


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

January 31, 2019

(Consolidated)

For nine months ended December 31, 2018 and 2017 and one year ended March 31, 2018

Operating results

	Millions of yen		Thousands of U.S. dollars
	Nine months ended Dec. 31, 2018	Nine months ended Dec. 31, 2017	Nine months ended Dec. 31, 2018
Net sales	¥ 1,094,583	¥ 1,092,369	\$ 9,869,110
Operating profit	36,849	44,644	332,242
Profit attributable to owners of parent	11,385	14,520	102,651
Earnings per share (Yen)	68.15	86.92	

Financial position

	Millions of yen / Thousand shares		Thousands of U.S. dollars
	As of Dec. 31, 2018	As of Dec. 31, 2017	As of Dec. 31, 2018
Total assets	¥ 2,001,345	¥ 1,785,028	\$ 18,044,766
Net assets	481,256	481,386	4,339,158
Number of shares issued and outstanding	167,046	167,047	
Equity Ratio	23.2%	26.1%	

Cash flows

	Millions of yen		Thousands of U.S. dollars
	Nine months ended Dec. 31, 2018	Nine months ended Dec. 31, 2017	Nine months ended Dec. 31, 2018
Operating activities	¥ (207,489)	¥ (206,775)	\$ (1,870,787)
Investing activities	(67,409)	(66,461)	(607,781)
Financing activities	254,463	269,564	2,294,320
Cash and cash equivalents at end of period	43,259	44,148	390,037

Fiscal year forecast

	Millions of yen		
	Net sales	Operating profit	Profit attributable to owners of parent
One year ending March 31, 2019	¥ 1,620,000	¥ 66,000	¥ 31,000

- 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 ¥110.91=\$1, the rate prevailing as of December 28, 2018, solely for the convenience of the readers.
 3. As KHI carried out a share consolidation with a 10:1 ratio of common shares with an effective date of October 1, 2017, earnings per share has been calculated assuming that this share consolidation was carried out at the beginning of the fiscal year ended March 31, 2018.
 4. The company has reported its segment information for nine months ended December 31, 2018 and 2017 based on the new reportable segments: Aerospace Systems, Energy System & Plant Engineering, Precision Machinery & Robot, Ship & Offshore Structure, Rolling Stock, Motorcycle & Engine, and Other.

Consolidated Balance Sheets

As of December 31 and March 31, 2018

	Millions of yen		Thousands of U.S. dollars
	As of	As of	As of
	Dec. 31, 2018	Mar. 31, 2018	Dec. 31, 2018
Assets			
Current assets			
Cash and deposits	¥ 50,161	¥ 70,632	\$ 452,268
Notes and accounts receivable - trade	563,358	470,110	5,079,416
Merchandise and finished goods	89,216	62,385	804,400
Work in process	426,291	326,459	3,843,576
Raw materials and supplies	123,530	115,893	1,113,786
Other	86,450	72,542	779,461
Allowance for doubtful accounts	(3,636)	(2,247)	(32,783)
Total current assets	<u>1,335,372</u>	<u>1,115,776</u>	<u>12,040,141</u>
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	195,879	186,623	1,766,108
Other	287,487	293,173	2,592,075
Total property, plant and equipment	<u>483,367</u>	<u>479,797</u>	<u>4,358,191</u>
Intangible assets	16,241	16,178	146,434
Investments and other assets			
Other	169,826	176,961	1,531,205
Allowance for doubtful accounts	(3,462)	(3,685)	(31,214)
Total investments and other assets	<u>166,363</u>	<u>173,276</u>	<u>1,499,982</u>
Total non-current assets	<u>665,972</u>	<u>669,252</u>	<u>6,004,616</u>
Total assets	<u>2,001,345</u>	<u>1,785,028</u>	<u>18,044,766</u>
Liabilities			
Current liabilities			
Notes and accounts payable - trade	222,911	245,398	2,009,837
Electronically recorded obligations - operating	122,291	117,772	1,102,615
Short-term loans payable	232,777	108,978	2,098,792
Income taxes payable	4,720	6,042	42,557
Provision for bonuses	10,659	19,903	96,105
Provision for construction warranties	11,631	13,000	104,869
Provision for loss on construction contracts	20,190	18,258	182,039
Advances received	179,084	194,306	1,614,679
Other	254,217	145,737	2,292,102
Total current liabilities	<u>1,058,484</u>	<u>869,398</u>	<u>9,543,630</u>
Non-current liabilities			
Bonds payable	140,000	130,000	1,262,285
Long-term loans payable	177,312	185,685	1,598,702
Net defined benefit liability	90,185	86,836	813,137
Provision for the in-service issues of commercial aircraft jet engines	8,061	—	72,681
Other	46,044	31,721	415,147
Total non-current liabilities	<u>461,603</u>	<u>434,244</u>	<u>4,161,960</u>
Total liabilities	<u>1,520,088</u>	<u>1,303,642</u>	<u>13,705,599</u>
Net assets			
Shareholders' equity			
Capital stock	104,484	104,484	942,061
Capital surplus	54,542	54,573	491,768
Retained earnings	308,538	308,010	2,781,877
Treasury shares	(128)	(124)	(1,154)
Total shareholders' equity	<u>467,437</u>	<u>466,944</u>	<u>4,214,561</u>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	2,380	3,526	21,459
Deferred gains or losses on hedges	42	403	379
Foreign currency translation adjustment	(2,069)	719	(18,655)
Remeasurements of defined benefit plans	(3,175)	(5,532)	(28,627)
Total accumulated other comprehensive income	<u>(2,821)</u>	<u>(883)</u>	<u>(25,435)</u>
Non-controlling interests	16,641	15,324	150,041
Total net assets	<u>481,256</u>	<u>481,386</u>	<u>4,339,158</u>
Total liabilities and net assets	<u>2,001,345</u>	<u>1,785,028</u>	<u>18,044,766</u>

Consolidated Statements of Profit and Loss

For nine months ended December 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	Nine months ended Dec. 31, 2018	Nine months ended Dec. 31, 2017	Nine months ended Dec. 31, 2018
Net sales	¥ 1,094,583	¥ 1,092,369	\$ 9,869,110
Cost of sales	910,113	904,289	8,205,870
Gross profit	184,469	188,079	1,663,231
Selling, general and administrative expenses			
Salaries and allowances	40,325	38,661	363,583
Research and development expenses	33,427	31,069	301,389
Other	73,867	73,704	666,008
Total selling, general and administrative expenses	147,620	143,435	1,330,989
Operating profit	36,849	44,644	332,242
Non-operating income			
Interest income	648	523	5,843
Dividend income	263	259	2,371
Share of profit of entities accounted for using equity method	1,014	3,097	9,143
Other	2,585	2,400	23,307
Total non-operating income	4,512	6,280	40,682
Non-operating expenses			
Interest expenses	2,505	2,014	22,586
Foreign exchange losses	4,620	17	41,655
Payments for the in-service issues of commercial aircraft jet engines	9,745	—	87,864
Payments for contract adjustments for commercial aircraft jet engines	—	2,505	—
Other	4,625	6,388	41,700
Total non-operating expenses	21,496	10,925	193,815
Ordinary profit	19,865	39,999	179,109
Extraordinary losses			
Loss from termination of a shipbuilding contract for an offshore service vessel	—	12,833	—
Total extraordinary losses	—	12,833	—
Profit before income taxes	19,865	27,166	179,109
Income taxes	6,721	10,850	60,599
Profit	13,144	16,315	118,511
Profit attributable to non-controlling interests	1,758	1,794	15,851
Profit attributable to owners of parent	11,385	14,520	102,651

Segment information
Information by reportable segment

	Millions of yen			
	Nine months ended			
	Dec. 31, 2017			
	External sales	Intersegment sales	Total sales	Operating profit (loss)
Aerospace Systems	¥ 347,295	¥ 3,296	¥ 350,591	¥ 26,646
Energy System & Plant Engineering	165,205	13,093	178,298	2,538
Precision Machinery & Robot	136,349	10,802	147,152	14,793
Ship & Offshore Structure	69,977	2,173	72,151	(4,374)
Rolling Stock	99,829	99	99,929	2,383
Motorcycle & Engine	214,960	463	215,423	3,210
Other	58,750	29,062	87,812	2,364
Total	1,092,369	58,991	1,151,360	47,561
Eliminations and corporate	-	(58,991)	(58,991)	(2,916)
Consolidated total	¥ 1,092,369	¥ -	¥ 1,092,369	¥ 44,644

	Millions of yen			
	Nine months ended			
	Dec. 31, 2018			
	External sales	Intersegment sales	Total sales	Operating profit (loss)
Aerospace Systems	¥ 328,137	¥ 8,536	¥ 336,674	¥ 21,295
Energy System & Plant Engineering	168,844	14,285	183,129	4,534
Precision Machinery & Robot	154,282	11,777	166,059	14,942
Ship & Offshore Structure	63,066	2,665	65,732	2,803
Rolling Stock	86,088	16	86,105	(6,452)
Motorcycle & Engine	226,298	496	226,795	(33)
Other	67,865	29,035	96,900	2,456
Total	1,094,583	66,813	1,161,397	39,545
Eliminations and corporate	-	(66,813)	(66,813)	(2,696)
Consolidated total	¥ 1,094,583	¥ -	¥ 1,094,583	¥ 36,849

	Thousands of U.S. dollars			
	Nine months ended			
	Dec. 31, 2018			
	External sales	Intersegment sales	Total sales	Operating profit (loss)
Aerospace Systems	\$ 2,958,588	\$ 76,963	\$ 3,035,560	\$ 192,003
Energy System & Plant Engineering	1,522,351	128,798	1,651,150	40,880
Precision Machinery & Robot	1,391,056	106,185	1,497,241	134,722
Ship & Offshore Structure	568,623	24,028	592,661	25,273
Rolling Stock	776,197	144	776,350	(58,173)
Motorcycle & Engine	2,040,375	4,472	2,044,856	(298)
Other	611,893	261,789	873,681	22,144
Total	9,869,110	602,407	10,471,526	356,550
Eliminations and corporate	-	(602,407)	(602,407)	(24,308)
Consolidated total	\$ 9,869,110	\$ -	\$ 9,869,110	\$ 332,242

Orders by reportable segment*For nine months ended December 31, 2018 and 2017*

	Billions of yen		Millions of U.S. dollars	
	<u>Nine months ended Dec. 31, 2018</u>	<u>Nine months ended Dec. 31, 2017</u>	<u>Nine months ended Dec. 31, 2018</u>	
Orders :				
Aerospace Systems	¥ 280.5	¥ 325.8	\$ 2,529	
Energy System & Plant Engineering	201.6	179.8	1,818	
Precision Machinery & Robot	157.3	144.7	1,418	
Ship & Offshore Structure	65.2	(2.4)	588	
Rolling Stock	79.6	79.7	718	
Motorcycle & Engine	226.2	214.9	2,039	
Other	71.1	59.2	641	
Total	¥ 1,081.9	¥ 1,002.0	\$ 9,755	