



February 4, 2005

(Consolidated)

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

For nine months ended December 31, 2004 and 2003 and one year ended March 31, 2004

Operating results	Millions of yen			Thousands of U.S. dollars	
	Nine months ended Dec. 31, 2004	Nine months ended Dec. 31, 2003	% Change	Nine months ended Dec. 31, 2004	
	¥	¥		\$	
Net sales	819,747	775,703	+6%	7,867,054	
Operating income (loss)	11,162	-	-	107,121	
Net income (loss)	6,840	-	-	65,643	
Net income (loss) per share (Yen)	4.7	-	-		

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of shareholders' equity to total assets
	Total assets	Shareholders' equity	
As of December 31, 2004	¥ 1,199,627	¥ 195,072	16%
As of March 31, 2004	1,156,904	190,175	16%
As of December 31, 2004	\$ 11,512,735	\$ 1,872,092	—

	Yen / U.S. dollars	Thousand shares
	Shareholders' equity per share	Number of shares issued and outstanding
As of December 31, 2004	¥ 135.2	1,442,404
As of March 31, 2004	131.8	1,442,542
As of December 31, 2004	\$ 1.30	—

Fiscal year forecast

	Millions of yen	
	Net sales	Net income
One year ending March 31, 2005	¥ 1,260,000	¥ 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 ¥ 104.2=\$1, the rate prevailing as of December 31, 2004, solely for the convenience of the readers.
3. There is no previous information compared with that of this third quarter other than "Net sales", because we disclosed only "Net sales" for the last third quarter.
4. Effective April 1, 2004, Kawasaki Heavy Industries, Ltd. (the "Company") changed its accounting policy for the percentage-of-completion method to be applied to long-term contracts exceeding ¥ 3,000 million. Previously, it had been applied to long-term contracts exceeding ¥ 5,000 million.
The Company 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 increased ¥ 28,731 million (\$ 275.729 thousand). Operating income and income before income taxes and minority interests increased ¥ 3,085 million (\$ 29.607 thousand) respectively, compared with the amounts which would have been recognized under the previous method of accounting.
5. Effective April 1, 2004, the Company changed the accounting periods for consolidation of five subsidiaries (Kawasaki Motors Japan Ltd. , Kawasaki Motors Corp.,U.S.A. , Kawasaki Motors Europe N.V., and the other two subsidiaries) from 12 months ending December 31 to March 31 to improve transparency and quality of consolidated financial statements.
The effect of this change was to decrease the Company's retained earnings as of the beginning of this fiscal year by ¥ 222 million (\$ 2,131 thousand).
This financial results of the third quarter include the accounts of these five subsidiaries as of December 31, 2004.

(Consolidated)

Condensed Consolidated Balance Sheets

As of December 31 and March 31, 2004

	Millions of yen		Thousands of U.S. dollars
	As of Dec. 31, 2004	As of Mar. 31, 2004	As of Dec. 31, 2004
Assets :			
Current assets :			
Cash on hand and in banks	¥ 44,315	¥ 43,064	\$ 425,288
Receivables, less allowance	356,130	376,807	3,417,754
Inventories	386,870	335,064	3,712,764
Other current assets	59,825	44,545	574,136
Total current assets	847,140	799,480	8,129,942
Investments and long-term loans less allowance :	78,008	77,839	748,637
Net property, plant and equipment :	244,925	248,922	2,350,528
Intangible and other assets :	29,554	30,663	283,628
Total assets	¥ 1,199,627	¥ 1,156,904	\$ 11,512,735
Liabilities and shareholders' equity :			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	¥ 210,191	¥ 188,652	\$ 2,017,188
Payables	302,078	286,117	2,899,021
Advances from customers	117,879	110,900	1,131,276
Other current liabilities	79,173	91,870	759,818
Total current liabilities	709,321	677,539	6,807,303
Long-term liabilities :			
Long-term debt, less current portion	210,392	210,819	2,019,117
Others	80,420	74,516	771,785
Total long-term liabilities	290,812	285,335	2,790,902
Minority interests	4,422	3,855	42,438
Shareholders' equity :			
Common stock	81,427	81,427	781,449
Capital surplus	31,389	31,388	301,238
Retained earnings	84,067	80,469	806,785
Net unrealized gains on securities	14,103	13,266	135,345
Foreign currency translation adjustments	(15,799)	(16,283)	(151,621)
Treasury stock	(115)	(92)	(1,104)
Total shareholders' equity	195,072	190,175	1,872,092
Total liabilities and shareholders' equity	¥ 1,199,627	¥ 1,156,904	\$ 11,512,735

Condensed Consolidated Statements of Operations

For nine months ended December 31, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars
	Nine months ended Dec. 31, 2004	Nine months ended Dec. 31, 2003	% Change	Nine months ended Dec. 31, 2004
Net sales	¥ 819,747	¥ 775,703	+6%	\$ 7,867,054
Cost of sales	715,352			6,865,183
Gross profit	104,395			1,001,871
Selling, general and administrative expenses	93,233			894,750
Operating income (loss)	11,162		—	107,121
Other income (expenses) :				
Interest and dividend income	2,605			25,000
Equity in income of unconsolidated subsidiaries and affiliates	637			6,113
Interest expense	(4,745)			(45,537)
Other, net	3,894			37,370
Income (loss) before income taxes and minority interests	13,553		—	130,067
Income taxes	(6,076)			(58,311)
Minority interests in net loss (income) of consolidated subsidiaries	(637)			(6,113)
Net income (loss)	¥ 6,840	¥	—	\$ 65,643

(Consolidated)

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

For nine months ended December 31, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars		
	Nine months ended		Nine months ended		% Change	
	Dec. 31, 2004		Dec. 31, 2003			
Net sales :						
Shipbuilding	¥ 64,256	(8%)	¥ 67,875	(9%)	-5%	\$ 616,660
Rolling Stock, Construction Machinery & Crushing Plant	108,090	(13%)	89,082	(12%)	+21%	1,037,332
Aerospace	122,224	(15%)	117,075	(15%)	+4%	1,172,975
Gas Turbines & Machinery	96,856	(12%)	101,939	(13%)	-5%	929,520
Plant & Infrastructure Engineering	95,465	(12%)	74,312	(10%)	+28%	916,171
Consumer products & Machinery	243,655	(30%)	236,541	(30%)	+4%	2,338,340
Other	89,201	(10%)	88,879	(11%)	0%	856,056
Total	¥ 819,747	(100%)	¥ 775,703	(100%)	+6%	\$ 7,867,054

	Millions of yen			Thousands of U.S. dollars		
	Nine months ended		Nine months ended		% Change	
	Dec. 31, 2004		Dec. 31, 2003			
Orders :						
Shipbuilding	¥ 139,660	(16%)	¥			\$ 1,340,307
Rolling Stock, Construction Machinery & Crushing Plant	114,819	(13%)				1,101,910
Aerospace	77,293	(9%)				741,775
Gas Turbines & Machinery	116,808	(14%)				1,120,998
Plant & Infrastructure Engineering	76,600	(9%)				735,125
Consumer products & Machinery	243,655	(28%)				2,338,340
Other	90,118	(11%)				864,856
Total	¥ 858,953	(100%)	¥			\$ 8,243,311

	Millions of yen			Thousands of U.S. dollars		
	Nine months ended		Nine months ended		% Change	
	Dec. 31, 2004		Dec. 31, 2003			
Operating income (loss) :						
Shipbuilding	¥	709	¥			\$ 6,804
Rolling Stock, Construction Machinery & Crushing Plant		5,923				56,843
Aerospace		3,120				29,942
Gas Turbines & Machinery		234				2,246
Plant & Infrastructure Engineering		(11,814)				(113,378)
Consumer products & Machinery		9,144				87,754
Other		3,846				36,910
Total	¥	11,162	¥			\$ 107,121