Financial Summary for FY2012 and Projections for FY2013

Sumitomo Heavy Industries, Ltd.

President and CEO
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May 9, 2013

Management Policies

FY2013

- ➢ **Set FY2013 as a year of reversal to break out of the stagnate state and make a new start.**
- ➢ **Forge a solid footing through solid management.**
- ➢ **Achieve Net Sales JPY600 billion and Operating Income JPY30 billion as a minimum target and commitment figures.**

- **Recover earning capacity of mass-produced machinery businesses**
  … Rapidly recover earning capacity through such means as the introduction of new products. Implement structural reforms as needed.

- **Promote structural reforms in heavy machinery businesses**
  … Aim for the enhancement and growth of business by building an organizational framework for optimum placement and efficient operation of management resources.

Financial Summary for FY2012

➢ Key points

(1) Orders
- Orders increased for environmental facilities and plants in comparison with the previous term.
- Precision machinery orders decreased, due to the sluggish performance of injection molding machines.
- Construction machinery orders decreased, due to the impact from the slowing Chinese economy.

(2) Net sales
- Significant decrease in industrial machinery and ships.
- Other segments decreased, also due to the impact from a reduction in number of orders.

(3) Operating income
- Significant increase in environmental facilities and plants.
- Other segments decreased, also due to the impact from a reduction in number of sales.

(4) Extraordinary losses
- Impairment losses declared for ship business.
- Defense equipment business declared related losses.

Unit: JPY billion

	2011	2012	Change
Orders	571.3	550.7	(20.6)
Net sales	624.1	585.9	(38.2)
Operating income	47.1	31.3	(15.9)
Operating income ratio	7.6%	5.3%	(2.2%)
Ordinary income	44.6	31.0	(13.6)
Ordinary income ratio	7.1%	5.3%	(1.9%)
Extraordinary income or loss	(6.4)	(20.2)	(13.8)
Current net income before tax adjustments	38.2	10.8	(27.4)
Current net income	19.5	5.9	(13.6)
Current net income ratio	3.1%	1.0%	(2.1%)

Operating Income by Segment

➢ Comparisons with previous fiscal year

<Machinery components>
Decreased due to delays in improving business performance at overseas bases and deterioration of profitability for large scale gearboxes.

<Precision machinery>
Decreased due to the impact of large project cancellation, as well as the effects of a sluggish performance for electronics and electrical related industries on injection molding machines.

<Construction machinery>
Decreased due to a drop in the sales of hydraulic excavators, even though there was an increase for mobile cranes in the United States.

<Industrial machinery>
Decreased in association with a drop in the sales of cranes, etc.

<Ships>
The number of new ships delivered was five vessels, two less in comparison with the previous year. The profit rate for ships ordered has decreased since the Global Financial Crisis.

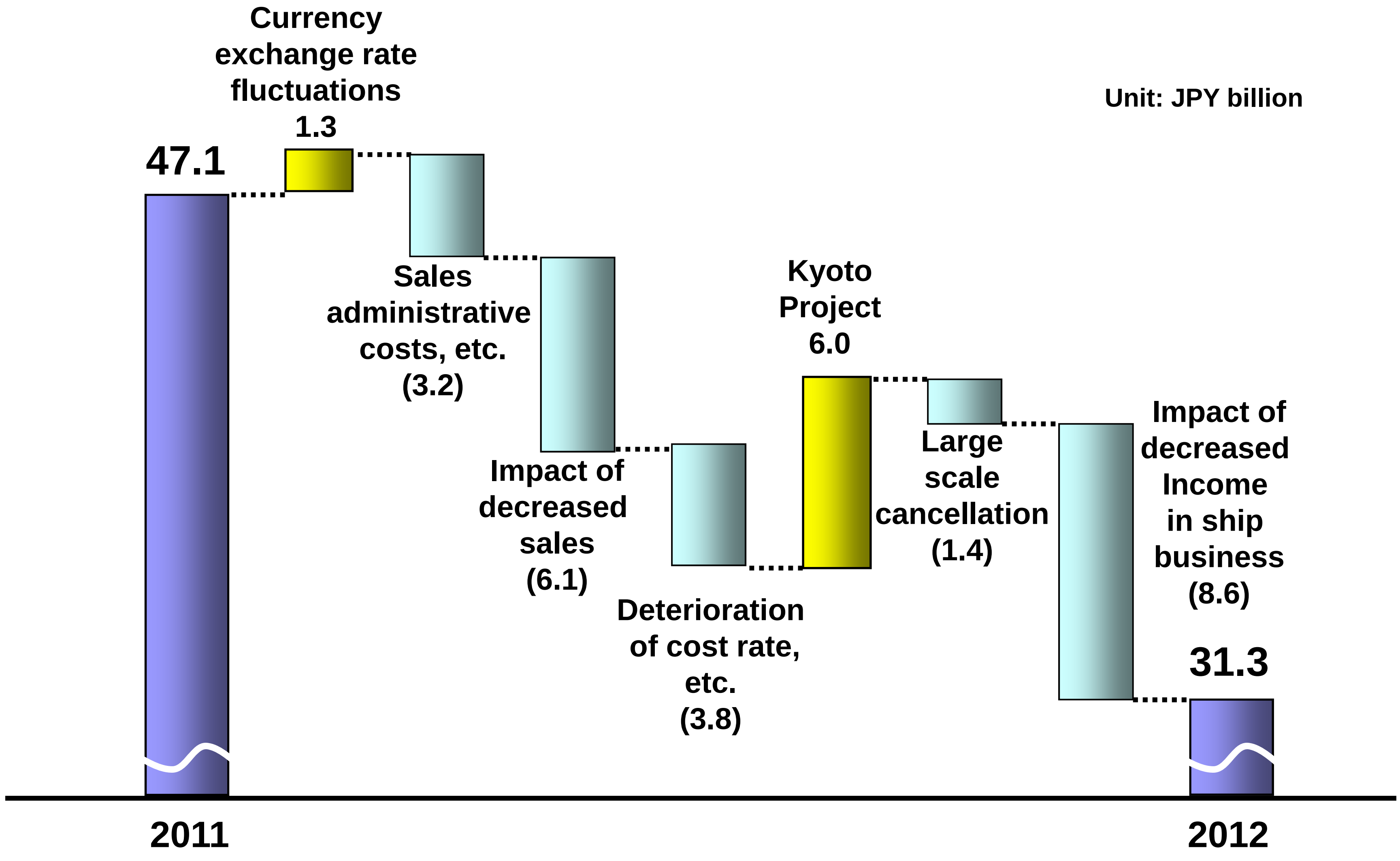
<Environmental facilities & plants>
The provisions for the cost of modification construction work on the incinerated ash melting facility for the City of Kyoto was booked during the FY2011 fiscal term.

Unit: JPY billion

	2011	2012	Change
Machinery components	4.2	2.8	(1.5)
Precision machinery	12.5	7.7	(4.8)
Construction machinery	8.3	6.1	(2.2)
Industrial machinery	9.5	5.4	(4.1)
Ships	10.9	2.4	(8.6)
Environmental facilities & plants	0	5.6	5.6
Others	1.7	1.4	(0.2)
Total	47.1	31.3	(15.9)

* A part of the reporting segment has been changed from FY2013 in accordance with organizational changes but former (prior to change) segments are used for the disclosure of the business performance of accounts, closed by FY2012, as shown in the table above. Please refer to page 18 for details.

Change in Operating Income (FY2011 to FY2012)



Consolidated Balance Sheet

Unit: JPY billion

- Impairment loss of JPY17.4 billion in fixed assets, principally related to the ship business. JPY8.3 billion of which is from the re-assessment of land values.
- Accounts payable dropped with the decreased production of construction machinery in China.

	End March 2012	End March 2013	Change
Current assets	429.0	386.6	(42.4)
Cash and deposits	73.4	47.8	(25.6)
Notes and accounts receivable	181.2	173.3	(7.9)
Inventories	143.9	139.2	(4.7)
Others	30.5	26.3	(4.2)
Fixed assets	262.8	261.1	(1.7)
Tangible assets	219.8	210.7	(9.2)
Intangible assets	6.4	7.8	1.4
Investments and other assets	36.6	42.7	6.1
Total	691.8	647.7	(44.1)

	End March 2012	End March 2013	Change
Liabilities	409.7	354.9	(54.8)
Notes and accounts payable	153.8	113.6	(40.3)
Advance payments	27.8	20.9	(6.8)
Interest-bearing debts	96.5	98.5	2.0
Others	131.6	121.8	(9.7)
Net assets	282.1	292.8	10.7
Common equity	255.6	261.8	6.1
Total accumulated other comprehensive income	23.2	27.1	3.8
Minority interests	3.3	4.0	0.7
Total	691.8	647.7	(44.1)
Net ratio of interest-bearing debts	3.3%	7.8%	4.5%
Stockholders' equity ratio	40.3%	44.6%	4.3%

Consolidated Cash Flow Statement

➢ Working Capital increased in Construction Machinery segment.

Unit: JPY billion

Category	FY2011	FY2012	Change
Operating activities	**23.3**	**2.7**	**(20.6)**
Income before income taxes and minority interests	38.2	10.8	(27.4)
Depreciation	17.8	18.3	0.5
Working capital	(23.6)	(26.1)	(2.5)
Others (income taxes etc.)	(9.1)	(0.3)	8.8
Investing activities	**(22.7)**	**(19.7)**	**3.0**
Free cash flow	**0.6**	**(17.0)**	**(17.6)**
Financing activities	**19.9**	**(11.4)**	**(31.3)**
Change in cash and cash equivalents	**19.9**	**(26.4)**	**(46.2)**
Cash and cash equivalents at end of fiscal term	72.4	46.5	(25.9)

Performance Forecast for FY2013

➢ Key Points

- Net Sales increased for FY2013 and the net income increased.
- Annual dividends JPY6 for FY2013.

Unit: JPY billion

	Record 1H-FY12	Record 2H-FY12	Forecast 1H-FY13	Forecast 2H-FY13	Record FY2012	Forecast FY2013
Orders	266.6	284.1	290.0	320.0	550.7	610.0
Net Sales	293.3	292.6	275.0	325.0	585.9	600.0
Operating income	17.4	13.9	7.0	23.0	31.3	30.0
Operating income ratio	5.9%	4.7%	2.5%	7.1%	5.3%	5.0%
Ordinary income	16.6	14.4	6.0	20.0	31.0	26.0
Ordinary income ratio	5.7%	4.9%	2.2%	6.2%	5.3%	4.3%
Extraordinary income or loss	(1.0)	(19.2)	(0.5)	(0.5)	(20.2)	(1.0)
Current net income	9.8	(4.0)	2.0	12.0	5.9	14.0
Current net income ratio	3.4%	—	0.7%	3.7%	1.0%	2.3%
Dividends	JPY4	JPY4	JPY3	JPY3	JPY8	JPY6
Dividend payout ratio					83.7%	26.3%
ROIC (after tax)					4.9%	4.4%
Projected currency exchange rate (US dollars)					JPY85 (actual)	JPY95

Machinery Components

Orders, Net Sales

FY2012 : In addition to the sluggish performance of the European market, large-sized gearboxes for use in resource and energy fields were weak, resulting in a decrease for both the orders and net sales.

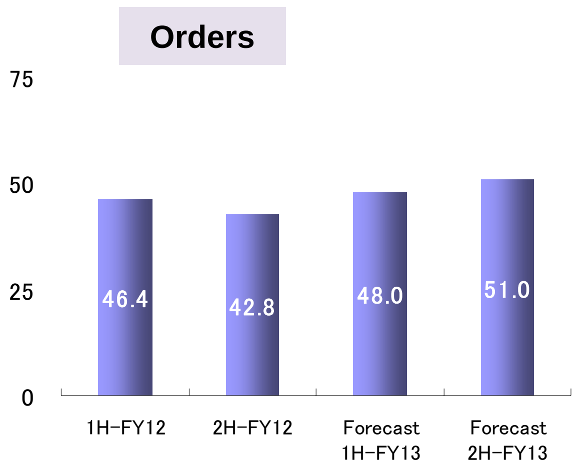
FY2013 : Sluggish growth of facility investments domestically in Japan and continued sluggish market performance in Europe are expected, but increased demand is expected in the US and Asia, due to the recovery of facility investments. Growing markets will be captured with the aim of expanding business.

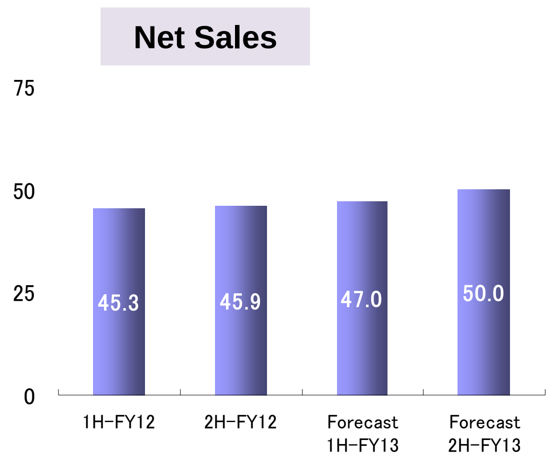
Operating Income

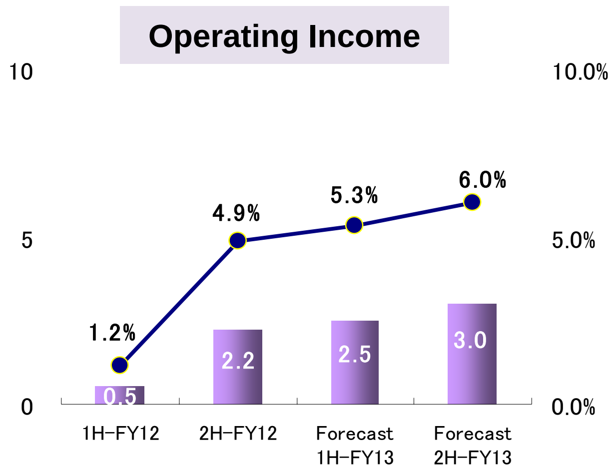
FY2012 : Sluggish growth of earnings at overseas production bases. Profits decreased due to deterioration in profitability for exported products and large-sized gearboxes.

FY2013 : Profit rate is expected to improve by an improved profitability for large-sized gearboxes, cost reductions at domestic manufacturing plants in Japan and an increased earning capacity for overseas subsidiaries.

Unit: JPY billion







Precision Machinery (Segment Changed)

Orders, Net Sales

<Plastic machinery>

FY2012 : Orders received and net sales both decreased, due to severe electronics and electrical related markets for Asia. A sluggish performance for Europe overall resulted in a decreased number of orders received for the second half.

FY2013 : Some recovery is expected for electronics and electrical related markets, as well as an increased market share intended with the new series of products launched in FY2012. A gradual recovery is expected with the market in Europe, but the situation remains severe.

<Advanced precision machinery>

FY2012 : Semiconductor and machine tool related equipment transitioned in a sluggish trend but cryogenic coolers, which are components for medical equipment, indicated a robust trend.

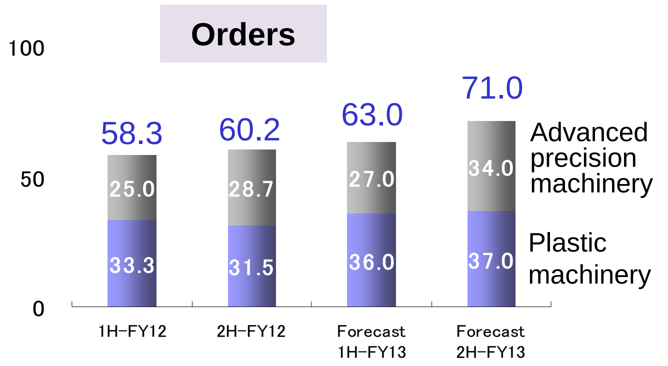
FY2013 : Cryogenic coolers are expected to continue with a good performance. Overseas sales of semiconductor related equipments are enhanced.

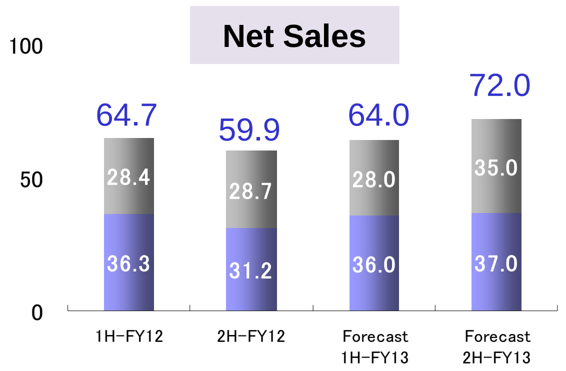
Operating Income

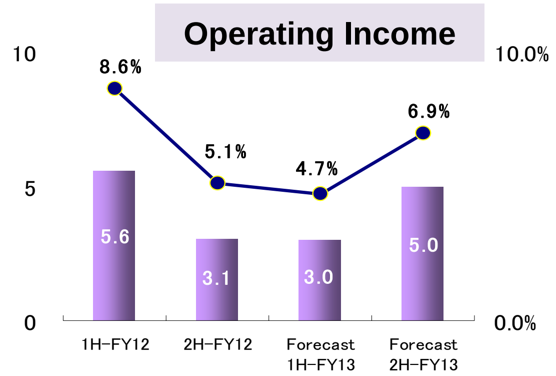
FY2012 : Deterioration occurred in the second half due to a much weaker transition of plastic machinery than anticipated.

FY2013 : Cryogenic coolers are expected to continue with a good performance, while recovery is anticipated for plastic machinery.

Unit: JPY billion







* Segments for the performance of FY2012, as indicated in the graph, represent the performance of accounts that have been reorganized according to the segments following the changes. Please refer to page 18 for details.

Construction Machinery

Orders, Net Sales

<Hydraulic excavators>

FY2012 : A robust trend was recorded domestically in Japan and North America, but a deceleration in growth occurred in Indonesia during the second half, in addition to a sluggish performance of demand in China, resulting in a decrease. Our manufacturing plants in China responded to the reduced production.

FY2013 : Favorable trends are expected to continue domestically in Japan and in North America. Recovery is expected in Southeast Asia from the beginning of the year. Furthermore, a sign of recovery is seen in the Chinese market.

<Mobile cranes>

FY2012 : Steady trends were recorded in energy related and infrastructure related markets. .

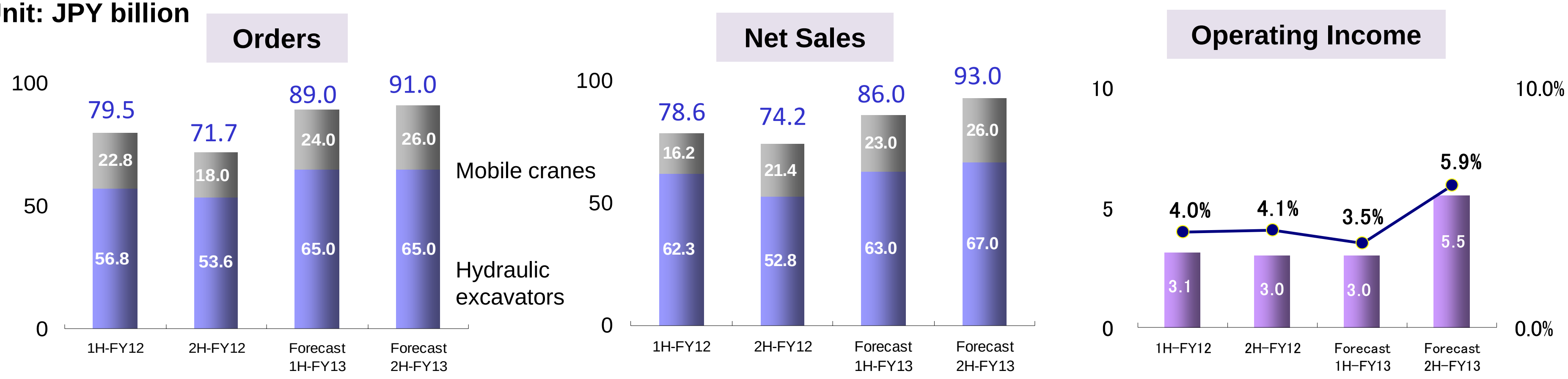
FY2013 : Favorable performance is expected to continue.

Operating Income

FY2012 : Mobile cranes continued with a favorable trend, however hydraulic excavators shifted to a sluggish performance in China, resulting in a decrease.

FY2013 : Profitability rate is expected to improve, due to conditions of the recovering markets in Japan, North America and Southeast Asia.

Unit: JPY billion



Industrial Machinery (Segment Changed)

Orders, Net Sales

FY2012 : Large presses performed well in terms of the orders received among industrial equipment. Material handling systems experienced a decline in large projects domestically in Japan and overseas developments were sought, but conditions were severe. The environment for receiving orders was severe for turbines and pumps, due in part to the impact of an appreciated yen in the first half, but the devaluating trend of yen in the second half resulted in a favorable turn in the environment. Structural reforms were initiated.

FY2013 : Expansion of business sought by organizational reforms in the industrial equipment and material handling systems businesses. Effort has been put into medical system related areas, while the number of orders received increased by targeting biomass related demand in overseas markets for turbines.

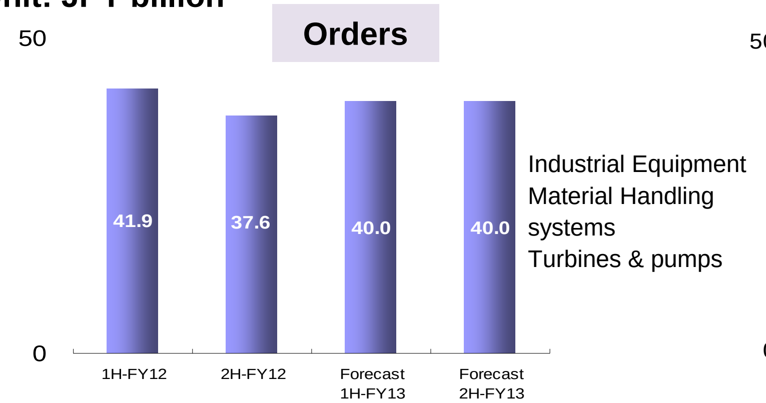
Operating Income

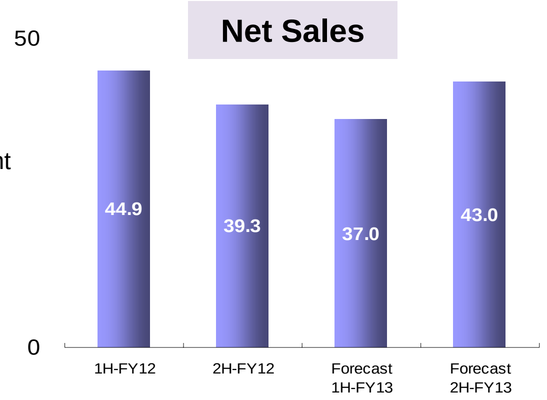
FY2012 : Material handling systems experienced severe conditions, due to the decreased amount of sales. Profitability deteriorated in medical system related business.

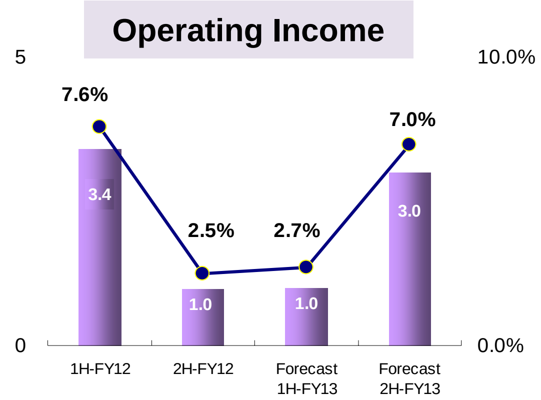
FY2013 : The severe condition continues. Improvement of profitability is sought through integrations of organizations.

* Organizational reforms implemented with industrial equipment and material handling systems businesses as of April 1, as the first stage of the corporation-wide structural reforms. Please refer to page 18 for details.

Unit: JPY billion







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Ships

Orders

FY2012 : An order for one Aframax tanker was received in the fourth quarter. This resulted in two ships as an order backlog at the end of FY2012.

FY2013 : Currency exchange trends are moving in a positive direction but the US dollar based ship prices continue to stay at a low level, resulting in a continued severe environment for orders received. New ship building orders for two ships are expected in the first half.

Net Sales

FY2012 : Deliveries were made for two ships in the first quarter and three ships in the fourth quarter. One of these deliveries in the fourth quarter was a Suezmax tanker, whereas the remainder was an Aframax tanker.

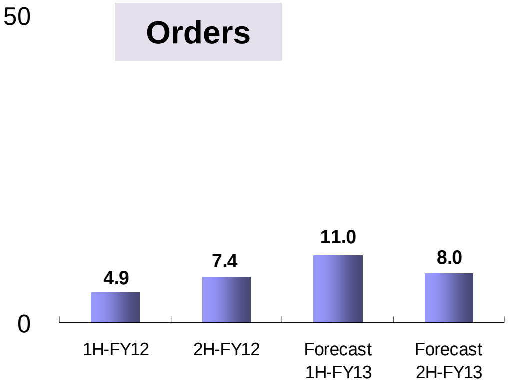
FY2013 : One Aframax tanker is scheduled for delivery in the first half.

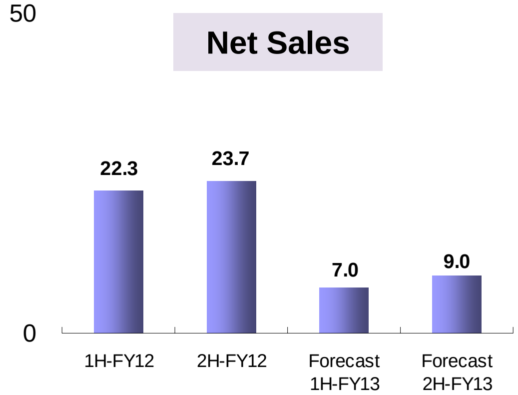
Operating Income

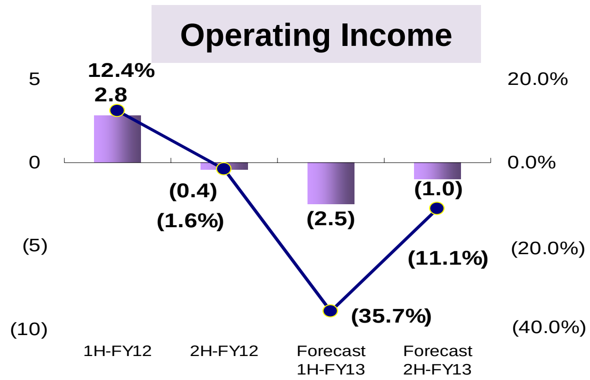
FY2012 : Ships with a lower price were delivered during the second half. Personnel measures have already been implemented.

FY2013 : A deficit is expected, due to an insufficient operation during the first half, however losses are to be kept to a minimum by implementing measures such as further personnel re-assignments and dispatches to other companies to provide support.

Unit: JPY billion







Environmental Facilities and Plants

Orders, Net Sales

FY2012 : Orders for boilers increased domestically in Japan primarily in biomass related fields, whereas projects in Indonesia recorded active trading overseas, which resulted in an increased number of orders, however net sales decreased due to a small number of order backlog. The market conditions for water treatment systems transitioned in a sluggish manner, resulting in a decrease of both orders and net sales.

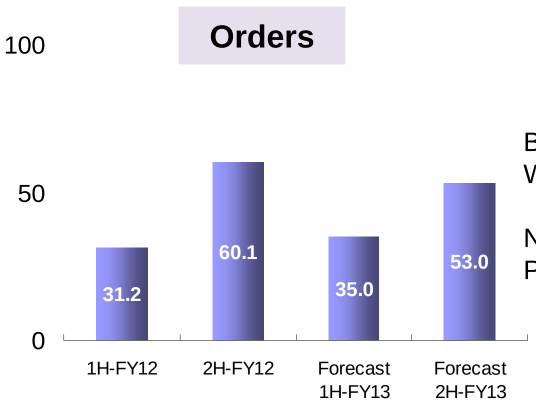
FY2013 : Boilers continue to exhibit a favorable performance but the condition will still be severe for net sales in the first half, due to the situation related to the number of order backlog. A sluggish trend is expected for water treatment systems.

Operating Income

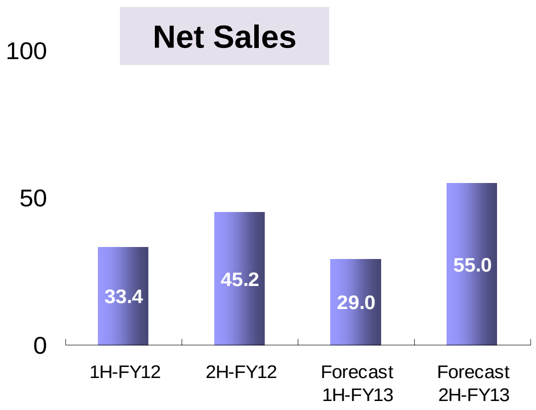
FY2012 : Improvements have been made with profits primarily for boilers and water treatment plants.

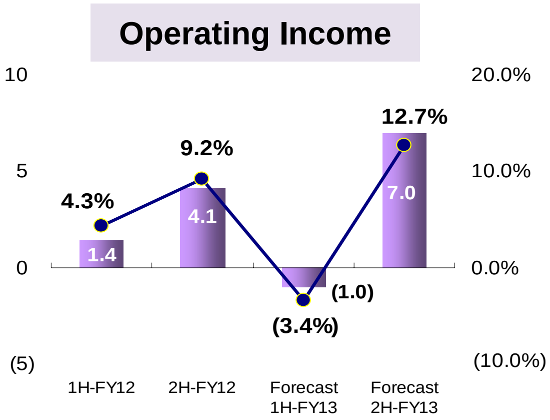
FY2013 : A deficit is expected in the first half, due to insufficient net sales. Increased profits are expected in the second half as net sales based on percentage of completion start to come in.

Unit: JPY billion



Boilers
Water Treatment Systems
Nihon Spindle
Pressure Vessels, etc.





Performance Forecast for FY2013 by Segment
(Segment Changed)

➢ Key Points

Unit: JPY billion

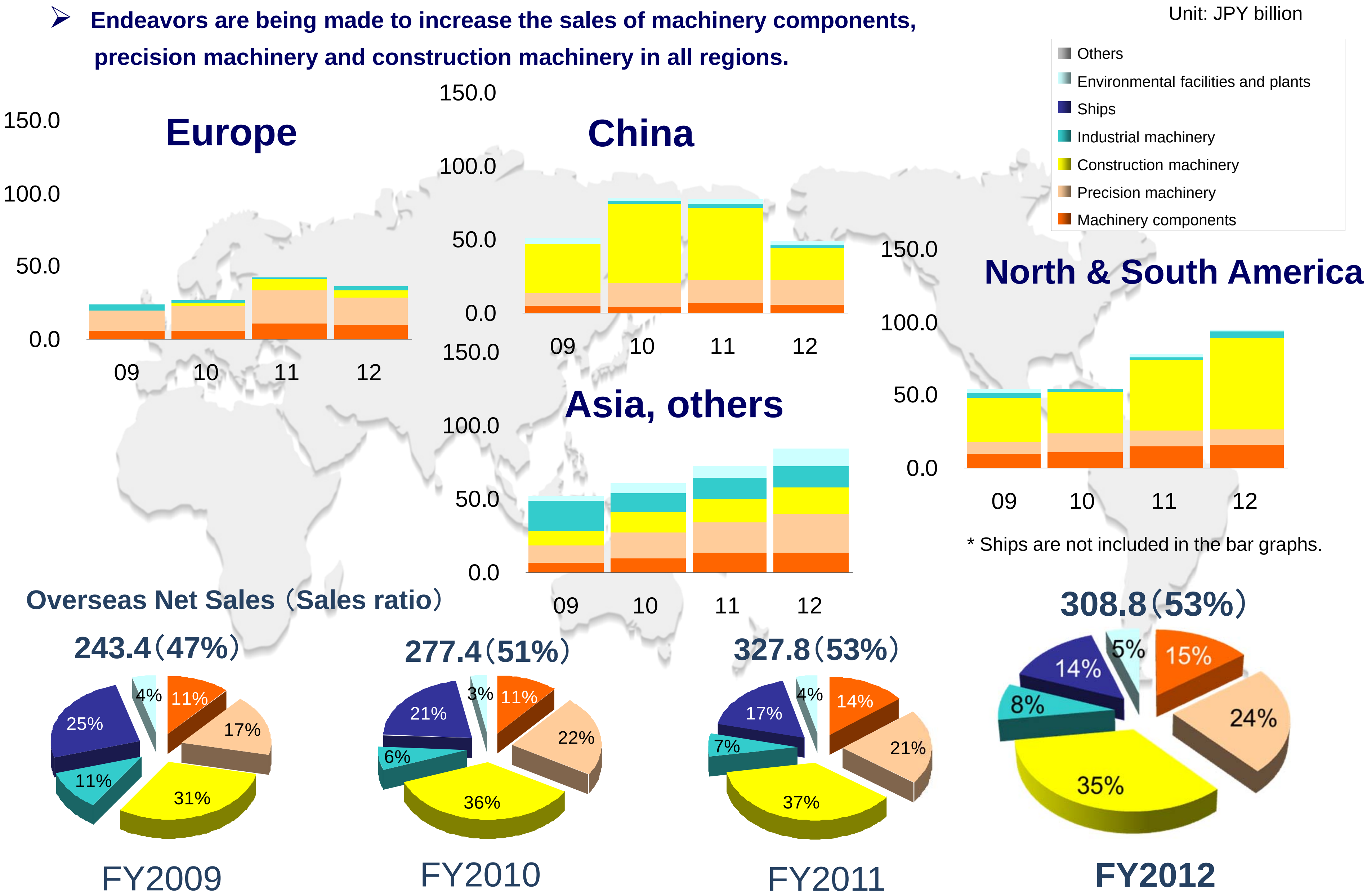
(1) Orders are expected to increase except for environmental facilities & plants.
Machinery components and Construction machinery are expected to continue with growth primarily overseas.
(2) Net Sales are expected to decrease for ships.
(3) The operating income is expected to increase with machinery components, construction machinery, and environmental facilities & plants but decrease with industrial machinery and ships, resulting in a slight overall increase.

		Record 1H-FY12	Record 2H-FY12	Forecast 1H-FY12	Forecast 2H-FY12	Record FY2012	Forecast FY2013
Machinery components	Orders	46.4	42.8	48.0	51.0	89.2	99.0
	Net sales	45.3	45.9	47.0	50.0	91.2	97.0
	Operating income	0.5	2.2	2.5	3.0	2.8	5.5
Precision machinery	Orders	58.3	60.2	63.0	71.0	118.5	134.0
	Net sales	64.7	59.9	64.0	72.0	124.6	136.0
	Operating income	5.6	3.1	3.0	5.0	8.6	8.0
Construction machinery	Orders	79.5	71.7	89.0	91.0	151.2	180.0
	Net sales	78.6	74.2	86.0	93.0	152.8	179.0
	Operating income	3.1	3.0	3.0	5.5	6.1	8.5
Industrial machinery	Orders	41.9	37.6	40.0	40.0	79.5	80.0
	Net sales	44.9	39.3	37.0	43.0	84.3	80.0
	Operating income	3.4	1.0	1.0	3.0	4.4	4.0
Ships	Orders	4.9	7.4	11.0	8.0	12.3	19.0
	Net sales	22.3	23.7	7.0	9.0	46.0	16.0
	Operating income	2.8	(0.4)	(2.5)	(1.0)	2.4	(3.5)
Environmental facilities & plants	Orders	31.2	60.1	35.0	53.0	91.4	88.0
	Net sales	33.4	45.2	29.0	55.0	78.6	84.0
	Operating income	1.4	4.1	(1.0)	7.0	5.6	6.0
Others	Orders	4.3	4.4	4.0	6.0	8.7	10.0
	Net sales	4.1	4.4	5.0	3.0	8.5	8.0
	Operating income	0.6	0.8	1.0	0.5	1.4	1.5
Total	Orders	266.6	284.1	290.0	320.0	550.7	610.0
	Net sales	293.3	292.6	275.0	325.0	585.9	600.0
	Operating income	17.4	13.9	7.0	23.0	31.3	30.0

* Segments for the performance of FY2012, as indicated in the graph, represent the performance of accounts that have been reorganized according to the segments following the changes. Please refer to page 18 for details.

Regional Net Sales (by Segment)

- Endeavors are being made to increase the sales of machinery components, precision machinery and construction machinery in all regions.



Notes on the overcharging of expenses related to Ministry of Defense contracts

Summary

Our company, along with Sumiju Tokki Service Co., Ltd., our wholly owned subsidiary company, received an order by the Ministry of Defense (MOD) to suspend of bidding rights of both companies in May 2012, due to the overbilling expenses made to the MOD. A refund of JPY5 billion, relating to the overcharged amount, was returned to the MOD in February 2013 and the suspension of bidding rights was lifted. Order receiving activities started from March.

A deficit was recorded for the defense business in FY2012, due to the impact of the incidence described above, but a shift back into the black is sought for FY2013.

Prevention of recurrence

Every effort will be made to prevent a recurrence and compliance will be further promoted.

Notes on Organizational reforms

An organizational reform was implemented in order to improve the earning capacity of heavy machinery related businesses, as the first stage of the corporation-wide structural reforms. The businesses of industrial equipment and material handling systems will be nurtured into robust businesses and will also be implemented overseas.

■ Organizational reforms (as of April 1, 2013)

(1) The Quantum Equipment Division and Sumitomo Heavy Industries Techno-Fort Co., Ltd. (STF) were integrated to form the "Industrial Equipment Division".

* Due to the organizational change, the Quantum Equipment Division is transferred from Precision Machinery segment to Industrial Machinery segment from FY2013.

(2) The Logistics & Parking System Division and Sumitomo Heavy Industries Engineering & Services Co., Ltd. (SES) were integrated to form "Sumitomo Heavy Industries Material Handling Systems Co., Ltd."

■ Purpose

(1) The Quantum Equipment Division that features large medical equipment, such as cancer diagnostic and treatment equipment, as their principal offerings and STF, which is engaged in the business of design, manufacture and installation construction work for large equipment, have been integrated with the aim of improving operational management efficiency for both businesses, as well as of enhancing their organizational capabilities.

(2) The businesses of material handling equipment, as well as logistics systems, have been integrated as a material handling business to provide higher level of large scale material handling systems based on control technologies that are the fortes of our logistics systems, matched with service businesses that have been developed by SES, for the purpose of efficient business operations.

Notes on activities taken in ship building business

■ Market environment

The market conditions for marine transport and ship building continue to remain sluggish, due to the stagnant global economy and excessive supply of newly built ships.

■ Responsive action taken by us thus far

It is difficult to expect profitable orders in the current situation, where the market demand decreases significantly, therefore we consider it is advisable to avoid losses in the business as much as possible, while preparing for a speedy response when the market recovery takes place. An order for one Aframax tanker was received during the fourth quarter of FY2012, under this policy of minimized losses (three ships building per year formation). Sales and marketing activities continued, while the pace of building work slowed down. Personnel have been reorganized into the three ships building formation.

■ Future policies for ship building business

Business operations, according to the policy described above, will continue for the time being, but the orientation of business will be examined with the aim of formulating a definite plan within the fiscal year, as a further deficit situation is not allowed.

Notes on the incinerated ash melting facility for the City of Kyoto

Progress is currently being made according to schedule, as described below. Corporation-wide efforts are being made in order to hand over a facility that is safe and can be used with confidence.

May to November 2011	Trial run of incinerated ash melting facility
November 2011 to April 2012	Trial run suspended to implement the following: ・Inspection of all equipment of the facility ・Extraction of all anticipated problems and their causes ・Formulation of countermeasures
August 2012 to January 2013	Modification construction work
February 2013	Pretrial and process adjustments
March to May 2013	Operational adjustments
May 2013	First trial run and performance test
June 2013	Second trial run and performance test
By end of August 2013	Completion test conducted and hand over