

Investors Meeting for First Half of Fiscal 2004

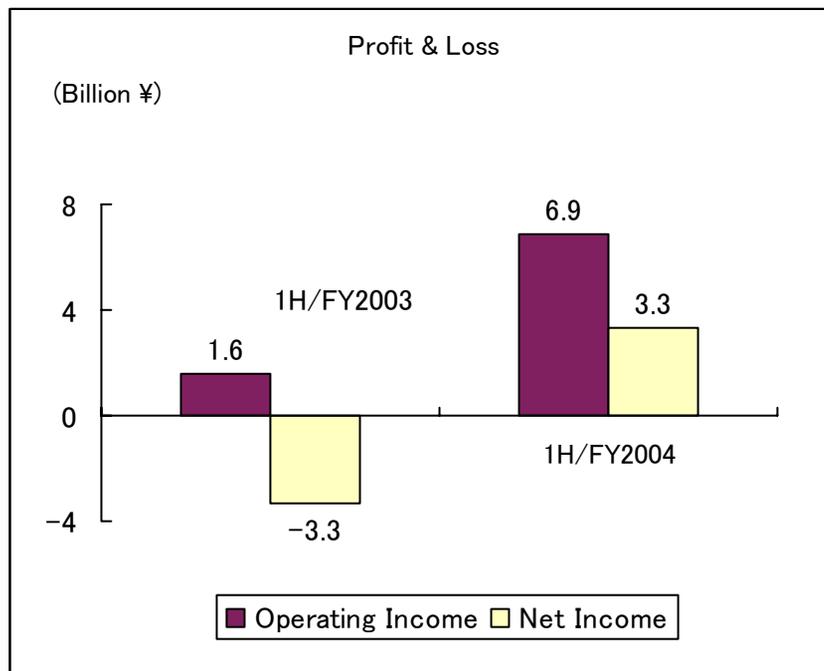
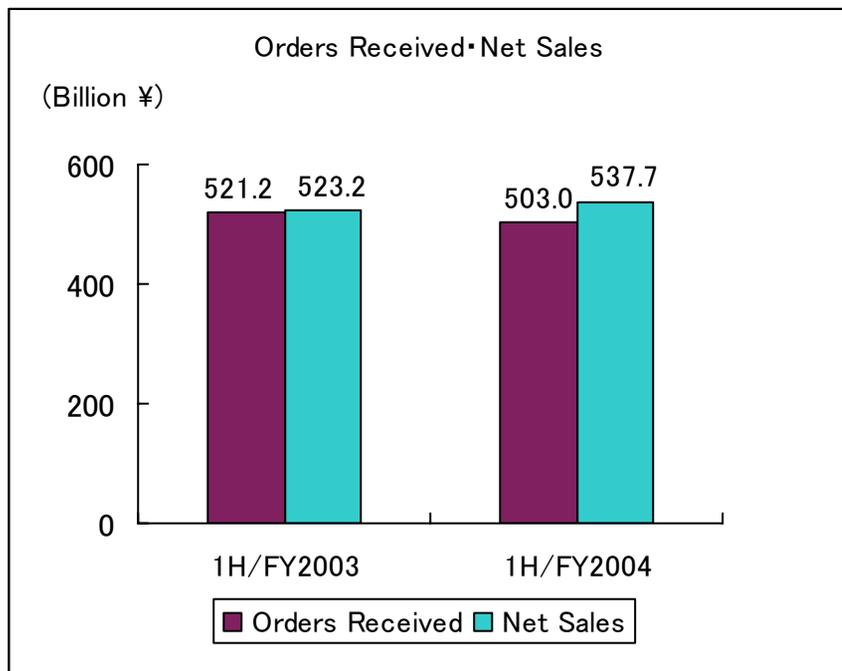
(for the year ending March 31, 2005)

Nov 2, 2004

Kawasaki Heavy Industries, Ltd.



Summary of 1H/FY2004 Results(Consolidated)



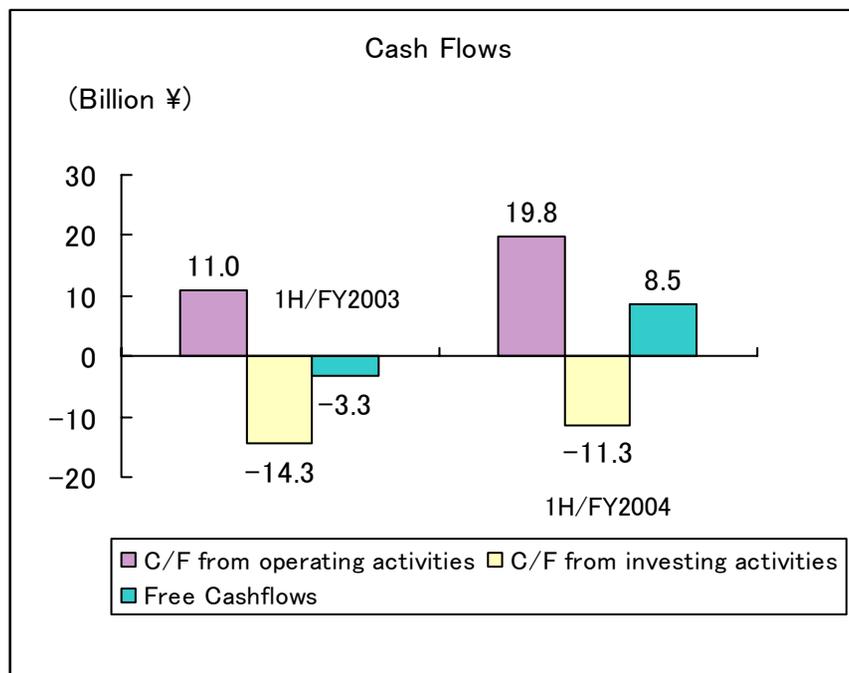
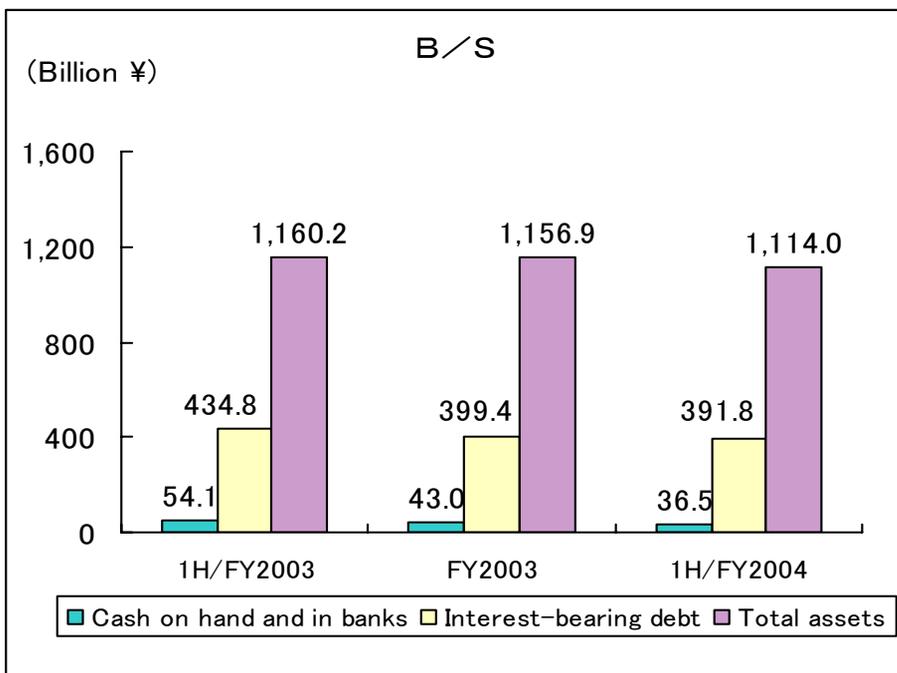
	Actual Exchange Rates	
	1H/FY2003	1H/FY2004
USD/¥	119	110
EUR/¥	132	135

	(Billion ¥)		
	1H/FY2003(a)	1H/FY2004(b)	(b)-(a)
Operating Income	1.6	6.9	+5.3
Net Income	-3.3	3.3	+6.6

Breakdown of Increases/Decreases in Profit for 1H/FY2004 compared to 1H/FY2003

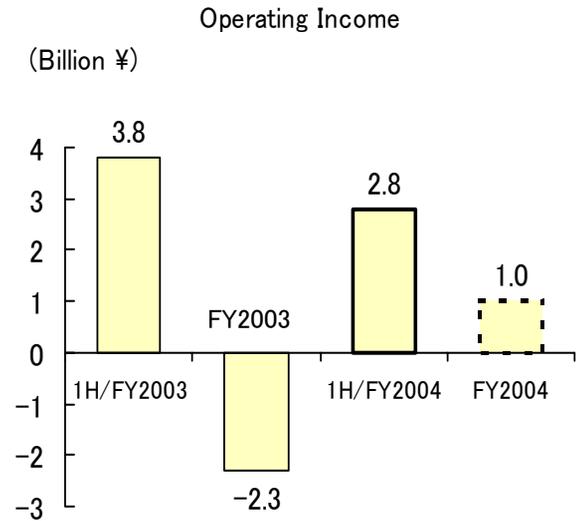
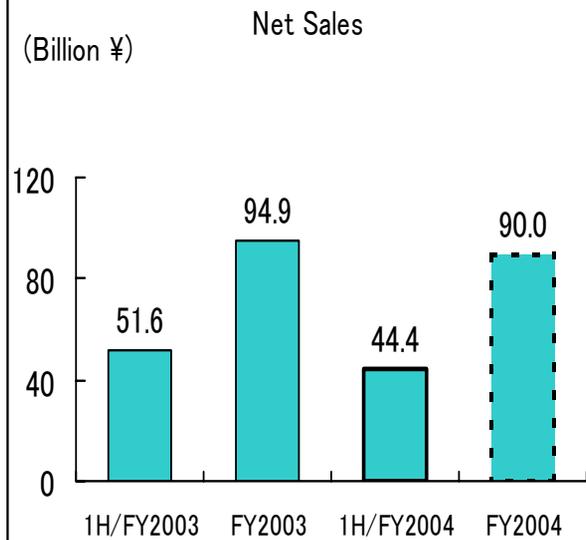
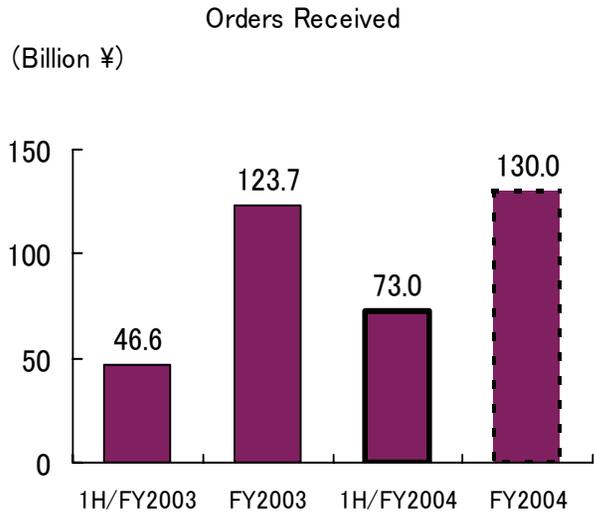
✧ Operating income		(+5.3 billion yen)
▪ Adverse influence by exchange rate movements		-8.0
▪ Decrease in selling, general and administrative expenses including sales promotion expenses for Consumer Product Machinery business		+5.7
▪ Influence by changes in accounting policy (Expansion of the range of application of the percentage-of-completion method and change of the accounting periods of our main wholesale subsidiaries in Consumer Product Machinery segment)		+4.9
▪ Effects of cost reduction		+2.7
✧ Non-operating income		(+2.6 billion yen)
Decrease in net interest expenses		+1.4
Gain on sales of marketable securities		+0.6
Gain of Foreign exchange (1H/FY2003 ¥-0.8 billion → 1H/FY2004 ¥+0.5 billion)		+1.3
Others		-0.7
✧ Other income		(-0.1 billion yen)
Gain on sales of subsidiaries' shares (1H/FY2003 ¥0.1 billion → 1H/FY2004 ¥0)		-0.1

Debt and Cash flows



	1H/FY2003	FY2003	1H/FY2004
Net debt	380.7	356.4	355.3
Net D/E ratio	211%	187%	183%

Shipbuilding



1H/FY2003		1H/FY2004	
LNG carrier	1	LNG carriers	2
VLCC	1	LPG carrier	1
Bulk carriers	8	VLCCs	2
		Bulk carrier	1

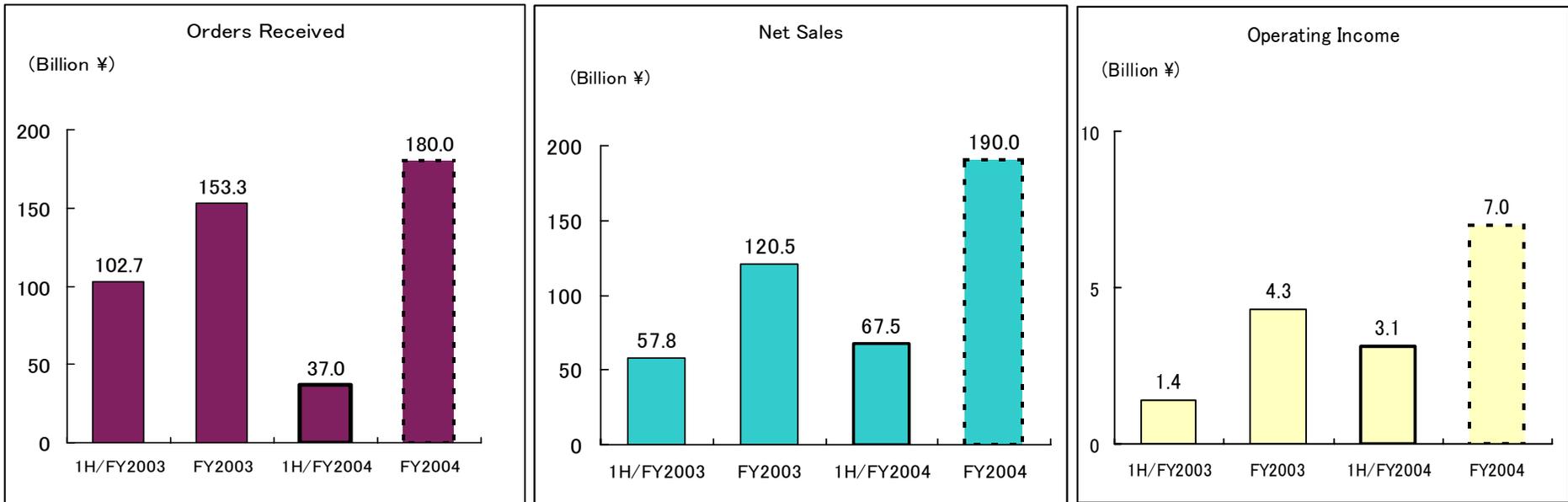
1H/FY2003		1H/FY2004	
LNG carriers	4(2)	LNG carriers	4(3)
LPG carriers	4(2)	LPG carriers	3(2)
Bulk carriers	2	Bulk carriers	2
Submarines	2(2)	Submarine	1(1)

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

**【Business Results for 1H/FY2004
(year-on-year comparison)】**

- * Increase in orders received of LNG carriers and VLCC
- * Decrease in sales and profit of LNG carriers and submarines
- * Decrease in profit due to adverse impact of exchange rate movements

Rolling Stock



【Business Results for 1H/FY2004 (year-on-year comparison)】

* Decrease in orders received of large-scale projects for overseas

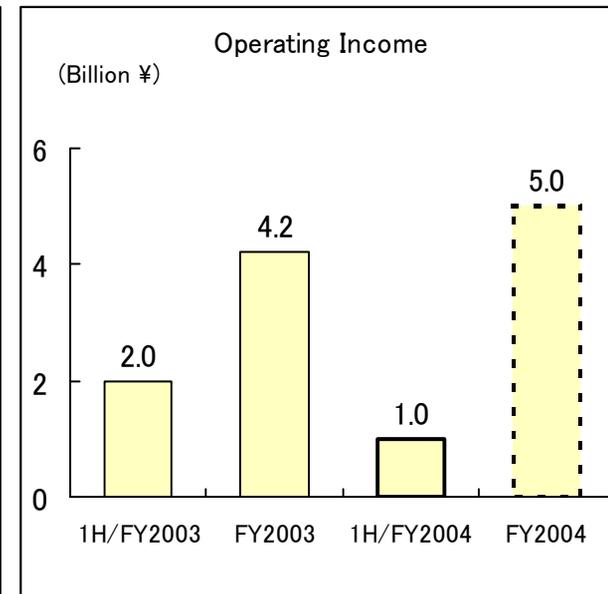
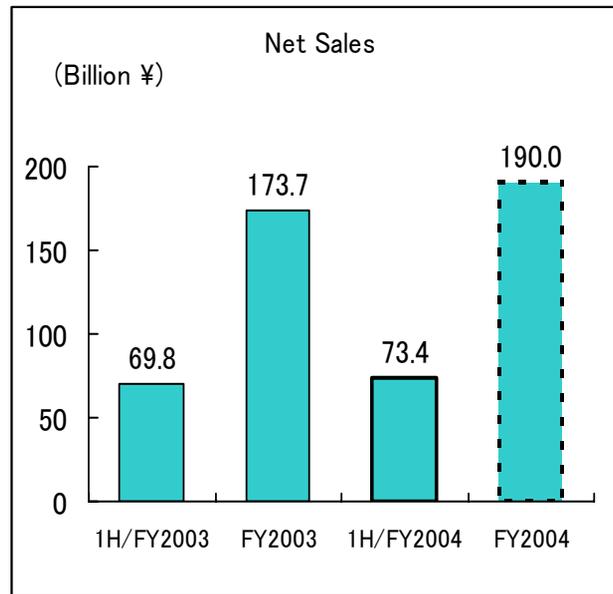
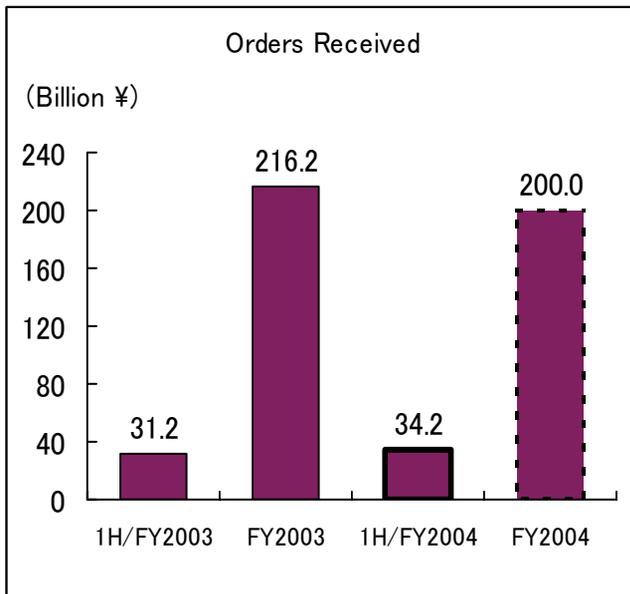
* Increase in sales and profit of Taiwan High Speed Railway System and its track construction

【for reference only】

Large-scale orders received for 1H/FY2003

- Additional orders of R142A for N.Y.subway(80units/88 milUS\$)
- Subway cars for Taipei(321units/53 bil ¥)

Aerospace



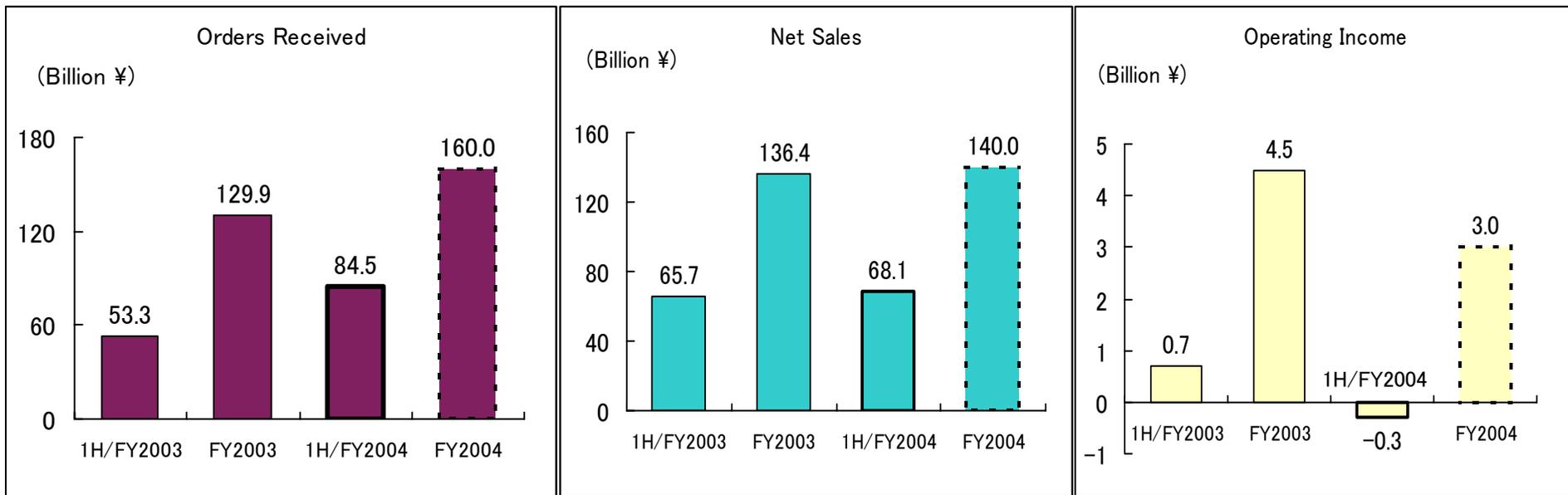
<Sales units for commercial aircraft and component parts>

	Sales units			
	1H/FY2003	FY2003	1H/FY2004	FY2004 projection
B777	20	39	17	39
B767	6	10	6	10
Embraer170	15	36	39	77
Embraer195	1	3	1	9

【Business Results for 1H/FY2004 (year-on-year comparison)】

- * Increase in sales due to expansion of the range of application of the percentage-of-completion method
- * Decrease in sales and profit for BOEING business
- * Decrease in profit due to adverse impact of exchange rate movements

Gas Turbines & Machinery



【Business Results for 1H/FY2004 (year-on-year comparison)】

<Orders received>

- * Increase in orders received of commercial aircraft jet engines for overseas
- * Increase in orders received of marine steam turbines engine for LNG carriers

<Net Sales>

- * Increase in sales of wind tunnel equipments

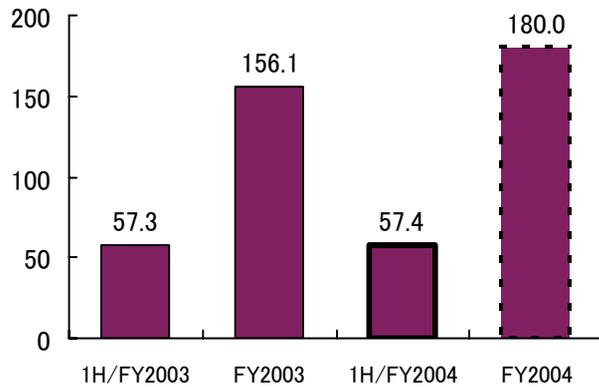
<Operating income>

- * Decrease in profit due to
 - raised investment in marketing for new industrial gas turbines
 - increasing depreciation cost of initial investment for commercial aircraft jet engines

Plant & Infrastructure Engineering

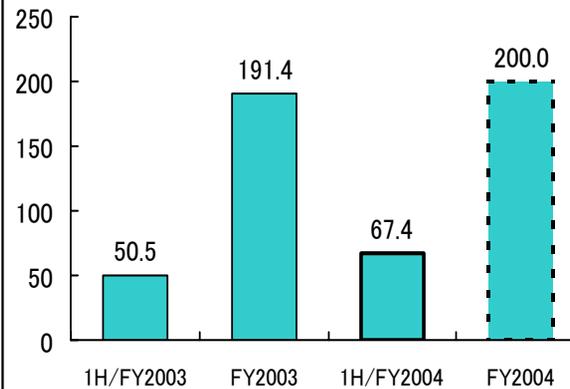
Orders Received

(Billion ¥)



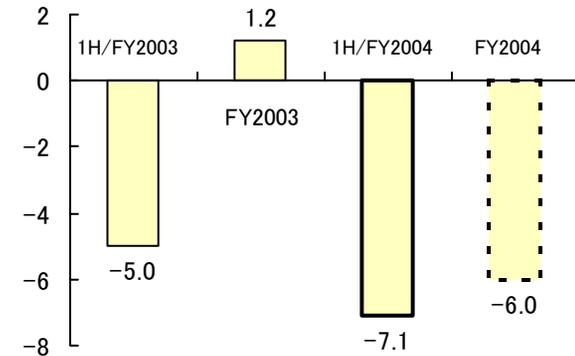
Net Sales

(Billion ¥)



Operating Income

(Billion ¥)



【Business Results for 1H/FY2004 (year-on-year comparison)】

<Large-scale orders received>

1H/FY2004

- Refuse incineration plant/ Tokyo city

1H/FY2003

- Ferronickel production plant/ Indonesia

<Large-scale sales>

1H/FY2004

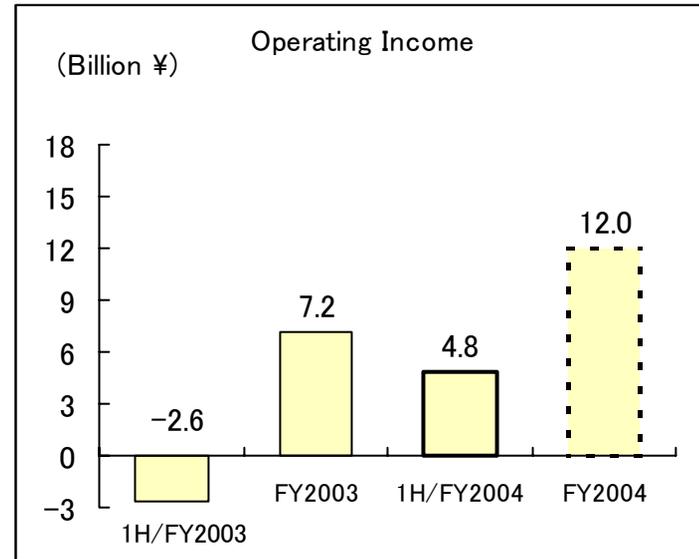
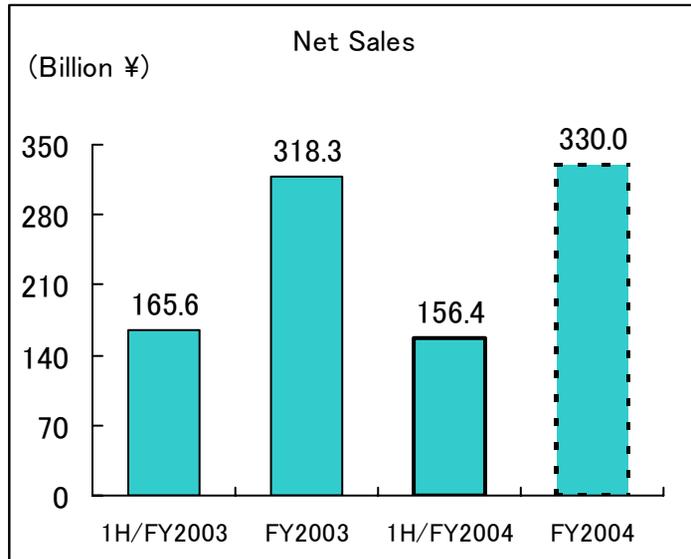
- Ferronickel production plant/ Indonesia
- Fertilizer plant/ Iran
- Refuse incineration plant/ Fukuoka

1H/FY2003

- Refuse incineration plant/ Fukuoka
- Combined cycle power plant/ Brazil

- * Increase in sales of large-scale projects for overseas
- * Decrease in profit due to additional costs for plant construction
(caused by delay in construction and additional works)

Consumer Products & Machinery



<Geographical Sales for Consumer Products>

(Thousands of Unit / Billion ¥)

Region	1H/FY2003		FY2003		1H/FY2004		FY2004(Projection)	
	QTY	Amount	QTY	Amount	QTY	Amount	QTY	Amount
Japan	21	11.1	48	25.1	23	11.9	38	20.2
NorthAmerica	85(40)	62.7	191(92)	127.8	87(36)	55.5	220(108)	135.1
Europe	48	39.4	79	61.2	41	35.5	81	64.3
Others	61	12.4	150	30.0	96	16.6	192	33.0
Total	215	125.6	468	244.1	247	119.5	531	252.6

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 1H/FY2004

(year-on-year comparison)】

* Decrease in sales but increase in profit

Sales decrease due to ..

- adverse impact of exchange rate movements
- change in accounting policy for consolidation periods of our wholesaling subsidiaries

Profit increase due to ..

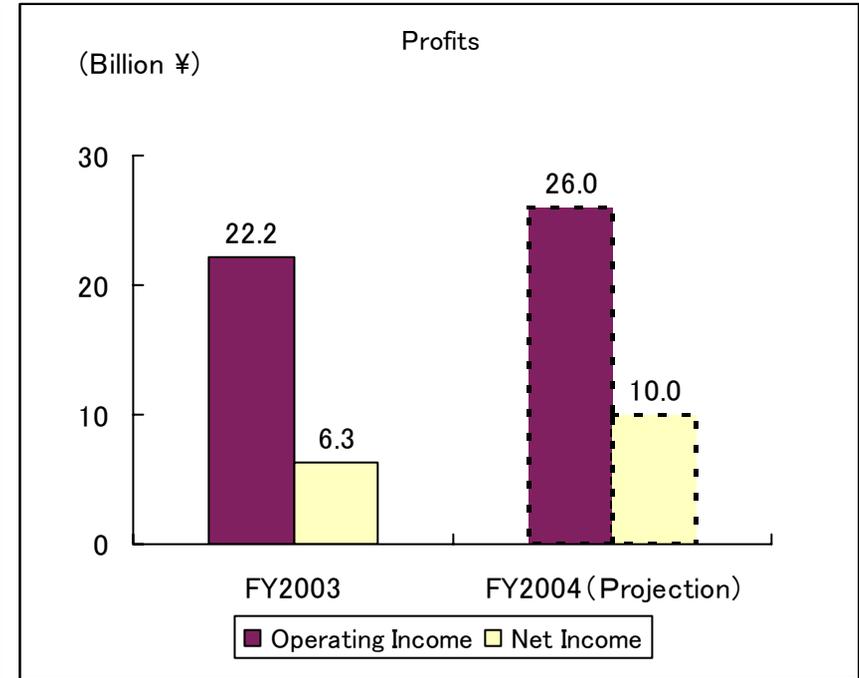
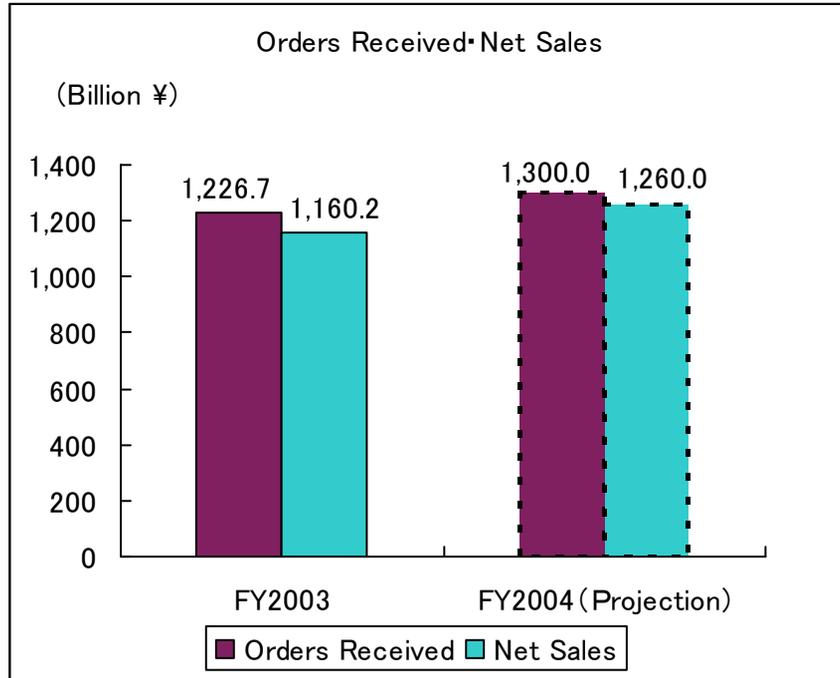
- favorable sales for our 2004 models and reduction of inventories
⇒ Reduction of sales promotion expenses
- production increase of industrial robots
- other cost reduction

R&D/Capital expenditures/Number of Employees

(Billion ¥)

	1H/FY2003 Actual	FY2003 Actual	1H/FY2004 Actual	FY2004 Projection
R&D	13.5	31.0	11.7	30.0
Capital expenditures	21.7	41.5	14.1	35.0
Depreciation and amortization	15.7	32.5	15.1	33.0
	Domestic	24,465	23,957	23,400
	Overseas	5,186	5,349	5,700
Number of Employees	29,651	29,306	29,126	29,100

Outlook for FY2004



	FY2003 Actual exchange rates	FY2004 Planned exchange rates	
		As of May	As of Nov
US Dollar(¥/\$)	113	105	105
Euro(¥/EUR)	133	125	125

(Billion ¥)

	FY2003 (Actual)	FY2004 Projection	
		(As of May)	(As of Nov)
Operating Income	22. 2	26. 0	26. 0
Net Income	6. 3	10. 0	10. 0

Outlook for FY2004 by Segment

(Billion ¥)

	FY2003 Actual		FY2004 Projection			
			As of May		As of Nov	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Shipbuilding	94.9	-2.3	90.0	0	90.0	1.0
Rolling Stock	120.5	4.3	180.0	5.5	190.0	7.0
Aerospace	173.7	4.2	180.0	4.0	190.0	5.0
Gas Turbines & Machinery	136.4	4.5	140.0	3.0	140.0	3.0
Plant & Infrastructure Engineering	191.4	1.2	210.0	1.5	200.0	-6.0
Consumer Products & Machinery	318.3	7.2	310.0	9.0	330.0	12.0
Others	124.7	3.0	120.0	3.0	120.0	4.0
Total	1,160.2	22.2	1,230.0	26.0	1,260.0	26.0

USD/¥	113	105	105
EUR/¥	133	125	125

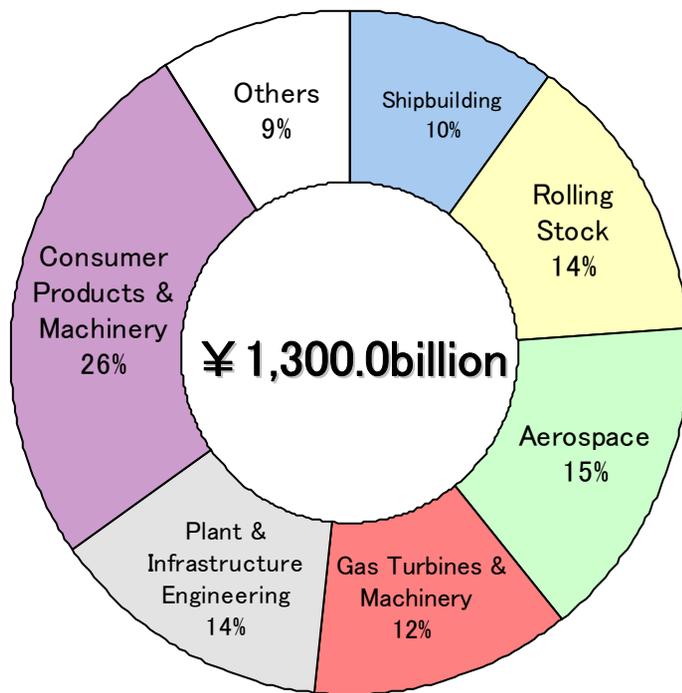
Outlook of Orders Received for FY2004

(Billion ¥)

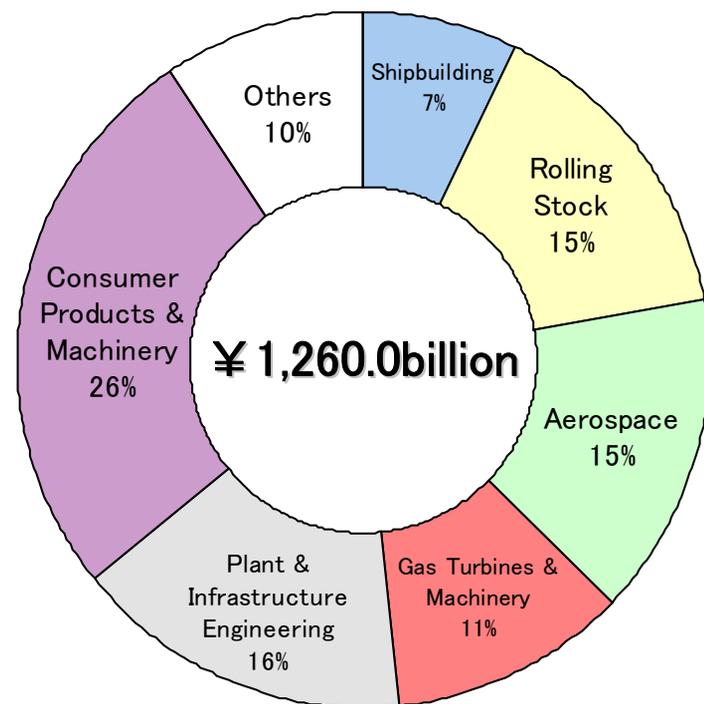
	FY2003 Actual	FY2004 Projection	
		As of May	As of Nov
Shipbuilding	123.7	90.0	130.0
Rolling Stock	153.3	180.0	180.0
Aerospace	216.2	200.0	200.0
Gas Turbines & Machinery	129.9	150.0	160.0
Plant & Infrastructure Engineering	156.1	200.0	180.0
Consumer Products & Machinery	318.3	310.0	330.0
Others	128.9	120.0	120.0
Total	1,226.7	1,250.0	1,300.0

Orders Received & Net Sales (FY2004 Projection)

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.