

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

For nine months ended December 31, 2008 and 2007 and one year ended March 31, 2008

Operating results

	Millions of yen		Thousands of U.S. dollars
	Nine months ended Dec. 31, 2008	Nine months ended Dec. 31, 2007	Nine months ended Dec. 31, 2008
Net sales	¥ 954,963	¥ 1,051,155	\$ 10,492,946
Operating income	14,707	53,771	161,598
Net income	7,460	28,962	81,969
Earnings per share (Yen)	4.5	17.4	

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of net assets to total assets
	Total assets	Net assets	
As of December 31, 2008	¥ 1,425,028	¥ 303,362	21%
As of March 31, 2008	1,378,770	319,038	23%
As of December 31, 2008	\$ 15,657,928	\$ 3,333,282	—
	Yen / U.S. dollars	Thousand shares	
	Net assets per share	Number of shares issued and outstanding	
As of December 31, 2008	¥ 178.2	1,668,255	
As of March 31, 2008	187.7	1,668,305	
As of December 31, 2008	\$ 1.96	—	

Cash flows

	Millions of yen	Thousands of U.S. dollars
	Nine months ended Dec. 31, 2008	Nine months ended Dec. 31, 2008
Operating activities	¥ -73,215	\$ -804,472
Investing activities	-46,886	-515,174
Financing activities	135,384	1,487,573
Cash and cash equivalents at end of term	51,586	566,817

Fiscal year forecast

	Millions of yen	
	Net sales	Net income
One year ending March 31, 2009	¥ 1,330,000	¥ 11,000

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 ¥91.01=\$1, the rate prevailing as of December 31, 2008, solely for the convenience of the readers.

(Consolidated)

Condensed Consolidated Balance Sheets

As of December 31 and March 31, 2008

	Millions of yen		Thousands of U.S. dollars
	As of Dec. 31, 2008	As of Mar. 31, 2008	As of Dec. 31, 2008
Assets :			
Current assets :			
Cash on hand and in banks	¥ 52,051	¥ 39,875	\$ 571,926
Receivables, less allowance	343,061	433,155	3,769,487
Inventories	522,679	439,310	5,743,094
Other current assets	92,094	69,942	1,011,911
Total current assets	<u>1,009,885</u>	<u>982,282</u>	<u>11,096,418</u>
Investments and long-term loans less allowance	69,188	79,675	760,224
Net property, plant and equipment	279,852	259,927	3,074,959
Intangible and other assets	66,103	56,886	726,327
Total assets	<u>¥ 1,425,028</u>	<u>¥ 1,378,770</u>	<u>\$ 15,657,928</u>
Liabilities and net assets :			
Current liabilities :			
Short-term borrowings			
and current portion of long-term debt	¥ 241,198	¥ 137,681	\$ 2,650,236
Payables	346,183	431,000	3,803,791
Advances from customers	142,011	124,679	1,560,389
Other current liabilities	117,343	131,181	1,289,342
Total current liabilities	<u>846,735</u>	<u>824,541</u>	<u>9,303,758</u>
Long-term liabilities :			
Long-term debt, less current portion	174,972	138,766	1,922,558
Others	99,959	96,425	1,098,330
Total long-term liabilities	<u>274,931</u>	<u>235,191</u>	<u>3,020,888</u>
Net assets :			
Common stock	104,329	104,329	1,146,347
Capital surplus	54,283	54,291	596,451
Retained earnings	150,006	151,401	1,648,236
Treasury stock	(465)	(460)	(5,109)
Net unrealized gains on securities	1,393	10,292	15,306
Gains/losses on hedging items	7,018	5,217	77,112
Foreign currency translation adjustments	(19,213)	(11,878)	(211,109)
Minority interests	6,011	5,846	66,048
Total net assets	<u>303,362</u>	<u>319,038</u>	<u>3,333,282</u>
Total liabilities and net assets	<u>¥ 1,425,028</u>	<u>¥ 1,378,770</u>	<u>\$ 15,657,928</u>

Condensed Consolidated Statements of Income

For nine months ended December 31, 2008 and 2007

	Millions of yen		% Change	Thousands of U.S. dollars
	Nine months ended Dec. 31, 2008	Nine months ended Dec. 31, 2007		Nine months ended Dec. 31, 2008
Net sales	¥ 954,963	¥ 1,051,155	-9%	\$ 10,492,946
Cost of sales	819,889	878,853		9,008,779
Gross profit	135,074	172,302		1,484,167
Selling, general and administrative expenses	120,367	118,531		1,322,569
Operating income	14,707	53,771	-73%	161,598
Other income (expenses) :				
Interest and dividend income	3,561	3,882		39,128
Equity in income of unconsolidated subsidiaries and affiliates	6,513	4,384		71,564
Interest expense	(4,965)	(6,032)		(54,554)
Other, net	(2,808)	(9,949)		(30,855)
Income before income taxes and minority interests	17,008	46,056	-63%	186,881
Income taxes	(8,390)	(16,244)		(92,188)
Minority interests in net income of consolidated subsidiaries	(1,158)	(850)		(12,724)
Net income	¥ 7,460	¥ 28,962	-74%	\$ 81,969

For three months ended December 31, 2008

	Millions of yen			Thousands of U.S. dollars
	Three months ended Dec. 31, 2008			Three months ended Dec. 31, 2008
Net sales	¥ 302,039			\$ 3,318,745
Cost of sales	272,226			2,991,166
Gross profit	29,813			327,579
Selling, general and administrative expenses	39,460			433,578
Operating income	(9,647)			(105,999)
Other income (expenses) :				
Interest and dividend income	1,059			11,636
Equity in income of unconsolidated subsidiaries and affiliates	3,202			35,183
Interest expense	(1,536)			(16,877)
Other, net	(1,623)			(17,833)
Income before income taxes and minority interests	(8,545)			(93,890)
Income taxes	4,201			46,159
Minority interests in net income of consolidated subsidiaries	(531)			(5,835)
Net income	¥ (4,875)			\$ (53,566)

Condensed Consolidated Statements of Cash Flows

For nine months ended December 31, 2008

(Consolidated)

	Millions of yen	Thousands of U.S. dollars
	Nine months ended Dec. 31, 2008	Nine months ended Dec. 31, 2008
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 17,008	\$ 186,881
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization	31,473	345,819
Increase in assets	(30,054)	(330,227)
Decrease in liabilities	(68,280)	(750,247)
Other	(23,362)	(256,698)
Net cash provided by operating activities	¥ (73,215)	\$ (804,472)
Cash flows from investing activities:		
Acquisition of tangible and intangible assets	(48,674)	(534,820)
Acquisition of investments in securities	(3,034)	(33,337)
Other	4,822	52,983
Net cash used for investing activities	¥ (46,886)	\$ (515,174)
Cash flows from financing activities:		
Increase in short-term borrowings	104,030	1,143,061
Proceeds from long-term debt	61,508	675,838
Repayment of long-term debt	(21,491)	(236,139)
Other	(8,663)	(95,187)
Net cash provided by (used for) financing activities	¥ 135,384	\$ 1,487,573
Effect of exchange rate changes	(1,866)	(20,503)
Net decrease in cash and cash equivalents	13,417	147,424
Cash and cash equivalents at beginning of year	38,169	419,393
Increase in cash and cash equivalents		
due to changes in fiscal period of consolidated subsidiaries	-	-
Cash and cash equivalents at end of year	¥ 51,586	\$ 566,817

Segment information

(a) Information by industry segment

	Millions of yen				
	Nine months ended December 31, 2008				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 95,805	¥ 1,065	¥ 96,870	¥ 99,448	¥ (2,578)
Rolling Stock					
& Construction Machinery	131,802	1,050	132,852	125,144	7,708
Aerospace	126,484	1,295	127,779	132,112	(4,333)
Gas Turbines & Machinery	138,835	13,209	152,044	145,304	6,740
Plant & Infrastructure Engineering	66,122	8,610	74,732	69,404	5,328
Consumer products & Machinery	247,846	5,233	253,079	260,830	(7,751)
Hydraulic Machinery	68,216	6,384	74,600	67,600	7,000
Other	79,853	30,420	110,273	107,590	2,683
Total	954,963	67,266	1,022,229	1,007,432	14,797
Eliminations	-	(67,266)	(67,266)	(67,176)	(90)
Consolidated total	¥ 954,963	¥ -	¥ 954,963	¥ 940,256	¥ 14,707

	Thousands of U.S. dollars				
	Nine months ended December 31, 2008				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	\$ 1,052,687	\$ 11,702	\$ 1,064,389	\$ 1,092,715	\$ (28,326)
Rolling Stock					
& Construction Machinery	1,448,214	11,537	1,459,751	1,375,058	84,693
Aerospace	1,389,781	14,229	1,404,010	1,451,621	(47,611)
Gas Turbines & Machinery	1,525,492	145,138	1,670,630	1,596,572	74,058
Plant & Infrastructure Engineering	726,536	94,605	821,141	762,598	58,543
Consumer products & Machinery	2,723,283	57,499	2,780,782	2,865,949	(85,167)
Hydraulic Machinery	749,544	70,146	819,690	742,775	76,915
Other	877,409	334,250	1,211,659	1,182,177	29,482
Total	10,492,946	739,106	11,232,052	11,069,465	162,587
Eliminations	-	(739,106)	(739,106)	(738,117)	(989)
Consolidated total	\$ 10,492,946	\$ -	\$ 10,492,946	\$ 10,331,348	\$ 161,598

(b) Information by geographic area

	Millions of yen				
	Nine months ended December 31, 2008				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 686,945	¥ 188,150	¥ 875,095	¥ 867,102	¥ 7,993
North America	160,016	19,068	179,084	180,271	(1,187)
Europe	68,831	3,491	72,322	72,338	(16)
Asia	32,179	29,062	61,241	57,687	3,554
Other Areas	6,992	188	7,180	6,805	375
Total	954,963	239,959	1,194,922	1,184,203	10,719
Eliminations	-	(239,959)	(239,959)	(243,947)	3,988
	¥ 954,963	¥ -	¥ 954,963	¥ 940,256	¥ 14,707

	Thousands of U.S. dollars				
	Nine months ended December 31, 2008				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	\$ 7,548,017	\$ 2,067,355	\$ 9,615,372	\$ 9,527,546	\$ 87,826
North America	1,758,224	209,515	1,967,739	1,980,782	(13,043)
Europe	756,302	38,358	794,660	794,836	(176)
Asia	353,577	319,328	672,905	633,853	39,052
Other Areas	76,826	2,066	78,892	74,773	4,119
Total	10,492,946	2,636,622	13,129,568	13,011,790	117,778
Eliminations	-	(2,636,622)	(2,636,622)	(2,680,442)	43,820
Consolidated total	\$ 10,492,946	\$ -	\$ 10,492,946	\$ 10,331,348	\$ 161,598

(c) Overseas sales

	Millions of yen		Thousands of U.S. dollars
	Nine months ended Dec. 31, 2008		Nine months ended Dec. 31, 2008
	Overseas sales	% against net sales	Overseas sales
North America	¥ 215,893	22.6%	\$ 2,372,190
Europe	88,773	9.2%	975,420
Asia	108,777	11.3%	1,195,220
Other Areas	112,806	11.8%	1,239,491
Total	¥ 526,249	55.1%	\$ 5,782,321

(Consolidated)

Net sales, orders and order backlog by industry segment

For nine months ended December 31, 2008 and 2007

	Millions of yen				Thousands of U.S. dollars				
	Nine months ended		Nine months ended		% Change	Nine months ended			
	Dec. 31, 2008		Dec. 31, 2007				Dec. 31, 2008		
Net sales :									
Shipbuilding	¥	95,805	(10%)	¥	112,383	(11%)	-15%	\$	1,052,687
Rolling Stock									
& Construction Machinery		131,802	(14%)		117,239	(11%)	+12%		1,448,214
Aerospace		126,484	(13%)		171,505	(16%)	-26%		1,389,781
Gas Turbines & Machinery		138,835	(15%)		130,384	(12%)	+6%		1,525,492
Plant & Infrastructure Engineering		66,122	(7%)		82,210	(8%)	-20%		726,536
Consumer products & Machinery		247,846	(26%)		305,579	(29%)	-19%		2,723,283
Hydraulic Machinery		68,216	(7%)		61,035	(6%)	+12%		749,544
Other		79,853	(8%)		70,820	(7%)	+13%		877,409
Total	¥	954,963	(100%)	¥	1,051,155	(100%)	-9%	\$	10,492,946

Orders :									
Shipbuilding	¥	64,118	(6%)	¥	183,511	(16%)	-65%	\$	704,516
Rolling Stock									
& Construction Machinery		186,497	(17%)		158,352	(14%)	+18%		2,049,192
Aerospace		87,738	(8%)		125,605	(11%)	-30%		964,048
Gas Turbines & Machinery		279,316	(26%)		158,746	(14%)	+76%		3,069,069
Plant & Infrastructure Engineering		61,629	(6%)		66,084	(6%)	-7%		677,167
Consumer products & Machinery		247,845	(23%)		305,578	(26%)	-19%		2,723,272
Hydraulic Machinery		71,521	(7%)		67,670	(6%)	+6%		785,859
Other		88,629	(7%)		78,110	(7%)	+13%		973,839
Total	¥	1,087,293	(100%)	¥	1,143,656	(100%)	-5%	\$	11,946,962

	Millions of yen				Thousands of U.S. dollars				
	As of		As of		% Change	As of			
	Dec. 31, 2008		Mar. 31, 2008				Dec. 31, 2008		
Order backlog :									
Shipbuilding	¥	376,865	(23%)	¥	414,176	(27%)	-9%	\$	4,140,919
Rolling Stock									
& Construction Machinery		474,205	(29%)		431,377	(28%)	+10%		5,210,471
Aerospace		206,017	(13%)		248,332	(16%)	-17%		2,263,674
Gas Turbines & Machinery		380,330	(23%)		245,962	(16%)	+55%		4,178,991
Plant & Infrastructure Engineering		128,972	(8%)		135,288	(9%)	-5%		1,417,119
Consumer products & Machinery		-	(- %)		-	(- %)	-%		-
Hydraulic Machinery		32,620	(2%)		29,317	(2%)	+11%		358,422
Other		37,990	(2%)		29,211	(2%)	+30%		417,427
Total	¥	1,636,999	(100%)	¥	1,533,663	(100%)	+7%	\$	17,987,023