



November 02, 2004
(Consolidated)

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

For six months ended September 30, 2004 and 2003 and one year ended March 31, 2004

Operating results

	Millions of yen			Thousands of
	Six months ended Sep. 30, 2004	Six months ended Sep. 30, 2003	% Change	U.S. dollars Six months ended Sep. 30, 2004
Net sales	¥ 537,715	¥ 523,270	+3%	\$ 4,842,098
Operating income (loss)	6,945	1,616	+330%	62,539
Net income (loss)	3,365	(3,396)	-	30,302
Net income (loss) per share (Yen)	2.3	(2.4)		

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of shareholders' equity to total assets
	Total assets	Shareholders' equity	
As of September 30, 2004	¥ 1,114,029	¥ 194,127	17%
As of March 31, 2004	1,156,904	190,175	16%
As of September 30, 2004	\$ 10,031,778	\$ 1,748,104	—
	Yen / U.S. dollars Shareholders' equity per share	Thousand shares Number of shares issued and outstanding	
As of September 30, 2004	¥ 134.6	1,442,501	
As of March 31, 2004	131.8	1,442,542	
As of September 30, 2004	\$ 1.21	—	

Cash flows

	Millions of yen		Thousands of
	Six months ended Sep. 30, 2004	Six months ended Sep. 30, 2003	U.S. dollars Six months ended Sep. 30, 2004
Operating activities	¥ 19,816	¥ 11,000	\$ 178,442
Investing activities	(11,310)	(14,315)	(101,846)
Financing activities	(14,818)	(4,587)	(133,435)
Cash and cash equivalents at end of year	36,129	52,632	325,340

Fiscal year forecast

	Millions of yen	
	Net sales	Net income
One year ending March 31, 2005	¥ 1,260,000	¥ 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. All US\$ amounts in these statements represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥ 111.05=\$1, the rate prevailing as of Sep. 30, 2004, solely for the convenience of the readers.
3. Effective April 1, 2004, Kawasaki Heavy Industries, Ltd. (the "Company") changed its accounting policy for the percentage-of-completion method to be applied to long-term contracts exceeding ¥ 3,000 million. Previously, it had been applied to long-term contracts exceeding ¥ 5,000 million.
- The Company made this change in accounting policy for appropriate periodic accounting of profit and loss, by expanding the range of application of the percentage-of-completion method.
- As a result of this change, net sales increased ¥ 31,360 million (\$ 282.4 million). Operating income and income before income taxes and minority interests increased ¥ 3,394 million (\$ 30.6 million) respectively, compared with the amounts which would have been recognized under the previous method of accounting.
4. Effective April 1, 2004, the Company changed the accounting periods for consolidation of five subsidiaries (Kawasaki Motors Japan Ltd. , Kawasaki Motors Corp.,U.S.A. , and Kawasaki Motors Europe N.V., and the other two subsidiaries) from 12 months ending December 31 to March 31 to improve transparency and quality of consolidated financial statements.
- The effect of this change was to decrease the Company's retained earnings as of the beginning of this fiscal year by ¥ 222 million (\$ 1,999 thousand).
- This interim financial results includes the accounts of these five subsidiaries as of September 30, 2004.

(Consolidated)

Condensed Consolidated Balance Sheets

As of September 30 and March 31, 2004

	Millions of yen		Thousands of U.S. dollars
	As of Sep. 30, 2004	As of Mar. 31, 2004	As of Sep. 30, 2004
Assets :			
Current assets :			
Cash on hand and in banks	¥ 36,520	¥ 43,064	\$ 328,861
Receivables, less allowance	313,005	376,807	2,818,595
Inventories	358,127	335,064	3,224,917
Other current assets	47,824	44,545	430,653
Total current assets	755,476	799,480	6,803,026
Investments and long-term loans less allowance	82,777	77,839	745,403
Net property, plant and equipment	246,763	248,922	2,222,089
Intangible and other assets	29,013	30,663	261,260
Total assets	¥ 1,114,029	¥ 1,156,904	\$ 10,031,778
Liabilities and shareholders' equity :			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	¥ 167,793	¥ 188,652	\$ 1,510,968
Payables	269,656	286,117	2,428,240
Advances from customers	103,097	110,900	928,384
Other current liabilities	73,011	91,870	657,460
Total current liabilities	613,557	677,539	5,525,052
Long-term liabilities :			
Long-term debt, less current portion	224,095	210,819	2,017,965
Others	78,319	74,516	705,259
Total long-term liabilities	302,414	285,335	2,723,224
Minority interests	3,931	3,855	35,398
Shareholders' equity :			
Common stock	81,427	81,427	733,246
Capital surplus	31,389	31,388	282,656
Retained earnings	80,591	80,469	725,718
Net unrealized gains on securities	16,565	13,266	149,167
Foreign currency translation adjustments	(15,747)	(16,283)	(141,801)
Treasury stock	(98)	(92)	(882)
Total shareholders' equity	194,127	190,175	1,748,104
Total liabilities and shareholders' equity	¥ 1,114,029	¥ 1,156,904	\$ 10,031,778

Condensed Consolidated Statements of Operations

For six months ended September 30, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars
	Six months ended Sep. 30, 2004	Six months ended Sep. 30, 2003	% Change	Six months ended Sep. 30, 2004
Net sales	¥ 537,715	¥ 523,270	+3%	\$ 4,842,098
Cost of sales	467,661	452,815		4,211,265
Gross profit	70,054	70,455		630,833
Selling, general and administrative expenses	63,109	68,839		568,294
Operating income (loss)	6,945	1,616	+330%	62,539
Other income (expenses) :				
Interest and dividend income	1,790	1,106		16,119
Equity in income of unconsolidated subsidiaries and affiliates	452	326		4,070
Interest expense	(3,138)	(3,941)		(28,258)
Other, net	894	(55)		8,051
Income(loss) before income taxes and minority interests	6,943	(948)	—	62,521
Income taxes	(3,391)	(2,511)		(30,536)
Minority interests in net income of consolidated subsidiaries	(187)	63		(1,683)
Net income(loss)	¥ 3,365	¥ (3,396)	—	\$ 30,302

Condensed Consolidated Statements of Cash Flows

For six months ended September 30, 2004 and 2003

(Consolidated)

	Millions of yen		Thousands of
	Six months ended Sep. 30, 2004	Six months ended Sep. 30, 2003	U.S. dollars Six months ended Sep. 30, 2004
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 6,943	¥ (948)	\$ 62,521
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	15,130	15,796	136,245
Decrease (increase) in assets	50,229	31,470	452,310
Increase (decrease) in liabilities	(38,645)	(27,312)	(347,996)
Other	(13,841)	(8,006)	(124,638)
Net cash provided by operating activities	¥ 19,816	¥ 11,000	\$ 178,442
Cash flows from investing activities:			
Acquisition of tangible and intangible assets	(14,437)	(17,146)	(130,005)
Acquisition of investments in securities	(1,006)	(406)	(9,059)
Other	4,133	3,237	37,218
Net cash used for investing activities	¥ (11,310)	¥ (14,315)	\$ (101,846)
Cash flows from financing activities:			
Decrease in short-term borrowings	(18,503)	13,682	(166,619)
Proceeds from long-term debt	49,563	15,675	446,313
Repayment of long-term debt	(42,920)	(31,007)	(386,493)
Other	(2,958)	(2,937)	(26,636)
Net cash provided by (used for) financing activities	¥ (14,818)	¥ (4,587)	\$ (133,435)
Effect of exchange rate changes	105	366	945
Net decrease in cash and cash equivalents	(6,207)	(7,536)	(55,894)
Cash and cash equivalents at beginning of year	42,375	59,837	381,585
Decrease in cash and cash equivalents by change of consolidation period of subsidiaries	(39)	-	(351)
Increase in cash and cash equivalents arising from newly consolidated subsidiaries	-	1,330	-
Decrease in cash and cash equivalents arising from exclusion of consolidated subsidiaries	-	(999)	-
Cash and cash equivalents at end of year	¥ 36,129	¥ 52,632	\$ 325,340

(Consolidated)

Segment information
(a) Information by industry segment

(millions of yen)

Six months ended September 30, 2004

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 44,471	¥ 507	¥ 44,978	¥ 42,092	¥ 2,886
Rolling Stock, Construction Machinery & Crushing Plant	67,600	715	68,315	65,117	3,198
Aerospace	73,460	831	74,291	73,222	1,069
Gas Turbines & Machinery	68,170	8,803	76,973	77,345	(372)
Plant & Infrastructure Engineering	67,463	5,655	73,118	80,259	(7,141)
Consumer products & Machinery	156,490	2,531	159,021	154,219	4,802
Other	60,061	19,730	79,791	77,232	2,559
Total	537,715	38,772	576,487	569,486	7,001
Eliminations	-	(38,772)	(38,772)	(38,716)	(56)
Consolidated total	¥ 537,715	¥ -	¥ 537,715	¥ 530,770	¥ 6,945

(millions of yen)

Six months ended September 30, 2003

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 51,683	¥ 780	¥ 52,463	¥ 48,606	¥ 3,857
Rolling Stock, Construction Machinery & Crushing Plant	57,885	1,585	59,470	57,995	1,475
Aerospace	69,815	983	70,798	68,727	2,071
Gas Turbines & Machinery	65,799	5,269	71,068	70,333	735
Plant & Infrastructure Engineering	50,530	5,566	56,096	61,096	(5,000)
Consumer products & Machinery	165,651	1,661	167,312	169,950	(2,638)
Other	61,907	19,605	81,512	80,267	1,245
Total	523,270	35,449	558,719	556,974	1,745
Eliminations	-	(35,449)	(35,449)	(35,320)	(129)
Consolidated total	¥ 523,270	¥ -	¥ 523,270	¥ 521,654	¥ 1,616

(thousands of U.S. dollars)

Six months ended September 30, 2004

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	\$ 400,459	\$ 4,566	\$ 405,025	\$ 379,037	\$ 25,988
Rolling Stock, Construction Machinery & Crushing Plant	608,735	6,438	615,173	586,375	28,798
Aerospace	661,504	7,483	668,987	659,361	9,626
Gas Turbines & Machinery	613,868	79,270	693,138	696,488	(3,350)
Plant & Infrastructure Engineering	607,501	50,923	658,424	722,728	(64,304)
Consumer products & Machinery	1,409,185	22,792	1,431,977	1,388,735	43,242
Other	540,846	177,668	718,514	695,470	23,044
Total	4,842,098	349,140	5,191,238	5,128,194	63,044
Eliminations	-	(349,140)	(349,140)	(348,635)	(505)
Consolidated total	\$ 4,842,098	\$ -	\$ 4,842,098	\$ 4,779,559	\$ 62,539

(b) Information by geographic area

(millions of yen)

Six months ended September 30, 2004

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 401,293	¥ 83,699	¥ 484,992	¥ 481,348	¥ 3,644
North America	81,000	7,556	88,556	89,620	(1,064)
Europe	40,822	2,032	42,854	41,965	889
Asia	11,993	7,729	19,722	18,707	1,015
Other Areas	2,607	49	2,656	2,791	(135)
Total	537,715	101,065	638,780	634,431	4,349
Eliminations	-	(101,065)	(101,065)	(103,661)	2,596
	¥ 537,715	¥ -	¥ 537,715	¥ 530,770	¥ 6,945

(millions of yen)

Six months ended September 30, 2003

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 366,350	¥ 68,812	¥ 435,162	¥ 435,661	¥ (499)
North America	101,934	8,057	109,991	110,870	(879)
Europe	44,119	2,263	46,382	45,652	730
Asia	8,385	4,819	13,204	13,514	(310)
Other Areas	2,482	41	2,523	2,472	51
Total	523,270	83,992	607,262	608,169	(907)
Eliminations	-	(83,992)	(83,992)	(86,515)	2,523
Consolidated total	¥ 523,270	¥ -	¥ 523,270	¥ 521,654	¥ 1,616

(thousands of U.S. dollars)

Six months ended September 30, 2004

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	\$ 3,613,625	\$ 753,706	\$ 4,367,331	\$ 4,334,516	\$ 32,815
North America	729,401	68,042	797,443	807,024	(9,581)
Europe	367,600	18,298	385,898	377,893	8,005
Asia	107,996	69,599	177,595	168,455	9,140
Other Areas	23,476	441	23,917	25,133	(1,216)
Total	4,842,098	910,086	5,752,184	5,713,021	39,163
Eliminations	-	(910,086)	(910,086)	(933,462)	23,376
Consolidated total	\$ 4,842,098	\$ -	\$ 4,842,098	\$ 4,779,559	\$ 62,539

(c) Overseas sales

	(millions of yen)		(millions of yen)		(Thousands of U.S. dollars)
	Six months ended Sep. 30, 2004	(%)	Six months ended Sep. 30, 2003	(%)	Six months ended Sep. 30, 2004
	Overseas sales	% against net sales	Overseas sales	% against net sales	Overseas sales
North America	¥ 99,135	18.4%	¥ 123,223	23.5%	\$ 892,706
Europe	51,794	9.6%	70,313	13.4%	466,403
Asia	69,083	12.8%	29,624	5.7%	622,089
Other Areas	48,835	9.0%	34,291	6.6%	439,757
Total	¥ 268,847	49.9%	¥ 257,451	49.2%	2,420,955

(Consolidated)

Net sales, orders and order backlog by industry segment

For six months ended September 30, 2004 and 2003

	Millions of yen				Thousands of U.S. dollars				
	Six months ended Sep. 30, 2004		Six months ended Sep. 30, 2003		% Change	Six months ended Sep. 30, 2004			
Net sales :									
Shipbuilding	¥	44,471	(8%)	¥	51,683	(10%)	-14%	\$	400,459
Rolling Stock, Construction Machinery & Crushing Plant		67,600	(13%)		57,885	(11%)	+17%		608,735
Aerospace		73,460	(14%)		69,815	(13%)	+5%		661,504
Gas Turbines & Machinery		68,170	(13%)		65,799	(13%)	+4%		613,868
Plant & Infrastructure Engineering		67,463	(13%)		50,530	(10%)	+34%		607,501
Consumer products & Machinery		156,490	(29%)		165,651	(32%)	-6%		1,409,185
Other		60,061	(10%)		61,907	(11%)	-3%		540,846
Total	¥	537,715	(100%)	¥	523,270	(100%)	+3%	\$	4,842,098

Orders :									
Shipbuilding	¥	73,031	(15%)	¥	46,676	(9%)	+56%	\$	657,641
Rolling Stock, Construction Machinery & Crushing Plant		37,080	(7%)		102,748	(20%)	-64%		333,904
Aerospace		34,236	(7%)		31,277	(6%)	+9%		308,294
Gas Turbines & Machinery		84,548	(17%)		53,364	(10%)	+58%		761,351
Plant & Infrastructure Engineering		57,443	(11%)		57,318	(11%)	- %		517,271
Consumer products & Machinery		156,490	(31%)		165,651	(32%)	-6%		1,409,185
Other		60,262	(12%)		64,221	(12%)	-6%		542,656
Total	¥	503,090	(100%)	¥	521,255	(100%)	-3%	\$	4,530,302

	Millions of yen				Thousands of U.S. dollars				
	As of Sep. 30, 2004		As of Sep. 30, 2003		% Change	As of Sep. 30, 2004			
Order backlog :									
Shipbuilding	¥	226,411	(19%)	¥	162,497	(14%)	+39%	\$	2,038,820
Rolling Stock, Construction Machinery & Crushing Plant		269,932	(23%)		317,760	(28%)	-15%		2,430,725
Aerospace		223,039	(19%)		180,363	(16%)	+24%		2,008,456
Gas Turbines & Machinery		160,254	(14%)		136,379	(12%)	+18%		1,443,080
Plant & Infrastructure Engineering		266,059	(23%)		331,829	(28%)	-20%		2,395,849
Consumer products & Machinery		-	(- %)		-	(- %)	-%		-
Other		27,358	(2%)		25,294	(2%)	+8%		246,357
Total	¥	1,173,053	(100%)	¥	1,154,122	(100%)	+2%	\$	10,563,287