



May 12, 2004

(Consolidated)

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES FLASH CONSOLIDATED FINANCIAL RESULTS

For the years ended March 31, 2004 and 2003

Operating results	Millions of yen		%	Thousands of
	2004	2003		Change
Net sales	¥ 1,160,252	¥ 1,239,598	-6%	\$ 10,984,114
Operating income	22,250	30,543	-27%	210,641
Net income	6,333	13,022	-51%	59,955
Net income per share (Yen)	4.4	9.3		

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of shareholders' equity to total assets
	Total assets	Shareholders' equity	
As of March 31, 2004	¥ 1,156,904	¥ 190,175	16%
As of March 31, 2003	1,149,161	174,585	15%
As of March 31, 2004	\$ 10,952,419	\$ 1,800,388	—

	Yen / U.S. dollars	Thousand shares
	Shareholders' equity per share	Number of shares issued and outstanding
As of March 31, 2004	¥ 131.8	1,442,542
As of March 31, 2003	125.6	1,390,230
As of March 31, 2004	\$ 1.25	—

Cash flows

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Operating activities	¥ 42,811	¥ 56,770	\$ 405,292
Investing activities	(25,868)	(26,827)	(244,893)
Financing activities	(35,544)	(59,601)	(336,495)
Cash and cash equivalents at end of year	42,375	59,837	401,164

Fiscal year forecast

	Millions of yen	
	Net sales	Net income
One year ending March 31, 2004	¥ 1,230,000	¥ 10,000

Notes : 1. This "FLASH CONSOLIDATED FINANCIAL RESULTS" and following financial statements have been prepared in conformity with generally accepted accounting principles and practices in Japan.

2. The all dollar amounts in these statements represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥105.63=\$1, the rate prevailing as of March 31, 2004, solely for the convenience of the readers.

Condensed Consolidated Balance Sheets

As of March 31, 2004 and 2003

(Consolidated)

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Assets :			
Current assets :			
Cash on hand and in banks	¥ 43,064	¥ 61,185	\$ 407,687
Marketable securities	7	10	66
Receivables, less allowance	376,807	393,067	3,567,235
Inventories	335,064	342,387	3,172,053
Other current assets	44,538	31,313	421,642
Total current assets	<u>799,480</u>	<u>827,962</u>	<u>7,568,683</u>
Investments and long-term loans			
less allowance :	77,839	65,744	736,902
Net property, plant and equipment :	248,922	234,352	2,356,546
Intangible and other assets :	30,663	21,103	290,288
Total assets	<u>¥ 1,156,904</u>	<u>¥ 1,149,161</u>	<u>\$ 10,952,419</u>
Liabilities, minority interests and shareholders' equity :			
Current liabilities :			
Short-term borrowings			
and current portion of long-term debt	¥ 188,652	¥ 201,248	\$ 1,785,970
Payables	286,117	294,769	2,708,672
Advances from customers	110,900	100,829	1,049,891
Other current liabilities	91,870	93,345	869,734
Total current liabilities	<u>677,539</u>	<u>690,191</u>	<u>6,414,267</u>
Long-term liabilities :			
Long-term debt, less current portion	210,819	226,936	1,995,825
Others	74,516	51,858	705,444
Total long-term liabilities	<u>285,335</u>	<u>278,794</u>	<u>2,701,269</u>
Minority interests	3,855	5,591	36,495
Shareholders' equity :			
Common stock	81,427	81,427	770,870
Capital surplus	31,388	24,683	297,150
Retained earnings	80,469	77,069	761,801
Net unrealized gain on securities	13,266	3,671	125,589
Foreign currency translation adjustments	(16,283)	(12,225)	(154,151)
Treasury stock	(92)	(40)	(871)
Total shareholders' equity	<u>190,175</u>	<u>174,585</u>	<u>1,800,388</u>
Total liabilities, minority interests and shareholders' equity	<u>¥ 1,156,904</u>	<u>¥ 1,149,161</u>	<u>\$ 10,952,419</u>

Condensed Consolidated Statements of Operations

For the years ended March 31, 2004 and 2003

(Consolidated)

	Millions of yen		Change	Thousands of U.S. dollars
	2004	2003		2004
Net sales	¥ 1,160,252	¥ 1,239,598	-6%	\$ 10,984,114
Cost of sales	998,416	1,069,341		9,452,012
Gross profit	161,836	170,257		1,532,102
Selling, general and administrative expenses	139,586	139,714		1,321,461
Operating income	22,250	30,543	-27%	210,641
Other income (expenses) :				
Interest and dividend income	3,476	4,684		32,907
Equity in income(loss) of unconsolidated subsidiaries and affiliates	941	(467)		8,908
Interest expense	(7,274)	(10,291)		(68,863)
Other, net	(8,151)	(7,241)		(77,165)
Income before income taxes and minority interests	11,242	17,228	-35%	106,428
Income taxes	(4,714)	(3,840)		(44,627)
Minority interests in net income of consolidated subsidiaries	(195)	(366)		(1,846)
Net income	<u>¥ 6,333</u>	<u>¥ 13,022</u>	-51%	<u>\$ 59,955</u>

Condensed Consolidated Statements of Cash Flows

For the year ended March 31, 2004 and 2003

(Consolidated)

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
			2004
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 11,242	¥ 17,228	\$ 106,428
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	32,590	31,595	308,530
Decrease (increase) in assets	9,910	37,527	93,818
Increase (decrease) in liabilities	(753)	(23,633)	(7,129)
Other	(10,178)	(5,947)	(96,355)
Net cash provided by operating activities	¥ 42,811	¥ 56,770	\$ 405,292
Cash flows from investing activities:			
Acquisition of tangible and intangible assets	(38,891)	(33,556)	(368,181)
Acquisition of investments in securities	(1,029)	(4,239)	(9,742)
Other	14,052	10,968	133,030
Net cash used for investing activities	¥ (25,868)	¥ (26,827)	\$ (244,893)
Cash flows from financing activities:			
Decrease in short-term borrowings	(16,320)	(53,048)	(154,501)
Proceeds from long-term debt	44,499	34,129	421,272
Repayment of long-term debt	(60,829)	(40,579)	(575,869)
Other	(2,894)	(103)	(27,397)
Net cash provided by (used for) financing activities	¥ (35,544)	¥ (59,601)	\$ (336,495)
Effect of exchange rate changes	(191)	(282)	(1,808)
Net decrease in cash and cash equivalents	(18,792)	(29,940)	(177,904)
Cash and cash equivalents at beginning of year	59,837	89,777	566,477
Increase in cash and cash equivalents arising from newly consolidated subsidiaries	1,330	-	12,591
Cash and cash equivalents at end of year	¥ 42,375	¥ 59,837	\$ 401,164

Segment information
(a) Information by industry segment

(Consolidated)

(millions of yen)

	2004							
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	¥ 94,939	¥ 976	¥ 95,915	¥ 98,276	¥ (2,361)	¥ 89,850	¥ 2,442	¥ 5,294
Rolling Stock,								
Construction Machinery & Crushing Plant	120,597	2,950	123,547	119,225	4,322	127,786	2,612	3,393
Aerospace	173,783	1,713	175,496	171,252	4,244	219,777	4,959	9,030
Gas Turbines & Machinery	136,468	14,958	151,426	146,890	4,536	124,065	2,962	2,955
Plant & Infrastructure Engineering	191,412	12,882	204,294	203,075	1,219	177,888	2,019	1,105
Consumer products & Machinery	318,325	3,982	322,307	315,057	7,250	240,242	12,422	15,016
Other	124,728	42,039	166,767	163,520	3,247	140,986	2,709	2,053
Total	1,160,252	79,500	1,239,752	1,217,295	22,457	1,120,594	30,125	38,846
Eliminations and corporate	-	(79,500)	(79,500)	(79,293)	(207)	36,310	2,465	2,656
Consolidated total	¥ 1,160,252	¥ -	¥ 1,160,252	¥ 1,138,002	¥ 22,250	¥ 1,156,904	¥ 32,590	¥ 41,502

(millions of yen)

	2003							
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	¥ 105,458	¥ 1,556	¥ 107,014	¥ 105,605	¥ 1,409	¥ 95,661	¥ 1,963	¥ 2,550
Rolling Stock,								
Construction Machinery & Crushing Plant	164,774	3,157	167,931	162,441	5,490	117,276	2,853	3,266
Aerospace	154,848	2,372	157,220	151,125	6,095	166,223	3,370	5,523
Gas Turbines & Machinery	150,767	13,267	164,034	158,767	5,267	132,024	3,085	2,726
Plant & Infrastructure Engineering	219,092	22,557	241,649	245,891	(4,242)	191,520	2,307	622
Consumer products & Machinery	318,025	3,033	321,058	307,654	13,404	260,359	12,190	13,927
Other	126,634	43,187	169,821	167,081	2,740	164,454	3,395	2,216
Total	1,239,598	89,129	1,328,727	1,298,564	30,163	1,127,517	29,163	30,830
Eliminations and corporate	-	(89,129)	(89,129)	(89,509)	380	21,644	2,432	4,335
Consolidated total	¥ 1,239,598	¥ -	¥ 1,239,598	¥ 1,209,055	¥ 30,543	¥ 1,149,161	¥ 31,595	¥ 35,165

(thousands of U.S. dollars)

	2004							
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	\$ 898,788	\$ 9,240	\$ 908,028	\$ 930,380	\$ (22,352)	\$ 850,611	\$ 23,118	\$ 50,118
Rolling Stock,								
Construction Machinery & Crushing Plant	1,141,693	27,928	1,169,621	1,128,704	40,917	1,209,751	24,728	32,122
Aerospace	1,645,205	16,217	1,661,422	1,621,244	40,178	2,080,631	46,947	85,487
Gas Turbines & Machinery	1,291,944	141,607	1,433,551	1,390,609	42,942	1,174,524	28,041	27,975
Plant & Infrastructure Engineering	1,812,099	121,954	1,934,053	1,922,513	11,540	1,684,067	19,114	10,461
Consumer products & Machinery	3,013,585	37,698	3,051,283	2,982,647	68,636	2,274,373	117,599	142,157
Other	1,180,800	397,983	1,578,783	1,548,044	30,739	1,334,715	25,647	19,435
Total	10,984,114	752,627	11,736,741	11,524,141	212,600	10,608,672	285,194	367,755
Eliminations and corporate	-	(752,627)	(752,627)	(750,668)	(1,959)	343,747	23,336	25,145
Consolidated total	\$ 10,984,114	\$ -	\$ 10,984,114	\$ 10,773,473	\$ 210,641	\$ 10,952,419	\$ 308,530	\$ 392,900

Notes : The industrial hydraulic equipment business, which was formerly included in the Gas Turbines & Machinery segment, has been reclassified into the Other segment at the beginning of this period. Figures for the previous period have been recalculated accordingly.

(b) Information by geographic area

	2004					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets
	(millions of yen)					
Japan	¥ 877,222	¥ 182,132	¥ 1,059,354	¥ 1,038,482	¥ 20,872	¥ 975,129
North America	187,216	15,267	202,483	202,886	(403)	115,262
Europe	70,951	4,595	75,546	74,912	634	46,762
Asia	19,756	13,942	33,698	33,062	636	19,420
Other Areas	5,107	88	5,195	5,345	(150)	2,846
Total	1,160,252	216,024	1,376,276	1,354,687	21,589	1,159,419
Eliminations and corporate	-	(216,024)	(216,024)	(216,685)	661	(2,515)
Consolidated total	¥ 1,160,252	¥ -	¥ 1,160,252	¥ 1,138,002	¥ 22,250	¥ 1,156,904

	2003					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets
	(millions of yen)					
Japan	¥ 907,167	¥ 202,171	¥ 1,109,338	¥ 1,083,291	¥ 26,047	¥ 958,762
North America	252,178	13,686	265,864	262,249	3,615	140,742
Europe	56,940	5,521	62,461	61,851	610	41,582
Asia	19,105	11,272	30,377	29,495	882	18,768
Other Areas	4,208	114	4,322	4,215	107	2,764
Total	1,239,598	232,764	1,472,362	1,441,101	31,261	1,162,618
Eliminations and corporate	-	(232,764)	(232,764)	(232,046)	(718)	(13,457)
Consolidated total	¥ 1,239,598	¥ -	¥ 1,239,598	¥ 1,209,055	¥ 30,543	¥ 1,149,161

	2004					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets
	(thousands of U.S. dollars)					
Japan	\$ 8,304,667	\$ 1,724,245	\$ 10,028,912	\$ 9,831,317	\$ 197,595	\$ 9,231,554
North America	1,772,375	144,533	1,916,908	1,920,723	(3,815)	1,091,186
Europe	671,694	43,501	715,195	709,192	6,003	442,696
Asia	187,030	131,989	319,019	312,998	6,021	183,849
Other Areas	48,348	833	49,181	50,602	(1,421)	26,943
Total	10,984,114	2,045,101	13,029,215	12,824,832	204,383	10,976,228
Eliminations and corporate	-	(2,045,101)	(2,045,101)	(2,051,359)	6,258	(23,809)
Consolidated total	\$ 10,984,114	\$ -	\$ 10,984,114	\$ 10,773,473	\$ 210,641	\$ 10,952,419

(c) Overseas sales

	2004		2003		2004
	Overseas sales	% against net sales	Overseas sales	% against net sales	Overseas sales
	(millions of yen)		(millions of yen)		(Thousands of U.S. dollars)
North America	¥ 240,121	20.7%	¥ 303,682	24.5%	\$ 2,273,227
Europe	109,026	9.4%	92,155	7.4%	1,032,150
Asia	91,908	7.9%	87,014	7.0%	870,094
Other Areas	81,824	7.1%	52,494	4.3%	774,628
Total	¥ 522,879	45.1%	¥ 535,345	43.2%	\$ 4,950,099

Net sales, orders and order backlog by industry segment

For the years ended March 31, 2004 and 2003

	Millions of yen				%	Thousands of
	2004		2003			U.S. dollars
					Change	2004
Net sales :						
Shipbuilding	¥ 94,939	(8%)	¥ 105,458	(9%)	-10%	\$ 898,788
Rolling Stock,						
Construction Machinery						
& Crushing Plant	120,597	(10%)	164,774	(13%)	-27%	1,141,693
Aerospace	173,783	(15%)	154,848	(12%)	+12%	1,645,205
Gas Turbines & Machinery	136,468	(12%)	150,767	(12%)	-9%	1,291,944
Plant & Infrastructure Engineering	191,412	(17%)	219,092	(18%)	-13%	1,812,099
Consumer products & Machinery	318,325	(27%)	318,025	(26%)	0%	3,013,585
Other	124,728	(11%)	126,634	(10%)	-2%	1,180,800
Total	1,160,252	(100%)	1,239,598	(100%)	-6%	10,984,114

Orders :						
	Millions of yen				%	Thousands of
	As of		As of			U.S. dollars
	Mar. 31, 2004		Mar. 31, 2003		Change	As of
						Mar. 31, 2004
Shipbuilding	123,756	(10%)	110,926	(9%)	+12%	1,171,599
Rolling Stock,						
Construction Machinery						
& Crushing Plant	153,399	(12%)	176,693	(14%)	-13%	1,452,229
Aerospace	216,201	(18%)	163,023	(13%)	+33%	2,046,776
Gas Turbines & Machinery	129,987	(11%)	132,989	(11%)	-2%	1,230,588
Plant & Infrastructure Engineering	156,145	(13%)	208,268	(17%)	-25%	1,478,226
Consumer products & Machinery	318,325	(26%)	318,025	(26%)	0%	3,013,585
Other	128,915	(10%)	117,525	(10%)	+10%	1,220,440
Total	¥ 1,226,728	(100%)	¥ 1,227,449	(100%)	0%	\$ 11,613,443

Order backlog :						
	Millions of yen				%	Thousands of
	As of		As of			U.S. dollars
	Mar. 31, 2004		Mar. 31, 2003		Change	As of
						Mar. 31, 2004
Shipbuilding	¥ 193,705	(16%)	¥ 173,304	(15%)	+12%	\$ 1,833,807
Rolling Stock,						
Construction Machinery						
& Crushing Plant	294,017	(25%)	273,563	(23%)	+7%	2,783,461
Aerospace	260,321	(22%)	208,410	(18%)	+25%	2,464,461
Gas Turbines & Machinery	140,327	(12%)	160,874	(14%)	-13%	1,328,477
Plant & Infrastructure Engineering	273,837	(23%)	327,911	(28%)	-16%	2,592,417
Consumer products & Machinery	-	(-%)	-	(-%)	-%	-
Other	27,167	(2%)	31,501	(2%)	-14%	257,190
Total	¥ 1,189,374	(100%)	¥ 1,175,563	(100%)	+1%	\$ 11,259,813

Notes : The industrial hydraulic equipment business, which was formerly included in the Gas Turbines & Machinery segment, has been reclassified into the Other segment at the beginning of this period. Figures for the previous period have been recalculated accordingly.