2000 annual report

KAWASAKI

KAWASAKI HEAVY INDUSTRIES, LTD. ANNUAL REPORT 2000

Founded in 1878, Kawasaki Heavy Industries, Ltd. (KHI) is a leading comprehensive manufacturer of transportation equipment and industrial goods in the world. With a broad technological base that encompasses land, sea and air, KHI manufactures ships, rolling stock, aircraft and jet engines, refuse incinerators, industrial plants, steel structures and various manufacturing equipment and systems. KHI also produces such world-famous consumer products as Kawasaki brand motorcycles and

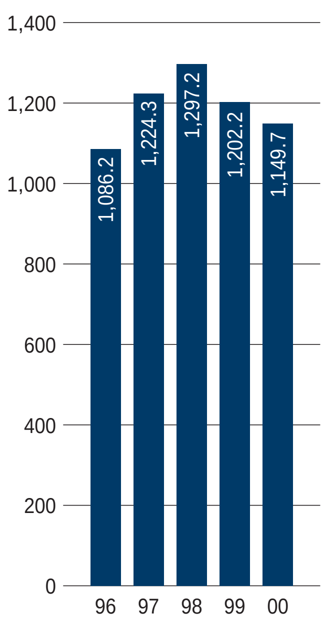
Financial Highlights

Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries
Years ended March 31, 2000, 1999 and 1998

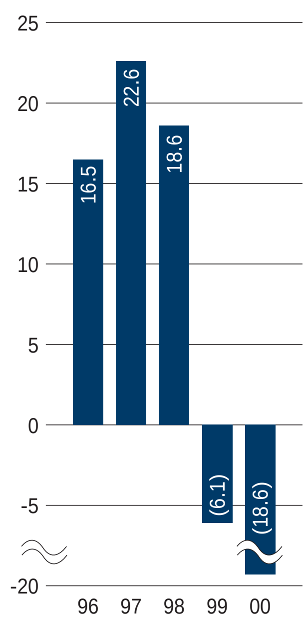
	Millions of yen			Thousands of U.S. dollars
	2000	1999	1998	**2000**
For the year:				
Net sales	**¥ 1,149,698**	¥ 1,202,189	¥ 1,297,212	**$10,830,881**
Net income (loss)	**(18,632)**	(6,132)	18,556	**(175,525)**
Capital expenditure	**37,513**	40,428	42,928	**353,396**
Depreciation and amortization	**35,081**	34,607	32,416	**330,485**
At year-end:				
Total assets	**1,206,806**	1,204,857	1,222,906	**11,368,874**
Total shareholders' equity	**174,955**	199,637	209,040	**1,648,187**
Interest-bearing debt	**486,350**	447,028	437,387	**4,581,724**
Per share amounts (yen and U.S. dollars):				
Net income (loss)	**¥ (13.4)**	¥ (4.4)	¥ 13.3	**$ (0.13)**
Cash dividends	**—**	6.0	6.0	**—**

Note: The U.S. dollar amounts represent arithmetical results of translating Japanese yen to dollars on the basis of ¥106.15=$1, the rate prevailing as of March 31, 2000. These translations are solely for the convenience of the readers.

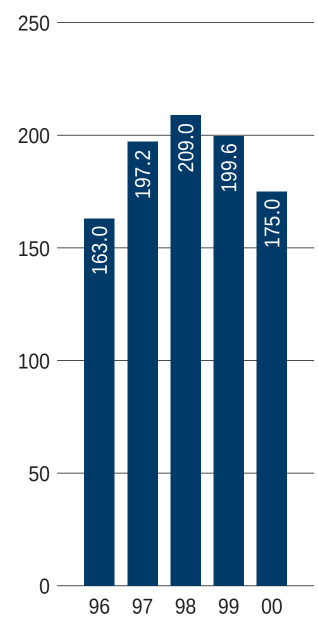
Net sales
(Billions of yen)



Net income
(Billions of yen)



Total shareholders' equity
(Billions of yen)



Amid harsh business conditions caused by a prolonged recession in Japan and the delayed recovery of other Asian economies, we focused on finding new opportunities for our products in Western markets, where growth was robust. Alongside this, we made further progress in radically lowering our cost base to improve earnings across our entire business.

For the fiscal year ended March 31, 2000 (fiscal 2000), sales of the Consumer Products segment were up slightly from the previous year, increasing 2.6% to ¥277.2 billion. However, sales fell in Transportation Equipment, Aerospace, Industrial Equipment and Other. As a result, total net sales declined 4.4% to ¥1,149.7 billion. Operating income slumped ¥20.4 billion, or 94.2%, to ¥1.3 billion, and the net loss for the year widened to ¥18.6 billion.

Sales fell in the face of a persistent economic downturn in Japan and slow growth throughout the rest of Asia. The strong yen compounded these problems. In terms of profits, margins declined substantially in our industrial equipment business. Another

KHI President Masamoto Tazaki speaks frankly about the critical need for change to ensure the future.

Having taken up your new appointment as president, how do you intend to manage KHI during these difficult times?

I have always regarded adversity as a positive advantage point when managing–difficulties need to be tackled with passion, energy and a spirit of challenge. My attitude is that, by tackling such obstacles, we can grasp an ideal opportunity to capture the lead over our competitors. In this way, I intend to take over at the helm of KHI with this same strong sense of determination.

Today's business environment is characterized by huge changes that are rapidly transforming the structure of our economy and society–indeed, you could say that we are at an historic turning point. We are in an age where the axiom "survival of the fittest" applies particularly strongly. Only those who force their own evolution to change will survive. At such a turning point, using the basic policy of enhancing customer satisfaction as embraced by our consumer products business as an example, we must revolutionize our thinking along these lines to grow as a company over the coming decades.

Traditionally, our portfolio includes an enormous number of products that are made to order, such as industrial plants, wherein cost reduction is necessarily a perennial issue. However, if we are to boost earnings and thrive during this era of mega-competition, we must move beyond conventional thinking of simply taking orders for custom-made products, and then seeking efficient ways to reduce costs.

As I mentioned above, in the consumer products business, raising customer satisfaction is a core concept. Even with those businesses that characteristically involve made-to-order products, we must work to assess customer needs, and then deliver "something different" that sets us apart from the competition at a price that creates value both for us as a company and for the customer. Through such value-added, differentiated products, I believe that we can increase customer satisfaction while generating profits. We also need to realize that raising customer satisfaction is as much about the development of technologies that will give our products a competitive edge as it is about after-sales service, or the total cost and performance over the life cycle of respective products.

Around the world, the Kawasaki brand name has a well-established image for high quality, high performance, and good service–especially in sports motorbikes. I want to transfer the benefits of that brand image to all our company's products. If we raise customer satisfaction and build up the Kawasaki brand image for all our operations, this will in turn enable us to realize the optimum means in truly creating something different.

The consumer products business also has another important asset that sets KHI apart from other firms–namely a marketing, production, sales, distribution and service network that spans the globe. In promoting globalization and efficiency across all business lines, from now, I want us to make increased use of this network, particularly in relation to our mass-produced industrial items.

What issues will be important during the coming year of business reform?

Above all, we need to put an end to the losses that have afflicted us for two years’ running. We must stage a significant recovery in earnings. I have designated the coming year as one of business reform primarily to emphasize a fundamental shift in our management approach. Instead of pursuing volume, we need to pursue quality, namely a higher rate of earnings. Further, we need to build businesses that can produce strong profit levels without being contingent on scale.

Last year, we formulated a medium-term business plan that would take us through to the end of March 2004. Under the current business conditions, we must also switch the focus of this plan from quantity to quality on a clearly defined basis. I plan to complete the review of this process by the end of this year. However, as a first step in the practical implementation of this transition, we will be significantly reducing our fixed cost base through greater selectivity and focus. This will involve the integration of manufacturing plants and other measures to streamline our operations, principally in our plant engineering and steel structures businesses. My aim is to drastically lower our break-even point through such actions.

As a separate course of action, I also want to institute a much more rigorous internal evaluation system with regard to effectively managing the profitability of long-term and large-scale contracts. In reviewing KHI’s performance over the past two years, losses incurred on major orders in the rolling stock and plant engineering divisions had a significant impact on our profitability.

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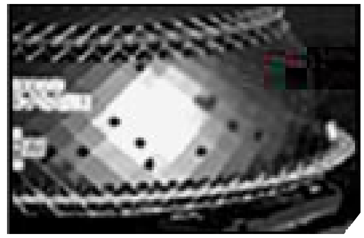


What is KHI's financial strategy?

In the short term, we need to return to the black and repair our balance sheet as a matter of urgency. However, I see my ultimate mission as senior management as the creation of enterprise value. Previously, I was talking about customer satisfaction. In the same vein, the most important product for me as a representative of top management is KHI stock, and the customers for that stock are KHI shareholders. So it is vital that we work to raise the satisfaction of these customers by maximizing enterprise value.

Specifically, if we are to survive and thrive over the coming decades, we must revitalize our operations by selectively investing our finite resources to the maximum effect. This involves becoming better versed in the thinking that we first introduced last year, when we started using return on invested capital as a key management indicator. It is vital that we begin to use our capital more efficiently than we have in the past.

It is also crucial that we gain the confidence of shareholders and investors in how we will generate earnings growth. For this reason, we must increase disclosure and accountability to shareholders in all aspects of our business performance, policies and strategy. This means building trust and boosting transparency.

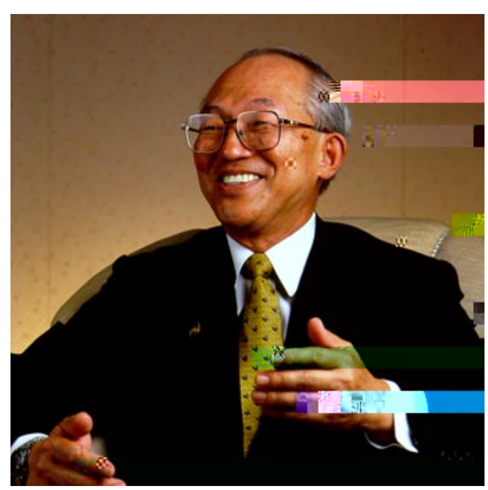
Lastly, making a profit for our owners must be a foremost priority. I firmly believe that it is important to satisfy all our stakeholders. If we maximize enterprise value, then we can achieve objectives in this respect as well.

Where do you want the KHI Group to be in, say, five years' time?

As a comprehensive heavy industries manufacturer, we benefit from the fact that cyclical variations in the earnings of our various businesses tend to complement each other. Through our varied product and customer mix, we can achieve a good balance between the private and public sectors, and between domestic and overseas markets. This makes it easier to manage the effects of fluctuations in exchange rates, public investment levels, and the state of the domestic economy. As well as financial synergy between the various parts of the business, we also derive operational synergy from a combination of the technological, manufacturing and sales expertise in each business. Finally, the high loyalty, transferability and quality of our employees afford us great versatility in combining the efforts of our various divisions.

I believe that these are our fundamental strengths as a company. Through the policies I am proposing, we can take full advantage of such assets, by rebuilding our business model and developing multiple core businesses to provide stable revenue streams with growth potential. Once each business is able to operate as a financially independent entity, we will seek to further optimize the KHI Group management structure through consideration of such options as the establishment of separate companies, an internal company system, or a holding company structure. Regardless of such measures, we will endeavor to retain the aforementioned synergy-generating features.

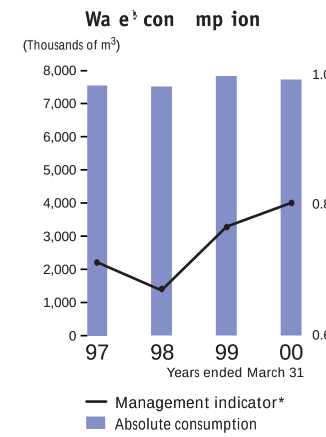
My personal management philosophy is based on the concept of sustainable growth. By reforming our business and management structures along the lines I have discussed, and by applying our wholehearted efforts to the task, I believe we can make this company prosper again. I hope our shareholders will lend us their support.

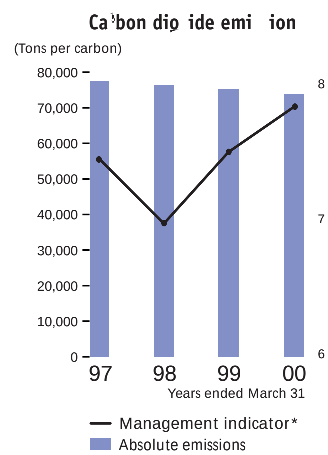


Concern for the

ENVIRONMENTAL PROTECTION PERFORMANCE INDICATORS & COSTS

Energy-saving measures are a prime focus of KHI's environmental protection program. The company has drawn up several numerical energy-saving targets, using energy consumption per unit of non-consolidated sales as the corresponding management performance indicator. The performance targets set for fiscal 2000 were 1% reductions in the corresponding management indicators. However, primarily due to the 6.2% fall in non-consolidated sales during fiscal 2000 compared with the previous year, actual performance indicators of electricity, water and heat rose 4.0%, 5.2% and 11.2%, respectively. During fiscal 2000, absolute consumption of electricity, water and heat recorded decreases of 2.4% and 1.3%, and an increase of 4.3%, respectively, compared to the previous fiscal year. This led to a reduction in total energy costs in absolute terms of ¥132 million.





KHI is also working to conserve resources by reducing waste product volume produced by all its operations, and through a variety of companywide recycling programs. During fiscal 2000, the total amount of waste product volume was reduced by 3,204 tons, or 4.3%, to 71,922 tons. At 48,095 tons, the total volume of materials recycled was on a par with the previous year. The proportion of the waste product volume accounted for by recycling thus rose by 2.2 percentage points, to 66.9%.

KHI is managing its use of chemicals to exercise greater control over their effects on the environment. Since 1997, the company has been voluntarily recording the amounts being handled of 178 separate chemical substances. This is in line with the Pollutant Release & Transfer Register (PRTR) system, which is scheduled to become mandatory following the enactment of Japanese legislation in April 2001. This system governs the release of specified chemical substances into the environment and any improvements made to the handling of such processes.

In compliance with the PRTR system, each KHI division keeps precise records of the amounts of these 178 chemicals that are purchased, used, discharged, or transferred. The two chemicals that have the greatest usage in volume terms within the company are xylene and toluene, which are used in paints and other coatings. In the future, KHI plans to switch to more eco-friendly paints.

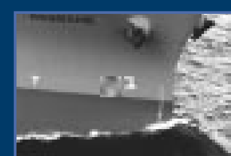
The total cost of KHI's environmental protection measures during fiscal 2000 amounted to ¥7,772 million. This figure included environmental R&D costs of ¥6,100 million, calculated on an accrual base. As a proportion of non-consolidated sales, environmental costs rose 0.05 percentage point to 0.82%.

In November 1999, to improve disclosure of such actions in response to the demands of society, KHI issued its first environmental report. The company also created a special environmental section within its corporate home page.

MAKING BUSINESS MORE ECO-FRIENDLY

Modern society has changed immensely in economic terms, and now is much more highly focused on environmental concerns. In other words, the era of a society centered on the economics of mass production, mass consumption and mass disposal is at an end. In its place, the focus has shifted to making the most efficient use of resources over the life cycle

Review of Kawasaki Global Operations



Transportation Equipment

Aerospace

Industrial Equipment

Consumer Products

Main Prod c

LNG carriers

LPG carriers

Container ships

VLCCs and other types of tankers

Bulk carriers High speed vessel

BSubmarner

Reggane LPG Carrier

Ordered by Sonatrach Petroleum Corporation of Algeria, this LPG (liquefied petroleum gas) carrier has an 84,000 m^3 capacity. The vessel's four independent gas storage tanks constructed using special steel keep the LPG at temperatures as low as -48°C. The ship also features advanced fire-prevention and fire-fighting facilities.

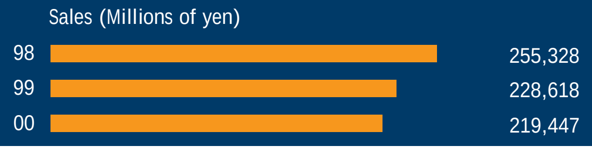
***Max* Series E4 Shinkansen Bullet Train**

Having produced *Max* series E4 Shinkansen bullet trains since their debut in December 1997, KHI delivered a E4 Shinakansen featuring the application of new, world-class technology in July 1999. Jointly developed by JR East and KHI, the nose structures of this new E4 are the first in the world to be constructed from carbon fiber-reinforced plastic (CFRP). By fully applying aerospace technology for compound materials, CFRP enables the production of a car body which is as strong or even stronger, as well as lighter and more classically streamlined compared with conventional aluminum models.

Singapore's Subway Cars

These cars have been designed to boost capacity on existing lines, and will also be used on the line to Changi Airport in Singapore scheduled to open in 2001. Fitted with wider seats, they provide increased comfort and safety. The trains incorporate improved external design features such as a renewed front view and painted outer panels.

Aerospace



Main Products

T-4 intermediate jet trainers

CH-47, OH-1 and BK117 helicopters

Component parts for B777 and B767 passenger airplanes

Missiles

Electronic equipment

Space equipment

Jet engines

Gas turbines

During fiscal 2000, while sales to the Japan Defense Agency (JDA) rose, commercial aviation sales declined. Total segment sales decreased by 4.0% to ¥219.4 billion. Primarily due to the appreciation of the yen, segment operating income plunged 41.3% to ¥10.8 billion. With commercial aviation demand declining, orders received by the segment as a whole dipped below the level of the previous year.

KHI ranks among Japan's leading aircraft manufacturers, and is renowned internationally for its technological prowess. The company manufactures high-quality products, mainly aircraft and jet engines, for both the defense and commercial sectors. With regard to commercial business operations, KHI is a member of joint development and production programs for the Boeing 767 and 777 passenger airplanes. In the jet engine field, it has been involved in the V2500 international development and production project. KHI is also jointly developing and manufacturing aircraft engines with leading world suppliers such as Rolls-Royce of the U.K. for the RB211 / Trent series and Pratt & Whitney of the United States for the PW4000 series.

During fiscal 2000, KHI commenced delivery of OH-1 light observation helicopter to JDA. In the commercial fields, one of the year's highlights was the establishment of a new business relationship with Embraer of Brazil for a joint development and manufacturing contract for the ERJ-170, a regional jet aircraft.

Defense programs remain a core revenue source, accompanied by a stable upward trend related to worldwide demand for commercial aircraft over the medium and long term. As one of Japan's leading aircraft manufacturers, KHI continues to be competitive internationally in terms of technology and quality. By capitalizing on such expertise, and through strengthening its network of alliances with overseas manufacturers, KHI continues to expand its business base in this segment. With its commercial aviation operations well positioned to grow, KHI's global aerospace business undoubtedly has a bright future.

OH-1 Helicopter

As prime contractor, KHI started full-scale production of OH-1 light observation helicopter for the JDA back in 1998, with the first being delivered in January 2000. Developed and manufactured entirely in Japan, they will be used for Ground Self-Defense Force surveillance operations. As well as aerial reconnaissance, they can also be used for mid-air troop control and supervision.

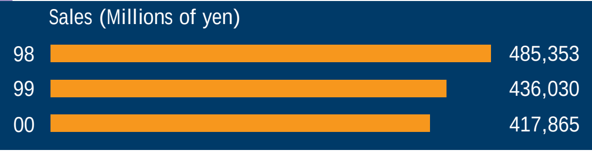
BK117 Helicopter

Over 400 Kawasaki BK117 helicopters have been delivered around the world. Of these, 128 have gone to Japanese customers—such as the Yamaguchi Prefecture fire-prevention unit pictured here. The BK117 is being widely used by public services in a range of civilian applications, from personnel transport to fire-fighting and police operations. Advanced functionality and meticulous after-sales support have drawn high praise from many customers.

Regional Jet Aircraft Development with Embraer

In October 1999, KHI concluded a joint development and manufacturing contract with Brazilian commercial aircraft manufacturer Embraer for the ERJ-170, a 70-seal asd

Industrial Equipment



Main P od c

Steel making, cement, chemical and other industrial plants

Power plants

Municiple refuse incineration plants

Aero-derived gas turbine engines for naval vessels

Bridges

LNG and LPG tanks

Shield machines and tunnel boring machines

Crushing machinery

Industrial hydraulic equipment

Wheel loaders

Medium-sized gas turbine generators

In fiscal 2000, while sales of environmental plants and related products rose, sales pertaining to KHI's steel structures operations declined, owing to a fall in Japanese public-works spending. This resulted in a decrease in total segment sales, which fell 4.2% to ¥417.9 billion. Margins tumbled in both industrial plant and steel structures operations, producing a segment operating loss of ¥11.3 billion, compared with operating income of ¥0.7 billion in the previous year. Overall, orders received fell as a large increase in environment-related orders failed to offset a decline in orders for industrial plants and power plants.

KHI is regarded as a leading engineering expert involving a diverse range of industrial plant construction projects in Japan and abroad. In particular, the company's proven technical expertise in steel and cement plant engineering is noted as one of the highest in the world. Relating to its steel structures business, KHI has participated in the construction of a number of bridges and other major infrastructure projects. During the year, completed projects included a hot strip mill delivered to a Japanese steel maker and the glass dome of the Osaka Maritime Museum.

Both the industrial plant and steel structures businesses have been adversely affected by a prolonged recession in Japan and a slow recovery in Southeast Asia. Accordingly, KHI is currently undertaking measures aimed at accelerating the streamlining of its operations in these areas. In addition, by shifting resources and focusing on specialist areas and high-value-added products, the company plans to reinforce earnings, thereby establishing a strong base for future development.

In contrast, environmental plants and related products offer positive, long-term, growth prospects. KHI ranks in the top echelon of Japanese makers of municipal refuse incineration plants, both in terms of a solid customer base and technical expertise. Fiscal 2000 saw the delivery of a major municipal refuse incineration plant, the Kobe Clean Center. The company also undertook renovation of a number of existing facilities to eliminate dioxin emissions. KHI continues to develop and improve technologically advanced products that are expected to generate new business.

KHI is one of Japan's leading manufacturers of industrial hydraulic equipment and gas turbine generators, and is also developing its construction machinery business. Cooperating with the Consumer Products & Machinery Group, these businesses are enhancing their worldwide sales network to boost sales of such mass-produced industrial equipment.

Kobe Ea M nicipal Ref e Incine a ion Plan

Each of the three incinerators at this plant, known as the Kobe Clean Center, is capable of processing 300 tons of refuse per day. Fully fitted with anti-dioxin installations, it also features a highly efficient power generation system that converts any excess heat produced.

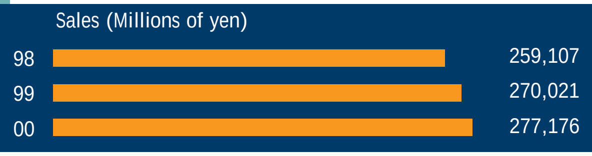
Ho S ip Mill

KHI designed, developed, constructed and installed this hot strip mill for Nakayama Steel Works on a full turnkey basis, including all pilot-scale testing and civil engineering work. Fitted with a blast furnace and all the machines necessary to roll, cut and finish various thicknesses of steel, the mill boasts a compact design that saves space and energy.

O aka Ma i ime M e m Dome

The glass dome of the Osaka Maritime Museum, opened in July 2000, is a steel-framed hemisphere 35 meters high with a diameter of 70 meters. Constructed entirely at KHI's Harima Works, it was assembled from approximately 4,800 individual sheets of glass and then transported by sea to Osaka city.

Consumer Products



Main Products

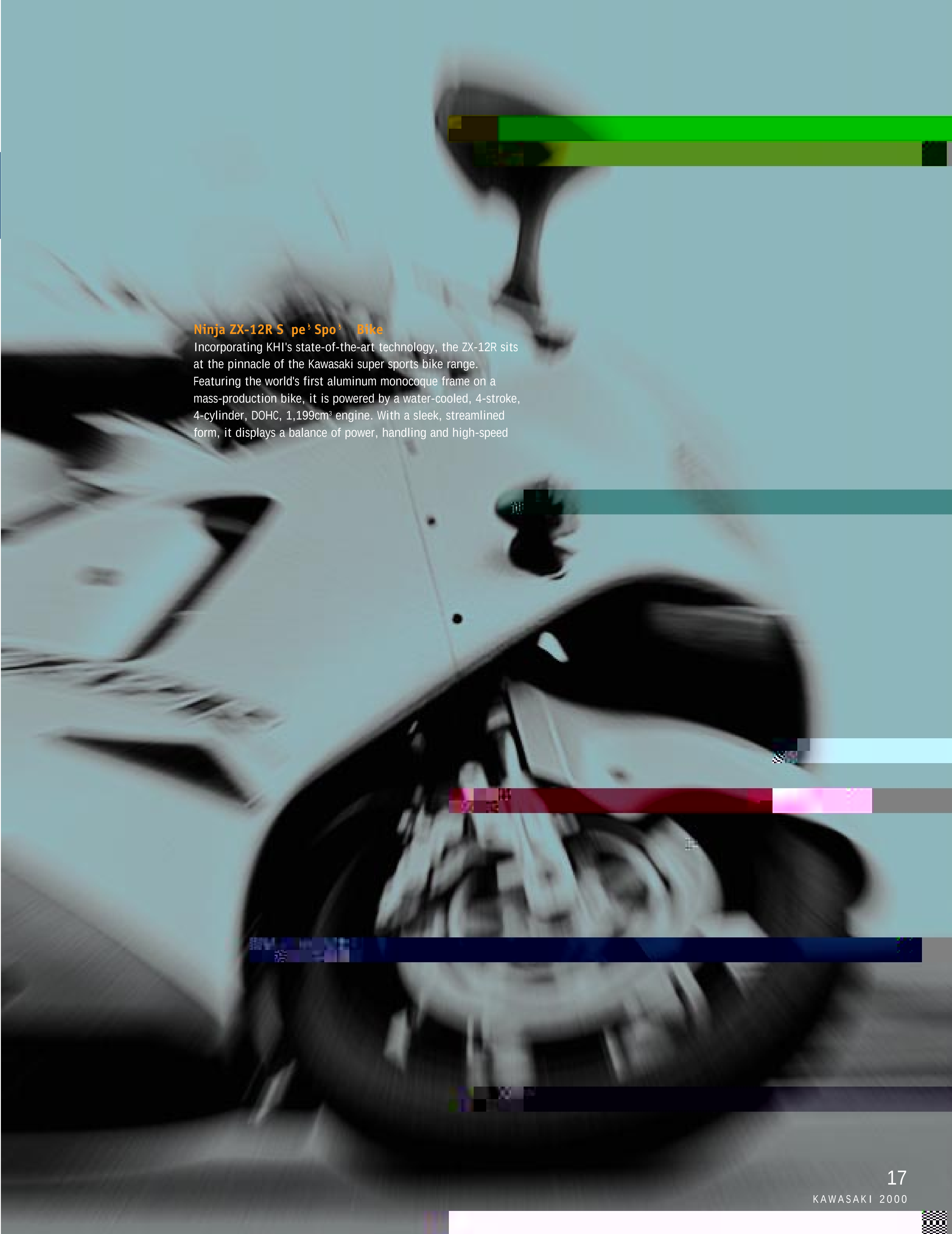
- Motorcycles
- All-Terrain Vehicles (ATVs)
- Jet Ski® personal watercraft
- General-purpose gasoline engines
- Brush cutters
- Transmissions
- Industrial robots

Sales of motorcycles in the United States and Europe remained robust, and motorcycle demand in Asia also recovered. Sales of ATVs (All-Terrain Vehicles) and *MULE* utility vehicles also rose in the United States. As a result, despite the effects of the strong yen, segment sales rose slightly compared with the previous year, advancing 2.6% to ¥277.2 billion. However, the strength of the yen had a significant impact on profits. Despite higher earnings at KHI's U.S. subsidiaries, segment operating income fell 39.0% to ¥9.5 billion.

The Kawasaki brand name is widely associated with medium and large super sports bikes, and other top-of-the-range motorcycles. Other popular consumer products are ATVs and Jet Ski® watercraft, which KHI was the first firm in the world to commercialize successfully. These products are made at 16 manufacturing bases, and distributed globally through a total of over 6,000 dealerships around the world. During fiscal 2000, to extract greater synergy in manufacturing and sales from this network, industrial robots were transferred to this segment from the Industrial Equipment segment.

Demand in the major markets of Europe and North America is projected to demonstrate healthy growth. Demand should also continue to recover in Asian markets as their economies regain previous levels of growth. KHI is developing new Kawasaki brand products designed to cater to market trends and user needs. At the same time, KHI is focusing on building up its development, manufacturing and sales expertise to foster the growth of its global business.

Motor sports and marine sports remain the prime focus. Through the development of professional racing factory bikes, KHI uses the resulting stream of technical advances to make constant improvements to its commercial product range. While building the brand image, racing also helps to develop an avid fan base.



Ninja ZX-12R S pe Spo Bike

Incorporating KHI's state-of-the-art technology, the ZX-12R sits at the pinnacle of the Kawasaki super sports bike range. Featuring the world's first aluminum monocoque frame on a mass-production bike, it is powered by a water-cooled, 4-stroke, 4-cylinder, DOHC, 1,199cm³ engine. With a sleek, streamlined form, it displays a balance of power, handling and high-speed

OVERVIEW

During the fiscal year ended March 31, 2000 (fiscal 2000), KHI's net sales declined for a second consecutive year in the face of a persistent economic downturn in Japan and sluggish growth throughout the rest of Asia. These problems were further compounded by continued appreciation of the yen. With the exception of Consumer Products, which was taken out of the Transportation Equipment segment and reclassified as a segment on its own, all of KHI's business segments posted decreases in sales revenues. Total consolidated net sales fell 4.4% to ¥1,149.7 billion ($10,831 million).

OVERSEAS SALES

Total overseas sales fell ¥9.6 billion ($91 million), or 2.0%, to ¥461.5 billion ($4,348 million). This accounted for 40.1% of total sales, compared with a percentage of 39.2% in fiscal 1999. The breakdown of this sales figure between the four overseas regions was: North America ¥221.3 billion ($2,085 million), down 4.3%; Europe ¥94.0 billion ($885 million), up 7.2%; Asia ¥75.1 billion ($707 million), up 5.9%; and Other Areas ¥71.2 billion ($671 million), down 12.6%.

NET INCOME

The ratio of the cost of sales to net sales rose 0.9 percentage point, from 86.9% to 87.8%. The ratio of selling, general and administrative (SGA) expenses to net sales rose 0.8 percentage point, from 11.3% to 12.1%. As a result, operating income plunged 94.2% to ¥1.3 billion ($12 million). The ratio of operating income to net sales fell 1.7 percentage points, from 1.8% to 0.1%.

Net other income (expenses) was an expense of ¥24.0 billion ($226 million), compared with an expense of ¥22.2 billion for fiscal 1999. This amount includes a ¥3.9 billion ($37 million) write-down of marketable securities, investments in securities and others, and a ¥2.7 billion ($26 million) prior-period retirement allowanon ($7ee,(regions wcor

In view of the situation, management elected not to pay any cash dividends for fiscal 2000.

RESULTS BY GEOGRAPHIC AREA

Sales in Japan declined 5.5% to ¥929.1 billion ($8,753 million), while operating income fell from a ¥27.3 billion profit in fiscal 1999 to a loss of ¥4.5 billion ($42 million), because the parent company was affected by continued appreciation of the yen, a persistent economic downturn in Japan and sluggish growth throughout the rest of Asia.

In North America, boosted by the recovery of a rolling stock subsidiary, sales rose 3.1% to ¥160.4 billion ($1,511 million). Following substantial losses on rolling stock contracts posted in fiscal 1999, operating income of ¥3.7 billion ($35 million) was recorded.

Due primarily to the substantial appreciation of the yen against the euro, sales in Europe fell 14.5%, to ¥39.6 billion ($373 million). At ¥0.8 billion ($8 million), operating income was down 36.3% compared with the previous year.

Sales in Asia increased sharply to ¥16.3 billion ($154 million), a 26.7% rise due mainly to higher sales of motorcycles. However, due to the continued affect of the currency crisis, the operating loss increased from ¥0.9 billion to ¥1.6 billion ($15 million).

At ¥4.3 billion ($40 million), sales in Other Areas were 5.6% below fiscal 1999. However, operating income was substantially higher, increasing 85.1% to ¥87 million ($819 thousand).

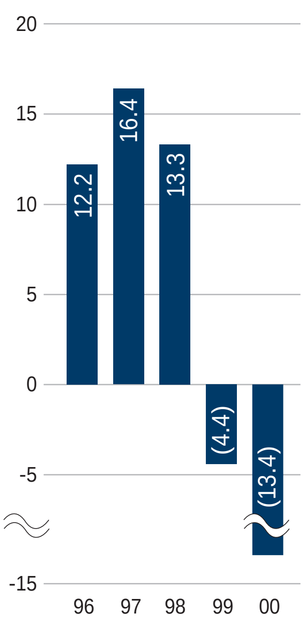
R&D AND CAPITAL EXPENDITURES

Total consolidated R&D expenses during fiscal 2000 rose ¥1.3 billion to ¥19.9 billion ($188 million). This was equivalent to 1.7% of net sales. Capital expenditures on a cash flow basis during fiscal 2000 totaled ¥37.5 billion ($353 million), a decrease of 7.2% from fiscal 1999.

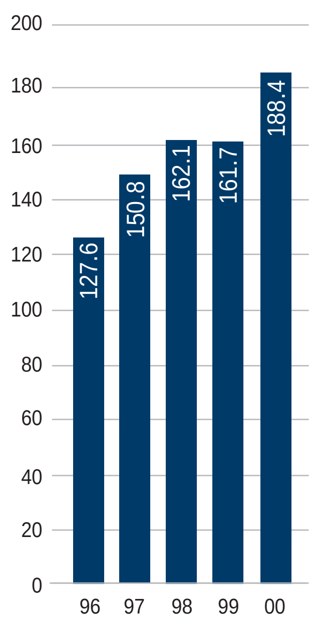
CASH FLOWS

A decrease in inventories, combined with an increase in advances received, more than offset the cash outflow resulting from the consolidated loss before income taxes and minority

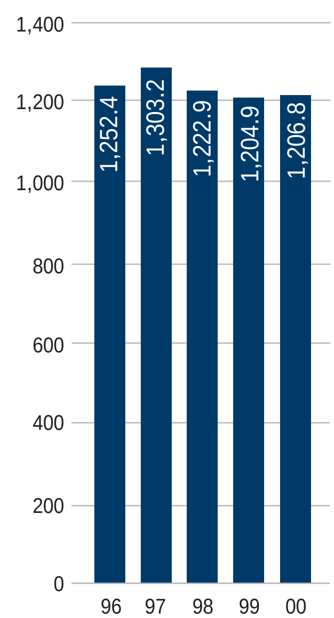
Net income per share
(Yen)



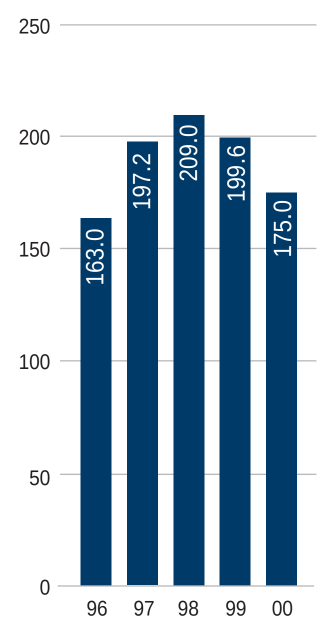
Working capital
(Billions of yen)



Total assets
(Billions of yen)



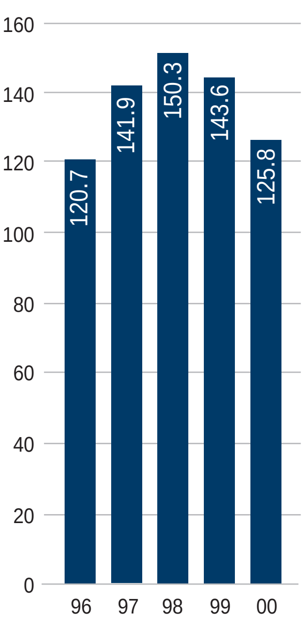
Total shareholders' equity
(Billions of yen)



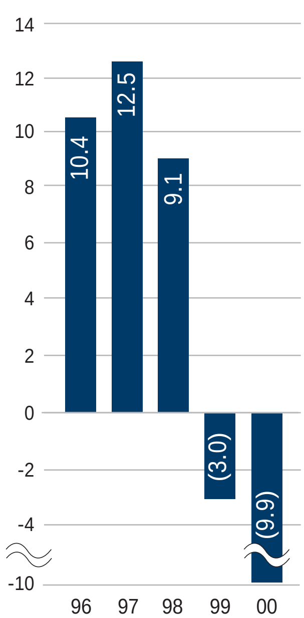
interests of ¥22.7 billion ($214 million). As a result of decreases in cash paid for interest and cash paid for income taxes, net cash provided by operating activities rose 39.8% to ¥31.2 billion ($294 million). Due mainly to an increase in addition to long-term loans receivable, net cash used for investing activities increased 7.4% to ¥46.6 billion ($439 million). Proceeds from long-term debt, mainly issue of corporate bond, increased 61.0%, or ¥33.5 billion ($315 million) to ¥88.4 billion ($832 million), while repayment of long-term debt was ¥39.7 million ($374 million). Cash dividends paid decreased, and decrease in short-term borrowings was also reduced. As a result of the foregoing, net cash provided by financing activities was ¥39.7 billion ($374 million), an increase of ¥37.4 billion ($352 million).

This resulted in a net increase in cash and cash equivalents of ¥23.0 billion ($217 million). Combined with an increase in cash and cash equivalents of ¥4.3 billion ($41 million) arising from newly consolidated subsidiaries, cash and cash equivalents at the fiscal 2000 year-end amounted to ¥82.2 billion ($774 million).

Total shareholders' equity per share
(Yen)



Return on equity
(%)



FINANCIAL CONDITION

A rise of 55.1%, or ¥30.5 billion ($287 million), in cash on hand and in banks, including time deposits with maturities of over three months in an amount of ¥3.6 billion ($34 million), was partially offset by a 9.0% fall in inventories. Current assets decreased to ¥879.4 billion ($8,285 million). Total investments and long-term loans fell 7.3% to ¥47.3 billion ($445 million). Due to an amount of ¥9.3 billion ($88 million) being recognized as deferred tax assets, intangible and other assets rose 70.8% to ¥17.0 billion ($160 million). Total assets were largely unchanged, rising 0.2% to ¥1,206.8 billion ($11,369 million).

Current liabilities decreased 4.4% to ¥691.0 billion ($6,510 million). This was due largely to decreases in trade payables, short-term borrowings and current portion of long-term debt, and accrued expenses.

Total long-term liabilities increased 21.0% to ¥334.4 billion ($3,150 million), due primarily to a 26.5% increase in long-term debt, less current portion, which was mainly used for re-financing. As a result, total liabilities increased slightly, rising 2.7% to ¥1,025.4 billion ($9,660 million). However, working capital increased substantially, rising 16.5% to ¥188.4 billion ($1,775 million).

Due to the consolidated net loss of ¥18.6 billion ($176 million), which was the principal factor causing a 26.4% fall in retained earnings to ¥68.8 billion ($649 million), and following the payment of cash dividends worth ¥4.2 billion ($39 million), shareholders' equity dropped 12.4% to ¥175.0 billion ($1,648 million). The shareholders' equity ratio fell 2.1 percentage points, from 16.6% to 14.5%.

Millions of yen

Consolidated Balance Sheets

Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries
As of March 31, 2000 and 1999

Assets	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 1) 2000
Current assets:			
Cash on hand and in banks	**¥ 85,782**	¥ 55,306	**$ 808,121**
Marketable securities (Notes 3 and 5)	**46,021**	47,785	**433,547**
Receivables			
Trade	**397,616**	403,423	**3,745,794**
Other	**16,304**	13,173	**153,594**
Allowance for doubtful receivables	**(3,375)**	(3,041)	**(31,795)**
	410,545	413,555	**3,867,593**
Inventories (Notes 4 and 5)	**316,529**	347,765	**2,981,902**
Deferred tax assets (Note 9)	**4,216**	5,507	**39,717**
Other current assets	**16,345**	14,481	**153,981**
Total current assets	**879,438**	884,399	**8,284,861**
Investments and long-term loans:			
Investments in securities (Notes 3 and 10)	**32,136**	38,967	**302,742**
Long-term loans	**8,716**	1,784	**82,110**
Other (Note 5)	**13,734**	13,264	**129,383**
Allowance for doubtful receivables	**(7,327)**	(3,009)	**(69,025)**
Total investments and long-term loans	**47,259**	51,006	**445,210**
Property, plant and equipment (Note 5):			
Land	**50,822**	50,070	**478,775**
Buildings	**244,103**	238,406	**2,299,604**

Liabilities and shareholders' equity	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 1) 2000
Current liabilities:			
Short-term borrowings and current portion of long-term debt (Note 5)	**¥ 222,302**	¥ 238,265	**$ 2,094,225**
Trade payables	**310,557**	321,830	**2,925,643**
Advances from customers	**86,012**	81,409	**810,287**
Accrued income taxes (Note 9)	**2,441**	3,424	**22,996**
Accrued expenses	**19,549**	21,375	**184,164**
Provision for product warranty	**1,648**	1,386	**15,525**
Deferred tax liabilities (Note 9)	**515**	5,162	**4,852**
Other current liabilities	**48,011**	49,836	**452,294**
Total current liabilities	**691,035**	722,687	**6,509,986**
Long-term liabilities:			
Long-term debt, less current portion (Note 5)	**264,048**	208,763	**2,487,499**
Retirement and severance benefits	**58,332**	54,024	**549,524**
Deferred tax liabilities (Note 9)	**2,705**	2,573	**25,483**
Other	**9,313**	10,894	**87,734**
Total long-term liabilities	**334,398**	276,254	**3,150,240**
Contingent liabilities (Note 11)			
Minority interests	**6,418**	6,279	**60,461**
Shareholders' equity (Note 6):			
Common stock of ¥50 par value :			
Authorized - 3,360,000,000 shares			
Issued - 1,390,595,964 shares	**81,427**	81,427	**767,094**
Capital surplus	**24,682**	24,682	**232,520**
Retained earnings	**68,846**	93,528	**648,573**
Total shareholders' equity	**174,955**	199,637	**1,648,187**
Total liabilities and shareholders' equity	**¥ 1,206,806**	¥ 1,204,857	**$11,368,874**

Consolidated Statements of Shareholders' Equity

Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries
For the three years ended March 31, 2000, 1999 and 1998

	Thousands	Millions of yen		
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings
Balance at March 31, 1997	1,389,123	¥ 81,088	¥ 24,345	¥ 91,728
Net income for the year	—	—	—	18,556
Adjustment for changes of interests in consolidated subsidiaries	—	—	—	23
Increase in retained earnings arising from newly consolidated subsidiaries	—	—	—	2,727
Decrease in retained earnings arising from affiliates newly accounted for by the equity method	—	—	—	(83)
Cash dividends	—	—	—	(9,728)
Bonuses to directors and statutory auditors	—	—	—	(292)
Conversion of convertible bonds	1,473	339	337	—
Balance at March 31, 1998	1,390,596	81,427	24,682	102,931
Net loss for the year	—	—	—	(6,132)
Cumulative effect of adopting tax effect accounting	—	—	—	5,652
Increase in retained earnings arising from affiliates newly accounted for by the equity method	—	—	—	65
Merger of unconsolidated subsidiaries with consolidated subsidiary	—	—	—	24
Adjustment for changes of interests in affiliates accounted for by the equity method	—	—	—	(406)
Cash dividends	—	—	—	(8,344)
Bonuses to directors and statutory auditors	—	—	—	(262)
Balance at March 31, 1999	1,390,596	81,427	24,682	93,528
Net loss for the year	—	—	—	(18,632)
Increase in retained earnings arising from newly consolidated subsidiaries	—	—	—	2,677
Increase in retained earnings arising from affiliates newly accounted for by the equity method	—	—	—	34
Decrease due to companies ceasing to be an affiliate accounted for by the equity method	—	—	—	(3,996)
Decrease due to merger of unconsolidated subsidiaries with consolidated subsidiary	—	—	—	(357)
Adjustment for changes of interests in affiliates accounted for by the equity method	—	—	—	(64)
Cash dividends	—	—	—	(4,172)
Bonuses to directors and statutory auditors	—	—	—	(172)
Balance at March 31, 2000	**1,390,596**	**¥ 81,427**	**¥ 24,682**	**¥ 68,846**

	Thousands of U.S. dollars (Note 1)		
Balance at March 31, 1999	$ 767,094	$ 232,520	$ 881,093
Net loss for the year	—	—	(175,525)
Increase in retained earnings arising from newly consolidated subsidiaries	—	—	25,219
Increase in retained earnings arising from affiliates newly accounted for by the equity method	—	—	320
Decrease due to companies ceasing to be an affiliate accounted for by the equity method	—	—	(37,645)
Decrease due to merger of unconsolidated subsidiaries with consolidated subsidiary	—	—	(3,363)
Adjustment for changes of interests in affiliates accounted for by the equity method	—	—	(603)
Cash dividends	—	—	(39,303)
Bonuses to directors and statutory auditors	—	—	(1,620)
Balance at March 31, 2000	**$ 767,094**	**$ 232,520**	**$ 648,573**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries
For the years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	**2000**
Cash flows from operating activities:			
Loss before income taxes and minority interests	**¥ (22,730)**	¥ (525)	**$ (214,131)**
Adjustments to reconcile loss before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**35,081**	34,607	**330,485**
Provision for retirement and severance benefits	**3,479**	1,842	**32,774**
Accrued bonuses	**(3,419)**	186	**(32,209)**
Loss on disposal of property, plant and equipment	**1,317**	1,382	**12,407**
Provision for (reversal of) estimated loss on uncompleted contract	**(4,111)**	5,784	**(38,728)**
Write-downs of securities and others	**3,031**	—	**28,554**
Provision for allowance for doubtful accounts	**4,765**	876	**44,889**
Interest and dividend income	**(4,274)**	(5,495)	**(40,264)**
Interest expense	**11,782**	12,646	**110,994**
Changes in assets and liabilities:			
Decrease (increase) in			
Trade receivables	**3,583**	6,985	**33,754**
Inventories	**21,447**	3,471	**202,044**
Other current assets	**(5,615)**	1,258	**(52,897)**
Increase (decrease) in			
Trade payables	**(2,911)**	(5,346)	**(27,423)**
Advances received	**5,972**	(16,294)	**56,260**
Other current liabilities	**38**	2,552	**359**
Other, net	**(432)**	1,417	**(4,070)**
Sub total	**47,003**	45,346	**442,798**
Cash received for interest and dividends	**4,122**	6,562	**38,832**
Cash paid for interest	**(11,270)**	(12,380)	**(106,171)**
Cash paid for income taxes	**(8,623)**	(17,181)	**(81,234)**
Net cash provided by operating activities	**31,232**	22,347	**294,225**
Cash flows from investing activities:			
Acquisition of property, plant and equipment	**(37,513)**	(40,428)	**(353,396)**
Additions to long-term loans receivable	**(5,866)**	(406)	**(55,261)**
Other	**(3,200)**	(2,546)	**(30,146)**
Net cash used for investing activities	**(46,579)**	(43,380)	**(438,803)**
Cash flows from financing activities:			
Proceeds from long-term debt	**88,368**	54,894	**832,482**
Repayment of long-term debt	**(39,719)**	(37,681)	**(374,178)**
Cash dividends paid	**(4,203)**	(8,310)	**(39,595)**
Cash dividends paid to minority interests	**(64)**	(62)	**(603)**
Decrease in short-term borrowings	**(4,643)**	(6,514)	**(43,740)**
Net cash provided by financing activities	**39,739**	2,327	**374,366**
Effect of exchange rate changes	**(1,408)**	(946)	**(13,264)**
Net increase (decrease) in cash and cash equivalents	**22,984**	(19,652)	**216,524**
Cash and cash equivalents at beginning of year	**54,837**	74,489	**516,599**
Increase in cash and cash equivalents arising from newly consolidated subsidiaries	**4,339**	—	**40,876**
Cash and cash equivalents at end of year	**¥ 82,160**	¥ 54,837	**$ 773,999**
Supplemental information on cash flows:			
Cash and cash equivalents			
Cash on hand and in banks in the balance sheet	**¥ 85,782**	¥ 55,306	**$ 808,121**

Notes to the Consolidated Financial Statements

(a) Consolidation

The Company prepared the consolidated financial statements for the year ended March 31, 2000 in accordance with the revised Accounting Principles for Consolidated Financial Statements (the "Revised Accounting Principles") effective from the year ended March 31, 2000.

The accompanying consolidated financial statements include the accounts of the Company and significant companies, over which the Company has power of control through majority voting right or existence of certain conditions evidencing control by the Company. Investments in non-consolidated subsidiaries and affiliates, over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for on the equity method. The effect of adopting the Revised Accounting Principles is immaterial.

The consolidated financial statements include the accounts of the Company and 112 (65 in 1999 and 62 in 1998) subsidiaries.

For the years ended March 31, 2000, 1999 and 1998, respectively, 4, 58 and 59 subsidiaries are excluded from the consolidation. The amounts of total assets, net sales, net income and retained earnings of these excluded subsidiaries, in the aggregate, would not have had a material effect on the consolidated financial statements.

(b) Application of the equity method of accounting

For the year ended March 31, 2000, 20 (12 in 1999 and 1998) affiliates are accounted for by the equity method.

For the years ended March 31, 2000, 1999 and 1998, investments in 4, 58 and 59 unconsolidated subsidiaries and 14, 22 and 23 affiliates, respectively, are stated at cost without applying the equity method of accounting. If the equity method had been applied for these investments, the amounts of net income and retained earnings of these excluded subsidiaries and affiliates would not have had a material effect on the consolidated financial statements.

(c) Consolidated subsidiaries' fiscal year-ends

Fiscal year-ends of 29 (20 in 1999 and 17 in 1998) consolidated subsidiaries end on December 31. The Company consolidates such subsidiaries' financial statements as of each subsidiary's latest year-end. Unusual significant transactions for the period between each subsidiary's year-end and the Company's year-end are adjusted on consolidation.

(d) Elimination of inter-company transactions and accounts

All significant inter-company transactions and accounts and unrealized inter-company profits are eliminated on consolidation, and the

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(e) Translation of foreign currency statements

The financial statements of the overseas consolidated subsidiaries are translated into yen as stated below, in accordance with a regulation issued by the Financial Accounting Deliberation Council.

(1) Assets and liabilities are translated at the fiscal year-end exchange rates.

(2) Share capital accounts and retained earnings are translated at historical rates.

(3) Revenue and expense accounts are translated at average rates prevailing during the fiscal year.

Differences arising from the application of the process stated above are shown as foreign currency translation adjustments in the accompanying consolidated balance sheet.

(f) Appropriations of retained earnings

Appropriations of retained earnings are recorded in the fiscal year when the proposed appropriations are approved.

(g) Revenue recognition

Sales are principally recognized at the time of completion of the contracts. However, the percentage-of-completion method is applied to long-term contracts exceeding ¥5,000 million.

(h) Consolidated statements of cash flows

In accordance with the "Standards for Preparation of Consolidated Cash Flow Statement, etc." (the "New Standards"), effective from the year ended March 31, 2000, the Company is required to prepare consolidated cash flow statements. The 1999 consolidated cash flow statement, which was prepared for readers outside Japan although such statement was not required, has been restated to conform to the 2000 presentation.

(i) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(j) Allowance for doubtful receivables

Possible losses from notes and accounts receivable, loans and other receivables are provided for based on relevant income tax laws and the Companies' estimates of losses on collection.

(k) Inventories

Inventories are stated at cost, as determined principally by the specific identification cost method, the first-in, first-out method or the moving-average method.

(l) Marketable securities

Marketable securities are stated principally at cost, as determined by the moving-average method. When significant impairment of value has been deemed permanent, cost has been appropriately reduced.

(m) Investments in securities

Investments in securities are stated at cost, as determined by the moving-average method, except for those accounted for by the equity method as explained in Note 2 (b). When significant impairment of value has been deemed permanent, cost has been appropriately reduced.

(n) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is computed principally by the declining-balance method over estimated useful lives.

(o) Intangible assets

Amortization of intangible assets is computed by the straight-line method.

(p) Provision for product warranty

Expected future product warranty costs are provided for ships and consumer products.

(q) Bond issue expenses

Bond issue expenses are charged to income as incurred.

(r) Foreign currency translation

Foreign currency accounts of the Company and its domestic subsidiaries are translated into yen as stated below, in accordance with a regulation issued by the Financial Accounting Deliberation Council.

(1) Foreign currencies and short-term monetary accounts are translated at the rates of exchange prevailing at the balance sheet date. The resulting translation gain or loss is included in the determination of net income for the year.

(2) Long-term monetary accounts and non-monetary accounts are translated at historical exchange rates prevailing at the time of transactions.

(3) Monetary accounts which are hedged by forward exchange contracts are translated into yen at the contracted rates of exchange.

If long-term monetary items were translated at exchange rates in effect at March 31, 2000, net translation losses of ¥131 million ($1,234 thousand) would have been recorded.

(s) Income taxes

Income taxes were principally provided for based on taxable income for the period, determined in accordance with applicable tax laws, for the year ended March 31, 1998. Effective April 1, 1998, the Company adopted the new accounting standard, which recognizes tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting.

Under the new accounting standard, the asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The amount of deferred income taxes attributable to the net tax effects of the temporary differences at April 1, 1998 is reflected as an adjustment to the retained earnings brought forward from the previous year. Prior year's financial statements have not been restated. The cumulative effect of adopting the new accounting standard is ¥5,652 million and the effect for the year ended March 31, 1999 was to decrease net loss by ¥2,741 million.

4. Inventories

Inventories as of March 31, 2000 and 1999 are comprised as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Finished products	**¥ 44,006**	¥ 37,950	**$ 414,564**
Work in process	**235,050**	268,027	**2,214,319**
Raw materials and supplies	**37,473**	41,788	**353,019**
Total	**¥ 316,529**	¥ 347,765	**$ 2,981,902**

5. Short-term borrowings and long-term debt

Short-term borrowings and long-term debt as of March 31, 2000 and 1999 are comprised as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Short-term borrowings:			
Short-term debt, principally bank loans and commercial paper	**¥ 187,211**	¥ 198,093	**$ 1,763,646**
Current portion of long-term debt	**35,091**	40,172	**330,579**
Total short-term debt	**¥ 222,302**	¥ 238,265	**$ 2,094,225**
Long-term debt:			
Loans from banks and other financial institutions, partly secured by mortgage or other collateral, due from 2000 to 2034, bearing interest ranging from 0.57 percent to 7.9 percent and from 0.694 percent to 7.5 percent as of March 31, 2000 and 1999, respectively	**¥ 108,242**	¥ 82,601	**$ 1,019,708**
2.10~6.15 percent notes due 1999	**—**	25,000	**—**
2.50 percent notes due 2000	**10,000**	10,000	**94,206**
2.55 percent notes due 2001			—

250percentnotesdue2000

As of March 31, 2000 and 1999, the following assets were pledged as collateral for short-term borrowing and long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Marketable securities	**¥ 177**	¥ 180	**$ 1,667**
Inventories	**6,144**	5,091	**57,880**
Property, plant and equipment (at net book value)	**—**	11,517	**—**
Land	**6,247**	—	**58,851**
Buildings	**6,635**	—	**62,506**
Machinery and equipment	**491**	—	**4,626**
Other	**233**	63	**2,195**
Total	**¥ 19,927**	¥ 16,851	**$ 187,725**

As of March 31, 2000, debt secured by the above pledged assets was as follows:

	Millions of yen	Thousands of U.S. dollars
Trade payables	¥ 97	$ 914
Short-term and long-term debt	18,940	178,427
Total	¥ 19,037	$179,341

The aggregate annual maturities of long-term debt as of March 31, 2000, are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2001	¥ 35,091	$ 330,579
2002	33,386	314,517
2003	32,471	305,898
2004	44,688	420,989
2005 and thereafter	153,503	1,446,095
Total	¥299,139	$ 2,818,078

(a) Capital surplus

The Commercial Code of Japan provides that the entire issue price of new shares must be credited to common stock, provided that, by resolution of the Board of Directors, up to one-half of such issue price may be credited to capital surplus so long as the common stock is equal to at least the aggregate par value of the shares issued.

(b) Dividends

The maximum amount that the Company can distribute as dividends

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8. Other income (expenses) : other, net

Other income (expenses) : other, net in the consolidated statements of operations is comprised as follows:

	Millions of yen			Thousands of U.S. dollars
	2000	1999	1998	**2000**
Loss on disposal of property, plant and equipment	**¥ (1,317)**	¥ (1,382)	¥ (993)	**$ (12,407)**
Gain (loss) on sales of marketable securities and investments in securities	**266**	(1,077)	799	**2,506**
Foreign exchange loss, net	**(7,774)**	(11,411)	(1,654)	**(73,236)**
Gain on cancellation of the shipbuilding contracts	**2,053**	—	—	**19,341**
Write down of marketable securities, investments in securities and others	**(3,917)**	—	—	**(36,901)**
Prior-period retirement allowance	**(2,744)**	—	—	**(25,850)**
Other, net	**(2,386)**	(1,853)	(1,967)	**(22,478)**
Total	**¥ (15,819)**	¥(15,723)	¥ (3,815)	**$ (149,025)**

9. Income taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax (national tax) and enterprise tax and inhabitants taxes (local taxes) which, in the aggregate, result in normal statutory tax rates of approximately 41.9 percent for the year ended March 31, 2000 and 47.5 percent for the prior year.

Significant components of deferred tax assets and liabilities as of March 31, 2000 and 1999 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Deferred tax assets			
Excess bonuses accrued	**¥ 2,085**	¥ 1,471	**$ 19,642**
Retirement benefits	**5,872**	2,684	**55,318**
Estimated loss on uncompleted contracts	**1,653**	3,692	**15,572**

11. Contingent liabilities

Contingent liabilities as of March 31, 2000 and 1999 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
As drawer of trade notes discounted	**¥ 355**	¥ 721	**$ 3,344**
As endorser of trade notes	**36**	60	**339**
As guarantor of indebtedness of employees, unconsolidated subsidiaries and affiliates, and others	**40,642**	46,647	**382,873**

12. Finance leases

Finance lease information, as required to be disclosed in Japan, for the respective years is as follows:

(a) As lessee

The original cost of leased assets under non-capitalized finance leases and accumulated depreciation, assuming it is calculated on the straight-line method over lease terms, as of March 31, 2000 and 1999 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Property, plant and equipment	**¥ 13,793**	¥ 13,582	**$ 129,939**
Accumulated depreciation	**(6,816)**	(6,309)	**(64,211)**
	¥ 6,977	¥ 7,273	**$ 65,728**
Intangible assets	**¥ 379**	¥ 438	**$ 3,571**
Accumulated amortization	**(261)**	(240)	**(2,459)**
	¥ 118	¥ 198	**$ 1,112**

The present values of future minimum lease payments under non-capitalized finance leases as of March 31, 2000 and 1999 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Current portion	**¥ 2,556**	¥ 2,654	**$ 24,079**
Non-current portion	**4,715**	5,006	**44,418**
Total	**¥ 7,271**	¥ 7,660	**$ 68,497**

Lease payments and “as if capitalized” depreciation and amortization and interest expense for non-capitalized finance leases are as follows:

	Millions of yen			Thousands of U.S. dollars
	2000	1999	1998	**2000**
Lease payments	**¥ 3,076**	¥ 3,094	¥ 3,419	**$ 28,978**
Depreciation and amortization	**2,862**	3,058	N/A	**26,962**
Interest	**230**	277	N/A	**2,167**

(b) As lessor

The original cost of leased assets under finance leases and accumulated depreciation, as of March 31, 2000 and 1999 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Property, plant and equipment	**¥ 1,295**	¥ 2,069	**$ 12,200**
Accumulated depreciation	**(714)**	(1,025)	**(6,726)**
	¥ 581	¥ 1,044	**$ 5,474**

The present values of future minimum lease payments to be received under finance leases as of March 31, 2000 and 1999 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Current portion	**¥ 173**	¥ 288	**$ 1,630**
Non-current portion	**489**	811	**4,607**
Total	**¥ 662**	¥ 1,099	**$ 6,237**

Lease payments received, depreciation and amortization and interest on finance leases are as follows:

	Millions of yen			Thousands of U.S. dollars
	2000	1999	1998	**2000**
Lease payments received	**¥ 218**	¥ 325	¥ 334	**$ 2,054**
Depreciation and amortization	**147**	276	N / A	**1,385**
Interest	**38**	50	N / A	**358**

13. Operating leases

The present values of future minimum lease payments under operating leases as of March 31, 2000 and 1999 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Current portion	**¥ 50**	¥ 302	**$ 471**
Non-current portion	**178**	517	**1,677**
Total	**¥ 228**	¥ 819	**$ 2,148**

14. Derivative transactions

Since the Company and its consolidated subsidiaries operate internationally and have a substantial volume of export and import transactions, it enters into foreign currency exchange and option transactions in order to manage risk of fluctuations in exchange rates in relation to foreign currency denominated assets and liabilities.

The Company and its consolidated subsidiaries also enter into interest swap and option transactions to hedge against future fluctuations in interest rates on borrowings, primarily to fix, cap or collar interest rates on variable rate debt.

The Company and its consolidated subsidiaries's purpose for purchasing derivatives is to hedge against risks of fluctuations in currency exchange rates and interest rates rather to than be exposed to such risks through dealing or speculation. In order to minimize credit risk, the Company and its consolidated subsidiaries use only highly-rated international financial institutions as counterparty to derivative transactions.

The Company and its consolidated subsidiaries have established policies that restrict the use of derivative instruments, including limits as to the purpose, nature, type and amount, and that require reporting and review in order to control the use of derivatives and manage risk.

Outstanding positions and unrealized gains and losses at March 31, 2000 are as follows:

			Millions of yen		Thousands of U.S. dollars
			2000		2000
			Contract Amount	Unrealized Gain (loss)	Unrealized Gain (loss)
Currency related contracts:					
Foreign exchange contracts					
	Sell	U.S. dollars	¥ 291	¥ 8	$ 76
		Other currencies	240	3	28
	Purchase	German Marks	640	(66)	(622)
		U.S. dollars	570	9	85
		Pounds	515	13	122
		Euro	423	(10)	(94)
		Other currencies	1,003	(101)	(951)
Option contracts					
	Sell options				
	Call	U.S. dollars	6,635	59	556
	Purchase options				
	Put	U.S. dollars	6,300	(39)	(368)
Total				¥ (124)	$ (1,168)
Interest rate related contracts:					
Option contracts					
	Collar	purchase	¥ 3,000	¥ (8)	$ (75)
Swap contracts					
	Receive fixed for variable rates		—	—	—
	Receive variable for fixed rates		92,000	(977)	(9,204)
Total				¥ (985)	$ (9,279)

15. Segment information

Industry segments of the Company and its consolidated subsidiaries in prior years were classified into Transportation Equipment, Aerospace, Industrial Equipment and Other. Consumer products such as motorcycles, which were included in the Transportation Equipment segment, are separated from the Transportation Equipment segment and classified as the Consumer Products segment for the year ended March 31, 2000. Previously reported data have been restated accordingly. The Transportation Equipment segment manufactures and sells ships and rolling stock. Operations within the Aerospace segment include the production and sale of airplanes, helicopters and airplane engines. Products manufactured and sold by the Industrial Equipment segment include boilers, prime movers, gas turbines, hydraulic, crushing, and construction machines, chemical and steel making plants, steel bridges and hospital respiration equipment. The Consumer Products segment manufactures and sells motorcycles and Jet Ski® personal watercraft. Operations in the Other segment involve trade, mediation of overseas sales and orders and other activities.

(a) Information by industry segment

	Millions of yen							
	2000							
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets	Depreciation and amortization	Capital expenditures
Transportation equipment	**¥ 164,942**	**¥ 1,857**	**¥ 166,799**	**¥ 176,534**	**¥ (9,735)**	**¥ 159,783**	**¥ 3,681**	**¥ 2,793**
Aerospace	**219,447**	**5,981**	**225,428**	**214,633**	**10,795**	**201,494**	**4,536**	**6,437**
Industrial equipment	**417,865**	**34,597**	**452,462**	**463,738**	**(11,276)**	**441,886**	**9,928**	**8,677**
Consumer products	**277,176**	**1,986**	**279,162**	**269,621**	**9,541**	**208,780**	**11,095**	**16,485**
Other	**70,268**	**43,499**	**113,767**	**112,108**	**1,659**	**171,703**	**5,862**	**5,308**
Total	**1,149,698**	**87,920**	**1,237,618**	**1,236,634**	**984**	**1,183,646**	**35,102**	**39,700**
Eliminations and corporate	**—**	**(87,920)**	**(87,920)**	**(88,187)**	**267**	**23,160**	**(21)**	**(16)**
Consolidated total	**¥ 1,149,698**	**¥ —**	**¥ 1,149,698**	**¥ 1,148,447**	**¥ 1,251**	**¥ 1,206,806**	**¥ 35,081**	**¥ 39,684**

	Millions of yen							
	1999							
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets	Depreciation and amortization	Capital expenditures
Transportation equipment	¥ 184,040	¥ 2,326	¥ 186,366	¥ 201,462	¥(15,096)	¥ 181,424	¥ 3,696	¥ 3,814
Aerospace	228,618	6,152	234,770	216,392	18,378	227,397	4,602	4,596
Industrial equipment	436,030	53,178	489,208	488,522	686	434,453	11,312	8,239
Consumer products	270,021	4,747	274,768	259,132	15,636	188,316	9,888	17,449
Other	83,480	44,138	127,618	125,461	2,157	192,349	5,134	8,046
Total	1,202,189	110,541	1,312,730	1,290,969	21,761	1,223,939	34,632	42,144
Eliminations and corporate	—	(110,541)	(110,541)	(110,446)	(95)	(19,082)	(25)	(1)
Consolidated total	¥ 1,202,189	¥ —	¥ 1,202,189	¥ 1,180,523	¥ 21,666	¥ 1,204,857	¥ 34,607	¥ 42,143

	Millions of yen							
	1998							
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets	Depreciation and amortization	Capital expenditures
Transportation equipment	¥ 213,418	¥ 1,640	¥ 215,058	¥ 220,966	¥ (5,908)	¥ 163,551	¥ 3,652	¥ 2,885
Aerospace	255,328	6,173	261,501	240,962	20,539	218,618	4,695	3,823
Industrial equipment	485,353	53,608	538,961	521,358	17,603	444,082	10,592	9,787
Consumer products	259,107	3,825	262,932	246,158	16,774	198,657	8,695	10,729
Other	84,006	43,341	127,347	125,346	2,001	196,322	4,810	7,829
Total	1,297,212	108,587	1,405,799	1,354,790	51,009	1,221,230	32,444	35,053
Eliminations and corporate	—	(108,587)	(108,587)	(108,657)	70	1,676	(28)	(23)
Consolidated total	¥ 1,297,212	¥ —	¥ 1,297,212	¥ 1,246,133	¥ 51,079	¥ 1,222,906	¥ 32,416	¥ 35,030

	Thousands of U.S. dollars							
	2000							
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets	Depreciation and amortization	Capital expenditures
Transportation equipment	**$ 1,553,858**	**$ 17,494**	**$ 1,571,352**	**$ 1,663,062**	**$(91,710)**	**$ 1,505,257**	**$ 34,677**	**$ 26,312**
Aerospace								

(b) Information by geographic area

Segment information by geographic area, as required to be disclosed in Japan, for the respective years is as follows:

	Millions of yen					
	2000					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets
Japan	**¥ 929,110**	**¥ 148,766**	**¥ 1,077,876**	**¥ 1,082,344**	**¥ (4,468)**	**¥ 1,084,113**
North America	**160,436**	**11,288**	**171,724**	**167,977**	**3,747**	**105,322**
Europe	**39,554**	**4,515**	**44,069**	**43,231**	**838**	**24,496**
Asia	**16,321**	**4,009**	**20,330**	**21,927**	**(1,597)**	**16,675**
Other areas	**4,277**	**128**	**4,405**	**4,318**	**87**	**1,894**
Total	**1,149,698**	**168,706**	**1,318,404**	**1,319,797**	**(1,393)**	**1,232,500**
Eliminations and corporate	**—**	**(168,706)**	**(168,706)**	**(171,350)**	**2,644**	**(25,694)**
Consolidated total	**¥ 1,149,698**	**¥ —**	**¥ 1,149,698**	**¥ 1,148,447**	**¥ 1,251**	**¥ 1,206,806**

	Millions of yen					
	1999					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets
Japan	¥ 982,857	¥ 154,699	¥ 1,137,556	¥ 1,110,276	¥ 27,280	¥ 1,106,765
North America	155,635	11,869	167,504	172,780	(5,276)	112,105
Europe	46,287	6,252	52,539	51,224	1,315	25,736
Asia	12,881	2,855	15,736	16,611	(875)	17,036
Other areas	4,529	—	4,529	4,482	47	1,777
Total	1,202,189	175,675	1,377,864	1,355,373	22,491	1,263,419
Eliminations and corporate	—	(175,675)	(175,675)	(174,850)	(825)	(58,562)
Consolidated total	¥ 1,202,189	¥ —	¥ 1,202,189	¥ 1,180,523	¥ 21,666	¥ 1,204,857

	Millions of yen					
	1998					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets
Japan	¥ 1,105,123	¥ 125,662	¥ 1,230,785	¥ 1,183,543	¥ 47,242	¥ 1,096,854
North America	127,613	9,830	137,443	136,519	924	120,853m13.23

(c) Corporate assets

Included in eliminations and corporate in (a) and (b) above under total assets are corporate assets of ¥33,062 million ($311,465 thousand), ¥34,540 million and ¥59,245 million at March 31, 2000, 1999 and 1998, respectively, which are mainly comprised of cash and time deposits of the Company.

(d) Overseas sales

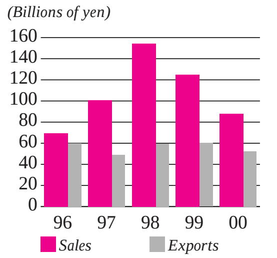
Overseas sales consist of the total sales of the Company and its consolidated subsidiaries made outside of Japan. Overseas sales information, as required to be disclosed in Japan, for the respective years is as follows:

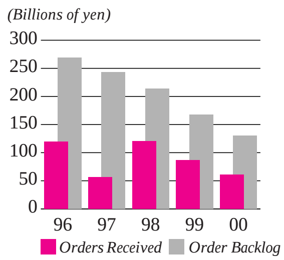
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Thousands of U.S. dollars
	2000		1999		1998		**2000**
	Overseas sales	% against net sales	Overseas sales	% against net sales	Overseas sales	% against net sales	Overseas sales
North America	**¥ 221,272**	**19.2%**	¥ 231,159	19.2%	¥179,235	13.8%	**$ 2,084,522**
Europe	**93,984**	**8.2%**	87,683	7.3%	66,806	5.1%	**885,389**
Asia	**75,058**	**6.5%**	70,845	5.9%	99,413	7.7%	**707,094**
Other areas	**71,191**	**6.2%**	81,453	6.8%	102,599	7.9%	**670,664**
Total	**¥ 461,505**	**40.1%**	¥ 471,140	39.2%	¥448,053	34.5%	**$ 4,347,669**

Supplementary Information on Non-Consolidated Results

Years ended March 31

Ships



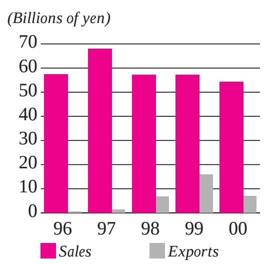


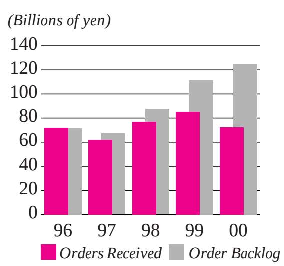
Major Orders

- 7 Container ships
- 1 Bulk carrier
- 1 Submarine
- Canceled: 3 VLCCs

Major Components of Sales

- VLCC
  (Very Large Crude-oil Carrier)
- LNG carrier
- LPG carrier
- Pure car carrier
- RO / RO Ship
- Patrol Ship
- Submarine
- Deep submergence rescue vehicle



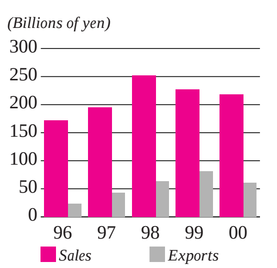


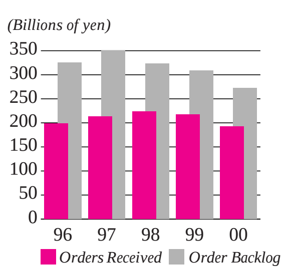
Major Orders

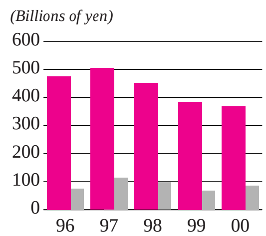
- 388 cars for JR Group, including 131 Shinkansen cars
- 147 cars for other domestic railways
- 70 cars for Hong Kong

Major Components of Sales

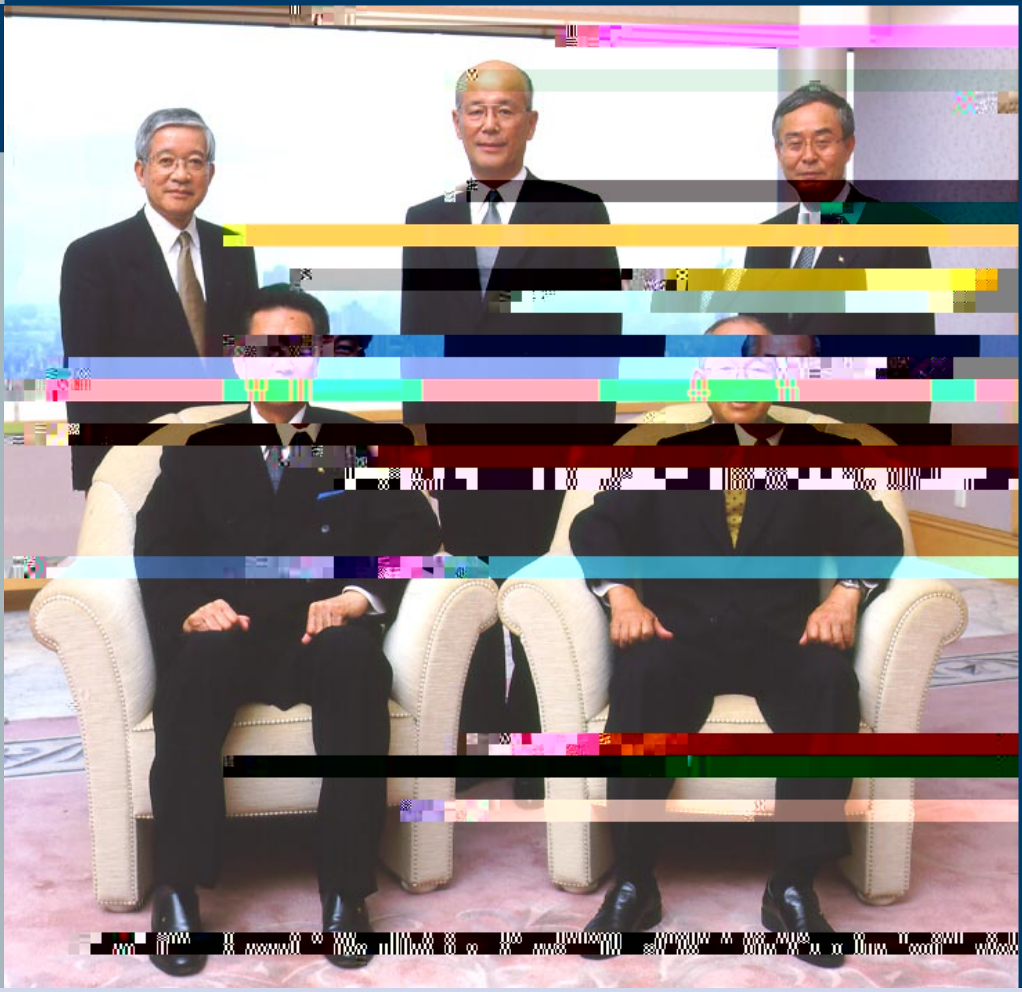
- 246 cars for JR Group, including 87 Shinkansen cars
- 235 cars for other domestic97Ships






(Billions of yen)
600
500
400
300
200
100
0
96
97
98
99
00

Board of Directors



Yasuhiko Ono

Executive Vice President

Toshio Kamei

Chairman

Chairman

Toshio Kamei

President

Masamoto Tazaki *

Executive Vice Presidents

Kenjiro Ogata *
Overall Administration of Market Development Department, Kansai Project Research & Development Department, International Operations Department, Domestic and Overseas Offices and Plant Engineering Group

Yasuhiko Ono *
Overall Administration of Technology Group and Ship Division

Yoshiro Inoue *
Overall Administration of Planning and Control

Executive Managing Directors

Hiromichi Takawa *
Senior General Manager of Plant Engineering Group

Shigeji Yamada *
Senior General Manager of Machinery & Steel Structure Group

Toshiaki Ouchida *
Senior General Manager of Aerospace Group

Managing Directors

Tadashi Nishimura
Senior General Manager of Gas Turbine & Machinery Group

Toru Ohmae
Senior General Manager of Consumer Products & Machinery Group

Takashi Sugoh
Deputy Senior General Manager of Aerospace Group

Hironobu Hashiguchi
Senior General Manager of Technology Group

Takehiko Saeki
Senior General Manager of Rolling Stock & Construction Machinery Group
Deputy Senior General Manager of Consumer Products & Machinery Group

Minoru Sakasai
Deputy Senior General Manager of Plant Engineering Group

Directors

Kazuo Mizuno
General Manager of Steel Structure & Industrial Equipment Division

Toshio Atsuta
Deputy Senior General Manager of
Products & Machinery GroupToshioOn3u1keg1R.w4l1keg1RM,

Major Consolidated Subsidiaries and Affiliates

Name	Location	Paid-in Capital (Millions of yen, unless otherwise noted)	Equity (% ownership by KHI, unless otherwise noted)	Principal Businesses
Transportation Equipment				
Kawasaki Rolling Stock Engineering Co., Ltd.	Japan	140	100.00	Manufacture and repair of parts and components for rolling stock; design of rolling stock
Kawasaki Industrial Co., Ltd.	Japan	125	98.71	Construction of arcades; manufacture and inspection of high-pressure containers; maintenance and repair of rolling stock
Kawasaki Rail Car, Inc.	U.S.A.	US$60,600*	100.00	Engineering, manufacture, sales and after-sales service of rolling stock in the United States
Nangtong Cosco KHI Ship Engineering Co., Ltd.†	China	US$80,000*	50.00	Manufacture and sale of ships
Aerospace				
Kawasaki Helicopter System Ltd.	Japan	200	100.00	Transportation of passengers or cargo by helicopter; maintenance and repair of helicopters and flight training services; research, design and construction of heliports
Advanced Technology Institute of Commuter-Helicopter †	Japan	8,025	19.40	Research and development of basic technology for commuter helicopters
Japan Aircraft Manufacturing Co., Ltd.†	Japan	6,048	25.70	Manufacture and sale of aircraft parts
Industrial Equipment				
Kawasaki Safety Service Industries, Ltd.	Japan	1,708	72.69	Manufacture, sale and installation of hospital respiration, fire-extinguishing and medical equipment
Kawasaki Thermal Engineering Co., Ltd.	Japan	1,460	83.01	Manufacture, sale and installation of general
Kawasaki Hydromechanics Corporation	Japan	272	99.71	
Kawasaki Construction Co., Ltd.	Japan	300	100.00	
Kawasaki Machine Systems, Nishi-Nihon Ltd.	Japan	104	100.00	
Kawasaki Machine Systems, Naka-Nihon Ltd.	Japan	112	100.00	
Nichijo Manufacturing Co., Ltd.	Japan	120	50.04	
Kawasaki Construction Machinery Corp. of America	U.S.A.	US$8,000*	100.00 (owned by Kawasaki Motors Corp., U.S.A.)	
Kawasaki Precision Machinery (UK) Limited	U.K.	£5,000*	100.00	
Wuhan Kawasaki Marine Machinery Co., Ltd.	China	1,100	55.00	
Kawasaki Setsubi Kogyo Co., Ltd.†	Japan	1,581	33.62	
Japan Gas Turbine K.K.†	Japan	1,500	40.00	
Shanghai Cosco Kawasaki Heavy Industries Steel Structure Co., Ltd.†	China	US$14,900*	40.00	

Name	Location	Paid-in Capital (Millions of yen, unless otherwise noted)	Equity (% ownership by KHI, unless otherwise noted)	Principal Businesses
Consumer Products				
Kawasaki Motors Corporation Japan	Japan	560	100.00	Domestic wholesale of motorcycles and Jet Ski® personal watercraft
Kawasaki Metal Industries, Ltd.	Japan	350	100.00	Manufacture, processing and assembly of various steel products
Kawasaki Motors Manufacturing Corp., U.S.A.	U.S.A.	US$30,000*	100.00	Manufacture of motorcycles, all-terrain vehicles (ATVs), Jet Ski® personal watercraft, small gasoline engines and industrial robots
Kawasaki Motors Corp., U.S.A.	U.S.A.	US$65,900*	100.00	Distribution of motorcycles, all-terrain vehicles (ATVs), Jet Ski® personal watercraft and small gasoline engines in the United States
Kawasaki Motors Finance Corporation	U.S.A.	US$10,000*	100.00 (owned by Kawasaki Motors Corp., U.S.A.)	Inventory financing for dealers of Kawasaki Motors Corp., U.S.A.
KM Receivables Corporation	U.S.A.	US$100	100.00 (owned by KMFC)	Management of accounts receivables of Kawasaki Motors Finance Corporation
Canadian Kawasaki Motors Inc.	Canada	C$2,000*	100.00	Distribution of motorcycles, all-terrain vehicles (ATVs), and Jet Ski® personal watercraft in Canada
Kawasaki Motors (UK) Ltd.	U.K.	£2,000*	100.00	Distribution of motorcycles, all-terrain vehicles (ATVs), and Jet Ski® personal watercraft in the United Kingdom
Kawasaki Motoren GmbH	Germany	DM12,300*	100.00	Distribution of motorcycles, all-terrain vehicles (ATVs), and Jet Ski® personal watercraft in Germany
Kawasaki Motors Pty. Ltd.	Australia	A$2,000*	100.00	Distribution of motorcycles, all-terrain vehicles (ATVs), and Jet Ski® personal watercraft in Australia
P.T. Kawasaki Motor Indonesia	Indonesia	US$10,000*	51.00	Manufacture and distribution of motorcycles in Indonesia
Kawasaki Motors (Phils.) Corporation	Philippines	P101,430*	50.001	Manufacture and distribution of motorcycles in the Philippines
Kawasaki Motors Enterprise (Thailand) Co., Ltd.	Thailand	B1,400,000*	75.50	Manufacture and distribution of motorcycles in Thailand
Kawasaki Robotics (U.S.A.), Inc.	U.S.A.	US$1,000*	100.00 (owned by Kawasaki Motors Corp., U.S.A.)	Sales and after-sales service of industrial robots in the United States
Kawasaki Robotics (UK) Ltd.	U.K.	£917*	100.00	Sales and after-sales service of industrial robots in the U.K. and Ireland
Kawasaki Machine Systems Korea Ltd.	Korea	W1,500**	100.00	Sale and after-sales service of industrial robots, robot systems and other industrial machinery
Hainan Sundiro-Kawasaki Engine Co., Ltd.†	China	US$29,900*	33.00	Manufacture and sale of motorcycle engines
Other				
Kawaju Shoji Co., Ltd.	Japan	600	70.00	Trading
Kawaju Real Estate Co., Ltd.	Japan	320	100.00	Administration of Company welfare facilities; real estate sales, leasing and construction
Kawasaki Kosan Co., Ltd.	Japan	300	100.00	Insurance representation; real estate leasing, administration and maintenance; leasing and provision of loans
Kawasaki Foods Co., Ltd.	Japan	160	100.00	Food supply to Company facilities; operation of dining facilities

Name	Location	Paid-in Capital (Millions of yen, unless otherwise noted)	Equity (% ownership by KHI, unless otherwise noted)	Principal Businesses
Kawaju Tomakomai Kanko Kaihatsu Co., Ltd.	Japan	300	100.00	Management of a golf course
Uji Kanko Co., Ltd.	Japan	240	100.00	Management of a golf course
Kawasaki do Brasil Industria e Comércio Ltda.	Brazil	R1,136*	100.00	Sale of KHI products in Brazil, and the rest of Central and South America; provision of order intermediation and various engineering services
Kawasaki Heavy Industries (U.S.A.), Inc.	U.S.A.	US$600*	100.00	Product sales, mediation of orders and provision of various engineering support services in North America
Kawasaki Heavy Industries (UK) Ltd.	U.K.	£500*	100.00	Sale of KHI products in various countries in Europe (principally the U.K.), the Middle East, and Africa; provision of order intermediation services

* Monetary unit in thousands
** Monetary unit in millions
† Affiliate accounted for using equity method

(As of March 31, 2000)

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Metro Manila
The Philippines
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Fax: 60-3-230-5148

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Fax: 61-2-9684-4580

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Fax: 1-212-759-6421

Houston Branch
333 Clay Street, Suite 4480
Houston, TX 77002-4103, U.S.A.
Phone: 1-713-654-8981
Fax: 1-713-654-8187

Kawasaki Rail Car, Inc.
29 Wells Avenue, Building #4,
Yonkers, NY 10701, U.S.A.
Phone: 1-914-376-4700
Fax: 1-914-376-4779

Kawasaki Robotics (U.S.A.), Inc.
28059 Center Oaks Court
Wixom, MI 48393, U.S.A.
Phone: 1-248-305-7610
Fax: 1-248-305-7618

Kawasaki Motors Corp., U.S.A.
9950 Jeronimo Road
Irvine, CA 92618-2084, U.S.A.
Phone: 1-949-770-0400
Fax: 1-949-460-5600

Grand Rapids Office
5080 36th Street S.E.
Grand Rapids, MI 49512, U.S.A.
Phone: 1-616-949-6500
Fax: 1-616-954-3031

Green River Insurance Company
7 Burlington Square, #600
Burlington, VT 05402, U.S.A.
Phone: 1-802-860-0444
Fax: 1-802-860-0440

Kawasaki Motors Finance Corporation
9950 Jeronimo Road
Irvine, CA 92618-2084, U.S.A.
Phone: 1-949-770-0400
Fax: 1-949-460-5600

KM Receivables Corporation
9950 Jeronimo Road, Suite 203
Irvine, CA 92618-2084, U.S.A.
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Fax: 1-949-460-5600

Kawasaki Motors Manufacturing Corp., U.S.A.
6600 Northwest 27th Street
Lincoln, NE 68524, U.S.A.
Phone: 1-402-476-6600
Fax: 1-402-476-6672

Maryville Plant
28147 Business Highway 71
Maryville, MO 64468, U.S.A.
Phone:1-660-582-5829
Fax: 1-660-582-5826

Kawasaki Construction Machinery Corp. of America
2140 Barrett Park Drive, Suite 101
Kennesaw, GA 30144, U.S.A.
Phone: 1-770-499-7000
Fax: 1-770-421-6842

Canadian Kawasaki Motors Inc.
25 Lesmill Road, Don Mills, Toronto
Ontario M3B 2T3, Canada
Phone: 1-416-445-7775
Fax: 1-416-445-5389

Kawasaki do Brasil Industria e Comércio Ltda.
Avenida Paulista, 542-6 Andar
Bela Vista, 01310-000, São Paulo, S.P., Brazil
Phone: 55-11-289-2388
Fax: 55-11-289-2788

Kawasaki Heavy Industries (UK) Ltd.
4th Floor, 3 St. Helen's Place
London EC3A 6AB, U.K.
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Fax: 44-20-7588-5333

Kawasaki Precision Machinery (UK) Ltd.
Ernesettle Lane, Ernesettle, Plymouth
Devon PL5 2SA, U.K.
Phone: 44-1752-364394
Fax: 44-1752-364816

Kawasaki Robotics (UK) Ltd.
Unit 6&7, Easter Court
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Warrington WA5 5ZB, U.K.
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Fax: 44-1925-713001

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Fax: 44-1628-856799

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5th Floor, Wehrhahn Center
Oststrasse 10, 40211 Düsseldorf, Germany
Phone: 49-211-1792340
Fax: 49-211-161844

Kawasaki Gas Turbine Europe GmbH
Max-Planck-Strasse 21A
61381 Friedrichsdorf, Germany
Phone: 49-6172-7363
Fax: 49-6172-736355

Kawasaki Robotics GmbH
29 Sperberweg 41468 Neuss, Germany
Phone: 49-2131-34260
Fax: 49-2131-930973

Kawasaki Motoren GmbH
Max-Planck-Strasse 26
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Fax: 49-6172-734160

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Pho9-2 44 2938851000
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3rd Floor (307)
Industrial Complex Support Bldg.
637, Kojan-Dong, Namdong-Go
Inchon, 405-310, Korea
Phone: 82-32-821-6941~5
Fax: 82-32-821-6947

KHI (Dalian) Computer Technology Co., Ltd.
Building Foreign Specialist
of the Dalian Maritime University
Ling Shui Qiao, Dalian
People's Republic of China
Phone: 86-411-467-2507
Fax: 86-411-467-2459

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No. 43 Wudong Street
Qingshan, Wuhan
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Phone: 86-27-6590626
Fax: 86-27-6590627

Kawasaki Heavy Industries (H.K.) Ltd.
Room 1619, Jardine House
Connaught Road, Central, Hong Kong
Phone: 852-2522-3560
Fax: 852-2845-2905

Kawasaki Motors Enterprise (Thailand) Co., Ltd
119 / 18 Moo 4, Pluak Daeng-Wangtapin
Sapansi Road, Tambon Pluak Daeng
Amphur Pluak Daeng, Rayong 21140, Thailand
Phone: 66-38-955050~58
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KHI Design & Technical Service Inc.
Unit 7A&7B The Island Plaza, 105 Alfaro Street
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Phone: 63-2-810-9213
Fax: 63-2-816-1222

Kawasaki Motors (Phils.) Corporation
Km.24 East Service Road, Bo. Cupang, Alabang
Muntinlupa, Metro Manila, The Philippines
Phone: 63-2-842-3140
Fax: 63-2-842-2730

Kawasaki Heavy Industries (Singapore) Pte. Ltd.
6 Battery Road, #18-04
Singapore 049909
Phone: 65-2255133~4
Fax: 65-2249029

P.T. Kawasaki Motor Indonesia
Jl. Perintis Kemerdekaan, Kelapa Gading
Jakarta Utara 14250, Indonesia
Phone: 62-21-452-3322
Fax: 62-21-452-3566

Kawasaki Motors Pty. Ltd.
Unit Q, 10-16 South Street
Rydalmere, N.S.W. 2116, Australia
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Fax: 61-2-9684-4580

OVERSEAS JOINT VENTURES

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Marconiweg 5
4131 PD Vianen ZH
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Phone: 31-347-324949
Fax: 31-347-324955

Tiesse Robot S.p.A.
Via Isorella 24
25010 Visano (Brescia), Italy
Phone: 39-30-9958621
Fax: 39-30-9958677

Robots International Limited
21, Archbishop Street
Valetta, Malta
Phone: 356-320897
Fax: 356-346041

Nantong Ocean Ship Engineering Co., Ltd.
Ren Gang Nanshou, Nantong City, 226005
Jiangsu Province, People's Republic of China
Phone: 86-513-351-4770
Fax: 86-513-351-4349

Nantong Cosco KHI Ship Engineering Co., Ltd.
117, Linjiang Road, Nantong City
Jiangsu Province, People's Republic of China
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Fax: 86-513-351-4349

Shanghai Cosco Kawasaki Heavy Industries Steel Structure Co., Ltd.
5198 Hutai Road, Baoshan District
Shanghai, People's Republic of China
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Fax: 86-21-5602-5198

Hainan Sundiro-Kawasaki Engine Co., Ltd.
Lingui Dadao No.3
Guilinyang Economic Development Area
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Phone: 86-898-5711586
Fax: 86-898-6715518

Glory Kawasaki Motors Co., Ltd.
221 / 1 Rama IX Road, Huay Kwang
Bangkok 10320, Thailand
Phone: 66-2-643-0813
Fax: 66-2-247-7924

KHITKAN Co., Ltd.
G.K. Land Industrial Park, Moo 4
Tambon Pluak Daeng
Amphur Pluak Daeng, Rayong Province
Thailand
Phone: 66-38-955062~66
Fax: 66-38-955067

Kawasaki Motors Holding (Malaysia) Sdn. Bhd.
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Segambut, 51200
Kuala Lumpur, Malaysia
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Fax: 60-3-6251-2688

Kawasaki Motors Service Co., Ltd.
129 Rama IX Road, Kwaeng Huaykwang
Khet Huaykwang, Bangkok 10320, Thailand
Phone: 66-2-246-1510

KMPC Realty Corporation
Km.24 East Service Road, Bo. Cupang, Alabang
Muntinlupa, Metro Manila, The Philippines
Phone: 63-2-842-3140
Fax: 63-2-842-2730

DOMESTIC WORKS

Noda Works
118, Futatsuzuka, Noda
Chiba 278-8585, Japan
6o 3tleastries t7lio1K td.
5Tf7.5 o0 TcN67P- 7.5 256.84 661.86 Tm0.0002 TcNHue84 608.19 Tm0.0002 Tc(Hainan Sundiro-KawF10a0 3tai68G2i4t

Kawasaki Corporate Data

(As of March 31, 2000)

Kawasaki Heavy Industries, Ltd.

Head Office:
Kobe Crystal Tower
1-3, Higashikawasaki-cho 1-chome
Chuo-ku, Kobe 650-8680, Japan

Founded: 1878

Incorporated: 1896

Paid-in Capital:
¥81,426,590,792

Number of Shares Outstanding:
1,390,595,964 shares

Number of Shareholders:
128,242

Number of Employees:
29,772

Stock Exchange Listings:
Tokyo, Osaka, Nagoya, Kyoto,
Fukuoka, Sapporo

Newspapers in which public notices are made:
The Nihon Keizai Shimbun
The Kobe Shimbun

Transfer Agent:
The Chuo Mitsui Trust and Banking Company, Limited
7-1, Kyobashi 1-chome
Chuo-ku, Tokyo 104-0031, Japan

Handling Office
The Chuo Mitsui Trust and Banking Company, Limited
Osaka Branch Office
2-21, Kitahama 2-chome
Chuo-ku, Osaka 541-0041, Japan

Independent Auditors:
Asahi & Co.
Kobe Crystal Tower
1-3, Higashikawasaki-cho 1-chome
Chuo-ku, Kobe 650-8680, Japan

ADR Facility:
KHI has a sponsored American Depository Receipt (ADR) facility. ADRs are traded in the over-the-counter (OTC) market in the United States under cusip number 486 359 20 1 with each ADR representing four ordinary shares.

ADR Depository:
The Bank of New York
101 Barclay St., 22 West
New York, NY 10286, U.S.A.
Phone: 1-212-815-2042
U.S. Toll Free: 888-269-2377
(888-BNY-ADRS)
http://www.bankofny.com/adr

KHI Home Page at:
http://www.khi.co.jp

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