Mass-Produced Machinery	92,590	16.5	76,937	16.2	20.3	82,418	17.7
Environmental Protection Facilities, Plants & Others	97,380	17.4	84,103	17.7	15.8	97,563	20.9
Ship, Steel Structure & Other Specialized Equipment	235,450	42.0	203,387	42.8	15.8	180,042	38.6
Industrial Machinery	97,834	17.5	81,033	17.1	20.7	78,157	16.7
Construction Machinery	37,051	6.6	29,430	6.2	25.9	28,409	6.1
Total	560,304	100.0	474,890	100.0	18.0	466,589	100.0