



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

January 31, 2012

Kawasaki Heavy Industries, Ltd.

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I. Consolidated Results for Third Quarter FY2011

Summary of Financial Results



(Billion Yen)

	FY2010.3Q	FY2011.3Q	Change
Orders Received	874.0	782.1	- 91.9
Net Sales	870.5	906.3	+ 35.7
Operating Income	38.7	47.2	+ 8.5
Recurring Profit	45.2	58.1	+ 12.8
Net Income	28.1	33.6	+ 5.5

vs. FY2010.3Q

< Orders Received >

Decreased as a whole mainly due to decrease in orders received in Rolling Stock, Ship & Offshore Structure and Plant & Infrastructure segments, despite increase in orders received in Gas Turbine & Machinery and Precision Machinery segments

< Net Sales >

Increased as a whole because a sales increase in Precision Machinery, Plant & Infrastructure and Aerospace segments exceed a sales decrease in Gas Turbine & Machinery, Ship & Offshore Structure and Motorcycle & Engine segments

< Profits >

Increased as a whole because the effects of sales increase in Precision Machinery, Plant & Infrastructure and Aerospace segments and other factors exceed the adverse impact of the appreciation of the yen

Exchange Rates (weighted-average)

Yen / US\$	88	79
Yen / EUR	115	112

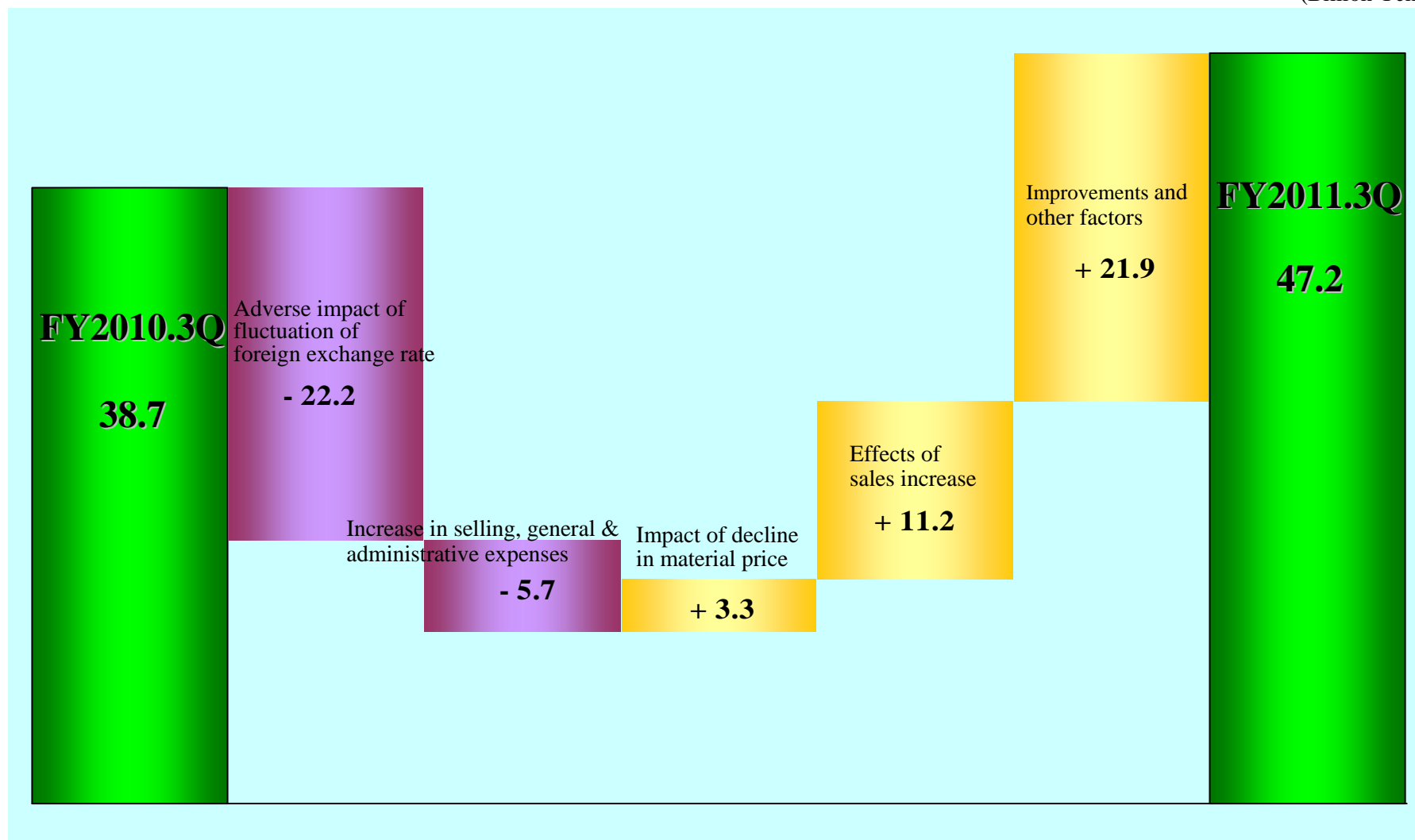
Details of Change in Profit I

- FY2011.3Q vs. FY2010.3Q -



【Operating Income】 + 8.5 (FY2010.3Q 38.7 → FY2011.3Q 47.2)

(Billion Yen)



Details of Change in Profit II

- FY2011.3Q vs. FY2010.3Q -



(Billion Yen)

【Non-operating Income/Expenses】 + 4.3 (FY2010.3Q 6.4 → FY2011.3Q 10.8)

Net Interest expense (incl. dividend income)	+ 0.2	(- 1.6 → - 1.4)
Equity in income of unconsolidated subsidiaries and affiliates	0	(7.0 → 7.1)
Gain and loss on foreign exchange	+ 2.1	(0.5 → 2.7)
Others	+ 1.9	(0.5 → 2.4)

【Extraordinary Income/Losses】 - 0.3 (FY2010.3Q - 0.5 → FY2011.3Q - 0.9)

Loss on impairment of fixed assets	- 0.9	(0 → [※] - 0.9)
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 3Q	FY2011 3Q	Change	FY2010 3Q	FY2011 3Q	Change	FY2010 3Q	FY2011 3Q	Change
Ship & Offshore Structure	67.2	36.9	- 30.3	93.2	87.1	- 6.1	4.9	4.1	- 0.8
Rolling Stock	124.1	49.9	- 74.2	95.5	94.6	- 0.9	5.9	4.9	- 1.0
Aerospace	123.7	114.1	- 9.5	135.0	138.5	+ 3.5	2.0	5.9	+ 3.8
Gas Turbine & Machinery	113.6	123.3	+ 9.6	149.6	137.0	- 12.5	9.6	8.0	- 1.6
Plant & Infrastructure	105.4	84.0	- 21.3	56.4	78.7	+ 22.2	4.6	8.8	+ 4.1
Motorcycle & Engine	159.2	154.2	- 4.9	159.2	154.2	- 4.9	- 2.6	- 4.5	- 1.9
Precision Machinery	106.7	131.1	+ 24.4	99.0	129.0	+ 30.0	14.6	20.7	+ 6.0
Other	73.8	88.2	+ 14.3	82.2	86.7	+ 4.4	1.6	3.3	+ 1.6
Eliminations and corporate	-	-	-	-	-	-	- 2.3	-4.0	- 1.7
Total	874.0	782.1	- 91.9	870.5	906.3	+ 35.7	38.7	47.2	+ 8.5

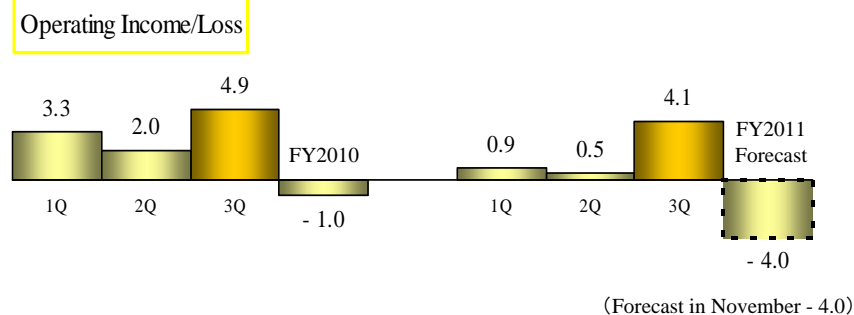
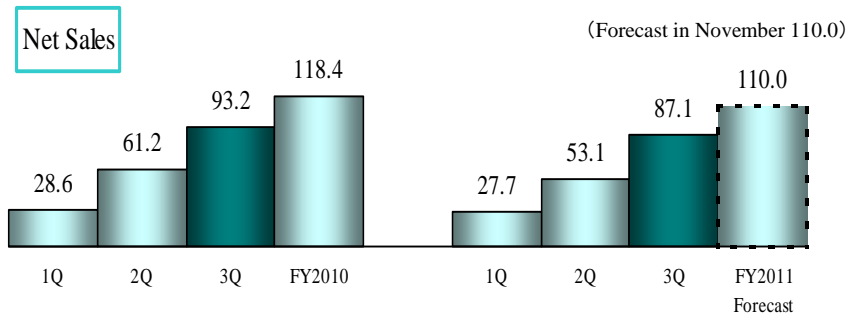
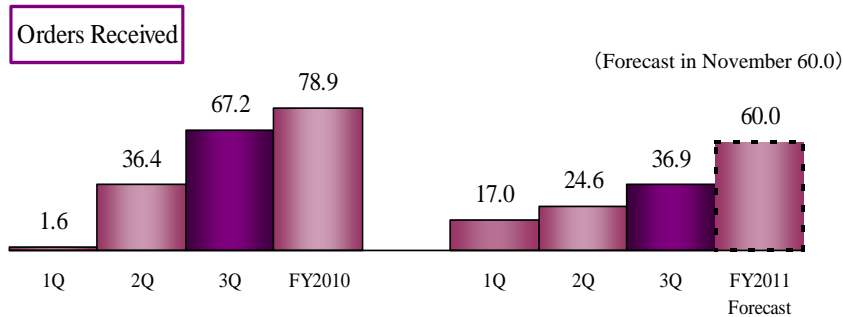
Note : "Eliminations and corporate" includes some expenses incurred at Head Office which were not allocated to each industry segment for internal reporting

Ship & Offshore Structure



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

(Billion Yen / In accumulated amount)



◇ **FY2011.3Q** (vs. FY2010.3Q)

Orders Received: Orders received of a small-sized LNG carrier, a LPG carrier and 6 bulk carriers

Net Sales: Decrease in sales of large-scale vessels such as LNG carriers

Operating Income: Decreased due to the effect of sales decrease, the adverse impact of the appreciation of the yen and materials price rise

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

	Orders Received		Sales	
	FY2010.3Q	FY2011.3Q	FY2010.3Q	FY2011.3Q
LNG carriers			3(2)	2(1)
Small-sized LNG carriers		1	1(1)	2(1)
LPG carriers		1	4(3)	2(1)
VLCCs				
Bulk carriers	10	6	22(16)	21(14)
Submarines	1		2(2)	2(2)
Total	11	8	32(24)	29(19)

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

◇ **FY2011 Forecast** (vs. Forecast in November)

Orders Received & Net Sales: Remain unchanged because of no significant change

Operating Income/Loss: Remains unchanged due to cost reduction and materials price decline and other factors, despite the adverse impact of the appreciation of the yen

<For Reference> Joint Venture in China

NACKS was established 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. (NACKS is an equity method affiliate) At NACKS, various types of commercial vessels are built for domestic shipping company such as COSCO as well as for Japanese and European customers. As a parent company of NACKS, KHI also supports DACOS, which was established by NACKS and COSCO Group in July 2007. The first ship was delivered in September 2011 at DACOS.

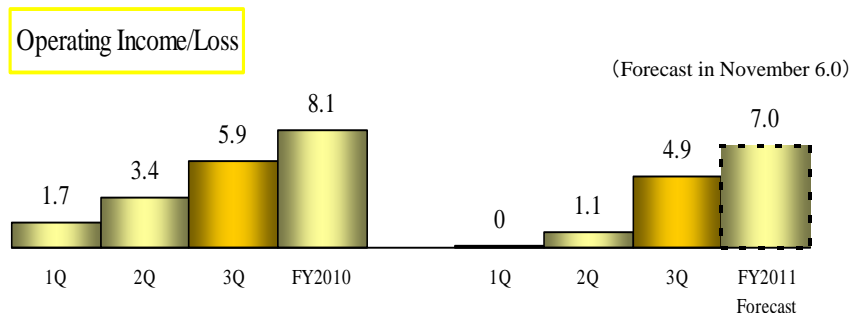
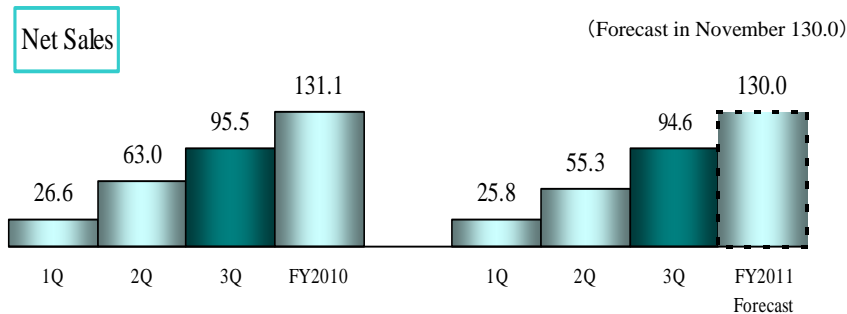
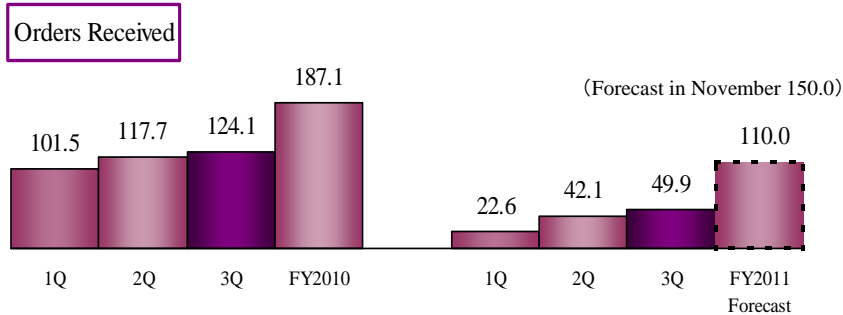
Under close partnership between KHI and COSCO groups, KHI is working on expansion of its operations and strengthening its earning power.

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)



◇ **FY2011.3Q** (vs. FY2010.3Q)

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

Net Sales: Remained the same level as in the previous third quarter because of sales increase for overseas market, despite sales decrease for domestic market

Operating Income: Decreased due to the adverse impact of the appreciation of the yen and other factors

◇ **FY2011 Forecast** (vs. Forecast in November)

Orders Received: Revised down due to the effect of order deferrals in domestic and overseas markets

Net Sales: Remains unchanged because of no significant change

Operating Income: Revised up due to cost reduction and other factors, despite the adverse impact of the appreciation of the yen

<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

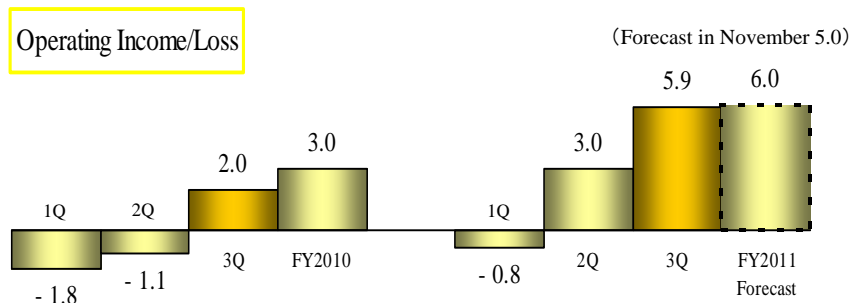
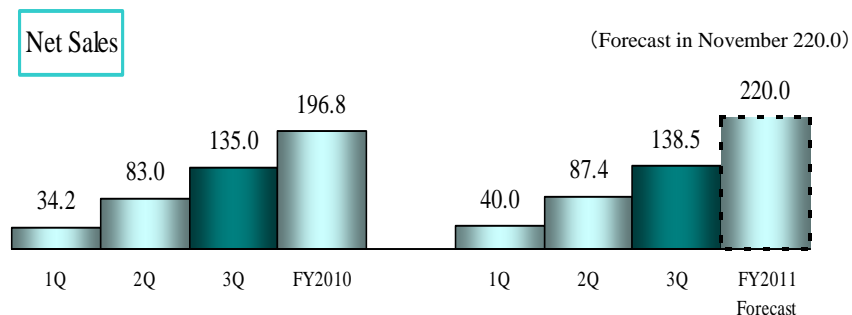
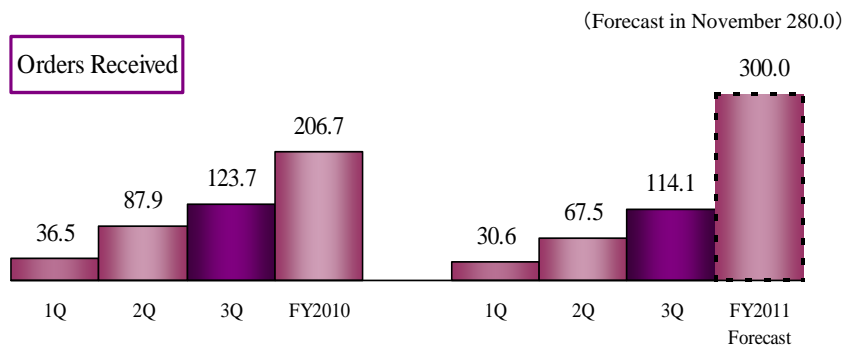
High-speed railways :

- 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)



◇ **FY2011.3Q** (vs. FY2010.3Q)

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

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

Operating Income: Increased due to sales increase, cost reduction and other factors

< Sales units of component parts for commercial aircrafts > (unit)

	FY2010.3Q	FY2011.3Q
B777	47	63
B767	10	19
B787	18	18
Embraer170/175	11	10
Embraer190/195	64	73

◇ **FY2011 Forecast** (vs. Forecast in November)

Orders Received: Revised up due to increase in orders received for MOD

Net Sales: Remains unchanged because of no significant change

Operating Income: Revised up due to cost reduction of the component parts for commercial aircrafts 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 - In September 2011, the first Boeing B787 was delivered to the airline by Boeing and regular flight service with B787 was started from November 1, 2011. KHI has completed the production system at Kawasaki's Nagoya Works 1 for ramp-up production.

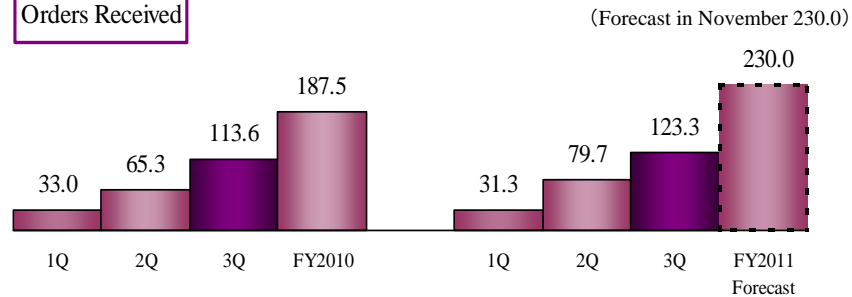
Gas Turbine & Machinery



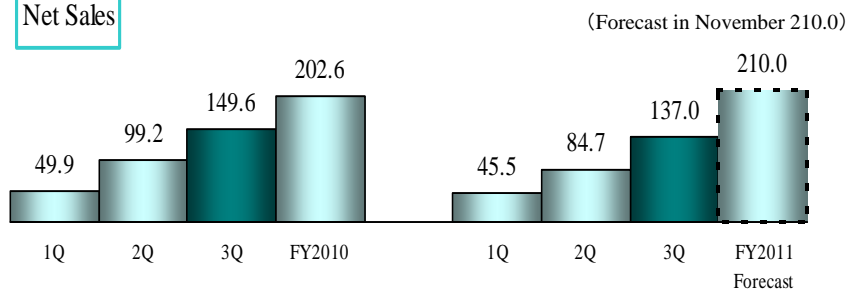
Main Products : Jet engines, Gas turbine co-generation system, Gas turbines & steam turbines for marine & land, Diesel engines, Marine propulsion system, Aero-dynamic machinery

(Billion Yen / In accumulated amount)

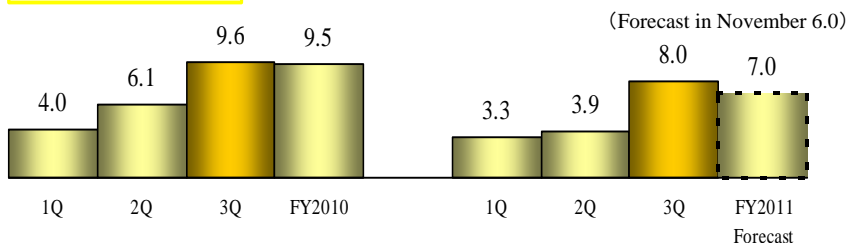
Orders Received



Net Sales



Operating Income/Loss



◇ FY2011.3Q (vs. FY2010.3Q)

Orders Received: Increase in orders received for gas engine power plant

Net Sales: Decrease in sales of gas turbine-driven natural gas compressors and sales for Japan Ministry of Defense

Operating Income: Decreased due to sales decrease and other factors

◇ FY2011 Forecast (vs. Forecast in November)

Orders Received & Net Sales: Remain unchanged because of no significant change

Operating Income: Revised up due to cost reduction and other factors, despite the adverse impact of the appreciation of the yen

<For Reference>

Gas Turbine Division : Major Projects for Commercial Aircraft Jet Engines

	Trent1000	TrentXWB	PW1100G - JM
Aircraft	B787	A350	A320neo
Participation Type	RRSP(※)	RRSP(※)	RRSP(※)
Share	Approx. 8.5%	Approx. 7%	Approx. 6%
Responsible Components	Intermediate pressure compressor (IPC) module	Intermediate pressure compressor (IPC) module	Primary parts of the engine's fan and low-pressure compressor
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.	Made decision to collaborate in a program for development and production.

(※)Risk & Revenue Sharing Partner

Machinery Division : Gas Engines

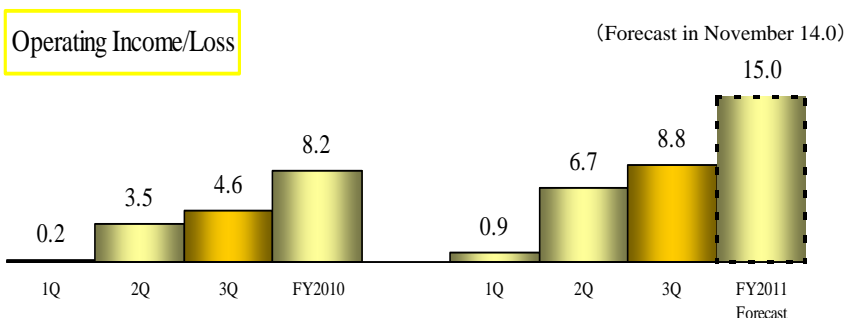
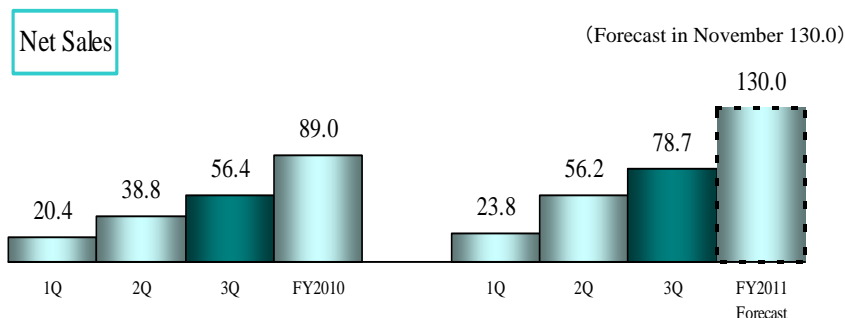
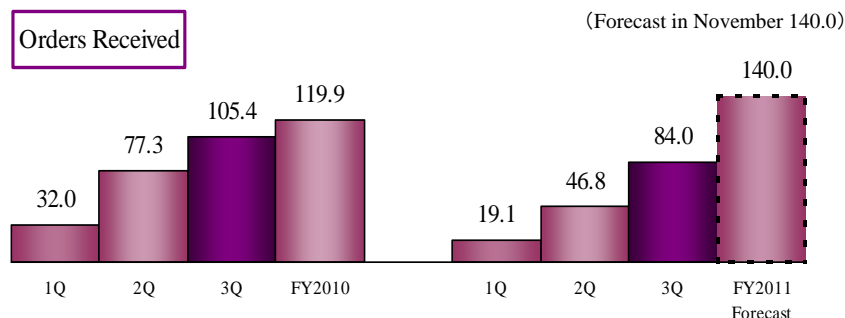
In September 2011, KHI received an order for a 110MW power plant which consists of 14 Kawasaki Green Gas Engines with world's highest power-generating efficiency of 49%.

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)



◇ **FY2011.3Q** (vs. FY2010.3Q)

Orders Received: Decrease in orders received for domestic customers

Net Sales: Increase in sales of overseas projects

Operating Income: Increased due to sales increase and other factors

◇ **FY2011 Forecast** (vs. Forecast in November)

Orders Received & Net Sales: Remain unchanged because of no significant change

Operating Income: Revised up due to improvement in profitability by steady progress in some projects

<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).

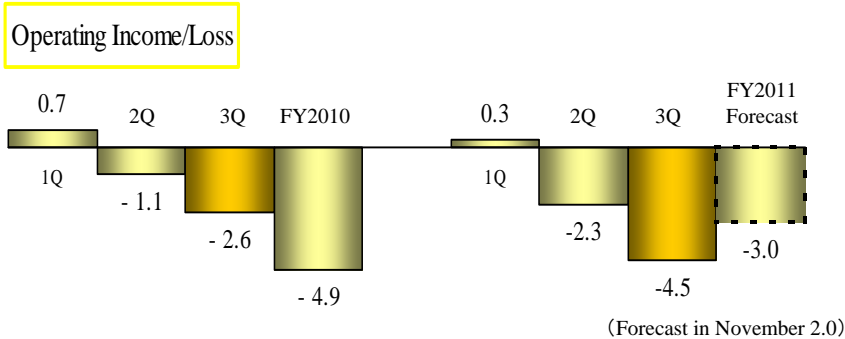
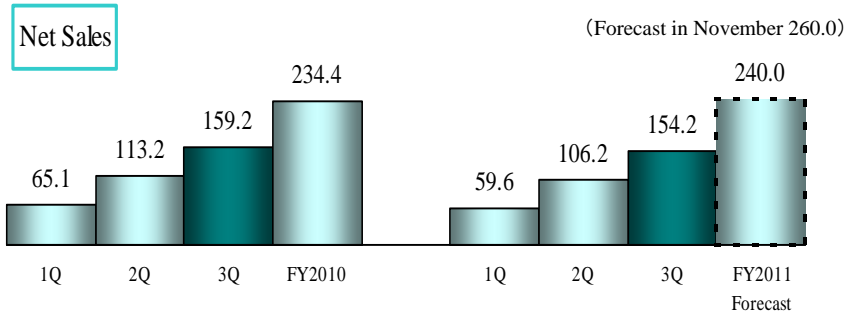
As well as further intensifying partnership with CONCH, KHI will develop and contribute to bring new technologies such as Zero Emission Eco Town System (ZEET) that is an integration of cement plant with waste treatment technology and sludge processing technology in order to establish new business model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

Motorcycle & Engine



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

(Billion Yen / In accumulated amount)



◇ **FY2011.3Q** (vs. FY2010.3Q)

Net Sales: Decrease in sales due to sales decrease in U.S. and European markets and the adverse impact of the appreciation of the yen, despite sales increase in Asian and other emerging countries

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

◇ **FY2011 Forecast** (vs. Forecast in November)

Net Sales & Operating Income/Loss: Revised down due to the impact of floods in Thailand and other factors

<Wholesales by Geographic Area for Consumer Products>

(Thousands of unit / Billion Yen)

	FY2010.3Q		FY2010		FY2011.3Q		FY2011 Forecast	
	Unit	Amount	Unit	Amount	Unit	Amount	Unit	Amount
Domestic	10	8.2	14	11.3	10	9.1	14	12.0
North America (incl. Canada)	73 (37)	53.2	118 (67)	78.5	69 (38)	44.2	128 (75)	78.5
Europe	43	30.0	67	47.7	31	26.2	58	43.2
Emerging Countries & Others	195	43.8	272	61.0	234	53.5	317	69.3
Total	321	135.2	471	198.5	344	133.0	517	203.0

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 Philippines in 1974, KHI established subsidiaries in Indonesia, Thailand and Brazil to manufacture and sell motorcycles. In emerging markets, as demand for leisure motorcycles is increasing, and expected to increase from now on following 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.

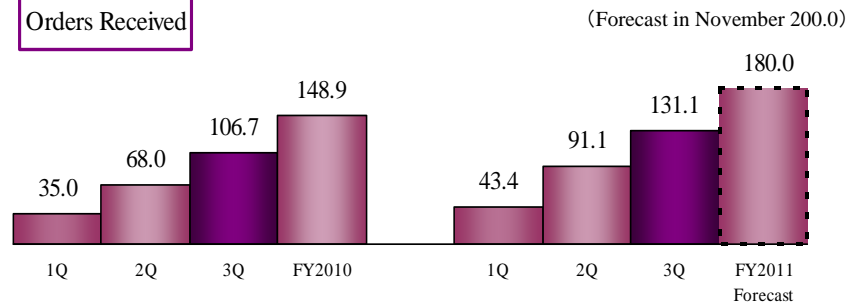
Precision Machinery



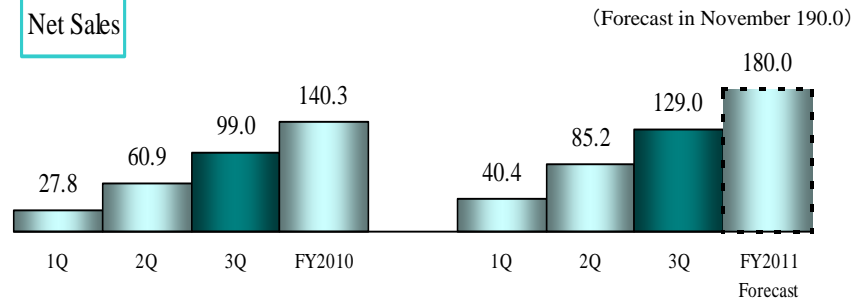
Main Products: Hydraulic components (pumps, motors & valves), Hydraulic systems for industrial use, Hydraulic marine machinery, Industrial Robots

(Billion Yen / In accumulated amount)

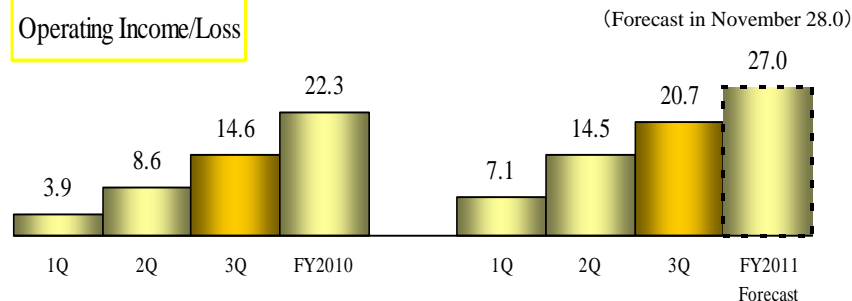
Orders Received



Net Sales



Operating Income/Loss



◇ **FY2011.3Q** (vs. FY2010.3Q)

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 painting robots

Operating Income: Increased due to sales increase and other factors

◇ **FY2011 Forecast** (vs. Forecast in November)

Orders Received & Net Sales: Revised down due to demand decrease of hydraulic components for construction machinery in emerging countries

Operating Income: Revised down due to the effect of the sales decrease

<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 further enhance its presence in Chinese market which has a high growth potential from a mid- to long-term perspective, KHI Group as a whole is working on further expansion and deepening of its business operation which includes operation start at a new plant in Suzhou, expansion of the plant in Zhejiang and establishment of the subsidiary for after-sales service in Shanghai, as well as expansion of production capacity at Nishi-Kobe Works.

Financial Condition and Cash Flows



【Financial Condition】

(Billion Yen)

	FY2010 End of March 2011	FY2011 End of December 2011
Total Assets	1,354.2	1,404.4
Shareholders' Equity (Ratio of shareholders' equity to total assets)	289.0 (21.3%)	309.7 (22.0%)
Interest-bearing debt (Net Interest-bearing debt)	429.1 (381.9)	491.6 (455.7)
Net Debt Equity Ratio	132%	147%

Note: Interest-bearing debt includes lease obligations

【Cash Flows】

(Billion Yen)

	FY2010.3Q	FY2011.3Q
Cash flows from operating activities	- 33.5	- 16.1
Cash flows from investing activities	- 41.5	- 51.4
Free Cash Flows	- 75.0	- 67.5
Cash flows from financing activities	78.0	61.2

II. Forecast for FY2011

Consolidated Operating Performance



(Billion Yen)

	FY2010	FY2011 Forecast		Change	
	Actual	in November	in January	vs. FY2010	vs. Forecast in November
Orders Received	1,270.6	1,430.0	1,380.0	+ 109.4	- 50.0
Net Sales	1,226.9	1,360.0	1,330.0	+ 103.1	- 30.0
Operating Income	42.6	50.0	50.0	+ 7.4	0
Recurring Profit	49.1	52.0	52.0	+ 2.9	0
Net Income	25.9	32.0	26.0	+ 0.1	- 6.0

vs. Forecast in November

< Orders Received >

Forecast was revised down due to decrease in Rolling Stock and Precision Machinery segments, despite increase in Aerospace segment

< Net Sale >

Forecast was revised down because of sales decrease in Motorcycle & Engine segment due to the impact of floods in Thailand, and in Precision Machinery segment due to demand decrease of hydraulic components for construction machinery in emerging countries

< Profits >

- Forecast for operating income and recurring profit remain unchanged due to the measures to improve profitability, including fixed cost reduction and improvement in productivity in each segments, despite the effect of the sales decrease and the adverse impact of the appreciation of the yen

- Forecast for net income was revised down due to the effect of partial write-down of deferred tax assets following the promulgation of a law concerning reduction of the corporate tax rate

Exchange Rates (actual & assumed)

Yen / US\$	86	80	80
Yen / EUR	113	110	100

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 (2.3)	1.5 (2.0)
EUR	0.1 (0.2)	0 (0.1)

* Figures in the parenthesis () represent impact as of November 2, 2011

Forecast by Segment



(Billion Yen)

	Orders Received			Net Sales			Operating Income/Loss		
	FY2010	FY2011 Forecast		FY2010	FY2011 Forecast		FY2010	FY2011 Forecast	
	Actual	in November	in January	Actual	in November	in January	Actual	in November	in January
Ship & Offshore Structure	78.9	60.0	60.0	118.4	110.0	110.0	- 1.0	- 4.0	- 4.0
Rolling Stock	187.1	150.0	110.0	131.1	130.0	130.0	8.1	6.0	7.0
Aerospace	206.7	280.0	300.0	196.8	220.0	220.0	3.0	5.0	6.0
Gas Turbine & Machinery	187.5	230.0	230.0	202.6	210.0	210.0	9.5	6.0	7.0
Plant & Infrastructure	119.9	140.0	140.0	89.0	130.0	130.0	8.2	14.0	15.0
Motorcycle & Engine	234.4	260.0	240.0	234.4	260.0	240.0	- 4.9	2.0	- 3.0
Precision Machinery	148.9	200.0	180.0	140.3	190.0	180.0	22.3	28.0	27.0
Others	106.8	110.0	120.0	114.0	110.0	110.0	2.5	2.0	3.0
Eliminations and corporate	-	-	-	-	-	-	- 5.3	- 9.0	-8.0
Total	1,270.6	1,430.0	1,380.0	1,226.9	1,360.0	1,330.0	42.6	50.0	50.0

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	44.4	+ 7.4
CAPEX (Construction Base)	55.3	88.0	+ 32.7
Depreciation & Amortization	50.3	51.0	+ 0.7
Domestic	24,511	25,000	+ 489
Overseas	8,195	8,900	+ 705
Number of Employees	32,706	33,900	+ 1,194

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.