

**Report of Earnings and Financial Statements for the
Nine Months Ended December 31, 2016 (Consolidated)**
(Prepared pursuant to Japanese GAAP)

January 31, 2017

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: February 9, 2017

Commencement of dividend payments: -

Supplementary materials to quarterly earnings: Available

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

**1. Consolidated Financial Results for the Nine Months ended December 31, 2016
(April 1, 2016 – December 31, 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	%
Nine Months Ended December 31, 2016	1,043,052	(2.1)	22,875	(65.7)	23,008	(65.1)	17,974	(39.2)
Nine Months Ended December 31, 2015	1,065,556	4.8	66,838	10.7	66,046	1.9	29,574	(34.1)

Note: Comprehensive income: Nine Months Ended December 31, 2016: (227) million yen -%
 Nine Months Ended December 31, 2015: 31,934 million yen (49.2%)

	Earnings per share	Earnings per share – diluted
	yen	yen
Nine Months Ended December 31, 2016	10.75	-
Nine Months Ended December 31, 2015	17.70	-

(2) Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
December 31, 2016	1,798,417	426,077	22.9
March 31, 2016	1,620,458	445,625	26.6

Note: Shareholders' equity: December 31, 2016 : 412,553 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	1,520,000	(1.3)	40,000	(58.3)	33,000	(64.6)	21,000	(54.3)	12.57

Note: Revisions to the most recently announced earnings forecast: Yes

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)
 - December 31, 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
 - December 31, 2016: 253,615 shares
 - March 31, 2016: 228,992 shares
 - (3) Average number of shares during respective periods
 - Nine months ended December 31, 2016: 1,670,565,323 shares
 - Nine months ended December 31, 2015: 1,670,596,710 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 on conference call for institutional investors and analysts on Tuesday January 31, 2017, 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 nine months of the fiscal year ending March 31, 2017, the global economy continues to grow modestly in real terms, with growth centered on the U.S., where the economy remains strong. 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 prospects for the real economy have become increasingly uncertain in conjunction with the international market turmoil caused by Brexit as well as concerns about the expansion of protectionist policies, and other factors. 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 deterioration in the external demand environment, 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, but there is a possibility that economic policies enacted by countries around the world, especially the U.S., along with other factors, could result in both rapid and significant fluctuations in foreign exchange rates. As a result, foreign exchange rates must continue to be watched carefully.

Amid such an operating environment, the Group's orders received in the first nine months of the fiscal year ending March 31, 2017, declined versus the same period of the previous fiscal year, mainly in the Ship & Offshore Structure and Plant & Infrastructure segments. Net sales during the period were on par with the same period of the previous fiscal year overall, 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, along with other factors. There was a decline in operating income, recurring profit, and net income attributable to owners of parent due to a deterioration in the Ship & Offshore Structure segment and a decline in profits in the Aerospace segment and other segments.

As a result, the Group's consolidated orders received declined ¥190.0 billion versus the same period of the previous fiscal year to ¥885.3 billion, consolidated sales were on par with the same period of the previous fiscal year at ¥1,043.0 billion, operating income declined ¥43.9 billion on year to ¥22.8 billion, recurring profit dropped ¥43.0 billion to ¥23.0 billion, while net income attributable to owners of parent declined ¥11.6 billion to ¥17.9 billion.

Consolidated operating performance for the nine months ended December 31, 2016, is summarized by segment below.

Segment Information

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

	Nine months ended December 31						Orders received		
	2015 (A)		2016 (B)		Change (B – A)		Nine months ended December 31		
	Net Sales	Operating income	Net sales	Operating income	Net sales	Operating income	2015 (A)	2016 (B)	Change (B – A)
Ship & Offshore Structure	72.9	(2.5)	74.9	(13.8)	1.9	(11.2)	92.7	28.7	(63.9)
Rolling Stock	104.5	7.7	94.9	1.6	(9.6)	(6.1)	87.4	84.7	(2.7)
Aerospace	250.5	35.6	238.1	22.7	(12.4)	(12.9)	184.9	148.8	(36.1)
Gas Turbine & Machinery	159.1	11.1	165.2	5.9	6.1	(5.2)	212.7	192.3	(20.3)
Plant & Infrastructure	83.2	3.6	114.2	2.3	31.0	(1.2)	100.2	60.4	(39.8)
Motorcycle & Engine	218.8	4.3	198.7	(2.0)	(20.1)	(6.4)	218.8	198.7	(20.1)
Precision Machinery	94.0	5.3	103.5	6.8	9.5	1.4	95.0	115.7	20.7
Other	82.0	2.1	53.2	2.3	(28.8)	0.1	83.2	55.7	(27.5)
Adjustments	-	(0.6)	-	(3.1)	-	(2.4)	-	-	-
Total	1,065.5	66.8	1,043.0	22.8	(22.5)	(43.9)	1,075.3	885.3	(190.0)

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 ¥63.9 billion year on year to ¥28.7 billion, due to the downturn in demand for newly-built ships.

Consolidated net sales were ¥74.9 billion, on par with the same period of the previous fiscal year.

Consolidated operating income declined ¥11.2 billion year on year to an operating loss of ¥13.8 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 were on par with the same period of the previous fiscal year at ¥84.7 billion, as despite the decline for overseas markets, orders for linear-motor subway cars were received from the Tokyo Metropolitan Bureau of Transportation, along with other factors.

Consolidated net sales declined ¥9.6 billion year on year to ¥94.9 billion, due to a decline in sales to Asia including Taiwan and Singapore, and other factors.

Consolidated operating income declined ¥6.1 billion year on year to ¥1.6 billion, due to the drop in sales, the decline in highly-profitable projects, an increase in costs, and other factors.

Aerospace

Consolidated orders received fell ¥36.1 billion year on year to ¥148.8 billion, due to the impact of the yen's appreciation, the decline in component parts for commercial aircraft, and other factors.

Consolidated net sales declined ¥12.4 billion year on year to ¥238.1 billion, due to the effect of the appreciation of the yen and other factors, despite the increase in sales to the Ministry of Defense.

Consolidated operating income decreased ¥12.9 billion year on year to ¥22.7 billion, due to the decline in profitability of component parts for commercial aircraft, and other factors.

Gas Turbine & Machinery

Consolidated orders received fell ¥20.3 billion year on year to ¥192.3 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 ¥165.2 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 ¥5.2 billion year over year to ¥5.9 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 ¥39.8 billion year on year to ¥60.4 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 ¥31.0 billion year on year to ¥114.2 billion, due to an increase in construction work volume on a chemical plant for an overseas market.

Consolidated operating income decreased ¥1.2 billion year on year to ¥2.3 billion, due to the decline in profitability from increase of costs, despite of revenue growth.

Motorcycle & Engine

Consolidated net sales declined ¥20.1 billion year on year to ¥198.7 billion, due to the impact of the yen's appreciation, the decline in general-purpose gasoline engines and motorcycles to emerging countries, and other factors, despite the increase in sales of motorcycles and automobiles for developed countries.

Consolidated operating income decreased ¥6.4 billion year on year to ¥2.0 billion operating loss, due to the drop in profit resulting from the decline in sales.

Precision Machinery

Consolidated orders received increased ¥20.7 billion year on year to ¥115.7 billion, due to the increase in hydraulic components for construction machinery and various industrial robots, along with other factors.

Consolidated net sales increased ¥9.5 billion year on year to ¥103.5 billion, due to the increase in hydraulic components for construction machinery and various industrial robots, along with other factors.

Consolidated operating income increased ¥1.4 billion year on year to ¥6.8 billion, due to the increase in sales.

Other Operations

Consolidated net sales fell ¥28.8 billion year on year to ¥53.2 billion, due to the assignment of the construction machinery business in the same period of the previous fiscal year.

Consolidated operating income was ¥2.3 billion yen on par with the same period of the previous year.

(2) Consolidated financial position

At December 31, 2016, consolidated assets totaled ¥1,798.4 billion, an increase of ¥177.9 billion from March 31, 2016. This was attributable to the increase in trade receivables in conjunction with the posting of sales, the increase in inventories stemming from progress toward completion of construction jobs, as well as capital expenditure that added to property, plant and equipment, along with other factors. Liabilities totaled ¥1,372.3 billion, a ¥197.5 billion increase versus March 31, 2016, due to the increase in short-term debt and other interest-bearing debt, along with other factors. Interest-bearing debt increased ¥224.9 billion versus March 31, 2016, to ¥623.4 billion. Net assets fell ¥19.5 billion from March 31, 2016, to ¥426.0 billion, due to a decline in foreign currency translation adjustment and other factors.

(3) Consolidated earnings outlook

The business environment surrounding the Group has become increasingly uncertain, as despite the fact that the U.S. has maintained its firm economic recovery, there is growing uncertainty about protectionist trade and foreign policy under the new U.S. president as well as other factors including

economic slowdowns in emerging countries and crude oil price movements. Given this kind of environment, the Company has decided to spend more time analyzing the future outlook.

Amid this business environment, the Company has upwardly revised its consolidated net sales forecast for the fiscal year ending March 31, 2017, by ¥10.0 billion yen (from the previous forecast announced on October 28, 2016) to ¥1,520.0 billion. This revision is due to an expectation for increases in sales primarily in the Plant & Infrastructure and Precision Machinery segments.

The consolidated operating income forecast has been upwardly revised by ¥6.0 billion to ¥40.0 billion, due to the expected improvement resulting from the revision of the assumed foreign exchange rate, despite the expectation for some deterioration in the Ship & Offshore Structure segment's profits due to a revision in costs related to the offshore work vessel destined for Norway, some deterioration in the Plant & Infrastructure segment's profits due to progress on a large project and cost revisions, as well as other factors. Likewise, the forecast for recurring profit has been raised to ¥33.0 billion, while the forecast for net income attributable to owners of parent has been increased to ¥21.0 billion.

The forecast for consolidated orders received has been revised downward by ¥70.0 billion from the previously announced forecast to ¥1,320.0 billion, due to sluggish demand for newly-built ships in the Ship & Offshore Structure segment, revisions to certain projects in the Plant & Infrastructure segment, and other factors. In addition, the Company is now forecasting ROIC of 4.7% and ROE of 4.9%.

The Company's earnings forecasts assume exchange rates of ¥110 to the US dollar and ¥120 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

(Calculation of tax expense)

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 December 31, 2016.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

		Million yen	
		As of March 31, 2016	As of December 31, 2016
Assets			
Current assets			
Cash on hand and in banks		42,157	53,451
Trade receivables		381,339	496,756
Merchandise and finished products		57,092	68,399
Work in process		324,915	360,858
Raw materials and supplies		110,956	109,966
Other		104,019	109,273
Allowance for doubtful receivables		(2,578)	(2,527)
	Total current assets	1,017,903	1,196,179
Fixed assets			
Net property, plant and equipment		436,557	450,686
Intangible assets		15,475	14,649
Investments and other assets			
Other		160,423	152,199
Allowance for doubtful receivables		(9,902)	(15,297)
	Total investments and other assets	150,521	136,902
	Total fixed assets	602,554	602,238
Total assets		1,620,458	1,798,417
Liabilities			
Current liabilities			
Trade payables		233,979	217,166
Electronically recorded obligations-operating		87,798	99,141
Short-term debt		105,891	165,419
Income taxes payable		10,889	6,107
Accrued bonuses		25,138	9,812
Provision for product warranties		12,642	10,705
Provision for losses on construction contracts		7,926	12,879
Advances from customers		170,454	162,605
Other		112,990	267,954
	Total current liabilities	767,711	951,792
Long-term liabilities			
Bonds payable		120,000	130,000
Long-term debt		160,809	166,213
Provision for environmental measures		1,693	1,169
Net defined benefit liability		90,789	89,826
Other		33,828	33,338
	Total long-term liabilities	407,120	420,548
Total liabilities		1,174,832	1,372,340

Net assets

Shareholders' equity		
Common stock	104,484	104,484
Capital surplus	54,394	54,393
Retained earnings	279,627	279,217
Treasury stock	(86)	(94)
Total shareholders' equity	<u>438,419</u>	<u>438,001</u>
Accumulated other comprehensive income		
Net unrealized gains (losses) on securities	2,705	3,132
Deferred gains (losses) on hedges	692	(4,940)
Foreign currency translation adjustment	8,990	(7,197)
Remeasurements of defined benefit plans	(19,439)	(16,443)
Total accumulated other comprehensive income	<u>(7,051)</u>	<u>(25,448)</u>
Non-controlling interests	<u>14,257</u>	<u>13,523</u>
Total net assets	<u>445,625</u>	<u>426,077</u>
Total liabilities and net assets	<u>1,620,458</u>	<u>1,798,417</u>

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

	Million yen	
	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	1,065,556	1,043,052
Cost of sales	861,785	877,767
Gross profit	203,771	165,285
Selling, general and administrative expenses		
Salaries and benefits	38,917	37,659
R&D expenses	28,776	30,860
Other	69,238	73,889
Total selling, general and administrative expenses	136,932	142,409
Operating income	66,838	22,875
Non-operating income		
Interest income	523	632
Dividend income	274	231
Share of profit of entities accounted for using equity method	(*1)2,124	4,820
Gain on sale of fixed assets	(*2)1,832	(*4)738
Other	4,670	3,220
Total non-operating income	9,425	9,643
Non-operating expenses		
Interest expense	2,756	2,187
Foreign exchange loss, net	5,261	1,803
Other	2,198	5,519
Total non-operating expenses	10,217	9,510
Recurring profit	66,046	23,008
Extraordinary profits		
Gain on sale of fixed assets	-	(*5)2,202
Gain on transfer of business	(*3) 901	-
Total extraordinary profits	901	2,202
Extraordinary losses		
Losses on Overseas Business	(*1)19,298	-
Total extraordinary losses	19,298	-
Income before income taxes	47,649	25,210
Income taxes	16,766	6,078
Net income	30,882	19,132
Net income attributable to non-controlling interests	1,307	1,158
Net income attributable to owners of parent	29,574	17,974

Consolidated statements of comprehensive income

	Million yen	
	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net income	30,882	19,132
Other comprehensive income		
Net unrealized gains (losses) on securities	(341)	449
Deferred gains (losses) on hedges	2,041	(5,601)
Foreign currency translation adjustment	(5,186)	(4,093)
Remeasurements of defined benefit plans	7,219	3,008
Share of other comprehensive income of entities accounted for using equity method	(2,681)	(13,123)
Total other comprehensive income	1,052	(19,360)
Comprehensive Income attributable to:	31,934	(227)
(details)		
Owners of parent	31,282	(422)
Non-controlling interests	652	195

(3) 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. Nine months ended December 31, 2015 (April 1, 2015 – December 31, 2015)

(*1) Posting Losses on Overseas Business

Posting Losses on Joint Shipbuilding Venture in Brazil

(Additional information)

Posting Losses on Overseas Business (Joint Shipbuilding Venture in Brazil)

Enseada, in which KHI holds a 30% stake, has received no payments for drill ship construction work currently in progress for more than a year due to the impact of corruption problems in Brazil, and this has seriously eroded Enseada's financial position and cash flow situation. As a result, Enseada has fallen behind in its payments to KHI for the transfer of technology and for the construction of drill ship hull parts currently under construction at KHI Sakaide Works. Enseada has also been unable to make progress on the repayment of loans extended by KHI.

Despite this adverse business situation, Enseada remains a going concern, and KHI continues to cooperate with Enseada in line with the underlying joint venture agreement. However, considering the asset value of investment in and loans to Enseada as well as the recoverability of trade receivables, KHI has decided to implement the necessary accounting treatment based on its revaluation under relevant accounting principles.

Accounting treatment of losses on a consolidated basis for the nine months ended December 31, 2015, is presented below.

1.	Setting of allowance for doubtful receivables on trade receivables from Enseada and loss on valuation of inventories (work in process) destined for Enseada	¥19,298 million	(extraordinary losses)
2.	Losses on valuation of investments in and loans receivable from Enseada	¥2,847 million	(non-operating expenses)
	Total	¥22,145 million	

(*2) Gain on sale of fixed assets

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

(*3) Gain on Transfer of Business

Due to assignment of all shares of consolidated subsidiary KCM Corporation and all businesses of KCMJ Corporation.

2. Nine months ended December 31, 2016 (April 1, 2016 – December 31, 2016)

(*4) Gain on sale of fixed assets

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

(*5) Gain on sale of fixed assets

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

Segment information and others

Segment information

1. Nine months ended December 31, 2015 (April 1, 2015 – December 31, 2015)

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

Million yen

	External sales	Intersegment sales	Total sales	Operating income (loss)
Ship & Offshore Structure	72,999	2,157	75,156	(2,580)
Rolling Stock	104,594	1,217	105,812	7,758
Aerospace	250,575	1,041	251,617	35,607
Gas Turbine & Machinery	159,150	10,833	169,983	11,195
Plant & Infrastructure	83,249	10,277	93,527	3,606
Motorcycle & Engine	218,851	618	219,469	4,379
Precision Machinery	94,036	10,063	104,100	5,365
Other	82,099	26,623	108,723	2,195
Reportable segment total	1,065,556	62,832	1,128,389	67,528
Adjustments*1	-	(62,832)	(62,832)	(689)
Consolidated total	1,065,556	-	1,065,556	66,838

Notes: 1. Breakdown of adjustments:

Million yen

Income	Amount
Intersegment transactions	(134)
Corporate expenses*	(554)
Total	(689)

*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. Nine months ended December 31, 2016 (April 1, 2016 – December 31, 2016)

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

Million yen				
	External sales	Intersegment sales	Total sales	Operating income (loss)
Ship & Offshore Structure	74,978	1,916	76,894	(13,817)
Rolling Stock	94,964	16	94,980	1,655
Aerospace	238,100	1,294	239,394	22,701
Gas Turbine & Machinery	165,251	9,381	174,633	5,959
Plant & Infrastructure	114,273	5,072	119,346	2,335
Motorcycle & Engine	198,702	480	199,183	(2,038)
Precision Machinery	103,566	10,486	114,052	6,864
Other	53,215	27,497	80,712	2,371
Reportable segment total	1,043,052	56,146	1,099,199	26,032
Adjustments*1	-	(56,146)	(56,146)	(3,157)
Consolidated total	1,043,052	-	1,043,052	22,875

Notes: 1. Breakdown of adjustments:

Million yen	
Income	Amount
Intersegment transactions	22
Corporate expenses*	(3,179)
Total	(3,157)

* 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) Consolidated cash flow statements (condensed)

	Million yen	
	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Cash flow from operating activities	(190,735)	(147,276)
Cash flow from investing activities	(52,523)	(46,851)
Cash flow from financing activities	235,658	206,284
Cash and cash equivalents at end of period	40,247	48,719

(2) Orders and sales (consolidated)

Orders received

Reportable segment	Nine months ended December 31, 2015		Nine months ended December 31, 2016		Year ended March 31, 2016	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	92,746	8.6	28,793	3.2	98,394	5.8
Rolling Stock	87,449	8.1	84,729	9.5	132,133	7.8
Aerospace	184,994	17.2	148,828	16.8	464,286	27.4
Gas Turbine & Machinery	212,733	19.7	192,337	21.7	288,903	17.0
Plant & Infrastructure	100,218	9.3	60,401	6.8	138,775	8.1
Motorcycle & Engine	218,851	20.3	198,702	22.4	333,595	19.6
Precision Machinery	95,023	8.8	115,742	13.0	133,191	7.8
Other	83,288	7.7	55,768	6.2	104,407	6.1
Total	1,075,305	100.0	885,302	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	Nine months ended December 31, 2015		Nine months ended December 31, 2016		Year ended March 31, 2016	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	72,999	6.8	74,978	7.1	94,888	6.1
Rolling Stock	104,594	9.8	94,964	9.1	146,646	9.5
Aerospace	250,575	23.5	238,100	22.8	351,858	22.8
Gas Turbine & Machinery	159,150	14.9	165,251	15.8	236,445	15.3
Plant & Infrastructure	83,249	7.8	114,273	10.9	135,668	8.8
Motorcycle & Engine	218,851	20.5	198,702	19.0	333,595	21.6
Precision Machinery	94,036	8.8	103,566	9.9	133,175	8.6
Other	82,099	7.7	53,215	5.1	108,817	7.0
Total	1,065,556	100.0	1,043,052	100.0	1,541,096	100.0

Order backlog

Reportable segment	Year ended March 31, 2016		Nine months ended December 31, 2016		Nine months ended December 31, 2015	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	259,921	13.4	211,689	11.7	284,428	15.6
Rolling Stock	375,729	19.5	370,666	20.6	388,235	21.3
Aerospace	608,352	31.5	513,261	28.5	428,141	23.5
Gas Turbine & Machinery	381,787	19.8	417,471	23.2	392,274	21.5
Plant & Infrastructure	255,944	13.2	227,005	12.6	272,598	15.0
Motorcycle & Engine	-	-	-	-	-	-
Precision Machinery	26,358	1.3	38,534	2.1	27,330	1.5
Other	17,863	0.9	20,416	1.1	23,485	1.2
Total	1,925,957	100.0	1,799,045	100.0	1,816,495	100.0

(3) Net sales by geographic area (consolidated)

Nine months ended December 31, 2015 (April 1, 2015 – December 31, 2015)

		Million yen
Japan	430,093	40.3%
United States	275,104	25.8%
Europe	95,990	9.0%
Asia	172,856	16.2%
Other areas	91,511	8.5%
Total	1,065,556	100.0%

Nine months ended December 31, 2016 (April 1, 2016 – December 31, 2016)

		Million yen
Japan	437,252	41.9%
United States	255,144	24.4%
Europe	127,796	12.2%
Asia	151,377	14.5%
Other areas	71,480	6.8%
Total	1,043,052	100.0%

(4) 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 October 28, 2016 (B)	Change (A – B)	
Net sales	1,520.0	1,510.0	10.0	1,541.0
Operating income	40.0	34.0	6.0	95.9
Recurring profit	33.0	25.0	8.0	93.2
Net income attributable to owners of parent	21.0	16.5	4.5	46.0
Orders received	1,320.0	1,390.0	(70.0)	
Before-tax ROIC (%)	4.7%	3.8%	0.9%	9.4%

Notes: 1. Outlook's assumed foreign exchange rates: ¥110= US\$1, ¥120= 1 euro

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

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 October 28, 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)	105.0	(20.0)	-	-	94.8	(7.9)
Rolling Stock	135.0	2.5	140.0	2.5	(5.0)	-	146.6	9.2
Aerospace	335.0	25.5	340.0	22.0	(5.0)	3.5	351.8	45.6
Gas Turbine & Machinery	245.0	11.0	245.0	8.0	-	3.0	236.4	16.9
Plant & Infrastructure	165.0	3.5	155.0	8.0	10.0	(4.5)	135.6	8.5
Motorcycle & Engine	305.0	10.0	305.0	9.5	-	0.5	333.5	15.7
Precision Machinery	150.0	12.0	140.0	9.0	10.0	3.0	133.1	8.5
Other	80.0	3.5	80.0	3.5	-	-	108.8	2.8
Adjustments		(8.0)		(8.5)		0.5		(3.7)
Total	1,520.0	40.0	1,510.0	34.0	10.0	6.0	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 October 28, 2016 (B)	Change (A – B)	
Ship & Offshore Structure	40.0	90.0	(50.0)	98.3
Rolling Stock	170.0	170.0	-	132.1
Aerospace	220.0	220.0	-	464.2
Gas Turbine & Machinery	255.0	255.0	-	288.9
Plant & Infrastructure	100.0	120.0	(20.0)	138.7
Motorcycle & Engine	305.0	305.0	-	333.5
Precision Machinery	150.0	145.0	5.0	133.1
Other	80.0	85.0	(5.0)	104.4
Total	1,320.0	1,390.0	(70.0)	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 October 28, 2016 (B)	Change (A – B)	
Ship & Offshore Structure	(28.8)	(28.8)	-	(38.4)
Rolling Stock	3.2	3.2	-	11.7
Aerospace	13.0	10.4	2.6	33.9
Gas Turbine & Machinery	5.7	4.3	1.4	8.8
Plant & Infrastructure	9.6	16.3	(6.7)	17.5
Motorcycle & Engine	6.7	6.0	0.7	14.1
Precision Machinery	10.6	8.0	2.6	9.5
Total	4.7	3.8	0.9	9.4