

**1. Consolidated Financial Results for the Six Months ended September 30, 2011**  
**(April 1 – September 30, 2011)**

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

(1) Operating Results

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

	Net sales		Operating income		Recurring profit		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Six Months Ended September 30, 2011	584,990	2.3	26,623	27.3	27,237	28.1	17,813	44.4
Six Months Ended September 30, 2010	571,708	10.7	20,904	10.50	21,249	-	12,334	-

Note: Comprehensive income Six Months Ended

Six Months Ended September 30, 2010	7.39	7.27
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(2) Financial Condition

	Total assets	Net assets	Ratio of shareholders' equity to total assets
	million yen	million yen	%
September 30, 2011	1,309,588	306,652	22.7
March 31, 2011	1,354,278	297,433	21.3

Note: Shareholders' equity: September 30, 2011: 297,378 million yen  
 March 31, 2011: 289,056 million yen

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Scheduled dates:

Submission of quarterly securities filing: November 10, 2011

Commencement of dividend payments: -

## 2. Dividends

	Dividend per share	
Record date or term	End of first quarter	End of second quarter

**Quarterly review status**

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

**\*Appropriate Use of Financial Forecasts and Other Important Matters***Forward-Looking Statements*

These materials contain various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based on information available at the time of preparation. Actual results may differ from those expressed or implied by forward-looking statements due to a range of factors. For assumptions underlying earnings forecasts and other information regarding the use of such

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

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

In the six months ended September 30, 2011 (first half of the fiscal year ending March 2012), the Japanese economy continued to tread water. The business environment surrounding the KHI Group remained adverse due to factors includi



in orders from Japan's Ministry of Defense.

Consolidated net sales increased ¥4.4 billion to ¥87.4 billion, due mainly to higher sales of Boeing 777 component parts.

Consolidated operating income was ¥3.0 billion, an improvement of ¥4.1 billion from a year earlier, owing mainly to an increase in sales and a reduction in costs.

### **Gas Turbine & Machinery**

Consolidated orders received increased ¥14.3 billion to ¥79.7 billion, chiefly because of orders received for construction of a gas-engine power plant.

Consolidated net sales decreased ¥14.5 billion to ¥84.7 billion, owing chiefly to declines in sales of gas compression modules and sales to Japan's Ministry of Defense.

Consolidated operating income dropped ¥2.2 billion to ¥3.9 billion, hurt mainly by a fall in sales.

### **Plant & Infrastructure**

Consolidated orders received decreased ¥30.5 billion to ¥46.8 billion, due primarily to lower orders for plants for Japan.

Consolidated net sales increased ¥17.4 billion to ¥56.2 billion, partly because of higher sales for overseas plants.

Consolidated operating income advanced ¥3.2 billion to ¥6.7 billion, owing mainly to an increase in sales.

### **Motorcycle & Engine**

Consolidated net sales decreased ¥7.0 billion to ¥106.2 billion, due chiefly to a decline in sales of motorcycles to developed countries and the strong yen.

Consolidated operating loss was ¥2.3 billion, a deterioration of ¥1.2 billion from the year-earlier period, affected largely by declined sales and the strong yen.

### **Precision Machinery**

Consolidated orders received increased ¥23.1 billion to ¥91.1 billion, chiefly because of growth in orders for hydraulic equipment from construction machinery makers.

Consolidated net sales went up ¥24.2 billion to ¥85.2 billion, due mainly to increases in sales of hydraulic equipment to construction machinery makers and sales of various clean robots for semiconductor production facilities.

Consolidated operating income advanced ¥5.9 billion to ¥14.5 billion, primarily because of an increase in sales.

### **Other Operations**

Consolidated net sales increased ¥4.4 billion to ¥56.4 billion.

Consolidated operating income advanced ¥0.9 billion to ¥1.8 billion.

**(2) Consolidated financial position**

Consolidated total assets at the end of the first half under review were ¥1,309.5 billion, down ¥44.6 billion from the end of the previous fiscal year. The decrease is attributable to a decline in trade receivables following collection of sales receipts. Consolidated liabilities stood at ¥1,002.9 billion, down ¥53.9 billion, due to a fall in trade payables. Interest-bearing debt was ¥427.1 billion, down ¥1.9 billion. Consolidated net assets were ¥306.6 billion, up ¥9.2 billion, reflecting



### 3. Consolidated Financial Statements

#### (1) Consolidated balance sheets

	Millions of yen	
	As of	Six months ended
	March 31, 2011	September 30, 2011
<b>Assets</b>		
Current assets		

Accumulated other comprehensive income		
Net unrealized gains (losses) on securities, net of tax	3,876	2,753
Deferred gains (losses) on hedges	(990)	913
Foreign currency translation adjustments	(31,006)	34,223
Total accumulated other comprehensive income	(28,119)	32,382
Minority interests	8,376	9,274
<b>Total net assets</b>	<b>297,433</b>	<b>306,652</b>
<b>Total liabilities and net assets</b>	<b>1,354,278</b>	<b>1,309,588</b>



### (3) Consolidated cash flow statements

	Millions of yen	
	Six months ended September 30, 2010	Six months ended September 30, 2011
Cash flow from operating activities		
Income before income taxes and minority interests	20,712	26,312
Depreciation and amortization	23,348	22,312
Loss on impairment of fixed assets	-	924
Increase (decrease) in provision	1,629	(3,927)
Interest and dividend income	1,311	(1,078)
Interest expense	2,435	2,255
Loss (gain) on valuation of securities	1,715	7
Equity in income non-consolidated subsidiaries and affiliates	4,875	(4,833)
(Increase) decrease in trade receivables	58,874	73,204
(Increase) decrease in inventories	15,666	(28,528)

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

Not applicable

**(5) Segment information and others***Segment information*

## 1. Six months ended September 30, 2010 (April 1, 2010 – September 30, 2010)

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

	Millions of yen			
	External sales	Intersegment sales	Total sales	Operating income (loss)
Ship & Offshore Structure	61,253	1,107	62,360	2,063
Rolling Stock	63,018	384	63,402	3,436
Aerospace	83,070	840	83,910	(1,138)
Gas Turbine & Machinery	99,264	10,527	109,792	6,166
Plant & Infrastructure	38,867	6,130	44,998	3,537
Motorcycle & Engine	113,247	572	113,820	(1,175)
Precision Machinery	60,988	6,150	67,138	8,610
Other	51,997	15,056	67,054	938
Reportable segment total	571,708	40,769	612,477	22,440
Adjustments*1	-	(40,769)	(40,769)	(1,536)
Consolidated total	571,708	-	571,708	20,904

Notes: 1. Breakdown of adjustments:

Millions of yen	
Income	Amount
Intersegment transactions	67
Corporate expenses*	(1,603)
Total	(1,536)

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

2. Segment income adjustments are based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

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

Not applicable

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

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

	Millions of yen			
	External sales	Intersegment sales	Total sales	Operating income (loss)

Notes: 1. Breakdown of adjustments:

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

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

2. Segment income adjustments are based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

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

Not applicable

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

Not applicable

#### 4. Supplementary information

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

##### Orders received

	Six months ended September 30, 2010		Six months ended September 30, 2011		Year ended March 31, 2011	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	36,468	5.9	24,657	4.8	78,953	6.2
Rolling Stock	117,712	19.1	42,126	8.2	187,122	14.7
Aerospace	87,956	14.3	67,596	13.1	206,730	16.2
Gas Turbine & Machinery	65,381	10.6	79,729	15.5	187,582	14.7
Plant & Infrastructure	77,378	12.6	46,823	9.1	119,987	9.4
Motorcycle & Engine	113,247	18.4	106,202	20.6	234,479	18.4
Precision Machinery	68,042	11.0	91,159	17.7	148,955	11.7
Other	47,252	7.7	55,161	10.7	106,841	8.4
Total	613,440	100.0	513,456	100.0	1,270,652	100.0

**Order backlog**

	Year ended March 31, 2011		Six months ended September 30, 2011		Six months ended September 30, 2010	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	177,254	11.8	145,762	10.4	191,779	12.7
Rolling Stock	411,560	27.5	394,125	28.3	423,389	28.0
Aerospace	269,470	18.0	244,598	17.5	264,846	17.5
Gas Turbine & Machinery	382,269	25.5	356,454	25.6	365,470	24.2
Plant & Infrastructure	185,414	12.3	175,708	12.6	192,899	12.7
Motorcycle & Engine	-	-	-	-	-	-
Precision Machinery	42,790	2.8	48,698	3.5	41,218	2.7
Other	26,589	1.7	25,558	1.8	29,044	1.9
Total	1,495,349	100.0	1,390,905	100.0	1,508,648	100.0

**(2) Net sales by geographic area (consolidated)****Six months ended September 30, 2010 (April 1, 2010 – September 30, 2010)**

Millions of yen

Japan	253,062	44.2%
United States	116,170	20.3%
Europe	42,492	7.4%
Asia	104,041	18.1%
Other areas	55,940	9.7%
Total	571,708	100.0%

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

Millions of yen

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

**(3) Supplementary information on earnings forecasts for the fiscal year ending March 31, 2012**

**1) Consolidated earnings outlook**

	Outlook for the year ending March 31, 2012 (fiscal 2011)			Billions of yen
	Revised forecast (A)	Forecast issued April 28, 2011 (B)	Change (A – B)	Fiscal 2010 (ended March 31, 2011) (actual)
Net sales	1,360.0	1,360.0	-	1,226.9
Operating income	50.0	50.0	-	42.6
Recurring profit	52.0	52.0	-	49.1
Net income	32.0	32.0	-	25.9
Orders received	1,430.0	1,360.0	70.0	1,270.6
Before-tax ROIC (%)	7.8%	7.8%	-	6.0%
R&D expenses	44.4	43.0	1.4	37.0
Capital expenditures	88.0	76.0	12.0	55.3
Depreciation/amortization	51.0	55.0	(4.0)	50.3
Number of employees at end of fiscal year	33,900	33,200	700	32,706
<i>(Of which, employees outside of Japan)</i>	<i>(8,900)</i>	<i>(8,200)</i>	<i>(700)</i>	<i>(8,195)</i>

Notes: 1. Outlook's assumed foreign exchange rates: ¥80 = US\$1, ¥110= 1 euro

2. Before-tax ROIC



(b) Orders received

Billions of yen

	Outlook for the year ending March 31, 2012 (fiscal 2011)	
	Revised outlook	
	(A)	