

Translation

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

October 27, 2011

Company name: **Sasebo Heavy Industries Co., Ltd.**
 Listing: Tokyo Stock Exchange 1st Section
 Fukuoka Stock Exchange
 Stock code: 7007
 URL: <http://www.ssk-sasebo.co.jp>
 Representative: Yoshifumi Yushita/President
 Inquiries: Teruyuki Shibuya/General Manager of General Affairs Department
 TEL: +81-3-6861-7312

Scheduled date to file quarterly securities report: November 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 six months of the fiscal year ending
March 31, 2012 (From April 1, 2011 to September 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 six months ended								
September 30, 2011	36,290	63.4	4,212	57.7	4,019	63.5	1,953	(28.0)
September 30, 2010	22,214	(33.3)	2,671	(33.6)	2,457	(30.2)	2,713	32.0

Note: Comprehensive income

For the six months ended September 30, 2011: ¥2,022 million [(8.6)%]
 For the six months ended September 30, 2010: ¥2,212 million [-%]

	Net income per share	Diluted net income per share
For the six months ended	<i>yen</i>	<i>yen</i>
September 30, 2011	12.18	-
September 30, 2010	16.91	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	<i>millions of yen</i>	<i>millions of yen</i>	%
September 30, 2011	90,613	29,616	32.7
March 31, 2011	85,013	28,396	33.4

Reference: Equity

As of September 30, 2011: ¥29,616 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	–	0.00			
For the year ending March 31, 2012 (Forecast)			–	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 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 six 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 September 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 September 30, 2011	1,485,310 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 six months ended September 30, 2011	160,471,528 shares
For the six months ended September 30, 2010	160,476,010 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.

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

(1) Qualitative information on consolidated operating results

The Japanese economy during the first six months of the fiscal year ending March 31, 2012, faced difficult circumstances owing to the fact that the trend of yen appreciation became firmly established due to factors such as fiscal uncertainties in Europe and economic stagnation in the US, and the impact of the Great East Japan Earthquake. Going forward, it is predicted that, among other events, the deceleration in overseas economies arising from the sluggishness of the US economy and fiscal uncertainties in Europe will continue, that prolonged yen appreciation will take a heavy toll on the profits of exporters, and furthermore, that it will take some time to commence full-scale reconstruction operations after the earthquake. Therefore, the outlook for the economy is unclear, and there are concerns that difficult circumstances could continue.

Under such circumstances, the Sasebo Group posted consolidated orders received of ¥13,748 million, an increase of 1.9% from the same period of the previous fiscal year, owing to firm orders in the machinery business, among other factors. Total consolidated net sales were ¥36,290 million, an increase of 63.4% 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 September 30, 2011 was ¥74,370 million, a decrease of 26.0% 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 ¥4,212 million, an increase of 57.7% from the same period of the previous fiscal year, and ordinary income was ¥4,019 million, an increase of 63.5%. Net income was ¥1,953 million, a decrease of 28.0% 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 ¥10,580 million in the shipbuilding business, a 0.9% decrease from the same period of the previous fiscal year. Included in this amount were new shipbuilding orders for 2 units of 75,000 DWT bulk carriers, as well as ship repairs for the Japan Maritime Self-Defense Force, United States Navy vessels, commercial vessels, and passenger vessels. Net sales were ¥33,038 million, an increase of 79.1% from the same period of the previous fiscal year. New ships delivered during the first six months of the fiscal year totaled 3 ships, consisting of 2 units of 115,000 DWT crude oil tankers and 1 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 ¥3,298 million, an increase of 109.2% 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 ¥2,575 million, an increase of 14.7% from the same period of the previous fiscal year, representing equipment-related work for marine equipment and general industrial machinery, etc. Net sales were ¥2,658 million, a decrease of 17.0% from the same period of the previous fiscal year. In terms of income, segment profit was ¥565 million, a decrease of 37.6% 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 ¥592 million, an increase of 5.2% from the same period of the previous fiscal year. Segment profit was ¥66 million, an increase of 64.8% from the same period of the previous fiscal year.

(2) Qualitative information on consolidated financial position

(Total assets)

Current assets were ¥61,164 million, an increase of ¥6,540 million from the previous fiscal year-end. This was mainly due to an increase in accounts receivable—trade. Non-current assets were ¥29,449 million, a decrease of ¥940 million from the previous fiscal year-end. This was mainly due to a decrease in property, plant and equipment resulting from depreciation and a decrease in investment securities resulting from the stock market decline.

As a result, total assets were ¥90,613 million, an increase of ¥5,600 million from the previous fiscal year-end.

(Liabilities)

Current liabilities were ¥38,280 million, a decrease of ¥1,237 million from the previous fiscal year-end. This was mainly due to a decrease in advance received. Non-current liabilities were ¥22,717 million, an increase of ¥5,618 million from the previous fiscal year-end. This was mainly due to an increase in long-term loans payable.

As a result, total liabilities were ¥60,997 million, an increase of ¥4,380 million from the previous fiscal year-end.

(Net assets)

Total net assets were ¥29,616 million, an increase of ¥1,219 million from the previous fiscal year-end, as a result of an increase in retained earnings due to the recording of net income.

(Analysis of cash flows)

Cash and cash equivalents (hereafter referred to as “cash”) at the end of the first six months of the current fiscal year, was ¥29,347 million, an increase of ¥6,441 million compared to the end of the same period of the previous fiscal year.

The respective cash flow positions are as follows.

(Cash flows from operating activities)

Net cash used in operating activities was ¥4,564 million, an increase of ¥7,394 million from the same period of the previous fiscal year. This was mainly due to an increase in notes and accounts receivable—trade despite a decrease in inventories.

(Cash flows from investing activities)

Net cash used in investing activities was ¥1,138 million, a decrease of ¥1,342 million from the same period of the previous fiscal year. This was mainly due to a decrease in the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥6,388 million, an increase of ¥6,748 million from the same period of the previous fiscal year. This was mainly due to an increase in proceeds from long-term loans.

(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 six 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 six 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 September 30, 2011
Assets		
Current assets		
Cash and deposits	29,592	30,307
Notes and accounts receivable—trade	18,723	23,943
Short-term investment securities	70	40
Merchandise and finished goods	18	18
Work in process	1,587	1,477
Raw materials and supplies	1,201	902
Deferred tax assets	1,174	2,300
Other	2,256	2,175
Allowance for doubtful receivables	(1)	(1)
Total current assets	54,623	61,164
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,220	8,914
Land	7,143	7,118
Other, net	8,390	8,172
Total property, plant and equipment	24,753	24,204
Intangible assets	201	176
Investments and other assets		
Investment securities	3,202	2,812
Deferred tax assets	2,068	2,092
Other	435	434
Allowance for doubtful receivables	(271)	(271)
Total investments and other assets	5,434	5,067
Total non-current assets	30,390	29,449
Total assets	85,013	90,613

(in millions of yen, unless otherwise noted)

	As of March 31, 2011	As of September 30, 2011
Liabilities		
Current liabilities		
Notes and accounts payable—trade	18,161	17,793
Notes payable—facilities	196	132
Short-term loans payable	3,668	5,303
Income taxes payable	3,430	2,787
Advance received	10,394	6,259
Provision for construction warranties	52	42
Provision for loss on construction contracts	1,283	4,329
Other	2,332	1,633
Total current liabilities	39,517	38,280
Non-current liabilities		
Long-term loans payable	11,917	17,491
Deferred tax liabilities	2	1
Provision for retirement benefits	4,898	4,963
Provision for special repairs	46	51
Other	233	209
Total non-current liabilities	17,098	22,717
Total liabilities	56,616	60,997
Net assets		
Shareholders' equity		
Capital stock	8,414	8,414
Capital surplus	5,148	5,148
Retained earnings	16,026	17,178
Treasury stock	(977)	(977)
Total shareholders' equity	28,612	29,763
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(215)	(146)
Total accumulated other comprehensive income	(215)	(146)
Total net assets	28,396	29,616
Total liabilities and net assets	85,013	90,613

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

(in millions of yen, unless otherwise noted)

	For the six months ended September 30, 2010	For the six months ended September 30, 2011
Net sales	22,214	36,290
Costs of sales	18,278	30,869
Gross profit	3,936	5,420
Selling, general and administrative expenses	1,265	1,208
Operating income	2,671	4,212
Non-operating income		
Interest and dividends income	51	53
Other	12	21
Total non-operating income	64	75
Non-operating expenses		
Interest expenses	135	170
Foreign exchange losses	121	44
Other	20	53
Total non-operating expenses	277	268
Ordinary income	2,457	4,019
Extraordinary income		
Gain on sales of non-current assets	0	—
Contract cancellation revenue	2,042	—
Other	42	—
Total extraordinary income	2,084	—
Extraordinary loss		
Loss on sales of non-current assets	—	5
Loss on disposal of non-current assets	21	3
Loss on valuation of investment securities	2	457
Impairment loss	34	—
Other	7	2
Total extraordinary losses	66	468
Income before income taxes	4,475	3,550
Income taxes—current	2,603	2,747
Income taxes—deferred	(840)	(1,150)
Total income taxes	1,762	1,597
Income before minority interests	2,713	1,953
Minority interests in income	—	—
Net income	2,713	1,953

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

	For the six months ended September 30, 2010	For the six months ended September 30, 2011
Income before minority interests	2,713	1,953
Other comprehensive income		
Valuation difference on available-for-sale securities	(500)	68
Total other comprehensive income	(500)	68
Comprehensive income	2,212	2,022
Comprehensive income attributable to Owners of the parent	2,212	2,022

(3) Consolidated statements of cash flows*(in millions of yen, unless otherwise noted)*

	For the six months ended September 30, 2010	For the six months ended September 30, 2011
Cash flows from operating activities		
Income before income taxes	4,475	3,550
Depreciation and amortization	1,797	1,546
Increase (decrease) in provision for loss on construction contracts	704	3,046
Increase (decrease) in provision for retirement benefits	209	64
Increase (decrease) in provision for construction warranties	(7)	(10)
Increase (decrease) in provision for special repairs	8	4
Interest and dividend income	(51)	(53)
Interest expenses	135	170
Foreign exchange losses (gains)	0	0
Loss (gain) on sales of property, plant and equipment	(0)	5
Loss (gain) on disposal of non-current assets	21	3
Impairment losses	34	–
Loss (gain) on valuation of investment securities	2	457
Decrease (increase) in notes and accounts receivable—trade	9,106	(5,219)
Decrease (increase) in inventories	(8,788)	409
Decrease (increase) in consumption taxes refund receivable	(116)	112
Decrease (increase) in other current assets	(606)	(26)
Increase (decrease) in notes and accounts payable—trade	532	(328)
Increase (decrease) in advance received	(3,566)	(4,134)
Increase (decrease) in other current liabilities	(811)	(681)
Subtotal	3,080	(1,083)
Interest and dividends received	51	53
Interest paid	(134)	(163)
Income taxes paid	(166)	(3,370)
Net cash provided by operating activities	2,830	(4,564)

(in millions of yen, unless otherwise noted)

	For the six months ended September 30, 2010	For the six months ended September 30, 2011
Cash flows from investing activities		
Payments into time deposits	(1,000)	–
Purchase of property, plant and equipment	(1,662)	(1,290)
Payments for retirement of property, plant and equipment	(45)	(65)
Proceeds from sales of property, plant and equipment	0	252
Purchase of intangible assets	(7)	(0)
Proceeds from sales and redemption of investment securities	30	–
Collection of loans receivable	0	1
Other	203	(36)
Net cash used in investing activities	(2,480)	(1,138)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,180)	(100)
Proceeds from long-term loans	2,100	8,500
Repayment of long-term loans	(626)	(1,191)
Dividends paid	(636)	(796)
Payments for purchases of treasury stock	(0)	(0)
Other	(16)	(23)
Net cash used in financing activities	(360)	6,388
Effect of exchange rate changes on cash and cash equivalents	(0)	(0)
Increase (decrease) in cash and cash equivalents	(10)	685
Cash and cash equivalents at beginning of period	22,916	28,662
Cash and cash equivalents at end of period	22,906	29,347

(4) Notes on premise of going concern

For the six months ended September 30, 2011

No items to report

(5) Segment information

[Segment information]

I. For the six months ended September 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	18,446	3,204	21,651	563	22,214	–	22,214
Inter-segment sales and transfers	–	–	–	1,047	1,047	(1,047)	–
Total	18,446	3,204	21,651	1,611	23,262	(1,047)	22,214
Segment profit	1,576	905	2,482	40	2,523	147	2,671

(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 ¥147 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 six months ended September 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	33,038	2,658	35,697	592	36,290	–	36,290
Inter-segment sales and transfers	–	–	–	1,010	1,010	(1,010)	–
Total	33,038	2,658	35,697	1,603	37,300	(1,010)	36,290
Segment profit	3,298	565	3,863	66	3,930	282	4,212

(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 ¥282 million are recorded as adjustment to segment profit.

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

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

For the six months ended September 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 six months ended September 30, 2010		For the six months ended September 30, 2011		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	31,478	90.0	28,901	89.5	(2,576)	(8.2)
Machinery	2,944	8.4	2,799	8.7	(145)	(5.0)
Others	563	1.6	592	1.8	29	5.2
Total	34,986	100.0	32,293	100.0	(2,693)	(7.7)

(2) Orders received

(in millions of yen, unless otherwise noted)

	For the six months ended September 30, 2010		For the six months ended September 30, 2011		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	10,679	79.2	10,580	77.0	(99)	(0.9)
Machinery	2,245	16.6	2,575	18.7	329	14.7
Others	563	4.2	592	4.3	29	5.2
Total	13,489	100.0	13,748	100.0	259	1.9

(3) Order backlog

(in millions of yen, unless otherwise noted)

	As of September 30, 2010		As of September 30, 2011		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	97,018	96.5	71,308	95.9	(25,709)	(26.5)
Machinery	3,541	3.5	3,061	4.1	(479)	(13.6)
Others	–	–	–	–	–	–
Total	100,559	100.0	74,370	100.0	(26,189)	(26.0)

(Notes) 1. Order backlog is described by the completed-contract method. Of order backlog amounts as of September 30, 2011, ¥26,871 million for shipbuilding and ¥150 million for machinery and, of those as of September 30, 2010, ¥6,827 million for shipbuilding are recorded as sales by the percentage of completion method.

2. A ¥674 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 September 30, 2011.

(4) Sales

(in millions of yen, unless otherwise noted)

	For the six months ended September 30, 2010		For the six months ended September 30, 2011		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	18,446	83.1	33,038	91.1	14,592	79.1
Machinery	3,204	14.4	2,658	7.3	(546)	(17.0)
Others	563	2.5	592	1.6	29	5.2
Total	22,214	100.0	36,290	100.0	14,075	63.4