

Financial Results for First Quarter FY2013 (for the year ending March 31, 2014)

July 30, 2013

Kawasaki Heavy Industries, Ltd.

 **Kawasaki**
Powering your potential

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Summary of Financial Results

(Billion Yen)

	FY2012.1Q	FY2013.1Q	Change
Orders Received	271.5	283.1	+ 11.5
Net Sales	283.5	282.5	- 1.0
Operating Income	6.7	16.7	+ 10.0
Recurring Profit	11.7	9.4	- 2.3
Net Income	6.0	4.4	- 1.5

vs. FY2012.1Q

< Orders Received >

Increased as a whole due to increase in orders received in Rolling Stock and Aerospace segments, despite decrease in orders received in Plant & Infrastructure segment

< Net Sales >

Remained at the same level as in the previous same period overall due to increase in Motorcycle & Engine and Aerospace segments, despite decrease in Precision Machinery and Gas Turbine & Machinery segments

< Profits >

- Operating income increased significantly because of increase in Aerospace, Ship & Offshore Structure and Motorcycle & Engine segments due to the effect of the depreciation of the yen and other factors, despite decrease in Precision Machinery and Plant & Infrastructure segments
- Recurring profit decreased due to deterioration of gain and loss on foreign exchange and other factors

Exchange Rates (weighted-average)

Yen / US\$	80.65	97.46
Yen / EUR	105.78	125.95

Financial Results by Segment

(Billion Yen)

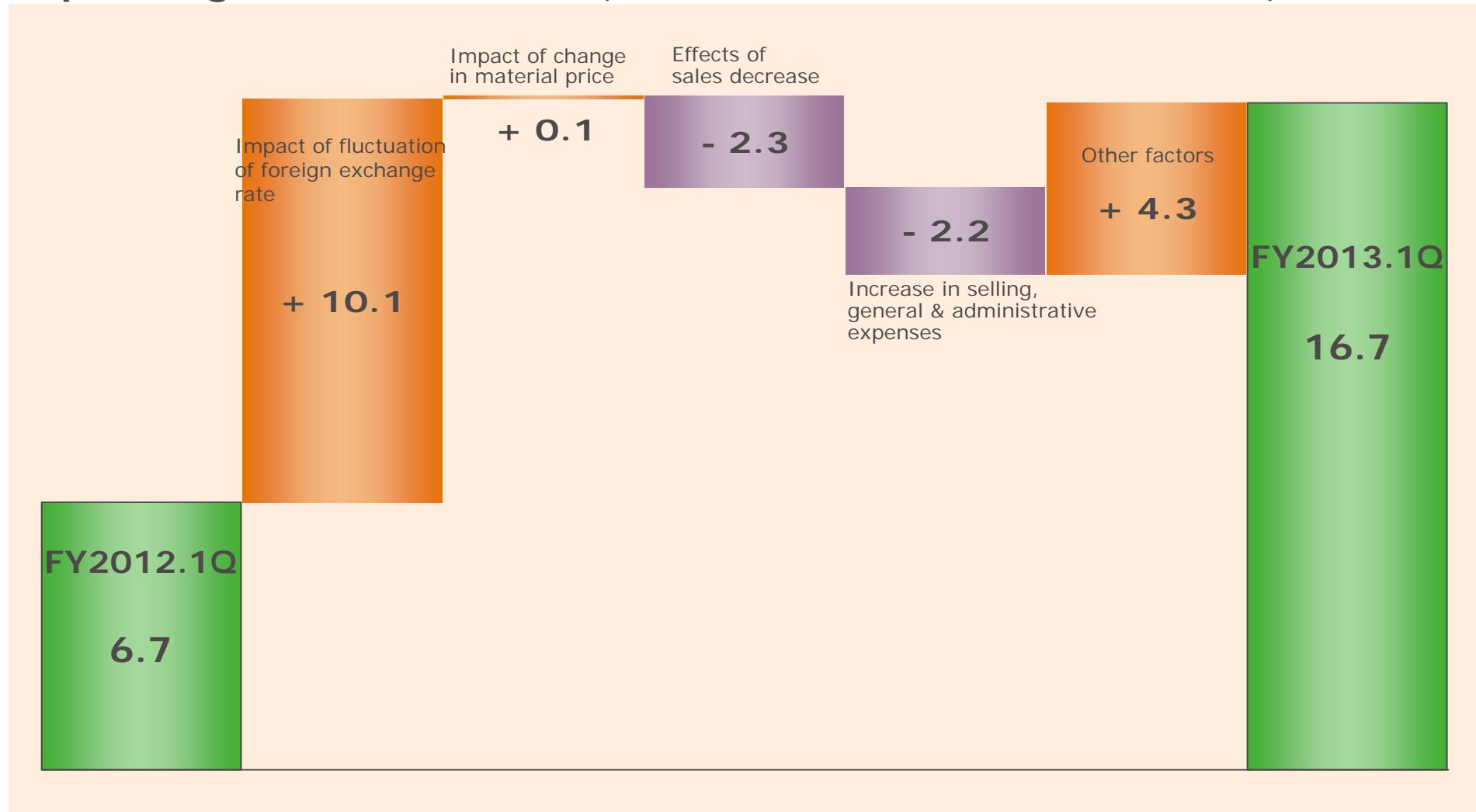
	Orders Received			Net Sales			Operating Income		
	FY2012 1Q	FY2013 1Q	Change	FY2012 1Q	FY2013 1Q	Change	FY2012 1Q	FY2013 1Q	Change
Ship & Offshore Structure	30.3	27.1	- 3.1	22.7	21.0	- 1.6	- 0.6	3.3	+ 4.0
Rolling Stock	25.3	35.0	+ 9.6	28.8	30.5	+ 1.7	0.1	1.9	+ 1.7
Aerospace	34.4	41.5	+ 7.1	49.6	55.6	+ 6.0	0.8	7.5	+ 6.6
Gas Turbine & Machinery	32.5	35.6	+ 3.1	45.3	36.4	- 8.9	2.6	0.8	- 1.8
Plant & Infrastructure	37.1	16.6	- 20.5	19.8	16.7	- 3.1	0.1	- 0.6	- 0.8
Motorcycle & Engine	53.4	67.4	+ 14.0	53.4	67.4	+ 14.0	- 0.3	2.4	+ 2.8
Precision Machinery	28.6	29.8	+ 1.2	36.1	25.1	- 10.9	3.9	1.5	- 2.4
Others	29.6	29.6	+ 0	27.6	29.4	+ 1.8	0.5	0.3	- 0.2
Eliminations and corporate	-	-	-	-	-	-	- 0.7	- 0.7	+ 0
Total	271.5	283.1	+ 11.5	283.5	282.5	- 1.0	6.7	16.7	+ 10.0

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

Details of Change in Profit I

- FY2013.1Q vs. FY2012.1Q -

【Operating Income】 + 10.0 (FY2012.1Q 6.7 → FY2013.1Q 16.7) (Billion Yen)



Details of Change in Profit II

- FY2013.1Q vs. FY2012.1Q -

(Billion Yen)

【Non-operating Income/Expenses】 - 12.3 (FY2012.1Q 4.9 → FY2013.1Q - 7.3)

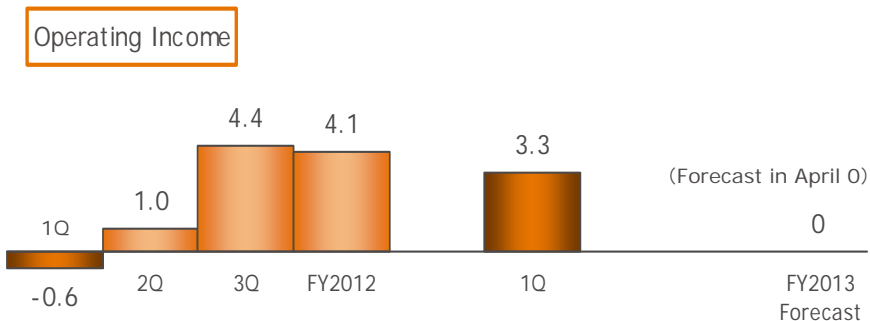
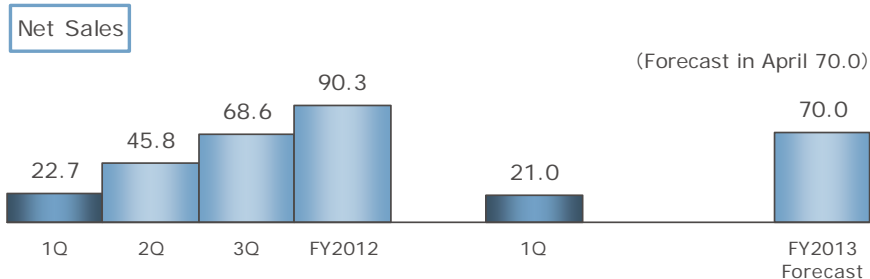
Net Interest expense (incl. dividend income)	- 0.2 (- 0.3 → - 0.5)
Equity in income of unconsolidated subsidiaries and affiliates	- 0.7 (2.2 → 1.5)
Gain and loss on foreign exchange	- 10.6 (2.6 → - 7.9)
Others	- 0.6 (0.3 → - 0.3)

【Extraordinary Income/Losses】 0 (FY2012.1Q 0 → FY2013.1Q 0)

Ship & Offshore Structure

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

(Billion Yen / In accumulated amount)



◇ FY2013.1Q (vs. FY2012.1Q)

Orders Received: Decreased despite orders received for 1 LNG carrier and 1 bulk carrier

Net Sales: Decreased due to decrease in amount of shipbuilding of small-scale bulk carriers

Operating Income: Improved due to the effect of the depreciation of the yen, reversal of provision for loss on construction contracts accompanying yen depreciation and other factors, despite sales decrease

<Units of Orders Received and Sales of New Building Ships> (unit)

	Orders Received		Sales	
	FY2012.1Q	FY2013.1Q	FY2012.1Q	FY2013.1Q
LNG carriers	1	1	1 (1)	2 (2)
Small-sized LNG carriers			1 (1)	1 (1)
LPG carriers	1		1 (1)	2 (2)
Bulk carriers	1	1	15 (13)	6 (4)
Submarines			1 (1)	1 (1)
Total	3	2	19 (17)	12 (10)

Note: () = Sales units by percentage-of-completion method

◇ FY2013 Forecast (vs. FY2012)

Orders Received: Expected to increase due to orders received of new building ship including gas carriers

Net Sales: Expected to decrease due to stagnation of ship price and decrease in amount of shipbuilding

Operating Income: Expected to decrease due to sales decrease, percentage increase in lower margin vessels and other factors

<For Reference> Business Development in Overseas

NACKS was established in December 1995, as a fifty-fifty joint venture between KHI and China Ocean Shipping (Group) Company (COSCO), one of the world's largest shipping company, and its capacity was expanded in 2008. At NACKS, various types of commercial vessels are built for domestic shipping company such as COSCO as well as for Japanese and European customers.

As a parent company of NACKS, KHI has also supported DACKS, which was initially established by NACKS and COSCO Group, since its establishment in July 2007. In order to make it more competitive and further expand its operations, KHI acquired a 34% stake in DACKS in April 2012. As a result, KHI's actual ratio of investment in DACKS (including indirect investment) is 49%.

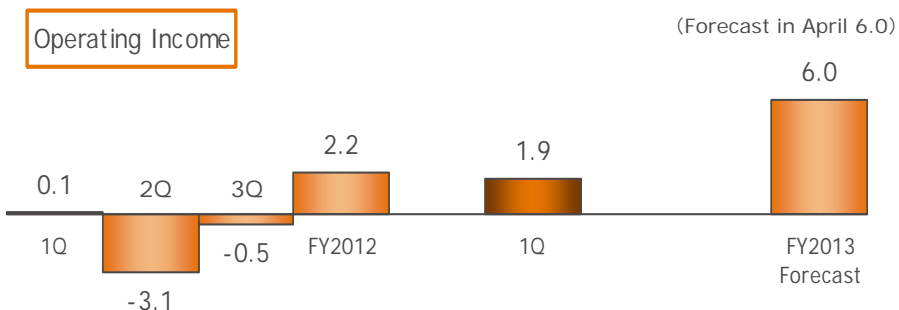
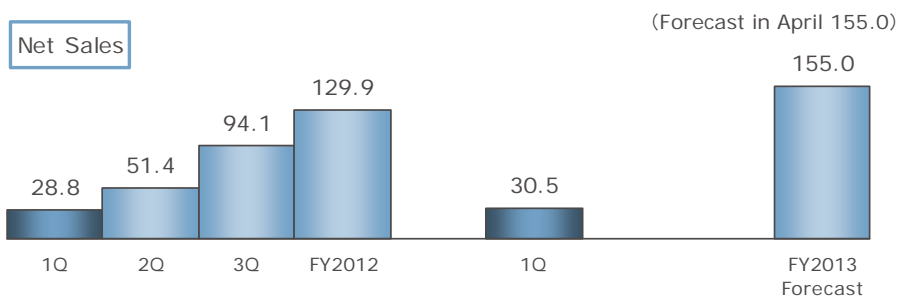
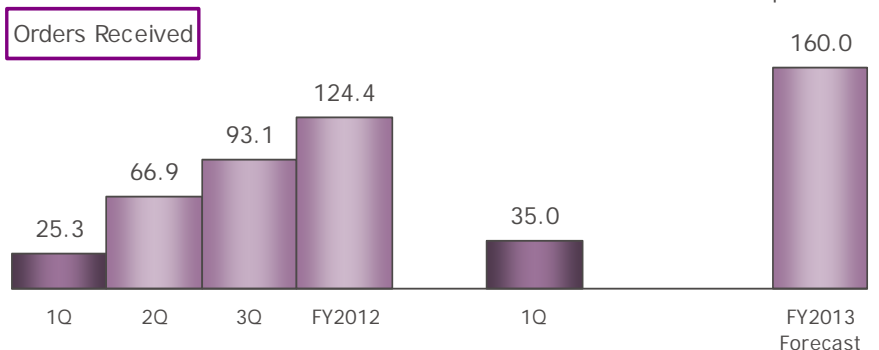
Meanwhile, KHI decided to participate in a joint venture project for building drill ships etc. in Brazil, where the demand for the drill ships & FPSO for the drilling and production of offshore oil is rapidly increasing, executed a shareholders agreement with Estaleiro Enseada do Paraguaçu S.A. (EEP) in May 2012 and acquired a 30% stake in EEP.

With a view to expanding operations and boosting profitability at two shipyards in China and developing the new shipyard in Brazil as the third overseas shipyard, KHI will further deepen cooperation between its bases at home and three overseas shipyards, and actively pursue shipbuilding by taking advantage of the feature of each shipyard.

Rolling Stock

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

(Billion Yen / In accumulated amount)



◇ FY2013.1Q (vs. FY2012.1Q)

Orders Received: Increased due to orders received for subway cars for Washington Metropolitan Area Transit Authority, subway cars for Sapporo City Transportation Bureau

Net Sales: Increased due to sales increase for overseas markets including Singapore and North America, despite sales decrease in the domestic market such as for public and private railway companies

Operating Income: Increased due to increase of high profitability projects and the effect of the depreciation of the yen

◇ FY2013 Forecast (vs. FY2012)

Orders Received: Expected to increase due to increase in orders received for overseas market

Net Sales: Expected to increase due to sales increase for overseas market mainly in North America

Operating Income: Expected to increase due to sales increase, improvement in profitability and other factors

<For Reference> Present Status of Overseas Projects

North America

- Extensively working to win orders mainly for heavy rails, commuter rails and high-speed rails.
- Extension of product lineup such as efSET® and K-Star Express® to meet demand for semi high-speed and high-speed rail projects.
- Working to win orders for high-speed rail for California, and semi high-speed rail for Amtrak (The National Railroad Passenger Corporation).

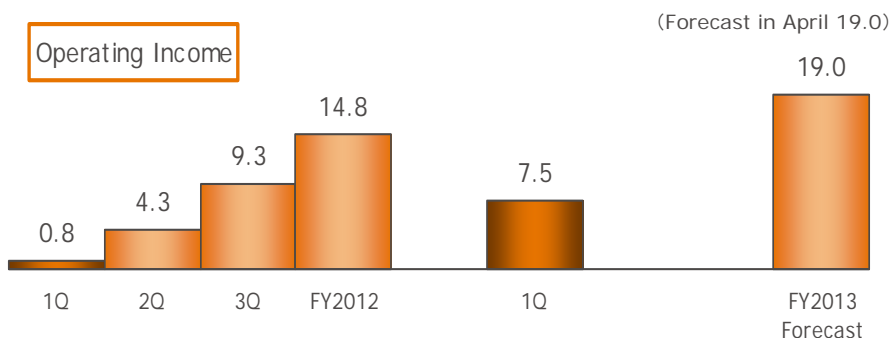
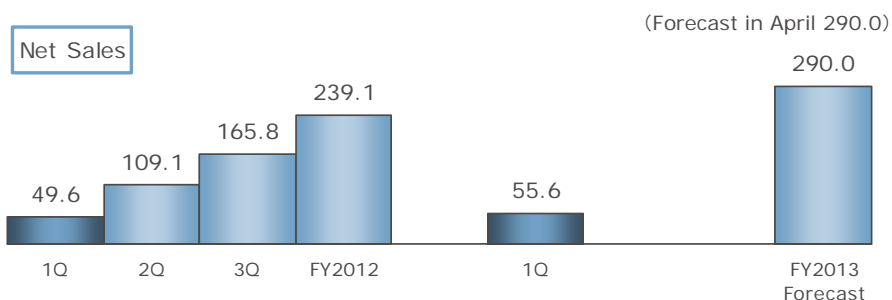
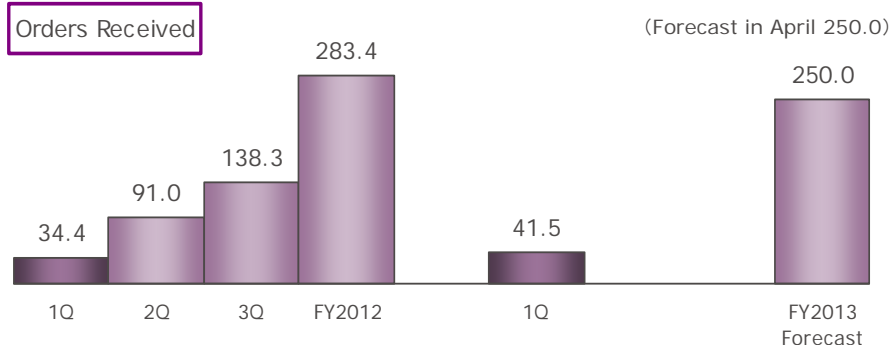
Asia

- There are construction and expansion plans of the urban transport systems in several Asian cities, and High-speed railways projects in India.
- KHI will work to win new projects in the markets such as Taiwan and Singapore, where we have the solid track record.
- Dedicated Freight Corridor - Western Corridor (Delhi – Mumbai)
Japanese ODA project, working to receive orders for electric locomotives and maintenance base facilities and others.

Aerospace

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

(Billion Yen / In accumulated amount)



◇ FY2013.1Q (vs. FY2012.1Q)

Orders Received: Increase in orders received for component parts for Boeing 777 and 787

Net Sales: Increased due to sales for the Japan Ministry of Defense (MOD) remaining constant to the previous same period and an increase for component parts for Boeing 777 and 787

Operating Income: Increased significantly due to sales increase, the effect of the depreciation of the yen and reversal of provision for loss on construction contracts accompanying yen depreciation

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

	FY2012.1Q	FY2013.1Q
Boeing 777	21	26
Boeing 767	7	5
Boeing 787	10	13
Embraer170/175	6	8
Embraer190/195	21	11

◇ FY2013 Forecast (vs. FY2012)

Orders received: Expected to decrease due to decrease mainly in orders received for MOD

Net Sales: Expected to increase due to sales increase for MOD including C-2 transport aircraft and component parts for Boeing 787

Operating Income: Expected to increase due to sales increase and other factors

<For Reference> Present Status of Main Projects

Aircrafts for MOD

In March 2013, KHI delivered the first mass production of P-1 patrol aircraft to MOD. KHI is steadily working on the mass production of P-1, as well as C-2 transport aircraft.

Commercial aircrafts

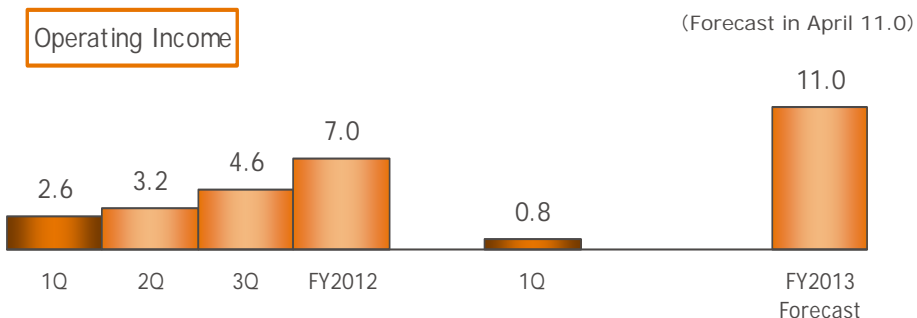
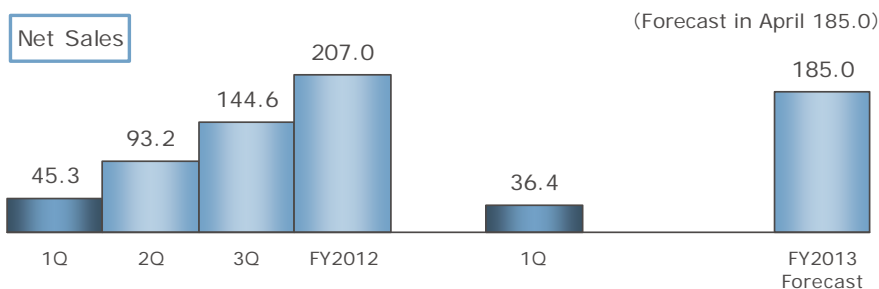
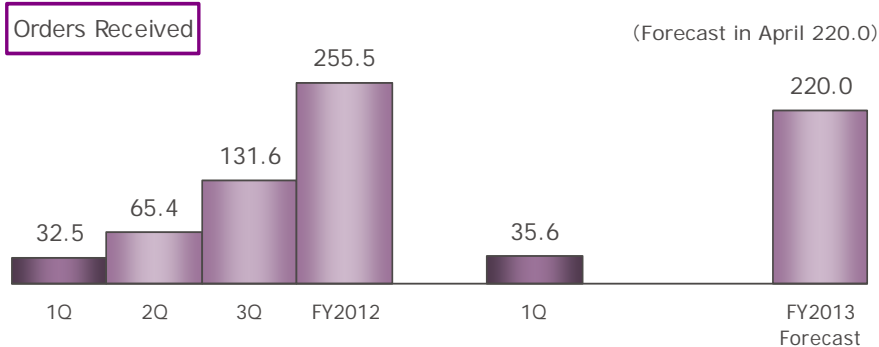
Component parts for Boeing 777- KHI's production rate for 777 program has increased 7 to 8.3 units per month corresponding to the increase in production rate by the Boeing Company.

Component parts for Boeing 787- KHI has achieved to deliver the 100th component parts to Boeing in August 2012 since the first delivery of it in January 2007. KHI has completed the production system at Kawasaki's Nagoya Works I for ramp-up production.

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)



◇ FY2013.1Q (vs. FY2012.1Q)

Orders Received: Increased due to increase in orders received for hydraulic machineries, despite the effect of change in accounting methodology regarding commercial aircraft jet engines

Net Sales: Decreased due to the effect of change in accounting methodology regarding commercial aircraft jet engines and sales decrease of marine diesel engines

Operating Income: Decreased due to sales decrease, decline in profit margin and other factors

◇ FY2013 Forecast (vs. FY2012)

Orders Received: Expected to decrease due to the effect of changes in accounting policies regarding commercial aircraft jet engines sales

Net Sales: Expected to decrease due to the effect of changes in accounting policies regarding commercial aircraft jet engines sales, despite sales increase due to the depreciation of the yen

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

<For Reference>

Major Projects for Commercial Aircraft Jet Engines

	Trent1000	TrentXWB	PW1100G - JM
Aircraft	Boeing 787	Airbus A350	Airbus A320neo
Participation Type	RRSP(※)	RRSP(※)	International Collaboration Program
Share	Approx. 8.5%	Approx. 7%	Approx. 6%
Responsible Components	Intermediate pressure compressor (IPC) module	Intermediate pressure compressor (IPC) module	Primary parts of the engine's fan and low-pressure compressor
Present Status	Development was completed and mass production started in FY2010. To be delivered in accordance with production schedule of airplanes.	First IPC module shipped to Rolls-Royce in March 2011.	Made decision to collaborate in a program for development and production. Design work in progress.

(※)Risk & Revenue Sharing Partner

In July 2007, KHI has reached a formal agreement with Rolls-Royce plc. to participate in the development and production of the Trent 1000-TEN and Trent XWB-97 engines as a RRSP.

Energy and Environmental Products

The L30A of 30MW class Gas Turbine, which KHI completed development in February 2012, has been operating very successfully at its first commercial plant. Also, KHI built an overhaul facility for gas turbines in Malaysia to enhance its after-sales services.

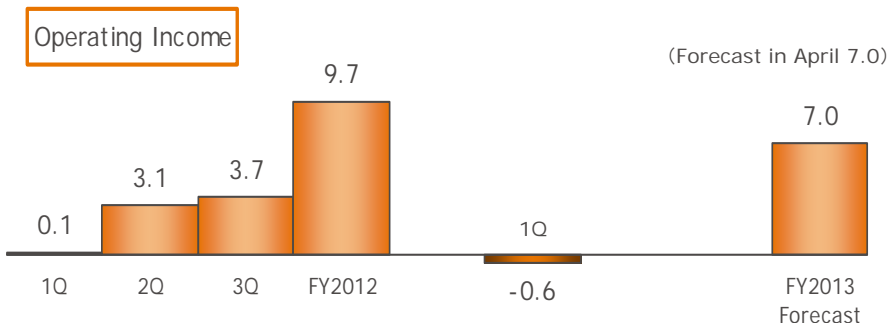
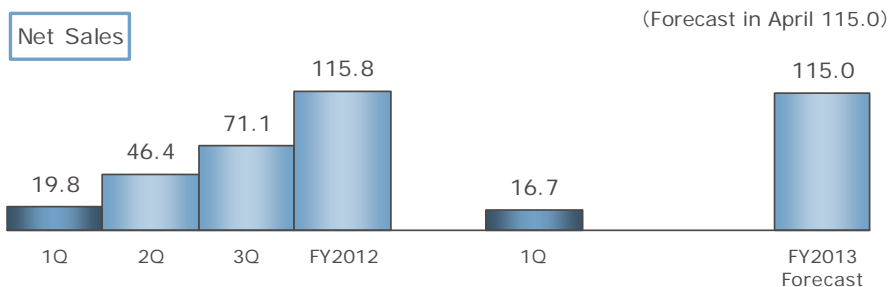
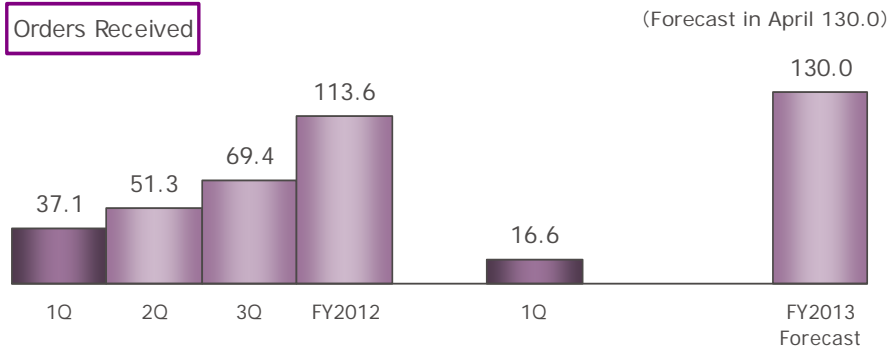
Furthermore, including the first delivery of a gas engine to India in June 2013, KHI reinforcing promotion of our gas engines by establishing a sales division in Malaysia.

In addition, KHI established a new organization in April 2013 to enhance its energy solution business. KHI will actively develop Energy and Environmental business in domestic and overseas markets.

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)



◇ FY2013.1Q (vs. FY2012.1Q)

Orders Received: Decreased from the previous same period, which was marked by large-scale overseas project

Net Sales: Decreased due to sales decrease of material handling systems and large-scale overseas projects, despite continued robust sales of LNG tanks

Operating Income: Deteriorated due to sales decrease, decline in profit margin and other factors

◇ FY2013 Forecast (vs. FY2012)

Orders Received: Expected to increase due to orders received of energy related projects, and projects related infrastructure for resource-producing countries

Net Sales: Expected to remain at the same level as in the previous fiscal year due to sales increase in projects related environment and industrial infrastructure, despite sales decrease in large-scale overseas projects

Operating Income: Expected to decrease due to decline in profit margin resulting from severe competitiveness

<For Reference>

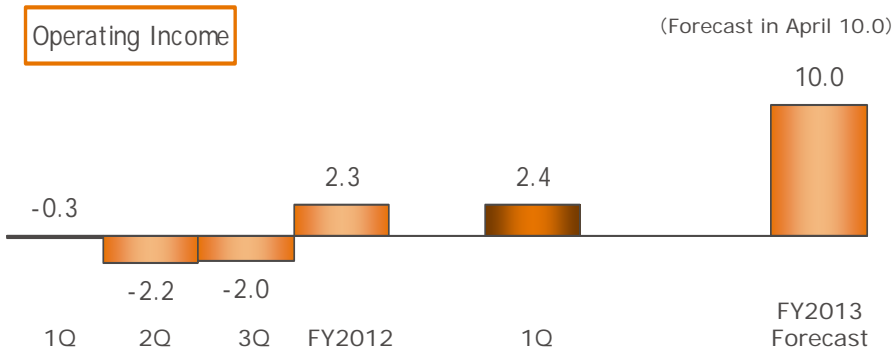
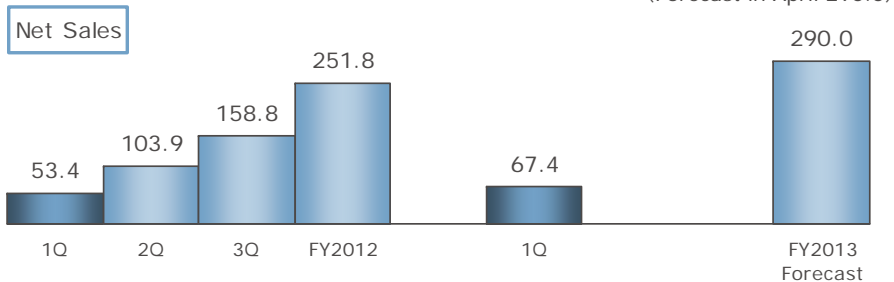
Orders Received of Energy and Environmental Projects

- In parallel with an expected increase of worldwide energy consumption, a lot of floating LNG facilities are planned to be constructed. Under these circumstances, KHI's proven track record of boilers for land and marine use (more than 1,200 units) and technical capability, which has realized reliable and robust boilers that can operate under severe offshore condition, are highly evaluated, and in July 2011, KHI won the contract with Technip to supply 7 units of boilers for the Shell's floating LNG facility of "Prelude", the world's first floating LNG facility.
- In April 2012, KHI won the contract of 4 massive cryogenic tanks for Ichthys LNG Project in Australia. This project is very important for Japan in terms of the stable supply of energy and the decentralization of natural gas supply as approximately 70% of the Ichthys LNG to be delivered to Japan. KHI will support this project based on its proven track record and the EPC technologies.

Motorcycle & Engine

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

(Billion Yen / In accumulated amount)



◇ **FY2013.1Q** (vs. FY2012.1Q)

Net Sales: Increased due to sales increase of motorcycles in the United States and emerging markets, mainly Thailand and Indonesia

Operating Income: Improved due to sales increase, improvement in profitability and other factors

◇ **FY2013 Forecast** (vs. FY2012)

Net Sales: Expected to increase due to sales increase in emerging countries, the depreciation of the yen and other factors

Operating Income: Expected to increase due to sales increase and other factors

<For Reference>

Businesses Development in Emerging Countries

KHI will capture the steadily growing demand for leisure motorcycles in the market of emerging countries.

- In order to respond to market growth and to further reinforce the business operation in emerging countries, KHI is constructing a new plant in Indonesia and expanding the plant in Thailand to boost production capacity.
- Of the 2013 models, Ninja 250/300 is a success all over the world including emerging markets.

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

	FY2012.1Q		FY2012		FY2013.1Q		FY2013 Forecast	
	Unit	Amount	Unit	Amount	Unit	Amount	Unit	Amount
Domestic	5	3.6	14	12.1	5	4.3	14	12.1
North America (incl. Canada)	20 (13)	13.0	118 (74)	79.7	20 (13)	17.3	117 (68)	89.5
Europe	12	8.7	55	38.5	11	9.6	56	41.2
Emerging Countries & Others	78	18.3	357	86.2	91	25.3	433	107.9
Total	115	43.6	544	216.5	127	56.5	620	250.7

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

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

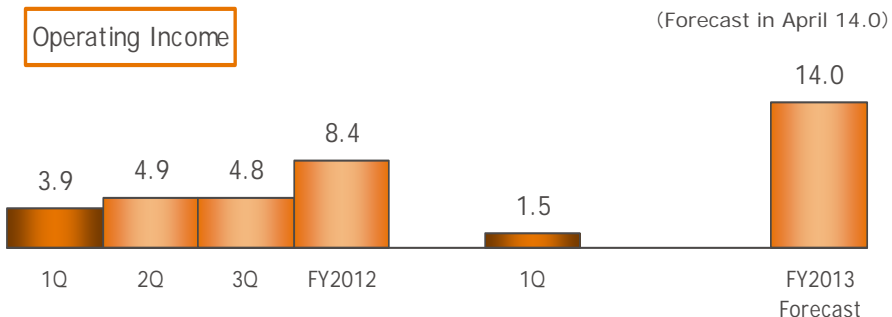
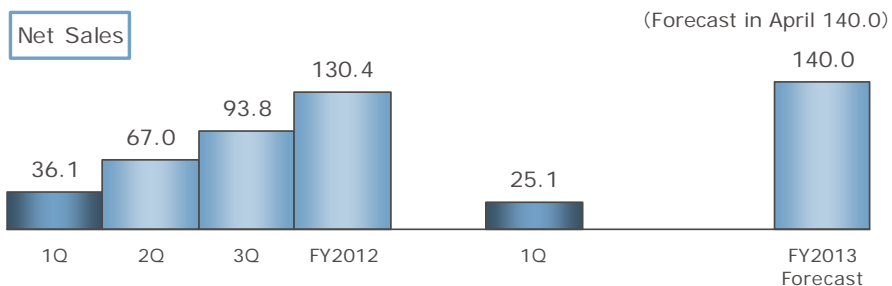
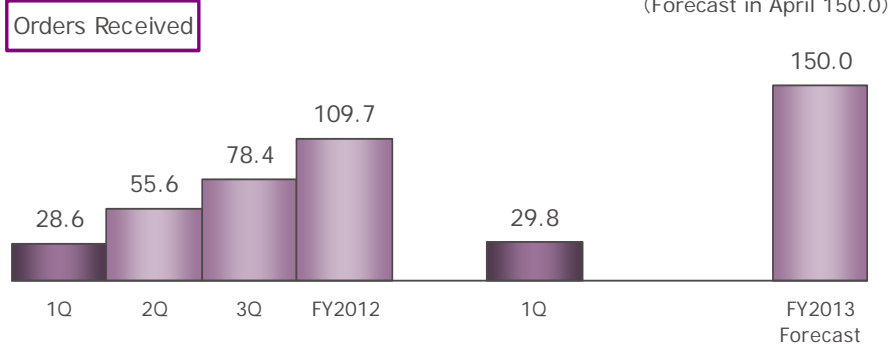
Amount: The products mentioned above and parts for those products.

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

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)



◇ FY2013.1Q (vs. FY2012.1Q)

Orders Received: Increased due to increase in orders received for industrial robots for overseas automotive industries, despite decrease in hydraulic components for construction machinery in emerging countries, mainly China

Net Sales: Decreased due to sales decrease of hydraulic components for construction machinery in emerging countries mainly China

Operating Income: Decreased due to sales decrease and other factors

◇ FY2013 Forecast (vs. FY2012)

Orders Received & Net Sales: Expected to increase due to demand recovery of hydraulic components for construction machinery in emerging countries mainly China and industrial robots for manufacturers of semiconductor production equipments

Operating Income: Expected to increase due to sales increase and other factors

<For Reference> Businesses Development in Emerging Countries

In August 2006, production of hydraulic pumps started at Chinese subsidiary in Suzhou. Also, in Zhejiang, the joint venture of hydraulic machinery manufacturing was established with a Chinese company and production started in April 2010, while the sales subsidiary in Shanghai provides the products manufactured at the above manufacturing companies to customers throughout China.

Afterward, KHI reinforced business operation in China through the construction of the new plant at the subsidiary in Suzhou, expansion of the plant in Zhejiang and establishment of the subsidiary for after-sales service in Shanghai.

For the Chinese construction machinery market, the demand of some small-sized construction machineries show signs of recovery. However, the demand of medium to large-sized construction machinery that KHI mainly involves remains at a low level, though it was bottoming out. But the continued growth of this market over the medium- to long-term is expected as construction of housing for low-income families and energy-and transportation-related infrastructure projects still likely to go forward.

Meanwhile, spurred by a rapidly growing economy, India's hydraulic excavator market is booming. In order to cater to the growing demand for local production, in February 2012, KHI set up the joint venture with Wipro Limited in Bangalore for manufacture, sales, and servicing of hydraulic components for construction machinery.

Financial Condition and Cash Flows

【Financial Condition】

(Billion Yen)

	FY2012		FY2013 End of June 2013
	End of June 2012	End of March 2013	
Total Assets	1,374.2	1,466.2	1,525.0
Shareholders' Equity (Ratio of shareholders' equity to total assets)	305.4 (22.2%)	338.2 (23.0%)	313.9 (20.5%)
Interest-bearing debt (Net Interest-bearing debt)	435.0 (401.6)	484.6 (446.1)	521.1 (482.3)
Net Debt Equity Ratio	131.4%	131.9%	153.6%

Note: Interest-bearing debt includes lease obligations

【Cash Flows】

(Billion Yen)

	FY2012.1Q	FY2013.1Q
Cash flows from operating activities	7.9	- 1.1
Cash flows from investing activities	- 30.6	- 18.3
Free Cash Flows	- 22.6	- 19.4
Cash flows from financing activities	22.6	20.1

Revision of Forecast for the Second Quarter (Accumulated) of FY2013

(Billion Yen / In accumulated amount)

	FY2013.2Q Forecast			(FYI) FY2012.2Q Actual
	Forecast in April	Forecast in July	Change	
Net Sales	610.0	610.0	0	574.9
Operating Income	20.0	24.0	+ 4.0	10.3
Recurring Profit	17.0	18.0	+ 1.0	20.1
Net Income	11.0	11.5	+ 0.5	12.4

Reasons for the Revision (vs. Forecast in April)

- The forecast for operating income of second quarter (accumulated) was revised 4.0 billion yen to 24.0 billion yen on reflection of the first quarter financial results, where actual foreign exchange rate exceeded that of the assumed rate. In comparison, recurring profit and net income were revised only 1.0 billion yen to 18.0 billion yen and 0.5 billion yen to 11.5 billion yen respectively, due to effects of the depreciation of the yen being limited by FX hedging.
- Meanwhile, the full year forecast remains unchanged because of uncertainty about worldwide economies.

Exchange Rates (actual & assumed)

Yen / US\$	95	95	79.92
Yen / EUR	120	120	101.79

Consolidated Operating Performance

* No changes in the forecast for FY2013 from April 25, 2013.
(Billion Yen)

	FY2012 Actual	FY2013 Forecast	Change
Orders Received	1,369.5	1,450.0	+ 80.5
Net Sales	1,288.8	1,380.0	+ 91.2
Operating Income	42.0	60.0	+ 18.0
Recurring Profit	39.3	53.0	+ 13.7
Net Income	30.8	34.0	+ 3.2

vs. FY2012

< Orders Received >

Expected to increase as a whole due to increase in orders received in Rolling Stock, Precision Machinery and Motorcycle & Engine segments, despite decrease in Aerospace segment

< Net Sale >

Expected to increase as a whole due to sales increase in Aerospace, Rolling Stock and Motorcycle & Engine segments, despite sales decrease in Ship & Offshore Structure segment

< Profits >

Expected to increase by continuing to pursue ongoing initiatives to improve earnings across all operations through such means as reducing fixed and overhead costs and boosting productivity

Exchange Rates (actual & assumed)

Yen / US\$	82.86	95
Yen / EUR	107.76	120

Note : Assumed rates are applied to the outstanding foreign exchange exposure as of July 30, 2013
(For Reference)

Impact on profit by FX fluctuation of 1 Yen
(Billion Yen)

	Operating Income	Recurring Profit
US\$	1.7(1.9)	0.8(0.8)
EUR	0.2(0.3)	0(0)

* Figures in the parenthesis () represent impact as of April 25, 2013

Forecast by Segment

* No changes in the forecast for FY2013 from April 25, 2013.

(Billion Yen)

	Orders Received			Net Sales			Operating Income		
	FY2012	FY2013	Change	FY2012	FY2013	Change	FY2012	FY2013	Change
Ship & Offshore Structure	105.7	120.0	+ 14.3	90.3	70.0	- 20.3	4.1	0	- 4.1
Rolling Stock	124.4	160.0	+ 35.6	129.9	155.0	+ 25.1	2.2	6.0	+ 3.8
Aerospace	283.4	250.0	- 33.4	239.1	290.0	+ 50.9	14.8	19.0	+ 4.2
Gas Turbine & Machinery	255.5	220.0	- 35.5	207.0	185.0	- 22.0	7.0	11.0	+ 4.0
Plant & Infrastructure	113.6	130.0	+ 16.4	115.8	115.0	- 0.8	9.7	7.0	- 2.7
Motorcycle & Engine	251.8	290.0	+ 38.2	251.8	290.0	+ 38.2	2.3	10.0	+ 7.7
Precision Machinery	109.7	150.0	+ 40.3	130.4	140.0	+ 9.6	8.4	14.0	+ 5.6
Others	125.1	130.0	+ 4.9	124.2	135.0	+ 10.8	1.2	3.0	+ 1.8
Eliminations and corporate	-	-	-	-	-	-	- 8.0	- 10.0	- 2.0
Total	1,369.5	1,450.0	+ 80.5	1,288.8	1,380.0	+ 91.2	42.0	60.0	+ 18.0

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

R&D/CAPEX/Number of Employees

* No changes in the forecast for FY2013 from April 25, 2013.

(Billion Yen / Persons)

	FY2012 Actual	FY2013 Forecast	Change
R&D Expenses	41.7	44.0	+ 2.3
CAPEX (Construction Base)	78.6	84.0	+ 5.4
Depreciation & Amortization	48.3	43.0	- 5.3
Domestic	25,222	25,700	+ 478
Overseas	8,788	9,200	+ 412
Number of Employees	34,010	34,900	+ 890

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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.