## KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES FLASH CONSOLIDATED FINANCIAL RESULTS

For six months ended September 30, 2008 and 2007 and one year ended March 31, 2008

**Operating results** 

Thousands of U.S. qnsolidated)

Millions of yen

 $Notes: \ 1. \ Td0\ Uls\ "FLASH\ CONSOLIDATED\ FINANCIAL\ RESULTS"\ and\ following\ financial\ statements\ have\ been$ 

28\$( Td0 All US\$ amount) these statements represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of :o103.63=\$1, the rate prevailing as of September 30, 2008, solely for the ne readers.- 2 -

p. 30, 2	2008
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				p. 30, 2000
Assets :				
Current assets :				
Cash on hand and in banks	0	29,898	39,875	\$ 288,507
Receivables, less allowance		354,549	433,155	3,421,297
Inventories		495,400	439,310	4,780,469
Other current assets		69,793	69,942	673,483
Total current assets		949,640	982,282	9,163,756
Investments and long-term loans less allowance		72,164	79,675	696,362
Net property, plant and equipment		275,726	259,927	2,660,677
Intangible and other assets		63,241	56,886	610,258
Total assets	0	1,360,771	1,378,770	\$ 13,131,053
Liabilities and net assets :				
Current liabilities :				
Short-term borrowings				
and current portion of long-term debt	0	156,103	137,681	\$ 1,506,350
Payables		380,030	431,000	3,667,181
Advances from customers		145,416	124,679	

## **Condensed Consolidated Statements of Income**

For six months ended September 30, 2008 and 2007

Millions of yen <b>Six months ended</b> Six months ended Six mo	U.S. dollars onths ended
Six months and ad Six months are six months and ad Six months and ad Six months are six months and ad Six months and ad Six months are six months and add six months and add six months are six months and add six months are six months and add six months and add six months are six months are six months and add six months are six months and add six months are six months are six months are six months are six months and add six months are six months are six months are six months are six months and add six months are six months	onths ended
Six months ended Six months ended Six mo	
<b>Sep. 30, 2008</b> Sep. 30, 2007 <b>Change</b> Sep.	o. 30, 2008
Net sales <b>O 652,924</b> 699,540 <b>-7%</b> \$	6,300,531
Cost of sales <b>547,663</b> 582,117	5,284,792
Gross profit <b>105,261</b> 117,423	1,015,739
Selling, general and administrative expenses <b>80,908</b> 78,373	780,739
Operating income <b>24,353</b> 39,050 <b>-38%</b>	235,000
Other income (expenses):	
Interest and dividend income 2,501 2,468	24,134
Equity in income of unconsolidated	
subsidiaries and affiliates <b>3,311</b> 2,331	31,950
Interest expense (3,429) (3,859)	(33,089)
Other, net (1,183) (8,153)	(11,416)
Income before income taxes and	
minority interests <b>25,553</b> 31,837 <b>-20%</b>	246,579
Income taxes (12,589) (11,470)	(121,480)
Minority interests in net income of	
consolidated subsidiaries (628) (489)	(6,060)
Net income O 12,336 19,878 -38% \$	119,039

For three months ended September 30, 2008

- · · · · · · · · · · · · · · · · · · ·		llions of yen nonths ended	Thousands of U.S. dol Three months e				
		p. 30, 2008	Sep. 30, 200				
Net sales	0	350,392	\$	3,381,183			
Cost of sales		293,220		2,829,489			
Gross profit		57,172		551,694			
Selling, general and administrative expenses		41,319		398,717			

 $Operating subsidiaries\ and\ affilem 4\ 1\ Tf5f-48.9067 ubsid0\ 0\ diar Tf-50.0806 er at 35 id. sales$ 

## Condensed Consolidated Statements of Cash Flows For six months ended September 30, 2008 and 2007

(Consolidated)

		Millions	Thousands of U.S. dollars		
		onths ended o. 30, 2008	Six months ended Sep. 30, 2007	Six months ended Sep. 30, 2008	
Cash flows from operating activities:					
Income before income taxes and minority interests	\	25,553	31,837	\$	246,579
Adjustments to reconcile net income before income taxes and minority					
interests to net cash provided by operating activities:					
Depreciation and amortization		20,025	17,642		193,236
Decrease in assets		22,602	33,312		218,103
Decrease in liabilities		(41,356)	(30,659)		(399,074)
Other		(18,277)	(28,122)		(176,368)
Net cash provided by operating activities	\	8,547	24,010	\$	82,476

Cash flows from investing activities:

# Segment information (a) Information by industry segment

		External sales		Six months Intersegment sales		s ended Septeml Total sales		ber 30, 2008 Operating expenses		Operating income (loss)	
Shipbuilding Rollin	\	53,735	\	906	\	54,641	\	54,383	\	258	
Plant & Infrastructure Engineering		91,790		8,485		100,275		95,490		4,785	

## (b) Information by geographic area

Six months ended September 30, 2008

External Intersegment Total Operating Operating sales sales expenses income (loss)

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## Net sales, orders and order backlog by industry segment

For six months ended September 30, 2008 and 2007

							Thousands of	
			Millions of	of yen		U.S. dollars		
	S	Six months ended		Six months e	ended	%	Six months ended	
		Sep. 30, 2	2008	Sep. 30, 20	007	Change	Sep. 30, 2008	
Net sales :								
Shipbuilding	\	53,735	(8%)	77,480	-31% <i>(</i> /	<b>3,679</b> ,244		
		Ae	rospace			95,291	(15%)	118,247
		Ga	s Turbines &	Machinery	91,790	(14%)	84,289	
		Pla	ınt & Infrastrı	acture Engineerin	46,692	2 (7%)	49,647	
		Co	nsumer produ	icts & Machinery	177,622	2 (27%)	212,512	
		Ну	draulic Mach	inery	47,297	(7%)	39,977	
		Ot	her		56,818	3 (9%)	47,144	
			Total		652,924	(100%)	699,540	
		Orde	rs :					
			ipbuilding			58,444	(8%)	85,631
		Ro	lling Stock					
			& Construction	on Machinery	136,098	3 (19%)	121,605	
		Ae	rospace		58,366	5		
			(8%)	73,726	(10%)	-21%	563,215	
Gas Turbines & Machinery		119,369	(17%)	93,527	(13%)	+28%	1,151,877	
Plant & Infrastructure Engineering		49,032	(7%)	41,557	(6%)	+18%	473,145	
Consumer products & Machinery		177,622	(25%)	212,512	(29%)	-16%	1,714,002	
Hydraulic Machinery		55,098	(8%)	44,040	(6%)	+25%	531,680	
Other		63,237	(8%)	52,238	(7%)	+21%	610,219	
Total	<u>\</u>	717,266	(100%)	724,836	(100%)	-1%	\$ 6,921,413	

			Millions of		-	Thousands of U.S. dollars		
		As o	As of As			%	As of Sep. 30, 2008	
		Sep. 30,	2008	Mar. 31, 2008		Change		
Order backlog :								
Shipbuilding	\	421,518	(26%)	414,176	(27%)	+2%	\$	4,067,529
Rolling Stock								
& Construction Machinery		484,027	(30%)	431,377	(28%)	+12%		4,670,723
Aerospace		215,310	(13%)	248,332	(16%)	-13%		2,077,680
Gas Turbines & Machinery		278,576	(17%)	245,962	(16%)	+13%		2,688,179
Plant & Infrastructure Engineering		137,506	(9%)	135,288	(9%)	+2%		1,326,894
Consumer products & Machinery		-	( - %)	-	(-%)	-%		-
Hydraulic Machinery		37,117	(2%)	29,317	(2%)	+27%		358,168
Other		35,630	(3%)	29,211	(2%)	+22%		343,819
Total		1,609,684	(100%)	1,533,663	(100%)	+5%	\$	15,532,992