



August 6, 2004
(Consolidated)

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
FLASH CONSOLIDATED FINANCIAL RESULTS OF THE FIRST QUARTER (Unaudited)

For three months ended Jun. 30, 2004 and 2003 and one year ended March 31, 2004

Operating results

	Millions of yen			Thousands of U.S. dollars	
	Three months ended	Three months ended	%	Three months ended	
	Jun. 30, 2004	Jun. 30, 2003	Change	Jun. 30, 2004	
Net sales	¥ 261,047	¥ 234,564	+11%	\$ 2,407,516	
Operating income (loss)	531	-	-	4,897	
Net income (loss)	(2,720)	-	-	(25,085)	
Net income (loss) per share (Yen)	(1.9)	-	-		

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of shareholders' equity to total assets
	Total assets	Shareholders' equity	
As of June 30, 2004	¥ 1,154,855	¥ 184,158	16%
As of March 31, 2004	1,156,904	190,175	16%
As of June 30, 2004	\$ 10,650,696	\$ 1,698,405	—

	Yen / U.S. dollars	Thousand shares
	Shareholders' equity per share	Number of shares issued and outstanding
As of June 30, 2004	¥ 127.7	1,442,530
As of March 31, 2004	131.8	1,442,542
As of June 30, 2004	\$ 1.18	—

Fiscal year forecast

	Millions of yen	
	Net sales	Net income
One year ending March 31, 2005	¥ 1,230,000	¥ 10,000

- Notes : 1. This "FLASH CONSOLIDATED FINANCIAL RESULTS" and following financial statements have been prepared in conformity with generally accepted accounting principles and practices in Japan.
2. All US\$ amounts in these statements represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥108.43=\$1, the rate prevailing as of June 30, 2004, solely for the convenience of the readers.
3. There is no previous information compared with that of this first quarter other than "Net sales", because we disclosed only "Net sales" for the last first quarter.
4. Effective April 1, 2004, Kawasaki Heavy Industries, Ltd. (the "Company") has changed its accounting policy for the percentage-of-completion method to be applied to long-term contracts exceeding ¥ 3,000 million. Previously, it has been applied to long-term contracts exceeding ¥ 5,000 million.
- The Company has made this change in accounting policy for appropriate periodic accounting of profit and loss, by expanding the range of application of the percentage-of-completion method.
- As a result of this change, net sales has increased ¥ 29.7 billion (\$ 273.9 million), and income before income taxes and minority interests has increased ¥ 1.7 billion (\$ 15.7 million) compared with the amounts which would have been recognized under the previous method of accounting.
5. Fiscal year-ends of the three consolidated subsidiaries, Kawasaki Motors Japan Ltd., Kawasaki Motors Corp., U.S.A., and Kawasaki Motors Europe N.V., are December 31. So far the Company has consolidated these subsidiaries' financial statements as of each subsidiaries' latest fiscal year-end, December 31.
- However, in order to improve transparency and quality of consolidated financial statements, effective April 1, 2004, the Company has made a decision to consolidate the three subsidiaries' financial statements as of each subsidiaries' assumed settling days, last March 31.
- Therefore, the Company's retained earnings as of the beginning of this fiscal year has been adjusted accordingly by deducting ¥ 222 million (\$ 2,047 thousand) which would have been recognized under the previous method of accounting.

(Consolidated)

Condensed Consolidated Balance Sheets

As of June 30 and March 31, 2004

	Millions of yen		Thousands of U.S. dollars
	As of Jun. 30, 2004	As of Mar. 31, 2004	As of Jun. 30, 2004
Assets :			
Current assets :			
Cash on hand and in banks	¥ 70,821	¥ 43,064	\$ 653,149
Receivables, less allowance	330,634	376,807	3,049,285
Inventories	345,015	335,064	3,181,915
Other current assets	52,047	44,545	480,006
Total current assets	798,517	799,480	7,364,355
Investments and long-term loans less allowance :	77,734	77,839	716,905
Net property, plant and equipment :	248,419	248,922	2,291,054
Intangible and other assets :	30,185	30,663	278,382
Total assets	¥ 1,154,855	¥ 1,156,904	\$ 10,650,696
Liabilities and shareholders' equity :			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	¥ 220,938	¥ 188,652	\$ 2,037,610
Payables	259,480	286,117	2,393,065
Advances from customers	136,978	110,900	1,263,285
Other current liabilities	83,458	91,870	769,694
Total current liabilities	700,854	677,539	6,463,654
Long-term liabilities :			
Long-term debt, less current portion	189,539	210,819	1,748,031
Others	76,613	74,516	706,566
Total long-term liabilities	266,152	285,335	2,454,597
Minority interests	3,691	3,855	34,040
Shareholders' equity :			
Common stock	81,427	81,427	750,964
Capital surplus	31,388	31,388	289,478
Retained earnings	74,603	80,469	688,029
Net unrealized gains on securities	13,231	13,266	122,023
Foreign currency translation adjustments	(16,398)	(16,283)	(151,231)
Treasury stock	(93)	(92)	(858)
Total shareholders' equity	184,158	190,175	1,698,405
Total liabilities and shareholders' equity	¥ 1,154,855	¥ 1,156,904	\$ 10,650,696

Condensed Consolidated Statements of Operations

For three months ended June 30, 2004

	Millions of yen			Thousands of U.S. dollars
	Three months ended Jun. 30, 2004	Three months ended Jun. 30, 2003	% Change	Three months ended Jun. 30, 2004
Net sales	¥ 261,047	¥ 234,564	+11%	\$ 2,407,516
Cost of sales	228,871			2,110,772
Gross profit	32,176			296,744
Selling, general and administrative expenses	31,645			291,847
Operating income (loss)	531	—	—	4,897
Other income (expenses) :				
Interest and dividend income	1,104			10,182
Equity in income of unconsolidated subsidiaries and affiliates	245			2,259
Interest expense	(1,669)			(15,392)
Other, net	643			5,930
Income before income taxes and minority interests	854	—	—	7,876
Income taxes	(3,608)			(33,275)
Minority interests in net loss (income) of consolidated subsidiaries	34			314
Net income (loss)	¥ (2,720)	¥ —	—	\$ (25,085)

(Consolidated)

Net sales, orders and operating income (loss) by industry segment

For three months ended June 30, 2004 and 2003

	Millions of yen				% Change	Thousands of U.S. dollars
	Three months ended Jun. 30, 2004		Three months ended Jun. 30, 2003			Three months ended Jun. 30, 2004
	¥		¥			\$
Net sales :						
Shipbuilding	¥ 19,348	(8%)	¥ 25,915	(11%)	-25%	\$ 178,438
Rolling Stock, Construction Machinery & Crushing Plant	24,220	(9%)	27,343	(12%)	-11%	223,370
Aerospace	36,001	(14%)	22,839	(10%)	+58%	332,021
Gas Turbines & Machinery	37,844	(14%)	32,640	(14%)	+16%	349,018
Plant & Infrastructure Engineering	33,855	(13%)	20,025	(8%)	+69%	312,229
Consumer products & Machinery	81,533	(31%)	79,351	(34%)	+3%	751,941
Other	28,246	(11%)	26,451	(11%)	+7%	260,499
Total	¥ 261,047	(100%)	¥ 234,564	(100%)	+11%	\$ 2,407,516

Orders :						
Shipbuilding	¥ 29,080	(12%)	¥ —	—	—	\$ 268,192
Rolling Stock, Construction Machinery & Crushing Plant	15,716	(7%)	—	—	—	144,941
Aerospace	14,663	(6%)	—	—	—	135,230
Gas Turbines & Machinery	46,503	(20%)	—	—	—	428,876
Plant & Infrastructure Engineering	17,282	(7%)	—	—	—	159,384
Consumer products & Machinery	81,533	(36%)	—	—	—	751,941
Other	29,046	(12%)	—	—	—	267,878
Total	¥ 233,823	(100%)	¥ —	—	—	\$ 2,156,442

	Millions of yen				% Change	Thousands of U.S. dollars
	Three months ended Jun. 30, 2004		Three months ended Jun. 30, 2003			Three months ended Jun. 30, 2004
	¥		¥			\$
Operating income (loss) :						
Shipbuilding	¥ 1,810		¥ —			\$ 16,693
Rolling Stock, Construction Machinery & Crushing Plant	(235)		—			(2,167)
Aerospace	964		—			8,890
Gas Turbines & Machinery	(1,299)		—			(11,980)
Plant & Infrastructure Engineering	(3,003)		—			(27,695)
Consumer products & Machinery	978		—			9,019
Other	1,316		—			12,137
Total	¥ 531		¥ —			\$ 4,897