

**Report of Earnings and Financial Statements for the
Six Months Ended September 30, 2012 (Consolidated)**
(Prepared pursuant to Japanese GAAP)

October 31, 2012

Listed company's name: **Kawasaki Heavy Industries, Ltd.**
 Listed on: 1st sections of the TSE, OSE, and NSE
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Scheduled dates:
 Submission of quarterly securities filing: November 8, 2012
 Commencement of dividend payments: -
 Supplementary materials to quarterly earnings: Available
 Quarterly earnings presentation: Conducted (for institutional investors and analysts)

**1. Consolidated Financial Results for the Six Months ended September 30, 2012
(April 1 – September 30, 2012)**

(Amounts in millions of yen rounded down to the nearest million yen)

(1) Operating Results

(Percentage figures represent changes versus the year-ago period)

	Net sales		Operating income		Recurring profit		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Six Months Ended September 30, 2012	574,999	(1.7)	10,391	(60.9)	20,165	(25.9)	12,429	(30.2)
Six Months Ended September 30, 2011	584,990	2.3	26,623	27.3	27,237	28.1	17,813	44.4

Note: Comprehensive income September 30, 2012: 10,300 million yen (30.9%)
 September 30, 2011: 14,916 million yen 92.6%

Earnings per share
 Six Months Ended September 30, 2012 7.43 -

Six Months Ended September 30, 2011	10.65	10.50
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(2) Financial Condition

	Total assets	Net assets	Equity Ratio
	million yen	million yen	%
September 30, 2012	1,380,896	317,037	22.1
March 31, 2012	1,362,139	315,922	22.4

Note: Shareholders' equity: September 30, 2012: 306,427 million yen
 March 31, 2012: 306,054 million yen

2. Dividends

Record date or term	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	End of financial year	Full year
Year ended March 31, 2012	yen -	yen 0.00	yen -	yen 5.00	yen 5.00
Year ending March 31, 2013	-	0.00			
Year ending March 31, 2013 (forecast)					

(3) Average number of shares during respective periods

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1. Qualitative Information and Financial Statements

(1) Consolidated operating results

Although the global economy is expected to continue on a track to gradual recovery, the speed of recovery in developed countries remains slow due to uncertainties such as the financial problems and a continuing severe employment situation in the U.S. and debtor nation problems in Europe. In addition, the global economy is in danger of further downturn because of

Segment Information

Segment net sales, operating income, and orders received (billions of yen)

Segment	Six months ended September 30				Orders received	
	2011		2012		Six months ended September 30	
	Net sales	Operating income	Net sales	Operating income	2011	2012
Ship & Offshore Structure	53.1	0.5	45.8	1.0	24.6	37.8
Rolling Stock	55.3	1.1	51.4	(3.1)	42.1	66.9
Aerospace	87.4	3.0	109.1	4.3	67.5	91.0
Gas Turbine & Machinery	84.7	3.9	93.2	3.2	79.7	65.4
Plant & Infrastructure	56.2	6.7	46.4	3.1	46.8	51.3

Aerospace

Orders received increased ¥23.4 billion from the previous fiscal year to ¥91.0 billion on a consolidated basis, mainly due to rises in orders from Japan's Ministry of Defense and orders from Boeing for component parts for the Boeing 777 and 787.

Net sales jumped ¥21.6 billion to ¥109.1 billion, thanks to an increase in sales to the Ministry of Defense, including C-2 transport aircraft, and a rise in sales to Boeing of component parts for the Boeing 787. In addition, sales of component parts for the Boeing 777 continued to be robust.

Operating income improved ¥1.3 billion from a year earlier to ¥4.3 billion, largely because of increased sales and reduced costs.

Gas Turbine & Machinery

Orders received totaled ¥65.4 billion on a consolidated basis, down ¥14.2 billion from a year earlier, when a large order for the construction of a gas engine power plant was received, despite larger orders for component parts for commercial aircraft jet engines.

Net sales increased ¥8.4 billion from a year earlier to ¥93.2 billion, buoyed by increases in sales of industrial gas turbines, gas engines and component parts for commercial aircraft jet engines, despite a decrease in sales of turbine facilities.

Operating income was ¥3.2 billion, down ¥0.6 billion, primarily affected by higher R&D expenses.

Plant & Infrastructure

Orders received increased ¥4.5 billion year on year to ¥51.3 billion on a consolidated basis, thanks to the receipt of orders for cryogenic tanks and such like for the Ichthys LNG project.

Net sales declined ¥9.8 billion to ¥46.4 billion, owing to a drop in large orders from overseas, although sales of LNG storage tanks continued to be strong, and sales of conveying facilities and municipal refuse incineration plants went up.

Operating income decreased ¥3.5 billion to ¥3.1 billion, due to falls in sales and profitability.

Motorcycle & Engine

Net sales were ¥103.9 billion, down ¥2.2 billion from a year earlier, hurt by a sharp drop in sales of motorcycles in Europe and the yen's sharp climb against the euro, despite an increase in sales of motorcycles for emerging countries such as Indonesia.

Operating loss remained almost unchanged at ¥2.2 billion.

Precision Machinery

Orders received sharply decreased ¥35.5 billion from a year ago to ¥55.6 billion on a consolidated basis, due to a substantial decline in orders for hydraulic equipment to the construction machinery market in emerging countries, mainly China.

Net sales fell ¥18.1 billion to ¥67.0 billion, owing to a drop in sales of hydraulic equipment to

the construction machinery market in emerging countries, mainly China.

Operating income sharply declined ¥9.5 billion to ¥4.9 billion, because of lower sales and an increase in fixed expenses caused by capital spending in previous years.

Other Operations

Net sales totaled ¥57.9 billion, up ¥1.4 billion from the previous fiscal year.

Operating income was ¥0.6 billion, down ¥1.1 billion.

(2) Consolidated financial position

At the end of the first half under review, total assets stood at ¥1,380.8 billion on a consolidated basis, up ¥18.7 billion from the previous fiscal year, reflecting a decrease in trade receivables, an increase in inventories resulting from progress toward completion of construction jobs, and an increase in property, plant and equipment due to capital investment and investments in Dalian COSCO KHI Shipbuilding Engineering Co., Ltd. Liabilities were ¥1,063.8 billion, up ¥17.6 billion, due to rises in commercial paper, corporate bonds and advances from customers, despite a fall in trade payables. Interest-bearing debt was ¥472.3 billion, up ¥65.1 b

3. Consolidated Financial Statements

(1) Consolidated balance sheets

	Millions of yen	
	As of March 31, 2012	Six months ended September 30, 2012
Assets		
Current assets		
Cash on hand and in banks	34,316	28,798
Trade receivables	404,054	361,806
Merchandise and finished products	53,558	57,157
Work in process	300,224	336,025
Raw materials and supplies	88,113	86,079
Other current assets	90,174	88,600
Allowance for doubtful receivables	(3,255)	(3,166)
Total current assets	967,186	955,301
Fixed assets		
Net property, plant and equipment	274,750	285,433
Intangible assets		
Goodwill	300	130
Other	18,485	18,305
Total intangible assets	18,786	18,436
Investments and other assets		
Other	102,356	122,832
Allowance for doubtful receivables	(940)	(1,107)
Total investments and other assets	101,416	121,725
Total fixed assets	394,953	425,594
Total assets	1,362,139	1,380,896
Liabilities		
Current liabilities		
Trade payables	310,775	272,206
Short-term debt	137,568	146,990
Income taxes payable	4,627	3,306
Accrued bonuses	20,582	15,558
Provision for losses on construction contracts	30,977	27,242
Other provisions	7,128	5,759
Advances from customers	99,050	111,718

Accumulated other comprehensive income		
Net unrealized gains (losses) on securities, net of tax	3,989	1,653
Deferred gains (losses) on hedges	246	2,579
Foreign currency translation adjustments	(33,451)	(36,753)
Total accumulated other comprehensive income	<u>(29,215)</u>	<u>(32,520)</u>
Minority interests	<u>9,868</u>	<u>10,610</u>
Total net assets	<u>315,922</u>	<u>317,037</u>
Total liabilities and net assets	<u>1,362,139</u>	<u>1,380,896</u>

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

	Millions of yen	
	Six months ended September 30, 2011	Six months ended September 30, 2012
Net sales	584,990	574,999
Cost of sales	485,826	488,593
Gross profit	99,164	86,406
Selling, general and administrative expenses		
Salaries and benefits	19,896	20,683
R&D expenses	16,228	18,203
Provision for doubtful accounts	-	269
Other	36,416	36,858
Total selling, general and administrative expenses	72,541	76,014
Operating income	26,623	10,391
Non-operating income		
Interest income	701	836
Dividend income	377	285
Equity in income of non-consolidated subsidiaries and affiliates	4,833	5,920
Foreign exchange gain, net	-	3,581
Other	2,396	3,120
Total non-operating income	8,308	13,744
Non-operating expenses		
Interest expense	2,255	2,073
Foreign exchange loss, net	2,990	-
Loss on valuation of securities	7	86
Other	2,442	1,809
Total non-operating expenses	7,694	3,969
Recurring profit	27,237	20,165
Extraordinary losses		
Loss on impairment of fixed assets	924	-
Total extraordinary losses	924	-
Income before income taxes and minority interests	26,312	20,165
Income taxes	7,254	6,629
Income before minority interests	19,058	13,536
Minority interests in net income of consolidated subsidiaries	1,245	1,107
Net income (loss)	17,813	12,429

Consolidated statements of comprehensive income

	Millions of yen	
	Six months ended September 30, 2011	Six months ended September 30, 2012
Income before minority interests	19,058	13,536
Other comprehensive income		
Net unrealized gains (losses) on securities, net of tax	(1,175)	(2,362)
Deferred gains (losses) on hedges	153	2,331
Foreign currency translation adjustments	(3,680)	(2,519)
Share of other comprehensive income of associates accounted for using equity method	561	(685)
Total other comprehensive income	(4,141)	(3,236)
Comprehensive Income attributable to:	14,916	10,300
Owners of the parent company	13,550	9,124
Minority interests	1,366	1,176

(3) Consolidated cash flow statements

	Millions of yen	
	Six months ended September 30, 2011	Six months ended September 30, 2012
Cash flow from operating activities		
Income before income taxes and minority interests	26,312	20,165
Depreciation and amortization	22,312	21,921
Loss on impairment of fixed assets	924	-
Increase (decrease) in provision	(3,927)	(12,176)
Interest and dividend income	(1,078)	(1,121)
Interest expense	2,255	2,073

(4) Notes on the going-concern assumption

Not applicable

(5) Notes on significant changes in the amount of shareholders' equity

Not applicable

(6) Segment information and others

Segment information

1. Six months ended September 30, 2011 (April 1, 23a14a2377 TDs8f0Tf0.5027.1

2. Six months ended September 30, 2012 (April 1, 2012 – September 30, 2012)

(1) Sales and income (loss) by reportable segment

Millions of yen				
	External sales	Intersegment sales	Total sales	Operating income (loss)
Ship & Offshore Structure	45,808	1,162	46,970	1,019
Rolling Stock	51,483	449	51,932	(3,100)
Aerospace	109,156	1,153	110,310	4,399
Gas Turbine & Machinery	93,217	8,252	101,470	3,269
Plant & Infrastructure	46,405	6,964	53,369	3,150
Motorcycle & Engine	103,927	349	104,277	(2,288)
Precision Machinery	67,060	5,965	73,025	4,971
Other	57,938	15,941	73,880	692
Reportable segment total	574,999	40,239	615,238	12,113
Adjustments* 1	-	(40,239)	(40,239)	(1,722)
Consolidated total	574,999	-	574,999	10,391

Notes: 1. Breakdown of adjustments:

Millions of yen	
Income	Amount
Intersegment transactions	810
Corporate expenses*	(2,553)
Total	(1,722)

* Corporate expenses mainly comprise general and administrative expenses not attributed to reportable segments.

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

(2) Impairment loss on fixed assets and goodwill by reportable segment

Not applicable

4. Supplementary information

(1) Orders and sales (consolidated)

Orders received

Segment	Six months ended September 30, 2011		Six months ended September 30, 2012		Year ended March 31, 2012	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	24,657	4.8	37,877	7.1	39,909	3.0
Rolling Stock	42,126	8.2	66,932	12.6	66,099	5.0
Aerospace	67,596	13.1	91,010	17.1	327,233	24.9
Gas Turbine & Machinery	79,729	15.5	65,470	12.3	227,281	17.3
Plant & Infrastructure	46,823	9.1	51,384	9.6	119,284	9.0
Motorcycle & Engine	106,202	20.6	103,927	19.5	235,243	17.9
Precision Machinery	91,159					

Net sales

Segment	Six months ended September 30, 2011		Six months ended September 30, 2012		Year ended March 31, 2012	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	53,183	9.0	45,808	7.9	113,532	8.7
Rolling Stock	55,366	9.4	51,483	8.9	132,684	10.1
Aerospace	87,479	14.9	109,156	18.9	206,580	15.8
Gas Turbine & Machinery	84,760	14.4	93,217	16.2	194,655	14.9
Plant & Infrastructure	56,299	9.6	46,405	8.0	122,800	9.4
Motorcycle & Engine	106,202	18.1	103,927	18.0	235,243	18.0
Precision Machinery	85,251	14.5	67,060	11.6	175,077	13.4
Other	56,446	9.6	57,938	10.0	123,205	9.4
Total	584,990	100.0	574,999	100.0	1,303,778	100.0

(3) Supplementary information on earnings forecasts for the fiscal year ending March 31, 2013

1) Consolidated earnings outlook

	Outlook for the year ending March 31, 2013 (fiscal 2012)			Billions of yen
	Revised forecast (A)	Forecast issued April 26, 2012 (B)	Change (A – B)	Fiscal 2011 (ended March 31, 2012) (actual)
Net sales	1,300.0	1,380.0	(80.0)	1,303.7
Operating income	36.0	52.0	(16.0)	57.4
Recurring profit	50.0	56.0	(6.0)	63.6
Net income	30.0	34.0	(4.0)	23.3
Orders received	1,350.0	1,430.0	(80.0)	1,311.8
Before-tax ROIC (%)	7.3%	8.2%	(0.9%)	7.4%
R&D expenses	45.0	45.0	-	39.9
Capital expenditures	75.0	79.0	(4.0)	63.9
Depreciation/amortization	52.0	54.0	(2.0)	48.9
Number of employees at end of fiscal year	34,500	34,700	(200)	33,267

(b) Orders received

Billions of yen

Segment	Outlook for the year ending March 31, 2013 (fiscal 2012)			Fiscal 2011 (ended March 31, 2012) (actual)
	Revised outlook (A)	Forecast issued April 26, 2012 (B)	Change (A – B)	
Ship & Offshore Structure	110.0	110.0	-	39.9
Rolling Stock	140.0	150.0	(10.0)	66.0
Aerospace	220.0	220.0	-	327.2
Gas Turbine & Machinery	240.0	230.0	10.0	227.2
Plant & Infrastructure	130.0	130.0	-	119.2
Motorcycle & Engine	250.0	260.0	(10.0)	235.2