

**November 18, 2002**

## CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002

Ishikawajima-Harima Heavy Industries Co., Ltd. (IHI) is listed on the First Section of the Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange, Fukuoka Securities Exchange and Sapporo Stock Exchange with the securities code number 7013.

Representative: President and Chief Executive Officer Mototsugu Ito  
 For further information contact: Director General Manager Hiroyoshi Hiraga, Finance & Accounting Division  
 Tel: +81-3-3244-5191

Semi-Annual Board of Directors Meeting: November 18, 2002

This consolidated financial report has been prepared in accordance with Japanese accounting standards and Japanese law. Figures have been rounded off to eliminate amounts less than one million yen.

### PERFORMANCE

#### (1) Business Results

(Millions of yen)						
Six-month period ended	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change
<b>Sept. 30, 2002</b>	<b>¥ 405,513</b>	<b>(10.7)%</b>	<b>¥ 1,116</b>	<b>(54.1)%</b>	<b>¥ (7,416)</b>	<b>%</b>
Sept. 30, 2001	453,969	(8.9)	2,429	(86.1)	(934)	
Fiscal year 2002	1,082,402		27,233		18,760	

(Millions of yen)				
Six-month period ended	Net Income	Percentage Change	Net Income per Share	Diluted Net Income per Share
<b>Sept. 30, 2002</b>	<b>¥(9,418)</b>	<b>%</b>	<b>¥(7.25)</b>	
Sept. 30, 2001	(7,755)		(5.97)	
Fiscal year 2002	5,539		4.27	

- Notes: 1. Equity in earnings of unconsolidated subsidiaries and affiliates  
 Six-month period ended Sept. 30, 2002: ¥ 28 million  
 Six-month period ended Sept. 30, 2001: ¥ (177) million  
 Fiscal year 2002: ¥ (605) million
2. Average number of shares outstanding (consolidated)  
 Six-month period ended Sept. 30, 2002: 1,298,465,330  
 Six-month period ended Sept. 30, 2001: 1,298,493,126  
 Fiscal year 2002: 1,298,491,728
3. Changes in accounting policies: Yes
4. Percentages shown for net sales, operating income, ordinary income and net income are the rate of increase or decrease from the previous fiscal year.

## (2) Financial Position

(Millions of yen, except per share figures)

	Total Assets	Shareholders' Equity	Equity Ratio (%)	Shareholders' Equity per Share of Common Stock (Yen)
<b>Sept. 30, 2002</b>	<b>¥1,351,384</b>	<b>¥174,745</b>	<b>12.9%</b>	<b>¥134.58</b>
Sept. 30, 2001	1,393,969	183,489	13.2	141.31
March 31, 2002	1,422,110	187,589	13.2	144.47

Note: Number of shares outstanding at the end of period (consolidated)

Six-month period ended Sept. 30, 2002:	1,298,446,359
Six-month period ended Sept. 30, 2001:	1,298,494,861
Fiscal year 2002:	1,298,482,718

## (3) Cash Flows

(Millions of yen)

Six-month period ended	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents, End of Year
<b>Sept. 30, 2002</b>	<b>¥(31,561)</b>	<b>¥(34,327)</b>	<b>¥ 4,909</b>	<b>¥ 51,996</b>
Sept. 30, 2001	26,459	(14,442)	(26,705)	108,488
Fiscal year 2002	19,233	(29,584)	(2,095)	111,063

## (4) Consolidated Subsidiaries and Application of the Equity Method

Number of consolidated subsidiaries: 52

Number of non-consolidated subsidiaries accounted for by the equity method:

Number of affiliated companies accounted for by the equity method: 8

## (5) Changes in Scope of Consolidation and Application of the Equity Method

1. New consolidated companies: 4

Consolidated companies removed: 4

2. New companies accounted for by the equity method: 4

Companies accounted for by the equity method removed: 1

## FORECAST OF RESULTS FOR FISCAL YEAR ENDING MARCH 31, 2003

(Millions of yen)

	Net Sales	Ordinary Income	Net Income
Fiscal year 2003	¥1,020,000	¥10,000	¥3,000

Reference: Estimated net income per share for the year: Consolidated: ¥2.31

### Cautionary Statement

Statements made in this report with respect to IHI's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of IHI. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore readers should not place undue reliance on them. IHI cautions that a number of important factors such as general economic conditions and exchange rates could cause actual results to differ materially from those discussed in the forward-looking statements.

**CONSOLIDATED STATEMENTS OF INCOME**

(Millions of yen)

	April 1, 2002– Sept. 30, 2002	April 1, 2001– Sept. 30, 2001	Increase (Decrease)	April 1, 2001– Mar. 31, 2002
<b>Net sales</b>	<b>¥ 405,513</b>	¥ 453,969	¥ (48,456)	¥1,082,402
<b>Cost of sales</b>	<b>346,753</b>	390,018	(43,265)	932,415
<b>Selling, general and administrative expenses</b>	<b>57,644</b>	61,522	(3,878)	122,754
Operating income	<b>1,116</b>	2,429	(1,313)	27,233
<b>Non-operating income:</b>				
Interest and dividend income	<b>1,968</b>	2,290	(322)	3,486
Equity in earnings of affiliates	<b>28</b>		28	
Other income	<b>1,128</b>	4,945	(3,817)	8,957
<b>Non-operating expenses:</b>				
Interest expenses	<b>2,901</b>	2,995	(94)	5,807
Equity in losses of affiliates		177	(177)	605
Other expenses	<b>8,755</b>	7,426	1,329	14,504
Ordinary (loss) income	<b>(7,416)</b>	(934)	(6,482)	18,760
<b>Extraordinary income:</b>				
Gain on sale of property, plant and equipment	<b>773</b>		773	9,422
<b>Extraordinary expenses:</b>				
Extraordinary retirement benefits	<b>2,356</b>		2,356	742
Provision for employees' retirement allowances for prior period	<b>2,237</b>	2,254	(17)	4,511
Loss on disposal of property, plant and equipment	<b>1,991</b>	892	1,099	5,046
Loss on valuation of investment securities		4,659	(4,659)	4,353
Loss on evaluation of shares of subsidiaries and affiliates		1,114	(1,114)	1,149
Provision for allowance for doubtful receivables of affiliates				894
(Loss) income before income taxes, minority interests and other	<b>(13,227)</b>	(9,853)	(3,374)	11,487
Corporation, inhabitants' and enterprise taxes	<b>2,114</b>	1,590	524	6,644
Adjustments to corporation taxes	<b>(5,051)</b>	(3,160)	(1,891)	(625)
Minority interests in consolidated subsidiaries	<b>(872)</b>	(528)	(344)	(71)
Net (loss) income	<b>(9,418)</b>	(7,755)	(1,663)	5,539

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

	(Millions of yen)			
	April 1, 2002– Sept. 30, 2002	April 1, 2001– Sept. 30, 2001	Increase (Decrease)	April 1, 2001– Mar. 31, 2002
<b>CAPITAL SURPLUS</b>				
<b>Capital surplus, beginning of year:</b>	<b>¥10,200</b>	¥10,359	¥ (159)	¥10,359
<b>Decrease in capital surplus:</b>				
Reversal of capital surplus				159
<b>Capital surplus, end of year:</b>	<b>10,200</b>	10,359	(159)	10,200
<b>RETAINED EARNINGS</b>				
<b>Retained earnings, beginning of year:</b>	<b>89,725</b>	88,073	1,652	88,073
<b>Increase in retained earnings:</b>				
Net income				5,539
Reversal of capital surplus				159
<b>Decrease in retained earnings:</b>				
Net loss	<b>9,418</b>	7,755	1,663	
Decrease resulting from inclusion of subsidiaries in consolidation	<b>304</b>	1	303	1
Cash dividends				3,895
Directors' bonuses				150
<b>Retained earnings, end of year</b>	<b>¥80,003</b>	¥80,317	¥ (314)	¥89,725

**CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

	Sept. 30, 2002	Mar. 31, 2002	Increase (Decrease)	Sept. 30, 2001
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and time deposits	¥ 53,031	¥ 92,747	¥ (39,716)	¥ 61,913
Trade receivables	273,816	320,426	(46,610)	246,931
Marketable securities	244	13,544	(13,300)	41,923
Inventories	435,007	378,728	56,279	437,297
Deferred income taxes	21,421	20,775	646	23,582
Other current assets	53,248	63,650	(10,402)	56,073
Less allowance for doubtful receivables	(3,375)	(3,132)	(243)	(1,333)
Total current assets	833,392	886,738	(53,346)	866,386
<b>Fixed assets:</b>				
<b>Property, plant and equipment:</b>				
Buildings and structures	114,341	113,678	663	110,002
Machinery and equipment	61,970	83,456	(21,486)	75,420
Land	87,910	84,956	2,954	84,975
Construction in progress	7,135	7,522	(387)	10,397
Other tangible fixed assets	17,841	18,065	(224)	19,789
Total property, plant and equipment	289,197	307,677	(18,480)	300,583
<b>Intangible assets:</b>				
Software	10,612	10,392	220	9,944
Consolidation adjustment account	596		596	
Royalties and other intangible assets	7,257	4,680	2,577	5,803
Total intangible assets	18,465	15,072	3,393	15,747
<b>Investments and other assets:</b>				
Investment securities	113,311	118,014	(4,703)	122,147
Deferred income taxes	54,674	48,358	6,316	44,197
Other	55,148	60,369	(5,221)	59,262
Less allowance for doubtful receivables	(12,803)	(14,118)	1,315	(14,353)
Total investments and other assets	210,330	212,623	(2,293)	211,253
Total fixed assets	517,992	535,372	(17,380)	527,583
<b>Total assets</b>	<b>¥ 1,351,384</b>	<b>¥1,422,110</b>	<b>¥ (70,726)</b>	<b>¥1,393,969</b>

**CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

	Sept. 30, 2002	Mar. 31, 2002	Increase (Decrease)	Sept. 30, 2001
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities:</b>				
Trade payables	¥ 265,357	¥ 299,209	¥ (33,852)	¥ 259,683
Short-term loans and current portion of long-term loans and debentures	205,274	214,823	(9,549)	199,903
Commercial paper		10,000	(10,000)	
Current portion of debentures	20,000	20,000		
Accrued income taxes	3,075	3,568	(493)	1,963
Accrued expenses	26,141	34,365	(8,224)	25,171
Advances from customers	163,175	132,703	30,472	206,193
Allowance for employees' bonuses	20,667	21,086	(419)	21,944
Allowance for guaranteed contracts	6,364	6,738	(374)	7,456
Reserve for loss on sales contracts	1,509	2,483	(974)	1,511
Other current liabilities	28,163	46,521	(18,358)	25,034
Total current liabilities	739,725	791,496	(51,771)	748,858
<b>Long-term liabilities:</b>				
Debentures	100,000	70,000	30,000	90,000
Long-term loans	111,821	145,292	(33,471)	145,522
Allowance for employees' retirement benefits	158,940	165,480	(6,540)	169,360
Deferred tax liabilities from revaluation of land	4,189	4,189		4,189
Other long-term liabilities	45,329	42,126	3,203	36,857
Total long-term liabilities	420,279	427,087	(6,808)	445,928
Total liabilities	1,160,004	1,218,583	(58,579)	1,194,786
<b>Minority interests:</b>				
Minority interests in consolidated subsidiaries	16,635	15,938	697	15,694
<b>Shareholders' equity:</b>				
Common stock	64,925	64,925		64,925
Capital surplus	10,200	10,200		10,359
Retained earnings	80,003	89,725	(9,722)	80,317
Revaluation excess	5,397	5,397		5,397
Unrealized holding gain on other securities	16,212	18,867	(2,655)	24,235
Foreign exchange translation adjustments	(1,982)	(1,523)	(459)	(1,744)
Less treasury stock, at cost	(10)	(2)	(8)	0
Total shareholders' equity	174,745	187,589	(12,844)	183,489
<b>Total liabilities and shareholders' equity</b>	<b>¥ 1,351,384</b>	<b>¥ 1,422,110</b>	<b>¥ (70,726)</b>	<b>¥ 1,393,969</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Millions of yen)

	April 1, 2002– Sept. 30, 2002	April 1, 2001– Sept. 30, 2001	April 1, 2001– Mar. 31, 2002
<b>Operating activities:</b>			
Net (loss) income before income taxes	¥ (13,227)	¥ (9,853)	¥ 11,487
Depreciation and amortization	17,749	17,754	35,552
Amortization of long-term prepaid expenses	2,083	1,643	3,567
Increase (decrease) in allowance for bad debts	32	(409)	1,299
Increase (decrease) in allowance for employees' bonuses	(583)	(417)	(1,275)
Increase (decrease) in reserve for secured orders	(374)	(356)	(1,074)
Increase (decrease) in accrued losses on sales contracts	(974)	(415)	557
Increase (decrease) in accrued employees' retirement allowances	(6,543)	(2,709)	(6,589)
Interest and dividends income	(1,968)	(2,290)	(3,486)
Interest expense	2,901	2,995	5,807
Loss (gain) on foreign exchange	13	9	(103)
Loss (gain) on disposal of property, plant and equipment	1,218	598	(4,644)
Gain on sale of marketable and investment securities	(116)	(200)	(230)
Loss on valuation of marketable and investment securities and golf Memberships	243	5,773	5,515
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	(28)	177	605
Changes in operating assets and liabilities			
Notes and accounts receivable	60,989	108,282	34,787
Advances received	30,429	10,853	(63,820)
Inventories	(55,598)	(27,208)	30,246
Advance payments	2,057	(4,525)	(8,223)
Notes and accounts payable	(46,145)	(48,857)	(9,331)
Other current assets	(3,616)	(1,786)	1,966
Other current liabilities	(15,370)	(7,401)	5,345
Accrued consumption taxes	(2,826)	(4,374)	(1,717)
Directors' and corporate auditors' bonuses	(172)	(234)	(236)
Others		(83)	(83)
<b>Subtotal</b>	<b>(29,826)</b>	<b>36,967</b>	<b>35,922</b>
Interest and dividends received	1,961	2,275	3,572
Interest paid	(2,836)	(3,096)	(5,616)
Income taxes paid	(860)	(9,687)	(14,645)
<b>Net cash provided by (used in) operating activities</b>	<b>(31,561)</b>	<b>26,459</b>	<b>19,233</b>
<b>Investing activities:</b>			
Net decrease (increase) in time deposits due in more than three months	(60)	(725)	(111)
Purchases of marketable and investment securities	(1,487)	(1,243)	(6,867)
Proceeds from sale of marketable and investment securities	18	336	598
Decrease in cash due to change in scope of consolidation	(757)		
Purchases of property, plant and equipment and intangible fixed assets	(35,484)	(19,072)	(44,304)
Proceeds from sale of property, plant and equipment	645	1,802	17,045
Net decrease (increase) in short-term loans	298	626	(617)
Increase in long-term loans	(1,386)	(925)	(1,460)
Decrease in long-term loans	1,474	348	239
Decrease (increase) in other non-current assets	1,658	1,166	(2,206)
Increase (decrease) in other fixed liabilities	754	3,245	8,099
<b>Net cash provided by (used in) investing activities</b>	<b>(34,327)</b>	<b>(14,442)</b>	<b>(29,584)</b>

FORWARD

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

(Millions of yen)

	April 1, 2002– Sept. 30, 2002	April 1, 2001– Sept. 30, 2001	April 1, 2001– Mar. 31, 2002
<b>Financing Activities:</b>			
Net increase (decrease) in short-term debt	¥ (9,016)	¥ (17,910)	¥ (5,560)
Net increase (decrease) in commercial paper	(10,000)		10,000
Proceeds from issuance of long-term debt	73,074	25,572	48,602
Repayment of long-term debt	(75,113)	(30,125)	(50,815)
Proceeds from issuance of debentures	30,000		
Purchases of treasury stock	(8)		(2)
Purchases of treasury stock of subsidiaries in consolidation	(2)	(113)	(113)
Dividends paid	(3,895)	(3,895)	(3,895)
Dividends paid to minority interests	(131)	(234)	(312)
<b>Net cash provided by (used in) financing activities</b>	<b>4,909</b>	<b>(26,705)</b>	<b>(2,095)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(448)</b>	<b>161</b>	<b>494</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(61,427)</b>	<b>(14,527)</b>	<b>(11,952)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>111,063</b>	<b>122,391</b>	<b>122,391</b>
<b>Increase in Cash and Cash Equivalents from Consolidation of Non-consolidated Subsidiaries</b>	<b>2,360</b>	<b>624</b>	<b>624</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>¥ 51,996</b>	<b>¥108,488</b>	<b>¥111,063</b>

Note: A reconciliation of cash and cash equivalents to the amounts shown in the consolidated balance sheets are as follows:

	Sept. 30, 2002	Sept. 30, 2001	March 31, 2002
Cash and time deposits	¥53,031	¥ 61,913	¥ 92,747
Time deposits due in more than three months	(1,080)	(1,634)	(1,020)
Convertible time deposits included in marketable securities		500	4,500
Commercial paper included in marketable securities			1,498
Investment trust included in marketable securities	45	41,211	7,339
Sales under agreement to repurchase included in other current assets (short-term loans)		6,498	5,999
Cash and cash equivalents	¥51,996	¥108,488	¥111,063

## BASIS FOR PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

### 1. Scope of Consolidation

Consolidated subsidiaries:

The consolidated accounts reflect the results of 52 consolidated subsidiaries. Major companies include Ishikawajima Shibaura Machinery Co., Ltd., IHI Aerospace Co., Ltd., IHI Construction Machinery Co., Ltd., Ishikawajima Transport Machinery Co., Ltd., Ishikawajima Mass-Produced Machinery Co., Ltd., Ishikawajima Construction Materials Co., Ltd., Ishikawajima Ship & Chemical Plant Co., Ltd., Ishikawajima Hanyoki Service Co., Ltd., PC BRIDGE Co., Ltd., Ishikawajima Plant Construction Co., Ltd., Star Farm Machinery Manufacturing Co., Ltd., IHI Inc. and IHI Turbo America Co.

Other subsidiaries are not included in consolidation as their effect on consolidated results would not be material.

Four subsidiaries, IHI Marine United Inc., JH Corporation, IHI Charging Systems International GmbH, and IHI Charging Systems International S.p.A., were added to the scope of consolidation during the period under review. Kaisho Shipping Co., Ltd. and 3 other companies were removed from the scope of consolidation due to a reduction in the percentage of our stake in those firms.

### 2. Application of the Equity Method of Accounting

Companies accounted for by the equity method comprise Jurong Engineering Limited and 7 other companies. As of the period under review, IHI Marine United Inc. has become a consolidated subsidiary rather than an equity-method subsidiary, and Kaisho Shipping Co., Ltd. and 3 other companies have converted from being consolidated subsidiaries to equity-method subsidiaries.

### 3. Consolidated Subsidiaries Having Different Fiscal Year-Ends

As Star Farm Machinery Manufacturing Co., Ltd. closes its books of account for the interim period on March 31, provisional interim financial statements are used for the purpose of consolidation. IHI Inc. and other overseas subsidiaries close their accounts for the interim period on June 30. As these periods do not exceed 3 months, interim financial statements as of that date are used.

### 4. Summary of Significant Accounting Policies

#### (1) *Securities*

Securities to be held until maturity are stated at cost with discounts or premiums amortized throughout the holding periods. Other securities with market prices available are stated at fair market value as of the interim balance-sheet date, with the sale price computed by the moving-average method. Other securities without market prices available are stated at cost by the moving-average method.

#### (2) *Derivatives*

Derivatives are stated at fair market value.

#### (3) *Inventories*

Raw materials and supplies are stated principally at the lower of cost or market by the moving-average method, and finished goods, work in process and contracts in process are stated principally at identified cost.

#### (4) *Depreciation*

Depreciation of plant and equipment is principally computed by the declining-balance method. However, depreciation of the Toyosu Center Building (office building for lease) held by the parent company, lend-lease properties, certain assets of consolidated subsidiaries and buildings (excluding building fixtures) acquired after April 1, 1998, are computed by the straight-line method. Amortization of intangible assets is computed by the straight-line method.

#### (5) *Foreign currency translation*

The assets, liabilities, income and expenses of overseas subsidiaries are translated at the exchange rates prevailing at the interim balance-sheet date. Translation differences are included as a component of minority interests in consolidated subsidiaries and shareholders' equity in foreign exchange translation adjustments.

(6) *Basis for recording significant allowances*

- a. Allowance for doubtful receivables  
To provide for losses on doubtful receivables, the allowance for doubtful receivables is provided based on historical default rates, plus additional estimated amounts to cover specific uncollectible receivables.
- b. Allowance for employees' bonuses  
For payment of employee bonuses, the allowance for employees' bonuses is provided for in the amount that is expected to be paid.
- c. Allowance for guaranteed contracts  
To provide for guaranteed project expenses, the allowance for guaranteed contracts is recorded as an estimate of future expenditures based on historical experience.
- d. Accrued losses on sales contracts  
Accrued losses on sales contracts are provided for in the amount of estimated losses for work in progress at the interim balance-sheet date.
- e. Employees' retirement allowances  
The employees' retirement allowances are provided for based on the expected difference between estimated severance liabilities and pension fund assets at the end of the consolidated fiscal year, as of the consolidated interim balance-sheet date. Differences arising from this change in accounting method will be disposed of as expenses over five years. Past service costs are disposed of as expenses using the straight-line method over a certain number of years within the average remaining work period of employees at the time of accrual. Actuarial differences are disposed of as expenses from the next fiscal year using the straight-line method over a certain number of years within the average remaining work period of employees, calculated for the fiscal year during which the difference accrues.

(7) *Recognition of revenues and related costs*

Net sales from contracts are recognized at the time the projects are completed, except for the net sales of projects with construction lasting more than two years and revenue of more than ¥ 5 billion, which are recorded using the percentage-of-completion method.

(8) *Leases*

Financial leases are accounted for by the operating lease accounting method, except lease agreements that stipulate the transfer of ownership of the leased property to the lessee.

(9) *Hedging transactions*

Gains or losses and evaluation differences related to hedging transactions accounted for at fair market value are deferred as assets or liabilities until recognized. Evaluation gains and losses on foreign exchange contracts are allocated to settlement periods throughout the period of the contract.

(10) *Consumption tax*

Consumption taxes are accounted for using the net-of-tax method.

**5. Valuation of Assets and Liabilities of Consolidated Subsidiaries**

The assets and liabilities of consolidated subsidiaries are stated as a whole at fair market value.

**6. Depreciation of Consolidated Adjustment Account**

Depreciation of consolidated adjustment account is calculated using the straight-line method based on the estimated period of investment return. However, immaterial amounts are depreciated with a one-time charge in the period in which they occur.

**7. Appropriation of Retained Earnings**

Appropriations with respect to each balance sheet date are retroactively reflected in the consolidated financial statements for each applicable period.

**8. Cash and Cash Equivalents**

Cash and cash equivalents include deposits that can be easily withdrawn and converted to cash and short-term investments with a maturity within three months of their acquisition that are not subject to significant price risk.

Note: A new format was used to present capital surplus and retained earnings in interim statements of retained earnings for the previous fiscal year and the previous interim period ended September 30, 2001. A new format was used for the shareholders' equity section of the interim consolidated balance sheets for the period ended September 30, 2002.

## SEGMENT INFORMATION

### (1) Performance by business segment

Six months ended September 30, 2002

(Millions of yen)

	Logistics Systems and Structures Operations	Industrial Machinery Operations	Energy and Plant Operations	Aero-Engine and Space Operations	Shipbuilding and Offshore Operations	Other Operations	Total	Eliminations and Corporate	Consolidated
<b>Sales and operating income:</b>									
Sales to outside customers	¥74,736	¥34,451	¥112,897	¥93,128	¥28,440	¥61,861	¥405,513	¥	¥405,513
Intersegment sales and transfers	4,190	9,591	4,707	2,008	19,110	12,212	51,818	(51,818)	
Total	78,926	44,042	117,604	95,136	47,550	74,073	457,331	(51,818)	405,513
Operating expenses	81,543	45,372	119,047	93,441	45,296	71,101	455,800	(51,403)	404,397
Operating income (loss)	¥ (2,617)	¥ (1,330)	¥ (1,443)	¥ 1,695	¥ 2,254	¥ 2,972	¥ 1,531	¥ (415)	¥ 1,116

Six months ended September 30, 2001

(Millions of yen)

	Logistics Systems and Structures Operations	Industrial Machinery Operations	Energy and Plant Operations	Aero-Engine and Space Operations	Shipbuilding and Offshore Operations	Other Operations	Total	Eliminations and Corporate	Consolidated
<b>Sales and operating income:</b>									
Sales to outside customers	¥66,363	¥51,586	¥128,707	¥91,662	¥49,524	¥66,124	¥453,969	¥	¥453,969
Intersegment sales and transfers	5,867	7,512	4,759	1,922	2,098	12,223	34,381	(34,381)	
Total	72,233	59,098	133,466	93,584	51,622	78,347	488,350	(34,381)	453,969
Operating expenses	79,945	59,013	132,913	89,675	49,348	75,335	486,229	(34,689)	451,540
Operating income (loss)	¥(7,712)	¥ 85	¥ 553	¥ 3,909	¥ 2,274	¥ 3,012	¥ 2,121	¥ 308	¥ 2,429

Fiscal year ended March 31, 2002

(Millions of yen)

	Logistics Systems and Structures Operations	Industrial Machinery Operations	Energy and Plant Operations	Aero-Engine and Space Operations	Shipbuilding and Offshore Operations	Other Operations	Total	Eliminations and Corporate	Consolidated
<b>Sales and operating income:</b>									
Sales to outside customers	¥193,079	¥117,469	¥306,452	¥235,348	¥96,359	¥133,695	¥1,082,402	¥	¥1,082,402
Intersegment sales and transfers	15,798	11,811	15,288	4,144	11,984	27,777	86,802	(86,802)	
Total	208,877	129,280	321,740	239,492	108,343	161,472	1,169,204	(86,802)	1,082,402
Operating expenses	211,903	127,110	304,305	232,595	108,479	156,190	1,140,582	(85,413)	1,055,169
Operating income (loss)	¥ (3,026)	¥ 2,170	¥ 17,435	¥ 6,897	¥ (136)	¥ 5,282	¥ 28,622	¥ (1,389)	¥ 27,233

Notes:

1. Business segments are based on current classifications.
2. Main products and machinery included in each segment:
  - (1) Logistics Systems and Structures Operations  
Material handling systems, physical distribution and factory automation systems, parking systems, bridges and others
  - (2) Industrial Machinery Operations  
Iron and steel manufacturing equipment, vehicular turbochargers, mass-produced machinery and others
  - (3) Energy and Plant Operations  
Boilers, gas turbines, components for nuclear power plants, environmental control systems, storage facilities and others
  - (4) Aero-Engine and Space Operations  
Jet engines, space-related equipment and others
  - (5) Shipbuilding and Offshore Operations  
Shipbuilding, ship repairs, offshore structures and others
  - (6) Other Operations  
Diesel engines, agricultural machinery, construction machinery, construction materials, financing and service industry, marine transport and others
3. Operating expenses are entirely allocated to each business segment.

#### **Changes in Segment Classification and Method of Operating Expense Apportionment**

In accordance with the Standard Industry Classification in Japan, the Company had categorized its businesses in five segments for administrative purposes: industrial machinery and steel structure operations; energy, environment and plant operations; standard machinery and other operations; aero-engine and space operations; and shipbuilding and offshore operations. Due to the reorganization of our land-based operations from the interim period under review, however, we have changed to a six-segment structure consisting of logistics systems and structures operations; industrial machinery operations; energy and plant operations; aero-engine and space operations; shipbuilding and offshore operations; and other operations. At the same time, we are adopting a new standard for the allocation of operating expenses among segments. These changes were made to bring business categories and expense allocation in line with the Company's management practices, and in the interest of clearer disclosure of segment information.

Figures for the previous interim period and the previous fiscal year are in accordance with the new segment classifications.

#### **(2) Segment information by region**

Six months ended September 30, 2002

Japan accounted for more than 90% of the total net sales of all segments. Consequently, disclosure of segment information of areas other than Japan is not required in accordance with generally accepted standards for the presentation of consolidated financial statements.

Six months ended September 30, 2001

Japan accounted for more than 90% of the total net sales of all segments. Consequently, disclosure of segment information of areas other than Japan is not required in accordance with generally accepted standards for the presentation of consolidated financial statements.

Fiscal year ended March 31, 2002

Japan accounted for more than 90% of the total net sales of all segments and the total amount of segment assets. Consequently, disclosure of segment information of areas other than Japan is not required in accordance with generally accepted standards for the presentation of consolidated financial statements.

(3) Overseas sales

(Millions of yen, %)

Six months ended September 30, 2002						Total
	Asia	North America	Central and South America	Europe	Others	
Overseas sales	¥26,253	¥36,583	¥3,619	¥12,907	¥4,726	¥ 84,088
Consolidated net sales						¥405,513
Overseas sales as a percentage of consolidated net sales	6.5%	8.9%	0.9%	3.2%	1.2%	20.7%

(Millions of yen, %)

Six months ended September 30, 2001						Total
	Asia	North America	Central and South America	Europe	Others	
Overseas sales	¥14,615	¥48,356	¥36,365	¥13,428	¥19,132	¥131,896
Consolidated net sales						¥453,969
Overseas sales as a percentage of consolidated net sales	3.2%	10.7%	8.0%	3.0%	4.2%	29.1%

(Millions of yen, %)

Fiscal year ended March 31, 2002						Total
	Asia	North America	Central and South America	Europe	Others	
Overseas sales	¥32,092	¥96,397	¥56,318	¥28,373	¥33,958	¥ 247,138
Consolidated net sales						¥1,082,402
Overseas sales as a percentage of consolidated net sales	3.0%	8.9%	5.2%	2.6%	3.1%	22.8%

Notes:

1. Countries and regions are classified according to geographical proximity.
2. The countries included in each segment are as follows:
  - (1) Asia: China, Taiwan, Korea, Thailand, Singapore, Malaysia, Indonesia, Philippines, India, Pakistan, etc.
  - (2) North America: U.S.A., Canada
  - (3) Central and South America: Brazil, Panama, etc.
  - (4) Europe: U.K., Germany, France, Italy, Holland, Spain, Norway, C. I. S, Turkey, etc.