

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

For six months ended September 30, 2003 and 2002 and one year ended March 31, 2003

Operating results

	Millions of yen			%	Thousands of
	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Change		U.S. dollars
Net sales	¥ 523,270	¥ 539,691	-3%	\$ 4,703,551	
Operating income (loss)	1,616	(2,234)	—	14,526	
Net loss	3,396	3,488	—	30,526	
Net loss per share (Yen)	2.4	2.5			

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of shareholders' equity to total assets
	Total assets	Shareholders' equity	
As of September 30, 2003	¥ 1,160,291	¥ 180,880	16%
As of March 31, 2003	1,149,161	174,585	15%
As of September 30, 2003	\$ 10,429,581	\$ 1,625,887	—

	Yen / U.S. dollars	Thousand shares
	Shareholders' equity per share	Number of shares issued and outstanding
As of September 30, 2003	¥ 125.4	1,442,582
As of March 31, 2003	125.6	1,390,230
As of September 30, 2003	\$ 1.13	—

Cash flows

	Millions of yen		Thousands of
	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	U.S. dollars
Operating activities	¥ 11,000	¥ 21,068	\$ 98,876
Investing activities	(14,315)	(18,932)	(128,674)
Financing activities	(4,587)	(38,324)	(41,231)
Cash and cash equivalents at end of year	52,632	54,070	473,097

Fiscal year forecast

	Millions of yen	
	Net sales	Net income
One year ending March 31, 2004	¥ 1,140,000	¥ 4,000

- 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 ¥111.25=\$1, the rate prevailing as of September 30, 2003, solely for the convenience of the readers.

Condensed Consolidated Balance Sheets

As of September 30, 2003 and 2002

(Consolidated)

	Millions of yen		Thousands of U.S. dollars
	As of Sept. 30, 2003	As of Sept. 30, 2002	As of Sept. 30, 2002
Assets :			
Current assets :			
Cash on hand and in banks	¥ 54,111	¥ 55,463	\$ 486,391
Receivables, less allowance	313,103	321,214	2,814,409
Inventories	392,741	415,451	3,530,257
Other current assets	46,907	50,510	421,636
Total current assets	806,862	842,638	7,252,693
Investments and long-term loans less allowance	72,783	74,068	654,228
Net property, plant and equipment	261,884	240,552	2,354,013
Intangible and other assets	18,762	15,424	168,647
Total assets	¥ 1,160,291	¥ 1,172,682	\$ 10,429,581
Liabilities and shareholders' equity :			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	¥ 229,708	¥ 221,919	\$ 2,064,791
Payables	241,502	272,351	2,170,804
Advances from customers	140,441	155,872	1,262,391
Other current liabilities	79,680	66,667	716,225
Total current liabilities	691,331	716,809	6,214,211
Long-term liabilities :			
Long-term debt, less current portion	205,178	226,922	1,844,297
Others	79,155	64,177	711,505
Total long-term liabilities	284,333	291,099	2,555,802
Minority interests	3,747	5,323	33,681
Shareholders' equity :			
Common stock	81,427	81,427	731,928
Capital surplus	31,388	24,683	282,139
Retained earnings	70,742	60,559	635,883
Net unrealized gains on securities	9,326	4,836	83,829
Foreign currency translation adjustments	(11,918)	(12,029)	(107,128)
Treasury stock	(85)	(25)	(764)
Total shareholders' equity	180,880	159,451	1,625,887
Total liabilities and shareholders' equity	¥ 1,160,291	¥ 1,172,682	\$ 10,429,581

Condensed Consolidated Statements of Operations

For six months ended September 30, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars
	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	% Change	Six months ended Sept. 30, 2003
Net sales	¥ 523,270	¥ 539,691	-3%	\$ 4,703,551
Cost of sales	452,815	474,106		4,070,247
Gross profit	70,455	65,585		633,304
Selling, general and administrative expenses	68,839	67,819		618,778
Operating income (loss)	1,616	(2,234)	—	14,526
Other income (expenses) :				
Interest and dividend income	1,106	2,221		9,942
Equity in income of unconsolidated subsidiaries and affiliates	326	61		2,930
Interest expense	(3,941)	(5,157)		(35,425)
Other, net	(55)	(3,400)		(494)
Loss before income taxes and minority interests	948	8,509	—	8,521
Income taxes	(2,511)	5,109		(22,571)
Minority interests	63	(88)		566
Net loss	¥ 3,396	¥ 3,488	—	\$ 30,526

Consolidated Statements of Cash Flows

For six months ended September 30, 2003 and 2002

(Consolidated)

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002	Six months ended Sept. 30, 2003
Cash flows from operating activities:			
Loss before income taxes and minority interests	¥ (948)	¥ (8,509)	\$ (8,521)
Depreciation and amortization	15,796	15,348	141,987
Provision for retirement and severance benefits	2,256	4,484	20,279
Accrued bonuses	(2,801)	709	(25,178)
Provision for (Reversal of) allowance for doubtful accounts	277	(1,403)	2,490
Gain (Loss) on sale of investments in subsidiaries	(118)	-	(1,061)
Gain (Loss) on sale of securities	(413)	38	(3,712)
Gain (Loss) on sale of fixed assets	(311)	648	(2,796)
Gain on contribution of securities to employee retirement benefit trust	-	(1,312)	-
Provision for restructuring charges	(1,047)	-	(9,411)
Interest and dividend income	(1,106)	(2,221)	(9,942)
Interest expense	3,941	5,157	35,425
Changes in assets and liabilities			
Decrease (increase) in			
: Trade receivables	80,614	74,404	724,620
: Inventories	(40,904)	(49,120)	(367,676)
: Other current assets	(8,240)	(5,661)	(74,067)
Increase (decrease) in			
: Trade payables	(51,844)	(48,634)	(466,013)
: Advances received	39,964	44,454	359,227
: Other current liabilities	(12,631)	(3,289)	(113,537)
Other, net	(810)	1,071	(7,283)
Sub total	21,675	26,164	194,831
Cash received for interest and dividends	1,726	2,266	15,514
Cash paid for interest	(3,986)	(4,761)	(35,829)
Cash paid for income taxes	(8,415)	(2,601)	(75,640)
Net cash provided by operating activities	¥ 11,000	¥ 21,068	\$ 98,876
Cash flows from investing activities:			
Increase in time deposit due more than three months	(132)	(174)	(1,187)
Acquisition of property, plant and equipment	(14,669)	(17,276)	(131,856)
Proceeds from property, plant and equipment	1,584	489	14,238
Acquisition of Intangible assets	(2,478)	(741)	(22,274)
Proceeds from Intangible assets	12	22	108
Acquisition of investment in securities	(406)	(876)	(3,649)
Proceeds from investment in securities	819	139	7,362
Increase (decrease) in short-term loans	235	(871)	2,112
Payment received on long-term loans receivable	(34)	(459)	(306)
Proceeds from collection of long-term loans receivable	123	408	1,106
Proceeds from purchase of newly consolidated subsidiaries' stock	-	162	-
Decrease in other investments	631	245	5,672
Net cash used for investing activities	¥ (14,315)	¥ (18,932)	\$ (128,674)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	13,682	(27,537)	122,984
Proceeds from long-term debt	15,675	14,434	140,899
Repayment of long-term debt	(31,007)	(25,105)	(278,714)
Acquisition of treasury stock	(62)	(15)	(557)
Cash dividends paid	(2,747)	(1)	(24,692)
Cash dividends paid to minority interests	(128)	(100)	(1,151)
Net cash provided by financing activities	¥ (4,587)	¥ (38,324)	\$ (41,231)
Effect of exchange rate changes	366	481	3,290
Net Decrease in cash and cash equivalents	(7,536)	(35,707)	(67,739)
Cash and cash equivalents at beginning of year	59,837	89,777	537,861
Increase due to inclusion in consolidation	1,330	-	11,955
Decrease due to exclusion from consolidation	(999)	-	(8,980)
Cash and cash equivalents at end of year	¥ 52,632	¥ 54,070	\$ 473,097

Segment information
(Consolidated)
(a) Information by industry segment

(millions of yen)

	Six months ended September 30, 2003				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 51,683	¥ 780	¥ 52,463	¥ 48,606	¥ 3,857
Rolling Stock,					
Construction Machinery					
& Crushing Plant	57,885	1,585	59,470	57,995	1,475
Aerospace	69,815	983	70,798	68,727	2,071
Gas Turbines & Machinery	65,799	5,269	71,068	70,333	735
Plant & Infrastructure Engineering	50,530	5,566	56,096	61,096	(5,000)
Consumer products & Machinery	165,651	1,661	167,312	169,950	(2,638)
Other	61,907	19,605	81,512	80,267	1,245
Total	523,270	35,449	558,719	556,974	1,745
Eliminations	-	(35,449)	(35,449)	(35,320)	(129)
Consolidated total	¥ 523,270	¥ -	¥ 523,270	¥ 521,654	¥ 1,616

(millions of yen)

	Six months ended September 30, 2002				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 49,823	¥ 711	¥ 50,534	¥ 52,066	¥ (1,532)
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	67,694	5,441	73,135	71,070	2,065
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	54,650	18,269	72,919	73,355	(436)
Total	539,691	39,451	579,142	581,477	(2,335)
Eliminations	-	(39,451)	(39,451)	(39,552)	101
Consolidated total	¥ 539,691	¥ -	¥ 539,691	¥ 541,925	¥ (2,234)

(thousands of U.S. dollars)

	Six months ended September 30, 2003				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	\$ 464,566	\$ 7,011	\$ 471,577	\$ 436,908	\$ 34,669
Rolling Stock,					
Construction Machinery					
& Crushing Plant	520,315	14,247	534,562	521,303	13,259
Aerospace	627,551	8,836	636,387	617,771	18,616
Gas Turbines & Machinery	591,452	47,362	638,814	632,207	6,607
Plant & Infrastructure Engineering	454,202	50,031	504,233	549,178	(44,945)
Consumer products & Machinery	1,488,998	14,930	1,503,928	1,527,640	(23,712)
Other	556,467	176,225	732,692	721,501	11,191
Total	4,703,551	318,642	5,022,193	5,006,508	15,685
Eliminations	-	(318,642)	(318,642)	(317,483)	(1,159)
Consolidated total	\$ 4,703,551	\$ -	\$ 4,703,551	\$ 4,689,025	\$ 14,526

(b) Information by geographic area

(millions of yen)

Six months ended September 30, 2003

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 366,350	¥ 68,812	¥ 435,162	¥ 435,661	¥ (499)
North America	101,934	8,057	109,991	110,870	(879)
Europe	44,119	2,263	46,382	45,652	730
Asia	8,385	4,819	13,204	13,514	(310)
Other Areas	2,482	41	2,523	2,472	51
Total	523,270	83,992	607,262	608,169	(907)
Eliminations	-	(83,992)	(83,992)	(86,515)	2,523
	¥ 523,270	¥ -	¥ 523,270	¥ 521,654	¥ 1,616

(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)

(thousands of U.S. dollars)

Six months ended September 30, 2003

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	\$ 3,293,034	\$ 618,535	\$ 3,911,569	\$ 3,916,054	\$ (4,485)
North America	916,261	72,422	988,683	996,584	(7,901)
Europe	396,575	20,342	416,917	410,355	6,562
Asia	75,371	43,317	118,688	121,474	(2,786)
Other Areas	22,310	369	22,679	22,221	458
Total	4,703,551	754,985	5,458,536	5,466,688	(8,152)
Eliminations	-	(754,985)	(754,985)	(777,663)	22,678
Consolidated total	\$ 4,703,551	\$ -	\$ 4,703,551	\$ 4,689,025	\$ 14,526

(c) Overseas sales

	(millions of yen)		(millions of yen)		(Thousands of U.S. dollars)
	Six months ended Sept. 30, 2003	(%)	Six months ended Sept. 30, 2002	(%)	Six months ended Sept. 30, 2003
	Overseas sales	% against net sales	Overseas sales	% against net sales	Overseas sales
North America	¥ 123,223	23.5%	¥ 152,803	28.3%	\$ 1,107,622
Europe	70,313	13.4%	51,751	9.5%	632,027
Asia	29,624	5.7%	40,564	7.5%	266,283
Other Areas	34,291	6.6%	36,310	6.7%	308,234
Total	¥ 257,451	49.2%	¥ 281,428	52.1%	2,314,166

Net sales, orders and order backlog by industry segment

(Consolidated)

For six months ended September 30, 2003 and 2002

	Millions of yen				% Change	Thousands of			
	Six months ended		Six months ended			U.S. dollars			
	Sept. 30, 2003		Sept. 30, 2002			Six months ended			
						Sept. 30, 2003			
Net sales :									
Shipbuilding	¥	51,683	(10%)	¥	49,823	(9%)	+4%	\$	464,566
Rolling Stock, Construction Machinery & Crushing Plant		57,885	(11%)		79,423	(15%)	-27%		520,315
Aerospace		69,815	(13%)		45,657	(8%)	+53%		627,551
Gas Turbines & Machinery		65,799	(13%)		67,694	(15%)	-3%		591,452
Plant & Infrastructure Engineering		50,530	(10%)		80,128	(15%)	-37%		454,202
Consumer products & Machinery		165,651	(32%)		162,316	(30%)	+2%		1,488,998
Other		61,907	(11%)		54,650	(8%)	+13%		556,467
Total	¥	523,270	(100%)	¥	539,691	(100%)	-3%	\$	4,703,551

Orders :									
Shipbuilding	¥	46,676	(9%)	¥	75,166	(14%)	-38%	\$	419,560
Rolling Stock, Construction Machinery & Crushing Plant		102,748	(20%)		75,764	(15%)	+36%		923,578
Aerospace		31,277	(6%)		25,348	(5%)	+23%		281,142
Gas Turbines & Machinery		53,364	(10%)		50,106	(12%)	+7%		479,676
Plant & Infrastructure Engineering		57,318	(11%)		81,967	(16%)	-30%		515,218
Consumer products & Machinery		165,651	(32%)		162,316	(31%)	+2%		1,488,997
Other		64,221	(12%)		52,358	(7%)	+23%		577,267
Total	¥	521,255	(100%)	¥	523,025	(100%)	-%	\$	4,685,438

	Millions of yen				% Change	Thousands of			
	As of		As of			U.S. dollars			
	Sept. 30, 2003		Sept. 30, 2002			As of			
						Sept. 30, 2003			
Order backlog :									
Shipbuilding	¥	162,497	(14%)	¥	212,559	(18%)	-24%	\$	1,460,647
Rolling Stock, Construction Machinery & Crushing Plant		317,760	(28%)		260,050	(22%)	+22%		2,856,270
Aerospace		180,363	(16%)		172,649	(14%)	+4%		1,621,240
Gas Turbines & Machinery		136,379	(12%)		168,398	(15%)	-19%		1,225,879
Plant & Infrastructure Engineering		331,829	(28%)		340,621	(29%)	-3%		2,982,732
Consumer products & Machinery		-	(- %)		-	(- %)	-%		-
Other		25,294	(2%)		36,477	(2%)	-31%		227,362
Total	¥	1,154,122	(100%)	¥	1,190,754	(100%)	-3%	\$	10,374,130