



**Financial Results for First Quarter FY 2011
(for the year ending March 31, 2012)**

July 29, 2011

Kawasaki Heavy Industries, Ltd.

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I. Consolidated Results for First Quarter FY2011

Summary of Financial Results



(Billion Yen)

	FY2010.1Q	FY2011.1Q	Change
Orders Received	329.4	251.1	- 78.3
Net Sales	277.3	291.5	+ 14.1
Operating Income	11.6	12.3	+ 0.7
Recurring Profit	11.3	14.6	+ 3.2
Net Income	5.8	9.5	+3.6

Exchange Rates (weighted-average)

Yen / US\$	93	82
Yen / EUR	122	119

vs. FY2010.1Q

< Orders Received >

Decrease as a whole mainly due to decrease in orders received in Rolling Stock segment that had large-scale orders received in the previous same period, despite increase in orders received in Ship & Offshore Structure and Precision Machinery segments

< Net Sales >

Increase as a whole due to a significant sales increase in Precision Machinery segment with growth in hydraulic components sales to emerging construction machinery markets

< Profits >

Profit increased as a whole due to the effects of sales increase in Precision Machinery and Aerospace segments and other factors, despite the adverse impact of the appreciation of the yen

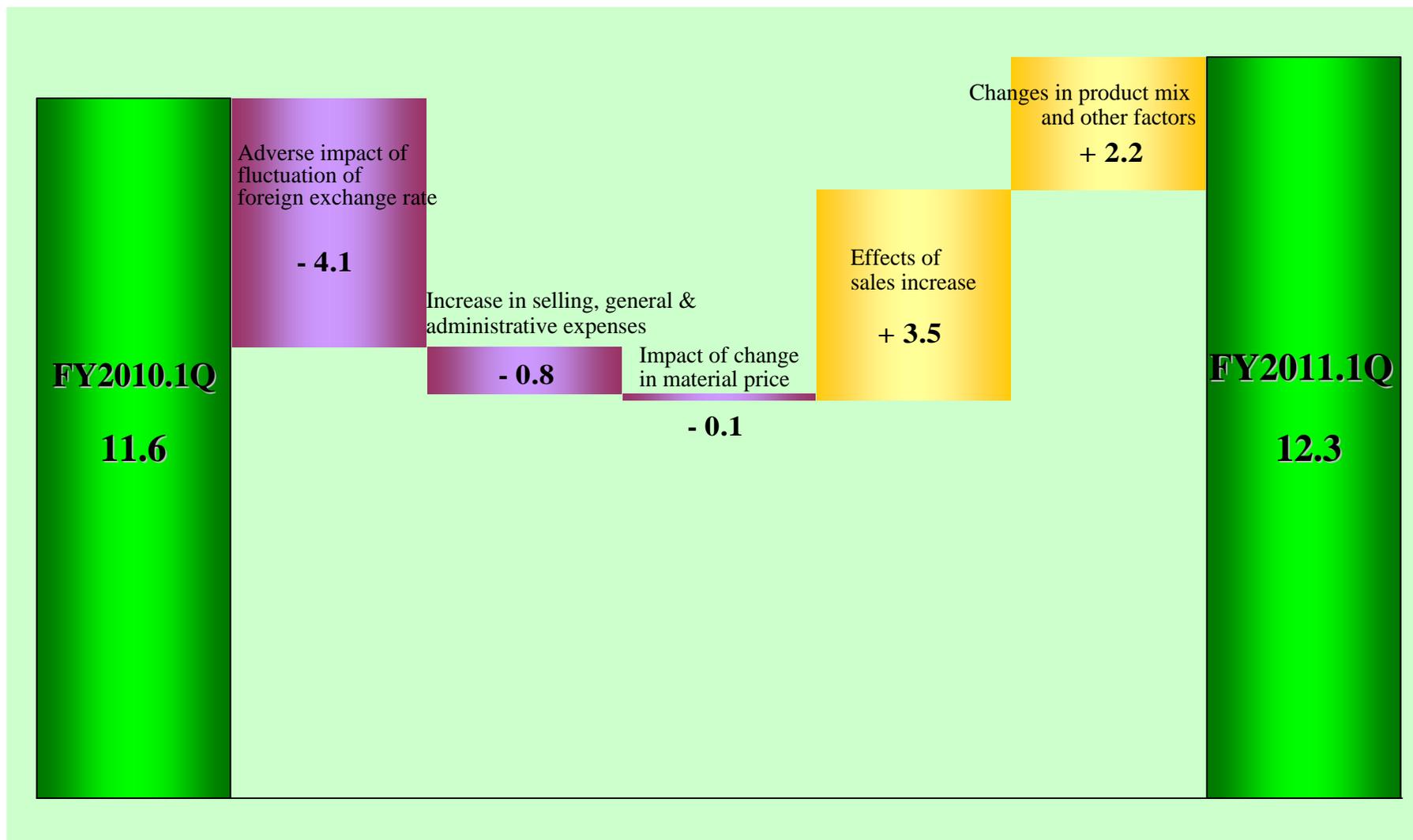
Details of Change in Profit I

- FY2011.1Q vs. FY2010.1Q -



【Operating Income】 + 0.7 (FY2010.1Q 11.6 → FY2011.1Q 12.3)

(Billion Yen)



Details of Change in Profit II

- FY2011.1Q vs. FY2010.1Q -



(Billion Yen)

【Non-operating Income/Expenses】 + 2.5 (FY2010.1Q - 0.2 → FY2011.1Q 2.2)

Net Interest expense (incl. dividend income)	0	(- 0.3 → - 0.4)
Equity in income of unconsolidated subsidiaries and affiliates	- 0.1	(2.2 → 2.0)
Gain and loss on foreign exchange	+ 1.2	(- 0.9 → 0.3)
Others	+ 1.5	(- 1.2 → 0.3)

【Extraordinary Income/Losses】 0 (FY2010.1Q - 0.4 → FY2011.1Q - 0.5)

Loss on impairment of fixed assets	- 0.5	(0 → [※] - 0.5)
Effect of application of accounting for asset retirement obligations	+ 0.2	(- 0.2 → 0)
Bad debt expense for doubtful accounts of affiliates	+ 0.2	(- 0.2 → 0)

※ Loss on impairment of idle assets whose book values were written down to the recoverable amounts

Financial Results by Segment



(Billion Yen)

	Orders Received			Net Sales			Operating Income/Loss		
	FY2010 1Q	FY2011 1Q	Change	FY2010 1Q	FY2011 1Q	Change	FY2010 1Q	FY2011 1Q	Change
Ship & Offshore Structure	1.6	17.0	+ 15.3	28.6	27.7	- 0.9	3.3	0.9	- 2.3
Rolling Stock	101.5	22.6	- 78.9	26.6	25.8	- 0.8	1.7	0	- 1.7
Aerospace	36.5	30.6	- 5.9	34.2	40.0	+ 5.8	- 1.8	- 0.8	+ 0.9
Gas Turbines & Machinery	33.0	31.3	- 1.7	49.9	45.5	- 4.3	4.0	3.3	- 0.6
Plant & Infrastructure	32.0	19.1	- 12.9	20.4	23.8	+ 3.3	0.2	0.9	+ 0.7
Motorcycle & Engine	65.1	59.6	- 5.5	65.1	59.6	- 5.5	0.7	0.3	- 0.4
Precision Machinery	35.0	43.4	+ 8.4	27.8	40.4	+ 12.6	3.9	7.1	+ 3.1
Other	24.2	27.2	+ 3.0	24.4	28.4	+ 3.9	0	0.9	+ 0.8
Eliminations and corporate	-	-	-	-	-	-	- 0.6	- 0.5	+ 0.1
Total	329.4	251.1	- 78.3	277.3	291.5	+ 14.1	11.6	12.3	+ 0.7

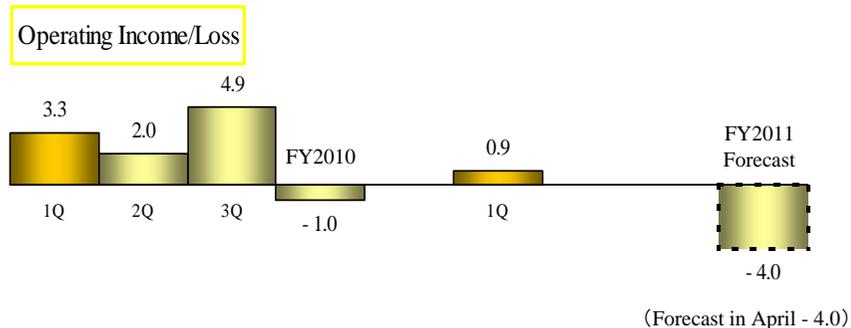
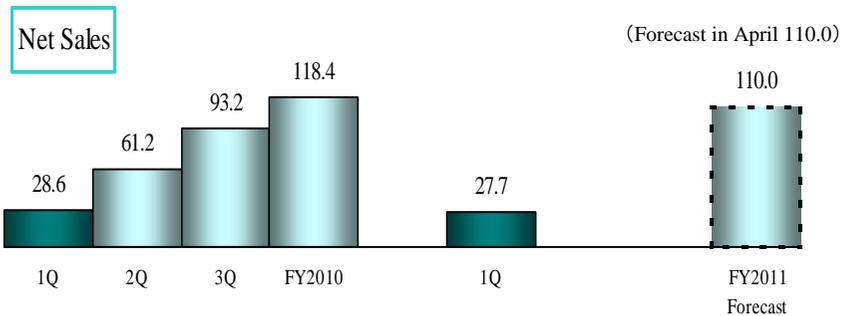
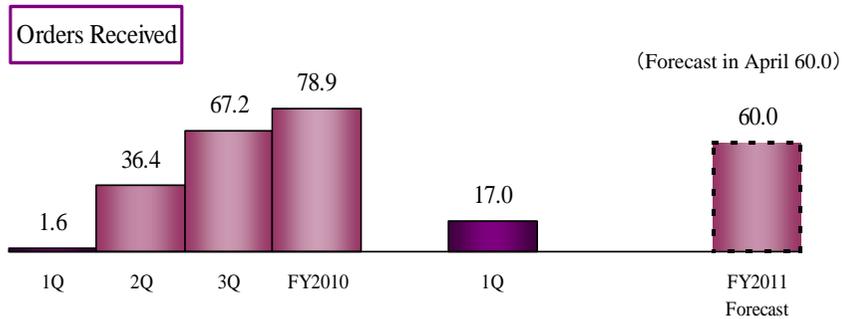
Note : "Eliminations and corporate" includes some expenses incurred at Head Office which were not allocated to each industry segment for internal reporting

Ship & Offshore Structure



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

(Billion Yen / In accumulated amount)



◇ **FY2011.1Q** (vs. FY2010.1Q)

Orders Received: Orders received of a small-sized LNG carrier and 4 bulk carriers

Net Sales: Decrease in sales of large-scale vessels

Operating Income/Loss: Income decreased due to increase in provision for losses on construction contracts

<Units of Orders Received and Sales of New Building Ships> (unit)

	Orders Received		Sales	
	FY2010 1Q	FY2011 1Q	FY2010 1Q	FY2011 1Q
LNG carriers			3 (3)	2 (2)
Small-sized LNG carriers		1		1 (1)
LPG carriers			2 (2)	2 (2)
VLCCs				
Bulk carriers		4	9 (7)	14 (10)
Submarines			1 (1)	2 (2)
Total		5	15 (13)	21 (17)

Note: () = Sales units by percentage-of-completion method

◇ **FY2011 Forecast** (vs. FY2010)

Orders Received: Decrease in orders received of new building ships

Net Sales: Net sales are expected to decrease due to sales decrease of large-scale vessels

Operating Income/Loss: Loss is expected to expand due to the adverse impact of the appreciation of the yen, and other factors

<For Reference> Joint Venture in China

NACKS was established in Nantong, Jiangsu in December 1995, as a fifty-fifty joint venture between KHI and China Ocean Shipping(Group) Company (COSCO), one of the world's largest shipping company, and its capacity was expanded in 2008. At NACKS, various types of commercial vessels such as very large-size container ships, VLCCs, bulk carriers and car carriers are built for domestic shipping company such as COSCO as well as for Japanese and European customers.

Under close partnership between KHI and COSCO groups, we will expand its operations and increase profitability by utilizing building capacity of two large-scale docks.

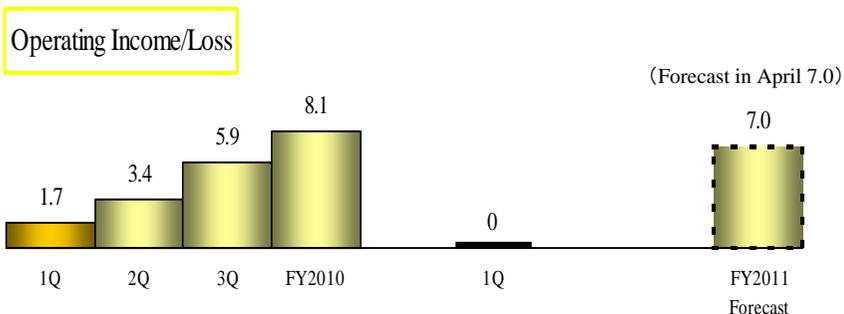
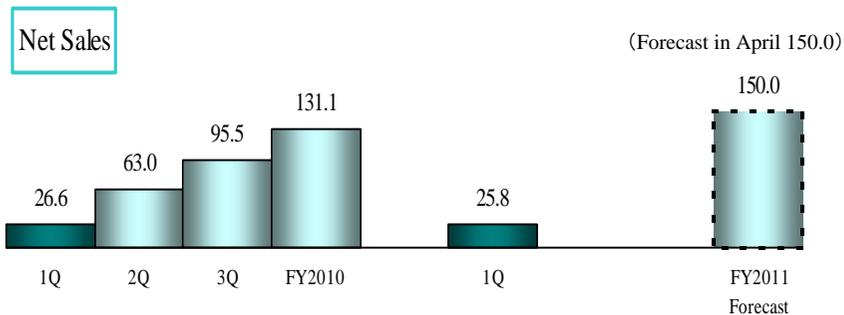
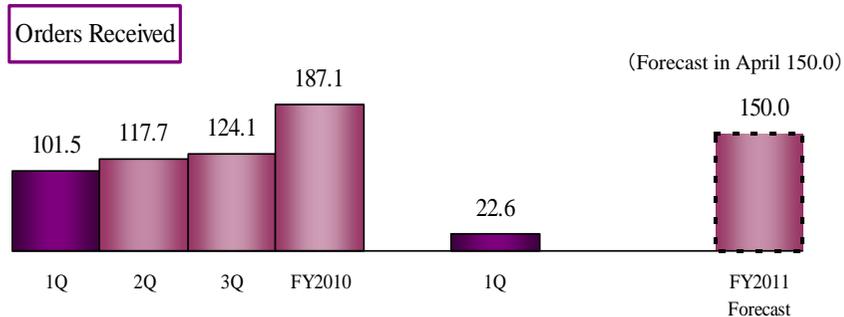
(NACKS is an equity method affiliate)

Rolling Stock



Main Products : Electric train cars (incl. Shinkansen), Electric and diesel locomotives, Passenger coaches, Platform screen doors, Gigacell (High-Capacity, Full Sealed Ni-MH Battery)

(Billion Yen / In accumulated amount)



◇ **FY2011.1Q** (vs. FY2010.1Q)

Orders Received: Decrease in large-scale orders received for overseas market

Net Sales: Decrease in sales for overseas market

Operating Income/Loss: Income decreased due to the adverse impact of the appreciation of the yen, and other factors

◇ **FY2011 Forecast** (vs. FY2010)

Orders Received: Orders received is expected to decrease compared with in the previous fiscal year that had large-scale orders received for overseas market

Net Sales: Net sales are expected to increase due to sales increase for overseas market

Operating Income/Loss: Income is expected to decrease due to the adverse impact of the appreciation of the yen and other factors, despite sales increase

<For Reference> Present Status of New Overseas Projects

North America :

- Working to win orders mainly for heavy rails and commuter rails
- Extension of product lineup such as efSET® and K-Star Express® to meet demand for Medium- to High-speed rail projects

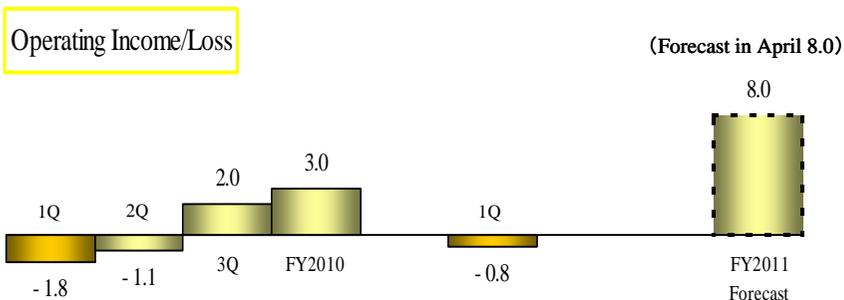
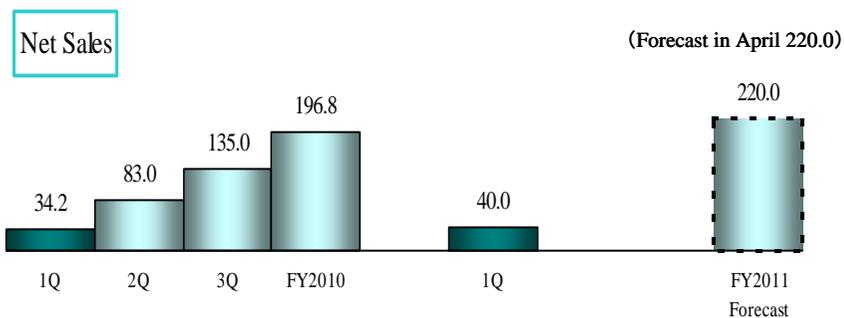
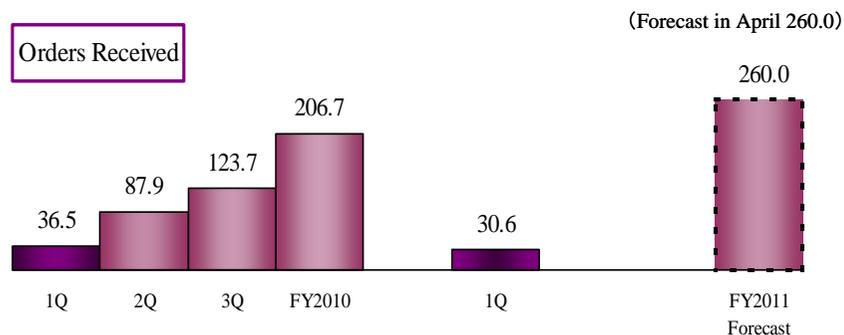
High-speed railways :

- KHI self-developed efSET® (Environmentally Friendly Super Express Trains), a new high-speed train that will achieve maximum service speed of 350km/h to satisfy demand for overseas markets, and completed principle designs by the end of March 2010.
- California High-speed Rail: Working with other Japanese companies aiming to win E&M system including rail cars.
- There are plans in India, Vietnam and other countries.

E&M System Projects in Asian region : Taichung City Railway System - Won the package contract of 36 cars and E&M system in March 2011 under cooperation with other companies. KHI as a leader of consortium will play its role to oversee the whole project and system integration as well as supply the cars and rail yard facilities.

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

(Billion Yen / In accumulated amount)



◇ **FY2011.1Q** (vs. FY2010.1Q)

Orders Received: Decrease in orders received for Japan Ministry of Defense (MOD)

Net Sales: Increase in sales for MOD and sales of component parts for Boeing B777

Operating Income/Loss: Losses reduced due to sales increase, and other factors

<Sales units of component parts for commercial aircrafts>

	(unit)	
	FY2010.1Q	FY2011.1Q
B777	16	21
B767	3	7
B787	7	7
Embraer170/175	6	3
Embraer190/195	21	25

◇ **FY2011 Forecast** (vs. FY2010)

Orders received: Increase in orders received for MOD and component parts for Boeing B787

Net Sales: Net sales are expected to increase due to increase in sales for MOD and sales of component parts for Boeing including B777 and B787

Operating Income/Loss: Income is expected to increase due to sales increase, profitability improvement by cost reduction and other factors, despite the adverse impact of the appreciation of the yen

<For Reference> Present Status of Main Projects

Aircrafts for MOD :

The #2 test XC-2 transport aircraft was manufactured at Kawasaki's Gifu Works and delivered to MOD on March 29, 2011 at the Works. KHI will continue to work toward commencement of the mass production.

Component parts for commercial aircrafts :

B777 - According to the production rate increase for Boeing B777 program announced by Boeing, KHI's production rate for the program has increased to 7 units per month from the second half of FY2010. During FY2012, the production rate is expected to increase up to 8.3 units per month.

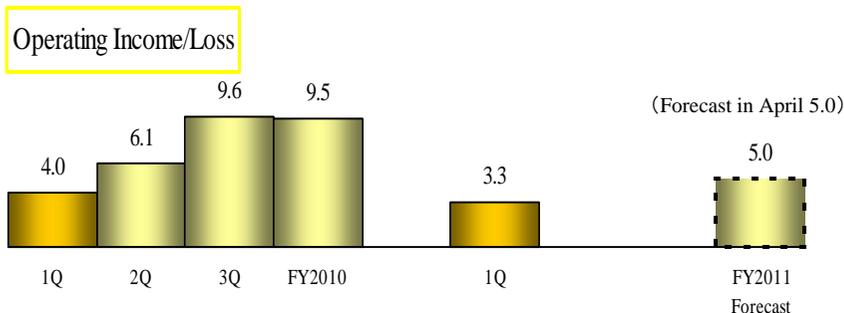
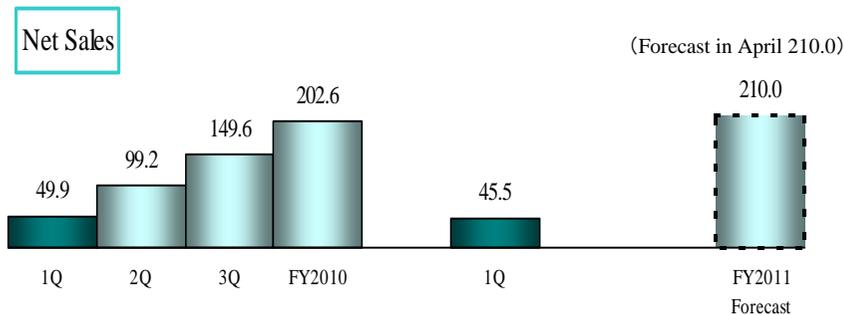
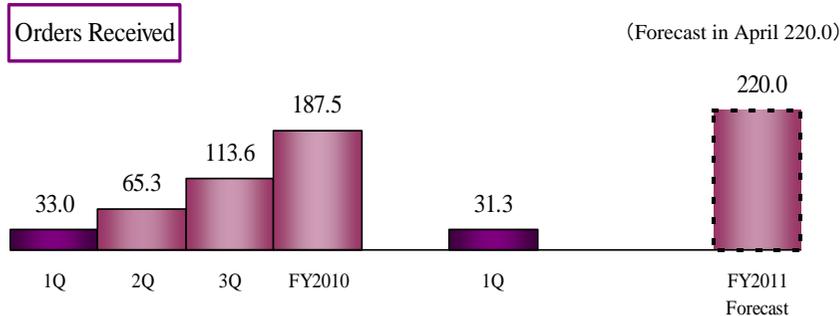
B787 - The first Boeing B787 is scheduled to be delivered during this fiscal year. In July 2011, the airplane flew to Japan for the first time for service ready operational validation. KHI has completed the production system at Kawasaki's Nagoya Works 1 for ramp-up production.

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

(Billion Yen / In accumulated amount)



◇ **FY2011.1Q** (vs. FY2010.1Q)

Orders Received: Decrease in orders received for marine diesel engines
Net Sales: Decrease in sales of gas turbine-driven natural gas compressors
Operating Income/Loss: Income decreased due to sales decrease, and other factors

◇ **FY2011 Forecast** (vs. FY2010)

Orders Received: Increase in orders received of gas turbine-driven natural gas compressors
Net Sales: Net sales are expected to increase due to sales increase in component parts for commercial aircraft jet engines, despite sales decrease in marine machinery and gas turbine-driven natural gas compressors
Operating Income/Loss: Income is expected to decrease due to the adverse impact of the appreciation of the yen and increase in the amortization expenses of component parts for newly developed commercial aircraft jet engines, and other factors

<For Reference>

Gas Turbine Division : Major Projects for Commercial Aircraft Jet Engines

	Trent1000	TrentXWB
Aircraft	B787	A350
Participation Type	RRSP ^(*)	RRSP ^(*)
Share	Approx. 8.5%	Approx. 7%
Responsible Components	Intermediate pressure compressor (IPC) module	Intermediate pressure compressor (IPC) module
Present Status	Development was completed and mass production started in FY2010. To be delivered in accordance with production schedule of airplanes.	First IPC module shipped to Rolls-Royce in March 2011.

^(*)Risk & Revenue Sharing Partner

Machinery Division : Gas Engines

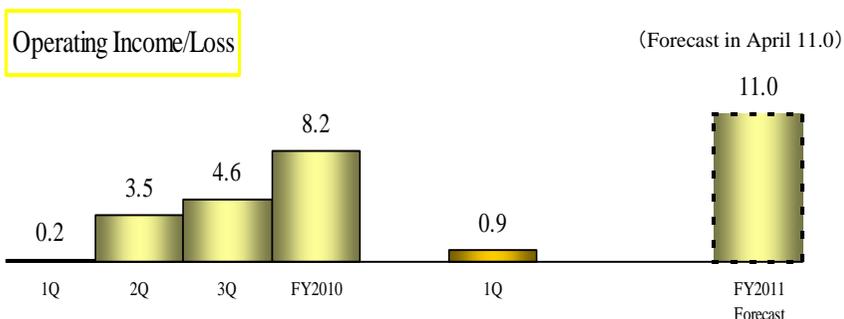
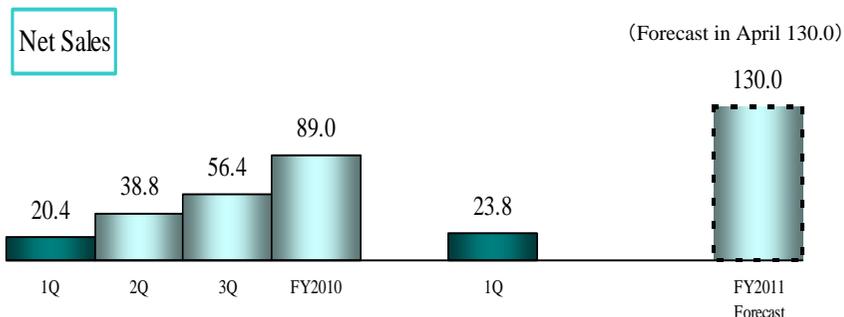
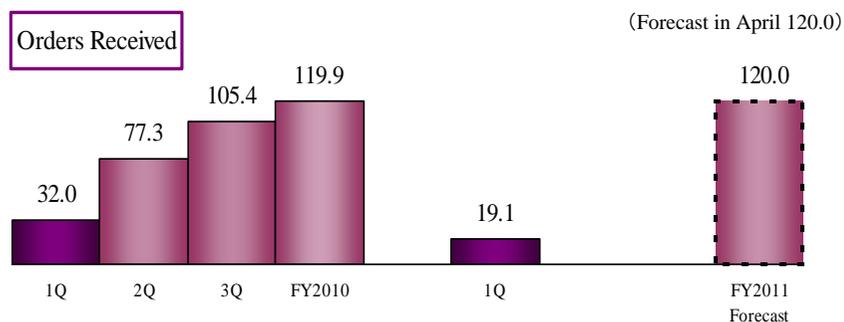
In response to the increased demand for dispersed power source in domestic and overseas markets and the increasing awareness of environmental issues, KHI will expand its sales of self-developed Kawasaki Green Gas Engine that achieved world record with 49 % generating efficiency.

Plant & Infrastructure



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

(Billion Yen / In accumulated amount)



◇ **FY2011.1Q** (vs. FY2010.1Q)

Orders Received: Decrease in orders received for domestic customers

Net Sales: Increase in sales for overseas customers

Operating Income/Loss: Income increased due to sales increase, and other factors

◇ **FY2011 Forecast** (vs. FY2010)

Orders Received: Orders received remain the same level as in the previous fiscal year due to orders received of environment-related projects and projects related infrastructure for emerging countries

Net Sales: Net sales are expected to increase due to increase in sales for overseas customers

Operating Income/Loss: Income is expected to increase due to sales increase, and other factors

<For Reference> Joint Ventures in China

In 2006, KHI started a joint venture with Anhui Conch Cement Company Ltd., China's largest cement manufacturer. KHI has established three joint ventures for the time being and set up, in China, an integrated system for waste heat recovery power generation systems for cement plants and cement producing facilities, and in May 2011, KHI has decided to construct a new plant for cement producing facilities at Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. (CKE).

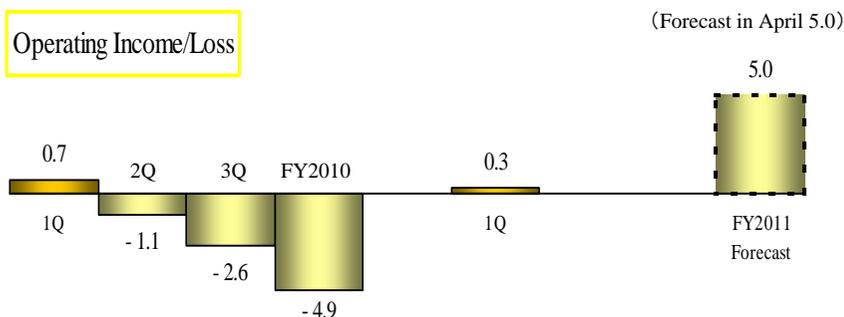
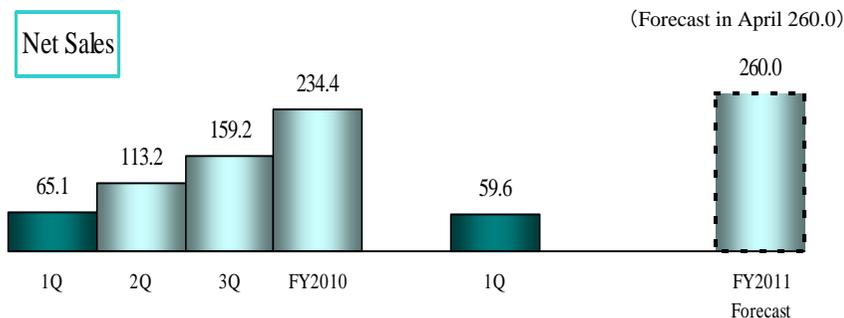
As well as further intensifying partnership with CONCH, KHI will develop and contribute to bring new technologies such as Zero Emission Eco Town System (ZEET) that is an integration of cement plant with waste treatment technology and sludge processing technology in order to establish new business model for global environment conservation.

Motorcycle & Engine



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

(Billion Yen / In accumulated amount)



◇ **FY2011.1Q** (vs. FY2010.1Q)

Net Sales: Decrease in sales of motorcycles in U.S. and European markets

Operating Income/Loss: Income decreased due to sales decrease, and other factors

◇ **FY2011 Forecast** (vs. FY2010)

Net Sales: Net sales are expected to increase due to sales increase in Asian and other emerging countries and other factors, despite the adverse impact of the appreciation of the yen

Operating Income/Loss: Profitability is expected to return due to sales increase, the effects of impairment of fixed assets implemented in the previous fiscal year and other factors, despite the adverse impact of the appreciation of the yen

<Wholesales by Geographic Area for Consumer Products>

(Thousands of unit/ Billion Yen)

	FY2010.1Q		FY2010		FY2011.1Q		FY2011 Forecast	
	Unit	Amount	Unit	Amount	Unit	Amount	Unit	Amount
Domestic	4	2.9	14	11.3	4	3.5	15	12.1
North America (incl. Canada)	27 (15)	20.8	118 (67)	78.5	22 (12)	16.2	123 (73)	89.3
Europe	22	16.1	67	47.7	18	14.4	65	49.1
Emerging Countries & Others	66	14.4	272	61.0	72	15.9	304	67.4
Total	119	54.2	471	198.5	116	50.0	507	217.9

Note: 1) Sales units and amount include the following products.

Units: Motorcycles, All-Terrain Vehicles(ATVs), Utility Vehicles and Personal Watercraft(Jet Ski)

Amount: The products mentioned above and parts for those products.

2) Figures in the parenthesis () represent motorcycle sales units.

<Business Development in Emerging Markets>

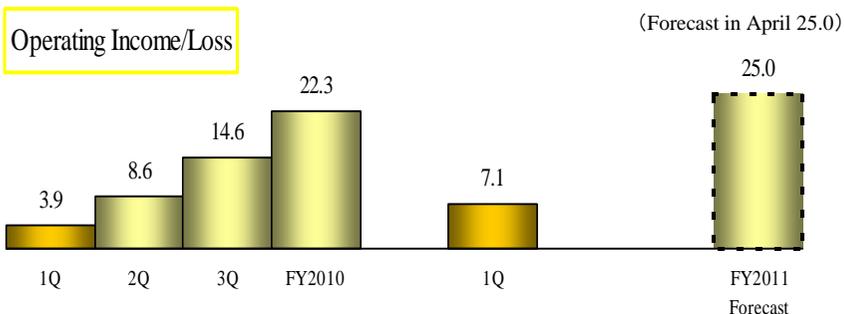
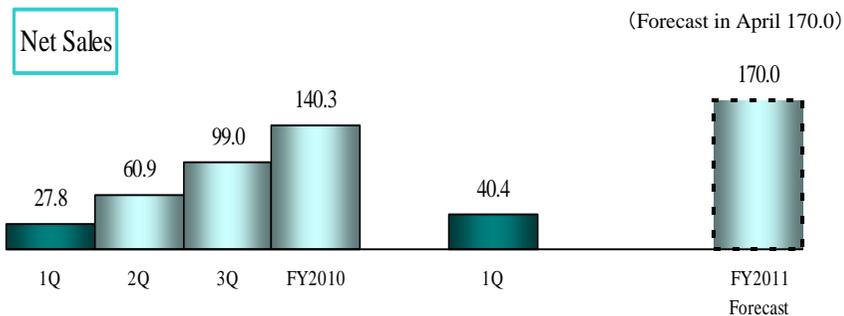
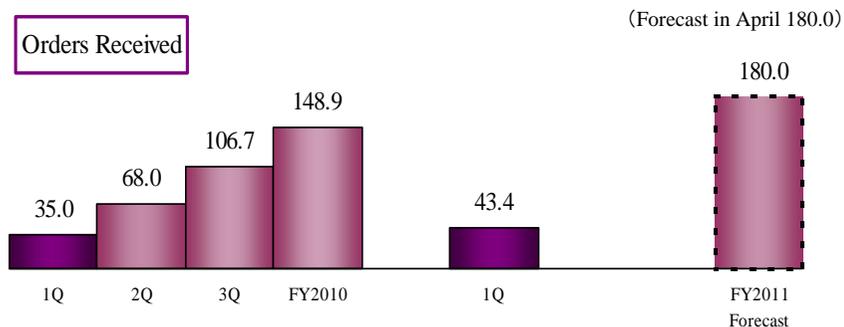
Since KHI started motorcycle business in the Philippines in 1974, KHI established subsidiaries in Indonesia, Thailand and Brazil to manufacture and sell motorcycles. In emerging markets, as demand for motorcycles is expected to expand in the coming years due to further economic growth and increased purchasing power, KHI focuses on expansion and reinforcement of business operations in those markets. In India, KHI established new subsidiary in 2010 to import and sell motorcycles in order to cultivate its market.

Precision Machinery



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

(Billion Yen / In accumulated amount)



◇ **FY2011.1Q** (vs. FY2010.1Q)

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 increased due to sales increase, and other factors

◇ **FY2011 Forecast** (vs. FY2010)

Orders Received & Net Sales: Orders received and net sales are expected to increase due to increasing demand of hydraulic components for construction machinery in emerging countries

Operating Income/Loss: Income is expected to increase due to sales growth, and other factors

<Businesses Development in China>

In August 2006, production of hydraulic pumps started at Chinese subsidiary in Suzhou to meet the increasing demand of hydraulic components for construction machinery in China. In April 2010, production of hydraulic components started in a joint venture with a Chinese company in Zhejiang, while a sales subsidiary in Shanghai provides the products manufactured at the above manufacturing companies to customers throughout China.

In order to respond to the increased demand in China, KHI group as a whole focuses on upgrading production by building a new plant in Suzhou, expanding the plant in Zhejiang, as well as by starting full-scale production at the new facility on the Kawasaki's main Works site in Japan where full operation of the facility had been temporarily halted in the wake of the collapse of Lehman Brothers.

Financial Condition and Cash Flows



【Financial Condition】

(Billion Yen)

	FY2010 End of March 2011	FY2011 End of June 2011
Total Assets	1,354.2	1,312.5
Shareholders' Equity (Ratio of shareholders' equity to total assets)	289.0 (21.3%)	293.8 (22.3%)
Interest-bearing debt (Net Interest-bearing debt)	429.1 (381.9)	445.8 (416.9)
Net Debt Equity Ratio	132%	141%

Note: Interest-bearing debt includes lease obligations

【Cash Flows】

(Billion Yen)

	FY2010.1Q	FY2011.1Q
Cash flows from operating activities	0.1	- 10.2
Cash flows from investing activities	- 12.3	- 14.8
Free Cash Flows	- 12.1	- 25.1
Cash flows from financing activities	1.9	11.1

II. Forecast for FY2011

* There are no change in the forecast for FY2011 from April 28, 2011.

Consolidated Operating Performance



(Billion Yen)

	FY2010 Actual	FY2011 Forecast	Change
Orders Received	1,270.6	1,360.0	+ 89.4
Net Sales	1,226.9	1,360.0	+ 133.1
Operating Income	42.6	50.0	+ 7.4
Recurring Profit	49.1	52.0	+ 2.9
Net Income	25.9	32.0	+ 6.1

< Orders Received >

Continuous increase in orders received is expected mainly in Aerospace and Precision Machinery segments, while decrease in orders received is expected in Rolling Stock segment that had large-scale orders received in the previous fiscal year

< Net Sale >

Net sales are expected to increase as a whole, due to increase in sales for overseas customers in Plant & Infrastructure segment and sales of hydraulic components for construction machinery in Precision Machinery segment

< Profits >

Profits are expected to increase due to the effects of sales growth in emerging countries especially in Motorcycle & Engine and Precision Machinery segments, as well as the company-wide measures to improve profitability, such as fixed cost reduction and improvement in productivity, despite the adverse impact of the appreciation of the yen

Exchange Rates (actual & assumed)

Yen / US\$	86	83
Yen / EUR	113	115

Note : Assumed rates are applied to the outstanding foreign exchange exposure as of July 29, 2011

(For Reference)
Impact on profit by FX fluctuation of 1 yen
(Billion Yen)

	Operating Income	Recurring Profit
US\$	2.6 (3.1)	3.1 (3.5)
EUR	0.3 (0.3)	0.2 (0.2)

* Figures in the parenthesis () represent impact as of April 28, 2011

Forecast by Segment



(Billion Yen)

	Orders Received			Net Sales			Operating Income/Loss		
	FY2010	FY2011	Change	FY2010	FY2011	Change	FY2010	FY2011	Change
Ship & Offshore Structure	78.9	60.0	- 18.9	118.4	110.0	- 8.4	- 1.0	- 4.0	- 3.0
Rolling Stock	187.1	150.0	- 37.1	131.1	150.0	+ 18.9	8.1	7.0	- 1.1
Aerospace	206.7	260.0	+ 53.3	196.8	220.0	+ 23.2	3.0	8.0	+ 5.0
Gas Turbine & Machinery	187.5	220.0	+ 32.5	202.6	210.0	+ 7.4	9.5	5.0	- 4.5
Plant & Infrastructure	119.9	120.0	+ 0.1	89.0	130.0	+ 41.0	8.2	11.0	+ 2.8
Motorcycle & Engine	234.4	260.0	+ 25.6	234.4	260.0	+ 25.6	- 4.9	5.0	+ 9.9
Precision Machinery	148.9	180.0	+ 31.1	140.3	170.0	+ 29.7	22.3	25.0	+ 2.7
Others	106.8	110.0	+ 3.2	114.0	110.0	- 4.0	2.5	2.0	- 0.5
Eliminations and corporate	-	-	-	-	-	-	- 5.3	- 9.0	- 3.7
Total	1,270.6	1,360.0	+ 89.4	1,226.9	1,360.0	+ 133.1	42.6	50.0	+ 7.4

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

R&D/CAPEX/Number of Employees



(Billion Yen / Persons)

	FY2010 Actual	FY2011 Forecast	Change
R&D Expenses	37.0	43.0	+ 6.0
CAPEX (Construction Base)	55.3	76.0	+ 20.7
Depreciation & Amortization	50.3	55.0	+ 4.7
Domestic	24,511	25,000	+ 489
Overseas	8,195	8,200	+ 5
Number of Employees	32,706	33,200	+ 494

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.