

Financial Results for Third Quarter FY2016 (for the year ending March 31, 2017)

January. 31, 2017

Kawasaki Heavy Industries, Ltd.

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Summary of Financial Results

(Billion Yen)

| | FY2015.3Q | FY2016.3Q | Change |
|---|-----------|-----------|--------|
| Orders Received | 1,075.3 | 885.3 | -190.0 |
| Net Sales | 1,065.5 | 1,043.0 | -22.5 |
| Operating Income | 66.8 | 22.8 | -43.9 |
| Recurring Profit | 66.0 | 23.0 | -43.0 |
| Net Income Attributable to Owners of Parent | 29.5 | 17.9 | -11.6 |

vs. FY2015.3Q

< Orders Received >

Decreased due to significant decrease in Ship & Offshore Structure segment resulting from decrease in demand for newly built ships, and decrease in Plant & Infrastructure segment where large scale orders were won in the previous same period

< Net Sales >

Net sales was on par with the previous same period as a whole, due to sales increase in Plant & Infrastructure segment and other factors, despite the effect of the appreciation of the yen and assignment of Construction Machinery business in the previous same period

< Profits >

- Decreased in operating income due to the effect of the appreciation of the yen, loss disposition in Ship & Offshore Structure segment, and profit decline in Aerospace segment

- Decreased in recurring profit and net income attributable to owners of parent due to decrease in operating income,

Weighted-average exchange rates

| | | |
|------------|--------|--------|
| Yen / US\$ | 120.68 | 107.27 |
| Yen / EUR | 133.38 | 120.01 |

(For Reference)

Net Sales in Foreign Currencies for FY2016.3Q (Billion)

| US\$ | EUR |
|------|------|
| 1.73 | 0.16 |

Financial Results by Segment

(Billion Yen)

| | Orders Received | | | Net Sales | | | Operating Income | | |
|-----------------------------|-----------------|--------------|---------------|----------------|----------------|--------------|------------------|--------------|--------------|
| | FY2015 3Q | FY2016 3Q | Change | FY2015 3Q | FY2016 3Q | Change | FY2015 3Q | FY2016 3Q | Change |
| Ship & Offshore Structure | 92.7 | 28.7 | -63.9 | 72.9 | 74.9 | +1.9 | -2.5 | -13.8 | -11.2 |
| Rolling Stock | 87.4 | 84.7 | -2.7 | 104.5 | 94.9 | -9.6 | 7.7 | 1.6 | -6.1 |
| Aerospace | 184.9 | 148.8 | -36.1 | 250.5 | 238.1 | -12.4 | 35.6 | 22.7 | -12.9 |
| Gas Turbine & Machinery | 212.7 | 192.3 | -20.3 | 159.1 | 165.2 | +6.1 | 11.1 | 5.9 | -5.2 |
| Plant & Infrastructure | 100.2 | 60.4 | -39.8 | 83.2 | 114.2 | +31.0 | 3.6 | 2.3 | -1.2 |
| Motorcycle & Engine | 218.8 | 198.7 | -20.1 | 218.8 | 198.7 | -20.1 | 4.3 | -2.0 | -6.4 |
| Precision Machinery | 95.0 | 115.7 | +20.7 | 94.0 | 103.5 | +9.5 | 5.3 | 6.8 | +1.4 |
| Others | 83.2 | 55.7 | -27.5 | 82.0 | 53.2 | -28.8 | 2.1 | 2.3 | +0.1 |
| Eliminations and corporate* | - | - | - | - | - | - | -0.6 | -3.1 | -2.4 |
| Total | 1,075.3 | 885.3 | -190.0 | 1,065.5 | 1,043.0 | -22.5 | 66.8 | 22.8 | -43.9 |

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

Summary of Income Statement

| | | | (Billion Yen) | |
|--|----------|-------------|----------------|-----------------|
| | | | FY2015.3Q | FY2016.3Q |
| < Operating Income > | - | 43.9 | (66.8 | → 22.8) |
| Net sales | - | 22.5 | (1,065.5 | → 1,043.0) |
| Cost of sales | + | 15.9 | (861.7 | → 877.7) |
| Selling, general & administrative expenses | + | 5.4 | (136.9 | → 142.4) |
| - Salaries and benefits | - | 1.2 | (38.9 | → 37.6) |
| - R&D expenses | + | 2.0 | (28.7 | → 30.8) |
| < Non-operating Income/Expenses > | + | 0.9 | (-0.7 | → 0.1) |
| Net Interest expense (incl. dividend income) | + | 0.6 | (-1.9 | → -1.3) |
| Equity in income of unconsolidated subsidiaries and affiliates | + | 2.6 | (2.1 | → 4.8) |
| Gain and loss on foreign exchange | + | 3.4 | (-5.2 | → -1.8) |
| Others | - | 5.8 | (4.3 | → -1.5) |
| < Extraordinary Income/Losses > | + | 20.5 | (-18.3 | → 2.2) |
| Gain on sales of fixed assets | + | 2.2 | (- | → 2.2) |
| Gain on transfer of business ^{※1} | - | 0.9 | 0.9 | → - |
| Overseas business-related loss ^{※2} | + | 19.2 | (-19.2 | → -) |

※1 Due to assignment of all of shares of KCM Corporation and all businesses of KCMJ Corporation

※2 Considering the asset value of investment in and loans as well as the collectability of trade receivables to Enseada, in which KHI holds a 30% stake, KHI has decided to implement the necessary accounting treatment based on its revaluation under generally accepted accounting principles in Japan (JGAAP)

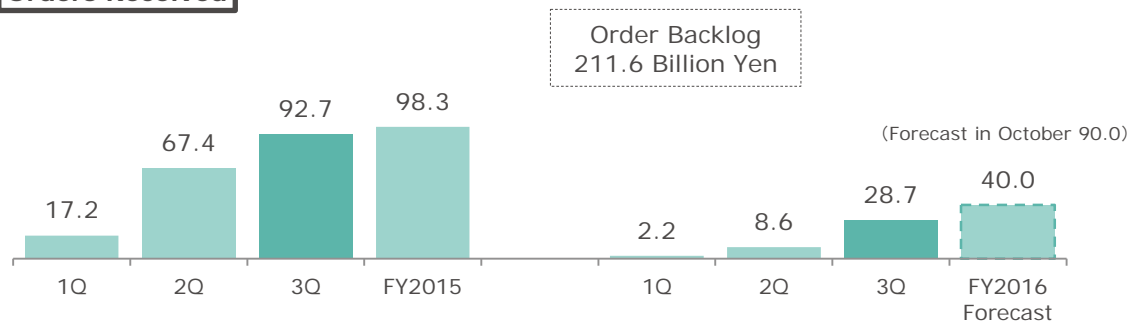
Ship & Offshore Structure

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

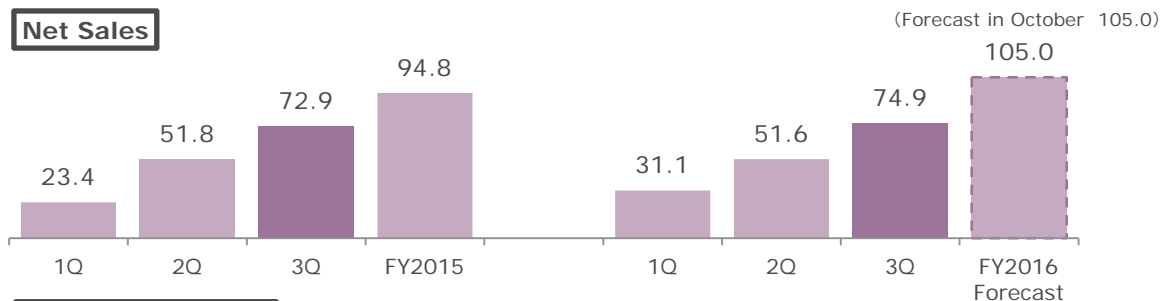
FY2016.3Q (vs. FY2015.3Q)

(Billion Yen / In accumulated amount)

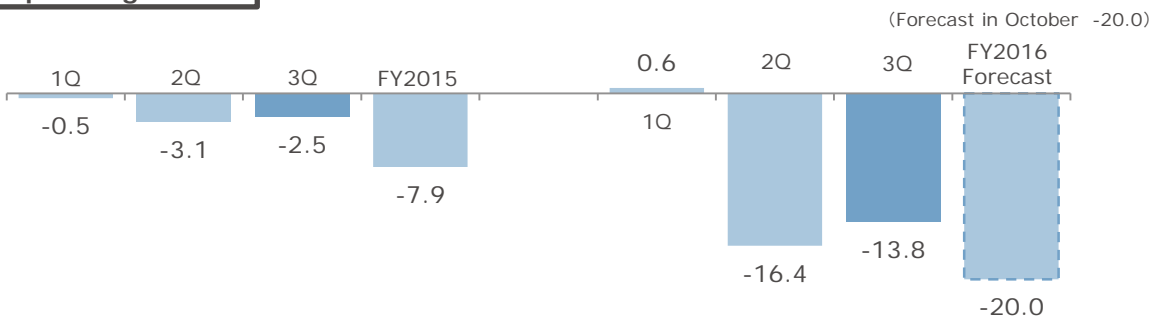
Orders Received



Net Sales



Operating Income



Orders Received: Decreased due to decrease in demand for newly built ships

Net Sales: Remained the same level as the previous same period

Operating Income: Deteriorated due to increase of the amount of allowance for doubtful accounts on trade receivables from the joint venture in Brazil, increase in provision for loss on construction contracts resulting from the effect of the appreciation of the yen and increase in cost, and other factors

FY2016 Forecast (vs. Forecast in October)

Orders Received: Revised down due to decrease in demand for newly built ships

Net Sales : Remains unchanged due to revision of progress in construction works, despite the effect of revision of assumed exchange rate

Operating Income: Remains unchanged due to revision of cost of the offshore work vessel destined for Norway and other factors, despite the effect of revision of assumed exchange rate

<Units of Orders Received and Sales of New Building Ships>

| | Orders Received | | Sales | | | |
|---------------------------------|-----------------|-----------|-----------|-------------|-----------|-------------|
| | FY2015.3Q | FY2016.3Q | FY2015.3Q | | FY2016.3Q | |
| | | | Completed | In Process* | Completed | In Process* |
| LNG carriers | 2 | | | 9 | 1 | 8 |
| Small-sized LNG carriers | | | | | | |
| LPG carriers | 4 | | | 5 | 1 | 6 |
| Offshore service vessel | | | | | | |
| Bulk carriers | 1 | | 1 | 3 | | 1 |
| Submarines | | 1 | | 2 | | 2 |
| Deep submergence rescue vehicle | | | | 1 | | 1 |
| Total | 7 | 1 | 1 | 20 | 2 | 18 |

* Sales units by percentage-of-completion method

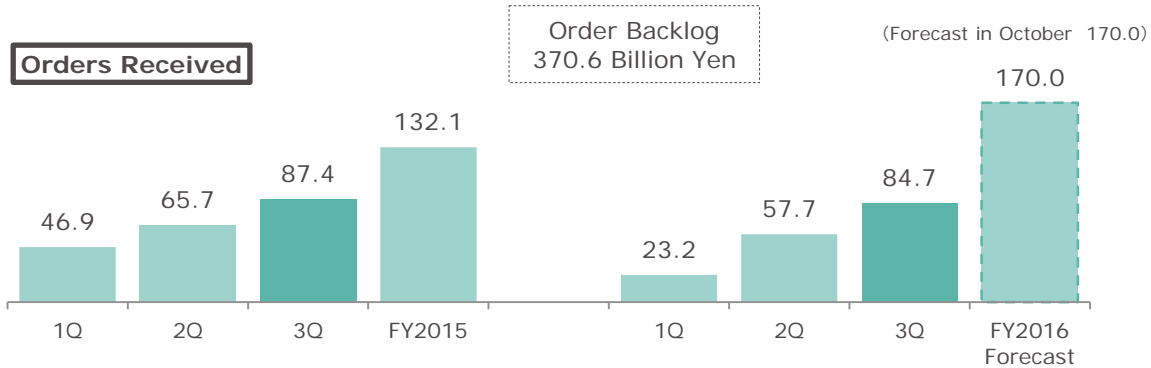
| | FY2014 Actual | FY2015 Actual | FY2016 Forecast | |
|-----------------|---------------|---------------|-----------------|------------|
| | | | In October | In January |
| Before-tax ROIC | 6.0% | -38.4% | -28.8% | -28.8% |

Rolling Stock

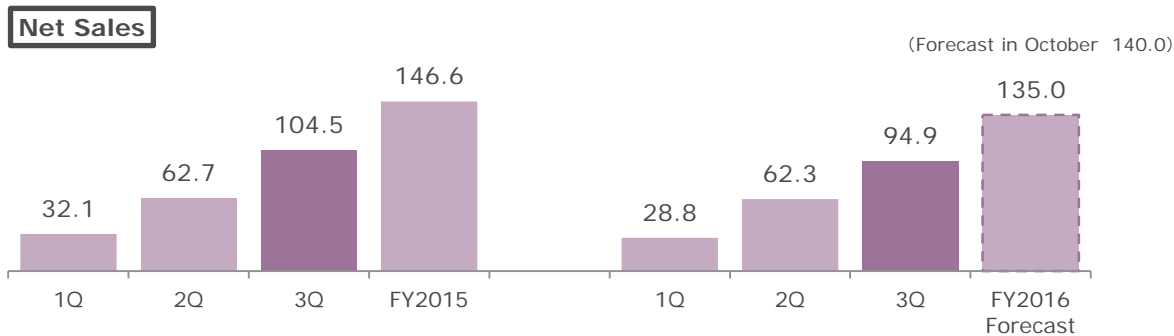
Main Products : Electric train cars (incl. Shinkansen), Electric and diesel locomotives, Passenger coaches, Bogies, Gigacell® (High-Capacity, Full Sealed Ni-MH Battery)

(Billion Yen / In accumulated amount)

FY2016.3Q (vs. FY2015.3Q)



Orders Received: Remained the same level as the previous same period, due to linear-motor subway car orders received from the Tokyo Metropolitan Bureau of Transportation (Toei) and other factors, despite decrease for overseas markets



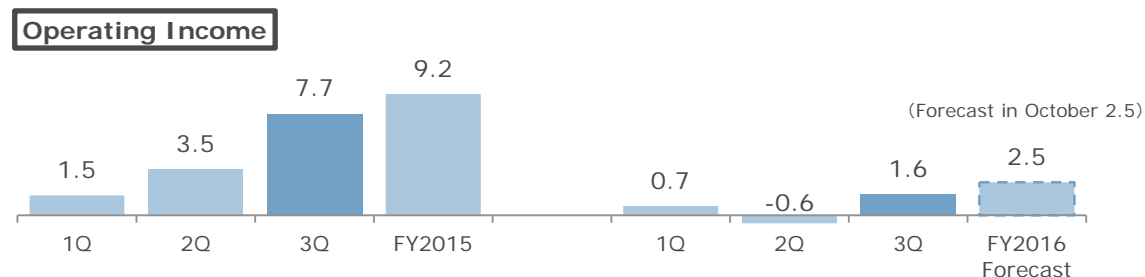
Net Sales: Decreased due to decrease in sales to Asia including Singapore and Taiwan, and other factors

Operating Income: Decreased due to sales decrease, decrease of profitable projects, and increase in cost and other factors

FY2016 Forecast (vs. Forecast in October)

Orders Received: No Change

Net Sales: Revised down due to deferral in overseas projects and other factors



Operating Income: Remains unchanged due to sales decrease, despite the effect of revision of assumed exchange rate

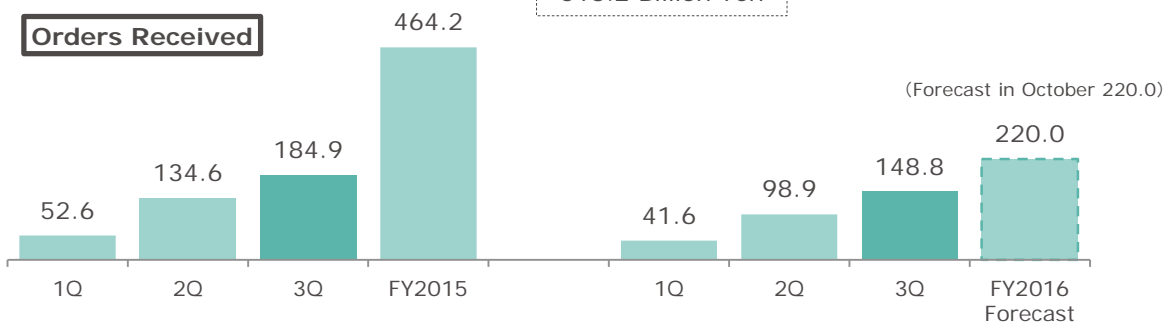
| | FY2014 Actual | FY2015 Actual | FY2016 Forecast | |
|-----------------|---------------|---------------|-----------------|------------|
| | | | In October | In January |
| Before-tax ROIC | 8.7% | 11.7% | 3.2% | 3.2% |

Aerospace

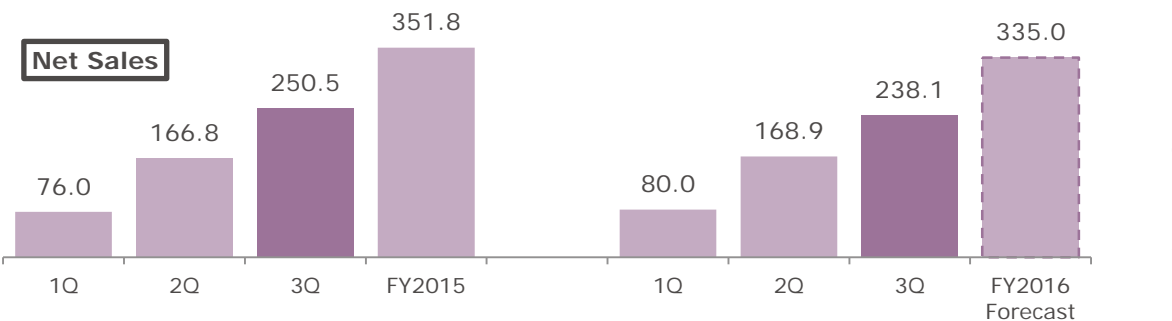
Main Products : Aircrafts for Japan Ministry of Defense, Component parts for commercial aircrafts, Commercial helicopters, Missiles, Space equipment

(Billion Yen / In accumulated amount)

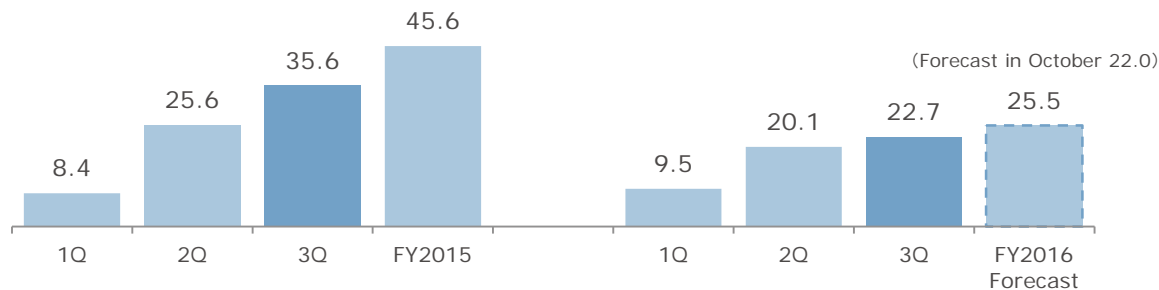
Orders Received



Net Sales



Operating Income



FY2016.3Q (vs. FY2015.3Q)

Orders Received: Decreased due to the effect of the appreciation of the yen, decrease in component parts for commercial aircrafts and other factors

Net Sales: Decreased due to the effect of the appreciation of the yen, despite increase in sales to the MOD

Operating Income: Decreased due to decrease in profitability of component parts for commercial aircrafts and other factors

FY2016Forecast (vs. Forecast in October)

Orders Received: No change

Net Sales: Revised down due to revision of progress in construction works to MOD

Operating Income: Revised up due to revision of assumed exchange rate and profit improvement resulting from cost reduction

< Sales units of component parts for commercial aircrafts > (units)

| | FY2015.3Q | FY2016.3Q |
|----------------|-----------|-----------|
| Boeing 777 | 75 | 71 |
| Boeing 767 | 8 | 18 |
| Boeing 787 | 90 | 92 |
| Embraer170/175 | 60 | 72 |
| Embraer190/195 | 8 | 14 |

| | FY2014 Actual | FY2015 Actual | FY2016 Forecast | |
|-----------------|---------------|---------------|-----------------|------------|
| | | | In October | In January |
| Before-tax ROIC | 35.1% | 33.9% | 10.4% | 13.0% |

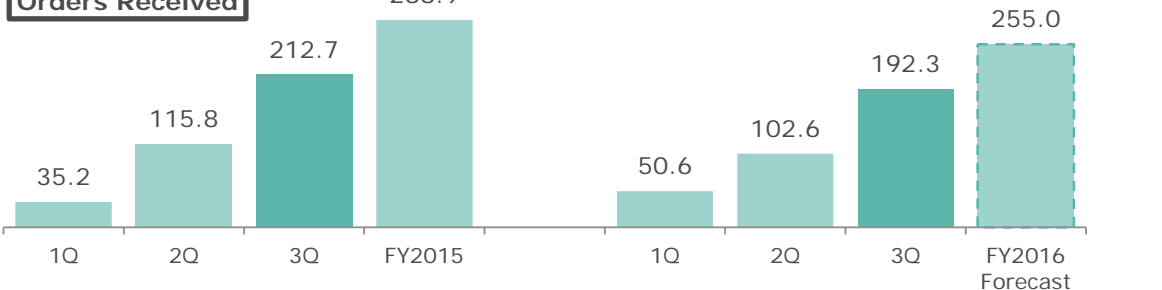
Gas Turbine & Machinery

Main Products : Jet engines, Gas turbine co-generation system, Gas engines, Diesel engines, Gas turbines & steam turbines for marine & land, Marine propulsion system, Aero-dynamic machinery

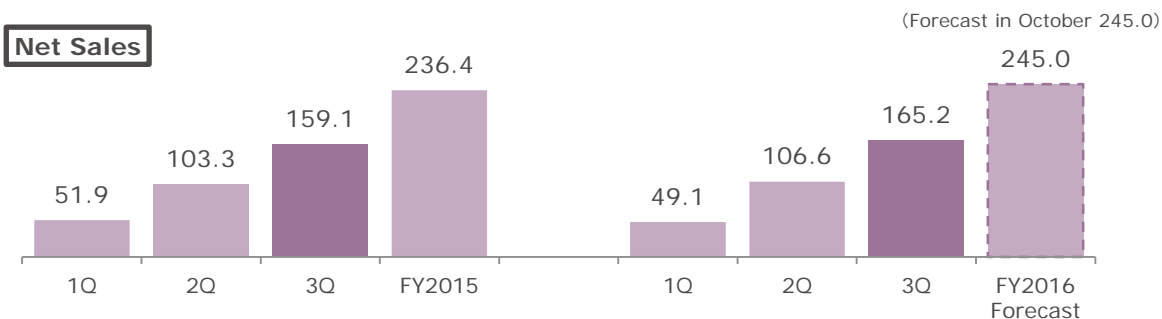
(Billion Yen / In accumulated amount)

Order Backlog
417.4 Billion Yen

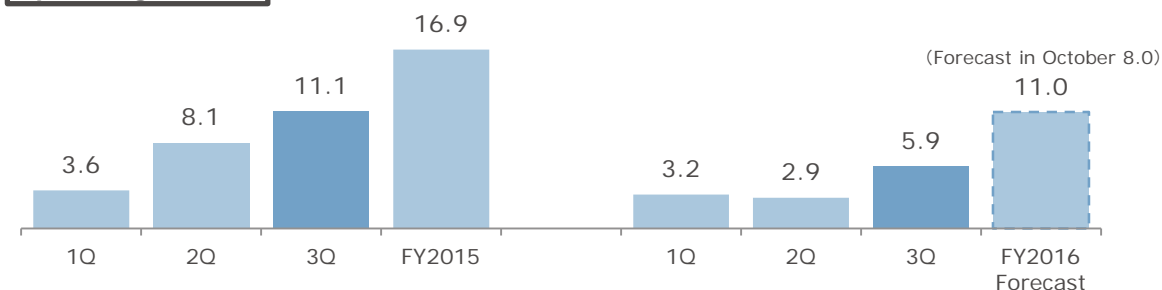
Orders Received



Net Sales



Operating Income



FY2016.3Q (vs. FY2015.3Q)

Orders Received: Decreased from the previous same period when we participated in the new commercial aircraft jet engine project and received large order for the project

Net Sales: Remained the same level as the previous same period, due to sales increase of component parts of commercial aircraft jet engines and gas engine power generation systems and other factors, despite the effect of the appreciation of the yen

Operating Income: Decreased due to increase in depreciation of development costs of new commercial aircraft jet engine project and other factors

FY2016 Forecast (vs. Forecast in October)

Orders Received: No change

Net Sales: Remains unchanged due to deferral in component parts of commercial aircraft jet engines, despite the effect of revision of assumed exchange rate

Operating Income: Revised up due to revision of assumed exchange rate

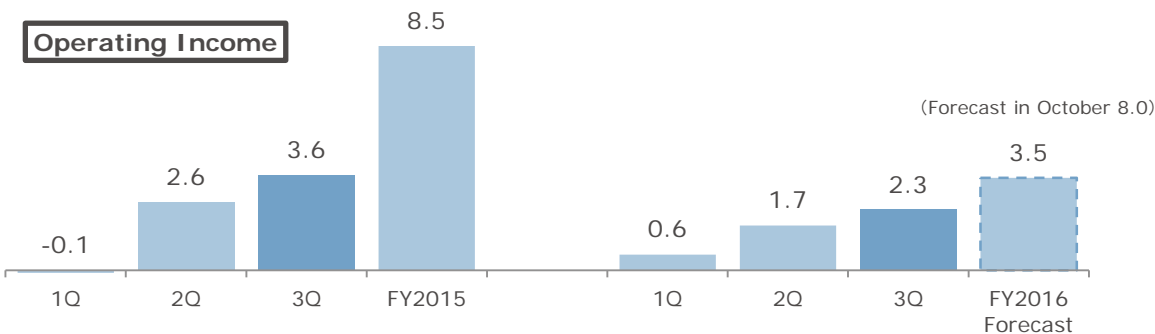
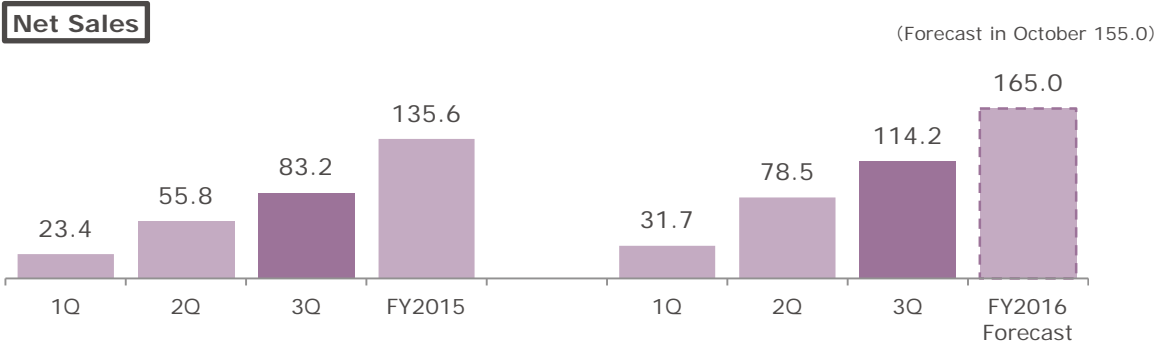
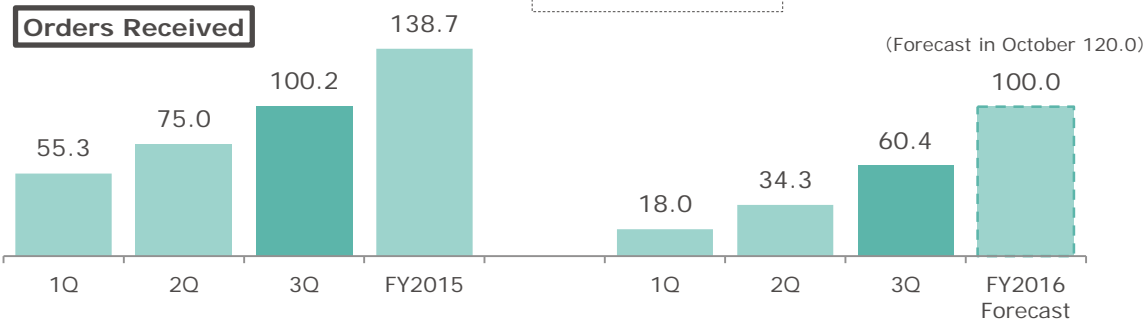
| | FY2014 Actual | FY2015 Actual | FY2016 Forecast | |
|-----------------|---------------|---------------|-----------------|------------|
| | | | In October | In January |
| Before-tax ROIC | 5.7% | 8.8% | 4.3% | 5.7% |

Plant & Infrastructure

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

(Billion Yen / In accumulated amount)

Order Backlog
227.0 Billion Yen



FY2016.3Q (vs. FY2015.3Q)

Orders Received: Decreased from the previous same period when large scale orders including municipal refuse incineration plants were won

Net Sales : Increased due to increase in construction works of a chemical plant for overseas market

Operating Income: Decreased due to decrease in profitability resulting from increase in cost and other factors, despite sales increase

FY2016 Forecast (vs. Forecast in October)

Orders Received: Revised down due to revision in some projects

Net Sales: Revised up due to increase in progression rate of a chemical plant for overseas market

Operating Income: Revised down due to revision of cost in LNG tanks for overseas market

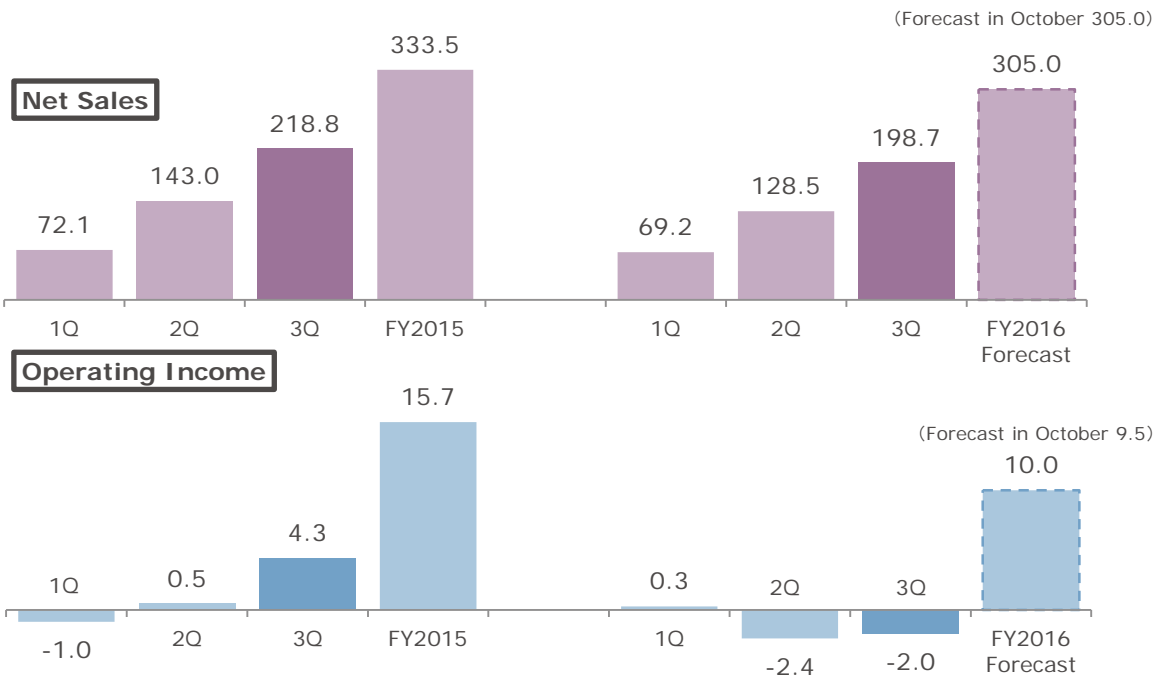
| | FY2014 Actual | FY2015 Actual | FY2016 Forecast | |
|-----------------|---------------|---------------|-----------------|------------|
| | | | In October | In January |
| Before-tax ROIC | 14.3% | 17.5% | 16.3% | 9.6% |

Motorcycle & Engine

Main Products: Motorcycles, Utility Vehicles, All-Terrain Vehicles(ATVs), Personal Watercraft, General-purpose Gasoline Engines

(Billion Yen / In accumulated amount)

FY2016.3Q (vs. FY2015.3Q)



Net Sales: Decreased due to the effect of the appreciation of the yen, decrease in general-purpose gasoline Engines and motorcycles for emerging markets, and other factors, despite sales increase in motorcycles and utility vehicles for developed countries

Operating Income: Decreased due to sales decrease

FY2016 Forecast (vs. Forecast in October)

Net Sales: No change

Operating Income: Revised up due to revision of assumed exchange rate

<Wholesales by Geographic Area for Consumer Products> (Thousands of units / Billion Yen)

| | FY2015.3Q | | FY2015 | | FY2016.3Q | | FY2016 Forecast | |
|------------------------------|-----------|--------|---------|--------|-----------|--------|-----------------|--------|
| | Unit | Amount | Unit | Amount | Unit | Amount | Unit | Amount |
| Domestic | 12 | 10.3 | 15 | 13.2 | 14 | 10.8 | 17 | 13.4 |
| North America (incl. Canada) | 66(32) | 68.4 | 105(51) | 112.2 | 72(34) | 63.4 | 114(56) | 101.7 |
| Europe | 37 | 32.2 | 64 | 55.2 | 41 | 31.6 | 66 | 52.0 |
| Emerging Countries & Others | 230 | 74.0 | 340 | 106.3 | 240 | 64.8 | 331 | 92.0 |
| Total | 345 | 184.9 | 524 | 286.9 | 367 | 170.6 | 528 | 259.1 |

Note: 1) Sales units and amount include the following products.

Units: Motorcycles, Utility Vehicles, All-Terrain Vehicles(ATVs) and Personal Watercraft(Jet Ski®)

Amount: The products mentioned above and parts for those products.

2) Figures in the parenthesis () represent motorcycle sales units.

| | FY2014 Actual | FY2015 Actual | FY2016 Forecast | |
|-----------------|---------------|---------------|-----------------|------------|
| | | | In October | In January |
| Before-tax ROIC | 7.3% | 14.1% | 6.0% | 6.7% |

Precision Machinery

Main Products: Hydraulic components for construction machineries, Hydraulic components and systems for industrial machines, Marine application machines, Deck cranes and other marine deck equipment, Industrial robots, Medical and pharmaceutical robot

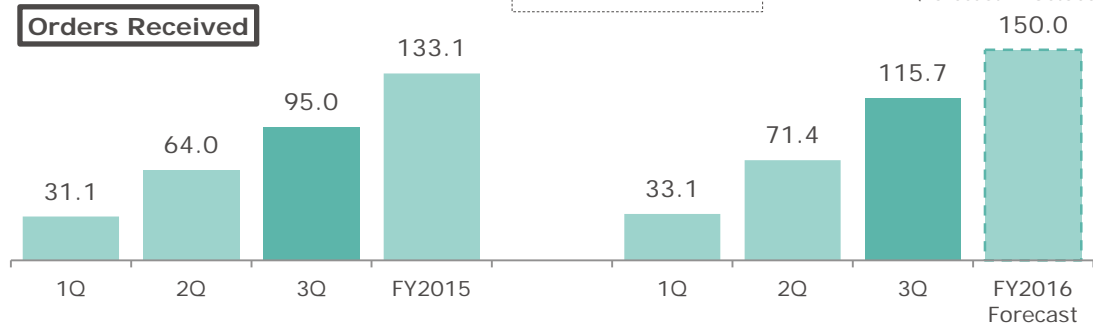
(Billion Yen / In accumulated amount)

Order Backlog
38.5Billion Yen

FY2016.3Q (vs. FY2015.3Q)

Orders Received

(Forecast in October 145.0)

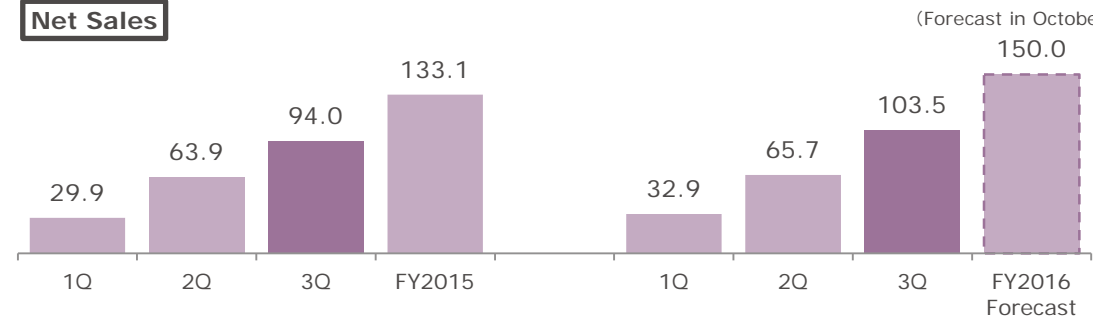


Orders Received & Net Sales: Increased due to increase in hydraulic components for construction machinery and various industrial robots

Operating Income: Increased due to sales increase

Net Sales

(Forecast in October 140.0)

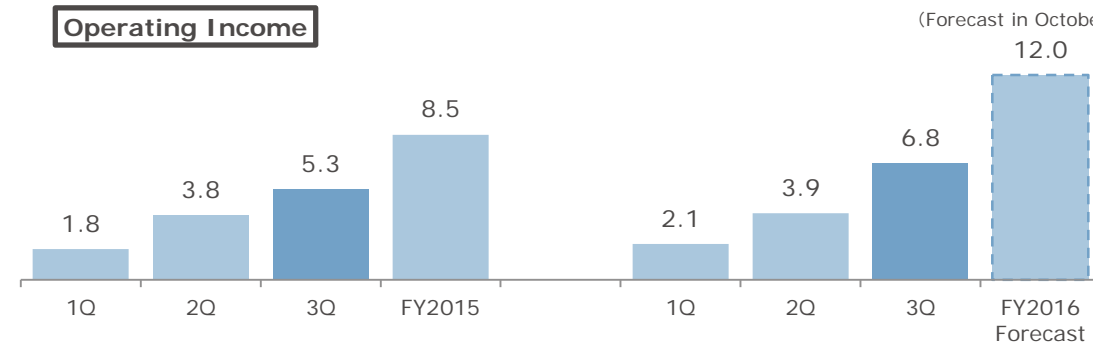


FY2016 Forecast (vs. Forecast in October)

Orders Received, Net Sales & Operating Income : Revised up due to good sales of hydraulic components for construction machinery and various industrial robots

Operating Income

(Forecast in October 9.0)



| | FY2014 Actual | FY2015 Actual | FY2016 Forecast | |
|-----------------|---------------|---------------|-----------------|------------|
| | | | In October | In January |
| Before-tax ROIC | 16.7% | 9.5% | 8.0% | 10.6% |

Summary of Balance Sheet

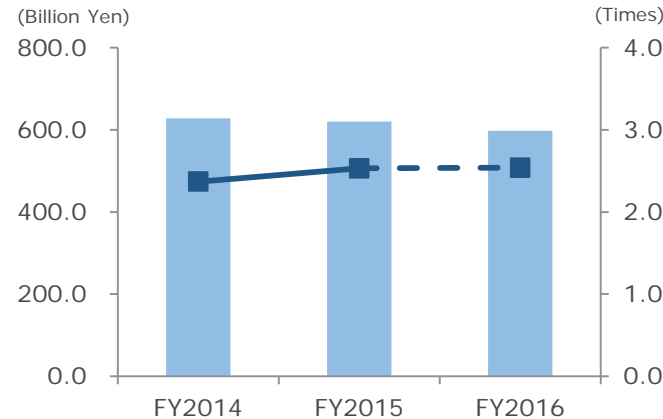
(Billion Yen)

| | End of Mar. 2016 | End of Dec. 2016 | Change |
|---|---------------------|---------------------|---------------|
| Cash on hand and in banks | 42.1 | 53.4 | +11.2 |
| Trade receivables | 381.3 | 496.7 | +115.4 |
| Inventories | 492.9 | 539.2 | +46.2 |
| Total fixed assets | 452.0 | 465.3 | +13.3 |
| Other assets | 251.9 | 243.6 | -8.3 |
| Total assets | 1,620.4 | 1,798.4 | +177.9 |
| Trade payables | 321.7 | 316.3 | -5.4 |
| Interest-bearing debt | 398.4 | 623.4 | +224.9 |
| Advances from customers | 170.4 | 162.6 | -7.8 |
| Other liabilities | 284.1 | 270.0 | -14.1 |
| Total liabilities | 1,174.8 | 1,372.3 | +197.5 |
| Total shareholders' equity | 438.4 | 438.0 | -0.4 |
| Other net assets | 7.2 | -11.9 | -19.1 |
| Total net assets | 445.6 | 426.0 | -19.5 |
| Total liabilities and net assets | 1,620.4 | 1,798.4 | +177.9 |

| | | |
|---|-------|---------------|
| Ratio of shareholders' equity to total assets | 26.6% | 22.9% |
| Net Debt Equity Ratio | 82.5% | 138.1% |

< Changes in working capital >

Working capital(3Q) (left axis) Working capital turnover* (right axis)

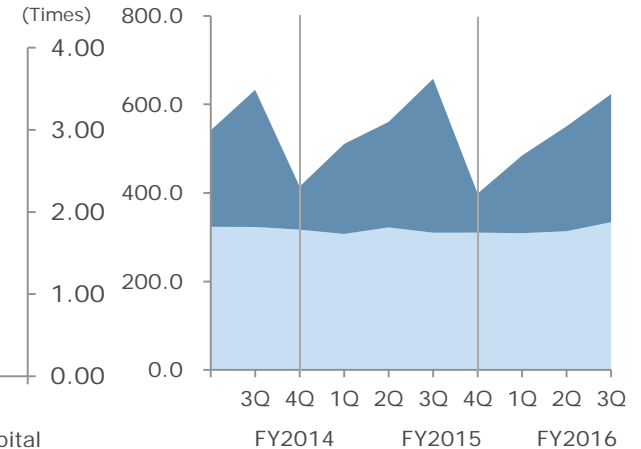


*Turnover=Sales(12months)/working capital
*Sales for FY2016 is a forecast number

【Changes in interest-bearing debt】

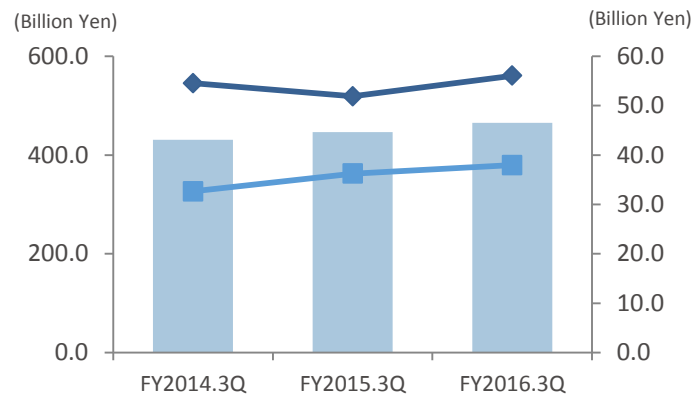
Long-term debt Short-term debt

(Billion Yen)



< Changes in CAPEX and others >

Fixed Asset (left axis) CAPEX (right axis) DA* (right axis)



*Depreciation & Amortization

< Overview of Balance Sheet >

- On December 31, 2016, total assets increased from March 31, 2016, due to increase in trade receivables and inventories, and other factors.
- Total liabilities increased due to increase in interest-bearing debt, and other factors.
- Total net assets decreased due to decrease in foreign currency translation adjustments and other factors.

Summary of Cash Flows

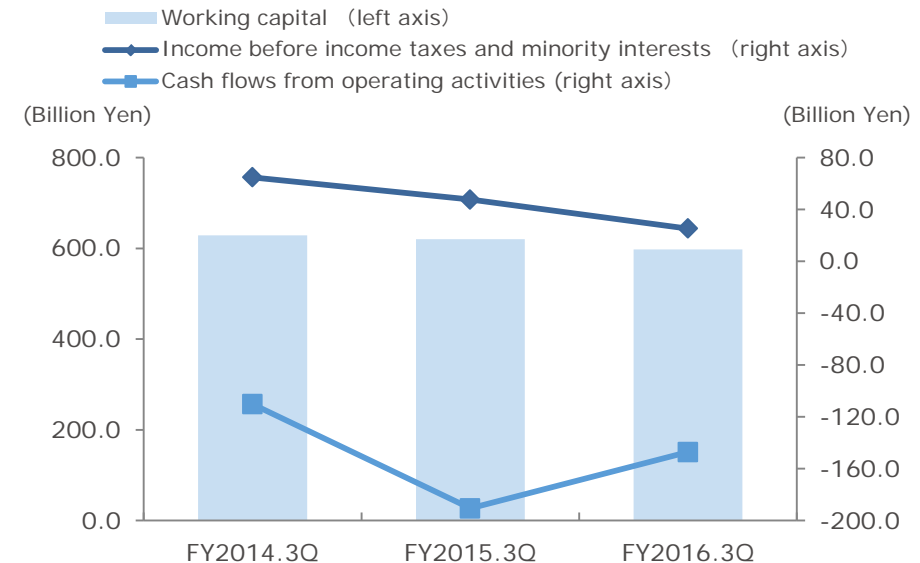
(Billion Yen)

| | FY2015 3Q | FY2016 3Q | Change |
|--------------------------------------|--------------|---------------|--------|
| Cash flows from operating activities | -190.7 | -147.2 | +43.4 |
| Cash flows from investing activities | -52.5 | -46.8 | +5.6 |
| Free Cash Flows | -243.2 | -194.1 | +49.1 |
| Cash flows from financing activities | 235.6 | 206.2 | -29.3 |

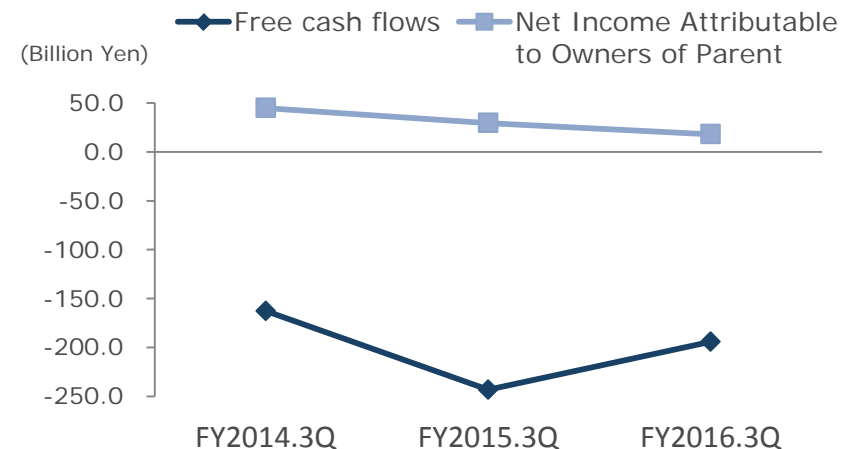
< Overview of Cash Flows > (vs.FY2015.3Q)

- Cash flows from operating activities improved, due to decrease in working capital and other factors from the previous same period.
- Cash flows from investing activities improved due to decrease in payments for CAPEX and other factors.
- Given the above mentioned changes, free cash flows improved from previous same period.

< Changes in cash flows from operating activities and others >



< Changes in free cash flows and Net Income attributable to Owners of Parent >



Consolidated Operating Performance

(Billion Yen)

| | FY2015 Actual | FY2016 Forecast | | Change | |
|--|------------------|--------------------|----------------|------------|----------------------------|
| | | In October | In January | vs. FY2015 | vs. Forecast in October |
| Orders Received | 1,693.6 | 1,390.0 | 1,320.0 | -373.6 | -70.0 |
| Net Sales | 1,541.0 | 1,510.0 | 1,520.0 | -21.0 | +10.0 |
| Operating Income | 95.9 | 34.0 | 40.0 | -55.9 | +6.0 |
| Recurring Profit | 93.2 | 25.0 | 33.0 | -60.2 | +8.0 |
| Net Income Attributable to Owners of Parent ※ | 46.0 | 16.5 | 21.0 | -25.0 | +4.5 |
| Before-tax ROIC | 9.4% | 3.8% | 4.7% | -4.7% | +0.9% |
| ROE | 10.6% | 3.9% | 4.9% | -5.7% | +1.0% |

Reasons for the Revision

< Orders Received >

Revised down due to decrease in demand for newly built ships in Ship & Offshore Structure segment and other factors

< Net Sales >

Revised up due to increase in progression rate in Plant & Infrastructure segment, and good sales of hydraulic components for construction machinery and various industrial robots

< Profits >

Revised up due to change in assumed foreign exchange rate, despite increase in cost in Ship & Offshore Structure and Plant & Infrastructure segments

< Before-tax ROIC, ROE >

Revised up due to increase in Operating Income

Exchange Rates (actual & assumed)

| | | | |
|------------|--------|-----|------------|
| Yen / US\$ | 118.99 | 102 | 110 |
| Yen / EUR | 132.43 | 114 | 120 |

Note : Assumed rates are applied to the outstanding foreign exchange exposure as of January 31, 2017

(For Reference)

Impact on profit by FX fluctuation of 1 Yen

| | (Billion Yen) | |
|------|---------------------|---------------------|
| | Operating Income | Recurring Profit |
| US\$ | 0.96 | 0.84 |
| EUR | 0.04 | 0.01 |

* Figures in the parenthesis () represent impact as of October 28, 2016

Forecast by Segment

(Billion Yen)

| | Orders Received | | | Net Sales | | | Operating Income | | |
|------------------------------|------------------|--------------------|----------------|------------------|--------------------|----------------|------------------|--------------------|--------------|
| | FY2015 Actual | FY2016 Forecast | | FY2015 Actual | FY2016 Forecast | | FY2015 Actual | FY2016 Forecast | |
| | | In October | In January | | In October | In January | | In October | In January |
| Ship & Offshore Structure | 98.3 | 90.0 | 40.0 | 94.8 | 105.0 | 105.0 | -7.9 | -20.0 | -20.0 |
| Rolling Stock | 132.1 | 170.0 | 170.0 | 146.6 | 140.0 | 135.0 | 9.2 | 2.5 | 2.5 |
| Aerospace | 464.2 | 220.0 | 220.0 | 351.8 | 340.0 | 335.0 | 45.6 | 22.0 | 25.5 |
| Gas Turbine & Machinery | 288.9 | 255.0 | 255.0 | 236.4 | 245.0 | 245.0 | 16.9 | 8.0 | 11.0 |
| Plant & Infrastructure | 138.7 | 120.0 | 100.0 | 135.6 | 155.0 | 165.0 | 8.5 | 8.0 | 3.5 |
| Motorcycle & Engine | 333.5 | 305.0 | 305.0 | 333.5 | 305.0 | 305.0 | 15.7 | 9.5 | 10.0 |
| Precision Machinery | 133.1 | 145.0 | 150.0 | 133.1 | 140.0 | 150.0 | 8.5 | 9.0 | 12.0 |
| Others | 104.4 | 85.0 | 80.0 | 108.8 | 80.0 | 80.0 | 2.8 | 3.5 | 3.5 |
| Eliminations and corporate ※ | - | - | - | - | - | - | -3.7 | -8.5 | -8.0 |
| Total | 1,693.6 | 1,390.0 | 1,320.0 | 1,541.0 | 1,510.0 | 1,520.0 | 95.9 | 34.0 | 40.0 |

※: "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 (EBIT / Invested Capital) | | | Operating Income Margin (Operating Income / Net Sales) | | | Asset Turnover (Times) (Net Sales / Total Assets) | | |
|------------------------------|--|--------------------|---------------|---|--------------------|---------------|--|--------------------|-------------|
| | FY2015 Actual | FY2016 Forecast | | FY2015 Actual | FY2016 Forecast | | FY2015 Actual | FY2016 Forecast | |
| | | In October | In January | | In October | In January | | In October | In January |
| Ship & Offshore Structure | -38.4% | -28.8% | -28.8% | -8.3% | -19.0% | -19.0% | 0.61 | 0.77 | 0.74 |
| Rolling Stock | 11.7% | 3.2% | 3.2% | 6.3% | 1.7% | 1.8% | 0.85 | 0.83 | 0.80 |
| Aerospace | 33.9% | 10.4% | 13.0% | 12.9% | 6.4% | 7.6% | 0.92 | 0.83 | 0.82 |
| Gas Turbine & Machinery | 8.8% | 4.3% | 5.7% | 7.1% | 3.2% | 4.4% | 0.75 | 0.72 | 0.72 |
| Plant & Infrastructure | 17.5% | 16.3% | 9.6% | 6.2% | 5.1% | 2.1% | 1.12 | 1.31 | 1.48 |
| Motorcycle & Engine | 14.1% | 6.0% | 6.7% | 4.7% | 3.1% | 3.2% | 1.36 | 1.29 | 1.28 |
| Precision Machinery | 9.5% | 8.0% | 10.6% | 6.4% | 6.4% | 8.0% | 0.93 | 1.00 | 1.05 |
| Total | 9.4% | 3.8% | 4.7% | 6.2% | 2.2% | 2.6% | 0.95 | 0.92 | 0.92 |

R&D/CAPEX/Number of Employees

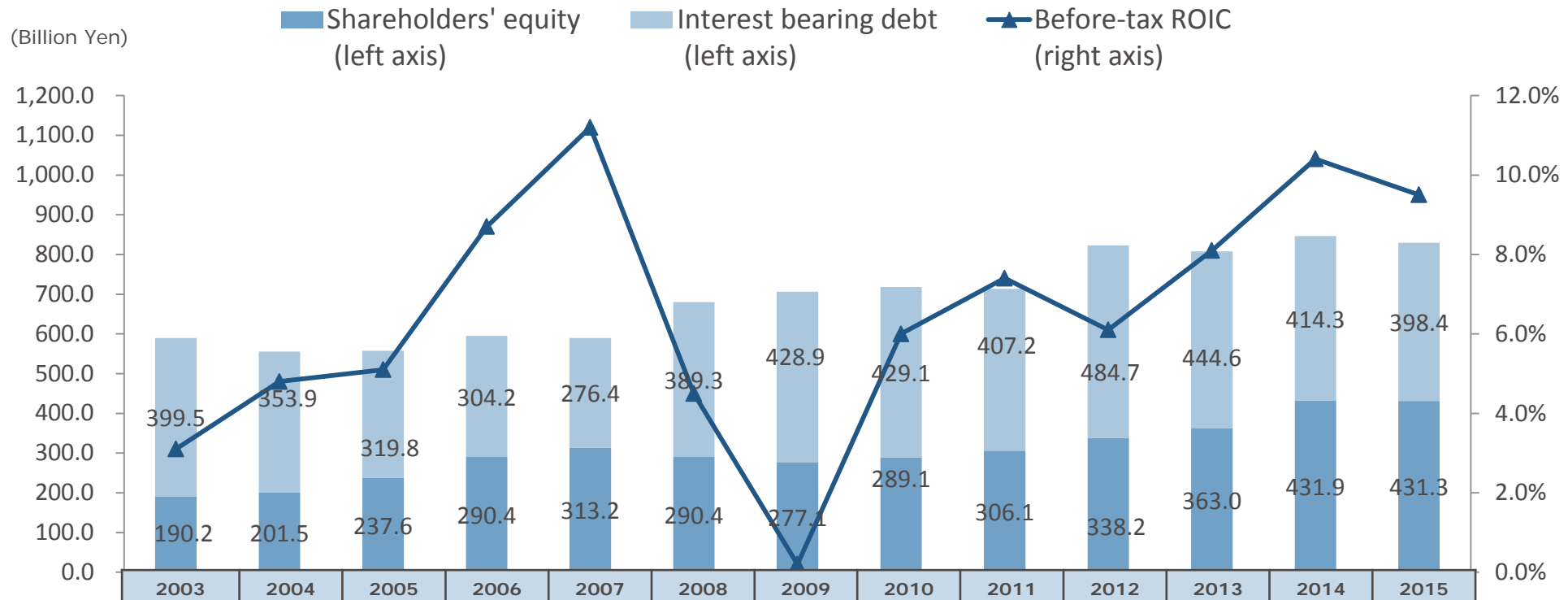
* No changes in the forecast for FY2016 from October 28, 2016.

(Billion Yen / Persons)

| | FY2015 Actual | FY2016 Forecast | Change |
|------------------------------|------------------|--------------------|--------|
| R&D Expenses | 43.6 | 47.0 | +3.4 |
| CAPEX (Construction Base) | 76.3 | 87.0 | +10.7 |
| Depreciation & Amortization | 49.0 | 52.0 | +3.0 |
| Domestic | 25,897 | 26,600 | +703 |
| Overseas | 8,708 | 8,900 | +192 |
| Number of Employees | 34,605 | 35,500 | +895 |

· CAPEX represent the total of newly recorded property, plant and equipment and newly recorded intangible assets.
Depreciation & amortization represents depreciation/amortization expenses for property, plant and equipment and intangible assets.

Historical Data



| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Before-tax ROIC | 3.1% | 4.8% | 5.1% | 8.7% | 11.2% | 4.5% | 0.2% | 6.0% | 7.4% | 6.1% | 8.1% | 10.4% | 9.4% |
| Invested Capital | 589.6 | 555.3 | 557.3 | 594.6 | 589.6 | 679.7 | 705.9 | 718.2 | 713.2 | 822.8 | 807.6 | 846.3 | 829.7 |
| Net Sales | 1,160.2 | 1,241.5 | 1,322.4 | 1,438.6 | 1,501.0 | 1,338.5 | 1,173.4 | 1,226.9 | 1,303.7 | 1,288.8 | 1,385.4 | 1,486.1 | 1,541.0 |
| Operating Profit | 22.2 | 24.7 | 41.7 | 69.1 | 76.9 | 28.7 | -1.3 | 42.6 | 57.4 | 42.0 | 72.3 | 87.2 | 95.9 |
| Recurring Profit | 12.1 | 21.0 | 30.8 | 49.0 | 63.9 | 38.7 | 14.2 | 49.1 | 63.6 | 39.3 | 60.6 | 84.2 | 93.2 |
| Net Income Attributable to Owners of Parent ※ | 6.3 | 11.4 | 16.4 | 29.7 | 35.1 | 11.7 | -10.8 | 25.9 | 23.3 | 30.8 | 38.6 | 51.6 | 46.0 |

※ Net income before FY2014

| Yen / US\$ | 113 | 108 | 112 | 117 | 115 | 101 | 93 | 86 | 79 | 82 | 99 | 109 | 118 |
|------------|-----|-----|-----|-----|-----|-----|----|----|----|----|----|-----|-----|
|------------|-----|-----|-----|-----|-----|-----|----|----|----|----|----|-----|-----|

Kawasaki, Working as one for the good of the planet

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 business results include, but are not limited to, economic conditions, the yen exchange rate against the U.S. dollar and other currencies, the tax system, and laws and regulations.