

Financial Results for First Quarter FY2015 (for the year ending March 31, 2016)

July 31, 2015

Kawasaki Heavy Industries, Ltd.

 **Kawasaki**
Powering your potential

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Summary of Financial Results

(Billion Yen)

	FY2014.1Q	FY2015.1Q	Change
Orders Received	333.8	343.7	+9.8
Net Sales	304.1	340.0	+35.8
Operating Income	10.9	14.8	+3.9
Recurring Profit	6.6	15.3	+8.6
Net Income attributable to owners of parent ※	5.4	7.4	+2.0

※ "Net Income" as for FY2014.1Q

vs. FY2014.1Q

< Orders Received >

Increased in Plant & Infrastructure, Aerospace and other segments

< Net Sales >

Increased in Aerospace, Gas Turbine & Machinery, Motorcycle & Engine, Ship & Offshore and other segments

< Profits >

Increased in operating income, recurring profit and net income attributable to owners of parent due to increased profit in Aerospace, Gas Turbine & Machinery, Rolling Stock and other segments

Weighted-average exchange rates

Yen / US\$	102.17	120.73
Yen / EUR	140.44	132.37

(For Reference)

Net Sales in Foreign Currencies for FY2015.1Q (Billion)

US\$	EUR
0.47	0.07

Financial Results by Segment

(Billion Yen)

	Orders Received			Net Sales			Operating Income		
	FY2014 1Q	FY2015 1Q	Change	FY2014 1Q	FY2015 1Q	Change	FY2014 1Q	FY2015 1Q	Change
Ship & Offshore Structure	14.5	17.2	+2.6	18.3	23.4	+5.1	-0.4	-0.5	-0.1
Rolling Stock	67.4	46.9	-20.4	30.4	32.1	+1.6	0	1.5	+1.4
Aerospace	41.9	52.6	+10.6	65.4	76.0	+10.6	6.2	8.4	+2.2
Gas Turbine & Machinery	43.2	35.2	-8.0	42.7	51.9	+9.1	2.0	3.6	+1.5
Plant & Infrastructure	35.2	55.3	+20.1	21.0	23.4	+2.4	-0.4	-0.1	+0.3
Motorcycle & Engine	64.8	72.1	+7.2	64.8	72.1	+7.2	0.2	-1.0	-1.2
Precision Machinery	31.7	31.1	-0.5	30.6	29.9	-0.6	2.8	1.8	-0.9
Others	34.7	32.9	-1.7	30.5	30.7	+0.2	0.5	0.8	+0.2
Eliminations and corporate※	-	-	-	-	-	-	-0.3	0.2	+0.5
Total	333.8	343.7	+9.8	304.1	340.0	+35.8	10.9	14.8	+3.9

※ "Eliminations and corporate" includes some expenses incurred at Head Office which were not allocated to each industry segment for internal reporting

Summary of Income Statement

(Billion Yen)

【 Operating Income 】 **+3.9 (FY2014.1Q 10.9 → FY2015.1Q 14.8)**

Net sales	+	35.8	(	304.1	→	340.0)
Cost of sales	+	28.0	(	253.1	→	281.2)
Selling, general & administrative expenses	+	3.9	(	40.0	→	43.9)
- Salaries and benefits	+	1.1	(	11.3	→	12.4)
- R&D expenses	+	0.6	(	8.0	→	8.6)

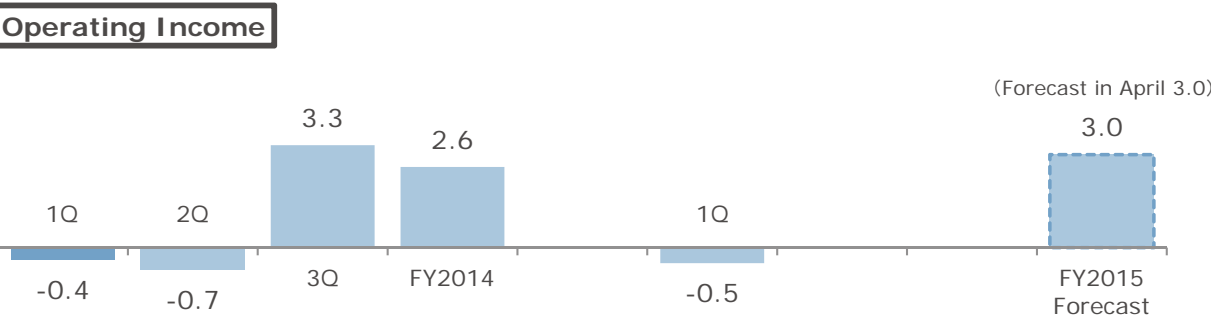
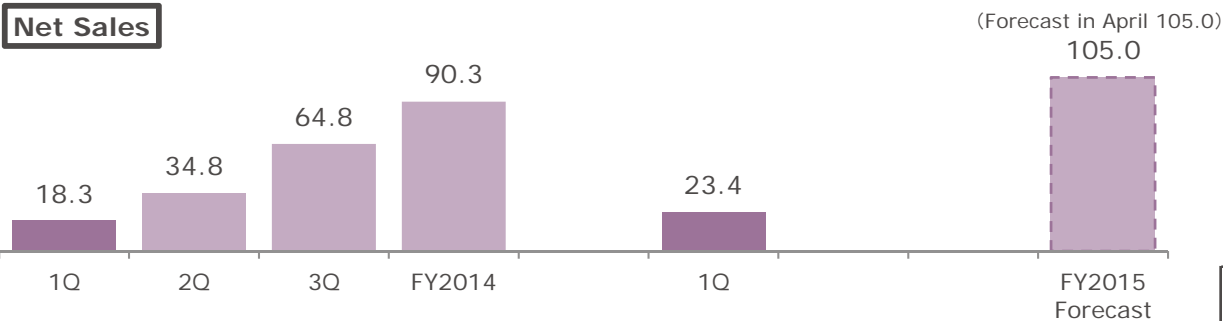
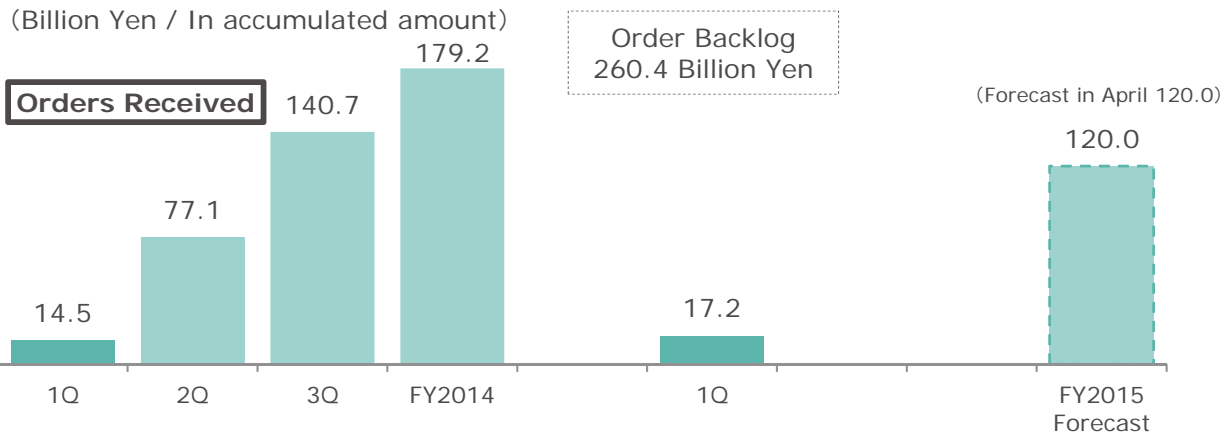
【 Non-operating Income/Expenses 】 **+4.7 (FY2014.1Q -4.2 → FY2015.1Q 0.5)**

Net Interest expense (incl. dividend income)	+	0.1	(	-0.7	→	-0.5)
Equity in income of unconsolidated subsidiaries and affiliates	-	2.2	(	2.4	→	0.2)
Gain and loss on foreign exchange	+	5.5	(	-5.8	→	-0.2)
Others	+	1.2	(	-0	→	+1.1)

【 Extraordinary Income/Losses 】 **0 (FY2014.1Q 0 → FY2015.1Q 0)**

Ship & Offshore Structure

Main Products: LNG carriers, LPG carriers, Offshore structures, VLCCs, Bulk carriers, Submarines



FY2015.1Q

(vs. FY2014.1Q)

Orders Received: Increased due to orders received for 1 bulk carrier and 2 LPG carriers

Net Sales: Increased due to increase in amount of shipbuilding of LPG carriers, LNG carriers and others

Operating Income: Deteriorated due to provision for loss on construction contracts and other factors

FY2015 Forecast

(vs. FY2014)

Orders Received: Expected to decrease compared to the previous fiscal year where orders for a submarine and other carriers were received

Net Sales : Expected to increase due to increase in amount of shipbuilding including gas carriers

Operating Income: Expected to remain the same as the previous fiscal year due to cost increase, despite increase due to sales increase

<Units of Orders Received and Sales of New Building Ships>

(unit)

	Orders Received		Sales			
	FY2014.1Q	FY2015.1Q	FY2014.1Q		FY2015.1Q	
			completed	In Process ※	completed	In Process ※
LNG carriers				3		4
Small-sized LNG carriers						
LPG carriers	1	2	1			2
Offshore service vessel						
Bulk carriers		1	1	2	1	2
Submarines				2		1
Deep submergence rescue vehicle						1
Total	1	3	2	7	1	10

※ Sales units by percentage-of-completion method

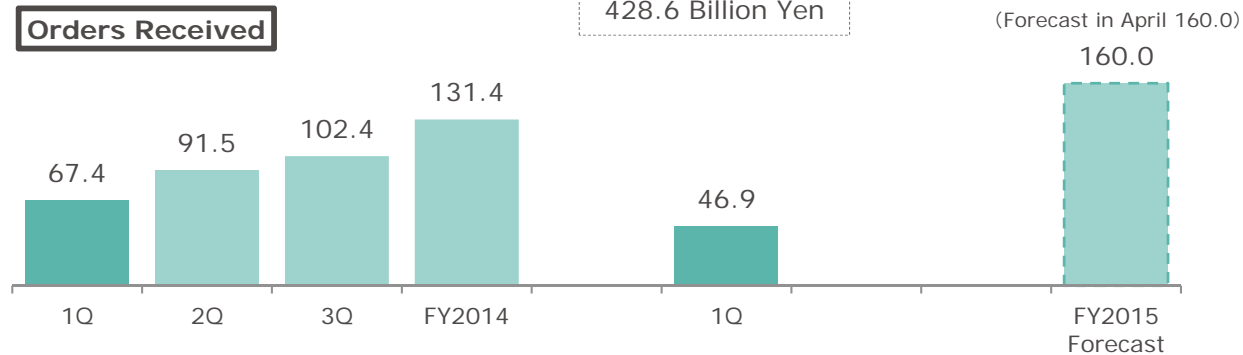
	FY2013 Actual	FY2014 Actual	FY2015 Forecast
Before-tax ROIC	3.4%	6.0%	5.4%

Rolling Stock

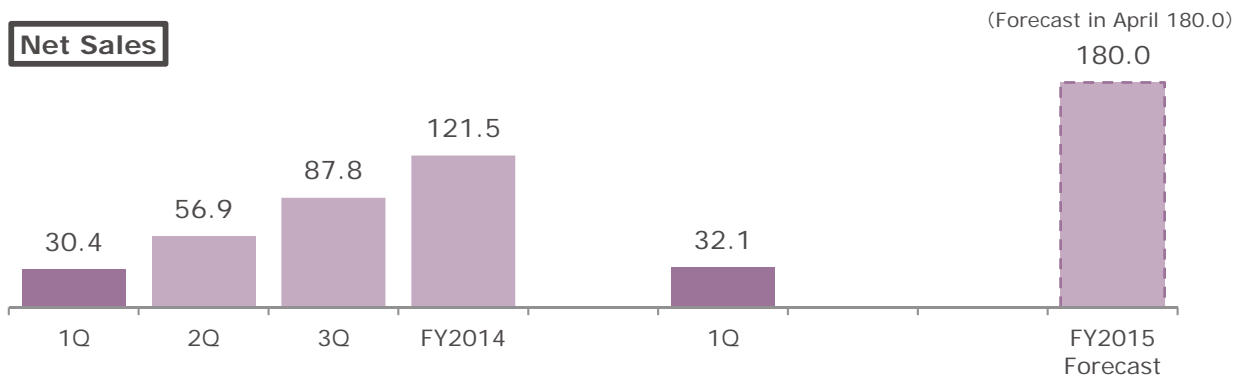
Main Products : Electric train cars (incl. Shinkansen), Electric and diesel locomotives, Passenger coaches, Bogies, Gigacell® (High-Capacity, Full Sealed Ni-MH Battery)

(Billion Yen / In accumulated amount)

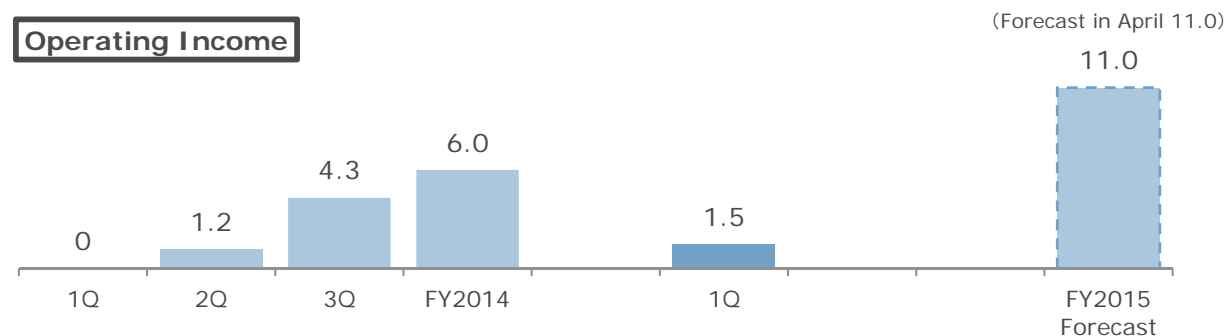
Orders Received



Net Sales



Operating Income



FY2015.1Q

(vs. FY2014.1Q)

Orders Received: Decreased compared to the previous same period where an order for a large-scale overseas project was received

Net Sales: Increased due to sales increase in overseas market including Singapore and North America, despite sales decrease in domestic market

Operating Income: Increased due to sales increase and other factors

FY2015 Forecast

(vs. FY2014)

Orders Received: Expected to increase due to orders for train cars in overseas markets, mainly North America

Net Sales: Expected to increase due to sales increase in overseas markets including North America and Asia, despite sales decrease in domestic market

Operating Income: Expected to increase due to sales increase

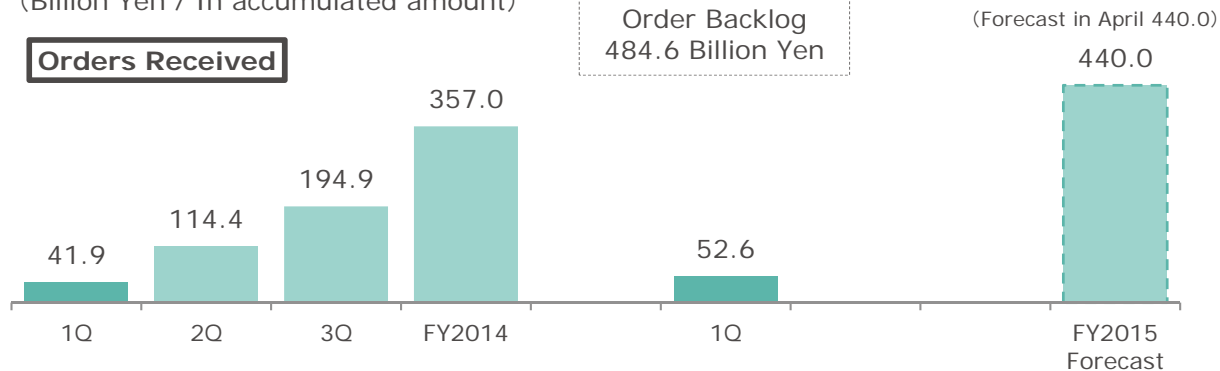
	FY2013 Actual	FY2014 Actual	FY2015 Forecast
Before-tax ROIC	10.2%	8.7%	12.5%

Aerospace

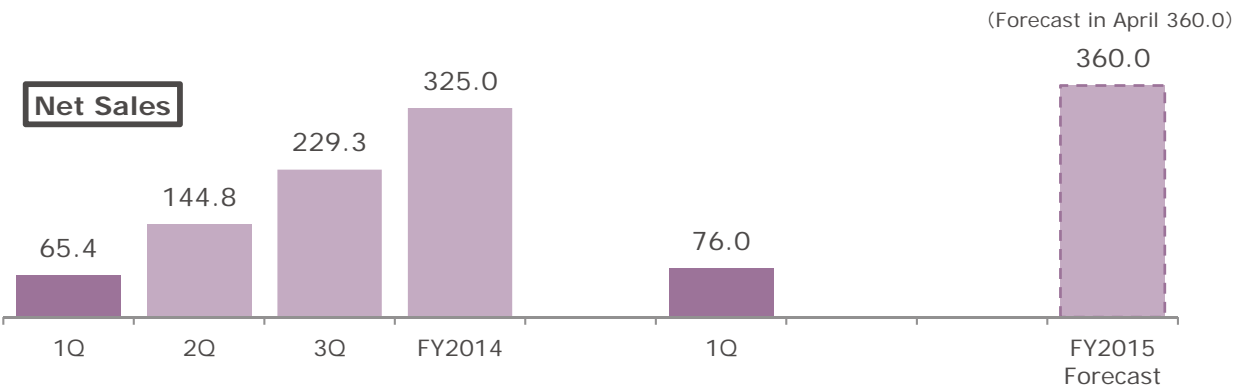
Main Products : Aircrafts for Japan Ministry of Defense, Component parts for commercial aircrafts, Commercial helicopters, Missiles, Space equipment

(Billion Yen / In accumulated amount)

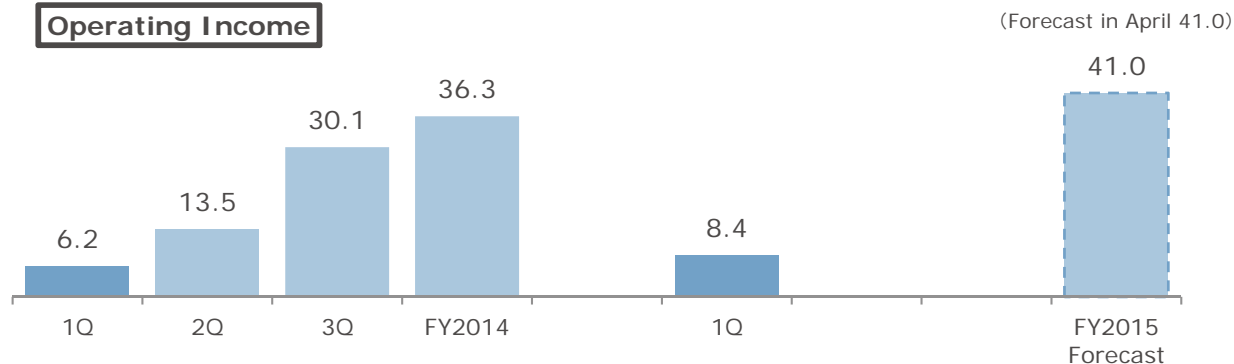
Orders Received



Net Sales



Operating Income



FY2015.1Q

(vs. FY2014.1Q)

Orders Received: Increased due to orders for component parts for Boeing 777 and 787 remaining at a high level, the effect of the depreciation of the yen and other factors

Net Sales: Increased due to increase in sales to the Japan Ministry of Defense (MOD), sales for component parts for Boeing 777 and 787 remaining at a high level, and the effect of the depreciation of the yen and other factors

Operating Income: Increased due to sales increase and other factors

FY2015 Forecast

(vs. FY2014)

Orders Received: Expected to increase mainly due to orders received for the MOD

Net Sales: Expected to increase due to sales increase to the MOD and the effect of the depreciation of the yen

Operating Income: Expected to increase due to sales increase and the effect of the depreciation of the yen

< Sales units of component parts for commercial aircrafts > (units)

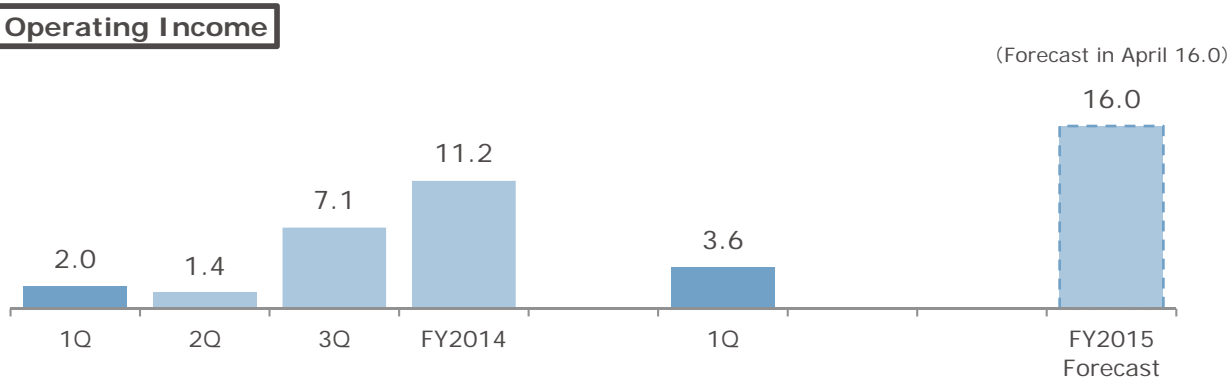
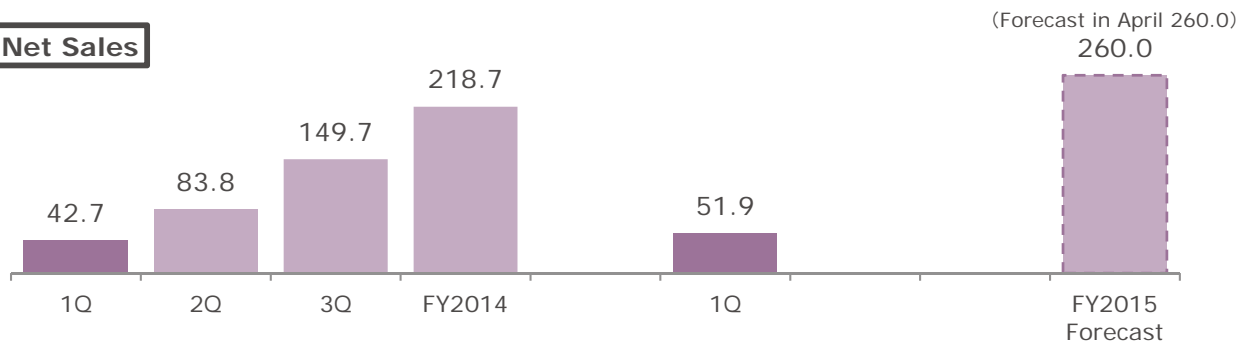
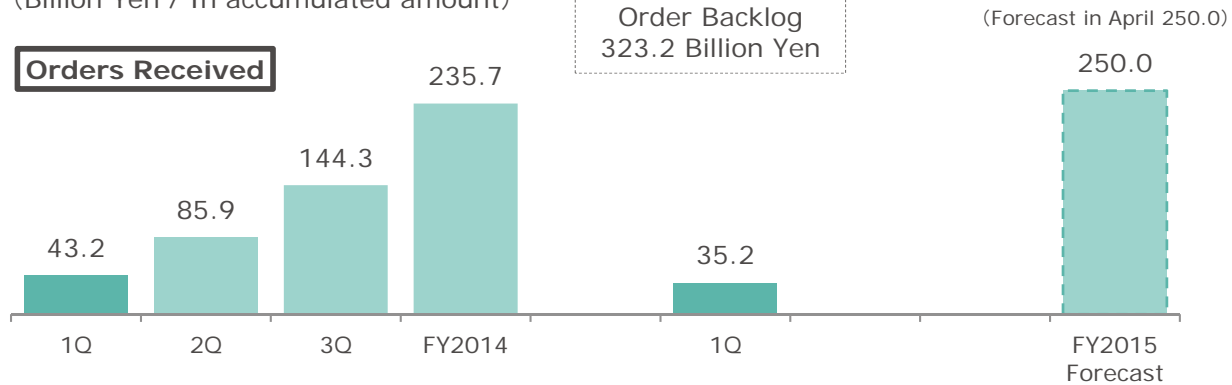
	FY2014.1Q	FY2015.1Q
Boeing 777	27	26
Boeing 767	4	4
Boeing 787	31	32
Embraer170/175	21	18
Embraer190/195	7	0

	FY2013 Actual	FY2014 Actual	FY2015 Forecast
Before-tax ROIC	19.6%	35.1%	29.0%

Gas Turbine & Machinery

Main Products : Jet engines, Gas turbine co-generation system, Gas engines, Diesel engines, Gas turbines & steam turbines for marine & land, Marine propulsion system, Aero-dynamic machinery

(Billion Yen / In accumulated amount)



FY2015.1Q

(vs. FY2014.1Q)

Orders Received: Decreased due to decrease in orders received for marine propulsion systems and other factors

Net Sales: Increased due to sales increase in component parts of commercial aircraft jet engines, aero-dynamic machineries and others

Operating Income: Increased due to sales increase and other factors

FY2015 Forecast

(vs. FY2014)

Orders Received: Expected to increase due to orders received for industrial gas turbines and gas engines

Net Sales: Expected to increase due to sales increase in component parts of commercial aircraft jet engines and marine machineries, and the effect of the depreciation of the yen

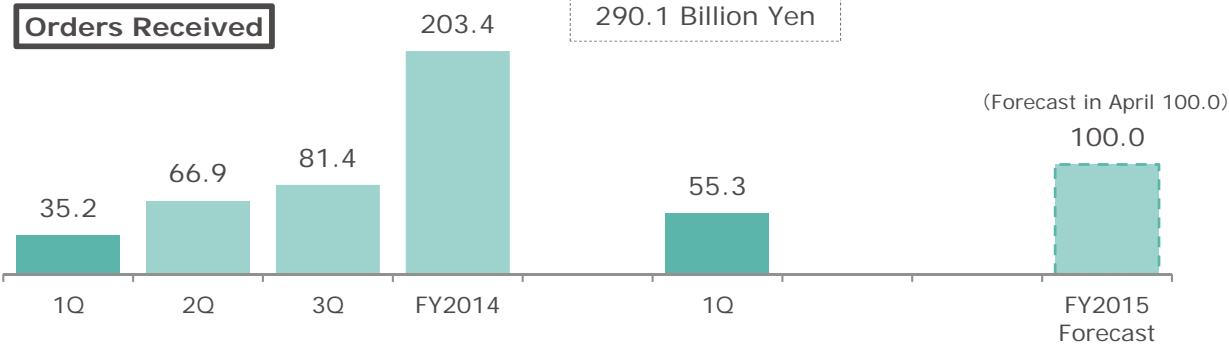
Operating Income: Expected to increase due to sales increase and the effect of the depreciation of the yen

	FY2013 Actual	FY2014 Actual	FY2015 Forecast
Before-tax ROIC	4.6%	5.7%	8.6%

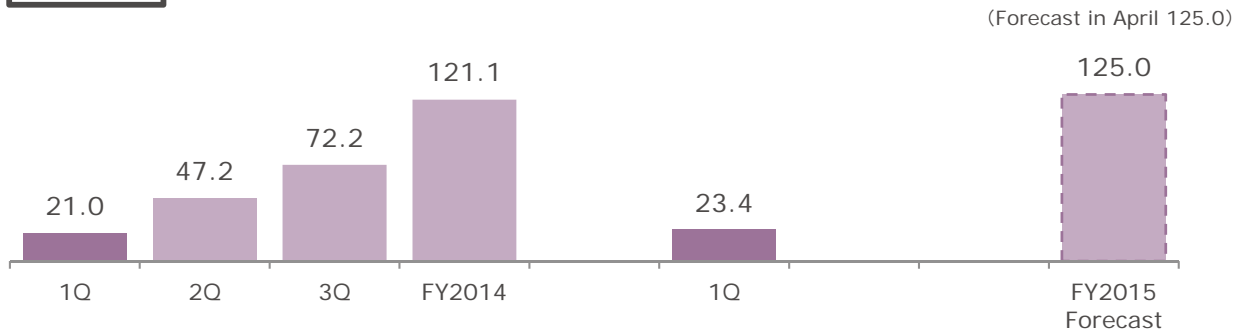
Plant & Infrastructure

Main Products: Industrial plants (cement, fertilizer and others), Power plants, LNG tanks, Municipal refuse incineration plants, Tunnel boring machines, Crushing machines

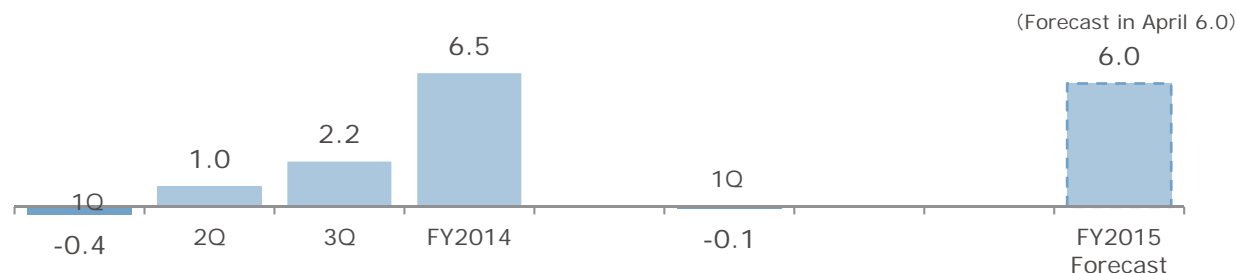
(Billion Yen / In accumulated amount)



Net Sales



Operating Income



FY2015.1Q

(vs. FY2014.1Q)

Orders Received: Increased due to increase in orders for refuse incineration plants for domestic market and other projects

Net Sales: Increased due to sales increase in large-scale overseas projects

Operating Income: Remained at the same level of operating loss as previous same period, despite sales increase

FY2015 Forecast

(vs. FY2014)

Orders Received: Expected to decrease, compared to the previous fiscal year where orders for GTG plant and other projects were received

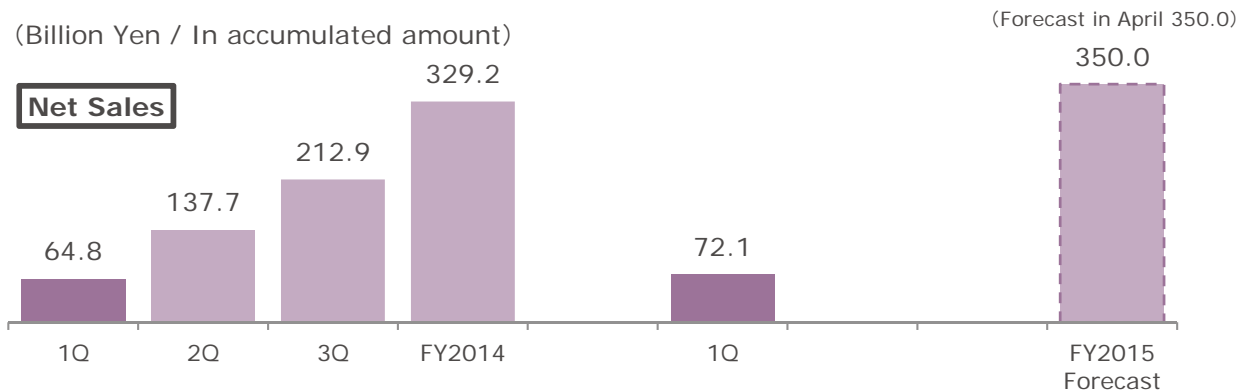
Net Sales: Expected to remain the same as the previous fiscal year, due to increase in shield machines and GTG plant, despite decrease in LNG tanks

Operating Income: Expected to remain the same as the previous fiscal year due to cost reduction, despite decline in profit margin resulting from severe competition

	FY2013 Actual	FY2014 Actual	FY2015 Forecast
Before-tax ROIC	14.9%	14.3%	12.6%

Motorcycle & Engine

Main Products: Motorcycles, All-Terrain Vehicles(ATVs), Utility Vehicles, Personal Watercraft, General-purpose Gasoline Engines



FY2015.1Q

(vs. FY2014.1Q)

Net Sales: Increased due to sales increase in utility vehicles and motorcycles in developed countries, despite decrease in motorcycles in Indonesia

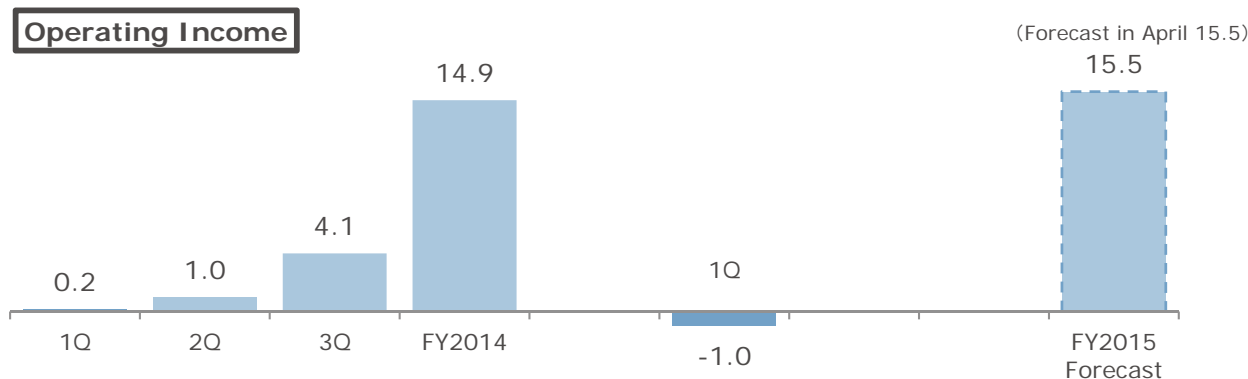
Operating Income: Deteriorated to an operating loss due to profit decrease in emerging markets mainly in Indonesia, despite increase in profit in developed countries

FY2015 Forecast

(vs. FY2014)

Net Sales: Expected to increase due to sales increase of motorcycles and utility vehicles in North America, despite stagnation of market growth in emerging countries and severe competition

Operating Income : Expected to remain the same as the previous fiscal year, due to a lower profit margin resulting from fluctuations in foreign exchange rates, despite increase due to sales increase



<Wholesales by Geographic Area for Consumer Products> (Thousands of units / Billion Yen)

	FY2014.1Q		FY2014		FY2015.1Q		FY2015 Forecast	
	Unit	Amount	Unit	Amount	Unit	Amount	Unit	Amount
Domestic	5	4.1	15	13.2	6	4.2	16	13.0
North America (incl. Canada)	11(6)	9.5	100(49)	97.0	18(11)	18.9	105(51)	108.5
Europe	12	11.4	57	50.1	15	13.6	60	48.5
Emerging Countries & Others	101	27.3	409	122.1	64	21.5	410	126.0
Total	129	52.3	581	282.4	103	58.2	591	296.0

Note: 1) Sales units and amount include the following products.

Units: Motorcycles, All-Terrain Vehicles (ATVs), Utility Vehicles and Personal Watercraft (Jet Ski®)

Amount: The products mentioned above and parts for those products.

2) Figures in the parenthesis () represent motorcycle sales units.

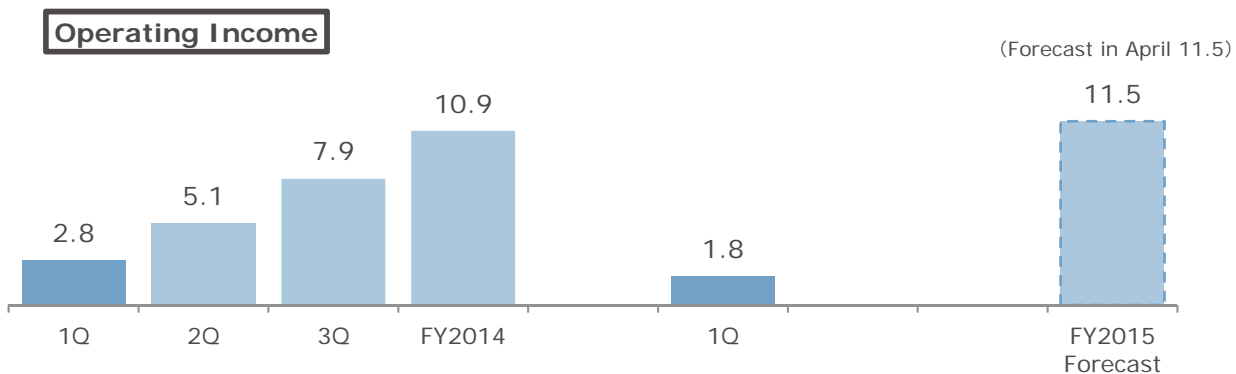
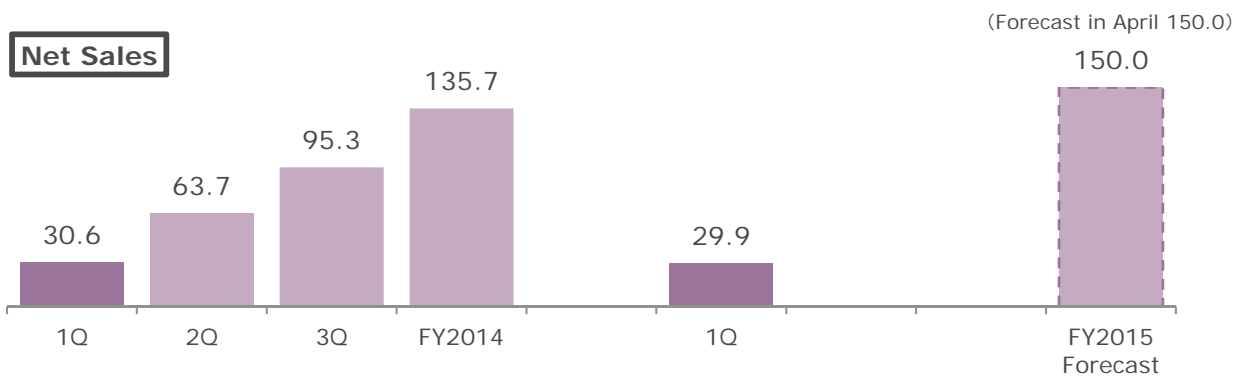
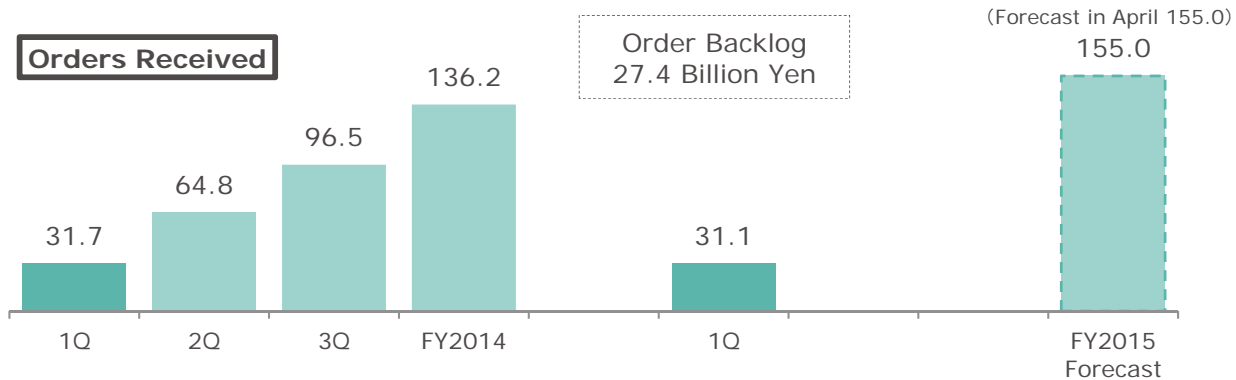
3) Sales to Latin America have been moved from "North America" to "Emerging Countries & Others".

	FY2013 Actual	FY2014 Actual	FY2015 Forecast
Before-tax ROIC	1.4%	7.3%	12.0%

Precision Machinery

Main Products: Hydraulic components (pumps, motors & valves), Hydraulic systems for industrial use, Hydraulic marine machinery, Precision Machinery / Electric-powered devices, Industrial Robots

(Billion Yen / In accumulated amount)



FY2015.1Q

(vs. FY2014.1Q)

Orders Received: Remained at the same level due to decrease in orders for hydraulic components despite increase in orders for industrial robots mainly for semiconductor industries

Net Sales: Decreased due to sales decrease in hydraulic components despite increase in sales for industrial robots mainly for semiconductor industries

Operating Income: Decreased due to profit decrease in hydraulic components, despite increase in profit in industrial robots

FY2015 Forecast

(vs. FY2014)

Orders Received & Net Sales: Expected to increase in industrial robots including for automotive industries

Operating Income: Expected to increase due to sales increase

	FY2013 Actual	FY2014 Actual	FY2015 Forecast
Before-tax ROIC	17.5%	16.7%	12.9%

Summary of Balance Sheet

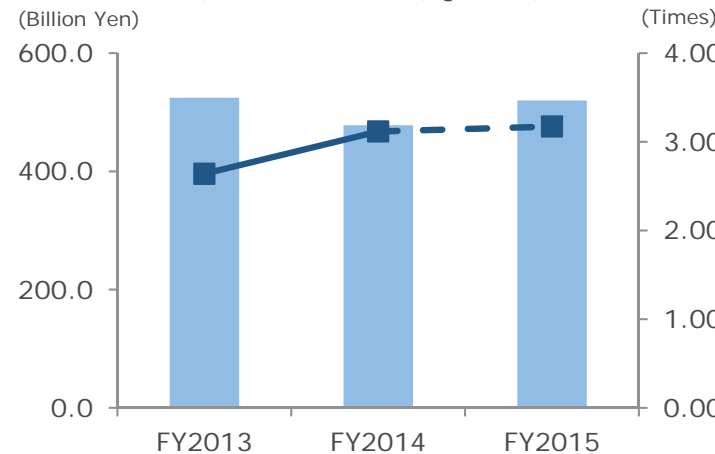
(Billion Yen)

	End of Mar. 2015	End of Jun. 2015	Change
Cash on hand and in banks	51.6	46.7	-4.9
Trade receivables	421.8	413.6	-8.2
Inventories	498.6	530.1	+31.5
Total fixed assets	436.9	441.1	+4.1
Other assets	253.1	276.1	+22.9
Total assets	1,662.2	1,707.8	+45.5
Trade payables	339.3	295.4	-43.9
Interest-bearing debt	414.3	510.6	+96.2
Advances from customers	171.6	180.1	+8.5
Other liabilities	288.9	276.9	-12.0
Total liabilities	1,214.3	1,263.1	+48.7
Total shareholders' equity	412.4	408.2	-4.1
Other net assets	35.5	36.5	+0.9
Total net assets	447.9	444.7	-3.1
Total liabilities and net assets	1,662.2	1,707.8	+45.5

Ratio of shareholders' equity to total assets	25.9%	25.1%
Net Debt Equity Ratio	83.9%	108.1%

【Changes in working capital】

Working capital(1Q) (left axis) Working capital turnover* (right axis)

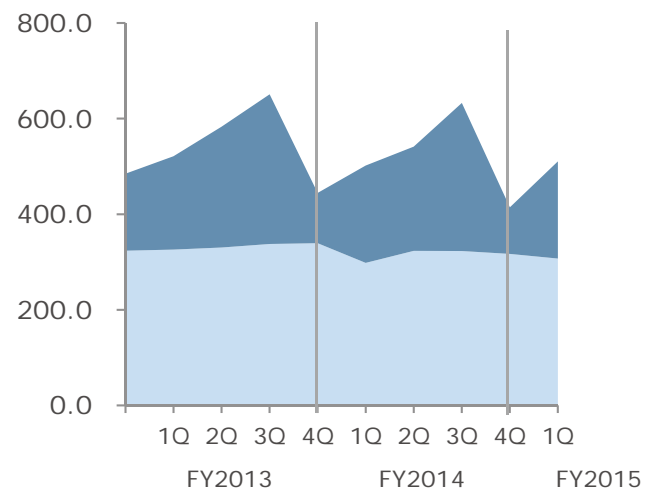


*Turnover=Sales(12months)/working capital
*Sales for FY2015 is a forecast number

【Changes in interest-bearing debt】

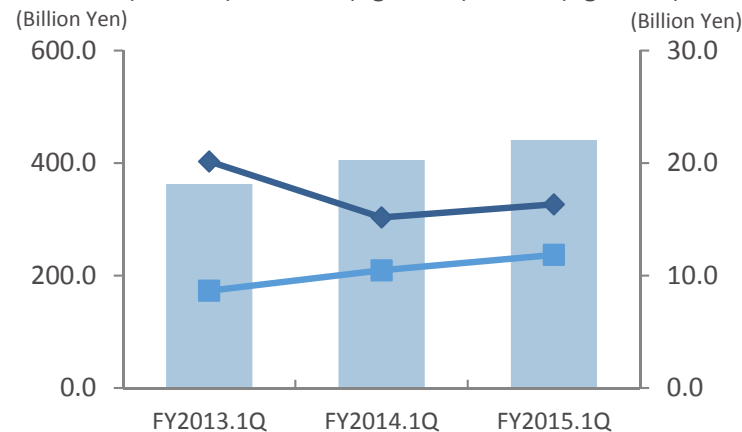
Long-term debt Short-term debt

(Billion Yen)



【Changes in CAPEX and others】

Fixed Asset (left axis) CAPEX (right axis) DA* (right axis)



*Depreciation & Amortization

【Overview of Balance Sheet】

On June 30, 2015, total assets increased from March 31, 2015, attributing to inventory growth and increase in advance payments, despite a decrease in trade receivables. Liabilities on June 30, 2015, increased due to increase in interest-bearing debt, despite a decrease in trade payables. Net assets decreased due to dividend payments and other factors.

Summary of Cash Flows

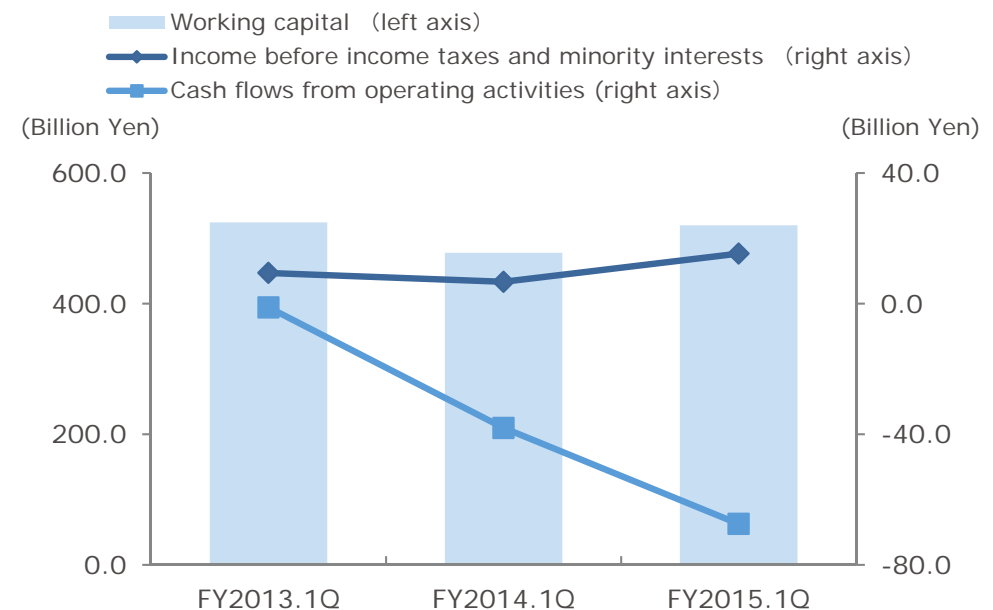
(Billion Yen)

	FY2014 1Q	FY2015 1Q	Change
Cash flows from operating activities	-38.0	-67.4	-29.3
Cash flows from investing activities	-11.7	-20.8	-9.1
Free Cash Flows	-49.8	-88.2	-38.4
Cash flows from financing activities	49.9	84.3	+34.4

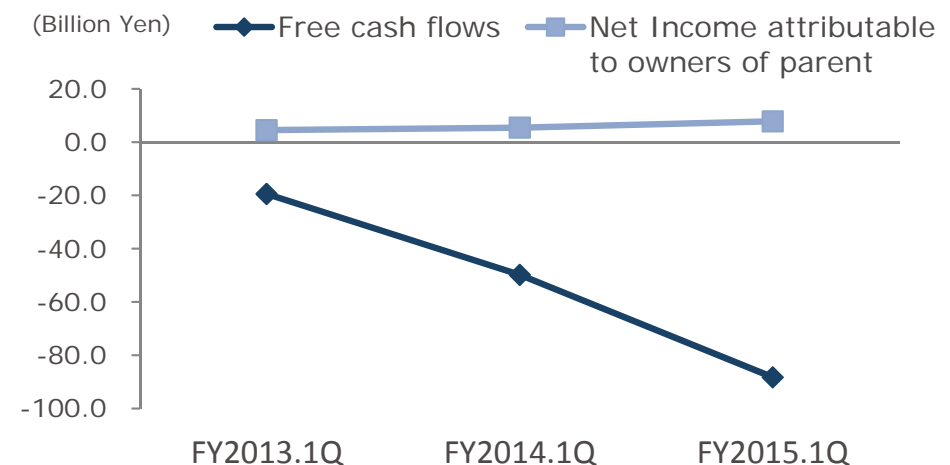
【Overview of Cash Flows】 (vs.FY2014.1Q)

Cash flows from operating activities decreased, due to an increase in advance payments in Aerospace segment, production increase related to commercial aircraft jet engines in Gas Turbine & Machinery segment and other factors. Cash outflows from investing activities increased due to expenditures for CAPEX having concentrated. Given the above mentioned changes, free cash flows decreased from the previous same period.

【Changes in cash flows from operating activities and others】



【Changes in free cash flows and net income attributable to owners of parent】



Consolidated Operating Performance

• No changes in the forecast for FY2015 from April 28, 2015.

(Billion Yen)

	FY2014 Actual	FY2015 Forecast	Change
Orders Received	1,712.9	1,680.0	-32.9
Net Sales	1,486.1	1,650.0	+163.9
Operating Income	87.2	102.0	+14.8
Recurring Profit	84.2	100.0	+15.8
Net Income attributable to owners of parent ※	51.6	69.0	+17.4
Before-tax ROIC	10.4%	11.8%	+1.4%
ROE	12.9%	15.0%	+2.1%

※ "Net Income" as for FY2014

Exchange Rates (actual & assumed)

Yen / US\$	109.51	118
Yen / EUR	139.34	128

Note : Assumed rates are applied to the outstanding foreign exchange exposure as of July 31, 2015

vs. FY2014

< Orders Received >

Expected to decrease as a whole, due to decrease in Plant & Infrastructure and Ship & Offshore Structure segments, where a large-scale orders were received in the previous fiscal year, despite increase in Aerospace segment due to increase in orders for the Japan Ministry of Defense, and Rolling Stock segment due to increase in orders for train cars in overseas markets

< Net Sales >

Expected to increase as a whole due to increase in Rolling Stock, Aerospace and Gas Turbine & Machinery segments

< Profits >

Expected to increase due to sales increase and our continued profit improvement activities such as improving productivity

(For Reference)

Impact on profit by FX fluctuation of 1 Yen

	(Billion Yen)	
	Operating Income	Recurring Profit
US\$	1.81 (2.06)	1.74 (2.16)
EUR	0.14 (0.20)	0.18 (0.26)

* Figures in the parenthesis () represent impact as of April 28, 2015

Forecast by Segment

• No changes in the forecast for FY2015 from April 28, 2015.

(Billion Yen)

	Orders Received			Net Sales			Operating Income		
	FY2014 Actual	FY2015 Forecast	Change	FY2014 Actual	FY2015 Forecast	Change	FY2014 Actual	FY2015 Forecast	Change
Ship & Offshore Structure	179.2	120.0	-59.2	90.3	105.0	+14.7	2.6	3.0	+0.4
Rolling Stock	131.4	160.0	+28.6	121.5	180.0	+58.5	6.0	11.0	+5.0
Aerospace	357.0	440.0	+83.0	325.0	360.0	+35.0	36.3	41.0	+4.7
Gas Turbine & Machinery	235.7	250.0	+14.3	218.7	260.0	+41.3	11.2	16.0	+4.8
Plant & Infrastructure	203.4	100.0	-103.4	121.1	125.0	+3.9	6.5	6.0	-0.5
Motorcycle & Engine	329.2	350.0	+20.8	329.2	350.0	+20.8	14.9	15.5	+0.6
Precision Machinery	136.2	155.0	+18.8	135.7	150.0	+14.3	10.9	11.5	+0.6
Others	140.5	105.0	-35.5	144.2	120.0	-24.2	3.9	3.0	-0.9
Eliminations and corporate ※	-	-	-	-	-	-	-5.4	-5.0	+0.4
Total	1,712.9	1,680.0	-32.9	1,486.1	1,650.0	+163.9	87.2	102.0	+14.8

※ "Eliminations and corporate" includes some expenses incurred at Head Office which are not allocated to each industry segment for internal reporting

Before-tax ROIC by Segment

· No changes in the forecast for FY2015 from April 28, 2015.

	Before-tax ROIC ((EBIT+ Interest Expense)/ Invested Capital)		
	FY2013 Actual	FY2014 Actual	FY2015 Forecast
Ship & Offshore Structure	3.4%	6.0%	5.4%
Rolling Stock	10.2%	8.7%	12.5%
Aerospace	19.6%	35.1%	29.0%
Gas Turbine & Machinery	4.6%	5.7%	8.6%
Plant & Infrastructure	14.9%	14.3%	12.6%
Motorcycle & Engine	1.4%	7.3%	12.0%
Precision Machinery	17.5%	16.7%	12.9%
Total	8.1%	10.4%	11.8%

Operating Income Margin (Operating Income / Net Sales)			Asset Turnover (Times) (Net Sales / Total Assets)		
FY2013 Actual	FY2014 Actual	FY2015 Forecast	FY2013 Actual	FY2014 Actual	FY2015 Forecast
-2.4%	2.9%	2.8%	0.62	0.52	0.70
5.1%	4.9%	6.1%	0.92	0.71	1.00
9.3%	11.1%	11.3%	0.80	0.89	0.90
5.5%	5.1%	6.1%	0.67	0.73	0.80
6.0%	5.4%	4.8%	0.94	0.96	1.00
4.9%	4.5%	4.4%	1.27	1.21	1.30
8.4%	8.0%	7.6%	0.98	1.00	1.00
5.2%	5.8%	6.1%	0.89	0.89	1.00

R&D/CAPEX/Number of Employees

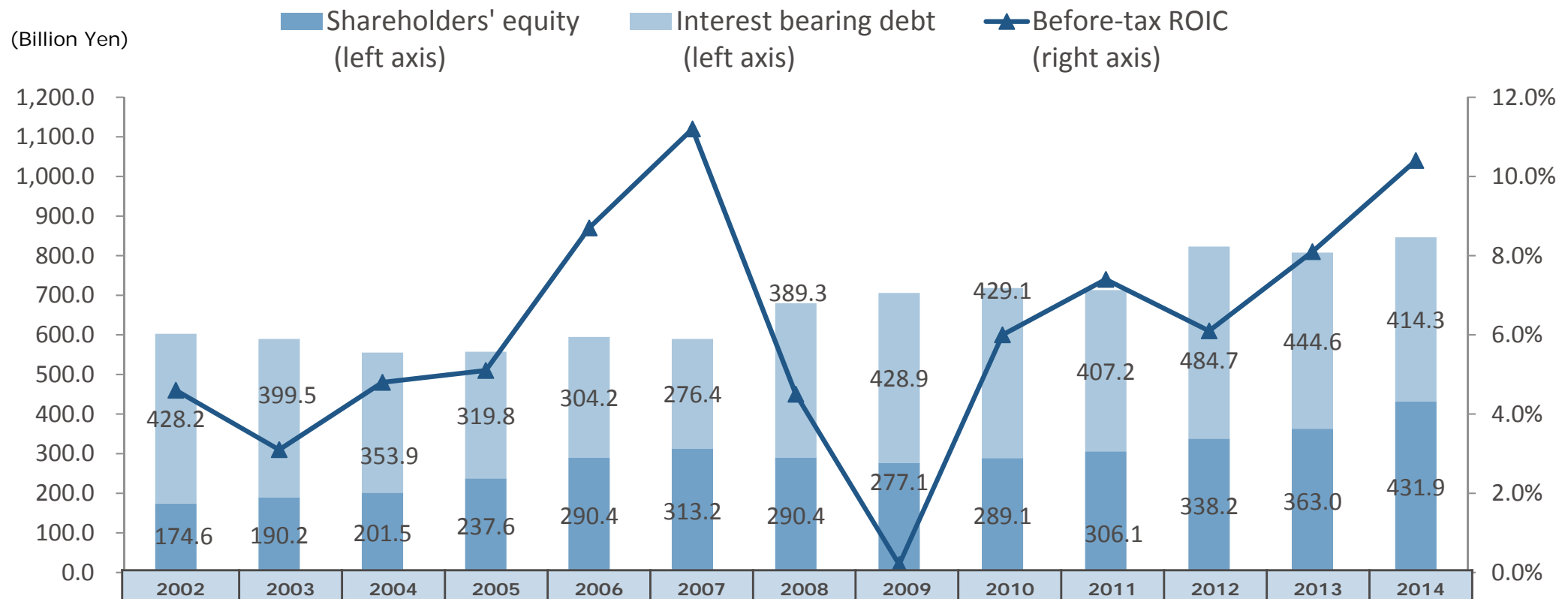
· No changes in the forecast for FY2015 from April 28, 2015.

(Billion Yen / Persons)

	FY2013 Actual	FY2014 Actual	FY2015 Forecast
R&D Expenses	40.3	41.6	46.0
CAPEX (Construction Base)	87.7	80.0	92.0
Depreciation & Amortization	37.8	44.5	54.0
Domestic	25,531	26,019	26,200
Overseas	9,089	9,452	9,200
Number of Employees	34,620	35,471	35,400

· 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.

Historical Data



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Before-tax ROIC	4.6%	3.1%	4.8%	5.1%	8.7%	11.2%	4.5%	0.2%	6.0%	7.4%	6.1%	8.1%	10.4%
Invested Capital	602.7	589.6	555.3	557.3	594.6	589.6	679.7	705.9	718.2	713.2	822.8	807.6	846.3
Net Sales	1,239.5	1,160.2	1,241.5	1,322.4	1,438.6	1,501.0	1,338.5	1,173.4	1,226.9	1,303.7	1,288.8	1,385.4	1,486.1
Operating Profit	30.5	22.2	24.7	41.7	69.1	76.9	28.7	-1.3	42.6	57.4	42.0	72.3	87.2
Recurring Profit	16.2	12.1	21.0	30.8	49.0	63.9	38.7	14.2	49.1	63.6	39.3	60.6	84.2
Net Income	13.0	6.3	11.4	16.4	29.7	35.1	11.7	-10.8	25.9	23.3	30.8	38.6	51.6

Yen / US\$	120	113	108	112	117	115	101	93	86	79	82	99	109

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Figures recorded in the business forecasts are forecasts that reflect the judgment of the Company based on the information available at the time of release and include risks and uncertainties. Accordingly, the Company cautions investors not to make investment decisions solely on the basis of these forecasts.

Actual business results may differ materially from these business forecasts due to various important factors resulting from changes in the external environment and internal environment. Important factors that may affect actual business results include, but are not limited to, economic conditions, the yen exchange rate against the U.S. dollar and other currencies, the tax system, and laws and regulations.