

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

October 25, 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: November 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 six months of the fiscal year ending**  
**March 31, 2013 (From April 1, 2012 to September 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 six months ended								
September 30, 2012	20,221	(44.3)	(1,384)	–	(1,730)	–	(1,993)	–
September 30, 2011	36,290	63.4	4,212	57.7	4,019	63.5	1,953	(28.0)

Note: Comprehensive income

For the six months ended September 30, 2012: ¥(2,093) million [–%]  
 For the six months ended September 30, 2011: ¥2,022 million [(8.6)%]

	Net income per share	Diluted net income per share
For the six months ended	<i>yen</i>	<i>yen</i>
September 30, 2012	(12.43)	–
September 30, 2011	12.18	–

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
As of	<i>millions of yen</i>	<i>millions of yen</i>	%
September 30, 2012	71,784	25,618	35.7
March 31, 2012	84,464	28,514	33.8

Reference: Equity

As of September 30, 2012: ¥25,618 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	–	0.00			
For the year ending March 31, 2013 (Forecast)			–	–	–

Note: Revision of the forecast most recently announced: None

## 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

### \* Notes

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

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

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

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

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

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

As of September 30, 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 September 30, 2012	1,487,710 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 six months ended September 30, 2012	160,468,140 shares
For the six months ended September 30, 2011	160,471,528 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 their realization. Therefore, investors are advised and recommended not to base their investment decisions on the statements in this document alone. Please be informed 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.

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

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

During the first six months of the fiscal year ending March 31, 2013, the Japanese economy was picking up slowly on the back of reconstruction-related demand from the Great East Japan Earthquake. However, with the economy at a standstill amid the global slowdown, the future remains uncertain as a result of such factors as the European debt crisis and the prolonged appreciation of the yen.

Under such circumstances, the Sasebo Group posted consolidated orders received of ¥13,815 million, roughly the same amount as the previous fiscal year, mainly owing to a new shipbuilding order for 4 units. The consolidated order backlog as of September 30, 2012 was ¥34,440 million, a decrease of 53.7% from the same period of the previous fiscal year. Consolidated net sales declined 44.3% from the same period of the previous fiscal year to ¥20,221 million as a result of progress on low-priced new shipbuilding orders that were received after the Lehman Shock. In terms of income, a consolidated operating loss of ¥1,384 million and a consolidated ordinary loss of ¥1,730 million were recorded. In addition, extraordinary income, such as gain on sales of non-current assets and extraordinary loss, such as loss on valuation of investment securities, as well as income taxes, resulted in the posting of a net loss of ¥1,993 million.

Results by segment are as follows.

#### **(a) Shipbuilding**

The Group posted orders received of ¥11,698 million in the shipbuilding business, a 10.6% increase from the same period of the previous fiscal year. Included in this amount were new shipbuilding orders for 2 units of 75,000 DWT bulk carriers and 2 units of 77,000 DWT bulk carriers, as well as ship repairs for the Japan Maritime Self-Defense Force, United States Navy vessels, and commercial vessels. Net sales amounted to ¥18,150 million, decreasing 45.1% 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. The shipbuilding business posted a segment loss of ¥1,597 million. New ships delivered during the first six months of the current fiscal year totaled 2 ships: 1 unit of 180,000 DWT bulk carrier and 1 unit of 75,000 DWT bulk carrier. As a result, the order backlog for new shipbuilding came to 10 units.

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

The Group posted orders received of ¥1,483 million in the machinery business, a decrease of 42.4% from the same period of the previous fiscal year, representing equipment-related work for marine equipment and general industrial machinery, etc. Net sales were ¥1,438 million, a decline of 45.9% 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 ¥64 million.

#### **(c) Others**

The "Others" business segment is comprised mainly of meal delivery service, etc. Orders received and net sales were both ¥632 million, an increase of 6.8% from the same period of the previous fiscal year. Segment profit was ¥43 million, a decrease of 35.2% from the same period of the previous fiscal year.

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

(Total assets)

Current assets were ¥46,071 million, a decrease of ¥13,268 million from the previous fiscal year-end. This was mainly due to a decrease in cash and deposits resulting from repayment of loans and other factors. Non-current assets were ¥25,712 million, an increase of ¥589 million from the previous fiscal year-end.

As a result, total assets were ¥71,784 million, a decrease of ¥12,679 million from the previous fiscal year-end.

(Liabilities)

Current liabilities were ¥25,805 million, a decrease of ¥7,347 million from the previous fiscal year-end. This was mainly due to decreases in notes and accounts payable—trade and accrued expenses. Non-current liabilities were ¥20,361 million, a decrease of ¥2,436 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 ¥46,166 million, a decrease of ¥9,783 million from the previous fiscal year-end.

(Net assets)

Total net assets were ¥25,618 million, a decrease of ¥2,895 million from the previous fiscal year-end, as a result of a decrease in retained earnings due to the recording of a net loss.

(Analysis of cash flows)

Cash and cash equivalents (hereafter referred to as “cash”) at the end of the first six months of the current fiscal year were ¥27,683 million, a decrease of ¥14,198 million from the previous fiscal year-end.

The respective cash flow positions are as follows.

(Cash flows from operating activities)

Net cash used in operating activities was ¥9,010 million. This was mainly the result of the impact of incurring large payments, such as those for income taxes, in addition to a decline in payments received for new shipbuilding due to the small number of new ships (2 units) delivered during the first six months of the current fiscal year.

(Cash flows from investing activities)

Net cash used in investing activities was ¥2,167 million. This was mainly due to fund management through payments into time deposits with terms of more than 3 months.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,982 million. This was mainly due to repayment of long-term loans.

## **(3) Qualitative information on consolidated forecast**

Amid the persistently high degree of uncertainty surrounding the European debt crisis, the future direction of the global economy remains unclear due to the risk that further economic deterioration or fluctuations in the financial and capital markets that could exert downward pressure on economic conditions.

In addition, conditions for the new shipbuilding market are expected to remain harsh amid a sluggish shipping market. Moreover, taking into account concerns that the yen may continue to appreciate and the price of raw materials may rise again, the severe environment surrounding the Company is expected to continue.

In order to respond to this difficult business environment, the Sasebo Group will advance the transformation of its business portfolio by strengthening its naval and ship repairs business and

machinery business, as well as by the early launching of new businesses. As detailed in the press release entitled Management Policies for the Coming Three Years (Business Structure Reforms) disclosed on October 25, 2012, together with these initiatives, the Group shall pursue a policy of reducing new shipbuilding-related operations, which are the primary business of the Company. The Group will execute wide-ranging reductions in fixed costs while avoiding orders involving untenably low prices and follow a policy aimed at its survival in the new shipbuilding business.

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 six months of the current fiscal year**

No items to report

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

No items to report

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

No items to report

### **3. Consolidated financial statements**

#### **(1) Consolidated balance sheets**

*(in millions of yen; the △ mark before a figure indicates the amount is negative)*

	As of March 31,2012	As of September 30,2012
Assets		
Current assets		
Cash and deposits	42,881	28,564
Notes and accounts receivable-trade	13,720	14,563
Short-term investment securities	40	40
Merchandise and finished goods	16	16
Work in process	974	1,233
Raw materials and supplies	365	389
Other	1,342	1,264
Allowance for doubtful receivables	△1	△1
Total current assets	59,340	46,071
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,660	8,362
Land	5,811	5,791
Other, net	7,303	6,572
Total property, plant and equipment	21,774	20,727
Intangible assets	178	214
Investments and other assets		
Investment securities	2,981	2,392
Other	454	2,644
Allowance for doubtful receivables	△265	△265
Total investments and other assets	3,170	4,770
Total non-current assets	25,123	25,712
Total assets	84,464	71,784



(in millions of yen; the △ mark before a figure indicates the amount is negative)

	As of March 31,2012	As of September 30,2012
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable—trade	18,179	13,231
Notes payable—facilities	179	29
Short-term loans payable	5,376	5,584
Income taxes payable	1,486	140
Advance received	1,843	612
Provision for construction warranties	54	48
Provision for loss on construction contracts	1,227	3,675
Other	4,807	2,483
Total current liabilities	33,152	25,805
Non-current liabilities		
Long-term loans payable	18,241	15,857
Deferred tax liabilities	232	230
Provision for retirement benefits	4,085	3,969
Provision for special repairs	50	55
Other	187	248
Total non-current liabilities	22,797	20,361
Total liabilities	55,950	46,166
<b>Net assets</b>		
Shareholders' equity		
Capital stock	8,414	8,414
Capital surplus	5,148	5,148
Retained earnings	15,974	13,177
Treasury stock	△977	△977
Total shareholders' equity	28,558	25,762
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14	△88
Deferred gains or losses on hedges	△58	△55
Total accumulated other comprehensive income	△44	△144
Total net assets	28,514	25,618
Total liabilities and net assets	84,464	71,784

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

*(in millions of yen; the  $\Delta$  mark before a figure indicates the amount is negative)*

	For the six months ended September 30,2011	For the six months ended September 30,2012
Net sales	36,290	20,221
Costs of sales	30,869	20,320
Gross profit(loss)	5,420	$\Delta$ 98
Selling, general and administrative expenses	1,208	1,285
Operating income(loss)	4,212	$\Delta$ 1,384
Non-operating income		
Interest and dividends income	53	44
Other	21	28
Total non-operating income	75	72
Non-operating expenses		
Interest expenses	170	224
Foreign exchange losses	44	182
Other	53	12
Total non-operating expenses	268	418
Ordinary income(loss)	4,019	$\Delta$ 1,730
Extraordinary income		
Gain on sales of noncurrent assets	—	593
Gain on sales of golf memberships	—	0
Total extraordinary income	—	594
Extraordinary loss		
Loss on sales of non-current assets	5	—
Loss on disposal of non-current assets	3	6
Loss on valuation of investment securities	457	485
Other	2	20
Total extraordinary losses	468	511
Income before income(loss) taxes	3,550	$\Delta$ 1,648
Income taxes—current	2,747	110
Income taxes—deferred	$\Delta$ 1,150	—
Income taxes for prior periods	—	234
Total income taxes	1,597	345
Income(loss) before minority interests	1,953	$\Delta$ 1,993
Minority interests in income	—	—
Net income(loss)	1,953	$\Delta$ 1,993

## Consolidated statements of comprehensive income (cumulative)

(in millions of yen; the  $\Delta$  mark before a figure indicates the amount is negative)

	For the six months ended September 30,2011	For the six months ended September 30,2012
Income(loss) before minority interests	1,953	$\Delta$ 1,993
Other comprehensive income		
Valuation difference on available-for-sale securities	68	$\Delta$ 102
Deferred gains or losses on hedges	—	3
Total other comprehensive income	68	$\Delta$ 99
Comprehensive income	2,022	$\Delta$ 2,093
Comprehensive income attributable to Owners of the parent	2,022	$\Delta$ 2,093

### (3) Consolidated statements of cash flows

(in millions of yen; the  $\Delta$  mark before a figure indicates the amount is negative)

	For the six months ended September 30,2011	For the six months ended September 30,2012
Cash flows from operating activities		
Income before income taxes	3,550	$\Delta$ 1,648
Depreciation and amortization	1,546	1,279
Increase(decrease) in provision for loss on construction contracts	3,046	2,448
Increase(decrease) in provision for retirement benefits	64	$\Delta$ 116
Increase(decrease) in provision for construction warranties	$\Delta$ 10	$\Delta$ 6
Increase(decrease) in provision for special repairs	4	5
Interest and dividend income	$\Delta$ 53	$\Delta$ 44
Interest expenses	170	224
Foreign exchange losses(gains)	0	38
Loss(gain) on sales of property, plant and equipment	5	$\Delta$ 593
Loss(gain) on disposal of non-current assets	3	6
Loss(gain) on valuation of investment securities	457	485
Decrease(increase) in notes and accounts receivable-trade	$\Delta$ 5,219	$\Delta$ 842
Decrease(increase) in inventories	409	$\Delta$ 283
Decrease(increase) in consumption taxes refund receivable	112	333
Decrease(increase) in other current assets	$\Delta$ 26	$\Delta$ 242
Increase(decrease) in notes and accounts payable-trade	$\Delta$ 328	$\Delta$ 4,947
Increase(decrease) in advance received	$\Delta$ 4,134	$\Delta$ 1,231
Increase(decrease) in other current liabilities	$\Delta$ 681	$\Delta$ 2,000
Subtotal	$\Delta$ 1,083	$\Delta$ 7,135
Interest and dividends received	53	44
Interest paid	$\Delta$ 163	$\Delta$ 225
Income taxes paid	$\Delta$ 3,370	$\Delta$ 1,694
Net cash provided by operating activities	$\Delta$ 4,564	$\Delta$ 9,010

(in millions of yen; the  $\Delta$  mark before a figure indicates the amount is negative)

	For the six months ended September 30,2011	For the six months ended September 30,2012
Cash flows from investing activities		
Payments into time deposits	—	$\Delta$ 3,121
Proceeds from withdrawal of time deposits	—	1,040
Payments for retirement of property, plant and equipment	$\Delta$ 65	$\Delta$ 20
Purchase of property, plant and equipment	$\Delta$ 1,290	$\Delta$ 698
Proceeds from sales of property, plant and equipment	252	633
Purchase of intangible assets	$\Delta$ 0	$\Delta$ 7
Collection of loans receivable	1	0
Other	$\Delta$ 36	6
Net cash used in investing activities	$\Delta$ 1,138	$\Delta$ 2,167
Cash flows from financing activities		
Net increase(decrease) in short-term loans payable	$\Delta$ 100	$\Delta$ 100
Proceeds from long-term loans	8,500	—
Repayment of long-term loans	$\Delta$ 1,191	$\Delta$ 2,076
Dividends paid	$\Delta$ 796	$\Delta$ 797
Payments for purchases of treasury stock	$\Delta$ 0	$\Delta$ 0
Other	$\Delta$ 23	$\Delta$ 7
Net cash used in financing activities	6,388	$\Delta$ 2,982
Effect of exchange rate changes on cash and cash equivalents	$\Delta$ 0	$\Delta$ 38
Increase(decrease) in cash and cash equivalents	685	$\Delta$ 14,198
Cash and cash equivalents at beginning of period	28,662	41,882
Cash and cash equivalents at end of period	29,347	27,683

**(4) Notes on premise of going concern**

No items to report

**(5) Segment information**

[Segment information]

I. For the six months ended September 30, 2011

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

(in millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the quarterly consolidated statement of income (Note 3)
	Shipbuilding	Machinery	Total				
Net sales							
Outside customers	33,038	2,658	35,697	592	36,290	–	36,290
Inter-segment sales and transfers	–	–	–	1,010	1,010	(1,010)	–
Total	33,038	2,658	35,697	1,603	37,300	(1,010)	36,290
Segment profit	3,298	565	3,863	66	3,930	282	4,212

- (Notes) 1. The “Others” category is a business segment not included in the reportable segments. It includes meal delivery service, golf course business and transportation business, etc.
2. Selling, general and administrative expenses and other corporate expenses are distributed to each segment based on budget amounts and any budgetary variances between actual expenses and the budgeted amount are not distributed. These budgetary variances of ¥282 million are recorded as adjustment to segment profit.
3. Segment profit is adjusted with operating income in the quarterly consolidated statement of income.

II. For the six months ended September 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	18,150	1,438	19,589	632	20,221	–	20,221
Inter-segment sales and transfers	9	–	9	765	774	(774)	–
Total	18,159	1,438	19,598	1,398	20,996	(774)	20,221
Segment profit or (loss)	(1,597)	(64)	(1,662)	43	(1,618)	234	(1,384)

- (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 ¥234 million are recorded as adjustment to segment profit.
3. Segment profit is adjusted with operating income in the quarterly consolidated statement of income.

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

For the six months ended September 30, 2012

No items to report

## 4. Supplemental information

### Production, orders received and sales

#### 1) Production

(in millions of yen, unless otherwise noted)

	For the six months ended September 30, 2011		For the six months ended September 30, 2012		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	28,901	89.5	18,285	88.0	(10,615)	(36.7)
Machinery	2,799	8.7	1,851	8.9	(948)	(33.9)
Others	592	1.8	632	3.1	40	6.8
Total	32,293	100.0	20,769	100.0	(11,523)	(35.7)

#### 2) Orders received

(in millions of yen, unless otherwise noted)

	For the six months ended September 30, 2011		For the six months ended September 30, 2012		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	10,580	77.0	11,698	84.7	1,117	10.6
Machinery	2,575	18.7	1,483	10.7	(1,091)	(42.4)
Others	592	4.3	632	4.6	40	6.8
Total	13,748	100.0	13,815	100.0	66	0.5

#### 3) Order backlog

(in millions of yen, unless otherwise noted)

	As of September 30, 2011		As of September 30, 2012		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	71,308	95.9	32,471	94.3	(38,837)	(54.5)
Machinery	3,061	4.1	1,969	5.7	(1,092)	(35.7)
Others	–	–	–	–	–	–
Total	74,370	100.0	34,440	100.0	(39,929)	(53.7)

(Notes) 1. Order backlog is described by the complete contract method. Of order backlog amounts as of September 30, 2012, ¥15,612 million for shipbuilding and, of those as of September 30, 2011, ¥26,871 million for shipbuilding and ¥150 million for machinery are recorded as sales by the percentage-of-completion method.

2. A ¥706 million decrease resulting from exchange rate fluctuations in the foreign currency-denominated order backlog as of the previous fiscal year-end has been subtracted from the consolidated order backlog as of September 30, 2012.

#### 4) Sales

(in millions of yen, unless otherwise noted)

	For the six months ended September 30, 2011		For the six months ended September 30, 2012		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	33,038	91.1	18,150	89.8	(14,887)	(45.1)
Machinery	2,658	7.3	1,438	7.1	(1,220)	(45.9)
Others	592	1.6	632	3.1	40	6.8
Total	36,290	100.0	20,221	100.0	(16,068)	(44.3)