

Investors Meeting for First Half of Fiscal 2007

(for the year ending March 31, 2008)

Nov 2, 2007

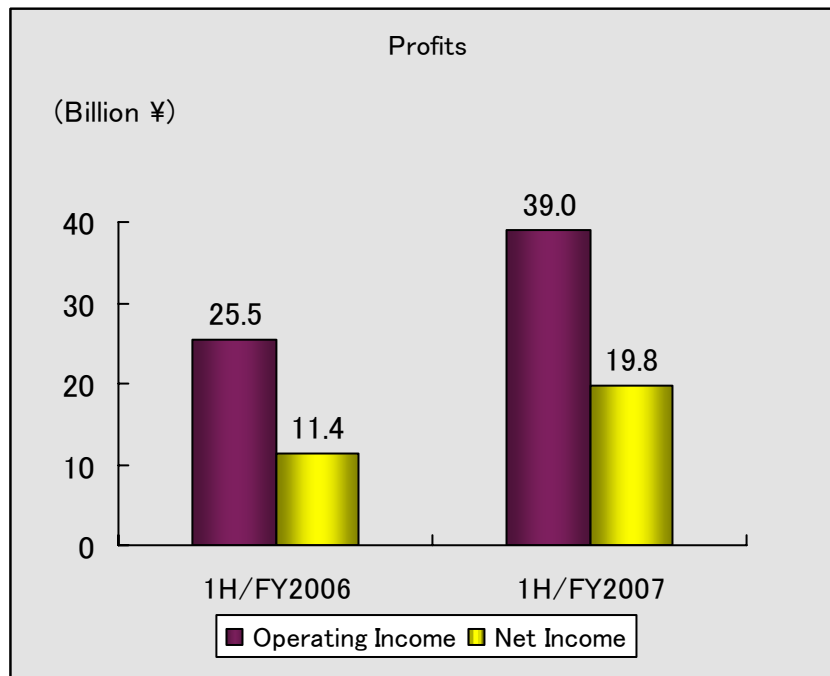
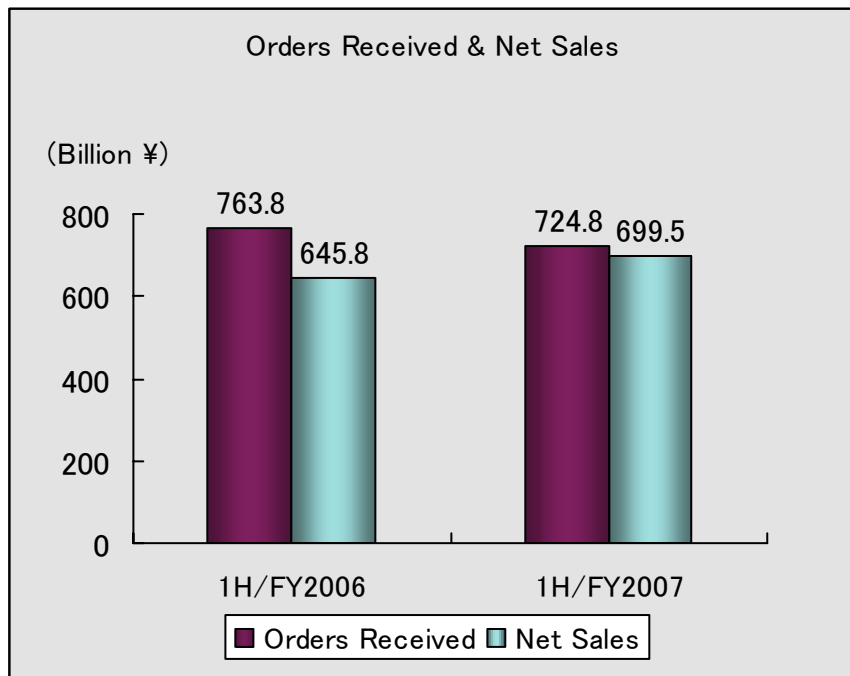
Kawasaki Heavy Industries, Ltd.



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Summary of 1H/FY2007 Results (Consolidated)



	Actual Exchange Rates	
	1H/FY2006	1H/FY2007
USD/¥	115	119
EUR/¥	146	161

	(Billion ¥)		
	1H/FY2006 (a)	1H/FY2007 (b)	(b)-(a)
Operating Income	25.5	39.0	+13.4
Net Income	11.4	19.8	+8.4

Breakdown of Increases/Decreases in Profit for 1H/FY2007 Compared to 1H/FY2006

◇ Operating income (+13.4 billion yen)

Effects of the fluctuation of foreign exchange rate	+7.0
Effects of increase in sales	+7.0
Increase in selling, general and administrative expenses *	-5.9
Adverse impact of a rise in material price	-4.9
Adverse impact of Tax Law Revision regarding Depreciation Methodology	-1.7
Effects of cost reduction including fixed cost, etc	+11.9

*Change in accounting method for development cost

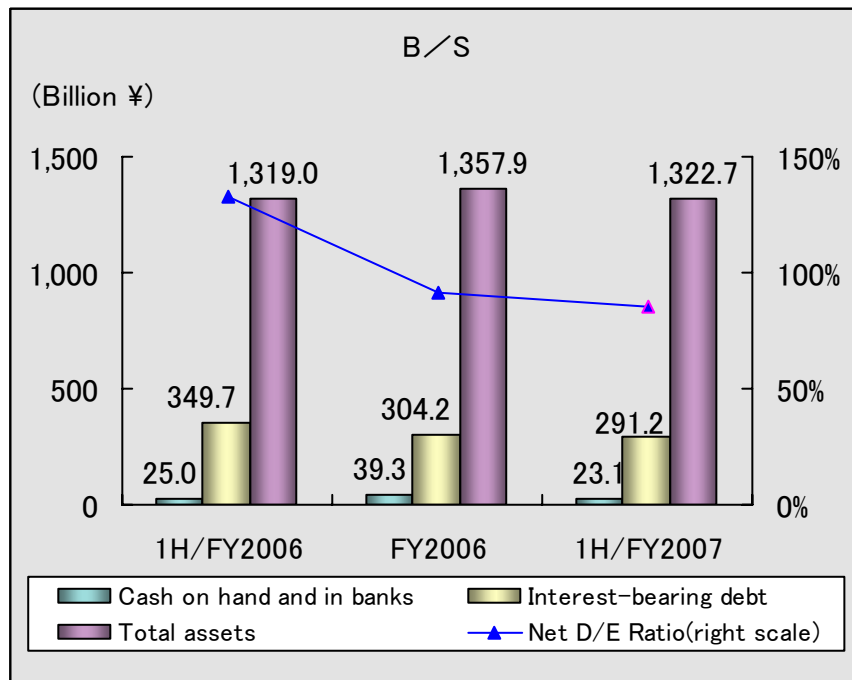
Development cost for new models in the Consumer Product and Machinery business has been included in selling and general administrative(SG&A) expenses since the beginning of 2H/FY2006, but until then its cost had been included in cost of sales.

On this page, we made a year-on-year comparison with the SG&A expenses for 1H/FY2006 adjusted by the current accounting method just for your convenience to grasp the substantial difference between 1H/FY2006 and 1H/FY2007. (The amount of the influence from this adjustment is 7.9 billion yen.)

◇ Non-operating income (-1.8 billion yen)

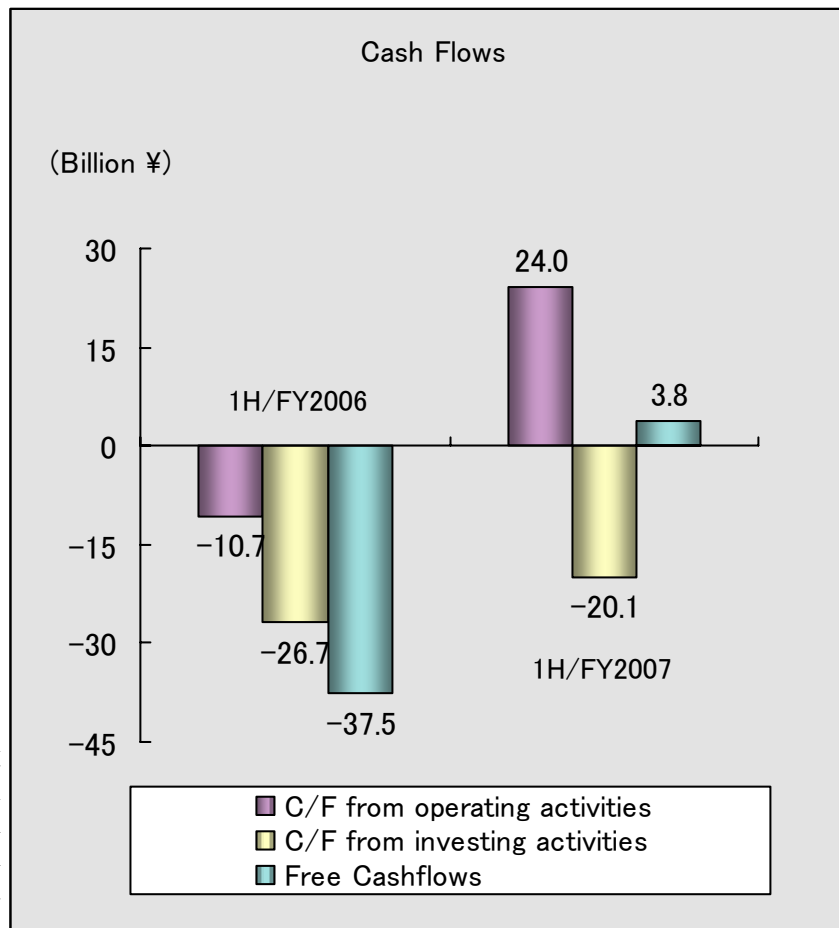
Increase in net interest expenses	-0.3
Gain on sales of marketable securities	+0.2
Increase in equity in income of non-consolidated subsidiaries and affiliates (1H/FY2006 ¥0.8 billion → 1H/FY2007 ¥2.3 billion)	+1.4
Loss of foreign exchange (1H/FY2006 ¥3.7 billion → 1H/FY2007 ¥6.7 billion)	-3.0
Others	-0.1

Interest-Bearing Debt and Cash Flows

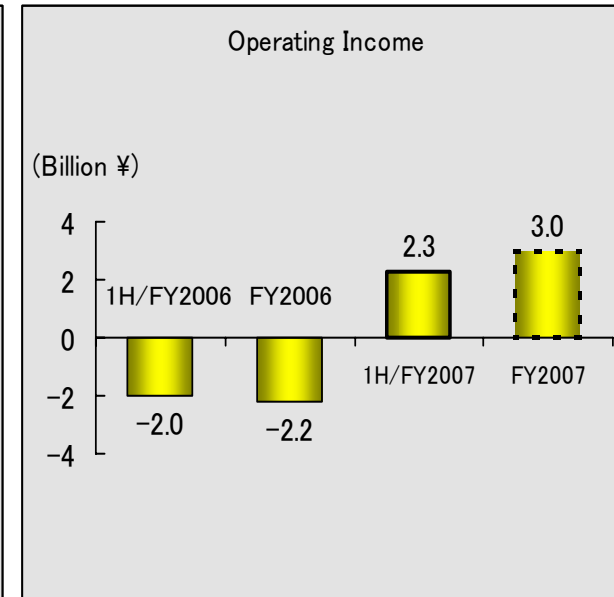
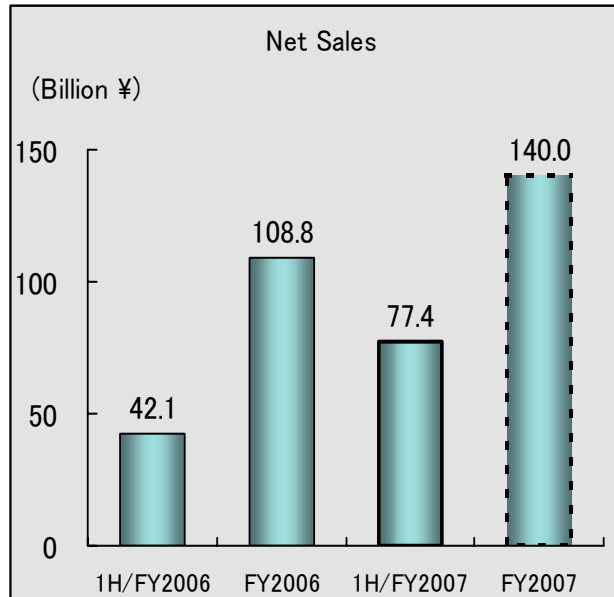
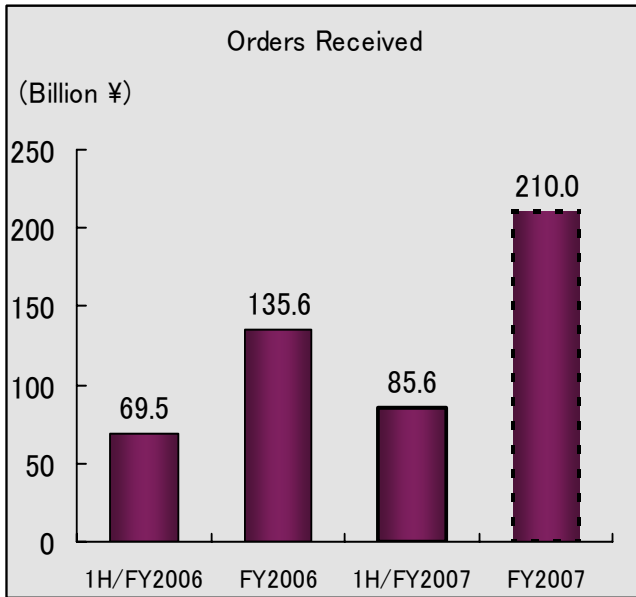


(Billion ¥)

	1H/FY2006	FY2006	1H/FY2007
Net debt	324.7	264.8	268.0
Shareholders' equity	239.0	290.4	311.8
Net D/E Ratio	135%	91%	85%



Shipbuilding



1H/FY2006		1H/FY2007	
LNG carrier	1	LPG carriers	2
LPG carriers	2	Bulk carriers	11
Bulk carriers	7		

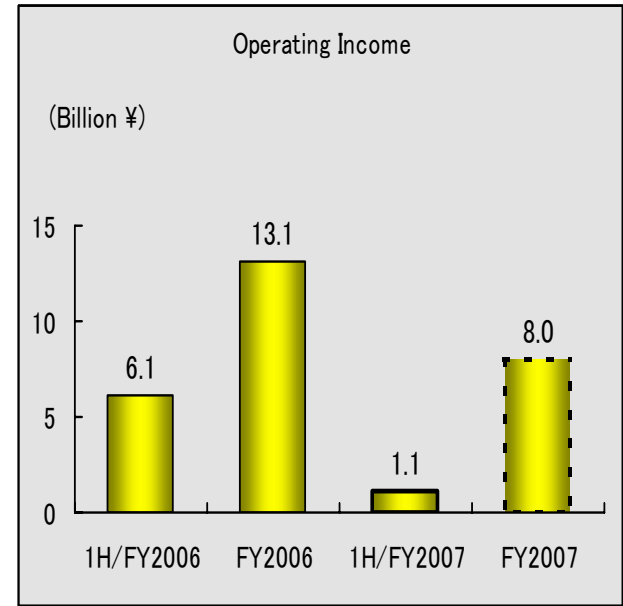
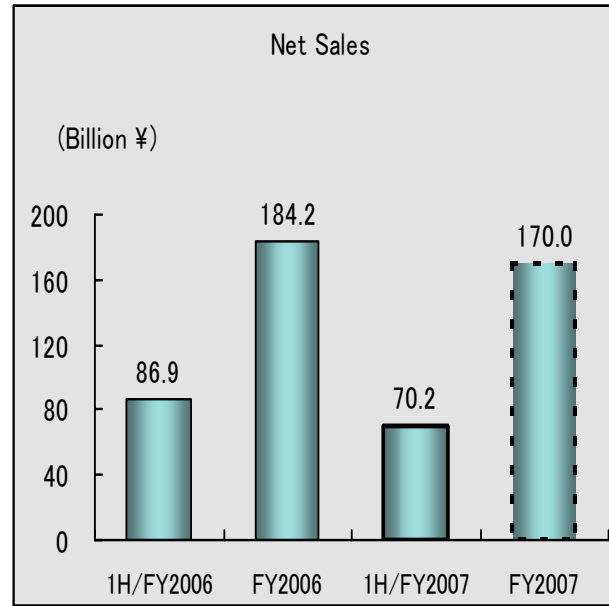
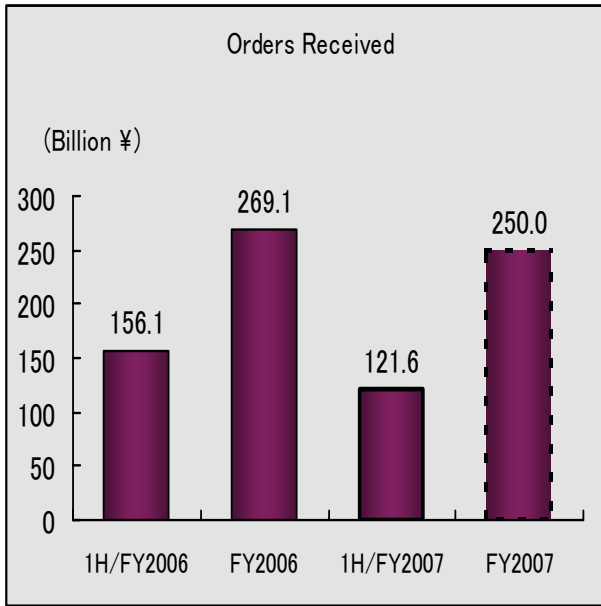
1H/FY2006		1H/FY2007	
LNG carriers	4(2)	LNG carriers	5(5)
VLCC	1	LPG carriers	2(1)
Bulk carriers	3	VLCC	1
Submarines	1(1)	Bulk carriers	2
		Submarines	2(2)

**【Business Results for 1H/FY2007
(year-on-year comparison)】**

- * Large orders received of 13 vessels such as LPG carriers and Bulk carriers
- * Return to profitability due to sales increase of LNG carriers and LPG carriers and improvement of profitability effected by a rise in shipbuilding price

Note: () = Sales units by percentage-of-completion method

Rolling Stock



【Business Results for 1H/FY2007 (year-on-year comparison)】

《Orders Received》

- * Large-scale orders received for North America
 - Additional order of R160 for N.Y. subway (260 cars/ US\$450 mil)

For reference only

- Large-scale orders received for 1H/FY2006
 - Passenger cars for New York Metropolitan Transportation Authority's Metro-North Railroad (300 cars/ US\$700mil)

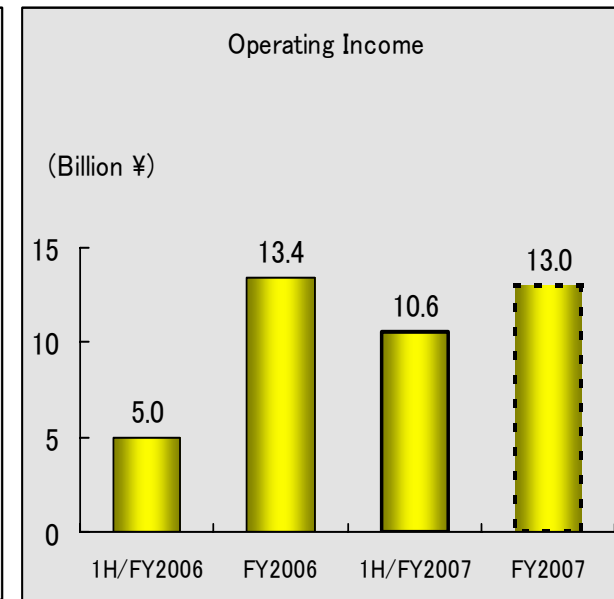
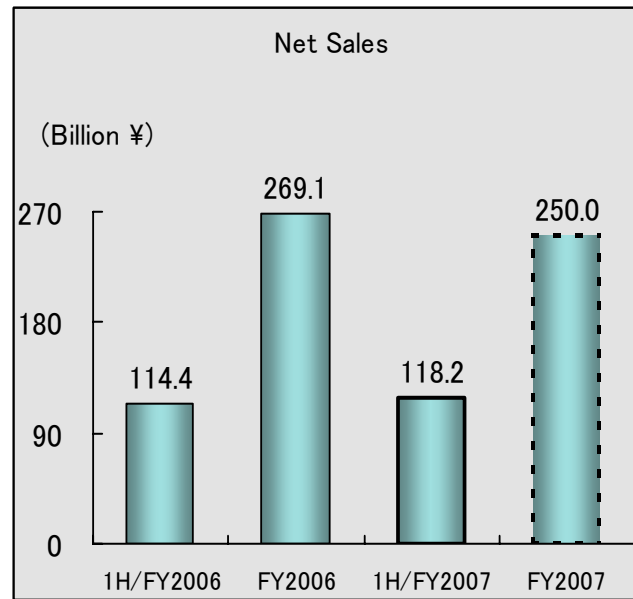
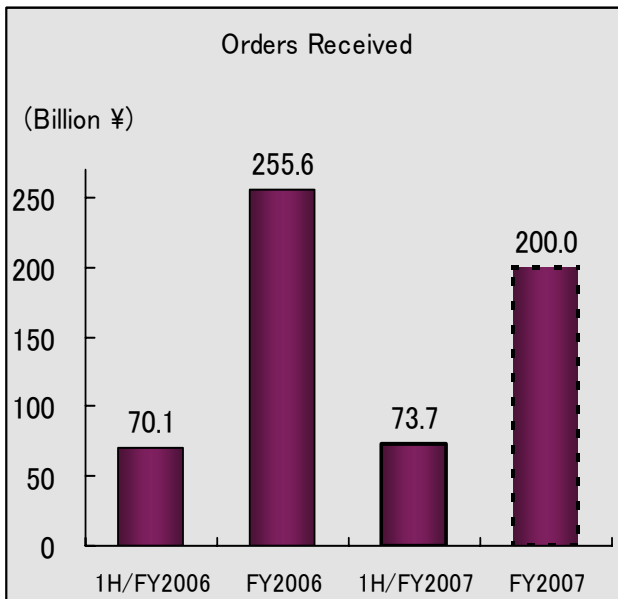
《Net Sales》

- * Increase in sales for JR and other domestic businesses
- * Decrease in sales of large-scale projects for overseas such as high-speed trains for China

《Operating Income》

- * Decrease in profit of large-scale projects for overseas such as high-speed trains for China

Aerospace



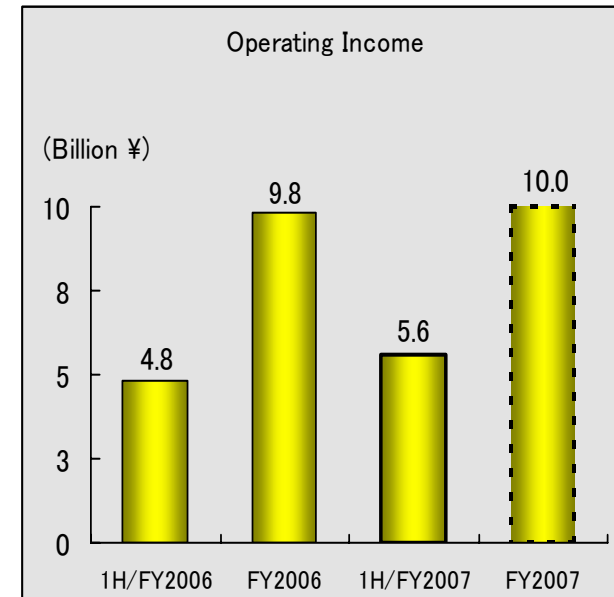
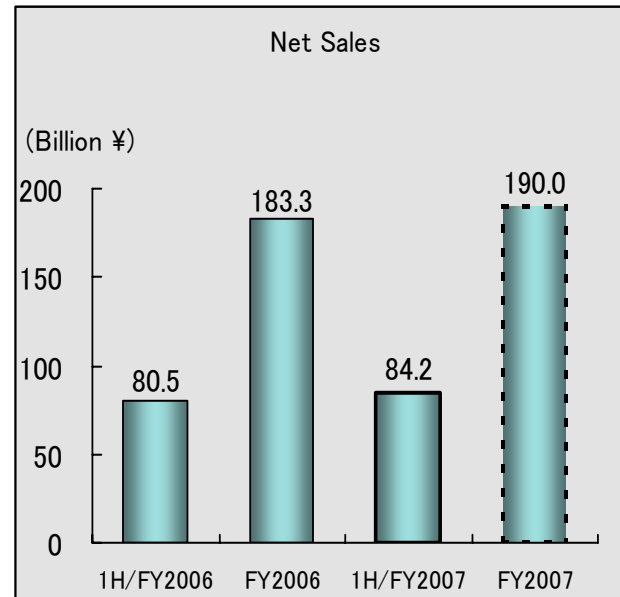
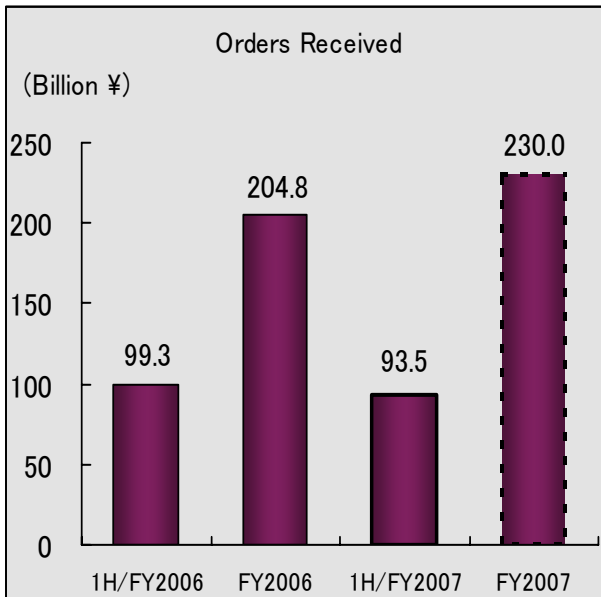
<Sales units of component parts for commercial aircraft>

	Sales units			
	1H/FY2006	FY2006	1H/FY2007	FY2007 Projection
B777	33	73	42	82
B767	7	13	6	12
Embraer170/175	13	37	32	64
Embraer190/195	35	79	39	93

【Business Results for 1H/FY2007 (year-on-year comparison)】

- * Increase in orders received for BOEING business
- * Increase in sales and profit of commercial aircraft businesses such as B777 for BOEING

Gas Turbines & Machinery



【Business Results for 1H/FY2007 (year-on-year comparison)】

《Orders Received》

- * Increase in orders received of commercial aircraft jet engines
- * Decrease in orders received of marine steam turbine engines for LNG carriers

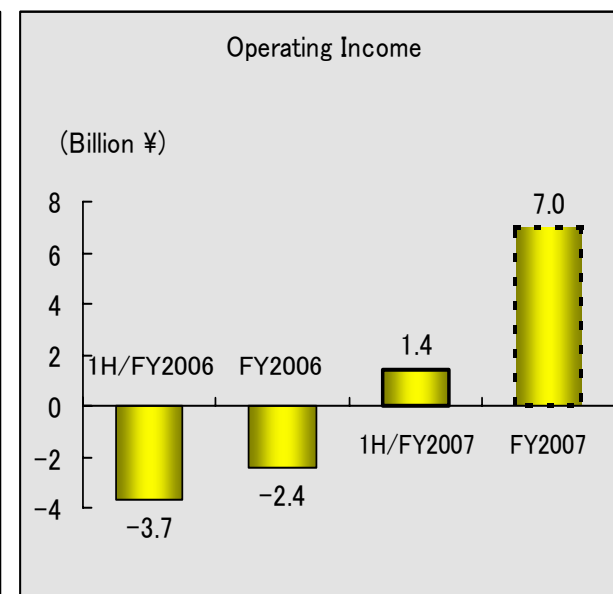
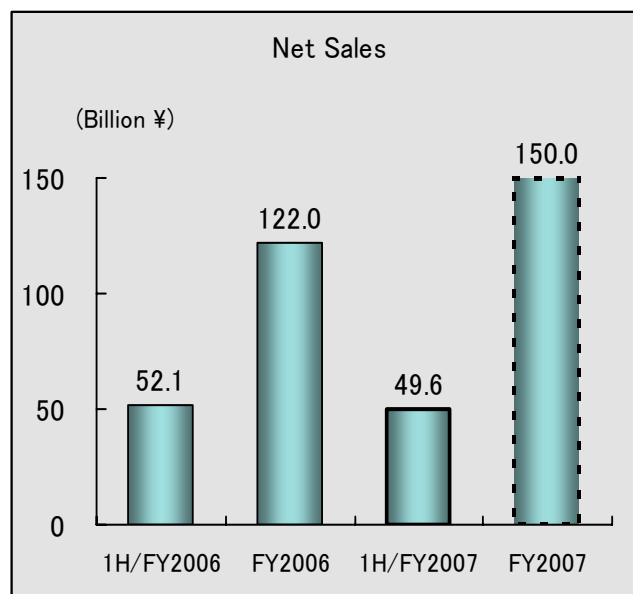
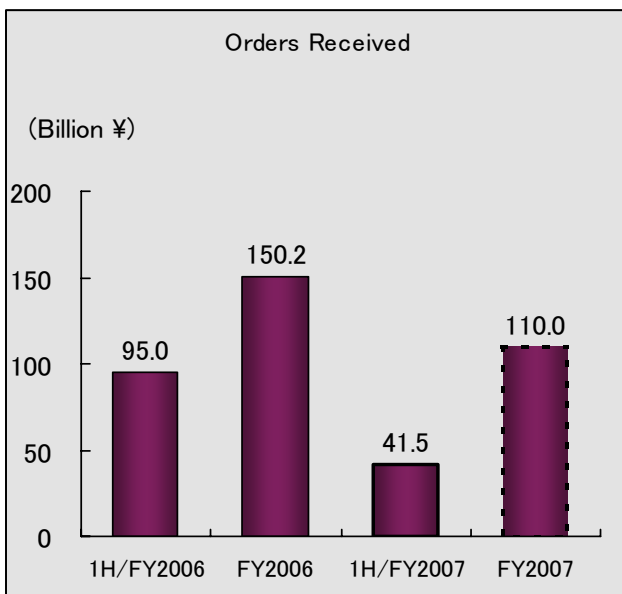
《Net Sales》

- * Increase in sales of commercial aircraft jet engines

《Operating Income》

- * Increase in profit due to sales increase of commercial aircraft jet engines

Plant & Infrastructure Engineering



【Business Results for 1H/FY2007 (year-on-year comparison)】

《Orders Received》

- * Large decrease in orders received of large-scale projects for overseas

For reference only

- Large-scale orders received for 1H/FY2006
 - Ferronickel plant/ Korea
 - Urea production facility/ Pakistan
 - Cement plant/ Vietnam

《Net Sales》

- * Decrease in sales of municipal refuse incineration plants

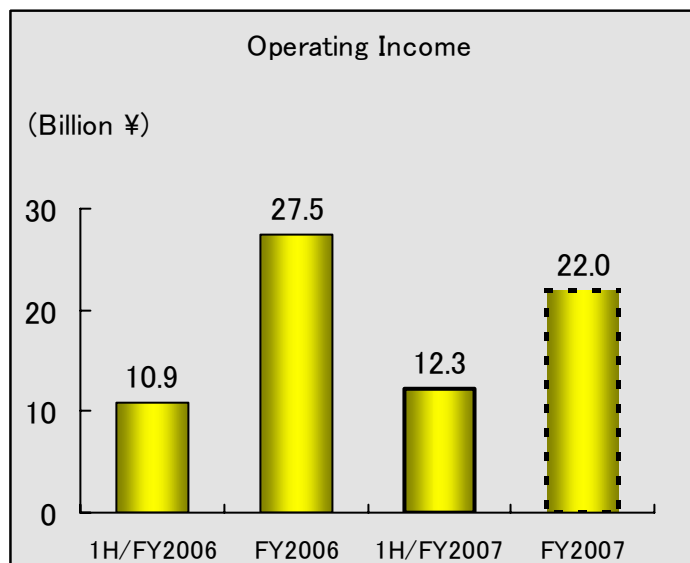
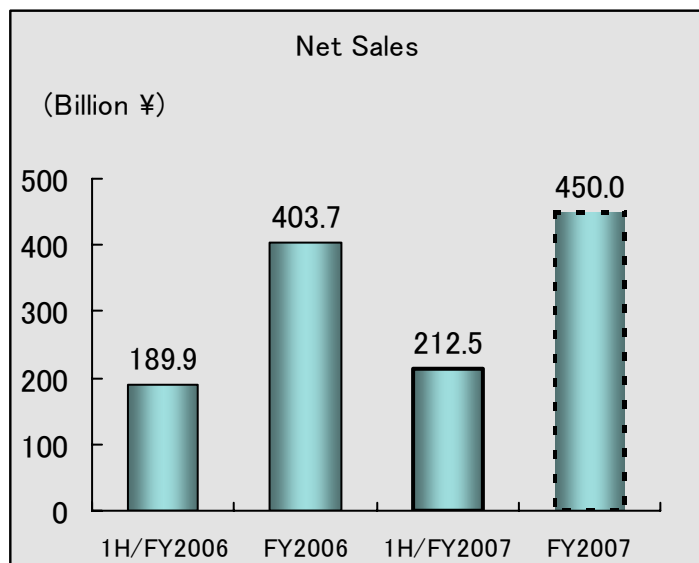
[Remaining large-scale projects of environmental plant business]

- Refuse incineration plant/ Tokyo city
- Refuse incineration plant/ Hirakata city

《Operating Income》

- * Return to profitability due to
 - rationalization effect by the merger of plant engineering business unit and environmental engineering business unit
 - sales decrease of unprofitable projects

Consumer Products & Machinery



<Sales by Region for Consumer Products>

(Thousands of Unit / Billion ¥)

Region	1H/FY2006		FY2006		1H/FY2007		FY2007(Projection)	
	QTY	Amount	QTY	Amount	QTY	Amount	QTY	Amount
Japan	13	9.1	21	15.9	13	9.5	22	15.7
NorthAmerica	123(61)	85.2	254(140)	183.7	106(53)	78.8	263(135)	190.7
Europe	52	42.7	97	80.9	66	62.6	116	103.0
Others	58	15.2	130	32.6	69	18.7	156	38.9
Total	246	152.2	502	313.1	254	169.6	557	348.3

【Business Results for 1H/FY2007
(year-on-year comparison)】

- * Sales of Motorcycles and ATVs:
Increase in Europe market, while Decrease in U.S. market
- * Increase in profit due to entire sales increase

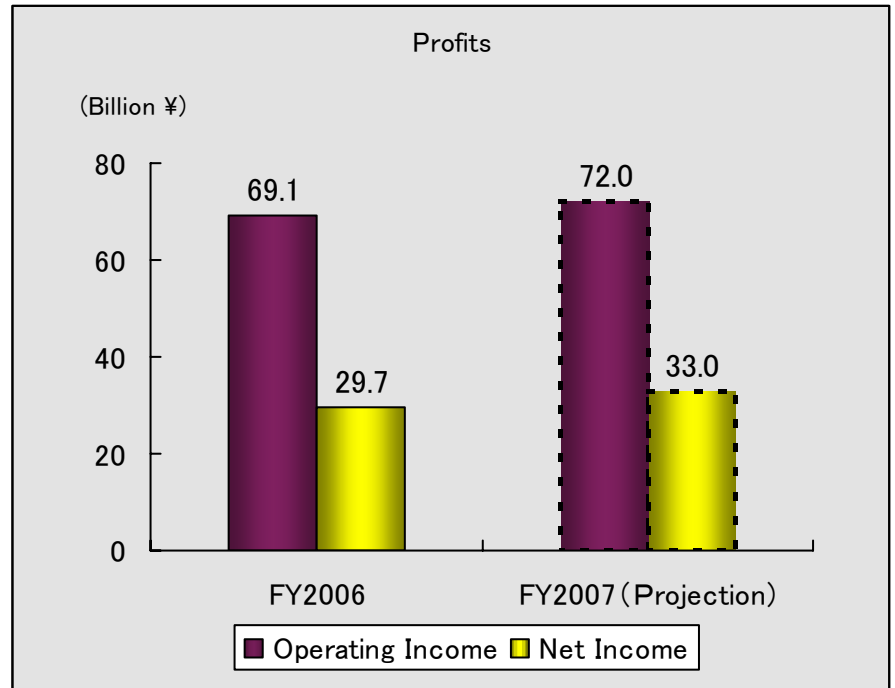
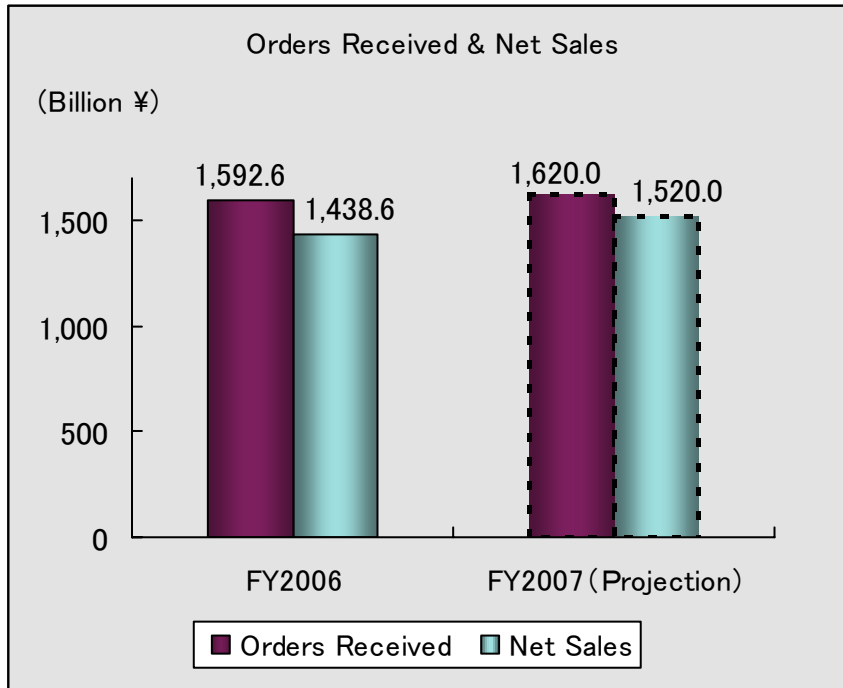
- Note
1. Sales units consist of Motorcycle, All-Terrain Vehicles (ATV), Utility Vehicles (MULE), Personal Water Craft (Jet Ski) and parts for these products.
 2. Domestic sales include OEM supply.
 3. () represents Motorcycle sales unit.

R&D/Capital Expenditures/Number of Employees

(Billion ¥ / Persons)

	1H/FY2006 Actual	FY2006 Actual	1H/FY2007 Actual	FY2007 Projection	
R&D	14.3	33.8	16.0	38.0	
Capital Expenditures	17.4	39.2	21.4	56.0	
Depreciation and Amortization	14.8	30.2	17.6	39.0	
	Domestic	23,090	22,872	23,550	23,400
	Overseas	6,371	6,339	6,832	7,000
Number of Employees	29,461	29,211	30,382	30,400	

Outlook for FY2007



Exchange Rates

	FY2006 Actual	FY2007 Assumption	
		As of April	As of November
USD/¥	117	110	110
EUR/¥	152	150	150

(Billion ¥)

	FY2006 Actual	FY2007 Projection	
		As of April	As of November
Operating Income	69.1	62.0	72.0
Net Income	29.7	33.0	33.0

Outlook for FY2007 by Segment

(Billion ¥)

	FY2006 Actual		FY2007 Projection			
			As of April		As of November	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Shipbuilding	108.8	-2.2	140.0	3.0	140.0	3.0
Rolling Stock	184.2	13.1	170.0	8.0	170.0	8.0
Aerospace	269.1	13.4	250.0	10.0	250.0	13.0
Gas Turbines & Machinery	183.3	9.8	180.0	8.0	190.0	10.0
Plant & Infrastructure Engineering	122.0	-2.4	130.0	4.0	150.0	7.0
Consumer Products & Machinery	403.7	27.5	440.0	20.0	450.0	22.0
Others	167.3	9.8	170.0	9.0	170.0	9.0
Total	1,438.6	69.1	1,480.0	62.0	1,520.0	72.0

USD/¥	117	110	110
EUR/¥	152	150	150

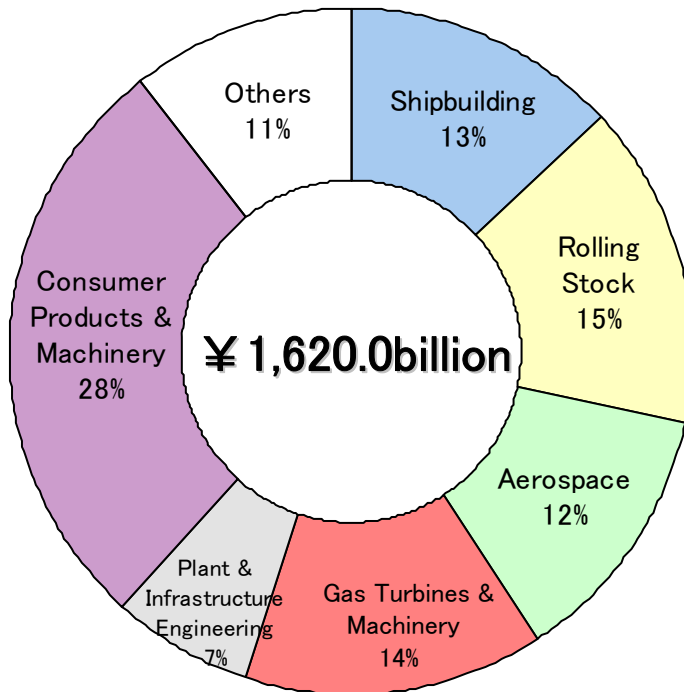
Outlook of Orders Received for FY2007

(Billion ¥)

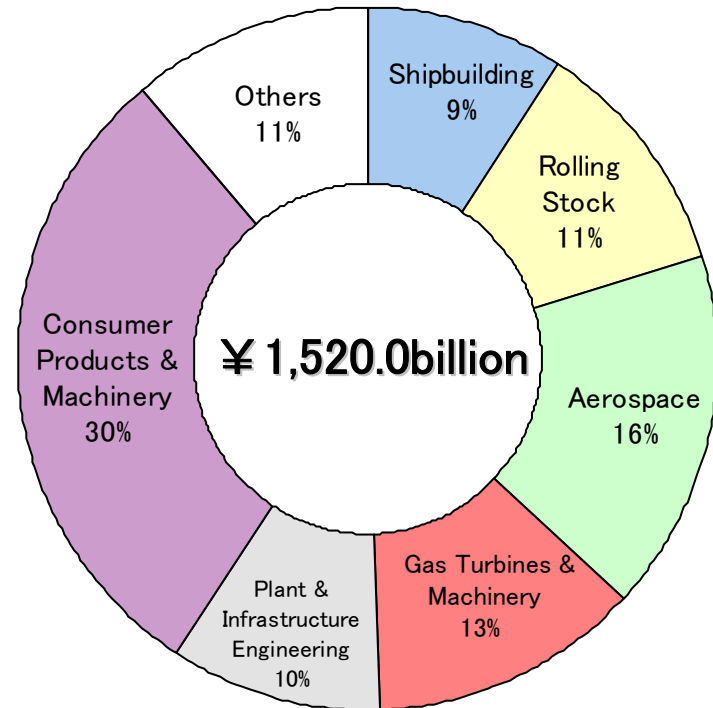
	FY2006 Actual	FY2007 Projection	
		As of April	As of November
Shipbuilding	135.6	140.0	210.0
Rolling Stock	269.1	180.0	250.0
Aerospace	255.6	190.0	200.0
Gas Turbines & Machinery	204.8	210.0	230.0
Plant & Infrastructure Engineering	150.2	110.0	110.0
Consumer Products & Machinery	403.7	440.0	450.0
Others	173.5	170.0	170.0
Total	1,592.6	1,440.0	1,620.0

Business Portfolio (FY2007 Projection)

Orders Received



Net Sales



Kawasaki, let the good times roll !

Cautionary Statement

The performance outlook and the forecasts stated in this material were prepared by Kawasaki Heavy Industries, Ltd. (hereinafter, KHI) based on the circumstances at the release point, and include potential risks and uncertain factors that relate to economic conditions, foreign currency exchange rates, tax rules, regulations and other factors. Accordingly, please note that the actual operating results, financial position, and business deployment of KHI may sometimes differ considerably from the descriptions in the present projections.