

HISTORY

Kawasaki Heavy Industries, Ltd. (KHI) traces its origins to an industrial shipyard in Tsukiji, Tokyo, established by Shozo Kawasaki in 1878. In 1896, the Company was incorporated under the laws of Japan as Kawasaki Dockyard Co., Ltd. The Company later expanded its business to include the manufacture of rolling stock, steel, steel structures, industrial machinery, automobiles and aircraft. The Company also engaged in the shipping business through the company known as Kawasaki Kisen Kaisha, Ltd. (the “K” Line), which later became an independent company. In 1939, the Company adopted its present name, Kawasaki Heavy Industries, Ltd.

In 1950, the Company’s steel manufacturing division was divested and Kawasaki Steel Corporation was formed. In 1969, Kawasaki Aircraft Co., Ltd. and Kawasaki Rolling Stock Mfg. Co., Ltd., former divisions which had been divested, were merged back into the Company, forming an integrated heavy industry enterprise.

The Company established a subsidiary in the United States to sell its motorcycles in 1969. In 1975, through its local subsidiary, the Company began to produce motorcycles in the United States ahead of any other Japanese producer of any type of motor vehicle. Subsequently, through its U.S. subsidiaries, the Company began to manufacture rolling stock in New York in 1986, wheel loaders in Georgia in 1987, and small gasoline engines in Missouri in 1989. In 1993, the Company established a local subsidiary to acquire a hydraulic machinery manufacturing business in Plymouth, U.K., its first production facility in Europe.

The Company has been seeking to expand its activities in Asia. The Company has joint ventures in Malaysia, Thailand, Indonesia and the Philippines to manufacture motorcycles. In China, KHI has three joint ventures to manufacture prime movers, ships, and steel structures.

CONTENTS

FINANCIAL HIGHLIGHTS	1
KEY INDICATORS	2
SEGMENT INFORMATION	4
OVERSEAS SALES	5
OPERATIONS BY SEGMENT	
SHIPBUILDING	6
ROLLING STOCK	8
AEROSPACE	10
GAS TURBINES & MACHINERY	12
PLANT & INFRASTRUCTURE ENGINEERING	14
CONSUMER PRODUCTS & MACHINERY	16
CONDENSED BALANCE SHEETS	18
CONDENSED STATEMENTS OF INCOME	19
STOCK INFORMATION	20

FINANCIAL HIGHLIGHTS

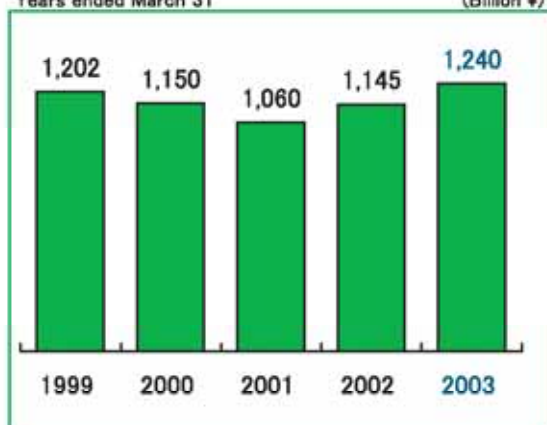
Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries

Years ended March 31

	Millions of yen				
	2003	2002	2001	2000	1999
For the year:					
Net sales	¥1,239,598	¥1,144,534	¥1,060,479	¥1,149,698	¥1,202,189
Net income (loss)	13,022	6,282	(10,320)	(18,632)	(6,132)
Net income (loss) per share (yen)	9.3	4.5	(7.4)	(13.4)	(4.4)
Return on average shareholders' equity (%)	7.6%	3.8%	(6.1%)	(9.9%)	(3.0%)
Cash dividends per share (yen)	2.0	—	—	—	6.0
At year end:					
Total assets	1,149,161	1,255,075	1,247,472	1,206,806	1,204,857
Working capital	137,771	150,114	148,577	188,403	161,712
Current ratio (%)	120.0%	119.9%	120.2%	127.3%	122.4%
Total shareholders' equity	174,585	167,731	164,081	174,955	199,637

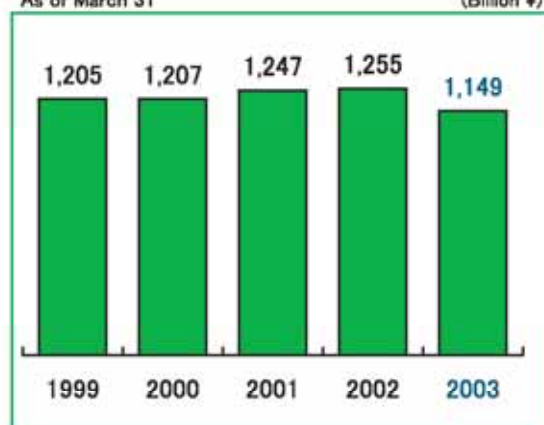
Net Sales

Years ended March 31 (Billion ¥)



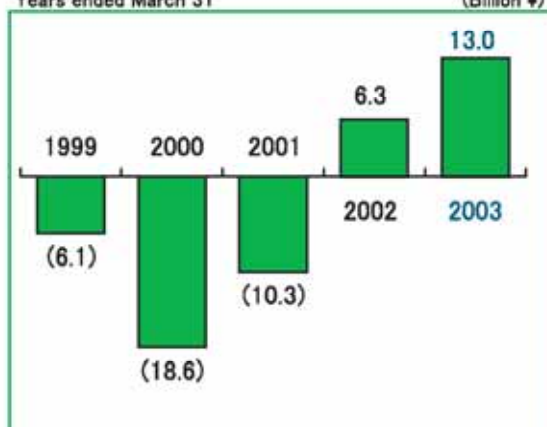
Total Assets

As of March 31 (Billion ¥)



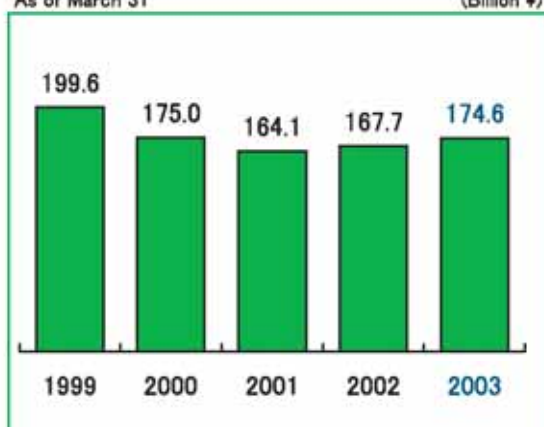
Net Income (Loss)

Years ended March 31 (Billion ¥)



Total Shareholders' Equity

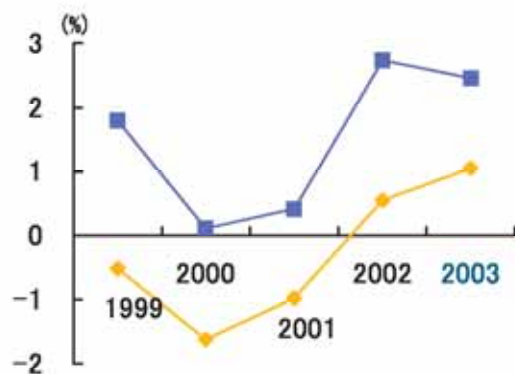
As of March 31 (Billion ¥)



KEY INDICATORS (CONSOLIDATED BASIS)

Ratio of Operating Income to Sales Return on Sales

Years ended March 31



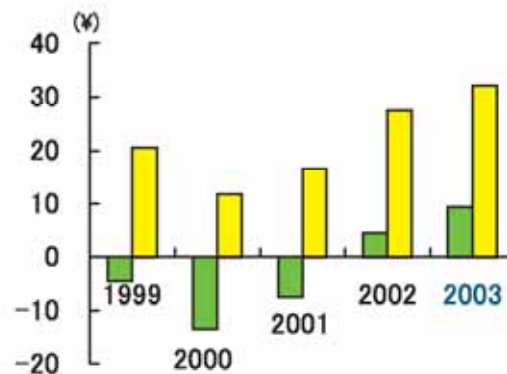
	1999	2000	2001	2002	2003
Operating Income to Sales	1.80	0.11	0.42	2.74	2.46
ROS	(0.51)	(1.62)	(0.97)	0.55	1.05

Operating Income to Sales: Operating Income/Net Sales.

ROS: Net Income/Net Sales.

Earnings per Share Cash Flow per Share

Years ended March 31



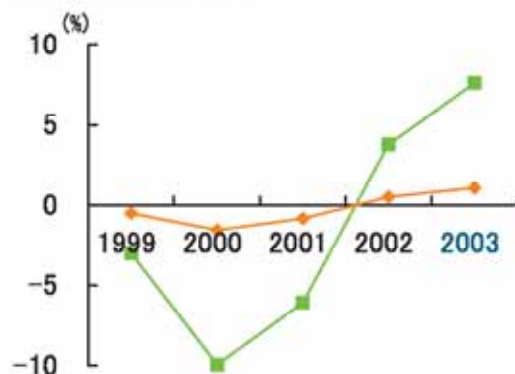
	1999	2000	2001	2002	2003
EPS	(4.4)	(13.4)	(7.4)	4.5	9.4
CFPS	20.5	11.8	16.5	27.5	32.1

Earnings per Share: Net Income/Average Number of Shares Outstanding.

Cash Flow per Share: (Net Income + Depreciation) / Average Number of Shares Outstanding.

Return on Shareholders' Equity Return on Assets

Years ended March 31



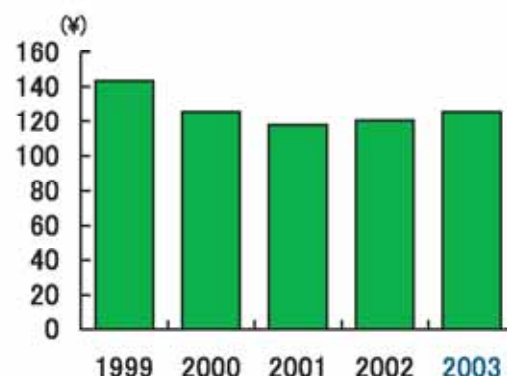
	1999	2000	2001	2002	2003
ROE	(3.00)	(9.95)	(6.09)	3.79	7.61
ROA	(0.51)	(1.55)	(0.84)	0.50	1.08

ROE: Net Income/Average Shareholders' Equity.

ROA: Net Income/Average Total Assets.

Book Value per Share

As of March 31

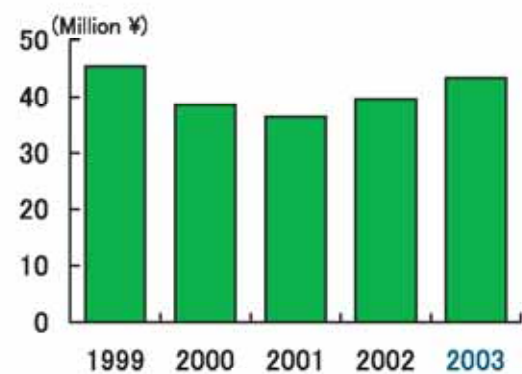


	1999	2000	2001	2002	2003
Book Value per Share	143.56	125.81	117.99	120.62	125.58

Book Value per Share: Total Shareholders' Equity / Number of Shares Outstanding.

Net Sales per Employee

Years ended March 31

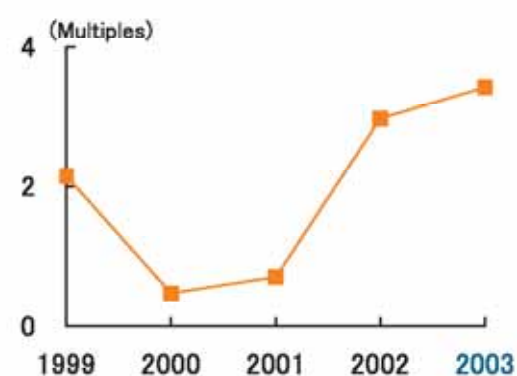


1999	2000	2001	2002	2003
45.39	38.62	36.37	39.55	43.28

Net Sales per Employee: Net Sales/Number of Employees.

Interest Coverage

Years ended March 31

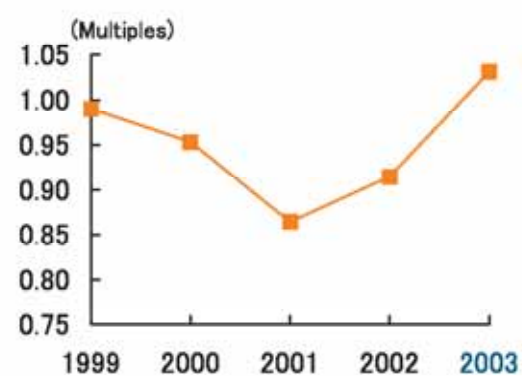


1999	2000	2001	2002	2003
2.15	0.47	0.70	2.97	3.42

Interest Coverage: (Operating Income + Interest and Dividend Income)/Interest Expense.

Asset Turnover

Years ended March 31

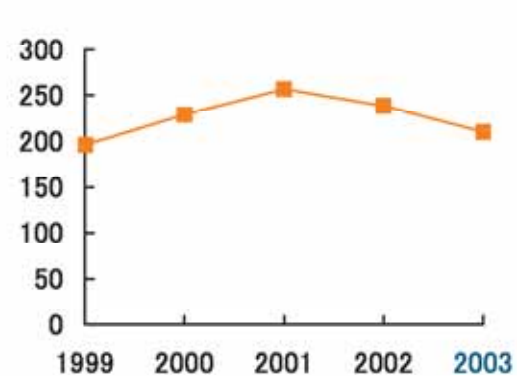


1999	2000	2001	2002	2003
0.99	0.95	0.86	0.91	1.03

Asset Turnover: Net Sales/Average Total Assets.

Debt to Equity Ratio

Years ended March 31



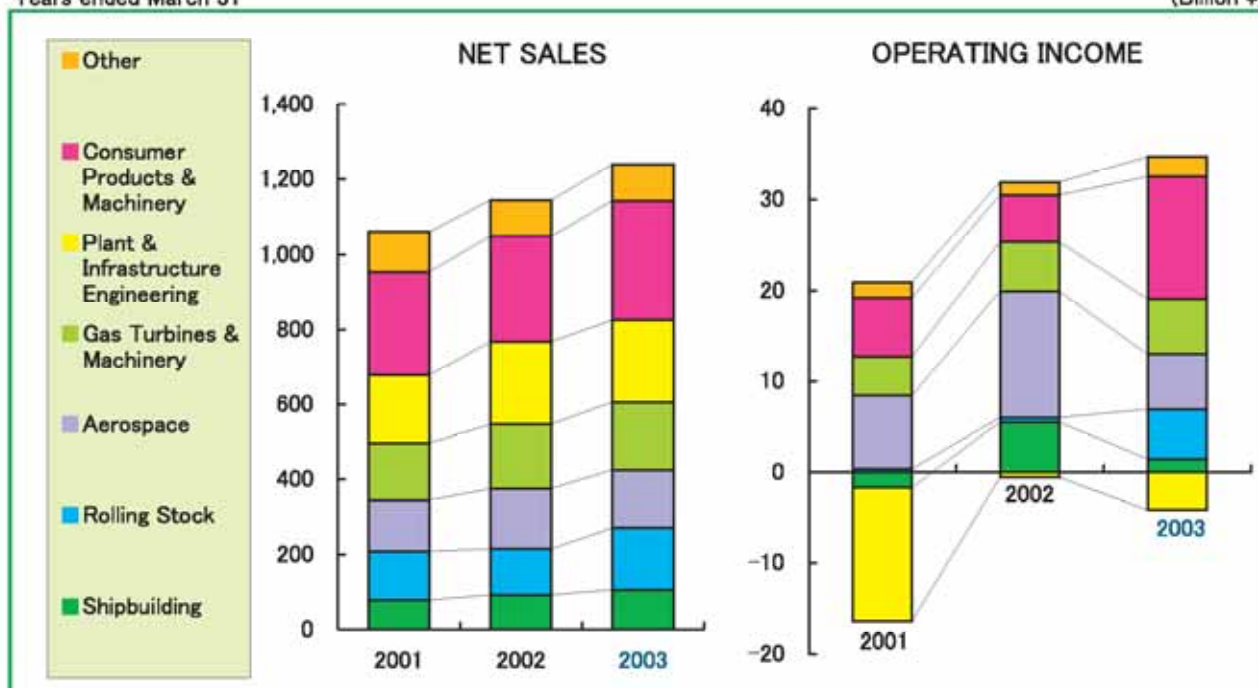
1999	2000	2001	2002	2003
196	229	257	238	210

Debt to Equity Ratio: (Interest Bearing Debt - Cash on Hand and in Banks) / Total Shareholders' Equity.

SEGMENT INFORMATION

Years ended March 31

(Billion ¥)



Net Sales

(Billion ¥)

	2001	2002	2003
Shipbuilding	78.7	92.5	105.5
Rolling Stock	129.6	121.8	164.8
Aerospace	136.3	161.0	154.8
Gas Turbines & Machinery	152.3	171.6	181.0
Plant & Infrastructure Engineering	181.2	220.6	219.1
Consumer Products & Machinery	275.9	281.2	318.0
Other	106.5	95.8	96.4
Total	1,060.5	1,144.5	1,239.6

Operating Income (Loss)

(Billion ¥)

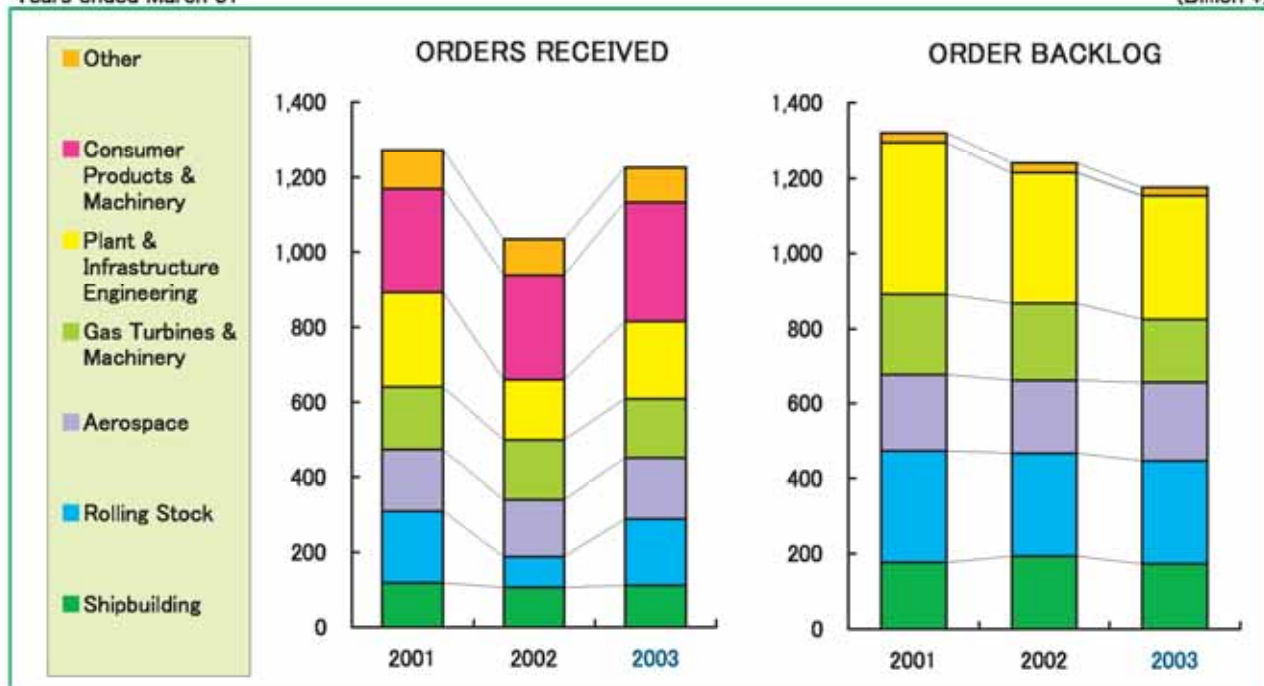
	2001	2002	2003
Shipbuilding	(1.7)	5.5	1.4
Rolling Stock	0.3	0.5	5.5
Aerospace	8.1	13.9	6.1
Gas Turbines & Machinery	4.3	5.4	6.1
Plant & Infrastructure Engineering	(14.7)	(0.6)	(4.2)
Consumer Products & Machinery	6.5	5.2	13.4
Other & Eliminations	1.7	1.4	2.2
Net Operating Income	4.5	31.3	30.5

Ratio of Operating Income to Sales

	2001	2002	2003
Shipbuilding	(2.2%)	5.9%	1.3%
Rolling Stock	0.2%	0.4%	3.3%
Aerospace	6.0%	8.6%	3.9%
Gas Turbines & Machinery	2.8%	3.1%	3.4%
Plant & Infrastructure Engineering	(8.1%)	(0.3%)	(1.9%)
Consumer Products & Machinery	2.3%	1.8%	4.2%
Other	1.6%	1.5%	2.3%
Total	0.4%	2.7%	2.5%

Years ended March 31

(Billion ¥)



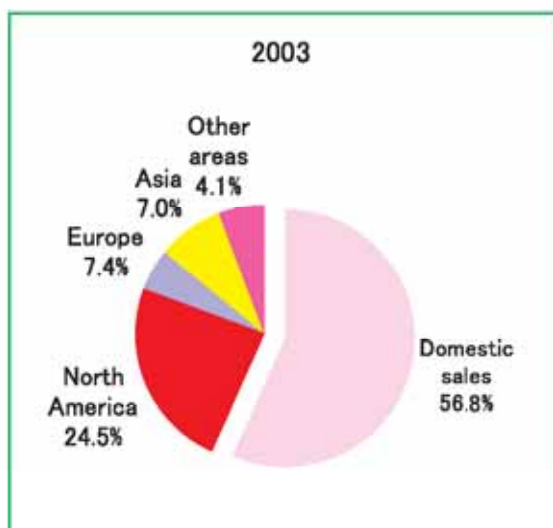
(Billion ¥)

	Orders Received		
	2001	2002	2003
Shipbuilding	117.5	106.1	110.9
Rolling Stock	192.9	82.6	176.7
Aerospace	162.0	151.7	163.0
Gas Turbines & Machinery	167.8	158.7	157.8
Plant & Infrastructure Engineering	254.3	160.1	208.3
Consumer Products & Machinery	275.9	281.2	318.0
Other	103.3	94.4	92.7
Total	1,273.7	1,034.8	1,227.4

	Order Backlog		
	2001	2002	2003
Shipbuilding	177.0	194.3	173.3
Rolling Stock	296.3	272.6	273.6
Aerospace	203.7	195.4	208.4
Gas Turbines & Machinery	213.2	204.8	170.3
Plant & Infrastructure Engineering	403.6	347.5	327.9
Consumer Products & Machinery	0.0	0.0	0.0
Other	27.1	25.8	22.1
Total	1,320.9	1,240.4	1,175.6

OVERSEAS SALES

Years ended March 31



	2003	
	Million ¥	% against net sales
North America	303,682	24.5%
Europe	92,155	7.4%
Asia	87,014	7.0%
Other Areas	52,494	4.1%
Total Overseas Sales	535,345	43.2%
Domestic Sales	704,253	56.8%
Net Sales	1,239,598	100.0%

Shipbuilding

(Years ended March 31) – Consolidated Basis –

(Million ¥)

	1999	2000	2001	2002	2003
Sales	N.A	91,891	78,734	92,478	105,458
Orders Received	N.A	64,417	117,518	106,106	110,926
Order Backlog	N.A	130,824	176,987	194,275	173,304

(Years ended March 31)

(Million ¥)



(Years ended March 31)

(Million ¥)

– Parent (until 1st half of 2003) and Kawasaki Shipbuilding Corporation (from 2nd half of 2003) –

	1999	2000	2001	2002	2003
Sales	124,896	88,030	75,981	89,995	101,748
Newly Constructed Ships	110,027	70,238	60,404	76,502	90,649
Exports	60,248	52,411	45,944	62,278	66,135
Orders Received	86,484	60,576	114,957	103,655	107,201
Order Backlog	168,007	130,138	176,492	193,812	173,081

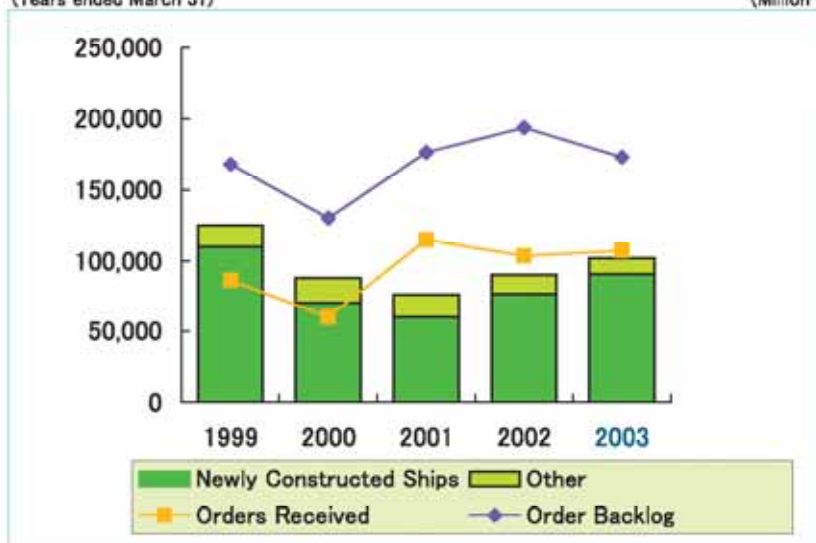
Note: Shipbuilding business in "Kawasaki Heavy Industries, Ltd. (KHI)" was partitioned off on 1st Oct. 2002

as a wholly owned subsidiary, i.e., "Kawasaki Shipbuilding Corporation (Kawasaki SC)".

Therefore the each figure in the column of 2003 represents a total of the figures which the shipbuilding business in KHI before the partition and Kawasaki SC accomplished respectively.

(Years ended March 31)

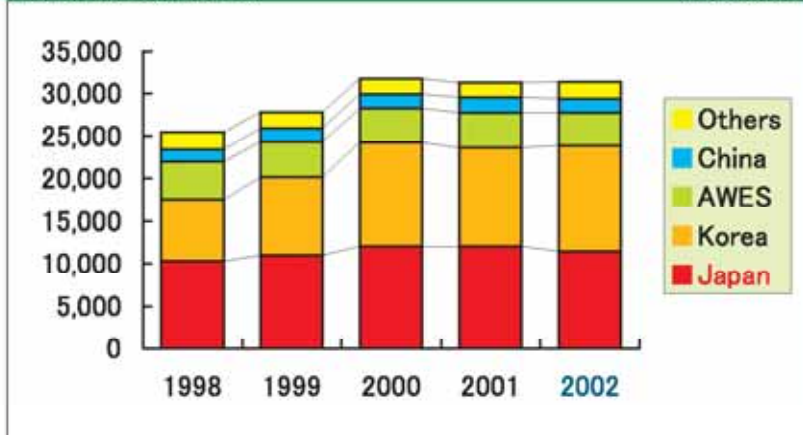
(Million ¥)



Newly Constructed Ships World Market Volume

(Years ended December 31)

(Thousand GT)



	1998	1999	2000	2001	2002
Japan	10,272	11,052	12,020	12,024	11,468
Korea	7,250	9,161	12,228	11,608	12,438
AWES a)	4,445	4,141	4,032	4,124	3,852
China	1,466	1,585	1,647	1,827	1,627
Others	2,032	1,884	1,770	1,709	1,970
World Market Volume	25,464	27,822	31,696	31,292	31,354

Notes: 1. Figures are on a ships volume completed (tonnage) basis for vessels of 100GT and above.

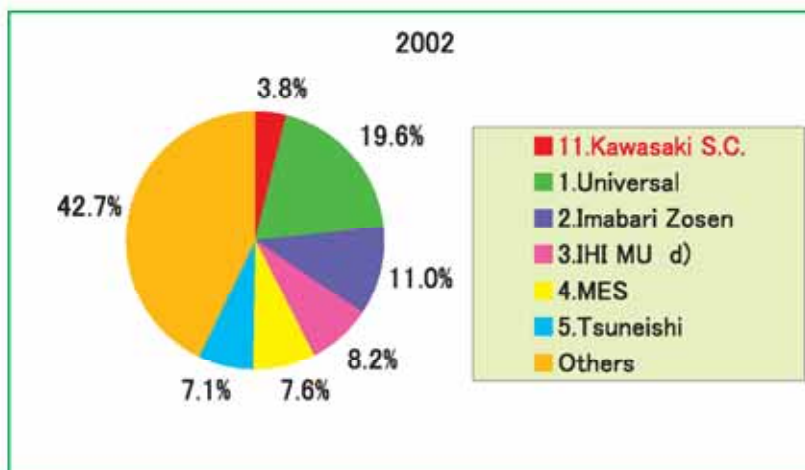
2. a) The Association of West European Shipbuilders.

Source: 1996-2001 Lloyd's World Fleet Statistics

;2002 Lloyd's World Shipbuilding Statistics

Newly Constructed Ships Domestic Share

(Years ended December 31)



Notes: 1. Figures are on a ships volume completed (tonnage) basis.

2. a) Mitsubishi Heavy Industries.

b) Mitsui Engineering & Shipbuilding.

c) Ishikawajima-Harima Heavy Industries.

d) IHI Marine United

Source: The Shipbuilders' Association of Japan

	1998	(%)
1. MHI a)		9.1
2. MES b)		7.5
3. Hitachi Zosen		7.3
4. IHI c)		6.8
5. Imabari Zosen		6.2
10. KHI		4.4

	1999	(%)
1. MHI		12.6
2. IHI		9.6
3. Hitachi Zosen		6.8
4. MES		6.6
5. NKK		6.2
11. KHI		4.0

	2000	(%)
1. MHI		13.0
2. IHI		8.8
3. MES		7.3
4. Hitachi Zosen		6.6
5. NKK		6.3
7. KHI		5.2

	2001	(%)
1. Imabari Zosen		9.3
2. Hitachi Zosen		8.9
3. IHI		8.5
4. NKK		7.4
5. Tsuneishi		6.6
7. KHI		5.3

Rolling Stock

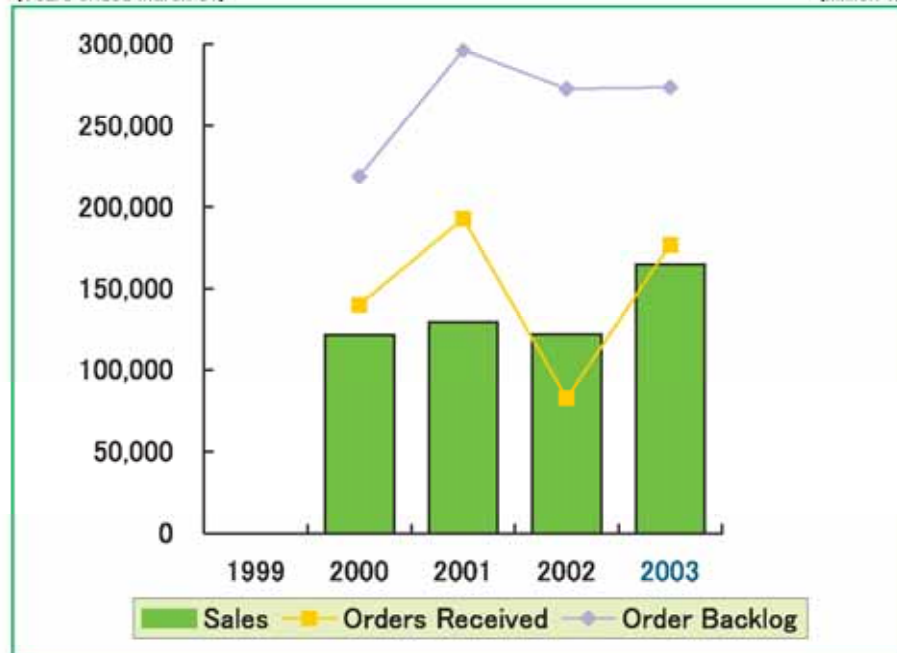
(Years ended March 31)–Consolidated Basis–

(Million ¥)

	1999	2000	2001	2002	2003
Sales	N.A	121,464	129,591	121,780	164,774
Orders Received	N.A	139,807	192,884	82,585	176,693
Order Backlog	N.A	219,064	296,242	272,642	273,563

(Years ended March 31)

(Million ¥)



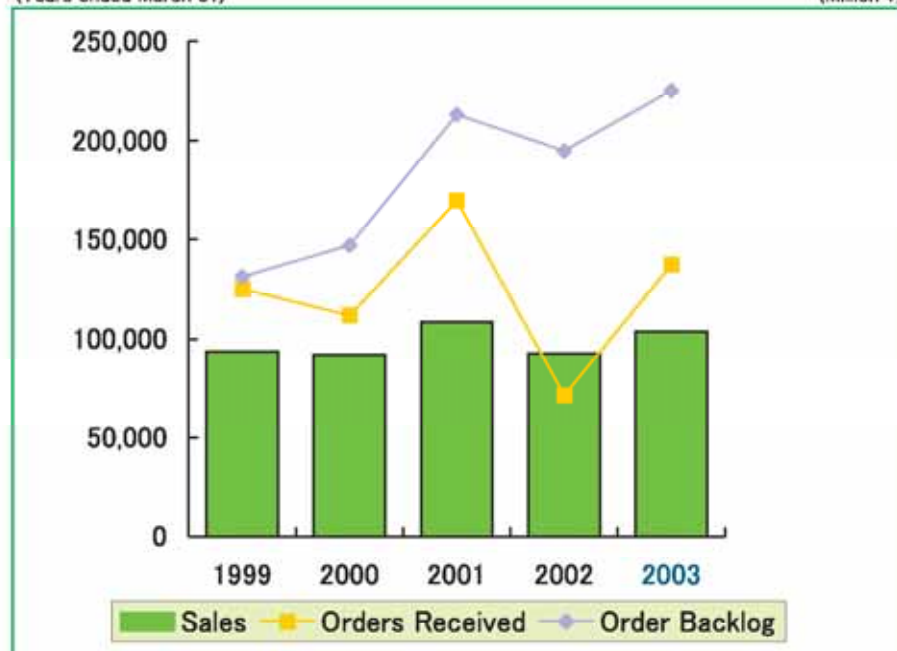
(Years ended March 31)–Parent Only–

(Million ¥)

	1999	2000	2001	2002	2003
Sales	93,714	91,871	108,573	92,589	103,846
Exports	27,433	16,841	27,999	36,699	36,326
Orders Received	125,201	111,748	169,853	71,436	137,531
Order Backlog	131,376	147,076	213,170	194,985	225,319

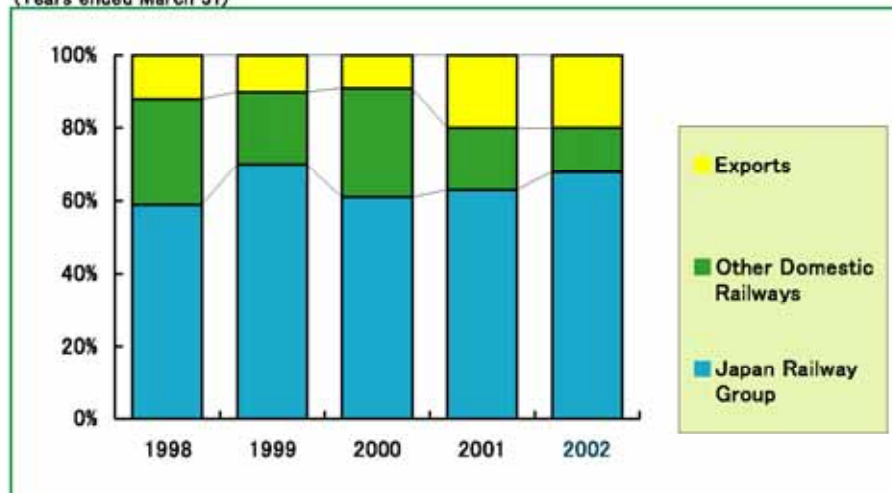
(Years ended March 31)

(Million ¥)



Japanese Rolling Stock Production by Demand Sector

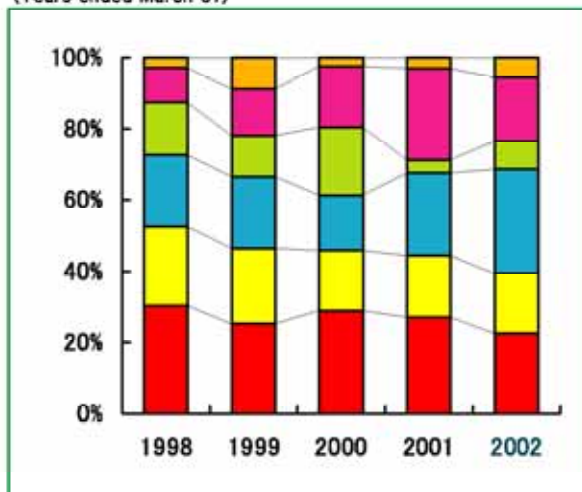
(Years ended March 31)



	1998	1999	2000	2001	2002
Japan Railway Group	59%	70%	61%	63%	68%
Other Domestic Railways	29%	20%	30%	17%	12%
Exports	12%	10%	9%	20%	20%
Total	100%	100%	100%	100%	100%

Major Rolling Stock Suppliers to the Japan Railway Group

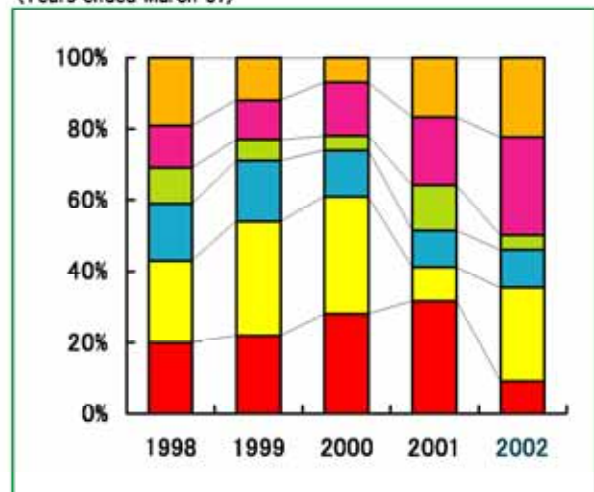
(Years ended March 31)



	1998	1999	2000	2001	2002
KHI	30.3%	25.3%	29.0%	27.1%	22.6%
Nippon Sharyo	22.3%	21.1%	16.8%	17.3%	16.7%
Hitachi	20.0%	20.2%	15.6%	23.2%	29.4%
Kinki Sharyo	14.8%	11.5%	19.1%	3.7%	7.8%
Tokyu Car	9.7%	13.1%	17.1%	25.6%	17.9%
Others	2.9%	8.8%	2.4%	3.1%	5.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Major Rolling Stock Suppliers to Domestic Railways except JR Group

(Years ended March 31)



	1998	1999	2000	2001	2002
KHI	20%	22%	28%	32%	9%
Nippon Sharyo	23%	32%	33%	9%	26%
Hitachi	16%	17%	13%	10%	11%
Kinki Sharyo	10%	6%	4%	13%	4%
Tokyu Car	12%	11%	15%	19%	28%
Others	19%	12%	7%	17%	22%
Total	100%	100%	100%	100%	100%

Note: For the purpose of comparing corporate market shares, rail car procurement volume has been converted into standardized numerical values based on the type of car (i.e., conventional passenger cars, freight cars, Shinkansen cars and locomotives.).

Source: Japan Association of Rolling Stock Industries.

Aerospace

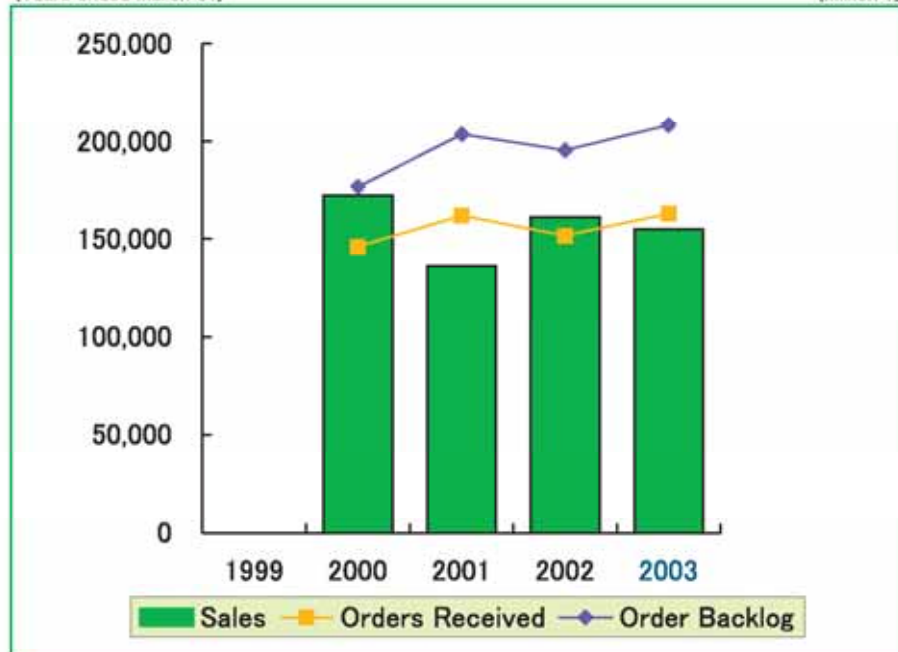
(Years ended March 31)–Consolidated Basis–

(Million ¥)

	1999	2000	2001	2002	2003
Sales	N.A	172,322	136,342	161,072	154,848
Orders Received	N.A	146,025	161,939	151,641	163,023
Order Backlog	N.A	176,996	203,688	195,447	208,410

(Years ended March 31)

(Million ¥)



(Years ended March 31)–Parent Only–

(Million ¥)

	1999	2000	2001	2002	2003
Sales	176,404	170,560	134,273	158,639	153,224
Exports	56,046	39,632	39,773	49,914	35,134
Orders Received	149,727	143,646	159,866	149,133	161,485
Order Backlog	206,473	176,601	203,290	194,975	208,024

(Years ended March 31)

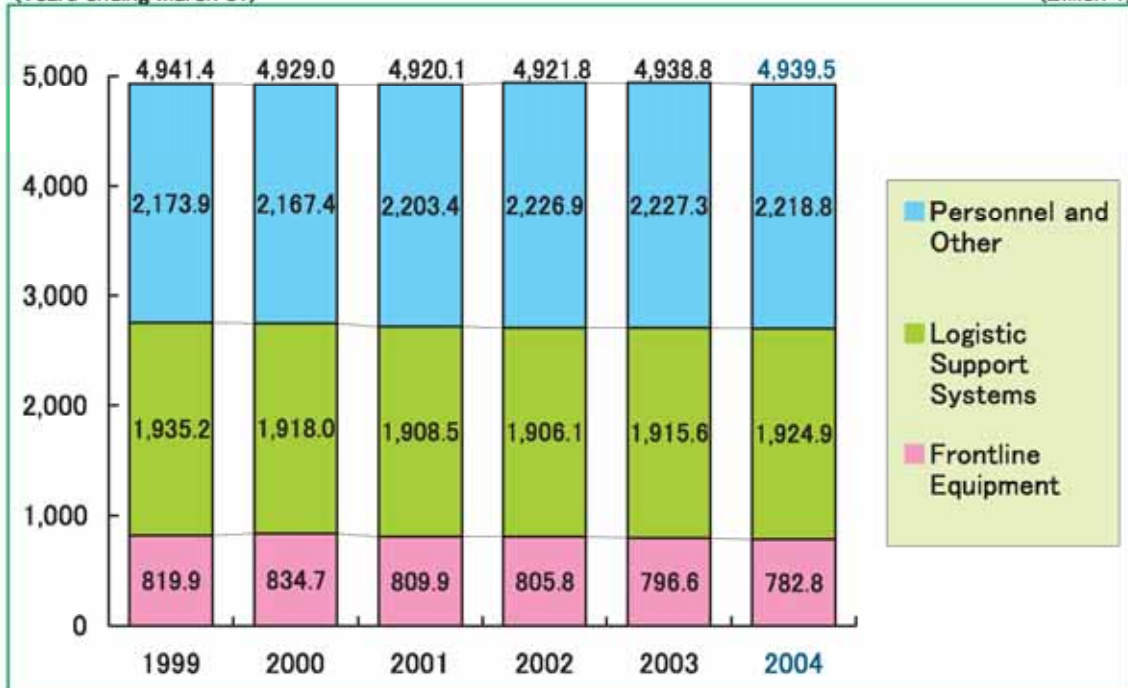
(Million ¥)



Japan's Defense Budget (Initial Budget Base)

(Years ending March 31)

(Billion ¥)



Source: Japan Defense Agency.

Major Suppliers to the Japan Defense Agency

(Years ended March 31)

1998			1999			2000		
	Billion ¥	% Share		Billion ¥	% Share		Billion ¥	% Share
1. MHI a)	271.9	20.6	1. MHI	332.4	26.7	1. MHI	279.7	22.1
2. KHI	146.8	11.1	2. Mitsubishi Electric	103.1	8.3	2. KHI	132.2	10.5
3. Mitsubishi Electric	128.7	9.7	3. KHI	87.3	7.0	3. Mitsubishi Electric	112.1	8.9
4. NEC	74.6	5.6	4. IHI	64.4	5.2	4. Toshiba	53.8	4.3
5. IHI b)	66.2	5.0	5. NEC	44.6	3.6	5. IHI	53.6	4.2

2001			2002			2003		
	Billion ¥	% Share		Billion ¥	% Share		Billion ¥	% Share
1. MHI	307.4	24.4	1. MHI	275.5	21.7	1. MHI	347.9	27.2
2. Mitsubishi Electric	120.8	9.6	2. KHI	121.3	9.6	2. KHI	110.2	8.6
3. KHI	98.7	7.8	3. Mitsubishi Electric	101.0	8.0	3. Mitsubishi Electric	73.5	5.7
4. IHI	54.0	4.3	4. NEC	57.2	4.5	4. IHI	52.7	4.1
5. NEC	46.5	3.7	5. IHI	54.5	4.3	5. Toshiba	49.8	3.9

Notes: a) Mitsubishi Heavy Industries.

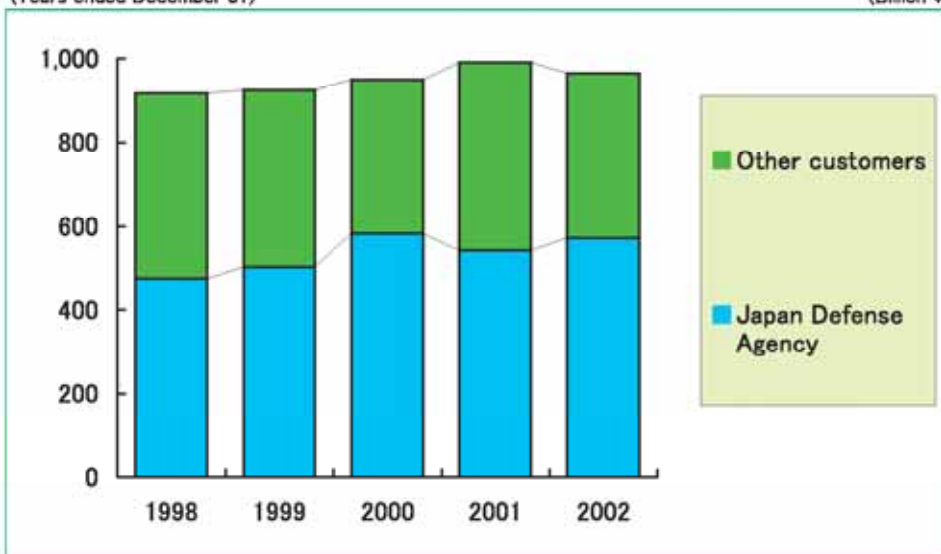
b) Ishikawajima-Harima Heavy Industries.

Source: Japan Defense Agency.

Japanese Aircraft Production by Demand Sector

(Years ended December 31)

(Billion ¥)



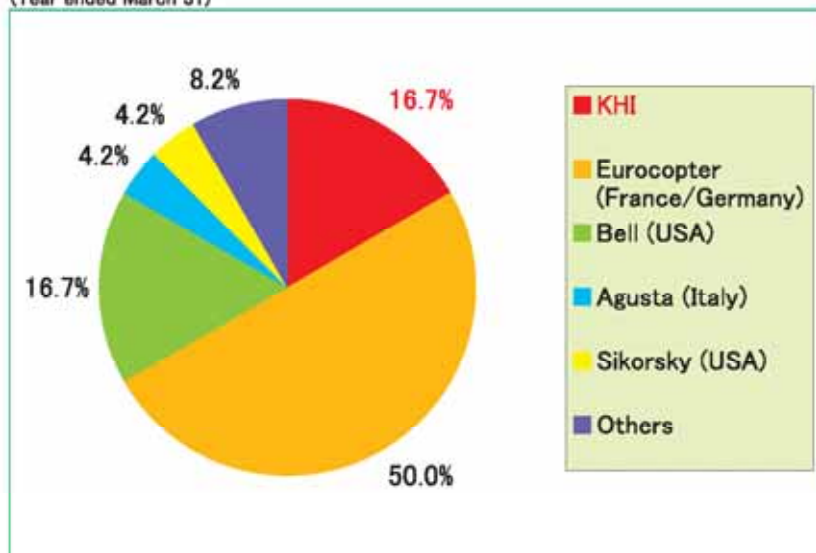
(Million ¥)

	1998	1999	2000	2001	2002
Japan Defense Agency	476,424	504,211	581,808	541,836	572,107
Other customers	441,942	421,003	368,216	449,261	394,031
Total	918,366	925,214	950,024	991,097	966,138

Source: Ministry of Economy, Trade and Industry, "Machinery Statistics Year Book".

Helicopters Domestic Share for Civilian Use

(Year ended March 31)



Note: Figures are calculated on the basis of the number of newly registered double-turbine helicopters.

Source: Civil Aviation Bureau, Ministry of Land, Infrastructure and Transport.

Gas Turbines & Machinery

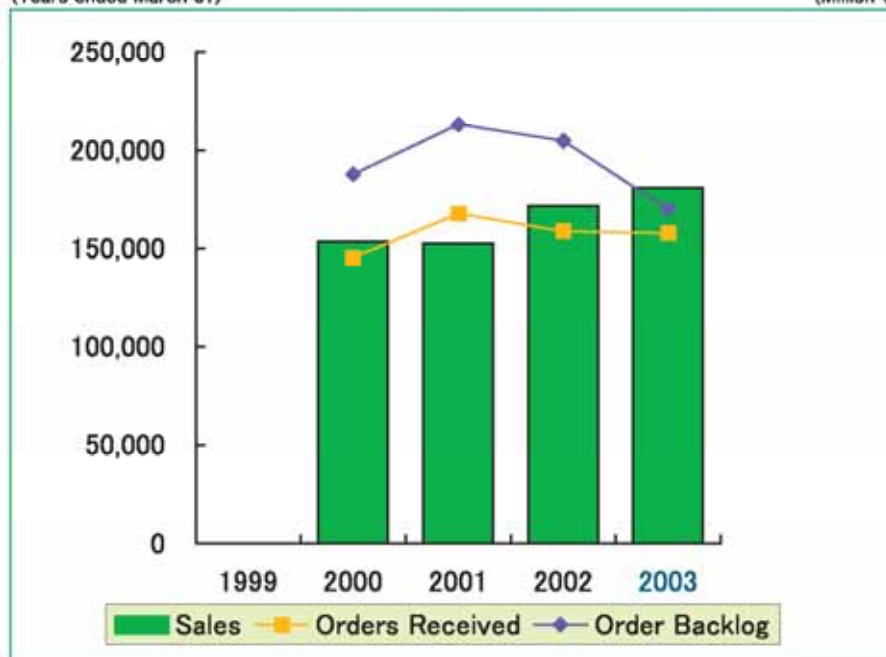
(Years ended March 31)–Consolidated Basis–

(Million ¥)

	1999	2000	2001	2002	2003
Sales	N.A	153,682	152,307	171,586	181,043
Orders Received	N.A	145,157	167,812	158,662	157,802
Order Backlog	N.A	188,074	213,228	204,819	170,262

(Years ended March 31)

(Million ¥)



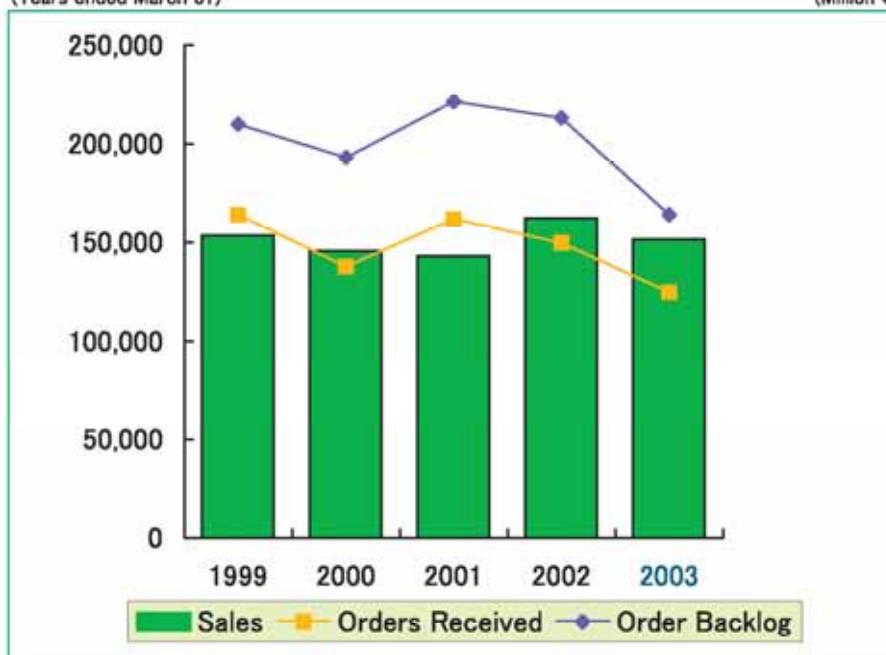
(Years ended March 31)–Parent Only–

(Million ¥)

	1999	2000	2001	2002	2003
Sales	153,484	145,843	143,278	162,334	151,904
Exports	51,249	45,306	40,700	56,218	56,478
Orders Received	164,285	137,997	161,950	149,824	125,118
Order Backlog	210,113	193,309	221,462	213,299	164,234

(Years ended March 31)

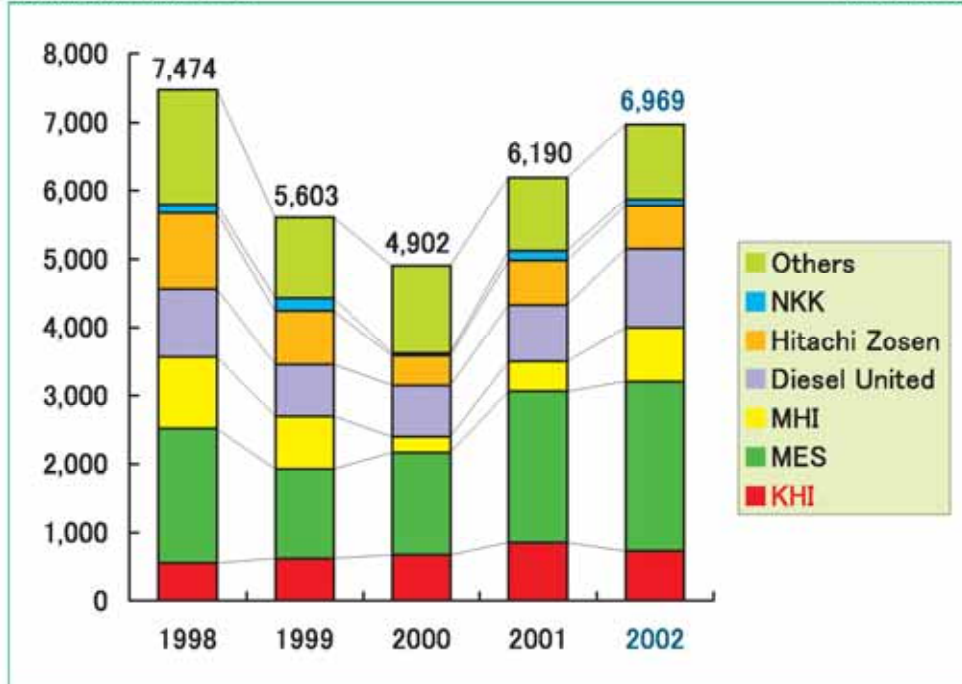
(Million ¥)



Diesel Engines Domestic Production

(Years ended December 31)

(Thousand PS)



	1998	1999	2000	2001	2002
KHI	552	627	673	853	729
MES a)	1,964	1,294	1,492	2,205	2,475
MHI	1,050	784	238	442	795
Diesel United	997	756	745	827	1,153
Hitachi Zosen	1,111	776	438	658	624
NKK	122	194	44	140	92
Others	1,678	1,172	1,272	1,065	1,101
Total	7,474	5,603	4,902	6,190	6,969

Notes: 1. Figures are shown on the basis of horse power (PS).

2. a) Mitsui Engineering & Shipbuilding.

Source: KP Data.

Diesel Engines Domestic Share

(Years ended December 31)

	1998	1999	2000	2001	2002
KHI	7.4%	11.2%	13.7%	13.8%	10.5%
MES	26.3%	23.1%	30.4%	35.6%	35.5%
MHI	14.0%	14.0%	4.9%	7.1%	11.4%
Diesel United	13.3%	13.5%	15.2%	13.4%	16.5%
Hitachi Zosen	14.9%	13.8%	8.9%	10.6%	9.0%
NKK	1.6%	3.5%	0.9%	2.3%	1.3%
Others	22.5%	20.9%	26.0%	17.2%	15.8%

Note: Figures are shown on the basis of horse power (PS).

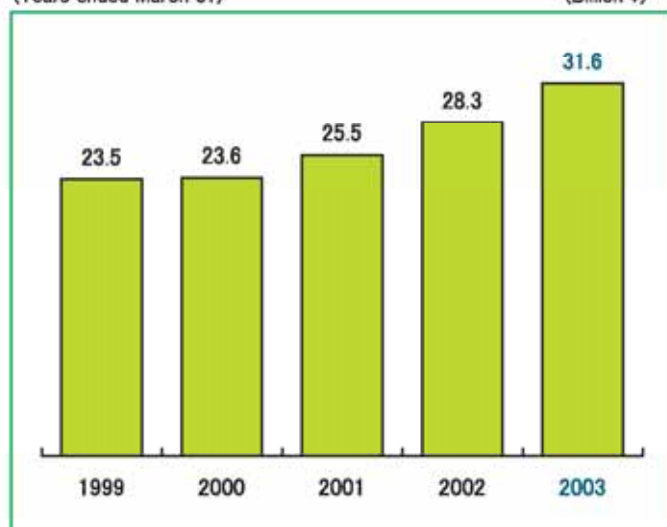
Source: KP Data.

Gas Turbine Generator Sales

-Parent Only-

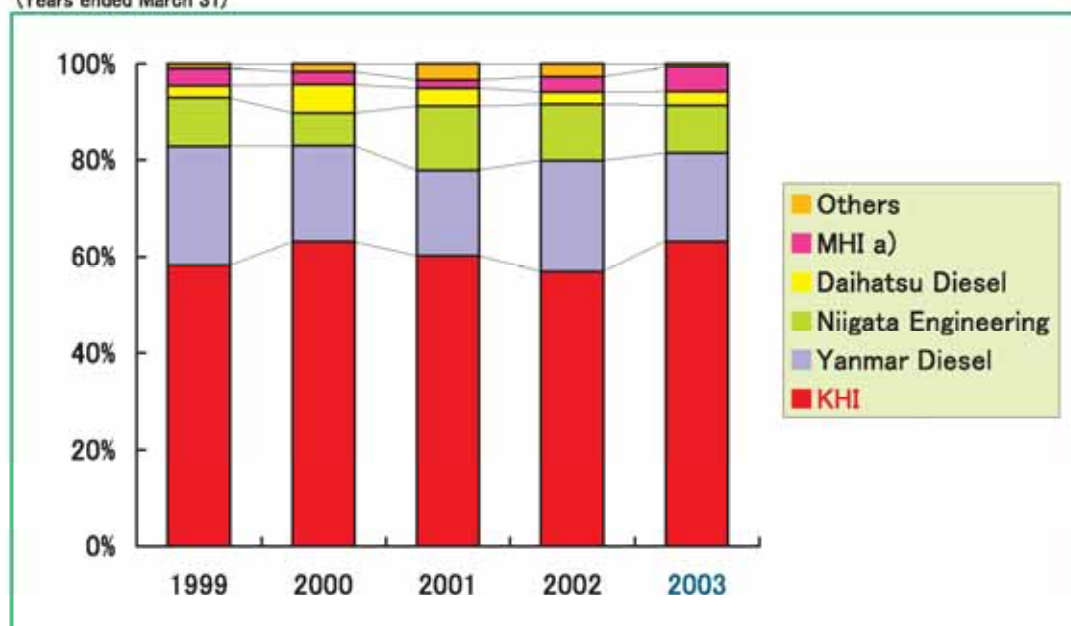
(Years ended March 31)

(Billion ¥)



Gas Turbine Generators Domestic Share

(Years ended March 31)



	1999	2000	2001	2002	2003
KHI	58.2%	63.1%	60.2%	56.9%	63.2%
Yanmar Diesel	24.6%	19.8%	17.7%	23.0%	18.2%
Niigata Engineering	10.1%	7.0%	13.3%	11.7%	10.1%
Daihatsu Diesel	2.6%	5.8%	3.8%	2.6%	2.9%
MHI a)	3.6%	2.7%	1.7%	3.2%	4.9%
Others	0.9%	1.6%	3.3%	2.6%	0.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: 1. Figures represent sales for medium- and small-sized gas turbine generators (up to 2,000kW).

2. a) Mitsubishi Heavy Industries.

Source: Denki Nichinichi Shimbun, "Ranking Series".

Plant & Infrastructure Engineering

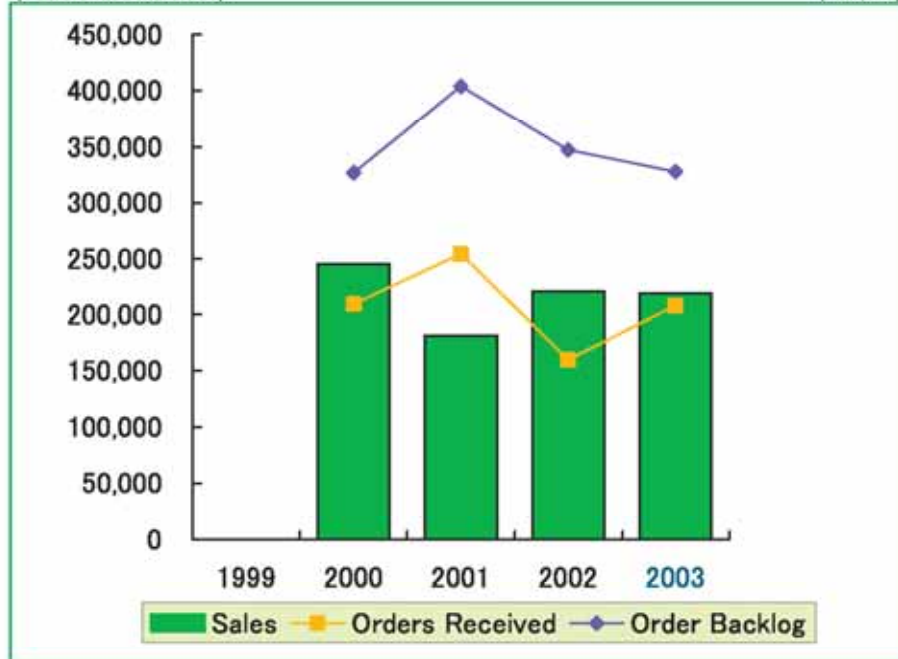
(Years ended March 31)–Consolidated Basis–

(Million ¥)

	1999	2000	2001	2002	2003
Sales	N.A	245,642	181,174	220,605	219,092
Orders Received	N.A	209,574	254,330	160,143	208,268
Order Backlog	N.A	327,422	403,612	347,496	327,911

(Years ended March 31)

(Million ¥)



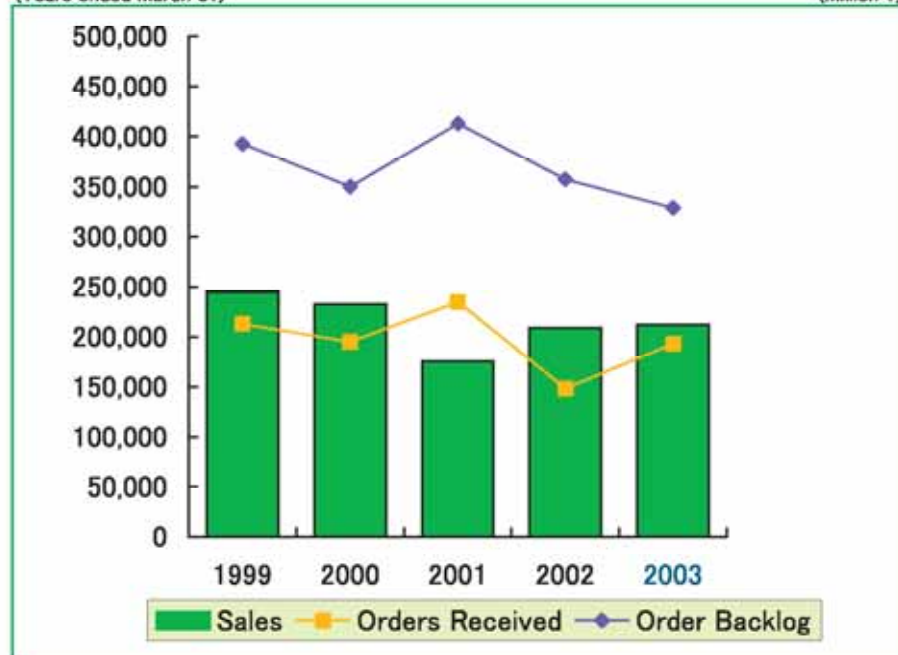
(Years ended March 31)–Parent Only–

(Million ¥)

	1999	2000	2001	2002	2003
Sales	245,400	232,514	175,616	208,985	212,764
Exports	30,470	52,535	31,152	30,639	51,147
Orders Received	212,877	195,398	234,957	148,891	193,199
Order Backlog	392,807	350,493	413,171	357,425	329,104

(Years ended March 31)

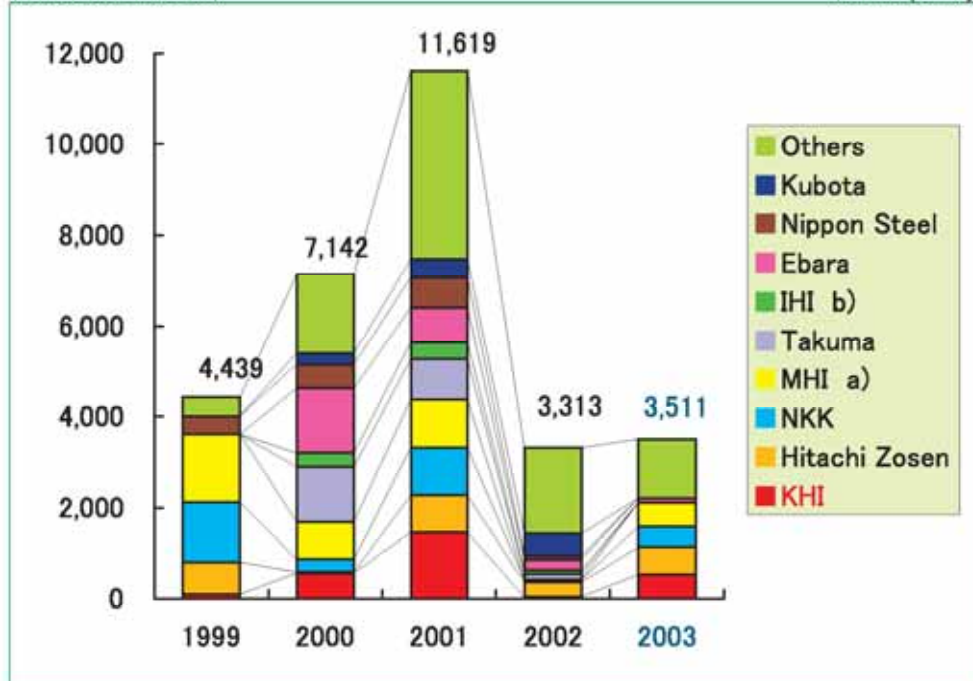
(Million ¥)



Refuse Incineration Plants Domestic Market Volume

(Years ended March 31)

(Tonnes per day)



	(Tonnes per day)				
	1999	2000	2001	2002	2003
KHI	100	559	1,460	43	531
Hitachi Zosen	700	22	815	312	600
NKK	1,320	280	1,040	62	450
MHI a)	1,490	825	1,061	0	530
Takuma	0	1,210	897	126	0
IHI b)	0	300	370	80	0
Ebara	0	1,436	759	232	100
Nippon Steel	400	521	665	90	0
Kubota	0	240	406	480	0
Others	429	1,749	4,146	1,888	1,300
Total Market Volume	4,439	7,142	11,619	3,313	3,511

Notes: 1. Figures represent tonnes of processing capacity per day for ordered units.

2. a) Mitsubishi Heavy Industries. b) Ishikawajima-Harima Heavy Industries.

Source: Kankyo Sangyo Shimbunsha.

Refuse Incineration Plants Domestic Share

(Years ended March 31)

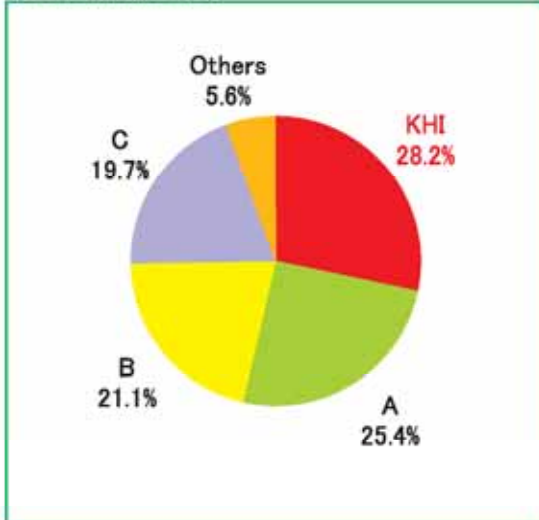
	1999	2000	2001	2002	2003
KHI	2.3%	7.8%	12.6%	1.3%	15.1%
Hitachi Zosen	15.8%	0.3%	7.0%	9.4%	17.1%
NKK	29.7%	3.9%	9.0%	1.9%	12.8%
MHI	33.6%	11.6%	9.1%	0.0%	15.1%
Takuma	0.0%	16.9%	7.7%	3.8%	0.0%
IHI	0.0%	4.2%	3.2%	2.4%	0.0%
Ebara	0.0%	20.1%	6.5%	7.0%	2.8%
Nippon Steel	9.0%	7.3%	5.7%	2.7%	0.0%
Kubota	0.0%	3.4%	3.5%	14.5%	0.0%
Others	9.6%	24.5%	35.7%	57.0%	37.1%

Note: Figures are calculated on the basis of tonnes of processing capacity per day for ordered units.

Source: Kankyo Sangyo Shimbunsha.

**Shield Machines and Tunnel Boring Machines
—Large-Diameter Model
Domestic Share (1993–2002 Total)**

(Years ended March 31)



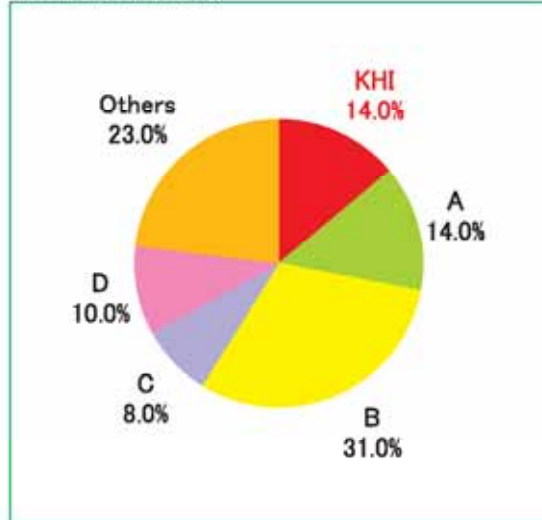
Notes: 1. Segments A, B and C represent the shares of the three other major companies in this market.

2. Figures are shown on a sales amount basis.

Source: Company's estimates.

**Shield Machines and Tunnel Boring Machines
Domestic Share**

(Year ended March 31)



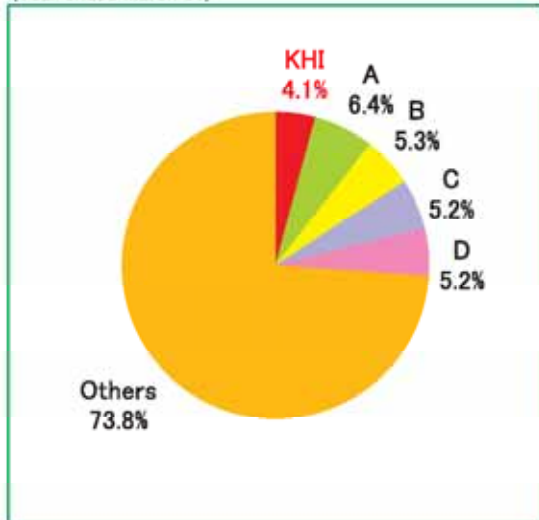
Notes: 1. Segments A, B, C and D represent the shares of the four other major companies in this market.

2. Figures are shown on a sales amount basis.

Source: Company's estimates.

Steel Bridges Domestic Share

(Year ended March 31)



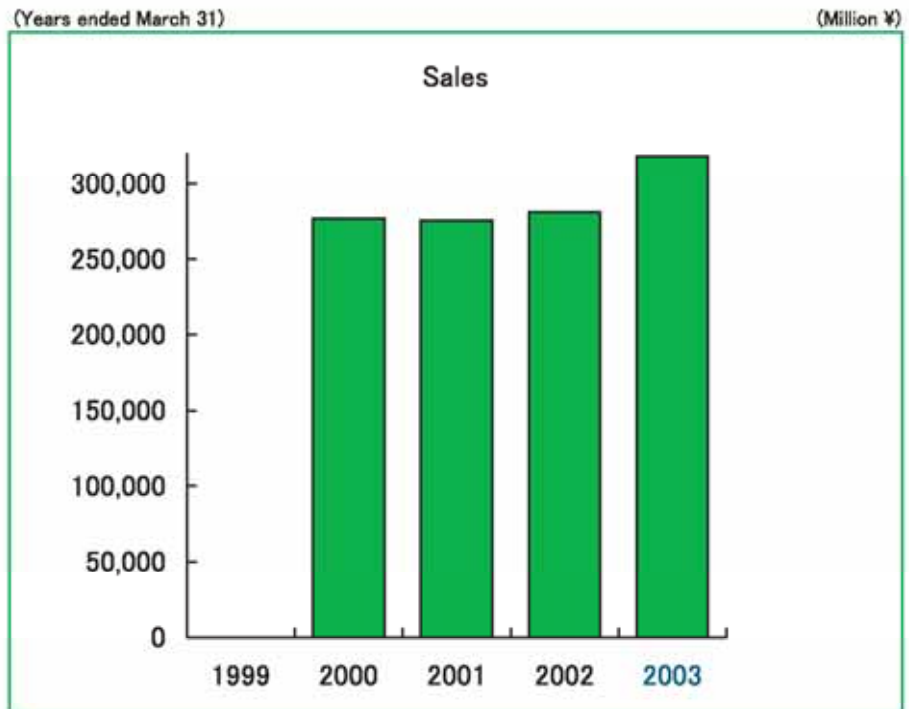
Notes: 1. Figures are shown on the basis of steel volume to be used for the contracts.

2. Segments A, B, C and D represent the shares of the four other major companies in this market.

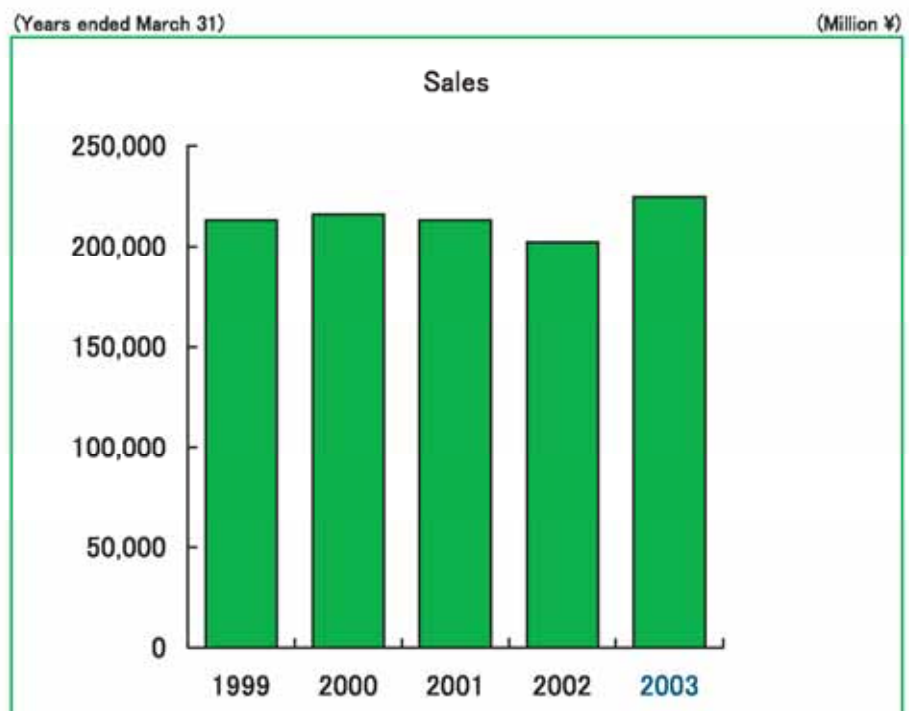
Source: Company's estimates.

Consumer Products & Machinery

(Years ended March 31)–Consolidated Basis–					(Million ¥)
	1999	2000	2001	2002	2003
Sales	N.A	277,176	275,903	281,207	318,025



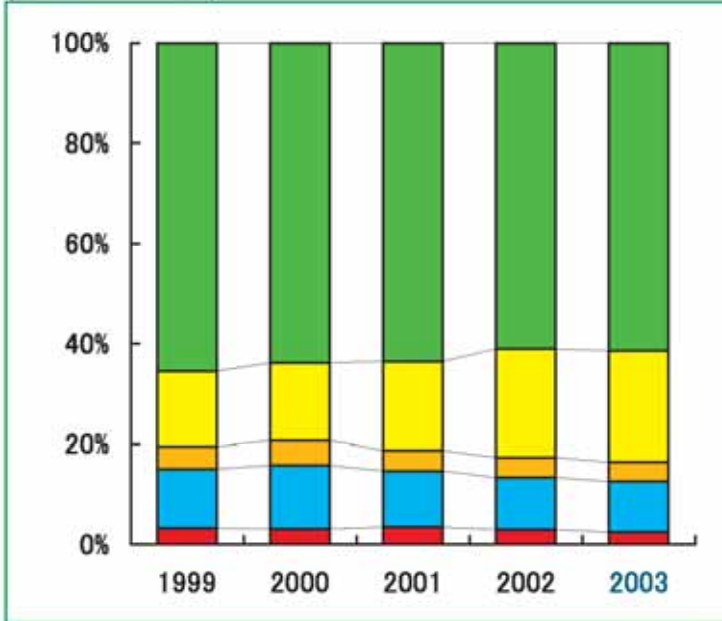
(Years ended March 31)–Parent Only–					(Million ¥)
	1999	2000	2001	2002	2003
Sales	213,079	215,953	213,080	202,074	224,731
Exports	178,637	180,784	179,495	170,559	193,311



Composites of Consumer Product Sales

-Parent Only-

(Years ended March 31)



	1999	2000	2001	2002	2003
Motorcycles	65.5%	63.8%	63.5%	61.1%	61.4%
ATVs, U/Vs	15.1%	15.4%	17.8%	21.6%	22.2%
Personal Watercraft	4.4%	5.1%	4.1%	4.0%	3.9%
Gasoline Engines	11.7%	12.5%	11.2%	10.3%	10.0%
Automobile Transmissions	3.3%	3.2%	3.4%	3.0%	2.5%

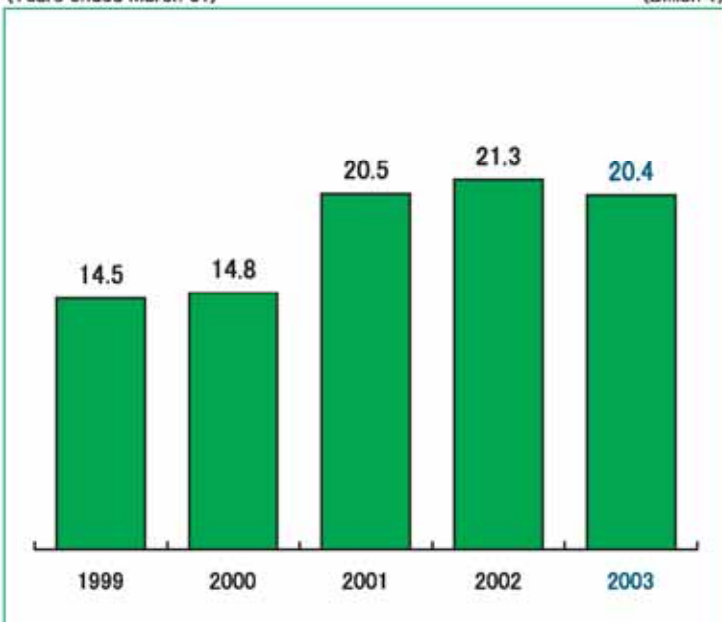
ATVs: All-Terrain Vehicles U/Vs: Utility Vehicles

Industrial Robot Sales

-Parent Only-

(Years ended March 31)

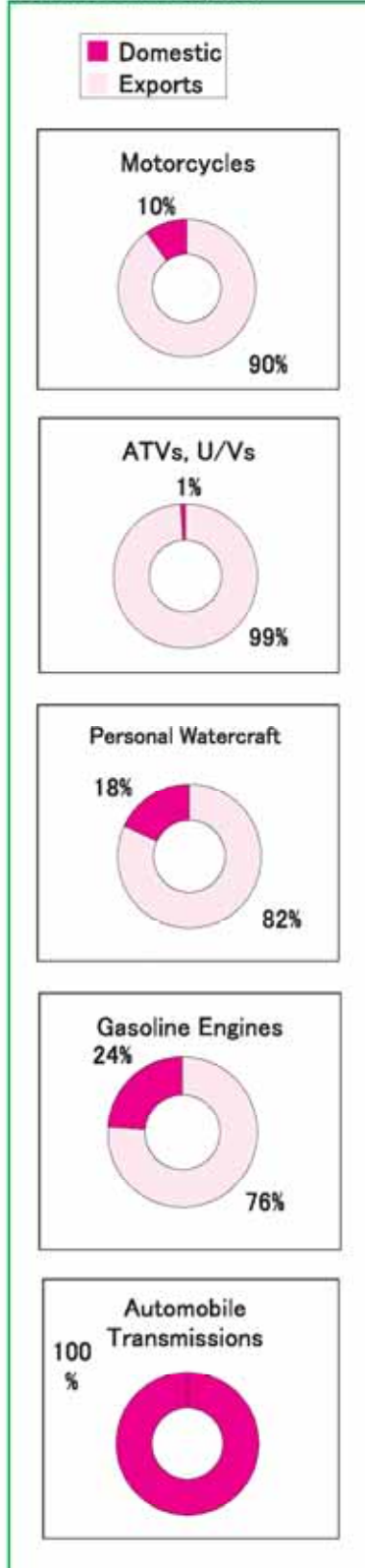
(Billion ¥)



Domestic/Export Sales by Product

-Parent Only-

(Year ended March 31, 2002)

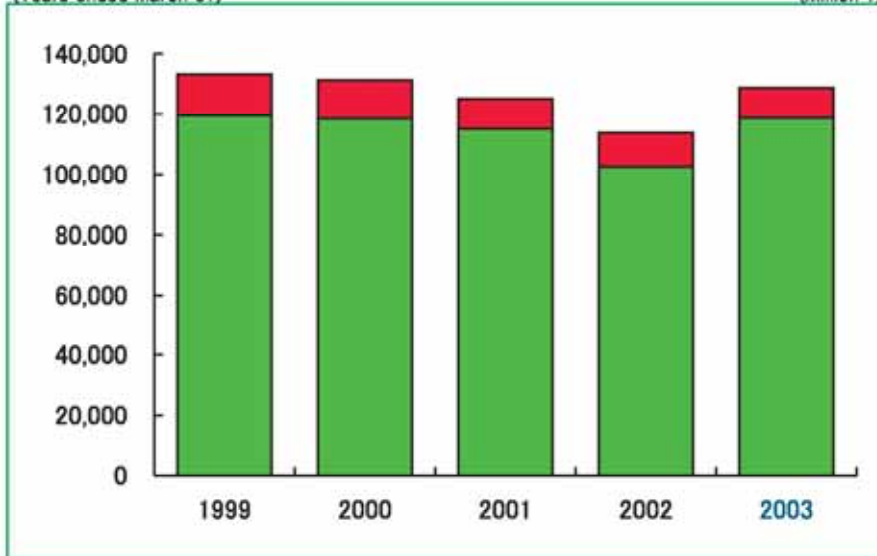


Motorcycle Sales

-Parent Only-

(Years ended March 31)

(Million ¥)

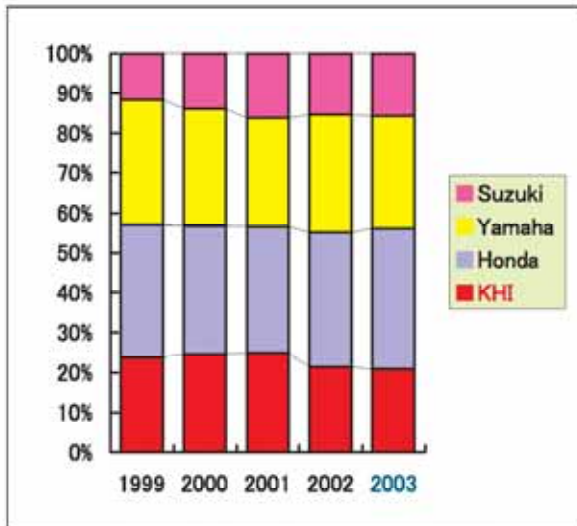


(Million ¥)

	1999	2000	2001	2002	2003
■ Domestic Sales	13,488	12,874	10,063	11,216	9,959
■ Export Sales	119,629	118,464	115,176	102,638	118,719
Total Motorcycle Sales	133,117	131,338	125,239	113,854	128,678

Note: Including sales of spare parts.

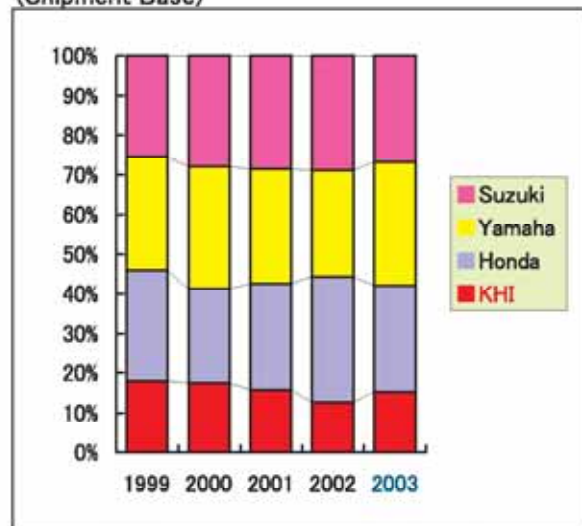
Motorcycle Sales Domestic Share



(Years ended March 31)

	1999	2000	2001	2002	2003
KHI	23.9%	24.6%	24.9%	21.4%	20.8%
Honda Motor	33.1%	32.1%	31.7%	33.7%	35.3%
Yamaha Motor	31.4%	29.4%	27.2%	29.6%	28.2%
Suzuki Motor	11.6%	13.9%	16.2%	15.3%	15.7%

Motorcycle Sales Export Share (Shipment Base)



(Years ended March 31)

	1999	2000	2001	2002	2003
KHI	18.0%	17.5%	15.8%	12.6%	15.3%
Honda Motor	28.0%	23.7%	26.8%	31.8%	26.8%
Yamaha Motor	28.6%	30.9%	28.8%	26.8%	31.1%
Suzuki Motor	25.4%	27.9%	28.6%	28.8%	26.8%

Note: Engine displacement of more than 251cc.

Source: Japan Automobile Manufacturers Association Inc.

CONDENSED BALANCE SHEETS

Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries

As of March 31

ASSETS	Millions of yen					
	2003	2002	2001	2000	1999	1998
Current assets:						
Cash on hand and in banks	¥61,185	¥91,344	¥77,048	¥85,782	¥55,306	¥76,265
Marketable securities	—	—	—	46,021	47,785	48,834
Receivables	398,243	402,808	431,006	413,920	416,596	420,562
Allowance for doubtful receivables	(5,176)	(5,893)	(5,076)	(3,375)	(3,041)	(2,959)
	393,067	396,915	425,930	410,545	413,555	417,603
Inventories	342,387	372,269	346,567	316,529	347,765	351,236
Deferred tax assets	18,423	16,994	14,922	4,216	5,507	—
Other current assets	12,900	25,149	19,830	16,345	14,481	14,493
Total current assets	827,962	902,671	884,297	879,438	884,399	908,431
Investments and long-term loans:						
Investments in securities	52,146	81,222	91,154	32,136	38,967	38,604
other	13,598	14,176	16,064	15,123	12,039	15,944
Total Investments and long-term loans	65,744	95,398	107,218	47,259	51,006	54,548
Property, plant and equipment						
Accumulated depreciation	(526,758)	(532,636)	(515,925)	(499,352)	(478,483)	(461,749)
Net property, plant and equipment	234,352	241,517	241,893	245,278	244,866	242,435
Intangible and other assets						
Deferred tax assets	10,765	4,917	4,924	9,315	2,956	—
Intangible and other assets	10,338	10,572	9,140	7,676	6,989	5,699
	21,103	15,489	14,064	16,991	9,945	5,699
Foreign currency translation adjustments						
	—	—	—	17,840	14,641	11,793
Total assets	¥1,149,161	¥1,255,075	¥1,247,472	¥1,206,806	¥1,204,857	¥1,222,905

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen					
	2003	2002	2001	2000	1999	1998
Current liabilities:						
Short-term borrowings and current portion of long-term debt	¥201,248	¥243,113	¥228,462	¥222,302	¥238,265	¥239,252
Trade payables	294,769	325,664	326,257	310,557	321,830	327,176
Advances from customers	100,829	111,423	104,194	86,012	81,409	97,703
Accrued income taxes	7,560	3,347	3,393	2,441	3,424	19,904
Accrued expenses	19,540	18,954	15,583	19,549	21,375	41,721
Provision for product warranty	2,303	2,479	1,551	1,648	1,386	—
Provision for restructuring charges	2,260	—	—	—	—	—
Provision for losses on construction contracts	832	80	6,571	3,794	8,478	2,693
Deferred tax liabilities	284	321	457	515	5,162	—
Other current liabilities	60,566	47,176	49,252	44,217	41,358	17,897
Total current liabilities	690,191	752,557	735,720	691,035	722,687	746,346
Long-term liabilities:						
Long-term debt, less current portion	226,936	248,170	270,605	264,048	208,763	198,135
Retirement and severance benefits	42,388	67,812	57,719	58,332	54,024	52,182
Deferred tax liabilities	2,825	4,338	4,654	2,705	2,573	—
Other	6,665	9,284	10,025	9,313	10,894	11,466
Total long-term liabilities	278,794	329,604	343,003	334,398	276,254	261,783
Minority interests	5,591	5,183	4,668	6,418	6,279	5,736
Shareholders' equity:						
Authorized—3,360,000,000 shares						
Issued—1,390,597,636 shares						
	81,427	81,427	81,427	81,427	81,427	81,427
Capital surplus	24,683	24,682	24,682	24,682	24,682	24,682
Retained earnings	77,069	64,110	58,452	68,846	93,528	102,931
Net unrealized gains on securities	3,671	5,925	13,091	—	—	—
Foreign currency translation adjustments	(12,225)	(8,407)	(13,571)	—	—	—
Treasury stock, at cost	(40)	(6)	—	—	—	—
Total shareholders' equity	174,585	167,731	164,081	174,955	199,637	209,040
Total liabilities and shareholders' equity	¥1,149,161	¥1,255,075	¥1,247,472	¥1,206,806	¥1,204,857	¥1,222,905

CONDENSED STATEMENTS OF INCOME

Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries
Years ended March 31

	Millions of yen					
	2003	2002	2001	2000	1999	1998
Net sales	¥1,239,598	¥1,144,534	¥1,060,479	¥1,149,698	¥1,202,189	¥1,297,212
Cost of sales	1,089,341	977,875	924,522	1,008,860	1,045,143	1,114,693
Gross profit	170,257	166,659	135,957	140,838	157,046	182,519
Selling, general and administrative expenses	139,714	135,348	131,497	139,587	135,380	131,440
Operating income	30,543	31,311	4,460	1,251	21,666	51,079
Other income (expenses):						
Interest and dividend income	4,884	4,798	4,480	4,274	5,495	5,122
Equity in income (loss) of unconsolidated subsidiaries and affiliates	(467)	379	(1,586)	(654)	683	1,236
Interest expense	(10,291)	(12,146)	(12,779)	(11,782)	(12,646)	(11,907)
Other, net	(7,241)	(8,348)	(12,981)	(15,819)	(15,723)	(3,815)
Income (loss) before income taxes and minority interests	17,228	15,994	(18,406)	(22,730)	(525)	41,715
Income taxes						
Current	(11,395)	(6,114)	(5,609)	(5,899)	(9,358)	(22,618)
Deferred	7,555	(3,131)	13,309	9,466	2,943	-
Minority interests in net (income) loss of consolidated subsidiaries	(366)	(467)	386	531	808	(541)
Foreign currency translation adjustments	-	-	-	-	-	-
Net income (loss)	¥13,022	¥6,282	(¥10,320)	(¥18,632)	(¥6,132)	¥18,556

	Millions of yen		Millions of yen			
	2003	2002	2001	2000	1999	1998
Per share amounts (yen):						
Net income (loss)	¥9.3	¥4.5	(¥7.4)	(¥13.4)	(¥4.4)	¥13.3
Cash dividends	2.0	-	-	-	6.0	6.0
Other data:						
Capital expenditures (Million ¥)	35,165	33,132	32,687	39,685	42,143	35,030
Depreciation (Million ¥)	31,595	31,998	33,303	35,081	34,607	32,416
R&D expenses (Million ¥)	15,494	16,549	17,548	19,905	18,615	17,800
Number of employees	28,642	28,936	29,162	29,772	26,486	26,102

Major Changes in Accounting Policies

Revenue recognition: Effective April 1, 1997, the method of accounting for revenue from long-term construction contracts was changed from the completed contract method to the percentage-of-completion method. The percentage-of-completion method is applied to long-term contracts exceeding ¥5,000 million.

Income taxes: Effective from the year ended March 31, 1999, the Company recognizes tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. Income taxes were principally provided for based on taxable income for the period, determined in accordance with applicable tax laws, for 1998 and before.

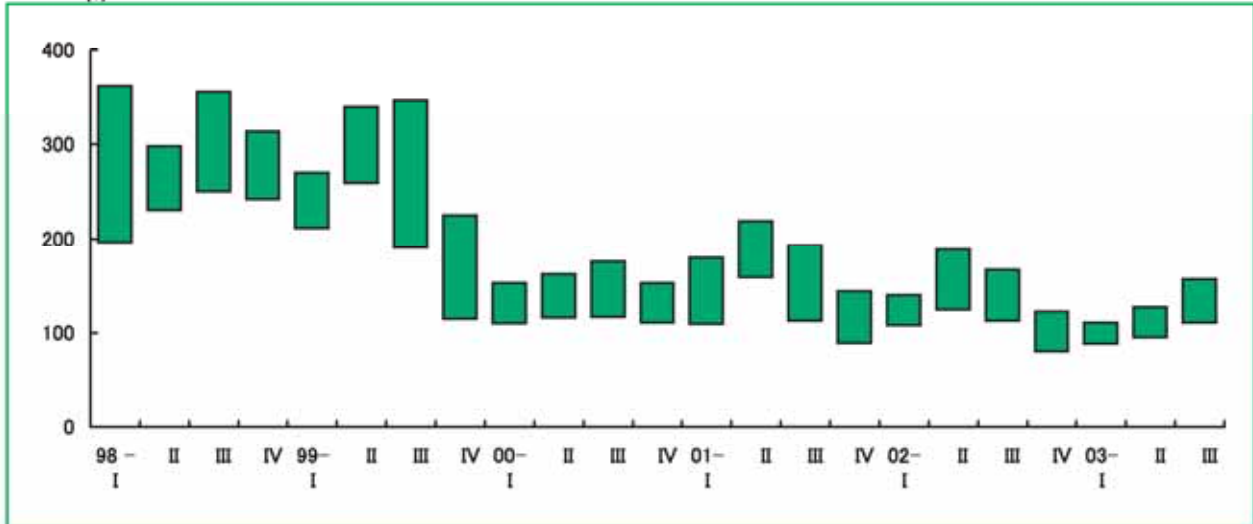
Investments in securities: Effective from the year ended March 31, 2001, securities of the Company are reclassified and available-for-sale securities with available fair market values are stated at fair market value. Securities of the Company were stated at moving-average cost for 2000 and before.

Retirement and severance benefits: Effective from the year ended March 31, 2001, the liabilities and expenses for retirement and severance benefits are determined based on the amounts actually calculated using certain assumption. The excess of the projected benefit obligation over the liabilities for retirement and severance benefits recorded as of April 1, 2000 amounted to ¥130,928 million, which will be recognized in expenses in equal amounts primarily over 10 years commencing with the year ended March 31, 2001.

STOCK INFORMATION

Stock Price Range

(¥)

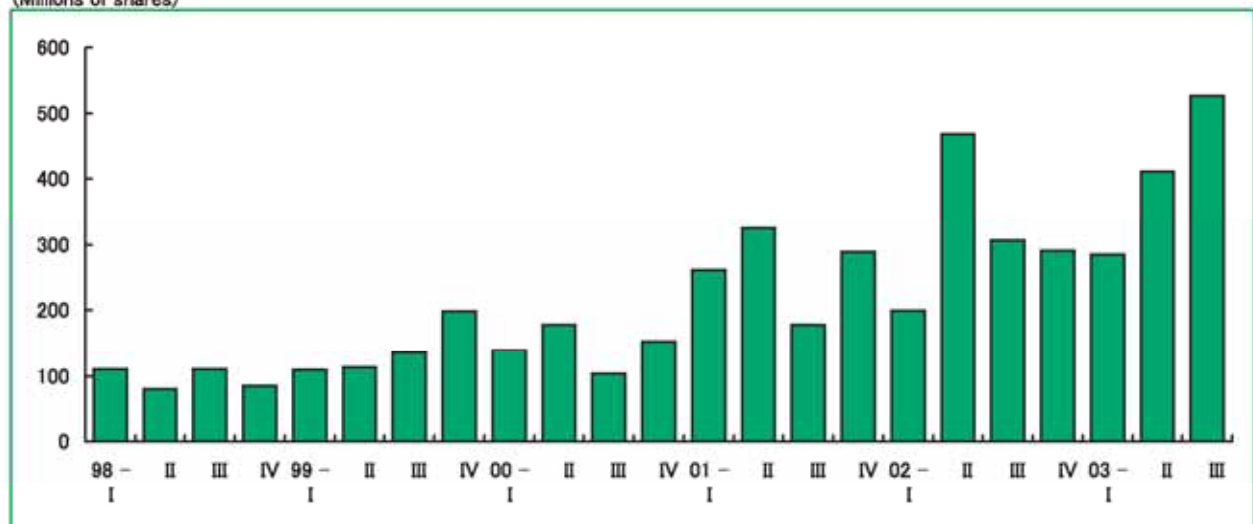


(¥)

	1998				1999				2000				2001				2002				2003		
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III
High	362	298	356	314	270	340	347	225	153	162	176	153	180	219	193	144	140	189	167	122	111	127	157
Low	196	230	250	242	211	259	191	115	110	116	117	111	109	159	113	89	108	124	113	80	88	95	111

Stock Trading Volume

(Millions of shares)



(Millions of shares)

	1998				1999				2000				2001				2002				2003		
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III
	110	80	110	85	109	113	136	198	139	178	103	152	261	325	178	289	199	468	306	291	285	411	526

Paid-in Capital ¥81,427,090,720 Number of Shares Authorized—3,360,000,000 shares Outstanding—1,390,597,636 shares (Dilution—114,224,361 shares) As of March 31, 2003
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Paid-in Capital ¥81,427,090,720 Number of Shares Authorized—3,360,000,000 shares Outstanding—1,443,394,172 shares (Dilution—77,708,831 shares) As of September 30, 2003

Stock Listings
 Tokyo, Osaka, Nagoya

Transfer Agent
 The Chuo Mitsui Trust & Banking Co., Ltd.
 33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

Handling Office
 The Chuo Mitsui Trust & Banking Co., Ltd., Osaka Branch
 2-21, Kitahama 2-chome, Chuo-ku, Osaka 541-0041, Japan

ADR (American Depositary Receipt) Information
 Ratio: 1 ADR = 4 Ordinary Shares
 Exchange: OTC (Over-the-Counter)
 Symbol: KWHIY
 CUSIP: 486 359 20 1
 Depository: The Bank of New York
 101 Barclay St., 22 West, New York, NY 10286, U.S.A.
 Phone: (212)815-2042 U.S. Toll Free: 888-269-2377 (888-BNY-ADRS)

CORPORATE DATA

Registered Office
 1-1, Higashikawasaki-cho 3-chome,
 Chuo-ku, Kobe 650-8670, Japan

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