


KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
FLASH CONSOLIDATED FINANCIAL RESULTS

January 31, 2018

For nine months ended December 31, 2017 and 2016 and one year ended March 31, 2017

(Consolidated)
Operating results

| | Millions of yen | | Thousands of U.S. dollars |
|--|------------------------------------|------------------------------------|------------------------------------|
| | Nine months ended Dec. 31, 2017 | Nine months ended Dec. 31, 2016 | Nine months ended Dec. 31, 2017 |
| Net sales | ¥ 1,092,369 | ¥ 1,043,052 | \$ 9,662,706 |
| Operating income | 44,644 | 22,875 | 394,904 |
| Profit (loss) attributable to owners of parent | 14,520 | 17,974 | 128,438 |
| Earnings per share (Yen) | 86.9 | 107.6 | |

Financial position

| | Millions of yen / Thousand shares | | Thousands of U.S. dollars |
|---|-----------------------------------|------------------------|---------------------------|
| | As of Dec. 31, 2017 | As of Mar. 31, 2017 | As of Dec. 31, 2017 |
| Total assets | ¥ 1,903,409 | ¥ 1,687,363 | \$ 16,836,877 |
| Net assets | 466,524 | 451,327 | 4,126,704 |
| Number of shares issued and outstanding | 167,048 | 167,054 | |
| Equity Ratio | 23.6% | 25.9% | |

Cash flows

| | Millions of yen | | Thousands of U.S. dollars |
|--|------------------------------------|------------------------------------|------------------------------------|
| | Nine months ended Dec. 31, 2017 | Nine months ended Dec. 31, 2016 | Nine months ended Dec. 31, 2017 |
| Operating activities | ¥ (206,775) | ¥ (147,276) | \$ (1,829,057) |
| Investing activities | (66,461) | (46,851) | (587,890) |
| Financing activities | 269,564 | 206,284 | 2,384,467 |
| Cash and cash equivalents at end of term | 44,148 | 48,719 | 390,517 |

Fiscal year forecast

| | Millions of yen | | |
|--------------------------------|-----------------|------------------|--|
| | Net sales | Operating income | Profit attributable to owners of parent |
| One year ending March 31, 2018 | ¥ 1,590,000 | ¥ 62,000 | ¥ 33,500 |

- 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 ¥113.05=\$1, the rate prevailing as of December 29, 2017, solely for the convenience of the readers.
 3. As the Company carried out a share consolidation with a 10:1 ratio of common shares with an effective date of October 1, 2017, earnings per share for nine months ended Dec. 31, 2016 and the number of shares issued and outstanding as of Mar. 31, 2017 have been calculated assuming that this share consolidation was carried out at the beginning of the fiscal year ended March 31, 2017.

Condensed Consolidated Balance Sheets

As of December 31 and March 31, 2017

| | Millions of yen | | Thousands of |
|--|------------------------|------------------------|--|
| | As of Dec. 31, 2017 | As of Mar. 31, 2017 | U.S. dollars As of Dec. 31, 2017 |
| Assets : | | | |
| Current assets : | | | |
| Cash on hand and in banks | ¥ 50,406 | ¥ 55,388 | \$ 445,873 |
| Receivables, less allowance | 570,607 | 460,976 | 5,047,386 |
| Inventories | 558,763 | 484,862 | 4,942,618 |
| Other current assets | 90,619 | 76,609 | 801,584 |
| Total current assets | <u>1,270,395</u> | <u>1,077,835</u> | <u>11,237,461</u> |
| Investments and long-term loans less allowance | 103,086 | 95,277 | 911,862 |
| Net property, plant and equipment | 478,951 | 461,882 | 4,236,630 |
| Intangible and other assets | 50,977 | 52,369 | 450,924 |
| Total assets | <u>¥ 1,903,409</u> | <u>¥ 1,687,363</u> | <u>\$ 16,836,877</u> |
| Liabilities and net assets : | | | |
| Current liabilities : | | | |
| Short-term borrowings | | | |
| and current portion of long-term debt | ¥ 351,589 | ¥ 121,648 | \$ 3,110,030 |
| Payables | 363,387 | 363,116 | 3,214,391 |
| Advances from customers | 164,165 | 205,872 | 1,452,145 |
| Other current liabilities | 112,591 | 152,806 | 995,943 |
| Total current liabilities | <u>991,732</u> | <u>843,442</u> | <u>8,772,509</u> |
| Long-term liabilities : | | | |
| Long-term debt, less current portion | 326,650 | 279,043 | 2,889,429 |
| Others | 118,503 | 113,551 | 1,048,235 |
| Total long-term liabilities | <u>445,153</u> | <u>392,594</u> | <u>3,937,664</u> |
| Net assets : | | | |
| Common stock | 104,484 | 104,484 | 924,228 |
| Capital surplus | 54,573 | 54,393 | 482,733 |
| Retained earnings | 293,617 | 287,449 | 2,597,230 |
| Treasury stock | (120) | (96) | (1,061) |
| Net unrealized gains on securities | 4,280 | 3,232 | 37,859 |
| Gains (losses) on hedging items | (1,044) | (1,182) | (9,234) |
| Foreign currency translation adjustments | 2,785 | (341) | 24,635 |
| Remeasurements of defined benefit plans | (7,474) | (10,692) | (66,112) |
| Non-controlling interests | 15,423 | 14,080 | 136,426 |
| Total net assets | <u>466,524</u> | <u>451,327</u> | <u>4,126,704</u> |
| Total liabilities and net assets | <u>¥ 1,903,409</u> | <u>¥ 1,687,363</u> | <u>\$ 16,836,877</u> |

Condensed Consolidated Statements of Income

For nine months ended December 31, 2017 and 2016

| | Millions of yen | | % Change | Thousands of U.S. dollars |
|---|--|------------------------------------|---------------------|--|
| | Nine months ended Dec. 31, 2017 | Nine months ended Dec. 31, 2016 | | <i>Nine months ended Dec. 31, 2017</i> |
| Net sales | ¥ 1,092,369 | ¥ 1,043,052 | +5% | \$ 9,662,706 |
| Cost of sales | 904,290 | 877,767 | | 7,999,027 |
| Gross profit | 188,079 | 165,285 | | 1,663,679 |
| Selling, general and administrative expenses | 143,435 | 142,410 | | 1,268,775 |
| Operating income | 44,644 | 22,875 | +95% | 394,904 |
| Other income (expenses) : | | | | |
| Interest and dividend income | 782 | 863 | | 6,917 |
| Equity in income of unconsolidated subsidiaries and affiliates | 3,097 | 4,821 | | 27,394 |
| Interest expense | (2,014) | (2,187) | | (17,815) |
| Other, net | (19,343) | (1,162) | | (171,100) |
| Income (loss) before income taxes and non-controlling interests | 27,166 | 25,210 | | 240,300 |
| Income taxes | (10,851) | (6,078) | | (95,985) |
| Profit (loss) attributable to non-controlling interests | (1,795) | (1,158) | | (15,877) |
| Profit (loss) attributable to owners of parent | ¥ 14,520 | ¥ 17,974 | -19% | \$ 128,438 |

Segment information

Information by reportable segment

| | Millions of yen | | | | |
|----------------------------|-------------------|--------------------|-------------|--------------------|-------------------------|
| | Nine months ended | | | | |
| | Dec. 31, 2016 | | | | |
| | External sales | Intersegment sales | Total sales | Operating expenses | Operating income (loss) |
| Ship & Offshore Structure | ¥ 74,978 | ¥ 1,916 | ¥ 76,894 | ¥ 90,713 | ¥ (13,819) |
| Rolling Stock | 94,964 | 17 | 94,981 | 93,325 | 1,656 |
| Aerospace | 238,100 | 1,295 | 239,395 | 216,693 | 22,702 |
| Gas Turbine & Machinery | 165,251 | 9,381 | 174,632 | 168,674 | 5,958 |
| Plant & Infrastructure | 114,273 | 5,072 | 119,345 | 117,010 | 2,335 |
| Motorcycle & Engine | 198,702 | 481 | 199,183 | 201,222 | (2,039) |
| Precision Machinery | 103,566 | 10,487 | 114,053 | 107,188 | 6,865 |
| Other | 53,218 | 27,497 | 80,715 | 78,341 | 2,374 |
| Total | 1,043,052 | 56,146 | 1,099,198 | 1,073,166 | 26,032 |
| Eliminations and corporate | - | (56,146) | (56,146) | (52,989) | (3,157) |
| Consolidated total | ¥ 1,043,052 | ¥ - | ¥ 1,043,052 | ¥ 1,020,177 | ¥ 22,875 |

| | Millions of yen | | | | |
|----------------------------|-------------------|--------------------|-------------|--------------------|-------------------------|
| | Nine months ended | | | | |
| | Dec. 31, 2017 | | | | |
| | External sales | Intersegment sales | Total sales | Operating expenses | Operating income (loss) |
| Ship & Offshore Structure | ¥ 69,977 | ¥ 2,173 | ¥ 72,150 | ¥ 76,526 | ¥ (4,376) |
| Rolling Stock | 99,829 | 99 | 99,928 | 97,545 | 2,383 |
| Aerospace | 246,689 | 1,081 | 247,770 | 230,431 | 17,339 |
| Gas Turbine & Machinery | 185,753 | 7,887 | 193,640 | 181,695 | 11,945 |
| Plant & Infrastructure | 80,058 | 7,466 | 87,524 | 87,623 | (99) |
| Motorcycle & Engine | 214,960 | 463 | 215,423 | 212,214 | 3,209 |
| Precision Machinery | 136,349 | 10,803 | 147,152 | 132,359 | 14,793 |
| Other | 58,754 | 29,063 | 87,817 | 85,448 | 2,369 |
| Total | 1,092,369 | 59,035 | 1,151,404 | 1,103,841 | 47,563 |
| Eliminations and corporate | - | (59,035) | (59,035) | (56,116) | (2,919) |
| Consolidated total | ¥ 1,092,369 | ¥ - | ¥ 1,092,369 | ¥ 1,047,725 | ¥ 44,644 |

| | Thousands of U.S. dollars | | | | |
|----------------------------|---------------------------|--------------------|--------------|--------------------|-------------------------|
| | Nine months ended | | | | |
| | Dec. 31, 2017 | | | | |
| | External sales | Intersegment sales | Total sales | Operating expenses | Operating income (loss) |
| Ship & Offshore Structure | \$ 618,991 | \$ 19,221 | \$ 638,212 | \$ 676,921 | \$ (38,709) |
| Rolling Stock | 883,051 | 875 | 883,926 | 862,848 | 21,078 |
| Aerospace | 2,182,122 | 9,562 | 2,191,684 | 2,038,311 | 153,373 |
| Gas Turbine & Machinery | 1,643,104 | 69,766 | 1,712,870 | 1,607,209 | 105,661 |
| Plant & Infrastructure | 708,164 | 66,042 | 774,206 | 775,081 | (875) |
| Motorcycle & Engine | 1,901,459 | 4,095 | 1,905,554 | 1,877,170 | 28,384 |
| Precision Machinery | 1,206,094 | 95,560 | 1,301,654 | 1,170,801 | 130,853 |
| Other | 519,721 | 257,081 | 776,802 | 755,842 | 20,960 |
| Total | 9,662,706 | 522,202 | 10,184,908 | 9,764,183 | 420,725 |
| Eliminations and corporate | - | (522,202) | (522,202) | (496,381) | (25,821) |
| Consolidated total | \$ 9,662,706 | \$ - | \$ 9,662,706 | \$ 9,267,802 | \$ 394,904 |

Net sales, orders and order backlog by reportable segment

For nine months ended December 31, 2017 and 2016 and as of December 31 and March 31, 2017

| | Millions of yen | | | Thousands of U.S. dollars | |
|---------------------------|--------------------|--------------------|-------|---------------------------|--|
| | Nine months ended | | % | Nine months ended | |
| | Dec. 31, 2017 | Dec. 31, 2016 | | Dec. 31, 2017 | |
| Net sales : | | | | | |
| Ship & Offshore Structure | ¥ 69,977 (6%) | ¥ 74,978 (7%) | -7% | \$ 618,991 | |
| Rolling Stock | 99,829 (9%) | 94,964 (9%) | +5% | 883,051 | |
| Aerospace | 246,689 (23%) | 238,100 (23%) | +4% | 2,182,122 | |
| Gas Turbine & Machinery | 185,753 (17%) | 165,251 (16%) | +12% | 1,643,104 | |
| Plant & Infrastructure | 80,058 (7%) | 114,273 (11%) | -30% | 708,164 | |
| Motorcycle & Engine | 214,960 (20%) | 198,702 (19%) | +8% | 1,901,459 | |
| Precision Machinery | 136,349 (13%) | 103,566 (10%) | +32% | 1,206,094 | |
| Other | 58,754 (5%) | 53,218 (5%) | +10% | 519,721 | |
| Total | ¥ 1,092,369 (100%) | ¥ 1,043,052 (100%) | 5% | \$ 9,662,706 | |
| Orders : | | | | | |
| Ship & Offshore Structure | ¥ (2,447) (0%) | ¥ 28,793 (3%) | -108% | \$ (21,645) | |
| Rolling Stock | 79,796 (8%) | 84,729 (10%) | -6% | 705,846 | |
| Aerospace | 251,272 (25%) | 148,828 (17%) | +69% | 2,222,663 | |
| Gas Turbine & Machinery | 168,040 (17%) | 192,337 (22%) | -13% | 1,486,422 | |
| Plant & Infrastructure | 86,436 (9%) | 60,401 (7%) | +43% | 764,582 | |
| Motorcycle & Engine | 214,960 (21%) | 198,702 (22%) | +8% | 1,901,460 | |
| Precision Machinery | 144,747 (14%) | 115,742 (13%) | +25% | 1,280,380 | |
| Other | 59,203 (6%) | 55,770 (6%) | +6% | 523,688 | |
| Total | ¥ 1,002,007 (100%) | ¥ 885,302 (100%) | +13% | \$ 8,863,396 | |

| | Millions of yen | | | Thousands of U.S. dollars | |
|---------------------------|--------------------|--------------------|------|---------------------------|--|
| | As of | | % | As of | |
| | Dec. 31, 2017 | Mar. 31, 2017 | | Dec. 31, 2017 | |
| Order backlog : | | | | | |
| Ship & Offshore Structure | ¥ 118,500 (7%) | ¥ 191,604 (11%) | -38% | \$ 1,048,208 | |
| Rolling Stock | 375,074 (23%) | 392,224 (22%) | -4% | 3,317,770 | |
| Aerospace | 493,811 (30%) | 508,759 (29%) | -3% | 4,368,076 | |
| Gas Turbine & Machinery | 378,914 (23%) | 394,977 (23%) | -4% | 3,351,738 | |
| Plant & Infrastructure | 221,839 (13%) | 214,926 (12%) | +3% | 1,962,308 | |
| Motorcycle & Engine | - (- %) | - (- %) | -% | - | |
| Precision Machinery | 46,313 (3%) | 37,912 (2%) | +22% | 409,668 | |
| Other | 21,060 (1%) | 21,404 (1%) | -2% | 186,292 | |
| Total | ¥ 1,655,511 (100%) | ¥ 1,761,806 (100%) | -6% | \$ 14,644,060 | |

Net Sales by geographic area

For nine months ended December 31, 2017 and 2016

| | Millions of yen | | | Thousands of U.S. dollars | |
|---------------|--------------------|--------------------|------|---------------------------|--|
| | Nine months ended | | % | Nine months ended | |
| | Dec. 31, 2017 | Dec. 31, 2016 | | Dec. 31, 2017 | |
| Japan | ¥ 459,298 (42%) | ¥ 437,252 (42%) | +5% | \$ 4,062,786 | |
| United States | 273,061 (25%) | 255,144 (24%) | +7% | 2,415,400 | |
| Europe | 115,370 (10%) | 127,796 (12%) | -9% | 1,020,522 | |
| Asia | 161,347 (15%) | 151,377 (15%) | +6% | 1,427,218 | |
| Other | 83,293 (8%) | 71,483 (7%) | +16% | 736,780 | |
| Total | ¥ 1,092,369 (100%) | ¥ 1,043,052 (100%) | +4% | \$ 9,662,706 | |