

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

January 26, 2012

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: February 13, 2012  
 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 nine months of the fiscal year ending March 31, 2012 (From April 1, 2011 to December 31, 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 nine months ended								
December 31, 2011	51,316	11.5	6,514	22.1	6,261	23.0	2,868	(32.0)
December 31, 2010	46,027	(7.1)	5,334	(7.6)	5,090	(3.6)	4,217	35.8

Note: Comprehensive income

For the nine months ended December 31, 2011: ¥2,890 million [(26.0)%]  
 For the nine months ended December 31, 2010: ¥3,907 million [ -%]

	Net income per share	Diluted net income per share
For the nine months ended	<i>yen</i>	<i>yen</i>
December 31, 2011	17.88	-
December 31, 2010	26.28	-

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
As of	<i>millions of yen</i>	<i>millions of yen</i>	%
December 31, 2011	87,756	30,485	34.7
March 31, 2011	85,013	28,396	33.4

Reference: Equity

As of December 31, 2011: ¥30,485 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 nine 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 December 31, 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 December 31, 2011	1,485,710 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 nine months ended December 31, 2011	160,470,782 shares
For the nine months ended December 31, 2010	160,475,593 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 nine months**

### **(1) Qualitative information on consolidated operating results**

The Japanese economy during the first nine months of the fiscal year ending March 31, 2012 continued to face difficult circumstances. There was a slowdown in overseas economies due to the debt crisis in Europe and stagnation in the US economy, the yen's appreciation to record levels became firmly established, and the Great East Japan Earthquake also had an impact. Going forward, there are concerns regarding sluggishness in the domestic economy due to constraints on electricity supplies and other factors, while the prospects of the US economy recovering or the debt crisis in Europe being surmounted are unclear. As a result, there are concerns that these difficult circumstances could continue, while the Japanese economy could further deteriorate.

Under such circumstances, the Sasebo Group posted consolidated orders received of ¥18,736 million, a decrease of 13.0% from the same period of the previous fiscal year. This was primarily the result of stagnation in ship prices for new shipbuilding and the yen's appreciation. Total consolidated net sales were ¥51,316 million, an increase of 11.5% from the same period of the previous fiscal year. This was mainly due 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 well as the recording of highly priced new shipbuilding under sales. As a result, the consolidated order backlog as of December 31, 2011 was ¥63,190 million, a decrease of 35.4% from the same date of the previous fiscal year. In terms of income, due to an increase in consolidated net sales and other factors, consolidated operating income was ¥6,514 million, an increase of 22.1% from the same period of the previous fiscal year, and ordinary income was ¥6,261 million, an increase of 23.0%. Net income was ¥2,868 million, a decrease of 32.0% 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 ¥14,647 million in the shipbuilding business, a 12.4% decrease from the same period of the previous fiscal year. Included in this amount were new shipbuilding orders for 3 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 ¥46,198 million, an increase of 14.4% from the same period of the previous fiscal year. New ships delivered during the first nine months of the current fiscal year totaled 5 ships, consisting of 2 units of 115,000 DWT crude oil tankers, 1 unit of 115,000 DWT product tanker and 2 units of 75,000 DWT bulk carriers. As a result, the order backlog for new shipbuilding came to 12 units. In terms of income, segment profit was ¥5,106 million, an increase of 41.3% from the same period of the previous fiscal year.

#### **(b) Machinery**

In its machinery business, the Group posted orders received of ¥3,199 million, a decrease of 19.3% from the same period of the previous fiscal year, representing equipment-related work for marine equipment and general industrial machinery, etc. Net sales were ¥4,228 million, a decrease of 11.5% from the same period of the previous fiscal year. In terms of income, segment profit was ¥838 million, a decrease of 33.7% 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**

The "Others" business segment is comprised mainly of meal delivery service, etc. Orders received and net sales were both ¥889 million, an increase of 4.3% from the same period of the previous fiscal year. Segment profit was ¥107 million, an increase of 52.5% from the same period of the previous fiscal year.

## **(2) Qualitative information on consolidated financial position**

(Total assets)

Current assets were ¥59,215 million, an increase of ¥4,592 million from the previous fiscal year-end. This was mainly due to an increase in notes and accounts receivable—trade. Non-current assets were ¥28,540 million, a decrease of ¥1,849 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 ¥87,756 million, an increase of ¥2,742 million from the previous fiscal year-end.

(Liabilities)

Current liabilities were ¥35,431 million, a decrease of ¥4,085 million from the previous fiscal year-end. This was mainly due to a decrease in advance received. Non-current liabilities were ¥21,838 million, an increase of ¥4,739 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 ¥57,270 million, an increase of ¥654 million from the previous fiscal year-end.

(Net assets)

Total net assets were ¥30,485 million, an increase of ¥2,088 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 consolidated operating results for the first nine months of the current fiscal year performed steadily, ship prices for new shipbuilding orders have been low, mainly due to sluggishness in the global economy. Furthermore, ship yards in Japan face the yen's appreciation to record levels in foreign exchange markets, as well as persistently high domestic steel prices. As a result of such factors, it is highly probable that the Group will record provision for loss on construction contracts for new shipbuilding orders. 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 nine 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 December 31, 2011
Assets		
Current assets		
Cash and deposits	29,592	31,967
Notes and accounts receivable—trade	18,723	21,538
Short-term investment securities	70	40
Merchandise and finished goods	18	17
Work in process	1,587	1,360
Raw materials and supplies	1,201	773
Deferred tax assets	1,174	1,497
Other	2,256	2,021
Allowance for doubtful receivables	(1)	(1)
Total current assets	54,623	59,215
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,220	8,732
Land	7,143	7,088
Other, net	8,390	7,833
Total property, plant and equipment	24,753	23,654
Intangible assets	201	182
Investments and other assets		
Investment securities	3,202	2,595
Deferred tax assets	2,068	1,951
Other	435	421
Allowance for doubtful receivables	(271)	(265)
Total investments and other assets	5,434	4,702
Total non-current assets	30,390	28,540
Total assets	85,013	87,756

(in millions of yen, unless otherwise noted)

	As of March 31, 2011	As of December 31, 2011
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable—trade	18,161	19,125
Notes payable—facilities	196	199
Short-term loans payable	3,668	6,201
Income taxes payable	3,430	1,024
Advance received	10,394	4,306
Provision for construction warranties	52	42
Provision for loss on construction contracts	1,283	3,157
Other	2,332	1,375
Total current liabilities	39,517	35,431
Non-current liabilities		
Long-term loans payable	11,917	16,591
Deferred tax liabilities	2	1
Provision for retirement benefits	4,898	5,002
Provision for special repairs	46	46
Other	233	196
Total non-current liabilities	17,098	21,838
Total liabilities	56,616	57,270
Net assets		
Shareholders' equity		
Capital stock	8,414	8,414
Capital surplus	5,148	5,148
Retained earnings	16,026	18,094
Treasury stock	(977)	(977)
Total shareholders' equity	28,612	30,679
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(215)	(193)
Total accumulated other comprehensive income	(215)	(193)
Total net assets	28,396	30,485
Total liabilities and net assets	85,013	87,756



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

*(in millions of yen, unless otherwise noted)*

	For the nine months ended December 31, 2010	For the nine months ended December 31, 2011
Net sales	46,027	51,316
Costs of sales	38,797	42,969
Gross profit	7,229	8,347
Selling, general and administrative expenses	1,895	1,832
Operating income	5,334	6,514
Non-operating income		
Interest and dividends income	74	80
Other	33	27
Total non-operating income	107	107
Non-operating expenses		
Interest expenses	203	278
Foreign exchange losses	120	26
Other	26	55
Total non-operating expenses	351	360
Ordinary income	5,090	6,261
Extraordinary income		
Gain on sales of non-current assets	0	1
Contract cancellation revenue	2,042	–
Other	42	0
Total extraordinary income	2,084	1
Extraordinary loss		
Loss on sales of non-current assets	–	5
Loss on disposal of non-current assets	85	8
Loss on valuation of investment securities	42	627
Impairment loss	34	–
Other	21	62
Total extraordinary losses	184	703
Income before income taxes	6,991	5,559
Income taxes—current	3,257	2,896
Income taxes—deferred	(483)	(205)
Total income taxes	2,773	2,690
Income before minority interests	4,217	2,868
Minority interests in income	–	–
Net income	4,217	2,868

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

	For the nine months ended December 31, 2010	For the nine months ended December 31, 2011
Income before minority interests	4,217	2,868
Other comprehensive income		
Valuation difference on available-for-sale securities	(310)	21
Total other comprehensive income	(310)	21
Comprehensive income	3,907	2,890
Comprehensive income attributable to Owners of the parent	3,907	2,890

### (3) Notes on premise of going concern

For the nine months ended December 31, 2011

No items to report

### (4) Segment information

[Segment information]

I. For the nine months ended December 31, 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	40,397	4,776	45,174	852	46,027	–	46,027
Inter-segment sales and transfers	–	–	–	1,572	1,572	(1,572)	–
Total	40,397	4,776	45,174	2,425	47,599	(1,572)	46,027
Segment profit	3,612	1,263	4,876	70	4,947	387	5,334

(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 ¥387 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 nine months ended December 31, 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	46,198	4,228	50,427	889	51,316	–	51,316
Inter-segment sales and transfers	–	–	–	1,512	1,512	(1,512)	–
Total	46,198	4,228	50,427	2,401	52,828	(1,512)	51,316
Segment profit	5,106	838	5,944	107	6,051	463	6,514

(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 ¥463 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 nine months ended December 31, 2011

No items to report

## **4. Supplemental information**

### **Production, orders received and sales**

#### **(1) Production**

*(in millions of yen, unless otherwise noted)*

	For the nine months ended December 31, 2010		For the nine months ended December 31, 2011		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	45,760	89.5	44,549	90.0	(1,211)	(2.6)
Machinery	4,528	8.8	4,073	8.2	(454)	(10.0)
Others	852	1.7	889	1.8	36	4.3
Total	51,141	100.0	49,512	100.0	(1,629)	(3.2)

#### **(2) Orders received**

*(in millions of yen, unless otherwise noted)*

	For the nine months ended December 31, 2010		For the nine months ended December 31, 2011		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	16,727	77.6	14,647	78.2	(2,079)	(12.4)
Machinery	3,967	18.4	3,199	17.1	(767)	(19.3)
Others	852	4.0	889	4.7	36	4.3
Total	21,547	100.0	18,736	100.0	(2,810)	(13.0)

#### **(3) Order backlog**

*(in millions of yen, unless otherwise noted)*

	As of December 31, 2010		As of December 31, 2011		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	94,098	96.2	61,225	96.9	(32,873)	(34.9)
Machinery	3,693	3.8	1,965	3.1	(1,728)	(46.8)
Others	–	–	–	–	–	–
Total	97,792	100.0	63,190	100.0	(34,602)	(35.4)

(Notes) 1. Order backlog is described by the completed-contract method. Of order backlog amounts as of December 31, 2011, ¥25,796 million for shipbuilding and, of those as of December 31, 2010, ¥19,813 million for shipbuilding and ¥2 million for machinery are recorded as sales by the percentage of completion method.

2. A ¥589 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 December 31, 2011.

#### **(4) Sales**

*(in millions of yen, unless otherwise noted)*

	For the nine months ended December 31, 2010		For the nine months ended December 31, 2011		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	40,397	87.8	46,198	90.0	5,800	14.4
Machinery	4,776	10.4	4,228	8.3	(548)	(11.5)
Others	852	1.8	889	1.7	36	4.3
Total	46,027	100.0	51,316	100.0	5,289	11.5