

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

July 31, 2012

Listed company's name: **Kawasaki Heavy Industries, Ltd.**
 Listed on: 1st sections of the TSE, OSE, and NSE
 Stock code: 7012
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Scheduled dates:

Submission of quarterly securities filing: August 9, 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 Three Months ended June 30, 2012
(April 1 – June 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	%
Three Months Ended June 30, 2012	283,530	(2.7)	6,741	(45.5)	11,727	(20.0)	6,030	(36.9)
Three Months Ended June 30, 2011	291,579	5.1	12,373	6.1	14,669	28.8	9,558	62.4

Note: Comprehensive income June 30, 2012: 8,886 million yen (19.4%)

June, 30, 2011: 11,036 million yen 153.0%

Earnings per share er share

Three Months Ended June 30, 2011	5.72	5.63

(2) Financial Condition

	Total assets	Net assets	Equity Ratio
	million yen	million yen	%
June 30, 2012	1,374,217	315,812	22.2

March 31, 2012

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
	yen	yen	yen	yen	yen
Year ended March 31, 2012	-	0.00	-	5.00	5.00

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(2) Number of shares held in treasury as of period-end

June 30, 2012:	79,451 shares
March 31, 2012:	77,126 shares

(3) Average number of shares during respective periods

Three months ended June 30, 2012:	1,671,813,479 shares
Three months ended June 30, 2011:	1,670,759,373 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 their preparation, and do not mean that the Company promises to achieve these figures. Actual results may differ from those expressed or 9y d 2(es17 Tc-m7ot2976 TD)5.4(66tob0porcy-aTtob0doay)3.5aot29766 Tc-4cRuu(f)-2.2y87(r Ii,nt29 TD3eTc-4

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1. Qualitative Information and Financial Statements

(1) Consolidated operating results

During the first quarter under review, the world economy as a whole continued to grow moderately, reflecting economic expansion mainly in India, Brazil and Southeast Asian countries, despite a lull in the economic growth of China. However, the risk of a further economic downturn grew in developed countries amid concerns that Europe's debtor nation problems would be prolonged, although signs of an improvement in employment situation were observed in the U.S.

In Japan, demand for reconstruction related to the Great East Japan Earthquake was moving into full swing, but its economy was faced with possible negative factors, including the prolongation of the yen's strength, power supply shortages and a further downturn of the global economy due to Europe's debtor nation problems. Meanwhile, the social roles by the Group, which is engaged in various key infrastructures, have become increasingly important amid mounting interest in the future of energy.

Under such business circumstances, the Group posted year-on-year decreases in overall sales and profits for the first quarter under review, as many business sectors saw sales or profits decline. Overall orders received increased because greater orders at the Plant & Infrastructure, Ship & Offshore Structure and Aerospace segments offset fewer orders at the Precision Machinery and other segments. Overall sales fe

Consolidated segment information for the first quarter of the fiscal year is summarized below.

Segment Information

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

	Three months ended June 30				Orders received	
	2011		2012		Three months ended June 30	
Segment	Net sales	Operating income	Net sales	Operating income	2011	2012

Aerospace

Orders received increased ¥3.8 billion from the previous fiscal year to ¥34.4 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 ¥9.5 billion to ¥49.6 billion, thanks to an increase in sales to the Ministry of Defense resulting from the progress of work for P-1 next-generation patrol aircraft and a rise in

Precision Machinery

Orders received sharply decreased ¥14.8 billion from a year ago to ¥28.6 billion on a consolidated basis, due to a substantial decline in orders for hydraulic equipment from the construction machinery market in emerging countries.

Net sales fell ¥4.3 billion to ¥36.1 billion, owing to a drop in sales of hydraulic equipment to the construction machinery market in emerging countries, mainly China, and a decrease in sales of industrial robots, particularly for semiconductor manufacturing process equipment.

Operating income declined ¥3.1 billion to ¥3.9 billion, because of lower sales and an increase in fixed expenses caused by capital spending and greater number of personnel.

Other Operations

Net sales totaled ¥27.6 billion, down ¥0.8 billion from the previous fiscal year.

Operating income was ¥0.5 billion, down ¥0.3 billion.

(2) Consolidated financial position

At the end of the first quarter under review, total assets stood at ¥1,374.2 billion on a consolidated basis, up ¥12.0 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 investments in Dalian COSCO KHI Shipbuilding Engineering Co., Ltd. Liabilities were ¥1,058.4 billion, up ¥12.1 billion, due to rises in short-term debt and advances from customers, despite a fall in trade payables. Interest-bearing debt was ¥435.0 billion, up ¥27.8 billion. Net assets were ¥315.8 billion, down

2. Summary Information (Notes)

(1) Changes affecting the status of material subsidiaries (scope of consolidation)

Not applicable

(2) Accounting procedures specific to preparation of quarterly consolidated financial statements

The Company calculates tax expense by rationally estimating its effective tax rate after application of deferred-tax accounting to pretax net income for the fiscal year, which includes the first quarter under review, and multiplying quarterly pretax net income by said estimated effective tax rate. If unable to use the estimated effective tax rate, the Company calculates tax expense by multiplying the statutory effective tax rate by quarterly pretax net income adjusted to reflect material differences other than temporary differences.

Income taxes are reported inclusive of income tax adjustments.

(3) Changes in accounting policies, changes in accounting estimates, and correction of errors

Change in depreciation method

In accordance with the revision to the Corporate Tax Law, from the first quarter under review, the Company and its domestic consolidated subsidiaries have changed the depreciation method for property, plant and equipment acquired on or after April 1, 2012 to the method stipulated in the revised Corporate Tax Law.

This change had little impact on consolidated earnings for the quarter under review.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

	Millions of yen	
	As of March 31, 2012	Three months ended June 30, 2012
Assets		
Current assets		
Cash on hand and in banks	34,316	33,439
Trade receivables	404,054	371,389
Merchandise and finished products	53,558	53,540
Work in process	300,224	320,798
Raw materials and supplies	88,113	86,074
Other current assets	90,174	93,384
Allowance for doubtful receivables	(3,255)	(3,174)
Total current assets	967,186	955,452
Fixed assets		
Net property, plant and equipment	274,750	279,221
Intangible assets		
Goodwill	300	215
Other	18,485	18,507
Total intangible assets	18,786	18,723
Investments and other assets		
Other	102,356	121,723
Allowance for doubtful receivables	(940)	(901)
Total investments and other assets	101,416	120,821
Total fixed assets	394,953	418,765
Total assets	1,362,139	1,374,217
Liabilities		
Current liabilities		
Trade payables	310,775	286,779
Short-term debt	137,568	158,685
Income taxes payable	4,627	3,996
Accrued bonuses	20,582	22,983
Provision for losses on construction contracts	30,977	29,122
Other provisions	7,128	6,343
Advances from customers	99,050	119,097
Other	85,291	82,104
Total current liabilities	696,002	709,112
Long-term liabilities		
Bonds payable	60,000	60,000
Long-term debt	198,737	196,374
Employees' retirement and severance benefits	75,052	73,917
Other provisions	4,192	3,904
Other	12,232	15,096
Total long-term liabilities	350,214	349,293
Total liabilities	1,046,216	1,058,405
Net assets		
Shareholders' equity		
Common stock	104,484	104,484
Capital surplus	54,393	54,393
Retained earnings	176,414	173,881
Treasury stock	(22)	(23)
Total shareholders' equity	335,270	332,736

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

	Millions of yen	
	Three months ended June 30, 2011	Three months ended June 30, 2012
Net sales	291,579	283,530
Cost of sales	244,360	240,094

(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. Three months ended June 30, 2011 (April 1, 2011 – June 30, 2011)

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

Millions of yen

	External sales	Intersegment sales	Total sales	Operating income (loss)
Ship & Offshore Structure	27,751	101	27,853	950
Rolling Stock	25,878	63	25,941	48
Aerospace	40,029	442	40,471	(898)
Gas Turbine & Machinery	45,569	3,896	49,466	3,386
Plant & Infrastructure	23,825	1,919	25,744	999
Motorcycle & Engine	59,611	209	59,820	353
Precision Machinery	40,481	3,219	43,700	7,125
Other	28,432	7,670	36,102	922
Reportable segment total	291,579	17,522	309,101	12,889
Adjustments*1	-	(17,522)	(17,522)	(515)
Consolidated total	291,579	-	291,579	12,373

Notes: 1. Breakdown of adjustments:

Millions of yen

Income	Amount
Intersegment transactions	47
Corporate expenses*	(563)
Total	(515)

*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 consolidated statements of income for the corresponding period.

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

Not applicable

2. Three months ended June 30, 2012 (April 1, 2012 – June 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	22,712	290	23,003	(644)
Rolling Stock	28,830	105	28,935	146
Aerospace	49,614	708	50,322	889
Gas Turbine & Machinery	45,387	3,756	49,143	2,676
Plant & Infrastructure	19,840	3,079	22,920	197
Motorcycle & Engine	53,430	162	53,592	(347)
Precision Machinery	36,101	2,763	38,864	3,992
Other	27,613	7,959	35,573	554
Reportable segment total	283,530	18,825	302,355	7,466
Adjustments*1	-	(18,825)	(18,825)	(724)
Consolidated total	283,530	-	283,530	6,741

Notes: 1. Breakdown of adjustments:

Millions of yen

Income	Amount
Intersegment transactions	72
Corporate expenses*	(797)
Total	(724)

* 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 consolidated statements

(2) Orders and sales (consolidated)

Orders received

Three months ended

(2) Net sales by geographic area (consolidated)

Three months ended June 30, 2011 (April 1, 2011 – June 30, 2011)

Millions of yen

Japan	117,989	40.4%
United States	55,427	19.0%
Europe	33,279	11.4%
Asia	53,583	18.3%
Other areas	31,299	10.7%
Total	291,579	100.0%

Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)

Millions of yen

Japan	133,519	47.0%
United States	58,545	20.6%
Europe	21,595	7.6%
Asia	44,946	15.8%
Other areas	24,923	8.7%
Total	283,530	100.0%