

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

For three months ended June 30, 2010 and 2009 and one year ended March 31, 2010

Operating results

	Millions of yen		Thousands of U.S. dollars
	Three months ended Jun. 30, 2010	Three months ended Jun. 30, 2009	Three months ended Jun. 30, 2010
Net sales	¥ 277,387	¥ 256,757	\$ 3,133,962
Operating income	11,657	(5,374)	131,702
Net income	5,883	(1,719)	66,467
Earnings per share (Yen)	3.5	(1.0)	

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 June 30, 2010	¥ 1,325,586	¥ 282,937	20%
As of March 31, 2010	1,352,439	283,053	20%
As of June 30, 2010	\$ 14,976,680	\$ 3,196,667	—

	Yen / U.S. dollars	Thousand shares
	Net assets per share	Number of shares issued and outstanding
As of June 30, 2010	¥ 165.4	1,667,833
As of March 31, 2010	166.1	1,667,848
As of June 30, 2010	\$ 1.86	—

Cash flows

	Millions of yen		Thousands of U.S. dollars
	Three months ended Jun. 30, 2010	Three months ended Jun. 30, 2009	Three months ended Jun. 30, 2010
Operating activities	¥ 182	¥ (27,276)	\$ 2,056
Investing activities	(12,310)	(22,801)	(139,080)
Financing activities	1,902	40,367	21,489
Cash and cash equivalents at end of term	24,283	20,348	274,353

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 $\text{¥}88.51=\text{\$}1$, the rate prevailing as of June 30, 2010, solely for the convenience of the readers.

Condensed Consolidated Balance Sheets

As of June 30 and March 31, 2010

	Millions of yen		Thousands of U.S. dollars
	As of June. 30, 2010	As of Mar. 31, 2010	As of June. 30, 2010
Assets :			
Current assets :			
Cash on hand and in banks	¥ 25,548	¥ 34,745	\$ 288,645
Receivables, less allowance	386,341	417,999	4,364,941
Inventories	422,889	418,224	4,777,867
Other current assets	69,857	60,710	789,256
Total current assets	<u>904,635</u>	<u>931,678</u>	<u>10,220,709</u>
Investments and long-term loans less allowance	59,809	60,628	675,732
Net property, plant and equipment	282,293	284,408	3,189,391
Intangible and other assets	78,849	75,725	890,848
Total assets	<u>¥ 1,325,586</u>	<u>¥ 1,352,439</u>	<u>\$ 14,976,680</u>
Liabilities and net assets :			
Current liabilities :			
Short-term borrowings			
and current portion of long-term debt	¥ 169,775	¥ 158,799	\$ 1,918,144
Payables	253,730	302,739	2,866,682
Advances from customers	109,629	99,532	1,238,606
Other current liabilities	123,224	131,853	1,392,205
Total current liabilities	<u>656,358</u>	<u>692,923</u>	<u>7,415,637</u>
Long-term liabilities :			
Long-term debt, less current portion	280,407	270,110	3,168,082
Others	105,884	106,353	1,196,294
Total long-term liabilities	<u>386,291</u>	<u>376,463</u>	<u>4,364,376</u>
Net assets :			
Common stock	104,328	104,328	1,178,714
Capital surplus	54,275	54,275	613,207
Retained earnings	138,612	137,689	1,566,060
Treasury stock	(555)	(552)	(6,270)
Net unrealized gains on securities	4,151	5,305	46,899
Gains (losses) on hedging items	(245)	(162)	(2,768)
Foreign currency translation adjustments	(24,789)	(23,803)	(280,070)
Minority interests	7,160	5,973	80,895
Total net assets	<u>282,937</u>	<u>283,053</u>	<u>3,196,667</u>
Total liabilities and net assets	<u>¥ 1,325,586</u>	<u>¥ 1,352,439</u>	<u>\$ 14,976,680</u>

(Consolidated)

Condensed Consolidated Statements of Operations

For three months ended June 30, 2010 and 2009

	Millions of yen		% Change	Thousands of
	Three months ended Jun.30, 2010	Three months ended Jun.30, 2009		U.S. dollars
Net sales	¥ 277,387	¥ 256,757	+8%	<u>Three months ended Jun.30, 2010</u> \$ 3,133,962
Cost of sales	231,767	225,997		<u>2,618,541</u>
Gross profit	45,620	30,760		<u>515,421</u>
Selling, general and administrative expenses	33,963	36,134		<u>383,719</u>
Operating income (loss)	11,657	(5,374)		<u>131,702</u>
Other income (expenses) :				
Interest and dividend income	849	1,069		9,592
Equity in income of unconsolidated subsidiaries and affiliates	2,275	314		25,703
Interest expense	(1,202)	(1,441)		(13,580)
Other, net	(2,678)	3,933		<u>(30,256)</u>
Income (loss) before income taxes and minority interests	10,901	(1,499)		123,161
Income taxes	(4,579)	(28)		(51,734)
Minority interests in net income of consolidated subsidiaries	(439)	(192)		(4,960)
Net income (loss)	¥ 5,883	¥ (1,719)		<u>\$ 66,467</u>

(Consolidated)

Condensed Consolidated Statements of Cash Flows

For three months ended June 30, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	Three months ended Jun. 30, 2010	Three months ended Jun. 30, 2009	Three months ended Jun. 30, 2010
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 10,901	¥ (1,499)	\$ 123,161
Adjustments to reconcile net income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	11,214	11,174	126,697
Decrease in assets	47,581	35,117	537,577
Decrease in liabilities	(58,694)	(60,056)	(663,134)
Other	(10,820)	(12,012)	(122,245)
Net cash provided by operating activities	¥ 182	¥ (27,276)	\$ 2,056
Cash flows from investing activities:			
Acquisition of tangible and intangible assets	(12,111)	(23,340)	(136,831)
Acquisition of investments in securities	(9)	(11)	(101)
Other	(190)	550	(2,148)
Net cash used for investing activities	¥ (12,310)	¥ (22,801)	\$ (139,080)
Cash flows from financing activities:			
Increase (Decrease) in short-term borrowings	(14,204)	5,132	(160,479)
Proceeds from long-term debt	20,160	50,000	227,770
Repayment of long-term debt	(718)	(10,640)	(8,112)
Other	(3,336)	(4,125)	(37,690)
Net cash provided by financing activities	¥ 1,902	¥ 40,367	\$ 21,489
Effect of exchange rate changes	371	(1,355)	4,191
Net decrease in cash and cash equivalents	(9,855)	(11,065)	(111,344)
Cash and cash equivalents at beginning of term	34,138	31,413	385,697
Cash and cash equivalents at end of term	¥ 24,283	¥ 20,348	\$ 274,353

Segment information

(a) Information by industry segment

	Millions of yen				
	Three months ended				
	Jun.30,2009				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 39,403	¥ 115	¥ 39,518	¥ 40,179	¥ (661)
Rolling Stock	40,843	158	41,001	39,391	1,610
Aerospace	26,696	376	27,072	29,224	(2,152)
Gas Turbines & Machinery	44,753	4,355	49,108	48,162	946
Plant & Infrastructure Engineering	13,199	642	13,841	14,452	(611)
Consumer Products & Machinery	60,256	578	60,834	66,514	(5,680)
Hydraulic Machinery	14,327	1,650	15,977	14,795	1,182
Other	17,280	7,631	24,911	24,828	83
Total	256,757	15,505	272,262	277,545	(5,283)
Eliminations and corporate	-	(15,505)	(15,505)	(15,414)	(91)
Consolidated total	¥ 256,757	¥ -	¥ 256,757	¥ 262,131	¥ (5,374)

(b) Information by geographic area

	Millions of yen				
	Three months ended				
	Jun.30, 2009				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 189,189	¥ 33,475	¥ 222,664	¥ 229,959	¥ (7,295)
North America	35,850	5,541	41,391	42,794	(1,403)
Europe	21,333	432	21,765	20,742	1,023
Asia	8,736	12,976	21,712	19,926	1,786
Other Areas	1,649	39	1,688	1,620	68
Total	256,757	52,463	309,220	315,041	(5,821)
Eliminations and corporate	-	(52,463)	(52,463)	(52,910)	447
Consolidated total	¥ 256,757	¥ -	¥ 256,757	¥ 262,131	¥ (5,374)

(c) Overseas sales

	Millions of yen	
	Three months ended	
	June.30, 2009	
	Overseas sales	% against net sales
	¥ 54,002	21.0%
North America		
Europe	26,585	10.3%
Asia	35,692	13.9%
Other Areas	20,446	8.0%
Total	¥ 136,725	53.2%

Segment information

(a) Information by reportable segment

	Millions of yen				
	Three months ended				
	Jun.30,2010				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 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 Turbines & Machinery	49,906	5,937	55,843	51,786	4,057
Plant & Infrastructure Engineering	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

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.

	Thousands of U.S. dollars				
	Three months ended				
	Jun.30,2010				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	\$ 323,794	\$ 3,863	\$ 327,657	\$ 290,171	\$ 37,486
Rolling Stock	301,435	1,050	302,485	282,387	20,098
Aerospace	386,521	4,407	390,928	411,909	(20,981)
Gas Turbines & Machinery	563,846	67,077	630,923	585,086	45,837
Plant & Infrastructure Engineering	231,115	8,881	239,996	236,775	3,221
Motorcycle & Engine	736,289	3,627	739,916	731,171	8,745
Precision Machinery	314,699	31,838	346,537	301,819	44,718
Other	276,263	79,245	355,508	355,078	430
Total	3,133,962	199,988	3,333,950	3,194,396	139,554
Eliminations and corporate	-	(199,988)	(199,988)	(192,136)	(7,852)
Consolidated total	\$ 3,133,962	\$ -	\$ 3,133,962	\$ 3,002,260	\$ 131,702

Net sales, orders and order backlog by industry segment

For three months ended June 30, 2010 and 2009 and as of June 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.

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. Due to this change, the below information is restated as the new segmentation.

	Millions of yen				Thousands of U.S. dollars	
	Three months ended		Three months ended		%	Three months ended
	Jun. 30, 2010		Jun. 30, 2009			
Net sales :						
Shipbuilding	¥ 28,659	(11%)	¥ 39,403	(15%)	-27%	\$ 323,793
Rolling Stock	26,680	(9%)	37,507	(15%)	-28%	301,434
Aerospace	34,211	(12%)	26,696	(10%)	+28%	386,521
Gas Turbines & Machinery	49,906	(17%)	44,753	(17%)	11%	563,845
Plant & Infrastructure Engineering	20,456	(7%)	16,535	(6%)	+23%	231,115
Motorcycle & Engine	65,169	(24%)	58,077	(22%)	+12%	736,289
Precision Machinery	27,854	(11%)	16,506	(6%)	+68%	314,698
Other	24,452	(9%)	17,280	(9%)	+41%	276,267
Total	¥ 277,387	(100%)	¥ 256,757	(100%)	+8%	\$ 3,133,962
Orders :						
Shipbuilding	¥ 1,662	(0%)	¥ 1,844	(1%)	-9%	\$ 18,777
Rolling Stock	101,583	(31%)	25,514	(13%)	+298%	1,147,700
Aerospace	36,594	(11%)	11,460	(6%)	+219%	413,444
Gas Turbines & Machinery	33,080	(10%)	52,334	(27%)	-36%	373,743
Plant & Infrastructure Engineering	32,061	(9%)	15,814	(8%)	+102%	362,230
Motorcycle & Engine	65,169	(20%)	58,077	(30%)	+12%	736,289
Precision Machinery	35,065	(11%)	13,167	(7%)	+166%	396,169
Other	24,274	(8%)	13,523	(8%)	+79%	274,255
Total	¥ 329,488	(100%)	¥ 191,733	(100%)	+71%	\$ 3,722,607

	Millions of yen				Thousands of U.S. dollars	
	As of		As of		%	As of
	Jun. 30, 2010		Mar. 31, 2010			
Order backlog :						
Shipbuilding	¥ 190,840	(12%)	¥ 218,134	(15%)	-12%	\$ 2,156,140
Rolling Stock	450,531	(29%)	378,391	(25%)	19%	5,090,170
Aerospace	264,565	(17%)	264,788	(17%)	-%	2,989,097
Gas Turbines & Machinery	396,484	(26%)	426,506	(28%)	-7%	4,479,539
Plant & Infrastructure Engineering	165,354	(11%)	153,830	(10%)	7%	1,868,195
Motorcycle & Engine	-	(- %)	-	(- %)	0%	-
Precision Machinery	41,375	(2%)	30,772	(2%)	+34%	467,461
Other	34,460	(3%)	34,636	(3%)	0%	389,336
Total	¥ 1,543,609	(100%)	¥ 1,507,057	(100%)	+2%	\$ 17,439,938

Net Sales by geographic area

For three months ended June 30, 2010 and 2009 and as of June 30 and March 31, 2010

	Millions of yen				Thousands of U.S. dollars	
	As of		As of		%	As of
	Jun. 30, 2010		Jun. 30, 2009			
Japan	¥ 116,903	(42%)	¥ 120,031	(46%)	-2%	\$ 1,320,788
United States	61,558	(22%)	51,584	(20%)	19%	695,492
Europe	25,163	(9%)	26,585	(10%)	-5%	284,295
Asia	47,603	(17%)	35,692	(13%)	33%	537,826
Other	26,160	(10%)	22,865	(11%)	14%	295,561
Total	¥ 277,387	(100%)	¥ 256,757	(100%)	8%	\$ 3,133,962