

**Summary of Consolidated Financial Results
for the First Three Months of the Fiscal Year Ending March 31, 2013
<under Japanese GAAP>**

July 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: August 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 three months of the fiscal year ending
March 31, 2013 (From April 1, 2012 to June 30, 2012)**

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

	Net sales		Operating income		Ordinary income		Net income	
	<i>millions of yen</i>	%	<i>millions of yen</i>	%	<i>millions of yen</i>	%	<i>millions of yen</i>	%
For the three months ended								
June 30, 2012	10,932	(39.5)	297	(90.9)	104	(96.7)	(416)	–
June 30, 2011	18,065	115.1	3,262	187.9	3,209	201.4	1,850	5.9

Note: Comprehensive income

For the three months ended June 30, 2012: ¥(698) million [–%]

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

	Net income per share	Diluted net income per share
For the three months ended	<i>yen</i>	<i>yen</i>
June 30, 2012	(2.60)	–
June 30, 2011	11.53	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	<i>millions of yen</i>	<i>millions of yen</i>	%
June 30, 2012	77,778	27,013	34.7
March 31, 2012	84,464	28,514	33.8

Reference: Equity

As of June 30, 2012: ¥27,013 million

As of March 31, 2012: ¥28,514 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, 2012	–	0.00	–	5.00	5.00
For the year ending March 31, 2013	–				
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
	<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, 2013	40,000	(39.5)	(3,000)	–	(3,300)	–	(3,300)	–	(20.56)

Note: Revision of the forecast most recently announced: None

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

* **Notes**

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

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

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

- A. Changes in accounting policies due to adoption of revised accounting standards: None
- B. Changes in accounting policies due to other reasons: None
- C. Changes in accounting estimates: None
- D. Restatement of prior period financial statements after error corrections: None

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

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

As of June 30, 2012	161,955,000 shares
As of March 31, 2012	161,955,000 shares

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

As of June 30, 2012	1,486,685 shares
As of March 31, 2012	1,485,710 shares

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

For the three months ended June 30, 2012	160,468,608 shares
For the three months ended June 30, 2011	160,472,715 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 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

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

(1) Qualitative information on consolidated operating results

During the first three months of the fiscal year ending March 31, 2013, the Japanese economy recovered gently on the back of reconstruction-related demand from the Great East Japan Earthquake. However, the future remains uncertain with fears that corporate earnings could further deteriorate as a result of the European debt crisis, the prolonged appreciation of the yen, or some other situation.

Under such circumstances, the Sasebo Group posted consolidated orders received of ¥5,216 million, an increase of 5.1% from the same period of the previous fiscal year, owing to a new shipbuilding order for 1 unit, among other factors. The consolidated order backlog as of June 30, 2012 was ¥43,171 million, a decrease of 49.9% from the same period of the previous fiscal year. Consolidated net sales declined 39.5% from the same period of the previous fiscal year to ¥10,932 million as a result of progress on low-priced new shipbuilding orders that were received after the Lehman Shock. In terms of income, consolidated operating income was ¥297 million, a decline of 90.9% from the same period of the previous fiscal year, and ordinary income was ¥104 million, a fall of 96.7%. After recording extraordinary loss, such as loss on valuation of investment securities, and income taxes, a net loss of ¥416 million was recorded.

Results by segment are as follows.

(a) Shipbuilding

The Group posted orders received of ¥4,073 million in the shipbuilding business, a 24.8% increase from the same period of the previous fiscal year. Included in this amount were new shipbuilding orders for 1 unit of 75,000 DWT bulk carrier, as well as ship repairs for the Japan Maritime Self-Defense Force, United States Navy vessels, and commercial vessels. Net sales amounted to ¥9,964 million, decreasing 39.1% from the same period of the previous fiscal year as a result of progress on low-priced new shipbuilding orders that were received after the Lehman Shock. Segment profit was ¥150 million, a decrease of 94.5% from the same period of the previous fiscal year. As of June 30, 2012, the order backlog for new shipbuilding came to 9 units.

(b) Machinery

The Group posted orders received of ¥843 million in the machinery business, a decrease of 40.7% from the same period of the previous fiscal year, representing equipment-related work for marine equipment and general industrial machinery, etc. Net sales were ¥669 million, a decline of 53.6% from the same period of the previous fiscal year due mainly to the low prices for crankshafts caused by deterioration in the shipping market. The machinery business posted a segment loss of ¥30 million.

(c) Others

The “Others” business segment is comprised mainly of meal delivery service, etc. Orders received and net sales were both ¥299 million, an increase of 8.9% from the same period of the previous fiscal year. Segment profit was ¥21 million, a decrease of 49.9% from the same period of the previous fiscal year.

(2) Qualitative information on consolidated financial position

(Total assets)

Current assets were ¥53,244 million, a decrease of ¥6,096 million from the previous fiscal year-end. This was mainly due to a decrease in cash and deposits resulting from income taxes paid and other factors. Non-current assets were ¥24,533 million, a decrease of ¥589 million from the previous fiscal year-end. This was mainly due to a decrease in investment securities resulting from the stock market decline.

As a result, total assets were ¥77,778 million, a decrease of ¥6,685 million from the previous fiscal year-end.

(Liabilities)

Current liabilities were ¥28,613 million, a decrease of ¥4,539 million from the previous fiscal year-end. This was mainly due to decreases in notes and accounts payable—trade and income taxes payable. Non-current liabilities were ¥22,151 million, a decrease of ¥645 million from the previous fiscal year-end. This was mainly due to a decrease resulting from repayment of long-term loans.

As a result, total liabilities were ¥50,764 million, a decrease of ¥5,185 million from the previous fiscal year-end.

(Net assets)

Total net assets were ¥27,013 million, a decrease of ¥1,500 million from the previous fiscal year-end, as a result of a decrease in retained earnings due to the dividends paid.

(3) Qualitative information on consolidated forecast

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 again, 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.

At present, there are no changes to the forecast announced on May 18, 2012. However, if there is any change in the future, it will be appropriately disclosed.

2. Matters on summary information (notes)

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

No items to report

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

No items to report

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

No items to report

3. Consolidated financial statements

(1) Consolidated balance sheets

(in millions of yen, unless otherwise noted)

	As of March 31, 2012	As of June 30, 2012
Assets		
Current assets		
Cash and deposits	42,881	31,578
Notes and accounts receivable-trade	13,720	18,722
Short-term investment securities	40	40
Merchandise and finished goods	16	17
Work in process	974	1,185
Raw materials and supplies	365	443
Other	1,342	1,258
Allowance for doubtful receivables	(1)	(1)
Total current assets	59,340	53,244
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,660	8,528
Land	5,811	5,811
Other, net	7,303	6,940
Total property, plant and equipment	21,774	21,280
Intangible assets	178	227
Investments and other assets		
Investment securities	2,981	2,592
Other	454	698
Allowance for doubtful receivables	(265)	(265)
Total investments and other assets	3,170	3,025
Total non-current assets	25,123	24,533
Total assets	84,464	77,778
Liabilities		
Current liabilities		
Notes and accounts payable-trade	18,179	15,964
Notes payable-facilities	179	157
Short-term loans payable	5,376	5,234
Income taxes payable	1,486	191
Advance received	1,843	1,265
Provision for construction warranties	54	54
Provision for loss on construction contracts	1,227	2,136
Other	4,807	3,609
Total current liabilities	33,152	28,613

(in millions of yen, unless otherwise noted)

	As of March 31, 2012	As of June 30, 2012
Non-current liabilities		
Long-term loans payable	18,241	17,582
Deferred tax liabilities	232	230
Provision for retirement benefits	4,085	4,035
Provision for special repairs	50	51
Other	187	252
Total non-current liabilities	22,797	22,151
Total liabilities	55,950	50,764
Net assets		
Shareholders' equity		
Capital stock	8,414	8,414
Capital surplus	5,148	5,148
Retained earnings	15,974	14,755
Treasury stock	(977)	(977)
Total shareholders' equity	28,558	27,339
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14	(264)
Deferred gains or losses on hedges	(58)	(61)
Total accumulated other comprehensive income	(44)	(326)
Total net assets	28,514	27,013
Total liabilities and net assets	84,464	77,778

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

(in millions of yen, unless otherwise noted)

	For the three months ended June 30, 2011	For the three months ended June 30, 2012
Net sales	18,065	10,932
Costs of sales	14,228	10,057
Gross profit	3,837	874
Selling, general and administrative expenses	574	577
Operating income	3,262	297
Non-operating income		
Interest and dividends income	42	32
Other	13	9
Total non-operating income	55	41
Non-operating expenses		
Interest expenses	81	114
Foreign exchange losses	17	113
Other	10	7
Total non-operating expenses	108	234
Ordinary income	3,209	104
Extraordinary income		
Gain on sales of golf memberships	—	0
Total extraordinary income	—	0
Extraordinary loss		
Loss on sales of non-current assets	5	—
Loss on disposal of non-current assets	8	1
Loss on valuation of investment securities	47	108
Other	2	—
Total extraordinary losses	63	110
Income before income (loss) taxes	3,146	(5)
Income taxes-current	1,358	176
Income taxes-deferred	(62)	—
Income taxes for prior periods	—	234
Total income taxes	1,296	411
Income (loss) before minority interests	1,850	(416)
Minority interests in income	—	—
Net income (loss)	1,850	(416)

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

	For the three months ended June 30, 2011	For the three months ended June 30, 2012
Income (loss) before minority interests	1,850	(416)
Other comprehensive income		
Valuation difference on available-for-sale securities	(15)	(278)
Deferred gains or losses on hedges	—	(2)
Total other comprehensive income	(15)	(281)
Comprehensive income	1,835	(698)
Comprehensive income attributable to		
Owners of the parent	1,835	(698)

(3) Notes on premise of going concern

No items to report

(4) Segment information

[Segment information]

I. For the three months ended June 30, 2011

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

(in millions of yen)

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

- (Notes) 1. The “Others” category is a business segment not included in the reportable segments. It includes meal delivery service, golf course business and transportation business, etc.
2. Selling, general and administrative expenses and other corporate expenses are distributed to each segment based on budget amounts and any budgetary variances between actual expenses and the budgeted amount are not distributed. These budgetary variances of ¥150 million are recorded as adjustment to segment profit.
3. Segment profit is adjusted with operating income in the quarterly consolidated statement of income.

II. For the three months ended June 30, 2012

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	9,964	669	10,633	299	10,932	–	10,932
Inter-segment sales and transfers	–	–	–	398	398	(398)	–
Total	9,964	669	10,633	698	11,331	(398)	10,932
Segment profit or (loss)	150	(30)	120	21	142	155	297

- (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 ¥155 million are recorded as adjustment to segment profit.
3. Segment profit is adjusted with operating income in the quarterly consolidated statement of income.

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

For the three months ended June 30, 2012

No items to report

4. Supplemental information

Production, orders received and sales

1) Production

(in millions of yen, unless otherwise noted)

	For the three months ended June 30, 2011		For the three months ended June 30, 2012		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	14,773	89.5	10,172	89.3	(4,600)	(31.1)
Machinery	1,464	8.9	916	8.1	(548)	(37.4)
Others	274	1.6	299	2.6	24	8.9
Total	16,512	100.0	11,388	100.0	(5,124)	(31.0)

2) Orders received

(in millions of yen, unless otherwise noted)

	For the three months ended June 30, 2011		For the three months ended June 30, 2012		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	3,265	65.8	4,073	78.1	808	24.8
Machinery	1,421	28.7	843	16.2	(577)	(40.7)
Others	274	5.5	299	5.7	24	8.9
Total	4,961	100.0	5,216	100.0	254	5.1

3) Order backlog

(in millions of yen, unless otherwise noted)

	As of June 30, 2011		As of June 30, 2012		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	83,053	96.5	41,073	95.1	(41,979)	(50.5)
Machinery	3,051	3.5	2,097	4.9	(953)	(31.3)
Others	–	–	–	–	–	–
Total	86,104	100.0	43,171	100.0	(42,933)	(49.9)

(Notes) 1. Order backlog is described by the complete contract method. Of order backlog amounts as of June 30, 2012, ¥23,459 million for shipbuilding and, of those as of June 30, 2011, ¥28,825 million for shipbuilding and ¥77 million for machinery are recorded as sales by the percentage-of-completion method.

2. A ¥512 million decrease resulting from exchange rate fluctuations in the foreign currency-denominated order backlog as of the previous fiscal year-end has been subtracted from the consolidated order backlog as of June 30, 2012.

4) Sales

(in millions of yen, unless otherwise noted)

	For the three months ended June 30, 2011		For the three months ended June 30, 2012		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	16,349	90.5	9,964	91.2	(6,385)	(39.1)
Machinery	1,441	8.0	669	6.1	(772)	(53.6)
Others	274	1.5	299	2.7	24	8.9
Total	18,065	100.0	10,932	100.0	(7,133)	(39.5)