



**Financial Results for First Quarter FY 2012
(for the year ending March 31, 2013)**

July 31, 2012

Kawasaki Heavy Industries, Ltd.

Table of Contents



I. Consolidated Results for First Quarter FY2012

— Summary of Financial Results	1
— Financial Results by Segment	2
— Details of Change in Profit I	3
— Details of Change in Profit II	4
— Financial Results by Segment	
Ship & Offshore Structure	5
Rolling Stock	6
Aerospace	7
Gas Turbine & Machinery	8
Plant & Infrastructure	9
Motorcycle & Engine	10
Precision Machinery	11
— Financial Condition and Cash Flows	12

II Forecast for FY2012

— Consolidated Operating Performance	13
— Forecast by Segment	14
— R&D/CAPEX/Number of Employees	15

Summary of Financial Results



(Billion Yen)

	FY2011.1Q	FY2012.1Q	Change	<u>vs. FY2011.1Q</u>
Orders Received	251.1	271.5	+ 20.3	< Orders Received > Increased as a whole due to increase in orders received in Plant & Infrastructure and Ship & Offshore Structure segments, despite decrease in orders received in Precision Machinery segment
Net Sales	291.5	283.5	- 8.0	< Net Sales > Decreased as a whole due to sales decrease in Motorcycle & Engine and Precision Machinery segments, despite increase in Aerospace segment
Operating Income	12.3	6.7	- 5.6	< Profits > Decreased as a whole due to income decrease or deterioration in Precision Machinery and Ship & Offshore Structure segments, despite increase in Aerospace segment
Recurring Profit	14.6	11.7	- 2.9	
Net Income	9.5	6.0	- 3.5	

Exchange Rates (weighted-average)

Yen / US\$	82	80
Yen / EUR	119	105

Details of Change in Profit I

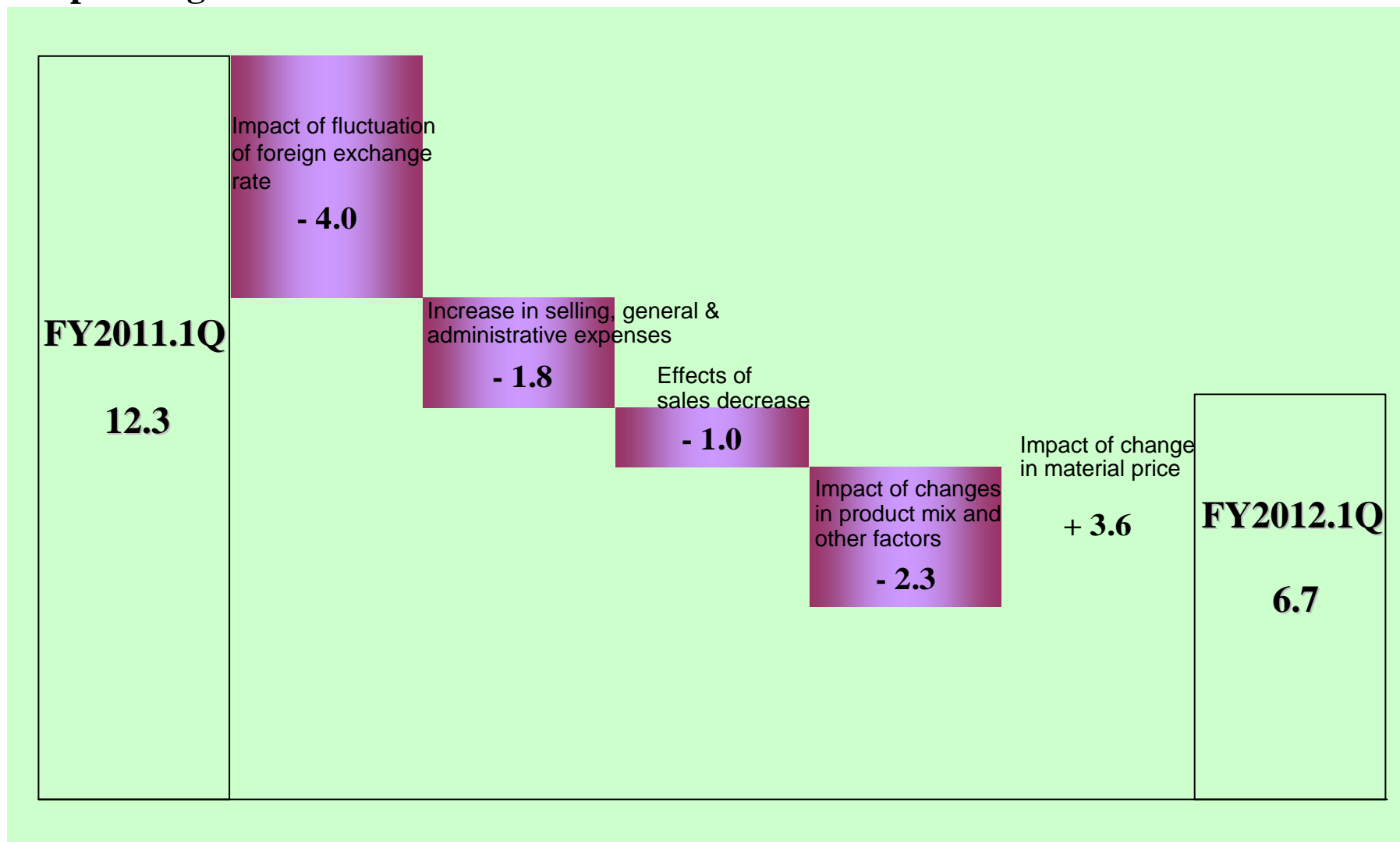
- FY2012.1Q vs. FY2011.1Q -

01.Cs5(rei).7rei



Operating Income - 5.6 (FY2011.1Q 12.3 Æ FY2012.1Q 6.7)

(Billion Yen)



Details of Change in Profit II

- FY2012.1Q vs. FY2011.1Q -

I. Consolidated Results for First Quarter FY2012



(Billion Yen)

Non-operating Income/Expenses + 2.6 (FY2011.1Q 2.2 Æ FY2012.1Q 4.9)

Net Interest expense (encl. dividend income)	0	- 0.4	Æ - 0.3
Equity in income of unconsolidated subsidiaries and affiliates	+ 0.1	2.0	Æ 2.2
Gain and loss on foreign exchange	+ 2.3	0.3	Æ 2.6
Others	0	0.3	Æ 0.3

Extraordinary Income/Losses + 0.5 (FY2011.1Q - 0.5 Æ FY2012.1Q 0)

Loss on impairment of fixed assets	+ 0.5	(- 0.5)	Æ 0
Loss on impairment of idle assets whose book values were written down to the recoverable amounts			

Ship & Offshore Structure



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

Billion Yen / In accumulated amount

—FY2012.1Q vs. FY2011.1Q)

Orders Received: Increased significantly due to orders received of a LNG carrier and other vessels

Net Sales: Decreased due to decrease in amount of shipbuilding of large-scale bulk carriers

Operating Income/Loss: Deterioration in profitability due to sales decrease and sales increase in lower margin projects

—FY2012 Forecast vs. FY2011

Orders Received: Expected to increase due to orders received of new building ship including gas carriers

Net Sales: Expected to decrease due to stagnation of ship price and decrease in amount of shipbuilding

Operating Income/Loss: Expected to deteriorate in profitability due to sales decrease, the effect of prolonged stagnation of ship price and other factors

<For Reference> Business Development in Overseas

NACKS was established in December 1995, as a 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 are built for domestic shipping company such as COSCO as well as for Japanese and European customers.

As a parent company of NACKS, KHI has supported DACKS, which was initially established by NACKS and COSCO Group, since its establishment in July 2007. In order to make it more competitive and further expand its operations, KHI decided to acquire a 34% stake in DACKS, and this investment was approved by China authority in April 2012.

Meanwhile, KHI decided to participate in a joint venture project for building drill ships etc. in Brazil, where the demand for the drill ships & FPSO for drilling and production of offshore oil is rapidly increasing, and executed a shareholders agreement with EP in May 2012.

With a view to expanding operations and boosting profitability at two shipyards in China and developing the new shipyard in Brazil as the overseas shipyard, KHI will further deepen

Rolling Stock



Main Products : Electric train cars (incl. Shinkansen), Electric diesel locomotives, Passenger

Gas Turbine & Machinery



Main Products : Jet engines, Gas turbine co-generation systems & steam turbines for

Plant & Infrastructure



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

Billion Yen / In accumulated amount

—**FY2012.1Q** vs. FY2011.1Q

Orders Received: Increase in orders received to overseas projects including the cryogenic tanks for Ichthys LNG Project

Net Sales: Decreased due to sales decrease of large overseas projects, despite sales increase of material handling systems in municipal refuse incineration plants

Operating Income: Decreased due to sales decrease and decline in profit margin

—**FY2012 Forecast** vs. FY2011)

Orders Received: Expected to increase as a whole due to orders received of energy and environmental projects, and projects related infrastructure for resource-producing countries

Net Sales: Expected to increase due to increase in sales of municipal refuse incineration plants for domestic customers and other projects

Operating Income: Expected to decrease due to decline in profit margin resulting from severe competitiveness

<For Reference> Orders Received of Energy and Environmental Projects

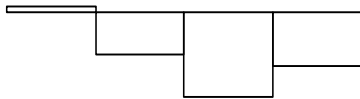
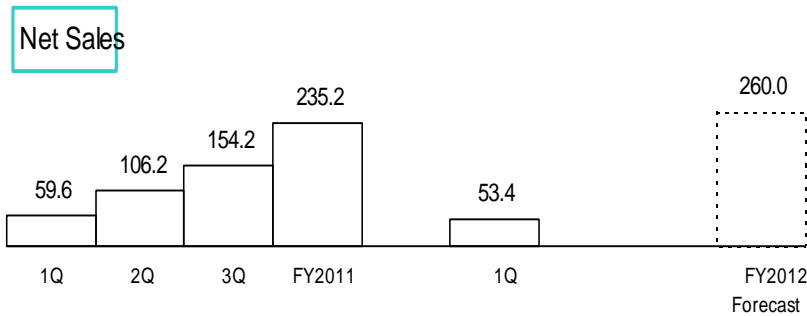
- In parallel with an expected increase of worldwide energy consumption, a lot of floating LNG facilities are planned to be constructed. Under these circumstances, KHI's proven track record of boilers for land and marine use (more than 1,200 units) and technical capability, which has realized reliable and robust boilers that can operate under severe offshore condition, are highly evaluated, and in July 2011, KHI won the contract with Technip to supply 7 units of boilers for the Shell's floating LNG facility of "Prelude", the world's first floating LNG facility.
- In April 2012, KHI won the contract of 4 massive cryogenic tanks for Ichthys LNG Project in Australia. This project is very important for Japan in terms of the stable

Motorcycle & Engine



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

Billion Yen / In accumulated amount

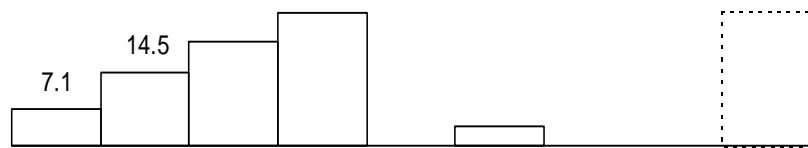


<For Reference>

Business Development in Asian and Other Emerging Markets

- In Asian and other emerging countries such as Indonesia, KHI's sales is increasing as leisure motorcycles market is expanding, and demand for leisure motorcycles is expected to increase in the near future. In order to respond to market growth and further to reinforce the business operation in Asian and other emerging countries, KHI focuses on upgrading production which includes construction of the new plant in Indonesia and expansion of the plant in Thailand.
- In China, which has the largest motorcycle market in the world, demand for leisure motorcycles that KHI mainly targets is expected to increase following the recent economic growth. In this market environment, in June 2012, KHI signed a letter of intent on a business partnership deal with Loncin Motor Co., Ltd. regarding the manufacture and sale of motorcycles in China.

Operating Income



Financial Condition and Cash Flows



		FY2012.1Q
Cash flows from operating activities	- 10.2	7.9
Cash flows from investing activities	- 14.8	- 30.6
Free Cash Flows	- 25.1	- 22.6
Cash flows from financing activities	11.1	22.6

Forecast by Segment



(Billion Yen)

	Net Sales					
	FY2011 Actual	FY2012 Forecast	Change	FY2011 Actual	FY2012 Forecast	Change
	113.5	80.0	- 33.5	3.9	- 5.0	- 8.9
	132.6	130.0	- 2.6	5.1	6.0	+ 0.9
	206.5	250.0	+ 43.5	7.8	9.0	+ 1.2
	194.6	210.0	+ 15.4	7.7	8.0	+ 0.3
	122.8	130.0	+ 7.2	14.1	10.0	- 4.1
	235.2	260.0	+ 24.8	- 2.9	5.0	+ 7.9
	175.0	200.0	+ 25.0	26.6	27.0	+ 0.4
Others	122.2	120.0	- 2.2	123.2	120.0	- 3.2
Eliminations and corporate	-	-	-	-	-	-
	1,303.7	1,380.0	+ 76.3	57.4	52.0	- 5.4

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

R&D/CAPEX/Number of Employees





Kawasaki, Working as One for the Good of the Planet

Cautionary Statement

The performance outlook and the forecasts stated in this report were prepared by Kawasaki Heavy Industries, Ltd. (hereinafter, KHI) based on the circumstances at the report date 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.