


KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
FLASH CONSOLIDATED FINANCIAL RESULTS
October 27, 2017
For six months ended September 30, 2017 and 2016 and one year ended March 31, 2017
(Consolidated)
Operating results

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2017	Six months ended Sep. 30, 2016	Six months ended Sep. 30, 2017
Net sales	¥ 709,721	¥ 697,299	\$ 6,295,201
Operating income	16,115	8,491	142,939
Profit (loss) attributable to owners of parent	10,853	(242)	96,265
Earnings per share (Yen)	64.9	(1.4)	

Financial position

	Millions of yen / Thousand shares		Thousands of U.S. dollars
	As of Sep. 30, 2017	As of Mar. 31, 2017	As of Sep. 30, 2017
Total assets	¥ 1,795,393	¥ 1,687,363	\$ 15,925,075
Net assets	456,251	451,327	4,046,930
Number of shares issued and outstanding	167,053	167,054	
Equity Ratio	24.6%	25.9%	

Cash flows

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2017	Six months ended Sep. 30, 2016	Six months ended Sep. 30, 2017
Operating activities	¥ (123,333)	¥ (117,247)	\$ (1,093,959)
Investing activities	(40,285)	(31,618)	(357,326)
Financing activities	155,631	143,936	1,380,441
Cash and cash equivalents at end of term	40,277	35,689	357,255

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	¥ 38,000

- 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 ¥112.74=\$1, the rate prevailing as of September 29, 2017, solely for the convenience of the readers.

Condensed Consolidated Balance Sheets

As of September 30 and March 31, 2017

	Millions of yen		Thousands of U.S. dollars
	As of Sep. 30, 2017	As of Mar. 31, 2017	As of Sep. 30, 2017
Assets :			
Current assets :			
Cash on hand and in banks	¥ 45,442	¥ 55,388	\$ 403,069
Receivables, less allowance	506,636	460,976	4,493,844
Inventories	518,548	484,862	4,599,503
Other current assets	98,242	76,609	871,403
Total current assets	<u>1,168,868</u>	<u>1,077,835</u>	<u>10,367,819</u>
Investments and long-term loans less allowance	98,930	95,277	877,505
Net property, plant and equipment	475,084	461,882	4,213,981
Intangible and other assets	52,511	52,369	465,770
Total assets	<u>¥ 1,795,393</u>	<u>¥ 1,687,363</u>	<u>\$ 15,925,075</u>
Liabilities and net assets :			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	¥ 217,195	¥ 121,648	\$ 1,926,512
Payables	351,778	363,116	3,120,259
Advances from customers	165,648	205,872	1,469,292
Other current liabilities	144,994	152,806	1,286,092
Total current liabilities	<u>879,615</u>	<u>843,442</u>	<u>7,802,155</u>
Long-term liabilities :			
Long-term debt, less current portion	342,273	279,043	3,035,949
Others	117,254	113,551	1,040,041
Total long-term liabilities	<u>459,527</u>	<u>392,594</u>	<u>4,075,990</u>
Net assets :			
Common stock	104,484	104,484	926,769
Capital surplus	54,393	54,393	482,464
Retained earnings	289,950	287,449	2,571,845
Treasury stock	(100)	(96)	(886)
Net unrealized gains on securities	3,781	3,232	33,537
Gains (losses) on hedging items	(1,462)	(1,182)	(12,967)
Foreign currency translation adjustments	(610)	(341)	(5,410)
Remeasurements of defined benefit plans	(8,689)	(10,692)	(77,071)
Non-controlling interests	14,504	14,080	128,649
Total net assets	<u>456,251</u>	<u>451,327</u>	<u>4,046,930</u>
Total liabilities and net assets	<u>¥ 1,795,393</u>	<u>¥ 1,687,363</u>	<u>\$ 15,925,075</u>

Condensed Consolidated Statements of Income

For six months ended September 30, 2017 and 2016

	Millions of yen		% Change	Thousands of U.S. dollars
	Six months ended Sep. 30, 2017	Six months ended Sep. 30, 2016		<i>Six months ended Sep. 30, 2017</i>
Net sales	¥ 709,721	¥ 697,299	+2%	\$ 6,295,201
Cost of sales	599,530	595,268		5,317,811
Gross profit	110,191	102,031		977,390
Selling, general and administrative expenses	94,076	93,540		834,451
Operating income	16,115	8,491	+90%	142,939
Other income (expenses) :				
Interest and dividend income	543	549		4,816
Equity in income of unconsolidated subsidiaries and affiliates	2,553	2,945		22,645
Interest expense	(1,338)	(1,433)		(11,868)
Other, net	(2,757)	(10,076)		(24,454)
Income (loss) before income taxes and non-controlling interests	15,116	476		134,078
Income taxes	(3,251)	17		(28,837)
Profit (loss) attributable to non-controlling interests	(1,012)	(735)		(8,976)
Profit (loss) attributable to owners of parent	¥ 10,853	¥ (242)	-4,585%	\$ 96,265

(Consolidated)

Condensed Consolidated Statements of Cash Flows

For six months ended September 30, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2017	Six months ended Sep. 30, 2016	Six months ended Sep. 30, 2017
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 15,116	¥ 476	\$ 134,078
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	27,442	25,121	243,409
Increase in assets	(98,246)	(68,494)	(871,438)
Decrease in liabilities	(63,567)	(64,799)	(563,837)
Other	(4,078)	(9,551)	(36,171)
Net cash provided by operating activities	¥ (123,333)	¥ (117,247)	\$ (1,093,959)
Cash flows from investing activities:			
Acquisition of tangible and intangible assets	(38,595)	(33,752)	(342,336)
Acquisition of investments in securities	(222)	(610)	(1,969)
Other	(1,468)	2,744	(13,021)
Net cash used for investing activities	¥ (40,285)	¥ (31,618)	\$ (357,326)
Cash flows from financing activities:			
Increase in short-term borrowings	110,375	151,460	979,022
Proceeds from long-term debt	76,355	24,503	677,266
Repayment of long-term debt	(26,599)	(19,339)	(235,932)
Other	(4,500)	(12,688)	(39,915)
Net cash provided by financing activities	¥ 155,631	¥ 143,936	\$ 1,380,441
Effect of exchange rate changes	(2,458)	3,223	(21,802)
Net decrease in cash and cash equivalents	(10,445)	(1,706)	(92,646)
Cash and cash equivalents at beginning of term	50,722	37,832	449,902
Increase in cash and cash equivalents			
due to changes in fiscal period of consolidated subsidiaries	-	-	-
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(437)	(1)
Cash and cash equivalents at end of term	¥ 40,277	¥ 35,689	\$ 357,255

Segment information

Information by reportable segment

	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

	Millions of yen				
	Six months ended				
	Sep. 30, 2017				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Ship & Offshore Structure	¥ 45,075	¥ 1,302	¥ 46,377	¥ 51,576	¥ (5,199)
Rolling Stock	63,690	52	63,742	64,664	(922)
Aerospace	168,517	670	169,187	157,452	11,735
Gas Turbine & Machinery	116,215	5,172	121,387	117,048	4,339
Plant & Infrastructure	53,737	5,022	58,759	58,960	(201)
Motorcycle & Engine	136,980	305	137,285	139,345	(2,060)
Precision Machinery	86,967	6,759	93,726	84,655	9,071
Other	38,540	19,673	58,213	56,752	1,461
Total	709,721	38,955	748,676	730,452	18,224
Eliminations and corporate	-	(38,955)	(38,955)	(36,846)	(2,109)
Consolidated total	¥ 709,721	¥ -	¥ 709,721	¥ 693,606	¥ 16,115

	Thousands of U.S. dollars				
	Six months ended				
	Sep. 30, 2017				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Ship & Offshore Structure	\$ 399,813	\$ 11,549	\$ 411,362	\$ 457,477	\$ (46,115)
Rolling Stock	564,928	461	565,389	573,567	(8,178)
Aerospace	1,494,740	5,943	1,500,683	1,396,593	104,090
Gas Turbine & Machinery	1,030,823	45,875	1,076,698	1,038,212	38,486
Plant & Infrastructure	476,645	44,545	521,190	522,974	(1,784)
Motorcycle & Engine	1,215,007	2,705	1,217,712	1,235,986	(18,274)
Precision Machinery	771,394	59,953	831,347	750,886	80,461
Other	341,851	174,498	516,349	503,389	12,960
Total	6,295,201	345,529	6,640,730	6,479,084	161,646
Eliminations and corporate	-	(345,529)	(345,529)	(326,822)	(18,707)
Consolidated total	\$ 6,295,201	\$ -	\$ 6,295,201	\$ 6,152,262	\$ 142,939

Net sales, orders and order backlog by reportable segment

For six months ended September 30, 2017 and 2016 and as of September 30 and March 31, 2017

	Millions of yen			Thousands of U.S. dollars		
	Six months ended		Six months ended	%	Six months ended	
	Sep. 30, 2017		Sep. 30, 2016	Change	Sep. 30, 2017	
Net sales :						
Ship & Offshore Structure	¥ 45,075	(6%)	¥ 51,622	(7%)	-13%	\$ 399,813
Rolling Stock	63,690	(9%)	62,346	(9%)	+2%	564,928
Aerospace	168,517	(24%)	168,917	(24%)	-0%	1,494,740
Gas Turbine & Machinery	116,215	(17%)	106,622	(15%)	+9%	1,030,823
Plant & Infrastructure	53,737	(8%)	78,567	(11%)	-32%	476,645
Motorcycle & Engine	136,980	(19%)	128,567	(19%)	+7%	1,215,007
Precision Machinery	86,967	(12%)	65,728	(10%)	+32%	771,394
Other	38,540	(5%)	34,930	(5%)	+10%	341,851
Total	¥ 709,721	(100%)	¥ 697,299	(100%)	2%	\$ 6,295,201
Orders :						
Ship & Offshore Structure	¥ 16,399	(2%)	¥ 8,645	(2%)	+90%	\$ 145,458
Rolling Stock	68,416	(10%)	57,716	(11%)	+19%	606,847
Aerospace	151,327	(23%)	98,904	(18%)	+53%	1,342,265
Gas Turbine & Machinery	109,466	(16%)	102,658	(19%)	+7%	970,959
Plant & Infrastructure	53,600	(8%)	34,325	(6%)	+56%	475,430
Motorcycle & Engine	136,980	(21%)	128,567	(24%)	+7%	1,215,007
Precision Machinery	92,484	(14%)	71,403	(13%)	+30%	820,329
Other	38,258	(6%)	36,212	(7%)	+6%	339,351
Total	¥ 666,930	(100%)	¥ 538,430	(100%)	+24%	\$ 5,915,646

	Millions of yen			Thousands of U.S. dollars		
	As of		As of	%	As of	
	Sep. 30, 2017		Mar. 31, 2017	Change	Sep. 30, 2017	
Order backlog :						
Ship & Offshore Structure	¥ 162,785	(9%)	¥ 191,604	(11%)	-15%	\$ 1,443,897
Rolling Stock	398,697	(23%)	392,224	(22%)	+2%	3,536,428
Aerospace	490,082	(29%)	508,759	(29%)	-4%	4,347,010
Gas Turbine & Machinery	387,871	(23%)	394,977	(23%)	-2%	3,440,402
Plant & Infrastructure	215,266	(12%)	214,926	(12%)	+0%	1,909,402
Motorcycle & Engine	-	(- %)	-	(- %)	-%	-
Precision Machinery	43,439	(3%)	37,912	(2%)	+15%	385,302
Other	20,328	(1%)	21,404	(1%)	-5%	180,312
Total	¥ 1,718,468	(100%)	¥ 1,761,806	(100%)	-2%	\$ 15,242,753

Net Sales by geographic area

For six months ended September 30, 2017 and 2016

	Millions of yen			Thousands of U.S. dollars		
	Six months ended		Six months ended	%	Six months ended	
	Sep. 30, 2017		Sep. 30, 2016	Change	Sep. 30, 2017	
Japan	¥ 300,733	(43%)	¥ 292,700	(42%)	+2%	\$ 2,667,492
United States	176,841	(25%)	170,784	(24%)	+3%	1,568,574
Europe	77,978	(11%)	90,460	(13%)	-13%	691,662
Asia	102,039	(14%)	98,477	(14%)	+3%	905,082
Other	52,130	(7%)	44,878	(7%)	+16%	462,391
Total	¥ 709,721	(100%)	¥ 697,299	(100%)	+1%	\$ 6,295,201