

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

For six months ended September 30, 2011 and 2010 and one year ended March 31, 2011

Operating results

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2011	Six months ended Sep. 30, 2010	Six months ended Sep. 30, 2011
Net sales	¥ 584,990	¥ 571,708	\$ 7,633,955
Operating income	26,623	20,904	347,422
Net income	17,813	12,334	232,454
Earnings per share (Yen)	10.6	7.3	

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 September 30, 2011	¥ 1,309,588	¥ 306,652	23%
As of March 31, 2011	1,354,278	297,433	21%
As of September 30, 2011	\$ 17,089,755	\$ 4,001,722	—

	Thousand shares
	Number of shares issued and outstanding
As of September 30, 2011	1,671,820
As of March 31, 2011	1,670,546

Cash flows

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2011	Six months ended Sep. 30, 2010	Six months ended Sep. 30, 2011
Operating activities	¥ 32,572	¥ 48,168	\$ 425,055
Investing activities	(32,686)	(26,164)	(426,543)
Financing activities	(5,328)	(20,096)	(69,528)
Cash and cash equivalents at end of term	35,701	33,800	465,888

Fiscal year forecast

	Millions of yen		
	Net sales	Operating income	Net income
One year ending March 31, 2012	¥ 1,360,000	¥ 50,000	¥ 32,000

- 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 ¥76.63=\$1, the rate prevailing as of September 30, 2011, solely for the convenience of the readers.

Condensed Consolidated Balance Sheets

As of September 30 and March 31, 2011

	Millions of yen		Thousands of U.S. dollars
	As of Sep. 30, 2011	As of Mar. 31, 2011	As of Sep. 30, 2011
Assets :			
Current assets :			
Cash on hand and in banks	¥ 37,169	¥ 47,233	\$ 485,045
Receivables, less allowance	333,708	416,450	4,354,795
Inventories	451,177	425,322	5,887,733
Other current assets	71,949	62,714	938,915
Total current assets	<u>894,003</u>	<u>951,719</u>	<u>11,666,488</u>
Investments and long-term loans less allowance	60,702	56,306	792,144
Net property, plant and equipment	283,061	275,780	3,693,866
Intangible and other assets	71,822	70,473	937,257
Total assets	<u>¥ 1,309,588</u>	<u>¥ 1,354,278</u>	<u>\$ 17,089,755</u>
Liabilities and net assets :			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	¥ 167,181	¥ 174,697	\$ 2,181,665
Payables	258,894	319,272	3,378,494
Advances from customers	91,753	80,816	1,197,350
Other current liabilities	127,598	128,942	1,665,119
Total current liabilities	<u>645,426</u>	<u>703,727</u>	<u>8,422,628</u>
Long-term liabilities :			
Long-term debt, less current portion	259,997	254,447	3,392,887
Others	97,513	98,671	1,272,518
Total long-term liabilities	<u>357,510</u>	<u>353,118</u>	<u>4,665,405</u>
Net assets :			
Common stock	104,484	104,340	1,363,486
Capital surplus	54,393	54,251	709,813
Retained earnings	170,904	158,615	2,230,249
Treasury stock	(21)	(30)	(274)
Net unrealized gains on securities	2,753	3,876	35,925
Gains (losses) on hedging items	(913)	(990)	(11,914)
Foreign currency translation adjustments	(34,222)	(31,006)	(446,586)
Minority interests	9,274	8,377	121,023
Total net assets	<u>306,652</u>	<u>297,433</u>	<u>4,001,722</u>
Total liabilities and net assets	<u>¥ 1,309,588</u>	<u>¥ 1,354,278</u>	<u>\$ 17,089,755</u>

Condensed Consolidated Statements of Income

For six months ended September 30, 2011 and 2010

	Millions of yen		% Change	Thousands of
	Six months ended Sep.30, 2011	Six months ended Sep.30, 2010		U.S. dollars
Net sales	¥ 584,990	¥ 571,708	+2%	\$ 7,633,955
Cost of sales	485,826	481,157		6,339,893
Gross profit	99,164	90,551		1,294,062
Selling, general and administrative expenses	72,541	69,647		946,640
Operating income	26,623	20,904		347,422
Other income (expenses) :				
Interest and dividend income	1,078	1,311		14,067
Equity in income of unconsolidated subsidiaries and affiliates	4,833	4,875		63,069
Interest expense	(2,255)	(2,435)		(29,427)
Other, net	(3,967)	(3,943)		(51,767)
Income before income taxes and minority interests	26,312	20,712		343,364
Income taxes	(7,254)	(7,435)		(94,663)
Minority interests in net income of consolidated subsidiaries	(1,245)	(943)		(16,247)
Net income	¥ 17,813	¥ 12,334		\$ 232,454

(Consolidated)

Condensed Consolidated Statements of Cash Flows

For six months ended September 30, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2011	Six months ended Sep. 30, 2010	Six months ended Sep. 30, 2011
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 26,312	¥ 20,712	\$ 343,364
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	22,312	23,348	291,165
Decrease in assets	41,605	44,117	542,933
Decrease in liabilities	(44,332)	(30,582)	(578,520)
Other	(13,325)	(9,427)	(173,887)
Net cash provided by operating activities	¥ 32,572	¥ 48,168	\$ 425,055
Cash flows from investing activities:			
Acquisition of tangible and intangible assets	(33,176)	(25,854)	(432,937)
Acquisition of investments in securities	(34)	(28)	(443)
Other	524	(282)	6,837
Net cash used for investing activities	¥ (32,686)	¥ (26,164)	\$ (426,543)
Cash flows from financing activities:			
Decrease in short-term borrowings	(4,416)	(47,923)	(57,627)
Proceeds from long-term debt	28,741	35,580	375,061
Repayment of long-term debt	(24,140)	(3,516)	(315,020)
Other	(5,513)	(4,237)	(71,942)
Net cash provided by financing activities	¥ (5,328)	¥ (20,096)	\$ (69,528)
Effect of exchange rate changes	(1,977)	(2,245)	(25,799)
Net decrease in cash and cash equivalents	(7,419)	(337)	(96,815)
Cash and cash equivalents at beginning of term	44,629	34,137	582,395
Increase in cash and cash equivalents			
due to changes in fiscal period of consolidated subsidiaries	(1,509)	-	(19,692)
Cash and cash equivalents at end of term	¥ 35,701	¥ 33,800	\$ 465,888

Segment information
Information by reportable segment

Millions of yen

Six months ended
Sep.30,2010

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Ship & Offshore Structure	¥ 61,253	¥ 1,107	¥ 62,360	¥ 60,297	¥ 2,063
Rolling Stock	63,018	384	63,402	59,966	3,436
Aerospace	83,070	840	83,910	85,048	(1,138)
Gas Turbine & Machinery	99,264	10,528	109,792	103,626	6,166
Plant & Infrastructure	38,867	6,131	44,998	41,461	3,537
Motorcycle & Engine	113,247	573	113,820	114,995	(1,175)
Precision Machinery	60,988	6,150	67,138	58,528	8,610
Other	52,001	15,056	67,057	66,116	941
Total	571,708	40,769	612,477	590,037	22,440
Eliminations and corporate	-	(40,769)	(40,769)	(39,233)	(1,536)
Consolidated total	¥ 571,708	¥ -	¥ 571,708	¥ 550,804	¥ 20,904

Millions of yen

Six months ended
Sep.30,2011

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Ship & Offshore Structure	¥ 53,183	¥ 723	¥ 53,906	¥ 53,374	¥ 532
Rolling Stock	55,366	472	55,838	54,705	1,133
Aerospace	87,479	900	88,379	85,322	3,057
Gas Turbine & Machinery	84,760	7,433	92,193	88,279	3,914
Plant & Infrastructure	56,299	4,311	60,610	53,870	6,740
Motorcycle & Engine	106,202	482	106,684	109,062	(2,378)
Precision Machinery	85,251	6,565	91,816	77,302	14,514
Other	56,450	16,770	73,220	71,344	1,876
Total	584,990	37,656	622,646	593,258	29,388
Eliminations and corporate	-	(37,656)	(37,656)	(34,891)	(2,765)
Consolidated total	¥ 584,990	¥ -	¥ 584,990	¥ 558,367	¥ 26,623

Thousands of U.S. dollars

Six months ended
Sep.30,2011

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Ship & Offshore Structure	\$ 694,023	\$ 9,435	\$ 703,458	\$ 696,516	\$ 6,942
Rolling Stock	722,511	6,159	728,670	713,885	14,785
Aerospace	1,141,576	11,745	1,153,321	1,113,428	39,893
Gas Turbine & Machinery	1,106,094	96,999	1,203,093	1,152,016	51,077
Plant & Infrastructure	734,686	56,257	790,943	702,988	87,955
Motorcycle & Engine	1,385,906	6,290	1,392,196	1,423,229	(31,033)
Precision Machinery	1,112,502	85,671	1,198,173	1,008,769	189,404
Other	736,657	218,844	955,501	931,019	24,482
Total	7,633,955	491,400	8,125,355	7,741,850	383,505
Eliminations and corporate	-	(491,400)	(491,400)	(455,317)	(36,083)
Consolidated total	\$ 7,633,955	\$ -	\$ 7,633,955	\$ 7,286,533	\$ 347,422

Net sales, orders and order backlog by industry segment

Six months ended September 30, 2011 and 2010 and as of September 30 and March 31, 2011

	Millions of yen			% Change	Thousands of U.S. dollars
	Six months ended		Six months ended		Six months ended
	As of	As of	As of		As of
	Sep. 30, 2011	Mar. 31, 2011	Sep. 30, 2010	Sep. 30, 2011	
Net sales :					
Ship & Offshore Structure	¥ 53,183 (9%)	¥ 61,253 (11%)	¥ 61,253 (11%)	-13%	\$ 694,023
Rolling Stock	55,366 (9%)	63,018 (11%)	63,018 (11%)	-12%	722,510
Aerospace	87,479 (15%)	83,070 (15%)	83,070 (15%)	+5%	1,141,576
Gas Turbine & Machinery	84,760 (14%)	99,264 (17%)	99,264 (17%)	-15%	1,106,094
Plant & Infrastructure	56,299 (10%)	38,867 (7%)	38,867 (7%)	+45%	734,686
Motorcycle & Engine	106,202 (18%)	113,247 (20%)	113,247 (20%)	-6%	1,385,906
Precision Machinery	85,251 (15%)	60,988 (10%)	60,988 (10%)	+40%	1,112,501
Other	56,450 (10%)	52,001 (9%)	52,001 (9%)	+9%	736,659
Total	¥ 584,990 (100%)	¥ 571,708 (100%)	¥ 571,708 (100%)	+2%	\$ 7,633,955
Orders :					
Ship & Offshore Structure	¥ 24,657 (5%)	¥ 36,468 (6%)	¥ 36,468 (6%)	-32%	\$ 321,766
Rolling Stock	42,126 (8%)	117,712 (19%)	117,712 (19%)	-64%	549,732
Aerospace	67,596 (13%)	87,956 (14%)	87,956 (14%)	-23%	882,108
Gas Turbine & Machinery	79,729 (15%)	65,381 (11%)	65,381 (11%)	+22%	1,040,441
Plant & Infrastructure	46,823 (9%)	77,378 (13%)	77,378 (13%)	-39%	611,027
Motorcycle & Engine	106,202 (21%)	113,247 (18%)	113,247 (18%)	-6%	1,385,906
Precision Machinery	91,159 (18%)	68,042 (11%)	68,042 (11%)	+34%	1,189,599
Other	55,164 (11%)	47,256 (8%)	47,256 (8%)	+17%	719,877
Total	¥ 513,456 (100%)	¥ 613,440 (100%)	¥ 613,440 (100%)	-16%	\$ 6,700,456

	Millions of yen			% Change	Thousands of U.S. dollars
	As of		As of		As of
	Sep. 30, 2011	Mar. 31, 2011	Sep. 30, 2010		Sep. 30, 2011
Order backlog :					
Ship & Offshore Structure	¥ 145,762 (10%)	¥ 177,254 (12%)	¥ 177,254 (12%)	-18%	\$ 1,902,153
Rolling Stock	394,125 (28%)	411,560 (28%)	411,560 (28%)	-4%	5,143,220
Aerospace	244,598 (18%)	269,470 (18%)	269,470 (18%)	-9%	3,191,935
Gas Turbine & Machinery	356,454 (26%)	382,269 (26%)	382,269 (26%)	-7%	4,651,624
Plant & Infrastructure	175,708 (13%)	185,414 (12%)	185,414 (12%)	-5%	2,292,940
Motorcycle & Engine	- (- %)	- (- %)	- (- %)	-%	-
Precision Machinery	48,698 (3%)	42,790 (3%)	42,790 (3%)	+14%	635,495
Other	25,560 (2%)	26,592 (1%)	26,592 (1%)	-4%	333,553
Total	¥ 1,390,905 (100%)	¥ 1,495,349 (100%)	¥ 1,495,349 (100%)	-7%	\$ 18,150,920

Net Sales by geographic area

For six months ended September 30, 2011 and 2010

	Millions of yen			% Change	Thousands of U.S. dollars
	As of		As of		As of
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2010		Sep. 30, 2011
Japan	¥ 241,194 (41%)	¥ 253,062 (44%)	¥ 253,062 (44%)	-5%	\$ 3,147,514
United States	102,865 (17%)	116,170 (20%)	116,170 (20%)	-11%	1,342,359
Europe	62,180 (11%)	42,492 (7%)	42,492 (7%)	+46%	811,431
Asia	115,232 (20%)	104,041 (18%)	104,041 (18%)	+11%	1,503,745
Other	63,519 (11%)	55,940 (10%)	55,940 (10%)	+14%	828,906
Total	¥ 584,990 (100%)	¥ 571,708 (100%)	¥ 571,708 (100%)	+2%	\$ 7,633,955