

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

FLASH CONSOLIDATED FINANCIAL RESULTS

For six months ended September 30, 2016 and 2015 and one year ended March 31, 2016

October 28, 2016

(Consolidated)

Operating results

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2016	Six months ended Sep. 30, 2015	Six months ended Sep. 30, 2016
Net sales	? 697,299	? 708,194	\$ 6,895,757
Operating income	8,491	42,305	83,969
Profit (loss) attributable to owners of parent	(242)	26,878	(2,393)
Earnings per share (Yen)	(0.1)	16.0	

Financial position

	Millions of yen / Thousand shares		Thousands of U.S. dollars
	As of Sep. 30, 2016	As of Mar. 31, 2016	As of Sep. 30, 2016
Total assets	? 1,657,075	? 1,620,458	\$ 16,387,213
Net assets	401,695	445,625	3,972,458
Number of shares issued and outstanding	1,670,560	1,670,576	
Equity Ratio	23.4%	26.6%	

Cash flows

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2016	Six months ended Sep. 30, 2015	Six months ended Sep. 30, 2016
Operating activities	? (117,247)	? (100,893)	\$ (1,159,483)
Investing activities	(31,618)	(40,722)	(312,678)
Financing activities	143,936	135,523	1,423,417
Cash and cash equivalents at end of year	35,689	41,706	352,937

Fiscal year forecast

	Millions of yen		
	Net sales	Operating income	Profit attributable to owners of parent
One year ending March 31, 2017	? 1,510,000	? 34,000	? 16,500

Condensed Consolidated Statements of Income

For six months ended September 30, 2016 and 2015

	Millions of yen		># Change	Thousands of
	Six months ended Sep. 30, 2016	Six months ended Sep. 30, 2015		U.S. dollars
Net sales	? 697,299	? 708,194	-0%	\$ 6,895,757
Cost of sales	595,268	575,216		5,886,748
Grossprofit	102,031	132,978		1,009,009
Selling, general and administrative expenses	93,540	90,673		925,040
Operating income	8,491	42,305	-80%	83,969
Other income (expenses):				
Interest and dividend income	549	526		5,429
Equity in income of unconsolidated subsidiaries and affiliates	2,945	1,348		29,123
Interest expense	(1,433)	(1,857)		(14,171)
Other, net	(10,076)	(2,030)		(99,643)
Income(loss) before income taxes and non-controlling interests	476	40,292		4,707
Income taxes	17	(12,466)		168
Profit(loss) attributable to non-controlling interests	(735)	(948)		(7,268)
Profit (loss) attributable to owners of parent	? (242)	? 26,878	-101%	\$ (2,393)

(Consolidated)

Condensed Consolidated Statements of Cash Flows

For six months ended September 30, 2016 and 2015

	Six months ended Sep. 30, 2016		Six months ended Sep. 30, 2015		Thousands of U.S. dollars Six months ended Sep. 30, 2016
Cash flows from operating activities:					
Income before income taxes and minority interests	?	476	?	40,292	\$ 4,707
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:					
Depreciation and amortization		25,121		24,087	248,427
Decrease in assets		(68,494)		(65,682)	(677,353)
Decrease in liabilities		(64,799)		(69,690)	(640,812)
Other		(9,551)		(29,900)	(94,452)
Net cash provided by operating activities	<u>?</u>	<u>(117,247)</u>	<u>?</u>	<u>(100,893)</u>	<u>\$ (1,159,483)</u>
Cash flows from investing activities:					
Acquisition of tangible and intangible assets		(33,752)		(40,251)	(333,782)
Acquisition of investments in securities		(610)		(38)	(6,032)
Other		2,744		(433)	27,136
Net cash used for investing activities	<u>?</u>	<u>(31,618)</u>	<u>?</u>	<u>(40,722)</u>	<u>\$ (312,678)</u>
Cash flows from financing activities:					
Decrease in short-term borrowings		151,460		143,079	1,497,824
Proceeds from long-term debt		24,503		28,500	242,316
Repayment of long-term debt		(19,339)		(23,856)	(191,249)
Other		(12,688)		(12,200)	(125,474)
Net cash provided by financing activities	<u>?</u>	<u>143,936</u>	<u>?</u>	<u>135,523</u>	<u>\$ 1,423,417</u>
Effect of exchange rate changes		3,223		78	31,873
Net decrease in cash and cash equivalents		<u>(1,706)</u>		<u>(6,014)</u>	<u>(16,871)</u>
Cash and cash equivalents at beginning of term		<u>37,832</u>		<u>47,721</u>	<u>374,129</u>
Increase in cash and cash equivalents					
due to changes in fiscal period of consolidated subsidiaries		-		(1)	-
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation		(437)		-	(4,321)
Cash and cash equivalents at end of term	<u>?</u>	<u>35,689</u>	<u>?</u>	<u>41,706</u>	<u>\$ 352,937</u>

Net sales, orders and order backlog by reportable segment

For six months ended September 30, 2016 and as of September 30 and March 31, 2016

	Millions of yen						Thousands of U.S. dollars	
	Six months ended		Six months ended		%	Six months ended		
	Sep. 30, 2016		Sep. 30, 2015					Change
Net sales :								
Ship & Offshore Structure	?	51,622	(7%)	?	51,861	(7%)	-0%	\$ 510,502
Rolling Stock		62,346	(9%)		62,769	(9%)	-1%	616,554
Aerospace		168,917	(24%)		166,805	(24%)	+1%	1,670,460
Gas Turbine & Machinery		106,622	(15%)		103,375	(15%)	+3%	1,054,410
Plant & Infrastructure		78,567	(11%)		55,834	(8%)	+41%	776,967
Motorcycle & Engine		128,567	(19%)		143,055	(20%)	-10%	1,271,429
Precision Machinery		65,728	(10%)		63,948	(9%)	+3%	650,000
Other		34,930	(5%)		60,547	(8%)	-42%	345,435
Total	?	697,299	(100%)	?	708,194	(100%)	-0%	\$ 6,895,757
Orders :								
Ship & Offshore Structure	?	8,645	(2%)	?	67,496	(9%)	-87%	\$ 85,492
Rolling Stock		57,716	(11%)		65,775	(9%)	-12%	570,767
Aerospace		98,904	(18%)		134,663	(18%)	-27%	978,085
Gas Turbine & Machinery		102,658	(19%)		115,844	(16%)	-11%	1,015,209
Plant & Infrastructure		34,325	(6%)		75,046	(10%)	-54%	339,448
Motorcycle & Engine		128,567	(24%)		143,055	(19%)	-10%	1,271,429
Precision Machinery		71,403	(13%)		64,045	(9%)	+11%	706,121
Other		36,212	(7%)		72,899	(10%)	-50%	358,112
Total	?	538,430	(100%)	?	738,823	(100%)	-27%	\$ 5,324,663

	Millions of yen						Thousands of U.S. dollars	
	As of		As of		%	As of		
	Sep. 30, 2016		Mar. 31, 2016					Change
Order backlog :								
Ship & Offshore Structure	?	206,523	(12%)	?	259,921	(13%)	-26%	\$ 2,042,355
Rolling Stock		349,143	(20%)		375,729	(20%)	-14%	3,452,759
Aerospace		527,726	(31%)		608,352	(32%)	+16%	5,218,809
Gas Turbine & Machinery		360,802	(21%)		381,787	(20%)	+3%	3,568,057
Plant & Infrastructure		233,601	(13%)		255,944	(13%)	-15%	2,310,136
Motorcycle & Engine		-	(- %)		-	(- %)	-%	-
Precision Machinery		32,033	(2%)		26,358	(1%)	+21%	316,782
Other		19,150	(1%)		17,866	(1%)	-53%	189,381
Total	?	1,728,978	(100%)	?	1,925,957	(100%)	-6%	\$ 17,098,279

Net Sales by geographic area

For six months ended September 30, 2016 and 2015

	Millions of yen						Thousands of U.S. dollars	
	Six months ended		Six months ended		%	Six months ended		
	Sep. 30, 2016		Sep. 30, 2015					Change
Japan	?	292,700	(42%)	?	276,602	(39%)	+5%	\$ 2,894,581
United States		170,784	(24%)		187,229	(26%)	-8%	1,688,924
Europe		90,460	(13%)		69,679	(10%)	+29%	894,580
Asia		98,477	(14%)		112,493	(16%)	-12%	973,863
Other		44,878	(7%)		62,191	(9%)	-27%	443,809
Total	?	697,299	(100%)	?	708,194	(100%)	-0%	\$ 6,895,757