

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

For the years ended March 31, 2003 and 2002

Operating results	Millions of yen			Thousands of U.S. dollars
	2003	2002	Change	2003
Net sales	<b>1,239,598</b>	1,144,534	<b>+8%</b>	\$ 10,312,795
Operating income	<b>30,543</b>	31,311	<b>-2%</b>	254,101
Net income	<b>13,022</b>	6,282	<b>+107%</b>	108,336
Net income per share (Yen)	<b>9.3</b>	4.5		

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of shareholders' equity to total assets
	Total assets	Shareholders' equity	
<b>As of March 31, 2003</b>	<b>1,149,161</b>	<b>174,585</b>	<b>15%</b>
As of March 31, 2002	1,255,075	167,731	13%
As of March 31, 2003	\$ 9,560,408	\$ 1,452,454	

	Yen / U.S. dollars	Thousand shares
	Shareholders' equity per share	Number of shares issued and outstanding
<b>As of March 31, 2003</b>	125.6	<b>1,390,230</b>
As of March 31, 2002	120.6	1,390,570
As of March 31, 2003	\$ 1.04	

Cash flows

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Operating activities	<b>56,770</b>	60,793	\$ 472,296
Investing activities	<b>(26,827)</b>	(28,089)	(223,186)
Financing activities	<b>(59,601)</b>	(18,588)	(495,849)
Cash and cash equivalents at end of year	<b>59,837</b>	89,777	497,812

Fiscal year forecast

	Millions of yen	
	Net sales	Net income
One year ending March 31, 2004	1,170,000	8,000

- 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 120.20=\$1, the rate prevailing as of March 31, 2003, solely for the convenience of the readers.

## Condensed Consolidated Balance Sheets

As of March 31, 2003 and 2002

(Consolidated)

	Millions of yen		Thousands of
	2003	2002	U.S. dollars 2003
<b>Assets :</b>			
Current assets :			
Cash on hand and in banks	¥ 61,185	¥ 91,344	\$ 509,027
Marketable securities	10	60	83
Receivables, less allowance	393,067	396,915	3,270,108
Inventories	342,387	372,269	2,848,478
Other current assets	31,313	42,083	260,507
Total current assets	<u>827,962</u>	<u>902,671</u>	<u>6,888,203</u>
Investments and long-term loans			
less allowance	65,744	95,398	546,955
Net property, plant and equipment	234,352	241,517	1,949,684
Intangible and other assets	21,103	15,489	175,566
Total assets	<u>¥ 1,149,161</u>	<u>¥ 1,255,075</u>	<u>\$ 9,560,408</u>
<b>Liabilities, minority interests and shareholders' equity :</b>			
Current liabilities :			
Short-term borrowings			
and current portion of long-term debt	¥ 201,248	¥ 243,113	\$ 1,674,276
Payables	294,769	325,664	2,452,321
Advances from customers	100,829	111,423	838,844
Other current liabilities	93,345	72,357	776,581
Total current liabilities	<u>690,191</u>	<u>752,557</u>	<u>5,742,022</u>
Long-term liabilities :			
Long-term debt, less current portion	226,936	248,170	1,887,987
Others	51,858	81,434	431,431
Total long-term liabilities	<u>278,794</u>	<u>329,604</u>	<u>2,319,418</u>
Minority interests	5,591	5,183	46,514
Shareholders' equity :			
Common stock	81,427	81,427	677,429
Capital surplus	24,683	24,682	205,349
Retained earnings	77,069	64,110	641,173
Net unrealized gain on securities	3,671	5,925	30,541
Foreign currency translation adjustments	(12,225)	(8,407)	(101,705)
Treasury stock	(40)	(6)	(333)
Total shareholders' equity	<u>174,585</u>	<u>167,731</u>	<u>1,452,454</u>
Total liabilities, minority interests and shareholders' equity	<u>¥ 1,149,161</u>	<u>¥ 1,255,075</u>	<u>\$ 9,560,408</u>

## Condensed Consolidated Statements of Operations

For the years ended March 31, 2003 and 2002

(Consolidated)

	Millions of yen		%	Thousands of
	2003	2002		U.S. dollars 2003
Net sales	¥ 1,239,598	¥ 1,144,534	+8%	\$ 10,312,795
Cost of sales	1,069,341	977,875		8,896,348
Gross profit	<u>170,257</u>	<u>166,659</u>		<u>1,416,447</u>
Selling, general and administrative expenses	139,714	135,348		1,162,346
Operating income	<u>30,543</u>	<u>31,311</u>	-2%	<u>254,101</u>
Other income (expenses) :				
Interest and dividend income	4,684	4,798		38,968
Equity in income(loss) of unconsolidated subsidiaries and affiliates	(467)	379		(3,885)
Interest expense	(10,291)	(12,146)		(85,616)
Other, net	<u>(7,241)</u>	<u>(8,348)</u>		<u>(60,240)</u>
Income before income taxes and minority interests	<u>17,228</u>	<u>15,994</u>	+8%	<u>143,328</u>
Income taxes	(3,840)	(9,245)		(31,947)
Minority interests in net income of consolidated subsidiaries	(366)	(467)		(3,045)
Net income	<u>¥ 13,022</u>	<u>¥ 6,282</u>	+107%	<u>\$ 108,336</u>

## Consolidated Statements of Cash Flows

For the year ended March 31, 2003 and 2002

(Consolidated)

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 17,228	¥ 15,994	\$ 143,328
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	31,595	31,998	262,854
Provision for retirement and severance benefits	1,955	10,182	16,264
Accrued bonuses	604	3,479	5,025
Gain on sale of fixed assets	(2,053)	(5,047)	(17,080)
Provision for (reversal of) estimated loss on uncompleted contract	752	(6,517)	6,256
Provision for restructuring charges	2,260	-	18,802
Loss on disposal of inventories	1,156	-	9,617
Write-downs of securities and others	910	3,904	7,571
Write-downs of investment in subsidiaries and affiliates	-	649	-
Provision for (reversal of) allowance for doubtful accounts	(718)	1,794	(5,973)
Gain on contribution of securities to employee retirement benefit trust	(1,902)	-	(15,824)
Interest and dividend income	(4,684)	(4,798)	(38,968)
Interest expense	10,291	12,146	85,616
Gain on sale of marketable & investments securities	(954)	(109)	(7,937)
Changes in assets and liabilities:			
Decrease (increase) in			
Trade receivables	3,736	38,986	31,081
Inventories	24,835	(18,809)	206,614
Other current assets	8,956	(3,972)	74,509
Increase (decrease) in			
Trade payables	(26,738)	(9,972)	(222,446)
Advances received	(10,646)	6,970	(88,569)
Other current liabilities	13,147	(3,583)	109,376
Other, net	(576)	(111)	(4,792)
<b>Sub total</b>	<b>69,154</b>	<b>73,184</b>	<b>575,324</b>
Cash received for interest and dividends	4,221	4,730	35,117
Cash paid for interest	(10,120)	(11,401)	(84,193)
Cash paid for income taxes	(6,485)	(5,720)	(53,952)
<b>Net cash provided by operating activities</b>	<b>¥ 56,770</b>	<b>¥ 60,793</b>	<b>\$ 472,296</b>
<b>Cash flows from investing activities:</b>			
Decrease in time deposit due more than three months	221	269	1,839
Acquisition of property, plant and equipment	(31,349)	(31,406)	(260,807)
Proceeds from sales of property, plant and equipment	8,428	10,677	70,116
Acquisition of Intangible assets	(2,208)	(2,904)	(18,369)
Proceeds from sales of Intangible assets	40	133	333
Acquisition of investment in securities	(4,240)	(6,595)	(35,274)
Proceeds from sale of investments in securities	2,643	205	21,988
Decrease (increase) in short-term loans	(179)	368	(1,489)
Payment received on long-term loans receivable	(1,805)	(2,086)	(15,017)
Proceeds from collection of long-term loans receivable	762	3,157	6,339
Other	860	93	7,155
<b>Net cash used for investing activities</b>	<b>¥ (26,827)</b>	<b>¥ (28,089)</b>	<b>\$ (223,186)</b>
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term bank loans	(53,048)	837	(441,331)
Proceeds from long-term debt	34,129	12,939	283,935
Repayment of long-term debt	(40,579)	(32,303)	(337,596)
Acquisition of treasury stocks	(2)	-	(17)
Cash dividends paid	(2)	(5)	(17)
Cash dividends paid to minority interests	(99)	(56)	(823)
<b>Net cash provided by financing activities</b>	<b>¥ (59,601)</b>	<b>¥ (18,588)</b>	<b>\$ (495,849)</b>
<b>Effect of exchange rate changes</b>	<b>(282)</b>	<b>449</b>	<b>(2,346)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(29,940)</b>	<b>14,565</b>	<b>(249,085)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>89,777</b>	<b>75,212</b>	<b>746,897</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 59,837</b>	<b>¥ 89,777</b>	<b>\$ 497,812</b>

Segment information  
(a) Information by industry segment

(Consolidated)

(millions of yen)

	2003							
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	¥ 105,458	¥ 1,556	¥ 107,014	¥ 105,605	¥ 1,409	¥ 95,661	¥ 1,963	¥ 2,551
Rolling Stock,								
Construction Machinery & Crushing Plant	164,774	3,157	167,931	162,441	5,490	117,276	2,853	3,266
Aerospace	154,848	2,372	157,220	151,125	6,095	166,223	3,370	5,523
Gas Turbines & Machinery	181,043	20,880	201,923	195,832	6,091	160,875	3,945	3,264
Plant & Infrastructure Engineering	219,092	22,557	241,649	245,891	(4,242)	191,520	2,308	622
Consumer products & Machinery	318,025	3,033	321,058	307,654	13,404	260,360	12,190	13,927
Other	96,358	39,774	136,132	134,230	1,902	143,510	2,535	1,677
Total	1,239,598	93,329	1,332,927	1,302,778	30,149	1,135,425	29,164	30,830
Eliminations and corporate	-	(93,329)	(93,329)	(93,723)	394	13,736	2,431	4,335
Consolidated total	¥ 1,239,598	¥ -	¥ 1,239,598	¥ 1,209,055	¥ 30,543	¥ 1,149,161	¥ 31,595	¥ 35,165

(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 and corporate	-	(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

(thousands of U.S. dollars)

	2003							
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	\$ 877,354	\$ 12,945	\$ 890,299	\$ 878,577	\$ 11,722	\$ 795,849	\$ 16,331	\$ 21,223
Rolling Stock,								
Construction Machinery & Crushing Plant	1,370,832	26,265	1,397,097	1,351,423	45,674	975,674	23,735	27,171
Aerospace	1,288,253	19,734	1,307,987	1,257,280	50,707	1,382,887	28,037	45,948
Gas Turbines & Machinery	1,506,181	173,710	1,679,891	1,629,218	50,673	1,338,394	32,820	27,155
Plant & Infrastructure Engineering	1,822,729	187,662	2,010,391	2,045,682	(35,291)	1,593,344	19,202	5,175
Consumer products & Machinery	2,645,799	25,233	2,671,032	2,559,517	111,515	2,166,057	101,414	115,865
Other	801,647	330,899	1,132,546	1,116,722	15,824	1,193,927	21,090	13,952
Total	10,312,795	776,448	11,089,243	10,838,419	250,824	9,446,132	242,629	256,489
Eliminations and corporate	-	(776,448)	(776,448)	(779,725)	3,277	114,276	20,225	36,065
Consolidated total	\$ 10,312,795	\$ -	\$ 10,312,795	\$ 10,058,694	\$ 254,101	\$ 9,560,408	\$ 262,854	\$ 292,554

## (b) Information by geographic area

	2003					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets
	(millions of yen)					
Japan	¥ 907,167	¥ 202,171	¥ 1,109,338	¥ 1,083,291	¥ 26,047	¥ 958,762
North America	252,178	13,686	265,864	262,249	3,615	140,742
Europe	56,940	5,521	62,461	61,851	610	41,582
Asia	19,105	11,272	30,377	29,495	882	18,768
Other Areas	4,208	114	4,322	4,215	107	2,764
Total	1,239,598	232,764	1,472,362	1,441,101	31,261	1,162,618
Eliminations and corporate	-	(232,764)	(232,764)	(232,046)	(718)	(13,457)
Consolidated total	¥ 1,239,598	¥ -	¥ 1,239,598	¥ 1,209,055	¥ 30,543	¥ 1,149,161

	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 and 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

	2003					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income	Total assets
	(thousands of U.S. dollars)					
Japan	\$ 7,547,146	\$ 1,681,955	\$ 9,229,101	\$ 9,012,404	\$ 216,697	\$ 7,976,389
North America	2,097,987	113,860	2,211,847	2,181,772	30,075	1,170,899
Europe	473,711	45,932	519,643	514,567	5,076	345,940
Asia	158,943	93,777	252,720	245,383	7,337	156,140
Other Areas	35,008	949	35,957	35,067	890	22,995
Total	10,312,795	1,936,473	12,249,268	11,989,193	260,075	9,672,363
Eliminations and corporate	-	(1,936,473)	(1,936,473)	(1,930,499)	(5,974)	(111,955)
Consolidated total	\$ 10,312,795	\$ -	\$ 10,312,795	\$ 10,058,694	\$ 254,101	\$ 9,560,408

## (c) Overseas sales

	2003		2002		2003
	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	¥ 303,682	24.5%	¥ 272,066	23.8%	\$ 2,526,472
Europe	92,155	7.4%	62,139	5.4%	766,681
Asia	87,014	7.0%	95,832	8.4%	723,910
Other Areas	52,494	4.2%	65,988	5.7%	436,722
Total	¥ 535,345	43.1%	¥ 496,025	43.3%	\$ 4,453,785

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

For the years ended March 31, 2003 and 2002

	Millions of yen				%	Thousands of
	2003		2002			U.S. dollars
					Change	2003
<b>Net sales :</b>						
Shipbuilding	¥ 105,458	(9%)	¥ 92,478	(8%)	+14%	\$ 877,354
Rolling Stock, Construction Machinery & Crushing Plant	164,774	(13%)	121,780	(11%)	+35%	1,370,832
Aerospace	154,848	(12%)	161,072	(14%)	-4%	1,288,253
Gas Turbines & Machinery	181,043	(14%)	171,586	(15%)	+6%	1,506,181
Plant & Infrastructure Engineering	219,092	(18%)	220,605	(19%)	-1%	1,822,729
Consumer products & Machinery	318,025	(26%)	281,207	(25%)	+13%	2,645,799
Other	96,358	(8%)	95,806	(8%)	+1%	801,647
Total	1,239,598	(100%)	1,144,534	(100%)	+8%	10,312,795

### Orders :

Shipbuilding	110,926	(9%)	106,106	(10%)	+5%	922,845
Rolling Stock, Construction Machinery & Crushing Plant	176,693	(14%)	82,585	(8%)	+114%	1,469,992
Aerospace	163,023	(13%)	151,641	(15%)	+8%	1,356,265
Gas Turbines & Machinery	157,802	(13%)	158,662	(15%)	-1%	1,312,828
Plant & Infrastructure Engineering	208,268	(17%)	160,143	(16%)	+30%	1,732,679
Consumer products & Machinery	318,025	(26%)	281,207	(27%)	+13%	2,645,799
Other	92,712	(8%)	94,428	(9%)	-2%	771,314
Total	¥ 1,227,449	(100%)	¥ 1,034,772	(100%)	+19%	\$ 10,211,722

	Millions of yen				%	Thousands of
	As of		As of			U.S. dollars
	Mar. 31, 2003		Mar. 31, 2002		Change	As of
						Mar. 31, 2003
<b>Order backlog :</b>						
Shipbuilding	¥ 173,304	(15%)	¥ 194,275	(16%)	-11%	\$ 1,441,797
Rolling Stock, Construction Machinery & Crushing Plant	273,563	(23%)	272,642	(22%)	0%	2,275,899
Aerospace	208,410	(18%)	195,447	(16%)	+7%	1,733,860
Gas Turbines & Machinery	170,262	(14%)	204,819	(16%)	-17%	1,416,489
Plant & Infrastructure Engineering	327,911	(28%)	347,496	(28%)	-6%	2,728,045
Consumer products & Machinery	-	(-%)	-	(-%)	-%	-
Other	22,113	(2%)	25,760	(2%)	-14%	183,968
Total	¥ 1,175,563	(100%)	¥ 1,240,439	(100%)	-5%	\$ 9,780,058