



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

January 31, 2013

Kawasaki Heavy Industries, Ltd.

Table of Contents



I. Consolidated Results for Third 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)

	FY2011.3Q	FY2012.3Q	Change
Orders Received	782.1	802.4	+ 20.3
Net Sales	906.3	885.8	- 20.4
Operating Income	47.2	22.9	- 24.3
Recurring Profit	58.1	31.4	- 26.6
Net Income	33.6	19.3	- 14.3

vs. FY2011.3Q**< Orders Received >**

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

< Net Sales >

Decreased as a whole due to large decrease in Precision Machinery and Ship & Offshore Structure segments, despite increase in Aerospace segment

< Profits >

Decreased as a whole due to decrease in Precision Machinery and Rolling Stock segments, despite increase in Aerospace segment

Exchange Rates (weighted-average)

Yen / US\$	79.35	80.10
Yen / EUR	111.83	103.00

Financial Results by Segment



(Billion Yen)

	Orders Received			Net Sales			Operating Income		
	FY2011 3Q	FY2012 3Q	Change	FY2011 3Q	FY2012 3Q	Change	FY2011 3Q	FY2012 3Q	Change
Ship & Offshore Structure	36.9	42.9	+ 6.0	87.1	68.6	- 18.4	4.1	4.4	+ 0.2
Rolling Stock	49.9	93.1	+ 43.2	94.6	94.1	- 0.4	4.9	- 0.5	- 5.4
Aerospace	114.1	138.3	+ 24.2	138.5	165.8	+ 27.2	5.9	9.3	+ 3.4
Gas Turbine & Machinery	123.3	131.6	+ 8.3	137.0	144.6	+ 7.5	8.0	4.6	- 3.3
Plant & Infrastructure	84.0	69.4	- 14.5	78.7	71.1	- 7.6	8.8	3.7	- 5.1
Motorcycle & Engine	154.2	158.8	+ 4.5	154.2	158.8	+ 4.5	- 4.5	- 2.0	+ 2.5
Precision Machinery	131.1	78.4	- 52.7	129.0	93.8	- 35.2	20.7	4.8	- 15.9
Other	88.2	89.5	+ 1.2	86.7	88.7	+ 2.0	3.3	1.5	- 1.8
Eliminations and corporate	-	-	-	-	-	-	-4.0	- 2.9	+ 1.1
Total	782.1	802.4	+ 20.3	906.3	885.8	- 20.4	47.2	22.9	- 24.3

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

Details of Change in Profit I

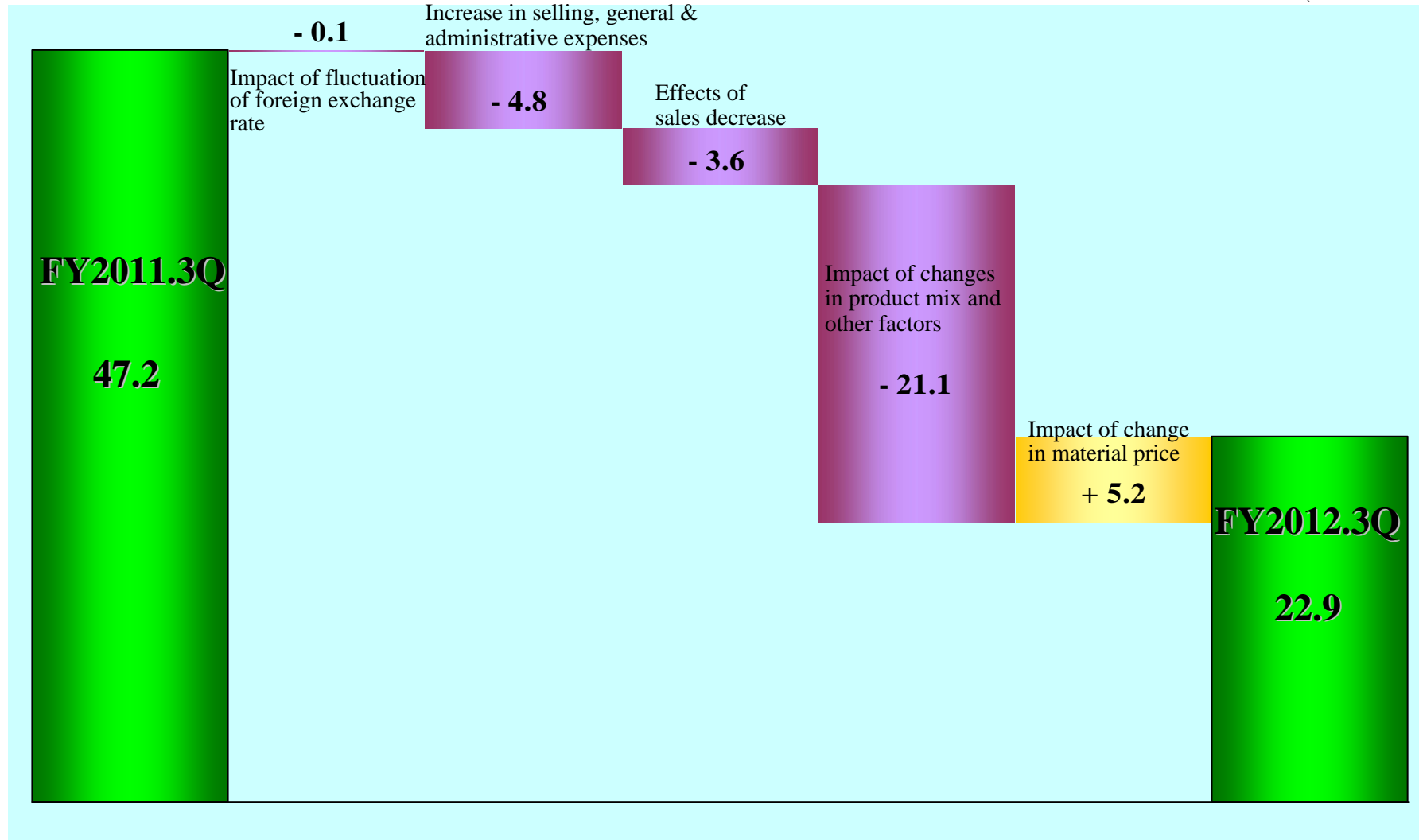
- FY2012.3Q vs. FY2011.3Q -

I. Consolidated Results for Third Quarter FY2012



【Operating Income】 - 24.3 (FY2011.3Q 47.2 → FY2012.3Q 22.9)

(Billion Yen)



Details of Change in Profit II

- FY2012.3Q vs. FY2011.3Q -

I. Consolidated Results for Third Quarter FY2012



(Billion Yen)

【Non-operating Income/Expenses】 - 2.3 (FY2011.3Q 10.8 → FY2012.3Q 8.5)

Net Interest expense (incl. dividend income)	+ 0.2	(- 1.4 → - 1.2)
Equity in income of unconsolidated subsidiaries and affiliates	- 0.0	(7.1 → 7.0)
Gain and loss on foreign exchange	- 0.9	(2.7 → 1.7)
Others	- 1.5	(2.4 → 0.9)

【Extraordinary Income/Losses】 - 0.6 (FY2011.3Q - 0.9 → FY2012.3Q - 1.6)

Provision for environmental measures	- 1.3	(0.0 → - 1.3)
Loss on impairment of fixed assets	+ 0.7	(- 0.9 → - 0.2) [*]

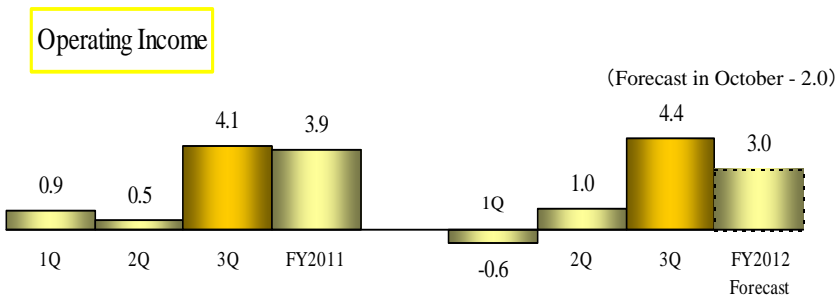
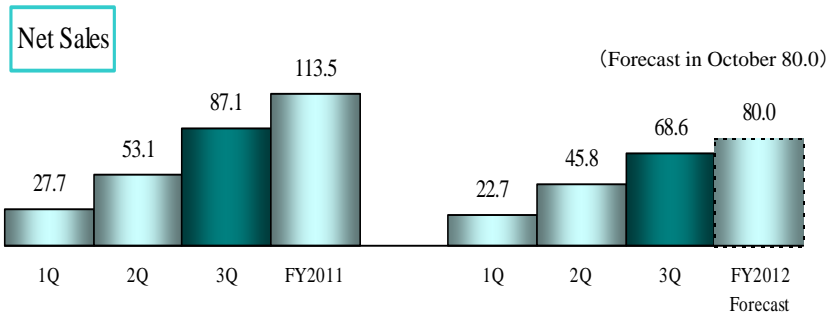
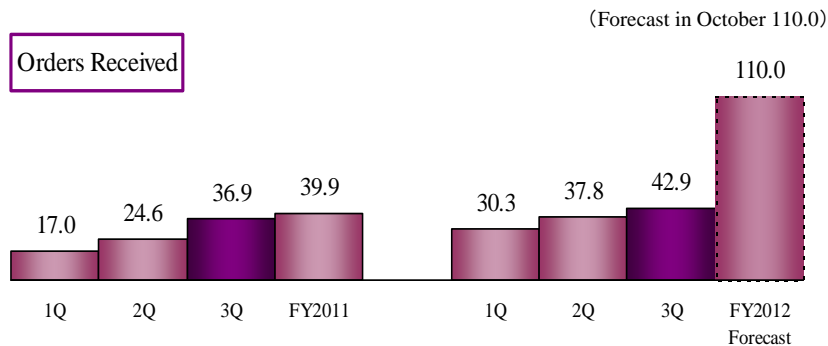
* Loss on impairment of idle assets whose book values were written down to the recoverable amounts

Ship & Offshore Structure



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

(Billion Yen / In accumulated amount)



◇ FY2012.3Q (vs. FY2011.3Q)

Orders Received: Increased 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: Increased due to cost reduction, decrease in provision for losses on construction contracts and other factors, despite sales decrease

<Units of Orders Received and Sales of New Building Ships> (unit)

	Orders Received		Sales	
	FY2011.3Q	FY2012.3Q	FY2011.3Q	FY2012.3Q
LNG carriers		1	2(1)	1(1)
Small-sized LNG carriers	1		2(1)	1(1)
LPG carriers	1	1	2(1)	2(2)
Bulk carriers	6	2	21(14)	19(7)
Submarines			2(2)	1(1)
Total	8	4	29(19)	24(12)

Note: () = Sales units by percentage-of-completion method

◇ FY2012 Forecast (vs. Forecast in October)

Orders Received & Net Sales: Remain unchanged because of no significant change

Operating Income: Revised up due to the effect of change in assumed foreign exchange rate, cost reduction 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.

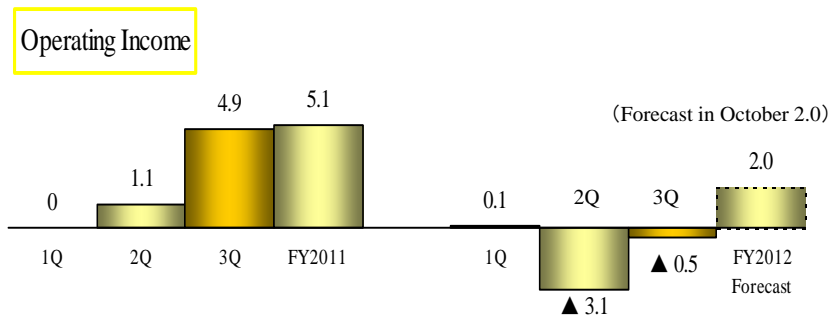
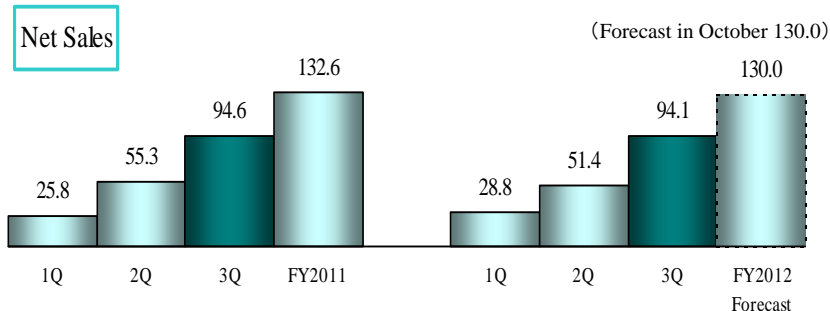
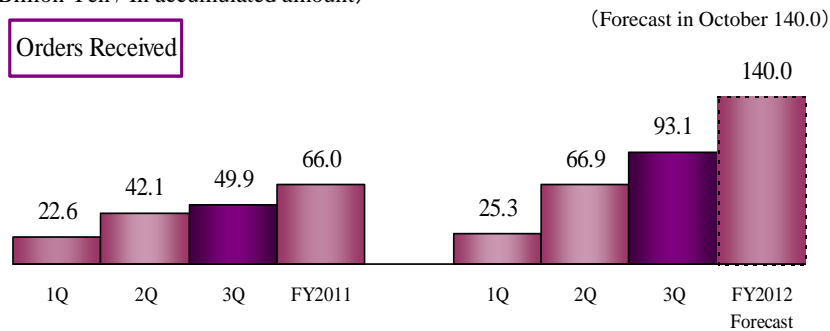
With a view to expanding operations and boosting profitability at two shipyards in China and developing the new shipyard in Brazil as the third overseas shipyard, KHI will further deepen cooperation between its bases at home and three overseas shipyards, and actively pursue shipbuilding by taking advantage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

Rolling Stock



Main Products : Electric train cars (incl. Shinkansen), Electric and diesel locomotives, Passenger coaches, Platform screen doors, Gigacell® (High-Capacity, Full Sealed Ni-MH Battery)

(Billion Yen / In accumulated amount)



◇ FY2012.3Q (vs. FY2011.3Q)

Orders Received: Increase in orders received for overseas market including high-speed rail cars for Taiwan and subway cars for Singapore

Net Sales: Remained the same level as in the previous third quarter because of sales increase for Japan Railways (JR) companies, despite sales decrease for overseas market

Operating Income: Deterioration in profitability due to provision for loss on construction contracts for a certain overseas project

◇ FY2012 Forecast (vs. Forecast in October)

Orders Received, Net Sales & Operating Income: Remain unchanged because of no significant change

<For Reference> Present Status of Overseas Projects

North America

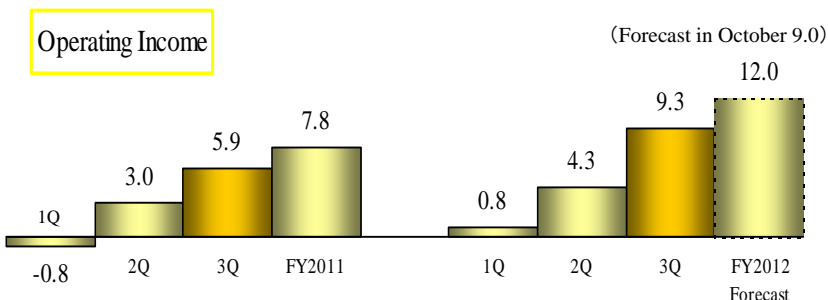
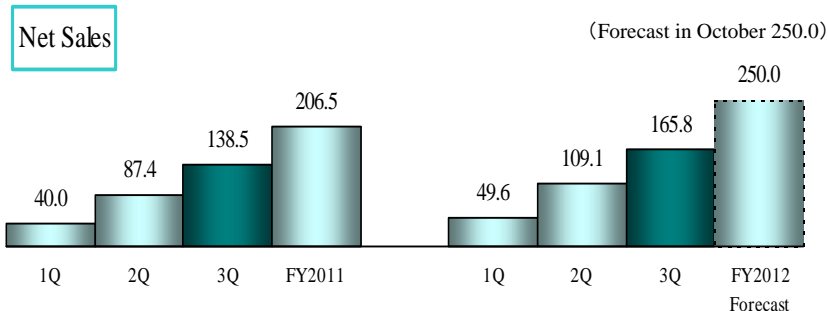
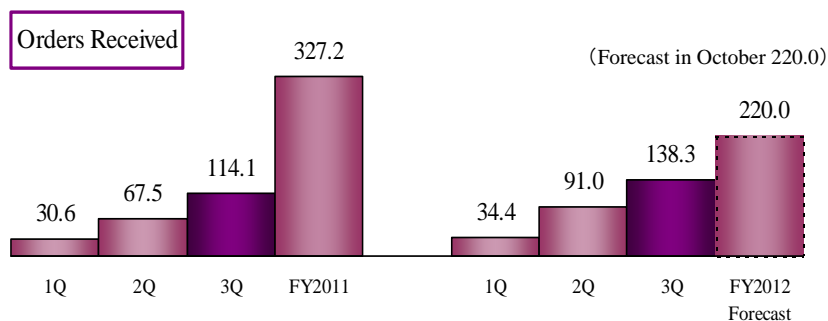
- Working to win orders mainly for heavy rails and commuter rails.
- Extension of product lineup such as efSET® and K-Star Express® to meet demand for Medium- to High-speed rail projects.
- California High-speed Rail: Working with other Japanese companies aiming to win the contract for E&M system including rail cars.

Asia

- There are construction and expansion plans of the urban transport systems in several Asian cities, and High-speed railways projects in India
- KHI will work to win new projects in the markets such as Taiwan and Shingapore, where we have the solid track record.
- Dedicated Freight Corridor - Western Corridor (Delhi – Mumbai)
Japanese ODA project, working to receive orders for electric locomotives and maintenance base facilities and others.

Main Products : Aircrafts for Japan Ministry of Defense, Component parts for commercial aircrafts (Boeing , Embraer), Missiles

(Billion Yen / In accumulated amount)



◇ **FY2012.3Q** (vs. FY2011.3Q)

Orders Received: Increase in orders received for Japan Ministry of Defense (MOD) and component parts for Boeing 777 and 787

Net Sales: Increased significantly due to sales increase for MOD including C-2 transport aircraft and component parts for Boeing 777 and 787

Operating Income: Increased due to sales increase, cost reduction and other factors

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

	FY2011.3Q	FY2012.3Q
Boeing 777	63	66
Boeing 767	19	19
Boeing 787	18	41
Embraer170/175	10	11
Embraer190/195	73	55

◇ **FY2012 Forecast** (vs. Forecast in October)

Orders Received & Net Sales: Remain unchanged because of no significant change

Operating Income: Revised up due to the effect of change in assumed foreign exchange rate, cost reduction and other factors

<For Reference> Present Status of Main Projects

Aircrafts for MOD

In March 2012, KHI received orders of the first mass production of C-2 transport aircraft for MOD. KHI is working toward the commencement of the mass production of C-2, as well as the P-1 patrol aircraft.

Component parts for commercial aircrafts

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.

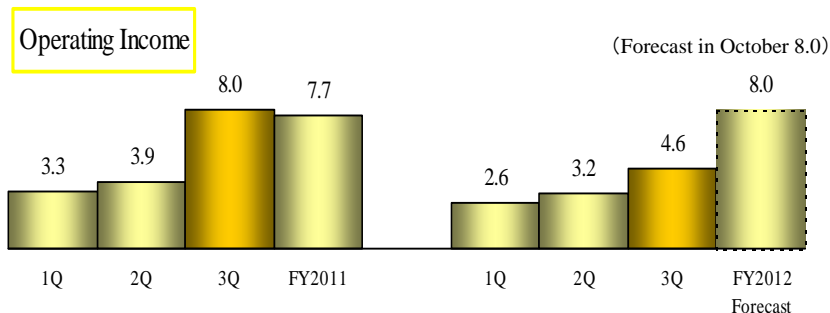
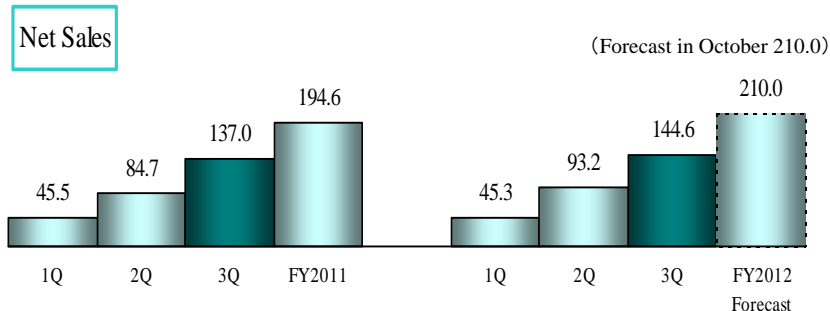
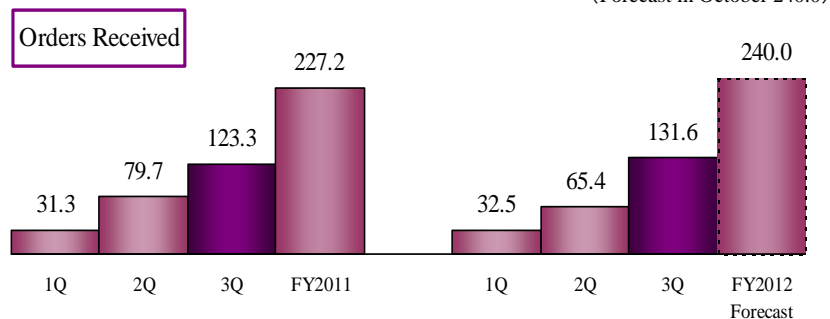
Boeing 787- In September 2011, the first 787 was delivered to the airline by the Boeing Company and regular flight service with 787 was started from November 1, 2011. KHI has completed the production system at Kawasaki's Nagoya Works I for ramp-up production.

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 amount)



◇ **FY2012.3Q** (vs. FY2011.3Q)

Orders Received: Increase in orders received for component parts of commercial aircraft jet engines

Net Sales: Increased due to sales increase in industrial gas turbines and gas engines, despite decrease in sales of turbines for land

Operating Income: Decreased due to increase in the R&D expense and other factors, despite sales increase

◇ **FY2012 Forecast** (vs. Forecast in October)

Orders Received, Net Sales & Operating Income: Remain unchanged because of no significant change

<For Reference>

Major Projects for Commercial Aircraft Jet Engines

	Trent1000	TrentXWB	PW1100G - JM
Aircraft	Boeing 787	Airbus A350	Airbus A320neo
Participation Type	RRSP (※)	RRSP (※)	International Collaboration Program
Share	Approx. 8.5%	Approx. 7%	Approx. 6%
Responsible Components	Intermediate pressure compressor (IPC) module	Intermediate pressure compressor (IPC) module	Primary parts of the engine's fan and low-pressure compressor
Present Status	Development was completed and mass production started in FY2010. To be delivered in accordance with production schedule of airplanes.	First IPC module shipped to Rolls-Royce in March 2011.	Made decision to collaborate in a program for development and production. Design work in progress.

(※) Risk & Revenue Sharing Partner

Preparation for the production for component parts of aircraft jet engines is proceeding at Seishin Work's 4th plant completed in September 2012.

Energy and Environmental Products

The L30A of 30MW class Gas Turbine, which KHI completed development in February 2012, has been operating very successfully at its first commercial plant. Also, KHI built an overhaul facility for gas turbines in Malaysia to enhance its after-sales services.

Meanwhile, the 110MW power plant which consists of 14 units of Kawasaki Green Gas Engines (received an order in September 2011) started full-scale operation in August 2012. Also, as the first overseas project, 2 units of gas engines (received an order in December 2011) were delivered for the LNG terminal in Singapore in December 2012.

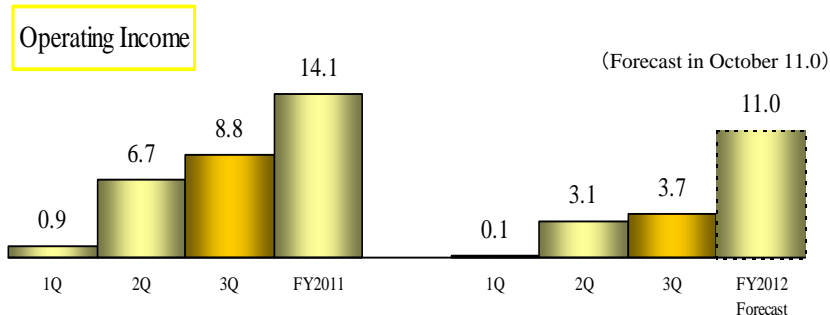
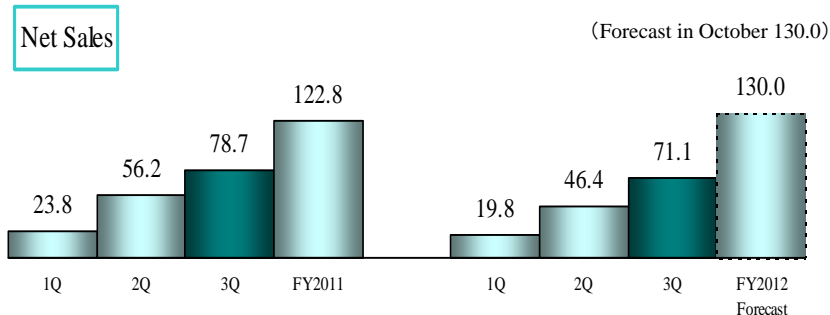
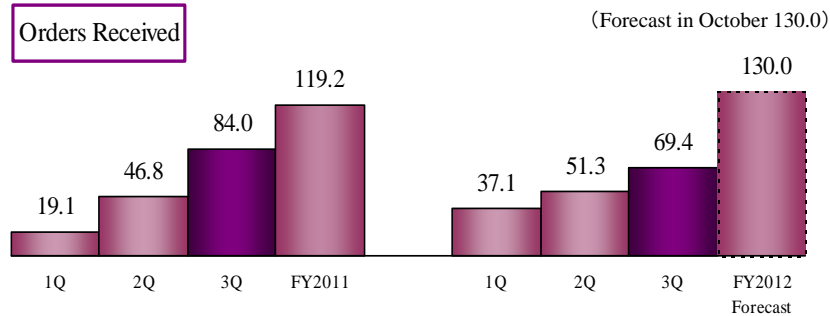
KHI will actively develop Energy and Environmental business in domestic and overseas markets.

Plant & Infrastructure



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

(Billion Yen / In accumulated amount)



◇ **FY2012.3Q** (vs. FY2011.3Q)

Orders Received: Decrease in orders received for domestic projects including LNG tanks and municipal refuse incineration plants

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

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

◇ **FY2012 Forecast** (vs. Forecast in October)

Orders Received, Net Sales & Operating Income: Remain unchanged because of no significant change

<For Reference> Orders Received of Energy and Environmental Projects

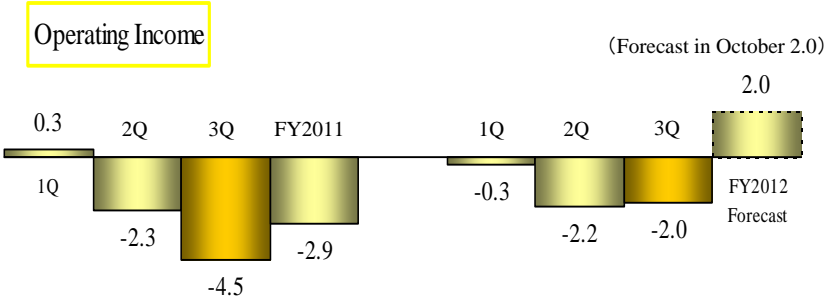
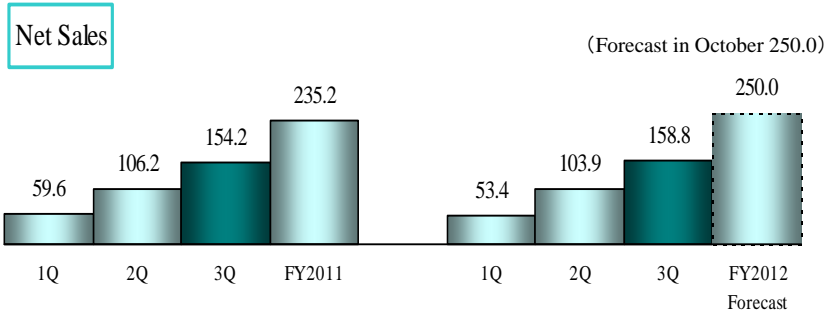
- In parallel with an expected increase of worldwide energy consumption, a lot of floating LNG facilities are planned to be constructed. Under these circumstances, KHI's proven track record of boilers for land and marine use (more than 1,200 units) and technical capability, which has realized reliable 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)



<Wholesales by Geographic Area for Consumer Products> (Thousands of unit / Billion Yen)

	FY2011.3Q		FY2011		FY2012.3Q		FY2012 Forecast	
	Unit	Amount	Unit	Amount	Unit	Amount	Unit	Amount
Domestic	10	9.1	14	12.1	10	9.1	14	12.1
North America (incl. Canada)	69 (38)	44.2	121 (69)	78.0	73 (46)	46.5	119 (74)	74.5
Europe	31	26.2	57	42.2	30	21.2	58	39.9
Emerging Countries & Others	234	53.5	309	71.0	257	59.5	387	87.8
Total	344	133.0	501	203.3	370	136.3	578	214.3

Note: 1) Sales units and amount include the following products.

Units: Motorcycles, All-Terrain Vehicles(ATVs), Utility Vehicles and Personal Watercraft (Jet Ski®)

Amount: The products mentioned above and parts for those products.

2) Figures in the parenthesis () represent motorcycle sales units.

◇ **FY2012.3Q** (vs. FY2011.3Q)

Net Sales: Increased due to sales increase of motorcycles in United States and emerging markets mainly Indonesia, despite sales decrease in European market

Operating Income: Improved due to sales increase, improvement in profitability and other factors

◇ **FY2012 Forecast** (vs. Forecast in October)

Net Sales & Operating Income: Remain unchanged because of no significant change

<For Reference> **Businesses Development in Emerging Countries**

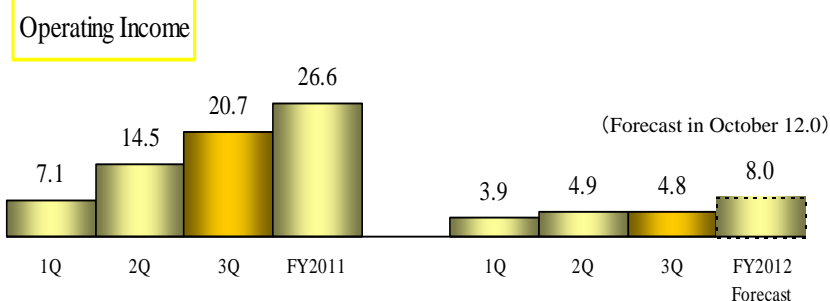
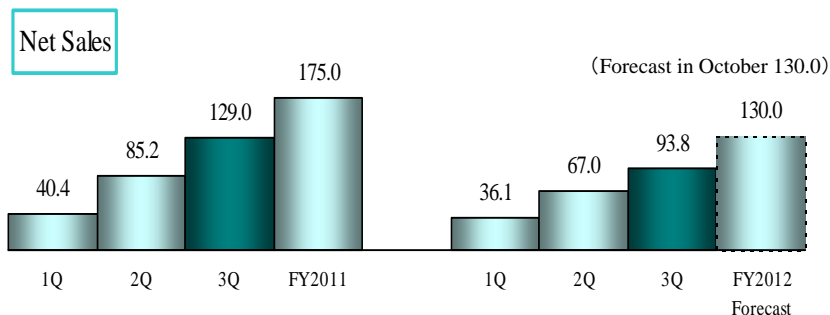
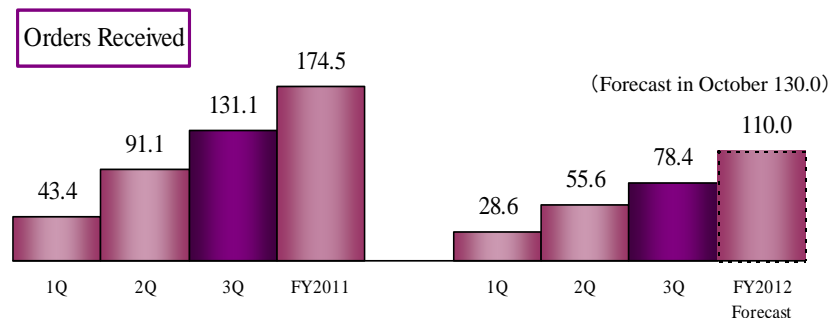
- In order to respond to market growth and further to reinforce the business operation in Asian and other emerging countries, KHI started construction of the new plant in Indonesia on September 7, 2012. The expansion of the plant in Thailand is proceeding as planned.
- KHI announced the 2013 new models including “Ninja 250/300”, “Ninja ZX-6R” and “Z800”. On August 1, 2012, “Ninja 250/300”, our global models, were launched in Indonesia, our core market, ahead of other countries.
- Leisure motorcycle markets in emerging countries are favorable, and sales in emerging countries in 2012 increased from previous year.

Precision Machinery



Main Products: Hydraulic components (pumps, motors & valves), Hydraulic systems for industrial use, Hydraulic marine machinery, Industrial Robots

(Billion Yen / In accumulated amount)



◇ **FY2012.3Q** (vs. FY2011.3Q)

Orders Received & Net Sales: Decrease in orders received for and sales of hydraulic components for construction machinery in emerging countries mainly in China

Operating Income: Decreased due to decrease in sales, increase in fixed cost resulting from capital expenditures which were executed past fiscal years and other factors

◇ **FY2012 Forecast** (vs. Forecast in October)

Orders Received: Revised down due to slower-than-expected recovery of hydraulic components for construction machinery in emerging countries mainly in China and other factors

Net Sales: Remains unchanged because of no significant change

Operating Income: Revised down due to the effect of changes in product mix and the effect of decrease in production volume

<For Reference> **Businesses Development in Emerging Countries**

In August 2006, production of hydraulic pumps started at Chinese subsidiary in Suzhou. Also, in Zhejiang, the joint venture of hydraulic machinery manufacturing was established with a Chinese company and production started in April 2010, while the sales subsidiary in Shanghai provides the products manufactured at the above manufacturing companies to customers throughout China.

Afterward, KHI reinforced business operation in China through the construction of the new plant at the subsidiary in Suzhou, expansion of the plant in Zhejiang and establishment of the subsidiary for after-sales service in Shanghai.

On the other hand, as the expectation that the recession of Chinese construction machinery market continues is increasing, we will watch the trend of this market closely. But the continued growth of this market over the medium- to long-term is expected as construction of housing for low-income families and energy-and transportation-related infrastructure projects still likely to go forward.

Meanwhile, spurred by a rapidly growing economy, India's hydraulic excavator market is booming. In order to cater to the growing demand for local production, in February 2012, KHI set up the joint venture with Wipro Limited in Bangalore for manufacture, sales, and servicing of hydraulic components for construction machinery.

Financial Condition and Cash Flows



【Financial Condition】

(Billion Yen)

	FY2011		FY2012 End of December 2012
	End of December 2011	End of March 2012	
Total Assets	1,404.4	1,362.1	1,494.4
Shareholders' Equity (Ratio of shareholders' equity to total assets)	309.7 (22.0%)	306.0 (22.4%)	311.0 (20.8%)
Interest-bearing debt (Net Interest-bearing debt)	491.6 (455.7)	407.1 (372.8)	587.1 (556.3)
Net Debt Equity Ratio	147.1%	121.8%	178.8%

Note: Interest-bearing debt includes lease obligations

【Cash Flows】

(Billion Yen)

	FY2011.3Q	FY2012.3Q
Cash flows from operating activities	- 16.1	- 104.2
Cash flows from investing activities	- 51.4	- 66.1
Free Cash Flows	- 67.5	- 170.3
Cash flows from financing activities	61.2	168.4

Consolidated Operating Performance



(Billion Yen)

	FY2011 Actual	FY2012 Forecast		Change	
		in October	in January	vs. FY2011	vs. Forecast in October
Orders Received	1,311.8	1,350.0	1,330.0	+ 18.2	- 20.0
Net Sales	1,303.7	1,300.0	1,300.0	- 3.7	0
Operating Income	57.4	36.0	40.0	- 17.4	+ 4.0
Recurring Profit	63.6	50.0	50.0	- 13.6	0
Net Income	23.3	30.0	30.0	+ 6.7	0

vs. Forecast in October

< Orders Received >

Revised down due to decrease in Precision Machinery segment resulting from slower-than-expected recovery of hydraulic components for construction machinery in emerging countries mainly in China

< Net Sales >

Remains unchanged because of no significant change

< Profits >

- Operating income is revised up due to increase in Ship and Offshore Structure and Aerospace segments resulting from the effect of change in assumed foreign exchange rate, despite decrease in Precision Machinery segment

- However, recurring profit and net income remain unchanged because the effect of change in assumed foreign exchange rate is little due to the progress of forward contracts

Exchange Rates (actual & assumed)

Yen / US\$	79.40	80	85
Yen / EUR	109.71	100	110

Note : Assumed rates are applied to the outstanding foreign exchange exposure as of the respective disclosure date

(For Reference)

Impact on profit by FX fluctuation of 1 Yen

(Billion Yen)

	Operating Income	Recurring Profit
US\$	1.4 (3.0)	0 (1.6)
EUR	0 (0.2)	0 (0)

* Figures in the parenthesis () represent impact as of October 31, 2012

Forecast by Segment



(Billion Yen)

	Orders Received			Net Sales			Operating Income		
	FY2011 Actual	FY2012 Forecast		FY2011 Actual	FY2012 Forecast		FY2011 Actual	FY2012 Forecast	
		in October	in January		in October	in January		in October	in January
Ship & Offshore Structure	39.9	110.0	110.0	113.5	80.0	80.0	3.9	- 2.0	3.0
Rolling Stock	66.0	140.0	140.0	132.6	130.0	130.0	5.1	2.0	2.0
Aerospace	327.2	220.0	220.0	206.5	250.0	250.0	7.8	9.0	12.0
Gas Turbine & Machinery	227.2	240.0	240.0	194.6	210.0	210.0	7.7	8.0	8.0
Plant & Infrastructure	119.2	130.0	130.0	122.8	130.0	130.0	14.1	11.0	11.0
Motorcycle & Engine	235.2	250.0	250.0	235.2	250.0	250.0	- 2.9	2.0	2.0
Precision Machinery	174.5	130.0	110.0	175.0	130.0	130.0	26.6	12.0	8.0
Others	122.2	130.0	130.0	123.2	120.0	120.0	3.8	3.0	3.0
Eliminations and corporate	-	-	-	-	-	-	- 8.8	- 9.0	- 9.0
Total	1,311.8	1,350.0	1,330.0	1,303.7	1,300.0	1,300.0	57.4	36.0	40.0

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

R&D/CAPEX/Number of Employees



(Billion Yen / Persons)

	FY2011 Actual	FY2012 Forecast	Change
R&D Expenses	39.9	45.0	+ 5.1
CAPEX (Construction Base)	63.9	75.0	+ 11.1
Depreciation & Amortization	48.9	52.0	+ 3.1
Domestic	24,770	25,400	+ 630
Overseas	8,497	9,100	+ 603
Number of Employees	33,267	34,500	+ 1,233

* No changes in the forecast for FY2012 from October 31, 2012.

Kawasaki, Working as One for the Good of the Planet

Cautionary Statement

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