

DATA FILE '98

KAWASAKI HEAVY INDUSTRIES, LTD.

Code No. (7012)

HISTORY

Kawasaki Heavy Industries, Ltd. (KHI) traces its origins to an industrial shipyard in Tsukiji, Tokyo, established by Shozo Kawasaki in 1878. In 1896, the Company was incorporated under the laws of Japan as Kawasaki Dockyard Co., Ltd. The Company later expanded its business to include the manufacture of rolling stock, steel, steel structures, industrial machinery, automobiles and aircraft. The Company also engaged in the shipping business through the company known as Kawasaki Kisen Kaisha, Ltd. (the "K" Line), which later became an independent company. In 1939, the Company adopted its present name, Kawasaki Heavy Industries, Ltd.

In 1950, the Company's steel manufacturing division was divested and Kawasaki Steel Corporation was formed. In 1969, Kawasaki Aircraft Co., Ltd. and Kawasaki Rolling Stock Mfg. Co., Ltd., former divisions which had been divested, were merged back into the Company, forming an integrated heavy industry enterprise.

The Company established a subsidiary in the United States to sell its motorcycles in 1969. In 1975, through its local subsidiary, the Company began to produce motorcycles in the United States ahead of any other Japanese producer of any type of motor vehicle. Subsequently, through its U.S. subsidiaries, the Company began to manufacture rolling stock in New York in 1986, wheel loaders in Georgia in 1987, and small gasoline engines in Missouri in 1989. In 1993, the Company established a local subsidiary to acquire a hydraulic machinery manufacturing business in Plymouth, U.K., its first production facility in Europe.

The Company has been seeking to expand its activities in Asia. The Company has joint ventures in Malaysia, Thailand, Indonesia and the Philippines to manufacture motorcycles. In China, KHI established four joint ventures to manufacture prime movers (1995), ships (1995), steel structures (1997) and motorcycle engines (1997).

CONTENTS

FINANCIAL HIGHLIGHTS	1
KEY INDICATORS	2
SALES & OPERATING INCOME BY SEGMENT	4
SEGMENT SALES ANALYSIS	6
OPERATIONS BY PRODUCT GROUP (-PARENT ONLY-)	
SHIPS	8
ROLLING STOCK	10
CONSUMER PRODUCTS & MACHINERY.....	12
AEROSPACE	16
MACHINERY, ENVIRONMENT & POWER PLANTS	18
PLANT ENGINEERING & STEEL STRUCTURES	20
CONDENSED BALANCE SHEETS	22
CONDENSED STATEMENTS OF INCOME	23
STOCK INFORMATION	24

FINANCIAL HIGHLIGHTS (CONSOLIDATED BASIS)

Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries

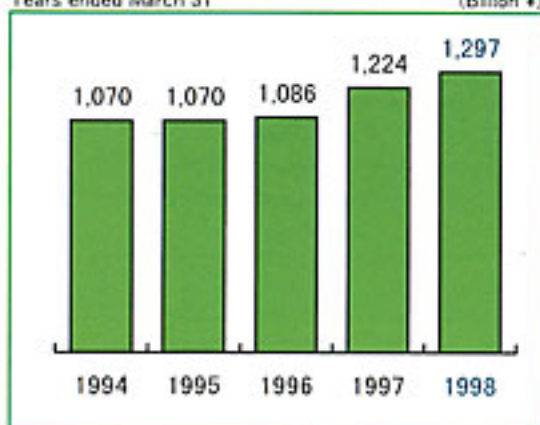
Years ended March 31

	Millions of yen				
	1998	1997	1996	1995	1994
For the year:					
Net sales	¥1,297,212	¥1,224,259	¥1,086,244	¥1,070,444	¥1,070,257
Net income	18,556	22,572	16,462	10,216	17,122
Net income per share(yen)	13.3	16.4	12.2	7.6	12.8
Return on average shareholders' equity	9.1%	12.5%	10.4%	6.8%	12.2%
Cash dividends per share(yen)	6.0	7.0	5.5	5.0	5.0
At year end:					
Total assets	1,222,906	1,303,168	1,252,371	1,191,664	1,239,137
Working capital	162,084	150,759	127,644	106,458	68,998
Current ratio	121.7%	117.8%	115.5%	113.4%	107.8%
Total shareholders' equity	209,040	197,161	162,984	152,991	148,253

Net Sales

Years ended March 31

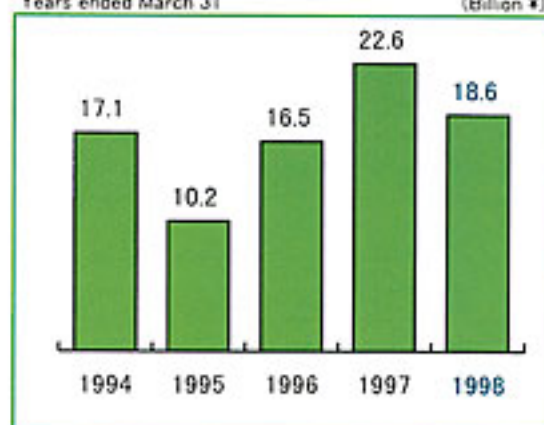
(Billion ¥)



Net Income

Years ended March 31

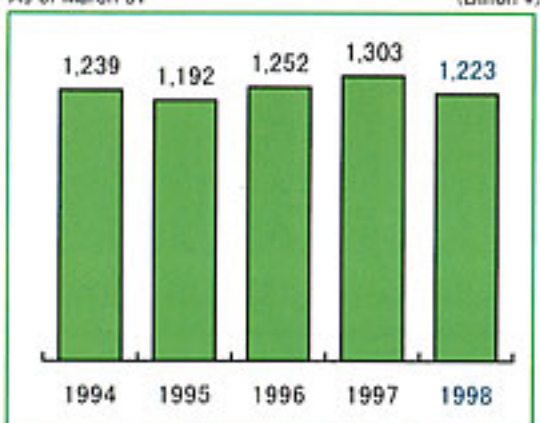
(Billion ¥)



Total Assets

As of March 31

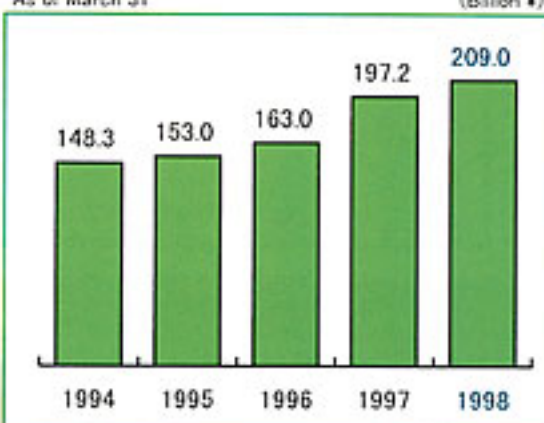
(Billion ¥)



Total Shareholders' Equity

As of March 31

(Billion ¥)

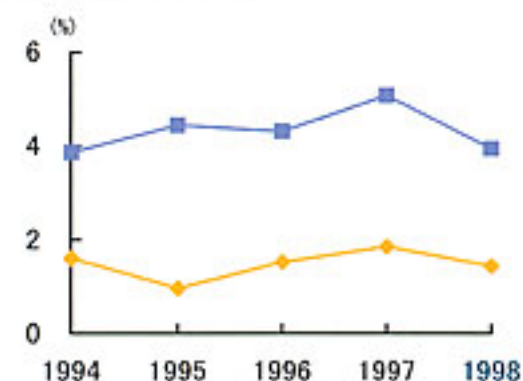


Note: Concerning the recognition of revenue, figures in this material except 1998 are based on the completed-contract method, while 1998 figures are on the percentage-of-completion method. Due to this change, ¥79,590 million in sales and ¥15,203 million in operating income for 1998 were increased respectively. More information on P4 and P23.

KEY INDICATORS (CONSOLIDATED BASIS)

Ratio of Operating Income to Sales Return on Sales

Years ended March 31



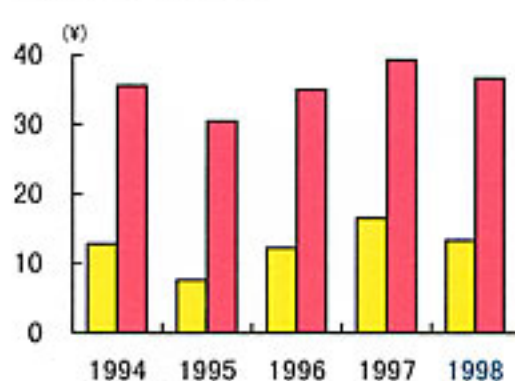
	1994	1995	1996	1997	1998
Operating Income to Sales - ■ -	3.86	4.45	4.30	5.08	3.94
ROS - ◆ -	1.60	0.95	1.52	1.84	1.43

Operating Income to Sales: Operating Income/Net Sales.

ROS: Net Income/Net Sales.

Earnings per Share Cash Flow per Share

Years ended March 31



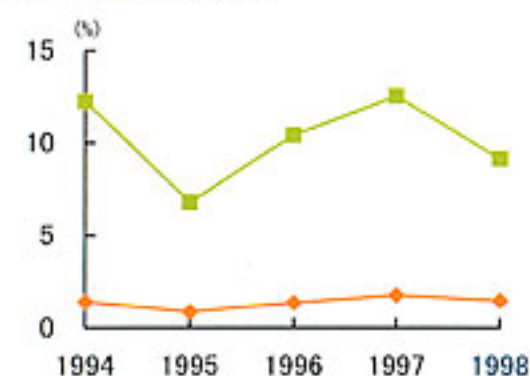
	1994	1995	1996	1997	1998
EPS ■	12.8	7.6	12.2	16.4	13.3
CFPS ■	35.6	30.5	35.0	39.3	36.7

Earnings per Share: Net Income/Average Number of Shares Outstanding.

Cash Flow per Share: (Net Income + Depreciation) / Average Number of Shares Outstanding.

Return on Shareholders' Equity Return on Assets

Years ended March 31



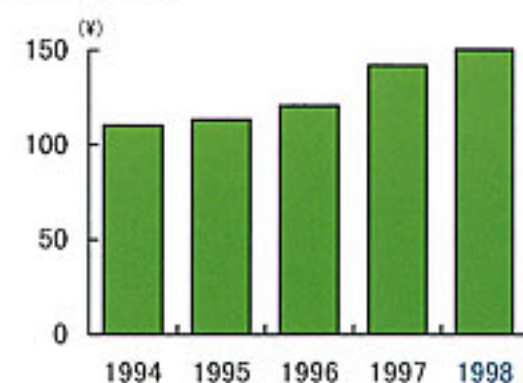
	1994	1995	1996	1997	1998
ROE - ■ -	12.24	6.78	10.42	12.53	9.14
ROA - ◆ -	1.41	0.84	1.35	1.77	1.47

ROE: Net Income/Average Shareholders' Equity.

ROA: Net Income/Average Total Assets.

Book Value per Share

As of March 31

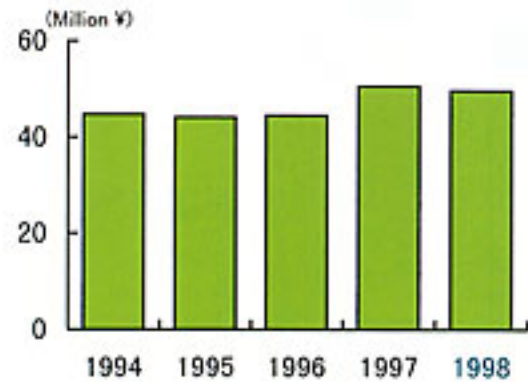


	1994	1995	1996	1997	1998
Book Value per Share	110.18	113.32	120.73	141.93	150.32

Book Value per Share: Total Shareholders' Equity / Number of Shares Outstanding.

Net Sales per Employee

Years ended March 31

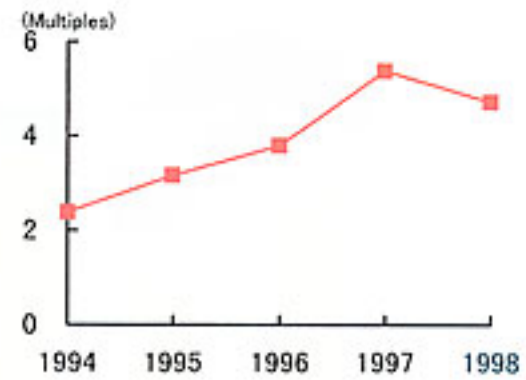


1994	1995	1996	1997	1998
44.76	44.11	44.52	50.57	49.70

Net Sales per Employee: Net Sales/Number of Employees.

Interest Coverage

Years ended March 31

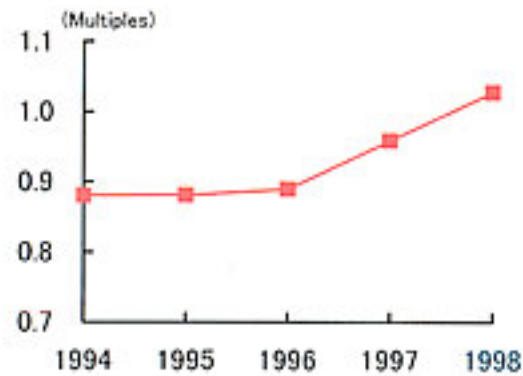


1994	1995	1996	1997	1998
2.38	3.16	3.79	5.38	4.72

Interest Coverage: (Operating Income + Interest and Dividend Income)/Interest Expense.

Asset Turnover

Years ended March 31

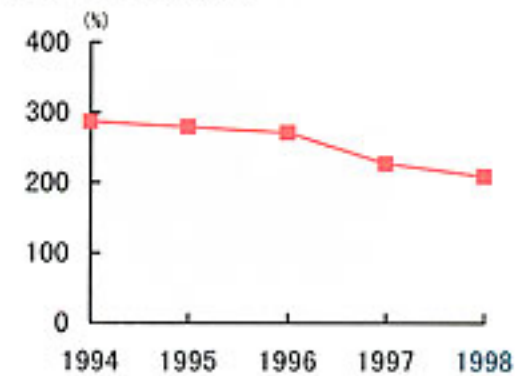


1994	1995	1996	1997	1998
0.88	0.88	0.89	0.96	1.03

Asset Turnover: Net Sales/Average Total Assets.

Debt to Equity Ratio

Years ended March 31



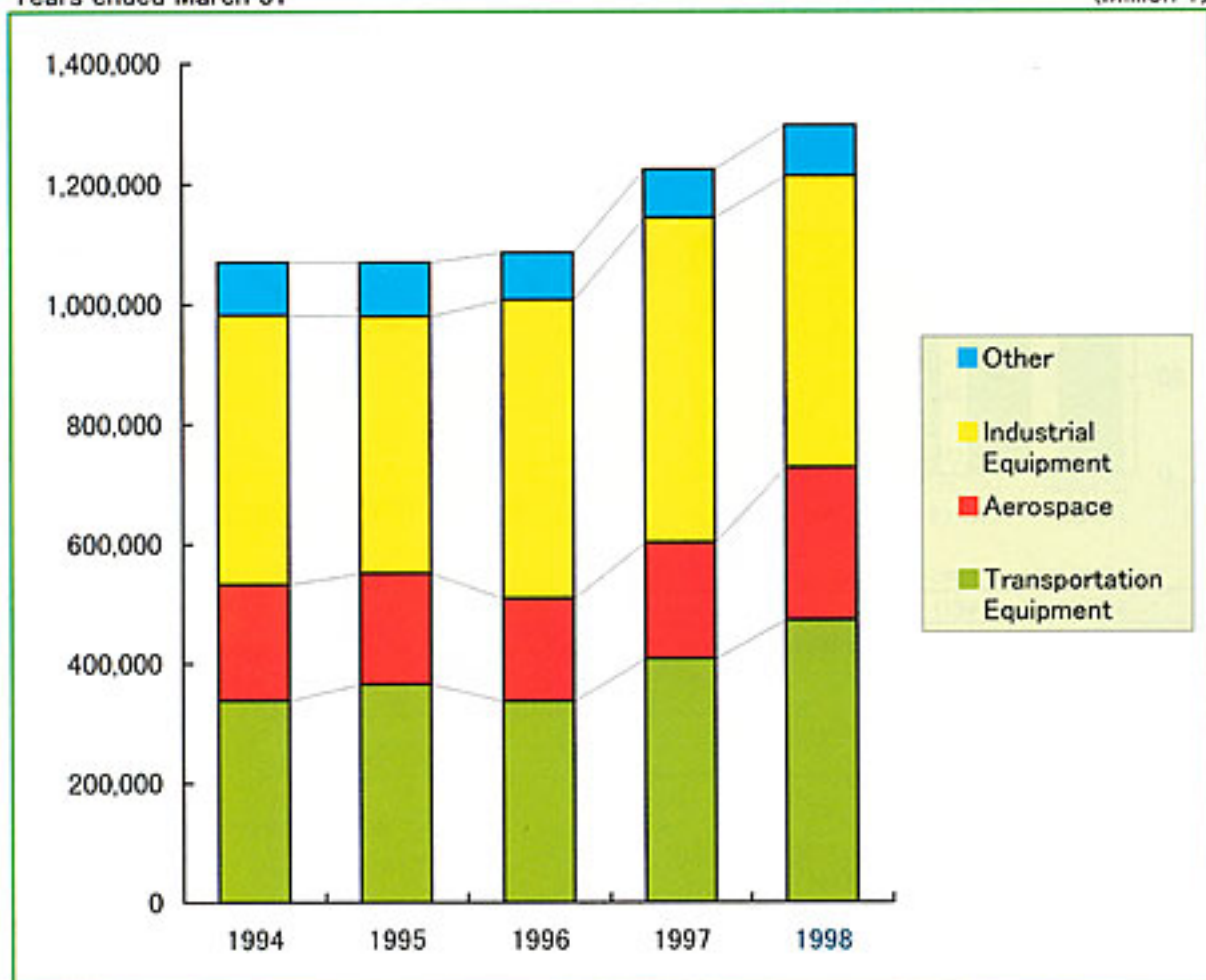
1994	1995	1996	1997	1998
287	279	271	227	209

Debt to Equity Ratio: Interest Bearing Debt / Total Shareholders' Equity.

SALES BY SEGMENT (CONSOLIDATED BASIS)

Years ended March 31

(Million ¥)



External Sales

(Million ¥)

	1994	1995	1996	1997	1998
Transportation Equipment	338,111	365,506	336,934	407,977	472,525
Aerospace	194,382	185,673	171,900	194,973	255,328
Industrial Equipment	449,640	428,772	498,649	541,030	485,353
Other	88,124	90,493	78,761	80,279	84,006
Total	1,070,257	1,070,444	1,086,244	1,224,259	1,297,212

Note: Net effects of the percentage-of-completion method in 1998 are as follows:

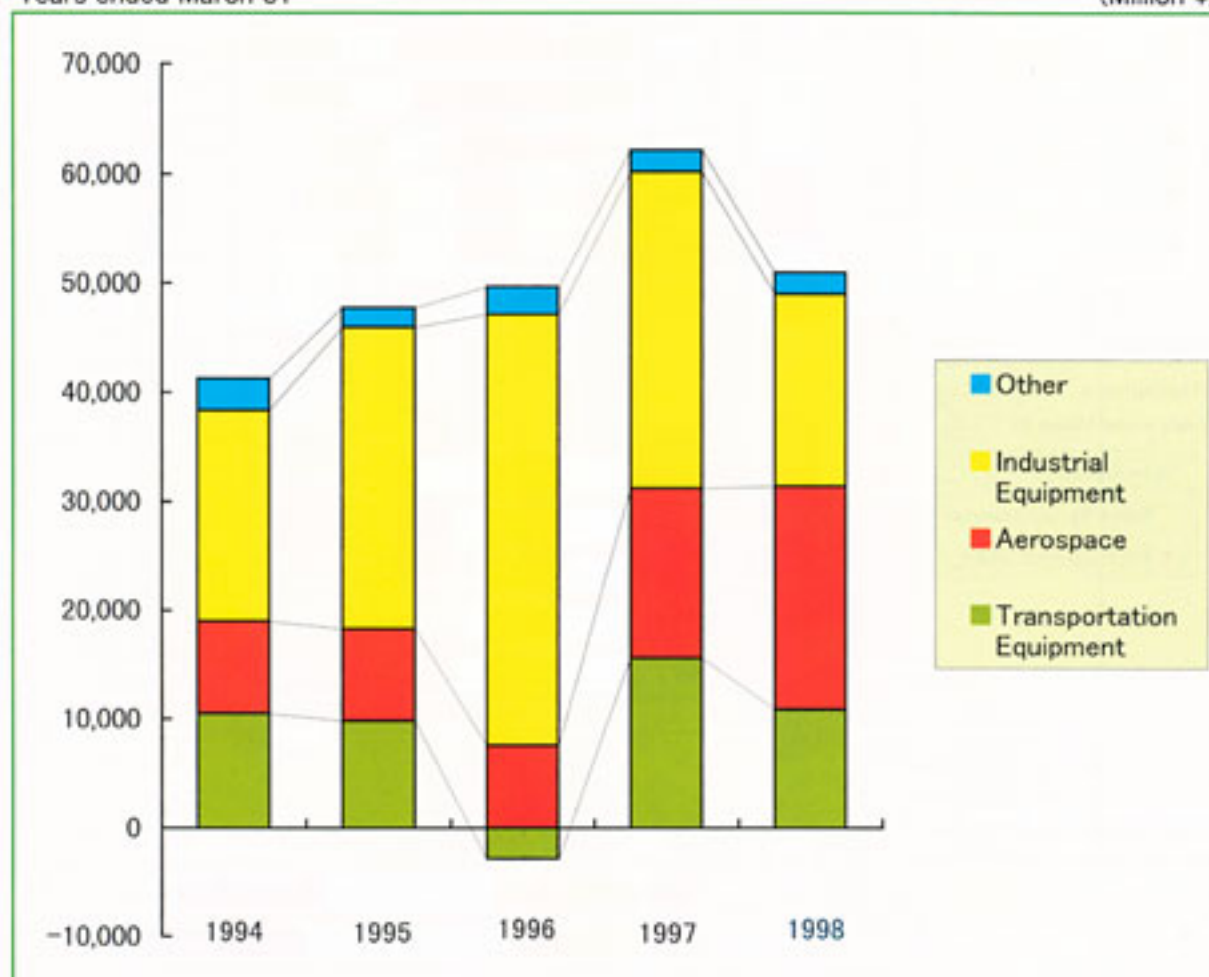
	Millions of yen	
	Sales	Operating income
Transportation Equipment	¥54,037	¥10,087
Industrial Equipment	¥25,553	¥5,116
Total	¥79,590	¥15,203

OPERATING INCOME BY SEGMENT

(CONSOLIDATED BASIS)

Years ended March 31

(Million ¥)



Note: Enterprise tax has been reclassified to income taxes from SGA item.

Operating Income

(Million ¥)

	1994	1995	1996	1997	1998
Transportation Equipment	10,500	9,864	(2,856)	15,609	10,866
Aerospace	8,479	8,460	7,578	15,616	20,539
Industrial Equipment	19,334	27,673	39,544	28,964	17,603
Other	2,943	1,749	2,543	1,979	2,001
Eliminations and corporate	109	(147)	(53)	43	70
Net Operating Income	41,365	47,599	46,756	62,211	51,079

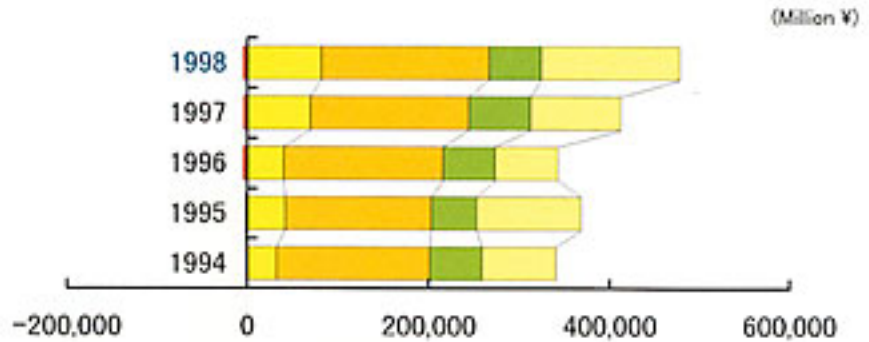
Ratio of Operating Income to Sales

	1994	1995	1996	1997	1998
Transportation Equipment	3.1%	2.7%	-0.8%	3.8%	2.3%
Aerospace	4.4%	4.6%	4.4%	8.0%	8.0%
Industrial Equipment	4.3%	6.5%	7.9%	5.4%	3.6%
Other	3.3%	1.9%	3.2%	2.5%	2.4%
Total	3.9%	4.4%	4.3%	5.1%	3.9%

SEGMENT SALES ANALYSIS

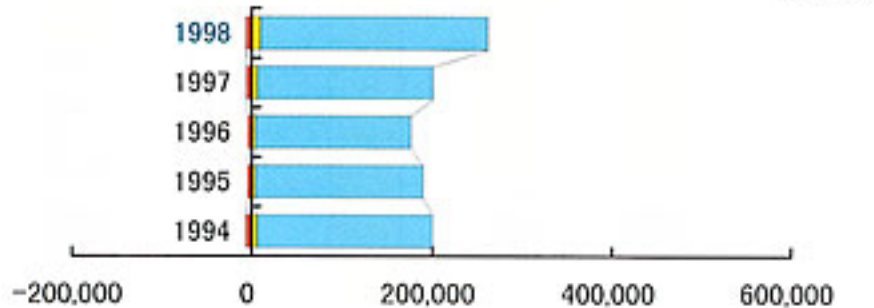
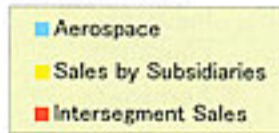
Transportation Equipment

Years ended March 31



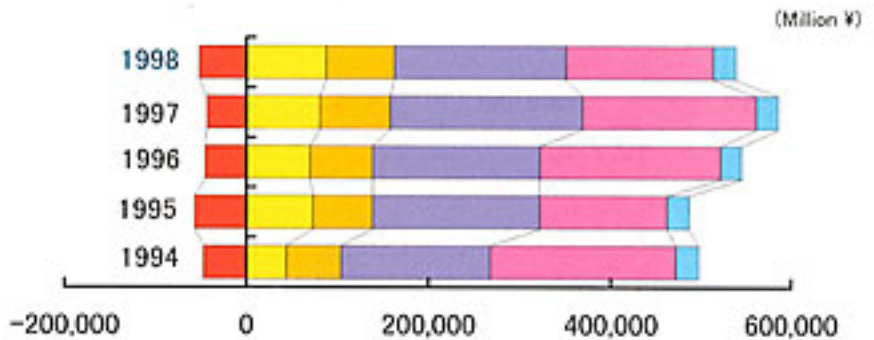
Aerospace

Years ended March 31



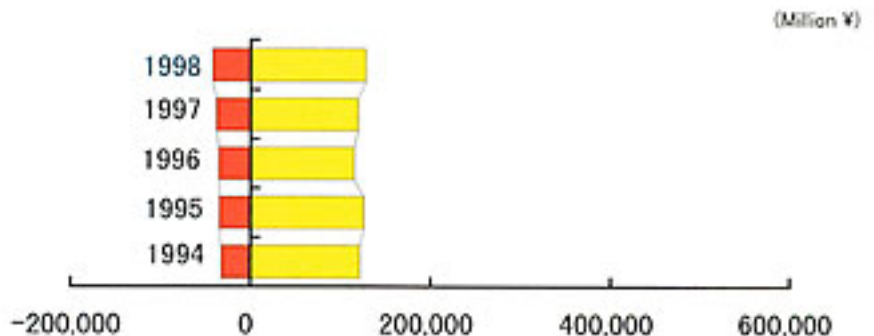
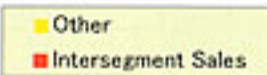
Industrial Equipment

Years ended March 31



Other

Years ended March 31



Transportation Equipment					(Million ¥)
	1994	1995	1996	1997	1998
Ships a)	81,292	115,783	69,501	100,620	154,476
Rolling Stock	57,542	49,664	57,282	68,048	57,130
Consumer Products & Machinery b)	168,747	160,684	175,212	174,438	184,748
Sales by Subsidiaries c)	32,418	42,035	40,165	69,470	81,489
Total sales	339,999	368,166	342,160	412,576	477,843
Intersegment sales	(1,888)	(2,660)	(5,226)	(4,599)	(5,318)
External sales	338,111	365,506	336,934	407,977	472,525

Aerospace					(Million ¥)
	1994	1995	1996	1997	1998
Aerospace d)	194,452	185,702	171,765	194,936	252,259
Sales by Subsidiaries	5,996	4,343	4,370	5,988	9,242
Total sales	200,448	190,045	176,135	200,924	261,501
Intersegment sales	(6,066)	(4,372)	(4,235)	(5,951)	(6,173)
External sales	194,382	185,673	171,900	194,973	255,328

Industrial Equipment					(Million ¥)
	1994	1995	1996	1997	1998
Aerospace e)	25,758	24,454	23,121	24,418	25,370
Machinery, Environment & Power Plants	204,559	141,011	200,052	192,427	163,365
Plant Engineering & Steel Structures	163,592	183,166	183,341	211,241	188,076
Consumer Products & Machinery f)	59,636	65,207	68,698	76,906	74,755
Sales by Subsidiaries	44,158	73,003	69,686	80,732	87,395
Total sales	497,703	486,841	544,898	585,724	538,961
Intersegment sales	(48,063)	(58,069)	(46,249)	(44,694)	(53,608)
External sales	449,640	428,772	498,649	541,030	485,353

Other					(Million ¥)
	1994	1995	1996	1997	1998
Total sales	120,957	125,516	114,823	119,024	127,347
Intersegment sales	(32,833)	(35,023)	(36,062)	(38,745)	(43,341)
External sales	88,124	90,493	78,761	80,279	84,006

Notes: a) Sales by product group within each segment, i.e., Ships, Rolling Stock, Aerospace, etc. are on a parent only basis.

b) Consumer product sales.

c) Sales by subsidiaries: total subsidiaries sales minus internal sales within the segment.

d) Aircraft and jet engine sales.

e) Industrial gas-turbine sales.

f) Hydraulic and construction machinery sales.

SHIPS

KHI has been known as a front-runner in gas carrier design and construction since it built the first LNG carrier in Japan in 1981, utilizing ultra-low temperature storage technology licensed from Moss Rosenberg Verfts A.S. of Norway. In 1989, the Company delivered its first Jetfoil, an advanced type of hydrofoil capable of smooth highspeed cruising, manufactured under license from The Boeing Company. In 1994, the Company delivered its first Jet Piercer, a new high-speed wave-piercing catamaran car ferry developed in conjunction with Advanced Multi-Hull Designs Pty. Ltd. of Australia. KHI is one of only two suppliers of submarines to the Japan Defense Agency (JDA). The Company continues to bolster its position as a premier international shipbuilder by focusing on higher value-added ships such as LNG carriers as well as faster ships.

Principal Products: ○Liquefied natural gas (LNG) carriers ○Liquefied petroleum gas (LPG) carriers
 ○Container ships ○Very large crude-oil carriers (VLCCs) and other types of tankers ○Bulk carriers
 ○Jetfoils ○Jet Piercers ○Submarines ○Maritime application equipment

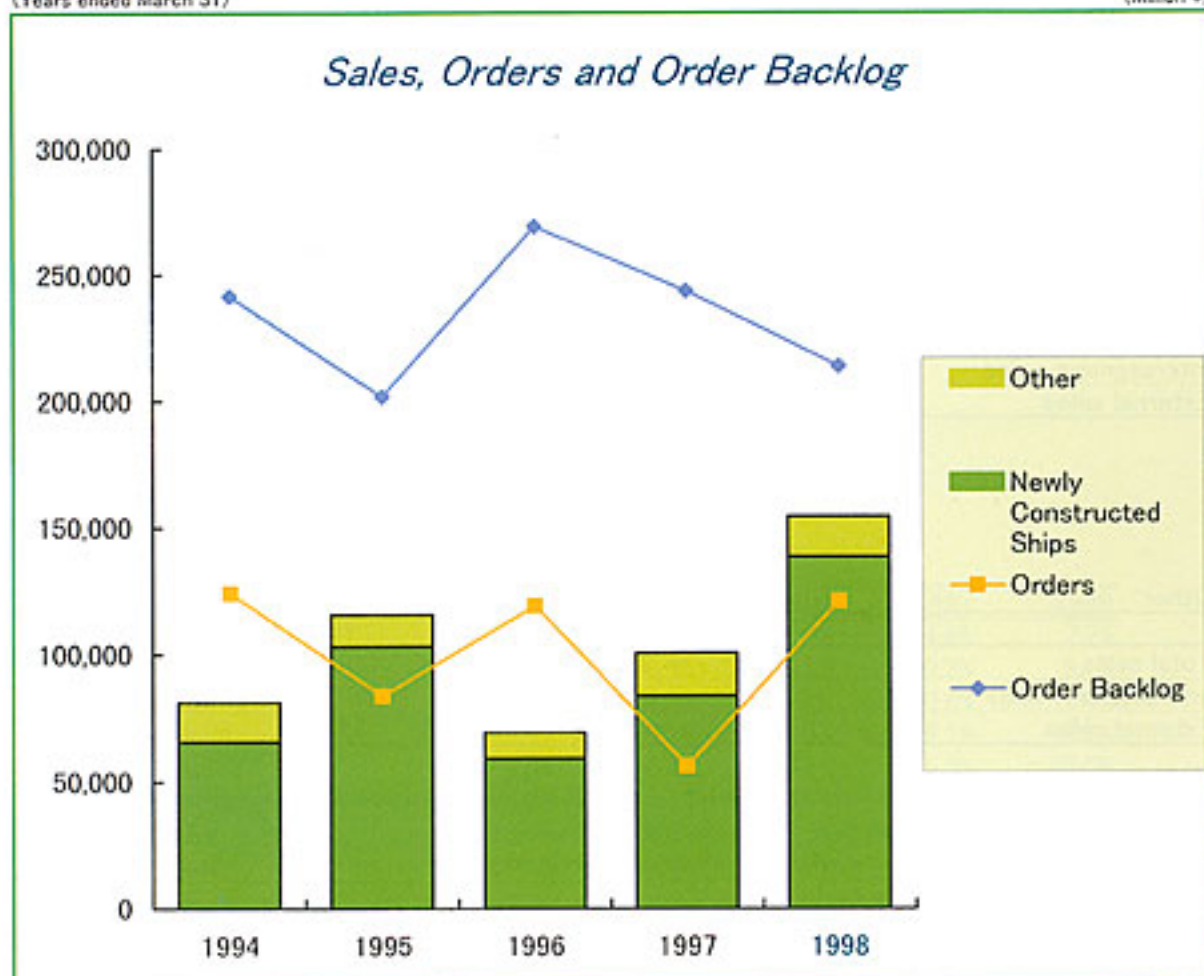
(Years ended March 31) -Parent Only-

(Million ¥)

	1994	1995	1996	1997	1998
Sales	81,292	115,783	69,501	100,620	154,476
Newly Constructed Ships	65,807	103,127	59,194	83,703	138,444
Exports	48,871	72,355	60,039	48,971	59,443
Orders	124,330	83,789	119,310	56,263	120,882
Order Backlog	241,594	201,880	269,069	243,498	213,637

(Years ended March 31)

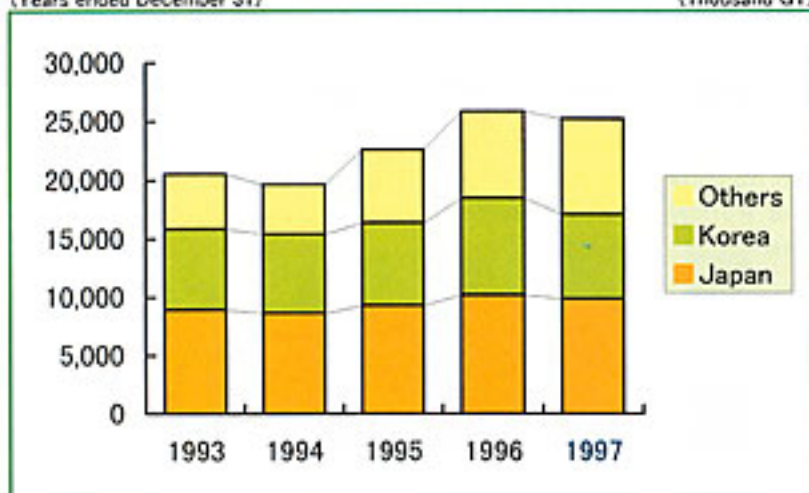
(Million ¥)



Newly Constructed Ships World Market Volume

(Years ended December 31)

(Thousand GT)



(Thousand GT)

	1993	1994	1995	1996	1997
Japan	8,932	8,646	9,309	10,204	9,864
Korea	4,664	4,232	6,217	7,377	8,124
Others	6,915	6,764	7,073	8,268	7,247
World Market Volume	20,511	19,642	22,599	25,849	25,235

Note: Figures are on a ships volume completed (tonnage) basis for vessels of 100GT and above.

Source: Lloyd's World Fleet Statistics 1997.

1993 (%)	
1. MHI a)	13.1
2. IHI b)	10.3
3. Hitachi Zosen	8.2
4. NKK	7.2
5. MES c)	6.4
9. KHI	4.6

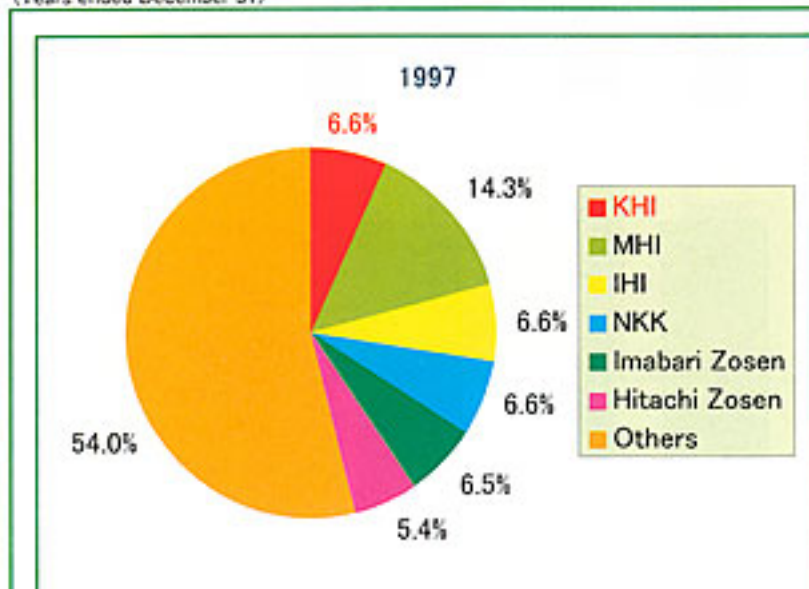
1994 (%)	
1. MHI	12.6
2. IHI	7.9
3. Imabari Zosen	7.1
4. NKK	6.6
5. KHI	6.3

1995 (%)	
1. MHI	13.4
2. Hitachi Zosen	10.5
3. Imabari Zosen	6.8
4. MES	6.0
5. IHI	6.0
6. KHI	5.9

1996 (%)	
1. MHI	12.3
2. IHI	6.7
3. Hitachi Zosen	6.5
4. MES	6.1
5. Imabari Zosen	6.0
11. KHI	4.1

Newly Constructed Ships Domestic Share

(Years ended December 31)



Notes: 1. Figures are on a ships volume completed (tonnage) basis.

2. a) Mitsubishi Heavy Industries.

b) Ishikawajima-Harima Heavy Industries.

c) Mitsui Engineering & Shipbuilding.

Source: KP Data.

ROLLING STOCK

KHI entered into the rolling stock related field in 1906 and has advanced its standing in the markets both at home and abroad. The Company is the leading manufacturer of rolling stock in Japan and the largest supplier to the Japan Railway (JR) group. KHI's aerodynamic technology accumulated through its Aerospace Group has been successfully applied to new types of Shinkansen with higher-speed. KHI also ranks among world's leaders in this sector. In the United States, the Company is enhancing production at its subsidiary, Kawasaki Rail Car, Inc. in Yonkers, New York. In order to respond to future demand worldwide, KHI aims to upgrade its capability as a system integrator for traffic control systems.

Principal Products: ○ Electric cars for Shinkansen bullet trains, express trains and commuter trains
 ○ Electric and diesel locomotives ○ Passenger coaches ○ Integrated transit systems ○ Monorail cars
 ○ Platform screen doors

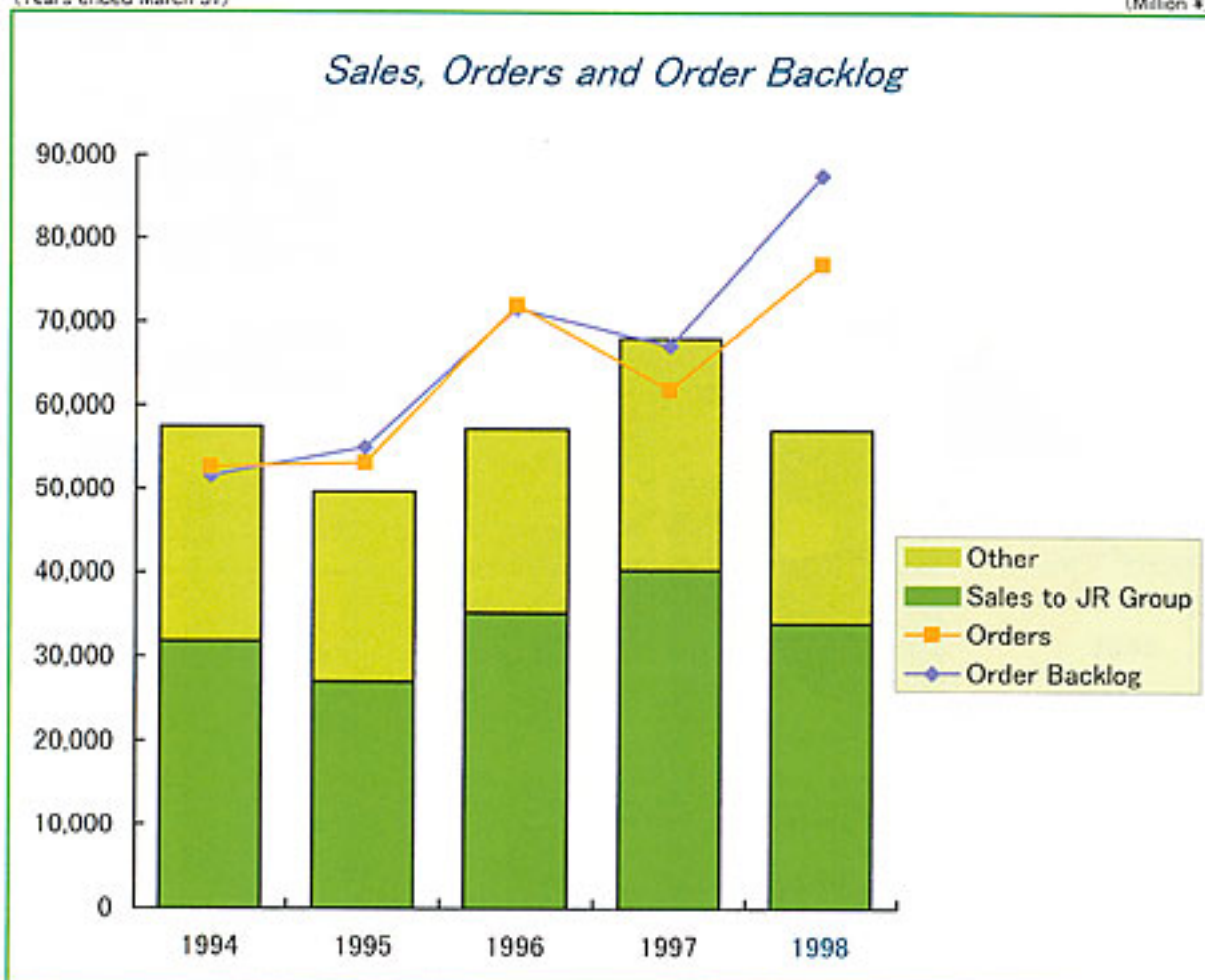
(Years ended March 31) -Parent Only-

	1994	1995	1996	1997	1998
Sales	57,542	49,664	57,282	68,048	57,130
Sales to JR Group	31,786	26,990	35,148	40,304	33,932
Exports	5,734	2,489	266	1,270	6,667
Orders	52,715	53,147	72,010	61,996	76,958
Order Backlog	51,646	55,035	71,607	67,196	87,537

(Million ¥)

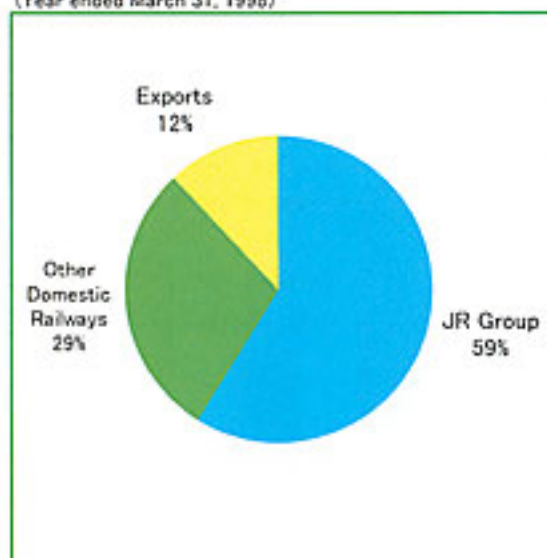
(Years ended March 31)

(Million ¥)



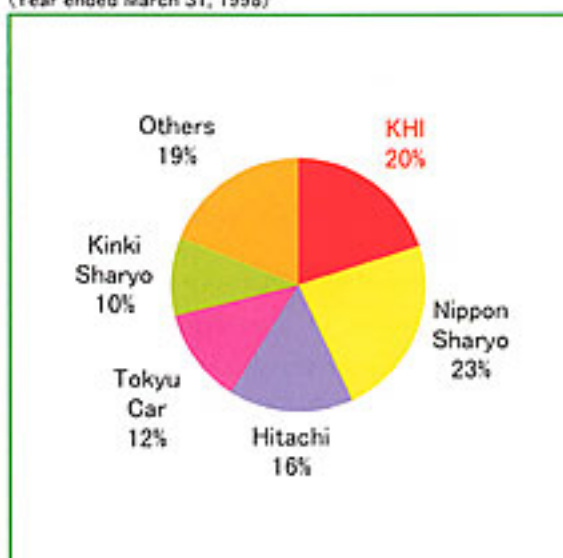
Japanese Rolling Stock Production by Demand Sector

(Year ended March 31, 1998)



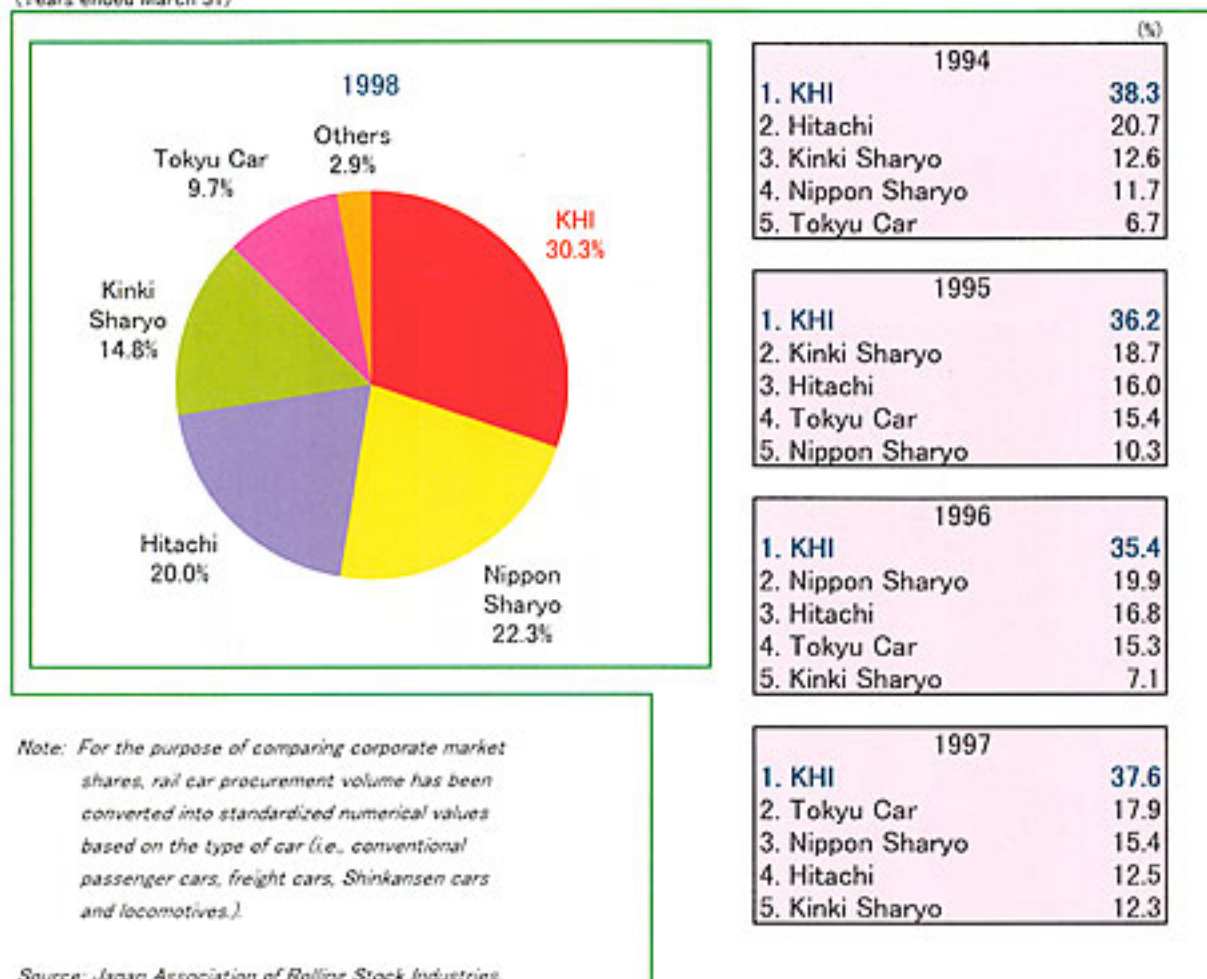
Major Rolling Stock Suppliers to Domestic Railways Except JR Group

(Year ended March 31, 1998)



Major Suppliers to the Japan Railway (JR) Group by Percentage Share

(Years ended March 31)

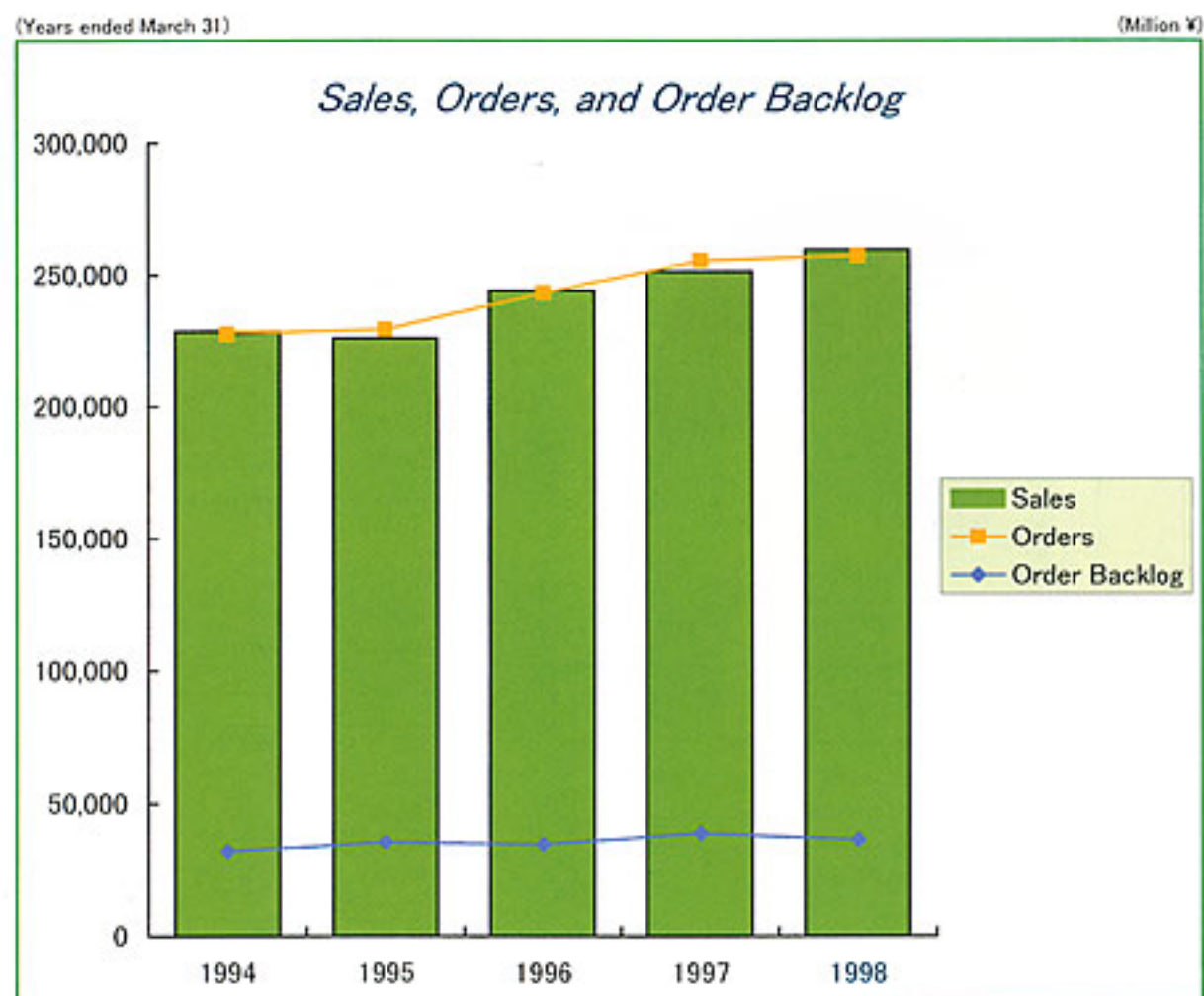


CONSUMER PRODUCTS & MACHINERY

The Consumer Products & Machinery Group consists of three divisions: Consumer Products, Precision Machinery, and Construction Machinery. Kawasaki brand motorcycles are the main products of this Group. KHI specializes in medium- and large-sized motorcycles and they are mainly exported to Europe and North America. Other consumer products such as Jet Ski® personal watercraft, originally developed by the Company, ATVs and U/Vs are produced by its subsidiary, Kawasaki Motors Manufacturing Corp., U.S.A. in Lincoln, Nebraska. Through the Precision Machinery Division, KHI manufactures various types of hydraulic equipment, ranked as one of the leading companies in this field. The Construction Machinery Division mainly produces wheel loaders.

Principal Products: ○Motorcycles ○All-terrain vehicles (ATVs) and utility vehicles (U/Vs) ○Jet Ski® personal watercraft ○General-purpose gasoline engines ○Brush cutters ○Transmissions ○Hydraulic equipment ○Construction machinery

(Years ended March 31)-Parent Only-	(Million ¥)				
	1994	1995	1996	1997	1998
Sales	228,383	225,891	243,910	251,344	259,503
Exports	136,448	137,395	152,314	159,681	177,288
Orders	227,629	229,314	243,166	255,460	257,456
Order Backlog	32,068	35,440	34,630	38,789	36,396

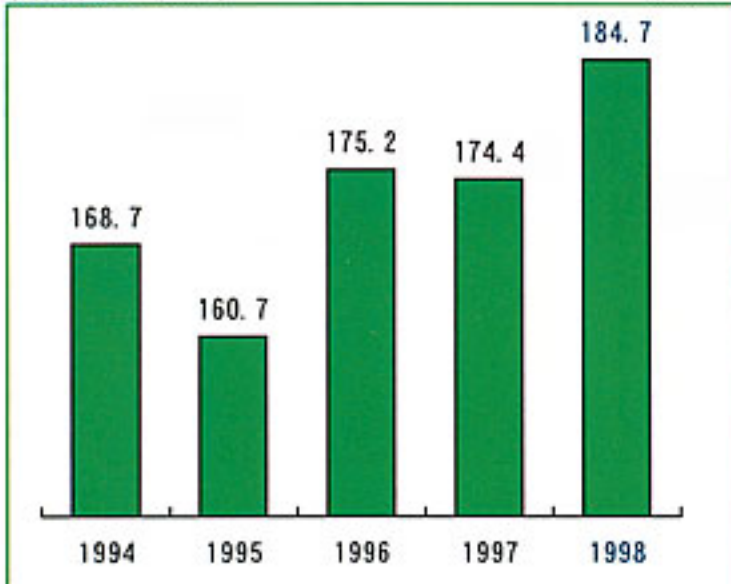


Consumer Products Division Sales

-Parent Only-

(Years ended March 31)

(Billion ¥)

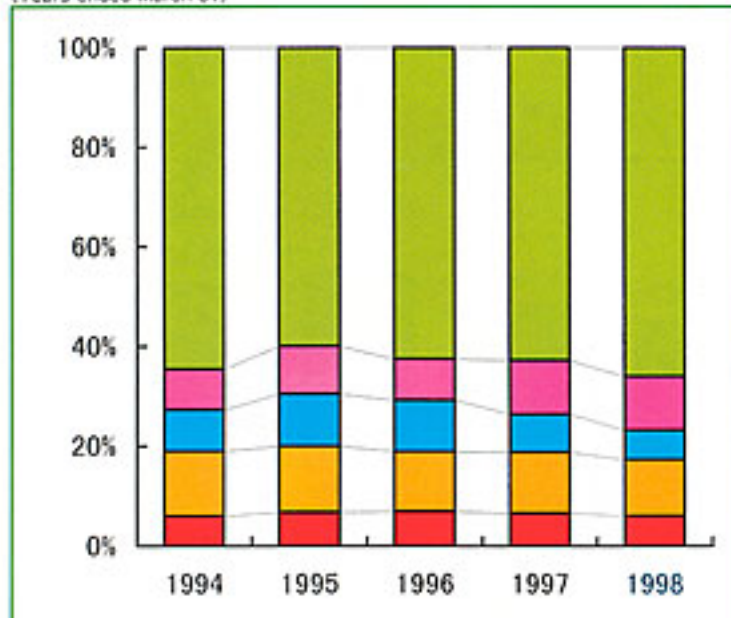


Sales Breakdown of

Consumer Products Division by Product

-Parent Only-

(Years ended March 31)

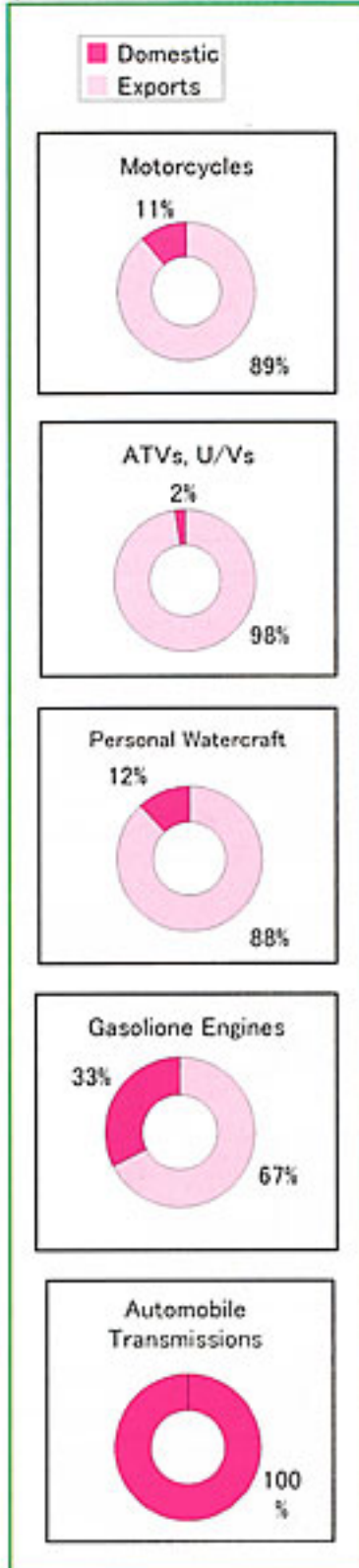


	1994	1995	1996	1997	1998
Motorcycles	64.5%	59.9%	62.5%	62.8%	66.0%
ATVs, U/Vs	8.2%	9.6%	8.3%	10.8%	10.8%
Personal Watercraft	8.3%	10.5%	10.3%	7.6%	5.9%
Gasoline Engines	13.0%	13.2%	11.9%	12.2%	11.2%
Automobile Transmissions	6.0%	6.8%	7.0%	6.6%	6.1%

Domestic/Export Sales by Product

-Parent Only-

(Year ended March 31, 1998)

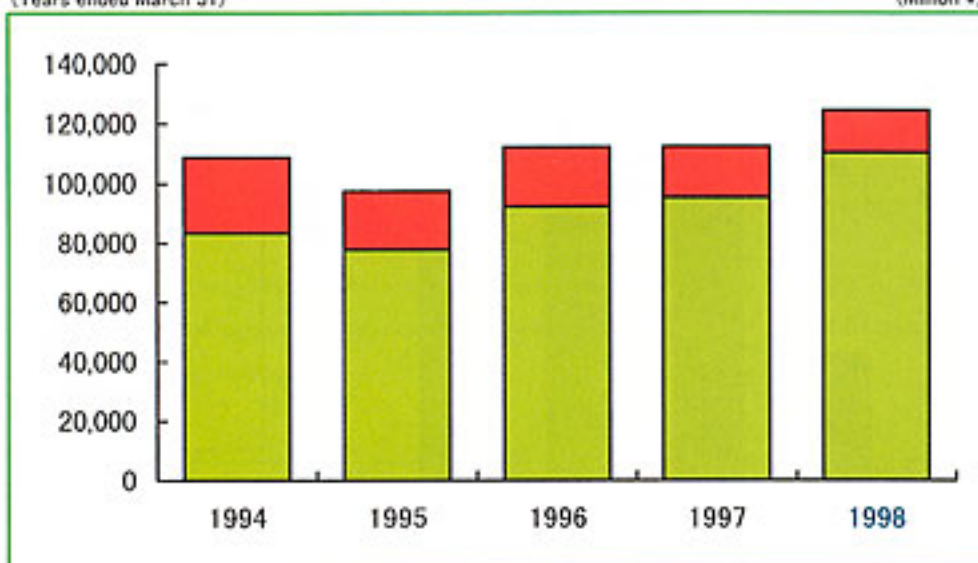


Motorcycle Sales

-Parent Only-

(Years ended March 31)

(Million ¥)



(Million ¥)

	1994	1995	1996	1997	1998
■ Domestic Sales	25,444	19,698	20,021	17,106	14,141
■ Export Sales	83,341	77,728	92,122	95,227	110,262
Total Motorcycle Sales	108,785	97,426	112,143	112,333	124,403

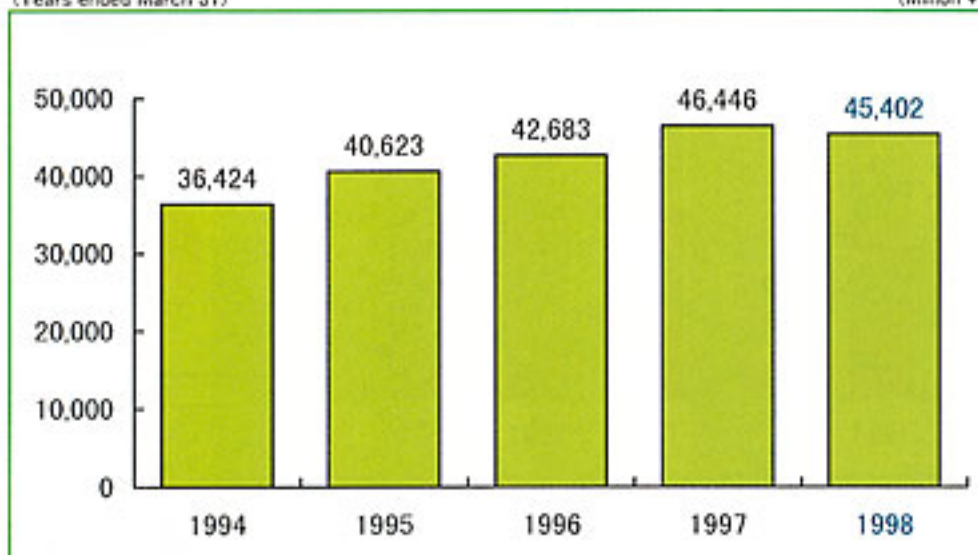
Note: Including sales of spare parts.

Hydraulic Equipment Sales

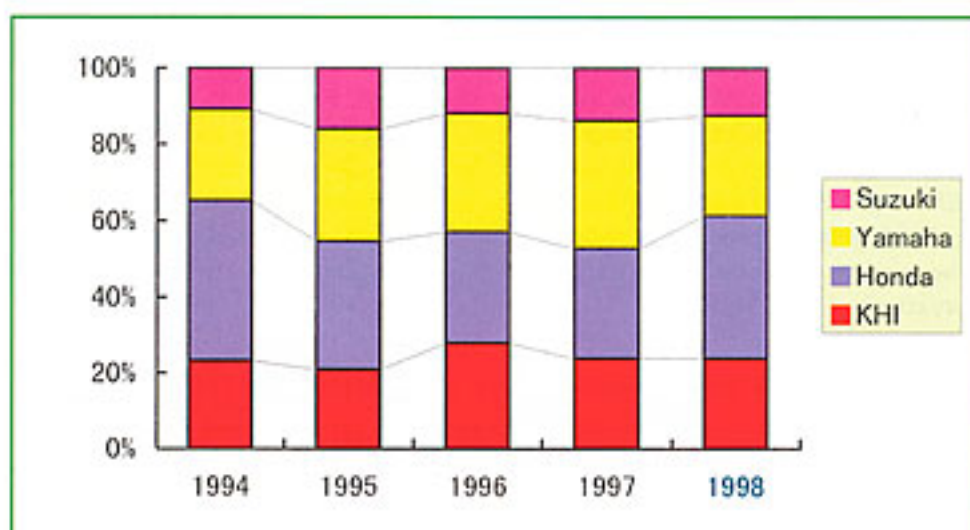
-Parent Only-

(Years ended March 31)

(Million ¥)



Motorcycle Sales Domestic Share

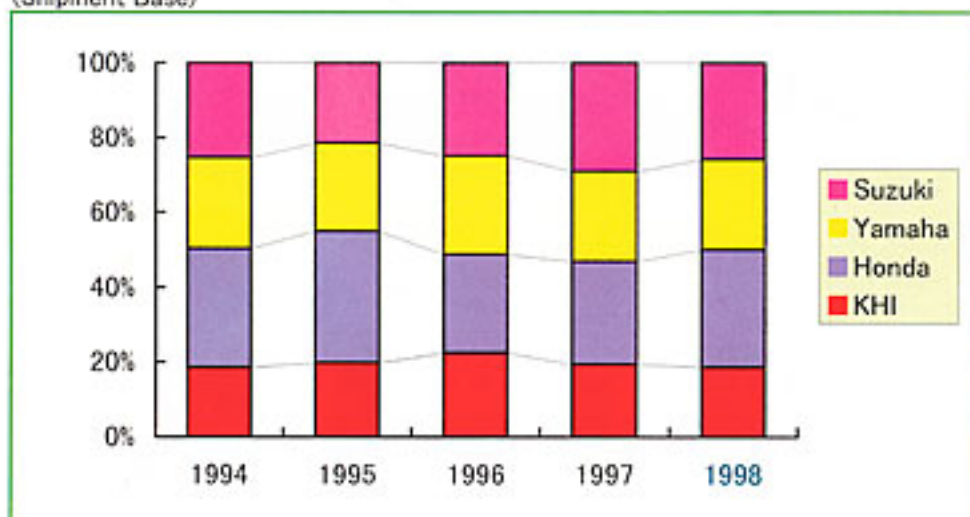


(Years ended March 31)

	1994	1995	1996	1997	1998
KHI	23.2%	20.9%	27.8%	23.8%	23.8%
Honda Motor	42.1%	33.7%	29.3%	29.0%	37.6%
Yamaha Motor	23.8%	29.4%	31.0%	33.4%	26.2%
Suzuki Motor	10.9%	16.0%	11.9%	13.8%	12.4%

Motorcycle Sales Export Share

(Shipment Base)



(Years ended March 31)

	1994	1995	1996	1997	1998
KHI	18.6%	19.9%	22.5%	19.4%	18.7%
Honda Motor	31.8%	35.1%	26.3%	27.6%	31.4%
Yamaha Motor	24.2%	23.5%	26.3%	24.0%	24.1%
Suzuki Motor	25.4%	21.5%	24.9%	29.0%	25.8%

Note: Engine displacement of more than 251cc.

Source: Japan Automobile Manufacturers Association Inc.

AEROSPACE

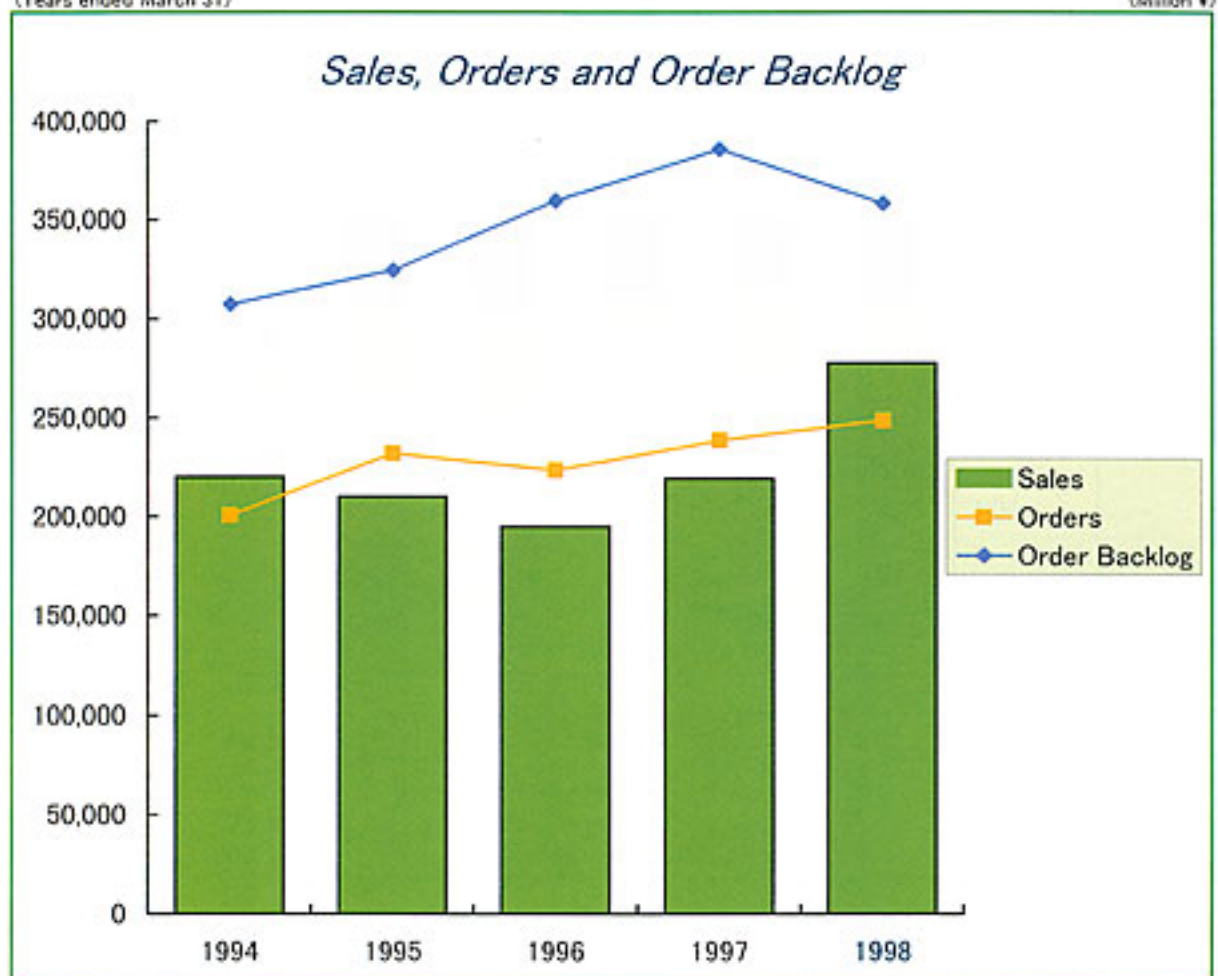
The Aerospace Group includes three divisions: Aerospace, Jet Engines, and Industrial Gas Turbines. KHI plays a prominent role in Japanese aircraft industry in both the defense-related and the civil sectors. For JDA business, the Company has been the prime contractor of the P-3C anti-submarine warfare patrol airplanes, the T-4 intermediate jet trainers and the CH-47J helicopters. Also, as the prime contractor, it has recently developed the OH-1, a new light observation helicopter. For the civil markets, the Company mainly manufactures component parts for the Boeing 777 and 767. KHI also produces jet engines for the JDA and their parts for the V2500, RB211/TRENT and PW4000 turbo-fan engines for the civil markets. By making use of its jet engine technology, KHI developed small- and medium-sized industrial gas-turbines in 1976. The Company maintains the largest domestic share in the field of gas turbines for standby generators and co-generation systems.

Principal Products: ○ P-3C anti-submarine warfare patrol airplanes ○ T-4 intermediate jet trainers ○ CH-47J, OH-1 and BK117 helicopters ○ Component parts for B777 and B767 passenger airplanes ○ Missiles ○ Electronic equipment ○ Space equipment ○ Jet and gas-turbine engines ○ Medium- and small-sized gas turbines for standby and co-generation systems

	1994	1995	1996	1997	1998
Sales	220,210	210,156	194,886	219,354	277,629
Exports	24,889	24,495	25,205	45,130	64,581
Orders	200,639	231,856	223,367	238,533	248,484
Order Backlog	307,292	324,496	359,668	385,798	358,224

(Years ended March 31)-Parent Only-

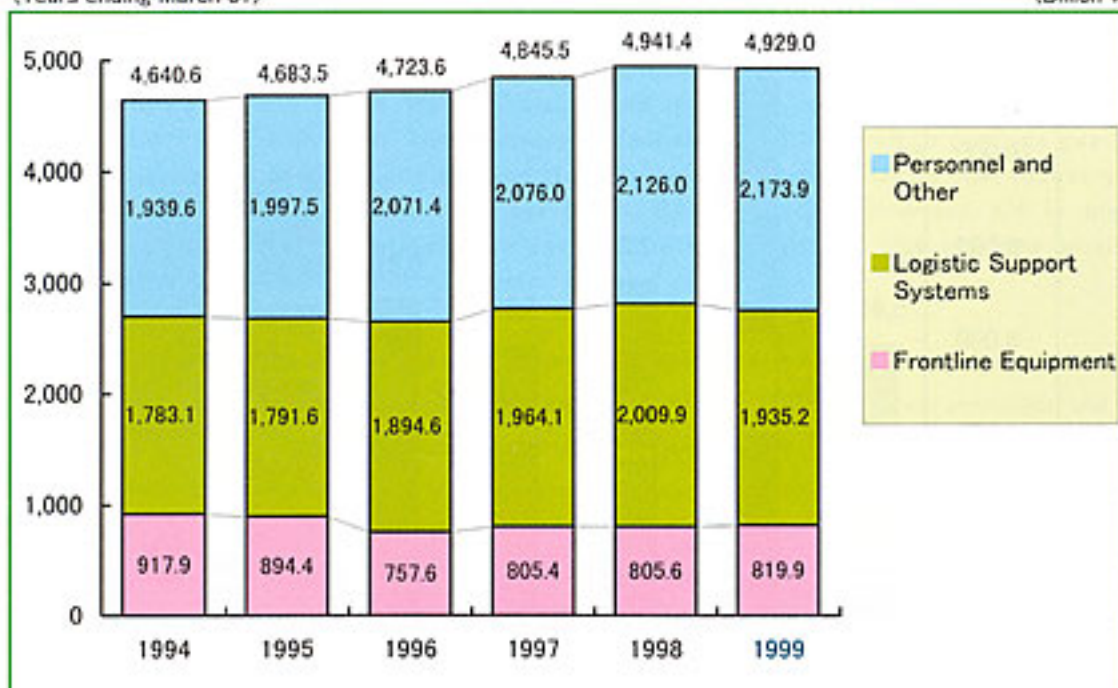
(Million ¥)



Japan's Defense Budget (Initial Budget Base)

(Years ending March 31)

(Billion ¥)



Source: Japan Defense Agency.

Major Suppliers to the Japan Defense Agency — Including Aircraft

(Years ended March 31)

1993			1994			1995		
	Million ¥	% Share		Million ¥	% Share		Million ¥	% Share
1. MHI a)	339,271	24.5	1. MHI	264,946	19.3	1. MHI	279,004	20.6
2. KHI	113,364	8.2	2. KHI	126,119	9.2	2. KHI	148,198	10.9
3. Mitsubishi			3. IHI	93,852	6.8	3. Mitsubishi		
Electric	108,860	7.9	4. Mitsubishi			Electric	95,919	7.1
4. IHI b)	72,644	5.3	Electric	91,568	6.8	4. NEC	53,088	3.9
5. NEC	52,252	3.8	5. Itochu Corp.	53,060	3.9	5. IHI	52,701	3.9
1996			1997			1998		
	Million ¥	% Share		Million ¥	% Share		Million ¥	% Share
1. MHI	229,030	17.2	1. MHI	329,941	24.3	1. MHI	271,933	20.6
2. KHI	156,895	11.7	2. Mitsubishi			2. KHI	146,764	11.1
3. Mitsubishi			Electric	131,807	9.7	3. Mitsubishi		
Electric	108,530	8.1	3. KHI	99,188	7.3	Electric	128,687	9.7
4. NEC	72,905	5.5	4. IHI	71,467	5.3	4. NEC	74,558	5.6
5. IHI	56,253	4.2	5. NEC	57,111	4.2	5. IHI	66,160	5.0

Notes: a) Mitsubishi Heavy Industries.

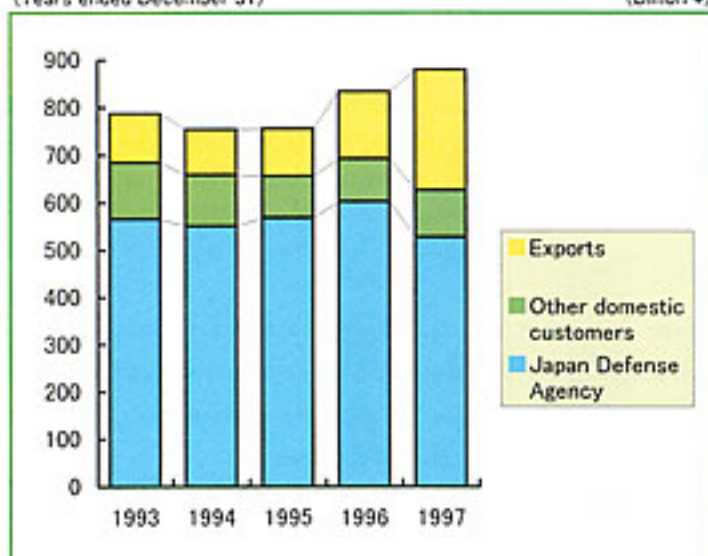
b) Ishikawajima-Harima Heavy Industries.

Source: Japan Defense Agency.

Japanese Aircraft Production by Demand Sector

(Years ended December 31)

(Billion ¥)



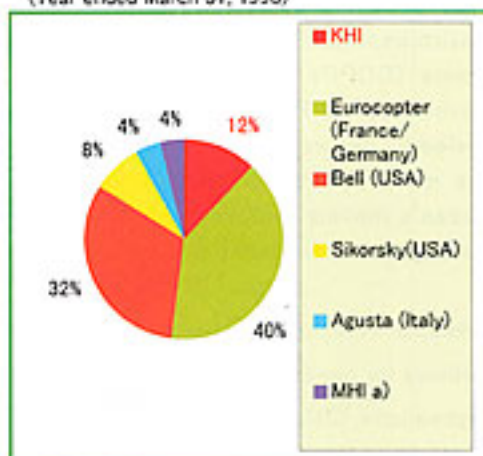
(Million ¥)

	1993	1994	1995	1996	1997
JDA	566,119	551,346	568,642	602,772	528,322
Other domestic customers	118,252	108,406	88,557	89,773	99,067
Exports	103,415	95,145	99,266	141,144	252,223
Total	787,786	754,897	756,465	833,689	879,612

Source: Ministry of International Trade and Industry, "Machinery Statistics Year Book".

Helicopters Domestic Share for Civilian Use

(Year ended March 31, 1998)



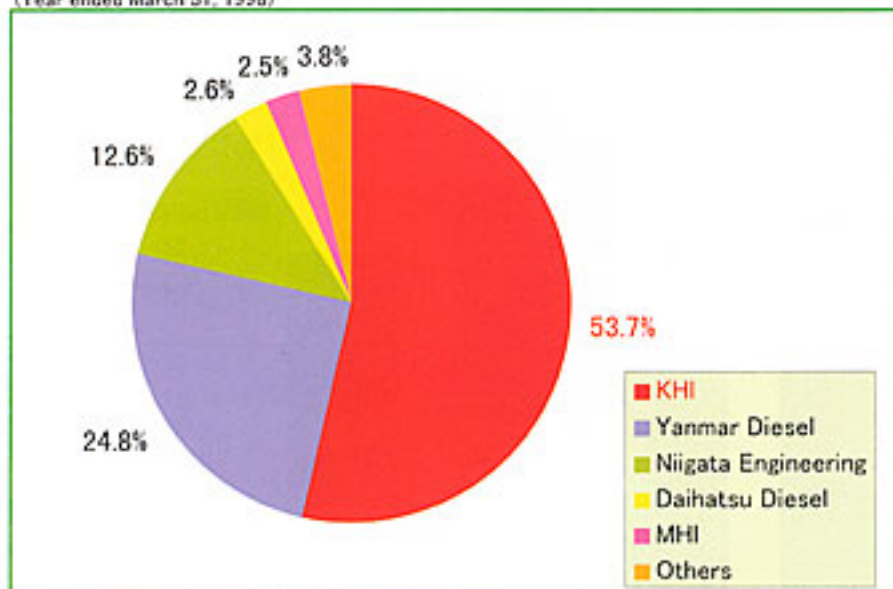
Notes: 1. Figures are calculated on the basis of the number of newly registered double-turbine helicopters.

2. a) Mitsubishi Heavy Industries.

Source: Civil Aviation Bureau, Ministry of Transport.

Gas Turbines Domestic Share

(Year ended March 31, 1998)



Note: Figures represent sales for medium- and small-sized gas turbines (up to 2,000kW).

Source: Denki Nichinichi Shimbun, "Ranking Series".

MACHINERY, ENVIRONMENT & POWER PLANTS

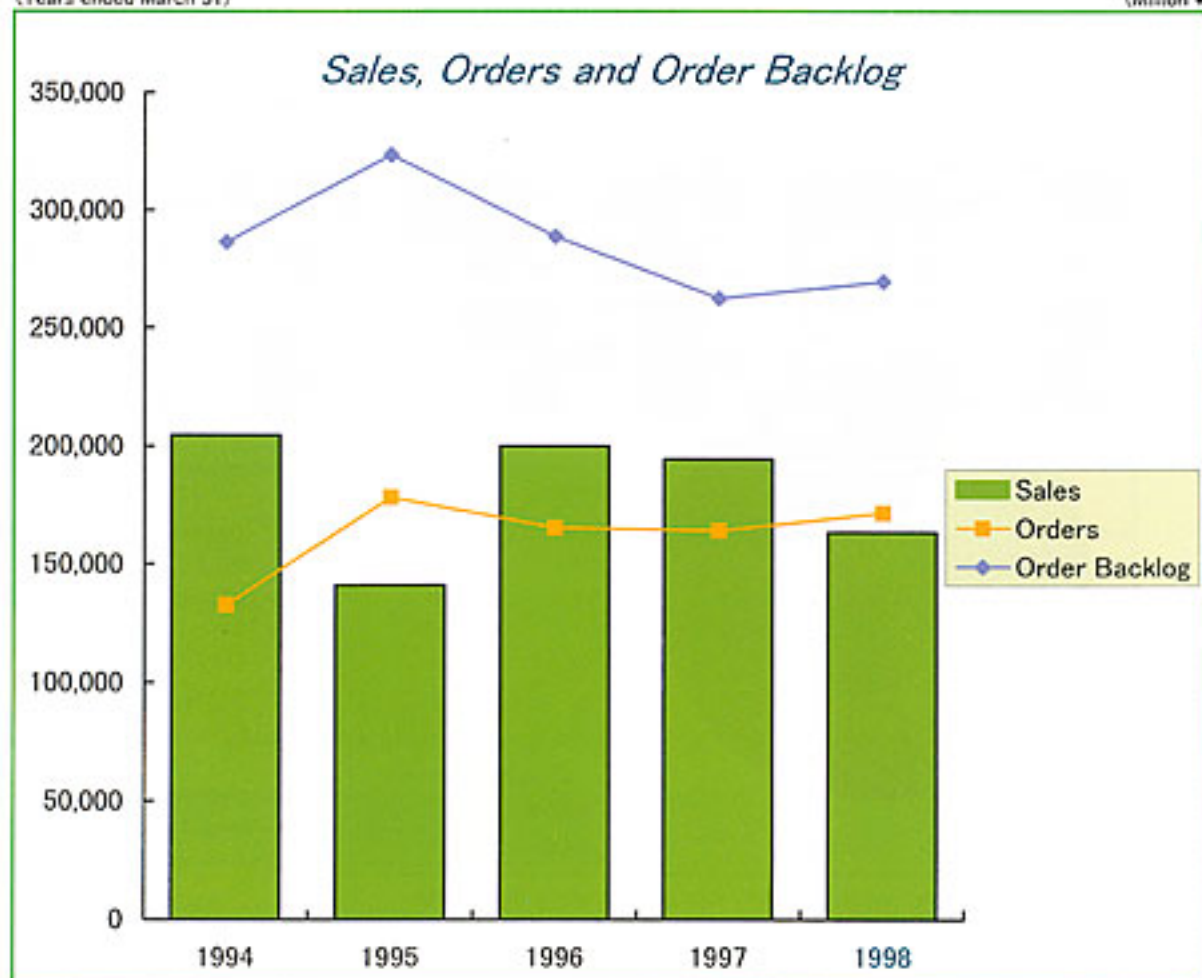
This Group is comprised of five divisions: Prime Movers, Boiler Plants, Environmental Plant 1, Environmental Plant 2, and Nuclear Systems. Main products of the Group are combined cycle power plants (CCPPs) in the Prime Mover Division and municipal refuse incineration plants in the Environmental Plant 1 Division. The Company is focusing on CCPPs which combine gas turbines fueled by natural gas or low calorie gas, and steam turbines powered by waste heat recovery boilers, are manufactured in corporation with Asea Brown Boveri AG of Switzerland. KHI is one of the Japan's leading suppliers of municipal refuse incineration plants, and also provides crushing and sorting plants for bulky and industrial waste.

Principal Products: ○ Diesel engines for power generation and maritime applications ○ Gas & steam turbines for power generation and maritime applications ○ Various boilers for power generation and maritime applications ○ Municipal refuse incineration plants ○ Air compressors ○ Propellers ○ Water-jet propulsors ○ Wind tunnels ○ Various crushers and shredders ○ Nuclear power plant equipment

(Years ended March 31)-Parent Only-	1994	1995	1996	1997	1998
Sales	204,559	141,011	200,052	192,427	163,365
Exports	55,758	25,439	13,494	34,310	14,619
Orders	132,785	178,252	165,377	164,066	171,674
Order Backlog	286,583	323,629	288,851	262,556	269,711

(Years ended March 31)

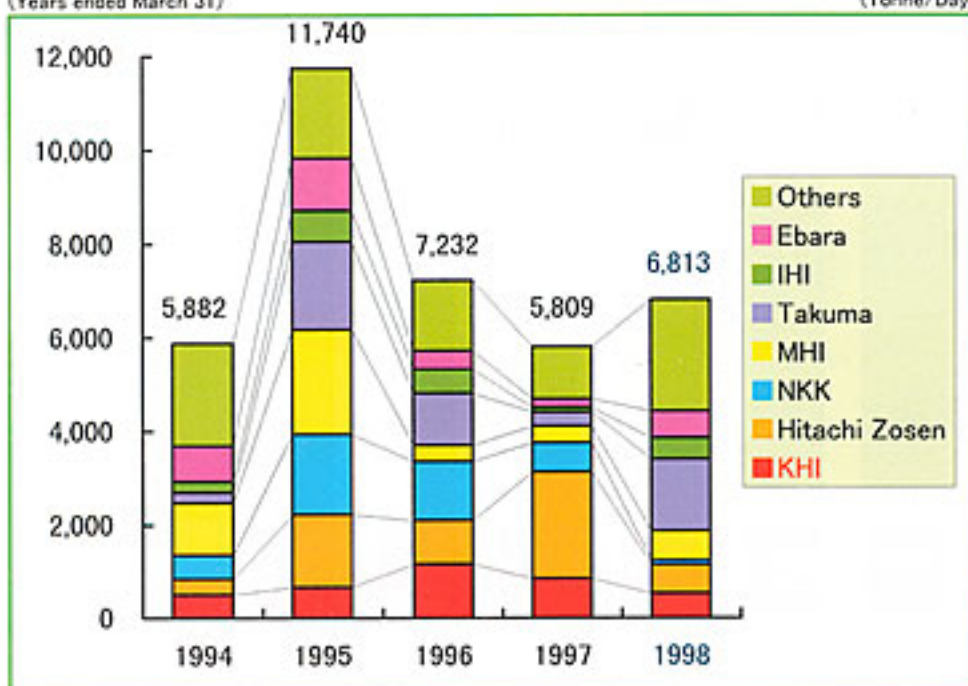
(Million ¥)



Refuse Incineration Plants Domestic Market Volume

(Years ended March 31)

(Tonne/Day)



	1994	1995	1996	1997	1998
KHI	510	668	1,165	847	528
Hitachi Zosen	333	1,560	929	2,283	619
NKK	517	1,708	1,260	626	96
MHI a)	1,111	2,240	350	353	617
Takuma	229	1,876	1,111	305	1,538
IHI b)	222	664	517	91	450
Ebara	770	1,120	396	186	579
Others	2,190	1,904	1,504	1,118	2,386
Total Market Volume	5,882	11,740	7,232	5,809	6,813

Notes: 1. Figures represent tonnes of processing capacity per day for ordered units.

2. a) Mitsubishi Heavy Industries b) Ishikawajima-Harima Heavy Industries.

Source: Kankyo Sangyo Shimbunsha.

Refuse Incineration Plants Domestic Share

(Years ended March 31)

	1994	1995	1996	1997	1998
KHI	8.7%	5.7%	16.1%	14.6%	7.7%
Hitachi Zosen	5.7%	13.3%	12.8%	39.3%	9.1%
NKK	8.8%	14.5%	17.4%	10.8%	1.4%
MHI	18.9%	19.1%	4.8%	6.1%	9.1%
Takuma	3.9%	16.0%	15.4%	5.3%	22.6%
IHI	3.8%	5.7%	7.1%	1.6%	6.6%
Ebara	13.1%	9.5%	5.5%	3.2%	8.5%
Others	37.1%	16.2%	20.9%	19.1%	35.0%

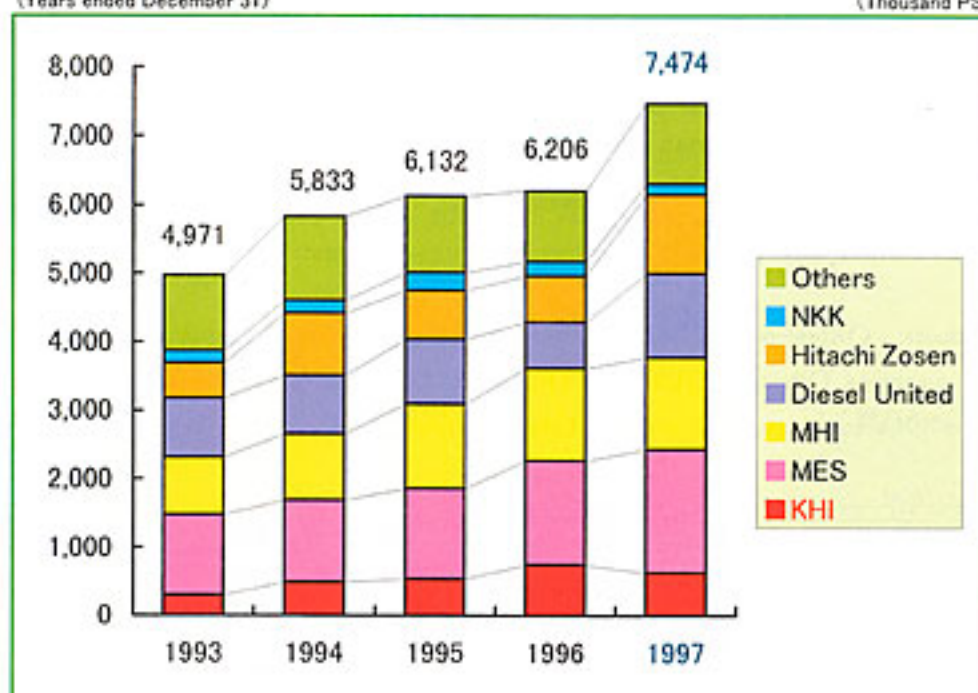
Note: Figures are calculated on the basis of tonnes of processing capacity per day for ordered units.

Source: Kankyo Sangyo Shimbunsha.

Diesel Engines Domestic Production

(Years ended December 31)

(Thousand PS)



	1993	1994	1995	1996	1997
KHI	298	491	539	748	629
MES a)	1,176	1,195	1,319	1,519	1,803
MHI	838	968	1,235	1,349	1,346
Diesel United	866	856	945	672	1,225
Hitachi Zosen	514	906	717	678	1,148
NKK	179	194	260	212	160
Others	1,101	1,224	1,118	1,027	1,165
Total	4,971	5,833	6,132	6,206	7,474

Notes: 1. Figures are shown on the basis of horse power (PS).

2. a) Mitsui Engineering & Shipbuilding.

Source: KP Data.

Diesel Engines Domestic Share

(Years ended December 31)

	1993	1994	1995	1996	1997
KHI	6.0%	8.4%	8.8%	12.1%	8.4%
MES	23.7%	20.5%	21.5%	24.5%	24.1%
MHI	16.9%	16.6%	20.1%	21.7%	18.0%
Diesel United	17.4%	14.7%	15.4%	10.8%	16.4%
Hitachi Zosen	10.3%	15.5%	11.7%	10.9%	15.4%
NKK	3.6%	3.3%	4.2%	3.4%	2.1%
Others	22.1%	21.0%	18.3%	16.6%	15.6%

Note: Figures are shown on the basis of horse power (PS).

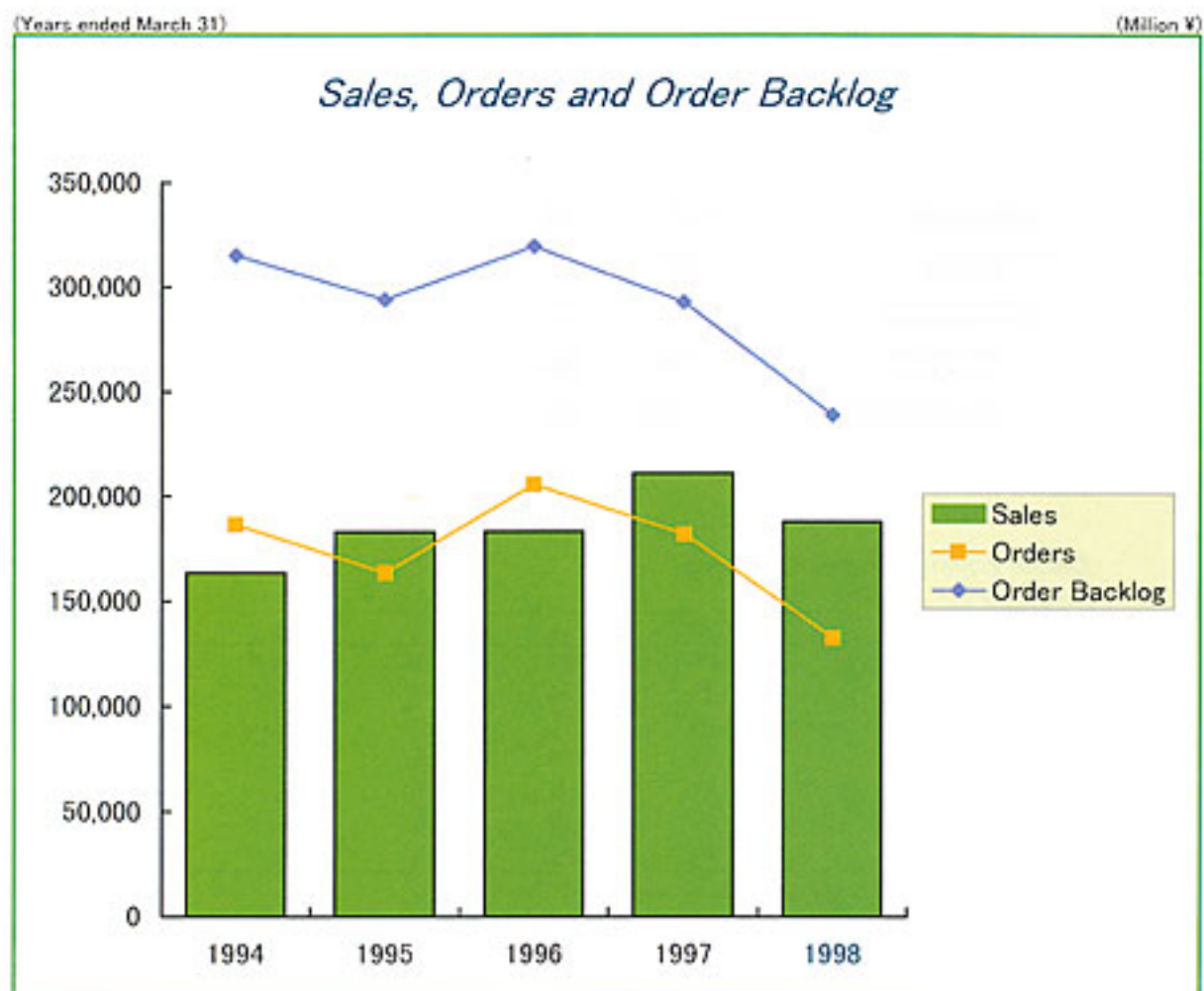
Source: KP Data.

PLANT ENGINEERING & STEEL STRUCTURES

This Group consists of three divisions: Industrial Plants, Robot & Factory Automation, and Steel Structures. Through this Group, KHI has been involved in large-scale projects and social infrastructure projects both in Japan and overseas. In the Industrial Plant Division, the Company supplies many types of industrial plants, including steel, cement and chemical plants. Shield machines and tunnel boring machines are also produced in this division. The Company manufactures a large variety of steel structures such as bridges, LPG and LNG storage tanks, penstocks, watergates, and airport facilities mainly for domestic public customers. Industrial robots and assembly lines are the main products of Robot & Factory Automation Division.

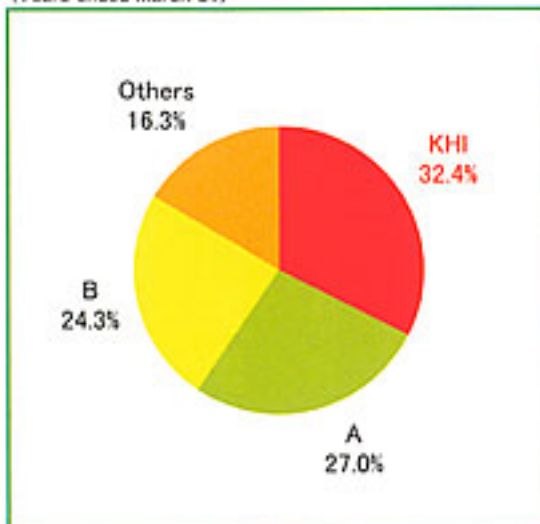
Principal Products: ○Steel-making, cement, chemical and other industrial plants ○Shield machines and tunnel boring machines ○Bridges ○LNG and LPG tanks ○Penstocks ○Watergates ○Airport facilities ○Steel frames ○Factory automation systems ○Industrial robots

(Years ended March 31)-Parent Only-					(Million ¥)
	1994	1995	1996	1997	1998
Sales	163,592	183,166	183,341	211,241	188,076
Exports	39,083	42,953	41,717	56,352	55,972
Orders	186,166	163,541	205,673	182,159	132,241
Order Backlog	315,160	294,074	319,752	293,013	238,903



**Shield Machines
—Large-Diameter Model
Domestic Share (1991–1997 Total)**

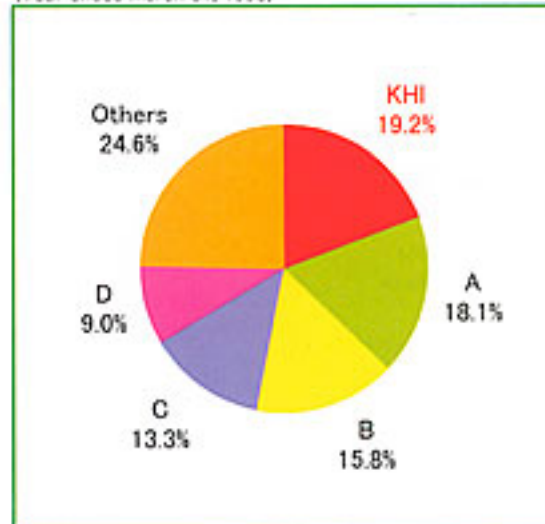
(Years ended March 31)



Notes: 1. Segments A and B represent the shares of the two other major companies in this market.
2. Figures are shown on a sales amount basis.
Source: Company's estimates.

**Shield Machines and
Tunnel Boring Machines
Domestic Share**

(Year ended March 31, 1998)



Notes: 1. Segments A, B, C and D represent the shares of the four other major companies in this market.
2. Figures are shown on a sales amount basis.
Source: Company's estimates.

Industrial Robot Sales

-Parent Only-

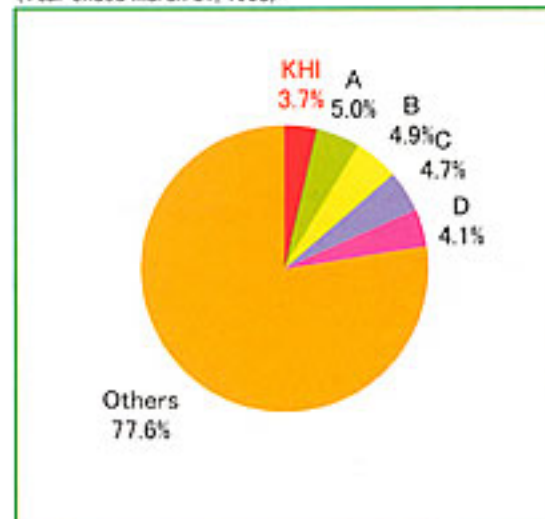
(Years ended March 31)

(Billion ¥)



Steel Bridges Domestic Share

(Year ended March 31, 1998)



Notes: 1. Figures are shown on the basis of steel volume to be used for the contracts.
2. Segments A, B, C and D represent the shares of the four other major companies in this market.
Source: Company's estimates.

CONDENSED BALANCE SHEETS

Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries
As of March 31

ASSETS	Millions of yen					
	1998	1997	1996	1995	1994	1993
Current assets:						
Cash on hand and in banks	¥76,265	¥96,617	¥100,134	¥91,532	¥101,092	¥102,138
Marketable securities	48,834	49,939	46,814	45,504	43,260	42,393
Receivables	420,562	402,711	355,707	323,392	347,785	332,755
Allowance for doubtful receivables	(2,959)	(3,794)	(3,649)	(3,412)	(3,992)	(3,451)
	417,603	398,917	352,058	319,980	343,793	329,304
Inventories	351,236	440,970	444,378	437,776	453,783	446,121
Other current assets	14,493	11,691	9,233	8,747	9,247	13,125
Total current assets	908,431	998,134	952,617	903,539	951,175	933,081
Investments and long-term loans	54,548	56,379	51,115	45,386	44,631	39,016
Property, plant and equipment	704,184	665,523	648,232	623,927	607,691	570,358
Accumulated depreciation	(461,749)	(432,327)	(416,617)	(396,754)	(380,478)	(361,768)
Net property, plant and equipment	242,435	233,196	231,615	227,173	227,213	208,590
Intangible and other assets	5,699	5,429	5,405	5,595	5,830	4,095
Foreign currency translation adjustments	11,793	10,030	11,619	9,971	10,288	7,648
Total assets	¥1,222,906	¥1,303,168	¥1,252,371	¥1,191,664	¥1,239,137	¥1,192,430

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen					
	1998	1997	1996	1995	1994	1993
Current liabilities:						
Short-term borrowings and current portion of long-term debt	¥239,252	¥250,080	¥236,636	¥242,469	¥269,169	¥249,651
Trade payables	327,176	364,641	344,641	297,970	325,762	328,280
Advances from customers	97,703	145,768	167,512	184,833	190,629	138,215
Accrued income taxes	19,904	24,334	18,335	7,026	10,148	13,622
Accrued expenses	41,721	41,461	39,364	40,136	40,103	40,733
Other current liabilities	20,591	21,091	18,485	24,647	46,366	51,574
Total current liabilities	746,347	847,375	824,973	797,081	882,177	822,075
Long-term liabilities	261,783	254,055	260,183	237,847	206,167	236,023
Excess of equity in net assets over cost of investment in a subsidiary	-	-	-	-	-	301
Minority interests	5,736	4,577	4,231	3,745	2,540	2,420
Shareholders' equity:						
Common stock of ¥50 par value:						
Authorized—3,360,000,000 shares						
Issued—1,390,595,964 shares in 1998 (1,389,123,205 shares in 1997)	81,427	81,088	71,108	71,108	70,086	67,530
Capital surplus	24,682	24,345	14,375	14,375	13,357	10,805
Legal reserve	14,710	13,713	12,877	12,190	11,503	10,817
Retained earnings	88,221	78,015	64,625	55,318	53,308	42,459
Treasury stock, at cost	-	-	(1)	-	(1)	-
Total shareholders' equity	209,040	197,161	162,984	152,991	148,253	131,611
Total liabilities and shareholders' equity	¥1,222,906	¥1,303,168	¥1,252,371	¥1,191,664	¥1,239,137	¥1,192,430

CONDENSED STATEMENTS OF INCOME

Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries

Years ended March 31

	Millions of yen					
	1998	1997	1996	1995	1994	1993
Net sales	¥1,297,212	¥1,224,259	¥1,086,244	¥1,070,444	¥1,070,257	¥1,090,521
Cost of sales	1,114,693	1,041,697	928,126	912,432	919,092	935,162
Gross profit	182,519	182,562	158,118	158,012	151,165	155,359
Selling, general and administrative expenses	131,440	120,351	111,362	110,413	109,800	108,049
Operating income a)	51,079	62,211	46,756	47,599	41,365	47,310
Other income(expenses):						
Interest and dividend income	5,122	5,424	5,156	6,619	6,897	8,758
Interest expense	(11,907)	(12,578)	(13,694)	(17,143)	(20,284)	(25,567)
Other, net	(3,815)	(5,148)	(553)	(16,205)	(3,187)	(2,009)
Income before taxes,						
minority interests and other	40,479	49,909	37,665	20,870	24,791	28,492
Income taxes	(22,618)	(27,128)	(21,777)	(13,157)	(13,038)	(17,341)
Minority interests in net income of consolidated subsidiaries	(541)	(529)	(48)	(124)	(113)	(158)
Amortization of excess of equity in net assets over cost of investment in a subsidiary	-	-	-	-	301	300
Equity in income of unconsolidated subsidiaries and affiliates	1,236	320	343	599	1,157	1,759
Foreign currency translation adjustments	-	-	279	2,028	4,024	1,329
Net income	¥18,556	¥22,572	¥16,462	¥10,216	¥17,122	¥14,381
	1998	1997	1996	1995	1994	1993
Per share amounts (yen):						
Net income	¥13.3	¥16.4	¥12.2	¥7.6	¥12.8	¥10.8
Cash dividends	6.0	7.0	5.5	5.0	5.0	5.0
Other data:						
Capital expenditures (Million ¥)	42,928	35,130	39,319	33,729	59,842	52,043
Depreciation (Million ¥)	32,416	31,245	30,823	30,899	30,652	29,642
R&D expenses (Million ¥) b)	17,078	16,883	16,770	16,583	16,884	17,842
Number of employees	26,102	24,211	24,401	24,266	23,913	22,222

Notes: a) Enterprise tax has been reclassified to income taxes from SGA item.

b) Figures for R&D expenses are on a parent only basis.

Change in Accounting Policy

Effective April 1, 1997, the method of accounting for revenue from long-term construction contracts was changed from the completed-contract method to the percentage-of-completion method. The percentage-of-completion method is applied to long-term contracts exceeding ¥5,000 million.

Under the previous completed-contract method, sales of materials and equipment for plant construction projects, contract prices of which exceeded ¥10,000 million, were recognized at the time of shipment.

As a result of this change, net sales, operating income and income before income taxes, minority interests and other for 1998 increased ¥79,590 million, ¥15,203 million and ¥15,203 million, respectively, compared with the amounts which would have been recognized if the former method had been applied consistently.

STOCK INFORMATION

Stock Price Range

(¥)

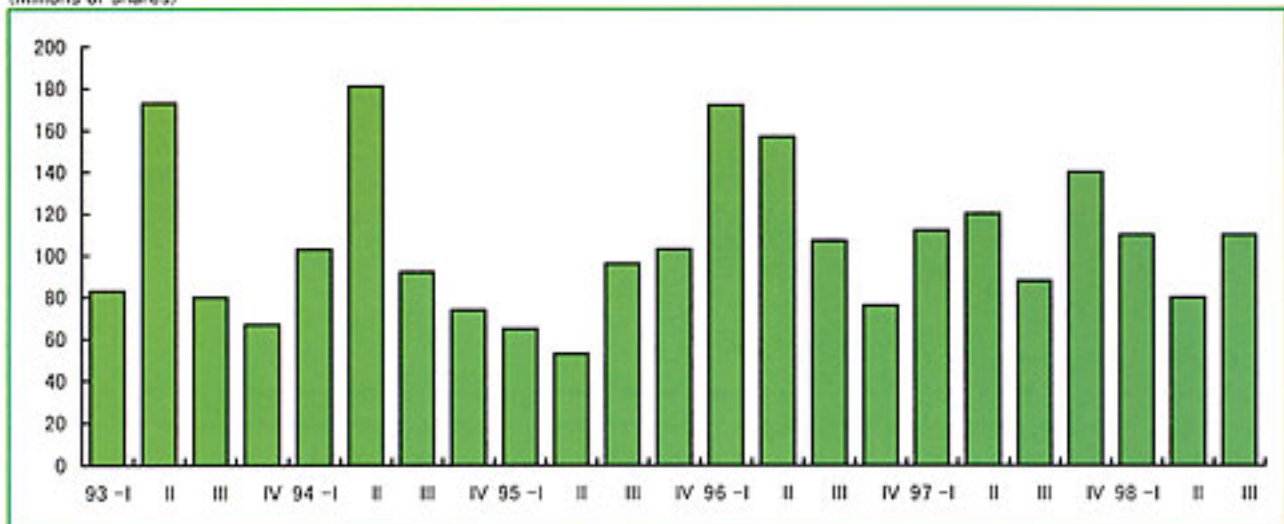


(¥)

	1993				1994				1995				1996				1997				1998		
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III
High	416	481	439	419	442	500	485	485	456	362	448	478	559	569	560	537	543	551	544	413	362	298	356
Low	323	378	389	302	338	381	435	437	330	286	314	406	448	522	498	471	431	470	458	190	196	230	250

Stock Trading Volume

(Millions of shares)



(Millions of shares)

	1993				1994				1995				1996				1997				1998		
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III
	83	173	80	67	103	181	92	74	65	53	96	103	172	157	107	76	112	120	88	140	110	80	110

Paid-in Capital ¥81,426,590,792 Number of Shares Authorized—3,360,000,000 shares Outstanding—1,390,595,964 shares (Dilution—179,336,000 shares) As of March 31, 1998
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Paid-in Capital ¥81,426,590,792 Number of Shares Authorized—3,360,000,000 shares Outstanding—1,390,595,964 shares (Dilution—137,952,000 shares) As of September 30, 1998
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Stock Listings

Tokyo, Osaka, Nagoya, Kyoto, Hiroshima, Fukuoka, Niigata, Sapporo

Transfer Agent

The Chuo Trust & Banking Co., Ltd.
 7-1, Kyobashi 1-chome, Chuo-ku, Tokyo 104-0031, Japan

Registrar

The Chuo Trust & Banking Co., Ltd., Osaka Branch
 6-26, Kitahama 2-chome, Chuo-ku, Osaka 541-0041, Japan

ADR (American Depositary Receipt) Information

Ratio: 1 ADR= 4 Ordinary Shares
 Exchange: OTC (Over-the-Counter)
 Symbol: KWHIY
 CUSIP: 486 359 20 1
 Depository: The Bank of New York
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