

Outline of financial results for the first quarter ended June 2007 (consolidated)

July 27, 2007

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

(Code Number: 7007; listed on TSE First Section, OSE First Section, FSE)

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

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Name and Title of Person responsible for inquiries:

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(Figures less than one million yen have been rounded off.)

1. Outline of the financial results for the first quarter of the fiscal year ending March 2008 (from April 1, 2007 ~ June 30, 2007)

(1) Operating results (consolidated)

(Percentage figures represent changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	<i>million yen</i>	%	<i>million yen</i>	%	<i>million yen</i>	%	<i>million yen</i>	%
1st quarter ended June 2007	17,199	20.5	2,174	642.0	2,200	384.6	1,382	199.1
1st quarter ended June 2006	14,272	29.6	293	285.5	454	489.6	462	500.0
Full fiscal year ended March 2007	53,846		2,157		2,245		2,627	

	Net income per share		Diluted net income per share	
	<i>yen</i>	<i>sen</i>	<i>yen</i>	<i>sen</i>
1st quarter ended June 2007	8.54			-
1st quarter ended June 2006	2.85			-
Full fiscal year ended March 2007	16.23			-

(2) Changes in financial position (consolidated)

	Total assets	Net assets	Shareholder equity ratio	Shareholder equity per share	
	<i>million yen</i>	<i>million yen</i>	%	<i>yen</i>	<i>sen</i>
1st quarter ended June 2007	77,018	21,212	27.5	131.	01
1st quarter ended June 2006	67,471	16,724	24.8	103.	29
Full fiscal year ended March 2007	73,274	19,723	26.9	121.	81

2. Consolidated performance forecast for the year ending March 2008 (April 1, 2007 ~ March 31, 2008)

Regarding the consolidated performance forecast for the fiscal year ending March 2008 (previously announced on May 18, 2007), the company has not made any revision to the forecast.

3. Others

- (1) Changes of significant subsidiaries during the current quarter (changes of specified subsidiaries that affected the scope of consolidation): None
- (2) Application of simplified accounting methods: Yes
- (3) Changes in accounting methods from the most recent consolidated fiscal year: Yes

[(Note): For details, see 3. Othes of 'Qualitative information and Financial Statements' on Page 3.]

*** Appropriate use of performance forecast and other special notes**

The above forecast for performance has been determined based upon information available at this time, and contains uncertain factors. Due to changes in performance, actual results may differ from the forecasts previously announced.

[Qualitative Information and Financial Statements]

1. Qualitative information on consolidated operating results

During this first quarter, despite concerns over high crude oil prices and high interest rates, the Japanese economy has continued to follow a moderate path of recovery supported by improved corporate profits and increased capital investments.

Given the above circumstances, the Sasebo Group posted amount of consolidated orders received of ¥3,177 million, a decrease of 45.4% over the same period of the previous year, due to no orders being received for new shipbuilding during this quarter. As a result, the consolidated order backlog for the first quarter was ¥195,647 million.

The Group posted total consolidated sales of ¥17,199 million, an increase of 20.5% over the same period of the previous year, resulting from increased sales achieved by the Shipbuilding Department. Two units of newly-built 11,500 DWT tankers were delivered during this first quarter.

In terms of profit and loss, a consolidated operating income of ¥2,174 million was posted, for an increase of 642.0% compared to the same period of the previous year, which increase resulted from improvements in the tonnage value of newly-built ships and productivity increases achieved by the Machinery Department, despite price increases for steel materials. A consolidated ordinary income of ¥2,200 million was posted, for an increase of 384.6% compared to the same period of the previous year, and a consolidated net income of ¥1,382 million was posted, for an increase of 199.1% compared to the same period of the previous year, which increase resulted from reporting of losses from the revaluation of investment securities.

2. Qualitative information on consolidated financial position

Total assets at the end of the first quarter increased by ¥3,744 million, amounting to ¥77,018 million, compared to the end of the previous consolidated fiscal year. In current assets, cash and cash equivalent increased by ¥1,467 million, notes and accounts receivable increased by ¥2,553 million. In current liabilities, advances received increased by ¥1,174 million.

As a result of an increase in retained earnings, net assets increased by ¥1,489 million to ¥21,212 million.

3. Others

(1) Application of the simplified accounting method

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

From the current first quarter, in line with the revision of Corporation Tax Law, fixed assets acquired on or after April 1, 2007 are depreciated under the depreciation method stipulated in the revised Corporation Tax Law. Such change in the depreciation method will have no significant effect on operating income, ordinary income or net income before taxes.