

# Investors Meeting for Fiscal 2006

(for the year ended March 31, 2007)

Apr. 27, 2007

Kawasaki Heavy Industries, Ltd.



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# Summary of FY2006 Results (Consolidated)

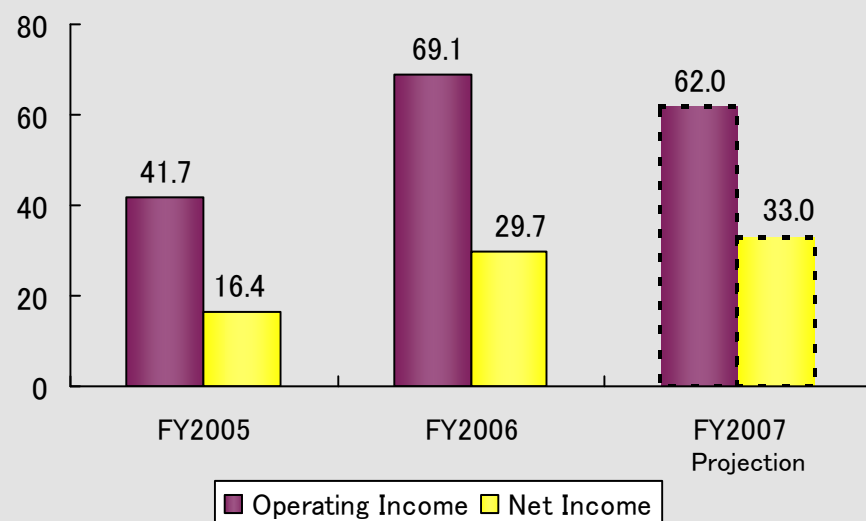
## Orders Received & Net Sales

(Billion ¥)



## Profits

(Billion ¥)



## Exchange Rates

	Actual		Assumption
	FY2005	FY2006	FY2007
USD/¥	112.00	117.00	110.00
EUR/¥	139.00	152.00	150.00

(Billion ¥)

	FY2005 (Actual)	FY2006 (Actual)	FY2007 (Projection)
Operating Income	41.7	<b>69.1</b>	<b>62.0</b>
Net Income	16.4	<b>29.7</b>	<b>33.0</b>

# Breakdown of Increases/Decreases in Profit for FY2006 compared to FY2005

## Operating income (+27.3billion yen)

Effects of the fluctuation of foreign exchange rate	+18.3
Increase in selling, general and administrative expenses *	- 5.9
Adverse impact of a rise in material price	-11.0
Effects of increase in sales	+12.7
Effects of cost reduction including fixed cost, etc	+13.2

### \*Change of accounting method for development cost

From the beginning of FY2006 development cost for new models in the Consumer Product and Machinery business was accounted into selling and general administrative expenses, but until FY2005 otherwise into cost of sales.

To this effect selling and general administrative expenses in FY2006 increased by 18.0 billion yen.

However we eliminated this effect from the figure above for your convenience to grasp the substantial difference between FY2006 and FY2005.

## Non-operating income (-9.1billion yen)

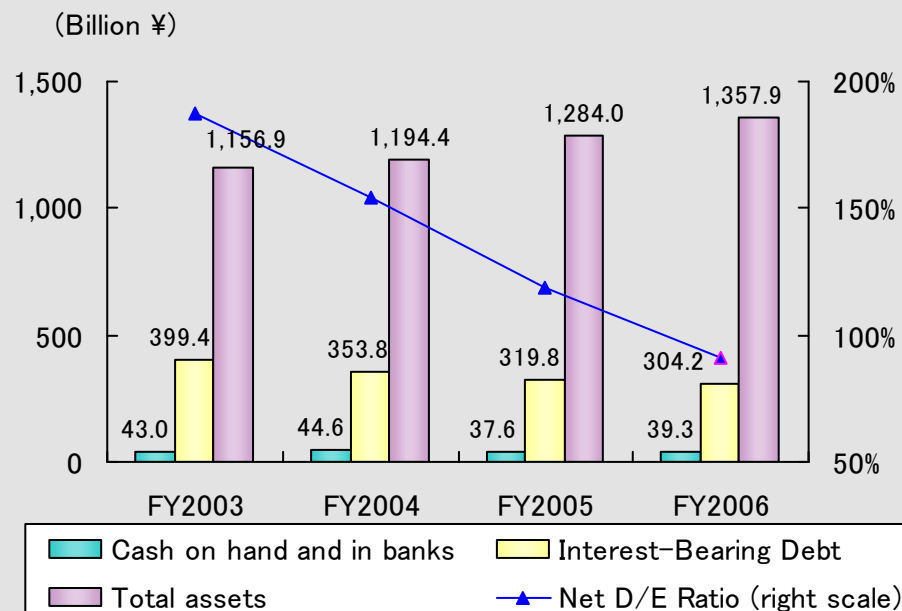
Increase in net interest expenses	- 0.6
Gain on sales of marketable securities (FY2005 ¥4.3 billion →FY2006 ¥0.9 billion)	- 3.4
Increase in equity in income of non-consolidated subsidiaries and affiliates (FY2005 ¥-0.2 billion →FY2006 ¥2.6 billion)	+ 2.8
Loss of foreign exchange (FY2005 ¥8.9 billion →FY2006 ¥13.3 billion)	- 4.4
Others	+ 3.5

## Other income (+3.8billion yen)

Gain on contribution of securities to employee's retirement benefit trust (FY2005 ¥12.9 billion →FY2006 ¥0)	-12.9
Loss on restructuring reforms (FY2005 ¥15.8 billion →FY2006 ¥0)	+15.8
Others	+ 0.9

# Interest-Bearing Debt and Cash Flows

B/S

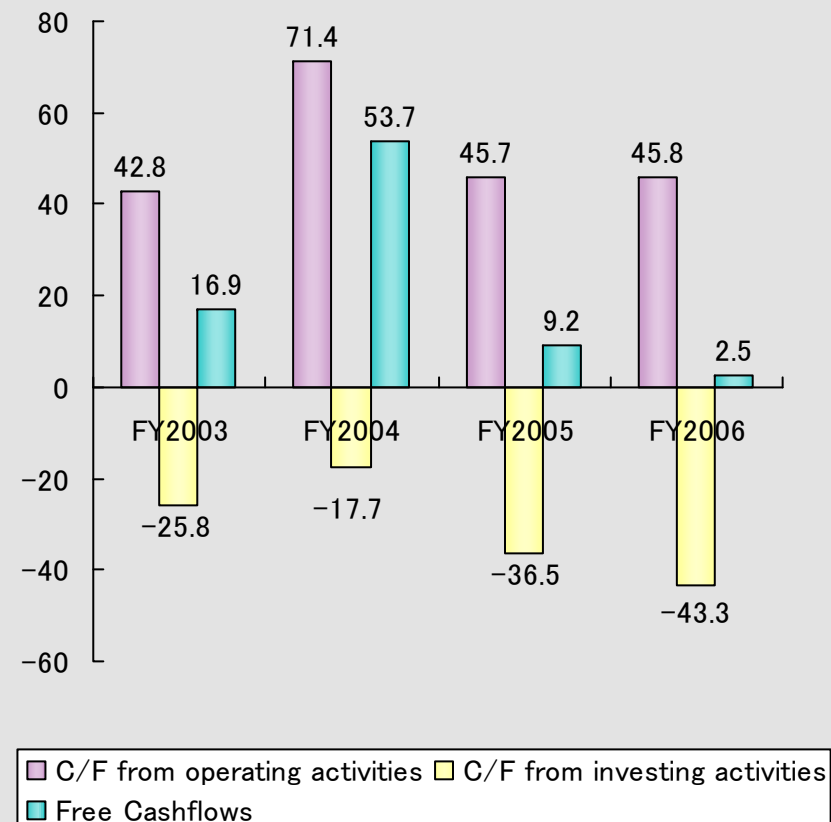


(Billion ¥)

	FY2003	FY2004	FY2005	FY2006
Net debt	356.4	309.2	282.1	264.8
Shareholders' equity	190.1	201.4	237.5	290.4
Net D/E ratio	187%	154%	119%	91%

(Billion ¥)

Cash Flows



\* About ¥180 billion of interest-bearing debt has been reduced in the last five years due to profit increase and conversion of some convertible bonds to the stocks in addition to implementation of some measures to reduce receivables and inventories.

\* We have consecutively made positive free cash flows for the last six years, generating about ¥140 billion.

# Shipbuilding

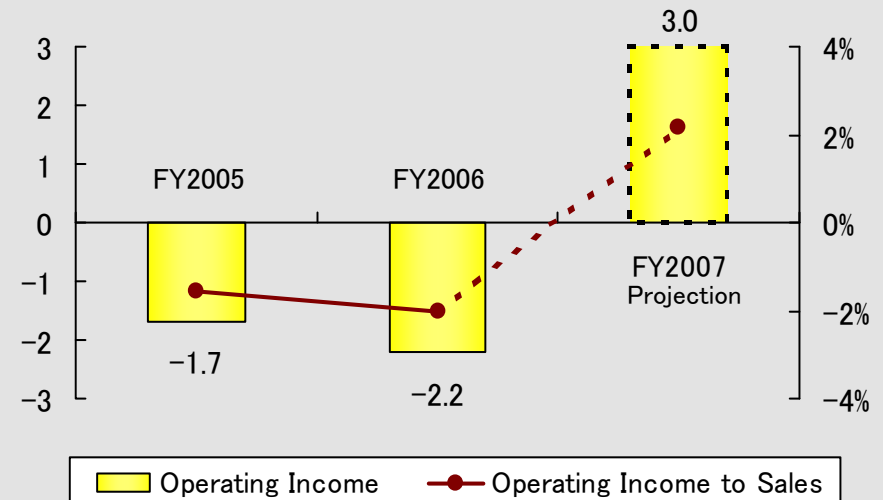
Orders Received & Net Sales

(Billion ¥)



Operating Income & Operating Income to Sales

(Billion ¥)



(vessel)

	Orders Received		Sales	
	FY2005	FY2006	FY2005	FY2006
LNG carriers	1	3	4(3)	6(3)
Small-sized LNG carriers	2	-	1	-
LPG carriers	1	2	-	-
VLCCs	1	-	2	2
Bulk carriers	10	8	7	8
Submarines	1	-	2(1)	2(2)
Total	16	13	16(4)	18(5)

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

## Business results for FY2006

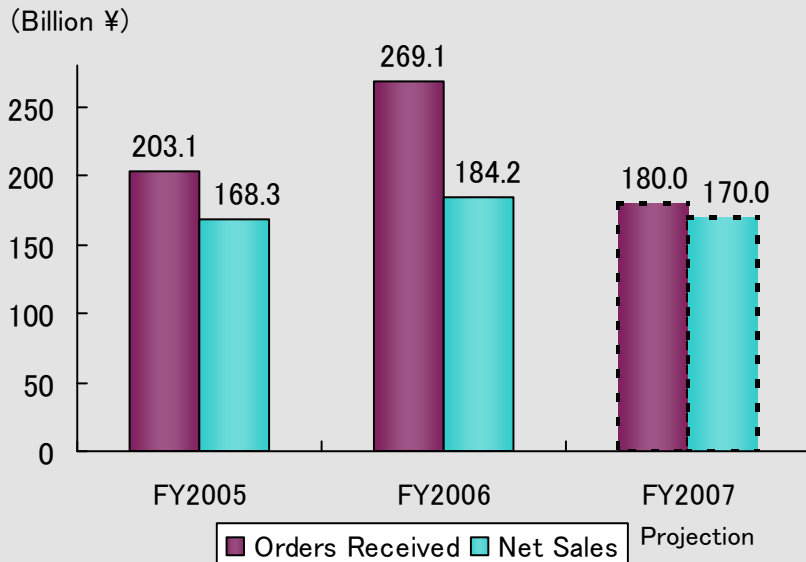
- \* Increase in orders received of LNG carriers and LPG carriers
- \* Adverse impact of a rise in steel price

## Outlook for FY2007

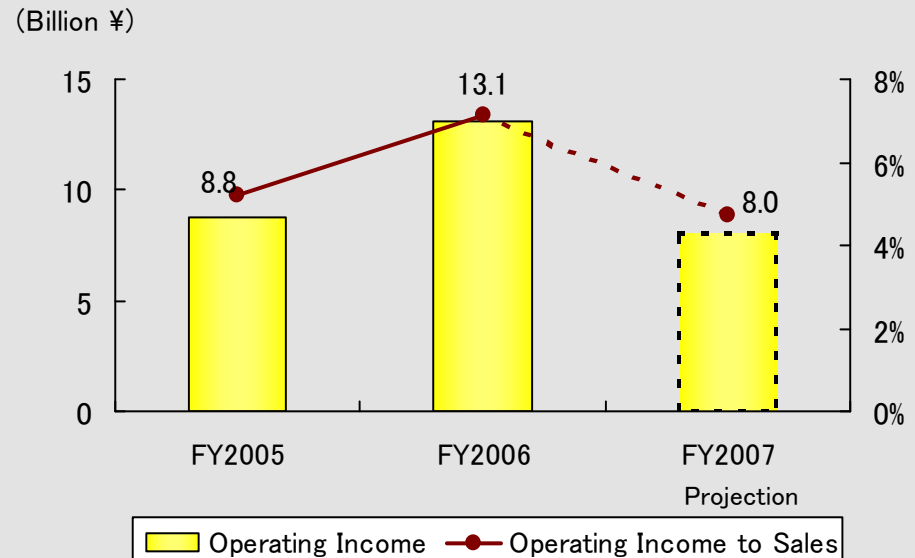
- \* Keeping a high-level orders received due to strong shipping market
- \* Increase in sales of LNG carriers and LPG carriers
- \* Return to profitability due to sales decrease of unprofitable vessels and sales increase of LNG carriers and LPG carriers

# Rolling Stock

Orders Received & Net Sales



Operating Income & Operating Income to Sales



## Business results for FY2006

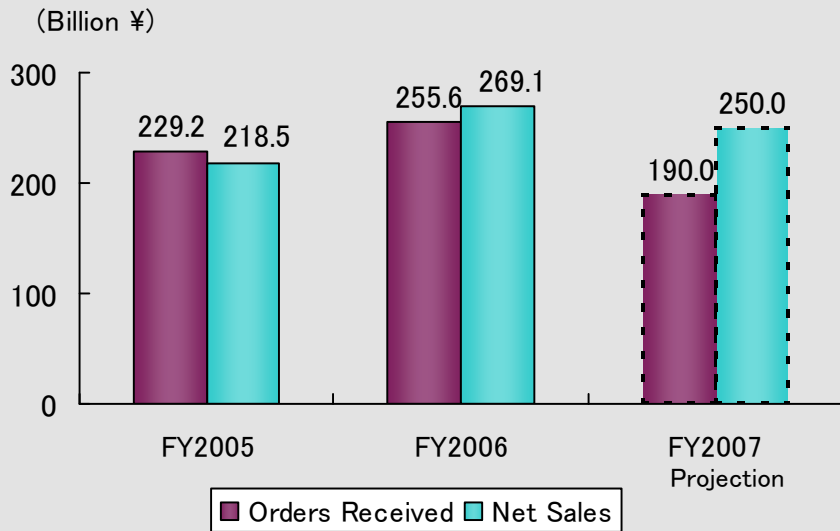
- \* Large increase in orders received of large-scale projects for overseas
  - Passenger cars for New York Metropolitan Transportation Authority's Metro-North Railroad (300 cars/ US\$700mil)
  - Subway System for Taipei City by the consortium of Kawasaki, Marubeni Co and CTCI (About ¥57.0bil)
- \* Increase in profit due to
  - large increase in sales of large-scale projects for overseas such as high-speed trains for China
  - increase in sales of wheel loaders for U.S. market

## Outlook for FY2007

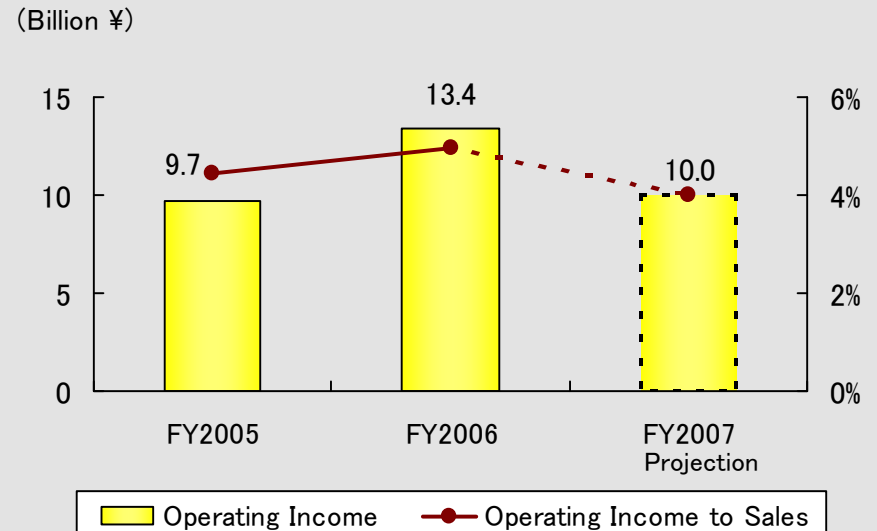
- \* Increase in sales for JR and other domestic businesses
- \* Decrease in sales and profit of large-scale projects for overseas such as high-speed trains for China

# Aerospace

Orders Received & Net Sales



Operating Income & Operating Income to Sales



Sales units for commercial aircraft and components  
(unit)

	Sales	
	FY2005	FY2006
B777	49	73
B767	11	13
Embraer170/175	39	37
Embraer190/195	37	79

Business results for FY2006

- \* Increase in orders received for commercial aircraft business such as B777 for BOEING
- \* Increase in profit due to sales increase of
  - BOEING business
  - development of the P-X(Patrol plane) and C-X(Container plane) for JDA

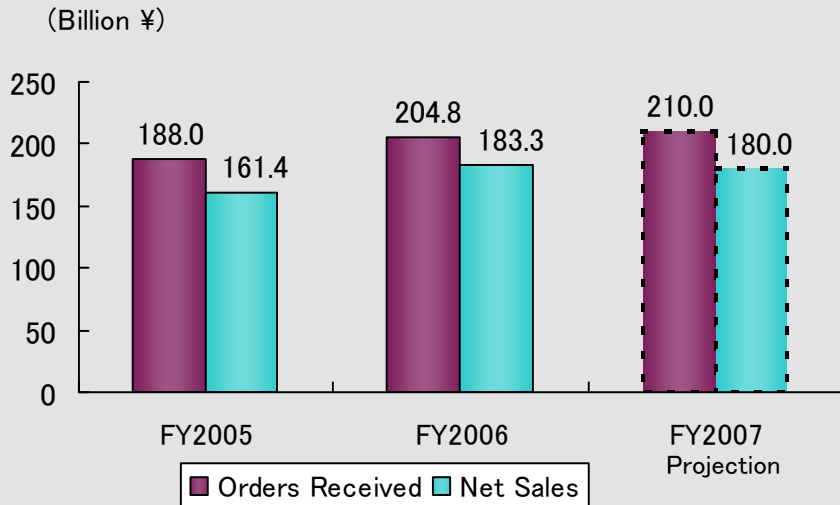
Outlook for FY2007

- \* Decrease in orders received, sales and profit owing to closing stage for development of the P-X(Patrol plane) and C-X(Container plane) for JDA

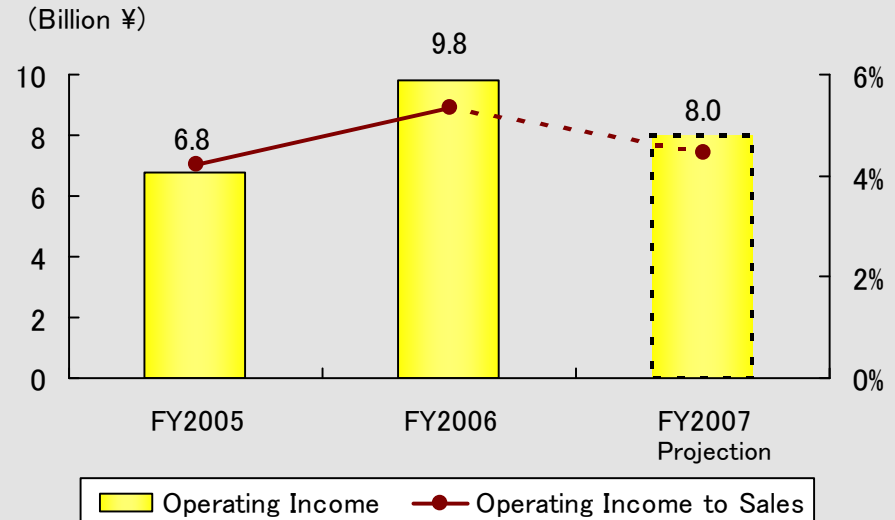


# Gas Turbines & Machinery

Orders Received & Net Sales



Operating Income & Operating Income to Sales



## Business results for FY2006

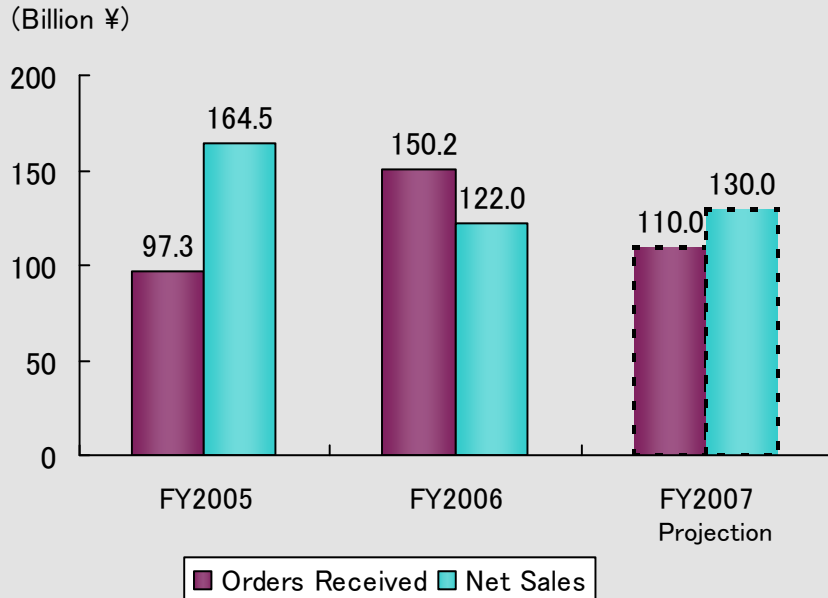
- \* Increase in orders received of commercial aircraft jet engines and industrial gas turbines
- \* Increase in sales and profit of commercial aircraft jet engines and industrial gas turbines

## Outlook for FY2007

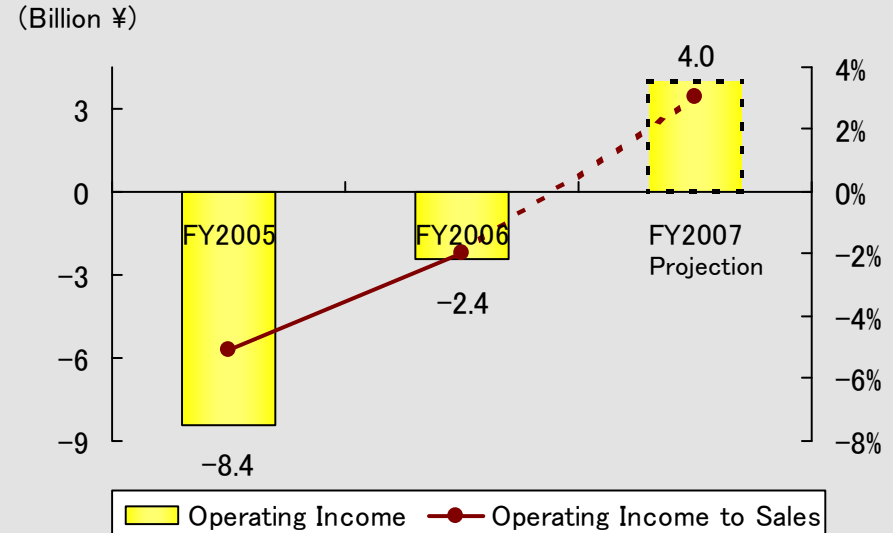
- \* Projection of net sales at even level with FY2006:
  - (+) Increase in sales of industrial gas turbines and aero-dynamic machinery
  - (-) Decrease in sales of marine steam turbine engines for LNG carriers and marine diesel engines
- \* Adverse impact of a rise in material price

# Plant & Infrastructure Engineering

Orders Received & Net Sales



Operating Income & Operating Income to Sales



<Large-scale orders received and sales of FY2006>

Orders Received	Sales
• Ferronickel plant/ Korea	• Refuse incineration plant/ Tokyo city
• Urea production facility/ Pakistan	• Refuse incineration plant/ Kishiwada & Kaizuka city
• Cement plant/ Vietnam	

## Business results for FY2006

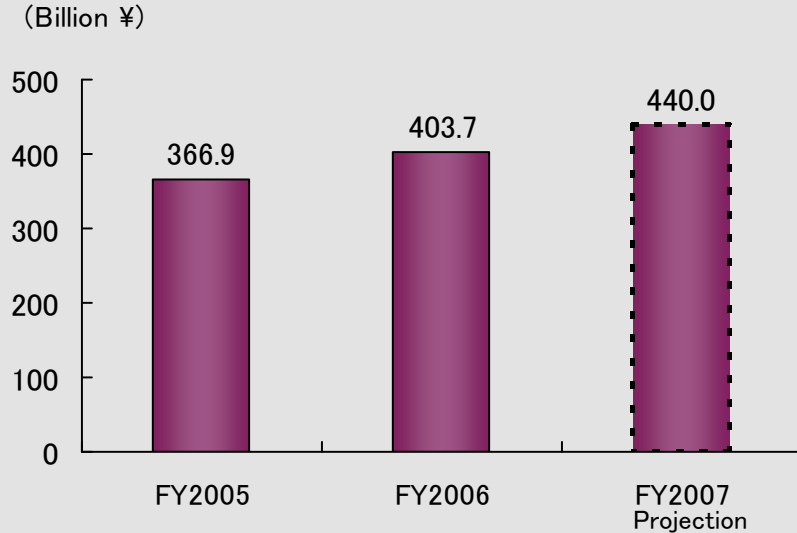
- \* Increase in orders received of large-scale projects for overseas of plant engineering business unit
- \* Decrease in sales of industrial plants for overseas due to strengthening of selective order-taking
- \* Decrease in losses due to return to profitability of plant engineering business unit

## Outlook for FY2007

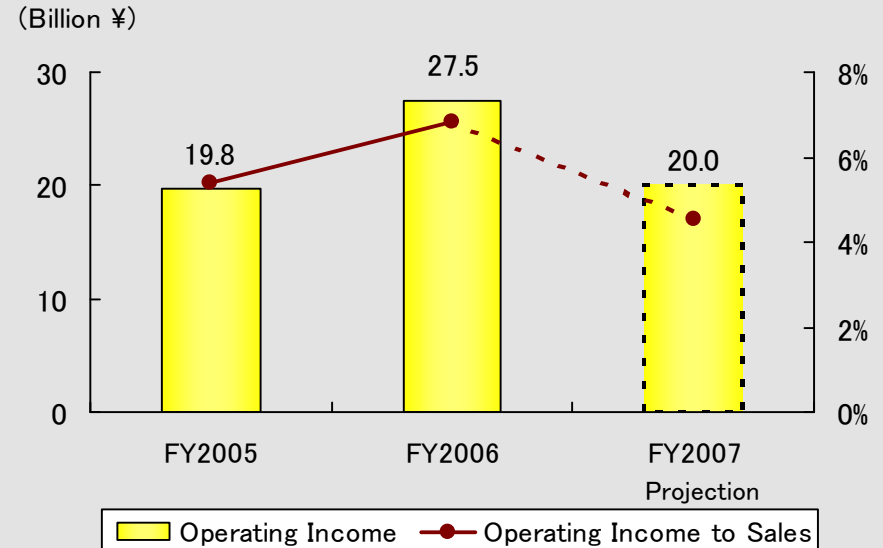
- \* Strengthening of selective order-taking
- \* Increase in sales of industrial plants for overseas even under selective order-taking policy
- \* Return to profitability due to sales decrease of unprofitable projects for environmental plant business

# Consumer Products & Machinery

Net Sales



Operating Income & Operating Income to Sales



Sales by Region for Consumer Products

(Thousands of Unit / Billion ¥)

Region	FY2005		FY2006	
	Unit	Amount	Unit	Amount
Domestic	261	17.1	211	15.9
North America	240 (120)	159.5	254 (140)	183.7
Europe	88	68.0	97	80.9
Others	174	33.4	130	32.6
Total	528	278.0	502	313.1

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 FY2006

- \* Increase in sales and profit of motorcycles for U.S. market and industrial robots

## Outlook for FY2007

- \* Increase in sales of motorcycles for European market
- \* Decrease in profit due to adverse impact of a rise in material price and assumed appreciation of yen against US dollar ( Exchange rate assumption US \$ = ¥ 110 )

# R&D/Capital Expenditures/Number of Employees

(Billion ¥ / Persons)

	FY2005 Actual	FY2006 Actual	FY2007 Projection
R&D	27.0	33.8	38.0
Capital Expenditures	41.7	39.3	56.0
Depreciation and Amortization	30.5	30.3	Note*) 39.0
Domestic	22,663	22,872	23,300
Overseas	6,259	6,339	6,700
Number of Employees	28,922	29,211	30,000

Note\*) This figure is affected by Tax Reform regarding Depreciation Methodology.

# Outlook for FY2007 by Segment

(Billion ¥)

	Net Sales		Operating Income	
	FY2006 Actual	FY2007 Projection	FY2006 Actual	FY2007 Projection
Shipbuilding	108.8	140.0	-2.2	3.0
Rolling Stock	184.2	170.0	13.1	8.0
Aerospace	269.1	250.0	13.4	10.0
Gas Turbines & Machinery	183.3	180.0	9.8	8.0
Plant & Infrastructure Engineering	122.0	130.0	-2.4	4.0
Consumer Products & Machinery	403.7	440.0	27.5	20.0
Others	167.3	170.0	9.8	9.0
<b>Total</b>	<b>1,438.6</b>	<b>1,480.0</b>	<b>69.1</b>	<b>62.0</b>

Exchange Rate Assumptions  
 US\$ = ¥ 110 / EUR = ¥ 150

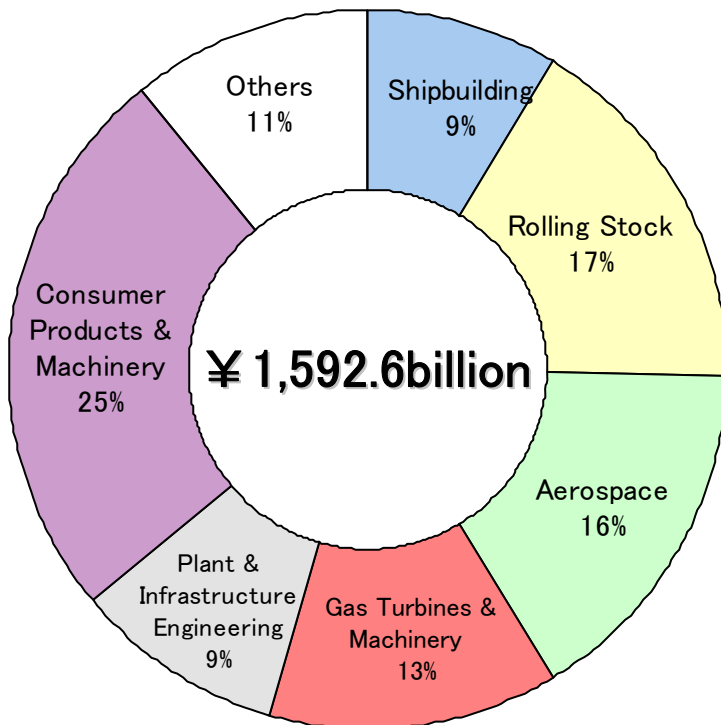
# Outlook of Orders Received for FY2007

(Billion ¥)

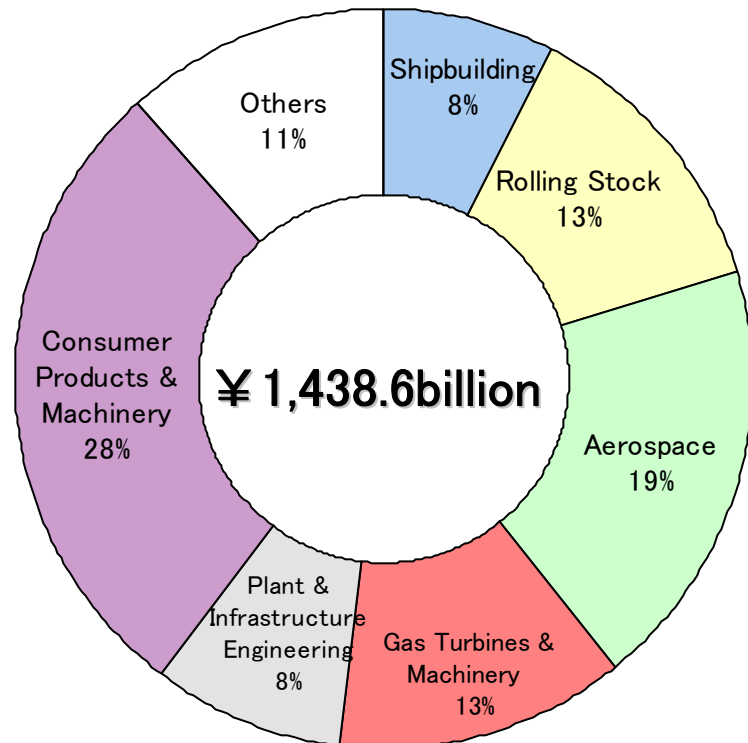
	Orders Received		
	FY2005 Actual	FY2006 Actual	FY2007 Projection
Shipbuilding	128.3	135.6	140.0
Rolling Stock	203.1	269.1	180.0
Aerospace	229.2	255.6	190.0
Gas Turbines & Machinery	188.0	204.8	210.0
Plant & Infrastructure Engineering	97.3	150.2	110.0
Consumer Products & Machinery	366.9	403.7	440.0
Others	138.5	173.5	170.0
<b>Total</b>	<b>1,351.6</b>	<b>1,592.6</b>	<b>1,440.0</b>

# Business Portfolio (FY2006)

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.