



KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

FLASH CONSOLIDATED FINANCIAL RESULTS

For three months ended June 30, 2018 and 2017 and one year ended March 31, 2018

July 31, 2018
(Consolidated)

Operating results

| | | Millions of yen | | Thousands of U.S. dollars |
|---|-------|-------------------------------------|-------------------------------------|-------------------------------------|
| | | Three months ended Jun. 30, 2018 | Three months ended Jun. 30, 2017 | Three months ended Jun. 30, 2018 |
| Net sales | | \ | \$ 3,110,051 | |
| Profit | 7,103 | 4,908 | 64,257 | |
| Profit attributable to owners of parent | 2,561 | 3,278 | 23,168 | |
| Profit per share (Yen) | 15.33 | 19.62 | | |

Financial position

| | Millions of yen / Thousand shares | | Thousands of U.S. dollars |
|---|-----------------------------------|--------------------------|---------------------------|
| | As of Jun. 30, 2018 | As of March. 31, 2018 | As of Jun. 30, 2018 |
| Total assets | \ 1,847,870 | \ 1,785,028 | \$ 16,716,754 |
| Net assets | 477,549 | 481,386 | 4,320,147 |
| Number of shares issued and outstanding | 167,046 | 167,047 | |
| Equity Ratio | 25.0% | 26.1% | |

Cash flows

| | Millions of yen | | Thousands of U.S. dollars |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| | Three months ended Jun. 30, 2018 | Three months ended Jun. 30, 2017 | Three months ended Jun. 30, 2018 |
| Operating activities | \ (0) | \ (86,681) | \$ (671,205) |
| Investing activities | (26,661) | (27,599) | (241,189) |
| Financing activities | 89,264 | 105,647 | 807,527 |
| Cash and cash equivalents at end of period | 52,487 | 42,872 | 474,824 |

Fiscal year forecast

| | Millions of yen | | |
|--------------------------------|-----------------|------------------|---|
| | Net sales | Operating profit | Profit attributable to owners of parent |
| One year ending March 31, 2019 | \ 1,650,000 | \ 75,000 | \ 47,000 |

- 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 110.54=¥1, the rate prevailing as of June 30, 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 three months ended June 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 June 30 and March 31, 2018

Assets

Current assets

| | | | | | | |
|---------------------------------------|---|----------------|---|---------|----|-----------|
| Cash and deposits | \ | 58,055 | \ | 70,632 | \$ | 525,194 |
| Notes and accounts receivable - trade | | 483,864 | | 470,110 | | 4,377,275 |

Consolidated Statements of Profit and Loss

For three months ended June 30, 2018 and 2017

| | Millions of yen | | Thousands of U.S. dollars |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| | Three months ended Jun. 30, 2018 | Three months ended Jun. 30, 2017 | Three months ended Jun. 30, 2018 |
| Net sales | \ 343,785 | \ 335,329 | \$ 3,110,051 |
| Cost of sales | 288,048 | 284,154 | 2,605,826 |
| Gross profit | 55,737 | 51,175 | 504,225 |
| Selling, general and administrative expenses | | | |
| Salaries and allowances | 12,960 | 12,601 | 117,243 |
| Research and development expenses | 10,323 | 9,455 | 93,387 |
| Other | 25,349 | 24,209 | 229,320 |
| Total selling, general and administrative expenses | 48,634 | 46,266 | 439,967 |
| Operating profit | 7,103 | 4,908 | 64,257 |
| Non-operating income | | | |
| Interest income | 93 | 193 | 841 |
| Dividend income | 142 | 158 | 1,285 |
| Share of profit of entities accounted for using equity method | 323 | 1,335 | 2,922 |
| Foreign exchange gains | 2,038 | 553 | 18,437 |
| Other | 601 | 549 | 5,437 |
| Total non-operating income | 3,198 | 2,790 | 28,931 |
| Non-operating expenses | | | |
| Interest expenses | 753 | 667 | 6,812 |
| Other | 998 | 1,598 | 9,028 |
| Total non-operating expenses | 1,751 | 2,266 | 15,840 |
| Ordinary profit | 8,550 | 5,433 | 77,348 |
| Profit before income taxes | 8,550 | 5,433 | 77,348 |
| Income taxes | 5,636 | 1,749 | 50,986 |
| Profit | 2,913 | 3,683 | 26,352 |
| Profit attributable to non-controlling interests | 352 | 405 | 3,184 |
| Profit attributable to owners of parent | 2,561 | 3,278 | 23,168 |

Segment information
Information by reportable segment

Millions of yen
Three months ended
Jun. 30, 2017

| | External sales | Intersegment sales | Total sales | Operating profit (loss) |
|-----------------------------------|----------------|--------------------|-------------|-------------------------|
| Aerospace Systems \ | 105,903 | 975 | 106,879 | 7,978 |
| Energy System & Plant Engineering | 53,522 | 4,097 | 57,619 | (514) |
| Precision Machinery & Robot | 41,823 | 3,376 | 45,200 | 4,576 |
| Ship & Offshore Structure | 19,711 | 709 | 20,421 | (2,861) |
| Rolling Stock | 29,171 | 47 | 29,219 | (944) |
| Motorcycle & Engine | 67,769 | 138 | 67,907 | (3,327) |
| Other | 17,427 | 9,840 | 27,268 | 664 |
| Total | 335,329 | 19,186 | 354,516 | 5,571 |
| Eliminations and corporate | - | (19,186) | (19,186) | (662) |
| Consolidated total \ | 335,329 | - | 335,329 | 4,908 |

Millions of yen
Three months ended
Jun. 30, 2018

| loss) | External sales | Intersegment sales loss) | Total sales | profit (loss) |
|--|----------------|--------------------------|-----------------|----------------|
| Aerospace Systems \ | 104,946 | 3,886 | 108,832 | 5,325 |
| Energy System & Plant Engineering | 51,004 | 4,248 | 55,253 | 233 |
| Precision Machinery & Robot | 47,992 | 3,734 | 51,726 | 4,596 |
| Ship & Offshore Structure | 22,085 | 663 | 22,748 | 1,358 |
| Rolling Stock | 23,392 | 3 | 23,395 | (915) |
| Motorcycle & Engine | 73,757 | 160 | 73,917 | (3,308) |
| Other | 20,607 | 8,988 | 29,595 | 359 |
| Total | 343,785 | 21,684 | 365,470 | 7,649 |
| Eliminations and corporate | - | (21,684) | (21,684) | (546) |
| Consolidated total \ | 343,785 | - | 343,785 | 7,103 |

Thousands of U.S. dollars
Three months ended
Jun. 30, 2018

| | | | | |
|-----------------------------------|-----------|-----------|--------------|-----------|
| Aerospace Systems \$ | 949,394 | \$ 35,155 | \$ 984,549 | \$ 48,173 |
| Energy System & Plant Engineering | 461,408 | 38,430 | 499,846 | 2,108 |
| Precision Machinery & Robot | 434,160 | 33,780 | 467,939 | 41,578 |
| Ship & Offshore Structure | 199,792 | 5,998 | 205,790 | 12,285 |
| Rolling Stock | 211,616 | 27 | 211,643 | (8,278) |
| Motorcycle & Engine | 667,243 | 1,447 | 668,690 | (29,926) |
| Other | 186,421 | 81,310 | 267,731 | 3,248 |
| Total | 3,110,051 | 196,164 | 3,306,224 | 69,197 |
| Eliminations and corporate | - | (196,164) | (196,164) | (4,939) |
| Consolidated total \$ | 3,110,051 | \$ - | \$ 3,110,051 | \$ 64,257 |

Orders by reportable segment

For three months ended June 30, 2018 and 2017

Orders :

| | | | | |
|-----------------------------------|---------------|------|----|-----|
| Aerospace Systems \ | 79.0 \ | 67.3 | \$ | 715 |
| Energy System & Plant Engineering | 93.9 | 53.2 | | 849 |
| Precision Machinery & Robot | 50.9 | 42.8 | | 460 |
| Ship & Offshore Structure | 6.9 | 13.3 | | 62 |
| Rolling Stock | 24.9 | 11.1 | | 225 |
| Motorcycle & Engine | 73.7 | 67.7 | | 667 |
| Other | 24.2 | 16.9 | | 219 |