

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)	

(Consolidated)

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

For nine months ended December 31, 2004 and 2003

Millions of yen		%	<i>Thousands of U.S. dollars Nine months ended</i>
Nine months ended Dec. 31, 2004	Nine months ended Dec. 31, 2003		