Translation

Summary of Consolidated Financial Results for the Year Ended March 31, 2008

May 15, 2008

Company name: **Sasebo Heavy Industries Co., Ltd.**
Listing: Tokyo Stock Exchange 1st Section
Osaka Securities Exchange 1st Section
Fukuoka Stock Exchange
Stock code: 7007
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Scheduled date of annual shareholders meeting: June 25, 2008
Scheduled date to commence dividend payments: June 26, 2008
Scheduled date to file securities report: June 26, 2008

Figures less than one million yen have been omitted.

1. Consolidated financial results for the year ended March 31, 2008 (From April 1, 2007 to March 31, 2008)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
For the year ended	*millions of yen*	*%*	*millions of yen*	*%*	*millions of yen*	*%*	*millions of yen*	*%*
March 31, 2008	66,637	23.8	3,670	70.1	3,294	46.7	2,958	12.6
March 31, 2007	53,846	4.8	2,157	10.2	2,245	26.0	2,627	213.7

	Net income per share	Diluted net income per share	Net income/ shareholders' equity	Ordinary income/ total assets	Operating income/ net sales
For the year ended	*yen*	*yen*	*%*	*%*	*%*
March 31, 2008	18.33	–	14.7	4.2	5.5
March 31, 2007	16.23	–	14.4	3.3	4.0

Reference: Equity in earnings of affiliates
For the year ended March 31, 2008: ¥(0) million
For the year ended March 31, 2007: None

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	*millions of yen*	*millions of yen*	*%*	*yen*
March 31, 2008	84,707	20,448	24.1	127.42
March 31, 2007	73,274	19,723	26.9	121.81

Reference: Equity
As of March 31, 2008: ¥20,448 million
As of March 31, 2007: ¥19,723 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Period-end cash and cash equivalents
For the year ended	*millions of yen*	*millions of yen*	*millions of yen*	*millions of yen*
March 31, 2008	4,576	(2,225)	(2,123)	17,807
March 31, 2007	11,861	(4,904)	(439)	17,792

2. Cash dividends

	Cash dividends per share			Total cash dividends (Full year)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	Midterm	Year-end	Annual			
For the year ended	*yen*	*yen*	*yen*	*millions of yen*	*%*	*%*
March 31, 2008	–	5.00	5.00	802	27.1	4.0
March 31, 2007	–	2.00	2.00	323	12.3	1.8
For the year ending March 31, 2009 (Forecast)	–	5.00	5.00	–	26.7	–

3. <u>Consolidated forecast for the fiscal year ending March 31, 2009 (From April 1, 2008, to March 31, 2009)</u>

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	millions of yen	*%*	*millions of yen*	*%*	*millions of yen*	*%*	*millions of yen*	*%*	*yen*
For the six months ending September 30, 2008	40,000	22.4	2,850	(28.6)	2,800	(29.2)	1,700	21.3	10.59
For the year ending March 31, 2009	80,000	20.1	6,000	63.5	5,900	79.1	3,000	1.4	18.69

4. Others

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries that affected the scope of consolidation): None

(2) Changes in accounting policies, procedures, and methods of presentation for preparing the consolidated financial statements (changes to be described in the section of "Changes in basis of preparation for consolidated financial statements")

A. Changes due to adoption of revised accounting standards: Yes

B. Changes due to other reasons: Yes

(Note) Please refer to page 18 ("Basis of preparation for consolidated financial statements")

(3) Number of issued shares (common stock)

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

As of March 31, 2008 161,955,000 shares

As of March 31, 2007 161,955,000 shares

B. Number of treasury shares at the year-end

As of March 31, 2008 1,468,278 shares

As of March 31, 2007 42,789 shares

(Note) For the number of shares as a basis of calculating consolidated net income per share, please refer to "Per share information" on page 25.

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for the year ended March 31, 2008 (From April 1, 2007 to March 31, 2008)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
For the year ended	*millions of yen*	*%*	*millions of yen*	*%*	*millions of yen*	*%*	*millions of yen*	*%*
March 31, 2008	65,573	24.0	3,635	70.7	3,241	45.9	2,983	14.3
March 31, 2007	52,889	4.7	2,130	7.0	2,221	22.5	2,609	198.5

	Net income per share	Diluted net income per share
For the year ended	*yen*	*yen*
March 31, 2008	18.49	–
March 31, 2007	16.12	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	*millions of yen*	*millions of yen*	*%*	*yen*
March 31, 2008	84,205	20,241	24.0	126.13
March 31, 2007	72,947	19,475	26.7	120.29

Reference: Equity
As of March 31, 2008: ¥20,241 million
As of March 31, 2007: ¥19,475 million

2. Non-consolidated forecast for the fiscal year ending March 31, 2009 (From April 1, 2008 to March 31, 2009)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	millions of yen	*%*	*millions of yen*	*%*	*millions of yen*	*%*	*millions of yen*	*%*	*yen*
For the six months ending September 30, 2008	39,500	22.8	2,850	(28.2)	2,800	(28.8)	1,700	17.5	10.59
For the year ending March 31, 2009	79,000	20.5	6,000	65.1	5,900	82.0	3,000	0.6	18.69

*** Notes regarding forward-looking statements**

All forward-looking statements in this document are based on information currently available and on certain assumptions that we consider reasonable. Actual results may vary significantly due to various factors. Regarding the assumptions in the projected results above, and cautionary statements concerning the use of these projections, see “1. Operating results” on pages 4 - 7.

1. Operating results

(1) Analysis of operating results

A. Outline of consolidated operating results for the Year

Despite a continued modest recovery against a backdrop of improved corporate earnings, the Japanese economy during the year was at a standstill due to causes for concern such as a slowdown in the economy of US and the rest of the globe in the wake of soaring fuel and raw material prices and the sub-prime mortgage loan crisis as well as the weakening dollar.

Orders received in the shipbuilding industry increased considerably, especially in South Korea and China, supported by a boom in world tonnage demand resulting from expanding transportation demand mostly related to resources. As a result, the global new shipbuilding orders received in 2007 totaled a record high of 164,833 thousand gross tons, for an increase of 65.5% over the previous year. Further, Japanese new shipbuilding orders received during the same period decreased by 8.4% over the previous year to 20,667 thousand gross tons. This was mainly because it is currently not possible to increase orders through new order placement as each shipyard currently has a 3-4 year backlog of orders. In the machinery industry, private capital investment continued to increase steadily as a result of growing corporate earnings, however, because of the faltering economy, prospects are obscured. Pertaining to crankshafts, a core product of the Company, the increase in tonnage demand kept supply and demand conditions tight. Also, public investment in the steel structure industry is on a declining trend and the environment for order receipts thus remained harsh.

Given the above circumstances, the Sasebo Group posted consolidated orders received of ¥114,255 million, an increase of 80% over the previous year, which is as a result of favorable orders for new ships. The Group posted a total consolidated sales amount of ¥66,637 million, an increase of 20% over the previous year, and as a result, the order backlog at the end of the fiscal year reached ¥268,243 million in total, an increase of 30% over the previous year. On the other hand, the soaring purchase prices for steel and other materials and equipment continued unabated after the beginning of the year. Consequently, in terms of income, a consolidated operating income of ¥3,670 million was posted, for an increase of 70% over the previous year, resulting from higher revenue due to revised sale prices for ships, machines and other core products despite an allowance for losses on construction contracts of ¥3,258 million accounted for construction work expected to generate a loss in the next fiscal year and beyond because of a predicted loss of profitability on a portion of the work to be effectuated for orders already received. A consolidated ordinary income of ¥3,294 million was posted, for an increase of 50% compared to the previous year, and a consolidated net income of ¥2,958 million was posted, for an increase of 10% over the previous year, despite of a decrease in valuation loss on investment securities and other extraordinary losses.

Operating results by business segment are as follows:

(a) Shipbuilding

The Group posted consolidated orders received of ¥105,128 million for its shipbuilding business, an increase of 120% compared to the previous year. The orders received were for new shipbuilding including the construction of a total of 14 ships; 6 units of 180,000 DWT bulk carriers and 8 units of 75,000 DWT bulk carriers, and for ship repairs for commercial vessels and naval repair work for Japan Maritime Self-Defense Force and United States Navy vessels. The order received before the previous year for 4 units of 115,000 DWT crude oil tankers and the 2 units of 115,000 DWT product tankers was changed to 5 units of 180,000 DWT bulk carriers and the difference was accounted in the posted orders. The net sales amount resulting from new shipbuilding and ship repair work was ¥53,707 million for an increase of 20% over the previous year. During this term, a total of 8 newly-built ships were delivered: 4 units of 115,000 DWT crude oil carriers, 2 units of 76,000 DWT bulk carriers, 1 unit of 77,000 DWT coal carrier and 1 unit of 13,000 DWT coke vessel. The order backlog at the end of the fiscal year reached ¥254,162 million in total, an increase of 30% over the previous year, including 38 units of newly built ships and repair ships. In terms of income, the Group posted a consolidated operating income of ¥3,707 million, for an increase of 70% over the previous year because of the increment of new ship prices, in spite of purchase price increases in steel, other materials and equipment.

(b) Machinery
The Group posted consolidated orders received of ¥7,188 million for its machinery business, for an increase of 10% over the previous year, representing 228 orders of equipment-related work such as marine equipment and general industrial machinery. Net sales were ¥7,137 million, a 10% increase over the previous year. The order backlog reached ¥5,760 million, roughly the same figure as the previous year. An operating income of ¥2,795 million was posted, for an increase of 60% over the previous year, resulting from the effects of increased production of crankshafts brought about by capital investments.

(c) Steel Structures
The Group posted consolidated orders received of ¥878 million for its steel structure business, for a decrease to 91.5% compared with the previous year representing 22 constructions. This is due to a halt of designation for operations at the main regions for 9 months and in Kyushu for 12 months as a result of a cease and desist order received from the Fair Trade Commission in March 2007 concerning a violation of the Antimonopoly Act related to sluices. Net sales were ¥4,732 million, a 90% increase over the previous year. The order backlog reached ¥8,321 million, a 31.3% decrease from the previous year. An operating loss of ¥1,469 million was posted (compared to a ¥559 million operating loss over the previous year) due to the accounting of low profitability construction orders.

(d) Others
Other business segments are comprised mainly of transport business, etc. The Group posted orders received of ¥1,059 million, for an increase of 5.9% over the previous year. Net sales of ¥1,059 million were posted, an increase of 6.0% over the previous year, and an operating income of ¥62 million was posted, for a decrease of 34.7% over the previous year.

A consolidated operating income of ¥3,670 million was posted, with unallocatable operating expenses included in ‘Elimination and Corporate’.

Trends of operating results: consolidated basis *(in millions of yen)*

	Amount of orders received	Net sales	Operating income	Ordinary income	Net income	Net income per share
For the year ended						*yen*
March 31, 2008	114,255	66,637	3,670	3,294	2,958	18.33
March 31, 2007	64,610	53,846	2,157	2,245	2,627	16.23

Trends of operating results: non-consolidated basis *(in millions of yen)*

	Amount of orders received	Net sales	Operating income	Ordinary income	Net income	Net income per share
For the year ended						*yen*
March 31, 2008	113,192	65,573	3,635	3,241	2,983	18.49
March 31, 2007	63,654	52,889	2,130	2,221	2,609	16.12

B. Prospects for the year ending March 2009

All companies in the shipbuilding industry have considerable work in progress for new shipbuilding, however, it is expected that financial uncertainty in the wake of the sub-prime mortgage loan crisis may cause a tightening of loans for ship owners who will then hold off on new ship orders. Therefore, a decrease in the number of orders received compared to the previous year is predicted.

In the machinery industry, the customers’ demand for the marine equipments which is the core products for the Company’s machinery business is expected to remain robust, buttressed by a boom in shipbuilding. This is despite obscure prospects created by a slowed economy due to sluggish exports caused by a weak dollar as well as by halted capital investment from both inside and outside the country.

In the steel structure industry, a continued tightening of public sector investment is expected as well as an unabating stringent management environment encompassing the steel structures business due to intensifying competition.

Under such circumstances, the Sasebo Group has secured work in progress for its new shipbuilding for the next several years, however, because of the risk involved in estimating costs for subsequent orders from then onward, the consolidated amount of orders received is therefore expected to be ¥59,000 million. Consolidated net sales are expected to be ¥80,000 million, due to anticipated improvements in the tonnage value of newly-built ships and the increased production of crankshafts. In terms of profit, consolidated operating income, consolidated ordinary income and consolidated net income are expected to be ¥6,000 million, ¥5,900 million and ¥3,000 million respectively, as a result of improvements in tonnage value of newly-built ships and in productivity by the machinery business.

(a) Prospect of the Group's operating results

(in millions of yen)

Category	Amount of orders received	Net sales	Operating income	Ordinary income	Net income
Consolidated performance	59,000	80,000	6,000	5,900	3,000
Non-consolidated performance	58,000	79,000	6,000	5,900	3,000

The exchange rate is assumed to be ¥100/US$.

(b) Prospect of operating results by business segment

(in millions of yen)

	Amount of orders received	Net sales	Operating income
Shipbuilding	43,000	64,000	5,100
Machinery	9,500	8,000	2,700
Steel structure	5,500	7,000	(50)
Others	1,000	1,000	0
(Elimination)	–	–	(1,750)
Total	59,000	80,000	6,000

(2) Analysis of financial position

A. Analysis of assets, liabilities, net assets and cash flows

(a) Assets

Current assets were ¥51,231 million, an increase of ¥7,681 million from the previous fiscal year-end. Such an increase is mainly due to an increase in accounts receivable in line with increased net sales. Non-current assets were ¥33,476 million, an increase of ¥3,751 million from the previous fiscal year-end.

As a result, total assets were ¥84,707 million, an increase of ¥11,432 million from the previous fiscal year-end.

(b) Liabilities

Current liabilities increased by ¥12,345 million to ¥54,465 million, as compared to the previous fiscal year-end. Such increase is mainly due to increases in advance received and the reserve for loss on construction contracts. Non-current liabilities decreased by ¥1,637 million to ¥9,793 million, as compared to the previous fiscal year-end.

As a result, total liabilities increased by ¥10,707 million to ¥64,258 million, as compared to the previous fiscal year-end.

(c) Net assets

Net assets increased by ¥725 million to ¥20,448 million, mainly due to increased net income despite decreasing factors such as the acquisition of treasury stock and valuation difference for available-for-sale securities.

(d) Cash flows

Net cash provided by operating activities during the year was ¥4,576 million, resulting from increases in net income before income taxes and advance received. Net cash used in investing activities amounted to ¥2,225 million mainly due to purchase of property, plant and equipment. Net cash used in financing activities was ¥2,123 million mainly due to repayment of long-term loans.

As a result, cash and cash equivalents at the end of this consolidated fiscal year increased by ¥15 million to ¥17,807 million from the previous fiscal year-end.

B. Principal cash flow indicators

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008
Equity ratio *(%)*	31.1	28.6	26.9	26.9	24.1
Market value-based equity ratio *(%)*	53.9	61.8	74.6	99.4	58.7
Interest-bearing liabilities to cash flow ratio	–	1.0	1.2	0.4	1.5
Interest coverage ratio *(%)*	–	54.3	39.6	75.0	23.9

(Notes) 1. *The calculation method for each indicator is shown below:*

Equity ratio:	equity / total assets
Market value-based equity ratio:	market capitalization / total assets
Interest-bearing liabilities to cash flows:	interest-bearing liabilities / operating cash flows
Interest coverage ratio:	operating cash flows / interest paid

* *Interest-bearing liabilities to cash flow ratio and interest coverage ratio are not indicated when the cash flow from operating activities is negative.*

2. *All indicators were calculated using the consolidated financial figures.*
3. *Market capitalization is calculated as closing stock price at the end of the term multiplied by the number of shares outstanding (after excluding treasury stock) at the end of the term.*
4. *The figure for cash flow from operating activities is the cash flow from operating activities shown in the consolidated cash-flow statement.*
5. *Interest-bearing liabilities refer to all debts on the consolidated balance sheet for which interest is paid. The amount of interest paid on the consolidated cash flow statement was used as interest paid.*

(3) Basic policy on profit distribution and dividends for the year ended March 31, 2008 and 2009

The shipbuilding industry competes worldwide, where there is no distinction between domestic and overseas markets, and is completely contingent upon currency movements and the world shipping market. The business performance of companies in the industry is thus subject to significant change. We have therefore adopted a policy of determining dividend payments by taking into account the business performance trends of the time, giving the highest priority to the return of profits to shareholders, while aiming to maintain harmony with retained earnings in order to strengthen our corporate culture. The year-end dividend for the year ended March 31, 2008 is planned to be ¥5 per share and the year-end dividend for the next fiscal year is planned to be ¥5 per share.

2. State of the Group

Sasebo Heavy Industries Co., Ltd. and its affiliates (comprised of the Company and eight subsidiaries [as of March 31, 2008]) engage primarily in the manufacture and sale of shipbuilding, machinery and steel structures. Please note that the business segments of the Company were changed as of this fiscal year. The positioning of the Company and its affiliates, in their respective business segments, is as follows.

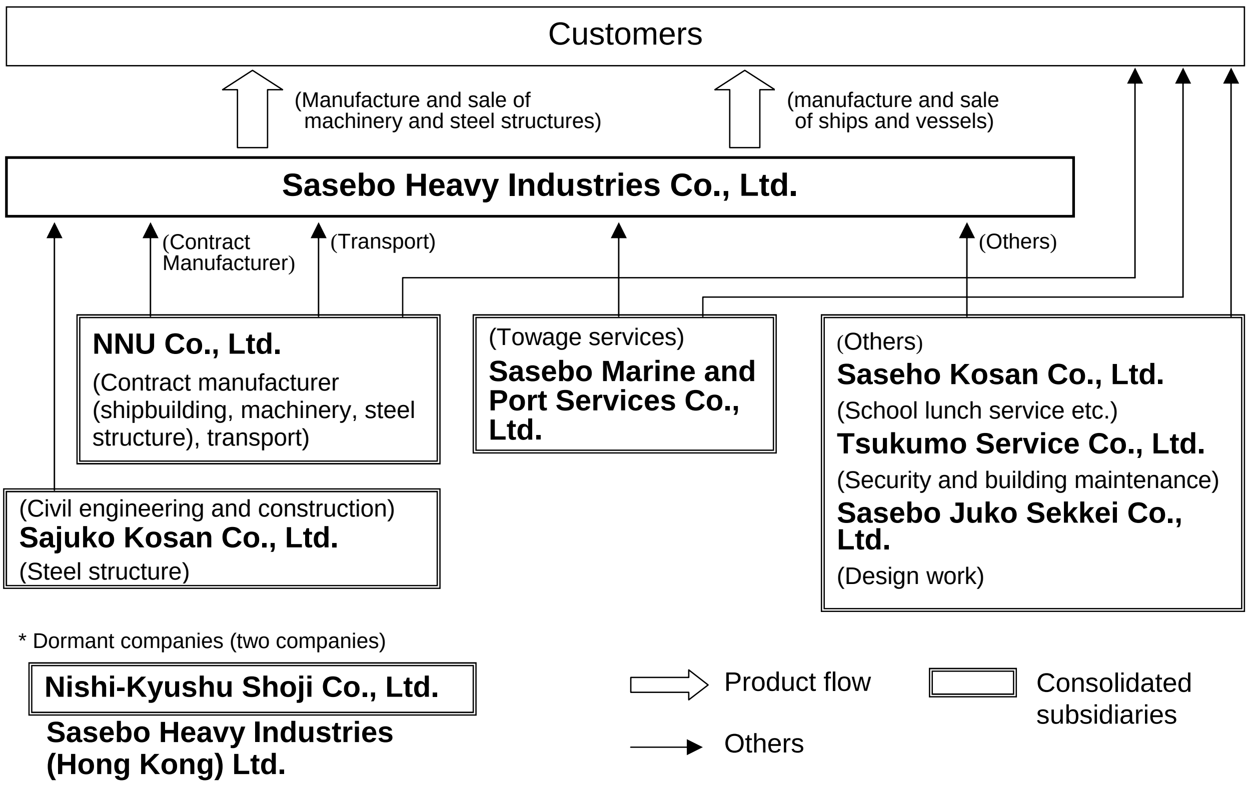
[Shipbuilding]
Sasebo Heavy Industries Co., Ltd. conducts manufacturing and sales. Part of its shipbuilding processes is contracted to N.N.U. Co., Ltd. (a consolidated subsidiary of the Company).

[**Machinery**]
Sasebo Heavy Industries Co., Ltd. conducts manufacturing and sales. Part of its manufacturing processes is contracted to N.N.U. Co., Ltd. (a consolidated subsidiary of the Company).

[**Steel structure**]
Sasebo Heavy Industries Co., Ltd. conducts manufacturing and sales. Part of its steel structure manufacturing is contracted to N.N.U. Co., Ltd. (a consolidated subsidiary of the Company). Sajuko Kosan Co., Ltd. (a consolidated subsidiary of the Company) conducts operations such as civil engineering and construction.

[Others]
Tsukumo Service Co., Ltd. (a consolidated subsidiary of the Company) undertakes security work and cleaning for the Company's factories. Saseho Kosan Co., Ltd. (a consolidated subsidiary of the Company) leases facilities from the Company to operate school lunch centers and golf courses. N.N.U. Co., Ltd. (a consolidated subsidiary of the Company) is engaged in the Company's transport operations. Sasebo Juko Sekkei Co., Ltd. (a consolidated subsidiary of the Company) undertakes design work for the Company. Sasebo Marine and Port Services Co., Ltd. (a consolidated subsidiary of the Company) undertakes towage services for the Company.

The above information is summarized in the following operation chart:



3. Management policy

(1) Principal management policy

Through the Company's motto, "By practicing the Customer First principle, we offer quality and services that fulfill customers' expectations", Sasebo Heavy Industries Co., Ltd. strives for technology upgrades and innovation as well as increased management efficiency. In addition to our mainstay of domestic and overseas shipbuilding and repair for a wide variety of ships and vessels, the Company conducts the manufacture and sale of plants, forged products, general steel structures as well as industrial, chemical engineering and machinery and equipment for marine use. The Company will further intensify its corporate efforts, strive to develop products that address the needs of the new era and produce high quality products that broadly meet industrial requirements. Further, as a comprehensive heavy industry company, Sasebo Heavy Industries Co., Ltd. will carry out corporate activities that can fulfill the expectations of domestic and international customers, shareholders, cooperative companies and other business partners, aim at coexistence and co-prosperity and will accomplish our corporate social mission.

(2) Business performance targets

The Company sets as its priority goals the improvement of net sales, ordinary income and ROE based upon the goals outlined in the new mid-term management plan, and will devote every effort to realize the policies set by each division.

(3) Medium-to long-term management strategies

Sasebo developed its mid-term management plan in April 2003, with the aim of 'early realization of a surplus structure'. Although it mostly achieved this objective, in order to link the remaining issues, such as areas to be further strengthened to the next step, the Company developed a new mid-term management plan in April 2006, which is now being implemented.

With the aim of the selective development, manufacture and sale of high quality products that fulfill customers' expectations, Sasebo will conduct order receipt activities taking profitability into consideration for the new shipbuilding, build new facilities for shipbuilding and undertake hull form research and development. With its shipyard located right on base, the Company will focus its efforts on naval vessel repair operations for the Japan Maritime Self-Defense Force and the United States Navy. In addition, we will aim at quality and productivity improvements for marine equipment and strive to improve competitiveness in steel structure construction. Sasebo will use its traditions to challenge the trends of the times and the changing market, pursue innovation and will work together to win against fierce competition.

(4) Issues to be addressed

The future of the Japanese economy is beset by fears of ever-increasing purchasing prices for steel and raw materials, which are expected to continue in their upward spiral.

Shipbuilding industry has a large volume of construction backlog for the new shipbuilding, however, it is expected that financial uncertainty in the wake of the sub-prime mortgage loan crisis will cause a tightening of loans for ship owners who will then hold off on new ship orders. Also, there are major issues facing the industry such as the further strengthening of competitiveness to face off against Korea and China, where the expansion of business scale continues, and the passing down of technical skills to young people at an expeditious rate in order to offset the mass retirement of the baby boom generation, of which many shipping building technicians are a part.

In the machinery industry, future prospects are obscured by a slowed economy due to sluggish exports grinded down by a weak dollar as well as by halted capital investment from both inside and outside the country.

In the steel structure industry, a continued tightening of public investment is expected as well as an unabating stringent management environment encompassing the steel structures business due to intensifying competition.

Under such circumstances, the Sasebo Group will do its utmost to control costs in each and every aspect of its businesses including steel and other resource prices and continue efforts linked at improving the entire Company's financial results. Also, it will make systematic capital investments, promote the succession of techniques and skills and strive to establish a scheme for such undertakings.

The major undertakings by respective segment are as follows:

1) Shipbuilding

For new shipbuilding, the Company will strive to secure profits through undertaking activities for order receipts mainly for hull forms and vessel type, in which the Company specializes. Further, the Company conducts development of new hull forms and is strengthening its new shipbuilding facilities.

For ship repair, the Company will focus on naval vessel repair operations for the Japan Maritime Self-Defense Force and the United States Navy.

2) Machinery

For the machinery business, the Company will work to improve quality and productivity by effectuating additional facility constructions and training employees.

3) Steel structure

For the steel structure business, the Company will try to achieve better price competitiveness through cost reductions and improvements to its capability to make technical proposals.

Consolidated financial statements

(1) Consolidated balance sheets

(in millions of yen, unless otherwise noted)

	As of March 31, 2008	As of March 31, 2007	Change
	Amount	Amount	Amount
ASSETS			
Current assets:			
Cash and deposits	18,779	21,271	(2,491)
Notes and accounts receivable—trade	24,006	14,228	9,778
Marketable securities	1,539	1,537	1
Inventories	2,961	2,397	564
Accounts receivable—other	1,216	686	529
Deferred tax assets	1,570	2,486	(916)
Other current assets	1,219	987	231
Allowance for doubtful receivables	(62)	(45)	(16)
Total current assets	51,231	43,550	7,681
Non-current assets:			
Property, plant and equipment:			
Buildings and structures	6,661	7,000	(338)
Docks and building berths	722	771	(49)
Machinery, equipment and vehicles	4,326	4,340	(14)
Tools, furniture and fixtures	325	252	72
Land	9,185	9,467	(282)
Construction in progress	3,393	419	2,973
Total property, plant and equipment	24,613	22,252	2,361
Intangible assets:			
Software	141	179	(37)
Utility model rights	0	0	(0)
Telephone subscription rights	11	11	–
Total intangible assets	153	191	(37)
Investments and others:			
Investment securities	5,539	6,999	(1,459)
Long-term loans receivable	14	20	(5)
Deferred tax assets	2,801	0	2,800
Others	863	771	92
Allowance for doubtful receivables	(510)	(511)	0
Total investments and others	8,708	7,280	1,427
Total non-current assets	33,476	29,724	3,751
Total assets	84,707	73,274	11,432

(in millions of yen, unless otherwise noted)

	As of March 31, 2008	As of March 31, 2007	Change
	Amount	Amount	Amount
LIABILITIES			
Current liabilities:			
Notes and accounts payable—trade	20,117	18,930	1,186
Notes payable for equipment	1,116	852	264
Short-term loans payable	2,039	1,665	374
Current portion of bonds	50	100	(50)
Accrued income taxes	79	44	35
Advance received	25,273	18,174	7,099
Reserve for guaranteed contracts	65	74	(9)
Reserve for loss on construction contracts	3,258	76	3,182
Other current liabilities	2,466	2,203	263
Total current liabilities	54,465	42,120	12,345
Non-current liabilities:			
Bonds	–	50	(50)
Long-term loans payable	1,322	2,431	(1,109)
Deferred tax liabilities	3	100	(97)
Reserve for retirement benefits	8,142	8,533	(391)
Reserve for directors' retirement benefits	–	102	(102)
Reserve for special repairs	28	50	(21)
Other non-current liabilities	295	161	134
Total non-current liabilities	9,793	11,431	(1,637)
Total liabilities	64,258	53,551	10,707
NET ASSETS			
Shareholders' equity:			
Common stock	8,414	8,414	–
Capital surplus	5,148	5,148	–
Retained earnings	6,996	4,361	2,634
Treasury stock	(974)	(7)	(966)
Total shareholders' equity	19,583	17,916	1,667
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	864	1,805	(941)
Foreign currency translation adjustments	0	1	(0)
Total valuation and translation adjustments	864	1,806	(942)
Total net assets	20,448	19,723	725
Total liabilities and net assets	84,707	73,274	11,432

(2) Consolidated statements of income

(in millions of yen, unless otherwise noted)

Account title	Fiscal year ended March 31, 2008			Fiscal year ended March 31, 2007			Change
	Amount		%	Amount		%	Amount
Net sales		66,637	100.0		53,846	100.0	12,790
Costs of sales		60,600			49,549		11,050
Gross profit		6,036	9.1		4,297	8.0	1,739
Selling, general and administrative expenses:		2,366			2,139		227
Operating income		3,670	5.5		2,157	4.0	1,512
Non-operating income:							
Interest and dividend income	178			69			
Foreign exchange gains	–			128			
Other	79	257		69	268		(10)
Non-operating expenses:							
Interest expenses	185			162			
Foreign exchange losses	376			–			
Other	70	633		17	180		452
Ordinary income		3,294	4.9		2,245	4.2	1,048
Extraordinary income:							
Gain on sales of non-current assets	6			8			
Gain on sales of investment securities	–	6		23	31		(25)
Extraordinary loss:							
Loss on disposal of non-current assets	189			242			
Loss on sales of non-current assets	6			–			
Impairment loss	446			–			
Loss on valuation of investment securities	838			0			
Provision for directors' retirement benefits for prior periods	–			67			
Other	171	1,652		0	311		1,340
Income before income taxes		1,648	2.5		1,966	3.7	(317)
Income taxes—current	34		0.1	17		0.0	16
Income taxes—deferred	(1,344)		(2.0)	(678)		(1.3)	(665)
Net income		2,958	4.4		2,627	4.9	330

(3) Consolidated statements of changes in net assets

Fiscal year ended March 31, 2008

(in millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	8,414	5,148	4,361	(7)	17,916
Changes of items during the period					
Dividends from surplus			(323)		(323)
Net income			2,958		2,958
Acquisition of treasury stock				(966)	(966)
Net changes of items other than shareholders' equity during consolidated FY 2007					–
Total changes of items during the period	–	–	2,634	(966)	1,667
Balance as of March 31, 2008	8,414	5,148	6,996	(974)	19,583

(in millions of yen)

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total valuation and translation adjustments	
Balance as of March 31, 2007	1,805	1	1,806	19,723
Changes of items during the period				
Dividends from surplus			–	(323)
Net income			–	2,958
Acquisition of treasury stock			–	(966)
Net changes of items other than shareholders' equity during consolidated FY 2007	(941)	(0)	(942)	(942)
Total changes of items during the period	(941)	(0)	(942)	725
Balance as of March 31, 2008	864	0	864	20,448

Consolidated statements of changes in net assets

Fiscal year ended March 31, 2007

(in millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	8,414	5,148	1,734	(4)	15,292
Changes of items during the period					
Dividends from surplus					–
Net income			2,627		2,627
Acquisition of treasury stock				(3)	(3)
Net changes of items other than shareholders' equity during consolidated FY 2007					–
Total changes of items during the period	–	–	2,627	(3)	2,624
Balance as of March 31, 2007	8,414	5,148	4,361	(7)	17,916

(in millions of yen)

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total valuation and translation adjustments	
Balance as of March 31, 2006	1,400	1	1,401	16,693
Changes of items during the period				
Dividends from surplus			–	–
Net income			–	2,627
Acquisition of treasury stock			–	(3)
Net changes of items other than shareholders' equity during consolidated FY 2007	405	(0)	405	405
Total changes of items during the period	405	(0)	405	3,029
Balance as of March 31, 2007	1,805	1	1,806	19,723

(4) Consolidated statements of cash flows

(in millions of yen)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2007	Change
	Amount	Amount	Amount
Cash flows from operating activities:			
Net income before income taxes	1,648	1,966	(317)
Depreciation and amortization	1,617	1,323	294
Impairment losses	446	–	446
Increase in allowance for doubtful receivables	15	88	(72)
Decrease in reserve for retirement benefits	(391)	(179)	(212)
Increase (decrease) in reserve for directors' retirement benefits	(10)	102	(113)
Increase in reserve for guaranteed contracts	(9)	42	(51)
Increase in reserve for loss on construction contracts	3,182	30	3,152
Increase (decrease) in reserve for special repairs	(21)	9	(31)
Interest and dividend income	(178)	(69)	(108)
Interest expenses	185	162	22
Foreign exchange losses (gains)	364	(2)	366
Gain on sales of investments securities	–	(23)	23
Gains on sales of non-current assets	(6)	(8)	1
Loss on sales of non-current assets	6	–	6
Loss on disposal of non-current assets	189	242	(52)
Loss on valuation of investment securities	838	–	838
Equity in losses of affiliates	0	–	0
Increase in notes and accounts receivable—trade	(9,811)	(374)	(9,436)
Increase in inventories and advance payment	(762)	(23)	(738)
Increase in consumption taxes refund receivable	(461)	(103)	(358)
Decrease (increase) in other current assets	(50)	106	(156)
Increase in notes and accounts payable—trade	536	748	(212)
Increase in advance received	7,099	7,440	(341)
Increase in other current liabilities	276	697	(420)
Others	(88)	0	(89)
Subtotal	4,616	12,176	(7,560)
Interest and dividends received	158	65	93
Interest paid	(191)	(158)	(33)
Income taxes paid	(6)	(22)	15
Surcharge for antimonopoly law violations	–	(200)	200
Net cash provided by (used in) operating activities	4,576	11,861	(7,284)

(in millions of yen)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2007	Change
	Amount	Amount	Amount
Cash flows from investing activities:			
Net decrease in deposits with maturities exceeding three months	1,854	667	1,187
Purchase of short-term investment securities	(1,497)	(1,497)	0
Proceeds from sales of short-term investment securities	1,998	13	1,984
Payments for retirement of property, plant and equipment	(64)	–	(64)
Purchase of property, plant and equipment	(3,612)	–	(3,612)
Proceeds from sales of property, plant and equipment	15	(2,492)	2,507
Proceeds from sales and redemption of investment securities	252	73	178
Purchase of investment securities	(1,209)	(1,628)	418
Purchase of intangible assets	(10)	(48)	37
Proceeds from sales of investments and other assets	1	–	1
Collection of loans receivable	5	6	(1)
Payments of loans receivable	–	(5)	5
Decrease (increase) in other non-current assets	(97)	8	(105)
Increase (decrease) in other non-current liabilities	137	(2)	139
Net cash provided by (used in) investing activities	(2,225)	(4,904)	2,678
Cash flows from financing activities:			
Proceeds from short-term loans (repayment)	5	(100)	105
Proceeds from long-term loans	–	500	(500)
Repayment of long-term loans	(740)	(736)	(4)
Payment for redemption of bonds	(100)	(100)	–
Dividends paid	(321)	(0)	(321)
Payments for purchases of treasury stock	(966)	(3)	(963)
Net cash used in financing activities	(2,123)	(439)	(1,684)
Effect of exchange rate changes on cash and cash equivalents	(211)	2	(213)
Increase (decrease) in cash and cash equivalents	15	6,519	(6,504)
Cash and cash equivalents at beginning of period	17,792	11,273	6,519
Cash and cash equivalents at end of period	17,807	17,792	15

(Note) Reconciliation of cash and cash equivalents at the end of the term and the amount recorded in consolidated balance sheets.

	(March 31, 2008)	(March 31, 2007)
	millions of yen	*millions of yen*
Cash and deposits	18,779	21,271
Add marketable securities	1,539	1,537
Less time deposits with maturities exceeding three months	(1,511)	(3,519)
Less bonds with redemption periods exceeding three months	(999)	(1,497)
Cash and cash equivalents at the end of the term	17,807	17,792

Basis of preparation for consolidated financial statements

1. Scope of consolidation

A. Number of consolidated subsidiaries: 7

Names: Saseho Kosan Co., Ltd., N.N.U. Co., Ltd., Tsukumo Service Co., Ltd., Sajuko Kosan Co., Ltd., Nishi-Kyushu Shoji Co., Ltd., Sasebo Juko Sekkei Co., Ltd., Sasebo Marine and Port Services Co., Ltd.

B. Number of non-consolidated subsidiaries: 1

Name: Sasebo Heavy Industries (Hong Kong) Ltd.

Non-consolidated subsidiaries are excluded from the scope of the equity method application due to their small size and lack of significant impact on the consolidated financial statements in terms of either total assets, net sales, net income (amount commensurate with equity) or retained earnings (amount commensurate with equity).

2. Application of the equity method

A. Number of non-consolidated subsidiaries accounted for by the equity method: 1

Name: Sasebo Heavy Industries (Hong Kong) Ltd.

B. Number of affiliates that are not accounted for by the equity method: 1

Name: Imariwan Port Services Co., Ltd.

The affiliates not accounted for by the equity method have no significant impact on consolidated net income (amount commensurate with equity) or retained earnings (amount commensurate with equity) and have no significance as a whole.

3. Fiscal year-end of consolidated subsidiaries

The account closing dates of the consolidated subsidiaries coincide with the consolidated account closing date.

4. Accounting policies

A. Valuation policy and methods of significant assets

(1) Securities

Held-to-maturity securities:	Stated at amortized cost (straight-line method).
Available-for-sale securities	
Securities with fair market value:	Stated at fair market value based on market prices at the end of term. (Valuation difference is reported in a component of net assets, with the cost of securities sold being calculated by the moving-average method.)
Securities without fair market value:	Stated at cost determined by the moving-average method.

(2) Derivatives

Stated by the market value method.

(3) Inventories

Raw materials and stored goods are mainly stated at cost determined by the moving-average method. Construction in process is stated at cost determined by the specific identification method.

B. Depreciation method and standards for significant depreciable assets

(1) Property, plant and equipment: Declining balance method

Changes in Accounting Policies

In accordance with the revised Corporate Tax Law (Partial Amendment to the Income Tax Law, March 30, 2007, Law No. 6; Partial Amendment to the Corporate Tax Law Enforcement Ordinance, March 30, 2007, Ordinance No. 83) and from the fiscal year under review, the method for accounting assets acquired on or after April 1, 2007 has changed as per the revised Law (excluding buildings). As a result, operating income, ordinary income and net income before taxes are each reduced by ¥42 million.

Additional information

Starting from the fiscal year under review, assets acquired on or before March 31, 2007 shall be amortized evenly over a 5-year period from the year after the assets are reduced down to their depreciable limit amounts. As a result, operating income, ordinary income and income before income taxes are each reduced by ¥172 million.

(2) Intangible assets: Straight-line method

C. Accounting for significant allowances and reserves

(1) Allowance for doubtful receivables

In preparation for possible losses arising from defaults on accounts receivables, the estimated irrecoverable amount is appropriated by the actual rate of bad loans for general credit, and by individually reviewing the collectability of specific doubtful credits with concerns over bad loans.

(2) Reserve for retirement benefits

In preparation for payments of employee retirement benefits, the estimated amount, which is thought to have been incurred as of the end of this fiscal year, is appropriated based on projected benefit obligations and pension plan assets at the end of the consolidated fiscal year. Differences arising from changes in the accounting standard (¥4,353 million) are charged to expenses in an 8-year installment. Past service liabilities are charged to expenses as incurred, and actuarial differences are amortized from the following fiscal year by the declining balance method over a specified period (5 years) within the average remaining service years of the employee.

(3) Reserves for guaranteed contracts

Reserves for product warranties have been set aside and accounted for based on the estimated amount of service costs within the warranty period.

(4) Reserve for special repairs

As an appropriation for the payment of special repair work, the estimated cost of the special repair work is set aside and accounted for based on the actual results of the previous fiscal year.

(5) Reserve for loss on construction contracts

Allowance for losses on construction contracts has been provided, based on estimated losses that are anticipated to occur from the next fiscal year, for any undelivered construction contract on which a loss is likely to be incurred as of the end of the current fiscal year and where the amount of such loss can reasonably be estimated.

D. Accounting policies for significant lease transactions

Finance lease transactions are accounted for by the method applicable to ordinary finance lease transactions, except for those where ownership of the leased property is considered to be transferred to the lessee.

E. Significant hedge accounting method

(1) Hedge accounting method

The Group has adopted an exceptional treatment for interest rate swap transactions, since the requirements for the treatment have been met.

(2) Hedging instruments and hedged items

Hedging instruments	Hedged item
Interest rate swaps	Loans payable

(3) Hedging policy

The Group hedges against interest-rate risks, in compliance with the Company regulations.

(4) Assessment of hedge accounting effectiveness

Assessment of hedge accounting effectiveness is omitted, since the Company only handles interest rate swap transactions that qualify for special treatment.

F. Other significant matters serving as the basis for preparing the financial statements

(1) Standard for profit and expense appropriation

Sales are booked in accordance with the Completed Contract Method.
However, the Percentage-of-Completion Method is used for any work with a contract amount exceeding ¥100 million and with a construction period exceeding one year (three months for naval ship repair work).

(2) Accounting for consumption taxes

Consumption taxes and local consumption taxes are accounted for based on the tax exclusion method.

5. Valuation of assets and liabilities of consolidated subsidiaries

The market value method is used in the valuation of assets and liabilities of consolidated subsidiaries at the time when the Company acquired control of the respective subsidiaries.

6. Scope of funds in the consolidated statements of cash flows

The funds (cash and cash equivalent) in the consolidated statements of cash flows consist of cash in hand, demand deposits and short-term investments with a maturity of three months or less from the date of acquisition, which can be encashed easily and have a very low risk with regard to value fluctuations.

Notes to Consolidated Balance Sheets

		Current fiscal year (March 31, 2008)	Previous fiscal year (March 31, 2007)
1.	Assets pledged as collateral and obligations secured by such collateral	*millions of yen*	*millions of yen*
	Assets pledged as collateral	10,258	13,763
	Obligations secured by such collateral	17,481	5,710
2.	Accumulated depreciation and amortization for property, plant and equipment	36,603	35,899
3.	Accounting for notes maturing on the final day of the fiscal year (consolidated)		
	Notes and accounts receivable—trade	–	95
	Notes and accounts payable—trade	–	672

Notes to Consolidated Statements of Changes in Net Assets

1. Number of issued shares

Class of share	Number of shares as of the end of the previous fiscal year	Increase	Decrease	Number of shares as of the end of the current fiscal year
Common stock	161,955,000	–	–	161,955,000

2. Treasury stock

Class of share	Number of shares as of the end of the previous fiscal year	Increase	Decrease	Number of shares as of the end of the current fiscal year
Common stock	42,789	1,425,489	–	1,468,278

(Note) The increase in treasury stock resulted from the Company's purchase of treasury stock based on the Articles of Incorporation whose provisions are in accordance with Article 165, Paragraph 2 of the Corporation Law and requests by shareholders for the purchase of shares of less than 1 unit.

3. Dividends

Dividends whose record date falls in the current fiscal year and have an effective date in the next year

Resolution	Class of shares	Dividend source	Total amounts of dividends	Dividend per share	Record date	Effective date
			millions of yen	*yen*		
June 25, 2008 (Annual shareholders meeting)	Common stock	Retained earnings	802	5.0	March 31, 2008	June 26, 2008

Lease transactions, transactions with related concerned parties, tax effect accounting, securities, derivatives transactions and notes concerning retirement benefits were omitted because their disclosure is considered unnecessary in financial results reports.

Segment Information

[Information by business segment]

Fiscal year ended March 31, 2008 *(in millions of yen)*

	Shipbuilding	Machinery	Steel structure	Others	Total	Elimination and corporate	Consolidated
I. Net sales and operating income							
Net sales							
(1) Outside customers	53,707	7,137	4,732	1,059	66,637	–	66,637
(2) Inter-segment sales and transfers	–	–	675	1,436	2,111	(2,111)	–
Total	53,707	7,137	5,407	2,495	68,748	(2,111)	66,637
Operating expenses	49,999	4,342	6,877	2,433	63,652	(685)	62,966
Operating income (loss)	3,707	2,795	(1,469)	62	5,096	(1,426)	3,670
Ⅱ. Assets, depreciation and capital expenditures							
Assets	29,444	7,139	2,566	177	39,327	45,379	84,707
Depreciation and amortization	790	400	87	14	1,291	326	1,617
Impairment losses	–	–	–	29	435	417	446
Capital expenditures	2,633	722	301	22	3,679	813	4,493

(Notes) 1. Businesses are segmented taking into consideration the similarities in the types and nature of products and their manufacturing and sales method as well as the income tabulation classification, related assets, etc.

2. Main products of each business segment

(1) Shipbuilding: Building, repair, and conversion of oil tankers, bulk carriers, coal carriers, ore carriers, log carriers ,LPG vessels, container carriers, naval ships, marine research vessels, etc.

(2) Machinery: Steel making and processing machinery, press machinery, heat exchangers, pressure vessels, tower/vessels, boilers for marine use, marine machinery such as fin stabilizers, crankshafts and marine diesel machinery parts, rudders

(3) Steel structure: Marine structure such as bridges, floating pontoons, hydraulic gates, steel penstocks, steel frames, cable cranes, steel pools, pontoons/caissons

(4) Others: Transportation service, facility management, golf course, agencies, others

Fiscal year ended March 31, 2007 *(in millions of yen)*

	Shipbuilding	Machinery/ steel structure	Others	Total	Elimination and corporate	Consolidated
I. Net sales and operating income						
Net sales						
(1) Outside customers	43,999	8,848	998	53,846	–	53,846
(2) Inter-segment sales and transfers	–	565	1,352	1,918	(1,918)	–
Total	43,999	9,414	2,351	55,765	(1,918)	53,846
Operating expenses	41,814	8,170	2,255	52,241	(552)	51,688
Operating income (loss)	2,184	1,243	95	3,523	(1,366)	2,157
Ⅱ. Assets, depreciation and capital expenditures						
Assets	18,633	8,205	179	27,017	46,256	73,274
Depreciation and amortization	673	378	9	1,062	260	1,323
Capital expenditures	1,403	682	10	2,096	232	2,328

(Notes) 1. Businesses are segmented taking into consideration the similarities in the types and nature of products and their manufacturing and sales method as well as the income tabulation classification, related assets, etc.

2. Main products of each business segment

(1) Shipbuilding: Building, repair, and conversion of oil tankers, bulk carriers, coal carriers, ore carriers, log carriers ,LPG vessels, refrigerated cargo carriers, container carriers, naval ships, marine research vessels, etc.

(2) Machinery/steel structure: steel making and processing machinery, press machinery, heat exchangers, freezing systems, fresh water generators, pressure vessels, tower/vessels, boilers for marine use, marine machinery such as fin stabilizers, crankshafts and marine diesel machinery parts, rudders, bridges, hydraulic gates, steel penstocks, tanks, steel

frames, cable cranes, steel pools

(3) Others: Transportation service, facility management, golf course, agencies, others

3. *The following are amounts included in and main details of "Elimination and corporate".*

(in millions of yen)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2007	Main details
Unallocatable operating expenses included in "Elimination and corporate"	1,425	1,356	Expenses connected to the administrative department such as the general affairs department of the submitting company (the Company)
Unallocated corporate assets included in "Elimination and corporate"	45,379	46,256	Assets connected to surplus funds (cash and securities), long-term investment funds (investment securities), and administrative department of the submitting company (the Company)

4. *Method of depreciating and amortizing depreciable assets*

As iterated in "Basis of preparation for consolidated financial statements, 4. Accounting Policies, (B) Depreciation method and standards for significant depreciable assets", the method of depreciation and amortization has been changed from the year ended March 31, 2008. The following is the tabulation by business segment of effects as a result of this change.

(in millions of yen)

	Shipbuilding	Machinery	Steel structure	Others	Total	Elimination and corporate	Consolidated
Increase in operating expenses	15	8	4	1	30	12	42
Decrease in operating expenses	(15)	(8)	(4)	(1)	(30)	(12)	(42)
Decrease in assets	(15)	(8)	(4)	(1)	(30)	(12)	(42)
Increase in depreciation and amortization	15	8	4	1	30	12	42

5. *Change of business segments*

In the past, the organizational composition of the Company was based on function, however, this was changed to a business division system in an effort to optimize overall managerial resources and effectuate more meticulous income management of each business division. In making the transition to a business division system, the Company not only took into consideration the basis of the classifications of each business division but also the similarities between the products they handle changing the classification with respect to segment information by business type from the conventional "shipbuilding", "machinery and steel structures" and "other" to "shipbuilding", "machinery", "steel structures" and "other".

The following is segment information by business segment for the previous fiscal year with classifications changed as iterated above.

Fiscal year ended March 31, 2007 *(in millions of yen)*

	Shipbuilding	Machinery	Steel structure	Others	Total	Elimination and corporate	Consolidated
I. Net sales and operating income							
Net sales							
(1) Outside customers	43,999	6,369	2,478	998	53,846	–	53,846
(2) Inter-segment sales and transfers	–	–	565	1,352	1,918	(1,918)	–
Total	43,999	6,369	3,044	2,351	55,765	(1,918)	53,846
Operating expenses	41,814	4,566	3,604	2,255	52,241	(552)	51,688
Operating income (loss)	2,184	1,803	(559)	95	3,523	(1,366)	2,157
II. Assets, depreciation and capital expenditures							
Assets	18,633	6,482	1,722	179	27,017	46,256	73,274
Depreciation and amortization	673	335	43	9	1,062	260	1,323
Capital expenditures	1,403	530	151	10	2,096	232	2,328

Information by geographic segment

Not indicated because no overseas consolidated subsidiaries or branch offices existed in the previous and current fiscal years.

Overseas sales

Fiscal year ended March 31, 2008

	Central America	Europe	Asia	Africa	Others	Total
I. Overseas net sales *(millions of yen)*	20,032	23	6,196	19,817	1,563	47,634
II. Consolidated net sales *(millions of yen)*						66,637
III. Percentage of overseas net sales to consolidated net sales *(%)*	30.1	0.0	9.3	29.7	2.4	71.5

(Notes) *1. The classification of countries or regions is based on geographical proximity.*
2. Main countries and regions affiliated to each classification:
(1) Central America: Panama, Bahamas, Venezuela
(2) Europe: Greece, Germany, Italy, the Netherland
(3) Asia: Hong Kong, Singapore, the Philippines, Taiwan
(4) Africa: Liberia
(5) Others: USA, the Marshall Islands
3. "Overseas net sales" are the net sales of the Company and its consolidated subsidiaries in countries or areas outside Japan.

Fiscal year ended March 31, 2007

	Central America	Europe	Asia	Africa	Others	Total
I. Overseas net sales *(millions of yen)*	22,777	1,702	203	14,119	846	39,648
II. Consolidated net sales *(millions of yen)*						53,846
III. Percentage of overseas net sales to consolidated net sales *(%)*	42.3	3.1	0.4	26.2	1.6	73.6

(Notes) *1. The classification of countries or regions is based on geographical proximity.*
2. Main countries and regions affiliated to each classification:
(1) Central America: Panama, Bahama
(2) Europe: Greece, Germany
(3) Asia: Hong Kong, Singapore, the Philippines
(4) Africa: Liberia, Egypt
(5) Others: USA
3. "Overseas net sales" are the net sales of the Company and its consolidated subsidiaries in countries or areas outside Japan.

Per Share Information

Fiscal year ended March 31, 2008		Fiscal year ended March 31, 2007	
	yen		*yen*
Net assets per share	127.42	Net assets per share	121.81
Net income per share	18.33	Net income per share	16.23

(Notes) 1. The net income per share after adjustment of residual securities is not indicated because of the lack of residual securities.
2. The basis for calculating the net income per share is as follows.

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2007
Net income *(millions of yen)*	2,958	2,627
Amounts not applicable to common shareholders *(millions of yen)*	–	–
Net income connected to common stock *(millions of yen)*	2,958	2,627
Average number of common shares during the term *(thousand shares)*	161,362	161,916

Production, Orders Received, and Sales

(1) Production

(in millions of yen, unless otherwise noted)

Product category	Fiscal year ended March 31, 2008		Fiscal year ended March 31, 2007		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	53,073	82.0	42,775	81.3	10,297	24.1
Machinery	6,081	9.4	5,645	10.7	436	7.7
Steel structure	4,530	7.0	3,223	6.1	1,306	40.5
Others	1,059	1.6	990	1.9	68	6.9
Total	64,744	100.0	52,635	100.0	12,109	23.0

(2) Orders Received

(in millions of yen, unless otherwise noted)

Product category	Fiscal year ended March 31, 2008		Fiscal year ended March 31, 2007		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	105,128	92.0	46,975	72.7	58,152	123.8
Machinery	7,188	6.3	6,291	9.7	897	14.3
Steel structure	878	0.8	10,343	16.0	(9,464)	(91.5)
Others	1,059	0.9	1,000	1.6	59	5.9
Total	114,255	100.0	64,610	100.0	49,644	76.8

(3) Order backlog

(in millions of yen, unless otherwise noted)

Product category	Fiscal year ended March 31, 2008		Fiscal year ended March 31, 2007		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	254,162	94.8	189,366	91.4	64,795	34.2
Machinery	5,760	2.1	5,696	2.8	63	1.1
Steel structure	8,321	3.1	12,112	5.8	(3,791)	(31.3)
Others	–	–	7	0.0	(7)	(100.0)
Total	268,243	100.0	207,183	100.0	61,059	29.5

(Note) Order backlog is described by the complete contract method. Of order backlog amounts for the end of the current fiscal year, ¥14,068 million for shipbuilding and ¥1,564 million for steel structure are recorded as sales by the percentage of completion method.

(4) Sales

(in millions of yen, unless otherwise noted)

Product category	Fiscal year ended March 31, 2008		Fiscal year ended March 31, 2007		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	53,707	80.6	43,999	81.7	9,707	22.1
Machinery	7,137	10.7	6,369	11.8	767	12.0
Steel structure	4,732	7.1	2,478	4.6	2,253	90.9
Others	1,059	1.6	998	1.9	60	6.0
Total	66,637	100.0	53,846	100.0	12,790	23.8

Non-consolidated financial statements

(1) Non-consolidated balance sheets

(in millions of yen, unless otherwise noted)

	As of March 31, 2008	As of March 31, 2007	Change
	Amount	Amount	Amount
ASSETS			
Current assets:			
Cash and deposits	18,307	21,019	(2,711)
Notes receivable—trade	782	947	(164)
Accounts receivable—trade	23,089	13,308	9,781
Marketable securities	1,499	1,497	1
Raw materials and supplies	1,192	697	495
Partly-finished work	1,753	1,685	67
Advance payments—other	1,118	920	198
Prepaid expenses	31	13	17
Accounts receivable—other	1,390	835	555
Deferred tax assets	1,552	2,475	(923)
Other current assets	63	44	19
Allowance for doubtful receivables	(58)	(57)	(0)
Total current assets	50,723	43,387	7,336
Non-current assets:			
Property, plant and equipment:			
Buildings	2,896	3,007	(110)
Structures	3,759	3,991	(231)
Docks and building berths	722	771	(49)
Machinery and equipment	4,224	4,267	(42)
Vessels	33	9	23
Vehicles	46	41	4
Tools, furniture and fixtures	320	248	71
Land	9,185	9,435	(250)
Construction in progress	3,428	419	3,009
Total property, plant and equipment	24,615	22,190	2,425
Intangible assets			
Software	141	178	(37)
Utility model rights	0	0	(0)
Telephone subscription rights	10	10	–
Total intangible assets	151	189	(37)
Investments and other assets:			
Investment securities	5,406	6,844	(1,438)
Stocks of subsidiaries and affiliates	141	56	85
Investments in capital	19	19	–
Long-term loans receivable	14	20	(5)
Long-term accounts receivable	239	479	(239)
Claims provable in bankruptcy, claims provable in rehabilitation and other	399	232	167
Deferred tax assets	2,799	–	2,799
Others	252	87	164
Allowance for doubtful receivables	(559)	(560)	0
Total investments and other assets	8,713	7,180	1,533
Total non-current assets	33,481	29,559	3,921
Total assets	84,205	72,947	11,257

(in millions of yen, unless otherwise noted)

	As of March 31, 2008	As of March 31, 2007	Change
	Amount	Amount	Amount
LIABILITIES			
Current liabilities:			
Notes payable—trade	5,371	5,399	(28)
Notes payable for equipment	1,116	852	264
Accounts payable—trade	14,760	13,698	1,061
Short-term loans payable	2,039	1,665	374
Current portion of bonds	50	100	(50)
Accounts payable—other	148	39	109
Accrued expenses	2,006	1,916	89
Accrued income taxes	59	43	16
Advance received	25,273	18,174	7,099
Deposits received	197	175	21
Reserve for guaranteed contracts	65	74	(9)
Reserve for loss on construction contracts	3,258	76	3,182
Other current liabilities	16	–	16
Total current liabilities	54,362	42,214	12,147
Non-current liabilities:			
Bonds	–	50	(50)
Long-term loans payable	1,322	2,431	(1,109)
Long-term accounts payable—other	152	35	116
Deferred tax liabilities	–	90	(90)
Reserve for retirement benefits	8,097	8,495	(397)
Reserve for directors' retirement benefits	–	102	(102)
Reserve for special repairs	28	50	(21)
Total long-term liabilities	9,601	11,257	(1,655)
Total liabilities	63,963	53,471	10,492
NET ASSETS			
Shareholders' equity:			
Common stock	8,414	8,414	–
Capital surplus	5,148	5,148	–
Legal capital surplus	5,148	5,148	–
Retained earnings	6,798	4,139	2,659
Legal retained earnings	1,456	1,456	–
Other retained earnings	5,342	2,683	2,659
Reserve for reduction entry of land	70	70	–
Retained earnings brought forward	5,272	2,612	2,659
Treasury stock	(974)	(7)	(966)
Total shareholders' equity	19,386	17,693	1,692
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	855	1,782	(926)
Total valuation and translation adjustments	855	1,782	(926)
Total net assets	20,241	19,475	765
Total liabilities and net assets	84,205	72,947	11,257

(2) Non-consolidated statements of income

(in millions of yen, unless otherwise noted)

Account title	Fiscal year ended March 31, 2008			Fiscal year ended March 31, 2007			Change
	Amount		%	Amount		%	Amount
Net sales		65,573	100.0		52,889	100.0	12,683
Costs of goods sold		59,683			48,669		11,014
Gross profit on sales		5,890	9.0		4,220	8.0	1,669
Selling, general and administrative expenses:		2,254			2,089		164
Operating income		3,635	5.5		2,130	4.0	1,505
Non-operating income:							
Interest and dividend income	177			69			
Foreign exchange gains	–			128			
Other	61	238		63	261		(23)
Non-operating expenses:							
Interest expenses	185			162			
Foreign exchange losses	376			–			
Other	70	632		8	171		461
Ordinary income		3,241	4.9		2,221	4.2	1,020
Extraordinary income:							
Gain on sales of non-current assets	6			8			
Gain on sales of investment securities	–	6		23	31		(25)
Extraordinary losses:							
Loss on sales of non-current assets	6			–			
Loss on disposal of non-current assets	187			237			
Loss on valuation of investment securities	838			–			
Impairment loss	385			–			
Provision for directors' retirement benefits for prior periods	–			67			
Other	171	1,588		1	306		1,281
Income before income taxes		1,659	2.5		1,946	3.7	(286)
Income taxes—current	12			13			(0)
Income taxes—deferred	(1,336)			(676)			(659)
Net income		2,983	4.5		2,609	4.9	373

(3) Non-consolidated statements of changes in net assets
Fiscal year ended March 31, 2008

(in millions of yen)

	Shareholders' equity								
	Common stock	Capital surplus		Retained earnings				Treasury stock	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
					Reserve for reduction entry of land	Retained earnings brought forward			
Balance as of March 31, 2007	8,414	5,148	5,148	1,456	70	2,612	4,139	(7)	17,693
Changes of items during the period									
Dividends from surplus						(323)	(323)		(323)
Net income						2,983	2,983		2,983
Acquisition of treasury stock							–	(966)	(966)
Net changes of items other than shareholders' equity during consolidated FY 2008							–		–
Total changes of items during the period	–	–	–	–	–	2,659	2,659	(966)	1,692
Balance as of March 31, 2008	8,414	5,148	5,148	1,456	70	5,272	6,798	(974)	19,386

(in millions of yen)

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance as of March 31, 2007	1,782	1,782	19,475
Changes of items during the period			
Dividends from surplus		–	(323)
Net income		–	2,983
Acquisition of treasury stock		–	(966)
Net changes of items other than shareholders' equity during consolidated FY 2008	(926)	(926)	(926)
Total changes of items during the period	(926)	(926)	765
Balance as of March 31, 2008	855	855	20,241

Non-consolidated statements of changes in net assets
Fiscal year ended March 31, 2007

(in millions of yen)

	Shareholders' equity								
	Common stock	Capital surplus		Retained earnings				Treasury stock	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
					Reserve for reduction entry of land	Retained earnings brought forward			
Balance as of March 31, 2006	8,414	5,148	5,148	1,456	70	3	1,529	(4)	15,087
Changes of items during the period									
Dividends from surplus			–				–		–
Net income			–			2,609	2,609		2,609
Acquisition of treasury stock			–				–	(3)	(3)
Net changes of items other than shareholders' equity during consolidated FY 2007			–				–		–
Total changes of items during the period	–	–	–	–	–	2,609	2,609	(3)	2,606
Balance as of March 31, 2007	8,414	5,148	5,148	1,456	70	2,612	4,139	(7)	17,693

(in millions of yen)

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance as of March 31, 2006	1,372	1,372	16,459
Changes of items during the period			
Dividends from surplus		–	–
Net income		–	2,609
Acquisition of treasury stock		–	(3)
Net changes of items other than shareholders' equity during consolidated FY 2007	409	409	409
Total changes of items during the period	409	409	3,016
Balance as of March 31, 2007	1,782	1,782	19,475