

# DATA FILE 2008

**KAWASAKI HEAVY INDUSTRIES, LTD.**

Code No. (7012)

# HISTORY

Kawasaki Heavy Industries, Ltd. (KHI) traces its origins to an industrial shipyard in Tsukiji, Tokyo, established by Shozo Kawasaki in 1878. In 1896, KHI was incorporated under the laws of Japan as Kawasaki Dockyard Co., Ltd. The Company later expanded its business to include the manufacture of rolling stock, steel, steel structures, industrial machinery, automobiles and aircraft. KHI also engaged in the shipping business through the company known as Kawasaki Kisen Kaisha, Ltd., which later became an independent company. In 1939, KHI adopted its present name, Kawasaki Heavy Industries, Ltd.

In 1950, KHI's steel manufacturing division was divested and Kawasaki Steel Corporation was formed. In 1969, Kawasaki Aircraft Co., Ltd. and Kawasaki Rolling Stock Mfg. Co., Ltd., former divisions which had been divested, were merged back into KHI, forming an integrated heavy industry enterprise.

KHI established a subsidiary in the United States to sell its motorcycles in 1966. In 1975, through its local subsidiary, KHI began to produce motorcycles in the United States ahead of any other Japanese producer of any type of motor vehicle. Subsequently, through its U.S. subsidiaries, KHI began to manufacture rolling stock in New York in 1986, wheel loaders in Georgia in 1987, and small gasoline engines in Missouri in 1989. In 1993, KHI established a local subsidiary to acquire a hydraulic machinery manufacturing business in Plymouth, U.K., its first production facility in Europe. In 2001, KHI built a new rolling stock plant in Lincoln, Nebraska, where we already have a motorcycle plant. The new plant started full-scale operation in April 2002.

KHI also reorganized several industry segments of the Group to improve profitability, including spinning off the shipbuilding, hydraulics, plant engineering businesses. In 2002, Kasawaki Shipbuilding Corporation and Kawasaki Precision Machinery, Ltd., in 2005, Kawasaki Plant Systems, Ltd. was established as wholly owned subsidiary.

KHI has been seeking to expand its activities in Asia. KHI has wholly owned subsidiary in Thailand and joint ventures in Malaysia, the Philippines and Indonesia to manufacture motorcycles as well as a shipbuilding joint venture in China and other production and/or sales facilities in China, Malaysia, the Philippines and Korea.

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# FINANCIAL HIGHLIGHTS

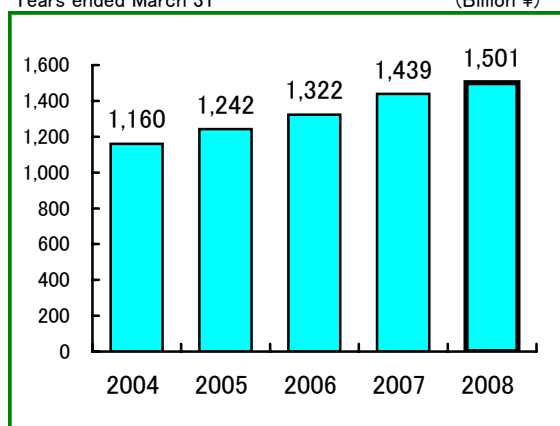
Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries

Years ended March 31

	Millions of yen				
	2004	2005	2006	2007	2008
<b>For the year:</b>					
Net sales	¥1,160,252	¥1,241,592	¥1,322,487	¥1,438,619	¥1,501,097
Net income	6,333	11,479	16,467	29,772	35,141
Net income per share (yen)	4.4	7.9	11.2	18.9	21.1
Return on average shareholders' equity (%)	3.4%	5.7%	7.3%	11.1%	11.4%
Cash dividends per share (yen)	2.0	2.5	3.0	5.0	5.0
<b>At year end:</b>					
Total assets	1,156,904	1,194,473	1,284,085	1,357,980	1,378,770
Working capital	121,941	138,523	113,240	155,412	157,741
Current ratio (%)	118.0%	119.8%	114.1%	119.3%	119.1%
Total shareholders' equity	190,175	201,465	237,588	290,428	313,192

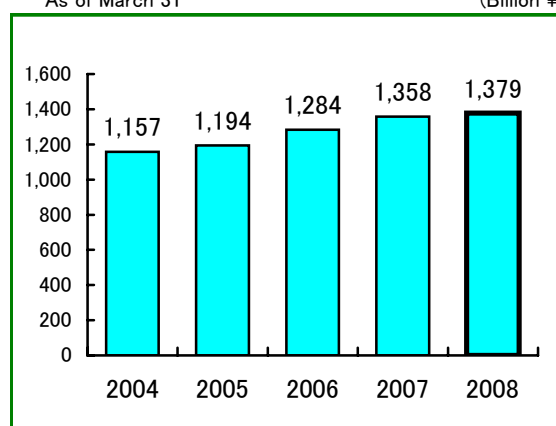
## Net Sales

Years ended March 31 (Billion ¥)



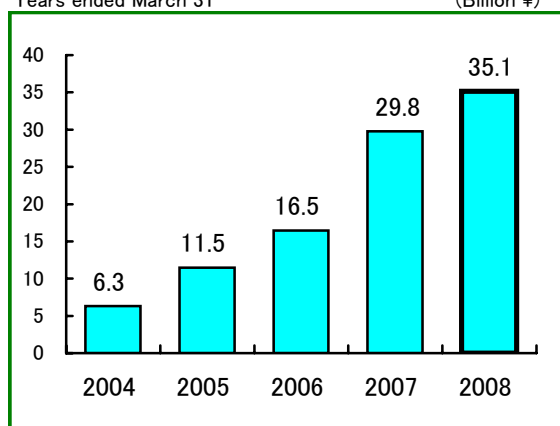
## Total Assets

As of March 31 (Billion ¥)



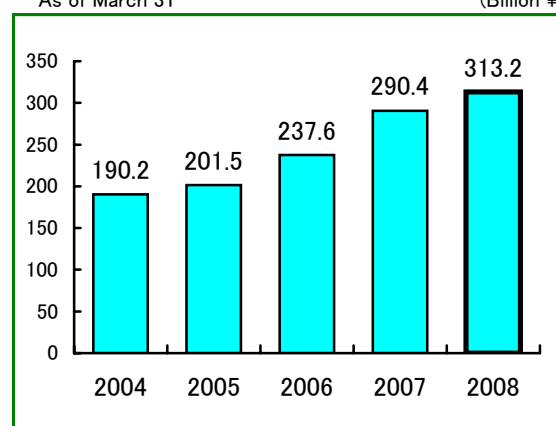
## Net Income (Loss)

Years ended March 31 (Billion ¥)



## Total Shareholders' Equity

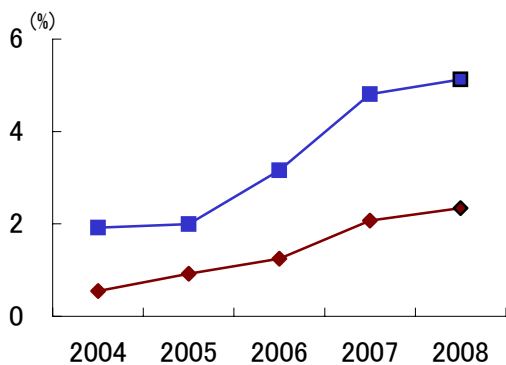
As of March 31 (Billion ¥)



# KEY INDICATORS (CONSOLIDATED BASIS)

## Ratio of Operating Income to Sales Return on Sales

Years ended March 31



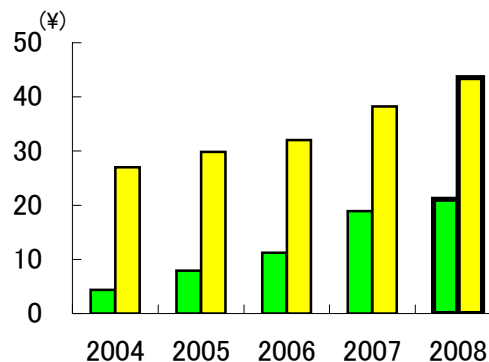
	2004	2005	2006	2007	2008
Operating Income to Sales - ■ -	1.92	1.99	3.16	4.81	5.12
ROS - ◆ -	0.55	0.92	1.25	2.07	2.34

Operating Income to Sales: Operating Income/Net Sales.

ROS: Net Income/Net Sales.

## Earnings per Share Cash Flow per Share

Years ended March 31



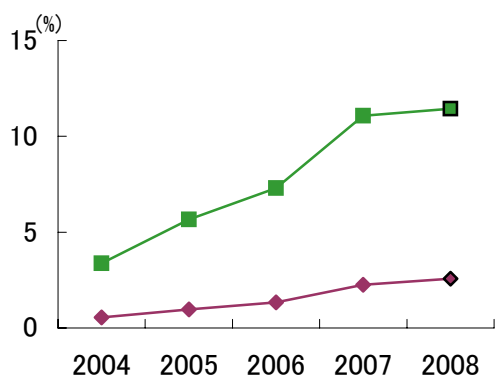
	2004	2005	2006	2007	2008
EPS ■	4.4	7.9	11.2	18.9	21.1
CFPS ■	27.0	29.8	32.0	38.2	43.5

Earnings per Share: Net Income/Average Number of Shares Outstanding.

Cash Flow per Share: (Net Income + Depreciation) / Average Number of Shares Outstanding.

## Return on Shareholders' Equity Return on Assets

Years ended March 31



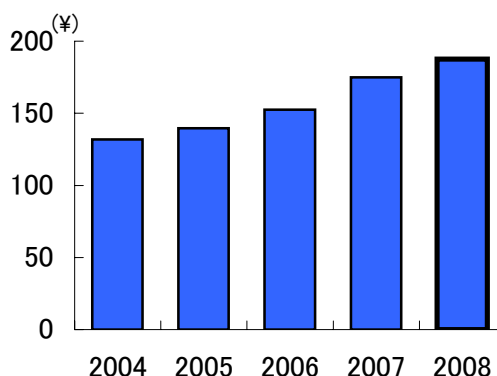
	2004	2005	2006	2007	2008
ROE - ■ -	3.4	5.7	7.3	11.1	11.4
ROA - ◆ -	0.5	1.0	1.3	2.3	2.6

ROE: Net Income/Average Shareholders' Equity.

ROA: Net Income/Average Total Assets.

## Book Value per Share

As of March 31

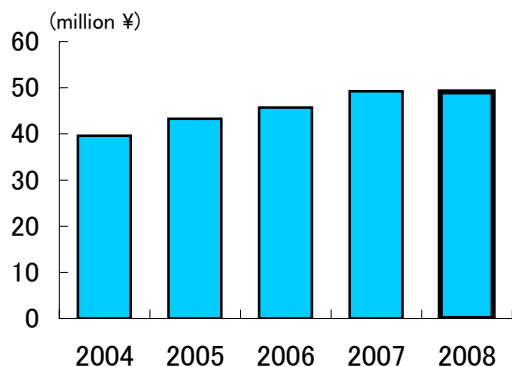


	2004	2005	2006	2007	2008
Book Value per Share	131.8	139.7	152.5	175.0	187.5

Book Value per Share: Total Shareholders' Equity / Number of Shares Outstanding.

## Net Sales per Employee

Years ended March 31

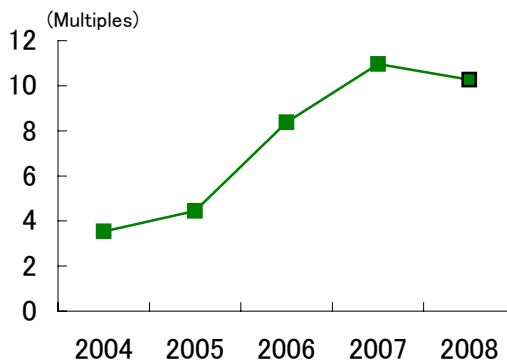


2004	2005	2006	2007	2008
39.59	43.29	45.73	49.25	49.11

Net Sales per Employee: Net Sales/Number of Employees.

## Interest Coverage

Years ended March 31

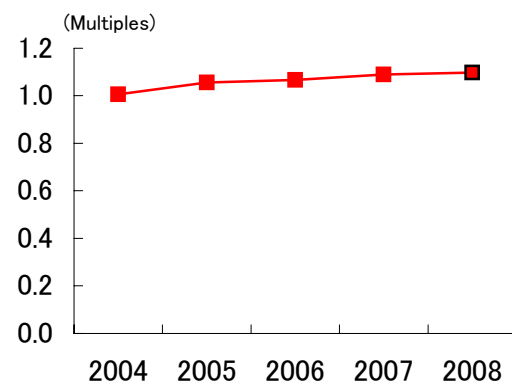


2004	2005	2006	2007	2008
3.54	4.44	8.37	10.97	10.27

Interest Coverage: (Operating Income + Interest and Dividend Income)/Interest Expense.

## Asset Turnover

Years ended March 31

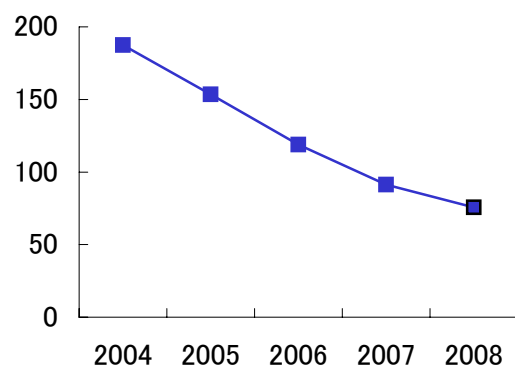


2004	2005	2006	2007	2008
1.01	1.06	1.07	1.09	1.10

Asset Turnover: Net Sales/Average Total Assets.

## Debt to Equity Ratio

Years ended March 31



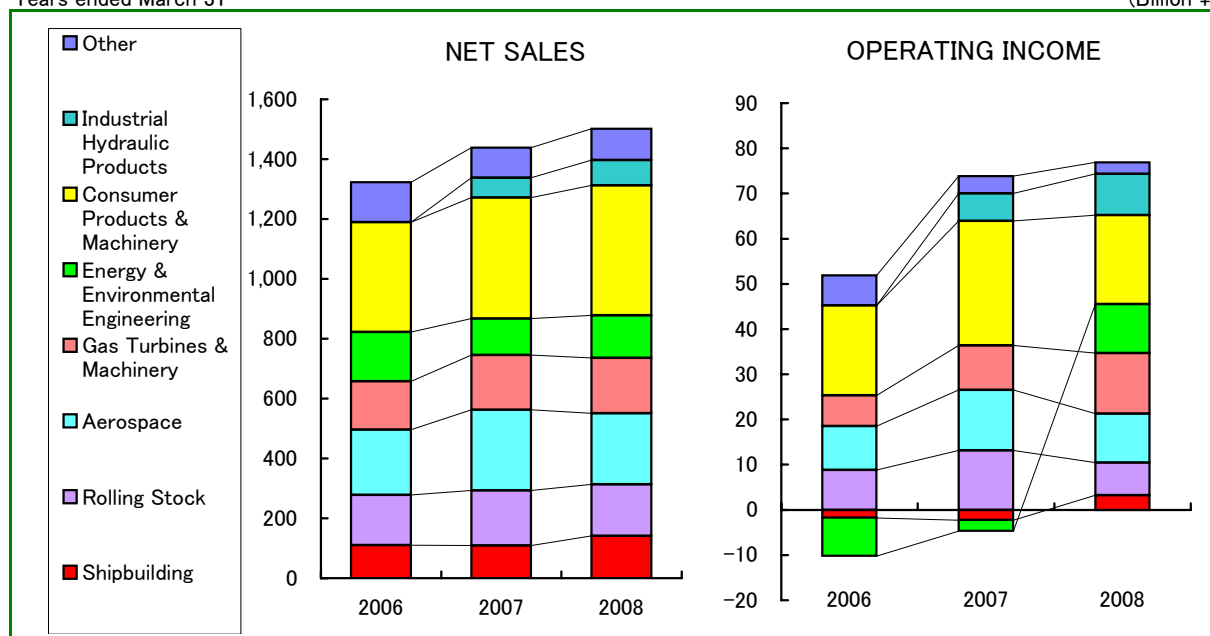
2004	2005	2006	2007	2008
187	154	119	91	76

Debt to Equity Ratio: (Interest Bearing Debt - Cash on Hand and in Banks) / Total Shareholders' Equity.

# SEGMENT INFORMATION

Years ended March 31

(Billion ¥)



## Net Sales

	(Billion ¥)		
	2006	2007	2008
Shipbuilding	109.7	108.8	141.4
Rolling Stock	168.3	184.3	171.7
Aerospace	218.5	269.1	237.3
Gas Turbines & Machinery	161.4	183.3	185.5
Energy & Environmental Engineering	164.5	122.1	142.5
Consumer Products & Machinery	367.0	403.7	434.0
Industrial Hydraulic Products	-	66.6	84.0
Other	133.1	100.7	104.6
<b>Total</b>	<b>1,322.5</b>	<b>1,438.6</b>	<b>1,501.1</b>

## Operating Income (Loss)

	(Billion ¥)		
	2006	2007	2008
Shipbuilding	(1.7)	(2.2)	3.3
Rolling Stock	8.8	13.2	7.2
Aerospace	9.7	13.4	10.9
Gas Turbines & Machinery	6.8	9.8	13.4
Energy & Environmental Engineering	(8.5)	(2.4)	10.8
Consumer Products & Machinery	19.9	27.6	19.7
Industrial Hydraulic Products	-	6.1	9.1
Other	6.7	3.8	2.6
<b>Net Operating Income</b>	<b>41.8</b>	<b>69.1</b>	<b>76.9</b>

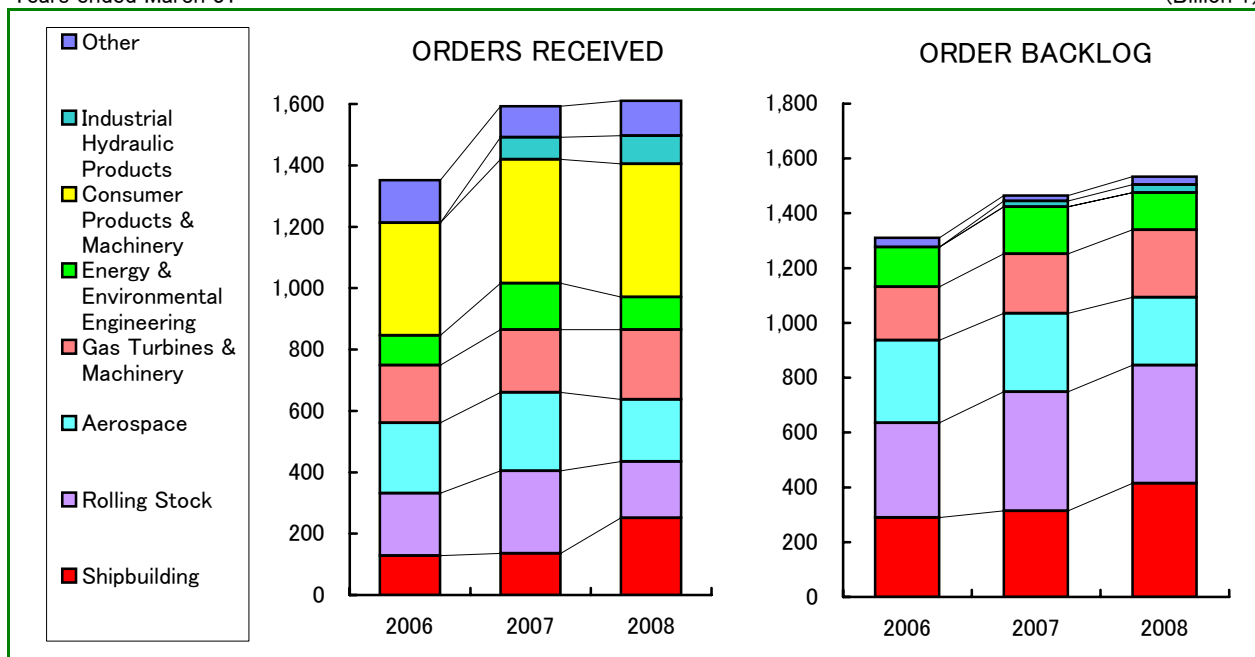
## Ratio of Operating Income to Sales

	2006	2007	2008
Shipbuilding	(1.7%)	(2.1%)	2.3%
Rolling Stock	5.2%	7.1%	4.2%
Aerospace	4.4%	5.0%	4.6%
Gas Turbines & Machinery	4.2%	5.4%	7.2%
Energy & Environmental Engineering	(5.2%)	(2.0%)	7.6%
Consumer Products & Machinery	5.4%	6.8%	4.5%
Industrial Hydraulic Products	-	9.1%	10.8%
Other	4.9%	3.8%	2.5%
<b>Total</b>	<b>3.2%</b>	<b>4.8%</b>	<b>5.1%</b>

Note: Industrial Hydraulic Products segment which had been included in "Other" until the year 2007 is disclosed separately for the year 2008 as its materiality increased in the company.

Years ended March 31

(Billion ¥)



(Billion ¥)

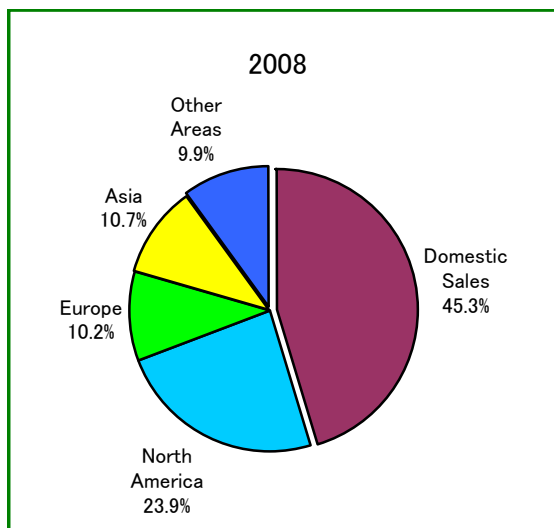
	Orders Received		
	2006	2007	2008
Shipbuilding	128.3	135.6	251.3
Rolling Stock	203.2	269.1	183.3
Aerospace	229.3	255.6	202.5
Gas Turbines & Machinery	188.1	204.8	227.4
Energy & Environmental Engineering	97.3	150.2	106.0
Consumer Products & Machinery	367.0	403.7	434.0
Industrial Hydraulic Products	-	72.9	92.3
Other	138.5	100.7	113.9
<b>Total</b>	<b>1,351.6</b>	<b>1,592.7</b>	<b>1,610.8</b>

	Order Backlog		
	2006	2007	2008
Shipbuilding	289.2	314.0	414.2
Rolling Stock	346.3	434.4	431.4
Aerospace	301.6	286.7	248.3
Gas Turbines & Machinery	195.1	216.9	246.0
Energy & Environmental Engineering	144.1	172.3	135.3
Consumer Products & Machinery	0.0	0.0	0.0
Industrial Hydraulic Products	-	21.0	29.3
Other	34.1	19.9	29.2
<b>Total</b>	<b>1,310.4</b>	<b>1,465.2</b>	<b>1,533.7</b>

Note: Industrial Hydraulic Products segment which had been included in "Other" until the year 2007 is disclosed separately for the year 2008 as its materiality increased in the company.

## OVERSEAS SALES

Years ended March 31



2008		
	Million ¥	% against net sales
North America	358,717	23.9%
Europe	153,613	10.2%
Asia	161,906	10.7%
Other Areas	148,316	9.9%
<b>Total Overseas Sales</b>	<b>822,552</b>	<b>54.7%</b>
<b>Domestic Sales</b>	<b>678,545</b>	<b>45.3%</b>
<b>Net Sales</b>	<b>1,501,097</b>	<b>100.0%</b>

# Shipbuilding

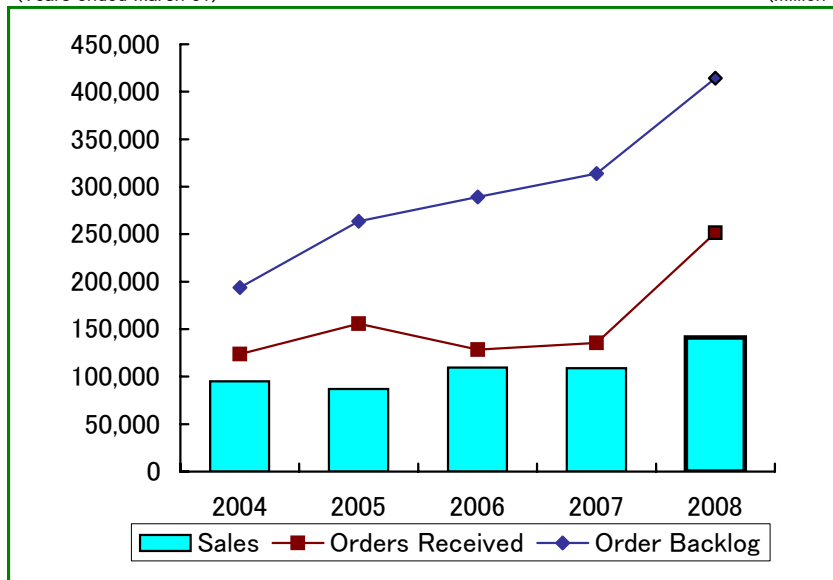
(Years ended March 31) –Consolidated Basis–

(Million ¥)

	2004	2005	2006	2007	2008
Sales	94,939	87,081	109,697	108,849	141,397
Orders Received	123,756	155,832	128,323	135,600	251,331
Order Backlog	193,705	263,707	289,227	313,987	414,176

(Years ended March 31)

(Million ¥)



(Years ended March 31)

–Parent (until 1st half of 2003) and Kawasaki Shipbuilding Corporation (from 2nd half of 2003) –

(Million ¥)

	2004	2005	2006	2007	2008
Sales	92,043	83,655	105,108	104,795	137,328
Newly Constructed Ships	77,507	74,241	90,763	94,146	119,710
Exports	56,448	50,617	64,617	74,729	84,072
Orders Received	121,766	151,799	124,066	131,268	247,010
Order Backlog	194,388	263,503	289,387	313,869	413,806

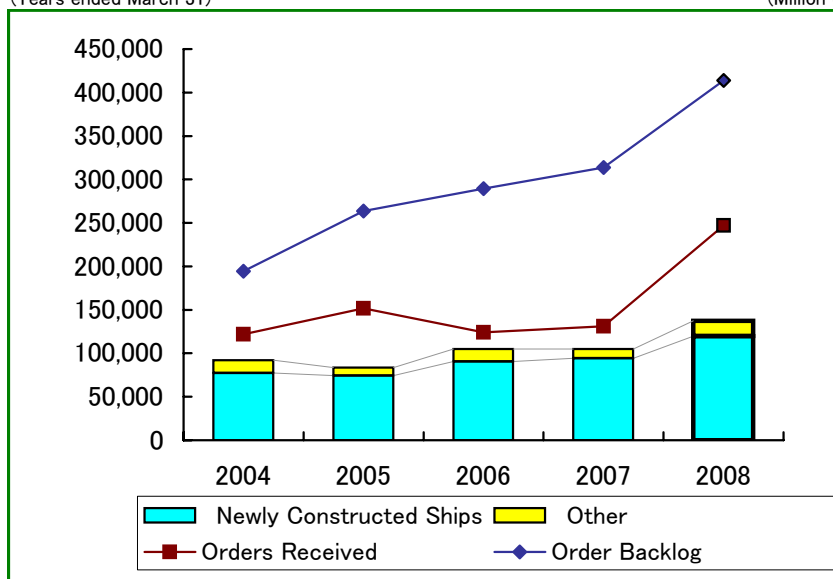
Note: Shipbuilding business in “Kawasaki Heavy Industries, Ltd. (KHI)” was partitioned off on 1st Oct. 2002

as a wholly owned subsidiary, i.e., “Kawasaki Shipbuilding Corporation (Kawasaki SC)”.

Therefore the each figure in the column of 2003 represents a total of the figures which the shipbuilding business in KHI before the partition and Kawasaki SC accomplished respectively.

(Years ended March 31)

(Million ¥)

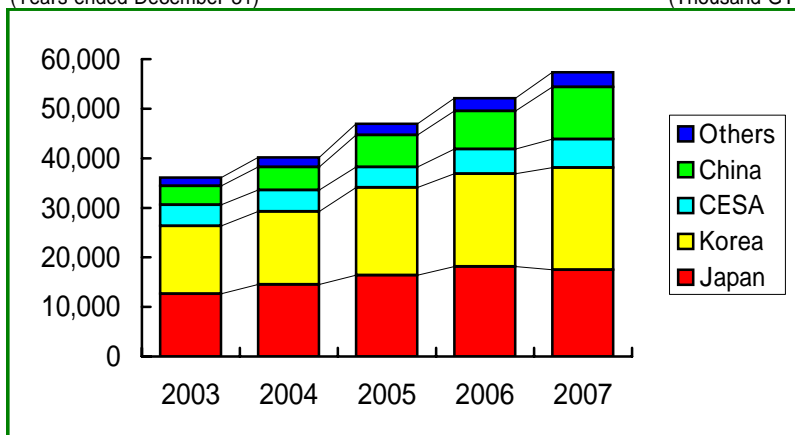




## Newly Constructed Ships World Market Volume

(Years ended December 31)

(Thousand GT)



	(Thousand GT)				
	2003	2004	2005	2006	2007
Japan	12,688	14,515	16,434	18,176	17,525
Korea	13,683	14,768	17,689	18,717	20,593
CESA a)	4,273	4,291	4,100	4,965	5,715
China	3,763	4,679	6,466	7,665	10,553
Others	1,724	1,918	2,280	2,595	2,934
<b>World Market Volume</b>	<b>36,131</b>	<b>40,171</b>	<b>46,969</b>	<b>52,118</b>	<b>57,320</b>

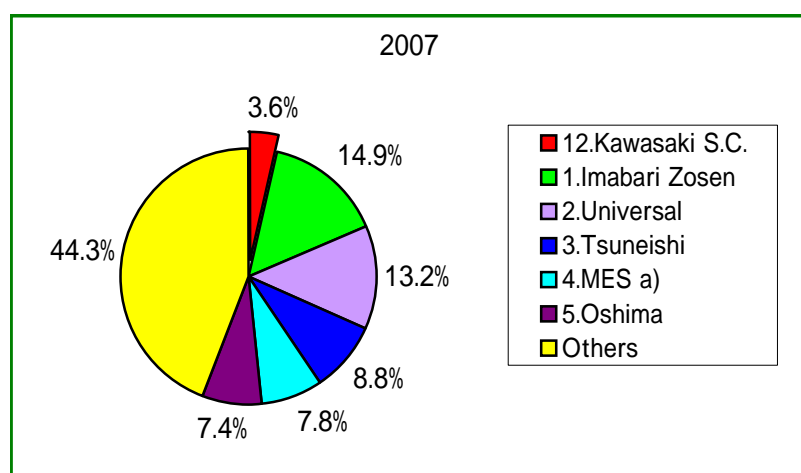
Notes: 1. Figures are on a ships volume completed (tonnage) basis for vessels of 100GT and above.

2. a) Community of European Shipyard's Associations

Source: Lloyd's Register "World Shipbuilding Statistics 2007"

## Newly Constructed Ships Domestic Share

(Years ended December 31)



Notes: 1. Figures are on a ships volume completed (tonnage) basis.

2. a) Mitsui Engineering & Shipbuilding.

b) Mitsubishi Heavy Industries.

Source: The Shipbuilders' Association of Japan

2003 (%)	
1.Universal	17.0
2.Imabari Zosen	12.6
3.IHI Marine United	7.5
4.MES a)	6.9
5.Tsuneishi	6.7
<b>10.Kawasaki S.C.</b>	<b>4.9</b>

2004 (%)	
1.Universal	15.3
2.Imabari Zosen	11.1
3.MHI b)	10.8
4.Tsuneishi	7.8
5.Koyo	7.2
<b>12.Kawasaki S.C.</b>	<b>3.6</b>

2005 (%)	
1.Imabari Zosen	14.5
2.Universal	13.6
3.MES a)	8.6
4.IHI Marine United	8.1
5.Tsuneishi	7.9
<b>8.Kawasaki S.C.</b>	<b>5.6</b>

2006 (%)	
1.Imabari Zosen	14.7
2.Universal	11.4
3.MES a)	9.3
4.MHI b)	9.2
5.Tsuneishi	8.8
<b>8.Kawasaki S.C.</b>	<b>6.2</b>

2007 (%)	
1.Imabari Zosen	14.9
2.Universal	13.2
3.Tsuneishi	8.8
4.MES a)	7.8
5.Oshima	7.4
<b>12.Kawasaki S.C.</b>	<b>3.6</b>

## Rolling Stock

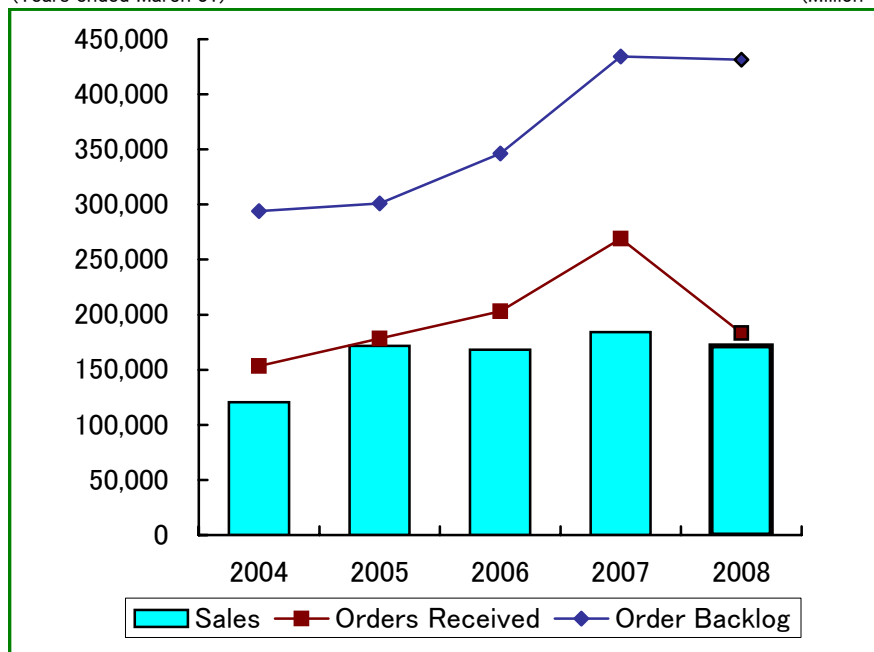
(Years ended March 31)–Consolidated Basis–

(Million ¥)

	2004	2005	2006	2007	2008
Sales	120,597	171,731	168,306	184,283	171,739
Orders Received	153,399	178,369	203,165	269,120	183,254
Order Backlog	294,017	300,837	346,310	434,419	431,377

(Years ended March 31)

(Million ¥)



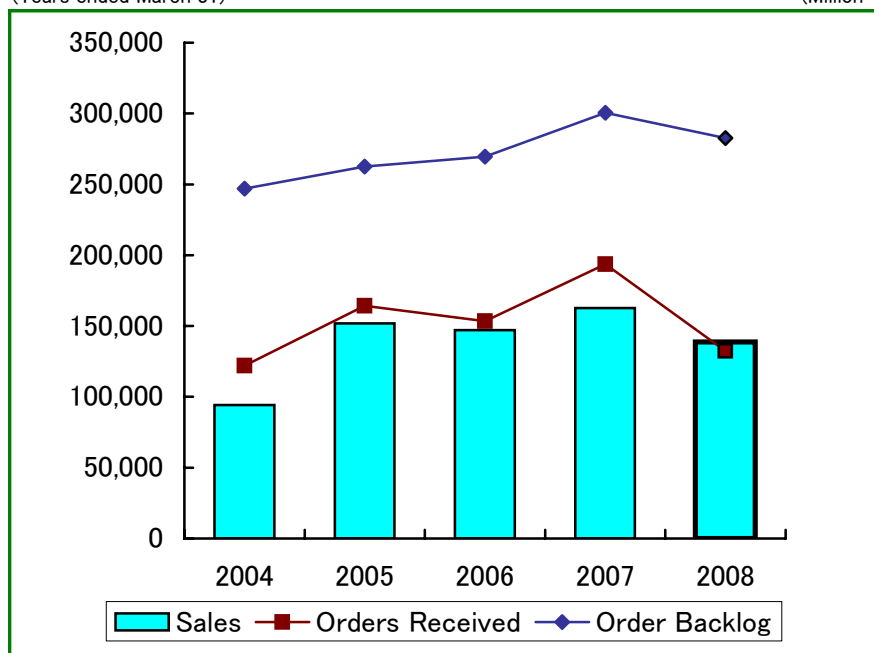
(Years ended March 31)–Parent Only–

(Million ¥)

	2004	2005	2006	2007	2008
Sales	94,239	151,824	147,020	162,627	138,681
Exports	28,082	84,458	99,812	114,126	71,414
Orders Received	122,079	164,285	153,450	193,584	132,390
Order Backlog	246,999	262,499	269,671	300,431	282,621

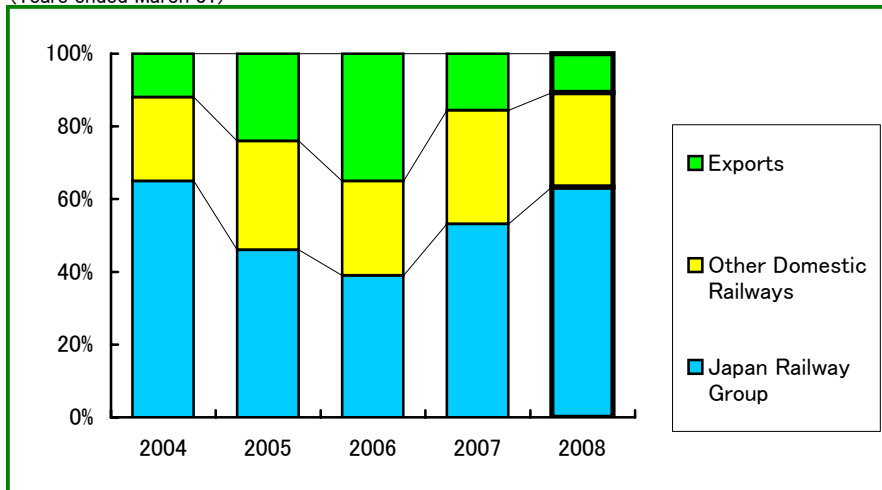
(Years ended March 31)

(Million ¥)



### Japanese Rolling Stock Production by Demand Sector

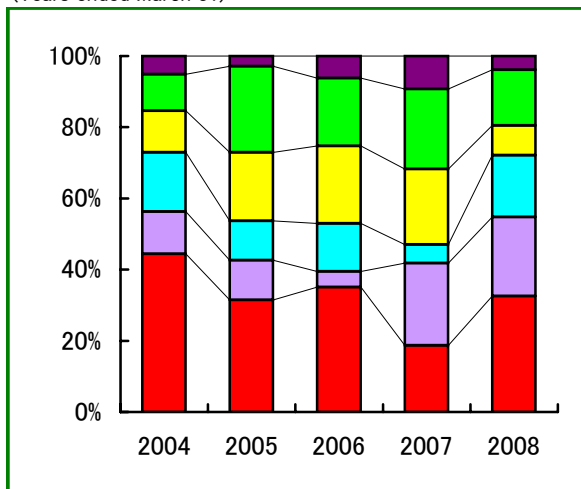
(Years ended March 31)



	2004	2005	2006	2007	2008
Japan Railway Group	65%	46%	39%	53%	63%
Other Domestic Railways	23%	30%	26%	31%	26%
Exports	12%	24%	35%	16%	11%
Total	100%	100%	100%	100%	100%

### Major Rolling Stock Suppliers to the Japan Railway Group

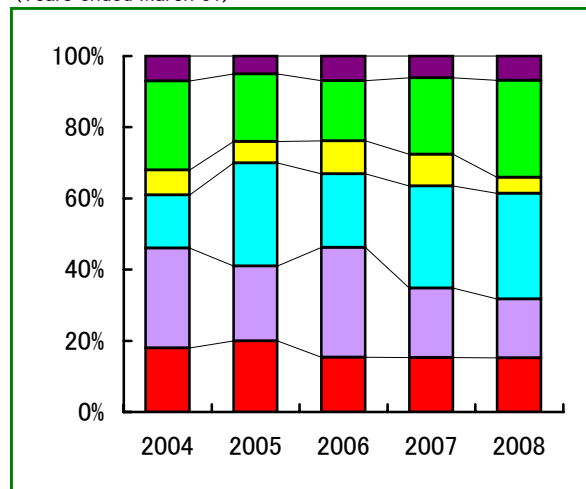
(Years ended March 31)



	2004	2005	2006	2007	2008
KHI	44.4%	31.5%	35.1%	18.7%	32.6%
Nippon Sharyo	11.9%	11.1%	4.4%	23.1%	22.2%
Hitachi	16.6%	11.1%	13.5%	5.2%	17.3%
Kinki Sharyo	11.7%	19.2%	21.7%	21.3%	8.4%
Tokyu Car	10.3%	24.2%	19.1%	22.4%	15.6%
Others	5.1%	2.9%	6.2%	9.3%	3.9%
Total	100%	100%	100%	100%	100%

### Major Rolling Stock Suppliers to Domestic Railways except JR Group

(Years ended March 31)



	2004	2005	2006	2007	2008
KHI	18.0%	20.0%	15.4%	15.3%	15.2%
Nippon Sharyo	28.0%	21.0%	30.8%	19.5%	16.5%
Hitachi	15.0%	29.0%	20.7%	28.7%	29.7%
Kinki Sharyo	7.0%	6.0%	9.3%	8.9%	4.5%
Tokyu Car	25.0%	19.0%	16.9%	21.5%	27.3%
Others	7.0%	5.0%	6.9%	6.1%	6.8%
Total	100%	100%	100%	100%	100%

Note: For the purpose of comparing corporate market shares, rail car procurement volume has been converted into standardized numerical values based on the type of car (i.e., conventional passenger cars, freight cars, Shinkansen cars and locomotives.).

Source: Japan Association of Rolling Stock Industries.

# Aerospace

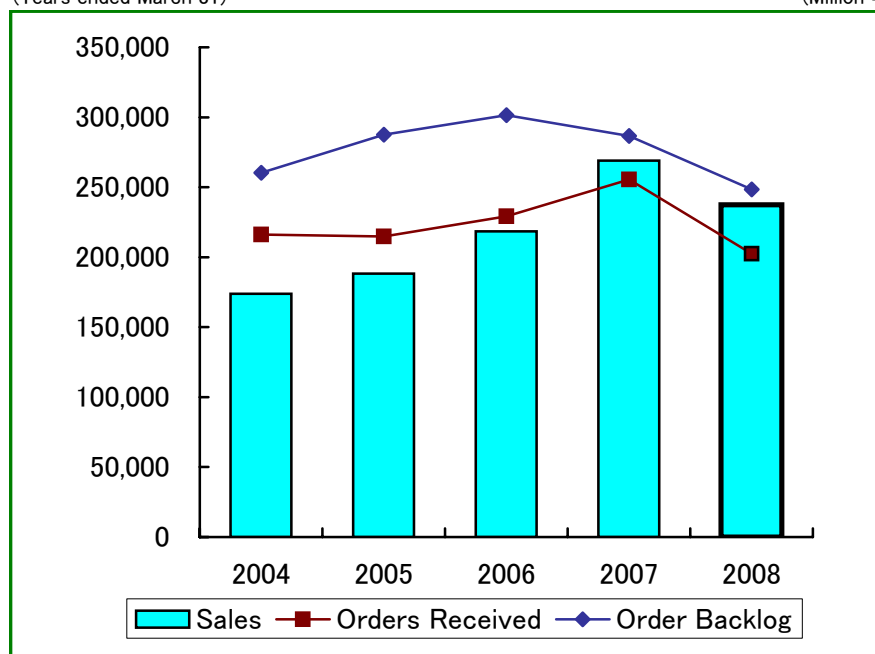
(Years ended March 31)–Consolidated Basis–

(Million ¥)

	2004	2005	2006	2007	2008
Sales	173,783	188,255	218,533	269,108	237,349
Orders Received	216,201	214,702	229,257	255,613	202,506
Order Backlog	260,321	287,441	301,599	286,699	248,332

(Years ended March 31)

(Million ¥)



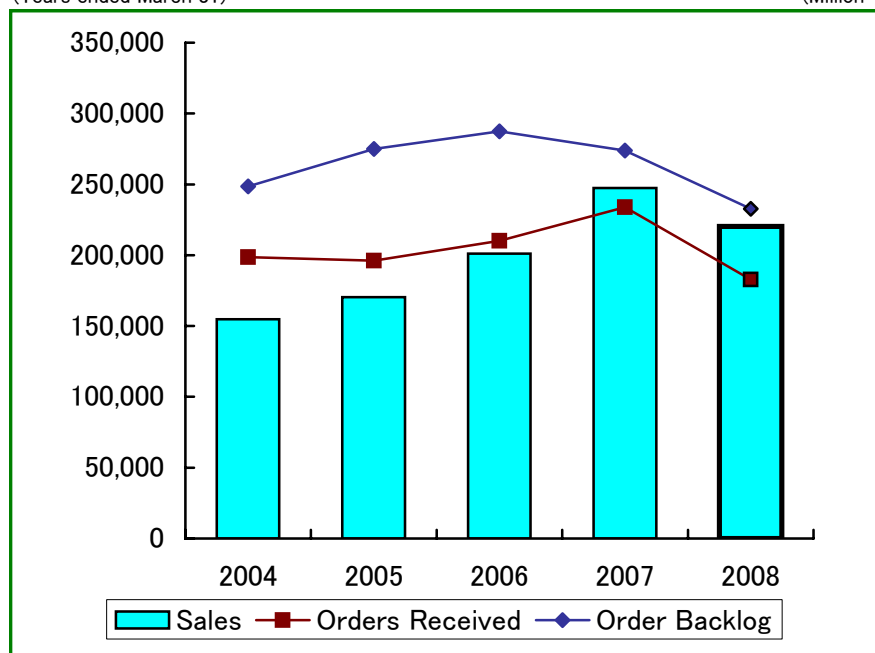
(Years ended March 31)–Parent Only–

(Million ¥)

	2004	2005	2006	2007	2008
Sales	154,769	170,425	201,121	247,396	220,264
Exports	31,712	31,368	45,770	70,794	75,814
Orders Received	198,577	196,161	210,070	233,868	182,699
Order Backlog	248,567	274,975	287,516	273,755	232,667

(Years ended March 31)

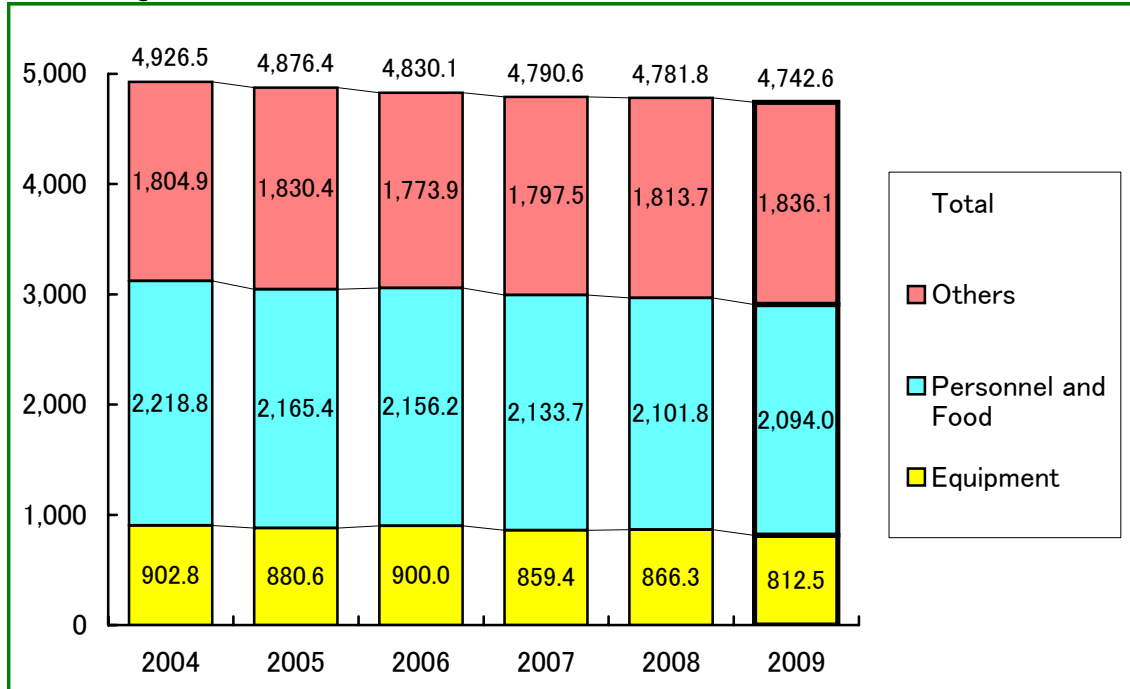
(Million ¥)



### Japan's Defense Budget (Initial Budget Base)

(Years ending March 31)

(Billion ¥)



Source: Japan Defense Agency.

### Major Suppliers to the Japan Defense Agency

(Years ended March 31)

2003			2004			2005		
	Billion ¥	% Share		Billion ¥	% Share		Billion ¥	% Share
1. MHI a)	347.9	27.2	1. MHI	281.7	22.1	1. MHI	270.6	20.7
2. KHI	110.2	8.6	2. KHI	158.8	12.5	2. KHI	142.9	10.9
3. Mitsubishi Electric	73.5	5.7	3. Mitsubishi Electric	94.9	7.5	3. Mitsubishi Electric	103.2	7.9
4. IHI b)	52.7	4.1	4. IHI	56.3	4.4	4. NEC	90.6	6.9
5. Toshiba	49.8	3.9	5. Toshiba	38.9	3.1	5. IHI	49.3	3.8

2006			2007			2008		
	Billion ¥	% Share		Billion ¥	% Share		Billion ¥	% Share
1. MHI	241.7	17.6	1. MHI	277.6	21.0	1. MHI	327.5	25.1
2. KHI	129.7	9.4	2. KHI	130.6	9.9	2. Mitsubishi Electric	96.1	7.4
3. Mitsubishi Electric	114.2	8.3	3. Mitsubishi Electric	117.7	8.9	3. NEC	71.7	5.5
4. NEC	107.8	7.8	4. NEC	83.1	6.3	4. KHI	66.8	5.1
5. Toshiba	49.5	3.6	5. IHIMU	44.6	3.4	5. Toshiba	57.0	4.4

Notes: a) Mitsubishi Heavy Industries.

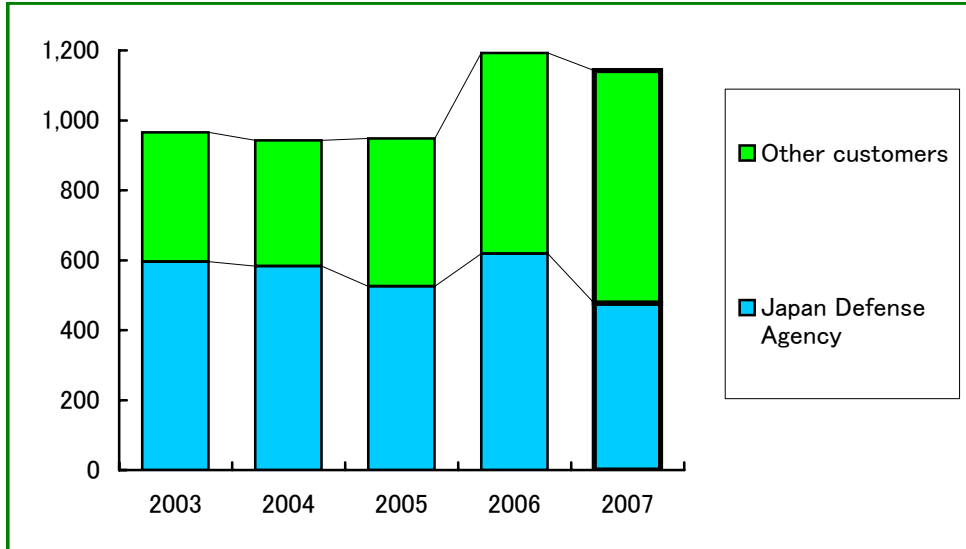
b) IHI Marine United.

Source: Japan Defense Agency.

### Japanese Aircraft Production by Demand Sector

(Years ended December 31)

(Billion ¥)



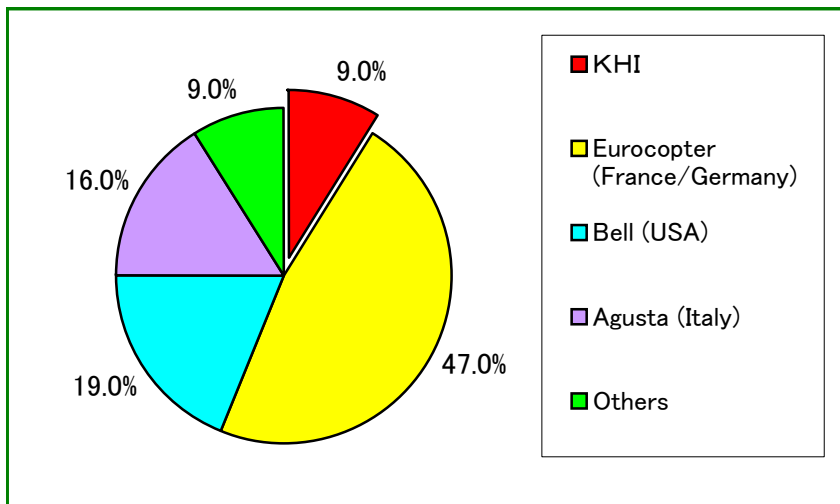
(Million ¥)

	2003	2004	2005	2006	2007
Japan Defense Agency	596,205	582,941	524,697	619,308	477,103
Other customers	369,822	360,041	423,356	574,178	664,827
<b>Total</b>	<b>966,027</b>	<b>942,982</b>	<b>948,053</b>	<b>1,193,486</b>	<b>1,141,930</b>

Source: The Society of Japanese Aerospace Companies

### Helicopters Domestic Share for Civilian Use (The average of 2003–2007)

(Years ended December 31)



KHI	9.0%
Eurocopter (France/Germany)	47.0%
Bell (USA)	19.0%
Agusta (Italy)	16.0%
Others	9.0%
<b>Total</b>	<b>100.0%</b>

Note: Figures are calculated on the basis of the new registration number of double-turbine helicopters.

Source: Aviation Engineering

## Gas Turbines & Machinery

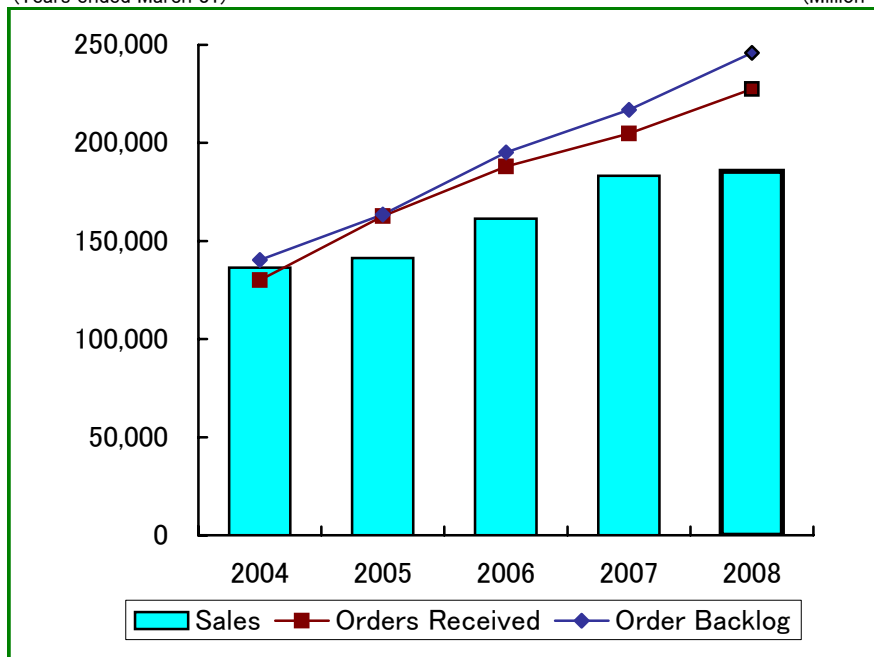
(Years ended March 31)–Consolidated Basis–

(Million ¥)

	2004	2005	2006	2007	2008
Sales	136,468	141,366	161,431	183,309	185,486
Orders Received	129,987	162,700	188,068	204,847	227,422
Order Backlog	140,327	163,440	195,108	216,886	245,962

(Years ended March 31)

(Million ¥)



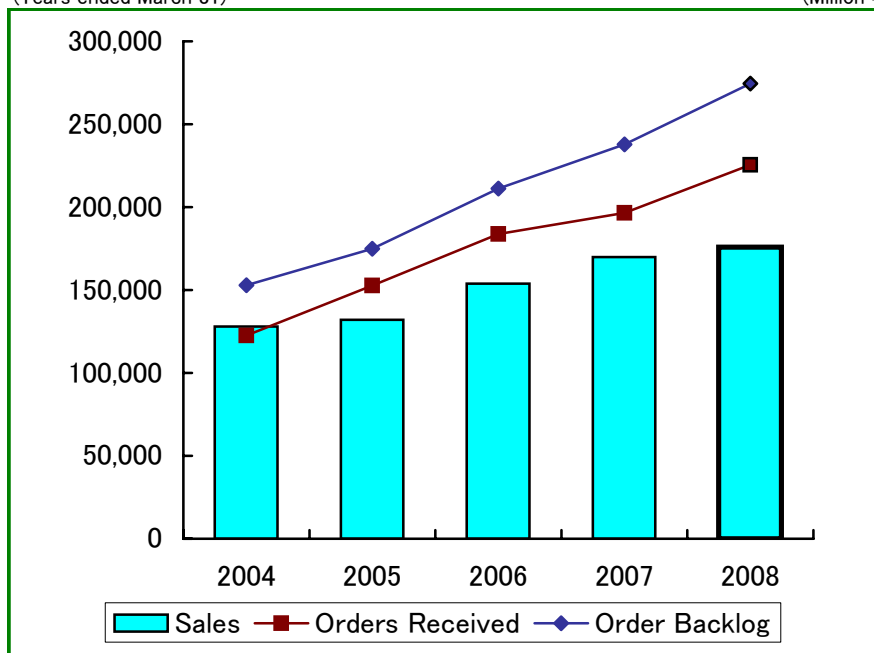
(Years ended March 31)–Parent Only–

(Million ¥)

	2004	2005	2006	2007	2008
Sales	128,000	132,103	153,896	169,877	175,887
Exports	45,279	51,829	74,207	80,505	88,105
Orders Received	122,593	152,718	183,877	196,487	225,411
Order Backlog	152,943	174,824	211,209	237,873	274,496

(Years ended March 31)

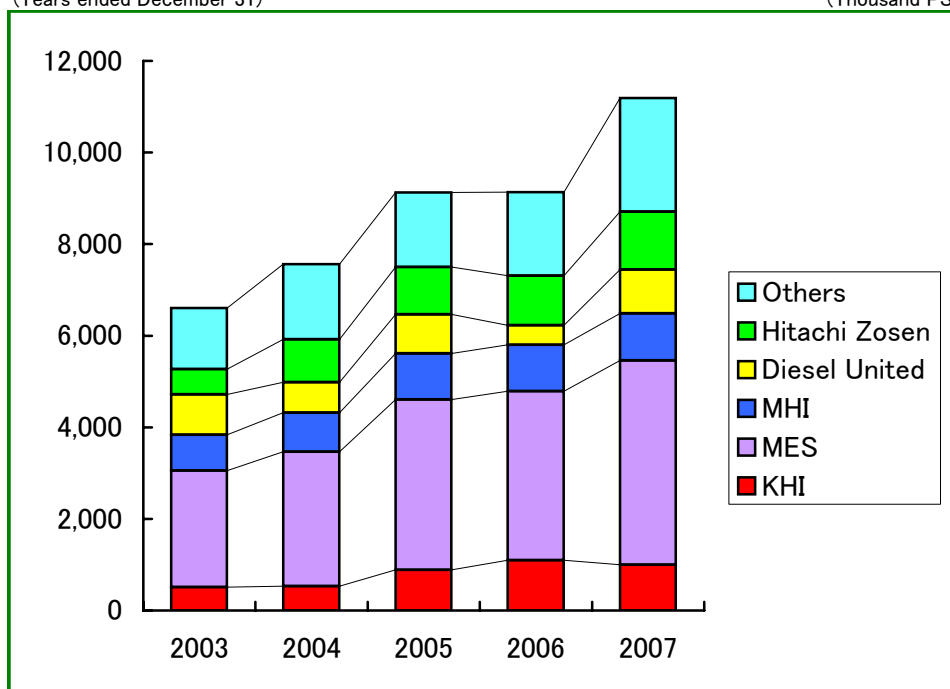
(Million ¥)



## Diesel Engines Domestic Production

(Years ended December 31)

(Thousand PS)



(Thousand PS)

	2003	2004	2005	2006	2007
<b>KHI</b>	<b>510</b>	<b>531</b>	<b>891</b>	<b>1,095</b>	<b>1,001</b>
MES a)	2,546	2,938	3,712	3,693	4,459
MHI b)	784	848	1,010	1,012	1,027
Diesel United	878	665	851	428	954
Hitachi Zosen	549	941	1,034	1,085	1,264
Others	1,339	1,641	1,628	1,824	2,486
<b>Total</b>	<b>6,606</b>	<b>7,564</b>	<b>9,126</b>	<b>9,137</b>	<b>11,191</b>

Notes: 1. Figures are shown on the basis of horse power (PS).

2. a) Mitsui Engineering & Shipbuilding.

b) Mitsubishi Heavy Industries.

Source: KP Data.

## Diesel Engines Domestic Share

(Years ended December 31)

	2003	2004	2005	2006	2007
<b>KHI</b>	<b>7.7%</b>	<b>7.0%</b>	<b>9.8%</b>	<b>12.0%</b>	<b>8.9%</b>
MES	38.5%	38.8%	40.7%	40.4%	39.8%
MHI	11.9%	11.2%	11.1%	11.1%	9.2%
Diesel United	13.3%	8.8%	9.3%	4.7%	8.5%
Hitachi Zosen	8.3%	12.4%	11.3%	11.9%	11.3%
Others	20.3%	21.8%	17.8%	19.9%	22.3%

Note: Figures are shown on the basis of horse power (PS).

Source: KP Data.

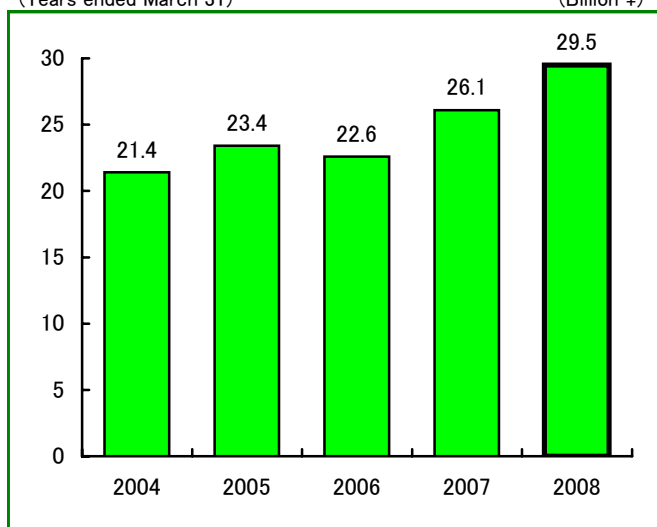


## Gas Turbine Generator Sales

-Parent Only-

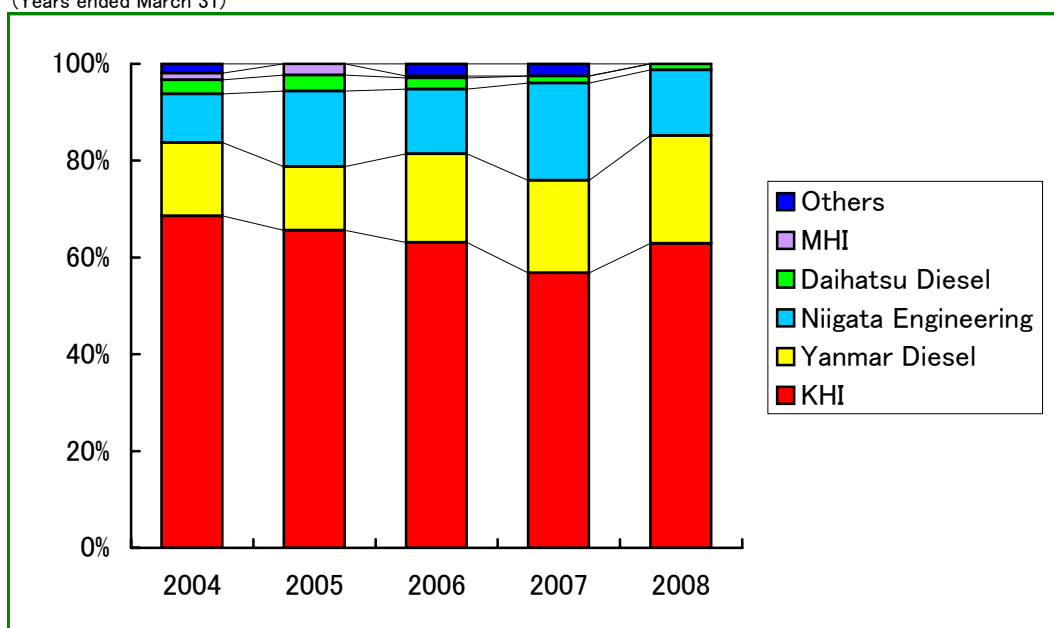
(Years ended March 31)

(Billion ¥)



## Gas Turbine Generators Domestic Share

(Years ended March 31)



	2004	2005	2006	2007	2008
KHI	68.6%	65.6%	63.1%	56.8%	62.9%
Yanmar Diesel	15.1%	13.2%	18.3%	19.1%	22.3%
Niigata Engineering	10.1%	15.6%	13.4%	20.1%	13.6%
Daihatsu Diesel	2.9%	3.3%	2.3%	1.5%	1.2%
MHI a)	1.4%	2.3%	0.4%	0.0%	0.0%
Others	1.9%	0.0%	2.5%	2.5%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: 1. Figures represent sales for medium- and small-sized gas turbine generators (up to 2,000kW).

2. a) Mitsubishi Heavy Industries.

Source: *Denki Nichinichi Shimbun*, "Ranking Series".

# Energy & Environmental Engineering

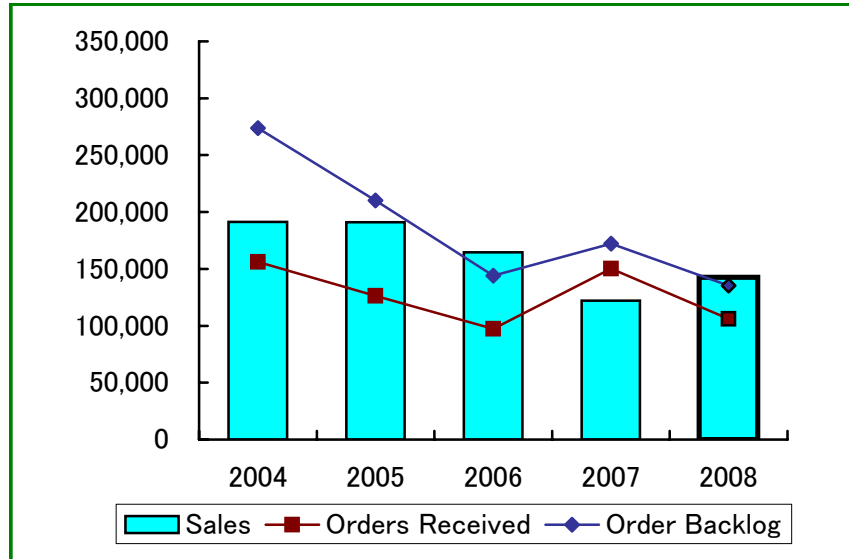
(Years ended March 31)–Consolidated Basis–

(Million ¥)

	2004	2005	2006	2007	2008
Sales	191,412	191,012	164,506	122,062	142,547
Orders Received	156,145	126,403	97,332	150,221	106,046
Order Backlog	273,837	210,160	144,147	172,255	135,288

(Years ended March 31)

(Million ¥)



(Years ended March 31) – Parent, Kawasaki Plant Systems, Ltd., and Kawasaki Environmental Engineering, Ltd. –

(Million ¥)

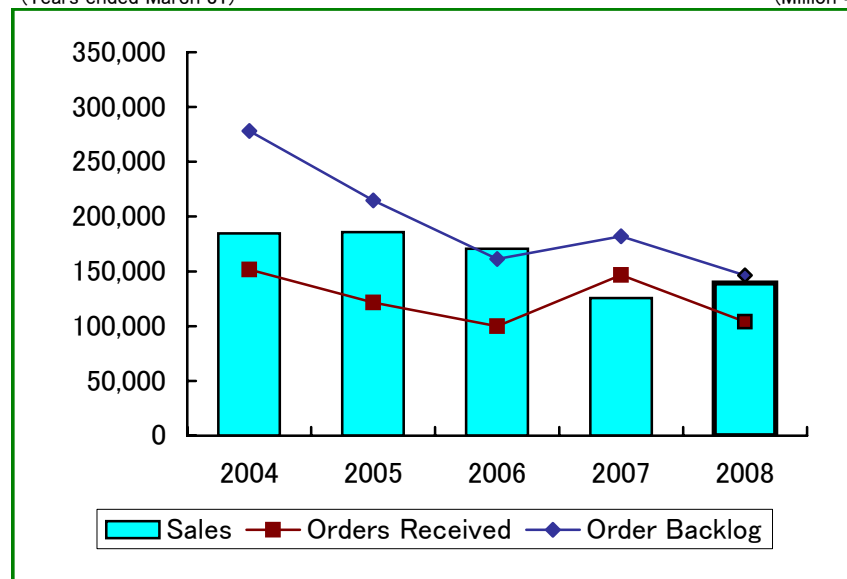
	2004	2005	2006	2007	2008
Sales	184,659	185,896	170,493	125,736	139,380
Exports	54,236	77,921	71,909	35,061	43,625
Orders Received	151,755	121,579	99,940	146,737	104,073
Order Backlog	278,101	214,715	161,153	182,104	146,365

Note: Environmental engineering business unit in the Energy & Environmental Engineering segment of "Kawasaki Heavy Industries, Ltd. (KHI)" was separated from KHI in Oct. 2006, as a wholly owned subsidiary, i.e., "Kawasaki Environmental Engineering, Ltd.(KEE)". The merger of KEE and Kawasaki Plant Systems, Ltd.(K Plant) in Apr. 2007 created the new K Plant, which is now the segment's core company.

Therefore, each figure in the column of 2006 and 2007 represents the total figures of the Energy & Environmental Engineering segment of KHI after the separation, K Plant, and KEE accomplished respectively.

(Years ended March 31)

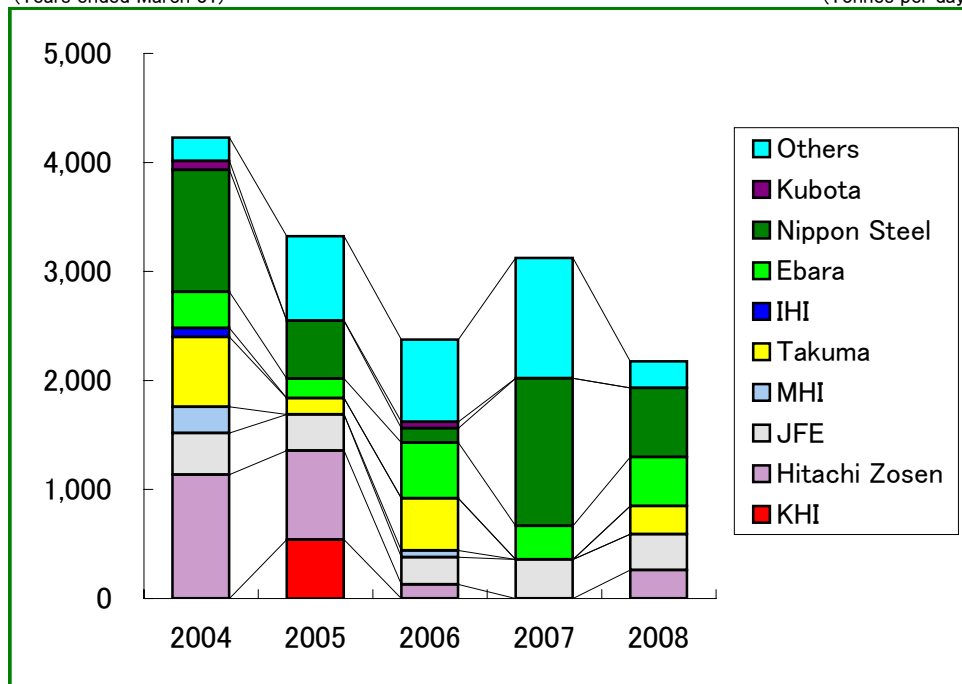
(Million ¥)



## Refuse Incineration Plants Domestic Market Volume

(Years ended March 31)

(Tonnes per day)



(Tonnes per day)

	2004	2005	2006	2007	2008
<b>KHI</b>	<b>0</b>	<b>540</b>	<b>0</b>	<b>0</b>	<b>0</b>
Hitachi Zosen	1,135	815	128	0	260
JFE a)	383	333	250	358	330
MHI b)	240	0	62	0	0
Takuma	640	150	480	0	258
IHI c)	84	0	0	0	0
Ebara	330	180	511	309	450
Nippon Steel	1,118	530	132	1,352	635
Kubota	84	0	58	0	0
Others	215	776	755	1,106	244
<b>Total Market Volume</b>	<b>4,229</b>	<b>3,324</b>	<b>2,376</b>	<b>3,125</b>	<b>2,177</b>

Notes: 1. Figures represent tonnes of processing capacity per day for ordered units.

2. a) JFE Engineering Corporation. (Until 2003, "NKK")

b) Mitsubishi Heavy Industries.

c) IHI Corporation. (Until 2006, "Ishikawajima-Harima Heavy Industries")

Source: Company's estimates.

## Refuse Incineration Plants Domestic Share

(Years ended March 31)

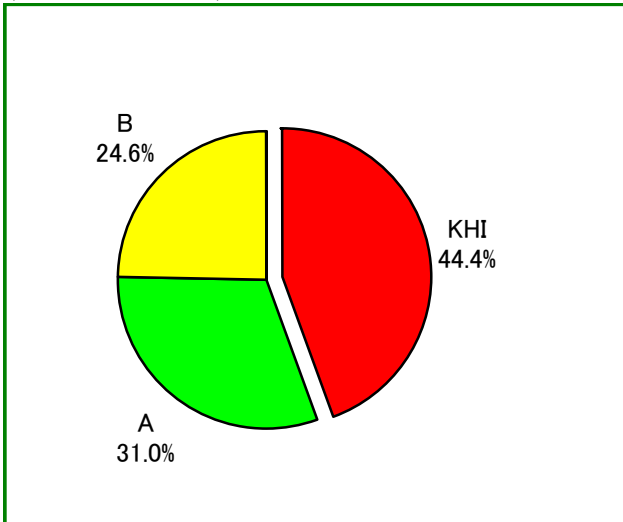
	2004	2005	2006	2007	2008
<b>KHI</b>	<b>0.0%</b>	<b>16.2%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Hitachi Zosen	26.8%	24.5%	5.4%	0.0%	11.9%
JFE	9.1%	10.0%	10.5%	11.5%	15.2%
MHI	5.7%	0.0%	2.6%	0.0%	0.0%
Takuma	15.1%	4.5%	20.2%	0.0%	11.9%
IHI	2.0%	0.0%	0.0%	0.0%	0.0%
Ebara	7.8%	5.4%	21.5%	9.9%	20.7%
Nippon Steel	26.4%	15.9%	5.6%	43.3%	29.2%
Kubota	2.0%	0.0%	2.4%	0.0%	0.0%
Others	5.1%	23.5%	31.8%	35.3%	11.1%

Note: Figures are calculated on the basis of tonnes of processing capacity per day for ordered units.

Source: Company's estimates.

**Shield Machines and Tunnel Boring Machines  
 –Large-Diameter Model  
 Domestic Share (2004–2008 Total)**

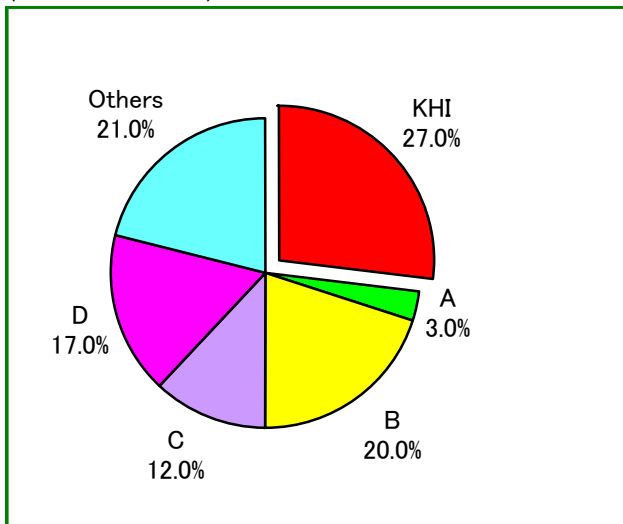
(Years ended March 31)



Notes: 1. Segments A and B represent the shares of the two other major companies in this market.  
 2. Figures are shown on a sales amount basis.  
 Source: Company's estimates.

**Shield Machines and Tunnel Boring Machines  
 Domestic Share (2008)**

(Year ended March 31)



Notes: 1. Segments A, B, C and D represent the shares of the four other major companies in this market.  
 2. Figures are shown on a sales amount basis.  
 Source: Company's estimates.

## Consumer Products & Machinery

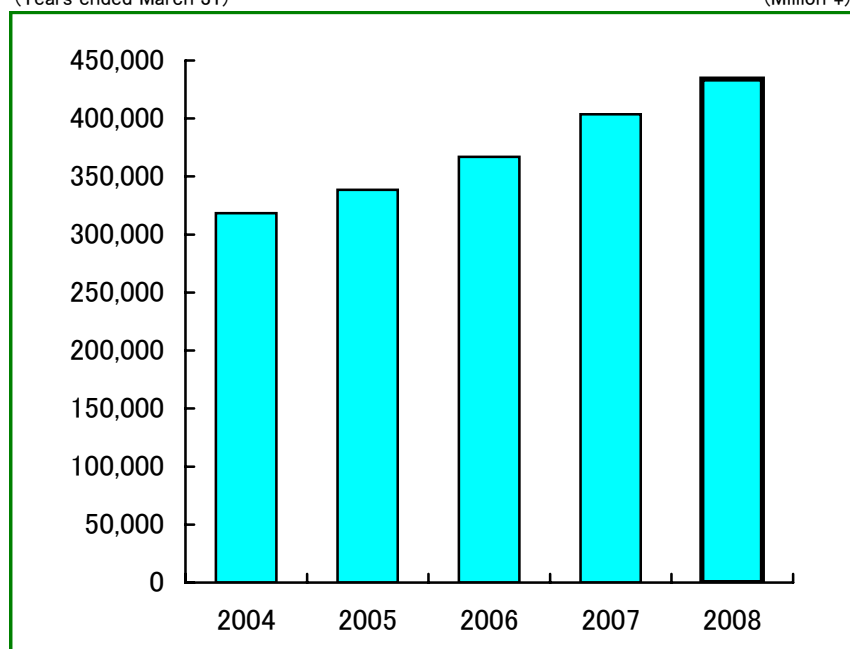
(Years ended March 31)–Consolidated Basis–

(Million ¥)

	2004	2005	2006	2007	2008
Sales	318,325	338,450	366,960	403,702	433,963

(Years ended March 31)

(Million ¥)



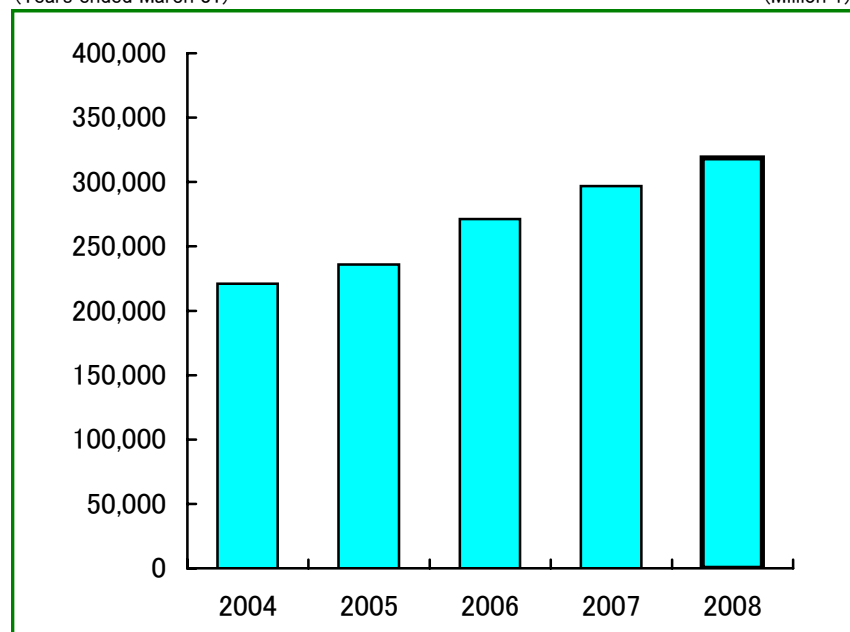
(Years ended March 31)–Parent Only–

(Million ¥)

	2004	2005	2006	2007	2008
Sales	220,883	235,983	271,315	296,846	318,770
Exports	184,451	202,405	234,056	264,236	284,685

(Years ended March 31)

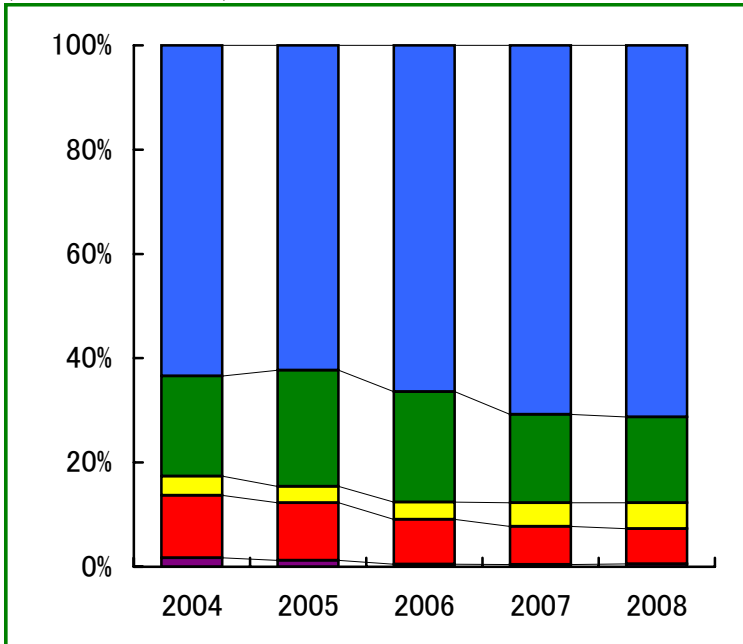
(Million ¥)



### Composites of Consumer Product Sales

-Parent Only-

(Years ended March 31)



	2004	2005	2006	2007	2008
Motorcycles	63.4%	62.3%	66.4%	70.8%	71.3%
ATVs, U/Vs	19.2%	22.3%	21.2%	16.9%	16.4%
Personal Watercraft	3.7%	3.1%	3.3%	4.6%	5.0%
Gasoline Engines	12.0%	11.1%	8.6%	7.3%	6.8%
Automobile Transmissions	1.7%	1.2%	0.5%	0.4%	0.5%

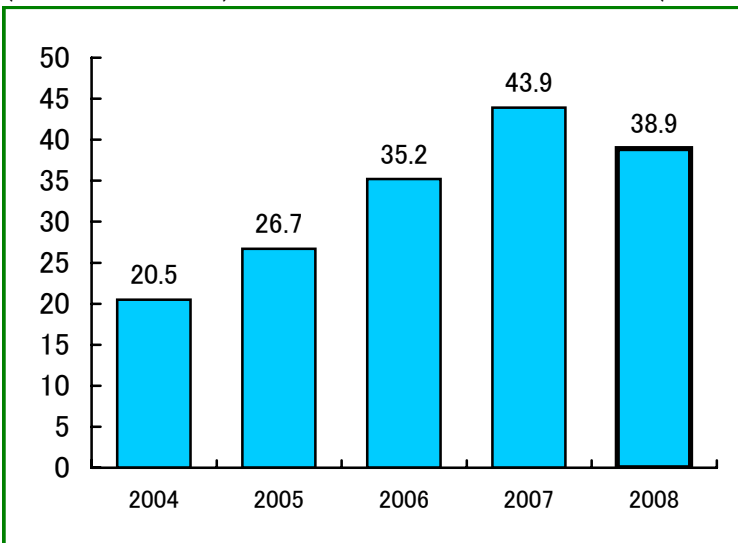
ATVs: All-Terrain Vehicles U/Vs: Utility Vehicles

### Industrial Robot Sales

-Parent Only-

(Years ended March 31)

(Billion ¥)



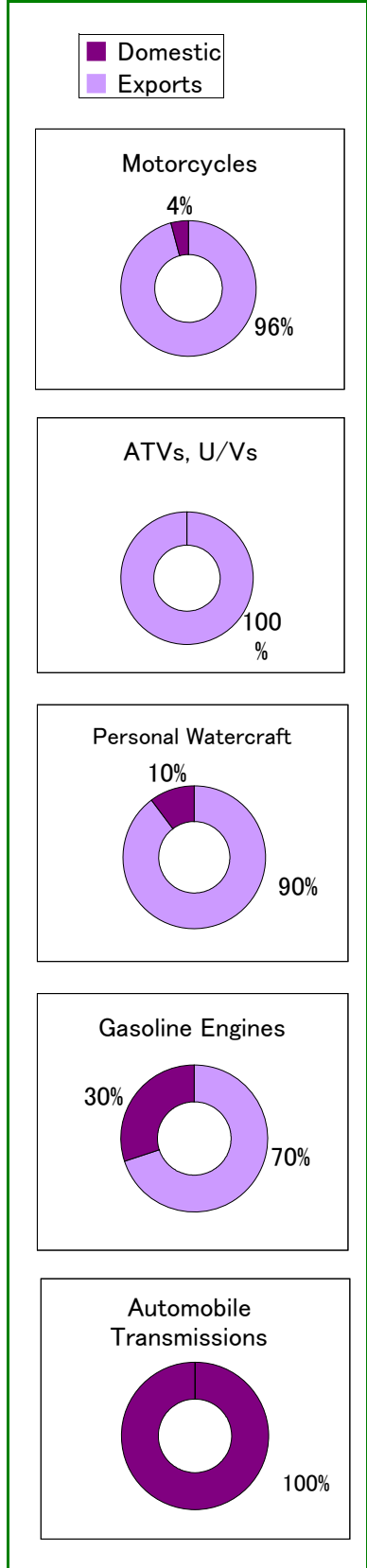
(Billion ¥)

	2004	2005	2006	2007	2008
Sales	20.5	26.7	35.2	43.9	38.9

### Domestic/Export Sales by Product

-Parent Only-

(Year ended March 31, 2008)

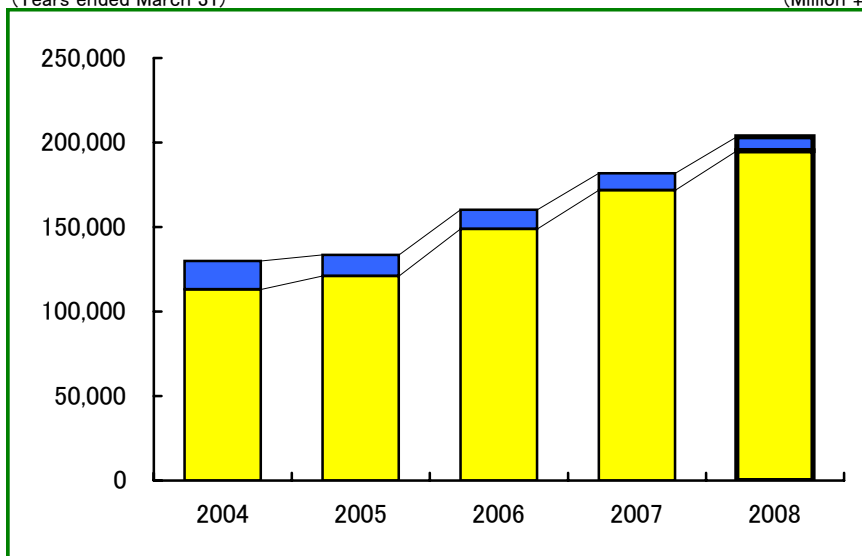


## Motorcycle Sales

-Parent Only-

(Years ended March 31)

(Million ¥)

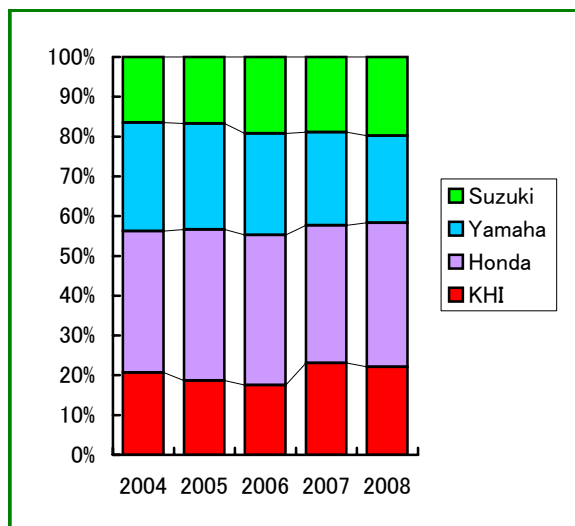


(Million ¥)

	2004	2005	2006	2007	2008
■ Domestic Sales	16,774	12,630	11,241	10,040	8,421
■ Export Sales	113,058	120,934	148,937	171,755	195,017
<b>Total Motorcycle Sales</b>	<b>129,832</b>	<b>133,564</b>	<b>160,178</b>	<b>181,795</b>	<b>203,438</b>

Note: Including sales of spare parts.

## Motorcycle Sales Domestic Share

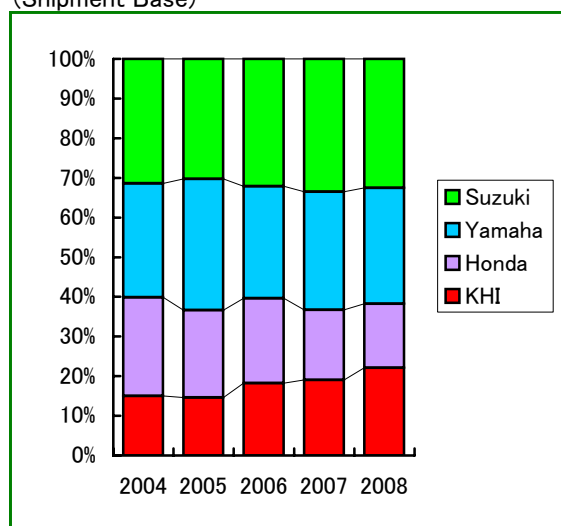


(Years ended March 31)

	2004	2005	2006	2007	2008
<b>KHI</b>	<b>20.7%</b>	<b>18.7%</b>	<b>17.5%</b>	<b>23.1%</b>	<b>22.1%</b>
Honda Motor	35.5%	37.9%	37.8%	34.6%	36.2%
Yamaha Motor	27.3%	26.7%	25.5%	23.4%	21.9%
Suzuki Motor	16.5%	16.7%	19.2%	18.9%	19.8%

## Motorcycle Sales Export Share

(Shipment Base)



(Years ended March 31)

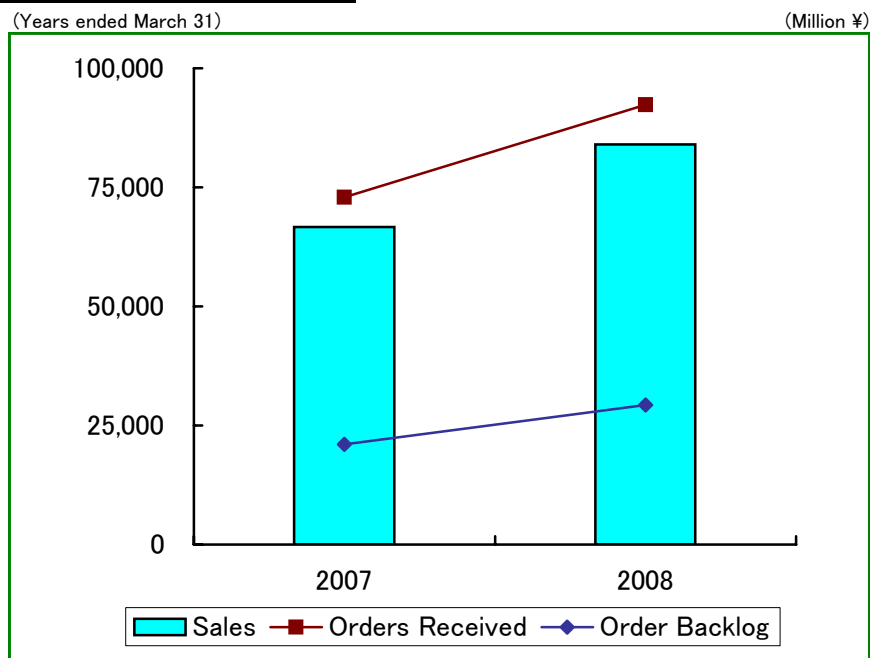
	2004	2005	2006	2007	2008
<b>KHI</b>	<b>15.0%</b>	<b>14.6%</b>	<b>18.2%</b>	<b>19.0%</b>	<b>22.1%</b>
Honda Motor	24.8%	22.0%	21.4%	17.7%	16.2%
Yamaha Motor	28.7%	33.1%	28.2%	29.8%	29.2%
Suzuki Motor	31.4%	30.2%	32.1%	33.5%	32.5%

Note: Engine displacement of more than 251cc.

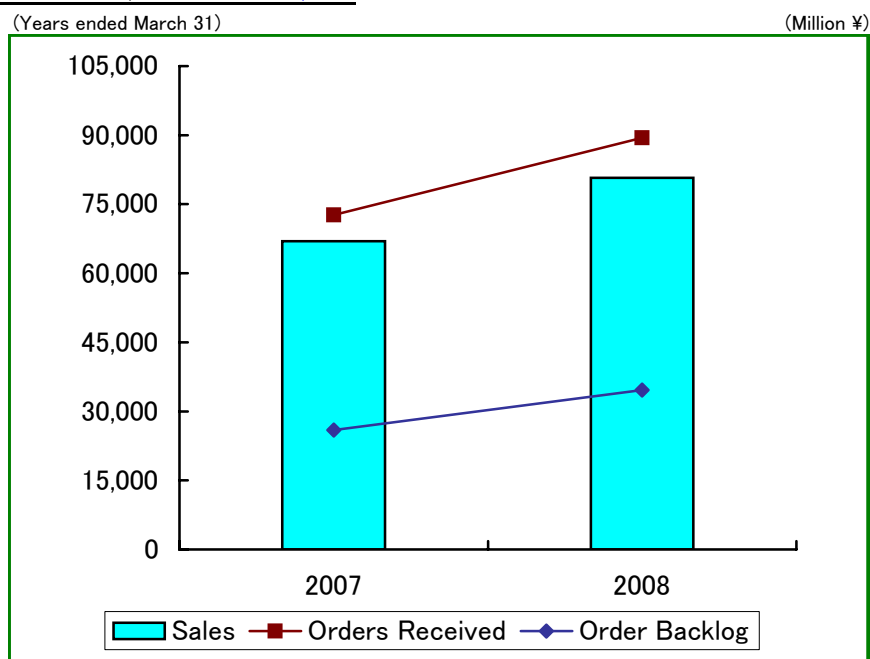
Source: Japan Automobile Manufacturers Association Inc.

## Industrial Hydraulic Products

(Years ended March 31)-Consolidated Basis-		(Million ¥)
	2007	2008
Sales	66,649	84,028
Orders Received	72,918	92,335
Order Backlog	21,010	29,317



(Years ended March 31)-Parent Only-		(Million ¥)
	2007	2008
Sales	66,956	80,721
Exports	24,282	32,272
Orders Received	72,649	89,396
Order Backlog	25,968	34,644



Note: Industrial Hydraulic Products segment which had been included in "Other" until the year 2007 is disclosed separately for the year 2008 as its materiality increased in the company.



# CONDENSED BALANCE SHEETS

Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries

As of March 31

ASSETS	Millions of yen					
	2008	2007	2006	2005	2004	2003
Current assets:						
Cash on hand and in banks	¥39,875	¥39,351	¥37,650	¥44,629	¥43,064	¥61,185
Receivables	437,295	446,850	442,033	419,633	383,532	398,243
Allowance for doubtful receivables	(4,140)	(4,273)	(3,829)	(6,014)	(6,725)	(5,176)
	433,155	442,577	438,204	413,619	376,807	393,067
Inventories	439,310	427,934	383,017	332,333	335,064	342,387
Deferred tax assets	25,250	32,694	32,398	20,219	19,429	18,423
Other current assets	44,692	19,362	24,630	26,205	25,116	12,900
Total current assets	982,282	961,918	915,899	837,005	799,480	827,962
Investments and long-term loans:						
Investments in securities	70,052	87,277	67,130	69,972	65,008	52,146
other	9,623	9,717	9,627	9,597	12,831	13,598
Total Investments and long-term loans	79,675	96,994	76,757	79,569	77,839	65,744
Property, plant and equipment	835,610	814,101	793,926	786,126	780,895	761,110
Accumulated depreciation	(575,683)	(560,282)	(547,707)	(542,960)	(531,973)	(526,758)
Net property, plant and equipment	259,927	253,819	246,219	243,166	248,922	234,352
Intangible and other assets:						
Deferred tax assets	38,337	27,725	28,186	19,260	14,456	10,765
Intangible and other assets	18,549	17,524	17,024	15,473	16,207	10,338
	56,886	45,249	45,210	34,733	30,663	21,103
Total assets	¥1,378,770	¥1,357,980	¥1,156,904	¥1,194,473	¥1,156,904	¥1,149,161
LIABILITIES AND SHAREHOLDERS' EQUITY						
Millions of yen						
	2008	2007	2006	2005	2004	2003
Current liabilities:						
Short-term borrowings and current portion						
of long-term debt	¥137,681	¥138,463	¥162,746	¥146,605	¥188,652	¥201,248
Trade payables	431,000	412,501	409,942	348,389	286,117	294,769
Advances from customers	124,679	124,445	98,590	106,574	110,900	100,829
Income tax payable	16,836	13,365	19,978	12,276	12,491	7,560
Accrued bonuses	19,263	17,811	15,198	13,958	14,289	19,540
Provision for product warranty	6,734	5,100	4,200	2,551	2,156	2,303
Provision for restructuring charges	-	-	9,557	-	-	2,260
Provision for losses on construction contracts	8,836	12,363	12,613	6,833	5,018	832
Deferred tax liabilities	270	296	111	317	188	284
Other current liabilities	79,242	82,162	69,724	60,979	57,728	60,566
Total current liabilities	824,541	806,506	802,659	698,482	677,539	690,191
Long-term liabilities:						
Long-term debt, less current portion	138,766	165,754	157,057	207,279	210,819	226,936
Retirement and severance benefits	81,928	77,484	69,113	73,422	64,902	42,368
Deferred tax liabilities	5,433	3,996	3,733	1,980	2,035	2,825
Other	9,064	8,862	8,427	7,154	7,579	6,665
Total long-term liabilities	235,191	256,096	238,330	289,835	285,335	278,794
Minority interests	5,846	4,950	5,508	4,691	3,855	5,591
Shareholders' equity:						
Authorized--- 3,360,000,000 shares						
Issued----- 1,669,629,122 shares in 2008						
	104,329	103,188	92,085	81,427	81,427	81,427
Capital surplus	54,291	53,179	42,094	31,390	31,388	24,683
Retained earnings	151,401	125,799	100,776	88,704	80,469	77,069
Net unrealized gains on securities	10,292	19,342	14,097	16,910	13,266	3,671
Gains/losses on hedging items	5,217	(1,608)	-	-	-	-
Foreign currency translation adjustments	(11,878)	(9,417)	(11,426)	(16,843)	(16,283)	(12,225)
Treasury stock, at cost	(460)	(55)	(38)	(123)	(92)	(40)
Total shareholders' equity	313,192	290,428	237,588	201,465	190,175	174,585
Total liabilities and shareholders' equity	¥1,378,770	¥1,357,980	¥1,284,085	¥1,194,473	¥1,156,904	¥1,149,161

# CONDENSED STATEMENTS OF INCOME

Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries  
Years ended March 31

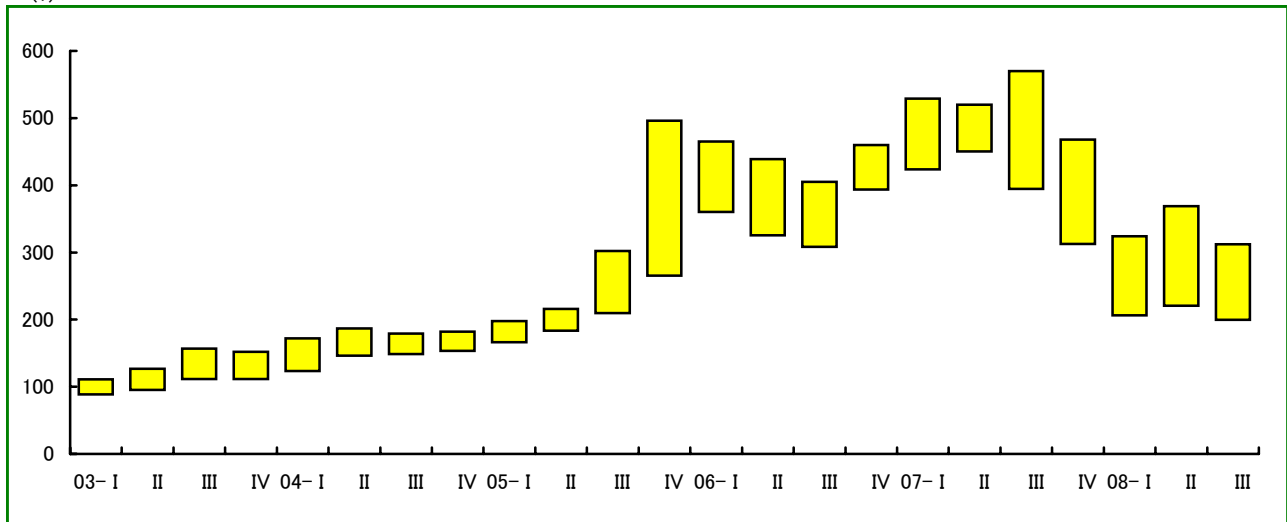
	Millions of yen					
	2008	2007	2006	2005	2004	2003
Net sales	¥1,501,097	¥1,438,619	¥1,322,487	¥1,241,592	¥1,160,252	¥1,239,598
Cost of sales	1,262,032	1,213,524	1,148,547	1,088,219	998,416	1,069,341
Gross profit	239,065	225,095	173,940	153,373	161,836	170,257
Selling, general and administrative expenses	162,155	155,953	132,145	128,629	139,586	139,714
Operating income	76,910	69,142	41,795	24,744	22,250	30,543
Other income (expenses):						
Interest and dividend income	5,005	3,807	3,225	3,240	3,476	4,684
Equity in income (loss) of unconsolidated subsidiaries and affiliates	7,642	2,694	(197)	506	941	(467)
Interest expense	(7,980)	(6,650)	(5,377)	(6,296)	(7,274)	(10,291)
Other, net	(23,522)	(23,725)	(16,146)	(1,630)	(8,151)	(7,241)
Income (loss) before income taxes and minority interests	58,055	45,268	23,300	20,564	11,242	17,228
Income taxes						
Current	(23,271)	(16,623)	(24,148)	(15,869)	(16,604)	(11,395)
Deferred	1,260	1,337	17,843	7,374	11,890	7,555
Minority interests in net (income) loss of consolidated subsidiaries	(903)	(210)	(528)	(590)	(195)	(366)
Foreign currency translation adjustments	-	-	-	-	-	-
Net income (loss)	¥35,141	¥29,772	¥16,467	¥11,479	¥6,333	¥13,022

	Millions of yen					
	2008	2007	2006	2005	2004	2003
Per share amounts (yen):						
Net income (loss)	¥21.1	¥18.9	¥11.2	¥7.9	¥4.4	¥9.3
Cash dividends	5.0	5.0	3.0	2.5	2.0	¥2.0
Other data:						
Capital expenditures (Million ¥)	50,538	39,269	41,724	29,692	41,502	35,165
Depreciation (Million ¥)	37,455	30,279	30,551	31,555	32,590	31,595
R&D expenses (Million ¥)	36,228	33,819	27,040	13,183	14,741	15,494
Number of employees	30,563	29,211	28,922	28,682	29,306	28,642

# STOCK INFORMATION

## Stock Price Range

(¥)

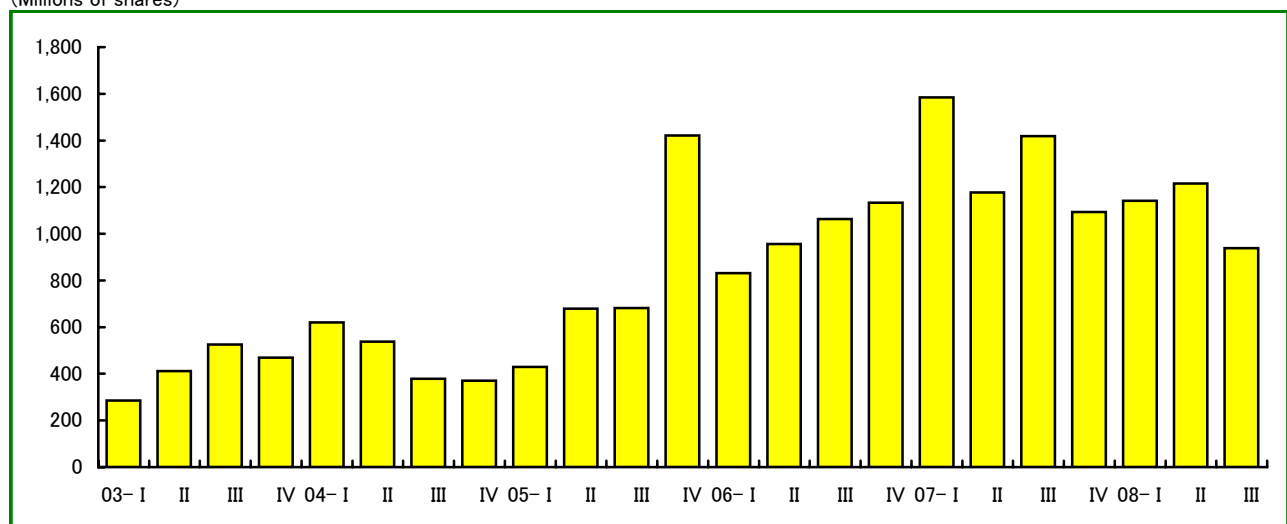


(¥)

	2003				2004				2005				2006				2007				2008		
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III
High	111	127	157	152	172	187	179	182	198	216	302	496	465	439	405	460	529	520	570	468	324	369	312
Low	88	95	111	111	123	146	148	153	166	183	209	265	360	325	308	393	423	450	394	312	206	220	199

## Stock Trading Volume

(Millions of shares)



(Millions of shares)

	2003				2004				2005				2006				2007				2008		
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III
	285	411	526	469	620	538	379	370	429	679	682	1,422	832	956	1,063	1,133	1,585	1,177	1,419	1,094	1,141	1,215	938

<b>Paid-in Capital</b>	
¥ 104,328,628,664	
<b>Number of Shares</b>	
Authorized	3,360,000,000 shares
Outstanding	1,669,629,122 shares
(Dilution)	41,940,463 shares)
As of March 31, 2008	

<b>Paid-in Capital</b>	
¥ 104,328,628,664	
<b>Number of Shares</b>	
Authorized	3,360,000,000 shares
Outstanding	1,669,629,122 shares
(Dilution)	29,479,123 shares)
As of September 30, 2008	

### Stock Listings

Tokyo, Osaka, Nagoya

### Transfer Agent

The Chuo Mitsui Trust & Banking Co., Ltd.  
33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

Handling Office

The Chuo Mitsui Trust & Banking Co., Ltd., Osaka Branch  
2-21, Kitahama 2-chome, Chuo-ku, Osaka 541-0041, Japan

### ADR (American Depositary Receipt) Information

Ratio: 1 ADR = 4 Ordinary Shares

Exchange: OTC (Over-the-Counter)

Symbol: KWHIY

CUSIP: 486 359 20 1

Depository: The Bank of New York Mellon

101 Barclay St., 22 West, New York, NY 10286, U.S.A.

Phone: (866)650-6825 U.S. Toll Free: 888-269-2377 (888-BNY-ADRS)

## ***CORPORATE DATA***

### Registered Office

1-1, Higashikawasaki-cho 3-chome,  
Chuo-ku, Kobe 650-8670, Japan

### Kobe Head Office

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### Year of Incorporation

1896

KAWASAKI HEAVY INDUSTRIES, LTD.