



# Financial Results for Second Quarter FY2013 (for the year ending March 31, 2014)

October 29, 2013

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# Summary of Financial Results

(Billion Yen)

	FY2012.2Q	FY2013.2Q		Change	
	Actual	Forecast in July	Actual	vs. FY2012.2Q	vs. Forecast in July
Orders Received	530.4	-	592.8	+ 62.3	-
Net Sales	574.9	610.0	595.0	+ 20.0	- 15.0
Operating Income	10.3	24.0	26.8	+ 16.4	+ 2.8
Recurring Profit	20.1	18.0	22.7	+ 2.6	+ 4.7
Net Income	12.4	11.5	13.0	+ 0.5	+ 1.5

vs. FY2012.2Q

&lt; Orders Received &gt;

Increased as a whole due to increase in orders received in Gas Turbine & Machinery and Rolling Stock segments, despite decrease in orders received in Ship & Offshore Structure and Plant & Infrastructure segments

&lt; Net Sales &gt;

Increased as a whole due to increase in Motorcycle & Engine and Aerospace segments, despite decrease in Precision Machinery and Plant & Infrastructure segments

&lt; Profits &gt;

Increased due to increased profits in Rolling Stock and Aerospace segments, and improvement in Motorcycle & Engine segment

Weighted-average exchange rates ( actual &amp; assumed )

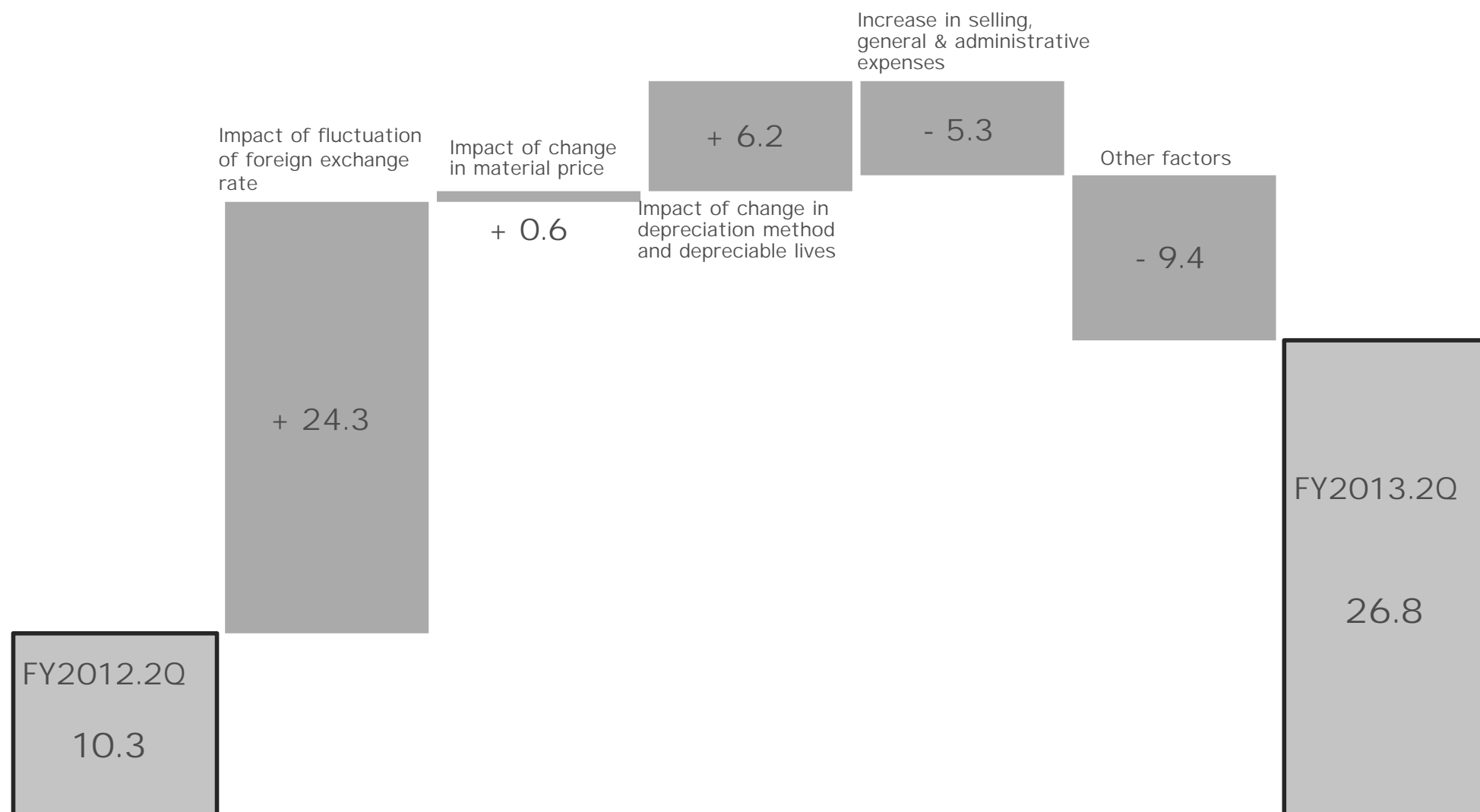
Yen / US\$	79.92	95	97.77
Yen / EUR	101.79	120	127.73



# Details of Change in Profit I

## - FY2013.2Q vs. FY2012.2Q -

Operating Income + 16.4 ( FY2012.2Q 10.3 FY2013.2Q 26.8 ) (Billion Yen)



# Details of Change in Profit II

## - FY2013.2Q vs. FY2012.2Q -

(Billion Yen)

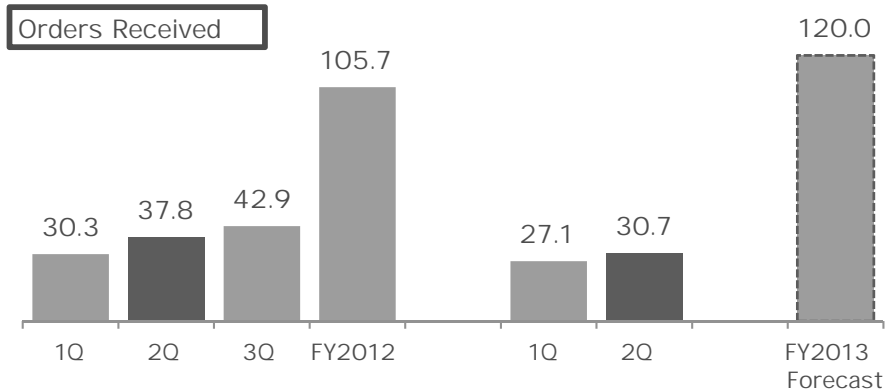
Non-operating Income/Expenses                      - 13.8 ( FY2012.2Q 9.7                      FY2013.2Q - 4.0 )

Net Interest expense ( incl. dividend income )	- 0.3	- 0.9	- 1.2
Equity in income of unconsolidated subsidiaries and affiliates	- 0.9	5.9	5.0
Gain and loss on foreign exchange	- 11.1	3.5	- 7.5
Others	- 1.4	1.2	- 0.2

Extraordinary Income/Losses                      0 ( FY2012.2Q 0                      FY2013.2Q 0 )

# Ship & Offshore Structure

Main Products LNG carriers, LPG carriers, VLCCs, Bulk carriers, Submarines, Offshore structures



## FY2013.2Q vs. FY2012.2Q )

Orders Received: Decreased despite orders received for 1 LNG carrier and 1 bulk carrier

Net Sales: Decreased due to decrease in amount of shipbuilding of bulk carriers, despite increase in amount of shipbuilding of gas carriers

Operating Income: Increased due to the effect of the depreciation of the yen, reversal of provision for loss on construction contracts accompanying yen depreciation and other factors, despite sales decrease

	FY2012.2Q	FY2013.2Q	FY2012.2Q	FY2013.2Q
LNG carriers	1	1	1(1)	2(1)
Small-sized LNG carriers			1(1)	1(1)
LPG carriers	1		1(1)	2(2)
Bulk carriers	2	1	18(10)	6(4)
Submarines			1(1)	2(2)

(unit)

## FY2013 Forecast vs. Forecast in April

Orders Received, Net Sales & Operating Income: No change

## <For Reference> Overseas Business Development

NACKS was established in December 1995, as a fifty-fifty joint venture between KHI and China Ocean Shipping (Group) Company (COSCO), one of the world's largest shipping companies, and its capacity was expanded in 2008. At NACKS, various types of commercial vessels are built for domestic shipping companies such as COSCO, as well as for Japanese and European customers.

As a parent company of NACKS, KHI has also supported DACKS since its establishment in July 2007, which was initiated by NACKS and COSCO Group. In order to increase DACKS' competitiveness and further expand its operations, KHI acquired a 34% stake in DACKS in April 2012. As a result, KHI's actual ratio of investment in DACKS (including indirect investment) is 49%.

Meanwhile, KHI decided to participate in a joint venture project for building drill ships etc. in Brazil, where the demand for the drill ships & FPSO for the drilling and production of offshore oil is rapidly increasing, and executed a shareholders agreement with Estaleiro Enseada do Paraguaçu S.A. (EEP) in May 2012, acquiring a 30% stake in EEP.

To expand operations and boost profitability at the two shipyards in China and develop the new shipyard in Brazil as a third overseas shipyard, KHI will further strengthen ties between our bases at home and these three overseas shipyards, and will actively take advantage of the features of each shipyard for shipbuilding.

# Rolling Stock

Main Products : Electric train cars (incl. Shinkansen), Electric and diesel locomotives, Passenger coaches, Gigacell<sup>fi</sup> (High-Capacity, Full Sealed Ni-MH Battery)

## FY2013.2Q vs. FY2012.2Q

Orders Received: Increased due to orders received for commuter train cars for the Long Island Rail Road and Metro-North Railroad, subway cars for the Washington Metropolitan Area Transit Authority and subway cars for the Sapporo City Transportation Bureau

Net Sales: Increased due to sales increase in overseas markets including Singapore and North America, despite a sales decrease in the domestic market

Operating Income: Improved due to increase in projects of high profitability and the effect of the depreciation of the yen

## FY2013 Forecast vs. Forecast in April

Orders Received, Net Sales & Operating Income: No change

## <For Reference> Present Status of Overseas Projects

North America

- Working to win a wide range of orders, mainly heavy rails, commuter rails and high-speed rails.



# Aerospace

Main Products : Aircrafts for Japan Ministry of Defense, Component parts for commercial aircrafts, Commercial helicopter, Missiles, Space equipment

FY2013.2Q

# Gas Turbine & Machinery

Main Products : Jet engines, Gas turbine co-generation system, Gas engines, Diesel engines, Gas turbines & steam turbines for marine & land, Marine propulsion system, Aero-dynamic machinery

## FY2013.2Q vs. FY2012.2Q )

Orders Received: Increased due to increase in orders received for gas engines and hydraulic machinery, despite decrease due to the effect of change in accounting methodology regarding commercial aircraft jet engines

Net Sales: Excluding the decrease due to change in accounting methodology regarding commercial aircraft jet engines, and despite sales decrease in marine diesel engines, sales remained the same as in the previous same period due to sales increase in component parts of commercial aircraft jet engines and gas engines

Operating Income: Remained at the same level as in the previous same period due to substantial sales remaining unchanged from the previous same period

## FY2013 Forecast vs. Forecast in April

Orders Received, Net Sales & Operating Income: No change

<For Reference>

### Major Projects for Commercial Aircraft Jet Engines

In July 2007, KHI has reached a formal agreement with Rolls-Royce plc. to participate in the development and production of the Trent 100 O-TEN and Trent XWB-97 engines as a RRSP.

### Energy and Environmental Products

The L30A, a 30MW class Gas Turbine, for which KHI completed dogy p [(Ene)-rt2i4.7(g.051((it)-3.6(h)-771.8(F



# Motorcycle & Engine

Main Products: Motorcycles, All-Terrain Vehicles(ATVs), Utility Vehicles, Personal Watercraft, General-purpose Gasoline Engines

FY2013.2Q vs. FY2012.2Q )

Net Sales: Increased due to sales increase of motorcycles in the United States and emerging markets, mainly Thailand and Indonesia

Operating Income: Improved due to sales increase, improvement in

# Precision Machinery

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Main Products Hydraulic components (pumps,

# Financial Condition and Cash Flows

## Financial Condition

(Billion Yen)

	FY2012		FY2013 End of September 2013
	End of September 2012	End of March 2013	
Total Assets	1,380.8	1,466.2	1,557.4
Shareholders' Equity	306.4	338.2	326.4
Ratio of shareholders' equity to total assets	(22.1%)	(23.0%)	(20.9%)
Interest-bearing debt	472.3	484.6	583.1
Net Interest-bearing debt	443.5	446.1	(551.0)
Net Debt Equity Ratio	144.7%	131.9%	168.7%

Note: Interest-bearing debt includes lease obligations

## Cash Flows

Billion Yen

	FY2012.2Q	FY2013.2Q
Cash flows from operating activities	- 19.4	- 45.6
Cash flows from investing activities	- 46.1	- 41.9
Free Cash Flows	- 65.6	- 87.5
Cash flows from financing activities	59.2	80.9

# Consolidated Operating Performance

(Billion Yen)

	FY2012 Actual	FY2013 Forecast		Change	
		in April	in October	vs. FY2012	vs. Forecast in April
Orders Received	1,369.5	1,450.0	1,450.0	+ 80.5	0
Net Sales	1,288.8	1,380.0	1,380.0	+ 91.2	0
Operating Income	42.0	60.0	60.0	+ 18.0	0
Recurring Profit	39.3	53.0	53.0	+ 13.7	0
Net Income	30.8	34.0	34.0	+ 3.2	0

## vs. Forecast in April

### < Orders Received >

Remains unchanged due to increase in Aerospace segment due to increase in orders received for component parts for Boeing, despite decrease in Precision Machinery segment, where recovery of the construction machinery market in emerging countries, mainly China, are expected to be slower than initially envisioned

### < Net Sales & Profits >

Remain unchanged due to increase in sales and profits in Aerospace segment due to sales increase for component parts for Boeing, cost reduction and other factors, despite sales and profits decrease in Precision Machinery segment due to decrease in sales of hydraulic components for construction machinery in emerging countries, mainly China

## Exchange Rates (actual & assumed)

Yen / US\$	82.86	95	95
Yen / EUR	107.76	120	130

Note : Assumed rates are applied to the outstanding foreign exchange exposure as of October 29, 2013

(For Reference)  
Impact on profit by FX fluctuation of 1 Yen

(Billion Yen)

	Operating Income	Recurring Profit
US\$	1.3(1.7)	1.1(0.8)
EUR	0.2(0.2)	0(0)

\* Figures in the parenthesis ( ) represent impact as of July 30, 2013





# R&D/CAPEX/Number of Employees

	FY2012 Actual	FY2013 Forecast		
		in April	in October	Change
R&D Expenses	41.7 (18.2)	44.0 -	43.0 (18.1)	- 1.0 1 .
CAPEX	78.6 (35.4)	84.0 -	101.0 (41.5)	+ 17.0
Depreciation & Amortization	48.3			

