Translation

Summary of Consolidated Financial Results for the Year Ended March 31, 2014 <under Japanese GAAP>

May 9, 2014

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 of annual shareholders meeting:	June 25, 2014
Scheduled date to file securities report:	June 26, 2014
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, 2014 (From April 1, 2013 to March 31, 2014)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
For the year ended	*millions of yen*	*%*	*millions of yen*	*%*	*millions of yen*	*%*	*millions of yen*	*%*
March 31, 2014	30,968	(13.8)	(1,676)	–	(1,626)	–	(2,848)	–
March 31, 2013	35,946	(45.6)	(1,291)	–	(819)	–	(533)	–

Note: Comprehensive income
For the year ended March 31, 2014: ¥(2,545) million [– %]
For the year ended March 31, 2013: ¥(365) million [– %]

	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	*yen*	*yen*	*%*	*%*	*%*
March 31, 2014	(17.75)	–	(10.9)	(2.7)	(5.4)
March 31, 2013	(3.32)	–	(1.9)	(1.1)	(3.6)

Reference: Equity income (loss) from affiliates
For the year ended March 31, 2014: ¥ – million
For the year ended March 31, 2013: ¥ – million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	*millions of yen*	*millions of yen*	*%*	*yen*
March 31, 2014	56,087	25,098	44.7	156.41
March 31, 2013	65,795	27,345	41.6	170.41

Reference: Equity
As of March 31, 2014: ¥25,098 million
As of March 31, 2013: ¥27,345 million

(3) Consolidated cash flows

	Operating activities	Investing activities	Financing Activities	Cash and cash equivalents at year-end
For the year ended	*millions of yen*	*millions of yen*	*millions of yen*	*millions of yen*
March 31, 2014	1,673	3,063	(8,984)	19,410
March 31, 2013	(8,666)	(4,231)	(5,555)	23,661

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	*yen*	*yen*	*yen*	*yen*	*yen*	*millions of yen*	%	%
March 31, 2013	–	0.00	–	0.00	0.00	–	–	–
March 31, 2014	–	0.00	–	0.00	0.00	–	–	–
For the year ending March 31, 2015 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Consolidated forecast for the fiscal year ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	millions of yen	%	*millions of yen*	%	*millions of yen*	%	*millions of yen*	%	*yen*
For the year ending March 31, 2015	30,000	(3.1)	(300)	–	(500)	–	(600)	–	(3.73)

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 2015" 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 polices due to other reasons: None
C. Changes in accounting estimates: None
D. Restatement of prior period financial statements after error corrections: None

(3) Number of issued shares (common stock)

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

As of March 31, 2014	161,955,000 shares
As of March 31, 2013	161,955,000 shares

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

As of March 31, 2014	1,491,740 shares
As of March 31, 2013	1,488,730 shares

C. Average number of outstanding shares during the period

For the year ended March 31, 2014	160,463,885 shares
For the year ended March 31, 2013	160,467,282 shares

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for the year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
For the year ended	*millions of yen*	*%*	*millions of yen*	*%*	*millions of yen*	*%*	*millions of yen*	*%*
March 31, 2014	29,371	(15.4)	(1,742)	–	(1,693)	–	(3,024)	–
March 31, 2013	34,735	(46.5)	(1,263)	–	(794)	–	(490)	–

	Net income per share	Diluted net income per share
For the year ended	*yen*	*yen*
March 31, 2014	(18.85)	–
March 31, 2013	(3.06)	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	*millions of yen*	*millions of yen*	*%*	*yen*
March 31, 2014	55,112	24,207	43.9	150.86
March 31, 2013	65,079	26,931	41.4	167.83

Reference: Equity
As of March 31, 2014: ¥24,207 million
As of March 31, 2013: ¥26,931 million

*** Indication regarding execution of audit procedures**

This financial results report is exempt from the audit procedures pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of this financial results report, the audit 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 financial results include the economic situation surrounding the Sasebo Group and the foreign exchange rate of the yen against the US dollar.

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1. 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, 2014, the Japanese economy continued to move upward moderately with corporate earnings recovery and steady improvement in capital expenditures and employment on the back of the correction of a strong yen driven by economic policies under Prime Minister Shinzo Abe’s administration.

In the shipbuilding industry, while the global surplus supply of vessels persisted, the industry saw the steady movement in new shipbuilding orders through the year against a backdrop of low ship prices. As a result, global new shipbuilding orders received in 2013 reached 101,434 thousand gross tons, a robust increase of 166.9% from the previous fiscal year. In Japan, new shipbuilding orders rose by 51.4% from the previous fiscal year to 13,400 thousand gross tons, driven by growing demand for energy-efficient vessels. On the other hand, the global delivery of new ships in 2013 declined by 26.5% from the previous fiscal year to 70,268 thousand gross tons due to the continued downsizing of operations at major ship yards. The delivery of new ships in Japan also decreased by 15.2% to 14,588 thousand gross tons.

In the machinery industry, industry machinery and others showed steady growth following improvement in capital expenditures resulting from corporate earnings recovery, while the manufacturing of equipment for marine use, such as crankshafts, a core product of the Company, struggled with the tough market environment resulting from a plunge in construction volumes of new vessels.

Under such circumstances, the Sasebo Group posted consolidated orders received of ¥55,524 million, an increase of 71.5% from the previous fiscal year, owing to new shipbuilding orders for 14 units, among other factors. Consolidated net sales amounted to ¥30,968 million, decreasing by 13.8% 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 ¥58,387 million, an increase of 83.9% from the previous fiscal year-end. In terms of income, profitability was squeezed due to further construction of new vessels with limited profit potential as well as a surge in materials and equipment costs in spite of favorable factors attributable to reductions in manufacturing costs and fixed expenditures, and the correction in the yen’s appreciation. As a consequence, the Group posted a consolidated operating loss of ¥1,676 million (vs. consolidated operating loss of ¥1,291 million in the previous fiscal year) and a consolidated ordinary loss of ¥1,626 million (vs. consolidated ordinary loss of ¥819 million in the previous fiscal year). In addition to the aforementioned, after recording extraordinary loss incurred from special retirement allowance associated with the implementation of the voluntary retirement program and income taxes, consolidated net loss was ¥2,848 million (vs. consolidated net loss of ¥533 million in the previous fiscal year).

Results for each segment are as follows.

(a) Shipbuilding
The Group posted orders received of ¥48,562 million in the shipbuilding business, increasing 74.3% from the previous fiscal year. Included in this amount were new shipbuilding orders of 14 units: 7 units of 78,000 DWT bulk carriers and 7 units of 85,000 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 ¥25,827 million, decreasing 17.1% 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: 4 units of 75,000 DWT bulk carriers and 2 units of 85,000 DWT bulk carriers. As a result, the order backlog for new shipbuilding came to 17 units and its amount including ship repairs was ¥54,934 million, an increase of 82.4% from the previous fiscal year-end. The shipbuilding business posted a segment loss of ¥1,923 million (vs. segment loss of ¥1,764 million in the previous fiscal year).

(b) Machinery

The Group posted orders received of ¥5,360 million in the machinery business, an increase of 65.3% from the previous fiscal year, representing equipment-related work in the areas of equipment for marine use and general industrial machinery, etc. This was mainly the result of strong growth in orders received for tank systems for LPG ship use. Net sales increased 0.2% from the previous fiscal year to ¥3,539 million mainly due to steady performance in machineries for chemical industry and sales to public enterprises in spite of negative impacts of low crankshaft prices. As a result, the order backlog totaled ¥3,453 million, increasing 111.6% from the previous fiscal year-end. The machinery business posted a segment loss of ¥441 million (vs. segment loss of ¥187 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 ¥1,601 million, an increase of 27.6% from the previous fiscal year. Segment profit was ¥67 million (vs. segment loss of ¥22 million in the previous fiscal year).

After adding adjustment of ¥620 million to segment profits/losses, consolidated operating loss of ¥1,676 million was posted.

Trends of operating results: consolidated basis *(in millions of yen)*

	Amount of orders received	Net sales	Operating income	Ordinary income	Net income	Net income per share
For the year ended						*yen*
March 31, 2014	55,524	30,968	(1,676)	(1,626)	(2,848)	(17.75)
March 31, 2013	32,366	35,946	(1,291)	(819)	(533)	(3.32)

Trends of operating results: non-consolidated basis *(in millions of yen)*

	Amount of orders received	Net sales	Operating income	Ordinary income	Net income	Net income per share
For the year ended						*yen*
March 31, 2014	53,922	29,371	(1,742)	(1,693)	(3,024)	(18.85)
March 31, 2013	31,111	34,735	(1,263)	(794)	(490)	(3.06)

B. Prospects for the year ending March 2015

In outlook of the Japanese economy, the recovery is expected to continue at a moderate pace mainly driven by corporate profit improvement through positive effects from fiscal and monetary policies. On the other hand, the economic outlook remains uncertain mainly due to the following downside risks: negative impacts from the tapering off of the U.S. monetary easing, anticipated economic slowdowns in emerging countries, increasing geopolitical risks, etc. are sources for concerns.

In the economic environment surrounding the Group, the shipbuilding industry is seeing a sign of a rebound in new ship prices, while the oversupply of vessels remains, pushing down ship prices at low level. Furthermore, with a great number of new shipbuilding completions, competition from both domestic and international ship yards will likely become increasingly intensified, making it even tougher to obtain orders. In the machinery industry, for example in the field of equipment for marine use, including crankshafts, the Company's core product, the business environment continues to be difficult due mainly to sluggish markets in new shipbuilding except a part of the businesses moving upward.

To cope with such business circumstances, the Group formulated "a new medium term business plan" and publically announced it on May 17, 2013. In line with the business plan, the Group has been working to establish an earnings structure that is robust against environmental changes while maintaining and expanding net sales, and aims 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. The Group will also pursue improvement in corporate value by strengthening corporate governance and forming the optimal allocation of business resources at the entire Group level.

With respect to consolidated operating results for the fiscal year ending March 31, 2015, the Group forecasts to post consolidated net sales of ¥30,000 million, consolidated operating loss of ¥300 million, consolidated ordinary loss of ¥500 million, and consolidated net loss of ¥600 million. Nevertheless, the Group aims to make operating results swing to the black as early as possible by steadily implementing and driving forward the aforementioned measures.

The exchange rate used in the prospects of operating results is ¥100 against US$1.00.

Prospect of operating results by business segment

(in millions of yen)

Category	Net sales	Operating income
Shipbuilding	24,000	(600)
Machinery	5,000	200
Others	1,000	100
(Adjustment)	-	-
Total	30,000	(300)

(2) Analysis of financial position

A. Analysis of assets, liabilities and net assets

(a) Assets

Total assets were ¥56,087 million, a decrease of ¥9,707 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. Current assets were ¥33,652 million, a decrease of ¥5,634 million from the previous fiscal year-end and non-current assets were ¥22,434 million, a decrease of ¥4,072 million from the previous fiscal year-end.

(b) Liabilities

Total liabilities were ¥30,989 million, a decrease of ¥7,460 million from the previous fiscal year-end. This was mainly due to repayments of loans. Current liabilities rose by ¥1,165 million from the previous fiscal year-end to ¥22,085 million mainly due to an increase in advance received. Non-current liabilities declined by ¥8,625 million to ¥8,903 million from the previous fiscal year-end due to repayments of loans.

(c) Net assets

Total net assets were ¥25,098 million, a decrease of ¥2,247 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 ¥4,250 million to ¥19,410 million from the previous fiscal year-end.

The respective cash flow positions are as follows.

(a) Cash flows from operating activities

Net cash provided by operating activities was ¥1,673 million. This was mainly due to an increase in advance received in line with the receipt of new shipbuilding orders.

(b) Cash flows from investing activities

Net cash provided by investment activities was ¥3,063 million. This was mainly due to payouts from time deposits.

(c) Cash flows from financing activities

Net cash used in financing activities was ¥8,984 million. This was mainly due to repayment of long-term loans.

(Reference) Principal cash flow indicators

	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014
Equity ratio *(%)*	31.1	33.4	33.8	41.6	44.7
Market value-based equity ratio *(%)*	38.9	32.1	26.2	28.0	42.3
Interest-bearing liabilities to cash flow ratio *(%)*	6.1	2.7	4.6	-	7.6
Interest coverage ratio *(%)*	12.6	28.0	17.0	-	6.1

(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.*

2. *All indicators were calculated using the consolidated financial figures.*
3. *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.*
4. *The figure for operating cash flow is the cash flow from operating activities shown in the consolidated cash flow statement.*
5. *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 2014 and 2015 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, 2014]) engage primarily in the manufacture and sale of ships and machinery.

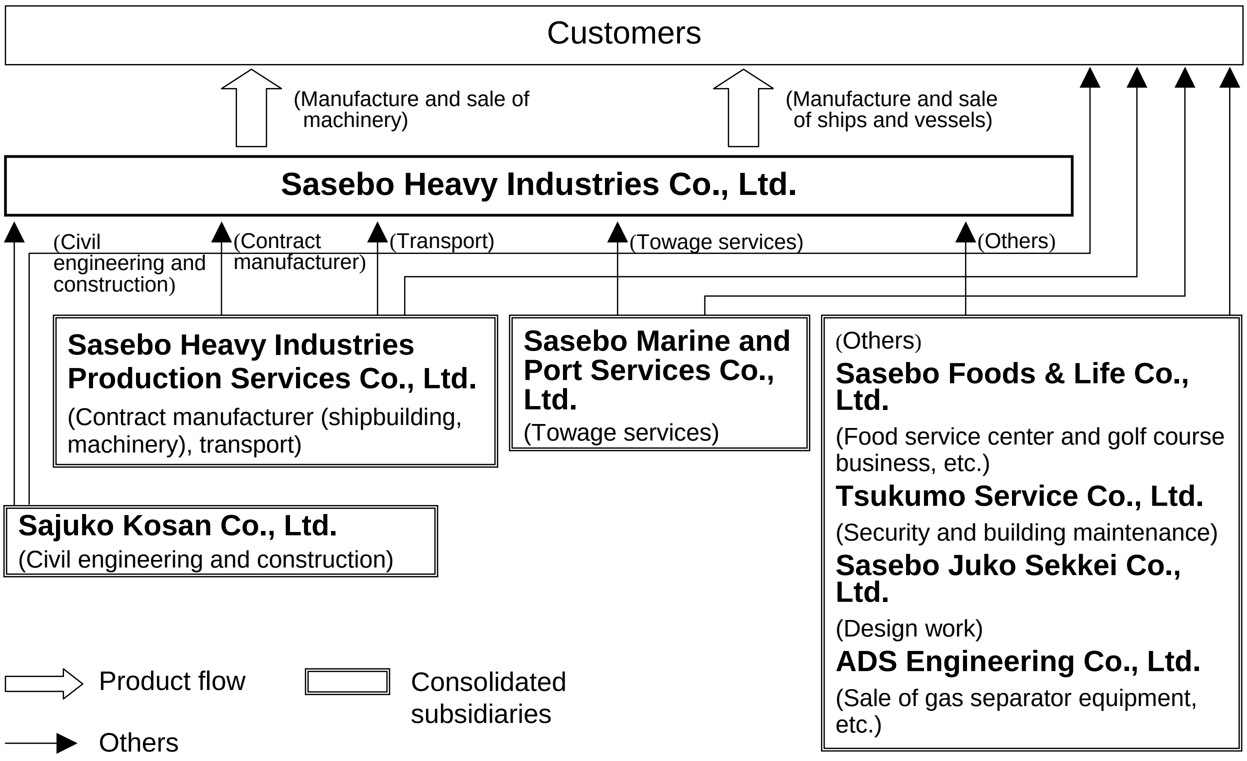
The positioning of the Company and its affiliates in their respective business segment is as follows.

[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) 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 of the Company) undertakes businesses of selling gas separator equipment, etc.

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

In line with the “new medium term business plan” announced on May 17, 2013, the Group has been striving for achieving targeted net sales and ordinary income in order to return to profitability in the 2015 fiscal year and stable profitability in or after the 2016 fiscal year.

(3) Medium to long-term management strategies

To cope with tough business environment surrounding the Group, the “new medium term business plan” was developed and announced on May 17, 2013. In line with the business plan, the Group has been working to establish an earnings structure that is robust against environmental changes while maintaining and expanding net sales, and aims 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. The Group will also pursue improvement in corporate value by strengthening corporate governance and forming the optimal allocation of business resources at the entire Group level.

(4) Issues to be addressed

The new shipbuilding business, the Company’s major business, has been challenging tasks to construct the most feasible operation framework to establish a structure capable of responding to any changes in the market environment flexibly, and strengthen cost competitiveness with the improvement of production efficiency and reductions in materials and equipment costs. In addition, the business has concentrated on the development of high value-added vessels, thus launched new types of energy vessels into markets, such as a wide and shallow draft bulk carrier with 85,000 DWT and a further energy-efficient bulk carrier with 78,000 DWT. In the ship repair business, targeting at increasing orders, the business focuses on improving technical strength to deal with large naval vessels, strengthening the naval business through the implementation of strategic capital investment and beefing up competitiveness through cost reductions in the commercial vessel business. In the machinery business, to break the dependence on crankshafts, we are working to expand orders received in the areas of machineries for chemical industry such as LPG tanks for ship and port structures. In addition to these existing businesses, the Group is studying the feasibility of new businesses centering on renewable energy fields.

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; the △ mark before a figure indicates the amount is negative)

	As of March 31, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and deposits	25,403	20,235
Notes and accounts receivable—trade	11,489	9,967
Securities	40	—
Merchandise and finished goods	15	15
Work in process	619	1,853
Raw materials and supplies	346	305
Other	1,371	1,275
Total current assets	39,287	33,652
Non-current assets		
Property, plant and equipment		
Buildings and structures	24,153	24,273
Accumulated depreciation	△16,088	△16,690
Buildings and structures, net	8,064	7,583
Docks and building berths	5,163	5,399
Accumulated depreciation	△4,083	△4,152
Docks and building berths, net	1,080	1,246
Machinery, equipment and vehicles	27,546	27,681
Accumulated depreciation	△23,241	△24,350
Machinery, equipment and vehicles, net	4,304	3,330
Tools, furniture and fixtures	2,358	2,433
Accumulated depreciation	△2,182	△2,230
Tools, furniture and fixtures, net	175	202
Land	5,753	5,489
Lease assets	208	294
Accumulated depreciation	△99	△109
Lease assets, net	108	185
Construction in progress	266	305
Total property, plant and equipment	19,753	18,344
Intangible assets		
Software	122	108
Lease assets	66	48
Telephone subscription rights	11	11
Total intangible assets	200	169
Investments and other assets		
Investment securities	3,241	3,025
Long-term loans receivable	10	13
Other	3,566	1,148
Allowance for doubtful receivables	△265	△265
Total investments and other assets	6,553	3,921
Total non-current assets	26,507	22,434
Total assets	65,795	56,087

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

	As of March 31, 2013	As of March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable—trade	9,926	9,829
Notes payable—facilities	61	68
Short-term loans payable	5,369	4,369
Lease obligations	68	80
Income taxes payable	17	63
Advance received	1,493	4,021
Provision for construction warranties	29	17
Provison for loss on construction contracts	2,325	2,468
Other	1,629	1,167
Total current liabilities	20,920	22,085
Non-current liabilities		
Long-term loans payable	13,522	5,553
Lease obligations	121	173
Deferred tax liabilities	325	535
Provision for retirement benefits	3,428	—
Provision for special repairs	34	47
Provision for environmental measures	—	174
Net defined benefit liability	—	2,340
Other	96	78
Total non-current liabilities	17,529	8,903
Total liabilities	38,449	30,989
Net assets		
Shareholders' equity		
Capital stock	8,414	8,414
Capital surplus	5,148	5,148
Retained earnings	14,638	11,790
Treasury stock	△977	△978
Total shareholders' equity	27,222	24,374
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	239	472
Deferred gains or losses on hedges	△116	△47
Remeasurements of defined benefit plans	—	298
Total valuation and translation adjustments	122	724
Total net assets	27,345	25,098
Total liabilities and net assets	65,795	56,087

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

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

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net sales	35,946	30,968
Costs of sales	34,654	30,840
Gross profit	1,291	128
Selling, general and administrative expenses		
Salaries	901	625
Retirement benefit expenses	67	34
Research and development expenses	516	286
Rent expenses	160	114
Other	938	743
Total selling, general and administrative expenses	2,583	1,804
Operating loss	△1,291	△1,676
Non-operating income		
Interest income	27	15
Dividends income	45	51
Foreign exchange income	816	344
Other	25	18
Total non-operating income	915	429
Non-operating expenses		
Interest expenses	423	266
Other	18	112
Total non-operating expenses	442	379
Ordinary loss	△819	△1,626
Extraordinary income		
Gain on sales of non-current assets	609	59
Other	98	6
Total extraordinary income	708	66
Extraordinary loss		
Loss on disposal of non-current assets	15	29
Loss on valuation of investment securities	62	—
Impairment loss	—	267
Special extra retirement payments	—	692
Provision for environmental measures	—	174
Other	20	61
Total extraordinary losses	99	1,224
Loss before income taxes	△210	△2,784
Income taxes—current	34	68
Income taxes for prior periods	293	—
Income taxes—deferred	△5	△4
Total income taxes	322	63
Loss before minority interests	△533	△2,848
Minority interests in income	—	—
Net loss	△533	△2,848

(Consolidated statements of comprehensive income)

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

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Loss before minority interests	△533	△2,848
Other comprehensive income		
Valuation difference on available-for-sale securities	225	233
Deferred gains or losses on hedges	△57	69
Total other comprehensive income	167	303
Comprehensive income	△365	△2,545
Comprehensive income attributable to		
Owners of the parent	△365	△2,545
Minority interests	—	—

(3) Consolidated statements of changes in net assets

Fiscal year ended March 31, 2013

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

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	8,414	5,148	15,974	△977	28,558
Changes of items during the period					
Dividends from surplus			△802		△802
Provision of reserve for reduction entry of land			—		—
Reversal of reserve for reduction entry of replaced property			—		—
Reversal of reserve for advanced depreciation of noncurrent assets			—		—
Net income (loss)			△533		△533
Purchase of treasury stock				△0	△0
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	△1,335	△0	△1,335
Balance at the end of current period	8,414	5,148	14,638	△977	27,222

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total valuation and translation adjustments	
Balance at the beginning of current period	14	△58	—	△44	28,514
Changes of items during the period					
Dividends from surplus					△802
Provision of reserve for reduction entry of land					—
Reversal of reserve for reduction entry of replaced property					—
Reversal of reserve for advanced depreciation of noncurrent assets					—
Net income (loss)					△533
Purchase of treasury stock					△0
Net changes of items other than shareholders' equity	225	△57	—	167	167
Total changes of items during the period	225	△57	—	167	△1,168
Balance at the end of current period	239	△116	—	122	27,345

Fiscal year ended March 31, 2014

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

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	8,414	5,148	14,638	△977	27,222
Changes of items during the period					
Dividends from surplus					
Provision of reserve for reduction entry of land					
Reversal of reserve for reduction entry of replaced property					
Reversal of reserve for advanced depreciation of noncurrent assets					
Net income (loss)			△2,848		△2,848
Purchase of treasury stock				△0	△0
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	△2,848	△0	△2,848
Balance at the end of current period	8,414	5,148	11,790	△978	24,374

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total valuation and translation adjustments	
Balance at the beginning of current period	239	△116	—	122	27,345
Changes of items during the period					
Dividends from surplus					
Provision of reserve for reduction entry of land					
Reversal of reserve for reduction entry of replaced property					
Reversal of reserve for advanced depreciation of noncurrent assets					
Net income (loss)					△2,848
Purchase of treasury stock					△0
Net changes of items other than shareholders' equity	233	69	298	601	601
Total changes of items during the period	233	69	298	601	△2,247
Balance at the end of current period	472	△47	298	724	25,098

(4) Consolidated statements of cash flows

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

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Cash flows from operating activities		
Income (loss) before income taxes	△210	△2,784
Depreciation and amortization	2,580	2,157
Increase (decrease) in allowance for doubtful receivables	△1	—
Increase (decrease) in provision for retirement benefits	△657	△3,428
Increase (decrease) in net defined benefit liability	—	2,804
Increase (decrease) in provision for construction warranties	△25	△12
Increase (decrease) in provision for loss on construction contracts	1,098	142
Increase (decrease) in provision for special repairs	△15	12
Increase (decrease) in provision for environmental measures	—	174
Interest and dividend income	△73	△66
Interest expenses	423	266
Foreign exchange losses (gains)	△232	△142
Loss (gain) on valuation of investment securities	62	—
Loss (gain) on sales of property, plant and equipment	△609	△45
Loss (gain) on disposal of non-current assets	15	29
Impairment loss	—	267
Decrease (increase) in notes and accounts receivable—trade	2,230	1,522
Decrease (increase) in inventories	374	△1,192
Decrease (increase) in consumption taxes refund receivable	208	△23
Decrease (increase) in other current assets	△196	86
Increase (decrease) in notes and accounts payable—trade	△8,252	△96
Increase (decrease) in advance received	△350	2,528
Increase (decrease) in other current liabilities	△2,868	△298
Other	–	△28
Subtotal	△6,495	1,871
Interest and dividends received	70	68
Interest paid	△438	△274
Income taxes paid	△1,802	8
Net cash provided by operating activities	△8,666	1,673
Cash flows from investing activities		
Payments into time deposits	△3,875	△1,417
Proceeds from withdrawal of time deposits	—	4,929
Purchase of property, plant and equipment	△1,009	△1,097
Payments for retirement of property, plant and equipment	△22	△4
Proceeds from sales of property, plant and equipment	704	165
Purchase of intangible assets	△34	△54
Proceeds from sales and redemption of investment securities	–	510
Decrease (increase) in other investments	0	18
Payments of loans receivable	–	△3
Collection of loans receivable	0	1
Other	3	14
Net cash used in investing activities	△4,231	3,063

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

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	△400	—
Proceeds from long-term loans	4,516	—
Repayment of long-term loans	△8,842	△8,969
Dividends paid	△800	△5
Payments for purchases of treasury stock	△0	△0
Other	△29	△9
Net cash used in financing activities	△5,555	△8,984
Effect of exchange rate changes on cash and cash equivalents	232	△3
Increase (decrease) in cash and cash equivalents	△18,220	△4,250
Cash and cash equivalents at beginning of period	41,882	23,661
Cash and cash equivalents at end of period	23,661	19,410

(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: 2

      Reason for not applying the equity method

      The companies not accounted for by the equity method (Imariwan Port Services Co., Ltd. and SMERT DESIGN CO, LTD) have 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 by the declining balance method.

Useful lives of principal property, plant and equipment are as follows.

Buildings and structures	2 - 60 years
Docks and building berths	20 - 45 years
Machinery, equipment and vehicles	2 - 12 years

B. Lease assets

Finance lease transactions not involving the transfer of ownership

Depreciation of finance lease transactions not involving the transfer of ownership is calculated on the straight-line method using the lease period as the useful life and assuming no residual value.

Also, the accounting treatment for finance lease transactions not involving the transfer of ownership whose transaction commenced on or before March 31, 2008 continuously follows the same method as for ordinary operating lease transactions.

3) Accounting for significant allowances and reserves

A. Allowance for doubtful receivables

In preparation for possible losses arising from defaults on accounts receivables, the estimated irrecoverable amount is appropriated by the actual rate of bad loans for general credit, and by individually reviewing the collectability of specific doubtful credits with concerns over bad loans.

B. Provision for 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.

C. 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.

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 environmental measures

Provision for expenses associated with waste processing of substances such as polychlorinated biphenyl (PCB) has been set aside and accounted for based on reasonable estimates.

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) Accounting policies

Accounting method concerning retirement benefits

Provision for retirement benefits for employees has been set aside and accounted for based on the estimates measured as variances between the pension plan assets and the benefit obligations as of the end of the current fiscal year.

Past service costs are charged to expenses as incurred, and actuarial differences are mainly 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 from each occurrence.

Unrecognized actuarial gains and losses are recorded in the remeasurements of defined benefit plans in the accumulated other comprehensive income of the net asset section after adjusting for tax effects.

In determination of retirement benefit obligations, a straight-line basis is used as the method of attributing the expected benefits to the period up to the current fiscal year.

6) 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. Hedging transactions which satisfy requirements for interest rate swap special treatment are excluded from the assessment test of effectiveness based on that judgment.

7) 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.

8) 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) Changes in significant matters forming the basis of preparing the consolidated financial statements

From the current fiscal year-end, the Company has adopted the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012. Hereinafter, referred to as “Retirement Benefits Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012. Hereinafter, referred to as “Retirement Benefits Guidance”), excluding the statements in Paragraph 35 of the Retirement Benefits Accounting Standard and the statements in Paragraph 67 of the Retirement Benefits Guidance.
In the above accounting methods, variances between the pension plan assets and the benefit obligations are accounted for as net defined benefit liability, and unrecognized actuarial gains and losses are incorporated as part of net defined benefit liability.

The above adoption has been made in accordance with the transitional treatment prescribed in Paragraph 37 of the Retirement Benefits Accounting Standard, and the impacts by the change were added to or deducted from remeasurements of defined benefit plans as part of accumulated other comprehensive income as of the end of the current fiscal year.

As a result, the Company booked net defined benefit liability of ¥2,340 million and an increase in accumulated other comprehensive income of ¥298 million as of the end of the current fiscal year. The impact on per share information is described in the said section.

(8) Notes to consolidated financial statements

Notes to consolidated balance sheets

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

Assets pledged as collateral

(in millions of yen, unless otherwise noted)

	As of March 31, 2013	As of March 31, 2014
Buildings and structures	2,703	2,526
Docks and building berths	1,080	1,246
Machinery, equipment and vehicles	77	44
Tools, furniture and fixtures	0	0
Land	1,371	1,371
Investment securities	1,886	2,151
Total	7,118	7,341

Obligations secured by collateral

(in millions of yen, unless otherwise noted)

	As of March 31, 2013	As of March 31, 2014
Short-term loans payable	650	650
Advance received	1,614	2,421
Long-term loans payable	15,430	7,997
Total	17,694	11,069

*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

(in millions of yen, unless otherwise noted)

	As of March 31, 2013	As of March 31, 2014
Work in process	19	436

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

(in millions of yen, unless otherwise noted)

	As of March 31, 2013	As of March 31, 2014
Investment securities (stock)	7	13

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

(in millions of yen, unless otherwise noted)

	As of March 31, 2013	As of March 31, 2014
Notes receivable—trade	88	–
Notes payable—trade	184	–
Notes payable—facilities	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 ¥3,500 million, and the previous consolidated fiscal year was ¥10,450 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 disposal of non-current assets were generated by the retirement of property, plant and equipment (such as machinery, equipment and vehicles).

*3. Impairment loss

The Company recorded impairment loss for the following asset groups.

Fiscal year ended March 31, 2013

No items to report

Fiscal year ended March 31, 2014

1) (Purpose) Golf course
(Class) Land, lease assets
(Location) Sasebo, Nagasaki Prefecture
(Amount) ¥15 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, buildings, structures, equipment
(Location) Sasebo, Nagasaki Prefecture, etc.
(Amount) ¥251 million
(Reason) Because the purpose of use has changed to idle assets and the market value has fallen, the Company has reduced the book value to an amount deemed collectable.

(Method of asset grouping)

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

(Method of calculating the amount deemed collectable)

The fair cost to sell, which is based on valuation by a real estate appraiser and declared value, is used as the amount deemed collectable in the above calculations.

*4. 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, 2013	Fiscal year ended March 31, 2014
	2,317	2,434

*5. 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, 2013	Fiscal year ended March 31, 2014
General and administrative expenses	516	286

Notes to consolidated statements of changes in net assets

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
		millions of yen	*yen*		
June 26, 2012 Annual shareholders meeting	Common stock	802	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

Fiscal year ended March 31, 2014

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	1,488,730	3,010	–	1,491,740

(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

No items to report

(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, 2013	Fiscal year ended March 31, 2014
Cash and deposits	25,403	20,235
Short-term investment securities	40	–
Time deposits with maturities exceeding three months	(1,782)	(824)
Cash and cash equivalents	23,661	19,410

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 machinery such as fin stabilizers, and steel making and processing machinery, etc.

2. Method of calculating net sales, profit or loss, assets and liabilities, and other items by reportable segment
   The method of accounting for reportable segments is roughly the same as the method described in "Significant matters forming the basis of preparing the consolidated financial statements." Profit or loss of reportable segments is operating income-based values. Inter-segment sales and transfers are based on actual market values.

3. Information on net sales, profit or loss, assets and liabilities, and other items by reportable segment

Fiscal year ended March 31, 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 or (loss).*
(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 ¥6,856 million. Corporate assets mainly consist of land and buildings not attributable to reportable segments.*
(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 or (loss) is adjusted with operating loss in the consolidated statements of income.*

Fiscal year ended March 31, 2014 *(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	25,827	3,539	29,366	1,601	30,968	—	30,968
Inter-segment sales and transfers	4	0	4	1,514	1,518	(1,518)	—
Total	25,831	3,539	29,371	3,116	32,487	(1,518)	30,968
Segment profit or (loss)	(1,923)	(441)	(2,365)	67	(2,297)	620	(1,676)
Segment assets	18,700	6,167	24,867	700	25,567	30,519	56,087
Other items							
Depreciation and amortization	1,117	492	1,610	117	1,727	430	2,157
Increase in property, plant and equipment and intangible assets	415	157	573	69	643	306	950

(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 ¥620 million are recorded as adjustment to segment profit or (loss).*
(2) *The adjustment of ¥30,519 million of segment assets includes surplus operating funds of ¥20,235 million (cash and deposits, short-term investment securities), investments such as long-term investment funds and other assets of ¥3,832 million, corporate assets unallocated into reportable segments of ¥6,452 million. Corporate assets mainly consist of land and buildings not attributable to reportable segments.*
(3) *The adjustment of ¥306 million of increases of property, plant and equipment and intangible assets is capital investment attributable to the administrative departments.*

3. *Segment profit or (loss) is adjusted with operating loss in the consolidated statements of income.*

[Related information]

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

Fiscal year ended March 31, 2014

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)

Japan	Republic of the Marshall Islands	Central America	Others	Total
11,514	10,500	8,350	603	30,968

(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	5,911	Shipbuilding
QUINTANA SHIPPING S.A.	5,811	Shipbuilding
FUNDADOR COMANIA NAVIERA S.A.	4,673	Shipbuilding
WISDOM MARINE LINES S.A.	3,554	Shipbuilding

[Information on impairment losses of property, plant and equipment by reportable segment]
Fiscal year ended March 31, 2013
No items to report

Fiscal year ended March 31, 2014

(in millions of yen)

	Reportable segments			Others (Note)	Elimination and corporate	Total
	Shipbuilding	Machinery	Total			
Impairment losses	–	–	–	113	153	267

(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.

[Information on amortization of goodwill and unamortized balance by reportable segment]
No items to report

[Information on gain on negative goodwill by reportable segment]
No items to report

Per share information

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net assets per share	170.41 yen	156.41 yen
Net (loss) per share	(3.32) yen	(17.75) yen

(Notes)
1. *The net income per share after adjustment of residual securities is not indicated because of the lack of residual securities.*
2. *As stated in the "Changes in significant matters forming the basis of preparing the consolidated financial statements", the Company adopted the Retirement Benefits Accounting Standard, etc. by following the transitional treatment prescribed in Paragraph 37 of the Retirement Benefits Accounting Standard. As a consequence, net assets per share increased by ¥1.86 in the current fiscal year.*
3. *Basis for calculation of net loss per share is as follows:*

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net (loss) *(millions of yen)*	(533)	(2,848)
Amounts not applicable to common shareholders *(millions of yen)*	–	–
Net (loss) connected to common stock *(millions of yen)*	(533)	(2,848)
Average number of common shares during the term *(thousand shares)*	160,467	160,463

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

	As of March 31, 2013	As of March 31, 2014
Total net assets *(millions of yen)*	27,345	25,098
Amount deducted from total net assets *(millions of yen)*	–	—
Net assets connected to common stock at the end of the period *(millions of yen)*	27,345	25,098
Number of common stock at the end of the period used as the basis for calculating the net assets per share *(thousand shares)*	160,466	160,463

Significant subsequent events

No items to report

(9) Other information

Production, orders received and sales

1) Production

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2013		Fiscal year ended March 31, 2014		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	31,163	86.7	25,630	79.5	(5,533)	(17.8)
Machinery	3,528	9.8	5,003	15.5	1,474	41.8
Others	1,254	3.5	1,601	5.0	346	27.6
Total	35,947	100.0	32,235	100.0	(3,711)	(10.3)

2) Orders received

(in millions of yen, unless otherwise noted)

	Fiscal year ended March 31, 2013		Fiscal year ended March 31, 2014		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	27,869	86.1	48,562	87.5	20,693	74.3
Machinery	3,242	10.0	5,360	9.6	2,118	65.3
Others	1,254	3.9	1,601	2.9	346	27.6
Total	32,366	100.0	55,524	100.0	23,158	71.5

3) Order backlog

(in millions of yen, unless otherwise noted)

	As of March 31, 2013		As of March 31, 2014		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	30,112	94.9	54,934	94.1	24,821	82.4
Machinery	1,632	5.1	3,453	5.9	1,821	111.6
Others	–	–	—	—	—	—
Total	31,744	100.0	58,387	100.0	26,643	83.9

(Note) Order backlog is described by the complete contract method. Of order backlog amounts as of March 31, 2014, ¥10,168 million for shipbuilding and, of those as of March 31, 2013, ¥8,757 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, 2013		Fiscal year ended March 31, 2014		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	31,157	86.7	25,827	83.4	(5,330)	(17.1)
Machinery	3,533	9.8	3,539	11.4	5	0.2
Others	1,254	3.5	1,601	5.2	346	27.6
Total	35,946	100.0	30,968	100.0	(4,977)	(13.8)

5. Other

No items to report