

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES FLASH CONSOLIDATED FINANCIAL RESULTS

For six months ended September 30, 2012 and 2011 and one year ended March 31, 2012

Operating results

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2012	Six months ended Sep. 30, 2011	Six months ended Sep. 30, 2012
Net sales	¥ 574,999	¥ 584,990	\$ 7,408,826
Operating income	10,391	26,623	133,887
Net income	12,429	17,813	160,146
Earnings per share (Yen)	7.4	10.6	

Financial condition

	Millions of yen / Thousand shares		Thousands of U.S. dollars
	As of Sep. 30, 2012	As of March 31, 2012	As of Sep. 30, 2012
Total assets	¥ 1,380,896	¥ 1,362,139	\$ 17,792,758
Net assets	317,037	315,922	4,085,001
Number of shares issued and outstanding	1,671,802	1,671,815	
Equity Ratio	22.2%	22.4%	

Cash flows

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2012	Six months ended Sep. 30, 2011	Six months ended Sep. 30, 2012
Operating activities	¥ (19,487)	¥ 32,572	\$ (251,088)
Investing activities	(46,172)	(32,686)	(594,923)
Financing activities	59,287	(5,328)	763,909
Cash and cash equivalents at end of term	27,886	35,701	359,309

Fiscal year forecast

	Millions of yen		
	Net sales	Operating income	Net income
One year ending March 31, 2013	¥ 1,300,000	¥ 36,000	¥ 30,000

- Notes : 1. This "FLASH CONSOLIDATED FINANCIAL RESULTS" and following financial statements have been prepared in conformity with generally accepted accounting principles and practices in Japan.
2. All US\$ amounts in these statements represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥77.61=\$1, the rate prevailing as of September 30, 2012, solely for the convenience of the readers.

Condensed Consolidated Balance Sheets

As of September 30 and March 31, 2012

	Millions of yen		Thousands of
	As of Sep. 30, 2012	As of Mar. 31, 2012	U.S. dollars As of Sep. 30, 2012
Assets :			
Current assets :			
Cash on hand and in banks	¥ 28,798	¥ 34,316	\$ 371,060
Receivables, less allowance	374,499	416,479	4,825,396
Inventories	479,262	441,897	6,175,261
Other current assets	72,742	74,494	937,276
Total current assets	<u>955,301</u>	<u>967,186</u>	<u>12,308,993</u>
Investments and long-term loans less allowance	78,625	59,602	1,013,078
Net property, plant and equipment	285,433	274,750	3,677,786
Intangible and other assets	61,537	60,601	792,901
Total assets	<u>¥ 1,380,896</u>	<u>¥ 1,362,139</u>	<u>\$ 17,792,758</u>
Liabilities and net assets :			
Current liabilities :			
Short-term borrowings			
and current portion of long-term debt	¥ 192,392	¥ 147,924	\$ 2,478,959
Payables	272,206	310,775	3,507,357
Advances from customers	111,718	99,051	1,439,480
Other current liabilities	116,698	138,253	1,503,646
Total current liabilities	<u>693,014</u>	<u>696,003</u>	<u>8,929,442</u>
Long-term liabilities :			
Long-term debt, less current portion	279,931	259,243	3,606,894
Others	90,914	90,971	1,171,421
Total long-term liabilities	<u>370,845</u>	<u>350,214</u>	<u>4,778,315</u>
Net assets :			
Common stock	104,484	104,484	1,346,269
Capital surplus	54,394	54,394	700,863
Retained earnings	180,094	176,414	2,320,500
Treasury stock	(25)	(22)	(322)
Net unrealized gains on securities	1,654	3,989	21,312
Gains (losses) on hedging items	2,579	246	33,230
Foreign currency translation adjustments	(36,753)	(33,451)	(473,560)
Minority interests	10,610	9,868	136,709
Total net assets	<u>317,037</u>	<u>315,922</u>	<u>4,085,001</u>
Total liabilities and net assets	<u>¥ 1,380,896</u>	<u>¥ 1,362,139</u>	<u>\$ 17,792,758</u>

Condensed Consolidated Statements of Income

For six months ended September 30, 2012 and 2011

	Millions of yen		% Change	Thousands of
	Six months ended Sep.30, 2012	Six months ended Sep.30, 2011		U.S. dollars
				Six months ended Sep.30, 2012
Net sales	¥ 574,999	¥ 584,990	-2%	\$ 7,408,826
Cost of sales	488,593	485,826		6,295,491
Gross profit	86,406	99,164		1,113,335
Selling, general and administrative expenses	76,015	72,541		979,448
Operating income	10,391	26,623	-61%	133,887
Other income (expenses) :				
Interest and dividend income	1,121	1,078		14,444
Equity in income of unconsolidated subsidiaries and affiliates	5,920	4,833		76,278
Interest expense	(2,073)	(2,255)		(26,710)
Other, net	4,806	(3,967)		61,925
Income before income taxes and minority interests	20,165	26,312		259,824
Income taxes	(6,629)	(7,254)		(85,414)
Minority interests in net income of consolidated subsidiaries	(1,107)	(1,245)		(14,264)
Net income	¥ 12,429	¥ 17,813	-30%	\$ 160,146

(Consolidated)

Condensed Consolidated Statements of Cash Flows

For six months ended September 30, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2012	Six months ended Sep. 30, 2011	Six months ended Sep. 30, 2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 20,165	¥ 26,312	\$ 259,824
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	21,921	22,312	282,450
Decrease in assets	(7,494)	41,605	(96,559)
Decrease in liabilities	(31,531)	(44,332)	(406,274)
Other	(22,548)	(13,325)	(290,529)
Net cash provided by operating activities	¥ (19,487)	¥ 32,572	\$ (251,088)
Cash flows from investing activities:			
Acquisition of tangible and intangible assets	(32,298)	(33,176)	(416,157)
Acquisition of investments in securities	(489)	(34)	(6,301)
Other	(13,385)	524	(172,465)
Net cash used for investing activities	¥ (46,172)	¥ (32,686)	\$ (594,923)
Cash flows from financing activities:			
Decrease in short-term borrowings	51,342	(4,416)	661,538
Proceeds from long-term debt	44,327	28,741	571,150
Repayment of long-term debt	(27,425)	(24,140)	(353,369)
Other	(8,957)	(5,513)	(115,410)
Net cash provided by financing activities	¥ 59,287	¥ (5,328)	\$ 763,909
Effect of exchange rate changes	1,013	(1,977)	13,052
Net decrease in cash and cash equivalents	(5,359)	(7,419)	(69,050)
Cash and cash equivalents at beginning of term	33,245	44,629	428,359
Increase in cash and cash equivalents			
due to changes in fiscal period of consolidated subsidiaries	-	(1,509)	-
Cash and cash equivalents at end of term	¥ 27,886	¥ 35,701	\$ 359,309

Segment information
Information by reportable segment

Millions of yen					
Six months ended					
Sep. 30, 2011					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Ship & Offshore Structure	¥ 53,183	¥ 723	¥ 53,906	¥ 53,374	¥ 532
Rolling Stock	55,366	472	55,838	54,705	1,133
Aerospace	87,479	900	88,379	85,322	3,057
Gas Turbine & Machinery	84,760	7,433	92,193	88,279	3,914
Plant & Infrastructure	56,299	4,311	60,610	53,870	6,740
Motorcycle & Engine	106,202	482	106,684	109,062	(2,378)
Precision Machinery	85,251	6,565	91,816	77,302	14,514
Other	56,450	16,770	73,220	71,344	1,876
Total	584,990	37,656	622,646	593,258	29,388
Eliminations and corporate	-	(37,656)	(37,656)	(34,891)	(2,765)
Consolidated total	¥ 584,990	¥ -	¥ 584,990	¥ 558,367	¥ 26,623

Millions of yen					
Six months ended					
Sep. 30, 2012					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Ship & Offshore Structure	¥ 45,808	¥ 1,162	¥ 46,970	¥ 45,951	¥ 1,019
Rolling Stock	51,483	449	51,932	55,032	(3,100)
Aerospace	109,156	1,154	110,310	105,911	4,399
Gas Turbine & Machinery	93,217	8,253	101,470	98,201	3,269
Plant & Infrastructure	46,405	6,964	53,369	50,219	3,150
Motorcycle & Engine	103,927	350	104,277	106,565	(2,288)
Precision Machinery	67,060	5,965	73,025	68,054	4,971
Other	57,943	15,942	73,885	73,189	696
Total	574,999	40,239	615,238	603,122	12,116
Eliminations and corporate	-	(40,239)	(40,239)	(38,514)	(1,725)
Consolidated total	¥ 574,999	¥ -	¥ 574,999	¥ 564,608	¥ 10,391

Thousands of U.S. dollars					
Six months ended					
Sep. 30, 2012					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Ship & Offshore Structure	\$ 590,233	\$ 14,972	\$ 605,205	\$ 592,076	\$ 13,129
Rolling Stock	663,355	5,785	669,140	709,084	(39,944)
Aerospace	1,406,468	14,869	1,421,337	1,364,656	56,681
Gas Turbine & Machinery	1,201,095	106,339	1,307,434	1,265,314	42,120
Plant & Infrastructure	597,926	89,731	687,657	647,069	40,588
Motorcycle & Engine	1,339,093	4,510	1,343,603	1,373,083	(29,480)
Precision Machinery	864,064	76,859	940,923	876,871	64,052
Other	746,592	205,412	952,004	943,036	8,968
Total	7,408,826	518,477	7,927,303	7,771,189	156,114
Eliminations and corporate	-	(518,477)	(518,477)	(496,250)	(22,227)
Consolidated total	\$ 7,408,826	\$ -	\$ 7,408,826	\$ 7,274,939	\$ 133,887

Net sales, orders and order backlog by industry segment

For six months ended September 30, 2012 and 2011 and as of September 30 and March 31, 2012

	Millions of yen			Thousands of U.S. dollars	
	Six months ended		%	Six months ended	
	Sep. 30, 2012	Sep. 30, 2011		Sep. 30, 2012	
Net sales :					
Ship & Offshore Structure	¥ 45,808 (8%)	¥ 53,183 (9%)	-14%	\$ 590,233	
Rolling Stock	51,483 (9%)	55,366 (9%)	-7%	663,355	
Aerospace	109,156 (19%)	87,479 (15%)	+25%	1,406,468	
Gas Turbine & Machinery	93,217 (16%)	84,760 (14%)	+10%	1,201,095	
Plant & Infrastructure	46,405 (8%)	56,299 (10%)	-18%	597,926	
Motorcycle & Engine	103,927 (18%)	106,202 (18%)	-2%	1,339,093	
Precision Machinery	67,060 (12%)	85,251 (15%)	-21%	864,064	
Other	57,943 (10%)	56,450 (10%)	+3%	746,592	
Total	¥ 574,999 (100%)	¥ 584,990 (100%)	-2%	\$ 7,408,826	
Orders :					
Ship & Offshore Structure	¥ 37,877 (7%)	¥ 24,657 (5%)	+54%	\$ 488,042	
Rolling Stock	66,932 (13%)	42,126 (8%)	+59%	862,414	
Aerospace	91,010 (17%)	67,596 (13%)	+35%	1,172,658	
Gas Turbine & Machinery	65,470 (12%)	79,729 (15%)	-18%	843,576	
Plant & Infrastructure	51,384 (10%)	46,823 (9%)	+10%	662,079	
Motorcycle & Engine	103,927 (20%)	106,202 (21%)	-2%	1,339,092	
Precision Machinery	55,618 (10%)	91,159 (18%)	-39%	716,634	
Other	58,190 (11%)	55,164 (11%)	+5%	749,778	
Total	¥ 530,408 (100%)	¥ 513,456 (100%)	+3%	\$ 6,834,273	

	Millions of yen			Thousands of U.S. dollars	
	As of		%	As of	
	Sep. 30, 2012	Mar. 31, 2012		Sep. 30, 2012	
Order backlog :					
Ship & Offshore Structure	¥ 92,809 (7%)	¥ 102,870 (7%)	-10%	\$ 1,195,838	
Rolling Stock	344,485 (24%)	345,170 (23%)	-0%	4,438,667	
Aerospace	365,305 (26%)	386,376 (26%)	-5%	4,706,932	
Gas Turbine & Machinery	365,742 (26%)	409,819 (27%)	-11%	4,712,562	
Plant & Infrastructure	178,597 (13%)	181,698 (12%)	-2%	2,301,211	
Motorcycle & Engine	- (- %)	- (- %)	-%	-	
Precision Machinery	30,858 (2%)	42,300 (3%)	-27%	397,603	
Other	26,118 (2%)	25,883 (2%)	+1%	336,531	
Total	¥ 1,403,914 (100%)	¥ 1,494,116 (100%)	-6%	\$ 18,089,344	

Net Sales by geographic area

For six months ended September 30, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars	
	As of		%	As of	
	Sep. 30, 2012	Sep. 30, 2011		Sep. 30, 2012	
Japan	¥ 287,599 (50%)	¥ 241,194 (41%)	+19%	\$ 3,705,695	
United States	113,606 (20%)	102,865 (17%)	+10%	1,463,806	
Europe	40,234 (7%)	62,180 (11%)	-35%	518,413	
Asia	86,825 (15%)	115,232 (20%)	-25%	1,118,735	
Other	46,735 (8%)	63,519 (11%)	-26%	602,177	
Total	¥ 574,999 (100%)	¥ 584,990 (100%)	-2%	\$ 7,408,826	