

Outline of the financial results for the first quarter ended June 30, 2003 (consolidated)

August 25, 2003

Listed company name: **Sasebo Heavy Industries Co., Ltd.**

(Code Number: 7007; listed on the first sections of the Tokyo Stock Exchange, the Osaka Securities Exchange, and the Fukuoka Stock Exchange)

(URL <http://www.ssk-sasebo.co.jp>)

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1. Matters relating to preparation of the outline of the first quarter financial results.

Whether the method of determining sales differs from the one acknowledged as being used in recent consolidated fiscal years: Yes

Traditionally, the Completed Contract Method has been used as the method of accounting to determine sales. However, from this consolidated fiscal year, the Percentage-of-Completion Method shall be used instead for any work with 'contract amount and construction period exceeding 100 million yen and one year respectively'. This change is to perform a more appropriate periodic accounting of profit and loss by introducing the Percentage-of-Completion Method, which is considered to be a rational method of accounting for long-term, large-scale contracts.

2. Outline of the financial results for the first quarter ending March 2004 (from April 1, 2003 ~ June 30, 2003)

(1) Sales (or items equivalent to sales)

(Unit: million yen)

Term \ Item	Sales	Year-on-year
1st Quarter ending March 2004	19,383	-
1st Quarter ended March 2003	-	-
(Reference) Full fiscal year ended March 2003	45,195	-

(Note) Sales results for the same quarter of the previous year and the year-on-year rate of change are not listed, since disclosure of quarterly business performance only began in the current quarter. The sales figures have not been audited by an auditing corporation.

(Sales by segment)

(Unit: million yen)

By work	1st Quarter ending March 2004 (April 2003 ~ June 2003)	
	Amount	Component ratio
Ships and vessels	16,249	83.8%
Machinery and Steel Structure	2,807	14.5
Others	326	1.7
Total	19,383	100.0

‘Sales amount supplementary explanation’

As mentioned above, the Percentage-of-Completion Method was introduced in the current fiscal term as a method of accounting to determine sales of long-term, large-scale construction work, such as those for shipbuilding; sales were therefore temporarily concentrated on the first quarter. Thus, sales increased by 14,266 million yen during the current quarter, compared with those determined by the traditional method.

(2) Events that significantly affected the financial situation and the operating results of the group of enterprises during the current quarter: None

3. Forecast performance for the first quarter ending March 2004 (from April 1, 2003 to March 31, 2004)

(1) Amendment to forecast performance for the current term (consolidated)

	Sales	Ordinary profit	Net profit for the current term	Net profit per share for the current term
Forecast previously announced (A) (May 27, 2003)	<i>million yen</i> 38,000	<i>million yen</i> -2,500	<i>million yen</i> -1,800	<i>yen, sen</i> -11.11
Revised forecast (B)	49,000	-2,500	-1,800	-11.11
Amount of increase or decrease (B-A)	11,000	0	0	0
Rate of increase or decrease (%)	128.9	0	0	0

(2) Amendment to forecast performance for the current term (non-consolidated)

	Sales	Ordinary profit	Net profit for the current term	Net profit per share for the current term
Forecast previously announced (A) (May 27, 2003)	<i>million yen</i> 37,000	<i>million yen</i> -2,500	<i>million yen</i> -1,800	<i>yen, sen</i> -11.11
Revised forecast (B)	48,000	-2,500	-1,800	-11.11
Amount of increase or decrease (B-A)	11,000	0	0	0
Rate of increase or decrease (%)	129.7	0	0	0

(3) Regarding the sales forecast for the current term performance, sales were determined by applying the Completed Contract Method when the previous forecast was announced. However, as mentioned above, it was decided to adopt the Percentage-of-Completion Method for long-term, large-scale construction work, resulting in a revised performance forecast using the said method.

* The forecast for performance and future events listed in the material was determined based upon information available at the time. The actual performance and circumstances may change due to various factors.