

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	
As of June 30, 2008	¥ 1,345,446	¥ 311,059	23%
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	Number of shares	
	less minority interests	issued and	
	per share	outstanding	
As of June 30, 2008	¥ 183.2	1,668,290	
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

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 106.42 yen = \$1, the rate prevailing as of June 30, 2008, solely for the convenience of the readers.

(Consolidated)

Condensed Consolidated Balance Sheets

As of June 30 and March 31, 2008

	Millions of yen		Thousands of U.S. dollars
	As of	As of	As of
	Jun. 30, 2008	Mar.31, 2008	Jun. 30, 2008
Assets :			
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	941,311	982,282	8,845,245
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	¥ 1,345,446	¥ 1,378,770	\$ 12,642,793
Liabilities and net assets :			
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	806,373	824,541	7,577,269
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	228,014	235,191	2,142,586
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	311,059	319,038	2,922,938
Total liabilities and net assets	¥ 1,345,446	¥ 1,378,770	\$ 12,642,793

Condensed Consolidated Statements of Income

For three months ended June 30, 2008 and 2007

	Millions of yen		%	Thousands of U.S. dollars
	Three months ended	Three months ended		Three months ended
	Jun. 30, 2008	Jun.30, 2007		Jun.30, 2008
Net sales	¥ 302,531	¥ 330,445	-8.4%	\$ 2,842,802
Cost of sales	254,443	272,948		2,390,932
Gross profit	48,088	57,497		451,870
Selling, general and administrative expenses	39,842	38,299		374,385
Operating income	8,246	19,198	-57.0%	77,485
Other income (expenses) :				
Interest and dividend income	1,646	1,567		15,467
Equity in income of unconsolidated subsidiaries and affiliates	1,355	670		12,733
Interest expense	(1,850)	(2,186)		(17,384)
Other, net	5,427	(111)		50,996
Income before income taxes and minority interests	14,824	19,138	-22.5%	139,297
Income taxes	(6,455)	(6,964)		(60,656)
Minority interests in net income of consolidated subsidiaries	(267)	(164)		(2,509)
Net income	¥ 8,102	¥ 12,010	-32.5%	\$ 76,132

Condensed Consolidated Statements of Cash Flows

For three months ended June 30, 2008

(Consolidated)

	Millions of yen	Thousands of U.S. dollars
	Three months ended Jun.30, 2008	Three months ended Jun.30, 2008
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 14,824	\$ 139,297
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization	9,542	89,664
Decrease in assets	39,962	375,512
Decrease in liabilities	(54,103)	(508,391)
Other	(13,810)	(129,769)
Net cash used for operating activities	¥ (3,585)	\$ (33,687)
Cash flows from investing activities:		
Acquisition of tangible and intangible assets	(14,923)	(140,227)
Acquisition of investments in securities	(13)	(122)
Other	118	1,108
Net cash used for investing activities	¥ (14,818)	\$ (139,241)
Cash flows from financing activities:		
Increase in short-term borrowings	18,887	177,476
Proceeds from long-term debt	8	75
Repayment of long-term debt	(507)	(4,764)
Other	(6,287)	(59,077)
Net cash provided by financing activities	¥ 12,101	\$ 113,710
Effect of exchange rate changes	(650)	(6,108)
Net decrease in cash and cash equivalents	(6,952)	(65,326)
Cash and cash equivalents at beginning of term	38,169	358,664
Cash and cash equivalents at end of term	¥ 31,217	\$ 293,338

Segment information
(a) Information by industry segment

(Consolidated)

	Millions of yen			
	Three months ended Jun.30, 2008			
	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
Total	302,531	21,848	324,379	8,315
Eliminations and corporate	-	(21,848)	(21,848)	(69)
Consolidated total	¥ 302,531	¥ -	¥ 302,531	¥ 8,246

	Thousands of U.S. dollars			
	Three months ended Jun.30, 2008			
	External sales	Intersegment sales	Total sales	Operating income (loss)
Shipbuilding	\$ 179,384	\$ 1,748	\$ 181,132	\$ 217
Rolling Stock & Construction Machinery	339,260	2,434	341,694	22,384
Aerospace	371,763	3,702	375,465	2,058
Gas Turbines & Machinery	422,702	40,030	462,732	21,217
Plant & Infrastructure Engineering	190,603	27,166	217,769	15,927
Consumer Products & Machinery	883,358	17,497	900,855	(17,234)
Hydraulic Machinery	216,209	19,169	235,378	24,741
Other	239,523	93,554	333,077	8,824
Total	2,842,802	205,300	3,048,102	78,134
Eliminations and corporate	-	(205,300)	(205,300)	(649)
Consolidated total	\$ 2,842,802	\$ -	\$ 2,842,802	\$ 77,485

(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
Total	302,531	74,353	376,884	6,523
Eliminations and corporate	-	(74,353)	(74,353)	1,723
Consolidated total	¥ 302,531	¥ -	¥ 302,531	¥ 8,246

	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
Total	2,842,802	698,675	3,541,477	61,295
Eliminations and corporate	-	(698,675)	(698,675)	16,190
Consolidated total	\$ 2,842,802	\$ -	\$ 2,842,802	\$ 77,485

(c) Overseas sales

	Millions of yen		Thousands of U.S dollars
	Three months ended Jun.30, 2008		Three months ended Jun.30, 2008
	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
Total	¥ 173,972	57.5%	\$ 1,634,769

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, 2007			Three months ended Jun. 30, 2008
	¥		¥			\$
Net sales :						
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

Orders :						
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 Mar. 31, 2008			As of Jun. 30, 2008
	¥		¥			\$
Order backlog :						
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
Aerospace	241,840	(15%)	248,332	(16%)	-11%	2,272,505
Gas Turbines & Machinery	267,120	(16%)	245,962	(16%)	+16%	2,510,055
Plant & Infrastructure Engineering	143,904	(9%)	135,288	(9%)	-19%	1,352,227
Consumer Products & Machinery	-	(-%)	-	(-%)	-%	-
Hydraulic Machinery	35,229	(2%)	29,317	(2%)	+50%	331,037
Other	35,919	(2%)	29,211	(2%)	+53%	337,521
Total	¥ 1,629,303	(100%)	¥ 1,533,663	(100%)	+8%	\$ 15,310,120