

Financial Results for First Half of Fiscal 2008

(for the year ending March 31, 2009)

Oct. 31, 2008

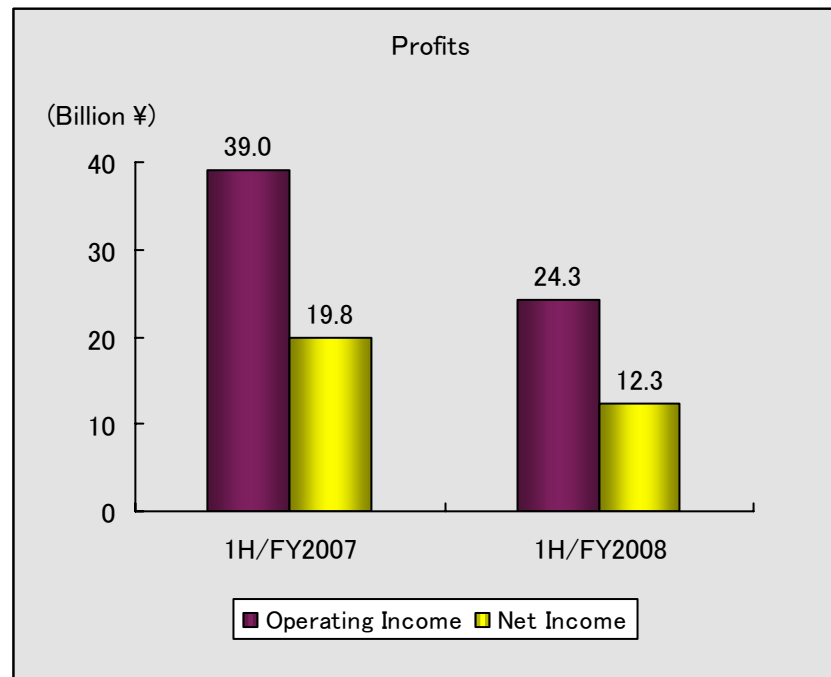
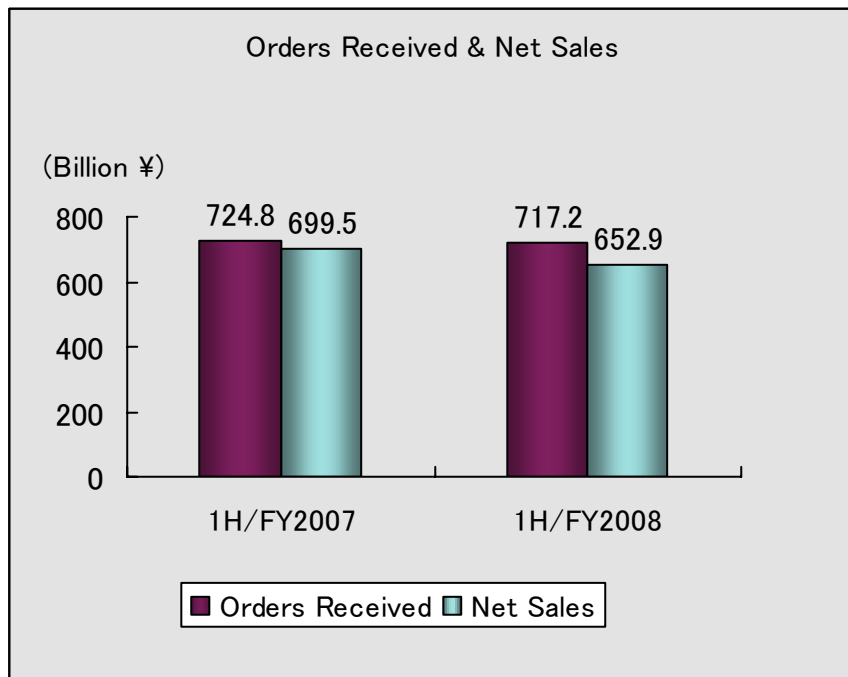
Kawasaki Heavy Industries, Ltd.



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Summary of 1H/FY2008 Results (Consolidated)



	Actual Exchange Rates	
	1H/FY2007	1H/FY2008
USD/¥	119	106
EUR/¥	161	159

	1H/FY2007	1H/FY2008	Change
Operating Income	39.0	24.3	-14.6
Net Income	19.8	12.3	-7.5

(Billion ¥)

Breakdown of Increases/Decreases in Profit for 1H/FY2008 Compared to 1H/FY2007

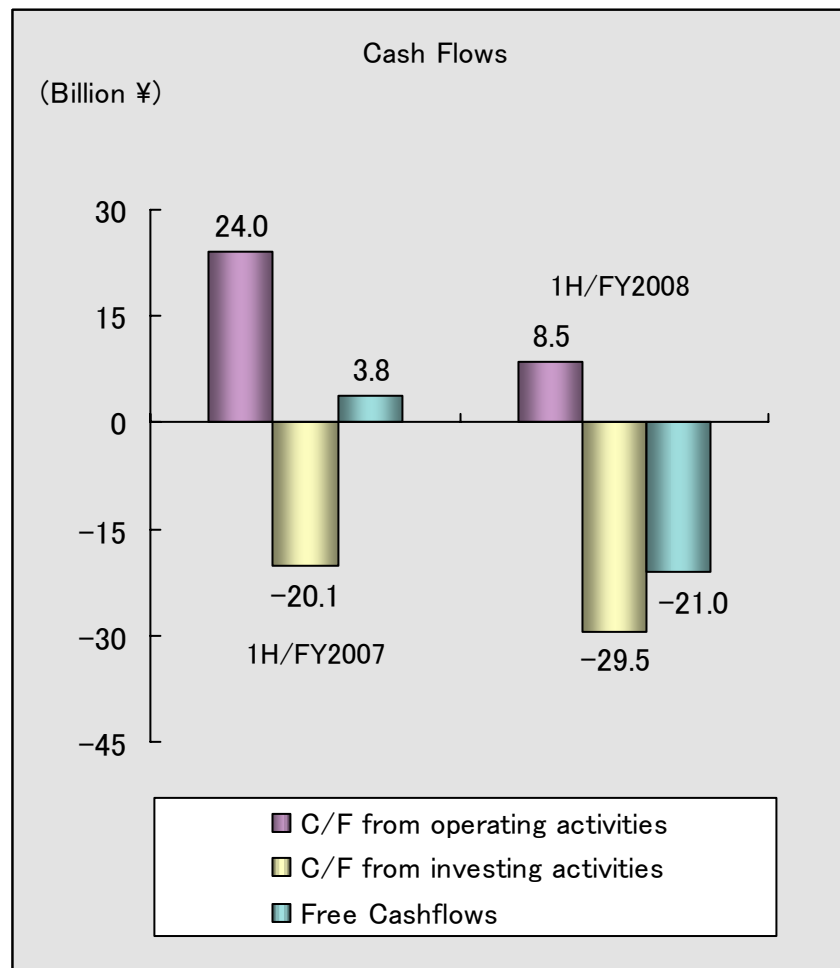
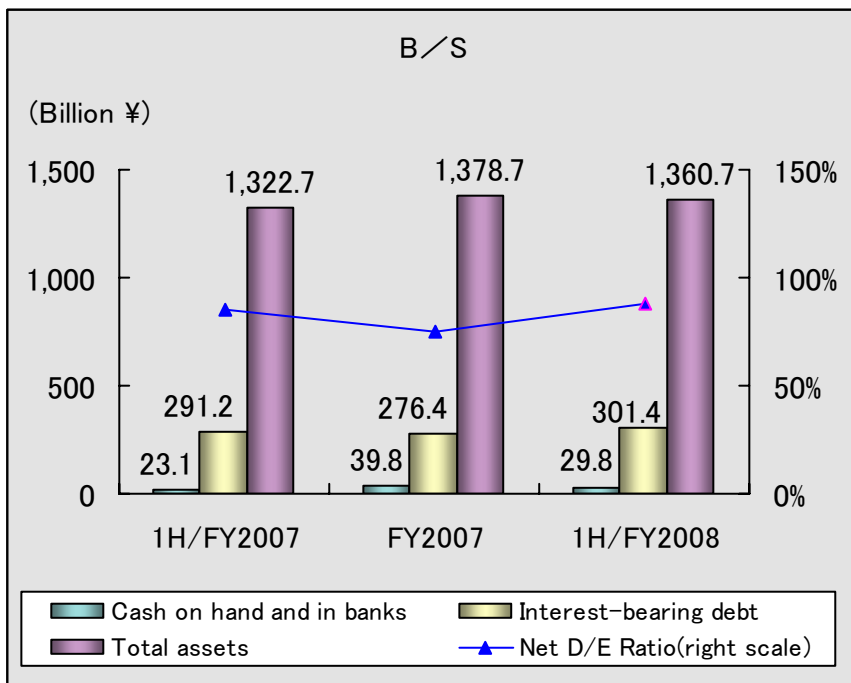
◇ Operating income (−14.6 billion yen)

Adverse impact of the fluctuation of foreign exchange rate	−10.4
Adverse impact of decrease in sales	−6.5
Increase in selling, general and administrative expenses	−2.5
Adverse impact of a rise in material price	−10.3
Adverse impact of changes in accounting method for valuation of inventories	−1.9
Adverse impact of Tax Law Revision regarding Depreciation Methodology	−0.7
Changes in product mix, Other improvements	+17.7

◇ Non-operating income (+8.4 billion yen)

Decrease in net interest expenses	+0.4
Gain on sales of marketable securities	+0.4
Increase in equity in income of non-consolidated subsidiaries and affiliates (1H/FY2007 ¥2.3 billion → 1H/FY2008 ¥3.3 billion)	+0.9
Gain and loss of foreign exchange (1H/FY2007 ¥−6.7 billion → 1H/FY2008 ¥3.0 billion)	+9.7
Others	−3.0

Interest-Bearing Debt and Cash Flows

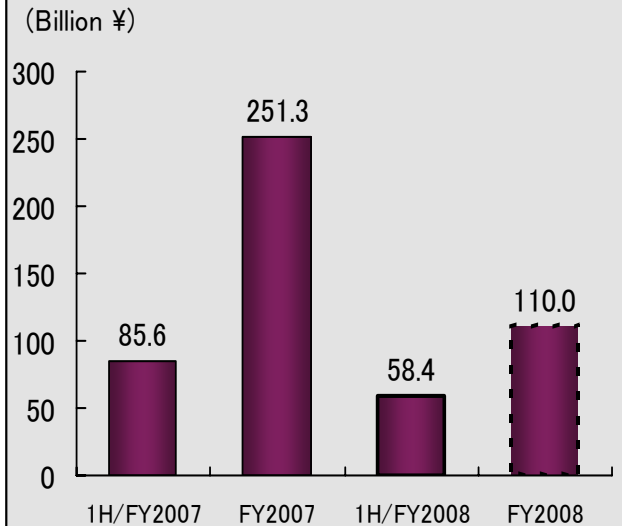


(Billion ¥)

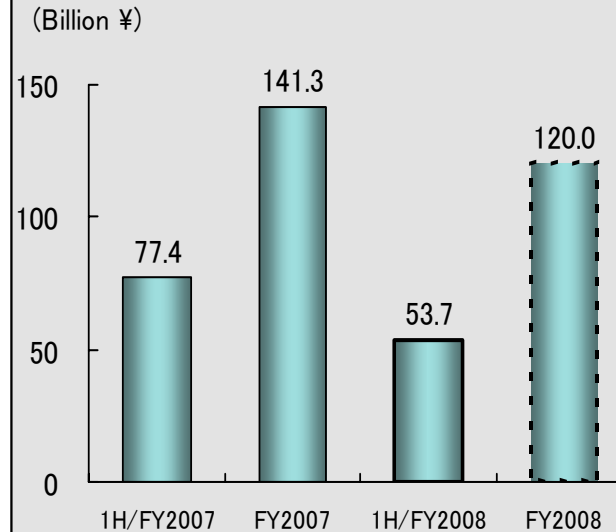
	1H/FY2007	FY2007	1H/FY2008
Net debt	268.0	236.5	271.5
Shareholders' equity	311.8	313.1	307.8
Net D/E Ratio	85%	75%	88%

Shipbuilding

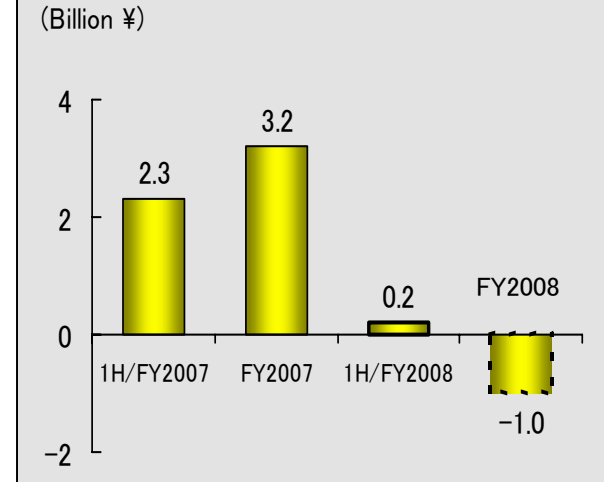
Orders Received



Net Sales



Operating Income



1H/FY2007

LPG carriers	2
Bulk carriers	11

⇒

1H/FY2008

LPG carrier	1
Bulk carriers	5

1H/FY2007

LNG carriers	5(5)
LPG carriers	2(1)
VLCC	1
Bulk carriers	2
Submarines	2(2)

⇒

1H/FY2008

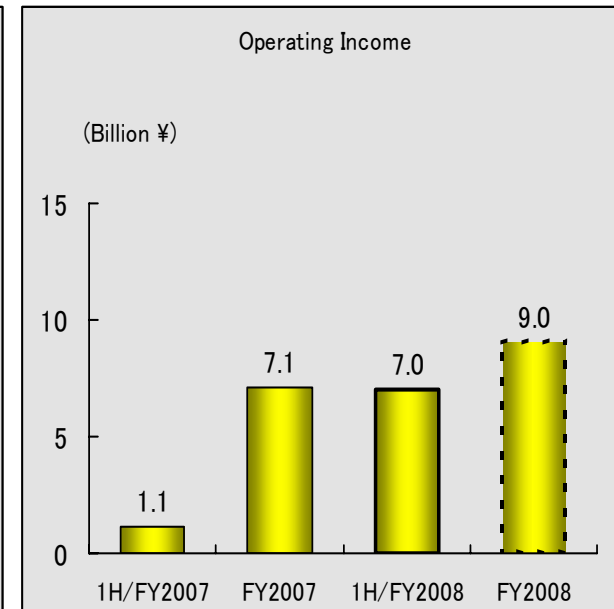
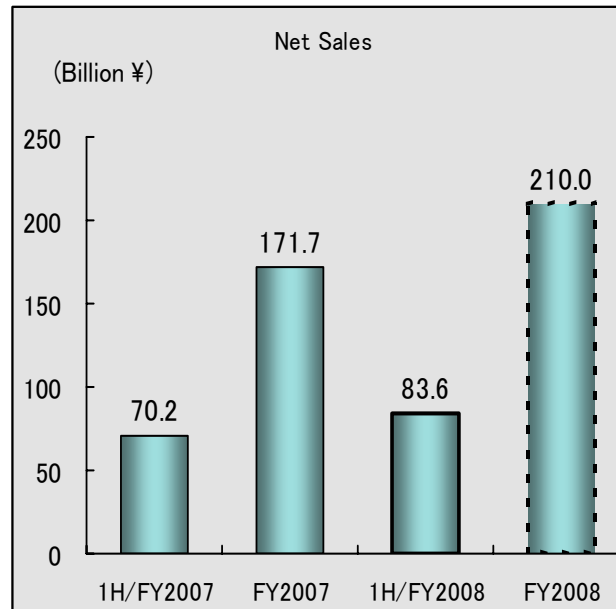
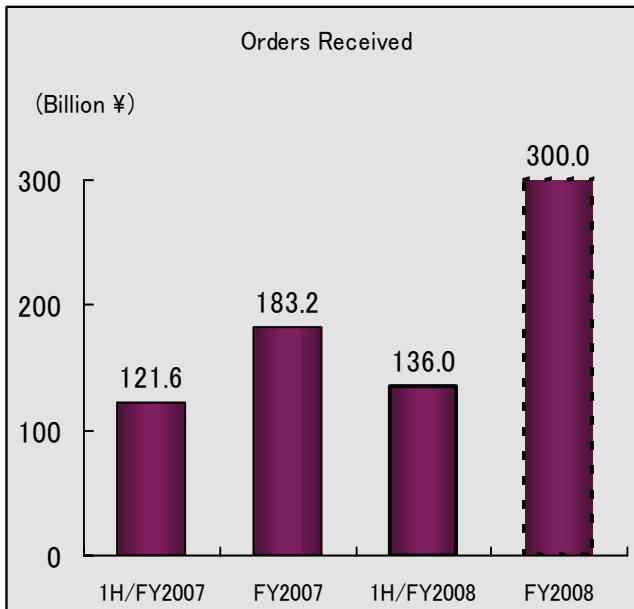
LNG carriers	5(5)
LPG carriers	2(1)
Bulk carriers	2
Submarine	1(1)

【Business Results for 1H/FY2008
(year-on-year comparison)】

- * Orders received of 1 LPG carrier and 5 Bulk carriers
- * Decrease in sales due to decrease in the number of sales units
- * Decrease in profit due to sales decrease and adverse impact of a rise in steel price

Note: () = Sales units by percentage-of-completion method

Rolling Stock



【Business Results for 1H/FY2008 (year-on-year comparison)】

《Orders Received》

* Large-scale orders received of Shinkansen cars for JR

For reference only

Large-scale orders received for 1H/FY2007

— Additional order of R160 for N.Y. subway (260 cars/ US\$450 mil)

《Net Sales》

* Increase in sales of rolling stock for overseas

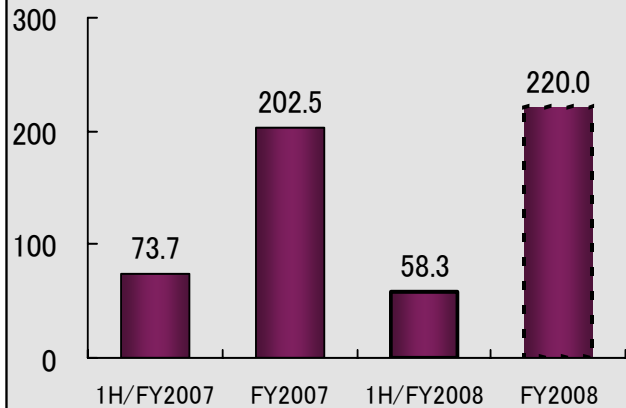
《Operating Income》

* Increase in profit due to sales increase of rolling stock for overseas

Aerospace

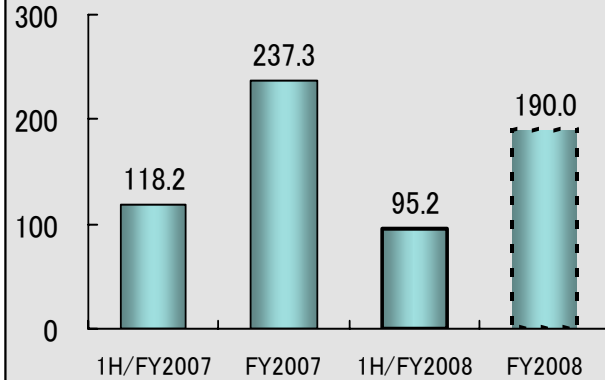
Orders Received

(Billion ¥)



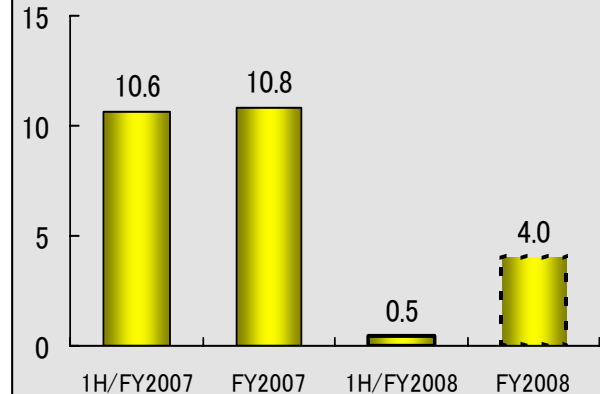
Net Sales

(Billion ¥)



Operating Income

(Billion ¥)



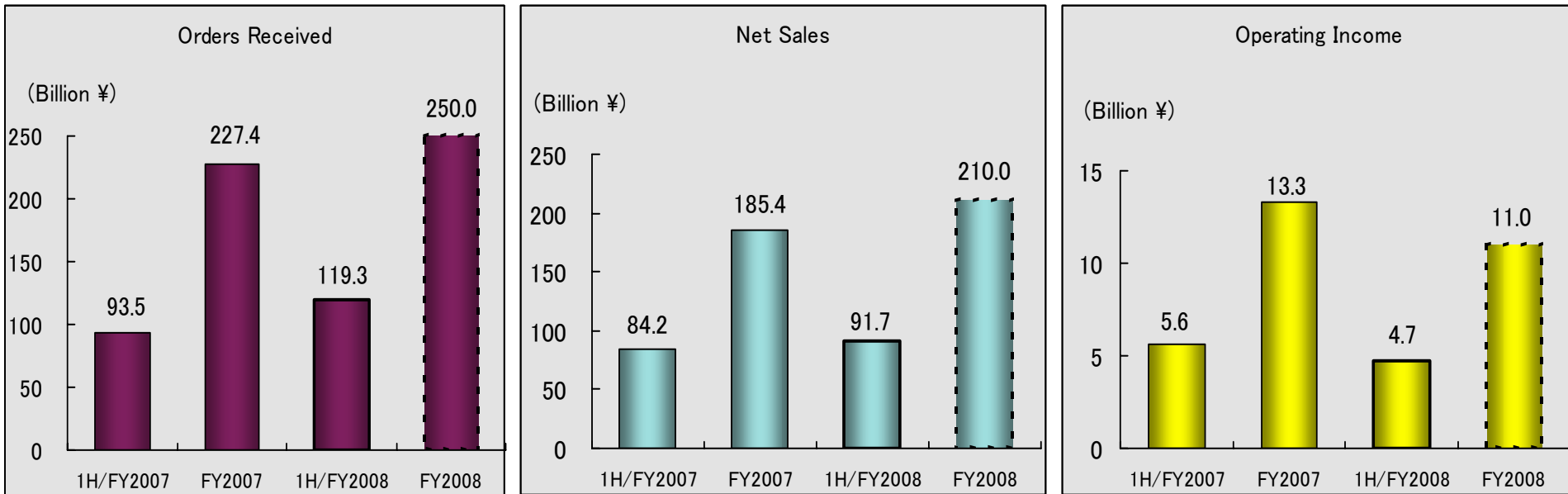
<Sales units of component parts for commercial aircraft>

	Sales units			
	1H/FY2007	FY2007	1H/FY2008	FY2008 Projection
B777	42	82	42	73
B767	6	12	7	13
Embraer170/175	32	69	30	60
Embraer190/195	39	79	58	121

【Business Results for 1H/FY2008 (year-on-year comparison)】

- * Decrease in orders received from commercial aircraft businesses
- * Decrease in sales and profit due to sales decrease for JDA and adverse impact of the fluctuation of foreign exchange rate

Gas Turbines & Machinery



【Business Results for 1H/FY2008 (year-on-year comparison)】

《Orders Received》

* Increase in orders received of industrial gas turbines, marine steam turbine engines for LNG carriers and marine diesel engines

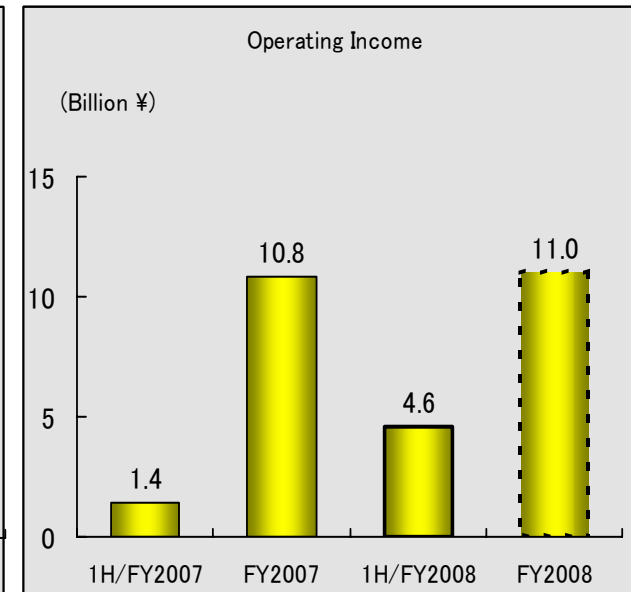
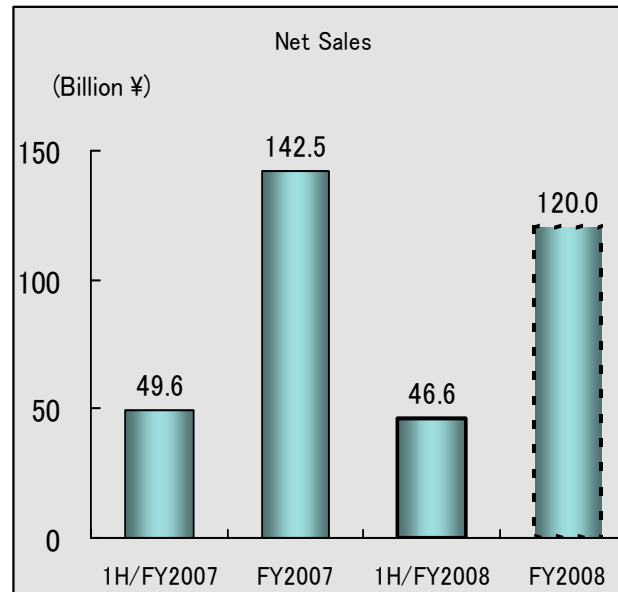
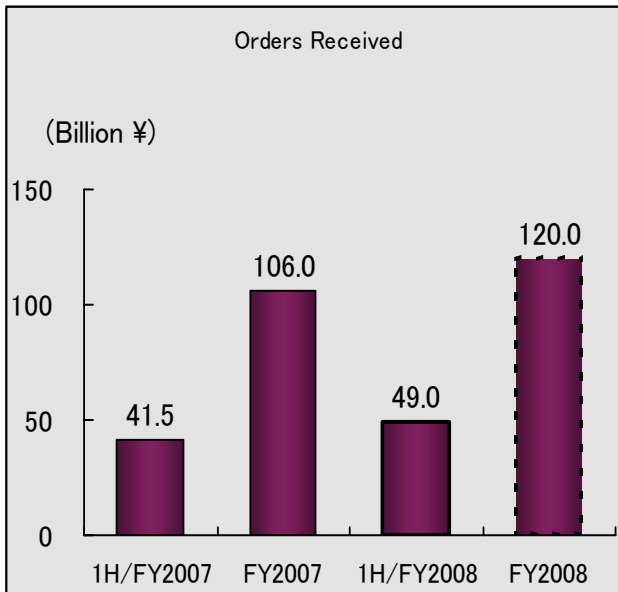
《Net Sales》

* Increase in sales of marine diesel engines

《Operating Income》

* Decrease in profit due to adverse impact of a rise in steel price and changes in accounting method for valuation of inventories

Energy & Environmental Engineering



【Business Results for 1H/FY2008 (year-on-year comparison)】

《Orders Received》

* Increase in orders received of LNG tanks

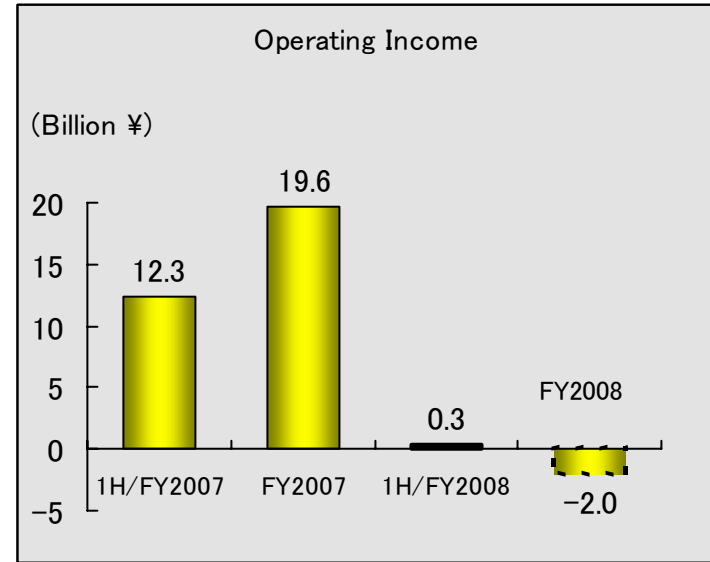
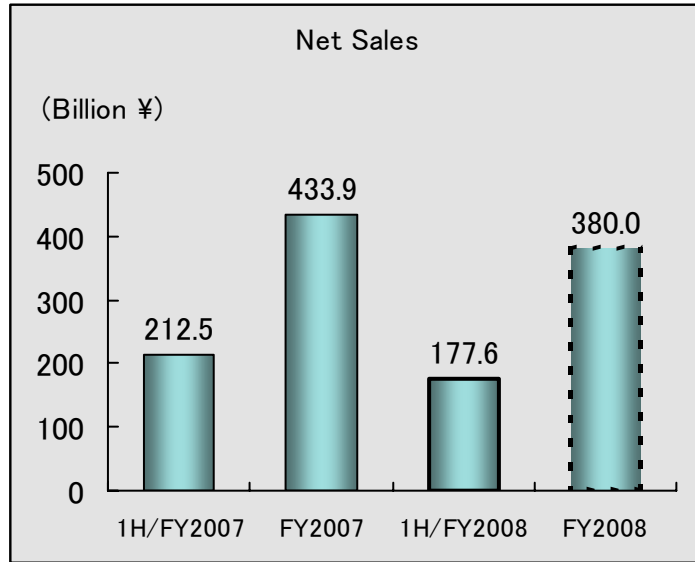
《Net Sales》

* Decrease in sales of municipal refuse incineration plants

《Operating Income》

* Increase in profit due to sales increase of profitable projects under our selective order-taking policy

Consumer Products & Machinery



<Sales by Region for Consumer Products>

(Thousands of Unit / Billion ¥)

Region	1H/FY2007		FY2007		1H/FY2008		FY2008(Projection)	
	QTY	Amount	QTY	Amount	QTY	Amount	QTY	Amount
Japan	13	9.5	20	15.2	13	9.1	20	14.9
NorthAmerica	106(53)	78.8	230(124)	177.1	82(41)	61.9	209(121)	146.5
Europe	66	62.6	118	110.7	52	45.8	110	90.5
Others	69	18.7	151	39.6	87	21.5	213	45.6
Total	254	169.6	519	342.6	234	138.3	552	297.5

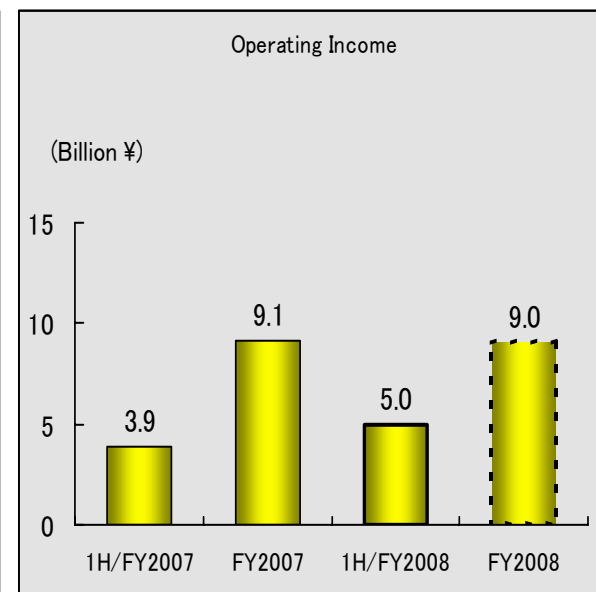
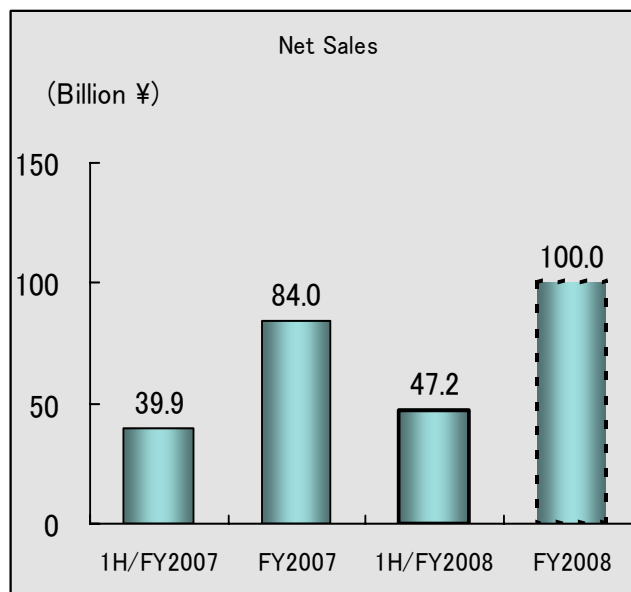
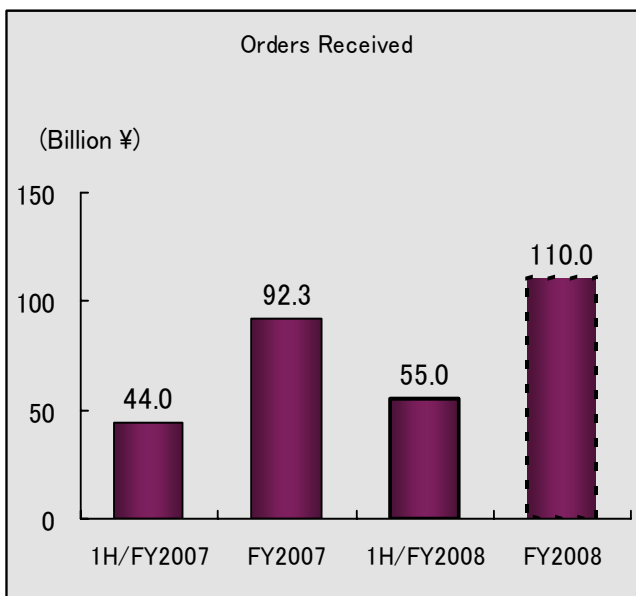
Note

- Sales units consist of Motorcycle, All-Terrain Vehicles (ATV), Utility Vehicles (MULE), Personal Water Craft (Jet Ski) and parts for these products.
- Domestic sales include OEM supply.
- () represents Motorcycle sales unit.

【Business Results for 1H/FY2008
(year-on-year comparison)】

- * Decrease in sales of
 - ...Motorcycles for U.S. and European markets
 - ...industrial robots for semiconductor manufacturing equipment
- * Decrease in profit due to sales decrease and adverse impact of the fluctuation of foreign exchange rate

Industrial Hydraulic Products



【Business Results for 1H/FY2008 (year-on-year comparison)】

《Orders Received》

* Increase in orders received of industrial hydraulic products for construction machinery

《Net Sales》

* Increase in sales of industrial hydraulic products for construction machinery

《Operating Income》

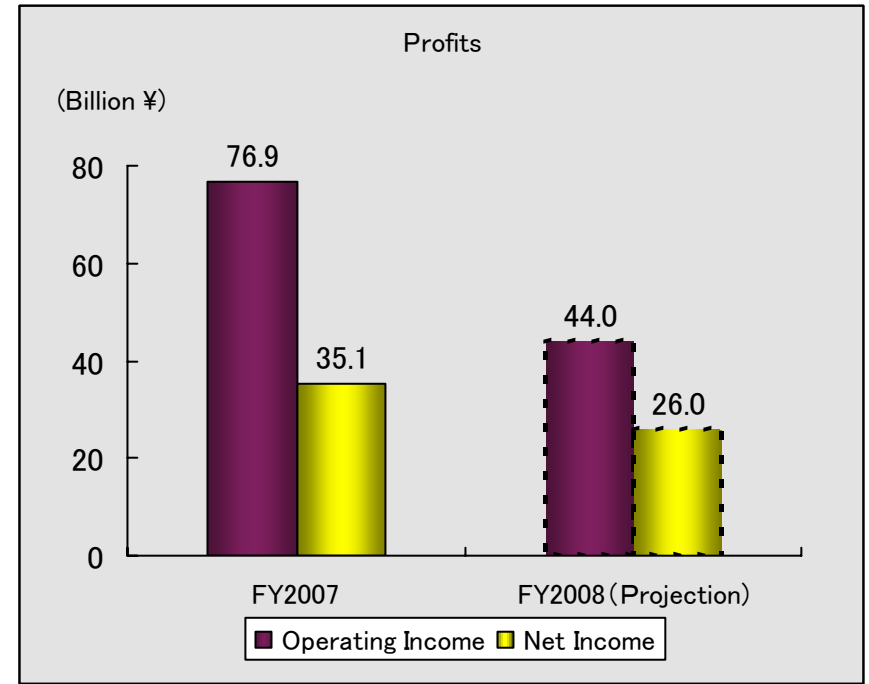
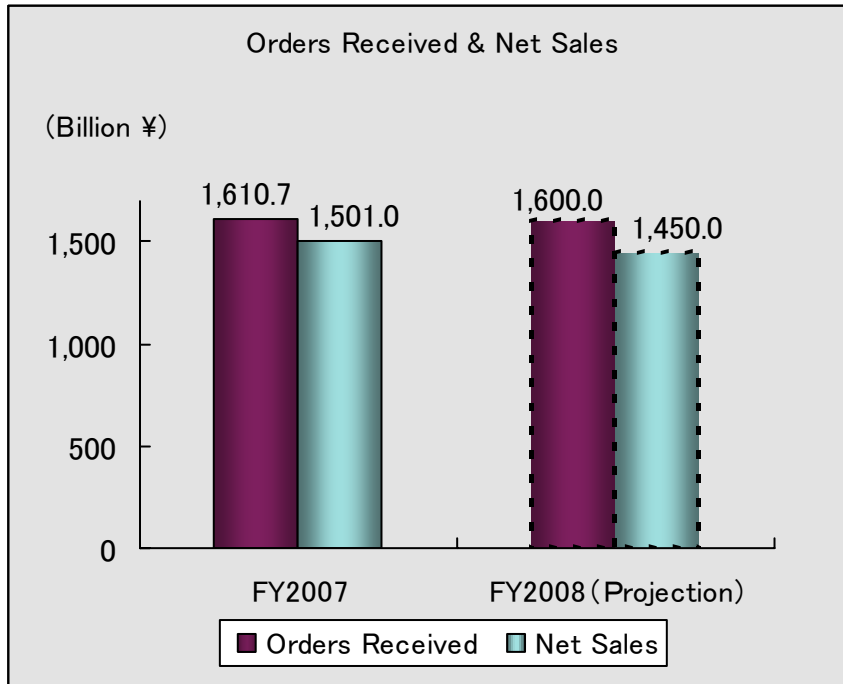
* Increase in profit due to sales increase of industrial hydraulic products for construction machinery

R&D/Capital Expenditures/Number of Employees

(Billion ¥ / Persons)

	1H/FY2007 Actual	FY2007 Actual	1H/FY2008 Actual	FY2008 Projection	
R&D	16.0	36.2	17.6	40.5	
Capital Expenditures	21.4	50.5	38.4	106.0	
Depreciation and Amortization	17.6	37.4	20.0	48.0	
	Domestic	23,550	23,542	24,410	24,500
	Overseas	6,832	7,021	7,558	7,800
Number of Employees	30,382	30,563	31,968	32,300	

Outlook for FY2008



Exchange Rates

	FY2007 Actual	FY2008 Assumption	
		As of April	As of October
USD/¥	115	100	100
EUR/¥	162	160	130

(Billion ¥)

	FY2007 Actual	FY2008 Projection	
		As of April	As of October
Operating Income	76.9	55.0	44.0
Net Income	35.1	30.0	26.0

Outlook for FY2008 by Segment

(Billion ¥)

	FY2007 Actual		FY2008 Projection			
			As of April		As of October	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Shipbuilding	141.3	3.2	120.0	2.0	120.0	-1.0
Rolling Stock	171.7	7.1	210.0	8.0	210.0	9.0
Aerospace	237.3	10.8	200.0	5.0	190.0	4.0
Gas Turbines & Machinery	185.4	13.3	200.0	9.0	210.0	11.0
Energy & Environmental Engineering	142.5	10.8	110.0	9.0	120.0	11.0
Consumer Products & Machinery	433.9	19.6	420.0	10.0	380.0	-2.0
Industrial Hydraulic Products	84.0	9.1	100.0	9.0	100.0	9.0
Others	104.5	2.5	100.0	3.0	120.0	3.0
Total	1,501.0	76.9	1,460.0	55.0	1,450.0	44.0

USD/¥	115	100	100
EUR/¥	162	160	130

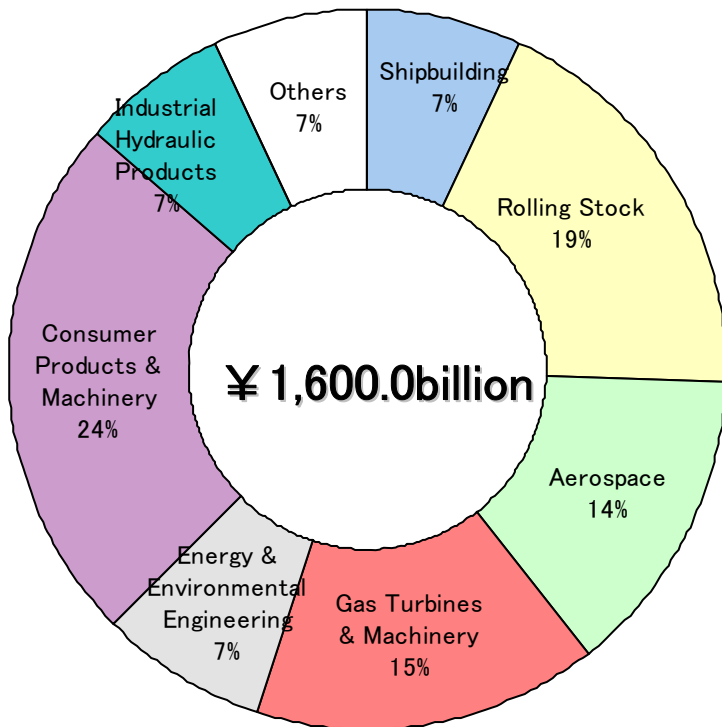
Outlook of Orders Received for FY2008

(Billion ¥)

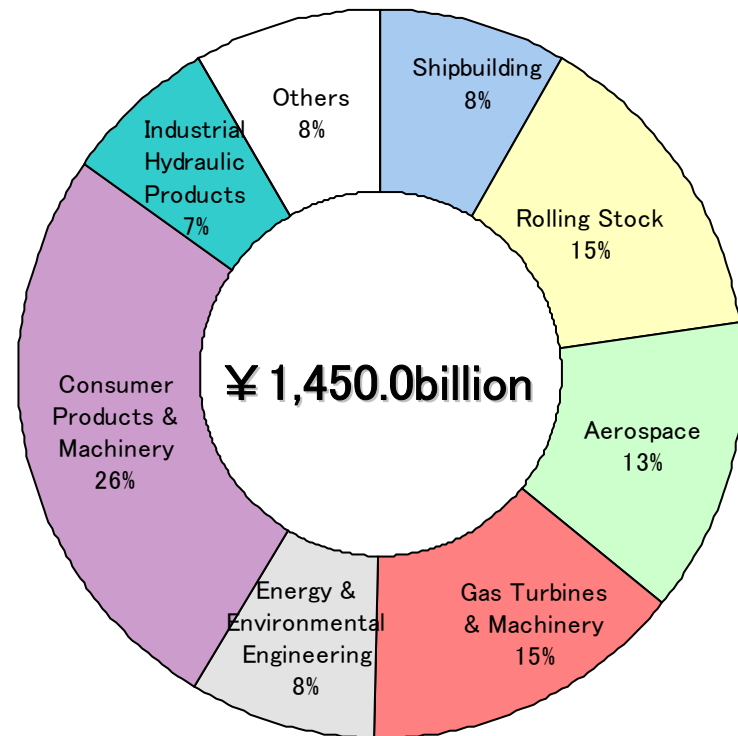
	FY2007 Actual	FY2008 Projection	
		As of April	As of October
Shipbuilding	251.3	180.0	110.0
Rolling Stock	183.2	330.0	300.0
Aerospace	202.5	270.0	220.0
Gas Turbines & Machinery	227.4	250.0	250.0
Energy & Environmental Engineering	106.0	130.0	120.0
Consumer Products & Machinery	433.9	420.0	380.0
Industrial Hydraulic Products	92.3	100.0	110.0
Others	113.9	100.0	110.0
Total	1,610.7	1,780.0	1,600.0

Business Portfolio (FY2008 Projection)

Orders Received



Net Sales



Kawasaki, let the good times roll !

Cautionary Statement

The performance outlook and the forecasts stated in this material were prepared by Kawasaki Heavy Industries, Ltd. (hereinafter, KHI) based on the circumstances at the release point, and include potential risks and uncertain factors that relate to economic conditions, foreign currency exchange rates, tax rules, regulations and other factors. Accordingly, please note that the actual operating results, financial position, and business deployment of KHI may sometimes differ considerably from the descriptions in the present projections.