

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

FLASH CONSOLIDATED FINANCIAL RESULTS

For the years ended March 31, 2001 and 2000

Operating results

	Millions of yen		%	Thousands of
	2001	2000		U.S. dollars
Net sales	¥ 1,060,479	¥ 1,149,698	-8%	\$ 8,559,152
Operating income	4,460	1,251	+257%	35,997
Net loss	10,320	18,632	-	83,293
Net loss per share (Yen)	7.4	13.4		

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of shareholders' equity to total assets
	Total assets	Shareholders' equity	
As of March 31, 2001	¥ 1,247,472	¥ 164,081	13%
As of March 31, 2000	1,206,806	174,955	14%
As of March 31, 2001	\$ 10,068,378	\$ 1,324,302	-

	Yen / U.S. dollars	Thousand shares
	Shareholders' equity per share	Number of shares issued and outstanding
As of March 31, 2001	¥ 118.0	1,390,596
As of March 31, 2000	125.8	1,390,596
As of March 31, 2001	\$ 0.95	-

Cash flows

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Operating activities	¥ 9,236	¥ 31,232	\$ 74,545
Investing activities	(20,733)	(46,579)	(167,337)
Financing activities	3,583	39,739	28,918
Cash and cash equivalents at end of year	75,212	82,160	607,038

Fiscal year forecast

	Millions of yen	
	Net sales	Net income
One year ending March 31, 200 2	¥ 1,160,000	¥ 7,000

- Notes : 1. This "FLASH CONSOLIDATED FINANCIAL RESULTS" and following financial statements have been prepared in conformity with generally accepted accounting principles and practices in Japan.
2. The all dollar amounts in these statements represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥123.90=\$1, the rate prevailing as of March 31, 2001, solely for the convenience of the readers.

Condensed Consolidated Balance Sheets

As of March 31, 2001 and 2000

(Consolidated)

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
			2001
Assets :			
Current assets :			
Cash on hand and in banks	¥ 77,048	¥ 85,782	\$ 621,856
Marketable securities	38	46,021	307
Receivables, less allowance	425,930	410,545	3,437,692
Inventories	346,567	316,529	2,797,151
Other current assets	34,714	20,561	280,178
Total current assets	<u>884,297</u>	<u>879,438</u>	<u>7,137,184</u>
Investments and long-term loans			
less allowance	107,218	47,259	865,359
Net property, plant and equipment	241,893	245,278	1,952,324
Intangible and other assets	14,064	16,991	113,511
Foreign currency translation adjustments	-	17,840	-
Total assets	<u>¥ 1,247,472</u>	<u>¥ 1,206,806</u>	<u>\$ 10,068,378</u>
Liabilities, minority interests and shareholders' equity :			
Current liabilities :			
Short-term borrowings			
and current portion of long-term debt	¥ 228,462	¥ 222,302	\$ 1,843,923
Payables	326,257	310,557	2,633,228
Advances from customers	104,194	86,012	840,952
Other current liabilities	76,807	72,164	619,912
Total current liabilities	<u>735,720</u>	<u>691,035</u>	<u>5,938,015</u>
Long-term liabilities :			
Long-term debt, less current portion	270,605	264,048	2,184,060
Others	72,398	70,350	584,325
Total long-term liabilities	<u>343,003</u>	<u>334,398</u>	<u>2,768,385</u>
Minority interests	<u>4,668</u>	<u>6,418</u>	<u>37,676</u>
Shareholders' equity :			
Common stock of ¥50 par value	81,427	81,427	657,199
Capital surplus	24,682	24,682	199,209
Retained earnings	58,452	68,846	471,768
Net unrealized gain on securities	13,091	-	105,658
Foreign currency translation adjustments	(13,571)	-	(109,532)
Treasury stock	-	-	-
Total shareholders' equity	<u>164,081</u>	<u>174,955</u>	<u>1,324,302</u>
Total liabilities, minority interests and shareholders' equity	<u>¥ 1,247,472</u>	<u>¥ 1,206,806</u>	<u>\$ 10,068,378</u>

Condensed Consolidated Statements of Operations

For the years ended March 31, 2001 and 2000

(Consolidated)

	Millions of yen		%	Thousands of
	2001	2000		U.S. dollars
				2001
Net sales	¥ 1,060,479	¥ 1,149,698	-8%	\$ 8,559,152
Cost of sales	<u>924,522</u>	<u>1,008,860</u>		<u>7,461,840</u>
Gross profit	135,957	140,838		1,097,312
Selling, general and administrative expenses	<u>131,497</u>	<u>139,587</u>		<u>1,061,315</u>
Operating income	4,460	1,251	+257%	35,997
Other income (expenses) :				
Interest and dividend income	4,480	4,274		36,158
Equity in loss of unconsolidated subsidiaries and affiliates	(1,586)	(654)		(12,800)
Interest expense	(12,823)	(11,782)		(103,495)
Other, net	<u>(12,937)</u>	<u>(15,819)</u>		<u>(104,415)</u>
Loss before income taxes and minority interests	18,406	22,730	-	148,555
Income taxes	7,700	3,567		62,147
Minority interests in net loss of consolidated subsidiaries	386	531		3,115
Net loss	<u>¥ 10,320</u>	<u>¥ 18,632</u>	-	<u>\$ 83,293</u>

Consolidated Statements of Cash Flows

For the year ended March 31, 2001 and 2000

(Consolidated)

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Cash flows from operating activities:			
Loss before income taxes and minority interests	¥ (18,406)	¥ (22,730)	\$ (148,555)
Adjustments to reconcile loss before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	33,303	35,081	268,789
Provision for (reversal of) retirement and severance benefits	(634)	3,479	(5,117)
Accrued bonuses	(3,995)	(3,419)	(32,244)
Provision for (reversal of) estimated loss on uncompleted contract	6,190	(4,111)	49,959
Write-downs of securities and others	5,714	3,031	46,118
Provision for (reversal of) allowance for doubtful accounts	(1,381)	4,765	(11,146)
Interest and dividend income	(4,480)	(4,274)	(36,158)
Interest expense	12,779	11,782	103,140
Gain on sale of marketable & investments securities	(4,974)	-	(40,145)
Changes in assets and liabilities:			
Decrease (increase) in			
Trade receivables	(11,850)	3,583	(95,642)
Inventories	(23,480)	21,447	(189,508)
Other current assets	(441)	(5,615)	(3,559)
Increase (decrease) in			
Trade payables	9,092	(2,911)	73,382
Advances received	17,384	5,972	140,307
Other current liabilities	1,977	38	15,956
Other, net	520	885	4,197
Subtotal	17,318	47,003	139,774
Cash received for interest and dividends	5,447	4,122	43,963
Cash paid for interest	(11,636)	(11,270)	(93,914)
Cash paid for income taxes	(1,893)	(8,623)	(15,278)
Net cash provided by operating activities	¥ 9,236	¥ 31,232	\$ 74,545
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(32,967)	(37,513)	(266,077)
Proceeds from sale of investments in securities	10,673	-	86,142
Decrease in short-term loans	1,415	-	11,420
Payment received on long-term loans receivable	(1,693)	(5,866)	(13,664)
Proceeds from collection of long-term loans receivable	3,241	-	26,158
Payment for purchase of newly consolidated subsidiaries's stock	(2,375)	-	(19,169)
Other	973	(3,200)	7,853
Net cash used for investing activities	¥ (20,733)	¥ (46,579)	\$ (167,337)
Cash flows from financing activities:			
Increase (decrease) in short-term bank loans	1,497	(4,643)	12,082
Proceeds from long-term debt	40,840	88,368	329,621
Repayment of long-term debt	(38,689)	(39,719)	(312,260)
Cash dividends paid	(9)	(4,203)	(73)
Cash dividends paid to minority interests	(56)	(64)	(452)
Net cash provided by financing activities	¥ 3,583	¥ 39,739	\$ 28,918
Effect of exchange rate changes	966	(1,408)	7,797
Net increase (decrease) in cash and cash equivalents	(6,948)	22,984	(56,077)
Cash and cash equivalents at beginning of year	82,160	54,837	663,115
Increase in cash and cash equivalents arising from newly consolidated subsidiaries	-	4,339	-
Cash and cash equivalents at end of year	¥ 75,212	¥ 82,160	\$ 607,038

Segment information

(Consolidated)

(a) Information by industry segment

	2001							
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets	Depreciation and amortization	Capital expenditures
	(millions of yen)							
Transportation equipment	¥ 169,702	¥ 2,120	¥ 161,822	¥ 163,934	¥ (2,112)	¥ 186,441	¥ 3,466	¥ 2,626
(Ships)	80,216	1,107	81,323	83,072	(1,749)	100,108	2,110	1,228
(Rolling Stock)	79,486	1,013	80,499	80,862	(363)	86,333	1,366	1,297
Aerospace	207,933	8,361	216,284	206,343	9,941	226,174	6,182	6,861
Industrial equipment	327,660	41,611	369,261	380,274	(11,013)	403,929	8,649	6,119
Consumer products	276,903	3,374	279,277	272,798	6,479	260,143	11,304	14,110
Other	89,291	34,709	124,000	122,907	1,093	174,098	2,482	1,621
Total	1,060,479	90,166	1,160,644	1,146,266	4,388	1,249,786	30,983	29,236
Eliminations or corporate	-	(80,166)	(80,166)	(80,237)	72	(2,313)	2,320	3,461
Consolidated total	¥ 1,060,479	¥ -	¥ 1,060,479	¥ 1,066,019	¥ 4,460	¥ 1,247,472	¥ 33,303	¥ 32,687

	2000							
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets	Depreciation and amortization	Capital expenditures
	(millions of yen)							
Transportation equipment	¥ 164,942	¥ 2,113	¥ 167,055	¥ 176,790	¥ (9,735)	¥ 161,202	¥ 3,681	¥ 2,793
(Ships)	93,463	1,262	94,725	102,416	(7,691)	88,905	2,282	1,733
(Rolling Stock)	71,479	851	72,330	74,374	(2,044)	72,297	1,399	1,060
Aerospace	240,072	7,400	247,472	236,264	11,208	226,552	4,952	7,297
Industrial equipment	397,240	31,082	428,322	440,013	(11,691)	417,366	9,511	7,817
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	133,706	3,152	3,904
Total	1,149,698	86,080	1,235,778	1,234,796	982	1,147,606	32,391	38,296
Eliminations or corporate	-	(86,080)	(86,080)	(86,349)	269	59,200	2,690	1,388
Consolidated total	¥ 1,149,698	¥ -	¥ 1,149,698	¥ 1,148,447	¥ 1,251	¥ 1,206,806	¥ 35,081	¥ 39,684

	2001							
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets	Depreciation and amortization	Capital expenditures
	(thousands of U.S. dollars)							
Transportation equipment	\$ 1,288,959	\$ 17,111	\$ 1,306,070	\$ 1,323,115	\$ (17,045)	\$ 1,496,699	\$ 27,974	\$ 20,379
(Ships)	647,425	8,935	656,360	670,476	(14,116)	807,974	17,030	9,911
(Rolling Stock)	641,534	8,176	649,710	652,639	(2,929)	688,725	10,944	10,468
Aerospace	1,678,233	67,401	1,745,634	1,665,400	80,234	1,825,456	41,824	47,304
Industrial equipment	2,644,471	335,843	2,980,314	3,069,201	(88,887)	3,260,121	68,999	41,316
Consumer products	2,226,820	27,232	2,254,052	2,201,760	52,292	2,099,621	91,235	113,882
Other	720,670	280,137	1,000,807	991,985	8,822	1,405,149	20,033	13,083
Total	8,559,153	727,724	9,286,877	9,251,461	35,416	10,087,046	250,065	235,964
Eliminations or corporate	-	(727,724)	(727,724)	(728,305)	581	(18,668)	18,724	27,854
Consolidated total	\$ 8,559,153	\$ -	\$ 8,559,153	\$ 8,523,156	\$ 35,997	\$ 10,068,378	\$ 268,789	\$ 263,818

(b) Information by geographic area

	2001					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets
	(millions of yen)					
Japan	¥ 824,213	¥ 171,516	¥ 995,729	¥ 992,563	¥ 3,166	¥ 1,097,447
North America	176,071	9,076	185,147	181,893	3,254	137,890
Europe	38,573	3,232	41,805	42,722	(917)	36,017
Asia	17,791	5,323	23,114	23,076	38	19,568
Other Areas	3,831	165	3,996	3,907	89	1,809
Total	1,060,479	189,312	1,249,791	1,244,161	5,630	1,292,731
Eliminations or corporate	-	(189,312)	(189,312)	(188,142)	(1,170)	(45,259)
Consolidated total	¥ 1,060,479	¥ -	¥ 1,060,479	¥ 1,056,019	¥ 4,460	¥ 1,247,472

	2000					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets
	(millions of yen)					
Japan	¥ 929,110	¥ 148,766	¥ 1,077,876	¥ 1,082,344	¥ (4,468)	¥ 1,046,115
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)	1,194,502
Eliminations or corporate	-	(168,706)	(168,706)	(171,350)	2,644	12,304
Consolidated total	¥ 1,149,698	¥ -	¥ 1,149,698	¥ 1,148,447	¥ 1,251	¥ 1,206,806

	2001					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets
	(thousands of U.S. dollars)					
Japan	\$ 6,652,244	\$ 1,384,310	\$ 8,036,554	\$ 8,011,001	\$ 25,553	\$ 8,857,522
North America	1,421,073	73,253	1,494,326	1,468,063	26,263	1,112,914
Europe	311,324	26,085	337,409	344,810	(7,401)	290,694
Asia	143,592	42,962	186,554	186,247	307	157,934
Other Areas	30,920	1,332	32,252	31,534	718	14,600
Total	8,559,153	1,527,942	10,087,095	10,041,655	45,440	10,433,664
Eliminations or corporate	-	(1,527,942)	(1,527,942)	(1,518,499)	(9,443)	(365,286)
Consolidated total	\$ 8,559,153	\$ -	\$ 8,559,153	\$ 8,523,156	\$ 35,997	\$ 10,068,378

(c) Overseas sales

	2001		2000		2001
	Overseas sales	% against net sales	Overseas sales	% against net sales	Overseas sales
	(millions of yen)	(%)	(millions of yen)	(%)	(Thousands of U.S. dollars)
North America	¥ 233,976	22.1%	¥ 221,272	19.2%	\$ 1,888,426
Europe	62,815	5.9%	93,984	8.2%	506,982
Asia	76,809	7.2%	75,058	6.5%	619,927
Other Areas	58,759	5.5%	71,191	6.2%	474,245
Total	¥ 432,359	40.7%	¥ 461,505	40.1%	\$ 3,489,580

Net sales, orders and order backlog by industry segment

For the years ended March 31, 2001 and 2000

	Millions of yen				%	Thousands of	
	2001		2000			Change	U.S. dollars
							2001
Net sales :							
Transportation equipment	¥ 159,702	(15%)	¥ 164,942	(14%)	-3%	\$ 1,288,959	
(Ships)	(80,216)	(8%)	(93,463)	(8%)	(-14%)	(647,425)	
(Rolling Stock)	(79,486)	(7%)	(71,479)	(6%)	(+11%)	(641,534)	
Aerospace	207,933	(20%)	240,072	(21%)	-13%	1,678,233	
Industrial equipment	327,650	(31%)	390,313	(34%)	-16%	2,644,471	
Consumer products	275,903	(26%)	277,176	(24%)	+16%	2,226,820	
Other	89,291	(8%)	77,195	(7%)	+16%	720,670	
Total	<u>1,060,479</u>	<u>(100%)</u>	<u>1,149,698</u>	<u>(100%)</u>	<u>-8%</u>	<u>8,559,153</u>	
Orders :							
Transportation equipment	264,148	(21%)	153,415	(14%)	+72%	2,131,945	
(Ships)	(118,985)	(9%)	(65,899)	(6%)	(+81%)	(960,331)	
(Rolling Stock)	(145,163)	(12%)	(87,516)	(8%)	(+66%)	(1,171,614)	
Aerospace	234,596	(18%)	213,508	(20%)	+10%	1,893,430	
Industrial equipment	412,889	(32%)	355,856	(33%)	+16%	3,332,438	
Consumer products	275,903	(22%)	277,176	(26%)	-%	2,226,820	
Other	86,150	(7%)	71,149	(7%)	+21%	695,319	
Total	<u>¥ 1,273,686</u>	<u>(100%)</u>	<u>¥ 1,071,104</u>	<u>(100%)</u>	<u>+19%</u>	<u>\$ 10,279,952</u>	
	Millions of yen				%	Thousands of	
	As of		As of			Change	U.S. dollars
	Mar. 31, 2001		Mar. 31, 2000				As of
Order backlog :						Mar. 31, 2001	
Transportation equipment	¥ 450,955	(34%)	¥ 325,285	(30%)	+39%	\$ 3,639,669	
(Ships)	(177,234)	(13%)	(131,086)	(12%)	(+35%)	(1,430,460)	
(Rolling Stock)	(273,721)	(21%)	(194,199)	(18%)	(+41%)	(2,209,209)	
Aerospace	335,961	(26%)	299,005	(28%)	+12%	2,711,550	
Industrial equipment	514,970	(39%)	426,206	(40%)	+21%	4,156,336	
Consumer products	-	(-%)	-	(-%)	-%	-	
Other	19,008	(1%)	22,149	(2%)	-14%	153,414	
Total	<u>¥ 1,320,894</u>	<u>(100%)</u>	<u>¥ 1,072,645</u>	<u>(100%)</u>	<u>+23%</u>	<u>\$ 10,660,969</u>	

FLASH FINANCIAL RESULTS (Non-consolidated)

For the years ended March 31, 2001 and 2000

Operating results

	Millions of yen			% Change	Thousands of U.S. dollars
	2001		2000		2001
Net sales	¥ 850,801		¥ 944,771	-10%	\$ 6,866,836
Operating loss	2,976		9,851	-	24,019
Net loss	12,663		16,489	-	102,203
Net loss per share (Yen)	9.1		11.9		

Dividends

	Yen / U.S. dollars	
	2001	2000
Dividend per share for the year	¥ 0.0	¥ 0.0
	\$ 0.00	\$ 0.00

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of shareholders' equity to total assets
	Total assets	Shareholders' equity	
As of March 31, 2001	¥ 1,010,327	¥ 141,521	14%
As of March 31, 2000	984,362	141,322	14%
As of March 31, 2001	\$ 8,154,374	\$ 1,142,220	-

	Yen / U.S. dollars	Thousand shares
	Shareholders' equity per share	Number of shares issued and outstanding
As of March 31, 2001	¥ 101.8	1,390,596
As of March 31, 2000	101.6	1,390,596
As of March 31, 2001	\$ 0.82	-

Fiscal year forecast

	Millions of yen	
	Net sales	Net income
One year ending March 31, 2001	¥ 940,000	¥ 5,000

Net sales, orders and order backlog by product group

For the years ended March 31, 2001 and 2000

	Millions of yen				% Change	Thousands of U.S. dollars
	2001		2000			2001
Net sales :						
Ships	¥ 75,981	(9%)	¥ 88,030	(9%)	-14%	\$ 613,244
Rolling Stock	91,513	(11%)	77,357	(8%)	+18%	738,604
Aerospace	134,273	(16%)	170,560	(18%)	-21%	1,083,721
Gas Turbine & Machinery	143,278	(17%)	145,843	(16%)	-2%	1,156,400
Plant Engineering	132,617	(15%)	168,596	(18%)	-21%	1,070,355
Machinery & Steel Structures	60,059	(7%)	78,432	(8%)	-23%	484,738
Consumer Products & Machinery	213,080	(25%)	215,953	(23%)	-1%	1,719,774
Total	850,801	(100%)	944,771	(100%)	-10%	6,866,836
Export sales	365,063	(43%)	387,509	(41%)	-6%	2,946,433
Orders :						
Ships	114,958	(11%)	60,576	(7%)	+90%	927,829
Rolling Stock	154,953	(15%)	94,966	(11%)	+63%	1,250,630
Aerospace	159,866	(15%)	143,646	(17%)	+11%	1,290,282
Gas Turbine & Machinery	161,950	(15%)	137,996	(16%)	+17%	1,307,102
Plant Engineering	181,445	(17%)	135,786	(15%)	+34%	1,464,447
Machinery & Steel Structures	68,411	(7%)	76,395	(9%)	-10%	552,147
Consumer Products & Machinery	213,080	(20%)	215,953	(25%)	-1%	1,719,774
Total	1,054,663	(100%)	865,318	(100%)	+22%	8,512,211
Export sales	¥ 549,086	(52%)	¥ 333,111	(38%)	+65%	\$ 4,431,687
						Thousands of U.S. dollars
	Millions of yen					
	As of Mar. 31, 2001		As of Mar. 31, 2000		% Change	As of Mar. 31, 2001
Order backlog :						
Ships	¥ 176,493	(14%)	¥ 130,138	(13%)	+36%	\$ 1,424,479
Rolling Stock	195,365	(16%)	127,109	(13%)	+54%	1,576,796
Aerospace	203,290	(17%)	176,601	(18%)	+15%	1,640,759
Gas Turbine & Machinery	221,461	(18%)	193,310	(19%)	+15%	1,787,417
Plant Engineering	307,522	(25%)	255,549	(26%)	+20%	2,482,018
Machinery & Steel Structures	123,454	(10%)	114,911	(11%)	+7%	996,400
Consumer Products & Machinery	-	(-%)	-	(-%)	-%	-
Total	1,227,585	(100%)	997,618	(100%)	+23%	9,907,869
Export sales	¥ 521,527	(42%)	¥ 311,522	(31%)	+67%	\$ 4,209,257