

Financial Results for Second Quarter FY 2010 (for the year ending March 31, 2011)

November 2, 2010

Kawasaki Heavy Industries, Ltd.

Table of Contents

I. Consolidated Results for Second Quarter FY2010

Summary of Financial Results

Details of Change in Profit I

Details of Change in Profit II

Financial Results by Segment

I. Consolidated Results for Second Quarter FY2010

Summary of Financial Results

(Billion Yen)

	FY2009.1H	FY2010.1H		Change	
	Actual	Forecast in July	Actual	vs. FY2009.1H	vs. Forecast in July
Orders Received	403.0	-	613.4	+ 210.4	-
Net Sales	516.0	580.0	571.7	+ 55.6	- 8.2
Operating Income/Loss	- 6.1	15.0	20.9	+ 27.0	+ 5.9
Recurring Profit/Loss	- 1.2	14.0	21.2	+ 22.4	+ 7.2
Net Income/Loss	- 6.2	7.0	12.3	+ 18.6	+ 5.3

vs. FY2009.1H

< Orders Received >

Significant increase as a whole due to large-scale orders received in Rolling Stock segment

< Net Sales >

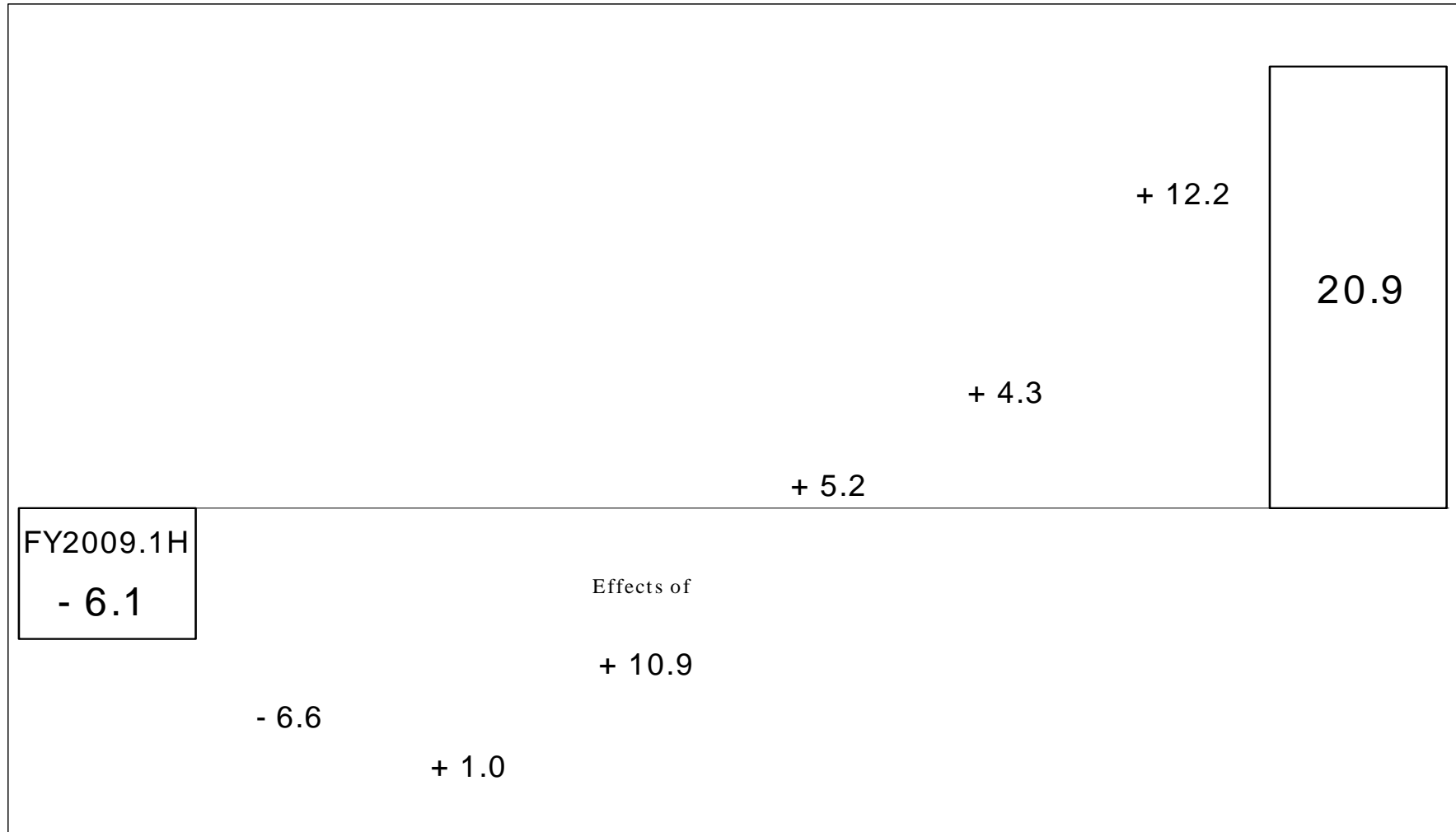
Increase in sales as a whole due to a significant sales increase for emerging markets in Precision Machinery segment

< Profits >

Profit improved significantly due to the effects of sales increase and the implementation of the fixed cost reduction especially in mass production businesses and other factors, despite the adverse impact of the appreciation of the yen

Exchange Rates (weighted-average)

Yen / US\$	96	90	90
Yen / EUR	133	115	116



Details of Change in Profit II

- FY2010.1H vs. FY2009.1H

Non-operating Income/Expenses - 4.5 FY2009.1H 4.9 FY2010.1H 0.3

Net Interest expense (incl. dividend income)

Equity in income of unconsolidated subsidiaries and affiliates

Gain and loss on foreign exchange

Extraordinary Income/Losses + 5.2 (FY2009.1H - 5.7 FY2010.1H - 0.5)

Financial Results by Segment

(Billion Yen)

	Orders Received			Net Sales			Operating Income/Loss		
	FY2009 1H	FY2010 1H	Change	FY2009 1H	FY2010 1H	Change	FY2009 1H	FY2010 1H	Change
Ship & Offshore Structure	2.7	36.4	+ 33.7	65.2	61.2	- 4.0	1.4	2.0	+ 0.5
Rolling Stock	39.5	117.7	+ 78.1	72.5	63.0	- 9.5	3.7	3.4	- 0.3
Aerospace	46.5	87.9	+ 41.4	73.3	83.0	+ 9.7	3.3	- 1.1	- 4.4
Gas Turbine & Machinery	99.8	65.3	- 34.5	83.4	99.2	+ 15.8	1.4	6.1	+ 4.7
Plant & Infrastructure	37.5	77.3	+ 39.8	43.3	38.8	- 4.4	1.7	3.5	+ 1.8
Motorcycle & Engine	100.9	113.2	+ 12.2	100.9	113.2	+ 12.2	- 13.3	- 1.1	+ 12.1
Precision Machinery	32.8	68.0	+ 35.2	34.2	60.9	+ 26.6	- 0.6	8.6	+ 9.2
Others	42.9	47.2	+ 4.3	42.8	51.9	+ 9.1	- 0.9	0.9	+ 1.8
Eliminations and corporate	-	-	-	-	-	-	- 2.9	- 1.5	+ 1.4
Total	403.0	613.4	+ 210.4	516.0	571.7	+ 55.6	- 6.1	20.9	+ 27.0

Note I: FY2009 figures are the recalculated figures based on the new industry segmentation and the new accounting standard which have been adopted since FY2010

[Refer to Page 16](#)

Note II: "Eliminations and corporate" includes some expenses incurred at Head Office which were not allocated to each industry segment for internal reporting

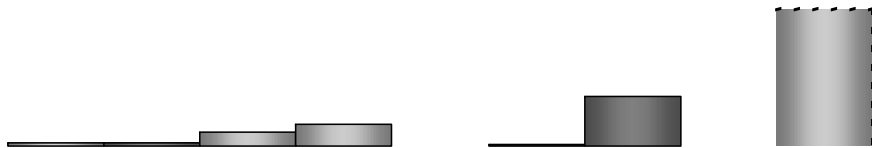
Ship & Offshore Structure

Main Products LNG carriers, LPG carriers, VLCCs, Bulk carriers, Submarines, Offshore structures

Note I : Segment denomination has changed from “Shipbuilding” to “Ship & Offshore Structure” in accordance with reorganization of company structure as of October 1, 2010

Note II: FY2009 Operating Income is the recalculated figures based on the new accounting standard which has been adopted since FY2010 [Refer to Page 16](#)

Billion Yen / In accumulated amount



Rolling Stock



Aerospace

Main Products : Aircrafts for Japan Ministry of Defense, Component parts for commercial aircrafts (BOEING , Embraer), Missiles

Note: FY2009 Operating Income is the recalculated figures based on new accounting standard which has been adopted since FY2009. Refer to Page 16
Billion Yen / In accumulated amount

Gas Turbine & Machinery

Main Products : Jet engines, Gas turbine co-generation system, Gas turbines & steam turbines for marines & land,
Diesel engines, Marine propulsion system, Aero-dynamic machinery

Note: FY2009 Operating Income is the recalculated figures based on

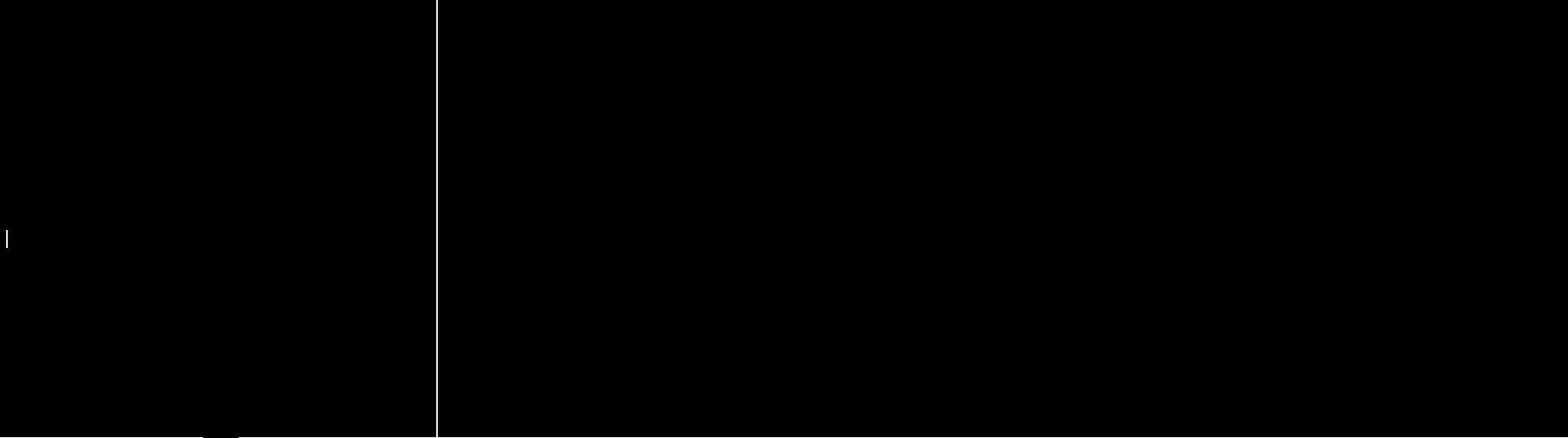
Plant & Infrastructure

Main Products: Industrial plants (cement, chemical and others), Power plants, LNG & LPG tanks, Municipal refuse incineration plants, Shield machines, Crushing machine

Note: FY2009 figures are the recalculated figures based on the new industry segmentation (incl. crushing machine) and the new accounting standard which have been adopted since FY2010 [Refer to Page 16](#)

Billion Yen / In accumulated amount





Precision Machinery

Main Products Hydraulic components (pumps, motors & valves), Hydraulic systems for industrial use, Hydraulic marine machinery, Industrial Robots

Note: FY2009 figures are the recalculated figures based on the new industry segmentation (incl. industrial robots) and the new accounting standard which have been adopted since FY2010 [Refer to Page 16](#)

Billion Yen / In accumulated amount

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Financial Condition and Cash Flows

Financial Condition

(Billion Yen)

	FY2009 End of March 2010	FY2010 End of September 2010
Total Assets	1,352.4	1,318.9
Shareholders' Equity	277.0	279.4
Ratio of shareholders' equity to total assets	(20.4%)	21.1%
Interest-bearing debt	428.9	429.3
Net Interest-bearing debt	394.1	394.1)
Net Debt Equity Ratio	142%	141%

Note: Interest-bearing debt includes lease obligations

Cash Flows

Billion Yen

	FY2009.1H	FY2010.1H
Cash flows from operating activities	- 25.2	48.1
Cash flows from investing activities	- 36.4	- 26.1
Free Cash Flows	- 61.6	22.0
Cash flows from financing activities	56.5	- 20.0

II. Forecast for FY2010

Consolidated Operating Performance

	Actual	in April	in November	vs. FY2009	vs. Forecast in April
Orders Received		1,240.0		+ 338.7	+ 100.0
Net Sales		1,280.0		+ 106.5	0
Operating Income/Loss	- 1.3	32.0	32.0	+ 33.3	0
Recurring Profit/Loss	14.2	32.0	32.0	+ 17.7	0
Net Income/Loss	- 10.8	20.0	20.0	+ 30.8	0
Yen / US\$	93	90	83		
Yen / EUR	130	115	115		

Forecast by Segment

	in April
120.0	2.0
145.0	8.0
215.0	4.0
210.0	10.0
110.0	6.0
260.0	0
110.0	8.0
110.0	1.0
-	- 7.0
1,280.0	32.0

R&D/CAPEX/Number of Employees

(Billion Yen / Persons)

		FY2009	FY2010 Forecast			
		Actual	in April	in November	Change	Reasons for Change
R&D Expenses		38.0 (17.2)	40.5 -	40.5 (16.0)	0	
CAPEX (Construction Base)		59.2 (34.3)	66.0 -	70.0 (23.4)	+ 4.0	Facility to increase production in Precision Machinery segment
Depreciation & Amortization		51.4 (23.5)	54.0 -	51.0 (23.3)	- 3.0	
	Domestic	24,396 (24,712)	24,600 -	24,600 (24,661)	0	
	Overseas	7,901 (7,914)	7,800 -	8,100 (7,848)	+ 300	Employment in overseas subsidiaries
Number of Employees		32,297 (32,626)	32,400 -	32,700 (32,509)	+ 300	

Note: Figures in parenthesis () represent the results of the first half

(Note) Change in Segment Information Disclosure

Change in Industry Segment and Segment

Kawasaki, Working as One for the Good of the Planet

Cautionary Statement

The performance outlook and the forecasts stated in this material were prepared by Kawasaki Heavy Industries, Ltd. (hereinafter, KHI) based on the circumstances at the release point, and include potential risks and uncertain factors that relate to economic conditions, foreign currency exchange rates, tax rules, regulations and other factors. Accordingly, please note that the actual operating results, financial position, and business deployment of KHI may sometimes differ considerably from the descriptions in the present projections.