

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

For the year ended March 31, 2011 and 2010

### Operating results

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Net sales	¥ 1,226,949	¥ 1,173,473	\$ 14,755,850
Operating income	42,628	(1,316)	512,663
Net income	25,965	(10,860)	312,266
Earnings per share (Yen)	15.5	(6.5)	

### Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of net assets less minority interests to total assets
	Total assets	Net assets	
<b>As of March 31, 2011</b>	¥ 1,354,278	¥ 297,433	21%
As of March 31, 2010	1,352,439	283,053	20%
As of March 31, 2011	\$ 16,287,167	\$ 3,577,065	—

  

	Yen / U.S. dollars	Thousand shares
	Net assets per share	Number of shares issued and outstanding
<b>As of March 31, 2011</b>	¥ 173.0	1,670,546
As of March 31, 2010	166.1	1,667,848
As of March 31, 2011	\$ 2.08	—

### Cash flows

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Operating activities	¥ 81,929	¥ 30,178	\$ 985,315
Investing activities	(52,942)	(63,277)	(636,704)
Financing activities	(18,862)	35,911	(226,843)
Cash and cash equivalents at end of term	44,629	34,137	536,728

### 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  $\text{¥}83.15=\$1$ , the rate prevailing as of March 31, 2011, solely for the convenience of the readers.

## Condensed Consolidated Balance Sheets

As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Assets :</b>			
Current assets :			
Cash on hand and in banks	¥ 47,233	¥ 34,745	\$ 568,045
Receivables, less allowance	416,450	417,999	5,008,418
Inventories	425,322	418,224	5,115,117
Other current assets	62,714	60,710	754,228
Total current assets	951,719	931,678	11,445,808
Investments and long-term loans less allowance	56,306	60,628	677,161
Net property, plant and equipment	275,780	284,408	3,316,656
Intangible and other assets	70,473	75,725	847,542
Total assets	¥ 1,354,278	¥ 1,352,439	\$ 16,287,167
<b>Liabilities and net assets :</b>			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	¥ 174,697	¥ 158,799	\$ 2,100,986
Payables	319,272	302,739	3,839,711
Advances from customers	80,816	99,532	971,931
Other current liabilities	128,942	131,853	1,550,716
Total current liabilities	703,727	692,923	8,463,344
Long-term liabilities :			
Long-term debt, less current portion	254,447	270,110	3,060,096
Others	98,671	106,353	1,186,662
Total long-term liabilities	353,118	376,463	4,246,758
Net assets :			
Common stock	104,340	104,328	1,254,840
Capital surplus	54,251	54,275	652,447
Retained earnings	158,615	137,689	1,907,576
Treasury stock	(30)	(552)	(360)
Net unrealized gains on securities	3,876	5,305	46,614
Gains (losses) on hedging items	(990)	(162)	(11,906)
Foreign currency translation adjustments	(31,006)	(23,803)	(372,892)
Minority interests	8,377	5,973	100,746
Total net assets	297,433	283,053	3,577,065
Total liabilities and net assets	¥ 1,354,278	¥ 1,352,439	\$ 16,287,167

(Consolidated)

## Condensed Consolidated Statements of Operations

For the years ended March 31, 2011 and 2010

	Millions of yen		Change	Thousands of
	2011	2010		U.S. dollars
Net sales	¥ 1,226,949	¥ 1,173,473	+5%	\$ 14,755,850
Cost of sales	1,037,079	1,023,610		12,472,387
Gross profit	189,870	149,863		2,283,463
Selling, general and administrative expenses	147,242	151,179		1,770,800
Operating income (loss)	42,628	(1,316)		512,663
Other income (expenses) :				
Interest and dividend income	2,306	3,615		27,733
Equity in income of unconsolidated subsidiaries and affiliates	9,205	6,522		110,703
Interest expense	(4,677)	(5,399)		(56,247)
Other, net	(10,867)	(7,243)		(130,691)
Income (loss) before income taxes and minority interests	38,595	(3,821)		464,161
Income taxes	(10,837)	(5,983)		(130,330)
Minority interests in net income of consolidated subsidiaries	(1,793)	(1,056)		(21,565)
Net income (loss)	¥ 25,965	¥ (10,860)		\$ 312,266

(Consolidated)

**Condensed Consolidated Statements of Cash Flows**

For the year ended March 31, 2011 and 2010

	Millions of yen		Thousands of
	2011	2010	U.S. dollars
			2011
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes and minority interests	¥ 38,595	¥ (3,821)	\$ 464,161
Adjustments to reconcile net income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	50,276	51,423	604,642
Decrease in assets	5,774	49,184	69,440
Decrease in liabilities	(7,593)	(71,410)	(91,316)
Other	(5,123)	4,802	(61,612)
<b>Net cash provided by operating activities</b>	<b>¥ 81,929</b>	<b>¥ 30,178</b>	<b>\$ 985,315</b>
<b>Cash flows from investing activities:</b>			
Acquisition of tangible and intangible assets	(52,295)	(65,962)	(628,923)
Acquisition of investments in securities	(350)	(123)	(4,209)
Other	(297)	2,808	(3,572)
<b>Net cash used for investing activities</b>	<b>¥ (52,942)</b>	<b>¥ (63,277)</b>	<b>\$ (636,704)</b>
<b>Cash flows from financing activities:</b>			
Increase (Decrease) in short-term borrowings	(53,670)	(21,463)	(645,460)
Proceeds from long-term debt	44,000	94,793	529,164
Repayment of long-term debt	(4,836)	(31,518)	(58,159)
Other	(4,356)	(5,901)	(52,388)
<b>Net cash provided by financing activities</b>	<b>¥ (18,862)</b>	<b>¥ 35,911</b>	<b>\$ (226,843)</b>
<b>Effect of exchange rate changes</b>	<b>367</b>	<b>(88)</b>	<b>4,413</b>
<b>Net decrease in cash and cash equivalents</b>	<b>10,492</b>	<b>2,724</b>	<b>126,181</b>
<b>Cash and cash equivalents at beginning of term</b>	<b>34,137</b>	<b>31,413</b>	<b>410,547</b>
<b>Cash and cash equivalents at end of term</b>	<b>¥ 44,629</b>	<b>¥ 34,137</b>	<b>\$ 536,728</b>

## Segment information

## (a) Information by industry segment

	Millions of yen								
	2010								
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures	
Shipbuilding	¥ 151,893	¥ 1,565	¥ 153,458	¥ 151,968	¥ 1,490	¥ 128,948	¥ 4,350	¥ 6,693	
Rolling Stock	167,156	2,414	169,570	161,811	7,759	172,420	3,668	5,264	
Aerospace	188,892	2,005	190,897	189,148	1,749	304,371	8,192	9,142	
Gas Turbines & Machinery	191,379	22,765	214,144	207,450	6,694	215,874	6,222	10,278	
Plant & Infrastructure Engineering	90,495	11,076	101,571	95,294	6,277	104,851	975	1,111	
Consumer Products & Machinery	216,990	3,974	220,964	252,613	(31,649)	236,306	19,283	17,105	
Hydraulic Machinery	68,809	7,320	76,129	69,168	6,961	57,901	3,883	2,282	
Other	97,859	32,550	130,409	130,824	(415)	154,655	3,066	5,554	
Total	1,173,473	83,669	1,257,142	1,258,276	(1,134)	1,375,326	49,639	57,429	
Eliminations and corporate	-	(83,669)	(83,669)	(83,487)	(182)	(22,887)	1,784	1,843	
Consolidated total	¥ 1,173,473	¥ -	¥ 1,173,473	¥ 1,174,789	¥ (1,316)	¥ 1,352,439	¥ 51,423	¥ 59,272	

## (b) Information by geographic area

	Millions of yen					
	2010					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets
Japan	¥ 917,366	¥ 154,200	¥ 1,071,566	¥ 1,072,556	¥ (990)	¥ 1,130,537
North America	135,306	16,764	152,070	160,240	(8,170)	159,335
Europe	66,865	1,792	68,657	67,809	848	47,042
Asia	42,909	37,842	80,751	74,676	6,075	39,328
Other Areas	11,027	190	11,217	10,290	927	6,871
Total	1,173,473	210,788	1,384,261	1,385,571	(1,310)	1,383,113
Eliminations and corporate	-	(210,788)	(210,788)	(210,782)	(6)	(30,674)
Consolidated total	¥ 1,173,473	¥ -	¥ 1,173,473	¥ 1,174,789	¥ (1,316)	¥ 1,352,439

## (c) Overseas sales

	Millions of yen	
	2010	
	Overseas sales	% against net sales
North America	¥ 226,859	19.3%
Europe	93,035	7.9%
Asia	141,577	12.0%
Other Areas	100,124	8.6%
Total	¥ 561,595	47.8%

## Segment information

## (a) Information by reportable segment

	Millions of yen									
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Impairment Loss	Investment for affiliates applied for equity methods	Capital expenditures
Ship & Offshore Structure	¥ 151,893	¥ 1,565	¥ 153,458	¥ 151,908	¥ 1,550	¥ 128,948	¥ 4,350	¥ -	¥ 13,133	¥ 6,693
Rolling Stock	150,071	1,755	151,826	143,100	8,726	161,648	3,165	-	77	4,843
Aerospace	188,892	2,005	190,897	187,131	3,766	304,371	8,192	-	-	9,142
Gas Turbine & Machinery	191,379	22,765	214,144	205,203	8,941	215,874	6,222	-	190	10,278
Plant & Infrastructure	107,580	11,122	118,702	110,758	7,944	115,408	1,478	-	7,719	1,533
Motorcycle & Engine	203,084	1,550	204,634	231,639	(27,005)	219,150	18,483	-	998	16,335
Precision Machinery	82,715	10,261	92,976	89,561	3,415	75,066	4,683	-	-	3,052
Other	97,859	32,551	130,410	131,488	(1,078)	154,655	3,066	-	2,210	5,553
Total	1,173,473	83,574	1,257,047	1,250,788	6,259	1,375,120	49,639	-	24,327	57,429
Eliminations and corporate	-	(83,574)	(83,574)	(75,999)	(7,575)	(22,681)	1,784	-	-	1,843
Consolidated total	¥ 1,173,473	¥ -	¥ 1,173,473	¥ 1,174,789	¥ (1,316)	¥ 1,352,439	¥ 51,423	¥ -	¥ 24,327	¥ 59,272

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.

Above the previous year end information is reported by new segmentation.

	Thousands of U.S. dollars									
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Impairment Loss	Investment for affiliates applied for equity methods	Capital expenditures
Ship & Offshore Structure	\$ 1,632,555	\$ 16,821	\$ 1,649,376	\$ 1,632,717	\$ 16,659	\$ 1,385,941	\$ 46,754	\$ -	\$ 141,154	\$ 71,936
Rolling Stock	1,612,972	18,863	1,631,835	1,538,048	93,787	1,737,403	34,017	-	827	52,052
Aerospace	2,030,223	21,550	2,051,773	2,011,296	40,477	3,271,399	88,048	-	-	98,258
Gas Turbine & Machinery	2,056,953	244,679	2,301,632	2,205,535	96,097	2,320,227	66,874	-	2,042	110,468
Plant & Infrastructure	1,156,276	119,540	1,275,816	1,190,434	85,382	1,240,412	15,885	-	82,964	16,476
Motorcycle & Engine	2,182,760	16,659	2,199,419	2,489,671	(290,252)	2,355,438	198,656	-	10,726	175,569
Precision Machinery	889,026	110,286	999,312	962,607	36,705	806,814	50,333	-	-	32,803
Other	1,051,799	349,860	1,401,659	1,413,243	(11,584)	1,662,245	32,956	-	23,755	59,688
Total	12,612,564	898,258	13,510,822	13,443,551	67,271	14,779,879	533,523	-	261,468	617,250
Eliminations and corporate	-	(898,258)	(898,258)	(816,843)	(81,415)	(243,777)	19,174	-	-	19,809
Consolidated total	\$ 12,612,564	\$ -	\$ 12,612,564	\$ 12,626,708	\$ (14,144)	\$ 14,536,102	\$ 552,697	\$ -	\$ 261,468	\$ 637,059

## Segment information

## (a) Information by reportable segment

	Millions of yen									
	2011									
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Impairment Loss	Investment for affiliates applied for equity methods	Capital expenditures
Ship & Offshore Structure	¥ 118,416	¥ 1,895	¥ 120,311	¥ 121,324	¥ (1,013)	¥ 115,800	¥ 4,264	¥ -	¥ 13,125	¥ 3,183
Rolling Stock	131,104	2,079	133,183	125,010	8,173	151,212	3,634	-	123	2,416
Aerospace	196,876	1,811	198,687	195,656	3,030	288,495	9,402	-	-	7,121
Gas Turbine & Machinery	202,692	20,783	223,475	213,930	9,545	211,369	6,550	67	61	5,659
Plant & Infrastructure	89,012	12,017	101,029	92,747	8,281	95,115	1,554	141	8,603	2,033
Motorcycle & Engine	234,479	1,211	235,690	240,652	(4,961)	216,559	15,294	9,520	946	11,340
Precision Machinery	140,328	13,277	153,605	131,287	22,318	99,612	4,872	-	-	9,822
Other	114,042	34,340	148,382	145,805	2,577	159,618	2,474	195	2,308	8,017
Total	1,226,949	87,413	1,314,362	1,266,411	47,950	1,337,780	48,044	9,923	25,166	49,591
Eliminations and corporate	-	(87,413)	(87,413)	(82,090)	(5,322)	16,498	2,232	-	-	5,743
Consolidated total	¥ 1,226,949	¥ -	¥ 1,226,949	¥ 1,184,321	¥ 42,628	¥ 1,354,278	¥ 50,276	¥ 9,923	¥ 25,166	¥ 55,334

	Thousands of U.S. dollars									
	2011									
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Impairment Loss	Investment for affiliates applied for equity methods	Capital expenditures
Ship & Offshore Structure	\$ 1,424,125	\$ 22,790	\$ 1,446,915	\$ 1,459,098	\$ (12,182)	\$ 1,392,663	\$ 51,280	\$ -	\$ 157,847	\$ 38,280
Rolling Stock	1,576,716	25,003	1,601,719	1,503,427	98,292	1,818,544	43,704	-	1,479	29,055
Aerospace	2,367,720	21,779	2,389,499	2,353,048	36,440	3,469,573	113,072	-	-	85,640
Gas Turbine & Machinery	2,437,666	249,945	2,687,611	2,572,820	114,792	2,542,020	78,773	805	733	68,057
Plant & Infrastructure	1,070,499	144,521	1,215,020	1,115,417	99,591	1,143,896	18,689	1,695	103,463	24,449
Motorcycle & Engine	2,819,951	14,564	2,834,515	2,894,191	(59,663)	2,604,437	183,932	114,491	11,377	136,380
Precision Machinery	1,687,648	159,676	1,847,324	1,578,917	268,406	1,197,979	58,592	-	-	118,123
Other	1,371,525	412,990	1,784,515	1,753,520	30,992	1,919,643	29,757	2,347	27,758	96,420
Total	14,755,850	1,051,268	15,807,118	15,230,438	576,668	16,088,755	577,799	119,338	302,657	596,404
Eliminations and corporate	-	(1,051,268)	(1,051,268)	(987,251)	(64,004)	198,412	26,843	-	-	69,068
Consolidated total	\$ 14,755,850	\$ -	\$ 14,755,850	\$ 14,243,187	\$ 512,664	\$ 16,287,167	\$ 604,642	\$ 119,338	\$ 302,657	\$ 665,472

## (b) Net Sales by geographic area

For the year ended March 31, 2011

	Thousands of	
	Millions of yen	U.S. dollars
	2011	2011
Japan	¥ 558,126	\$ 6,712,279
United States	236,572	2,845,123
Europe	87,162	1,048,250
Asia	224,685	2,702,164
Other	120,404	1,448,034
Total	¥ 1,226,949	\$ 14,755,850

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

For the year ended March 31, 2011 and 2010

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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.

	Millions of yen				Change	Thousands of
	2011		2010			2011
<b>Net sales :</b>						
Ship & Offshore Structure	¥ 118,416	(10%)	¥ 151,893	(13%)	-22%	\$ 1,424,125
Rolling Stock	131,104	(11%)	150,071	(13%)	-13%	1,576,716
Aerospace	196,876	(16%)	188,892	(16%)	+4%	2,367,720
Gas Turbine & Machinery	202,692	(17%)	191,379	(16%)	+6%	2,437,666
Plant & Infrastructure	89,012	(7%)	107,580	(9%)	-17%	1,070,499
Motorcycle & Engine	234,479	(19%)	203,084	(17%)	+15%	2,819,951
Precision Machinery	140,328	(11%)	82,715	(7%)	+70%	1,687,648
Other	114,042	(9%)	97,859	(9%)	+16%	1,371,525
Total	¥ 1,226,949	(100%)	¥ 1,173,473	(100%)	+5%	\$ 14,755,850

<b>Orders :</b>						
Ship & Offshore Structure	¥ 78,953	(6%)	¥ 16,128	(2%)	+390%	\$ 949,524
Rolling Stock	187,122	(15%)	66,269	(7%)	+182%	2,250,414
Aerospace	206,730	(16%)	171,380	(17%)	+21%	2,486,229
Gas Turbine & Machinery	187,582	(15%)	226,228	(23%)	-17%	2,255,947
Plant & Infrastructure	119,987	(9%)	135,664	(14%)	-12%	1,443,018
Motorcycle & Engine	234,479	(18%)	203,084	(20%)	+15%	2,819,951
Precision Machinery	148,955	(12%)	84,948	(8%)	+75%	1,791,401
Other	106,844	(9%)	97,589	(9%)	+9%	1,284,959
Total	¥ 1,270,652	(100%)	¥ 1,001,290	(100%)	+27%	\$ 15,281,443

	Millions of yen				% Change	Thousands of
	As of Mar. 31, 2011		As of Mar. 31, 2010			As of Mar. 31, 2011
<b>Order backlog :</b>						
Ship & Offshore Structure	¥ 177,254	(12%)	¥ 218,134	(15%)	-19%	\$ 2,131,737
Rolling Stock	411,560	(28%)	378,391	(25%)	+9%	4,949,609
Aerospace	269,470	(18%)	264,788	(17%)	+2%	3,240,769
Gas Turbine & Machinery	382,269	(26%)	426,506	(28%)	-10%	4,597,342
Plant & Infrastructure	185,414	(12%)	153,830	(10%)	+21%	2,229,873
Motorcycle & Engine	-	(- %)	-	(- %)	-%	-
Precision Machinery	42,790	(3%)	30,772	(2%)	+39%	514,612
Other	26,592	(1%)	34,636	(3%)	-23%	319,810
Total	¥ 1,495,349	(100%)	¥ 1,507,057	(100%)	-1%	\$ 17,983,752