

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

FLASH CONSOLIDATED FINANCIAL RESULTS

For six months ended September 30, 2018 and 2017 and one year ended March 31, 2018

(Consolidated)

Operating results

Net sales	\	688,107	\	709,721	\$	6,058,347
Operating profit		8,454		16,115		74,432
Profit attributable to owners of parent		(3,592)		10,853		(31,625)
Earnings per share (Yen)		(21.50)		64.97		

Financial position

Total assets	\	1,900,544	\	1,785,028	\$	16,733,087
Net assets		472,569		481,386		4,160,671
Number of shares issued and outstanding		167,046		167,047		167,047

Investing activities		(113,421)	\	(123,333)	\$	(998,600)
Financing activities		(47,533)		(40,285)		(418,498)
Cash and cash equivalents at end of period		149,311		155,631		1,314,589
		50,468		40,277		444,339

Fiscal year forecast

One year ending March 31, 2019	\	1,645,000	\	66,000		
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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 113.58=¥1, the rate prevailing on December 28, 2018, except with respect to U.S.

Consolidated Balance Sheets*As of September 30 and March 31, 2018***Assets**

Current assets

Cash and deposits	\ 57,414	\ 70,632	\$ 505,494
Notes and accounts receivable - trade	491,502	470,110	4,327,364
Merchandise and finished goods	74,609	62,385	656,885
Work in process	412,644	326,459	3,633,069
Raw materials and supplies	119,331	115,893	1,050,634
Other	81,948	72,542	721,500
Allowance for doubtful accounts	(3,906)	(2,247)	(34,390)
Total current assets	1,233,543	1,115,776	10,860,565

Non-current assets

Property, plant and equipment			
Buildings and structures, net	195,701	186,623	1,723,023
Other	287,661	293,173	2,532,673
Total property, plant and equipment	483,362	479,797	4,255,696
Intangible assets	16,124	16,178	141,962
Investments and other assets			
Other	171,031	176,961	1,505,820
Allowance for doubtful accounts	(3,519)	(3,685)	(30,983)
Total investments and other assets	167,512	173,276	1,474,837
Total non-current assets	667,000	669,252	5,872,513
Total assets	1,900,544	1,785,028	16,733,087

Liabilities

Current liabilities

Notes and accounts payable - trade	216,735	245,398	1,908,214
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Consolidated Statements of Profit and Loss

For six months ended September 30, 2018 and 2017

Net sales	\	688,107	\	709,721	\$	6,058,347
Cost of sales		581,972		599,529		5,123,895
Gross profit		106,135		110,191		934,451
Selling, general and administrative expenses						
Salaries and allowances		26,537		25,542		233,641
Research and development expenses		21,240		20,659		187,005
Other		49,903		47,874		439,364
Total selling, general and administrative expenses		97,680		94,076		860,011
Operating profit		8,454		16,115		74,432
Non-operating income						
Interest income		239		358		2,104
Dividend income		180		185		1,585
Share of profit of entities accounted for using equity method		802		2,553		7,061
Foreign exchange gains		3,102		1,442		27,311
Other		1,398		1,376		12,309
Total non-operating income		5,724		5,916		50,396
Non-operating expenses						
Interest expenses		1,546		1,338		13,612
Payments for the in-service issues of						

(Consolidated)

Consolidated Statements of Cash Flows

For six months ended September 30, 2018 and 2017

		Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2018	Six months ended Sep. 30, 2017		
Cash flows from operating activities				
Profit before income taxes	\ 207	\ 15,116	\$	1,823
Depreciation	29,342	27,442		258,338
Increase (decrease) in allowance for doubtful accounts	1,465	(115)		12,898
Increase (decrease) in provision for bonuses	(2,968)	(3,491)		(26,131)
Increase (decrease) in provision for construction warranties	(1,367)	(933)		(12,036)
Increase (decrease) in provision for loss on construction contracts	2,409	(727)		21,210
Increase (decrease) in net defined benefit liability	4,868	7,197		42,860
Increase (decrease) in provision for the in-service issues of commercial aircraft jet engines	9,745			85,799
Interest and dividend income	(420)	(543)		(3,698)
Interest expenses	1,546	1,338		13,612

Segment information
Information by reportable segment

	Millions of yen			
	Six months ended			
	Sep. 30, 2017			
	External sales	Intersegment sales	Total sales	Operating profit (loss)
Aerospace Systems	\ 232,568	\ 2,073	\ 234,641	\ 15,688
Energy System & Plant Engineering	105,902	8,825	114,728	186
Precision Machinery & Robot	86,967	6,758	93,725	9,070
Ship & Offshore Structure	45,075	1,301	46,377	(5,199)
Rolling Stock	63,690	52	63,742	(922)
Motorcycle & Engine	136,980	305	137,286	(2,058)
Other	38,537	19,673	58,210	1,458
Total	709,721	38,991	748,712	18,223
Eliminations and corporate	-	(38,991)	(38,991)	(2,108)
Consolidated total	\ 709,721	\ -	\ 709,721	\ 16,115

	Millions of yen			
	Six months ended			
	Sep. 30, 2018			
	External sales	Intersegment sales	Total sales	Operating profit (loss)
Aerospace Systems	\ 210,222	\ 6,105	\ 216,327	\ 9,471
Energy System & Plant Engineering	103,926	10,113	114,039	2,203
Precision Machinery & Robot	102,178	7,682	109,861	9,635
Ship & Offshore Structure	39,739	1,685	41,424	1,289
Rolling Stock	45,426	13	45,440	(8,878)
Motorcycle & Engine	144,425	313	144,739	(4,656)
Other	42,188	19,588	61,777	1,022
Total	688,107	45,502	733,610	10,086
Eliminations and corporate	-	(45,502)	(45,502)	(1,631)
Consolidated total	\ 688,107	\ -	\ 688,107	\ 8,454

	Thousands of U.S. dollars			
	Six months ended			
	Sep. 30, 2018			
	External sales	Intersegment sales	Total sales	Operating profit (loss)
Aerospace Systems	\$ 1,850,872	\$ 53,751	\$ 1,904,622	\$ 83,386
Energy System & Plant Engineering	915,003	89,039	1,004,041	19,396
Precision Machinery & Robot	899,613	67,635	967,257	84,830
Ship & Offshore Structure	349,877	14,835	364,712	11,349
Rolling Stock	399,947	114	400,070	(78,165)
Motorcycle & Engine	1,271,571	2,756	1,274,335	(40,993)
Other	371,439	172,460	543,907	8,998
Total	6,058,347	400,616	6,458,972	88,801
Eliminations and corporate	-	(400,616)	(400,616)	(14,360)
Consolidated total	\$ 6,058,347	\$ -	\$ 6,058,347	\$ 74,432

Orders by reportable segment

For six months ended September 30, 2018 and 2017

Orders :

Aerospace Systems	\	201.1	\	197.7	\$	1,771
Energy System & Plant Engineering		146.7		116.6		1,292
Precision Machinery & Robot		104.8		92.4		923
Ship & Offshore Structure		16.5		16.3		145
Rolling Stock		023				