

**Summary of Consolidated Financial Results
for the First Three Months of the Fiscal Year Ending March 31, 2012
<under Japanese GAAP>**

July 28, 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 to file quarterly securities report: August 11, 2011
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results presentation meeting: None

Figures less than one million yen have been omitted.

**1. Consolidated financial results for the first three months of the fiscal year ending
March 31, 2012 (From April 1, 2011 to June 30, 2011)**

(1) Consolidated operating results (cumulative) *(Percentages indicate year-on-year changes.)*

	Net sales		Operating income		Ordinary income		Net income	
	<i>millions of yen</i>	%	<i>millions of yen</i>	%	<i>millions of yen</i>	%	<i>millions of yen</i>	%
For the three months ended								
June 30, 2011	18,065	115.1	3,262	187.9	3,209	201.4	1,850	5.9
June 30, 2010	8,398	(52.4)	1,133	83.6	1,065	108.6	1,747	507.2

Note: Comprehensive income

For the three months ended June 30, 2011: ¥1,835 million [31.6%]

For the three months ended June 30, 2010: ¥1,394 million [– %]

	Net income per share	Diluted net income per share
For the three months ended	<i>yen</i>	<i>yen</i>
June 30, 2011	11.53	–
June 30, 2010	10.89	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	<i>millions of yen</i>	<i>millions of yen</i>	%
June 30, 2011	81,296	29,429	36.2
March 31, 2011	85,013	28,396	33.4

Reference: Equity

As of June 30, 2011: ¥29,429 million

As of March 31, 2011: ¥28,396 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>
For the year ended March 31, 2011	–	0.00	–	5.00	5.00
For the year ending March 31, 2012	–				
For the year ending March 31, 2012 (Forecast)		0.00	–	5.00	5.00

Note: Revision of the forecast most recently announced: None

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
	<i>millions of yen</i>	%	<i>millions of yen</i>	%	<i>millions of yen</i>	%	<i>millions of yen</i>	%	<i>yen</i>
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

Note: Revision of the forecast most recently announced: None

4. Others

(1) **Changes in significant subsidiaries during the first three months of the current fiscal year**
(changes in specified subsidiaries that affected the scope of consolidation): None

(2) **Application of special accounting for preparing the quarterly consolidated financial statements:** None

(3) **Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections**

A. Changes in accounting policies due to adoption of revised accounting standards: None

B. Changes in accounting policies due to other reasons: None

C. Changes in accounting estimates: None

D. Restatement of prior period financial statements after error corrections: None

(4) **Number of issued shares (common stock)**

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

As of June 30, 2011	161,955,000 shares
As of March 31, 2011	161,955,000 shares

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

As of June 30, 2011	1,482,563 shares
As of March 31, 2011	1,482,028 shares

C. Average number of outstanding shares during the period
(cumulative from the beginning of the fiscal year)

For the three months ended June 30, 2011	160,472,715 shares
For the three months ended June 30, 2010	160,476,114 shares

*** Indication regarding execution of quarterly review procedures**

This quarterly financial results report is exempt from the quarterly review procedures pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the quarterly review procedures 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 conditions in the forecasts above and cautionary statements concerning the use of these forecasts, see “Qualitative information on consolidated forecast” on page 3 of the Attached Materials to this quarterly financial results report.

Attached Materials

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1. Qualitative information on settlement of accounts for the first three months

(1) Qualitative information on consolidated operating results

The Japanese economy during the first three months of the fiscal year ending March 31, 2012 continued to face difficult circumstances. Production activity was sluggish as a result of the impact of the Great East Japan Earthquake of March 11, 2011, and exports declined substantially, partly because the trend of yen appreciation became firmly established. Going forward, although we expect to see a rally in production activity resulting from a recovery in demand, the outlook for the economy is unclear owing to concerns about a deceleration in overseas economies and prolonged electric power shortages.

Under such circumstances, the Sasebo Group posted consolidated orders received of ¥4,961 million, a decrease of 43.1% from the same period of the previous fiscal year, owing to the lack of any new shipbuilding orders, among other factors. Total consolidated net sales were ¥18,065 million, an increase of 115.1% from the same period of the previous fiscal year, owing to the application of the completed-contract method to account for some of the new shipbuilding sales in the same period of the previous fiscal year. As a result, the consolidated order backlog as of June 30, 2011 was ¥86,104 million, a decrease of 25.2% from the same period of the previous fiscal year. In terms of income, due to a substantial increase in consolidated net sales and other factors, consolidated operating income was ¥3,262 million, an increase of 187.9% from the same period of the previous fiscal year, and ordinary income was ¥3,209 million, an increase of 201.4%. Net income was ¥1,850 million, an increase of 5.9% from the same period of the previous fiscal year, owing to the absence in this period of extraordinary income that was recorded in the same period of the previous fiscal year, among other factors.

Results by segment are as follows.

(a) Shipbuilding

The Group posted orders received of ¥3,265 million in the shipbuilding business, a 57.7% decrease from the same period of the previous fiscal year. Included in this amount were ship repairs for United States Navy vessels and ship repairs for commercial vessels, among others. Net sales were ¥16,349 million, an increase of 147.7% from the same period of the previous fiscal year. New ships delivered during the first three months of the fiscal year consisted of one unit of 75,000 DWT bulk carrier. As a result, the order backlog for new shipbuilding came to 13 units. In terms of income, segment profit was ¥2,765 million, an increase of 397.9% from the same period of the previous fiscal year, owing to a substantial increase in net sales and other factors.

(b) Machinery

In its machinery business, the Group posted orders received of ¥1,421 million, an increase of 93.0% from the same period of the previous fiscal year, representing equipment-related work for marine equipment and general industrial machinery, etc. Net sales were ¥1,441 million, a decrease of 5.7% from the same period of the previous fiscal year. In terms of income, segment profit was ¥303 million, a decrease of 35.7% from the same period of the previous fiscal year, owing to a fall in the price of crankshafts, one of the Group's core products, among other factors.

(c) Others

Other business segments are comprised mainly of meal delivery service, etc. Orders received and net sales were both ¥274 million, an increase of 2.0% from the same period of the previous fiscal year. Segment profit was ¥43 million, an increase of 256.5% from the same period of the previous fiscal year.

(2) Qualitative information on consolidated financial position

(Total assets)

Current assets were ¥50,938 million, a decrease of ¥3,685 million from the previous fiscal year-end. This was mainly due to a decrease in cash and deposits resulting from income taxes paid. Non-current assets were ¥30,357 million, a decrease of ¥32 million from the previous fiscal year-end. This was mainly due to a decrease in investment securities resulting from the stock market decline.

As a result, total assets were ¥81,296 million, a decrease of ¥3,717 million from the previous fiscal year-end.

(Liabilities)

Current liabilities were ¥35,433 million, a decrease of ¥4,084 million from the previous fiscal year-end. This was mainly due to decreases in advance received and income taxes payable. Non-current liabilities were ¥16,433 million, a decrease of ¥665 million from the previous fiscal year-end. This was mainly due to a decrease resulting from repayment of long-term loans payable.

As a result, total liabilities were ¥51,866 million, a decrease of ¥4,749 million from the previous fiscal year-end.

(Net assets)

Total net assets were ¥29,429 million, an increase of ¥1,032 million from the previous fiscal year-end, as a result of an increase in retained earnings due to the recording of net income.

(3) Qualitative information on consolidated forecast

Although predicting potential impacts on the Group's future performance such as foreign exchange markets and the purchase price trend for steel and other materials and equipment continues to be difficult, the consolidated operating results for the first three months of the current fiscal year were in line with the Group's plan. Consequently, there are no changes to the forecast announced on May 13, 2011. Any future change will be appropriately disclosed.

2. Matters on summary information (others)

(1) Changes in significant subsidiaries during the first three months of the current fiscal year

No items to report

(2) Application of special accounting for preparing the quarterly consolidated financial statements

No items to report

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

No items to report

3. Consolidated financial statements

(1) Consolidated balance sheets

(in millions of yen, unless otherwise noted)

	As of March 31, 2011	As of June 30, 2011
Assets		
Current assets		
Cash and deposits	29,592	23,166
Notes and accounts receivable—trade	18,723	21,713
Short-term investment securities	70	70
Merchandise and finished goods	18	16
Work in process	1,587	1,391
Raw materials and supplies	1,201	899
Deferred tax assets	1,174	1,223
Other	2,256	2,457
Allowance for doubtful receivables	(1)	(1)
Total current assets	54,623	50,938
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,220	9,106
Land	7,143	7,118
Other, net	8,390	8,556
Total property, plant and equipment	24,753	24,781
Intangible assets	201	191
Investments and other assets		
Investment securities	3,202	3,140
Deferred tax assets	2,068	2,080
Other	435	434
Allowance for doubtful receivables	(271)	(271)
Total investments and other assets	5,434	5,384
Total non-current assets	30,390	30,357
Total assets	85,013	81,296

(in millions of yen, unless otherwise noted)

	As of March 31, 2011	As of June 30, 2011
Liabilities		
Current liabilities		
Notes and accounts payable—trade	18,161	18,715
Notes payable—facilities	196	225
Short-term loans payable	3,668	3,603
Income taxes payable	3,430	1,374
Advance received	10,394	7,772
Provision for construction warranties	52	52
Provision for loss on construction contracts	1,283	1,536
Other	2,332	2,154
Total current liabilities	39,517	35,433
Non-current liabilities		
Long-term loans payable	11,917	11,216
Deferred tax liabilities	2	2
Provision for retirement benefits	4,898	4,933
Provision for special repairs	46	47
Other	233	234
Total non-current liabilities	17,098	16,433
Total liabilities	56,616	51,866
Net assets		
Shareholders' equity		
Capital stock	8,414	8,414
Capital surplus	5,148	5,148
Retained earnings	16,026	17,074
Treasury stock	(977)	(977)
Total shareholders' equity	28,612	29,659
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(215)	(230)
Total accumulated other comprehensive income	(215)	(230)
Total net assets	28,396	29,429
Total liabilities and net assets	85,013	81,296

(2) Consolidated statements of income and comprehensive income**Consolidated statements of income (cumulative)***(in millions of yen, unless otherwise noted)*

	For the three months ended June 30, 2010	For the three months ended June 30, 2011
Net sales	8,398	18,065
Costs of sales	6,675	14,228
Gross profit	1,722	3,837
Selling, general and administrative expenses	589	574
Operating income	1,133	3,262
Non-operating income		
Interest and dividends income	39	42
Other	6	13
Total non-operating income	46	55
Non-operating expenses		
Interest expenses	65	81
Foreign exchange losses	35	17
Other	13	10
Total non-operating expenses	114	108
Ordinary income	1,065	3,209
Extraordinary income		
Gain on sales of non-current assets	0	—
Contract cancellation revenue	2,042	—
Other	22	—
Total extraordinary income	2,064	—
Extraordinary loss		
Loss on sales of non-current assets	—	5
Loss on disposal of non-current assets	8	8
Loss on valuation of investment securities	—	47
Impairment loss	34	—
Other	7	2
Total extraordinary losses	51	63
Income before income taxes	3,078	3,146
Income taxes—current	1,488	1,358
Income taxes—deferred	(157)	(62)
Total income taxes	1,330	1,296
Income before minority interests	1,747	1,850
Minority interests in income	—	—
Net income	1,747	1,850

Consolidated statements of comprehensive income (cumulative)*(in millions of yen, unless otherwise noted)*

	For the three months ended June 30, 2010	For the three months ended June 30, 2011
Income before minority interests	1,747	1,850
Other comprehensive income		
Valuation difference on available-for-sale securities	(353)	(15)
Total other comprehensive income	(353)	(15)
Comprehensive income	1,394	1,835
Comprehensive income attributable to Owners of the parent	1,394	1,835

(3) Notes on premise of going concern

For the three months ended June 30, 2011

No items to report

(4) Segment information

[Segment information]

I. For the three months ended June 30, 2010

Information on net sales and profit or loss amount by reportable segment

(in millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the quarterly consolidated statement of income (Note 3)
	Shipbuilding	Machinery	Total				
Net sales							
Outside customers	6,601	1,527	8,128	269	8,398	–	8,398
Inter-segment sales and transfers	–	–	–	509	509	(509)	–
Total	6,601	1,527	8,128	779	8,908	(509)	8,398
Segment profit	555	472	1,027	12	1,039	93	1,133

(Notes) 1. The “Others” category is a business segment not included in the reportable segments. It includes meal delivery 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 ¥93 million are recorded as adjustment to segment profit.

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

II. For the three months ended June 30, 2011

Information on net sales and profit or loss amount by reportable segment

(in millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the quarterly consolidated statement of income (Note 3)
	Shipbuilding	Machinery	Total				
Net sales							
Outside customers	16,349	1,441	17,791	274	18,065	–	18,065
Inter-segment sales and transfers	–	–	–	541	541	(541)	–
Total	16,349	1,441	17,791	815	18,607	(541)	18,065
Segment profit	2,765	303	3,068	43	3,112	150	3,262

(Notes) 1. The “Others” category is a business segment not included in the reportable segments. It includes meal delivery 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 ¥150 million are recorded as adjustment to segment profit.

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

(5) Notes on significant changes in the amount of shareholders' equity

For the three months ended June 30, 2011

No items to report

4. Supplemental information

Production, orders received and sales

(1) Production

(in millions of yen, unless otherwise noted)

	For the three months ended June 30, 2010		For the three months ended June 30, 2011		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	15,170	90.5	14,773	89.5	(397)	(2.6)
Machinery	1,321	7.9	1,464	8.9	143	10.9
Others	269	1.6	274	1.6	5	2.0
Total	16,761	100.0	16,512	100.0	(248)	(1.5)

(2) Orders received

(in millions of yen, unless otherwise noted)

	For the three months ended June 30, 2010		For the three months ended June 30, 2011		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	7,714	88.5	3,265	65.8	(4,449)	(57.7)
Machinery	736	8.4	1,421	28.7	684	93.0
Others	269	3.1	274	5.5	5	2.0
Total	8,720	100.0	4,961	100.0	(3,758)	(43.1)

(3) Order backlog

(in millions of yen, unless otherwise noted)

	As of June 30, 2010		As of June 30, 2011		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	110,729	96.2	83,053	96.5	(27,676)	(25.0)
Machinery	4,354	3.8	3,051	3.5	(1,303)	(29.9)
Others	–	–	–	–	–	–
Total	115,083	100.0	86,104	100.0	(28,979)	(25.2)

(Notes) 1. Order backlog is described by the completed-contract method. Of order backlog amounts as of June 30, 2011, ¥28,825 million for shipbuilding and ¥77 million for machinery and, of those as of June 30, 2010, ¥11,659 million for shipbuilding and ¥645 million for machinery are recorded as sales by the percentage of completion method.

2. A ¥257 million decrease resulting from exchange rate fluctuations in the foreign currency-denominated order backlog as of the previous fiscal year-end has been subtracted from the consolidated order backlog as of June 30, 2011.

(4) Sales

(in millions of yen, unless otherwise noted)

	For the three months ended June 30, 2010		For the three months ended June 30, 2011		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	6,601	78.6	16,349	90.5	9,748	147.7
Machinery	1,527	18.2	1,441	8.0	(86)	(5.7)
Others	269	3.2	274	1.5	5	2.0
Total	8,398	100.0	18,065	100.0	9,667	115.1