

February 4, 2005

CONSOLIDATED FINANCIAL REPORT

FOR THE THIRD QUARTER OF THE FISCAL YEAR ENDING MARCH 31, 2005

Ishikawajima-Harima Heavy Industries Co., Ltd. (IHI) is listed on the First Section of the Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange, Fukuoka Securities Exchange and Sapporo Stock Exchange with the securities code number 7013.

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This consolidated financial report has been prepared in accordance with Japanese accounting standards and Japanese law. Figures have been rounded off to eliminate amounts less than one million yen.

MATTERS CONCERNING PREPARATION OF QUARTERLY FINANCIAL INFORMATION

(1) Use of simple accounting methods: Yes

Content: Tax expenses, recording of reserves, etc.

(2) Recent changes in consolidated accounting method: Yes

Content: For construction in progress to be recorded as sales, contract amounts must be at least ¥3 billion, a change from ¥5 billion and over previously. This change had no material impact on sales or profits for the quarter under review.

(3) Changes in scope of consolidation and equity method: No

Number of consolidated subsidiaries: 56

New consolidated companies: Consolidated companies removed:

Number of affiliated companies accounted for by the equity method: 12

New companies accounted for by the equity method: Companies accounted for by the equity method removed:

PERFORMANCE

(1) Business Results

(Millions of yen)

	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change
Fiscal 2005 3Q	¥ 677,273	4.8%	¥ (20,769)	()%	¥ (28,771)	()%
Fiscal 2004 3Q	646,071	(—)	—	(—)	—	—
Fiscal 2004	1,047,441		(23,230)		(42,466)	

(Millions of yen)

	Net Income	Percentage Change	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Fiscal 2005 3Q	¥ (24,242)	(—)%	¥ (18.67)	¥
Fiscal 2004 3Q	(—)	(—)	—	—
Fiscal 2004	(38,354)		(29.67)	—

Note: The disclosure of quarterly results for figures other than sales began in the first quarter of fiscal 2005. As a result, year-on-year comparisons have been omitted. Percentage change for net sales and operating income are for the corresponding period of the previous fiscal year.

Qualitative Data Concerning Business Results

During the third quarter, the Japanese economy showed signs of a recovery supported by robust private-sector capital investment and a steady recovery in the global economy.

Against this backdrop, consolidated net sales increased 4.8% to ¥677.2 billion in the nine-month period ended December 31, 2004, compared with the same period of the previous fiscal year. Owing to losses in logistics systems and structures operations, energy and plant operations, as well as shipbuilding and offshore operations, the Company recorded operating losses of ¥20.7 billion, ordinary losses of ¥28.7 billion and net losses of ¥24.2 billion.

In the fourth quarter, the IHI Group will concentrate on completing and transferring government projects.

(2) Financial Position

(Millions of yen, except per share figures)

	Total Assets	Shareholders' Equity	Shareholders' Equity to Total Assets (%)	Shareholders' Equity per Share of Common Stock (Yen)
December 31, 2004	¥1,408,059	¥130,377	9.3%	¥100.42
December 31, 2003	—	—	—	—
March 31, 2004	1,377,021	151,550	11.0	116.73

Note: The Company began disclosing its quarterly financial position in the first quarter of fiscal 2005, so year-on-year comparisons are omitted.

FORECAST OF RESULTS FOR FISCAL YEAR ENDING MARCH 31, 2005

(Millions of yen)

	Net Sales	Ordinary Income	Net Income
Fiscal 2005	1,050,000	5,000	3,000

Reference: Estimated net income per share for the year: Consolidated: ¥2.31.

Qualitative Data Concerning Forecasts

Originally announced on November 5, 2004, IHI has not changed its consolidated earnings forecasts for the fiscal year ending March 31, 2005.

Cautionary Statement

Earnings estimates made in this report and other statements that are not historical facts are forward-looking statements about the future performance of IHI. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore readers should not place undue reliance on them. IHI cautions that a number of important factors such as politics, general economic conditions and currency exchange rates could cause actual results to differ materially from those discussed in the forward-looking statements, etc.