



**Financial Results for Second Quarter FY 2011
(for the year ending March 31, 2012)**

November 2, 2011

Kawasaki Heavy Industries, Ltd.

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I. Consolidated Results for Second Quarter FY2011

Summary of Financial Results



(Billion Yen)

	FY2010.1H	FY2011.1H		Change	
	Actual	Forecast ^(※) in April	Actual	vs. FY2010.1H	vs. Forecast in April
Orders Received	613.4	-	513.4	- 99.9	-
Net Sales	571.7	650.0	584.9	+ 13.2	- 65.0
Operating Income	20.9	20.0	26.6	+ 5.7	+ 6.6
Recurring Profit	21.2	21.0	27.2	+ 5.9	+ 6.2
Net Income	12.3	12.0	17.8	+ 5.4	+ 5.8

vs. FY2010.1H

< Orders Received >

Decrease as a whole mainly due to decrease in orders received in Rolling Stock and Plant & Infrastructure segments that had large-scale orders received in the previous same period, despite increase in orders received in Gas Turbine & Machinery and Precision Machinery segments

< Net Sales >

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

< Profits >

Profit increased as a whole because the effects of sales increase in Precision Machinery, Aerospace and Plant & Infrastructure segments and other factors exceed the adverse impact of the appreciation of the yen

Exchange Rates (weighted-average)

Yen / US\$	90	80
Yen / EUR	116	116

(※) Assumed exchange rates for forecast in April : 1US\$=83Yen 1EUR=115Yen

Details of Change in Profit I

- FY2011.1H vs. FY2010.1H -

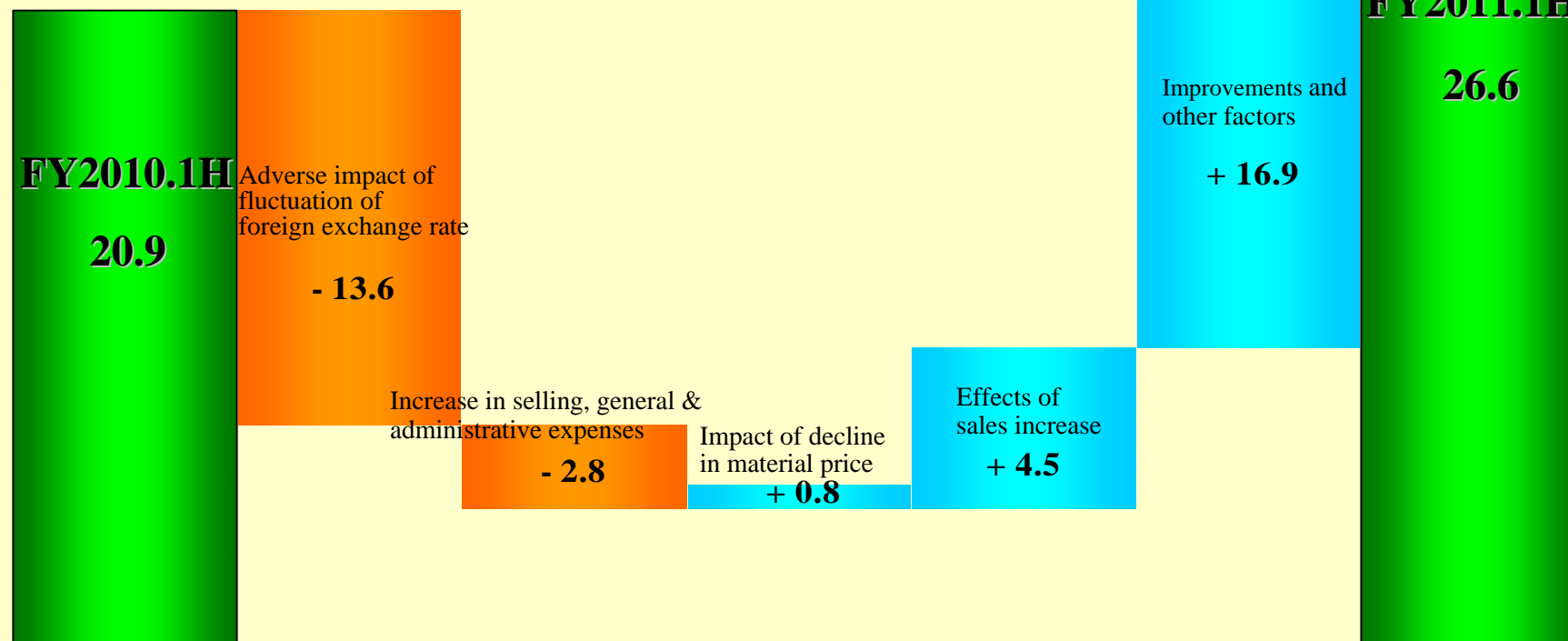


【Operating Income】 + 5.7 (FY2010.1H 20.9 → FY2011.1H 26.6)

(Billion Yen)

vs. Forecast in April + 6.6 billion yen
(Forecast in April 20.0 → Actual 26.6)

Adverse impact of fluctuation of foreign exchange rate	- 4.1
Effects of sales decrease	- 4.0
Impact of decline in material price	+ 3.3
Expenses deferrals	+ 7.3
Improvements and other factors	+ 4.0



Details of Change in Profit II

- FY2011.1H vs. FY2010.1H -



(Billion Yen)

【Non-operating Income/Expenses】 + 0.2 (FY2010.1H 0.3 → FY2011.1H 0.6)

Net Interest expense (incl. dividend income)	0	(- 1.1 → - 1.1)
Equity in income of unconsolidated subsidiaries and affiliates	0	(4.8 → 4.8)
Gain and loss on foreign exchange	- 1.0	(- 1.9 → - 2.9)
Others	+ 1.3	(- 1.4 → 0)

【Extraordinary Income/Losses】 - 0.3 (FY2010.1H - 0.5 → FY2011.1H - 0.9)

Loss on impairment of fixed assets	- 0.9	(0 → [※] - 0.9)
Effect of application of accounting for asset retirement obligations	+ 0.2	(- 0.2 → 0)
Bad debt expense for doubtful accounts of affiliates	+ 0.2	(- 0.2 → 0)

※ Loss on impairment of idle assets whose book values were written down to the recoverable amounts

Financial Results by Segment



(Billion Yen)

	Orders Received			Net Sales			Operating Income/Loss		
	FY2010 1H	FY2011 1H	Change	FY2010 1H	FY2011 1H	Change	FY2010 1H	FY2011 1H	Change
Ship & Offshore Structure	36.4	24.6	- 11.8	61.2	53.1	- 8.0	2.0	0.5	- 1.5
Rolling Stock	117.7	42.1	- 75.5	63.0	55.3	- 7.6	3.4	1.1	- 2.3
Aerospace	87.9	67.5	- 20.3	83.0	87.4	+ 4.4	- 1.1	3.0	+ 4.1
Gas Turbine & Machinery	65.3	79.7	+ 14.3	99.2	84.7	- 14.5	6.1	3.9	- 2.2
Plant & Infrastructure	77.3	46.8	- 30.5	38.8	56.2	+ 17.4	3.5	6.7	+ 3.2
Motorcycle & Engine	113.2	106.2	- 7.0	113.2	106.2	- 7.0	- 1.1	- 2.3	- 1.2
Precision Machinery	68.0	91.1	+ 23.1	60.9	85.2	+ 24.2	8.6	14.5	+ 5.9
Other	47.2	55.1	+ 7.9	51.9	56.4	+ 4.4	0.9	1.8	+ 0.9
Eliminations and corporate	-	-	-	-	-	-	- 1.5	- 2.7	- 1.2
Total	613.4	513.4	- 99.9	571.7	584.9	+ 13.2	20.9	26.6	+ 5.7

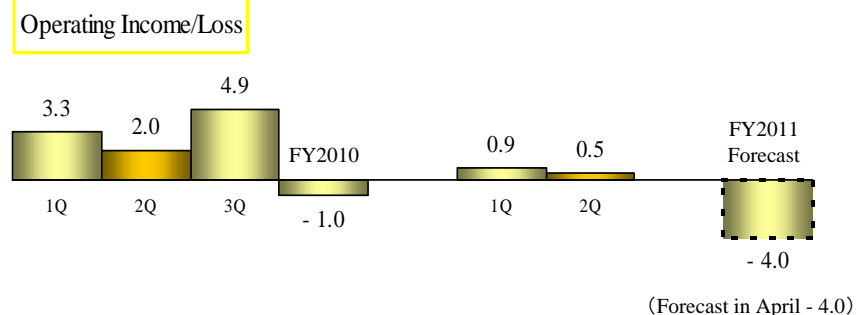
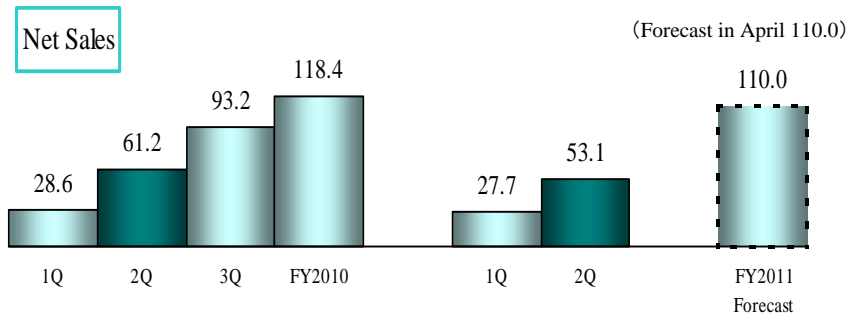
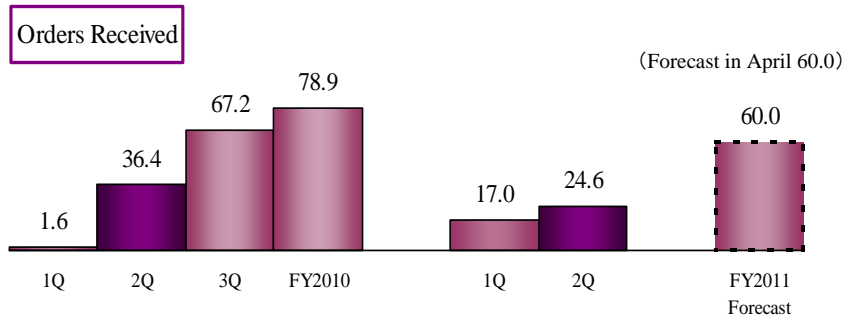
Note : "Eliminations and corporate" includes some expenses incurred at Head Office which were not allocated to each industry segment for internal reporting

Ship & Offshore Structure



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

(Billion Yen / In accumulated amount)



◇ **FY2011.1H** (vs. FY2010.1H)

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

Net Sales: Decrease in sales of large-scale vessels such as LNG carriers

Operating Income/Loss: Income decreased due to the effect of sales decrease, the adverse impact of the appreciation of the yen and materials price rise

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

	Orders Received		Sales	
	FY2010.1H	FY2011.1H	FY2010.1H	FY2011.1H
LNG carriers			3(3)	2(1)
Small-sized LNG carriers		1	1(1)	2(2)
LPG carriers			2(1)	2(2)
VLCCs				
Bulk carriers		6	12(8)	17(12)
Submarines	1		1(1)	2(2)
Total	1	7	19(14)	25(19)

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

◇ **FY2011 Forecast** (vs. Forecast in April)

- Orders received and net sales remain unchanged because of no significant change
- Operating income/loss remain unchanged due to cost reduction and materials price decline and other factors, despite the adverse impact of the appreciation of the yen

<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 also supports DACOS, which was established by NACKS and COSCO Group in July 2007. The first ship was delivered in September 2011 at DACOS.

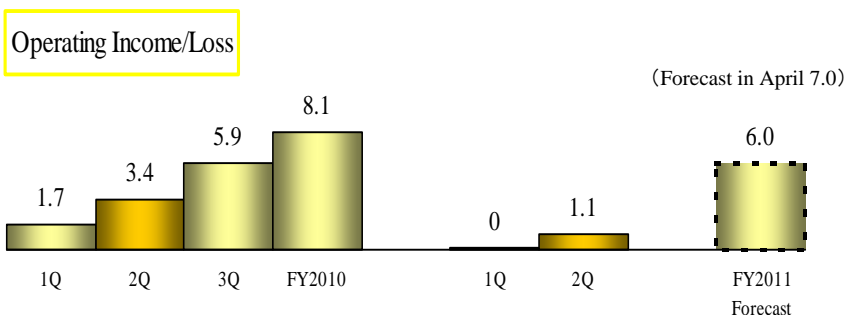
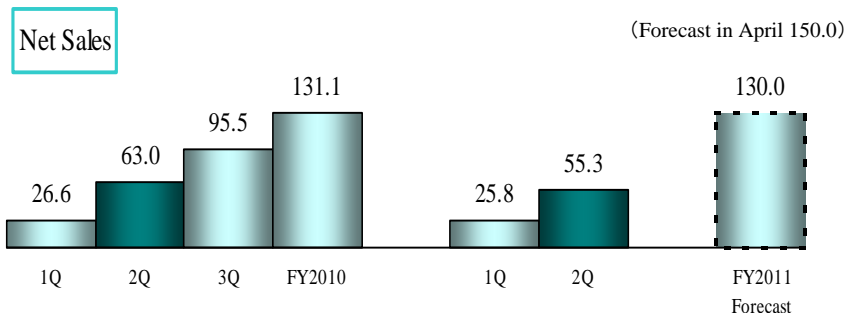
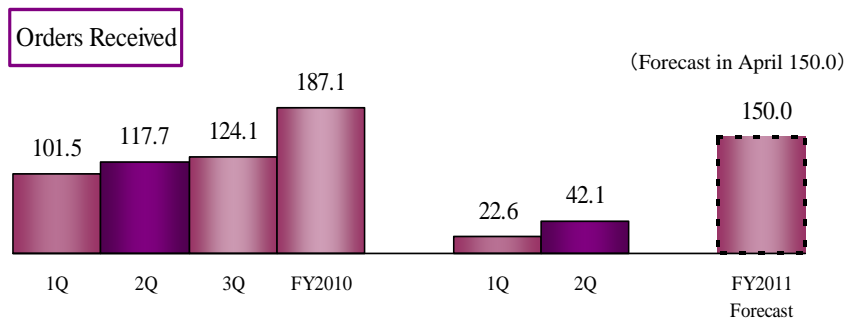
Under close partnership between KHI and COSCO groups, KHI is working on expansion of its operations and strengthening its earning power.

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)



◇ **FY2011.1H** (vs. FY2010.1H)

Orders Received: Decrease in large-scale orders received for overseas market

Net Sales: Decrease in sales for overseas market

Operating Income/Loss: Income decreased due to sales decrease, the effect of the adverse impact of the appreciation of the yen, and other factors

◇ **FY2011 Forecast** (vs. Forecast in April)

- Orders received remains unchanged because of no significant change
- Net sales was revised down due to the sales deferrals for overseas market
- Operating income was revised down due to the adverse impact of the appreciation of the yen and other factors

<For Reference> Present Status of New 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

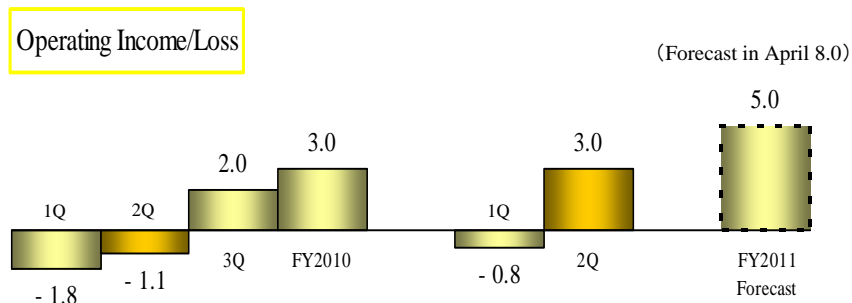
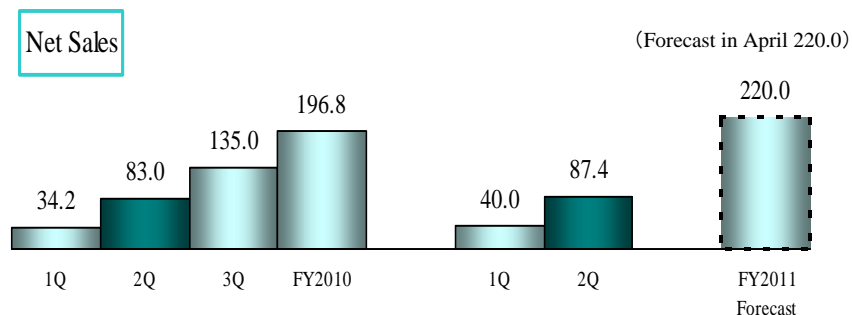
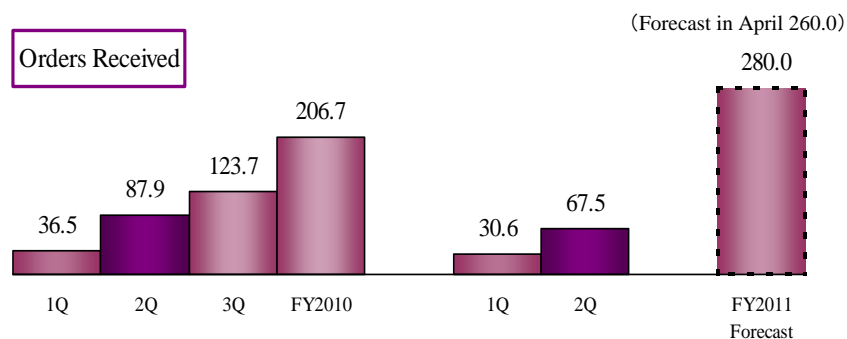
High-speed railways :

- KHI self-developed efSET® (Environmentally Friendly Super Express Trains), a new high-speed train that will achieve maximum service speed of 350km/h to satisfy demand for overseas markets, and completed principle designs by the end of March 2010.
- California High-speed Rail: Working with other Japanese companies aiming to win E&M system including rail cars.
- There are plans in India, Vietnam and other countries.

E&M System Projects in Asian region : Taichung City Railway System - Won the package contract of 36 cars and E&M system in March 2011 under cooperation with other companies. 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.

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

(Billion Yen / In accumulated amount)



◇ **FY2011.1H** (vs. FY2010.1H)

Orders Received: Decrease in orders received for Japan Ministry of Defense (MOD)

Net Sales: Increase in sales of component parts for Boeing including B777

Operating Income/Loss: Income improved due to sales increase, cost reduction and other factors

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

	FY2010.1H	FY2011.1H
B777	32	42
B767	7	13
B787	12	12
Embraer170/175	8	6
Embraer190/195	42	52

◇ **FY2011 Forecast** (vs. Forecast in April)

- Orders received was revised up due to increase for component parts for Boeing
- Net sales remains unchanged because of no significant change
- Operating income was revised down due to the adverse impact of the appreciation of the yen and other factors

<For Reference> Present Status of Main Projects

Aircrafts for MOD :

The #2 test XC-2 transport aircraft was manufactured at Kawasaki's Gifu Works and delivered to MOD on March 29, 2011 at the Works. KHI will continue to work toward commencement of the mass production.

Component parts for commercial aircrafts :

B777 - According to the production rate increase for Boeing B777 program announced by Boeing, KHI's production rate for the program has increased to 7 units per month from the second half of FY2010. During FY2012, the production rate is expected to increase up to 8.3 units per month.

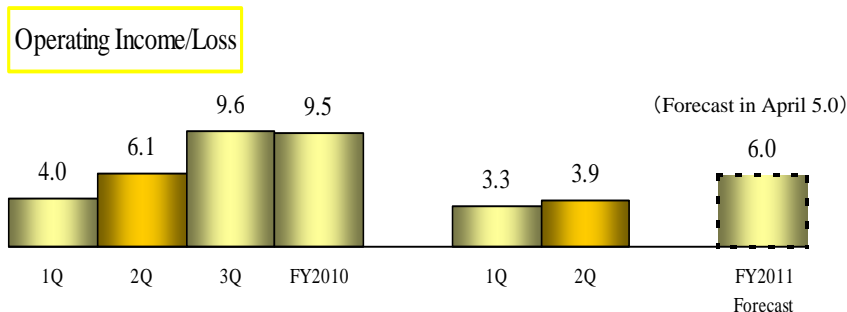
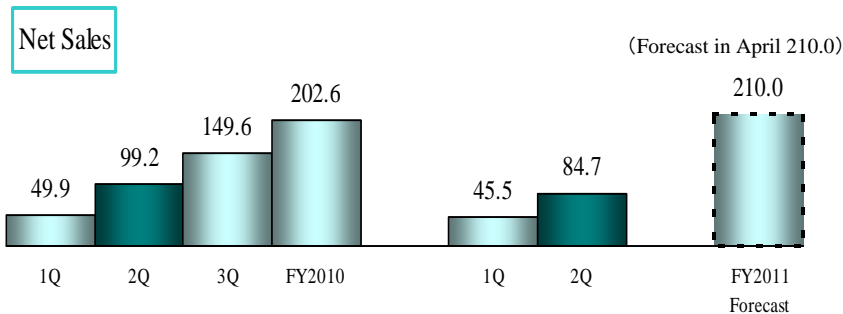
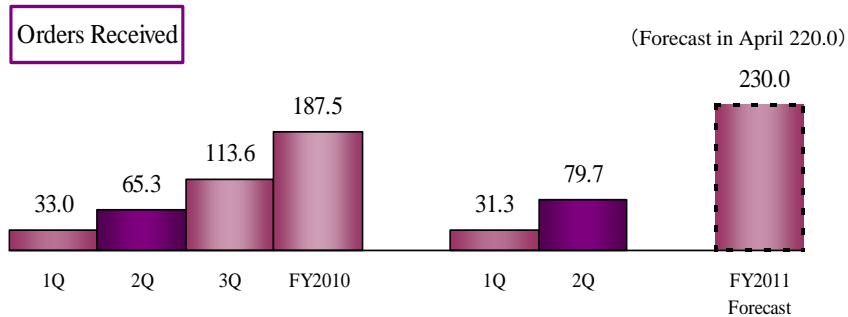
B787 - In September 2011, the first Boeing B787 was delivered to the airline by Boeing and regular flight service with B787 was started from November 1, 2011. KHI has completed the production system at Kawasaki's Nagoya Works 1 for ramp-up production.

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)



◇ **FY2011.1H** (vs. FY2010.1H)

Orders Received: Increase in orders received for gas engine power plant

Net Sales: Decrease in sales of gas turbine-driven natural gas compressors and sales for Japan Ministry of Defense

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

◇ **FY2011 Forecast** (vs. Forecast in April)

- Orders received was revised up due to increase for domestic projects

- Net sales remains unchanged because of no significant change

- Operating income was revised up due to cost reduction and other factors, despite the adverse impact of the appreciation of the yen

<For Reference>

Gas Turbine Division : Major Projects for Commercial Aircraft Jet Engines

	Trent1000	TrentXWB	PW1100G - JM
Aircraft	B787	A350	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.

(※)Risk & Revenue Sharing Partner

Machinery Division : Gas Engines

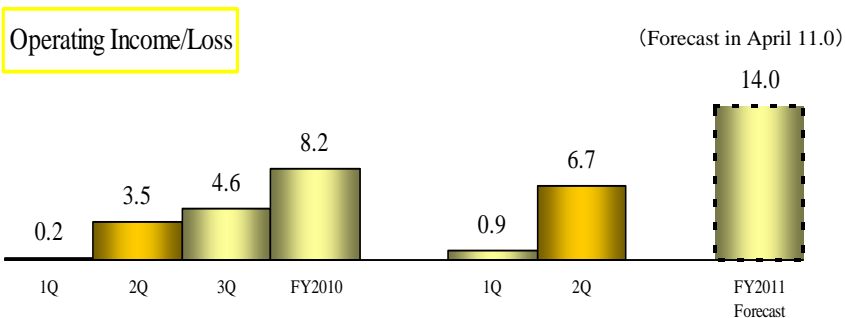
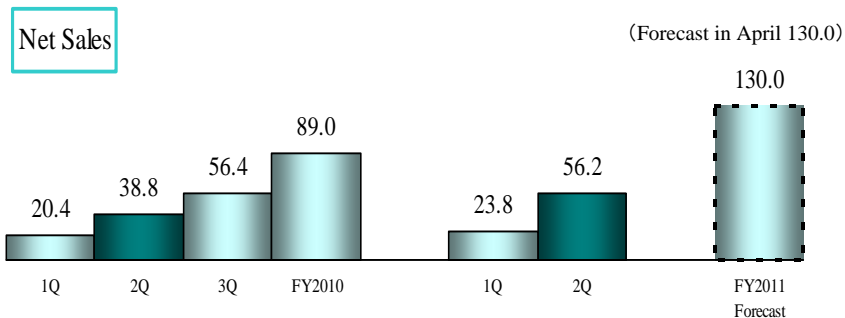
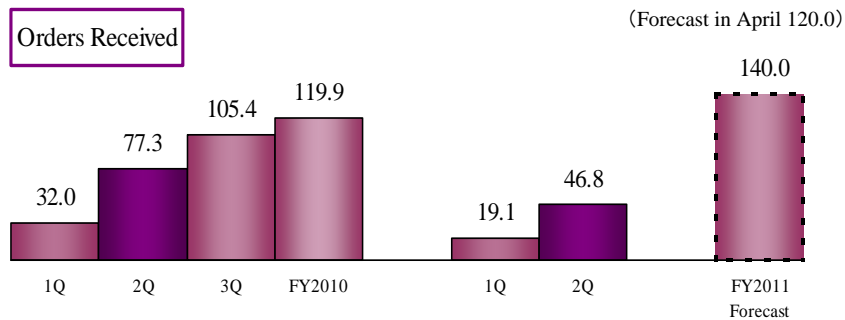
In September 2011, KHI received an order for a 110MW power plant which consists of 14 Kawasaki Green Gas Engines with world's highest power-generating efficiency of 49%.

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)



◇ **FY2011.1H** (vs. FY2010.1H)

Orders Received: Decrease in orders received for domestic customers

Net Sales: Increase in sales of overseas projects

Operating Income/Loss: Income increased due to sales increase, and other factors

◇ **FY2011 Forecast** (vs. Forecast in April)

- Orders received was revised up due to increase of orders received for boilers for the world's first Floating LNG facility

- Net Sales remains unchanged because of no significant change

- Operating income was revised up due to improvement in profitability by steady progress in some projects

<For Reference> Joint Ventures in China

In 2006, KHI started a joint venture with Anhui Conch Cement Company Ltd., China's largest cement manufacturer. KHI has established three joint ventures for the time being and set up, in China, an integrated system for waste heat recovery power generation systems for cement plants and cement producing facilities, and in May 2011, KHI has decided to construct a new plant for cement producing facilities at Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. (CKE).

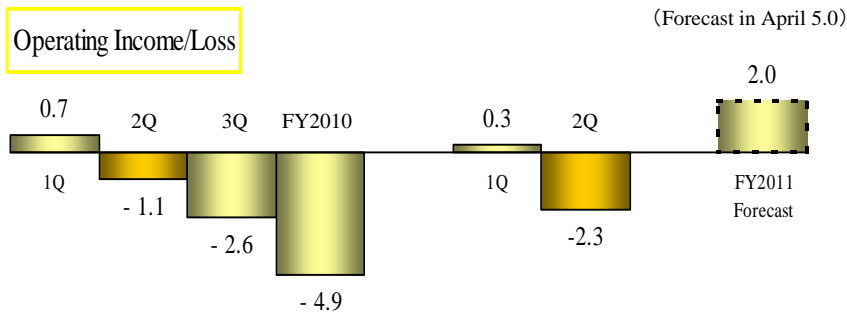
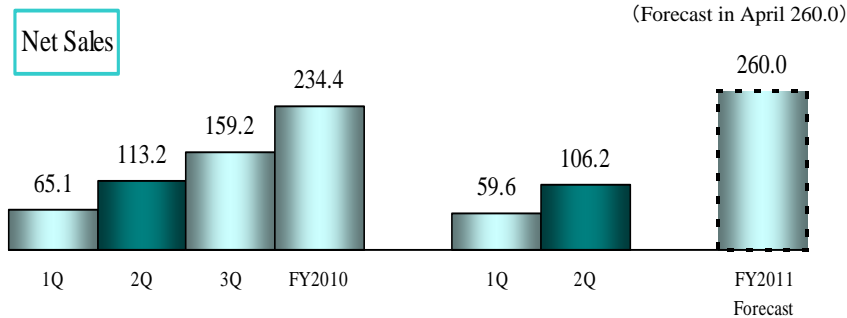
As well as further intensifying partnership with CONCH, KHI will develop and contribute to bring new technologies such as Zero Emission Eco Town System (ZEET) that is an integration of cement plant with waste treatment technology and sludge processing technology in order to establish new business model for global environmental conservation.

Motorcycle & Engine



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

(Billion Yen / In accumulated amount)



◇ **FY2011.1H** (vs. FY2010.1H)

Net Sales: Decrease in sales due to sales decrease in U.S. and European markets and the adverse impact of the appreciation of the yen, despite sales increase in Asian and other emerging countries

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

◇ **FY2011 Forecast** (vs. Forecast in April)

- Net Sales remains unchanged because sales increase in Asian and other emerging countries offset sales decrease in U.S. and European markets
- Operating income was revised down due to the adverse impact of the appreciation of the yen and other factors, despite the additional measures to improve profitability including fixed cost reduction

<Wholesales by Geographic Area for Consumer Products> (Thousands of unit / Billion Yen)

	FY2010.1H		FY2010		FY2011.1H		FY2011 Forecast	
	Unit	Amount	Unit	Amount	Unit	Amount	Unit	Amount
Domestic	8	6.3	14	11.3	8	6.5	14	12.4
North America (incl. Canada)	51 (27)	37.6	118 (67)	78.5	44 (24)	28.8	129 (77)	83.6
Europe	34	23.6	67	47.7	26	20.7	64	48.4
Emerging Countries & Others	125	28.6	272	61.0	153	34.9	328	75.5
Total	218	96.1	471	198.5	231	90.8	535	219.9

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.

<Business Development in Emerging Markets>

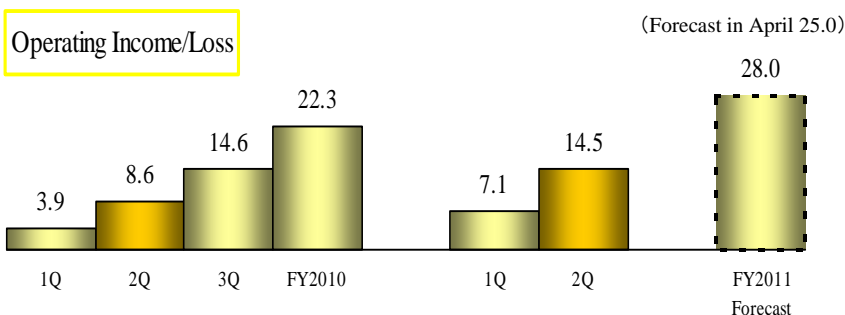
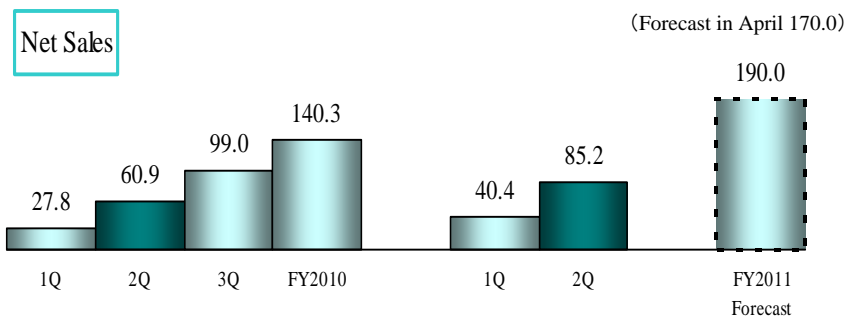
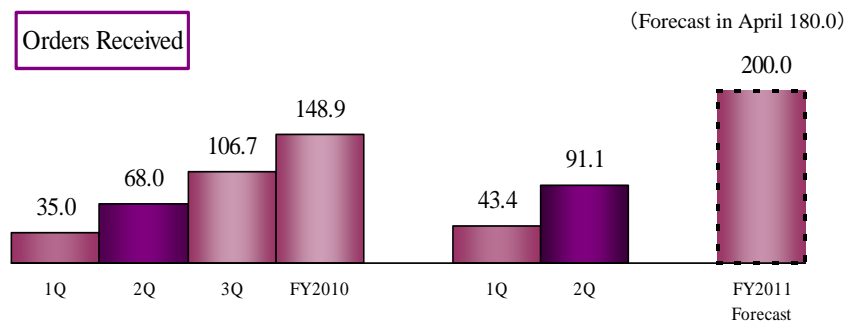
Since KHI started motorcycle business in Philippines in 1974, KHI established subsidiaries in Indonesia, Thailand and Brazil to manufacture and sell motorcycles. In emerging markets, as demand for motorcycles is expected to expand in the coming years due to further economic growth and increased purchasing power, KHI focuses on expansion and reinforcement of business operations in those markets. In India, KHI established new subsidiary in 2010 to import and sell motorcycles in order to cultivate its market.

Precision Machinery



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

(Billion Yen / In accumulated amount)



◇ **FY2011.1H** (vs. FY2010.1H)

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 industrial robots for manufacturers of semiconductor production equipments

Operating Income/Loss: Income increased due to sales increase, and other factors

◇ **FY2011 Forecast** (vs. Forecast in April)

- Orders received, net sales and operating income were revised up due to expansion of production capacity to settle the supply-demand gaps mainly for hydraulic components in emerging countries

<Businesses Development in China>

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. In April 2010, production of hydraulic components started in a joint venture with a Chinese company in Zhejiang, while a sales subsidiary in Shanghai provides the products manufactured at the above manufacturing companies to customers throughout China.

In order to respond to the increasing demand in China, KHI group as a whole focuses on upgrading production which includes operation start at a new plant in Suzhou and expansion of the plant in Zhejiang, as well as expansion of production capacity at Nishi-Kobe Works.

Financial Condition and Cash Flows



【Financial Condition】

(Billion Yen)

	FY2010 End of March 2011	FY2011 End of September 2011
Total Assets	1,354.2	1,309.5
Shareholders' Equity (Ratio of shareholders' equity to total assets)	289.0 (21.3%)	297.3 (22.7%)
Interest-bearing debt (Net Interest-bearing debt)	429.1 (381.9)	427.1 (390.0)
Net Debt Equity Ratio	132%	131%

Note: Interest-bearing debt includes lease obligations

【Cash Flows】

(Billion Yen)

	FY2010.1H	FY2011.1H
Cash flows from operating activities	48.1	32.5
Cash flows from investing activities	- 26.1	- 32.6
Free Cash Flows	22.0	- 0.1
Cash flows from financing activities	- 20.0	- 5.3

II. Forecast for FY2011

Consolidated Operating Performance



(Billion Yen)

	FY2010	FY2011 Forecast		Change	
	Actual	in April	in November	vs. FY2010	vs. Forecast in April
Orders Received	1,270.6	1,360.0	1,430.0	+ 159.4	+ 70.0
Net Sales	1,226.9	1,360.0	1,360.0	+ 133.1	0
Operating Income	42.6	50.0	50.0	+ 7.4	0
Recurring Profit	49.1	52.0	52.0	+ 2.9	0
Net Income	25.9	32.0	32.0	+ 6.1	0

vs. Forecast in April

< Orders Received >

Forecast was revised up due to increase in Aerospace, Gas Turbine & Machinery, Plant & Infrastructure and Precision Machinery segments

< Net Sale >

Net sales remains unchanged because sales increase in Precision Machinery segment offsets sales decrease in Rolling Stock segment with sales deferrals for overseas market

< Profits >

Profits remains unchanged due to the effects of sales increase in Plant & Infrastructure and Precision Machinery segments and the measures to improve profitability, including fixed cost reduction and improvement in productivity, despite the adverse impact of the appreciation of the yen

Exchange Rates (actual & assumed)

Yen / US\$	86	83	80
Yen / EUR	113	115	110

Note : Assumed rates are applied to the outstanding foreign exchange exposure as of the respective disclosure date

(For Reference)

Impact on profit by FX fluctuation of 1 yen

(Billion Yen)

	Operating Income	Recurring Profit
US\$	2.3 (2.6)	2.0 (3.1)
EUR	0.2 (0.3)	0.1 (0.2)

* Figures in the parenthesis () represent impact as of July 29, 2011

Forecast by Segment



(Billion Yen)

	Orders Received			Net Sales			Operating Income/Loss		
	FY2010	FY2011 Forecast		FY2010	FY2011 Forecast		FY2010	FY2011 Forecast	
	Actual	in April	in November	Actual	in April	in November	Actual	in April	in November
Ship & Offshore Structure	78.9	60.0	60.0	118.4	110.0	110.0	- 1.0	- 4.0	- 4.0
Rolling Stock	187.1	150.0	150.0	131.1	150.0	130.0	8.1	7.0	6.0
Aerospace	206.7	260.0	280.0	196.8	220.0	220.0	3.0	8.0	5.0
Gas Turbine & Machinery	187.5	220.0	230.0	202.6	210.0	210.0	9.5	5.0	6.0
Plant & Infrastructure	119.9	120.0	140.0	89.0	130.0	130.0	8.2	11.0	14.0
Motorcycle & Engine	234.4	260.0	260.0	234.4	260.0	260.0	- 4.9	5.0	2.0
Precision Machinery	148.9	180.0	200.0	140.3	170.0	190.0	22.3	25.0	28.0
Others	106.8	110.0	110.0	114.0	110.0	110.0	2.5	2.0	2.0
Eliminations and corporate	-	-	-	-	-	-	- 5.3	- 9.0	- 9.0
Total	1,270.6	1,360.0	1,430.0	1,226.9	1,360.0	1,360.0	42.6	50.0	50.0

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



(Billion Yen / Persons)

	FY2010	FY2011 Forecast			
	Actual	in April	in November	Change	Remarks
R&D Expenses	37.0 (16.0)	43.0 -	44.4 (16.2)	+ 1.4	
CAPEX (Construction Base)	55.3 (23.4)	76.0 -	88.0 (32.0)	+ 12.0	Facilities to increase production in Precision Machinery segment
Depreciation & Amortization	50.3 (23.3)	55.0 -	51.0 (22.3)	- 4.0	
Domestic	24,511	25,000	25,000	0	
Overseas	8,195	8,200	8,900	+ 700	Employees at overseas subsidiaries
Number of Employees	32,706	33,200	33,900	+ 700	

Note: Figures in parenthesis () represent the results of the first half

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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.