Translation

Summary of Consolidated Financial Results for the Year Ended March 31, 2011 <under Japanese GAAP>

May 13, 2011

Company name: **Sasebo Heavy Industries Co., Ltd.**
Listing: Tokyo Stock Exchange 1st Section
Fukuoka Stock Exchange
Stock code: 7007
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Scheduled date of annual shareholders meeting:	June 23, 2011
Scheduled date to commence dividend payments:	June 24, 2011
Scheduled date to file securities report:	June 24, 2011
Preparation of supplementary material on financial results:	None
Holding of financial results presentation meeting:	None

Figures less than one million yen have been omitted.

1. Consolidated financial results for the year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)

(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, 2011	67,280	5.6	6,473	(19.4)	6,161	(16.8)	4,478	19.9
March 31, 2010	63,692	(17.8)	8,031	13.9	7,400	6.6	3,733	20.8

Note: Comprehensive income
For the year ended March 31, 2011: ¥3,898 million [(7.1)%]
For the year ended March 31, 2010: ¥4,198 million [–%]

	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, 2011	27.91	–	16.7	7.4	9.6
March 31, 2010	23.27	–	15.9	9.0	12.6

Reference: Equity income (loss) from affiliates
For the year ended March 31, 2011: ¥ – million
For the year ended March 31, 2010: ¥ – million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	*millions of yen*	*millions of yen*	*%*	*yen*
March 31, 2011	85,013	28,396	33.4	176.96
March 31, 2010	80,840	25,126	31.1	156.57

Reference: Equity
As of March 31, 2011: ¥28,396 million
As of March 31, 2010: ¥25,126 million

2. Cash dividends

	Annual dividends					Total cash dividends	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, 2010	–	0.00	–	4.00	4.00	641	17.2	2.7
March 31, 2011	–	0.00	–	5.00	5.00	802	17.9	3.0
For the year ending March 31, 2012 (Forecast)	–	0.00	–	5.00	5.00		32.1	

3. Consolidated forecast for the fiscal year ending March 31, 2012 (From April 1, 2011 to March 31, 2012)

(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, 2011	35,500	59.8	3,500	31.0	3,300	34.3	1,900	(30.0)	11.84
For the year ending March 31, 2012	69,000	2.6	4,800	(25.9)	4,500	(27.0)	2,500	(44.2)	15.58

4. Others

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

Note: For more details, please refer to the section of "(6) Significant matters forming the basis of preparing the consolidated financial statements" of "4. Consolidated financial statements" on page 19.

(2) Changes in accounting policies, procedures and methods of presentation

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 "(7) Changes in significant matters forming the basis of preparing the consolidated financial statements" of "4. Consolidated financial statements" on page 22.

(3) Number of issued shares (common stock)

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

As of March 31, 2011	161,955,000 shares
As of March 31, 2010	161,955,000 shares

B. Number of treasury shares at the end of the period

As of March 31, 2011	1,482,028 shares
As of March 31, 2010	1,478,734 shares

C. Average number of outstanding shares during the period

For the year ended March 31, 2011	160,474,937 shares
For the year ended March 31, 2010	160,477,418 shares

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for the year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)

(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, 2011	66,004	5.6	6,425	(19.3)	6,039	(17.6)	4,387	17.6
March 31, 2010	62,495	(18.0)	7,959	14.6	7,325	7.3	3,730	23.6

	Net income per share	Diluted net income per share
For the year ended	*yen*	*yen*
March 31, 2011	27.34	–
March 31, 2010	23.25	–

(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, 2011	84,278	28,027	33.3	174.66
March 31, 2010	80,199	24,847	31.0	154.84

Reference: Equity
As of March 31, 2011: ¥28,027 million
As of March 31, 2010: ¥24,847 million

2. Non-consolidated forecast for the fiscal year ending March 31, 2012 (From April 1, 2011 to March 31, 2012)

(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, 2011	35,000	61.7	3,500	33.2	3,300	35.4	1,900	(29.0)	11.84
For the year ending March 31, 2012	68,000	3.0	4,800	(25.3)	4,500	(25.5)	2,500	(43.0)	15.58

*** Indication regarding execution of audit procedures**

The completion of audit procedures in accordance with the Financial Instruments and Exchange Act is not required for preparing this financial results report. At the time of disclosure of this financial results report, the audit procedures for financial statements are in progress.

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

All forward-looking statements in this document are based on information currently available and on certain assumptions that we consider reasonable. Actual results may vary significantly due to various factors. Regarding the assumptions in the projected results above and cautionary statements concerning the use of these projections, see “1. Operating results” on pages 2 - 6.

Attached Materials

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1. Operating results

(1) Analysis of operating results

A. Outline of consolidated operating results for the current fiscal year

During the fiscal year ended March 31, 2011, although the Japanese economy continued along a track of recovery in the first half of the year with the benefit of economic growth in emerging countries in Asia, particularly in China, the economy stagnated in the second half of the year amidst conditions such as a weakening of exports due to the effects of the yen's appreciation. Although signs of a pickup were observed, this recovery continued to be weak in autonomy. In addition, Japan's economy has been considerably impacted by the Great East Japan Earthquake which occurred on March 11, 2011 and there is uncertainty concerning the future of the economy.

In the shipbuilding industry, although the new shipbuilding orders have continued to be weak since the financial crisis, there was a recovery in the willingness of ship owners to make orders because ship prices seem to have bottomed out. As a result, global new shipbuilding orders received in 2010 recovered to about 90% of the level in 2008 at the time of the financial crisis, increasing 131.6% year on year to 77,806 thousand gross tons. For Japanese new shipbuilding orders, on the other hand, there was a limited increase of 24.5% to 10,594 thousand gross tons, due to lower price competitiveness from the strong yen etc. Also, as a result of a significant increase in capacity to supply new ships, particularly in China, the global delivery of new ships increased by 24.6% to a record-high 96,012 thousand gross tons and delivery of new ships in Japan increased by 6.3% to 20,171 thousand gross tons.

In the machinery industry, despite a recovery in orders received, especially exports to Asia such as industrial machinery, prices were weak. This was a result of looser supply and demand conditions for crankshafts, a core product of the Company, due to cancellations following the financial crisis of new shipbuilding orders, particularly in China and Korea, and a slump in ship prices.

Under the above circumstances, the Sasebo Group posted consolidated orders received of ¥35,706 million, an increase of 163.6% from the previous fiscal year. One of the factors behind this result was that we started again to accept new shipbuilding orders. The Group posted total consolidated sales of ¥67,280 million, an increase of 5.6% from the previous fiscal year, thanks to such factors as increases in the number of new ships being constructed and in ship repair work in the shipbuilding business, even though the net sales of the machinery business decreased due to its withdrawal from the bridges business. The consolidated order backlog at the end of the current fiscal year was ¥90,072 million, a decrease of 48.3% from the previous fiscal year-end, mainly attributed to the cancellation of new shipbuilding contracts for 8 units received up to the previous fiscal year, despite the acceptance of new shipbuilding orders mentioned above. In terms of income, because the reversal of a reserve for the loss on construction contracts that was posted in the previous fiscal year was absent from the current fiscal year, consolidated operating income was ¥6,473 million, a 19.4% decrease from the previous fiscal year with ordinary income of ¥6,161 million, a 16.8% decrease. The cancellation fees relating to the cancelled new shipbuilding contracts were posted as extraordinary income, resulting in a net income of ¥4,478 million, an increase of 19.9% from the previous fiscal year.

Results by segment are as follows. Effective from the current fiscal year, the Company applies "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008). When comparing the segments with the previous year's results, the segment categorization of the previous year was rearranged to reflect the segment categorization of the current year.

(a) Shipbuilding

The Group posted orders received of ¥29,161 million in the shipbuilding business, increasing 352.2%. Included in this amount were new shipbuilding orders for 6 units of 75,000 DWT bulk carriers as well as ship repairs for the Japan Maritime Self-Defense Force and United States

Navy vessels and for commercial vessels, among others. Net sales for new shipbuilding and ship repair work combined amounted to ¥59,229 million, a 12.5% increase from the previous fiscal year. New ships delivered during the fiscal year totaled 10 ships: 1 unit of 115,000 DWT crude oil tanker, 7 units of 75,000 DWT bulk carriers and 2 units of 180,000 DWT bulk carriers. In addition, there was the cancellation of new shipbuilding contracts for 8 units received up to the previous fiscal year and as a result, the order backlog for new shipbuilding came to 14 units. Order backlog, including ship repairs, amounted to ¥87,035 million, decreasing 48.5% from the previous fiscal year-end. In terms of income, as the reversal of a reserve for the loss on construction contracts that was posted in the previous fiscal year was absent from the current fiscal year, segment profit was ¥4,488 million, decreasing 7.4% from the previous year.

(b) Machinery

The Group posted orders received of ¥5,268 million, decreasing 10.7% for its machinery business representing 174 orders of equipment-related work for marine equipment and general industrial machinery, etc. Net sales amounted to ¥6,775 million, decreasing 31.2%, and order backlog totaled ¥3,036 million, decreasing 40.8% from the previous year-end. In terms of income, segment profit was ¥1,592 million, a decrease of 36.7%, as a result of the decrease in net sales and other factors.

(c) Others

Other business segments are comprised mainly of meal delivery service, etc. Orders received and net sales increased 6.6%, totaling ¥1,275 million, respectively. Segment profit was ¥114 million as a result of an increase of 49.4% from the previous fiscal year.

After adding adjustment of ¥278 million to segment profits, a consolidated operating income of ¥6,473 million was posted.

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, 2011	35,706	67,280	6,473	6,161	4,478	27.91
March 31, 2010	13,548	63,692	8,031	7,400	3,733	23.27

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, 2011	34,430	66,004	6,425	6,039	4,387	27.34
March 31, 2010	12,351	62,495	7,959	7,325	3,730	23.25

B. Prospects for the year ending March 2012

Looking to the future, we expect the global economy to continue growing, particularly in the emerging countries of Asia. However, there remain ingredients for instability, such as the financial crisis in Europe, the political unrest in the Middle-East and North Africa and the course of Japan's economic recovery following the Great East Japan Earthquake, increasing future uncertainty with respect to the economic situation. In the shipbuilding industry, it is expected to be some time before there is a recovery in ship prices because in addition to concerns of sluggishness in sea freight and tonnage, there is also the increase in the supply volume from newly built ships, particularly from China. Also, in marine equipment such as crankshafts, the Company's core product in the machinery business, a climate of weak prices is expected to continue as an impact of ship prices. In addition, because of the increasing demand from emerging countries etc, resource prices are soaring and there are concerns that the prices of material and equipment such as steel will 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 financial results of all the Group 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, 2012, we are expecting consolidated amount of orders received of ¥43,000 million and consolidated net sales of ¥69,000 million. In terms of profit, the Group expects consolidated operating income of ¥4,800 million, consolidated ordinary income of ¥4,500 million and consolidated net income of ¥2,500 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	43,000	69,000	4,800	4,500	2,500
Non-consolidated performance	42,000	68,000	4,800	4,500	2,500

The exchange rate is assumed to be ¥85/US$.

(b) Prospect of operating results by business segment

(in millions of yen)

Category	Amount of orders received	Net sales	Operating income
Shipbuilding	34,500	61,600	3,800
Machinery	7,500	6,400	1,000
Others	1,000	1,000	–
(Elimination)	–	–	–
Total	43,000	69,000	4,800

(2) Analysis of financial position

A. Analysis of assets, liabilities and net assets

(a) Assets

Current assets were ¥54,623 million, an increase of ¥8,605 million from the previous fiscal year-end. This was mainly due to an increase in cash and deposits resulting from payments received for new ship buildings and an increase in loans payable. Non-current assets were ¥30,390 million, a decrease of ¥4,432 million from the previous fiscal year-end. One of the main reasons for this was that capital investments were less than depreciation.

As a result, total assets were ¥85,013 million, an increase of ¥4,173 million from the previous fiscal year-end.

(b) Liabilities

Current liabilities were ¥39,517 million, a decrease of ¥801 million from the previous fiscal year-end. This was mainly due to a decrease in advance received as ships under construction came closer to completion despite an increase of taxable income that resulted in an increase of accrued income taxes. Non-current liabilities were ¥17,098 million, an increase of ¥1,704 million from the previous fiscal year-end. This was mainly due to increases in long-term loans payable etc.

As a result, total liabilities were ¥56,616 million, an increase of ¥902 million from the previous fiscal year-end.

(c) Net assets

Total net assets were ¥28,396 million, an increase of ¥3,270 million from the previous fiscal year-end. This was mainly due to an increase in retained earnings resulting from the recording of ¥4,478 million in consolidated net income.

B. Cash flows

Cash and cash equivalents at the end of this consolidated fiscal year increased by ¥5,745 million to ¥28,662 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 ¥7,402 million, an increase of ¥4,428 million from the previous year. This was mainly due to the recording of income before income taxes, an increase in reserve for loss on construction contracts, and a decrease in income taxes paid.

(b) Cash flows from investing activities

Net cash used in investing activities was ¥2,877 million, a decrease of ¥2,935 million from the previous year. This was mainly due to a decrease in the purchase of property, plant and equipment.

(c) Cash flows from financing activities

Net cash provided by financing activities was ¥1,226 million, a decrease of ¥7,631 million from the previous year. This was mainly due to a decrease in proceeds from long-term loans.

(Reference) Principal cash flow indicators

	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011
Equity ratio *(%)*	26.9	24.1	25.7	31.1	33.4
Market value-based equity ratio *(%)*	99.4	58.7	34.4	38.9	32.1
Interest-bearing liabilities to cash flow ratio	0.4	1.5	3.0	6.1	2.7
Interest coverage ratio *(%)*	75.0	23.9	17.5	12.6	28.0

(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 (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, 2011 and the year ending March 31, 2012

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 structure and develop future business.

The year-end dividend for the year ended March 31, 2011 is planned to be ¥5 per share with consideration being given to retained earnings for the purposes of improving our corporate structure and developing future business.

The year-end dividend for the next fiscal year is planned to be ¥5 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, 2011]) engage primarily in the manufacture and sale of ships and machinery.

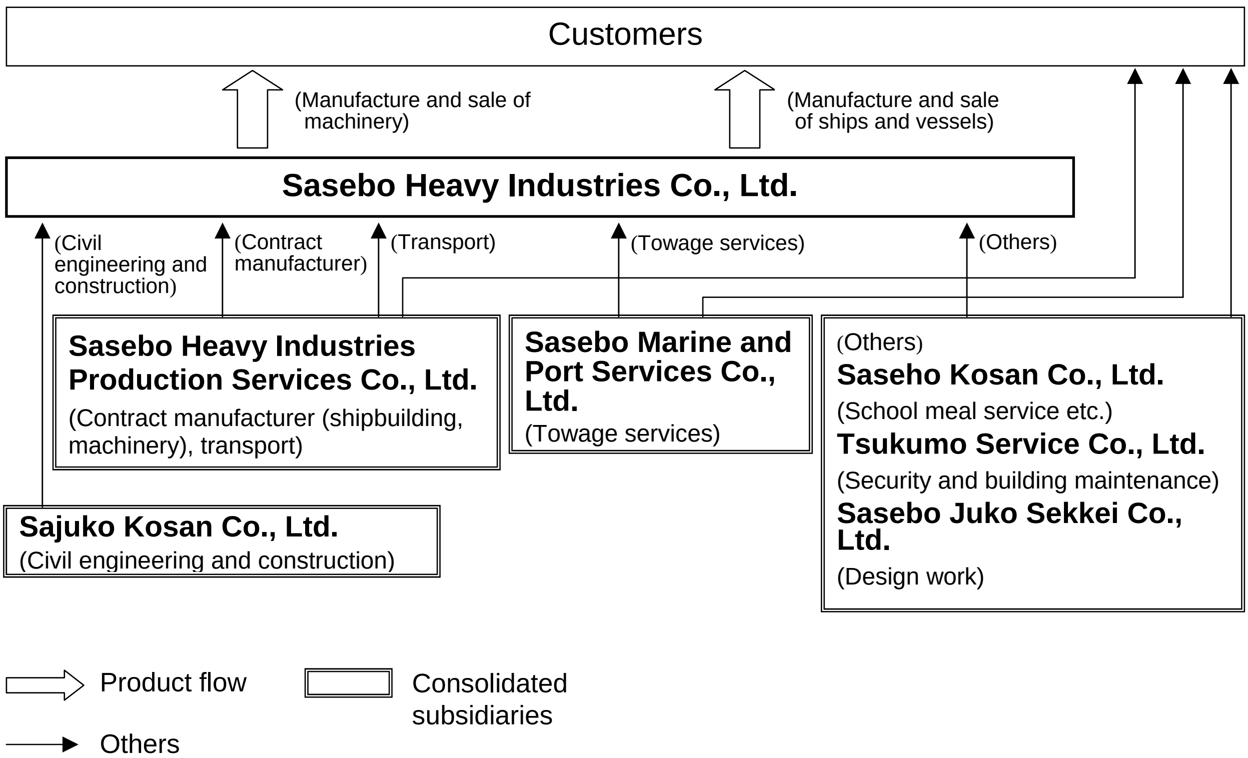
The positioning of the Company and its affiliates, in their respective business segment is as follows.

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

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

[Others]
Sajuko Kosan Co., Ltd. (a consolidated subsidiary of the Company) conducts operations such as civil engineering and construction. Sasebo Marine and Port Services Co., Ltd. (a consolidated subsidiary of the Company) undertakes towage services for the Company. 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 Co., Ltd. (a consolidated subsidiary of the Company) is engaged in the Company's transport operations. Tsukumo Service Co., Ltd. (a consolidated subsidiary of the Company) undertakes security work and cleaning for the Company's factories. Sasebo Juko Sekkei Co., Ltd. (a consolidated subsidiary of the Company) undertakes design work 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 forecast for the consolidated fiscal year ending March 31, 2012, 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.

In Fiscal 2010, although the global economy followed a path of recovery in pace with the economic growth of Asian emerging countries, particularly China, the pace of growth was hampered by the financial crisis in Europe, the political instability in the Middle-East and North Africa and then by the Great East Japan Earthquake. In Japan, a recovery in corporate earnings was held back by the ongoing appreciation of the yen, particularly in export-oriented manufacturing industries, and on top of this, the yen hit a temporary record high following the Great East Japan Earthquake. The earthquake has also further clouded Japan’s economic outlook for a wide range of industries including the electronic and electrical products industry and the automobile industry. The Company has further postponed the formulation of the next mid-term management plan after the new mid-term management plan that ended in 2008. For fiscal 2011, the Company will formulate a management plan for one year and steadily execute this plan.

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 the Japanese economy to fall into a temporary economic slump as a result of the Great East Japan Earthquake and other factors. However, following that, we expect the economy to begin to recover as reconstruction operations begin in the earthquake-afflicted areas, damaged factory operations reopen, and so forth. Although there are risks that may lead to the economy not performing as well as expected, such as the European financial crisis, soaring crude oil prices due to the Middle-East and North African political unrest and other global economic factors as well as concerns of a delay in the recovery of the Japanese economy, the Japanese economy is expected to steadily recover overall as the Asian emerging countries steadily achieve economic growth.

In the shipbuilding industry, although global new shipbuilding orders received in 2010 recovered to about 90% of the level before the financial crisis, new shipbuilding prices continue to be at a low level. The Company thinks new shipbuilding completions in 2011 will continue to be at the highest ever level and expects the order backlog will further decrease, thereby causing a further intensification of competition for new orders received. The major challenges facing the ship yards in Japan are responding to the prolonged appreciation of the yen and the soaring prices of materials and equipment, further 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, although we expect to see a recovery in demand when the regions afflicted by the Great East Japan Earthquake begin to recover, there are still concerns of parts shortages due to the concentration of various parts manufacturers in the earthquake afflicted region and fears of a drop in facility operation rates as a result of electricity supply instability due to the damage to multiple power stations. With these concerns, we expect capital investment to remain low at the present moment. In addition, the downturn in new shipbuilding prices 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 gradually 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 financial results of all the Group 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 develop strategic kinds of ships and conduct activities to receive orders while boosting competitiveness by further lowering construction costs. 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. For repair work of commercial vessels, we will collaborate with overseas repair yards and continue to expand orders received for ballast water treatment system installation while working to reduce costs.

2) Machinery

For the machinery business, while continuing to maximize the benefits of our capital investments implemented up until now in order to achieve further cost reductions, we shall speed up business expansion by boosting technological capability. In addition by expanding sales channels and other measures, we will secure more orders and aim to further strengthen profitability.

4. Consolidated financial statements

(1) Consolidated balance sheets

(in millions of yen, unless otherwise noted)

		As of March 31, 2010		As of March 31, 2011
Assets				
Current assets				
Cash and deposits		22,876		29,592
Notes and accounts receivable—trade		17,155		18,723
Short-term investment securities		40		70
Merchandise and finished goods		16		18
Work in process		3,143		1,587
Raw materials and supplies		580		1,201
Deferred tax assets		308		1,174
Other		1,898		2,256
Allowance for doubtful receivables		(1)		(1)
Total current assets		46,017		54,623
Non-current assets				
Property, plant and equipment				
Buildings and structures		23,978		23,997
Accumulated depreciation		(14,061)		(14,777)
Buildings and structures, net	※1	9,917	※1	9,220
Docks and building berths		5,154		5,163
Accumulated depreciation		(3,854)		(3,936)
Docks and building berths, net	※1	1,300	※1	1,227
Machinery, equipment and vehicles		26,988		27,091
Accumulated depreciation		(18,529)		(20,567)
Machinery, equipment and vehicles, net	※1	8,459	※1	6,523
Tools, furniture and fixtures		2,293		2,322
Accumulated depreciation		(1,852)		(2,004)
Tools, furniture and fixtures, net	※1	440	※1	317
Land	※1	7,567	※1	7,143
Lease assets		83		137
Accumulated depreciation		(24)		(52)
Lease assets, net		58		85
Construction in progress		317		236
Total property, plant and equipment		28,060		24,753
Intangible assets				
Software		195		165
Lease assets		31		23
Telephone subscription rights		11		11
Total intangible assets		239		201

(in millions of yen, unless otherwise noted)

		As of March 31, 2010		As of March 31, 2011
Investments and other assets				
Investment securities	※1,※2	4,052	※1,※2	3,202
Long-term loans receivable		12		11
Deferred tax assets		2,035		2,068
Other		694		424
Allowance for doubtful receivables		(271)		(271)
Total investments and other assets		6,522		5,434
Total non-current assets		34,822		30,390
Total assets		80,840		85,013

(in millions of yen, unless otherwise noted)

		As of March 31, 2010		As of March 31, 2011
Liabilities				
Current liabilities				
Notes and accounts payable—trade		16,168		18,161
Notes payable—facilities		610		196
Short-term loans payable	※1	4,068	※1	3,668
Lease obligations		30		44
Income taxes payable		159		3,430
Advance received	※1	16,960	※1	10,394
Provision for construction warranties		56		52
Provison for loss on construction contracts		5		1,283
Other		2,259		2,288
Total current liabilities		40,319		39,517
Non-current liabilities				
Long-term loans payable	※1	9,614	※1	11,917
Lease obligations		64		71
Deferred tax liabilities		2		2
Provision for retirement benefits		5,430		4,898
Provision for special repairs		35		46
Other		246		161
Total non-current liabilities		15,394		17,098
Total liabilities		55,713		56,616
Net assets				
Shareholders' equity				
Capital stock		8,414		8,414
Capital surplus		5,148		5,148
Retained earnings		12,175		16,026
Treasury stock		(976)		(977)
Total shareholders' equity		24,761		28,612
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		365		(215)
Total accumulated other comprehensive income		365		(215)
Total net assets		25,126		28,396
Total liabilities and net assets		80,840		85,013

(2) Consolidated statements of income and comprehensive income
(Consolidated statements of income)

(in millions of yen, unless otherwise noted)

		Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011
Net sales		63,692		67,280
Costs of sales		52,926		58,221
Gross profit		10,765		9,058
Selling, general and administrative expenses				
Salaries		1,139		1,166
Retirement benefit expenses		86		96
Research and development expenses	※5	239	※5	126
Rent expenses		295		205
Other		972		989
Total selling, general and administrative expenses		2,734		2,584
Operating income		8,031		6,473
Non-operating income				
Interest income		34		30
Dividends income		51		53
Insurance and dividends income		17		10
Other		25		25
Total non-operating income		129		120
Non-operating expenses				
Interest expenses		256		270
Foreign exchange losses		384		122
Other		118		40
Total non-operating expenses		760		432
Ordinary income		7,400		6,161
Extraordinary income				
Gain on sales of non-current assets	※1	73	※1	0
Reversal of allowance for doubtful receivables		0		0
Contract cancellation revenue		—		2,042
Other		69		42
Total extraordinary income		143		2,085
Extraordinary loss				
Loss on sales of non-current assets	※2	91	※2	0
Loss on disposal of non-current assets	※3	331	※3	99
Impairment loss	※4	394	※4	460
Loss on valuation of investment securities		34		9
Other		16		21
Total extraordinary losses		868		591
Income before income taxes		6,676		7,655
Income taxes—current		790		3,828
Income taxes for prior periods		196		—
Income taxes—deferred		1,955		(652)
Total income taxes		2,942		3,176
Income before minority interests		—		4,478
Minority interests in income		—		—
Net income		3,733		4,478

(Consolidated statements of comprehensive income)

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011
Income before minority interests	—		4,478
Other comprehensive income			
Valuation difference on available-for-sale securities	—		(580)
Total other comprehensive income	—	※2	(580)
Comprehensive income	—	※1	3,898
Comprehensive income attributable to			
Owners of the parent	—		3,898
Minority interests	—		—

(3) Consolidated statements of changes in net assets

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Shareholders’ equity		
Capital 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	9,245	12,175
Changes of items during the period		
Dividends from surplus	(802)	(641)
Provision of reserve for advanced depreciation of non-current assets	(17)	–
Reversal of reserve for reduction entry of replaced property	15	5
Reversal of reserve for advanced depreciation of non-current assets	–	8
Net income	3,733	4,478
Total changes of items during the period	2,929	3,851
Balance at the end of the current period	12,175	16,026
Treasury stock		
Balance at the end of the previous period	(975)	(976)
Changes of items during the period		
Acquisition of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of the current period	(976)	(977)
Total shareholders’ equity		
Balance at the end of the previous period	21,832	24,761
Changes of items during the period		
Dividends from surplus	(802)	(641)
Provision of reserve for advanced depreciation of non-current assets	(17)	–
Reversal of reserve for reduction entry of replaced property	15	5
Reversal of reserve for advanced depreciation of non-current assets	–	8
Net income	3,733	4,478
Acquisition of treasury stock	(0)	(0)
Total changes of items during the period	2,928	3,850
Balance at the end of the current period	24,761	28,612

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of the previous period	(99)	365
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	464	(580)
Total changes of items during the period	464	(580)
Balance at the end of the current period	365	(215)
Total accumulated other comprehensive income		
Balance at the end of the previous period	(99)	365
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	464	(580)
Total changes of items during the period	464	(580)
Balance at the end of the current period	365	(215)
Total net assets		
Balance at the end of the previous period	21,733	25,126
Changes of items during the period		
Dividends from surplus	(802)	(641)
Provision of reserve for advanced depreciation of non-current assets	(17)	–
Reversal of reserve for reduction entry of replaced property	15	5
Reversal of reserve for advanced depreciation of non-current assets	–	8
Net income	3,733	4,478
Acquisition of treasury stock	(0)	(0)
Net changes of items other than shareholders' equity during the period	464	(580)
Total changes of items during the period	3,393	3,270
Balance at the end of the current period	25,126	28,396

(4) Consolidated statements of cash flows

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Cash flows from operating activities		
Income before income taxes	6,676	7,655
Depreciation and amortization	3,548	3,642
Impairment losses	394	460
Increase (decrease) in allowance for doubtful receivables	(14)	(0)
Increase (decrease) in provision for retirement benefits	(1,248)	(531)
Increase (decrease) in provision for construction warranties	2	(4)
Increase (decrease) in provision for loss on construction contracts	(2,437)	1,278
Increase (decrease) in provision for special repairs	8	11
Interest and dividend income	(85)	(84)
Interest expenses	256	270
Foreign exchange losses (gains)	0	6
Loss (gain) on valuation of investment securities	34	9
Loss (gain) on sales of property, plant and equipment	17	0
Loss (gain) on disposal of non-current assets	331	99
Decrease (increase) in notes and accounts receivable—trade	8,576	(1,568)
Decrease (increase) in inventories	(357)	933
Decrease (increase) in consumption taxes refund receivable	442	(158)
Decrease (increase) in other current assets	(97)	(203)
Increase (decrease) in notes and accounts payable—trade	(7,799)	2,881
Increase (decrease) in advance received	(1,957)	(6,566)
Increase (decrease) in other current liabilities	(514)	34
Subtotal	5,777	8,164
Interest and dividends received	88	83
Interest paid	(235)	(264)
Income taxes paid	(2,657)	(582)
Net cash provided by operating activities	2,973	7,402

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011	
Cash flows from investing activities				
Payments into time deposits		–		(1,000)
Proceeds from sales and redemption of securities		1,000		–
Purchase of property, plant and equipment		(6,793)		(2,005)
Payments for retirement of property, plant and equipment		(54)		(54)
Proceeds from sales of property, plant and equipment		95		0
Purchase of intangible assets		(108)		(43)
Proceeds from sales and redemption of investment securities		500		30
Payments of loans receivable		(2)		–
Collection of loans receivable		2		1
Other		(451)		193
Net cash used in investing activities		(5,812)		(2,877)
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable		750		(1,280)
Proceeds from long-term loans		9,940		4,800
Repayment of long-term loans		(1,009)		(1,618)
Dividends paid		(796)		(638)
Payments for purchases of treasury stock		(0)		(0)
Other		(26)		(35)
Net cash used in financing activities		8,857		1,226
Effect of exchange rate changes on cash and cash equivalents		(0)		(6)
Increase (decrease) in cash and cash equivalents		6,017		5,745
Cash and cash equivalents at beginning of period		16,898		22,916
Cash and cash equivalents at end of period	※1	22,916	※1	28,662

(5) Notes on premise of going concern

No items to report

(6) Significant matters forming the basis of preparing the consolidated financial statements

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
1. Scope of consolidation	A. Number of consolidated subsidiaries: 6 Names of consolidated subsidiaries: Saseho Kosan Co., Ltd., Sasebo Heavy Industries Production Services Co., Ltd., 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: –	A. Number of consolidated subsidiaries: 6 Names of consolidated subsidiaries: Saseho Kosan Co., Ltd., Sasebo Heavy Industries Production Services Co., Ltd., Tsukumo Service Co., Ltd., Sajuko Kosan Co., Ltd., Sasebo Juko Sekkei Co., Ltd., Sasebo Marine and Port Services Co., Ltd. B. Number of non-consolidated subsidiaries: –
2. Application of the equity method	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 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

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
	(3) Inventories The valuation criterion 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. Work in process is stated at cost determined by the specific identification method.	(3) Inventories Same as on the left
	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.	B. Depreciation method and standards for significant depreciable assets (1) Property, plant and equipment (excluding lease assets): Same as on the left
	(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.	(2) Lease assets Same as on the left
	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

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
	(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 past 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
	D.Standard for profit and expense appropriation Standard for recording construction revenue Concerning the recording of the balance of completed construction, for the portion completed by the end 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.	D.Standard for profit and expense appropriation Standard for recording construction revenue Same as on the left
	(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.	―――――――

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
	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) Long-term loans payable (3) Hedging policy Hedging is conducted as a measure against the risk 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. ――――― F. Other significant matters serving as the basis for preparing the financial statements Accounting for consumption taxes Consumption taxes and local consumption taxes are accounted for based on the tax exclusion method.	E. Method of significant hedge accounting (1) Method of hedge accounting Same as on the left (2) Hedging instruments and hedged items Same as on the left (3) Hedging policy Same as on the left (4) Method of assessing hedging effectiveness Same as on the left F. 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. G. Other significant matters serving as the basis for preparing the financial statements 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.	―――――
6. Amortization of goodwill and negative goodwill	Goodwill and negative goodwill are amortized completely in the fiscal year when they arise.	―――――
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.	―――――

(7) Changes in significant matters forming the basis of preparing the consolidated financial statements

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
―――――	(Accounting Standards for Asset Retirement Obligations," etc. Effective from the current fiscal year, "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) are applied. As a result of these changes operating income and ordinary income have decreased by ¥0 million, respectively, and income before income taxes has decreased by ¥8 million.

(8) Changes in presentation

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
(Consolidated statements of income) Because the extraordinary loss “loss on sales of non-current assets” exceeds 10% of the total extraordinary 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 income) Effective from the current fiscal year, “Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No. 5, March 24, 2009) based on “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008) is applied, thus, “Income before minority interests” is presented in the consolidated statements of income.

(9) Additional information

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
―――――――	Effective from the current fiscal year, “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No.25, June 30, 2010) is applied. However, values shown for “Accumulated other comprehensive income” and “Total accumulated other comprehensive income" for the fiscal year immediately prior to the current fiscal year are “Valuation and translation adjustments” and “Total valuation and translation adjustments," respectively.

(10) Notes to consolidated financial statements

Notes to consolidated balance sheets

As of March 31, 2010

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 million 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

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 term loan agreements with commitment periods with six banks totaling ¥7,000 million 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

As of March 31, 2011

1. Assets pledged as collateral and obligations secured by such collateral

(1) Non-current assets including buildings of ¥102 million, land of ¥191 million and the ¥5,760 million yen (composition of factory foundation) listed below are pledged as collateral for short-term loans payable of ¥1,150 million, advance received of ¥1,908 million and long-term loans payable of ¥6,923 million.

	millions of yen
Buildings and structures	3,024
Docks and building berths	1,227
Machinery, equipment and vehicles	247
Tools, furniture and fixtures	0
Land	1,261
Total	5,760

(2) Investment securities of ¥2,011 million are pledged as collateral for advance received of ¥950 million and long-term loans payable of ¥3,000 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 and term loan agreements with commitment periods with six banks totaling ¥7,000 million 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	6,500
Unused balance	10,500

As of March 31, 2010	As of March 31, 2011
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 as of the end of the current consolidated fiscal year was ¥5,900 million (Long-term loans payable of ¥5,900 million in term loan agreements with commitment periods.)	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 as of the end of the current consolidated fiscal year was ¥6,500 million (Long-term loans payable of ¥6,500 million in term loan agreements with commitment periods.)

Notes to consolidated statements of income

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
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).	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. The 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 sales of non-current assets were generated by the sale 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. 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).
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	4. (1) Asset groups with recognized impairment loss and impairment loss amounts (Purpose) Idle assets (Class) Land, etc. (Location) Sasebo, Nagasaki Prefecture, etc. (Amount) ¥460 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 (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.	(3) Background details of recognition of impairment loss (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 and declared value, 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.
5. Research and development expenses included in general and administrative expenses and cost of products manufactured are ¥239 million.	5. Research and development expenses included in general and administrative expenses and cost of products manufactured are ¥126 million.

Notes to consolidated statements of comprehensive income

Fiscal year ended March 31, 2011

*1. Comprehensive income for the fiscal year immediately prior to the current fiscal year

Comprehensive income attributable to stocks of the parent	4,198 million yen
Comprehensive income attributable to minority interests	– million yen
Total	4,198 million yen

*2. Other comprehensive income for the fiscal year immediately prior to the current fiscal year

Valuation difference on available-for-sale securities	464 million yen
Total	464 million yen

Notes to consolidated statements of changes in net assets

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

Fiscal year ended March 31, 2011

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	1,478,734	3,294	–	1,482,028

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

(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 23, 2011 Annual shareholders meeting	Common stock	Retained earnings	802	5.0	March 31, 2011	June 24, 2011

Notes to consolidated statements of cash flows

(in millions of yen, unless otherwise noted)

Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011	
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	22,876	Cash and deposits	29,592
Marketable securities	40	Marketable securities	70
Time deposits with maturities exceeding three months	–	Time deposits with maturities exceeding three months	(1,000)
Bonds with redemption periods exceeding three months	–	Bonds with redemption periods exceeding three months	–
Cash and cash equivalents	22,916	Cash and cash equivalents	28,662
2. Details of major non-fund transaction		2. Details of major non-fund transaction	
No items to report		Same as on the left	

Items to omit notes thereon

Notes on the following items are omitted because their disclosure is considered unnecessary in financial results reports.

[Lease transactions], [Financial instruments], [Transactions with related concerned parties], [Tax effect accounting], [Securities], [Derivatives transactions], [Retirement benefits], [Asset retirement obligations] and [Real estate including rental property]

Segment information

[Information by business segment]

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	346	394
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, conversion, and repair 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, towers, 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 followings are amounts and main details included in "Elimination and corporate".*

(in millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	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)
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)

(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.

[Information by geographic segment]

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

[Overseas sales]

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

	Central America	Europe	Asia	Africa	Others	Total
I. Overseas net sales	3,112	28	33,820	9,151	1,308	47,422
II. Consolidated net sales	–	–	–	–	–	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.*

[Segment information]

I. Fiscal year ended March 31, 2011

1. Overview of reportable segments
   The reportable segments of the Company are constituent units of the Company whose separate financial information is obtainable. These segments are periodically examined by the Board of Directors for the purpose of deciding the allocation of business resources and evaluating the operating results.

   The organizational framework of the Company is a business unit organization whose purpose is the optimal, company-wide distribution of business resources and the meticulous management of profit/loss for each business. Accordingly, the Company consists of segments divided by product based on business units, and "Shipbuilding" and "Machinery" are reportable segments.

   "Shipbuilding" is engaged in building, conversion and repair of oil tankers, bulk carriers, naval ships, marine research vessels, etc. "Machinery" is engaged in manufacture and sales of crankshafts and marine diesel machinery parts, marine machinery such as fin stabilizers, and steel making and processing machinery, etc.

2. Method of calculating net sales, profit or loss, assets and liabilities, and other items by reportable segment
   The method of accounting for reportable segments is roughly the same as the method described in "Significant matters forming the basis of preparing the consolidated financial statements." Profit or loss of reportable segments is operating income-based values. Inter-segment sales and transfers are based on actual market values.

3. Information on net sales, profit or loss, assets and liabilities, and other items by reportable segment

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

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Total (Note 3)
	Shipbuilding	Machinery	Total				
Net sales							
Outside customers	52,645	9,850	62,495	1,196	63,692	–	63,692
Inter-segment sales and transfers	–	–	–	2,679	2,679	(2,679)	–
Total	52,645	9,850	62,495	3,876	66,372	(2,679)	63,692
Segment profit	4,848	2,517	7,366	76	7,442	588	8,031
Segment assets	27,782	9,121	36,904	1,384	38,288	42,551	80,840
Other items							
Depreciation and amortization	1,621	965	2,586	259	2,846	702	3,548
Increase in property, plant and equipment and intangible assets	1,419	1,712	3,131	10	3,141	2,288	5,429

(Notes) 1. The "Others" category is a business segment not included in the reportable segments. It includes school meal service, golf course business and transportation business, etc.

2. Selling, general and administrative expenses and other corporate expenses are distributed to each segment based on budget amounts and any budgetary variances between actual expenses and the budgeted amount are not distributed. These budgetary variances of ¥588 million are recorded as adjustment to segment profit.

3. Segment profit is adjusted with operating income in the consolidated statement of income.

Fiscal year ended March 31, 2011 *(in millions of yen)*

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Total (Note 3)
	Shipbuilding	Machinery	Total				
Net sales							
Outside customers	59,229	6,775	66,004	1,275	67,280	–	67,280
Inter-segment sales and transfers	–	–	–	2,152	2,152	(2,152)	–
Total	59,229	6,775	66,004	3,428	69,433	(2,152)	67,280
Segment profit	4,488	1,592	6,081	114	6,195	278	6,473
Segment assets	27,486	8,152	35,638	857	36,496	48,517	85,013
Other items							
Depreciation and amortization	1,594	1,063	2,658	235	2,893	749	3,642
Increase in property, plant and equipment and intangible assets	290	31	321	11	333	342	676

(Notes) 1. The “Others” category is a business segment not included in the reportable segments. It includes school meal service, golf course business and transportation business, etc.

2. Selling, general and administrative expenses and other corporate expenses are distributed to each segment based on budget amounts and any budgetary variances between actual expenses and the budgeted amount are not distributed. These budgetary variances of ¥278 million are recorded as adjustment to segment profit.

3. Segment profit is adjusted with operating income in the consolidated statement of income.

(Additional information)

Effective from the current fiscal year, “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008).

[Related information]

Fiscal year ended March 31, 2011

1. Information by products and services

As the same information is disclosed in segment information, this is omitted.

2. Information by geographic segment

Net sales

(in millions of yen)

Asia	Japan	Central America	Others	Total
29,175	19,740	17,271	1,093	67,280

(Note) The classification of countries and regions is based on geographical proximity.

3. Information by major customer

(in millions of yen)

Name of customer	Net sales	Related segment
Headquarters of JMSDF Sasebo District	7,061	Shipbuilding

[Information on impairment losses of property, plant and equipment by reportable segment]

Fiscal year ended March 31, 2011

(in millions of yen)

	Reportable segments			Others (Note)	Elimination and corporate	Total
	Shipbuilding	Machinery	Total			
Impairment losses	–	–	–	–	460	460

(Note) The "Others" category is a business segment not included in the reportable segments. It includes school meal service, golf course business, transportation business, etc.

Per share information

Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011	
	yen		*yen*
Net assets per share	156.57	Net assets per share	176.96
Net income per share	23.27	Net income per share	27.91
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, 2010	Fiscal year ended March 31, 2011
Total net assets on the consolidated balance sheets *(millions of yen)*	25,126	28,396
Net assets connected to common shareholders *(millions of yen)*	25,126	28,396
Total number of issued shares of common stock *(thousand shares)*	161,955	161,955
Total number of treasury shares of common stock *(thousand shares)*	1,478	1,482
Number of common stock used as the basis for calculating the net assets per share *(thousand shares)*	160,476	160,472

2. Net income per share

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Net income on the consolidated statements of income *(millions of yen)*	3,733	4,478
Amounts not applicable to common shareholders *(millions of yen)*	–	–
Net income connected to common stock *(millions of yen)*	3,733	4,478
Average number of common shares during the term *(thousand shares)*	160,477	160,474

Significant subsequent events

Fiscal year ended March 31, 2010

Cancellation of significant contracts

Concerning new shipbuilding contracts between the Company and the orderer(s) for a total of 8 units comprised of 6 units of 75,000 DWT bulk carriers and 2 units of 180,000 DWT bulk carriers, upon condition of a cancellation fee of ¥2,042 million that the Company has received from the orderer(s) as advance received, the Company and the orderer(s) agreed to cancel the contract on May 26, 2010. As a result, the same amount will be recognized as an extraordinary income in the settlement of accounts for the fiscal year ending March 31, 2011.

Concerning the reorganization of the Company's new shipbuilding construction processes following the cancellation of these 8 vessels, the Company will suitably carry out thorough analysis and investigation of the various elements such as the future market environment, the situation of ship prices and cost factors, particularly steel.

Fiscal year ended March 31, 2011

No items to report

(11) 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, 2011		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	53,397	85.6	60,536	89.1	7,138	13.4
Machinery	7,828	12.5	6,154	9.0	(1,673)	(21.4)
Others	1,196	1.9	1,275	1.9	78	6.6
Total	62,422	100.0	67,966	100.0	5,543	8.9

(2) Orders received

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	6,449	47.6	29,161	81.7	22,712	352.2
Machinery	5,901	43.6	5,268	14.7	(632)	(10.7)
Others	1,196	8.8	1,275	3.6	78	6.6
Total	13,548	100.0	35,706	100.0	22,158	163.6

(3) Order backlog

(in millions of yen, unless otherwise noted)

	As of March 31, 2010		As of March 31, 2011		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	169,083	97.1	87,035	96.6	(82,047)	(48.5)
Machinery	5,129	2.9	3,036	3.4	(2,092)	(40.8)
Others	–	–	–	–	–	–
Total	174,212	100.0	90,072	100.0	(84,140)	(48.3)

(Note) Order backlog is described by the complete contract method. Of order backlog amounts as of March 31, 2011, ¥19,465 million for shipbuilding and ¥42 million for machinery and, of those as of March 31, 2010, ¥19,932 million for shipbuilding and ¥629 million for machinery 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, 2011		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	52,645	82.7	59,229	88.0	6,584	12.5
Machinery	9,850	15.4	6,775	10.1	(3,075)	(31.2)
Others	1,196	1.9	1,275	1.9	78	6.6
Total	63,692	100.0	67,280	100.0	3,587	5.6

5. Non-consolidated financial statements

(1) Non-consolidated balance sheets

(in millions of yen, unless otherwise noted)

	As of March 31, 2010	As of March 31, 2011
Assets		
Current assets		
Cash and deposits	22,397	29,137
Notes receivable—trade	804	473
Accounts receivable—trade	16,208	18,041
Raw materials and supplies	579	1,181
Partly-finished work	3,143	1,587
Advance payments—other	1,020	1,185
Prepaid expenses	41	31
Deferred tax assets	291	1,154
Accounts receivable—other	873	1,025
Other	54	57
Allowance for doubtful receivables	(1)	(1)
Total current assets	45,413	53,876
Non-current assets		
Property, plant and equipment		
Buildings	13,119	13,092
Accumulated depreciation	(7,658)	(8,045)
Buildings, net	5,461	5,047
Structures	10,826	10,872
Accumulated depreciation	(6,374)	(6,702)
Structures, net	4,451	4,169
Docks and building berths	5,154	5,163
Accumulated depreciation	(3,854)	(3,936)
Docks and building berths, net	1,300	1,227
Machinery and equipment	24,688	24,802
Accumulated depreciation	(17,277)	(19,021)
Machinery and equipment, net	7,411	5,781
Vessels	1,332	1,322
Accumulated depreciation	(540)	(740)
Vessels, net	791	582
Vehicles	711	711
Accumulated depreciation	(497)	(576)
Vehicles, net	213	134
Tools, furniture and fixtures	2,265	2,294
Accumulated depreciation	(1,830)	(1,980)
Tools, furniture and fixtures, net	435	314

(in millions of yen, unless otherwise noted)

	As of March 31, 2010	As of March 31, 2011
Land	7,567	7,143
Lease assets	81	129
Accumulated depreciation	(23)	(51)
Lease assets, net	57	78
Construction in progress	305	240
Total property, plant and equipment	27,996	24,718
Intangible assets		
Software	194	164
Lease assets	30	22
Telephone subscription rights	10	10
Total intangible assets	235	197
Investments and other assets:		
Investment securities	3,927	3,108
Stocks of subsidiaries and affiliates	130	130
Investments in capital	19	19
Long-term loans receivable	3	2
Long-term loans receivable from subsidiaries and affiliates	28	22
Long-term loans receivable from employees	9	8
Claims provable in bankruptcy, claims provable in rehabilitation and other	163	163
Deferred tax assets	2,034	2,065
Long-term accounts receivable-other	340	108
Other	169	130
Allowance for doubtful receivables	(271)	(271)
Total investments and other assets	6,554	5,486
Total non-current assets	34,785	30,402
Total assets	80,199	84,278

(in millions of yen, unless otherwise noted)

	As of March 31, 2010	As of March 31, 2011
Liabilities		
Current liabilities		
Notes payable—trade	3,503	3,949
Notes payable—facilities	610	196
Accounts payable—trade	12,678	14,203
Short-term loans payable	4,068	3,668
Lease obligations	29	42
Accounts payable—other	80	97
Accrued expenses	1,748	1,912
Income taxes payable	144	3,412
Advance received	16,959	10,385
Deposits received	272	130
Provision for construction warranties	56	52
Provison for loss on construction contracts	5	1,283
Total current liabilities	40,156	39,334
Non-current liabilities		
Long-term loans payable	9,614	11,917
Long-term accounts payable—other	97	36
Lease obligations	62	64
Provision for retirement benefits	5,384	4,844
Provision for special repairs	35	46
Asset retirement obligations	—	5
Total non-current liabilities	15,194	16,916
Total liabilities	55,351	56,250

(in millions of yen, unless otherwise noted)

	As of March 31, 2010	As of March 31, 2011
Net Assets		
Shareholders' equity		
Capital 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	34	26
Reserve for advanced depreciation of non-current assets	25	12
Retained earnings brought forward	10,314	14,095
Total retained earnings	11,901	15,661
Treasury stock	(976)	(977)
Total shareholders' equity	24,487	28,246
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	360	(218)
Total valuation and translation adjustments	360	(218)
Total net assets	24,847	28,027
Total liabilities and net assets	80,199	84,278

(2) Non-consolidated statements of income

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Net sales	62,495	66,004
Costs of sales	51,942	57,163
Gross profit	10,553	8,841
Selling, general and administrative expenses		
Salaries	1,036	1,044
Retirement benefit expenses	86	96
Welfare expenses	226	260
Traveling and transportation expenses	103	100
Business consignment expenses	77	66
Membership fee	41	36
Taxes and dues	82	109
Depreciation	38	45
Rent expenses	294	204
Research and development expenses	239	126
Inquiry expenses	78	39
Provision of allowance for doubtful receivables	1	—
Other	288	286
Total selling, general and administrative expenses	2,593	2,415
Operating income	7,959	6,425
Non-operating income		
Interest income	33	30
Dividends income	51	52
Insurance and dividends income	17	10
Other	24	23
Total non-operating income	126	117
Non-operating expenses		
Interest expenses	256	270
Foreign exchange losses	384	122
Other	119	111
Total non-operating expenses	760	503
Ordinary income	7,325	6,039
Extraordinary income		
Gain on sales of non-current assets	73	0
Reversal of allowance for doubtful receivables	0	—
Contract cancellation revenue	—	2,042
Other	69	42
Total extraordinary income	143	2,084

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Extraordinary losses		
Loss on sales of non-current assets	91	0
Loss on disposal of non-current assets	331	99
Impairment loss	394	460
Loss on valuation of investment securities	34	9
Other	16	11
Total extraordinary losses	868	581
Income before income taxes	6,601	7,542
Income taxes—current	756	3,803
Income taxes for prior periods	159	—
Income taxes—deferred	1,953	(647)
Total income taxes	2,870	3,155
Net income	3,730	4,387

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

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Shareholders' equity		
Capital 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	34
Changes of items during the period		
Reversal of reserve for reduction entry of replaced property	(22)	(8)
Total changes of items during the period	(22)	(8)
Balance at the end of the current period	34	26

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Reserve for advanced depreciation of non-current assets		
Balance at the end of the previous period	–	25
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)	(12)
Total changes of items during the period	25	(12)
Balance at the end of the current period	25	12
Retained earnings brought forward		
Balance at the end of the previous period	7,390	10,314
Changes of items during the period		
Dividends from surplus	(802)	(641)
Provision of reserve for advanced depreciation of non-current assets	(44)	–
Reversal of reserve for reduction entry of replaced property	38	14
Reversal of reserve for advanced depreciation of non-current assets	1	21
Net income	3,730	4,387
Total changes of items during the period	2,924	3,781
Balance at the end of the current period	10,314	14,095
Total retained earnings		
Balance at the end of the previous period	8,974	11,901
Changes of items during the period		
Dividends from surplus	(802)	(641)
Provision of reserve for advanced depreciation of non-current assets	(17)	–
Reversal of reserve for reduction entry of replaced property	15	5
Reversal of reserve for advanced depreciation of non-current assets	–	8
Net income	3,730	4,387
Total changes of items during the period	2,926	3,759
Balance at the end of the current period	11,901	15,661
Treasury stock		
Balance at the end of the previous period	(975)	(976)
Changes of items during the period		
Acquisition of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of the current period	(976)	(977)

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Total shareholders' equity		
Balance at the end of the previous period	21,561	24,487
Changes of items during the period		
Dividends from surplus	(802)	(641)
Provision of reserve for advanced depreciation of non-current assets	(17)	–
Reversal of reserve for reduction entry of replaced property	15	5
Reversal of reserve for advanced depreciation of non-current assets	–	8
Net income	3,730	4,387
Acquisition of treasury stock	(0)	(0)
Total changes of items during the period	2,925	3,759
Balance at the end of the current period	24,487	28,246
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of the previous period	(98)	360
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	458	(579)
Total changes of items during the period	458	(579)
Balance at the end of the current period	360	(218)
Total valuation and translation adjustments		
Balance at the end of the previous period	(98)	360
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	458	(579)
Total changes of items during the period	458	(579)
Balance at the end of the current period	360	(218)
Net assets		
Balance at the end of the previous period	21,463	24,847
Changes of items during the period		
Dividends from surplus	(802)	(641)
Provision of reserve for advanced depreciation of non-current assets	(17)	–
Reversal of reserve for reduction entry of replaced property	15	5
Reversal of reserve for advanced depreciation of non-current assets	–	8
Net income	3,730	4,387
Acquisition of treasury stock	(0)	(0)
Net changes of items other than shareholders' equity during the period	458	(579)
Total changes of items during the period	3,384	3,179
Balance at the end of the current period	24,847	28,027

(4) Notes to non-consolidated financial statements

Significant subsequent events

Fiscal year ended March 31, 2010

Cancellation of significant contracts

Concerning new shipbuilding contracts between the Company and the orderer(s) for a total of 8 units comprised of 6 units of 75,000 DWT bulk carriers and 2 units of 180,000 DWT bulk carriers, upon condition of a cancellation fee of ¥2,042 million that the Company has received from the orderer(s) as advance received, the Company and the orderer(s) agreed to cancel the contract on May 26, 2010. As a result, the same amount will be recognized as an extraordinary income in the settlement of accounts for the fiscal year ending March 31, 2011.

Concerning the reorganization of the Company’s new shipbuilding construction processes following the cancellation of these 8 vessels, the Company will suitably carry out thorough analysis and investigation of the various elements such as the future market environment, the situation of ship prices and cost factors, particularly steel.

Fiscal year ended March 31, 2011

No items to report

6. Other

Changes in directors on board

For details, please refer to “Notice Concerning the Decision of Personnel for Candidates for Directors and Corporate Auditors and Other Changes in Personnel” released on April 28, 2011