

KAWASAKI HEAVY INDUSTRIES, LTD.

2003

Semiannual Report

For the six months ended September 30, 2003

Consolidated Financial Highlights

Kawasaki Heavy Industries, Ltd. and Consolidated Subsidiaries

For the six months ended September 30, 2003 and 2002

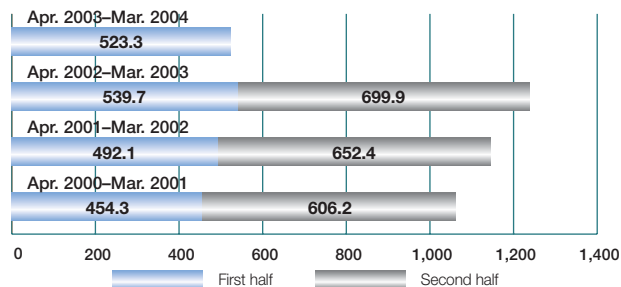
	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
For the period:			
Net sales	¥ 523,270	¥ 539,691	\$ 4,703,551
Operating income (loss)	1,616	(2,234)	14,526
Net loss	3,396	3,488	30,526
Research and development expenses	6,100	6,400	54,831
Depreciation and amortization	15,796	15,348	141,987
Net cash provided by operating activities	11,000	21,068	98,876
Per share (in yen and U.S. dollars):			
Net loss	2.40	2.50	0.02
Cash dividends	—	—	—
At period-end:			
Total assets	1,160,291	1,172,682	10,429,581
Total shareholders' equity	180,880	159,451	1,625,887
Orders received and outstanding:			
Orders received during the period	521,255	523,025	4,685,438
Order backlog at the period-end	1,154,122	1,190,754	10,374,130
Number of employees	29,651	29,009	

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 ¥111.25 to \$1.00, the approximate rate of exchange at September 30, 2003.

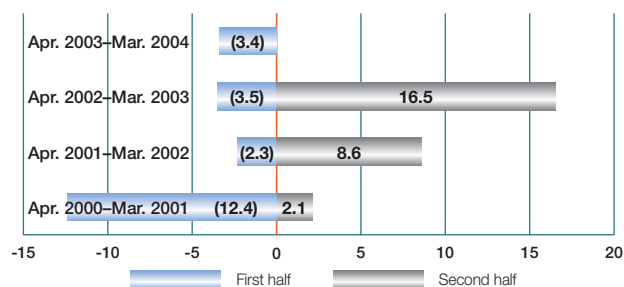
Net Sales

(Billions of yen)



Net Income (Loss)

(Billions of yen)



To Our Shareholders

Transforming Our Earnings Structure and Targeting Sustainable Growth

Although signs of recovery emerged in the Japanese economy during the six-month interim period ended September 30, 2003, overall economic conditions remained weak, along with the continuation of cuts in government public works investment and lackluster personal consumption.

In this operating environment, the Kawasaki Heavy Industries (KHI) Group conducted proactive marketing activities and reported total orders received on a consolidated basis of ¥521.3 billion, a decline of ¥1.8 billion, or 0.3%, compared to the interim period of the previous fiscal year. Orders for the Rolling Stock, Construction Machinery & Crushing Plant and Aerospace segments rose, while those for the Shipbuilding and Plant & Infrastructure Engineering segments declined.

Net sales for the interim period decreased ¥16.4 billion, or 3.0%, relative to the interim period of the previous fiscal year, to ¥523.3 billion, despite increases in the Aerospace and certain other segments, as sales of the Plant & Infrastructure Engineering, Rolling Stock, Construction Machinery & Crushing Plant, and other segments declined.

From an earnings perspective, we reported operating income of ¥1.6 billion, compared with an operating loss of ¥2.2 billion for the interim period of the previous year, mainly because of an improvement in margins in our

Shipbuilding segment. As a result of the absence of a deferral of tax expenses under tax-effect accounting guidelines, the net loss for the interim period was ¥3.4 billion, an improvement of ¥0.1 billion, or 2.6%, from the same period of the previous year.

Although our basic policy regarding allocation of earnings is to pay stable dividends to our shareholders, in view of the loss for the interim period and in consideration of the need to expand retained earnings to enhance our capabilities for future growth, we regret that we have decided to suspend the payment of cash dividends for the interim period under review.

The corporate philosophy of the KHI Group is to draw on its broad base of advanced technologies to create new value in product offerings that work modern-day wonders on land, at sea, and in the air and contribute to economic and social development around the world. To attain the goals of its corporate philosophy, the fundamental management policy of the KHI Group is to work to increase customer satisfaction by providing superior products and services—differentiated by technology and the strength of the Kawasaki brand—that increase its enterprise value and respond to the expectations of its shareholders, customers, and employees and the communities it serves.

Based on this fundamental guiding principle, we are working to build a strong earnings base by evolving toward a business portfolio that can adapt successfully to

changes in the business environment and achieve sustainable growth. Our target is to reach a before-tax return on invested capital (ROIC) of 9% or higher by the end of the fiscal year ending March 31, 2007.

To attain our objectives, we are sharpening the focus of our business portfolio through the exercise of selectivity and concentration in allocating our corporate resources. We are directing our resources especially toward core and developing businesses, namely Aerospace, Consumer Products & Machinery, Rolling Stock, and Gas Turbines & Machinery, and working to strengthen the contribution of these activities to KHI's earnings.

Also, under our policy of "Quality followed by Quantity," we are making every effort to offer products and services that are differentiated by technology and brand equity and further sharpening our business model aimed at strengthening profitability and creating a stable, high-margin earnings foundation.

For the foreseeable future, we must assume that the operating environment in Japan and overseas will remain challenging. To enhance KHI's enterprise value through the attainment of sustainable growth, we plan to move forward with realignments in our portfolio of businesses and steadily implement a range of initiatives to improve profitability. As an integral part of these activities, we strengthened our base of operations in the aerospace field by welcoming NIPPI Corporation as a wholly owned

subsidiary and took additional steps to reform our earnings structure in the steel structures business through the closure of the Noda Works and the consolidation of its operations into the Harima Works.

Along with these measures, we are taking urgent countermeasures to cope with the adverse affects caused by the recent appreciation of the yen against the dollar. Furthermore, we are taking steps to increase the proportion of dollar-denominated costs and introduce greater flexibility in our labor costs in order to deal more flexibly and effectively with medium- to long-term changes in the operating environment, including exchange rate fluctuations.

As these comments suggest, KHI is moving forward steadily with the implementation of its K21 Medium-Term Business Plan, which is intended to improve KHI's capabilities for adapting to change in the business environment. We would like to take this opportunity to thank our shareholders for their support and look forward to their continuing advice and understanding.

December 2003



Masamoto Tazaki
President and CEO

Review of Operations

Shipbuilding

For the interim period under review, this segment received orders amounting to ¥46.7 billion. Although orders for 10 new vessels—one LNG carrier, eight bulk carriers, and one VLCC (Very Large Crudeoil Carrier)—were secured during the period, total orders declined ¥28.5 billion, or 37.9%, from the same period of the previous fiscal year, when the segment received orders for three LNG carriers and other vessels.

Net sales rose ¥1.9 billion, or 3.7%, to ¥51.7 billion, due mainly to increased sales of newbuildings.

Operating income totaled ¥3.9 billion, a substantial improvement from the same period of the previous fiscal year when the segment posted an operating loss of ¥1.5 billion, owing to the sale of higher-margin vessels.

A total of six vessels were delivered in the interim period: two LNG carriers, two LPG carriers, and two bulk carriers.

Rolling Stock, Construction Machinery & Crushing Plant

This segment reported a ¥27.0 billion, or 35.6%, increase in total orders received for the interim period, to ¥102.7 billion, including orders for subway cars to be delivered to the New York City Transit Authority (NYCT) and Taiwan.

Net sales declined ¥21.5 billion, or 27.1%, to ¥57.9 billion, due mainly to the reduction of large-scale overseas

sales compared to the interim period of the previous fiscal year, which benefited from sales of subway cars to the NYCT and electric trains for Hong Kong.

Operating income rose to ¥1.5 billion, an increase of ¥0.5 billion, or 49.4%, in tandem with the improvement in the profitability of domestic orders.

Aerospace

Orders received by this segment—including orders from The Boeing Company mainly for component parts for its 777 and 767 passenger aircraft and from the Japan Defense Agency (JDA) for spare parts for aircraft—rose ¥5.9 billion, or 23.4%, from the same period of the previous fiscal year, to ¥31.3 billion.

Net sales rose a substantial ¥24.2 billion, or 52.9%, to ¥69.8 billion, owing to sales related to developing the

next-generation aircraft for the JDA: the P-X, Next Maritime Aircraft, and the C-X, Next Transport Aircraft, as well as the inclusion of NIPPI within the scope of consolidation beginning with the interim period under review.

Operating income increased ¥0.7 billion, or 54.6%, to ¥2.1 billion.

Gas Turbines & Machinery

Orders received rose ¥3.3 billion, or 6.5%, from the same period of the previous fiscal year, to ¥53.4 billion, reflecting increases in orders for component parts for the V2500, Trent, and other jet engines for commercial aircraft.

Net sales decreased ¥1.9 billion, or 2.8%, to ¥65.8 billion, mainly because of lower turnover of turbines/boilers for vessels and industrial gas turbine power generators.

Operating income was down ¥1.3 billion, or 64.4%, to ¥0.7 billion.

Plant & Infrastructure Engineering

This segment reported a decline of ¥24.6 billion, or 30.1%, in orders received, to ¥57.3 billion, despite an order for a ferro-nickel production plant from Indonesia and certain other facilities, due to a smaller number of major orders for the interim period.

Despite sales of municipal refuse incineration plants to local governments and a combined cycle power plant to Brazil, net sales were down ¥29.6 billion, or 36.9%, from the same period of the previous fiscal year, to

¥50.5 billion. This result was because of the relatively high level of sales reported in the interim period of the previous year for a fertilizer plant in China and large municipal refuse incineration plants.

This segment reported an operating loss of ¥5.0 billion, an increase of ¥0.4 billion, or 8.7%, from the same period of the previous year as a result of the decline in sales.

Consumer Products & Machinery

Net sales of this segment exceeded those of the interim period of the previous year by ¥3.3 billion, or 2.1%, rising to ¥165.7 billion as a result of higher sales of motor-cycles in U.S. and European markets.

As a consequence of higher sales promotion expenses and other factors, the segment reported an operating loss of ¥2.6 billion, an increase of ¥2.5 billion.

Other

Orders received in this segment rose ¥11.9 billion, or 22.7%, from the same period of the previous fiscal year, to ¥64.2 billion. Net sales were also up ¥7.3 billion, or 13.3%, to ¥61.9 billion, principally due to higher

overseas sales of industrial hydraulic equipment to China. Operating income amounted to ¥1.2 billion, representing an improvement of ¥1.7 billion.

Note: The industrial hydraulic equipment business, which was formerly included in the Gas Turbines & Machinery segment, has been included in the Other segment beginning with the interim period under review. Data for the interim period of the previous fiscal year have been reclassified to reflect this change.

Review by Geographic Segment

Sales in Japan for the interim period under review amounted to ¥366.4 billion, a slight increase of ¥2.6 billion, or 0.7%, from the same period of the previous fiscal year. Operating loss dropped ¥5.6 billion, or 91.8%, to ¥0.5 billion, supported by a recovery in the shipbuilding business.

In North America, sales were down ¥24.2 billion, or 19.2%, to ¥101.9 billion, because of reduced deliveries to customers from the rolling stock subsidiary. This geographic segment reported an operating loss of ¥0.9 billion, compared with an operating income of ¥0.4 billion for the same period of the previous fiscal year.

Sales in Europe increased ¥6.8 billion, or 18.1%, to ¥44.1 billion, because of higher revenues of the motorcycle sales subsidiary in the region. Operating income declined ¥0.4 billion, or 33.0%, to ¥0.7 billion.

In Asia, sales declined ¥1.8 billion, or 17.7%, from the interim period of the previous fiscal year, to ¥8.4 billion, and this geographic segment reported an operating loss of ¥0.3 billion compared to operating income of ¥0.2 billion in the interim period of the previous fiscal year.

In other areas, sales increased ¥0.3 billion, or 13.7%, to ¥2.5 billion, and operating performance achieved break-even—approximately the same level as for the interim period of the previous fiscal year.

Cash Flows

During the interim period under review, net cash provided by operating activities amounted to ¥11.0 billion, compared with ¥21.1 billion for the same period of the previous year. Net cash used in investing activities was ¥14.3 billion, versus ¥18.9 billion for the same period of the previous year. Acquisition of property, plant and equipment accounted for the largest portion of these cash outlays. Net cash used in financing activities amounted to ¥4.6 billion, compared with ¥38.3 billion in

the same period of the previous year, as the Company reduced the amount of debt outstanding. Free cash flow, which is the sum of net cash provided by operating activities and net cash used in investing activities, was negative ¥3.3 billion. As a result of these factors, cash and cash equivalents at the end of the interim period were ¥7.2 billion lower than at the end of March 2003, amounting to ¥52.6 billion.

Condensed Consolidated Balance Sheets

Kawasaki Heavy Industries, Ltd. and Consolidated Subsidiaries
As of September 30 and March 31, 2003 and September 30, 2002

	Millions of yen			Thousands of U.S. dollars
	September 30, 2003 (unaudited)	March 31, 2003	September 30, 2002 (unaudited)	September 30, 2003 (unaudited)
Assets:				
Current assets:				
Cash on hand and in banks	¥ 54,111	¥ 61,185	¥ 55,463	\$ 486,391
Receivables, less allowance	313,103	393,067	321,214	2,814,409
Inventories.....	392,741	342,387	415,451	3,530,257
Other current assets	46,907	31,323	50,510	421,636
Total current assets	806,862	827,962	842,638	7,252,693
Investments and long-term loans, less allowance	72,783	65,744	74,068	654,228
Net property, plant and equipment.....	261,884	234,352	240,552	2,354,013
Intangible and other assets	18,762	21,103	15,424	168,647
Total assets.....	¥1,160,291	¥1,149,161	¥1,172,682	\$10,429,581
Liabilities and shareholders' equity:				
Current liabilities:				
Short-term borrowings and current portion				
of long-term debt	¥ 229,708	¥ 201,248	¥ 221,919	\$ 2,064,791
Payables.....	241,502	294,769	272,351	2,170,804
Advances from customers.....	140,441	100,829	155,872	1,262,391
Other current liabilities	79,680	93,345	66,667	716,225
Total current liabilities	691,331	690,191	716,809	6,214,211
Long-term liabilities:				
Long-term debt, less current portion.....	205,178	226,936	226,922	1,844,297
Others.....	79,155	51,858	64,177	711,505
Total long-term liabilities.....	284,333	278,794	291,099	2,555,802
Minority interests	3,747	5,591	5,323	33,681
Shareholders' equity:				
Common stock	81,427	81,427	81,427	731,928
Capital surplus	31,388	24,683	24,683	282,139
Retained earnings	70,742	77,069	60,559	635,883
Net unrealized gains on securities	9,326	3,671	4,836	83,829
Foreign currency translation adjustments.....	(11,918)	(12,225)	(12,029)	(107,128)
Treasury stock	(85)	(40)	(25)	(764)
Total shareholders' equity	180,880	174,585	159,451	1,625,887
Total liabilities and shareholders' equity.....	¥1,160,291	¥1,149,161	¥1,172,682	\$10,429,581

Condensed Consolidated Statements of Operations and Retained Earnings

Kawasaki Heavy Industries, Ltd. and Consolidated Subsidiaries
For the six months ended September 30, 2003 and 2002 (unaudited)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2003	<i>2002</i>	2003
Net sales.....	¥523,270	¥539,691	\$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 in net loss (income) of consolidated subsidiaries.....	63	(88)	566
Net loss.....	¥ 3,396	¥ 3,488	\$ 30,526
Retained earnings:			
Balance at the beginning of the period.....	¥ 77,069	¥ 64,110	\$ 692,755
Net loss for the period.....	3,396	3,488	30,526
Cash dividends.....	(2,781)	(—)	(24,998)
Bonuses to directors and statutory auditors.....	(71)	(63)	(638)
Other.....	(79)	(—)	(710)
Balance at the end of the period.....	¥ 70,742	¥ 60,559	\$ 635,883

Consolidated Statements of Cash Flows

Kawasaki Heavy Industries, Ltd. and Consolidated Subsidiaries
For the six months ended September 30, 2003 and 2002 (unaudited)

	Millions of yen		Thousands of U.S. dollars
	2003	2002	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
Loss on sales 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 employees' 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)
Subtotal	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

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	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Cash flows from investing activities:			
Increase in time deposits 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 investments in securities.....	(406)	(876)	(3,649)
Proceeds from investments 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 used for 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 the period.....	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 the period	¥52,632	¥54,070	\$473,097

Segment Information

Kawasaki Heavy Industries, Ltd. and Consolidated Subsidiaries
For the six months ended September 30, 2003 and 2002 (unaudited)

Note: The industrial hydraulic equipment business, which was formerly included in the Gas Turbines & Machinery segment, has been included in the Other segment beginning with the interim period under review. Data for the interim period of the previous fiscal year have been reclassified to reflect this change.

(a) Information by industry segment

	Millions of yen				
	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				
	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)	(39,522)	101
Consolidated total.....	¥539,691	¥ —	¥539,691	¥541,925	¥(2,234)

	Thousands of U.S. dollars				
	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

	<i>Millions of yen</i>				
	2003				
	<i>External sales</i>	<i>Intersegment sales</i>	<i>Total sales</i>	<i>Operating expenses</i>	<i>Operating income (loss)</i>
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
Consolidated total.....	¥523,270	¥ —	¥523,270	¥521,654	¥1,616

	<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>Thousands of U.S. dollars</i>				
	2003				
	<i>External sales</i>	<i>Intersegment sales</i>	<i>Total sales</i>	<i>Operating expenses</i>	<i>Operating income (loss)</i>
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

	<i>Millions of yen</i>		<i>Millions of yen</i>		<i>Thousands of</i>
		<i>%</i>		<i>%</i>	<i>U.S. dollars</i>
	2003		2002		2003
	<i>Overseas sales</i>	<i>% against net sales</i>	<i>Overseas sales</i>	<i>% against net sales</i>	<i>Overseas sales</i>
North America.....	¥123,223	23.5%	¥152,803	28.3%	\$1,107,622
Europe.....	70,313	13.4	51,751	9.6	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

For the six months ended September 30, 2003 and 2002 (unaudited)

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Net sales:			
Shipbuilding.....	¥ 51,683	¥ 49,823	\$ 464,566
Rolling Stock, Construction Machinery & Crushing Plant.....	57,885	79,423	520,315
Aerospace.....	69,815	45,657	627,551
Gas Turbines & Machinery.....	65,799	67,694	591,452
Plant & Infrastructure Engineering.....	50,530	80,128	454,202
Consumer Products & Machinery.....	165,651	162,316	1,488,998
Other.....	61,907	54,650	556,467
Total.....	¥523,270	¥539,691	\$4,703,551

Orders received:

Shipbuilding.....	¥ 46,676	¥ 75,166	\$ 419,560
Rolling Stock, Construction Machinery & Crushing Plant.....	102,748	75,764	923,578
Aerospace.....	31,277	25,348	281,142
Gas Turbines & Machinery.....	53,364	50,106	479,676
Plant & Infrastructure Engineering.....	57,318	81,967	515,218
Consumer Products & Machinery.....	165,651	162,316	1,488,997
Other.....	64,221	52,358	577,267
Total.....	¥521,255	¥523,025	\$4,685,438

	Millions of yen			Thousands of U.S. dollars
	As of September 30, 2003	As of March 31, 2003	As of September 30, 2002	As of September 30, 2003
Order backlog:				
Shipbuilding.....	¥ 162,497	¥ 173,304	¥ 212,559	\$ 1,460,647
Rolling Stock, Construction Machinery & Crushing Plant.....	317,760	273,563	260,050	2,856,270
Aerospace.....	180,363	208,410	172,649	1,621,240
Gas Turbines & Machinery.....	136,379	160,874	168,398	1,225,879
Plant & Infrastructure Engineering.....	331,829	327,911	340,621	2,982,732
Consumer Products & Machinery.....	—	—	—	—
Other.....	25,294	31,501	36,477	227,362
Total.....	¥1,154,122	¥1,175,563	¥1,190,754	\$10,374,130

Note: The industrial hydraulic equipment business, which was formerly included in the Gas Turbines & Machinery segment, has been included in the Other segment beginning with the interim period under review. Data for the interim period of the previous fiscal year have been reclassified to reflect this change.

Kawasaki

Kawasaki Corporate Data

(As of September 30, 2003)

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 Issued: 1,443,394,172 shares

Number of Shareholders: 134,672

Number of Employees: 29,651

Stock Exchange Listings:

Tokyo, Osaka, Nagoya

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>



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