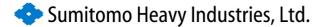
Sumitomo Heavy Industries, Ltd.

FIRST QUARTER CONSOLIDATED FINANCIAL REPORT

For the Three-Month Period from April 1 to June 30, 2016

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 Results

For the First Quarter Ended June 30, 2016 Presented July 29, 2016

Sumitomo Heavy Industries, Ltd.

Listed exchanges	Tokyo Stock Exchange
Stock code	6302
Head office	Токуо
President	Shunsuke Betsukawa
URL	www.shi.co.jp
Inquiries	Tsuneyoshi Sato General Manager, Corporate Communications Dept.
Telephone	+81 3 6737 2331
Scheduled reporting date for quarterly report	August 8, 2016
Scheduled date of payment of cash dividends	_
Availability of supplementary explanations for quarterly financial statement	None
Holding of meeting to explain quarterly financial statement	None

1. FY 2016 First Quarter Consolidated Results (April 1, 2016, to June 30, 2016)

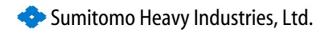
(1) Business Results

			(Units: mil	lions of yen)
	First Quart April 1 to June 3		Previous First April 1 to June	
	9	6 change	C	% change
Net sales	152,298	(0.3)	152,695	8.6
Operating income	7,786	0.4	7,752	27.3
Ordinary income	7,139	2.1	6,993	16.8
Net income attributed to shareholders of the parent company	5,102	15.5	4,418	8.1
Net income per share (yen)	8.33		7.21	
Fully diluted net income per share (yen)	_		_	

Note: Comprehensive income

Fiscal quarter ended June 30, 2016: (1,793 million yen), (175.8%)

Fiscal quarter ended June 30, 2015: 2,366 million yen, 79.1%



(2) Financial Position

		(Units: millions of yen)
	End of First Quarter As of June 30, 2016	End of Previous Full Year As of March 31, 2016
Total assets	755,775	782,859
Total net assets	375,484	382,817
Equity ratio (%)	48.9	48.1

Reference: Equity

Fiscal quarter ended June 30, 2016: 369,413 million yen Fiscal year ended March 31, 2016: 376,619 million yen

2. Dividends

			(Units: yen)
	Year Ended March 31, 2016	Year Ended March 31, 2017	Year Ended March 31, 2017 (forecast)
Annual dividends per share			
First quarter	-	—	
Second quarter	7.00		7.00
Third quarter	-		-
End of term	9.00		7.00
Annual dividends	16.00		14.00

Note: Changes from the most recent dividend forecast: None

3. FY 2016 Consolidated Forecasts (April 1, 2016, to March 31, 2017)

(Units: millions of yen)

	Second Quarter April 1, 2016, to 9 201	September 30,	Full Y April 1, 2016, to M	
		% change		% change
Net sales	330,000	2.3	700,000	(0.1)
Operating income	17,000	(7.5)	47,000	(7.1)
Ordinary income	16,000	(4.8)	44,500	(9.4)
Net income attributed to shareholders of the parent company	10,000	(12.7)	28,000	(15.5)
Projected net income per share (yen)	16.32		45.69	

Note: Changes from the most recent consolidated forecast: None



Additional Notes

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

	Newly consolidated:	None
	Excluded from consolidation:	None
((2) Special accounting measures applied in the quarterly consolidated financial report:	None
((3) Changes to accounting policies, changes to accounting estimates, and restatements	
	(i) Changes to accounting policies resulting from revisions to accounting standards, etc.:	None
	(ii) Changes other than (i):	None
	(iii) Changes to accounting estimates:	None
	(iv) Restatements:	None
((4) Number of shares issued (common shares)	
	(i) Number of chores issued at and of fiscal period (including transport, stack).	

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

As of June 30, 2016	614,527,405 shares
As of March 31, 2016	614,527,405 shares

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

As of June 30, 2016	1,657,369 shares
As of March 31, 2016	1,647,819 shares

(iii) Average number of shares during fiscal period (cumulative quarterly period)

As of June 30, 2016	612,873,634 shares
As of June 30, 2015	613,016,682 shares

Recording of Implementation Conditions regarding Quarterly Review Procedures

This quarterly financial summary does not fall within the scope of the Quarterly Review Procedures referenced in the Financial Instruments and Exchange Act. At the time of disclosure of the quarterly financial summary, the Group was in the process of implementing the quarterly review procedures for its quarterly financial statements.

Explanations and Other Special Items regarding the Pertinent Reasons for the Earnings Forecast

Earnings forecasts and outlooks concerning future financial results are believed to be reasonable based on information available at the time of publication. Actual financial results may vary from the above forecast and outlook because of a variety of factors. For information on the assumptions that form the basis of the earnings forecast and items to note concerning the use of earnings forecasts, please see the *Explanation of the Consolidated Earnings Forecast and Other Forward-Looking Estimates* in the *Supplementary Materials* on page 8.

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1. Qualitative Information regarding Current Quarterly Consolidated Business Performance

(1) Explanation of Business Performance

During the first quarter of the current consolidated fiscal year under review, the feeling of stagnation across the domestic economy strengthened mainly as a result of the downward pressure that a rising Japanese Yen has on corporate income. Despite continued improvements in the employment and wage environment, the decline in stock prices had a dampening effect on the wealth effect and as a result, personal consumption levels continued to remain weak. On the corporate side, there was increased cautiousness in capital investment levels mainly due to a stronger sense of future economic uncertainty from the beginning of the year. On the other hand, a steady level of investments continued to be made into labor-saving plant and equipment as well as updating aging plant and equipment as dilapidation progressed and labor shortages continued to be a problem.

In overseas markets, the recovery of the US economy continued to progress as personal consumption levels remained steady, and corporate performance showed signs of improvement. In Europe, although the economy was showing a sustained level of recovery, the United Kingdom's decision to leave the EU (i.e. the Brexit) has created a higher level of economic uncertainty for the future. As for China, there are some signs that the economic slowdown is coming to an end. However, the burden of excessive debt and investments on privately-held companies is resulting in a further slowdown in the pace of private investments. Finally, the bottoming out of resource prices and exchange rate stability in other emerging markets has resulted in improved economic conditions. In overall terms, the global economy is in a state of gentle decline, with a stronger sense of future uncertainty mainly due to the risk of political uncertainty in the US and Europe and the risk of a slowdown of the Chinese economy.

Under these conditions, orders decreased across all segments of the Group with the exception of the Environmental Facilities and Plant segment. On a consolidated basis, the Group posted an order figure of JPY169.2 billion, a 6% decline as compared to the same period last year (hereinafter referred to as the "previous term"). Sales increased mainly in the Industrial Machinery segment, while sales fell in the Precision Machinery, and Machinery Components segments. In total, the Group posted a figure of JPY152.3 billion, remained unchanged from the previous term.

Turning to income, the drop in profits from the Precision Machinery and Construction Machinery segments was covered by increases from other segments. As a result, operating income was JPY7.8 billion, which was similar to the previous term, and ordinary income was JPY7.1 billion, a 2% increase as compared to the previous term. Quarterly net income attributable to the shareholders of the parent company also increased by 15% as compared to the previous term to finish at JPY5.1 billion.

Conditions in each business segment of the Group were as follows:

1. Machinery Components

Both orders and sales declined as compared to the previous term. This was mainly due to the softer market environment for large-scale and medium-scale gear reducers in Japan, as well as the continued market downturn for large-scale gear reducers in Europe and other overseas markets. As a result of the above, orders across the segment decreased by 7% as compared to the previous term to finish at JPY25.3 billion, and sales decreased by 6% as compared to the previous term to finish at JPY25.3 billion, and sales decreased by 6% as compared to the previous term to finish at JPY25.3 billion, and sales decreased by 6% as compared to the previous term to finish at JPY25.3 billion, and sales decreased by 6% as compared to the previous term to finish at JPY25.3 billion, and sales decreased by 6% as compared to the previous term to finish at JPY25.3 billion, and sales decreased by 6% as compared to the previous term to finish at JPY25.3 billion, and sales decreased by 6% as compared to the previous term to finish at JPY25.3 billion, and sales decreased by 6% as compared to the previous term to finish at JPY25.3 billion, and sales decreased by 6% as compared to the previous term to finish at JPY23.7 billion. In terms of profitability, the segment posted an operating income of JPY1.8 billion for the first quarter of the current consolidated fiscal year under review.

2. Precision Machinery

With respect to plastics machinery, although there was an increase in demand from Southeast Asian markets, IT-related investments in China and other markets came to a halt, reducing overall demand. As a result, both orders and sales fell as compared to the previous term. In other product areas, although orders in the semiconductor-related equipment business fell as compared to the previous term, sales continued to rise. As a result of the above, orders across the segment decreased by 5% as compared to the previous term to finish at JPY34.8 billion, and sales decreased by 9% as compared to the previous term to finish at JPY34.8 billion, and sales decreased by 9% as compared to the previous term to finish at JPY34.8 billion, and sales decreased by 9% as compared to the previous term to finish at JPY34.8 billion.

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3. Construction Machinery

Although the trend of falling demand from China looks to be bottoming out, demand for hydraulic excavators from other markets such as Japan and North America continued to fall. As a result, orders for hydraulic excavators fell as compared to the previous term. In the mobile crane business, the continuing long-term slowdown of the North American market resulted in sales declining as compared to the previous term. As a result of the above, orders across the segment decreased by 10% as compared to the previous term to finish at JPY43.7 billion, and sales was similar to the previous term to finish at JPY47.1 billion. In terms of profitability, the segment posted an operating income of JPY0.4billion for the first quarter of the current consolidated fiscal year under review.

4. Industrial Machinery

In this segment, demand from the domestic shipbuilding sector for products supplied by the material handling business is coming to the end of its current cycle. Moreover, the number of orders for medical-related devices was low in the area of industrial equipment. As a result, orders across the segment decreased as compared to the previous term. In terms of sales, steady progress was made on the completion of material handling and industrial equipment projects, resulting in an increase as compared to the previous term. As a result of the above, orders across the segment decreased by 35% as compared to the previous term to finish at JPY20.0 billion, and sales increased by 32% as compared to the previous term to finish at JPY20.0 billion, and sales increased by 32% as compared to the previous term to finish at JPY20.0 billion, and sales increased an operating income of JPY1.9 billion for the first quarter of the current consolidated fiscal year under review.

5. Ships

The Ships segment was not able to secure any orders during the first quarter of the current consolidated fiscal year under review mainly due to a slowdown in the market as well as the stronger Japanese Yen. This compares to receiving an order for one new vessel in the previous term. With regard to sales, one vessel was handed over as compared to no vessels handed over in the previous term. As a result of the above, orders across the segment decreased by 51% as compared to the previous term to finish at JPY4.3 billion, and sales increased by 13% as compared to the previous term to finish at JPY7.5 billion. In terms of profitability, the segment posted an operating income of JPY0.1billion for the first quarter of the current consolidated fiscal year under review.

6. Environmental Facilities & Plants

The energy plant business was able to secure an order for Japan's largest biomass-fueled power generation plant, and as a result order levels jumped significantly as compared to the previous term. However, orders fell in the water treatment plant business mainly because of the lack of orders for new large-scale refurbishment projects. As a result of the above, orders across the segment increased by 49% as compared to the previous term to finish at JPY39.3 billion, and sales increased by 2% as compared to the previous term to finish at JPY18.1 billion. In terms of profitability, the segment posted an operating income of JPY37 million for the first quarter of the current consolidated fiscal year under review.

7. Other

The Other segment saw orders increase by 72% as compared to the previous term to finish at JPY1.8 billion, and sales decrease by 47% as compared to the previous term to finish at JPY1.7 billion. In terms of profitability, the segment posted an operating income of JPY0.4billion for the first quarter of the current consolidated fiscal year under review.

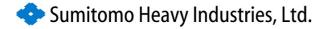
(2) Explanation of the Group's Consolidated Financial Position

1. Condition of Assets, Liabilities, and Net Assets

Total assets at the end of the first quarter of the current consolidated fiscal year under review (ended June 30, 2016) amounted to JPY755.8 billion, a decrease of JPY27.1 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to the JPY22.2 billion decrease in trade notes and accounts receivable, and the JPY5.0 billion decrease in marketable securities outstripping the JPY4.5 billion increase in inventory assets.

Total liabilities fell to JPY380.3 billion, a decrease of JPY19.8 billion as compared to the end of the previous consolidated fiscal year. This was mainly due to decreases of JPY6.3 billion in notes and accounts payable, JPY5.9 billion in the balance of interest-bearing liabilities, and JPY4.2 billion in current liabilities.

Net assets fell by JPY7.3 billion as compared to the end of the previous consolidated fiscal year to finish at JPY375.5 billion. This was mainly due to the JPY8.3 billion decrease in the foreign currency translation adjustment account.



As a result of the above, the shareholders' equity ratio improved by 0.8 points from the end of the previous consolidated fiscal year to finish at 48.9%.

2. Cash Flow Condition

The increase in cash flow from operating activities was JPY8.0 billion (as compared to a decrease in cash flow of JPY2.6 billion in the previous term). The main sources of cash flow were JPY7.1 billion in quarterly net income before tax and other adjustments, and the JPY23.5 billion reduction in trade receivables. The main sources of the outflow of cash were the JPY9.8 billion increase in inventory assets and the JPY4.7 billion payment of corporate and other taxes.

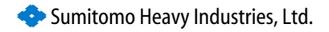
The decrease in cash flow as a result of investing activities was JPY5.1 billion (as compared to a decrease in cash flow of JPY3.9 billion in the previous term). The main reason for the cash outflow was the JPY4.8 billion used to acquire fixed assets.

The decrease in cash flow as a result of financing activities was JPY8.9 billion (as compared to a decrease in cash flow of JPY6.8 billion in the previous term). The main reasons for the cash outflow were the JPY5.3 billion used to pay dividends and the JPY3.0 billion (net amount with cash inflow of loans) used to repay loans.

As a result of the foregoing, the balance of cash and cash equivalents at the end of the first quarter of the current consolidated fiscal year under review totaled JPY61.0 billion, a decrease of JPY15.8 billion as compared to the end of the previous consolidated fiscal year.

(3) Explanation of the Consolidated Earnings Forecast and Other Forward-Looking Estimates

No revisions have been made to the consolidated earnings forecast for the fiscal year ending March 31, 2017, which was published along with the earnings summary on May 10, 2016.



2. Notes regarding Summarized Information (Explanatory Notes)

(1) Changes Involving Important Subsidiaries during the Current Consolidated Year-to-Date Quarterly Period

There are no applicable items.

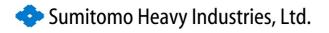
(2) Special Accounting Procedures Adopted during the Development of the Quarterly Consolidated Financial Report

There are no applicable items.

(3) Additional Information

(Adoption of the Implementation Guidance on the Recoverability of Deferred Tax Assets)

The "Implementation Guidance on the Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ) Revised Guidance – ASBJ Guidance No. 26 dated March 28, 2016) has been adopted from the first quarter of the current consolidated fiscal year under review.



3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(0113.11111		
	End of Previous Fiscal Year As of March 31, 2016	End of First Quarter As of June 30, 2016
	Amount	Amount
Assets		
Cash and deposits	65,804	63,137
Notes and accounts receivable	219,929	197,712
Marketable securities	5,000	-
Inventory assets	156,270	160,743
Other	47,673	49,945
Allowance for doubtful accounts	(1,674)	(1,687)
Current assets	493,002	469,849
Land	108,285	108,012
Other (net)	119,484	116,869
Total tangible assets	227,769	224,881
Other	11,219	11,112
Total intangible assets	11,219	11,112
Other	55,239	54,710
Allowance for doubtful accounts	(4,371)	(4,776)
Investments and other assets	50,868	49,933
Fixed assets	289,857	285,926
Total assets	782,859	755,775

(Units: millions of yen)

(Units: millions of yen)

	End of Previous Fiscal Year As of March 31, 2016	End of First Quarter As of June 30, 2016
	Amount	Amount
Liabilities		
Notes and accounts payable	142,304	135,975
Short-term bank loans	42,708	37,788
Long-term loans due within one year	7,300	6,665
Allowance for guaranteed construction	9,092	8,521
Other allowance amount	5,709	5,474
Other	87,806	83,624
Current liabilities	294,919	278,047
Bonds	10,000	10,000
Long-term debt due after one year	8,224	7,843
Allowance	160	157
Defined benefit liability	51,623	50,094
Deferred income taxes on revaluation	21,027	21,027
Other	14,089	13,122
Total fixed liabilities	105,123	102,244
Total liabilities	400,042	380,291
Net assets		
Common stock	30,872	30,872
Capital surplus	25,354	25,354
Retained earnings	265,588	265,174
Treasury stock	(861)	(866)
Total shareholders' equity	320,953	320,534
Unrealized gains on securities	2,355	1,727
Profit (loss) on deferred hedge	(121)	1,628
Revaluation reserve for land	41,481	41,481
Foreign currency translation adjustments	21,558	13,232
Re-measurement of defined benefit plans	(9,607)	(9,190)
Total accumulated other comprehensive income	55,667	48,879
Non-controlling interest	6,197	6,071
Total net assets	382,817	375,484
Total liabilities and net assets	782,859	755,775

(2) Consolidated Income Statements and Consolidated Statement of Comprehensive Income Consolidated Income Statements

		(Units: millions of yen)
	Previous First Quarter April 1, 2015, to June 30, 2015	Present First Quarter April 1, 2016, to June 30, 2016
	Amount	Amount
Net sales	152,695	152,298
Cost of sales	118,491	117,532
Gross income	34,204	34,767
Selling, general & administrative expenses	26,452	26,980
Operating income	7,752	7,786
Non-operating income		
Interest income	113	89
Dividend income	386	466
Investment gain on equity method	340	110
Other	381	475
Total non-operating income	1,220	1,139
Non-operating expenses		
Interest expense	527	380
Loss on foreign currency exchange	240	462
Other	1,212	945
Total non-operating expenses	1,979	1,787
Ordinary income	6,993	7,139
Extraordinary losses		
Loss on impaired assets	9	10
Total extraordinary losses	9	10
Income before income taxes	6,985	7,129
Corporate income taxes	2,829	2,047
Net income	4,156	5,082
Quarterly net income (or loss) attributable to non- controlling interests	(262)	(20)
Net income attributed to shareholders of the parent company	4,418	5,102



Consolidated Statement of Comprehensive Income

		(Units: millions of yen)
	Previous First Quarter April 1, 2015, to June 30, 2015	Present First Quarter April 1, 2016, to June 30, 2016
	Amount	Amount
Net income	4,156	5,082
Other comprehensive income		
Unrealized gains on securities	532	(628)
Profit (loss) on deferred hedge	(465)	1,750
Revaluation reserve for land	55	-
Foreign currency translation adjustments	(1,792)	(8,413)
Adjustment to retirement benefits	(116)	413
Amount applied for equity method accounting of affiliates	(4)	3
Total other comprehensive income	(1,790)	(6,875)
Comprehensive income	2,366	(1,793)
(Breakdown)		
Comprehensive income relating to parent company shareholdings	2,639	(1,686)
Quarterly comprehensive income relating to non-controlling interests	(273)	(108)

(3) Notes regarding Consolidated Quarterly Financial Statements

(Notes on Premise of a Going Concern)

There are no applicable items.

(Notes regarding Significant Fluctuations to Shareholders' Equity)

There are no applicable items.

(Subsequent Events of Significant Importance)

There are no applicable items.

4. Supplementary Information

(1) Orders, Sales and Operational Profit, and Balance of Orders by Segment Orders Received

			(Units: m	illions of yen)
Segment	April 1, 2015, to June 30, 2015	April 1, 2016, to June 30, 2016	Y/Y CI	nange
	Amount	Amount	Amount	%
Machinery Components	27,247	25,303	(1,943)	(7.1)
Precision Machinery	36,527	34,758	(1,769)	(4.8)
Construction Machinery	48,780	43,690	(5,090)	(10.4)
Industrial Machinery	30,939	20,005	(10,935)	(35.3)
Ships	8,922	4,334	(4,588)	(51.4)
Environmental Facilities & Plants	26,447	39,301	12,854	48.6
Other	1,027	1,764	737	71.8
Total	179,888	169,154	(10,733)	(6.0)

Sales and Operational Profit

					(Units: m	illions of yen)	
Segment		April 1, 2015, to June 30, 2015		April 1, 2016, to June 30, 2016		Y/Y Change	
	Sales	Operational Profit	Sales	Operational Profit	Sales	Operational Profit	
Machinery Components	25,259	1,331	23,706	1,810	(1,553)	480	
Precision Machinery	36,797	4,649	33,396	3,092	(3,400)	(1,557)	
Construction Machinery	47,284	1,541	47,120	420	(164)	(1,121)	
Industrial Machinery	15,659	892	20,704	1,927	5,045	1,035	
Ships	6,627	(96)	7,521	114	894	210	
Environmental Facilities & Plants	17,793	(684)	18,106	37	313	721	
Other	3,277	122	1,746	411	(1,531)	288	
Adjustments	_	(4)	_	(25)	_	(21)	
Total	152,695	7,752	152,298	7,786	(397)	34	

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Balance of Orders Received

Segment	End of Previous Fiscal Year As of March 31, 2016	End of First Quarter As of June 30, 2016	Change	
	Amount	Amount	Amount	%
Machinery Components	27,162	28,759	1,597	5.9
Precision Machinery	46,633	47,995	1,361	2.9
Construction Machinery	28,137	24,707	(3,430)	(12.2)
Industrial Machinery	102,659	101,960	(699)	(0.7)
Ships	58,893	55,706	(3,187)	(5.4)
Environmental Facilities & Plants	109,793	130,989	21,196	19.3
Other	1,939	1,958	18	1.0
Total	375,216	392,073	16,856	4.5

The Group's operating segments are categorized as follows:

Businesses	Main Products
Machinery Components	Power transmission and control equipment
Precision Machinery	Plastics machinery, film forming machines, semiconductor production equipment, laser processing systems, cryogenic equipment, precision positioning equipment, precision forgings, control components, defense equipment, machining tools
Construction Machinery	Hydraulic excavators, mobile cranes, road machinery
Industrial Machinery	Ion accelerators, medical machines and equipment, forging press machines, material handling systems, logistics systems, automated parking systems, turbines, pumps
Ships	Ships
Environmental Facilities & Plants	Private power generation facilities, boilers, industrial waste treatment facilities, air pollution control equipment, water and sewage treatment systems, process equipment, pressure vessels, mixing vessels, air-conditioning equipment, food processing machinery



(2) (Summary) Consolidated Cash Flows Statement

(Units: millions of yes			
	Previous First Quarter April 1, 2015, to June 30, 2015	Present First Quarter April 1, 2016, to June 30, 2016	Y/Y Change
Income before income taxes	6,985	7,129	144
Depreciation	4,731	5,019	288
(Increase) decrease in notes and accounts receivable	18,415	23,467	5,051
(Increase) decrease in inventories	(17,589)	(9,785)	7,804
Increase (decrease) in notes and accounts payable	(2,916)	(4,671)	(1,754)
Payments for income taxes	(5,764)	(4,674)	1,090
Other	(6,431)	(8,508)	(2,077)
Net cash provided by operating activities	(2,569)	7,977	10,546
Payments for purchases of property, plant, and equipment	(4,631)	(4,799)	(167)
Other	769	(328)	(1,097)
Net cash used in investing activities	(3,863)	(5,127)	(1,264)
Net increase (decrease) in short-term loans	(2,310)	(3,017)	(707)
Cash dividends paid	(4,117)	(5,278)	(1,161)
Other	(372)	(622)	(250)
Net cash used in financing activities	(6,799)	(8,916)	(2,117)
Other	(265)	(1,541)	(1,276)
Cash and cash equivalents at beginning of period	90,324	68,625	(21,699)
Cash and cash equivalents at end of period	76,828	61,017	(15,811)