



November 2, 2007
(Consolidated)

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

	Millions of yen			% Change	Thousands of U.S. dollars
	Six months ended Sep. 30, 2007	Six months ended Sep. 30, 2006			Six months ended Sep. 30, 2007
Net sales	¥ 699,540	¥ 645,852	+8%	\$ 6,060,296	
Operating income	39,050	25,562	+53%	338,300	
Net income	19,878	11,414	+74%	172,208	
Earnings per share (Yen)	11.9	7.3			

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of net assets to total assets
	Total assets	Net assets	
As of September 30, 2007	¥ 1,322,779	¥ 317,627	24%
As of March 31, 2007	1,357,980	295,378	21%
As of September 30, 2007	\$ 11,459,577	\$ 2,751,685	—
	Yen / U.S. dollars	Thousand shares	
	Net assets per share	Number of shares issued and outstanding	
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

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2007	Six months ended Sep. 30, 2006	Six months ended Sep. 30, 2006
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
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 ¥115.43=\$1, the rate prevailing as of September 30, 2007, solely for the convenience of the readers.

(Consolidated)

Condensed Consolidated Balance Sheets

As of September 30 and March 31, 2007

	Millions of yen		Thousands of
	As of Sep. 30, 2007	As of Mar. 31, 2007	U.S. dollars As of Sep. 30, 2007
Assets :			
Current assets :			
Cash on hand and in banks	¥ 23,177	¥ 39,351	\$ 200,788
Receivables, less allowance	389,823	442,577	3,377,138
Inventories	444,517	427,934	3,850,966
Other current assets	61,236	52,056	530,503
Total current assets	<u>918,753</u>	<u>961,918</u>	<u>7,959,395</u>
Investments and long-term loans less allowance	103,417	96,994	895,928
Net property, plant and equipment	258,527	253,819	2,239,686
Intangible and other assets	42,082	45,249	364,568
Total assets	<u>¥ 1,322,779</u>	<u>¥ 1,357,980</u>	<u>\$ 11,459,577</u>
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	<u>768,920</u>	<u>806,506</u>	<u>6,661,353</u>
Long-term liabilities :			
Long-term debt, less current portion	143,356	165,754	1,241,930
Others	92,876	90,342	804,609
Total long-term liabilities	<u>236,232</u>	<u>256,096</u>	<u>2,046,539</u>
Net assets :			
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	<u>317,627</u>	<u>295,378</u>	<u>2,751,685</u>
Total liabilities and net assets	<u>¥ 1,322,779</u>	<u>¥ 1,357,980</u>	<u>\$ 11,459,577</u>

Condensed Consolidated Statements of Operations

For six months ended September 30, 2007 and 2006

	Millions of yen		%	Thousands of
	Six months ended Sep. 30, 2007	Six months ended Sep. 30, 2006		U.S. dollars Six months ended Sep. 30, 2007
Net sales	¥ 699,540	¥ 645,852	+8%	\$ 6,060,296
Cost of sales	<u>582,117</u>	<u>555,715</u>		<u>5,043,030</u>
Gross profit	117,423	90,137		1,017,266
Selling, general and administrative expenses	<u>78,373</u>	<u>64,575</u>		<u>678,966</u>
Operating income	39,050	25,562	+53%	338,300
Other income (expenses) :				
Interest and dividend income	2,468	1,891		21,381
Equity in income of unconsolidated subsidiaries and affiliates	2,331	855		20,195
Interest expense	(3,859)	(2,912)		(33,432)
Other, net	<u>(8,153)</u>	<u>(5,156)</u>		<u>(70,632)</u>
Income before income taxes and minority interests	31,837	20,240	+57%	275,812
Income taxes	<u>(11,470)</u>	<u>(8,577)</u>		<u>(99,368)</u>
Minority interests in net income of consolidated subsidiaries	(489)	(249)		(4,236)
Net income	<u>¥ 19,878</u>	<u>¥ 11,414</u>	+74%	<u>\$ 172,208</u>

Condensed Consolidated Statements of Cash Flows

For six months ended September 30, 2007 and 2006

(Consolidated)

	Millions of yen		Thousands of
	Six months ended Sep. 30, 2007	Six months ended Sep. 30, 2006	U.S. dollars Six months ended Sep. 30, 2007
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 31,837	¥ 20,240	\$ 275,812
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	17,642	14,879	152,837
Decrease (increase) in assets	33,312	(34,449)	288,590
Increase (decrease) in liabilities	(30,659)	12,935	(265,607)
Other	(28,122)	(24,372)	(243,627)
Net cash provided by (used for) operating activities	¥ 24,010	¥ (10,767)	\$ 208,005
Cash flows from investing activities:			
Acquisition of tangible and intangible assets	(23,964)	(15,909)	(207,606)
Acquisition of investments in securities	(1,111)	(11,850)	(9,625)
Other	4,885	1,024	42,320
Net cash used for investing activities	¥ (20,190)	¥ (26,735)	\$ (174,911)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	(5,369)	39,513	(46,513)
Proceeds from long-term debt	3,220	18,355	27,896
Repayment of long-term debt	(10,108)	(28,289)	(87,568)
Other	(8,544)	(4,807)	(74,019)
Net cash provided by (used for) financing activities	¥ (20,801)	¥ 24,772	\$ (180,204)
Effect of exchange rate changes	413	118	3,577
Net decrease in cash and cash equivalents	(16,568)	(12,612)	(143,533)
Cash and cash equivalents at beginning of year	39,229	37,506	339,851
Increase in cash and cash equivalents due to changes in fiscal period of consolidated subsidiaries	158	-	1,369
Cash and cash equivalents at end of year	¥ 22,819	¥ 24,894	\$ 197,687

Segment information
(a) Information by industry segment

	Millions of yen				
	Six months ended September 30, 2007				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 77,480	¥ 932	¥ 78,412	¥ 76,111	¥ 2,301
Rolling Stock & Construction Machinery	70,244	591	70,835	69,674	1,161
Aerospace	118,247	868	119,115	108,422	10,693
Gas Turbines & Machinery	84,289	6,322	90,611	84,917	5,694
Plant & Infrastructure Engineering	49,647	6,802	56,449	55,043	1,406
Consumer products & Machinery	212,512	2,577	215,089	202,769	12,320
Other	87,121	18,486	105,607	100,407	5,200
Total	699,540	36,578	736,118	697,343	38,775
Eliminations	-	(36,578)	(36,578)	(36,853)	275
Consolidated total	¥ 699,540	¥ -	¥ 699,540	¥ 660,490	¥ 39,050

	Millions of yen				
	Six months ended September 30, 2006				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 42,107	¥ 1,296	¥ 43,403	¥ 45,456	¥ (2,053)
Rolling Stock, & Construction Machinery	86,925	260	87,185	81,040	6,145
Aerospace	114,452	614	115,066	109,968	5,098
Gas Turbines & Machinery	80,509	7,941	88,450	83,629	4,821
Plant & Infrastructure Engineering	52,114	9,068	61,182	64,910	(3,728)
Consumer products & Machinery	189,928	4,318	194,246	183,342	10,904
Other	79,817	20,224	100,041	95,611	4,430
Total	645,852	43,721	689,573	663,956	25,617
Eliminations	-	(43,721)	(43,721)	(43,666)	(55)
Consolidated total	¥ 645,852	¥ -	¥ 645,852	¥ 620,290	¥ 25,562

	Thousands of U.S. dollars				
	Six months ended September 30, 2007				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	\$ 671,229	\$ 8,074	\$ 679,303	\$ 659,369	\$ 19,934
Rolling Stock & Construction Machinery	608,542	5,120	613,662	603,604	10,058
Aerospace	1,024,404	7,520	1,031,924	939,288	92,636
Gas Turbines & Machinery	730,217	54,769	784,986	735,658	49,328
Plant & Infrastructure Engineering	430,105	58,927	489,032	476,852	12,180
Consumer products & Machinery	1,841,047	22,325	1,863,372	1,756,640	106,732
Other	754,752	160,150	914,902	869,852	45,050
Total	6,060,296	316,885	6,377,181	6,041,263	335,918
Eliminations	-	(316,885)	(316,885)	(319,267)	2,382
Consolidated total	\$ 6,060,296	\$ -	\$ 6,060,296	\$ 5,721,996	\$ 338,300

(b) Information by geographic area

	Millions of yen				
	Six months ended September 30, 2007				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 491,024	¥ 143,302	¥ 634,326	¥ 595,440	¥ 38,886
North America	118,166	12,691	130,857	134,404	(3,547)
Europe	72,010	2,334	74,344	71,413	2,931
Asia	13,863	11,683	25,546	24,724	822
Other Areas	4,477	118	4,595	4,493	102
Total	699,540	170,128	869,668	830,474	39,194
Eliminations	-	(170,128)	(170,128)	(169,984)	(144)
	¥ 699,540	¥ -	¥ 699,540	¥ 660,490	¥ 39,050

	Millions of yen				
	Six months ended September 30, 2006				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 459,768	¥ 120,560	¥ 580,328	¥ 559,793	¥ 20,535
North America	119,598	8,130	127,728	126,669	1,059
Europe	51,015	2,049	53,064	51,291	1,773
Asia	9,171	8,685	17,856	17,447	409
Other Areas	6,300	77	6,377	6,254	123
Total	645,852	139,501	785,353	761,454	23,899
Eliminations	-	(139,501)	(139,501)	(141,164)	1,663
Consolidated total	¥ 645,852	¥ -	¥ 645,852	¥ 620,290	¥ 25,562

	Thousands of U.S. dollars				
	Six months ended September 30, 2007				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	\$ 4,253,868	\$ 1,241,462	\$ 5,495,330	\$ 5,158,451	\$ 336,879
North America	1,023,703	109,945	1,133,648	1,164,377	(30,729)
Europe	623,841	20,220	644,061	618,669	25,392
Asia	120,099	101,213	221,312	214,190	7,122
Other Areas	38,785	1,023	39,808	38,924	884
Total	6,060,296	1,473,863	7,534,159	7,194,611	339,548
Eliminations	-	(1,473,863)	(1,473,863)	(1,472,615)	(1,248)
Consolidated total	\$ 6,060,296	\$ -	\$ 6,060,296	\$ 5,721,996	\$ 338,300

(c) Overseas sales

	Millions of yen				Thousands of U.S. dollars
	Six months ended Sep. 30, 2007		Six months ended Sep. 30, 2006		Six months ended Sep. 30, 2007
	Overseas sales	% against net sales	Overseas sales	% against net sales	Overseas sales
North America	¥ 162,065	23.1%	¥ 155,019	24.0%	\$ 1,404,011
Europe	81,694	11.6%	57,932	8.9%	707,736
Asia	64,742	9.3%	96,354	15.0%	560,877
Other Areas	77,624	11.1%	60,221	9.3%	672,477
Total	¥ 386,125	55.1%	¥ 369,526	57.2%	\$ 3,345,101

(Consolidated)

Net sales, orders and order backlog by industry segment

For six months ended September 30, 2007 and 2006

	Millions of yen				% Change	Thousands of			
	Six months ended		Six months ended			Six months ended			
	Sep. 30, 2007		Sep. 30, 2006			Sep. 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

	Millions of yen				% Change	Thousands of			
	As of		As of			As of			
	Sep. 30, 2007		Mar. 31, 2007			Sep. 30, 2007			
Order backlog :									
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