



April 27, 2007  
(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
	2007	2006		Change
Net sales	¥ 1,438,619	¥ 1,322,487	+9%	\$ 12,182,395
Operating income	69,142	41,795	+65%	585,503
Net income	29,772	16,467	+81%	252,113
Net income per share (Yen)	18.9	11.2		

### Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of shareholders' equity to total assets
	Total assets	Shareholders' equity	
<b>As of March 31, 2007</b>	¥ 1,357,980	¥ 295,378	21%
As of March 31, 2006	1,284,085	237,588	19%
As of March 31, 2007	\$ 11,499,534	\$ 2,501,295	—

  

	Yen / U.S. dollars	Thousand shares
	Shareholders' equity per share	Number of shares issued and outstanding
<b>As of March 31, 2007</b>	¥ 175.0	1,659,415
As of March 31, 2006	152.5	1,557,507
As of March 31, 2007	\$ 1.48	—

### Cash flows

	Millions of yen		Thousands of
	2007	2006	U.S. dollars
Operating activities	¥ 45,860	¥ 45,761	\$ 388,348
Investing activities	(43,312)	(36,510)	(366,771)
Financing activities	(1,306)	(16,721)	(11,059)
Cash and cash equivalents at end of year	39,228	37,506	332,187

### Fiscal year forecast

	Millions of yen	
	Net sales	Net income
One year ending March 31, 2008	¥ 1,480,000	¥ 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 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
<b>Assets :</b>			
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	961,918	915,899	8,145,635
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	¥ 1,357,980	¥ 1,284,085	\$ 11,499,534
<b>Liabilities and shareholders' equity :</b>			
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	806,506	802,659	6,829,588
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	256,096	238,330	2,168,651
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	295,378	237,588	2,501,295
Total liabilities and shareholders' equity	¥ 1,357,980	¥ 1,284,085	\$ 11,499,534

**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%	\$ 12,182,395
Cost of sales	1,213,524	1,148,547		10,276,264
Gross profit	225,095	173,940		1,906,131
Selling, general and administrative expenses	155,953	132,145		1,320,628
Operating income	69,142	41,795	+65%	585,503
Other income (expenses) :				
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	¥ 29,772	¥ 16,467	+81%	\$ 252,113

## Condensed Consolidated Statements of Cash Flows

For the year ended March 31, 2007 and 2006

(Consolidated)

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 45,268	¥ 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	30,279	30,551	256,406
Increase in assets	(38,318)	(65,251)	(324,481)
Increase in liabilities	24,261	44,559	205,445
Other	(15,630)	12,602	(132,357)
<b>Net cash provided by operating activities</b>	<b>¥ 45,860</b>	<b>¥ 45,761</b>	<b>\$ 388,348</b>
<b>Cash flows from investing activities:</b>			
Acquisition of tangible and intangible assets	(35,276)	(39,259)	(298,721)
Acquisition of investments in securities	(10,089)	(5,765)	(85,435)
Other	2,053	8,514	17,385
<b>Net cash used for investing activities</b>	<b>¥ (43,312)</b>	<b>¥ (36,510)</b>	<b>\$ (366,771)</b>
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term borrowings	(9,958)	7,391	(84,326)
Proceeds from long-term debt	62,061	24,657	525,540
Repayment of long-term debt	(48,586)	(44,987)	(411,432)
Other	(4,823)	(3,782)	(40,841)
<b>Net cash used for financing activities</b>	<b>¥ (1,306)</b>	<b>¥ (16,721)</b>	<b>\$ (11,059)</b>
<b>Effect of exchange rate changes</b>	<b>482</b>	<b>703</b>	<b>4,081</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,724</b>	<b>(6,767)</b>	<b>14,599</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>37,506</b>	<b>44,385</b>	<b>317,605</b>
<b>Decrease in cash and cash equivalents arising from exclusion of consolidated subsidiaries</b>	<b>—</b>	<b>(112)</b>	<b>—</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 39,230</b>	<b>¥ 37,506</b>	<b>\$ 332,204</b>

Segment information  
(a) Information by industry segment

(Consolidated)

Millions of yen  
2007

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	¥ 108,849	¥ 1,861	¥ 110,710	¥ 112,958	¥ (2,248)	¥ 117,832	¥ 2,169	¥ 1,194
Rolling Stock & Construction Machinery	184,283	500	184,783	171,613	13,170	172,615	2,660	8,253
Aerospace	269,108	1,687	270,795	257,395	13,400	279,574	5,291	3,029
Gas Turbines & Machinery	183,309	14,410	197,719	187,882	9,837	165,412	3,076	5,354
Plant & Infrastructure Engineering	122,062	19,670	141,732	144,163	(2,431)	141,472	1,816	996
Consumer Products & Machinery	403,702	9,184	412,886	385,323	27,563	303,730	10,539	12,828
Other	167,306	42,304	209,610	199,974	9,636	193,953	3,150	6,132
Total	1,438,619	89,616	1,528,235	1,459,308	68,927	1,374,588	28,701	37,786
Eliminations and corporate	-	(89,616)	(89,616)	(89,831)	215	(16,608)	1,578	1,483
Consolidated total	¥ 1,438,619	¥ -	¥ 1,438,619	¥ 1,369,477	¥ 69,142	¥ 1,357,980	¥ 30,279	¥ 39,269

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
<b>Total</b>	<b>1,438,619</b>	<b>320,221</b>	<b>1,758,840</b>	<b>1,688,118</b>	<b>70,722</b>	<b>1,531,973</b>
Eliminations and corporate	-	(320,221)	(320,221)	(318,641)	(1,580)	(173,993)
<b>Consolidated total</b>	<b>¥ 1,438,619</b>	<b>¥ -</b>	<b>¥ 1,438,619</b>	<b>¥ 1,369,477</b>	<b>¥ 69,142</b>	<b>¥ 1,357,980</b>

	Millions of yen					
	2006					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets
Japan	¥ 986,266	¥ 247,228	¥ 1,233,494	¥ 1,192,245	¥ 41,249	¥ 1,074,688
North America	222,477	16,588	239,065	237,651	1,414	159,169
Europe	80,818	4,053	84,871	83,308	1,563	63,254
Asia	24,800	16,975	41,775	40,315	1,460	24,285
Other Areas	8,126	141	8,267	8,893	(626)	7,324
<b>Total</b>	<b>1,322,487</b>	<b>284,985</b>	<b>1,607,472</b>	<b>1,562,412</b>	<b>45,060</b>	<b>1,328,720</b>
Eliminations and corporate	-	(284,985)	(284,985)	(281,720)	(3,265)	(44,635)
<b>Consolidated total</b>	<b>¥ 1,322,487</b>	<b>¥ -</b>	<b>¥ 1,322,487</b>	<b>¥ 1,280,692</b>	<b>¥ 41,795</b>	<b>¥ 1,284,085</b>

	Thousands of U.S. dollars					
	2007					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets
Japan	\$ 8,832,187	\$ 2,362,266	\$ 11,194,453	\$ 10,638,208	\$ 556,245	\$ 10,416,835
North America	2,212,330	152,570	2,364,900	2,350,182	14,718	1,715,124
Europe	837,006	36,582	873,588	853,442	20,146	595,817
Asia	192,142	158,667	350,809	344,889	5,920	220,857
Other Areas	108,730	1,584	110,314	108,461	1,853	24,294
<b>Total</b>	<b>12,182,395</b>	<b>2,711,669</b>	<b>14,894,064</b>	<b>14,295,182</b>	<b>598,882</b>	<b>12,972,927</b>
Eliminations and corporate	-	(2,711,669)	(2,711,669)	(2,698,290)	(13,379)	(1,473,393)
<b>Consolidated total</b>	<b>\$ 12,182,395</b>	<b>\$ -</b>	<b>\$ 12,182,395</b>	<b>\$ 11,596,892</b>	<b>\$ 585,503</b>	<b>\$ 11,499,534</b>

## (c) Overseas sales

	Millions of yen				Thousands of U.S. dollars
	2007		2006		2007
	Overseas sales	% against net sales	Overseas sales	% against net sales	Overseas sales
North America	¥ 336,765	23.4%	¥ 282,149	21.3%	\$ 2,851,766
Europe	119,408	8.3%	109,060	8.2%	1,011,161
Asia	186,066	12.9%	197,503	14.9%	1,575,629
Other Areas	135,506	9.4%	107,103	8.0%	1,147,481
<b>Total</b>	<b>¥ 777,745</b>	<b>54.0%</b>	<b>¥ 695,815</b>	<b>52.6%</b>	<b>\$ 6,586,037</b>

## 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
<b>Net sales :</b>						
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

<b>Orders :</b>						
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	¥ 1,592,688	(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
<b>Order backlog :</b>						
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	(100%)	¥ 1,310,444	(100%)	+12%	\$ 12,407,105