

(Consolidated)

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

For the years ended March 31, 2007 and 2006

Operating results

	Millions of yen			Thousands of U.S. dollars
	2007	2006	Change	2007
Net sales	\ 1,438,619	\ 1,322,487	+9%	\$ 12,182,395
Operating income	69,142	41,795	+65%	585,503

- 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.
2. All US\$ amounts in these statements represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of 118.09 yen = \$1, the rate prevailing as of March 31, 2007, solely for the convenience of the readers.
3. Effective April 1, 2006, Kawasaki Heavy Industries, Ltd. and its consolidated subsidiaries adopted a new accounting standard for "Presentation of Net Assets in the Balance sheet" issued by the Accounting Standards Board of Japan. As a result of adopting the standard, "Minority interests" and "Gains/losses on hedging items" are presented in Shareholders' equity.
4. Through the year ended March 31, 2006, expenses to develop new models in the Consumer Product and Machinery business were included in cost of sales as production costs. However, as expenditures in the expenses having research and development characteristics such as development of new technique or adaptation of new materials increase, the Company decided to include the expenses in selling and general administrative expenses from the year ended March 31, 2007 to improve the usefulness for the readers' decision making and comparability of financial statements. This change makes little impact on net income and as a result of this change, cost of sales decreased 18,008 million yen and selling and general administrative expenses contrarily increased the same amount compared with the previous manner. In addition, the amount of the expenses included in cost of sales in the year ended March 31, 2006 was 14,417 million yen.

(Consolidated)

Condensed Consolidated Balance Sheets

As of March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Assets :			
Current assets :			
Cash on hand and in banks	\ 39,351	\ 37,650	\$ 333,229
Trade receivables, less allowance	442,577	438,204	3,747,795
Inventories	427,934	383,017	3,623,795
Other current assets	52,056	57,028	440,816
Total current assets	<u>961,918</u>	<u>915,899</u>	<u>8,145,635</u>
Investments and long-term loans less allowance	96,994	76,757	821,356
Net property, plant and equipment	253,819	246,219	2,149,369
Intangible and other assets	45,249	45,210	383,174
Total assets	<u>\ 1,357,980</u>	<u>\ 1,284,085</u>	<u>\$ 11,499,534</u>
Liabilities and shareholders' equity :			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	\ 138,463	\ 162,746	\$ 1,172,521
Trade payables	412,501	409,942	3,493,107
Advances from customers	124,445	98,590	1,053,815
Other current liabilities	131,097	131,381	1,110,145
Total current liabilities	<u>806,506</u>	<u>802,659</u>	<u>6,829,588</u>
Long-term liabilities :			
Long-term debt, less current portion	165,754	157,057	1,403,624
Others	90,342	81,273	765,027
Total long-term liabilities	<u>256,096</u>	<u>238,330</u>	<u>2,168,651</u>
Minority interests	-	5,508	-
Shareholders' equity :			
Common stock	103,188	92,085	873,808
Capital surplus	53,179	42,094	450,326
Retained earnings	125,799	100,776	1,065,281
Net unrealized gains on securities	19,342	14,097	163,790
Gains/losses on hedging items	(1,608)	-	(13,617)
Foreign currency translation adjustments	(9,417)	(11,426)	(79,744)
Treasury stock	(55)	(38)	(466)
Minority interests	4,950	-	41,917
Total shareholders' equity	<u>295,378</u>	<u>237,588</u>	<u>2,501,295</u>
Total liabilities and shareholders' equity	<u>\ 1,357,980</u>	<u>\ 1,284,085</u>	<u>\$ 11,499,534</u>

Condensed Consolidated Statements of Operations

For the years ended March 31, 2007 and 2006

	Millions of yen		%	Thousands of U.S. dollars
	2007	2006		2007
Net sales	\ 1,438,619	\ 1,322,487	+9%	senses
Interest and dividend income	3,807	3,225		32,238
Equity in income of unconsolidated subsidiaries and affiliates	2,694	(197)		22,813
Interest expense	(6,650)	(5,377)		(56,313)
Other, net	(23,725)	(16,146)		(200,906)
Income before income taxes and minority interests	45,268	23,300	+94%	383,335
Income taxes	(15,286)	(6,305)		(129,444)
Minority interests in net income of consolidated subsidiaries	(210)	(528)		(1,778)
Net income	<u>\ 29,772</u>	<u>\ 16,467</u>	+81%	<u>\$ 252,113</u>

Condensed Consolidated Statements of Cash Flows

For the year ended March 31, 2007 and 2006

	Millions of yen		Thousands of
		2006	U.S. dollars
			2007
Income before income taxes and minority interests	\	23,300	\$ 383,335
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization		30,551	256,406
Increase in assets		(65,251)	(324,481)
Increase in liabilities		44,559	205,445
Other		12,602	(132,357)
	\	45,761	\$ 388,348
Acquisition of tangible and intangible assets		(39,259)	(298,721)
Acquisition of investments in securities		(5,765)	(85,435)
Other		8,514	17,385
	\	(36,510)	\$ (366,771)
Increase (decrease) in short-term borrowings		7,391	(84,326)
Proceeds from long-term debt		24,657	525,540
Repayment of long-term debt		(44,987)	(411,432)
Other		(3,782)	(40,841)
	\	(16,721)	\$ (11,059)
		703	4,081
		(6,767)	14,599
		44,385	317,605
		(112)	
	\	37,506	\$ 332,204

Segment information

Millions of yen

2006

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	109,697	1,428	111,125	112,833	(1,708)	105,210	2,700	1,990
Rolling Stock								
& Construction Machinery	168,306	917	169,223	160,419	8,804	179,478	2,350	3,272
Aerospace	218,533	2,013	220,546	210,845	9,701	268,871	5,295	12,113
Gas Turbines & Machinery	161,431	16,937	178,368	171,564	6,804	140,900	2,804	2,893
Plant & Infrastructure Engineering	164,506	20,972	185,478	193,972	(8,494)	135,448	1,859	733
Consumer Products & Machinery	366,960	6,759	373,719	353,819	19,900	280,972	11,020	15,480
Other	133,054	46,758	179,812	173,154	6,658	168,334	2,747	4,227
Total	1,322,487	95,784	1,418,271	1,376,606	41,665	1,279,213	28,775	40,708
Eliminations and corporate	-	(95,784)	(95,784)	(95,914)	130	4,872	1,776	1,016
Consolidated total	1,322,487	-	1,322,487	1,280,692	41,795	1,284,085	30,551	41,724

Thousands of U.S. dollars

2007

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	\$ 921,746	\$ 15,759	\$ 937,505	\$ 956,542	\$ (19,037)	\$ 997,815	\$ 18,367	\$ 10,111
Rolling Stock								
& Construction Machinery	1,560,530	4,234	1,564,764	1,453,239	111,525	1,461,724	22,525	69,887
Aerospace	2,278,838	14,286	2,293,124	2,179,651	113,473	2,367,465	44,805	25,650
Gas Turbines & Machinery	1,552,282	122,026	1,674,308	1,591,007	83,301	1,400,728	26,048	45,338
Plant & Infrastructure Engineering	1,033,635	166,568	1,200,203	1,220,789	(20,586)	1,198,002	15,378	8,434
Consumer Products & Machinery	3,418,596	77,771	3,496,367	3,262,960	233,407	2,572,021	89,245	108,629
Other	1,416,768	358,235	1,775,003	1,693,404	81,599	1,642,418	26,675	51,927
Total	12,182,395	758,879	12,941,274	12,357,592	583,682	11,640,173	243,043	319,976
Eliminations and corporate	-	(758,879)	(758,879)	(760,700)	1,821	(140,639)	13,363	12,559
Consolidated total	\$ 12,182,395	\$ -	\$ 12,182,395	\$ 11,596,892	\$ 585,503	\$ 11,499,534	\$ 256,406	\$ 332,535

(b) Information by geographic area

	Millions of yen 2007					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets
Japan	\ 1,042,993	\ 278,960	\ 1,321,953	\ 1,256,266	\ 65,687	\ 1,230,124
North America	261,254	18,017	279,271	277,533	1,738	202,539
Europe	98,842	4,320	103,162	100,783	2,379	70,360
Asia	22,690	18,737	41,427	40,728	699	26,081
Other Areas	12,840	187	13,027	12,808	219	2,869

Net sales, orders and order backlog by industry segment

For the years ended March 31, 2007 and 2006

	Millions of yen				% Change	Thousands of U.S. dollars
	2007		2006			2007
Net sales :						
Shipbuilding	\ 108,849	(8%)	\ 109,697	(8%)	-1%	\$ 921,746
Rolling Stock, & Construction Machinery	184,283	(13%)	168,306	(13%)	+9%	1,560,530
Aerospace	269,108	(19%)	218,533	(17%)	+23%	2,278,838
Gas Turbines & Machinery	183,309	(13%)	161,431	(12%)	+14%	1,552,282
Plant & Infrastructure Engineering	122,062	(8%)	164,506	(12%)	-26%	1,033,635
Consumer Products & Machinery	403,702	(28%)	366,960	(28%)	+10%	3,418,596
Other	167,306	(11%)	133,054	(10%)	+26%	1,416,768
Total	1,438,619	(100%)	1,322,487	(100%)	+9%	12,182,395
Orders :						
Shipbuilding	135,600	(9%)	128,323	(10%)	+6%	1,148,277
Rolling Stock, & Construction Machinery	269,120	(17%)	203,165	(15%)	+32%	2,278,940
Aerospace	255,613	(16%)	229,257	(17%)	+11%	2,164,561
Gas Turbines & Machinery	204,847	(13%)	188,068	(14%)	+9%	1,734,668
Plant & Infrastructure Engineering	150,221	(9%)	97,332	(7%)	+54%	1,272,089
Consumer Products & Machinery	403,702	(25%)	366,960	(27%)	+10%	3,418,596
Other	173,585	(11%)	138,526	(10%)	+25%	1,469,938
Total	\ 1,692,588	(100%)	\ 1,351,631	(100%)	+18%	\$ 13,487,069

	Millions of yen				% Change	Thousands of U.S. dollars
	As of Mar. 31, 2007		As of Mar. 31, 2006			As of Mar. 31, 2007
Order backlog :						
Shipbuilding	\ 313,987	(21%)	\ 289,227	(22%)	+9%	\$ 2,658,879
Rolling Stock, & Construction Machinery	434,419	(29%)	346,310	(26%)	+25%	3,678,711
Aerospace	286,699	(20%)	301,599	(23%)	-5%	2,427,801
Gas Turbines & Machinery	216,886	(15%)	195,108	(15%)	+11%	1,836,616
Plant & Infrastructure Engineering	172,255	(12%)	144,147	(11%)	+19%	1,458,676
Consumer Products & Machinery	-	(-%)	-	(-%)	-%	-
Other	40,909	(3%)	34,053	(3%)	+20%	346,422
Total	\ 1,465,155					