

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

For six months ended September 30, 2010 and 2009 and one year ended March 31, 2010

Operating results

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2010	Six months ended Sep. 30, 2009	Six months ended Sep. 30, 2010
Net sales	¥ 571,708	¥ 516,053	\$ 6,820,663
Operating income	20,904	(6,167)	249,391
Net income	12,334	(6,294)	147,148
Earnings per share (Yen)	7.3	(3.7)	

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, 2010	¥ 1,318,935	¥ 287,024	21%
As of March 31, 2010	1,352,439	283,053	20%
As of September 30, 2010	\$ 15,735,325	\$ 3,424,290	—

	Yen / U.S. dollars	Thousand shares
	Net assets per share	Number of shares issued and outstanding
As of September 30, 2010	¥ 167.3	1,670,447
As of March 31, 2010	166.1	1,667,848
As of September 30, 2010	\$ 1.99	—

Cash flows

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2010	Six months ended Sep. 30, 2009	Six months ended Sep. 30, 2010
Operating activities	¥ 48,168	¥ (25,226)	\$ 574,659
Investing activities	(26,164)	(36,470)	(312,145)
Financing activities	(20,096)	56,564	(239,751)
Cash and cash equivalents at end of term	33,800	24,651	403,245

Fiscal year forecast

	Millions of yen		
	Net sales	Operating income	Net income
One year ending March 31, 2011	¥ 1,280,000	¥ 32,000	¥ 20,000

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 $\text{¥}83.82=\$1$, the rate prevailing as of September 30, 2010, solely for the convenience of the readers.

Condensed Consolidated Balance Sheets

As of September 30 and March 31, 2010

	Millions of yen		Thousands of U.S. dollars
	As of Sep. 30, 2010	As of Mar. 31, 2010	As of Sep. 30, 2010
Assets :			
Current assets :			
Cash on hand and in banks	¥ 35,201	¥ 34,745	\$ 419,959
Receivables, less allowance	367,879	417,999	4,388,916
Inventories	427,429	418,224	5,099,368
Other current assets	65,760	60,710	784,539
Total current assets	896,269	931,678	10,692,782
Investments and long-term loans less allowance	59,584	60,628	710,856
Net property, plant and equipment	282,122	284,408	3,365,807
Intangible and other assets	80,960	75,725	965,880
Total assets	¥ 1,318,935	¥ 1,352,439	\$ 15,735,325
Liabilities and net assets :			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	¥ 147,854	¥ 158,799	\$ 1,763,946
Payables	279,713	302,739	3,337,067
Advances from customers	96,361	99,532	1,149,618
Other current liabilities	122,198	131,853	1,457,863
Total current liabilities	646,126	692,923	7,708,494
Long-term liabilities :			
Long-term debt, less current portion	281,476	270,110	3,358,100
Others	104,309	106,353	1,244,441
Total long-term liabilities	385,785	376,463	4,602,541
Net assets :			
Common stock	104,328	104,328	1,244,667
Capital surplus	54,242	54,275	647,124
Retained earnings	145,047	137,689	1,730,458
Treasury stock	(30)	(552)	(357)
Net unrealized gains on securities	3,612	5,305	43,092
Gains (losses) on hedging items	714	(162)	8,518
Foreign currency translation adjustments	(28,415)	(23,803)	(339,000)
Minority interests	7,526	5,973	89,788
Total net assets	287,024	283,053	3,424,290
Total liabilities and net assets	¥ 1,318,935	¥ 1,352,439	\$ 15,735,325

(Consolidated)

Condensed Consolidated Statements of Operations

For six months ended September 30, 2010 and 2009

	Millions of yen		% Change	Thousands of U.S. dollars
	Six months ended Sep.30, 2010	Six months ended Sep.30, 2009		<i>Six months ended Sep.30, 2010</i>
Net sales	¥ 571,708	¥ 516,053	+11%	\$ 6,820,663
Cost of sales	481,157	448,226		5,740,361
Gross profit	90,551	67,827		1,080,302
Selling, general and administrative expenses	69,647	73,994		830,911
Operating income (loss)	20,904	(6,167)		249,391
Other income (expenses) :				
Interest and dividend income	1,311	2,086		15,640
Equity in income of unconsolidated subsidiaries and affiliates	4,875	2,582		58,160
Interest expense	(2,435)	(2,848)		(29,050)
Other, net	(3,943)	(2,647)		(47,041)
Income (loss) before income taxes and minority interests	20,712	(6,994)		247,100
Income taxes	(7,435)	1,043		(88,701)
Minority interests in net income of consolidated subsidiaries	(943)	(343)		(11,251)
Net income (loss)	¥ 12,334	¥ (6,294)		\$ 147,148

(Consolidated)

Condensed Consolidated Statements of Cash Flows

For six months ended September 30, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2010	Six months ended Sep. 30, 2009	Six months ended Sep. 30, 2010
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 20,712	¥ (6,994)	\$ 247,100
Adjustments to reconcile net income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	23,348	23,556	278,549
Decrease in assets	44,117	47,582	526,330
Decrease in liabilities	(30,582)	(79,218)	(364,853)
Other	(9,427)	(10,152)	(112,467)
Net cash provided by operating activities	¥ 48,168	¥ (25,226)	\$ 574,659
Cash flows from investing activities:			
Acquisition of tangible and intangible assets	(25,854)	(36,141)	(308,446)
Acquisition of investments in securities	(28)	(102)	(334)
Other	(282)	(227)	(3,365)
Net cash used for investing activities	¥ (26,164)	¥ (36,470)	\$ (312,145)
Cash flows from financing activities:			
Increase (Decrease) in short-term borrowings	(47,923)	6,921	(571,737)
Proceeds from long-term debt	35,580	69,500	424,481
Repayment of long-term debt	(3,516)	(14,418)	(41,947)
Other	(4,237)	(5,439)	(50,548)
Net cash provided by financing activities	¥ (20,096)	¥ 56,564	\$ (239,751)
Effect of exchange rate changes	(2,245)	(1,630)	(26,783)
Net decrease in cash and cash equivalents	(337)	(6,762)	(4,020)
Cash and cash equivalents at beginning of term	34,137	31,413	407,265
Cash and cash equivalents at end of term	¥ 33,800	¥ 24,651	\$ 403,245

Segment information

(a) Information by industry segment

	Millions of yen				
	Six months ended				
	Sep.30,2009				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 65,261	¥ 857	¥ 66,118	¥ 64,685	¥ 1,433
Rolling Stock	80,142	578	80,720	77,447	3,273
Aerospace	73,322	1,097	74,419	71,773	2,646
Gas Turbines & Machinery	83,446	9,801	93,247	92,609	638
Plant & Infrastructure Engineering	35,745	3,991	39,736	38,638	1,098
Consumer Products & Machinery	106,252	1,180	107,432	124,041	(16,609)
Hydraulic Machinery	29,006	3,620	32,626	30,635	1,991
Other	42,879	15,352	58,231	58,540	(309)
Total	516,053	36,476	552,529	558,368	(5,839)
Eliminations and corporate	-	(36,476)	(36,476)	(36,148)	(328)
Consolidated total	¥ 516,053	¥ -	¥ 516,053	¥ 522,220	¥ (6,167)

(b) Information by geographic area

	Millions of yen				
	Six months ended				
	Sep.30, 2009				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 392,484	¥ 67,195	¥ 459,679	¥ 466,226	¥ (6,547)
North America	66,935	8,532	75,467	77,638	(2,171)
Europe	33,700	888	34,588	33,659	929
Asia	19,299	22,846	42,145	38,808	3,337
Other Areas	3,635	85	3,720	3,670	50
Total	516,053	99,546	615,599	620,001	(4,402)
Eliminations and corporate	-	(99,546)	(99,546)	(97,781)	(1,765)
Consolidated total	¥ 516,053	¥ -	¥ 516,053	¥ 522,220	¥ (6,167)

(c) Overseas sales

	Millions of yen	
	Six months ended	
	Sep.30, 2009	
	Overseas sales	% against net sales
North America	¥ 108,843	21.0%
Europe	43,738	8.4%
Asia	74,718	14.4%
Other Areas	45,447	9.0%
Total	¥ 272,746	52.8%

Segment information

(a) 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 Turbines & Machinery	99,264	10,528	109,792	103,626	6,166
Plant & Infrastructure Engineering	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

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				
	Six months ended				
	Sep.30,2010				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Ship & Offshore Structure	\$ 730,768	\$ 13,207	\$ 743,975	\$ 719,363	\$ 24,612
Rolling Stock	751,825	4,581	756,406	715,413	40,993
Aerospace	991,052	10,021	1,001,073	1,014,650	(13,577)
Gas Turbines & Machinery	1,184,251	125,603	1,309,854	1,236,292	73,562
Plant & Infrastructure Engineering	463,696	73,144	536,840	494,643	42,197
Motorcycle & Engine	1,351,073	6,836	1,357,909	1,371,927	(14,018)
Precision Machinery	727,606	73,372	800,978	698,258	102,720
Other	620,392	179,623	800,015	788,788	11,227
Total	6,820,663	486,387	7,307,050	7,039,334	267,716
Eliminations and corporate	-	(486,387)	(486,387)	(468,062)	(18,325)
Consolidated total	\$ 6,820,663	\$ -	\$ 6,820,663	\$ 6,571,272	\$ 249,391

Net sales, orders and order backlog by industry segment

For six months ended September 30, 2010 and 2009 and as of September 30 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.

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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	
	Six months ended		Six months ended		%	Six months ended
	Sep. 30, 2010		Sep. 30, 2009			
Net sales :						
Ship & Offshore Structure	¥	61,253 (11%)	¥	65,261 (12%)	-6%	\$ 730,768
Rolling Stock		63,018 (11%)		72,532 (14%)	-13%	751,825
Aerospace		83,070 (15%)		73,322 (14%)	+13%	991,052
Gas Turbines & Machinery		99,264 (17%)		83,446 (16%)	+18%	1,184,251
Plant & Infrastructure Engineering		38,867 (7%)		43,355 (8%)	-10%	463,696
Motorcycle & Engine		113,247 (20%)		100,968 (19%)	+12%	1,351,073
Precision Machinery		60,988 (10%)		34,290 (6%)	+77%	727,606
Other		52,001 (9%)		42,879 (10%)	+21%	620,392
Total	¥	571,708 (100%)	¥	516,053 (100%)	+10%	\$ 6,820,663
Orders :						
Ship & Offshore Structure	¥	36,468 (6%)	¥	2,728 (0%)	+1,236%	\$ 435,075
Rolling Stock		117,712 (19%)		39,587 (9%)	+197%	1,404,342
Aerospace		87,956 (14%)		46,545 (11%)	+88%	1,049,343
Gas Turbines & Machinery		65,381 (11%)		99,897 (24%)	-34%	780,016
Plant & Infrastructure Engineering		77,378 (13%)		37,528 (9%)	+106%	923,144
Motorcycle & Engine		113,247 (18%)		100,968 (25%)	+12%	1,351,073
Precision Machinery		68,042 (11%)		32,820 (8%)	+107%	811,763
Other		47,256 (8%)		42,956 (14%)	+10%	563,783
Total	¥	613,440 (100%)	¥	403,029 (100%)	+52%	\$ 7,318,539

	Millions of yen				Thousands of U.S. dollars	
	As of		As of		%	As of
	Sep. 30, 2010		Mar. 31, 2010			
Order backlog :						
Ship & Offshore Structure	¥	191,779 (13%)	¥	218,134 (15%)	-12%	\$ 2,287,986
Rolling Stock		423,389 (28%)		378,391 (25%)	+11%	5,051,169
Aerospace		264,846 (18%)		264,788 (17%)	-%	3,159,699
Gas Turbines & Machinery		365,470 (24%)		426,506 (28%)	-14%	4,360,176
Plant & Infrastructure Engineering		192,899 (13%)		153,830 (10%)	+25%	2,301,348
Motorcycle & Engine		- (- %)		- (- %)	-%	-
Precision Machinery		41,218 (3%)		30,772 (2%)	+33%	491,744
Other		29,047 (1%)		34,636 (3%)	-16%	346,541
Total	¥	1,508,648 (100%)	¥	1,507,057 (100%)	-%	\$ 17,998,663

Net Sales by geographic area

For six months ended September 30, 2010 and 2009

	Millions of yen				Thousands of U.S. dollars	
	As of		As of		%	As of
	Sep. 30, 2010		Sep. 30, 2009			
Japan	¥	253,062 (44%)	¥	243,307 (47%)	+4%	\$ 3,019,112
United States		116,170 (20%)		102,353 (19%)	+13%	1,385,946
Europe		42,492 (7%)		43,738 (8%)	-2%	506,943
Asia		104,041 (18%)		74,718 (14%)	+39%	1,241,243
Other		55,940 (10%)		51,937 (11%)	+7%	667,419
Total	¥	571,708 (100%)	¥	516,053 (100%)	+10%	\$ 6,820,663