

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

For three months ended June 30, 2011 and 2010 and one year ended March 31, 2011

### Operating results

|                          | Millions of yen                     |                                     | Thousands of<br>U.S. dollars        |
|--------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                          | Three months ended<br>Jun. 30, 2011 | Three months ended<br>Jun. 30, 2010 | Three months ended<br>Jun. 30, 2011 |
| Net sales                | ¥ 291,579                           | ¥ 277,387                           | \$ 3,611,780                        |
| Operating income         | 12,373                              | 11,657                              | 153,263                             |
| Net income               | 9,558                               | 5,883                               | 118,394                             |
| Earnings per share (Yen) | 5.7                                 | 3.5                                 |                                     |

### Financial condition

|                            | Millions of yen / Thousands of U.S. dollars |              | Ratio of net assets less<br>minority interests to<br>total assets |
|----------------------------|---|--------------|---|
|                            | Total assets                                | Net assets   |   |
| <b>As of June 30, 2011</b> | ¥ 1,312,595                                 | ¥ 302,526    | 22%   |
| As of March 31, 2011       | 1,354,278                                   | 297,433      | 21%   |
| As of June 30, 2011        | \$ 16,259,073                               | \$ 3,747,380 | —   |

|                            | Thousand shares<br>Number of shares<br>issued and outstanding |
|----------------------------|---|
| <b>As of June 30, 2011</b> | 1,670,758   |
| As of March 31, 2011       | 1,670,546   |

### Cash flows

|  | Millions of yen                     |                                     | Thousands of<br>U.S. dollars        |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
|  | Three months ended<br>Jun. 30, 2011 | Three months ended<br>Jun. 30, 2010 | Three months ended<br>Jun. 30, 2011 |
| Operating activities                     | ¥ (10,239)                          | ¥ 182                               | \$ (126,830)                        |
| Investing activities                     | (14,869)                            | (12,310)                            | (184,181)                           |
| Financing activities                     | 11,189                              | 1,902                               | 138,597                             |
| Cash and cash equivalents at end of term | 27,538                              | 24,283                              | 341,112                             |

### 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 ¥80.73=\$1, the rate prevailing as of June 30, 2011, solely for the convenience of the readers.

## Condensed Consolidated Balance Sheets

As of June 30 and March 31, 2011

|  | Millions of yen         |                        | Thousands of<br>U.S. dollars |
|--|-------------------------|------------------------|------------------------------|
|  | As of<br>June. 30, 2011 | As of<br>Mar. 31, 2011 | As of<br>June. 30, 2011      |
| <b>Assets :</b>  |                         |                        |                              |
| Current assets :   |                         |                        |                              |
| Cash on hand and in banks                                      | ¥ 28,870                | ¥ 47,233               | \$ 357,611                   |
| Receivables, less allowance                                    | 369,837                 | 416,450                | 4,581,159                    |
| Inventories  | 441,352                 | 425,322                | 5,467,013                    |
| Other current assets   | 63,478                  | 62,714                 | 786,301                      |
| Total current assets   | 903,537                 | 951,719                | 11,192,084                   |
| Investments and long-term loans less allowance                 | 59,528                  | 56,306                 | 737,371                      |
| Net property, plant and equipment                              | 278,283                 | 275,780                | 3,447,082                    |
| Intangible and other assets                                    | 71,247                  | 70,473                 | 882,536                      |
| Total assets   | ¥ 1,312,595             | ¥ 1,354,278            | \$ 16,259,073                |
| <b>Liabilities and net assets :</b>                            |                         |                        |                              |
| Current liabilities :  |                         |                        |                              |
| Short-term borrowings<br>and current portion of long-term debt | ¥ 195,329               | ¥ 174,697              | \$ 2,419,534                 |
| Payables   | 249,077                 | 319,272                | 3,085,309                    |
| Advances from customers  | 95,207                  | 80,816                 | 1,179,326                    |
| Other current liabilities                                      | 121,859                 | 128,942                | 1,509,464                    |
| Total current liabilities                                      | 661,472                 | 703,727                | 8,193,633                    |
| Long-term liabilities :  |                         |                        |                              |
| Long-term debt, less current portion                           | 250,491                 | 254,447                | 3,102,824                    |
| Others   | 98,106                  | 98,671                 | 1,215,236                    |
| Total long-term liabilities                                    | 348,597                 | 353,118                | 4,318,060                    |
| <b>Net assets :</b>  |                         |                        |                              |
| Common stock   | 104,360                 | 104,340                | 1,292,704                    |
| Capital surplus  | 54,271                  | 54,251                 | 672,253                      |
| Retained earnings  | 162,649                 | 158,615                | 2,014,728                    |
| Treasury stock   | (18)                    | (30)                   | (222)                        |
| Net unrealized gains on securities                             | 3,652                   | 3,876                  | 45,236                       |
| Gains (losses) on hedging items                                | (421)                   | (990)                  | (5,214)                      |
| Foreign currency translation adjustments                       | (30,674)                | (31,006)               | (379,957)                    |
| Minority interests   | 8,707                   | 8,377                  | 107,852                      |
| Total net assets   | 302,526                 | 297,433                | 3,747,380                    |
| Total liabilities and net assets                               | ¥ 1,312,595             | ¥ 1,354,278            | \$ 16,259,073                |

## Condensed Consolidated Statements of Income

For three months ended June 30, 2011 and 2010

|  | Millions of yen                            |                                    | <b>%<br/>Change</b> | Thousands of   |
|--|--|------------------------------------|---------------------|--|
|  | <b>Three months ended<br/>Jun.30, 2011</b> | Three months ended<br>Jun.30, 2010 |                     | U.S. dollars   |
| Net sales  | <b>¥ 291,579</b>                           | ¥ 277,387                          | <b>+5%</b>          | <i>Three months ended<br/>Jun.30, 2011</i><br>\$ 3,611,780 |
| Cost of sales  | <b>244,361</b>                             | 231,767                            |                     | 3,026,893  |
| Gross profit   | <b>47,218</b>                              | 45,620                             |                     | 584,887  |
| Selling, general and administrative expenses                   | <b>34,845</b>                              | 33,963                             |                     | 431,624  |
| Operating income (loss)  | <b>12,373</b>                              | 11,657                             |                     | 153,263  |
| Other income (expenses) :                                      |  |                                    |                     |  |
| Interest and dividend income                                   | <b>688</b>                                 | 849                                |                     | 8,522  |
| Equity in income of unconsolidated subsidiaries and affiliates | <b>2,098</b>                               | 2,275                              |                     | 25,988   |
| Interest expense   | <b>(1,104)</b>                             | (1,202)                            |                     | (13,675)   |
| Other, net   | <b>49</b>                                  | (2,678)                            |                     | 607  |
| Income (loss) before income taxes and minority interests       | <b>14,104</b>                              | 10,901                             |                     | 174,705  |
| Income taxes   | <b>(3,946)</b>                             | (4,579)                            |                     | (48,878)   |
| Minority interests in net income of consolidated subsidiaries  | <b>(600)</b>                               | (439)                              |                     | (7,433)  |
| Net income (loss)  | <b>¥ 9,558</b>                             | ¥ 5,883                            |                     | \$ 118,394   |

**Segment information**  
**Information by reportable segment**

|                            | Millions of yen    |                    |             |                    |                         |
|----------------------------|--------------------|--------------------|-------------|--------------------|-------------------------|
|                            | Three months ended |                    |             |                    |                         |
|                            | Jun.30,2010        |                    |             |                    |                         |
|                            | External sales     | Intersegment sales | Total sales | Operating expenses | Operating income (loss) |
| Ship & Offshore Structure  | ¥ 28,659           | ¥ 342              | ¥ 29,001    | ¥ 25,683           | ¥ 3,318                 |
| Rolling Stock              | 26,680             | 93                 | 26,773      | 24,994             | 1,779                   |
| Aerospace                  | 34,211             | 390                | 34,601      | 36,458             | (1,857)                 |
| Gas Turbine & Machinery    | 49,906             | 5,937              | 55,843      | 51,786             | 4,057                   |
| Plant & Infrastructure     | 20,456             | 786                | 21,242      | 20,957             | 285                     |
| Motorcycle & Engine        | 65,169             | 321                | 65,490      | 64,716             | 774                     |
| Precision Machinery        | 27,854             | 2,818              | 30,672      | 26,714             | 3,958                   |
| Other                      | 24,452             | 7,014              | 31,466      | 31,428             | 38                      |
| Total                      | 277,387            | 17,701             | 295,088     | 282,736            | 12,352                  |
| Eliminations and corporate | -                  | (17,701)           | (17,701)    | (17,006)           | (695)                   |
| Consolidated total         | ¥ 277,387          | ¥ -                | ¥ 277,387   | ¥ 265,730          | ¥ 11,657                |

|                            | Millions of yen    |                    |             |                    |                         |
|----------------------------|--------------------|--------------------|-------------|--------------------|-------------------------|
|                            | Three months ended |                    |             |                    |                         |
|                            | Jun.30,2011        |                    |             |                    |                         |
|                            | External sales     | Intersegment sales | Total sales | Operating expenses | Operating income (loss) |
| Ship & Offshore Structure  | ¥ 27,751           | ¥ 102              | ¥ 27,853    | ¥ 26,903           | ¥ 950                   |
| Rolling Stock              | 25,878             | 63                 | 25,941      | 25,893             | 48                      |
| Aerospace                  | 40,029             | 442                | 40,471      | 41,369             | (898)                   |
| Gas Turbine & Machinery    | 45,569             | 3,897              | 49,466      | 46,080             | 3,386                   |
| Plant & Infrastructure     | 23,825             | 1,919              | 25,744      | 24,745             | 999                     |
| Motorcycle & Engine        | 59,611             | 209                | 59,820      | 59,467             | 353                     |
| Precision Machinery        | 40,481             | 3,219              | 43,700      | 36,575             | 7,125                   |
| Other                      | 28,435             | 7,671              | 36,106      | 35,180             | 926                     |
| Total                      | 291,579            | 17,522             | 309,101     | 296,212            | 12,889                  |
| Eliminations and corporate | -                  | (17,522)           | (17,522)    | (17,006)           | (516)                   |
| Consolidated total         | ¥ 291,579          | ¥ -                | ¥ 291,579   | ¥ 279,206          | ¥ 12,373                |

|                            | Thousands of U.S. dollars |                    |              |                    |                         |
|----------------------------|---------------------------|--------------------|--------------|--------------------|-------------------------|
|                            | Three months ended        |                    |              |                    |                         |
|                            | Jun.30,2011               |                    |              |                    |                         |
|                            | External sales            | Intersegment sales | Total sales  | Operating expenses | Operating income (loss) |
| Ship & Offshore Structure  | \$ 343,750                | \$ 1,263           | \$ 345,013   | \$ 333,246         | \$ 11,767               |
| Rolling Stock              | 320,549                   | 780                | 321,329      | 320,735            | 594                     |
| Aerospace                  | 495,837                   | 5,475              | 501,312      | 512,436            | (11,124)                |
| Gas Turbine & Machinery    | 564,461                   | 48,272             | 612,733      | 570,791            | 41,942                  |
| Plant & Infrastructure     | 295,119                   | 23,770             | 318,889      | 306,515            | 12,374                  |
| Motorcycle & Engine        | 738,399                   | 2,588              | 740,987      | 736,615            | 4,372                   |
| Precision Machinery        | 501,436                   | 39,873             | 541,309      | 453,053            | 88,256                  |
| Other                      | 352,229                   | 95,023             | 447,252      | 435,777            | 11,475                  |
| Total                      | 3,611,780                 | 217,044            | 3,828,824    | 3,669,168          | 159,656                 |
| Eliminations and corporate | -                         | (217,044)          | (217,044)    | (210,651)          | (6,393)                 |
| Consolidated total         | \$ 3,611,780              | \$ -               | \$ 3,611,780 | \$ 3,458,517       | \$ 153,263              |

## Net sales, orders and order backlog by industry segment

For three months ended June 30, 2011 and 2010 and as of June 30 and March 31, 2011

|                           | Millions of yen    |        |                    | %<br>Change | Thousands of<br>U.S. dollars |              |
|---------------------------|--------------------|--------|--------------------|-------------|------------------------------|--------------|
|                           | Three months ended |        | Three months ended |             | Three months ended           |              |
|                           | Jun. 30, 2011      |        | Jun. 30, 2010      |             | Jun. 30, 2011                |              |
| <b>Net sales :</b>        |                    |        |                    |             |                              |              |
| Ship & Offshore Structure | ¥ 27,751           | (9%)   | ¥ 28,659           | (11%)       | -3%                          | \$ 343,750   |
| Rolling Stock             | 25,878             | (9%)   | 26,680             | (9%)        | -3%                          | 320,549      |
| Aerospace                 | 40,029             | (14%)  | 34,211             | (12%)       | +17%                         | 495,837      |
| Gas Turbine & Machinery   | 45,569             | (16%)  | 49,906             | (17%)       | -9%                          | 564,461      |
| Plant & Infrastructure    | 23,825             | (8%)   | 20,456             | (7%)        | +16%                         | 295,119      |
| Motorcycle & Engine       | 59,611             | (20%)  | 65,169             | (24%)       | -9%                          | 738,399      |
| Precision Machinery       | 40,481             | (14%)  | 27,854             | (11%)       | +45%                         | 501,436      |
| Other                     | 28,435             | (10%)  | 24,452             | (9%)        | +16%                         | 352,229      |
| Total                     | ¥ 291,579          | (100%) | ¥ 277,387          | (100%)      | +5%                          | \$ 3,611,780 |
| <b>Orders :</b>           |                    |        |                    |             |                              |              |
| Ship & Offshore Structure | ¥ 17,003           | (7%)   | ¥ 1,662            | (0%)        | +923%                        | \$ 210,615   |
| Rolling Stock             | 22,646             | (9%)   | 101,583            | (31%)       | -78%                         | 280,515      |
| Aerospace                 | 30,610             | (12%)  | 36,594             | (11%)       | -16%                         | 379,165      |
| Gas Turbine & Machinery   | 31,377             | (12%)  | 33,080             | (10%)       | -5%                          | 388,665      |
| Plant & Infrastructure    | 19,143             | (8%)   | 32,061             | (9%)        | -40%                         | 237,123      |
| Motorcycle & Engine       | 59,611             | (24%)  | 65,169             | (20%)       | -9%                          | 738,399      |
| Precision Machinery       | 43,490             | (17%)  | 35,065             | (11%)       | +24%                         | 538,709      |
| Other                     | 27,301             | (11%)  | 24,274             | (8%)        | +12%                         | 338,180      |
| Total                     | ¥ 251,181          | (100%) | ¥ 329,488          | (100%)      | -24%                         | \$ 3,111,371 |

|                           | Millions of yen |        |               | %<br>Change | Thousands of<br>U.S. dollars |               |
|---------------------------|-----------------|--------|---------------|-------------|------------------------------|---------------|
|                           | As of           |        | As of         |             | As of                        |               |
|                           | Jun. 30, 2011   |        | Mar. 31, 2011 |             | Jun. 30, 2011                |               |
| <b>Order backlog :</b>    |                 |        |               |             |                              |               |
| Ship & Offshore Structure | ¥ 165,306       | (11%)  | ¥ 177,254     | (12%)       | -7%                          | \$ 2,047,640  |
| Rolling Stock             | 412,178         | (28%)  | 411,560       | (28%)       | -%                           | 5,105,636     |
| Aerospace                 | 257,654         | (18%)  | 269,470       | (18%)       | -4%                          | 3,191,552     |
| Gas Turbine & Machinery   | 360,192         | (25%)  | 382,269       | (26%)       | -6%                          | 4,461,687     |
| Plant & Infrastructure    | 180,677         | (13%)  | 185,414       | (12%)       | -3%                          | 2,238,040     |
| Motorcycle & Engine       | -               | (- %)  | -             | (- %)       | -%                           | -             |
| Precision Machinery       | 45,800          | (3%)   | 42,790        | (3%)        | +7%                          | 567,323       |
| Other                     | 25,712          | (2%)   | 26,592        | (1%)        | -3%                          | 318,494       |
| Total                     | ¥ 1,447,519     | (100%) | ¥ 1,495,349   | (100%)      | -3%                          | \$ 17,930,372 |

## Net Sales by geographic area

For three months ended June 30, 2011 and 2010

|               | Millions of yen |        |               | %<br>Change | Thousands of<br>U.S. dollars |              |
|---------------|-----------------|--------|---------------|-------------|------------------------------|--------------|
|               | As of           |        | As of         |             | As of                        |              |
|               | Jun. 30, 2011   |        | Jun. 30, 2011 |             | Jun. 30, 2011                |              |
| Japan         | ¥ 117,989       | (41%)  | ¥ 116,903     | (42%)       | -%                           | \$ 1,461,526 |
| United States | 55,427          | (19%)  | 61,558        | (22%)       | -9%                          | 686,572      |
| Europe        | 33,279          | (11%)  | 25,163        | (9%)        | +32%                         | 412,225      |
| Asia          | 53,583          | (18%)  | 47,603        | (17%)       | +12%                         | 663,730      |
| Other         | 31,301          | (11%)  | 26,160        | (10%)       | +19%                         | 387,727      |
| Total         | ¥ 291,579       | (100%) | ¥ 277,387     | (100%)      | +5%                          | \$ 3,611,780 |