

Investors Meeting for First Half of Fiscal 2005

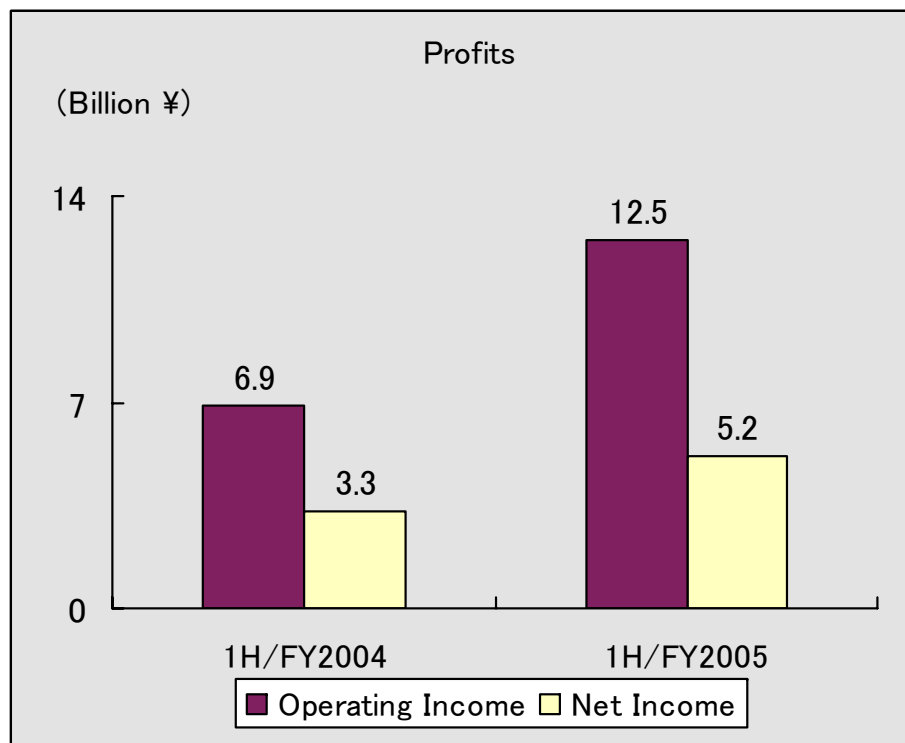
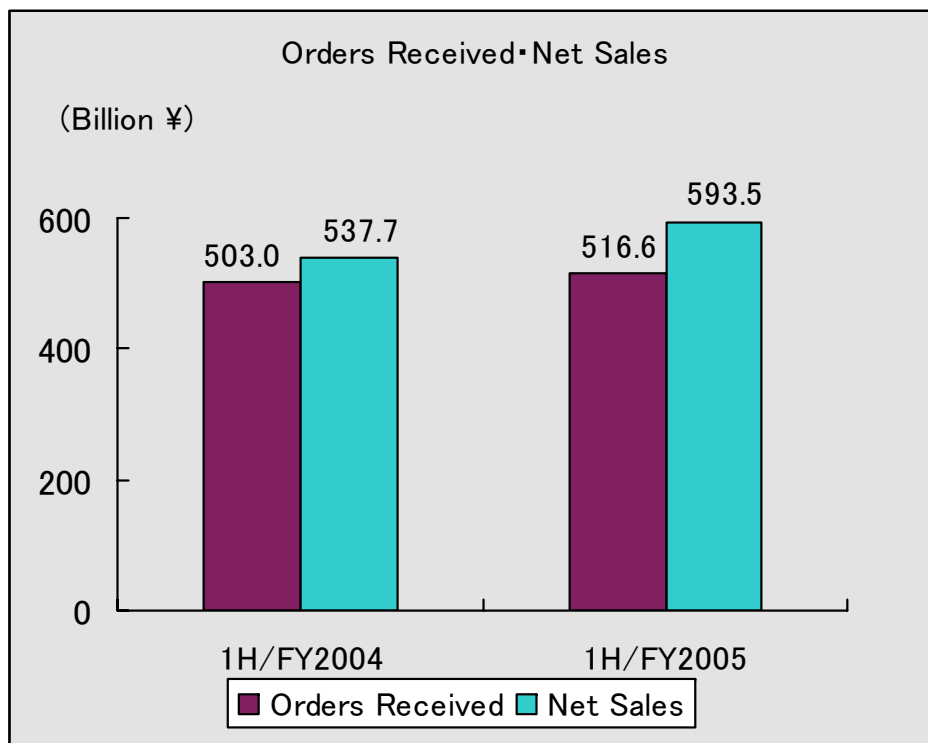
(for the year ending March 31, 2006)

Oct 28, 2005

Kawasaki Heavy Industries, Ltd.



Summary of 1H/FY2005 Results(Consolidated)



	Actual Exchange Rates	
	1H/FY2004	1H/FY2005
USD/¥	110	108
EUR/¥	135	136

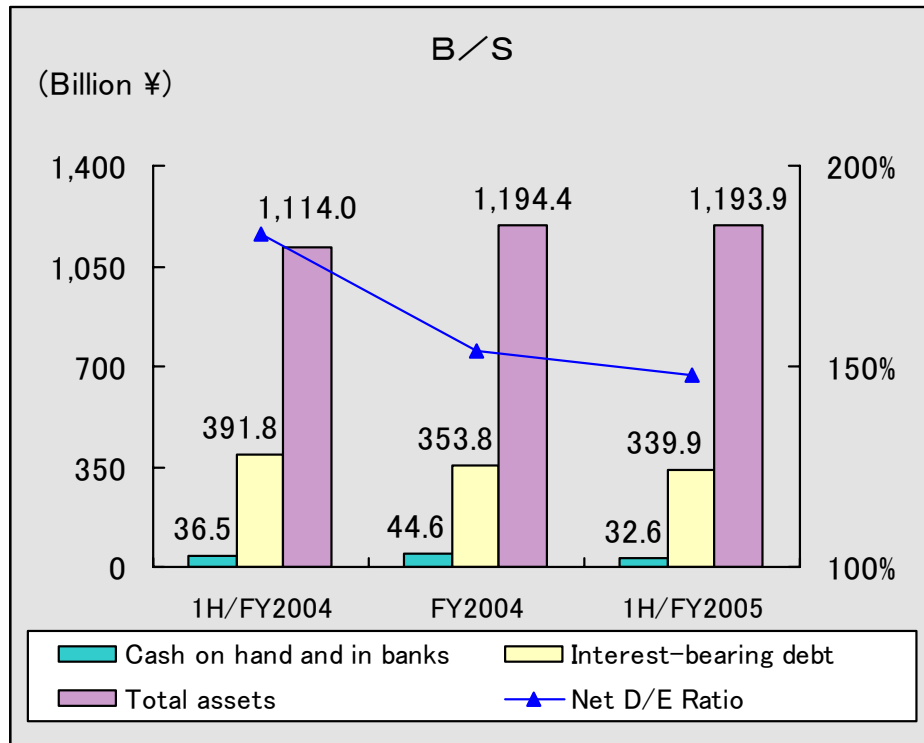
	1H/FY2004(a)	1H/FY2005(b)	(b)-(a)
Operating Income	6.9	12.5	+5.6
Net Income	3.3	5.2	+1.8

(Billion ¥)

Breakdown of Increases/Decreases in Profit for 1H/FY2005 compared to 1H/FY2004

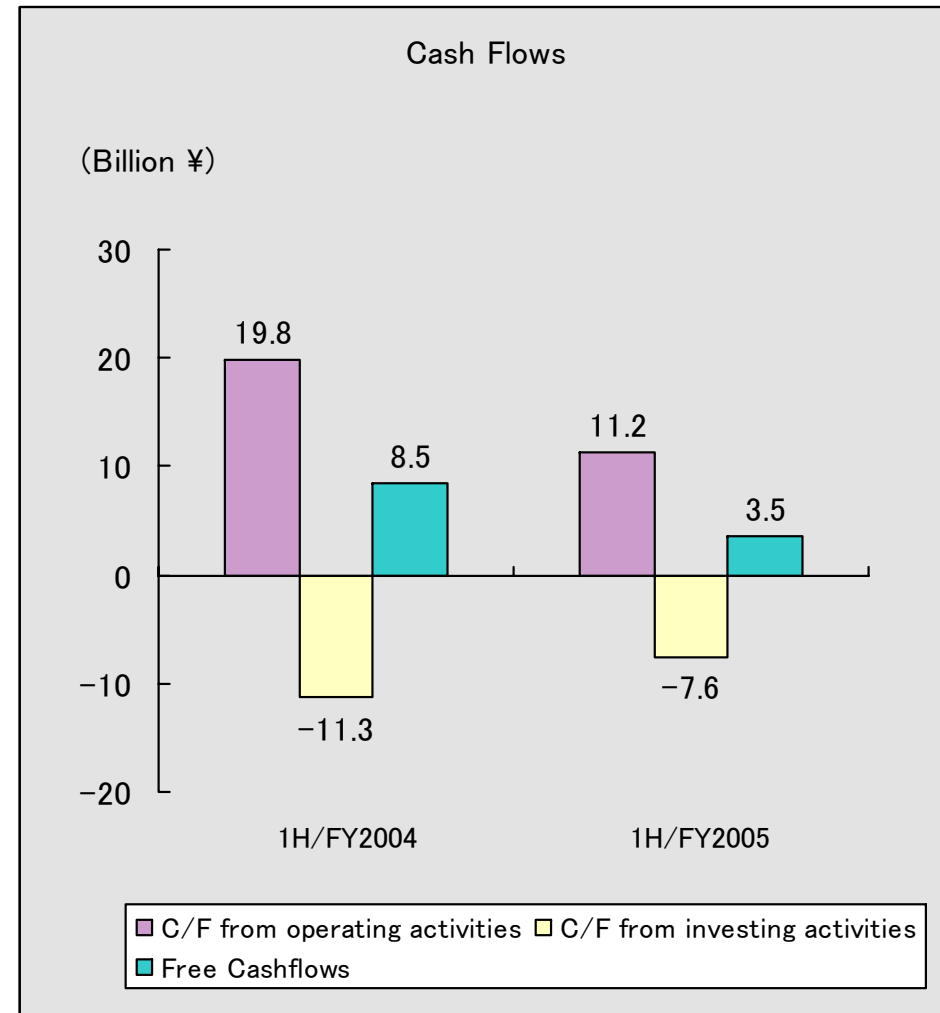
✧ Operating income		(+5.6 billion yen)
Adverse influence by exchange rate movements		-1.8
Adverse impact of rise in material price		-4.3
Effects of sales increase		+7.2
Effects of cost reduction including fixed cost, etc		+4.5
✧ Non-operating income		(-0.7 billion yen)
Decrease in net interest expenses		+0.6
Gain on sales of marketable securities		+2.1
Loss of Foreign exchange		-2.8
(1H/FY2004 ¥0 → 1H/FY2005 ¥2.8 billion)		-2.8
Others		-0.6
✧ Other income		(-3.6 billion yen)
Losses on impairment of fixed assets		-3.0
Others		-0.6

Debt and Cash flows



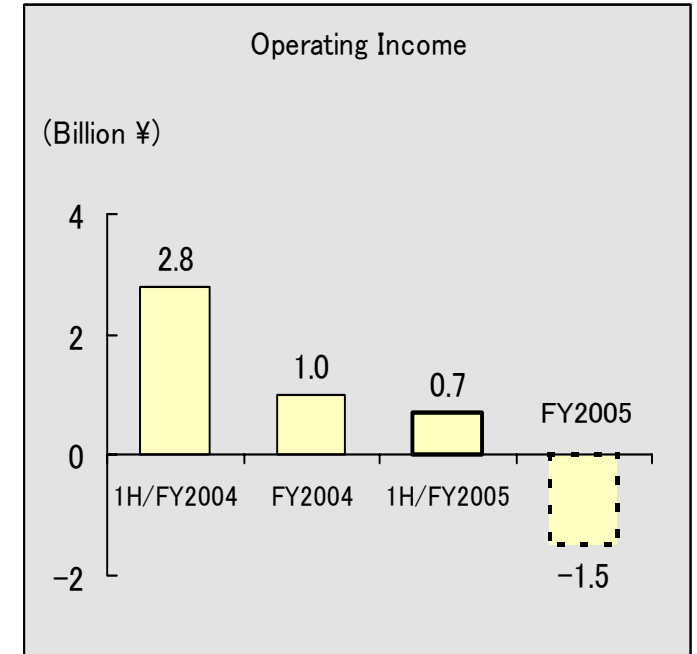
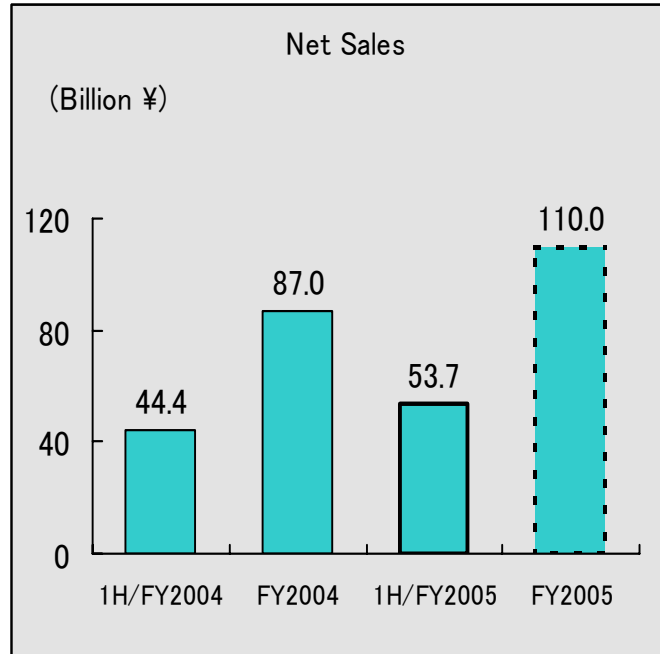
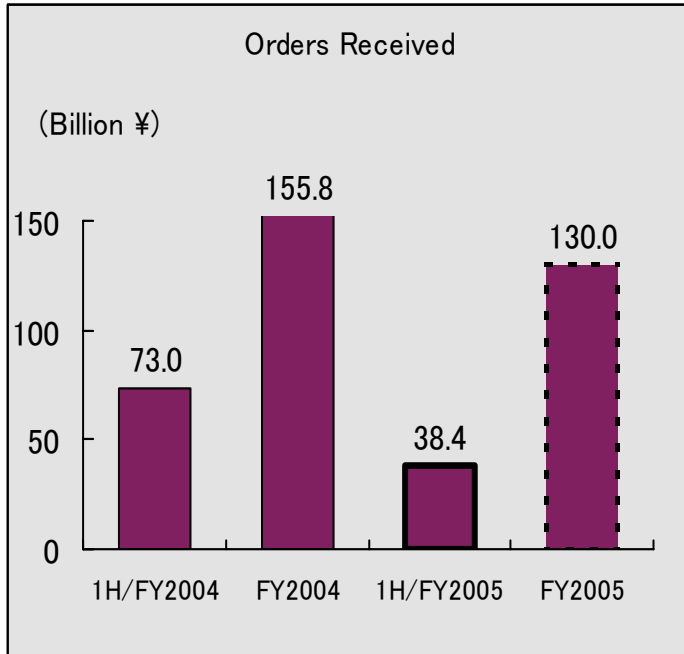
(Billion ¥)

	1H/FY2004	FY2004	1H/FY2005
Net debt	355.3	309.2	307.2
Shareholders' equity	194.1	201.4	207.4
Net D/E Ratio	183%	154%	148%



* About ¥150billion of interest-bearing debt has been reduced in the last four years by means of reducing receivables and inventories.

Shipbuilding



1H/FY2004		1H/FY2005	
LNG carriers	2	LNG carrier	1
LPG carrier	1	Small LNG carrier	1
VLCCs	2	LPG carrier	1
Bulk carrier	1		

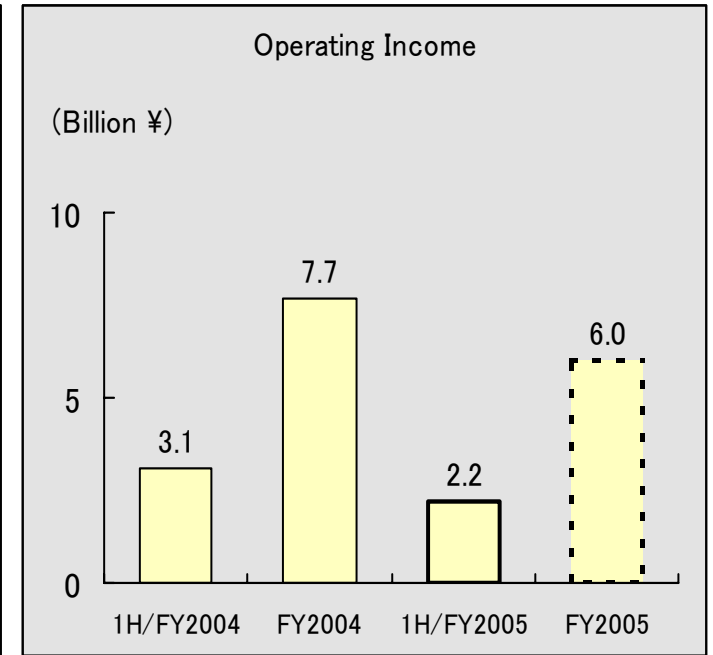
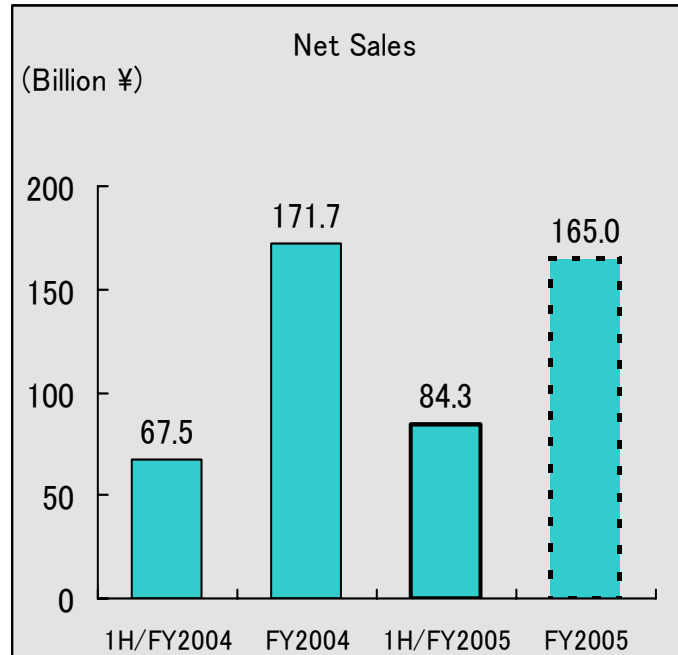
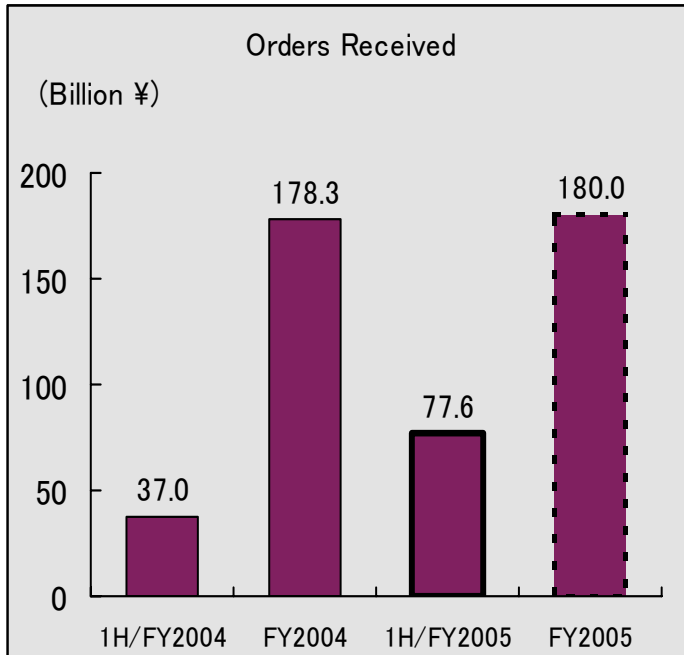
1H/FY2004		1H/FY2005	
LNG carriers	4(3)	LNG carriers	3(3)
LPG carriers	3(2)	VLCC	1
Bulk carriers	2	Bulk carriers	3
Submarine	1(1)	Submarines	2(2)

Note: () = Sales units by percentage-of-completion method

【Business Results for 1H/FY2005
(year-on-year comparison)】

- * No orders received of VLCC and Bulk carrier
- * Securing of profit by means of cost reduction including fixed cost despite of adverse impact of rise in steel price

Rolling Stock



【Business Results for 1H/FY2005 (year-on-year comparison)】

《Orders Received》

- * Increase in orders received of a large-scale project for overseas
 - Commuter trains for PATH in U.S. (340 cars/ 500milUS\$)

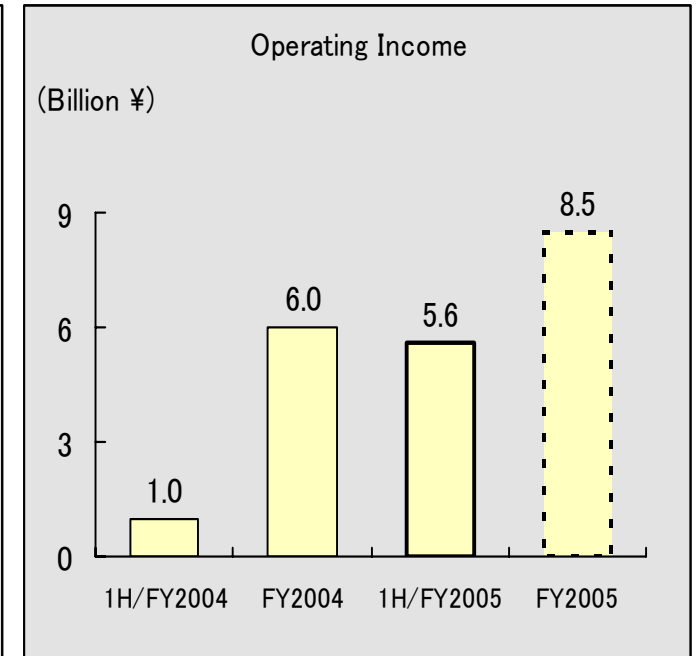
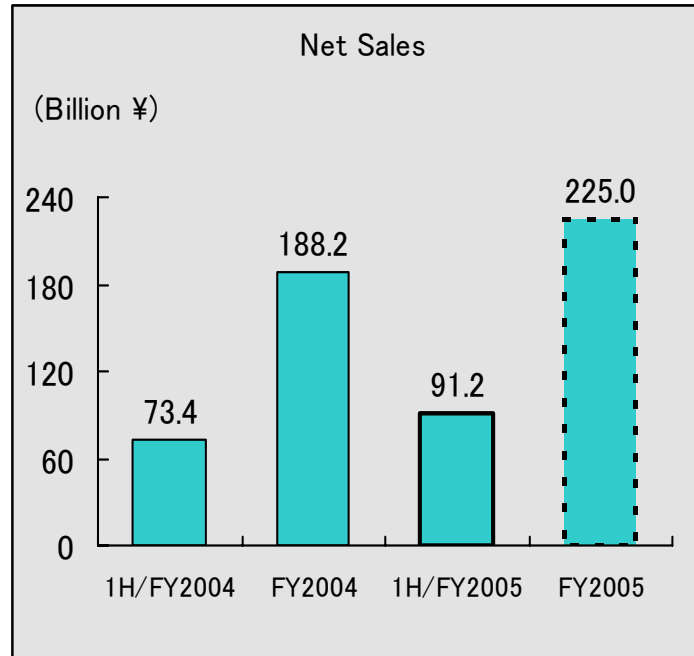
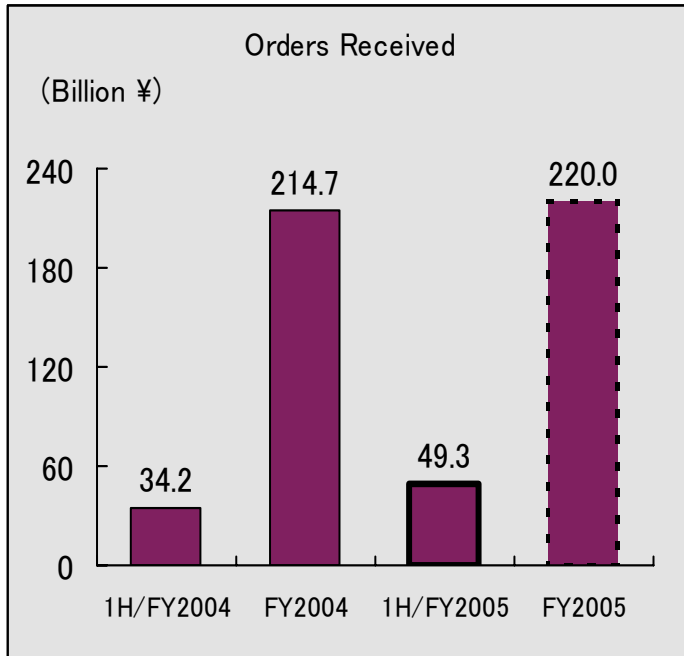
《Net Sales》

- * Increase in sales of Taiwan High Speed Railway System and wheel loaders

《Operating Income》

- * Decrease in profit due to depreciation cost of development for the new type of bullet train

Aerospace



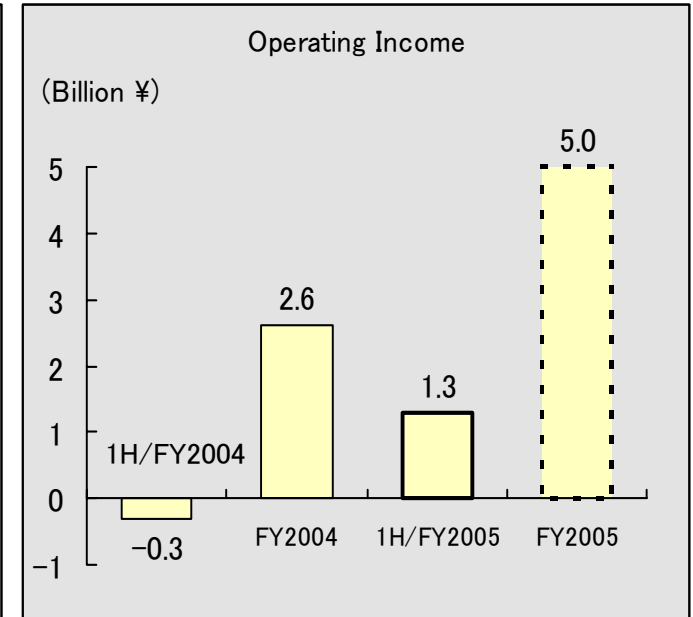
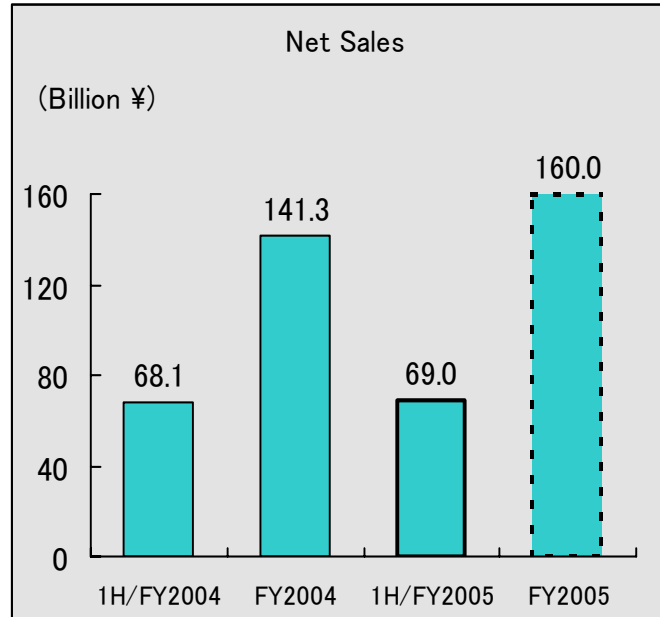
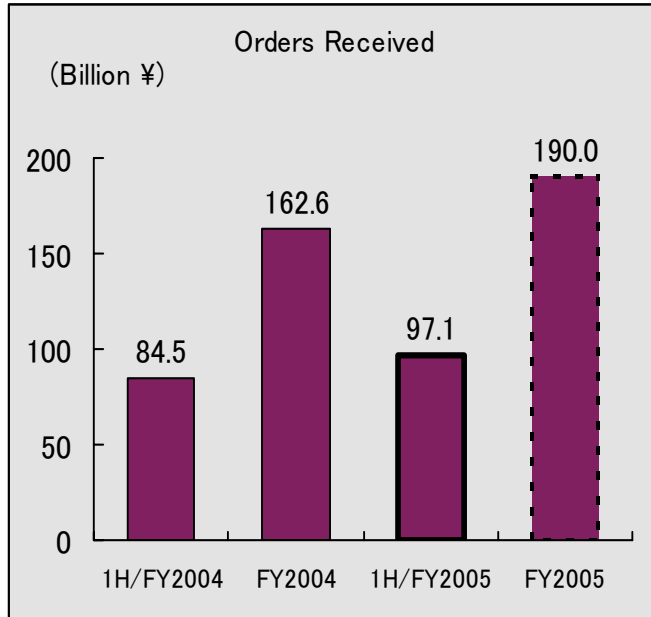
<Sales units for commercial aircraft and component parts>

	Sales units			
	1H/FY2004	FY2004	1H/FY2005	FY2005 Projection
B777	17	40	25	49
B767	6	10	7	11
Embraer170/175	39	57	20	50
Embraer190/195	1	8	14	46

【Business Results for 1H/FY2005 (year-on-year comparison)】

- * Increase in orders received for BOEING business
- * Increase in sales and profit due to sales increase for development of the P-X (Patrol plane) and C-X (Container plane) and BOEING business

Gas Turbines & Machinery



【Business Results for 1H/FY2005 (year-on-year comparison)】

《Orders Received》

* Increase in orders received of commercial aircraft jet engines for overseas and marine diesel engines

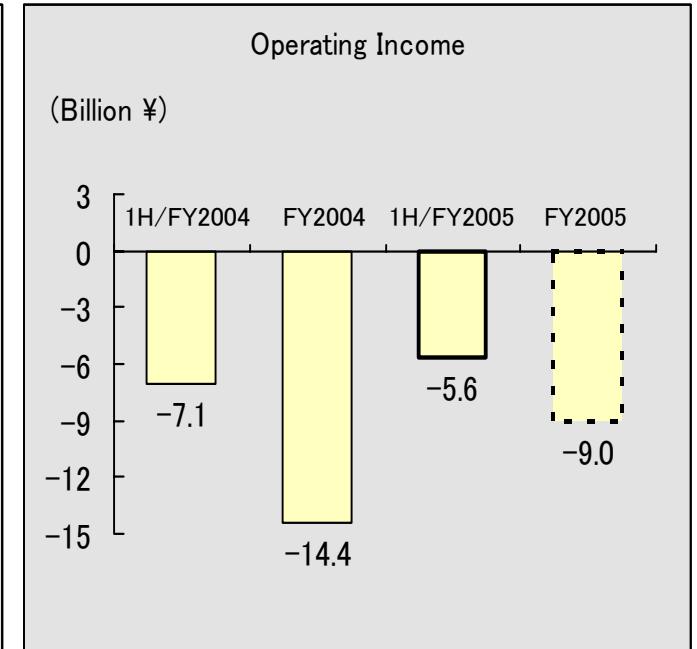
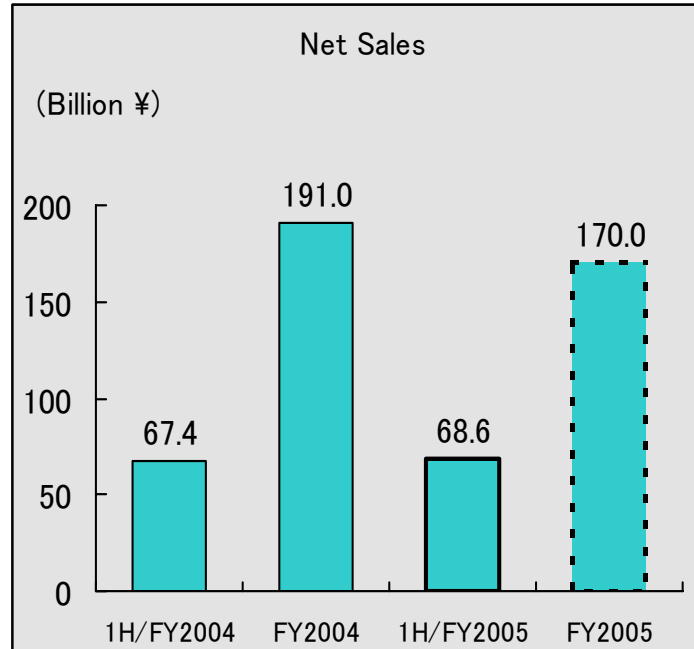
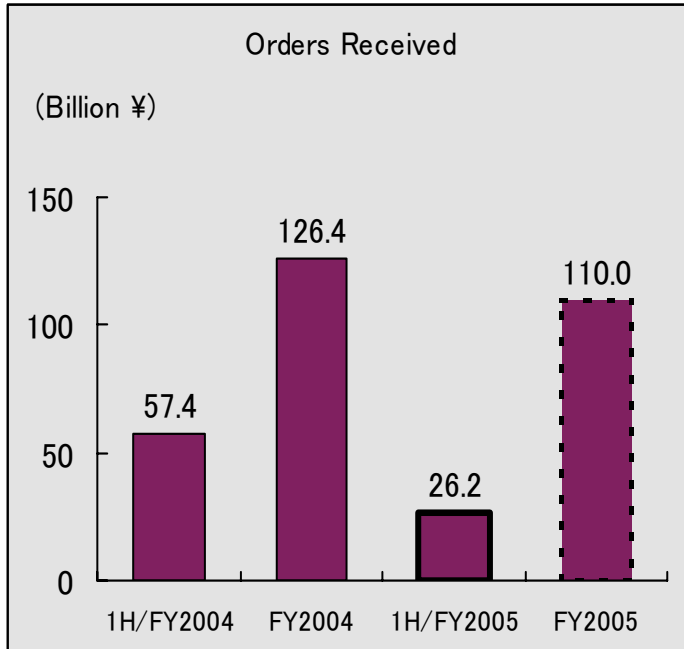
《Net Sales》

* Slight sales increase
(ex. Commercial aircraft jet engines etc)

《Operating Income》

* Return to profitability mainly due to release from investment in marketing for new industrial gas turbines (L20A)

Plant & Infrastructure Engineering



【Business Results for 1H/FY2005 (year-on-year comparison)】

《Orders Received》

- * Large decrease in orders received due to
 - ... decrease in large-scale orders received
 - ... adverse impact of suspension of designation in bidding for our steel structure business unit

for reference only

- Large-scale orders received for 1H/FY2004
- Refuse incineration plant/ Tokyo city

《Net Sales》

- * Slight sales increase

[Large-scale sales]

1H/FY2005

- Coal-thermal power plant/ Philippines
- Fertilizer plant/ Iran

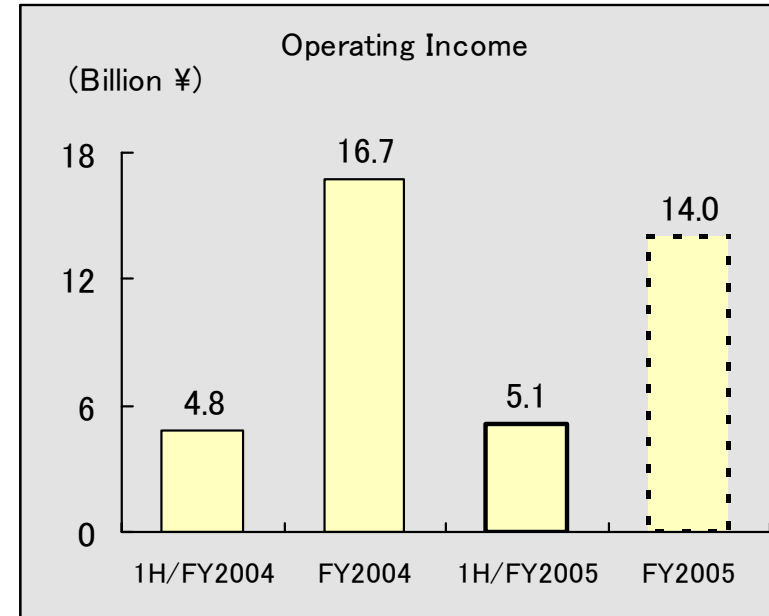
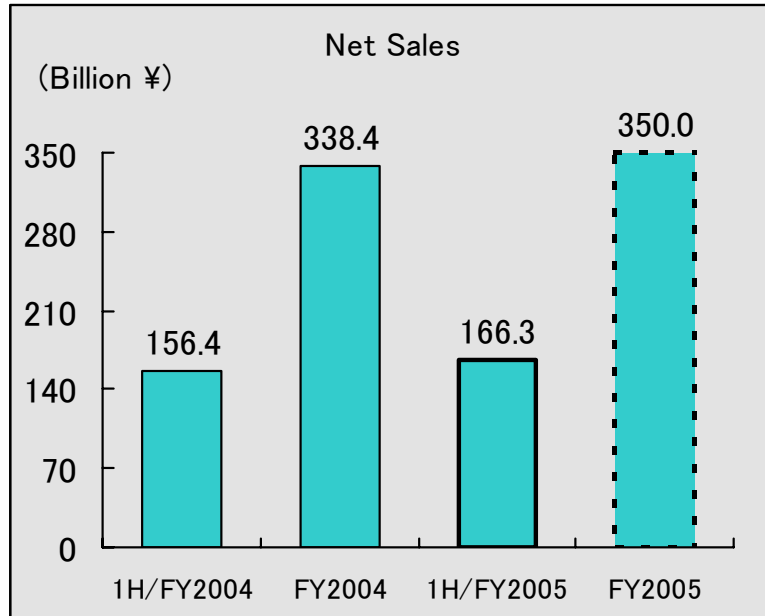
1H/FY2004

- Ferronickel production plant/ Indonesia
- Fertilizer plant/ Iran
- Refuse incineration plant/ Fukuoka

《Operating Income》

- * Decrease in losses from plant engineering business unit

Consumer Products & Machinery



<Geographical Sales for Consumer Products>

(Thousands of Unit / Billion ¥)

Region	1H/FY2004		FY2004		1H/FY2005		FY2005(Projection)	
	QTY	Amount	QTY	Amount	QTY	Amount	QTY	Amount
Japan	23	11.9	36	19.0	17	10.5	27	17.2
NorthAmerica	87(36)	55.5	217(101)	138.1	109(47)	68.5	239(121)	145.8
Europe	41	35.5	79	67.5	38	30.9	86	63.9
Others	96	16.6	209	34.8	83	15.6	228	38.8
Total	247	119.5	541	259.4	247	125.6	580	265.7

Note

- Sales units consist of Motorcycle, All-Terrain Vehicles (ATV), Utility Vehicles (MULE), Personal Water Craft (Jet Ski) and parts for these products.
- Domestic sales include OEM supply.
- () represents Motorcycle sales unit.

【Business Results for 1H/FY2005 (year-on-year comparison)】

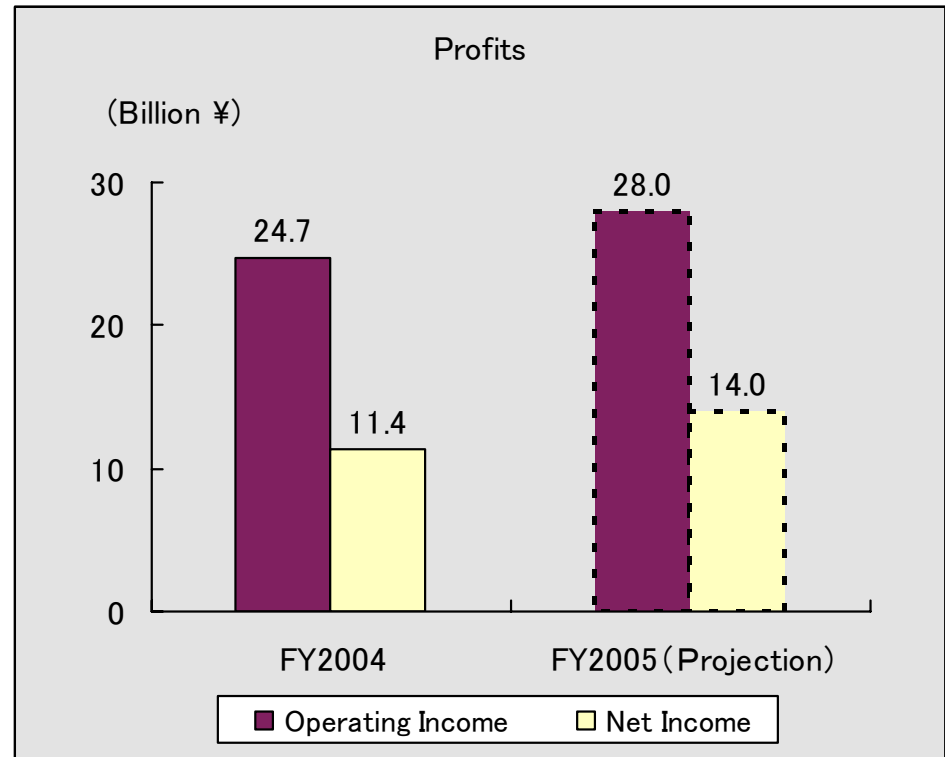
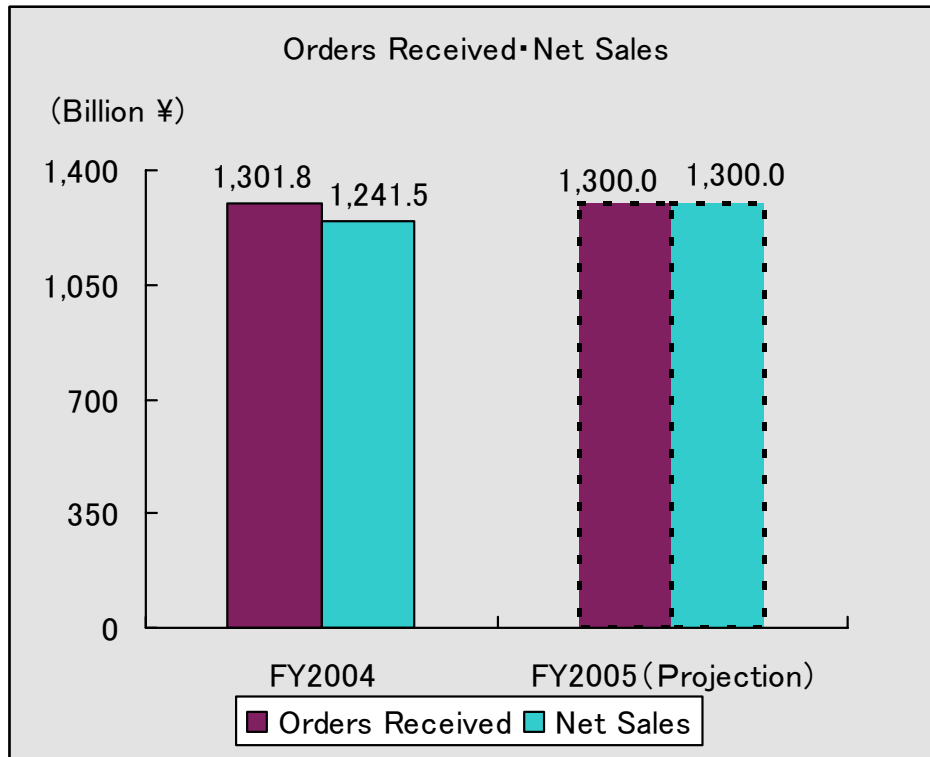
- * Sales of consumer products (Motorcycles and ATVs):
Increase in U.S. market and Decrease in European market
- * Sales increase of industrial robots
- * Increase in profit due to sales increase of consumer products for U.S. market and industrial robots

R&D/Capital expenditures/Number of Employees

(Billion ¥ / Persons)

	1H/FY2004 Actual	FY2004 Actual	1H/FY2005 Actual	FY2005 Projection
R&D	11.7	27.8	10.9	30.0
Capital expenditures	14.1	29.6	17.8	42.0
Depreciation and amortization	15.1	31.5	14.3	32.0
Domestic	23,576	23,070	22,963	22,800
Overseas	5,550	5,612	6,061	6,100
Number of Employees	29,126	28,682	29,024	28,900

Outlook for FY2005



	FY2004 Actual exchange rates	FY2005 Planned exchange rates	
		As of April	As of October
USD/¥	108	100	105
EUR/¥	136	130	130

(Billion ¥)

	FY2004 Actual	FY2005 Projection	
		As of April	As of October
Operating Income	24.7	28.0	28.0
Net Income	11.4	14.0	14.0

Outlook for FY2005 by Segment

(Billion ¥)

	FY2004 Actual		FY2005 Projection			
			As of April		As of October	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Shipbuilding	87.0	1.0	110.0	-3.0	110.0	-1.5
Rolling Stock	171.7	7.7	160.0	5.0	165.0	6.0
Aerospace	188.2	6.0	230.0	7.0	225.0	8.5
Gas Turbines & Machinery	141.3	2.6	150.0	4.0	160.0	5.0
Plant & Infrastructure Engineering	191.0	-14.4	170.0	-2.0	170.0	-9.0
Consumer Products & Machinery	338.4	16.7	330.0	13.0	350.0	14.0
Others	123.6	4.9	120.0	4.0	120.0	5.0
Total	1,241.5	24.7	1,270.0	28.0	1,300.0	28.0
USD/¥	108		100		105	
EUR/¥	136		130		130	

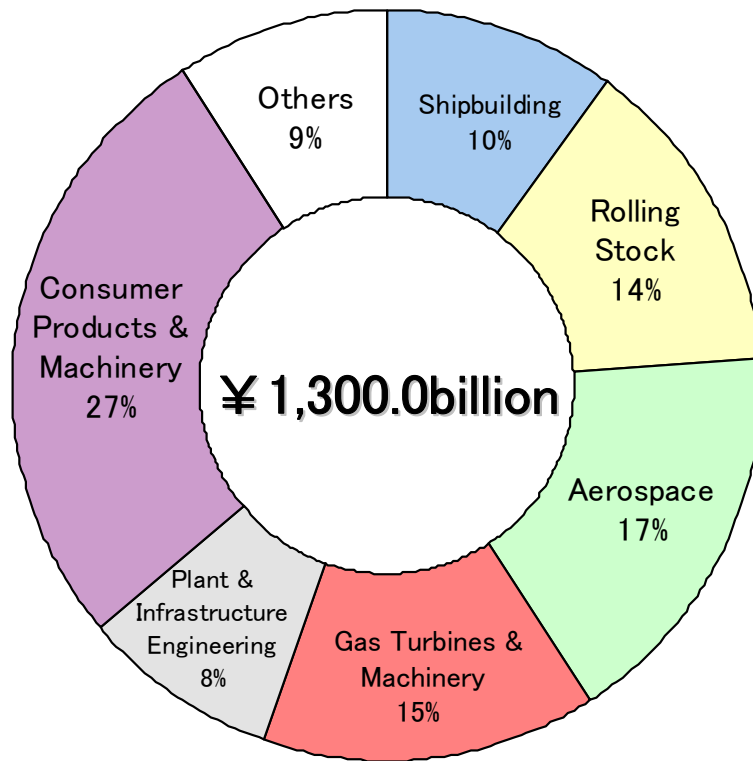
Outlook of Orders Received for FY2005

(Billion ¥)

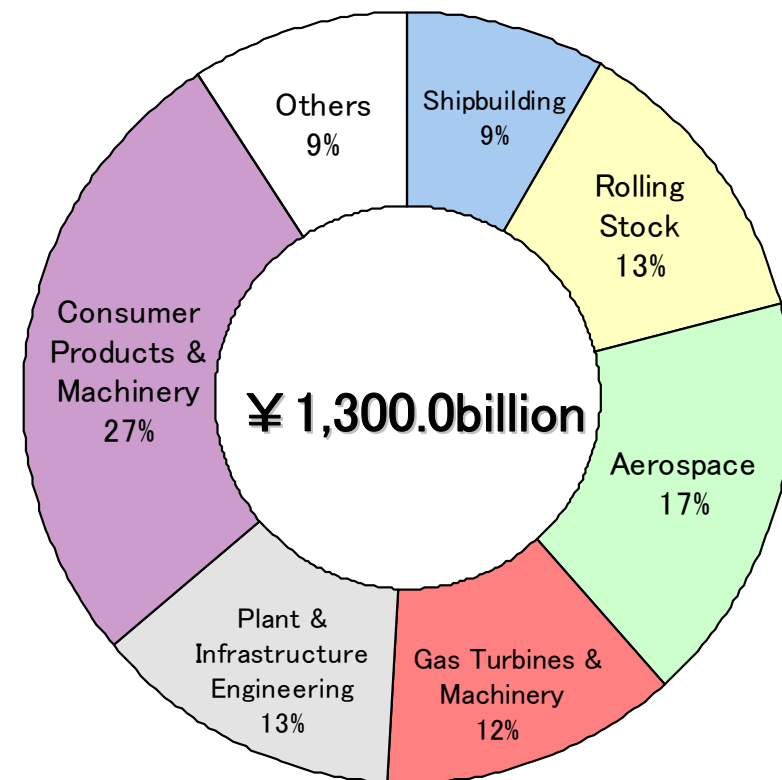
	FY2004 Actual	FY2005 Projection	
		As of April	As of October
Shipbuilding	155.8	120.0	130.0
Rolling Stock	178.3	180.0	180.0
Aerospace	214.7	210.0	220.0
Gas Turbines & Machinery	162.6	180.0	190.0
Plant & Infrastructure Engineering	126.4	160.0	110.0
Consumer Products & Machinery	338.4	330.0	350.0
Others	125.3	120.0	120.0
Total	1,301.8	1,300.0	1,300.0

Orders Received & Net Sales (FY2005 Projection)

Orders Received



Net Sales



Kawasaki, let the good times roll !

Cautionary Statement

The performance outlook and the forecasts stated in this material were prepared by Kawasaki Heavy Industries, Ltd. (hereinafter, KHI) based on the circumstances at the release point, and include potential risks and uncertain factors that relate to economic conditions, foreign currency exchange rates, tax rules, regulations and other factors. Accordingly, please note that the actual operating results, financial position, and business deployment of KHI may sometimes differ considerably from the descriptions in the present projections.