



July 31, 2008  
(Consolidated)

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

*For three months ended June 30, 2008 and 2007 and one year ended March 31, 2008*

**Operating results**

	Millions of yen		Thousands of U.S. dollars
	Three months ended Jun. 30, 2008	Three months ended Jun. 30, 2007	Three months ended Jun. 30, 2008
Net sales	302,531	330,445	\$ 2,842,802
Operating income	8,246	19,198	77,485
Net income	8,102	12,010	76,132
Earnings per share (Yen)	4.9	7.2	

**Financial condition**

	Millions of yen / Thousands of U.S. dollars		Ratio of net assets to total assets
	Total assets	Net assets	
<b>As of June 30, 2008</b>	<b>1,345,446</b>	<b>311,059</b>	<b>23%</b>
As of March 31, 2008	1,378,770	319,038	23%
As of June 30, 2008	\$ 12,642,793	\$ 2,922,938	
	Yen / U.S. dollars	Thousand shares	
	Net assets less minority interests per share	Number of shares issued and outstanding	
<b>As of June 30, 2008</b>	<b>183.2</b>	<b>1,668,290</b>	
As of March 31, 2008	187.7	1,668,305	
As of June 30, 2008	\$ 1.72		

**Cash flows**

	Millions of yen	Thousands of U.S. dollars
	Three months ended Jun. 30, 2008	Three months ended Jun. 30, 2007
Operating activities:	(3,585)	\$ (33,687)
Investing activities:	(14,818)	(139,241)
Financing activities:	12,101	113,710
Cash and cash equivalents at end of term	31,217	293,338

**Fiscal year forecast**

	Millions of yen	
	Net sales	Net income
One year ending March 31, 2009	1,460,000	30,000



(Consolidated)

## Condensed Consolidated Balance Sheets

As of June 30 and March 31, 2008

	Millions of yen		Thousands of
	As of <u>Jun. 30, 2008</u>	As of <u>Mar.31, 2008</u>	U.S. dollars As of <u>Jun. 30, 2008</u>
<b>Assets :</b>			
Current assets :			
Cash on hand and in banks	32,655	39,875	\$ 306,850
Trade receivables, less allowance	361,013	433,155	3,392,342
Inventories	474,647	439,310	4,460,130
Other current assets	72,996	69,942	685,923
Total current assets	<u>941,311</u>	<u>982,282</u>	<u>8,845,245</u>
Investments and long-term loans less allowance	82,838	79,675	778,407
Net property, plant and equipment	264,523	259,927	2,485,651
Intangible and other assets	56,774	56,886	533,490
Total assets	<u>1,345,446</u>	<u>1,378,770</u>	<u>\$ 12,642,793</u>
<b>Liabilities and net assets :</b>			
Current liabilities :			
Short-term borrowings			
and current portion of long-term debt	174,363	137,681	\$ 1,638,442
Trade payables	355,629	431,000	3,341,750
Advances from customers	147,392	124,679	1,385,003
Other current liabilities	128,989	131,181	1,212,074
Total current liabilities	<u>806,373</u>	<u>824,541</u>	<u>7,577,269</u>
Long-term liabilities :			
Long-term debt, less current portion	128,246	138,766	1,205,093
Others	99,768	96,425	937,493
Total long-term liabilities	<u>228,014</u>	<u>235,191</u>	<u>2,142,586</u>
Net assets :			
Common stock	104,329	104,329	980,351
Capital surplus	54,324	54,291	510,468
Retained earnings	150,660	151,401	1,415,712
Net unrealized gains on securities	13,025	10,292	122,393
Gains/losses on hedging items	(376)	5,217	(3,533)
Foreign currency translation adjustments	(15,852)	(11,878)	(148,957)
Treasury stock	(464)	(460)	(4,360)
Minority interests	5,413	5,846	50,864
Total net assets	<u>311,059</u>	<u>319,038</u>	<u>2,922,938</u>
Total liabilities and net assets	<u>1,345,446</u>	<u>1,378,770</u>	<u>\$ 12,642,793</u>

## Condensed Consolidated Statements of Income



**Segment information**  
**(a) Information by industry segment**

**(Consolidated)**

	Millions of yen			
	Three months ended			
	External sales	Intersegment sales	Total sales	Operating income (loss)
Shipbuilding	19,090	186	19,276	23
Rolling Stock & Construction Machinery	36,104	259	36,363	2,382
Aerospace	39,563	394	39,957	219
Gas Turbines & Machinery	44,984	4,260	49,244	2,258
Plant & Infrastructure Engineering	20,284	2,891	23,175	1,695
Consumer Products & Machinery	94,007	1,862	95,869	(1,834)
Hydraulic Machinery	23,009	2,040	25,049	2,633
Other	25,490	9,956	35,446	939
<b>Total</b>	<b>302,531</b>	<b>21,848</b>	<b>324,379</b>	<b>8,315</b>
Eliminations and corporate	-	(21,848)	(21,848)	(69)
<b>Consolidated total</b>	<b>302,531</b>	<b>-</b>	<b>302,531</b>	<b>8,246</b>

*1056n*  
*Three months ended*

	<i>External sales</i>	<i>Intersegment sales</i>	<i>Total sales</i>	<i>Operating income (loss)</i>
<i>Shipbuilding</i>	\$ 179,384	\$ 1,748	\$ 181,132	\$ 217
<i>Rolling Stock &amp; Construction Machinery</i>	339,260	2,434	341,694	22,384
<i>Aerospace</i>	371,763	3,702	375,465	2,058
<i>Gas Turbines &amp; Machinery</i>	422,702	40,030	462,732	21,217
<i>Plant &amp; Infrastructure Engineering</i>	190,603	27,166	217,769	15,927
<i>Consumer Products &amp; Machinery</i>	883,358	17,497	900,855	(17,234)
<i>Hydraulic Machinery</i>	216,209	19,169	235,378	24,741
<i>Other</i>	239,523	93,554	333,077	8,824
<b><i>Total</i></b>	<b><i>2,842,802</i></b>	<b><i>205,300</i></b>	<b><i>3,048,102</i></b>	<b><i>78,134</i></b>
<i>Eliminations and corporate</i>	-	(205,300)	(205,300)	(649)
<b><i>Consolidated total</i></b>	<b><i>\$ 2,842,802</i></b>	<b><i>\$ -</i></b>	<b><i>\$ 2,842,802</i></b>	<b><i>\$ 77,485</i></b>

## (b) Information by geographic area

	Millions of yen			
	Three months ended			
	Jun.30, 2008			
	External sales	Intersegment sales	Total sales	Operating income (loss)
Japan	206,345	56,974	263,319	4,741
North America	51,067	6,647	57,714	72
Europe	34,858	1,333	36,191	1,023
Asia	7,810	9,345	17,155	529
Other Areas	2,451	54	2,505	158
<b>Total</b>	<b>302,531</b>	<b>74,353</b>	<b>376,884</b>	<b>6,523</b>
Eliminations and corporate	-	(74,353)	(74,353)	1,723
<b>Consolidated total</b>	<b>302,531</b>	<b>-</b>	<b>302,531</b>	<b>8,246</b>

	Thousands of U.S. dollars			
	Three months ended			
	Jun.30, 2008			
	External sales	Intersegment sales	Total sales	Operating income (loss)
Japan	\$ 1,938,968	\$ 535,369	\$ 2,474,337	\$ 44,549
North America	479,863	62,460	542,323	677
Europe	327,551	12,526	340,077	9,613
Asia	73,388	87,812	161,200	4,970
Other Areas	23,032	508	23,540	1,486
<b>Total</b>	<b>2,842,802</b>	<b>698,675</b>	<b>3,541,477</b>	<b>61,295</b>
Eliminations and corporate	-	(698,675)	(698,675)	16,190
<b>Consolidated total</b>	<b>\$ 2,842,802</b>	<b>\$ -</b>	<b>\$ 2,842,802</b>	<b>\$ 77,485</b>

## (c) Overseas sales

	Millions of yen		Thousands of
	Three months ended		U.S dollars
	Jun.30, 2008		Three months ended
	Overseas sales	% against net sales	Overseas sales
North America	69,691	23.0%	\$ 654,868
Europe	39,455	13.0%	370,748
Asia	35,588	11.7%	334,411
Other Areas	29,238	9.6%	274,742
<b>Total</b>	<b>173,972</b>	<b>57.5%</b>	<b>\$ 1,634,769</b>

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

For three months ended June 30, 2008 and 2007 and as of Jun. 30, 2007 and Mar. 31, 2008

	Millions of yen				Change	Thousands of U.S. dollars Three months ended Jun. 30, 2008
	Three months ended Jun. 30, 2008		Three months ended Jun. 30, 2007			
<b>Net sales :</b>						
Shipbuilding	19,090	(6%)	42,885	(13%)	-55%	\$ 179,384
Rolling Stock, & Construction Machinery	36,104	(12%)	30,331	(9%)	+19%	339,260
Aerospace	39,563	(13%)	43,206	(13%)	-8%	371,763
Gas Turbines & Machinery	44,984	(15%)	39,538	(12%)	+14%	422,702
Plant & Infrastructure Engineering	20,284	(7%)	15,264	(5%)	+33%	190,603
Consumer Products & Machinery	94,007	(31%)	119,329	(36%)	-21%	883,358
Hydraulic Machinery	23,009	(8%)	19,251	(6%)	+20%	216,209
Other	25,490	(8%)	20,641	(6%)	+23%	239,523
Total	302,531	(100%)	330,445	(100%)	-8%	2,842,802
<b>Orders :</b>						
Shipbuilding	20,628	(5%)	58,395	(17%)	-65%	193,836
Rolling Stock, & Construction Machinery	98,201	(26%)	28,638	(8%)	+243%	922,768
Aerospace	27,517	(7%)	24,330	(7%)	+13%	258,570
Gas Turbines & Machinery	59,149	(15%)	49,116	(14%)	+20%	555,807
Plant & Infrastructure Engineering	28,751	(7%)	20,023	(6%)	+44%	270,165
Consumer Products & Machinery	94,007	(24%)	119,329	(35%)	-21%	883,358
Hydraulic Machinery	28,921	(7%)	21,769	(6%)	+33%	271,763
Other	32,197	(9%)	24,185	(7%)	+33%	302,547
Total	389,371	(100%)	345,785	(100%)	+13%	\$ 3,658,814

	Millions of yen				% Change	Thousands of U.S. dollars As of Jun. 30, 2008
	As of Jun. 30, 2008		As of Mar. 31, 2008			
<b>Order backlog :</b>						
Shipbuilding	420,168	(26%)	414,176	(27%)	+26%	\$ 3,948,205
Rolling Stock, & Construction Machinery	485,123	(30%)	431,377	(28%)	+7%	4,558,570