

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

For nine months ended December 31, 2010 and 2009 and one year ended March 31, 2010

Operating results

	Millions of yen		Thousands of U.S. dollars
	Nine months ended Dec. 31, 2010	Nine months ended Dec. 31, 2009	Nine months ended Dec. 31, 2010
Net sales	¥ 870,540	¥ 798,060	\$ 10,689,341
Operating income	38,750	(14,046)	475,810
Net income	28,159	(10,323)	345,763
Earnings per share (Yen)	16.8	(6.1)	

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of net assets less minority interests to total assets
	Total assets	Net assets	
As of December 31, 2010	¥ 1,399,980	¥ 299,264	20%
As of March 31, 2010	1,352,439	283,053	20%
As of December 31, 2010	\$ 17,190,324	\$ 3,674,656	—

	Yen / U.S. dollars	Thousand shares
	Net assets per share	Number of shares issued and outstanding
As of December 31, 2010	¥ 174.2	1,670,424
As of March 31, 2010	166.1	1,667,848
As of December 31, 2010	\$ 2.13	—

Cash flows

	Millions of yen		Thousands of U.S. dollars
	Nine months ended Dec. 31, 2010	Nine months ended Dec. 31, 2009	Nine months ended Dec. 31, 2010
Operating activities	¥ (33,545)	¥ (98,714)	\$ (411,898)
Investing activities	(41,504)	(52,643)	(509,626)
Financing activities	78,049	151,667	958,361
Cash and cash equivalents at end of term	35,820	32,607	439,833

Fiscal year forecast

	Millions of yen		
	Net sales	Operating income	Net income
One year ending March 31, 2011	¥ 1,280,000	¥ 40,000	¥ 29,000

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 $\text{¥}81.44=\text{\$}1$, the rate prevailing as of December 31, 2010, solely for the convenience of the readers.

Condensed Consolidated Balance Sheets

As of December 31 and March 31, 2010

	Millions of yen		Thousands of
	As of	As of	U.S. dollars
	Dec. 31, 2010	Mar. 31, 2010	As of Dec. 31, 2010
Assets :			
Current assets :			
Cash on hand and in banks	¥ 38,045	¥ 34,745	\$ 467,153
Receivables, less allowance	430,894	417,999	5,290,938
Inventories	443,207	418,224	5,442,129
Other current assets	68,784	60,710	844,598
Total current assets	980,930	931,678	12,044,818
Investments and long-term loans less allowance	63,009	60,628	773,686
Net property, plant and equipment	280,961	284,408	3,449,914
Intangible and other assets	75,080	75,725	921,906
Total assets	¥ 1,399,980	¥ 1,352,439	\$ 17,190,324
Liabilities and net assets :			
Current liabilities :			
Short-term borrowings			
and current portion of long-term debt	¥ 267,081	¥ 158,799	\$ 3,279,481
Payables	282,357	302,739	3,467,055
Advances from customers	89,018	99,532	1,093,050
Other current liabilities	103,256	131,853	1,267,880
Total current liabilities	741,712	692,923	9,107,466
Long-term liabilities :			
Long-term debt, less current portion	257,936	270,110	3,167,190
Others	101,068	106,353	1,241,012
Total long-term liabilities	359,004	376,463	4,408,202
Net assets :			
Common stock	104,328	104,328	1,281,041
Capital surplus	54,242	54,275	666,036
Retained earnings	160,872	137,689	1,975,343
Treasury stock	(36)	(552)	(442)
Net unrealized gains on securities	4,119	5,305	50,577
Gains (losses) on hedging items	(1,600)	(162)	(19,646)
Foreign currency translation adjustments	(30,785)	(23,803)	(378,008)
Minority interests	8,124	5,973	99,755
Total net assets	299,264	283,053	3,674,656
Total liabilities and net assets	¥ 1,399,980	¥ 1,352,439	\$ 17,190,324

(Consolidated)

Condensed Consolidated Statements of Operations

For nine months ended December 31, 2010 and 2009

	Millions of yen		% Change	Thousands of
	Nine months ended Dec.31, 2010	Nine months ended Dec.31, 2009		U.S. dollars
Net sales	¥ 870,540	¥ 798,060	+9%	<u>\$ 10,689,341</u>
Cost of sales	727,703	702,313		<u>8,935,449</u>
Gross profit	142,837	95,747		<u>1,753,892</u>
Selling, general and administrative expenses	104,087	109,793		<u>1,278,082</u>
Operating income (loss)	38,750	(14,046)		<u>475,810</u>
Other income (expenses) :				
Interest and dividend income	1,901	2,937		23,342
Equity in income of unconsolidated subsidiaries and affiliates	7,076	4,363		86,886
Interest expense	(3,590)	(4,184)		(44,081)
Other, net	505	(1,759)		6,201
Income (loss) before income taxes and minority interests	44,642	(12,689)		548,158
Income taxes	(15,029)	3,078		(184,540)
Minority interests in net income of consolidated subsidiaries	(1,454)	(712)		(17,855)
Net income (loss)	¥ 28,159	¥ (10,323)		<u>\$ 345,763</u>

(Consolidated)

Condensed Consolidated Statements of Cash Flows

For nine months ended December 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	Nine months ended Dec. 31, 2010	Nine months ended Dec. 31, 2009	Nine months ended Dec. 31, 2010
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 44,642	¥ (12,689)	\$ 548,158
Adjustments to reconcile net income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	36,348	36,986	446,316
Increase in assets	(46,768)	(3,101)	(574,263)
Decrease in liabilities	(33,650)	(108,462)	(413,187)
Other	(34,117)	(11,448)	(418,922)
Net cash provided by operating activities	¥ (33,545)	¥ (98,714)	\$ (411,898)
Cash flows from investing activities:			
Acquisition of tangible and intangible assets	(40,731)	(52,085)	(500,135)
Acquisition of investments in securities	(35)	(110)	(429)
Other	(738)	(448)	(9,062)
Net cash used for investing activities	¥ (41,504)	¥ (52,643)	\$ (509,626)
Cash flows from financing activities:			
Increase (Decrease) in short-term borrowings	44,294	91,459	543,885
Proceeds from long-term debt	42,080	90,580	516,699
Repayment of long-term debt	(4,038)	(25,082)	(49,583)
Other	(4,287)	(5,290)	(52,640)
Net cash provided by financing activities	¥ 78,049	¥ 151,667	\$ 958,361
Effect of exchange rate changes	(1,317)	884	(16,171)
Net decrease in cash and cash equivalents	1,683	1,194	20,666
Cash and cash equivalents at beginning of term	34,137	31,413	419,167
Cash and cash equivalents at end of term	¥ 35,820	¥ 32,607	\$ 439,833

Segment information

(a) Information by industry segment

	Millions of yen				
	Nine months ended				
	Dec.31,2009				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 111,725	¥ 1,116	¥ 112,841	¥ 112,062	¥ 779
Rolling Stock	122,339	1,814	124,153	119,499	4,654
Aerospace	119,368	1,513	120,881	121,498	(617)
Gas Turbines & Machinery	128,858	16,100	144,958	142,161	2,797
Plant & Infrastructure Engineering	47,195	6,667	53,862	54,020	(158)
Consumer Products & Machinery	152,380	1,895	154,275	179,928	(25,653)
Hydraulic Machinery	47,187	5,336	52,523	48,184	4,339
Other	69,008	22,847	91,855	92,063	(208)
Total	798,060	57,288	855,348	869,415	(14,067)
Eliminations and corporate	-	(57,288)	(57,288)	(57,309)	21
Consolidated total	¥ 798,060	¥ -	¥ 798,060	¥ 812,106	¥ (14,046)

(b) Information by geographic area

	Millions of yen				
	Nine months ended				
	Dec.31, 2009				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 617,451	¥ 108,675	¥ 726,126	¥ 739,428	¥ (13,302)
North America	96,910	11,593	108,503	113,353	(4,850)
Europe	46,085	1,326	47,411	46,935	476
Asia	30,816	30,057	60,873	56,199	4,674
Other Areas	6,798	131	6,929	6,435	494
Total	798,060	151,782	949,842	962,350	(12,508)
Eliminations and corporate	-	(151,782)	(151,782)	(150,244)	(1,538)
Consolidated total	¥ 798,060	¥ -	¥ 798,060	¥ 812,106	¥ (14,046)

(c) Overseas sales

	Millions of yen	
	Nine months ended	
	Dec.31, 2009	
	Overseas sales	% against net sales
North America	¥ 158,250	19.8%
Europe	60,582	7.5%
Asia	118,267	14.8%
Other Areas	77,659	9.8%
Total	¥ 414,758	51.9%

Segment information

(a) Information by reportable segment

	Millions of yen				
	Nine months ended				
	Dec.31,2010				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Ship & Offshore Structure	¥ 93,222	¥ 1,332	¥ 94,554	¥ 89,564	¥ 4,990
Rolling Stock	95,588	1,458	97,046	91,126	5,920
Aerospace	135,020	1,309	136,329	134,253	2,076
Gas Turbine & Machinery	149,644	15,071	164,715	155,036	9,679
Plant & Infrastructure	56,479	9,416	65,895	61,242	4,653
Motorcycle & Engine	159,219	866	160,085	162,711	(2,626)
Precision Machinery	99,091	9,060	108,151	93,460	14,691
Other	82,277	23,632	105,909	104,227	1,682
Total	870,540	62,144	932,684	891,619	41,065
Eliminations and corporate	-	(62,144)	(62,144)	(59,829)	(2,315)
Consolidated total	¥ 870,540	¥ -	¥ 870,540	¥ 831,790	¥ 38,750

Since Kawasaki Heavy Industries, Ltd. (KHI) adopted "the Accounting Standard for Disclosures about Segments of an Enterprise and Related information and its Implementation Guidance " as of April 1, 2010.

According to this adoption, we changed names of reportable segments from "Consumer Products & Machinery" to "Motorcycle & Engine" and from "Hydraulic Machinery" to "Precision Machinery". And Crushing Machinery business was excluded from "Rolling Stock" and included in "Plant & Infrastructure Engineering" and Industrial Robots business was excluded from "Consumer Products & Machinery" and included in "Precision Machinery" from the year ending March 31, 2011 based on the segmentation used by the management.

In addition, due to reorganization of KHI, we changed names of reportable segment from "Shipbuilding" to "Ship & Offshore Structure" from October 1, 2010 based on the segmentation used by the management.

	Thousands of U.S. dollars				
	Nine months ended				
	Dec.31,2010				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Ship & Offshore Structure	\$ 1,144,670	\$ 16,356	\$ 1,161,026	\$ 1,099,754	\$ 61,272
Rolling Stock	1,173,722	17,902	1,191,624	1,118,934	72,690
Aerospace	1,657,907	16,073	1,673,980	1,648,490	25,490
Gas Turbine & Machinery	1,837,475	185,056	2,022,531	1,903,684	118,847
Plant & Infrastructure	693,504	115,619	809,123	751,989	57,134
Motorcycle & Engine	1,955,046	10,633	1,965,679	1,997,924	(32,245)
Precision Machinery	1,216,736	111,248	1,327,984	1,147,593	180,391
Other	1,010,281	290,177	1,300,458	1,279,802	20,656
Total	10,689,341	763,064	11,452,405	10,948,170	504,235
Eliminations and corporate	-	(763,064)	(763,064)	(734,639)	(28,425)
Consolidated total	\$ 10,689,341	\$ -	\$ 10,689,341	\$ 10,213,531	\$ 475,810

Net sales, orders and order backlog by industry segment

For nine months ended December 31, 2010 and 2009 and as of December 31 and March 31, 2010

Since Kawasaki Heavy Industries, Ltd. (KHI) adopted "the Accounting Standard for Disclosures about Segments of an Enterprise and Related information and its Implementation Guidance " as of April 1, 2010.

According to this adoption, we changed names of reportable segments from "Consumer Products & Machinery" to "Motorcycle & Engine" and from "Hydraulic Machinery" to "Precision Machinery". And Crushing Machinery business was excluded from "Rolling Stock" and included in "Plant & Infrastructure Engineering" and Industrial Robots business was excluded from "Consumer Products & Machinery" and included in "Precision Machinery" from the year ending March 31, 2011 based on the segmentation used by the management.

In addition, due to reorganization of KHI, we changed names of reportable segment from "Shipbuilding" to "Ship & Offshore Structure" from October 1, 2010 based on the segmentation used by the management.

	Millions of yen				Thousands of U.S. dollars	
	Nine months ended		Nine months ended		%	Nine months ended
	Dec. 31, 2010		Dec. 31, 2009			
Net sales :						
Ship & Offshore Structure	¥ 93,222	(10%)	¥ 111,725	(14%)	-16%	\$ 1,144,670
Rolling Stock	95,588	(11%)	110,510	(14%)	-13%	1,173,722
Aerospace	135,020	(16%)	119,368	(15%)	+13%	1,657,907
Gas Turbine & Machinery	149,644	(17%)	128,858	(16%)	+16%	1,837,475
Plant & Infrastructure	56,479	(7%)	59,024	(7%)	-4%	693,504
Motorcycle & Engine	159,219	(18%)	144,069	(18%)	+10%	1,955,046
Precision Machinery	99,091	(12%)	55,497	(7%)	+78%	1,216,736
Other	82,277	(9%)	69,009	(9%)	+19%	1,010,281
Total	¥ 870,540	(100%)	¥ 798,060	(100%)	+9%	\$ 10,689,341
Orders :						
Ship & Offshore Structure	¥ 67,256	(8%)	¥ 10,484	(2%)	+541%	\$ 825,834
Rolling Stock	124,166	(14%)	55,563	(9%)	+123%	1,524,631
Aerospace	123,700	(14%)	79,950	(12%)	+54%	1,518,909
Gas Turbine & Machinery	113,677	(13%)	138,589	(21%)	-17%	1,395,837
Plant & Infrastructure	105,436	(12%)	98,733	(15%)	+6%	1,294,646
Motorcycle & Engine	159,219	(18%)	144,069	(22%)	+10%	1,955,046
Precision Machinery	106,719	(12%)	54,820	(8%)	+94%	1,310,400
Other	73,897	(9%)	67,692	(10%)	+9%	907,383
Total	¥ 874,070	(100%)	¥ 649,900	(100%)	+34%	\$ 10,732,686

	Millions of yen				Thousands of U.S. dollars	
	As of		As of		%	As of
	Dec. 31, 2010		Mar. 31, 2010			
Order backlog :						
Ship & Offshore Structure	¥ 190,096	(13%)	¥ 218,134	(15%)	-12%	\$ 2,334,184
Rolling Stock	388,839	(27%)	378,391	(25%)	+2%	4,774,545
Aerospace	248,087	(17%)	264,788	(17%)	-6%	3,046,254
Gas Turbine & Machinery	356,952	(24%)	426,506	(28%)	-16%	4,383,005
Plant & Infrastructure	203,365	(14%)	153,830	(10%)	+32%	2,497,114
Motorcycle & Engine	-	(- %)	-	(- %)	-%	-
Precision Machinery	41,792	(3%)	30,772	(2%)	+35%	513,163
Other	25,407	(2%)	34,636	(3%)	-26%	311,975
Total	¥ 1,454,538	(100%)	¥ 1,507,057	(100%)	-3%	\$ 17,860,240

Net Sales by geographic area

For nine months ended December 31, 2010 and 2009

	Millions of yen				Thousands of U.S. dollars	
	As of		As of		%	As of
	Dec. 31, 2010		Dec. 31, 2009			
Japan	¥ 391,842	(45%)	¥ 383,301	(48%)	+2%	\$ 4,811,419
United States	164,453	(19%)	150,223	(19%)	+9%	2,019,314
Europe	58,459	(7%)	60,582	(8%)	-3%	717,816
Asia	168,258	(19%)	118,267	(15%)	+42%	2,066,036
Other	87,528	(10%)	85,687	(11%)	+2%	1,074,756
Total	¥ 870,540	(100%)	¥ 798,060	(100%)	+9%	\$ 10,689,341