

**Summary of Consolidated Financial Results**  
**for the First Six Months of the Fiscal Year Ending March 31, 2015**  
**<under Japanese GAAP>**

November 14, 2014

Company name: **Sasebo Heavy Industries Co., Ltd.**

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Scheduled date to file quarterly securities report: November 14, 2014

Scheduled date to commence dividend payments: —

Preparation of supplementary material on quarterly financial results: None

Holding of quarterly financial results presentation meeting: None

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

**1. Consolidated financial results for the first six months of the fiscal year ending**  
**March 31, 2015 (From April 1, 2014 to September 30, 2014)**

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

	Net sales		Operating income		Ordinary income		Net income	
	<i>millions of yen</i>	%	<i>millions of yen</i>	%	<i>millions of yen</i>	%	<i>millions of yen</i>	%
For the six months ended								
September 30, 2014	15,096	(0.9)	(160)	—	(199)	—	(1,440)	—
September 30, 2013	15,227	(24.7)	(2,503)	—	(2,494)	—	(3,222)	—

Note: Comprehensive income

For the six months ended September 30, 2014: ¥(1,431) million [—%]

For the six months ended September 30, 2013: ¥(2,666) million [—%]

	Net income per share	Diluted net income per share
For the six months ended	<i>yen</i>	<i>yen</i>
September 30, 2014	(8.98)	—
September 30, 2013	(20.09)	—

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
As of	<i>millions of yen</i>	<i>millions of yen</i>	%
September 30, 2014	51,300	23,666	46.1
March 31, 2014	56,087	25,098	44.7

Reference: Equity

As of September 30, 2014: ¥23,666 million

As of March 31, 2014: ¥25,098 million

## 2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>
For the year ended March 31, 2014	–	0.00	–	0.00	0.00
For the year ending March 31, 2015	–	0.00			

Note: A dividend forecast has not been carried out in light of the delisting of the common stock of Sasebo Heavy Industries Co., Ltd. on September 26, 2014.

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

The Company has omitted the consolidated forecast having conducted a share exchange on October 1, 2014, which made Namura Shipbuilding Co., Ltd. a wholly-owning parent company in share exchange and the Company a wholly-owned subsidiary in share exchange.

### \* Notes

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

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

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

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

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

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

As of September 30, 2014	161,955,000 shares
As of March 31, 2014	161,955,000 shares

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

As of September 30, 2014	1,493,013 shares
As of March 31, 2014	1,491,740 shares

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

For the six months ended September 30, 2014	160,461,987 shares
For the six months ended September 30, 2013	160,464,250 shares

Attached Materials

Index

- 1. Qualitative information on settlement of accounts for the first six months..... 2
  - (1) Information on operating results ..... 2
  - (2) Information on financial position..... 3
- 2. Matters on summary information (notes) ..... 4
  - (1) Changes in significant subsidiaries during the first six months of the current fiscal year ..... 4
  - (2) Application of special accounting for preparing the quarterly consolidated financial statements... 4
  - (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections ..... 4
- 3. Quarterly consolidated financial statements ..... 5
  - (1) Quarterly consolidated balance sheets ..... 5
  - (2) Quarterly consolidated statements of income and comprehensive income..... 7
  - (3) Quarterly consolidated statements of cash flows ..... 9
  - (4) Notes to quarterly consolidated financial statements ..... 11
    - (Notes on premise of going concern) ..... 11
    - (Notes on significant changes in the amount of shareholders' equity) ..... 11
    - (Segment information) ..... 11
- 4. Supplemental information ..... 13
  - Production, orders received and sales ..... 13

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

### **(1) Information on operating results**

During the first six months of the fiscal year ending March 31, 2015, the Japanese economy generally continued on a gradual recovery trend, mainly on the back of strong corporate earnings, increased capital investment plans and improvement in the employment situation reflecting economic measures implemented by the Japanese government, despite lingering weakness in private consumption due to factors such as a fallback in demand after it had surged ahead of the consumption tax rate hike. Meanwhile, although the U.S. economy followed a trend of recovery, the economic outlook remained uncertain, with concerns about the economic slowdown in China and ASEAN countries as well as geopolitical risks and other issues.

Under these circumstances, the Company advanced a step further by deciding to join the Namura Shipbuilding Co., Ltd. Group on October 1, 2014. With regard to the Sasebo Group's core shipbuilding business, it aims to build a framework capable of responding to rule changes such as environmental rules and increasingly higher level demand for fuel efficiency, as well as of launching products required by customers into the market in a timely manner. To this end, the Company will integrate its development and basic design functions with those of Namura Shipbuilding Co., Ltd., whose core business is shipbuilding. The two companies will work to quickly realize synergies through efforts to achieve efficient integrated management of the Imari office of Namura Shipbuilding Co., Ltd. and the Sasebo shipyard, which are geographically close, and by pursuing benefits of scale across the entire Namura Shipbuilding Group, such as establishing flexible systems for receiving orders and production based on the multiple production sites of the Namura Shipbuilding Group, and streamlining material costs through centralized procurement.

Consolidated net sales for the Sasebo Group were ¥15,096 million, a decline of 0.9% from the same period of the previous fiscal year, reflecting a decline in ship repair orders in the shipbuilding business. The decline was partially offset by strong performance in the machinery business as well as an increase in sales of new shipbuilding in the shipbuilding business due to a greater-than-expected weakening of the yen. In terms of income, the Group posted a consolidated operating loss of ¥160 million (vs. consolidated operating loss of ¥2,503 million in the same period of the previous fiscal year) and a consolidated ordinary loss of ¥199 million (vs. consolidated operating loss of ¥2,494 million in the same period of the previous fiscal year). The losses were posted despite a year-on-year improvement in income due to factors such as a reversal of provision for loss on construction contracts following a favorable turn in foreign exchange rates. Consolidated net loss was ¥1,440 million (vs. consolidate net loss of ¥3,222 million in the same period of the previous fiscal year), the result of posting an extraordinary loss for incurring an impairment loss. Consolidated orders received were ¥27,075 million, an increase of 23.6% from the same period of the previous fiscal year, mainly owing to new shipbuilding orders for 6 units, and as a result, the consolidated order backlog as of September 30, 2014 was ¥68,687 million, an increase of 91.5% from the same period of the previous fiscal year.

Results by segment are as follows.

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

The Sasebo Group posted orders received of ¥24,567 million in the shipbuilding business, a 38.0% increase from the same period of the previous fiscal year. Included in this amount were new shipbuilding orders for a total of 6 units, consisting of 1 unit of 78,000 DWT bulk carrier and 5 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 ¥11,611 million, decreasing 11.8% from the same period of the previous fiscal year, mainly because of the decline in orders for ship repairs, although there was an increase in sales following the favorable turn in foreign exchange rates. The shipbuilding business posted a segment loss of ¥81 million (vs. segment loss of ¥2,683 million in the same period of the previous fiscal year), although there was an improvement from the same period of the previous fiscal year due to an improvement in provision for loss on construction contracts. New ships

delivered during the first six months of the current fiscal year totaled 4 units of 78,000 DWT bulk carriers. As a result, the order backlog for new shipbuilding came to 19 units.

(b) Machinery

The Group posted orders received of ¥1,922 million in the machinery business, a decrease of 44.2% from the same period of the previous fiscal year, representing equipment-related work in the areas of equipment for marine use and general industrial machinery, etc. Net sales amounted to ¥2,898 million, increasing 106.4% from the same period of the previous fiscal year mainly due to steady performance in machineries for chemical industry. The machinery business posted a segment profit of ¥70 million (vs. segment loss of ¥137 million in the same period of 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 ¥586 million, a decrease of 10.8% from the same period of the previous fiscal year. Segment profit was ¥100 million, an increase of 1,084.6% from the same period of the previous fiscal year.

**(2) Information on financial position**

(Total assets)

Total assets were ¥51,300 million, a decrease of ¥4,786 million from the previous fiscal year-end. This was mainly due to a decline in accounts receivable-trade and a decrease in property, plant and equipment in conduction with booking an impairment loss, among other factors. Current assets were ¥31,311 million, a decrease of ¥2,341 million from the previous fiscal year-end and non-current assets were ¥19,989 million, a decrease of ¥2,445 million from the previous fiscal year-end.

(Liabilities)

Total liabilities were ¥27,634 million, a decrease of ¥3,355 million from the previous fiscal year-end. This was mainly due to a decrease in provision for loss on construction contracts. Current liabilities were ¥19,847 million, a decrease of ¥2,238 million from the previous fiscal year-end and non-current liabilities were ¥7,786 million, a decrease of ¥1,117 million from the previous fiscal year-end.

(Net assets)

Total net assets were ¥23,666 million, a decrease of ¥1,431 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.

(Analysis of cash flows)

Cash and cash equivalents at the end of the first six months of the current fiscal year were ¥21,402 million, an increase of ¥1,991 million from the previous fiscal year-end.

The respective cash flow positions are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥3,423 million (compared with net cash provided of ¥1,359 million in the same period of the previous fiscal year). This was mainly due to a decrease in notes and accounts receivable-trade, and an increase in advance received in line with the receipt of new shipbuilding orders.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥1,089 million (compared with net cash provided of ¥3,595 million in the same period of the previous fiscal year). This was mainly due to payouts from time deposits.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,524 million (compared with net cash used of

¥7,522 million in the same period of the previous fiscal year). This was mainly due to repayment of long-term loans.

## **2. Matters on summary information (notes)**

### **(1) Changes in significant subsidiaries during the first six months of the current fiscal year**

No items to report

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

No items to report

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

#### **(Changes in accounting policies)**

Regarding 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”), the Company has applied the provisions set forth in the main clauses of Paragraph 35 of the Retirement Benefits Accounting Standard and Paragraph 67 of the Retirement Benefits Guidance from the first quarter of the current fiscal year, reviewed its calculation method for retirement benefit obligations and current service costs, and changed its method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis. Concerning the bond maturity that forms the basis for determination of discount rate, the Company has changed from a method that is based on a period approximate to the expected average remaining working lives of the employees to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

The adoption of the Accounting Standards for Retirement Benefits, etc. will not have no significant impact on operating results.

### **3. Quarterly consolidated financial statements**

#### **(1) Quarterly consolidated balance sheets**

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

	As of March 31,2014	As of September 30,2014
<b>Assets</b>		
Current assets		
Cash and deposits	20,235	21,512
Notes and accounts receivable-trade	9,967	6,928
Merchandise and finished goods	15	15
Work in process	1,853	1,301
Raw materials and supplies	305	438
Other	1,275	1,114
Total current assets	<u>33,652</u>	<u>31,311</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,583	6,712
Land	5,489	5,128
Other, net	5,271	4,665
Total property, plant and equipment	<u>18,344</u>	<u>16,507</u>
Intangible assets	169	141
Investments and other assets		
Investment securities	3,025	3,160
Other	1,161	446
Allowance for doubtful receivables	265	265
Total investments and other assets	<u>3,921</u>	<u>3,340</u>
Total non-current assets	<u>22,434</u>	<u>19,989</u>
Total assets	<u>56,087</u>	<u>51,300</u>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	9,829	8,884
Notes payable - facilities	68	84
Short-term loans payable	4,369	3,120
Income taxes payable	63	56
Advance received	4,021	5,727
Provision for construction warranties	17	18
Provision for loss on construction contracts	2,468	854
Other	1,247	1,102
Total current liabilities	<u>22,085</u>	<u>19,847</u>
Non-current liabilities		
Long-term loans payable	5,553	4,318
Deferred tax liabilities	535	527
Provision for special repairs	47	35
Provision for environmental measures	174	166
Net defined benefit liability	2,340	2,274
Other	252	465
Total non-current liabilities	<u>8,903</u>	<u>7,786</u>
Total liabilities	<u>30,989</u>	<u>27,634</u>

	As of March 31,2014	As of September 30,2014
Net assets		
Shareholders' equity		
Capital stock	8,414	8,414
Capital surplus	5,148	5,148
Retained earnings	11,790	10,349
Treasury stock	978	978
Total shareholders' equity	<u>24,374</u>	<u>22,932</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	472	579
Deferred gains or losses on hedges	47	69
Remeasurements of defined benefit plans	298	223
Total accumulated other comprehensive income	<u>724</u>	<u>733</u>
Total net assets	<u>25,098</u>	<u>23,666</u>
Total liabilities and net assets	<u>56,087</u>	<u>51,300</u>

**(2) Quarterly consolidated statements of income and comprehensive income**  
**Quarterly consolidated statements of income (cumulative)**

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

	For the six months ended September 30,2013	For the six months ended September 30,2014
Net sales	15,227	15,096
Costs of sales	16,690	14,288
Gross profit	1,463	808
Selling, general and administrative expenses	1,040	968
Operating income(loss)	2,503	160
Non-operating income		
Interest and dividends income	37	44
Foreign exchange gains	184	21
Other	9	10
Total non-operating income	231	76
Non-operating expenses		
Interest expenses	142	114
Other	79	1
Total non-operating expenses	222	115
Ordinary loss	2,494	199
Extraordinary income		
Gain on sales of noncurrent assets	59	39
Gain on sales of golf memberships	0	0
Other	-	10
Total extraordinary income	59	51
Extraordinary loss		
Loss on sales of non-current assets	13	0
Loss on disposal of non-current assets	26	4
Loss on valuation of investment securities	-	4
Impairment loss	-	1,247
Special extra retirement payments	693	-
Other	40	-
Total extraordinary losses	773	1,257
Loss before income taxes	3,208	1,405
Income taxes - current	14	35
Total income taxes	14	35
Loss before minority interests	3,222	1,440
Minority interests in income	-	-
Net loss	3,222	1,440

## Quarterly consolidated statements of comprehensive income (cumulative)

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

	For the six months ended September 30,2013	For the six months ended September 30,2014
Loss before minority interests	3,222	1,440
Other comprehensive income		
Valuation difference on available-for-sale securities	484	106
Deferred gains or losses on hedges	72	22
Remeasurements of defined benefit plans, net of tax	-	74
Total other comprehensive income	556	9
Comprehensive income	2,666	1,431
Comprehensive income attributable to		
Owners of the parent	2,666	1,431
Minority interests	-	-

### (3) Quarterly consolidated statements of cash flows

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

	For the six months ended September 30,2013	For the six months ended September 30,2014
Cash flows from operating activities		
Loss before income taxes	3,208	1,405
Depreciation and amortization	1,056	1,006
Increase(decrease) in provision for loss on construction contracts	1,683	1,613
Increase(decrease) in provision for retirement benefits	409	-
Increase (decrease) in net defined benefit liability	-	182
Increase(decrease) in provision for construction warranties	1	1
Increase(decrease) in provision for special repairs	0	11
Interest and dividend income	37	44
Interest expenses	142	114
Foreign exchange losses(gains)	56	3
Loss(gain) on sales of property, plant and equipment	45	39
Loss(gain) on disposal of non-current assets	26	4
Impairment loss	-	1,247
Loss(gain) on valuation of investment securities	-	4
Decrease(increase) in notes and accounts receivable-trade	1,168	3,039
Decrease(increase) in inventories	910	419
Decrease(increase) in consumption taxes refund receivable	160	91
Decrease(increase) in other current assets	166	274
Increase(decrease) in notes and accounts payable-trade	295	945
Increase(decrease) in advance received	1,445	1,705
Increase(decrease) in other current liabilities	594	176
Other	39	236
Subtotal	1,441	3,547
Interest and dividends received	33	46
Interest paid	147	117
Income taxes paid	8	53
Income taxes refund	41	-
Net cash provided by operating activities	1,359	3,423
Cash flows from investing activities		
Payments into time deposits	45	50
Proceeds from withdrawal of time deposits	3,472	1,481
Payments for retirement of property, plant and equipment	4	2
Purchase of property, plant and equipment	483	418
Proceeds from sales of property, plant and equipment	163	85
Purchase of intangible assets	17	6
Proceeds from sales and redemption of investment securities	510	-
Payments of long-term loans receivable	0	-
Collection of loans receivable	0	0
Other	0	0
Net cash used in investing activities	3,595	1,089

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

	For the six months ended September 30,2013	For the six months ended September 30,2014
Cash flows from financing activities		
Repayment of long-term loans	7,484	2,484
Dividends paid	4	5
Payments for purchases of treasury stock	0	0
Other	32	34
Net cash used in financing activities	7,522	2,524
Effect of exchange rate changes on cash and cash equivalents	14	4
Increase(decrease) in cash and cash equivalents	2,580	1,991
Cash and cash equivalents at beginning of period	23,661	19,410
Cash and cash equivalents at end of period	21,080	21,402

#### (4) Notes to quarterly consolidated financial statements

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

No items to report

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

For the six months ended September 30, 2014

No items to report

##### (Segment information)

I. For the six months ended September 30, 2013

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

(in millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the quarterly consolidated statements of income (Note 3)
	Shipbuilding	Machinery	Total				
Net sales							
Outside customers	13,164	1,404	14,569	657	15,227	-	15,227
Inter-segment sales and transfers	-	-	-	776	776	(776)	-
Total	13,164	1,404	14,569	1,434	16,003	(776)	15,227
Segment profit or (loss)	(2,683)	(137)	(2,820)	8	(2,811)	307	(2,503)

- (Notes) 1. The "Others" category is a business segment not included in the reportable segments. It includes meal delivery service, golf course business and transportation business, etc.
2. Selling, general and administrative expenses and other corporate expenses are distributed to each segment based on budget amounts and any budgetary variances between actual expenses and the budgeted amount are not distributed. These budgetary variances of ¥307 million are recorded as adjustment to segment profit.
3. Segment profit or (loss) is adjusted with operating loss in the quarterly consolidated statements of income.

II. For the six months ended September 30, 2014

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

(in millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the quarterly consolidated statements of income (Note 3)
	Shipbuilding	Machinery	Total				
Net sales							
Outside customers	11,611	2,898	14,510	586	15,096	-	15,096
Inter-segment sales and transfers	-	-	-	917	917	(917)	-
Total	11,611	2,898	14,510	1,503	16,014	(917)	15,096
Segment profit or (loss)	(81)	70	(11)	100	89	(249)	(160)

- (Notes) 1. The "Others" category is a business segment not included in the reportable segments. It includes meal delivery service, golf course business and transportation business, etc.
2. Selling, general and administrative expenses and other corporate expenses are distributed to each segment based on budget amounts and any budgetary variances between actual expenses and the budgeted amount are not distributed. These budgetary variances of ¥(249) million are recorded as adjustment to segment profit.
3. Segment profit or (loss) is adjusted with operating loss in the quarterly consolidated statements of income.

2. Matters relating to changes in reportable segments  
As noted under changes in accounting policies, from the first quarter of the current fiscal year, the Company has changed its calculation method for retirement benefit obligations and current service costs. In conjunction with this change, the calculation method for retirement benefit obligations and current service costs of the business segments has also been changed in the same manner.  
The impact of this change on the profit or loss in each segment is insignificant.
  
3. Impairment loss on non-current assets by reportable segment
  - 1) Machinery segment  
In the can manufacturing business of this segment, future cash flows have decreased as a result of revising the business plan in light of the recent business environment. Accordingly, the book value was written down to zero. Furthermore, the recorded impairment loss amount for the first six months of the current fiscal year was ¥708 million.
  - 2) Others  
The book value of idle assets was written down to the recoverable amount due to a decline in their market prices, resulting in the recording of an impairment loss. Moreover, the impairment loss amount for the first six months of the current fiscal year was ¥538 million.

## 4. Supplemental information

### Production, orders received and sales

#### 1) Production

(in millions of yen, unless otherwise noted)

	For the six months ended September 30, 2013		For the six months ended September 30, 2014		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	12,884	83.0	11,993	79.8	(890)	(6.9)
Machinery	1,976	12.7	2,448	16.3	472	23.9
Others	657	4.3	586	3.9	(71)	(10.8)
Total	15,518	100.0	15,028	100.0	(489)	(3.2)

#### 2) Orders received

(in millions of yen, unless otherwise noted)

	For the six months ended September 30, 2013		For the six months ended September 30, 2014		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	17,806	81.3	24,567	90.7	6,760	38.0
Machinery	3,444	15.7	1,922	7.1	(1,522)	(44.2)
Others	657	3.0	586	2.2	(71)	(10.8)
Total	21,909	100.0	27,075	100.0	5,166	23.6

#### 3) Order backlog

(in millions of yen, unless otherwise noted)

	As of September 30, 2013		As of September 30, 2014		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	32,201	89.8	66,210	96.4	34,009	105.6
Machinery	3,672	10.2	2,476	3.6	(1,195)	(32.6)
Others	-	-	-	-	-	-
Total	35,874	100.0	68,687	100.0	32,813	91.5

- (Notes) 1. Order backlog is described by the complete contract method. Of order backlog amounts as of September 30, 2014, ¥6,619 million for shipbuilding and, of those as of September 30, 2013, ¥5,711 million for shipbuilding are recorded as sales by the percentage-of-completion method.
2. A ¥1,869 million increase resulting from exchange rate fluctuations in the foreign currency-denominated order backlog as of the previous fiscal year-end has been factored into the consolidated order backlog as of September 30, 2014.

#### 4) Sales

(in millions of yen, unless otherwise noted)

	For the six months ended September 30, 2013		For the six months ended September 30, 2014		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	13,164	86.5	11,611	76.9	(1,553)	(11.8)
Machinery	1,404	9.2	2,898	19.2	1,494	106.4
Others	657	4.3	586	3.9	(71)	(10.8)
Total	15,227	100.0	15,096	100.0	(130)	(0.9)