

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES FLASH CONSOLIDATED FINANCIAL RESULTS

For six months ended September 30, 2007 and 2006 and one year ended March 31, 2007

Operating results				Thousands of		
•	Millions	of yen		U.S. dollars		
	Six months ended Sep. 30, 2007	Six months ended Sep. 30, 2006	Change	Six months ended Sep. 30, 2007		
Net sales Operating income Net income Earnings per share (Yen)	699,540 39,050 19,878 11.9	645,852 25,562 11,414 7.3	+8% +53% +74%	\$ 6,060,296 338,300 172,208		
Financial condition	Millions of yen /	Thousands of U.S. do	ollars			
	Total assets	Net asset	ts	Ratio of net assets		
				to total assets		
As of September 30, 2007	1,322,779	317,62	7	24%		
As of March 31, 2007	1,357,980	295,37		21%		
As of September 30, 2007	\$ 11,459,577	\$ 2,751,685				
	Yen / U.S. dollars	Thousand shares	3			
	Net assets	Number of share	S			
	per share	issued and outsta	nding			
As of September 30, 2007	186.9	1,668,757				
As of March 31, 2007	175.0	1,659,415				
As of September 30, 2007	\$ 1.62					
Cash flows				Thereseers		
Cash Huws	,	Thousands of				
	Millions			U.S. dollars		
	Six months ended Sep. 30, 2007	Six months ended Sep. 30, 2006		Six months ended Sep. 30, 2006		

	Sep. 30, 2007	Sep. 30, 2006	<u>Sep. 30, 2006</u>
Operating activities	24,010	-10,767	\$ 208,005
Investing activities	-20,190	-26,735	-174,911
Financing activities	-20,801	24,772	-180,204
Cash and cash equivalents at end of year	22,819	24,894	197,687
Fiscal year forecast	Millions of yen		
	Net sales	Net income	

33,000

1,520,000

One year ending March 31, 2008

- Notes: 1. This "FLASH CONSOLIDATED FINANCIAL RESULTS" and following financial statements have been prepared in conformity with generally accepted accounting principles and practices in Japan.
 - All US\$ amounts in these statements represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of 115.43=\$1, the rate prevailing as of September 30, 2007, solely for the convenience of the readers.

Condensed Consolidated Balance Sheets

As of September 30 and March 31, 2007

	Million	s of yen		Thou	sands of U.S. dollars
	As of	As of			0.0
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Liabilities and net assets :					
Current liabilities :					
Short-term borrowings					
and current portion of long-term debt	147,888	\	138,463	\$	1,281,192
Payables	372,216		412,501		3,224,604
Advances from customers	138,683		124,445		1,201,447
Other current liabilities	110,133		131,097		954,110
Total current liabilities	768,920		806,506		6,661,353
Long-term liabilities :	442.250		165754		4 0 44 0 00
Long-term debt, less current portion Others	143,356		165,754		1,241,930
	92,876 236,232		90,342		804,609 2,046,539
Total long-term liabilities Net assets:	230,232		256,096		2,040,539
Common stock	104,265		103,188		903,275
Capital surplus	54,252		53,179		469,999
Retained earnings	137,454		125,799		1,190,800
Net unrealized gains on securities	23,148		19,342		200,537
Gains/losses on hedging items	(150)		(1,608)		(1,299)
Foreign currency translation adjustments	(7,041)		(9,417)		(60,998)
Treasury stock	(55)		(55)		(476)
Minority interests	5,754		4,950		49,847
Total net assets	317,627		295,378		2,751,685
Total liabilities and net assets	1,322,779	\ 1	,357,980	\$	11,459,577

Condensed Consolidated Statements of Operations *For six months ended September 30, 2007 and 2006*

1	Millions	Millions of yen				
	Six months ended Se	Six months ended		Six months ended		
Other, net	(8,153)	(5,156)		(70,632)		
Income before income taxes and minority interests Income taxes	31,837 (11,470)	20,240 (8,577)	+57%	275,812 (99,368)		
Minority interests in net income of consolidated subsidiaries	(489)	(249)	+74%	(4,236)		
Net income	19,878	\ 11,414	+/4%	\$ 172,208		

(Consolidated)

Segment information (a) Information by industry segment

		Six months ended September 30, 2007					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)		
Shipbuilding Rolling Stock	77,480	932	78,412	76,111	2,301		

(b) Information by geographic area

Six months ended Sep

Net sales, orders and order backlog by industry segment

For six months ended September 30, 2007 and 2006

		Million	s of ye	en				housands of J.S. dollars
	Six months	Six months ended		Six months ended		%	Six months ended	
	Sep. 30, 2	2007		Sep. 30, 2	006	Change	Se	ep. 30, 2007
Net sales :								
Shipbuilding	77,480	(11%)	\	42,107	(7%)	+84%	\$	671,229
Rolling Stock								
& Construction Machinery	70,244	(10%)		86,925	(13%)	-19%		608,542
Aerospace	118,247	(17%)		114,452	(18%)	+3%		1,024,404
Gas Turbines & Machinery	84,289	(12%)		80,509	(13%)	+5%		730,217
Plant & Infrastructure Engineering	49,647	(7%)		52,114	(8%)	-5%		430,105
Consumer products & Machinery	212,512	(30%)		189,928	(29%)	+12%		1,841,047
Other	87,121	(13%)		79,817	(12%)	+9%		754,752
Total	699,540	(100%)	\	645,852	(100%)	+8%	\$	6,060,296
Orders :								
Shipbuilding	85,631	(12%)	\	69,507	(9%)	+23%	\$	741,844
Rolling Stock	•	, ,						
& Construction Machinery	121,605	(17%)		156,102	(20%)	-22%		1,053,496
Aerospace	73,726	(10%)		70,175	(9%)	+5%		638,707
Gas Turbines & Machinery	93,527	(13%)		99,313	(13%)	-6%		810,249
Plant & Infrastructure Engineering	41,557	(6%)		95,093	(13%)	-56%		360,019
Consumer products & Machinery	212,512	(29%)		189,928	(25%)	+12%		1,841,047
Other	96,278	(13%)		83,726	(11%)	+15%		834,080
Total	724,836	(100%)	\	763,844	(100%)	-5%	\$	6,279,442

	As of			As of	% Observed	Thousands of U.S. dollars As of		
Order backlog :	Sep. 30,	2007		Mar. 31, 2	2007	Change		Sep. 30, 2007
Shipbuilding	320,643	(22%)	\	313,987	(21%)	+2%	\$	2,777,813
Rolling Stock								
& Construction Machinery	492,077	(33%)		434,419	(29%)	+13%		4,262,991
Aerospace	241,623	(16%)		286,699	(20%)	-16%		2,093,243
Gas Turbines & Machinery	224,028	(15%)		216,886	(15%)	+3%		1,940,813
Plant & Infrastructure Engineering	163,996	(11%)		172,255	(12%)	-5%		1,420,740
Consumer products & Machinery	-	(-%)		-	(-%)	-%		-
Other	50,066	(3%)		40,909	(3%)	+22%		433,734
Total	1,492,433	(100%)	\	1,465,155	(100%)	+2%	\$	12,929,334