Translation

Summary of Consolidated Financial Results for the Nine Months of the Fiscal Year Ending March 31, 2009

January 29, 2009

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 t	o file quarterly report: February 12, 2009

Figures less than one million yen have been omitted.

Consolidated financial results for the nine months of the fiscal year ending March 31, 2009 1. (From April 1, 2008 to December 31, 2008)

(1) Consolidated operation	g results (cui	nulat	ive)		(Percentages	indicate	year-on-year c	hanges.)
	Net sales		Operating in	come	Ordinary in	come	Net incor	ne
	millions of yen	%	millions of yer	n %	millions of yer	1 %	millions of year	n %
For the nine months ended								
December 31, 2008	56,875	_	5,655	_	5,659	_	3,255	_
December 31, 2007	50,192	27.2	5,687	450.0	5,643	389.0	3,050	134.1

	Net income per share	Diluted net income per share
	yen	yen
For the nine months ended		
December 31, 2008	20.28	-
December 31, 2007	18.87	_

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
As of				
December 31, 2008	90,964	22,105	24.3	137.74
March 31, 2008	84,707	20,448	24.1	127.42

Reference: Equity

As of December 31, 2008: ¥22,105 million As of March 31, 2008:

¥20,448 million

2. Cash dividends

		Cash dividends per share					
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual		
	yen	yen	yen	yen	yen		
For the fiscal year ended March 31, 2008	-	-	-	5.00	5.00		
For the fiscal year ending March 31, 2009	-	-	_				
For the fiscal year ending March 31, 2009 (Forecast)				5.00	5.00		

Note: Revision of the forecast in the third quarter of FY2009: No

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

					(1 6	erceniu	ges maicule year	-on-ye	eur chunges.)
	Net sales	5	Operating inc	come	Ordinary inco	ome	Net income		Net income per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
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

Note: Revision of the forecasts in the third quarter of FY2009: No

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Application of simplified accounting and special accounting for preparing the quarterly consolidated financial statements: Yes

Note: For more details, please refer to the section of "4. Others" of "[Qualitative Information and Financial Statements]" on pages 5-6.

- (3) Changes in accounting policies, procedures and methods of presentation for preparing the quarterly consolidated financial statements (changes to be described in the section of "Changes in basis of preparation for the quarterly consolidated financial statements")
 - A. Changes due to revisions to accounting standards and other regulations: Yes
 - B. Changes due to other reasons: No
 - *Note:* For more details, please refer to the section of "4. Others" of "[Qualitative Information and Financial Statements]" on pages 5-6.

(4) Number of issued shares (common stock)

A.	Total number of issued shares at the end of the pe	riod (including treasury stock)
	As of December 31, 2008	161,955,000 shares
	As of March 31, 2008	161,955,000 shares
B.	Number of treasury shares at the end of the period	1
	As of December 31, 2008	1,473,498 shares
	As of March 31, 2008	1,468,278 shares
C.	Average number of shares during the period (cum	nulative from the beginning of the fiscal year)
	For the nine months ended December 31, 2008	160,485,023 shares
	For the nine months ended December 31, 2007	161,625,134 shares

* Proper use of the forecast, and other special matters

Commencing with the current fiscal year, the quarterly consolidated financial statements conform to the "Accounting Standard for Quarterly Financial Reporting" (ASBJ [Accounting Standards Board of Japan] Statement No. 12) and the "Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14). They are also prepared in accordance with the "Regulation for Quarterly Consolidated Financial Statements."

The forecast is based on judgments and estimates that have been made on the basis of currently available information and are subject to a number of risks and uncertainties. Changes in the company's performance and other factors may cause actual results to differ from these forecast figures.

[Qualitative Information and Financial Statements]

1. Qualitative information on consolidated operating results

The Japanese economy during the nine months of the fiscal year ending March 31, 2009 continued to worsen since the real global economy, which resulted from the financial turmoil sparked by the subprime loan crisis in the US, deteriorated and corporate earnings mostly in the export industry fell in the wake of a strong yen which had been sharply appreciating since autumn.

Under these conditions, the Sasebo Group posted \$38,295 million in consolidated orders received, a 33.1% decrease over the same period of the previous fiscal year. Consolidated net sales were \$56,875 million, a 13.3% increase over the same period of the previous fiscal year thanks to the improvement of new ship prices, resulting in a 15.0% increase in order backlog at the end of the nine months period under review to \$251,085 million. In terms of income, a consolidated operating income of \$5,655 million was posted, resulting from the improvement of new ship prices despite soaring purchase prices for steel and other materials and equipment. A consolidated ordinary income of \$5,659 million and a consolidated net income of \$3,255 million was posted after the deduction of income taxes.

Operating results by business segment are as follows:

(1) Shipbuilding

The Group posted consolidated orders received of a total of \$29,133 million (including ship repairs for commercial vessels) for its shipbuilding business, a decrease of 42.2% compared to the same period of the previous fiscal year representing new shipbuilding of a total of 3 ships: 1 unit of $84,500m^3$ LPG vessel and 2 units of 75,000 DWT bulk carriers. The order received in and before the previous fiscal year for 2 units of 180,000 DWT bulk carriers was changed to 4 units of 75,000 DWT bulk carriers by an alteration of contract. Net sales amounted to \$47,100 million for new shipbuilding and ship repairs, up 16.5% compared to the same period of the previous fiscal year. New ships delivered during the nine months period under review totaled 7 ships: 4 units of 115,000 DWT crude oil tankers and 3 units of 115,000 DWT product tanker. As a result, order backlog for new shipbuilding came to 36 units. In terms of income, \$4,760 million in operating income was posted due to the improvement of new ship prices despite soaring purchase prices for steel and other materials and equipment.

(2) Machinery

The Group posted consolidated orders received of ¥7,621 million for its machinery business, an increase of 42.5% over the same period of the previous fiscal year, representing 205 orders of equipment-related work such as marine equipment and general industrial machinery. Net sales were ¥5,706 million, a 3.1% increase over the same period of the previous fiscal year. In terms of income, operating income was ¥2,555 million resulting from the effects of increased production of crankshafts brought about by capital investments despite an increase in purchase prices for materials and equipment.

(3) Steel Structure

The Group posted consolidated orders received of \$677 million for its steel structure business, an increase of 2.5% over the same period of the previous fiscal year, representing 25 constructions of bridges, etc. Net sales reached \$3,205 million, a 6.6% decrease from the same period of the previous fiscal year. An operating loss of \$411 million was posted due to the accounting of low profitability construction orders.

(4) Others

Other business segments are comprised mainly of transport business, etc. The Group posted orders received of \$862 million, for an increase of 6.7% over the same period of the previous fiscal year. Net sales of \$862 million were posted, an increase of 6.7% over the same period of the previous fiscal year, and an operating income of \$122 million was posted.

2. Qualitative information on consolidated financial position

(a) Assets

Current assets were \$54,964 million, an increase of \$3,732 million from the previous consolidated fiscal year-end. Non-current assets were \$36,000 million, an increase of \$2,524 million from the previous consolidated fiscal year-end. This was mainly due to the increase in property, plant and equipment as a result of capital investments.

As a result, total assets were \$90,964 million, an increase of \$6,256 million from the previous consolidated fiscal year-end.

(b) Liabilities

Current liabilities increased by ¥4,460 million to ¥58,925 million, as compared to the previous consolidated fiscal year-end. Such increase is mainly due to the inclusion of notes maturing on the last day of the consolidated nine month period in notes and accounts payable—trade because the last day of the consolidated nine month period fell on a bank holiday. Non-current liabilities increased by ¥139 million to ¥9,933 million.

As a result, total liabilities were ¥68,859 million, an increase of ¥4,600 million from the previous consolidated fiscal year-end.

(c) Net assets

Net assets for the third quarter increased by \$1,656 million to \$22,105 million compared to the consolidated fiscal year-end due to the recording of net income.

3. Qualitative information on consolidated forecast

Although the task of predicting stock market trends and other potential impacts on the Group's performance continues to be difficult, the Group's consolidated operating results during the nine months of the fiscal year ending March 31, 2009, was robust. Consequently, no change has been made to the fiscal year forecasts announced along with the financial results on May 15, 2008. Any future change will be appropriately disclosed.

4. Others

(1) Changes in significant subsidiaries during the period No items to report

(2) Application of simplified accounting and special accounting for preparing the quarterly consolidated financial statements

[Application of simplified accounting]

Calculation method of income taxes, deferred tax assets and deferred tax liabilities The calculation of the income tax payment amount is effectuated based on the method in which the addition and subtraction items and tax deduction items are limited to the important items only. Pertaining to the determination of the recoverability of deferred tax assets, because of the recognition of the absence of any material changes in business environment and other factors and in temporary differences or other events occurring after the end of the previous fiscal year, the forecasts and tax planning used in the previous consolidated fiscal year are used.

[Application of special accounting for preparing the quarterly consolidated financial statements] No items to report

(3) Changes in accounting policies, procedures and methods of presentation for preparing the quarterly consolidated financial statements

- a. Commencing with the first quarter of the fiscal year, the quarterly consolidated financial statements conform to the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12; March 14, 2007) and the "Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14; March 14, 2007).
- b. From the first quarter of the fiscal year, the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5; 2006) was applied, therefore, with respect to valuation standards, the cost method was replaced by the cost method (method involving the write-down of book value due to the decreased profitability of assets). Please note that the operating income, ordinary income and income before income taxes were not affected by this change.
- c. From the first quarter of the fiscal year, the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13; June 17, 1993; final revision March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16; January 18, 1994; final revision March 30, 2007) were applied early. Please note that the operating income, ordinary income and income before income taxes were not affected by this change.

5. Consolidated financial statements

(1) Consolidated balance sheets

	As of December 31, 2008	As of March 31, 2008 (Summary)
Assets		
Current assets		
Cash and deposits	22,040	18,779
Notes and accounts receivable-trade	23,948	24,006
Marketable securities	1,550	1,539
Merchandise and finished goods	15	13
Partly-finished work	2,513	1,753
Raw materials and supplies	1,389	1,194
Accounts receivable-other	883	1,216
Deferred tax assets	1,376	1,570
Other current assets	1,302	1,219
Allowance for doubtful receivables	(57)	(62
Total current assets	54,964	51,231
Non-current assets		
Property, plant and equipment		
Land	8,280	9,185
Other, net	19,149	15,428
Total property, plant and equipment	27,430	24,613
Intangible assets	173	153
Investments and other assets		
Investment securities	4,598	5,539
Others	4,229	3,679
Allowance for doubtful receivables	(432)	(510
Total investments and other assets	8,395	8,708
Total non-current assets	36,000	33,476
Total assets	90,964	84,707

(in millions of yen, unless otherwise noted)

	As of December 31, 2008	As of March 31, 2008 (Summary)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	26,016	20,117
Notes payable for equipment	1,357	1,116
Short-term loans payable	3,379	2,039
Current portion of bonds	_	50
Accrued income taxes	2,057	79
Advance received	21,733	25,273
Reserve for guaranteed contracts	40	65
Reserve for loss on construction contracts	3,215	3,258
Other current liabilities	1,126	2,466
Total current liabilities	58,925	54,465
– Non-current liabilities		
Long-term loans payable	1,199	1,322
Deferred tax liabilities	0	3
Reserve for retirement benefits	8,401	8,142
Reserve for special repairs	23	28
Other non-current liabilities	308	295
Total non-current liabilities	9,933	9,793
– Total liabilities	68,859	64,258
Net assets		
Shareholders' equity		
Common stock	8,414	8,414
Capital surplus	5,148	5,148
Retained earnings	9,449	6,996
Treasury stock	(975)	(974
Total shareholders' equity	22,035	19,583
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	69	864
Foreign currency translation adjustments	_	0
Total valuation and translation adjustments	69	864
Total net assets	22,105	20,448
Total liabilities and net assets	90,964	84,707

(2) Consolidated statements of income

	For the nine months ended December 31, 2008
Net sales	56,875
Costs of sales	49,077
Gross profit	7,797
Selling, general and administrative expenses	2,141
Operating income	5,655
Non-operating income	
Interest and dividend income	179
Other	94
Total non-operating income	274
Non-operating expenses	
Interest expenses	141
Foreign exchange losses	62
Other	66
Total non-operating expenses	270
Ordinary income	5,659
Extraordinary income	
Gain on sales of non-current assets	297
Reversal of allowance for doubtful receivables	23
Other	1
Total extraordinary income	322
Extraordinary loss	
Loss on disposal of non-current assets	123
Loss on sales of non-current assets	194
Loss on valuation of investment securities	174
Other	79
Total extraordinary losses	571
Income before income taxes	5,410
Income taxes—current	2,041
Income taxes—deferred	113
Total income taxes	2,155
Net income	3,255

(3) Consolidated statements of cash flows

	For the nine months ended December 31, 2008
Cash flows from operating activities	
Income before income taxes	5,410
Depreciation and amortization	1,771
Increase (decrease) in allowance for doubtful receivables	(82
Increase (decrease) in reserve for loss on construction contracts	(43
Increase (decrease) in reserve for retirement benefits	259
Increase (decrease) in reserve for guaranteed contracts	(25
Increase (decrease) in reserve for special repairs	(5
Interest and dividend income	(179
Interest expenses	141
Foreign exchange losses (gains)	63
Loss (gain) on sales of non-current assets	(103
Loss (gain) on disposal of non-current assets	123
Loss (gain) on valuation of investment securities	174
Loss on valuation of other investments	5
Decrease (increase) in notes and accounts receivable—trade	58
Decrease (increase) in inventories	(958
Decrease (increase) in consumption taxes refund receivable	153
Decrease (increase) in other current assets	14
Increase (decrease) in notes and accounts payable—trade	5,317
Increase (decrease) in advance received	(3,540
Increase (decrease) in other current liabilities	(1,341
Others	129
Subtotal	7,344
Interest and dividends received	187
Interest paid	(154
Income taxes paid	(76
Net cash provided by operating activities	7,300

	For the nine months ended
a	December 31, 2008
Cash flows from investing activities	
Proceeds from withdrawal of time deposits	1,535
Purchase of short-term investment securities	(1,000)
Proceeds from sales of short-term investment securities	500
Payments for retirement of property, plant and equipment	(46)
Purchase of property, plant and equipment	(4,962)
Proceeds from sales of property, plant and equipment	1,291
Purchase of intangible assets	(31)
Purchase of investment securities	(1,103)
Proceeds from sales and redemption of investment securities	530
Collection of loans receivable	2
Others	(7)
Net cash used in investing activities	(3,291)
Cash flows from financing activities	
Net increase (decrease) in short-term loans payable	1,740
Repayment of long-term loans	(1,023)
Proceeds from long-term loans	500
Payments for redemption of bonds	(50)
Dividends paid	(797)
Payments for purchases of treasury stock	(1)
Others	(7)
— Net cash used in financing activities	360
	(97)
Increase (decrease) in cash and cash equivalents	4,272
Cash and cash equivalents at beginning of period	17,807
Cash and cash equivalents at end of period	22,080

Commencing with the current fiscal year, the quarterly consolidated financial statements conform to the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12) and the "Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14). They are also prepared in accordance with the "Regulation for Quarterly Consolidated Financial Statements."

(4) Notes on premise of going concern

For the third quarter of the current fiscal year (from October 1, 2008 to December 31, 2008) No items to report

(5) Segment information

[Information by business segment]

For the nine months ended December 31, 2008

For the nine months ended December 31, 2008							(in i	nillions of yen)
		Shipbuilding	Machinery	Steel structure	Others	Total	Elimination and corporate	Consolidated
I.	Net sales and operating income (loss)							
	Net sales							
	(1) Outside customers	47,100	5,706	3,205	862	56,875	-	56,875
	(2) Inter-segment sales and transfers	_	-	1,336	1,222	2,559	(2,559)	_
	Total	47,100	5,706	4,542	2,085	59,434	(2,559)	56,875
	Operating income (loss)	4,760	2,555	(411)	122	7,027	(1,371)	5,655

(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. Mai 1 1

main products of ed	ch 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, towers/vessels, boilers for marine use, marine machinery such as fin stabilizers, crankshafts and marine diesel machinery parts, rudders
(3) Steel structure:	Bridges, floating pontoons, hydraulic gates, steel penstocks, steel frames, cable cranes, steel pools, marine structures such as pontoons/caissons
(4) Others:	Transportation service, facility management, golf course, agencies, others

[Information by geographic segment]

Not indicated because no overseas consolidated subsidiaries or branch offices existed for the nine months ended December 31, 2008.

[Overseas sales]

For the nine months ended December 31, 2008

		Asia	Central America	Africa	Others	Total
I.	Overseas net sales (millions of yen)	20,365	22,947	584	750	44,648
II.	Consolidated net sales (millions of yen)					56,875
III.	Percentage of overseas net sales to consolidated net sales (%)	35.8	40.4	1.0	1.3	78.5

(Notes) 1. The classification of countries or regions is based on geographical proximity.

2. Main countries and regions affiliated to each classification:

Hong Kong, Singapore, South Korea, the Philippines, Taiwan (1) Asia:

(2) Central America: Panama, Bahamas

(3) Africa: Liberia

(4) Others: USA, Republic of Cyprus, Sweden

3. "Overseas net sales" are the net sales of the Company and its consolidated subsidiaries in countries or areas outside Japan.

(6) Notes on significant changes in the amount of shareholders' equity

For the nine months ended December 31, 2008 (from April 1, 2008 to December 31, 2008)

No items to report

Production, Orders Received and Sales

(1) **Production**

(_)				(in millio	ons of yen, unless	otherwise noted)
Product category	For the nine months ended December 31, 2008		For the nine months ended December 31, 2007		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	46,648	82.6	40,081	82.7	6,566	16.4
Machinery	5,586	9.9	4,478	9.2	1,108	24.8
Steel structure	3,365	6.0	3,092	6.4	272	8.8
Others	862	1.5	808	1.7	54	6.7
Total	56,462	100.0	48,460	100.0	8,002	16.5

(2) Orders received

(in millions of yen, unless otherwise noted)

Product category	For the nin ended Decem		For the nine months ended December 31, 2007		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	29,133	76.1	50,438	88.1	(21,305)	(42.2)
Machinery	7,621	19.9	5,347	9.3	2,274	42.5
Steel structure	677	1.8	661	1.2	16	2.5
Others	862	2.2	808	1.4	54	6.7
Total	38,295	100.0	57,255	100.0	(18,960)	(33.1)

(3) Order backlog

(in millions of yen, unless otherwise noted)

	As of Decem	ber 31, 2008	As of Decem	ber 31, 2007	Change	
Product category	Amount	%	Amount	%	Amount	%
Shipbuilding	236,171	94.1	201,106	92.1	35,064	17.4
Machinery	7,675	3.0	5,506	2.5	2,169	39.4
Steel structure	7,237	2.9	11,737	5.4	(4,499)	(38.3)
Others	_	_	_	_	_	-
Total	251,085	100.0	218,351	100.0	32,734	15.0

(Notes) 1. Order backlog is described by the complete contract method. Of order backlog amounts for the end of the third quarter of the current fiscal year, ¥28,068 million for shipbuilding and ¥3,071 million for steel structure are recorded as sales by the percentage of completion method. Of the order backlog amount for the end of the third quarter of the previous fiscal year, ¥15,777 million for shipbuilding and ¥4,067 million for steel structure are recorded as sales by the percentage of completion method.

2. The ¥655 million decrease as a result of foreign exchange rate fluctuations with respect to the foreign denominated order backlog at the end of the previous fiscal year is deducted from the order backlog at the end of the third quarter of the current fiscal year.

(4) Sales

(in millions of yen, unless otherwise noted)

Product category	For the nin ended Decem		For the nine months ended December 31, 2007		Change	
	Amount	%	Amount	%	Amount	%
Shipbuilding	47,100	82.8	40,415	80.5	6,685	16.5
Machinery	5,706	10.0	5,537	11.0	168	3.1
Steel structure	3,205	5.7	3,431	6.9	(225)	(6.6)
Others	862	1.5	808	1.6	54	6.7
Total	56,875	100.0	50,192	100.0	6,682	13.3

[Reference]

Consolidated Statements of Income of the Previous Year

(in n	nillions of yen, unless otherwise noted
	For the nine months ended December 31, 2007
Net sales	50,192
Cost of sales	42,825
Gross profit	7,366
Sales, general and administrative expenses	1,679
Operating income	5,687
Non-operating income	
Interest and dividend income	127
Other	28
Total non-operating income	155
Non-operating expenses	
Interest expense	123
Foreign exchange losses	47
Other	29
Total non-operating expenses	200
Ordinary income	5,643
Extraordinary income	
Gain on sales of non-current assets	C
Total extraordinary income	(
Extraordinary loss	
Loss on disposal of non-current assets	96
Loss on sales of non-current assets	6
Impairment losses	446
Loss on valuation of investment securities	804
Other	54
Total extraordinary losses	1,408
Income before income taxes	4,235
Income taxes—current	11
Income taxes—deferred	1,173
Total income taxes	1,185
Net income	3,050