**Report of Earnings and Financial Statements for the Three Months Ended June 30, 2013 (Consolidated)**
(Prepared pursuant to Japanese GAAP)

July 30, 2013

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
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Scheduled dates:
Submission of quarterly securities filing: August 8, 2013
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, 2013 (April 1 – June 30, 2013)

(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 | |
|---|---|---|---|---|---|---|---|---|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| Three Months Ended June 30, 2013 | 282,509 | (0.3) | 16,752 | 148.4 | 9,400 | (19.8) | 4,496 | (25.4) |
| Three Months Ended June 30, 2012 | 283,530 | (2.7) | 6,741 | (45.5) | 11,727 | (20.0) | 6,030 | (36.9) |

Note: Comprehensive income June 30, 2013: 16,570 million yen 86.4%
June 30, 2012: 8,886 million yen (19.4%)

| | Earnings per share | Earnings per share – diluted |
|---|---|---|
| | yen | yen |
| Three Months Ended June 30, 2013 | 2.68 | - |
| Three Months Ended June 30, 2012 | 3.60 | - |

(2) Financial Condition

| | Total assets | Net assets | Equity ratio |
|---|---|---|---|
| | million yen | million yen | % |
| June 30, 2013 | 1,525,071 | 325,761 | 20.5 |
| March 31, 2013 | 1,466,290 | 349,881 | 23.0 |

Note: Shareholders' equity: June 30, 2013: 313,998 million yen
March 31, 2013: 338,240 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 financial year | Full year |
| | yen | yen | yen | yen | yen |
| Year ended March 31, 2013 | - | 0.00 | - | 5.00 | 5.00 |

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

| | |
|---|---|
| June 30, 2013: | 107,551 shares |
| March 31, 2013: | 100,116 shares |

(3) Average number of shares during respective periods

| | |
|---|---|
| Three months ended June 30, 2013: | 1,671,787,906 shares |
| Three months ended June 30, 2012: | 1,671,813,479 shares |

**Quarterly review status**

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

* Appropriate Use of Financial Forecasts and Other Important Matters

Forward-Looking Statements

These materials contain various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based on information available at the time of 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 "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 on Thursday August 1, 2013, 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.

## Accompanying Materials – Contents

## 1. Qualitative Information and Financial Statements

### (1) Consolidated operating results

In the first quarter of the fiscal year ending March 31, 2014, global economic growth remained generally subdued. Although there were signs of recovery, including improvement in the US labor market and energy-related demand stemming from the US shale gas revolution, the European economy remained beset by concerns about the debt crises in some countries. Meanwhile, developments in emerging market economies, most notably China, also required close monitoring.

The Japanese economy grew at a moderate pace, driven largely by increased public investment fueled by a timely fiscal action coupled with improvement in the export environment in the wake of

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

**Segment Information**

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

| Segment | Three months ended June 30 | | | | Orders received | |
|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | Three months ended June 30 | |
| | Net sales | Operating income | Net sales | Operating income | 2012 | 2013 |
| Ship & Offshore Structure | 22.7 | (0.6) | 21.0 | 3.3 | 30.3 | 27.1 |
| Rolling Stock | 28.8 | 0.1 | 30.5 | 1.9 | 25.3 | 35.0 |
| Aerospace | 49.6 | 0.8 | 55.6 | 7.5 | 34.4 | 41.5 |
| Gas Turbine & Machinery | 45.3 | 2.6 | 36.4 | 0.8 | 32.5 | 35.6 |
| Plant & Infrastructure | 19.8 | 0.1 | 16.7 | (0.6) | 37.1 | 16.6 |
| Motorcycle & Engine | 53.4 | (0.3) | 67.4 | 2.4 | 53.4 | 67.4 |
| Precision Machinery | 36.1 | 3.9 | 25.1 | 1.5 | 28.6 | 29.8 |
| Other | 27.6 | 0.5 | 29.4 | 0.3 | 29.6 | 29.6 |
| Adjustments | - | (0.7) | - | (0.7) | - | - |
| Total | 283.5 | 6.7 | 282.5 | 16.7 | 271.5 | 283.1 |

Notes: 1. Net sales include only sales to external customers.
2. A change in the accounting treatment of aircraft engine components reduced the Gas Turbine & Machinery segment's first-quarter sales and orders received by ¥7.3 billion and ¥7.1 billion, respectively, relative to what they would have been in the absence of the change. The change had no effect on income.

**Ship & Offshore Structure**

Consolidated orders received declined ¥3.1 billion year on year to ¥27.1 billion as the segment booked two newbuild (e.g., LNG carrier) orders, down from three in the year-earlier quarter.

Consolidated net sales decreased ¥1.6 billion year on year to ¥21.0 billion as growth in newbuild sales of LPG carriers was overshadowed by a decline in newbuild sales of other vessels, most notably handymax bulk carriers.

Despite the sales decline, the segment earned consolidated operating income of ¥3.3 billion, a ¥4.0 billion improvement from the year-earlier quarter, largely by virtue of yen depreciation and reversal of reserves for losses on construction contracts in response to the yen's depreciation.

**Rolling Stock**

Consolidated orders received grew ¥9.6 billion to ¥35.0 billion, largely as a result of subway car orders from the Washington Metropolitan Area Transit Authority and Sapporo City Transportation Bureau.

Consolidated net sales increased ¥1.7 billion year on year to ¥30.5 billion as overseas sales to customers in Singapore, North America and elsewhere offset a decline in domestic sales.

Consolidated operating income increased ¥1.7 billion year on year to ¥1.9 billion, lifted by an increase in high-margin sales and yen depreciation.

**Aerospace**

Consolidated orders grew ¥7.1 billion year on year to ¥41.5 billion. The increase was attributable to growth in orders for components for the Boeing 777 and 787.

Consolidated net sales increased ¥6.0 billion year on year to ¥55.6 billion, largely as a result of growth in Boeing 777 and 787 component sales coupled with steady sales to Japan's Ministry of Defense.

Consolidated operating income showed a sharp ¥6.6 billion increase year on year to ¥7.5 billion. Factors behind the increase, in addition to sales growth, included yen depreciation and reversal of reserves for losses on construction contracts in response to the yen's depreciation.

**Gas Turbine & Machinery**

Despite a change in accounting treatment of aircraft engine component orders, consolidated orders received increased ¥3.1 billion year on year to ¥35.6 billion, bolstered by growth in orders for hydropower systems.

Consolidated net sales decreased ¥8.9 billion year on year to ¥36.4 billion, due largely to a decline in sales of diesel engines for ships coupled with the change in accounting treatment of aircraft engine component sales.

Consolidated operating income declined ¥1.8 billion year on year to ¥0.8 billion in resp

**Motorcycle & Engine**

Consolidated net sales rose ¥14.0 billion year on year to ¥67.4 billion, boosted by motorcycle sales growth in the US and emerging-market economies, particularly Thailand and Indonesia.

Consolidated operating income totaled ¥2.4 billion, a ¥2.8 billion year-on-year improvement largely attributable to sales growth and improved profitability.

**Precision Machinery**

Consolidated orders received grew ¥1.2 billion year on year to ¥29.8 billion. The increase was largely a net result of growth in robot orders from overseas automobile manufacturers coupled with reduced demand for hydraulic equipment for construction machinery in emerging market economies, most notably China.

Consolidated net sales decreased ¥10.9 billion year on year to ¥25.1 billion, largely due to the decrease in emerging-market, particularly Chinese, demand for hydraulic equipment for construction machinery.

Consolidated operating income was down ¥2.4 billion year on year to ¥1.5 billion, largely in response to the sales decline.

**Other Operations**

Consolidated net sales increased ¥1.8 billion yen year on year to ¥29.4 billion. Consolidated operating income decreased ¥0.2 billion year on year to ¥0.3 billion.

## (2) Consolidated financial position

At June 30, 2013, consolidated assets totaled ¥1,525.0 billion, a ¥58.7 billion increase of from March 31, 2013. The increase was chiefly attributable to inventory growth stemming from progress toward completion of construction jobs and capital investments that added to property, plant and equipment. Consolidated liabilities at June 30, 2013, were ¥1,199.3 billion, a ¥82.9 billion increase of from March 31, 2013. The increase was largely attributable to increases in commercial paper and other short-term borrowings and recognition of previously unrecognized retirement and severance benefit liabilities, partially offset by a reduction in notes and accounts payable-trade. Interest-bearing debt ended the first quarter at ¥521.1 billion, a ¥36.5 billion increase from March 31, 2013. Consolidated net assets at June 30, 2013, totaled ¥325.7 billion, a ¥24.1 billion decrease from March 31, 2013. The decrease was largely attributable to dividend payments and recognition of the previously unrecognized retirement and severance benefit liabilities, partially offset by first-quarter net income.

### (3) Consolidated earnings outlook

The Company has raised its consolidated operating income forecast for the first half of the fiscal year ending March 31, 2014, to ¥24.0 billion, a ¥4.0 billion increase from its initial forecast announced on April 25, 2013. It did so in response to its first-quarter results and first-quarter exchange rate movements that exceeded its initial assumptions. However, the exchange rate movements' effect on recurring profit is muted by currency hedging. The Company accordingly raised its first-half recurring profit forecast by only ¥1.0 billion to ¥18.0 billion. On the net profit line, the Company raised its initial first-half fo

## 2. Summary Information (Notes)

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

Not applicable

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

The Company calculates tax expense by rationally estimating its effective tax rate after application of deferred-tax accounting to pretax net income for the fiscal year, which includes the 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.

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

*Changes in depreciation method and depreciable lives*

The Company and its domestic consolidated subsidiaries have previously used the declining balance method to depreciate their property, plant and equipment (except for buildings (excluding fixtures) acquired on or after April 1, 1998, which have been depreciated by the straight line method). Effective from the first quarter of the fiscal year ending March 31, 2014, they have switched to using the straight line method for all property, plant and equipment.

In accord with *Kawasaki Business Vision 2020*, the Company and its consolidated subsidiaries actively conduct overseas operations ranging from production to sales while treating their domestic plants as development and production hubs where advanced technological capabilities are concentrated. Given this configuration, overseas capital investment is expected to become even more important than before.

As a result of the change in the depreciation method in response to such a change in the capital investment environment, Group production facilities are expected to operate stably. The economif7ein( then)-uieac0.0019 taking into account various factors including product life spans and the risk of production process obsolescence.

As a result of these changes, first-quarter consolidated operating income, recurring profit, and income before income taxes and minority interests were ¥2,981 million higher than they would have been in the absence of the changes.

The impact of these changes on individual segments is disclosed below under "(3) Matters related to reportable segment changes" on page 18.

cost of sales. Effective from the first quarter of the fiscal year ending March 31, 2014, the Company has switched to reporting FIA charges as a deduction from sales.

After reassessing its FIA transactions in light of the Japanese Institute of Certified Public Accountants' Accounting Practice Committee Research Report No. 13, "Research Report on Revenue Recognition in Japan (Interim Report)," issued in July 2009, the Company decided that this revised treatment results in a more appropriate presentation of its operating performance.

The Company deducted FIA charges from sales in the first quarter of the fiscal year ending March 31, 2014, and because the impact of this accounting policy change on the consolidated financial statements as a whole is minimal, the Company did not apply the change retrospectively.

The change reduced both first-quarter sales and cost of sales by ¥7,321 million, relative to what they would have been in the absence of the change, but it had no effect on operating income, recurring profit, or income before income taxes and minority interests.

The impact of the change on segment results is disclosed below under "(3) Matters related to reportable segment changes" on page 18.

*Treatment of specialized jigs and tools for civilian aircraft*

The Company and some of its consolidated subsidiaries have reclassified jigs and tools used in the Aerospace segment's civilian aircraft manufacturing operations from inventory (work in process) to property, plant and equipment as a result of a reassessment of these jigs and tools' balance sheet classification in light of their growing size and functionality.

The Company and its applicable consolidated subsidiaries reclassified the jigs and tools as of the previous fiscal year-end and carried the revised asset balances over as beginning balances for the first quarter of the fiscal year ending March 31, 2014. Since the impact of the reclassification on the consolidated financial statements as a whole is minimal, they did not apply the reclassification retrospectively.

The reclassification reduced work in process as of the beginning of the first quarter of the fiscal year ending March 31, 2014, by ¥26,781 million and increased property, plant and equipment and intangible assets by ¥26,555 million and ¥226 million relative to what they would have been in the absence of the reclassification.

Previously, the specialized jigs and tools' book value was transferred from work in process to cost of sales upon the sale of the aircraft components for which the jigs and tools were used. From now on, the jigs and tools will be depreciated as fixed assets and their depreciation will be allocated between cost of sales and work in process. The impact of this change on earnings is minimal.

*Treatment of subsidies related to aircraft development*

In developing aircraft and jet engines, the Company receives development-related subsidies pursuant to the Aircraft Industry Promotion Act. The Company previously placed priority on the subsidy transactions' legal form by recognizing the subsidies as revenue received in consideration for development deliverables, charging the revenues' corresponding development expenses to cost of sales, and recognizing projected future obligations related to the subsidies as warranty obligations. From the first quarter of the fiscal year ending March 31, 2014, the Company is placing more priority on the subsidy transactions' economic substance and has revised its accounting treatment accordingly. Specifically, the Company no longer recognizes the subsidies as revenue and, on its balance sheet, it now recognizes projected future obligations as liabilities and capitalizes development expenses as inventory.

After reassessing the subsidy transactions by placing priority on their substance in light of the

## 3. Consolidated Financial Statements

## (1) Consolidated balance sheets

| | Millions of yen | |
|---|---|---|
| | As of March 31, 2013 | Three months ended June 30, 2013 |
| **Assets** | | |
| Current assets | | |
| Cash on hand and in banks | 38,525 | 38,824 |
| Trade receivables | 432,649 | 400,909 |
| Merchandise and finished products | 61,446 | 64,177 |
| Work in process | 311,107 | 326,807 |
| Raw materials and supplies | 87,551 | 88,422 |
| Other current assets | 88,319 | 99,752 |
| Allowance for doubtful receivables | (2,785) | (3,141) |
| Total current assets | 1,016,813 | 1,015,752 |
| Fixed assets | | |
| Net property, plant and equipment | 305,792 | 343,875 |
| Intangible assets | 19,446 | 19,102 |
| Investments and other assets | | |
| Other | 125,172 | 147,283 |
| Allowance for doubtful receivables | (936) | (942) |
| Total investments and other assets | 124,236 | 146,340 |
| Total fixed assets | 449,476 | 509,319 |
| **Total assets** | 1,466,290 | 1,525,071 |
| | | |
| **Liabilities** | | |
| Current liabilities | | |
| Trade payables | 281,062 | 251,487 |
| Short-term debt | 213,510 | 281,416 |
| Income taxes payable | 3,756 | 3,532 |
| Accrued bonuses | 20,060 | 22,587 |
| Provision for losses on construction contracts | 18,719 | 10,707 |
| Other provisions | 6,194 | 7,207 |
| Advances from customers | 108,213 | 130,272 |
| Other | 131,022 | 139,662 |
| Total current liabilities | 782,540 | 846,874 |
| | | |
| Long-term liabilities | | |
| Bonds payable | 70,000 | 70,000 |
| Long-term debt | 184,362 | 142,201 |
| Employees' retirement and severance benefits | 62,300 | - |
| Other provisions | 5,082 | 4,721 |
| Net defined benefit liability | - | 106,491 |
| Other | 12,123 | 29,020 |
| Total long-term liabilities | 333,868 | 352,435 |
| **Total liabilities** | 1,116,409 | 1,199,310 |

| | | |
|---|---|---|
| **Net assets** | | |
| Shareholders' equity | | |
| Common stock | 104,484 | 104,484 |
| Capital surplus | 54,393 | 54,393 |
| Retained earnings | 198,528 | 183,403 |
| Treasury stock | (27) | (29) |
| Total shareholders' equity | 357,379 | 342,252 |
| Accumulated other comprehensive income | | |
| Net unrealized gains (losses) on securities, net of tax | 4,524 | 4,950 |
| Deferred gains (losses) on hedges | (5,998) | (6,150) |
| Foreign currency translation adjustment | (17,665) | (6,907) |
| Remeasurements of defined benefit plans | - | (20,146) |
| Total accumulated other comprehensive income | (19,139) | (28,253) |
| Minority interests | 11,641 | 11,763 |
| **Total net assets** | 349,881 | 325,761 |
| **Total net assets and liabilities** | 1,466,290 | 1,525,071 |

## (2) Consolidated statements of income and comprehensive income

### Consolidated statements of income

| | Millions of yen | |
|---|---|---|
| | Three months ended June 30, 2012 | Three months ended June 30, 2013 |
| Net sales | 283,530 | 282,509 |
| Cost of sales | 240,094 | 226,809 |
| Gross profit | 43,435 | 55,699 |
| Selling, general and administrative expenses | | |
| Salaries and benefits | 9,970 | 10,840 |
| R&D expenses | 8,190 | 8,076 |
| Provision for doubtful accounts | 8 | 281 |
| Other | 18,524 | 19,750 |
| Total selling, general and administrative expenses | 36,693 | 38,947 |
| Operating income (loss) | 6,741 | 16,752 |
| Non-operating income | | |
| Interest income | 419 | 252 |
| Dividend income | 264 | 216 |
| Equity in income of non-consolidated subsidiaries and affiliates | 2,296 | 1,523 |
| Foreign exchange gain, net | 2,658 | - |
| Other | 1,068 | 627 |
| Total non-operating income | 6,707 | 2,619 |
| Non-operating expenses | | |
| Interest expense | 1,017 | 1,030 |
| Foreign exchange losses | - | 7,993 |
| Other | 704 | 947 |
| Total non-operating expenses | 1,722 | 9,971 |
| Recurring profit (loss) | 11,727 | 9,400 |
| Income (loss) before income taxes and minority interests | 11,727 | 9,400 |
| Income taxes | 5,100 | 4,588 |
| Income before minority interests | 6,626 | 4,812 |
| Minority interests in net income of consolidated subsidiaries | 595 | 315 |
| Net income (loss) | 6,030 | 4,496 |

### Consolidated statements of comprehensive income

| | Millions of yen | |
|---|---|---|
| | Three months ended June 30, 2012 | Three months ended June 30, 2013 |
| Income before minority interests | 6,626 | 4,812 |
| Other comprehensive income | | |
| Net unrealized gains (losses) on securities | (1,203) | 388 |
| Deferred gains (losses) on hedges | 1,653 | (182) |
| Foreign currency translation adjustment | 340 | 6,630 |
| Remeasurements of defined benefit plans | - | 245 |
| Share of other comprehensive income of associates accounted for using equity method | 1,469 | 4,675 |
| Total other comprehensive income | 2,260 | 11,758 |
| Comprehensive Income attributable to: | 8,886 | 16,570 |
| Owners of the parent company | 7,944 | 15,736 |
| Minority interests | 942 | 834 |

## (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

*Segment information and others*

*Segment information*

1. Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)

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

Millions of yen

| | External sales | Intersegment sales | Total sales | Operating income (loss) |
|---|---|---|---|---|
| Ship & Offshore Structure | 22,712 | 290 | 23,003 | (644) |
| Rolling Stock | 28,830 | 105 | 28,935 | 146 |
| Aerospace | 49,614 | 708 | 50,322 | 889 |
| Gas Turbine & Machinery | 45,387 | 3,756 | 49,143 | 2,676 |
| Plant & Infrastructure | 19,840 | 3,079 | 22,920 | 197 |
| Motorcycle & Engine | 53,430 | 162 | 53,592 | (347) |
| Precision Machinery | 36,101 | 2,763 | 38,864 | 3,992 |
| Other | 27,613 | 7,959 | 35,573 | 554 |
| Reportable segment total | 283,530 | 18,825 | 302,355 | 7,466 |
| Adjustments*1 | - | (18,825) | (18,825) | (724) |
| Consolidated total | 283,530 | - | 283,530 | 6,741 |

Notes: 1. Breakdown of adjustments:

Millions of yen

| Income | Amount |
|---|---|
| Intersegment transactions | 72 |
| Corporate expenses* | (797) |
| Total | (724) |

*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, 2013 (April 1, 2013 – June 30, 2013)

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

Millions of yen

| | External sales | Intersegment sales | Total sales | Operating income (loss) |
|---|---|---|---|---|
| Ship & Offshore Structure | 21,073 | 564 | 21,638 | 3,381 |
| Rolling Stock | 30,562 | 192 | 30,754 | 1,910 |
| Aerospace | 55,624 | 461 | 56,086 | 7,551 |
| Gas Turbine & Machinery | 36,452 | 3,898 | 40,350 | 844 |
| Plant & Infrastructure | 16,712 | 3,225 | 19,937 | (606) |
| Motorcycle & Engine | 67,493 | 144 | 67,637 | 2,482 |
| Precision Machinery | 25,124 | 2,456 | 27,580 | 1,562 |
| Other | 29,466 | 8,304 | 37,771 | 344 |
| Reportable segment total | 282,509 | 19,247 | 301,756 | 17,472 |
| Adjustments*1 | - | (19,247) | (19,247) | (719) |
| Consolidated total | 282,509 | - | 282,509 | 16,752 |

Notes: 1. Breakdown of adjustments:

Millions of yen

| Income | Amount |
|---|---|
| Intersegment transactions | (58) |
| Corporate expenses* | (661) |
| Total | (719) |

* 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) Matters related to reportable segment changes

*Changes in depreciation method and depreciable lives*

As disclosed above under "2. (3) Changes in accounting policies, changes in accounting estimates, and correction of errors" on page 10, the Company and its domestic consolidated subsidiaries have previously used the declining balance method to depreciate their property, plant and equipment (except for buildings (excluding fixtures) acquired after March 31, 1998, which have been depreciated by the straight line method), but they have now switched to using the straight line

Aerospace segment, ¥456 million in the Gas Turbine & Machinery segment, ¥334 million in the Motorcycle & Engine segment, ¥549 million in the Precision Machinery segment, and ¥309 million in the Other segment, while the Plant & Infrastructure segment's loss was reduced by ¥197 million, all relative to what they would have been in the absence of the changes.

*Treatment of FIA*

As disclosed above under "2. (3) Changes in accounting policies, changes in accounting estimates, and correction of errors" on page 10, airlines demand a type of discount called fleet introductory assistance (FIA) when they purchase jet engines from Company's main partners, and the Company is charged a share of this FIA in proportion to its involvement in projects. The Company previously included these FIA charges in cost of sales but has switched to reporting them as a deduction from sales effective from the first quarter of the fiscal year ending March 31, 2014.

This change reduced the Gas Turbine & machinery segment's first-quarter sales by ¥7,321 million relative to what they would have been in the absence of the change, but it had no impact on segment income.

**Order backlog**

| | Year ended March 31, 2013 | | Three months ended June 30, 2013 | Three months ended June 30, 2012 |
|---|---|---|---|---|
| | million yen | % of total | million yen | |