

Outline of the financial results for the third quarter ended December 31, 2003 (consolidated)

February 20, 2004

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>)

Name and Title of Representative: Tatsuro Okada/President

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

Whether the method of determining sales differs from the acknowledged one 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 has been 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 third quarter ending March 2004 (from April 1, 2003 ~ December 31, 2003)

(1) Sales (or items equivalent to sales)

(Unit: million yen)

Term \ Item	Sales	Year-on-year
3rd quarter ending March 2004	36,413	-
3rd quarter ending 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 fiscal term. The sales figures have not been audited by an auditing corporation.

(Sales by segment)

(Unit: million yen)

By work	3rd Quarter ending March 2004 (April 2003 ~ December 2003)	
	Amount	Component ratio
Ships and vessels	30,075	82.6 %
Machinery and Steel Structure	5,576	15.3
Others	761	2.1
Total	36,413	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. Thus, sales increased by 16,342 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 fiscal year ending March 2004 (from April 1, 2003 to March 31, 2004)

(1) Amendment to consolidated performance forecast for the fiscal year ending March 2004

	Sales	Ordinary profit	Net profit for the current term	Net profit per share for the current term
	<i>million yen</i>	<i>million yen</i>	<i>million yen</i>	<i>yen, sen</i>
Revised forecast (A)	49,700	- 4,100	- 2,700	- 16.67
Forecast previously announced (B) (November 21, 2003)	49,000	- 3,900	- 2,200	- 13.59
Amount of increase or decrease (A – B)	700	- 200	- 500	-
Rate of increase or decrease (%)	1.4	5.1	22.7	-

(2) Amendment to non-consolidated performance forecast for the fiscal year ending March 2004

	Sales	Ordinary profit	Net profit for the current term	Net profit per share for the current term
	<i>million yen</i>	<i>million yen</i>	<i>million yen</i>	<i>yen, sen</i>
Revised forecast (A)	48,700	- 4,100	- 2,700	- 16.67
Forecast previously announced (B) (November 21, 2003)	48,000	- 3,900	- 2,200	- 13.59
Amount of increase or decrease (A – B)	700	- 200	- 500	-
Rate of increase or decrease (%)	1.5	5.1	22.7	-

(3) About amendments to the forecast performance for the fiscal year ending March 2004

It is expected that both ordinary profit and net profit for the current term will exhibit greater losses due to the appreciation of the yen against the US dollar since the forecast previously announced.

** 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.*