Report of Earnings and Financial Statements for the Fiscal Year Ended March 31, 2016 (Consolidated)

(Prepared pursuant to Japanese GAAP)

April 27, 2016

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:	Shigeru Murayama, President
Contact:	Hajime Asano, Senior Manager, Accounting Department
Tel:	+81 3-3435-2130

Scheduled dates:

Ordinary general meeting of shareholders	June 24, 2016
Commencement date of dividend payments	June 27, 2016
Submission of financial statements:	June 24, 2016
Supplementary materials to financial results	Available
Earnings presentation:	Conducted (for institutional investors and analysts)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)

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

(1) Operating Results

Years ended March 31 (Million yen) (Percentage figures indicate change compared with the previous fiscal year)

	Net sales		Operating income		Recurring profit		Net income attributable to owners of parent	
		%		%		%		%
2016	1,541,096	3.6	95,996	10.0	93,229	10.6	46,043	(10.8)
2015	1,486,123	7.2	87,259	20.6	84,288	39.0	51,639	33.7

Note: Comprehensive income Fiscal year ended March 31, 2016: ¥ 20,230 million (76.9%)
Fiscal year ended March 31, 2015: ¥ 87,760 million 27.7%

Years ended March 31

	Earnings per share	Earnings per share – diluted	Return on equity	Return on assets	Operating income to net sales
	Yen	Yen	%	%	%
2016	27.56	-	10.6	5.6	6.2
2015	30.89	-	12.9	5.2	5.8

For reference: Equity in income of non consolidated subsidiaries and affiliates
Fiscal year ended March 31, 2016: ¥ 2,876 million
Fiscal year ended March 31, 2015: ¥ 6,208 million

(2) Financial Condition

March 31 (Million yen)

	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
2016	1,620,458	445,625	26.6	258.21
2015	1,662,283	447,957	25.9	258.58

For reference: Shareholders' equity March 31, 2016: ¥ 431,368 million
March 31, 2015: ¥ 431,996 million

(3) Cash Flow Position

Years ended March 31 (Million yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
2016	86,059	(74,185)	(23,400)	37,832
2015	127,651	(67,397)	(57,133)	47,721

2. Dividends

Years ended/ending March 31

Record date or term	Dividend per share					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends / Net assets (consolidated)
	1Q	2Q	3Q	Year-end	Full year			
	Yen	Yen	Yen	Yen	Yen	million yen	%	%
2015	-	3.00	-	7.00	10.00	16,709	32.3	4.2
2016	-	5.00	-	7.00	12.00	20,047	43.5	4.6
2017 (forecast)	-	4.00	-	6.00	10.00		34.0	

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

(Million yen)(Percentage figures indicate change compared with the previous fiscal year)

	Net sales		Operating income		Recurring profit		Net income attributable to owners of parent		Earnings per share
		%		%		%		%	Yen
For six months ending September 30, 2016	700,000	(1.1)	22,000	(47.9)	22,000	(45.3)	14,500	(46.0)	8.67
Full year	1,570,000	1.8	70,000	(27.0)	69,000	(25.9)	49,000	6.4	29.33

***Notes**

(1) Changes affecting the status of material subsidiaries (scope of consolidation): None

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

(i) Changes in accounting policies in accord with revisions to accounting standards: Yes

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Correction of errors: None

*For further details, see “5. Consolidated Financial Statements (5) Notes on financial statements (Changes in accounting policy)” on page 22 in the Accompanying Materials.

(3) Number of shares issued and outstanding (common stock)

(i) Number of shares issued as of period-end (including treasury stock)

March 31, 2016: 1,670,805,320 shares
March 31, 2015: 1,670,805,320 shares

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

March 31, 2016: 228,992 shares
March 31, 2015: 191,653 shares

(iii) Average number of shares during respective periods

March 31, 2016: 1,670,591,977 shares
March 31, 2015: 1,671,637,196 shares

For reference: Overview of Non-Consolidated Financial Results

(1) Operating Results

Years ended March 31 (Million yen) (Percentage figures indicate change compared with the previous fiscal year)

	Net sales		Operating income		Recurring profit		Net income	
		%		%		%		%
2016	1,161,065	5.7	56,819	22.4	68,517	23.4	30,796	(15.5)
2015	1,098,013	8.5	46,409	28.5	55,513	54.6	36,465	13.6

	Earnings per share	Earnings per share – diluted
	Yen	Yen
2016	18.43	-
2015	21.81	-

(2) Financial Condition

March 31 (Million yen)

	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
2016	1,300,792	306,899	23.5	183.70
2015	1,301,125	294,052	22.5	176.01

Note: Shareholders' equity March 31, 2016: ¥306,899 million
March 31, 2015: ¥294,052 million

*** Review Status**

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

***Appropriate Use of Financial Forecasts and Other Important Matters**

Forward-Looking Statements

These materials contain earnings forecast and other forward-looking statements based on information available to the company at the time of disclosure and the company makes no assurances as to the actual results and/or other outcomes, which may differ from those expressed or implied herein due to various factors. For assumptions underlying earnings forecasts and other information regarding the use of such forecasts, refer to "(iii) Consolidated Earnings Outlook" on page 5 in section "(1) Consolidated Operating Results" of "1. Qualitative Information and Financial Statements" in the Accompanying Materials.

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

The Company plans to conduct a briefing for institutional investors and analysts on Wednesday April 27, 2016, and to post the briefing material on financial results to be used for the briefing on TDnet and the Company's website simultaneously with the announcement of financial results.

Accompanying Materials – Contents

1. Qualitative Information and Financial Statements

(1) Consolidated operating results

(i) Overview of consolidated operating results

In fiscal 2015 (the year ended March 31, 2016), the global economy lacked vigor on the whole, as despite continued modest economic growth centered on developed countries, future prospects are becoming increasingly uncertain as a result of factors including the impact of the normalization of US monetary policy, the trend in crude oil prices, and concerns about economic slowdowns in China and other emerging countries and resource-rich countries. Going forward, modest economic growth is expected, but risks possessing the potential to drag down the global economy must continue to be watched.

The Japanese economy is now at a standstill due the impacts of factors such as the deterioration of the overseas demand environment and sluggish personal consumption. Going forward, the economy is expected to grow modestly on the whole, led by steady improvements in both the income and employment environments, but there are concerns about a decline in corporate earnings, particularly those of exporters, due to the rapid appreciation of the yen since the start of the year, and worries about a deterioration in business sentiment in conjunction with this.

Amid such an operating environment, the Group's orders received in fiscal 2015 declined overall versus the previous fiscal year, as despite an increase in orders received in segments such as Aerospace and Gas Turbine & Machinery, there were decreases in segments such as Ship & Offshore Structure and Plant & Infrastructure, along with other factors. Net sales during fiscal 2015 increased, centered on the Aerospace and Rolling Stock segments. Profits increased in segments such as Aerospace and Gas Turbine & Machinery, and there was an increase in operating income and recurring profit. On the other hand, there was a decline in net income attributable to owners of parent due to the recognition of losses on overseas business as extraordinary losses.

The Group's consolidated orders received decreased by ¥19.2 billion year on year to ¥1,693.6 billion. Consolidated net sales totaled ¥1,541.0 billion, a ¥54.9 billion year-on-year increase, and consolidated operating income increased by ¥8.7 billion year on year to ¥95.9 billion. Consolidated recurring profit increased by ¥8.9 billion year on year to ¥93.2 billion. Consolidated net income attributable to owners of parent decreased by ¥5.5billion year on year to ¥46.0 billion.

Consolidated operating performance in the fiscal year ended March 31, 2016, is summarized by segment below.

(ii) Segment information

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

	Fiscal year ended March 31						Orders received		
	2015(A)		2016(B)		Change (B – A)		Fiscal year ended March 31		
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	2015 (A)	2016 (B)	Change (B – A)
Ship & Offshore Structure	90.3	2.6	94.8	(7.9)	4.5	(10.6)	179.2	98.3	(80.8)
Rolling Stock	121.5	6.0	146.6	9.2	25.1	3.2	131.4	132.1	0.7
Aerospace	325.0	36.3	351.8	45.6	26.7	9.3	357.0	464.2	107.2
Gas Turbine & Machinery	218.7	11.2	236.4	16.9	17.6	5.6	235.7	288.9	53.1
Plant & Infrastructure	121.1	6.5	135.6	8.5	14.5	1.9	203.4	138.7	(64.6)
Motorcycle & Engine	329.2	14.9	333.5	15.7	4.3	0.8	329.2	333.5	4.3
Precision Machinery	135.7	10.9	133.1	8.5	(2.6)	(2.3)	136.2	133.1	(3.0)
Other	144.2	3.9	108.8	2.8	(35.4)	(1.0)	140.5	104.4	(36.1)
Adjustments	-	(5.4)	-	(3.7)	-	1.7	-	-	-
Total	1,486.1	87.2	1,541.0	95.9	54.9	8.7	1,712.9	1,693.6	(19.2)

Note: 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 declined ¥80.8 billion year on year to ¥98.3 billion, as in the previous fiscal year orders for a submarine and deep submergence rescue vehicle were received from Japan's Ministry of Defense.

Consolidated net sales increased ¥4.5 billion year on year to ¥94.8 billion due to an increase in the amount of shipbuilding of LPG carriers and other factors.

Operating income deteriorated ¥10.6 billion year on year due to provision for losses on construction contracts and other factors, resulting in an operating loss of ¥7.9 billion.

Rolling Stock

Consolidated orders received totaled ¥132.1 billion, which was on par with the previous fiscal year, due to there being no significant changes in either the domestic or overseas markets.

Consolidated net sales increased ¥25.1 billion to ¥146.6 billion, as increase in overseas sales, including sales to customers in Singapore and Taiwan.

Consolidated operating income increased ¥3.2 billion year on year to ¥9.2 billion, attributable to the increase in sales and other factors.

Aerospace

Consolidated orders received totaled ¥464.2 billion, a ¥107.2 billion year-on-year increase, due to the order to Japan's Ministry of Defense increase and other facilities.

Consolidated net sales increased ¥26.7 billion year on year to ¥351.8 billion, due to the increase in sales to Japan's Ministry of Defense and the continued high level of sales of component parts for the Commercial Airplane Company, coupled with the impact of the depreciation of the yen and other factors.

Consolidated operating income increased ¥9.3 billion year on year to ¥45.6 billion, due to factors including the increase in sales.

Gas Turbine & Machinery

Consolidated orders received grew ¥53.1 billion year on year to ¥288.9 billion, attributable to the increase in orders for aircraft engine components, Gas engines and other products.

Consolidated net sales grew ¥17.6 billion to ¥236.4 billion, due to an increase in sales of aircraft engine components, and other products.

Consolidated operating income increased ¥5.6 billion year on year to ¥16.9 billion in response to the increase in sales, among other factors.

Plant & Infrastructure

Consolidated orders received totaled ¥138.7 billion, a ¥64.6 billion decrease in comparison to last fiscal year, taking large orders of plants for overseas.

Consolidated net sales grew ¥14.5 billion year on year to ¥135.6 billion, due to the increase in sales of large plants for overseas customers and other factors.

Consolidated operating income increased ¥1.9 billion year on year to ¥8.5 billion, attributable to the increase in sales and other factors.

Motorcycle & Engine

Consolidated net sales totaled ¥333.5 billion, a ¥4.3 billion year-on-year increase, as the decline in motorcycle sales to Indonesia and other emerging countries was offset by the increase in vehicle sales and motorcycle sales to developed countries.

Consolidated operating income increased ¥0.8 billion year on year to ¥15.7 billion, due to factors including the increase in sales.

Precision Machinery

Consolidated orders received decreased by ¥3.0 billion year on year to ¥133.1 billion as a result of the decline in orders for hydraulic components, among other factors.

Consolidated net sales decreased ¥2.6 billion year on year to ¥133.1 billion as a result of the decline in orders for hydraulic components, among other factors.

Consolidated operating income declined ¥2.3 billion year on year to ¥8.5 billion, attributable to the decrease in sales and profit ratio of hydraulic components, and other factors.

Other Operations

Consolidated net sales declined ¥35.4 billion year on year to ¥108.8 billion due to the sale of the construction machinery business and other factors.

Operating income declined ¥1.0 billion year on year to ¥2.8 billion, due to the sale of the construction machinery business and other factors.

(iii) Consolidated earnings outlook

The future outlook for the Group's operating environment is uncertain, as despite expectations for modest economic growth in developed countries centered on the US, there are concerns about the impact of economic slowdowns in emerging countries, the decline in crude oil prices, US monetary policy developments, and other factors.

Amid this business environment, for the fiscal year ending March 31, 2017, we are expecting consolidated net sales of ¥1,570.0 billion, a ¥29.0 billion year-on-year increase, due to expected increases mainly in the Ship & Offshore Structure, Gas Turbine & Machinery, and Plant & Infrastructure segments. In terms of profit, we are forecasting consolidated operating income of ¥70.0 billion, recurring profit of ¥69.0 billion, and net income attributable to owners of parent of ¥49.0 billion. Furthermore, we are expecting ROIC* of 8.3% and ROE of 11.0%. These forecasts are based on the expectation for the yen to be stronger than it was during the previous fiscal year, the decline in profitability of the component parts for commercial aircraft in the Aerospace segment, and other factors, despite continuing measures to improve profits such as cutting fixed costs and various expenses, as well as improving productivity.

Consolidated orders received are expected to decline ¥193.7 billion year on year to ¥1,500.0 billion, due to a decrease in the Aerospace segment where a large order was received in the previous fiscal year, and other factors.

Assumed exchange rates of ¥110/US$ and ¥125/Euro were used for the above consolidated operating results forecasts.

*ROIC = EBIT (income before interest and taxes + interest paid) ÷ invested capital (borrowings + shareholders' equity)

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) Consolidated financial position

(i) Financial condition

(A) Assets

At March 31, 2016, consolidated assets totaled ¥1,620.4 billion, a 2.5% decline from March 31,

2015. Of this total, current assets accounted for ¥1,017.9 billion, a 5.1% year-on-year decrease, chiefly attributable to a decline in trade receivables. Fixed assets totaled ¥602.5 billion at March 31, 2016, a 2.2% increase from March 31, 2015, mainly as a result of an increase in holdings of property, plant and equipment due to capital investment.

(B) Liabilities

Consolidated liabilities declined 3.3% year on year to ¥1,174.8 billion at March 31, 2016, mainly attributable to a decrease in short-term debt and other factors.

(C) Net assets

Consolidated net assets at March 31, 2016, totaled ¥445.6 billion, roughly the same level as March 31, 2015. Dividend payments, a decline in foreign currency translation adjustments due to the yen's appreciation, and other factors detracted from consolidated net assets, but this was mostly offset by an increase in due to the posting of net income attributable to owners of parent.

(ii) Cash flows

(A) Cash flows from operating activities

Operating activities provided net cash of ¥86.0 billion, a ¥41.5 billion decrease from the previous fiscal year. Major sources of operating cash flow included income before income taxes of ¥74.8 billion and depreciation and amortization of ¥49.0 billion. Major uses of operating cash flow included expenditure of ¥25.1 billion due to the cash paid for income taxes and expenditure of ¥19.7 due to an increase in inventories.

(B) Cash flows from investing activities

Investing activities used net cash of ¥74.1 billion, ¥6.7 billion more than in the previous fiscal year, mainly to acquire property, plant and equipment and intangible assets.

(C) Cash flows from financing activities

Financing activities used net cash of ¥23.4 billion, ¥33.7 billion less than the previous fiscal year. The cash outflow was mainly due to the cash dividends paid.

(iii) Cash flow ratios

Fiscal year ended March 31:	2012	2013	2014	2015	2016
Equity ratio (%)	22.4	23.0	23.3	25.9	26.6
Market-value equity ratio (%)	31.0	33.6	40.8	61.0	33.5
Debt-to-cash-flow ratio (%)	480.5	1,724.6	293.0	324.6	462.9
Interest-coverage ratio (times)	19.0	6.7	36.0	31.8	22.5

Notes:

1. Ratios are calculated as follows.
   Ratio of shareholders' equity to total assets: Shareholders' equity / Total assets
   Market-value equity ratio: Market capitalization / Total assets
   Debt-to-cash-flow ratio: Interest-bearing debt / Cash flow from operating activities
   Interest-coverage ratio: Cash flow from operating activities / Interest paid
2. All ratios are calculated using consolidated-basis financial data.
3. Market capitalization is calculated by multiplying the closing price of the company's stock by the number of shares issued and outstanding (excluding treasury stock) at the end of the fiscal

year.

4. The figure for cash flow from operating activities is taken from cash flow from operating activities on the consolidated statement of cash flows.
5. Interest-bearing debt is all interest-bearing debt listed under liabilities on the consolidated balance sheet. Interest paid is the figure for "Cash paid for interest" on the consolidated statement of cash flows.

(3) Dividend policy and dividends for the fiscal years 2015 and 2016

As a basic management policy, the Company aims to increase corporate value, in other words to consistently generate profit exceeding the cost of invested capital throughout the future. In line with this policy, the Company believes that one priority for management is to engage in cutting-edge research and development as well as innovative capital investment required to achieve future growth, and thereby return profits to shareholders by enhancing shareholder value over the long term.

In order to maintain a good balance between enhancing shareholder value and returning profits to shareholders through dividends, the Company has set a medium-to long-term consolidated payout ratio standard of 30% corresponded to consolidated net income attributable to owners of parent, in light of both the outlook for future earnings and a comprehensive examination of its financial condition, including free cash flow, the D/E ratio (debt-to-equity ratio) and other factors.

The Company has a basic policy of distributing surplus retained earnings as dividends twice a year, once after the fiscal second quarter and once after the fiscal year-end. Interim dividends are authorized by the Board of Directors; year-end dividends are authorized at general meetings of shareholders.

In fiscal 2015, the Company intends to pay a dividend of ¥12 per share (¥5 interim dividend, ¥7 year-end dividend).

In fiscal 2016, the Company intends to pay a dividend of ¥10 per share (¥4 interim dividend, ¥6 year-end dividend).

(4) Business and other risks

No risks other than those disclosed under the heading "Business and Other Risks" in the Company's most recent full-year statutory financial report (filed June 25, 2015) have surfaced since said filing. Updated risk disclosures are therefore omitted here.

2. Status of Group

There have been no material changes in the "Chart of Operations (Nature of Operations)" and the "Status of Affiliated Companies" in the Company's most recent quarterly report (filed February 12, 2016). Updated disclosure of them is therefore omitted here.

3. Management Strategy

(1) Basic management strategy

The *Kawasaki Group Mission Statement* states the Group's mission as "Kawasaki, working as one for the good of the planet." In March 2016, the Group established its vision of "aiming to be a corporate group that creates new value through cutting-edge technologies and opens the way to new possibilities for our customers and society, in the four main business areas of Land and Sea Transport Systems, Air Transport Systems, Energy & Environmental Engineering, and ROBO/MECH (formerly "Industrial Equipment").

Based on the three guiding principles of "selection and concentration," "quality over quantity," and "risk management," the Group has a basic management strategy of promoting "Kawasaki-ROIC management." This entails consistently generating profits exceeding the cost of invested capital and carrying out cutting-edge research and development as well as innovative capital investment, in order to increase corporate value throughout the future. By promoting this Kawasaki-ROIC management, the Group will work to establish a business portfolio with an emphasis on profitability, stability, and growth.

(2) Target management metrics

As target management indicators, the Company has adopted Earnings (operating income, recurring profit, net income attributable to owners of parent), and Return on Invested Capital [ROIC = EBIT (earnings before interest and taxes) / Invested Capital (debt obligations + shareholders' equity)] i.e. an indicator for measuring capital efficiency.

The Company's group-wide businesses are segmented and subdivided into Business Units (hereinafter referred to as "BU's"), and ROIC management has been applied to each and every BU. Those BU's not clearing the ROIC hurdle rate (minimum required level) are required to set the timeline for clearing the hurdle rate and to identify the issues associated thereto, and in so doing, practical actions are to be taken. On the other hand, those BU's already clearing the ROIC hurdle rate are encouraged to achieve the ROIC level for the top market leader of the peer, and, while taking initiatives to enhance Economic Value Added (EVA), thereby to improve the enterprise value of the entire group.

As a consequence of improving these management indicators, the Company also pursues to improve Return on Equity (ROE = net income attributable to owners of parent / shareholders' equity).

(3) Medium- to long-term management strategy

Although the business environment surrounding the Group is challenging due to factors including growing uncertainty about the prospects for the global economy and the shift to a stronger yen, the Group has established a new medium-term business plan for fiscal 2016 through fiscal 2018 ("MTBP2016") aimed at achieving the Group's goals (vision and numerical targets 10 years from now).

Under MTBP2016, the basic plan will be to deepen ROIC management, and aim to increase corporate value throughout the future by enhancing core competencies (the source of the Group's profitability and competitive advantages). In addition to proactively investing in growth fields (air transport, robots, energy), emphasis will be placed on boosting synergistic effects by bringing together technologies and differentiating technologies with an eye towards future new products and businesses, as well as engaging in new service businesses and other initiatives utilizing IT.

1. Enhance corporate value by deepening of ROIC management

While considering the “what” and the “how” for increasing corporate value, and in light of the specific business profile of each segment, the Group will establish target indicators closely aligned with daily operations so as to be easy for employees to understand, and advance ROIC management with the participation of all employees in order to achieve these target indicators. Also, the target indicators selected will be utilized in risk management, and to further increase corporate value.

2. Focus on cash flows

In order to increase corporate value, the Group aims to bolster profitability and generate free cash flow while steadily developing and carrying out capital investment with an eye to future growth. The Group has made securing operating cash flow a particular priority, and plans to undertake specific measures aimed at increasing operating capital efficiency, such as improving terms for payments received and making the supply chain more efficient to reduce assets.

3. Strengthen risk management

The Group will continue to ascertain the impacts of factors including short-term foreign exchange rate fluctuations and economic developments in a timely manner, and apply this to ensure effective risk management. Meanwhile, over the medium- to long-term horizon, in addition to enhancing shareholders’ equity, among other measures the Group is working to review prices and production bases, and on developing high value-added products capable of withstanding changes in the external environment. Furthermore, the Group will continue to enhance risk management of projects in progress by monitoring the balance sheets and cash flows of key projects, among other measures.

4. Enhance the corporate governance framework and focus on engagement

Based on the spirit of both the Corporate Governance Code as well as the Stewardship Code, the Group will endeavor to increase corporate value by continuously considering a corporate governance framework appropriate for the Group and engaging in quality dialogue with the capital markets.

5. Develop human capital and value diversity

The Group focuses on retaining, developing, and utilizing personnel possessing advanced knowledge and experience, creating a global workforce, and passing along skills and capabilities to our younger personnel, among other goals. In addition, the Group is endeavoring to create working environments that value diversity, such as enhancing work-life balance, which includes promoting active roles for women and offering childcare support, as well as establishing accommodating workplaces for persons with disabilities and ensuring opportunities for persons with disabilities to work by establishing special subsidiaries.

Areas of focus in individual business segments are discussed below.

① Ship & Offshore Structure

Maximize earnings through integrated operations of the Sakaide, NACKS, and DACKS shipyards; at Kobe shipyard execute stable operations centered on submarines; contract the offshore work vessel business

② Rolling Stock

Enhance competitiveness by developing cutting-edge technologies, new rolling stock, and other technologies and products that meet customers' needs; further boost system integration capabilities by strengthening personnel development; expand recurring-revenue businesses, such as maintenance and retrofitting; build an optimal global business execution platform, including overseas production, overseas procurement, and utilization of partnerships

③ Aerospace

Establish a mass production system for C-2 transport and P-1 fixed-wing patrol aircraft, including repair services and parts supply, and apply to derivative aircraft; increase production of Boeing 787 component parts and apply to derivative aircraft, and develop and launch mass production for 777X

④ Gas Turbine & Machinery

Develop an energy solutions business based on high-efficiency industrial gas turbines and gas engines; promote overseas business development; develop new models of jet engines for civilian aircraft and handle increased production

⑤ Plant & Infrastructure

Enhance competitiveness by making existing products more sophisticated and rapidly commercialize new products and technologies; expand overseas businesses centered on emerging markets and resource-producing countries by strengthening overseas partnerships; further bolster engineering capabilities by cultivating human resources; steadily complete large projects

⑥ Motorcycle & Engine

Continue to introduce attractive, strong models that possess the Kawasaki appeal; realize a strong brand rooted in customer value; further boost presence in advanced countries where economies are on a recovery track; enhance the strength of the brand and cultivate new markets in emerging markets; thoroughly promote the efficiency of management on a consolidated basis

⑦ Precision Machinery

Maintain and increase high market share for hydraulic components for excavators; grow sales of machinery besides excavators in construction machinery and agricultural machinery markets; enhance system proposal capabilities and upgrade and expand overseas production framework in the industrial robot field; engage in ongoing initiatives targeting new fields for the future, such as medical robots

Notes:
These materials contain earnings forecast and other forward-looking statements based on information available to the company at the time of disclosure and the company makes no assurances as to the actual results and/or other outcomes.

4. Basic rationale for selecting accounting standards

In light of the fact that the difference in accounting standards continues to narrow, the Group plans to continue to use Japanese accounting standards in the near term. The Group has been studying the possible adoption of IFRS, and will continue to consider the situation surrounding the Group both in Japan and overseas, and will address this issue as appropriate from the perspective of increasing corporate value.

5. Consolidated Financial Statements

(1) Consolidated balance sheets

March 31	Million yen	
	2015	2016
Assets		
Current assets		
Cash on hand and in banks	51,645	42,157
Trade receivables	421,890	381,339
Merchandise and finished products	59,487	57,092
Work in process	321,326	324,915
Raw materials and supplies	117,837	110,956
Deferred tax assets	33,292	27,275
Other	70,576	76,743
Allowance for doubtful receivables	(2,995)	(2,578)
Total current assets	1,073,062	1,017,903
Fixed assets		
Net property, plant and equipment		
Buildings and structures,	161,840	166,345
Machinery and equipment,	121,210	128,814
Land	64,708	64,237
Leased assets,	2,108	2,192
Construction in progress	18,356	17,772
Other,	52,330	57,195
Total property, plant and equipment	420,554	436,557
Intangible assets	16,409	15,475
Investments and other assets		
Investments in securities	15,488	13,781
Long-term loans	363	337
Net defined benefit assets	317	74
Deferred tax assets	41,611	43,842
Other	95,299	102,387
Allowance for doubtful receivables	(823)	(9,902)
Total investments and other assets	152,257	150,521
Total fixed assets	589,220	602,554
Total assets	1,662,283	1,620,458

Liabilities		
Current liabilities		
Trade payables	253,907	233,979
Electronically recorded obligations-operating	85,453	87,798
Short-term debt	122,338	105,891
Current portion of bonds	20,000	10,000
Lease obligations, current	276	156
Income taxes payable	17,094	10,889
Deferred tax liabilities	442	979
Accrued bonuses	26,440	25,138
Provision for product warranties	11,480	12,642
Provision for losses on construction contracts	5,873	7,926
Advances from customers	171,607	170,454
Other	109,707	101,854
Total current liabilities	824,623	767,711
Long-term liabilities		
Bonds payable	110,000	120,000
Long-term debt	159,749	160,809
Lease obligations	2,011	1,566
Deferred tax liabilities	8,199	8,439
Provision for environmental measures	2,535	1,693
Net defined benefit liability	79,272	90,789
Asset retirement obligations	464	650
Other	27,468	23,170
Total long-term liabilities	389,702	407,120
Total liabilities	1,214,326	1,174,832
Net assets		
Shareholders’ equity		
Common stock	104,484	104,484
Capital surplus	54,393	54,394
Retained earnings	253,605	279,627
Treasury stock	(67)	(86)
Total shareholders’ equity	412,416	438,419
Accumulated other comprehensive income		
Net unrealized gains (losses) on securities, net of tax	3,704	2,705
Deferred gains (losses) on hedges	(1,985)	692
Foreign currency translation adjustments	25,179	8,990
Remeasurements of defined benefit plans	(7,318)	(19,439)
Total accumulated other comprehensive income	19,579	(7,051)
Non-controlling interests	15,961	14,257
Total net assets	447,957	445,625
Total liabilities and net assets	1,662,283	1,620,458

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

Years ended March 31	Million yen	
	2015	2016
Net sales	1,486,123	1,541,096
Cost of sales	1,216,680	1,253,691
Gross profit	269,443	287,405
Selling, general and administrative expenses		
Salaries and benefits	50,587	52,683
Advertising expenses	10,481	12,067
R&D expenses	41,606	43,611
Other	79,508	83,045
Total selling, general and administrative expenses	182,184	191,408
Operating income	87,259	95,996
Non-operating income		
Interest income	796	748
Dividend income	395	415
Equity in income of non-consolidated subsidiaries and affiliates	6,208	2,876
Gain on sale of fixed assets	-	3,155
Subsidy income	704	2,345
Other	5,148	5,569
Total non-operating income	13,253	15,111
Non-operating expenses		
Interest expense	3,761	3,637
Foreign exchange losses	5,097	6,532
Other	7,365	7,708
Total non-operating expenses	16,223	17,878
Recurring profit	84,288	93,229
Extraordinary income		
Gain on transfer of business	-	(*1)901
Total extraordinary income	-	901
Extraordinary losses		
Loss on overseas business	-	(*2)19,298
Total extraordinary losses	-	19,298
Income before income taxes	84,288	74,832
Income taxes		
Current	23,563	20,153
Deferred	6,779	7,000
Total income taxes	30,343	27,153
Net income	53,945	47,678
Net income attributable to non-controlling interests	2,306	1,635
Net income attributable to owners of parent	51,639	46,043

Consolidated statements of comprehensive income

Years ended March 31	Million yen	
	2015	2016
Net income	53,945	47,678
Other comprehensive income		
Net unrealized gains (losses) on securities	783	(910)
Deferred gains (losses) on hedges	1,860	2,649
Foreign currency translation adjustments	12,384	(11,763)
Remeasurements of defined benefit plans	10,952	(12,154)
Share of other comprehensive income of associates accounted for using equity method	7,834	(5,269)
Total other comprehensive income	33,815	(27,448)
Comprehensive Income attributable to:	87,760	20,230
Owners of the parent company	84,462	19,412
Non-controlling interests	3,298	817

(3) Consolidated statements of changes in net assets

Years ended March 31	Million yen	
	2015	2016
Shareholders' equity		
Common stock		
Balance at end of previous year	104,484	104,484
Balance at end of year	104,484	104,484
Capital surplus		
Balance at end of previous year	54,393	54,393
Treasury stock disposed	0	0
Treasury stock retired	(0)	-
Total changes during the period	0	0
Balance at end of year	54,393	54,394
Retained earnings		
Balance at end of previous year	217,449	253,605
Changes during the period		
Cash dividend	(15,045)	(20,047)
Net income attributable to owners of parent	51,639	46,043
Treasury stock retired	(659)	-
Increase (decrease) by change of consolidation period of subsidiaries	221	25
Total changes during the period	36,156	26,021
Balance at end of year	253,605	279,627
Treasury stock		
Balance at end of previous year	(43)	(67)
Changes during the period		
Treasury stock purchased	(684)	(21)
Treasury stock disposed	0	1
Treasury stock retired	660	-
Total changes during the period	(23)	(19)
Balance at end of year	(67)	(86)
Total shareholders' equity		
Balance at end of previous year	376,284	412,416
Changes during the period		
Cash dividend	(15,045)	(20,047)
Net income attributable to owners of parent	51,639	46,043
Treasury stock purchased	(684)	(21)
Treasury stock disposed	0	2
Treasury stock retired	-	-
Increase (decrease) by change of consolidation period of subsidiaries	221	25
Total changes during the period	36,132	26,002
Balance at end of year	412,416	438,419
Comprehensive income		
Net unrealized gain (loss) on securities		
Balance at end of previous year	2,652	3,704
Changes during the period		
Net changes in items other than shareholders' equity	1,051	(999)
Total changes during the period	1,051	(999)
Balance at end of year	3,704	2,705
Deferred gains (losses) on hedges		
Balance at end of previous year	(3,803)	(1,985)
Changes during the period		

Net changes in items other than shareholders' equity	1,818	2,678
Total changes during the period	1,818	2,678
Balance at end of year	(1,985)	692
Foreign currency translation adjustments		
Balance at end of previous year	6,416	25,179
Changes during the period		
Net changes in items other than shareholders' equity	18,762	(16,188)
Total changes during the period	18,762	(16,188)
Balance at end of year	25,179	8,990
Remeasurements of defined benefit plans		
Balance at end of previous year	(18,509)	(7,318)
Changes during the period		
Net changes in items other than shareholders' equity	11,190	(12,121)
Total changes during the period	11,190	(12,121)
Balance at end of year	(7,318)	(19,439)
Total comprehensive income		
Balance at end of previous year	(13,243)	19,579
Changes during the period		
Net changes in items other than shareholders' equity	32,822	(26,630)
Total changes during the period	32,822	(26,630)
Balance at end of year	19,579	(7,051)
Non-controlling interests		
Balance at end of previous year	13,645	15,961
Changes during the period		
Net changes in items other than shareholders' equity	2,316	(1,704)
Total changes during the period	2,316	(1,704)
Balance at end of year	15,961	14,257
Total net assets		
Balance at end of previous year	376,686	447,957
Changes during the period		
Cash dividend	(15,045)	(20,047)
Net income attributable to owners of parent (loss)	51,639	46,043
Treasury stock purchased	(684)	(21)
Treasury stock disposed	0	2
Treasury stock retired	-	-
Increase (decrease) by change of consolidation period of subsidiaries	221	25
Net changes in items other than shareholders' equity	35,139	(28,335)
Total changes during the period	71,271	(2,332)
Balance at end of year	447,957	445,625

(4) Consolidated statements of cash flows

Years ended March 31	Million yen	
	2015	2016
Cash flows from operating activities		
Income before income taxes	84,288	74,832
Depreciation and amortization	44,572	49,004
Increase (decrease) in allowance for doubtful receivables	(160)	(857)
Increase (decrease) in accrued bonuses	4,255	(935)
Increase (decrease) in provision for product warranties	666	1,590
Increase (decrease) in provision for losses on construction contracts	(7,957)	2,228
Increase (decrease) in provision for environmental measures	(1,134)	(840)
Increase (decrease) in net defined benefit liability	(2,521)	(3,043)
Interest and dividend income	(1,191)	(1,164)
Interest expense	3,761	3,637
Equity in income non-consolidated subsidiaries and affiliates	(6,208)	(2,876)
(Gain) loss on sale of property, plant, and equipment	1,428	(3,155)
(Gain) loss on sale of business	-	(901)
Loss on overseas business	-	19,298
(Increase) decrease in trade receivables	630	(7,657)
(Increase) decrease in inventories	(22,583)	(19,719)
Increase (decrease) in trade payables	28,933	(5,441)
(Increase) decrease in advance payments	(11,086)	(5,860)
Increase (decrease) in advances from customers	29,460	7,433
(Increase) decrease in other current assets	(623)	(2,670)
Increase (decrease) in other current liabilities	(62)	5,003
Other	1,803	397
Subtotal	146,272	108,303
Cash received for interest and dividends	6,099	6,745
Cash paid for interest	(4,012)	(3,817)
Cash paid for income taxes	(20,707)	(25,172)
Net cash provided by operating activities	127,651	86,059
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(77,361)	(79,463)
Proceeds from sales of property, plant and equipment and intangible assets	11,913	1,202
Acquisition of investments in securities	(486)	(173)
Proceeds from sales of investments in securities	1,470	702
Acquisition of investments in subsidiaries of affiliate	(1,261)	(1,601)
Proceeds from sale of business	-	5,390
Decrease (increase) in short-term loans receivable, net	(1,164)	(7)
Additions to long-term loans receivable	(63)	(87)
Proceeds from collection of long-term loans receivable	141	92
Other	(586)	(239)
Net cash used for investing activities	(67,397)	(74,185)
Cash flows from financing activities		
Increase (decrease) in short-term debt, net	(16,587)	4,132
Proceeds from long-term debt	42,456	19,648
Repayment of long-term debt	(86,233)	(25,651)
Proceeds from issuance of bonds	20,000	20,000
Redemption of bonds payable	-	(20,000)
Cash dividends paid	(15,675)	(20,022)
Cash dividends paid to non-controlling interests	(986)	(1,527)
Other	(107)	20
Net cash used for financing activities	(57,133)	(23,400)
Effect of exchange rate changes	(953)	1,639
Net increase (decrease) in cash and cash equivalents	2,167	(9,886)
Cash and cash equivalents at beginning of period	45,431	47,721
Increase (decrease) in cash and cash equivalents by change of consolidation period of subsidiaries	122	(1)
Cash and cash equivalents at end of period	47,721	37,832

(5) Notes on financial statements

Notes on the going-concern assumption

Not applicable.

Changes in accounting policy

(Application of Accounting Standard for Business Combinations, etc.)

Effective from the consolidated financial year under review, “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 of September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 of September 13, 2013), and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 of September 13, 2013), etc. have been applied. As a result, differences caused by change in the Company’s equity in the subsidiaries with controlling interests shall now be adjusted in its capital surplus, and acquisition-related expenses shall now be changed to be reported as expenses incurred during the consolidated financial year in which said acquisition takes place. Furthermore, as to business combinations taking place since the beginning of the consolidated financial year under review and onwards, finalization and restatement of the provisional accounting treatment of the amount of the acquisition cost allocation shall now be changed to be reflected in the relevant quarterly consolidated financial period where the date of said business combination actually falls. Additionally, the presentation has been changed in the net income for the period, etc. and also from minority interests to non-controlling interests. For the sake of reflecting these changes in the said presentation, restatement has been made in the consolidated financial statements of the preceding financial year.

The implementation of Accounting Standard for Business Combinations and its related standards is subject to the transitional treatments stipulated in the provisions of Article 58-2 (4) of Accounting Standard for Business Combinations, Article 44-5 (4) of Accounting Standard for Consolidated Financial Statements, and of Article 57-4 (4) of Accounting Standard for Business Divestitures, and has been and will be under way since the beginning of the current consolidated financial year under review and going forward.

There is no effect of these changes on the financial statements during the consolidated financial year under review.

Related to consolidated statements of income

Fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)

(*1)Gain on Transfer of Business

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

(*2)Losses on Overseas Business

Loss on a joint shipbuilding venture in Brazil. Please refer to Page 24 for details (Additional information).

Related to corporate combinations, etc.

Business Divestment

On October 1, 2015, KHI assigned all shares of consolidated subsidiary KCM Corporation (hereafter "KCM") (Hyogo Prefecture) to Hitachi Construction Machinery Co., Ltd. (Tokyo).

(1) Overview of Business Divestment

1. Name of company to which shares were assigned

   Hitachi Construction Machinery Co., Ltd. (hereafter "HCM")

2. Details of divested business

   Manufacturing and sale of construction machines, etc.

3. Reason for business divestment

   Since October 2008, KHI and HCM have had a business alliance covering wheel-loader operations, including joint research and development of new models of wheel loaders to meet the Tier 4 exhaust emission regulations. KCM was established in January 2009 and acquired KHI's wheel-loader operations by assignment in April of the same year. With HCM's capital investment in June 2010, KCM further accelerated joint research and development on new models of wheel loaders and on an efficient production system. KHI agreed to HCM's proposal, having judged that it would be effective to pursue synergies within the HCM Group for the further development of KCM under a policy of investing management resources in a focused manner, in order to enhance enterprise value amidst intensifying global competition in the construction machine industry. The businesses of KCMJ Corporation, which engages in sales and servicing operations for KCM products within Japan, were transferred to Hitachi Construction Machinery Japan Co., Ltd. on the same date as the execution of the transfer of KCM shares.

4. Date of business divestment

   October 1, 2015

5. Overview of transaction including legal format

   Transfer of shares and transfer of related assets for which compensation received is solely in the form of assets such as cash.

(2) Overview of Accounting Treatment

1. Amount of transferred income and loss

   ¥901 million

2. Fair book value assets and liabilities related to the transferred business and breakdown of each

Current assets	¥19,719 million
Fixed assets	¥5,727 million
Total assets	¥25,447 million
Current liabilities	¥16,047 million
Long-term liabilities	¥3,641 million
Total liabilities	¥19,689 million

3. Accounting Treatment

In the transfer of the shares, accounting treatment was implemented pursuant to “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, September 13, 2013).

(3) Name of reporting segment to which divested businesses belonged

Other Operations

(4) Estimated operating performance of divested businesses posted in consolidated statements of income for the fiscal year ended March 31, 2016

Net sales	¥18,777 million
Operating income	¥159 million

Additional information

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

Enseada Indústria Naval S.A. (hereinafter called ‘Enseada’), joint venture of shipbuilding ,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 fiscal year ended March 31, 2016, 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

Segment information and others

1. Segment information

(1) Overview of reportable segments

The Company's reportable segments are components of the company about which separate financial information is available. These segments are subject to periodic reviews by the Company's board of directors to decide how to allocate resources and assess performance. The Company's operations are divided into internal companies based on product categories. Certain authority is delegated to each of the internal companies, based on which they conduct businesses in Japan and overseas. The Company's operations are therefore segmented based on each internal company's product categories. The Company's eight reportable segments are the Ship & Offshore Structure segment, the Rolling Stock segment, the Aerospace segment, the Gas Turbine & Machinery segment, the Plant & Infrastructure segment, the Motorcycle & Engine segment, the Precision Machinery segment, and the Other segment.

Main segment businesses are listed below.

Industry segment	Major products
Ship & Offshore Structure	Construction and sale of ships and other vessels, etc.
Rolling Stock	Production and sale of rolling stock, snow plows, etc.
Aerospace	Production and sale of aircraft, etc.
Gas Turbines & Machinery	Production and sale of jet engines, general-purpose gas turbine generators, prime movers, etc.
Plant & Infrastructure	Production and sale of industrial equipment, boilers, environmental equipment, steel structures, crushers, etc.
Motorcycle & Engine	Production and sale of motorcycles, all-terrain vehicles (ATV), utility vehicles, personal watercraft ("JET SKI"), general-purpose gasoline engines, etc.
Precision Machinery	Production and sale of industrial hydraulic products, industrial robots, etc.
Other	commercial activities, sales/order agency and intermediary activities, administration of welfare facilities, etc.

(2) Method for calculating sales, profit/loss, assets, liabilities, and other items for reportable segments

The accounting methods applied to the reported business segments generally follow the accounting policies used to prepare the consolidated financial statements. The income of reporting segments is based on operating income. Inter-segment earnings and transfers are based on market prices.

(3) Sales, income (loss), assets, liabilities, and other items by reportable segment

Fiscal year ended March 31, 2015 (April 1, 2014 – March 31, 2015)

(Million yen)

	Sales			Segment income (loss)	Segment assets	Other items		
	External sales	Intersegment sales or transfer	Total			Depreciation/ amortization	Investment in equity-method affiliates	Increase in property, plant and equipment and intangibles
Ship & Offshore Structure	90,327	3,289	93,616	2,675	171,736	805	56,749	3,317
Rolling Stock	121,519	3,736	125,256	6,044	169,469	2,837	144	3,256
Aerospace	325,083	2,160	327,244	36,318	363,417	10,823	-	34,780
Gas Turbines & Machinery	218,794	17,637	236,432	11,269	296,359	3,913	1,436	7,053
Plant & Infrastructure	121,113	18,859	139,973	6,574	124,938	1,345	17,306	2,293
Motorcycle & Engine	329,240	808	330,048	14,923	271,746	13,245	1,212	15,788
Precision Machinery	135,782	14,423	150,205	10,908	134,868	5,162	7	6,175
Other Operations	144,261	40,952	185,213	3,986	101,982	2,222	2,861	2,169
Total	1,486,123	101,866	1,587,990	92,701	1,634,518	40,356	79,719	74,835
Adjustments	-	(101,866)	(101,866)	(5,442)	27,765	4,216	-	5,260
Consolidated total	1,486,123	-	1,486,123	87,259	1,662,283	44,572	79,719	80,096

Fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)

(Million yen)

	Sales			Segment income (loss)	Segment assets	Other items		
	External sales	Intersegment sales or transfer	Total			Depreciation/ amortization	Investment in equity-method affiliates	Increase in property, plant and equipment and intangibles
Ship & Offshore Structure	94,888	2,791	97,679	(7,926)	155,063	994	52,063	2,672
Rolling Stock	146,646	1,230	147,877	9,299	171,322	2,914	153	2,535
Aerospace	351,858	1,727	353,586	45,657	378,982	13,435	-	28,760
Gas Turbines & Machinery	236,445	16,634	253,079	16,962	314,548	4,332	745	7,917
Plant & Infrastructure	135,668	14,205	149,874	8,516	120,740	1,472	17,276	1,444
Motorcycle & Engine	333,595	1,116	334,711	15,769	243,733	13,158	1,332	14,513
Precision Machinery	133,175	15,518	148,694	8,542	142,959	6,034	371	8,129
Other Operations	108,817	38,926	147,743	2,894	71,372	1,616	3,002	3,933
Total	1,541,096	92,150	1,633,246	99,716	1,598,723	43,960	74,944	69,906
Adjustments	-	(92,150)	(92,150)	(3,719)	21,734	5,044	-	6,404
Consolidated total	1,541,096	-	1,541,096	95,996	1,620,458	49,004	74,944	76,310

(4) Reconciliation and main components of difference between total for reportable segments and amounts on the consolidated financial statements

Fiscal year ended March 31 (Million yen)

Sales	2015	2016
Total for reportable segments	1,587,990	1,633,246
Intersegment transactions	(101,866)	(92,150)
Net sales reported on the consolidated financial statements	1,486,123	1,541,096

Fiscal year ended March 31 (Million yen)

Income	2015	2016
Total for reportable segments	92,701	99,716
Intersegment transactions	(1,042)	(22)
Corporate expenses*	(4,399)	(3,697)
Operating income (loss) on consolidated financial statements	87,259	95,996

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

Fiscal year ended March 31 (Million yen)

Assets	2015	2016
Total for reportable segments	1,634,518	1,598,723
Corporate assets shared by all segments*	117,990	108,144
Intersegment transactions etc.	(90,225)	(86,409)
Total assets on consolidated financial statements	1,662,283	1,620,458

*Note: Corporate assets shared by all segments mainly comprise fixed assets not attributed to reportable segments.

Fiscal year ended March 31 (Million yen)

Other items	Total for reportable segments		Adjustments*		Amounts reported on the consolidated financial statements	
	2015	2016	2015	2016	2015	2016
Depreciation/amortization	40,356	43,960	4,216	5,044	44,572	49,004
Increase in property, plant and equipment and intangibles	74,835	69,906	5,260	6,404	80,096	76,310

*Note: Adjustments are mainly due to fixed assets not attributed to reportable segments.

Related information

Fiscal year ended March 31, 2015 (April 1, 2014 – March 31, 2015)

1. Information by product and service

Information by product and service is omitted here as segmentation is equivalent to that used for reportable segments.

2. Information by geographic area

(a) Net sales

(Million yen)

Japan	USA	Europe	Asia	Other areas	Total
631,018	356,806	115,145	252,371	130,782	1,486,123

Note: Net sales are classified by country or region based on the location of customers.

(b) Property, plant and equipment

(Million yen)

Japan	North America	Europe	Asia	Other areas	Total
358,868	24,048	3,794	32,792	1,051	420,554

3. Information by major clients

(Million yen)

Clients	Net sales	Related segments
Ministry of Defense	220,745	Ship & Offshore Structure, Aerospace, Gas Turbines & Machinery
The Commercial Airplane Company	144,310	Aerospace

Fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)

1. Information by product and service

Information by product and service is omitted here as segmentation is equivalent to that used for reportable segments.

2. Information by geographic area

(a) Net sales

(Million yen)

Japan	USA	Europe	Asia	Other areas	Total
636,565	396,697	144,894	241,424	121,514	1,541,096

Note: Net sales are classified by country or region based on the location of customers.

(b) Property, plant and equipment

(Million yen)

Japan	North America	Europe	Asia	Other areas	Total
378,380	23,566	3,691	30,090	828	436,557

3. Information by major clients

(Million yen)

Clients	Net sales	Related segments
Ministry of Defense	227,333	Ship & Offshore Structure, Aerospace, Gas Turbines & Machinery
The Commercial Airplane Company	159,683	Aerospace

Impairment loss on fixed assets by reportable segment

Fiscal year ended March 31, 2015 (April 1, 2014 – March 31, 2015)
Not applicable.

Fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)
Not applicable.

Amortization amount for and unamortized balance of goodwill

Fiscal year ended March 31, 2015 (April 1, 2014 – March 31, 2015)
Not applicable.

Fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)
Not applicable.

Gain on negative goodwill by reportable segment

Fiscal year ended March 31, 2015 (April 1, 2014 – March 31, 2015)
Not applicable.

Fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)
Not applicable.

Per share data

Years ended March 31 (Yen)

2015		2016	
Net assets per share	258.58	Net assets per share	258.21
Earnings per share - basic	30.89	Earnings per share - basic	27.56

Notes:
1. Diluted net earnings per share is not stated because there are no potential shares.
2. Net assets per share were calculated based on the following:

March31 (Million yen)

	2015	2016
Total net assets	447,957	445,625
Amounts excluded from total net assets	15,961	14,257
Of which: Non-controlling interests	*(15,961)*	*(14,257)*
Net assets attributable to the common shares	431,996	431,368
Number of common shares used to compute net assets per share (Thousands of shares)	1,670,613	1,670,576

3. Net income/loss per share and net income per share (diluted) were calculated based on the following:

Years ended March 31 (Million yen)

	2015	2016
Earnings per share - basic		
Net income attributable to owners of parent	51,639	46,043
Earnings not attributable to common shareholders	-	-
Net income allocated to the common shares	51,639	46,043
Average number of common shares outstanding(Thousands of shares)	1,671,637	1,670,591

Material subsequent events

Not applicable.

6. Others

(1) Consolidated orders and sales

Orders received

Years ended March 31 (Million yen)

	2015（A）		2016（B）		Change（B-A）	
		% of total		% of total		%
Ship & Offshore Structure	179,221	10.4	98,394	5.8	(80,826)	(45.0)
Rolling Stock	131,428	7.6	132,133	7.8	705	0.5
Aerospace	357,031	20.8	464,286	27.4	107,254	30.0
Gas Turbine & Machinery	235,722	13.7	288,903	17.0	53,181	22.5
Plant & Infrastructure	203,473	11.8	138,775	8.1	(64,698)	(31.7)
Motorcycle & Engine	329,240	19.2	333,595	19.6	4,354	1.3
Precision Machinery	136,286	7.9	133,191	7.8	(3,095)	(2.2)
Other	140,558	8.2	104,407	6.1	(36,150)	(25.7)
Total	1,712,963	100.0	1,693,687	100.0	(19,275)	(1.1)

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

Net sales

Years ended March 31 (Million yen)

	2015（A）		2016（B）		Change（B-A）	
		% of total		% of total		%
Ship & Offshore Structure	90,327	6.0	94,888	6.1	4,561	5.0
Rolling Stock	121,519	8.1	146,646	9.5	25,126	20.6
Aerospace	325,083	21.8	351,858	22.8	26,774	8.2
Gas Turbine & Machinery	218,794	14.7	236,445	15.3	17,650	8.0
Plant & Infrastructure	121,113	8.1	135,668	8.8	14,554	12.0
Motorcycle & Engine	329,240	22.1	333,595	21.6	4,354	1.3
Precision Machinery	135,782	9.1	133,175	8.6	(2,606)	(1.9)
Other	144,261	9.7	108,817	7.0	(35,444)	(24.5)
Total	1,486,123	100.0	1,541,096	100.0	54,972	3.6

Order backlog

Years ended March 31 (Million yen)

	2015（A）		2016（B）		Change（B-A）	
		% of total		% of total		%
Ship & Offshore Structure	264,281	14.6	259,921	13.4	(4,359)	(1.6)
Rolling Stock	405,999	22.4	375,729	19.5	(30,269)	(7.4)
Aerospace	488,431	27.0	608,352	31.5	119,920	24.5
Gas Turbine & Machinery	336,441	18.6	381,787	19.8	45,345	13.4
Plant & Infrastructure	255,522	14.1	255,944	13.2	421	0.1
Motorcycle & Engine	-	-	-	-	-	-
Precision Machinery	26,325	1.4	26,358	1.3	33	0.1
Other	28,531	1.5	17,863	0.9	(10,667)	(37.3)
Total	1,805,533	100.0	1,925,957	100.0	120,423	6.6

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

1. Consolidated earnings outlook

(Billion yen)

	Outlook for the fiscal year ending March 31, 2017 (A)	Fiscal year ended March 31, 2016(actual) (B)	Change (A – B)
Net sales	1,570.0	1,541.0	29.0
Operating income	70.0	95.9	(25.9)
Recurring profit	69.0	93.2	(24.2)
Net income attributable to owners of parent	49.0	46.0	3.0

Orders received	1,500.0	1,693.6	(193.6)
Before-tax ROIC (%)	8.3%	9.4%	(1.1%)
R&D expenses	47.0	43.6	3.4
Capital expenditures	98.0	76.3	21.7
Depreciation/ amortization	56.0	49.0	7.0
Number of employees at end of period	35,700	34,605	1,095
*Number of employees outside of Japan included therein	*9,000	*8,708	*(292)

Notes: 1. Outlook's assumed foreign exchange rates: ¥110= US$1, ¥125 = 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/amortization expenses for property, plant and equipment and intangible assets.

2. Outlook by reportable segment

(a) Net sales and operating income (loss)

(Billion yen)

	Outlook for the fiscal year ending March 31, 2017 (A)		Fiscal year ended March 31, 2016 (actual) (B)		Change (A – B)	
	Net sales	Operating Income (loss)	Net sales	Operating Income (loss)	Net sales	Operating Income (loss)
Ship & Offshore Structure	120.0	(1.5)	94.8	(7.9)	25.2	6.4
Rolling Stock	145.0	5.5	146.6	9.2	(1.6)	(3.7)
Aerospace	350.0	25.0	351.8	45.6	(1.8)	(20.6)
Gas Turbine & Machinery	255.0	13.5	236.4	16.9	18.6	(3.4)
Plant & Infrastructure	155.0	8.0	135.6	8.5	19.4	(0.5)
Motorcycle & Engine	325.0	13.5	333.5	15.7	(8.5)	(2.2)
Precision Machinery	140.0	10.0	133.1	8.5	6.9	1.5
Other	80.0	4.0	108.8	2.8	(28.8)	1.2
Adjustments		(8.0)		(3.7)		(4.3)
Total	1,570.0	70.0	1,541.0	95.9	29.0	(25.9)

(b) Orders received

(Billion yen)

	Outlook for the fiscal year ending March 31, 2017 (A)	Fiscal year ended March 31, 2016 (actual) (B)	Change (A – B)
Ship & Offshore Structure	130.0	98.3	31.7
Rolling Stock	180.0	132.1	47.9
Aerospace	230.0	464.2	(234.2)
Gas Turbine & Machinery	255.0	288.9	(33.9)
Plant & Infrastructure	140.0	138.7	1.3
Motorcycle & Engine	325.0	333.5	(8.5)
Precision Machinery	145.0	133.1	11.9
Other	95.0	104.4	(9.4)
Total	1,500.0	1,693.6	(193.6)

(c) Before-tax ROIC

(%)

	Outlook for the fiscal year ending March 31, 2017 (A)	Fiscal year ended March 31, 2016 (actual) (B)	Change (A – B)
Ship & Offshore Structure	1.0	(38.4)	39.4
Rolling Stock	8.0	11.7	(3.7)
Aerospace	13.5	33.9	(20.4)
Gas Turbine & Machinery	6.3	8.8	(2.5)
Plant & Infrastructure	16.3	17.5	(1.2)
Motorcycle & Engine	10.2	14.1	(3.9)
Precision Machinery	10.8	9.5	1.3
Total	8.3	9.4	(1.1)