Translation

Summary of Consolidated Financial Results for the Year Ended March 31, 2010

May 14, 2010

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, 2010
Scheduled date to commence dividend payments: June 25, 2010
Scheduled date to file securities report: June 25, 2010

Figures less than one million yen have been omitted.

1. Consolidated financial results for the year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)

(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, 2010	63,692	(17.8)	8,031	13.9	7,400	6.6	3,733	20.8
March 31, 2009	77,464	16.3	7,051	92.1	6,939	110.7	3,091	4.5

	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, 2010	23.27	–	15.9	9.0	12.6
March 31, 2009	19.26	–	14.7	8.2	9.1

Reference: Equity in earnings of affiliates
For the year ended March 31, 2010: None
For the year ended March 31, 2009: None

(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, 2010	80,840	25,126	31.1	156.57
March 31, 2009	84,489	21,733	25.7	135.43

Reference: Equity
As of March 31, 2010: ¥25,126 million
As of March 31, 2009: ¥21,733 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, 2010	2,973	(5,812)	8,857	22,916
March 31, 2009	3,276	(3,864)	(220)	16,898

2. Cash dividends

	Cash dividends per share					Total cash dividends (Full year)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total			
For the year ended	*yen*	*yen*	*yen*	*yen*	*yen*	*millions of yen*	*%*	*%*
March 31, 2009	–	–	–	5.00	5.00	802	25.9	3.8
March 31, 2010	–	–	–	4.00	4.00	641	17.2	2.7
For the year ending March 31, 2011 (Forecast)	–	–	–	4.00	4.00		16.9	

3. Consolidated forecast for the fiscal year ending March 31, 2011 (From April 1, 2010 to March 31, 2011)

(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, 2010	23,000	(30.9)	3,000	(25.4)	2,850	(19.0)	1,700	(17.2)	10.59
For the year ending March 31, 2011	65,000	2.1	6,000	(25.3)	5,700	(23.0)	3,800	1.8	23.68

4. Others

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

Note: For more details, please refer to the section of "2. State of the Group" on page 9.

(2) Changes in accounting policies, procedures and methods of presentation for preparing the consolidated financial statements (changes described in the section pertaining to changes in significant matters forming the basis of preparing the consolidated financial statements, if applicable)

A. Changes due to adoption of revised accounting standards: Yes

B. Changes due to other reasons: None

Note: For more details, please refer to the section of "4. Accounting policies" of "(6) Basis of preparation for consolidated financial statements" on pages 19 - 23 and "(7) Changes in basis of preparation for consolidated financial statements" on page 23.

(3) Number of issued shares (common stock)

A. Total number of issued shares at the year-end (including treasury stock)

As of March 31, 2010 161,955,000 shares
As of March 31, 2009 161,955,000 shares

B. Number of treasury shares at the year-end

As of March 31, 2010 1,478,734 shares
As of March 31, 2009 1,474,990 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 32.

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for the year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)

(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, 2010	62,495	(18.0)	7,959	14.6	7,325	7.3	3,730	23.6
March 31, 2009	76,169	16.2	6,946	91.1	6,827	110.6	3,017	1.1

	Net income per share	Diluted net income per share
For the year ended	*yen*	*yen*
March 31, 2010	23.25	–
March 31, 2009	18.80	–

(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, 2010	80,199	24,847	31.0	154.84
March 31, 2009	83,822	21,463	25.6	133.74

Reference: Equity
As of March 31, 2010: ¥24,847 million
As of March 31, 2009: ¥21,463 million

2. Non-consolidated forecast for the fiscal year ending March 31, 2011 (From April 1, 2010 to March 31, 2011)

(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, 2010	22,500	(31.4)	3,000	(24.6)	2,850	(17.8)	1,700	(24.9)	10.59
For the year ending March 31, 2011	64,000	2.4	6,000	(24.6)	5,700	(22.2)	3,800	1.9	23.68

<u>* Explanation and other specific matters concerning proper use of the forecast</u>

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

While the Japanese economy during the fiscal year ended March 31, 2010 started to show signs that corporate earnings have bottomed out as a result of government economic stimulus measures and of the distinct trend of global economic recovery beginning in summer 2009 mostly in Asia, the economy's future direction still remained unclear because the employment situation is slow to recover, and there are concerns of a protracted period of deflation.

In the shipbuilding industry, new shipbuilding negotiations were slow to advance against a backdrop of various shipbuilder holding backlogs of orders, the shipping market in a downturn, and the effect of a credit crunch in ship financing. As a result, global new shipbuilding orders received in 2009 totaled 32,495 thousand gross tons, for a decrease of 63.1% over the previous year. Further, Japanese new shipbuilding orders received during the same period decreased by 49.6% over the previous year to 7,426 thousand gross tons. On the other hand, capacity to supply new ships continued to increase with global delivery of new ships increasing by 13.6% to a record-high 76,914 thousand gross tons and delivery of new ships in Japan increasing by 1.3% to 18,893 thousand gross tons.
In the Machinery industry, although private capital investment fell considerably due to the sense of there being surplus infrastructure, crankshafts, a core product of the Company, continued to be firm although the growth in demand dwindled.

Under the above circumstances, the Sasebo Group posted consolidated orders received of ¥13,548 million, a decrease of 67.9% over the same period of the previous fiscal year. One of the factors behind this result was our unwillingness of getting new shipbuilding orders. The Group posted a total consolidated sales amount of ¥63,692 million, a decrease of 17.8% over the previous year resulting from such factors as a decrease in the number of new shipbuilding vessels under construction, and as a result, the consolidated order backlog at the end of the fiscal year was ¥174,212 million, a decrease of 27.2% over the previous year. In terms of income, as a result of a reversal of a reserve for loss on construction contracts due to a fall in the price of steel and improved profitability in the steel structure business due to the withdrawal from the bridges business that had been unprofitable, a consolidated operating income was ¥8,031 million, a 13.9% increase over the previous fiscal year and a consolidated ordinary income was ¥7,400 million, a 6.6% increase over the previous fiscal year. As a result of a decrease in extraordinary loss over the previous year, a consolidated net income of ¥3,733 million was posted, for an increase of 20.8%.

Operating results by business segment are as follows:

(a) Shipbuilding

The Group posted orders received of ¥6,449 million in the shipbuilding business, a 79.9% decrease over the previous fiscal year. Included in this amount were ship repairs for Japan Maritime Self-Defense Force and United States Navy vessels. Net sales amounted to ¥52,645 million for new shipbuilding and ship repair work, a 16.8% decrease over the previous year. New ships delivered during the year totaled 8 ships: 3 units of 115,000 DWT crude oil tankers, 2 units of 115,000 DWT product tankers and 3 units of 180,000 DWT bulk carriers. The order backlog at the end of the year reached ¥169,083 million in total, including 26 newly built ships and repairs, a decrease of 25.5% over the previous year. In terms of income, although there was the reversal of a reserve for loss on construction contracts due to a fall in the price of steel, sales included work that had low profitability conditions. As a result of this and other factors, operating income was ¥6,304 million, a decrease of 3.9% over the previous fiscal year.

(b) Machinery and Steel Structure

The Group posted orders received of ¥6,013 million for its machinery and steel structure business, a 33.3% decrease over the previous year, representing 146 orders of equipment-related work such as marine equipment and general industrial machinery and 16 orders of steel structure construction. Net sales amounted to ¥9,961 million, a 23.5% decrease over the previous year. The order backlog was ¥5,129 million, a 58.9% decrease from the previous year. In terms of income, although profit decreased in the machinery business due to a decline in net sales, profitability was improved in the steel structure business due to the withdrawal from the bridges business that had been unprofitable. As a result, operating income was ¥2,960 million, a 25.5% increase over the previous year.

(c)Others
Other business segments are comprised mainly of school meal service, etc. The Group posted orders received of ¥1,085 million, a 4.7% decrease over the previous year. Net sales were ¥ 1,085 million, a 4.7% decrease over the previous year and operating income was ¥99 million, a 13.9% decrease over the previous year.

A consolidated operating income of ¥8,031 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, 2010	13,548	63,692	8,031	7,400	3,733	23.27
March 31, 2009	42,218	77,464	7,051	6,939	3,091	19.26

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, 2010	12,351	62,495	7,959	7,325	3,730	23.25
March 31, 2009	40,923	76,169	6,946	6,827	3,017	18.80

B. Prospects for the year ending March 2011

As a result of a distinct trend of global economic recovery centered in Asia and the new emerging countries, sea freight is following a trend of recovery and sea-freight charges are also recovering for tankers and bulk carriers. New shipbuilding negotiations are expected to start moving forward and a recovery in demand for marine equipment such as crankshafts, the Company’s core product in the machinery business, is also expected.

On the other hand, because of the increase in the capacity to supply new ships, it is expected to be some time before there is a recovery in ship prices. Also, due to the accelerated demand in resources by the emerging countries and others, the price of resources is soaring and there are concerns that the price of steel and equipment will also soar.

Under such circumstances, the Sasebo Group will continue to do its utmost to cope with the harsh economic environment that is expected and improve the books of all its companies by (a) continuing to rigorously develop businesses with firm underpinnings, (b) applying selection and focus principles to business operations and investments, and (c) working to strengthen the management foundation. In addition, we will maximize the benefits of our capital investments implemented up until now in order to achieve further cost reductions.

In our consolidated forecasts for the year ending March 31, 2011, we are expecting consolidated amount of orders received of ¥36,000 million and consolidated net sales of ¥65,000 million. In terms of profit, the Group expects consolidated operating income of ¥6,000 million, consolidated ordinary income of ¥5,700 million and consolidated net income of ¥3,800 million.

(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	36,000	65,000	6,000	5,700	3,800
Non-consolidated performance	35,000	64,000	6,000	5,700	3,800

The exchange rate is assumed to be ¥90/US$.

(b) Prospect of operating results by business segment

(in millions of yen)

Category	Amount of orders received	Net sales	Operating income
Shipbuilding	27,200	57,200	6,500
Machinery	7,800	6,800	1,500
Others	1,000	1,000	–
(Elimination)	–	–	(2,000)
Total	36,000	65,000	6,000

Following the withdrawal from the bridges business, the name of the business segment changes from "Machinery and steel structure" to "Machinery."

(2) Analysis of financial position

A. Analysis of assets, liabilities and net assets

(a) Assets

Current assets were ¥46,017 million, a decrease of ¥4,630 million from the previous fiscal year-end. This was mainly due to a decrease in notes and accounts receivable–trade resulting from the decrease in net sales, despite an increase in cash and deposits due to the increase of long-term loans payable. Non-current assets were ¥34,822 million, an increase of ¥981 million from the previous fiscal year-end. This was mainly due to new purchases of property, plant and equipment.

As a result, total assets were ¥80,840 million, a decrease of ¥3,649 million from the previous fiscal year-end.

(b) Liabilities

Current liabilities were ¥40,319 million, a decrease of ¥13,887 million from the previous fiscal year-end. This was mainly because of a decrease in notes and accounts payable–trade resulting from the decrease in net sales and the decrease in reserve for loss on construction contracts resulting from a fall in the price of steel. Non-current liabilities were ¥15,394 million, an increase of ¥6,845 million from the previous fiscal year-end. This was mainly due to an increase in long-term loans payable.

As a result, total liabilities were ¥55,713 million, a decrease of ¥7,042 million from the previous fiscal year-end.

(c) Net assets

Total net assets were ¥25,126 million, an increase of ¥3,393 million from the previous fiscal year-end, mainly as a result of the recording of a consolidated net income of ¥3,733 and an increase in the valuation difference on available-for-sale securities accompanying the stock market recovery, despite the decrease from payment of dividends.

B. Cash flows

Cash and cash equivalents at the end of this consolidated fiscal year increased by ¥6,017 million to ¥22,916 million from the previous fiscal year-end.

The respective cash flow positions are as follows.

(a) Cash flows from operating activities
Net cash provided by operating activities was ¥2,973 million, a decrease of ¥302 million from the previous year. This was mainly due to decreases in notes and accounts payable–trade and in the reserve for loss on construction contracts, despite a decrease in notes and accounts receivable–trade.

(b) Cash flows from investing activities
Net cash used in investing activities was ¥5,812 million, an increase of ¥1,948 million from the previous year. This was mainly due to proceeds from withdrawal of time deposits and proceeds from sales of property, plant and equipment, despite decreases in the purchase of investment securities and in others.

(c) Cash flows from financing activities
Net cash provided by financing activities was ¥8,857 million, an increase of ¥9,078 million from the previous year. This was mainly due to an increase in proceeds from long-term loans to procure funds for capital investment and other reasons.

(Reference) Principal cash flow indicators

	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Equity ratio *(%)*	26.9	26.9	24.1	25.7	31.1
Market value-based equity ratio *(%)*	74.6	99.4	58.7	34.4	38.9
Interest-bearing liabilities to cash flow ratio	1.2	0.4	1.5	3.0	6.1
Interest coverage ratio *(%)*	39.6	75.0	23.9	17.5	12.6

(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 flow ratio:	interest-bearing liabilities / operating cash flow
Interest coverage ratio:	operating cash flow / 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 operating cash flow 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, 2010 and the year ending March 31, 2011

Because the shipbuilding industry competes worldwide, where there is no distinction between domestic and overseas markets, and is completely contingent upon the global economic situation, the world shipping market and currency movements. 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 standing and develop future business.

The year-end dividend for the year ended March 31, 2010 is planned to be ¥4 per share with consideration being given to retained earnings for the purposes of improving our corporate standing and developing future business.

The year-end dividend for the next fiscal year is planned to be ¥4 per share.

2. State of the Group

Sasebo Heavy Industries Co., Ltd. and its affiliates (comprised of the Company and six subsidiaries [as of March 31, 2010]) engage primarily in the manufacture and sale of ships, machinery and steel structures. From the perspective of strengthening group-wide profitability, it had already been decided to withdraw from the bridges business in the steel structure division upon the completion of the construction backlog. The future plan for the steel structure business is to limit projects to hydraulic gates and port and harbor structures as one part of the machinery business.

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).

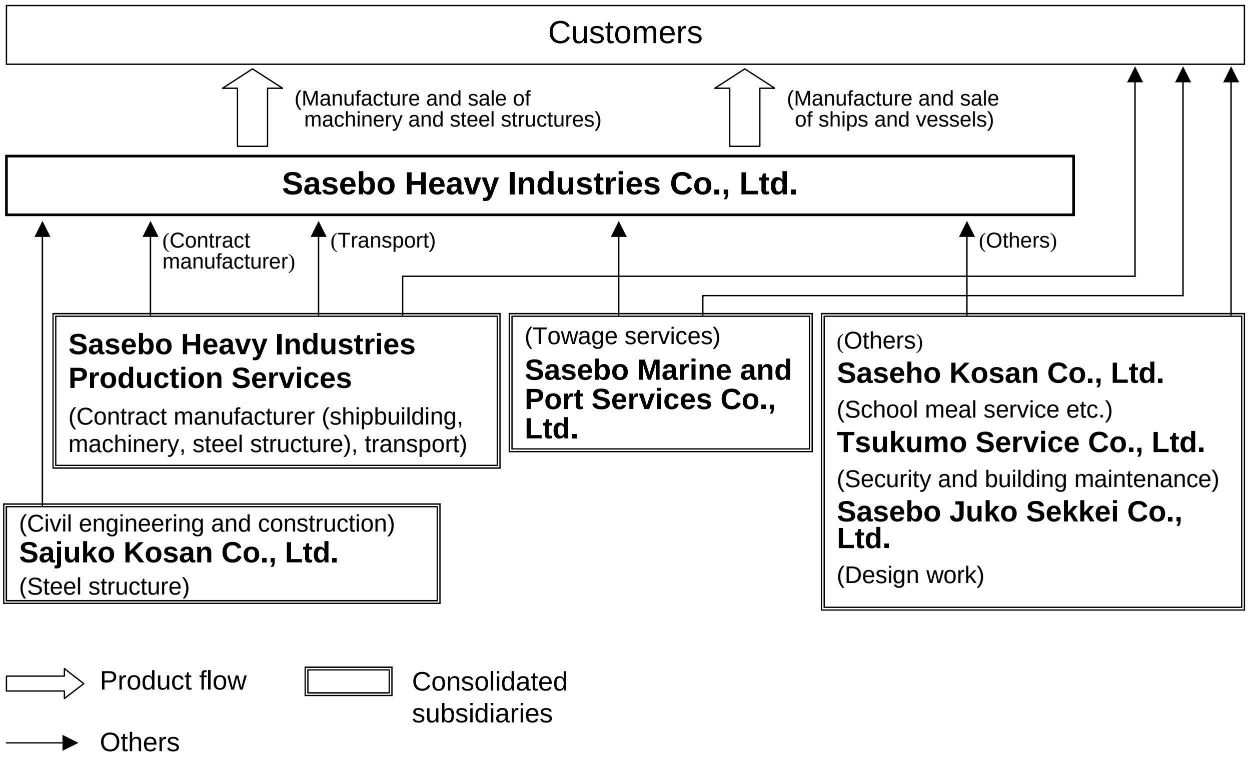
[**Machinery and steel structure**]

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 a school meal center and a golf course. 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

Since the Company was founded in October 1946, originating from the former Sasebo Naval Arsenal, we have upheld the basic spirit of “Offering quality and services that fulfill customers’ expectations,” and we continue to focus on undergoing change by utilizing traditional technology and our abundant track record and developing, manufacturing and selling high quality products that satisfy customers over the long term. On October 1, 2009, on the occasion of our 63rd year since establishment, we newly formulated our corporate vision, motto, and guideposts for course of actions. Our motto is “Tradition and Evolution!,” while our corporate vision is, “We at SSK, through our manufacturing activities, aspire to contribute to the growth and development of the community where we work, to become a helpful element of the society of Japan and to attain trust in our business and products from all over the world.” Under this corporate vision etc., by following such guideposts that place importance on safety, quality and environmental protection in our business activities, we can improve corporate value and increase profit to be shared with shareholders.

(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, 2011, and will devote every effort to realize the policies set by each division.

(3) Medium to long-term management strategies

Responding to the global recession that stemmed from the U.S. financial crisis of 2008, the Company proceeded rigorous development of businesses with firm underpinnings based on year by year management plans, applied selection and focus principles to business and investment and further strengthened the management foundation. By implementing such sound and reliable management we will respond to the expectations of the local regions, contribute to society in Japan and earn trust throughout the world as a manufacturing company.

Since the summer of 2009, there has been a distinct trend of global economic recovery centered in Asia. However the momentum of this recovery has not yet gathered strength and the risk of economic slump still remains. For this reason, the Company is postponing the formulation of the next mid-term management plan after the new mid-term management plan that ended in 2008 until the level of uncertainty in the economic situation improves. For fiscal year 2010, the Company shall steadily implement year by year management plans.

Since the Company was founded, we have upheld the basic spirit of “Offering quality and services that fulfill customers’ expectations,” and we have not at all changed our 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 abundant track record.
On October 1, 2009, we newly formulated our corporate vision, motto and guideposts for course of actions. By conducting our business activities according to the corporate vision etc., we strive to improve corporate value and increase profit to be shared with shareholders.

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 in the spirit of the corporate vision etc. In particular, while maintaining our mainstay new shipbuilding business as our core business, we shall further strengthen the naval vessels and ship repair business along with the machinery business and continue to raise profitability.

(4) Issues to be addressed

Looking forward, we expect to see a more distinct upturn in the Japanese economy as the global economy recovers, however, considering the slowness of improvement in the employment situation, the weak autonomy of Japan's recovery, and the ongoing risk of a global economic slump, we expect it will take some time before the recovery achieves a steady momentum.

In the shipbuilding industry, although there are concerns that the prices of materials and equipment could rise as a result of a rise in the price of raw materials such as iron ore, there is an increase in the number of new contracts being concluded for new shipbuilding contracts, mainly in South Korea and China. The prices of such contracts are currently in the low price range because the supply capacity for new shipbuilding has significantly exceeded demand and the situation remains uncertain with respect to the future trend of orders. The major challenges facing the ship yards in Japan, are responding to the prolonged appreciation of the yen, strengthening competitiveness to face off against Korea and China, and passing down technical skills from the veteran employees to younger generations.

In the machinery industry, the capital investment of companies continues to be subdued as it is thought that a bit more time is required before Japan can undergo a full-fledged recovery.
In addition, the downturn in the new shipbuilding market is expected to deteriorate profitability in the marine equipments market, which includes crankshafts, a core product of the Company. However, considering the current trend of increase in new shipbuilding orders, demand is expected to recover in the future.

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) rigorously developing 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 competitiveness by lowering construction costs, develop strategic kinds of ship, and conduct order receipt activities. For ship repair, the Company will focus on strengthening its naval business through continuing to utilize geographical advantage in its naval vessel repair operations for the Japan Maritime Self-Defense Force and the United States Navy and continue to expand orders received and reduce costs for repair work of commercial vessels.

2) Machinery

For the machinery business, while maximizing the benefits of our capital investments implemented up until now in order to achieve further cost reductions, we shall secure more orders by expanding our model lineup and aim to further strengthen profitability.

From the perspective of strengthening group-wide profitability in the steel structure business, it has been decided to withdraw from the bridges business upon the completion of the construction backlog. The future plan for the steel structure business is to limit projects to hydraulic gates and port and harbor structures as one part of the machinery business.

4. Consolidated financial statements
(1) Consolidated balance sheets

(in millions of yen, unless otherwise noted)

	As of March 31, 2009	As of March 31, 2010
Assets		
Current assets		
Cash and deposits	16,858	22,876
Notes and accounts receivable—trade	25,732	17,155
Marketable securities	1,040	40
Merchandise and finished goods	15	16
Work in process	2,127	3,143
Raw materials and supplies	1,240	580
Deferred tax assets	1,748	308
Other current assets	1,891	1,898
Allowance for doubtful receivables	(6)	(1)
Total current assets	50,647	46,017
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,094	23,978
Accumulated depreciation	(13,609)	(14,061)
Buildings and structures, net	8,484	9,917
Docks and building berths	4,461	5,154
Accumulated depreciation	(3,784)	(3,854)
Docks and building berths, net	676	1,300
Machinery, equipment and vehicles	25,353	26,988
Accumulated depreciation	(18,122)	(18,529)
Machinery, equipment and vehicles, net	7,231	8,459
Tools, furniture and fixtures	2,294	2,293
Accumulated depreciation	(1,845)	(1,852)
Tools, furniture and fixtures, net	449	440
Land	7,084	7,567
Lease assets	54	83
Accumulated depreciation	(6)	(24)
Lease assets, net	47	58
Construction in progress	2,633	317
Total property, plant and equipment	26,607	28,060
Intangible assets		
Software	159	195
Lease assets	40	31
Utility model rights	0	–
Telephone subscription rights	11	11
Total intangible assets	211	239

(in millions of yen, unless otherwise noted)

	As of March 31, 2009	As of March 31, 2010
Investments and other assets		
Investment securities	3,888	4,052
Long-term loans receivable	12	12
Deferred tax assets	2,784	2,035
Others	619	694
Allowance for doubtful receivables	(281)	(271)
Total investments and other assets	7,022	6,522
Total non-current assets	33,841	34,822
Total assets	84,489	80,840

(in millions of yen, unless otherwise noted)

	As of March 31, 2009	As of March 31, 2010
Liabilities		
Current liabilities		
Notes and accounts payable—trade	24,244	16,168
Notes payable for equipment	1,476	610
Short-term loans payable	2,514	4,068
Lease obligations	23	30
Accrued income taxes	1,839	159
Advance received	18,918	16,960
Reserve for guaranteed contracts	54	56
Reserve for loss on construction contracts	2,442	5
Other current liabilities	2,694	2,259
Total current liabilities	54,206	40,319
Non-current liabilities		
Long-term loans payable	1,488	9,614
Lease obligations	68	64
Deferred tax liabilities	0	2
Reserve for retirement benefits	6,678	5,430
Reserve for special repairs	27	35
Other non-current liabilities	286	246
Total non-current liabilities	8,549	15,394
Total liabilities	62,755	55,713
Net assets		
Shareholders' equity		
Common stock	8,414	8,414
Capital surplus	5,148	5,148
Retained earnings	9,245	12,175
Treasury stock	(975)	(976)
Total shareholders' equity	21,832	24,761
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(99)	365
Total valuation and translation adjustments	(99)	365
Total net assets	21,733	25,126
Total liabilities and net assets	84,489	80,840

(2) Consolidated statements of income

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Net sales	77,464	63,692
Costs of sales	67,489	52,926
Gross profit	9,974	10,765
Selling, general and administrative expenses		
Salaries	1,054	1,139
Retirement benefit expenses	98	86
Research and development expenses	247	239
Rent expenses	344	295
Other	1,177	972
Total selling, general and administrative expenses	2,923	2,734
Operating income	7,051	8,031
Non-operating income		
Interest income	120	34
Dividends income	82	51
Insurance and dividends income	26	17
Other	79	25
Total non-operating income	309	129
Non-operating expenses		
Interest expenses	188	256
Foreign exchange losses	142	384
Other	89	118
Total non-operating expenses	420	760
Ordinary income	6,939	7,400
Extraordinary income		
Gain on sales of non-current assets	298	73
Reversal of allowance for doubtful receivables	136	0
Other	1	69
Total extraordinary income	436	143
Extraordinary loss		
Loss on sales of non-current assets	–	91
Loss on disposal of non-current assets	213	331
Impairment loss	1,380	394
Loss on valuation of investment securities	178	34
Other	290	16
Total extraordinary losses	2,062	868
Income before income taxes	5,313	6,676
Income taxes—current	1,840	790
Income taxes for prior periods	–	196
Income taxes—deferred	381	1,955
Total income taxes	2,221	2,942
Net income	3,091	3,733

(3) Consolidated statements of changes in net assets

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
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	6,996	9,245
Changes of items during the period		
Dividends from surplus	(802)	(802)
Provision of reserve for reduction entry of replaced property	(39)	–
Provision of reserve for advanced depreciation of non-current assets	–	(17)
Reversal of reserve for reduction entry of replaced property	–	15
Net income	3,091	3,733
Total changes of items during the period	2,249	2,929
Balance at the end of the current period	9,245	12,175
Treasury stock		
Balance at the end of the previous period	(974)	(975)
Changes of items during the period		
Acquisition of treasury stock	(1)	(0)
Total changes of items during the period	(1)	(0)
Balance at the end of the current period	(975)	(976)
Total shareholders' equity		
Balance at the end of the previous period	19,583	21,832
Changes of items during the period		
Dividends from surplus	(802)	(802)
Provision of reserve for reduction entry of replaced property	(39)	–
Provision of reserve for advanced depreciation of non-current assets	–	(17)
Reversal of reserve for reduction entry of replaced property	–	15
Net income	3,091	3,733
Acquisition of treasury stock	(1)	(0)
Total changes of items during the period	2,248	2,928
Balance at the end of the current period	21,832	24,761

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of the previous period	864	(99)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(963)	464
Total changes of items during the period	(963)	464
Balance at the end of the current period	(99)	365
Foreign currency translation adjustments		
Balance at the end of the previous period	0	–
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(0)	–
Total changes of items during the period	(0)	–
Balance at the end of the current period	–	–
Total valuation and translation adjustments		
Balance at the end of the previous period	864	(99)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(963)	464
Total changes of items during the period	(963)	464
Balance at the end of the current period	(99)	365
Total net assets		
Balance at the end of the previous period	20,448	21,733
Changes of items during the period		
Dividends from surplus	(802)	(802)
Provision of reserve for reduction entry of replaced property	(39)	–
Provision of reserve for advanced depreciation of non-current assets	–	(17)
Reversal of reserve for reduction entry of replaced property	–	15
Net income	3,091	3,733
Acquisition of treasury stock	(1)	(0)
Net changes of items other than shareholders' equity during the period	(963)	464
Total changes of items during the period	1,284	3,393
Balance at the end of the current period	21,733	25,126

(4) Consolidated statements of cash flows

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Cash flows from operating activities		
Income before income taxes	5,313	6,676
Depreciation and amortization	2,622	3,548
Impairment losses	1,380	394
Increase (decrease) in allowance for doubtful receivables	(284)	(14)
Increase (decrease) in reserve for retirement benefits	(1,463)	(1,248)
Increase (decrease) in reserve for guaranteed contracts	(11)	2
Increase (decrease) in reserve for loss on construction contracts	(816)	(2,437)
Increase (decrease) in reserve for special repairs	(1)	8
Interest and dividend income	(203)	(85)
Interest expenses	188	256
Foreign exchange losses (gains)	66	0
Loss (gain) on valuation of investment securities	178	34
Loss (gain) on sales of property, plant and equipment	(104)	17
Loss (gain) on disposal of non-current assets	213	331
Decrease (increase) in notes and accounts receivable—trade	(1,726)	8,576
Decrease (increase) in inventories	(421)	(357)
Decrease (increase) in consumption taxes refund receivable	183	442
Decrease (increase) in other current assets	566	(70)
Increase (decrease) in notes and accounts payable—trade	3,778	(7,799)
Increase (decrease) in advance received	(6,355)	(1,957)
Increase (decrease) in other current liabilities	225	(514)
Others	(18)	(27)
Subtotal	3,311	5,777
Interest and dividends received	218	88
Interest paid	(186)	(235)
Income taxes paid	(67)	(2,657)
Net cash provided by operating activities	3,276	2,973

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	1,545	–
Purchase of short-term investment securities	(1,000)	–
Proceeds from sales and redemption of securities	1,000	1,000
Purchase of property, plant and equipment	(6,469)	(6,793)
Payments for retirement of property, plant and equipment	(79)	(54)
Proceeds from sales of property, plant and equipment	1,291	95
Purchase of intangible assets	(77)	(108)
Purchase of investment securities	(1,113)	–
Proceeds from sales and redemption of investment securities	1,032	500
Payments of loans receivable	–	(2)
Collection of loans receivable	2	2
Others	3	(451)
Net cash used in investing activities	(3,864)	(5,812)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	850	750
Proceeds from long-term loans	950	9,940
Repayment of long-term loans	(1,159)	(1,009)
Payments for redemption of bonds	(50)	–
Dividends paid	(797)	(796)
Payments for purchases of treasury stock	(1)	(0)
Others	(12)	(26)
Net cash used in financing activities	(220)	8,857
Effect of exchange rate changes on cash and cash equivalents	(100)	(0)
Increase (decrease) in cash and cash equivalents	(909)	6,017
Cash and cash equivalents at beginning of period	17,807	16,898
Cash and cash equivalents at end of period	16,898	22,916

(5) Notes on premise of going concern

No items to report

(6) Basis of preparation for consolidated financial statements

Item	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
1. Scope of consolidation	A. Number of consolidated subsidiaries: 7 Names of consolidated subsidiaries: 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. Number of non-consolidated subsidiaries: –	A. Number of consolidated subsidiaries: 6 Names of consolidated subsidiaries: Saseho Kosan Co., Ltd., Sasebo Heavy Industries Production Services, Tsukumo Service Co., Ltd., Sajuko Kosan Co., Ltd., Sasebo Juko Sekkei Co., Ltd., Sasebo Marine and Port Services Co., Ltd. Nishi-Kyushu Shoji Co., Ltd. has been liquidated as of March 30, 2010. B. Number of non-consolidated subsidiaries: –
2. Application of the equity method	A. Number of non-consolidated subsidiaries accounted for by the equity method: – 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. B. The fiscal year-end of the companies accounted for by the equity method coincides with the consolidated account closing date. C. Number of affiliates that are not accounted for by the equity method: 1 The company not accounted for by the equity method (Imariwan Port Services Co., Ltd.) has no significant impact on consolidated net income or retained earnings and has no significance as a whole.	A. Number of non-consolidated subsidiaries accounted for by the equity method: – B. The fiscal year-end of the companies accounted for by the equity method coincide with the consolidated account closing date. C. Number of affiliates that are not accounted for by the equity method: 1 Same as on the left
3. Fiscal year-end of consolidated subsidiaries	The fiscal year-end of consolidated subsidiaries coincides with the consolidated account closing date.	Same as on the left
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.	A. Valuation policy and methods of significant assets (1) Securities Held-to-maturity securities: Same as on the left Available-for-sale securities Securities with fair market value: Same as on the left Securities without fair market value: Same as on the left (2) Derivatives Same as on the left

<table>
<tr><th>Item</th><th>Fiscal year ended March 31, 2009</th><th>Fiscal year ended March 31, 2010</th></tr>
<tr><td></td><td>(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.

(Change in accounting policies)
Effective from the current fiscal year, the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006) is adopted.
This change has no effects on operating income, ordinary income, and income before income taxes.

B. Depreciation method and standards for significant depreciable assets
(1) Property, plant and equipment (excluding lease assets):
Depreciated mainly by the declining balance method. Useful lives of principal property, plant and equipment are as follows.
Buildings and structures 2 - 60 years
Docks and building berths 20 - 45 years
Machinery, equipment and vehicles 2 - 17 years
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) Lease assets
Finance lease transactions not involving the transfer of ownership
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 on or before March 31, 2008 continuously follows the same method as for ordinary operating lease transactions.</td><td>(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 costs determined by the specific identification method and the moving-average method, respectively. Construction in process is stated at cost determined by the specific identification method.

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B. Depreciation method and standards for significant depreciable assets
(1) Property, plant and equipment (excluding lease assets):
Depreciated mainly by the declining balance method. Useful lives of principal property, plant and equipment are as follows.
Buildings and structures 2 - 60 years
Docks and building berths 20 - 45 years
Machinery, equipment and vehicles 2 - 17 years
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.

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(2) Lease assets
Same as on the left</td></tr>
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Item	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
	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.	C. Accounting for significant allowances and reserves (1) Allowance for doubtful receivables Same as on the left
	(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.	(2) Reserve for retirement benefits Same as on the left
	________________	(Change in accounting policies) Effective from the current fiscal year, the “Partial Amendment to the Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19, July 31, 2008) is applied. This change has no effects on gross profit, operating income, ordinary income, and income before income taxes.
	(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.	(3) Reserves for guaranteed contracts Same as on the left
	(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.	(4) Reserve for special repairs Same as on the left
	(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.	(5) Reserve for loss on construction contracts Same as on the left

Item	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
	————————	D.Standard for profit and expense appropriation (1) Standard for recording construction revenue Concerning the completed portion by the end of the current fiscal year of all construction contracts including contracts existing at the beginning of the current fiscal year, the percentage-of-completion method is applied if the outcome of the construction activity is deemed certain (percentage of completion estimated by the cost-ratio method), otherwise the completed-contract method is applied. (Change in accounting policies) Previously, revenue from construction contracts was accounted for by the percentage-of-completion method for projects lasting more than one year (more than three months for vessel repair operations) and with a contract amount of ¥100 million or more. Other projects were accounted for by the completed-contract method. However, from the current fiscal year, the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007), are adopted and, concerning the completed portion by the end of the current fiscal year of all construction contracts including contracts existing at the beginning of the current fiscal year, the percentage-of-completion method is applied if the outcome of the construction activity is deemed certain (percentage of completion estimated by the cost-ratio method), otherwise the completed-contract method is applied. This change has no effects on net sales, gross profit, operating income, ordinary income and income before income taxes.
	————————	E. Method of significant hedge accounting (1) Method of hedge accounting With regard to interest rate swaps, exceptional treatment is adopted as the requirements of exceptional treatment are satisfied. (2) Hedging instruments and hedged items (Hedging instruments) Interest rate swaps (Hedged items) Loans (3) Hedging policy Hedging is conducted as a measure against the risk of interest rate variation of interest rate variation based on internal regulations. (4) Method of assessing hedging effectiveness Assessment of hedging effectiveness is omitted because interest rate swap transactions are conducted according to exceptional treatment.
	D.Other significant matters serving as the basis for preparing the financial statements (1) Method 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).	F. Other significant matters serving as the basis for preparing the financial statements ————————

Item	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
	(2) Accounting for consumption taxes Consumption taxes and local consumption taxes are accounted for based on the tax exclusion method.	(1) Accounting for consumption taxes Same as on the left
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.	Same as on the left
6. Amortization of goodwill and negative goodwill	Goodwill and negative goodwill are amortized completely in the fiscal year when they arise.	Same as on the left
7. 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.	Same as on the left

(7) Changes in basis of preparation for consolidated financial statements

Change in accounting policies

Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
(Accounting Standard for Lease Transactions) Before the change, the accounting treatment for finance lease transactions not involving the transfer of ownership followed the same method as for operating lease transactions. However, effective from the current fiscal year, the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13 [Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007]) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16 [The Japanese Institute of Certified Public Accountants Accounting Standard Committee, January 18, 1994; revised March 30, 2007]) are applied. Also, the accounting treatment for finance lease transactions not involving the transfer of ownership whose transaction commenced on or before March 31, 2008 continuously follows the same method as for ordinary operating lease transactions. As a result, lease assets of ¥47 million were recorded in property, plant and equipment and lease assets of ¥40 million were recorded in intangible assets. This change has no effects on operating income, ordinary income, and income before income taxes.	―――――――

Changes in presentation

Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
(Consolidated balance sheets) In line with the application of the Cabinet Office Ordinance Partially Revising Regulation for Financial Statements (Cabinet Office Ordinance No. 50 of August 7, 2008), items collectively presented as “Inventories” for the previous fiscal year are now separately presented as “Merchandise and finished goods,” “Work in process” and “Raw materials and supplies” effective from the current fiscal year. “Merchandise and finished goods,” “Work in process” and “Raw materials and supplies” included in “Inventories” for the previous fiscal year were ¥13 million, ¥1,753 million and ¥1,194 million, respectively.	―――――――
―――――――	(Consolidated statements of income) Because the exceptional loss “loss on sales of non-current assets” exceeds 10% of the total exceptional loss in the current fiscal year, it is recorded separately. The “Other” component of extraordinary loss in the previous fiscal year contained “loss on sales of non-current assets” of ¥194 million.
(Consolidated statements of cash flows) In the previous fiscal year, the item recorded as “Gains on sales of property, plant and equipment” has, effective from the current fiscal year, been changed to combine the two items of “Gains on sales of property, plant and equipment” and “Loss on sales of property, plant and equipment” into the one item “Loss (gain) on sales of property, plant and equipment.” This change was made to improve the comparability of financial statements following the introduction of XBRL to EDINET. In the current fiscal year, “Loss (gain) on sales of property, plant and equipment” includes a gain on sales of property, plant and equipment of ¥298 million and a loss on sales of property, plant and equipment of ¥194 million. In the previous fiscal year, “Others” in “Cash flows from operating activities” includes “Loss on sales of property plant and equipment” of ¥6 million. In the previous fiscal year, the item recorded as “Increase in inventories and advance payment” has been changed to the two separate items of “Decrease (increase) in inventories” and “Decrease (increase) in other current assets.” This change was made to improve the comparability of financial statements following the introduction of XBRL to EDINET. In the previous fiscal year, “Decrease (increase) in inventories” and “Decrease (increase) in other current assets,” which were included in “Increase in inventories and advance payment” amounted to an increase of ¥564 million and an increase of ¥198 million, respectively. Also, included in “Decrease (increase) in other current assets” of the current fiscal year is a decrease of ¥126 million as the equivalent amount of “Increase in inventories and advance payment” of the previous fiscal year. In the previous fiscal year, the items “Decrease (increase) in other non-current assets” and “Increase (Decrease) in other non-current liabilities,” listed separately in cash flows from investing activities, have, effective the current fiscal year, been changed to be included under “Others.” This change was made to improve the comparability of financial statements following the introduction of XBRL to EDINET. The “Others” item of the current fiscal year includes “Decrease (increase) in other non-current assets” and “Increase (Decrease) in other non-current liabilities” of a decrease of ¥11 million and a decrease of ¥8 million, respectively.	―――――――

(8) Notes to consolidated balance sheets

Notes to consolidated balance sheets

As of March 31, 2009	As of March 31, 2010
1. Assets pledged as collateral and obligations secured by such collateral (1) Non-current assets including buildings of ¥128 million, land of ¥191 million and the ¥5,992 million yen (composition of factory foundation) listed below are pledged as collateral for short-term loans payable of ¥2,119 million, advances received of ¥2,852 million and long-term loans payable of ¥668 million. *millions of yen* Buildings and structures 3,468 Docks and building berths 676 Machinery, equipment and vehicles 584 Tools, furniture and fixtures 1 Land 1,261 Total 5,992 (2) Investment securities of 2,085 are pledged as collateral for short-term loans of ¥90 million, advances received of ¥5,137 and long-term loans payable of ¥45 million.	1. Assets pledged as collateral and obligations secured by such collateral (1) Non-current assets including buildings of ¥108 million, land of ¥191 million and the ¥6,230 million yen (composition of factory foundation) listed below are pledged as collateral for short-term loans payable of ¥1,850 million, advance received of ¥2,852 million and long-term loans payable of ¥6,327 million. *millions of yen* Buildings and structures 3,274 Docks and building berths 1,300 Machinery, equipment and vehicles 393 Tools, furniture and fixtures 0 Land 1,261 Total 6,230 (2) Investment securities of 2,683 are pledged as collateral for long-term loans payable of ¥45 million.
2. Stocks of non-consolidated subsidiaries and affiliates Investment securities (stock) ¥7 million	2. Stocks of non-consolidated subsidiaries and affiliates Investment securities (stock) ¥7 million
3. The Company has concluded commitment line agreements with eight banks totaling ¥10,000 million for the purpose of improving the stability of fund procurement and the flexibility of fund management. The unused balance of commitment line agreements as of the end of the current fiscal year is as follows. *millions of yen* Total commitment line agreement 10,000 Used commitments – Unused balance 10,000	3. The Company has concluded commitment line agreements with eight banks totaling ¥10,000 million for the purpose of improving the stability of fund procurement and the flexibility of fund management and with six banks totaling 7,000 million yen for the purpose of procuring funds for capital investment. The unused balance of commitment line agreements as of the end of the current fiscal year is as follows. *millions of yen* Total commitment line agreement 17,000 Used commitments 5,900 Unused balance 11,100
――――――	4. Financial restraint clauses In the aforementioned commitment line agreements, financial restraint clauses are attached based on certain indices calculated from the net asset amount in the nonconsolidated and consolidated balance sheets of each fiscal year and ordinary income etc. of the statement of income. The balance of loans subject to a financial restraint clause in the current consolidated fiscal year was ¥5,900 million (Long-term loans payable, subject to commitment line agreement, of ¥5,900 million.)

Notes to consolidated statements of income

Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
1. The main items of gain on sales of non-current assets were generated by the sale of property, plant and equipment (such as land).	1. The main items of gain on sales of non-current assets were generated by the sale of property, plant and equipment (such as machinery, equipment and vehicles).
________________	2. Main items of loss on sales of non-current assets were generated by the sale of property plant and equipment (such as machinery equipment and vehicles).
2. The main items of loss on disposal of non-current assets were generated by the retirement of property, plant and equipment (such as machinery, equipment and vehicles).	3. The main items of loss on disposal of non-current assets were generated by the retirement of property, plant and equipment (such as machinery, equipment and vehicles).
3. (1) Asset groups with recognized impairment loss and impairment loss amounts (Purpose) Assets for steel structure business (Class) Land, etc. (Location) Sasebo, Nagasaki Prefecture (Amount) ¥1,335 million (Purpose) Idle assets (Class) Land, etc. (Location) Hirado, Nagasaki Prefecture (Amount) ¥45 million	4. (1) Asset groups with recognized impairment loss and impairment loss amounts (Purpose) Golf course (Class) Land (Location) Sasebo, Nagasaki Prefecture (Amount) ¥48 million (Purpose) Idle assets (Class) Land, etc. (Location) Sasebo, Nagasaki Prefecture (Amount) ¥346 million
(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.	(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 (Assets for steel structure business) Investment in public investment is declining in Japan, the primary market for the bridges business. Because the bridges business had become an unprofitable business because of intensifying competition, the Company decided to withdraw from these operations and therefore reduced the book value of these assets to an amount deemed collectable. (Idle assets) Because the market value had fallen, the Company reduced the book value to an amount deemed collectable.	(3) Background details of recognition of impairment loss (Golf course) Because the outlook of future cash flow has fallen due to deterioration of revenues, the Company has reduced the book value to an amount deemed collectable. (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.	(4) Method of calculating the amount deemed collectable The fair cost to sell, which is based on valuation by a real estate appraiser and declared value, is used as the amount deemed collectable in the above calculations.
4. Research and development expenses included in general and administrative expenses and cost of products manufactured were ¥247 million.	5. Research and development expenses included in general and administrative expenses and cost of products manufactured are ¥239 million.

Notes to consolidated statements of changes in net assets

Fiscal year ended March 31, 2009

1. Number of issued shares

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

2. Treasury stock

Class of shares	As of the end of the previous fiscal year	Increase	Decrease	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	Total amounts of dividends	Dividend per share	Record date	Effective date
		millions of yen	*yen*		
June 25, 2008 Annual shareholders meeting	Common stock	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

Fiscal year ended March 31, 2010

1. Number of issued shares

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

2. Treasury stock

Class of shares	As of the end of the previous fiscal year	Increase	Decrease	As of the end of the current fiscal year
Common stock	1,474,990	3,744	–	1,478,734

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

(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, 2010 Annual shareholders meeting	Common stock	Retained earnings	641	4.0	March 31, 2010	June 25, 2010

Notes to consolidated statements of cash flows

(in millions of yen, unless otherwise noted)

As of March 31, 2009		As of March 31, 2010	
1. Reconciliation of cash and cash equivalents at the end of the period and the amount recorded in consolidated balance sheets		1. Reconciliation of cash and cash equivalents at the end of the period and the amount recorded in consolidated balance sheets	
Cash and deposits	16,858	Cash and deposits	22,876
Marketable securities	1,040	Marketable securities	40
Time deposits with maturities exceeding three months	–	Time deposits with maturities exceeding three months	–
Bonds with redemption periods exceeding three months	(1,000)	Bonds with redemption periods exceeding three months	–
Cash and cash equivalents	16,898	Cash and cash equivalents	22,916
2. Details of major non-fund transaction		2. Details of major non-fund transaction	
No items to report		Same as on the left	

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

Segment information

1. 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, impairment losses 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, reefers, 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: Bridges, floating pontoons, hydraulic gates, steel penstocks, steel frames, cable cranes, steel pools, marine structure such as 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, 2008	Fiscal year ended March 31, 2009	Main details
Unallocatable operating expenses included in "Elimination and corporate"	1,425	1,982	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"	45,379	40,380	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 (Additional information)", 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

Fiscal year ended March 31, 2010 *(in millions of yen)*

	Shipbuilding	Machinery and steel structure	Others	Total	Elimination and corporate	Consolidated
I. Net sales and operating income						
Net sales						
(1) Outside customers	52,645	9,961	1,085	63,692	–	63,692
(2) Inter-segment sales and transfers	–	1,028	1,684	2,712	(2,712)	–
Total	52,645	10,990	2,769	66,404	(2,712)	63,692
Operating expenses	46,340	8,029	2,669	57,039	(1,379)	55,660
Operating income	6,304	2,960	99	9,364	(1,333)	8,031
II. Assets, depreciation, impairment losses and capital expenditures						
Assets	27,782	9,552	953	38,288	42,551	80,840
Depreciation and amortization	1,621	966	258	2,846	702	3,548
Impairment losses	–	–	48	48	208	256
Capital expenditures	1,419	1,712	10	3,141	2,288	5,429

(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, reefers, container carriers, naval ships, marine research vessels, etc.

(2) Machinery and steel structure: 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, marine structure such as bridges, floating pontoons, hydraulic gates, steel penstocks, steel frames, cable cranes, steel pools, marine structure such as pontoons/caissons

(3) Others: School meal service, 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, 2010	Main details
Unallocatable operating expenses included in "Elimination and corporate"	1,982	1,333	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"	40,380	42,551	Assets connected to surplus funds (cash and securities), long-term investment funds (investment securities), and administrative department of the submitting company (the Company)

4. *Additional information*

The Company decided by resolution at its Board of Directors held on March 26, 2009, to withdraw from the bridges business, the mainstay product of the steel structure segment when the construction backlog is completed. Because the construction backlog has mostly been completed during the current fiscal year, the materiality of amounts has considerably dropped and it is no longer the size at which segment information is independently presented.

Steel structure business other than the bridges business will be merged with the existing machinery business which shares similarities with respect to products and manufacturing method, and will continue. As of April 1, 2009, Machinery & Steel Structure Division was newly established.

As a result, the previous business segments of “Shipbuilding,” “Machinery,” “Steel structure,” and “Others,” have been changed to “Shipbuilding,” “Machinery and steel structure,” and “Others.”

The amounts previously allocated to “Steel structure” that are now included in “Machinery and steel structure” are as follows.

Net sales to outside customers: ¥2,921 million, inter-segment sales and transfers: ¥1,028 million operating expenses: ¥3,623 million, operating income: ¥326 million, assets: ¥430 million, depreciation and amortization: ¥1 million, impairment loss: ¥ − million, capital expenditure: ¥ − million.

2. Information by geographic segment

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

3. 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, South 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 regions outside Japan.*

Fiscal year ended March 31, 2010

	Central America	Europe	Asia	Africa	Others	Total
I. Overseas net sales *(millions of yen)*	3,112	28	33,820	9,151	1,308	47,422
II. Consolidated net sales *(millions of yen)*						63,692
III. Percentage of overseas net sales to consolidated net sales *(%)*	4.9	0.0	53.1	14.4	2.1	74.5

(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
   (2) Europe: UK, Germany, Greece
   (3) Asia: Hong Kong, Singapore, the Philippines
   (4) Africa: Liberia
   (5) Others: USA, the Marshall Islands, New Zealand

3. *“Overseas net sales” are the net sales of the Company and its consolidated subsidiaries in countries or regions outside Japan.*

Per share information

Fiscal year ended March 31, 2009		Fiscal year ended March 31, 2010	
	yen		*yen*
Net assets per share	135.43	Net assets per share	156.57
Net income per share	19.26	Net income per share	23.27
The net income per share after adjustment of residual securities is not indicated because of the lack of residual securities.		The net income per share after adjustment of residual securities is not indicated because of the lack of residual securities.	

(Note) Basis for calculation

1. Net assets per share

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Total net assets on the consolidated balance sheets *(millions of yen)*	21,733	25,126
Net assets connected to common shareholders *(millions of yen)*	21,733	25,126
Total number of issued shares of common stock *(thousand shares)*	161,955	161,955
Total number of treasury shares of common stock *(thousand shares)*	1,474	1,478
Number of common stock used as the basis for calculating the net assets per share *(thousand shares)*	160,480	160,476

2. Net income per share

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Net income *(millions of yen)*	3,091	3,733
Amounts not applicable to common shareholders *(millions of yen)*	–	–
Net income connected to common stock *(millions of yen)*	3,091	3,733
Average number of common shares during the term *(thousand shares)*	160,483	160,477

Significant subsequent events

Fiscal year ended March 31, 2009
No items to report

Fiscal year ended March 31, 2010
No items to report

(9) Other information

Production, Orders Received, and Sales

(1) Production

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2009		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	53,397	85.6	62,787	82.5	(9,389)	(15.0)
Machinery and steel structure	7,940	12.7	12,209	16.0	(4,268)	(35.0)
Others	1,085	1.7	1,139	1.5	(53)	(4.7)
Total	62,422	100.0	76,135	100.0	(13,712)	(18.0)

(2) Orders received

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2009		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	6,449	47.6	32,062	75.9	(25,613)	(79.9)
Machinery and steel structure	6,013	44.4	9,016	21.4	(3,003)	(33.3)
Others	1,085	8.0	1,139	2.7	(53)	(4.7)
Total	13,548	100.0	42,218	100.0	(28,670)	(67.9)

(3) Order backlog

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2009		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	169,083	97.1	226,792	94.8	(57,708)	(25.5)
Machinery and steel structure	5,129	2.9	12,482	5.2	(7,353)	(58.9)
Others	–	–	–	–	–	–
Total	174,212	100.0	239,274	100.0	(65,062)	(27.2)

(Note) Order backlog is described by the complete contract method. Of order backlog amounts for the end of the current fiscal year, ¥19,932 million for shipbuilding and ¥629 million for machinery and steel structure and for the end of previous fiscal year, ¥31,445 million for shipbuilding and ¥4,034 million for machinery and steel structure are recorded as sales by the percentage of completion method.

(4) Sales

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2009		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	52,645	82.7	63,301	81.7	(10,656)	(16.8)
Machinery and steel structure	9,961	15.6	13,023	16.8	(3,061)	(23.5)
Others	1,085	1.7	1,139	1.5	(53)	(4.7)
Total	63,692	100.0	77,464	100.0	(13,771)	(17.8)

5. Non-consolidated financial statements
(1) Non-consolidated balance sheets

(in millions of yen, unless otherwise noted)

	As of March 31, 2009	As of March 31, 2010
Assets		
Current assets		
Cash and deposits	16,264	22,397
Notes receivable—trade	1,066	804
Accounts receivable—trade	24,553	16,208
Marketable securities	1,000	–
Raw materials and supplies	1,238	579
Partly-finished work	2,127	3,143
Advance payments—other	992	1,020
Prepaid expenses	48	41
Deferred tax assets	1,730	291
Accounts receivable—other	972	873
Other current assets	55	54
Allowance for doubtful receivables	(2)	(1)
Total current assets	50,047	45,413
Non-current assets		
Property, plant and equipment		
Buildings	11,657	13,119
Accumulated depreciation	(7,450)	(7,658)
Buildings, net	4,206	5,461
Structures	10,404	10,826
Accumulated depreciation	(6,131)	(6,374)
Structures, net	4,273	4,451
Docks and building berths	4,461	5,154
Accumulated depreciation	(3,784)	(3,854)
Docks and building berths, net	676	1,300
Machinery and equipment	23,131	24,688
Accumulated depreciation	(17,226)	(17,277)
Machinery and equipment, net	5,905	7,411
Vessels	1,245	1,332
Accumulated depreciation	(328)	(540)
Vessels, net	916	791
Vehicles	725	711
Accumulated depreciation	(380)	(497)
Vehicles, net	345	213
Tools, furniture and fixtures	2,270	2,265
Accumulated depreciation	(1,825)	(1,830)
Tools, furniture and fixtures, net	444	435

(in millions of yen, unless otherwise noted)

	As of March 31, 2009	As of March 31, 2010
Land	7,084	7,567
Lease assets	53	81
Accumulated depreciation	(6)	(23)
Lease assets, net	46	57
Construction in progress	2,635	305
Total property, plant and equipment	26,533	27,996
Intangible assets		
Software	157	194
Lease assets	39	30
Utility model rights	0	–
Telephone subscription rights	10	10
Total intangible assets	207	235
Investments and other assets:		
Investment securities	3,771	3,927
Stocks of subsidiaries and affiliates	130	130
Investments in capital	19	19
Long-term loans receivable	3	3
Long-term loans receivable from subsidiaries and affiliates	–	28
Long-term loans receivable from employees	9	9
Claims provable in bankruptcy, claims provable in rehabilitation and other	172	163
Deferred tax assets	2,783	2,034
Long-term accounts receivable-other	225	340
Others	249	169
Allowance for doubtful receivables	(330)	(271)
Total investments and other assets	7,033	6,554
Total non-current assets	33,774	34,785
Total assets	83,822	80,199

(in millions of yen, unless otherwise noted)

	As of March 31, 2009	As of March 31, 2010
Liabilities		
Current liabilities		
Notes payable—trade	5,497	3,503
Notes payable for equipment	1,476	610
Accounts payable—trade	18,761	12,678
Short-term loans payable	2,514	4,068
Lease assets	22	29
Accounts payable—other	40	80
Accrued expenses	2,351	1,748
Accrued income taxes	1,809	144
Advance received	18,917	16,959
Deposits received	135	272
Reserve for guaranteed contracts	54	56
Reserve for loss on construction contracts	2,442	5
Total current liabilities	54,022	40,156
Non-current liabilities		
Long-term loans payable	1,488	9,614
Long-term accounts payable—other	118	97
Lease assets	67	62
Reserve for retirement benefits	6,635	5,384
Reserve for special repairs	27	35
Total non-current liabilities	8,336	15,194
Total liabilities	62,359	55,351

(in millions of yen, unless otherwise noted)

	As of March 31, 2009	As of March 31, 2010
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	34
Reserve for advanced depreciation of non-current assets	–	25
Retained earnings brought forward	7,390	10,314
Total retained earnings	8,974	11,901
Treasury stock	(975)	(976)
Total shareholders' equity	21,561	24,487
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	(98)	360
Total valuation and translation adjustments	(98)	360
Total net assets	21,463	24,847
Total liabilities and net assets	83,822	80,199

(2) Non-consolidated statements of income

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Net sales	76,169	62,495
Costs of sales	66,438	51,942
Gross profit	9,730	10,553
Selling, general and administrative expenses		
Salaries	956	1,036
Retirement benefit expenses	98	86
Welfare expenses	233	226
Traveling and transportation expenses	131	103
Business consignment expenses	221	77
Membership fee	47	41
Taxes and dues	100	82
Depreciation	32	38
Rent expenses	344	294
Research and development expenses	247	239
Inquiry expenses	72	78
Provision of allowance for doubtful receivables	–	1
Other	296	288
Total selling, general and administrative expenses	2,783	2,593
Operating income	6,946	7,959
Non-operating income		
Interest income	119	33
Dividends income	81	51
Insurance and dividends income	23	17
Other	76	24
Total non-operating income	300	126
Non-operating expenses		
Interest expenses	188	256
Foreign exchange losses	142	384
Other	89	119
Total non-operating expenses	420	760
Ordinary income	6,827	7,325
Extraordinary income		
Gain on sales of non-current assets	297	73
Reversal of allowance for doubtful receivables	135	0
Other	2	69
Total extraordinary income	435	143

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Extraordinary losses		
Loss on sales of non-current assets	–	91
Loss on disposal of non-current assets	213	331
Impairment loss	1,380	394
Loss on valuation of investment securities	178	34
Other	290	16
Total extraordinary losses	2,062	868
Income before income taxes	5,200	6,601
Income taxes—current	1,800	756
Income taxes for prior periods	–	159
Income taxes—deferred	381	1,953
Total income taxes	2,182	2,870
Net income	3,017	3,730

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

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
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	–	57
Changes of items during the period		
Reversal of reserve for reduction entry of replaced property	57	(22)
Total changes of items during the period	57	(22)
Balance at the end of the current period	57	34

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Reserve for advanced depreciation of non-current assets		
Balance at the end of the previous period	–	–
Changes of items during the period		
Provision of reserve for advanced depreciation of non-current assets	–	27
Reversal of reserve for advanced depreciation of non-current assets	–	(1)
Total changes of items during the period	–	25
Balance at the end of the current period	–	25
Retained earnings brought forward		
Balance at the end of the previous period	5,272	7,390
Changes of items during the period		
Dividends from surplus	(802)	(802)
Provision of reserve for advanced depreciation of non-current assets	(96)	(44)
Reversal of reserve for reduction entry of replaced property	–	38
Reversal of reserve for advanced depreciation of non-current assets	–	1
Net income	3,017	3,730
Total changes of items during the period	2,118	2,924
Balance at the end of the current period	7,390	10,314
Total retained earnings		
Balance at the end of the previous period	6,798	8,974
Changes of items during the period		
Dividends from surplus	(802)	(802)
Provision of reserve for reduction entry of replaced property	(39)	–
Provision of reserve for advanced depreciation of non-current assets	–	(17)
Reversal of reserve for reduction entry of replaced property	–	15
Net income	3,017	3,730
Total changes of items during the period	2,176	2,926
Balance at the end of the current period	8,974	11,901
Treasury stock		
Balance at the end of the previous period	(974)	(975)
Changes of items during the period		
Acquisition of treasury stock	(1)	(0)
Total changes of items during the period	(1)	(0)
Balance at the end of the current period	(975)	(976)

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Total shareholders' equity		
Balance at the end of the previous period	19,386	21,561
Changes of items during the period		
Dividends from surplus	(802)	(802)
Provision of reserve for reduction entry of replaced property	(39)	–
Provision of reserve for advanced depreciation of non-current assets	–	(17)
Reversal of reserve for reduction entry of replaced property	–	15
Net income	3,017	3,730
Acquisition of treasury stock	(1)	(0)
Total changes of items during the period	2,174	2,925
Balance at the end of the current period	21,561	24,487
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of the previous period	855	(98)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(953)	458
Total changes of items during the period	(953)	458
Balance at the end of the current period	(98)	360
Total valuation and translation adjustments		
Balance at the end of the previous period	855	(98)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(953)	458
Total changes of items during the period	(953)	458
Balance at the end of the current period	(98)	360
Net assets		
Balance at the end of the previous period	20,241	21,463
Changes of items during the period		
Dividends from surplus	(802)	(802)
Provision of reserve for reduction entry of replaced property	(39)	–
Provision of reserve for advanced depreciation of non-current assets	–	(17)
Reversal of reserve for reduction entry of replaced property	–	15
Net income	3,017	3,730
Acquisition of treasury stock	(1)	(0)
Net changes of items other than shareholders' equity during the period	(953)	458
Total changes of items during the period	1,221	3,384
Balance at the end of the current period	21,463	24,847

(4) Notes on premise of going concern

No items to report

6. Others

(Changes in Directors)

Please refer to “Notice Concerning Organizational Restructuring, Determination of Director Candidates and Other Personnel Matters” released on April 28, 2010.