

(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			% Change	Thousands of U.S. dollars Six months ended Sep. 30, 2004
	Six months ended Sep. 30, 2004		Six months ended Sep. 30, 2003		
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	
<b>As of September 30, 2004</b>	<b>1,114,029</b>		<b>17%</b>
As of March 31, 2004	1,156,904		16%
As of September 30, 2004	\$ 10,031,778	\$	

  

	Yen / U.S. dollars	Thousand shares
	Shareholders' equity per share	Number of shares issued and outstanding
<b>As of September 30, 2004</b>	<b>134.6</b>	<b>1,442,501</b>
As of March 31, 2004	131.8	1,442,542
As of September 30, 2004	\$ 1.21	

### Cash flows

Six months ended	Millions of yen		Thousands of U.S. dollars
	Six months ended	Sep. 30, 2004	
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- 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



## Condensed Consolidated Statements of Cash Flows

For six months ended September 30, 2004 and 2003

(Consolidated)

	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
<b>Cash flows from operating activities:</b>			
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)
<b>Net cash provided by operating activities</b>	\ 19,816	\ 11,000	\$ 178,442
<b>Cash flows from investing activities:</b>			
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
<b>Net cash used for investing activities</b>	\ (11,310)		





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