

**Report of Earnings and Financial Statements for the  
Three Months Ended June 30, 2013 (Consolidated)**  
(Prepared pursuant to Japanese GAAP)

July 30, 2013

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

Submission of quarterly securities filing: August 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 Three Months ended June 30, 2013**  
(April 1 – June 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	%
Three Months Ended June 30, 2013	282,509	(0.3)	16,752	148.4	9,400	(19.8)	4,496	(25.4)
Three Months Ended June 30, 2012	283,530	(2.7)	6,741	(45.5)	11,727	(20.0)	6,030	(36.9)

Note: Comprehensive income June 30, 2013: 16,570 million yen 86.4%  
 June 30, 2012: 8,886 million yen (19.4%)

	Earnings per share	Earnings per share – diluted
	yen	yen
Three Months Ended June 30, 2013	2.68	-
Three Months Ended June 30, 2012	3.60	-

(2) Financial Condition

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
June 30, 2013	1,525,071	325,761	20.5
March 31, 2013	1,466,290	349,881	23.0

Note: Shareholders' equity: June 30, 2013: 313,998 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	-				
Year ending March 31, 2014 (forecast)		0.00	-	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
For six months ending September 30, 2013	610,000	6.0	24,000	130.9	18,000	(10.7)	11,500	(7.4)	6.87
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: Yes

## 4. Other Information

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 10 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 10 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 10 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)

June 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

June 30, 2013:	107,551 shares
March 31, 2013:	100,116 shares

(3) Average number of shares during respective periods

Three months ended June 30, 2013:	1,671,787,906 shares
Three months ended June 30, 2012:	1,671,813,479 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 their 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 9 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 Thursday August 1, 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.

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

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

In the first quarter of the fiscal year ending March 31, 2014, global economic growth remained generally subdued. Although there were signs of recovery, including improvement in the US labor market and energy-related demand stemming from the US shale gas revolution, the European economy remained beset by concerns about the debt crises in some countries. Meanwhile, developments in emerging market economies, most notably China, also required close monitoring.

The Japanese economy grew at a moderate pace, driven largely by increased public investment fueled by a timely fiscal action coupled with improvement in the export environment in the wake of yen depreciation. Going forward, policy effects from the government's growth strategy is expected to effectuate growth in private capital investment and household incomes, leading to a stable economic growth.

Amid such an economic environment, the Group achieved growth in overall orders received in the first quarter despite a decrease in orders in several segments, including Plant & Infrastructure. First-quarter order growth was spearheaded by the Rolling Stock and Aerospace segments. First-quarter sales were roughly unchanged year on year on the whole. The Precision Machinery segment's sales declined amid China's economic slowdown. The Gas Turbine & Machinery segment likewise experienced a sales decline. However, these sales declines were negated by sales growth in the Motorcycle & Engine, Aerospace, and other segments. Overall operating income increased sharply even though there were declines in several segments, including Precision Machinery and Gas Turbines & Machinery. These declines were outweighed by operating income growth or reduced operating losses in the Aerospace, Ship & Offshore Structure, and Motorcycle & Engine segments, among others.

The Group's first-quarter consolidated orders received increased ¥11.5 billion year on year to ¥283.1 billion. Consolidated net sales totaled ¥282.5 billion, a ¥1.0 billion year-on-year decrease. Consolidated operating income was up ¥10.0 billion year on year to ¥16.7 billion, but consolidated recurring profit declined ¥2.3 billion year on year to ¥9.4 billion, largely as a result of deterioration of gain and loss on foreign exchange. Consolidated net income also decreased, down ¥1.5 billion year on year to ¥4.4 billion.

First-quarter consolidated operating performance is summarized by segment below.

## Segment Information

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

Segment	Three months ended June 30				Orders received	
	2012		2013		Three months ended June 30	
	Net sales	Operating income	Net sales	Operating income	2012	2013
Ship & Offshore Structure	22.7	(0.6)	21.0	3.3	30.3	27.1
Rolling Stock	28.8	0.1	30.5	1.9	25.3	35.0
Aerospace	49.6	0.8	55.6	7.5	34.4	41.5
Gas Turbine & Machinery	45.3	2.6	36.4	0.8	32.5	35.6
Plant & Infrastructure	19.8	0.1	16.7	(0.6)	37.1	16.6
Motorcycle & Engine	53.4	(0.3)	67.4	2.4	53.4	67.4
Precision Machinery	36.1	3.9	25.1	1.5	28.6	29.8
Other	27.6	0.5	29.4	0.3	29.6	29.6
Adjustments	-	(0.7)	-	(0.7)	-	-
Total	283.5	6.7	282.5	16.7	271.5	283.1

Notes: 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-quarter sales and orders received by ¥7.3 billion and ¥7.1 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 ¥3.1 billion year on year to ¥27.1 billion as the segment booked two newbuild (e.g., LNG carrier) orders, down from three in the year-earlier quarter.

Consolidated net sales decreased ¥1.6 billion year on year to ¥21.0 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 ¥3.3 billion, a ¥4.0 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 ¥9.6 billion to ¥35.0 billion, largely as a result of subway car orders from the Washington Metropolitan Area Transit Authority and Sapporo City Transportation Bureau.

Consolidated net sales increased ¥1.7 billion year on year to ¥30.5 billion as overseas sales to customers in Singapore, North America and elsewhere offset a decline in domestic sales.

Consolidated operating income increased ¥1.7 billion year on year to ¥1.9 billion, lifted by an increase in high-margin sales and yen depreciation.

### **Aerospace**

Consolidated orders grew ¥7.1 billion year on year to ¥41.5 billion. The increase was attributable to growth in orders for components for the Boeing 777 and 787.

Consolidated net sales increased ¥6.0 billion year on year to ¥55.6 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 ¥6.6 billion increase year on year to ¥7.5 billion. Factors behind the increase, in addition to sales growth, included yen depreciation and reversal of reserves for losses on construction contracts in response to the yen's depreciation.

### **Gas Turbine & Machinery**

Despite a change in accounting treatment of aircraft engine component orders, consolidated orders received increased ¥3.1 billion year on year to ¥35.6 billion, bolstered by growth in orders for hydropower systems.

Consolidated net sales decreased ¥8.9 billion year on year to ¥36.4 billion, due largely to a decline in sales of diesel engines for ships coupled with the change in accounting treatment of aircraft engine component sales.

Consolidated operating income declined ¥1.8 billion year on year to ¥0.8 billion in response to the sales decline and deterioration in profit margins, among other factors.

### **Plant & Infrastructure**

Consolidated orders received totaled ¥16.6 billion, a ¥20.5 billion decrease from the year-earlier quarter, when the segment booked large overseas orders.

Consolidated net sales declined ¥3.1 billion year on year to ¥16.7 billion while sales of LNG storage tanks remained buoyant. The decline was chiefly due to decreases in conveyance equipment sales and large overseas contracts.

The sales decline, coupled with deterioration in profit margins, resulted in a consolidated operating loss of ¥0.6 billion, an ¥0.8 billion downturn from the year-earlier quarter's net income.

## **Motorcycle & Engine**

Consolidated net sales rose ¥14.0 billion year on year to ¥67.4 billion, boosted by motorcycle sales growth in the US and emerging-market economies, particularly Thailand and Indonesia.

Consolidated operating income totaled ¥2.4 billion, a ¥2.8 billion year-on-year improvement largely attributable to sales growth and improved profitability.

## **Precision Machinery**

Consolidated orders received grew ¥1.2 billion year on year to ¥29.8 billion. The increase was largely a net result of growth in robot orders from overseas automobile manufacturers coupled with reduced demand for hydraulic equipment for construction machinery in emerging market economies, most notably China.

Consolidated net sales decreased ¥10.9 billion year on year to ¥25.1 billion, largely due to the decrease in emerging-market, particularly Chinese, demand for hydraulic equipment for construction machinery.

Consolidated operating income was down ¥2.4 billion year on year to ¥1.5 billion, largely in response to the sales decline.

## **Other Operations**

Consolidated net sales increased ¥1.8 billion yen year on year to ¥29.4 billion. Consolidated operating income decreased ¥0.2 billion year on year to ¥0.3 billion.

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

At June 30, 2013, consolidated assets totaled ¥1,525.0 billion, a ¥58.7 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 June 30, 2013, were ¥1,199.3 billion, a ¥82.9 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 quarter at ¥521.1 billion, a ¥36.5 billion increase from March 31, 2013. Consolidated net assets at June 30, 2013, totaled ¥325.7 billion, a ¥24.1 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-quarter net income.

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

The Company has raised its consolidated operating income forecast for the first half of the fiscal year ending March 31, 2014, to ¥24.0 billion, a ¥4.0 billion increase from its initial forecast announced on April 25, 2013. It did so in response to its first-quarter results and first-quarter exchange rate movements that exceeded its initial assumptions. However, the exchange rate movements' effect on recurring profit is muted by currency hedging. The Company accordingly raised its first-half recurring profit forecast by only ¥1.0 billion to ¥18.0 billion. On the net profit line, the Company raised its initial first-half forecast by ¥0.5 billion to ¥11.5 billion. The Company has left its full-year earnings forecasts unchanged in light of global economic uncertainties.

The Company's earnings forecasts assume exchange rates of ¥95 to the US dollar and ¥120 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 first 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 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-quarter consolidated operating income, recurring profit, and income before income taxes and minority interests were ¥2,981 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.

#### *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-quarter sales and cost of sales by ¥7,321 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 quarter 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 quarter of the fiscal year ending March 31, 2014 increased by ¥15,624 million, ¥988 million and ¥14,636 million, respectively. The impact of the changes on earnings was minimal.

### 3. Consolidated Financial Statements

#### (1) Consolidated balance sheets

		Millions of yen	
		As of March 31, 2013	Three months ended June 30, 2013
<b>Assets</b>			
Current assets			
Cash on hand and in banks		38,525	38,824
Trade receivables		432,649	400,909
Merchandise and finished products		61,446	64,177
Work in process		311,107	326,807
Raw materials and supplies		87,551	88,422
Other current assets		88,319	99,752
Allowance for doubtful receivables		(2,785)	(3,141)
	Total current assets	1,016,813	1,015,752
Fixed assets			
Net property, plant and equipment		305,792	343,875
Intangible assets		19,446	19,102
Investments and other assets			
Other		125,172	147,283
Allowance for doubtful receivables		(936)	(942)
	Total investments and other assets	124,236	146,340
	Total fixed assets	449,476	509,319
<b>Total assets</b>		1,466,290	1,525,071
<b>Liabilities</b>			
Current liabilities			
Trade payables		281,062	251,487
Short-term debt		213,510	281,416
Income taxes payable		3,756	3,532
Accrued bonuses		20,060	22,587
Provision for losses on construction contracts		18,719	10,707
Other provisions		6,194	7,207
Advances from customers		108,213	130,272
Other		131,022	139,662
	Total current liabilities	782,540	846,874
Long-term liabilities			
Bonds payable		70,000	70,000
Long-term debt		184,362	142,201
Employees' retirement and severance benefits		62,300	-
Other provisions		5,082	4,721
Net defined benefit liability		-	106,491
Other		12,123	29,020
	Total long-term liabilities	333,868	352,435
<b>Total liabilities</b>		1,116,409	1,199,310

**Net assets**

Shareholders' equity		
Common stock	104,484	104,484
Capital surplus	54,393	54,393
Retained earnings	198,528	183,403
Treasury stock	(27)	(29)
Total shareholders' equity	<u>357,379</u>	<u>342,252</u>
Accumulated other comprehensive income		
Net unrealized gains (losses) on securities, net of tax	4,524	4,950
Deferred gains (losses) on hedges	(5,998)	(6,150)
Foreign currency translation adjustment	(17,665)	(6,907)
Remeasurements of defined benefit plans	-	(20,146)
Total accumulated other comprehensive income	<u>(19,139)</u>	<u>(28,253)</u>
Minority interests	<u>11,641</u>	<u>11,763</u>
<b>Total net assets</b>	<u>349,881</u>	<u>325,761</u>
<b>Total net assets and liabilities</b>	<u>1,466,290</u>	<u>1,525,071</u>

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

### Consolidated statements of income

	Millions of yen	
	Three months ended June 30, 2012	Three months ended June 30, 2013
Net sales	283,530	282,509
Cost of sales	240,094	226,809
Gross profit	43,435	55,699
Selling, general and administrative expenses		
Salaries and benefits	9,970	10,840
R&D expenses	8,190	8,076
Provision for doubtful accounts	8	281
Other	18,524	19,750
Total selling, general and administrative expenses	36,693	38,947
Operating income (loss)	6,741	16,752
Non-operating income		
Interest income	419	252
Dividend income	264	216
Equity in income of non-consolidated subsidiaries and affiliates	2,296	1,523
Foreign exchange gain, net	2,658	-
Other	1,068	627
Total non-operating income	6,707	2,619
Non-operating expenses		
Interest expense	1,017	1,030
Foreign exchange losses	-	7,993
Other	704	947
Total non-operating expenses	1,722	9,971
Recurring profit (loss)	11,727	9,400
Income (loss) before income taxes and minority interests	11,727	9,400
Income taxes	5,100	4,588
Income before minority interests	6,626	4,812
Minority interests in net income of consolidated subsidiaries	595	315
Net income (loss)	6,030	4,496

### Consolidated statements of comprehensive income

	Millions of yen	
	Three months ended June 30, 2012	Three months ended June 30, 2013
Income before minority interests	6,626	4,812
Other comprehensive income		
Net unrealized gains (losses) on securities	(1,203)	388
Deferred gains (losses) on hedges	1,653	(182)
Foreign currency translation adjustment	340	6,630
Remeasurements of defined benefit plans	-	245
Share of other comprehensive income of associates accounted for using equity method	1,469	4,675
Total other comprehensive income	2,260	11,758
Comprehensive Income attributable to:	8,886	16,570
Owners of the parent company	7,944	15,736
Minority interests	942	834

### (3) 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. Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)

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

	External sales	Intersegment sales	Total sales	Operating income (loss)
Ship & Offshore Structure	22,712	290	23,003	(644)
Rolling Stock	28,830	105	28,935	146
Aerospace	49,614	708	50,322	889
Gas Turbine & Machinery	45,387	3,756	49,143	2,676
Plant & Infrastructure	19,840	3,079	22,920	197
Motorcycle & Engine	53,430	162	53,592	(347)
Precision Machinery	36,101	2,763	38,864	3,992
Other	27,613	7,959	35,573	554
Reportable segment total	283,530	18,825	302,355	7,466
Adjustments*1	-	(18,825)	(18,825)	(724)
Consolidated total	283,530	-	283,530	6,741

Notes: 1. Breakdown of adjustments:

Income	Amount
Intersegment transactions	72
Corporate expenses*	(797)
Total	(724)

\*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 consolidated statements of income for the corresponding period.

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

Not applicable

2. Three months ended June 30, 2013 (April 1, 2013 – June 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	21,073	564	21,638	3,381
Rolling Stock	30,562	192	30,754	1,910
Aerospace	55,624	461	56,086	7,551
Gas Turbine & Machinery	36,452	3,898	40,350	844
Plant & Infrastructure	16,712	3,225	19,937	(606)
Motorcycle & Engine	67,493	144	67,637	2,482
Precision Machinery	25,124	2,456	27,580	1,562
Other	29,466	8,304	37,771	344
Reportable segment total	282,509	19,247	301,756	17,472
Adjustments*1	-	(19,247)	(19,247)	(719)
Consolidated total	282,509	-	282,509	16,752

Notes: 1. Breakdown of adjustments:

Millions of yen	
Income	Amount
Intersegment transactions	(58)
Corporate expenses*	(661)
Total	(719)

\* 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 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

*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 10, 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-quarter segment income increased by ¥142 million in the Ship & Offshore Structure segment, ¥141 million in the Rolling Stock segment, ¥848 million in the

Aerospace segment, ¥456 million in the Gas Turbine & Machinery segment, ¥334 million in the Motorcycle & Engine segment, ¥549 million in the Precision Machinery segment, and ¥309 million in the Other segment, while the Plant & Infrastructure segment's loss was reduced by ¥197 million, all relative to what they would have been in the absence of the changes.

#### *Treatment of FIA*

As disclosed above under "2. (3) Changes in accounting policies, changes in accounting estimates, and correction of errors" on page 10, 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-quarter sales by ¥7,321 million relative to what they would have been in the absence of the change, but it had no impact on segment income.

## 4. Supplementary information

### (1) Consolidated cash flow statements (condensed)

	Millions of yen	
	Three months ended June 30, 2012	Three months ended June 30, 2013
Cash flow from operating activities	7,995	(1,133)
Cash flow from investing activities	(30,618)	(18,310)
Cash flow from financing activities	22,629	20,128
Cash and cash equivalents at end of period	32,490	37,142

### (2) Orders and sales (consolidated)

As disclosed above under "2. (3) Changes in accounting policies, changes in accounting estimates, and correction of errors" on page 10 and "3. (3) *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-quarter orders received and sales by ¥7,100 million and ¥7,321 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

	Three months ended June 30, 2012		Three months ended June 30, 2013		Year ended March 31, 2013	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	30,345	11.1	27,185	9.6	105,733	7.7
Rolling Stock	25,350	9.3	35,046	12.3	124,441	9.0
Aerospace	34,434	12.6	41,567	14.6	283,485	20.6
Gas Turbine & Machinery	32,531	11.9	35,685	12.6	255,553	18.6
Plant & Infrastructure	37,186	13.6	16,662	5.8	113,600	8.2
Motorcycle & Engine	53,430	19.6	67,493	23.8	251,858	18.3
Precision Machinery	28,606	10.5	29,814	10.5	109,725	8.0
Other	29,673	10.9	29,686	10.4	125,188	9.1
Total	271,557	100.0	283,143	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

	Three months ended June 30, 2012		Three months ended June 30, 2013		Year ended March 31, 2013	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	22,712	8.0	21,073	7.4	90,343	7.0
Rolling Stock	28,830	10.1	30,562	10.8	129,973	10.0
Aerospace	49,614	17.4	55,624	19.6	239,172	18.5
Gas Turbine & Machinery	45,387	16.0	36,452	12.9	207,008	16.0
Plant & Infrastructure	19,840	6.9	16,712	5.9	115,813	8.9
Motorcycle & Engine	53,430	18.8	67,493	23.8	251,858	19.5
Precision Machinery	36,101	12.7	25,124	8.8	130,455	10.1
Other	27,613	9.7	29,466	10.4	124,256	9.6
Total	283,530	100.0	282,509	100.0	1,288,881	100.0

**Order backlog**

	Year ended March 31, 2013		Three months ended June 30, 2013		Three months ended June 30, 2012	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	120,112	8.7	128,913	9.2	109,070	7.5
Rolling Stock	359,980	26.2	374,856	26.8	329,214	22.7
Aerospace	432,729	31.5	425,026	30.4	368,469	25.4
Gas Turbine & Machinery	237,410	17.3	241,996	17.3	386,963	26.7
Plant & Infrastructure	171,486	12.5	169,743	12.1	189,747	13.1
Motorcycle & Engine	-	-	-	-	-	-
Precision Machinery	21,571	1.5	26,491	1.9	34,805	2.4
Other	26,796	1.9	27,024	1.9	27,936	1.9
Total	1,370,086	100.0	1,394,051	100.0	1,446,207	100.0

**(3) Net sales by geographic area (consolidated)****Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)**

Millions of yen

Japan	133,519	47.0%
United States	58,545	20.6%
Europe	21,595	7.6%
Asia	44,946	15.8%
Other areas	24,923	8.7%
Total	283,530	100.0%

**Three months ended June 30, 2013 (April 1, 2013 – June 30, 2013)**

Millions of yen

Japan	118,426	41.9%
United States	66,615	23.5%
Europe	19,742	6.9%
Asia	51,700	18.3%
Other areas	26,024	9.2%
Total	282,509	100.0%