

KAWASAKI HEAVY INDUSTRIES, LTD.

Semiannual Report 2002

For the six months ended September 30, 2002

Consolidated Financial Highlights

Kawasaki Heavy Industries, Ltd. and Consolidated Subsidiaries

For the six months ended September 30, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
For the period:			
Net sales	¥ 539,691	¥ 492,140	\$4,402,047
Operating income (loss)	(2,234)	4,916	(18,222)
Net loss	3,488	2,332	28,450
Research and development expenses	6,400	7,000	52,202
Depreciation and amortization	15,348	15,538	125,188
Net cash provided by operating activities	21,068	22,832	171,843
Per share (in yen and U.S. dollars):			
Net loss	2.50	1.70	0.02
Cash dividends	—	—	—
At period-end:			
Total assets	1,172,682	1,247,092	9,565,106
Total shareholders' equity	159,451	162,210	1,300,579
Orders received and outstanding:			
Orders received during the period	523,025	443,940	4,266,109
Order backlog at the period-end	1,190,754	1,271,005	9,712,512
Number of employees	29,009	29,079	

Notes: 1. This Semiannual Report has been prepared in conformity with generally accepted accounting principles and practices in Japan.

2. All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at ¥122.60 to \$1.00, the approximate rate of exchange at September 30, 2002.

To Our Shareholders

Reforming Our Earnings Structure and Aiming for a Return to a Sustainable Growth Path

Expectations of an early recovery in the Japanese economy appear dim because of the combination of deflationary trends—caused by stagnation in private capital investment, restraints on government public works investment, and weakness in personal consumption—the adverse impact of the disposal of nonperforming loans in Japan, and the uncertainty about future conditions in the U.S. economy.

Amid this operating environment during the interim period, extending from April 1, 2002, through September 30, 2002, Kawasaki Heavy Industries (KHI) Group succeeded in boosting orders received ¥79.1 billion, or 17.8%, from the interim period of the previous fiscal year, to ¥523.0 billion as a result of aggressive marketing efforts. This was despite declines in new orders for the Aerospace and Gas Turbines & Machinery segments, as orders won by other segments expanded. Net sales for the interim period were up ¥47.6 billion, or 9.7% year on year, to ¥539.7 billion mainly due to higher sales in the Rolling Stock, Construction Machinery & Crushing Plant segment and the Consumer Products & Machinery segment.

Profitwise, however, we reported an operating loss of ¥2.2 billion and a net loss of ¥3.5 billion despite our continuing efforts to improve profitability in all phases of our operations. This worse performance than the interim period of the previous fiscal year is partly due to the fact that our higher-margin projects are concentrated in the

second half of this fiscal year. In addition, decreased demand for aircraft and related businesses stemming from the terrorist incidents in the United States in 2001, the appreciation of the yen during this interim period, and other factors adversely affected the Company's performance.

Nevertheless, we are expecting higher profits for the full fiscal year, ending March 31, 2003, than those in the previous year, boosted by increased sales of higher-margin projects in the second half of the fiscal year and the positive benefits of various measures to improve profitability.

In consideration of enhancing our capabilities for future growth, we regret that we have decided to continue to suspend the payment of cash dividends for the interim period under review. We request you, our shareholders, to examine carefully our ongoing initiatives and we look forward to your continuing understanding and support.

KHI's corporate philosophy calls for applying its advanced technologies to create new value-added products for use on land, at sea, and in the air and to contribute to the development of society.

Based on this philosophy, we are adhering strictly to attaining our objective of "Quality followed by Quantity" and working to improve our earnings structure through reforms centering on sharpening the focus of our business portfolio, transforming our business model, and enhancing the effectiveness of our management systems.

Our specific objective is to achieve a return on invested capital before tax of 9% or more in the fiscal year ending March 31, 2005.

To achieve this objective, we are working to create a more stable earnings structure by strict emphasis on monitoring our margins from the time orders are received, preventing any unexpected cost overruns, and preparing countermeasures against sudden fluctuations in foreign currency exchange rates. Moreover, by offering products and services that are differentiated based on our technological capabilities, we are endeavoring to increase profit margins and evolving our business model toward one based on identifying profit sources throughout the life cycle of our products.

In addition, we are placing emphasis on investing our management resources in core and developing businesses where we anticipate growth. These businesses are: Aerospace, Consumer Products, Rolling Stock, and Gas Turbines & Machinery. We are nurturing and strengthening these businesses as our earnings pillars. As part of this strategy, we have decided to implement a share exchange with NIPPI Corporation to make it a wholly owned subsidiary and thereby further strengthen our position in the aerospace business.

On the other hand, in our shipbuilding and hydraulic machinery businesses, we are working to substantially increase our flexibility in these operations and improve the efficiency of management. To this end, in October 2002, we established Kawasaki Shipbuilding Corporation, and Kawasaki Precision Machinery Ltd., as wholly owned subsidiaries. Through these measures, we are seeking to strengthen the competitiveness of our businesses and substantially enhance the enterprise value of the Group as a whole.

The KHI Group is responding to changes in the business environment and is steadily implementing various policies under its medium-term business plan to return to a stable growth path. We appreciate the continued advice and support of our shareholders as well as their understanding of what we are working to accomplish in the years ahead.

December 2002



Masamoto Tazaki
President and CEO

Shipbuilding

For the interim period under review, orders received by this segment increased ¥32.6 billion, or 76.5%, to ¥75.2 billion. The segment secured orders for six vessels: three LNG carriers, one LPG carrier, and two bulk carriers.

Net sales declined ¥3.0 billion, or 5.6%, to ¥49.8 billion due mainly to decreased sales of new ships.

Because there were relatively few high-margin ships recognized as sales during the interim period and owing

to adverse movements in foreign exchange rates, the segment reported an operating loss of ¥1.5 billion compared with an operating profit of ¥3.0 billion for the interim period of the previous fiscal year.

A total of six vessels were delivered in the interim period: two container ships, three bulk carriers, and one LPG carrier.

Rolling Stock, Construction Machinery & Crushing Plant

The segment reported a ¥27.2 billion or 55.9% increase in total orders for the interim period, to ¥75.8 billion. Major orders received in the period under review were 350 cars for domestic railway companies, including 24 cars for Shinkansen bullet trains for the Japan Railways (JR) Group, and orders for the Taiwan High Speed Rail Corporation.

Net sales for the interim period climbed ¥26.6 billion, or 50.5%, to ¥79.4 billion. Rolling stock delivered by this

segment mainly consisted of 83 cars to the JR Group, including cars for Shinkansen bullet trains, 74 cars to other domestic railways, and 200 subway cars to the New York City Transport Authority.

Operating income rose ¥0.2 billion, or 23.4%, to ¥1.0 billion.

Aerospace

Orders from the Japan Defense Agency (JDA) decreased slightly from the same period of the previous fiscal year, and orders from Boeing, mainly component parts for the 777 and 767 passenger aircraft, showed a substantial decline. As a consequence, total orders received by the segment for the interim period fell ¥20.7 billion, or 45.0%, to ¥25.3 billion.

Net sales decreased ¥9.5 billion, or 17.3%, to ¥45.7 billion. Although in the defense sector, orders for T-4 intermediate jet trainers and component parts for F-2 support fighters remained brisk, segment sales declined because of the drop in deliveries to Boeing.

Operating income declined ¥4.6 billion, or 77.4%, to ¥1.3 billion, reflecting the decrease in sales.

Gas Turbines & Machinery

Total orders for the interim term for this segment declined ¥3.8 billion, or 5.7%, to ¥63.6 billion. New orders received included those for component parts for the V2500, Trent, and other jet engines for commercial aircraft, small and medium-sized gas turbine generators, turbine/diesel engines for vessels delivered to customers in Japan and overseas, and hydraulic equipment.

Net sales decreased ¥0.9 billion, or 1.1%, to ¥80.8 billion. Products delivered to the JDA during the interim term included gas turbine/diesel engines for naval vessels and helicopter engines. Other sales included deliveries of component parts for jet engines for commercial aircraft, small and medium-sized gas turbine generators, cogeneration systems, turbine/diesel engines for vessels, and hydraulic equipment.

Operating income amounted to ¥2.0 billion, a decline of ¥1.6 billion or 44.7%.

Plant & Infrastructure Engineering

Total orders of this segment increased ¥19.7 billion, or 31.5%, to ¥82.0 billion as a result of the receipt of orders for municipal refuse incineration plants as well as orders for a continuous zinc galvanizing line from China, bridges, water gates, and shield machines.

Net sales amounted to ¥80.1 billion and were ¥9.2 billion or 12.9% higher year on year. Facilities and products recorded in sales included municipal refuse incineration plants and the retrofitting of existing

incineration plants to reduce dioxin emissions, a fertilizer plant for a Chinese company, as well as ash handling equipment to electric power companies, bridges, and shield machines.

Operating loss increased ¥0.6 billion, or 13.6%, to ¥4.6 billion, owing to certain low-margin projects that were still on the order books.

Consumer Products & Machinery

Net sales of this segment rose ¥27.5 billion, or 20.4%, to ¥162.3 billion as sales of ATVs (all-terrain vehicles) and industrial robots expanded.

The segment posted an operating loss of ¥0.2 billion, although this was a ¥3.7 billion, or 95.9% improvement from the interim period of the previous fiscal year,

owing to increased sales and decreased sales promotion expenses in Europe and the United States as a result of the successful reduction in excess pipeline inventories in these markets.

Other

Orders in this segment were down ¥3.2 billion, or 7.6%, to ¥38.8 billion. Net sales amounted to ¥41.5 billion, representing a decline of ¥2.4 billion, or 5.4% from the pre-

vious fiscal year. The segment reported an operating loss of ¥0.3 billion, a decrease of ¥0.4 billion from the interim period in the previous fiscal year.

Performance by Geographical Area

Sales in Japan rose ¥4.3 billion, or 1.2%, for the interim period under review, to ¥363.8 billion, mainly because of higher revenues of the parent company, but operating income declined ¥15.4 billion, to an operating loss of ¥6.1 billion, as a consequence of differences in the composition of sales during this interim period and the interim period of the previous fiscal year, and unfavorable movements in foreign exchange rates.

In North America, sales climbed ¥34.8 billion, or 38.0%, to ¥126.2 billion, mainly owing to increased revenues of subsidiaries for rolling stock production and motorcycle sales. Operating income was ¥0.4 billion, an increase of ¥2.5 billion compared to the interim period in the previous fiscal year.

Sales in Europe were up ¥7.6 billion, or 25.6%, to ¥37.4 billion, due mainly to higher revenues from our motorcycle sales subsidiary. Operating income expanded ¥2.0 billion from a loss of ¥0.9 billion for the interim period of the previous fiscal year to ¥1.1 billion.

In Asia, sales increased ¥0.5 billion, or 5.4%, to ¥10.2 billion and operating income fell ¥0.1 billion, or 22.4% to ¥0.2 billion.

In other areas, sales increased ¥0.4 billion, or 21.4%, to ¥2.2 billion and operating income was ¥0.1 billion, approximately the same amount as for the interim period of the previous fiscal year.

Cash Flows

Net cash provided by operating activities amounted to ¥21.1 billion for the interim period under review. Net cash used for investing activities was ¥18.9 billion, and net cash used for financing activities was ¥38.3 billion, owing to the redemption of bonds and repayment of long-term debt.

As a consequence, cash and cash equivalents at end of the period declined ¥35.7 billion from the end of the previous fiscal year, to ¥54.1 billion.

Condensed Consolidated Balance Sheets

Kawasaki Heavy Industries, Ltd. and Consolidated Subsidiaries
As of September 30 and March 31, 2002 and September 30, 2001

	Millions of yen			Thousands of U.S. dollars
	September 30, 2002 (unaudited)	March 31, 2002	September 30, 2001 (unaudited)	September 30, 2002 (unaudited)
Assets:				
Current assets:				
Cash on hand and in banks	¥ 55,463	¥ 91,344	¥ 79,577	\$ 452,390
Receivables, less allowance	321,214	396,915	359,664	2,620,017
Inventories	415,451	372,269	409,698	3,388,670
Other current assets	50,510	42,143	42,180	411,990
Total current assets	842,638	902,671	891,119	6,873,067
Investments and long-term loans less allowance	74,068	95,398	98,319	604,144
Net property, plant and equipment	240,552	241,517	242,054	1,962,088
Intangible and other assets	15,424	15,489	15,600	125,807
Total assets	¥1,172,682	¥1,255,075	¥1,247,092	\$9,565,106
Liabilities and shareholders' equity:				
Current liabilities:				
Short-term borrowings				
and current portion of long-term debt	¥ 221,919	¥ 243,113	¥ 239,671	\$1,810,106
Payables	272,351	325,664	281,109	2,221,460
Advances from customers	155,872	111,423	161,922	1,271,387
Other current liabilities	66,667	72,357	68,443	543,776
Total current liabilities	716,809	752,557	751,145	5,846,729
Long-term liabilities:				
Long-term debt, less current portion	226,922	248,170	253,342	1,850,914
Others	64,177	81,434	75,610	523,466
Total long-term liabilities	291,099	329,604	328,952	2,374,380
Minority interests	5,323	5,183	4,785	43,418
Shareholders' equity:				
Common stock	81,427	81,427	81,427	664,168
Capital surplus	24,683	24,682	24,682	201,330
Retained earnings	60,559	64,110	55,503	493,956
Net unrealized gains on securities	4,836	5,925	10,946	39,445
Foreign currency translation adjustments	(12,029)	(8,407)	(10,348)	(98,116)
Treasury stock	(25)	(6)	—	(204)
Total shareholders' equity	159,451	167,731	162,210	1,300,579
Total liabilities and shareholders' equity	¥1,172,682	¥1,255,075	¥1,247,092	\$9,565,106

Condensed Consolidated Statements of Operations and Retained Earnings

Kawasaki Heavy Industries, Ltd. and Consolidated Subsidiaries
For the six months ended September 30, 2002 and 2001 (unaudited)

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Net sales	¥539,691	¥492,140	\$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 in net income of consolidated subsidiaries	88	102	717
Net loss.....	¥ 3,488	¥ 2,332	\$ 28,450
Retained earnings:			
Balance at the beginning of the period	¥ 64,110	¥ 58,452	\$ 522,917
Net loss for the period	3,488	2,332	28,450
Bonuses to directors and statutory auditors.....	(63)	(49)	(511)
Adjustment for changes of interests in affiliates accounted for by the equity method	(—)	(568)	(—)
Balance at the end of the period.....	¥ 60,559	¥ 55,503	\$ 493,956

Consolidated Statements of Cash Flows

Kawasaki Heavy Industries, Ltd. and Consolidated Subsidiaries
For the six months ended September 30, 2002 and 2001 (unaudited)

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Cash flows from operating activities:			
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 employees' 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
Subtotal	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)
Net cash provided by operating activities	21,068	22,832	171,843

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	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Cash flows from investing activities:			
Decrease (increase) in time deposits 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 investments in securities	(876)	(710)	(7,145)
Proceeds from investments 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
Net cash used for investing activities	(18,932)	(10,387)	(154,421)
Cash flows from financing activities:			
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)
Net cash used for financing activities	(38,324)	(10,201)	(312,594)
Effect of exchange rate changes	481	407	3,924
Net increase (decrease) in cash and cash equivalents	(35,707)	2,651	(291,248)
Cash and cash equivalents at beginning of the period	89,777	75,212	732,276
Cash and cash equivalents at end of the period	¥ 54,070	¥ 77,863	\$ 441,028

Segment Information

Kawasaki Heavy Industries, Ltd. and Consolidated Subsidiaries
For the six months ended September 30, 2002 and 2001 (unaudited)

(a) Information by industry segment

	Millions of yen				
	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	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.....	539,691	41,581	581,272	583,626	(2,354)
Eliminations	—	(41,581)	(41,581)	(41,701)	120
Consolidated total.....	¥539,691	¥ —	¥539,691	¥541,925	¥(2,234)

	Millions of yen				
	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				
	2002				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding.....	\$ 406,387	\$ 5,799	\$ 412,186	\$ 424,682	\$(12,496)
Rolling Stock, Construction Machinery & Crushing Plant	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.....	4,402,047	339,160	4,741,207	4,760,408	(19,201)
Eliminations	—	(339,160)	(339,160)	(340,139)	979
Consolidated total.....	\$4,402,047	\$ —	\$4,402,047	\$4,420,269	\$(18,222)

(b) Information by geographic area

	<i>Millions of yen</i>				
	2002				
	<i>External sales</i>	<i>Intersegment sales</i>	<i>Total sales</i>	<i>Operating expenses</i>	<i>Operating income (loss)</i>
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)

	<i>Millions of yen</i>				
	2001				
	<i>External sales</i>	<i>Intersegment sales</i>	<i>Total sales</i>	<i>Operating expenses</i>	<i>Operating income (loss)</i>
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

	<i>Thousands of U.S. dollars</i>				
	2002				
	<i>External sales</i>	<i>Intersegment sales</i>	<i>Total sales</i>	<i>Operating expenses</i>	<i>Operating income (loss)</i>
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)

(c) Overseas sales

	<i>Millions of yen</i>		<i>Millions of yen</i>		<i>Thousands of</i>
		<i>%</i>		<i>%</i>	<i>U.S. dollars</i>
	2002		<i>2001</i>		2002
	<i>Overseas sales</i>	<i>% against net sales</i>	<i>Overseas sales</i>	<i>% against net sales</i>	<i>Overseas sales</i>
North America.....	¥152,803	28.3%	¥126,791	25.8%	\$1,246,354
Europe.....	51,751	9.6%	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

Net Sales, Orders and Order Backlog by Industry Segment

For the six months ended September 30, 2002 and 2001 (unaudited)

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Net sales:			
Shipbuilding.....	¥ 49,823	¥ 52,803	\$ 406,387
Rolling Stock, Construction Machinery & Crushing Plant.....	79,423	52,781	647,822
Aerospace.....	45,657	55,175	372,406
Gas Turbines & Machinery.....	80,802	81,675	659,070
Plant & Infrastructure Engineering.....	80,128	70,964	653,572
Consumer Products & Machinery.....	162,316	134,844	1,323,948
Other.....	41,542	43,898	338,842
Total.....	¥539,691	¥492,140	\$4,402,047

Orders received:

Shipbuilding.....	¥ 75,166	¥ 42,594	\$ 613,100
Rolling Stock, Construction Machinery & Crushing Plant.....	75,764	48,610	617,977
Aerospace.....	25,348	46,095	206,753
Gas Turbines & Machinery.....	63,649	67,476	519,160
Plant & Infrastructure Engineering.....	81,967	62,313	668,572
Consumer Products & Machinery.....	162,316	134,844	1,323,948
Other.....	38,815	42,008	316,599
Total.....	¥523,025	¥443,940	\$4,266,109

	Millions of yen			Thousands of U.S. dollars
	As of September 30, 2002	As of March 31, 2002	As of September 30, 2001	As of September 30, 2002
Order backlog:				
Shipbuilding.....	¥ 212,559	¥ 194,275	¥ 163,011	\$1,733,760
Rolling Stock, Construction Machinery & Crushing Plant.....	260,050	272,642	299,790	2,121,126
Aerospace.....	172,649	195,447	194,096	1,408,230
Gas Turbines & Machinery.....	181,842	204,819	195,981	1,483,214
Plant & Infrastructure Engineering.....	340,621	347,496	392,880	2,778,311
Consumer Products & Machinery.....	—	—	—	—
Other.....	23,033	25,760	25,247	187,871
Total.....	¥1,190,754	¥1,240,439	¥1,271,005	\$9,712,512

Kawasaki Corporate Data

(As of September 30, 2002)

Kawasaki Heavy Industries, Ltd.

Kobe Head Office:

Kobe Crystal Tower,
1-3, Higashikawasaki-cho 1-chome,
Chuo-ku, Kobe, Hyogo 650-8680, Japan

Tokyo Head Office:

World Trade Center Bldg.,
4-1, Hamamatsu-cho 2-chome,
Minato-ku, Tokyo 105-6116, Japan

Founded: 1878

Incorporated: 1896

Paid-in Capital: ¥81,427,090,720

Number of Shares Outstanding: 1,390,597,636 shares

Number of Shareholders: 128,859

Number of Employees: 29,009

Stock Exchange Listings:

Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

Newspapers in Which Public Notices Are Made:

Nihon Keizai Shimbun
Kobe Shimbun

Transfer Agent:

The Chuo Mitsui Trust and Banking Company, Limited
33-1, Shiba 3-chome,
Minato-ku, Tokyo 105-8574, Japan

Handling Office:

The Chuo Mitsui Trust and Banking Company, Limited
Osaka Branch Office
2-21, Kitahama 2-chome,
Chuo-ku, Osaka 541-0041, Japan

Independent Auditors:

Asahi & Co.
Kobe Crystal Tower,
1-3, Higashikawasaki-cho 1-chome,
Chuo-ku, Kobe, Hyogo 650-8680, Japan

ADR Facility:

KHI has a sponsored American Depository Receipt (ADR) facility. ADRs are traded on the over-the-counter market in the United States under CUSIP number 486 359 20 1 with each ADR representing four ordinary shares.

ADR Depository:

The Bank of New York
101 Barclay St., 22 West,
New York, NY 10286, U.S.A.
Phone: 1-212-815-8161
U.S. Toll-Free: 888-269-2377
(888-BNY-ADRS)
<http://www.bankofny.com/adr>

KHI Web Site at: <http://www.khi.co.jp>