


KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
FLASH CONSOLIDATED FINANCIAL RESULTS
October 30, 2018
(Consolidated)
For six months ended September 30, 2018 and 2017 and one year ended March 31, 2018
Operating results

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2018	Six months ended Sep. 30, 2017	Six months ended Sep. 30, 2018
Net sales	¥ 688,107	¥ 709,721	\$ 6,058,347
Operating profit	8,454	16,115	74,432
Profit attributable to owners of parent	(3,592)	10,853	(31,625)
Earnings per share (Yen)	(21.50)	64.97	

Financial position

	Millions of yen / Thousand shares		Thousands of U.S. dollars
	As of Sep. 30, 2018	As of Sep. 30, 2017	As of Sep. 30, 2018
Total assets	¥ 1,900,544	¥ 1,785,028	\$ 16,733,087
Net assets	472,569	481,386	4,160,671
Number of shares issued and outstanding	167,046	167,047	
Equity Ratio	24.0%	26.1%	

Cash flows

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2018	Six months ended Sep. 30, 2017	Six months ended Sep. 30, 2018
Operating activities	¥ (113,421)	¥ (123,333)	\$ (998,600)
Investing activities	(47,533)	(40,285)	(418,498)
Financing activities	149,311	155,631	1,314,589
Cash and cash equivalents at end of period	50,468	40,277	444,339

Fiscal year forecast

	Millions of yen		
	Net sales	Operating profit	Profit attributable to owners of parent
One year ending March 31, 2019	¥ 1,645,000	¥ 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 ¥113.58=\$1, the rate prevailing as of September 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 six months ended September 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 September 30 and March 31, 2018

	Millions of yen		Thousands of
	As of	As of	U.S. dollars
	As of Sep. 30, 2018	As of Mar. 31, 2018	As of Sep. 30, 2018
Assets			
Current assets			
Cash and deposits	¥ 57,414	¥ 70,632	\$ 505,494
Notes and accounts receivable - trade	491,502	470,110	4,327,364
Merchandise and finished goods	74,609	62,385	656,885
Work in process	412,644	326,459	3,633,069
Raw materials and supplies	119,331	115,893	1,050,634
Other	81,948	72,542	721,500
Allowance for doubtful accounts	(3,906)	(2,247)	(34,390)
Total current assets	<u>1,233,543</u>	<u>1,115,776</u>	<u>10,860,565</u>
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	195,701	186,623	1,723,023
Other	287,661	293,173	2,532,673
Total property, plant and equipment	<u>483,362</u>	<u>479,797</u>	<u>4,255,696</u>
Intangible assets	16,124	16,178	141,962
Investments and other assets			
Other	171,031	176,961	1,505,820
Allowance for doubtful accounts	(3,519)	(3,685)	(30,983)
Total investments and other assets	<u>167,512</u>	<u>173,276</u>	<u>1,474,837</u>
Total non-current assets	<u>667,000</u>	<u>669,252</u>	<u>5,872,513</u>
Total assets	<u>1,900,544</u>	<u>1,785,028</u>	<u>16,733,087</u>
Liabilities			
Current liabilities			
Notes and accounts payable - trade	216,735	245,398	1,908,214
Electronically recorded obligations - operating	118,720	117,772	1,045,254
Short-term loans payable	136,094	108,978	1,198,222
Income taxes payable	4,372	6,042	38,493
Provision for bonuses	16,969	19,903	149,401
Provision for construction warranties	11,651	13,000	102,580
Provision for loss on construction contracts	20,690	18,258	182,162
Advances received	185,802	194,306	1,635,869
Other	264,657	145,737	2,330,137
Total current liabilities	<u>975,694</u>	<u>869,398</u>	<u>8,590,368</u>
Non-current liabilities			
Bonds payable	140,000	130,000	1,232,611
Long-term loans payable	165,807	185,685	1,459,826
Net defined benefit liability	89,699	86,836	789,743
Provision for the in-service issues of commercial aircraft jet engines	9,745	-	85,799
Other	47,028	31,721	414,052
Total non-current liabilities	<u>452,279</u>	<u>434,244</u>	<u>3,982,030</u>
Total liabilities	<u>1,427,974</u>	<u>1,303,642</u>	<u>12,572,407</u>
Net assets			
Shareholders' equity			
Capital stock	104,484	104,484	919,915
Capital surplus	54,542	54,573	480,208
Retained earnings	299,406	308,010	2,636,080
Treasury shares	(127)	(124)	(1,118)
Total shareholders' equity	<u>458,306</u>	<u>466,944</u>	<u>4,035,094</u>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	4,064	3,526	35,781
Deferred gains or losses on hedges	(1,715)	403	(15,099)
Foreign currency translation adjustment	221	719	1,946
Remeasurements of defined benefit plans	(3,963)	(5,532)	(34,892)
Total accumulated other comprehensive income	<u>(1,393)</u>	<u>(883)</u>	<u>(12,264)</u>
Non-controlling interests	15,656	15,324	137,841
Total net assets	<u>472,569</u>	<u>481,386</u>	<u>4,160,671</u>
Total liabilities and net assets	<u>1,900,544</u>	<u>1,785,028</u>	<u>16,733,087</u>

Consolidated Statements of Profit and Loss

For six months ended September 30, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2018	Six months ended Sep. 30, 2017	Six months ended Sep. 30, 2018
Net sales	¥ 688,107	¥ 709,721	\$ 6,058,347
Cost of sales	581,972	599,529	5,123,895
Gross profit	106,135	110,191	934,451
Selling, general and administrative expenses			
Salaries and allowances	26,537	25,542	233,641
Research and development expenses	21,240	20,659	187,005
Other	49,903	47,874	439,364
Total selling, general and administrative expenses	97,680	94,076	860,011
Operating profit	8,454	16,115	74,432
Non-operating income			
Interest income	239	358	2,104
Dividend income	180	185	1,585
Share of profit of entities accounted for using equity method	802	2,553	7,061
Foreign exchange gains	3,102	1,442	27,311
Other	1,398	1,376	12,309
Total non-operating income	5,724	5,916	50,396
Non-operating expenses			
Interest expenses	1,546	1,338	13,612
Payments for the in-service issues of commercial aircraft jet engines	9,745	—	85,799
Other	2,680	5,577	23,596
Total non-operating expenses	13,971	6,915	123,006
Ordinary profit	207	15,116	1,823
Profit before income taxes	207	15,116	1,823
Income taxes	2,940	3,250	25,885
Profit	(2,733)	11,865	(24,062)
Profit attributable to non-controlling interests	859	1,011	7,563
Profit attributable to owners of parent	(3,592)	10,853	(31,625)

(Consolidated)

Consolidated Statements of Cash Flows

For six months ended September. 30, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2018	Six months ended Sep. 30, 2017	Six months ended Sep. 30, 2018
Cash flows from operating activities			
Profit before income taxes	¥ 207	¥ 15,116	\$ 1,823
Depreciation	29,342	27,442	258,338
Increase (decrease) in allowance for doubtful accounts	1,465	(115)	12,898
Increase (decrease) in provision for bonuses	(2,968)	(3,491)	(26,131)
Increase (decrease) in provision for construction warranties	(1,367)	(933)	(12,036)
Increase (decrease) in provision for loss on construction contracts	2,409	(727)	21,210
Increase (decrease) in net defined benefit liability	4,868	7,197	42,860
Increase (decrease) in provision for the in-service issues of commercial aircraft jet engines	9,745	—	85,799
Interest and dividend income	(420)	(543)	(3,698)
Interest expenses	1,546	1,338	13,612
Share of loss (profit) of entities accounted for using equity method	(802)	(2,553)	(7,061)
Decrease (increase) in notes and accounts receivable - trade	(9,526)	(43,312)	(83,870)
Decrease (increase) in inventories	(78,347)	(31,518)	(689,796)
Increase (decrease) in notes and accounts payable - trade	(28,770)	(11,014)	(253,302)
Decrease (increase) in advance payments	(1,939)	(4,386)	(17,072)
Increase (decrease) in advances received	(12,247)	(40,403)	(107,827)
Decrease (increase) in other current assets	(7,059)	(19,133)	(62,150)
Increase (decrease) in other current liabilities	(17,295)	(12,149)	(152,272)
Other, net	3,434	1,203	30,234
Subtotal	(107,727)	(117,983)	(948,468)
Interest and dividend income received	477	524	4,200
Interest expenses paid	(1,541)	(1,338)	(13,568)
Income taxes paid	(4,630)	(4,536)	(40,764)
Net cash provided by (used in) operating activities	(113,421)	(123,333)	(998,600)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	(43,587)	(38,595)	(383,756)
Proceeds from sales of property, plant and equipment and intangible assets	334	566	2,941
Purchase of investment securities	(557)	(222)	(4,904)
Proceeds from sales of investment securities	136	54	1,197
Purchase of shares of subsidiaries and associates	(2,081)	(1,791)	(18,322)
Net decrease (increase) in short-term loans receivable	(51)	25	(449)
Payments of long-term loans receivable	(91)	(57)	(801)
Collection of long-term loans receivable	82	45	722
Other, net	(1,717)	(309)	(15,117)
Net cash provided by (used in) investing activities	(47,533)	(40,285)	(418,498)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	144,642	110,375	1,273,481
Proceeds from long-term loans payable	7,779	56,355	68,489
Repayments of long-term loans payable	(7,617)	(16,599)	(67,063)
Proceeds from issuance of bonds	20,000	20,000	176,087
Redemption of bonds	(10,000)	(10,000)	(88,044)
Cash dividends paid	(5,032)	(3,375)	(44,304)
Dividends paid to non-controlling interests	(679)	(662)	(5,978)
Other, net	218	(462)	1,919
Net cash provided by (used in) financing activities	149,311	155,631	1,314,589
Effect of exchange rate change on cash and cash equivalents	(2,250)	(2,457)	(19,810)
Net increase (decrease) in cash and cash equivalents	(13,893)	(10,445)	(122,319)
Cash and cash equivalents at beginning of period	64,362	50,722	566,667
Cash and cash equivalents at end of period	50,468	40,277	444,339

Segment information
Information by reportable segment

	Millions of yen			
	Six months ended			
	Sep. 30, 2017			
	External sales	Intersegment sales	Total sales	Operating profit (loss)
Aerospace Systems	¥ 232,568	¥ 2,073	¥ 234,641	¥ 15,688
Energy System & Plant Engineering	105,902	8,825	114,728	186
Precision Machinery & Robot	86,967	6,758	93,725	9,070
Ship & Offshore Structure	45,075	1,301	46,377	(5,199)
Rolling Stock	63,690	52	63,742	(922)
Motorcycle & Engine	136,980	305	137,286	(2,058)
Other	38,537	19,673	58,210	1,458
Total	709,721	38,991	748,712	18,223
Eliminations and corporate	-	(38,991)	(38,991)	(2,108)
Consolidated total	¥ 709,721	¥ -	¥ 709,721	¥ 16,115

	Millions of yen			
	Six months ended			
	Sep. 30, 2018			
	External sales	Intersegment sales	Total sales	Operating profit (loss)
Aerospace Systems	¥ 210,222	¥ 6,105	¥ 216,327	¥ 9,471
Energy System & Plant Engineering	103,926	10,113	114,039	2,203
Precision Machinery & Robot	102,178	7,682	109,861	9,635
Ship & Offshore Structure	39,739	1,685	41,424	1,289
Rolling Stock	45,426	13	45,440	(8,878)
Motorcycle & Engine	144,425	313	144,739	(4,656)
Other	42,188	19,588	61,777	1,022
Total	688,107	45,502	733,610	10,086
Eliminations and corporate	-	(45,502)	(45,502)	(1,631)
Consolidated total	¥ 688,107	¥ -	¥ 688,107	¥ 8,454

	Thousands of U.S. dollars			
	Six months ended			
	Sep. 30, 2018			
	External sales	Intersegment sales	Total sales	Operating profit (loss)
Aerospace Systems	\$ 1,850,872	\$ 53,751	\$ 1,904,622	\$ 83,386
Energy System & Plant Engineering	915,003	89,039	1,004,041	19,396
Precision Machinery & Robot	899,613	67,635	967,257	84,830
Ship & Offshore Structure	349,877	14,835	364,712	11,349
Rolling Stock	399,947	114	400,070	(78,165)
Motorcycle & Engine	1,271,571	2,756	1,274,335	(40,993)
Other	371,439	172,460	543,907	8,998
Total	6,058,347	400,616	6,458,972	88,801
Eliminations and corporate	-	(400,616)	(400,616)	(14,360)
Consolidated total	\$ 6,058,347	\$ -	\$ 6,058,347	\$ 74,432

Orders by reportable segment*For six months ended September 30, 2018 and 2017*

	Billions of yen		Millions of U.S. dollars	
	Six months ended Sep. 30, 2018	Six months ended Sep. 30, 2017	Six months ended Sep. 30, 2018	Six months ended Sep. 30, 2017
Orders :				
Aerospace Systems	¥ 201.1	¥ 197.7	\$ 1,771	
Energy System & Plant Engineering	146.7	116.6	1,292	
Precision Machinery & Robot	104.8	92.4	923	
Ship & Offshore Structure	16.5	16.3	145	
Rolling Stock	60.5	68.4	533	
Motorcycle & Engine	144.4	136.9	1,271	
Other	45.6	38.2	401	
Total	¥ 719.8	¥ 666.9	\$ 6,337	