

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
FLASH CONSOLIDATED FINANCIAL RESULTS OF THE THIRD QUARTER (Unaudited)

For nine months ended December 31, 2007 and 2006 and one year ended March 31, 2007

Operating results

	Millions of yen			Thousands of U.S. dollars	
	Nine months ended	Nine months ended	%	Nine months ended	
	Dec. 31, 2007	Dec. 31, 2006	Change	Dec. 31, 2007	
Net sales	¥ 1,051,155	¥ 1,001,128	+5%	\$ 9,208,541	
Operating income	53,771	44,650	+20%	471,056	
Net income	28,962	23,074	+26%	253,719	
Earnings per share (Yen)	17.4	14.8			

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of net assets to total assets
	Total assets	Net assets	
As of December 31, 2007	¥ 1,370,741	¥ 314,721	23%
As of March 31, 2007	1,357,980	295,378	21%
As of December 31, 2007	\$ 12,008,244	\$ 2,757,083	—

	Yen / U.S. dollars	Thousand shares
	Net assets less minority interests per share	Number of shares issued and outstanding
As of December 31, 2007	¥ 185.1	1,668,735
As of March 31, 2007	175.0	1,659,415
As of December 31, 2007	\$ 1.62	—

Fiscal year forecast

	Millions of yen	
	Net sales	Net income
One year ending March 31, 2008	¥ 1,520,000	¥ 33,000

- 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 $\text{¥}114.15=\$1$, the rate prevailing as of December 31, 2007, solely for the convenience of the readers.

(Consolidated)

Condensed Consolidated Balance Sheets

As of December 31 and March 31, 2007

	Millions of yen		Thousands of U.S. dollars
	As of Dec. 31, 2007	As of Mar. 31, 2007	As of Dec. 31, 2007
Assets :			
Current assets :			
Cash on hand and in banks	¥ 39,873	¥ 39,351	\$ 349,304
Receivables, less allowance	405,128	442,577	3,549,085
Inventories	457,943	427,934	4,011,765
Other current assets	69,556	52,056	609,338
Total current assets	972,500	961,918	8,519,492
Investments and long-term loans less allowance :	91,212	96,994	799,055
Net property, plant and equipment :	259,797	253,819	2,275,926
Intangible and other assets :	47,232	45,249	413,771
Total assets	¥ 1,370,741	¥ 1,357,980	\$ 12,008,244
Liabilities and net assets :			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	¥ 221,782	¥ 138,463	\$ 1,942,900
Trade payables	358,194	412,501	3,137,924
Advances from customers	137,657	124,445	1,205,931
Other current liabilities	101,498	131,097	889,163
Total current liabilities	819,131	806,506	7,175,918
Long-term liabilities :			
Long-term debt, less current portion	142,607	165,754	1,249,295
Others	94,282	90,342	825,948
Total long-term liabilities	236,889	256,096	2,075,243
Net assets :			
Common stock	104,265	103,188	913,403
Capital surplus	54,251	53,179	475,261
Retained earnings	146,544	125,799	1,283,785
Treasury stock	(63)	(55)	(552)
Net unrealized gains on securities	14,999	19,342	131,397
Gains/losses on hedging items	(1,267)	(1,608)	(11,099)
Foreign currency translation adjustments	(9,904)	(9,417)	(86,763)
Minority interests	5,896	4,950	51,651
Total net assets	314,721	295,378	2,757,083
Total liabilities and net assets	¥ 1,370,741	¥ 1,357,980	\$ 12,008,244

Condensed Consolidated Statements of Income

For nine months ended December 31, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars
	Nine months ended Dec. 31, 2007	Nine months ended Dec. 31, 2006	% Change	Nine months ended Dec. 31, 2007
Net sales	¥ 1,051,155	¥ 1,001,128	+5%	\$ 9,208,541
Cost of sales	878,853	858,905		7,699,106
Gross profit	172,302	142,223		1,509,435
Selling, general and administrative expenses	118,531	97,573		1,038,379
Operating income	53,771	44,650	+20%	471,056
Other income (expenses) :				
Interest and dividend income	3,882	2,974		34,008
Equity in income of unconsolidated subsidiaries and affiliates	4,384	1,617		38,406
Interest expense	(6,032)	(4,776)		(52,843)
Other, net	(9,949)	(8,725)		(87,158)
Income before income taxes and minority interests	46,056	35,740	+29%	403,469
Income taxes	(16,244)	(12,193)		(142,304)
Minority interests in net income of consolidated subsidiaries	(850)	(473)		(7,446)
Net income	¥ 28,962	¥ 23,074	+26%	\$ 253,719

(Consolidated)

Net sales, orders and operating income (loss) by industry segment

For nine months ended December 31, 2007 and 2006

	Millions of yen			% Change	Thousands of U.S. dollars	
	Nine months ended Dec. 31, 2007		Nine months ended Dec. 31, 2006		Nine months ended Dec. 31, 2007	
	¥		¥		\$	
Net sales :						
Shipbuilding	¥ 112,383	(11%)	¥ 79,964	(8%)	+41%	\$ 984,520
Rolling Stock & Construction Machinery	117,239	(11%)	142,149	(14%)	-18%	1,027,061
Aerospace	171,505	(16%)	175,371	(18%)	-2%	1,502,453
Gas Turbines & Machinery	130,384	(12%)	124,558	(12%)	+5%	1,142,216
Plant & Infrastructure Engineering	82,210	(8%)	72,390	(7%)	+14%	720,193
Consumer products & Machinery	305,579	(29%)	286,825	(29%)	+7%	2,676,995
Other	131,855	(13%)	119,871	(12%)	10%	1,155,103
Total	¥ 1,051,155	(100%)	¥ 1,001,128	(100%)	+5%	\$ 9,208,541

	Millions of yen			% Change	Thousands of U.S. dollars	
	Nine months ended Dec. 31, 2007		Nine months ended Dec. 31, 2006		Nine months ended Dec. 31, 2007	
	¥		¥		\$	
Orders :						
Shipbuilding	¥ 183,511	(16%)	¥ 125,445	(11%)	+46%	\$ 1,607,630
Rolling Stock & Construction Machinery	158,352	(14%)	187,467	(17%)	-16%	1,387,227
Aerospace	125,605	(11%)	130,203	(12%)	-4%	1,100,350
Gas Turbines & Machinery	158,746	(14%)	149,440	(13%)	+6%	1,390,679
Plant & Infrastructure Engineering	66,084	(6%)	104,564	(9%)	-37%	578,922
Consumer products & Machinery	305,578	(26%)	286,825	(26%)	+7%	2,676,987
Other	145,780	(13%)	128,020	(12%)	+14%	1,277,092
Total	¥ 1,143,656	(100%)	¥ 1,111,964	(100%)	+3%	\$ 10,018,887

	Millions of yen			% Change	Thousands of U.S. dollars
	Nine months ended Dec. 31, 2007		Nine months ended Dec. 31, 2006		Nine months ended Dec. 31, 2007
	¥		¥		\$
Operating income (loss) :					
Shipbuilding	¥ 2,940		¥ -2,458		\$ 25,756
Rolling Stock & Construction Machinery	4,088		12,612		35,813
Aerospace	12,415		8,253		108,760
Gas Turbines & Machinery	7,351		6,402		64,398
Plant & Infrastructure Engineering	3,895		-3,923		34,122
Consumer products & Machinery	14,662		16,677		128,444
Other	8,420		7,087		73,763
Total	¥ 53,771		¥ 44,650		\$ 471,056