

KAWASAKI HEAVY INDUSTRIES, LTD.

Semiannual Report 2005

For the six months ended September 30, 2005

Consolidated Financial Highlights

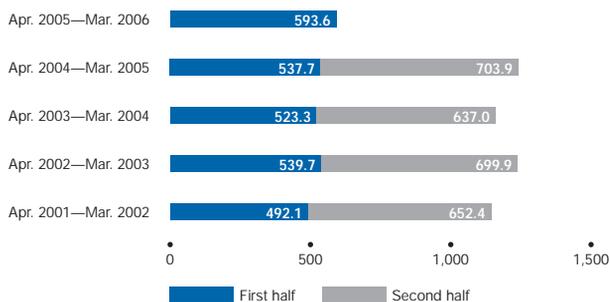
Kawasaki Heavy Industries, Ltd. and Consolidated Subsidiaries
For the six months ended September 30, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
For the period:			
Net sales.....	¥ 593,579	¥ 537,715	\$ 5,243,168
Operating income	12,577	6,945	111,095
Net income	5,233	3,365	46,224
Research and development expenses.....	11,200	5,300	98,931
Depreciation and amortization.....	14,384	15,130	127,056
Net cash provided by operating activities	11,216	19,816	99,073
Per share (in yen and U.S. dollars):			
Net income	¥ 3.63	¥ 2.30	\$ 0.03
Cash dividends	—	—	—
At end of the period:			
Total assets	¥1,193,901	¥1,114,029	\$10,545,897
Total shareholders' equity	207,499	194,127	1,832,868
Orders received and outstanding:			
Orders received during the period	516,694	503,090	4,564,031
Order backlog at end of the period	1,191,717	1,173,053	10,526,605
Number of employees	29,024	29,126	

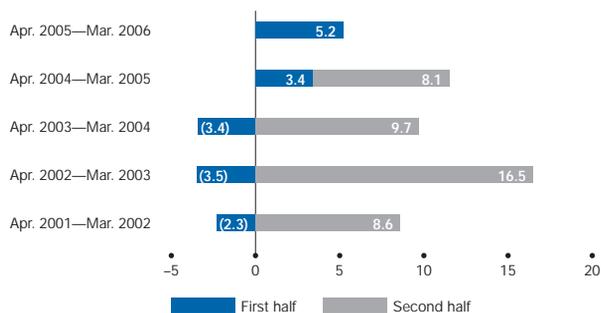
Notes: 1. This semiannual report has been prepared in conformity with generally accepted accounting principles and practices in Japan.

2. All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at ¥113.21 to \$1.00, the approximate rate of exchange at September 30, 2005.

Net Sales (Billions of yen)



Net Income (Loss) (Billions of yen)



Boosting Corporate Value and Establishing Trust in the Kawasaki Brand

Operating Income Rises Substantially

The Japanese economy continued to recover during the interim period under review, mainly supported by increases in private capital investment stemming from improved corporate earnings. However, the overall operating environment for Kawasaki Heavy Industries, Ltd. (KHI), was challenging as a result of cutbacks in government public works investment and higher raw material prices.

Amid this operating environment, the KHI Group continued aggressive marketing activities. As a consequence, total orders rose ¥13.6 billion, or 2.7%, from the interim period of the previous year, to ¥516.7 billion, due mainly to the receipt of major orders in the Rolling Stock, Construction Machinery & Crushing Plant segment.

Net sales for the interim period climbed 10.4%, or ¥55.9 billion year on year, to ¥593.6 billion, as revenues rose in all business segments, led especially by the Aerospace and Rolling Stock, Construction Machinery & Crushing Plant segments.

Profitability showed a marked improvement over a year earlier, with operating income increasing 81.1%, or ¥5.6 billion, to ¥12.6 billion, and net income increasing 55.5%, or ¥1.9 billion, to ¥5.2 billion. Developments boosting profits included a weakening in the value of the yen, advances in the Aerospace segment, improvement in the Gas Turbines & Machinery segment, a firm performance in the Consumer Products & Machinery segment, and other factors.

KHI's fundamental stance is to pay our shareholders stable cash dividends appropriate to our earnings performance. However, after giving due consideration to the importance of expanding retained earnings and the uncertainties in the operating environment for the full fiscal year ending March 31, 2006, we have

decided to suspend the payment of cash dividends for the interim period under review.

Strategies Aimed at Creating New Value

The KHI Group defines its corporate mission as drawing fully on its broad base of advanced technologies to create new value by offering products that almost literally work modern-day wonders on land, at sea, and in the air while remaining true to its corporate philosophy of contributing to the development of societies around the world. Through these activities, we work to enhance customer satisfaction by offering our customers superior products and services that are differentiated by their technology and brand power. Our ultimate goal is to meet the expectations, first and foremost, of our shareholders as well as our customers, employees, and the communities we serve by implementing management policies that increase KHI's corporate value.

As we implement these core strategies under our Medium-Term Business Plan, we are changing our business structure to adapt to become aligned with the operating environment and create a stronger earnings base, with the objective of attaining sustainable growth. We are focusing our resources especially on the Aerospace and Consumer Products & Machinery segments, which we have positioned as our core businesses, as well as on our Rolling Stock business and Gas Turbines & Machinery segment, which we have positioned as "developing businesses." Our aim is to grow and develop these businesses to become mainstay earnings generators. In our Aerospace segment, we are proceeding with new projects to develop the P-X next maritime patrol aircraft and the C-X next transport aircraft for the Japan Defense Agency (JDA), and the Boeing 787 aircraft with The Boeing Company. Accordingly, we are devoting capital investment to these projects on a priority basis. In the Consumer Products & Machinery segment, we are working to enhance

the value of the Kawasaki brand and substantially improve the competitiveness of our products. In the Rolling Stock business, we are strengthening our operating systems, principally overseas, to respond to strong demand, especially in China and North America. In addition, in the Gas Turbines & Machinery segment we are expanding our industrial gas turbine business operations and making capital investments for the development and production of the Rolls Royce TRENT 1000 jet engine, which has been selected for the Boeing 787 aircraft.

On the other hand, in our Shipbuilding and Plant & Infrastructure Engineering segments, where operating conditions have become tough because of increased international competition and cut-backs in government public works investment in Japan, we are carrying out structural reforms and are working to improve their earnings performance. In these two segments, we have set up two fully owned subsidiaries—namely, Kawasaki Shipbuilding Corporation and Kawasaki Plant Systems, Ltd., which are working to create a stronger earnings base with greater independence and flexibility in management.

In the steel structures business within the Plant & Infrastructure Engineering segment, we have been adopting various restructuring measures, including consolidation of factories, but the market outlook for steel bridges, one of the main products in this business, has become uncertain as a consequence of our alleged violation of Japan's Antimonopoly Act in bidding for certain projects. Accordingly, while we intend to keep our advanced technology for steel bridges, we are moving forward with measures to restructure this business to enable it to continue without depending on sales of steel bridges.

For all our activities, we have set a management policy of "Quality Followed by Quantity." We are working to differentiate our products and services on the bases of technology and brand power and to reform our business model to expand the scope of our services to cover the full life cycle of our products.

Strengthening Compliance Systems

To promote compliance with all relevant laws and regulations, we have reviewed and upgraded our internal rules and regulations regarding corporate ethics and are implementing measures to improve the awareness of the importance of compliance among all personnel. The KHI Corporate Ethics Committee, which is chaired by the president of KHI and includes all representative directors as members, is responsible for formulating these various compliance measures and for giving guidance on and following up on their implementation. Beginning in October 2005, we formed committees within each of the operating units in the KHI Group to take the initiative in promoting the self-assessment and verification of compliance, and are taking steps to ensure a proper understanding of the importance of compliance among all management and staff.

Moreover, we have made a strong appeal to all employees to keep in mind at all times that "ethical behavior on the part of each and every employee is key to protecting and building the value of the Kawasaki brand" and are concentrating our efforts on making everyone aware of the importance of compliance in our activities.

We of the KHI Group are committed to carrying out structural reforms and increasing corporate value by creating a stronger, higher-margin earnings base. In addition, to all employees we are emphasizing the importance of thoroughgoing compliance for maintaining and increasing the trust that customers place in the Kawasaki brand. As we move forward with these initiatives, we request the even greater understanding and support of our shareholders.

December 2005



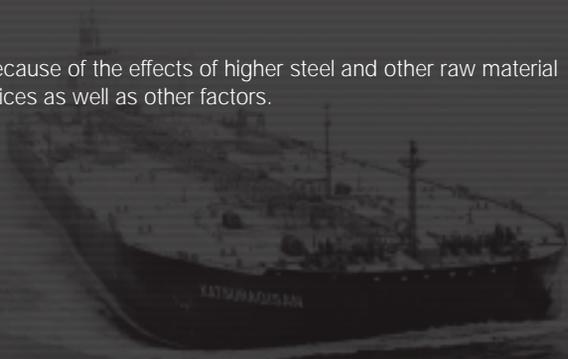
Tadaharu Ohashi
President

SHIPBUILDING

This segment secured orders amounting to ¥38.5 billion, 47.3%, or ¥34.6 billion, lower than in the same period of the previous year. In total, orders were obtained for three new vessels: two LNG carriers and one LPG carrier. This compared with six LNG carriers, VLCCs (very large crude carriers), and other vessels for the interim period of the previous year.

Sales rose 20.8%, or ¥9.3 billion, to ¥53.7 billion, due to increased sales of newbuildings. Operating income totaled ¥0.8 billion, 73.5%, or ¥2.1 billion, lower than a year earlier

because of the effects of higher steel and other raw material prices as well as other factors.



ROLLING STOCK, CONSTRUCTION MACHINERY & CRUSHING PLANT

This segment succeeded in winning a large order for commuter train cars from North America. This resulted in an increase in orders of 109.5%, or ¥40.6 billion, to ¥77.7 billion.

Sales rose 24.8%, or ¥16.7 billion, to ¥84.3 billion, as deliveries for the Taiwan High Speed Rail Corporation rose to a peak and the segment's construction machinery sales held firm. Operating income, however, declined 29.1%, or ¥0.9 billion, to ¥2.3 billion, due mainly to an increase in development costs for a new type of rolling stock.



AEROSPACE

Orders received increased 44.2%, or ¥15.1 billion, to ¥49.4 billion, because of higher demand from the commercial aircraft sector, principally orders from Boeing for component parts for its 767 and 777 passenger aircraft.

Sales were up 24.3%, or ¥17.8 billion, to ¥91.3 billion, owing to increased sales for the development of the P-X next maritime patrol aircraft and C-X next transport aircraft for the JDA, an increase in sales of component parts for the Boeing 777 passenger aircraft, and other factors. Operating income

jumped 423.9%, or ¥4.5 billion, to ¥5.6 billion, boosted by the combination of higher sales and favorable movements in foreign exchange rates.



GAS TURBINES & MACHINERY

Orders won climbed 14.9%, or ¥12.6 billion above the interim period of the previous fiscal year, to ¥97.2 billion, due to an increase in demand for component parts for jet engines for commercial aircraft, including the TRENТ.

Sales edged up 1.4%, or ¥0.9 billion, to ¥69.1 billion. Operating income amounted to ¥1.3 billion, compared with

an operating loss of ¥0.4 billion in the same period of the previous fiscal year. This improvement in profitability was due to a decline in initial costs incurred in connection with the introduction of a new gas turbine model.

PLANT & INFRASTRUCTURE ENGINEERING

This segment reported a decline of 54.2%, or ¥31.2 billion, to ¥26.3 billion, in orders because of a drop in large-scale orders in the environmental plant business and an adverse impact caused by the fact that public organizations in Japan excluded KHI from the bidding process for their steel bridge construction projects for a certain period as a consequence of the alleged violation of the Antimonopoly Act.

Sales rose 1.7%, or ¥1.1 billion, to ¥68.6 billion. This reflected the sale of a thermal electric power generation plant in the Philippines by the industrial plant business, municipal refuse incineration plants for local government entities by the environmental plant business, and other projects. The segment reported an operating loss of ¥5.7 billion, which was ¥1.5 billion lower than in the same period of the previous year, owing to a decline in the operating loss of the industrial plant business.

CONSUMER PRODUCTS & MACHINERY

Sales rose 6.3%, or ¥9.8 billion, to ¥166.3 billion, supported by higher sales in North America and robust revenues from industrial robots in Japan. Operating income climbed 7.1%, or ¥0.3 billion, to ¥5.1 billion.



OTHER

Sales amounted to ¥60.2 billion, approximately the same as for the interim period of the previous fiscal year. Operating income rose 17.4%, or ¥0.4 billion, to ¥3.0 billion, as sales of the hydraulic machinery to customers in China remained strong.



REVIEW BY GEOGRAPHIC SEGMENT

Sales in Japan for the interim period under review rose ¥43.8 billion, or 10.9% in comparison with the interim period of the previous year, to ¥445.1 billion, mainly because of an increase in sales of the parent company. Operating income leaped ¥7.0 billion, or 192.7%, to ¥10.7 billion.

In North America, sales jumped ¥16.2 billion, or 20.1%, to ¥97.2 billion, because of robust sales in the Consumer Products & Machinery segment and other factors. Operating income was ¥0.2 billion, compared with an operating loss of ¥1.1 billion during the interim period of the previous fiscal year.

Sales in Europe dropped ¥4.2 billion, or 10.2%, to ¥36.6 billion, owing to a decline in sales of the Consumer Products & Machinery segment. Operating income in Europe declined ¥0.2 billion, or 22.0%, to ¥0.7 billion.

In Asia, sales decreased ¥0.7 billion, or 5.7%, to ¥11.3 billion, while operating income fell ¥0.3 billion, or 28.2%, to ¥0.7 billion.

In other areas, sales rose ¥0.6 billion, or 24.9%, to ¥3.3 billion, and an operating loss amounting to ¥0.2 billion was reported, approximately the same as for the previous year.

FINANCIAL POSITION

Total assets at the end of the interim period amounted to ¥1,193.9 billion, approximately the same level as at the end of the previous fiscal year on March 31, 2005, and, as a consequence of the continued efficient management of assets, interest-bearing debt was down ¥14.0 billion, to ¥339.9 billion.

Among cash flows, net cash provided by operating activities during the interim period under review amounted to ¥11.2 billion, compared with ¥19.8 billion for the same period of the previous fiscal year. Net cash used for investing activities was ¥7.7 billion,

compared with ¥11.3 billion in the same period of the previous fiscal year. Acquisitions of property, plant and equipment accounted for the largest portion of these cash outlays. As a result, free cash flow was ¥3.5 billion. Net cash used for financing activities during the interim period amounted to ¥15.5 billion, compared with ¥14.8 billion in the same period of the previous year, as the Company repaid a portion of its borrowings and redeemed outstanding bonds. As a consequence of these factors, cash and cash equivalents at the end of the interim period were ¥32.5 billion, ¥11.9 billion lower than at the end of the previous fiscal year.

Condensed Consolidated Balance Sheets

Kawasaki Heavy Industries, Ltd. and Consolidated Subsidiaries
As of September 30 and March 31, 2005 and September 30, 2004

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	September 30, 2005 <i>(unaudited)</i>	<i>March 31, 2005</i>	<i>September 30, 2004</i> <i>(unaudited)</i>	September 30, 2005 <i>(unaudited)</i>
Assets:				
Current assets:				
Cash on hand and in banks.....	¥ 32,685	¥ 44,629	¥ 36,520	\$ 288,711
Receivables, less allowance	375,420	413,619	313,005	3,316,138
Inventories.....	375,367	332,333	358,127	3,315,670
Other current assets.....	53,533	46,424	47,824	472,865
Total current assets.....	837,005	837,005	755,476	7,393,384
Investments and long-term loans, less allowance	84,250	79,569	82,777	744,192
Net property, plant and equipment	239,731	243,166	246,763	2,117,578
Intangible and other assets.....	32,915	34,733	29,013	290,743
Total assets.....	¥1,193,901	¥1,194,473	¥1,114,029	\$10,545,897
Liabilities and shareholders' equity:				
Current liabilities:				
Short-term borrowings and current portion of long-term debt	¥ 145,614	¥ 146,605	¥ 167,793	\$ 1,286,229
Payables	331,495	348,389	269,656	2,928,142
Advances from customers.....	132,533	106,574	103,097	1,170,683
Other current liabilities	91,006	96,914	73,011	803,869
Total current liabilities	700,648	698,482	613,557	6,188,923
Long-term liabilities:				
Long-term debt, less current portion	194,296	207,279	224,095	1,716,244
Others.....	86,601	82,556	78,319	764,959
Total long-term liabilities	280,897	289,835	302,414	2,481,203
Minority interests	4,857	4,691	3,931	42,903
Shareholders' equity:				
Common stock	81,427	81,427	81,427	719,256
Capital surplus	31,390	31,390	31,389	277,272
Retained earnings	90,135	88,704	80,591	796,175
Net unrealized gains on securities.....	19,155	16,910	16,565	169,199
Foreign currency translation adjustments.....	(14,467)	(16,843)	(15,747)	(127,789)
Treasury stock.....	(141)	(123)	(98)	(1,245)
Total shareholders' equity.....	207,499	201,465	194,127	1,832,868
Total liabilities and shareholders' equity	¥1,193,901	¥1,194,473	¥1,114,029	\$10,545,897

Condensed Consolidated Statements of Operations and Retained Earnings

Kawasaki Heavy Industries, Ltd. and Consolidated Subsidiaries
For the six months ended September 30, 2005 and 2004 (unaudited)

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Net sales	¥593,579	¥537,715	\$5,243,168
Cost of sales	518,619	467,661	4,581,035
Gross profit	74,960	70,054	662,133
Selling, general and administrative expenses	62,383	63,109	551,038
Operating income	12,577	6,945	111,095
Other income (expenses):			
Interest and dividend income	2,014	1,790	17,790
Equity in income of unconsolidated subsidiaries and affiliates	(103)	452	(910)
Interest expense	(2,678)	(3,138)	(23,655)
Other, net	(3,617)	894	(31,950)
Income before income taxes and minority interests	8,193	6,943	72,370
Income taxes	(2,832)	(3,391)	(25,015)
Minority interests in net income of consolidated subsidiaries	(128)	(187)	(1,131)
Net income	¥ 5,233	¥ 3,365	\$ 46,224
Retained earnings:			
Balance at beginning of the period	¥ 88,704	¥ 80,469	\$ 783,535
Net income for the period	5,233	3,365	46,224
Cash dividends	(3,606)	(2,885)	(31,853)
Bonuses to directors and statutory auditors	(84)	(39)	(742)
Reduction due to change of consolidation period of subsidiaries	—	(222)	—
Other	(112)	(97)	(989)
Balance at end of the period	¥ 90,135	¥ 80,591	\$ 796,175

Condensed Consolidated Statements of Cash Flows

Kawasaki Heavy Industries, Ltd. and Consolidated Subsidiaries
For the six months ended September 30, 2005 and 2004 (unaudited)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2005</u>	<u>2004</u>	<u>2005</u>
Cash flows from operating activities:			
Income before income taxes and minority interests.....	¥ 8,193	¥ 6,943	\$ 72,370
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	14,384	15,130	127,056
Decrease (increase) in assets.....	(6,771)	50,229	(59,809)
Increase (decrease) in liabilities	2,150	(38,645)	18,991
Other	(6,740)	(13,841)	(59,535)
Net cash provided by operating activities.....	11,216	19,816	99,073
Cash flows from investing activities:			
Acquisition of tangible and intangible assets	(15,305)	(14,437)	(135,191)
Acquisition of investments in securities	(425)	(1,006)	(3,754)
Other	8,038	4,133	71,000
Net cash used for investing activities.....	(7,692)	(11,310)	(67,945)
Cash flows from financing activities:			
Decrease in short-term borrowings.....	(4,055)	(18,503)	(35,818)
Proceeds from long-term debt.....	15,503	49,563	136,940
Repayment of long-term debt.....	(23,189)	(42,920)	(204,832)
Other	(3,717)	(2,958)	(32,833)
Net cash used for financing activities	(15,458)	(14,818)	(136,543)
Effect of exchange rate changes	173	105	1,528
Net decrease in cash and cash equivalents	(11,761)	(6,207)	(103,887)
Cash and cash equivalents at beginning of the period.....	44,385	42,375	392,059
Decrease in cash and cash equivalents by change of consolidation period of subsidiaries.....	—	(39)	—
Decrease in cash and cash equivalents arising from exclusion of consolidated subsidiaries.....	(111)	—	(980)
Cash and cash equivalents at end of the period.....	¥32,513	¥36,129	\$287,192

Changes in Accounting Policies

Effective April 1, 2005, Kawasaki Heavy Industries, Ltd., and its consolidated subsidiaries adopted the new accounting standards for impairment of fixed assets ("Opinion on Establishment of Accounting Standards for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the guidance on accounting standards for impairment of fixed assets (the "Financial Accounting Standard Guidance No. 6" issued by the Accounting Standards Board of Japan on October 31, 2003).

As a result of adopting the accounting standards and the guidance, income before income taxes and minority interests decreased ¥3,008 million. Accumulated impairment losses are deducted from book values of related fixed assets.

Segment Information

Kawasaki Heavy Industries, Ltd. and Consolidated Subsidiaries
For the six months ended September 30, 2005 and 2004 (unaudited)

(a) Information by industry segment

	<i>Millions of yen</i>				
	2005				
	<i>External sales</i>	<i>Intersegment sales</i>	<i>Total sales</i>	<i>Operating expenses</i>	<i>Operating income (loss)</i>
Shipbuilding	¥ 53,736	¥ 589	¥ 54,325	¥ 53,561	¥ 764
Rolling Stock, Construction Machinery & Crushing Plant	84,331	465	84,796	82,529	2,267
Aerospace.....	91,293	951	92,244	86,643	5,601
Gas Turbines & Machinery.....	69,093	7,150	76,243	74,898	1,345
Plant & Infrastructure Engineering.....	68,609	6,121	74,730	80,395	(5,665)
Consumer Products & Machinery.....	166,339	2,295	168,634	163,490	5,144
Other.....	60,178	21,846	82,024	79,021	3,003
Total.....	593,579	39,417	632,996	620,537	12,459
Eliminations.....	—	(39,417)	(39,417)	(39,535)	118
Consolidated total.....	¥593,579	¥ —	¥593,579	¥581,002	¥12,577

	<i>Millions of yen</i>				
	2004				
	<i>External sales</i>	<i>Intersegment sales</i>	<i>Total sales</i>	<i>Operating expenses</i>	<i>Operating income (loss)</i>
Shipbuilding	¥ 44,471	¥ 507	¥ 44,978	¥ 42,092	¥2,886
Rolling Stock, Construction Machinery & Crushing Plant	67,600	715	68,315	65,117	3,198
Aerospace.....	73,460	831	74,291	73,222	1,069
Gas Turbines & Machinery.....	68,170	8,803	76,973	77,345	(372)
Plant & Infrastructure Engineering.....	67,463	5,655	73,118	80,259	(7,141)
Consumer Products & Machinery.....	156,490	2,531	159,021	154,219	4,802
Other.....	60,061	19,730	79,791	77,232	2,559
Total.....	537,715	38,772	576,487	569,486	7,001
Eliminations.....	—	(38,772)	(38,772)	(38,716)	(56)
Consolidated total.....	¥537,715	¥ —	¥537,715	¥530,770	¥6,945

	<i>Thousands of U.S. dollars</i>				
	2005				
	<i>External sales</i>	<i>Intersegment sales</i>	<i>Total sales</i>	<i>Operating expenses</i>	<i>Operating income (loss)</i>
Shipbuilding	\$ 474,658	\$ 5,203	\$ 479,861	\$ 473,112	\$ 6,749
Rolling Stock, Construction Machinery & Crushing Plant	744,908	4,107	749,015	728,990	20,025
Aerospace.....	806,404	8,400	814,804	765,330	49,474
Gas Turbines & Machinery.....	610,308	63,157	673,465	661,585	11,880
Plant & Infrastructure Engineering.....	606,033	54,068	660,101	710,140	(50,039)
Consumer Products & Machinery.....	1,469,296	20,272	1,489,568	1,444,130	45,438
Other.....	531,561	192,969	724,530	698,004	26,526
Total.....	5,243,168	348,176	5,591,344	5,481,291	110,053
Eliminations.....	—	(348,176)	(348,176)	(349,218)	1,042
Consolidated total.....	\$5,243,168	\$ —	\$5,243,168	\$5,132,073	\$111,095

(b) Information by geographic area

	<i>Millions of yen</i>				
	2005				
	<i>External sales</i>	<i>Intersegment sales</i>	<i>Total sales</i>	<i>Operating expenses</i>	<i>Operating income (loss)</i>
Japan.....	¥445,137	¥ 99,957	¥545,094	¥534,427	¥10,667
North America.....	97,241	6,997	104,238	104,000	238
Europe.....	36,638	1,888	38,526	37,833	693
Asia.....	11,307	8,708	20,015	19,286	729
Other areas.....	3,256	54	3,310	3,479	(169)
Total.....	593,579	117,604	711,183	699,025	12,158
Eliminations.....	—	(117,604)	(117,604)	(118,023)	419
Consolidated total.....	¥593,579	¥ —	¥593,579	¥581,002	¥12,577

	<i>Millions of yen</i>				
	2004				
	<i>External sales</i>	<i>Intersegment sales</i>	<i>Total sales</i>	<i>Operating expenses</i>	<i>Operating income (loss)</i>
Japan.....	¥401,293	¥ 83,699	¥484,992	¥481,348	¥3,644
North America.....	81,000	7,556	88,556	89,620	(1,064)
Europe.....	40,822	2,032	42,854	41,965	889
Asia.....	11,993	7,729	19,722	18,707	1,015
Other areas.....	2,607	49	2,656	2,791	(135)
Total.....	537,715	101,065	638,780	634,431	4,349
Eliminations.....	—	(101,065)	(101,065)	(103,661)	2,596
Consolidated total.....	¥537,715	¥ —	¥537,715	¥530,770	¥6,945

	<i>Thousands of U.S. dollars</i>				
	2005				
	<i>External sales</i>	<i>Intersegment sales</i>	<i>Total sales</i>	<i>Operating expenses</i>	<i>Operating income (loss)</i>
Japan.....	\$3,931,958	\$ 882,934	\$4,814,892	\$4,720,670	\$ 94,222
North America.....	858,944	61,805	920,749	918,647	2,102
Europe.....	323,629	16,677	340,306	334,184	6,122
Asia.....	99,876	76,919	176,795	170,356	6,439
Other areas.....	28,761	478	29,239	30,730	(1,491)
Total.....	5,243,168	1,038,813	6,281,981	6,174,587	107,394
Eliminations.....	—	(1,038,813)	(1,038,813)	(1,042,514)	3,701
Consolidated total.....	\$5,243,168	\$ —	\$5,243,168	\$5,132,073	\$111,095

(c) Overseas sales

	<i>Millions of yen</i>		<i>Millions of yen</i>		<i>Thousands of</i>
		<i>%</i>		<i>%</i>	<i>U.S. dollars</i>
	2005		2004		2005
	<i>Overseas sales</i>	<i>% of net sales</i>	<i>Overseas sales</i>	<i>% of net sales</i>	<i>Overseas sales</i>
North America	¥125,730	21.2%	¥ 99,135	18.4%	\$1,110,591
Europe	51,991	8.8	51,794	9.6	459,244
Asia.....	105,594	17.8	69,083	12.8	932,727
Other areas	46,077	7.7	48,835	9.0	407,004
Total.....	¥329,392	55.5%	¥268,847	49.9%	\$2,909,566

Net Sales, Orders and Order Backlog by Industry Segment

For the six months ended September 30, 2005 and 2004 (unaudited)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2005	<i>2004</i>	2005
Net sales:			
Shipbuilding	¥ 53,736	¥ 44,471	\$ 474,658
Rolling Stock, Construction Machinery & Crushing Plant	84,331	67,600	744,908
Aerospace	91,293	73,460	806,404
Gas Turbines & Machinery	69,093	68,170	610,308
Plant & Infrastructure Engineering	68,609	67,463	606,033
Consumer Products & Machinery	166,339	156,490	1,469,296
Other	60,178	60,061	531,561
Total	¥593,579	¥537,715	\$5,243,168

Orders received:			
Shipbuilding	¥ 38,469	¥ 73,031	\$ 339,802
Rolling Stock, Construction Machinery & Crushing Plant	77,678	37,080	686,141
Aerospace	49,371	34,236	436,101
Gas Turbines & Machinery	97,161	84,548	858,237
Plant & Infrastructure Engineering	26,285	57,443	232,179
Consumer Products & Machinery	166,339	156,490	1,469,296
Other	61,391	60,262	542,275
Total	¥516,694	¥503,090	\$4,564,031

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	<i>As of September 30, 2005</i>	<i>As of March 31, 2005</i>	<i>As of September 30, 2004</i>	<i>As of September 30, 2005</i>
Order backlog:				
Shipbuilding	¥ 252,825	¥ 263,707	¥ 226,441	\$ 2,233,239
Rolling Stock, Construction Machinery & Crushing Plant	297,326	300,837	269,932	2,626,323
Aerospace	247,671	287,441	223,039	2,187,713
Gas Turbines & Machinery	194,754	163,440	160,254	1,720,290
Plant & Infrastructure Engineering	169,345	210,160	266,059	1,495,848
Consumer Products & Machinery	—	—	—	—
Other	29,796	28,824	27,358	263,192
Total	¥1,191,717	¥1,254,409	¥1,173,053	\$10,526,605

Kawasaki

Kawasaki Corporate Data

(As of September 30, 2005)

Kawasaki Heavy Industries, Ltd.

Kobe Head Office:

Kobe Crystal Tower,
1-3, Higashikawasaki-cho 1-chome,
Chuo-ku, Kobe, Hyogo 650-8680, Japan

Tokyo Head Office:

World Trade Center Bldg.,
4-1, Hamamatsu-cho 2-chome,
Minato-ku, Tokyo 105-6116, Japan

Founded: 1878

Incorporated: 1896

Paid-in Capital: ¥81,427,090,720

Number of Shares Issued: 1,443,394,172

Number of Shareholders: 117,981

Number of Employees: 29,024

Stock Exchange Listings:

Tokyo, Osaka, Nagoya

Newspapers in Which Public Notices Are Made:

Nihon Keizai Shimbun
Kobe Shimbun

Transfer Agent:

The Chuo Mitsui Trust and Banking Company, Limited
33-1, Shiba 3-chome,
Minato-ku, Tokyo 105-8574, 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:

KPMG AZSA & Co.
Kobe Crystal Tower,
1-3, Higashikawasaki-cho 1-chome,
Chuo-ku, Kobe, Hyogo 650-8680, Japan

ADR Facility:

KHI has a sponsored American Depository Receipt (ADR) facility. ADRs are traded on the over-the-counter 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: 1-212-815-8161
U.S. Toll-Free: 888-269-2377
(888-BNY-ADRS)
<http://www.bankofny.com/adr>

KHI Web Site at: <http://www.khi.co.jp>



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