Translation

Summary of Consolidated Financial Results for the Year Ended March 31, 2009

May 15, 2009

Company name: **Sasebo Heavy Industries Co., Ltd.**
Listing: Tokyo Stock Exchange 1st Section
Osaka Securities Exchange 1st Section
Fukuoka Stock Exchange
Stock code: 7007
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Scheduled date of annual shareholders meeting: June 24, 2009
Scheduled date to commence dividend payments: June 25, 2009
Scheduled date to file securities report: June 25, 2009

Figures less than one million yen have been omitted.

1. Consolidated financial results for the year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
For the year ended	*millions of yen*	*%*	*millions of yen*	*%*	*millions of yen*	*%*	*millions of yen*	*%*
March 31, 2009	77,464	16.3	7,051	92.1	6,939	110.7	3,091	4.5
March 31, 2008	66,637	23.8	3,670	70.1	3,294	46.7	2,958	12.6

	Net income per share	Diluted net income per share	Net income/ shareholders' equity	Ordinary income/ total assets	Operating income/ net sales
For the year ended	*yen*	*yen*	%	%	%
March 31, 2009	19.26	–	14.7	8.2	9.1
March 31, 2008	18.33	–	14.7	4.2	5.5

Reference: Equity in earnings of affiliates
For the year ended March 31, 2009: None
For the year ended March 31, 2008: ¥(0) million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	*millions of yen*	*millions of yen*	%	*yen*
March 31, 2009	84,489	21,733	25.7	135.43
March 31, 2008	84,707	20,448	24.1	127.42

Reference: Equity
As of March 31, 2009: ¥21,733 million
As of March 31, 2008: ¥20,448 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Period-end cash and cash equivalents
For the year ended	*millions of yen*	*millions of yen*	*millions of yen*	*millions of yen*
March 31, 2009	3,276	(3,864)	(220)	16,898
March 31, 2008	4,576	(2,225)	(2,123)	17,807

2. Cash dividends

	Cash dividends per share					Total cash dividends (Full year)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
(Record date)	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual			
For the year ended	*yen*	*yen*	*yen*	*yen*	*yen*	*millions of yen*	*%*	*%*
March 31, 2008	–	–	–	5.00	5.00	802	27.1	4.0
March 31, 2009	–	–	–	5.00	5.00	802	25.9	3.8
For the year ending March 31, 2010 (Forecast)	–	–	–	3.50	3.50		25.5	

3. Consolidated forecast for the fiscal year ending March 31, 2010 (From April 1, 2009, to March 31, 2010)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	millions of yen	*%*	*millions of yen*	*%*	*millions of yen*	*%*	*millions of yen*	*%*	*yen*
For the six months ending September 30, 2009	33,000	(13.3)	2,000	(51.8)	1,900	(55.3)	1,100	(57.4)	6.85
For the year ending March 31, 2010	65,000	(16.1)	4,000	(43.3)	3,800	(45.2)	2,200	(28.8)	13.71

4. Others

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries that affected the scope of consolidation): None

(2) Changes in accounting policies, procedures and methods of presentation for preparing the consolidated financial statements (changes to be described in the section of "Changes in basis of preparation for consolidated financial statements")

A. Changes due to adoption of revised accounting standards: Yes
B. Changes due to other reasons: None

(Note) Please refer to page 19 ("Basis of preparation for consolidated financial statements".)

(3) Number of issued shares (common stock)

A. Total number of issued shares at the year-end (including treasury stock)
As of March 31, 2009 161,955,000 shares
As of March 31, 2008 161,955,000 shares

B. Number of treasury shares at the year-end
As of March 31, 2009 1,474,990 shares
As of March 31, 2008 1,468,278 shares

(Note) For the number of shares as a basis of calculating consolidated net income per share, please refer to "Per share information" on page 27.

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for the year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
For the year ended	*millions of yen*	*%*	*millions of yen*	*%*	*millions of yen*	*%*	*millions of yen*	*%*
March 31, 2009	76,169	16.2	6,946	91.1	6,827	110.6	3,017	1.1
March 31, 2008	65,573	24.0	3,635	70.7	3,241	45.9	2,983	14.3

	Net income per share	Diluted net income per share
For the year ended	*yen*	*yen*
March 31, 2009	18.80	–
March 31, 2008	18.49	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	*millions of yen*	*millions of yen*	*%*	*yen*
March 31, 2009	83,822	21,463	25.6	133.74
March 31, 2008	84,205	20,241	24.0	126.13

Reference: Equity
As of March 31, 2009: ¥21,463 million
As of March 31, 2008: ¥20,241 million

2. Non-consolidated forecast for the fiscal year ending March 31, 2010 (From April 1, 2009 to March 31, 2010)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	millions of yen	*%*	*millions of yen*	*%*	*millions of yen*	*%*	*millions of yen*	*%*	*yen*
For the six months ending September 30, 2009	32,500	(13.3)	2,000	(51.1)	1,900	(54.6)	1,100	(56.1)	6.85
For the year ending March 31, 2010	64,000	(16.0)	4,000	(42.4)	3,800	(44.3)	2,200	(27.1)	13.71

*** Explanation and other specific matters concerning proper use of the forecast**

All forward-looking statements in this document are based on information currently available and on certain assumptions that we consider reasonable. Actual results may vary significantly due to various factors. Regarding the assumptions in the projected results above and cautionary statements concerning the use of these projections, see “1. Operating results” on pages 4 - 7.

1. Operating results

(1) Analysis of operating results

A. Outline of consolidated operating results for the Year

The Japanese economy during the year experienced sharp economic deterioration with drastic reductions in production and constricted capital investment as well as stalled economic activity from the slowdown of the real global economy accompanying the U.S.-originated financial crisis and other factors including a strong yen which had been sharply appreciating since autumn, and considerable deterioration in corporate earnings, particularly in the export industry.

Although new shipbuilding orders in the first half of the year were steady against a backdrop of a boom in tonnage that saw sea-freight charges hit record highs in May, the shipping market cooled rapidly following the financial crisis. As a result, new shipbuilding negotiations stalled in the second half of the year and there were cancelations of shipbuilding orders mostly at the shipyards with growth potential located in Korea and China. Global new shipbuilding orders received in 2008 totaled 86,358 thousand gross tons, for a decrease of 47.6% over the previous year. Further, Japanese new shipbuilding orders received during the same period decreased by 29.8% over the previous year to 14,499 thousand gross tons. In the Machinery industry, although private capital investment fell considerably due to the economic deterioration, supply and demand conditions for crankshafts, a core product of the Company, continued to be tight against the backdrop of large backlog of new shipbuilding orders. Also, public investment in the steel structure industry is on a declining trend and the environment for order receipts thus remained harsh.

Under the above circumstances, the Sasebo Group posted consolidated orders received of ¥42,218 million, a decrease of 63.1% over the previous year. The Group posted a total consolidated sales amount of ¥77,464 million, an increase of 16.3% over the previous year resulting from such factors as improvement of new ship prices, and as a result, the order backlog at the end of the fiscal year reached ¥239,274 million in total, a decrease of 10.8% over the previous year. In terms of income, while on one hand, there were soaring purchase prices for steel and other materials and equipment, because of the improvement of new ship prices and because the Group had already recorded in the previous fiscal year an allowance for losses on construction contracts because of a predicted loss of profitability on a portion of the work to be effectuated for orders already received, a consolidated operating income of ¥7,051 million was posted, for an increase of 92.1% compared to the previous year, and a consolidated ordinary income of ¥6,939 million was posted, for an increase of 110.7% compared to the previous year. As a result of the recording of impairment loss and income taxes, a consolidated net income of ¥3,091 million was posted, for an increase of 4.5%.

Operating results by business segment are as follows:

(a) Shipbuilding

The Group posted consolidated orders received of ¥32,062 million for its shipbuilding business, a decrease of 69.5% compared to the previous year. The orders received were for new shipbuilding including the construction of a total of 3 ships including 1 unit of 84,500 m^3 LPG carrier and 2 units of 75,000 DWT bulk carriers. Contracts were changed from 2 units of 180,000 DWT bulk carriers to 4 units of 75,000 DWT bulk carriers, while orders were received for ship repairs for commercial vessels and naval repair work for Japan Maritime Self-Defense Force and United States Navy vessels. The net sales amount resulting from new shipbuilding and ship repair work was ¥63,301 million for an increase of 17.9% over the previous year. During this term, a total of 9 newly-built ships were delivered: 5 units of 115,000 DWT crude oil carriers and 4 units of 115,000 DWT product carriers. The order backlog at the end of the fiscal year reached ¥226,792 million in total, including 34 newly built ships and repairs, a decrease of 10.8% over the previous year. In terms of income, ¥6,557 million in operating income was posted for an increase of 76.9% due to the improvement of new ship prices and the recording in the previous fiscal year of an allowance for losses on construction contracts and other factors in spite of purchase price increases in steel, other materials and equipment.

(b) Machinery
The Group posted consolidated orders received of ¥8,089 million for its machinery business, for an increase of 12.5% over the previous year, representing 227 orders of equipment-related work such as marine equipment and general industrial machinery. Net sales were ¥7,760 million, an 8.7% increase over the previous year. The order backlog reached ¥6,089 million, a 5.7% increase over the previous year. An operating income of ¥3,214 million was posted, for an increase of 15.0% over the previous year, resulting from the effects of increased production of crankshafts brought about by capital investments.

(c) Steel Structures
The Group posted consolidated orders received of ¥927 million representing 29 constructions such as bridges, a 5.5% increase compared with the previous year. Net sales were ¥5,263 million, a 11.2% increase over the previous year. The order backlog was ¥6,393 million, a 23.2% decrease from the previous year. An operating loss of ¥854 million was posted (compared to a ¥1,469 million operating loss over the previous year) due to the accounting of low profitability construction orders.

(d) Others
Other business segments are comprised mainly of transport business, etc. The Group posted orders received of ¥1,139 million, for an increase of 7.5% over the previous year. Net sales of ¥1,139 million were posted, an increase of 7.5% over the previous year, and an operating income of ¥116 million was posted, an increase of 87.1% over the previous year.

A consolidated operating income of ¥7,051 million was posted, with unallocatable operating expenses included in ‘Elimination and Corporate’.

Trends of operating results: consolidated basis *(in millions of yen)*

	Amount of orders received	Net sales	Operating income	Ordinary income	Net income	Net income per share
For the year ended						*yen*
March 31, 2009	42,218	77,464	7,051	6,939	3,091	19.26
March 31, 2008	114,255	66,637	3,670	3,294	2,958	18.33

Trends of operating results: non-consolidated basis *(in millions of yen)*

	Amount of orders received	Net sales	Operating income	Ordinary income	Net income	Net income per share
For the year ended						*yen*
March 31, 2009	40,923	76,169	6,946	6,827	3,017	18.80
March 31, 2008	113,192	65,573	3,635	3,241	2,983	18.49

B. Prospects for the year ending March 2010

All companies in the shipbuilding industry have considerable work in progress for new shipbuilding, however, it is expected that a slowdown in the shipping market and a tightening of loans for ship owners will cause a protraction of the present situation of ship owners holding off on new ship orders. Therefore, about the same number or a decrease in the number of orders received as to the previous year is predicted.

In the machinery industry, capital investment both inside and outside the country is on a declining trend due to the deterioration of the global economy. This and other factors are causing a harsh environment for order receipts. Moreover, there is future uncertainty concerning how the slowdown in the shipbuilding market and other factors will affect demand for marine equipments which are the core product for the Company’s machinery business.

Under such circumstances, the Sasebo Group has secured work in progress for its new shipbuilding for the next four years, however, because of uncertainties concerning the trend of the new shipbuilding market and forecasts of future profitability, the Group, not considering additional orders, expects consolidated amount of orders received to stay at ¥29,500 million. Consolidated net sales are expected to be ¥65,000 million, a decrease compared with the previous year due to the withdrawal from the bridges business and other factors. In terms of profit, consolidated operating income, consolidated ordinary income and consolidated net income are expected to be ¥4,000 million, ¥3,800 million and ¥2,200 million respectively. The Group expects to secure income from not only an expected drop in prices of raw materials, other materials and equipment, but also improvements in productivity by the machinery business. However, it also expects to record unprofitable ship sales.

(a) Prospect of the Group's operating results

(in millions of yen)

Category	Amount of orders received	Net sales	Operating income	Ordinary income	Net income
Consolidated performance	29,500	65,000	4,000	3,800	2,200
Non-consolidated performance	28,500	64,000	4,000	3,800	2,200

The exchange rate is assumed to be ¥100/US$.

(b) Prospect of operating results by business segment

(in millions of yen)

Category	Amount of orders received	Net sales	Operating income
Shipbuilding	19,400	52,700	3,200
Machinery/Steel structure	9,100	11,300	3,000
Others	1,000	1,000	0
(Elimination)	–	–	(2,200)
Total	29,500	65,000	4,000

Following the withdrawal from the bridges business, the business segments will change from "Shipbuilding" "Machinery" "Steel Structure" and "Others" to "Shipbuilding" "Machinery and Steel Structure" and "Others"

(2) Analysis of financial position

A. Analysis of assets, liabilities, net assets and cash flows

(a) Assets

Current assets were ¥50,647 million, a decrease of ¥583 million from the previous fiscal year-end. Such a decrease is mainly due to a decrease in cash and cash equivalents through purchase of property, plant and equipment and decrease of advance received. Non-current assets were ¥33,841 million, an increase of ¥365 million from the previous fiscal year-end. This was mainly due to new purchases of property, plant and equipment offsetting the recording of impairment loss on land etc. due to the withdrawal from bridges business.

As a result, total assets were ¥84,489 million, a decrease of ¥218 million from the previous fiscal year-end.

(b) Liabilities

Current liabilities decreased by ¥258 million to ¥54,206 million, as compared to the previous fiscal year-end. Such increase is mainly due to the decrease in advance received as a result of the decrease in new orders received for new shipbuilding offsetting increases in notes and accounts payable-trade as a result of rises in the purchase prices for steel and other materials and equipment. Non-current liabilities decreased by ¥1,244 million to ¥8,549 million, as compared to the previous fiscal year-end. This was mainly due to reversal of reserve for retirement benefits as the result of an increase in payment of retirement payments due to more retirements amongst the baby-boomer generation.

As a result, total liabilities decreased by ¥1,502 million to ¥62,755 million, as compared with the previous fiscal year-end.

(c) Net assets

Net assets increased by ¥1,284 million to ¥21,733 million, mainly due to the recording of a consolidated net income of ¥3,091 million offsetting the decrease of valuation difference on available-for-sale securities, as a result of the fall in market prices of investment securities, and the decrease in dividends paid.

(d) Cash flows

Net cash provided by operating activities during the year was ¥3,276 million, resulting from increases in income before income taxes and notes and accounts payable-trade, offsetting a decrease in cash as a result of a decrease in advance received. Net cash used in investing activities amounted to ¥3,864 million, mainly due to purchase of property, plant and equipment. Net cash used in financing activities was ¥220 million mainly due to repayment of long-term loans and payment of dividends.

As a result, cash and cash equivalents at the end of this consolidated fiscal year decreased by ¥909 million to ¥16,898 million from the previous fiscal year-end.

B. Principal cash flow indicators

	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009
Equity ratio *(%)*	28.6	26.9	26.9	24.1	25.7
Market value-based equity ratio *(%)*	61.8	74.6	99.4	58.7	34.4
Interest-bearing liabilities to cash flow ratio	1.0	1.2	0.4	1.5	3.0
Interest coverage ratio *(%)*	54.3	39.6	75.0	23.9	17.5

(Notes) 1. The calculation method for each indicator is shown below:

Equity ratio:	equity / total assets
Market value-based equity ratio:	market capitalization / total assets
Interest-bearing liabilities to cash flows:	interest-bearing liabilities / operating cash flows
Interest coverage ratio:	operating cash flows / interest paid

* *Interest-bearing liabilities to cash flow ratio and interest coverage ratio are not indicated when the cash flow from operating activities is negative.*

2. *All indicators were calculated using the consolidated financial figures.*
3. *Market capitalization is calculated as closing stock price at the end of the term multiplied by the number of shares outstanding (after excluding treasury stock) at the end of the term.*
4. *The figure for cash flow from operating activities is the cash flow from operating activities shown in the consolidated cash-flow statement.*
5. *Interest-bearing liabilities refer to all debts on the consolidated balance sheet for which interest is paid. The amount of interest paid on the consolidated cash flow statement was used as interest paid.*

(3) Basic policy on profit distribution and dividends for the year ended March 31, 2009 and the year ending March 31, 2010

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 environment and 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 standing. The year-end dividend for the year ended March 31, 2009 is planned to be ¥5 per share and the year-end dividend for the next fiscal year is planned to be ¥3.5 per share.

2. State of the Group

Sasebo Heavy Industries Co., Ltd. and its affiliates (comprised of the Company and seven subsidiaries [as of March 31, 2009]) engage primarily in the manufacture and sale of shipbuilding, machinery and steel structures. The positioning of the Company and its affiliates, in their respective business segments, is as follows.

[Shipbuilding]

Sasebo Heavy Industries Co., Ltd. conducts manufacturing and sales. Part of its shipbuilding processes is contracted to Sasebo Heavy Industries Production Services (a consolidated subsidiary of the Company).

[**Machinery**]

Sasebo Heavy Industries Co., Ltd. conducts manufacturing and sales. Part of its manufacturing processes is contracted to Sasebo Heavy Industries Production Services (a consolidated subsidiary of the Company).

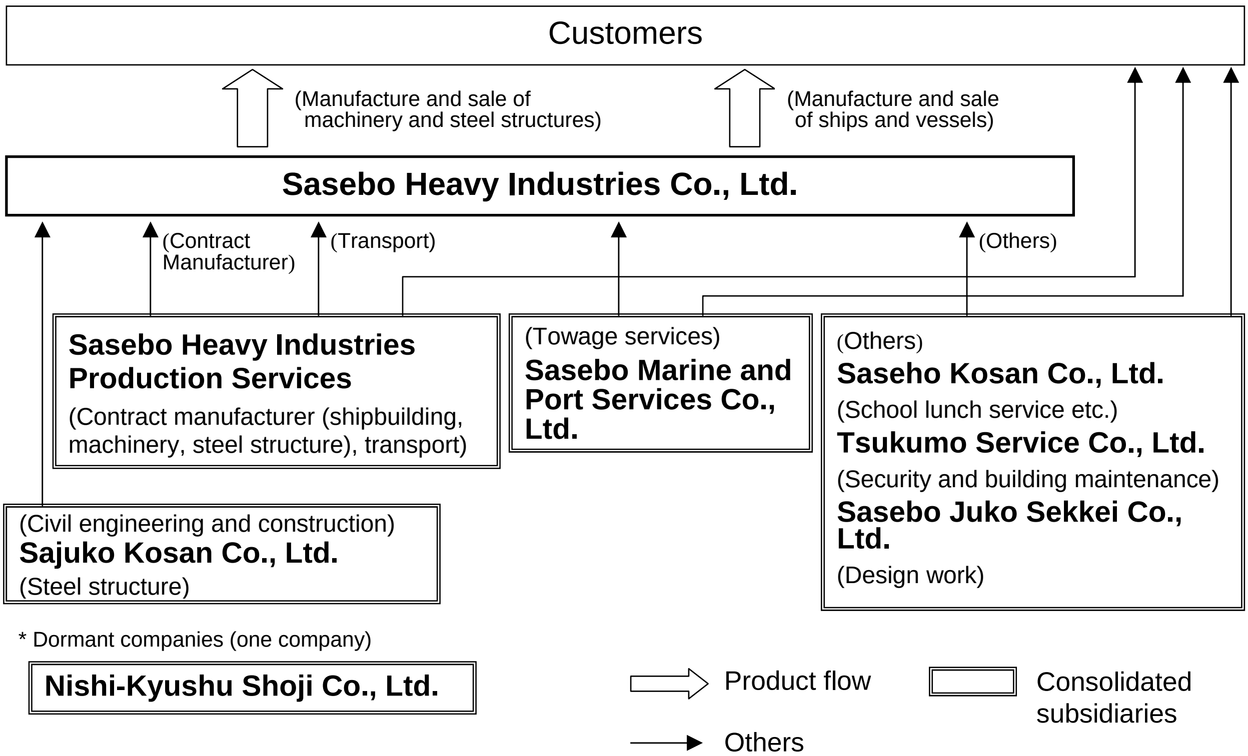
[**Steel structure**]

Sasebo Heavy Industries Co., Ltd. conducts manufacturing and sales. Part of its steel structure manufacturing is contracted to Sasebo Heavy Industries Production Services (a consolidated subsidiary of the Company). Sajuko Kosan Co., Ltd. (a consolidated subsidiary of the Company) conducts operations such as civil engineering and construction.

[Others]

Tsukumo Service Co., Ltd. (a consolidated subsidiary of the Company) undertakes security work and cleaning for the Company's factories. Saseho Kosan Co., Ltd. (a consolidated subsidiary of the Company) leases facilities from the Company to operate school lunch centers and golf courses. Sasebo Heavy Industries Production Services (a consolidated subsidiary of the Company) is engaged in the Company's transport operations. Sasebo Juko Sekkei Co., Ltd. (a consolidated subsidiary of the Company) undertakes design work for the Company. Sasebo Marine and Port Services Co., Ltd. (a consolidated subsidiary of the Company) undertakes towage services for the Company.

The above information is summarized in the following operation chart:



3. Management policy

(1) Principal management policy

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

(2) Business performance targets

The Company sets as its priority goals the improvement of net sales and ordinary income based upon the goals outlined in the forecast for the consolidated fiscal year ending March 31, 2010, and will devote every effort to realize the policies set by each division.

(3) Medium-to long-term management strategies

At the end of the fiscal year ended March 31, 2007, Sasebo achieved an early resumption of dividends, which was one of its priority goals of the new mid-term management plan formulated in May 2006. It also mostly achieved its targets for Fiscal 2008.

However, since the financial crisis developed in the second half of last year, there are concerns that the Japanese economy could experience a protracted economic slowdown, and it continues to be unclear when the economy will hit rock bottom. The extent of the sharp changes to the economic situation has been considerable and it is difficult to predict how conditions will be in one year from now. For this reason, the Company is continuing with the new mid-term management plan and is delaying the formulation of the next mid-term management plan. Until the economic situation settles, the Company will formulate management plans on a year-by-year basis and shall steadily implement such plans accordingly. When the current uncertainties towards the economic condition improve, the Company plans to formulate a new mid-term management plan.

Despite the conditions we are operating in, we will never sway from our motto held since foundation, “By practicing the Customer First principle, we offer quality and services that fulfill customers’ expectations,” nor our long-held business management policy of conducting the development, manufacture and sales of high-quality products that satisfy customers over the long-term by utilizing traditional technology and our strong track record. By following year-by-year management plans the Company aims to boost corporate value and increase profit to be shared with shareholders by implementing management that follows these business operation policies.

In other words, our response to the global downturn will be a rigorous development of businesses with firm underpinnings. We will apply selection and focus principles to business operations and investments and work to further strengthen the management foundation. Aiming to earn trust throughout the world as a manufacturing company, we will respond to the expectations of the local regions and contribute to society in Japan. As a comprehensive heavy machinery company with new shipbuilding operations as the core operation, Sasebo will conduct order receipt activities taking profitability into consideration for new shipbuilding, build new facilities for shipbuilding and undertake hull form research and development. With its shipyard located right on base, the Company will focus its efforts on naval vessel repair operations for the Japan Maritime Self-Defense Force and the United States Navy. In addition, we will aim at quality and productivity improvements for marine equipment. Sasebo will use its traditions to challenge the trends of the times and the changing market, pursue innovation and work together as a corporate group to win against fierce competition.

(4) Issues to be addressed

The future of the Japanese economy is beset by fears that the impact of the global economic deterioration will lead to a protracted economic downturn in Japan.
Shipbuilding industry has a large volume of construction backlog for the new shipbuilding. On the other hand, although prices for raw materials and other materials and equipment are expected to lower, ship owners are expected to continue to hold off on new ship orders due to the slowdown in the shipping market and a tightening of loans for ship owners. Also, there are major concerns that the cancellations of new shipbuilding, etc. occurring in Korea and China may increase. The major challenges facing the ship yards in Japan, are responding to the appreciation of the yen, strengthening competitiveness to face off against Korea and China, and passing down technical skills from the baby boom generation to younger generations.
In the machinery industry the harsh environment for obtaining order receipts is expected to continue with capital investment dropping considerably as a result of the deterioration of the global economy. In addition, it is unclear on how the downturn in the new shipbuilding market will impact on the marine equipments market, such as crankshafts, a core product of the Company.
Under such circumstances, the Sasebo Group will continue to do its utmost to respond to the harsh economic environment that is expected and improve the books of all its companies by (a) responding to the global recession by rigorous development of businesses with firm underpinnings, (b) applying selection and focus principles to business operations and investments, and (c) working to strengthen the management foundation.

The major undertakings by respective segment are as follows:

1) Shipbuilding

For new shipbuilding, the Company will strive to boost profitability by further improving productivity and will direct order receipt activities to favor the particular hull forms and vessel types in which the Company specializes.
For ship repair, the Company will focus on naval vessel repair operations for the Japan Maritime Self-Defense Force and the United States Navy and aim to improve revenues by shortening the time required for repair work of commercial vessels.

2) Machinery and steel structure

For the machinery business, the Company will work to achieve considerable improvements in quality and productivity and further improve competitiveness by reaping benefit from large-scale facility investment. For the steel structure business, the Company will concentrate on continuing to steadily complete works in the construction backlog and improve revenues. Applying selection and focus management principles on the bridges business, the Company conducted a radical review of operations and made the decision to withdraw from the bridges business upon the completion of construction backlog.

Consolidated financial statements

(1) Consolidated balance sheets

(in millions of yen, unless otherwise noted)

	As of March 31, 2008	As of March 31, 2009
Assets		
Current assets		
Cash and deposits	18,779	16,858
Notes and accounts receivable—trade	24,006	25,732
Marketable securities	1,539	1,040
Inventories	2,961	3,383
Deferred tax assets	1,570	1,748
Other current assets	2,435	1,891
Allowance for doubtful receivables	(62)	(6)
Total current assets	51,231	50,647
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,177	22,094
Accumulated depreciation	(13,515)	(13,609)
Buildings and structures, net	6,661	8,484
Docks and building berths	4,461	4,461
Accumulated depreciation	(3,738)	(3,784)
Docks and building berths, net	722	676
Machinery, equipment and vehicles	21,907	25,353
Accumulated depreciation	(17,580)	(18,122)
Machinery, equipment and vehicles, net	4,326	7,231
Tools, furniture and fixtures	2,093	2,294
Accumulated depreciation	(1,768)	(1,845)
Tools, furniture and fixtures, net	325	449
Land	9,185	7,084
Lease assets	−	54
Accumulated depreciation	−	(6)
Lease assets, net	−	47
Construction in progress	3,393	2,633
Total property, plant and equipment	24,613	26,607
Intangible assets		
Software	141	159
Lease assets	-	40
Utility model rights	0	0
Telephone subscription rights	11	11
Total intangible assets	153	211

(in millions of yen, unless otherwise noted)

	As of March 31, 2008	As of March 31, 2009
Investments and other assets		
Investment securities	5,539	3,888
Long-term loans receivable	14	12
Deferred tax assets	2,801	2,784
Others	863	619
Allowance for doubtful receivables	(510)	(281)
Total investments and other assets	8,708	7,022
Total non-current assets	33,476	33,841
Total assets	84,707	84,489

(in millions of yen, unless otherwise noted)

	As of March 31, 2008	As of March 31, 2009
Liabilities		
Current liabilities		
Notes and accounts payable—trade	20,117	24,244
Notes payable for equipment	1,116	1,476
Short-term loans payable	2,039	2,514
Current portion of bonds	50	–
Lease obligations	–	23
Accrued income taxes	79	1,839
Advance received	25,273	18,918
Reserve for guaranteed contracts	65	54
Reserve for loss on construction contracts	3,258	2,442
Other current liabilities	2,466	2,694
Total current liabilities	54,465	54,206
Non-current liabilities		
Long-term loans payable	1,322	1,488
Lease obligations	–	68
Deferred tax liabilities	3	0
Reserve for retirement benefits	8,142	6,678
Reserve for special repairs	28	27
Other non-current liabilities	295	286
Total non-current liabilities	9,793	8,549
Total liabilities	64,258	62,755
Net assets		
Shareholders' equity		
Common stock	8,414	8,414
Capital surplus	5,148	5,148
Retained earnings	6,996	9,245
Treasury stock	(974)	(975)
Total shareholders' equity	19,583	21,832
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	864	(99)
Foreign currency translation adjustments	0	–
Total valuation and translation adjustments	864	(99)
Total net assets	20,448	21,733
Total liabilities and net assets	84,707	84,489

(2) Consolidated statements of income

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Net sales	66,637	77,464
Costs of sales	60,600	67,489
Gross profit	6,036	9,974
Selling, general and administrative expenses		
Salaries	864	1,054
Retirement benefit expenses	102	98
Provision of allowance for doubtful receivables	15	1
Research and development expenses	84	247
Rent expenses	281	344
Other	1,017	1,176
Total selling, general and administrative expenses	2,366	2,923
Operating income	3,670	7,051
Non-operating income		
Interest income	106	120
Dividends income	72	82
Insurance and dividends income	51	26
Other	27	79
Total non-operating income	257	309
Non-operating expenses		
Interest expenses	185	188
Foreign exchange losses	376	142
Equity in losses of affiliates	0	–
Other	70	89
Total non-operating expenses	633	420
Ordinary income	3,294	6,939
Extraordinary income		
Gain on sales of non-current assets	6	298
Reversal of allowance for doubtful receivables	–	136
Other	–	1
Total extraordinary income	6	436
Extraordinary loss		
Loss on disposal of non-current assets	189	213
Impairment loss	446	1,380
Loss on valuation of investment securities	838	178
Other	177	290
Total extraordinary losses	1,652	2,062
Income before income taxes	1,648	5,313
Income taxes—current	34	1,840
Income taxes—deferred	(1,344)	381
Total income taxes	(1,309)	2,221
Net income	2,958	3,091

(3) Consolidated statements of changes in net assets

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Shareholders' equity		
Common stock		
Balance at the end of the previous period	8,414	8,414
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of the current period	8,414	8,414
Capital surplus		
Balance at the end of the previous period	5,148	5,148
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of the current period	5,148	5,148
Retained earnings		
Balance at the end of the previous period	4,361	6,996
Changes of items during the period		
Dividends from surplus	(323)	(802)
Provision of reserve for property replacement	–	(39)
Net income	2,958	3,091
Total changes of items during the period	2,634	2,249
Balance at the end of the current period	6,996	9,245
Treasury stock		
Balance at the end of the previous period	(7)	(974)
Changes of items during the period		
Acquisition of treasury stock	(966)	(1)
Total changes of items during the period	(966)	(1)
Balance at the end of the current period	(974)	(975)
Total shareholders' equity		
Balance at the end of the previous period	17,916	19,583
Changes of items during the period		
Dividends from surplus	(323)	(802)
Profit appropriation	–	(39)
Net income	2,958	3,091
Acquisition of treasury stock	(966)	(1)
Total changes of items during the period	1,667	2,248
Balance at the end of the current period	19,583	21,832

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of the previous period	1,805	864
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(941)	(963)
Total changes of items during the period	(941)	(963)
Balance at the end of the current period	864	(99)
Foreign currency translation adjustments		
Balance at the end of the previous period	1	0
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of the current period	0	–
Total valuation and translation adjustments		
Balance at the end of the previous period	1,806	864
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(942)	(963)
Total changes of items during the period	(942)	(963)
Balance at the end of the current period	864	(99)
Total net assets		
Balance at the end of the previous period	19,723	20,448
Changes of items during the period		
Dividends from surplus	(323)	(802)
Profit appropriation	–	(39)
Net income	2,958	3,091
Acquisition of treasury stock	(966)	(1)
Net changes of items other than shareholders' equity during the period	(942)	(963)
Total changes of items during the period	725	1,284
Balance at the end of the current period	20,448	21,733

(4) Consolidated statements of cash flows

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Cash flows from operating activities		
Income before income taxes	1,648	5,313
Depreciation and amortization	1,617	2,622
Impairment losses	446	1,380
Increase (decrease) in allowance for doubtful receivables	15	(284)
Increase (decrease) in reserve for retirement benefits	(391)	(1,463)
Increase (decrease) in reserve for directors' retirement benefits	(102)	–
Increase (decrease) in reserve for guaranteed contracts	(9)	(11)
Increase (decrease) in reserve for loss on construction contracts	3,182	(816)
Increase (decrease) in reserve for special repairs	(21)	(1)
Interest and dividend income	(178)	(203)
Interest expenses	185	188
Foreign exchange losses (gains)	364	66
Loss (gain) on valuation of investment securities	838	178
Loss (gain) on sales of property, plant and equipment	0	(104)
Loss (gain) on disposal of non-current assets	189	213
Decrease (increase) in notes and accounts receivable—trade	(9,811)	(1,726)
Decrease (increase) in inventories	(564)	(421)
Decrease (increase) in consumption taxes refund receivable	(461)	183
Decrease (increase) in other current assets	(50)	440
Increase (decrease) in notes and accounts payable—trade	536	3,778
Increase (decrease) in advance received	7,099	(6,355)
Increase (decrease) in other current liabilities	276	225
Equity in (gain) losses of affiliates	0	–
Others	(194)	107
Subtotal	4,616	3,311
Interest and dividends received	158	218
Interest paid	(191)	(186)
Income taxes paid	(6)	(67)
Net cash provided by operating activities	4,576	3,276

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Cash flows from investing activities		
Payments into time deposits	(1,664)	–
Proceeds from withdrawal of time deposits	3,519	1,545
Purchase of short-term investment securities	(1,497)	(1,000)
Proceeds from sales and redemption of securities	1,998	1,000
Purchase of property, plant and equipment	(3,612)	(6,469)
Proceeds from sales of property, plant and equipment	15	1,291
Payments for retirement of property, plant and equipment	(64)	(79)
Purchase of intangible assets	(10)	(77)
Purchase of investment securities	(1,209)	(1,113)
Proceeds from sales and redemption of investment securities	252	1,032
Decrease (increase) in other investments	1	–
Collection of loans receivable	5	2
Others	40	3
Net cash used in investing activities	(2,225)	(3,864)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	5	850
Proceeds from long-term loans	–	950
Repayment of long-term loans	(740)	(1,159)
Payments for redemption of bonds	(100)	(50)
Dividends paid	(321)	(797)
Payments for purchases of treasury stock	(966)	(1)
Others	–	(12)
Net cash used in financing activities	(2,123)	(220)
Effect of exchange rate changes on cash and cash equivalents	(211)	(100)
Increase (decrease) in cash and cash equivalents	15	(909)
Cash and cash equivalents at beginning of period	17,792	17,807
Cash and cash equivalents at end of period	17,807	16,898

Events or conditions that may cast significant doubt on the premise of going concern

No items to report

Basis of preparation for consolidated financial statements

1. Scope of consolidation

A. Number of consolidated subsidiaries: 7

Names: Saseho Kosan Co., Ltd., Sasebo Heavy Industries Production Services, Tsukumo Service Co., Ltd., Sajuko Kosan Co., Ltd., Nishi-Kyushu Shoji Co., Ltd., Sasebo Juko Sekkei Co., Ltd., Sasebo Marine and Port Services Co., Ltd.

N.N.U. Co., Ltd. has changed its company name to Sasebo Heavy Industries Production Services in this fiscal year.

B. There are no non-consolidated subsidiaries.

Sasebo Heavy Industries (Hong Kong) Ltd., which was included as a non-consolidated subsidiary in the previous fiscal year and earlier years, has been liquidated.

2. Application of the equity method

Number of affiliates that are not accounted for by the equity method: 1

Name: Imariwan Port Services Co., Ltd.

The affiliates not accounted for by the equity method have no significant impact on consolidated net income (amount commensurate with equity) or retained earnings (amount commensurate with equity) and have no significance as a whole.

3. Fiscal year-end of consolidated subsidiaries

The account closing dates of the consolidated subsidiaries coincide with the consolidated account closing date.

4. Accounting policies

A. Valuation policy and methods of significant assets

(1) Securities

Held-to-maturity securities:	Stated at amortized cost (straight-line method).
Available-for-sale securities	
Securities with fair market value:	Stated at fair market value based on market prices at the end of term. (Valuation difference is reported in a component of net assets, with the cost of securities sold being calculated by the moving-average method.)
Securities without fair market value:	Stated at cost determined by the moving-average method.

(2) Derivatives

Stated by the market value method.

(3) Inventories

The valuation criteria is based on the cost method (method involving the write-down of book value due to the decreased profitability of assets). Raw materials and stored goods are mainly stated at cost determined by the moving-average method. Construction in process is stated at cost determined by the specific identification method.

B. Depreciation method and standards for significant depreciable assets

(1) Property, plant and equipment: Declining balance method

Assets acquired on or before March 31, 2007 shall be amortized evenly over a 5-year period from the year after the assets are reduced down to their depreciable limit amounts.

Additional information

Changes in estimated useful life for property, plant and equipment

The Company has up until now calculated the useful life of machinery and equipment as 12 years but commencing this fiscal year, the said useful life has been changed to nine years. This change, was a result of a review of the Company's economic useful life of machinery and equipment following a revision of the Corporate Tax Law. As a result of this change, operating income, ordinary income and income before income taxes are each reduced by ¥298 million.

The impact on segment information is presented in the respective sections.

(2) Intangible assets: Straight-line method

(3) Lease assets:

Depreciation of finance lease transactions not involving the transfer of ownership is calculated on the straight-line method using the lease period as the useful life and assuming no residual value.

Also, the accounting treatment for finance lease transactions not involving the transfer of ownership whose transaction commenced before the first fiscal year in which the Accounting Standard for Lease Transactions and related regulations are applied continuously follows the same method as for ordinary operating lease transactions.

There is no impact from this change on profit.

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) Reserve for 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 fiscal year, is appropriated based on projected benefit obligations and pension plan assets at the end of the consolidated fiscal year. 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 (five years) within the average remaining service years of the employee.

(3) Reserves for guaranteed contracts

Reserves for product warranties have been set aside and accounted for based on the estimated amount of service costs within the warranty period.

(4) Reserve for special repairs

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.

(5) Reserve for loss on construction contracts

Allowance for losses on construction contracts has been provided, based on estimated losses that are anticipated to occur from the next fiscal year, for any undelivered construction contract on which a loss is likely to be incurred as of the end of the current fiscal year and where the amount of such loss can reasonably be estimated.

D. Other significant matters serving as the basis for preparing the financial statements

(1) Standard for profit and expense appropriation

Sales are booked in accordance with the Completed Contract Method.

However, the Percentage-of-Completion Method is used for any work with a contract amount exceeding ¥100 million and with a construction period exceeding one year (three months for naval ship repair work).

(2) Accounting for consumption taxes

Consumption taxes and local consumption taxes are accounted for based on the tax exclusion method.

5. Valuation of assets and liabilities of consolidated subsidiaries

The market value method is used in the valuation of assets and liabilities of consolidated subsidiaries at the time when the Company acquired control of the respective subsidiaries.

6. Scope of funds in the consolidated statements of cash flows

The funds (cash and cash equivalent) in the consolidated statements of cash flows consist of cash in hand, demand deposits and short-term investments with a 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 value fluctuations.

Notes to consolidated balance sheets

	Current fiscal year (March 31, 2009)	Previous fiscal year (March 31, 2008)
1. Assets pledged as collateral and obligations secured by such collateral	*millions of yen*	*millions of yen*
Assets pledged as collateral	8,397	10,258
Obligations secured by such collateral	10,911	17,481

Notes to consolidated statements of income

1. Impairment loss

(1) Asset groups with recognized impairment loss and impairment loss amounts

	Purpose	Class	Location	Amount *millions of yen*
i)	Assets for steel structure business	Land, etc.	Sasebo, Nagasaki Prefecture	1,335
ii)	Idle assets	Land, etc.	Hirado, Nagasaki Prefecture	45

(2) Method of asset grouping

As a general rule, asset grouping is by business segment unit and idle assets are grouped individually by property unit

(3) Background details of recognition of impairment loss

i) Assets for steel structure business

Investment in public investment is declining in Japan, the primary market for the bridges business. Because the bridges business has become an unprofitable business because of intensifying competition, the Company has decided to withdraw from these operations and has therefore reduced the book value of these assets to an amount deemed collectable.

ii) Idle assets

Because the market value has fallen, the Company has reduced the book value to an amount deemed collectable.

(4) Method of calculating the amount deemed collectable

The fair cost to sell, which is based on valuation by a real estate appraiser, is used as the amount deemed collectable in the above calculations.

Notes to consolidated statements of changes in net assets

1. Number of issued shares

Class of share	Number of shares as of the end of the previous fiscal year	Increase	Decrease	Number of shares as of the end of the current fiscal year
Common stock	161,955,000	–	–	161,955,000

2. Treasury stock

Class of share	Number of shares as of the end of the previous fiscal year	Increase	Decrease	Number of shares as of the end of the current fiscal year
Common stock	1,468,278	6,712	–	1,474,990

(Note) The increase in treasury stock resulted from requests by shareholders for the purchase of shares of less than 1 unit.

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Dividend source	Total amounts of dividends	Dividend per share	Record date	Effective date
			millions of yen	*yen*		
June 25, 2008 (Annual shareholders meeting)	Common stock	Retained earnings	802	5.0	March 31, 2008	June 26, 2008

(2) Dividends whose record date falls in the current fiscal year and have an effective date in the next fiscal year

Resolution	Class of shares	Dividend source	Total amounts of dividends	Dividend per share	Record date	Effective date
			millions of yen	*yen*		
June 24, 2009 (Annual shareholders meeting)	Common stock	Retained earnings	802	5.0	March 31, 2009	June 25, 2009

Notes to consolidated statements of cash flows

1. Reconciliation of cash and cash equivalents at the end of the period and the amount recorded in consolidated balance sheets

(in millions of yen, unless otherwise noted)

As of March 31, 2009		As of March 31, 2008	
Cash and deposits	16,858	Cash and deposits	18,779
Marketable securities	1,040	Marketable securities	1,539
Time deposits with maturities exceeding three months	–	Time deposits with maturities exceeding three months	(1,511)
Bonds with redemption periods exceeding three months	(1,000)	Bonds with redemption periods exceeding three months	(999)
Cash and cash equivalents	16,898	Cash and cash equivalents	17,807

Lease transactions, transactions with related concerned parties, tax effect accounting, securities, derivatives transactions and notes concerning retirement benefits were omitted because their disclosure is considered unnecessary in financial results reports.

Segment information

[Information by business segment]

Fiscal year ended March 31, 2009 *(in millions of yen)*

	Shipbuilding	Machinery	Steel structure	Others	Total	Elimination and corporate	Consolidated
I. Net sales and operating income							
Net sales							
(1) Outside customers	63,301	7,760	5,263	1,139	77,464	–	77,464
(2) Inter-segment sales and transfers	–	–	1,693	1,629	3,323	(3,323)	–
Total	63,301	7,760	6,956	2,769	80,787	(3,323)	77,464
Operating expenses	56,744	4,545	7,811	2,652	71,754	(1,341)	70,412
Operating income (loss)	6,557	3,214	(854)	116	9,033	(1,982)	7,051
II. Assets, depreciation and capital expenditures							
Assets	30,513	9,528	2,910	1,156	44,109	40,380	84,489
Depreciation and amortization	1,210	552	135	257	2,156	465	2,622
Impairment losses	–	–	1,335	–	1,335	45	1,380
Capital expenditures	2,949	1,856	189	499	5,494	1,741	7,235

(Notes) 1. Businesses are segmented taking into consideration the similarities in the types and nature of products and their manufacturing and sales method as well as the income tabulation classification, related assets, etc.

2. Main products of each business segment

(1) Shipbuilding: Building, repair, and conversion of oil tankers, bulk carriers, coal carriers, ore carriers, log carriers, LPG vessels, container carriers, naval ships, marine research vessels, etc.

(2) Machinery: Steel making and processing machinery, press machinery, heat exchangers, pressure vessels, tower/vessels, boilers for marine use, marine machinery such as fin stabilizers, crankshafts and marine diesel machinery parts, rudders

(3) Steel structure: Marine structure such as bridges, floating pontoons, hydraulic gates, steel penstocks, steel frames, cable cranes, steel pools, pontoons/caissons

(4) Others: Transportation service, facility management, golf course, agencies, others

Fiscal year ended March 31, 2008 *(in millions of yen)*

	Shipbuilding	Machinery	Steel structure	Others	Total	Elimination and corporate	Consolidated
I. Net sales and operating income							
Net sales							
(1) Outside customers	53,707	7,137	4,732	1,059	66,637	–	66,637
(2) Inter-segment sales and transfers	–	–	675	1,436	2,111	(2,111)	–
Total	53,707	7,137	5,407	2,495	68,748	(2,111)	66,637
Operating expenses	49,999	4,342	6,877	2,433	63,652	(685)	62,966
Operating income (loss)	3,707	2,795	(1,469)	62	5,096	(1,426)	3,670
II. Assets, depreciation and capital expenditures							
Assets	29,444	7,139	2,566	177	39,327	45,379	84,707
Depreciation and amortization	790	400	87	14	1,291	326	1,617
Impairment losses	–	–	–	29	29	417	446
Capital expenditures	2,633	722	301	22	3,679	813	4,493

(Notes) 1. Businesses are segmented taking into consideration the similarities in the types and nature of products and their manufacturing and sales method as well as the income tabulation classification, related assets, etc.

2. Main products of each business segment

(1) Shipbuilding: Building, repair, and conversion of oil tankers, bulk carriers, coal carriers, ore carriers, log carriers, LPG vessels, container carriers, naval ships, marine research vessels, etc.

(2) Machinery: Steel making and processing machinery, press machinery, heat exchangers,

	pressure vessels, tower/vessels, boilers for marine use, marine machinery such as fin stabilizers, crankshafts and marine diesel machinery parts, rudders
(3) Steel structure:	Marine structure such as bridges, floating pontoons, hydraulic gates, steel penstocks, steel frames, cable cranes, steel pools, pontoons/caissons
(4) Others:	Transportation service, facility management, golf course, agencies, others

3. *The following are amounts included in and main details of "Elimination and corporate".*

(in millions of yen)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2008	Main details
Unallocatable operating expenses included in "Elimination and corporate"	1,988	1,425	Expenses connected to the administrative department such as the general affairs department of the submitting company (the Company)
Unallocated corporate assets included in "Elimination and corporate"	41,296	45,379	Assets connected to surplus funds (cash and securities), long-term investment funds (investment securities), and administrative department of the submitting company (the Company)

4. *Method of depreciating and amortizing depreciable assets*

As iterated in "Basis of preparation for consolidated financial statements, 4. Accounting Policies, (B) Depreciation method and standards for significant depreciable assets", the method of depreciation and amortization has been changed from the year ended March 31, 2009. The following is the tabulation by business segment of effects as a result of this change.

(in millions of yen)

	Shipbuilding	Machinery	Steel structure	Others	Total	Elimination and corporate	Consolidated
Increase in operating expenses	142	97	21	6	267	31	298
Decrease in operating income	(142)	(97)	(21)	(6)	(267)	(31)	(298)
Decrease in assets	(142)	(97)	(21)	(6)	(267)	(31)	(298)
Increase in depreciation and amortization	142	97	21	6	267	31	298

Information by geographic segment

Not indicated because no overseas consolidated subsidiaries or branch offices existed in the previous and current fiscal years.

Overseas sales

Fiscal year ended March 31, 2009

	Central America	Europe	Asia	Africa	Others	Total
I. Overseas net sales *(millions of yen)*	30,595	179	22,352	5,330	597	59,055
II. Consolidated net sales *(millions of yen)*						77,464
III. Percentage of overseas net sales to consolidated net sales *(%)*	39.5	0.2	28.8	6.9	0.8	76.2

(Notes) *1. The classification of countries or regions is based on geographical proximity.*

2. Main countries and regions affiliated to each classification:

(1) Central America: Panama, Bahamas
(2) Europe: Sweden, the Republic of Cyprus
(3) Asia: Hong Kong, Singapore, Korea, the Philippines, Taiwan
(4) Africa: Liberia
(5) Others: USA

3. "Overseas net sales" are the net sales of the Company and its consolidated subsidiaries in countries or areas outside Japan.

Fiscal year ended March 31, 2008

	Central America	Europe	Asia	Africa	Others	Total
I. Overseas net sales *(millions of yen)*	20,032	23	6,196	19,817	1,563	47,634
II. Consolidated net sales *(millions of yen)*						66,637
III. Percentage of overseas net sales to consolidated net sales *(%)*	30.1	0.0	9.3	29.7	2.4	71.5

(Notes) *1. The classification of countries or regions is based on geographical proximity.*

2. Main countries and regions affiliated to each classification:

(1) Central America: Panama, Bahamas, Venezuela
(2) Europe: Greece, Germany, Italy, the Netherland
(3) Asia: Hong Kong, Singapore, the Philippines, Taiwan
(4) Africa: Liberia
(5) Others: USA, the Marshall Islands

3. "Overseas net sales" are the net sales of the Company and its consolidated subsidiaries in countries or areas outside Japan.

Per share information

Fiscal year ended March 31, 2009		Fiscal year ended March 31, 2008	
	yen		*yen*
Net assets per share	135.43	Net assets per share	127.42
Net income per share	19.26	Net income per share	18.33

(Notes) 1. The net income per share after adjustment of residual securities is not indicated because of the lack of residual securities.

2. The basis for calculating the net assets per share is as follows.

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2008
Total net assets *(millions of yen)*	21,733	20,448
Net assets connected to common shareholders *(millions of yen)*	21,733	20,448
Number of issued shares of common stock *(thousand shares)*	161,955	161,955
Number of treasury shares of common stock *(thousand shares)*	1,474	1,468
Number of common stock used as the basis for calculating the net assets per share *(thousand shares)*	160,480	160,486

3. The basis for calculating the net income per share is as follows.

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2008
Net income *(millions of yen)*	3,091	2,958
Amounts not applicable to common shareholders *(millions of yen)*	–	–
Net income connected to common stock *(millions of yen)*	3,091	2,958
Average number of common shares during the term *(thousand shares)*	160,483	161,362

Significant subsequent events

No items to report

Production, Orders Received, and Sales

(1) Production

(in millions of yen, unless otherwise noted)

Product category	Fiscal year ended March 31, 2009		Fiscal year ended March 31, 2008		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	62,787	82.5	53,073	82.0	9,714	18.3
Machinery	7,229	9.5	6,081	9.4	1,148	18.9
Steel structure	4,979	6.5	4,530	7.0	448	9.9
Others	1,139	1.5	1,059	1.6	79	7.5
Total	76,135	100.0	64,744	100.0	11,390	17.6

(2) Orders received

(in millions of yen, unless otherwise noted)

Product category	Fiscal year ended March 31, 2009		Fiscal year ended March 31, 2008		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	32,062	75.9	105,128	92.0	(73,065)	(69.5)
Machinery	8,089	19.2	7,188	6.3	900	12.5
Steel structure	927	2.2	878	0.8	48	5.5
Others	1,139	2.7	1,059	0.9	79	7.5
Total	42,218	100.0	114,255	100.0	(72,036)	(63.1)

(3) Order backlog

(in millions of yen, unless otherwise noted)

Product category	Fiscal year ended March 31, 2009		Fiscal year ended March 31, 2008		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	226,792	94.8	254,162	94.8	(27,369)	(10.8)
Machinery	6,089	2.5	5,760	2.1	328	5.7
Steel structure	6,393	2.7	8,321	3.1	(1,927)	(23.2)
Others	–	–	–	–	–	–
Total	239,274	100.0	268,243	100.0	(28,968)	(10.8)

(Notes) 1. Order backlog is described by the complete contract method. Of order backlog amounts for the end of the current fiscal year, ¥31,445 million for shipbuilding and ¥4,034 million for steel structure and for the end of previous fiscal year, ¥27,435 million for shipbuilding and ¥1,626 million for steel structure are recorded as sales by the percentage of completion method.

2. Order backlog as of March 31, 2008 was devalued by ¥140 million due to the foreign exchange rate fluctuation. The difference was reflected by reducing the amount from the order backlog.

(4) Sales

(in millions of yen, unless otherwise noted)

Product category	Fiscal year ended March 31, 2009		Fiscal year ended March 31, 2008		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	63,301	81.7	53,707	80.6	9,594	17.9
Machinery	7,760	10.0	7,137	10.7	622	8.7
Steel structure	5,263	6.8	4,732	7.1	530	11.2
Others	1,139	1.5	1,059	1.6	79	7.5
Total	77,464	100.0	66,637	100.0	10,826	16.3

Non-consolidated financial statements

(1) Non-consolidated balance sheets

(in millions of yen, unless otherwise noted)

	As of March 31, 2008	As of March 31, 2009
Assets		
Current assets		
Cash and deposits	18,307	16,264
Notes receivable—trade	782	1,066
Accounts receivable—trade	23,089	24,553
Marketable securities	1,499	1,000
Raw materials and supplies	1,192	1,238
Partly-finished work	1,753	2,127
Advance payments—other	1,118	992
Prepaid expenses	31	48
Deferred tax assets	1,552	1,730
Accounts receivable—other	1,390	972
Other current assets	63	55
Allowance for doubtful receivables	(58)	(2)
Total current assets	50,723	50,047
Non-current assets		
Property, plant and equipment		
Buildings	10,500	11,657
Accumulated depreciation	(7,603)	(7,450)
Buildings, net	2,896	4,206
Structures	9,645	10,404
Accumulated depreciation	(5,886)	(6,131)
Structures, net	3,759	4,273
Docks and building berths	4,461	4,461
Accumulated depreciation	(3,738)	(3,784)
Docks and building berths, net	722	676
Machinery and equipment	21,122	23,131
Accumulated depreciation	(16,897)	(17,226)
Machinery and equipment, net	4,224	5,905
Vessels	153	1,245
Accumulated depreciation	(119)	(328)
Vessels, net	33	916
Vehicles	448	725
Accumulated depreciation	(402)	(380)
Vehicles, net	46	345
Tools, furniture and fixtures	2,069	2,270
Accumulated depreciation	(1,748)	(1,825)
Tools, furniture and fixtures, net	320	444

(in millions of yen, unless otherwise noted)

	As of March 31, 2008	As of March 31, 2009
Land	9,185	7,084
Lease assets	–	53
Accumulated depreciation	–	(6)
Lease assets, net	–	46
Construction in progress	3,428	2,635
Total property, plant and equipment	24,615	26,533
Intangible assets		
Software	141	157
Lease assets	–	39
Utility model rights	0	0
Telephone subscription rights	10	10
Total intangible assets	151	207
Investments and other assets:		
Investment securities	5,406	3,771
Stocks of subsidiaries and affiliates	141	130
Investments in capital	19	19
Long-term loans receivable	3	3
Long-term loans receivable from employees	11	9
Claims provable in bankruptcy, claims provable in rehabilitation and other	399	172
Deferred tax assets	2,799	2,783
Long-term accounts receivable-other	239	225
Others	252	249
Allowance for doubtful receivables	(559)	(330)
Total investments and other assets	8,713	7,033
Total non-current assets	33,481	33,774
Total assets	84,205	83,822

(in millions of yen, unless otherwise noted)

	As of March 31, 2008	As of March 31, 2009
Liabilities		
Current liabilities		
Notes payable—trade	5,371	5,497
Notes payable for equipment	1,116	1,476
Accounts payable—trade	14,760	18,761
Short-term loans payable	2,039	2,514
Current portion of bonds	50	–
Lease assets	–	22
Accounts payable—other	148	40
Accrued expenses	2,006	2,351
Accrued income taxes	59	1,809
Advance received	25,273	18,917
Deposits received	197	135
Reserve for guaranteed contracts	65	54
Reserve for loss on construction contracts	3,258	2,442
Other current liabilities	16	–
Total current liabilities	54,362	54,022
Non-current liabilities		
Long-term loans payable	1,322	1,488
Long-term accounts payable—other	152	118
Lease assets	–	67
Reserve for retirement benefits	8,097	6,635
Reserve for special repairs	28	27
Total long-term liabilities	9,601	8,336
Total liabilities	63,963	62,359

(in millions of yen, unless otherwise noted)

	As of March 31, 2008	As of March 31, 2009
Net Assets		
Shareholders' equity		
Common stock	8,414	8,414
Capital surplus		
Legal capital surplus	5,148	5,148
Total capital surplus	5,148	5,148
Retained earnings		
Legal retained earnings	1,456	1,456
Other retained earnings		
Reserve for reduction entry of land	70	70
Reserve for reduction entry of replaced property	–	57
Retained earnings brought forward	5,272	7,390
Total retained earnings	6,798	8,974
Treasury stock	(974)	(975)
Total shareholders' equity	19,386	21,561
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	855	(98)
Total valuation and translation adjustments	855	(98)
Total net assets	20,241	21,463
Total liabilities and net assets	84,205	83,822

(2) Non-consolidated statements of income

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Net sales	65,573	76,169
Costs of goods sold	59,683	66,438
Gross profit on sales	5,890	9,730
Selling, general and administrative expenses		
Salaries	800	956
Retirement benefit expenses	102	98
Welfare expenses	188	233
Traveling and transportation expenses	126	131
Business consignment expenses	113	221
Membership fee	41	47
Taxes and dues	99	100
Depreciation	34	32
Rent expenses	280	344
Research and development expenses	84	247
Selling expenses	70	72
Provision of allowance for doubtful receivables	13	–
Other	297	296
Total selling, general and administrative expenses	2,254	2,783
Operating income	3,635	6,946
Non-operating income		
Interest income	105	119
Dividends income	72	81
Insurance and dividends income	34	23
Other	26	76
Total non-operating income	238	300
Non-operating expenses		
Interest expenses	185	188
Foreign exchange losses	376	142
Other	70	89
Total non-operating expenses	632	420
Ordinary income	3,241	6,827
Extraordinary income		
Gain on sales of non-current assets	6	297
Reversal of allowance for doubtful receivables	–	135
Other	–	2
Total extraordinary income	6	435

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Extraordinary losses		
Loss on disposal of non-current assets	187	213
Impairment loss	385	1,380
Loss on valuation of investment securities	838	178
Other	177	290
Total extraordinary losses	1,588	2,062
Income before income taxes	1,659	5,200
Income taxes—current	12	1,800
Income taxes—deferred	(1,336)	381
Total income taxes	(1,323)	2,182
Net income	2,983	3,017

(3) Non-consolidated statements of changes in net assets

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Shareholders' equity		
Common stock		
Balance at the end of the previous period	8,414	8,414
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of the current period	8,414	8,414
Capital surplus		
Legal capital surplus		
Balance at the end of the previous period	5,148	5,148
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of the current period	5,148	5,148
Total capital surplus		
Balance at the end of the previous period	5,148	5,148
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of the current period	5,148	5,148
Retained earnings		
Legal retained earnings		
Balance at the end of the previous period	1,456	1,456
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of the current period	1,456	1,456
Other retained earnings		
Reserve for reduction entry of land		
Balance at the end of the previous period	70	70
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of the current period	70	70
Reserve for reduction entry of replaced property		
Balance at the end of the previous period	–	–
Changes of items during the period		
Provision of reserve for reduction entry of replaced property	–	57
Total changes of items during the period	–	57
Balance at the end of the current period	–	57

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Retained earnings brought forward		
Balance at the end of the previous period	2,612	5,272
Changes of items during the period		
Dividends from surplus	(323)	(802)
Provision of reserve for reduction entry of replaced property	–	(96)
Net income	2,983	3,017
Total changes of items during the period	2,659	2,118
Balance at the end of the current period	5,272	7,390
Total retained earnings		
Balance at the end of the previous period	4,139	6,798
Changes of items during the period		
Dividends from surplus	(323)	(802)
Provision of reserve for reduction entry of replaced property	–	(39)
Net income	2,983	3,017
Total changes of items during the period	2,659	2,176
Balance at the end of the current period	6,798	8,974
Treasury stock		
Balance at the end of the previous period	(7)	(974)
Changes of items during the period		
Acquisition of treasury stock	(966)	(1)
Total changes of items during the period	(966)	(1)
Balance at the end of the current period	(974)	(975)
Total shareholders' equity		
Balance at the end of the previous period	17,693	19,386
Changes of items during the period		
Dividends from surplus	(323)	(802)
Profit appropriation	–	(39)
Net income	2,983	3,017
Acquisition of treasury stock	(966)	(1)
Total changes of items during the period	1,692	2,174
Balance at the end of the current period	19,386	21,561
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of the previous period	1,782	855
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(926)	(953)
Total changes of items during the period	(926)	(953)
Balance at the end of the current period	855	(98)

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Valuation difference on available-for-sale securities		
Balance at the end of the previous period	1,782	855
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(926)	(953)
Total changes of items during the period	(926)	(953)
Balance at the end of the current period	855	(98)
Total shareholders' equity		
Balance at the end of the previous period	19,475	20,241
Changes of items during the period		
Dividends from surplus	(323)	(802)
Profit appropriation	–	(39)
Net income	2,983	3,017
Acquisition of treasury stock	(966)	(1)
Net changes of items other than shareholders' equity during the period	(926)	(953)
Total changes of items during the period	765	1,221
Balance at the end of the current period	20,241	21,463

Events or conditions that may cast significant doubt on the premise of the entity’s ability to continue as a going concern

No items to report

Others

(Changes in Directors)

Please refer to “Notice Concerning Candidates for Director and Personnel Matters” released on May 15, 2009.