

Notice Concerning Decision on Terms and Conditions of Euro Yen Convertible Bonds due 2010
(convertible bonds type - bonds with stock acquisition rights,
tenkanshasaigata shinkabu yoyakuken-tsuki shasai)

1. Terms and conditions of the Stock Acquisition Rights:

(1) Issue price of a Stock Acquisition Right:

Zero.

(2) Amount to be paid upon exercise of the Stock Acquisition Right:

Same as the issue price of the Bond.

* Conversion Price: ¥182 per Share

Price of shares of Kawasaki Heavy Industries, Ltd. (KHI)'s common stock (the "Shares"), etc.
as of the date of decision (19 November, 2003) 【for reference only】 :

Closing Price of the Shares at the Tokyo Stock Exchange: ¥116

Up-rate obtained by using the following formula:

$[(\text{Conversion Price} / \text{Stock Price(Closing Price)}) - 1] \times 100$: 57%

(3) The amount to be transferred to stated capital:

¥91 per Share

(4) Rationale for determining the issue price of the Stock Acquisition Right and the amount to be paid upon its exercise:

Considering that a Stock Acquisition Right is attached to a Bond and a Stock Acquisition Right and a Bond are mutually and closely interrelated as the Stock Acquisition Right is not capable to be transferred separately from the Bond, the Bond shall lapse upon exercise of the Stock Acquisition Right due to the substitute payment, and the exercise period of the Stock Acquisition Right shall be expired if the Bond is redeemed prior to its maturity; and that the theoretical economical value of the Stock Acquisition Right and the economical value to be

obtained by KHI upon the issue of the Bonds with Stock Acquisition Right with the coupon rate thereof and issue price thereof and on the other terms and conditions thereof, as a result of attaching the Stock Acquisition Right, the issue price has been determined to be zero (0). Since the Bond is a bond with stock acquisition right of convertible bonds type, the amount to be paid upon exercise of a Stock Acquisition Right shall be equivalent to the issue price, and initial Conversion Price was decided to be 57% above the closing price of regular transaction of the Shares at Tokyo Stock Exchange as of 19 November, 2003.

2. Terms and conditions of the Bond:

(1) Issue price of the Bonds:

100% of the principal amount of the Bonds.

(2) Rate of interest:

No interest will accrue on the Bonds.

(3) Fixed exchange rate:

None.

*** Details of the Bonds 【for reference only】**

(1) Total amount of issue of the Bonds:

¥25,000,000,000 and an aggregate principal amount of replacement Bond Certificate that may be issued against appropriate evidence and indemnity in case of loss, theft or destruction of any Bond Certificate.

(2) The date of resolution on issuance:

19 November, 2003.

(3) Date of payment and date of issuance:

8 December, 2003 (London time).

(4) Exercise period of the Stock Acquisition Rights:

From 22 December, 2003 to 16 September, 2010

(5) Maturity date:

30 September, 2010