Report of Earnings and Financial Statements for the
Six Months Ended September 30, 2010 (Consolidated)
(Prepared pursuant to Japanese GAAP)

November 2, 2010

Listed company's name: **Kawasaki H4tC 51( )TETEMC P MCID 7BDC BT7TMCID 7**

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Scheduled dates:
Submission of quarterly securities filing: November 10, 2010
Commencement of dividend payments: -

Supplementary materials to quarterly earnings: Available
Quarterly earnings presentation: Conducted

Six Months ended September 30, 2009: 1,668,216,376 shares

Quarterly review status

Accompanying Materials – Contents

1. Qualitative Information and Financial Statements

(1) Consolidated operating results

In the six months to September 30, 2010 (first

Infrastructure segment and the industrial robot business was shifted from the Consumer Products & Machinery segment to the Precision Machinery segment. Additionally, in conjunction with its October 2010 organizational restructuring, the Group renamed its Shipbuilding segment the Ship & Offshore Structure segment.

To reflect this change, the previous fiscal year’s first-half figures for net sales, operating income/loss, and orders received in the table below have been restated based on the newly adopted accounting standard and guidance and resegmentation of operations.

Segment net sales, operating income, and orders received 8r6ynt)

Despite an increase in provision for losses on construction contracts, consolidated operating income increased ¥500 million year on year to ¥2.0 billion, largely as a result of improved margins.

Rolling Stock

Consolidated orders received rose ¥78.1 billion year on year to ¥117.7 billion, largely by virtue of subway car orders from the Washington Metropolitan Area Transit Authority.

Consolidated net sales fell ¥9.5 billion year on year to ¥63.0 billion in the wake of a decline in overseas railway car sales.

As a result of the sales decline coupled with the strong yen’s impact, consolidated operating income declined ¥300 million year on year to ¥3.4 billion.

Aerospace

Consolidated orders received grew ¥41.4 billion year on year to ¥87.9 billion, bolstered by growth in orders for component parts for the Boeing 777 and 787.

Consolidated net sales increased ¥9.7 billion year on year to ¥83.0 billion, largely as a result of growth in sales to Japan’s Ministry of Defense and sales of the Boeing 787 component parts.

The Aerospace segment incurred a consolidated operating loss of ¥1.1 billion, ¥4.4 billion below its year-earlier operating income. The deterioration in profitability was largely attributable to revision of the provision for losses on construction contracts and margin erosion due to yen appreciation.

Gas Turbine & Machinery

Consolidated orders received totaled ¥65.3 billion, a ¥34.5 billion decrease from the year-earlier period, when the segment booked large orders for aircraft engine components and gas compression modules.

Consolidated net sales grew ¥15.8 billion year on year to ¥99.2 billion, largely as a result of growth in gas compression module sales and sales to Japan’s Ministry of Defense.

Consolidated operating income increased ¥4.7 billion year on year to ¥6.1 billion, largely by virtue of sales growth and increased profits on aircraft engine components.

Plant & Infrastructure

Consolidated orders received increased ¥39.8 billion year on year to ¥77.3 billion, lifted by an influx of domestic and overseas orders for a variety of plant facilities.

Consolidated net sales totaled ¥38.8 billion, a ¥4.4 billion decrease from the year-earlier period, when the segment booked overseas sales of major plant installations.

Consolidated operating income rose ¥1.8 billion year on year to ¥3.5 billion as earnings improved amid brisk progress in fulfilling existing orders.

Motorcycle & Engine

Consolidated net sales grew ¥12.2 billion year on year to ¥113.2 billion, largely reflecting sales growth in emerging markets.

Consolidated operating loss shrank to ¥1.1 billion, a ¥12.1 billion improvement from the year-earlier period despite the impact of yen appreciation. The improvement was attributable to sales growth, fixed-cost cutting, and contribution margin ratio improvements stemming from emergency profitability improvement measures.

Precision Machinery

Consolidated orders received rose ¥35.2 billion to ¥68.0 billion, mainly due to growth in hydraulic equipment orders from the construction machinery industry.

Consolidated net sales grew ¥26.6 billion year on year to ¥60.9 billion, driven largely by growth in hydraulic equipment sales to the construction machinery industry and sales of clean robots for semiconductor production facilities.

Consolidated operating income totaled ¥8.6 billion, a ¥9.2 billion improvement from the year-earlier period’s operating loss. The improvement was largely attributable to sales growth and increased capacity utilization.

pausing as economic stimulus fades. Additionally, with domestic capital investment and consumer spending dampened by the yen’s precipitous appreciation, the economic environment is likely to remain adverse. Nonetheless, the Company will vigorously proceed with rebuilding its earnings foundation to re-embark on a sustained growth trajectory.

The Company has left its existing consolidated sales forecast unchanged at ¥1,280 billion. Although the Company projects sales declines in the Motorcycle & Engine segment, which has been hard-hit by yen appreciation, and the Plant & Infrastructure segment, where sales are under pressure from continued curtailment of capital investment, it expects the Precision Machinery segment’s sales to grow by virtue of robust demand for hydraulic equipment for construction machinery destined for emerging market economies.

The Company will continue to implement various measures to improve earnings across all of its businesses, including cutting fixed costs, improving productivity, and conducting operations in emerging market economies with promising economic growth prospects. However, in light of recent yen appreciation’s impact on earnings and the murky outlook for developed economies, the Company has left its existing consolidated operating income, recurring profit, and net income forecasts unchanged at ¥32 billion, ¥32 billion, and ¥20 billion, respectively.

The Company’s earnings forecasts assume exchange rates of ¥83 to the US dollar and ¥115 to the euro.

If the operating environment or status of temporary differences is deemed to have changed substantially since the preceding fiscal year-end, the Company uses said tax planning and earnings forecasts adjusted to reflect the changes' impact.

(v) Elimination of unrealized gains/losses on inventory

For some products, the Company calculates unrealized gains/losses on inventory using the gain/loss rate used in the preceding fiscal year or quarter or a gain/loss rate based on rational budgeting, unless business conditions are deemed to have changed substantially from the preceding fiscal year or quarter.

Accounting procedures specific to preparation of quarterly consolidated financial statements

The Company calculates tax expense by rationally estimating its effective tax rate after application of deferred-tax accounting to pretax net income for the fiscal year, which includes the second quarter under review, and multiplying quarterly pretax net income by

Policies Applied to Associates Accounted for Using the Equity Method (PITF No. 24, March 10, 2008) and made some adjustments required for preparation of consolidated financial statements. The resulting effect on profit and loss is negligible.

(iii) Adoption of the *Accounting Standard for Business Combinations*

Effective the first quarter of the fiscal year ending March 31, 2011, the Company adopted the *Accounting Standard for Business Combinations* (ASBJ Statement No. 21, December 26, 2008), the *Accounting Standard for Consolidated Financial Statements* (ASBJ Statement No. 22, December 26, 2008), the *Amendments to Accounting Standard for Research and Development Costs* (ASBJ Statement No. 23, December 26, 2008), the *Revised Accounting Standard for Business Divestitures* (ASBJ Statement No. 7, December 26, 2008), the *Revised Accounting Standard for Equity Method of Accounting for Investments* (ASBJ Statement No. 16, December 26, 2008), and the *Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (ASBJ Guidance No. 10, December 26, 2008).

Changes related to methods of disclosure

Due to adoption of the *Cabinet Office Ordinance on Partial Revision of the Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements and* t

Valuation and translation adjustments		
Net unrealized gains (losses) on securities	3,612	5,305
Gains (losses) on hedging items	(714)	(162)
Foreign currency translation adjustment	(28,415)	(23,803)
Total valuation and translation adjustments	(24,089)	(18,659)
Minority interests	7,526	5,972
Total net assets	287,024	283,053

(2) Consolidated Statements of Income

	Millions of yen	
	Six months ended September 30, 2009	Six months ended September 30, 2010
Net sales	516,053	571,708
Cost of sales	448,226	481,156
Gross profit	67,827	90,551
Selling, general and administrative expenses		
Salaries and benefits	19,975	19,533
R&D expenses	17,213	16,007
Other	36,805	34,105
Total selling, general and administrative expenses	73,994	69,647
Operating income (loss)	(6,167)	20,904
Non-operating income		
Interest income	1,651	945
Dividend income	434	366
Equity in income of non-consolidated subsidiaries and affiliates	2,582	4,875
Foreign exchange gain, net	3,277	-
Other	2,917	2,424
Total non-operating income	10,864	8,610
Non-operating expenses		
Interest expense	2,848	2,435
Foreign exchange loss, net	-	1,963
Loss on valuation of securities	-	1,715
Other	3,071	2,150
Total non-operating expenses	5,920	8,265

(3) Consolidated Cash Flow Statement

	Millions of yen	
	Six months ended September 30, 2009	Six months ended September 30, 2010
Cash flow from operating activities		
Income (loss) before income taxes and minority interests	(6,994)	20,712
Depreciation and amortization	23,556	23,348
Increase (decrease) in provisions	1,289	(1,629)
Interest and dividend income	(2,086)	(1,311)
Interest expense	2,848	2,435
(Gain) loss on valuation of securities		

(4) Notes on the going-concern assumption

Not applicable

(5) Segment information

1) Information by industry segment

Six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)

Millions of yen

	External sales	Intersegment sales	Total sales	Operating income (loss)
Shipbuilding	65,261	857	66,118	1,433
Rolling Stock	80,142	578	80,720	3,273
Aerospace	73,322	1,097	74,419	2,646
Gas Turbines & Machinery	83,446	9,800	93,247	638

Segment Information

1. Overview of reportable segments

The Company’s reportable segments are components of the company about which separate financial information is available. These segments are subject to periodic reviews by the Company’s board of directors to decide how to allocate resources and assess performance. The Company’s operations are divided into internal companies based on product categories. Certain authority is delegated to each of the internal companies, based on which they conduct businesses in Japan and overseas. The Company’s operations are therefore segmented based on each internal company’s product categories. The Company’s eight reportable segments are the Ship & Offshore Structure segment, the Rolling Stock segment, the Aerospace segment, the Gas Turbine & Machinery segment, the Plant & Infrastructure segment, the Motorcycle & Engine segment, the Precision Machinery segment, and the Other segment.

Income	Amount
Intersegment sales eliminated	67
Corporate expenses*	(1,603)
Total	(1,536)

*Corporate expenses represent expenses not attributable to reportable segments such as selling, general and administrative expenses.

2. Segment income adjustments are based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

3. Impairment loss on fixed assets and goodwill by reportable segment

Not applicable

Additional information

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4. Supplementary information

(1) Orders and sales (consolidated)

Effective from the first quarter of the fiscal year ending March 31, 2011, the Group adopted the *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Statement No.17, March 27, 2009) and its associated *Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Guidance No.20, March 21, 2009). The Group also changed the name of its Consumer Products & Machinery segment to the Motorcycle & Engine segment and the name of its Hydraulic Machinery segment to the Precision Machinery segment in

Order backlog

	Year ended March 31, 2010		Six months ended September 30, 2010		Six months ended September 30, 2009	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	218,134	14.4	191,779	12.7	291,772	18.6
Rolling Stock	378,391	25.1	423,389	28.0	434,489	27.7
Aerospace	264,788	17.5	264,846	17.5	254,072	16.2
Gas Turbine & Machinery	426,506	28.3	365,470	24.2	401,857	25.6
Plant & Infrastructure	153,830	10.2	192,899	12.7	119,758	7.6

(3) Supplementary information on earnings forecasts for the fiscal year ending March 31, 2011

1) Consolidated earnings outlook

Billions of yen

	Outlook for the year ending March 31, 2011 (fiscal 2011)			Fiscal 2010 (ended March 31, 2010) (actual)
	Revised forecast (A)	Forecast issued April 27, 2010 (B)	Change (A – B)	
Net sales	1,280.0	1,280.0	-	1,173.4
Operating income	32.0	32.0	-	(1.3)
Recurring profit	32.0	32.0	-	14.2
Net income	20.0	20.0	-	(10.8)

Orders received	1,340.0	1,240.0	100.0	1,001.2
Before-tax ROIC (%)	5.6%	5.6%	-	0.2%
R&D expenses	40.5	40.5	-	38.0
Capital expenditures	70.0	66.0	4.0	59.2
Depreciation/amortization	51.0	54.0	(3.0)	51.4
Number of employees at end of fiscal year	32,700	32,400	300	32,297
Of which, employees outside of Japan	*8,100*	*7,800*	*300*	*7,901*

Notes: 1. Outlook's assumed foreign exchange rates: ¥83 = US$1, ¥115 = 1 euro

2. Before-tax ROIC = (income before income taxes + interest expense) / invested capital.

(b) Orders received

Billions of yen