



**Financial Results for FY 2011
(for the year ended March 31, 2012)**

April 26, 2012

Kawasaki Heavy Industries, Ltd.

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Summary of Financial Results



(Billion Yen)

	FY2010 Actual	FY2011		Change	
		Forecast in January ^(※)	Actual	vs. FY2010	vs. Forecast in January
Orders Received	1,270.6	1,380.0	1,311.8	+ 41.2	- 68.2
Net Sales	1,226.9	1,330.0	1,303.7	+ 76.8	- 26.3
Operating Income	42.6	50.0	57.4	+ 14.8	+ 7.4
Recurring Profit	49.1	52.0	63.6	+ 14.4	+ 11.6
Net Income	25.9	26.0	23.3	- 2.6	- 2.7

vs. FY2010**< Orders Received >**

Increased as a whole due to increase in orders received in Aerospace, Gas Turbine & Machinery and Precision Machinery segments, despite decrease in orders received in Rolling Stock and Ship & Offshore Structure segments

< Net Sales >

Increased as a whole because sales increase in Precision Machinery, Plant & Infrastructure and Aerospace segments exceeded sales decrease in Gas Turbine & Machinery and Ship & Offshore Structure segments

< Profits >

- Operating income and recurring profit increased because the effect of sales increase in Precision Machinery, Plant & Infrastructure and Aerospace segments and other factors exceeded the adverse impact of the appreciation of the yen

- However, net income decreased due to partial write-down of deferred tax assets following the promulgation of a law concerning reduction of the corporate tax rate and impairment loss in Ship & Offshore Structure segment

Exchange Rates (weighted-average)

Yen / US\$	86
Yen / EUR	113

79
109

(※) Assumed exchange rates for forecast in January : 1US\$=80Yen 1EUR=100Yen

Financial Results by Segment



(Billion Yen)

	Orders Received			Net Sales			Operating Income/Loss		
	FY2010	FY2011	Change	FY2010	FY2011	Change	FY2010	FY2011	Change
Ship & Offshore Structure	78.9	39.9	- 39.0	118.4	113.5	- 4.8	- 1.0	3.9	+ 4.9
Rolling Stock	187.1	66.0	- 121.0	131.1	132.6	+ 1.5	8.1	5.1	- 3.0
Aerospace	206.7	327.2	+ 120.5	196.8	206.5	+ 9.7	3.0	7.8	+ 4.7
Gas Turbine & Machinery	187.5	227.2	+ 39.6	202.6	194.6	- 8.0	9.5	7.7	- 1.7
Plant & Infrastructure	119.9	119.2	- 0.7	89.0	122.8	+ 33.7	8.2	14.1	+ 5.8
Motorcycle & Engine	234.4	235.2	+ 0.7	234.4	235.2	+ 0.7	- 4.9	- 2.9	+ 2.0
Precision Machinery	148.9	174.5	+ 25.6	140.3	175.0	+ 34.7	22.3	26.6	+ 4.3
Others	106.8	122.2	+ 15.3	114.0	123.2	+ 9.1	2.5	3.8	+ 1.2
Eliminations and corporate	-	-	-	-	-	-	- 5.3	- 8.8	- 3.5
Total	1,270.6	1,311.8	+ 41.2	1,226.9	1,303.7	+ 76.8	42.6	57.4	+ 14.8

Note : "Eliminations and corporate" includes some expenses incurred at Head Office which were not allocated to each industry segment for internal reporting

Details of Change in Profit I

- FY2011 vs. FY2010 -

I. Consolidated Results for FY2011



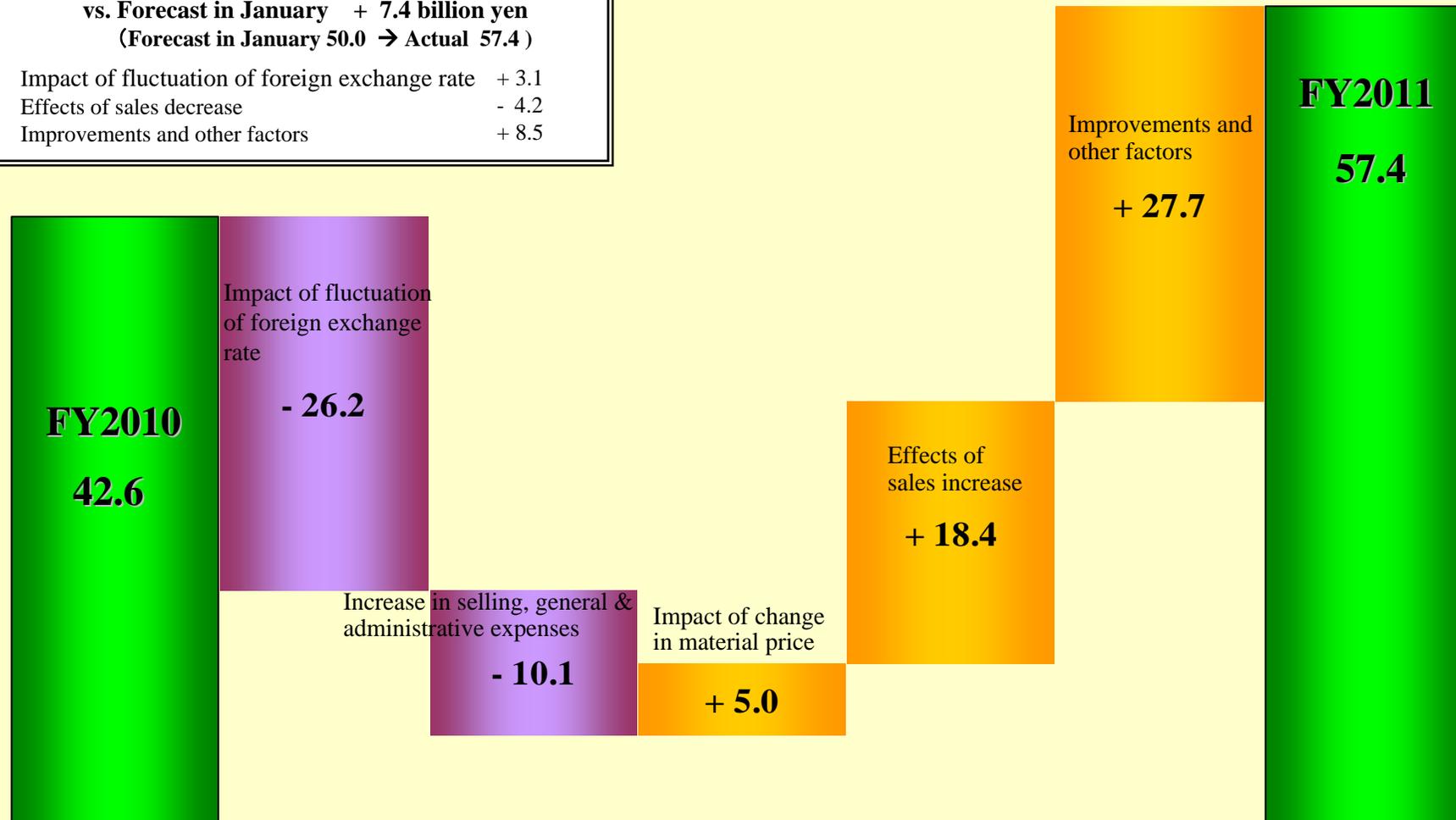
【Operating Income】 + 14.8 (FY2010 42.6 → FY2011 57.4)

(Billion Yen)

vs. Forecast in January + 7.4 billion yen

(Forecast in January 50.0 → Actual 57.4)

Impact of fluctuation of foreign exchange rate	+ 3.1
Effects of sales decrease	- 4.2
Improvements and other factors	+ 8.5



Details of Change in Profit II

- FY2011 vs. FY2010 -

I. Consolidated Results for FY2011



(Billion Yen)

【Non-operating Income/Expenses】 - 0.3 (FY2010 6.5 → FY2011 6.1)

Net Interest expense (incl. dividend income)	+ 0.4 (- 2.3 → - 1.9)
Equity in income of unconsolidated subsidiaries and affiliates	- 0.6 (9.2 → 8.5)
Gain and loss on foreign exchange	- 1.2 (1.4 → 0.2)
Others	+ 1.1 (- 1.8 → - 0.6)

【Extraordinary Income/Losses】 - 4.3 (FY2010 - 10.5 → FY2011 - 14.9)

Loss on impairment of fixed assets	- 4.9 (- 9.9 ^{※1} → - 14.9 ^{※2})
Bad debt expense for doubtful accounts of affiliates	+ 0.3 (- 0.3 → 0)
Effect of application of accounting for asset retirement obligations	+ 0.2 (- 0.2 → 0)

※1 Loss on impairment of fixed assets mainly in Motorcycle & Engine segment whose book values were written down to the recoverable amounts

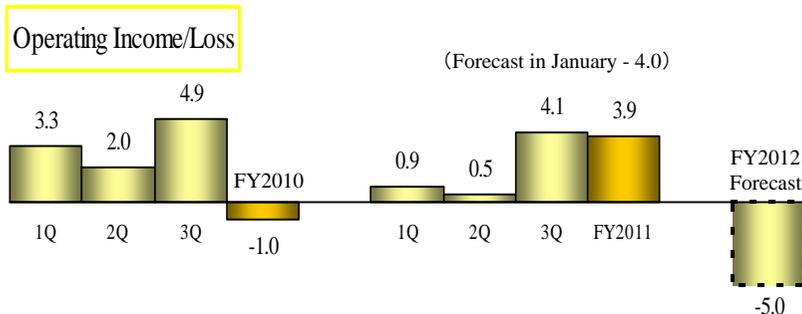
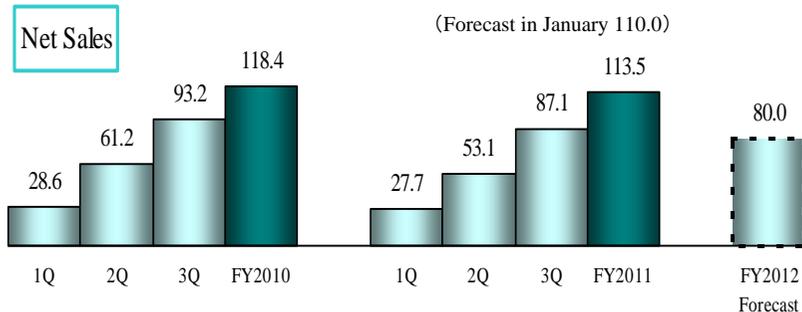
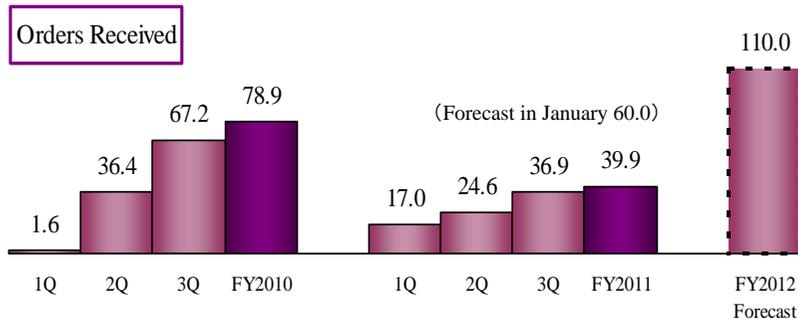
※2 Loss on impairment of fixed assets mainly in Ship & Offshore Structure segment whose book values were written down to the recoverable amounts

Ship & Offshore Structure



Main Products: LNG carriers, LPG carriers, VLCCs, Bulk carriers, Submarines, Offshore structures

(Billion Yen / In accumulated amount)



◇ **FY2011** (vs. FY2010)

Orders Received: Orders received of a small-sized LNG carrier, a LPG carrier and 6 bulk carriers

Net Sales: Slightly decreased as a whole due to decrease in sales of large-scale vessels such as LNG carriers

Operating Income/Loss: Improved due to decrease in provision for losses on construction contracts

<Units of Orders Received and Sales of New Building Ships> (unit)

	Orders Received		Sales	
	FY2010	FY2011	FY2010	FY2011
LNG carriers			3 (2)	2 (1)
Small-sized LNG carriers		1	1 (1)	2 (1)
LPG carriers		1	4 (2)	2 (1)
VLCCs				
Bulk carriers	11	6	23 (13)	25 (14)
Submarines	1		2(2)	2 (1)
Total	12	8	33 (20)	33 (18)

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

◇ **FY2012 Forecast** (vs. FY2011)

Orders Received: Expected to increase due to orders received of new building ship including gas carriers

Net Sales: Expected to decrease due to stagnation of ship price and decrease in amount of shipbuilding

Operating Income/Loss: Expected to deteriorate in profitability due to sales decrease, the effect of prolonged stagnation of ship price and other factors

<For Reference> **Joint Venture in China**

NACKS was established in December 1995, as a fifty-fifty joint venture between KHI and China Ocean Shipping (Group) Company (COSCO), one of the world's largest shipping company, and its capacity was expanded in 2008. (NACKS is an equity method affiliate) At NACKS, various types of commercial vessels are built for domestic shipping company such as COSCO as well as for Japanese and European customers.

As a parent company of NACKS, KHI has also supported DACOS, which was initially established by NACKS and COSCO Group, since its establishment in July 2007. In order to make it more competitive and further expand its operations, KHI decided to acquire a 34% stake in DACOS, and this investment was approved by China authority in April 2012.

With a view to expanding operations in China and boosting profitability, KHI will further deepen cooperation between its bases at home and in China and actively pursue shipbuilding.

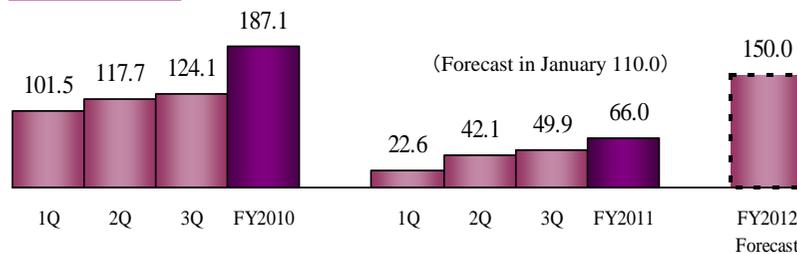
Rolling Stock



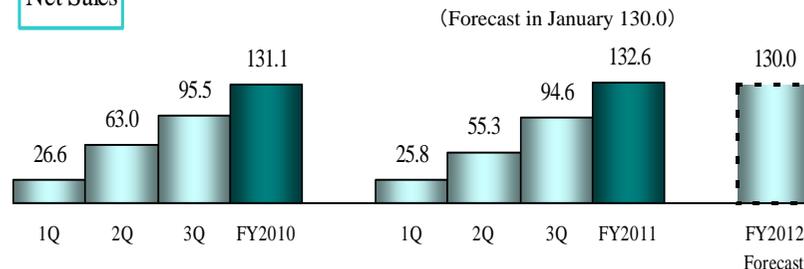
Main Products : Electric train cars (incl. Shinkansen), Electric and diesel locomotives, Passenger coaches, Platform screen doors, Gigacell® (High-Capacity, Full Sealed Ni-MH Battery)

(Billion Yen / In accumulated amount)

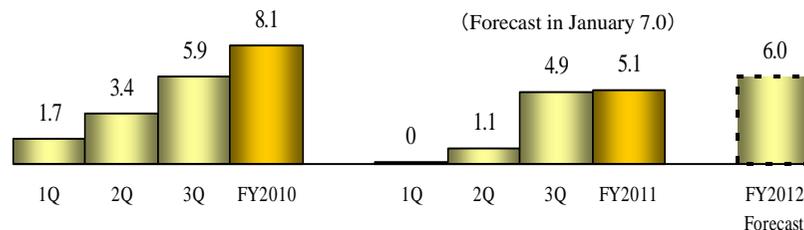
Orders Received



Net Sales



Operating Income



◇ **FY2011** (vs. FY2010)

Orders Received: Decreased due to the deferrals of orders expected in this fiscal year in addition to the decrease in large-scale orders received for overseas market

Net Sales: Remained at the same level as in the previous fiscal year because of sales increase for overseas market, despite sales decrease for domestic market

Operating Income: Decreased due to the adverse impact of the appreciation of the yen, provision for losses on construction contracts and other factors

◇ **FY2012 Forecast** (vs. FY2011)

Orders Received: Expected to increase due to increase in orders received for Japan Railways and overseas market

Net Sales: Expected to remain at the same level as in the previous fiscal year with a focus on overseas market

Operating Income: Expected to increase due to cost reduction and other factors

<For Reference> Present Status of Overseas Projects

North America

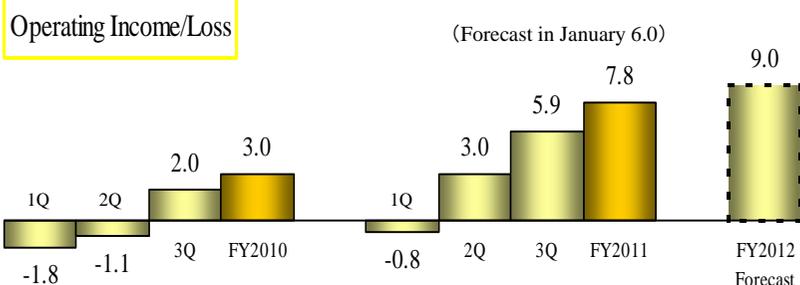
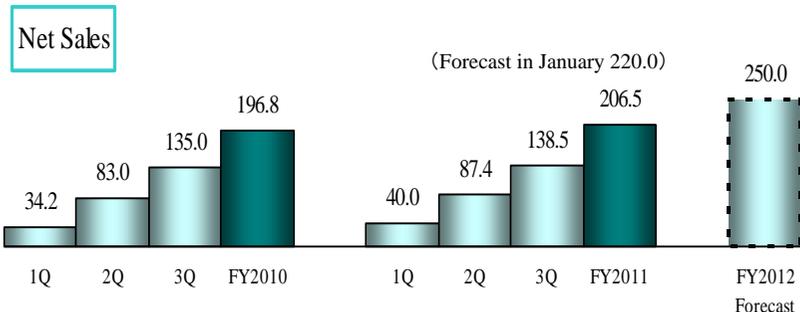
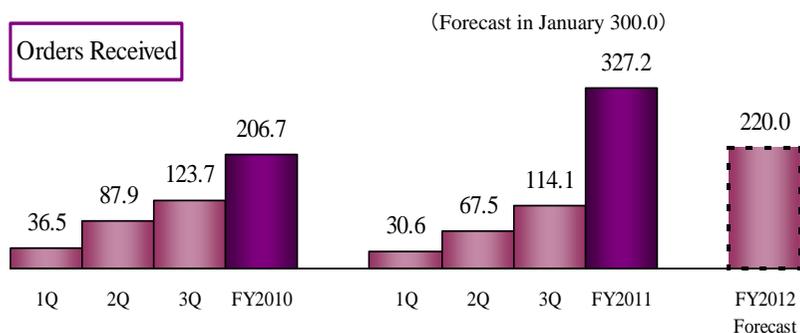
- Working to win orders mainly for heavy rails and commuter rails.
- Extension of product lineup such as efSET® and K-Star Express® to meet demand for Medium- to High-speed rail projects.
- California High-speed Rail: Working with other Japanese companies aiming to win the contract for E&M system including rail cars.

Asia

- There are construction and expansion plans of the urban transport systems in several Asian cities, and High-speed railways projects in India
- Taichung City Railway System: Won the package contract of 36 cars and E&M system under cooperation with other companies in March 2011. KHI as a leader of consortium will play its role to oversee the whole project and system integration as well as supply the cars and rail yard facilities.
- Dedicated Freight Corridor - Western Corridor (Delhi – Mumbai) Japanese ODA project, working to receive orders for electric locomotives and maintenance base facilities and others.

Main Products : Aircrafts for Japan Ministry of Defense, Component parts for commercial aircrafts (Boeing , Embraer), Missiles

(Billion Yen / In accumulated amount)



◇ **FY2011** (vs. FY2010)

Orders Received: Increase in orders received for Japan Ministry of Defense (MOD) including the first mass production contracts of C-2 next-generation cargo aircraft and others

Net Sales: Increase in sales of component parts for Boeing 777 and 787

Operating Income/Loss: Increased due to sales increase, cost reduction and other factors, despite the adverse impact of the appreciation of the yen

< Sales units of component parts for commercial aircrafts >
(unit)

	FY2010	FY2011
Boeing 777	64	83
Boeing 767	16	25
Boeing 787	22	29
Embraer170/175	14	19
Embraer190/195	91	98

◇ **FY2012 Forecast** (vs. FY2011)

Orders received: Expected to decrease due to decrease in orders received for MOD, despite increase in component parts for commercial aircrafts

Net Sales: Expected to increase due to increase in sales for MOD and sales of component parts for Boeing 777 and 787

Operating Income/Loss: Expected to increase due to sales increase for MOD and sales increase of component parts for commercial aircrafts

<For Reference> **Present Status of Main Projects**

Aircrafts for MOD

In March 2012, KHI received orders of the first mass production of C-2 next-generation cargo aircraft for MOD and the development of new utility helicopter (UH-X) for Japan Ground Self-Defense Force. KHI is working toward the commencement of the mass production of C-2 and the development of UH-X, as well as the mass production of P-1 next-generation maritime patrol aircraft.

Component parts for commercial aircrafts

Boeing 777-KHI's production rate for 777 program increased to 7 units per month from the second half of FY2010 corresponding to the increase in production rate by the Boeing Company, and KHI's production rate is expected to increase up to 8.3 units per month in FY2012.

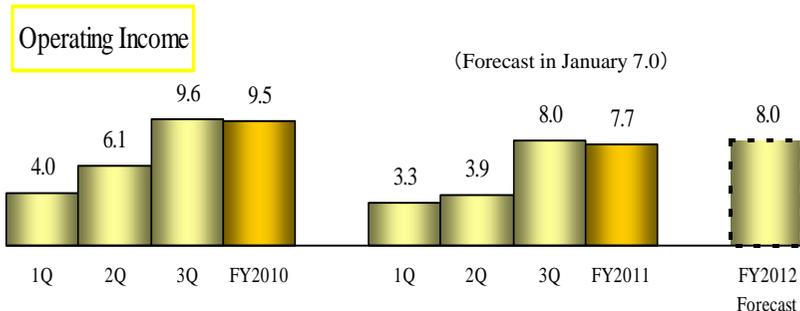
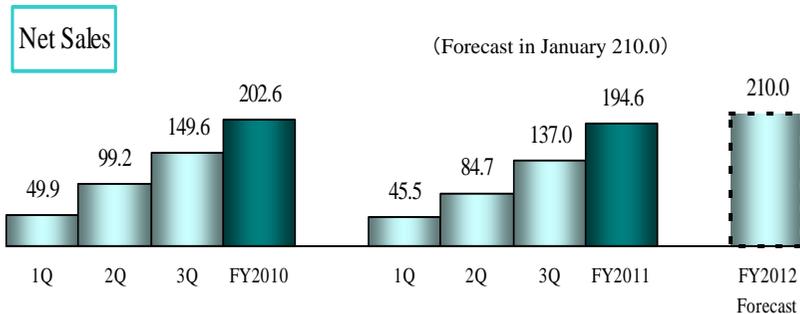
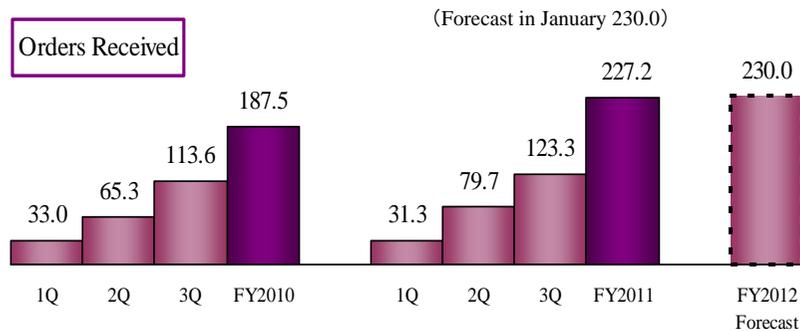
Boeing 787- In September 2011, the first 787 was delivered to the airline by the Boeing Company and regular flight service with 787 was started from November 1, 2011. KHI has completed the production system at Kawasaki's Nagoya Works I for ramp-up production.

Gas Turbine & Machinery



Main Products : Jet engines, Gas turbine co-generation system, Gas turbines & steam turbines for marine & land, Diesel engines, Marine propulsion system, Aero-dynamic machinery

(Billion Yen / In accumulated amount)



◇ **FY2011** (vs. FY2010)

Orders Received: Increase in orders received for component parts of commercial aircraft jet engines, and for gas engine power plant

Net Sales: Decrease in sales of marine diesel engines and gas turbine-driven natural gas compressors

Operating Income: Decreased due to sales decrease, the adverse impact of the appreciation of the yen and other factors

◇ **FY2012 Forecast** (vs. FY2011)

Orders Received: Expected to remain at the same level as in the previous fiscal year due to orders received for energy and environmental products

Net Sales: Expected to increase due to sales increase in energy and environmental products and component parts for commercial aircraft jet engines

Operating Income: Expected to remain at the same level as in the previous fiscal year due to sales increase, despite increase in the amortization of development for component parts of commercial aircraft jet engines and other factors

<For Reference>

Major Projects for Commercial Aircraft Jet Engines

	Trent1000	TrentXWB	PW1100G - JM
Aircraft	Boeing 787	Airbus A350	Airbus A320neo
Participation Type	RRSP(※)	RRSP(※)	RRSP(※)
Share	Approx. 8.5%	Approx. 7%	Approx. 6%
Responsible Components	Intermediate pressure compressor (IPC) module	Intermediate pressure compressor (IPC) module	Primary parts of the engine's fan and low-pressure compressor
Present Status	Development was completed and mass production started in FY2010. To be delivered in accordance with production schedule of airplanes.	First IPC module shipped to Rolls-Royce in March 2011.	Made decision to collaborate in a program for development and production. Design work in progress.

(※) Risk & Revenue Sharing Partner

Energy and Environmental Products

In December 2011, the development of the world's first gas turbine generator which uses ventilation air methane (VAM) was completed. In February 2012, the development of the high-efficiency 30MW-class L30A gas turbine (all manufactured domestically) was completed. With offices located in Japan, Europe, the Americas and Asia, KHI will continue to actively develop gas turbine business in domestic and overseas markets.

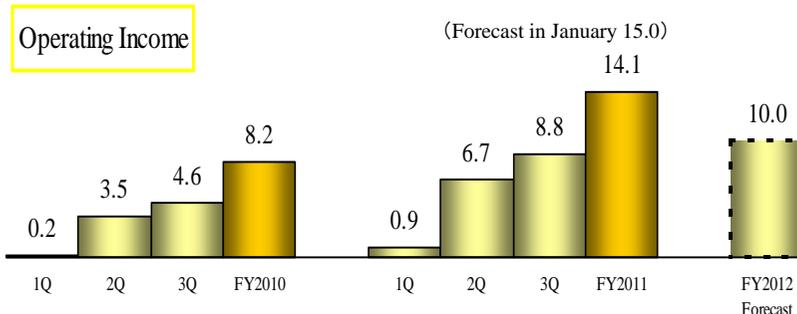
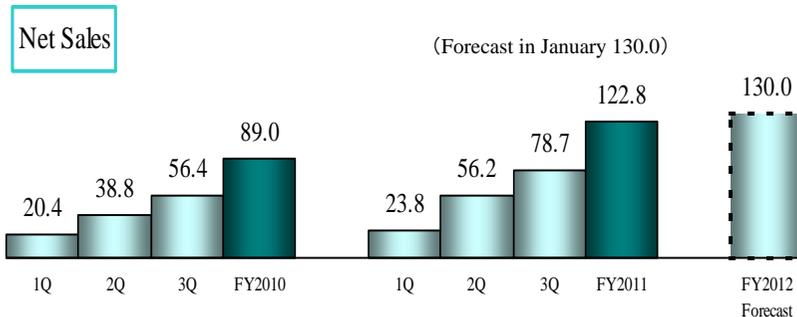
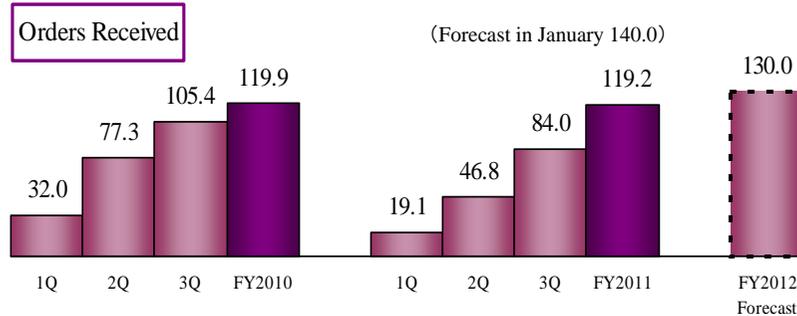
In addition, the 110MW power plant which consists of 14 Kawasaki Green Gas Engines (received an order in September 2011) is under construction and scheduled to be operative in the summer of 2012.

Plant & Infrastructure



Main Products: Industrial plants (cement, chemical and others), Power plants, LNG & LPG tanks, Municipal refuse incineration plants, Shield machines, Crushing machines

(Billion Yen / In accumulated amount)



◇ **FY2011** (vs. FY2010)

Orders Received: Remained at the same level as in the previous fiscal year due to orders received of municipal refuse incineration plants for domestic customers and other projects

Net Sales: Increase in sales of overseas projects

Operating Income: Increased due to sales increase and improvement in profitability by steady progress in some projects

◇ **FY2012 Forecast** (vs. FY2011)

Orders Received: Expected to increase as a whole due to orders received of energy and environmental projects, and projects related infrastructure for resource-producing countries

Net Sales: Expected to increase due to increase in sales of municipal refuse incineration plants for domestic customers and other projects

Operating Income: Expected to decrease due to decline in profit margin resulting from severe competitiveness

<For Reference>

Orders Received for Boilers of the Floating LNG Facility

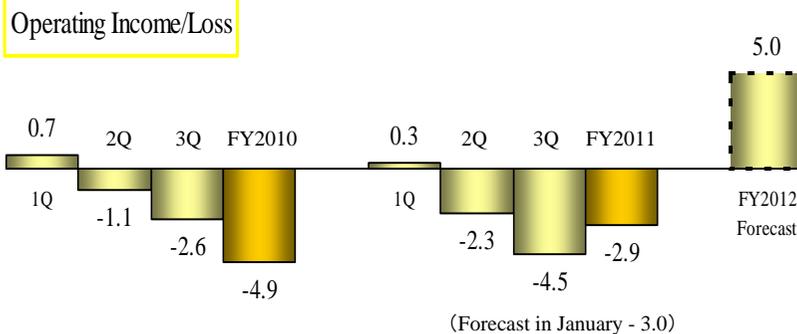
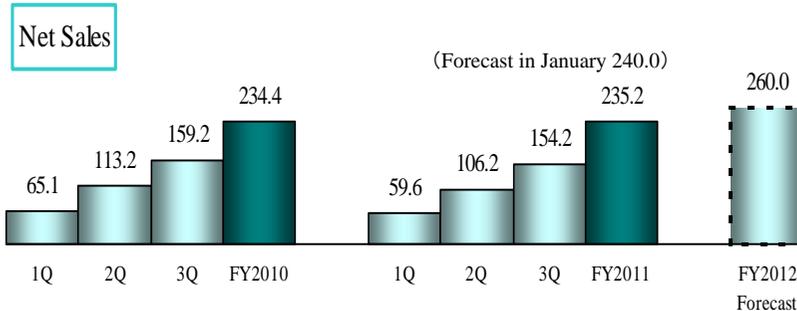
In parallel with an expected increase of worldwide energy consumption, a lot of floating LNG facilities are planned to be constructed. Under these circumstances, KHI's proven track record of boilers for land and marine use (more than 1,200 units) and technical capability, which has realized reliable and robust boilers that can operate under severe offshore condition, are highly evaluated, and in July 2011, KHI won the contract with Technip to supply 7 units of boilers for the SHELL's floating LNG facility of "Prelude", the world's first floating LNG facility.

Motorcycle & Engine



Main Products: Motorcycles, All-Terrain Vehicles(ATVs), Utility Vehicles, Personal Watercraft, General-purpose Gasoline Engines

(Billion Yen / In accumulated amount)



<Wholesales by Geographic Area for Consumer Products>

(Thousands of unit / Billion Yen)

	FY2010		FY2011		FY2012 Forecast	
	Unit	Amount	Unit	Amount	Unit	Amount
Domestic	14	11.3	14	12.1	13	11.8
North America (incl. Canada)	118(67)	78.5	121(69)	78.0	124(77)	76.5
Europe	67	47.7	57	42.2	61	45.2
Emerging Countries & Others	272	61.0	309	71.0	375	88.5
Total	471	198.5	501	203.3	573	222.0

Note: 1) Sales units and amount include the following products.

Units: Motorcycles, All-Terrain Vehicles(ATVs), Utility Vehicles and Personal Watercraft(Jet Ski)

Amount: The products mentioned above and parts for those products.

2) Figures in the parenthesis () represent motorcycle sales units.

◇ **FY2011** (vs. FY2010)

Net Sales: Remained at the same level as in the previous fiscal year due to sales increase in Asian and other emerging countries, despite sales decrease in U.S. and European markets resulting from the adverse impact of the appreciation of the yen and other factors

Operating Income/Loss: Improved due to sales increase in Asian and other emerging countries, the effects of fixed cost reduction and other factors, despite adverse impact from the floods in Thailand and the appreciation of the yen

◇ **FY2012 Forecast** (vs. FY2011)

Net Sales: Expected to increase due to sales increase in Asian and other emerging countries and other factors

Operating Income/Loss: Expected to improve due to sales increase, cost reduction by expanding overseas production and local procurement

<For Reference>

Business Development in Asian and Other Emerging Markets

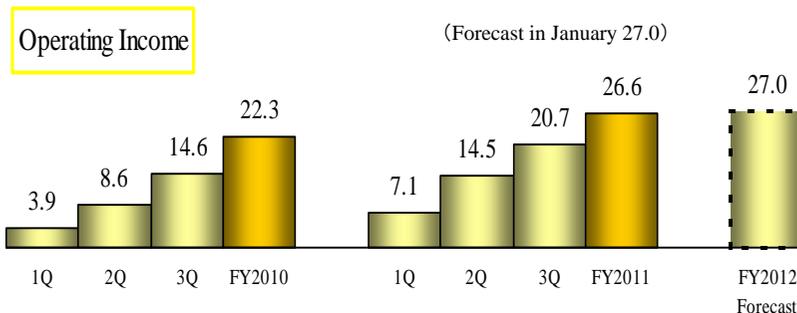
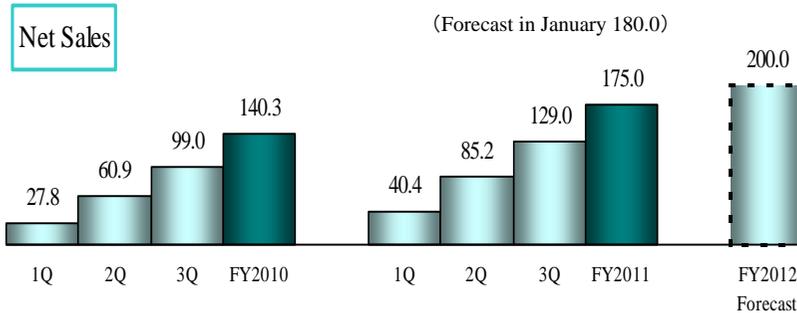
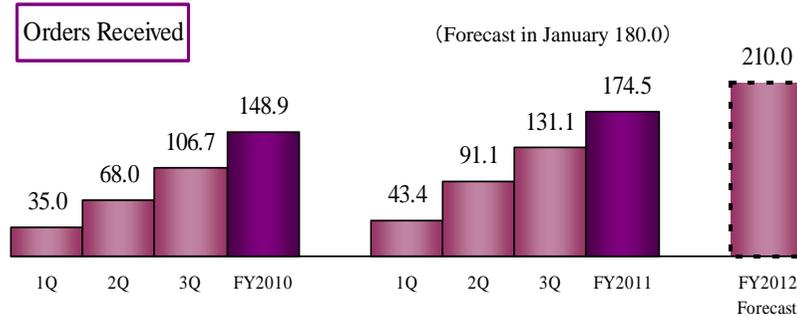
In Asian and other emerging countries such as Indonesia, KHI's sales is increasing as leisure motorcycles market is expanding, and demand for leisure motorcycles is expected to increase from now on following further economic growth and increased purchasing power. In order to respond to market growth and further to reinforce the business operation in Asian and other emerging countries, KHI focuses on upgrading production which includes construction of the new plant in Indonesia and expansion of the plant in Thailand. (In Indonesia, leisure motorcycle market in 2011 increased by 120,000 units from the previous year to 640,000 units, and KHI sales was also increased by 17,000 units to 83,000 units.)

Precision Machinery



Main Products: Hydraulic components (pumps, motors & valves), Hydraulic systems for industrial use, Hydraulic marine machinery, Industrial Robots

(Billion Yen / In accumulated amount)



◇ **FY2011** (vs. FY2010)

Orders Received : Increase in orders received for hydraulic components for construction machinery in emerging countries

Net Sales: Increase in sales of hydraulic components for construction machinery and painting robots

Operating Income: Increased due to sales increase of hydraulic components for construction machinery and other factors

◇ **FY2012 Forecast** (vs. FY2011)

Orders Received & Net Sales: Expected to increase due to demand recovery of hydraulic components for construction machinery in emerging countries and increase in sales of industrial robots

Operating Income: Expected to remain at the same level as in the previous fiscal year due to sales increase, despite increase in fixed cost resulting from capital expenditures

<For Reference>

Businesses Development in Emerging Countries

In August 2006, production of hydraulic pumps started at Chinese subsidiary in Suzhou to meet the increasing demand of hydraulic components for construction machinery in China. Also, in Zhejiang, the joint venture of hydraulic machinery manufacturing was established with a Chinese company and production started in April 2010, while the sales subsidiary in Shanghai provides the products manufactured at the above manufacturing companies to customers throughout China.

As the demand of hydraulic components in China continued to increase afterward, KHI focused on upgrading production which includes construction of a new plant at the subsidiary in Suzhou in October 2011, expansion of the plant in Zhejiang and establishment of the subsidiary for after-sales service in Shanghai. Consequently, KHI Group's presence in Chinese market has been further enhanced.

Meanwhile, spurred by a rapidly growing economy, India's hydraulic excavator market is booming. In order to cater to the growing demand for local production, in February 2012, KHI set up the joint venture with Wipro Limited in Bangalore for manufacture, sales, and servicing of hydraulic components for construction machinery.

Financial Condition and Cash Flows



【Financial Condition】

(Billion Yen)

	FY2010 End of March 2011	FY2011 End of March 2012
Total Assets	1,354.2	1,362.1
Shareholders' Equity (Ratio of shareholders' equity to total assets)	289.0 (21.3%)	306.0 (22.4%)
Interest-bearing debt (Net Interest-bearing debt)	429.1 (381.9)	407.1 (372.8)
Net Debt Equity Ratio	132%	121%

Note: Interest-bearing debt includes lease obligations

【Cash Flows】

(Billion Yen)

	FY2010	FY2011
Cash flows from operating activities	81.9	84.7
Cash flows from investing activities	- 52.9	- 65.9
Free Cash Flows	28.9	18.7
Cash flows from financing activities	- 18.8	- 26.8

Consolidated Operating Performance

II. Forecast for FY2012



(Billion Yen)

	FY2011 Actual	FY2012 Forecast	Change
Orders Received	1,311.8	1,430.0	+ 118.2
Net Sales	1,303.7	1,380.0	+ 76.3
Operating Income	57.4	52.0	- 5.4
Recurring Profit	63.6	56.0	- 7.6
Net Income	23.3	34.0	+ 10.7

vs. FY2011

< Orders Received >

Expected to increase as a whole due to increase in orders received in Ship & Offshore Structure and Rolling Stock segments, despite decrease in Aerospace segment that acquired high-level orders from MOD in the previous fiscal year

< Net Sale >

Expected to increase as a whole due to sales increase in Aerospace, Motorcycle & Engine and Precision Machinery segments, despite sales decrease in Ship & Offshore Structure segment

< Profits >

Although operating income and recurring profit are expected to decrease mainly due to the effect of deterioration in profitability in Ship & Offshore Structure segment, net income is expected to increase significantly because partial write-down of deferred tax assets, which was recorded in the previous fiscal year, is not expected in this fiscal year

Exchange Rates (actual & assumed)

Yen / US\$	79	80
Yen / EUR	109	105

Note : Assumed rates are applied to the outstanding foreign exchange exposure as of April 26, 2012

(For Reference)

Impact on profit by FX fluctuation of 1 yen

(Billion Yen)

	Operating Income	Recurring Profit
US\$	3.5	1.7
EUR	0.3	0.1

Forecast by Segment

II. Forecast for FY2012



(Billion Yen)

	Orders Received			Net Sales			Operating Income/Loss		
	FY2011 Actual	FY2012 Forecast	Change	FY2011 Actual	FY2012 Forecast	Change	FY2011 Actual	FY2012 Forecast	Change
Ship & Offshore Structure	39.9	110.0	+ 70.1	113.5	80.0	- 33.5	3.9	- 5.0	- 8.9
Rolling Stock	66.0	150.0	+ 84.0	132.6	130.0	- 2.6	5.1	6.0	+ 0.9
Aerospace	327.2	220.0	- 107.2	206.5	250.0	+ 43.5	7.8	9.0	+ 1.2
Gas Turbine & Machinery	227.2	230.0	+ 2.8	194.6	210.0	+ 15.4	7.7	8.0	+ 0.3
Plant & Infrastructure	119.2	130.0	+ 10.8	122.8	130.0	+ 7.2	14.1	10.0	- 4.1
Motorcycle & Engine	235.2	260.0	+ 24.8	235.2	260.0	+ 24.8	- 2.9	5.0	+ 7.9
Precision Machinery	174.5	210.0	+ 35.5	175.0	200.0	+ 25.0	26.6	27.0	+ 0.4
Others	122.2	120.0	- 2.2	123.2	120.0	- 3.2	3.8	2.0	- 1.8
Eliminations and corporate	-	-	-	-	-	-	- 8.8	- 10.0	- 1.2
Total	1,311.8	1,430.0	+ 118.2	1,303.7	1,380.0	+ 76.3	57.4	52.0	- 5.4

Note : "Eliminations and corporate" includes some expenses incurred at Head Office which are not allocated to each industry segment for internal reporting

R&D/CAPEX/Number of Employees

II. Forecast for FY2012



(Billion Yen / Persons)

	FY2010 Actual	FY2011 Actual	FY2012 Forecast
R&D Expenses	37.0	39.9	45.0
CAPEX (Construction Base)	55.3	63.9	79.0
Depreciation & Amortization	50.3	48.8	54.0
Domestic	24,511	24,770	25,500
Overseas	8,195	8,497	9,200
Number of Employees	32,706	33,267	34,700



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.