

**Report of Earnings and Financial Statements for the
Six Months Ended September 30, 2016 (Consolidated)**
(Prepared pursuant to Japanese GAAP)

October 28, 2016

Listed company's name: **Kawasaki Heavy Industries, Ltd.**
 Listed on: 1st sections of the TSE, and NSE
 Stock code: 7012
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Scheduled dates:

Submission of quarterly securities filing: November 7, 2016

Commencement of dividend payments: December 1, 2016

Supplementary materials to quarterly earnings: Available

Quarterly earnings presentation: Conducted (for institutional investors and analysts)

1. Consolidated Financial Results for the Six Months ended September 30, 2016
(April 1, 2016 – September 30, 2016)

(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 attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Six Months Ended September 30, 2016	697,299	(1.5)	8,491	(79.9)	(1,725)	-	(242)	-
Six Months Ended September 30, 2015	708,194	11.8	42,305	82.4	40,292	55.1	26,878	47.8

Note: Comprehensive income: Six Months Ended September 30, 2016: (24,643) million yen -%
 Six Months Ended September 30, 2015: 26,202 million yen 23.7%

	Earnings per share	Earnings per share – diluted
	yen	yen
Six Months Ended September 30, 2016	(0.14)	-
Six Months Ended September 30, 2015	16.08	-

(2) Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
September 30, 2016	1,657,075	401,695	23.4
March 31, 2016	1,620,458	445,625	26.6

Note: Shareholders' equity: September 30, 2016 : 389,019 million yen
 March 31, 2016 : 431,368 million yen

2. Dividends

Record date or term	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Full year
	yen	yen	yen	yen	yen
Year ended March 31, 2016	-	5.00	-	7.00	12.00
Year ending March 31, 2017	-	4.00			
Year ending March 31, 2017 (forecast)			-	2.00	6.00

Note: Revisions to the most recently announced dividend forecast: None

3. Forecast of Consolidated Earnings for the Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

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

	Net sales		Operating income		Recurring profit		Net income attributable to owners of parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	1,510,000	(2.0)	34,000	(64.5)	25,000	(73.1)	16,500	(64.1)	9.87

Note: Revisions to the most recently announced earnings forecast: None

Notes

- 1) Changes affecting the status of material subsidiaries (scope of consolidation): None
- 2) Accounting procedures specific to preparation of quarterly consolidated financial statements: Yes
*For further details, see “2. Summary Information (Notes) (2) Accounting procedures specific to preparation of quarterly consolidated financial statements” on page 10 in the Accompanying Materials.
- 3) Changes in accounting policies, changes in accounting estimates, and correction of errors
 - (1) Changes in accounting policies in accord with revisions to accounting standards: None
 - (2) Changes in accounting policies other than (1): None
 - (3) Changes in accounting estimates: None
 - (4) Correction of errors: None
- 4) Number of shares issued and outstanding (common stock)
 - (1) Number of shares issued as of period-end (including treasury stock)

September 30, 2016:	1,670,805,320 shares
March 31, 2016:	1,670,805,320 shares
 - (2) Number of shares held in treasury as of period-end

September 30, 2016:	244,902 shares
March 31, 2016:	228,992 shares
 - (3) Average number of shares during respective periods

Six months ended September 30, 2016:	1,670,570,074 shares
Six months ended September 30, 2015:	1,670,601,905 shares

Quarterly review status

This report is exempt from the quarterly review of accounts conducted in accord with Japan’s Financial

Instruments and Exchange Act. As of this report's publication, the quarterly review of the quarterly financial results had not been completed.

Appropriate Use of Financial Forecasts and Other Important Matters

Forward-Looking Statements

These materials contain various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based on information available at the time of preparation, and do not mean that the Company promises to achieve these figures. Actual results may differ from those expressed or implied by forward-looking statements due to a range of factors. For assumptions underlying earnings forecasts and other information regarding the use of such forecasts, refer to "1. Qualitative Information and Financial Statements (3) Consolidated earnings outlook" on page 8 in the Accompanying Materials.

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

The Company plans to conduct a briefing for institutional investors and analysts on Friday October 28, 2016, and to post the briefing material on quarterly financial results to be used for the briefing on TDnet and the Company's website simultaneously with the announcement of financial results.

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1. Qualitative Information and Financial Statements

(1) Consolidated operating results

In the first six months of the fiscal year ending March 31, 2017, the global economy continues to grow modestly, with growth centered on the U.S. On the other hand, the global economy is relatively lacking in vigor due to languishing crude oil prices, and the economic slowdown in emerging countries and resource-rich countries, especially China. In addition, future economic prospects have become increasingly uncertain in conjunction with the international market turmoil caused by Brexit as well as concerns about Brexit's future negative impacts on the real economy. Going forward, these risks with the potential to drag down the global economy must continue to be watched.

The Japanese economy remains at a standstill due to the decline in external demand, lackluster personal consumption, and other factors. Going forward, the economy is expected to grow modestly overall due to steady improvement in the income and employment environments. However, it is difficult to foresee a return to a weakening yen situation, as was the case until the previous period, and there are concerns that an appreciation to under ¥100 to the U.S. dollar would negatively impact corporate earnings, particularly among exporters, and hurt business sentiment.

Amid such an operating environment, the Group's orders received in the fiscal first half declined versus the same period of the previous fiscal year, mainly in the Ship & Offshore Structure and Plant & Infrastructure segments. Overall, net sales in the fiscal first half were on par with the same period of the previous fiscal year, as the increase in sales in the Plant & Infrastructure segment was offset by the assignment of the construction machinery business during the same period of the previous fiscal year, and other factors. There was a decline in operating income due to a drop in profits in the Ship & Offshore Structure, Aerospace, Gas Turbine & Machinery, and other segments, leading to a recurring loss and a net loss attributable to owners of parent.

As a result, consolidated orders received declined ¥200.3 billion versus the same period of the previous fiscal year to ¥538.4 billion, consolidated sales were on par with the same period of the previous fiscal year at ¥697.2 billion, operating income declined ¥33.8 billion to ¥8.4 billion, recurring profit dropped ¥42.0 billion to a recurring loss of ¥1.7 billion, while net income attributable to owners of parent declined ¥27.1 billion to a net loss of ¥0.2 billion.

Consolidated operating performance in the first half of fiscal year is summarized by segment below.

Segment Information

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

	Six months ended September 30						Orders received		
	2015 (A)		2016(B)		Change (B – A)		Six months ended September 30		
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	2015 (A)	2016 (B)	Change (B – A)
Ship & Offshore Structure	51.8	(3.1)	51.6	(16.4)	(0.2)	(13.3)	67.4	8.6	(58.8)
Rolling Stock	62.7	3.5	62.3	(0.6)	(0.4)	(4.1)	65.7	57.7	(8.0)
Aerospace	166.8	25.6	168.9	20.1	2.1	(5.5)	134.6	98.9	(35.7)
Gas Turbine & Machinery	103.3	8.1	106.6	2.9	3.2	(5.1)	115.8	102.6	(13.1)
Plant & Infrastructure	55.8	2.6	78.5	1.7	22.7	(0.9)	75.0	34.3	(40.7)
Motorcycle & Engine	143.0	0.5	128.5	(2.4)	(14.4)	(2.9)	143.0	128.5	(14.4)
Precision Machinery	63.9	3.8	65.7	3.9	1.7	0	64.0	71.4	7.3
Other	60.5	1.2	34.9	1.3	(25.6)	0	72.8	36.2	(36.6)
Adjustments	-	(0.3)	-	(2.0)	-	(1.7)	-	-	-
Total	708.1	42.3	697.2	8.4	(10.8)	(33.8)	738.8	538.4	(200.3)

Notes: 1. Net sales include only sales to external customers.

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

Ship & Offshore Structure

Consolidated orders received fell ¥58.8 billion year on year to ¥8.6 billion, due to the drop in demand for newly-built ships.

Consolidated net sales were ¥51.6 billion, on par with the same period of the previous fiscal year.

Consolidated operating income declined ¥13.3 billion year on year to an operating loss of ¥16.4 billion, attributable to an increase in amount of allowance for doubtful accounts on trade receivables from the joint venture in Brazil, an increase in provision for losses on construction contracts resulting from the appreciation of the yen, an increase in costs, and other factors.

Rolling Stock

Consolidated orders received declined ¥8.0 billion year on year to ¥57.7 billion, as a large order for North America was received in the same period of the previous fiscal year.

Consolidated net sales were on par with the same period of the previous fiscal year, as the increase in sales in the domestic market was offset by the impact of the yen's appreciation and a decline in sales in overseas markets.

Consolidated operating income declined ¥4.1 billion year on year to an operating loss of ¥0.6 billion. This result was due to the impact of the yen's appreciation, a decline in highly-profitable projects, higher costs, and other factors.

Aerospace

Consolidated orders received fell ¥35.7 billion year on year to ¥98.9 billion, due to the impact of the yen's appreciation, the decline in component parts for commercial aircraft, and other factors.

Consolidated net sales totaled ¥168.9 billion, which was on par with the previous fiscal year, due to the increase in sales to the Ministry of Defense, a continued high level of sales of component parts for commercial aircraft, and other factors, despite the impact of the yen's appreciation.

Consolidated operating income decreased ¥5.5 billion year on year to ¥20.1 billion, due to the decline in profitability of component parts for commercial aircraft, and other factors.

Gas Turbine & Machinery

Consolidated orders received fell ¥13.1 billion year on year to ¥102.6 billion, due to the fact that concentrated orders were won for a commercial aircraft jet engine component part project we participated in during the same period of the previous year.

Consolidated net sales remained on par with the same period of the previous fiscal year at ¥106.6 billion, due to the increase in sales of commercial aircraft jet engine component parts, an increase in work on gas engine power generation systems, and other factors, despite the impact of the yen's appreciation.

Consolidated operating income fell ¥5.1 billion year over year to ¥2.9 billion, as a result of an increase in depreciation of development costs for a new project related to commercial aircraft jet engine component parts, and other factors.

Plant & Infrastructure

Consolidated orders received declined ¥40.7 billion year on year to ¥34.3 billion, as large orders, including municipal refuse incineration plants for the domestic market, were received in the same period of the previous fiscal year.

Consolidated net sales increased ¥22.7 billion year on year to ¥78.5 billion, due to an increase in construction work volume on a chemical plant for an overseas market.

Consolidated operating income decreased ¥0.9 billion year on year to ¥1.7 billion, due to the decline in profitability from increase of construction costs, despite of revenue growth.

Motorcycle & Engine

Consolidated net sales declined ¥14.4 billion year on year to ¥128.5 billion, due to the impact of the yen's appreciation, the decline in general-purpose gasoline engines, and other factors, despite the increase in sales of motorcycles and automobiles for developed countries.

Consolidated operating income decreased ¥2.9 billion year on year to ¥2.4 billion operating loss, due to the drop in profit resulting from the decline in sales.

Precision Machinery

Consolidated orders received increased ¥7.3 billion year on year to ¥71.4 billion, due to the increase in hydraulic equipment, industrial robots and other factors.

Consolidated net sales totaled ¥65.7 billion yen on a level with the same period of the previous year.

Consolidated operating income was ¥3.9 billion yen on a level with the same period of the previous year.

Other Operations

Consolidated net sales fell ¥25.6 billion year on year to ¥34.9 billion, due to the assignment of the construction machinery business in the same period of the previous fiscal year.

Consolidated operating income was ¥1.3 billion yen on a level with the same period of the previous year.

(2) Consolidated financial position

At September 30, 2016, consolidated assets totaled ¥1,657.0 billion, an increase of ¥36.6 billion from March 31, 2016. This was attributable to an increase in trade receivables. Liabilities as of September 30, 2016, totaled ¥1,255.3 billion, a ¥80.5 billion increase versus March 31, 2016, due to the increase in commercial paper and other interest-bearing debt, despite the decline in trade payables. Interest-bearing debt increased ¥152.2 billion to ¥550.6 billion versus March 31, 2016. Net assets fell ¥43.9 billion to ¥401.6 billion versus March 31, 2016, due to the decline in foreign currency translation adjustments in conjunction with the yen's appreciation, dividend payments, and other factors.

(3) Consolidated earnings outlook

The business environment surrounding the Group remains uncertain, as despite the fact that the U.S. has maintained its firm economic recovery, there are concerns about U.S. monetary policy and the outcome of the presidential election in November, along with worries about the economic slowdown in emerging countries as well as crude oil price movements. Given this kind of environment, the Company has decided to spend more time analyzing the future outlook.

Consequently, the Company has left its earnings forecasts for the fiscal year ending March 31,

2017, unchanged from the values previously announced on September 30, 2016. Furthermore, the Company expects consolidated orders received of ¥1,390 billion, ROIC of 3.8%, and ROE of 3.9%.

The Company's earnings forecasts assume exchange rates of ¥102 to the US dollar and ¥114 to the euro.

Note regarding consolidated earnings outlook

The above earnings outlook is based on information available at the time of preparation, and includes risks and uncertainties. We therefore discourage making investment decisions depending solely on this outlook. Actual earnings may differ materially from this outlook, due to a variety of important factors stemming from changes the external environment and/or the Company's internal environment. Important factors that impact actual operating performance include, but are not limited to, the economic situation surrounding the Company's scope of business, foreign exchange rates, in particular the yen/dollar exchange rate, tax codes and other regulatory system-related issues.

2. Summary Information (Notes)

(1) Changes affecting the status of material subsidiaries (scope of consolidation)

Not applicable.

(2) Accounting procedures specific to preparation of quarterly consolidated financial statements

The Company calculates tax expense by rationally estimating its effective tax rate after application of deferred-tax accounting to pretax net income for the fiscal year, which includes the second quarter under review, and multiplying quarterly pretax net income by said estimated effective tax rate. If unable to use the estimated effective tax rate, the Company calculates tax expense by multiplying the statutory effective tax rate by quarterly pretax net income adjusted to reflect material differences other than temporary differences.

Income taxes are reported inclusive of income tax adjustments.

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

Not applicable.

(4) Additional information

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

The Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) has been applied starting with the first quarter ended June 30, 2016.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

		Million yen	
		As of March 31, 2016	As of September 30, 2016
Assets			
Current assets			
Cash on hand and in banks		42,157	39,473
Trade receivables		381,339	430,066
Merchandise and finished products		57,092	51,353
Work in process		324,915	334,684
Raw materials and supplies		110,956	110,478
Other		104,019	96,342
Allowance for doubtful receivables		(2,578)	(2,161)
	Total current assets	1,017,903	1,060,239
Fixed assets			
Net property, plant and equipment		436,557	443,763
Intangible assets		15,475	14,623
Investments and other assets			
Other		160,423	151,648
Allowance for doubtful receivables		(9,902)	(13,198)
	Total investments and other assets	150,521	138,449
	Total fixed assets	602,554	596,835
Total assets		1,620,458	1,657,075
Liabilities			
Current liabilities			
Trade payables		233,979	204,313
Electronically recorded obligations-operating		87,798	87,385
Short-term debt		105,891	112,083
Income taxes payable		10,889	4,624
Accrued bonuses		25,138	18,268
Provision for product warranties		12,642	11,365
Provision for losses on construction contracts		7,926	16,557
Advances from customers		170,454	146,779
Other		112,990	255,436
	Total current liabilities	767,711	856,814
Long-term liabilities			
Bonds payable		120,000	130,000
Long-term debt		160,809	146,732
Provision for environmental measures		1,693	1,204
Net defined benefit liability		90,789	88,788
Other		33,828	31,840
	Total long-term liabilities	407,120	398,565
Total liabilities		1,174,832	1,255,379

Net assets

Shareholders' equity		
Common stock	104,484	104,484
Capital surplus	54,394	54,394
Retained earnings	279,627	261,001
Treasury stock	(86)	(91)
Total shareholders' equity	<u>438,419</u>	<u>419,788</u>
Accumulated other comprehensive income		
Net unrealized gains (losses) on securities	2,705	2,256
Deferred gains (losses) on hedges	692	1,391
Foreign currency translation adjustment	8,990	(16,949)
Remeasurements of defined benefit plans	(19,439)	(17,466)
Total accumulated other comprehensive income	<u>(7,051)</u>	<u>(30,768)</u>
Non-controlling interests	<u>14,257</u>	<u>12,675</u>
Total net assets	<u>445,625</u>	<u>401,695</u>
Total liabilities and net assets	<u>1,620,458</u>	<u>1,657,075</u>

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

	Million yen	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	708,194	697,299
Cost of sales	575,215	595,267
Gross profit	132,978	102,031
Selling, general and administrative expenses		
Salaries and benefits	25,858	25,047
R&D expenses	19,208	20,671
Other	45,605	47,820
Total selling, general and administrative expenses	90,672	93,539
Operating income	42,305	8,491
Non-operating income		
Interest income	348	378
Dividend income	178	171
Share of profit of entities accounted for using equity method	1,348	2,945
Gain on sale of fixed assets	(*1)1,376	(*1)782
Other	2,392	1,202
Total non-operating income	5,644	5,480
Non-operating expenses		
Interest expense	1,857	1,433
Foreign exchange loss, net	4,552	10,666
Other	1,247	3,598
Total non-operating expenses	7,657	15,698
Recurring profit(loss)	40,292	(1,725)
Extraordinary income		
Gain on sale of fixed assets	-	(*2)2,202
Total extraordinary income	-	2,202
Income before income taxes	40,292	476
Income taxes	12,466	(16)
Net income	27,826	493
Net income attributable to non-controlling interests	948	736
Net income attributable to owners of parent or Net loss attributable to owners of parent	26,878	(242)

Consolidated statements of comprehensive income

	Millions of yen	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Net income	27,826	493
Other comprehensive income		
Net unrealized gains (losses) on securities	(808)	(458)
Deferred gains (losses) on hedges	1,129	729
Foreign currency translation adjustment	(3,633)	(15,623)
Remeasurements of defined benefit plans	699	1,999
Share of other comprehensive income of entities accounted for using equity method	988	(11,784)
Total other comprehensive income	(1,623)	(25,137)
Comprehensive Income attributable to:	26,202	(24,643)
Owners of parent	25,506	(23,959)
Non-controlling interests	695	(683)

(3) Consolidated cash flow statements

	Million yen	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Income before income taxes	40,292	476
Depreciation and amortization	24,087	25,121
Increase (decrease) in allowance for doubtful receivables	(554)	3,077
Increase (decrease) in accrued bonuses	(7,369)	(6,794)
Increase (decrease) in provision for product warranties	727	(1,034)
Increase (decrease) in provision for losses on construction contracts	1,259	8,685
Increase (decrease) in provision for environmental measures	(320)	(491)
Increase (decrease) in net defined benefit liability	(431)	1,970
Interest and dividend income	(526)	(549)
Interest expense	1,857	1,433
Share of (profit) loss of entities accounted for using equity method	(1,348)	(2,945)
(Gain) loss on sale of property, plant, and equipment	(1,376)	(2,984)
(Increase) decrease in trade receivables	(8,601)	(58,251)
(Increase) decrease in inventories	(47,993)	(16,045)
Increase (decrease) in trade payables	(48,256)	(26,623)
(Increase) decrease in advance payments	(5,927)	3,945
Increase (decrease) in advances received from customers	(4,418)	(21,022)
(Increase) decrease in other current assets	(3,042)	2,671
Increase (decrease) in other current liabilities	(17,015)	(17,154)
Other	(2,388)	477
Subtotal	<u>(81,346)</u>	<u>(106,036)</u>
Cash received for interest and dividends	785	576
Cash paid for interest	(1,886)	(1,432)
Cash paid for income taxes	(18,445)	(10,354)
Net cash provided by operating activities	<u>(100,893)</u>	<u>(117,247)</u>
Cash flows from investing activities		
Acquisition of property, plant, equipment and intangible assets	(40,251)	(33,752)
Proceeds from sales of property, plant, equipment and intangible assets	901	4,200
Acquisition of investments in securities	(38)	(610)
Proceeds from sales of investments in securities	675	165
Acquisition of investments in subsidiaries and affiliate	(1,601)	(625)
Net decrease (increase) in short-term loans receivable	(144)	(338)
Payments of long-term loans receivable	(60)	(40)
Proceeds from collection of long-term loans receivable	45	31
Other	(248)	(650)
Net cash used for investing activities	<u>(40,722)</u>	<u>(31,618)</u>
Cash flows from financing activities		
Increase (decrease) in short-term debt, net	143,079	151,460
Proceeds from long-term debt	8,500	4,503
Repayment of long-term debt	(13,856)	(9,338)
Proceeds from issuance of bonds	20,000	20,000
Redemption of bonds payable	(10,000)	(10,000)
Cash dividends paid	(11,680)	(11,674)
Cash dividends paid to non-controlling interests	(625)	(443)
Other	106	(570)
Net cash used for financing activities	<u>135,523</u>	<u>143,936</u>
Effect of exchange rate changes	77	3,223
Net increase (decrease) in cash and cash equivalents	<u>(6,013)</u>	<u>(1,705)</u>
Cash and cash equivalents at beginning of period	47,721	37,832
Increase (decrease) in cash and cash equivalents due to changes of consolidation period of subsidiaries	(1)	-
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(438)
Cash and cash equivalents at end of period	<u>41,706</u>	<u>35,689</u>

(4) Notes on financial statements

Notes on the going-concern assumption

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Related to consolidated statements of income

(1*)Gain on sale of fixed assets

Six months ended September 30, 2015 (April 1, 2015 – September 30, 2015)

Realized gains of deferred revenue in conjunction with the sale-and-leaseback related to fixed assets of a North American subsidiary.

Six months ended September 30, 2016 (April 1, 2016 – September 30, 2016)

Realized gains of deferred revenue in conjunction with the sale-and-leaseback related to fixed assets of a North American subsidiary.

(2*)Gain on sale of fixed assets

Six months ended September 30, 2016 (April 1, 2016 – September 30, 2016)

In conjunction with the sale of the land and building of the Company's Tokyo office.

Segment information and others

Segment information

1. Six months ended September 30, 2015(April 1, 2015– September 30, 2015)

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

Million yen

	External sales	Intersegment sales	Total sales	Operating income (loss)
Ship & Offshore Structure	51,861	1,657	53,518	(3,115)
Rolling Stock	62,769	1,083	63,852	3,525
Aerospace	166,805	664	167,470	25,676
Gas Turbine & Machinery	103,375	6,864	110,240	8,171
Plant & Infrastructure	55,834	7,576	63,410	2,669
Motorcycle & Engine	143,055	395	143,450	510
Precision Machinery	63,948	6,584	70,532	3,876
Other	60,543	17,750	78,294	1,299
Reportable segment total	708,194	42,576	750,770	42,613
Adjustments*1	-	(42,576)	(42,576)	(308)
Consolidated total	708,194	-	708,194	42,305

Notes: 1. Breakdown of adjustments:

Million yen

Income	Amount
Intersegment transactions	(68)
Corporate expenses*	(239)
Total	(308)

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

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

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

Not applicable.

2. Six months ended September 30, 2016 (April 1, 2016 – September 30, 2016)

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

Million yen				
	External sales	Intersegment sales	Total sales	Operating income (loss)
Ship & Offshore Structure	51,622	1,579	53,201	(16,428)
Rolling Stock	62,346	12	62,359	(671)
Aerospace	168,917	921	169,839	20,113
Gas Turbine & Machinery	106,622	6,199	112,821	2,977
Plant & Infrastructure	78,567	3,627	82,195	1,700
Motorcycle & Engine	128,567	417	128,984	(2,455)
Precision Machinery	65,728	6,869	72,598	3,943
Other	34,926	17,983	52,909	1,397
Reportable segment total	697,299	37,610	734,909	10,576
Adjustments*1	-	(37,610)	(37,610)	(2,084)
Consolidated total	697,299	-	697,299	8,491

Notes: 1. Breakdown of adjustments:

Million yen	
Income	Amount
Intersegment transactions	30
Corporate expenses*	(2,115)
Total	(2,084)

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

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

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

Not applicable.

4. Supplementary information

(1) Orders and sales (consolidated)

Orders received

Reportable segment	Six months ended September 30, 2015		Six months ended September 30, 2016		Year ended March 31, 2016	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	67,496	9.1	8,645	1.6	98,394	5.8
Rolling Stock	65,775	8.9	57,716	10.7	132,133	7.8
Aerospace	134,663	18.2	98,904	18.3	464,286	27.4
Gas Turbine & Machinery	115,844	15.6	102,658	19.0	288,903	17.0
Plant & Infrastructure	75,046	10.1	34,325	6.3	138,775	8.1
Motorcycle & Engine	143,055	19.3	128,567	23.8	333,595	19.6
Precision Machinery	64,045	8.6	71,403	13.2	133,191	7.8
Other	72,896	9.8	36,209	6.7	104,407	6.1
Total	738,823	100.0	538,430	100.0	1,693,687	100.0

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

Net sales

Reportable segment	Six months ended September 30, 2015		Six months ended September 30, 2016		Year ended March 31, 2016	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	51,861	7.3	51,622	7.4	94,888	6.1
Rolling Stock	62,769	8.8	62,346	8.9	146,646	9.5
Aerospace	166,805	23.5	168,917	24.2	351,858	22.8
Gas Turbine & Machinery	103,375	14.5	106,622	15.2	236,445	15.3
Plant & Infrastructure	55,834	7.8	78,567	11.2	135,668	8.8
Motorcycle & Engine	143,055	20.2	128,567	18.4	333,595	21.6
Precision Machinery	63,948	9.0	65,728	9.4	133,175	8.6
Other	60,543	8.5	34,926	5.0	108,817	7.0
Total	708,194	100.0	697,299	100.0	1,541,096	100.0

Order backlog

Reportable segment	Year ended March 31, 2016		Six months ended September 30, 2016		Six months ended September 30, 2015	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	259,921	13.4	206,523	11.9	279,632	15.2
Rolling Stock	375,729	19.5	349,143	20.1	406,063	22.1
Aerospace	608,352	31.5	527,726	30.5	454,255	24.7
Gas Turbine & Machinery	381,787	19.8	360,802	20.8	350,632	19.1
Plant & Infrastructure	255,944	13.2	233,601	13.5	274,724	14.9
Motorcycle & Engine	-	-	-	-	-	-
Precision Machinery	26,358	1.3	32,033	1.8	26,422	1.4
Other	17,863	0.9	19,146	1.1	40,896	2.2
Total	1,925,957	100.0	1,728,978	100.0	1,832,627	100.0

(2) Net sales by geographic area (consolidated)

Six months ended September 30, 2015 (April 1, 2015 – September 30, 2015)

Million yen		
Japan	276,602	39.0%
United States	187,229	26.4%
Europe	69,679	9.8%
Asia	112,493	15.8%
Other areas	62,189	8.7%
Total	708,194	100.0%

Six months ended September 30, 2016 (April 1, 2016 – September 30, 2016)

Million yen		
Japan	292,700	41.9%
United States	170,784	24.4%
Europe	90,460	12.9%
Asia	98,477	14.1%
Other areas	44,876	6.4%
Total	697,299	100.0%

(3) Supplementary information on earnings forecasts for the fiscal year ending March 31, 2017

1) Consolidated earnings outlook

Billion yen

	Outlook for the year ending March 31, 2017 (fiscal 2016)			Fiscal 2015 (ended March 31, 2016) (actual)
	Revised forecast (A)	Forecast issued September 30, 2016 (B)	Change (A – B)	
Net sales	1,510.0	1,510.0	-	1,541.0
Operating income	34.0	34.0	-	95.9
Recurring profit	25.0	25.0	-	93.2
Net income attributable to owners of parent	16.5	16.5	-	46.0

	Outlook for the year ending March 31, 2017 (fiscal 2016)			Fiscal 2015 (ended March 31, 2016) (actual)
	Revised forecast (A)	Forecast issued July 29, 2016 (B)	Change (A – B)	
Orders received	1,390.0	1,500.0	(110.0)	1,693.6
Before-tax ROIC (%)	3.8%	8.3%	(4.5)%	9.4%
R&D expenses	47.0	47.0	-	43.6
Capital Expenditures	87.0	98.0	(11.0)	76.3
Depreciation/amortization	52.0	56.0	(4.0)	49.0
Number of employees at end of fiscal year	35,500	35,700	(200)	34,605
*Number of employees outside of Japan included therein	*8,900	*9,000	*(100)	*8,708

Notes: 1. Outlook's assumed foreign exchange rates: ¥102 = US\$1, ¥114 = 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 and amortization expenses on property, plant and equipment and intangible assets.

2) Outlook by reportable segment

(a) Net sales and operating income (loss)

Billion yen

Reportable segment	Outlook for the year ending March 31, 2017 (fiscal 2016)						Fiscal 2015 (ended March 31, 2016) (actual)	
	Revised forecast (A)		Forecast issued September 30, 2016 (B)		Change (A – B)		Net sales	Operating income (loss)
	Net sales	Operating income (loss)	Net sales	Operating income (loss)	Net sales	Operating income (loss)		
Ship & Offshore Structure	105.0	(20.0)	We didn't disclose the each segment data.				94.8	(7.9)
Rolling Stock	140.0	2.5					146.6	9.2
Aerospace	340.0	22.0					351.8	45.6
Gas Turbine & Machinery	245.0	8.0					236.4	16.9
Plant & Infrastructure	155.0	8.0					135.6	8.5
Motorcycle & Engine	305.0	9.5					333.5	15.7
Precision Machinery	140.0	9.0					133.1	8.5
Other	80.0	3.5					108.8	2.8
Adjustments		(8.5)						(3.7)
Total	1,510.0	34.0	1,510.0	34.0	-	-	1,541.0	95.9

(b) Orders received

Billion yen

Reportable segment	Outlook for the year ending March 31, 2017 (fiscal 2016)			Fiscal 2015 (ended March 31, 2016) (actual)
	Revised outlook (A)	Forecast issued July 29, 2016 (B)	Change (A – B)	
Ship & Offshore Structure	90.0	130.0	(40.0)	98.3
Rolling Stock	170.0	180.0	(10.0)	132.1
Aerospace	220.0	230.0	(10.0)	464.2
Gas Turbine & Machinery	255.0	255.0	-	288.9
Plant & Infrastructure	120.0	140.0	(20.0)	138.7
Motorcycle & Engine	305.0	325.0	(20.0)	333.5
Precision Machinery	145.0	145.0	-	133.1
Other	85.0	95.0	(10.0)	104.4
Total	1,390.0	1,500.0	(110.0)	1,693.6

(c) Before-tax ROIC

(%)

Reportable segment	Outlook for the year ending March 31, 2017 (fiscal 2016)			Fiscal 2015 (ended March 31, 2016) (actual)
	Revised outlook (A)	Forecast issued July 29, 2016 (B)	Change (A – B)	
Ship & Offshore Structure	(28.8)	1.0	(29.8)	(38.4)
Rolling Stock	3.2	8.0	(4.8)	11.7
Aerospace	10.4	13.5	(3.1)	33.9
Gas Turbine & Machinery	4.3	6.3	(2.0)	8.8
Plant & Infrastructure	16.3	16.3	-	17.5
Motorcycle & Engine	6.0	10.2	(4.2)	14.1
Precision Machinery	8.0	10.8	(2.8)	9.5
Total	3.8	8.3	(4.5)	9.4