


KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
FLASH CONSOLIDATED FINANCIAL RESULTS
October 28, 2016
For six months ended September 30, 2016 and 2015 and one year ended March 31, 2016
(Consolidated)
Operating results

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| | Six months ended Sep. 30, 2016 | Six months ended Sep. 30, 2015 | Six months ended Sep. 30, 2016 |
| Net sales | ¥ 697,299 | ¥ 708,194 | \$ 6,895,757 |
| Operating income | 8,491 | 42,305 | 83,969 |
| Profit (loss) attributable to owners of parent | (242) | 26,878 | (2,393) |
| Earnings per share (Yen) | (0.1) | 16.0 | |

Financial position

| | Millions of yen / Thousand shares | | Thousands of U.S. dollars |
|---|-----------------------------------|------------------------|---------------------------|
| | As of Sep. 30, 2016 | As of Mar. 31, 2016 | As of Sep. 30, 2016 |
| Total assets | ¥ 1,657,075 | ¥ 1,620,458 | \$ 16,387,213 |
| Net assets | 401,695 | 445,625 | 3,972,458 |
| Number of shares issued and outstanding | 1,670,560 | 1,670,576 | |
| Equity Ratio | 23.4% | 26.6% | |

Cash flows

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| | Six months ended Sep. 30, 2016 | Six months ended Sep. 30, 2015 | Six months ended Sep. 30, 2016 |
| Operating activities | ¥ (117,247) | ¥ (100,893) | \$ (1,159,483) |
| Investing activities | (31,618) | (40,722) | (312,678) |
| Financing activities | 143,936 | 135,523 | 1,423,417 |
| Cash and cash equivalents at end of term | 35,689 | 41,706 | 352,937 |

Fiscal year forecast

| | Millions of yen | | |
|--------------------------------|-----------------|------------------|---|
| | Net sales | Operating income | Profit attributable to owners of parent |
| One year ending March 31, 2017 | ¥ 1,510,000 | ¥ 34,000 | ¥ 16,500 |

- Notes : 1. This "FLASH CONSOLIDATED FINANCIAL RESULTS" and following financial statements have been prepared in conformity with generally accepted accounting principles and practices in Japan.
2. All US\$ amounts in these statements represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥101.12=\$1, the rate prevailing as of September 30, 2016, solely for the convenience of the readers.

Condensed Consolidated Balance Sheets

As of September 30 and March 31, 2016

| | Millions of yen | | Thousands of |
|--|------------------------|------------------------|--|
| | As of Sep. 30, 2016 | As of Mar. 31, 2016 | U.S. dollars As of Sep. 30, 2016 |
| Assets : | | | |
| Current assets : | | | |
| Cash on hand and in banks | ¥ 39,473 | ¥ 42,157 | \$ 390,357 |
| Receivables, less allowance | 442,522 | 396,750 | 4,376,206 |
| Inventories | 496,518 | 492,965 | 4,910,186 |
| Other current assets | 81,726 | 86,031 | 808,209 |
| Total current assets | <u>1,060,239</u> | <u>1,017,903</u> | <u>10,484,958</u> |
| Investments and long-term loans less allowance | 90,468 | 106,303 | 894,660 |
| Net property, plant and equipment | 443,764 | 436,558 | 4,388,489 |
| Intangible and other assets | 62,604 | 59,694 | 619,106 |
| Total assets | <u>¥ 1,657,075</u> | <u>¥ 1,620,458</u> | <u>\$ 16,387,213</u> |
| Liabilities and net assets : | | | |
| Current liabilities : | | | |
| Short-term borrowings | | | |
| and current portion of long-term debt | ¥ 272,272 | ¥ 116,047 | \$ 2,692,563 |
| Payables | 302,646 | 329,903 | 2,992,939 |
| Advances from customers | 146,779 | 170,454 | 1,451,532 |
| Other current liabilities | 135,117 | 151,307 | 1,336,205 |
| Total current liabilities | <u>856,814</u> | <u>767,711</u> | <u>8,473,239</u> |
| Long-term liabilities : | | | |
| Long-term debt, less current portion | 278,369 | 282,377 | 2,752,858 |
| Others | 120,197 | 124,745 | 1,188,658 |
| Total long-term liabilities | <u>398,566</u> | <u>407,122</u> | <u>3,941,516</u> |
| Net assets : | | | |
| Common stock | 104,484 | 104,484 | 1,033,267 |
| Capital surplus | 54,394 | 54,394 | 537,915 |
| Retained earnings | 261,001 | 279,627 | 2,581,101 |
| Treasury stock | (91) | (86) | (899) |
| Net unrealized gains on securities | 2,256 | 2,705 | 22,310 |
| Gains (losses) on hedging items | 1,391 | 693 | 13,755 |
| Foreign currency translation adjustments | (16,949) | 8,990 | (167,612) |
| Remeasurements of defined benefit plans | (17,466) | (19,439) | (172,725) |
| Non-controlling interests | 12,675 | 14,257 | 125,346 |
| Total net assets | <u>401,695</u> | <u>445,625</u> | <u>3,972,458</u> |
| Total liabilities and net assets | <u>¥ 1,657,075</u> | <u>¥ 1,620,458</u> | <u>\$ 16,387,213</u> |

Condensed Consolidated Statements of Income

For six months ended September 30, 2016 and 2015

| | Millions of yen | | % Change | Thousands of U.S. dollars |
|--|---|-----------------------------------|---------------------|---|
| | Six months ended Sep. 30, 2016 | Six months ended Sep. 30, 2015 | | <i>Six months ended Sep. 30, 2016</i> |
| Net sales | ¥ 697,299 | ¥ 708,194 | -0% | \$ 6,895,757 |
| Cost of sales | 595,268 | 575,216 | | 5,886,748 |
| Gross profit | 102,031 | 132,978 | | 1,009,009 |
| Selling, general and administrative expenses | 93,540 | 90,673 | | 925,040 |
| Operating income | 8,491 | 42,305 | -80% | 83,969 |
| Other income (expenses) : | | | | |
| Interest and dividend income | 549 | 526 | | 5,429 |
| Equity in income of unconsolidated subsidiaries and affiliates | 2,945 | 1,348 | | 29,123 |
| Interest expense | (1,433) | (1,857) | | (14,171) |
| Other, net | (10,076) | (2,030) | | (99,643) |
| Income (loss) before income taxes and non-controlling interests | 476 | 40,292 | | 4,707 |
| Income taxes | 17 | (12,466) | | 168 |
| Profit (loss) attributable to non-controlling interests | (735) | (948) | | (7,268) |
| Profit (loss) attributable to owners of parent | ¥ (242) | ¥ 26,878 | -101% | \$ (2,393) |

(Consolidated)

Condensed Consolidated Statements of Cash Flows

For six months ended September 30, 2016 and 2015

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| | Six months ended Sep. 30, 2016 | Six months ended Sep. 30, 2015 | Six months ended Sep. 30, 2016 |
| Cash flows from operating activities: | | | |
| Income before income taxes and minority interests | ¥ 476 | ¥ 40,292 | \$ 4,707 |
| Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities: | | | |
| Depreciation and amortization | 25,121 | 24,087 | 248,427 |
| Decrease in assets | (68,494) | (65,682) | (677,353) |
| Decrease in liabilities | (64,799) | (69,690) | (640,812) |
| Other | (9,551) | (29,900) | (94,452) |
| Net cash provided by operating activities | ¥ (117,247) | ¥ (100,893) | \$ (1,159,483) |
| Cash flows from investing activities: | | | |
| Acquisition of tangible and intangible assets | (33,752) | (40,251) | (333,782) |
| Acquisition of investments in securities | (610) | (38) | (6,032) |
| Other | 2,744 | (433) | 27,136 |
| Net cash used for investing activities | ¥ (31,618) | ¥ (40,722) | \$ (312,678) |
| Cash flows from financing activities: | | | |
| Decrease in short-term borrowings | 151,460 | 143,079 | 1,497,824 |
| Proceeds from long-term debt | 24,503 | 28,500 | 242,316 |
| Repayment of long-term debt | (19,339) | (23,856) | (191,249) |
| Other | (12,688) | (12,200) | (125,474) |
| Net cash provided by financing activities | ¥ 143,936 | ¥ 135,523 | \$ 1,423,417 |
| Effect of exchange rate changes | 3,223 | 78 | 31,873 |
| Net decrease in cash and cash equivalents | (1,706) | (6,014) | (16,871) |
| Cash and cash equivalents at beginning of term | 37,832 | 47,721 | 374,129 |
| Increase in cash and cash equivalents | | | |
| due to changes in fiscal period of consolidated subsidiaries | - | (1) | - |
| Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation | (437) | - | (4,321) |
| Cash and cash equivalents at end of term | ¥ 35,689 | ¥ 41,706 | \$ 352,937 |

Segment information

Information by reportable segment

| | Millions of yen | | | | |
|----------------------------|------------------|--------------------|-------------|--------------------|-------------------------|
| | Six months ended | | | | |
| | Sep. 30, 2015 | | | | |
| | External sales | Intersegment sales | Total sales | Operating expenses | Operating income (loss) |
| Ship & Offshore Structure | ¥ 51,861 | ¥ 1,657 | ¥ 53,518 | ¥ 56,633 | ¥ (3,115) |
| Rolling Stock | 62,769 | 1,083 | 63,852 | 60,327 | 3,525 |
| Aerospace | 166,805 | 665 | 167,470 | 141,794 | 25,676 |
| Gas Turbine & Machinery | 103,375 | 6,865 | 110,240 | 102,069 | 8,171 |
| Plant & Infrastructure | 55,834 | 7,576 | 63,410 | 60,741 | 2,669 |
| Motorcycle & Engine | 143,055 | 395 | 143,450 | 142,940 | 510 |
| Precision Machinery | 63,948 | 6,584 | 70,532 | 66,656 | 3,876 |
| Other | 60,547 | 17,751 | 78,298 | 76,997 | 1,301 |
| Total | 708,194 | 42,576 | 750,770 | 708,157 | 42,613 |
| Eliminations and corporate | - | (42,576) | (42,576) | (42,268) | (308) |
| Consolidated total | ¥ 708,194 | ¥ - | ¥ 708,194 | ¥ 665,889 | ¥ 42,305 |

| | Millions of yen | | | | |
|----------------------------|------------------|--------------------|-------------|--------------------|-------------------------|
| | Six months ended | | | | |
| | Sep. 30, 2016 | | | | |
| | External sales | Intersegment sales | Total sales | Operating expenses | Operating income (loss) |
| Ship & Offshore Structure | ¥ 51,622 | ¥ 1,579 | ¥ 53,201 | ¥ 69,629 | ¥ (16,428) |
| Rolling Stock | 62,346 | 13 | 62,359 | 63,030 | (671) |
| Aerospace | 168,917 | 922 | 169,839 | 149,726 | 20,113 |
| Gas Turbine & Machinery | 106,622 | 6,199 | 112,821 | 109,844 | 2,977 |
| Plant & Infrastructure | 78,567 | 3,628 | 82,195 | 80,495 | 1,700 |
| Motorcycle & Engine | 128,567 | 417 | 128,984 | 131,439 | (2,455) |
| Precision Machinery | 65,728 | 6,870 | 72,598 | 68,655 | 3,943 |
| Other | 34,930 | 17,982 | 52,912 | 51,515 | 1,397 |
| Total | 697,299 | 37,610 | 734,909 | 724,333 | 10,576 |
| Eliminations and corporate | - | (37,610) | (37,610) | (35,525) | (2,085) |
| Consolidated total | ¥ 697,299 | ¥ - | ¥ 697,299 | ¥ 688,808 | ¥ 8,491 |

| | Thousands of U.S. dollars | | | | |
|----------------------------|---------------------------|--------------------|--------------|--------------------|-------------------------|
| | Six months ended | | | | |
| | Sep. 30, 2016 | | | | |
| | External sales | Intersegment sales | Total sales | Operating expenses | Operating income (loss) |
| Ship & Offshore Structure | \$ 510,503 | \$ 15,615 | \$ 526,118 | \$ 688,577 | \$ (162,459) |
| Rolling Stock | 616,554 | 129 | 616,683 | 623,318 | (6,635) |
| Aerospace | 1,670,460 | 9,118 | 1,679,578 | 1,480,677 | 198,901 |
| Gas Turbine & Machinery | 1,054,410 | 61,303 | 1,115,713 | 1,086,273 | 29,440 |
| Plant & Infrastructure | 776,967 | 35,879 | 812,846 | 796,034 | 16,812 |
| Motorcycle & Engine | 1,271,430 | 4,123 | 1,275,553 | 1,299,831 | (24,278) |
| Precision Machinery | 650,001 | 67,939 | 717,940 | 678,946 | 38,994 |
| Other | 345,432 | 177,828 | 523,260 | 509,447 | 13,813 |
| Total | 6,895,757 | 371,934 | 7,267,691 | 7,163,103 | 104,588 |
| Eliminations and corporate | - | (371,934) | (371,934) | (351,315) | (20,619) |
| Consolidated total | \$ 6,895,757 | \$ - | \$ 6,895,757 | \$ 6,811,788 | \$ 83,969 |

Net sales, orders and order backlog by reportable segment

For six months ended September 30, 2016 and 2015 and as of September 30 and March 31, 2016

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---------------------------|------------------|--------|------------------|---------------------------|------------------|--------------|
| | Six months ended | | Six months ended | % | Six months ended | |
| | Sep. 30, 2016 | | Sep. 30, 2015 | Change | Sep. 30, 2016 | |
| Net sales : | | | | | | |
| Ship & Offshore Structure | ¥ 51,622 | (7%) | ¥ 51,861 | (7%) | -0% | \$ 510,502 |
| Rolling Stock | 62,346 | (9%) | 62,769 | (9%) | -1% | 616,554 |
| Aerospace | 168,917 | (24%) | 166,805 | (24%) | +1% | 1,670,460 |
| Gas Turbine & Machinery | 106,622 | (15%) | 103,375 | (15%) | +3% | 1,054,410 |
| Plant & Infrastructure | 78,567 | (11%) | 55,834 | (8%) | +41% | 776,967 |
| Motorcycle & Engine | 128,567 | (19%) | 143,055 | (20%) | -10% | 1,271,429 |
| Precision Machinery | 65,728 | (10%) | 63,948 | (9%) | +3% | 650,000 |
| Other | 34,930 | (5%) | 60,547 | (8%) | -42% | 345,435 |
| Total | ¥ 697,299 | (100%) | ¥ 708,194 | (100%) | -0% | \$ 6,895,757 |
| Orders : | | | | | | |
| Ship & Offshore Structure | ¥ 8,645 | (2%) | ¥ 67,496 | (9%) | -87% | \$ 85,492 |
| Rolling Stock | 57,716 | (11%) | 65,775 | (9%) | -12% | 570,767 |
| Aerospace | 98,904 | (18%) | 134,663 | (18%) | -27% | 978,085 |
| Gas Turbine & Machinery | 102,658 | (19%) | 115,844 | (16%) | -11% | 1,015,209 |
| Plant & Infrastructure | 34,325 | (6%) | 75,046 | (10%) | -54% | 339,448 |
| Motorcycle & Engine | 128,567 | (24%) | 143,055 | (19%) | -10% | 1,271,429 |
| Precision Machinery | 71,403 | (13%) | 64,045 | (9%) | +11% | 706,121 |
| Other | 36,212 | (7%) | 72,899 | (10%) | -50% | 358,112 |
| Total | ¥ 538,430 | (100%) | ¥ 738,823 | (100%) | -27% | \$ 5,324,663 |

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---------------------------|-----------------|--------|---------------|---------------------------|---------------|---------------|
| | As of | | As of | % | As of | |
| | Sep. 30, 2016 | | Mar. 31, 2016 | Change | Sep. 30, 2016 | |
| Order backlog : | | | | | | |
| Ship & Offshore Structure | ¥ 206,523 | (12%) | ¥ 259,921 | (13%) | -26% | \$ 2,042,355 |
| Rolling Stock | 349,143 | (20%) | 375,729 | (20%) | -14% | 3,452,759 |
| Aerospace | 527,726 | (31%) | 608,352 | (32%) | +16% | 5,218,809 |
| Gas Turbine & Machinery | 360,802 | (21%) | 381,787 | (20%) | +3% | 3,568,057 |
| Plant & Infrastructure | 233,601 | (13%) | 255,944 | (13%) | -15% | 2,310,136 |
| Motorcycle & Engine | - | (- %) | - | (- %) | -% | - |
| Precision Machinery | 32,033 | (2%) | 26,358 | (1%) | +21% | 316,782 |
| Other | 19,150 | (1%) | 17,866 | (1%) | -53% | 189,381 |
| Total | ¥ 1,728,978 | (100%) | ¥ 1,925,957 | (100%) | -6% | \$ 17,098,279 |

Net Sales by geographic area

For six months ended September 30, 2016 and 2015

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---------------|------------------|--------|------------------|---------------------------|------------------|--------------|
| | Six months ended | | Six months ended | % | Six months ended | |
| | Sep. 30, 2016 | | Sep. 30, 2015 | Change | Sep. 30, 2016 | |
| Japan | ¥ 292,700 | (42%) | ¥ 276,602 | (39%) | +5% | \$ 2,894,581 |
| United States | 170,784 | (24%) | 187,229 | (26%) | -8% | 1,688,924 |
| Europe | 90,460 | (13%) | 69,679 | (10%) | +29% | 894,580 |
| Asia | 98,477 | (14%) | 112,493 | (16%) | -12% | 973,863 |
| Other | 44,878 | (7%) | 62,191 | (9%) | -27% | 443,809 |
| Total | ¥ 697,299 | (100%) | ¥ 708,194 | (100%) | -0% | \$ 6,895,757 |