

**Report of Earnings and Financial Statements for the  
Six Months Ended September 30, 2012 (Consolidated)**  
(Prepared pursuant to Japanese GAAP)

October 31, 2012

Listed company's name: **Kawasaki Heavy Industries, Ltd.**  
 Listed on: 1st sections of the TSE, OSE, and NSE  
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Scheduled dates:

Submission of quarterly securities filing: November 8, 2012

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, 2012**  
(April 1 – September 30, 2012)

(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, 2012	574,999	(1.7)	10,391	(60.9)	20,165	(25.9)	12,429	(30.2)
Six Months Ended September 30, 2011	584,990	2.3	26,623	27.3	27,237	28.1	17,813	44.4

Note: Comprehensive income September 30, 2012: 10,300million yen (30.9%)  
 September 30, 2011: 14,916 million yen 92.6%

	Earnings per share	Earnings per share – diluted
	yen	yen
Six Months Ended September 30, 2012	7.43	-
Six Months Ended September 30, 2011	10.65	10.50

(2) Financial Condition

	Total assets	Net assets	Equity Ratio
	million yen	million yen	%
September 30, 2012	1,380,896	317,037	22.1
March 31, 2012	1,362,139	315,922	22.4

Note: Shareholders' equity: September 30, 2012: 306,427 million yen  
 March 31, 2012: 306,054 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
Year ended March 31, 2012	yen -	yen 0.00	yen -	yen 5.00	yen 5.00
Year ending March 31, 2013	-	0.00			
Year ending March 31, 2013 (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, 2013 (April 1, 2012 – March 31, 2013)

(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	1,300,000	(0.2)	36,000	(37.3)	50,000	(21.4)	30,000	28.6	17.94

Note: Revision to the most recently announced earnings forecast: Yes

For details, please see "Notice Concerning Revision of the Outlook for Performance for the Fiscal Year Ending March 31, 2013" announced today (October 31, 2012).

## 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: Yes

(2) Changes in accounting policies other than (1): None

(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, 2012: 1,671,892,659 shares

March 31, 2012: 1,671,892,659 shares

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

September 30, 2012: 90,297 shares

March 31, 2012: 77,126 shares

(3) Average number of shares during respective periods

Six months ended September 30, 2012:	1,671,809,081 shares
Six months ended September 30, 2011:	1,671,112,605 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. 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 Wednesday October 31, 2012, 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.

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## **1. Qualitative Information and Financial Statements**

### **(1) Consolidated operating results**

Although the global economy is expected to continue on a track to gradual recovery, the speed of recovery in developed countries remains slow due to uncertainties such as the financial problems and a continuing severe employment situation in the U.S. and debtor nation problems in Europe. In addition, the global economy is in danger of further downturn because of emerging countries that have led the global economy are also experiencing economic slowdown, with the economic growth rate of China expected to fall short of initial forecasts. The surrounding business environment is expected to remain tough due to currency movements that require caution.

In Japan, demand for reconstruction related to the Great East Japan Earthquake was moving into full swing, but its economy was faced with possible negative factors, including slowdown of export companies triggered by the prolongation of the yen's strength and the downward trend of the global economy. Meanwhile, the social roles by the Group, which is engaged in various key infrastructures, have become increasingly important amid mounting interest in the future of energy.

Under such business environment, overall orders received by the Group increased for the first half of the fiscal year ending March 2013 because greater orders for the Rolling Stock and Aerospace segments offset fewer orders for the Precision Machinery and other segments. Many business segments of the Group posted year-on-year decreases in sales and profits. Overall sales fell chiefly due to decreases in the Precision Machinery caused by economic slowdown in China and Plant & Infrastructure segments, despite increases in the Aerospace and other segments. Overall profits declined owing to lower profits in the Precision Machinery and Rolling Stock segments, despite rises in profits in the Aerospace and other segments.

As a result, in the second quarter under review, orders received increased ¥16.9 billion year on year to ¥503.4 billion on a consolidated basis. Net sales decreased ¥9.9 billion to ¥574.9 billion. Operating income dropped ¥16.2 billion to ¥10.3 billion, recurring profit declined ¥7.0 billion to ¥20.1 billion, and net income fell ¥5.3 billion to ¥12.4 billion.

Consolidated segment information for the first half of the fiscal year is summarized below.

## Segment Information

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

Segment	Six months ended September 30				Orders received	
	2011		2012		Six months ended September 30	
	Net sales	Operating income	Net sales	Operating income	2011	2012
Ship & Offshore Structure	53.1	0.5	45.8	1.0	24.6	37.8
Rolling Stock	55.3	1.1	51.4	(3.1)	42.1	66.9
Aerospace	87.4	3.0	109.1	4.3	67.5	91.0
Gas Turbine & Machinery	84.7	3.9	93.2	3.2	79.7	65.4
Plant & Infrastructure	56.2	6.7	46.4	3.1	46.8	51.3
Motorcycle & Engine	106.2	(2.3)	103.9	(2.2)	106.2	103.9
Precision Machinery	85.2	14.5	67.0	4.9	91.1	55.6
Other	56.4	1.8	57.9	0.6	55.1	58.1
Adjustments	-	(2.7)	-	(1.7)	-	-
Total	584.9	26.6	574.9	10.3	513.4	530.4

Note: Net sales include only sales to external customers.

### Ship & Offshore Structure

Orders received increased ¥13.2 billion from a year earlier to ¥37.8 billion on a consolidated basis, due to the receipt of orders for four ships, including an LNG carrier.

Net sales decreased ¥7.3 billion to ¥45.8 billion, owing to a fall in construction of Cape size bulk carriers, despite a growth in construction of liquefied gas carriers such as an LNG carrier and an LPG carrier.

Operating income increased ¥0.4 billion from a year ago to ¥1.0 billion due to a decrease in provision for losses on construction contracts, despite of a decline in sales.

### Rolling Stock

Orders received totaled ¥66.9 billion on a consolidated basis, up ¥24.8 billion year on year, primarily thanks to the receipt of orders from Taiwan for high-speed rail cars and from Singapore for subway cars.

Net sales were ¥51.4 billion, down ¥3.8 billion year on year, due to a decrease in sales overseas, although sales rose in Japan because of a rise in sales to JR companies.

Operating income and loss deteriorated ¥4.2 billion from a year ago to an operating loss of ¥3.1 billion, affected by provision for losses on construction contracts for a certain overseas project.

## **Aerospace**

Orders received increased ¥23.4 billion from the previous fiscal year to ¥91.0 billion on a consolidated basis, mainly due to rises in orders from Japan's Ministry of Defense and orders from Boeing for component parts for the Boeing 777 and 787.

Net sales jumped ¥21.6 billion to ¥109.1 billion, thanks to an increase in sales to the Ministry of Defense, including C-2 transport aircraft, and a rise in sales to Boeing of component parts for the Boeing 787. In addition, sales of component parts for the Boeing 777 continued to be robust.

Operating income improved ¥1.3 billion from a year earlier to ¥4.3 billion, largely because of increased sales and reduced costs.

## **Gas Turbine & Machinery**

Orders received totaled ¥65.4 billion on a consolidated basis, down ¥14.2 billion from a year earlier, when a large order for the construction of a gas engine power plant was received, despite larger orders for component parts for commercial aircraft jet engines.

Net sales increased ¥8.4 billion from a year earlier to ¥93.2 billion, buoyed by increases in sales of industrial gas turbines, gas engines and component parts for commercial aircraft jet engines, despite a decrease in sales of turbine facilities.

Operating income was ¥3.2 billion, down ¥0.6 billion, primarily affected by higher R&D expenses.

## **Plant & Infrastructure**

Orders received increased ¥4.5 billion year on year to ¥51.3 billion on a consolidated basis, thanks to the receipt of orders for cryogenic tanks and such like for the Ichthys LNG project.

Net sales declined ¥9.8 billion to ¥46.4 billion, owing to a drop in large orders from overseas, although sales of LNG storage tanks continued to be strong, and sales of conveying facilities and municipal refuse incineration plants went up.

Operating income decreased ¥3.5 billion to ¥3.1 billion, due to falls in sales and profitability.

## **Motorcycle & Engine**

Net sales were ¥103.9 billion, down ¥2.2 billion from a year earlier, hurt by a sharp drop in sales of motorcycles in Europe and the yen's sharp climb against the euro, despite an increase in sales of motorcycles for emerging countries such as Indonesia.

Operating loss remained almost unchanged at ¥2.2 billion.

## **Precision Machinery**

Orders received sharply decreased ¥35.5 billion from a year ago to ¥55.6 billion on a consolidated basis, due to a substantial decline in orders for hydraulic equipment to the construction machinery market in emerging countries, mainly China.

Net sales fell ¥18.1 billion to ¥67.0 billion, owing to a drop in sales of hydraulic equipment to

the construction machinery market in emerging countries, mainly China.

Operating income sharply declined ¥9.5 billion to ¥4.9 billion, because of lower sales and an increase in fixed expenses caused by capital spending in previous years.

### **Other Operations**

Net sales totaled ¥57.9 billion, up ¥1.4 billion from the previous fiscal year.

Operating income was ¥0.6 billion, down ¥1.1 billion.

### **(2) Consolidated financial position**

At the end of the first half under review, total assets stood at ¥1,380.8 billion on a consolidated basis, up ¥18.7 billion from the previous fiscal year, reflecting a decrease in trade receivables, an increase in inventories resulting from progress toward completion of construction jobs, and an increase in property, plant and equipment due to capital investment and investments in Dalian COSCO KHI Shipbuilding Engineering Co., Ltd. Liabilities were ¥1,063.8 billion, up ¥17.6 billion, due to rises in commercial paper, corporate bonds and advances from customers, despite a fall in trade payables. Interest-bearing debt was ¥472.3 billion, up ¥65.1 billion. Net assets were ¥317.0 billion, up ¥1.1 billion, reflecting payment of dividends and the booking of net income.

### **(3) Consolidated earnings outlook**

Although the global economy is expected to continue on a track to gradual recovery, the speed of recovery in developed countries remains slow due to uncertainties such as the financial problems and a continuing severe employment situation in the U.S. and debtor nation problems in Europe. In addition, the global economy is in danger of further downturn because of emerging countries that have led the global economy are also experiencing economic slowdown, with the economic growth rate of China expected to fall short of initial forecasts. The surrounding business environment is expected to remain tough due to currency movements that require caution.

As a result of the review of the earnings outlook for the current year in light of such business circumstances, overall net sales are expected to decrease ¥80.0 billion from the forecasts announced previously to ¥1,300.0 billion on a consolidated basis, due to a sharp decline in sales at the Precision Machinery segment, which is experiencing a low demand for hydraulic equipment for construction machinery in emerging countries, and to a decrease in sales for the Motorcycle & Engine segment as a result of the strong yen and economic slowdown in developed countries.

Although profits at the Ship & Offshore Structure segment exceed the initial forecasts, consolidated operating income is expected to decrease ¥16.0 billion from the forecasts announced previously to ¥36.0 billion, due to decreased sales and provision of loss on construction contracts for a certain overseas project at the Rolling Stock segment. Consolidated recurring profit is expected to decrease ¥6.0 billion from the forecasts announced previously to ¥50.0 billion because non-operating income and loss is expected to improve due to a turnaround in exchange



gains on forward exchange contracts as well as equity method income. In addition, consolidated net income is forecasted to decrease ¥4.0 billion from the forecasts announced previously to ¥30.0 billion.

For details, please see “Notice Concerning Revision of the Outlook for Performance for the Fiscal Year Ending March 31, 2013” announced today (October 31, 2012).

The Company's earnings forecasts assume exchange rates of ¥80 to the US dollar and ¥100 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**

#### *Change in depreciation method*

In accordance with the revision to the Corporate Tax Law, from the first quarter under review, the Company and its domestic consolidated subsidiaries have changed the depreciation method for property, plant and equipment acquired on or after April 1, 2012 to the method stipulated in the revised Corporate Tax Law.

As a result, operating income, recurring profit and income before income taxes and minority interests for the first half under review increased ¥299 million respectively.

### 3. Consolidated Financial Statements

#### (1) Consolidated balance sheets

	Millions of yen	
	As of March 31, 2012	Six months ended September 30, 2012
<b>Assets</b>		
Current assets		
Cash on hand and in banks	34,316	28,798
Trade receivables	404,054	361,806
Merchandise and finished products	53,558	57,157
Work in process	300,224	336,025
Raw materials and supplies	88,113	86,079
Other current assets	90,174	88,600
Allowance for doubtful receivables	(3,255)	(3,166)
Total current assets	967,186	955,301
Fixed assets		
Net property, plant and equipment	274,750	285,433
Intangible assets		
Goodwill	300	130
Other	18,485	18,305
Total intangible assets	18,786	18,436
Investments and other assets		
Other	102,356	122,832
Allowance for doubtful receivables	(940)	(1,107)
Total investments and other assets	101,416	121,725
Total fixed assets	394,953	425,594
<b>Total assets</b>	1,362,139	1,380,896
<b>Liabilities</b>		
Current liabilities		
Trade payables	310,775	272,206
Short-term debt	137,568	146,990
Income taxes payable	4,627	3,306
Accrued bonuses	20,582	15,558
Provision for losses on construction contracts	30,977	27,242
Other provisions	7,128	5,759
Advances from customers	99,050	111,718
Other	85,291	110,230
Total current liabilities	696,002	693,014
Long-term liabilities		
Bonds payable	60,000	80,000
Long-term debt	198,737	199,420
Employees' retirement and severance benefits	75,052	72,585
Other provisions	4,192	3,811
Other	12,232	15,027
Total long-term liabilities	350,214	370,844
<b>Total liabilities</b>	1,046,216	1,063,859
<b>Net assets</b>		
Shareholders' equity		
Common stock	104,484	104,484
Capital surplus	54,393	54,393
Retained earnings	176,414	180,093
Treasury stock	(22)	(25)
Total shareholders' equity	335,270	338,947

Accumulated other comprehensive income		
Net unrealized gains (losses) on securities, net of tax	3,989	1,653
Deferred gains (losses) on hedges	246	2,579
Foreign currency translation adjustments	(33,451)	(36,753)
Total accumulated other comprehensive income	<u>(29,215)</u>	<u>(32,520)</u>
Minority interests	9,868	10,610
<b>Total net assets</b>	<u>315,922</u>	<u>317,037</u>
<b>Total liabilities and net assets</b>	<u>1,362,139</u>	<u>1,380,896</u>

## (2) Consolidated statements of income and comprehensive income

### Consolidated statements of income

	Millions of yen	
	Six months ended September 30, 2011	Six months ended September 30, 2012
Net sales	584,990	574,999
Cost of sales	485,826	488,593
Gross profit	99,164	86,406
Selling, general and administrative expenses		
Salaries and benefits	19,896	20,683
R&D expenses	16,228	18,203
Provision for doubtful accounts	-	269
Other	36,416	36,858
Total selling, general and administrative expenses	72,541	76,014
Operating income	26,623	10,391
Non-operating income		
Interest income	701	836
Dividend income	377	285
Equity in income of non-consolidated subsidiaries and affiliates	4,833	5,920
Foreign exchange gain, net	-	3,581
Other	2,396	3,120
Total non-operating income	8,308	13,744
Non-operating expenses		
Interest expense	2,255	2,073
Foreign exchange loss, net	2,990	-
Loss on valuation of securities	7	86
Other	2,442	1,809
Total non-operating expenses	7,694	3,969
Recurring profit	27,237	20,165
Extraordinary losses		
Loss on impairment of fixed assets	924	-
Total extraordinary losses	924	-
Income before income taxes and minority interests	26,312	20,165
Income taxes	7,254	6,629
Income before minority interests	19,058	13,536
Minority interests in net income of consolidated subsidiaries	1,245	1,107
Net income (loss)	17,813	12,429

### Consolidated statements of comprehensive income

	Millions of yen	
	Six months ended September 30, 2011	Six months ended September 30, 2012
Income before minority interests	19,058	13,536
Other comprehensive income		
Net unrealized gains (losses) on securities, net of tax	(1,175)	(2,362)
Deferred gains (losses) on hedges	153	2,331
Foreign currency translation adjustments	(3,680)	(2,519)
Share of other comprehensive income of associates accounted for using equity method	561	(685)
Total other comprehensive income	(4,141)	(3,236)
Comprehensive Income attributable to:	14,916	10,300
Owners of the parent company	13,550	9,124
Minority interests	1,366	1,176

### (3) Consolidated cash flow statements

	Millions of yen	
	Six months ended September 30, 2011	Six months ended September 30, 2012
<b>Cash flow from operating activities</b>		
Income before income taxes and minority interests	26,312	20,165
Depreciation and amortization	22,312	21,921
Loss on impairment of fixed assets	924	-
Increase (decrease) in provision	(3,927)	(12,176)
Interest and dividend income	(1,078)	(1,121)
Interest expense	2,255	2,073
Loss (gain) on valuation of securities	7	86
Equity in income non-consolidated subsidiaries and affiliates	(4,833)	(5,920)
(Increase) decrease in trade receivables	73,204	34,414
(Increase) decrease in inventories	(28,528)	(43,390)
Increase (decrease) in trade payables	(58,568)	(40,727)
Increase (decrease) in advances from customers	13,350	14,120
Other	(434)	(1,362)
Subtotal	<u>40,995</u>	<u>(11,916)</u>
Cash received for interest and dividends	1,063	1,160
Cash paid for interest	(2,298)	(2,029)
Cash paid for income taxes	(7,188)	(6,701)
Net cash provided by operating activities	<u>32,572</u>	<u>(19,487)</u>
<b>Cash flow from investing activities</b>		
Acquisition of property, plant, equipment and intangible assets	(33,176)	(32,298)
Proceeds from sales of property, plant, equipment and intangible assets	155	275
Acquisition of investments in securities	(34)	(489)
Proceeds from sales of investments in securities	5	794
Acquisition of investments in subsidiaries of affiliate	(526)	(12,331)
Payments for lease and guarantee deposits	-	(1,152)
Decrease (Increase) in short-term loans receivable	25	(375)
Additions to long-term loans receivable	(35)	(41)
Proceeds from collection of long-term loans receivable	43	48
Other	857	(601)
Net cash used for investing activities	<u>(32,686)</u>	<u>(46,172)</u>
<b>Cash flow from financing activities</b>		
Net increase (decrease) in short-term debt	(4,416)	51,342
Proceeds from long-term debt	8,741	24,327
Repayment of long-term debt	(3,954)	(27,425)
Proceeds from issuance of bonds	20,000	20,000
Redemption of bonds payable	(20,186)	-
Acquisition of treasury stock	(7)	(2)
Cash dividends paid	(5,000)	(8,331)
Cash dividends paid to minority shareholders	(470)	(434)
Other	(33)	(188)
Net cash used for financing activities	<u>(5,328)</u>	<u>59,287</u>
Effect of exchange rate changes	(1,977)	1,012
Net increase (decrease) in cash and cash equivalents	<u>(7,419)</u>	<u>(5,358)</u>
Cash and cash equivalents at beginning of period	44,629	33,245
Increase (decrease) in cash and cash equivalents by change of consolidation period of subsidiaries	(1,508)	-
Cash and cash equivalents at end of period	<u>35,701</u>	<u>27,886</u>

**(4) Notes on the going-concern assumption**

Not applicable

**(5) Notes on significant changes in the amount of shareholders' equity**

Not applicable

**(6) Segment information and others**

*Segment information*

1. Six months ended September 30, 2011 (April 1, 2011 – September 30, 2011)

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

	Millions of yen			
	External sales	Intersegment sales	Total sales	Operating income (loss)
Ship & Offshore Structure	53,183	722	53,906	532
Rolling Stock	55,366	472	55,838	1,133
Aerospace	87,479	899	88,379	3,057
Gas Turbine & Machinery	84,760	7,432	92,193	3,914
Plant & Infrastructure	56,299	4,311	60,610	6,740
Motorcycle & Engine	106,202	482	106,684	(2,378)
Precision Machinery	85,251	6,564	91,816	14,514
Other	56,446	16,769	73,215	1,868
Reportable segment total	584,990	37,655	622,646	29,383
Adjustments*1	-	(37,655)	(37,655)	(2,760)
Consolidated total	584,990	-	584,990	26,623

Notes: 1. Breakdown of adjustments:

Millions of yen	
Income	Amount
Intersegment transactions	13
Corporate expenses*	(2,774)
Total	(2,760)

\*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, 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

**4. Supplementary information**

**(1) Orders and sales (consolidated)**

**Orders received**

Segment	Six months ended September 30, 2011		Six months ended September 30, 2012		Year ended March 31, 2012	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	24,657	4.8	37,877	7.1	39,909	3.0
Rolling Stock	42,126	8.2	66,932	12.6	66,099	5.0
Aerospace	67,596	13.1	91,010	17.1	327,233	24.9
Gas Turbine & Machinery	79,729	15.5	65,470	12.3	227,281	17.3
Plant & Infrastructure	46,823	9.1	51,384	9.6	119,284	9.0
Motorcycle & Engine	106,202	20.6	103,927	19.5	235,243	17.9
Precision Machinery	91,159	17.7	55,618	10.4	174,587	13.3
Other	55,161	10.7	58,186	10.9	122,239	9.3
Total	513,456	100.0	530,408	100.0	1,311,878	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, 2011		Six months ended September 30, 2012		Year ended March 31, 2012	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	53,183	9.0	45,808	7.9	113,532	8.7
Rolling Stock	55,366	9.4	51,483	8.9	132,684	10.1
Aerospace	87,479	14.9	109,156	18.9	206,580	15.8
Gas Turbine & Machinery	84,760	14.4	93,217	16.2	194,655	14.9
Plant & Infrastructure	56,299	9.6	46,405	8.0	122,800	9.4
Motorcycle & Engine	106,202	18.1	103,927	18.0	235,243	18.0
Precision Machinery	85,251	14.5	67,060	11.6	175,077	13.4
Other	56,446	9.6	57,938	10.0	123,205	9.4
Total	584,990	100.0	574,999	100.0	1,303,778	100.0

**Order backlog**

Segment	Year ended March 31, 2012		Six months ended September 30, 2012		Six months ended September 30, 2011	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	102,870	6.8	92,809	6.6	145,762	10.4
Rolling Stock	345,170	23.1	344,485	24.5	394,125	28.3
Aerospace	386,376	25.8	365,305	26.0	244,598	17.5
Gas Turbine & Machinery	409,819	27.4	365,742	26.0	356,454	25.6
Plant & Infrastructure	181,698	12.1	178,597	12.7	175,708	12.6
Motorcycle & Engine	-	-	-	-	-	-
Precision Machinery	42,300	2.8	30,858	2.1	48,698	3.5
Other	25,879	1.7	26,116	1.8	25,558	1.8
Total	1,494,116	100.0	1,403,914	100.0	1,390,905	100.0

**(2) Net sales by geographic area (consolidated)****Six months ended September 30, 2011 (April 1, 2011 – September 30, 2011)**

Millions of yen

Japan	241,194	41.2%
United States	102,865	17.5%
Europe	62,180	10.6%
Asia	115,232	19.7%
Other areas	63,516	10.8%
Total	584,990	100.0%

**Six months ended September 30, 2012 (April 1, 2011 – 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%



**(3) Supplementary information on earnings forecasts for the fiscal year ending March 31, 2013**

**1) Consolidated earnings outlook**

	Outlook for the year ending March 31, 2013 (fiscal 2012)			Billions of yen
	Revised forecast (A)	Forecast issued April 26, 2012 (B)	Change (A – B)	Fiscal 2011 (ended March 31, 2012)
				(actual)
Net sales	1,300.0	1,380.0	(80.0)	1,303.7
Operating income	36.0	52.0	(16.0)	57.4
Recurring profit	50.0	56.0	(6.0)	63.6
Net income	30.0	34.0	(4.0)	23.3
Orders received	1,350.0	1,430.0	(80.0)	1,311.8
Before-tax ROIC (%)	7.3%	8.2%	(0.9%)	7.4%
R&D expenses	45.0	45.0	-	39.9
Capital expenditures	75.0	79.0	(4.0)	63.9
Depreciation/amortization	52.0	54.0	(2.0)	48.9
Number of employees at end of fiscal year	34,500	34,700	(200)	33,267
*Number of employees outside of Japan included therein	*9,100	*9,200	*(100)	*8,497

Notes: 1. Outlook's assumed foreign exchange rates: ¥80 = US\$1, ¥100 = 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)

Segment	Outlook for the year ending March 31, 2013 (fiscal 2012)						Fiscal 2011 (ended March 31, 2012)	
	Revised forecast (A)		Forecast issued April 26, 2012 (B)		Change (A – B)		(actual)	
	Net sales	Operating income (loss)	Net sales	Operating income (loss)	Net sales	Operating income (loss)	Net sales	Operating income (loss)
Ship & Offshore Structure	80.0	(2.0)	80.0	(5.0)	-	3.0	113.5	3.9
Rolling Stock	130.0	2.0	130.0	6.0	-	(4.0)	132.6	5.1
Aerospace	250.0	9.0	250.0	9.0	-	-	206.5	7.8
Gas Turbine & Machinery	210.0	8.0	210.0	8.0	-	-	194.6	7.7
Plant & Infrastructure	130.0	11.0	130.0	10.0	-	1.0	122.8	14.1
Motorcycle & Engine	250.0	2.0	260.0	5.0	(10.0)	(3.0)	235.2	(2.9)
Precision Machinery	130.0	12.0	200.0	27.0	(70.0)	(15.0)	175.0	26.6
Other	120.0	3.0	120.0	2.0	-	1.0	123.2	3.8
Adjustments		(9.0)		(10.0)		1.0		(8.8)
Total	1,300.0	36.0	1,380.0	52.0	(80.0)	(16.0)	1,303.7	57.4

## (b) Orders received

Billions of yen

Segment	Outlook for the year ending March 31, 2013 (fiscal 2012)			Fiscal 2011 (ended March 31, 2012) (actual)
	Revised outlook (A)	Forecast issued April 26, 2012 (B)	Change (A – B)	
Ship & Offshore Structure	110.0	110.0	-	39.9
Rolling Stock	140.0	150.0	(10.0)	66.0
Aerospace	220.0	220.0	-	327.2
Gas Turbine & Machinery	240.0	230.0	10.0	227.2
Plant & Infrastructure	130.0	130.0	-	119.2
Motorcycle & Engine	250.0	260.0	(10.0)	235.2
Precision Machinery	130.0	210.0	(80.0)	174.5
Other	130.0	120.0	10.0	122.2
Total	1,350.0	1,430.0	(80.0)	1,311.8