



April 28, 2005  
(Consolidated)

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

For the years ended March 31, 2005 and 2004

### Operating results

	Millions of yen		% Change	Thousands of U.S. dollars
	2005	2004		2005
Net sales	¥ 1,241,592	¥ 1,160,252	+7%	\$ 11,559,371
Operating income (loss)	24,744	22,250	+11%	230,370
Net income (loss)	11,479	6,333	+81%	106,871
Net income (loss) per share (Yen)	7.9	4.4		

### Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of shareholders' equity to total assets
	Total assets	Shareholders' equity	
<b>As of March 31, 2005</b>	¥ 1,194,473	¥ 201,465	17%
As of March 31, 2004	1,156,904	190,175	16%
As of March 31, 2005	\$ 11,120,687	\$ 1,875,663	—
	Yen / U.S. dollars	Thousand shares	
	Shareholders' equity per share	Number of shares issued and outstanding	
<b>As of March 31, 2005</b>	¥ 139.7	1,442,359	
As of March 31, 2004	131.8	1,442,542	
As of March 31, 2005	\$ 1.30	—	

### Cash flows

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Operating activities	¥ 71,422	¥ 42,811	\$ 664,947
Investing activities	(17,714)	(25,868)	(164,919)
Financing activities	(51,839)	(35,544)	(482,627)
Cash and cash equivalents at end of year	44,385	42,375	413,230

### Fiscal year forecast

	Millions of yen	
	Net sales	Net income
One year ending March 31, 2006	¥ 1,270,000	¥ 14,000

- 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 ¥107.41=\$1, the rate prevailing as of March 31, 2005, 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 ¥15,824 million (\$ 147,323 thousand). Operating income and income before income taxes and minority interests increased ¥ 2,135 million (\$ 19,877 thousand) 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., 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 (\$ 2,067 thousand).

This financial results include the accounts of these five subsidiaries as of March 31, 2005.

## Condensed Consolidated Balance Sheets

As of March 31, 2005 and 2004

(Consolidated)

	Millions of yen		Thousands of
	2005	2004	U.S. dollars 2005
<b>Assets :</b>			
Current assets :			
Cash on hand and in banks	¥ 44,629	¥ 43,064	\$ 415,501
Receivables, less allowance	413,619	376,807	3,850,843
Inventories	332,333	335,064	3,094,060
Other current assets	46,424	44,545	432,213
Total current assets	<u>837,005</u>	<u>799,480</u>	<u>7,792,617</u>
Investments and long-term loans			
less allowance :	79,569	77,839	740,797
Net property, plant and equipment :	243,166	248,922	2,263,905
Intangible and other assets :	34,733	30,663	323,368
Total assets	<u>¥ 1,194,473</u>	<u>¥ 1,156,904</u>	<u>\$ 11,120,687</u>
<b>Liabilities, minority interests and shareholders' equity :</b>			
Current liabilities :			
Short-term borrowings			
and current portion of long-term debt	¥ 146,605	¥ 188,652	\$ 1,364,910
Trade payables	348,389	286,117	3,243,543
Advances from customers	106,574	110,900	992,217
Other current liabilities	96,914	91,870	902,281
Total current liabilities	<u>698,482</u>	<u>677,539</u>	<u>6,502,951</u>
Long-term liabilities :			
Long-term debt, less current portion	207,279	210,819	1,929,792
Others	82,556	74,516	768,607
Total long-term liabilities	<u>289,835</u>	<u>285,335</u>	<u>2,698,399</u>
Minority interests	4,691	3,855	43,674
Shareholders' equity :			
Common stock	81,427	81,427	758,095
Capital surplus	31,390	31,388	292,245
Retained earnings	88,704	80,469	825,845
Net unrealized gain on securities	16,910	13,266	157,434
Foreign currency translation adjustments	(16,843)	(16,283)	(156,811)
Treasury stock	(123)	(92)	(1,145)
Total shareholders' equity	<u>201,465</u>	<u>190,175</u>	<u>1,875,663</u>
Total liabilities, minority interests and shareholders' equity	<u>¥ 1,194,473</u>	<u>¥ 1,156,904</u>	<u>\$ 11,120,687</u>

## Condensed Consolidated Statements of Operations

For the years ended March 31, 2005 and 2004

(Consolidated)

	Millions of yen		Change	Thousands of
	2005	2004		U.S. dollars 2005
Net sales	¥ 1,241,592	¥ 1,160,252	+7%	\$ 11,559,371
Cost of sales	1,088,219	998,416		10,131,450
Gross profit	<u>153,373</u>	<u>161,836</u>		<u>1,427,921</u>
Selling, general and administrative expenses	128,629	139,586		1,197,551
Operating income (loss)	<u>24,744</u>	<u>22,250</u>	+11%	<u>230,370</u>
Other income (expenses) :				
Interest and dividend income	3,241	3,476		30,174
Equity in income (loss) of non-consolidated subsidiaries and affiliates	506	941		4,711
Interest expense	(6,296)	(7,274)		(58,617)
Other, net	(1,631)	(8,151)		(15,185)
Income (loss) before income taxes and minority interests	<u>20,564</u>	<u>11,242</u>	+83%	<u>191,453</u>
Income taxes	(8,495)	(4,714)		(79,089)
Minority interests in net income of consolidated subsidiaries	(590)	(195)		(5,493)
Net income (loss)	<u>¥ 11,479</u>	<u>¥ 6,333</u>	+81%	<u>\$ 106,871</u>

## Condensed Consolidated Statements of Cash Flows

For the year ended March 31, 2005 and 2004

(Consolidated)

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 20,564	¥ 11,242	\$ 191,453
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	31,555	32,590	293,781
Decrease (increase) in assets	(29,132)	9,910	(271,222)
Increase (decrease) in liabilities	55,054	(753)	512,559
Other	(6,619)	(10,178)	(61,624)
<b>Net cash provided by operating activities</b>	<b>¥ 71,422</b>	<b>¥ 42,811</b>	<b>\$ 664,947</b>
<b>Cash flows from investing activities:</b>			
Acquisition of tangible and intangible assets	(31,138)	(38,891)	(289,899)
Acquisition of investments in securities	(1,301)	(1,029)	(12,112)
Other	14,725	14,052	137,092
<b>Net cash used for investing activities</b>	<b>¥ (17,714)</b>	<b>¥ (25,868)</b>	<b>\$ (164,919)</b>
<b>Cash flows from financing activities:</b>			
Decrease in short-term borrowings	(31,736)	(16,320)	(295,466)
Proceeds from long-term debt	57,732	44,499	537,492
Repayment of long-term debt	(75,241)	(60,829)	(700,503)
Other	(2,594)	(2,894)	(24,150)
<b>Net cash provided by (used for) financing activities</b>	<b>¥ (51,839)</b>	<b>¥ (35,544)</b>	<b>\$ (482,627)</b>
Effect of exchange rate changes	180	(191)	1,676
<b>Net decrease in cash and cash equivalents</b>	<b>2,049</b>	<b>(18,792)</b>	<b>19,077</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>42,375</b>	<b>59,837</b>	<b>394,516</b>
<b>Decrease in cash and cash equivalents by change of consolidation period of subsidiaries</b>	<b>(39)</b>	<b>—</b>	<b>(363)</b>
<b>Increase in cash and cash equivalents arising from newly consolidated subsidiaries</b>	<b>—</b>	<b>1,330</b>	<b>—</b>
<b>Decrease in cash and cash equivalents arising from exclusion of consolidated subsidiaries</b>	<b>(0)</b>	<b>—</b>	<b>(0)</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 44,385</b>	<b>¥ 42,375</b>	<b>\$ 413,230</b>

Segment information  
(a) Information by industry segment

(Consolidated)

	Millions of yen							
	2005							
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	¥ 87,081	¥ 1,125	¥ 88,206	¥ 87,175	¥ 1,031	¥ 100,996	¥ 2,359	¥ 1,630
Rolling Stock, Construction Machinery & Crushing Plant	171,731	1,445	173,176	165,424	7,752	157,419	2,437	2,629
Aerospace	188,255	1,960	190,215	184,130	6,085	223,010	5,221	8,163
Gas Turbines & Machinery	141,366	19,758	161,124	158,443	2,681	124,063	2,971	2,374
Plant & Infrastructure Engineering	191,012	15,353	206,365	220,823	(14,458)	153,685	1,942	640
Consumer Products & Machinery	338,450	5,036	343,486	326,784	16,702	253,958	11,865	10,191
Other	123,697	43,254	166,951	161,939	5,012	156,040	2,714	3,370
Total	1,241,592	87,931	1,329,523	1,304,718	24,805	1,169,171	29,509	28,997
Eliminations and corporate	-	(87,931)	(87,931)	(87,870)	(61)	25,302	2,046	695
Consolidated total	¥ 1,241,592	¥ -	¥ 1,241,592	¥ 1,216,848	¥ 24,744	¥ 1,194,473	¥ 31,555	¥ 29,692

	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

	Thousands of U.S. dollars							
	2005							
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	\$ 810,735	\$ 10,474	\$ 821,209	\$ 811,610	\$ 9,599	\$ 940,285	\$ 21,962	\$ 15,176
Rolling Stock, Construction Machinery & Crushing Plant	1,598,836	13,453	1,612,289	1,540,117	72,172	1,465,590	22,689	24,476
Aerospace	1,752,677	18,248	1,770,925	1,714,272	56,653	2,076,250	48,608	75,999
Gas Turbines & Machinery	1,316,134	183,949	1,500,083	1,475,123	24,960	1,155,041	27,660	22,102
Plant & Infrastructure Engineering	1,778,345	142,938	1,921,283	2,055,889	(134,606)	1,430,826	18,080	5,959
Consumer Products & Machinery	3,151,010	46,886	3,197,896	3,042,398	155,498	2,364,379	110,465	94,879
Other	1,151,634	402,700	1,554,334	1,507,672	46,662	1,452,751	25,268	31,375
Total	11,559,371	818,648	12,378,019	12,147,081	230,938	10,885,122	274,732	269,966
Eliminations and corporate	-	(818,648)	(818,648)	(818,080)	(568)	235,565	19,049	6,470
Consolidated total	\$ 11,559,371	\$ -	\$ 11,559,371	\$ 11,329,001	\$ 230,370	\$ 11,120,687	\$ 293,781	\$ 276,436

## (b) Information by geographic area

	Millions of yen					
	2005					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets
Japan	¥ 936,237	¥ 208,048	¥ 1,144,285	¥ 1,123,267	¥ 21,018	¥ 996,923
North America	196,840	15,212	212,052	210,805	1,247	127,798
Europe	78,027	3,835	81,862	81,448	414	57,218
Asia	25,145	15,898	41,043	39,171	1,872	20,252
Other Areas	5,343	99	5,442	5,818	(376)	3,664
<b>Total</b>	<b>1,241,592</b>	<b>243,092</b>	<b>1,484,684</b>	<b>1,460,509</b>	<b>24,175</b>	<b>1,205,855</b>
Eliminations and corporate	-	(243,092)	(243,092)	(243,661)	569	(11,382)
<b>Consolidated total</b>	<b>¥ 1,241,592</b>	<b>¥ -</b>	<b>¥ 1,241,592</b>	<b>¥ 1,216,848</b>	<b>¥ 24,744</b>	<b>¥ 1,194,473</b>

	Millions of yen					
	2004					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets
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
<b>Total</b>	<b>1,160,252</b>	<b>216,024</b>	<b>1,376,276</b>	<b>1,354,687</b>	<b>21,589</b>	<b>1,159,419</b>
Eliminations and corporate	-	(216,024)	(216,024)	(216,685)	661	(2,515)
<b>Consolidated total</b>	<b>¥ 1,160,252</b>	<b>¥ -</b>	<b>¥ 1,160,252</b>	<b>¥ 1,138,002</b>	<b>¥ 22,250</b>	<b>¥ 1,156,904</b>

	Thousands of U.S. dollars					
	2005					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets
Japan	\$ 8,716,479	\$ 1,936,952	\$ 10,653,431	\$ 10,457,751	\$ 195,680	\$ 9,281,473
North America	1,832,604	141,626	1,974,230	1,962,620	11,610	1,189,815
Europe	726,441	35,704	762,145	758,290	3,855	532,706
Asia	234,103	148,012	382,115	364,687	17,428	188,549
Other Areas	49,744	922	50,666	54,166	(3,500)	34,112
<b>Total</b>	<b>11,559,371</b>	<b>2,263,216</b>	<b>13,822,587</b>	<b>13,597,514</b>	<b>225,073</b>	<b>11,226,655</b>
Eliminations and corporate	-	(2,263,216)	(2,263,216)	(2,268,513)	5,297	(105,968)
<b>Consolidated total</b>	<b>\$ 11,559,371</b>	<b>\$ -</b>	<b>\$ 11,559,371</b>	<b>\$ 11,329,001</b>	<b>\$ 230,370</b>	<b>\$ 11,120,687</b>

## (c) Overseas sales

	Millions of yen				Thousands of U.S. dollars
	2005		2004		2005
	Overseas sales	% against net sales	Overseas sales	% against net sales	Overseas sales
North America	¥ 236,847	19.0%	¥ 240,121	20.7%	\$ 2,205,074
Europe	100,362	8.0%	109,026	9.4%	934,382
Asia	171,461	13.8%	91,908	7.9%	1,596,322
Other Areas	105,274	8.4%	81,824	7.1%	980,114
<b>Total</b>	<b>¥ 613,944</b>	<b>49.4%</b>	<b>¥ 522,879</b>	<b>45.1%</b>	<b>\$ 5,715,892</b>

## Net sales, orders and order backlog by industry segment

For the years ended March 31, 2005 and 2004

	Millions of yen				% Change	Thousands of U.S. dollars
	2005		2004			2005
<b>Net sales :</b>						
Shipbuilding Rolling Stock, Construction Machinery & Crushing Plant	¥ 87,081	(7%)	¥ 94,939	(8%)	-8%	\$ 810,735
Aerospace	171,731	(14%)	120,597	(10%)	+42%	1,598,836
Gas Turbines & Machinery	188,255	(15%)	173,783	(15%)	+8%	1,752,677
Plant & Infrastructure Engineering	141,366	(12%)	136,468	(12%)	+4%	1,316,134
Consumer Products & Machinery	191,012	(15%)	191,412	(17%)	0%	1,778,345
Other	338,450	(27%)	318,325	(27%)	+6%	3,151,010
Total	123,697	(10%)	124,728	(11%)	-1%	1,151,634
	<b>1,241,592</b>	<b>(100%)</b>	<b>1,160,252</b>	<b>(100%)</b>	<b>+7%</b>	<b>11,559,371</b>

<b>Orders :</b>						
Shipbuilding Rolling Stock, Construction Machinery & Crushing Plant	155,832	(12%)	123,756	(10%)	+26%	1,450,815
Aerospace	178,369	(14%)	153,399	(12%)	+16%	1,660,637
Gas Turbines & Machinery	214,702	(16%)	216,201	(18%)	-1%	1,998,901
Plant & Infrastructure Engineering	162,700	(12%)	129,987	(11%)	+25%	1,514,756
Consumer Products & Machinery	126,403	(10%)	156,145	(13%)	-19%	1,176,827
Other	338,450	(26%)	318,325	(26%)	+6%	3,151,010
Total	125,389	(10%)	128,915	(10%)	-3%	1,167,387
	<b>¥ 1,301,845</b>	<b>(100%)</b>	<b>¥ 1,226,728</b>	<b>(100%)</b>	<b>+6%</b>	<b>\$ 12,120,333</b>

	Millions of yen				% Change	Thousands of U.S. dollars
	As of Mar. 31, 2005		As of Mar. 31, 2004			As of Mar. 31, 2005
<b>Order backlog :</b>						
Shipbuilding Rolling Stock, Construction Machinery & Crushing Plant	¥ 263,707	(21%)	¥ 193,705	(16%)	+36%	\$ 2,455,144
Aerospace	300,837	(24%)	294,017	(25%)	+2%	2,800,828
Gas Turbines & Machinery	287,441	(23%)	260,321	(22%)	+10%	2,676,110
Plant & Infrastructure Engineering	163,440	(13%)	140,327	(12%)	+16%	1,521,646
Consumer Products & Machinery	210,160	(17%)	273,837	(23%)	-23%	1,956,615
Other	-	(-%)	-	(-%)	-%	-
Total	28,824	(2%)	27,167	(2%)	+6%	268,355
	<b>¥ 1,254,409</b>	<b>(100%)</b>	<b>¥ 1,189,374</b>	<b>(100%)</b>	<b>+5%</b>	<b>\$ 11,678,698</b>