

Consolidated Balance Sheets

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
At March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Assets			
Current assets:			
Cash on hand and in banks (Note 18)	¥ 55,388	¥ 42,157	\$ 493,654
Receivables:			
Trade	444,633	381,339	3,962,860
Other	18,936	17,989	168,770
Allowance for doubtful receivables	(2,593)	(2,578)	(23,110)
	460,976	396,750	4,108,520
Inventories (Notes 4 and 8)	484,862	492,965	4,321,408
Deferred tax assets (Note 17)	26,566	27,276	236,773
Other current assets	50,043	58,755	446,017
Total current assets	1,077,835	1,017,903	9,606,372
Property, plant and equipment (Note 7):			
Land	64,743	64,238	577,032
Buildings and structures	420,590	401,453	3,748,573
Machinery, equipment and others	735,854	707,753	6,558,414
Construction in progress	21,133	17,772	188,351
	1,242,320	1,191,216	11,072,370
Accumulated depreciation	(780,438)	(754,658)	(6,955,775)
Net property, plant and equipment	461,882	436,558	4,116,595
Investments and intangible and other assets:			
Investments in securities (Notes 5, 6 and 7)	85,289	89,236	760,151
Long-term loans	301	337	2,682
Deferred tax assets (Note 17)	36,499	43,842	325,303
Intangible assets	15,284	15,475	136,221
Allowance for doubtful receivables	(14,727)	(9,902)	(131,256)
Net defined benefit asset (Note 9)	86	74	766
Other (Note 7)	24,914	26,935	222,051
Total investments and intangible and other assets	147,646	165,997	1,315,918
Total assets	¥1,687,363	¥1,620,458	\$15,038,885

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Liabilities and Net Assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Current liabilities:			
Short-term debt and current portion of long-term debt (Note 7)	¥ 121,648	¥ 116,047	\$ 1,084,206
Trade payables (Note 7)	240,572	233,979	2,144,135
Electronically recorded obligations	101,449	87,798	904,180
Advances from customers	205,871	170,454	1,834,857
Income taxes payable (Note 17)	4,295	10,889	38,279
Accrued bonuses	20,288	25,138	180,819
Provision for product warranties	12,175	12,642	108,511
Provision for losses on construction contracts (Note 8)	18,103	7,926	161,345
Deferred tax liabilities (Note 17)	22	979	196
Other current liabilities	119,019	101,859	1,060,780
Total current liabilities	843,442	767,711	7,517,308
Long-term liabilities:			
Long-term debt, less current portion (Note 7)	279,043	282,377	2,487,014
Liability for retirement benefits (Note 9)	81,563	90,789	726,942
Deferred tax liabilities (Note 17)	8,476	8,439	75,543
Provision for environmental measures	1,113	1,693	9,919
Asset retirement obligations	619	650	5,516
Other	21,780	23,174	194,121
Total long-term liabilities	392,594	407,122	3,499,055
Contingent liabilities (Note 10)			
Net assets (Note 11):			
Shareholders' equity:			
Common stock:			
Authorized—3,360,000,000 shares			
Issued—1,670,805,320 shares in 2017			
—1,670,805,320 shares in 2016	104,484	104,484	931,229
Capital surplus	54,393	54,394	484,786
Retained earnings	287,448	279,627	2,561,925
Treasury stock—259,108 shares in 2017			
—228,992 shares in 2016	(95)	(86)	(846)
Total shareholders' equity	446,230	438,419	3,977,094
Accumulated other comprehensive income:			
Net unrealized gains on securities, net of tax	3,232	2,705	28,805
Deferred gains (losses) on hedges	(1,182)	693	(10,534)
Foreign currency translation adjustments	(341)	8,990	(3,039)
Accumulated adjustments for retirement benefits	(10,692)	(19,439)	(95,294)
Total accumulated other comprehensive income	(8,983)	(7,051)	(80,062)
Non-controlling interests	14,080	14,257	125,490
Total net assets	451,327	445,625	4,022,522
Total liabilities and net assets	¥1,687,363	¥1,620,458	\$15,038,885

Consolidated Statements of Income and Comprehensive Income

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2017, 2016 and 2015

Consolidated Statements of Income

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2017	2016	2015	2017
Net sales	¥ 1,518,830	¥ 1,541,096	¥ 1,486,123	\$ 13,536,809
Cost of sales (Note 12)	(1,278,907)	(1,253,691)	(1,216,680)	(11,398,458)
Gross profit	239,923	287,405	269,443	2,138,351
Selling, general and administrative expenses (Note 13)	(193,963)	(191,409)	(182,184)	(1,728,726)
Operating income	45,960	95,996	87,259	409,625
Other income (expenses):				
Interest and dividend income	1,100	1,164	1,191	9,803
Equity in income of nonconsolidated subsidiaries and affiliates	5,537	2,876	6,208	49,350
Interest expense	(2,859)	(3,637)	(3,761)	(25,481)
Other expenses, net (Note 14)	(10,865)	(21,567)	(6,609)	(96,836)
Income before income taxes	38,873	74,832	84,288	346,461
Income taxes (Note 17)				
Current	(7,471)	(20,154)	(23,563)	(66,587)
Deferred	(3,477)	(7,000)	(6,780)	(30,989)
Net income	27,925	47,678	53,945	248,885
Profit attributable to non-controlling interests	1,721	1,635	2,306	15,338
Profit attributable to owners of parent	¥ 26,204	¥ 46,043	¥ 51,639	\$ 233,547

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2017	2016	2015	2017
Net income	¥27,925	¥ 47,678	¥53,945	\$248,885
Other comprehensive income (loss):				
Net unrealized gains (losses) on securities	559	(910)	783	4,982
Deferred gains (losses) on hedges	(1,844)	2,649	1,860	(16,434)
Foreign currency translation adjustments	(3,742)	(11,763)	12,384	(33,351)
Remeasurements of defined benefit plans	8,777	(12,155)	10,952	78,226
Share of other comprehensive income of associates accounted for using equity method	(6,340)	(5,269)	7,836	(56,506)
Total other comprehensive income (loss) (Note 15)	(2,590)	(27,448)	33,815	(23,083)
Comprehensive income	25,335	20,230	87,760	225,802
Comprehensive income attributable to:				
Owners of the parent company	24,273	19,412	84,462	216,337
Non-controlling interests	¥ 1,062	¥ 818	¥ 3,298	\$ 9,465
		Yen		U.S. dollars (Note 1)
Per share amounts (Note 19)				
Net income per share - basic	¥15.7	¥27.6	¥30.8	\$0.14
Cash dividends	11.0	12.0	7.0	0.10

Consolidated Statements of Changes in Net Assets

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2017, 2016 and 2015

	Number of shares of common stock (Thousands)	Shareholders' equity					Accumulated other comprehensive income						
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on securities, net of tax	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2014	1,671,892	¥104,484	¥ 54,394	¥ 217,449	¥ (43)	¥ 376,284	¥ 2,653	¥ (3,803)	¥ 6,416	¥ (18,509)	¥(13,243)	¥ 13,645	¥ 376,686
Net income for the year	–	–	–	51,639	–	51,639	–	–	–	–	–	–	51,639
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	–	–	18,763	–	18,763	–	18,763
Increase in net unrealized gains on securities, net of tax	–	–	–	–	–	–	1,051	–	–	–	1,051	–	1,051
Treasury stock purchased, net	–	–	–	–	(684)	(684)	–	–	–	–	–	–	(684)
Cash dividends	–	–	–	(15,045)	–	(15,045)	–	–	–	–	–	–	(15,045)
Loss on sales of treasury stock	–	–	0	–	0	0	–	–	–	–	–	–	0
Retirement of treasury stock	(1,087)	–	(1)	(659)	660	–	–	–	–	–	–	–	–
Increase (decrease) due to changes in fiscal period of consolidated subsidiary	–	–	–	222	–	222	–	–	–	–	–	–	222
Other	–	–	–	–	–	–	–	1,818	–	11,191	13,009	2,316	15,325
Balance at March 31, 2015	1,670,805	¥104,484	¥ 54,393	¥ 253,606	¥ (67)	¥ 412,416	¥ 3,704	¥ (1,985)	¥ 25,179	¥ (7,318)	¥ 19,580	¥ 15,961	¥ 447,957
Net income for the year	–	–	–	46,043	–	46,043	–	–	–	–	–	–	46,043
Treasury stock purchased, net	–	–	–	–	(21)	(21)	–	–	–	–	–	–	(21)
Cash dividends	–	–	–	(20,047)	–	(20,047)	–	–	–	–	–	–	(20,047)
Loss on sales of treasury stock	–	–	1	–	2	3	–	–	–	–	–	–	3
Increase (decrease) due to changes in fiscal period of consolidated subsidiary	–	–	–	25	–	25	–	–	–	–	–	–	25
Other	–	–	–	–	–	–	(999)	2,678	(16,189)	(12,121)	(26,631)	(1,704)	(28,335)
Balance at March 31, 2016	1,670,805	¥104,484	¥ 54,394	¥ 279,627	¥ (86)	¥ 438,419	¥ 2,705	¥ 693	¥ 8,990	¥ (19,439)	¥ (7,051)	¥ 14,257	¥ 445,625
Net income for the year	–	–	–	26,204	–	26,204	–	–	–	–	–	–	26,204
Treasury stock purchased, net	–	–	–	–	(10)	(10)	–	–	–	–	–	–	(10)
Cash dividends	–	–	–	(18,376)	–	(18,376)	–	–	–	–	–	–	(18,376)
Loss on sales of treasury stock	–	–	(1)	–	1	0	–	–	–	–	–	–	0
Change in the scope of consolidation	–	–	–	(7)	–	(7)	–	–	–	–	–	–	(7)
Other	–	–	–	–	–	–	527	(1,875)	(9,331)	8,747	(1,932)	(177)	(2,109)
Balance at March 31, 2017	1,670,805	¥104,484	¥ 54,393	¥ 287,448	¥ (95)	¥ 446,230	¥ 3,232	¥ (1,182)	¥ (341)	¥ (10,692)	¥ (8,983)	¥ 14,080	¥ 451,327

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Accumulated other comprehensive income						
						Net unrealized gains (losses) on securities, net of tax	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2016	\$931,229	\$484,795	\$2,492,219	\$(766)	\$3,907,477	\$24,109	\$ 6,177	\$ 80,124	\$(173,253)	\$(62,843)	\$127,067	\$3,971,701
Net income for the year	–	–	233,547	–	233,547	–	–	–	–	–	–	233,547
Treasury stock purchased, net	–	–	–	(89)	(89)	–	–	–	–	–	–	(89)
Cash dividends	–	–	(163,778)	–	(163,778)	–	–	–	–	–	–	(163,778)
Loss on sales of treasury stock	–	(9)	–	9	0	–	–	–	–	–	–	0
Change in the scope of consolidation	–	–	(63)	–	(63)	–	–	–	–	–	–	(63)
Other	–	–	–	–	–	4,696	(16,711)	(83,163)	77,959	(17,219)	(1,577)	(18,796)
Balance at March 31, 2017	\$931,229	\$484,786	\$2,561,925	\$(846)	\$3,977,094	\$28,805	\$(10,534)	\$ (3,039)	\$ (95,294)	\$(80,062)	\$125,490	\$4,022,522

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2017, 2016 and 2015

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2017	2016	2015	2017
Cash flows from operating activities:				
Income before income taxes	¥ 38,873	¥ 74,832	¥ 84,288	\$ 346,461
Adjustments to reconcile net income before income taxes and non-controlling interests to net cash provided by (used for) operating activities:				
Depreciation and amortization	51,564	49,004	44,572	459,572
Increase (decrease) in liability for retirement benefits	3,537	(3,043)	(2,521)	31,524
Increase (decrease) in accrued bonuses	(4,852)	(935)	4,255	(43,244)
Increase (decrease) in allowance for doubtful receivables	4,872	(857)	(160)	43,422
Increase (decrease) in provision for product warranties	(385)	1,590	666	(3,431)
Increase (decrease) in provision for losses on construction contracts	10,185	2,228	(7,957)	90,775
Increase (decrease) in provision for losses on damages suit	–	–	(467)	–
Increase (decrease) in provision for environmental measures	(579)	(840)	(1,134)	(5,160)
Loss (gain) on sales of property, plant, and equipment	(3,077)	(3,155)	1,428	(27,424)
Equity in income of non consolidated subsidiaries and affiliates	(5,537)	(2,876)	(6,208)	(49,349)
Interest and dividend income	(1,100)	(1,164)	(1,191)	(9,803)
Interest expense	2,859	3,637	3,761	25,481
Gain on transfer of business	–	(901)	–	–
Loss on overseas business	–	19,298	–	–
Changes in assets and liabilities:				
Decrease (increase) in:				
Trade receivables	(64,605)	(7,657)	630	(575,802)
Inventories	7,453	(19,719)	(22,583)	66,426
Advance payments	7,838	(5,860)	(11,086)	69,857
Other current assets	(1,272)	(2,670)	(623)	(11,336)
Increase (decrease) in:				
Trade payables	20,743	(5,441)	28,933	184,875
Advances from customers	35,565	7,433	29,460	316,978
Other current liabilities	1,468	5,003	(62)	13,083
Other, net	22	396	2,271	196
Subtotal	103,572	108,303	146,272	923,101
Cash received for interest and dividends	5,870	6,745	6,099	52,317
Cash paid for interest	(2,827)	(3,817)	(4,012)	(25,196)
Cash paid for income taxes	(13,101)	(25,172)	(20,708)	(116,764)
Net cash provided by operating activities	¥ 93,514	¥ 86,059	¥ 127,651	\$ 833,458

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2017	2016	2015	2017
Cash flows from investing activities:				
Acquisition of property, plant and equipment and intangible assets	¥(69,341)	¥(79,463)	¥(77,361)	\$ (618,012)
Proceeds from sales of property, plant and equipment and intangible assets	4,810	1,202	11,913	42,869
Acquisition of investments in securities	(1,208)	(173)	(486)	(10,766)
Proceeds from sales of investments in securities	1,841	702	1,470	16,408
Acquisition of investments in subsidiaries and affiliates	(625)	(1,601)	(1,261)	(5,570)
Proceeds from sales of investments in subsidiaries and affiliates	966	–	–	8,609
Proceeds from sale of business (Note 18)	–	5,390	–	–
Decrease (increase) in short-term loans	178	(7)	(1,164)	1,586
Additions to long-term loans	(70)	(87)	(63)	(623)
Proceeds from collection of long-term loans	94	92	141	837
Other	(1,524)	(240)	(586)	(13,582)
Net cash used for investing activities	(64,879)	(74,185)	(67,397)	(578,244)
Cash flows from financing activities:				
Increase (decrease) in short-term debt	(20,843)	4,132	(16,587)	(185,766)
Proceeds from long-term debt	31,734	19,648	42,456	282,834
Repayment of long-term debt	(16,946)	(25,651)	(86,233)	(151,033)
Proceeds from issuance of bonds	20,000	20,000	20,000	178,253
Redemption of bonds payable	(10,000)	(20,000)	–	(89,126)
Cash dividends paid	(18,351)	(20,022)	(15,675)	(163,556)
Cash dividends paid to non-controlling shareholders	(765)	(1,527)	(986)	(6,818)
Other	(679)	20	(108)	(6,053)
Net cash used for financing activities	(15,850)	(23,400)	(57,133)	(141,265)
Effect of exchange rate changes	543	1,639	(953)	4,839
Net increase (decrease) in cash and cash equivalents	13,328	(9,887)	2,168	118,788
Cash and cash equivalents at beginning of year	37,832	47,721	45,431	337,183
Decrease in cash and cash equivalents arising from exclusion of consolidated subsidiaries	(438)	–	–	(3,904)
Increase (decrease) in cash and cash equivalents due to changes in fiscal period of consolidated subsidiaries	–	(2)	122	–
Cash and cash equivalents at end of year	¥ 50,722	¥ 37,832	¥ 47,721	\$ 452,067
Supplemental information on cash flows:				
Cash and cash equivalents:				
Cash on hand and in banks in the balance sheets	¥ 55,388	¥ 42,157	¥ 51,645	\$ 493,654
Time deposits with maturities over three months	(4,666)	(4,325)	(3,924)	(41,587)
Total (Note 18)	¥ 50,722	¥ 37,832	¥ 47,721	\$ 452,067

The accompanying notes to the consolidated financial statements are an integral part of these statements.