

Financial Results for FY2014 (for the year ended March 31, 2015)

April 28, 2015

Kawasaki Heavy Industries, Ltd.

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Summary of Financial Results

(Billion Yen)

	FY2013 Actual	FY2014		Change	
		Forecast ※ in January	Actual	vs. FY2013	vs. Forecast in January
Orders Received	1,455.4	1,660.0	1,712.9	+257.5	+52.9
Net Sales	1,385.4	1,510.0	1,486.1	+100.6	-23.9
Operating Income	72.3	86.0	87.2	+14.9	+1.2
Recurring Profit	60.6	84.0	84.2	+23.6	+0.2
Net Income	38.6	56.0	51.6	+13.0	-4.4
Before-tax ROIC	8.1%	10.0%	10.4%	+2.3%	+0.4%
ROE	11.0%	-	12.9%	+1.9%	-

vs. FY2013

< Orders Received >

Increased due to increase in orders received mainly in Plant & Infrastructure, Aerospace and Ship & Offshore Structure segments

< Net Sales >

Increased due to increase in Aerospace and Gas Turbine & Machinery and other segments

< Profits >

- Increased in operating income, recurring profit and net income, resulting from increased profit in almost all the segments, mainly Aerospace segment
- In comparison, net income decreased from the forecast in January, due to partial write-down of deferred tax assets arising from changes in tax system

Weighted-average exchange rates

Yen / US\$	99.63
Yen / EUR	134.56

109.51
139.34

(For Reference)

Net Sales in Foreign Currencies for FY2014 (Billion)

US\$	EUR
2.30	0.34

※Assumed exchange rates for forecast in January : 115Yen = US\$ 135Yen = EUR

Financial Results by Segment

(Billion Yen)

	Orders Received			Net Sales			Operating Income		
	FY2013	FY2014	Change	FY2013	FY2014	Change	FY2013	FY2014	Change
Ship & Offshore Structure	117.8	179.2	+61.3	80.8	90.3	+9.4	-2.0	2.6	+4.6
Rolling Stock	133.0	131.4	-1.6	147.9	121.5	-26.4	7.5	6.0	-1.5
Aerospace	286.3	357.0	+70.6	280.7	325.0	+44.3	26.2	36.3	+10.0
Gas Turbine & Machinery	222.0	235.7	+13.7	189.2	218.7	+29.5	10.4	11.2	+0.7
Plant & Infrastructure	103.9	203.4	+99.5	103.8	121.1	+17.2	6.3	6.5	+0.2
Motorcycle & Engine	322.2	329.2	+6.9	322.2	329.2	+6.9	16.1	14.9	-1.1
Precision Machinery	127.2	136.2	+8.9	123.2	135.7	+12.5	10.4	10.9	+0.4
Others	142.6	140.5	-2.1	137.2	144.2	+6.9	4.4	3.9	-0.4
Eliminations and corporate*	-	-	-	-	-	-	-7.2	-5.4	+1.8
Total	1,455.4	1,712.9	+257.5	1,385.4	1,486.1	+100.6	72.3	87.2	+14.9

* "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)

【 Operating Income 】

+14.9 (FY2013 72.3 → FY2014 87.2)

Net sales	+	100.6	(	1,385.4	→	1,486.1)
Cost of sales	+	76.3	(	1,140.2	→	1,216.6)
Selling, general & administrative expenses	+	9.3	(	172.8	→	182.1)
- Salaries and benefits	+	3.9	(	46.6	→	50.5)
- R&D expenses	+	1.2	(	40.3	→	41.6)

【 Non-operating Income/Expenses 】

+8.7 (FY2013 -11.7 → FY2014 -2.9)

Net Interest expense (incl. dividend income)	+	0.1	(	-2.6	→	-2.5)
Equity in income of unconsolidated subsidiaries and affiliates	-	0.8	(	7.0	→	6.2)
Gain and loss on foreign exchange	+	9.6	(	-14.7	→	-5.0)
Others	-	0.2	(	-1.3	→	-1.5)

【 Extraordinary Income/Losses 】

-0.7 (FY2013 0.7 → FY2014 0)

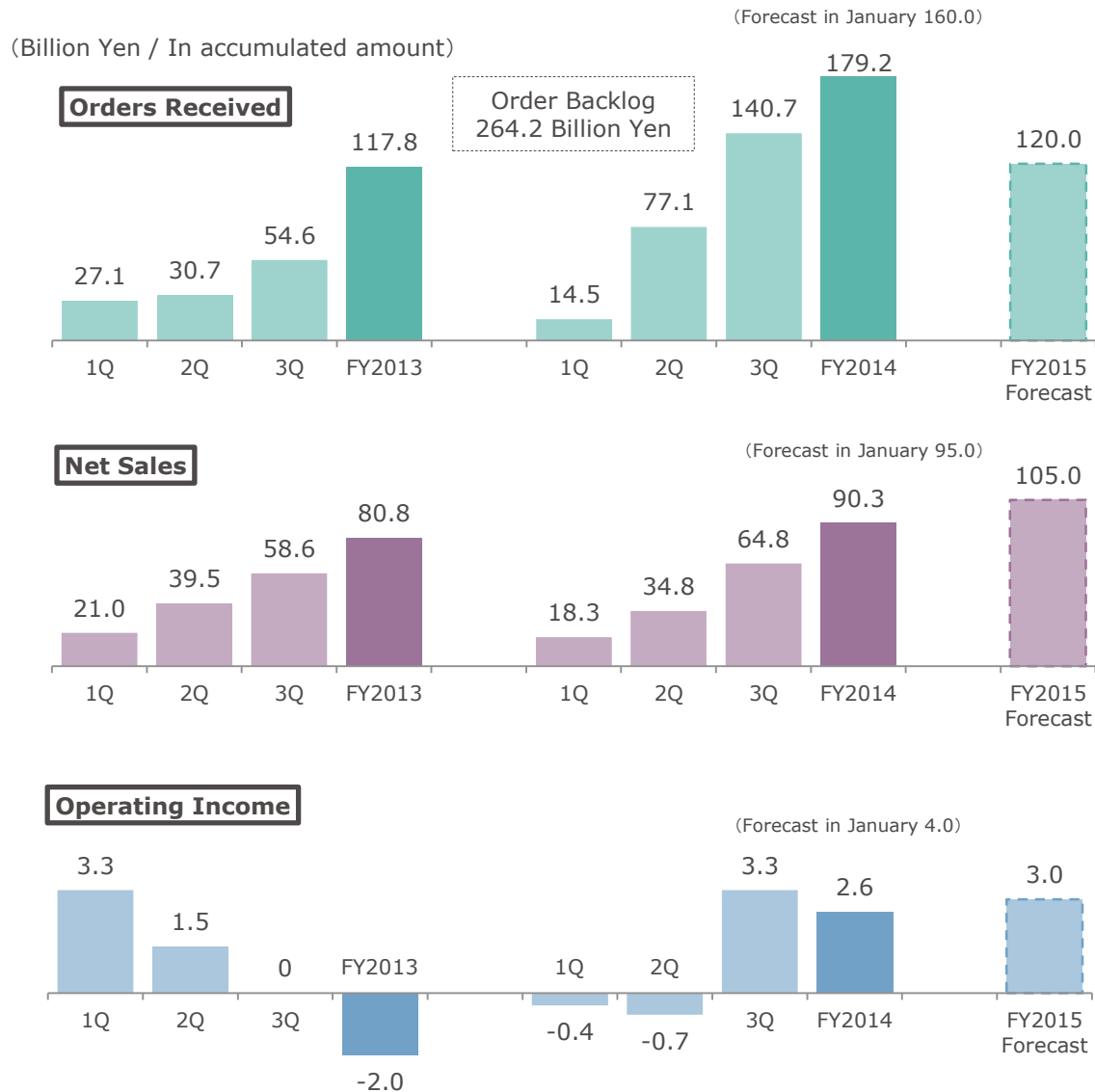
Gain on setting retirement benefits trust	-	3.3	(	3.3	→	0)
Loss on impairment of fixed assets	+	0.4	(	-0.4	→	0)
Loss on natural disaster	+	2.1	(	-2.1	→	0)

※1 Loss on impairment of idle assets whose book values were written down to the recoverable amounts

※2 Due to loss on fixed assets and inventories of some consolidated subsidiaries caused by heavy snow

Ship & Offshore Structure

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



FY2014

(vs. FY2013)

Orders Received: Increased due to orders received for a submarine, 3 LNG carriers and 2 LPG carriers

Net Sales: Increased due to increase in amount of shipbuilding of LNG carriers, despite decrease in amount of shipbuilding of LPG and bulk carriers

Operating Income: Improved due to sales increase and reversal of provision for loss on construction contracts

FY2015 Forecast

(vs. FY2014)

Orders Received: Expected to decrease compared to the previous fiscal year where orders for a submarine and other carriers were received

Net Sales : Expected to increase due to increase in amount of shipbuilding including gas carriers

Operating Income: Expected to remain the same as the previous fiscal year due to cost increase, despite increase due to sales increase

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

	Orders Received		Sales			
	FY2013	FY2014	FY2013		FY2014	
			Completed	In Process*	Completed	In Process*
LNG carriers	2	3	1	2		4
Small-sized LNG carriers			1			
LPG carriers	2	2	1	1	1	1
Offshore service vessel	1					
Bulk carriers	4		5	2	2	2
Submarines		1		2	1	1
Deep submergence rescue vehicle		1				
Total	9	7	8	7	4	8

* Sales units by percentage-of-completion method

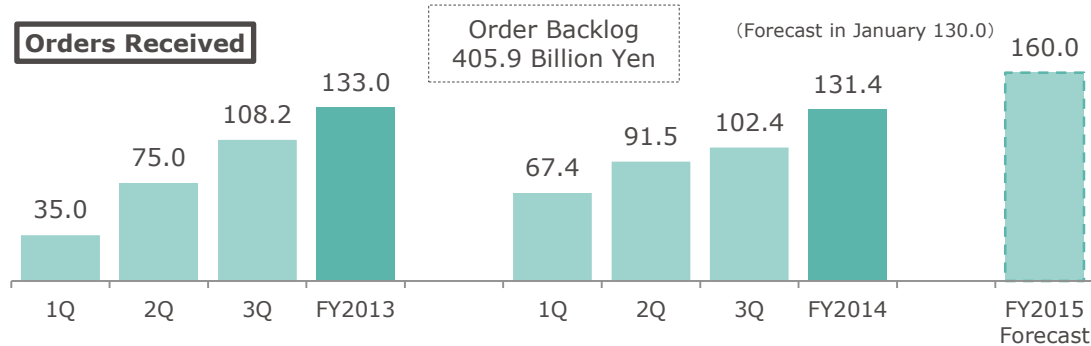
	FY2013 Actual	FY2014 Actual	FY2015 Forecast
Before-tax ROIC	3.4%	6.0%	5.4%

Rolling Stock

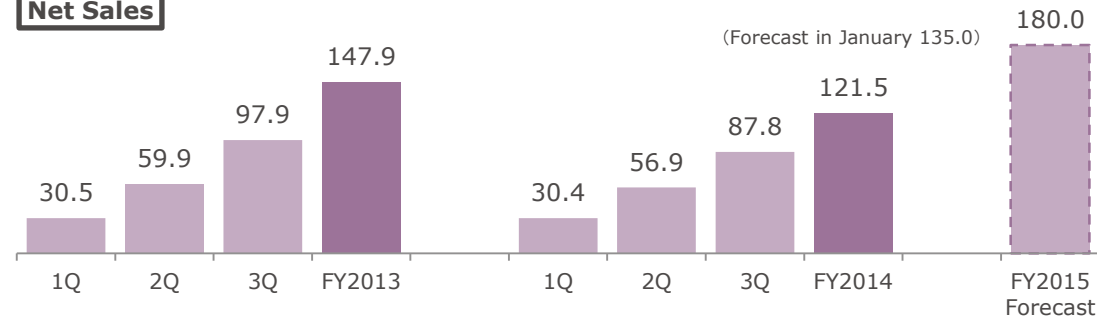
Main Products : Electric train cars (incl. Shinkansen), Electric and diesel locomotives, Passenger coaches, Gigacell® (High-Capacity, Full Sealed Ni-MH Battery)

(Billion Yen / In accumulated amount)

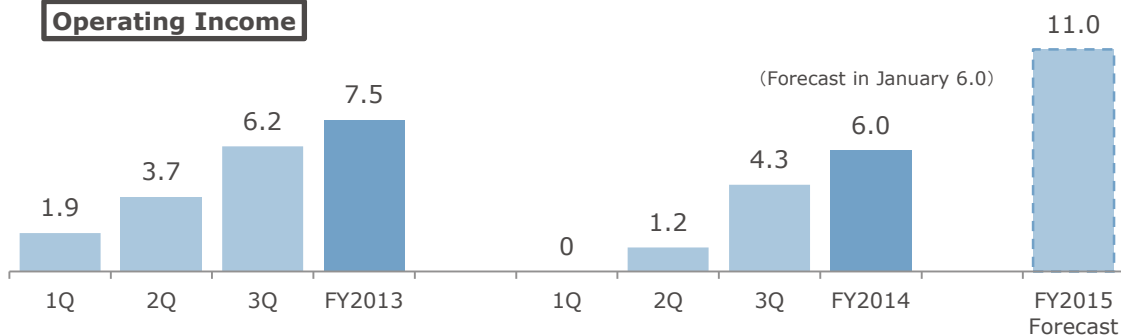
Orders Received



Net Sales



Operating Income



FY2014

(vs. FY2013)

Orders Received: Remained the same as the previous fiscal year where a large-scale orders for North America and domestic market were received, despite MRT car orders received from the Singapore Land Transport Authority for new railway lines

Net Sales: Decreased due to sales decrease in North America

Operating Income: Decreased due to sales decrease and a lower profit margin

FY2015 Forecast

(vs. FY2014)

Orders Received: Expected to increase due to orders for train cars in overseas markets, mainly North America

Net Sales: Expected to increase due to sales increase in overseas markets including North America and Asia, despite sales decrease in domestic market

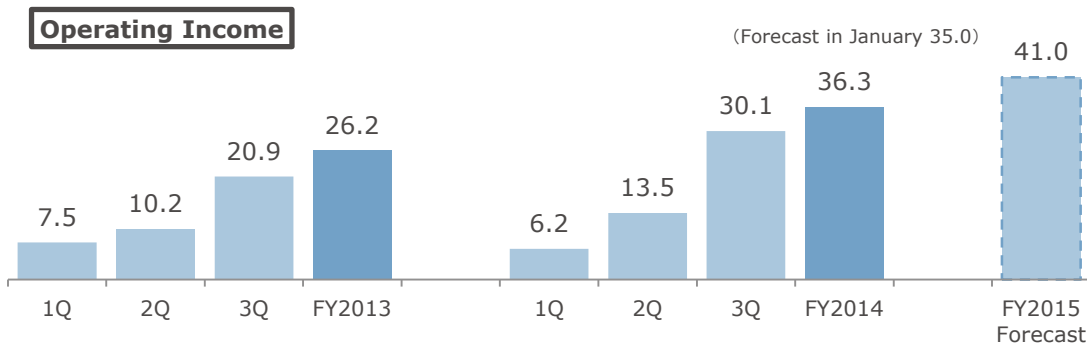
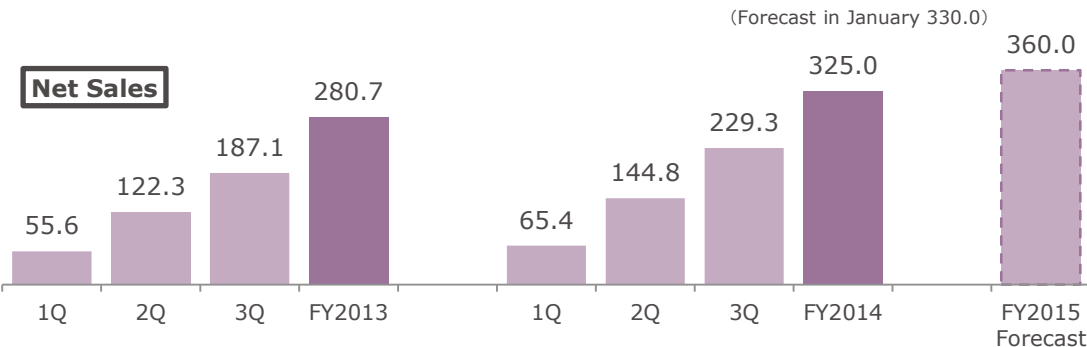
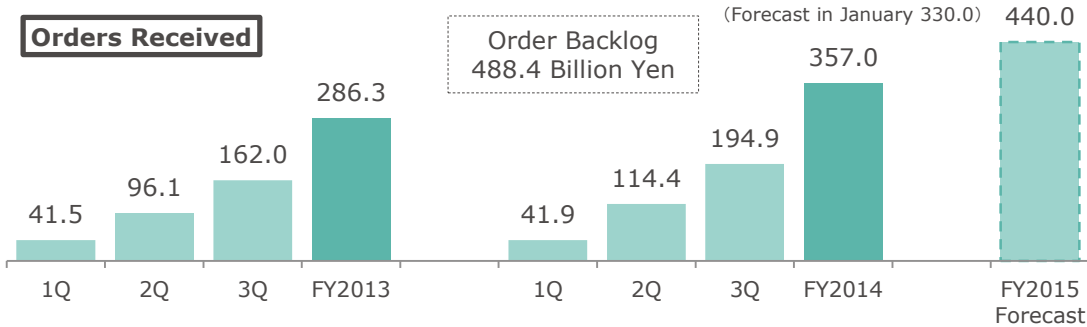
Operating Income: Expected to increase due to sales increase

	FY2013 Actual	FY2014 Actual	FY2015 Forecast
Before-tax ROIC	10.2%	8.7%	12.5%

Aerospace

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

(Billion Yen / In accumulated amount)



FY2014

(vs. FY2013)

Orders Received: Increased due to increase in orders received for the Japan Ministry of Defense (MOD) and component parts for Boeing 787

Net Sales: Increased due to increase in sales to the MOD, and component parts for Boeing 777 and 787

Operating Income: Increased significantly due to sales increase and the effect of the depreciation of the yen

FY2015 Forecast

(vs. FY2014)

Orders Received: Expected to increase mainly due to orders received for the MOD

Net Sales: Expected to increase due to sales increase to the MOD and the effect of the depreciation of the yen

Operating Income: Expected to increase due to sales increase and the effect of the depreciation of the yen

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

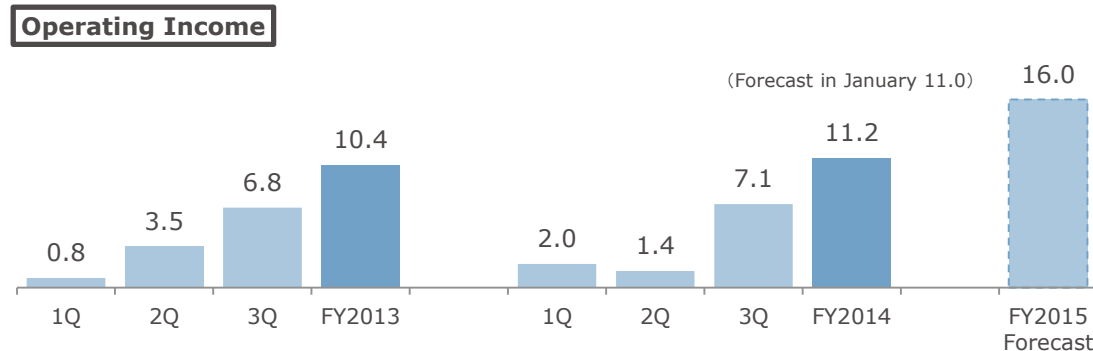
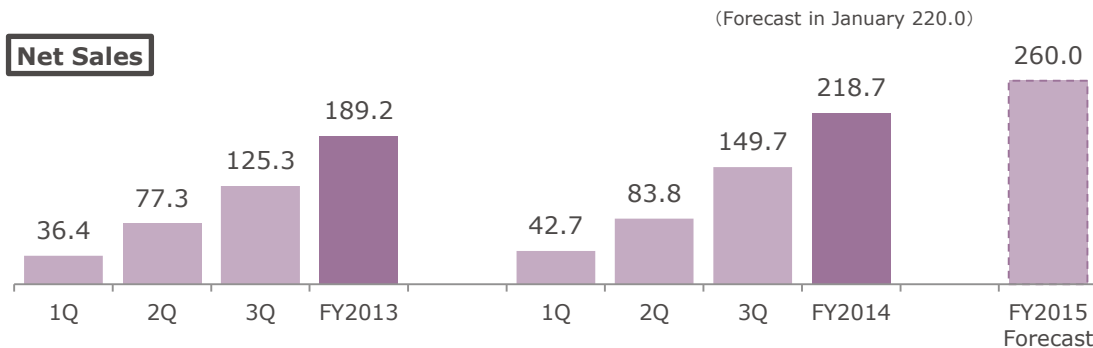
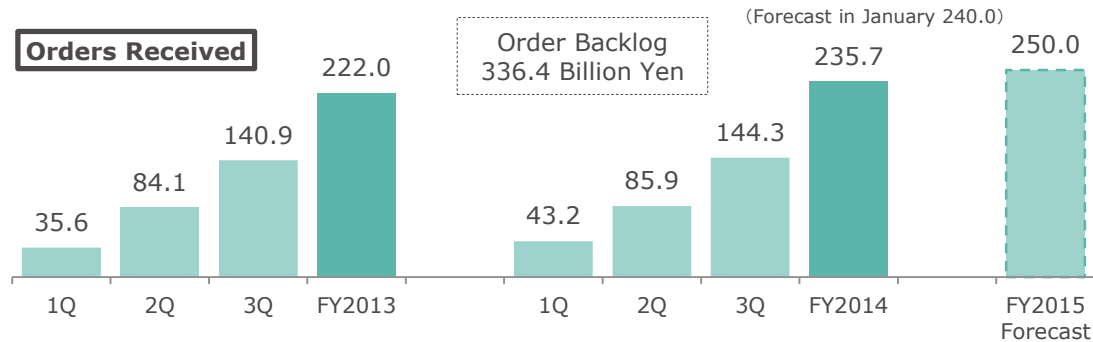
	FY2013	FY2014
Boeing 777	99	101
Boeing 767	11	17
Boeing 787	86	122
Embraer170/175	53	86
Embraer190/195	41	25

	FY2013 Actual	FY2014 Actual	FY2015 Forecast
Before-tax ROIC	19.6%	35.1%	29.0%

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)



FY2014

(vs. FY2013)

Orders Received: Increased due to increase in orders for component parts of commercial aircraft jet engines, industrial gas turbines and gas compression modules

Net Sales: Increased due to increase in component parts of commercial aircraft jet engines and marine propulsion systems

Operating Income: Increased due to sales increase, despite increase in depreciation of development costs for new commercial aircraft jet engine programs and R&D costs

FY2015 Forecast

(vs. FY2014)

Orders Received: Expected to increase due to orders received for industrial gas turbines and gas engines

Net Sales: Expected to increase due to sales increase in component parts of commercial aircraft jet engines and marine machineries, and the effect of the depreciation of the yen

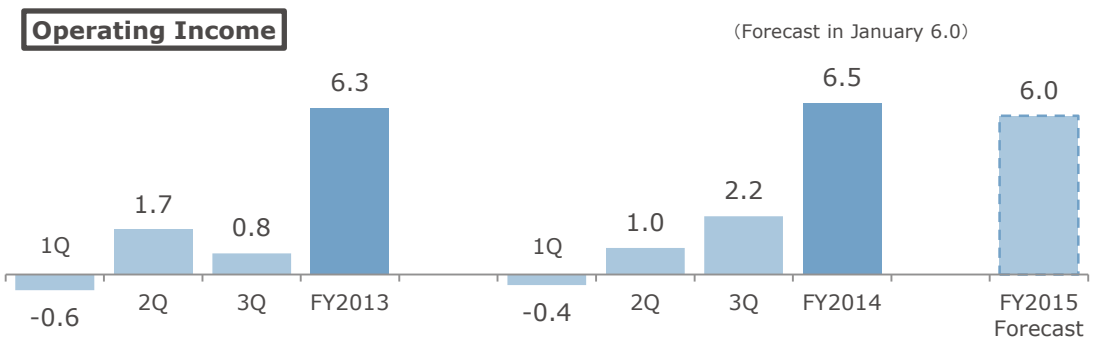
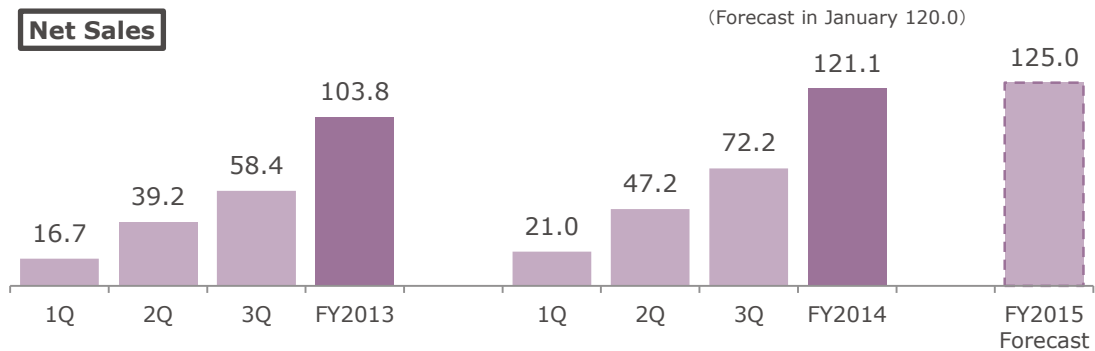
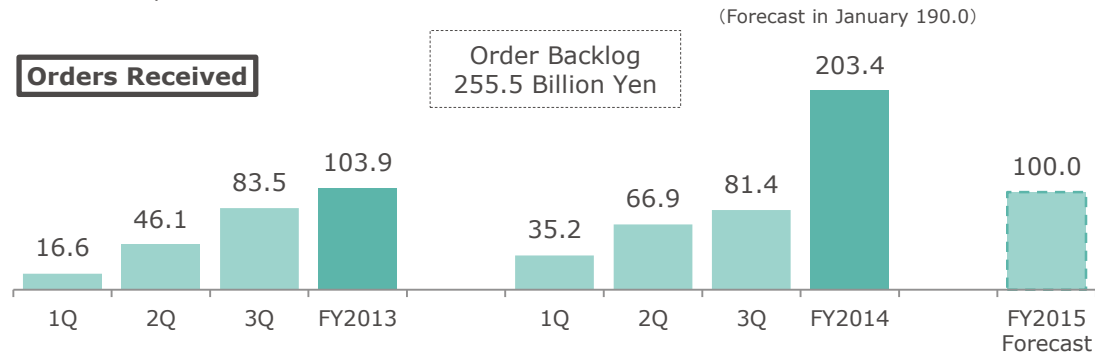
Operating Income: Expected to increase due to sales increase and the effect of the depreciation of the yen

	FY2013 Actual	FY2014 Actual	FY2015 Forecast
Before-tax ROIC	4.6%	5.7%	8.6%

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)



FY2014

(vs. FY2013)

Orders Received: Increased due to increase in orders for gas-to-gasoline(GTG) plant and power generation boiler

Net Sales: Increased due to progress in construction works of LNG tanks and power generation boiler

Operating Income: Remained the same as the previous fiscal year due to a lower profit margin, despite sales increase

FY2015 Forecast

(vs. FY2014)

Orders Received: Expected to decrease, compared to the previous fiscal year where orders for GTG plant and other projects were received

Net Sales: Expected to remain the same as the previous fiscal year, due to increase in shield machines and GTG plant, despite decrease in LNG tanks

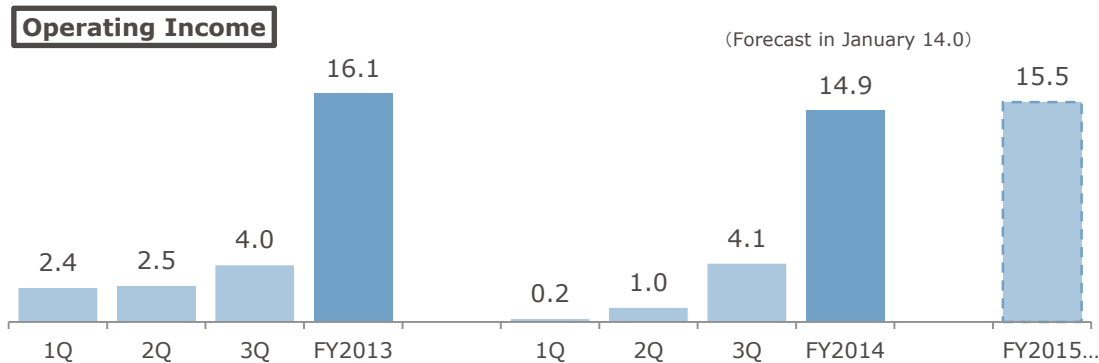
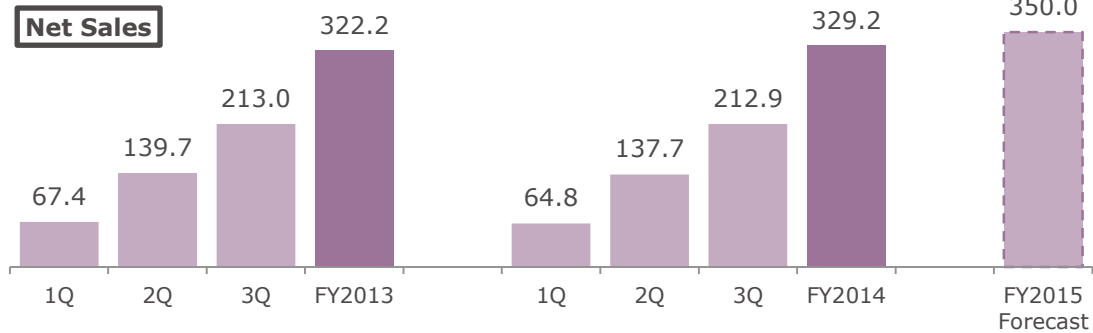
Operating Income: Expected to remain the same as the previous fiscal year due to cost reduction, despite decline in profit margin resulting from severe competition

	FY2013 Actual	FY2014 Actual	FY2015 Forecast
Before-tax ROIC	14.9%	14.3%	12.6%

Motorcycle & Engine

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

(Billion Yen / In accumulated amount)



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

	FY2013		FY2014		FY2015 Forecast	
	Unit	Amount	Unit	Amount	Unit	Amount
Domestic	19	14.8	15	13.2	16	13.0
North America (incl. Canada)	99(51)	87.2	100(49)	97.0	105(51)	108.5
Europe	53	45.8	57	50.1	60	48.5
Emerging Countries & Others	419	130.4	409	122.1	410	126.0
Total	590	278.2	581	282.4	591	296.0

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

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

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

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

3) Sales to Latin America have been moved from "North America" to "Emerging Countries & Others".

FY2014

(vs. FY2013)

Net Sales: Increased due to sales increase of utility vehicles in North America and motorcycles in Europe, despite decrease of motorcycles in Latin America and Thailand

Operating Income: Decreased due to severe competition mainly in emerging markets and increase in fixed costs

FY2015 Forecast

(vs. FY2014)

Net Sales: Expected to increase due to sales increase of motorcycles and utility vehicles in North America, despite stagnation of market growth in emerging countries and severe competition

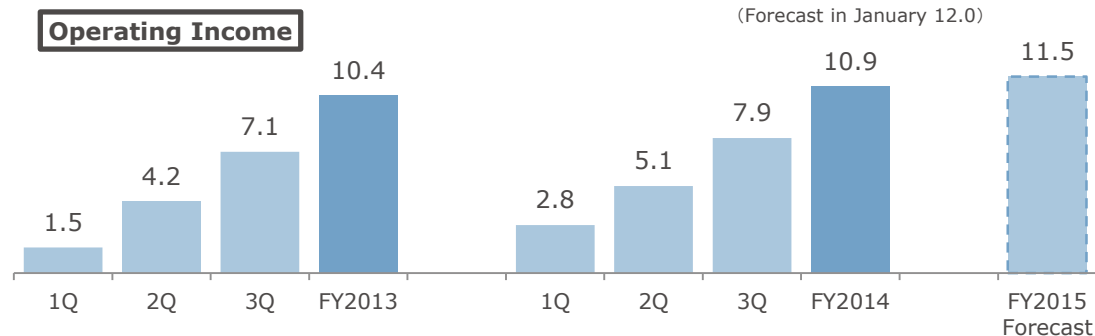
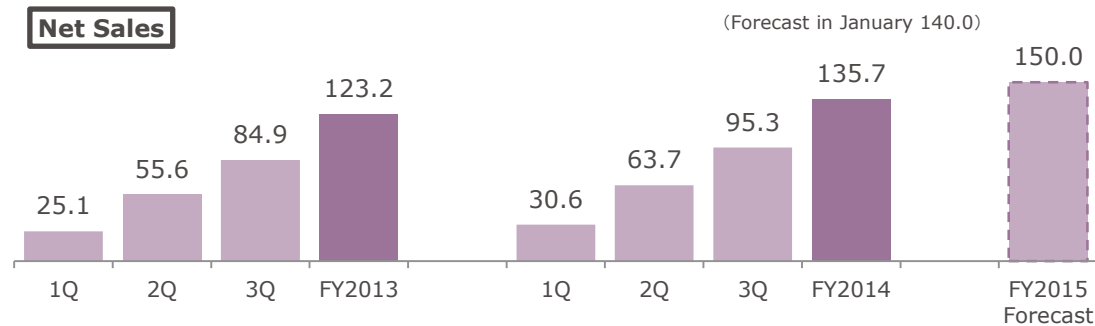
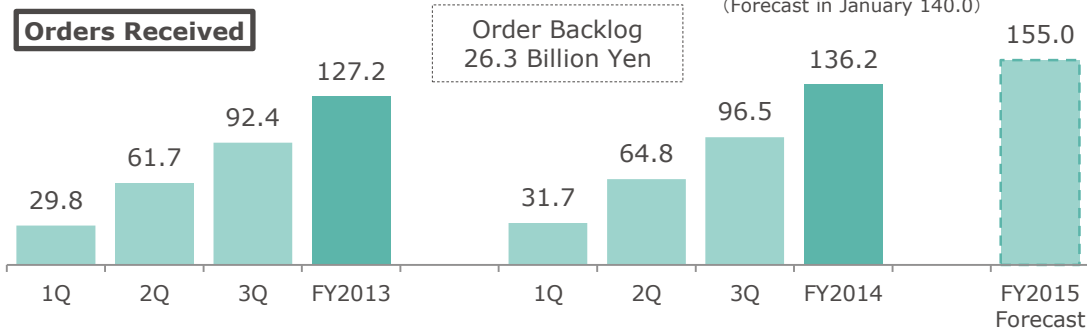
Operating Income : Expected to remain the same as the previous fiscal year, due to a lower profit margin resulting from fluctuations in foreign exchange rates, despite increase due to sales increase

	FY2013 Actual	FY2014 Actual	FY2015 Forecast
Before-tax ROIC	1.4%	7.3%	12.0%

Precision Machinery

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

(Billion Yen / In accumulated amount)



FY2014

(vs. FY2013)

Orders Received: Increased due to increase in industrial robots including for automotive industries

Net Sales: Increased due to sales increase in industrial robots mainly for automotive industries, despite hydraulic components remaining the same as the previous fiscal year

Operating Income: Remained the same as the previous fiscal year due to a lower profit margin, despite sales increase

FY2015 Forecast

(vs. FY2014)

Orders Received & Net Sales: Expected to increase in industrial robots including for automotive industries

Operating Income: Expected to increase due to sales increase

	FY2013 Actual	FY2014 Actual	FY2015 Forecast
Before-tax ROIC	17.5%	16.7%	12.9%

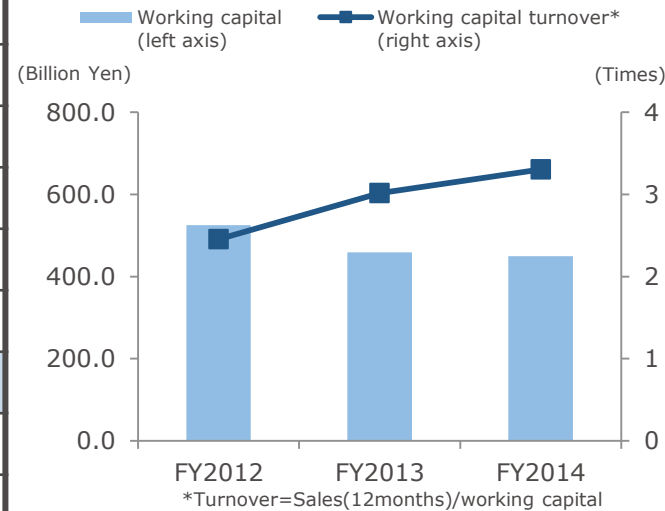
Summary of Balance Sheet

(Billion Yen)

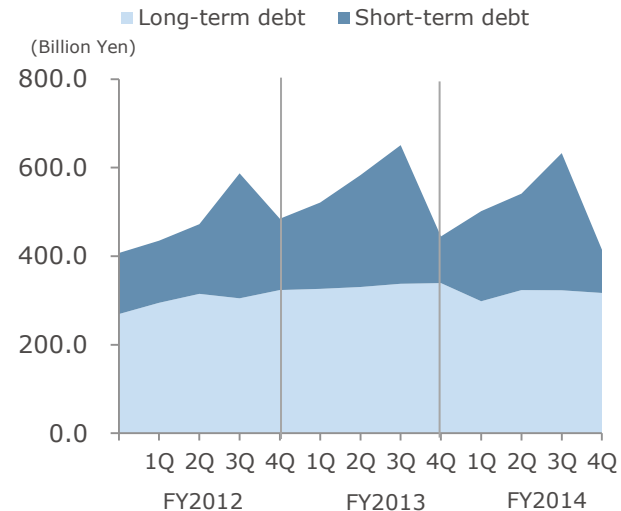
	End of Mar. 2014	End of Mar. 2015	Change
Cash on hand and in banks	47.9	51.6	+ 3.6
Trade receivables	415.6	421.8	+ 6.2
Inventories	458.0	498.6	+ 40.6
Total fixed assets	401.1	436.9	+ 35.7
Other assets	231.6	253.1	+ 21.5
Total assets	1,554.4	1,662.2	+ 107.8
Trade payables	306.0	339.3	+ 33.3
Interest-bearing debt	444.6	414.3	- 30.2
Advances from customers	137.5	171.6	+ 34.0
Other liabilities	289.4	288.9	- 0.4
Total liabilities	1,177.7	1,214.3	+ 36.5
Total shareholders' equity	376.2	412.4	+ 36.1
Other net assets	0.4	35.5	+ 35.1
Total net assets	376.6	447.9	+ 71.2
Total liabilities and net assets	1,554.4	1,662.2	+ 107.8

Ratio of shareholders' equity to total assets	23.3%	25.9%
Net Debt Equity Ratio	109.3%	83.9%

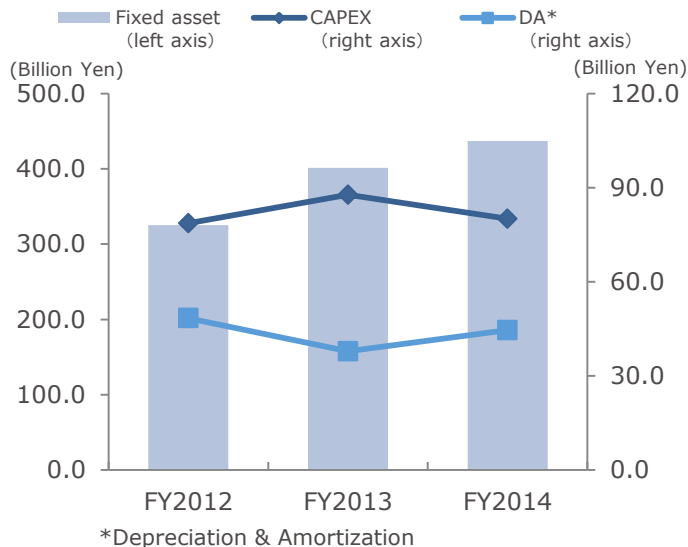
【Changes in working capital】



【Changes in interest-bearing debt】



【Changes in CAPEX and others】



【Overview of consolidated B/S】

On March 31, 2015, total assets increased from March 31, 2014, resulting from inventory growth and increase in fixed assets due to CAPEX and other factors.

Liabilities on March 31, 2015, increased due to increase in advances from customers and trade payables, partially offset by a reduction in interest-bearing debt.

Net assets increased mainly due to recognition of net income and foreign currency translation adjustments with depreciation of the yen, partially offset by dividend payments.

Summary of Cash Flows

(Billion Yen)

	FY2013	FY2014	Change
Cash flows from operating activities	151.7	127.6	- 24.0
Cash flows from investing activities	- 77.5	- 67.3	+ 10.1
Free Cash Flows	74.1	60.2	- 13.9
Cash flows from financing activities	- 62.5	- 57.1	+ 5.3

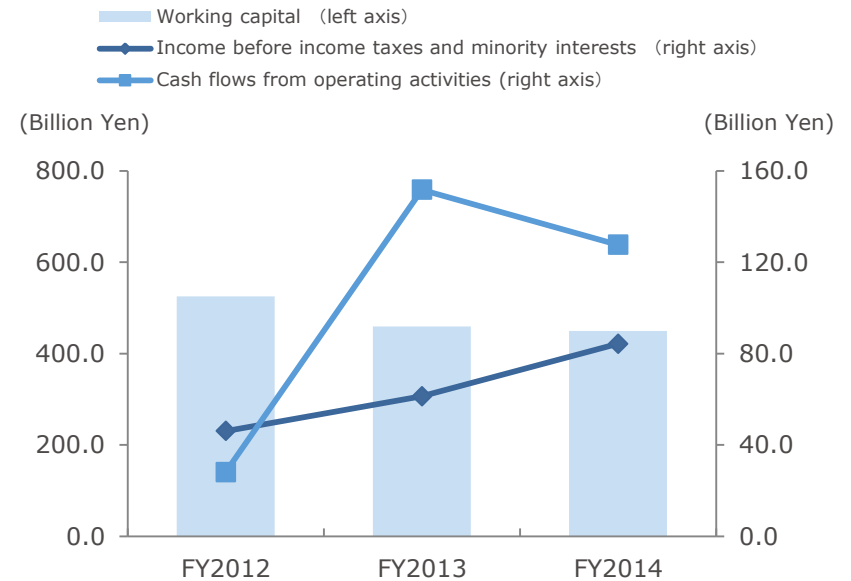
【Overview of consolidated cash flows】

Cash flows from operating activities maintained a high level due to increase in income before tax and working capital reduction, while it decreased from the previous fiscal year.

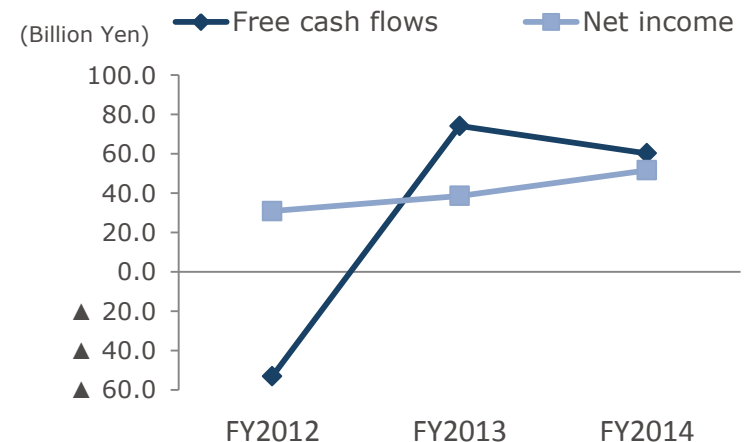
Due to decrease in CAPEX and expenditures for CAPEX having concentrated in the previous fiscal year, cash outflows from investing activities decreased.

Free cash flows decreased from the previous fiscal year.

【Changes in cash flows from operating activities and others】



【Changes in free cash flows and net income】



Consolidated Operating Performance

(Billion Yen)

	FY2014 Actual	FY2015 Forecast	Change
Orders Received	1,712.9	1,680.0	-32.9
Net Sales	1,486.1	1,650.0	+163.9
Operating Income	87.2	102.0	+14.8
Recurring Profit	84.2	100.0	+15.8
Net Income	51.6	69.0	+17.4
Before-tax ROIC	10.4%	11.8%	+1.4%
ROE	12.9%	15.0%	+2.1%

vs. FY2014

< Orders Received >

Expected to decrease as a whole, due to decrease in Plant & Infrastructure and Ship & Offshore Structure segments, where a large-scale orders were received in the previous fiscal year, despite increase in Aerospace due to increase in orders for the Japan Ministry of Defense, and Rolling Stock due to Increase in orders for train cars in overseas markets

< Net Sales >

Expected to increase as a whole due to increase in Rolling Stock, Aerospace and Gas Turbine & Machinery segments

< Profits >

Expected to increase due to sales increase and our continued profit improvement activities such as improving productivity

Exchange Rates (actual & assumed)

Yen / US\$	109.51	118
Yen / EUR	139.34	128

Note : Assumed rates are applied to the outstanding foreign exchange exposure as of April 28, 2015

(For Reference)

Impact on profit by FX fluctuation of 1 Yen

	(Billion Yen)	
	Operating Income	Recurring Profit
US\$	2.06	2.16
EUR	0.20	0.26

Forecast by Segment

(Billion Yen)

	Orders Received			Net Sales			Operating Income		
	FY2014 Actual	FY2015 Forecast	Change	FY2014 Actual	FY2015 Forecast	Change	FY2014 Actual	FY2015 Forecast	Change
Ship & Offshore Structure	179.2	120.0	-59.2	90.3	105.0	+14.7	2.6	3.0	+0.4
Rolling Stock	131.4	160.0	+28.6	121.5	180.0	+58.5	6.0	11.0	+5.0
Aerospace	357.0	440.0	+83.0	325.0	360.0	+35.0	36.3	41.0	+4.7
Gas Turbine & Machinery	235.7	250.0	+14.3	218.7	260.0	+41.3	11.2	16.0	+4.8
Plant & Infrastructure	203.4	100.0	-103.4	121.1	125.0	+3.9	6.5	6.0	-0.5
Motorcycle & Engine	329.2	350.0	+20.8	329.2	350.0	+20.8	14.9	15.5	+0.6
Precision Machinery	136.2	155.0	+18.8	135.7	150.0	+14.3	10.9	11.5	+0.6
Others	140.5	105.0	-35.5	144.2	120.0	-24.2	3.9	3.0	-0.9
Eliminations and corporate [※]	-	-	-	-	-	-	-5.4	-5.0	+0.4
Total	1,712.9	1,680.0	-32.9	1,486.1	1,650.0	+163.9	87.2	102.0	+14.8

※ "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+ Interest Expense)/ Invested Capital)		
	FY2013 Actual	FY2014 Actual	FY2015 Forecast
Ship & Offshore Structure	3.4%	6.0%	5.4%
Rolling Stock	10.2%	8.7%	12.5%
Aerospace	19.6%	35.1%	29.0%
Gas Turbine & Machinery	4.6%	5.7%	8.6%
Plant & Infrastructure	14.9%	14.3%	12.6%
Motorcycle & Engine	1.4%	7.3%	12.0%
Precision Machinery	17.5%	16.7%	12.9%
Total	8.1%	10.4%	11.8%

Operating Income Margin (Operating Income / Net Sales)			Asset Turnover (Times) (Net Sales / Total Assets)		
FY2013 Actual	FY2014 Actual	FY2015 Forecast	FY2013 Actual	FY2014 Actual	FY2015 Forecast
-2.4%	2.9%	2.8%	0.62	0.52	0.70
5.1%	4.9%	6.1%	0.92	0.71	1.00
9.3%	11.1%	11.7%	0.80	0.89	0.90
5.5%	5.1%	6.1%	0.67	0.73	0.80
6.0%	5.4%	4.7%	0.94	0.96	1.00
4.9%	4.5%	4.4%	1.27	1.21	1.30
8.4%	8.0%	7.6%	0.98	1.00	1.00
5.2%	5.8%	6.2%	0.89	0.89	1.00

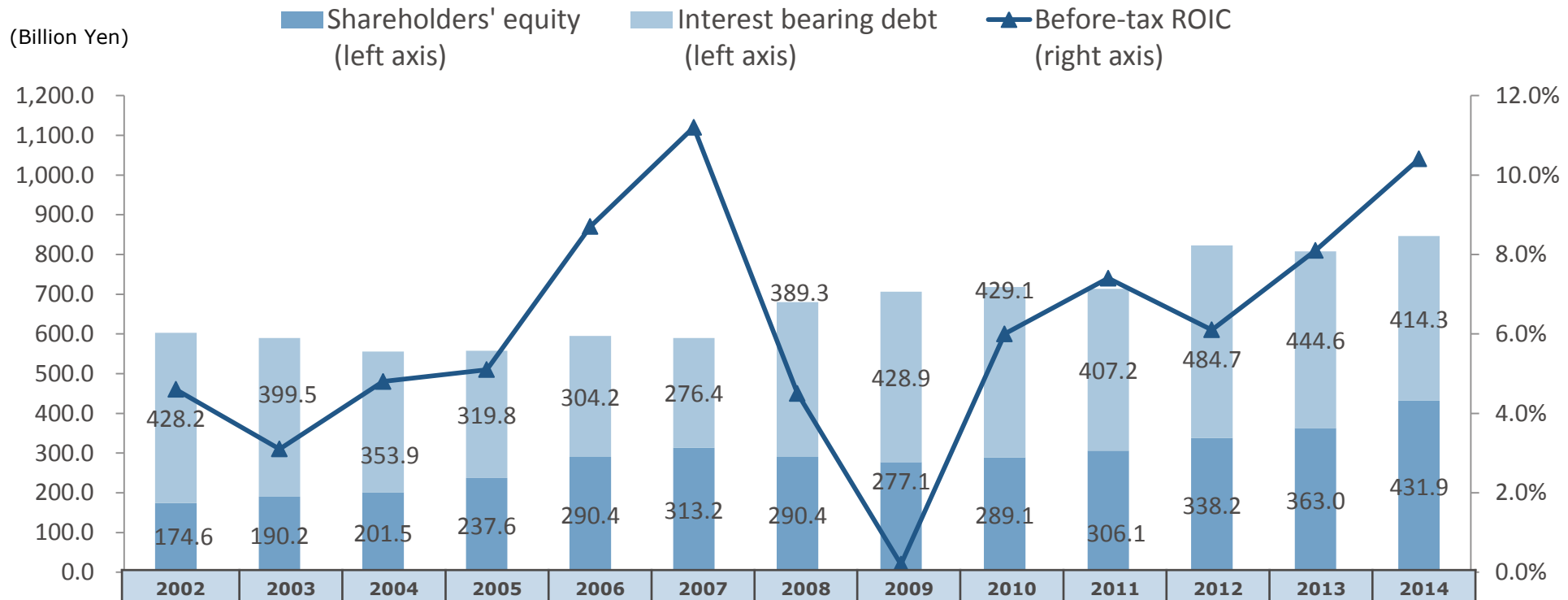
R&D/CAPEX/Number of Employees

(Billion Yen / Persons)

	FY2013 Actual	FY2014 Actual	FY2015 Forecast
R&D Expenses	40.3	41.6	46.0
CAPEX (Construction Base)	87.7	80.0	92.0
Depreciation & Amortization	37.8	44.5	54.0
Domestic	25,531	26,019	26,200
Overseas	9,089	9,452	9,200
Number of Employees	34,620	35,471	35,400

· Capital expenditures 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



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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%	10.4%
Invested Capital	602.7	589.6	555.3	557.3	594.6	589.6	679.7	705.9	718.2	713.2	822.8	807.6	846.3
Net Sales	1,239.5	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
Operating Profit	30.5	22.2	24.7	41.7	69.1	76.9	28.7	-1.3	42.6	57.4	42.0	72.3	87.2
Recurring Profit	16.2	12.1	21.0	30.8	49.0	63.9	38.7	14.2	49.1	63.6	39.3	60.6	84.2
Net Income	13.0	6.3	11.4	16.4	29.7	35.1	11.7	-10.8	25.9	23.3	30.8	38.6	51.6

Yen / US\$	120	113	108	112	117	115	101	93	86	79	82	99	109

Status of the Joint Venture Project in Brazil

1. The KHI Group's investment in/loan to Enseada

- Investment: ¥4.8 billion (KHI: 30%; Brazilian joint venture led by Odebrecht: 70%)
- Short-term loan: ¥1.3 billion
- No debt guarantee to Enseada

2. Contracts related to drillships

- Supply contract for hull parts of drillships
 - The hull parts of 2 drillships are being built at Sakaide Works
 - Contract value: ¥30.9 billion (¥6.1 billion paid, insured by NEXI [Nippon Export and Investment Insurance])
 - Percentage of completion (as of the end of March 2015)
First ship: 83%; second ship: 26%
- Supply contract for Azimuth Thruster (Rexpeller®)
 - Azimuth Thruster (Rexpeller®) for drillships (36 units in total)
 - Contract value: ¥7.6 billion (¥0.9 billion paid, partially insured by NEXI)
 - Percentage of completion (as of the end of March 2015)
Approximately 30% of contract

3. Current business status

- While the corruption scandal involving Petrobras has had an impact on Enseada's operations, we have concluded that the continuity of its business hasn't been interrupted, owing to financial support provided by Odebrecht
- Enseada and Odebrecht have clearly denied any involvement in the corruption scandal, and no one has been arrested

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.