

# **Financial Results for Fiscal 2008**

**(for the year ended March 31, 2009)**

Apr. 28, 2009

Kawasaki Heavy Industries, Ltd.



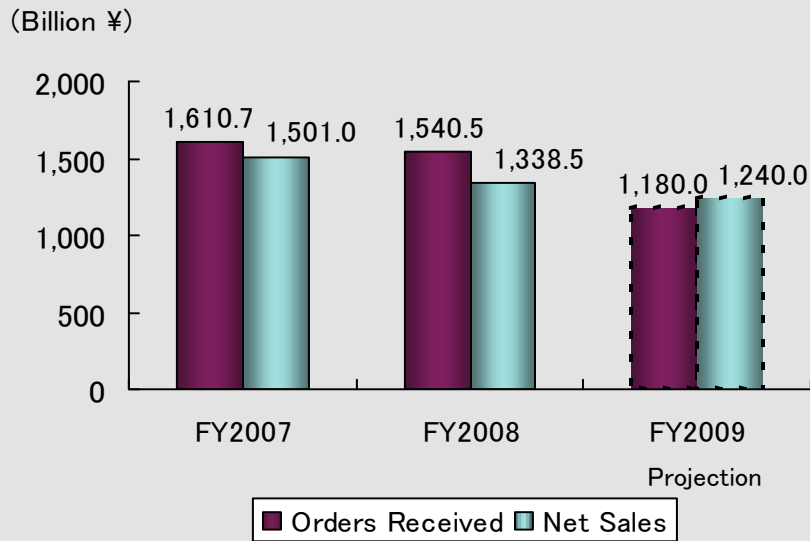
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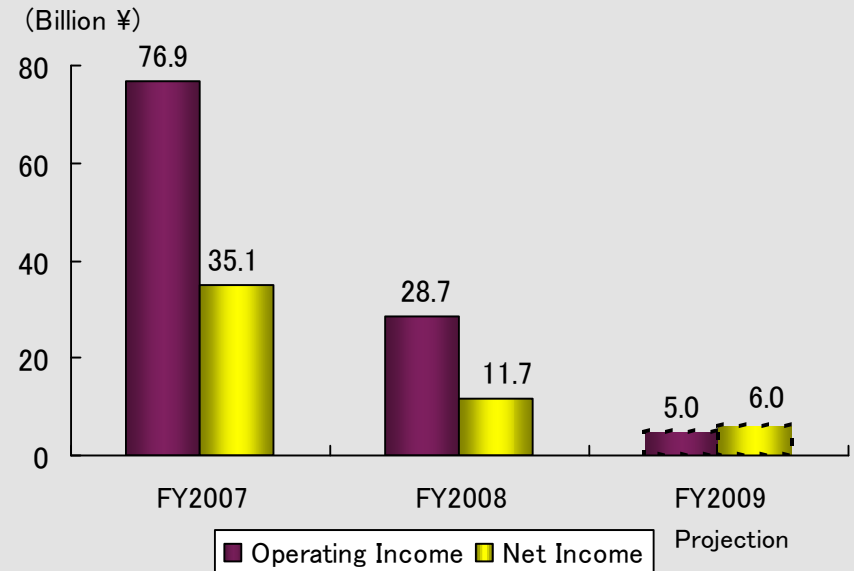
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# Summary of FY2008 Results (Consolidated)

Orders Received & Net Sales



Profits



Exchange Rates

	Actual Exchange Rates		Assumed Exchange Rates
	FY2007	FY2008	FY2009
USD/¥	115	101	95
EUR/¥	162	142	125

(Billion ¥)

	FY2007 (Actual)	FY2008 (Actual)	FY2009 (Projection)
Operating Income	76.9	28.7	5.0
Net Income	35.1	11.7	6.0

# Breakdown of Increases/Decreases in Profit for FY2008 compared to FY2007

## Operating income (−48.1 billion yen)

Adverse impact of the fluctuation of foreign exchange rate	−35.1
Adverse impact of decrease in sales	−19.0
Increase in selling, general and administrative expenses	−0.7
Adverse impact of a rise in material price	−19.4
Adverse impact of changes in accounting method for valuation of inventories	−4.0
Adverse impact of Tax Law Revision regarding Depreciation Methodology	−1.6
Changes in product mix, Other improvements	+31.7

## Non-operating income (+22.9 billion yen)

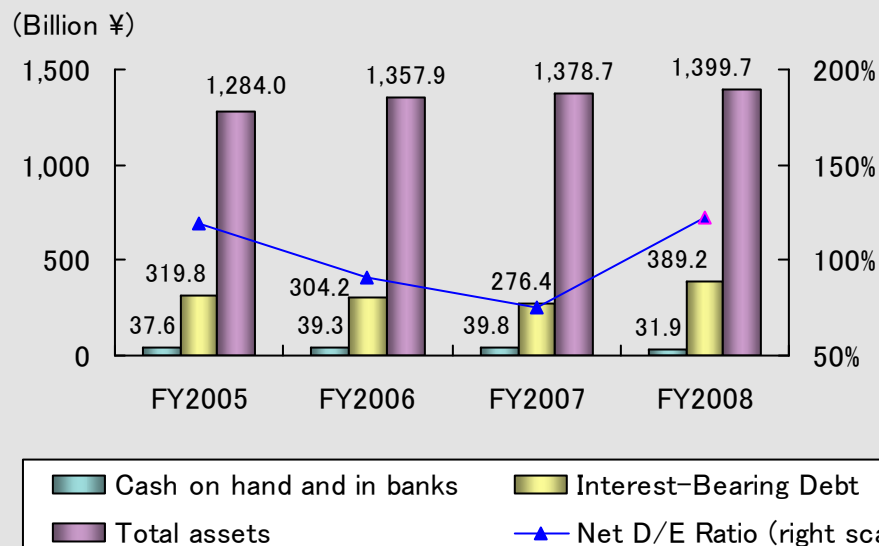
Decrease in net interest expenses	+0.6
Increase in equity in income of non-consolidated subsidiaries and affiliates (FY2007 ¥7.6 billion →FY2008 ¥8.7 billion)	+1.0
Gain and loss on foreign exchange (FY2007 ¥−11.5 billion →FY2008 ¥10.3 billion)	+21.9
Others	−0.6

## Other income (−9.1 billion yen)

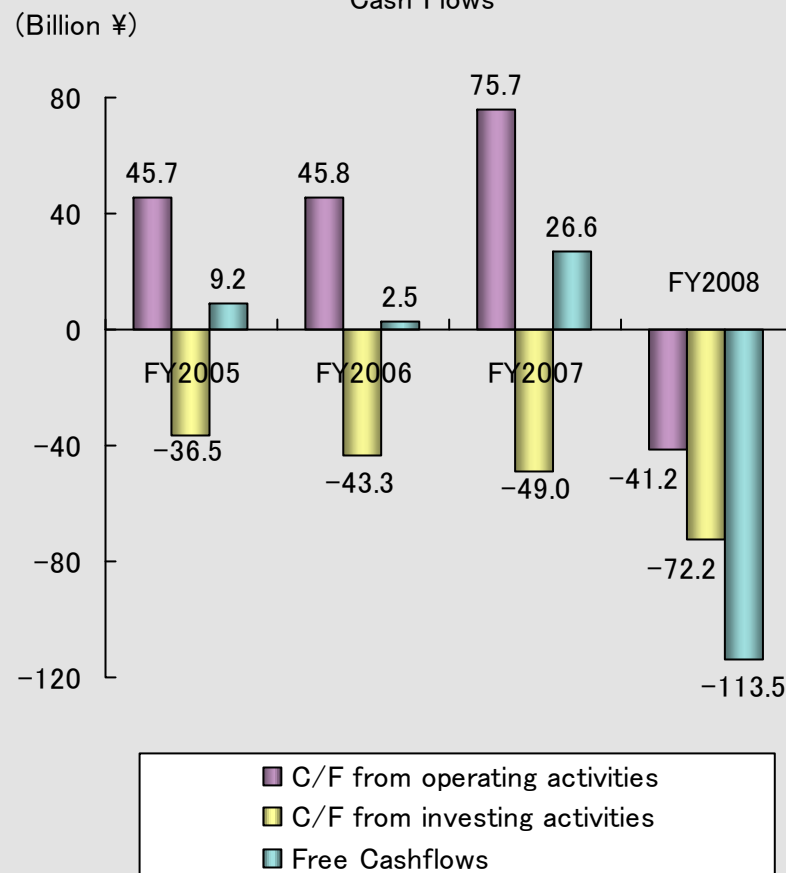
Gain and loss on contribution of securities to employee's retirement benefit trust (FY2007 ¥1.3 billion →FY2008 ¥−4.4 billion)	−5.8
Losses on impairment (FY2007 ¥2.7 billion →FY2008 ¥1.3 billion)	+1.3
Others	−4.6

# Interest-Bearing Debt and Cash Flows

B/S



Cash Flows



(Billion ¥)

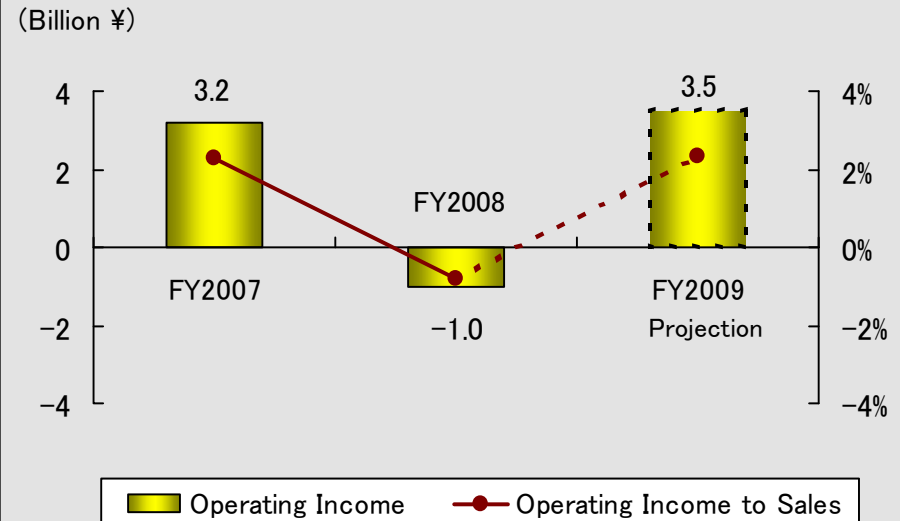
	FY2005	FY2006	FY2007	FY2008
Net debt	282.1	264.8	236.5	357.3
Shareholders' equity	237.5	290.4	313.1	290.4
Net D/E ratio	119%	91%	75%	123%

# Shipbuilding

Orders Received & Net Sales



Operating Income & Operating Income to Sales



(vessel)

	Orders Received		Sales	
	FY2007	FY2008	FY2007	FY2008
LNG carriers	2	-	6(6)	6(6)
Small-sized LNG carriers	-	-	-	2
LPG carriers	3	1	3(1)	3(2)
VLCCs	-	-	1	1
Bulk carriers	22	5	5	7
Submarines	1	-	2(2)	2(2)
Total	28	6	17(9)	21(10)

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

## Business results for FY2008

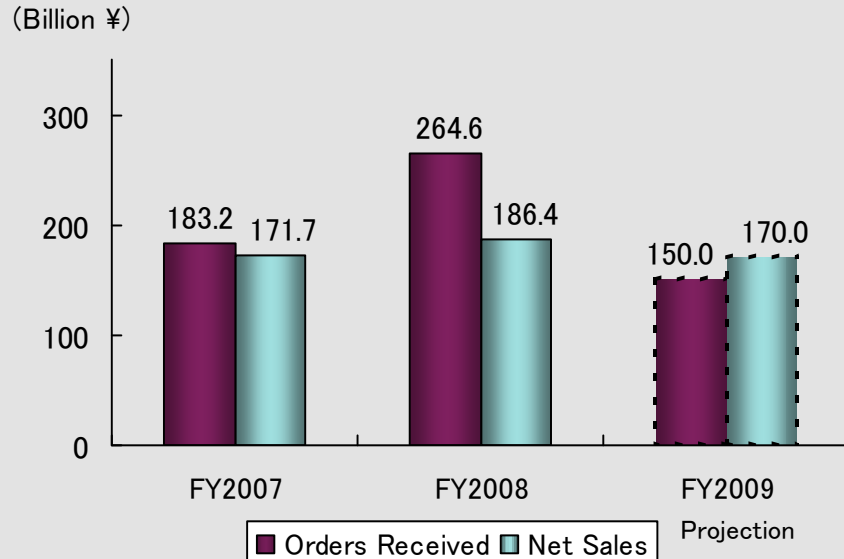
- \* Orders received of 1 LPG carrier and 5 Bulk carriers
- \* Decrease in sales due to sales decrease of large vessels
- \* Deterioration in profitability due to sales decrease and recorded provision for losses on construction contracts

## Outlook for FY2009

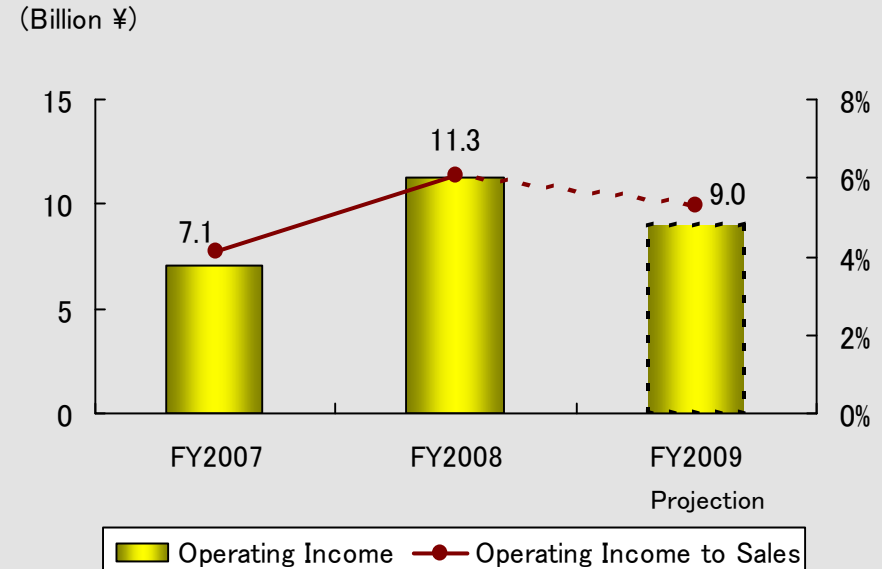
- \* Decrease in sales of LNG and LPG carriers, Increase in sales of Bulk carriers
- \* Return to profitability mainly due to restoration of provision for losses on construction contracts recorded during FY2008

# Rolling Stock

Orders Received & Net Sales



Operating Income & Operating Income to Sales



## Business results for FY2008

- \* Large-scale orders received of Shinkansen cars for JR and additional order of R160 for N.Y. subway (140 cars/US\$275 mil)
- \* Increase in profit due to sales increase of rolling stock for overseas

## Outlook for FY2009

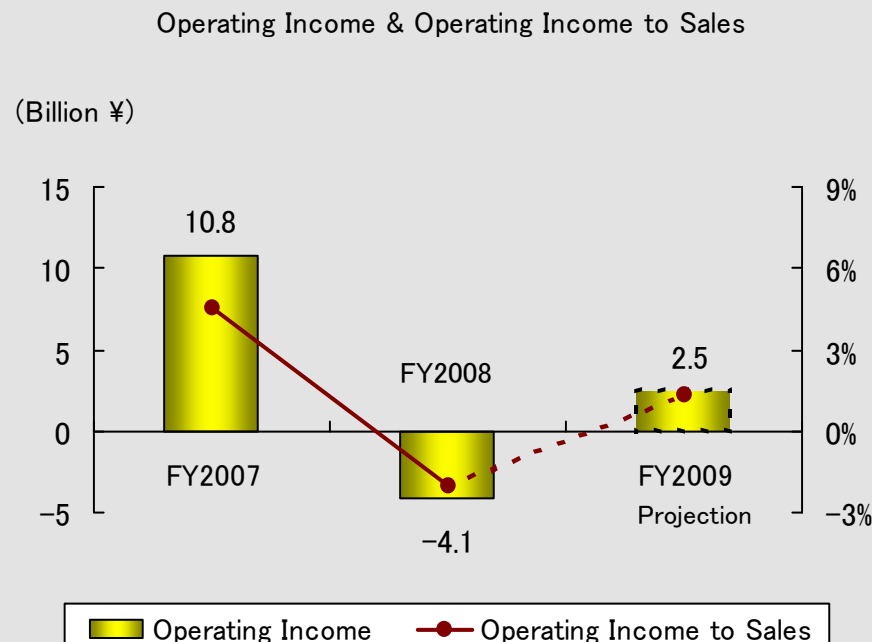
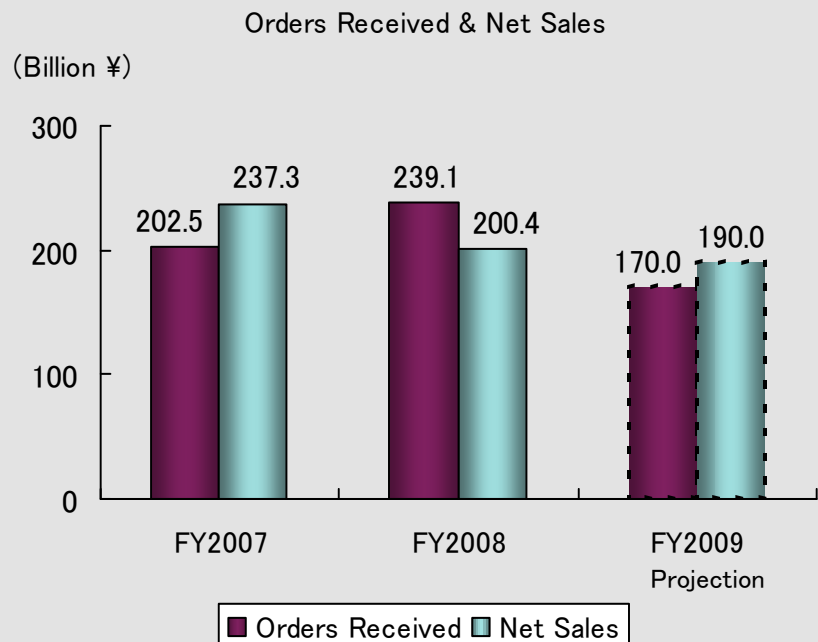
- \* Increase in sales of Shinkansen cars for JR and rolling stock for U.S., while decrease in sales due to the reclassification of construction machinery business unit into "Others" segment>(\*note)
- \* Decrease in profit due to adverse impact of an assumed exchange rate of 95 yen against US dollar

(\*note)

Orders Received/ Net Sales/ Operating Income of construction machinery business unit for FY2009 projection are included in "Others" segment.  
 FY2008 Results of this segment excluding the results of construction machinery business unit are as follows:

[FY2008 Orders Received: ¥235.0 billion Net Sales: ¥150.3 billion  
 Operating Income: ¥12.3 billion ]

# Aerospace



Sales units of components parts for commercial aircraft  
(unit)

	Sales	
	FY2007	FY2008
B777	82	73
B767	12	13
Embraer170/175	69	46
Embraer190/195	79	112

## Business results for FY2008

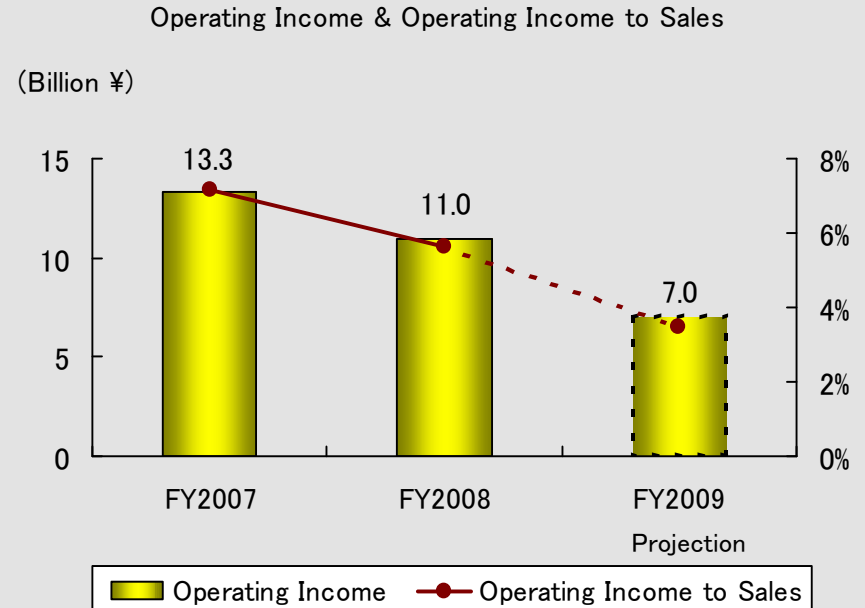
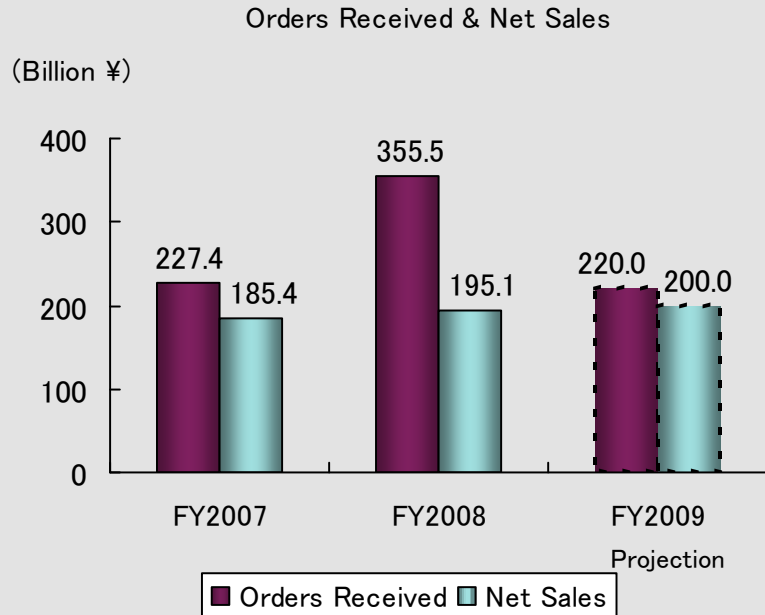
- \* Orders received of commercial aircraft businesses for BOEING and P-1 maritime patrol aircrafts for JDA
- \* Deterioration in profitability due to sales decrease and adverse impact of changes in accounting method for valuation of inventories

## Outlook for FY2009

- \* Decrease in sales mainly due to sales decrease regarding development of the XP-1 (Patrol aircraft) and the C-X (Transport aircraft) for JDA
- \* Return to profitability mainly due to the effects of write-down in inventories of commercial aircraft businesses recorded during FY2008



# Gas Turbines & Machinery



## Business results for FY2008

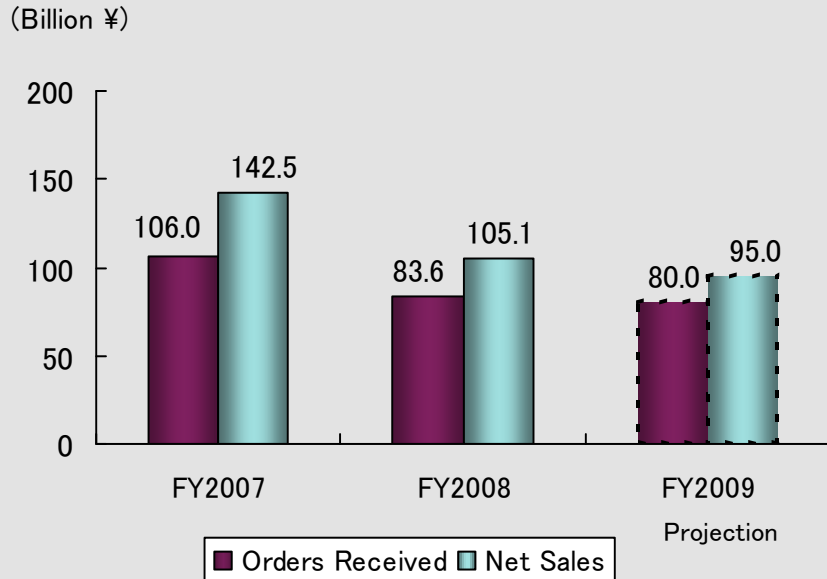
- \* Increase in orders received due to
  - new orders received of commercial aircraft jet engines, the TRENT XWB
  - demand increase of diesel power generators and marine propulsion systems
- \* Increase in sales of commercial aircraft jet engines and marine diesel engines
- \* Decrease in profit due to adverse impact of the fluctuation of foreign exchange rate and changes in accounting method for valuation of inventories

## Outlook for FY2009

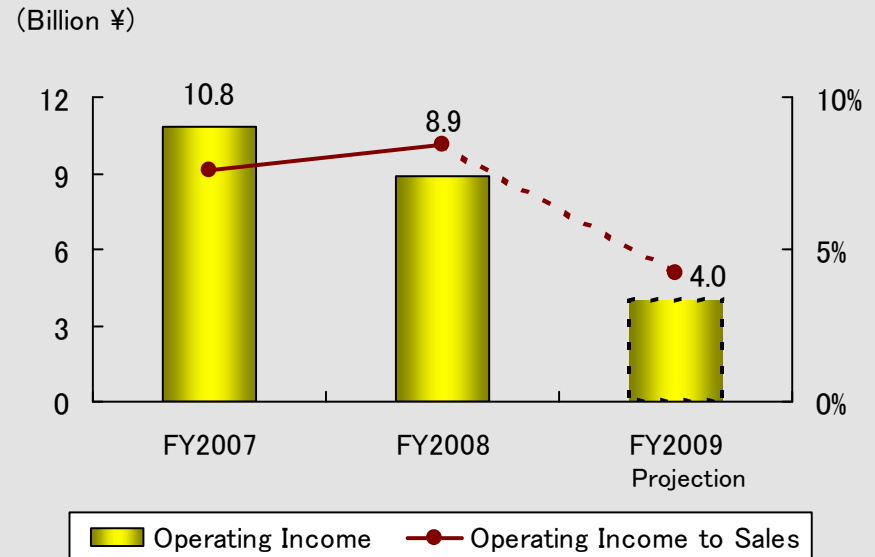
- \* Sales at the same level as FY2008:
  - (+) Sales increase of aero-dynamic machinery and marine propulsion systems
  - (-) Sales decrease of marine diesel engines and commercial aircraft jet engines
- \* Decrease in profit due to adverse impact of an assumed exchange rate of 95 yen against US dollar and R&D expenses increase in machinery business unit

# Energy & Environmental Engineering

Orders Received & Net Sales



Operating Income & Operating Income to Sales



## Business results for FY2008

- \* Decrease in orders received reflecting the influence of global retrenchment in capital spending
- \* Decrease in profit due to sales decrease of large-scale industrial plants for overseas

## Outlook for FY2009

- \* Continuing of selective order-taking policy
- \* Decrease in sales and profit due to completion of large-scale industrial plants for overseas

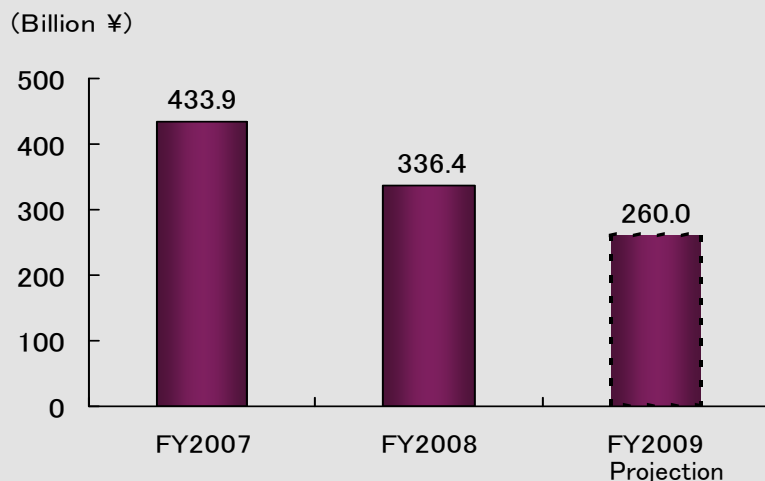
## For reference only

Large-scale projects as sales for FY2008

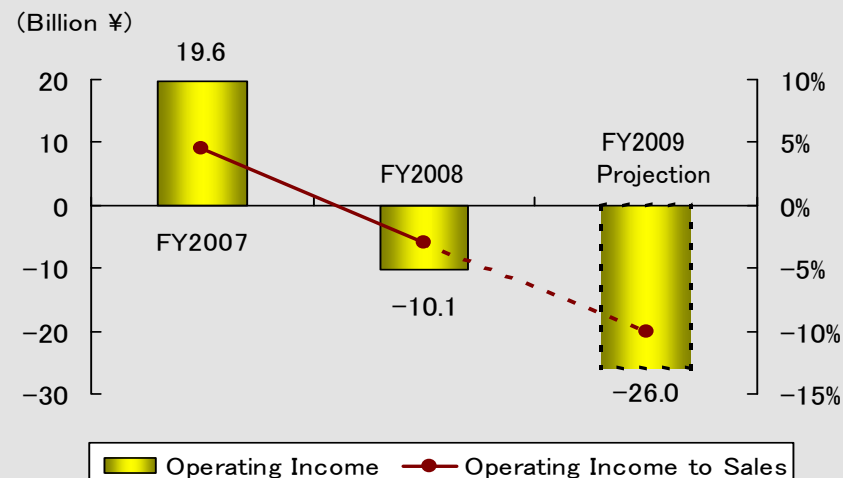
- Ferronickel plant/ Korea
- Urea production facility/ Pakistan
- Cement plant/ Vietnam

# Consumer Products & Machinery

Net Sales



Operating Income & Operating Income to Sales



Sales by Region for Consumer Products

(Thousands of Unit / Billion ¥)

Region	FY2007		FY2008	
	Unit	Amount	Unit	Amount
Domestic	20	15.2	19	14.7
North America	230 (124)	177.1	197 (118)	134.3
Europe	118	110.7	97	73.2
Others	151	39.6	210	44.9
Total	519	342.6	523	267.1

## Business results for FY2008

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

## Outlook for FY2009

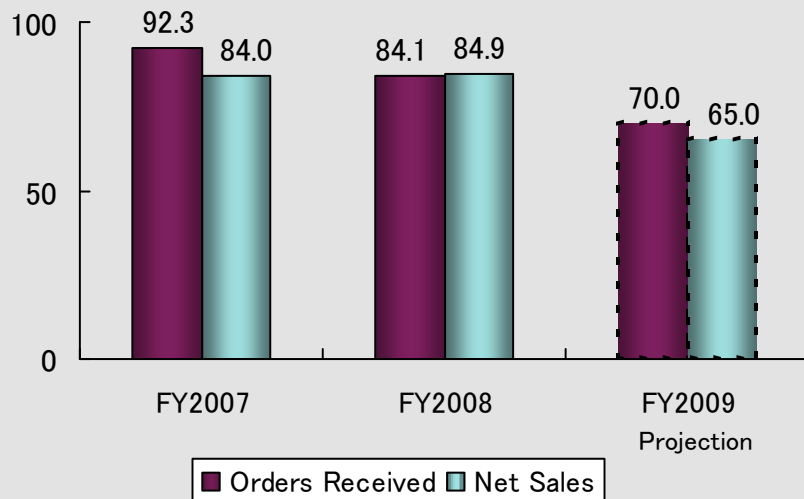
- \* Significant decrease in sales reflecting our prospect that the Motorcycles market volume in developing countries such as U.S. and Europe would shrink by 25% against FY2008 and the lower-level of capital spending would last among automobile and semiconductor manufacturers
- \* Larger loss due to
  - ... sales decrease
  - ... adverse impact of an assumed exchange rate of 95 yen against US dollar
  - ... deterioration in product mix of motorcycles i.e. decrease in sales proportion of large-sized motorcycles with higher margin

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

# Industrial Hydraulic Products

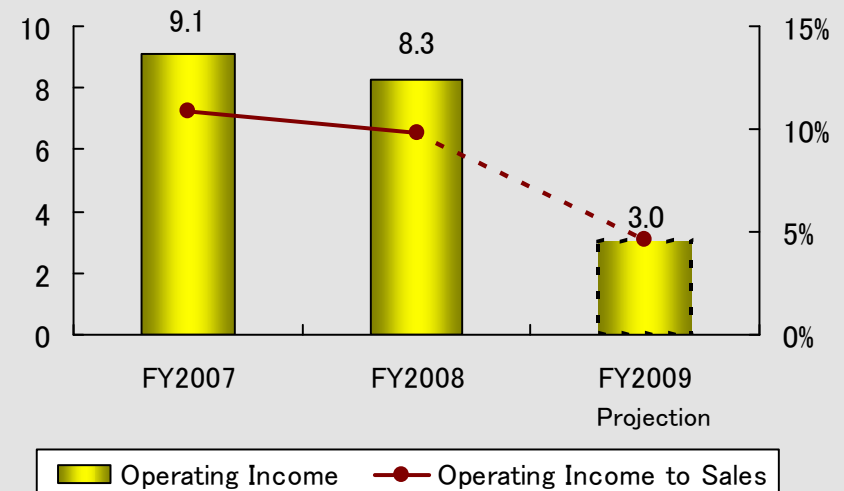
Orders Received & Net Sales

(Billion ¥)



Operating Income & Operating Income to Sales

(Billion ¥)



## Business results for FY2008

- \* Increase in sales of industrial hydraulic products for construction machinery mainly for Chinese market
- \* Decrease in profit due to slowdown in production from the third quarter of FY2008 and adverse impact of a rise in material price

## Outlook for FY2009

- \* Decrease in profit due to sales decrease of industrial hydraulic products for construction machinery

# R&D/Capital Expenditures/Number of Employees

(Billion ¥ / Persons)

	FY2007 Actual	FY2008 Actual	FY2009 Projection
R&D	36.2	38.2	40.0
Capital Expenditures	50.5	82.4	78.0
Depreciation and Amortization	37.4	44.3	54.0
Domestic	23,542	24,311	24,600
Overseas	7,021	7,955	8,400
Number of Employees	30,563	32,266	33,000

# Outlook for FY2009 by Segment

(Billion ¥)

	Net Sales		Operating Income	
	FY2008 Actual	FY2009 Projection	FY2008 Actual	FY2009 Projection
Shipbuilding	126.4	150.0	-1.0	3.5
Rolling Stock	186.4	170.0	11.3	9.0
Aerospace	200.4	190.0	-4.1	2.5
Gas Turbines & Machinery	195.1	200.0	11.0	7.0
Energy & Environmental Engineering	105.1	95.0	8.9	4.0
Consumer Products & Machinery	336.4	260.0	-10.1	-26.0
Industrial Hydraulic Products	84.9	65.0	8.3	3.0
Others	103.5	110.0	4.2	2.0
<b>Total</b>	<b>1,338.5</b>	<b>1,240.0</b>	<b>28.7</b>	<b>5.0</b>

Assumed Exchange Rates  
USD=¥95/EUR=¥125

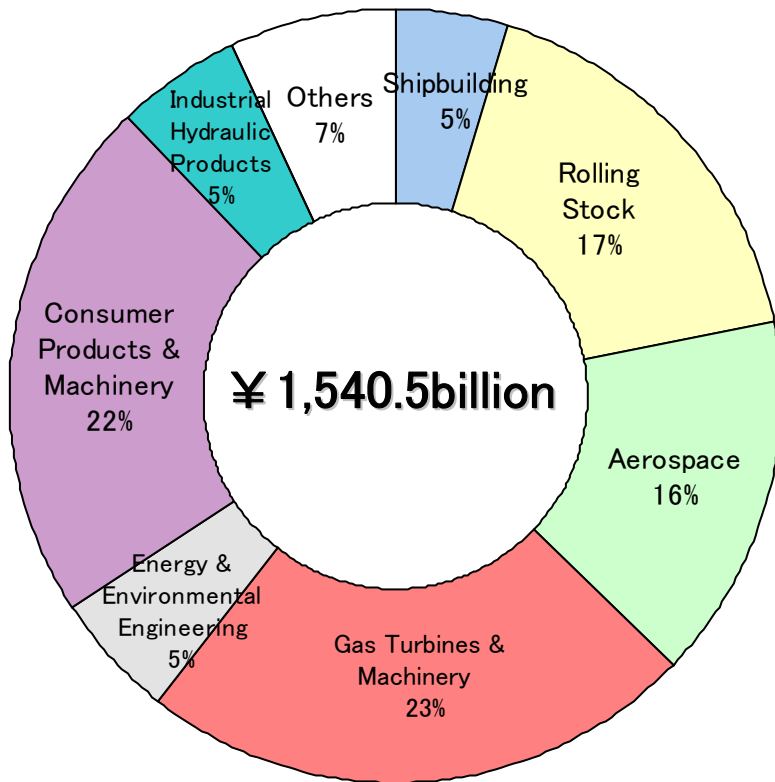
# Outlook of Orders Received for FY2009

(Billion ¥)

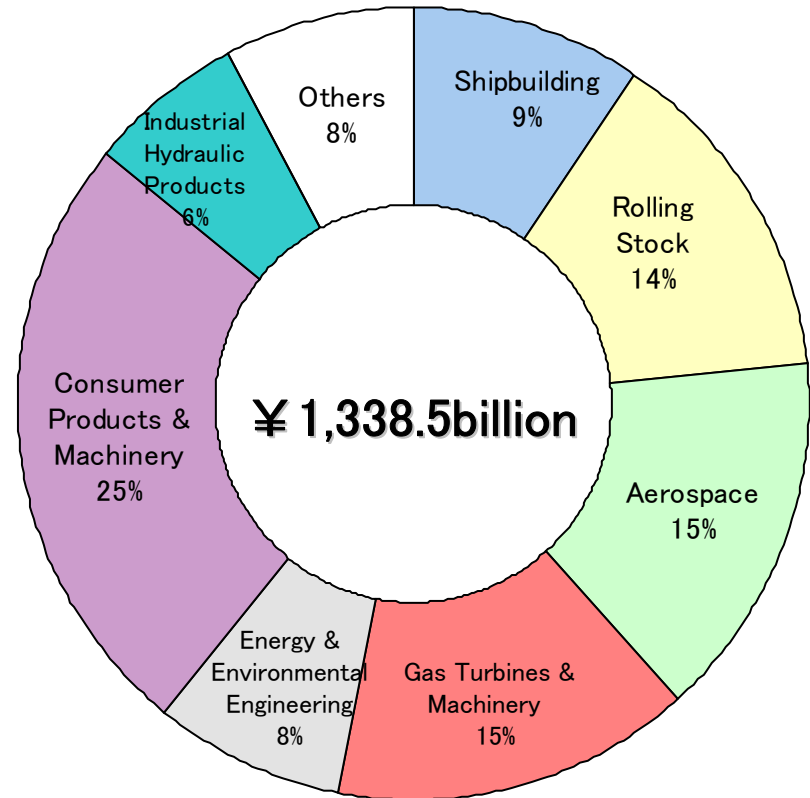
	Orders Received		
	FY2007 Actual	FY2008 Actual	FY2009 Projection
Shipbuilding	251.3	71.5	110.0
Rolling Stock	183.2	264.6	150.0
Aerospace	202.5	239.1	170.0
Gas Turbines & Machinery	227.4	355.5	220.0
Energy & Environmental Engineering	106.0	83.6	80.0
Consumer Products & Machinery	433.9	336.4	260.0
Industrial Hydraulic Products	92.3	84.1	70.0
Others	113.9	105.5	120.0
Total	1,610.7	1,540.5	1,180.0

# Business Portfolio (FY2008)

Orders Received



Net Sales





# **Kawasaki, Working as One for the Good of the Planet**

## **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.