

**Summary of Consolidated Financial Results
for the Year Ended March 31, 2012
<under Japanese GAAP>**

May 18, 2012

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 of annual shareholders meeting: June 26, 2012
 Scheduled date to commence dividend payments: June 27, 2012
 Scheduled date to file securities report: June 27, 2012
 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, 2012
(From April 1, 2011 to March 31, 2012)**

(1) Consolidated operating results *(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 year ended								
March 31, 2012	66,082	(1.8)	9,862	52.3	9,697	57.4	734	(83.6)
March 31, 2011	67,280	5.6	6,473	(19.4)	6,161	(16.8)	4,478	19.9

Note: Comprehensive income

For the year ended March 31, 2012: ¥904 million [(76.8)%]
 For the year ended March 31, 2011: ¥3,898 million [(7.1)%]

	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	<i>yen</i>	<i>yen</i>	%	%	%
March 31, 2012	4.58	–	2.6	11.4	14.9
March 31, 2011	27.91	–	16.7	7.4	9.6

Reference: Equity income (loss) from affiliates

For the year ended March 31, 2012: ¥ – million
 For the year ended March 31, 2011: ¥ – million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	<i>millions of yen</i>	<i>millions of yen</i>	%	<i>yen</i>
March 31, 2012	84,464	28,514	33.8	177.69
March 31, 2011	85,013	28,396	33.4	176.96

Reference: Equity

As of March 31, 2012: ¥28,514 million
 As of March 31, 2011: ¥28,396 million

(3) Consolidated cash flows

	Operating activities	Investing activities	Financing Activities	Cash and cash equivalents at year-end
For the year ended	<i>millions of yen</i>	<i>millions of yen</i>	<i>millions of yen</i>	<i>millions of yen</i>
March 31, 2012	6,520	(545)	7,178	41,882
March 31, 2011	7,402	(2,877)	1,226	28,662

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	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>millions of yen</i>	%	%
March 31, 2011	–	0.00	–	5.00	5.00	802	17.9	3.0
March 31, 2012	–	0.00	–	5.00	5.00	802	109.3	2.8
For the year ending March 31, 2013 (Forecast)	–	–	–	–	–		–	

Note: Dividends for the year ending March 31, 2013 are undecided.

3. Consolidated forecast for the fiscal year ending March 31, 2013 (From April 1, 2012 to March 31, 2013)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
For the year ending March 31, 2013	<i>millions of yen</i>	%	<i>millions of yen</i>	%	<i>millions of yen</i>	%	<i>millions of yen</i>	%	<i>yen</i>
	40,000	(39.5)	(3,000)	–	(3,300)	–	(3,300)	–	(20.56)

Note: Consolidated forecast for the six-month period is not presented as financial target is managed only on an annual basis.

* **Notes**

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

(2) **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

(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, 2012	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 March 31, 2012	1,485,710 shares
As of March 31, 2011	1,482,028 shares

C. Average number of outstanding shares during the period

For the year ended March 31, 2012	160,470,606 shares
For the year ended March 31, 2011	160,474,937 shares

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for the year ended March 31, 2012

(From April 1, 2011 to March 31, 2012)

(1) Non-consolidated operating results

(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 year ended								
March 31, 2012	64,885	(1.7)	9,696	50.9	9,524	57.7	650	(85.2)
March 31, 2011	66,004	5.6	6,425	(19.3)	6,039	(17.6)	4,387	17.6

	Net income per share	Diluted net income per share
For the year ended	<i>yen</i>	<i>yen</i>
March 31, 2012	4.05	–
March 31, 2011	27.34	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	<i>millions of yen</i>	<i>millions of yen</i>	%	<i>yen</i>
March 31, 2012	83,742	28,060	33.5	174.86
March 31, 2011	84,278	28,027	33.3	174.66

Reference: Equity

As of March 31, 2012: ¥28,060 million

As of March 31, 2011: ¥28,027 million

* 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 and include elements of risk and uncertainty. The Company makes no assurances concerning the realization of forecasts, etc. and investors are requested not to base their investment decisions on these financial forecasts alone. Investors are advised that as a result of various factors, actual financial results may differ considerably from these financial forecasts. Factors affecting actual forecasts include the economic situation surrounding the Sasebo Group and the foreign exchange rate of the yen against the US dollar.

Attached Materials

Index

1. Operating results.....	2
(1) Analysis of operating results.....	2
(2) Analysis of financial position	5
(3) Basic policy on profit distribution and dividends for the year ended March 31, 2012 and the year ending March 31, 2013	6
2. State of the Group.....	7
3. Management policy	8
(1) Principal management policy.....	8
(2) Business performance targets.....	8
(3) Medium to long-term management strategies.....	8
(4) Issues to be addressed	9
4. Consolidated financial statements	10
(1) Consolidated balance sheets.....	10
(2) Consolidated statements of income and comprehensive income	13
(3) Consolidated statements of changes in net assets	16
(4) Consolidated statements of cash flows	18
(5) Notes on premise of going concern.....	20
(6) Significant matters forming the basis of preparing the consolidated financial statements	20
(7) Additional information.....	22
(8) Notes to consolidated financial statements	22
Notes to consolidated balance sheets	22
Notes to consolidated statements of income.....	23
Notes to consolidated statements of changes in net assets	25
Notes to consolidated statements of cash flows	26
Items to omit notes thereon	26
Segment information, etc.....	27
Per share information	30
Significant subsequent events.....	30
(9) Other information.....	31
Production, orders received and sales	31
5. Non-consolidated financial statements.....	32
(1) Non-consolidated balance sheets	32
(2) Non-consolidated statements of income	36
(3) Non-consolidated statements of changes in net assets.....	38
(4) Notes on premise of going concern.....	42
(5) Significant subsequent events	42
6. Other.....	42
Changes in directors on board	42

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, 2012, the Japanese economy faced difficult circumstances. The export industry in particular continued to be weak as the result of a slowdown in the overseas economy that was struggling due to concerns and troubles surrounding the European debt crisis, the weak US economy, and the ongoing strong yen. The Japanese economy also was impacted by the effects of the Great East Japan Earthquake.

In the shipbuilding industry, the prices of new vessels continued to drop due to a global surplus supply of vessels. Although there was strong sentiment to place orders for vessels while prices were low, financial institutions were sternly reluctant to lend money amid the current slump in sea-freight charges, making new order placement difficult. Consequently, global new shipbuilding orders received in 2011 totaled 53,343 thousand gross tons, for a decrease of 35.3% over the previous year. Japanese new shipbuilding orders declined 35.3% to 7,716 thousand gross tons owing to the record-high foreign exchange value of the yen further eroding price competitiveness against Korean and Chinese shipbuilders and the slowdown in the shipbuilding market. Additionally, although the global delivery of new ships in 2011 increased by 5.3% to a record-high 101,501 thousand gross tons as a result of new ship deliveries increasing in China and South Korea, the delivery of new ships in Japan decreased by 4.2% to 19,360 thousand gross tons.

In the machinery industry, there was a tone of recovery in orders received due to the emergence of earthquake-recovery related demand for industrial machinery and others. Prices for marine equipment such as crankshafts, a core product of the Company, however, weakened due to the impact of the slowdown in the new shipbuilding market.

Under the above circumstances, the Sasebo Group posted consolidated orders received of ¥30,603 million, a decrease of 14.3% from the previous fiscal year as a result of a decrease in the number of new shipbuilding orders. With respect to consolidated net sales, although there was a slight increase in sales in the shipbuilding business due mainly to profitable deliveries, sales in the machinery business declined due mainly to the low prices for crankshafts, a core product of the Company. As a result, the Group posted consolidated sales of ¥66,082 million, a decrease of 1.8% from the previous fiscal year. The consolidated order backlog at the end of the fiscal year was ¥40,353 million, a decrease of 55.2% over the previous year. In terms of income, due to the effects of reducing manufacturing costs and cutting fixed costs, consolidated operating income was ¥9,862 million, an increase of 52.3% from the previous fiscal year, and ordinary income was ¥9,697 million, an increase of 57.4% from the previous year. Net income, however, decreased 83.6% to ¥734 million because of the absence in the current year of extraordinary income relating to contract cancellation revenue that was recorded in the previous year, an increase in the current year of impairment loss on non-current assets, and the reversal of deferred tax assets to ensure asset soundness.

Results by segment are as follows.

(a) Shipbuilding

The Group posted orders received of ¥24,847 million in the shipbuilding business, decreasing 14.8% from the previous year. Included in this amount were new shipbuilding orders for 5 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 ¥59,256 million, roughly the same amount as the previous year. New ships delivered during the fiscal year totaled 10 ships: 2 units of 115,000 DWT crude oil tanker, 2 units of 115,000 DWT product carriers, and 6 units of 75,000 DWT bulk carriers. In addition, shipbuilding was discontinued for 1 new unit for which an order was received up to the previous fiscal year, and as a result, the order backlog for new shipbuilding came to 8 units. Order backlog, including ship repairs, amounted to ¥38,429 million, decreasing 55.8% from the previous fiscal year-end. Since April this year, however, 3 units of new shipbuilding orders with formal contracts or unofficial promises have been received, making the present order backlog 11 units. In

terms of income, segment profit increased 79.5% to ¥8,056 million, as a result of reduced construction costs.

(b) Machinery

The Group posted orders received of ¥4,558 million, decreasing 13.5% for its machinery business representing 178 orders of equipment-related work for marine equipment and general industrial machinery, etc. Net sales amounted to ¥5,629 million, decreasing 16.9%, and order backlog totaled ¥1,923 million, decreasing 36.7% from the previous year-end. In terms of income, segment profit was ¥1,016 million, a decrease of 36.2% from the previous year, owing to the impact of low crankshaft prices and other factors.

(c) Others

Other business segments are comprised mainly of meal delivery service, etc. Orders received and net sales decreased 6.2%, totaling ¥1,197 million, respectively. Segment profit was ¥161 million as a result of an increase of 40.8% from the previous fiscal year.

After adding adjustment of ¥628 million to segment profits, consolidated operating income of ¥9,862 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, 2012	30,603	66,082	9,862	9,697	734	4.58
March 31, 2011	35,706	67,280	6,473	6,161	4,478	27.91

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, 2012	29,406	64,885	9,696	9,524	650	4.05
March 31, 2011	34,430	66,004	6,425	6,039	4,387	27.34

B. Prospects for the year ending March 2013

There is much uncertainty concerning the future of the global economy because of concerns that the economic growth of the emerging countries, particularly China, will weaken and the instability of economic recovery in Europe and North America. In addition, the sluggish shipping market is expected to cause difficult conditions to remain for the new shipbuilding market. Moreover, taking into account concerns that the yen exchange rate will continue to be strong and the price of raw materials will rise, the severe environment surrounding the Company is expected to continue.

In order to respond smartly to this difficult business environment, the Sasebo Group shall pursue a policy of reducing new shipbuilding related operations, which is the primary business of the Company. The Group will execute broad-ranging reductions for fixed costs while avoiding orders involving untenably low prices and strengthen the ship repairs business, machinery business, and new businesses as part of efforts to reform the existing business structure.

In our consolidated forecast for the year ending March 31, 2013, we are expecting consolidated net sales to drop considerably to ¥40,000 million as a result of the curtailment of new shipbuilding operations. In terms of profit, the Group expects consolidated operating loss of ¥3,000 million, consolidated ordinary loss of ¥3,300 million and consolidated net loss of ¥3,300 million. The Sasebo Group is striving to achieve a recovery in its financial results as soon as possible through the following initiatives. To reduce fixed costs, Directors and Executive Officers surrendered part of their remuneration since January this year and from March salary cuts were executed for management positions. In addition, the Group will

continue in the next fiscal year to cut costs across the entire Group such as by reducing construction costs and fixed costs as well as boosting revenue by reinforcing new businesses, with the aim of an early recovery in business results.

Prospect of operating results by business segment

(in millions of yen)

Category	Net sales	Operating income
Shipbuilding	33,000	(3,500)
Machinery	6,000	500
Others	1,000	–
(Adjustment)	–	–
Total	40,000	(3,000)

(2) Analysis of financial position

A. Analysis of assets, liabilities and net assets

(a) Assets

Current assets were ¥59,340 million, an increase of ¥4,717 million from the previous fiscal year-end. This was mainly due to an increase in cash and deposits resulting from payments received for new shipbuilding and an increase in loans payable. Non-current assets were ¥25,123 million, a decrease of ¥5,266 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 ¥84,464 million, a decrease of ¥549 million from the previous fiscal year-end.

(b) Liabilities

Current liabilities were ¥33,152 million, a decrease of ¥6,365 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. Non-current liabilities were ¥22,797 million, an increase of ¥5,699 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 ¥55,950 million, a decrease of ¥666 million from the previous fiscal year-end.

(c) Net assets

Total net assets were ¥28,514 million, an increase of ¥117 million from the previous fiscal year-end. This was mainly due to an increase in retained earnings resulting from the recording of ¥734 million in consolidated net income.

B. Cash flows

Cash and cash equivalents at the end of this consolidated fiscal year increased by ¥13,219 million to ¥41,882 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 ¥6,520 million, a decrease of ¥881 million from the previous year. This was mainly due to an increase in cash and deposits resulting from a decrease in notes and accounts receivable—trade accompanying payments received for new shipbuilding.

(b) Cash flows from investing activities

Net cash used in investing activities was ¥545 million, an increase of ¥2,331 million from the previous year. This was mainly due to a decrease in proceeds from the sales of property, plant and equipment.

(c) Cash flows from financing activities

Net cash provided by financing activities was ¥7,178 million, an increase of ¥5,951 million from the previous year. This was mainly due to an increase in proceeds from long-term loans.

(Reference) Principal cash flow indicators

	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012
Equity ratio (%)	24.1	25.7	31.1	33.4	33.8
Market value-based equity ratio (%)	58.7	34.4	38.9	32.1	26.2
Interest-bearing liabilities to cash flow ratio	1.5	3.0	6.1	2.7	4.6
Interest coverage ratio (%)	23.9	17.5	12.6	28.0	17.0

(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.

- All indicators were calculated using the consolidated financial figures.
- 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.
- The figure for operating cash flow is the cash flow from operating activities shown in the consolidated cash flow statement.
- 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, 2012 and the year ending March 31, 2013

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, 2012 is planned to be ¥5 per share, which is the same amount that was initially forecasted.

The Company plans to decide the year-end dividend for the next fiscal year based on consideration of the future business environment and other factors.

2. State of the Group

Sasebo Heavy Industries Co., Ltd. and its affiliates (comprised of the Company and seven subsidiaries [as of March 31, 2012]) 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).

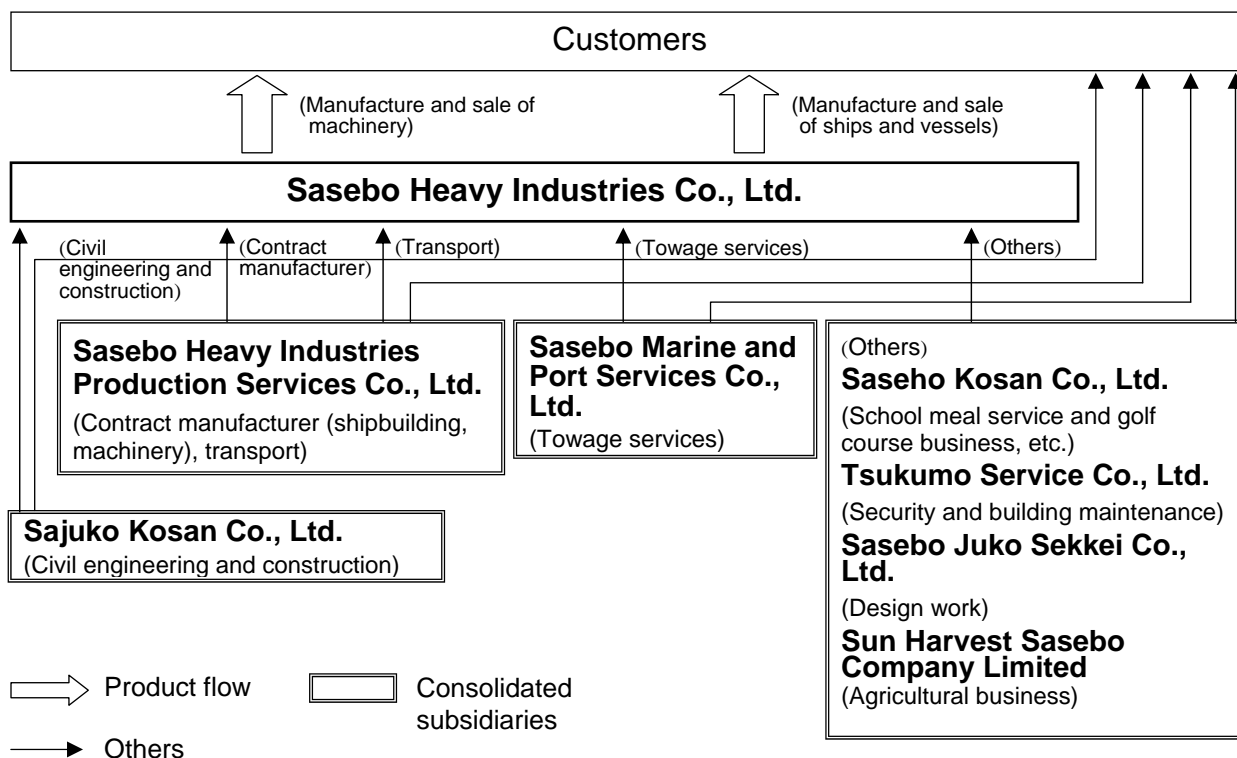
[Machinery]

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. Sun Harvest Sasebo Company Limited (a consolidated subsidiary) operates an agriculture-related business.

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 loss based upon the forecast for the consolidated fiscal year ending March 31, 2013, and while devoting every effort to realize the policies set by each division, the Company shall work to reduce fixed costs throughout the Sasebo Group in order to return to profitability as soon as possible.

(3) Medium to long-term management strategies

Responding to the global recession that stemmed from the U.S. financial crisis of 2008 and then to the debt crisis in Europe, 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 Japan, although there are some elements of instability, such as concerns of electricity shortages resulting from the high cost of crude oil and the closure of nuclear power plants, we expect the economy to pickup towards recovery as a result of demand related to recovery from the Great East Japan Earthquake. Nevertheless, because the strong yen has been continuing at strong levels, there is still the possibility of continuing harsh economic conditions, especially for the export industry. In the outlook for the global economy, however, there is much uncertainty about the economic future as the economy is not returning to normalcy mainly owing to the debt crisis in Europe. There are also concerns that growth of the emerging countries such as China could weaken, and that high crude oil prices, which are a result of instability in the Middle East, could tip the US economy back into recession.

In the shipbuilding industry, new shipbuilding prices continue to be at a low level amid the surplus supply of new ships and ongoing low sea-freight charges. Meanwhile, the Company expects new shipbuilding completions in 2012 will also continue to be at the highest ever level, 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 South Korea and China, and passing down technical skills from the veteran employees to younger generations. In the machinery industry, although the Company expects to see demand related to recovery from the Great East Japan Earthquake, there is a concern about worsening profitability in the marine equipments industry, which includes crankshafts, a core product of the Company, due to the slowdown in the new shipbuilding market.

To address these circumstances, the Company has made it its policy to curtail the operations of its shipbuilding business, which is its major business. While avoiding orders for new ships involving

untenably priced orders, the Sasebo Group will execute broad-ranging reductions for fixed costs in order to improve profitability. Through this curtailment of operations, the Company aims to not only ensure the survival of the new shipbuilding business, but also reinforce the ship repair business and the machinery business. In addition to carrying out the above measures on existing businesses, the Company also aims to absorb the impact of the curtailment of operations of the new shipbuilding business through initiatives to implement priority measures to establish and develop new business under the leadership of the Business Development & Innovation Dept. Through these measures we aim to expand revenues and realize a return to profitability as early as possible.

(4) Issues to be addressed

In order to realize the above management strategies, the Company will continue to execute effective measures that 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.

In the new shipbuilding business, the Company's major business, the Company will follow a policy of curtailing operations as a response to the difficult conditions such as a surplus supply of new ships and a slowdown in the shipping market. Under this policy, while avoiding orders for new ships if the price is untenably low, the Company will strive to improve profitability through measures to reduce fixed costs. In addition, we will work to strengthen our order receipt activities, by further reducing manufacturing costs for materials, etc. to be more competitive and developing new, strategic vessel types.

In the ship repair business, while aiming to strengthen the naval business through continuing to utilize geographical advantage and improve technological capabilities that can respond to high value added vessels such as special purpose vessels and passenger vessels, the Company will strive to further expand orders in the general commercial vessel business by leveraging the engineering skills possessed by the Company to realize further cost reductions. In the machinery business, the Company will secure and expand orders by maximizing the benefits of our capital investments implemented up until now to achieve further cost reductions. Moreover, in addition to these existing businesses, the Sasebo Group, led by the Business Development & Innovation Dept., will establish and develop new businesses. By implementing such priority measures, we will be able to absorb the impact of curtailing the new shipbuilding operations and aim to quickly return to profitability. Through the above measures, we aim to continue utilizing our Sasebo traditions while we actively evolve ourselves to stay ahead of the changing world. Through working together as the Sasebo Group, we will succeed in the difficult environment facing us.

4. Consolidated financial statements

(1) Consolidated balance sheets

(in millions of yen, unless otherwise noted)

	As of March 31, 2011		As of March 31, 2012
Assets			
Current assets			
Cash and deposits	29,592		42,881
Notes and accounts receivable—trade	18,723	※3	13,720
Short-term investment securities	70		40
Merchandise and finished goods	18		16
Work in process	1,587		974
Raw materials and supplies	1,201		365
Deferred tax assets	1,174		—
Other	2,256		1,342
Allowance for doubtful receivables	(1)		(1)
Total current assets	54,623		59,340
Non-current assets			
Property, plant and equipment			
Buildings and structures	23,997		24,122
Accumulated depreciation	(14,777)		(15,461)
Buildings and structures, net	※1	9,220	※1
Docks and building berths	5,163		5,163
Accumulated depreciation	(3,936)		(4,013)
Docks and building berths, net	※1	1,227	※1
Machinery, equipment and vehicles	27,091		27,441
Accumulated depreciation	(20,567)		(21,794)
Machinery, equipment and vehicles, net	※1	6,523	※1
Tools, furniture and fixtures	2,322		2,342
Accumulated depreciation	(2,004)		(2,115)
Tools, furniture and fixtures, net	※1	317	※1
Land	※1	7,143	※1
Lease assets	137		195
Accumulated depreciation	(52)		(95)
Lease assets, net		85	99
Construction in progress	236		180
Total property, plant and equipment	24,753		21,774
Intangible assets			
Software	165		143
Lease assets	23		22
Telephone subscription rights	11		11
Total intangible assets	201		178

(in millions of yen, unless otherwise noted)

	As of March 31, 2011	As of March 31, 2012
Investments and other assets		
Investment securities	※1,※2 3,202	※1,※2 2,981
Long-term loans receivable	11	11
Deferred tax assets	2,068	—
Other	424	443
Allowance for doubtful receivables	(271)	(265)
Total investments and other assets	5,434	3,170
Total non-current assets	30,390	25,123
Total assets	85,013	84,464

(in millions of yen, unless otherwise noted)

	As of March 31, 2011		As of March 31, 2012
Liabilities			
Current liabilities			
Notes and accounts payable—trade		18,161	※3 18,179
Notes payable—facilities		196	※3 179
Short-term loans payable	※1	3,668	※1 5,376
Lease obligations		44	56
Income taxes payable		3,430	1,486
Advance received	※1	10,394	※1 1,843
Provision for construction warranties		52	54
Provision for loss on construction contracts		1,283	1,227
Other		2,288	4,750
Total current liabilities		39,517	33,152
Non-current liabilities			
Long-term loans payable	※1	11,917	※1 18,241
Lease obligations		71	81
Deferred tax liabilities		2	232
Provision for retirement benefits		4,898	4,085
Provision for special repairs		46	50
Other		161	106
Total non-current liabilities		17,098	22,797
Total liabilities		56,616	55,950
Net assets			
Shareholders' equity			
Capital stock		8,414	8,414
Capital surplus		5,148	5,148
Retained earnings		16,026	15,974
Treasury stock		(977)	(977)
Total shareholders' equity		28,612	28,558
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities		(215)	14
Deferred gains or losses on hedges		—	(58)
Total accumulated other comprehensive income		(215)	(44)
Total net assets		28,396	28,514
Total liabilities and net assets		85,013	84,464

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

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Net sales	67,280	66,082
Costs of sales	58,221	53,803
Gross profit	9,058	12,279
Selling, general and administrative expenses		
Salaries	1,166	947
Retirement benefit expenses	96	64
Research and development expenses	※5 126	※5 316
Rent expenses	205	173
Other	989	913
Total selling, general and administrative expenses	2,584	2,416
Operating income	6,473	9,862
Non-operating income		
Interest income	30	24
Dividends income	53	65
Insurance and dividends income	10	7
Foreign exchange income	—	146
Other	25	33
Total non-operating income	120	277
Non-operating expenses		
Interest expenses	270	383
Foreign exchange losses	122	—
Other	40	58
Total non-operating expenses	432	442
Ordinary income	6,161	9,697

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Extraordinary income		
Gain on sales of non-current assets	※1 0	※1 654
Gain on sales of investment securities	—	0
Reversal of allowance for doubtful receivables	0	—
Contract cancellation revenue	2,042	—
Other	42	—
Total extraordinary income	2,085	654
Extraordinary loss		
Loss on sales of non-current assets	※2 0	※2 5
Loss on disposal of non-current assets	※3 99	※3 2
Impairment loss	※4 460	※4 1,260
Loss on valuation of investment securities	9	451
Loss on legal claims	—	899
Other	21	166
Total extraordinary losses	591	2,786
Income before income taxes	7,655	7,565
Income taxes—current	3,828	3,345
Income taxes—deferred	(652)	3,485
Total income taxes	3,176	6,831
Income before minority interests	4,478	734
Minority interests in income	—	—
Net income	4,478	734

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

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Income before minority interests	4,478	734
Other comprehensive income		
Valuation difference on available-for-sale securities	(580)	229
Deferred gains or losses on hedges	—	(58)
Total other comprehensive income	(580)	170
Comprehensive income	3,898	904
Comprehensive income attributable to		
Owners of the parent	3,898	904
Minority interests	—	—

(3) Consolidated statements of changes in net assets*(in millions of yen, unless otherwise noted)*

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
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	12,175	16,026
Changes of items during the period		
Dividends from surplus	(641)	(802)
Provision of reserve for reduction entry of land	–	5
Reversal of reserve for reduction entry of replaced property	5	5
Reversal of reserve for advanced depreciation of non-current assets	8	4
Net income	4,478	734
Total changes of items during the period	3,851	(52)
Balance at the end of the current period	16,026	15,974
Treasury stock		
Balance at the end of the previous period	(976)	(977)
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	(977)	(977)
Total shareholders' equity		
Balance at the end of the previous period	24,761	28,612
Changes of items during the period		
Dividends from surplus	(641)	(802)
Provision of reserve for reduction entry of land	–	5
Reversal of reserve for reduction entry of replaced property	5	5
Reversal of reserve for advanced depreciation of non-current assets	8	4
Net income	4,478	734
Acquisition of treasury stock	(0)	(0)
Total changes of items during the period	3,850	(53)
Balance at the end of the current period	28,612	28,558

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of the previous period	365	(215)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(580)	229
Total changes of items during the period	(580)	229
Balance at the end of the current period	(215)	14
Deferred gains or losses on hedges		
Balance at the end of the previous period	–	–
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	–	(58)
Total changes of items during the period	–	(58)
Balance at the end of the current period	–	(58)
Total accumulated other comprehensive income		
Balance at the end of the previous period	365	(215)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(580)	170
Total changes of items during the period	(580)	170
Balance at the end of the current period	(215)	(44)
Total net assets		
Balance at the end of the previous period	25,126	28,396
Changes of items during the period		
Dividends from surplus	(641)	(802)
Provision of reserve for reduction entry of land	–	5
Reversal of reserve for reduction entry of replaced property	5	5
Reversal of reserve for advanced depreciation of non-current assets	8	4
Net income	4,478	734
Acquisition of treasury stock	(0)	(0)
Net changes of items other than shareholders' equity during the period	(580)	170
Total changes of items during the period	3,270	117
Balance at the end of the current period	28,396	28,514

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

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Cash flows from operating activities		
Income before income taxes	7,655	7,565
Depreciation and amortization	3,642	3,161
Impairment losses	460	1,260
Increase (decrease) in allowance for doubtful receivables	(0)	(5)
Increase (decrease) in provision for retirement benefits	(531)	(812)
Increase (decrease) in provision for construction warranties	(4)	2
Increase (decrease) in provision for loss on construction contracts	1,278	(56)
Increase (decrease) in provision for special repairs	11	3
Interest and dividend income	(84)	(90)
Interest expenses	270	383
Foreign exchange losses (gains)	6	(116)
Loss (gain) on valuation of investment securities	9	451
Loss (gain) on sales of property, plant and equipment	0	(649)
Loss (gain) on disposal of non-current assets	99	2
Decrease (increase) in notes and accounts receivable—trade	(1,568)	5,054
Decrease (increase) in inventories	933	1,450
Decrease (increase) in consumption taxes refund receivable	(158)	(50)
Decrease (increase) in other current assets	(203)	958
Increase (decrease) in notes and accounts payable—trade	2,881	202
Increase (decrease) in advance received	(6,566)	(8,550)
Increase (decrease) in other current liabilities	34	1,911
Other	–	(0)
Subtotal	8,164	12,078
Interest and dividends received	83	88
Interest paid	(264)	(384)
Income taxes paid	(582)	(5,262)
Net cash provided by operating activities	7,402	6,520

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Cash flows from investing activities		
Payments into time deposits	(1,000)	(40)
Purchase of property, plant and equipment	(2,005)	(1,359)
Payments for retirement of property, plant and equipment	(54)	(330)
Proceeds from sales of property, plant and equipment	0	1,284
Purchase of intangible assets	(43)	(35)
Proceeds from sales and redemption of investment securities	30	0
Payments of loans receivable	–	(2)
Collection of loans receivable	1	2
Other	193	(64)
Net cash used in investing activities	(2,877)	(545)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,280)	(200)
Proceeds from long-term loans	4,800	11,500
Repayment of long-term loans	(1,618)	(3,268)
Dividends paid	(638)	(798)
Payments for purchases of treasury stock	(0)	(0)
Other	(35)	(54)
Net cash used in financing activities	1,226	7,178
Effect of exchange rate changes on cash and cash equivalents	(6)	65
Increase (decrease) in cash and cash equivalents	5,745	13,219
Cash and cash equivalents at beginning of period	22,916	28,662
Cash and cash equivalents at end of period	※1 28,662	※1 41,882

(5) Notes on premise of going concern

No items to report

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

1. Scope of consolidation

1) Number of consolidated subsidiaries: 7

Names of major consolidated subsidiaries:

The names are omitted because they are described in “2. State of the Group.”

2. Application of the equity method

1) Number of non-consolidated subsidiaries accounted for by the equity method: –

2) Number of affiliates that are not accounted for by the equity method: 1

Reason for not applying the equity method

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.

3. Fiscal year-end of consolidated subsidiaries

The fiscal year-end of consolidated subsidiaries coincides with the consolidated account closing date.

4. Accounting policies

1) Valuation policy and methods of significant assets

A. Securities

a. Held-to-maturity securities:

Stated at amortized cost (straight-line method).

b. 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.

B. Derivatives

Stated by the market value method.

C. 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).

a. Raw materials and supplies:

Mainly stated at costs determined by the specific identification method and the moving-average method, respectively.

b. Work in process:

Stated at cost determined by the specific identification method.

2) Depreciation method and standards for significant depreciable assets

A. Property, plant and equipment (excluding lease assets)

Depreciated mainly by the declining balance method. 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.

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 - 12 years

B. 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.

3) Accounting for significant allowances and reserves

A. 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.

B. Provision 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.

C. Provision for construction warranties

Provision for product warranties have been set aside and accounted for based on the estimated amount of service costs within the warranty period.

D. Provision 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.

E. Provision 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.

4) 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.

- 5) Method of significant hedge accounting
- A. Method of hedge accounting
Deferred hedge accounting is adopted. However, exceptional treatment is adopted for interest rate swaps that satisfy the requirements of exceptional treatment.
- B. Hedging instruments and hedged items
(Hedging instruments) Interest rate swaps
(Hedged items) Long-term loans payable
- C. Hedging policy
Hedging is conducted as a measure against the risk of interest rate variation based on internal regulations.
- D. Method of assessing hedging effectiveness
The Company determines and compares the cumulative amounts of fluctuations in the fair value or in the cash flows of the hedged item and the cumulative amounts of fluctuations in the fair value or in the cash flows of the hedging instruments from the start of the transaction to the point at which effectiveness is assessed, and assesses the effectiveness of hedging transactions based on those.
- 6) 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) 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.

(7) Additional information

For accounting changes and correction of prior period errors conducted since the beginning of the current fiscal year, “Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, December 4, 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009)”.

(8) Notes to consolidated financial statements

Notes to consolidated balance sheets

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

Assets pledged as collateral

	<i>(in millions of yen, unless otherwise noted)</i>	
	As of March 31, 2011	As of March 31, 2012
Buildings and structures	3,127	2,892
Docks and building berths	1,227	1,149
Machinery, equipment and vehicles	247	118
Tools, furniture and fixtures	0	0
Land	1,452	1,371
Investment securities	2,011	1,773
Total	8,066	7,306

Obligations secured by collateral

(in millions of yen, unless otherwise noted)

	As of March 31, 2011	As of March 31, 2012
Short-term loans payable	1,150	950
Advance received	2,858	1,356
Long-term loans payable	9,923	16,396
Total	13,931	18,703

*2. Items corresponding to non-consolidated subsidiaries and affiliates are as follows

(in millions of yen, unless otherwise noted)

	As of March 31, 2011	As of March 31, 2012
Investment securities (stock)	7	7

*3. Notes with maturity date that is the last day of the fiscal year are settled and accounted for by the clearing date.

Because the last day of the current fiscal year fell on a banking holiday, the following notes with a maturity date on the last day of the fiscal year are included in the ending balance.

(in millions of yen, unless otherwise noted)

	As of March 31, 2011	As of March 31, 2012
Notes receivable—trade	–	180
Notes payable—trade	–	210
Notes payable—facilities	–	12

4. Financial restraint clauses

For a portion of the balance of loans at the end of the current fiscal year and the end of the previous fiscal year, financial restraint clauses are attached based on certain indices calculated from the net asset amount in the non-consolidated 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 ¥13,150 million, and the previous consolidated fiscal year was ¥6,500 million.

Notes to consolidated statements of income

*1. The main items of gain on sales of non-current assets were generated by the sale of property, plant and equipment (land).

*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).

*4. Impairment loss

The Company recorded impairment loss for the following asset groups.

Fiscal year ended March 31, 2011

(Purpose)	Idle assets
(Class)	Land, etc.
(Location)	Sasebo, Nagasaki Prefecture, etc.
(Amount)	¥460 million

(Reason) Because the market value has fallen, the Company has reduced the book value to an amount deemed collectable.

Fiscal year ended March 31, 2012

- 1) (Purpose) Golf course
(Class) Land, buildings and structures, etc.
(Location) Sasebo, Nagasaki Prefecture
(Amount) ¥111 million
(Reason) 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.
- 2) (Purpose) Idle assets
(Class) Land
(Location) Sasebo, Nagasaki Prefecture, etc.
(Amount) ¥1,149 million
(Reason) Because the purpose of use has changed from business assets to idle assets and the market value has fallen, the Company has reduced the book value to an amount deemed collectable.

(Method of asset grouping)

As a general rule, asset grouping is by business segment unit and idle assets are grouped individually by property unit.

(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 as follows:

	<i>(in millions of yen, unless otherwise noted)</i>	
	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
General and administrative expenses	126	316

Notes to consolidated statements of changes in net assets

Fiscal year ended March 31, 2011

1. Number of issued shares

Class of shares	As of the beginning of the current 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 beginning of the current 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
June 24, 2010 Annual shareholders meeting	Common stock	<i>millions of yen</i> 641	<i>yen</i> 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
June 23, 2011 Annual shareholders meeting	Common stock	Retained earnings	<i>millions of yen</i> 802	<i>yen</i> 5.0	March 31, 2011	June 24, 2011

Fiscal year ended March 31, 2012

1. Number of issued shares

Class of shares	As of the beginning of the current 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 beginning of the current fiscal year	Increase	Decrease	As of the end of the current fiscal year
Common stock	1,482,028	3,682	–	1,485,710

(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
June 23, 2011 Annual shareholders meeting	Common stock	<i>millions of yen</i> 802	<i>yen</i> 5.0	March 31, 2011	June 24, 2011

(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
June 26, 2012 Annual shareholders meeting	Common stock	Retained earnings	<i>millions of yen</i> 802	<i>yen</i> 5.0	March 31, 2012	June 27, 2012

Notes to consolidated statements of cash flows

*1. Reconciliation of cash and cash equivalents at the end of the period and the amount recorded in consolidated balance sheets are as follows:

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Cash and deposits	29,592	42,881
Marketable securities	70	40
Time deposits with maturities exceeding three months	(1,000)	(1,040)
Subtotal	28,662	41,882
Cash and cash equivalents	28,662	41,882

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], [Related concerned parties information], [Tax effect accounting], [Securities], [Derivatives transactions], [Retirement benefits], [Asset retirement obligations] and [Real estate including rental property]

Segment information, etc.

[Segment information]

1. Overview of reportable segments

(1) Procedures for determining 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.

(2) Types of products and services belonging to each reportable segment

“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, 2011

(in millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the consolidated statement of income (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. Adjustments are made as follows:

(1) 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.

- (2) The adjustment of ¥48,517 million of segment assets includes surplus operating funds of ¥29,662 million (cash and deposits, short-term investment securities), investments such as long-term investment funds and other assets of ¥5,431 million, corporate assets unallocated into reportable segments of ¥13,423 million. Corporate assets mainly consist of land and buildings not attributable to reportable segments.
 - (3) The adjustment of ¥342 million of increases of property, plant and equipment and intangible assets is capital investment attributable to the administrative departments.
3. Segment profit is adjusted with operating income in the consolidated statement of income.

Fiscal year ended March 31, 2012

(in millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the consolidated statement of income (Note 3)
	Shipbuilding	Machinery	Total				
Net sales							
Outside customers	59,256	5,629	64,885	1,197	66,082	–	66,082
Inter-segment sales and transfers	–	–	–	2,397	2,397	(2,397)	–
Total	59,256	5,629	64,885	3,594	68,480	(2,397)	66,082
Segment profit	8,056	1,016	9,072	161	9,233	628	9,862
Segment assets	20,523	6,831	27,355	614	27,970	56,494	84,464
Other items							
Depreciation and amortization	1,522	814	2,336	161	2,497	663	3,161
Increase in property, plant and equipment and intangible assets	1,409	168	1,577	24	1,602	192	1,794

(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. Adjustments made are as follows.

- (1) 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 ¥628 million are recorded as adjustment to segment profit.
 - (2) The adjustment of ¥56,494 million of segment assets includes surplus operating funds of ¥42,922 million (cash and deposits, short-term investment securities), investments such as long-term investment funds and other assets of ¥3,170 million, corporate assets unallocated into reportable segments of ¥10,401 million. Corporate assets mainly consist of land and buildings not attributable to reportable segments.
 - (3) The adjustment of ¥192 million of increases of property, plant and equipment and intangible assets is capital investment attributable to the administrative departments.
3. Segment profit is adjusted with operating income in the consolidated statement of income.

[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

Fiscal year ended March 31, 2012

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)

Central America	Japan	Africa	Others	Total
33,912	13,321	12,050	6,798	66,082

(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
GRAND FALCON MARITIME S.A.	10,808	Shipbuilding
VENUS OCEAN NAVIGATION S.A.	9,832	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.

Fiscal year ended March 31, 2012

(in millions of yen)

	Reportable segments			Others (Note)	Elimination and corporate	Total
	Shipbuilding	Machinery	Total			
Impairment losses	–	–	–	111	1,149	1,260

(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, 2011	Fiscal year ended March 31, 2012
Net assets per share	176.96 yen	177.69 yen
Net income per share	27.91 yen	4.58 yen

(Notes) 1. The net income per share after adjustment of residual securities is not indicated because of the lack of residual securities.

2. Basis for calculation of net income per share is as follows:

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Net income (millions of yen)	4,478	734
Amounts not applicable to common shareholders (millions of yen)	–	–
Net income connected to common stock (millions of yen)	4,478	734
Average number of common shares during the term (thousand shares)	160,474	160,470

3. Basis for calculation of net assets per share is as follows:

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Total net assets (millions of yen)	28,396	28,514
Amount deducted from total net assets (millions of yen)	–	–
Net income connected to common stock at the end of the period (millions of yen)	28,396	28,514
Number of common stock at the end of the period used as the basis for calculating the net assets per share (thousand shares)	160,472	160,469

Significant subsequent events

No items to report

(9) Other information

Production, orders received and sales

1) Production

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2011		Fiscal year ended March 31, 2012		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	60,536	89.1	59,072	90.3	(1,464)	(2.4)
Machinery	6,154	9.0	5,186	7.9	(968)	(15.7)
Others	1,275	1.9	1,197	1.8	(78)	(6.2)
Total	67,966	100.0	65,455	100.0	(2,511)	(3.7)

2) Orders received

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2011		Fiscal year ended March 31, 2012		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	29,161	81.7	24,847	81.2	(4,314)	(14.8)
Machinery	5,268	14.7	4,558	14.9	(710)	(13.5)
Others	1,275	3.6	1,197	3.9	(78)	(6.2)
Total	35,706	100.0	30,603	100.0	(5,102)	(14.3)

3) Order backlog

(in millions of yen, unless otherwise noted)

	As of March 31, 2011		As of March 31, 2012		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	87,035	96.6	38,429	95.2	(48,606)	(55.8)
Machinery	3,036	3.4	1,923	4.8	(1,113)	(36.7)
Others	–	–	–	–	–	–
Total	90,072	100.0	40,353	100.0	(49,719)	(55.2)

(Note) Order backlog is described by the complete contract method. Of order backlog amounts as of March 31, 2012, ¥14,412 million for shipbuilding and, of those as of March 31, 2011, ¥19,465 million for shipbuilding and ¥42 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, 2011		Fiscal year ended March 31, 2012		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	59,229	88.0	59,256	89.7	26	0.0
Machinery	6,775	10.1	5,629	8.5	(1,145)	(16.9)
Others	1,275	1.9	1,197	1.8	(78)	(6.2)
Total	67,280	100.0	66,082	100.0	(1,197)	(1.8)

5. Non-consolidated financial statements

(1) Non-consolidated balance sheets

(in millions of yen, unless otherwise noted)

	As of March 31, 2011	As of March 31, 2012
Assets		
Current assets		
Cash and deposits	29,137	42,298
Notes receivable—trade	473	978
Accounts receivable—trade	18,041	12,610
Raw materials and supplies	1,181	347
Partly-finished work	1,587	974
Advance payments—other	1,185	575
Prepaid expenses	31	44
Deferred tax assets	1,154	—
Accounts receivable—other	1,025	691
Other	57	52
Allowance for doubtful receivables	(1)	(1)
Total current assets	53,876	58,573
Non-current assets		
Property, plant and equipment		
Buildings	13,092	13,233
Accumulated depreciation	(8,045)	(8,405)
Buildings, net	5,047	4,827
Structures	10,872	10,854
Accumulated depreciation	(6,702)	(7,025)
Structures, net	4,169	3,829
Docks and building berths	5,163	5,163
Accumulated depreciation	(3,936)	(4,013)
Docks and building berths, net	1,227	1,149
Machinery and equipment	24,802	25,166
Accumulated depreciation	(19,021)	(20,061)
Machinery and equipment, net	5,781	5,104
Vessels	1,322	1,322
Accumulated depreciation	(740)	(890)
Vessels, net	582	431
Vehicles	711	691
Accumulated depreciation	(576)	(606)
Vehicles, net	134	84
Tools, furniture and fixtures	2,294	2,313
Accumulated depreciation	(1,980)	(2,089)
Tools, furniture and fixtures, net	314	223

(in millions of yen, unless otherwise noted)

	As of March 31, 2011	As of March 31, 2012
Land	7,143	5,811
Lease assets	129	188
Accumulated depreciation	(51)	(92)
Lease assets, net	78	96
Construction in progress	240	176
Total property, plant and equipment	24,718	21,734
Intangible assets		
Software	164	142
Lease assets	22	21
Telephone subscription rights	10	10
Total intangible assets	197	175
Investments and other assets:		
Investment securities	3,108	2,887
Stocks of subsidiaries and affiliates	130	170
Investments in capital	19	2
Long-term loans receivable	2	2
Long-term loans receivable from subsidiaries and affiliates	22	16
Long-term loans receivable from employees	8	8
Claims provable in bankruptcy, claims provable in rehabilitation and other	163	163
Deferred tax assets	2,065	–
Long-term prepaid expenses	–	33
Long-term accounts receivable-other	108	102
Other	130	137
Allowance for doubtful receivables	(271)	(265)
Total investments and other assets	5,486	3,258
Total non-current assets	30,402	25,168
Total assets	84,278	83,742

(in millions of yen, unless otherwise noted)

	As of March 31, 2011	As of March 31, 2012
Liabilities		
Current liabilities		
Notes payable—trade	3,949	2,850
Notes payable—facilities	196	179
Accounts payable—trade	14,203	15,340
Short-term loans payable	3,668	5,376
Lease obligations	42	53
Accounts payable—other	97	623
Accrued expenses	1,912	3,890
Income taxes payable	3,412	1,437
Advance received	10,385	1,840
Deposits received	130	80
Provision for construction warranties	52	54
Provision for loss on construction contracts	1,283	1,227
Other	—	58
Total current liabilities	39,334	33,011
Non-current liabilities		
Long-term loans payable	11,917	18,241
Lease obligations	64	73
Long-term accounts payable—other	36	36
Deferred tax liabilities	—	230
Provision for retirement benefits	4,844	4,033
Provision for special repairs	46	50
Asset retirement obligations	5	5
Total non-current liabilities	16,916	22,670
Total liabilities	56,250	55,681

(in millions of yen, unless otherwise noted)

	As of March 31, 2011	As of March 31, 2012
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	383
Reserve for reduction entry of replaced property	26	20
Reserve for advanced depreciation of non-current assets	12	6
Retained earnings brought forward	14,095	13,657
Total retained earnings	15,661	15,524
Treasury stock	(977)	(977)
Total shareholders' equity	28,246	28,108
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	(218)	10
Deferred gains or losses on hedges	–	(58)
Total valuation and translation adjustments	(218)	(48)
Total net assets	28,027	28,060
Total liabilities and net assets	84,278	83,742

(2) Non-consolidated statements of income*(in millions of yen, unless otherwise noted)*

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Net sales	66,004	64,885
Costs of sales	57,163	52,923
Gross profit	8,841	11,962
Selling, general and administrative expenses		
Salaries	1,044	845
Retirement benefit expenses	96	64
Welfare expenses	260	202
Traveling and transportation expenses	100	102
Business consignment expenses	66	65
Membership fee	36	34
Taxes and dues	109	99
Depreciation	45	57
Rent expenses	204	172
Research and development expenses	126	316
Inquiry expenses	39	47
Other	286	256
Total selling, general and administrative expenses	2,415	2,265
Operating income	6,425	9,696
Non-operating income		
Interest income	30	24
Dividends income	52	64
Insurance and dividends income	10	7
Foreign exchange income	—	146
Other	23	31
Total non-operating income	117	275
Non-operating expenses		
Interest expenses	270	383
Foreign exchange losses	122	—
Other	111	62
Total non-operating expenses	503	446
Ordinary income	6,039	9,524
Extraordinary income		
Gain on sales of non-current assets	0	654
Gain on sales of investment securities	—	0
Contract cancellation revenue	2,042	—
Other	42	—
Total extraordinary income	2,084	654

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Extraordinary losses		
Loss on sales of non-current assets	0	5
Loss on disposal of non-current assets	99	2
Impairment loss	460	1,253
Loss on valuation of investment securities	9	451
Loss on legal claims	–	899
Other	11	166
Total extraordinary losses	581	2,778
Income before income taxes	7,542	7,400
Income taxes—current	3,803	3,286
Income taxes—deferred	(647)	3,463
Total income taxes	3,155	6,749
Net income	4,387	650

(3) Non-consolidated statements of changes in net assets*(in millions of yen, unless otherwise noted)*

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
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		
Provision of reserve for reduction entry of land	–	313
Total changes of items during the period	–	313
Balance at the end of the current period	70	383
Reserve for reduction entry of replaced property		
Balance at the end of the previous period	34	26
Changes of items during the period		
Reversal of reserve for reduction entry of replaced property	(8)	(5)
Total changes of items during the period	(8)	(5)
Balance at the end of the current period	26	20

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Reserve for advanced depreciation of non-current assets		
Balance at the end of the previous period	25	12
Changes of items during the period		
Provision of reserve for advanced depreciation of non-current assets	–	–
Reversal of reserve for advanced depreciation of non-current assets	(12)	(6)
Total changes of items during the period	(12)	(6)
Balance at the end of the current period	12	6
Retained earnings brought forward		
Balance at the end of the previous period	10,314	14,095
Changes of items during the period		
Dividends from surplus	(641)	(802)
Provision of reserve for reduction entry of land	–	(307)
Reversal of reserve for reduction entry of replaced property	14	10
Reversal of reserve for advanced depreciation of non-current assets	21	10
Net income	4,387	650
Total changes of items during the period	3,781	(438)
Balance at the end of the current period	14,095	13,657
Total retained earnings		
Balance at the end of the previous period	11,901	15,661
Changes of items during the period		
Dividends from surplus	(641)	(802)
Provision of reserve for reduction entry of land	–	5
Reversal of reserve for reduction entry of replaced property	5	5
Reversal of reserve for advanced depreciation of non-current assets	8	4
Net income	4,387	650
Total changes of items during the period	3,759	(136)
Balance at the end of the current period	15,661	15,524
Treasury stock		
Balance at the end of the previous period	(976)	(977)
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	(977)	(977)

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Total shareholders' equity		
Balance at the end of the previous period	24,487	28,246
Changes of items during the period		
Dividends from surplus	(641)	(802)
Provision of reserve for reduction entry of land	–	5
Reversal of reserve for reduction entry of replaced property	5	5
Reversal of reserve for advanced depreciation of non-current assets	8	4
Net income	4,387	650
Acquisition of treasury stock	(0)	(0)
Total changes of items during the period	3,759	(137)
Balance at the end of the current period	28,246	28,108
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of the previous period	360	(218)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(579)	228
Total changes of items during the period	(579)	228
Balance at the end of the current period	(218)	10
Deferred gains or losses on hedges		
Balance at the end of the previous period	–	–
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	–	(58)
Total changes of items during the period	–	(58)
Balance at the end of the current period	–	(58)
Total valuation and translation adjustments		
Balance at the end of the previous period	360	(218)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(579)	170
Total changes of items during the period	(579)	170
Balance at the end of the current period	(218)	(48)

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Net assets		
Balance at the end of the previous period	24,847	28,027
Changes of items during the period		
Dividends from surplus	(641)	(802)
Provision of reserve for reduction entry of land	–	5
Reversal of reserve for reduction entry of replaced property	5	5
Reversal of reserve for advanced depreciation of non-current assets	8	4
Net income	4,387	650
Acquisition of treasury stock	(0)	(0)
Net changes of items other than shareholders' equity during the period	(579)	170
Total changes of items during the period	3,179	32
Balance at the end of the current period	28,027	28,060

(4) Notes on premise of going concern

No items to report

(5) Significant subsequent events

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 May 18, 2012 (in Japanese only).