



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

For six months ended September 30, 2002 and 2001 and one year ended March 31, 2002

**Operating results**

	Millions of yen			%	Thousands of
	Six months ended Sept. 30, 2002	Six months ended Sept. 30, 2001	Change		U.S. dollars
Net sales	¥ 539,691	¥ 492,140	+10%	\$ 4,402,047	
Operating income (loss)	(2,234)	4,916	—	(18,222)	
Net loss	(3,488)	(2,332)	—	(28,450)	
Net loss per share (Yen)	(2.5)	(1.7)			

**Financial condition**

	Millions of yen / Thousands of U.S. dollars		Ratio of shareholders' equity to total assets
	Total assets	Shareholders' equity	
<b>As of September 30, 2002</b>	¥ 1,172,682	¥ 159,451	14%
As of March 31, 2002	1,255,075	167,731	13%
As of September 30, 2002	\$ 9,565,106	\$ 1,300,579	—

  

	Yen / U.S. dollars	Thousand shares
	Shareholders' equity per share	Number of shares issued and outstanding
<b>As of September 30, 2002</b>	¥ 114.7	1,390,386
As of March 31, 2002	120.6	1,390,570
As of September 30, 2002	\$ 0.94	—

**Cash flows**

	Millions of yen		Thousands of
	Six months ended Sept. 30, 2002	Six months ended Sept. 30, 2001	U.S. dollars
Operating activities	¥ 21,068	¥ 22,832	\$ 171,843
Investing activities	(18,932)	(10,387)	(154,421)
Financing activities	(38,324)	(10,201)	(312,594)
Cash and cash equivalents at end of year	54,070	77,863	441,028

**Fiscal year forecast**

	Millions of yen	
	Net sales	Net income
One year ending March 31, 2003	¥ 1,250,000	¥ 12,000

- Notes : 1. This "FLASH INTERIM 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 ¥122.60=\$1, the rate prevailing as of September 30, 2002, solely for the convenience of the readers.

(Consolidated)

**Condensed Consolidated Balance Sheets**

As of September 30, 2002 and March 31, 2002

	Millions of yen		Thousands of U.S. dollars
	As of Sept. 30, 2002	As of Mar. 31, 2002	As of Sept. 30, 2002
<b>Assets :</b>			
Current assets :			
Cash on hand and in banks	¥ 55,463	¥ 91,344	\$ 452,390
Receivables, less allowance	321,214	396,915	2,620,017
Inventories	415,451	372,269	3,388,670
Other current assets	50,510	42,143	411,990
Total current assets	842,638	902,671	6,873,067
Investments and long-term loans less allowance	74,068	95,398	604,144
Net property, plant and equipment	240,552	241,517	1,962,088
Intangible and other assets	15,424	15,489	125,807
Total assets	¥ 1,172,682	¥ 1,255,075	\$ 9,565,106
<b>Liabilities and shareholders' equity :</b>			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	¥ 221,919	¥ 243,113	\$ 1,810,106
Payables	272,351	325,664	2,221,460
Advances from customers	155,872	111,423	1,271,387
Other current liabilities	66,667	72,357	543,776
Total current liabilities	716,809	752,557	5,846,729
Long-term liabilities :			
Long-term debt, less current portion	226,922	248,170	1,850,914
Others	64,177	81,434	523,466
Total long-term liabilities	291,099	329,604	2,374,380
Minority interests	5,323	5,183	43,418
Shareholders' equity :			
Common stock	81,427	81,427	664,168
Capital surplus	24,683	24,682	201,330
Retained earnings	60,559	64,110	493,956
Net unrealized gains on securities	4,836	5,925	39,445
Foreign currency translation adjustments	(12,029)	(8,407)	(98,116)
Treasury stock	(25)	(6)	(204)
Total shareholders' equity	159,451	167,731	1,300,579
Total liabilities and shareholders' equity	¥ 1,172,682	¥ 1,255,075	\$ 9,565,106

**Condensed Consolidated Statements of Operations**

For six months ended September 30, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars
	Six months ended Sept. 30, 2002	Six months ended Sept. 30, 2001	% Change	Six months ended Sept. 30, 2002
Net sales	¥ 539,691	¥ 492,140	+10%	\$ 4,402,047
Cost of sales	474,106	422,408		3,867,096
Gross profit	65,585	69,732		534,951
Selling, general and administrative expenses	67,819	64,816		553,173
Operating income (loss)	(2,234)	4,916	-	(18,222)
Other income (expenses) :				
Interest and dividend income	2,221	2,547		18,116
Equity in income (loss) of unconsolidated subsidiaries and affiliates	61	(10)		498
Interest expense	(5,157)	(6,597)		(42,064)
Other, net	(3,400)	(1,724)		(27,733)
Loss before income taxes and minority interests	(8,509)	(868)	-	(69,405)
Income taxes	(5,109)	1,362		(41,672)
Minority interests	(88)	(102)		(717)
Net loss	¥ (3,488)	¥ (2,332)	-	\$ (28,450)

(Consolidated)

## Consolidated Statements of Cash Flows

For six months ended September 30, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sept. 30, 2002	Six months ended Sept. 30, 2001	Six months ended Sept. 30, 2002
<b>Cash flows from operating activities:</b>			
Loss before income taxes and minority interests	¥ (8,509)	¥ (868)	\$ (69,405)
Depreciation and amortization	15,348	15,538	125,188
Provision for retirement and severance benefits	4,484	6,078	36,574
Accrued bonuses	709	92	5,783
Provision for (Reversal of) allowance for doubtful accounts	(1,403)	890	(11,444)
Reversal of estimated losses on construction contracts	-	(5,966)	-
Write-downs of securities	-	4,181	-
Gain (Loss) on sale of securities	38	(81)	310
Gain (Loss) on sale of fixed assets	648	(5,761)	5,285
Gain on contribution of securities to employee retirement benefit trust	(1,312)	-	(10,701)
Interest and dividend income	(2,221)	(2,547)	(18,116)
Interest expense	5,157	6,597	42,064
Changes in assets and liabilities			
Decrease (increase) in			
: Trade receivables	74,404	72,422	606,884
: Inventories	(49,120)	(60,117)	(400,653)
: Other current assets	(5,661)	(5,738)	(46,175)
Increase (decrease) in			
: Trade payables	(48,634)	(49,149)	(396,688)
: Advances received	44,454	57,312	362,594
: Other current liabilities	(3,289)	(3,953)	(26,827)
Other, net	1,071	130	8,736
Sub total	26,164	29,060	213,409
Cash received for interest and dividends	2,266	2,022	18,483
Cash paid for interest	(4,761)	(5,811)	(38,834)
Cash paid for income taxes	(2,601)	(2,439)	(21,215)
<b>Net cash provided by operating activities</b>	<b>¥ 21,068</b>	<b>¥ 22,832</b>	<b>\$ 171,843</b>
<b>Cash flows from investing activities:</b>			
Decrease (increase) in time deposit due more than three months	(174)	123	(1,419)
Acquisition of property, plant and equipment	(17,276)	(15,835)	(140,914)
Proceeds from property, plant and equipment	489	8,106	3,989
Acquisition of Intangible assets	(741)	(2,316)	(6,044)
Proceeds from Intangible assets	22	94	179
Acquisition of investment in securities	(876)	(710)	(7,145)
Proceeds from investment in securities	139	321	1,134
Decrease in short-term loans	(871)	(1,309)	(7,104)
Payment received on long-term loans receivable	(459)	(1,307)	(3,744)
Proceeds from collection of long-term loans receivable	408	2,260	3,328
Proceeds from purchase of newly consolidated subsidiaries' stock	162	-	1,321
Decrease in other investments	245	186	1,998
<b>Net cash used for investing activities</b>	<b>¥ (18,932)</b>	<b>¥ (10,387)</b>	<b>\$ (154,421)</b>
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term borrowings	(27,537)	5,142	(224,608)
Proceeds from long-term debt	14,434	3,668	117,732
Repayment of long-term debt	(25,105)	(18,965)	(204,772)
Acquisition of treasury stock	(15)	-	(122)
Cash dividends paid	(1)	(2)	(8)
Cash dividends paid to minority interests	(100)	(44)	(816)
<b>Net cash provided by financing activities</b>	<b>¥ (38,324)</b>	<b>¥ (10,201)</b>	<b>\$ (312,594)</b>
<b>Effect of exchange rate changes</b>	<b>481</b>	<b>407</b>	<b>3,924</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(35,707)</b>	<b>2,651</b>	<b>(291,248)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>89,777</b>	<b>75,212</b>	<b>732,276</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 54,070</b>	<b>¥ 77,863</b>	<b>\$ 441,028</b>

## Segment information

## (a) Information by industry segment

(millions of yen)

	Six months ended September 30, 2002				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 49,824	¥ 711	¥ 50,535	¥ 52,066	¥ (1,531)
Rolling Stock, Construction Machinery & Crushing Plant	79,423	1,197	80,620	79,633	987
Aerospace	45,657	829	46,486	45,146	1,340
Gas Turbines & Machinery	80,802	9,170	89,972	88,013	1,959
Plant & Infrastructure Engineering	80,128	10,713	90,841	95,439	(4,598)
Consumer products & Machinery	162,316	2,291	164,607	164,768	(161)
Other	41,542	16,670	58,212	58,561	(349)
Total	539,692	41,581	581,273	583,626	(2,353)
Eliminations	-	(41,581)	(41,581)	(41,701)	120
Consolidated total	¥ 539,692	¥ -	¥ 539,692	¥ 541,925	¥ (2,233)

(millions of yen)

	Six months ended September 30, 2001				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 52,803	¥ 476	¥ 53,279	¥ 50,328	¥ 2,951
Rolling Stock, Construction Machinery & Crushing Plant	52,781	1,450	54,231	53,431	800
Aerospace	55,175	1,457	56,632	50,701	5,931
Gas Turbines & Machinery	81,675	13,652	95,327	91,787	3,540
Plant & Infrastructure Engineering	70,964	6,539	77,503	81,549	(4,046)
Consumer products & Machinery	134,844	3,091	137,935	141,833	(3,898)
Other	43,898	16,614	60,512	60,490	22
Total	492,140	43,279	535,419	530,119	5,300
Eliminations	-	(43,279)	(43,279)	(42,895)	(384)
Consolidated total	¥ 492,140	¥ -	¥ 492,140	¥ 487,224	¥ 4,916

(thousands of U.S. dollars)

	Six months ended September 30, 2002				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	\$ 406,395	\$ 5,799	\$ 412,194	\$ 424,682	\$ (12,488)
Rolling Stock, Construction Machinery Proceeds from purchase of newly consi	647,822	9,763	657,585	649,535	8,050
Aerospace	372,406	6,762	379,168	368,238	10,930
Gas Turbines & Machinery	659,070	74,796	733,866	717,887	15,979
Plant & Infrastructure Engineering	653,572	87,382	740,954	778,458	(37,504)
Consumer products & Machinery	1,323,948	18,687	1,342,635	1,343,948	(1,313)
Other	338,842	135,971	474,813	477,660	(2,847)
Total	4,402,055	339,160	4,741,215	4,760,408	(19,193)
Eliminations	-	(339,160)	(339,160)	(340,139)	979
Consolidated total	\$ 4,402,055	\$ -	\$ 4,402,055	\$ 4,420,269	\$ (18,214)

## (b) Information by geographic area

(millions of yen)

Six months ended September 30, 2002					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 363,783	¥ 78,793	¥ 442,576	¥ 448,631	¥ (6,055)
North America	126,182	7,984	134,166	133,803	363
Europe	37,360	1,891	39,251	38,162	1,089
Asia	10,184	3,540	13,724	13,488	236
Other Areas	2,182	62	2,244	2,161	83
Total	539,691	92,270	631,961	636,245	(4,284)
Eliminations	-	(92,270)	(92,270)	(94,320)	2,050
Consolidated total	¥ 539,691	¥ -	¥ 539,691	¥ 541,925	¥ (2,234)

(millions of yen)

Six months ended September 30, 2001					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 359,520	¥ 81,054	¥ 440,574	¥ 431,232	¥ 9,342
North America	91,410	7,416	98,826	100,969	(2,143)
Europe	29,748	2,085	31,833	32,722	(889)
Asia	9,665	3,689	13,354	13,050	304
Other Areas	1,797	62	1,859	1,771	88
Total	492,140	94,306	586,446	579,744	6,702
Eliminations	-	(94,306)	(94,306)	(92,520)	(1,786)
Consolidated total	¥ 492,140	¥ -	¥ 492,140	¥ 487,224	¥ 4,916

(thousands of U.S. dollars)

Six months ended September 30, 2002					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	\$ 2,967,234	\$ 642,684	\$ 3,609,918	\$ 3,659,307	\$ (49,389)
North America	1,029,217	65,122	1,094,339	1,091,378	2,961
Europe	304,731	15,424	320,155	311,272	8,883
Asia	83,067	28,874	111,941	110,016	1,925
Other Areas	17,798	506	18,304	17,627	677
Total	4,402,047	752,610	5,154,657	5,189,600	(34,943)
Eliminations	-	(752,610)	(752,610)	(769,331)	16,721
Consolidated total	\$ 4,402,047	\$ -	\$ 4,402,047	\$ 4,420,269	\$ (18,222)

Proceeds from purchase of newly consolidated subsidiaries' stock

## (c) Overseas sales

	(millions of yen)		(millions of yen)		(Thousands of U.S. dollars)
	Six months ended Sept. 30, 2002	(%)	Six months ended Sept. 30, 2001	(%)	Six months ended Sept. 30, 2002
	Overseas sales	% against net sales	Overseas sales	% against net sales	Overseas sales
North America	¥ 152,803	28.3%	¥ 126,791	25.7%	\$ 1,246,354
Europe	51,751	9.5%	37,936	7.7%	422,113
Asia	40,564	7.5%	49,886	10.1%	330,865
Other Areas	36,310	6.7%	24,315	4.9%	296,166
Total	¥ 281,428	52.1%	¥ 238,928	48.5%	2,295,498

(Consolidated)

## Net sales, orders and order backlog by industry segment

For six months ended September 30, 2002 and 2001 and one year ended March 31, 2002

	Millions of yen				Thousands of U.S. dollars				
	Six months ended Sept. 30, 2002		Six months ended Sept. 30, 2001		% Change	Six months ended Sept. 30, 2002			
<b>Net sales :</b>									
Shipbuilding	¥	49,823	(9%)	¥	52,803	(11%)	-6%	\$	406,387
Rolling Stock, Construction Machinery & Crushing Plant		79,423	(15%)		52,781	(11%)	+50%		647,822
Aerospace		45,657	(8%)		55,175	(11%)	-17%		372,406
Gas Turbines & Machinery		80,802	(15%)		81,675	(17%)	-1%		659,070
Plant & Infrastructure Engineering		80,128	(15%)		70,964	(14%)	+13%		653,572
Consumer products & Machinery		162,316	(30%)		134,844	(27%)	+20%		1,323,948
Other		41,542	(8%)		43,898	(9%)	-5%		338,842
Total	¥	539,691	(100%)	¥	492,140	(100%)	+10%	\$	4,402,047

<b>Orders :</b>									
Shipbuilding	¥	75,166	(14%)	¥	42,594	(10%)	+76%	\$	613,100
Rolling Stock, Construction Machinery & Crushing Plant		75,764	(15%)		48,610	(11%)	+56%		617,977
Aerospace		25,348	(5%)		46,095	(10%)	-45%		206,753
Gas Turbines & Machinery		63,649	(12%)		67,476	(15%)	-6%		519,160
Plant & Infrastructure Engineering		81,967	(16%)		62,313	(14%)	+32%		668,572
Consumer products & Machinery		162,316	(31%)		134,844	(30%)	+20%		1,323,948
Other		38,815	(7%)		42,008	(10%)	-8%		316,599
Total	¥	523,025	(100%)	¥	443,940	(100%)	+18%	\$	4,266,109

	Millions of yen				Thousands of U.S. dollars				
	As of Sept. 30, 2002		As of Mar. 31, 2002		% Change	As of Sept. 30, 2002			
<b>Order backlog :</b>									
Shipbuilding	¥	212,559	(18%)	¥	194,275	(16%)	+9%	\$	1,733,760
Rolling Stock, Construction Machinery & Crushing Plant		260,050	(22%)		272,642	(22%)	-5%		2,121,126
Aerospace		172,649	(14%)		195,447	(16%)	-12%		1,408,230
Gas Turbines & Machinery		181,842	(15%)		204,819	(16%)	-11%		1,483,214
Plant & Infrastructure Engineering		340,621	(29%)		347,496	(28%)	-2%		2,778,311
Consumer products & Machinery		-	(- %)		-	(- %)	-%		-
Other		23,033	(2%)		25,760	(2%)	-11%		187,871
Proceeds from purchase of newly conso	¥	1,190,754	(100%)	¥	1,240,439	(100%)	-4%	\$	9,712,512