

Financial Results for First Quarter FY2013 (for the year ending March 31, 2014)

July 30, 2013



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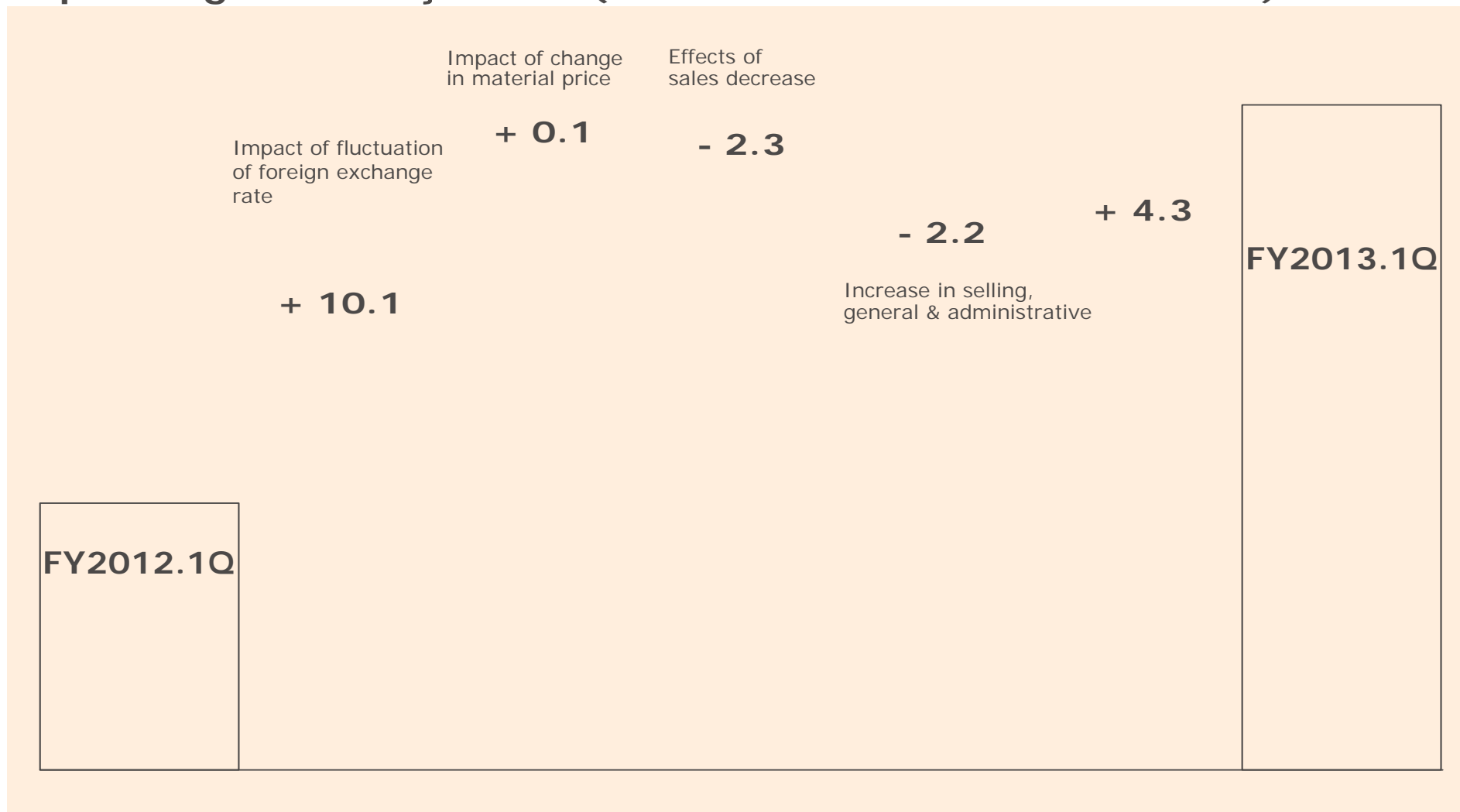
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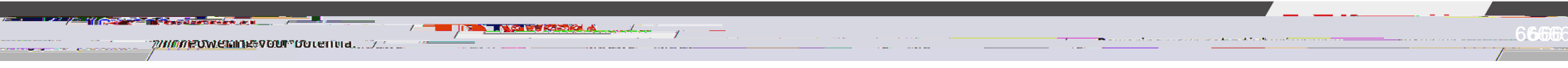
	Orders Received			Net Sales			Operating Income		
	FY2012 1Q	FY2013 1Q	Change	FY2012 1Q	FY2013 1Q	Change	FY2012 1Q	FY2013 1Q	Change
Ship & Offshore Structure	30.3	27.1	- 3.1	22.7	21.0	- 1.6	- 0.6	3.3	+ 4.0
Rolling Stock	25.3	35.0	+ 9.6	28.8	30.5	+ 1.7	0.1	1.9	+ 1.7
Aerospace	34.4	41.5	+ 7.1						

Details of Change in Profit I

- FY2013.1Q vs. FY2012.1Q -

Operating Income \uparrow 10.0 (FY2012.1Q 6.7 FY2013.1Q 16.7) (Billion Yen)

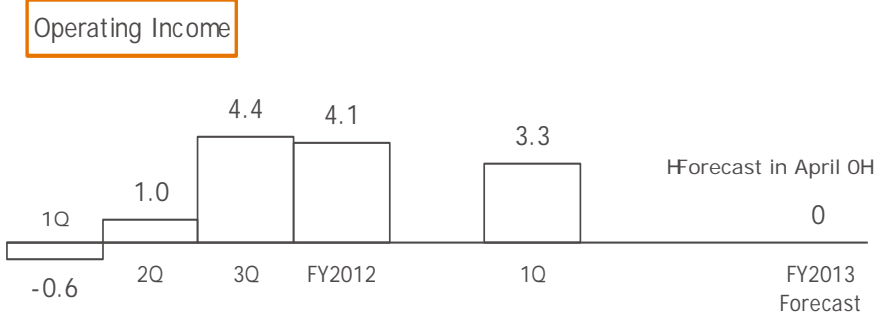
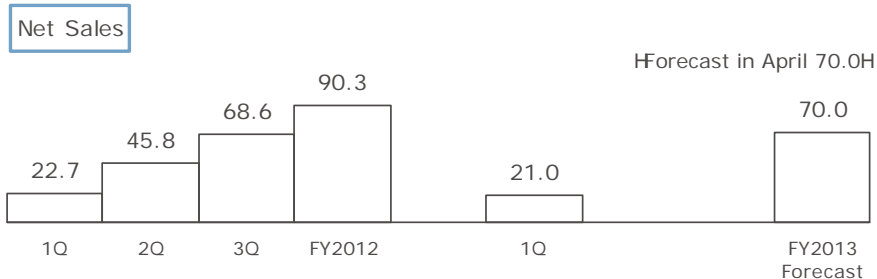
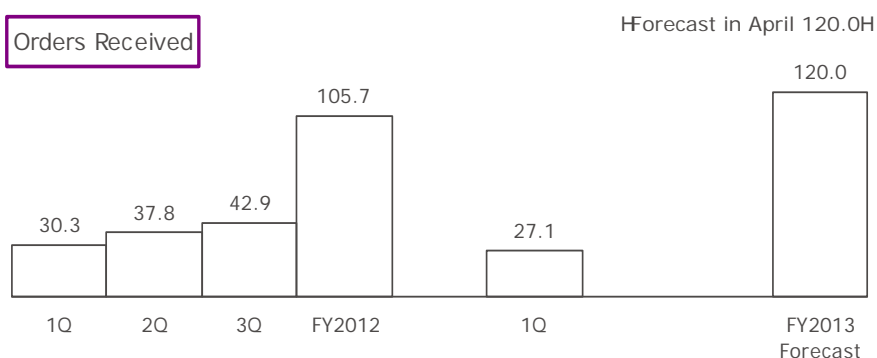




Ship & Offshore Structure

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

¥Billion Yen / In accumulated amount H



FY2013.1Q Hvs. FY2012.1Q)

Orders Received: Decreased despite orders received for 1 LNG carrier and 1 bulk carrier

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

Operating Income: Improved due to the effect of the depreciation of the yen, reversal of provision for loss on construction contracts accompanying yen depreciation and other factors, despite sales decrease

	FY2012.1Q	FY2013.1Q	FY2012.1Q	FY2013.1Q
LNG carriers	1	1	1 (1)	2 (2)
Small-sized LNG carriers			1 (1)	1 (1)
LPG carriers	1		1 (1)	2 (2)
Bulk carriers	1	1	15 (13)	6 (4)

(unit)

FY2013 Forecast Hvs. FY2012 H

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: Expected to decrease due to sales decrease, percentage increase in lower margin vessels and other factors

<For Reference> Business Development in Overseas

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. 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 also 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 acquired a 34% stake in DACKS in April 2012. As a result, KHI's actual ratio of investment in DACKS (including indirect investment) is 49%.

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 the drilling and production of offshore oil is rapidly increasing, executed a shareholders agreement with Estaleiro Enseada do Paraguaçu S.A. (EEP) in May 2012 and acquired a 30% stake in EEP.

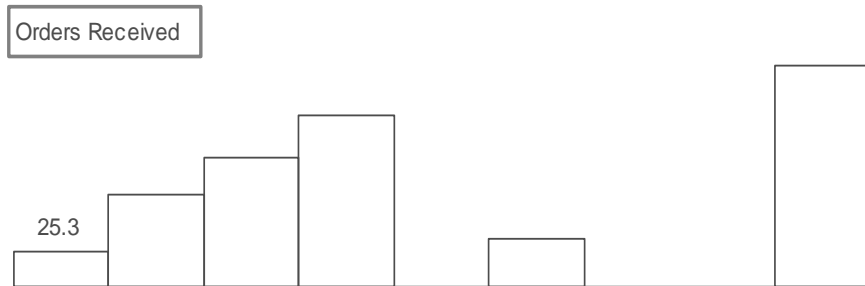
With a view to expanding operations and boosting profitability at two shipyards in China and developing the new shipyard in Brazil as the third overseas shipyard, KHI will further deepen cooperation between its bases at home and three overseas shipyards, and actively pursue shipbuilding by taking advantage of the feature of each shipyard.

Rolling Stock

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

® (High-Capacity, Full Sealed Ni-MH Battery)

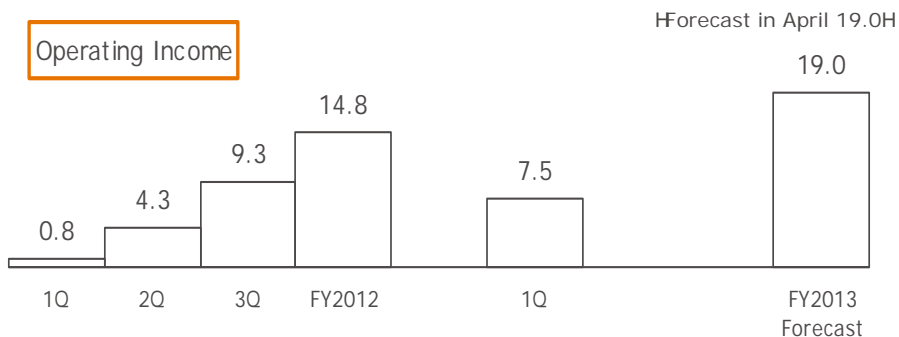
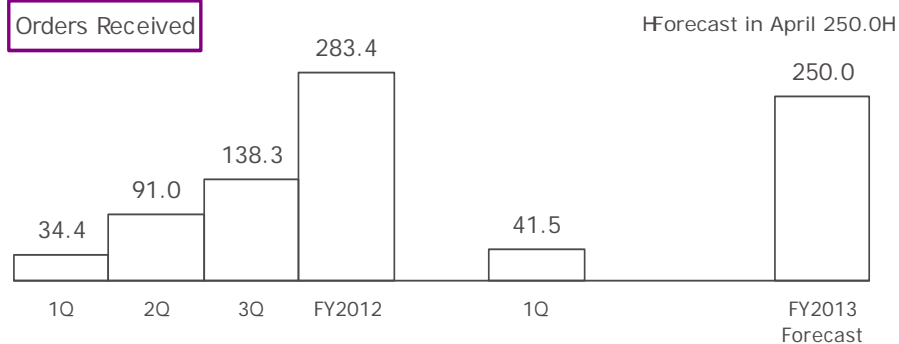
Billion Yen / In accumulated amount H



Aerospace

Main Products : Aircrafts for Japan Ministry of Defense, Component parts for commercial aircrafts, Commercial helicopter, Missiles, Space equipment

HBillion Yen / In accumulated amountH



FY2013.1Q Hvs. FY2012.1Q H

Orders Received: Increase in orders received for component parts for Boeing 777 and 787

Net Sales: Increased due to sales for the Japan Ministry of Defense (MOD) remaining constant to the previous same period and an increase for component parts for Boeing 777 and 787

Operating Income: Increased significantly due to sales increase, the effect of the depreciation of the yen and reversal of provision for loss on construction contracts accompanying yen depreciation

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

	FY2012.1Q	FY2013.1Q
Boeing 777	21	26
Boeing 767	7	5
Boeing 787	10	13
Embraer170/175	6	8
Embraer190/195	21	11

FY2013 Forecast Hvs. FY2012)

Orders received: Expected to decrease due to decrease mainly in orders received for MOD

Net Sales: Expected to increase due to sales increase for MOD including C-2 transport aircraft and component parts for Boeing 787

Operating Income: Expected to increase due to sales increase and other factors

<For Reference> Present Status of Main Projects

Aircrafts for MOD

In March 2013, KHI delivered the first mass production of P-1 patrol aircraft to MOD. KHI is steadily working on the mass production of P-1, as well as C-2 transport aircraft.

Commercial aircrafts

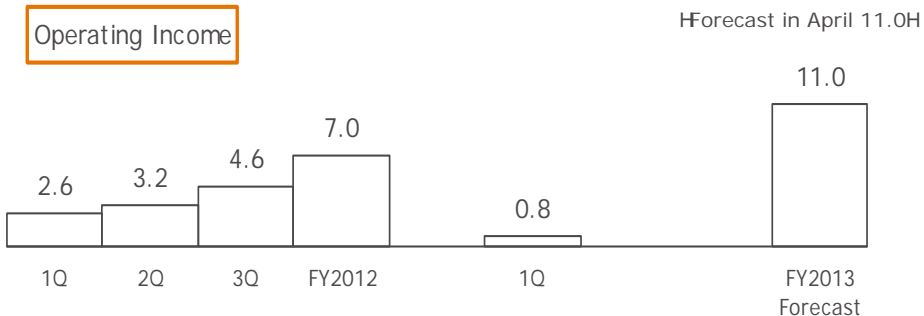
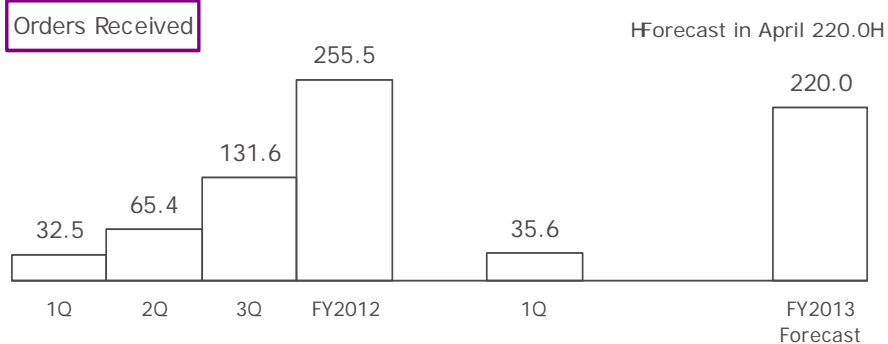
Component parts for Boeing 777- KHI's production rate for 777 program has increased 7 to 8.3 units per month corresponding to the increase in production rate by the Boeing Company.

Component parts for Boeing 787- KHI has achieved to deliver the 100th component parts to Boeing in August 2012 since the first delivery of it in January 2007. KHI has completed the production system at Kawasaki's Nagoya Works I for ramp-up production.

Gas Turbine & Machinery

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

Billion Yen / In accumulated amountH



FY2013.1Q Hvs. FY2012.1Q)

Orders Received: Increased due to increase in orders received for hydraulic machineries, despite the effect of change in accounting methodology regarding commercial aircraft jet engines

Net Sales: Decreased due to the effect of change in accounting methodology regarding commercial aircraft jet engines and sales decrease of marine diesel engines

Note : Please see page 11 of Flash Report for the First Quarter of the Fiscal Year Ending March 31, 2014 concerning change in accounting methodology for the first quarter financial result

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

FY2013 Forecast Hvs. FY2012 H

Orders Received: Expected to decrease due to the effect of changes in accounting policies regarding commercial aircraft jet engines sales

Net Sales: Expected to decrease due to the effect of changes in accounting policies regarding commercial aircraft jet engines sales, despite sales increase due to the depreciation of the yen

Operating Income: Expected to increase due to the effect of the depreciation of the yen and other factors

<For Reference>

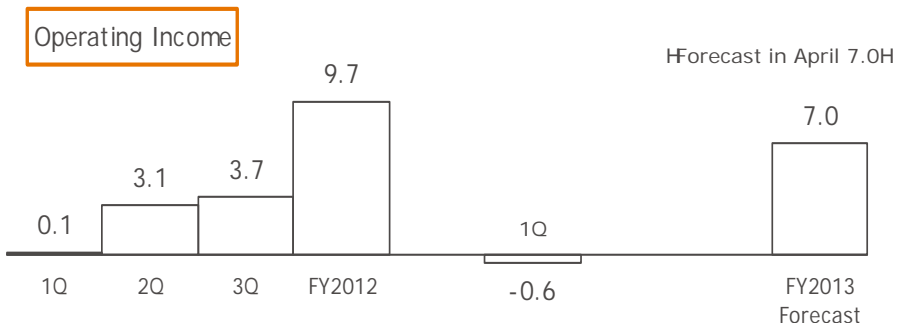
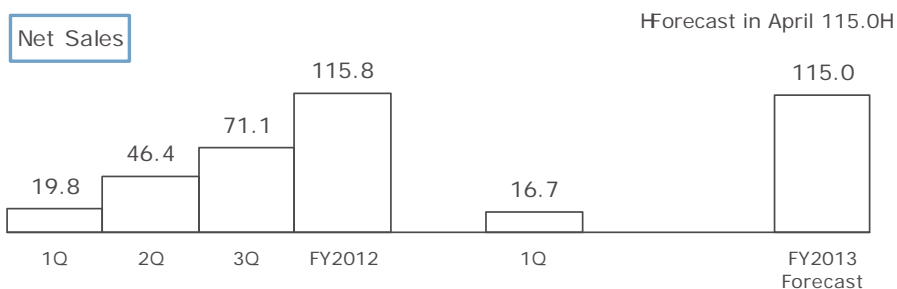
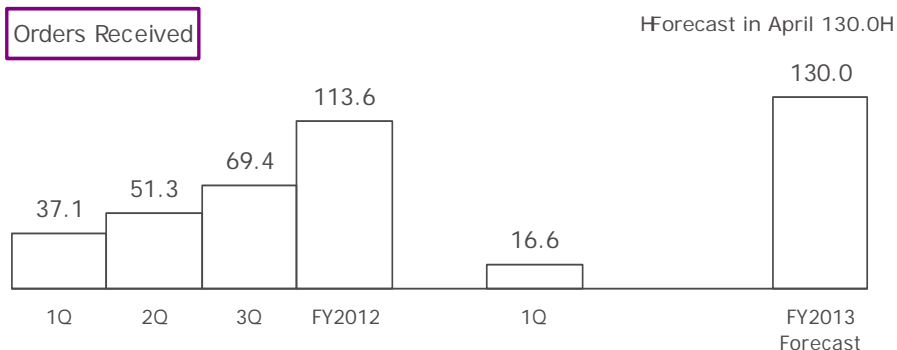
Major Projects for Commercial Aircraft Jet Engines

In July 2007, KHI has reached a formal agreement with Rolls-Royce plc. to participate in the development and production of the Trent 1000-TEN and Trent XWB-97 engines as a RRSP.

Plant & Infrastructure

Main Products: Industrial plants (cement, fertilizer and others), Power plants, LNG tanks, Municipal refuse incineration plants, Tunnel boring machines, Crushing machines

Billion Yen / In accumulated amountH



FY2013.1Q Hvs. FY2012.1Q H

Orders Received: Decreased from the previous same period, which was marked by large-scale overseas project

Net Sales: Decreased due to sales decrease of material handling systems and large-scale overseas projects, despite continued robust sales of LNG tanks

Operating Income: Deteriorated due to sales decrease, decline in profit margin and other factors

FY2013 Forecast Hvs. FY2012)

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

Net Sales: Expected to remain at the same level as in the previous fiscal year due to sales increase in projects related environment and industrial infrastructure, despite sales decrease in large-scale overseas 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 supply of energy and the decentralization of natural gas supply as approximately 70% of the Ichthys LNG to be delivered to Japan. KHI will support this project based on its proven track record and the EPC technologies.

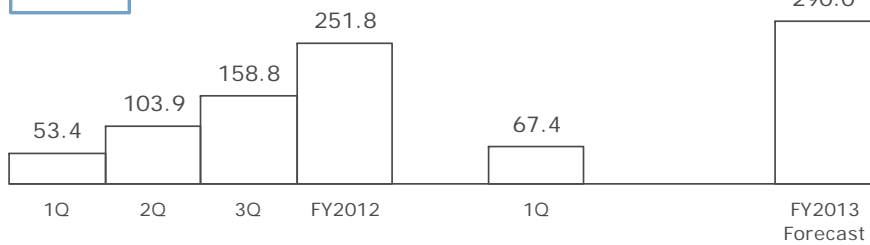
Motorcycle & Engine

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

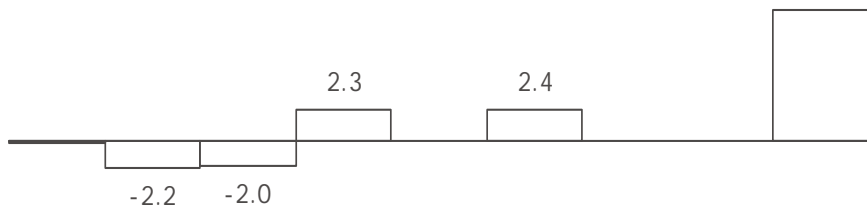
Billion Yen / In accumulated amount

Net Sales

HForecast in April 290.0H



Operating Income

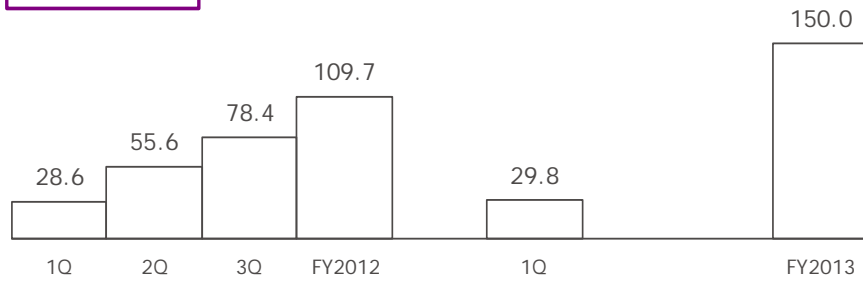


Precision Machinery

Main Products H Hydraulic components (pumps, motors & valves), Hydraulic systems for industrial use, Hydraulic marine machinery, Precision Machinery / Electric-powered devices, Industrial Robots

Billion Yen / In accumulated amount H

Orders Received



Financial Condition and Cash Flows

Financial Condition

(Billion Yen)

	FY2012		FY2013 End of June 2013
	End of June 2012	End of March 2013	
Total Assets	1,374.2	1,466.2	1,525.0

Note: Interest-bearing debt includes lease obligations

Cash Flows

(Billion Yen)

	FY2012.1Q	FY2013.1Q
Cash flows from operating activities	7.9	- 1.1
Cash flows from investing activities	- 30.6	- 18.3
Free Cash Flows	- 22.6	- 19.4
Cash flows from financing activities	22.6	20.1

Revision of Forecast for the Second Quarter (Accumulated) of FY2013

(Billion Yen / In accumulated amount)

	FY2013.2Q Forecast			(FYI) FY2012.2Q Actual
	Forecast in April	Forecast in July	Change	
Net Sales	610.0	610.0	0	574.9
Operating Income	20.0	24.0	+ 4.0	10.3
Recurring Profit	17.0	18.0	+ 1.0	20.1
Net Income	11.0	11.5	+ 0.5	12.4

Reasons for the Revision (vs. Forecast in April)

- The forecast for operating income of second quarter (accumulated) was revised 4.0 billion yen to 24.0 billion yen on reflection of the first quarter financial results, where actual foreign exchange rate exceeded that of the assumed rate. In comparison, recurring profit and net income were revised only 1.0 billion yen to 18.0 billion yen and 0.5 billion yen to 11.5 billion yen respectively, due to effects of the depreciation of the yen being limited by FX hedging.
- Meanwhile, the full year forecast remains unchanged because of uncertainty about worldwide economies.

Exchange Rates (actual & assumed)

Yen / US\$	95	95	79.92
Yen / EUR	120	120	101.79

Consolidated Operating Performance

* No changes in the forecast for FY2013 from April 25, 2013.

(Billion Yen)

	FY2012 Actual	FY2013 Forecast	Change
Orders Received	1,369.5	1,450.0	+ 80.5
Net Sales	1,288.8	1,380.0	+ 91.2
Operating Income	42.0	60.0	+ 18.0
Recurring Profit	39.3	53.0	+ 13.7
Net Income	30.8	34.0	+ 3.2

vs. FY2012

< Orders Received >

Expected to increase as a whole due to increase in orders received in Rolling Stock, Precision Machinery and Motorcycle & Engine segments, despite decrease in Aerospace segment

< Net Sale >

Expected to increase as a whole due to sales increase in Aerospace, Rolling Stock and Motorcycle & Engine segments, despite sales decrease in Ship & Offshore Structure segment

< Profits >

Expected to increase by continuing to pursue ongoing initiatives to improve earnings across all operations through such means as reducing fixed and overhead costs and boosting productivity

Exchange Rates (actual & assumed)

Yen / US\$	82.86	95
Yen / EUR	107.76	120

Note : Assumed rates are applied to the outstanding foreign exchange exposure as of July 30, 2013

(For Reference)

Impact on profit by FX fluctuation of 1 Yen

(Billion Yen)

	Operating Income	Recurring Profit
US\$	1.7(1.9)	0.8(0.8)
EUR	0.2(0.3)	0(0)

* Figures in the parenthesis () represent impact as of April 25, 2013

R&D/CAPEX/Number of Employees

* No changes in the forecast for FY2013 from April 25, 2013.

(Billion Yen / Persons)

	FY2012 Actual	FY2013 Forecast	Change
R&D Expenses	41.7	44.0	+ 2.3
CAPEX (Construction Base)	78.6	84.0	+ 5.4
Depreciation & Amortization	48.3	43.0	- 5.3
Domestic	25,222	25,700	+ 478
Overseas	8,788	9,200	+ 412
Number of Employees	34,010	34,900	+ 890

