

# Investors Meeting for Fiscal 2003

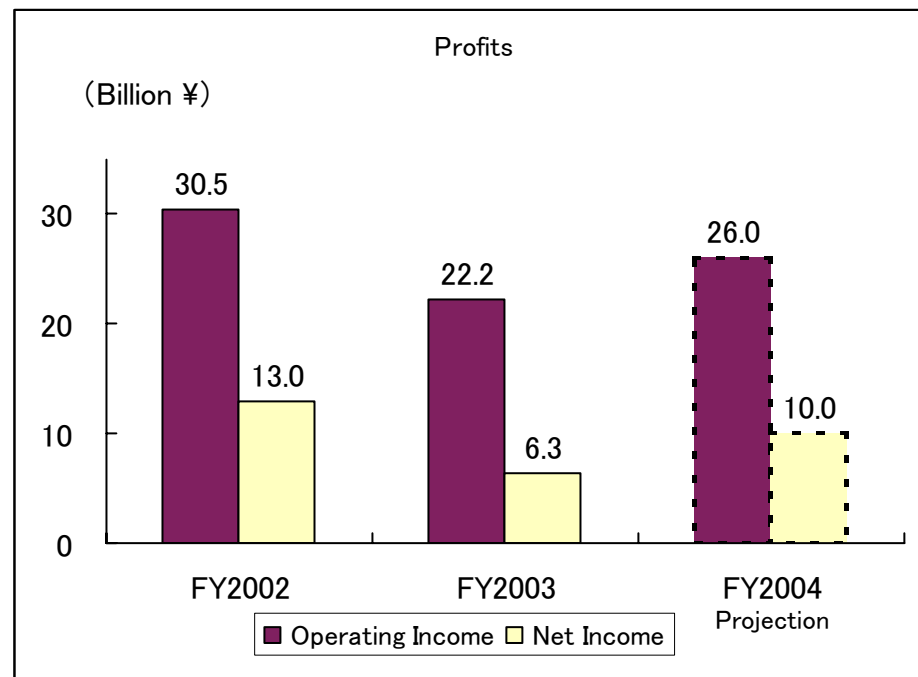
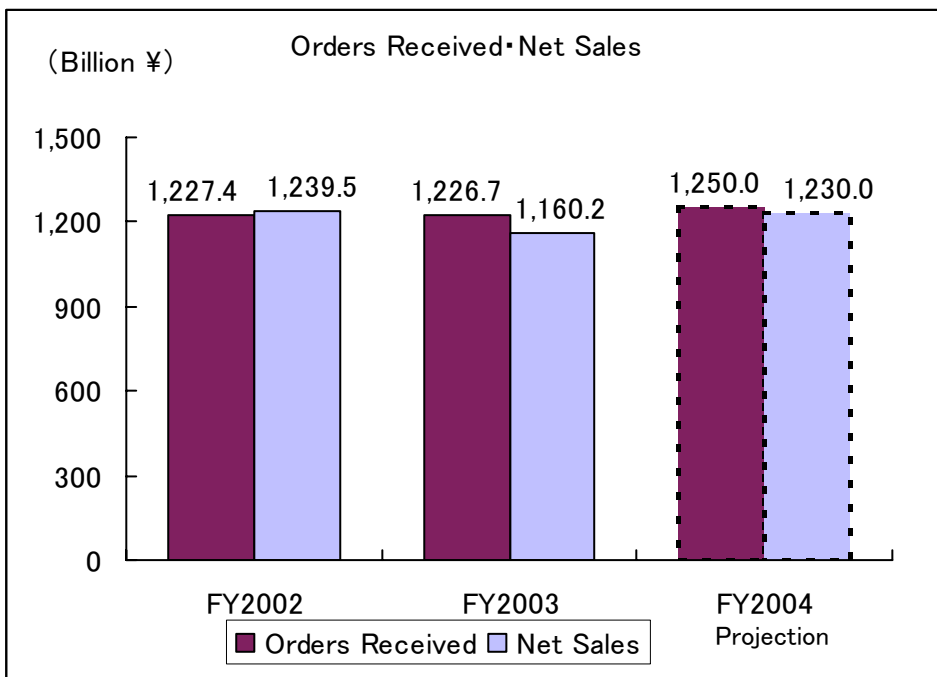
(for the year ending March 31, 2004)

May 12, 2004

Kawasaki Heavy Industries, Ltd.



# Summary of FY2003 Results(Consolidated)



	Actual Exchange Rates		Planned Exchange Rates
	FY2002	FY2003	FY2004
USD/¥	121.00	113.00	105.00
EUR/¥	123.00	133.00	125.00

(Billion ¥)

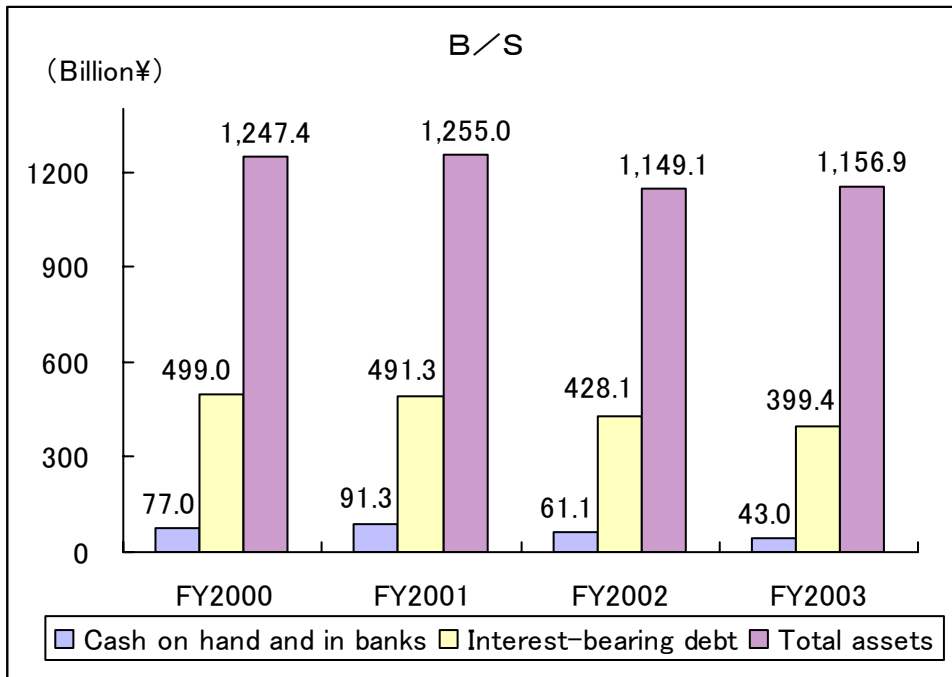
	FY2002 (Actual)	FY2003 (Actual)	FY2004 (Projection)
Operating Income	30.5	22.2	26.0
Net Income	13.0	6.3	10.0

## Breakdown of Increases/Decreases in Profit for FY2003 compared to FY2002

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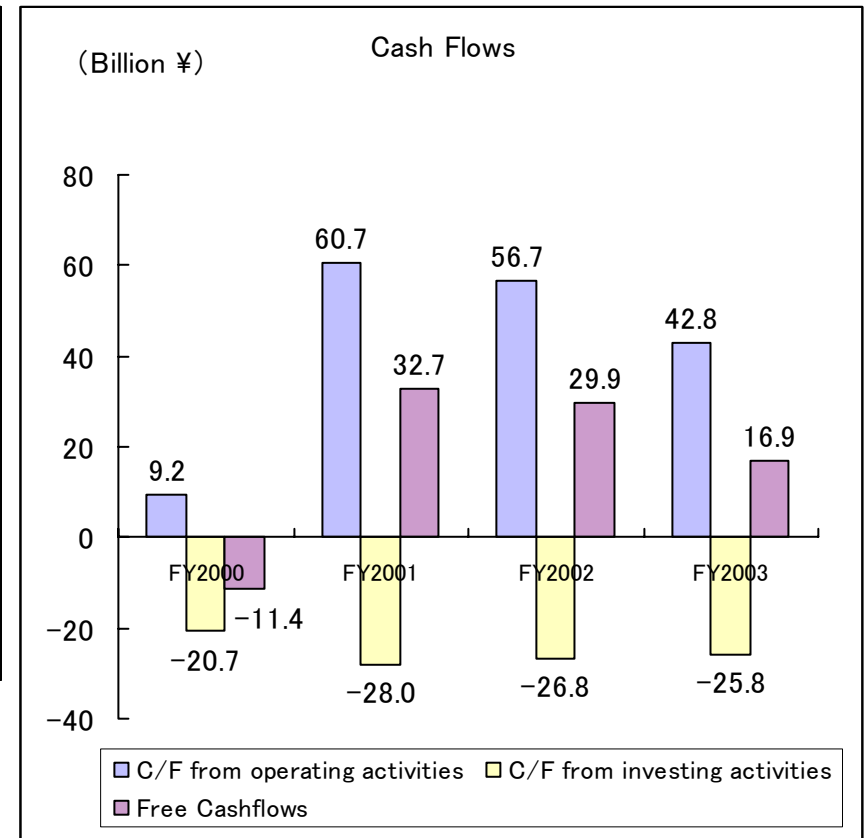
<p>≡ Operating income</p>		<p>(-8.3billion yen)</p>
	Adverse influence by exchange rate movements	-10.0
	Decrease in profit due to sales decline	-10.0
	Reduction of unprofitable projects	+ 6.0
	Effects of cost reduction including fixed cost, etc	+ 5.7
<p>≡ Non-operating income</p>		<p>(+4.1 billion yen)</p>
	Decrease in net interest expenses	+ 1.9
	Equity increase in non-consolidated subsidiaries and affiliates	+ 1.4
	Others	+ 0.8
<p>≡ Other income</p>		<p>(-1.8billion yen)</p>
	Restructuring charges (FY2002 ¥-3.1billion→FY2003 ¥0)	+ 3.1
	Gain on sales of property, plant and equipment (FY2002 ¥3.2billion→FY2003 ¥1.1billion)	- 2.1
	Gain on contribution of securities to employee's retirement benefit trust (FY2002 ¥1.9billion→FY2003 ¥0)	- 1.9
	Loss relating to a plant closure	- 1.2
	Others	+ 0.3

# Debt and Cash flows



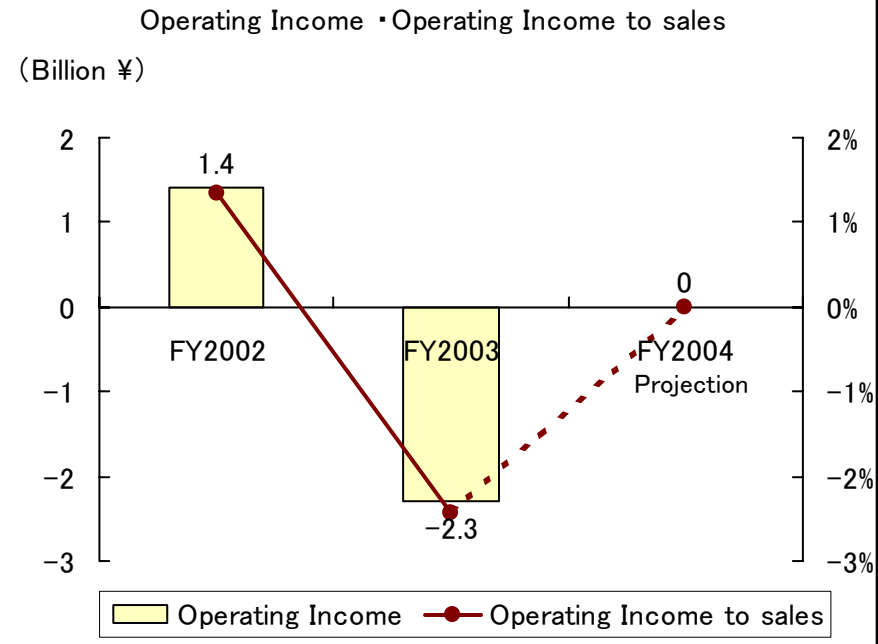
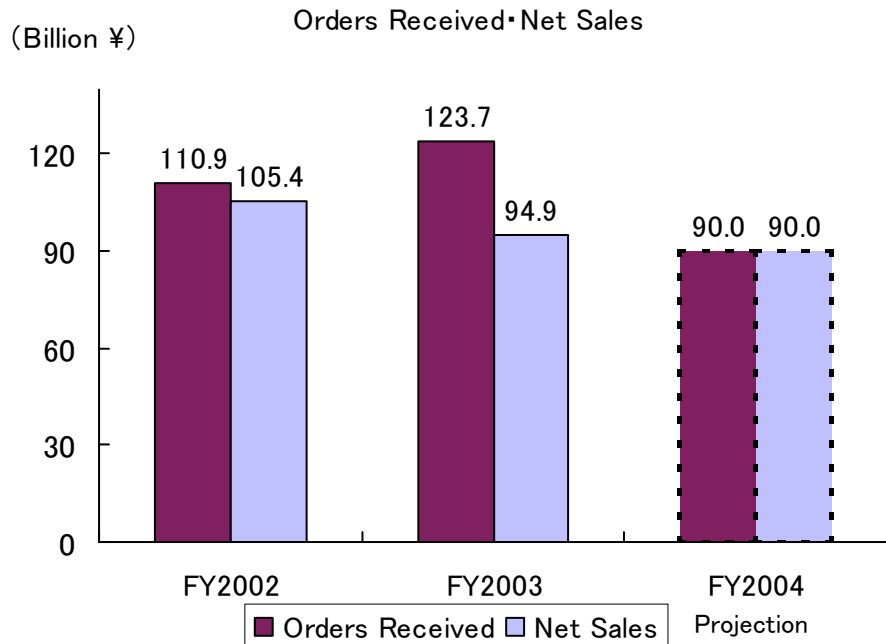
(Billion ¥)

	FY2000	FY2001	FY2002	FY2003
Net debt	422.0	399.9	367.0	356.4
Net D/E ratio	257%	238%	210%	187%



\* About ¥100billion of interest-bearing debt has been reduced in the last three years by means of reducing receivables and inventories.

# Shipbuilding



(unit)

	Orders Received		Sales	
	2002	2003	2002	2003
LNG carriers	3	3	2(2)	5(3)
LPG carriers	4	-	8(4)	6(1)
VLCCs	-	3	-	-
Container carriers	-	-	2	-
Bulk carriers	5	13	6	4
Submarines	-	1	2(2)	2(1)
Total	12	20	20(8)	17(5)

Note: ( ) = Sales units by percentage-of -completion method

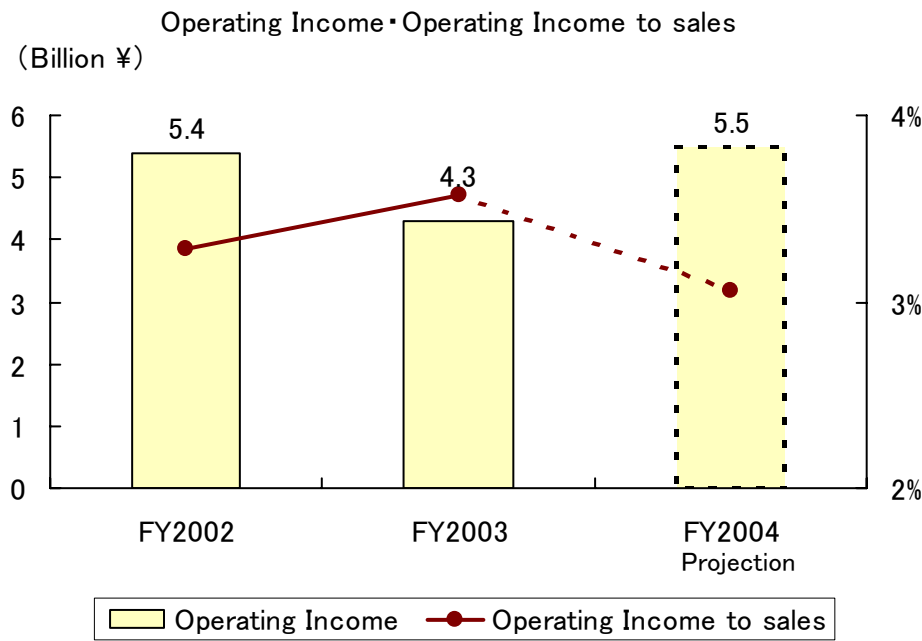
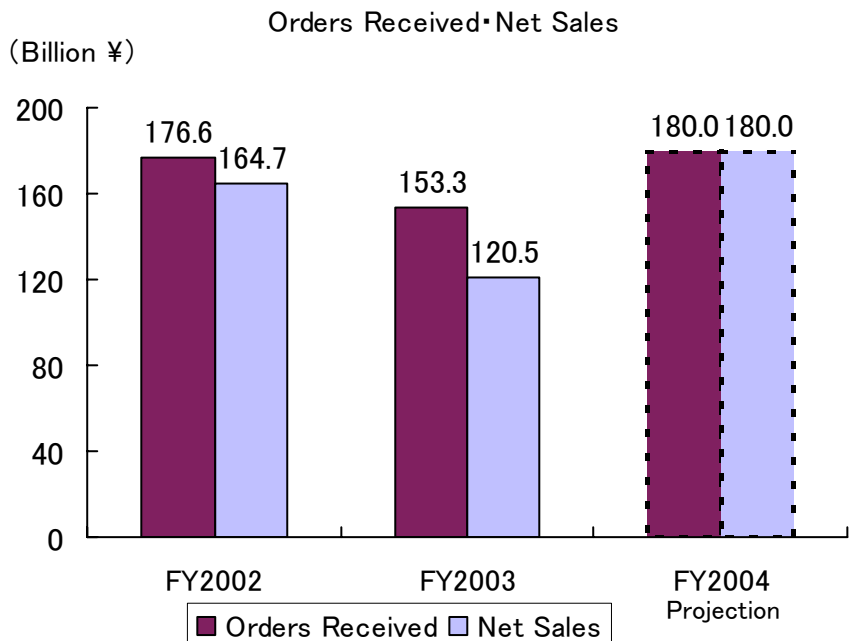
## Business results for FY2003

- \* Thriving shipping market mainly due to economic growth of China → Increase in orders received
- \* Decrease in sales and profit due to adverse impact of exchange rate movements
- \* Provision for losses on some items of sales for FY2004

## Outlook for FY2004

- \* Strengthening of selective order-taking
- \* Adverse impact of exchange rate movements (Planned exchange rate US \$ = ¥ 105)
- \* Driving for return to profitability by means of further cost reduction including fixed cost

# Rolling Stock



## Business results for FY2003

### <Orders received>

- \* Decrease in orders received from JR & other domestic customer
- \* Large-scale order received of subway cars for City of Taipei(321units/ ¥53 billion)

### <Sales>

- \* Off season of sales for overseas large-scale projects

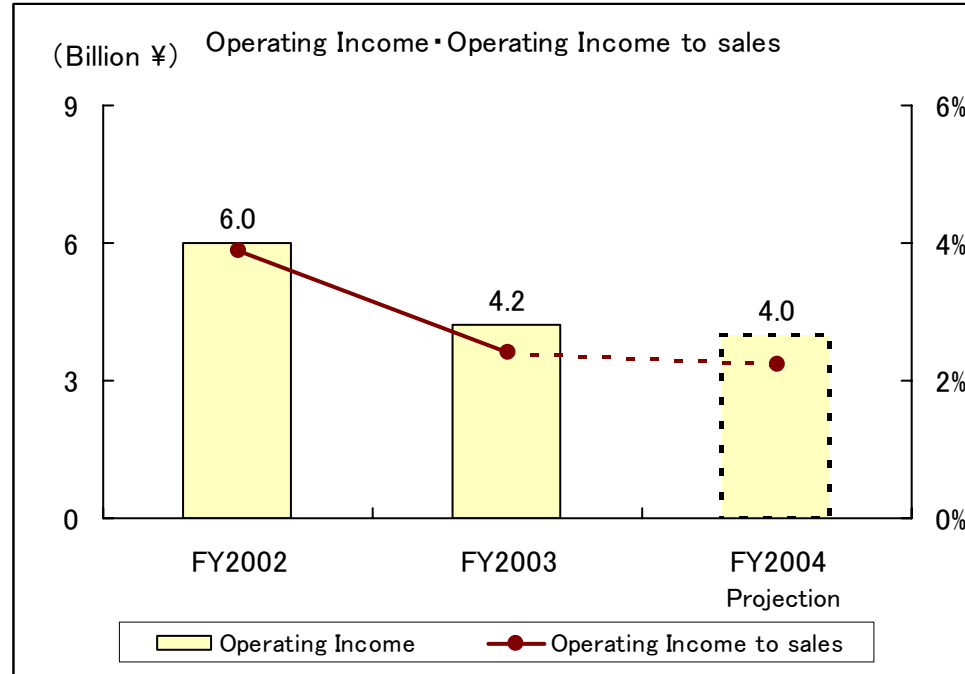
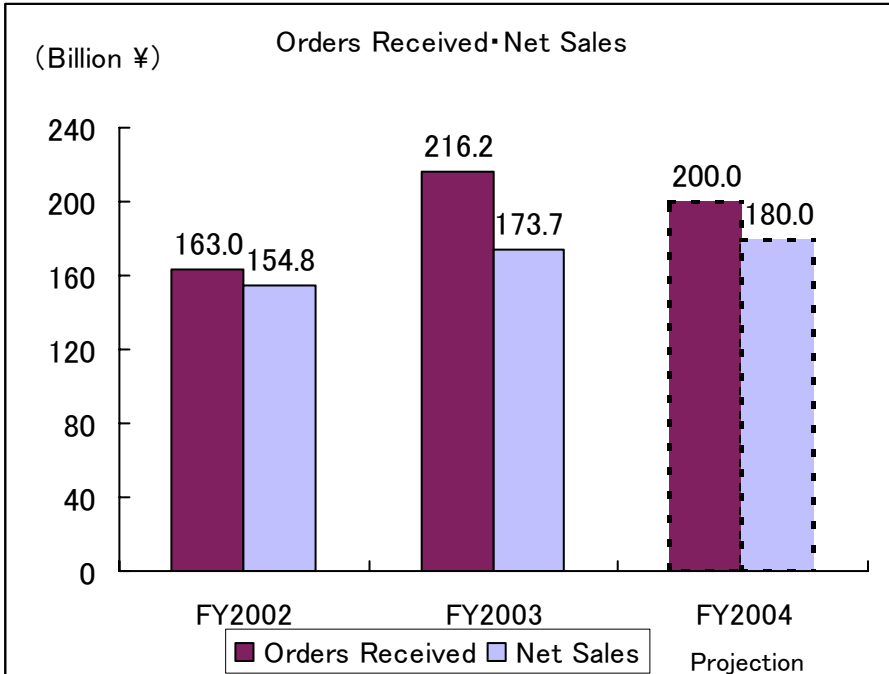
### 【for reference only】

- \* Overseas large-scale sales for FY2002: The delivery of subway car R142A(190 units) and R143(152 units)

## Outlook for FY2004

- \* Starting up of overseas projects, such as Shinkansen for Taiwan and additional orders of R142A for N.Y.subway  
→ Increase in sales and profit
- \* Aggressive order-taking activities mainly in U.S. and Asean markets

# Aerospace



Sales units for commercial aircraft and components (unit)

	Sales	
	FY2002	FY2003
B777	36	39
B767	31	10
Embraer 170	10	36
Embraer 195	—	3

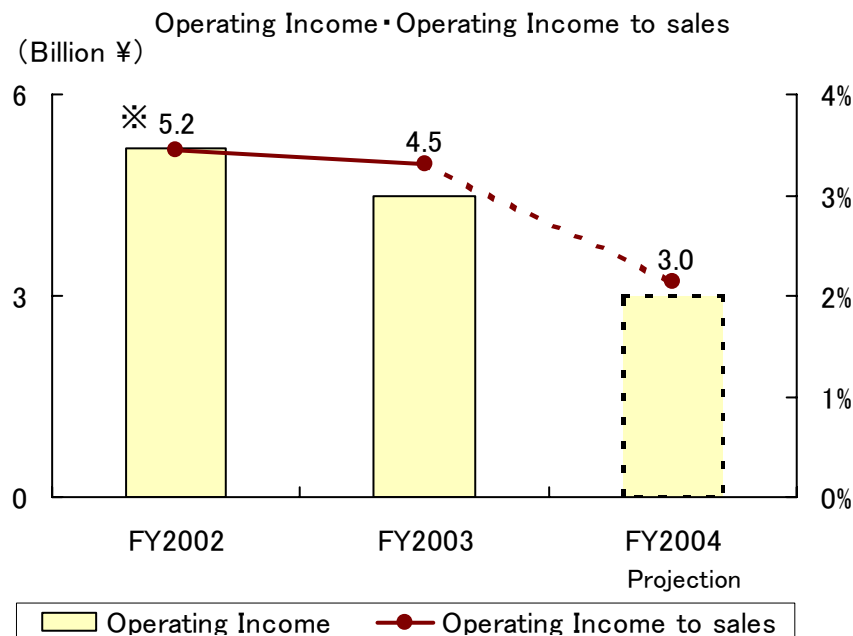
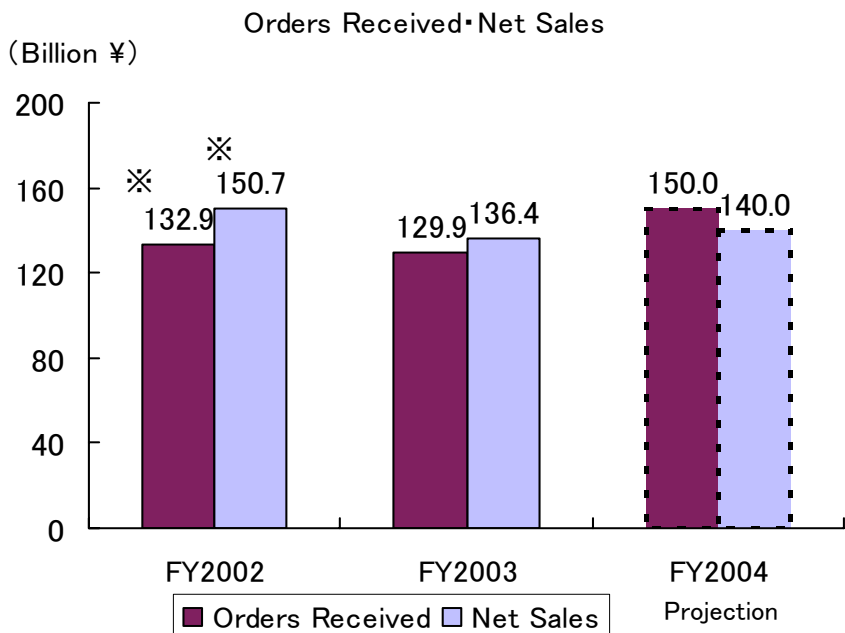
## Business results for FY2003

- \* Increase in orders received for development of the P-X (Patrol plane) and C-X (Container plane) for JDA
- \* Increase in sales and decrease in profit
  - Sales increase due to •• the fact that NIPPI Corporation has been consolidated as a wholly owned subsidiary at the beginning of FY2003.
  - Profit decrease due to •• completion of the production of T-4 intermediate jet trainer
  - adverse impact of exchange rate movements
  - loss of NIPPI

## Outlook for FY2004

- \* Off season of orders received for P-X/C-X project
- \* Increase in sales for development of the P-X and C-X and EMBRAER project
- \* Flattening profit due to decrease in sales for JDA (Guided missile system, etc) and adverse impact of exchange rate movements

# Gas Turbines & Machinery



※ exclude figures of KAWASAKI PRECISION MACHINERY (KPM) which has been transferred to “Others” segment from FY2003

[FY2002 Orders received: ¥ 24.9billion Net sales: ¥ 30.3billion Operating income: ¥ 0.8billion]

## Business results for FY2003

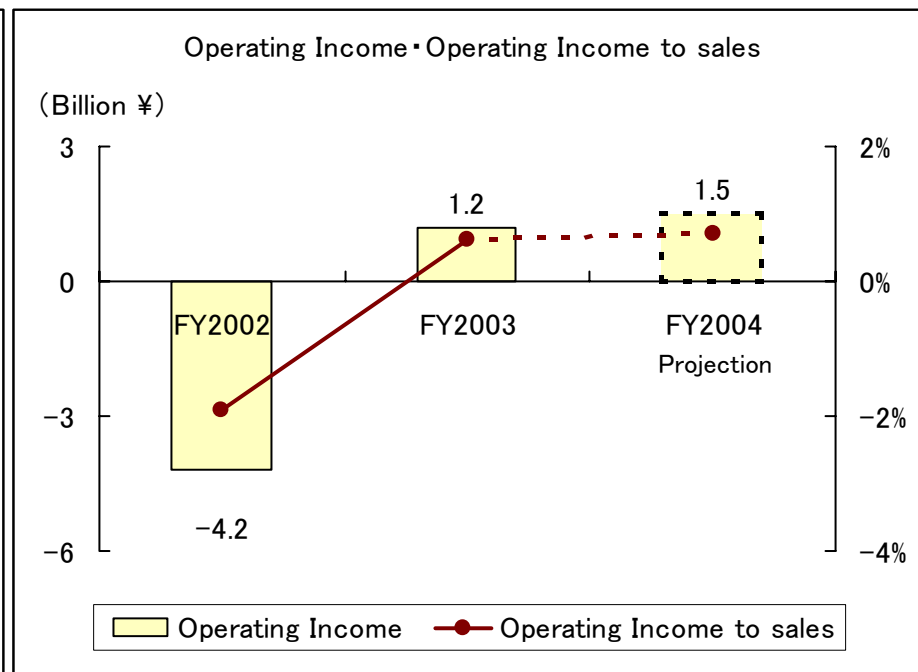
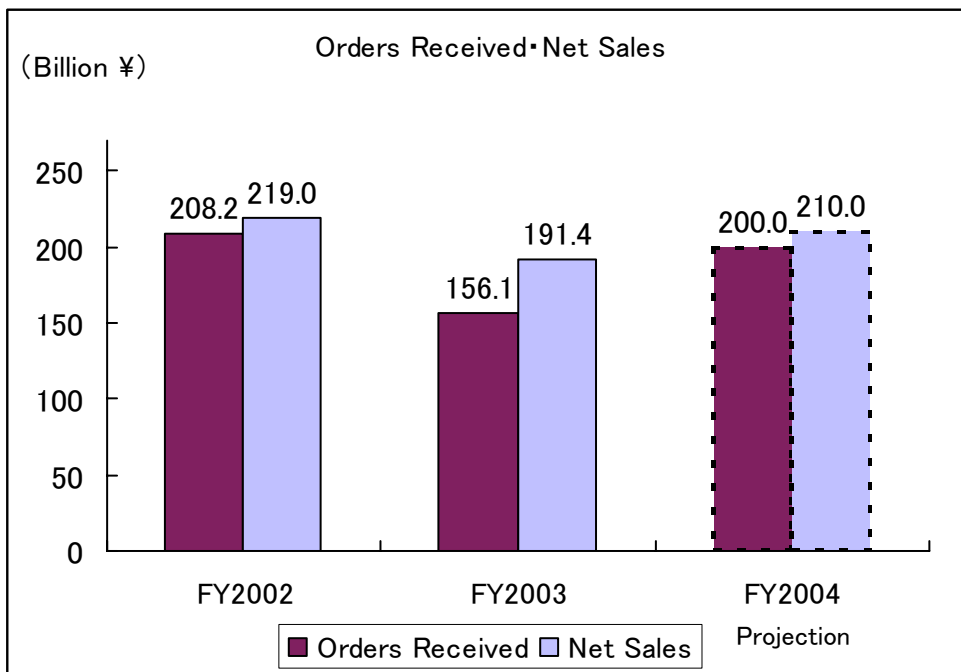
- \* Decrease in sales and profit of industrial gas turbines
- \* Decrease in delivery of marine steam turbine engines for LNG carriers

## Outlook for FY2004

- \* Increase in orders for our newly developed L20A (20MW-class gas turbine power generator)
- \* Increase in sales of industrial gas turbines and marine steam turbine engines for LNG carriers
- \* Decrease in profit due to adverse impact of exchange rate movements and investment in marketing of industrial gas turbines including L20A.



# Plant & Infrastructure Engineering



## Business results for FY2003

- \* Reduced public works spending → Sharp decline in orders received of refuse incineration plant and steel structures for domestic market
- \* Decrease in sales of refuse incineration plant
- \* Return to profitability due to
  - reduction of unprofitable projects and increase in sales of selected orders received
  - enhancement in profitability by reducing fixed cost (one factory operation, reduction in head counts)

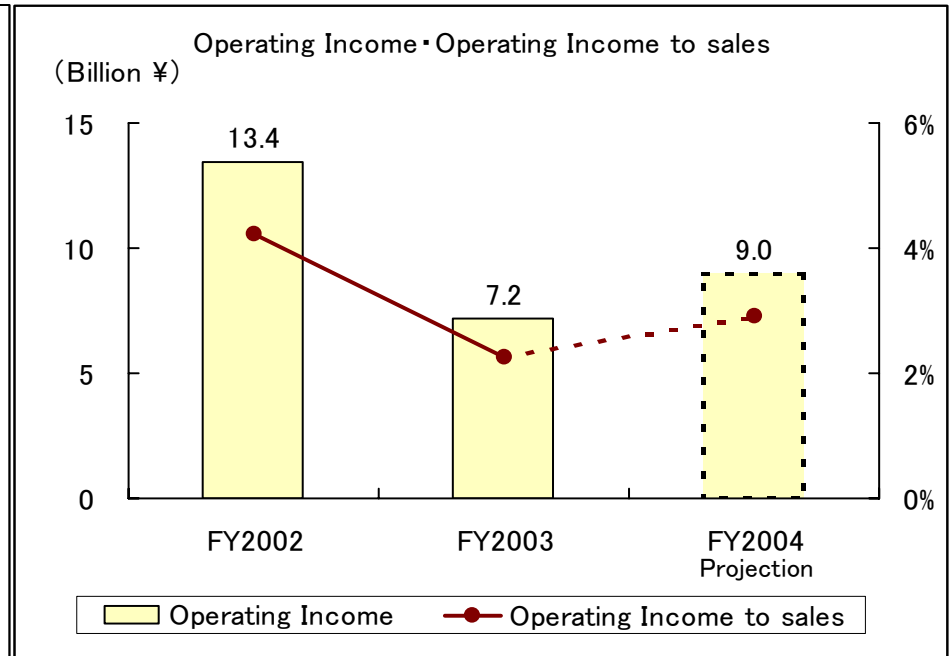
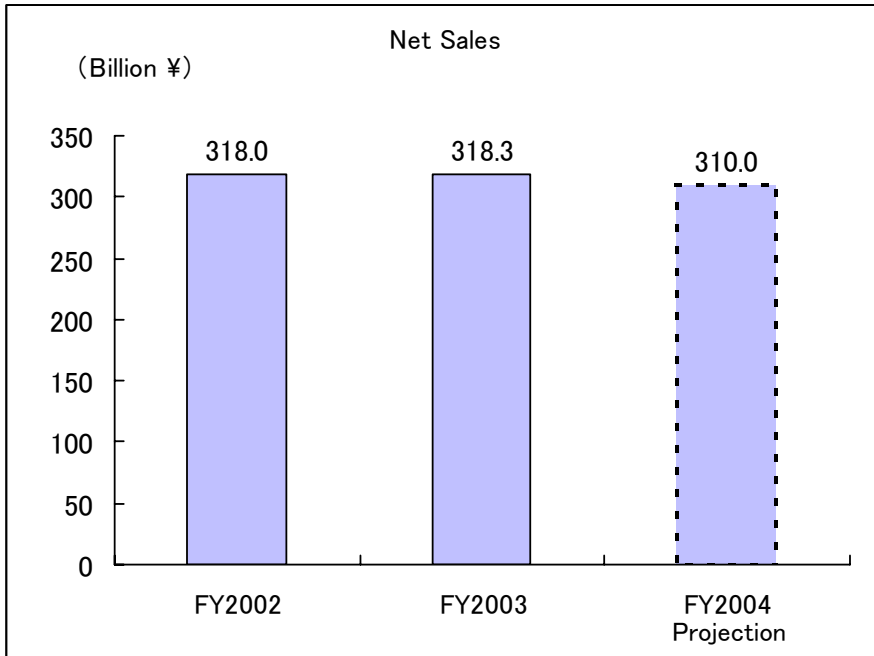
## Outlook for FY2004

- \* Decrease in sales and profit of domestic public works
- \* Increase in sales and profit of industrial plant projects for overseas
- \* Secure profitability by means of reducing fixed cost

## <Large-scale orders received and sales for FY2003>

Orders Received	Sales
• Ferronickel production plant/ Indonesia	• Fertilizer plant/ Iran
• Coal-thermal power plant/ Philippine	• Combined cycle power plant/ Brazil
• Komakado viaduct/ Japan Highway Public Co.	• Sewage sludge incineration system/ Akashi city
	• Refuse incineration plant/ Fukuoka
	• Wind power facilities/ Sakata city

# Consumer Products & Machinery



## Geographical Sales for Consumer Products

(Thousands of Units / Billion ¥)

Region	FY2002		FY2003	
	QTY	Amount	QTY	Amount
Domestic	44	20.5	48	25.1
North America	216 (99)	142.6	191 (92)	127.8
Europe	73	49.6	79	61.2
Others	144	30.8	150	30.0
Total	477	243.5	468	244.1

### Note

- Sales units consist of Motorcycle, All-Terrain Vehicles (ATV), Utility Vehicles (MULE), Personal Water Craft (Jet Ski) and parts for these products.
- Domestic sales include OEM supply.
- ( ) represents Motorcycle sales unit.

### Business results for FY2003

- \* Flattening sales of consumer products (Motorcycles and ATVs, etc) : Increase in European market and Decrease in U.S. market
- \* Decrease in profit due to adverse impact of exchange rate movements and additional sales promotion expenses
- \* Reduction of inventories

### Outlook for FY2004

- \* Conservative sales and production plan
- \* Increase in profitability by means of raising the retail prices and cost cuts including sales promotion expenses

# R&D/Capital expenditures/Number of Employees

(Billion ¥)

	FY2002 Actual	FY2003 Actual	FY2004 Projection
R&D	30.9	31.0	30.0
Capital expenditures	35.1	41.5	35.0
Depreciation and amortization	31.5	32.5	33.0
Domestic	23,519	23,957	23,400
Overseas	5,123	5,349	5,700
Number of Employees	28,642	29,306	29,100

# Outlook for FY2004 by Segment

(Billion ¥)

	Net Sales		Operating Income	
	FY2003 Actual	FY2004 Projection	FY2003 Actual	FY2004 Projection
Shipbuilding	94.9	90.0	-2.3	0
Rolling Stock	120.5	180.0	4.3	5.5
Aerospace	173.7	180.0	4.2	4.0
Gas Turbines & Machinery	136.4	140.0	4.5	3.0
Plant & Infrastructure Engineering	191.4	210.0	1.2	1.5
Consumer Products & Machinery	318.3	310.0	7.2	9.0
Others	124.7	120.0	3.0	3.0
<b>Total</b>	<b>1,160.2</b>	<b>1,230.0</b>	<b>22.2</b>	<b>26.0</b>

Planned Exchange Rates  
 US\$ = ¥105 / EUR = ¥125

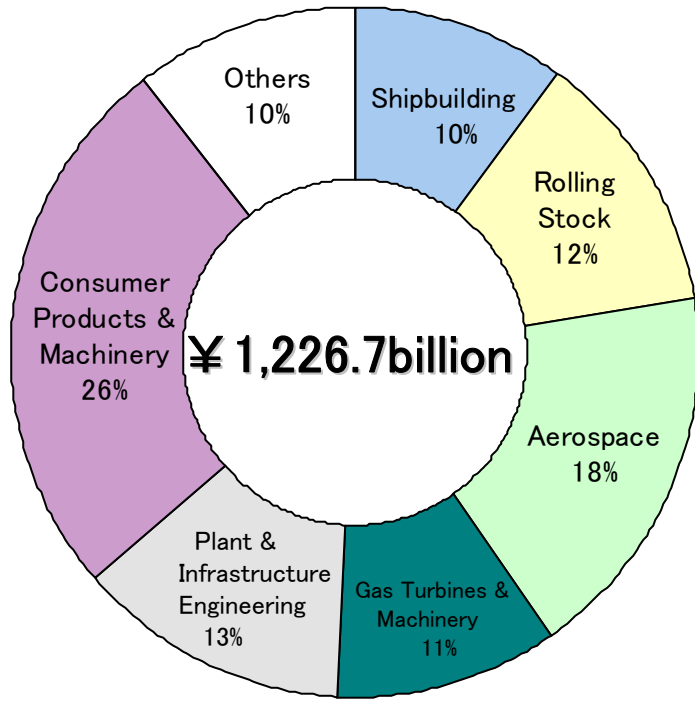
# Outlook of Orders Received for FY2004

(Billion ¥)

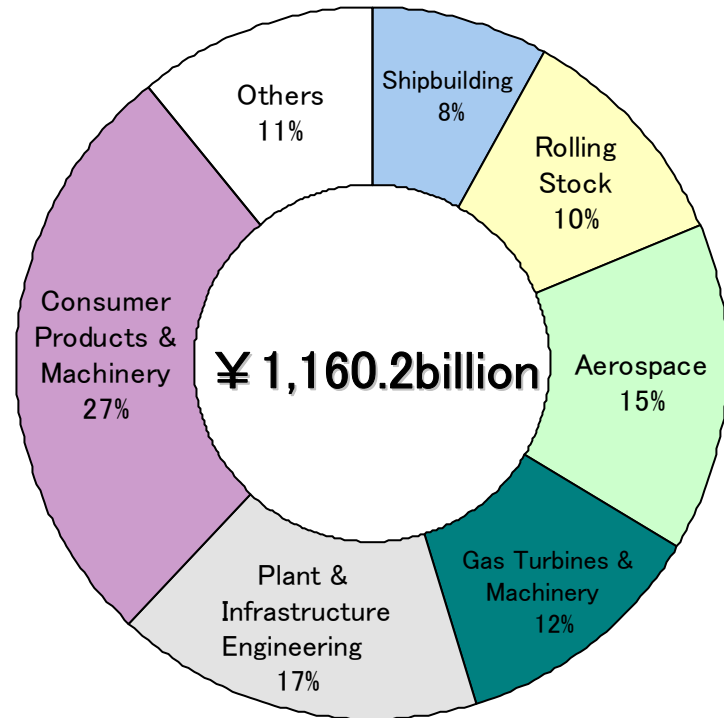
	Orders Received		
	FY2002 Actual	FY2003 Actual	FY2004 Projection
Shipbuilding	110.9	123.7	90.0
Rolling Stock	176.6	153.3	180.0
Aerospace	163.0	216.2	200.0
Gas Turbines & Machinery	132.9	129.9	150.0
Plant & Infrastructure Engineering	208.2	156.1	200.0
Consumer Products & Machinery	318.0	318.3	310.0
Others	117.5	128.9	120.0
Total	1,227.4	1,226.7	1,250.0

# Orders Received & Net Sales(FY2003)

Orders Received



Net Sales



# Kawasaki, let the good times roll !

## Cautionary Statement

The performance outlook and the forecasts stated in this material were prepared by Kawasaki Heavy Industries, Ltd. (hereinafter, KHI) based on the circumstances at the release point, and include potential risks and uncertain factors that relate to economic conditions, foreign currency exchange rates, tax rules, regulations and other factors. Accordingly, please note that the actual operating results, financial position, and business deployment of KHI may sometimes differ considerably from the descriptions in the present projections.