


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

For three months ended June 30, 2018 and 2017 and one year ended March 31, 2018

July 31, 2018
(Consolidated)
Operating results

	Millions of yen		Thousands of U.S. dollars
	Three months ended Jun. 30, 2018	Three months ended Jun. 30, 2017	Three months ended Jun. 30, 2018
Net sales	¥ 343,785	¥ 335,329	\$ 3,110,051
Operating profit	7,103	4,908	64,257
Profit attributable to owners of parent	2,561	3,278	23,168
Earnings per share (Yen)	15.33	19.62	

Financial position

	Millions of yen / Thousand shares		Thousands of U.S. dollars
	As of Jun. 30, 2018	As of March. 31, 2018	As of Jun. 30, 2018
Total assets	¥ 1,847,870	¥ 1,785,028	\$ 16,716,754
Net assets	477,549	481,386	4,320,147
Number of shares issued and outstanding	167,046	167,047	
Equity Ratio	25.0%	26.1%	

Cash flows

	Millions of yen		Thousands of U.S. dollars
	Three months ended Jun. 30, 2018	Three months ended Jun. 30, 2017	Three months ended Jun. 30, 2018
Operating activities	¥ (74,195)	¥ (86,681)	\$ (671,205)
Investing activities	(26,661)	(27,599)	(241,189)
Financing activities	89,264	105,647	807,527
Cash and cash equivalents at end of period	52,487	42,872	474,824

Fiscal year forecast

	Millions of yen		
	Net sales	Operating profit	Profit attributable to owners of parent
One year ending March 31, 2019	¥ 1,650,000	¥ 75,000	¥ 47,000

- 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 ¥110.54=\$1, the rate prevailing as of June 30, 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 three months ended June 30, 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 June 30 and March 31, 2018

	Millions of yen		Thousands of
	As of	As of	U.S. dollars
	Jun. 30, 2018	Mar. 31, 2018	As of Jun. 30, 2018
Assets			
Current assets			
Cash and deposits	¥ 58,055	¥ 70,632	\$ 525,194
Notes and accounts receivable - trade	483,864	470,110	4,377,275
Merchandise and finished goods	65,327	62,385	590,981
Work in process	382,486	326,459	3,460,159
Raw materials and supplies	112,966	115,893	1,021,947
Other	85,108	72,542	769,929
Allowance for doubtful accounts	(3,937)	(2,247)	(35,616)
Total current assets	<u>1,183,871</u>	<u>1,115,776</u>	<u>10,709,888</u>
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	195,890	186,623	1,772,119
Other	287,037	293,173	2,596,680
Total property, plant and equipment	<u>482,928</u>	<u>479,797</u>	<u>4,368,808</u>
Intangible assets	16,196	16,178	146,517
Investments and other assets			
Other	168,326	176,961	1,522,761
Allowance for doubtful accounts	(3,452)	(3,685)	(31,229)
Total investments and other assets	<u>164,874</u>	<u>173,276</u>	<u>1,491,532</u>
Total non-current assets	<u>663,999</u>	<u>669,252</u>	<u>6,006,866</u>
Total assets	<u>1,847,870</u>	<u>1,785,028</u>	<u>16,716,754</u>
Liabilities			
Current liabilities			
Notes and accounts payable - trade	217,536	245,398	1,967,939
Electronically recorded obligations - operating	118,317	117,772	1,070,355
Short-term loans payable	121,756	108,978	1,101,466
Income taxes payable	5,822	6,042	52,669
Provision for bonuses	21,742	19,903	196,689
Provision for construction warranties	11,819	13,000	106,921
Provision for loss on construction contracts	16,874	18,258	152,651
Advances received	186,119	194,306	1,683,725
Other	222,888	145,737	2,016,356
Total current liabilities	<u>922,877</u>	<u>869,398</u>	<u>8,348,806</u>
Non-current liabilities			
Bonds payable	130,000	130,000	1,176,045
Long-term loans payable	181,419	185,685	1,641,207
Net defined benefit liability	87,482	86,836	791,406
Other	48,541	31,721	439,126
Total non-current liabilities	<u>447,443</u>	<u>434,244</u>	<u>4,047,793</u>
Total liabilities	<u>1,370,321</u>	<u>1,303,642</u>	<u>12,396,608</u>
Net assets			
Shareholders' equity			
Capital stock	104,484	104,484	945,214
Capital surplus	54,573	54,573	493,695
Retained earnings	305,560	308,010	2,764,248
Treasury shares	(126)	(124)	(1,140)
Total shareholders' equity	<u>464,492</u>	<u>466,944</u>	<u>4,202,026</u>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	3,699	3,526	33,463
Deferred gains or losses on hedges	(731)	403	(6,613)
Foreign currency translation adjustment	(5)	719	(45)
Remeasurements of defined benefit plans	(4,756)	(5,532)	(43,025)
Total accumulated other comprehensive income	<u>(1,793)</u>	<u>(883)</u>	<u>(16,220)</u>
Non-controlling interests	14,850	15,324	134,341
Total net assets	<u>477,549</u>	<u>481,386</u>	<u>4,320,147</u>
Total liabilities and net assets	<u>1,847,870</u>	<u>1,785,028</u>	<u>16,716,754</u>

Consolidated Statements of Profit and Loss

For three months ended June 30, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	Three months ended Jun. 30, 2018	Three months ended Jun. 30, 2017	Three months ended Jun. 30, 2018
Net sales	¥ 343,785	¥ 335,329	\$ 3,110,051
Cost of sales	288,048	284,154	2,605,826
Gross profit	55,737	51,175	504,225
Selling, general and administrative expenses			
Salaries and allowances	12,960	12,601	117,243
Research and development expenses	10,323	9,455	93,387
Other	25,349	24,209	229,320
Total selling, general and administrative expenses	48,634	46,266	439,967
Operating profit	7,103	4,908	64,257
Non-operating income			
Interest income	93	193	841
Dividend income	142	158	1,285
Share of profit of entities accounted for using equity method	323	1,335	2,922
Foreign exchange gains	2,038	553	18,437
Other	601	549	5,437
Total non-operating income	3,198	2,790	28,931
Non-operating expenses			
Interest expenses	753	667	6,812
Other	998	1,598	9,028
Total non-operating expenses	1,751	2,266	15,840
Ordinary profit	8,550	5,433	77,348
Profit before income taxes	8,550	5,433	77,348
Income taxes	5,636	1,749	50,986
Profit	2,913	3,683	26,352
Profit attributable to non-controlling interests	352	405	3,184
Profit attributable to owners of parent	2,561	3,278	23,168

Segment information
Information by reportable segment

	Millions of yen			
	Three months ended			
	Jun. 30, 2017			
	External sales	Intersegment sales	Total sales	Operating profit (loss)
Aerospace Systems	¥ 105,903	¥ 975	¥ 106,879	¥ 7,978
Energy System & Plant Engineering	53,522	4,097	57,619	(514)
Precision Machinery & Robot	41,823	3,376	45,200	4,576
Ship & Offshore Structure	19,711	709	20,421	(2,861)
Rolling Stock	29,171	47	29,219	(944)
Motorcycle & Engine	67,769	138	67,907	(3,327)
Other	17,427	9,840	27,268	664
Total	335,329	19,186	354,516	5,571
Eliminations and corporate	-	(19,186)	(19,186)	(662)
Consolidated total	¥ 335,329	¥ -	¥ 335,329	¥ 4,908

	Millions of yen			
	Three months ended			
	Jun. 30, 2018			
	External sales	Intersegment sales	Total sales	Operating profit (loss)
Aerospace Systems	¥ 104,946	¥ 3,886	¥ 108,832	¥ 5,325
Energy System & Plant Engineering	51,004	4,248	55,253	233
Precision Machinery & Robot	47,992	3,734	51,726	4,596
Ship & Offshore Structure	22,085	663	22,748	1,358
Rolling Stock	23,392	3	23,395	(915)
Motorcycle & Engine	73,757	160	73,917	(3,308)
Other	20,607	8,988	29,595	359
Total	343,785	21,684	365,470	7,649
Eliminations and corporate	-	(21,684)	(21,684)	(546)
Consolidated total	¥ 343,785	¥ -	¥ 343,785	¥ 7,103

	Thousands of U.S. dollars			
	Three months ended			
	Jun. 30, 2018			
	External sales	Intersegment sales	Total sales	Operating profit (loss)
Aerospace Systems	\$ 949,394	\$ 35,155	\$ 984,549	\$ 48,173
Energy System & Plant Engineering	461,408	38,430	499,846	2,108
Precision Machinery & Robot	434,160	33,780	467,939	41,578
Ship & Offshore Structure	199,792	5,998	205,790	12,285
Rolling Stock	211,616	27	211,643	(8,278)
Motorcycle & Engine	667,243	1,447	668,690	(29,926)
Other	186,421	81,310	267,731	3,248
Total	3,110,051	196,164	3,306,224	69,197
Eliminations and corporate	-	(196,164)	(196,164)	(4,939)
Consolidated total	\$ 3,110,051	\$ -	\$ 3,110,051	\$ 64,257

Orders by reportable segment*For three months ended June 30, 2018 and 2017*

	Billions of yen		Millions of U.S. dollars	
	<u>Three months ended Jun. 30, 2018</u>	<u>Three months ended Jun. 30, 2017</u>	<u>Three months ended Jun. 30, 2018</u>	
Orders :				
Aerospace Systems	¥ 79.0	¥ 67.3	\$	715
Energy System & Plant Engineering	93.9	53.2		849
Precision Machinery & Robot	50.9	42.8		460
Ship & Offshore Structure	6.9	13.3		62
Rolling Stock	24.9	11.1		225
Motorcycle & Engine	73.7	67.7		667
Other	24.2	16.9		219
Total	<u>¥ 353.7</u>	<u>¥ 272.5</u>	<u>\$</u>	<u>3,200</u>