

Announcement of Interim Results for the Term ending March 31, 2005 (consolidated)

November 19, 2004

Listed company name: **Sasebo Heavy Industries Co., Ltd.**

Stock Listings: Tokyo Stock Exchange 1st Section
Osaka Stock Exchange 1st Section
Fukuoka Stock Exchange

Code Number: 7007

Head Office: Tokyo

URL: <http://www.ssk-sasebo.co.jp>

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Board of Directors Meeting for the Approval of Results: November 19, 2004

Application of U.S. GAAP: No

1. Consolidated Business Results for the six-month period ended September 30, 2004 (April 1, 2004 ~ September 30, 2004)

(1) Consolidated Operating Results

Figures under one million yen have been rounded off.

	Net sales		Operating income		Ordinary income	
	<i>Millions of yen</i>	<i>%</i>	<i>Millions of yen</i>	<i>%</i>	<i>Millions of yen</i>	<i>%</i>
Half year ended September 30, 2004	21,496	-22.0	516	-	522	-
Half year ended September 30, 2003	27,556	81.9	-3,657	-	-3,847	-
Year ended March 31, 2004	49,125		-3,519		-3,878	

	Net income		Net income per share
	<i>Millions of yen</i>	<i>%</i>	<i>Yen</i>
Half year ended September 30, 2004	596	-	3.68
Half year ended September 30, 2003	-3,320	-	-20.50
Year ended March 31, 2004	-2,840		-17.54

Note:

1. *Investment profit (loss) on equity method:*

Half year ended September 30, 2004: (¥ -1 million)

Half year ended September 30, 2003: (¥ -1 million)

Year ended March 31, 2004: ¥ 0 million

2. *Average number of shares outstanding (consolidated):*

Half year ended September 30, 2004: 161,936,796

Half year ended September 30, 2003: 161,942,206

Year ended March 31, 2004: 161,940,832

3. Changes in accounting methods: None
4. The percentages shown for net sales, operating income, ordinary income and net profit represent interim year-on-year changes.

(2) Consolidated Financial Position

	Total assets	Shareholder equity	Shareholder equity ratio	Shareholder equity pre share
	<i>Millions of yen</i>	<i>Millions of yen</i>	%	<i>Yen</i>
September 30, 2004	45,359	14,802	32.6	91.41
September 30, 2003	39,160	13,513	34.5	83.44
March 31, 2004	45,690	14,208	31.1	87.74

Note:

1. The number of shares outstanding at the end of the period (consolidated):

As of September 30, 2004: 161,955,000

As of September 30, 2003: 161,955,000

As of March 31, 2004: 161,955,000

(3) Consolidated Cash Flow

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalent at the end of period
	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Millions of yen</i>
Half year ended September 30, 2004	6,014	-2,843	-1,684	7,736
Half year ended September 30, 2003	-326	257	159	3,409
Year ended March 31, 2004	-104	1,105	2,004	6,220

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 6

Non equity-method consolidated subsidiaries: 2

Equity-method affiliates: none

(5) Changes in scope of consolidation and application of the equity method

Consolidated subsidiaries: (New) 0, (Excluded) 0

Equity-method affiliates: (New) 0, (Excluded) 0

2. Forecast of Consolidated Operating Results for the Year ending March 31, 2005

	Net sales	Ordinary income	Net income
	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Millions of yen</i>
Year ending March 31, 2005	46,000	900	800

Note: Forecast net income per share for the year: ¥ 4.94

(Appendix)

Corporate Group Conditions

Sasebo Heavy Industries Co., Ltd. and its affiliates (comprised of the company and seven subsidiaries [as of September 30, 2004]) engage primarily in the manufacture and sale of ships and vessels, machinery and steel structures. The positioning of the company and its affiliates, in their respective business segments, is as follows:

[Ships and Vessels]

Sasebo Heavy Industries Co., Ltd. conducts manufacturing and sales. Parts of their shipbuilding processes are contracted to N.N.U. (a consolidated subsidiary of the company).

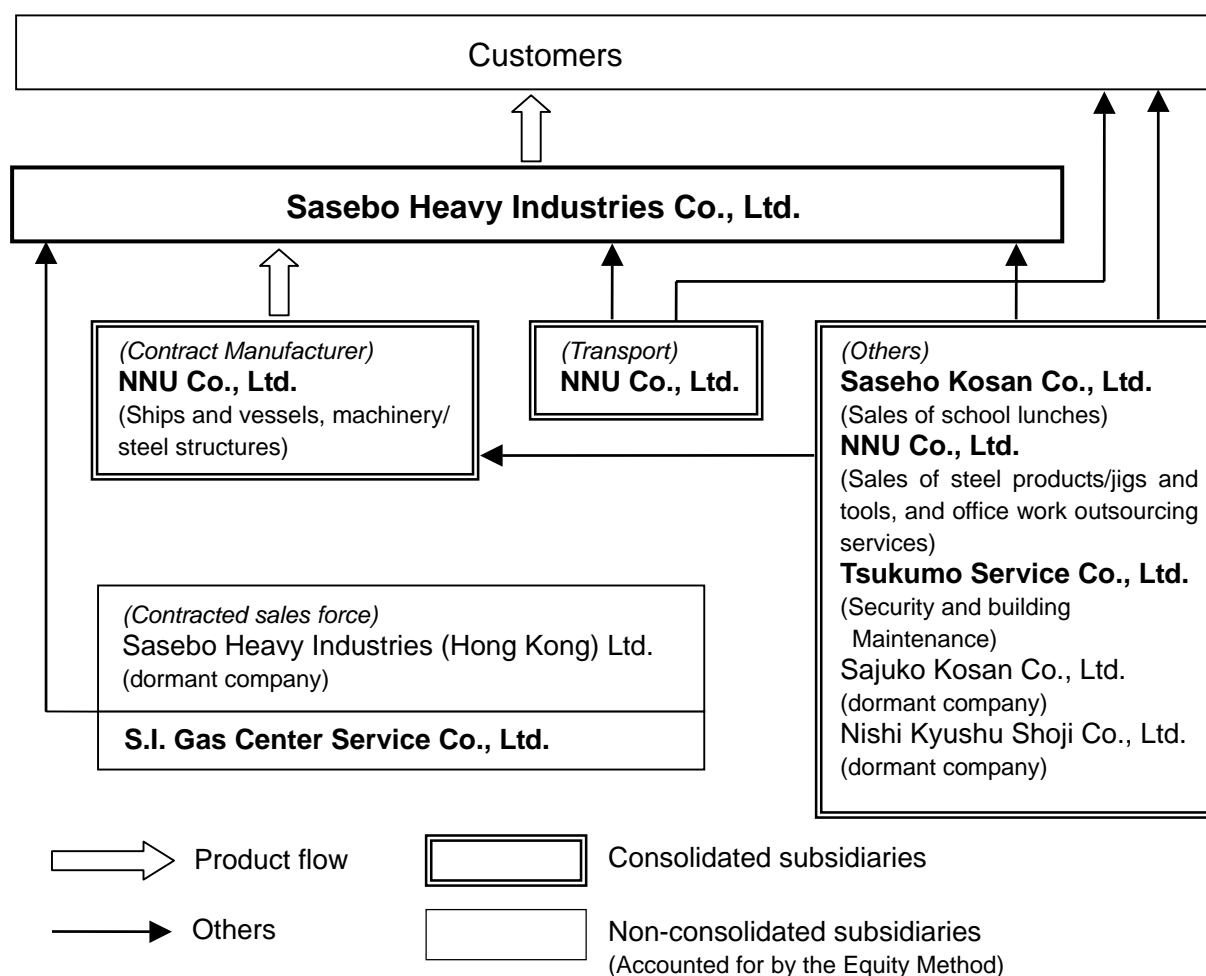
[Machinery/Steel Structure]

Sasebo Heavy Industries Co., Ltd. conducts manufacturing and sales. Part of their steel structure manufacturing is contracted to N.N.U. (a consolidated subsidiary of the company).

[Others]

Tsukumo Service (a consolidated subsidiary of the company) undertakes security work and cleaning for the company's factories. Saseho Kosan (a consolidated subsidiary of the company) leases facilities from the company to operate school lunch centers and golf courses. In addition to engaging in the company's transport operations, N.N.U. (a consolidated subsidiary of the company) performs the office work outsourced by the company and conducts the sale of steel products/jigs and tools. Nishi-Kyushu Shoji and Sajuko Kosan (both of which are consolidated subsidiaries of the company) have been dormant since June 2002.

The above information is summarized in the following operation chart:



Management Policy

1. Basic Management Policy

Through the company's motto "In practicing the Customer First principle, we offer quality and services that fulfill customer expectations." Sasebo Heavy Industries Co., Ltd. works for technology upgrades and innovation as well as increased management efficiency. In addition to our mainstay of domestic/overseas shipbuilding and repair for a wide variety of ships and vessels, the company conducts the manufacture and sale of plant, forged products, steel structures, and industrial/chemical engineering/ship machinery. The company will further intensify its corporate efforts, strive to develop products that address the needs of the new era, and will produce high quality products that broadly meet industrial requirements. Further, as a comprehensive heavy industry company, Sasebo Heavy Industries Co., Ltd. will carry out corporate activities that can fulfill the expectations of customers, shareholders, cooperative companies, and other business partners, aim at coexistence and co-prosperity, and will accomplish our corporate social mission.

2. Basic Policy for Profit Sharing

The shipbuilding industry competes worldwide, where there is no distinction between domestic and overseas markets, and is completely contingent upon currency movements and the world shipping market. The business performance of companies in the industry is thus subject to significant change. We have therefore adopted a policy of determining dividend payments by taking into account the business performance trends of the time, giving the highest priority to the return of profits to shareholders, while aiming to maintain harmony with retained earnings in order to strengthen our corporate culture.

We regret to inform shareholders that payment of the interim dividend will have to be waived.

3. Targeted Management Index

In the mid-term management plan, the company places emphasis on and sets as its objectives the improvement of net sales, operating income, current income and free cash flow. The company will devote every effort to generate surplus during this period, and to affect a turnaround.

4. Medium-Term Management Strategy

Investment in rationalization/laborsaving is essential for the company to go toe-to-toe with competitors in the global competition that is facing severe market trends. For this reason, it is necessary to enhance earning capacity and financial strength through efficient business operations. Due to intensifying competition with and the catching up of the South Korean and Chinese shipbuilding industries in particular, the foundation of the Japanese shipbuilding industry's existence is in an extremely difficult situation. The company will develop a mid-term management plan for the early-stage achievement of positive figures, and will establish a continuous shipbuilding system for 76,000 dead weight ton (DWT) bulk carriers, in the construction of which the company is skilled, with the objective of restructuring corporate management. Additionally, the company will strive to secure order receipts for optimization of ship structures including tankers, focus on expansion of its naval vessel repair operations, steel structure construction and manufacture of general industrial machinery as a local shipyard at the Sasebo Naval Base, and will form a single unit to work toward a stable business operation and the securing of profitability.

5. Measures for Enhancement of Corporate Governance

The company holds monthly meeting of the Board of Directors, the Board of Auditors, the Management Committee, and the Ethical and Judicial Affairs Committee. A decision-making and communications

system has been adopted in order to improve corporate transparency and fairness, and to promptly respond to the rapidly changing management environment.

1. Regarding Board of Directors and Board of Auditors

There are eleven (11) board members, two (2) of whom are external board members who provide advice and guidance from an objective point of view. There are four (4) auditors, two (2) of whom are external to the company. One (1) of the external auditors is a lawyer who helps the company to enhance its check system, including aspects related to compliance.

2. The Management Committee is comprised of full-time board members, auditors and operating officers. The Committee widely reviews internal and external issues, and makes prompt decisions. Important matters are resolved or reported at the Board of Directors meeting.

3. To ensure complete compliance, the Ethical and Judicial Affairs Committee has been established and is in operation, with the company President serving as chairman. The Basic Principle of Employee Behavior has been established as one of the committee's activities. Consultation services are available for whistle-blowing activities and counseling is available to comprehensively tap opinions from employees. Compliance promotion status is reported to the Board of Directors.

Operating Results

1. Outline of Consolidated Operating Results for the Interim Period

Japan's economy continued to maintain its upward momentum during this mid-term period, as a result of an increase in exports with the economic expansion in the United States and China, growth in capital investment through improvements in corporate earnings, and of a pickup in personal consumption.

In the shipbuilding industry, the world's new shipbuilding orders totaled 23.57 million gross tons during the first half of this year (from January to June), for a decrease of 20.6% compared to the corresponding period of the prior year. Although the figure has fallen short of that for the prior year, during which a very large volume of orders were received, it continues to hover at a high level. In addition, Japan's new shipbuilding orders totaled 7.01 million gross tons, down 16.8% over the same period last year. However, the figure continues to hover at a high level. In the machinery/steel structure industry, public investments generally remained at a low level due to the continuing budget crunch. However, private sector investments are on an expansionary track. Further, demand for ship machinery is rising as a result of an increase in shipbuilding tonnage.

In such circumstances, the Sasebo Group posted consolidated orders received of ¥33.1 billion, an increase of 19% over the same term last year; a total of ¥28.6 billion for its shipbuilding business including the construction of 5 units of 115,000 DWT tankers, 1 unit of 76,000 DWT bulk carriers and ship repairs, ¥4.1 billion for machinery/steel structure business, and other miscellaneous work. The total amount of sales resulting from shipbuilding and ship repair work was ¥18.1 billion, including 7 units of 76,000 DWT bulk carriers as new shipbuilding for which delivery was completed during the subject period. New shipbuilding sales were recorded using the Percentage-of-Completion Method. In addition, sales of ¥2.9 billion were posted by the machinery/steel structure business, leading to total consolidated sales of ¥21.5 billion, a decrease of 22% over the same term last year, including other miscellaneous work. Such decrease in sales was a result of the temporary sales increase in the previous year due to a partial change in the sales accounting method; from the Completed Contract Method to the Percentage-of-Completion Method. As a result of the above, order backlog at the end of the interim period has resulted in ¥96.3 billion in total, up 75% from the same term last year; ¥84.4 billion in the ship and vessel business for 26 units of new shipbuilding totaling 2,216,000 weight tons, including ship repair, and ¥11.9 billion in the machinery/steel

structure business. In terms of profit and loss, an interim consolidated operating income of ¥516 million was posted, and an interim consolidated ordinary income of ¥522 million was posted after adding foreign exchange gain as non-operating income. After adjusting for extraordinary profit and loss, a consolidated net income of ¥596 million was posted during this interim period.

2. Cash Flow Status

During the subject interim period, the cash flows posted were an increase of ¥6,014 million from sales activities, a decrease of ¥2,843 million from investment activities as a result of the purchase of tangible fixed assets, and a decrease of ¥1,684 million from financing activities as a result of the repayment of loans. In consequence, the cash and cash equivalents at the end of the interim period is ¥7,736 million, which is an increase of ¥1,516 million compared to the results for the end of the previous financial year.

3. Forecast for the Whole Financial Year

In the shipbuilding industry, the intake of orders for new shipbuilding is expected to remain at a high level under the influence of the global expansion of cargo movement. Under such circumstances, rise in the price of and the tightening supply-demand situation for materials such as steel products are of concern, although vessel value is on a growth path. Further, in the machinery/steel structure industry, the prospects for public investment continue to decline, and the increasing tendency, which was observed at one point, of private equipment investment is thought to become sluggish. For these reasons, it is expected that the management environment for the Group will remain severe.

Under such circumstances, the Group forecasts fiscal 2004 consolidated orders received of ¥79,000 million (non-consolidated ¥78,000), consolidated net sales of ¥46,000 million (non-consolidated ¥45,000), a consolidated ordinary income of ¥900 million (non-consolidated ¥900 million) and a consolidated net income of ¥800 million (non-consolidated ¥800 million).

The exchange rate is assumed to be ¥105/\$.

End of Document.

Consolidated Financial Statements

(1) Consolidated Balance Sheets for the interim period ended 30 September 2004

Assets

(Units: millions of yen)

	<i>Sep. 30, 2004</i>	<i>March 31, 2004</i>	<i>Year-on-year change</i>	<i>Sep. 30, 2003</i>
(Assets)	(45,359)	(45,690)	(-330)	(39,160)
Current assets	(21,612)	(22,651)	(-1,038)	(16,624)
Cash & time deposits	9,424	6,284	3,139	4,788
Notes & accounts receivable	8,228	14,057	-5,829	9,122
Marketable securities	33	77	-44	77
Inventories	1,212	650	561	1,184
Deferred tax assets	911	868	42	14
Accounts receivable	1,267	734	532	1,218
Others	560	113	447	374
Allowance for doubtful receivables	-25	-136	111	-155
Fixed assets	(23,747)	(23,039)	(708)	(22,536)
Tangible fixed assets	(19,760)	(18,965)	(794)	(19,228)
Buildings and structures	4,896	5,058	-161	5,141
Docks and building berths	765	643	121	663
Machinery and transportation equipment	2,595	2,785	-190	2,923
Tools, furniture and fixtures	169	175	-5	185
Land	8,074	8,115	-41	7,926
Construction in progress	3,258	2,187	1,071	2,388
Intangible fixed assets	(24)	(19)	(5)	(21)
Telephone subscription rights	11	11	-	11
Software	12	7	5	9
Investment and other assets	(3,962)	(4,053)	(-91)	(3,286)
Investment securities	2,777	2,470	306	2,014
Long-term loans receivable	34	40	-6	52
Deferred tax assets	816	797	18	780
Others	678	1,068	-390	1,624
Allowance for doubtful receivables	-344	-324	-20	-1,184
Total Assets	45,359	45,690	-330	39,160

Liabilities and Shareholder Equity

(Units: millions of yen)

	Sep. 30, 2004	March 31, 2004	Year-on-year change	Sep. 30, 2003
(Liabilities)	(30,557)	(31,481)	(-924)	(25,647)
Current liabilities	(21,254)	(22,529)	(-1,274)	(17,510)
Trade notes and accounts payable	12,766	12,860	-93	11,998
Short-term loans	2,198	3,660	-1,461	2,188
Bonds due for redemption within one year	100	100	-	100
Accrued income taxes	101	15	32	7
Advances received	5,266	4,546	719	2,362
Allowances for guarantees on construction work	29	25	4	32
Others	792	1,320	-474	821
Fixed liabilities	(9,302)	(8,952)	(350)	(8,136)
Bonds	300	350	-50	400
Long-term loans	670	836	-166	418
Accrued retirement benefits	7,988	7,353	634	7,121
Allowance for special repairs	60	67	-6	56
Deferred tax liabilities	3	1	1	0
Others	280	343	-62	139
(Shareholder equity)	(14,802)	(14,208)	(593)	(13,513)
Common stock	8,414	8,414	-	8,414
Additional paid-in capital	5,148	5,148	-	5,148
Accumulated earnings	820	223	596	-256
Net unrealized gain on securities	420	423	-2	206
Foreign currency translation adjustments	0	0	0	1
Treasury stock	-1	-1	-0	-1
Total liabilities & shareholder equity	45,359	45,690	-330	39,160

(2) Consolidated Statement of Operations for the interim period ended 30 September 2004

(Units: millions of yen)

	September 30, 2004		September 30, 2003		Year-on-year change		March 31, 2004	
(Ordinary Income and Expenses)	%		%		%		%	
Operating Income and Expenses	100.0		100.0		100.0		100.0	
Net sales	21,496		27,556		-6,059		49,125	
Cost of sales	19,967		30,613		-10,646		51,371	
Sales, general and administrative expenses	1,012		600		412		1,273	
Operating income (loss)	516	2.4	-3,657	-13.3	4,173	-68.9	-3,519	-7.2
Non-operating income and expenses								
Non-operating income								
Interest and dividend income	19		25		-6		36	
Life insurance dividend and insurance income	-		-		-		38	
Foreign exchange gain	31		-		31		-	
Other non-operating income	40		16		24		24	
Non-operating expenses								
Interest expense	69		59		10		138	
Foreign exchange loss	-		132		-132		238	
Other non-operating expenses	16		39		-23		81	
Ordinary loss	522	2.4	-3,847	-14.0	4,369	-72.1	-3,878	-7.9
(Extraordinary Income)								
Extraordinary income								
Gain on sale of investment securities	7		11		-4		11	
Reversal of allowances for doubtful accounts	-		-		-		9	
Gain on sale of fixed assets	63		661		-598		662	
Extraordinary loss								
Loss from disposal of fixed assets	8		7		0		15	
Industrial waste processing	-		-		-		496	
Interim net loss before tax	584	2.7	-3,181	-11.5	3,766	-62.2	-3,707	-7.6
Corporate income, inhabitant and enterprise taxes	46	0.2	7	0.0	38	-0.6	15	0.0
Income tax adjustment	-58	-0.3	131	0.5	-189	3.1	-882	-1.8
Interim net loss	596	2.8	-3,320	-12.0	3,917	-64.6	-2,840	-5.8

(3) Consolidated Statement of Retained Earnings for the interim period ended 30 September 2004

(Units: millions of yen)

	September 30, 2004		September 30, 2003		Year-on-year change		March 31, 2004	
(Capital surplus)								
Capital surplus at beginning of period								
1. Capital reserves at beginning of period	5,148		5,148		-		5,148	
Capital surplus at end of interim period	5,148		5,148		-		5,148	
(Retained earnings)								
Retained earnings at beginning of period								
1. Consolidated retained earnings at beginning of period	223		3,064		-2,840		3,064	
Increase in retained earnings								
1. Interim net income	596		-		596		-	
Decrease in retained earnings								
1. Interim net loss	-		3,320		-3,320		2,840	
Retained earnings at end of interim period	820		-256		1,076		223	

(4) Consolidated Statement of Cash Flow for the interim period ended 30 September 2004*(Unit: millions of yen)*

	<i>September 30, 2004 (Apr. - Sep. 2004)</i>	<i>September 30, 2003 (Apr. - Sep. 2003)</i>	<i>March 31, 2004 (Apr. 2003 - Mar. 2004)</i>
I. Cash flow from operating activities			
Net income (loss) before income taxes	584	-3,181	-3,707
Depreciation and amortization	409	449	918
Increase (decrease) in allowance for doubtful accounts	-91	21	-857
Increase (decrease) in accrued retirement benefits	634	611	843
Increase (decrease) in allowance for guaranteed construction work	4	2	-5
Increase (decrease) in allowance for special repairs	-6	11	22
Interest and dividend income	-19	-25	-36
Interest expenses	69	59	138
Foreign exchange gain	-29	-	-
Foreign exchange loss	-	135	239
Loss from sale of investment securities	-7	-11	-11
Loss from sale of property and equipment	-63	-661	-653
Loss from investment and sale of other assets	-	-	-8
Loss from disposal of property and equipment	8	7	15
Decrease (increase) in trade receivables	5,803	-3,883	719
Decrease (increase) in inventories and advance payment	-886	12,230	-673
Decrease (increase) in consumption tax receivables	-479	-674	-169
Decrease (increase) in other current assets	-117	-63	93
Decrease (increase) in notes and accounts payable	22	-2,398	-1,607
Increase (decrease) in advances received	719	-2,054	5,000
Increase (decrease) in other current liabilities	-528	-856	-246
Others	1	1	-6
Sub Total	6,028	-280	6
Interest and dividends received	18	25	36
Interest paid	-75	-61	-134
Income taxes received (paid)	42	-10	-11
Net cash provided by operating activities	6,014	-326	-104
II. Cash flow from investment activities			
Increase in deposits with maturity of more than three months	-1,220	-208	748
Proceeds from sale of tangible fixed assets	115	742	952
Payments for purchase of tangible fixed assets	-1,432	-353	-607
Proceeds from sale of investment securities	36	27	27
Payments for purchase of investment securities	-341	-	-96
Payments for loans	-1	-0	-0
Proceeds from loans repaid	7	10	22
Decrease in other fixed assets	0	40	63
Decrease in other fixed liabilities	-6	-1	-5
Net cash used in investing activities	-2,843	257	1,105
III. Cash flow from financing activities			
Proceeds from short-term loans	-	-	1,330
Repayment of short-term loans	-1,545	-150	-
Proceeds from long-term loans	-	-	500
Repayment of long-term loans	-82	-182	-273
Proceeds from issuance of bonds	-	500	500
Payment for redemption of bonds	-50	-	-50
Dividends paid	-5	-7	-1
Payments for purchases of treasury stock	-0	-0	-0
Net cash used in financing activities	-1,684	159	2,004
IV. Effect of exchange rate changes on cash and cash equivalents	29	-135	-239
V. Net decrease in cash and cash equivalents	1,516	-44	2,766
VI. Cash and cash equivalents at beginning of year	6,220	3,454	3,454
VII. Cash and cash equivalents at end of interim period	7,736	3,409	6,220

(Interim Statement of Cash Flow)

Relationship between the ending balance of cash and cash equivalents and the account items listed in the consolidated balance sheet

	<i>September 30, 2004</i>		<i>March 31, 2004</i>		<i>September 30, 2003</i>	
Cash and time deposits	9,424	<i>million yen</i>	6,284	<i>million yen</i>	4,788	<i>million yen</i>
Marketable securities	33	<i>million yen</i>	77	<i>million yen</i>	77	<i>million yen</i>
Time deposits with maturity over three months	-1,720	<i>million yen</i>	-142	<i>million yen</i>	-1,456	<i>million yen</i>
Cash and cash equivalents	7,736	<i>million yen</i>	6,220	<i>million yen</i>	3,409	<i>million yen</i>

[Basis of Presenting Financial Statements]

1. Scope of consolidation

(a) The consolidated subsidiaries consist of the following six (6) companies:

Saseho Kosan Co., Ltd., N.N.U.Co, Ltd., Tsukumo Service, Sajuko Kosan Co., Ltd., Nishi-Kyushu Shoji Co., Ltd., Sasebo Jyuko Sekkei

(b) The non-consolidated subsidiaries consist of the following two (2) companies:

Sasebo Heavy Industries (Hong Kong) Ltd., S.I. Gas Center Service Co., Ltd.

2. Application of the equity method

(a) The number of non-consolidated subsidiaries accounted for by the equity method is two (2), which subsidiaries are Sasebo Heavy Industries (Hong Kong) Ltd. and S.I. Gas Center Service.

(b) For subsidiaries accounted for by the equity method, Interim Financial Statements related to the interim accounting periods of each company are used for those subsidiaries for which the interim account closing dates differ from the dates for interim consolidated account closing dates.

3. Consolidated subsidiary interim account closing dates

The interim account closing dates of the consolidated subsidiaries are in accordance with the date of the interim consolidated account closing date.

4. Accounting procedure standard

(a) Evaluation standards and methods for significant assets

(1) Securities

Other securities

Securities with market value: Stated at fair market value based on market prices at the interim closing date. (Valuation differences are directly included in the capital. Sales costs are calculated with the moving-average method.)

Securities with no market value: Stated with the moving-average cost method.

(2) Inventories

Raw materials and stored goods are mainly stated at moving-average cost.

Construction in process is stated at cost determined by the specific identification method.

(b) Depreciation method for significant depreciable assets

Tangible fixed assets – The declining balance method is applied.

Intangible fixed assets – The straight-line method is applied.

Software for internal use is amortized on a straight-line basis over the usable period (five years) for in-house use.

(c) Accounting for significant allowances and reserves

(1) Allowance for doubtful receivables

In preparation for possible losses arising from defaults on accounts receivables, the estimated irrecoverable amount is appropriated by the actual rate of bad loans for general credit, and by individually reviewing the collectability of specific doubtful credits with concerns over bad loans.

(2) Accrued retirement benefits

In preparation for payments of employee retirement benefits, the estimated amount, which is thought to have been incurred as of the end of this interim period, is appropriated based on projected benefit obligations and pension plan assets at the end of the consolidated accounting period. Differences arising from changes in the accounting standard (¥4,353 million) are charged to expenses in an 8-year installment.

Past service liabilities are charged to expenses as incurred, and actuarial differences are amortized from the following fiscal year by the declining balance method over a specified period (5 years) within the average remaining service years of the employee.

(3) Allowance for guaranteed construction work

As an appropriation for the payment of guaranteed construction work, the estimated cost of the guaranteed construction work within the guarantee period is set aside and accounted for.

(4) Allowance for special repair work

As an appropriation for the payment of special repair work, the estimated cost of the special repair work is set aside and accounted for based on the actual results of the previous fiscal year.

(d) Significant accounting policies for lease transactions

Finance lease transactions are accounted for by the method applicable to ordinary finance lease transactions, except for those where ownership of the leased property is considered to be transferred to the lessee.

(e) Other basis of presenting the consolidated financial statements

Accounting for consumption taxes

Accounting for consumption tax and local consumption tax is accounted for based on the tax exclusion method.

5. Scope of funds in the interim consolidated cash flow statements

The funds (cash and cash equivalent) in the consolidated cash flow statements consist of cash in hand, demand deposits and short-term investments with maturity of three months or less from the date of acquisition, which can be encashed easily and have a very low risk with regard to price fluctuations.