

**Report of Earnings and Financial Statements
for the Fiscal Year Ended March 31, 2012 (Consolidated)**
(Prepared pursuant to Japanese GAAP)

April 26, 2012

Listed company's name: **Kawasaki Heavy Industries, Ltd.**
 Listed on: 1st sections of the TSE, OSE, and NSE
 Stock code: 7012
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Scheduled dates:
 Ordinary general meeting of shareholders June 27, 2012
 Commencement date of dividend payments June 28, 2012
 Submission of financial statements: June 27, 2012

Supplementary materials to financial results Available
 Earnings presentation: Conducted (for institutional investors and analysts)

**1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2012
(April 1, 2011 – March 31, 2012)**

(Amounts in millions of yen rounded down to the nearest million yen)

(1) Operating Results

Years ended March 31 (Millions of yen) (Percentage figures indicate change compared with the previous fiscal year)

	Net sales		Operating income		Recurring profit		Net income	
		%		%		%		%
2012	1,303,778	6.2	57,484	34.8	63,627	29.4	23,323	(10.1)
2011	1,226,949	4.5	42,628	-	49,136	243.7	25,965	-

Note: Comprehensive income Fiscal year ended March 31, 2012: ¥ 24,569 million 34.6%
 Fiscal year ended March 31, 2011: ¥ 18,252 million (434.0%)

Years ended March 31

	Earnings per share	Earnings per share – diluted	Return on equity	Return on assets	Operating income to net sales
	Yen	Yen	%	%	%
2012	13.95	13.85	7.8	4.6	4.4
2011	15.55	15.32	9.1	3.6	3.4

For reference: Equity in income of non consolidated subsidiaries and affiliates
 Fiscal year ended March 31, 2012: ¥ 8,567 million
 Fiscal year ended March 31, 2011: ¥ 9,205 million

(2) Financial Condition

March 31 (Millions of yen)

	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
2012	1,362,139	315,922	22.4	183.06
2011	1,354,278	297,433	21.3	173.03

For reference: Shareholders' equity March 31, 2012: ¥ 306,054 million
 March 31, 2011: ¥ 289,056 million

(3) Cash Flow Position

Years ended March 31

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
2012	84,737	(65,959)	(26,831)	33,245
2011	81,929	(52,942)	(18,862)	44,629

2. Dividends

Years ended/ending March 31

Record date or term	Dividend per share					Total dividends paid (annual) million yen	Payout ratio (consolidated) %	Dividends / Net assets (consolidated) %
	1Q	2Q	3Q	Year-end	Full year			
	Yen	Yen	Yen	Yen	Yen	million yen	%	%
2011	-	0.00	-	3.00	3.00	5,011	19.3	1.7
2012	-	0.00	-	5.00	5.00	8,359	35.8	2.7
2013 (forecast)	-	0.00	-	5.00	5.00		24.5	

3. Forecast of Consolidated Earnings for the Fiscal Year Ending March 31, 2013

(April 1, 2012 – March 31, 2013)

(Millions of yen)(Percentage figures indicate change compared with the previous fiscal year)

	Net sales		Operating income		Recurring profit		Net income		Earnings per share
	%		%		%		%		Yen
For six months ending September 30, 2012	620,000	5.9	20,000	(24.8)	24,000	(11.8)	14,000	(21.4)	8.37
Full year	1,380,000	5.8	52,000	(9.5)	56,000	(11.9)	34,000	45.7	20.33

*Other Information

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

*This refers to additions and removals of material subsidiaries to and from the consolidated group during the period. For further details, see “Changes in basis of preparation of financial statements” on page 21 in the Accompanying Materials.

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

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

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Correction of errors: None

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

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

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

March 31, 2011: 1,670,646,460 shares

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

March 31, 2012: 77,126 shares

March 31, 2011: 100,288 shares

(iii) Average number of shares during respective periods

March 31, 2012: 1,671,465,052 shares

March 31, 2011: 1,669,359,273 shares

For reference: Overview of Non-Consolidated Financial Results

(1) Operating Results

Years ended March 31 (Percentage figures indicate change compared with the previous fiscal year)

	Net sales		Operating income		Recurring profit		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
2012	1,003,390	22.7	25,072	-	38,029	15.8	11,491	(65.5)
2011	817,455	26.9	1,731	-	32,837	280.6	33,341	-

	Earnings per share	Earnings per share – diluted
	Yen	Yen
2012	6.87	6.83
2011	19.97	19.66

(2) Financial Condition

March 31 (Millions of yen)

	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
2012	1,144,618	255,039	22.2	152.55
2011	1,116,076	246,888	22.1	147.78

Note: Shareholders' equity March 31, 2012: ¥ 255,039 million
March 31, 2011: ¥ 246,888 million

* Review Status

This report is exempt from the review of accounts conducted pursuant to Japan's Financial Instruments and Exchange Act. As of this report's publication, the review of the financial results had not been completed.

*Appropriate Use of Financial Forecasts and Other Important Matters

Forward-Looking Statements

These materials contain various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based on information available at the time of preparation. Actual results may differ from those expressed or implied by forward-looking statements due to a range of factors. For assumptions underlying earnings forecasts and other information regarding the use of such forecasts, refer to "1. Qualitative Information and Financial Statements (1) Consolidated operating results (iii) Consolidated earnings outlook" on page 8 in the Accompanying Materials.

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

The Company plans to conduct a briefing for institutional investors and analysts on Thursday April 26, 2012, and to post the briefing material on financial results to be used for the briefing on TDnet and the Company's website simultaneously with the announcement of financial results.

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1. Qualitative Information and Financial Statements

(1) Consolidated operating results

(i) Overview of consolidated operating results

In the fiscal year ended March 31, 2012, the Japanese economy was initially forecast to remain stagnant owing to such factors as disruption of supply chains after the Great East Japan Earthquake, the historically high yen and adverse impacts from flooding in Thailand. However, signs of recovery gradually emerged toward the end of the fiscal year. As reconstruction demand following the earthquake moves into full swing and increasing attention becomes focused on Japan's future energy policy, the KHI Group role in society as an infrastructure manufacturer continues to grow.

In the global economy, while the employment situation in the US showed a gradual improvement, a number of concerns persist such as the lingering sovereign debt problem in Europe. Amid this situation, China has maintained high economic growth albeit at a slower pace, and infrastructure demand in emerging economies, including Asia and Brazil, remains firm, leading the overall global economy toward a moderate growth track. In particular, rapid growth in emerging economies has drawn attention to a number of pressing issues relating to energy, water and waste disposal. Hence, business fields in which the KHI Group is able to contribute are expanding on a global scale.

In such an operating environment, the Group achieved growth in overall sales and earnings despite declines in certain of its businesses. Orders received grew as a whole driven by large orders booked by the Aerospace, Gas Turbine & Machinery and Precision Machinery segments, thereby making up for decline in orders booked by the Rolling Stock, Ship & Offshore Structure and Plant & Infrastructure segments. Overall sales increased compared with the previous fiscal year, driven by sales growth in the Precision Machinery, Plant & Infrastructure and Aerospace segments, despite sales decline in the Gas Turbine & Machinery and Ship & Offshore segments. Earnings declined in the Rolling Stock and Gas Turbine & Machinery segments but increased as a whole, largely attributable to improved operating performance in the Plant & Infrastructure and Ship & Offshore segments.

The Group's orders received totaled ¥1,311.8 billion, a ¥ 41.2 billion increase compared with the previous fiscal year. Net sales increased 76.8 billion, to ¥1,303.7 billion. Operating income totaled ¥57.4 billion, a ¥14.8 billion improvement compared with the previous fiscal year. Although recurring profit grew ¥14.4 billion to ¥63.6 billion, net income declined ¥2.6 billion, to ¥23.3 billion owing to a reversal of deferred tax assets following changes to Japan's tax system.

(ii) Segment information

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

Segment	Fiscal year ended March 31				Orders received	
	2012		2011		Fiscal year ended March 31	
	Net sales	Operating income	Net sales	Operating income	2012	2011
Ship & Offshore Structure	113.5	3.9	118.4	(1.0)	39.9	78.9
Rolling Stock	132.6	5.1	131.1	8.1	66.0	187.1
Aerospace	206.5	7.8	196.8	3.0	327.2	206.7
Gas Turbine & Machinery	194.6	7.7	202.6	9.5	227.2	187.5
Plant & Infrastructure	122.8	14.1	89.0	8.2	119.2	119.9
Motorcycle & Engine	235.2	(2.9)	234.4	(4.9)	235.2	234.4
Precision Machinery	175.0	26.6	140.3	22.3	174.5	148.9
Other	123.2	3.8	114.0	2.5	122.2	106.8
Adjustments	-	(8.8)	-	(5.3)	-	-
Total	1,303.7	57.4	1,226.9	42.6	1,311.8	1,270.6

Note: Net sales include only sales to external customers.

Ship & Offshore Structure

Orders received totaled ¥39.9 billion, a ¥39.0 billion decrease compared with the previous fiscal year, despite the receipt of newbuild orders for eight bulk carriers and others.

Net sales totaled ¥113.5 billion, down ¥4.8 billion compared with the previous fiscal year, which was bolstered by large newbuild sales.

Operating income increased ¥4.9 billion, to ¥3.9 billion, mainly owing to a decline in provision for losses on construction contracts.

Rolling Stock

Orders received totaled ¥66.0 billion, down ¥121.0 billion compared with the previous fiscal year. This decrease was mainly due to booking of a large order in the previous fiscal year and delay in the project which was originally scheduled to be booked in the fiscal year under review.

Net sales totaled ¥132.6 billion, almost unchanged compared with the previous fiscal year, since a drop in domestic railway car sales was offset by an increase in overseas railway car sales.

Operating income was down ¥3.0 billion, to ¥5.1 billion, primarily owing to the impact of yen appreciation and provisioning of additional reserves against losses on construction contracts.

Aerospace

Orders received totaled ¥327.2 billion, up ¥120.5 billion compared with the previous fiscal year, largely by virtue of growth in orders from Japan Ministry of Defense.

Net sales totaled ¥206.5 billion, an increase of ¥9.7 billion compared with the previous fiscal year, thanks to growth in sales of component parts for Boeing 777 and 787.

Operating income increased ¥4.7 billion, to ¥7.8 billion, reflecting sales growth and cost reduction.

Gas Turbine & Machinery

Orders received totaled ¥227.2 billion, up ¥39.6 billion compared with the previous fiscal year. This increase was largely attributable to larger orders for component parts of commercial aircraft jet engines and orders for construction of a gas engine power plant.

Net sales totaled ¥194.6 billion, down ¥8.0 billion compared with the previous fiscal year. The decrease was mainly due to a drop in sales of marine diesel engines and gas compressors.

Operating income decreased ¥1.7 billion compared with the previous fiscal year to ¥7.7 billion reflecting a drop in sales.

Plant & Infrastructure

Orders received totaled ¥119.2 billion, largely unchanged compared with the previous fiscal year, as a result of receiving an order for a refuse incineration plant in the domestic market.

Net sales totaled ¥122.8 billion, up ¥33.7 billion compared with the previous fiscal year, mainly due to higher sales from plant installations overseas.

Operating income was up ¥5.8 billion ,to ¥14.1 billion , reflecting sales growth.

Motorcycle & Engine

Net sales totaled ¥235.2 billion, largely unchanged compared with the previous fiscal year, mainly owing to sales growth of motorcycles for emerging markets despite a drop in sales of motorcycles to developed countries due to strong yen adverse impact.

Operating loss was reduced to ¥2.9 billion, a ¥2.0 billion improvement compared with the previous fiscal year despite the negative impact from the Thai floods and strong yen. The improvement was mainly attributable to sales growth of motorcycles for emerging markets and fixed-cost cutting.

Precision Machinery

Orders received totaled ¥174.5 billion, a ¥25.6 billion increase compared with the previous fiscal year. Order growth was driven mainly by demand for hydraulic components from construction machinery makers.

Net sales rose ¥34.7 billion, to ¥175.0 billion, buoyed by growth in hydraulic components sales to construction machinery makers and sales of paint robots.

Operating income was up ¥4.3 billion ,to ¥26.6 billion, by virtue of sales growth.

Other Operations

Net sales totaled ¥123.2 billion, a ¥9.1 billion increase compared with the previous fiscal year.

Operating income totaled ¥3.8 billion, a ¥1.2 billion improvement compared with the previous fiscal year.

(iii) Consolidated earnings outlook

The global economy is expected to show a gradual recovery as a whole, but the pace will likely remain slow for the time being due to a sluggish improvement in the employment situation in the United States and adverse impact from the financial crisis in Europe. The economic outlook remains uncertain, as even newly industrialized countries such as China have started to show signs of being badly affected by the adverse economic performance of developed countries. Foreign exchange rate changes and hikes in the cost of raw materials are also concerns for the Company, and its operating environment continues to be challenging.

Faced with such a highly uncertain operating environment, the Company will steadily and vigorously push ahead with specific initiatives to rebuild its earnings structure and return to a sustained growth path, as the current fiscal year marks the final year of the “*Medium-Term Business Plan 2010*” (FY2010-FY2012).

For the fiscal year ending March 31, 2013, the Company forecasts consolidated net sales of ¥1,380 billion, an ¥80 billion increase compared with the fiscal year just ended. The Company plans to derive the bulk of this sales growth from the Aerospace, Precision Machinery and Motorcycle & Engine segments, and such growth is expected to offset the anticipated sales drop at the Ship & Offshore Structure segment.

In terms of earnings, the Company forecasts consolidated operating income of ¥52 billion, recurring profit of ¥56 billion, and net income of ¥34 billion. The Company plans to achieve these forecasts by continuing to pursue ongoing initiatives to improve earnings across all operations through such means as reducing fixed and overhead costs and boosting productivity.

The Company’s earnings forecasts assume exchange rates of ¥80 to the US dollar and ¥105 to the euro.

(2) Consolidated financial position

(i) Financial condition

(A) Assets

At March 31, 2012, consolidated assets totaled ¥1,362.1 billion, essentially unchanged from March 31, 2011. Of this total, current assets accounted for ¥967.1 billion, a 1.6% increase from March 31, 2011. This increase was mainly attributable to growth in trade receivables in conjunction with sales activities and inventory growth reflecting progress toward completion of construction jobs. Fixed assets totaled ¥394.9 billion on March 31, 2012, a 1.8% decrease from a year earlier. This decrease was largely attributable to loss on impairment of fixed assets and reversal of deferred tax assets.

(B) Liabilities

Consolidated liabilities on March 31, 2012 totaled ¥1,046.2 billion, down 1.0% compared with March 31, 2011, largely as a result of a 5.1% decrease in interest-bearing debt to ¥407.1 billion.

(C) Net assets

Consolidated net assets at March 31, 2012 totaled ¥315.9 billion, a 6.2% increase compared with March 31, 2011. This increase was mainly attributable to net income partially offset by dividend payments.

(ii) Cash flows

(A) Cash flow from operating activities

Operating activities provided net cash of ¥84.7 billion, a ¥2.8 billion increase compared with the previous fiscal year. Major sources of operating cash flow included depreciation and amortization of ¥48.9 billion, loss on impairment of fixed assets of ¥14.9 billion, and ¥18.9 billion increase of advances from customers. Major uses of operating cash flow included an ¥18.7 billion increase in inventories and ¥18.2 billion in tax payments.

(B) Cash flow from investing activities

Investing activities used net cash of ¥65.9 billion, ¥13.0 billion more than in the previous fiscal year, mainly to acquire property, plant and equipment.

(C) Cash flow from financing activities

Financing activities used net cash of ¥26.8 billion, a ¥7.9 billion increase compared with the previous fiscal year, mainly to repay borrowings.

(iii) Cash flow ratios

Fiscal year ended March 31:	2008	2009	2010	2011	2012
Equity ratio (%)	22.7	20.7	20.4	21.3	22.4
Market-value equity ratio (%)	26.8	23.3	31.8	45.1	31.0
Debt-to-cash-flow ratio (%)	364.8	-	1,421.2	523.7	480.5
Interest-coverage ratio (times)	9.4	-	5.5	17.2	19.0

Notes:

1. Ratios are calculated as follows.

Ratio of shareholders' equity to total assets: Shareholders' equity / Total assets

Market-value equity ratio: Market capitalization / Total assets

Debt-to-cash-flow ratio: Interest-bearing debt / Cash flow from operating activities

Interest-coverage ratio: Cash flow from operating activities / Interest paid

2. All ratios are calculated using consolidated-basis financial data.

3. Market capitalization is calculated by multiplying the closing price of the company's stock by the number of shares issued and outstanding (excluding treasury stock) at the end of the fiscal year.

4. The figure for cash flow from operating activities is taken from cash flow from operating activities on the consolidated statement of cash flows.

5. Interest-bearing debt is all interest-bearing debt listed under liabilities on the consolidated balance sheet. Interest paid is the figure for "Cash paid for interest" on the consolidated statement of cash flows.

6. The debt-to-cash-flow ratio and interest coverage ratio are omitted for the fiscal year ended March 31, 2009, because that fiscal year's operating cash flow was negative.

(3) Dividend policy and dividends for the fiscal years 2012 and 2013

The Company's basic policy is to pay shareholders stable dividends commensurate with earnings on an ongoing basis while internally retaining sufficient funds to strengthen and expand its earnings power and operating foundation in pursuit of future growth. After comprehensively considering its earnings performance, the sufficiency of its retained earnings, and other relevant factors in light of said policy, the Company intends to pay a dividend of ¥5 per share for the fiscal year ended March 31, 2012.

For the fiscal year ending March 31, 2013, the Company plans to pay a dividend of ¥5 per share.

(4) Business and other risks

No risks other than those disclosed under the heading “Business and Other Risks” in the Company’s most recent full-year statutory financial report (filed June 28, 2011) have surfaced since said filing. Updated risk disclosures are therefore omitted here.

2. Status of Group

There have been no material changes in the “Chart of Operations (Nature of Operations)” and the “Status of Affiliated Companies” in the Company’s most recent full-year statutory financial report (filed June 28, 2011). Updated disclosure of them is therefore omitted here.

3. Management Strategy

(1) Basic management strategy

The Group has amassed a broad range of technologies related to air, marine, and land transport systems, energy, environmental engineering, and industrial machinery. In accord with its Group Mission Statement, “Kawasaki, working as one for the good of the planet,” the Group has embraced a mission of creating new value conducive to formation of an affluent, beautiful society in harmony with the global environment through utilization of its broad array of sophisticated technological capabilities.

In addition to providing products and services, the Group is committed to fulfilling its societal responsibilities as a corporate citizen in all of its operations in accord with its Group Management Principles. The Group aims to meet the expectations of its shareholders and other stakeholders by developing human resources globally and continuously enhancing its earnings power and corporate value.

The Group’s basic policy is to meet shareholders expectations by paying dividends commensurate with earnings on an ongoing basis while internally retaining sufficient funds to strengthen and expand its earnings power and operating foundation in pursuit of future growth.

(2) Target management metrics

In the aim of generating profits sufficient to meet investors’ expectations, the Group has adopted ROIC (return on invested capital: earnings before interest and taxes ÷ invested capital), a measure of capital efficiency, as its target metric of operating performance. While seeking to maximize ROIC, the Group will also endeavor to strengthen its financial condition through earnings growth and improvement in invested-capital efficiency.

(3) Medium- to long-term management strategy

In April 2010, the Company adopted a new three-year business plan, “*Medium-Term Business Plan 2010*” (FY2010-FY2012). The plan sets forth a detailed roadmap for re-embarking on a growth trajectory based on core policies of “rebuilding the Group’s earnings structure” and “returning to a sustained growth path”. At the same time, the Group has formulated *Kawasaki Business Vision 2020*, which clarifies its businesses’ longer-term direction and strategies, in the aim of achieving sustained growth into the future. Based on *Kawasaki Business Vision 2020*, the Group has incorporated specific initiatives for developing new businesses and new products into its “*Medium-Term Business Plan 2010*” (FY2010-FY2012).

(4) Management priorities

In the fiscal year ended March 31, 2012, the Group’s business performance was adversely affected by strong yen and slow operation of the Motorcycle & Engine segment due to the disruption in supply chains after the floods in Thailand. But the Group achieved the earnings target (operating income of ¥52 billion and ordinary income of ¥56 billion) set for the fiscal year ending in March 31, 2013, the final year of the “*Medium-Term Business Plan 2010*,” one year ahead of the plan. This was largely by virtue of the Company’s relentless efforts to improve its productivity in each business area and extensive risk management in large projects, in addition to its enhanced global production system including the procurement of raw materials from overseas markets as well as growth in the Precision Machinery segment on the back of steady expansion of the Chinese economy. We will continue to thoroughly work on “selectively focusing resources on strategic businesses,” “emphasizing quality over quantity,” and “employing prudent risk management,” satisfy demand from emerging countries and enhance measures to respond to exchange fluctuations to reinforce our revenue base. At the same time, to strengthen our financial and business position, we will focus on enhancing financial strength and cutting fixed expenses. Particularly in the Ship & Offshore Structure segment and motorcycle operations in developed countries that are seeing sluggish markets, the Group will re-examine its global production and marketing system from the perspective of selection and concentration, with a view to reallocating the management resources to more important areas.

In addition, interest in independent and diversified energy systems and renewable energy has been growing in Japan after the Great East Japan Earthquake, as the disaster raised concerns about the ability of the nation to supply enough electricity. To respond to such growing interest, the Group can use its gas engines with the highest efficiency in the world; gas turbines that work with Dual Fuel (oil and gas) and boast an excellent track record; electricity generator using wind, solar light, micro hydro sources and biomass; and rechargeable battery that contributes to smoothing the flow of electricity. In the future, the Group is expected to systemize and develop those products at the request of Japanese society.

In addition to establishing the Marketing Division in April 2012, the Group also plans to locate the Plant & Infrastructure Company in the new Tokyo Head Office, scheduled to be transferred in

December 2012, so as to take further advantage of the Company's intellectual assets and strengthening its system solution business in the areas of transportation equipment, energy and environment, and industrial equipment.

The initiatives to be undertaken by each business division are as follows.

- (i) Ship & Offshore Structures: Expand business scale and enhance competitiveness in China, reform the structure of the domestic segments by shifting its focus to strengthening technological development and building up the mother-factory of the Group's production activities, and advance to marine development
- (ii) Rolling Stock: Enhance competitiveness in the domestic and overseas markets through standard rolling stock with high versatility, respond to demand for railroad construction and railway car renewal in North America, and pursue new product development to respond to overseas railroad system projects and strengthen project management capability
- (iii) Aerospace: Move into mass production of the P-1 maritime patrol aircraft and C-2 transport aircraft, promote development of the new multipurpose helicopter (UH-X), start mass production of Boeing 787s and promote development of derivative aircraft
- (iv) Gas Turbine & Machinery: Launch the energy solution business, promote development of new products and models such as industrial gas turbines and high-efficiency gas-engines and advance to overseas markets, and promote development of new models of jet engines for commercial aircraft with greater production efficiency
- (v) Plant & Infrastructure: Bolster research and development in order to expand in the fields of energy and the environment, accelerate efforts to commercialize new products and new business concepts, and expand the infrastructure business mainly in resource-rich countries
- (vi) Motorcycle & Engine: Enhance cost competitiveness through optimal production on a global basis and expansion of procurement from overseas, expand sales channels and develop new markets in emerging countries we have already entered (Southeast Asia, Brazil, etc.), and develop leading technologies to respond to environmental requirements
- (vii) Precision Machinery: Bolster production system of hydraulic components for construction machinery on a global scale and establish a differentiated production technology by implementing a large number of robots, enhance cost competitiveness in the field of robotics, and develop technology to expand the applicable areas
- (viii) Others: Improve development and sales capabilities with respect to the construction machinery division by deepening our alliance with Hitachi Construction Machinery Co., Ltd. and enhance profitability by lowering break-even points

Compliance is a fundamental premise in carrying out business activities such as those above. The Group strives to ensure that employees are made thoroughly aware of relevant laws and regulations. We do this by implementing such measures as appointing Directors independent from executive functions and electing outside auditors who have no conflict of interest with the Company and corporate auditors who are highly experienced in the area of finance and accounting. In addition, we

establish internal regulations concerning corporate ethics, carry out staff training at each level, distribute compliance handbooks, and set up CSR committees in each organization. Furthermore, we have continued to take thoroughgoing organizational compliance initiatives by setting up a department which oversees internal controls, compliance, and CSR promotion, and creating units in charge of compliance within each business unit, while also striving to create a corporate culture that places the highest priority at all times on information disclosure and transparency.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

March 31	Millions of yen	
	2011	2012
Assets		
Current assets		
Cash on hand and in banks	47,233	34,316
Trade receivables	401,753	404,054
Merchandise and finished products	50,528	53,558
Work in process	285,977	300,224
Raw materials and supplies	88,817	88,113
Deferred tax assets	35,887	33,007
Other current assets	44,351	57,166
Allowance for doubtful receivables	(2,829)	(3,255)
Total current assets	951,719	967,186
Fixed assets		
Net property, plant and equipment		
Buildings and structures	113,186	113,632
Machinery and equipment	74,156	74,529
Land	64,107	61,942
Leased assets	283	323
Construction in progress	12,651	11,782
Other	11,394	12,540
Total property, plant and equipment	275,780	274,750
Intangible assets		
Goodwill	626	300
Other	18,622	18,485
Total intangible assets	19,249	18,786
Investments and other assets		
Investments in securities	24,641	23,249
Long-term loans	458	432
Deferred tax assets	47,193	37,614
Other	36,221	41,060
Allowance for doubtful receivables	(986)	(940)
Total investments and other assets	107,529	101,416
Total fixed assets	402,558	394,953
Total assets	1,354,278	1,362,139

Liabilities

Current liabilities		
Trade payables	319,271	310,775
Short-term debt	143,972	137,568
Lease obligations, current	242	355
Income taxes payable	5,988	4,627
Deferred tax liabilities	765	1,465
Accrued bonuses	15,692	20,582
Provision for product warranties	7,288	7,128
Provision for losses on construction contracts	33,068	30,977
Provision for restructuring charges	1,077	-
Provision for environmental measures	499	-
Advances from customers	80,815	99,050
Current portion of bonds	30,483	10,000
Asset retirement obligations	10	150
Other	64,550	73,321
Total current liabilities	<u>703,726</u>	<u>696,002</u>
Long-term liabilities		
Bonds payable	50,000	60,000
Long-term debt	203,801	198,737
Lease obligations	645	506
Deferred tax liabilities	3,990	4,060
Provision for loss on damages suit	5,868	910
Provision for environmental measures	3,333	3,282
Employees' retirement and severance benefits	80,556	75,052
Asset retirement obligations	440	611
Other	4,480	7,053
Total long-term liabilities	<u>353,117</u>	<u>350,214</u>
Total liabilities	<u>1,056,844</u>	<u>1,046,216</u>
Net assets		
Shareholders' equity		
Common stock	104,340	104,484
Capital surplus	54,251	54,393
Retained earnings	158,615	176,414
Treasury stock	(30)	(22)
Total shareholders' equity	<u>317,176</u>	<u>335,270</u>
Accumulated other comprehensive income		
Net unrealized gains (losses) on securities, net of tax	3,876	3,989
Deferred gains (losses) on hedges	(990)	246
Foreign currency translation adjustments	(31,006)	(33,451)
Total accumulated other comprehensive income	<u>(28,119)</u>	<u>(29,215)</u>
Minority interests	8,376	9,868
Total net assets	<u>297,433</u>	<u>315,922</u>
Total liabilities and net assets	<u>1,354,278</u>	<u>1,362,139</u>

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

Years ended March 31	Millions of yen	
	2011	2012
Net sales	1,226,949	1,303,778
Cost of sales	1,037,078	1,088,918
Gross profit	189,870	214,860
Selling, general and administrative expenses		
Salaries and benefits	39,429	41,565
Advertising expenses	7,967	8,166
R&D expenses	37,090	39,940
Provision for doubtful accounts	282	796
Other	62,472	66,907
Total selling, general and administrative expenses	147,242	157,375
Operating income	42,628	57,484
Non-operating income		
Interest income	1,779	1,672
Dividend income	527	658
Equity in income of non-consolidated subsidiaries and affiliates	9,205	8,567
Foreign exchange gain, net	1,491	206
Other	6,327	8,041
Total non-operating income	19,330	19,146
Non-operating expenses		
Interest expense	4,677	4,282
Loss on valuation of securities	1,577	918
Other	6,567	7,802
Total non-operating expenses	12,822	13,003
Recurring profit	49,136	63,627
Extraordinary losses		
Loss on impairment of fixed assets	9,923	14,921
Provision for doubtful accounts of affiliates	325	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	291	-
Total extraordinary losses	10,540	14,921
Income before income taxes and minority interests	38,595	48,706
Income taxes		
Current	14,341	9,932
Deferred	(3,503)	12,899
Total income taxes	10,837	22,831
Income before minority interests	27,758	25,875
Minority interests in net income of consolidated subsidiaries	1,792	2,551
Net income	25,965	23,323

Consolidated statements of comprehensive income

Years ended March 31	Millions of yen	
	2011	2012
Income before minority interests	27,758	25,875
Other comprehensive income		
Net unrealized gains (losses) on securities, net of tax	(1,437)	106
Deferred gains (losses) on hedges	(480)	1,281
Foreign currency translation adjustments	(5,420)	(2,925)
Share of other comprehensive income of associates accounted for using equity method	(2,167)	231
Total other comprehensive income	(9,505)	(1,305)
Comprehensive Income attributable to:	18,252	24,569
Owners of the parent company	16,505	22,227
Minority interests	1,746	2,341

(3) Consolidated statements of changes in net assets

Years ended March 31	Millions of yen	
	2011	2012
Shareholders' equity		
Common stock		
Balance at end of previous year	104,328	104,340
Changes during the period		
Conversion of convertible bonds	11	144
Total changes during the period	11	144
Balance at end of year	104,340	104,484
Capital surplus		
Balance at end of previous year	54,275	54,251
Changes during the period		
Conversion of convertible bonds	(24)	142
Treasury stock disposed	(0)	(0)
Total changes during the period	(24)	142
Balance at end of year	54,251	54,393
Retained earnings		
Balance at end of previous year	137,689	158,615
Changes during the period		
Conversion of convertible bonds	(16)	-
Cash dividend	(5,003)	(5,011)
Net income	25,965	23,323
Treasury stock disposed	-	(3)
Increase (decrease) by change of consolidation period of subsidiaries	-	(509)
Other	(19)	-
Total changes during the period	20,926	17,798
Balance at end of year	158,615	176,414
Treasury stock		
Balance at end of previous year	(552)	(30)
Changes during the period		
Conversion of convertible bonds	535	13
Treasury stock purchased	(15)	(6)
Treasury stock disposed	1	1
Total changes during the period	521	7
Balance at end of year	(30)	(22)
Total shareholders' equity		
Balance at end of previous year	295,741	317,176
Changes during the period		
Conversion of convertible bonds	506	300
Cash dividend	(5,003)	(5,011)
Net income	25,965	23,323
Treasury stock purchased	(15)	(6)
Treasury stock disposed	1	(2)
Increase (decrease) by change of consolidation period of subsidiaries	-	(509)
Other	(19)	-
Total changes during the period	21,435	18,093
Balance at end of year	317,176	335,270

Comprehensive income

Net unrealized gain (loss) on securities		
Balance at end of previous year	5,305	3,876
Changes during the period		
Net changes in items other than shareholders' equity	(1,429)	112
Total changes during the period	(1,429)	112
Balance at end of year	3,876	3,989
Deferred gains (losses) on hedges		
Balance at end of previous year	(162)	(990)
Changes during the period		
Net changes in items other than shareholders' equity	(828)	1,236
Total changes during the period	(828)	1,236
Balance at end of year	(990)	246
Foreign currency translation adjustments		
Balance at end of previous year	(23,803)	(31,006)
Changes during the period		
Net changes in items other than shareholders' equity	(7,202)	(2,444)
Total changes during the period	(7,202)	(2,444)
Balance at end of year	(31,006)	(33,451)
Total comprehensive income		
Balance at end of previous year	(18,659)	(28,119)
Changes during the period		
Net changes in items other than shareholders' equity	(9,460)	(1,095)
Total changes during the period	(9,460)	(1,095)
Balance at end of year	(28,119)	(29,215)
Minority interests		
Balance at end of previous year	5,972	8,376
Changes during the period		
Net changes in items other than shareholders' equity	2,404	1,491
Total changes during the period	2,404	1,491
Balance at end of year	8,376	9,868
Total net assets		
Balance at end of previous year	283,053	297,433
Changes during the period		
Conversion of convertible bonds	506	300
Cash dividend	(5,003)	(5,011)
Net income for the year (loss)	25,965	23,323
Treasury stock purchased	(15)	(6)
Treasury stock disposed	1	(2)
Increase (decrease) by change of consolidation period of subsidiaries	-	(509)
Other	(19)	-
Net changes in items other than shareholders' equity	(7,055)	395
Total changes during the period	14,380	18,489
Balance at end of year	297,433	315,922

(4) Consolidated statements of cash flows

Years ended March 31	Millions of yen	
	2011	2012
Cash flows from operating activities		
Income before income taxes and minority interests	38,595	48,706
Depreciation and amortization	50,276	48,901
Loss on impairment of fixed assets	9,923	14,921
Increase (decrease) in employees' retirement and severance benefits	(8,159)	(5,257)
Increase (decrease) in accrued bonuses	1,489	4,885
Increase (decrease) in allowance for doubtful receivables	514	449
Increase (decrease) in provision for product warranties	794	(750)
Increase (decrease) in provision for losses on construction contracts	15,349	(2,016)
Increase (decrease) in provision for restructuring charges	(5,249)	(1,077)
Increase (decrease) in provision for losses on damages suit	(837)	(4,957)
Increase (decrease) in provision for environmental measures	(658)	(545)
Loss on disposal of inventories	1,336	(70)
(Gain) loss on sale of marketable and investment securities	(0)	(591)
(Gain) loss on valuation of securities	1,577	918
(Gain) loss on sale of property, plant, and equipment	552	1,177
Equity in income non-consolidated subsidiaries and affiliates	(9,205)	(8,567)
Interest and dividend income	(2,306)	(2,331)
Interest expense	4,677	4,282
(Increase) decrease in trade receivables	14,910	(942)
(Increase) decrease in inventories	(17,775)	(18,705)
(Increase) decrease in other current assets	8,590	(2,139)
Increase (decrease) in trade payables	25,114	(7,332)
Increase (decrease) in advances from customers	(15,552)	18,973
Increase (decrease) in other current liabilities	(17,156)	8,708
Other	1,895	4,138
Subtotal	<u>98,696</u>	<u>100,775</u>
Cash received for interest and dividends	6,407	6,656
Cash paid for interest	(4,762)	(4,455)
Cash paid for income taxes	(13,245)	(18,238)
Payment of levies	(5,165)	-
Net cash provided by operating activities	<u>81,929</u>	<u>84,737</u>
Cash flows from investing activities		
Decrease (increase) in time deposits with maturities over three months	(2,138)	1,446
Acquisition of property, plant and equipment	(47,408)	(61,126)
Proceeds from sale of property, plant and equipment	616	535
Acquisition of intangible assets	(4,886)	(4,921)
Proceeds from sale of intangible assets	37	16
Acquisition of investments in securities	(350)	(47)
Proceeds from sale of investments in securities	12	663
Acquisition of investments in subsidiaries of affiliate	-	(1,761)
Decrease (increase) in short-term loans receivable	287	(11)
Additions to long-term loans receivable	(40)	(70)
Proceeds from collection of long-term loans receivable	102	89
Other	825	(771)
Net cash used for investing activities	<u>(52,942)</u>	<u>(65,959)</u>
Cash flows from financing activities		
Increase (decrease) in short-term debt, net	(53,670)	(568)
Proceeds from long-term debt	24,000	19,963
Repayment of long-term debt	(4,836)	(29,701)
Proceeds from issuance of bonds	20,000	20,000
Redemption of bonds payable	-	(30,186)
Acquisition of treasury stock	(14)	(8)
Proceeds from stock issuance to minority shareholders	1,209	-
Cash dividends paid	(5,000)	(5,014)
Cash dividends paid to minority shareholders	(476)	(1,070)
Other	(72)	(243)
Net cash used for financing activities	<u>(18,862)</u>	<u>(26,831)</u>
Effect of exchange rate changes	367	(1,822)
Net increase (decrease) in cash and cash equivalents	<u>10,491</u>	<u>(9,875)</u>
Cash and cash equivalents at beginning of period	34,137	44,629
Increase (decrease) in cash and cash equivalents by change of consolidation period of subsidiaries	-	(1,508)
Cash and cash equivalents at end of period	<u>44,629</u>	<u>33,245</u>

(5) Notes on the going-concern assumption

Not applicable

(6) Basis of preparation of financial statements

Other than information disclosed under the heading “(7) Changes in basis of preparation of financial statements” below, no material changes have been made from the information disclosed in the Company’s most recent full-year statutory financial report (filed June 28, 2011). An updated disclosure is therefore omitted here.

(7) Changes in basis of preparation of financial statements

1. Change in the scope of consolidation

(1) Change in the scope of consolidation

Four companies were added as consolidated subsidiaries because they were newly established by the Company.

Three companies merged with another consolidated subsidiaries and were dissolved.

(2) Number of consolidated subsidiaries after change

97 companies

2. Change in application of the equity method

(1) Non-consolidated subsidiaries which are accounted for under the equity method:

None

(2) Associated companies which are accounted for under the equity method

(i) Change in associated companies which are accounted for under the equity method

None

(ii) Number of associated companies accounted for under the equity method after change

14 companies

(8) Notes on financial statements

Consolidated balance sheets

Fiscal year ended March 31, 2012 (As of March 31, 2012)

Information is omitted here as its disclosure in this report is not of material importance.

Consolidated Statements of Income

Fiscal year ended March 31, 2011 (April 1, 2011 – March 31, 2012)

1. Loss on impairment of fixed assets

(1) Outline asset groups in which loss on impairment of fixed assets was recognized

Purpose	Location	Type
Assets held for business	Sakaide-city, Kagawa	Buildings and structures, Machinery and equipment, etc.
Assets held for business	Minato-ku and Koto-ku, Tokyo	Buildings and structures
Idle assets	Kakamigahara-city, Gifu	Buildings and structures, etc.
Idle assets	Akashi-city, Hyogo	Buildings and structures, etc.
Idle assets	Taketa-city, Oita	Land, etc.

(2) Method for asset grouping

Asset grouping is based on line of business, and principle assets held for lease and idle assets are treated as independent asset groups.

(3) Reason for recognition of loss on impairment of fixed assets

The book values of some assets were written down to recoverable amounts due to deteriorating business income, market price declines, or diminished expectation of future use.

(4) Calculation of recoverable amount

Recoverable amounts are measured by net sales price or utility value. Net sales price is principally calculated based on assessment by a real estate appraiser or on fixed assets' tax-assessment values. Utility value is calculated based on expected future cash flows.

(5) Loss on impairment of fixed assets

A write-down of 14,921 million yen was recorded as loss on impairment of fixed assets in extraordinary losses. Amounts by asset type are listed below.

Buildings and structures	7,091 million yen
Machinery and equipment, etc.	4,315 million yen
Land	2,587 million yen
Other	926 million yen
	<hr/>
	14,921 million yen

Other than the notes on consolidated statements of income stated above, information is omitted here as its disclosure in this report is not of material importance.

Information Omitted

Notes on the consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity, the consolidated cash flow statements, lease transactions, related-party transactions, tax-effect accounting, financial instruments, securities, derivative transactions, retirement benefits, stock-based compensation, business combination, asset retirement obligations, investment and rental property, and special purpose companies are omitted here, as their disclosure in this report is not of material importance.

Segment information and others

1. Segment information

Fiscal year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

(1) Overview of reportable segments

The Company's reportable segments are components of the company about which separate financial information is available. These segments are subject to periodic reviews by the Company's board of directors to decide how to allocate 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 which they conduct businesses in Japan and 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.

In conjunction with its October 2010 organizational restructuring, the Group renamed its Shipbuilding segment the Ship & Offshore Structure segment.

Main segment businesses are listed below.

Industry 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 Turbines & 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 ("JET SKI"), 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.

(2) Calculation methods for sales, income (loss), assets, liabilities and other items by reportable segment
Accounting methods applied for calculation of sales, income (loss), assets, liabilities, and other items by industry segment largely correspond to information presented under "(6) Basis of preparation of financial statements". Segment income is based on operating income. Intersegment sales or transfers are based on market prices.

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

(Millions of yen)

	Sales			Segment income (loss)	Segment assets	Other items			
	External sales	Intersegment sales or transfer	Total			Depreciation/amortization	Loss on impairment of fixed assets	Investment in equity-method affiliates	Increase in property, plant and equipment and intangibles
Ship & Offshore Structure	118,416	1,894	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	1,810	198,687	3,030	288,495	9,402	-	-	7,121
Gas Turbines & Machinery	202,692	20,782	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 Operations	114,038	34,340	148,378	2,576	159,616	2,474	193	2,305	8,013
Total	1,226,949	87,412	1,314,362	47,950	1,337,780	48,047	9,923	25,166	49,591
Adjustments	-	(87,412)	(87,412)	(5,322)	16,497	2,228	-	-	5,743
Consolidated total	1,226,949	-	1,226,949	42,628	1,354,278	50,276	9,923	25,166	55,334

(4) Reconciliation and main components of difference between total for reportable segments and amounts on the consolidated financial statements

(Millions of yen)

Sales	
Total for reportable segments	1,314,362
Intersegment transactions	(87,412)
Net sales reported on the consolidated financial statements	1,226,949

(Millions of yen)

Income	
Total for reportable segments	47,950
Intersegment transactions	(3)
Corporate expenses*	(5,318)
Operating income (loss) on consolidated financial statements	42,628

*Note: Corporate expenses mainly comprise general and administrative expenses not attributed to reportable segments.

(Millions of yen)

Assets	
Total for reportable segments	1,337,780
Corporate assets shared by all segments*	141,028
Intersegment transactions etc.	(124,531)
Total assets on consolidated financial statements	1,354,278

*Note: Corporate assets shared by all segments mainly comprise fixed assets not attributed to reportable segments.

(Millions of yen)

Other items	Total for reportable segments	Adjustments*	Amounts reported on the consolidated financial statements
Depreciation/amortization	48,047	2,228	50,276
Increase in property, plant and equipment and intangibles	49,591	5,743	55,334

*Note: Adjustments are mainly due to fixed assets not attributed to reportable segments

Fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)

(1) Overview of reportable segments

The Company's reportable segments are components of the company about which separate financial information is available. These segments are subject to periodic reviews by the Company's board of directors to decide how to allocate 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 which they conduct businesses in Japan and 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.

Main segment businesses are listed below.

Industry 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 Turbines & Machinery	Production and sale of jet engines, industrial gas turbines, 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, all-terrain vehicles (ATV), utility vehicles, personal watercraft ("JET SKI"), 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.

(2) Calculation methods for sales, income (loss), assets, liabilities and other items by reportable segment
Accounting methods applied for calculation of sales, income (loss), assets, liabilities, and other items by industry segment largely correspond to information presented under "(6) Basis of preparation of financial statements". Segment income is based on operating income. Intersegment sales or transfers are based on market prices.

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

(Millions of yen)

	Sales			Segment income (loss)	Segment assets	Other items			
	External sales	Intersegment sales or transfer	Total			Depreciation/amortization	Loss on impairment of fixed assets	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	2,104	134,789	5,154	157,487	3,693	-	92	2,266
Aerospace	206,580	1,845	208,426	7,815	295,668	9,633	33	-	10,208
Gas Turbines & 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 Operations	123,205	35,280	158,485	3,836	183,392	2,536	1,268	2,409	3,381
Total	1,303,778	89,734	1,393,513	66,327	1,404,790	45,865	14,921	29,496	56,733
Adjustments	-	(89,734)	(89,734)	(8,843)	(42,650)	3,035	-	-	7,185
Consolidated total	1,303,778	-	1,303,778	57,484	1,362,139	48,901	14,921	29,496	63,919

(4) Reconciliation and main components of difference between total for reportable segments and amounts on the consolidated financial statements

(Millions of yen)

Sales	
Total for reportable segments	1,393,513
Intersegment transactions	(89,734)
Net sales reported on the consolidated financial statements	1,303,778

(Millions of yen)

Income	
Total for reportable segments	66,327
Intersegment transactions	(131)
Corporate expenses*	(8,711)
Operating income (loss) on consolidated financial statements	57,484

*Note: Corporate expenses mainly comprise general and administrative expenses not attributed to reportable segments.

(Millions of yen)

Assets	
Total for reportable segments	1,404,790
Corporate assets shared by all segments*	112,985
Intersegment transactions etc.	(155,636)
Total assets on consolidated financial statements	1,362,139

*Note: Corporate assets shared by all segments mainly comprise fixed assets not attributed to reportable segments.

(Millions of yen)

Other items	Total for reportable segments	Adjustments*	Amounts reported on the consolidated financial statements
Depreciation/amortization	45,865	3,035	48,901
Increase in property, plant and equipment and intangibles	56,733	7,185	63,919

*Note: Adjustments are mainly due to fixed assets not attributed to reportable segments

2. Related information

Fiscal year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

(1) Information by product and service

Information by product and service is omitted here as segmentation is equivalent to that used for reportable segments.

(2) Information by geographic area

(a) Net sales

(Millions of yen)

Japan	USA	Europe	Asia	Other areas	Total
558,126	236,572	87,162	224,685	120,402	1,226,949

(b) Property, plant and equipment

(Millions of yen)

Japan	North America	Europe	Asia	Other areas	Total
241,132	20,611	2,304	10,945	785	275,780

(3) Information by major clients

(Millions of yen)

Clients	Net sales	Related segments
Ministry of Defense	182,633	Ship & Offshore Structure, Aerospace, Gas Turbines & Machinery

Fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)

(1) Information by product and service

Information by product and service is omitted here as segmentation is equivalent to that used for reportable segments.

(2) Information by geographic area

(a) Net sales

(Millions of yen)

Japan	USA	Europe	Asia	Other areas	Total
567,044	237,941	123,317	239,627	135,847	1,303,778

(b) Property, plant and equipment

(Millions of yen)

Japan	North America	Europe	Asia	Other areas	Total
238,733	19,450	2,104	13,610	852	274,750

(3) Information by major clients

(Millions of yen)

Clients	Net sales	Related segments
Ministry of Defense	179,786	Ship & Offshore Structure, Aerospace, Gas Turbines & Machinery

3. Impairment loss on fixed assets by reportable segment

Fiscal year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

Information is omitted here as it is equivalent to that stated in “1. Segment information”.

Fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)

Information is omitted here as it is equivalent to that stated in “1. Segment information”.

4. Amortization amount for and unamortized balance of goodwill

Fiscal year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

Information is omitted here as it is not of material importance.

Fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)

Information is omitted here as it is not of material importance.

5. Gain on negative goodwill by reportable segment

Fiscal year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

Information is omitted here as it is not of material importance.

Fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)

Information is omitted here as it is not of material importance.

Per share data

Years ended March 31		(Yen)	
2011		2012	
Net assets per share	173.03	Net assets per share	183.06
Earnings per share - basic	15.55	Earnings per share - basic	13.95
Earnings per share - diluted	15.32	Earnings per share - diluted	13.85

Notes:

1. Net assets per share were calculated based on the following:

March 31		(Millions of yen)	
	2011	2012	
Total net assets	297,433	315,922	
Amounts excluded from total net assets	8,376	9,868	
<i>Of which: minority interest</i>	<i>(8,376)</i>	<i>(9,868)</i>	
Net assets attributable to the common shares	289,056	306,054	
Number of common shares used to compute net assets per share (Thousands of shares)	1,670,546	1,671,815	

2. Net income/loss per share and net income per share (diluted) were calculated based on the following:

Years ended March 31		(Millions of yen)	
	2011	2012	
Earnings per share - basic			
Net income	25,965	23,323	
Earnings not attributable to common shareholders	-	-	
Net income allocated to the common shares	25,965	23,323	
Average number of common shares outstanding (thousands of shares)	1,669,359	1,671,465	
Earnings per share (diluted)			
Net income adjustment	44	22	
<i>Of which: interest expense etc. (after-tax equivalent)</i>	<i>(44)</i>	<i>(22)</i>	
Increase in common shares (Thousands of shares)	28,052	13,022	
<i>Of which: exercise of convertible bonds (Thousands of shares)</i>	<i>(11,769)</i>	<i>(5,852)</i>	
<i>Of which: Zero-coupon convertible bond (Thousands of shares)</i>	<i>(16,283)</i>	<i>(7,170)</i>	
Summary of non-diluting residual securities not included in the computation of diluted earnings per share	-	-	

Material subsequent events

Fiscal year ended March 31, 2012
(April 1, 2012 – March 31, 2013)

Investment in Chinese shipbuilding company

The Company resolved to acquire a stake in Dalian COSCO Shipbuilding Industry Co., Ltd. (DACOS), a shipbuilding company based in Dalian, China, and completed payment for this acquisition on April 12, 2012.

1. Purpose

DACOS is a joint venture company established in the Lushun Economic Development Zone in Dalian. It was co-founded in 2007 by COSCO Shipbuilding Industry Company (COSIC)—a wholly owned subsidiary of the COSCO Group, which is one of the largest shipping companies in the world—and Nantong COSCO KHI Ship Engineering Co., Ltd. (NACKS), a 50-50 joint venture operated by the Company and COSIC. DACOS is 70% owned by COSIC and 30% by NACKS. DACOS owns a 1.8 million m² shipyard complete with two building docks, and the ships built by DACOS have earned high marks from ship owners both in terms of timely delivery and quality.

Through this transaction, the Company acquired a 34% stake in DACOS from COSIC, which has been searching for a new partner with more advanced shipbuilding technology to make DACOS more competitive and further expand its operations. After the share transfer, DACOS is 36% owned by COSIC, 34% by the Company and 30% by NACKS.

By becoming a direct investor in DACOS, the Company will aim to build a stronger cooperative relationship based on the successes of NACKS, its first joint venture with COSIC. The Company will also work toward enhancing DACOS' capacity to develop, design and build ships, while improving its production and management system, to lay a firm foundation for DACOS' long-term growth.

2. Overview of Dalian COSCO Shipbuilding Industry Co., Ltd. (DACOS)

- | | |
|-------------------------------------|--|
| (1) Location: | No. 1 Shunda Street, Lushun Economic Development Zone, Dalian, Liaoning, China |
| (2) Representative: | Xu Kai (Chairman and COSIC General Manager) |
| (3) Foundation date: | July 18, 2007 |
| (4) Operation: | Design, manufacture, sales and maintenance of ships |
| (5) Capital: | 2,620 million yuan |
| (6) Investment amount: | 1,165 million yuan |
| (7) Ownership after the investment: | COSCO Shipbuilding Industry Company (COSIC) 36%
Kawasaki Heavy Industries, Ltd. 34%
Nantong COSCO KHI Ship Engineering Co., Ltd. (NACKS) 30% |
- *NACKS is a 50-50 joint venture co-founded by COSIC and the Company.

5. Others

(1) Corporate officer changes

Refer to the Company's press release on January 31, 2012, titled "Directors and Executive Officers to Change."

(2) Consolidated orders and sales

Orders received

Years ended March 31		(Millions of yen)				
	2011 (A)		2012 (B)		Change (B-A)	
		% of total		% of total		%
Ship & Offshore Structure	78,953	6.2	39,909	3.0	(39,043)	(49.4)
Rolling Stock	187,122	14.7	66,099	5.0	(121,023)	(64.6)
Aerospace	206,730	16.2	327,233	24.9	120,502	58.2
Gas Turbine & Machinery	187,582	14.7	227,281	17.3	39,699	21.1
Plant & Infrastructure	119,987	9.4	119,284	9.0	(702)	(0.5)
Motorcycle & Engine	234,479	18.4	235,243	17.9	764	0.3
Precision Machinery	148,955	11.7	174,587	13.3	25,632	17.2
Other	106,841	8.4	122,239	9.3	15,397	14.4
Total	1,270,652	100.0	1,311,878	100.0	41,225	3.2

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

Net sales

Years ended March 31		(Millions of yen)				
	2011 (A)		2012 (B)		Change (B-A)	
		% of total		% of total		%
Ship & Offshore Structure	118,416	9.6	113,532	8.7	(4,883)	(4.1)
Rolling Stock	131,104	10.6	132,684	10.1	1,579	1.2
Aerospace	196,876	16.0	206,580	15.8	9,703	4.9
Gas Turbine & Machinery	202,692	16.5	194,655	14.9	(8,037)	(3.9)
Plant & Infrastructure	89,012	7.2	122,800	9.4	33,788	37.9
Motorcycle & Engine	234,479	19.1	235,243	18.0	764	0.3
Precision Machinery	140,328	11.4	175,077	13.4	34,748	24.7
Other	114,038	9.2	123,205	9.4	9,166	8.0
Total	1,226,949	100.0	1,303,778	100.0	76,829	6.2

Order backlog

Years ended March 31		(Millions of yen)				
	2011 (A)		2012 (B)		Change (B-A)	
		% of total		% of total		%
Ship & Offshore Structure	177,254	11.8	102,870	6.8	(74,383)	(41.9)
Rolling Stock	411,560	27.5	345,170	23.1	(66,390)	(16.1)
Aerospace	269,470	18.0	386,376	25.8	116,905	43.3
Gas Turbine & Machinery	382,269	25.5	409,819	27.4	27,549	7.2
Plant & Infrastructure	185,414	12.3	181,698	12.1	(3,715)	(2.0)
Motorcycle & Engine	-	-	-	-	-	-
Precision Machinery	42,790	2.8	42,300	2.8	(489)	(1.1)
Other	26,589	1.7	25,879	1.7	(709)	(2.6)
Total	1,495,349	100.0	1,494,116	100.0	(1,232)	(0.0)

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

1. Consolidated earnings outlook

(Billions of yen)

	Outlook for the fiscal year ending March 31, 2013 (A)	Fiscal year ended March 31, 2012 (actual) (B)	Change (A – B)
Net sales	1,380.0	1,303.7	76.3
Operating income	52.0	57.4	(5.4)
Recurring profit	56.0	63.6	(7.6)
Net income	34.0	23.3	10.7

Orders received	1,430.0	1,311.8	118.2
Before-tax ROIC (%)	8.2%	7.4%	0.8%
R&D expenses	45.0	39.9	5.1
Capital expenditures	79.0	63.9	15.1
Depreciation/ amortization	54.0	48.8	5.2
Number of employees at end of period	34,700	33,267	1,433
*Number of employees outside of Japan included therein	*9,200	*8,497	*703

Notes: 1. Outlook's assumed foreign exchange rates: ¥80 = US\$1, ¥105 = 1 euro

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

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

2. Outlook by reportable segment

(a) Net sales and operating income (loss)

(Billions of yen)

	Outlook for the fiscal year ending March 31, 2013 (A)		Fiscal year ended March 31, 2012 (actual) (B)		Change (A – B)	
	Net sales	Operating Income (loss)	Net sales	Operating Income (loss)	Net sales	Operating Income (loss)
Ship & Offshore Structure	80.0	(5.0)	113.5	3.9	(33.5)	(8.9)
Rolling Stock	130.0	6.0	132.6	5.1	(2.6)	0.9
Aerospace	250.0	9.0	206.5	7.8	43.5	1.2
Gas Turbine & Machinery	210.0	8.0	194.6	7.7	15.4	0.3
Plant & Infrastructure	130.0	10.0	122.8	14.1	7.2	(4.1)
Motorcycle & Engine	260.0	5.0	235.2	(2.9)	24.8	7.9
Precision Machinery	200.0	27.0	175.0	26.6	25.0	0.4
Other	120.0	2.0	123.2	3.8	(3.2)	(1.8)
Adjustments		(10.0)		(8.8)		(1.2)
Total	1,380.0	52.0	1,303.7	57.4	76.3	(5.4)

(b) Orders received

(Billions of yen)

	Outlook for the fiscal year ending March 31, 2013 (A)	Fiscal year ended March 31, 2012 (actual) (B)	Change (A – B)
Ship & Offshore Structure	110.0	39.9	70.1
Rolling Stock	150.0	66.0	84.0
Aerospace	220.0	327.2	(107.2)
Gas Turbine & Machinery	230.0	227.2	2.8
Plant & Infrastructure	130.0	119.2	10.8
Motorcycle & Engine	260.0	235.2	24.8
Precision Machinery	210.0	174.5	35.5
Other	120.0	122.2	(2.2)
Total	1,430.0	1,311.8	118.2