Part 1: Second Quarter Fiscal Summary and Projections for FY2010

Sumitomo Heavy Industries, Ltd.

FY2010 Second Quarter Performance Summary

■ Key points

(1) Orders
- Significant increase from same period last year
- Driven by demand from China and the rest of Asia for Machinery components, Precision machinery and Construction machinery.

(2) Net Sales
- Basically flat - Growth in Precision machinery and Construction machinery offset by declines in Industrial machinery, Ships, and Environmental facilities & plants.
- Four ships handed over as compared to five last year; a decrease of one ship

(3) Operating Income
- Significant improvements seen in the areas of Machinery components, Precision machinery and Construction machinery.

(4) Net Income
- Significant improvements seen as a result of an increase in operating income

Unit: JPY billion

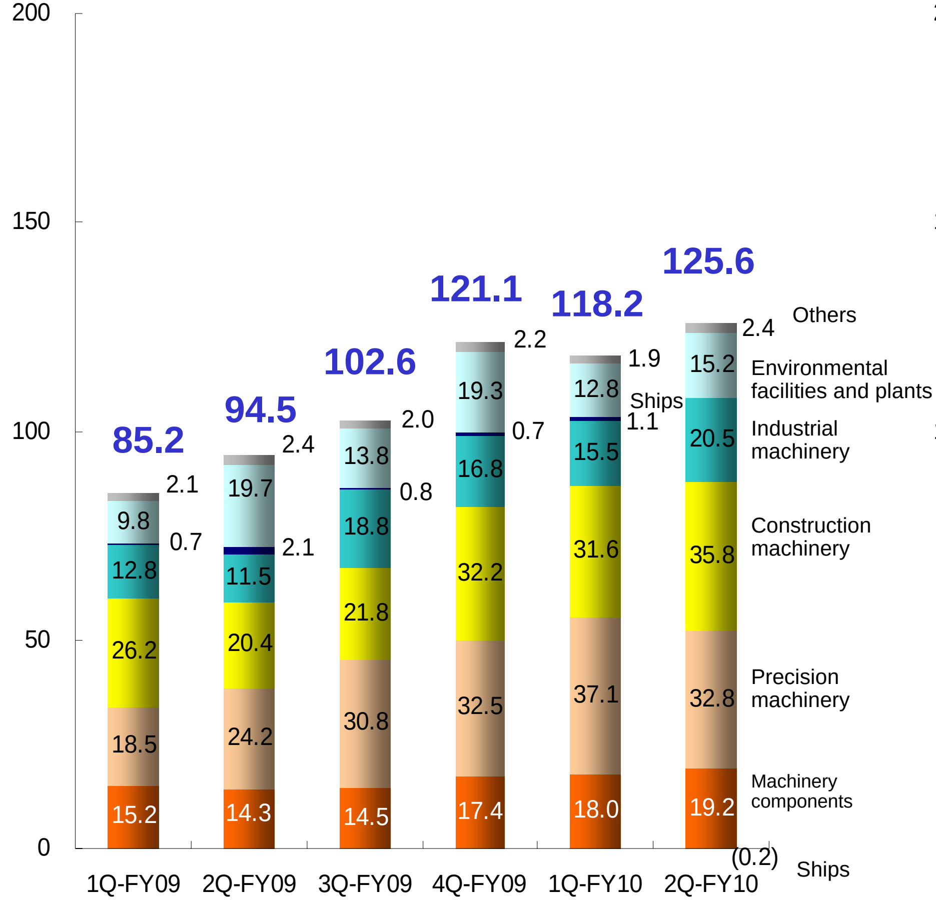
	FY2010 1H	FY2009 1H	Change
Orders	243.8	179.7	64.1
Net Sales	251.9	251.7	0.3
Operating income	16.3	8.2	8.1
Operating income ratio	6.5%	3.3%	3.2%
Ordinary income	14.8	7.3	7.6
Ordinary income ratio	5.9%	2.9%	3.0%
Extraordinary income or loss	(0.5)	(0.2)	(0.3)
Net income	7.9	1.3	6.6
Net income ratio	3.1%	0.5%	2.6%

Quarterly Transition of Orders and Net Sales

Unit: JPY billion

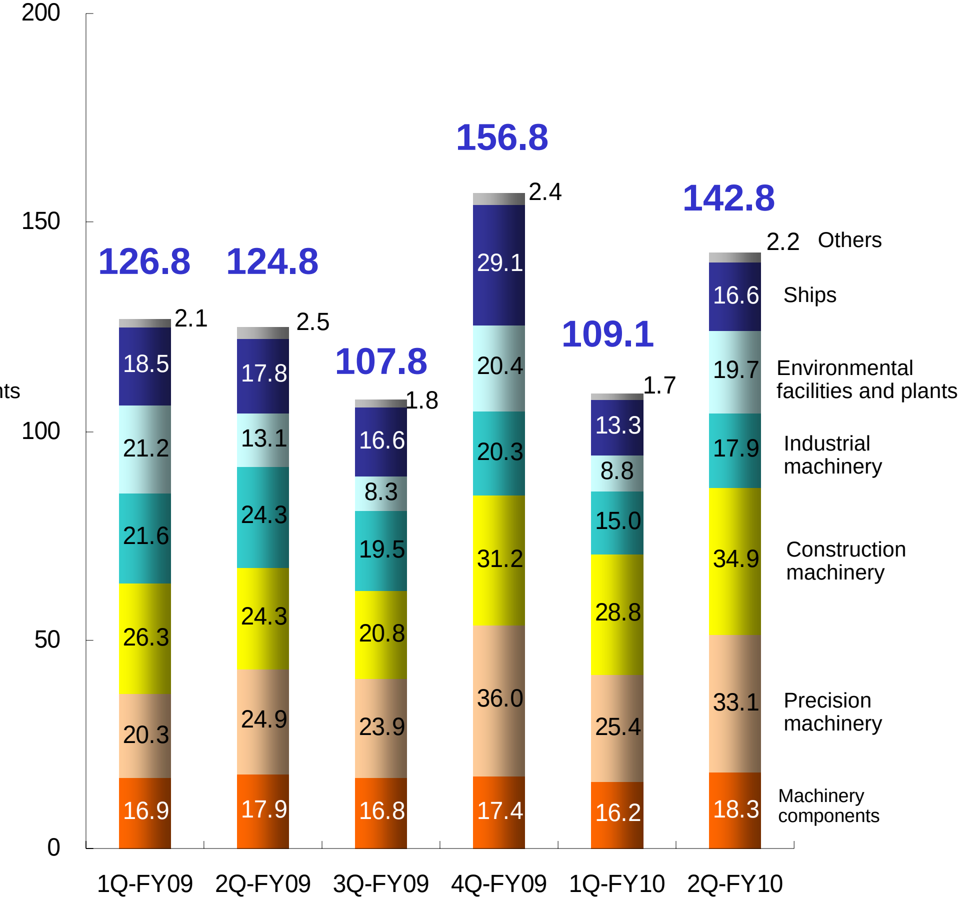
Orders

Steady recovery in the areas of Machinery components, Precision machinery and Construction machinery was seen. On the other hand, no new ship orders were received



Net Sales

Growth was achieved in the areas of Machinery components, Precision machinery and Construction machinery. However, conditions in the ship business remained volatile due to the number of vessels sold.



Operating Income by Segment

■ Comparison with previous year

All segments returned to being profitable.

<Machinery components>

PTC turned things around through cost reductions

<Precision Machinery >

Plastic injection molding machines trended positively as demand from China and the rest of Asia increased and cost reductions were achieved. Demag also improved.

<Construction Machinery>

Construction machinery trended positively due to a significant increase in sales of hydraulic excavators to the China market.

<Industrial Machinery>

Income declined due to a reduction in sales.

<Ships>

Although one less vessel was handed over, profits improved as a result of cost reductions.

<Environmental Protection Facilities & Plants>

Profit conditions worsened as sales for both environmental facilities and steel structures fell.

■ Comparison with forecast

Construction machinery beat forecasts as demand in the segment increased better than anticipated.

Precision machinery, industrial machinery and ships also trended positively due to cost reductions achieved.

Unit: JPY billion

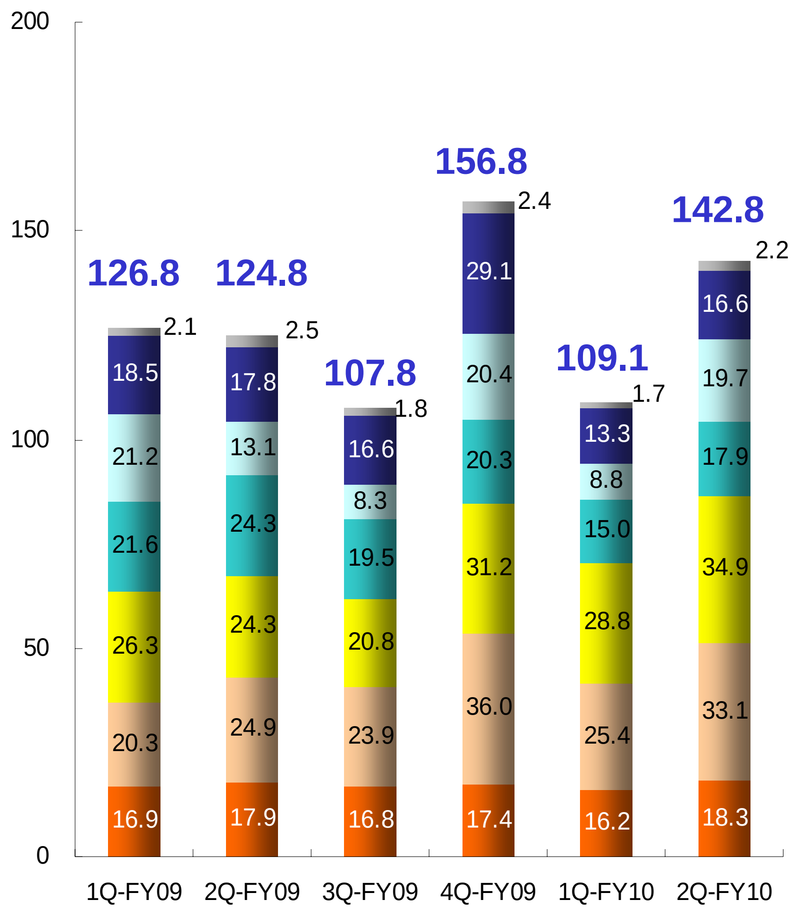
	FY2010 1H	FY2009 1H	Change
Machinery components	1.6	(0.8)	2.4
Precision machinery	1.7	(4.2)	5.9
Construction machinery	3.1	(0.3)	3.4
Industrial machinery	5.4	7.6	(2.2)
Ships	3.2	2.5	0.7
Environmental facilities and plants	0.6	2.7	(2.1)
Others	0.7	0.6	0.1
Total	16.3	8.2	8.1

Quarterly Transition of Operating Income

Significant turnaround from the same period last year as all segments returned to profitability.

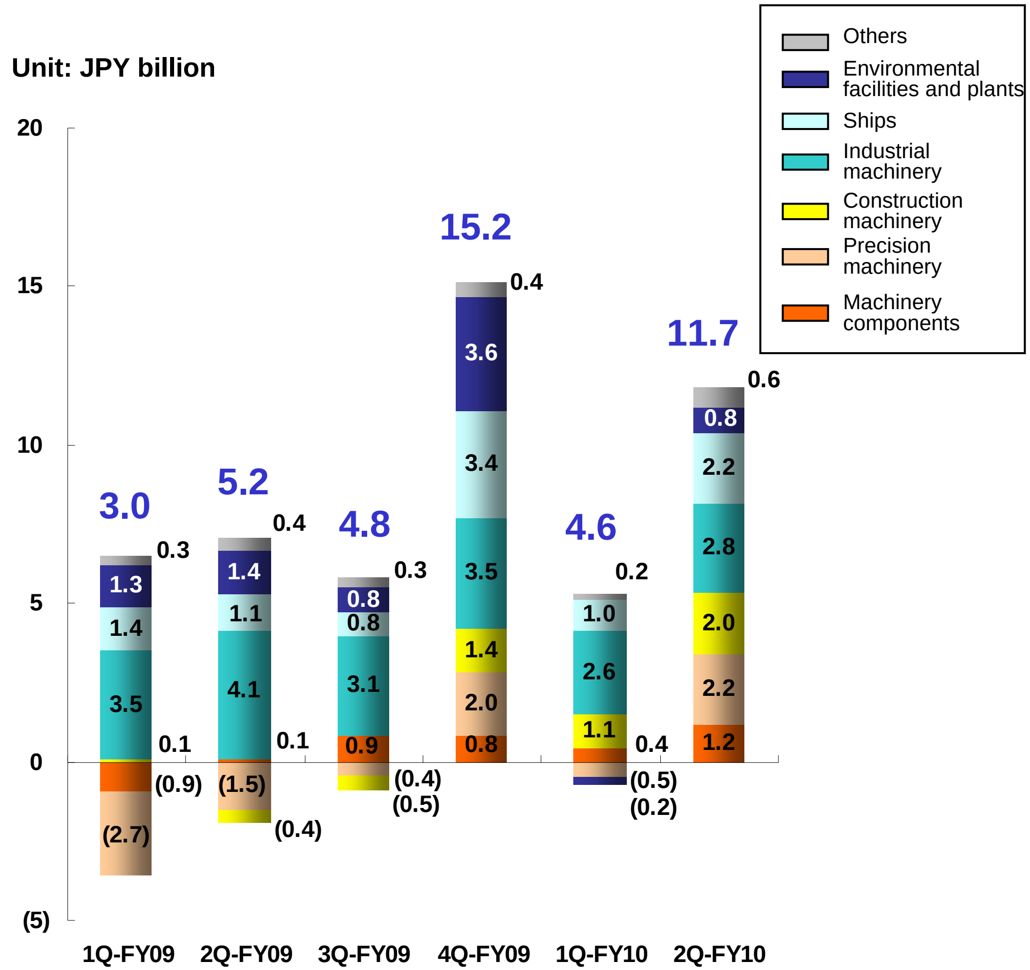
Net Sales

Unit: JPY billion



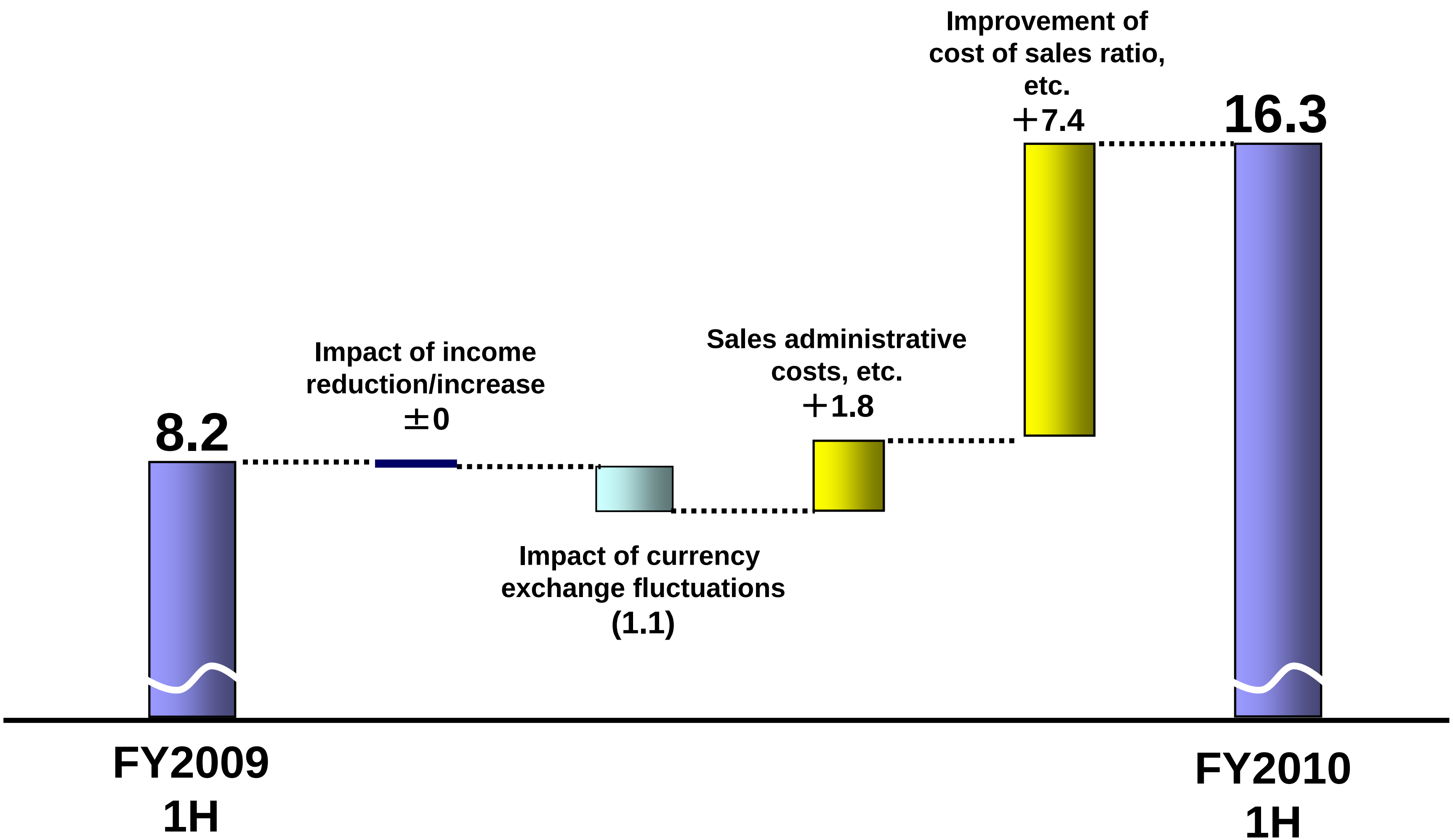
Operating income

Unit: JPY billion



Analysis of change in Operating Income (FY2009 / 1H to FY2010 / 1H)

Unit: JPY billion



Consolidated Balance Sheet

Unit: JPY billion

	September 2010	March 2010	Change
Current assets	**326.4**	**339.8**	**(13.4)**
Cash and deposits	45.1	62.5	(17.4)
Notes and accounts payable	129.3	131.9	(2.6)
Inventories	129.6	123.4	6.2
Others	22.4	22.0	0.4
Fixed assets	**262.6**	**270.3**	**(7.7)**
Tangible assets	213.4	216.5	(3.1)
Intangible assets	6.8	7.3	(0.5)
Investments and other assets	42.4	46.5	(4.1)
Total	588.9	610.1	(21.2)

	September 2010	March 2010	Change
Liabilities	**333.1**	**355.9**	**(22.8)**
Notes and accounts payable	117.0	108.0	9.0
Advance payments	35.6	41.0	(5.3)
Interest-bearing debts	68.2	87.7	(19.5)
Others	112.4	119.3	(6.9)
Net assets	**255.8**	**254.2**	**1.7**
Common equity	217.3	211.8	5.5
Valuation variations and currency exchange fluctuations	28.2	32.4	(4.2)
Minority interests	10.4	9.9	0.5
Total	588.9	610.1	(21.2)
Net ratio of interest-bearing debts	3.9%	4.1%	(0.2%)
Stockholders' equity ratio	41.7%	40.0%	1.7%

Consolidated Cash Flow Statement

Unit: JPY billion

Category	FY2010 1H	FY2009 1H	Change
Operating activities	**14.4**	**23.2**	**(8.8)**
Income before income taxes and minority interests	14.3	7.1	7.2
Depreciation	8.7	9.6	(0.9)
Working capital	1.4	7.3	(5.9)
Others (income taxes etc.)	(10.1)	(0.7)	(9.4)
Investing activities	**(9.6)**	**(9.3)**	**(0.3)**
Free cash flow	**4.8**	**13.9**	**(9.1)**
Financing activities	**(22.1)**	**(17.1)**	**(5.0)**
Change in cash and cash equivalents	**(17.7)**	**(2.3)**	**(15.4)**
Cash and cash equivalents at end of fiscal term	44.0	42.1	1.9

Performance Forecast for FY2010 by Segment

■ Key Points:

(1) With the exception of Ships segment, the number of orders showed recovery particular in Machinery components and Precision machinery segments. However, it is unclear whether this recovery will continue into the future.

(2) Net Sales of Machinery components, Precision machinery, and Construction machinery are expected to continue on the recovery path in 2010. Ship sales are projected to reach five in the second half.

(3) Operating income for Machinery components and Precision machinery is recovering. However, operating income for Construction machinery is expected to decline as compared to the first half of the year due to currency exchange rate fluctuations and procurement issues.

Unit: JPY billion

Segment		Record FY2009 2H	Record FY2010 1H	Forecast FY2010 2H	Forecast FY2010	Record FY2009
Machinery components	Orders	32.0	37.2	39.8	77.0	61.4
	Net Sales	34.2	34.5	38.5	73.0	69.0
	Operating income	1.7	1.6	2.9	4.5	0.9
Precision machinery	Orders	63.3	69.9	78.5	148.5	106.1
	Net Sales	59.9	58.5	72.5	131.0	105.2
	Operating income	1.6	1.7	3.9	5.5	(2.6)
Construction machinery	Orders	54.0	67.4	61.1	128.5	100.5
	Net Sales	52.0	63.8	65.2	129.0	102.7
	Operating income	0.9	3.1	1.9	5.0	0.6
Industrial machinery	Orders	35.6	36.0	32.5	68.5	59.8
	Net Sales	39.8	32.8	34.1	67.0	85.6
	Operating income	6.6	5.4	3.1	8.5	14.2
Ships	Orders	1.5	0.9	3.6	4.5	4.3
	Net Sales	28.6	28.4	37.6	66.0	62.9
	Operating income	4.1	3.2	7.8	11.0	6.7
Environmental facilities and plants	Orders	33.1	28.0	36.5	64.5	62.6
	Net Sales	45.6	29.9	46.1	76.0	81.9
	Operating income	4.4	0.6	3.9	4.5	7.1
Others	Orders	4.3	4.3	4.2	8.5	8.7
	Net Sales	4.3	3.9	4.0	8.0	8.8
	Operating income	0.7	0.7	0.3	1.0	1.4
Total	Orders	223.7	243.8	256.2	500.0	403.4
	Net Sales	264.5	251.9	298.0	550.0	516.2
	Operating income	20.0	16.3	23.7	40.0	28.3

Performance Forecast for FY2010

■ Key Points:

(1) The full-year operating income forecast has been revised upwards due to improvements seen in operating income during the first half of the year.

(2) Due to the improved forecast for net income, the full-year dividend is revised to increase from JPY5 per share to JPY6 per share, an increase of JPY1 per share.

Unit: JPY billion

	Record FY2010 1H	Forecast FY2010 2H	Forecast FY2010	Record FY2009
Orders	243.8	256.2	500.0	403.4
Net Sales	251.9	298.0	550.0	516.2
Operating income	16.3	23.7	40.0	28.3
Operating income ratio	6.5%	8.0%	7.3%	5.5%
Ordinary income	14.8	20.2	35.0	26.3
Ordinary income ratio	5.9%	6.8%	6.4%	5.1%
Extraordinary income or loss	(0.5)	0.5	±0	(0.1)
Current net income	7.9	12.1	20.0	13.3
Current net income ratio	3.1%	4.1%	3.6%	2.6%
Dividends	JPY0	JPY6	JPY6	JPY4
Dividend payout ratio	-	-	18.3%	18.2%
ROIC (after tax)	-	-	6.7%	4.8%
Integrated exchange rate (US dollars)	JPY97 （actual）	JPY80	-	JPY95

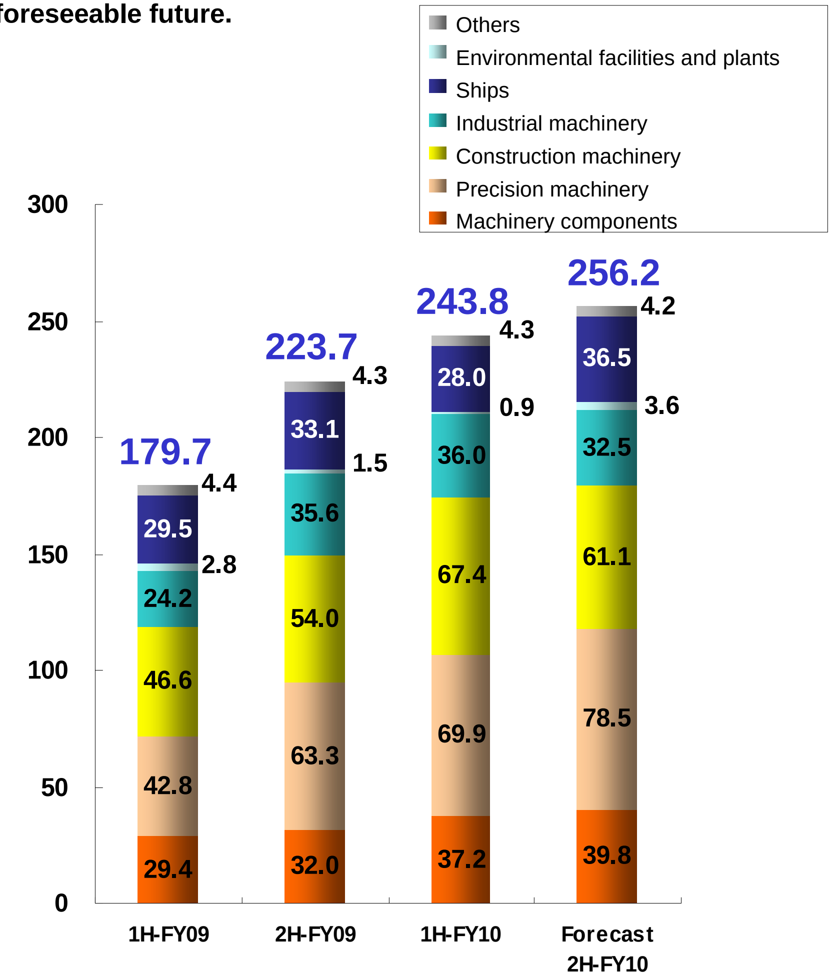
Part 2: Management Strategy

Transitions of Orders and Net Sales

Unit: JPY billion

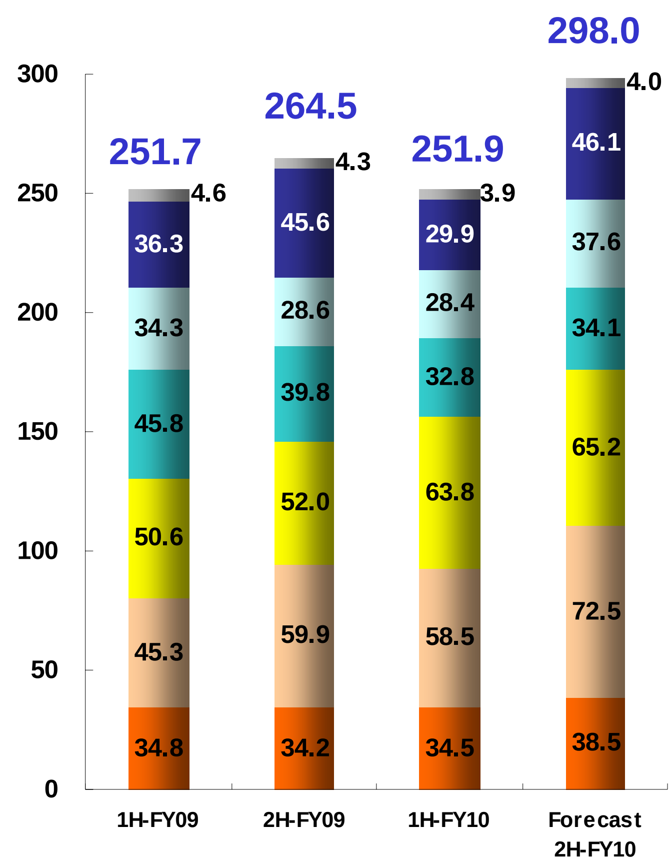
Orders

Recovery was seen in the areas of Machinery components and Precision machinery. However, the environment for receiving orders for new vessels is expected to be difficult for the foreseeable future.



Net Sales

Growth was seen in the areas of Machinery components, Precision machinery and Construction machinery. In addition, five vessels are projected to be handed over during the second half of the fiscal year.



Order-receiving Environment for FY2010 by Segment

- Although there was strong order demand for mass-produced machinery, there continues to be uncertainty in regards to the future outlook of the global economy.
- For heavy machinery, the environment for receiving orders continues to be difficult with the exception of a few sectors.

Unit: JPY billion

Segment	Order-receiving environment	FY2010 amount of orders		
		Actual 1H	Forecast 2H	Forecast Annual
Machinery components	･Domestically, the economic recovery resulted in robust growth. However, the future is unclear as the yen continues to strengthen. ･Overseas, the market for large-scale and medium-scale gear reducers recovered with the environmental and infrastructure related sectors along with the resources and energy sectors showing strong demand. The China market continues to be expanding but perhaps not as quickly as before.	37.2	39.8	77.0
Precision machinery	･Demand for injection molding machines is falling not only domestically but also in overseas markets such as China and Asia. Although demand is recovering in the North American and European markets, the future is uncertain. ･In the medical sector, inquiries from both domestic and overseas markets increased. ･The reduction in capital investments made in the semiconductor sector due to worsening market conditions is a concern.	69.9	78.5	148.5
Construction machinery	･Lunar New-Year demand from China for hydraulic excavators during the first half of the fiscal year was better than anticipated. The order trend in the second half of the fiscal year is expected to be steady . ･The number of orders for mobile cranes in the second half of the fiscal year is expected to remain about the same as the first half of the fiscal year.	67.4	61.1	128.5
Industrial machinery	･Demand for turbines is improving as the popularity of biomass-fueled power plants in Asia is increasing. ･The demand environment for cranes continues to remain tough.	36.0	32.5	68.5
Ships	･Orders for new ships remains stagnant as the slowdown of the market for tankers and a stronger yen is contributing to this negative trend. The demand for ship repairs, however, is steady.	0.9	3.6	4.5
Environmental facilities and plants	･Orders for boilers remain stagnant in both domestic and overseas markets. ･Steady demand for water treatment facilities is seen from the public sector. ･Nihon Spindle posted strong growth in the number of orders received.	28.0	36.5	64.5
Others	–	4.3	4.2	8.5
	Total	243.8	256.2	500.0

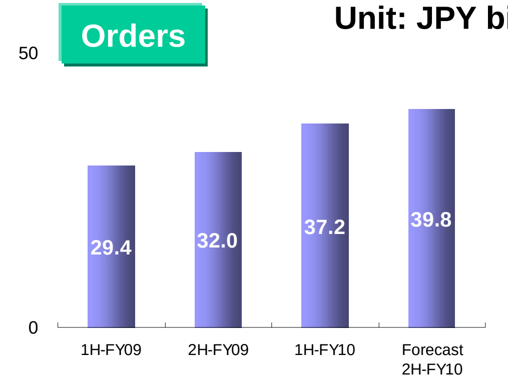
Machinery Components

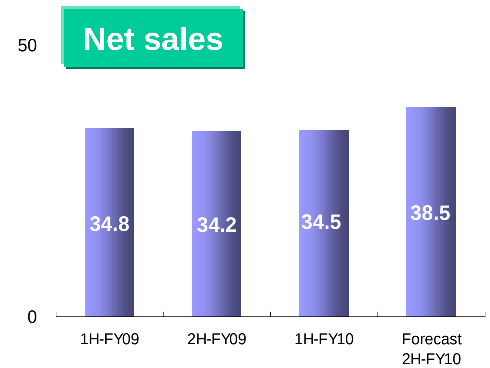
Power transmission & control:

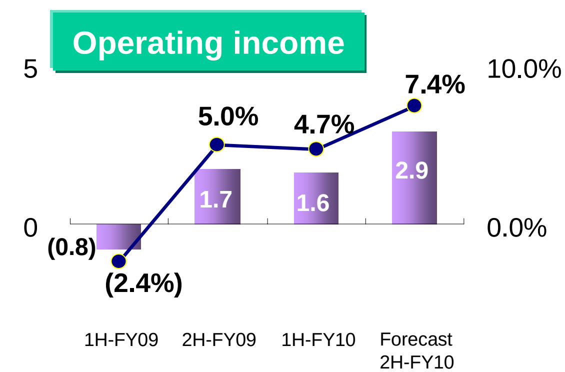
FY2010 / 1H: Strong demand from the infrastructure and resource sectors in emerging markets, especially in China. Domestically, demand for precision gear reducers used in robots recovered. As a result, orders increased as compared to the same period last year.

FY2010 / 2H: Domestically, although orders for products relating to water treatment is anticipated to be positive, in overall terms there is a concern that price competition will intensify. Overseas, the plan is to grow the number of orders for medium-scale and large-scale gear reducers to the infrastructure and resources sectors in emerging markets, with a particular focus on China. The output at the Tangshan Plant will also be increased as we position the plant to be the central production point for large-scale gear reducers for the China market.

Unit: JPY billion







Precision Machinery

Plastic machinery:

FY2010 / 1H: The number of orders and net sales increased as compared to the same period last year as demand from North Asian markets, especially China, improved. The European business is also seeing steady recovery.

FY2010 / 2H: Since July, overall domestic demand has been trending negatively. Although domestic demand is expected to remain flat, intensified competition is projected due to factors such as the strengthening of the yen.

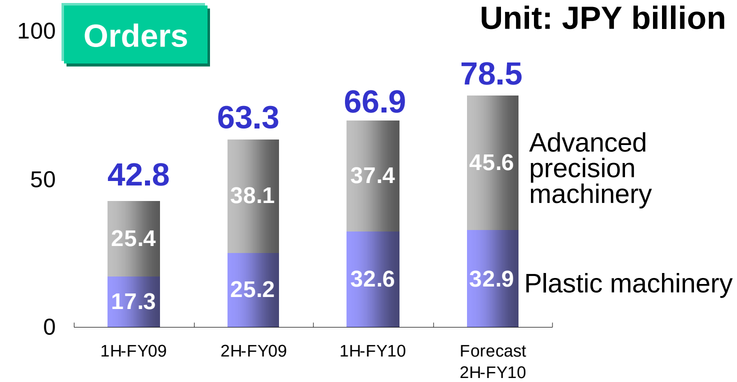
Advanced precision machinery:

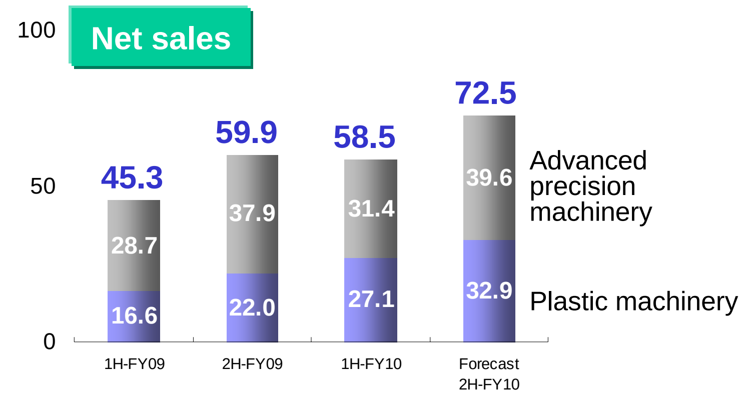
FY2010 / 1H: Domestically, Sumitomo Heavy Industries, Ltd. (*Note) received an order for its Proton Therapy System.

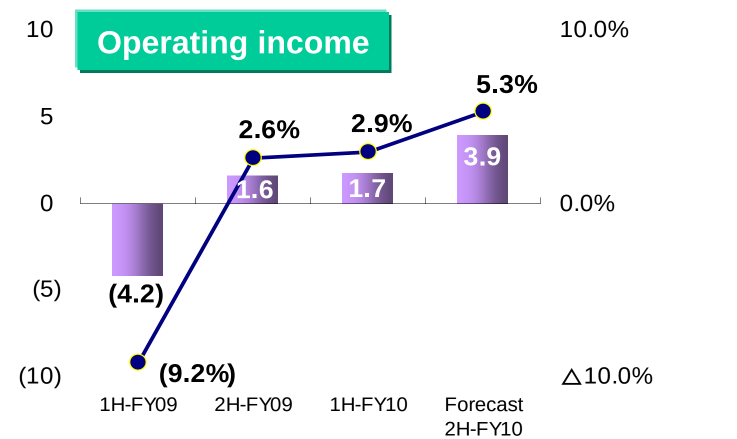
FY2010 / 2H: With more inquiries for the Proton Therapy System being received from both the domestic and overseas markets, the Group will aim to conclude new orders for such products. The lack of capital investment in the semiconductor sector due to worsening domestic market conditions is a concern. With this in mind, the focus will be to grow overseas demand in this area.

*Note: Sumitomo Heavy Industries, Ltd is hereinafter referred to as the "Group" .

Unit: JPY billion







Construction Machinery

Unit: JPY billion

Hydraulic excavators:

FY2010 / 1H: The number of orders and net sales increased as compared to the same period last year due to various factors including the increase in demand from China for the Group's hydraulic excavators.

FY2010 / 2H: The Group plans to respond to robust demand from emerging markets, especially China. Output from the Tangshan Plant will be increased to respond to local demand.

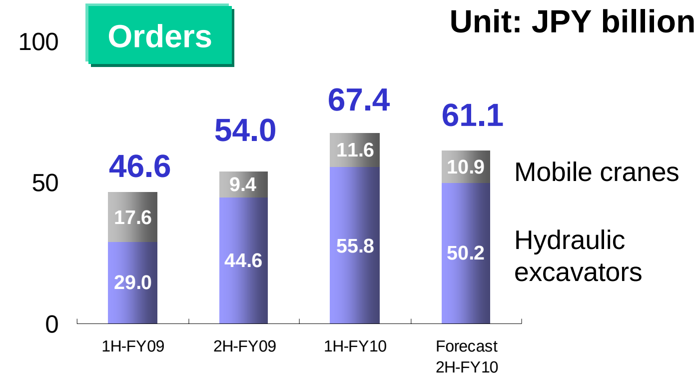
Mobile cranes:

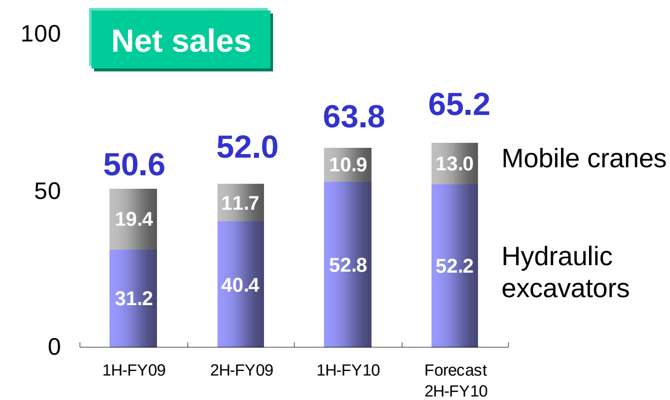
FY2010 / 1H: The number of orders and net sales continues to decline due to sluggish infrastructure-related demand in the North American market.

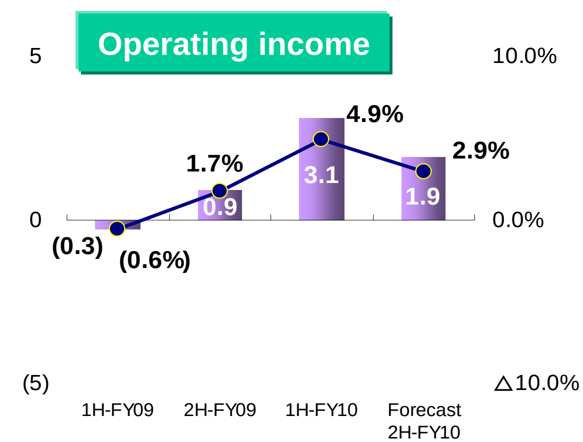
FY2010 / 2H: Although the number of inquiries is increasing slightly, the number of orders is expected to be similar to the first half of the fiscal year.

Operating Income:

Profit margin relating to second half net sales of hydraulic excavators is expected to fall due to currency exchange rate fluctuations as well as the cost of steel.







Industrial Machinery

Forging press & steel manufacturing machinery:

FY2010 / 1H: As conditions domestically remained tough, the Group did not achieve its orders target for the first half. Net sales figures were as per the forecast due to the number of outstanding orders.

FY2010 / 2H: Demand for forging presses is expected to recover as manufacturers expand abroad. The Group plans to ensure the acquisition of orders for such products by following-up on overseas opportunities and strengthening its after-market capabilities.

Material handling systems:

FY2010 / 1H: An order for a large-scale system was received from the power sector. Orders and net sales progressed as per initial projections.

FY2010 / 2H: The Group plans to strengthen in sales activities towards the steel manufacturing and port logistics sectors.

Turbines & Pumps:

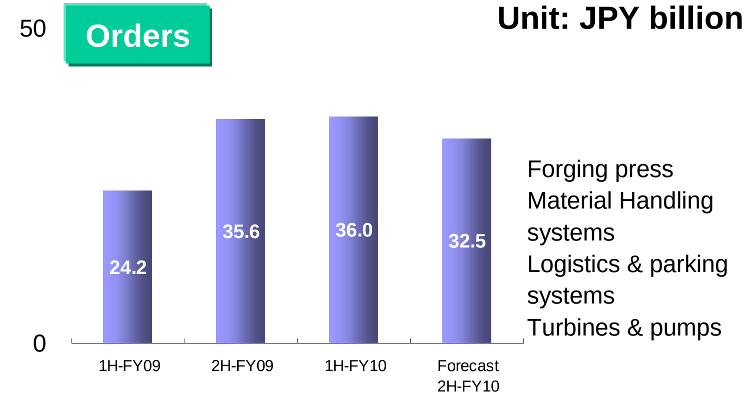
FY2010 / 1H: The demand for turbines was strong, primarily in the resources and energy sector, with orders and sales showing robust growth. In particular, interest for such products was evident from biomass power generation facilities in North America and Southeast Asia. On the other hand, demand for pumps was low mainly due to the strengthening of the yen.

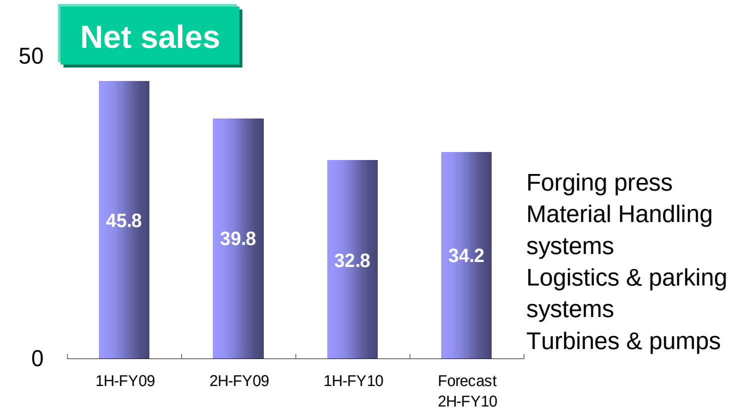
FY2010 / 2H: In the turbine business, the Group plans to strengthen its sales operations in Southeast Asia. Further, the Group will aim to secure orders for its pump products from South Korea-based EPC companies.

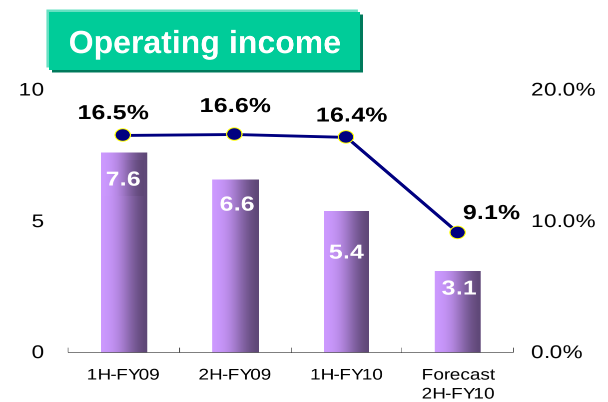
Operating Income:

Profit margins relating to second-half net sales are expected to be lower as order profitability declines.

Unit: JPY billion







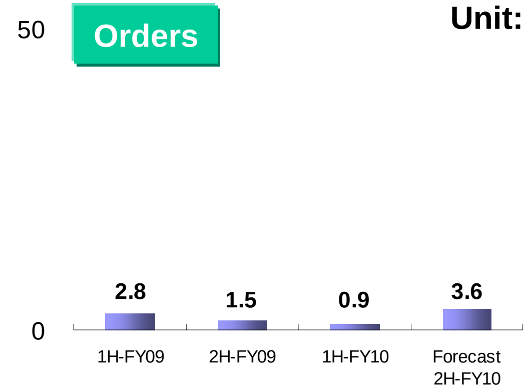
Ships

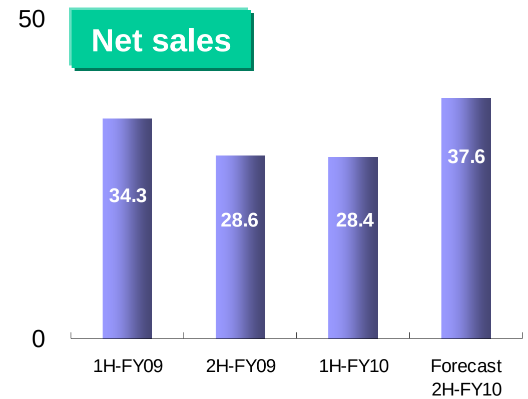
Unit: JPY billion

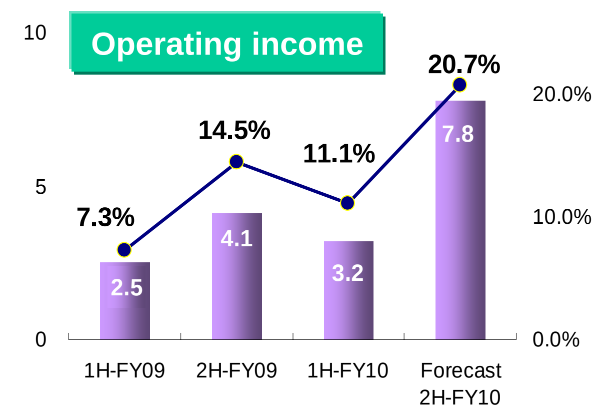
Ships:

FY2010 / 1H: The market for tankers remained stagnant as ship owners continued their wait-and-see attitude. As a result, the number of new orders received during the first half of 2010 was zero. Sales of ships fell by one as compared to the same period last year to finish at four. There was, however, a robust ordering environment for ship repairs.

FY2010 / 2H: The ordering environment is expected to remain tough as the market for tankers remains stagnant and the strengthening of the yen pushes up prices overseas. The Group is planning to handover five vessels in the second half of the year. Further, the impact of the increase in raw material prices is expected to be limited, allowing the Group to post a profit in this area of business.







Environmental Facilities and Plants

Unit: JPY billion

CFB boilers for IPP:

FY2010 / 1H: In overall terms the ordering environment was weak, highlighted by the fact that the Group did not receive any new orders for boilers in the first half of the year.

FY2010 / 2H: The Group aims to use the order received from Singapore for one of its boiler systems during the second half of FY2009 as a stepping stone to continue strengthening its sales operations in Southeast Asia.

Water treatment facilities:

FY2010 / 1H: A large-scale order was received for a wastewater treatment system in the private sector. Further, orders for drinking water and sewage treatment systems surpassed initial forecasts.

FY2010 / 2H: The Group plans to continue focusing on securing orders from the private-sector by strengthening its sales activities.

Pressure vessels, etc.:

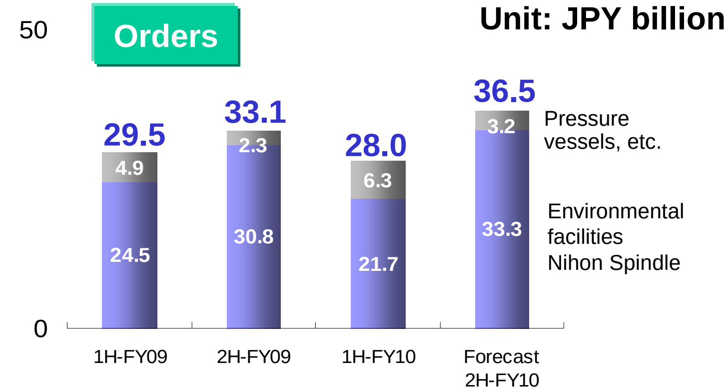
FY2010 / 1H: The demand for coke oven machines was strong. The ordering environment for coke drums was tough mainly due to the strengthening of the yen pushing up prices.

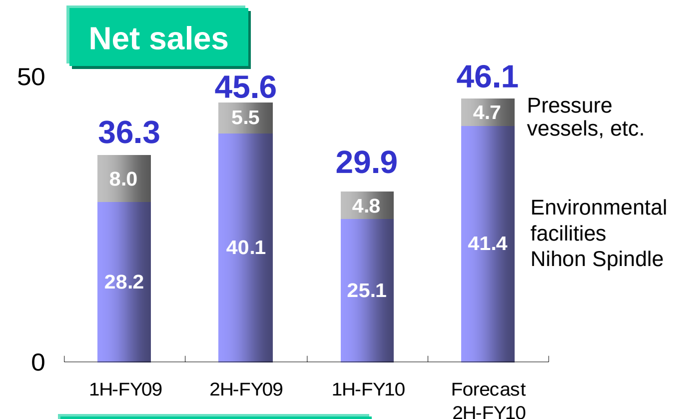
FY2010 / 2H: In the coke oven machines business, the Group will continue to target customers looking to upgrade aging facilities.

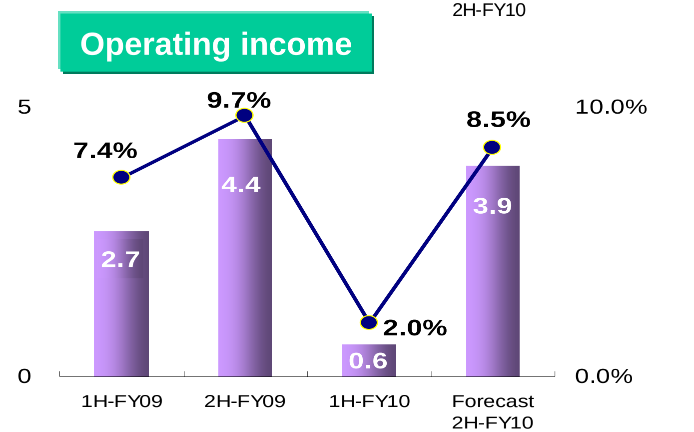
Nihon Spindle:

FY2010 / 1H: Although the environment for receiving orders was difficult, the environmental and air-conditioning business saw orders for its products relating to blast furnaces and electrical furnaces rise.

FY2010 / 2H: The Group will look to strengthen its sales activities relating to dust collectors aimed at new overseas capital investment projects as well as blast furnaces and electrical furnaces. Further, the Group will focus on targeting expansion projects relating to the food and beverage industry in the area of food machinery.



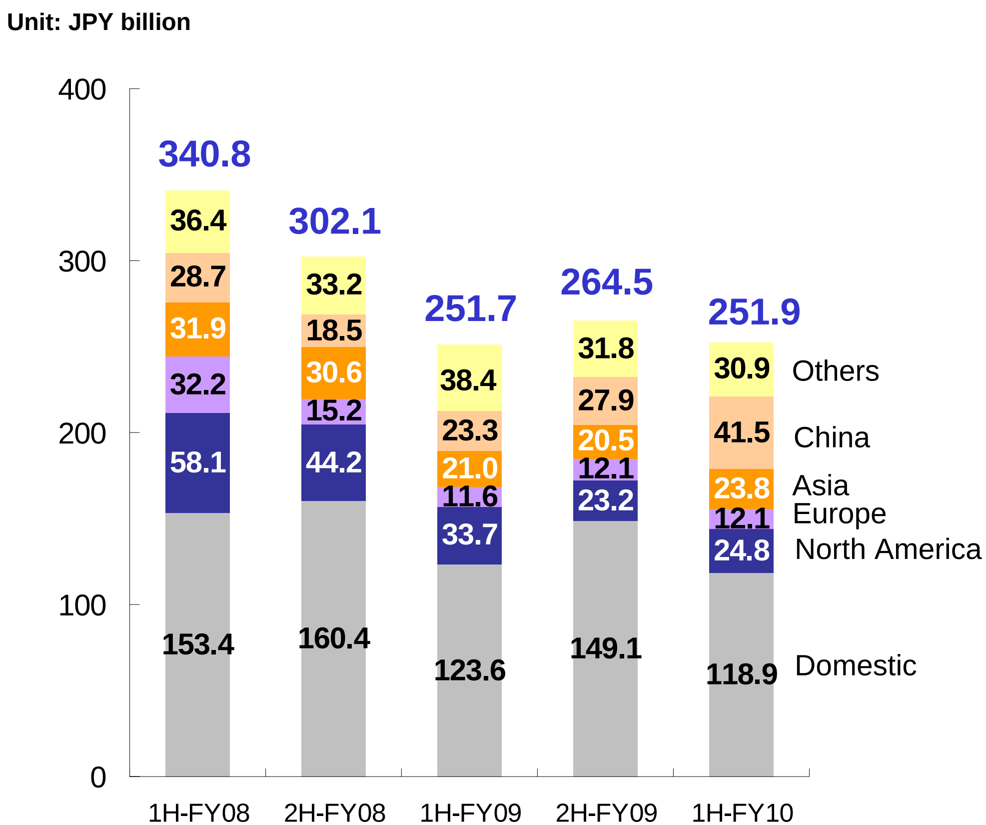




Overseas Sales

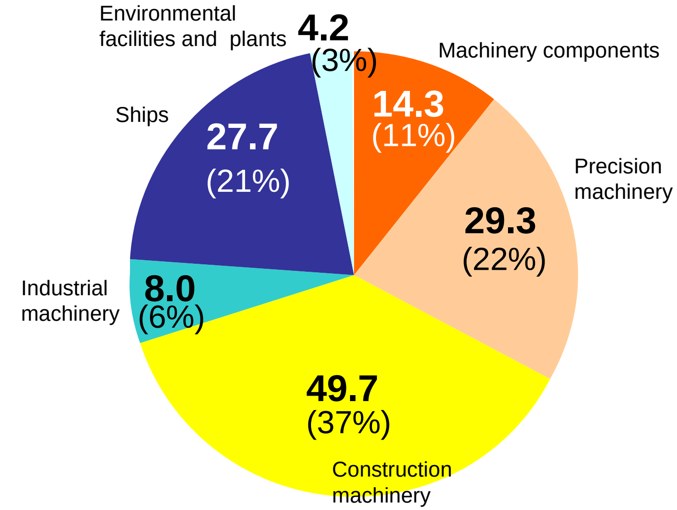
Unit: JPY billion

Overseas Sales by Regional Segment

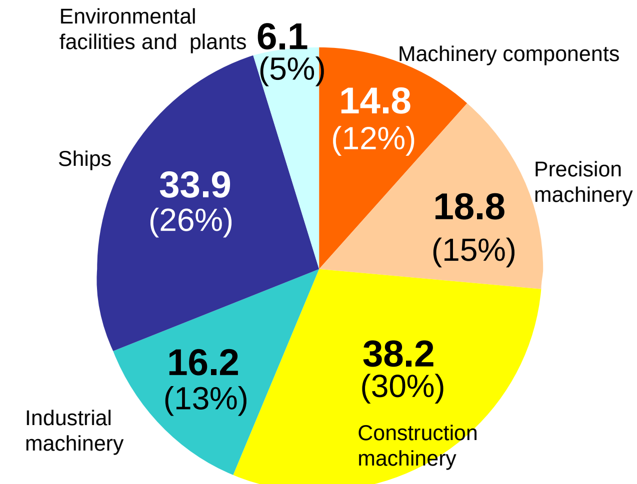


	1H-FY08	2H-FY08	1H-FY09	2H-FY09	1H-FY10
Overseas sales	187.4	141.8	128.0	115.4	133.1
Overseas sales ratio	55%	47%	51%	44%	53%

FY2010 / 1H Overseas Sales by Segment



FY2009 / 1H Overseas Sales by Segment



Acquisition of Hansen Industrial Transmissions NV

■ Key points

(1) In regards to the offer made to acquire Hansen Industrial Transmissions NV (HIT), a manufacturer and distributor of industrial gearboxes, the Group has entered into an exclusive discussion period that will run until March 2011.

(2) The asking price of the acquisition is €75 million (approximately JPY9 billion).

(3) In addition to Europe, HIT possesses strong sales channels in resource-rich economies such as South Africa and Australia. The acquisition is expected to greatly contribute towards the expansion of the Group's industrial gear box business.

(4) HIT's strength is in vertical and large-scale gear boxes. This complements the Group's existing product line-up in this field.

■ Profile of HIT

Company name: Hansen Industrial Transmissions NV

Location: Edegem (near Antwerp), Belgium

Description of Business Activities: Manufacturer and sales of industrial gear boxes

Capital: €7 million

Established: April 2010

Major Shareholders: Hansen Transmissions International NV (100%)

Number of employees: 730

Consolidated Financial Performance (Fiscal Year ended March 2010):

Net Sales: €83 million

Loss before Taxes: €4.2 million

Consolidated Net Assets: €68 million

Consolidated Total Assets: €116.5 million

Construction of New Plant in Brazil

■ Key points

(1) The Group plans to construct a new plant that will become the main supply source for medium-to-large scale gear reducers targeted for the South American market.

(2) Brazil has high resource demand with iron ore being a key commodity. In addition, the country is projected to make significant near-term infrastructure investments as it prepares to host the FIFA World Cup and Summer Olympics. These factors are expected to drive significant demand for large-scale gear reducers.

(3) By moving its manufacturing base to Brazil, the Group's price competitiveness in this product line will be enhanced. With this, sales are expected to grow in the future. The aim is to achieve JPY5 billion in annual sales by 2015.

■ Company outline

Company name:	Sumitomo Industrias Pesadas do Brasil Ltda. (Provisional Name)
Location:	Itu City, Sao Paulo, Brazil
Capital:	Approximately ¥6 billion
Capital Investment Amount:	Approximately ¥5.2 billion (including cost of land)

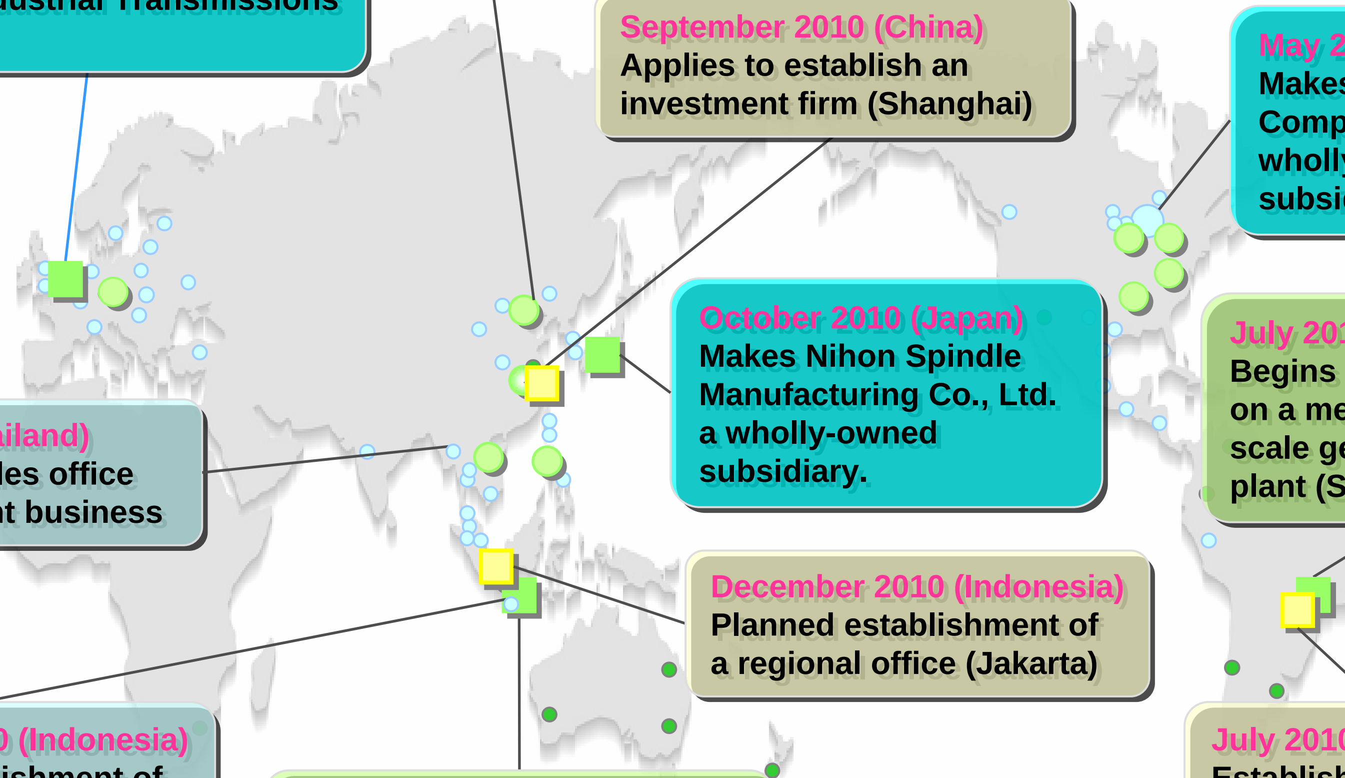
Planned Expansion of Tangshan Plant

Key points

Through a total investment of JPY10.6 billion, the Group plans to increase the production capacity for medium-to-large scale gear reducers and hydraulic excavators at its Tangshan (Hebei Province, China) Plant that commenced operations in February 2009.

	Sumitomo Heavy Industries (Tangshan), Ltd.	Sumitomo (S.H.I.) Construction Machinery (Tangshan) Co., Ltd.
Business	Manufacturing and sales of medium-to-large scale gear reducers	Manufacturing and sales of hydraulic excavators
Investment Amount	JPY3.5 billion	JPY7.1 billion
Investment Purpose	The investment will go towards increasing production capacity, expanding existing buildings, and acquiring adjacent land	
Current Production Capacity	500 – 700 units per month	2000 units per year
Post-Investment Production Capacity (2012)	1250 units per month	5000 units per year
Total Investment Amount	JPY8.2 billion	JPY12.2 billion

Business Expansion Investments



September 2010 (China)
Construction begins to expand the existing medium-to-large scale gear reducer and hydraulic excavator plant (Tangshan)

October 2010 (Belgium)
Enters negotiations to acquire Hansen Industrial Transmissions (HIT)

September 2010 (China)
Applies to establish an investment firm (Shanghai)

May 2010 (U.S.A.)
Makes LBX Company, LLC a wholly-owned subsidiary

June 2010 (Thailand)
Establishes sales office for energy plant business

October 2010 (Japan)
Makes Nihon Spindle Manufacturing Co., Ltd. a wholly-owned subsidiary.

July 2010 (Brazil)
Begins construction on a medium-to-large scale gear reducer plant (Sao Paulo)

December 2010 (Indonesia)
Planned establishment of a regional office (Jakarta)

December 2010 (Indonesia)
Planned establishment of a sales office for hydraulic excavators (Jakarta)

October 2010 (Indonesia)
Construction begins on hydraulic excavator plant (Jakarta)

July 2010 (Brazil)
Establishes a regional office (Sao Paulo)

Management Policies

- ✓ **Abide by Management Discipline and Financial Discipline regulations, seek to establish sustainable competitive edge and aim for sound development of business operations.**
- ✓ **Secure steady income at all times by utilizing our superior business portfolio and personnel.**
- ✓ **Implement offensive and defensive measures in well-balanced manner, with proper understanding of changes that occur over time.**

Implement accurate measures taking into account market trends and aim to achieve sustainable growth as well as improved profitability.

All forward-looking statements regarding the company's future performance are based on information currently available to Sumitomo Heavy Industries and determined subjectively. Future performance is not guaranteed and all information related to future performance contained herein is subject to changes in business environments.