

May 26, 2010

To whom it may concern

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Notice Concerning Revisions of Financial Forecasts and Dividend Forecast

Sasebo Heavy Industries Co., Ltd. (“the Company”) hereby announces that, in light of recent business performance trends, the financial forecasts and the dividend forecast for the full-term ending March 31, 2011 (From April 1, 2010 to March 31, 2011), announced on May 14, 2010, have been revised as shown below:

● Revisions to the Financial Forecasts

Revisions to the Consolidated Financial Forecasts for the Six Months
Ending September 30, 2010 (From April 1, 2010 to September 30, 2010)

| | Net Sales | Operating Income | Ordinary Income | Net Income | Net Income Per Share |
|---|------------------------|------------------------|------------------------|------------------------|----------------------|
| | <i>millions of yen</i> | <i>millions of yen</i> | <i>millions of yen</i> | <i>millions of yen</i> | <i>yen</i> |
| Previous Forecast (A) | 23,000 | 3,000 | 2,850 | 1,700 | 10.59 |
| Revised Forecast (B) | 23,000 | 3,000 | 2,850 | 2,900 | 18.07 |
| Difference (B-A) | 0 | 0 | 0 | 1,200 | |
| Difference (%) | 0.0% | 0.0% | 0.0% | 70.6% | |
| (Reference) Results for the Previous Term Ended September 30, 2009 | 33,295 | 4,024 | 3,519 | 2,054 | 12.81 |

Revisions to the Consolidated Financial Forecasts for the Full-Term
Ending March 31, 2011 (From April 1, 2010 to March 31, 2011)

| | Net Sales | Operating Income | Ordinary Income | Net Income | Net Income Per Share |
|---|------------------------|------------------------|------------------------|------------------------|----------------------|
| | <i>millions of yen</i> | <i>millions of yen</i> | <i>millions of yen</i> | <i>millions of yen</i> | <i>yen</i> |
| Previous Forecast (A) | 65,000 | 6,000 | 5,700 | 3,800 | 23.68 |
| Revised Forecast (B) | 65,000 | 6,000 | 5,700 | 5,000 | 31.16 |
| Difference (B-A) | 0 | 0 | 0 | 1,200 | |
| Difference (%) | 0.0% | 0.0% | 0.0% | 31.6% | |
| (Reference) Results for the Previous Term Ended March 31, 2010 | 63,692 | 8,031 | 7,400 | 3,733 | 23.27 |

Revisions to the Non-Consolidated Financial Forecasts for the Six Months
Ending September 30, 2010 (From April 1, 2010 to September 30, 2010)

| | Net Sales | Operating Income | Ordinary Income | Net Income | Net Income Per Share |
|---|------------------------|------------------------|------------------------|------------------------|----------------------|
| | <i>millions of yen</i> | <i>millions of yen</i> | <i>millions of yen</i> | <i>millions of yen</i> | <i>yen</i> |
| Previous Forecast (A) | 22,500 | 3,000 | 2,850 | 1,700 | 10.59 |
| Revised Forecast (B) | 22,500 | 3,000 | 2,850 | 2,900 | 18.07 |
| Difference (B-A) | 0 | 0 | 0 | 1,200 | |
| Difference (%) | 0.0% | 0.0% | 0.0% | 70.6% | |
| (Reference) Results for the Previous Term Ended September 30, 2009 | 32,791 | 3,977 | 3,469 | 2,263 | 14.11 |

Revisions to the Non-Consolidated Financial Forecasts for the Full-Term
Ending March 31, 2011 (From April 1, 2010 to March 31, 2011)

| | Net Sales | Operating Income | Ordinary Income | Net Income | Net Income Per Share |
|---|------------------------|------------------------|------------------------|------------------------|----------------------|
| | <i>millions of yen</i> | <i>millions of yen</i> | <i>millions of yen</i> | <i>millions of yen</i> | <i>yen</i> |
| Previous Forecast (A) | 64,000 | 6,000 | 5,700 | 3,800 | 23.68 |
| Revised Forecast (B) | 64,000 | 6,000 | 5,700 | 5,000 | 31.16 |
| Difference (B-A) | 0 | 0 | 0 | 1,200 | |
| Difference (%) | 0.0% | 0.0% | 0.0% | 31.6% | |
| (Reference) Results for the Previous Term Ended March 31, 2010 | 62,495 | 7,959 | 7,325 | 3,730 | 23.25 |

Reason for Revisions

The main reason for revising the financial forecasts is an upward revision of the financial forecasts of the company filing consolidated financial statements (the Company).

Regarding the existing shipbuilding contracts between the Company and the orderer(s) relating to 8 ships, consisting of 6 units of 75,000 DWT bulk carriers and 2 units of 180,000 DWT bulk carriers, the Company and the orderer(s) have agreed that the Company shall withhold, as a cancellation fee, the amount of ¥2,042 million paid in advance by the orderer(s). As a result, net income for the first half and net income for the full fiscal year shall both increase.

Following the agreement to cancel the contracts for 8 ships, the Company shall proceed appropriately with rescheduling of the new shipbuilding of the Company after carefully analyzing and researching the future market environment, the future market price for ships and various necessary items such as cost factors, particularly with respect to steel.

The Company produces the above forecasts based on information available at the time of the forecasts' announcement. Actual results may differ from these forecasts due to uncertainties of economic conditions, exchange rate fluctuations, etc.

- Revisions to the Dividend Forecast

| | Cash Dividends per Share | | | | |
|---|--------------------------|-----------------------|----------------------|------------|------------|
| | First Quarter-end | Second Quarter-end | Third Quarter-end | Year-end | Total |
| | <i>yen</i> | <i>yen</i> | <i>yen</i> | <i>yen</i> | <i>yen</i> |
| Previous Forecast (Announced on May 14, 2010) | - | 0.00 | - | 4.00 | 4.00 |
| Revised Forecast | - | 0.00 | - | 5.00 | 5.00 |
| Results for the Term Ending March 31, 2011 | - | - | - | | |
| Results for the Previous Term Ended March 31, 2010 | - | - | - | 4.00 | 4.00 |

Reason for Revisions to the Dividend Forecast

When distributing dividends to its shareholders, the Company takes into account business performance trends of the time, giving the highest priority to the return of profits to shareholders, while maintaining the right balance to ensure sufficient retained earnings to strengthen our corporate financial position and to consider future business development. Since the forecasts for the term ending March 31, 2011 are now expected to exceed the initial forecasts, the Company has decided to increase the term-end dividend forecast by 1.0 yen to 5.0 yen.

The Company produces the above forecasts based on information available at the time of the forecasts' announcement. Actual results may differ from these forecasts due to uncertainties of economic conditions, exchange rate fluctuations, etc.