

May 17, 2004

CONSOLIDATED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 2004

Ishikawajima-Harima Heavy Industries Co., Ltd. (IHI) is listed on the First Section of the Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange, Fukuoka Securities Exchange and Sapporo Stock Exchange with the securities code number 7013.

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Annual Board of Directors Meeting: May 17, 2004

This consolidated financial report has been prepared in accordance with Japanese accounting standards and Japanese law. Figures have been rounded off to eliminate amounts less than one million yen.

PERFORMANCE

(1) Business Results

	(Millions of yen)					
	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change
Fiscal year 2004	¥1,047,441	2.8%	¥(23,230)	(-)%	¥(42,466)	(-)%
Fiscal year 2003	1,019,061	(5.9)	24,640	(9.5)	9,644	(48.6)

	(Millions of yen)						
	Net Income	Percentage Change	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)	Return on Equity (%)	Ordinary Income to Total Assets (%)	Ordinary Income to Net Sales (%)
Fiscal year 2004	¥(38,354)	(-)%	¥(29.67)	¥-	(23.8)%	(3.1)%	(4.1)%
Fiscal year 2003	(9,672)	(-)	(7.57)	-	(5.4)	0.7	0.9

Notes: 1. Equity in earnings (losses) of unconsolidated subsidiaries and affiliates

Fiscal year ended March 31, 2004: ¥ (148) million

Fiscal year ended March 31, 2003: ¥ (10) million

2. Average number of shares outstanding (consolidated)

Fiscal year ended March 31, 2004: 1,298,320,424

Fiscal year ended March 31, 2003: 1,298,418,402

3. Changes in accounting policies: Yes

4. Percentages shown for net sales, operating income, ordinary income and net income are the rates of increase or decrease from the previous fiscal year.

(2) Financial Position

(Millions of yen, except per share figures)

	Total Assets	Shareholders' Equity	Shareholders' Equity to Total Assets (%)	Shareholders' Equity per Share of Common Stock (Yen)
March 31, 2004	¥1,377,021	¥151,550	11.0%	¥116.73
March 31, 2003	1,381,240	171,323	12.4	131.96

Note: Number of shares outstanding at the end of the term (consolidated)

Fiscal year 2004: 1,298,303,370 shares

Fiscal year 2003: 1,298,327,270 shares

(3) Cash Flows

(Millions of yen)

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents, End of Period
Fiscal year 2004	¥36,184	¥ 39,427	¥(36,853)	¥122,738
Fiscal year 2003	(6,125)	(46,816)	22,985	83,838

(4) Consolidated Subsidiaries and Application of the Equity Method

Number of consolidated subsidiaries: 56

Number of non-consolidated subsidiaries accounted for by the equity method:

Number of affiliated companies accounted for by the equity method: 12

(5) Changes in Scope of Consolidation and Application of the Equity Method

1. New consolidated companies: 3

Consolidated companies removed: 2

2. New companies accounted for by the equity method: 1

Companies accounted for by the equity method removed:

FORECAST OF RESULTS FOR FISCAL YEAR ENDING MARCH 31, 2005

(Millions of yen)

	Net Sales	Ordinary Income	Net Income
Fiscal 2005 1H	¥ 470,000	¥(13,000)	¥(13,000)
Fiscal year 2005	1,050,000	16,000	10,000

Reference: Estimated net income per share for the year: Consolidated: ¥7.70.

Cautionary Statement

Statements made in this report with respect to IHI's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of IHI. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore readers should not place undue reliance on them. IHI cautions that a number of important factors such as general economic conditions and exchange rates could cause actual results to differ materially from those discussed in the forward-looking statements.

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	April 1, 2003– March 31, 2004	April 1, 2002– March 31, 2003	Increase (Decrease)
Net sales	¥1,047,441	¥1,019,061	¥ 28,380
Cost of sales	950,136	878,260	71,876
Selling, general and administrative expenses	120,535	116,161	4,374
Operating income (loss)	(23,230)	24,640	(47,870)
Non-operating income:			
Interest and dividend income	3,061	3,518	(457)
Other income	3,226	2,239	987
Non-operating expenses:			
Interest expenses	5,148	5,562	(414)
Equity in losses of affiliates	148	10	138
Other expenses	20,227	15,181	5,046
Ordinary income	(42,466)	9,644	(52,110)
Extraordinary income:			
Gain on sale of investment securities	17,475	1,407	16,068
Gain on sale of property, plant and equipment	3,778	11,441	(7,663)
Reversal of allowance for doubtful receivables	1,928		1,928
Extraordinary expenses:			
Loss on disposal of property, plant and equipment	8,565	3,542	5,023
Provision for employees' retirement allowances for prior period	4,417	4,459	(42)
Restructuring-related losses	3,671	1,503	2,168
Extraordinary retirement benefits	1,958	2,551	(593)
Loss on performance of obligations of guarantee	1,105		1,105
Loss on valuation of investment securities		16,958	(16,958)
Income before income taxes, minority interests and other	(39,001)	(6,521)	(32,480)
Corporation, inhabitants' and enterprise taxes	12,356	6,923	5,433
Adjustments to corporation taxes	(13,083)	(3,454)	(9,629)
Minority interests in consolidated subsidiaries	80	(318)	398
Net income	¥ (38,354)	¥ (9,672)	¥(28,682)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	(Millions of yen)		
	April 1, 2003– March 31, 2004	April 1, 2002– March 31, 2003	Increase (Decrease)
CAPITAL SURPLUS			
Capital surplus, beginning of year	¥10,200	¥10,200	¥
Decrease in capital surplus:			
Reversal of capital surplus			
Capital surplus, end of year	10,200	10,200	
RETAINED EARNINGS			
Retained earnings, beginning of year	77,508	89,725	(12,217)
Increase in retained earnings:			
Net income			
Reversal of capital surplus			
Net increase from newly consolidated subsidiaries		50	(50)
Decrease in retained earnings:			
Net loss	38,354	9,672	28,682
Net decrease from newly consolidated subsidiaries	80	304	(224)
Net decrease from new equity-method subsidiaries		192	(192)
Cash dividends		1,947	(1,947)
Directors' bonuses	165	152	13
Retained earnings, end of year	¥38,909	¥77,508	¥(38,599)

CONSOLIDATED BALANCE SHEETS

	(Millions of yen)		
	March 31, 2004	March 31, 2003	Increase (Decrease)
ASSETS			
Current assets:			
Cash and time deposits	¥ 117,970	¥ 77,503	¥ 40,467
Trade receivables	304,611	345,615	(41,004)
Marketable securities	4,532	2,037	2,495
Inventories	394,988	385,539	9,449
Deferred income taxes	33,430	17,663	15,767
Other current assets	53,372	50,097	3,275
Less allowance for doubtful receivables	(3,578)	(3,190)	(388)
Total current assets	905,325	875,264	30,061
Fixed assets:			
Property, plant and equipment:			
Buildings and structures	81,788	116,692	(34,904)
Machinery and equipment	55,265	59,883	(4,618)
Land	90,782	91,799	(1,017)
Construction in progress	2,460	1,628	832
Other tangible fixed assets	16,111	17,094	(983)
Total property, plant and equipment	246,406	287,096	(40,690)
Intangible assets:			
Software	14,404	11,820	2,584
Patent royalties and other intangible assets	6,044	7,733	(1,689)
Total intangible assets	20,448	19,553	895
Investments and other assets:			
Investment securities	116,465	96,480	19,985
Deferred income taxes	47,152	60,703	(13,551)
Other	51,409	55,135	(3,726)
Less allowance for doubtful receivables	(10,184)	(12,991)	2,807
Total investments and other assets	204,842	199,327	5,515
Total fixed assets	471,696	505,976	(34,280)
Total assets	¥1,377,021	¥1,381,240	¥ (4,219)

CONSOLIDATED BALANCE SHEETS

	March 31, 2004	March 31, 2003	(Millions of yen) Increase (Decrease)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade payables	¥ 285,897	¥ 291,111	¥ (5,214)
Short-term loans and current portion of long-term loans	156,589	214,668	(58,079)
Current portion of debentures	20,000	15,000	5,000
Accrued income taxes	9,261	5,818	3,443
Accrued expenses	28,123	26,043	2,080
Advances from customers	134,283	126,143	8,140
Allowance for employees' bonuses	18,072	18,723	(651)
Reserve for guaranteed contracts	7,269	5,182	2,087
Accrued loss on sales contracts	39,677	1,160	38,517
Other current liabilities	45,047	37,556	7,491
Total current liabilities	744,218	741,404	2,814
Long-term liabilities:			
Debentures	98,000	85,000	13,000
Long-term loans	143,852	138,265	5,587
Deferred tax liabilities from revaluation of land	4,092	4,092	
Allowance for employees' retirement benefits	152,257	157,236	(4,979)
Other long-term liabilities	63,373	63,277	96
Total long-term liabilities	461,574	447,870	13,704
Total liabilities	1,205,792	1,189,274	16,518
Minority interests:			
Minority interests in consolidated subsidiaries	19,679	20,643	(964)
Shareholders' equity:			
Common stock	64,925	64,925	
Capital surplus	10,200	10,200	
Retained earnings	38,909	77,508	(38,599)
Revaluation excess	5,487	5,487	
Unrealized holding gain on other securities	33,907	14,778	19,129
Foreign exchange translation adjustments	(1,851)	(1,551)	(300)
Less treasury stock, at cost	(27)	(24)	(3)
Total shareholders' equity	151,550	171,323	(19,773)
Total liabilities and shareholders' equity	¥1,377,021	¥1,381,240	¥(4,219)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Millions of yen)	
	April 1, 2003– March 31, 2004	April 1, 2002– March 31, 2003
Operating activities:		
Net (loss) income before income taxes	¥ (39,001)	¥ (6,521)
Depreciation and amortization	32,784	35,582
Amortization of long-term prepaid expenses	3,463	4,500
Increase (decrease) in allowance for bad debts	452	61
Increase (decrease) in allowance for employees' bonuses	(651)	(2,528)
Increase (decrease) in reserve for guaranteed contracts	2,087	(1,556)
Increase (decrease) in accrued losses on sales contracts	38,517	(1,323)
Increase (decrease) in accrued employees' retirement allowances	(4,979)	(8,247)
Interest and dividends income	(3,129)	(3,518)
Interest expense	5,149	5,562
Loss (gain) on foreign exchange	137	13
Loss (gain) on disposal of property, plant and equipment	4,617	(7,874)
Gain on sale of marketable and investment securities	(17,476)	(1,395)
Loss on valuation of marketable and investment securities and golf memberships	268	17,030
Equity in losses (earnings) of affiliates	148	10
Changes in operating assets and liabilities:		
Notes and accounts receivable	35,832	1,139
Advances received	8,129	(7,795)
Inventories	(7,968)	1,700
Advance payments	(1,117)	4,162
Notes and accounts payable	(5,286)	(25,048)
Other current assets	(4,658)	(2,288)
Other current liabilities	(934)	(2,648)
Accrued consumption taxes	801	147
Directors' and corporate auditors' bonuses	(179)	(172)
Subtotal	47,006	(1,007)
Interest and dividends received	3,387	3,550
Interest paid	(5,402)	(5,447)
Income taxes paid	(8,807)	(3,221)
Net cash provided by (used in) operating activities	36,184	(6,125)
Investing activities:		
Net decrease (increase) in time deposits due in more than three months	943	(1,186)
Purchases of marketable and investment securities	(1,155)	(5,167)
Proceeds from sale of marketable and investment securities	29,507	2,371
Proceeds from loan of marketable and investment securities	13,000	—
Decrease from change in scope of consolidation		(757)
Purchases of property, plant and equipment and intangible fixed assets	(29,171)	(48,938)
Proceeds from sale of property, plant and equipment	34,726	7,512
Expenditure for business transferred from Niigata Engineering Co., Ltd.	(5,600)	
Expenditure for business transferred from Niigata Engineering Co., Ltd.	(2,162)	(4,209)
Net decrease (increase) in short-term loans	160	733
Increase in long-term loans	(743)	(1,440)
Decrease in long-term loans	1,080	1,526
Decrease (increase) in other non-current assets	(1,498)	345
Increase (decrease) in other fixed liabilities	340	2,394
Net cash provided by (used in) investing activities	39,427	(46,816)

FORWARD

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	(Millions of yen)	
	April 1, 2003– March 31, 2004	April 1, 2002– March 31, 2003
Financing Activities:		
Net increase (decrease) in short-term debt	¥ (30,449)	¥ 2,298
Net increase (decrease) in commercial paper		(10,000)
Proceeds from issuance of long-term debt	36,353	57,226
Repayment of long-term debt	(58,479)	(35,446)
Proceeds from issuance of debentures	33,000	30,000
Expenditures for redemption of debentures	(15,000)	(20,000)
Purchase of treasury stock	(3)	(22)
Purchases of treasury stock of subsidiaries in consolidation	(2)	(5)
Dividends paid	(1,947)	(3,895)
Dividends paid to minority interests	(326)	(131)
Proceeds from minority interest payments		2,960
Net cash provided by (used in) financing activities	(36,853)	22,985
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(246)	41
Net Increase (Decrease) in Cash and Cash Equivalents	38,512	(29,915)
Cash and Cash Equivalents, Beginning of Year	83,838	111,063
Increase in Cash and Cash Equivalents from Consolidation of Non-consolidated Subsidiaries	388	2,690
Cash and Cash Equivalents, End of Year	¥ 122,738	¥ 83,838

Note: A reconciliation of cash and cash equivalents to the amounts shown in the consolidated balance sheets is as follows:

	March 31, 2004	March 31, 2003
Cash and time deposits	¥117,970	¥77,503
Time deposits due in more than three months	(1,263)	(2,206)
Commercial paper included in marketable securities	4,500	2,000
Investment trust included in marketable securities	32	37
Sales under agreement to repurchase included in other current assets (short-term loans)	1,499	6,504
Cash and cash equivalents	¥122,738	¥83,838

BASIS FOR PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of Consolidation

Consolidated subsidiaries:

The consolidated accounts reflect the results of 56 consolidated subsidiaries. Major companies include IHI Aerospace Co., Ltd., IHI Marine United Inc., Ishikawajima Transport Machinery Co., Ltd., IHI Construction Machinery Co., Ltd., Ishikawajima Construction Materials Co., Ltd., Ishikawajima Shibaura Machinery Co., Ltd., Ishikawajima Ship & Chemical Plant Co., Ltd., Ishikawajima Mass-Produced Machinery Co., Ltd., Ishikawajima Hanyoki Service Co., Ltd., Ishikawajima Plant Construction Co., Ltd., Star Farm Machinery Manufacturing Co., Ltd., Niigata Power Systems Co., Ltd., Niigata Transys Co., Ltd., PC BRIDGE Co., Ltd., IHI Inc. and IHI Turbo America Co.

Other subsidiaries are not included in consolidation as their effect on consolidated results would not be material.

From the fiscal year under review, three companies were included in the scope of consolidation: NICO Precision Co., Inc., ISHI Power Sdn. Bhd., and IHI Turbo (Thailand) Co., Ltd. There were two mergers of consolidated subsidiaries during the period under review, which increased the number of companies under consolidation by one. IHI Systems Co., Ltd. merged with Ishikawajima System Technology Co., Ltd., and the surviving company IHI Systems Co., Ltd. changed its corporate name to IHI Scube Co., Ltd. IHI Kure Marine Construction Co., Ltd. merged with IHI Marine Coating Co., Ltd., with IHI Kure Marine Construction Co., Ltd. the surviving company.

2. Application of the Equity Method of Accounting

Companies accounted for by the equity method comprise Jurong Engineering Limited and 11 other companies. From the fiscal year under review, Glorious River Line S.A. was newly added as an equity method subsidiary.

3. Consolidated Subsidiaries Having Different Fiscal Year-Ends

As Star Farm Machinery Manufacturing Co., Ltd. closes its books of account for the fiscal year on September 30, provisional financial statements as of March 31 are used for the purpose of consolidation. Although Niigata Power Systems Co., Ltd., Niigata Transys Co., Ltd., NICO Precision Co., Inc. close their fiscal year on January 31, IHI Inc. and other overseas subsidiaries (excluding ISHI Power Sdn. Bhd.) close their fiscal year on December 31, their financial statements for the fiscal year are used, as they are within three months of the Company's fiscal year-end. However, adjustments are made on the consolidated financial statements as deemed necessary with regard to significant transactions occurring from their settlement day to March 31.

4. Summary of Significant Accounting Policies

(1) Securities

Securities to be held until maturity are stated at cost with discounts or premiums amortized throughout the holding periods. Other securities with market prices available are stated at fair market value as of the balance-sheet date, with the sale price computed by the moving-average method. Other securities without market prices available are stated at cost by the moving-average method.

(2) Derivative

Derivatives are stated at fair market value.

(3) Inventories

Raw materials and supplies are stated principally at the lower of cost or market by the moving-average method, and finished goods, work in process and contracts in process are stated principally at identified cost.

(4) Depreciation

Depreciation of plant and equipment is principally computed by the declining-balance method. However, depreciation of the Toyosu Center Building (office building for lease) held by the parent company, lend-lease properties, certain assets of consolidated subsidiaries and buildings (excluding building fixtures) acquired after April 1, 1998, are computed by the straight-line method. Amortization of intangible assets is computed by the straight-line method.

(5) Foreign currency translation

The assets, liabilities, income and expenses of overseas subsidiaries are translated at the exchange rates prevailing at the balance-sheet date. Translation differences are included as a component of minority interests in consolidated subsidiaries and shareholders' equity in foreign exchange translation adjustments.

(6) Basis for recording significant allowances

a. Allowance for doubtful receivables

To provide for losses on doubtful receivables, the allowance for doubtful receivables is provided based on historical default rates, plus additional estimated amounts to cover specific uncollectible receivables.

b. Allowance for employees' bonuses

For payment of employee bonuses, the allowance for employees' bonuses is provided for in the amount that is expected to be paid.

c. Reserve for guaranteed contracts

To provide for guaranteed project expenses, the allowance for guaranteed contracts is recorded as an estimate of future expenditures based on historical experience.

d. Accrued losses on sales contracts

Accrued losses on sales contracts are provided for in the amount of estimated losses for work in progress at the balance-sheet date.

(Change in accounting method)

Expected losses on undelivered projects at the end of the fiscal year amounting to more than ¥1 billion were recorded in the accrued losses on sales contracts. From the fiscal year under review, the accounting method was changed to record projects amounting to more than ¥300 million. The effect of this change was to increase the net loss by ¥16,366 million.

e. Employees' retirement allowances

The employees' retirement allowances are provided for based on the expected difference between estimated severance liabilities and pension fund assets at the end of the consolidated fiscal year.

Differences arising from this change in accounting method will be disposed of as expenses over five years. Past service costs are disposed of as expenses using the straight-line method over a certain number of years within the average remaining work period of employees at the time of accrual. Actuarial differences are disposed of as expenses from the next fiscal year using the straight-line method over a certain number of years within the average remaining work period of employees, calculated for the fiscal year during which the difference accrues.

(7) *Recognition of revenues and related costs*

Net sales from contracts are recognized at the time the projects are completed, except for the net sales of projects with construction lasting more than two years and revenue of more than ¥5 billion, which are recorded using the percentage-of-completion method.

(8) *Leases*

Financial leases are accounted for by the operating lease accounting method, except lease agreements that stipulate the transfer of ownership of the leased property to the lessee.

(9) *Hedging transactions*

Gains or losses and evaluation differences related to hedging transactions accounted for at fair market value are deferred as assets or liabilities until recognized. Evaluation gains and losses on foreign exchange contracts are allocated to settlement periods throughout the period of the contract. Interest rate swaps are treated as special exceptions.

(10) *Consumption tax*

Consumption taxes are accounted for using the net-of-tax method.

5. Valuation of Assets and Liabilities of Consolidated Subsidiaries

The assets and liabilities of consolidated subsidiaries are stated as a whole at fair market value.

6. Depreciation of Consolidated Adjustment Account

Depreciation of consolidated adjustment account is calculated using the straight-line method based on the estimated period of investment return. However, immaterial amounts are depreciated with a one-time charge in the period in which they occur.

7. Appropriation of Retained Earnings

Appropriations with respect to each balance sheet date are retroactively reflected in the consolidated financial statements for each applicable period.

8. Cash and Cash Equivalents

Cash and cash equivalents include deposits that can be easily withdrawn and converted to cash and short-term investments with a maturity within three months of their acquisition that are not subject to significant price risk.

SEGMENT INFORMATION

(1) Performance by business segment

Fiscal year ended March 31, 2004

(Millions of yen)

	Logistics Systems and Structures Operations	Industrial Machinery Operations	Energy and Plant Operations	Aero-Engine and Space Operations	Shipbuilding and Offshore Operations	Other Operations	Total	Eliminations and Corporate	Consolidated
Sales and operating income:									
Sales to outside customers	¥186,369	¥ 115,562	¥248,488	¥236,881	¥112,533	¥147,608	¥1,047,441	¥	¥1,047,441
Intersegment sales and transfers	16,427	14,150	20,385	4,565	5,486	25,515	86,528	(86,528)	
Total	202,796	129,712	268,873	241,446	118,019	173,123	1,133,969	(86,528)	1,047,441
Operating expenses	200,471	133,514	288,599	232,103	138,754	164,358	1,157,799	(87,128)	1,070,671
Operating income (loss)	¥ 2,325	¥ (3,802)	¥ (19,726)	¥ 9,343	¥ (20,735)	¥ 8,765	¥ (23,830)	¥ 600	¥ (23,230)
Assets, depreciation expense and capital expenditures:									
Assets	¥182,140	¥107,663	¥234,098	¥286,544	¥142,482	¥205,475	¥1,158,402	¥218,619	¥1,377,021
Depreciation expense	2,148	3,070	3,836	11,269	2,997	6,453	29,773	3,011	32,784
Capital expenditures	2,162	2,573	3,570	7,621	2,048	7,397	25,371	3,504	28,875

Fiscal year ended March 31, 2003

(Millions of yen)

	Logistics Systems and Structures Operations	Industrial Machinery Operations	Energy and Plant Operations	Aero-Engine and Space Operations	Shipbuilding and Offshore Operations	Other Operations	Total	Eliminations and Corporate	Consolidated
Sales and operating income:									
Sales to outside customers	¥200,561	¥ 91,226	¥260,588	¥239,124	¥92,921	¥134,641	¥1,019,061	¥	¥1,019,061
Intersegment sales and transfers	16,323	14,292	13,100	4,763	20,403	26,778	95,659	(95,659)	
Total	216,884	105,518	273,688	243,887	113,324	161,419	1,114,720	(95,659)	1,019,061
Operating expenses	212,922	106,769	271,458	233,707	108,586	156,178	1,089,620	(95,199)	994,421
Operating income (loss)	¥ 3,962	¥ (1,251)	¥ 2,230	¥ 10,180	¥ 4,738	¥ 5,241	¥ 25,100	¥ (460)	¥ 24,640
Assets, depreciation expense and capital expenditures:									
Assets	¥190,633	¥87,218	¥263,914	¥295,113	¥133,010	¥222,703	¥1,192,591	¥188,649	¥1,381,240
Depreciation expense	3,136	2,800	3,741	12,333	2,995	7,557	32,562	3,020	35,582
Capital expenditures	2,855	2,229	2,974	15,643	4,570	22,272	50,543	(1,264)	49,279

Notes:

1. Business segments are based on current classifications.
2. Main products and machinery included in each segment:
 - (1) Logistics Systems and Structures Operations
Material handling systems, physical distribution and factory automation systems, parking systems, bridges and others
 - (2) Industrial Machinery Operations
Iron and steel manufacturing equipment, vehicular turbochargers, mass-produced machinery and others
 - (3) Energy and Plant Operations
Boilers, gas turbines, components for nuclear power plants, environmental control systems, storage facilities and others
 - (4) Aero-Engine and Space Operations
Jet engines, space-related equipment and others
 - (5) Shipbuilding and Offshore Operations
Shipbuilding, ship repairs, offshore structures and others
 - (6) Other Operations
Diesel engines, agricultural machinery, construction machinery, construction materials, financing and service industry, marine transport and others
3. Operating expenses are entirely allocated to each business segment.

(2) Segment information by region

Fiscal year ended March 31, 2004

Japan accounted for more than 90% of the total net sales of all segments and the total assets of all segments. Consequently, disclosure of segment information of areas other than Japan is not required in accordance with generally accepted standards for the presentation of consolidated financial statements.

Fiscal year ended March 31, 2003

Japan accounted for more than 90% of the total net sales of all segments and the total assets of all segments. Consequently, disclosure of segment information of areas other than Japan is not required in accordance with generally accepted standards for the presentation of consolidated financial statements.

(3) Overseas sales

(Millions of yen, %)

Fiscal year ended March 31, 2004	Asia	North America	Central and South America	Europe	Others	Total
Overseas sales	¥58,302	¥86,712	¥74,035	¥35,233	¥28,700	¥ 282,982
Consolidated net sales						¥1,047,441
Overseas sales as a percentage of consolidated net sales	5.5%	8.3%	7.1%	3.4%	2.7%	27.0%

(Millions of yen, %)

Fiscal year ended March 31, 2003	Asia	North America	Central and South America	Europe	Others	Total
Overseas sales	¥48,312	¥98,158	¥48,154	¥29,567	¥15,608	¥ 239,799
Consolidated net sales						¥1,019,061
Overseas sales as a percentage of consolidated net sales	4.8%	9.6%	4.7%	2.9%	1.5%	23.5%

Notes:

1. Countries and regions are classified according to geographical proximity.
2. The countries included in each segment are as follows:
 - (1) Asia: China, Taiwan, South Korea, Hong Kong, Thailand, Vietnam, Singapore, Malaysia, Indonesia, Philippines, India, Bangladesh, Sri Lanka, etc.
 - (2) North America: U.S.A., Canada
 - (3) Central and South America: Brazil, Panama, etc.
 - (4) Europe: U.K., Germany, France, Italy, Ireland, Greece, Kazakhstan, Sweden, etc.