

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

January 31, 2011

Kawasaki Heavy Industries, Ltd.

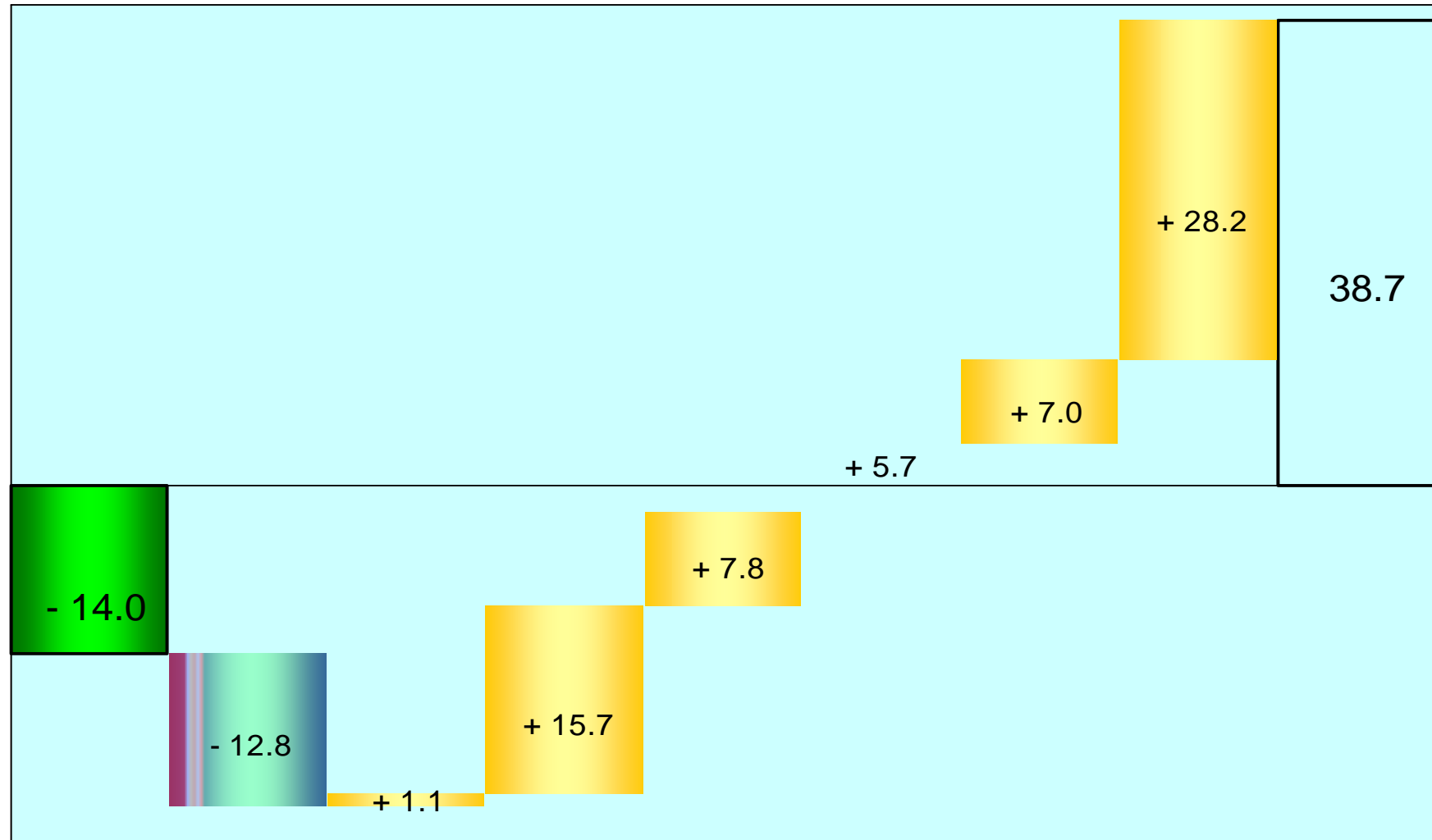


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Details of Change in Profit I



Details of Change in Profit II

- FY2010 3Q vs. FY2009 3Q

(Billion Yen / In accumulated amount)

Non-operating Income/Expenses - 2.0 (FY2009 3Q 8.5 FY2010 3Q 6.4)

Net Interest expense (incl. dividend income)	- 0.4	- 1.2	- 1.6
Equity in income of unconsolidated subsidiaries and affiliates	+ 2.7	4.3	7.0
Gain and loss on foreign exchange	- 6.1	6.7	0.5
Others	+ 1.8	- 1.3	0.5

Extraordinary Income/Losses + 6.6 (FY2009 3Q - 7.1 FY2010 3Q - 0.5)

Provision for losses on damages suit	+ 6.9	- 6.9	0
Others	- 0.3	- 0.2	- 0.5

Financial Results by Segment

	Orders Received			Net Sales			Operating Income/Loss		
	FY2009 3Q	FY2010 3Q	Change	FY2009 3Q	FY2010 3Q	Change	FY2009 3Q	FY2010 3Q	Change
Ship & Offshore Structure	10.4	67.2	+ 56.7	111.7	93.2	- 18.5	0.8	4.9	+ 4.1
Rolling Stock	55.5	124.1	+ 68.6	110.5	95.5	- 14.9	5.2	5.9	+ 0.6
Aerospace	79.9	123.7	+ 43.7	119.3	135.0	+ 15.6	0.3	2.0	+ 1.6
Gas Turbine & Machinery	138.5	113.6	- 24.9	128.8	149.6	+ 20.7	3.9	9.6	+ 5.6
Plant & Infrastructure	98.7	105.4	+ 6.7	59.0	56.4	- 2.5	0.7	4.6	+ 3.9
Motorcycle & Engine	144.0	159.2	+ 15.1	144.0	159.2	+ 15.1	- 21.1	- 2.6	+ 18.4
Precision Machinery	54.8	106.7	+ 51.8	55.4	99.0	+ 43.5	0.7	14.6	+ 13.9
Others	67.6	73.8	+ 6.2	69.0	82.2	+ 13.2	- 0.9	1.6	+ 2.6
Eliminations and corporate	-	-	-	-	-	-	- 3.8	- 2.3	+ 1.5
Total	649.9	874.0	+ 224.1	798.0	870.5	+ 72.4	- 14.0	38.7	+ 52.7

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 incu

FY2010 3Q vs. FY2009 3Q

Orders Received: Significant increase due to orders received of a submarine and 10 bulk carriers

Net Sales: Decrease in sales of large-scale vessels

Operating Income/Loss: Income improved due to profitability

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 the new accounting standard which has been adopted since FY2010 [Refer to Page 16](#)

Billion Yen / In accumulated amount

FY2010 3Q vs. FY2009 3Q

Orders Received:Increase in orders received for component parts for BOEING including B777 and B787

Net Sales:Increase in sales for Japan Ministry of Defense (MOD) and sales of component parts for BOEING B787

Operating Income/Loss:Income increased due to sales increase and other factors, despite the adverse im

Gas Turbine & Machinery

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

Note: 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

<Summary of Major Projects for Commercial Aircraft Jet Engines>

	V2500	Trent1000	TrentXWB
Aircraft	A320 and others	B787	A350
Participation Type	Full Partner	RRSP)	RRSP)
Share	Approx. 6%	Approx. 8.5%	Approx. 7%
Responsible Components	Fan case, vane, disc, low-pressure compressor blade	Intermediate pressure compressor (IPC) module	Intermediate pressure compressor (IPC) module

Risk & Revenue Sharing Partner

Plant & Infrastructure

Motorcycle & Engine

Main Products: Motorcycles, All-Terrain Vehicles(ATVs), Utility Vehicles, Personal Watercraft, General-purpose Gasoline Engines

Note: FY2009 figures are the recalculated figures based on the new industry segmentation (excl. industrial robots) 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

FY2010 3Q vs. FY2009 3Q

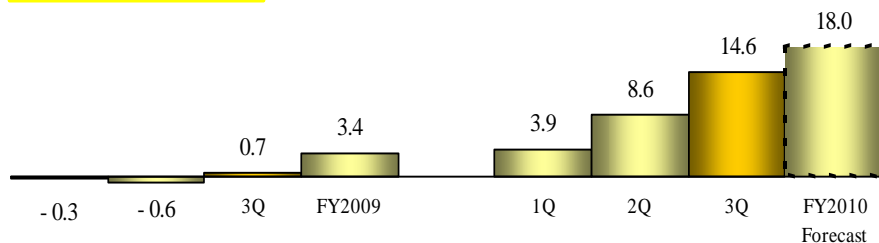
Orders Received: Increase in orders received for hydraulic components for construction machinery in emerging countries

Net Sales: Increase in sales of hydraulic components for construction machinery and industrial robots for manufacturers of semiconductor production equipments

Operating Income/Loss: Income improved due to improvement in profitability by sales growth and increased capacity utilization

FY2010 Forecast

Operating Income/Loss



Financial Condition and Cash Flows

Financial Condition

(Billion Yen)

Shareholders' Equity	277.0	291.1
Ratio of shareholders' equity to total assets	(20.4%)	(20.7%)

Cash Flows

	FY2009 3Q	FY2010 3Q
Cash flows from operating activities	- 98.7	- 33.5
Cash flows from investing activities	- 52.6	- 41.5
Free Cash Flows	- 151.3	- 75.0
Cash flows from financing activities	151.6	78.0

Consolidated Operating Performance

(Billion Yen)

	FY2009	FY2010 Forecast		Change	
	Actual	in November	in January	vs. FY2009	vs. Forecast in November
Orders Received	1,001.2	1,340.0	1,340.0	+ 338.7	0
Net Sales	1,173.4	1,280.0	1,280.0	+ 106.5	0
Operating Income/Loss	- 1.3	32.0	40.0	+ 41.3	+ 8.0
Recurring Profit/Loss	14.2	32.0	46.0	+ 31.7	+ 14.0
Net Income/Loss	- 10.8	20.0	29.0	+ 39.8	+ 9.0

vs. Forecast in November
< Orders Received & Net Sales >
 Orders received and net sales remain unchanged because the amount of decrease in Motorcycle & Engine segment that is affected by slow recovery of motorcycle demand in U.S. and European markets offsets the increased amount in Precision Machinery segment with growth in hydraulic components sales to emerging construction machinery markets

< Profits >
 - Profits were revised up due to the effects of sales increase in Precision Machinery segment by active business development, and the company-wide measures to improve profitability, such as fixed cost reduction and improvement in productivity

- The amount of increase in recurring profit exceeds that of operating income due to the increase in equity in income of unconsolidated subsidiaries and affiliates, decrease in interest expense and other factors

Exchange Rates (actual & assumed)

Yen / US\$	93	83	83
Yen / EUR	130	115	110

Note : Assumed rates are applied to the outstanding foreign exchange exposure as of the respective disclosure date

(For Reference)

Impact on profit by FX fluctuation of 1 yen

(Billion Yen)

	Operating Income	Recurring Profit
US\$	2.0	2.0
EUR	0.3	0.1

Forecast by Segment

- 7.0

32.0

R&D/CAPEX/Number of Employees

(Billion Yen / Persons)

	FY2009 Actual	FY2010 Forecast	Change
R&D Expenses	38.0	40.5	+ 2.4
CAPEX (Construction Base)	59.2	70.0	+ 10.8
Depreciation & Amortization	51.4	51.0	- 0.4
Domestic	24,396	24,600	+ 204
Overseas	7,901	8,100	+ 199
Number of Employees	32,297	32,700	+ 403

(Note) Change in Segment Information Disclosure

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.