

**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

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2008	Six months ended Sep. 30, 2007	Six months ended Sep. 30, 2008
Net sales	¥ 652,924	¥ 699,540	\$ 6,300,531
Operating income	24,353	39,050	235,000
Net income	12,336	19,878	119,039
Earnings per share (Yen)	7.4	11.9	

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of net assets to total assets
	Total assets	Net assets	
As of September 30, 2008	¥ 1,360,771	¥ 313,593	23%
As of March 31, 2008	1,378,770	319,038	23%
As of September 30, 2008	\$ 13,131,053	\$ 3,026,083	—
	Yen / U.S. dollars	Thousand shares	
	Net assets per share	Number of shares issued and outstanding	
As of September 30, 2008	¥ 184.5	1,668,264	
As of March 31, 2008	187.7	1,668,305	
As of September 30, 2008	\$ 1.78	—	

Cash flows

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2008	Six months ended Sep. 30, 2007	Six months ended Sep. 30, 2008
Operating activities	¥ 8,547	¥ 24,010	\$ 82,476
Investing activities	(29,584)	(20,190)	(285,477)
Financing activities	11,843	(20,801)	114,282
Cash and cash equivalents at end of term	28,616	22,819	276,136

Fiscal year forecast

	Millions of yen	
	Net sales	Net income
One year ending March 31, 2009	¥ 1,450,000	¥ 26,000

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 ¥103.63=\$1, the rate prevailing as of September 30, 2008, solely for the convenience of the readers.

Condensed Consolidated Balance Sheets

As of September 30 and March 31, 2008

	Millions of yen		Thousands of
	As of Sep. 30, 2008	As of Mar. 31, 2008	U.S. dollars As of Sep. 30, 2008
Assets :			
Current assets :			
Cash on hand and in banks	¥ 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	<u>949,640</u>	<u>982,282</u>	<u>9,163,756</u>
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	<u>¥ 1,360,771</u>	<u>¥ 1,378,770</u>	<u>\$ 13,131,053</u>
Liabilities and net assets :			
Current liabilities :			
Short-term borrowings			
and current portion of long-term debt	¥ 156,103	¥ 137,681	\$ 1,506,350
Payables	380,030	431,000	3,667,181
Advances from customers	145,416	124,679	1,403,223
Other current liabilities	119,752	131,181	1,155,573
Total current liabilities	<u>801,301</u>	<u>824,541</u>	<u>7,732,327</u>
Long-term liabilities :			
Long-term debt, less current portion	145,298	138,766	1,402,084
Others	100,579	96,425	970,559
Total long-term liabilities	<u>245,877</u>	<u>235,191</u>	<u>2,372,643</u>
Net assets :			
Common stock	104,329	104,329	1,006,745
Capital surplus	54,289	54,291	523,873
Retained earnings	154,901	151,401	1,494,752
Treasury stock	(469)	(460)	(4,526)
Net unrealized gains on securities	4,787	10,292	46,193
Gains/losses on hedging items	4,107	5,217	39,631
Foreign currency translation adjustments	(14,137)	(11,878)	(136,418)
Minority interests	5,786	5,846	55,833
Total net assets	<u>313,593</u>	<u>319,038</u>	<u>3,026,083</u>
Total liabilities and net assets	<u>¥ 1,360,771</u>	<u>¥ 1,378,770</u>	<u>\$ 13,131,053</u>

Condensed Consolidated Statements of Income

For six months ended September 30, 2008 and 2007

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

For three months ended September 30, 2008

	Millions of yen			Thousands of
	Three months ended Sep. 30, 2008			U.S. dollars
Net sales	¥ 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 income	15,853			152,977
Other income (expenses) :				
Interest and dividend income	855			8,251
Equity in income of unconsolidated subsidiaries and affiliates	1,956			18,875
Interest expense	(1,579)			(15,237)
Other, net	(6,357)			(61,344)
Income before income taxes and minority interests	10,728			103,522
Income taxes	(6,134)			(59,191)
Minority interests in net income of consolidated subsidiaries	(360)			(3,474)
Net income	¥ 4,234			\$ 40,857

Condensed Consolidated Statements of Cash Flows

For six months ended September 30, 2008 and 2007

(Consolidated)

	Millions of yen		Thousands of
	Six months ended Sep. 30, 2008	Six months ended Sep. 30, 2007	U.S. dollars 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:			
Acquisition of tangible and intangible assets	(30,787)	(23,964)	(297,086)
Acquisition of investments in securities	(24)	(1,111)	(232)
Other	1,227	4,885	11,841
Net cash used for investing activities	¥ (29,584)	¥ (20,190)	\$ (285,477)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	20,381	(5,369)	196,671
Proceeds from long-term debt	21,008	3,220	202,721
Repayment of long-term debt	(20,910)	(10,108)	(201,776)
Other	(8,636)	(8,544)	(83,334)
Net cash provided by (used for) financing activities	¥ 11,843	¥ (20,801)	\$ 114,282
Effect of exchange rate changes	(359)	413	(3,465)
Net decrease in cash and cash equivalents	(9,553)	(16,568)	(92,184)
Cash and cash equivalents at beginning of year	38,169	39,229	368,320
Increase in cash and cash equivalents			
due to changes in fiscal period of consolidated subsidiaries	-	158	-
Cash and cash equivalents at end of year	¥ 28,616	¥ 22,819	\$ 276,136

Segment information
(a) Information by industry segment

	Millions of yen				
	Six months ended September 30, 2008				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 53,735	¥ 906	¥ 54,641	¥ 54,383	¥ 258
Rolling Stock & Construction Machinery	83,679	730	84,409	77,345	7,064
Aerospace	95,291	810	96,101	95,541	560
Gas Turbines & Machinery	91,790	8,485	100,275	95,490	4,785
Plant & Infrastructure Engineering	46,692	5,170	51,862	47,169	4,693
Consumer products & Machinery	177,622	3,661	181,283	180,981	302
Hydraulic Machinery	47,297	4,356	51,653	46,608	5,045
Other	56,818	19,488	76,306	74,488	1,818
Total	652,924	43,606	696,530	672,005	24,525
Eliminations	-	(43,606)	(43,606)	(43,434)	(172)
Consolidated total	¥ 652,924	¥ -	¥ 652,924	¥ 628,571	¥ 24,353

	Millions of yen				
	Six months ended September 30, 2007				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 77,480	¥ 932	¥ 78,412	¥ 76,111	¥ 2,301
Rolling Stock & Construction Machinery	70,244	591	70,835	69,674	1,161
Aerospace	118,247	868	119,115	108,422	10,693
Gas Turbines & Machinery	84,289	6,322	90,611	84,917	5,694
Plant & Infrastructure Engineering	49,647	6,802	56,449	55,043	1,407
Consumer products & Machinery	212,512	2,577	215,089	202,769	12,320
Hydraulic Machinery	39,977	4,254	44,231	40,324	3,908
Other	47,144	18,024	65,168	63,868	1,297
Total	699,540	40,370	739,910	701,128	38,781
Eliminations	-	(40,370)	(40,370)	(40,638)	269
Consolidated total	¥ 699,540	¥ -	¥ 699,540	¥ 660,490	¥ 39,050

	Thousands of U.S. dollars				
	Six months ended September 30, 2008				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	\$ 518,527	\$ 8,743	\$ 527,270	\$ 524,780	\$ 2,490
Rolling Stock & Construction Machinery	807,479	7,044	814,523	746,357	68,166
Aerospace	919,531	7,816	927,347	921,943	5,404
Gas Turbines & Machinery	885,747	81,878	967,625	921,451	46,174
Plant & Infrastructure Engineering	450,565	49,889	500,454	455,167	45,287
Consumer products & Machinery	1,714,002	35,328	1,749,330	1,746,415	2,915
Hydraulic Machinery	456,403	42,034	498,437	449,755	48,682
Other	548,277	188,053	736,330	718,789	17,541
Total	6,300,531	420,785	6,721,316	6,484,657	236,659
Eliminations	-	(420,785)	(420,785)	(419,126)	(1,659)
Consolidated total	\$ 6,300,531	\$ -	\$ 6,300,531	\$ 6,065,531	\$ 235,000

(b) Information by geographic area

	Millions of yen				
	Six months ended September 30, 2008				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 465,767	¥ 119,156	¥ 584,923	¥ 567,873	¥ 17,050
North America	106,348	12,944	119,292	120,529	(1,237)
Europe	56,119	2,539	58,658	57,558	1,100
Asia	19,857	19,299	39,156	37,239	1,917
Other Areas	4,833	123	4,956	4,651	305
Total	652,924	154,061	806,985	787,850	19,135
Eliminations	-	(154,061)	(154,061)	(159,279)	5,218
	¥ 652,924	¥ -	¥ 652,924	¥ 628,571	¥ 24,353

	Millions of yen				
	Six months ended September 30, 2007				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 491,024	¥ 143,302	¥ 634,326	¥ 595,440	¥ 38,886
North America	118,166	12,691	130,857	134,404	(3,547)
Europe	72,010	2,334	74,344	71,413	2,931
Asia	13,863	11,683	25,546	24,724	822
Other Areas	4,477	118	4,595	4,493	102
Total	699,540	170,128	869,668	830,474	39,194
Eliminations	-	(170,128)	(170,128)	(169,984)	(144)
Consolidated total	¥ 699,540	¥ -	¥ 699,540	¥ 660,490	¥ 39,050

	Thousands of U.S. dollars				
	Six months ended September 30, 2008				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	\$ 4,494,519	\$ 1,149,821	\$ 5,644,340	\$ 5,479,813	\$ 164,527
North America	1,026,228	124,906	1,151,134	1,163,071	(11,937)
Europe	541,532	24,501	566,033	555,418	10,615
Asia	191,614	186,230	377,844	359,346	18,498
Other Areas	46,638	1,187	47,825	44,880	2,945
Total	6,300,531	1,486,645	7,787,176	7,602,528	184,648
Eliminations	-	(1,486,645)	(1,486,645)	(1,536,997)	50,352
Consolidated total	\$ 6,300,531	\$ -	\$ 6,300,531	\$ 6,065,531	\$ 235,000

(c) Overseas sales

	Millions of yen				Thousands of U.S. dollars
	Six months ended Sep. 30, 2008		Six months ended Sep. 30, 2007		Six months ended Sep. 30, 2008
	Overseas sales	% against net sales	Overseas sales	% against net sales	Overseas sales
North America	¥ 148,385	22.8%	¥ 162,065	23.1%	\$ 1,431,873
Europe	68,378	10.4%	81,694	11.6%	659,828
Asia	74,082	11.3%	64,742	9.3%	714,870
Other Areas	71,595	11.0%	77,624	11.1%	690,872
Total	¥ 362,440	55.5%	¥ 386,125	55.1%	\$ 3,497,443

(Consolidated)

Net sales, orders and order backlog by industry segment

For six months ended September 30, 2008 and 2007

	Millions of yen				Thousands of U.S. dollars				
	Six months ended		Six months ended		% Change	Six months ended			
	Sep. 30, 2008		Sep. 30, 2007				Sep. 30, 2008		
Net sales :									
Shipbuilding	¥	53,735	(8%)	¥	77,480	(11%)	-31%	\$	518,527
Rolling Stock & Construction Machinery		83,679	(13%)		70,244	(10%)	+19%		807,479
Aerospace		95,291	(15%)		118,247	(17%)	-19%		919,531
Gas Turbines & Machinery		91,790	(14%)		84,289	(12%)	+9%		885,747
Plant & Infrastructure Engineering		46,692	(7%)		49,647	(7%)	-6%		450,565
Consumer products & Machinery		177,622	(27%)		212,512	(30%)	-16%		1,714,002
Hydraulic Machinery		47,297	(7%)		39,977	(6%)	+18%		456,403
Other		56,818	(9%)		47,144	(7%)	+21%		548,277
Total	¥	652,924	(100%)	¥	699,540	(100%)	-7%	\$	6,300,531

Orders :									
Shipbuilding	¥	58,444	(8%)	¥	85,631	(12%)	-32%	\$	563,968
Rolling Stock & Construction Machinery		136,098	(19%)		121,605	(17%)	+12%		1,313,307
Aerospace		58,366	(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	¥	717,266	(100%)	¥	724,836	(100%)	-1%	\$	6,921,413

	Millions of yen				Thousands of U.S. dollars				
	As of		As of		% Change	As of			
	Sep. 30, 2008		Mar. 31, 2008				Sep. 30, 2008		
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