


**KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES**  
**FLASH CONSOLIDATED FINANCIAL RESULTS**
**October 29, 2014**
**(Consolidated)**
*For six months ended September 30, 2014 and 2013 and one year ended March 31, 2014*
**Operating results**

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2014	Six months ended Sep. 30, 2013	Six months ended Sep. 30, 2014
Net sales	¥ 633,422	¥ 595,077	\$ 5,787,318
Operating income	23,189	26,840	211,868
Net income	18,185	13,001	166,148
Earnings per share (Yen)	10.8	7.7	

**Financial condition**

	Millions of yen / Thousand shares		Thousands of U.S. dollars
	As of Sep. 30, 2014	As of March. 31, 2014	As of Sep. 30, 2014
Total assets	¥ 1,630,986	¥ 1,554,430	\$ 14,901,653
Net assets	382,542	376,686	3,495,130
Number of shares issued and outstanding	1,671,729	1,671,750	
Equity Ratio	22.5%	23.3%	

**Cash flows**

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2014	Six months ended Sep. 30, 2013	Six months ended Sep. 30, 2014
Operating activities	¥ (60,807)	¥ (45,605)	\$ (555,568)
Investing activities	(29,707)	(41,907)	(271,420)
Financing activities	78,398	80,983	716,290
Cash and cash equivalents at end of term	33,664	30,546	307,574

**Fiscal year forecast**

	Millions of yen		
	Net sales	Operating income	Net income
One year ending March 31, 2015	¥ 1,510,000	¥ 77,000	¥ 48,000

- 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 ¥109.45=\$1, the rate prevailing as of September 30, 2014, solely for the convenience of the readers.

## Condensed Consolidated Balance Sheets

As of September 30 and March 31, 2014

	Millions of yen		Thousands of
	As of Sep. 30, 2014	As of Mar. 31, 2014	U.S. dollars As of Sep. 30, 2014
<b>Assets :</b>			
Current assets :			
Cash on hand and in banks	¥ 37,187	¥ 47,949	\$ 339,762
Receivables, less allowance	426,090	426,676	3,893,010
Inventories	509,451	458,033	4,654,645
Other current assets	88,527	73,096	808,836
Total current assets	<u>1,061,255</u>	<u>1,005,754</u>	<u>9,696,253</u>
Investments and long-term loans less allowance	98,082	94,257	896,137
Net property, plant and equipment	401,304	383,912	3,666,550
Intangible and other assets	70,345	70,507	642,713
Total assets	<u>¥ 1,630,986</u>	<u>¥ 1,554,430</u>	<u>\$ 14,901,653</u>
<b>Liabilities and net assets :</b>			
Current liabilities :			
Short-term borrowings			
and current portion of long-term debt	¥ 254,082	¥ 191,162	\$ 2,321,443
Payables	282,387	306,031	2,580,054
Advances from customers	151,777	137,598	1,386,724
Other current liabilities	144,536	160,625	1,320,568
Total current liabilities	<u>832,782</u>	<u>795,416</u>	<u>7,608,789</u>
Long-term liabilities :			
Long-term debt, less current portion	287,181	253,483	2,623,855
Others	128,481	128,845	1,173,879
Total long-term liabilities	<u>415,662</u>	<u>382,328</u>	<u>3,797,734</u>
Net assets :			
Common stock	104,484	104,484	954,627
Capital surplus	54,393	54,393	496,966
Retained earnings	220,811	217,450	2,017,460
Treasury stock	(51)	(43)	(465)
Net unrealized gains on securities	3,058	2,653	27,939
Gains (losses) on hedging items	(2,883)	(3,803)	(26,340)
Foreign currency translation adjustments	5,902	6,416	53,924
Remeasurements of defined benefit plans	(17,520)	(18,509)	(160,073)
Minority interests	14,348	13,645	131,092
Total net assets	<u>382,542</u>	<u>376,686</u>	<u>3,495,130</u>
Total liabilities and net assets	<u>¥ 1,630,986</u>	<u>¥ 1,554,430</u>	<u>\$ 14,901,653</u>

## Condensed Consolidated Statements of Income

For six months ended September 30, 2014 and 2013

	Millions of yen		<b>% Change</b>	Thousands of
	<b>Six months ended Sep. 30, 2014</b>	Six months ended Sep. 30, 2013		U.S. dollars
				<i>Six months ended Sep. 30, 2014</i>
Net sales	<b>¥ 633,422</b>	¥ 595,077	<b>+6%</b>	\$ 5,787,318
Cost of sales	<b>526,539</b>	486,913		4,810,772
Gross profit	<b>106,883</b>	108,164		976,546
Selling, general and administrative expenses	<b>83,694</b>	81,324		764,678
Operating income	<b>23,189</b>	26,840	<b>-14%</b>	211,868
Other income (expenses) :				
Interest and dividend income	<b>468</b>	751		4,275
Equity in income of unconsolidated subsidiaries and affiliates	<b>5,739</b>	5,016		52,434
Interest expense	<b>(1,894)</b>	(2,018)		(17,304)
Other, net	<b>(1,539)</b>	(7,801)		(14,060)
Income before income taxes and minority interests	<b>25,963</b>	22,788		237,213
Income taxes	<b>(6,511)</b>	(8,778)		(59,488)
Minority interests in net income of consolidated subsidiaries	<b>(1,267)</b>	(1,009)		(11,577)
Net income	<b>¥ 18,185</b>	¥ 13,001	<b>+40%</b>	\$ 166,148

(Consolidated)

**Condensed Consolidated Statements of Cash Flows**

For six months ended September 30, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2014	Six months ended Sep. 30, 2013	Six months ended Sep. 30, 2014
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 25,963	¥ 22,788	\$ 237,213
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	21,530	17,931	196,710
Decrease in assets	(53,978)	(27,895)	(493,174)
Decrease in liabilities	(27,827)	(36,748)	(254,243)
Other	(26,495)	(21,681)	(242,074)
<b>Net cash provided by operating activities</b>	<b>¥ (60,807)</b>	<b>¥ (45,605)</b>	<b>\$ (555,568)</b>
<b>Cash flows from investing activities:</b>			
Acquisition of tangible and intangible assets	(28,757)	(41,576)	(262,740)
Acquisition of investments in securities	(49)	(36)	(447)
Other	(901)	(295)	(8,233)
<b>Net cash used for investing activities</b>	<b>¥ (29,707)</b>	<b>¥ (41,907)</b>	<b>\$ (271,420)</b>
<b>Cash flows from financing activities:</b>			
Decrease in short-term borrowings	105,340	86,616	962,448
Proceeds from long-term debt	57,019	27,000	520,959
Repayment of long-term debt	(73,379)	(23,652)	(670,433)
Other	(10,582)	(8,981)	(96,684)
<b>Net cash provided by financing activities</b>	<b>¥ 78,398</b>	<b>¥ 80,983</b>	<b>\$ 716,290</b>
Effect of exchange rate changes	227	(700)	2,074
<b>Net decrease in cash and cash equivalents</b>	<b>(11,889)</b>	<b>(7,229)</b>	<b>(108,624)</b>
<b>Cash and cash equivalents at beginning of term</b>	<b>45,431</b>	<b>36,971</b>	<b>415,084</b>
<b>Increase in cash and cash equivalents</b>			
due to changes in fiscal period of consolidated subsidiaries	122	804	1,114
<b>Cash and cash equivalents at end of term</b>	<b>¥ 33,664</b>	<b>¥ 30,546</b>	<b>\$ 307,574</b>

**Segment information**  
**Information by reportable segment**

Millions of yen					
Six months ended					
Sep. 30, 2013					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Ship & Offshore Structure	¥ 39,550	¥ 921	¥ 40,471	¥ 38,928	¥ 1,543
Rolling Stock	59,990	1,455	61,445	57,693	3,752
Aerospace	122,354	1,035	123,389	113,110	10,279
Gas Turbine & Machinery	77,368	8,458	85,826	82,317	3,509
Plant & Infrastructure	39,241	8,084	47,325	45,620	1,705
Motorcycle & Engine	139,705	313	140,018	137,426	2,592
Precision Machinery	55,636	5,616	61,252	57,008	4,244
Other	61,233	16,472	77,705	76,320	1,385
<b>Total</b>	<b>595,077</b>	<b>42,354</b>	<b>637,431</b>	<b>608,422</b>	<b>29,009</b>
Eliminations and corporate	-	(42,354)	(42,354)	(40,185)	(2,169)
<b>Consolidated total</b>	<b>¥ 595,077</b>	<b>¥ -</b>	<b>¥ 595,077</b>	<b>¥ 568,237</b>	<b>¥ 26,840</b>

Millions of yen					
Six months ended					
Sep. 30, 2014					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Ship & Offshore Structure	¥ 34,876	¥ 909	¥ 35,785	¥ 36,493	¥ (708)
Rolling Stock	56,915	923	57,838	56,637	1,201
Aerospace	144,842	1,181	146,023	132,430	13,593
Gas Turbine & Machinery	83,896	4,917	88,813	87,318	1,495
Plant & Infrastructure	47,245	7,534	54,779	53,774	1,005
Motorcycle & Engine	137,728	349	138,077	137,025	1,052
Precision Machinery	63,774	6,878	70,652	65,523	5,129
Other	64,146	15,731	79,877	78,656	1,221
<b>Total</b>	<b>633,422</b>	<b>38,422</b>	<b>671,844</b>	<b>647,856</b>	<b>23,988</b>
Eliminations and corporate	-	(38,422)	(38,422)	(37,623)	(799)
<b>Consolidated total</b>	<b>¥ 633,422</b>	<b>¥ -</b>	<b>¥ 633,422</b>	<b>¥ 610,233</b>	<b>¥ 23,189</b>

Thousands of U.S. dollars					
Six months ended					
Sep. 30, 2014					
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Ship & Offshore Structure	\$ 318,647	\$ 8,305	\$ 326,952	\$ 333,421	\$ (6,469)
Rolling Stock	520,009	8,433	528,442	517,469	10,973
Aerospace	1,323,362	10,790	1,334,152	1,209,958	124,194
Gas Turbine & Machinery	766,523	44,924	811,447	797,788	13,659
Plant & Infrastructure	431,658	68,835	500,493	491,311	9,182
Motorcycle & Engine	1,258,364	3,188	1,261,552	1,251,941	9,611
Precision Machinery	582,677	62,841	645,518	598,656	46,862
Other	586,078	143,730	729,808	718,651	11,157
<b>Total</b>	<b>5,787,318</b>	<b>351,046</b>	<b>6,138,364</b>	<b>5,919,195</b>	<b>219,169</b>
Eliminations and corporate	-	(351,046)	(351,046)	(343,746)	(7,300)
<b>Consolidated total</b>	<b>\$ 5,787,318</b>	<b>\$ -</b>	<b>\$ 5,787,318</b>	<b>\$ 5,575,449</b>	<b>\$ 211,868</b>

## Net sales, orders and order backlog by industry segment

For six months ended September 30, 2014 and 2013 and as of September 30 and March 31, 2014

	Millions of yen			Thousands of U.S. dollars		
	Six months ended		Six months ended	%	Six months ended	
	Sep. 30, 2014		Sep. 30, 2013	Change	Sep. 30, 2014	
<b>Net sales :</b>						
Ship & Offshore Structure	¥ 34,876	(6%)	¥ 39,550	(7%)	-12%	\$ 318,647
Rolling Stock	56,915	(9%)	59,990	(10%)	-5%	520,009
Aerospace	144,842	(23%)	122,354	(21%)	+18%	1,323,362
Gas Turbine & Machinery	83,896	(13%)	77,368	(13%)	+8%	766,523
Plant & Infrastructure	47,245	(7%)	39,241	(7%)	+20%	431,658
Motorcycle & Engine	137,728	(22%)	139,705	(23%)	-1%	1,258,364
Precision Machinery	63,774	(10%)	55,636	(9%)	+15%	582,677
Other	64,146	(10%)	61,233	(10%)	+5%	586,078
Total	¥ 633,422	(100%)	¥ 595,077	(100%)	+6%	\$ 5,787,318
<b>Orders :</b>						
Ship & Offshore Structure	¥ 77,192	(11%)	¥ 30,732	(5%)	+151%	\$ 705,271
Rolling Stock	91,598	(13%)	75,073	(13%)	+22%	836,893
Aerospace	114,489	(16%)	96,168	(16%)	+19%	1,046,039
Gas Turbine & Machinery	85,964	(12%)	84,157	(14%)	+2%	785,417
Plant & Infrastructure	66,954	(9%)	46,185	(8%)	+45%	611,731
Motorcycle & Engine	137,728	(20%)	139,705	(24%)	-1%	1,258,364
Precision Machinery	64,801	(9%)	61,724	(10%)	+5%	592,060
Other	67,850	(10%)	59,060	(10%)	+15%	619,921
Total	¥ 706,576	(100%)	¥ 592,804	(100%)	+19%	\$ 6,455,696

	Millions of yen			Thousands of U.S. dollars		
	As of		As of	%	As of	
	Sep. 30, 2014		Mar. 31, 2014	Change	Sep. 30, 2014	
<b>Order backlog :</b>						
Ship & Offshore Structure	¥ 209,135	(13%)	¥ 161,134	(11%)	+30%	\$ 1,910,781
Rolling Stock	409,981	(25%)	364,654	(24%)	+12%	3,745,829
Aerospace	425,571	(27%)	450,581	(30%)	-6%	3,888,268
Gas Turbine & Machinery	305,877	(19%)	295,100	(20%)	+4%	2,794,673
Plant & Infrastructure	191,287	(12%)	170,737	(11%)	+12%	1,747,711
Motorcycle & Engine	-	(- %)	-	(- %)	-%	-
Precision Machinery	26,848	(2%)	25,821	(2%)	+4%	245,299
Other	35,938	(2%)	32,237	(2%)	+11%	328,352
Total	¥ 1,604,637	(100%)	¥ 1,500,264	(100%)	+7%	\$ 14,660,913

## Net Sales by geographic area

For six months ended September 30, 2014 and 2013

	Millions of yen			Thousands of U.S. dollars		
	Six months ended		Six months ended	%	Six months ended	
	Sep. 30, 2014		Sep. 30, 2013	Change	Sep. 30, 2014	
Japan	¥ 258,659	(41%)	¥ 263,067	(44%)	-1%	\$ 2,363,261
United States	153,779	(24%)	131,578	(22%)	+16%	1,405,015
Europe	48,525	(8%)	40,393	(7%)	+0%	443,353
Asia	115,455	(18%)	106,470	(18%)	+8%	1,054,865
Other	57,004	(9%)	53,569	(9%)	+6%	520,824
Total	¥ 633,422	(100%)	¥ 595,077	(100%)	+6%	\$ 5,787,318