

(Consolidated)

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

For nine months ended December 31, 2010 and 2009 and one year ended March 31, 2010

Operating results

	Millions of yen		Thousands of U.S. dollars Nine months ended Dec. 31, 2010
	Nine months ended Dec. 31, 2010	Nine months ended Dec. 31, 2009	
Net sales	¥ 870,540	\ 798,060	\$ 10,689,341
Operating income	38,750	(14,046)	475,810
Net income	28,159	(10,323)	345,763
Earnings per share (Yen)	16.8	(6.1)	

Financial condition

	Total assets	Net assets	Ratio of net assets less minority interests to total assets
As of December 31, 2010	¥ 1,399,980	¥	20%
As of March 31, 2010	1,352,439		20%
As of December 31, 2010	\$ 17,190,324	\$	—
	Yen / U.S. dollars	Thousand shares	
	Net assets per share	Number of shares issued and outstanding	
As of December 31, 2010	¥ 174.2	1,670,424	
As of March 31, 2010	166.1	1,667,848	
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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 $100 \text{ yen} = \$1$, the rate prevailing as of December 31, 2010, solely for the convenience of the readers.

(Consolidated)

Condensed Consolidated Balance Sheets

As of December 31 and March 31, 2010

	Millions of yen		Thousands of U.S. dollars	
	As of Dec. 31, 2010	As of Mar. 31, 2010	As of Dec. 31, 2010	As of Mar. 31, 2010
Assets :				
Current assets :				
Cash on hand and in banks	> 38,045	> 34,745	\$ 467,153	
Receivables, less allowance	430,894	417,999	5,290,938	
Inventories	443,207	418,224	5,442,129	
Other current assets	68,784	60,710	844,598	
Total current assets	980,930	931,678	12,044,818	
Investments and long-term loans less allowance	63,009	60,628	773,686	
Net property, plant and equipment	280,961	284,408	3,449,914	
Intangible and other assets	75,080	75,725	921,906	
Total assets	> 1,399,980	> 1,352,439	\$ 17,190,324	
Liabilities and net assets :				
Current liabilities :				
Short-term borrowings and current portion of long-term debt	> 267,081	> 158,799	\$ 3,279,481	
Payables	282,357	302,739	3,467,055	
Advances from customers	89,018	99,532	1,093,050	
Other current liabilities	103,256	131,853	1,267,880	
Total current liabilities	741,712	692,923	9,107,466	
Long-term liabilities :				
Long-term debt, less current portion	257,936	270,110	3,167,190	
Others	101,068	106,353	1,241,012	
Total long-term liabilities	359,004	376,463	4,408,202	
Net assets :				
Common stock	104,328	104,328	1,281,041	
Capital surplus	54,242	54,275	666,036	
Retained earnings	160,872	137,689	1,975,343	
Treasury stock	(36)	(552)	(442)	
Net unrealized gains on securities	4,119	5,305	50,577	
Gains (losses) on hedging items	(1,600)	(162)	(19,646)	
Foreign currency translation adjustments	(30,785)	(23,803)	(378,008)	
Minority interests	8,124	5,973	99,755	
Total net assets	299,264	283,053	3,674,656	
Total liabilities and net assets	> 1,399,980	> 1,352,439	\$ 17,190,324	

(Consolidated)

Condensed Consolidated Statements of Operations

For nine months ended December 31, 2010 and 2009

	Millions of yen		9N Change +9%	Thousands of U.S. dollars
	Nine months ended Dec.31, 2010	Nine months ended Dec.31, 2009		Nine months ended Dec.31, 2010
Net sales	> 870,540	> 798,060		\$ 10,689,341
Cost of sales	727,703	702,313		8,935,449
Gross profit	142,837	95,747		1,753,892
Selling, general and administrative expense	104,087	109,793		1,278,082
Operating income(loss)	38,750	(14,046)		475,810
Other income(expense):				
Interest and dividend income	1,901	2,937		23,342
Equity in income of unconsolidated subsidiaries and affiliates	7,076	4,363		86,886
Interest expense	(3,590)	(4,184)		(44,081)
Other, net	505	(1,759)		6,201
Income(loss) before income taxes and minority interest	44,642	(12,689)		548,158
Income taxes	(15,029)	3,078		(184,540)
Minority interests in net income of consolidated subsidiaries	(1,454)	(712)		(17,855)
Net income (loss)	> 28,159	> (10,323)		\$ 345,763

Condensed Consolidated Statements of Cash Flows

For nine months ended December 31, 2010 and 2009

(Consolidated)

Millions of yen

Millions of yen

Segment information

(a) Information by industry segment

	Millions of yen					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	
Shipbuilding	> 111,725	> 1,116	> 112,841	> 112,062	> 779	
Rolling Stock	122,339	1,814	124,153	119,499	4,654	
Aerospace	119,368	1,513	120,881	121,498	(617)	
Gas Turbines & Machinery	128,858	16,100	144,958	142,161	2,797	
Plant & Infrastructure Engineering	47,195	6,667	53,862	54,020	(158)	
Consumer Products & Machinery	152,380	1,895	154,275	179,928	(25,653)	
Hydraulic Machinery	47,187	5,336	52,523	48,184	4,339	
Other	69,008	22,847	91,855	92,063	(208)	
Total	798,060	57,288	855,348	869,415	(14,067)	
Eliminations and corporate	-	(57,288)	(57,288)	(57,309)	21	
Consolidated total	> 798,060	> -	855,348	869,415	(14,067)	

Segment information

(a) Information by reportable segment

Millions of yen					
Nine months ended					
Dec.31,2010					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Ship Bç Offshore Structure	> 93,222	> 1,332	> 94,554	> 89,564	> 4,990
Rolling Stock	95,588	1,458	97,046	91,126	5,920
Aerospace	135,020	1,309	136,329	134,253	2,076
Gas Turbine & Machinery	149,644	15,071	164,715	155,036	9,679
Plant & Infrastructure	56,479	9,416	65,895	61,242	4,653
Motorcycle & Engine	159,219	866	160,085	162,711	(2,626)
Precision Machinery	99,091	9,060	108,151	93,460	14,691
Other	82,277	23,632	105,909	104,227	1,682
Total	870,540	62,144	932,684	891,619	41,065
Eliminations and corporate	-	(62,144)	(62,144)	(59,829)	(2,315)
Consolidated total	> 870,540	> -	> 870,540	> 831,790	> 38,750

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					
Nine months ended					
Dec.31,2010					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Ship Bç Offshore Structure	\$ 1,144,670	\$ 16,356	\$ 1,161,026	\$ 1,099,754	\$ 61,272
Rolling Stock	1,173,722	17,902	1,191,624	1,118,934	72,690
Aerospace	1,657,907	16,073	1,673,980	1,648,490	25,490
Gas Turbine & Machinery	1,837,475	185,056	2,022,531	1,903,684	118,847
Plant & Infrastructure	693,504	115,619	809,123	751,989	57,134
Motorcycle & Engine	1,955,046	10,633	1,965,679	1,997,924	(32,245)
Precision Machinery	1,216,736	111,248	1,327,984	1,147,593	180,391
Other	1,010,281	290,177	1,300,458	1,279,802	20,656
Total	10,689,341	763,064	11,452,405	10,948,170	504,235
Eliminations and corporate	-	(763,064)	(763,064)	(734,639)	(28,425)
Consolidated total	\$ 10,689,341	\$ -	\$ 10,689,341	\$ 10,213,531	\$ 475,810

Net sales, orders and order backlog by industry segment

For nine months ended December 31, 2010 and 2009 and as of December 31 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.

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			
	Nine months ended		Nine months ended		%	Nine months ended			
	Dec. 31, 2010		Dec. 31, 2009				Change	Dec. 31, 2010	
Net sales :									
Ship & Offshore Structure	>	93,222	(10%)	>	111,725	(14%)	-16%	\$	1,144,670
Rolling Stock		95,588	(11%)		110,510	(14%)	-13%		1,173,722
Aerospace		135,020	(16%)		119,368	(15%)	+13%		1,657,907
Gas Turbine & Machinery		149,644	(17%)		128,858	(16%)	+16%		1,837,475
Plant & Infrastructure		56,479	(7%)		59,024	(7%)	-4%		693,504
Motorcycle & Engine		159,219	(18%)		144,069	(18%)	+10%		1,955,046
Precision Machinery		99,091	(12%)		55,497	(7%)	+78%		1,216,736
Other		82,277	(9%)		69,009	(9%)	+19%		1,010,281
Total	>	870,540	(100%)	>	798,060	(100%)	+9%	\$	10,689,341
Orders :									
Ship & Offshore Structure	>	67,256	(8%)	>	10,484	(2%)	+541%	\$	825,834
Rolling Stock		124,166	(14%)		55,563	(9%)	+123%		1,524,631
Aerospace		123,700	(14%)		79,950	(12%)	+54%		1,518,909
Gas Turbine & Machinery		113,677	(13%)		138,589	(21%)	-17%		1,395,837
Plant & Infrastructure		105,436	(12%)		98,733	(15%)	+6%		1,294,646
Motorcycle & Engine		159,219	(18%)		144,069	(22%)	+10%		1,955,046
Precision Machinery		106,719	(12%)		54,820	(8%)	+94%		1,310,400
Other		73,897	(9%)		67,692	(10%)	+9%		907,383
Total	>	874,070	(100%)	>	649,900	(100%)	+34%	\$	10,732,686
Order backlog :									
	Millions of yen					Thousands of U.S. dollars			
	As of		As of		%	As of			
	Dec. 31, 2010		Mar. 31, 2010				Change	Dec. 31, 2010	
Ship & Offshore Structure	>	190,096	(13%)	>	218,134	(15%)	-12%	\$	2,334,184
Rolling Stock		388,839	(27%)		378,391	(25%)	+2%		4,774,545
Aerospace		248,087	(17%)		264,788	(17%)	-6%		3,046,254
Gas Turbine & Machinery		356,952	(24%)		426,506	(28%)	-16%		4,383,005
Plant & Infrastructure		203,365	(14%)		153,830	(10%)	+32%		2,497,114
Motorcycle & Engine		-	(- %)		-	(- %)	-%		-
Precision Machinery		41,792	(3%)		30,772	(2%)	+35%		513,163
Other		25,407	(2%)		34,636	(3%)	-26%		311,975
Total	>	1,454,538	(100%)	>	1,507,057	(100%)	-3%	\$	17,860,240

Net Sales by geographic area

For nine months ended December 31, 2010 and 2009

	Millions of yen					Thousands of U.S. dollars			
	As of		As of		%	As of			
	Dec. 31, 2010		Dec. 31, 2009				Change	Dec. 31, 2010	
Japan	>	391,842	(45%)	>	383,301	(48%)	+2%	\$	4,811,419
United States		164,453	(19%)		150,223	(19%)	+9%		2,019,314
Europe		58,459	(7%)		60,582	(8%)	-3%		717,816
Asia		168,258	(19%)		118,267	(15%)	+42%		2,066,036
Other		87,528	(10%)		85,687	(11%)	+2%		1,074,756
Total	>	870,540	(100%)	>	798,060	(100%)	+9%	\$	10,689,341