

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
FLASH CONSOLIDATED FINANCIAL RESULTS

For the years ended March 31, 2002 and 2001

Operating results

	Millions of yen		%	Thousands of
	2002	2001		U.S. dollars
Net sales	¥ 1,144,534	¥ 1,060,479	+8%	\$ 8,589,373
Operating income	31,311	4,460	+602%	234,979
Net income (loss)	6,282	(10,320)	—	47,144
Net income (loss) per share (Yen)	4.5	(7.4)		

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, 2002	¥ 1,255,075	¥ 167,731	13%
As of March 31, 2001	1,247,472	164,081	13%
As of March 31, 2002	\$ 9,418,950	\$ 1,258,770	—

	Yen / U.S. dollars	Thousand shares
	Shareholders' equity per share	Number of shares issued and outstanding
As of March 31, 2002	¥ 120.6	1,390,570
As of March 31, 2001	118.0	1,390,595
As of March 31, 2002	\$ 0.91	—

Cash flows

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Operating activities	¥ 60,793	¥ 9,236	\$ 456,233
Investing activities	(28,089)	(20,733)	(210,799)
Financing activities	(18,588)	3,583	(139,498)
Cash and cash equivalents at end of year	89,777	75,212	673,749

Fiscal year forecast

	Millions of yen	
	Net sales	Net income
One year ending March 31, 2003	¥ 1,250,000	¥ 14,000

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 ¥133.25=\$1, the rate prevailing as of March 31, 2002, solely for the convenience of the readers.

Condensed Consolidated Balance Sheets*As of March 31, 2002 and 2001***(Consolidated)**

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
			2002
Assets :			
Current assets :			
Cash on hand and in banks	¥ 91,344	¥ 77,048	\$ 685,508
Marketable securities	60	38	7,995
Receivables, less allowance	396,915	425,930	2,978,724
Inventories	372,269	346,567	2,793,764
Other current assets	42,083	34,714	308,275
Total current assets	<u>902,671</u>	<u>884,297</u>	<u>6,774,266</u>
Investments and long-term loans			
less allowance	95,398	107,218	715,932
Net property, plant and equipment	241,517	241,893	1,812,511
Intangible and other assets	15,489	14,064	116,241
Total assets	<u>¥ 1,255,075</u>	<u>¥ 1,247,472</u>	<u>\$ 9,418,950</u>
Liabilities, minority interests and shareholders' equity :			
Current liabilities :			
Short-term borrowings			
and current portion of long-term debt	¥ 243,113	¥ 228,462	\$ 1,824,488
Payables	325,664	326,257	2,444,008
Advances from customers	111,423	104,194	836,195
Other current liabilities	72,357	76,807	543,016
Total current liabilities	<u>752,557</u>	<u>735,720</u>	<u>5,647,707</u>
Long-term liabilities :			
Long-term debt, less current portion	248,170	270,605	1,862,439
Others	81,434	72,398	611,137
Total long-term liabilities	<u>329,604</u>	<u>343,003</u>	<u>2,473,576</u>
Minority interests	5,183	4,668	38,897
Shareholders' equity :			
Common stock	81,427	81,427	611,084
Capital surplus	24,682	24,682	185,231
Retained earnings	64,110	58,452	481,126
Net unrealized gain on securities	5,925	13,091	44,466
Foreign currency translation adjustments	(8,407)	(13,571)	(63,092)
Treasury stock	(6)	-	(45)
Total shareholders' equity	<u>167,731</u>	<u>164,081</u>	<u>1,258,770</u>
Total liabilities, minority interests and shareholders' equity	<u>¥ 1,255,075</u>	<u>¥ 1,247,472</u>	<u>\$ 9,418,950</u>

Condensed Consolidated Statements of Operations*For the years ended March 31, 2002 and 2001***(Consolidated)**

	Millions of yen		% Change	Thousands of
	2002	2001		U.S. dollars
				2002
Net sales	¥ 1,144,534	¥ 1,060,479	+8%	\$ 8,589,373
Cost of sales	977,875	924,522		7,338,649
Gross profit	166,659	135,957		1,250,724
Selling, general and administrative expenses	135,348	131,497		1,015,745
Operating income	31,311	4,460	+602%	234,979
Other income (expenses) :				
Interest and dividend income	4,798	4,480		36,008
Equity in income(loss) of unconsolidated subsidiaries and affiliates	379	(1,586)		2,844
Interest expense	(12,146)	(12,823)		(91,152)
Other, net	(8,348)	(12,937)		(62,649)
Income(loss) before income taxes and minority interests	15,994	(18,406)	-	120,030
Income taxes	9,245	7,700		69,381
Minority interests in net loss(income) of consolidated subsidiaries	(467)	386		(3,505)
Net income(loss)	<u>¥ 6,282</u>	<u>¥ (10,320)</u>	-	<u>\$ 47,144</u>

Consolidated Statements of Cash Flows

For the year ended March 31, 2002 and 2001

(Consolidated)

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Cash flows from operating activities:			
Income(loss) before income taxes and minority interests	¥ 15,994	¥ (18,406)	\$ 120,030
Adjustments to reconcile loss before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	31,997	33,303	240,128
Provision for (reversal of) retirement and severance benefits	10,182	(634)	76,413
Accrued bonuses	3,479	(3,995)	26,109
Gain on sale of fixed assets	(6,543)	-	(49,103)
Provision for (reversal of) estimated loss on uncompleted contract	(6,595)	6,190	(49,493)
Write-downs of securities and others	3,904	5,714	29,298
Write-downs of investment in subsidiaries and affiliates	649	-	4,871
Provision for (reversal of) allowance for doubtful accounts	1,794	(1,381)	13,463
Interest and dividend income	(4,798)	(4,480)	(36,008)
Interest expense	12,146	12,779	91,152
Gain on sale of marketable & investments securities	(109)	(4,974)	(818)
Changes in assets and liabilities:			
Decrease (increase) in			
Trade receivables	38,986	(11,850)	292,578
Inventories	(18,809)	(23,480)	(141,156)
Other current assets	(3,972)	(441)	(29,809)
Increase (decrease) in			
Trade payables	(9,972)	9,092	(74,837)
Advances received	6,970	17,384	52,308
Other current liabilities	(3,583)	1,977	(26,889)
Other, net	1,464	520	10,987
Sub total	73,184	17,318	549,224
Cash received for interest and dividends	4,730	5,447	35,497
Cash paid for interest	(11,401)	(11,636)	(85,561)
Cash paid for income taxes	(5,720)	(1,893)	(42,927)
Net cash provided by operating activities	¥ 60,793	¥ 9,236	\$ 456,233
Cash flows from investing activities:			
Decrease in time deposit due more than three months	269	-	2,019
Acquisition of property, plant and equipment	(31,406)	(32,967)	(235,692)
Proceeds from sales of property, plant and equipment	10,677	-	80,128
Acquisition of Intangible assets	(2,904)	-	(21,794)
Proceeds from sales of Intangible assets	133	-	998
Acquisition of investment in securities	(6,595)	-	(49,493)
Proceeds from sale of investments in securities	205	10,673	1,538
Decrease in short-term loans	368	1,415	2,762
Payment received on long-term loans receivable	(2,086)	(1,693)	(15,655)
Proceeds from collection of long-term loans receivable	3,157	3,241	23,692
Payment for purchase of newly consolidated subsidiaries's stock	-	(2,375)	-
Other	93	973	698
Net cash used for investing activities	¥ (28,089)	¥ (20,733)	\$ (210,799)
Cash flows from financing activities:			
Increase in short-term bank loans	837	1,497	6,281
Proceeds from long-term debt	12,939	40,840	97,103
Repayment of long-term debt	(32,303)	(38,689)	(242,424)
Cash dividends paid	(5)	(9)	(38)
Cash dividends paid to minority interests	(56)	(56)	(420)
Net cash provided by financing activities	¥ (18,588)	¥ 3,583	\$ (139,498)
Effect of exchange rate changes	449	966	3,370
Net increase (decrease) in cash and cash equivalents	14,565	(6,948)	109,306
Cash and cash equivalents at beginning of year	75,212	82,160	564,443
Cash and cash equivalents at end of year	¥ 89,777	¥ 75,212	\$ 673,749

Segment information
(a) Information by industry segment

(Consolidated)

	(millions of yen)							
	2002							
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	¥ 92,478	¥ 1,290	¥ 93,768	¥ 88,213	¥ 5,555	¥ 88,688	¥ 1,941	¥ 1,462
Rolling Stock, Construction Machinery & Crushing Plant	121,780	3,756	125,536	125,072	464	141,332	2,898	6,925
Aerospace	161,072	2,021	163,093	149,229	13,864	150,934	3,425	2,571
Gas Turbines & Machinery	171,586	28,072	199,658	194,218	5,440	170,755	4,255	4,598
Plant & Infrastructure Engineering	220,605	14,768	235,373	236,010	(637)	237,688	2,665	815
Consumer products & Machinery	281,207	3,590	284,797	279,615	5,182	267,797	11,553	12,874
Other	95,806	39,962	135,768	134,080	1,688	120,146	2,873	2,593
Total	1,144,534	93,459	1,237,993	1,206,437	31,556	1,177,340	29,610	31,838
Eliminations	-	(93,459)	(93,459)	(93,213)	(246)	77,735	2,388	1,294
Consolidated total	¥ 1,144,534	¥ -	¥ 1,144,534	¥ 1,113,224	¥ 31,310	¥ 1,255,075	¥ 31,998	¥ 33,132

	(millions of yen)							
	2001							
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	¥ 78,734	¥ 1,104	¥ 79,838	¥ 81,569	¥ (1,731)	¥ 98,804	¥ 2,079	¥ 1,211
Rolling Stock, Construction Machinery & Crushing Plant	129,591	1,975	131,566	131,303	263	143,034	3,200	3,137
Aerospace	136,343	2,602	138,945	130,832	8,113	145,443	3,627	3,015
Gas Turbines & Machinery	152,307	26,711	179,018	174,733	4,285	170,794	4,478	4,528
Plant & Infrastructure Engineering	181,174	26,910	208,084	222,730	(14,646)	238,639	3,631	1,429
Consumer products & Machinery	275,903	3,374	279,277	272,799	6,478	260,143	11,305	14,110
Other	106,427	35,047	141,474	140,039	1,435	122,844	2,854	1,806
Total	1,060,479	97,723	1,158,202	1,154,005	4,197	1,179,701	31,174	29,236
Eliminations	-	(97,723)	(97,723)	(97,986)	263	67,771	2,129	3,451
Consolidated total	¥ 1,060,479	¥ -	¥ 1,060,479	¥ 1,056,019	¥ 4,460	¥ 1,247,472	¥ 33,303	¥ 32,687

	(thousands of U.S. dollars)							
	2002							
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	\$ 694,019	\$ 9,681	\$ 703,700	\$ 662,011	\$ 41,689	\$ 665,576	\$ 14,567	\$ 10,972
Rolling Stock, Construction Machinery & Crushing Plant	913,921	28,188	942,109	938,627	3,482	1,060,653	21,749	51,970
Aerospace	1,208,795	15,167	1,223,962	1,119,917	104,045	1,132,713	25,703	19,294
Gas Turbines & Machinery	1,287,699	210,672	1,498,371	1,457,546	40,825	1,281,463	31,932	34,507
Plant & Infrastructure Engineering	1,655,573	110,829	1,766,402	1,771,182	(4,780)	1,783,775	20,000	6,116
Consumer products & Machinery	2,110,371	26,942	2,137,313	2,098,424	38,889	2,009,734	86,702	96,615
Other	718,995	299,902	1,018,897	1,006,229	12,668	901,658	21,561	19,460
Total	8,589,373	701,381	9,290,754	9,053,936	236,818	8,835,572	222,214	238,934
Eliminations	-	(701,381)	(701,381)	(699,535)	(1,846)	583,377	17,921	9,711
Consolidated total	\$ 8,589,373	\$ -	\$ 8,589,373	\$ 8,354,401	\$ 234,972	\$ 9,418,949	\$ 240,135	\$ 248,645

Note : Reclassification of industry segments

The Company introduced an internal company system, effective April 1, 2001.

Accordingly, industry segments of the company and its consolidated subsidiaries were classified based on its internal company system : Shipbuilding, Rolling Stock, Construction Machinery & Crushing Plant, Aerospace, Gas Turbines & Machinery, Plant & Infrastructure Engineering, Consumer products & Machinery, and Other.

Previously reported data have been restated.

(b) Information by geographic area

	2002					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets
	(millions of yen)					
Japan	¥ 868,759	¥ 186,659	¥ 1,055,418	¥ 1,024,035	¥ 31,383	¥ 1,012,986
North America	204,510	12,933	217,443	212,346	5,097	148,412
Europe	47,101	3,849	50,950	54,290	(3,340)	38,570
Asia	20,495	10,106	30,601	29,937	664	21,064
Other Areas	3,669	133	3,802	3,735	67	1,966
Total	1,144,534	213,680	1,358,214	1,324,343	33,871	1,222,998
Eliminations or corporate	-	(213,680)	(213,680)	(211,119)	(2,561)	32,077
Consolidated total	¥ 1,144,534	¥ -	¥ 1,144,534	¥ 1,113,224	¥ 31,310	¥ 1,255,075

	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	¥ 1,025,342
North America	176,071	9,076	185,147	181,893	3,254	137,635
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	1,220,371
Eliminations or corporate	-	(189,312)	(189,312)	(188,142)	(1,170)	27,101
Consolidated total	¥ 1,060,479	¥ -	¥ 1,060,479	¥ 1,056,019	¥ 4,460	¥ 1,247,472

	2002					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets
	(thousands of U.S. dollars)					
Japan	\$ 6,519,767	\$ 1,400,818	\$ 7,920,585	\$ 7,685,066	\$ 235,519	\$ 7,602,146
North America	1,534,784	97,058	1,631,842	1,593,591	38,251	1,113,786
Europe	353,478	28,886	382,364	407,430	(25,066)	289,456
Asia	153,809	75,842	229,651	224,668	4,983	158,079
Other Areas	27,535	998	28,533	28,030	503	14,754
Total	8,589,373	1,603,602	10,192,975	9,938,785	254,190	9,178,221
Eliminations or corporate	-	(1,603,602)	(1,603,602)	(1,584,383)	(19,219)	240,728
Consolidated total	\$ 8,589,373	\$ -	\$ 8,589,373	\$ 8,354,402	\$ 234,971	\$ 9,418,949

(c) Overseas sales

	2002		2001		2002
	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	¥ 272,066	23.8%	¥ 233,976	22.1%	\$ 2,041,771
Europe	62,139	5.4%	62,815	5.9%	466,334
Asia	95,832	8.4%	76,809	7.2%	719,189
Other Areas	65,988	5.7%	58,759	5.5%	495,220
Total	¥ 496,025	43.3%	¥ 432,359	40.7%	\$ 3,722,514

