


KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
FLASH CONSOLIDATED FINANCIAL RESULTS
July 30, 2014
(Consolidated)
For three months ended June 30, 2014 and 2013 and one year ended March 31, 2014
Operating results

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | Three months ended Jun. 30, 2014 | Three months ended Jun. 30, 2013 | Three months ended Jun. 30, 2014 |
| Net sales | ¥ 304,154 | ¥ 282,509 | \$ 3,002,507 |
| Operating income | 10,904 | 16,752 | 107,640 |
| Net income | 5,416 | 4,496 | 53,464 |
| Earnings per share (Yen) | 3.2 | 2.6 | |

Financial condition

| | Millions of yen / Thousand shares | | Thousands of U.S. dollars |
|---|-----------------------------------|--------------------------|---------------------------|
| | As of Jun. 30, 2014 | As of March. 31, 2014 | As of Jun. 30, 2014 |
| Total assets | ¥ 1,570,651 | ¥ 1,554,430 | \$ 15,504,945 |
| Net assets | 370,760 | 376,686 | 3,660,019 |
| Number of shares issued and outstanding | 1,671,745 | 1,671,750 | |
| Equity Ratio | 22.7% | 23.3% | |

Cash flows

| | Millions of yen | | Thousands of U.S. dollars |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| | Three months ended Jun. 30, 2014 | Three months ended Jun. 30, 2013 | Three months ended Jun. 30, 2014 |
| Operating activities | ¥ (38,067) | ¥ (1,133) | \$ (375,784) |
| Investing activities | (11,747) | (18,310) | (115,962) |
| Financing activities | 49,936 | 20,128 | 492,951 |
| Cash and cash equivalents at end of term | 40,033 | 37,142 | 395,192 |

Fiscal year forecast

| | Millions of yen | | |
|--------------------------------|-----------------|------------------|------------|
| | Net sales | Operating income | Net income |
| One year ending March 31, 2015 | ¥ 1,490,000 | ¥ 73,000 | ¥ 42,500 |

- 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 ¥101.30=\$1, the rate prevailing as of June 30, 2014, solely for the convenience of the readers.

Condensed Consolidated Balance Sheets

As of June 30 and March 31, 2014

| | Millions of yen | | Thousands of |
|--|--------------------|--------------------|------------------------|
| | As of | As of | U.S. dollars |
| | Jun. 30, 2014 | Mar. 31, 2014 | As of Jun. 30, 2014 |
| Assets : | | | |
| Current assets : | | | |
| Cash on hand and in banks | ¥ 43,312 | ¥ 47,949 | \$ 427,562 |
| Receivables, less allowance | 403,498 | 426,676 | 3,983,198 |
| Inventories | 478,121 | 458,033 | 4,719,852 |
| Other current assets | 92,079 | 73,096 | 908,973 |
| Total current assets | <u>1,017,010</u> | <u>1,005,754</u> | <u>10,039,585</u> |
| Investments and long-term loans less allowance | 94,727 | 94,257 | 935,114 |
| Net property, plant and equipment | 388,567 | 383,912 | 3,835,804 |
| Intangible and other assets | 70,347 | 70,507 | 694,442 |
| Total assets | <u>¥ 1,570,651</u> | <u>¥ 1,554,430</u> | <u>\$ 15,504,945</u> |
| Liabilities and net assets : | | | |
| Current liabilities : | | | |
| Short-term borrowings | | | |
| and current portion of long-term debt | ¥ 249,307 | ¥ 191,162 | \$ 2,461,076 |
| Payables | 273,866 | 306,031 | 2,703,514 |
| Advances from customers | 156,516 | 137,598 | 1,545,074 |
| Other current liabilities | 140,087 | 160,625 | 1,382,892 |
| Total current liabilities | <u>819,776</u> | <u>795,416</u> | <u>8,092,556</u> |
| Long-term liabilities : | | | |
| Long-term debt, less current portion | 252,445 | 253,483 | 2,492,054 |
| Others | 127,670 | 128,845 | 1,260,316 |
| Total long-term liabilities | <u>380,115</u> | <u>382,328</u> | <u>3,752,370</u> |
| Net assets : | | | |
| Common stock | 104,484 | 104,484 | 1,031,431 |
| Capital surplus | 54,393 | 54,393 | 536,949 |
| Retained earnings | 212,824 | 217,450 | 2,100,927 |
| Treasury stock | (45) | (43) | (444) |
| Net unrealized gains on securities | 2,755 | 2,653 | 27,196 |
| Gains (losses) on hedging items | (629) | (3,803) | (6,209) |
| Foreign currency translation adjustments | 1,463 | 6,416 | 14,442 |
| Remeasurements of defined benefit plans | (17,915) | (18,509) | (176,850) |
| Minority interests | 13,430 | 13,645 | 132,577 |
| Total net assets | <u>370,760</u> | <u>376,686</u> | <u>3,660,019</u> |
| Total liabilities and net assets | <u>¥ 1,570,651</u> | <u>¥ 1,554,430</u> | <u>\$ 15,504,945</u> |

Condensed Consolidated Statements of Income

For three months ended June 30, 2014 and 2013

| | Millions of yen | | % Change | Thousands of |
|--|--|------------------------------------|---------------------|--|
| | Three months ended Jun.30, 2014 | Three months ended Jun.30, 2013 | | U.S. dollars |
| | | | | Three months ended Jun.30, 2014 |
| Net sales | ¥ 304,154 | ¥ 282,509 | +8% | \$ 3,002,507 |
| Cost of sales | 253,170 | 226,810 | | 2,499,210 |
| Gross profit | 50,984 | 55,699 | | 503,297 |
| Selling, general and administrative expenses | 40,080 | 38,947 | | 395,657 |
| Operating income | 10,904 | 16,752 | -35% | 107,640 |
| Other income (expenses) : | | | | |
| Interest and dividend income | 246 | 469 | | 2,428 |
| Equity in income of unconsolidated subsidiaries and affiliates | 2,465 | 1,523 | | 24,333 |
| Interest expense | (990) | (1,030) | | (9,772) |
| Other, net | (5,931) | (8,314) | | (58,549) |
| Income before income taxes and minority interests | 6,694 | 9,400 | | 66,080 |
| Income taxes | (619) | (4,588) | | (6,110) |
| Minority interests in net income of consolidated subsidiaries | (659) | (316) | | (6,506) |
| Net income | ¥ 5,416 | ¥ 4,496 | +21% | \$ 53,464 |

Segment information
Information by reportable segment

| Millions of yen | | | | | |
|----------------------------|-------------------|-----------------------|------------------|-----------------------|----------------------------|
| Three months ended | | | | | |
| Jun.30,2013 | | | | | |
| | External sales | Intersegment sales | Total sales | Operating expenses | Operating income (loss) |
| Ship & Offshore Structure | ¥ 21,073 | ¥ 565 | ¥ 21,638 | ¥ 18,257 | ¥ 3,381 |
| Rolling Stock | 30,562 | 192 | 30,754 | 28,844 | 1,910 |
| Aerospace | 55,624 | 462 | 56,086 | 48,535 | 7,551 |
| Gas Turbine & Machinery | 36,452 | 3,898 | 40,350 | 39,506 | 844 |
| Plant & Infrastructure | 16,712 | 3,225 | 19,937 | 20,543 | (606) |
| Motorcycle & Engine | 67,493 | 144 | 67,637 | 65,155 | 2,482 |
| Precision Machinery | 25,124 | 2,456 | 27,580 | 26,018 | 1,562 |
| Other | 29,469 | 8,305 | 37,774 | 37,426 | 348 |
| Total | 282,509 | 19,247 | 301,756 | 284,284 | 17,472 |
| Eliminations and corporate | - | (19,247) | (19,247) | (18,527) | (720) |
| Consolidated total | ¥ 282,509 | ¥ - | ¥ 282,509 | ¥ 265,757 | ¥ 16,752 |

| Millions of yen | | | | | |
|----------------------------|-------------------|-----------------------|------------------|-----------------------|----------------------------|
| Three months ended | | | | | |
| Jun.30,2014 | | | | | |
| | External sales | Intersegment sales | Total sales | Operating expenses | Operating income (loss) |
| Ship & Offshore Structure | ¥ 18,350 | ¥ 381 | ¥ 18,731 | ¥ 19,147 | ¥ (416) |
| Rolling Stock | 30,464 | 144 | 30,608 | 30,596 | 12 |
| Aerospace | 65,403 | 653 | 66,056 | 59,782 | 6,274 |
| Gas Turbine & Machinery | 42,799 | 2,034 | 44,833 | 42,777 | 2,056 |
| Plant & Infrastructure | 21,053 | 3,430 | 24,483 | 24,908 | (425) |
| Motorcycle & Engine | 64,892 | 163 | 65,055 | 64,792 | 263 |
| Precision Machinery | 30,634 | 3,159 | 33,793 | 30,943 | 2,850 |
| Other | 30,559 | 6,220 | 36,779 | 36,188 | 591 |
| Total | 304,154 | 16,184 | 320,338 | 309,133 | 11,205 |
| Eliminations and corporate | - | (16,184) | (16,184) | (15,883) | (301) |
| Consolidated total | ¥ 304,154 | ¥ - | ¥ 304,154 | ¥ 293,250 | ¥ 10,904 |

| Thousands of U.S. dollars | | | | | |
|----------------------------|---------------------|-----------------------|---------------------|-----------------------|----------------------------|
| Three months ended | | | | | |
| Jun.30,2014 | | | | | |
| | External sales | Intersegment sales | Total sales | Operating expenses | Operating income (loss) |
| Ship & Offshore Structure | \$ 181,145 | \$ 3,761 | \$ 184,906 | \$ 189,013 | \$ (4,107) |
| Rolling Stock | 300,730 | 1,421 | 302,151 | 302,034 | 117 |
| Aerospace | 645,636 | 6,446 | 652,082 | 590,148 | 61,934 |
| Gas Turbine & Machinery | 422,497 | 20,079 | 442,576 | 422,280 | 20,296 |
| Plant & Infrastructure | 207,828 | 33,860 | 241,688 | 245,883 | (4,195) |
| Motorcycle & Engine | 640,593 | 1,609 | 642,202 | 639,605 | 2,597 |
| Precision Machinery | 302,409 | 31,185 | 333,594 | 305,459 | 28,135 |
| Other | 301,669 | 61,402 | 363,071 | 357,236 | 5,835 |
| Total | 3,002,507 | 159,763 | 3,162,270 | 3,051,658 | 110,612 |
| Eliminations and corporate | - | (159,763) | (159,763) | (156,791) | (2,972) |
| Consolidated total | \$ 3,002,507 | \$ - | \$ 3,002,507 | \$ 2,894,867 | \$ 107,640 |

Net sales, orders and order backlog by industry segment

For three months ended June 30, 2014 and 2013 and as of June 30 and March 31, 2014

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---------------------------|--------------------|--------|--------------------|---------------------------|--------------------|--------------|
| | Three months ended | | Three months ended | % | Three months ended | |
| | Jun. 30, 2014 | | Jun. 30, 2013 | Change | Jun. 30, 2014 | |
| Net sales : | | | | | | |
| Ship & Offshore Structure | ¥ 18,350 | (6%) | ¥ 21,073 | (7%) | -13% | \$ 181,145 |
| Rolling Stock | 30,464 | (10%) | 30,562 | (11%) | -0% | 300,730 |
| Aerospace | 65,403 | (22%) | 55,624 | (20%) | +18% | 645,637 |
| Gas Turbine & Machinery | 42,799 | (14%) | 36,452 | (13%) | +17% | 422,498 |
| Plant & Infrastructure | 21,053 | (7%) | 16,712 | (6%) | +26% | 207,828 |
| Motorcycle & Engine | 64,892 | (21%) | 67,493 | (24%) | -4% | 640,592 |
| Precision Machinery | 30,634 | (10%) | 25,124 | (9%) | +22% | 302,409 |
| Other | 30,559 | (10%) | 29,469 | (10%) | +4% | 301,668 |
| Total | ¥ 304,154 | (100%) | ¥ 282,509 | (100%) | +8% | \$ 3,002,507 |
| Orders : | | | | | | |
| Ship & Offshore Structure | ¥ 14,586 | (4%) | ¥ 27,185 | (10%) | -46% | \$ 143,988 |
| Rolling Stock | 67,426 | (20%) | 35,046 | (12%) | +92% | 665,607 |
| Aerospace | 41,983 | (13%) | 41,567 | (15%) | +1% | 414,442 |
| Gas Turbine & Machinery | 43,261 | (13%) | 35,685 | (13%) | +21% | 427,058 |
| Plant & Infrastructure | 35,275 | (11%) | 16,662 | (6%) | +112% | 348,223 |
| Motorcycle & Engine | 64,892 | (20%) | 67,493 | (24%) | -4% | 640,592 |
| Precision Machinery | 31,700 | (9%) | 29,814 | (10%) | +6% | 312,932 |
| Other | 34,740 | (10%) | 29,691 | (10%) | +17% | 342,942 |
| Total | ¥ 333,863 | (100%) | ¥ 283,143 | (100%) | +18% | \$ 3,295,784 |

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---------------------------|-----------------|--------|---------------|---------------------------|---------------|---------------|
| | As of | | As of | % | As of | |
| | Jun. 30, 2014 | | Mar. 31, 2014 | Change | Jun. 30, 2014 | |
| Order backlog : | | | | | | |
| Ship & Offshore Structure | ¥ 155,748 | (10%) | ¥ 161,134 | (11%) | -3% | \$ 1,537,493 |
| Rolling Stock | 396,986 | (26%) | 364,654 | (24%) | +9% | 3,918,914 |
| Aerospace | 426,324 | (28%) | 450,581 | (30%) | -5% | 4,208,529 |
| Gas Turbine & Machinery | 293,065 | (19%) | 295,100 | (20%) | -1% | 2,893,040 |
| Plant & Infrastructure | 184,831 | (12%) | 170,737 | (11%) | +8% | 1,824,590 |
| Motorcycle & Engine | - | (- %) | - | (- %) | -% | - |
| Precision Machinery | 26,887 | (2%) | 25,821 | (2%) | +4% | 265,420 |
| Other | 36,419 | (3%) | 32,237 | (2%) | +13% | 359,516 |
| Total | ¥ 1,520,260 | (100%) | ¥ 1,500,264 | (100%) | +1% | \$ 15,007,502 |

Net Sales by geographic area

For three months ended June 30, 2014 and 2013

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---------------|--------------------|--------|--------------------|---------------------------|--------------------|--------------|
| | Three months ended | | Three months ended | % | Three months ended | |
| | Jun. 30, 2014 | | Jun. 30, 2013 | Change | Jun. 30, 2014 | |
| Japan | ¥ 120,208 | (39%) | ¥ 118,426 | (42%) | +1% | \$ 1,186,653 |
| United States | 73,408 | (24%) | 66,615 | (24%) | +11% | 724,659 |
| Europe | 27,865 | (9%) | 19,742 | (7%) | +40% | 275,074 |
| Asia | 58,021 | (19%) | 51,700 | (18%) | +12% | 572,764 |
| Other | 24,652 | (9%) | 26,026 | (9%) | -5% | 243,357 |
| Total | ¥ 304,154 | (100%) | ¥ 282,509 | (100%) | +7% | \$ 3,002,507 |