

# Outline of Financial Results for the Third Quarter ended December 31, 2006 (consolidated)

January 26, 2007

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

(Code Number: 7007; listed on the Tokyo Stock Exchange First Section, Osaka Stock Exchange First Section, Fukuoka Stock Exchange)

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

Name and Title of Representative: Hidekazu Morishima/President

Name and Title of Person responsible for inquiries:

Takehiko Nagano/Director, Manager of Human Resources and General Affairs

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

- ① Application of simplified accounting methods: Yes  
(Details) Certain simplified accounting methods have been applied, to the extent that they do not lead to great misjudgments by interested parties such as investors, taking as a base the standards for preparation of interim consolidated financial statements.
- ② Changes in accounting methods from the most recent consolidated fiscal year: None
- ③ Changes in the scope of consolidation and the application of equity method: Yes  
(Details) Consolidated subsidiaries – 6; (New) 0, (Excluded) 0  
Equity-method affiliates – 1; (New) 0, (Excluded) 1

## **2. Outline of financial results for the third quarter of fiscal year ending March 2007 (from April 1, 2006 ~ December 31, 2006)**

### **(1) Operating results (consolidated)**

(Unit: million yen)

Term \ Item	Net sales		Operating income		Ordinary income		Net income	
	<i>million yen</i>	%	<i>million yen</i>	%	<i>million yen</i>	%	<i>million yen</i>	%
3rd quarter ended December 2006	39,469	5.9	1,034	-42.7	1,154	-35.1	1,303	125.0
3rd quarter ended December 2005	37,276	17.0	1,806	224.0	1,779	252.2	579	-1.1
(Reference) Full fiscal year ended March 2006	51,389		1,958		1,782		837	

Term \ Item	Net income per share		Diluted net income per share	
	<i>yen</i>	<i>sen</i>	<i>yen</i>	<i>sen</i>
3rd quarter ended December 2006	8.05			-
3rd quarter ended December 2005	3.58			-
(Reference) Full fiscal year ended March 2006	5.17			-

(Note)

1. The percentage figures accompanying net sales, operating income, etc. represent changes from the same period of the previous fiscal year.

[Qualitative information on operating results (consolidated)]

During the third quarter of 2006, despite sluggish personal consumption, the Japanese economy was continuously on a moderate recovery path with steady corporate capital investment.

The Group's business performance, in the above circumstances, was total consolidated orders received of 54,494 million yen for a 63 % increase over the previous year, resulting from increases in new shipbuilding orders. The consolidated order backlog was 208,700 million yen. New shipbuilding orders for the third quarter totaled seven (7), including 1 unit of 13,000 DWT coking vessel and 6 units of 115,000 DWT tankers.

Total consolidated sales were 39,469 million yen, for a 5.9% increase over the same period last year, as a result of a sales increase achieved by the shipbuilding division. Eight (8) newly-built ships were delivered during this period, including 2 units of 75,000 DWT tankers, 3 units of 76,000 DWT bulk carriers, 1 unit of 77,000 DWT coal ship and 2 units of 115,000 DWT tankers.

With respect to profit and loss, the Group posted consolidated operating income of 1,034 million yen for a 42.7% decrease, and consolidated ordinary income of 1,154 million yen for a 35.1% decrease, both over the same period last year. The decreases were due to increases in the price of steel products, and due to a lack of effectiveness in the manufacture of sister vessels resulting from diversification of hull forms. A consolidated net profit of 1,303 million yen was posted for the third quarter, for an increase of 125.0% over the same period of last year. This increase results from no impairment loss being recorded on fixed assets.

**(2) Changes in financial position (consolidated)**

	Total assets	Shareholder equity	Shareholder equity ratio	Shareholder equity per share
	<i>million yen</i>	<i>million yen</i>	%	<i>yen sen</i>
3rd quarter ended December 2006	71,450	17,958	25.1	110. 91
3rd quarter ended December 2005	60,180	16,405	27.3	101. 32
(Reference) Full fiscal year ended March 2006	62,068	16,693	26.9	103. 09

**(3) Forecast for the fiscal year ending March 2007 (from April 1, 2006 ~ March 31, 2007)**

	Net sales	Ordinary income	Net income
	<i>million yen</i>	<i>million yen</i>	<i>million yen</i>
Full-term ending March 31, 2007	54,000	1,400	2,100

(Reference) Forecast net income per share for the year: ¥12.97.

[Qualitative information on performance forecast (consolidated)]

With regard to the above forecast, revisions have been made to the forecast announced on November 17, 2006. Details of the revisions are presented in the 'Notice Concerning Revision of Performance Forecasts' disclosed along with the announcement of this statement.

*\* The above forecast for performance has been determined based upon information available at this time. Actual performance may change depending on various factors.*

- **Accompanying material**

Consolidated Balance Sheet for the Third Quarter of Fiscal 2007 (summary), Profit and Loss Statement for the Third Quarter of 2007 (summary), and Status of Production, Orders and Sales

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