

**Report of Earnings and Financial Statements for the
Nine Months Ended December 31, 2012 (Consolidated)**
(Prepared pursuant to Japanese GAAP)

January 31, 2013

Listed company's name: **Kawasaki Heavy Industries, Ltd.**
 Listed on: 1st sections of the TSE, OSE, and NSE
 Stock code: 7012
 URL: <http://www.khi.co.jp/>
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Scheduled dates:

Submission of quarterly securities filing: February 13, 2013

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 Nine Months ended December 31, 2012
(April 1 – December 31, 2012)

Nine Months Ended December 31, 2012	8,0	(2.2)	22,920	(51.5)	31,446	(45.8)	19,343	(42.5)
Nine Months Ended December 31, 2011	906,314	4.1	47,282	22.0	58,111	28.5	33,679	19.6

Note: Comprehensive income December 31, 2012: 15,640 million yen (43.1%)

December 31, 2011: 27,531 million yen 37.6%

2. Dividends

	Dividend per share
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(3) Average number of shares during respective periods

Nine months ended December 31, 2012:	1,671,806,157 shares
Nine months ended December 31, 2011:	1,671,347,871 shares

***Quarterly review status**

This report is exempt from the quarterly review of accounts conducted in accord with Japan's Financial Instruments and Exchange Act. As of this report's publication, the quarterly review of the quarterly financial results had not been completed.

***Appropriate Use of Financial Forecasts and Other Important Matters**

Forward-Looking Statements

These materials contain various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based on information available at the time of preparation. Actual results may differ from those expressed or implied by forward-looking statements due to a range of factors. For assumptions underlying earnings forecasts and other information regarding the use of such forecasts, refer to "Consolidated earnings outlook" on page 8 in the Accompanying Materials.

How to Obtain Supplementary Briefing Material on Quarterly Financial Results and Details of the Quarterly Financial Results Briefing

The Company plans to conduct a briefing for institutional investors and analysts by conference call on Thursday January 31, 2013, and to post the briefing material on quarterly financial results to be used for the briefing on TDnet and the Company's website simultaneously with the announcement of financial results.

Accompanying Materials – Contents

1. Qualitative Information and Financial Statements

(1) Consolidated operating results

The global economy is expected to continue on a track toward gradual recovery, but the speed thereof in developed countries remained slow due to uncertainties such as the financial problems and a continuing overall severe employment situation in the U.S. and debtor nation problems in Europe. In addition, emerging countries that have led the global economy are also experiencing economic slowdown, with the economic growth rate of China falling short of initial forecasts.

In Japan, demand for reconstruction related to the Great East Japan Earthquake was moving into full swing, but the economy continued to be uncertain due to expected business slowdown at export companies triggered by the downward global trend. The

The overview of performance results by business segment for the third-quarter cumulative period of the fiscal ye9lts by

¥0.5 billion, affected by provision for losses on construction contracts for a certain overseas project.

Aerospace

Orders received increased ¥24.2 billion from the previous fiscal year to ¥138.3 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 ¥27.2 billion to ¥165.8 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 777 and 787.

Operating income rose ¥3.4 billion to ¥9.3 billion, largely because of increased sales and reduced costs.

Gas Turbine & Machinery

Orders received totaled ¥131.6 billion on a consolidated basis, up ¥8.3 billion year on year, due to larger orders for component parts for commercial aircraft jet engines.

Net sales increased by ¥4.6 billion, to ¥134.6 billion, due to an increase in sales to Boeing for component parts for the Boeing 777 and 787. Operating income rose ¥3.4 billion to ¥9.3 billion, largely because of increased sales and reduced costs.

Precision Machinery

Orders received sharply decreased ¥52.7 billion from a year ago to ¥78.4 billion on a consolidated basis, primarily due to a decline in orders for hydraulic equipment to the construction machinery market in emerging countries, mainly China.

Net sales significantly fell ¥35.2 billion to ¥93.8 billion, owing to a drop in sales of hydraulic equipment to the construction machinery market in emerging countries, mainly China.

Operating income sharply declined ¥15.9 billion to ¥4.8 billion, because of lower sales and an increase in fixed expenses caused by capital spending in previous years.

Other Operations

Net sales totaled ¥88.7 billion on a consolidated basis, up ¥2.0 billion from the previous fiscal year.

Operating income was ¥1.5 billion, down ¥1.8 billion.

(2) Consolidated financial position

At the end of the third quarter under review, total assets stood at ¥1,494.4 billion on a consolidated basis, up ¥132.3 billion from the end of the previous fiscal year, reflecting an increase in trade receivables following the booking of net sales, 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 ¥1,172.1 billion, up ¥125.9 billion, due to rises in commercial paper, short-term borrowing and corporate bonds, despite a fall in trade payables. Interest-bearing debt was ¥587.1 billion, up ¥180.0 billion. Net assets were ¥322.3 billion, up ¥6.4 billion, reflecting payment of dividends and the booking of net income.

(3) Consolidated earnings outlook

The future direction of the business environment surrounding the Company stays uncertain given that the speed of economic recovery in developed countries remains slow and economies in emerging countries, mainly China, are also decelerating. At the moment, signs of a correction in the excessive strength of the yen are appearing, but it will likely take some more time before such correction will be reflected in the real economy.

The earnings outlook for the current fiscal year is as follows. Consolidated net sales are expected to be ¥1,300.0 billion, unchanged from the forecast previously announced. Operating income is projected to increase ¥4.0 billion from the forecast announced

3. Consolidated Financial Statements

(1) Consolidated balance sheets

	Millions of yen	
	As of March 31, 2012	Nine months ended December 31, 2012
Assets		
Current assets		
Cash on hand and in banks	34,316	30,839
Trade receivables	404,054	427,642
Merchandise and finished products	53,558	74,922
Work in process	300,224	344,640
Raw materials and supplies	88,113	89,094
Other current assets	90,174	90,710
Allowance for doubtful receivables	(3,255)	(3,329)
Total current assets	967,186	1,054,521
Fixed assets		
Net property, plant and equipment	274,750	296,365
Intangible assets		
Goodwill	300	65
Other	18,485	19,335
Total intangible assets	18,786	19,400
Investments and other assets		
Other	102,356	125,368
Allowance for doubtful receivables	(940)	(1,171)
Total investments and other assets	101,416	124,196
Total fixed assets	394,953	439,962
Total assets	1,362,139	1,494,484
Liabilities		
Current liabilities		
Trade payables	310,775	263,547
Short-term debt	137,568	227,409
Income taxes payable	4,627	3,511
Accrued bonuses	20,582	9,818
Provision for losses on construction contracts	30,977	19,626
Other provisions	7,128	5,671
Advances from customers	99,050	102,834
Other	85,291	208,238
Total current liabilities	696,002	840,659
Long-term liabilities		
Bonds payable	60,000	70,000
Long-term debt	198,737	169,917
Employees' retirement and severance benefits	75,052	72,613
Other provisions	4,192	4,737
Other	12,232	14,189
Total long-term liabilities	350,214	331,459
Total liabilities	1,046,216	1,172,118
Net assets		
Shareholders' equity		
Common stock	104,484	104,484
Capital surplus	54,393	54,393
Retained earnings	176,414	187,008
Treasury stock	(22)	(25)
Total shareholders' equity	335,270	345,860

Accumulated other comprehensive income		
Net unrealized gains (losses) on securities, net of tax	3,989	3,416
Deferred gains (losses) on hedges	246	(5,999)
Foreign currency translation adjustments	(33,451)	(32,229)
Total accumulated other comprehensive income	<u>(29,215)</u>	<u>(34,811)</u>
Minority interests	<u>9,868</u>	<u>11,316</u>
Total net assets	<u>315,922</u>	<u>322,365</u>
Total liabilities and net assets	<u>1,362,139</u>	<u>1,494,484</u>

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

	Millions of yen	
	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Net sales	906,314	885,896
Cost of sales	749,211	748,339
Gross profit	157,102	137,557
Selling, general and administrative expenses		
Salaries and benefits	30,039	31,333
R&D expenses	25,222	27,258
Provision for doubtful accounts	95	260
Other	54,461	55,784

(3) Notes on the going-concern assumption

Not applicable

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

Not applicable

(5) Segment information and others

Segment information

1. Nine months ended December 31, 2011 (April 1, 2011 – December 31, 2011)

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

Millions of yen

External sales	Intersegment sales	Total sales
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2. Nine months ended December 31, 2012 (April 1, 2012 – December 31, 2012)

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

Millions of yen

External sales	Intersegment sales	Total sales
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(2) Orders and sales (consolidated)

Orders received

	Nine months ended December 31, 2011		Nine months ended December 31, 2012		Year ended March 31, 2012	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	36,911	4.7	42,982	5.3	39,909	3.0
Rolling Stock	49,937	6.3	93,149	11.6	66,099	5.0
Aerospace	114,110	14.5	138,359	17.2	327,233	24.9
Gas Turbine & Machinery	123,344	15.7	131,670	16.4	227,281	17.3
Plant & Infrastructure	84,069	10.7	69,481	8.6	119,284	9.0
Motorcycle & Engine	154,277	19.7	158,855	19.7	235,243	17.9
Precision Machinery	131,185	16.7	78,403	9.7	174,587	13.3
Other	88,270	11.2	89,530	11.1	122,239	9.3
Total	782,106	100.0	802,433	100.0	1,311,878	100.0

Note: The Motorcycle & Engine segment's orders received are equal to its net sales as production is based mainly on estimated demand.

Net sales

	Nine months ended December 31, 2011		Nine months ended December 31, 2012		Year ended March 31, 2012	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	87,113	9.6	68,629	7.7	113,532	8.7
Rolling Stock	94,651	10.4	94,181	10.6	132,684	10.1
Aerospace	138,586	15.2	165,848	18.7	206,580	15.8
Gas Turbine & Machinery	137,070	15.1	144,667	16.3	194,655	14.9
Plant & Infrastructure	78,773	8.6	71,132	8.0	122,800	9.4
Motorcycle & Engine	154,277	17.0	158,855	17.9	235,243	18.0
Precision Machinery	129,097	14.2	93,830	10.5	175,077	13.4
Other	86,743	9.5	88,750	10.0	123,205	9.4

2) Outlook by reportable segment

(a) Net sales and operating income (loss)

Billions of yen

	Outlook for the year ending March 31, 2013 (fiscal 2012)			Fiscal 2011 (ended March 31, 2012) (actual)
	Revised forecast (A)	Forecast issued October 31, 2012 (B)	Change (A – B)	