Management's Discussion & Analysis

OVERVIEW

In fiscal 2013, ended March 31, 2013, the world economy as a whole managed only a modest rate of expansion, due to the slowdown in China's economic development and a general deceleration in the growth of emerging economies that had been driving the world economy in past years.
In terms of the outlook, despite the unstable economic situation in Europe due to the sovereign debt crisis, expectations of a recovery trend in the U.S. manufacturing industry and solid underlying infrastructural demand in emerging markets point to a continuation of modest growth.
In Japan, recovery progressed in the wake of the Great East Japan Earthquake, but fears over a downturn in the world economy contributed to an overall lack of stability. Looking ahead, hopes of economic growth have been supported by fiscal and monetary policies aimed at ending deflation and spurring sustained economic growth and by the current trend to reverse the yen's appreciation, but it is likely to take some time before these factors are reflected in the real economy.
In this operating environment, the KHI Group enjoyed an overall increase in the value of orders received in fiscal 2013, with increases in the Ship & Offshore Structure, Rolling Stock, and other segments counterbalancing decreases in segments such as Precision Machinery. Overall, net sales were roughly on a par with those of the previous fiscal year due to increases in the Aerospace and other segments, despite a decline in the Precision Machinery segment caused by the economic slowdown in China and a drop in the Ship & Offshore Structure segments. Overall, operating income decreased, reflecting lower profitability in the Precision Machinery and Plant & Infrastructure segments, despite improvement in the Aerospace and Motorcycle & Engine segments, where net sales increased.
Consequently, on a consolidated basis, orders received by the KHI Group increased ¥57.7 billion from the previous fiscal year, to ¥1,369.5 billion. Furthermore, net sales decreased ¥14.8 billion, to ¥1,288.8 billion, operating income fell ¥15.4 billion, to ¥42.0 billion, and recurring profit declined ¥24.2 billion, to ¥39.3 billion. Nevertheless, due to a boost in extraordinary income and reduced tax expenses, net income grew ¥7.5 billion year on year, to ¥30.8 billion.

RESULTS OF OPERATIONS

Net Sales

As noted, consolidated net sales, at ¥1,288.8 billion, showed little change from the previous fiscal year. Overseas sales totaled ¥672.6 billion. By region, sales in the United States were ¥272.5 billion, sales in Europe accounted for ¥97.5 billion, sales in Asia outside Japan contributed ¥202.7 billion, and sales in other areas added ¥99.8 billion. The ratio of overseas sales to consolidated net sales fell 4.4 percentage points, to 52.1%, compared to 56.5% in the previous fiscal year.
The following sections supply additional details on the consolidated performance of each business segment. Please note that operating income or loss includes intersegment transactions.

Ship & Offshore Structure

Thanks to orders received for one submarine and five other vessels including LNG carriers, the consolidated value of orders received a major boost, rising ¥65.8 billion from the previous fiscal year, to ¥105.7 billion.
An increase in the construction of LNG and LPG carriers and others was balanced by a decrease in the construction of cape-size bulk carriers and other vessels, resulting in a drop of ¥23.1 billion in net sales from the previous fiscal year, to ¥90.3 billion.

Despite the drop in net sales, operating income, supported notably by cost reductions and the effects of yen depreciation, totaled ¥4.1 billion, on a par with the previous fiscal year.

Rolling Stock

The consolidated value of orders received increased ¥58.3 billion year on year, to ¥124.4 billion, mainly reflecting orders received for rolling stock, notably for Taiwan's high-speed rail cars and Singapore's subway cars.
Domestic net sales expanded on the back of increased sales to the Japan Railways companies, but a shrinkage in overseas net sales contributed to an overall lack of movement in net sales, which approximated the previous fiscal year's total at ¥129.9 billion.
Operating income declined ¥2.9 billion from the previous fiscal year, to ¥2.2 billion, due to the reduced profitability of overseas projects.

Aerospace

Growth was recorded in orders received for component parts for the Boeing 777 and 787. However, the consolidated value of orders declined ¥43.7 billion, to ¥283.4 billion, decreasing in comparison with the previous fiscal year, when large-scale contracts had been received from Japan's Ministry of Defense.
Growth in Ministry of Defense projects such as the C-2 transport aircraft and the increased sales of Boeing 777 and 787 component parts helped to boost consolidated net sales, which rose ¥32.5 billion from the previous fiscal year, to ¥239.1 billion.
Operating income posted substantial growth of ¥7.0 billion year on year, to ¥14.8 billion, due to stronger net sales, cost reductions, and other factors.

Gas Turbine & Machinery

Led by increased orders of component parts for commercial aircraft jet engines, the consolidated value of orders rose ¥28.2 billion from the previous fiscal year, to ¥255.5 billion.
Reduced sales of marine diesel engines and related sectors were counterbalanced by growth in areas including component parts for commercial aircraft jet engines and gas engines. As a result, net sales grew ¥12.3 billion year on year, to ¥207.0 billion.
Operating income dropped ¥0.7 billion to ¥7.0 billion, due mainly to allocation of non-recurring cost for new projects.

Plant & Infrastructure

Positive factors included orders received for cryogenic tanks for the Ichthys LNG project. Nevertheless, reflecting reductions in domestic LNG storage tank projects, material handling systems, and other areas, the consolidated value of orders fell ¥5.6 billion, to ¥113.6 billion.
Net sales were supported by the continuing high level of LNG storage tank projects as well as by increases in material handling systems, municipal refuse incineration plants, and other areas. However, due to decreases in major projects for overseas clients, consolidated net sales shrank ¥6.9 billion year on year, to ¥115.8 billion.
Due to the fall in net sales and the narrowed profit margin, operating income fell ¥4.3 billion year on year, to ¥9.7 billion.

Motorcycle & Engine

Motorcycle sales to Europe decreased, but higher sales to the United States and emerging markets, especially Indonesia, helped to boost consolidated net sales ¥16.6 billion year on year, to ¥251.8 billion.
Compared to the operating loss of the prior year, growth in net sales and improved profitability factored a net improvement of ¥5.3 billion in operating income to ¥2.3 billion.

Precision Machinery

Consolidated orders received totaled ¥109.7 billion, a steep ¥64.8 billion year-on-year decline mainly due to reduced demand for hydraulic equipment for construction machinery in emerging market economies, most notably China.
This downshift in emerging market, particularly Chinese, demand for hydraulic equipment for construction machinery resulted in a large decrease in sales also. Consolidated net sales were down ¥44.6 billion year on year, to ¥130.4 billion.
Consolidated operating income totaled ¥8.4 billion, a steep decline of ¥18.1 billion year on year, largely due to the decline in sales and increase in fixed

expenses stemming from capital investments in the previous fiscal year.

Other

Net sales in this segment were up ¥1.0 billion, to ¥124.2 billion.
Operating income decreased ¥2.5 billion, to ¥1.2 billion.

Cost, Expenses, and Earnings

Cost of sales decreased ¥3.4 billion from the previous fiscal year, to ¥1,085.4 billion. As a result, gross profit declined ¥11.4 billion, to ¥203.4 billion, while the gross profit margin edged down 0.7 percentage point, to 15.7%, from 16.4% in the previous fiscal year.
Selling, general and administrative expenses grew ¥3.9 billion, to ¥161.3 billion, primarily because of higher R&D expenses. Operating income fell ¥15.4 billion, to ¥42.0 billion. The fall in operating income, which occurred despite sales growth and improved profitability in the Aerospace and Motorcycle & Engine segments, was due to reduced profitability in the Precision Machinery segment caused by a major drop in income from hydraulic equipment for the construction machinery market in emerging markets, especially China. The ratio of operating income to net sales slipped 1.2 percentage points, to 3.2%, from 4.4% in the previous fiscal year.
Other income (expenses) showed net income of ¥4.0 billion, compared with net expenses of ¥8.7 billion in the previous fiscal year. The principal reason for this was "other expenses, net," which leveled off at ¥1.9 billion, compared with ¥15.3 billion in the previous fiscal year. The main component of this change was a ¥14.5 billion decrease in impairment losses.

Although extraordinary income increased from the previous fiscal year, there were balancing year-on-year decreases in operating income and recurring profit. As a result, income before income taxes and minority interests fell ¥2.5 billion from the previous fiscal year, to ¥46.1 billion. After deduction of minority interests, net income increased ¥7.5 billion from the previous fiscal year, to ¥30.8 billion. This rise was due to a change in the tax system, causing a partial reversal of deferred tax assets that had been recorded during the previous fiscal year, to be absent during the fiscal year under review. The ratio of net income to net sales edged up 0.6 percentage point, to 2.3%, from 1.7% in the previous fiscal year. ROE (calculated using average total shareholders' equity) edged up 1.7 percentage points, to 9.5%, from 7.8% a year ago.
Capital expenditures in fiscal 2013 came to ¥78.6 billion, up from ¥63.9 billion in the previous fiscal year. R&D expenses were ¥41.7 billion, up from ¥39.9 billion a year ago.

FINANCIAL CONDITION

Current assets grew 5.1% from the previous fiscal year, to ¥1,016.8 billion. This expansion reflected chiefly an increase in trade receivables related to the booking of net sales, and a rise in inventories associated with work in progress. Fixed assets meanwhile rose 13.8% from the previous fiscal year, to ¥449.4 billion, due mainly to growth in tangible fixed assets arising from capital investment and from equity investment in Dalian Cosco KHI Ship Engineering Co., Ltd. (DACKS).
As a result, total assets rose 7.6% from the previous fiscal year, to ¥1,466.2 billion.
Total liabilities benefited from decreases in trade payables, retirement and severance benefits, and provision for losses on construction contracts. However, chiefly because of a 19.0% year-on-year rise in interest-bearing debt to ¥484.6 billion, the balance of total liabilities rose 6.7%, to ¥1,116.4 billion.
Net assets grew 10.7%, to ¥349.8 billion, reflecting items such as payment of dividends and booking of net income.
The ratio of shareholders' equity to total assets expanded 0.6 percentage point, to 23.0%, from 22.4% at the end of the previous fiscal year. In addition, the net debt-to-equity ratio increased by 10.1 percentage points, from 121.8% to 131.9%.

CASH FLOWS

Net cash provided by operating activities in fiscal 2013 amounted to ¥28.1 billion, a net decrease of ¥56.6 billion from fiscal 2012. Principal inflows were ¥48.3 billion in depreciation and amortization and a ¥10.6 billion decrease in trade receivables, while the principal outflows consisted of a ¥41.1 billion decrease in trade payables and ¥15.7 billion in income tax payments.

Net cash used in investing activities amounted to ¥81.1 billion in fiscal 2013, up ¥15.2 billion from fiscal 2012. The cash was applied primarily toward the acquisition of property, plant and equipment.

Free cash flow, which is the net amount of cash from operating and investing activities, showed a net outflow of ¥53.0 billion in fiscal 2013, against a net inflow of ¥18.7 billion in fiscal 2012.

Net cash provided by financing activities amounted to ¥57.6 billion in fiscal 2013. This was due mainly to an increase in borrowing.

Given these changes in cash flows, cash and cash equivalents at the end of the term totaled ¥36.9 billion, up ¥3.7 billion from a year earlier.

MANAGEMENT OF LIQUIDITY RISK

(RISK OF The COMPANY'S DEFAULT)

The Company manages liquidity risk through the timely preparation and updating of financial plans by the Finance Department, based on information from each business segment. Managing liquidity risk includes diversifying methods of financing, adjusting financial periods of long- and short-term debt based on the prevailing financing environment, and securing commitment lines (maximum financing amount of ¥54.0 billion) and issuing commercial paper (maximum issuing amount of ¥120.0 billion).

MANAGEMENT INDICATOR

Seeking a level of profitability that meets the expectations of investors, the Company has adopted before-tax return on invested capital (ROIC), a management indicator that measures how efficiently the Company uses its capital. To strengthen its financial position while striving to maximize ROIC, the Company will emphasize enhanced efficiency of invested capital. The Company uses the following formula to calculate ROIC.

Before-tax ROIC: The ratio of earnings before interest and taxes (EBIT) to the sum of interest-bearing debt and total shareholders' equity.

ROIC calculated using this formula edged down 1.3 percentage points, from 7.4% in fiscal 2012 to 6.1% in fiscal 2013.

DIVIDENDS

The Company's basic dividend policy is to sustain stable cash dividends in line with performance, while giving careful consideration to retained earnings to strengthen and expand the KHI Group's business base in preparation for future growth.

The Company's basic policy regarding cash dividends from retained earnings is to pay dividends twice annually—an interim dividend and a year-end dividend. The decision-making structures with the final say on dividends are the Board of Directors for the interim dividend and the General Meeting of Shareholders for the year-end dividend.

Upon consideration of business performance, the level of retained earnings and other factors, with these policies in mind, it was decided to pay an annual dividend of ¥5 per share (an interim dividend of ¥0 and a year-end dividend of ¥5) for fiscal 2013.

Retained earnings after the dividend payout will be appropriated for investments in the Company's businesses, the repayment of borrowings and other uses.

Please note that the Company's Articles of Incorporation provides for the distribution of an interim dividend as stipulated in Article 454, Paragraph 5, of Japan's Companies Act.

Consolidated Balance Sheets

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
At March 31, 2013 and 2012

	Milions of yen		Thousands of U.S dollars(Note1)
	2013	2012	**2013**
ASSETS			
Current assets:			
Cash on hand and in banks (Note 19)	**¥38,525**	¥34,316	**$409,884**
Receivables:			
Trade (Note 8)	**432,649**	404,054	**4,603,138**
Other	**16,464**	15,680	**175,167**
Allowance for doubtful receivables	**(2,785)**	(3,255)	**(29,630)**
	446,328	416,479	**4,748,675**
Inventories:			
Merchandise and finished products	**61,446**	53,558	**653,750**
Work in process	**311,108**	300,226	**3,310,013**
Raw materials and supplies	**87,551**	88,113	**931,492**
	460,105	441,897	**4,895,255**
Deferred tax assets (Note 18)	**37,648**	33,007	**400,553**
Other current assets	**34,208**	41,487	**363,954**
Total current assets	**1,016,814**	967,186	**10,818,321**
Property, plant and equipment (Note 8):			
Land	**62,318**	61,942	**663,027**
Buildings and structures	**344,813**	327,877	**3,668,613**
Machinery and equipment	**576,753**	537,959	**6,136,325**
Construction in progress	**19,198**	11,782	**204,255**
	1,003,082	939,560	**10,672,220**
Accumulated depreciation	**(697,289)**	(664,810)	**(7,418,757)**
Net property, plant and equipment	**305,793**	274,750	**3,253,463**
Investments and intangible and other assets:			
Investments in securities (Notes 6, 7 and 8)	**75,143**	53,257	**799,478**
Long-term loans	**409**	432	**4,351**
Deferred tax assets (Note 18)	**36,428**	37,614	**387,573**
Goodwill and other intangible assets	**19,446**	18,786	**206,894**
Allowance for doubtful receivables	**(936)**	(940)	**(9,958)**
Other (Note 8)	**13,193**	11,054	**140,367**
Total investments and intangible and other assets	**143,683**	120,203	**1,528,705**
Total assets	**¥1,466,290**	¥1,362,139	**$15,600,489**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

	Milions of yen		Thousands of U.S dollars(Note1)
	2013	2012	**2013**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term debt and current portion of long-term debt (Note 8)	**¥229,857**	¥147,924	**$2,445,547**
Trade payables (Note 8)	**281,063**	310,775	**2,990,350**
Advances from customers	**108,214**	99,051	**1,151,335**
Income taxes payable (Note 18)	**3,756**	4,627	**39,961**
Accrued bonuses	**20,060**	20,582	**213,426**
Provision for product warranties	**6,148**	7,128	**65,411**
Provision for losses on construction contracts (Note 9)	**18,719**	30,977	**199,159**
Deferred tax liabilities (Note 18)	**1,793**	1,465	**19,076**
Asset retirement obligations	**133**	150	**1,415**
Other current liabilities	**112,797**	73,324	**1,200,099**
Total current liabilities	**782,540**	696,003	**8,325,779**
Long-term liabilities:			
Long-term debt, less current portion (Note 8)	**254,796**	259,243	**2,710,884**
Employees' retirement and severance benefits (Note 10)	**62,300**	75,052	**662,836**
Deferred tax liabilities (Note 18)	**5,511**	4,060	**58,633**
Provision for losses on legal proceedings	**569**	910	**48,005**
Provision for environmental measures	**4,512**	3,282	**6,053**
Asset retirement obligations	**551**	611	**5,862**
Other	**5,630**	7,056	**59,903**
Total long-term liabilities	**333,869**	350,214	**3,552,176**
Contingent liabilities (Note 11)			
Net assets (Note 12):			
Sharehoders' equity:			
Common stock:			
Authorized - 3,360,000,000 shares			
Issued - 1,671,892,659 shares in 2013 - 1,671,892,659 shares in 2012	**104,484**	104,484	**1,111,650**
Capital surplus	**54,394**	54,394	**578,721**
Retained earnings	**198,528**	176,414	**2,112,224**
Treasury stock - 100,116 shares in 2013 - 77,126 shares in 2012	**(27)**	(22)	**(287)**
Total shareholders' equity	**357,379**	335,270	**3,802,308**
Accumulated other comprehensive income:			
Net unrealized gains on securities, net of tax	**4,524**	3,989	**48,133**
Deferred gains (losses) on hedges	**(5,998)**	246	**(63,815)**
Foreign currency translation adjustments	**(17,665)**	(33,451)	**(187,945)**
Total accumulated other comprehensive income	**(19,139)**	(29,216)	**(203,627)**
Minority interests	**11,641**	9,868	**123,853**
Total net assets	**349,881**	315,922	**3,722,534**
Total liabilities and net assets	**¥1,466,290**	¥1,362,139	**$15,600,489**

Consolidated Statements of Income and Comprehensive Income

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2013, 2012 and 2011

Consolidated Statements of Income

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	**2013**
Net sales	**¥1,288,881**	¥1,303,778	¥1,226,949	**$13,712,958**
Cost of sales (Note 13)	**1,085,469**	1,088,918	1,037,079	**11,548,771**
Gross profit	**203,412**	214,860	189,870	**2,164,187**
Selling, general and administrative expenses (Note 14)	**161,350**	157,376	147,242	**1,716,672**
Operating income	**42,062**	57,484	42,628	**447,515**
Other income (expenses):				
Interest and dividend income	**1,641**	2,331	2,306	**17,459**
Equity in income of nonconsolidated subsidiaries and affiliates	**8,530**	8,567	9,205	**90,754**
Interest expense	**(4,151)**	(4,282)	(4,677)	**(44,164)**
Other expenses, net (Note 15)	**(1,930)**	(15,394)	(10,867)	**(20,534)**
Income before income taxes and minority interests	**46,152**	48,706	38,595	**491,030**
Income taxes (Note 18)				
Current	**(10,591)**	(9,932)	(14,340)	**(112,682)**
Deferred	**(2,550)**	(12,899)	3,503	**(27,130)**
Income before minority interests	**33,011**	25,875	27,758	**351,218**
Minority interests in net income of consolidated subsidiaries	**(2,147)**	(2,552)	(1,793)	**(22,843)**
Net income	**¥30,864**	¥23,323	¥25,965	**$328,375**

Consolidated Statements of Comprehensive Income

	Millions of yen			Thousands of U.S. dollars(Note 1)
	2013	2012	2011	**2013**
Income before minority interests	**¥33,011**	¥25,875	¥27,758	**$351,218**
Other comprehensive income (loss):				
Net unrealized gains (losses) on securities	**541**	106	(1,437)	**5,755**
Deferred gains (losses) on hedges	**(6,381)**	1,281	(480)	**(67,890)**
Foreign currency translation adjustments	**11,713**	(2,924)	(5,422)	**124,620**
Share of other comprehensive income of associates accounted for using equity method	**5,155**	231	(2,167)	**54,846**
Total other comprehensive income (loss)	**11,028**	(1,306)	(9,506)	**117,331**
Comprehensive income	**44,039**	24,569	18,252	**468,549**
Comprehensive income attributable to:				
Owners of the parent company	**40,940**	22,228	16,506	**435,578**
Minority interests	**3,099**	2,341	1,746	**32,971**
	Yen			U.S. dollars (Note 1)
Per share amounts (Note 20)				
Net income per share - basic	**¥18.4**	¥13.9	¥15.5	**$0.19**
Net income per share - diluted	**-**	13.8	15.3	**-**
Cash dividends	**5.0**	5.0	3.0	**0.05**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2013, 2012 and 2011

	Thousands	Millions of yen										
		Shareholders' equity					Accumulated other comprehensive income					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on securities, net of tax	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2010	1,669,629	¥104,329	¥54,275	¥137,689	¥(552)	¥295,741	¥5,305	¥(162)	¥(23,803)	¥(18,660)	¥5,972	¥283,053
Net income for the year	-	-	-	25,965	-	25,965	-	-	-	-	-	25,965
Adjustments from translation of foreign currency financial tatements	-	-	-	-	-	-	-	-	(7,203)	(7,203)	-	(7,203)
Decrease in net unrealized gains on securities, net of tax	-	-	-	-	-	-	(1,429)	-	-	(1,429)	-	(1,429)
Treasury stock purchased, net	-	-	-	-	(15)	(15)	-	-	-	-	-	(15)
Cash dividends	-	-	-	(5,003)	-	(5,003)	-	-	-	-	-	(5,003)
Loss on sales of treasury stock	-	-	(0)	-	1	1	-	-	-	-	-	1
Conversion of convertible bonds	1,017	11	(24)	(17)	536	506	-	-	-	-	-	506
Decrease resulting from increase in equity method affiliate	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	(19)	-	(19)	-	(828)	-	(828)	2,405	1,558
Balance at March 31, 2011	1,670,646	¥104,340	¥54,251	¥158,615	¥(30)	¥317,176	¥3,876	¥(990)	¥(31,006)	¥(28,120)	¥8,377	¥297,433
Net income for the year	-	-	-	23,323	-	23,323	-	-	-	-	-	23,323
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	-	-	-	(2,445)	(2,445)	-	(2,445)
Increase in net unrealized gains on securities, net of tax	-	-	-	-	-	-	113	-	-	113	-	113
Treasury stock purchased, net	-	-	-	-	(6)	(6)	-	-	-	-	-	(6)
Cash dividends	-	-	-	(5,011)	-	(5,011)	-	-	-	-	-	(5,011)
Loss on sales of treasury stock	-	-	(0)	(3)	1	(2)	-	-	-	-	-	(2)
Conversion of convertible bonds	1,246	144	143	-	13	300	-	-	-	-	-	300
Increase (decrease) due to changes in fiscal period of consolidated subsidiaries	-	-	-	(510)	-	(510)	-	-	-	-	-	(510)
Decrease resulting from increase in equity method affiliate	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	1,236	-	1,236	1,491	2,727
Balance at March 31, 2012	1,671,892	¥104,484	¥54,394	¥176,414	¥(22)	¥335,270	¥3,989	¥246	¥(33,451)	¥(29,216)	¥9,868	¥315,922
Net income for the year	-	-	-	30,864	-	30,864	-	-	-	-	-	30,864
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	-	-	-	15,786	15,786	-	15,786
Increase in net unrealized gains on securities, net of tax	-	-	-	-	-	-	535	-	-	535	-	535
Treasury stock purchased, net	-	-	-	-	(5)	(5)	-	-	-	-	-	(5)
Cash dividends	-	-	-	(8,359)	-	(8,359)	-	-	-	-	-	(8,359)
Loss on sales of treasury stock	-	-	-	(1)	0	(1)	-	-	-	-	-	(1)
Conversion of convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to changes in fiscal period of a consolidated subsidiary	-	-	-	(205)	-	(205)	-	-	-	-	-	(205)
Decrease resulting from increase in equity method affiliate	-	-	-	(185)	-	(185)						(185)
Other	-	-	-	-	-	-	-	(6,244)	-	(6,244)	1,773	(4,471)
Balance at March 31, 2013	1,671,892	¥104,484	¥54,394	¥198,528	¥(27)	¥357,379	¥4,524	¥(5,998)	¥(17,665)	¥(19,139)	¥11,641	¥349,881

	(Thousands of U.S. dollars) (Note 1)										
Balance at March 31, 2012	$1,111,650	$578,721	$1,876,944	$(234)	$3,567,081	$42,440	$2,617	$(355,899)	$(310,842)	$104,989	$3,361,228
Net income for the year	-	-	328,375	-	328,375	-	-	-	-	-	328,375
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	-	-	167,954	167,954	-	167,954
Increase in net unrealized gains on securities, net of tax	-	-	-	-	-	5,693	-	-	5,693	-	5,693
Treasury stock purchased, net	-	-	-	(53)	(53)	-	-	-	-	-	(53)
Cash dividends	-	-	(88,936)	-	(88,936)	-	-	-	-	-	(88,936)
Loss on sales of treasury stock	-	-	(10)	0	(10)	-	-	-	-	-	(10)
Conversion of convertible bonds	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to changes in fiscal period of consolidated subsidiaries	-	-	(2,181)	-	(2,181)	-	-	-	-	-	(2,181)
Decrease resulting from increase in equity method affiliate			(1,968)		(1,968)	-	-	-	-	-	(1,968)
Other	-	-	-	-	-	-	(66,432)	-	(66,432)	18,864	(47,568)
Balance at March 31, 2013	$1,111,650	$578,721	$2,112,224	$(287)	$3,802,308	$48,133	$(63,815)	$(187,945)	$(203,627)	$123,853	$3,722,534

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	**2013**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥46,152**	¥48,706	¥38,595	**$491,031**
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by (used for) operating activities:				
Depreciation and amortization	**48,385**	48,901	50,276	**514,788**
Loss on impairment of fixed assets	**363**	14,921	9,923	**3,862**
Increase (decrease) in employees' retirement and severance benefits	**(10,970)**	(5,257)	(8,159)	**(116,714)**
Increase (decrease) in accrued bonuses	**(521)**	4,885	1,489	**(5,543)**
Increase (decrease) in allowance for doubtful receivables	**(653)**	449	514	**(6,947)**
Increase (decrease) in provision for product warranties	**(1,195)**	(750)	794	**(12,714)**
Increase (decrease) in provision for losses on construction contracts	**(12,617)**	(2,016)	15,349	**(134,237)**
Increase (decrease) in provision for restructuring charges	**-**	(1,077)	(5,249)	**-**
Increase (decrease) in provision for losses on legal proceedings	**(340)**	(4,957)	(837)	**(3,617)**
Increase (decrease) in provision for environmental measures	**1,261**	(545)	(658)	**13,416**
Loss (gain) on disposal of inventories	**1,711**	(70)	1,336	**18,204**
Gain on sales of marketable securities and investments in securities	**(1,424)**	(591)	(0)	**(15,150)**
Loss on valuation of securities	**55**	918	1,577	**585**
Loss on sales of property, plant, and equipment	**1,032**	1,177	552	**10,979**
Equity in income of nonconsolidated subsidiaries and affiliates	**(8,530)**	(8,567)	(9,205)	**(90,754)**
Interest and dividend income	**(1,641)**	(2,331)	(2,306)	**(17,459)**
Interest expense	**4,151**	4,282	4,677	**44,164**
Changes in assets and liabilities:				
Decrease (increase) in:				
Trade receivables	**10,601**	(942)	14,910	**112,788**
Inventories	**(10,711)**	(18,705)	(17,775)	**(113,958)**
Other current assets	**8,073**	(2,139)	8,590	**85,892**
Increase (decrease) in:				
Trade payables	**(41,150)**	(7,332)	25,114	**(437,812)**
Advances from customers	**5,670**	18,973	(15,552)	**60,325**
Other current liabilities	**4,015**	8,708	(17,156)	**42,717**
Other, net	**(2,333)**	4,134	1,897	**(24,823)**
Subtotal	**39,384**	100,775	98,696	**419,023**
Cash received for interest and dividends	**8,668**	6,656	6,407	**92,222**
Cash paid for interest	**(4,194)**	(4,455)	(4,762)	**(44,621)**
Cash paid for income taxes	**(15,757)**	(18,239)	(13,245)	**(167,646)**
Payment of levies	**-**	-	(5,167)	**-**
Net cash provided by (used for) operating activities	**¥28,101**	¥84,737	¥81,929	**298,978**

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	**2013**
Cash flows from investing activities:				
Decrease (increase) in time deposits with maturities over three months	**(310)**	1,446	(2,138)	**(3,298)**
Acquisition of property, plant and equipment	**(65,517)**	(61,126)	(47,408)	**(697,063)**
Proceeds from sales of property, plant and equipment	**348**	535	616	**3,702**
Acquisition of intangible assets	**(4,898)**	(4,921)	(4,886)	**(52,111)**
Proceeds from sales of intangible assets	**33**	16	37	**351**
Acquisition of investments in securities	**(571)**	(47)	(350)	**(6,075)**
Proceeds from sales of investments in securities	**2,899**	663	12	**30,843**
Acquisition of investments in subsidiaries or affiliates	**(12,339)**	(1,761)	-	**(131,279)**
Decrease (increase) in short-term loans	**(11)**	(11)	287	**(117)**
Additions to long-term loans	**(44)**	(70)	(40)	**(468)**
Proceeds from collection of long-term loans	**101**	89	102	**1,074**
Decrease (increase) in lease and guarantee deposits	**(1,152)**	-	-	**(12,256)**
Other	**301**	(772)	826	**3,201**
Net cash provided by (used for) investing activities	**(81,160)**	(65,959)	(52,942)	**(863,496)**
Cash flows from financing activities:				
Increase (decrease) in short-term debt	**42,129**	(569)	(53,670)	**448,228**
Proceeds from long-term debt	**64,327**	39,963	44,000	**684,402**
Repayment of long-term debt	**(38,837)**	(59,887)	(4,836)	**(413,203)**
Acquisition of treasury stock	**(4)**	(8)	(14)	**(42)**
Proceeds from stock issuance to minority shareholders	**217**	-	1,209	**2,308**
Cash dividends paid	**(8,351)**	(5,014)	(5,000)	**(88,849)**
Cash dividends paid to minority shareholders	**(1,326)**	(1,070)	(476)	**(14,107)**
Other	**(484)**	(246)	(75)	**(5,151)**
Net cash provided by (used for) financing activities	**57,671**	(26,831)	(18,862)	**613,586**
Effect of exchange rate changes	**(886)**	(1,823)	367	**(9,426)**
Net increase (decrease) in cash and cash equivalents	**3,726**	(9,876)	10,492	**39,642**
Cash and cash equivalents at beginning of year	**33,245**	44,629	34,137	**353,708**
Decrease in cash and cash equivalents due to changes in fiscal period of consolidated subsidiaries	**-**	(1,508)	-	**-**
Cash and cash equivalents at end of year	**¥36,971**	¥33,245	¥44,629	**$393,350**
Supplemental information on cash flows:				
Cash and cash equivalents:				
Cash on hand and in banks in the balance sheets	**¥38,525**	¥34,316	¥47,233	**$409,884**
Time deposits with maturities over three months	**(1,554)**	(1,071)	(2,604)	**(16,534)**
Total (Note 19)	**¥36,971**	¥33,245	¥44,629	**$393,350**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Notes to the Consolidated Financial Statements

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

1. Basis of presenting consolidated financial statements

Kawasaki Heavy Industries, Ltd. (the "Company") and its consolidated domestic subsidiaries maintain their official accounting and disclosure records in Japanese yen. The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions and the inclusion of consolidated statements of changes in net assets from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2013, which was ¥93.99 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or the existence of certain other conditions evidencing control (together, the "Companies"). The consolidated financial statements include the accounts of the Company and 95 subsidiaries (97 in the years ended March 31, 2012 and 96 in 2011). The aggregate amount of total assets, net sales, net income and retained earnings of the excluded subsidiaries would not have had a material effect on the consolidated financial statements if they had been included in the consolidation.

(b) Application of the equity method of accounting

Investments in nonconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method. For the year ended March 31, 2013, 17 affiliates (14 in 2012 and 14 in 2011) were accounted for by the equity method. For the year ended March 31, 2013, investments in 13 affiliates (14 in 2012 and 14 in 2011) were stated at cost without applying the equity method of accounting. If the equity method had been applied for these investments, the net income and retained earnings of these excluded subsidiaries and affiliates would not have had a material effect on the consolidated financial statements.

(c) Consolidated subsidiaries' fiscal year-end

The fiscal year-end of 30 consolidated subsidiaries (30 in 2012 and 33 in 2011) is December 31. These subsidiaries are consolidated as of December 31, and significant transactions for the period between December 31 and March 31, the Company’s fiscal year-end, are adjusted for on consolidation. One consolidated subsidiary has a fiscal year-end of June 30. For the purpose of preparing the consolidated financial statements, that subsidiary conducts a provisional settlement of accounts on March 31.

(d) Elimination of intercompany transactions and accounts
All significant intercompany transactions and accounts and unrealized intercompany profits are eliminated on consolidation, and the portion attributable to minority interests is credited to minority interests. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

(e) Foreign currency translation
Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates. The balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at year-end rates, except for shareholders' equity accounts, which are translated at historical rates. The income statements of consolidated overseas subsidiaries are translated at average rates. The Company and its domestic subsidiaries report foreign currency translation adjustments in net assets.

(f) Revenue recognition
<Sales of products and construction contracts>
The percentage-of-completion method is applied to construction contracts if the outcome of the construction activity is deemed certain during the course of the activity. Otherwise, the completed-contract method is applied.

<Service revenues>
Service revenues are recognized when the services are rendered. Services include supervisory and installation services for products such as rail cars, machinery and plants. When the prices of such services are individually determined by the contract and the collectability of the revenue is reasonably assured, the service revenue is recognized on an accrual basis. Otherwise, the service revenue is recognized on a completion basis.

Sales and cost of sales in finance leases transactions are mainly recognized when the Company receives the lease payments.

(g) Cash and cash equivalents
Cash on hand, readily available deposits and short-term highly liquid and low risk investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents in preparing the consolidated statements of cash flows.

(h) Allowance for doubtful receivables
An allowance for possible losses from notes and accounts receivable, loans and other receivables is provided based on past experience and the Companies' estimates of losses on collection.

(i) Assets and liabilities arising from derivative transactions
Assets and liabilities arising from derivative transactions are stated at fair value.

(j) Inventories
Inventories are stated mainly at the historical cost computed using the specific identification cost method, the moving-average cost method or the first-in, first-out method. The ending balance of inventories is measured at the lower of cost or market.

(k) Investments in securities
The Company and its consolidated subsidiaries classify securities as (a) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (b) equity securities issued by subsidiaries and affiliated companies and (c) all other securities (hereafter, "available-for-sale securities"). There were no trading securities at March 31, 2013, 2012 or 2011. Held-to-maturity debt securities are stated mainly at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Other securities with no available market value are stated at moving average cost.

If the market value of held-to-maturity debt securities, equity securities issued by nonconsolidated subsidiaries or affiliated companies or available-for-sale securities declines significantly, such securities are stated at market value, and the difference between market value and the carrying amount is recognized as loss in the period of the decline. If the market value of equity securities issued by nonconsolidated subsidiaries and affiliated companies not subject to the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the statements of income in the event net asset value declines significantly. In these cases, the market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(l) Property, plant and equipment
Property, plant and equipment are stated at cost. Depreciation is computed mainly on a declining balance basis over the estimated useful life of the asset. Depreciation of buildings acquired after April 1998 in Japan is computed on a straight-line basis over the building's estimated useful life.

(m) Intangible assets
Amortization of intangible assets, including software for the Company's own use, is computed by the straight-line method over the estimated useful life of the asset.

Goodwill is amortized on a straight-line basis over the period the Company benefits from its use. If the amount is not significant, it is expensed when incurred.

(n) Accrued bonuses
Accrued bonuses for employees are provided for based on the estimated amount of payment.

(o) Provision for product warranties
The provision for product warranties is based on past experience and provided separately when it can be reasonably estimated.

(p) Provision for losses on construction contracts
A provision for losses on construction contracts at the fiscal year-end is made when substantial losses are anticipated for the next fiscal year and beyond and such losses can be reasonably estimated.

(q) Provision for restructuring charges
The provision for restructuring charges is based on the estimated charges for restructuring in the Motorcycle & Engine business in North America.

(r) Provision for losses on legal proceedings
The Provision for losses on legal proceedings in which the Company is a defendant in the suit is provided based on estimates of expected compensation and other associated expenses.

(s) Provision for environmental measures
The Company reserved an estimated amount to cover expenditures for environmental measures such as the disposal of PCB waste required under the "Law Concerning Special Measures for Promotion of Appropriate Disposal of PCB (polychlorinated biphenyl) Waste" and soil improvement.

(t) Income taxes
The asset-liability approach is used to recognize deferred tax assets and liabilities for loss carryforwards and the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(u) Employees' retirement and severance benefits
Employees who terminate their services with the Company or one of its consolidated domestic subsidiaries are generally entitled to lump-sum payments, the amounts of which are determined by reference to basic rates of pay at the time of termination and length of service.

The liabilities and expenses for retirement and severance benefits are determined based on amounts actuarially calculated using certain assumptions. The Company and its consolidated domestic subsidiaries provide the allowance for employees' retirement and severance benefits based on the estimated amounts of projected benefit obligation and the fair value of plan assets (including the retirement benefit trust).

Actuarial gains and losses and prior service costs are recognized in expenses in equal amounts primarily over 10 years commencing with the following period and the current period, respectively.

Employees of the Company's overseas consolidated subsidiaries are generally covered by various pension plans accounted for in accordance with generally accepted accounting principles in the respective country of domicile.

<Additional information>
Regarding the substitutional portion of the employees' pension fund for certain subsidiaries, the Minister of Health, Labor and Welfare approved the exemption of their obligation to pay benefits related to future employee services on May 1, 2012, and the return of the portion related to past services on March 31, 2013. As a result, "Gain on transfer of benefit obligation relating to employees' pension fund" of ¥8,624 million was recorded in "Other income (expenses)" in the consolidated statements of income for the year ended March 31, 2013.

(v) Hedge accounting

The Company and its consolidated subsidiaries employ deferred hedge accounting. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized.

(w) Finance leases

Leased assets under finance leases that transfer ownership of the lease assets to the lessee are amortized by the same method as that used for property, plant and equipment or intangible assets. Lease assets under finance leases that do not transfer ownership to the lessee are amortized by the straight-line-method over the lease term with zero residual value.

(x) Net income per share

The computations of net income per share shown in the consolidated statements of income are based upon net income available to common stockholders and the weighted average number of shares outstanding during each period. Diluted net income per share is computed based on the assumption that all dilutive convertible bonds were converted at the beginning of the year.

(y) Accounting for consumption taxes

National and local consumption taxes are accounted for based on the net amount.

(z) Application of consolidated tax reporting

Effective from the year ended March 31, 2012, the Company and its wholly owned consolidated domestic subsidiaries have elected to file a consolidated tax return.

3. Changes in accounting policies

(a) Depreciation method

In accordance with an amendment to the Corporation Tax Act, effective from the year ended March 31, 2013, the Company and its domestic consolidated subsidiaries have changed the depreciation method applied to property, plant and equipment acquired on or after April 1, 2012 to reflect the amended Corporation Tax Act. As a result, both operating income and income before income taxes and minority interests for the year ended March 31, 2013, were ¥1,379 million more than the amounts that would have been recorded without the change.

(b) Application of Accounting Standard for Asset Retirement Obligations

Effective from the year ended March 31, 2011, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Asset Retirement Obligations" (Statement No. 18, issued by ASBJ on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (Guidance No. 21, issued by ASBJ on March 31, 2008). As a result of this change, operating income was ¥16 million less and income before income taxes ¥313 million less than the amounts that would have been recorded without the change.

(c) Application of Accounting Standard for Business Combinations

Effective from the year ended March 31, 2011, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Business Combinations" (Statement No. 21, issued by ASBJ on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (Statement No. 22, issued by ASBJ on December 26, 2008), "Amendments to Accounting Standard for Research and Development Costs" (Statement No. 23, issued by ASBJ on December 26, 2008), "Revised Accounting Standard for Business Divestitures" (Statement No. 7, issued by ASBJ on December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (Statement No. 16, issued by ASBJ on December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Guidance No. 10, issued by ASBJ on December 26, 2008).

4. Accounting standards issued but not yet adopted

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits." Under this accounting standard, actuarial gains and losses and past service costs are to be recognized in the net assets section of the consolidated balance sheets, after adjusting for tax effects, and the difference between retirement obligations and plan assets (deficit or surplus) are to be recognized as a liability or asset. With regard to the method of attributing expected benefits to periods, this accounting standard allows the application of either the straight-line basis or the benefit formula basis. This accounting standard also amends the method of determining the discount rate.

The Company will adopt this accounting standard from the year ending March 31, 2014. Since this accounting standard includes transitional provisions, no retrospective application of the standard will be applied to the consolidated financial statements of prior periods. The effect of the adoption of this accounting standard on the preparation of the consolidated financial statements is currently being evaluated by the Company.

5. Additional information

The Company and its consolidated subsidiaries have adopted "Accounting Standard for Accounting Changes and Error Corrections" (Statement No. 24, issued by ASBJ on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (Guidance No. 24, issued by ASBJ on December 4, 2009) for accounting changes and prior period error corrections made on or after April 1, 2011.

6. Securities

(a) Book values and market values of held-to-maturity securities with available market values as of March 31, 2013 and 2012 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2013			
	Book value	Market value	Unrealized losses	Unrealized losses
Market values not exceeding book values:				
Bonds	**¥133**	**¥125**	**¥ (8)**	**$ (85)**

	Millions of yen		
	2012		
	Book value	Market value	Unrealized losses
Market values exceeding book values:			
Bonds	¥404	¥376	¥ (28)

(b) Acquisition costs and book values (market values) of available-for-sale securities with available market values as of March 31, 2013 and 2012 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2013			
	Book value	Acquisition cost	Unrealized gains (losses)	Unrealized gains (losses)
Securities with book values exceeding acquisition costs:				
Equity securities	**¥14,082**	**¥6,843**	**¥7,239**	**$77,018**
Other securities:				
Equity securities	**659**	**717**	**(58)**	**(617)**
Total	**¥14,741**	**¥7,560**	**¥7,181**	**$76,401**

	Millions of yen		
	2012		
	Book value	Acquisition cost	Unrealized gains (losses)
Securities with book values exceeding acquisition costs:			
Equity securities	¥13,362	¥6,164	¥7,198
Other securities:			
Equity securities	2,660	3,485	(825)
Total	¥16,022	¥9,649	¥6,373

(c) Sales amounts of available-for-sale securities and related realized gains and losses for the years ended March 31, 2013, 2012 and 2011 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2013					
	Sales amounts	Gains	Losses	Sales amounts	Gains	Losses
Equity securities	**¥2,892**	**¥1,428**	**¥(3)**	**$30,769**	**$15,193**	**$(31)**

	Millions of yen		
	2012		
	Sales amounts	Gains	Losses
Equity securities	¥611	¥593	¥(1)

	Millions of yen		
	2011		
	Sales amounts	Gains	Losses
Equity securities	¥3	¥1	¥(0)

(d) Investments in securities subject to impairment

Impairment loss on investments in securities is recognized when there has been a significant decline in the market value.

Investments in securities for which the market value as of the end of the fiscal year has fallen to below 50% of the acquisition costs are deemed to have no recovery potential and to be fully impaired. Investments in securities for which the market value has fallen to between 30% and 50% of the acquisition costs are deemed to be partially impaired by an amount that takes into consideration the likelihood of recovery and other factors. In the years ended March 31, 2012 and 2011, the Company recognized an impairment loss on investments in securities in the amount of ¥918 million and ¥1,577 million, respectively. For the year ended March 31, 2013, the amount of impairment loss on investments was not disclosed because it was immaterial.

7. Investments in nonconsolidated subsidiaries and affiliates

Investments in nonconsolidated subsidiaries and affiliates as of March 31, 2013 and 2012 were ¥52,412 million ($557,633 thousand) and ¥30,007 million, respectively.

8. Short-term debt and long-term debt

Short-term debt and long-term debt as of March 31, 2013 and 2012 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Short-term debt:			
Short-term debt, principally bank loans, bearing average interest rates of 0.74 percent and 0.81 percent as of March 31, 2013 and 2012, respectively	**¥160,767**	¥112,806	**$1,710,470**
Current portion of long-term debt, bearing average interest rates of 0.75 percent and 1.12 percent as of March 31, 2013 and 2012, respectively	**68,743**	34,763	**731,386**
Lease obligations, current	**347**	355	**3,691**
Total short-term debt	**¥229,857**	¥147,924	**$2,445,547**
Long-term debt:			
Loans from banks and other financial institutions, partly secured by mortgage or other collateral, due from 2013 to 2022, bearing average interest rates of 0.77 percent and 0.90 percent as of March 31, 2013 and 2012, respectively	**¥243,105**	¥223,500	**$2,586,501**
Notes and bonds issued by the Company:			
0.81 percent notes due in 2012	**-**	10,000	**-**
1.84 percent notes due in 2013	**10,000**	10,000	**106,394**
0.72~1.22 percent notes due in 2015	**20,000**	20,000	**212,788**
0.58 percent notes due in 2016	**10,000**	10,000	**106,394**
1.06 percent notes due in 2017	**10,000**	10,000	**106,394**
0.68 percent notes due in 2019	**10,000**	-	**106,394**
1.41 percent notes due in 2021	**10,000**	10,000	**106,394**
1.10 percent notes due in 2022	**10,000**	-	**106,394**
Long-term lease obligations	**780**	861	**8,298**
	323,885	294,361	**3,445,951**
Less portion due within one year	**(69,089)**	(35,118)	**(735,067)**
Total long-term debt	**¥254,796**	¥259,243	**$2,710,884**

As of March 31, 2013 and 2012, the following assets were pledged as collateral for short-term debt and long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Receivables: Trade	**¥49,911**	¥44,935	**$531,026**
Buildings and structures	**82**	3,981	**872**
Land	**-**	6	**-**
Investments in securities	**14**	418	**148**
Other	**13**	13	**138**
Total	**¥50,020**	¥49,353	**$532,184**

In addition to the items shown above, the Company had pledged (on a long-term basis) shares of an affiliate company eliminated from the scope of consolidation in the amount of \30 million ($319 thousand).

As of March 31, 2013 and 2012, debt secured by the above pledged assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Trade payables	**¥3**	¥59	**$31**
Short-term and long-term debt	**30,888**	29,652	**328,631**
Total	**¥30,891**	¥29,711	**$328,662**

The aggregate annual maturities of long-term debt as of March 31, 2013 were as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2014	**¥69,089**	**$735,067**
2015	**85,872**	**913,629**
2016	**45,327**	**482,253**
2017	**21,220**	**225,768**
2018 and thereafter	**102,377**	**1,089,234**
Total	**¥323,885**	**$3,445,951**

9. Provision for losses on construction contracts

Inventories for construction contracts with substantial anticipated losses and the provision for losses on construction contracts were not offset. As of March 31, 2013 and 2012, the inventories for the construction contracts for which the provision for losses on construction contracts were provided were ¥8,900 million ($94,690 thousand) and ¥10,994 million, respectively. These amounts were all included in work in process.

10. Employees' retirement and severance benefits

Upon terminating employment, employees of the Company and its consolidated domestic subsidiaries are entitled, under most circumstances, to lump-sum indemnities. For an employee who voluntarily retires under normal circumstances, a minimum payment amount is calculated based on the rate of pay at the time of retirement, length of service and conditions under which the employee retires. The Company and certain consolidated subsidiaries have a defined contribution pension plan and a cash balance plan, and certain consolidated foreign subsidiaries have a retirement pension system. The cash balance plan is linked to market interest rates and treated as a defined benefit pension plan. The plan assets of the company are generally held in a separately administered trust as a proportion of a general fund.

The liability for employees' retirement and severance benefits included in the long-term liability section of the consolidated balance sheets as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Projected benefit obligation	**¥(166,866)**	¥(177,268)	**$(1,775,357)**
Fair value of plan assets	**77,992**	63,743	**829,790**
Unrecognized prior service costs	**722**	(5,857)	**7,681**
Unrecognized actuarial gains and losses	**30,347**	48,553	**322,874**
Prepaid pension cost	**(4,495)**	(4,223)	**(47,824)**
Liability for retirement and severance benefits	**¥(62,300)**	¥(75,052)	**$(662,836)**

Retirement and severance benefit expenses in the consolidated statements of income for the years ended March 31, 2013, 2012 and 2011 comprised the following:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Service costs - benefits earned during the year	**¥8,900**	¥8,882	¥9,338	**$94,691**
Interest cost on projected benefit obligation	**3,566**	3,675	3,821	**37,940**
Expected return on plan assets	**(1,172)**	(1,061)	(1,046)	**(12,469)**
Amortization of prior service costs	**(1,603)**	(2,409)	(2,304)	**(17,055)**
Amortization of actuarial gains and losses	**3,852**	4,715	3,849	**40,983**
Contribution to the defined contribution pension plans	**726**	712	667	**7,724**
Retirement and severance benefit expenses	**14,269**	14,514	14,325	**151,814**
Gain on transfer of benefit obligation relating to employees' pension fund	**(8,624)**	-	-	**(91,754)**
Total	**¥5,645**	¥14,514	¥14,325	**$60,060**

Basic assumptions and information used to calculate retirement and severance benefits were as follows:

	2013	2012	2011
Discount rate	**mainly 2.0%**	mainly 2.0%	mainly 2.0%
Expected rate of return on plan assets			
(For the Company and consolidated domestic subsidiaries)	**3.0 to 3.5%**	3.0 to 3.5%	3.0 to 3.5%
(For consolidated overseas subsidiaries)	**5.04 to 7.25%**	6.18 to 7.75%	6.64 to 7.75%
Amortization period for prior service costs	**mainly 10 years**	mainly 10 years	mainly 10 years
Amortization period for actuarial gains and losses	**mainly 10 years**	mainly 10 years	mainly 10 years

11. Contingent liabilities

Contingent liabilities as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
As guarantor of indebtedness of employees, nonconsolidated subsidiaries, affiliates and others	**¥30,396**	¥29,496	**$323,396**

12. Net assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus. Under the Japanese Corporate Law ("the Law"), if a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or capitalized by a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

13. Cost of sales

The ending balance of inventories was measured at the lower of cost or market. Gain on the valuation of inventories included in the cost of sales for the year ended March 31, 2013 and 2011 was ¥361 million ($3,840 thousand) and ¥49 million, respectively. Loss on the valuation of inventories included in the cost of sales for the year ended March 31, 2012 was ¥1,246 million.

Provision for losses on construction contracts included in the cost of sales for the years ended March 31, 2013, 2012 and 2011 was ¥5,929 million ($63,081 thousand), ¥14,980 million and ¥20,948 million, respectively.

14. Research and development expenses

Research and development expenses included in selling, general and administrative expenses and product costs were as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Research and development expenses	**¥41,709**	¥39,940	¥37,090	**$443,759**

15. "Other expenses, net" in "Other income (expenses)"

"Other expenses, net" in "Other income (expenses)" in the consolidated statements of income for the years ended March 31, 2013, 2012 and 2011 comprised the following:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Foreign exchange gain (loss), net	**¥(9,919)**	¥206	¥1,491	**$(105,532)**
Gain on transfer of benefit obligation relating to employees' pension fund	**8,624**	-	-	**91,754**
Loss on environmental measures (a)	**(1,437)**	-	-	**(15,288)**
Gain on sales of marketable securities and investments in securities	**1,424**	591	-	**15,150**
Loss on impairment of fixed assets (b)	**(363)**	(14,921)	(9,923)	**(3,862)**
Loss on valuation of securities	**(55)**	(918)	(1,577)	**(585)**
Provision for doubtful receivables of affiliates (c)	**-**	-	(325)	**-**
Loss on adjustment for changes in accounting standard for asset retirement obligations	**-**	-	(291)	**-**
Other, net	**(204)**	(352)	(242)	**(2,171)**
Total	**¥(1,930)**	¥(15,394)	¥(10,867)	**$(20,534)**

(Reclassification)

Certain reclassifications have been made to components of "Other expenses, net" for the year ended March 31, 2012 to conform to the presentation for the year ended March 31, 2013.

(a) "Loss on environmental measures" is a provision for the disposal of PCB waste in accordance with the "Law Concerning Special Measures for Promotion of Appropriate Disposal of PCB (polychlorinated biphenyl) Waste" and soil improvement.

(b) Loss on impairment of fixed assets
Owing to a decline in the profitability or the market prices of certain asset groups, the Company and its consolidated subsidiaries reduced the book value of certain assets to the recoverable amount. Assets are grouped mainly by units of business. However, significant assets for rent or those that are idle are treated separately. Recoverable amounts were determined by the net salable value or value in use, and net salable value was estimated by appraisal or property tax assessment.

Asset groups for which the Company and its consolidated subsidiaries recognized impairment loss for the year ended March 31, 2013 were as follows:

Function or status	Location	Type of assets
Idle property	Funabashi City, Chiba	Buildings and structures, etc.
Idle property	Kobe City, Hyogo	Buildings and structures, land, etc.

Impairment loss for the year ended March 31, 2013 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	**¥247**	**$2,628**
Land, etc.	**116**	**1,234**
Total	**¥363**	**$3,862**

Asset groups for which the Company and its consolidated subsidiaries recognized impairment loss for the year ended March 31, 2012 were as follows:

Function or status	Location	Type of assets
Operating property	Sakaide City, Kagawa	Buildings and structures, machinery and equipment, etc.
Operating property	Minato-ku and Koto-ku, Tokyo	Buildings
Idle property	Kakamigahara City, Gifu	Buildings and structures, etc.
Idle property	Akashi City, Hyogo	Buildings and structures, etc.
Idle property	Takeda City, Oita	Land, etc.

Impairment loss for the year ended March 31, 2012 consisted of the following:

	Millions of yen
Buildings and structures	¥7,091
Machinery and equipment	4,315
Land	2,587
Other	928
Total	¥14,921

Asset groups for which the Company and its consolidated subsidiaries recognized impairment loss for the year ended March 31, 2011 were as follows:

Function or status	Location	Type of assets
Operating property	Akashi City, Hyogo	Buildings and structures, machinery and equipment, etc.
Operating property	Kobe City, Hyogo	Buildings and structures, machinery and equipment, etc.

Impairment loss for the year ended March 31, 2011 consisted of the following:

	Millions of yen
Buildings and structures	¥3,731
Machinery and equipment	2,300
Other	3,892
Total	¥9,923

(c) "Provision for doubtful receivables of affiliates" is an allowance for doubtful receivables to Tonfang Kawasaki Air–Conditioning Co., Ltd., an affiliate of the Company.

16. Consolidated statement of comprehensive income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Unrealized gains (losses) on securities			
Increase (decrease) during the year	**¥3,466**	¥(231)	**$36,875**
Reclassification adjustments	**(2,506)**	2	**(26,662)**
Subtotal, before tax	**960**	(229)	**10,213**
Tax (expense) or benefit	**(419)**	335	**(4,458)**
Subtotal, net of tax	**¥541**	106	**5,755**
Deferred gains (losses) on hedges			
Increase (decrease) during the year	**(20,351)**	2,351	**(216,522)**
Reclassification adjustments	**10,371**	(243)	**110,341**
Asset acquisition cost adjustments	**(35)**	(12)	**(372)**
Subtotal, before tax	**(10,015)**	2,096	**(106,553)**
Tax (expense) or benefit	**3,634**	(815)	**38,663**
Subtotal, net of tax	**(6,381)**	1,281	**(67,890)**
Foreign currency translation adjustments			
Increase (decrease) during the year	**11,713**	(2,924)	**124,620**
Share of other comprehensive income of associates accounted for using equity method			
Increase (decrease) during the year	**5,155**	231	**54,846**
Total other comprehensive income	**¥11,028**	¥(1,306)	**$117,331**

17. Dividends

(a) Dividends paid

Year ended March 31, 2013

Resolution	Kind of shares	Total amount of dividends paid	Dividends per share	Date of record	Effective date
June 27, 2012 General Meeting of Shareholders	**Common stock**	**¥8,359 million ($88,934 thousand)**	**¥5.0 ($0.05)**	**March 31, 2012**	**June 28, 2012**

Year ended March 31, 2012

Resolution	Kind of shares	Total amount of dividends paid	Dividends per share	Date of record	Effective date
June 28, 2011 General Meeting of Shareholders	Common stock	¥5,011 million	¥3.0	March 31, 2011	June 29, 2011

(b) Dividend payments for which the record date is the subject fiscal year but have an effective date in the succeeding consolidated fiscal year

Year ended March 31, 2013

Resolution	Kind of shares	Source of dividends	Total amount of dividends paid	Dividends per share	Date of record	Effective date
June 26, 2013 General Meeting of Shareholders	**Common stock**	**Retained earnings**	**¥8,358 million ($88,924 thousand)**	**¥5.0 ($0.05)**	**March 31, 2013**	**June 27, 2013**

Year ended March 31, 2012

Resolution	Kind of shares	Source of dividends	Total amount of dividends paid	Dividends per share	Date of record	Effective date
June 27, 2012 General Meeting of Shareholders	Common stock	Retained earnings	¥8,359 million	¥5.0	March 31, 2012	June 28, 2012

18. Income taxes

Income taxes in Japan applicable to the Company and its consolidated domestic subsidiaries consist of corporation tax (national tax) and enterprise and inhabitants taxes (local taxes), which, in the aggregate, resulted in a statutory tax rate of approximately 37.8 percent and 40.5 percent for the years ended March 31, 2013 and 2012, respectively.

The significant differences between the statutory and effective tax rates for the years ended March 31, 2013 and 2012 were as follows:

	2013	2012
Statutory tax rate	**37.8%**	40.5%
Valuation allowance	**(4.6)**	2.1
Equity in income of nonconsolidated subsidiaries and affiliates	**(7.0)**	(7.0)
Dividend from overseas consolidated subsidiaries	**2.2**	1.7
Changing tax rate	**-**	12.7
Other	**0.0**	(3.2)
Effective tax rate	**28.4%**	46.8%

Significant components of deferred tax assets and liabilities as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Deferred tax assets:			
Accrued bonuses	**¥8,524**	¥8,579	**$90,690**
Retirement benefits	**32,012**	36,163	**340,589**
Allowance for doubtful receivables	**653**	900	**6,947**
Inventories – elimination of intercompany profits	**137**	654	**1,457**
Fixed assets – elimination of intercompany profits	**436**	373	**4,638**
Depreciation	**8,431**	9,874	**89,701**
Net operating loss carryforwards	**7,819**	801	**83,189**
Unrealized loss on marketable securities, investmentsin securities and other	**3,262**	3,472	**34,705**
Provision for losses on construction contracts	**6,197**	11,196	**65,932**
Other	**29,471**	25,946	**313,559**
Gross deferred tax assets	**96,942**	97,958	**1,031,407**
Less valuation allowance	**(12,281)**	(16,759)	**(130,663)**
Total deferred tax assets	**84,661**	81,199	**900,744**
Deferred tax liabilities:			
Deferral of gain on sale of fixed assets	**4,733**	4,914	**50,356**
Net unrealized gain on securities	**2,359**	1,993	**25,098**
Other	**10,797**	9,198	**114,873**
Total deferred tax liabilities	**17,889**	16,105	**190,327**
Net deferred tax assets	**¥ 66,772**	¥65,094	**$710,417**

19. Cash and cash equivalents

Cash and cash equivalents reconciled to the accounts reported in the consolidated balance sheets in the years ended March 31, 2013, 2012 and 2011 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Cash on hand and in banks:	**¥38,525**	¥34,316	¥47,233	**$409,884**
Time deposits with maturities over three months:	**(1,554)**	(1,071)	(2,604)	**(16,534)**
Total	**¥36,971**	¥33,245	¥44,629	**$393,350**

20. Net income per share

Per share amounts for the years ended March 31, 2013, 2012 and 2011 are set forth in the table below. Diluted net income per share for the year ended March 31, 2013 was not disclosed since there were no residual securities.

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Basic net income per share:				
Net income	**¥30,864**	¥23,323	¥25,965	**$328,375**
Net income allocated to common stock	**30,864**	23,323	25,965	**328,375**

	(Number of shares in millions)		
Weighted average number of shares of common stock	**1,671**	1,671	1,669

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Diluted net income per share				
Net income adjustment	**¥-**	¥22	¥44	**$-**
(Interest expenses, etc.)	**(-)**	(22)	(44)	**(-)**
	(Number of shares in millions)			
Increase in shares of common stocks	**-**	13	28	
(Convertible bonds)	**(-)**	(5)	(11)	
(Zero coupon convertible bonds)	**(-)**	(8)	(17)	

21. Derivative transactions

(a) Outstanding positions and recognized gains and losses at March 31, 2013 were as follows:

(Derivative transactions to which the Company did not apply hedge accounting)

	Millions of yen				Thousands of U.S. dollars
	Contract amount	Contract amount over 1 year	Fair value	Gain (loss)	Gain (loss)
Currency related contracts:					
Foreign exchange contracts:					
To sell	**¥148,250**	**¥-**	**¥(22,437)**	**(22,437)**	**$(238,716)**
To purchase	**408**	**-**	**8**	**8**	**85**
Option contracts:					
To sell	**-**	**-**	**-**	**-**	**-**
To purchase	**-**	**-**	**-**	**-**	**-**
Total	**¥148,658**	**¥-**	**¥(22,429)**	**(22,429)**	**$(238,631)**

Fair value is based on prices provided by financial institutions.

(Derivative transactions to which the Company did not apply hedge accounting)

		Millions of yen		
	Subject of hedge	Contract amount	Contract amount over 1 year	Fair value
Deferral hedge accounting:				
Foreign exchange contracts				
To sell	Trade receivables	**¥77,504**	**¥15,694**	**¥(9,783)**
To purchase	Trade payables	**5,272**	**1,544**	**834**
Option contracts				
To sell	Trade receivables	**7,224**	**-**	**(259)**
To purchase	Trade payables	**6,800**	**-**	**(79)**
Alternative method (*)				
Foreign exchange contracts				
To sell	Trade receivables	**3,677**	**-**	**(52)**
To purchase	Trade Payables	**22**	**-**	**3**
Option contracts				
To sell	Trade receivables	**1,809**	**-**	**(27)**
To purchase	Trade payables	**1,660**	**-**	**(9)**
Total		**¥103,968**	**¥17,238**	**¥(9,372)**

Fair value is based on prices provided by financial institutions.

(*) For certain trade accounts receivable and payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the risk of foreign currency fluctuation, the fair value of the derivative financial instrument is included in the fair value of "Trade receivables" and "Trade payables" as hedge items.

	Subject of hedge	Thousands of U.S. dollars		
		Contract amount	Contract amount over 1 year	Fair value
Deferral hedge accounting:				
Foreign exchange contracts				
To sell	Trade receivables	**$824,600**	**$166,975**	**$(104,086)**
To purchase	Trade payables	**56,091**	**16,427**	**8,873**
Option contracts				
To sell	Trade receivables	**76,859**	**-**	**(2,755)**
To purchase	Trade payables	**72,348**	**-**	**(840)**
Alternative method				
Foreign exchange contracts				
To sell	Trade receivables	**39,121**	**-**	**(553)**
To purchase	Trade Payables	**234**	**-**	**31**
Option contracts				
To sell	Trade receivables	**19,246**	**-**	**(287)**
To purchase	Trade payables	**17,661**	**-**	**(95)**
Total		**$1,106,160**	**$183,402**	**$(99,712)**

	Subject of hedge	Millions of yen		
		Contract amount	Contract amount over 1 year	Fair value
Interest related contracts:				
Interest swap Deferral hedge accounting				
Floating-rate receipt/fixed-rate payment	Short-term debt	**¥15,000**	**¥-**	**¥(81)**
Special treatment (*)				
Floating-rate receipt/fixed-rate payment	Long-term debt	**12,000**	**12,000**	**-**
Interest rate and currency swaps treated as single item (special treatment, hedge accounting treatment as an alternative method)	Long-term debt	**6,993**	**6,993**	**-**
		¥33,993	**¥18,993**	**¥(81)**

Fair value is based on prices provided by financial institutions.

(*) As interest rate swaps subject to special treatment for interest rate swaps are accounted for as a single item with the long-term debt, which comprises the hedged items, the fair value is included in that of the long-term debt.

	Subject of hedge	Thousands of U.S. dollars		
		Contract amount	Contract amount over 1 year	Fair value
Interest related contracts:				
Interest swap Deferral hedge accounting				
Floating-rate receipt/fixed-rate payment	Short-term debt	**$159,592**	**$-**	**$(861)**
Special treatment				
Floating-rate receipt/fixed-rate payment	Long-term debt	**127,673**	**127,673**	**-**
Interest rate and currency swaps treated as single item (special treatment, hedge accounting treatment as an alternative method)	Long-term debt	**74,401**	**74,401**	**-**
		$361,666	**$202,074**	**$(861)**

(b) Outstanding positions and recognized gains and losses at March 31, 2012 were as follows:

(Derivative transactions to which the Company did not apply hedge accounting)

	Millions of yen			
	Contract amount	Contract amount over 1 year	Fair value	Gain (loss)
Currency related contracts:				
Foreign exchange contracts:				
To sell	¥135,398	¥-	¥(3,023)	¥(3,022)
To purchase	441	-	(1)	(1)
Option contracts:				
To sell	76,480	-	(2,209)	(1,212)
To purchase	44,720	-	(87)	(848)
Total	¥257,039	¥-	¥(5,320)	¥(5,083)

Fair value is based on prices provided by financial institutions.

(Derivative transactions to which the Company did not apply hedge accounting)

	Subject of hedge	Millions of yen		
		Contract amount	Contract amount over 1 year	Fair value
Deferral hedge accounting:				
Foreign exchange contracts				
To sell	Trade receivables	¥88,798	¥33,629	¥(334)
To purchase	Trade payables	45,608	1,624	1,027
Option contracts				
To sell	Trade receivables	-	-	-
To purchase	Trade payables	-	-	-
Alternative method (*)				
Foreign exchange contracts				
To sell	Trade receivables	1,388	-	19
To purchase	Trade payables	1,388	-	(19)
Total		¥137,182	¥35,253	¥693

Fair value is based on prices provided by financial institutions.

(*) For certain trade accounts receivable and payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the risk of foreign currency fluctuation, the fair value of the derivative financial instrument is included in the fair value of "Trade receivables" and "Trade payables" as hedge items.

	Subject of hedge	Millions of yen		
		Contract amount	Contract amount over 1 year	Fair value
Interest related contracts:				
Interest swap Deferral hedge accounting				
Floating-rate receipt/fixed-rate payment	Short-term debt	¥20,000	¥15,000	¥(259)
Special treatment (*)				
Floating-rate receipt/fixed-rate payment	Long-term debt	15,000	12,000	-
Interest rate and currency swaps treated as single item (special treatment, hedge accounting treatment as an alternative method)	Long-term debt	2,688	2,688	-
		¥37,688	¥29,688	¥(259)

Fair value is based on prices provided by financial institutions.

(*) As interest rate swaps subject to special treatment for interest rate swaps are accounted for as a single item with the long-term debt, which comprises the hedged items, the fair value is included in that of the long-term debt.

22. Financial Instruments

Information related to financial instruments as of March 31, 2013 and 2012 was as follows.

(1) Matters related to the status of financial instruments

(a) Policies on the use of financial instruments

The Company meets its long-term operating capital and capital expenditure requirements through bank loans and the issuance of bonds and meets its short-term operating capital requirements through bank loans and the issuance of short-term bonds (electronic commercial paper). Temporary surplus funds are managed in the form of financial assets that have a high level of safety. The Company utilizes derivative financial instruments to hedge the risks described below and does not engage in speculative transactions as a matter of policy.

(b) Details of financial instruments and risks associated with those instruments

Trade receivables are exposed to the credit risk of customers. The Company operates internationally and has significant exposure to the risk of fluctuation in foreign exchange rates. However, this risk is hedged using forward exchange contracts, etc., against the net position of foreign currency exposure. Investments in securities mainly comprise equity securities of companies with which the Company conducts business and are held to maintain relationships with these business partners. With such securities, listed stocks are exposed to market fluctuation risk.

Almost all trade payables are due within one year. A portion of trade payables are denominated in foreign currency—specifically those related to payment for imported materials, etc.—and are exposed to the risk of foreign currency fluctuation. However, this risk is mitigated principally by the position of trade payables denominated in foreign currency being less than the position of receivables in the same currency. Loans payable, bonds payable and lease obligations under finance leases are mainly used to raise operating capital and carry out capital expenditure and are due in a maximum of nine years from March 31, 2013 (ten years from March 31, 2012). A portion of these instruments is exposed to the risk of interest rate fluctuation. However, such risk is hedged using derivatives (interest swaps and currency swaps) as necessary.

In sum, derivatives comprise forward exchange and currency option contracts used to hedge foreign currency fluctuation risk on receivables and payables in foreign currencies and interest swap contracts to hedge interest rate fluctuation risk on debt. With regard to hedge accounting, see Note 2, "Significant accounting policies- (v) Hedge accounting."

(c) Risk management system for financial instruments

(i) Management of credit risk, including customer default risk

The Company's sales management functions and those of its consolidated subsidiaries regularly evaluate the financial circumstances of customers and monitor the due dates and balances by customer to identify and limit doubtful accounts.

With regard to derivative transactions, the Company enters into contracts with highly rated financial institutions to reduce counterparty risk. The amount presented in the balance sheet is the maximum credit risk at the fiscal year end of the financial instruments that are exposed to credit risk.

(ii) Management of market risk (related to foreign currency exchange rates, interest rates, etc.)

The Company and certain of its consolidated subsidiaries hedge foreign currency fluctuation risk on receivables and payables in foreign currencies using forward exchange contracts, which are categorized by the type of currency and the monthly due date. In principle, the net position of receivables less payables in foreign currency is hedged with forward exchange contracts. The Company and certain of its consolidated subsidiaries hedge interest rate risk on debt using interest swap contracts.

With regard to investments in securities, the Company reviews its holding policies through periodic analysis of market prices and the financial condition of the issuers, taking into consideration relationships with business partners.

With regard to derivatives, in accordance with rules for the provision of transaction authorization, the Company's finance functions and those of its consolidated subsidiaries manage transactions in accordance with an established set of fundamental policies, such as those covering limitations on transaction amounts, under the authority of the director in charge of finance. Transactions are reported to the director in charge of finance on a monthly basis. Consolidated subsidiaries manage derivatives in accordance with the same rules as those of the Company.

(iii) Management of liquidity risk (risk of the Company being unable to meet its payment obligations by their due dates)
The Company manages liquidity risk through its finance department, maintaining and updating its finance plans based on reports from each business division. Liquidity risk is managed through the diversification of financing methods, taking into consideration the financing environment and balancing long- and short-term financing requirements, securing commitment lines, etc.

(d) Supplemental information on the fair value of financial instruments
The fair value of financial instruments includes values based on market price and reasonably estimated values when market price is not available. However, as variables are inherent in these value calculations, the resulting values may differ if different assumptions are used. With regard to the contract amounts, etc. of the derivatives described below in "(2) Fair values of financial instruments," these amounts do not represent the market risk associated with the corresponding derivative transactions themselves.

(2) Fair values of financial instruments

The book values, the fair values and the differences between these values as of March 31, 2013 were as follows (Financial instruments for which the fair value was extremely difficult to determine were not included, as described in remark (ii)):

	Millions of yen			Thousands of U.S. dollars
	Book value	Fair value	Unrealized gains (losses)	Unrealized gains (losses)
Cash on hand and in banks	**¥38,525**	**¥38,525**	**¥-**	**$-**
Trade receivables	**432,649**	**432,619**	**(30)**	**(319)**
Investments in securities	**14,876**	**14,868**	**(8)**	**(85)**
Total assets	**486,050**	**486,012**	**(38)**	**(404)**
Trade payables	**281,063**	**281,063**	**-**	**-**
Short-term debt and current portion of long-term debt (excluding lease obligations)	**229,510**	**229,510**	**-**	**-**
Long-term debt, less current portion (excluding lease obligations)	**254,362**	**255,269**	**907**	**9,649**
Total liabilities	**764,935**	**765,842**	**907**	**9,649**
Derivative transactions (*)	**¥(31,883)**	**¥(31,883)**	**¥-**	**$-**

(*) Derivative financial instruments are presented as net amounts. Negative amounts stated with parentheses ( ) indicate that the net amount is a liability.

The book values, fair values and the differences between these values as of March 31, 2012, were as follows (Financial instruments for which the fair value was extremely difficult to determine were not included, as described in remark (ii)):

	Millions of yen		
	Book value	Fair value	Unrealized gains (losses)
Cash on hand and in banks	¥34,316	¥34,316	¥-
Trade receivables	404,054	403,847	(207)
Investments in securities	16,427	16,399	(28)
Total assets	454,797	454,562	(235)
Trade payables	310,775	310,775	-
Short-term debt and current portion of long-term debt (excluding lease obligations)	147,568	147,568	-
Long-term debt, less current portion (excluding lease obligations)	258,738	260,672	1,934
Total liabilities	717,081	719,015	1,934
Derivative transactions (*)	¥(4,886)	¥(4,886)	¥-

(*) Derivative financial instruments are presented as net amounts. Negative amounts stated with parentheses ( ) indicates that the net amount is a liability.

(i) Methods used to calculate the fair value of financial instruments and details of securities and derivative instruments

<Assets>

-Cash on hand and in banks

The fair value of cash on hand and in banks is stated at the relevant book value since the settlement periods are short and the fair values are substantially the same as the book values.

-Receivables

The fair value of receivables is stated at present value computed by applying a discount rate reflecting the settlement period and the credit risk.

-Investments in securities

Equity securities are stated at the fair value, and bonds are stated at market price or the asking price of financial institutions. See Note 2(k), "Investments in securities," for the detailed information by classification.

<Liabilities>

-Trade payables, short-term debt and current portion of long-term debt

Since the settlement periods of these items are short and their fair values are substantially the same as their book values, the relevant book values are used.

-Long-term debt, less current portion

The fair value of bonds payable is calculated based on trading reference data. The fair value of long-term debt is calculated by applying a discount rate to the total of principal and interest. That discount rate is based on the interest rates of similar new loans.

<Derivatives>

See Note 21, "Derivative Transactions."

(ii) Financial instruments for which the fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Unlisted equity securities and investments in partnerships	**¥7,855**	¥7,122	**$83,572**
Stocks of nonconsolidated subsidiaries and affiliates	**7,620**	6,917	**81,072**
Investments in affiliates	**44,792**	23,090	**476,561**
Total	**¥60,267**	¥37,129	**$641,205**

Since no market values are available for these items and since it is extremely difficult to determine their fair values, the items listed in the table above are not included in investments in securities.

(iii) Planned redemption amounts after the balance sheet date for monetary receivables and investments in securities with maturity dates as of March 31, 2013 and 2012 were as follows:

	Millions of yen			
	2013			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash on hand and in banks	**¥38,525**	**¥-**	**¥-**	**¥-**
Trade receivables	**426,027**	**6,622**	**-**	**-**
Investments in securities				
-Bonds	**-**	**133**	**-**	**-**
Total	**¥464,552**	**¥6,755**	**¥-**	**¥-**

	Thousands of U.S. dollars			
	2013			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash on hand and in banks	**¥409,884**	**$-**	**$-**	**$-**
Trade receivables	**4,532,684**	**70,454**	**-**	**-**
Investments in securities				
-Bonds	**-**	**1,415**	**-**	**-**
Total	**¥4,942,568**	**$71,869**	**$-**	**$-**

	Millions of yen			
	2012			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash on hand and in banks	¥34,316	¥-	¥-	¥-
Trade receivables	368,419	35,635	-	-
Investments in securities				
-Bonds	300	104	-	-
Total	¥403,035	¥35,739	¥-	¥-

(iv) Planned repayment amounts after the balance sheet date for bonds payable, convertible bonds and long-term debt

See Note 8, “Short-Term debt and Long-term debt.”

23. Finance leases

As discussed in Note 2(w), finance leases commenced prior to April 1, 2008 which do not transfer ownership of the leased assets to the lessee are accounted for as operating leases. Information regarding such leases, as required to be disclosed in Japan, is as follows:

(a) Lessee

The original costs of leased assets under non-capitalized finance leases and the related accumulated depreciation and amortization, assuming it was calculated by the straight-line method over the term of the respective lease, as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Property, plant and equipment	**¥24,064**	¥31,691	**$256,027**
Accumulated depreciation	**(15,528)**	(19,888)	**(165,209)**
	8,536	11,803	**90,818**
Intangible assets	**82**	284	**872**
Accumulated amortization	**(77)**	(238)	**(819)**
	¥5	¥46	**$53**

The present values of future minimum lease payments under non-capitalized finance leases as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Current portion	**¥2,264**	¥3,150	**$24,087**
Noncurrent portion	**6,111**	9,081	**65,018**
Total	**¥8,375**	¥12,231	**$89,105**

Lease payments, "as if capitalized" depreciation and amortization and interest expense for non-capitalized finance leases for the years ended March 31, 2013, 2012 and 2011 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Lease payments	**¥3,702**	¥4,911	¥5,038	**$39,387**
Depreciation and amortization	**3,402**	4,531	4,669	**36,195**
Interest	**¥270**	¥388	¥486	**$2,872**

(b) Lessor

The original costs of leased assets under finance leases and the related accumulated depreciation and amortization as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Property, plant and equipment	**¥956**	¥1,429	**$10,171**
Accumulated depreciation	**(803)**	(1,107)	**(8,544)**
	153	322	**1,627**
Intangible assets	**12**	45	**127**
Accumulated amortization	**(12)**	(45)	**(127)**
	¥-	¥0	**$-**

The present values of future minimum lease payments to be received under finance leases as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Current portion	**¥122**	¥195	**$1,298**
Noncurrent portion	**54**	181	**574**
Total	**¥176**	¥376	**$1,872**

Lease payments received, depreciation and amortization and interest on finance leases for the years ended March 31, 2013, 2012 and 2011 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Lease payments received	**¥193**	¥241	¥282	**$2,053**
Depreciation and amortization	**165**	213	257	**1,755**
Interest	**¥13**	¥24	¥35	**$138**

24. Operating leases

There were no operating lease transactions for the years ended March 31, 2013 and 2012.

25. Segment information

(a) Overview of reportable segments

The Company's reportable segments are components of the Company for which separate financial information is available. These segments are subject to periodic review by the Company's Board of Directors to determine the allocation of resources and assess performance. The Company's operations are divided into internal companies based on product categories. Certain authority is delegated to each of the internal companies based on whether they conduct businesses in Japan or overseas. The Company's operations are therefore segmented based on each internal company's product categories. The Company's eight reportable segments are the Ship & Offshore Structure segment, the Rolling Stock segment, the Aerospace segment, the Gas Turbine & Machinery segment, the Plant & Infrastructure segment, the Motorcycle & Engine segment, the Precision Machinery segment and the Other segment.

The main businesses in the Company's reportable segments are set forth in the table below.

Business segment	Major products
Ship & Offshore Structure	Construction and sale of ships and other vessels, etc.
Rolling Stock	Production and sale of rolling stock, snow plows, etc.
Aerospace	Production and sale of aircraft, etc.
Gas Turbine & Machinery	Production and sale of jet engines, general-purpose gas turbine generators, prime movers, etc.
Plant & Infrastructure	Production and sale of industrial equipment, boilers, environmental equipment, steel structures, crushers, etc.
Motorcycle & Engine	Production and sale of motorcycles, personal watercraft, all-terrain vehicles (ATV), utility vehicles, general-purpose gasoline engines, etc.
Precision Machinery	Production and sale of industrial hydraulic products, industrial robots, etc.
Other	Production and sale of construction machinery, commercial activities, sales/order agency and intermediary activities, administration of welfare facilities, etc.

(b) Calculation methods for sales, income (loss), assets, liabilities and other items by reportable segment

Accounting methods applied for the calculation of sales, income (loss), assets, liabilities and other items by business segment largely correspond to information presented under Note 2, "Significant accounting policies." Segment income is based on operating income. Intersegment sales and transfers are based on market prices.

(c) Sales, income (loss), assets, liabilities and other items by reportable segment

	Year ended March 31, 2013								
	Millions of yen								
	Sales					Other items			
	External sales	Intersegment sales and transfers	Total	Segment income (loss)	Segment assets	Depreciation/ amortization	Impairment loss	Investment in equity-method affiliates	Increase in property, plant and equipment and intangibles
Ship & Offshore Structure	**¥90,343**	**¥1,999**	**¥92,342**	**¥4,162**	**¥112,612**	**¥1,364**	**¥-**	**¥35,434**	**¥1,781**
Rolling Stock	**129,973**	**2,888**	**132,861**	**2,215**	**163,528**	**3,536**	**-**	**99**	**2,808**
Aerospace	**239,172**	**2,289**	**241,461**	**14,827**	**311,659**	**10,769**	**-**	**-**	**17,171**
Gas Turbine & Machinery	**207,008**	**19,404**	**226,412**	**7,033**	**251,808**	**6,100**	**-**	**1,086**	**9,324**
Plant & Infrastructure	**115,813**	**15,115**	**130,928**	**9,772**	**115,470**	**1,861**	**-**	**11,768**	**4,376**
Motorcycle & Engine	**251,858**	**757**	**252,615**	**2,397**	**271,548**	**10,480**	**-**	**994**	**14,866**
Precision Machinery	**130,455**	**14,027**	**144,482**	**8,452**	**114,699**	**7,713**	**-**	**-**	**12,320**
Other	**124,259**	**32,873**	**157,132**	**1,273**	**144,211**	**2,427**	**363**	**2,521**	**2,149**
Total	**¥1,288,881**	**¥89,352**	**¥1,378,233**	**¥50,131**	**¥1,485,535**	**¥44,250**	**¥363**	**¥51,902**	**¥64,795**
Adjustments	**-**	**(89,352)**	**(89,352)**	**(8,069)**	**(19,245)**	**4,135**	**-**	**-**	**13,829**
Consolidated total	**¥1,288,881**	**¥-**	**¥1,288,881**	**¥42,062**	**¥1,466,290**	**¥48,385**	**¥363**	**¥51,902**	**¥78,624**

	Year ended March 31, 2012								
	Millions of yen								
	Sales					Other items			
	External sales	Intersegment sales and transfers	Total	Segment income (loss)	Segment assets	Depreciation/ amortization	Impairment loss	Investment in equity-method affiliates	Increase in property, plant and equipment and intangibles
Ship & Offshore Structure	¥113,532	¥1,636	¥115,168	¥3,964	¥102,102	¥3,819	¥13,554	¥15,278	¥2,297
Rolling Stock	132,684	2,105	134,789	5,154	157,487	3,693	-	92	2,266
Aerospace	206,580	1,846	208,426	7,815	295,668	9,633	33	-	10,208
Gas Turbine & Machinery	194,655	20,438	215,093	7,775	223,649	6,680	-	576	7,310
Plant & Infrastructure	122,800	13,150	135,950	14,118	109,395	1,703	64	10,171	3,277
Motorcycle & Engine	235,243	1,033	236,276	(2,959)	222,515	11,151	-	967	11,770
Precision Machinery	175,077	14,245	189,322	26,622	110,578	6,647	-	-	16,221
Other	123,207	35,281	158,488	3,838	183,396	2,539	1,270	2,412	3,384
Total	¥1,303,778	¥89,734	¥1,393,512	¥66,327	¥1,404,790	¥45,865	¥14,921	¥29,496	¥56,733
Adjustments	-	(89,734)	(89,734)	(8,843)	(42,651)	3,036	-	-	7,186
Consolidated total	¥1,303,778	¥-	¥1,303,778	¥57,484	¥1,362,139	¥48,901	¥14,921	¥29,496	¥63,919

	Year ended March 31, 2011								
	Millions of yen								
	Sales					Other items			
	External sales	Intersegment sales and transfers	Total	Segment income (loss)	Segment assets	Depreciation/ amortization	Impairment loss	Investment in equity-method affiliates	Increase in property, plant and equipment and intangibles
Ship & Offshore Structure	¥118,416	¥1,895	¥120,311	¥(1,013)	¥115,800	¥4,264	¥-	¥13,125	¥3,183
Rolling Stock	131,104	2,079	133,183	8,173	151,212	3,634	-	123	2,416
Aerospace	196,876	1,811	198,687	3,030	288,495	9,402	-	-	7,121
Gas Turbine & Machinery	202,692	20,783	223,475	9,545	211,369	6,550	67	61	5,659
Plant & Infrastructure	89,012	12,017	101,029	8,281	95,115	1,554	141	8,603	2,033
Motorcycle & Engine	234,479	1,211	235,690	(4,961)	216,559	15,294	9,520	946	11,340
Precision Machinery	140,328	13,277	153,605	22,318	99,612	4,872	-	-	9,822
Other	114,042	34,340	148,382	2,577	159,618	2,477	195	2,308	8,017
Total	¥1,226,949	¥87,413	¥1,314,362	¥47,950	¥1,337,780	¥48,047	¥9,923	¥25,166	¥49,591
Adjustments	-	(87,413)	(87,413)	(5,322)	16,498	2,229	-	-	5,743
Consolidated total	¥1,226,949	¥-	¥1,226,949	¥42,628	¥1,354,278	¥50,276	¥9,923	¥25,166	¥55,334

	Year ended March 31, 2013								
	Thousands of U.S. dollars								
	Sales					Other items			
	External sales	Intersegment sales and transfers	Total	Segment income (loss)	Segment assets	Depreciation/ amortization	Impairment loss	Investment in equity-method affiliates	Increase in property, plant and equipment and intangibles
Ship & Offshore Structure	**$961,197**	**$21,268**	**$982,465**	**$44,280**	**$1,198,127**	**$14,512**	**$-**	**$376,998**	**$18,949**
Rolling Stock	**1,382,839**	**30,727**	**1,413,566**	**23,567**	**1,739,845**	**37,621**	**-**	**1,053**	**29,875**
Aerospace	**2,544,654**	**24,354**	**2,569,008**	**157,752**	**3,315,874**	**114,576**	**-**	**-**	**182,689**
Gas Turbine & Machinery	**2,202,447**	**206,447**	**2,408,894**	**74,827**	**2,679,093**	**64,900**	**-**	**11,554**	**99,202**
Plant & Infrastructure	**1,232,184**	**160,815**	**1,392,999**	**103,968**	**1,228,535**	**19,800**	**-**	**125,204**	**46,558**
Motorcycle & Engine	**2,679,625**	**8,054**	**2,687,679**	**25,502**	**2,889,116**	**111,501**	**-**	**10,576**	**158,166**
Precision Machinery	**1,387,967**	**149,239**	**1,537,206**	**89,925**	**1,220,332**	**82,062**	**-**	**-**	**131,078**
Other	**1,322,045**	**349,750**	**1,671,795**	**13,544**	**1,534,323**	**25,822**	**3,862**	**26,822**	**22,864**
Total	**$13,712,958**	**$950,654**	**$14,663,612**	**$533,365**	**$15,805,245**	**$470,794**	**$3,862**	**$552,207**	**$689,381**
Adjustments	**-**	**(950,654)**	**(950,654)**	**(85,850)**	**(204,756)**	**43,994**	**-**	**-**	**147,133**
Consolidated total	**$13,712,958**	**$-**	**$13,712,958**	**$447,515**	**$15,600,489**	**$514,788**	**$3,862**	**$552,207**	**$836,514**

(d) Reconciliation and the main components of differences between the total for reportable segments and amounts on the consolidated financial statement for the years ended March 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Net sales				
Total for reportable segments	**¥1,378,233**	¥1,393,512	¥1,314,362	**$14,663,612**
Intersegment transactions	**(89,352)**	(89,734)	(87,413)	**(950,654)**
Net sales reported on the consolidated financial statements	**¥1,288,881**	¥1,303,778	¥1,226,949	**$13,712,958**

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Income				
Total for reportable segments	**¥50,131**	¥66,327	¥47,950	**$533,365**
Intersegment transactions	**564**	(131)	(3)	**6,000**
Corporate expenses (*)	**(8,633)**	(8,712)	(5,319)	**(91,850)**
Operating income (loss) on the consolidated financial statements	**¥42,062**	¥57,484	¥42,628	**$447,515**

(*) Corporate expenses mainly comprise general and administrative expenses not attributed to reportable segments.

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Income				
Total for reportable segments	**¥50,131**	¥66,327	¥47,950	**$533,365**
Intersegment transactions	**564**	(131)	(3)	**6,000**
Corporate expenses (*)	**(8,633)**	(8,712)	(5,319)	**(91,850)**
Operating income (loss) on the consolidated financial statements	**¥42,062**	¥57,484	¥42,628	**$447,515**

(*) Corporate expenses mainly comprise general and administrative expenses not attributed to reportable segments.

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Assets				
Total for reportable segments	**1,485,535**	1,404,790	1,337,780	**15,805,245**
Corporate assets shared by all segments (*)	**122,759**	112,985	141,029	**1,306,086**
Intersegment transactions	**(142,004)**	(155,636)	(124,531)	**(1,510,842)**
Total assets on the consolidated financial statements	**1,466,290**	1,362,139	1,354,278	**15,600,489**

(*) Corporate assets shared by all segments mainly comprise fixed assets not attributed to reportable segments.

	Millions of yen								
	Year ended March 31,			Year ended March 31,			Year ended March 31,		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Other items	Total for reportable segments			Adjustments (*)			Amounts reported on the consolidated financial statements		
Depreciation/amortization	**¥44,250**	¥45,865	¥48,047	**¥4,135**	¥3,036	¥2,229	**¥48,385**	¥48,901	¥50,276
Increase in property, plant and equipment and intangibles	**64,795**	56,733	49,591	**13,829**	7,186	5,743	**78,624**	63,919	55,334

(*) Adjustment is mainly due to fixed assets not attributed to reportable segment.

	Thousands of U.S. dollars		
	Year ended March 31,	Year ended March 31,	Year ended March 31,
	2013	**2013**	**2013**
Other items	Total for reportable segments	Adjustments	Amounts reported on the consolidated financial statements
Depreciation/amortization	**$470,794**	**$43,994**	**$514,788**
Increase in property, plant and equipment and intangibles	**689,381**	**147,133**	**836,514**

(e) Related information

(i) Sales by geographic region

Net sales in the years ended March 31, 2013, 2012 and 2011 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Japan	**¥616,220**	¥567,044	¥558,126	**$6,556,229**
United States	**272,531**	237,941	236,572	**2,899,574**
Europe	**97,540**	123,317	87,162	**1,037,770**
Asia	**202,704**	239,627	224,685	**2,156,655**
Other areas	**99,886**	135,849	120,404	**1,062,730**
Total	**¥1,288,881**	¥1,303,778	¥1,226,949	**$13,712,958**

Net sales are based on the clients' location and classified according to nation or geographical region.

Property, plant and equipment

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Japan	**¥259,212**	¥238,733	**$2,757,867**
United States	**21,298**	19,450	**226,598**
Europe	**2,618**	2,104	**27,854**
Asia	**21,638**	13,610	**230,215**
Other areas	**1,026**	853	**10,918**
Total	**¥305,792**	¥274,750	**$3,253,452**

(ii) Information by major clients

	Net sales		
Clients	**2013**	2012	Related segments
Ministry of Defense	**193,685 million yen ($2,060,697 thousand)**	179,786 million yen	Ship & Offshore Structure, Aerospace, Gas Turbines & Machinery, etc.

26. Related party transactions

(a) Related party transactions for the years ended March 31, 2013 and 2012 were as follows:

	Year ended March 31, 2013
	Nonconsolidated subsidiaries and affiliates of the Company
Type	Affiliate of the Company
Name	Commercial Airplane Co., Ltd.
Location	Chiyoda-ku, Tokyo
Capital or investment	¥10 million ($106 thousand)
Business or position	Sales of transportation machinery
Rate of ownership (%)	Directly 40%
Description of relationship	Order of Company products
Details of transactions	Sales of Company products
Amount of transactions	¥85,325 million ($907,809 thousand)
Account	Trade receivables
Ending balance	¥25,957 million ($276,167 thousand)

	Year ended March 31, 2012
	Nonconsolidated subsidiaries and affiliates of the Company
Type	Affiliate of the Company
Name	Commercial Airplane Co., Ltd.
Location	Chiyoda-ku, Tokyo
Capital or investment	¥10 million
Business or position	Sales of transportation machinery
Rate of ownership (%)	Directly 40%
Description of relationship	Order of Company products
Details of transactions	Sales of Company products
Amount of transactions	¥59,265 million
Account	Trade receivables
Ending balance	¥26,229 million

(b) A summary of the total financial information of all affiliates (17 companies) (14 in 2012) which was the basis for calculating the equity in income of nonconsolidated affiliates, including that of Nantong COSCO KHI Ship Engineering Co., Ltd., which is a significant affiliate, for the years ended March 31, 2013 and 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Current assets	**¥156,902**	¥102,806	**$1,669,347**
Fixed assets	**153,656**	71,760	**1,634,812**
Current liabilities	**154,814**	84,489	**1,647,132**
Long-term liabilities	**25,407**	11,710	**270,315**
Net assets	**130,337**	78,367	**1,386,711**
Net sales	**197,764**	161,212	**2,104,096**
Minority interests in net income of consolidated subsidiaries	**20,339**	19,387	**216,395**
Total net income	**17,305**	16,188	**184,115**

27. Subsequent events

On June 26, 2013, the following appropriation of nonconsolidated retained earnings was approved at the ordinary meeting of shareholders of the Company:

	Millions of yen
Cash dividends (¥5.0 per share)	¥8,358

28. Other matters

(Quarterly financial information)

	Millions of yen			
Year ended March 31, 2013	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	¥283,530	¥574,999	¥885,896	¥1,288,881
Income before income taxes and minority interests	11,727	20,165	29,837	46,152
Net income	6,030	12,429	19,343	30,864
	yen			
Net income per share - basic	¥3.6	¥7.4	¥11.5	¥18.4

	Thousands of U.S. dollars			
Year ended March 31, 2013	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	$3,016,597	$6,117,661	$9,425,428	$13,712,958
Income before income taxes and minority interests	124,768	214,544	317,448	491,030
Net income	64,155	132,237	205,798	328,375
	U.S. dollars			
Net income per share - basic	$0.03	$0.07	$0.12	$0.19