

Financial Results for First Quarter FY2023

For the Year ending March 31, 2024

August 8, 2023

Kawasaki Heavy Industries, Ltd.



Powering your potential

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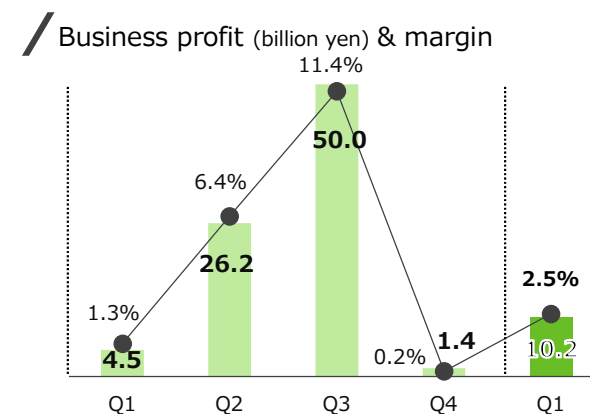
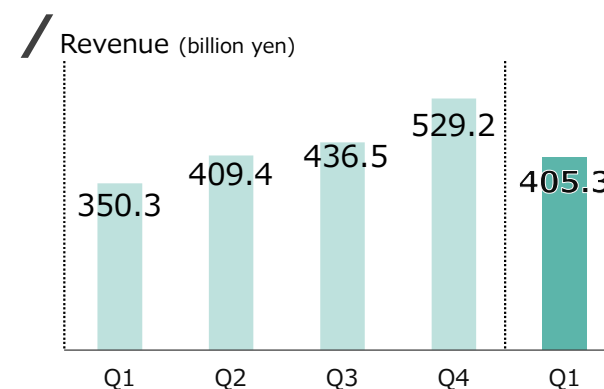
Notice

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. Our company has adopted IFRS (International Financial Reporting Standards) since the first quarter of FY2022.

Consolidated Results for First Quarter FY2023 –Summary–

- ✓ Revenue and profits increased YoY, and orders received and revenue hit a record high in Q1
- ✓ The overall results are as expected, though there are differences in the degree of achievement of each business

				(Billion Yen)
	FY22 Q1	FY23 Q1	Change	
Orders Received	412.0	457.3	+	45.2
Revenue	350.3	405.3	+	54.9
Business Profit	4.5	10.2	+	5.6
	<i>[margin]</i>	<i>[2.5%]</i>		<i>[+ 1.2pt]</i>
Profit Before Tax	10.6	14.9	+	4.3
	<i>[margin]</i>	<i>[3.7%]</i>		<i>[+ 0.6pt]</i>
Profit Attributable to Owners of Parent	5.4	9.0	+	3.6
	<i>[margin]</i>	<i>[2.2%]</i>		<i>[+ 0.6pt]</i>
Weighted-average exchange rates (USD/JPY)	124.76	132.09	+	7.33
US dollar-based transaction (B\$)	0.41	0.45	+	0.04



※ Amount in foreign currency calculated by deducting dollar-denominated purchases from dollar-denominated revenue of Kawasaki Heavy Industries, Ltd., Kawasaki Railcar manufacturing Co., Ltd., and Kawasaki Motors, Ltd. (to include dollar-denominated revenue of loss provisions). The estimated impact on business profit due to a 1 yen fluctuation in the exchange rate. See page 42 for the breakdown of these figures by segment.

Consolidated Results for First Quarter FY2023

-Segment-

- ✓ Revenue increased and profit improved in Aerospace systems due to the passenger demand recovery and the depreciation of the yen, while profit in ES&M increased due to a significant improvement in ship & offshore business ①
- ✓ Revenue and profit in Precision Machinery & Robot fell due to the slump in the market of semiconductor and Chinese construction machinery ②

(Billion Yen)

	Orders Received			Revenue			Business Profit (Loss)		
	FY22 Q1	FY23 Q1	Change	FY22 Q1	FY23 Q1	Change	FY22 Q1	FY23 Q1	Change
Aerospace Systems	60.4	118.7	+ 58.2	63.4	80.2	+ 16.7 ①	- 8.9	- 4.6	+ 4.2 ①
Rolling Stock	11.7	16.4	+ 4.7	26.4	43.5	+ 17.1	- 0.1	- 0.0	+ 0.1
Energy Solution & Marine Engineering	124.5	102.3	- 22.1	63.5	70.7	+ 7.2 ②	0.0	5.8	+ 5.8 ②
Precision Machinery & Robot	67.9	54.0	- 13.9	52.6	49.3	- 3.2 ②	1.4	- 2.5	- 4.0 ②
Powersports & Engine ^{※1}	126.0	143.9	+ 17.9	126.0	143.9	+ 17.9	12.8	14.3	+ 1.4
Others	21.3	21.7	+ 0.4	18.3	17.5	- 0.7	1.3	0.6	- 0.7
Eliminations and corporate ^{※2}	-	-	-	-	-	-	- 2.0	- 3.3	- 1.3
Total	412.0	457.3	+ 45.2	350.3	405.3	+ 54.9	4.5	10.2	+ 5.6

※1 From Q3 FY'22, the reportable segment name of 'Motorcycle & Engine' has been changed to 'Powersports & Engine'.

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

Consolidated Results for First Quarter FY2023

–Statement of comprehensive income–

(Billion Yen)

	FY22 Q1	%	FY23 Q1	%	Change
Revenue	350.3	100.0	405.3	100.0	+ 54.9
Cost of sales	292.9	83.6	339.2	83.7	+ 46.2
Gross profit	57.3	16.4	66.0	16.3	+ 8.7
Selling, general and administrative expenses	53.5	15.3	62.3	15.4	+ 8.7
Salaries and allowances	15.6		17.7		+ 2.1
Research and development expenses	10.7		11.3		+ 0.5
Others	27.1		33.2		+ 6.0
	0.6		6.0		1 + 5.4
Other income and other expenses	0.1		0.4		+ 0.2
Gain on sale of property, plant and equipment	0.4		0.7		+ 0.2
Others	- 0.2		- 0.2		- 0.0
Business Profit (Loss)	4.5	1.3	10.2	2.5	+ 5.6

Details

- ① Improvement in business performance mainly at a joint venture in China in Ship & offshore structure (in addition to cost reductions, the impact of falling steel prices and the weakening US dollar/ Chinese yuan)

Consolidated Results for First Quarter FY2023

–Statement of comprehensive income–

					(Billion Yen)	
	FY22 Q1	%	FY23 Q1	%	Change	
Finance income and Finance costs	6.0		4.7		-	1.2
Net Interest expense (incl. dividend income)	- 0.5		- 1.1		-	0.6
Gain and loss on foreign exchange	7.0		7.0		-	0.0
Others	- 0.5		- 1.1		-	0.6
Profit before tax	10.6	3.0	14.9	3.7	+	4.3
Income tax expense	4.8		5.5		+	0.7
Profit attributable to Non-controlling interests	0.3		0.3		+	0.0
Profit attributable to owners of parent	5.4	1.6	9.0	2.2	+	3.6

Details

- ② Foreign exchange gains mainly due to year-end valuation of receivables

USD/JPY rate

133.54 Q4/E FY'22

144.99 Q1/E FY'23

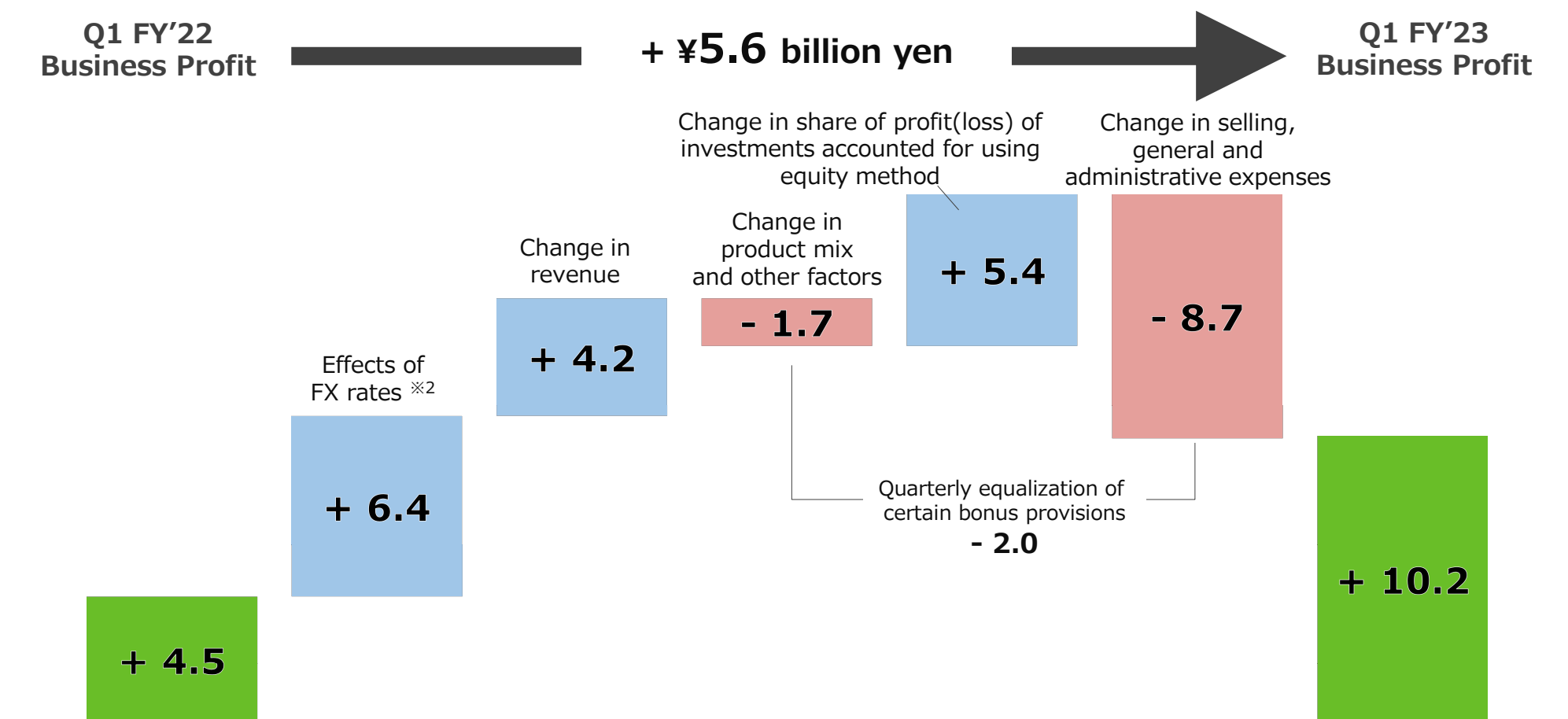
Weighted-average
exchange rates

132.09 Q1 FY'23

Consolidated Results for First Quarter FY2023

–Details of change in business profit–

- ✓ The increase in PS&E's off-road four-wheelers contributed significantly to the change in revenue
- ✓ Quarterly equalization of certain bonus provisions^{※1} depressed earnings



※1 Previously, some bonus provisions were lumped in at the end of the fiscal year, but from FY'23, we have changed the process to estimate (level out) them at quarterly.

※2 "Effects of FX rates" indicate the impact on gross profit, not including FX effects on Selling, general and administrative expenses. Also, the impact of price fluctuation due to currency fluctuations is included in "Change in product mix and other factors" and "Changes in Selling, general and administrative expenses".

Consolidated Results for First Quarter FY2023

–Details of change in business profit–

(Billion Yen)

	FY22 Q1 Business Profit (Loss)	Details of change					Total	FY23 Q1 Business Profit (Loss)
		Effects of FX rates※	Change in sales※	Change in product mix and other factors※	Change in share of profit (loss) of investments accounted for using equity method	Change in SG & A expenses		
Aerospace Systems	- 8.9	1.4	0.6	2.8		- 0.6	4.2	- 4.6
Rolling Stock	- 0.1	- 0.1	1.1	- 0.6	0.0	- 0.3	0.1	- 0.0
Energy Solution & Marine Engineering	- 0.0	1.0	0.8	- 0.6	5.6	- 1.0	5.8	5.8
Precision Machinery & Robot	1.4	0.7	- 0.7	- 2.3	- 0.2	- 1.5	- 4.0	- 2.5
Powersports & Engine	12.8	3.4	2.5	- 1.0	- 0.0	- 3.5	1.4	14.3
Others	1.3	0.0	- 0.1	- 0.7	- 0.0	0.1	- 0.7	0.6
Eliminations and corporate	- 2.0			0.3	0.1	- 1.7	- 1.3	- 3.3
Total	4.5	6.4	4.2	- 1.7	5.4	- 8.7	5.6	10.2

※ Effects of foreign exchange rates, change in revenue, and change in product mix are approximate values calculated by our company based on certain criteria. In addition, each factor of change is often indivisible, and in particular, it may be desirable to check the change in revenue and change in product mix.

Consolidated Results for First Quarter FY2023

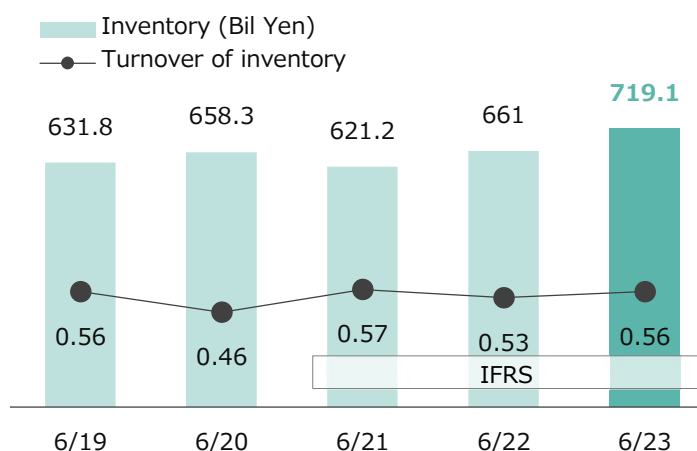
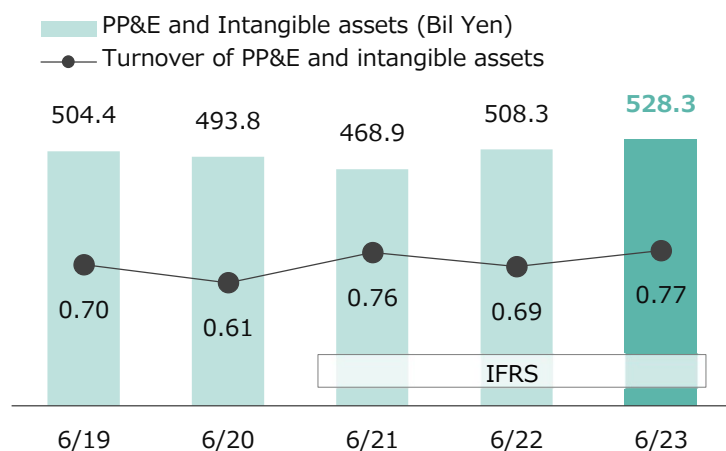
–Statement of financial position–

(Billion Yen)

	End of Mar. 2023	%	End of Jun. 2023	%	Change
Cash and cash equivalents	138.4		91.8		- 46.5
Trade receivables (Incl. contract assets)	592.6		567.9		- 24.7
Inventories	690.4		719.1		+ 28.7
Other current assets	148.8		188.5		+ 39.7
Current assets	1,570.3	63.9	1,567.5	63.2	- 2.7
PP&E and intangible assets	517.2		528.3		+ 11.1
Right-of-use assets	68.4		69.3		+ 0.9
Deferred tax assets	110.2		109.3		- 0.9
Other non-current assets	191.4		206.0		+ 14.6
Non-current assets	887.3	36.1	913.1	36.8	+ 25.8
Total assets	2,457.7	100.0	2,480.7	100.0	+ 23.0

Details

- ① Increase in Rolling Stock, decrease in ES&M and PS&E
- ② Increase in Aerospace Systems, Precision Machinery & robot, and ES&M



Consolidated Results for First Quarter FY2023

–Statement of financial position–

					(Billion Yen)
	End of Mar. 2023	%	End of Jun. 2023	%	Change
Trade payables	395.1		379.6		- 15.5
Interest-bearing debt	589.8		666.0		3 + 76.1
Contract liability (Advances received)	256.2		277.6		+ 21.4
Provision for losses on construction contracts	4.6		4.2		- 0.4
Retirement benefit liability	91.5		92.8		+ 1.2
Other liabilities	523.3		455.1		4 - 68.1
Total liabilities	1,860.8	75.7	1,875.5	75.6	+ 14.6
Equity attributable to owners of parent	576.2		584.7		+ 8.5
Non-controlling interests	20.6		20.4		- 0.1
Total equity	596.8	24.3	605.2	24.4	+ 8.3
Total liabilities and equity	2,457.7	100.0	2,480.7	100.0	+ 23.0

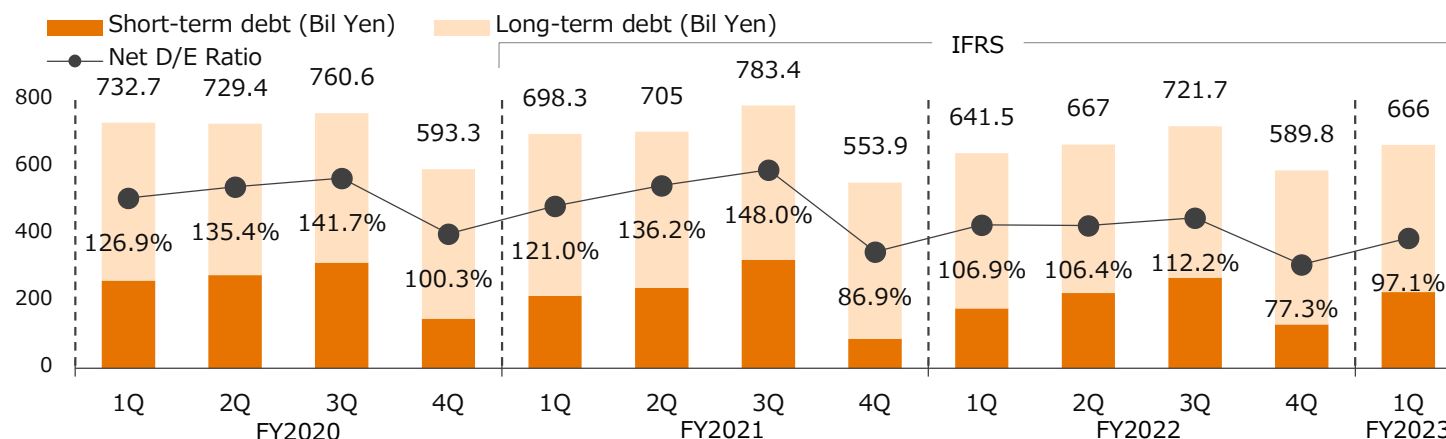
Details

- ③** Increase in borrowing as a normal business cycle in Q1
- ④** Decreased due to receivables liquidation in Aerospace Systems

Appendix

Cash Conversion Cycle (day)

End of Q1 FY'19	139
End of Q1 FY'20	151
End of Q1 FY'21	141
End of Q1 FY'22	146
End of Q1 FY'23	146



Consolidated Results for First Quarter FY2023

-Cash Flows-

(Billion Yen)

	FY22 Q1	FY23 Q1	Change
Profit before tax	10.6	14.9	+ 4.3
Depreciation and amortization	19.0	21.3	+ 2.3
Increase and decrease in working capital	- 26.3	26.9	+ 53.3
Trade receivables ^{※1} (minus notation indicates incr.)	43.2	52.7	+ 9.4
Inventory (minus notation indicates incr.)	- 27.7	- 19.4	+ 8.2
Trade payables (minus notation indicates decr.)	- 22.1	- 18.9	+ 3.1
Advance payment (minus notation indicates incr.)	- 28.3	- 3.1	+ 25.2
Contract liabilities ^{※2} (minus notation indicates decr.)	8.6	15.7	+ 7.1
Other	- 65.2	- 85.7	- 20.5
Cash flows from operating activities	- 61.9	- 22.4	+ 39.5
Purchase of PP&E and intangible assets	- 16.0	- 23.2	- 7.1
Proceeds from sales of PP&E and intangible assets	1.2	1.0	- 0.1
Other	- 9.1	0.1	+ 9.3
Cash flows from investing activities	- 24.0	- 21.9	+ 2.0
Free cash flows	- 86.0	- 44.4	+ 41.6
Net increase and decrease in debt and bonds (minus notation indicates decr.)	80.2	69.2	- 10.9
Dividends paid (Except payment to non-controlling interests)	- 3.0	- 9.3	- 6.2
Proceeds from fluidity of lease receivables and Repayment of payables under fluidity lease receivables	- 7.4	- 49.0	- 41.5
Other	- 6.8	- 8.9	- 2.1
Cash flows from financing activities	62.7	1.9	- 60.8

Details

① Q1 FY'22 :
Cash outflows in the working capital component due to an increase in Aerospace, despite advances in debt collection in PS&E and Plant Engineering

Q1 FY'23 :
Despite progress in debt collection in PS&E, cash outflows in the working capital component due to an increase in inventories in Aerospace systems and Energy business

② Capital increase to equity-method affiliates (about ¥ 5 bn)

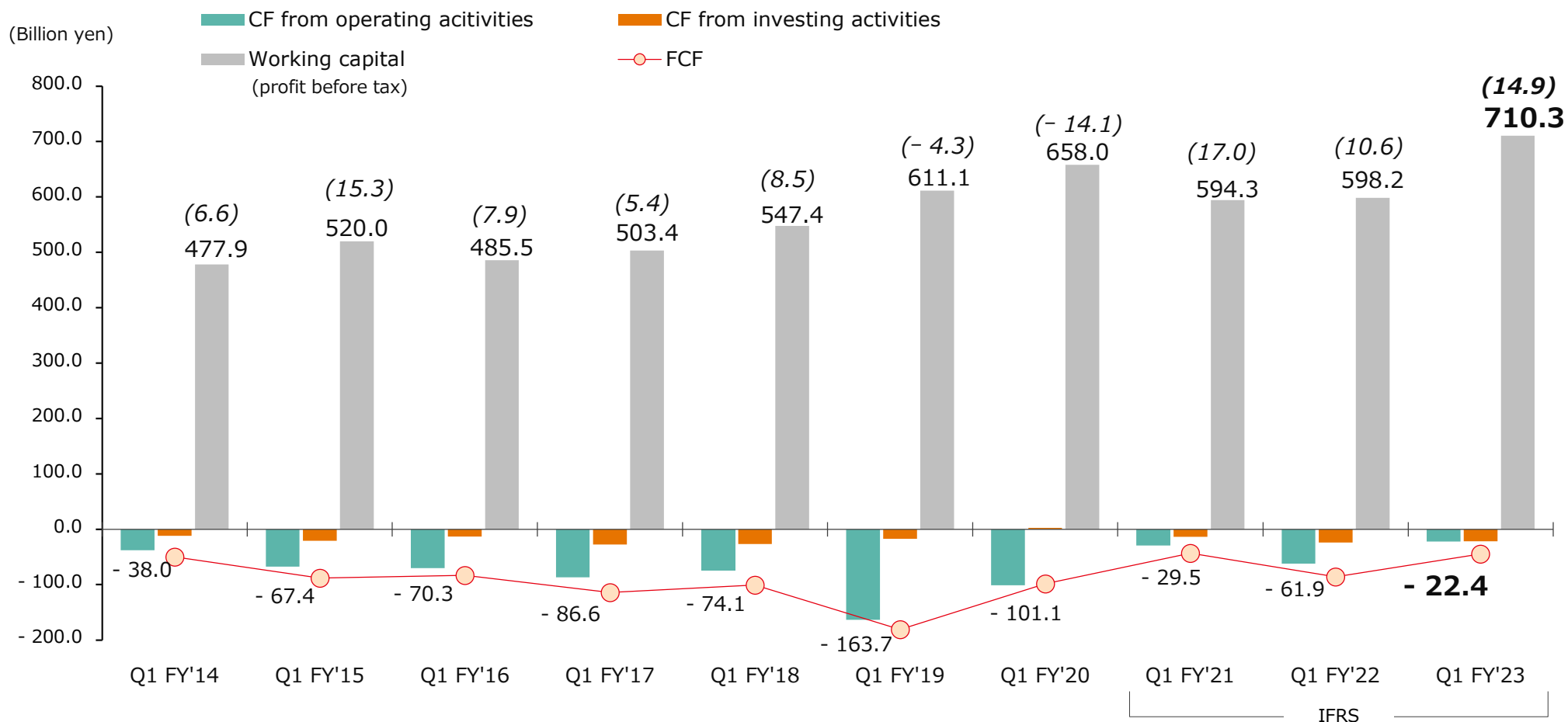
③ Repayment in Aerospace and Ship & Offshore structure

※1,2 Trade receivables include contract assets. The old account name of contract liabilities is advances received

Consolidated Results for First Quarter FY2023

-Cash Flows-

- ✓ Historical data shows CF from operating activities and free cash flows are improving
- ✓ Working capital temporarily increased due to a strong recovery in order-based businesses and sales growth in Powersports & Engine



Forecasts for FY2023 -Summary-

- ✓ Although the forecast for FY'23 is unchanged, if the current exchange rate level continues, there will be an upside opportunity
- ✓ Order-based businesses are on an improvement trend as assumed, resulting in better balanced profit mix

(Billion Yen)

	FY2022 Actual	FY2023 Forecast and Progress					
		Old FCST	New FCST	Chg. vs. FY22	Chg. vs. Old FCST	Q1 Actual	Q2-4 FCST
Orders Received	2,037.4	1,900.0	1,900.0	- 137.4	-	457.3	1,442.7
Revenue	1,725.6	1,900.0	1,900.0	+ 174.4	-	405.3	1,494.7
Business Profit	82.3	78.0	78.0	- 4.3	-	10.2	67.8
[Margin]	[4.8%]	[4.1%]	[4.1%]	[- 0.6pt]	[-]	[2.5%]	[4.5%]
Profit Before Tax	70.3	-	70.0	- 0.3	-	14.9	55.1
[Margin]	[4.1%]	[3.7%]	[3.7%]	[- 0.3pt]	[-]	[3.7%]	[3.7%]
Profit Attributable to Owners of Parent	53.0	47.0	47.0	- 6.0	-	9.0	38.0
[Margin]	[3.1%]	[2.5%]	[2.5%]	[- 0.5pt]	[-]	[2.2%]	[2.5%]
Before-tax ROIC	5.7%	4.9%	4.9%	- 0.8pt	-	-	-
Weighted-average exchange rates (USD/JPY)	133.96	130.00	-	-	-	132.09	130.00
US dollar-based transaction (B\$)※1	2.05	※2 2.12	2.20	+ 0.15	+ 0.08	0.45	1.75

※1 Amount in foreign currency calculated by deducting dollar-denominated purchases from dollar-denominated revenue of Kawasaki Heavy Industries, Ltd., Kawasaki Railcar manufacturing Co., Ltd., and Kawasaki Motors, Ltd. (to include dollar-denominated of loss provisions). The estimated impact on business profit due to a 1 yen fluctuation in the exchange rate. See page 42 for the breakdown of these figures by segment.

※2 We have revised the initial impact of 2.52 billion USD to 2.12 billion USD announced in May '23.

Forecasts for FY2023 -Segment-



ES&M raised its forecast to reflect improvement in ship & offshore business ①



The outlook for Precision Machinery and Robot is revised down to reflect the delay in the recovery of the semiconductor market and the stagnation of the Chinese construction machinery market ②

(Billion Yen)

	Orders Received				Revenue				Business Profit (Loss)			
	FY2022	FY2023 Forecast			FY2022	FY2023 Forecast			FY2022	FY2023 Forecast		
	Actual	Old FCST	New FCST	Change	Actual	Old FCST	New FCST	Change	Actual	Old FCST	New FCST	Change
Aerospace Systems	345.5	540.0	550.0	+ 10.0	348.8	440.0	440.0	-	14.8	24.0	24.0	-
Rolling Stock	313.2	80.0	80.0	-	131.9	190.0	190.0	-	1.3	4.0	4.0	-
Energy Solution & Marine Engineering	439.0	330.0	330.0	-	314.5	340.0	350.0	+ 10.0	3.9	9.0	11.0	+ 2.0
Precision Machinery & Robot	262.0	270.0	250.0	- 20.0	252.6	260.0	240.0	- 20.0	8.7	10.0	6.0	- 4.0
Powersports & Engine	591.1	580.0	590.0	+ 10.0	591.1	580.0	590.0	+ 10.0	71.5	47.0	50.0	+ 3.0
Ohters	86.4	100.0	100.0	-	86.3	90.0	90.0	-	- 1.8	2.0	2.0	-
Eliminations and corporate※	-	-	-	-	-	-	-	-	- 16.2	- 18.0	- 19.0	- 1.0
Total	2,037.4	1,900.0	1,900.0	-	1,725.6	1,900.0	1,900.0	-	82.3	78.0	78.0	-

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

Details by Segment -Aerospace systems-

FY2023.Q1 (vs. FY2022.Q1)

Orders received



Increased due to an increase for MOD and Boeing

+¥58.2 bil.

Revenue



Increased due to an increase for MOD & Boeing, and in component parts for commercial aero engines

+¥16.7 bil.

Business profit



Improved due to revenue increase

+¥4.2 bil.

FY2023 forecast (vs. Forecast in May)

Orders received



Revised up due to an increase for MOD and the changes in FX assumptions

+¥10.0 bil.

Revenue



Expected to remain at the same level

±¥0.0 bil.

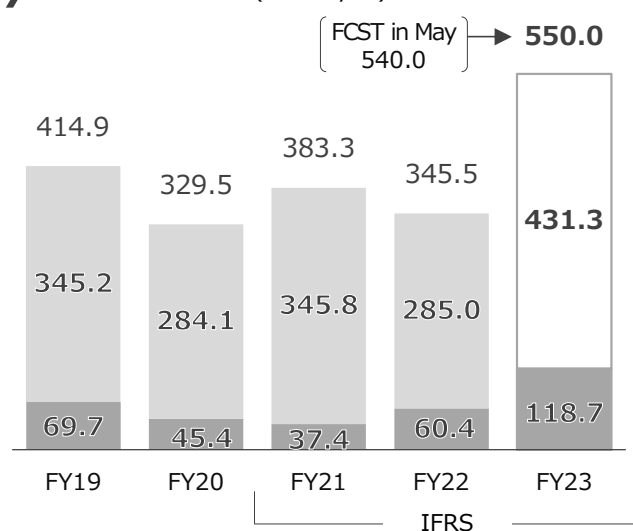
Business profit



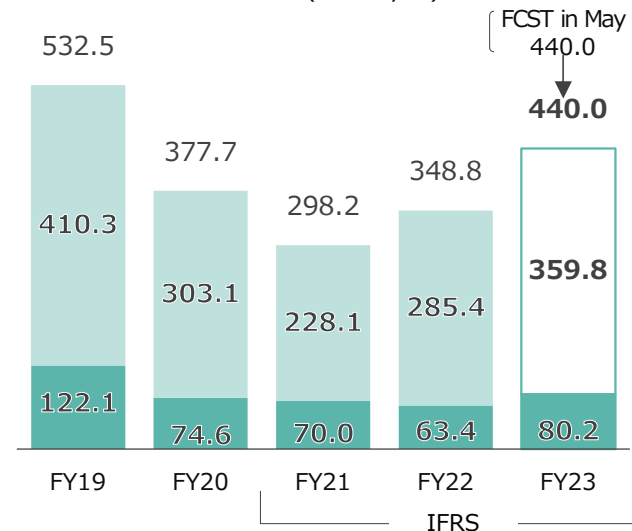
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±¥0.0 bil.

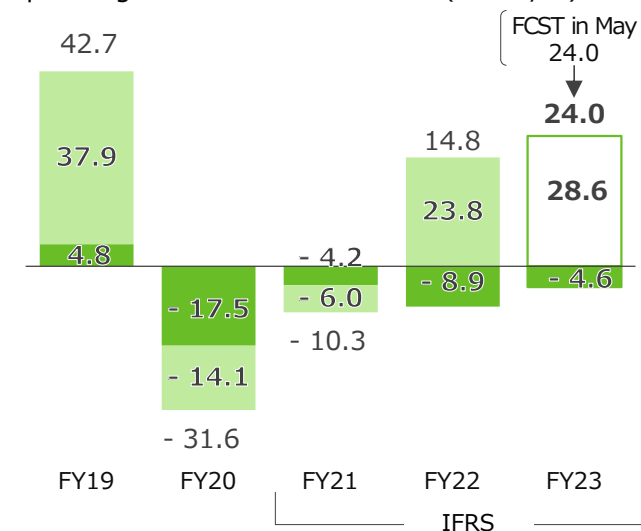
Orders received (billion yen)



Net Sales or Revenue (billion yen)



Operating Profit or Business Profit (billion yen)

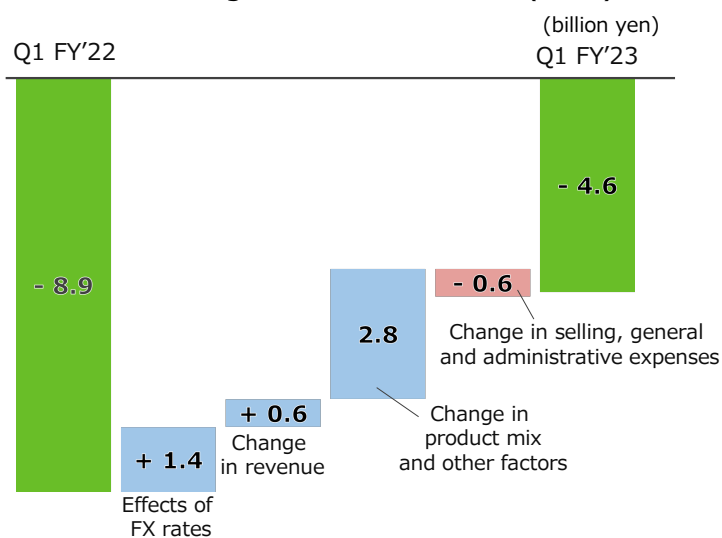


Details by Segment -Aerospace systems-

(Billion Yen)

	FY2022	FY2023		FY2022	FY2023 Forecast				
	Q1 Actual	Q1 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY22	Chg. Vs. Old FCST	Q2-4 FCST
Orders Received	60.4	118.7	+ 58.2	345.5	540.0	550.0	+ 204.5	+ 10.0	431.3
Aerospace	45.9	104.4	+ 58.4	253.9	410.0	415.0	+ 161.1	+ 5.0	310.6
Aero Engine	14.4	14.2	- 0.2	91.5	130.0	135.0	+ 43.5	+ 5.0	120.8
Revenue	63.4	80.2	+ 16.7	348.8	440.0	440.0	+ 91.2	-	359.8
Aerospace	45.5	56.8	+ 11.3	249.3	320.0	320.0	+ 70.7	-	263.2
Aero Engine	17.9	23.3	+ 5.4	99.5	120.0	120.0	+ 20.5	-	96.7
Business Profit (Loss)	- 8.9	- 4.6	+ 4.2	14.8	24.0	24.0	+ 9.2	-	28.6
[Margin]	[- 14.1%]	[- 5.8%]	[+ 8.2pt]	[4.3%]	[5.5%]	[5.5%]	[+ 1.2pt]	[-]	[7.9%]

Details of change in Business Profit(Loss)



Appendix

Number of aircraft component parts sold to Boeing

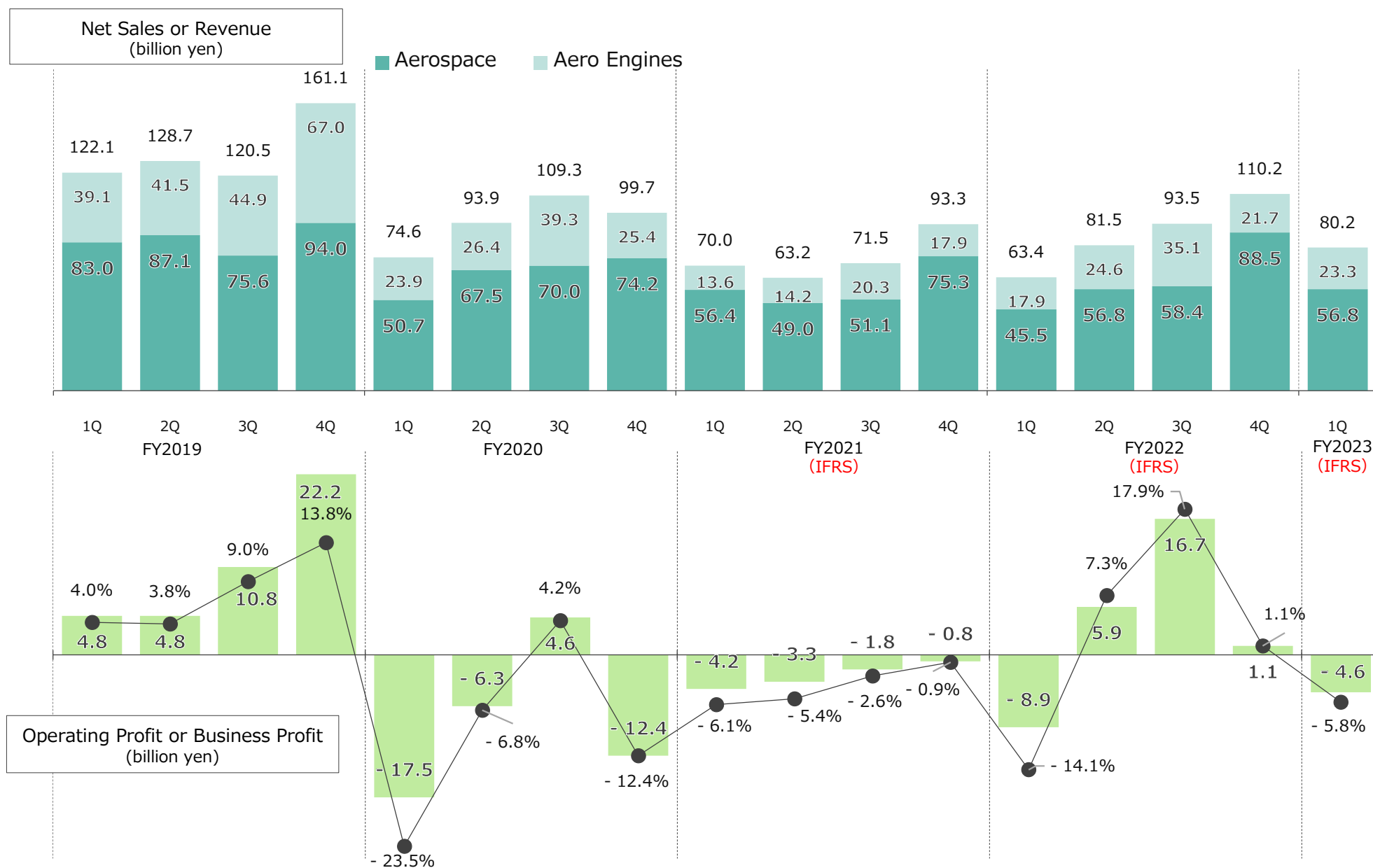
	FY'22		FY'23	Change
	Q1	Q1-4	Q1	
767	8	31	8	-
777	7	28	7	-
777X	0	0	0	-
787	0	20	2	+ 2

Number of jet engine component parts sold

	FY'22		FY'23	Change
	Q1	Q1-4	Q1	
V2500	5	20	1	▲ 4
PW1100G	129	564	129	-

※Number of jet engine component parts sold to Rolls-Royce is not disclosed

Details by Segment -Aerospace systems-



Market Overview

- Commercial business
 - Air passenger demand almost back to pre-COVID-19 levels
 - Boeing resumed delivery of 787 to airlines. Higher production rates are expected
- MOD business
 - Demand growth and profitability improvement are expected due to Japan's defense reinforcement policy

Specific Efforts



Securing stable revenue in core business

- Cost reductions in existing orders of aircrafts for Boeing and commercial aircrafts jet engines
- Arranging supply chain and production system to prepare for increased production
- Steady promotion of existing projects of development and mass production for MOD aircrafts and helicopters



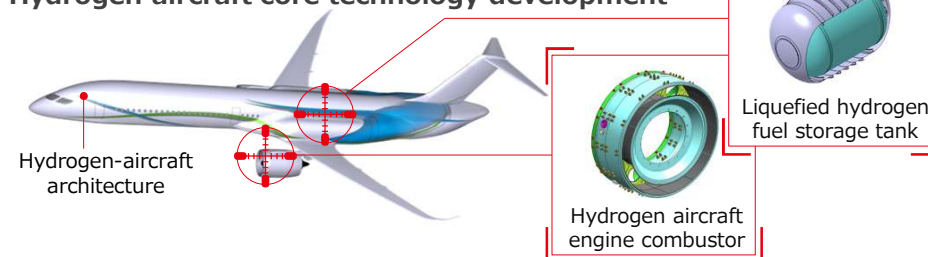
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first delivery to overseas
markets



Technology strategy in accordance with the change in market trends

- R&D, including the use of civilian technology in defense fields
- Utilization of *Green Innovation fund* of government for development of carbon-free technology

Hydrogen aircraft core technology development



Improving financial foundation

- Review of fixed cost structure
- Reduction of inventories through production innovation activities

Details by Segment - Rolling Stock -

FY2023.Q1 (vs. FY2022.Q1)

Orders received



Increased due to an increase in Asia and Japan

+¥4.7 bil.

Revenue



Increased due to an increase in the U.S., despite a decrease in Japan

+¥17.1 bil.

Business profit



Remained at the same level due to a decline in domestic operations despite an increase in revenue

+¥0.1 bil.

FY2023 forecast (vs. Forecast in May)

Orders received



Expected to remain at the same level

±¥0.0 bil.

Revenue



Same as above

±¥0.0 bil.

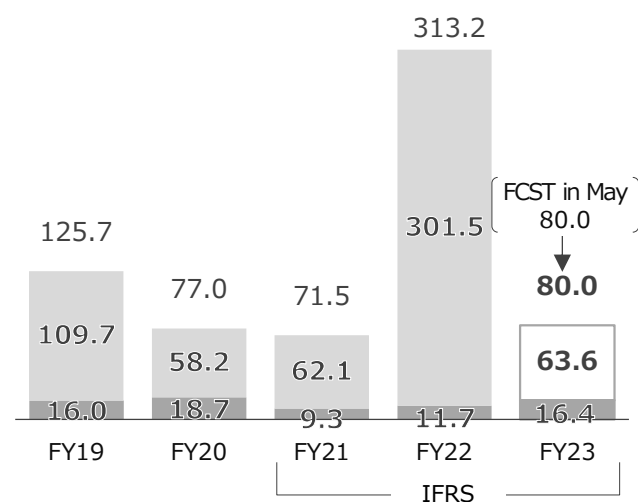
Business profit



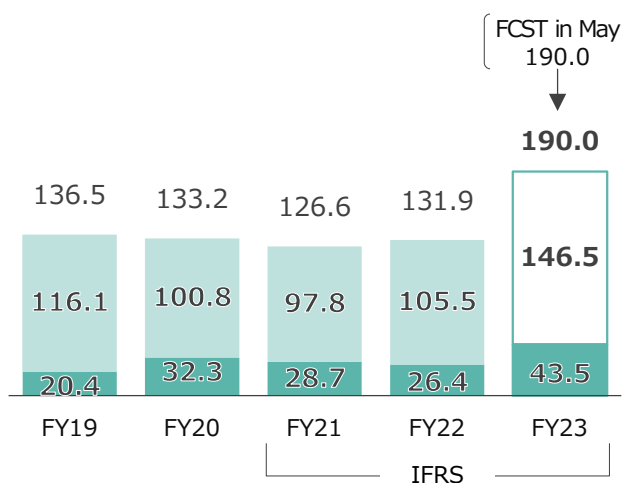
Same as above

±¥0.0 bil.

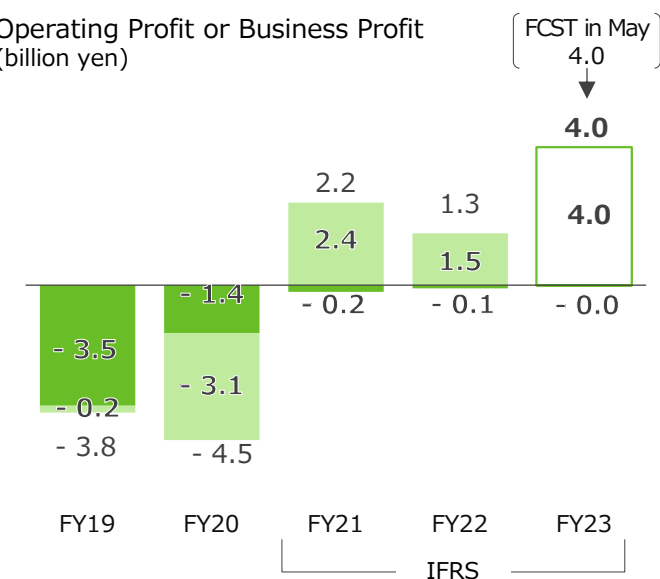
Orders received (billion yen)



Net Sales or Revenue (billion yen)



Operating Profit or Business Profit (billion yen)



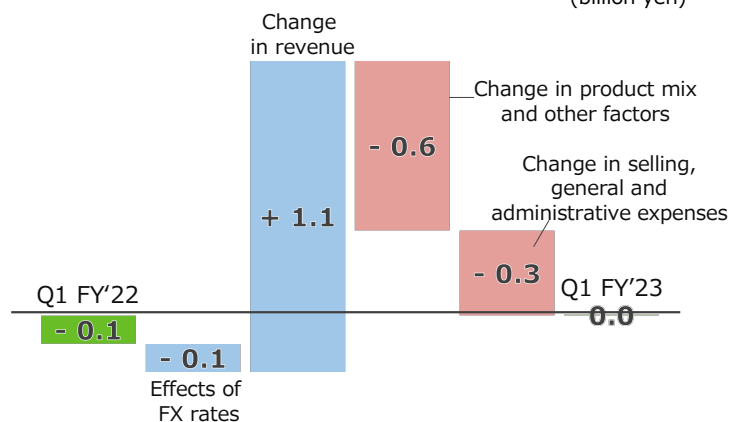
Details by Segment - Rolling Stock -

(Billion Yen)

	FY2022	FY2023		FY2022	FY2023 Forecast				
	Q1 Actual	Q1 Actual	Change		Old FCST	New FCST	Chg. Vs. FY22	Chg. Vs. Old FCST	Q2-4 FCST
Orders Received	11.7	16.4	+ 4.7	313.2	80.0	80.0	- 233.2	-	63.6
Domestic & Asia	11.0	15.3	+ 4.3	58.1	76.0	76.0	+ 17.9	-	60.7
North America	0.7	1.1	+ 0.4	255.1	4.0	4.0	- 251.1	-	2.9
Revenue	26.4	43.5	+ 17.1	131.9	190.0	190.0	+ 58.1	-	146.5
Domestic & Asia	18.4	15.0	- 3.3	94.8	80.0	80.0	- 14.8	-	65.0
North America	8.0	28.4	+ 20.4	37.1	110.0	110.0	+ 72.9	-	81.6
Business Profit (Loss)	- 0.1	- 0.0	+ 0.1	1.3	4.0	4.0	+ 2.7	-	4.0
[Margin]	[- 0.6%]	[- 0.0%]	[+ 0.5pt]	[1.0%]	[2.1%]	[2.1%]	[+ 1.0pt]	[-]	[2.7%]

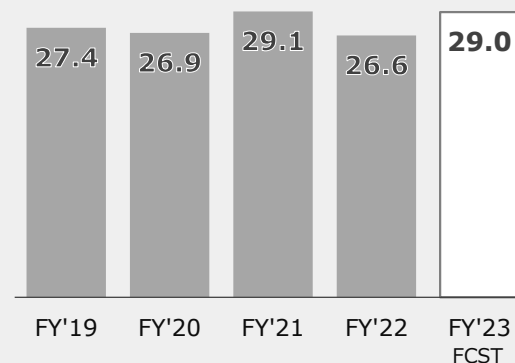
Details of change in Business Profit(Loss)

(billion yen)



Appendix

Revenue in components, overhaul and after-sales service(billion yen)



Progress of the M9 Project for Long Island Rail Road in the U.S. (End of June '23)

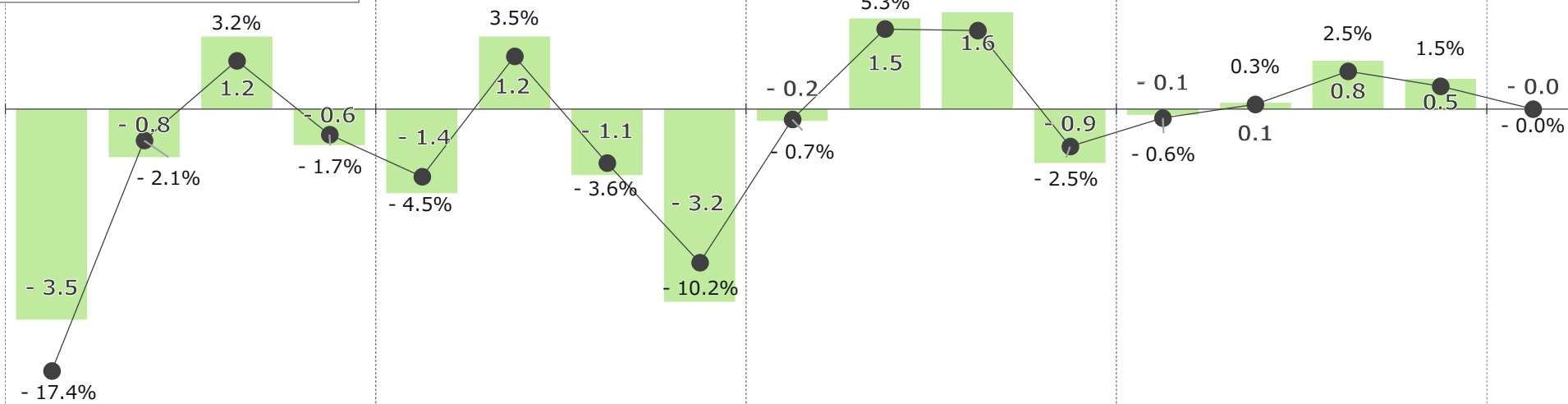
- 172 cars out of 202 were delivered
- KMM, the North American works, has started production of the last unit, and its delivery is scheduled for Q2 FY'23

Details by Segment - Rolling Stock -

Net Sales or Revenue
(billion yen)



Operating Profit or Business Profit
(billion yen)



Market Overview

- The impact of COVID-19
 - Railway relate investment is resuming in both domestic and foreign markets as the impact of COVID-19 subsides
- Supply chain Risk
 - The impact of shortage of electronic components, logistics disruption, and rising raw material prices is limited, but still caution should be exercised
- Medium and long term forecast
 - The overseas railway market is expected to grow steadily due to the need for railway infrastructure in emerging countries and environmental measures in urban areas.



Rolling stock for Dhaka Mass Transit Company Limited

Specific Efforts



Compliance with delivery schedules for overseas projects

Dhaka MRT Line-6

- ▶ The first and second trains are undergoing functional tests
- ▶ All the 24 trains(144cars) have been shipped and 6 trains out of them have been delivered to the customer
- ▶ **The last car and facilities will be delivered in FY'23 Q3**

U.S. R211

- ▶ Proto-trains for R211A has completed verification test in operation line and have been delivered
- ▶ The production of trains(640 cars) for the option1 contract will start in FY'24
- ▶ **Verification test of proto-trains has been completed in FY'23 Q1**
- ▶ **The last car for the base contract will be delivered in FY'24 Q4**
- ▶ **The delivery of cars for the option1 contract will start in FY'25**

U.S. M-9

- ▶ All trains (92 cars) under the base contract were delivered by Q1 FY'21
- ▶ Option cars are being produced
- ▶ **The last car will be delivered in FY'23 Q2**



Achieving quality levels trusted by customers

- Reduction of spoilage and repair costs
- Further promotion of Kawasaki Production System, and installation to the U.S. works




Expansion of components sales, after-sales service, and maintenance business

- Promotion of remote track monitoring service for North American market
- Promotion of train condition monitoring equipment for domestic market


Details by Segment

- Energy Solution & Marine Engineering -


FY2023.Q1 (vs. FY2022.Q1)

Orders received 
-¥22.1 bil.

Decreased due to a rebound in orders for domestic municipal waste incineration plants and LPG/LAG carriers in the same period of the previous year, despite orders for naval equipment for MOD.


Revenue 
+¥7.2 bil.

Increased due to an increase in Energy business and construction work for LPG/LAG carriers


Business profit 
+¥5.8 bil.

Improved due to revenue increase and an improved equity in gains


FY2023 forecast (vs. Forecast in May)

Orders received 
±¥0.0 bil.

Expected to remain at the same level

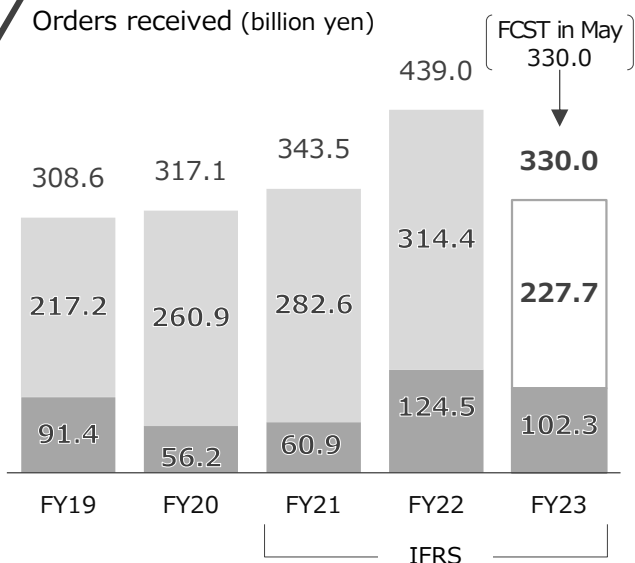
Revenue 
+¥10.0 bil.

Revised up due to an increase for MOD in marine machinery business and an increase in small projects and repairs in ship & offshore structure business

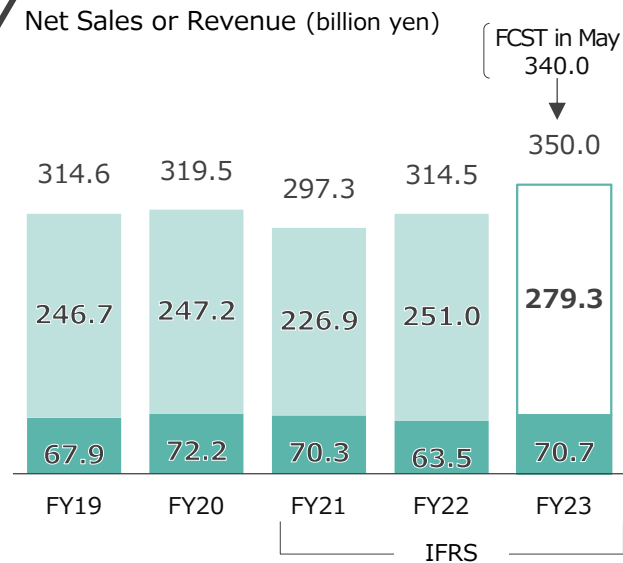
Business profit 
+¥2.0 bil.

Revised up due to due to revenue increase and an improved equity in gains

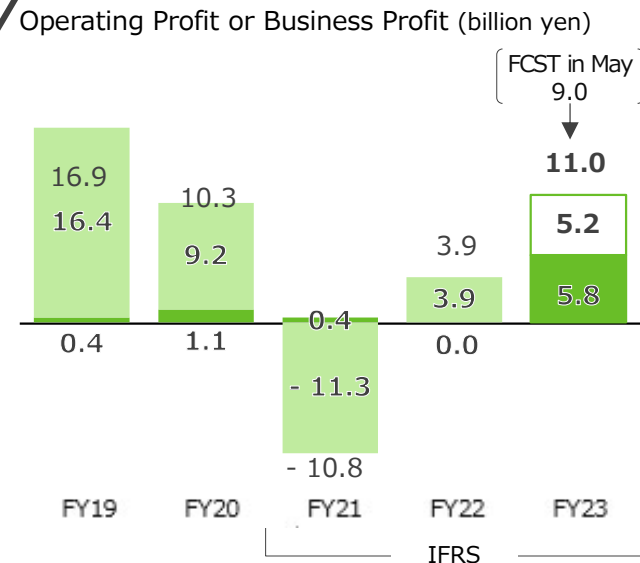
Orders received (billion yen)



Net Sales or Revenue (billion yen)



Operating Profit or Business Profit (billion yen)



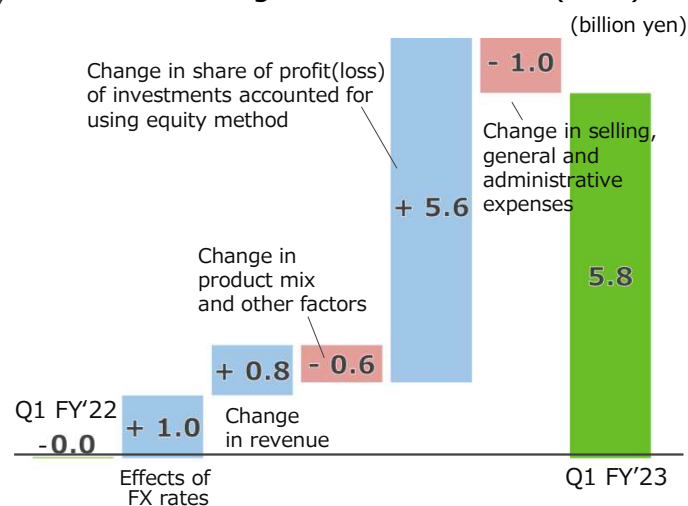
Details by Segment

- Energy Solution & Marine Engineering -

(Billion Yen)

	FY2022	FY2023		FY2022	FY2023 Forecast				
	Q1 Actual	Q1 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY22	Chg. Vs. Old FCST	Q2-4 FCST
Orders Received	124.5	102.3	- 22.1	439.0	330.0	330.0	- 109.0	-	227.7
Energy, Plant & Marine Machinery	94.3	94.7	+ 0.3	292.6	290.0	290.0	- 2.6	-	195.3
Ship & Offshore Structure	30.1	7.5	- 22.5	146.3	40.0	40.0	- 106.3	-	32.5
Revenue	63.5	70.7	+ 7.2	314.5	340.0	350.0	+ 35.5	+ 10.0	279.3
Energy, Plant & Marine Machinery	43.6	47.9	+ 4.2	234.4	255.0	260.0	+ 25.6	+ 5.0	212.1
Ship & Offshore Structure	19.8	22.8	+ 2.9	80.0	85.0	90.0	+ 10.0	+ 5.0	67.2
Business Profit (Loss)	- 0.0	5.8	+ 5.8	3.9	9.0	11.0	+ 7.1	+ 2.0	5.2
^[Margin] Share of profit (loss) of investments accounted for using equity method	^[- 0.0%] 1.2	^[8.3%] 6.8	^[+ 8.3pt] 5.6	^[1.2%] 6.0	^[2.6%] 5.5	^[3.1%] 7.5	^[+ 1.8pt] 1.5	^[+ 0.4pt] 2.0	^[1.9%] 0.7

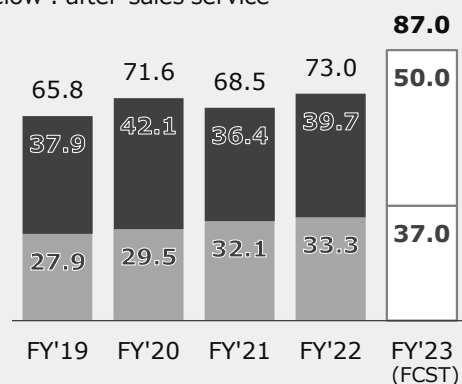
Details of change in Business Profit(Loss)



Appendix

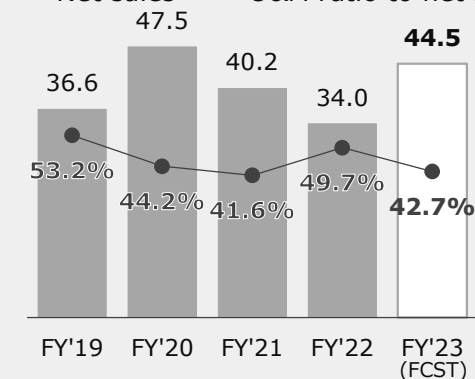
Revenue of major products in the energy business

above : components
below : after-sales service



Revenue of municipal waste incineration plants

Net sales — O&M ratio to net sales

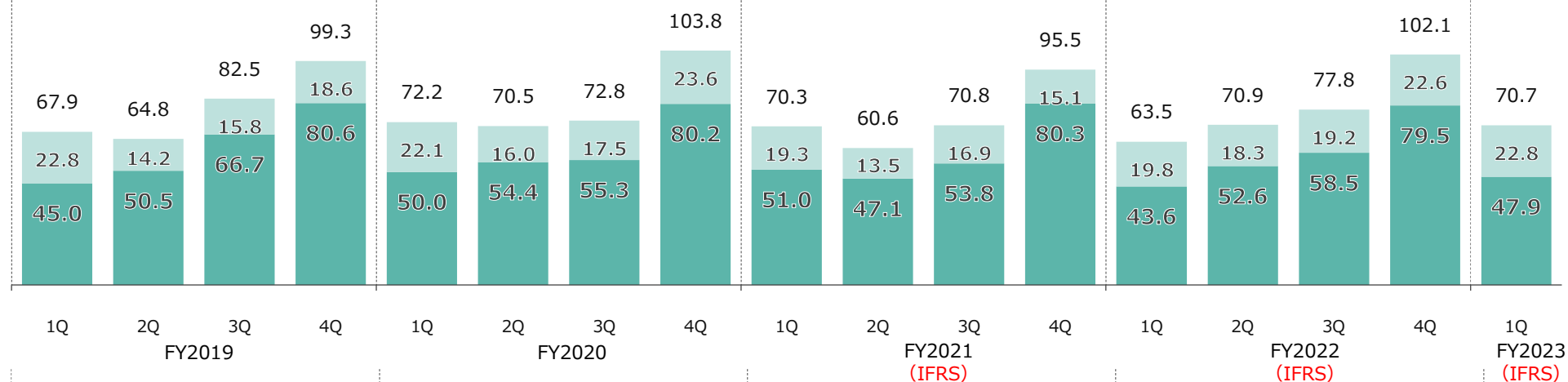


Details by Segment - Energy Solution & Marine Engineering -

Net Sales or Revenue
(billion yen)

(Note) The prior results of previous segment have been reclassified to current segment

■ Energy, Plant & Marine Machinery
■ Ship & Offshore Structure



Operating Profit or Business Profit
(billion yen)

- Energy Solution & Marine Engineering -

Market Overview

● Energy system & Plant Engineering

Domestic	Emerging Markets
Steady demand for distributed power plants and municipal waste incineration plants is expected to continue	Steady demand for distributed power plants and other energy infrastructure is expected to remain solid

● Ship & Offshore Structure

Commercial ships	Submarines and others
<ul style="list-style-type: none"> Ship prices continue to rise due to the impact of the surge in materials and equipment Shipbuilders are in full production for the time being, and negotiations are centered on futures delivery dates. 	Stable orders for submarines are expected

● Entire segment

COVID-19 and other risks	Carbon neutrality
<ul style="list-style-type: none"> Demand is recovering Gas fuel supply for power plants is in short Rising raw materials prices and logistics costs, and parts supply shortage are concerned 	Inquiries and requests for cooperation are increasing regarding decarbonization solutions, including hydrogen products

Specific Efforts

✓ Providing of products and services for energy transport

Topic First delivery of LPG/ammonia carrier propelled by LPG fuel

- Abundant track record of building LPG carriers(71st ship)
- Able to meet future demand for ammonia



AXIS RIVER delivered

▶ High trust of customers

- Order backlog of the same type of ship **12 ships**
※1 11 ships @Q1/E FY'23

Topic Establishment of special site for ship operation management support system "SOPass※2"

- Based on operational data and performance analysis, a navigation plan for LNG carriers is proposed.

Improved transport efficiency

Maximize unloading quantity

improved navigation safety

reduction in operating costs



↑ Access to the site

※2 Ship Operation and Performance analysis support system

✓ Efforts to provide decarbonization solutions

Topic Construction of CO2 separation and recovery test facility started in US

- **World's First** demonstration test of CO2 separation and recovery technology using amine solid absorbent
- **Aiming for higher energy-saving effects** by utilizing steam at lower temperatures than conventional technologies using our company's proprietary technology




Demonstration test facility image scheduled to start demonstration On November 23 @Wyoming, US


Details by Segment

- Precision Machinery & Robot -


FY2023.Q1 (vs. FY2022.Q1)

Orders received 
-¥13.9 bil.

Decreased due to a decrease in robots for semiconductors and general purpose, and in hydraulic components for construction machinery market in China


Revenue 
-¥3.2 bil.

Decreased due to a decrease in robots for semiconductors and in hydraulic components for construction machinery market in China


Business profit 
-¥4.0 bil.

Decreased due to revenue decrease


FY2023 forecast (vs. Forecast in May)

Orders received 
-¥20.0 bil.

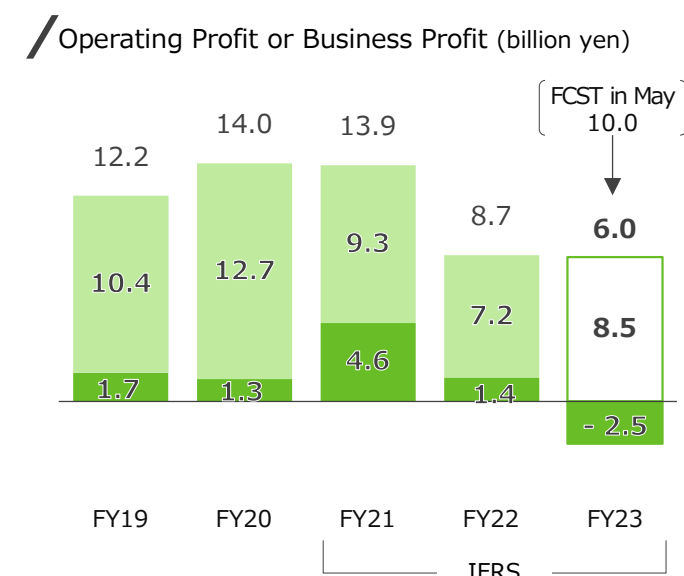
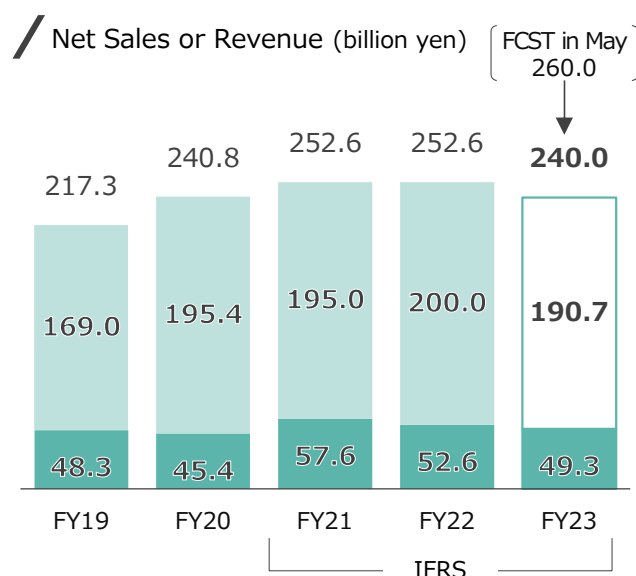
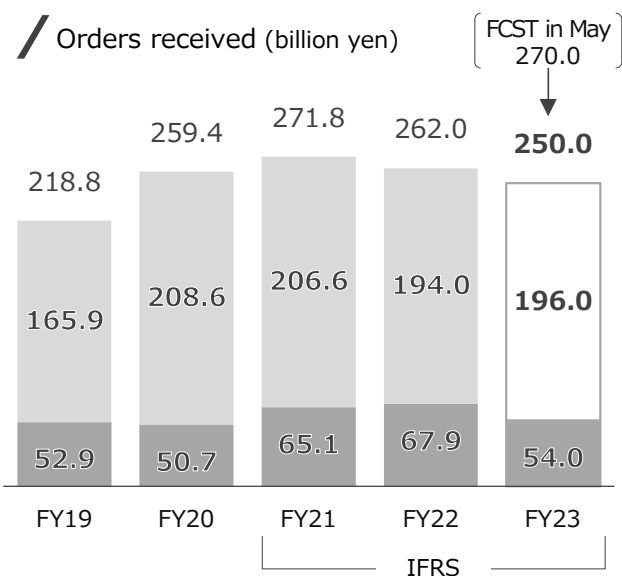
Revised down due to a decrease in hydraulic components for construction machinery market in China, and robots for semiconductors

Revenue 
-¥20.0 bil.

Same as above

Business profit 
-¥4.0 bil.

Revised down due to revenue decrease



Details by Segment

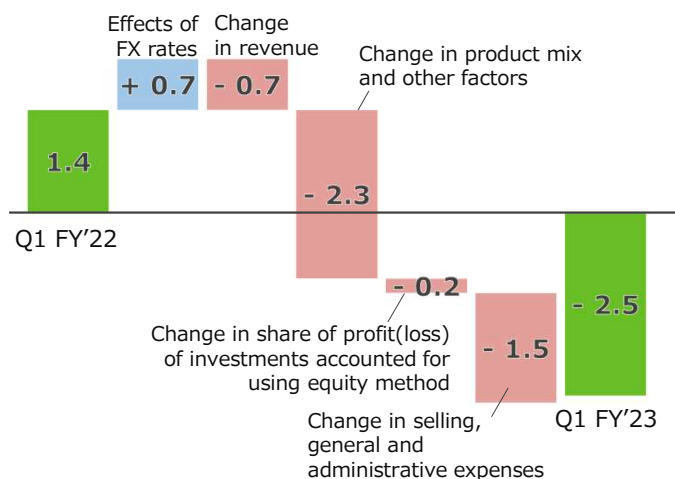
- Precision Machinery & Robot -

(Billion Yen)

	FY2022	FY2023		FY2022	FY2023 Forecast				
	Q1 Actual	Q1 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY22	Chg. Vs. Old FCST	Q2-4 FCST
Orders Received	67.9	54.0	- 13.9	262.0	270.0	250.0	- 12.0	- 20.0	196.0
Hydraulic Components & Systems	37.6	36.6	- 0.9	154.6	160.0	145.0	- 9.6	- 15.0	108.4
Robotics	30.3	17.3	- 12.9	107.4	110.0	105.0	- 2.4	- 5.0	87.7
Revenue	52.6	49.3	- 3.2	252.6	260.0	240.0	- 12.6	- 20.0	190.7
Hydraulic Components & Systems	32.1	33.0	+ 0.8	153.0	160.0	145.0	- 8.0	- 15.0	112.0
Robotics	20.4	16.2	- 4.1	99.6	100.0	95.0	- 4.6	- 5.0	78.8
Business Profit (Loss)	1.4	- 2.5	- 4.0	8.7	10.0	6.0	- 2.7	- 4.0	8.5
[Margin]	[2.8%]	[- 5.2%]	[- 7.9pt]	[3.5%]	[3.8%]	[2.5%]	[- 0.9pt]	[- 1.3pt]	[4.5%]
Share of profit (loss) of investments accounted for using equity method	- 0.5	- 0.7	- 0.2	- 2.7	- 2.0	- 2.0	+ 0.7	-	- 1.3

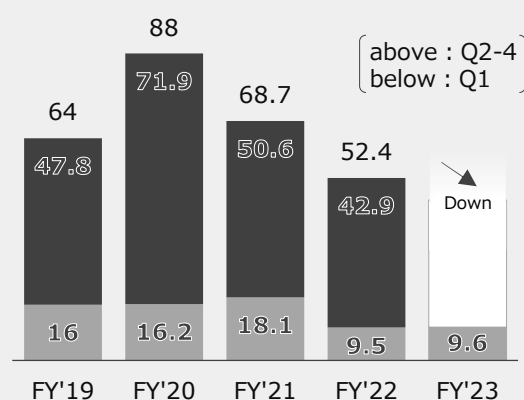
Details of change in Business Profit(Loss)

(billion yen)



Appendix

Revenue of hydraulic components to China (billion yen)

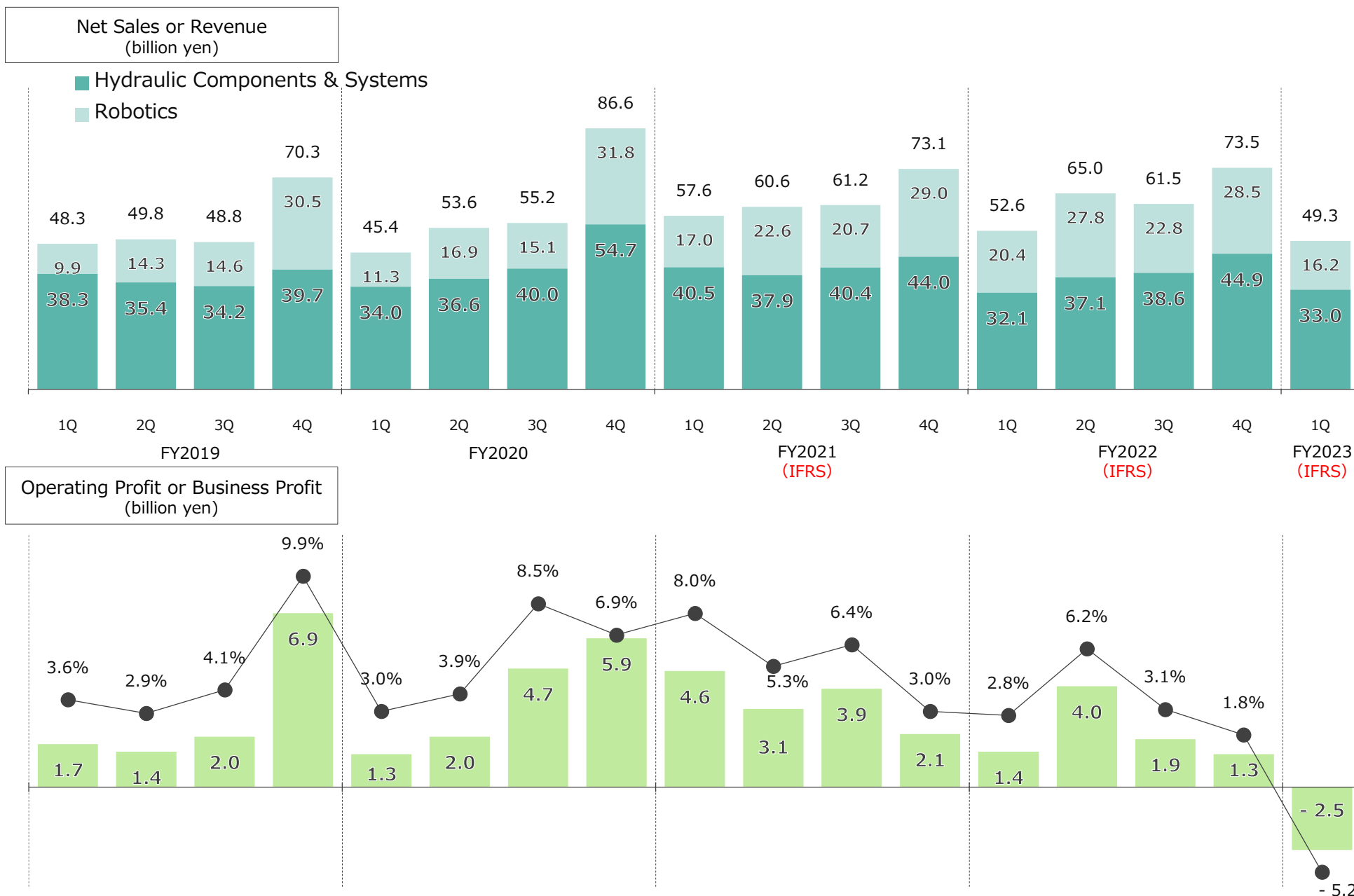


Revenue of robots by segment* (billion yen)

	above : Q1 below : Q2-4	FY'22	FY'23	Change
Automobile assembly and painting		5.7	5.7	-0.0
		34.5	(FCST)38.0	+3.5
Semiconductor		10.0	5.2	-4.8
		43.7	(FCST)32.5	-11.2
General robots for industrial use and others		6.7	6.9	+0.1
		32.4	(FCST)38.0	+5.6
Total		22.6	17.8	-4.7
		110.6	(FCST)108.5	-2.1

*Including intercompany revenue

Details by Segment - Precision Machinery & Robot -



Market Overview

- Construction machinery
 - Weak demand due to prolonged real estate recession, etc
 - Demand outside China remains solid
 - Electrification will be promoted due to the environmental regulations
 - Automation and autonomy will be promoted due to a shortage of skilled workers
- Robots
 - General purpose robots
Slower growth, but potentially higher demand for automation due to rising labor costs
 - Robots for semiconductors
Demand has been stagnating at this moment due to the decline in the semiconductor memory market and the U.S.-China economic friction, but new demand for semiconductors is emerging, such as AI-related and green investment-related demand
 - Supply chain risk
Electronic components shortage and logistics disruption are improving but the prices of electronic components and materials keep rising

Specific Efforts



Developing electrification and automation technology for construction machinery

- Support customer development of future construction equipment by developing and supplying the latest hydraulic equipment and systems for electrification and automation



Developing hydrogen-related products for decarbonization

- Launch of energy-saving hydraulic hydrogen compressors for hydrogen stations
 - Hydrogen gas compression control technology
 - Rotation control pumps system "ECO SERVO"



Open innovation

- Open innovation facility "**YouComeLab**" opened in "Future Lab HANEDA"※

※Kawasaki's robot demonstration facility


Startups and research institutes can demonstrate their programs with our robots such as service robot platform 'Nyokkey'


▶ Accelerating the social installation of robots




3 Details by Segment - Powersports & Engine -


FY2023.Q1 (vs. FY2022.Q1)

Revenue  Increased due to an increase in motorcycles for Europe and four-wheelers for US and general-purpose engines, in addition to the depreciation of the yen, despite a decrease in motorcycles for Southeast Asia
+¥17.9 bil.

Business profit  Improved due to a revenue increase, despite an increased sales promotion cost and fixed costs
+¥1.4 bil.

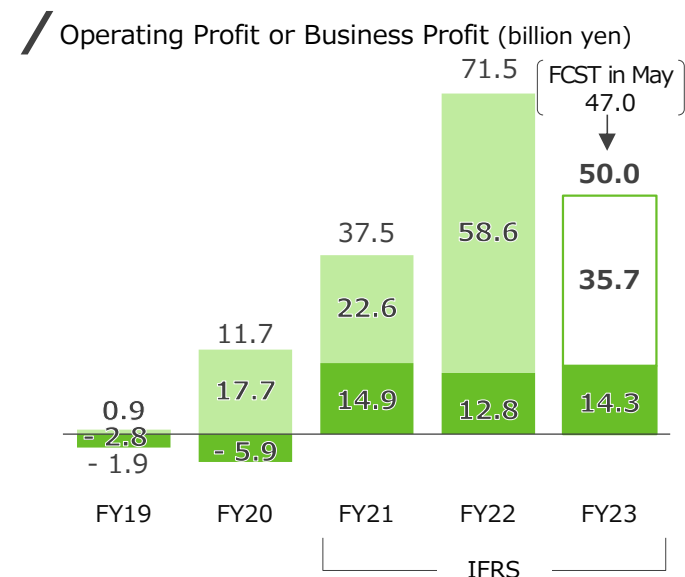
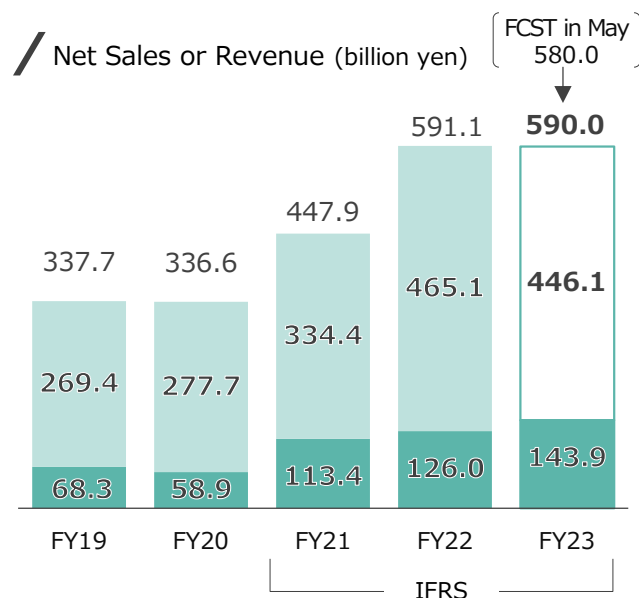
FY2023 forecast (vs. Forecast in May)

Revenue  Revised up based on a solid trends in US market
+¥10.0 bil.

Business profit  Revised up due to a revenue increase
+¥3.0 bil.

Orders received (billion yen)

Qualitative information and graph are omitted because this segment is mainly engaged in estimated production, and orders received are the same as sales or net sales.



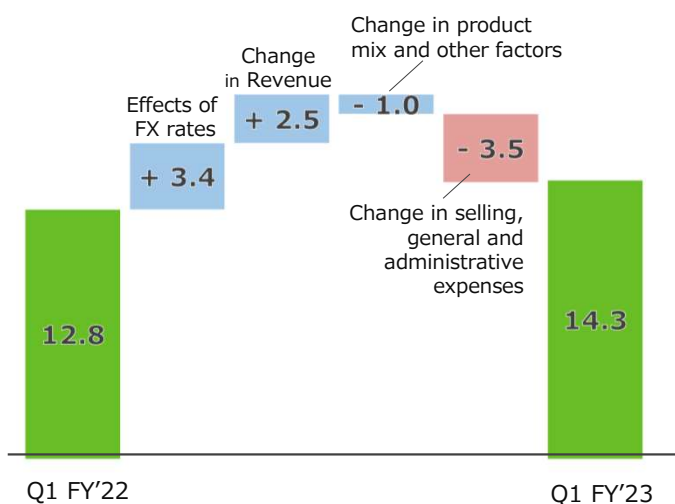
3 Details by Segment - Powersports & Engine -

(Billion Yen)

	FY2022	FY2023		FY2022	FY2023 Forecast					
	Q1 Actual	Q1 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY22	Chg. Vs. Old FCST	Q2-4 FCST	
Revenue	126.0	143.9	+ 17.9	591.1	580.0	590.0	- 1.1	+ 10.0	446.1	
Motorcycles for developed countries	46.1	50.9	+ 4.7	211.2	185.0	190.0	- 21.2	+ 5.0	139.1	
Motorcycles for emerging market	25.5	20.1	- 5.3	115.8	125.0	125.0	+ 9.2	-	104.9	
Utility Vehicles, ATVs & PWC	31.4	45.4	+ 13.9	160.4	165.0	170.0	+ 9.6	+ 5.0	124.6	
General-purpose gasoline engines	22.8	27.3	+ 4.5	103.5	105.0	105.0	+ 1.5	-	77.7	
Business Profit	12.8	14.3	+ 1.4	71.5	47.0	50.0	- 21.5	+ 3.0	35.7	
	[Margin] [10.2%]	[9.9%]	[- 0.2pt]	[12.1%]	[8.1%]	[8.5%]	[- 3.6pt]	[+ 0.3pt]	[8.0%]	

Details of change in Business Profit

(billion yen)



Appendix

Wholesales of motorcycles by country (thousand units)

Developed countries

	Q1 FY'22	Q1 FY'23	Change
Japan	8	7	-1
U.S.	23	19	-3
Canada	3	3	-0
Europe	11	18	+6
Australia	2	2	-0
Total	49	50	+0

Emerging countries

	Q1 FY'22	Q1 FY'23	Change
Brazil	2	2	-0
Thailand	1	0	-1
Philippines	46	29	-17
Indonesia	11	4	-7
China	6	5	-1
Others	3	3	-0
Total	72	45	-26

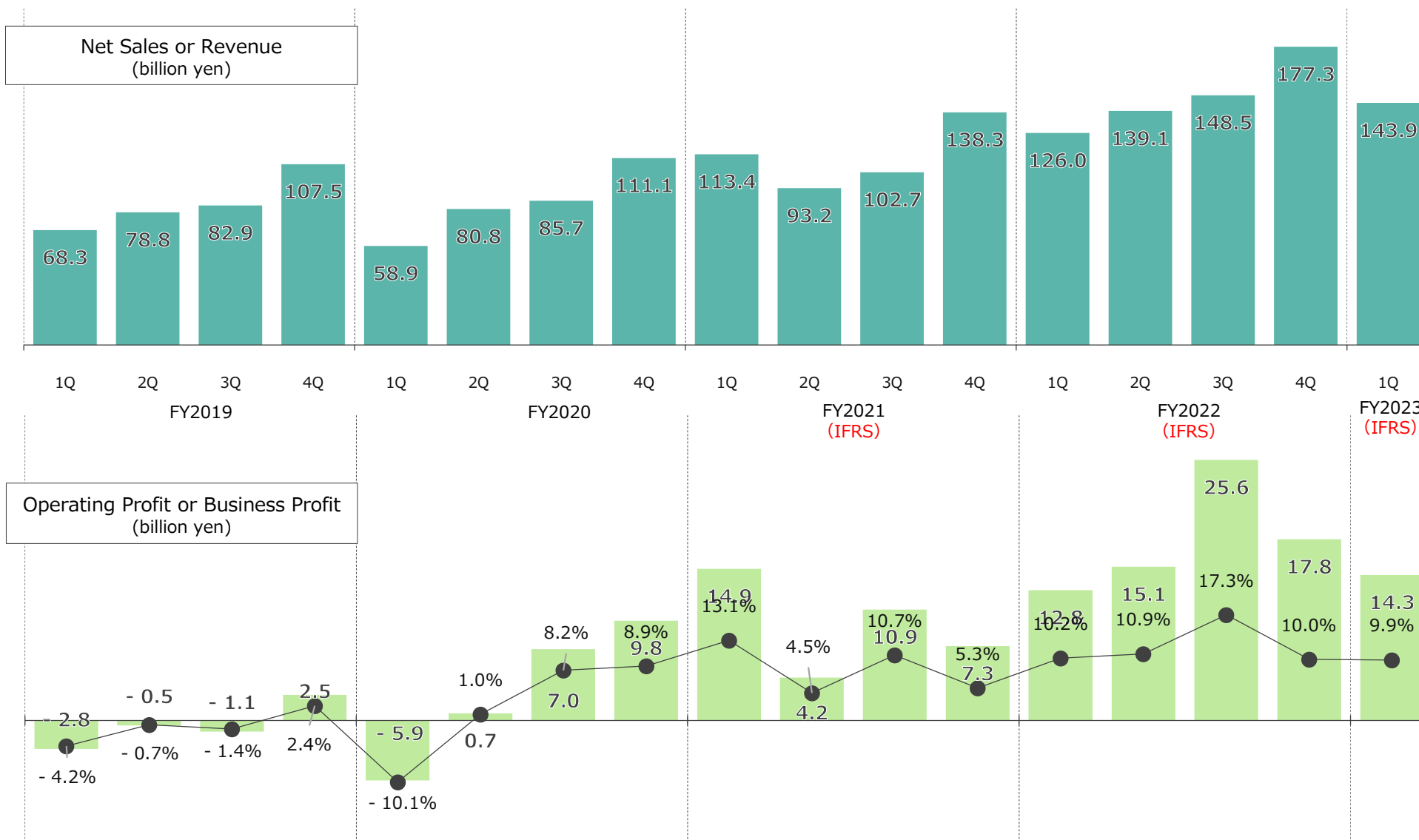
Wholesale plan of motorcycles for FY'23

Developed countries : 220 thousand units
Emerging countries : 360 thousand units

Wholesales of four-wheeler and PWC

Q1 FY'22 : 18 thousand units
Q1 FY'23 : 22 thousand units
FY'23 : 90 thousand units (plan)

3 Details by Segment - Powersports & Engine -



3 Details by Segment - Powersports & Engine -

Market Overview

- U.S. Europe
 - Our company's share of the retail market is growing while the market remains strong
 - Dealer inventory is satisfied and each company is strengthening sales promotion.
- Europe
 - Retail market is recovering from COVID-19 pandemic
- Southeast Asia
 - Retail market is recovering, although it varies by country
 - However, the sports segment remained weak
- Supply Chain risks
 - Continued impact on production due to shortage of parts

Specific Efforts

- ✓ **Supplying products as much as demanded**
 - All efforts to achieve production plans
 - Flexibly change production and sales plans according to sales conditions
 - Continuously introduce new models
- ✓ **Expansion of the four-wheeler business and electrification**
 - Investment in development to enhance product competitiveness
 - Preparation of the U.S. Plant and Mexico Plant to expand production capacity
 - Accelerating development of BEVs and HEVs
 - Establishment of HySE (Hydrogen Small mobility & Engine technology) for developing hydrogen-powered engines for small mobility.
- ✓ **Promoting business process re-engineering through DX**
 - Achieving agile management through digitalization
 - Shortened development time and reduced development costs through the use of digital technology
- ✓ **Securing Free Cash Flows**
 - Aiming to secure stable FCF for future investment



Proto HEV
on display at EICMA
(Nov. 22)



MULE PRO-FXT 1000
popular in the U.S.

Dividend Policy

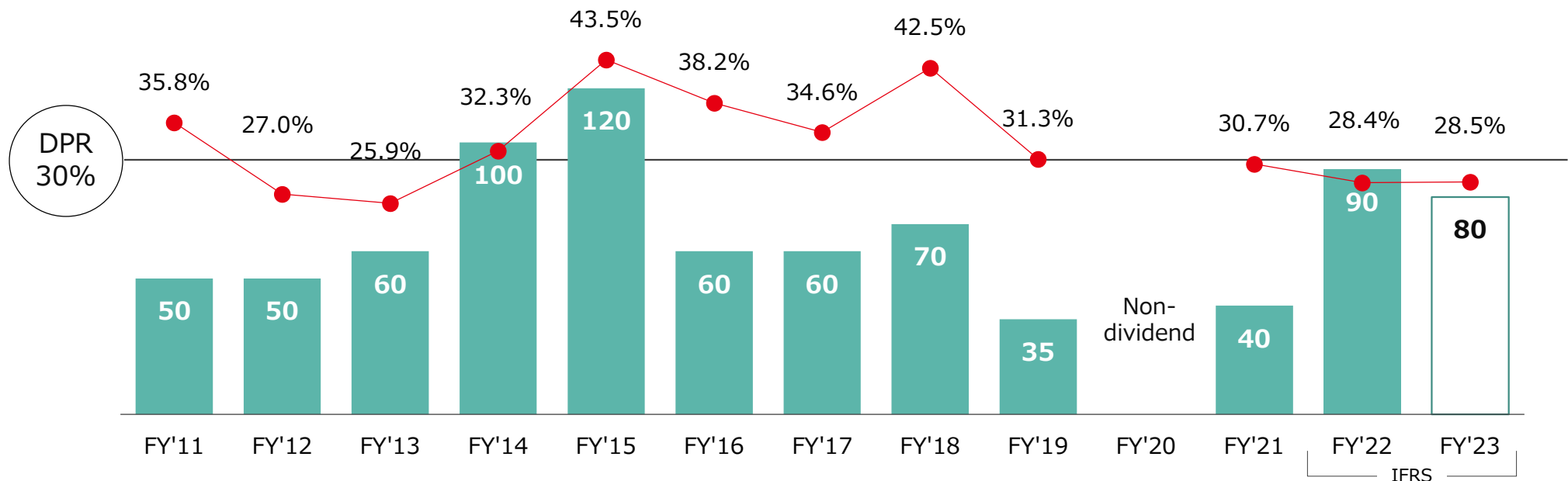
The medium- to long-term consolidated dividend payout ratio **30%**

- 1 Comprehensively considering the following points - future business forecasts, financial conditions such as free cash flow and debt-to-equity ratio, and other factors
- 2 Stable dividends

Dividend for FY2023

- The results for the first quarter as a whole were generally in line with expectations, and the full-year forecast remains unchanged.
- If the current exchange rate level continues, it will be a boost to business performance, but there are also concerns about social unrest and high prices of raw materials and energy.

▶ Maintain full year dividend of **80yen** per share (dividend payout ratio of 28.5%)



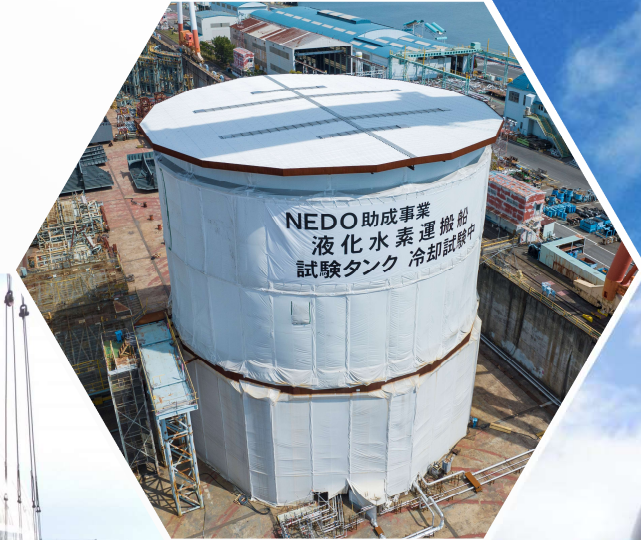
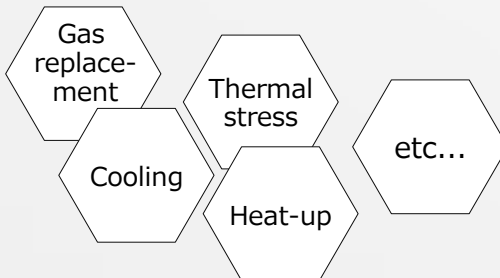


Development of Cargo Tank for Large LH₂ Carriers Completed

— **Successfully clearing the technical challenges** for enlargement —

- Manufactured a test tank with a scale close to the actual product
- Verified the integrity of new and unique structure, including assembly, welding, and workability of insulation
- **Confirmed performance as planned**

Verified performance



Press Release

https://global.kawasaki.com/en/corp/newsroom/news/detail/?f=20230606_4159



Image of large LH₂ Carrier
Capacity : 40,000m³/tank×4
Total Capacity:160,000 m³



Building partnerships for a Hydrogen Society (PR Strategy)

- World's first LH2 carrier, "Suiso Frontier", was unveiled at Otaru Port to coincide with the Group of 7 climate, energy and environment ministers meeting in Sapporo, Japan in April '23
- Yasutoshi Nishimura, Minister of Economy, Trade and Industry, and Yasushi Saito, President of NEDO*, EU Cabinet Ministers, Secretary of the U.S. Department of Energy, and others visited the ship

すいそ ふろんていあ
SUISO FRONTIER

The visit was reported in countries, drawing further attention to the liquefied hydrogen supply chain

From left to right: Eiichi Harada, Managing Executive Officer, Kawasaki; Yasuko Yoshida, President, Shell Japan Ltd.; Akitsugu Makino, Chairperson, Iwatani Corporation; Kadri Simson, European Commissioner for Energy; Grant Shapps, UK Minister of Energy Security and Net Zero; Yasutoshi Nishimura, Minister of Economy, Trade and Industry; Yoshinori Kaneka, Chairperson of the Board of Directors, Kawasaki (Co-Chairperson, Hydrogen Council); Yasushi Saito, President, NEDO

※ New Energy and Industrial Technology Development Organization

✓ Building partnerships for a Hydrogen Society (Business collaboration)



Strategic Collaboration Agreement with ADNOC for international liquefied hydrogen supply chains

Signed a Strategic Collaboration Agreement with ADNOC (headquartered in UAE) for the establishment of international liquefied hydrogen supply chains at G7 Ministers' Meeting on Climate, Energy and Environment in Sapporo in April '23.

Carry out feasibility studies in the world scale production of hydrogen, hydrogen liquefaction and associated infrastructure, and maritime transportation of hydrogen to potential off-takers.



Press release
https://global.kawasaki.com/en/corp/newsroom/news/detail/?f=20230417_9448



To form research body "HySE" for development of hydrogen small mobility engines

Received approval from the Ministry of Economy, Trade and Industry to form HySE (Hydrogen Small mobility & Engine technology) in May'23

Regular Members

Kawasaki Motors, Suzuki, Honda, and Yamaha Motor

Special Members

Kawasaki Heavy Industries and Toyota

Goal

Study on hydrogen-powered engines and fuel supply system for small mobility*

*motorcycles, Japan-originated mini-vehicles, small marine vessels, construction equipment, drones, etc.



Press release
https://global.kawasaki.com/news_230517-1e.pdf



MoU with DNV to visualize CO₂ emissions in the international liquefied hydrogen supply chain

Signed a MOU with DNV, one of the world's largest third-party certification bodies, in May '23, to collaborate in the study of specific method to calculate CO₂ and other GHG emissions of the supply chain of liquefied hydrogen from production to utilization.

The establishment of calculation and evaluation methods for GHG emissions will lead to reliable and transparent proof that hydrogen is low-carbon, thereby contributing to the early realization of a hydrogen society.



Press release
https://global.kawasaki.com/en/corp/newsroom/news/detail/?f=20230529_7295



Working with Microsoft — for an industrial metaverse—

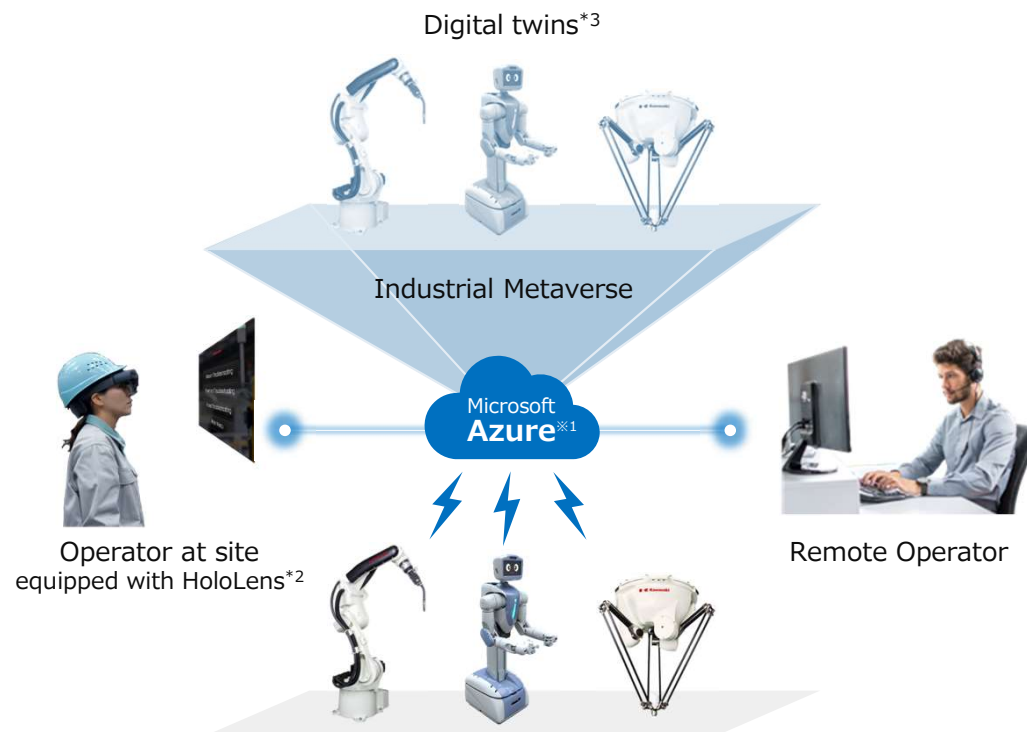
- Kawasaki and Microsoft exhibited a prototype of an industrial metaverse at Hanover Messe in April '23
- Using our robots, Microsoft Azure^{*1}, HoloLens^{*2}, and digital twins^{*3} showed smart factories in the future

Changes that metaverse can bring

Smoother collaboration with customers & partners

Complete development, design, and testing on the metaverse

Flexible remote handling and troubleshooting etc.,



*1 Cloud computing services through Microsoft-managed data centers

*2 Microsoft's non-connected mixed reality headset

*3 Technology for constructing "twins" in a virtual world based on real-world information and performing various simulations

More
News

Microsoft AI Co-Innovation Lab opens in Kobe

Supporting AI-powered solution creation and HR development

Kawasaki, Kobe Commerce and Trade Center Co., Ltd. and Kobe City are teaming up to host the 5th Microsoft AI Co-Innovation Lab in the world, and It is scheduled to open in the fall of 2023.

Kawasaki will join as a user and work with Microsoft.



What is Microsoft AI Co-Innovation Lab?

It is a "co-creation" space where Microsoft supports the construction and prototyping of solutions for user's DX challenges and digital-enabled business idea, using AI, IoT related technologies and services.

Press Release (Japanese Only)
https://www.khi.co.jp/pressrelease/news_230713-1.pdf

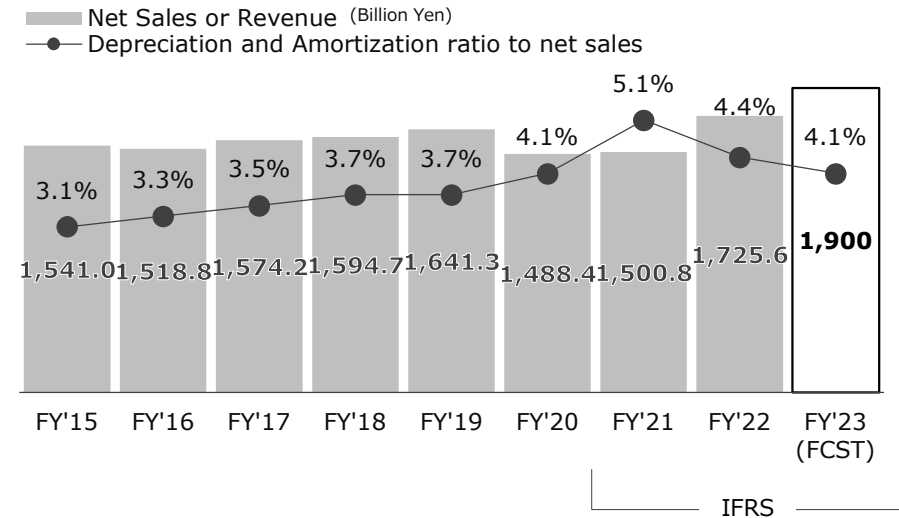
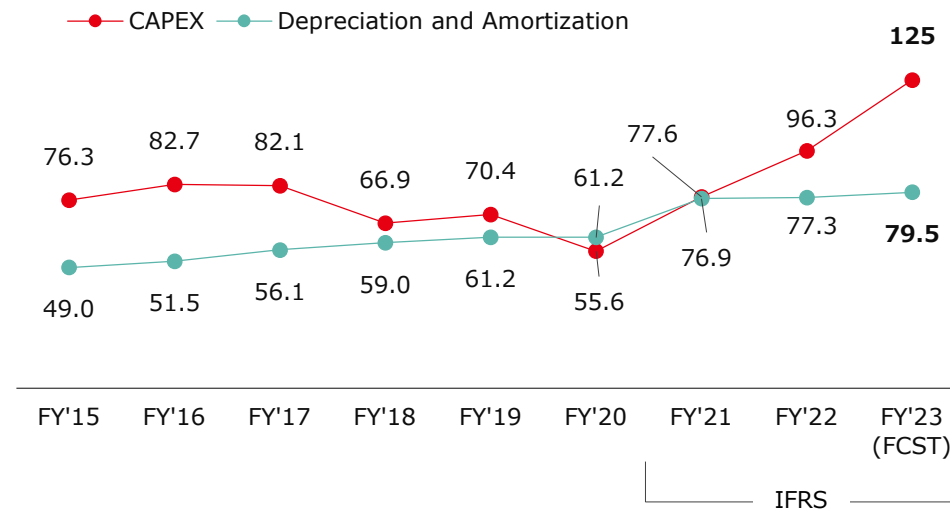


Appendix

- CAPEX, Depreciation and Amortization, R&D Expenses, Number of employees -

(Billion Yen, Persons)

	FY2022	FY2023		FY2022	FY2023	
	Q1 Actual	Q1 Actual	Change	Actual	FCST	Chg. Vs. FY22
CAPEX	22.6	25.9	+ 3.3	96.3	125.0	+ 28.7
Depreciation and Amortization	18.9	19.7	+ 0.8	77.3	79.5	+ 2.2
R & D expenses	10.7	11.3	+ 0.5	50.7	55.0	+ 4.3
Number of Employees				38,254	40,460	+ 221
Domestic				27,583	28,720	+ 114
Overseas				10,671	11,740	+ 107



● Order Backlog (billion yen)

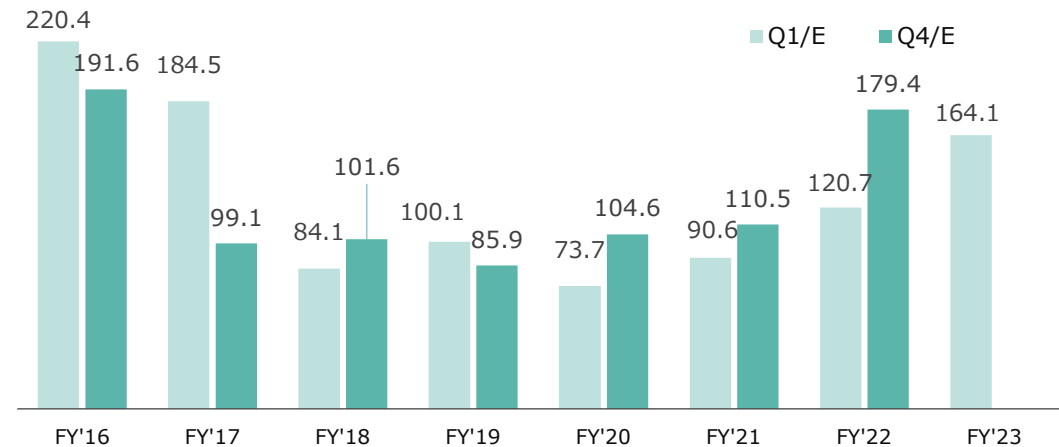
	FY22 Q1	FY23 Q1	
	Actual	Actual	Change
Aerospace Systems	616.8	709.2	+ 92.3
Rolling Stock	373.4	543.4	+ 169.9
Energy Solution & Marine Engineering	568.1	660.6	+ 92.4
Precision Machinery & Robot	103.8	102.8	- 0.9
Powersports & Engine	-	-	-
Others	30.7	32.0	+ 1.3
Total	1,693.0	2,048.2	+ 355.1

● Revenue by Region (billion yen)

	FY22 Q1	FY23 Q1	
	Actual	Actual	Change
Japan	139.4	138.9	- 0.4
USA	96.7	138.0	+ 41.2
Europe	30.6	42.6	+ 11.9
Asia	56.9	57.1	+ 0.1
Other	26.5	28.5	+ 2.0
Total	350.3	405.3	+ 54.9

※ classified by country or region based on the customer's location.

● Order Backlog in Ship & Offshore (billion yen)



● Ship Orders Received and Delivery Year (number of ships)

	FY23 Q1 Received Orders	Delivery Year				Order Backlog
		FY23 Q1 Actual	FY'23 Q2~	FY'24	FY'25~	
			Plan			
LPG Carrier		1	3	3	5	11
Submarine				1	1	2
Others						
Total		※1 1	3	4	6	※2 13

※ 1 Delivered in FY'23 Q1 : 50,400GT

※ 2 Order Backlog : 554,400GT *Submarines are excluded

● Revenue in Foreign Currencies by Segment (USD)

(billion USD)

	FY2022	FY2023	
	Actual	Actual	Q2-4 FCST
Aerospace Systems	0.11	0.15	0.99
Rolling Stock	0.01	0.07	0.08
Energy Solution & Marine Engineering	0.07	0.08	0.25
Precision Machinery & Robot	0.06	0.03	0.11
Powersports & Engine	0.16	0.11	0.32
Total	0.41	0.45	1.75

※ Impact on business profit by FX fluctuation of 1 yen

● Weighted-average Exchange Rates

(EUR/JPY)

FY2021 actual	130.47
FY2022 actual	141.38
FY2023 Q1 actual	147.81
FY2023 Q2-4 forecast	140.00

● Revenue in Foreign Currencies(EUR)

(billion EUR)

FY2021 actual	0.44
FY2022 actual	0.57
FY2023 Q1 actual	0.10
FY2023 Q2-4 forecast	0.44

※ Impact on business profit by FX fluctuation of 1 yen

<Formulas for Calculating Before-tax ROIC and After-tax ROIC>

Before-tax ROIC = (Profit before tax + Interest expenses) ÷ Invested capital^{※2}After-tax ROIC = { Profit attributable for owners of parent + Interest expenses × (1 – Tax rate)} ÷ Invested capital^{※2}

※2 Invested Capital = Net debt + Equity

Kawasaki, working as one for the good of the planet
“Global Kawasaki”