Report of Earnings and Financial Statements for the Six Months Ended September 30, 2013 (Consolidated)

(Prepared pursuant to Japanese GAAP)

October 29, 2013

Listed company's name: **Kawasaki Heavy Industries, Ltd.**

Listed on:	1st sections of the TSE, and NSE
Stock code:	7012
URL:	http://www.khi.co.jp/
Representative:	Shigeru Murayama, President
Contact:	Ryoji Mori, Senior Manager, Accounting Department
Tel:	+81 3-3435-2130

Scheduled dates:

Submission of quarterly securities filing:	November 8, 2013
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 Six Months ended September 30, 2013 (April 1 – September 30, 2013)

(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	%
Six Months Ended September 30, 2013	595,077	3.4	26,840	158.2	22,788	13.0	13,001	4.6
Six Months Ended September 30, 2012	574,999	(1.7)	10,391	(60.9)	20,165	(25.9)	12,429	(30.2)

Note: Comprehensive income September 30, 2013: 29,949million yen 190.7%
September 30, 2012: 10,300million yen (30.9%)

	Earnings per share	Earnings per share – diluted
	yen	yen
Six Months Ended September 30, 2013	7.77	-
Six Months Ended September 30, 2012	7.43	-

(2) Financial Condition

	Total assets	Net assets	Equity Ratio
	million yen	million yen	%
September 30, 2013	1,557,468	339,134	20.9
March 31, 2013	1,466,290	349,881	23.0

Note: Shareholders' equity: September 30, 2013: 326,439 million yen
March 31, 2013: 338,240 million yen

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, 2013	-	0.00	-	5.00	5.00
Year ending March 31, 2014	-	0.00			
Year ending March 31, 2014 (forecast)			-	5.00	5.00

Note: Revisions to the most recently announced dividend forecast: None

3. Forecast of Consolidated Earnings for the Year Ending March 31, 2014
(April 1, 2013 – March 31, 2014)

(Percentage figures represent changes versus the year-ago period)

	Net sales		Operating income		Recurring profit		Net income		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	1,380,000	7.0	60,000	42.6	53,000	34.7	34,000	10.1	20.33

Note: Revision to the most recently announced earnings forecast: None

4. Notes

1) Changes affecting the status of material subsidiaries (scope of consolidation): None

*This refers to additions and removals of material subsidiaries to and from the consolidated group during the period. For further details, see “Changes affecting the status of material subsidiaries (scope of consolidation)” on page 9 in the Accompanying Materials.

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

*For further details, see “Accounting procedures specific to preparation of quarterly consolidated financial statements” on page 9 in the Accompanying Materials.

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

(1) Changes in accounting policies in accord with revisions to accounting standards: None

(2) Changes in accounting policies other than (1): Yes

(3) Changes in accounting estimates: Yes

(4) Correction of errors: None

*The above changes correspond to Article 10-5 in the "Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements." For further details, see “Changes in accounting policies, changes in accounting estimates, and correction of errors” on page 9 in the Accompanying Materials.

4) Number of shares issued and outstanding (common stock)

(1) Number of shares issued as of period-end (including treasury stock)

September 30, 2013: 1,671,892,659 shares
March 31, 2013: 1,671,892,659 shares

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

September 30, 2013: 119,206 shares
March 31, 2013: 100,116 shares

(3) Average number of shares during respective periods

Six months ended September 30, 2013:	1,671,782,411 shares
Six months ended September 30, 2012:	1,671,809,081 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 preparation, and do not mean that the Company promises to achieve these figures. Actual results may differ from those expressed or implied by forward-looking statements due to a range of factors. For assumptions underlying earnings forecasts and other information regarding the use of such forecasts, refer to “Consolidated earnings outlook” on page 8 in the Accompanying Materials.

How to Obtain Supplementary Briefing Material on Quarterly Financial Results and Details of the Quarterly Financial Results Briefing

The Company plans to conduct a briefing for institutional investors and analysts on Tuesday October 29, 2013, and to post the briefing material on quarterly financial results to be used for the briefing on TDnet and the Company’s website simultaneously with the announcement of financial results.

Accompanying Materials – Contents

1. Qualitative Information and Financial Statements

(1) Consolidated operating results

In the first half of the fiscal year ending March 31, 2014, the global economy grew at a generally moderate pace as developed economies such as the U.S. and Japan assumed the role of global economic growth driver from China and other emerging market economies. In the U.S., employment conditions continue to recover and energy-related demand is projected to grow by virtue of the shale gas revolution. The European economy, however, has continued to languish. The impact of slowing growth in emerging market economies and reduction of monetary easing in the U.S. are concerns going forward.

The Japanese economy has continued to grow moderately, driven largely by increased public investment funded by fiscal mobilization coupled with improvement in the export environment in the wake of yen depreciation. Policy effects from the government's growth strategy are expected to spur growth in private capital investment and household incomes, leading to a stable economic growth, but weakness in emerging market economies is a downside risk.

Amid such an economic environment, the Group achieved growth in overall orders received in the fiscal first-half as order growth in segments such as Gas Turbine & Machinery and Rolling Stock offset order declines in the Ship & Offshore Structure and Plant & Infrastructure, among others. First-half sales increased in total despite sales declines in several segments, including Precision Machinery and Plant & Infrastructure. These sales declines were outweighed by sales growth in the Motorcycle & Engine, Aerospace, and other segments. First-half operating income increased substantially in the wake of profit growth or renewed profitability in the Rolling Stock, Aerospace, Motorcycle & Engine, and other segments.

The Group’s first-half consolidated orders received increased ¥62.3 billion year on year to ¥592.8 billion. Consolidated net sales totaled ¥595.0 billion, a ¥20.0 billion year-on-year increase, and consolidated operating income increased ¥16.4 billion year on year to ¥26.8 billion. As a result of operating income growth, consolidated recurring profit increased ¥2.6 billion year on year to ¥22.7 billion even as foreign exchange gains and losses netted to a loss versus a net gain in the year-earlier period. Consolidated net income increased ¥0.5 billion year on year to ¥13.0 billion.

Consolidated operating performance in the first half of fiscal year is summarized by segment below.

Segment Information

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

Segment	Six months ended September 30				Orders received	
	2012		2013		Six months ended September 30	
	Net sales	Operating income	Net sales	Operating income	2012	2013
Ship & Offshore Structure	45.8	1.0	39.5	1.5	37.8	30.7
Rolling Stock	51.4	(3.1)	59.9	3.7	66.9	75.0
Aerospace	109.1	4.3	122.3	10.2	91.0	96.1
Gas Turbine & Machinery	93.2	3.2	77.3	3.5	65.4	84.1
Plant & Infrastructure	46.4	3.1	39.2	1.7	51.3	46.1
Motorcycle & Engine	103.9	(2.2)	139.7	2.5	103.9	139.7
Precision Machinery	67.0	4.9	55.6	4.2	55.6	61.7
Other	57.9	0.6	61.2	1.3	58.1	59.0
Adjustments	-	(1.7)	-	(2.1)	-	-
Total	574.9	10.3	595.0	26.8	530.4	592.8

Note: 1. Net sales include only sales to external customers.

2. A change in the accounting treatment of aircraft engine components reduced the Gas Turbine & Machinery segment's first-half sales and orders received by ¥16.5 billion and ¥26.8 billion, respectively, relative to what they would have been in the absence of the change. The change had no effect on income.

Ship & Offshore Structure

Consolidated orders received declined ¥7.1 billion year on year to ¥30.7 billion as the segment booked two newbuild (e.g., LNG carrier) orders, down from four in the year-earlier quarter.

Consolidated net sales decreased ¥6.2 billion year on year to ¥39.5 billion as growth in newbuild sales of LPG carriers was overshadowed by a decline in newbuild sales of other vessels, most notably handymax bulk carriers.

Despite the sales decline, the segment earned consolidated operating income of ¥1.5 billion, a ¥0.5 billion improvement from the year-earlier quarter, largely by virtue of yen depreciation and reversal of reserves for losses on construction contracts in response to the yen's depreciation.

Rolling Stock

Consolidated orders received grew ¥8.1 billion to ¥75.0 billion, largely as a result of commuter car orders from the Long Island Rail Road and Metro-North Railroad and subway car orders from the Washington Metropolitan Area Transit Authority and Sapporo City Transportation Bureau.

Consolidated net sales increased ¥8.5 billion year on year to ¥59.9 billion as overseas sales to customers in Singapore, North America and elsewhere offset a decline in domestic sales.

Consolidated operating income totaled ¥3.7 billion, a ¥6.8 billion year-on-year improvement stemming from growth in high-margin sales and yen depreciation.

Aerospace

Consolidated orders grew ¥5.1 billion year on year to ¥96.1 billion. The increase was attributable to growth in orders for components for the Boeing 787.

Consolidated net sales increased ¥13.1 billion year on year to ¥122.3 billion, largely as a result of growth in Boeing 777 and 787 component sales coupled with steady sales to Japan's Ministry of Defense.

Consolidated operating income showed a sharp ¥5.8 billion increase year on year to ¥10.2 billion, largely by virtue of sales growth and yen depreciation.

Gas Turbine & Machinery

Despite the impact of a change in the accounting treatment of aircraft engine components, consolidated orders received increased ¥18.6 billion year on year to ¥84.1 billion, largely as a result of growth in orders for gas engines and hydropower systems.

Consolidated net sales decreased ¥15.8 billion year on year to ¥77.3 billion, but when adjusted to factor out the sales decline attributable to the change in accounting treatment of aircraft engine components, consolidated net sales were largely unchanged year on year as growth in sales of aircraft engine components and gas engines offset a decline in marine diesel engine sales.

With consolidated net sales adjusted to factor out the aforementioned accounting change, consolidated operating income was largely unchanged year on year at ¥3.5 billion.

Plant & Infrastructure

Consolidated orders received totaled ¥46.1 billion, a ¥5.1 billion decrease from the year-earlier period, when the segment booked large overseas orders.

Consolidated net sales decreased ¥7.1 billion year on year to ¥39.2 billion despite growth in sales of shield tunneling machines and environmental infrastructure contracts. The sales decline was chiefly attributable to reductions in conveyance equipment sales and large overseas contracts.

Consolidated operating income declined ¥1.4 billion year on year to ¥1.7 billion as a result of the sales decline coupled with deterioration in profit margins.

Motorcycle & Engine

Consolidated net sales rose ¥35.7 billion year on year to ¥139.7 billion, boosted by motorcycle sales growth in the US and emerging-market economies, particularly Thailand and Indonesia.

Consolidated operating income totaled ¥2.5 billion, a ¥4.8 billion year-on-year improvement largely attributable to sales growth and improved profitability.

Precision Machinery

Consolidated orders received increased ¥6.1 billion year on year to ¥61.7 billion, largely by virtue of growth in robot orders from the auto industry and orders for cleaning robots for semiconductor production lines.

Consolidated net sales declined ¥11.4 billion year on year to ¥55.6 billion amid a deterioration in emerging-market, particularly Chinese, demand for hydraulic equipment for construction machinery.

Consolidated operating income was down ¥0.7 billion year on year to ¥4.2 billion, largely due to the sales decline.

Other Operations

Consolidated net sales increased ¥3.2 billion year on year to ¥61.2 billion.

Consolidated operating income increased ¥0.6 billion year on year to ¥1.3 billion.

(2) Consolidated financial position

At September 30, 2013, consolidated assets totaled ¥1,557.4 billion, a ¥91.1 billion increase of from March 31, 2013. The increase was chiefly attributable to inventory growth stemming from progress toward completion of construction jobs and capital investments that added to property, plant and equipment. Consolidated liabilities at September 30, 2013, were ¥1,218.3 billion, a ¥101.9 billion increase of from March 31, 2013. The increase was largely attributable to increases in commercial paper and other short-term borrowings and recognition of previously unrecognized retirement and severance benefit liabilities, partially offset by a reduction in notes and accounts payable-trade. Interest-bearing debt ended the first half at ¥583.1 billion, a ¥98.4 billion increase from March 31, 2013. Consolidated net assets at September 30, 2013, totaled ¥339.1 billion, a ¥10.7 billion decrease from March 31, 2013. The decrease was largely attributable to dividend payments and recognition of the previously unrecognized retirement and severance benefit liabilities, partially offset by first-half net income.

(3) Consolidated earnings outlook

Although the Aerospace and certain other segments achieved sales and profit growth in the fiscal first-half, the Precision Machinery segment's sales and profit decreased amid delayed recovery in emerging-market construction machinery demand. With overall sales and profits tracking roughly in line with its existing forecasts, the Company has left its full-year earnings forecasts unchanged.

The Company's earnings forecasts assume exchange rates of ¥95 to the US dollar and ¥130 to the euro.

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 second 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

Changes in accounting policies

Adoption of new accounting standard for retirement benefits

Effective from the first quarter of the fiscal year ending March 31, 2014, the Company adopted the Accounting Standards Board of Japan's new Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and its accompanying implementation guidelines, “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012), both of which take effect from the start of the first fiscal year beginning on or after April 1, 2013. The Company has switched to recognizing the excess of retirement benefit obligations over pension assets as retirement and severance benefit liabilities and booked previously unrecognized actuarial losses and unrecognized prior service costs as retirement and severance benefit liabilities. Additionally, the Company revised its method of calculating retirement benefit obligations and service costs and changed its method of attributing projected retirement and severance benefit obligations to accounting periods from a straight line basis to a benefit formula basis.

When recognizing a retirement benefit liability in the amount of the excess of retirement benefit obligations over pension assets as of the start of the first quarter of the fiscal year ending March 31, 2014, the Company debited accumulated other comprehensive income's cumulative adjustment for retirement benefits to reflect recognition of the liability in accord with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits. The Company also debited its capital surplus account as of beginning of the first quarter of the fiscal year ending March 31, 2014, to reflect the effect of the change in its method of calculating retirement benefit obligations and service costs.

These debits reduced accumulated other comprehensive income and capital surplus as of the beginning of the first quarter of the fiscal year ending March 31, 2014, by ¥20,389 million and ¥11,125 million, respectively. The effect on income is minimal.

Treatment of FIA

When the Company's main partners sell jet engines to airlines, the airlines demand a type of discount called fleet introductory assistance (FIA). The Company is charged a share of this FIA in proportion to its involvement in projects. The Company has previously included these FIA charges in cost of sales. Effective from the first quarter of the fiscal year ending March 31, 2014, the Company has switched to reporting FIA charges as a deduction from sales.

After reassessing its FIA transactions in light of the Japanese Institute of Certified Public Accountants' Accounting Practice Committee Research Report No. 13, "Research Report on Revenue Recognition in Japan (Interim Report)," issued in July 2009, the Company decided that this revised treatment results in a more appropriate presentation of its operating performance.

The Company deducted FIA charges from sales in the first quarter of the fiscal year ending March 31, 2014, and because the impact of this accounting policy change on the consolidated financial statements as a whole is minimal, the Company did not apply the change retrospectively.

The change reduced both first-half sales and cost of sales by ¥16,542 million, relative to what they would have been in the absence of the change, but it had no effect on operating income, recurring profit, or income before income taxes and minority interests.

The impact of the change on segment results is disclosed below under "(3) Matters related to reportable segment changes" on page 18.

Treatment of specialized jigs and tools for civilian aircraft

The Company and some of its consolidated subsidiaries have reclassified jigs and tools used in the Aerospace segment's civilian aircraft manufacturing operations from inventory (work in process) to property, plant and equipment as a result of a reassessment of these jigs and tools' balance sheet classification in light of their growing size and functionality.

The Company and its applicable consolidated subsidiaries reclassified the jigs and tools as of the previous fiscal year-end and carried the revised asset balances over as beginning balances for the first quarter of the fiscal year ending March 31, 2014. Since the impact of the reclassification on the consolidated financial statements as a whole is minimal, they did not apply the reclassification retrospectively.

The reclassification reduced work in process as of the beginning of the first quarter of the fiscal year ending March 31, 2014, by ¥26,781 million and increased property, plant and equipment and intangible assets by ¥26,555 million and ¥226 million relative to what they would have been in the absence of the reclassification.

Previously, the specialized jigs and tools' book value was transferred from work in process to cost of sales upon the sale of the aircraft components for which the jigs and tools were used. From now on, the jigs and tools will be depreciated as fixed assets and their depreciation will be allocated between cost of sales and work in process. The impact of this change on earnings is minimal.

Treatment of subsidies related to aircraft development

In developing aircraft and jet engines, the Company receives development-related subsidies pursuant to the Aircraft Industry Promotion Act. The Company previously placed priority on the subsidy transactions' legal form by recognizing the subsidies as revenue received in consideration for development deliverables, charging the revenues' corresponding development expenses to cost of sales, and recognizing projected future obligations related to the subsidies as warranty obligations. From the first quarter of the fiscal year ending March 31, 2014, the Company is placing more priority on the subsidy transactions' economic substance and has revised its accounting treatment accordingly. Specifically, the Company no longer recognizes the subsidies as revenue and, on its balance sheet, it now recognizes projected future obligations as liabilities and capitalizes development expenses as inventory.

After reassessing the subsidy transactions by placing priority on their substance in light of the Japanese Institute of Certified Public Accountants' Accounting Practice Committee Research Report No. 13, "Research Report on Revenue Recognition in Japan (Interim Report)", issued in July 2009, the Company decided that this revised treatment results in a more appropriate presentation of its operating performance and financial condition.

At the end of the first half of the fiscal year ending March 31, 2014, the Company capitalized the development expenses as inventory and recognized a liability as described above. Since the impact of these changes on the consolidated financial statements as a whole is minimal, the Company did not apply the changes retrospectively. The impact of the changes on earnings is minimal.

As a result, the work in process, accounts payable-other and long-term accounts payable-other balance at the end of the first half of the fiscal year ending March 31, 2014 increased by ¥14,926 million, ¥988 million and ¥13,938 million, respectively. The impact of the changes on earnings was minimal.

Changes in accounting policies which are difficult to distinguish from changes in accounting estimates and changes in accounting estimates.

Changes in depreciation method and depreciable lives

The Company and its domestic consolidated subsidiaries have previously used the declining balance method to depreciate their property, plant and equipment (except for buildings (excluding fixtures) acquired on or after April 1, 1998, which have been depreciated by the straight line method). Effective from the first quarter of the fiscal year ending March 31, 2014, they have switched to using the straight line method for all property, plant and equipment.

In accord with *Kawasaki Business Vision 2020*, the Company and its consolidated subsidiaries actively conduct overseas operations ranging from production to sales while treating their domestic plants as development and production hubs where advanced technological capabilities are concentrated. Given this configuration, overseas capital investment is expected to become even more important than before.

As a result of the change in the depreciation method in response to such a change in the capital investment environment, Group production facilities are expected to operate stably. The economic benefits of capital investments will accordingly accrue evenly over time. The Company therefore decided that switching to the straight line method of depreciation would more accurately reflect the state of its operations from the standpoint of appropriately reporting quarterly and annual income and losses.

Additionally, the Company and its domestic consolidated subsidiaries have previously depreciated their machinery and tools based mainly on depreciable lives prescribed in the Corporation Tax Act. In conjunction with the change in depreciation method, they have revised their machinery and tools' depreciable lives effective from the first quarter of the fiscal year ending March 31, 2014. They did so based on a comprehensive reassessment of the machinery and tools' physical and economic lives, taking into account various factors including product life spans and the risk of production process obsolescence.

As a result of these changes, first-half consolidated operating income, recurring profit, and income before income taxes and minority interests were ¥6,230 million higher than they would have been in the absence of the changes.

The impact of these changes on individual segments is disclosed below under "(3) Matters related to reportable segment changes" on page 18.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

	Millions of yen	
	As of March 31, 2013	Six months ended September 30, 2013
Assets		
Current assets		
Cash on hand and in banks	38,525	32,103
Trade receivables	432,649	408,284
Merchandise and finished products	61,446	62,197
Work in process	311,107	339,622
Raw materials and supplies	87,551	92,946
Other current assets	88,319	97,841
Allowance for doubtful receivables	(2,785)	(3,136)
Total current assets	1,016,813	1,029,859
Fixed assets		
Net property, plant and equipment	305,792	357,552
Intangible assets	19,446	18,476
Investments and other assets		
Other	125,172	152,530
Allowance for doubtful receivables	(936)	(950)
Total investments and other assets	124,236	151,579
Total fixed assets	449,476	527,609
Total assets	1,466,290	1,557,468
Liabilities		
Current liabilities		
Trade payables	281,062	244,885
Short-term debt	213,510	265,604
Income taxes payable	3,756	6,058
Accrued bonuses	20,060	15,601
Provision for losses on construction contracts	18,719	14,651
Other provisions	6,194	7,609
Advances from customers	108,213	121,991
Other	131,022	196,099
Total current liabilities	782,540	872,502
Long-term liabilities		
Bonds payable	70,000	90,000
Long-term debt	184,362	120,056
Employees’ retirement and severance benefits	62,300	-
Other provisions	5,082	4,489
Net defined benefit liability	-	102,015
Other	12,123	29,270
Total long-term liabilities	333,868	345,831
Total liabilities	1,116,409	1,218,333
Net assets		
Shareholders’ equity		
Common stock	104,484	104,484
Capital surplus	54,393	54,393
Retained earnings	198,528	191,909
Treasury stock	(27)	(34)
Total shareholders’ equity	357,379	350,754
Accumulated other comprehensive income		
Net unrealized gains (losses) on securities, net of tax	4,524	5,768

Deferred gains (losses) on hedges	(5,998)	(6,846)
Foreign currency translation adjustments	(17,665)	(3,169)
Remeasurements of defined benefit plans	-	(20,066)
Total accumulated other comprehensive income	(19,139)	(24,314)
Minority interests	11,641	12,695
Total net assets	349,881	339,134
Total liabilities and net assets	1,466,290	1,557,468

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

	Millions of yen	
	Six months ended September 30, 2012	Six months ended September 30, 2013
Net sales	574,999	595,077
Cost of sales	488,593	486,913
Gross profit	86,406	108,164
Selling, general and administrative expenses		
Salaries and benefits	20,683	22,290
R&D expenses	18,203	18,187
Provision for doubtful accounts	269	332
Other	36,858	40,512
Total selling, general and administrative expenses	76,014	81,323
Operating income	10,391	26,840
Non-operating income		
Interest income	836	475
Dividend income	285	275
Equity in income of non-consolidated subsidiaries and affiliates	5,920	5,016
Foreign exchange gain, net	3,581	-
Other	3,120	1,850
Total non-operating income	13,744	7,617
Non-operating expenses		
Interest expense	2,073	2,018
Foreign exchange loss, net	-	7,583
Other	1,896	2,067
Total non-operating expenses	3,969	11,669
Recurring profit	20,165	22,788
Income before income taxes and minority interests	20,165	22,788
Income taxes	6,629	8,777
Income before minority interests	13,536	14,010
Minority interests in net income of consolidated subsidiaries	1,107	1,008
Net income (loss)	12,429	13,001

Consolidated statements of comprehensive income

	Millions of yen	
	Six months ended September 30, 2012	Six months ended September 30, 2013
Income before minority interests	13,536	14,010
Other comprehensive income		
Net unrealized gains (losses) on securities	(2,362)	1,231
Deferred gains (losses) on hedges	2,331	(817)
Foreign currency translation adjustments	(2,519)	7,084
Remeasurements of defined benefit plans	-	320
Share of other comprehensive income of associates accounted for using equity method	(685)	8,119
Total other comprehensive income	(3,236)	15,938
Comprehensive Income attributable to:	10,300	29,949
Owners of the parent company	9,124	28,181
Minority interests	1,176	1,767

(3) Consolidated cash flow statements

	Millions of yen	
	Six months ended September 30, 2012	Six months ended September 30, 2013
Cash flow from operating activities		
Income before income taxes and minority interests	20,165	22,788
Depreciation and amortization	21,921	17,931
Increase (decrease) in provision	(12,176)	(11,740)
Interest and dividend income	(1,121)	(750)
Interest expense	2,073	2,018
Equity in income non-consolidated subsidiaries and affiliates	(5,920)	(5,016)
(Increase) decrease in trade receivables	34,414	24,269
(Increase) decrease in inventories	(43,390)	(40,461)
Increase (decrease) in trade payables	(40,727)	(37,953)
Increase (decrease) in advances from customers	14,120	12,165
(Increase) decrease in other current assets	1,238	(11,457)
Increase (decrease) in other current liabilities	(4,925)	(10,961)
Other	2,411	825
Subtotal	(11,916)	(38,342)
Cash received for interest and dividends	1,160	740
Cash paid for interest	(2,029)	(2,134)
Cash paid for income taxes	(6,701)	(5,868)
Net cash provided by operating activities	(19,487)	(45,605)
Cash flow from investing activities		
Acquisition of property, plant, equipment and intangible assets	(32,298)	(41,576)
Proceeds from sales of property, plant, equipment and intangible assets	275	541
Acquisition of investments in securities	(489)	(36)
Proceeds from sales of investments in securities	794	86
Acquisition of investments in subsidiaries and affiliate	(12,331)	(721)
Payments for lease and guarantee deposits	(1,152)	-
Decrease (Increase) in short-term loans receivable	(375)	(527)
Additions to long-term loans receivable	(41)	(28)
Proceeds from collection of long-term loans receivable	48	46
Other	(601)	308
Net cash used for investing activities	(46,172)	(41,907)
Cash flow from financing activities		
Net increase (decrease) in short-term debt	51,342	86,616
Proceeds from long-term debt	24,327	7,000
Repayment of long-term debt	(27,425)	(23,652)
Proceeds from issuance of bonds	20,000	20,000
Acquisition of treasury stock	(2)	(7)
Cash dividends paid	(8,331)	(8,344)
Cash dividends paid to minority shareholders	(434)	(436)
Other	(188)	(192)
Net cash used for financing activities	59,287	80,983
Effect of exchange rate changes	1,012	(699)
Net increase (decrease) in cash and cash equivalents	(5,358)	(7,229)
Cash and cash equivalents at beginning of period	33,245	36,971
Increase (decrease) in cash and cash equivalents due to changes in fiscal period of consolidated subsidiaries	-	804
Cash and cash equivalents at end of period	27,886	30,546

(4) Notes on financial statements

Notes on the going-concern assumption

Not applicable

Notes on significant changes in the amount of shareholders' equity

Not applicable

Segment information and others

Segment information

1. Six months ended September 30, 2012 (April 1, 2012 – September 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	45,808	1,162	46,970	1,019
Rolling Stock	51,483	449	51,932	(3,100)
Aerospace	109,156	1,153	110,310	4,399
Gas Turbine & Machinery	93,217	8,252	101,470	3,269
Plant & Infrastructure	46,405	6,964	53,369	3,150
Motorcycle & Engine	103,927	349	104,277	(2,288)
Precision Machinery	67,060	5,965	73,025	4,971
Other	57,938	15,941	73,880	692
Reportable segment total	574,999	40,239	615,238	12,113
Adjustments*1	-	(40,239)	(40,239)	(1,722)
Consolidated total	574,999	-	574,999	10,391

Notes: 1. Breakdown of adjustments:

Millions of yen

Income	Amount
Intersegment transactions	810
Corporate expenses*	(2,553)
Total	(1,722)

*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 quarterly consolidated statements of income for the corresponding period.

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

Not applicable

2. Six months ended September 30, 2013 (April 1, 2013 – September 30, 2013)

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

Millions of yen

	External sales	Intersegment sales	Total sales	Operating income (loss)
Ship & Offshore Structure	39,550	921	40,471	1,543
Rolling Stock	59,990	1,455	61,445	3,752
Aerospace	122,354	1,035	123,389	10,279
Gas Turbine & Machinery	77,368	8,457	85,826	3,509
Plant & Infrastructure	39,241	8,083	47,325	1,705
Motorcycle & Engine	139,705	313	140,018	2,592
Precision Machinery	55,636	5,615	61,252	4,244
Other	61,229	16,472	77,701	1,382
Reportable segment total	595,077	42,354	637,431	29,009
Adjustments*1	-	(42,354)	(42,354)	(2,169)
Consolidated total	595,077	-	595,077	26,840

Notes: 1. Breakdown of adjustments:

Millions of yen

Income	Amount
Intersegment transactions	(125)
Corporate expenses*	(2,044)
Total	(2,169)

* 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 quarterly consolidated statements of income for the corresponding period.

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

Not applicable

(3) Matters related to reportable segment changes

Treatment of FIA

As disclosed above under "2. (3) Changes in accounting policies, changes in accounting estimates, and correction of errors” on page 9, airlines demand a type of discount called fleet introductory assistance (FIA) when they purchase jet engines from Company's main partners, and the Company is charged a share of this FIA in proportion to its involvement in projects. The Company previously included these FIA charges in cost of sales but has switched to reporting them as a deduction from sales effective from the first quarter of the fiscal year ending March 31, 2014.

This change reduced the Gas Turbine & machinery segment's first-half sales by ¥16,542 million relative to what they would have been in the absence of the change, but it had no impact on segment income.

Changes in depreciation method and depreciable lives

As disclosed above under "2. (3) Changes in accounting policies, changes in accounting estimates, and correction of errors" on page 9, the Company and its domestic consolidated subsidiaries have previously used the declining balance method to depreciate their property, plant and equipment (except for buildings (excluding fixtures) acquired after March 31, 1998, which have been depreciated by the straight line method), but they have now switched to using the straight line method for all property, plant and equipment effective from the first quarter of the fiscal year ending March 31, 2014.

Additionally, the Company and its domestic consolidated subsidiaries have previously depreciated their machinery and tools based mainly on depreciable lives prescribed in the Corporation Tax Act. In conjunction with the change in depreciation method, they have revised their machinery and tools' depreciable lives effective from the first quarter of the fiscal year ending March 31, 2014.

As a result of these changes, first-half segment income increased by ¥293 million in the Ship & Offshore Structure segment, ¥291 million in the Rolling Stock segment, ¥1,718 million in the Aerospace segment, ¥954 million in the Gas Turbine & Machinery segment, ¥401 million in the Plant & Infrastructure segment, ¥762 million in the Motorcycle & Engine segment, ¥1,149 million in the Precision Machinery segment, and ¥659 million in the Other segment, all relative to what they would have been in the absence of the changes.

4. Supplementary information

(1) Orders and sales (consolidated)

As disclosed above under "2. (3) Changes in accounting policies, changes in accounting estimates, and correction of errors" on page 9 and "3. (4) *Segment information*" on page 17, the Company revised its accounting treatment of FIA effective from the first quarter of the fiscal year ending March 31, 2014. This change reduced the Gas Turbine & Machinery segment's first-half orders received and sales by ¥26,803 million and ¥16,542 million, respectively, relative to what they would have been in the absence of the change. Additionally, the Company reduced its order backlog as of the previous fiscal year-end by ¥258,306 million as an FIA adjustment.

Orders received

Segment	Six months ended September 30, 2012		Six months ended September 30, 2013		Year ended March 31, 2013	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	37,877	7.1	30,732	5.1	105,733	7.7
Rolling Stock	66,932	12.6	75,073	12.6	124,441	9.0
Aerospace	91,010	17.1	96,168	16.2	283,485	20.6
Gas Turbine & Machinery	65,470	12.3	84,157	14.1	255,553	18.6
Plant & Infrastructure	51,384	9.6	46,185	7.7	113,600	8.2
Motorcycle & Engine	103,927	19.5	139,705	23.5	251,858	18.3
Precision Machinery	55,618	10.4	61,724	10.4	109,725	8.0
Other	58,186	10.9	59,056	9.9	125,188	9.1
Total	530,408	100.0	592,804	100.0	1,369,588	100.0

Note: The Motorcycle & Engine segment’s orders received are equal to its net sales as production is based mainly on estimated demand.

Net sales

Segment	Six months ended September 30, 2012		Six months ended September 30, 2013		Year ended March 31, 2013	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	45,808	7.9	39,550	6.6	90,343	7.0
Rolling Stock	51,483	8.9	59,990	10.0	129,973	10.0
Aerospace	109,156	18.9	122,354	20.5	239,172	18.5
Gas Turbine & Machinery	93,217	16.2	77,368	13.0	207,008	16.0
Plant & Infrastructure	46,405	8.0	39,241	6.5	115,813	8.9
Motorcycle & Engine	103,927	18.0	139,705	23.4	251,858	19.5
Precision Machinery	67,060	11.6	55,636	9.3	130,455	10.1
Other	57,938	10.0	61,229	10.2	124,256	9.6
Total	574,999	100.0	595,077	100.0	1,288,881	100.0

Order backlog

Segment	Year ended March 31, 2013		Six months ended September 30, 2013		Six months ended September 30, 2012	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	120,112	8.7	113,830	8.1	92,809	6.6
Rolling Stock	359,980	26.2	383,117	27.5	344,485	24.5
Aerospace	432,729	31.5	413,478	29.7	365,305	26.0
Gas Turbine & Machinery	237,410	17.3	248,670	17.9	365,742	26.0
Plant & Infrastructure	171,486	12.5	176,711	12.7	178,597	12.7
Motorcycle & Engine	-	-	-	-	-	-
Precision Machinery	21,571	1.5	27,887	2.0	30,858	2.1
Other	26,796	1.9	24,626	1.7	26,116	1.8
Total	1,370,086	100.0	1,388,323	100.0	1,403,914	100.0

(2) Net sales by geographic area (consolidated)

Six months ended September 30, 2012 (April 1, 2012 – September 30, 2012)

Millions of yen

Japan	287,599	50.0%
United States	113,606	19.7%
Europe	40,234	6.9%
Asia	86,825	15.1%
Other areas	46,732	8.1%
Total	574,999	100.0%

Six months ended September 30, 2013 (April 1, 2013 – September 30, 2013)

Millions of yen

Japan	263,067	44.2%
United States	131,578	22.1%
Europe	40,393	6.7%
Asia	106,470	17.8%
Other areas	53,567	9.0%
Total	595,077	100.0%

(3) Supplementary information on earnings forecasts for the fiscal year ending March 31, 2014

1) Consolidated earnings outlook

Billions of yen

	Outlook for the year ending March 31, 2014 (fiscal 2013)			Fiscal 2012 (ended March 31, 2013) (actual)
	Revised forecast (A)	Forecast issued April 25, 2013 (B)	Change (A – B)	
Net sales	1,380.0	1,380.0	-	1,288.8
Operating income	60.0	60.0	-	42.0
Recurring profit	53.0	53.0	-	39.3
Net income	34.0	34.0	-	30.8

Orders received	1,450.0	1,450.0	-	1,369.5
Before-tax ROIC (%)	7.4%	7.4%	-	6.1%
R&D expenses	43.0	44.0	(1.0)	41.7
Capital expenditures	101.0	84.0	17.0	78.6
Depreciation/amortization	40.0	43.0	(3.0)	48.3
Number of employees at end of fiscal year *Number of employees outside of Japan included therein	34,900 *9,200	34,900 *9,200	- *-	34,010 *8,788

Notes: 1. Outlook's assumed foreign exchange rates: ¥95 = US$1, ¥130= 1 euro

2. Before-tax ROIC = (income before income taxes + interest expense) / invested capital.

3. Capital expenditures represent the total of newly recorded property, plant and equipment and newly recorded intangible assets. Depreciation/amortization represents depreciation and amortization expenses on property, plant and equipment and intangible assets.

2) Outlook by reportable segment

(a) Net sales and operating income (loss)

Billions of yen

Segment	Outlook for the year ending March 31, 2014 (fiscal 2013)						Fiscal 2012 (ended March 31, 2013) (actual)	
	Revised forecast (A)		Forecast issued April 25, 2013 (B)		Change (A – B)			
	Net sales	Operating income (loss)	Net sales	Operating income (loss)	Net sales	Operating income (loss)	Net sales	Operating income (loss)
Ship & Offshore Structure	70.0	0.0	70.0	0.0	-	-	90.3	4.1
Rolling Stock	155.0	6.0	155.0	6.0	-	-	129.9	2.2
Aerospace	300.0	23.0	290.0	19.0	10.0	4.0	239.1	14.8
Gas Turbine & Machinery	185.0	11.0	185.0	11.0	-	-	207.0	7.0
Plant & Infrastructure	115.0	7.0	115.0	7.0	-	-	115.8	9.7
Motorcycle & Engine	290.0	10.0	290.0	10.0	-	-	251.8	2.3
Precision Machinery	125.0	9.0	140.0	14.0	(15.0)	(5.0)	130.4	8.4
Other	140.0	4.0	135.0	3.0	5.0	1.0	124.2	1.2
Adjustments		(10.0)		(10.0)		-		(8.0)
Total	1,380.0	60.0	1,380.0	60.0	-	-	1,288.8	42.0

(b) Orders received

Billions of yen

Segment	Outlook for the year ending March 31, 2014 (fiscal 2013)			Fiscal 2012 (ended March 31, 2013) (actual)
	Revised outlook (A)	Forecast issued April 25, 2013 (B)	Change (A – B)	
Ship & Offshore Structure	120.0	120.0	-	105.7
Rolling Stock	160.0	160.0	-	124.4
Aerospace	260.0	250.0	10.0	283.4
Gas Turbine & Machinery	220.0	220.0	-	255.5
Plant & Infrastructure	130.0	130.0	-	113.6
Motorcycle & Engine	290.0	290.0	-	251.8
Precision Machinery	140.0	150.0	(10.0)	109.7
Other	130.0	130.0	-	125.1
Total	1,450.0	1,450.0	-	1,369.5