

Summary of Consolidated Financial Results for the Year Ended March 31, 2013 <under Japanese GAAP>

May 17, 2013

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/Deputy General Manager, General Administration Headquarters
 TEL: +81-3-6861-7312

Scheduled date of annual shareholders meeting: June 25, 2013
 Scheduled date to file securities report: June 26, 2013
 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, 2013 (From April 1, 2012 to March 31, 2013)

(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, 2013	35,946	(45.6)	(1,291)	–	(819)	–	(533)	–
March 31, 2012	66,082	(1.8)	9,862	52.3	9,697	57.4	734	(83.6)

Note: Comprehensive income

For the year ended March 31, 2013: ¥(365) million [– %]
 For the year ended March 31, 2012: ¥904 million [(76.8)%]

	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, 2013	(3.32)	–	(1.9)	(1.1)	(3.6)
March 31, 2012	4.58	–	2.6	11.4	14.9

Reference: Equity income (loss) from affiliates

For the year ended March 31, 2013: ¥ – million
 For the year ended March 31, 2012: ¥ – 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, 2013	65,795	27,345	41.6	170.41
March 31, 2012	84,464	28,514	33.8	177.69

Reference: Equity

As of March 31, 2013: ¥27,345 million
 As of March 31, 2012: ¥28,514 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, 2013	(8,666)	(4,231)	(5,555)	23,661
March 31, 2012	6,520	(545)	7,178	41,882

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, 2012	–	0.00	–	5.00	5.00	802	109.3	2.8
March 31, 2013	–	0.00	–	0.00	0.00	–	–	–
For the year ending March 31, 2014 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Consolidated forecast for the fiscal year ending March 31, 2014 (From April 1, 2013 to March 31, 2014)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
For the year ending March 31, 2014	<i>millions of yen</i>	%	<i>millions of yen</i>	%	<i>millions of yen</i>	%	<i>millions of yen</i>	%	<i>yen</i>
	30,000	(16.5)	(2,400)	–	(2,800)	–	–	–	–

- Notes: 1. Consolidated forecast for the six-month period is not presented as financial target is managed only on an annual basis.
2. Please see “B. Prospects for the year ending March 2014” on page 3 of the Attached Materials for more details regarding the above consolidated forecasts.

* **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: Yes

B. Changes in accounting policies due to other reasons: None

C. Changes in accounting estimates: Yes

D. Restatement of prior period financial statements after error corrections: None

(Note) A change has been made to the depreciation method effective from the current fiscal year that is applicable to "Change of accounting policy, which is difficult to make it distinguished from change of accounting estimate." For details please see "(6) Significant matters forming the basis of preparing the consolidated financial statements" of "4. Consolidated financial statements" on page 20 of the Attached Materials.

(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, 2013	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 March 31, 2013	1,488,730 shares
As of March 31, 2012	1,485,710 shares

C. Average number of outstanding shares during the period

For the year ended March 31, 2013	160,467,282 shares
For the year ended March 31, 2012	160,470,606 shares

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for the year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(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, 2013	34,735	(46.5)	(1,263)	–	(794)	–	(490)	–
March 31, 2012	64,885	(1.7)	9,696	50.9	9,524	57.7	650	(85.2)

	Net income per share	Diluted net income per share
For the year ended	<i>yen</i>	<i>yen</i>
March 31, 2013	(3.06)	–
March 31, 2012	4.05	–

(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, 2013	65,079	26,931	41.4	167.83
March 31, 2012	83,742	28,060	33.5	174.86

Reference: Equity

As of March 31, 2013: ¥26,931 million
As of March 31, 2012: ¥28,060 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 2013 and 2014 fiscal years	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	12
(3) Consolidated statements of changes in net assets	14
(4) Consolidated statements of cash flows	16
(5) Notes on premise of going concern.....	18
(6) Significant matters forming the basis of preparing the consolidated financial statements	18
(7) Notes to consolidated financial statements	21
Notes to consolidated balance sheets	21
Notes to consolidated statements of income.....	22
Notes to consolidated statements of changes in net assets	23
Notes to consolidated statements of cash flows	24
Items to omit notes thereon	24
Segment information	25
Per share information	28
Significant subsequent events.....	28
(8) Other information.....	29
Production, orders received and sales	29
5. Non-consolidated financial statements.....	30
(1) Non-consolidated balance sheets	30
(2) Non-consolidated statements of income	33
(3) Non-consolidated statements of changes in net assets	34
(4) Notes on premise of going concern.....	37
(5) Significant subsequent events	37
6. Other.....	37
Changes in directors on board	37

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, 2013, although the Japanese economy during the first half of the year showed signs of picking up slowly on the back of reconstruction-related demand from the Great East Japan Earthquake, the severe economic conditions still continued due to the yen's protracted appreciation and deflation. In the latter half of the year, expectations for fiscal and monetary policies taken by Japan's new administration triggered a yen's depreciation and signs of economic recovery began to emerge in the stock market and some economic indicators. On the other hand, the economic outlook remains unclear due to the risk of downward pressure from uncertainties surrounding the overseas economy.

In the shipbuilding industry, a global surplus supply of vessels continued, and in particular, shifts to marine structures by large ship yards and failures of emerging ship yards in South Korea caused a significant decline in orders. As a result, global new shipbuilding orders received in 2012 totaled 38,430 thousand gross tons, a decrease of 32.3% from the previous fiscal year. On the other hand, Japanese new shipbuilding orders increased by 9.4% to 8,414 thousand gross tons from the previous fiscal year. The global delivery of new ships in 2012 decreased to 95,271 thousand gross tons, a decrease of 6.5% from the previous fiscal year, which had posted a record-high. The delivery of new ships in Japan decreased by 10.0% to 17,428 thousand gross tons due to the impact of declines in operations.

In the machinery industry, although earthquake-recovery related demand for industry machinery and others continued steady growth, slow growth in corporations' capital investments made the economic recovery moderate. On the other hand, as to the equipment for marine use, such as crankshafts, a core product of the Company, the circumstances surrounding orders received faced difficult conditions due to the impact of the slowdown in the new shipbuilding market.

Under such circumstances, the Sasebo Group posted consolidated orders received of ¥32,366 million, an increase of 5.8% from the previous fiscal year, owing to new shipbuilding orders for 7 units, among other factors. Consolidated net sales amounted to ¥35,946 million, decreasing 45.6% from the previous fiscal year because of progress on low-priced new shipbuilding orders received after the "Lehman shock", and a downsizing of new shipbuilding operations. As a result, the consolidated order backlog at the end of the current fiscal year was ¥31,744 million, a decrease of 21.3% from the previous fiscal year-end. In terms of income, due to the impact of new ships' price down and other factors, the Group posted a consolidated operating loss of ¥1,291 million (vs. consolidated operating income of ¥9,862 million in the previous fiscal year) and a consolidated ordinary loss of ¥819 million (vs. consolidated ordinary income of ¥9,697 million in the previous fiscal year). In addition to the aforementioned, after gain on sales of non-current assets and others were included in extraordinary income, and income taxes were recorded, consolidated net loss was ¥533 million (vs. consolidated net income of ¥734 million in the previous fiscal year).

Results for each segment are as follows.

(a) Shipbuilding

The Group posted orders received of ¥27,869 million in the shipbuilding business, increasing 12.2% from the previous fiscal year. Included in this amount were new shipbuilding orders of 7 units: 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 ¥31,157 million, decreasing 47.4% from the previous fiscal year as a result of downsizing of new shipbuilding operations, in addition to progress on low-priced new shipbuilding orders received after the Lehman shock. New ships delivered during the current fiscal year totaled 6 ships: 2 units of 180,000 DWT bulk carriers and 4 units of 75,000 DWT bulk carriers. As a result, the order backlog for new shipbuilding came to 9 units and its

amount including ship repairs was ¥30,112 million, a decrease of 21.6% from the previous fiscal year-end. The shipbuilding business posted a segment loss of ¥1,764 million (vs. segment profit of ¥8,056 million in the previous fiscal year).

(b) Machinery

The Group posted orders received of ¥3,242 million in the machinery business, a decrease of 28.9% from the previous fiscal year, representing equipment-related work in the areas of equipment for marine use and general industrial machinery, etc. Net sales amounted to ¥3,533 million, a decrease of 37.2% from the previous fiscal year, mainly due to the low prices for crankshafts. As a result, the order backlog totaled ¥1,632 million, decreasing 15.1% from the previous fiscal year-end. The machinery business posted a segment loss of ¥187 million (vs. segment profit of ¥1,016 million in the previous fiscal year).

(c) Others

The “Others” business segment is comprised mainly of meal delivery service, etc. Orders received and net sales were both ¥1,254 million, an increase of 4.8% from the previous fiscal year. Segment loss was ¥22 million (vs. segment profit of ¥161 million in the previous fiscal year).

After adding adjustment of ¥682 million to segment profits/losses, consolidated operating loss of ¥1,291 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						<i>yen</i>
March 31, 2013	32,366	35,946	(1,291)	(819)	(533)	(3.32)
March 31, 2012	30,603	66,082	9,862	9,697	734	4.58

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						<i>yen</i>
March 31, 2013	31,111	34,735	(1,263)	(794)	(490)	(3.06)
March 31, 2012	29,406	64,885	9,696	9,524	650	4.05

B. Prospects for the year ending March 2014

In the outlook of the Japanese economy, expectations for new fiscal and monetary policies taken by the Japan’s new administration have been driving a yen’s depreciation, and signs of economic recovery, though modest, are emerging. Meanwhile, the economic outlook remains unclear due to the risk of downward pressure from uncertainties surrounding the overseas economy such as the European debt problems.

In the shipbuilding industry, new shipbuilding prices continue to be at a low level amid the surplus supply of new ships with the Year 2014 problems and ongoing low sea-freight charges. Furthermore, in the circumstances surrounding the orders received, as new shipbuilding completions continue to be at the highest ever level, the Company expects that competition for new orders received will further intensify in future. Given the aforementioned, major challenges facing the ship yards in Japan are implementation of further cost reductions to face off against South Korea and China, strengthening of competitiveness by developing high value-added vessels, and passing down of technical skills from the experienced employees to younger generations. In the machinery industry, although the Company expects demand related to reconstruction of the areas affected by the Great East Japan Earthquake, there is a concern over worsening profitability in the equipment for marine use, including crankshafts, a core product of the Company, due to the slowdown in the new shipbuilding market.

To address these difficult business circumstances, on October 25, 2012, the Group announced Management Policies for the Coming Three Years (Business Structure Reforms), under which the Company will downsize new shipbuilding business operations, its major business, while other businesses excluding new shipbuilding, such as naval and ship repair business, will be reinforced, thereby aiming to return to profitability in the 2014 fiscal year under the policy to implement the business portfolio transformation. In line with this management policy, the Group re-examined its net sales goals in the course of developing detailed plans by the end of 2015 fiscal year, and found bleak prospects that the goals in businesses excluding new shipbuilding would be unlikely to be achieved and that it would be difficult to return to profitability in the 2014 fiscal year as set in the previous business plan.

Thus taking the aforementioned background into account, the Group re-examined the whole business plan and re-established “a new medium term business plan”, which was announced in public today on May 17, 2013. While the new plan has the same framework of the management policy as before, which addresses business portfolio transformation as a key policy, the Group has determined to establish robust earnings structure against environmental changes while maintaining and expanding net sales, and aim to return to profitability in the 2015 fiscal year and attain stable profitability in or after the 2016 fiscal year by working together as a whole group. In addition, considering future harsh business environment on new shipbuilding business, the Group assessed that taking the earliest action on substantial cut in fixed costs is the most critical management task. For the purpose of developing an optimal personnel structure and streamlining the existing organizations, a volunteer retirement program was resolved at the Board of Directors’ meeting held today on May 17, 2013, and was subsequently announced in public.

With respect to consolidated operating results for the fiscal year ending March 31, 2014, the Group forecasts consolidated net sales of ¥30,000 million, consolidated operating loss of ¥2,400 million, and consolidated ordinary loss of ¥2,800 million. The Group will strive to implement and drive the aforementioned measures steadily, aiming to return to profitability at an early stage. As mentioned above, while the Group resolved to implement the volunteer retirement program in the current fiscal year, it is difficult at this time to estimate expenses for special extra payments, etc., which is to be recorded as an extraordinary loss, therefore, the net income is not disclosed. It will be disclosed speedily as soon as its impact on business is clarified.

The exchange rate used in the prospects of operating results is ¥95 against US\$1.00.

Prospect of operating results by business segment

(in millions of yen)

Category	Net sales	Operating income
Shipbuilding	24,500	(2,300)
Machinery	4,500	(100)
Others	1,000	–
(Adjustment)	–	–
Total	30,000	(2,400)

(2) Analysis of financial position

A. Analysis of assets, liabilities and net assets

(a) Assets

Current assets were ¥39,287 million, a decrease of ¥20,052 million from the previous fiscal year-end.

This was mainly due to a decrease in cash and deposits resulting from repayments of loans and other factors. Non-current assets were ¥26,507 million, an increase of ¥1,383 million from the previous fiscal year-end.

As a result, total assets were ¥65,795 million, a decrease of ¥18,669 million from the previous fiscal year-end.

(b) Liabilities

Current liabilities were ¥20,920 million, a decrease of ¥12,232 million from the previous fiscal year-end. This was mainly due to a decrease in notes and accounts payable—trade resulting from the downsizing of new shipbuilding. Non-current liabilities were ¥17,529 million, a decrease of ¥5,268 million from the previous fiscal year-end, which was mainly due to repayment of long-term loans.

As a result, total liabilities were ¥38,449 million, a decrease of ¥17,500 million from the previous fiscal year-end.

(c) Net assets

Total net assets were ¥27,345 million, a decrease of ¥1,168 million from the previous fiscal year-end. This was mainly due to a decrease in retained earnings resulting from the recording of consolidated net loss.

B. Cash flows

Cash and cash equivalents at the end of this consolidated fiscal year decreased by ¥18,220 million to ¥23,661 million from the previous fiscal year-end.

The respective cash flow positions are as follows.

(a) Cash flows from operating activities

Net cash used in operating activities was ¥8,666 million, mainly due to payments of notes and accounts payable—trade and income taxes.

(b) Cash flows from investing activities

Net cash used in investment activities was ¥4,231 million, mainly due to payments into time deposits with terms of more than three months.

(c) Cash flows from financing activities

Net cash used in financing activities was ¥5,555 million, mainly due to repayment of long-term loans.

(Reference) Principal cash flow indicators

	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013
Equity ratio (%)	25.7	31.1	33.4	33.8	41.6
Market value-based equity ratio (%)	34.4	38.9	32.1	26.2	28.0
Interest-bearing liabilities to cash flow ratio	3.0	6.1	2.7	4.6	-
Interest coverage ratio (%)	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 2013 and 2014 fiscal years

The shipbuilding industry competes worldwide, 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.

With respect to the year-end dividends for the current and next fiscal years, based on consideration of improving corporate structure, future business developments and other factors, the Group plans no dividends. We highly appreciate your understanding.

2. State of the Group

Sasebo Heavy Industries Co., Ltd. and its affiliates (comprised of the Company and seven subsidiaries [as of March 31, 2013]) 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).

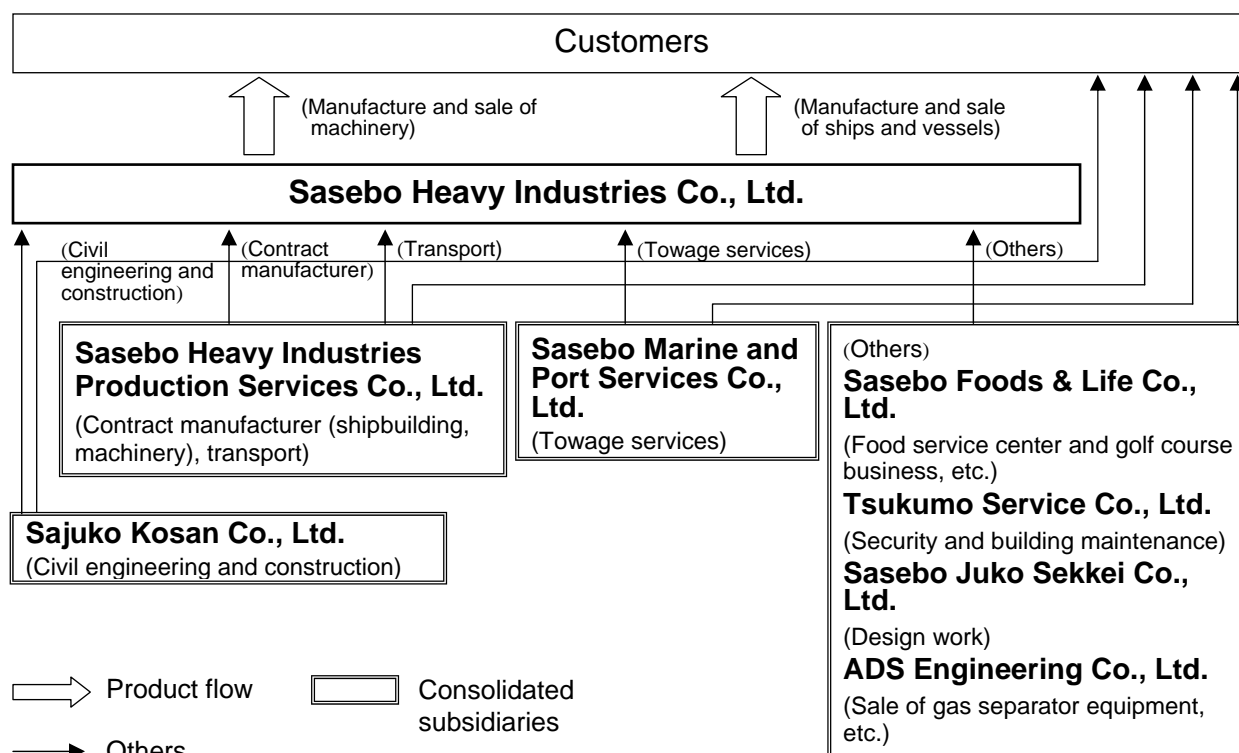
[Machinery]

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 service. Sasebo Foods & Life Co., Ltd. (A consolidated subsidiary of the Company. Effective from the current fiscal year, the company name changed from Saseho Kosan Co., Ltd.) leases facilities from the Company to operate a food service 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 and cleaning services for the Company's factories. Sasebo Juko Sekkei Co., Ltd. (a consolidated subsidiary of the Company) undertakes design work for the Company. ADS Engineering Co., Ltd. (A consolidated subsidiary. Founded as of September 24, 2012) undertakes businesses of selling gas separator equipment, etc. In addition, Sun Harvest Sasebo Company Limited was liquidated as of March 25, 2013.

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, under the basic spirit of “Offering quality and services that fulfill customers’ expectations,” we undergo change by utilizing traditional technology and our abundant track record, and focus on developing, manufacturing and selling high quality products that satisfy customers over the long term. On October 1, 2009, on the occasion of our 63rd anniversary of its foundation, we newly formulated our corporate vision, motto, and guideposts for the course of actions. Our motto is “Tradition and Evolution!,” under our corporate vision, “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,” we endeavor to improve corporate value and common interests of shareholders by conducting our business activities in line with such guideposts that place importance on safety, quality and environmental protection.

(2) Business performance targets

The Company sets as its priority goals the achievement of net sales and the decrease of ordinary loss based upon the business forecast for the fiscal year ending March 31, 2014. 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

Since the Company’s foundation, under the basic spirit of “Offering quality and services that fulfill customers’ expectations,” we undergo change by utilizing traditional technology and our abundant track record, and conduct our business under the policy of developing, manufacturing and selling high quality products that satisfy customers over the long term. In addition, on October 1, 2009, the Company formulated three wills of corporate vision, motto and guideposts for the course of actions. We endeavor to improve corporate value and common interests of shareholders by operating our business under such wills. By conducting such steady business operations, we 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 through our manufacturing activities.

In the outlook of the Japanese economy, expectations for new fiscal and monetary policies taken by the Japan’s new administration have been driving a yen’s depreciation, and signs of economic recovery, though modest, are emerging. Meanwhile, the economic outlook remains unclear due to the risk of downward pressure from uncertainties surrounding the overseas economy such as the European debt problems.

In the shipbuilding industry, new shipbuilding prices continue to be at a low level amid the surplus supply of new ships with the Year 2014 problems and ongoing low sea-freight charges. Furthermore, in the circumstances surrounding the orders received, as new shipbuilding completions continue to be at the highest ever level, the Company expects that competition for new orders received will further intensify in future. Given the aforementioned, major challenges facing the ship yards in Japan are implementation of further cost reductions to face off against South Korea and China, strengthening of competitiveness by developing high value-added vessels, and passing down of technical skills from the experienced employees to younger generations. In the machinery industry, although the Company expects demand related to reconstruction of the areas affected by the Great East Japan Earthquake, there is a concern over worsening profitability in the equipment for marine use, including crankshafts, a core product of the Company, due to the slowdown in the new shipbuilding market.

To address these difficult business circumstances, on October 25, 2012, the Group announced Management Policies for the Coming Three Years (Business Structure Reforms), under which the Company will downsize new shipbuilding business operations, its major business, while other businesses excluding new shipbuilding, such as naval and ship repair business, will be reinforced.

Thereby the Group aimed to return to profitability in the 2014 fiscal year under the policy to implement the business portfolio transformation. In line with this management policy, the Group re-examined its net sales goals in the course of developing detailed plans by the end of 2015 fiscal year, and found bleak prospects that the goals in businesses excluding new shipbuilding would be unlikely to be achieved and that it would be difficult to return to profitability in the 2014 fiscal year as set in the previous business plan.

Thus taking the aforementioned background into account, the Group re-examined the whole business plan and re-established “a new medium term business plan”, which was announced in public today on May 17, 2013. While the new plan has the same framework of the management policy as before, which addresses business portfolio transformation as a key policy, the Group has determined to establish robust earnings structure against environmental changes while maintaining and expanding net sales, and aim to return to profitability in the 2015 fiscal year and attain stable profitability in or after the 2016 fiscal year by working together as a whole group.

(4) Issues to be addressed

Considering future harsh business environment on new shipbuilding business, the Group assessed that taking the earliest action on substantial cut in fixed costs is the most critical management task. For the purpose of developing an optimal personnel structure and streamlining the existing organizations, a volunteer retirement program was resolved at the Board of Directors’ meeting held today on May 17, 2013, and was subsequently announced in public. Going forward, the Group as a whole will make more efforts to reduce ordinary loss, return to profitability in the 2015 fiscal year and attain stable profitability in or after the 2016 fiscal year, by steadily implementing the measures necessary to achieve the management strategies.

With regard to major steps by segments, in the new shipbuilding business, the Company’s major business, we downsize the business operations in order to establish resilient operating systems being adaptable to changes in the market environment. We will develop an optimal operation structure commensurate with the downsizing of the new shipbuilding business and further improve production efficiency, while aiming to strengthen competitiveness by developing high value-added vessels. In the ship repair business, we will seek to expand orders through strengthening the naval business by carrying out strategic capital investments to reinforce capability in large naval ship area, improving technological capabilities applicable to high value-added vessels such as large vessels and special purpose vessels, and reinforcing competitiveness by cost reduction in the commercial vessel business. In the machinery business, we aim to break solely dependence on crankshafts and will work for expanding orders received in the areas of machineries for chemical industry and port structure. Furthermore, in addition to these existing businesses, we will launch new businesses to develop growing areas for next generations and will focus on taking measures for further development.

Through the above measures, we aim to continue utilizing our Sasebo traditions and endeavor to realize a corporate self-transformation in order to stay ahead of the changing world. Through working together as the Sasebo Group, we will succeed in the hard times.

4. Consolidated financial statements

(1) Consolidated balance sheets

(in millions of yen, unless otherwise noted)

	As of March 31, 2012		As of March 31, 2013	
Assets				
Current assets				
Cash and deposits		42,881		25,403
Notes and accounts receivable—trade	※4	13,720	※4	11,489
Short-term investment securities		40		40
Merchandise and finished goods		16		15
Work in process	※2	974	※2	619
Raw materials and supplies		365		346
Other		1,342		1,371
Allowance for doubtful receivables		(1)		—
Total current assets		59,340		39,287
Non-current assets				
Property, plant and equipment				
Buildings and structures		24,122		24,153
Accumulated depreciation		(15,461)		(16,088)
Buildings and structures, net	※1	8,660	※1	8,064
Docks and building berths		5,163		5,163
Accumulated depreciation		(4,013)		(4,083)
Docks and building berths, net	※1	1,149	※1	1,080
Machinery, equipment and vehicles		27,441		27,546
Accumulated depreciation		(21,794)		(23,241)
Machinery, equipment and vehicles, net	※1	5,647	※1	4,304
Tools, furniture and fixtures		2,342		2,358
Accumulated depreciation		(2,115)		(2,182)
Tools, furniture and fixtures, net	※1	226	※1	175
Land	※1	5,811	※1	5,753
Lease assets		195		208
Accumulated depreciation		(95)		(99)
Lease assets, net		99		108
Construction in progress		180		266
Total property, plant and equipment		21,774		19,753
Intangible assets				
Software		143		122
Lease assets		22		66
Telephone subscription rights		11		11
Total intangible assets		178		200
Investments and other assets				
Investment securities	※1,※3	2,981	※1,※3	3,241
Long-term loans receivable		11		10
Other		443		3,566
Allowance for doubtful receivables		(265)		(265)
Total investments and other assets		3,170		6,553
Total non-current assets		25,123		26,507
Total assets		84,464		65,795

(in millions of yen, unless otherwise noted)

	As of March 31, 2012	As of March 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable—trade	※4 18,179	※4 9,926
Notes payable—facilities	※4 179	※4 61
Short-term loans payable	※1 5,376	※1 5,369
Lease obligations	56	68
Income taxes payable	1,486	17
Advance received	※1 1,843	※1 1,493
Provision for construction warranties	54	29
Provision for loss on construction contracts	1,227	2,325
Other	4,750	1,629
Total current liabilities	33,152	20,920
Non-current liabilities		
Long-term loans payable	※1 18,241	※1 13,522
Lease obligations	81	121
Deferred tax liabilities	232	325
Provision for retirement benefits	4,085	3,428
Provision for special repairs	50	34
Other	106	96
Total non-current liabilities	22,797	17,529
Total liabilities	55,950	38,449
Net assets		
Shareholders' equity		
Capital stock	8,414	8,414
Capital surplus	5,148	5,148
Retained earnings	15,974	14,638
Treasury stock	(977)	(977)
Total shareholders' equity	28,558	27,222
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14	239
Deferred gains or losses on hedges	(58)	(116)
Total accumulated other comprehensive income	(44)	122
Total net assets	28,514	27,345
Total liabilities and net assets	84,464	65,795

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

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2012		Fiscal year ended March 31, 2013	
Net sales		66,082		35,946
Costs of sales	※5	53,803	※5	34,654
Gross profit		12,279		1,291
Selling, general and administrative expenses				
Salaries		947		901
Retirement benefit expenses		64		67
Research and development expenses	※6	316	※6	516
Rent expenses		173		160
Other		913		938
Total selling, general and administrative expenses		2,416		2,583
Operating income(loss)		9,862		(1,291)
Non-operating income				
Interest income		24		27
Dividends income		65		45
Insurance and dividends income		7		5
Foreign exchange income		146		816
Other		33		19
Total non-operating income		277		915
Non-operating expenses				
Interest expenses		383		423
Other		58		18
Total non-operating expenses		442		442
Ordinary income(loss)		9,697		(819)
Extraordinary income				
Gain on sales of non-current assets	※1	654	※1	609
Gain on sales of investment securities		0		—
Other		—		98
Total extraordinary income		654		708
Extraordinary loss				
Loss on sales of non-current assets	※2	5		—
Loss on disposal of non-current assets	※3	2	※3	15
Impairment loss	※4	1,260		—
Loss on valuation of investment securities		451		62
Loss on legal claims		899		—
Other		166		20
Total extraordinary losses		2,786		99
Income (loss) before income taxes		7,565		(210)
Income taxes—current		3,345		34
Income taxes for prior periods		—		293
Income taxes—deferred		3,485		(5)
Total income taxes		6,831		322
Income(loss) before minority interests		734		(533)
Minority interests in income		—		—
Net income(loss)		734		(533)

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

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Income(loss) before minority interests	734	(533)
Other comprehensive income		
Valuation difference on available-for-sale securities	229	225
Deferred gains or losses on hedges	(58)	(57)
Total other comprehensive income	170	167
Comprehensive income	904	(365)
Comprehensive income attributable to		
Owners of the parent	904	(365)
Minority interests	—	—

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

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
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	16,026	15,974
Changes of items during the period		
Dividends from surplus	(802)	(802)
Provision of reserve for reduction entry of land	5	–
Reversal of reserve for reduction entry of replaced property	5	–
Reversal of reserve for advanced depreciation of non-current assets	4	–
Net income(loss)	734	(533)
Total changes of items during the period	(52)	(1,335)
Balance at the end of the current period	15,974	14,638
Treasury stock		
Balance at the end of the previous period	(977)	(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	28,612	28,558
Changes of items during the period		
Dividends from surplus	(802)	(802)
Provision of reserve for reduction entry of land	5	–
Reversal of reserve for reduction entry of replaced property	5	–
Reversal of reserve for advanced depreciation of non-current assets	4	–
Net income(loss)	734	(533)
Acquisition of treasury stock	(0)	(0)
Total changes of items during the period	(53)	(1,335)
Balance at the end of the current period	28,558	27,222

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of the previous period	(215)	14
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	229	225
Total changes of items during the period	229	225
Balance at the end of the current period	14	239
Deferred gains or losses on hedges		
Balance at the end of the previous period	–	(58)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(58)	(57)
Total changes of items during the period	(58)	(57)
Balance at the end of the current period	(58)	(116)
Total accumulated other comprehensive income		
Balance at the end of the previous period	(215)	(44)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	170	167
Total changes of items during the period	170	167
Balance at the end of the current period	(44)	122
Total net assets		
Balance at the end of the previous period	28,396	28,514
Changes of items during the period		
Dividends from surplus	(802)	(802)
Provision of reserve for reduction entry of land	5	–
Reversal of reserve for reduction entry of replaced property	5	–
Reversal of reserve for advanced depreciation of non-current assets	4	–
Net income(loss)	734	(533)
Acquisition of treasury stock	(0)	(0)
Net changes of items other than shareholders' equity during the period	170	167
Total changes of items during the period	117	(1,168)
Balance at the end of the current period	28,514	27,345

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

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Cash flows from operating activities		
Income (loss) before income taxes	7,565	(210)
Depreciation and amortization	3,161	2,580
Impairment losses	1,260	–
Increase (decrease) in allowance for doubtful receivables	(5)	(1)
Increase (decrease) in provision for retirement benefits	(812)	(657)
Increase (decrease) in provision for construction warranties	2	(25)
Increase (decrease) in provision for loss on construction contracts	(56)	1,098
Increase (decrease) in provision for special repairs	3	(15)
Interest and dividend income	(90)	(73)
Interest expenses	383	423
Foreign exchange losses (gains)	(116)	(232)
Loss (gain) on valuation of investment securities	451	62
Loss (gain) on sales of property, plant and equipment	(649)	(609)
Loss (gain) on disposal of non-current assets	2	15
Decrease (increase) in notes and accounts receivable—trade	5,054	2,230
Decrease (increase) in inventories	1,450	374
Decrease (increase) in consumption taxes refund receivable	(50)	208
Decrease (increase) in other current assets	958	(196)
Increase (decrease) in notes and accounts payable—trade	202	(8,252)
Increase (decrease) in advance received	(8,550)	(350)
Increase (decrease) in other current liabilities	1,911	(2,868)
Other	(0)	–
Subtotal	12,078	(6,495)
Interest and dividends received	88	70
Interest paid	(384)	(438)
Income taxes paid	(5,262)	(1,802)
Net cash provided by operating activities	6,520	(8,666)
Cash flows from investing activities		
Payments into time deposits	(40)	(3,875)
Purchase of property, plant and equipment	(1,359)	(1,009)
Payments for retirement of property, plant and equipment	(330)	(22)
Proceeds from sales of property, plant and equipment	1,284	704
Purchase of intangible assets	(35)	(34)
Proceeds from sales and redemption of investment securities	0	–
Decrease (increase) in other investments	–	0
Payments of loans receivable	(2)	–
Collection of loans receivable	2	0
Other	(64)	3
Net cash used in investing activities	(545)	(4,231)

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(200)	(400)
Proceeds from long-term loans	11,500	4,516
Repayment of long-term loans	(3,268)	(8,842)
Dividends paid	(798)	(800)
Payments for purchases of treasury stock	(0)	(0)
Other	(54)	(29)
Net cash used in financing activities	7,178	(5,555)
Effect of exchange rate changes on cash and cash equivalents	65	232
Increase (decrease) in cash and cash equivalents	13,219	(18,220)
Cash and cash equivalents at beginning of period	28,662	41,882
Cash and cash equivalents at end of period	※1 41,882	※1 23,661

(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/loss 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

(Change of accounting policy, which is difficult to make it distinguished from change of accounting estimate)

In accordance with the revision of Corporation Tax Act, effective from the current fiscal year, the Company and the consolidated subsidiaries recorded their property, plant and equipment, which were acquired on or after April 1, 2012, by the depreciation method pursuant to the revised Corporation Tax Act.

Due to the aforementioned change, the operating loss, the ordinary loss and the loss before income taxes declined by ¥17 million respectively, compared with those calculated by the old method.

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 and forward exchange contracts
(Hedged items) Interest expenses on long-term loans payable and forecast foreign currency transactions
- C. Hedging policy
Hedging is conducted as a measure against the risk of interest rate variation and foreign currency variation based on internal regulations.
- D. Method of assessing hedging effectiveness
The Company determines and compares the cumulative amounts of fluctuations in the cash flows of the hedged item and the cumulative amounts of fluctuations 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) 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, 2012	As of March 31, 2013
Buildings and structures	2,892	2,703
Docks and building berths	1,149	1,080
Machinery, equipment and vehicles	118	77
Tools, furniture and fixtures	0	0
Land	1,371	1,371
Investment securities	1,773	1,886
Total	7,306	7,118

Obligations secured by collateral

	<i>(in millions of yen, unless otherwise noted)</i>	
	As of March 31, 2012	As of March 31, 2013
Short-term loans payable	950	650
Advance received	1,356	1,614
Long-term loans payable	16,396	15,430
Total	18,703	17,694

*2. Presentation of the inventory and the provision for loss on construction contracts

The inventory concerning construction contracts which is expected to lead to loss and the provision for loss on construction contracts are not offset each other and both items are presented respectively.

The inventory amount corresponding to the provision for loss on construction contracts

	<i>(in millions of yen, unless otherwise noted)</i>	
	As of March 31, 2012	As of March 31, 2013
Work in process	30	19

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

	<i>(in millions of yen, unless otherwise noted)</i>	
	As of March 31, 2012	As of March 31, 2013
Investment securities (stock)	7	7

*4. 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.

	<i>(in millions of yen, unless otherwise noted)</i>	
	As of March 31, 2012	As of March 31, 2013
Notes receivable—trade	180	88
Notes payable—trade	210	184
Notes payable—facilities	12	3

5. 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 and ordinary income or ordinary loss, etc. in the non-consolidated and consolidated balance sheets and the statements of income of each fiscal year, respectively.

The balance of loans subject to a financial restraint clause as of the end of the current consolidated fiscal year was ¥10,450 million, and the previous consolidated fiscal year was ¥13,150 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, 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.

Fiscal year ended March 31, 2013

No items to report

(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. The amount of the provision for loss on construction contracts, which is included in costs of sales, is as follows:

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
	1,025	2,317

*6. Research and development expenses included in general and administrative expenses and cost of products manufactured are as follows:

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
General and administrative expenses	316	516

Notes to consolidated statements of changes in net assets

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> 5.00	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> 5.00	March 31, 2012	June 27, 2012

Fiscal year ended March 31, 2013

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	1,485,710	3,020	–	1,488,730

(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 26, 2012 Annual shareholders meeting	Common stock	<i>millions of yen</i> 802	<i>yen</i> 5.00	March 31, 2012	June 27, 2012

(2) Dividends whose record date falls in the current fiscal year and have an effective date in the next fiscal year

No items to report

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 is as follows:

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Cash and deposits	42,881	25,403
Short-term investment securities	40	40
Time deposits with maturities exceeding three months	(1,040)	(1,782)
Subtotal	41,882	23,661
Cash and cash equivalents	41,882	23,661

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

[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 subject to the periodical review 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 in order to distribute the business resources in the optimal and company-wide manner and to manage profit/loss for each business unit meticulously. Accordingly, the Company consists of segments divided by product based on business units, and the reportable segments are “Shipbuilding” and “Machinery”.

(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 marine diesel machinery parts such as crankshafts, marine machineries such as fin stabilizers, and steel making and processing machineries, 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, 2012

(in millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the consolidated statements 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 meal delivery 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 statements of income.

Fiscal year ended March 31, 2013

(in millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the consolidated statements of income (Note 3)
	Shipbuilding	Machinery	Total				
Net sales							
Outside customers	31,157	3,533	34,691	1,254	35,946	–	35,946
Inter-segment sales and transfers	44	–	44	1,478	1,522	(1,522)	–
Total	31,202	3,533	34,735	2,733	37,468	(1,522)	35,946
Segment profit or (loss)	(1,764)	(187)	(1,951)	(22)	(1,973)	682	(1,291)
Segment assets	20,889	5,467	26,356	588	26,944	38,850	65,795
Other items							
Depreciation and amortization	1,315	628	1,943	126	2,069	510	2,580
Increase in property, plant and equipment and intangible assets	389	24	413	32	446	76	522

(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. 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 ¥682 million are recorded as adjustment to segment profit.
 - (2) The adjustment of ¥38,850 million of segment assets includes surplus operating funds of ¥25,443 million (cash and deposits, short-term investment securities), investments such as long-term investment funds and other assets of ¥6,540 million, corporate assets unallocated into reportable segments of ¥6,865 million. Corporate assets mainly consist of land and buildings not attributable to reportable segments. Effective from the current fiscal year, segment allocation of land was partially revised.
 - (3) The adjustment of ¥76 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 statements of income.

[Related information]

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

Fiscal year ended March 31, 2013

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	Asia	Others	Total
20,926	11,299	3,082	637	35,946

(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	5,685	Shipbuilding
GRAND FALCON MARITIME S.A.	5,650	Shipbuilding

[Information on impairment losses of property, plant and equipment by reportable segment]

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 meal delivery service, golf course business, transportation business, etc.

Fiscal year ended March 31, 2013

No items to report

Per share information

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net assets per share	177.69 yen	170.41 yen
Net income (loss) per share	4.58 yen	(3.32) 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 or net loss per share is as follows:

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net income (loss) (millions of yen)	734	(533)
Amounts not applicable to common shareholders (millions of yen)	–	–
Net income (loss) connected to common stock (millions of yen)	734	(533)
Average number of common shares during the term (thousand shares)	160,470	160,467

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

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Total net assets (millions of yen)	28,514	27,345
Amount deducted from total net assets (millions of yen)	–	–
Net income connected to common stock at the end of the period (millions of yen)	28,514	27,345
Number of common stock at the end of the period used as the basis for calculating the net assets per share (thousand shares)	160,469	160,466

Significant subsequent events

The Company resolved to implement the application of the volunteer retirement at the Board of Directors’ meeting held on May 17, 2013. For details of the volunteer retirement application, please refer to “Application of the volunteer retirement program,” which has been disclosed today (in Japanese only).

Expenses for special extra payments and other expenses incurring at the implementation of the volunteer retirement will be recorded as an extraordinary loss in the settlement for the fiscal year ending March 31, 2014. With regard to the impact on operating results, the Company will carefully examine it with consideration of a result of negotiations with the labor union and application status on the volunteer retirement, and will disclose it as soon as it becomes definite.

(8) Other information

Production, orders received and sales

1) Production

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2012		Fiscal year ended March 31, 2013		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	59,072	90.3	31,163	86.7	(27,908)	(47.2)
Machinery	5,186	7.9	3,528	9.8	(1,657)	(32.0)
Others	1,197	1.8	1,254	3.5	57	4.8
Total	65,455	100.0	35,947	100.0	(29,508)	(45.1)

2) Orders received

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2012		Fiscal year ended March 31, 2013		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	24,847	81.2	27,869	86.1	3,021	12.2
Machinery	4,558	14.9	3,242	10.0	(1,316)	(28.9)
Others	1,197	3.9	1,254	3.9	57	4.8
Total	30,603	100.0	32,366	100.0	1,762	5.8

3) Order backlog

(in millions of yen, unless otherwise noted)

	As of March 31, 2012		As of March 31, 2013		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	38,429	95.2	30,112	94.9	(8,317)	(21.6)
Machinery	1,923	4.8	1,632	5.1	(291)	(15.1)
Others	–	–	–	–	–	–
Total	40,353	100.0	31,744	100.0	(8,608)	(21.3)

(Note) Order backlog is described by the complete contract method. Of order backlog amounts as of March 31, 2013, ¥8,757 million for shipbuilding and, of those as of March 31, 2012, ¥14,412 million for shipbuilding are recorded as sales by the percentage-of-completion method.

4) Sales

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2012		Fiscal year ended March 31, 2013		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	59,256	89.7	31,157	86.7	(28,098)	(47.4)
Machinery	5,629	8.5	3,533	9.8	(2,095)	(37.2)
Others	1,197	1.8	1,254	3.5	57	4.8
Total	66,082	100.0	35,946	100.0	(30,136)	(45.6)

5. Non-consolidated financial statements

(1) Non-consolidated balance sheets

(in millions of yen, unless otherwise noted)

	As of March 31, 2012	As of March 31, 2013
Assets		
Current assets		
Cash and deposits	42,298	24,546
Notes receivable—trade	978	340
Accounts receivable—trade	12,610	11,031
Raw materials and supplies	347	335
Partly-finished work	974	612
Advance payments—other	575	506
Prepaid expenses	44	37
Accounts receivable—other	691	827
Other	52	51
Allowance for doubtful receivables	(1)	—
Total current assets	58,573	38,288
Non-current assets		
Property, plant and equipment		
Buildings	13,233	13,228
Accumulated depreciation	(8,405)	(8,770)
Buildings, net	4,827	4,457
Structures	10,854	10,899
Accumulated depreciation	(7,025)	(7,293)
Structures, net	3,829	3,605
Docks and building berths	5,163	5,163
Accumulated depreciation	(4,013)	(4,083)
Docks and building berths, net	1,149	1,080
Machinery and equipment	25,166	25,242
Accumulated depreciation	(20,061)	(21,355)
Machinery and equipment, net	5,104	3,887
Vessels	1,322	1,321
Accumulated depreciation	(890)	(999)
Vessels, net	431	321
Vehicles	691	709
Accumulated depreciation	(606)	(644)
Vehicles, net	84	64
Tools, furniture and fixtures	2,313	2,328
Accumulated depreciation	(2,089)	(2,157)
Tools, furniture and fixtures, net	223	171
Land	5,811	5,753
Lease assets	188	196
Accumulated depreciation	(92)	(94)
Lease assets, net	96	101
Construction in progress	176	238
Total property, plant and equipment	21,734	19,681
Intangible assets		
Software	142	122
Lease assets	21	65
Telephone subscription rights	10	10
Total intangible assets	175	198

(in millions of yen, unless otherwise noted)

	As of March 31, 2012	As of March 31, 2013
Investments and other assets:		
Investment securities	2,887	3,143
Stocks of subsidiaries and affiliates	170	210
Investments in capital	2	7
Long-term loans receivable	2	2
Long-term loans receivable from subsidiaries and affiliates	16	260
Long-term loans receivable from employees	8	8
Claims provable in bankruptcy, claims provable in rehabilitation and other	163	163
Long-term prepaid expenses	33	16
Long-term time deposits	–	3,132
Long-term accounts receivable-other	102	102
Other	137	130
Allowance for doubtful receivables	(265)	(265)
Total investments and other assets	3,258	6,911
Total non-current assets	25,168	26,790
Total assets	83,742	65,079
Liabilities		
Current liabilities		
Notes payable—trade	2,850	2,065
Notes payable—facilities	179	61
Accounts payable—trade	15,340	7,789
Short-term loans payable	5,376	5,369
Lease obligations	53	63
Accounts payable—other	623	325
Accrued expenses	3,890	1,057
Income taxes payable	1,437	–
Advance received	1,840	1,468
Deposits received	80	66
Provision for construction warranties	54	29
Provision for loss on construction contracts	1,227	2,325
Other	58	116
Total current liabilities	33,011	20,738
Non-current liabilities		
Long-term loans payable	18,241	13,522
Lease obligations	73	113
Long-term accounts payable—other	36	36
Deferred tax liabilities	230	320
Provision for retirement benefits	4,033	3,376
Provision for special repairs	50	34
Asset retirement obligations	5	5
Total non-current liabilities	22,670	17,409
Total liabilities	55,681	38,148

(in millions of yen, unless otherwise noted)

	As of March 31, 2012	As of March 31, 2013
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	383	383
Reserve for reduction entry of replaced property	20	12
Reserve for advanced depreciation of non-current assets	6	1
Retained earnings brought forward	13,657	12,377
Total retained earnings	15,524	14,231
Treasury stock	(977)	(977)
Total shareholders' equity	28,108	26,815
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	10	232
Deferred gains or losses on hedges	(58)	(116)
Total valuation and translation adjustments	(48)	115
Total net assets	28,060	26,931
Total liabilities and net assets	83,742	65,079

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

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net sales	64,885	34,735
Costs of sales	52,923	33,648
Gross profit	11,962	1,087
Selling, general and administrative expenses		
Salaries	845	803
Retirement benefit expenses	64	66
Welfare expenses	202	203
Traveling and transportation expenses	102	97
Business consignment expenses	65	150
Membership fee	34	29
Taxes and dues	99	60
Depreciation	57	73
Rent expenses	172	158
Research and development expenses	316	454
Inquiry expenses	47	58
Other	256	193
Total selling, general and administrative expenses	2,265	2,350
Operating income(loss)	9,696	(1,263)
Non-operating income		
Interest income	24	27
Dividends income	64	45
Insurance and dividends income	7	5
Foreign exchange income	146	816
Other	31	16
Total non-operating income	275	911
Non-operating expenses		
Interest expenses	383	423
Other	62	18
Total non-operating expenses	446	442
Ordinary income(loss)	9,524	(794)
Extraordinary income		
Gain on sales of non-current assets	654	609
Gain on sales of investment securities	0	—
Other	—	98
Total extraordinary income	654	707
Extraordinary losses		
Loss on liquidation of subsidiaries and affiliates	—	34
Loss on sales of non-current assets	5	—
Loss on disposal of non-current assets	2	13
Impairment loss	1,253	—
Loss on valuation of investment securities	451	62
Loss on legal claims	899	—
Other	166	0
Total extraordinary losses	2,778	111
Income (loss) before income taxes	7,400	(197)
Income taxes—current	3,286	7
Income taxes for prior periods	—	290
Income taxes—deferred	3,463	(5)
Total income taxes	6,749	292
Net income(loss)	650	(490)

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

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
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	383
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	383	383
Reserve for reduction entry of replaced property		
Balance at the end of the previous period	26	20
Changes of items during the period		
Reversal of reserve for reduction entry of replaced property	(5)	(8)
Total changes of items during the period	(5)	(8)
Balance at the end of the current period	20	12
Reserve for advanced depreciation of non-current assets		
Balance at the end of the previous period	12	6
Changes of items during the period		
Reversal of reserve for advanced depreciation of non-current assets	(6)	(5)
Total changes of items during the period	(6)	(5)
Balance at the end of the current period	6	1

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Retained earnings brought forward		
Balance at the end of the previous period	14,095	13,657
Changes of items during the period		
Dividends from surplus	(802)	(802)
Provision of reserve for reduction entry of land	(307)	–
Reversal of reserve for reduction entry of replaced property	10	8
Reversal of reserve for advanced depreciation of non-current assets	10	5
Net income(loss)	650	(490)
Total changes of items during the period	(438)	(1,279)
Balance at the end of the current period	13,657	12,377
Total retained earnings		
Balance at the end of the previous period	15,661	15,524
Changes of items during the period		
Dividends from surplus	(802)	(802)
Provision of reserve for reduction entry of land	5	–
Reversal of reserve for reduction entry of replaced property	5	–
Reversal of reserve for advanced depreciation of non-current assets	4	–
Net income(loss)	650	(490)
Total changes of items during the period	(136)	(1,293)
Balance at the end of the current period	15,524	14,231
Treasury stock		
Balance at the end of the previous period	(977)	(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	28,246	28,108
Changes of items during the period		
Dividends from surplus	(802)	(802)
Provision of reserve for reduction entry of land	5	–
Reversal of reserve for reduction entry of replaced property	5	–
Reversal of reserve for advanced depreciation of non-current assets	4	–
Net income(loss)	650	(490)
Acquisition of treasury stock	(0)	(0)
Total changes of items during the period	(137)	(1,293)
Balance at the end of the current period	28,108	26,815

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of the previous period	(218)	10
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	228	222
Total changes of items during the period	228	222
Balance at the end of the current period	10	232
Deferred gains or losses on hedges		
Balance at the end of the previous period	–	(58)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(58)	(57)
Total changes of items during the period	(58)	(57)
Balance at the end of the current period	(58)	(116)
Total valuation and translation adjustments		
Balance at the end of the previous period	(218)	(48)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	170	164
Total changes of items during the period	170	164
Balance at the end of the current period	(48)	115
Net assets		
Balance at the end of the previous period	28,027	28,060
Changes of items during the period		
Dividends from surplus	(802)	(802)
Provision of reserve for reduction entry of land	5	–
Reversal of reserve for reduction entry of replaced property	5	–
Reversal of reserve for advanced depreciation of non-current assets	4	–
Net income(loss)	650	(490)
Acquisition of treasury stock	(0)	(0)
Net changes of items other than shareholders' equity during the period	170	164
Total changes of items during the period	32	(1,128)
Balance at the end of the current period	28,060	26,931

(4) Notes on premise of going concern

No items to report

(5) Significant subsequent events

The Company resolved to implement the application of the volunteer retirement at the Board of Directors' meeting held on May 17, 2013. For details of the volunteer retirement application, please refer to "Application of the volunteer retirement program," which has been disclosed today (in Japanese only).

Expenses for special extra payments and other expenses incurring at the implementation of the volunteer retirement will be recorded as an extraordinary loss in the settlement for the fiscal year ending March 31, 2014. With regard to the impact on operating results, the Company will carefully examine it with consideration of a result of negotiations with the labor union and application status on the volunteer retirement, and will disclose it as soon as it becomes definite.

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 17, 2013 (in Japanese only).