

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

October 29, 2014



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Summary of Financial Results

(Billion Yen)

	FY2013.2Q	FY2014.2Q		Change	
	Actual	Forecast in July	Actual	vs. FY2013.2Q	vs. Forecast in July
Orders Received	592.8	-	706.5	+113.7	-
Net Sales	595.0	650.0	633.4	+38.3	-16.6
Operating Income	26.8	22.0	23.1	-3.6	+1.1
Recurring Profit	22.7	17.0	25.9	+3.1	+8.9
Net Income	13.0	12.5	18.1	+5.1	+5.6

vs. FY2013.2Q

- < Orders Received >
 Increased largely as a whole, with the largest increase in Ship & Offshore Structure and Plant & Infrastructure segments
- < Net Sales >
 Increased as a whole due to significant sales increase in Aerospace segment, despite decrease in Ship & Offshore Structure and Rolling Stock and other segments
- < Profits >
- Operating income decreased as a whole due to decrease in Rolling Stock, Ship & Offshore Structure, Gas Turbine & Machinery and other segments, despite increase in Aerospace and Precision Machinery segments
 - Recurring profit increased due to an improvement in loss on foreign exchange and other factors
 - Net income increased due to decrease in tax expense and above mentioned impact of foreign exchange

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	Orders Received			Net Sales			Operating Income		
	FY2013 2Q	FY2014 2Q	Change	FY2013 2Q	FY2014 2Q	Change	FY2013 2Q	FY2014 2Q	Change
Ship & Offshore Structure	30.7	77.1	+46.4	39.5	34.8	-4.6	1.5	-0.7	-2.2
Rolling Stock	75.0	91.5	+16.5	59.9	56.9	-3.0	3.7	1.2	-2.5
Aerospace	96.1	114.4	+18.3	122.3	144.8	+22.4	10.2	13.5	+3.3
Gas Turbine & Machinery	84.1	85.9	+1.8	77.3	83.8	+6.5	3.5	1.4	-2.0
Plant & Infrastructure	46.1	66.9	+20.7	39.2	47.2	+8.0	1.7	1.0	-0.7
Motorcycle & Engine	139.7	137.7							

Summary of Income Statement

(Billion Yen)

< Operating Income > -3.6 (FY2013.2Q 26.8) **ÆFY2014.2Q 23.1)**

Net sales	+	38.3	(	595.0	Æ	633.4)
Cost of sales	+	39.6	(	486.9	Æ	526.5)
Selling, general & administrative expenses	+	2.3	(	81.3	Æ	83.6)
- Salaries and benefits	+	1.3	(	22.2	Æ	23.6)
- R&D expenses	-	0.1	(	18.1	Æ	18.0)

< Non-operating Income/Expenses > +6.8 (FY2013.2Q -4.0) **ÆFY2014.2Q 2.7)**

Net Interest expense (incl. dividend income)	-	0.1	(	-1.2	Æ	-1.4)
Equity in income of unconsolidated subsidiaries and affiliates	+	0.7	(	5.0	Æ	5.7)
Gain and loss on foreign exchange	+	6.9	(	-7.5	Æ	-0.6)
Others	-	0.6	(	-0.2	Æ	-0.8)

< Extraordinary Income/Losses > 0 (FY2013.2Q 0) **ÆFY2014.2Q 0)**

Ship & Offshore Structure

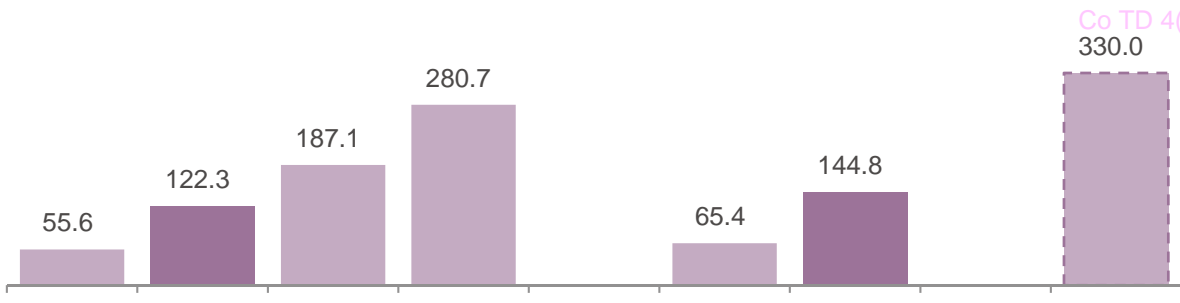
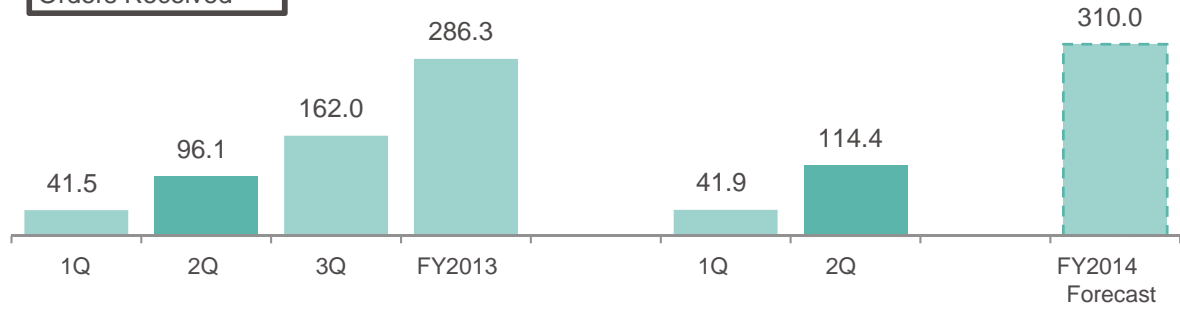
Main Products HLNG carriers, LPG carriers, Offshore structures , VLCCs, Bulk carriers, Submarines



Aerospace

Main Products : Aircrafts for Japan Ministry of Defense, Component parts for commercial aircrafts, Commercial helicopters, Missiles, Space equipment

Orders Received



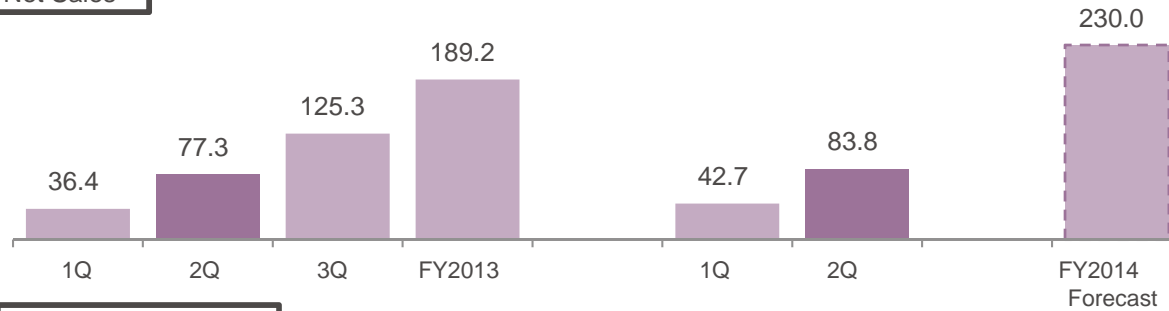
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Gas Turbine & Machinery

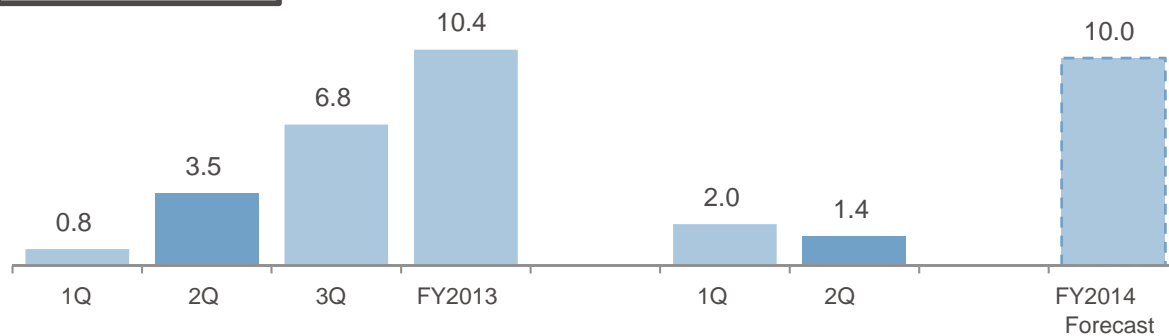
Main Products : Jet engines, Gas turbine co-generation system, Gas turbine
Marine propulsion system, Aero-dynamic machinery

s engines, Diesel engines, Gas turbines & steam turbines for marine & land,

Net Sales



Operating Income



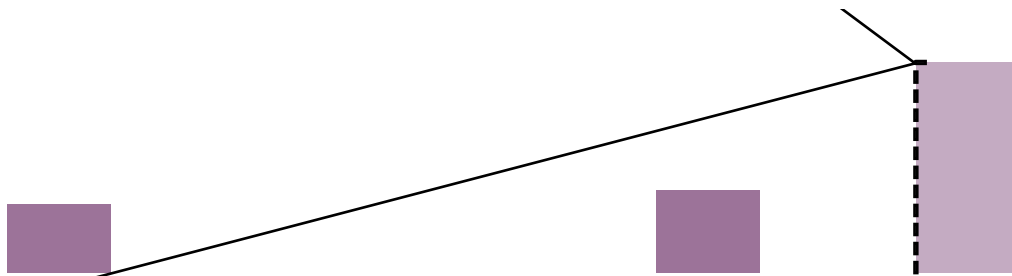
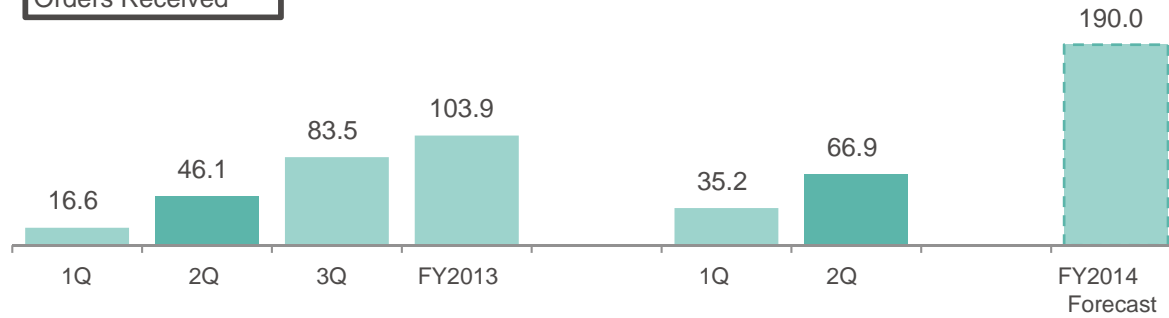
Plant & Infrastructure

Main Products: Industrial plants (cement, fertilizer and others),
Crushing machines

Power plants, LNG tanks, Municipal refuse incineration plants

, Tunnel boring machines,

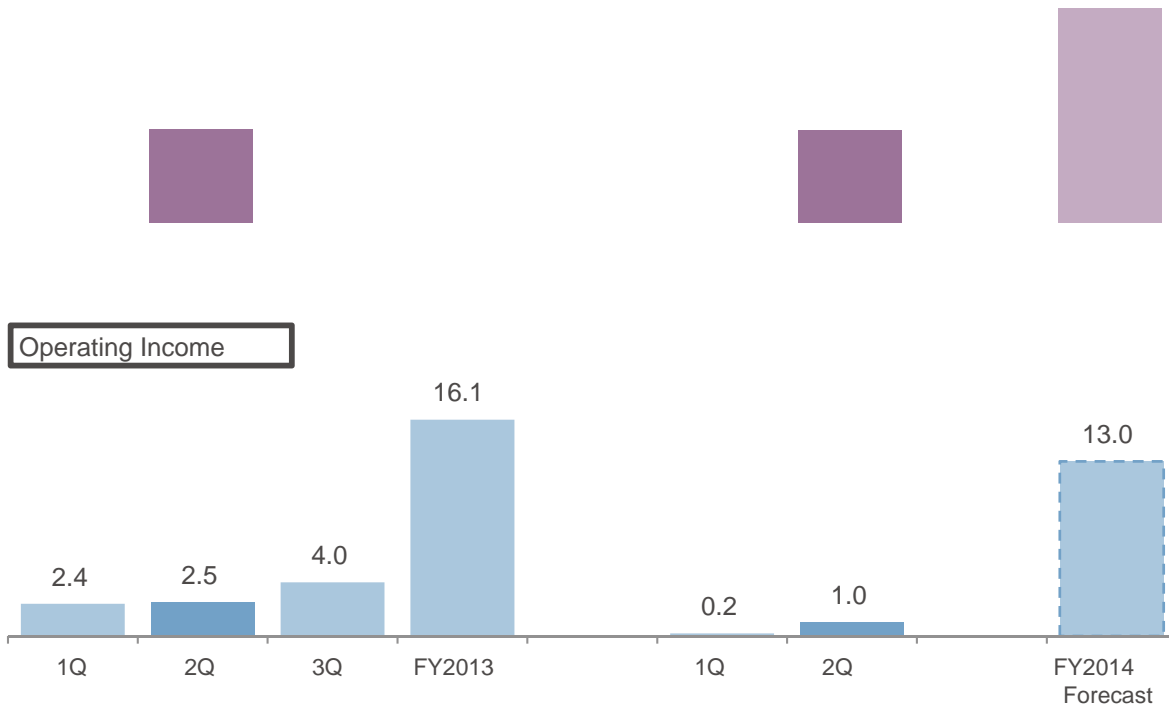
Orders Received



Motorcycle & Engine

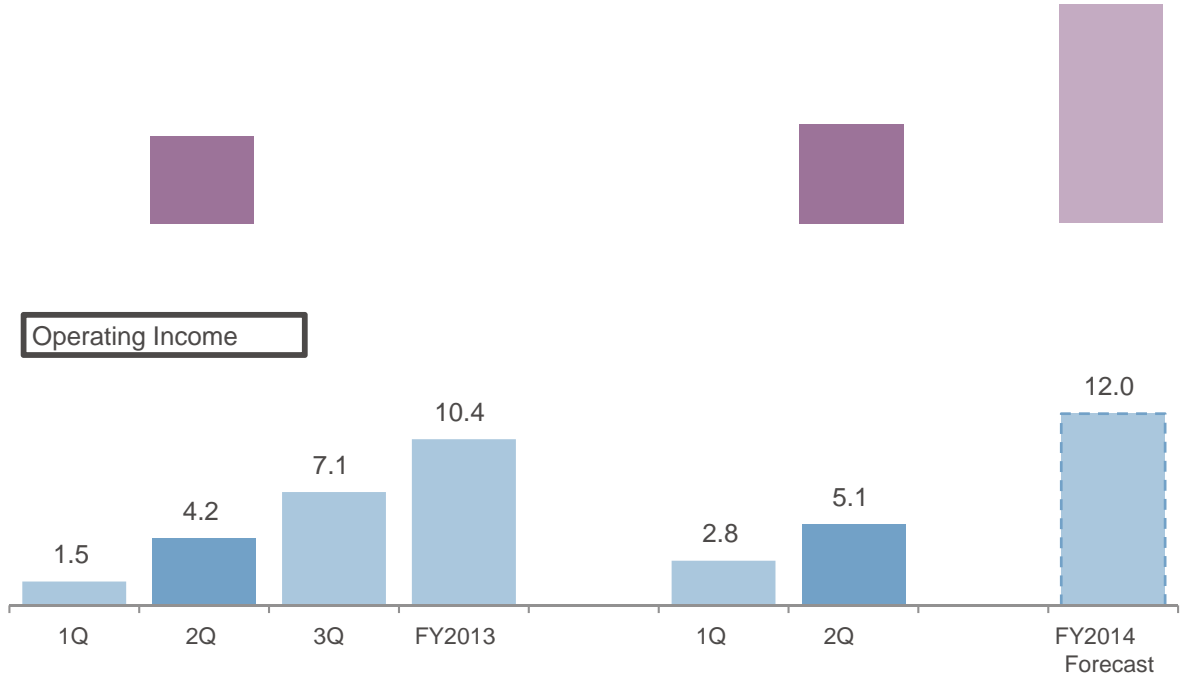
Main Products: Motorcycles, All-Terrain Vehicles(ATVs), Utility

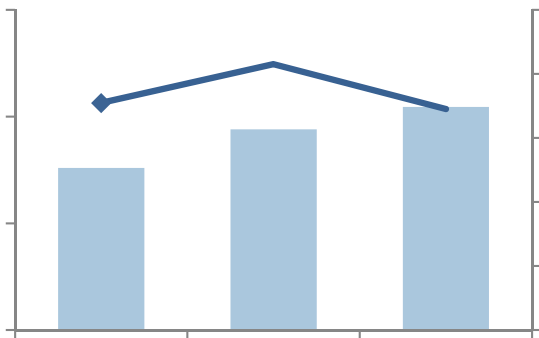
Vehicles, Personal Watercraft, General-purpose Gasoline Engines



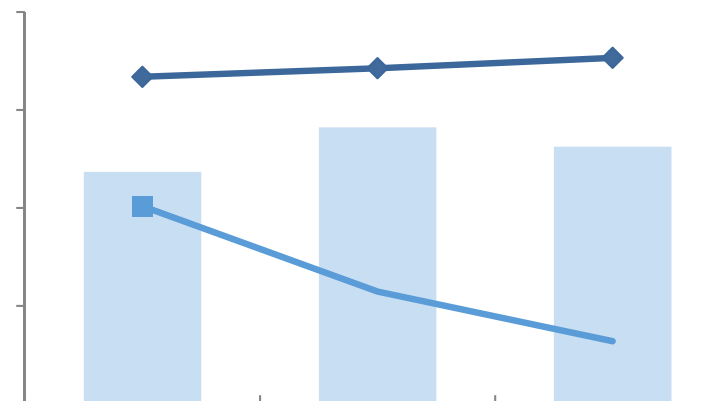
Precision Machinery

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





Summary of Cash Flows



Consolidated Operating Performance

(Billion Yen)

	FY2013 Actual	FY2014 Forecast		Change	
		In July	In October	Vs. FY2013	Vs. Forecast in July
Orders Received	1,455.4	1,590.0	1,640.0	+184.6	+50.0
Net Sales	1,385.4	1,490.0	1,510.0	+124.6	+20.0
Operating Income	72.3	73.0	77.0	+4.7	+4.0
Recurring Profit	60.6	66.0	72.0	+11.4	+6.0
Net Income	38.6	42.5	48.0	+9.4	+5.5
Before-tax ROIC	8.1%	8.6%	9.3%	+1.2%	+0.7%

Reasons for the Revision

< Orders Received >

Revised up due to increase in Aerospace, Gas Turbine & Machinery, and Plant & Infrastructure segments

< Net Sales >

Revised up due to increase in Ship & Offshore Structures and Aerospace segments

< Profits >

- Operating income was revised up as a whole, due to increase in Ship & Offshore Structures, Aerospace and Gas Turbine & Machinery segments, stemming from the revision of assumed exchange rate, despite the decrease in Motorcycle & Engine segment, stemming from lower profit margin of motorcycles in emerging markets

- Recurring profit and net income were revised up due to increase in operating income

Exchange Rates (actual & assumed)

Yen / US\$	99.63	100	105
Yen / EUR	134.56	135	135

Note : Assumed rates are applied to the outstanding foreign exchange exposure as of October 29, 2014

(For Reference)

Impact on profit by FX fluctuation of 1 Yen

(Billion Yen)

	Operating Income	Recurring Profit
US\$	1.38 (1.99)	1.12 (2.17)
EUR	0.06 (0.15)	0.19 (0.18)

* Figures in the parenthesis () represent impact as of July 30, 2014

Forecast by Segment

(Billion Yen)

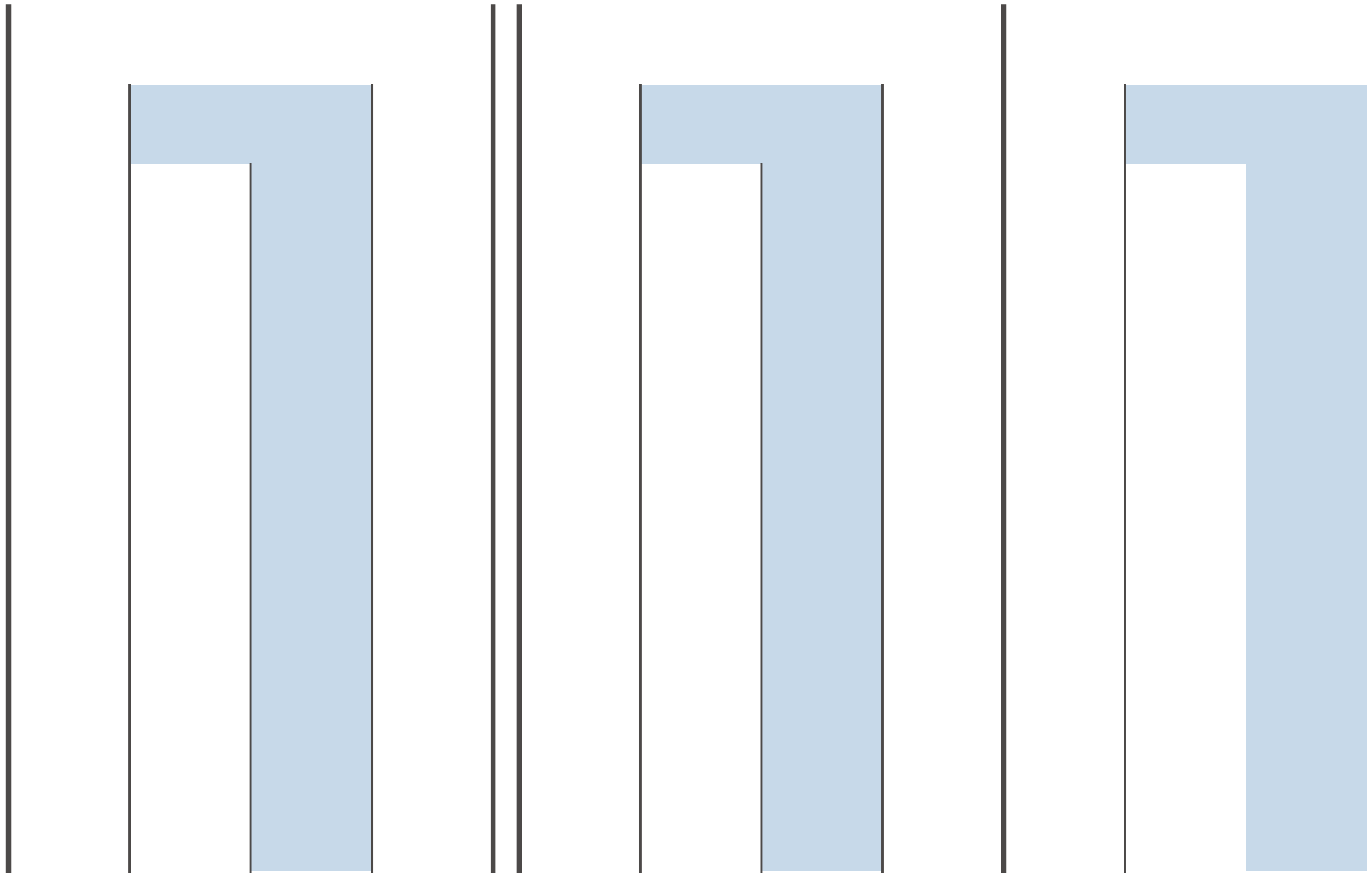
	Orders Received				Net Sales				Operating Income			
	FY2013 Actual	FY2014 Forecast		FY2015 Target ^{d1}	FY2013 Actual	FY2014 Forecast		FY2015 Target ^{d1}	FY2013 Actual	FY2014 Forecast		FY2015 Target ^{d1}
		In July	In October			In July	In October			In July	In October	
Ship & Offshore Structure	117.8	150.0	150.0		80.8	85.0	95.0	135.0	-2.0	0	2.0	6.0
Rolling Stock	133.0	180.0	150.0		147.9	135.0	135.0	180.0	7.5	6.0	6.0	13.0
Aerospace	286.3	300.0	310.0		280.7	320.0	330.0	270.0	26.2	27.0	30.0	20.0
Gas Turbine & Machinery	222.0	230.0	240.0		189.2	230.0	230.0	250.0	10.4	9.0	10.0	13.0
Plant & Infrastructure	103.9	130.0	190.0		103.8	120.0	120.0	140.0	6.3	6.0	6.0	8.0
Motorcycle & Engine	322.2	320.0	320.0		322.2	320.0	320.0	300.0	16.1	16.0	13.0	15.0
Precision Machinery	127.2	140.0	140.0		123.2	140.0	140.0	190.0	10.4	12.0	12.0	22.0
Others	142.6	140.0	140.0		137.2	140.0	140.0	135.0	4.4	4.0	5.0	
Eliminations and corporate ^{d2}	-	-	-		-	-	-	-	-7.2	-7.0	-7.0	-7.0
Total	1,455.4	1,590.0	1,640.0		1,385.4	1,490.0	1,510.0	1,600.0	72.3	73.0	77.0	90.0

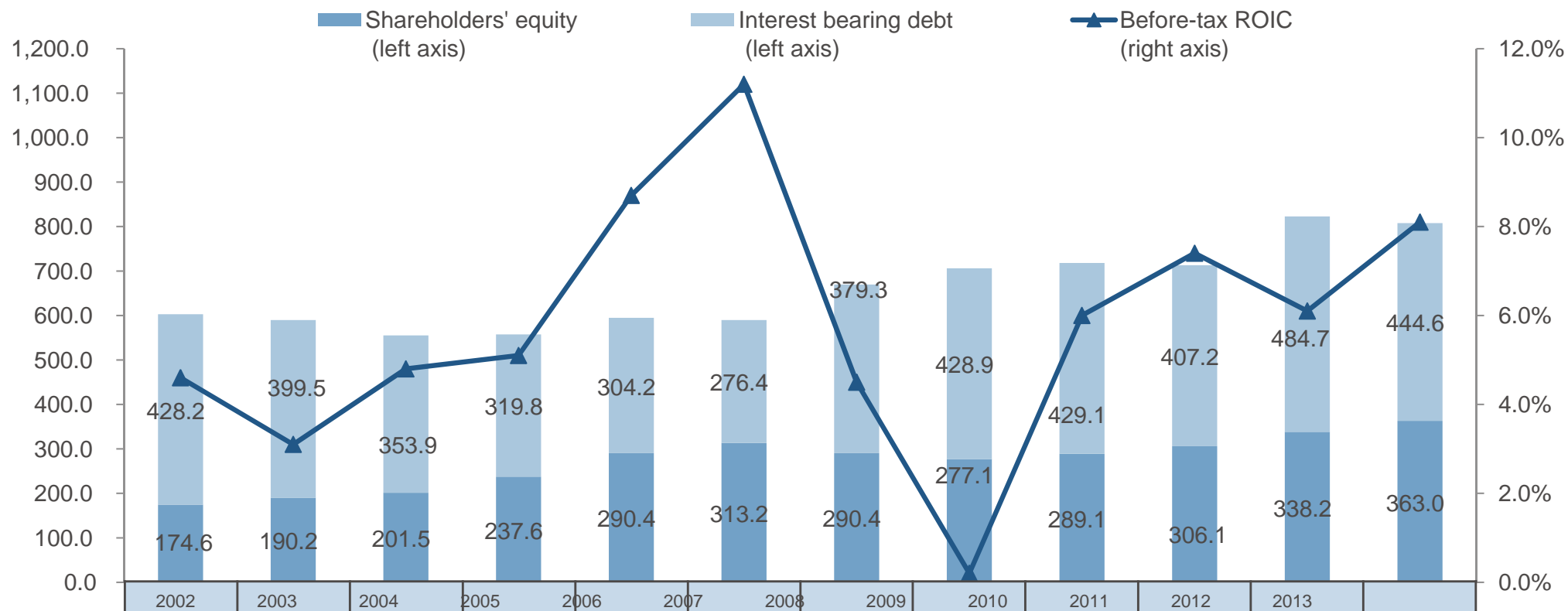
d1: Figures of FY2015 (Target) is as of April 25, 2013, with assumed exchange rate of 95Yen = US\$

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

for internal reporting

Before-tax ROIC by Segment





Before-tax ROIC	4.6%	3.1%	4.8%	5.1%	8.7%	11.2%	4.5%	0.2%	6.0%	7.4%	6.1%	8.1%
Invested Capital												

Kawasaki,

working hard for the good of the planet

環境を良くするために