

Financial Results for First Quarter FY2014 (for the year ending March 31, 2015)

July 30, 2014



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Summary of Financial Results

vs. FY2013.1Q

< Orders Received >

Increased as a whole due to increase in orders received in Rolling Stock and Plant & Infrastructure segments, despite decrease

	Orders Received			Net Sales			Operating Income		
	FY2013 1Q	FY2014 1Q	Change	FY2013 1Q	FY2014 1Q	Change	FY2013 1Q	FY2014 1Q	Change
Ship & Offshore Structure	27.1	14.5	-12.5	21.0	18.3	-2.7	3.3	-0.4	-3.7
Rolling Stock	35.0	67.4	+32.3	30.5	30.4	-0	1.9	0	-1.8
Aerospace	41.5	41.9	+0.4	55.6	65.4	+9.7	7.5	6.2	-1.2
Gas Turbine & Machinery	35.6	43.2	+7.5	36.4	42.7	+6.3	0.8	2.0	+1.2
Plant & Infrastructure	16.6	35.2	+18.6	16.7	21.0	+4.3	-0.6	-0.4	+0.1
Motorcycle & Engine	67.4	64.8	-2.6	67.4	64.8	-2.6	2.4	0.2	-2.2
Precision Machinery	29.8	31.7	+1.8	25.1	30.6	+5.5	1.5	2.8	+1.2
Others	29.6								

Summary of Income Statement

(Billion Yen)

Operating Income

-5.8 (FY2013.1Q 16.7 ÆFY2014.1Q 10.9)

Net sales	+	21.6	(	282.5	Æ	304.1)
Cost of sales	+	26.3	(	226.8	Æ	253.1)
Selling, general & administrative expenses	+	1.1	(	38.9	Æ	40.0)
- Salaries and benefits	+	0.5	(	10.8	Æ	11.3)
- R&D expenses	-	0	(	8.0	Æ	8.0)

Non-operating Income/Expenses

+3.1 (FY2013.1Q -7.3 ÆFY2014.1Q -4.2)

Net Interest expense (incl. dividend income)	-	0.1	(	-0.5	Æ	-0.7)
Equity in income of unconsolidated subsidiaries and affiliates	+	0.9	(	1.5	Æ	2.4)
Gain and loss on foreign exchange	+	2.1	(	-7.9	Æ	-5.8)
Others	+	0.2	(	-0.3	Æ	-0)

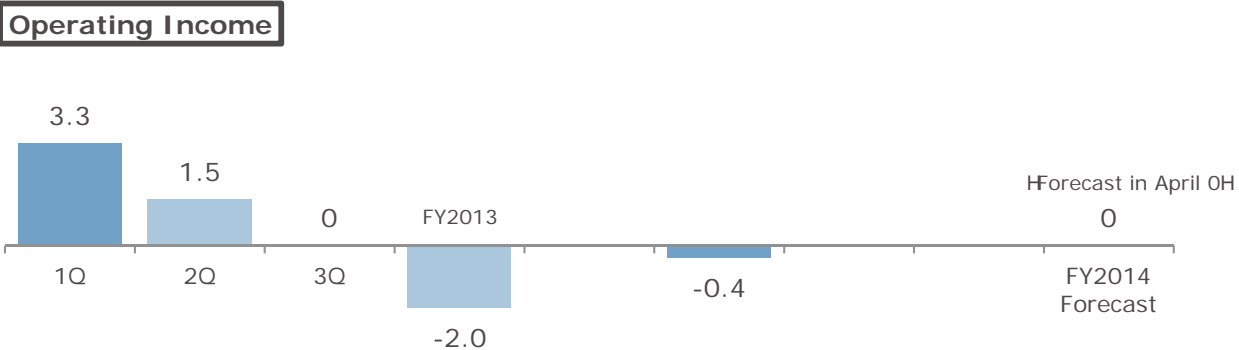
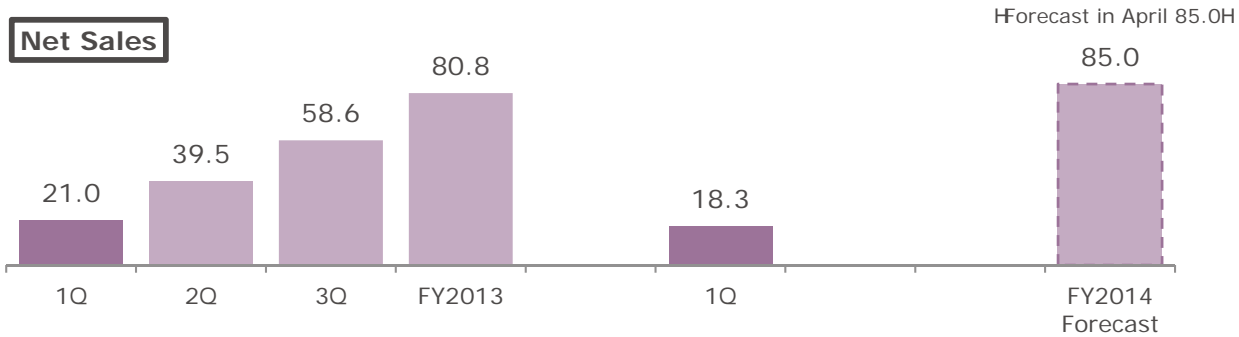
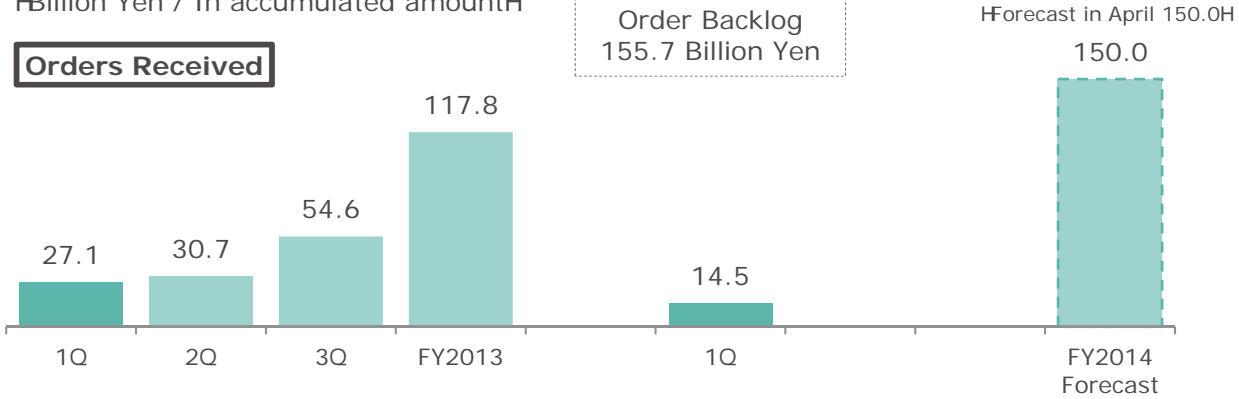
Extraordinary Income/Losses

0 (FY2013.1Q 0 ÆFY2014.1Q 0)

Ship & Offshore Structure

Main Products: LNG carriers, LPG carriers, Offshore structures, VLCCs, Bulk carriers, Submarines

Billions of Yen / In accumulated amount



Rolling Stock

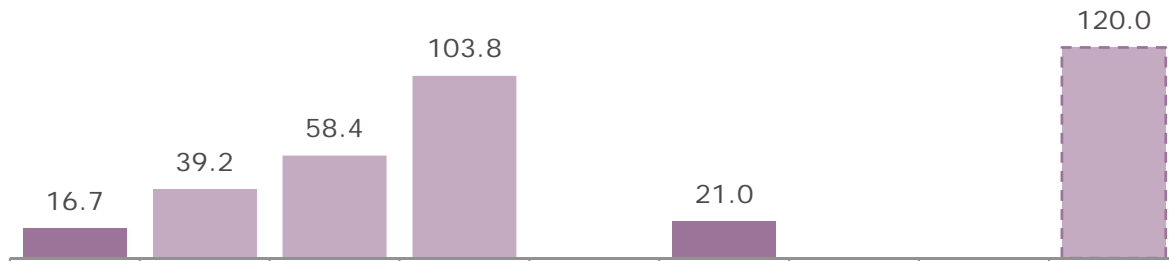
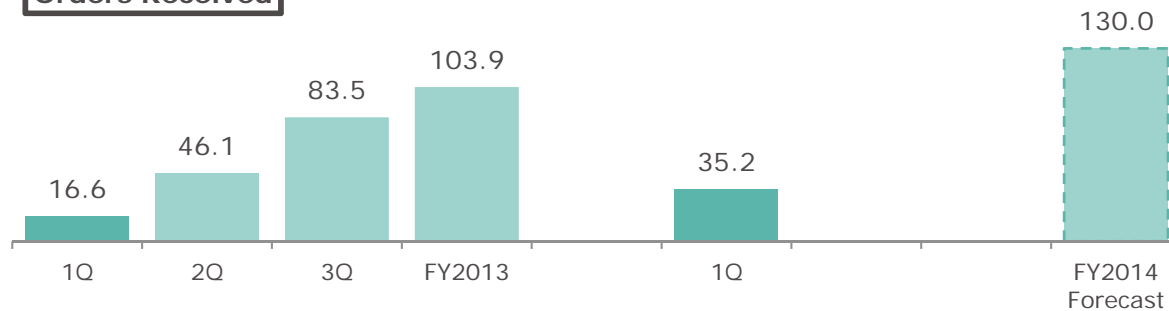
Aerospace

Gas Turbine & Machinery

Plant & Infrastructure

Main Products: Industrial plants (cement, fertilizer and others), Power plants, LNG tanks, Municipal refuse incineration plants, Tunnel boring machines, Crushing machines

Orders Received



FY2014.1Q

(vs. FY2013.1Q)

Orders Received: Increased due to increase in civil engineering machinery and environmental equipment projects

Net Sales: Increased due to sales increase in LNG tanks and environmental equipment projects

Operating Income: Remained at the same level of operating loss as previous same period, despite sales increase

FY2014 Forecast

(Hvs. Forecast in April)

Orders Received, Net Sales & Operating Income: No change



Precision Machinery

Main Products Hydraulic components (pumps, motors & valves), Hydraulic systems for industrial use, Hydraulic marine machinery, Precision Machinery / Electric-powered devices, Industrial Robots

FY2014.1Q

(vs. FY2013.1Q)

Orders Received: Increased due to hydraulic components for construction machinery for domestic market

Net Sales: Increased due to increase in hydraulic components for construction machinery for domestic market and industrial robots for automotive industries

Operating Income: Increased due to sales increase and other factors

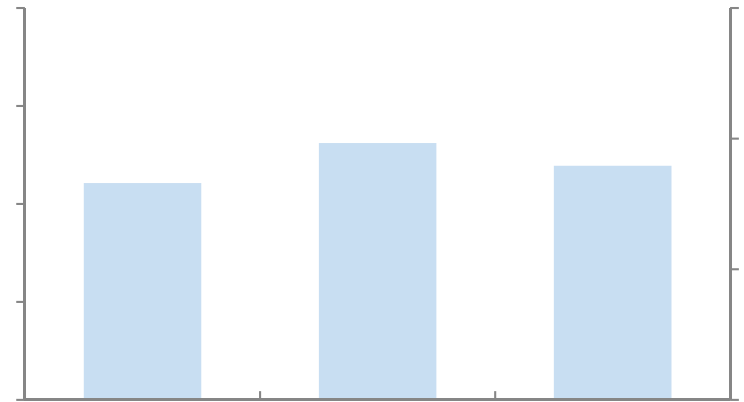
FY2014 Forecast

(Hvs. Forecast in April)

Orders Received, Net Sales & Operating Income: No change



Summary of Cash Flows



Revision of Forecast for the Second Quarter (Accumulated) of FY2014

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	FY2014.2Q Forecast		
	Forecast in April	Forecast in July	Change
Net Sales	650.0	650.0	0
Operating Income	22.0	22.0	0
Recurring Profit	14.0	17.0	+3.0
Net Income	8.5	12.5	+4.0

(FYI) FY2013.2Q
Actual
595.0
26.8
22.7
13.0

Reasons for the Revision

- **Recurring profit** was revised up 3.0 billion yen to 17.0 billion yen, due to improvement expected in affiliated companies accounted for by the equity-method that have profitable projects concentrating in the first half of the fiscal year
- **Net income** was revised up 4.0 billion yen to 12.5 billion yen, due to the improvement in recurring profit and a revision of tax effects

Exchange Rates (actual & assumed)

Yen / US\$	100	100
Yen / EUR	135	135

97.77
127.73

Consolidated Operating Performance

(Billion Yen)

	FY2013 Actual	FY2014 Forecast		Change	
		In April	In July	Vs. FY2013	Vs. Forecast in April
Orders Received	1,455.4	1,580.0	1,590.0	+134.6	+10.0
Net Sales	1,385.4	1,490.0	1,490.0	+104.6	0
Operating Income	72.3	73.0	73.0	+0.7	0
Recurring Profit	60.6	66.0	66.0	+5.4	0
Net Income	38.6	41.0	42.5	+3.9	+1.5
Before-tax ROIC	8.1%	8.6%	8.6%	+0.5%	0

Reasons for the Revision

Orders Received: Revised up due to increase in Aerospace, which was revised up due to increase in orders received for MOD

Net Income: Revised up due to a revision of tax effects

Exchange Rates (actual & assumed)

Yen / US\$	99.63	100	100
Yen / EUR	134.56	135	135

(For Reference)

Impact on profit by FX fluctuation of 1 Yen

	(Billion Yen)	
	Operating Income	Recurring Profit
US\$	1.99 (2.22)	2.17 (2.33)
EUR	0.15 (0.21)	0.18 (0.20)

Note : Assumed rates are applied to the outstanding foreign exchange exposure as of July 30, 2014

* Figures in the parenthesis () represent impact as of April 25, 2014

Forecast by Segment

(Billion Yen)

	Orders Received			Net Sales			Operating Income		
	FY2013 Actual	FY2014 Forecast	FY2015 Target ^{d1}	FY2013 Actual	FY2014 Forecast	FY2015 Target ^{d1}	FY2013 Actual	FY2014 Forecast	FY2015 Target ^{d1}
Ship & Offshore Structure	117.8	150.0		80.8	85.0	135.0	-2.0	0	6.0
Rolling Stock	133.0	180.0		147.9	135.0	180.0	7.5	6.0	13.0
Aerospace	286.3	300.0		280.7	320.0	270.0	26.2	27.0	20.0
Gas Turbine & Machinery	222.0	230.0		189.2	230.0	250.0	10.4	9.0	13.0
Plant & Infrastructure	103.9	130.0		103.8	120.0	140.0	6.3	6.0	8.0
Motorcycle & Engine	322.2	320.0		322.2	320.0	300.0	16.1	16.0	15.0
Precision Machinery	127.2	140.0		123.2	140.0	190.0	10.4	12.0	22.0
Others	142.6	140.0		137.2	140.0	135.0	4.4	4.0	
Eliminations and corporate ^{d2}	-	-		-	-	-	-7.2	-7.0	-7.0
Total	1,455.4	1,590.0		1,385.4	1,490.0	1,600.0	72.3	73.0	90.0

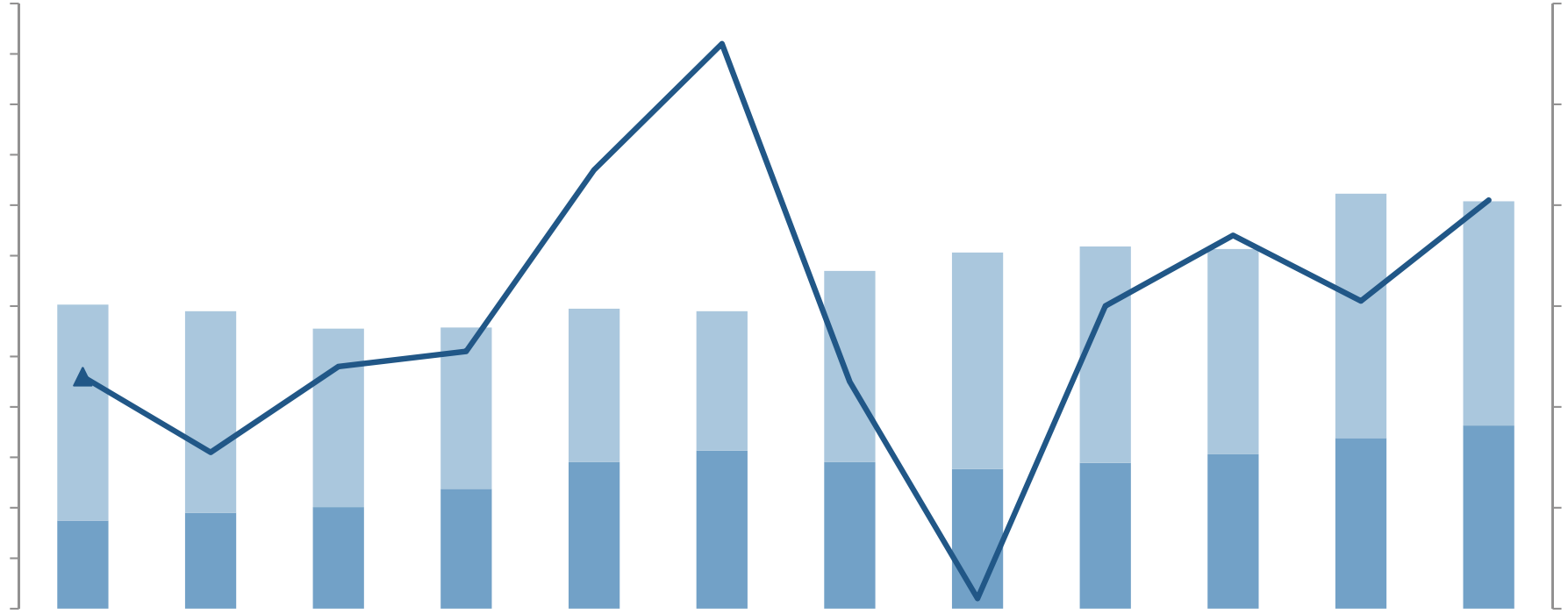
d1: Figures of FY2015 (Target) is as of April 25, 2013, with assumed exchange rate of 95Yen = US\$

d2: "Eliminations and corporate" includes some expenses incurred at Head Office which are not allocated to each industry segment for internal reporting

R&D/CAPEX/Number of Employees

(Billion Yen / Persons)

	FY2012 Actual	FY2013 Actual	FY2014 Forecast
R&D Expenses	41.7	40.3	46.0
CAPEX (Construction Base)	78.6	87.7	91.0
Depreciation & Amortization	48.3	37.8	47.0
Domestic	25,222	25,531	26,200



About Kawasaki ROIC Management

This material provides further explanation about the purpose and characteristics of Kawasaki ROIC

Establishment of BUs In Each Segment

The concept behind the establishment of BUs in each section is as follows, although we do not disclose the details of each BU as we carries our management by segment.

Segment	BU Area	Business Strategy
Ship & Offshore Structure	By segment	Form a global business structure positioning domestic factories as mother factories, with strategies planned according to factory (Grouped into sub-BUs by factory)
Rolling Stock	By market and product	Customize strategies to accommodate the different regulations and railway situations of each country and region
Aerospace	By product	Customize strategies to accommodate the characteristics of each market and product (e.g. life cycle, etc.)
Gas Turbine & Machinery	By usage	Plan strategies according to usage of products, such as propulsion systems and energy systems, while sharing technology of products such as rotary machines and reciprocating engines within the segment
Plant & Infrastructure	By product	Plan strategies according to the original or underlying technology of each product, while sharing human engineering resources within the segment
Motorcycle & Engine	By market	Customize strategies to accommodate the tastes of customers of each region (Grouped into sub-BUs by product, e.g. motorcycles, All-Terrain Vehicles (ATVs), etc.)
Precision Machinery	By market and product	With high shares in existing fields, further strengthen underlying and systemization technologies, and plan strategies to develop new businesses

About Core Competence

Our company defines core competence as the most effective asset of each BU that provides its competitive edge. In addition to its products, technology, and price competitiveness, core competence includes factors such as having diverse knowledge, and the strength of the organization. As a conglomerate, our company has the advantage of synergies built up between BUs. Below are some examples of our core competence.

Setting New Ranks for BU Classification

Our company has continuously carried out scale-downs, withdrawals, and spinouts/spinoffs of BUs and products. As

Kawasaki,

Working on the front end of the planet

Working on the front end of the planet