

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

January 31, 2013

Company name: **Sasebo Heavy Industries Co., Ltd.**  
 Listing: Tokyo Stock Exchange 1st Section  
 Fukuoka Stock Exchange  
 Stock code: 7007  
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Scheduled date to file quarterly securities report: February 13, 2013  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: None  
 Holding of quarterly financial results presentation meeting: None

*Figures less than one million yen have been omitted.*

**1. Consolidated financial results for the first nine months of the fiscal year ending March 31, 2013 (From April 1, 2012 to December 31, 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 nine months ended								
December 31, 2012	28,044	(45.4)	(1,564)	–	(1,507)	–	(1,247)	–
December 31, 2011	51,316	11.5	6,514	22.1	6,261	23.0	2,868	(32.0)

Note: Comprehensive income

For the nine months ended December 31, 2012: ¥(1,238) million [–%]  
 For the nine months ended December 31, 2011: ¥2,890 million [(26.0)%]

	Net income per share	Diluted net income per share
For the nine months ended	<i>yen</i>	<i>yen</i>
December 31, 2012	(7.77)	–
December 31, 2011	17.88	–

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
As of	<i>millions of yen</i>	<i>millions of yen</i>	%
December 31, 2012	68,804	26,473	38.5
March 31, 2012	84,464	28,514	33.8

Reference: Equity

As of December 31, 2012: ¥26,473 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  
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

### \* Notes

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

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

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

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

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

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

As of December 31, 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 December 31, 2012	1,488,725 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 nine months ended December 31, 2012	160,467,585 shares
For the nine months ended December 31, 2011	160,470,782 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.

Attached Materials

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

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

During the first nine months of the fiscal year ending March 31, 2013, although the Japanese economy showed signs of picking up slowly on the back of reconstruction-related demand from the Great East Japan Earthquake, it began to weaken amid a slowdown in the global economy. Furthermore, despite signs of a move towards yen depreciation and a recovery in the stock market mainly driven by economic measures taken by Japan's new administration, which came to power in December 2012, the economic outlook remains unclear due to the risk of downward pressure from uncertainties surrounding the overseas economy.

Under such circumstances, the Sasebo Group posted consolidated orders received of ¥24,664 million, an increase of 31.6% from the same period of the previous fiscal year, owing to new shipbuilding orders for 7 units, among other factors. The consolidated order backlog as of December 31, 2012 was ¥37,671 million, a decrease of 40.4% from the same period of the previous fiscal year. Consolidated net sales amounted to ¥28,044 million, decreasing 45.4% from the same period of the previous fiscal year because of progress on low-priced new shipbuilding orders that were received after the "Lehman Shock" and a reduction in the scale of new shipbuilding operations. As a result of these developments, a consolidated operating loss of ¥1,564 million and a consolidated ordinary loss of ¥1,507 million were recorded. Net loss was ¥1,247 million, mainly reflecting extraordinary income such as gain on sales of non-current assets, extraordinary loss such as loss on valuation of investment securities, and income taxes.

Results by segment are as follows.

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

The Group posted orders received of ¥21,619 million in the shipbuilding business, a 47.6% 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, 3 units of 77,000 DWT bulk carriers and 2 units of 84,000 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 ¥24,955 million, decreasing 46.0% from the same period of the previous fiscal year as a result of a reduction in the scale of new shipbuilding operations, in addition to progress on low-priced new shipbuilding orders that were received after the Lehman Shock. The shipbuilding business posted a segment loss of ¥1,787 million. New ships delivered during the first nine months of the current fiscal year totaled 4 ships: 1 unit of 180,000 DWT bulk carrier and 3 units of 75,000 DWT bulk carriers. As a result, the order backlog for new shipbuilding came to 11 units.

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

The Group posted orders received of ¥2,169 million in the machinery business, a decrease of 32.2% from the same period of the previous fiscal year, representing equipment-related work in the areas of equipment for marine use and general industrial machinery, etc. Net sales were ¥2,213 million, a decline of 47.7% 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 ¥167 million.

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

The "Others" business segment is comprised mainly of meal delivery service, etc. Orders received and net sales were both ¥875 million, a decrease of 1.6% from the same period of the previous fiscal year and segment profit was ¥37 million.

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

(Total assets)

Current assets were ¥41,911 million, a decrease of ¥17,429 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 ¥26,893 million, an increase of ¥1,770 million from the previous fiscal year-end.

As a result, total assets were ¥68,804 million, a decrease of ¥15,659 million from the previous fiscal year-end.

(Liabilities)

Current liabilities were ¥22,703 million, a decrease of ¥10,449 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 ¥19,628 million, a decrease of ¥3,169 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 ¥42,331 million, a decrease of ¥13,618 million from the previous fiscal year-end.

(Net assets)

Total net assets were ¥26,473 million, a decrease of ¥2,040 million from the previous fiscal year-end, as a result of a decrease in retained earnings due to the recording of a net loss.

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

The future direction of the global economy remains unclear due to the risk of further deterioration mainly from the European debt crisis and the “fiscal cliff” in the US. Furthermore, despite expectations that various economic measures will have a positive impact, the Japanese economy has only experienced a weak recovery so far.

With respect to exchange rates, there has been a move towards yen depreciation primarily due to economic measures by Japan’s new administration, which came to power in December 2012. Even so, since there are still no signs of recovery in the shipping market, conditions for the new shipbuilding market are expected to remain extremely harsh. At the same time, in light of other considerations including concerns of another rise in raw material prices in line with continued yen depreciation, we assume that the severity of the environment surrounding the Company will increase.

In order to respond to recent changes in this challenging business environment, the Company is undertaking a review of Management Policies for the Coming Three Years (Business Structure Reforms), which were disclosed on October 25, 2012. Specifically, the Company is examining the plans in the policies and reviewing various measures included in them in the light of recent circumstances.

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 nine months of the current fiscal year**

No items to report

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

No items to report

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

No items to report

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

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

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

	As of March 31,2012	As of December 31,2012
<b>Assets</b>		
Current assets		
Cash and deposits	42,881	25,682
Notes and accounts receivable-trade	13,720	13,293
Short-term investment securities	40	40
Merchandise and finished goods	16	16
Work in process	974	1,095
Raw materials and supplies	365	246
Other	1,342	1,536
Allowance for doubtful receivables	1	1
Total current assets	59,340	41,911
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,660	8,200
Land	5,811	5,763
Other, net	7,303	6,247
Total property, plant and equipment	21,774	20,210
Intangible assets	178	206
Investments and other assets		
Investment securities	2,981	2,851
Other	454	3,890
Allowance for doubtful receivables	265	265
Total investments and other assets	3,170	6,476
Total non-current assets	25,123	26,893
Total assets	84,464	68,804

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

	As of March 31,2012	As of December 31,2012
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	18,179	10,429
Notes payable - facilities	179	18
Short-term loans payable	5,376	5,884
Income taxes payable	1,486	3
Advance received	1,843	1,829
Provision for construction warranties	54	48
Provision for loss on construction contracts	1,227	3,079
Other	4,807	1,409
Total current liabilities	<u>33,152</u>	<u>22,703</u>
Non-current liabilities		
Long-term loans payable	18,241	15,197
Deferred tax liabilities	232	240
Provision for retirement benefits	4,085	3,897
Provision for special repairs	50	59
Other	187	233
Total non-current liabilities	<u>22,797</u>	<u>19,628</u>
Total liabilities	<u>55,950</u>	<u>42,331</u>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	8,414	8,414
Capital surplus	5,148	5,148
Retained earnings	15,974	13,924
Treasury stock	977	977
Total shareholders' equity	<u>28,558</u>	<u>26,508</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14	21
Deferred gains or losses on hedges	58	56
Total accumulated other comprehensive income	<u>44</u>	<u>35</u>
Total net assets	<u>28,514</u>	<u>26,473</u>
Total liabilities and net assets	<u>84,464</u>	<u>68,804</u>



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

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

	For the nine months ended December 31,2011	For the nine months ended December 31,2012
Net sales	51,316	28,044
Costs of sales	42,969	27,635
Gross profit	8,347	408
Selling, general and administrative expenses	1,832	1,972
Operating income(loss)	6,514	1,564
Non-operating income		
Interest and dividends income	80	63
Foreign exchange gains	-	311
Other	27	23
Total non-operating income	107	397
Non-operating expenses		
Interest expenses	278	327
Foreign exchange losses	26	-
Other	55	14
Total non-operating expenses	360	341
Ordinary income(loss)	6,261	1,507
Extraordinary income		
Gain on sales of noncurrent assets	1	595
Other	0	98
Total extraordinary income	1	693
Extraordinary loss		
Loss on sales of non-current assets	5	-
Loss on disposal of non-current assets	8	13
Loss on valuation of investment securities	627	144
Other	62	20
Total extraordinary losses	703	178
Income before income(loss) taxes	5,559	993
Income taxes - current	2,896	16
Income taxes - deferred	205	-
Income taxes for prior periods	-	237
Total income taxes	2,690	254
Income(loss) before minority interests	2,868	1,247
Minority interests in income	-	-
Net income(loss)	2,868	1,247

## Consolidated statements of comprehensive income (cumulative)

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

	For the nine months ended December 31,2011	For the nine months ended December 31,2012
Income(loss) before minority interests	2,868	1,247
Other comprehensive income		
Valuation difference on available-for-sale securities	21	7
Deferred gains or losses on hedges	-	2
Total other comprehensive income	21	9
Comprehensive income	2,890	1,238
Comprehensive income attributable to Owners of the parent	2,890	1,238

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

No items to report

### (4) Segment information

[Segment information]

I. For the nine months ended December 31, 2011

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

(in millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the quarterly consolidated statement of income (Note 3)
	Shipbuilding	Machinery	Total				
Net sales							
Outside customers	46,198	4,228	50,427	889	51,316	–	51,316
Inter-segment sales and transfers	–	–	–	1,512	1,512	(1,512)	–
Total	46,198	4,228	50,427	2,401	52,828	(1,512)	51,316
Segment profit	5,106	838	5,944	107	6,051	463	6,514

- (Notes) 1. The “Others” category is a business segment not included in the reportable segments. It includes meal delivery service, golf course business and transportation business, etc.
2. Selling, general and administrative expenses and other corporate expenses are distributed to each segment based on budget amounts and any budgetary variances between actual expenses and the budgeted amount are not distributed. These budgetary variances of ¥463 million are recorded as adjustment to segment profit.
3. Segment profit is adjusted with operating income in the quarterly consolidated statement of income.

II. For the nine months ended December 31, 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	24,955	2,213	27,169	875	28,044	–	28,044
Inter-segment sales and transfers	37	–	37	1,115	1,152	(1,152)	–
Total	24,993	2,213	27,206	1,990	29,196	(1,152)	28,044
Segment profit or (loss)	(1,787)	(167)	(1,955)	37	(1,917)	353	(1,564)

- (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 ¥353 million are recorded as adjustment to segment profit.
3. Segment profit is adjusted with operating income in the quarterly consolidated statement of income.

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

For the nine months ended December 31, 2012

No items to report

## 4. Supplemental information

### Production, orders received and sales

#### 1) Production

(in millions of yen, unless otherwise noted)

	For the nine months ended December 31, 2011		For the nine months ended December 31, 2012		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	44,549	90.0	25,195	87.6	(19,353)	(43.4)
Machinery	4,073	8.2	2,700	9.4	(1,372)	(33.7)
Others	889	1.8	875	3.0	(14)	(1.6)
Total	49,512	100.0	28,770	100.0	(20,741)	(41.9)

#### 2) Orders received

(in millions of yen, unless otherwise noted)

	For the nine months ended December 31, 2011		For the nine months ended December 31, 2012		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	14,647	78.2	21,619	87.7	6,972	47.6
Machinery	3,199	17.1	2,169	8.8	(1,030)	(32.2)
Others	889	4.7	875	3.5	(14)	(1.6)
Total	18,736	100.0	24,664	100.0	5,927	31.6

#### 3) Order backlog

(in millions of yen, unless otherwise noted)

	As of December 31, 2011		As of December 31, 2012		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	61,225	96.9	35,792	95.0	(25,432)	(41.5)
Machinery	1,965	3.1	1,879	5.0	(85)	(4.4)
Others	–	–	–	–	–	–
Total	63,190	100.0	37,671	100.0	(25,518)	(40.4)

(Notes) 1. Order backlog is described by the complete contract method. Of order backlog amounts as of December 31, 2012, ¥14,818 million for shipbuilding and, of those as of December 31, 2011, ¥25,796 million for shipbuilding are recorded as sales by the percentage-of-completion method.

2. A ¥292 million decrease resulting from exchange rate fluctuations in the foreign currency-denominated order backlog as of the previous fiscal year-end has been subtracted from the consolidated order backlog as of December 31, 2012.

#### 4) Sales

(in millions of yen, unless otherwise noted)

	For the nine months ended December 31, 2011		For the nine months ended December 31, 2012		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	46,198	90.0	24,955	89.0	(21,243)	(46.0)
Machinery	4,228	8.3	2,213	7.9	(2,014)	(47.7)
Others	889	1.7	875	3.1	(14)	(1.6)
Total	51,316	100.0	28,044	100.0	(23,272)	(45.4)