

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

For the years ended March 31, 2008 and 2007

Operating results

	Millions of yen		% Change	Thousands of U.S. dollars
	2008	2007		2008
Net sales	¥ 1,501,097	¥ 1,438,619	+4%	\$ 14,981,008
Operating income	76,910	69,142	+11%	767,565
Net income	35,141	29,772	+18%	350,709
Earnings per share (Yen)	21.1	18.9		

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of net assets to total assets
	Total assets	Net assets	
As of March 31, 2008	¥ 1,378,770	¥ 319,038	23%
As of March 31, 2007	1,357,980	295,378	21%
As of March 31, 2008	\$ 13,760,180	\$ 3,184,012	—

	Yen / U.S. dollars	Thousand shares
	Net assets less minority interests per share	Number of shares issued and outstanding
As of March 31, 2008	¥ 187.7	1,668,305
As of March 31, 2007	175.0	1,659,415
As of March 31, 2008	\$ 1.87	—

Cash flows

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Operating activities	¥ 75,766	¥ 45,859	\$ 756,148
Investing activities	-49,090	-43,312	-489,920
Financing activities	-27,392	-1,307	-273,373
Cash and cash equivalents at end of year	38,169	39,228	380,928

Fiscal year forecast

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

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 100.2 yen = \$1, the rate prevailing as of March 31, 2008, solely for the convenience of the readers.

(Consolidated)

Condensed Consolidated Balance Sheets*As of March 31, 2008 and 2007*

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Assets :			
Current assets :			
Cash on hand and in banks	¥ 39,875	¥ 39,351	\$ 397,954
Trade receivables, less allowance	433,155	442,577	4,322,904
Inventories	439,310	427,934	4,384,331
Other current assets	69,942	52,056	698,025
Total current assets	982,282	961,918	9,803,214
Investments and long-term loans less allowance	79,675	96,994	795,159
Net property, plant and equipment	259,927	253,819	2,594,082
Intangible and other assets	56,886	45,249	567,725
Total assets	¥ 1,378,770	¥ 1,357,980	\$ 13,760,180
Liabilities and shareholders' equity :			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	¥ 137,681	¥ 138,463	\$ 1,374,062
Trade payables	431,000	412,501	4,301,397
Advances from customers	124,679	124,445	1,244,301
Other current liabilities	131,911	131,097	1,316,478
Total current liabilities	825,271	806,506	8,236,238
Long-term liabilities :			
Long-term debt, less current portion	138,766	165,754	1,384,890
Others	95,695	90,342	955,040
Total long-term liabilities	234,461	256,096	2,339,930
Net assets :			
Common stock	104,329	103,188	1,041,208
Capital surplus	54,291	53,179	541,826
Retained earnings	151,401	125,799	1,510,988
Net unrealized gains on securities	10,292	19,342	102,715
Gains/losses on hedging items	5,217	(1,608)	52,066
Foreign currency translation adjustments	(11,878)	(9,417)	(118,543)
Treasury stock	(460)	(55)	(4,591)
Minority interests	5,846	4,950	58,343
Total net assets	319,038	295,378	3,184,012
Total liabilities and net assets	¥ 1,378,770	¥ 1,357,980	\$ 13,760,180

Condensed Consolidated Statements of Income*For the years ended March 31, 2008 and 2007*

	Millions of yen		%	Thousands of U.S. dollars
	2008	2007		2008
Net sales	¥ 1,501,097	¥ 1,438,619	+4.3%	\$ 14,981,008
Cost of sales	1,262,032	1,213,524		12,595,130
Gross profit	239,065	225,095		2,385,878
Selling, general and administrative expenses	162,155	155,953		1,618,313
Operating income	76,910	69,142	+11.2%	767,565
Other income (expenses) :				
Interest and dividend income	5,005	3,807		49,950
Equity in income of unconsolidated subsidiaries and affiliates	7,642	2,694		76,267
Interest expense	(7,980)	(6,650)		(79,641)
Other, net	(23,522)	(23,725)		(234,750)
Income before income taxes and minority interests	58,055	45,268	+28.2%	579,391
Income taxes	(22,011)	(15,286)		(219,671)
Minority interests in net income of consolidated subsidiaries	(903)	(210)		(9,011)
Net income	¥ 35,141	¥ 29,772	+18.0%	\$ 350,709

Condensed Consolidated Statements of Cash Flows

For the years ended March 31, 2008 and 2007

(Consolidated)

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 58,055	¥ 45,268	\$ 579,391
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	37,455	30,279	373,802
Increase in assets	(29,042)	(38,318)	(289,840)
Increase in liabilities	37,190	24,261	371,158
Other	(27,892)	(15,631)	(278,363)
Net cash provided by operating activities	¥ 75,766	¥ 45,859	\$ 756,148
Cash flows from investing activities:			
Acquisition of tangible and intangible assets	(50,836)	(35,276)	(507,345)
Acquisition of investments in securities	(1,183)	(10,089)	(11,806)
Other	2,929	2,053	29,231
Net cash used for investing activities	¥ (49,090)	¥ (43,312)	\$ (489,920)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	13,099	(9,958)	130,729
Proceeds from long-term debt	3,328	62,061	33,214
Repayment of long-term debt	(34,817)	(48,586)	(347,475)
Other	(9,002)	(4,824)	(89,841)
Net cash used for financing activities	¥ (27,392)	¥ (1,307)	\$ (273,373)
Effect of exchange rate changes	(501)	482	(5,000)
Net increase (decrease) in cash and cash equivalents	(1,217)	1,722	(12,145)
Cash and cash equivalents at beginning of year	39,228	37,506	391,496
Increase in cash and cash equivalents	158	-	1,577
due to changes in fiscal period of consolidated subsidiaries			
Cash and cash equivalents at end of year	¥ 38,169	¥ 39,228	\$ 380,928

Segment information
(a) Information by industry segment

(Consolidated)

Millions of yen
2008

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	¥ 141,397	¥ 1,568	¥ 142,965	¥ 139,712	¥ 3,253	¥ 134,577	¥ 2,459	¥ 4,161
Rolling Stock & Construction Machinery	171,739	727	172,466	165,293	7,173	161,585	3,579	6,454
Aerospace	237,349	1,644	238,993	228,117	10,876	281,517	6,232	6,154
Gas Turbines & Machinery	185,486	16,940	202,426	189,034	13,392	188,133	3,765	5,392
Plant & Infrastructure Engineering	142,547	13,747	156,294	145,455	10,839	132,174	1,926	1,318
Consumer Products & Machinery	433,963	8,244	442,207	422,537	19,670	315,309	13,517	19,367
Hydraulic Machinery	84,028	8,724	92,752	83,635	9,117	53,348	2,659	4,801
Other	104,588	40,234	144,822	142,469	2,353	164,445	1,699	1,674
Total	1,501,097	91,828	1,592,925	1,516,252	76,673	1,431,088	35,836	49,321
Eliminations and corporate	-	(91,828)	(91,828)	(92,065)	237	(52,318)	1,619	1,217
Consolidated total	¥ 1,501,097	¥ -	¥ 1,501,097	¥ 1,424,187	¥ 76,910	¥ 1,378,770	¥ 37,455	¥ 50,538

Hydraulic Machinery segment which had been included in "Other" until the year 2007 is presented separately for the year 2008 as its materiality increased in the company.

The information for the year 2007 below is retroactively restated based on the new categories of the segment.

Millions of yen
2007

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	¥ 108,849	¥ 1,861	¥ 110,710	¥ 112,958	¥ (2,248)	¥ 117,832	¥ 2,169	¥ 1,194
Rolling Stock & Construction Machinery	184,283	500	184,783	171,613	13,170	172,615	2,660	8,253
Aerospace	269,108	1,687	270,795	257,395	13,400	279,574	5,291	3,029
Gas Turbines & Machinery	183,309	14,410	197,719	187,882	9,837	165,412	3,076	5,354
Plant & Infrastructure Engineering	122,062	19,670	141,732	144,163	(2,431)	141,472	1,816	996
Consumer Products & Machinery	403,702	9,184	412,886	385,323	27,563	303,730	10,539	12,828
Hydraulic Machinery	66,649	8,598	75,247	69,185	6,062	46,788	1,631	4,955
Other	100,657	40,434	141,091	137,546	3,545	159,432	1,519	1,177
Total	1,438,619	96,344	1,534,963	1,466,065	68,898	1,386,855	28,701	37,786
Eliminations and corporate	-	(96,344)	(96,344)	(96,588)	244	(28,875)	1,578	1,483
Consolidated total	¥ 1,438,619	¥ -	¥ 1,438,619	¥ 1,369,477	¥ 69,142	¥ 1,357,980	¥ 30,279	¥ 39,269

Thousands of U.S. dollars
2008

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	\$ 1,411,148	\$ 15,649	\$ 1,426,797	\$ 1,394,331	\$ 32,466	\$ 1,343,084	\$ 24,541	\$ 41,527
Rolling Stock & Construction Machinery	1,713,962	7,255	1,721,217	1,649,631	71,586	1,612,625	35,719	64,411
Aerospace	2,368,752	16,407	2,385,159	2,276,617	108,542	2,809,551	62,196	61,417
Gas Turbines & Machinery	1,851,158	169,062	2,020,220	1,886,567	133,653	1,877,575	37,575	53,812
Plant & Infrastructure Engineering	1,422,625	137,196	1,559,821	1,451,647	108,174	1,319,102	19,222	13,154
Consumer Products & Machinery	4,330,968	82,275	4,413,243	4,216,936	196,307	3,146,796	134,900	193,283
Hydraulic Machinery	838,603	87,066	925,669	834,681	90,988	532,415	26,537	47,914
Other	1,043,792	401,537	1,445,329	1,421,845	23,484	1,641,167	16,955	16,708
Total	14,981,008	916,447	15,897,455	15,132,255	765,200	14,282,315	357,645	492,226
Eliminations and corporate	-	(916,447)	(916,447)	(918,812)	2,365	(522,135)	16,157	12,145
Consolidated total	\$ 14,981,008	\$ -	\$ 14,981,008	\$ 14,213,443	\$ 767,565	\$ 13,760,180	\$ 373,802	\$ 504,371

(b) Information by geographic area

	Millions of yen					
	2008					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets
Japan	¥ 1,058,487	¥ 307,546	¥ 1,366,033	¥ 1,291,102	¥ 74,931	¥ 1,103,514
North America	267,560	25,202	292,762	293,276	(514)	191,075
Europe	131,608	5,321	136,929	132,449	4,480	83,928
Asia	33,297	24,752	58,049	56,597	1,452	37,917
Other Areas	10,145	247	10,392	10,119	273	3,335
Total	1,501,097	363,068	1,864,165	1,783,543	80,622	1,419,769
Eliminations and corporate	-	(363,068)	(363,068)	(359,356)	(3,712)	(40,999)
Consolidated total	¥ 1,501,097	¥ -	¥ 1,501,097	¥ 1,424,187	¥ 76,910	¥ 1,378,770

	Millions of yen					
	2007					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets
Japan	¥ 1,042,993	¥ 278,960	¥ 1,321,953	¥ 1,256,538	¥ 65,415	¥ 1,093,598
North America	261,254	18,017	279,271	277,533	1,738	202,539
Europe	98,842	4,320	103,162	100,783	2,379	70,360
Asia	22,690	18,737	41,427	40,728	699	26,081
Other Areas	12,840	187	13,027	12,808	219	2,869
Total	1,438,619	320,221	1,758,840	1,688,390	70,450	1,395,447
Eliminations and corporate	-	(320,221)	(320,221)	(318,913)	(1,308)	(37,467)
Consolidated total	¥ 1,438,619	¥ -	¥ 1,438,619	¥ 1,369,477	¥ 69,142	¥ 1,357,980

	Thousands of U.S. dollars					
	2008					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets
Japan	\$ 10,563,743	\$ 3,069,321	\$ 13,633,064	\$ 12,885,250	\$ 747,814	\$ 11,013,114
North America	2,670,259	251,517	2,921,776	2,926,906	(5,130)	1,906,936
Europe	1,313,453	53,104	1,366,557	1,321,846	44,711	837,605
Asia	332,305	247,026	579,331	564,840	14,491	378,413
Other Areas	101,248	2,465	103,713	100,988	2,725	33,283
Total	14,981,008	3,623,433	18,604,441	17,799,830	804,611	14,169,351
Eliminations and corporate	-	(3,623,433)	(3,623,433)	(3,586,387)	(37,046)	(409,171)
Consolidated total	\$ 14,981,008	\$ -	\$ 14,981,008	\$ 14,213,443	\$ 767,565	\$ 13,760,180

(c) Overseas sales

	Millions of yen				Thousands of U.S. dollars
	2008		2007		2008
	Overseas sales	% against net sales	Overseas sales	% against net sales	Overseas sales
North America	¥ 358,717	23.9%	¥ 336,765	23.4%	\$ 3,580,010
Europe	153,613	10.2%	119,408	8.3%	1,533,064
Asia	161,906	10.7%	186,066	12.9%	1,615,828
Other Areas	148,315	9.9%	135,506	9.4%	1,480,190
Total	¥ 822,551	54.7%	¥ 777,745	54.0%	\$ 8,209,092

Net sales, orders and order backlog by industry segment

For the years ended March 31, 2008 and 2007

	Millions of yen				% Change	Thousands of U.S. dollars
	2008		2007			2008
Net sales :						
Shipbuilding	¥ 141,397	(10%)	¥ 108,849	(8%)	+30%	\$ 1,411,148
Rolling Stock, & Construction Machinery	171,739	(11%)	184,283	(13%)	-7%	1,713,962
Aerospace	237,349	(16%)	269,108	(19%)	-12%	2,368,752
Gas Turbines & Machinery	185,486	(12%)	183,309	(13%)	+1%	1,851,158
Plant & Infrastructure Engineering	142,547	(9%)	122,062	(8%)	+17%	1,422,625
Consumer Products & Machinery	433,963	(29%)	403,702	(28%)	+7%	4,330,968
Hydraulic Machinery	84,028	(6%)	66,649	(5%)	+26%	838,603
Other	104,588	(7%)	100,657	(6%)	+4%	1,043,792
Total	1,501,097	(100%)	1,438,619	(100%)	+4%	14,981,008
Orders :						
Shipbuilding	251,331	(16%)	135,600	(9%)	+85%	2,508,293
Rolling Stock, & Construction Machinery	183,254	(11%)	269,120	(17%)	-32%	1,828,882
Aerospace	202,506	(13%)	255,613	(16%)	-21%	2,021,018
Gas Turbines & Machinery	227,422	(14%)	204,847	(13%)	+11%	2,269,681
Plant & Infrastructure Engineering	106,046	(7%)	150,221	(9%)	-29%	1,058,343
Consumer Products & Machinery	433,963	(27%)	403,702	(25%)	+7%	4,330,968
Hydraulic Machinery	92,335	(6%)	72,918	(5%)	+27%	921,507
Other	113,900	(6%)	100,667	(6%)	+13%	1,136,727
Total	¥ 1,610,757	(100%)	¥ 1,592,688	(100%)	+1%	\$ 16,075,419

	Millions of yen				% Change	Thousands of U.S. dollars
	As of Mar. 31, 2008		As of Mar. 31, 2007			As of Mar. 31, 2008
Order backlog :						
Shipbuilding	¥ 414,176	(27%)	¥ 313,987	(21%)	+32%	\$ 4,133,493
Rolling Stock, & Construction Machinery	431,377	(28%)	434,419	(29%)	-1%	4,305,160
Aerospace	248,332	(16%)	286,699	(20%)	-13%	2,478,363
Gas Turbines & Machinery	245,962	(16%)	216,886	(15%)	+13%	2,454,711
Plant & Infrastructure Engineering	135,288	(9%)	172,255	(12%)	-21%	1,350,180
Consumer Products & Machinery	-	(-%)	-	(-%)	-%	-
Hydraulic Machinery	29,317	(2%)	21,010	(2%)	+40%	292,585
Other	29,211	(2%)	19,899	(1%)	+47%	291,526
Total	¥ 1,533,663	(100%)	¥ 1,465,155	(100%)	+5%	\$ 15,306,018