

Financial Results for Third Quarter FY2017 (for the year ending March 31, 2018)

January. 31, 2018



 **Kawasaki**

Powering your potential

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Financial Results by Segment

[Billion Yen]

	Orders Received				Net Sales				Operating Income			
	FY2016 3Q	FY2017 3Q	Change		FY2016 3Q	FY2017 3Q	Change		FY2016 3Q	FY2017 3Q	Change	
Ship & Offshore Structure	28.7	-2.4	>+	31.2	74.9	69.9	>+	5.0	-13.8	-4.3	+	9.4
Rolling Stock	84.7	79.7	>+	4.9	94.9	99.8	+	4.8	1.6	2.3	+	0.7
Aerospace	148.8	251.2	+	102.4	238.1	246.6	+	8.5	22.7	17.3	>+	5.3
Gas Turbine & Machinery	192.3	168.0	>+	24.2	165.2	185.7	+	20.5	5.9	11.9	+	5.9
Plant & Infrastructure	60.4	86.4	+	26.0	114.2	80.0	>+	34.2	2.3	0.0	>+	2.4
Motorcycle & Engine	198.7	214.9	+	16.2	198.7	214.9	+	16.2	-2.0	3.2	+	5.2
Precision Machinery	115.7	144.7	+	29.0	103.5	136.3	+	32.7	6.8	14.7	+	7.9
Others	55.7	59.2	+	3.4	53.2	58.7	+	5.5	2.3	2.3	>+	0.0
Eliminations and corporate	-	-	-	-	-	-	-	-	-3.1	-2.9	+	0.2
Total	885.3	1,002.0	+	116.7	1,043.0	1,092.3	+	49.3	22.8	44.6	+	21.7

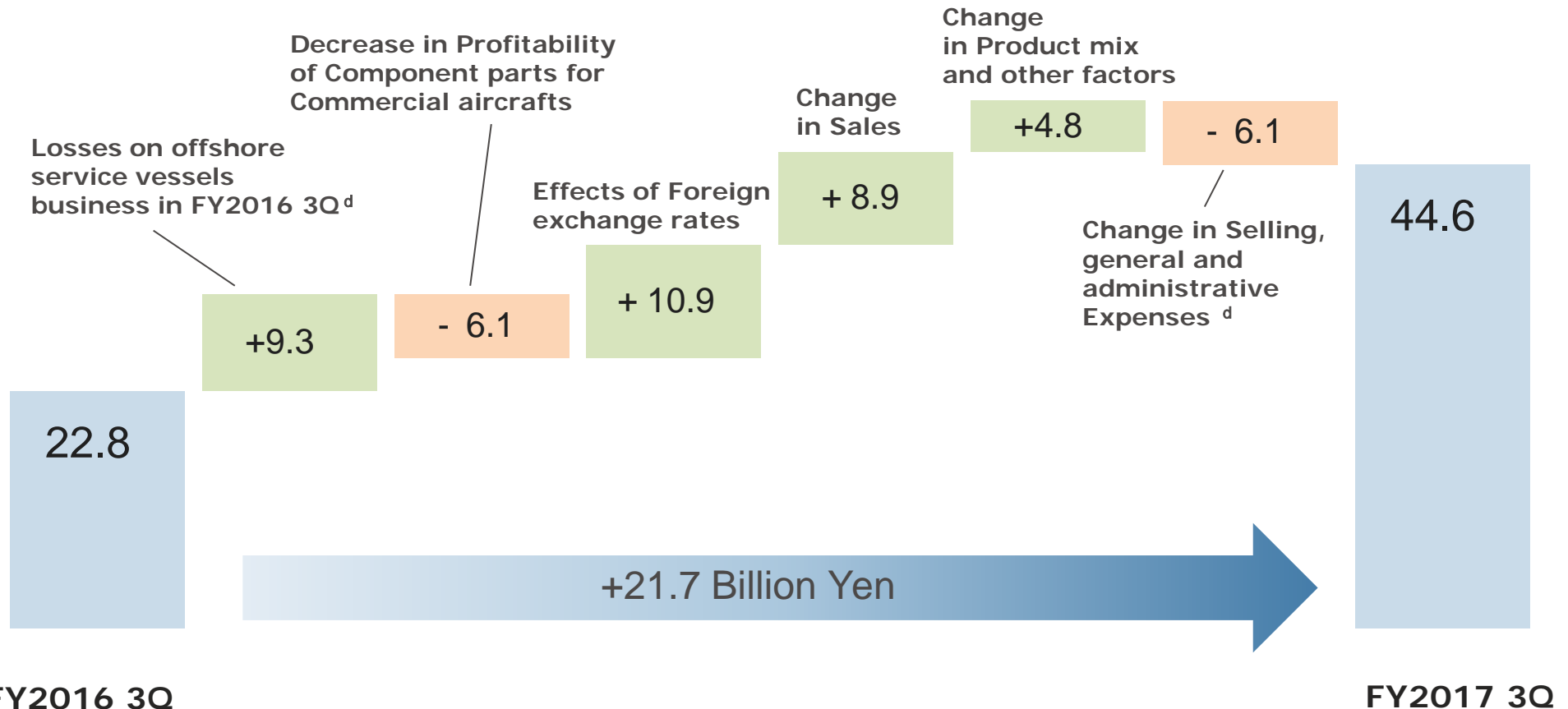
d "Eliminations and corporate" includes some expenses incurred at Head Office which were not allocated to each industry segment

for internal reporting

Details of change in profit

• Operating Profit

+21.7 Billion yen (FY2016 3Q 22.8 Billion yen M FY2017 3Q 44.6 Billion Yen)

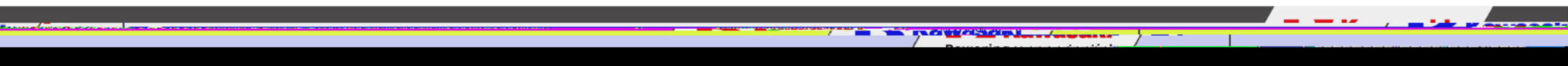


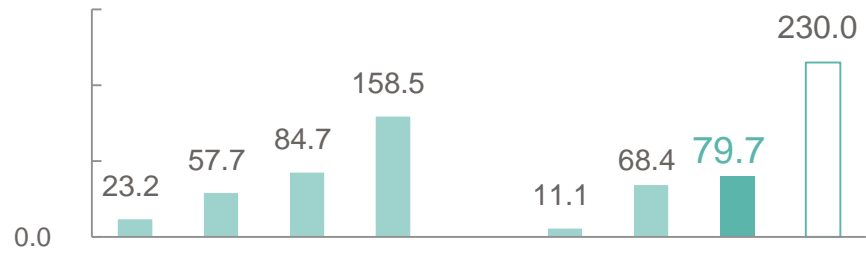
^d5.1 Billion Yen of allowance for doubtful accounts on trade receivables from the service vessels business in FY2016 3Q".

joint venture in Brazil is included in "Losses on offshore

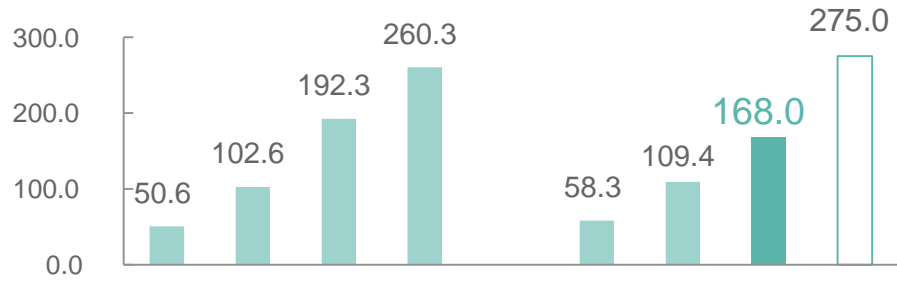
Summary of Income Statement

			(FY2016.3Q	[Billion Yen] FY2017.3Q)
Operating Income	+	21.7	(22.8	44.6)
Net Sales	+	49.3	(1,043.0	1,092.3)
Cost of sales	+	26.5	(877.7	904.2)
Selling, general & administrative expenses	+	1.0	(142.4	143.4)
- Salaries and benefits	+	1.0	(37.6	38.6)
- R&D expenses	+	0.2	(30.8	31.0)
Non-operating Income / Expenses	>+	4.7	(0.1	-4.6)
Net Interest expense (incl. dividend income)	+	0.0	(-1.3	-1.2)
	H	1.7	(4.8	3.0)
Gain and loss on foreign exchange	+	1.7	(-1.8	0.0)
	>+	2.5	(- M	-2.5)
Others				

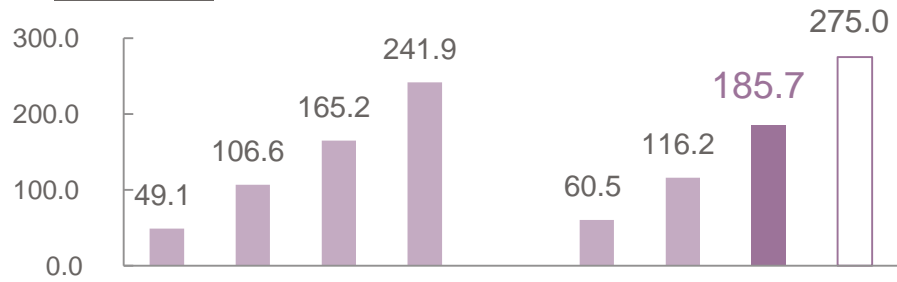




Orders Received

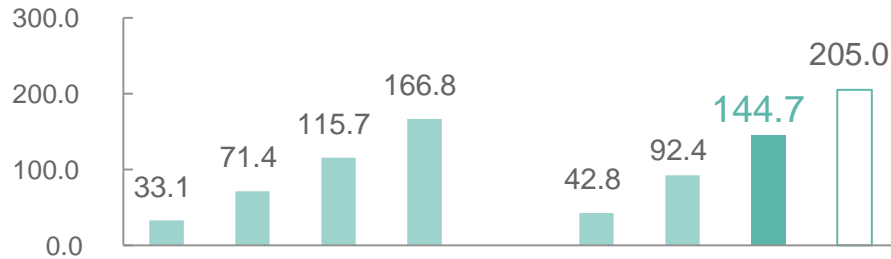


Net Sales

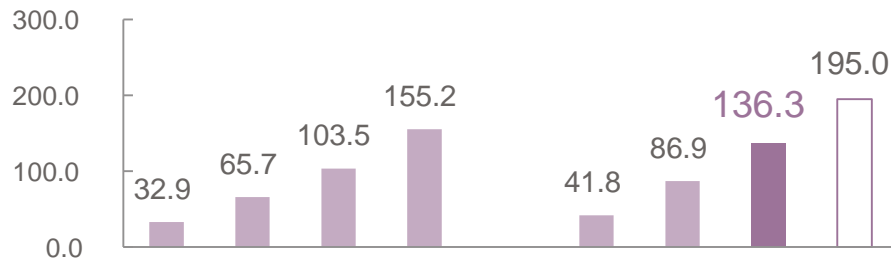


Precision Machinery

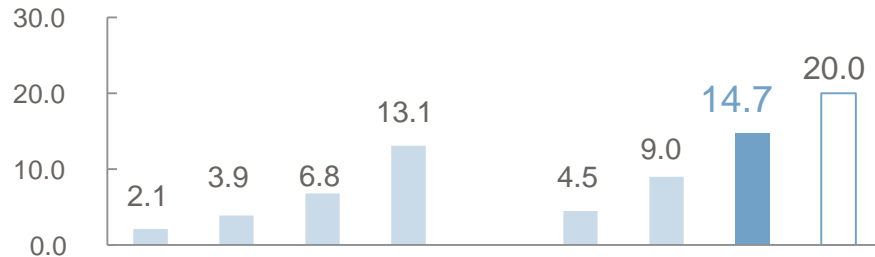
Orders Received



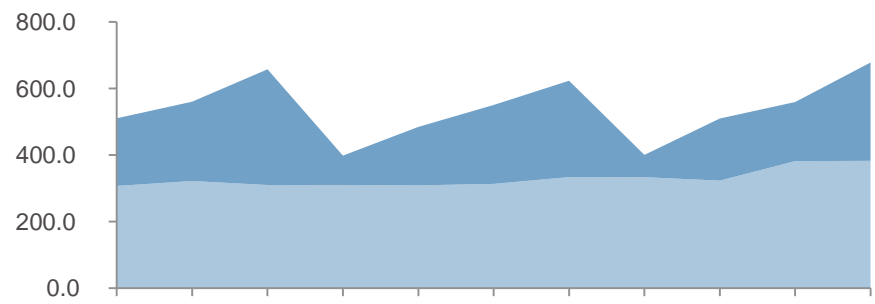
Net Sales



Operating Income



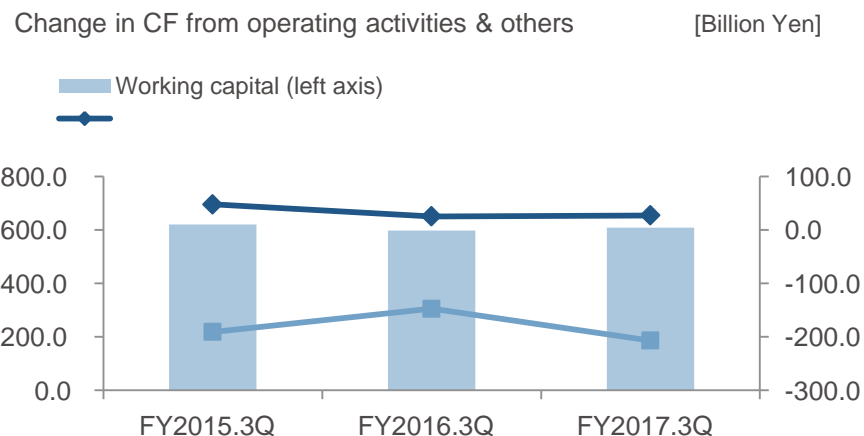
- **Orders Received:** Increased due to increase in hydraulic components for construction machinery
- **Net Sales:** Increased due to increase in hydraulic components for construction machinery (t)-71.6 (d)-8.5 (u)-10.9



Summary of Cash Flows

[Billion Yen]			
	FY2016 3Q	FY2017 3Q	Change
Cash flows from operating activities	-147.2	-206.7	>+ 59.4
Cash flows from investing activities	-46.8	-66.4	>+ 19.6
Free Cash Flows	-194.1	-273.2	>+ 79.1
Cash flows from financing activities	206.2	269.5	+ 63.2

- Cash flows from operating activities deteriorated due to increase in expenditure for overseas projects and inventories, decrease in advances from customers due to being behind schedule, and other factors.
- Cash flows from investing activities deteriorated compared to the previous same period where proceeds from sales of fixed income were recognized, due to increase in payments for purchases of fixed assets, and other factors.
- Given the above mentioned changes, free cash flows deteriorated compared to the previous same period.



Change in FCF & Net Income attributable to Owners of Parent [Billion Yen]



Forecast by Segment

[Billion Yen]

	Orders Received			Net Sales			Operating Income		
	FY2016 Actual	FY2017 Forecast		FY2016 Actual	FY2017 Forecast		FY2016 Actual	FY2017 Forecast	
		In Oct.	In Jan.		In Oct.	In Jan.		In Oct.	In Jan.
Ship & Offshore Structure	36.9	65.0	30.0	103.2	100.0	100.0	-21.4	-5.0	-5.0
Rolling Stock	158.5	190.0	230.0	137.1	150.0	145.0	3.4	4.5	3.0
Aerospace	237.0	355.0	370.0	329.9	335.0	335.0	25.0	18.5	18.5
Gas Turbine & Machinery	260.3	275.0	275.0	241.9	265.0	275.0	15.2	11.0	13.0
Plant & Infrastructure	95.0	110.0	110.0	160.8	125.0	120.0	2.6	3.0	2.5
Motorcycle & Engine	313.0	335.0	335.0	313.0	335.0	335.0	11.7	14.0	14.0
Precision Machinery	166.8	205.0	205.0	155.2	195.0	195.0	13.1	20.0	20.0
Others	80.9	85.0	85.0	77.4	85.0	85.0	3.1	4.0	4.0
Eliminations and corporate	-	-	-	-	-	-	-7.0	-8.0	-8.0
Total	1,348.7	1,620.0	1,640.0	1,518.8	1,590.0	1,590.0	45.9	62.0	62.0


d "Eliminations and corporate" includes some expenses incurred at Head Office which were not allocated to each industry segment

for internal reporting

Before-tax ROIC by Segment

	Before-tax ROIC (EBIT/Invested Capital)			Operating Margin Operating Income/Net Sales)			Asset Turnover(Times) (Net Sales/Total Assets)		
	FY2016 Actual	FY2017 Forecast		FY2016 Actual	FY2017 Forecast		FY2016 Actual	FY2017 Forecast	
		In Oct.	In Jan.		In Oct.	In Jan.		In Oct.	In Jan.
Ship & Offshore Structure	-23.4%	-5.0%	-20.8%	-20.7%	-5.0%	-5.0%	0.61	0.62	0.65
Rolling Stock	3.0%	5.2%	3.3%	2.5%	3.0%	2.0%	0.83	0.85	0.80
Aerospace	15.1%	9.1%	9.1%	7.5%	5.5%	5.5%	0.76	0.77	0.77
Gas Turbine & Machinery	7.1%	4.6%	3.9%	6.3%	4.1%	4.7%	0.69	0.73	0.75
Plant & Infrastructure	8.9%	5.4%	5.3%	1.6%	2.4%	2.0%	1.35	0.93	0.93
Motorcycle & Engine	7.3%	10.9%	10.9%	3.7%	4.1%	4.1%	1.28	1.34	1.35
Precision Machinery	13.4%	19.6%	19.6%	8.4%	10.2%	10.2%	0.98	1.18	1.15
Total	5.0%	6.4%	4.9%	3.0%	3.8%	3.8%	0.88	0.90	0.89





Figures recorded in the business forecasts are forecasts that reflect the judgment of the Company based on the information available at the time of release and include risks and uncertainties. Accordingly, the Company cautions investors not to make investment decisions solely on the basis of these forecasts.

Actual business results may differ materially from these business forecasts due to various important factors resulting from changes in the external environment and internal environment. Important factors that may affect actual