

(Consolidated)

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		Change	Thousands of
	Six months ended Sept. 30, 2003	Six months ended Sept. 30, 2002		U.S. dollars Six months ended Sept. 30, 2003
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		16%
As of March 31, 2003	1,149,161		15%
As of September 30, 2003	\$ 10,429,581	\$	
	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 Six months ended Sept. 30, 2003
Operating activities			

Condensed Consolidated Balance Sheets

(Consolidated)

As of September 30, 2003 and 2002

Thousands of
U.S. dollars

Millions of yen

As of

As of

As of

Sept. 30, 2003

Sept. 30, 2002

Sept. 30, 2002

Assets :

(f)Tj E276131J9 741.2003 Tm (f)Tj ET Q B 5o389 378.93 741.2039 741.Ti.27anks J9 741.235 -1.21 Tr1 TG1 T

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)	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

(Consolidated)

(b) Information by geographic area

	Six months ended September 30, 2003				Operating income (loss)
	External sales	Intersegment sales	Total sales	Operating expenses	
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

	Six months ended September 30, 2002				Operating income (loss)
	External sales	Intersegment sales	Total sales	Operating expenses	
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)

	Six months ended September 30, 2003			Operating
External	Intersegment	Total	Operating	Operating

Net sales, orders and order backlog by industry segment

(Consolidated)

Minery
Fishing
Turbines
&
products

Construction
&
Aerospace
Gas
Plant
Consumer
Other
Total

:
Stock,
Machinery
Crushing

Orders
Shipbuilding
Rolling
Construction
&
Aerospace

						281,142
Gas	53,364	(10%)	50,106	(12%)	+7%	479,676
Plant	57,318	(11%)	81,967	(16%)	-30%	515,218
Consumer	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

of
dollars

Millions

Thousands
U.S.
%