



July 31, 2007

(Consolidated)

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

For three months ended June 30, 2007 and 2006 and one year ended March 31, 2007

### Operating results

	Millions of yen		%	Thousands of
	Three months ended Jun. 30, 2007	Three months ended Jun. 30, 2006		U.S. dollars
			Change	Three months ended Jun. 30, 2007
Net sales	¥ 330,445	¥ 302,200	+9%	\$ 2,680,660
Operating income	19,198	10,058	+91%	155,739
Net income	12,010	5,525	+117%	97,428
Net income per share (Yen)	7.2	3.5		

### Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of net assets to total assets
	Total assets	Net assets	
As of June 30, 2007	¥ 1,337,935	¥ 300,230	22%
As of March 31, 2007	1,357,980	295,378	21%
As of June 30, 2007	\$ 10,853,695	\$ 2,435,548	—

  

	Yen / U.S. dollars	Thousand shares
	Net assets less minority interests per share	Number of shares issued and outstanding
As of June 30, 2007	¥ 177.6	1,662,806
As of March 31, 2007	175.0	1,659,415
As of June 30, 2007	\$ 1.44	—

### 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  $\text{¥}123.27=\text{\$}1$ , the rate prevailing as of June 30, 2007, solely for the convenience of the readers.

(Consolidated)

## Condensed Consolidated Balance Sheets

As of June 30 and March 31, 2007

	Millions of yen		Thousands of U.S. dollars
	As of Jun. 30, 2007	As of Mar. 31, 2007	As of Jun. 30, 2007
<b>Assets :</b>			
Current assets :			
Cash on hand and in banks	¥ 53,899	¥ 39,351	\$ 437,243
Receivables, less allowance	381,725	442,577	3,096,658
Inventories	435,948	427,934	3,536,530
Other current assets	69,266	52,056	561,905
Total current assets	940,838	961,918	7,632,336
Investments and long-term loans less allowance :	100,695	96,994	816,865
Net property, plant and equipment :	255,338	253,819	2,071,372
Intangible and other assets :	41,064	45,249	333,122
Total assets	¥ 1,337,935	¥ 1,357,980	\$ 10,853,695
<b>Liabilities and net assets :</b>			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	¥ 147,987	¥ 138,463	\$ 1,200,511
Trade payables	355,321	412,501	2,882,461
Advances from customers	153,296	124,445	1,243,579
Other current liabilities	124,499	131,097	1,009,970
Total current liabilities	781,103	806,506	6,336,521
Long-term liabilities :			
Long-term debt, less current portion	164,620	165,754	1,335,443
Others	91,982	90,342	746,183
Total long-term liabilities	256,602	256,096	2,081,626
Net assets :			
Common stock	103,585	103,188	840,310
Capital surplus	53,575	53,179	434,615
Retained earnings	129,600	125,799	1,051,351
Treasury stock	(74)	(55)	(600)
Net unrealized gains on securities	23,539	19,342	190,955
Gains/losses on hedging items	(6,907)	(1,608)	(56,032)
Foreign currency translation adjustments	(7,952)	(9,417)	(64,509)
Minority interests	4,864	4,950	39,458
Total net assets	300,230	295,378	2,435,548
Total liabilities and net assets	¥ 1,337,935	¥ 1,357,980	\$ 10,853,695

## Condensed Consolidated Statements of Operations

For three months ended June 30, 2007 and 2006

	Millions of yen		% Change	Thousands of U.S. dollars
	Three months ended Jun. 30, 2007	Three months ended Jun. 30, 2006		Three months ended Jun. 30, 2007
Net sales	¥ 330,445	¥ 302,200	+9%	\$ 2,680,660
Cost of sales	272,948	261,050		2,214,229
Gross profit	57,497	41,150		466,431
Selling, general and administrative expenses	38,299	31,092		310,692
Operating income	19,198	10,058	+91%	155,739
Other income (expenses) :				
Interest and dividend income	1,567	1,131		12,712
Equity in income of unconsolidated subsidiaries and affiliates	670	701		5,435
Interest expense	(2,186)	(1,585)		(17,733)
Other, net	(111)	(968)		(900)
Income before income taxes and minority interests	19,138	9,337	+105%	155,253
Income taxes	(6,964)	(3,795)		(56,495)
Minority interests in net loss (income) of consolidated subsidiaries	(164)	(17)		(1,330)
Net income	¥ 12,010	¥ 5,525	+117%	\$ 97,428

(Consolidated)

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

For three months ended June 30, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars		
	Three months ended		Three months ended	% Change	Three months ended	
	Jun. 30, 2007		Jun. 30, 2006		Jun. 30, 2007	
<b>Net sales :</b>						
Shipbuilding	¥ 42,885	(13%)	¥ 16,389	(5%)	+162%	\$ 347,895
Rolling Stock & Construction Machinery	30,331	(9%)	40,958	(14%)	-26%	246,053
Aerospace	43,206	(13%)	40,756	(13%)	+6%	350,499
Gas Turbines & Machinery	39,538	(12%)	39,064	(13%)	+1%	320,743
Plant & Infrastructure Engineering	15,264	(5%)	24,261	(8%)	-37%	123,826
Consumer products & Machinery	119,329	(36%)	106,692	(35%)	+12%	968,030
Other	39,892	(12%)	34,080	(12%)	17%	323,614
Total	¥ 330,445	(100%)	¥ 302,200	(100%)	+9%	\$ 2,680,660

	Millions of yen			Thousands of U.S. dollars		
	Three months ended		Three months ended	% Change	Three months ended	
	Jun. 30, 2007		Jun. 30, 2006		Jun. 30, 2007	
<b>Orders :</b>						
Shipbuilding	¥ 58,395	(17%)	¥ 23,949	(8%)	+144%	\$ 473,716
Rolling Stock & Construction Machinery	28,638	(8%)	51,168	(16%)	-44%	232,319
Aerospace	24,330	(7%)	27,706	(9%)	-12%	197,372
Gas Turbines & Machinery	49,116	(14%)	35,858	(11%)	+37%	398,442
Plant & Infrastructure Engineering	20,023	(6%)	31,395	(10%)	-36%	162,432
Consumer products & Machinery	119,329	(35%)	106,692	(34%)	+12%	968,031
Other	45,954	(13%)	39,253	(12%)	+17%	372,791
Total	¥ 345,785	(100%)	¥ 316,021	(100%)	+9%	\$ 2,805,103

	Millions of yen			Thousands of U.S. dollars		
	Three months ended		Three months ended	% Change	Three months ended	
	Jun. 30, 2007		Jun. 30, 2006		Jun. 30, 2007	
<b>Operating income (loss) :</b>						
Shipbuilding	¥ 1,536		¥ (2,227)			\$ 12,460
Rolling Stock & Construction Machinery	771		2,943			6,254
Aerospace	4,713		588			38,233
Gas Turbines & Machinery	2,588		1,947			20,995
Plant & Infrastructure Engineering	(464)		(992)			(3,763)
Consumer products & Machinery	7,343		5,628			59,569
Other	2,711		2,171			21,991
Total	¥ 19,198		¥ 10,058			\$ 155,739