

**Report of Earnings and Financial Statements for the
Three Months Ended June 30, 2017 (Consolidated)**
(Prepared pursuant to Japanese GAAP)

July 31, 2017

Listed company's name: **Kawasaki Heavy Industries, Ltd.**
 Listed on: 1st sections of the TSE, and NSE
 Stock code: 7012
 URL: <http://www.khi.co.jp/>
 Representative: Yoshinori Kanehana, President
 Contact: Hajime Asano, Senior Manager, Accounting Department
 Tel: +81 3-3435-2130

Scheduled dates:

Submission of quarterly securities filing: August 7, 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 Three Months ended June 30, 2017
(April 1, 2017 – June 30, 2017)

(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 | % |
| Three Months Ended June 30, 2017 | 335,329 | (1.3) | 4,908 | (69.2) | 5,433 | (5.3) | 3,278 | (31.6) |
| Three Months Ended June 30, 2016 | 339,859 | (0.0) | 15,958 | 7.6 | 5,738 | (62.6) | 4,797 | (35.9) |

Note: Comprehensive income: Three months ended June 30, 2017: 3,130 million yen -%
 Three months ended June 30, 2016: (8,797) million yen (196.5)%

| | Earnings per share | Earnings per share – diluted |
|----------------------------------|--------------------|---------------------------------|
| | yen | yen |
| Three Months Ended June 30, 2017 | 1.96 | - |
| Three Months Ended June 30, 2016 | 2.87 | - |

(2) Financial Condition

| | Total assets | Net assets | Equity ratio |
|----------------|--------------|-------------|--------------|
| | million yen | million yen | % |
| June 30, 2017 | 1,731,972 | 450,749 | 25.2 |
| March 31, 2017 | 1,687,363 | 451,327 | 25.9 |

Note: Shareholders' equity: June 30, 2017: 436,538 million yen
 March 31, 2017: 437,247 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, 2017 | - | 4.00 | - | 2.00 | 6.00 |
| Year ending March 31, 2018 | - | | | | |
| Year ending March 31, 2018 (forecast) | | - | - | - | - |

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

※The Company plans to conduct a share consolidation with a 10:1 ratio of common shares, with an effective date of October 1, 2017. Excluding the share consolidation from consideration, the expected total annual dividend for the fiscal year ending March 31, 2018, is ¥6 per share. However, due to the fact that the interim dividend and the fiscal year-end dividend are currently undetermined, the Company is unable to present dividend amounts reflecting the impact of the share consolidation. Consequently, dividend amounts above are denoted with the “—” mark, but this does not signify that actual total dividend payment amounts have been revised since the previous announcement of forecast dividends.

3. Forecast of Consolidated Earnings for the Year Ending March 31, 2018

(April 1, 2017 – March 31, 2018)

(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 | 1,555,000 | 2.3 | 58,000 | 26.1 | 51,500 | 40.4 | 36,000 | 37.3 | 215.49 |

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

※The Company plans to conduct a share consolidation with a 10:1 ratio of common shares, with an effective date of October 1, 2017. Consequently, in the forecast of consolidated earnings for the year ending March 31, 2018, earnings per share reflecting the impact of the share consolidation are shown. If the share consolidation is excluded from consideration, earnings per share in the forecast of consolidated earnings for the full fiscal year ending March 31, 2018, would be ¥21.54 per share.

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. Consolidated Financial Statements (3) Notes on financial statements” on page 13 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)

June 30, 2017: 1,670,805,320 shares

March 31, 2017: 1,670,805,320 shares

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

June 30, 2017: 262,611 shares

March 31, 2017: 259,108 shares

(3) Average number of shares during respective periods

Three months ended June 30, 2017: 1,670,544,070 shares

Three months ended June 30, 2016: 1,670,574,322 shares

The quarterly report of earnings and financial statements is exempted from quarterly review procedures based on the Financial Instruments and Exchange act.

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 their 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 9 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 by conference call on Monday July 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.

Dividend and earnings forecasts after share consolidation

At the 194th Ordinary General Meeting of Shareholders held on June 28, 2017, the shareholders approved the share consolidation, and effective October 1, 2017, every 10 common shares issued by the Company will be consolidated into 1 share. Both the fiscal year-end dividend forecast and earnings per share in the full-year consolidated earnings forecasts for the fiscal year ending March 31, 2018, reflect this share consolidation.

Accompanying Materials – Contents

| | |
|--|----|
| 1. Qualitative Information and Financial Statements | 5 |
| (1) Consolidated operating results | 5 |
| (2) Consolidated financial position | 8 |
| (3) Consolidated earnings outlook | 9 |
| 2. Consolidated Financial Statements | 10 |
| (1) Consolidated balance sheets | 10 |
| (2) Consolidated statements of income and comprehensive income | 12 |
| (3) Notes on financial statements | 13 |
| (Notes on the going-concern assumption) | 13 |
| (Notes on significant changes in the amount of shareholders' equity) | 13 |
| (Accounting procedures specific to preparation of quarterly consolidated financial statements) | 13 |
| (Related to consolidated statements of income) | 13 |
| (Segment information and others) | 14 |
| 3. Supplementary Information | 16 |
| (1) Consolidated cash flow statements (condensed) | 16 |
| (2) Orders and sales (consolidated) | 16 |
| (3) Net sales by geographic area (consolidated) | 17 |

1. Qualitative Information and Financial Statements

(1) Consolidated operating results

In the first three months of the fiscal year ending March 31, 2018, despite modest growth centered on the U.S., where the real economy remains strong, the global economy was relatively lacking in vigor overall due to languishing crude oil prices, the economic slowdown in emerging countries and resource-rich countries, as well as other factors. In addition, future prospects for the real economy have become increasingly uncertain, including turmoil in international financial markets due to Brexit, concerns about an 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 has been recovering modestly, due to the impacts of the moderate turnaround in personal consumption, the pickup in capital investment, and other factors. Going forward, the economy is expected to grow modestly overall due to steady improvements in the income and employment environments, but there is a possibility that economic policies enacted by countries around the world, especially the U.S., and geopolitical risks in the Middle East, the Korean Peninsula, and other regions, 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 quarter increased versus the same period of the previous fiscal year, mainly in the Ship & Offshore Structure and Precision Machinery segments. Net sales in the first quarter were on par with the same period of the previous fiscal year, as the increase in sales in the Gas Turbine & Machinery and Precision Machinery segments were offset by the decrease in sales in the Ship & Offshore Structure, Aerospace, and Plant & Infrastructure segments, along with other factors. There was a decline in operating income as a whole, due to lower profit in the Aerospace, Motorcycle & Engine, and Ship & Offshore Structure segments, along with other factors, while recurring profit was roughly the same as the same period of the previous fiscal year due to foreign exchange gains and other factors. Net income attributable to owners of parent fell, partially due to the fact that extraordinary income was posted in the same period of the previous fiscal year.

As a result, the Group's consolidated orders received increased ¥13.9 billion versus the same period of the previous fiscal year to ¥272.5 billion, consolidated net sales declined ¥4.5 billion year on year to ¥335.3 billion, consolidated operating income declined ¥11.0 billion year on year to ¥4.9 billion, consolidated recurring profit dropped ¥0.3 billion year on year to ¥5.4 billion, and net income attributable to owners of parent declined ¥1.5 billion year on year to ¥3.2 billion.

First-quarter consolidated operating performance is summarized by segment below.

Segment Information

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

| | Three months ended June 30 | | | | | | Orders received | | |
|---------------------------|----------------------------|------------------|-----------|------------------|----------------|------------------|-------------------------------|----------|----------------|
| | 2016 (A) | | 2017 (B) | | Change (B – A) | | Three months ended June 30 | | |
| | Net sales | Operating income | Net sales | Operating income | Net Sales | Operating income | 2016 (A) | 2017 (B) | Change (B – A) |
| Ship & Offshore Structure | 31.1 | 0.6 | 19.7 | (2.8) | (11.4) | (3.4) | 2.2 | 13.3 | 11.0 |
| Rolling Stock | 28.8 | 0.7 | 29.1 | (0.9) | 0.3 | (1.6) | 23.2 | 11.1 | (12.1) |
| Aerospace | 80.0 | 9.5 | 73.3 | 3.7 | (6.7) | (5.7) | 41.6 | 47.0 | 5.3 |
| Gas Turbine & Machinery | 49.1 | 3.2 | 60.5 | 4.3 | 11.4 | 1.0 | 50.6 | 58.3 | 7.6 |
| Plant & Infrastructure | 31.7 | 0.6 | 25.5 | (0.6) | (6.2) | (1.2) | 18.0 | 15.1 | (2.8) |
| Motorcycle & Engine | 69.2 | 0.3 | 67.7 | (3.3) | (1.5) | (3.6) | 69.2 | 67.7 | (1.5) |
| Precision Machinery | 32.9 | 2.1 | 41.8 | 4.5 | 8.8 | 2.4 | 33.1 | 42.8 | 9.7 |
| Other | 16.7 | 0.7 | 17.4 | 0.6 | 0.6 | (0.0) | 20.2 | 16.9 | (3.3) |
| Adjustments | - | (1.9) | - | (0.6) | - | 1.3 | - | - | - |
| Total | 339.8 | 15.9 | 335.3 | 4.9 | (4.5) | (11.0) | 258.6 | 272.5 | 13.9 |

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 increased ¥11.0 billion year on year to ¥13.3 billion, due to orders received for LPG carriers and Kawasaki JETFOIL.

Consolidated net sales fell ¥11.4 billion year on year to ¥19.7 billion, due to a decline in LPG carriers, a decline in the volume of vessel repair work, and other factors.

Consolidated operating income declined ¥3.4 billion year on year to an operating loss of ¥2.8 billion, attributable to the decline in sales, an increase in construction costs, as well as the impact of the reversal of allowance for doubtful receivables in the same period of the previous fiscal year.

Rolling Stock

Consolidated orders received declined ¥12.1 billion year on year to ¥11.1 billion, as a linear-motor subway car order was received from the Tokyo Metropolitan Bureau of Transportation (Toei) in the same quarter of the previous fiscal year.

Consolidated net sales increased ¥0.3 billion year on year to ¥29.1 billion, due to an increase in sales in the domestic market, despite a decrease in sales to Asia, including Singapore, and other factors.

Consolidated operating income fell ¥1.6 billion year on year to an operating loss of ¥0.9 billion, due to the decline in profitable projects, and other factors.

Aerospace

Consolidated orders received increased ¥5.3 billion year on year to ¥47.0 billion, due to the increase in orders received from the Ministry of Defense, and other factors.

Consolidated net sales fell ¥6.7 billion year on year to ¥73.3 billion, due to the decline in sales of component parts for commercial aircraft and other factors, despite the increase in sales to the Ministry of Defense.

Consolidated operating income fell ¥5.7 billion year on year to ¥3.7 billion, due to the drop in sales, the decline in profitability of component parts for commercial aircraft, and other factors.

Gas Turbine & Machinery

Consolidated orders received increased ¥7.6 billion year on year to ¥58.3 billion, due to the increase in orders received for commercial aircraft jet engines, and other factors.

Consolidated net sales increased ¥11.4 billion year on year to ¥60.5 billion, due to the increase in component parts of commercial aircraft jet engines, the increase in construction work on gas engine power generation systems, and other factors.

Consolidated operating income rose ¥1.0 billion year on year to ¥4.3 billion, as a result of the increase in sales.

Plant & Infrastructure

Consolidated orders received declined ¥2.8 billion year on year to ¥15.1 billion, as a shield machine order for the domestic market was received in the same quarter of the previous fiscal year.

Consolidated net sales fell ¥6.2 billion year on year to ¥25.5 billion, due to the decrease in construction work volume on a chemical plant for an overseas market and other factors.

Consolidated operating income fell ¥1.2 billion year on year to an operating loss of ¥0.6 billion, due to the decrease in sales.

Motorcycle & Engine

Consolidated net sales declined ¥1.5 billion year on year to ¥67.7 billion, due to the decrease in motorcycles for emerging markets and utility vehicles for developed countries, despite the increase in motorcycles for developed countries and general-purpose engines.

Consolidated operating income fell ¥3.6 billion year on year to an operating loss of ¥3.3 billion, due to the decline in sales, the change in the model mix, and other factors.

Precision Machinery

Consolidated orders received increased ¥9.7 billion year on year to ¥42.8 billion, due to the increase in hydraulic components for construction machinery.

Consolidated net sales increased ¥8.8 billion year on year to ¥41.8 billion, due to an increase in sales of hydraulic components for construction machinery and various industrial robots, as well as other factors.

Consolidated operating income increased ¥2.4 billion year on year to ¥4.5 billion, due to the increase in sales.

Other Operations

Consolidated net sales increased ¥0.6 billion year on year to ¥17.4 billion.

Consolidated operating income was ¥0.6 billion, on par with the same period of the previous fiscal year.

(2) Consolidated financial position

On June 30, 2017, consolidated assets totaled ¥1,731.9 billion, an increase of ¥44.6 billion from March 31, 2017. This was mainly attributable to an increase in inventories in conjunction with progress toward completion of construction jobs. Liabilities totaled ¥1,281.2 billion, a ¥45.1 billion increase versus March 31, 2017, due to the increase in short-term debt and other interest-bearing debts, despite the decline in trade payables. Interest-bearing debts increased ¥109.1 billion to ¥509.8 billion. Net assets were ¥450.7 billion, which was on par with the level of March 31, 2017, due to dividend payments, the posting of net income attributable to owners of parent, and other factors.

(3) Consolidated earnings outlook

The Company has left its earnings forecasts for the fiscal year ending March 31, 2018, unchanged from the figures previously announced on April 27, 2017.

The Company's earnings forecasts assume exchange rates of ¥108 to the U.S. 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. Please note that 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. Consolidated Financial Statements

(1) Consolidated balance sheets

| | | Million yen | |
|---|-------------------------------------|-------------------------|------------------------|
| | | As of March 31, 2017 | As of June 30, 2017 |
| Assets | | | |
| Current assets | | | |
| Cash on hand and in banks | | 55,388 | 48,261 |
| Trade receivables | | 444,633 | 445,756 |
| Merchandise and finished products | | 49,850 | 51,499 |
| Work in process | | 323,433 | 341,907 |
| Raw materials and supplies | | 111,577 | 110,983 |
| Other | | 95,544 | 123,264 |
| Allowance for doubtful receivables | | (2,593) | (2,513) |
| | Total current assets | 1,077,835 | 1,119,160 |
| Fixed assets | | | |
| Net property, plant and equipment | | | |
| Buildings and structures | | 180,070 | 183,772 |
| Other | | 281,810 | 280,706 |
| | Total property, plant and equipment | 461,881 | 464,478 |
| Intangible assets | | | |
| | | 15,284 | 14,935 |
| Investments and other assets | | | |
| Other | | 147,090 | 148,146 |
| Allowance for doubtful receivables | | (14,727) | (14,748) |
| | Total investments and other assets | 132,362 | 133,397 |
| | Total fixed assets | 609,527 | 612,812 |
| Total assets | | 1,687,363 | 1,731,972 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade payables | | 240,572 | 201,990 |
| Electronically recorded obligations - operating | | 101,449 | 107,111 |
| Short-term debt | | 111,456 | 128,576 |
| Income taxes payable | | 4,295 | 3,920 |
| Accrued bonuses | | 20,288 | 22,265 |
| Provision for product warranties | | 12,175 | 11,667 |
| Provision for losses on construction contracts | | 18,103 | 16,353 |
| Advances from customers | | 205,871 | 192,376 |
| Other | | 129,228 | 204,098 |
| | Total current liabilities | 843,441 | 888,360 |
| Long-term liabilities | | | |
| Bonds payable | | 130,000 | 130,000 |
| Long-term debt | | 147,492 | 147,492 |
| Net defined benefit liability | | 81,563 | 82,173 |
| Other | | 33,538 | 33,196 |
| | Total long-term liabilities | 392,594 | 392,862 |
| Total liabilities | | 1,236,035 | 1,281,222 |

| | | |
|---|------------------|------------------|
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 104,484 | 104,484 |
| Capital surplus | 54,393 | 54,393 |
| Retained earnings | 287,448 | 287,385 |
| Treasury stock | (96) | (97) |
| Total shareholders' equity | <u>446,230</u> | <u>446,166</u> |
| Accumulated other comprehensive income | | |
| Net unrealized gains (losses) on securities, net of tax | 3,232 | 3,494 |
| Deferred gains (losses) on hedges | (1,182) | (951) |
| Foreign currency translation adjustment | (341) | (2,337) |
| Remeasurements of defined benefit plans | (10,692) | (9,832) |
| Total accumulated other comprehensive income | <u>(8,983)</u> | <u>(9,627)</u> |
| Non-controlling interests | <u>14,080</u> | <u>14,211</u> |
| Total net assets | <u>451,327</u> | <u>450,749</u> |
| Total net assets and liabilities | <u>1,687,363</u> | <u>1,731,972</u> |

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

| | Million yen | |
|--|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2016 | Three months ended June 30, 2017 |
| Net sales | 339,859 | 335,329 |
| Cost of sales | 280,201 | 284,154 |
| Gross profit | 59,658 | 51,175 |
| Selling, general and administrative expenses | | |
| Salaries and benefits | 12,097 | 12,601 |
| R&D expenses | 9,414 | 9,455 |
| Other | 22,188 | 24,209 |
| Total selling, general and administrative expenses | 43,700 | 46,266 |
| Operating income | 15,958 | 4,908 |
| Non-operating income | | |
| Interest income | 141 | 193 |
| Dividend income | 121 | 158 |
| Equity in income of non-consolidated subsidiaries and affiliates | 929 | 1,335 |
| Foreign exchange gain | - | 553 |
| Other | 2,465 | 549 |
| Total non-operating income | 3,657 | 2,790 |
| Non-operating expenses | | |
| Interest expense | 722 | 667 |
| Foreign exchange losses | 11,382 | - |
| Other | 1,773 | 1,598 |
| Total non-operating expenses | 13,878 | 2,266 |
| Recurring profit | 5,738 | 5,433 |
| Extraordinary income | | |
| Gain on sale of fixed assets | (*1) 2,202 | - |
| Total extraordinary income | 2,202 | - |
| Income before income taxes | 7,940 | 5,433 |
| Income taxes | 2,854 | 1,749 |
| Net income | 5,085 | 3,683 |
| Net income attributable to non-controlling interests | 288 | 405 |
| Net income attributable to owners of parent | 4,797 | 3,278 |

Consolidated statements of comprehensive income

| | Million yen | |
|---|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2016 | Three months ended June 30, 2017 |
| Net income | 5,085 | 3,683 |
| Other comprehensive income | | |
| Net unrealized gains (losses) on securities | (730) | 270 |
| Deferred gains (losses) on hedges | 415 | 248 |
| Foreign currency translation adjustment | (10,497) | 23 |
| Remeasurements of defined benefit plans | 931 | 863 |
| Share of other comprehensive income of associates accounted for using equity method | (4,002) | (1,958) |
| Total other comprehensive income | (13,882) | (553) |
| Comprehensive Income attributable to: | (8,797) | 3,130 |
| Owners of parent | (8,349) | 2,633 |
| Non-controlling interests | (447) | 497 |

(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

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 tax effect accounting to pretax net income for the fiscal year which includes the first 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.

Related to consolidated statements of income

(*1) Gain on sale of fixed assets

Three months ended June 30, 2016 (April 1, 2016 – June 30, 2016)

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

Segment information

1. Three months ended June 30, 2016 (April 1, 2016 – June 30, 2016)

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

| | Million yen | | | |
|---------------------------|----------------|--------------------|-------------|-------------------------|
| | External sales | Intersegment sales | Total sales | Operating income (loss) |
| Ship & Offshore Structure | 31,155 | 468 | 31,623 | 614 |
| Rolling Stock | 28,801 | 8 | 28,810 | 711 |
| Aerospace | 80,054 | 600 | 80,654 | 9,573 |
| Gas Turbine & Machinery | 49,107 | 3,142 | 52,249 | 3,246 |
| Plant & Infrastructure | 31,771 | 2,041 | 33,813 | 611 |
| Motorcycle & Engine | 69,288 | 198 | 69,487 | 331 |
| Precision Machinery | 32,945 | 3,039 | 35,984 | 2,135 |
| Other | 16,735 | 7,875 | 24,610 | 700 |
| Reportable segment total | 339,859 | 17,375 | 357,235 | 17,926 |
| Adjustments*1 | - | (17,375) | (17,375) | (1,968) |
| Consolidated total | 339,859 | - | 339,859 | 15,958 |

Notes: 1. Breakdown of adjustments:

| Million yen | |
|---------------------------|---------|
| Income | Amount |
| Intersegment transactions | (22) |
| Corporate expenses* | (1,945) |
| Total | (1,968) |

*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. Three months ended June 30, 2017 (April 1, 2017 – June 30, 2017)

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

| | Million yen | | | |
|---------------------------|----------------|--------------------|-------------|-------------------------|
| | External sales | Intersegment sales | Total sales | Operating income (loss) |
| Ship & Offshore Structure | 19,711 | 709 | 20,421 | (2,861) |
| Rolling Stock | 29,171 | 47 | 29,219 | (944) |
| Aerospace | 73,353 | 314 | 73,667 | 3,792 |
| Gas Turbine & Machinery | 60,547 | 2,563 | 63,110 | 4,346 |
| Plant & Infrastructure | 25,524 | 2,203 | 27,728 | (673) |
| Motorcycle & Engine | 67,769 | 138 | 67,907 | (3,327) |
| Precision Machinery | 41,823 | 3,376 | 45,200 | 4,576 |
| Other | 17,427 | 9,840 | 27,268 | 664 |
| Reportable segment total | 335,329 | 19,194 | 354,524 | 5,571 |
| Adjustments*1 | | (19,194) | (19,194) | (662) |
| Consolidated total | 335,329 | - | 335,329 | 4,908 |

Notes: 1. Breakdown of adjustments:

| Million yen | |
|---------------------------|--------|
| Income | Amount |
| Intersegment transactions | (18) |
| Corporate expenses* | (643) |
| Total | (662) |

* 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

3. Supplementary information

(1) Consolidated cash flow statements (condensed)

| | Million yen | |
|--|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2016 | Three months ended June 30, 2017 |
| Cash flow from operating activities | (70,326) | (86,681) |
| Cash flow from investing activities | (13,032) | (27,599) |
| Cash flow from financing activities | 78,439 | 105,647 |
| Cash and cash equivalents at end of period | 35,165 | 42,872 |

(2) Orders and sales (consolidated)

Orders received

| | Three months ended June 30, 2016 | | Three months ended June 30, 2017 | | Year ended March 31, 2017 | |
|---------------------------|-------------------------------------|------------|-------------------------------------|------------|------------------------------|------------|
| | million yen | % of total | million yen | % of total | million yen | % of total |
| Ship & Offshore Structure | 2,298 | 0.8 | 13,311 | 4.8 | 36,979 | 2.7 |
| Rolling Stock | 23,283 | 9.0 | 11,129 | 4.0 | 158,597 | 11.7 |
| Aerospace | 41,690 | 16.1 | 47,076 | 17.2 | 237,016 | 17.5 |
| Gas Turbine & Machinery | 50,652 | 19.5 | 58,339 | 21.4 | 260,354 | 19.3 |
| Plant & Infrastructure | 18,044 | 6.9 | 15,174 | 5.5 | 95,012 | 7.0 |
| Motorcycle & Engine | 69,288 | 26.7 | 67,769 | 24.8 | 313,030 | 23.2 |
| Precision Machinery | 33,121 | 12.8 | 42,839 | 15.7 | 166,832 | 12.3 |
| Other | 20,223 | 7.8 | 16,904 | 6.2 | 80,948 | 6.0 |
| Total | 258,604 | 100.0 | 272,545 | 100.0 | 1,348,773 | 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

| | Three months ended June 30, 2016 | | Three months ended June 30, 2017 | | Year ended March 31, 2017 | |
|---------------------------|-------------------------------------|------------|-------------------------------------|------------|------------------------------|------------|
| | million yen | % of total | million yen | % of total | million yen | % of total |
| Ship & Offshore Structure | 31,155 | 9.1 | 19,711 | 5.8 | 103,204 | 6.7 |
| Rolling Stock | 28,801 | 8.4 | 29,171 | 8.6 | 137,159 | 9.0 |
| Aerospace | 80,054 | 23.5 | 73,353 | 21.8 | 329,915 | 21.7 |
| Gas Turbine & Machinery | 49,107 | 14.4 | 60,547 | 18.0 | 241,953 | 15.9 |
| Plant & Infrastructure | 31,771 | 9.3 | 25,524 | 7.6 | 160,877 | 10.5 |
| Motorcycle & Engine | 69,288 | 20.3 | 67,769 | 20.2 | 313,030 | 20.6 |
| Precision Machinery | 32,945 | 9.6 | 41,823 | 12.4 | 155,278 | 10.2 |
| Other | 16,735 | 4.9 | 17,427 | 5.1 | 77,410 | 5.0 |
| Total | 339,859 | 100.0 | 335,329 | 100.0 | 1,518,830 | 100.0 |

Order backlog

| | Year ended March 31, 2017 | | Three months ended June 30, 2017 | | Three months ended June 30, 2016 | |
|---------------------------|------------------------------|------------|-------------------------------------|------------|-------------------------------------|------------|
| | million yen | % of total | million yen | % of total | million yen | % of total |
| Ship & Offshore Structure | 191,604 | 10.8 | 184,544 | 10.8 | 220,413 | 12.1 |
| Rolling Stock | 392,224 | 22.2 | 374,235 | 22.0 | 351,393 | 19.4 |
| Aerospace | 508,759 | 28.8 | 481,349 | 28.3 | 560,512 | 30.9 |
| Gas Turbine & Machinery | 394,977 | 22.4 | 392,273 | 23.1 | 366,046 | 20.2 |
| Plant & Infrastructure | 214,926 | 12.1 | 204,819 | 12.0 | 264,604 | 14.6 |
| Motorcycle & Engine | - | - | - | - | - | - |
| Precision Machinery | 37,912 | 2.1 | 38,934 | 2.2 | 26,534 | 1.4 |
| Other | 21,401 | 1.2 | 20,878 | 1.2 | 21,352 | 1.1 |
| Total | 1,761,806 | 100.0 | 1,697,035 | 100.0 | 1,810,857 | 100.0 |

(3) Net sales by geographic area (consolidated)

Three months ended June 30, 2016 (April 1, 2016 – June 30, 2016)

Million yen

| | | |
|---------------|---------|--------|
| Japan | 131,728 | 38.7% |
| United States | 90,364 | 26.5% |
| Europe | 43,083 | 12.6% |
| Asia | 48,383 | 14.2% |
| Other areas | 26,299 | 7.7% |
| Total | 339,859 | 100.0% |

Three months ended June 30, 2017 (April 1, 2017– June 30, 2017)

Million yen

| | | |
|---------------|---------|--------|
| Japan | 139,116 | 41.4% |
| United States | 79,703 | 23.7% |
| Europe | 41,454 | 12.3% |
| Asia | 47,526 | 14.1% |
| Other areas | 27,527 | 8.2% |
| Total | 335,329 | 100.0% |