

Financial Results for Third Quarter FY2021

For the Year ending March 31, 2022

February 2, 2022

Kawasaki Heavy Industries, Ltd.



 **Kawasaki**
Powering your potential

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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 Aug. differ materially from these business forecasts due to various important factors resulting from changes in the external environment and internal environment. Important factors that Aug. 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.

Consolidated Results for Third Quarter FY2021 -Summary-

- Profit increased significantly and sales increase slightly from Q3 FY2020
- Shipbuilding joint ventures in China recorded provision for losses on construction contracts in Q3 (Oct.-Dec.) as well

(Billion Yen)

	FY20 Q3	FY21 Q3				YoY Change
		Apr. to Jun.	Jul. to Sep.	Oct. to Dec.	Total	
Orders Received	914.0	304.2	355.3	366.8	1,026.4	+ 112.3
Net Sales	1,032.4	355.6	325.4	357.6	1,038.7	+ 6.2
Operating Profit (Loss)	- 3.7	15.1	5.2	18.6	39.0	+ 42.7
<i>[margin]</i>	<i>[- 0.3%]</i>	<i>[4.2%]</i>	<i>[1.6%]</i>	<i>[5.2%]</i>	<i>[3.7%]</i>	<i>[+ 4.1pt]</i>
Recurring Profit (Loss)	- 0.0	13.1	- 2.0	10.2	21.3	+ 21.3
<i>[margin]</i>	<i>[- 0.0%]</i>	<i>[3.6%]</i>	<i>[- 0.6%]</i>	<i>[2.8%]</i>	<i>[2.0%]</i>	<i>[+ 2.0pt]</i>
Net Income (Loss) Attributable to Owners of Parent	- 13.9	9.8	- 5.3	2.7	7.2	+ 21.2
<i>[margin]</i>	<i>[- 1.3%]</i>	<i>[2.7%]</i>	<i>[- 1.6%]</i>	<i>[0.7%]</i>	<i>[0.7%]</i>	<i>[+ 2.0pt]</i>
Weighted-average exchange rates (USD/JPY)	104.99	110.71	109.72	112.37	111.03	+ 6.04
US dollar-based transaction (B\$)	0.97	0.42	0.34	0.34	1.10	+ 0.13

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

Consolidated Results for Third Quarter FY2021 -Segment-

- Aerospace Systems continue to improve as passenger demand recovers, but losses still remain ①
- Sales and profit increased significantly in Motorcycle & Engine due to strong demand for outdoor leisure in developed countries ②
- Rolling Stock / Motorcycle & Engine, which were spun off in October 2021, showed solid results

(Billion Yen)

	Orders Received			Net Sales			Operating Profit (Loss)		
	FY20 Q3	FY21 Q3	Change	FY20 Q3	FY21 Q3	Change	FY20 Q3	FY21 Q3	Change
Aerospace Systems	224.7	160.8	- 63.8	277.9	^{※1} 204.9	- 73.0	- 19.2	^① ^{※1} - 11.3	+ 7.8
Rolling Stock	49.2	42.2	- 7.0	101.5	89.1	- 12.3	- 1.3	2.5	+ 3.9
Energy Solution & Marine Engineering	187.3	253.2	+ 65.8	215.6	201.7	- 13.8	5.6	3.1	- 2.5
Precision Machinery & Robot	170.2	197.4	+ 27.1	154.2	179.5	+ 25.2	8.1	13.4	+ 5.3
Motorcycle & Engine	225.5	309.5	+ 84.0	225.5	309.5	+ 84.0	1.8	29.6	+ 27.8
Others	56.9	63.0	+ 6.1	57.5	^{※1} 53.7	- 3.7	0.5	3.5	+ 3.0
Eliminations and corporate ^{※2}	-	-	-	-	-	-	0.7	- 2.0	- 2.7
Total	914.0	1,026.4	+ 112.3	1,032.4	1,038.7	+ 6.2	- 3.7	39.0	+ 42.7

※1 As a result of the application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), net sales in Aerospace Systems decreased by approximately ¥67.9 billion, operating profit in Aerospace Systems decreased by approximately ¥2.8 billion, and net sale in Others decreased by approximately ¥15.0 billion from the previous accounting standard.

※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 Third Quarter FY2021 –Income Statement–

(Billion Yen)

	FY20 Q3	%	FY21 Q3	%	Change
Net Sales	1,032.4	100.0	1,038.7	100.0	+ 6.2
Cost of sales	899.6	87.1	851.6	82.0	- 47.9
Gross profit	132.8	12.9	187.0	18.0	+ 54.1
Selling, general and administrative expenses	136.6	13.2	148.0	14.3	+ 11.4
Salaries and allowances	40.7		42.2		+ 1.5
Research and development expenses	29.7		31.7		+ 2.0
Others	66.1		74.0		+ 7.8
Operating Profit (Loss)	- 3.7	- 0.4	39.0	3.8	+ 42.7
Non-operating Income / Expenses	3.6		- 17.7		- 21.3
Gain and loss on foreign exchange	1.9		- 0.9		- 2.9
Net Interest expense (incl. dividend income)	- 1.7		- 1.5		+ 0.1
Equity in income of unconsolidated subsidiaries and affiliates	1.4		- 15.1		- 16.6
Reversal of payments for the in-service issues of commercial aircraft jet engines	3.0		0.0		- 2.9
Others	- 0.9		- 0.0		+ 0.9
Recurring Profit (Loss)	- 0.0	-	21.3	2.1	+ 21.3

Details

- ① Increase in sales costs in Motorcycle & Engine and Precision Machinery & Robot
- ② USD/JPY rate

110.72	March 31,'21
115.02	December 31,'21

Loss on conversion of liabilities denominated in USD and other factors
- ③ Shipbuilding joint ventures in China recorded provision for losses on construction contracts due to rising steel prices and appreciation of the yuan and other factors.

Consolidated Results for Third Quarter FY2021 –Income Statement–

(Billion Yen)

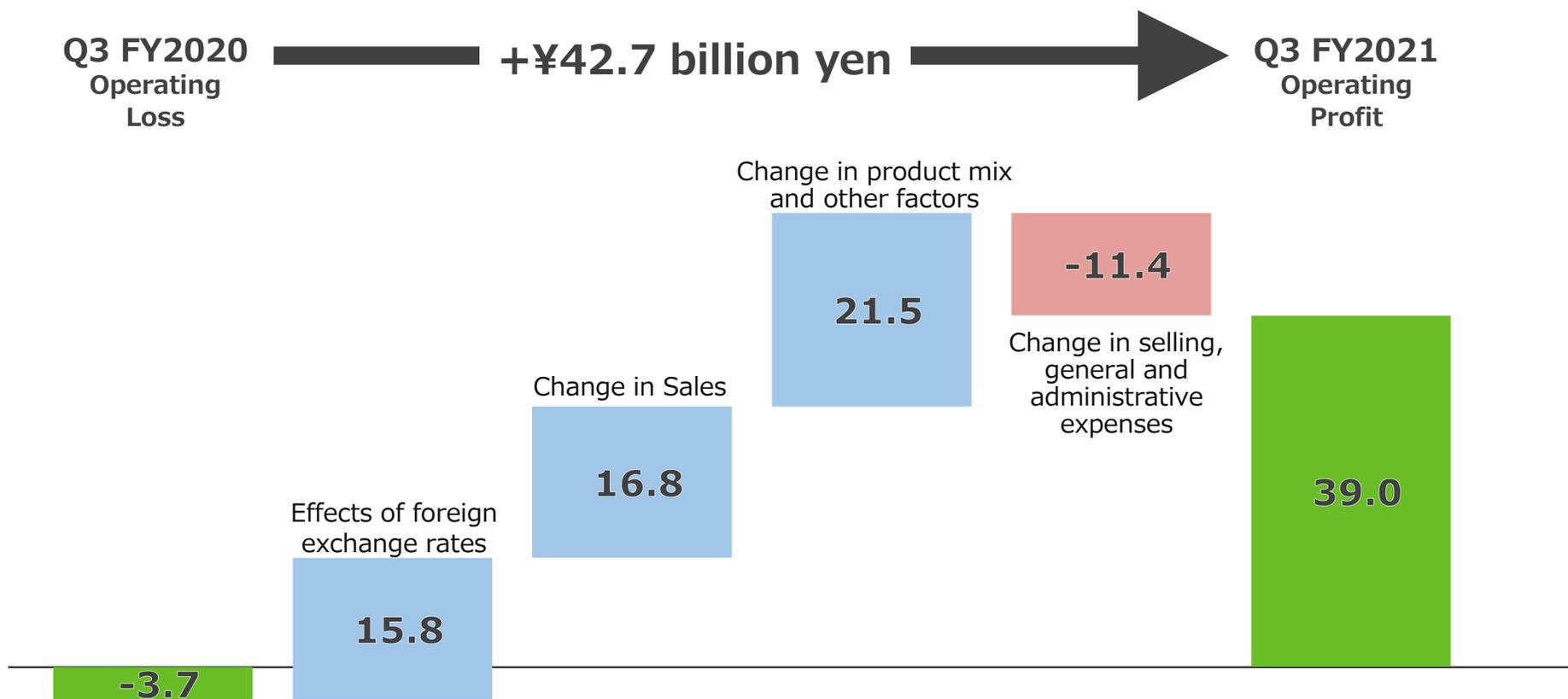
	FY20 Q3	%	FY21 Q3	%	Change
Recurring Profit (Loss)	- 0.0	-	21.3	2.1	+ 21.3
Extraordinary Income / Losses	0.8		1.3		+ 0.4
Gain on sales of fixed assets	5 3.2		4 1.6		- 1.6
Gain on sales of shares of subsidiaries and affiliates	6 1.5		-		- 1.5
Impairment loss	7 - 3.9		8 - 0.2		- 3.6
Income before income taxes	0.8	0.1	22.6	2.2	+ 21.8
Income taxes	9 13.5		10 13.5		0.0
Net income attributable to non-controlling interests	1.2		1.7		+ 0.5
Net income (Loss) attributable to owners of parent	- 13.9	- 1.4	7.2	0.7	+ 21.2

Details

- 4** Sale of land
- 5** Sale of dormitory /company housing sites
- 6** Certain affiliated company related to Energy System & Plant Engineering
- 7** All fixed assets at Sakaide Works (Ship & Offshore structure)
- 8** All fixed assets obtained in FY'21 at Sakaide Works (Ship & Offshore structure)
- 9** Partial reversal of deferred tax assets (¥5.4 billion), as a result of a review of the future plans for FY'20 and beyond.
- 10** Equity in losses of affiliates does not contribute to the reduction of tax burden, which resulted in a high proportion of tax rates to income before income taxes.

Consolidated Results for Third Quarter FY2021 -Details of change in profit-

- ☑ Mass-production businesses: Motorcycle & Engine and Precision Machinery & Robot, contributed to change in sales
- ☑ Jet engine maintenance costs, which were a major burden in Q2 FY2020, were decreased



Consolidated Results for Third Quarter FY2021

-Details of change in profit-

(Billion Yen)

	FY20 Q3 Operating Profit (Loss)					Total	FY21 Q3 Operating Profit (Loss)
		Effects of FX rates*	Change in sales*	Change in product mix and other factors*	Change in SG & A expenses		
Aerospace Systems	- 19.2	1.1	0.0	6.0	0.7	7.8	- 11.3
Rolling Stock	- 1.3	0.3	- 1.4	5.0	- 0.0	3.9	2.5
Energy Solution & Marine Engineering	5.6	0.4	- 2.6	0.4	- 0.7	- 2.5	3.1
Precision Machinery & Robot	8.1	2.8	4.4	1.0	- 2.9	5.3	13.4
Motorcycle & Engine	1.8	11.1	14.8	7.4	- 5.5	27.8	29.6
Others	0.5	0.1	1.6	1.3	0.0	3.0	3.5
Eliminations and corporate※	0.7			0.1	- 2.8	- 2.7	- 2.0
Total	- 3.7	15.8	16.8	21.5	- 11.4	42.7	39.0

※ Effects of foreign exchange rates, change in sales, 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 Aug. be desirable to check the change in sales and change in product mix.

※ As a result of the application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), operating profit in Aerospace Systems decreased by approximately ¥2.8 billion from the previous accounting standard. This impact is included in change in product mix and other factors.

Consolidated Results for Third Quarter FY2021 -Balance Sheet-

(Billion Yen)

	End of Mar. 2021	%	End of Dec. 2021	%	Change
Cash and deposits	126.7		75.2		① - 51.4
Trade receivables	460.4		447.4		② - 12.9
Inventory	658.5		696.6		③ + 38.1
Other current assets	39.7		115.0		+ 75.2
Current assets	1,285.4	65.5	1,334.3	65.2	+ 48.9
Tangible & intangible fixed assets	473.6		464.1		- 9.5
Deferred tax assets	70.4		82.6		+ 12.2
Other non-current assets	133.7		164.4		③ + 30.7
Non-current assets	677.8	34.5	711.2	34.8	+ 33.4
Total assets	1,963.2	100.0	2,045.6	100.0	+ 82.4

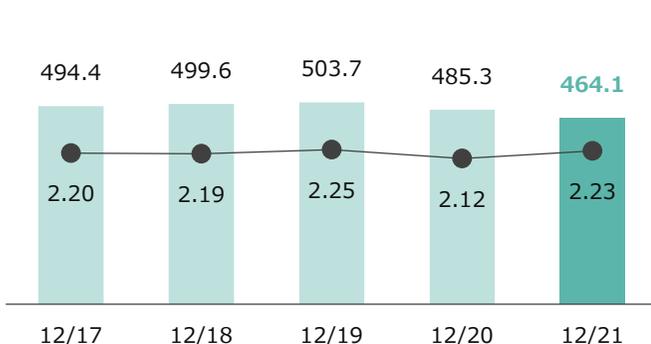
Details

- ① Decrease due to repayment of interest-bearing debt and other factors
- ② A portion of trade receivable in Aero Engine (approximately ¥22 billion) was reduced as an adjustment of retained earnings at the beginning of the period, as a result of the application of the "Accounting Standard for Revenue Recognition"
- ③ Actual inventories increased mainly in Precision Machinery & Robot and Motorcycle & Engine

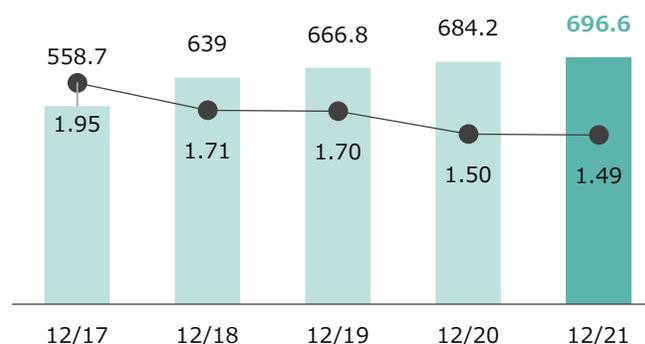
Progress of receivable collection in Energy Plant & Marine Engineering and Motorcycle & Engine

A portion of work in process (approximately 44 billion yen) in Aero Engine was transferred to investments and other assets, as a result of the application of the "Accounting Standard for Revenue Recognition"

■ Tangible & intangible fixed assets (Bil Yen)
● Turnover of tangible & intangible fixed assets



■ Inventory (Bil Yen)
● Turnover of inventory



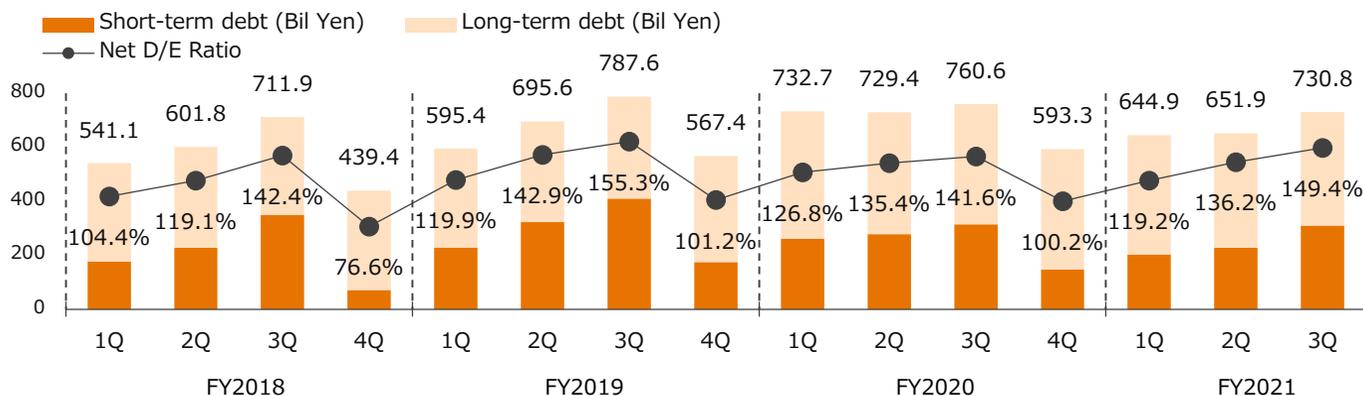
Consolidated Results for Third Quarter FY2021 -Balance Sheet-

(Billion Yen)

	End of Mar. 2021	%	End of Dec. 2021	%	Change
Trade payables	355.1		316.5		① - 38.6
Interest-bearing debt	593.3		730.8		② + 137.5
Contract liability (Advances received)	153.2		178.7		+ 25.4
Provision for losses on construction contracts	14.2		10.4		- 3.8
Provision for the in-service issues of commercial aircraft jet engines	5.9		3.1		- 2.8
Other liabilities	358.4		348.4		- 9.9
Total liabilities	1,480.5	75.4	1,588.1	77.6	+ 107.6
Total shareholders' equity	465.4		429.7		③ - 35.7
Other net assets	17.3		27.7		+ 10.4
Total net assets	482.7	24.6	457.5	22.4	- 25.2
Total liabilities & net assets	1,963.2	100.0	2,045.6	100.0	+ 82.4

Details

- ① Decrease in Aerospace and other segments
- ② Increase in borrowing as a normal business cycle
- ③ Decrease in retained earnings at the beginning of the period, as a result of the application of the "Accounting Standard for Revenue Recognition" (approximately ¥40 billion)



*Cash Conversion Cycle (day)

End of Q3 FY'17	147
End of Q3 FY'18	162
End of Q3 FY'19	168
End of Q3 FY'20	168
End of Q3 FY'21	169

Consolidated Results for Third Quarter FY2021 -Cash Flows-

	(Billion Yen)		
	FY20 Q3	FY21 Q3	Change
Income before income taxes	0.8	22.6	+ 21.8
Depreciation and amortization	45.4	45.4	- 0.0
Increase and decrease in working capital	- 107.1	- 148.5	- 41.4
Trade receivables (minus notation indicates incr.)	- 0.8	- 11.7	- 10.9
Inventory (minus notation indicates incr.)	- 56.7	- 85.6	- 28.8
Trade payables (minus notation indicates decr.)	- 35.8	- 40.0	- 4.2
Advance Payment (minus notation indicates incr.)	- 2.9	- 28.3	- 25.4
Advances received* (minus notation indicates decr.)	- 10.8	17.2	+ 28.0
Other	- 78.8	- 58.4	+ 20.4
Cash flows from operating activities	- 139.7	- 138.9	1 + 0.7
Purchase of tangible and intangible fixed assets	- 37.1	- 45.4	- 8.3
Proceeds from sales of tangible and intangible fixed assets	2 13.7	2.7	- 10.9
Other	1.0	- 0.9	- 1.9
Cash flows from investing activities	- 22.4	- 43.5	- 21.1
Free cash flows	- 162.1	- 182.5	- 20.3
Net increase and decrease in debt and bonds (minus notation indicates decr.)	185.2	135.6	3 - 49.5
Dividends paid (Except payment to non-controlling interests)	- 0.0	- 3.1	- 3.0
Proceeds from sale and leaseback transactions	2 10.0	-	- 10.0
Other	- 2.5	- 2.3	+ 0.2
Cash flows from financing activities	192.6	130.1	- 62.4

Details

① Q3 FY'20
Significant outflow of funds in working capital components including increased inventory in Aerospace Systems, despite progress of receivable collection in Motorcycle & Engine

Q3 FY'21
Significant outflow of funds in working capital components including increased inventory in Aerospace Systems and Motorcycle & Engine, despite an improvement in revenue

② Sale of dormitory / company housing sites

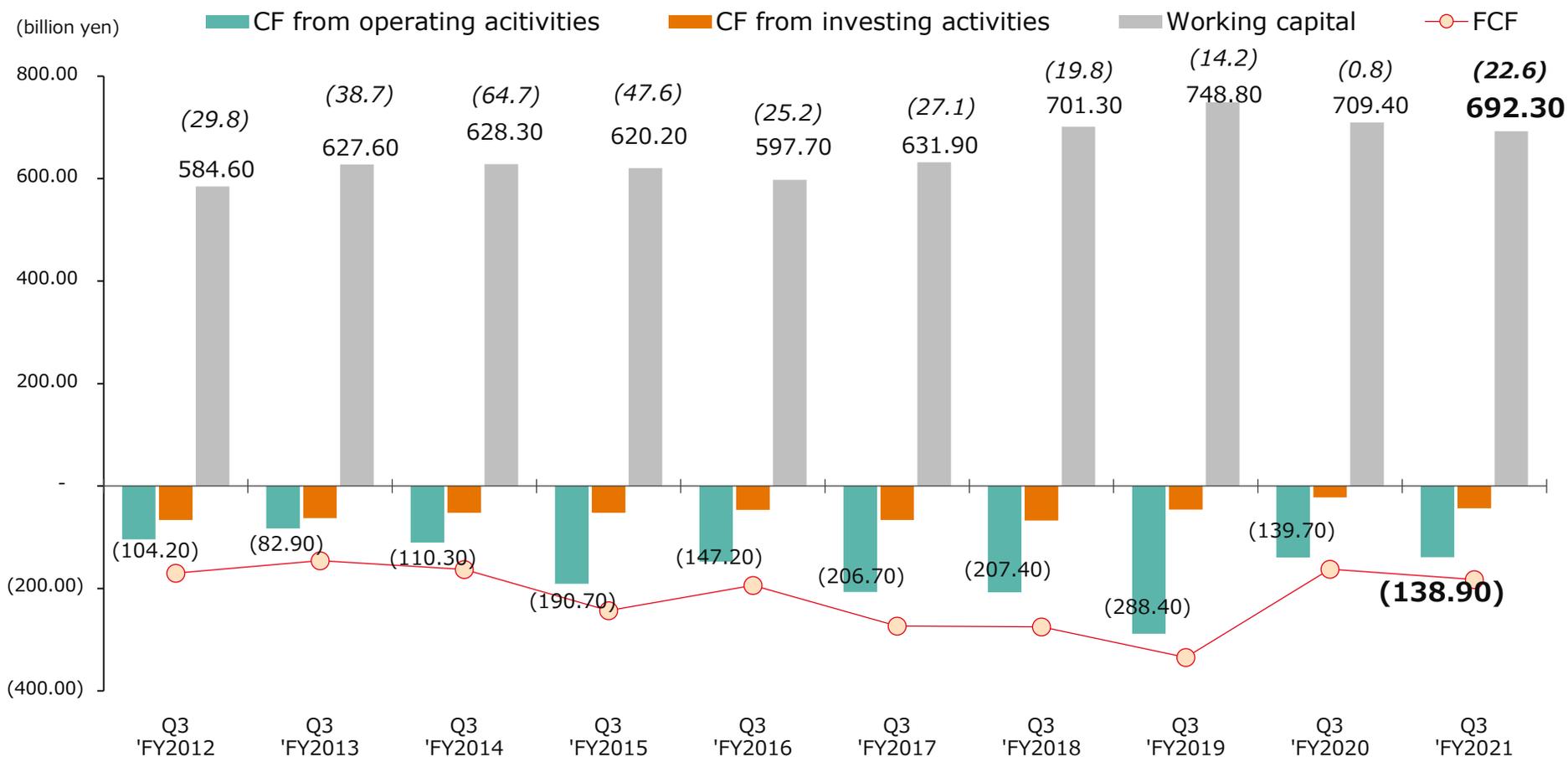
③ Q3 FY'20
Compensation of free cash flow deficits and increased borrowing in preparation for unforeseen events due to COVID-19

Q3 FY'21
Lower level of increase compared to normal Q3

Consolidated Results for Third Quarter FY2021

-Cash Flows-

- ✓ Continued negative operating cash flow due to heavy working capital, mainly in Aero Engine
- ✓ Operating cash flow is improving due to the contribution of the mass-production businesses



Earnings Forecasts for FY2021 -Summary-

- ✓ Recurring profit remains unchanged due to deterioration in earnings of unconsolidated subsidiaries despite the upward revision to operating profit
- ✓ Deferred tax assets are expected to be recognized in the forth quarter, which will reduce tax expenses

(Billion Yen)

	FY2020 Actual	FY2021 Forecast and Progress					
		Old FCST	New FCST	Chg. vs. FY20	Chg. vs. Old FCST	Q3 Actual	Q4 FCST
Orders Received	1,402.4	1,460.0	1,530.0	+ 127.6	+ 70.0	1,026.4	503.6
Net Sales	1,488.4	1,550.0	1,550.0	+ 61.6	-	1,038.7	511.3
Operating Profit (Loss)	- 5.3	40.0	46.0	+ 51.3	+ 6.0	39.0	7.0
<i>[Margin]</i>	<i>[- 0.3%]</i>	<i>[2.5%]</i>	<i>[2.9%]</i>	<i>[+ 3.3pt]</i>	<i>[+ 0.3pt]</i>	<i>[3.7%]</i>	<i>[1.3%]</i>
Recurring Profit (Loss)	- 2.8	22.0	22.0	+ 24.8	-	21.3	0.7
<i>[Margin]</i>	<i>[- 0.1%]</i>	<i>[1.4%]</i>	<i>[1.4%]</i>	<i>[+ 1.6pt]</i>	<i>[-]</i>	<i>[2.0%]</i>	<i>[0.1%]</i>
Net Income (Loss) Attributable to Owners of Parent	- 19.3	15.0	15.0	+ 34.3	-	7.2	7.8
<i>[Margin]</i>	<i>[- 1.2%]</i>	<i>[0.9%]</i>	<i>[0.9%]</i>	<i>[+ 2.2pt]</i>	<i>[-]</i>	<i>[0.7%]</i>	<i>[1.5%]</i>
Before-tax ROIC	- 1.0%	2.8%	2.8%	+ 3.8pt	-	-	-
Weighted-average exchange rates (USD/JPY)	105.29	112.00	-	-	-	111.03	114.00
US dollar-based transaction (B\$)	1.61	1.87	1.87	+ 0.26	-	1.10	0.77

※1 Assumed rate for 6 months from the Q3-4(from October 2021 to March 2022)

※2 Amount in foreign currency calculated by deducting dollar-denominated purchases from dollar-denominated sales of Kawasaki Heavy Industries, Ltd. (to include dollar-denominated sales of loss provisions). The estimated impact on operating income due to a 1 yen fluctuation in the exchange rate. See page 42 for the breakdown of these figures by segment.

- ✓ Operating profit of Energy Solution & Marine Engineering was revised down due to cost deterioration in Ship & Offshore Structure
- ✓ Operating profit of Motorcycle & Engine was revised up due to reduction in material procurement risk

(Billion Yen)

	Orders Received				Net Sales				Operating Profit (Loss)			
	FY2020	FY2021 Forecast			FY2020	FY2021 Forecast			FY2020	FY2021 Forecast		
	Actual	Old FCST	New FCST	Change	Actual	Old FCST	New FCST	Change	Actual	Old FCST	New FCST	Change
Aerospace Systems	329.5	310.0	370.0	+ 60.0	377.7	320.0	※1 320.0	-	- 31.6	- 10.5	※1 10.5	-
Rolling Stock	77.0	50.0	50.0	-	133.2	150.0	150.0	-	- 4.5	3.0	3.0	-
Energy Solution & Marine Engineering	317.1	330.0	330.0	-	319.5	320.0	315.0	- 5.0	10.3	2.5	- 1.0	- 3.5
Precision Machinery & Robot	259.4	260.0	260.0	-	240.8	260.0	255.0	- 5.0	14.0	19.0	16.0	- 3.0
Motorcycle & Engine	336.6	440.0	440.0	-	336.6	440.0	440.0	-	11.7	31.0	40.0	+ 9.0
Ohters	82.5	70.0	80.0	+ 10.0	80.4	60.0	※1 70.0	+ 10.0	0.4	2.0	2.5	+ 0.5
Eliminations and corporate※2	-	-	-	-	-	-	-	-	- 5.7	- 7.0	- 4.0	+ 3.0
Total	1,402.4	1,460.0	1,530.0	+ 70.0	1,488.4	1,550.0	1,550.0	-	- 5.3	40.0	46.0	+ 6.0

※1 As a result of the application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), net sales in Aerospace Systems are expected to decrease by approximately ¥61 billion, operating profit in Aerospace Systems is expected to increase by approximately ¥3 billion, and net sale in Others are expected to decrease by approximately ¥30 billion from the previous accounting standard.

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

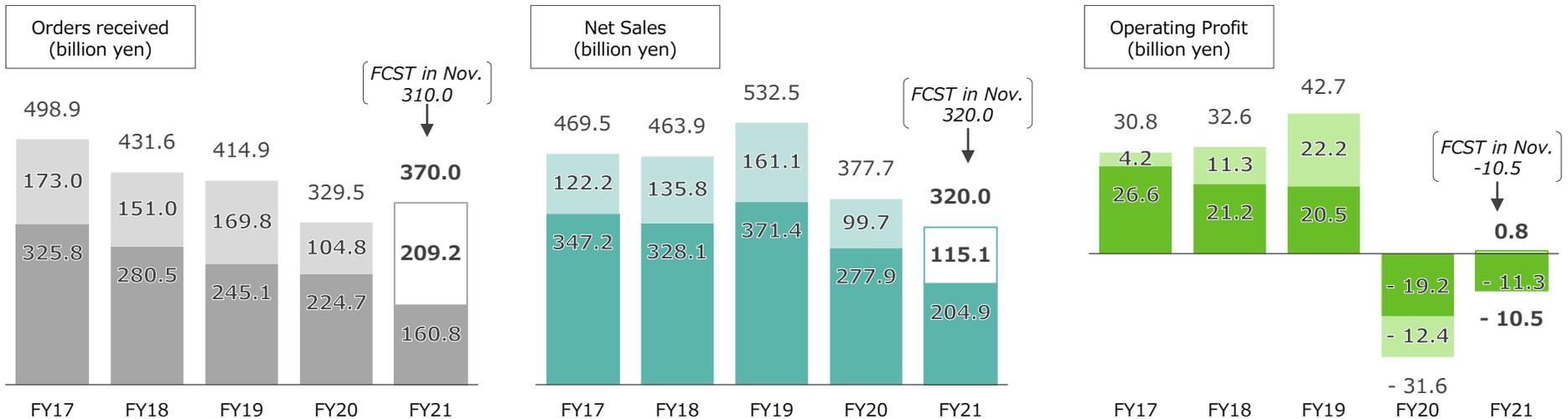
3 Details by Segment -Aerospace systems-

FY2021.Q3 (vs. FY2020.Q3)

Orders received	↓	Decreased due to a decrease in component parts for commercial aircraft jet engines caused by the application of new Accounting Standard for Revenue Recognition, despite an increase in component parts for Boeing.
Net Sales	↓	Decreased due to a decrease in component parts for commercial aircraft jet engines caused by the application of new Accounting Standard for Revenue Recognition, and a decrease in component parts for Boeing and Ministry of Defense.
Operating profit	↑	Increased due to an improvement in profitability of component parts for commercial aircraft jet engines and component parts for Boeing, despite a decrease in revenue.

FY2021 forecast (vs. Forecast in November)

Orders received	↑	Remained at the same level.
Net Sales	→	
Operating profit	→	



※The dark portion of the graph represents Q3 results and the light portion represents Q4 forecasts.

Details by Segment -Aerospace systems-

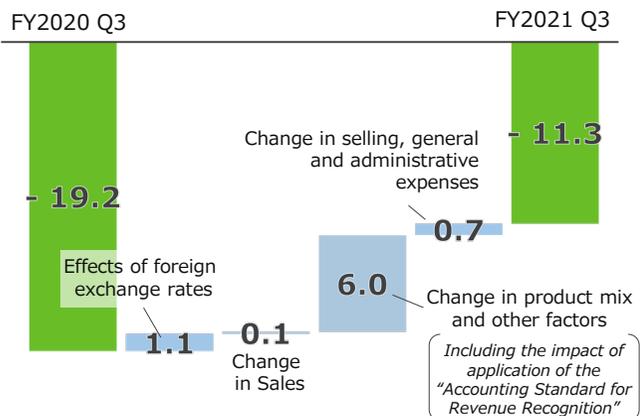
(Billion Yen)

	FY2020	FY2021		FY2020	FY2021 Forecast				
	Q3 Actual	Q3 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY20	Chg. Vs. Old FCST	Q4 FCST
Orders Received	224.7	160.8	- 63.8	329.5	310.0	370.0	+ 40.5	+ 60.0	209.2
Aerospace	157.4	134.3	- 23.0	236.2	250.0	310.0	+ 73.8	+ 60.0	175.7
Aero Engine	67.2	26.5	- 40.7	93.3	60.0	60.0	- 33.3	-	33.5
Net Sales	277.9	* 204.9	- 73.0	377.7	320.0	* 320.0	- 57.7	-	115.1
Aerospace	188.2	156.6	- 31.6	262.5	245.0	245.0	- 17.5	-	88.4
Aero Engine	89.7	48.2	- 41.4	115.1	75.0	75.0	- 40.1	-	26.8
Operating Profit (Loss)	- 19.2	* - 11.3	+ 7.8	- 31.6	- 10.5	* - 10.5	+ 21.1	-	0.8
[Margin]	[- 6.9%]	[- 5.5%]	[+ 1.3pt]	[- 8.3%]	[- 3.2%]	[- 3.2%]	[+ 5.1pt]	[+ 0.0pt]	[0.6%]

※ As a result of the application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), net sales decreased by approximately ¥67.9 billion, and operating profit decreased by approximately ¥2.8 billion in Q3 from the previous accounting standard. In FY2021, net sales are expected to decrease by approximately ¥61 billion, and operating profit is expected to increase by approximately ¥3 billion from the previous accounting standard.

Details of change in Operating Profit(Loss)

(billion yen)



Appendix

Number of aircraft component parts sold to Boeing

	FY'20		FY'21		Change
	Q3	Q1-4	Q3		
767	21	30	25		+ 4
777	21	24	15		- 6
777X	7	9	3		- 4
787	69	77	23		- 46

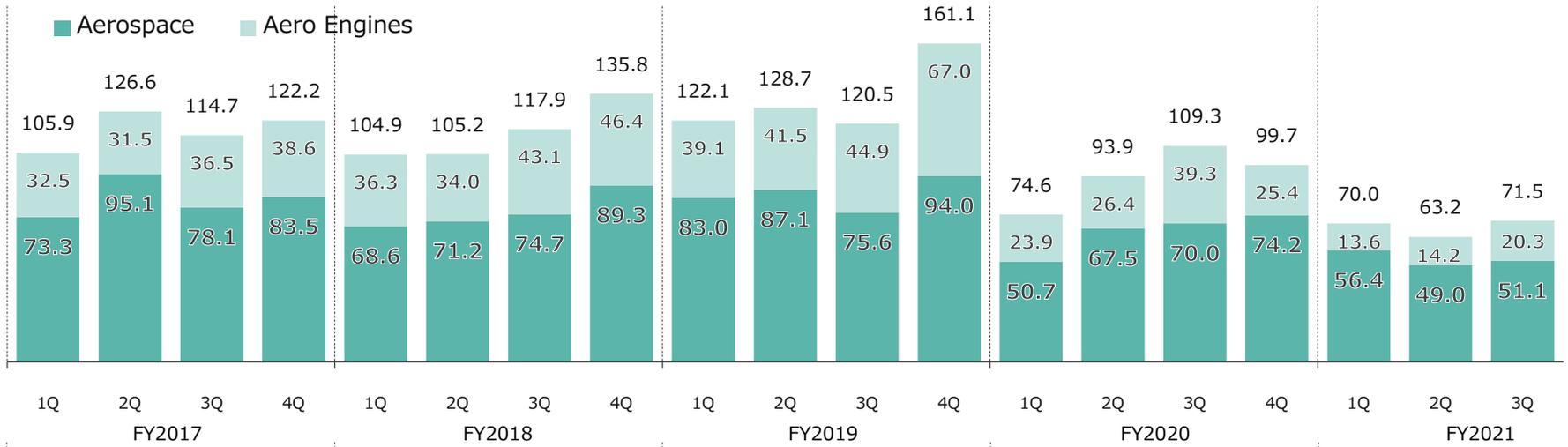
Number of jet engine component parts sold

	FY'20		FY'21		Change
	Q3	Q1-4	Q3		
V2500	3	5	13		+ 10
PW1100G	270	360	358		+ 88

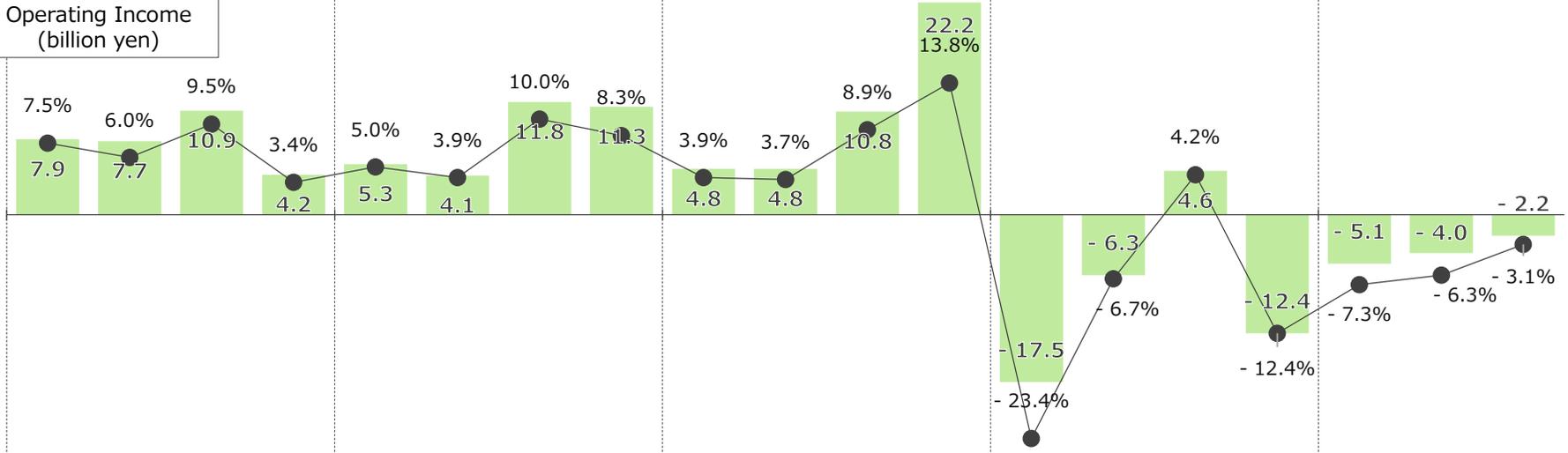
※Number of jet engine component parts sold to Rolls-Royce is not disclosed

Details by Segment -Aerospace systems-

Net Sales
(billion yen)

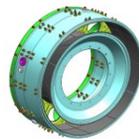


Operating Income
(billion yen)



Market Overview

- Commercial aircraft business
 - Global passenger demand remains weak due to the great impact of COVID-19 except for some domestic short flights in North America and Europe, and demand for aircrafts and aircraft jet engines is sluggish
 - It will take a considerable amount of time for the market to recover to the same level as the conditions before COVID-19
 - However, jet engine business is expected to recover faster than aircraft business
- MOD aircraft business
 - There is a certain demand within tight defense budget
 - Stable orders are expected over the medium- and long- term



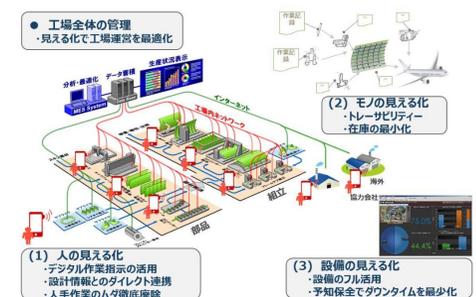
Hydrogen combustor
(decarbonization technology)

Specific Efforts

- ✓ **Securing stable revenue in core business**
 - Cost reductions in existing orders of aircrafts for Boeing and commercial aircrafts jet engines
 - Steady promotion of existing projects of development and mass production for MOD aircrafts and helicopters
- ✓ **Revising technology strategy in accordance with the change in marked trends**
 - Rebuilding R&D in line with future vision
 - Development of environmental technologies for a decarbonized society
- ✓ **Improving financial foundation**
 - Review of fixed cost structure
 - Reduction of inventories through production innovation activities



H145//BK117 D-3
(13 orders received)



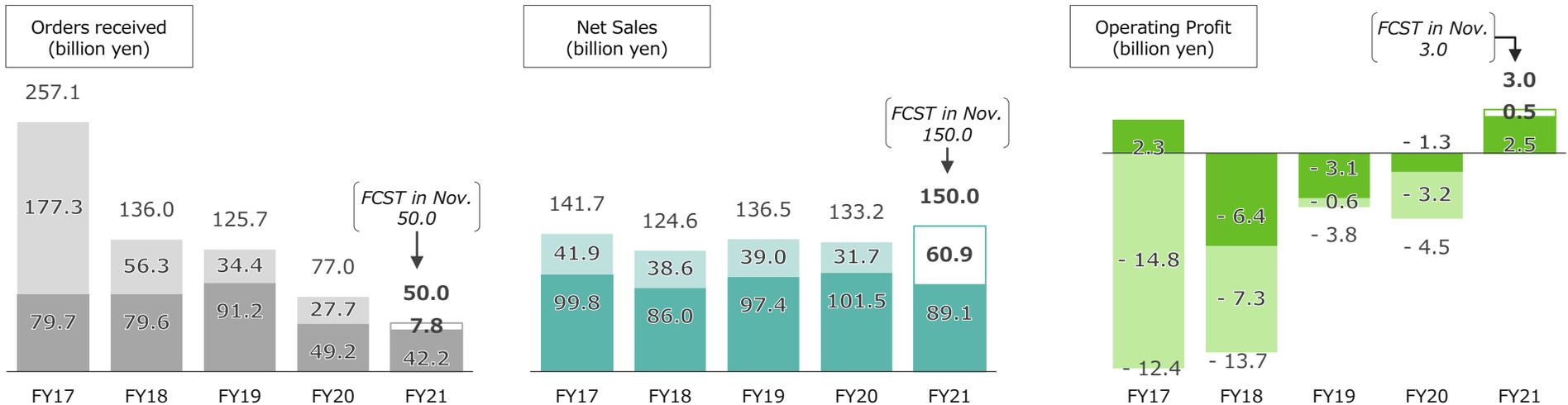
Smart-K Project

FY2021.Q3 (vs. FY2020.Q3)

Orders received		Decreased compared with FY2020 Q3, when major orders for Shinkansen were received.
Net Sales		Decreased due to a decrease in other regions despite an increase to the U.S..
Operating profit		Improved due to improvement in profitability of overseas projects due to recovery from the impact of COVID-19, despite a decrease in revenue.

FY2021 forecast (vs. Forecast in November)

Orders received		} Remained at the same level.
Net Sales		
Operating profit		



※The dark portion of the graph represents Q3 results and the light portion represents Q4 forecasts.

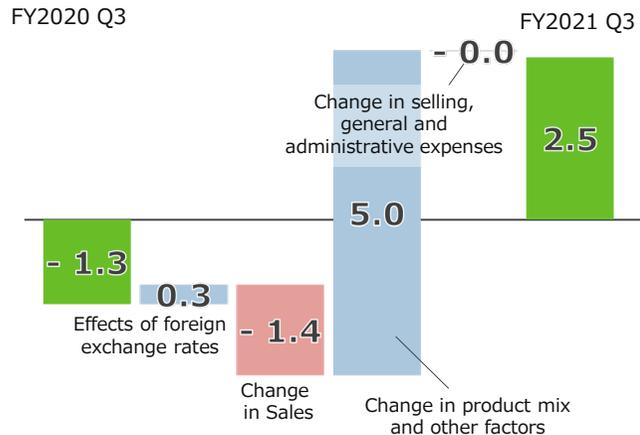
Details by Segment - Rolling Stock -

(Billion Yen)

	FY2020	FY2021		FY2020	FY2021 Forecast				
	Q3 Actual	Q3 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY20	Chg. Vs. Old FCST	Q4 FCST
Orders Received	49.2	42.2	- 7.0	77.0	50.0	50.0	- 27.0	-	7.8
<i>Domestic & Asia</i>	38.7	36.2	- 2.5	66.2	45.5	44.0	- 22.2	- 1.5	7.8
<i>North America</i>	10.5	6.0	- 4.5	10.8	4.5	6.0	- 4.8	+ 1.5	0.0
Net Sales	101.5	89.1	- 12.3	133.2	150.0	150.0	+ 16.8	-	60.9
<i>Domestic & Asia</i>	82.7	66.1	- 16.5	107.5	100.0	100.0	- 7.5	-	33.9
<i>North America</i>	18.8	23.0	+ 4.2	25.6	50.0	50.0	+ 24.4	-	27.0
Operating Profit	- 1.3	2.5	+ 3.9	- 4.5	3.0	3.0	+ 7.5	-	0.5
<i>[Margin]</i>	<i>[- 1.3%]</i>	<i>[2.8%]</i>	<i>[+ 4.1pt]</i>	<i>[- 3.4%]</i>	<i>[2.0%]</i>	<i>[2.0%]</i>	<i>[+ 5.4pt]</i>	<i>[-]</i>	<i>[0.8%]</i>

Details of change in Operating Profit(Loss)

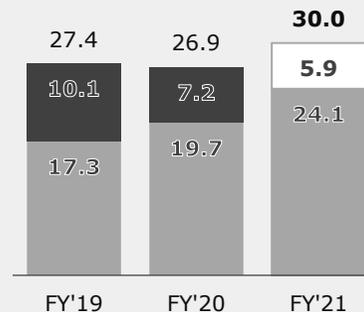
(billion yen)



Appendix

Sales in components, overhaul and after-sales service

(billion yen)

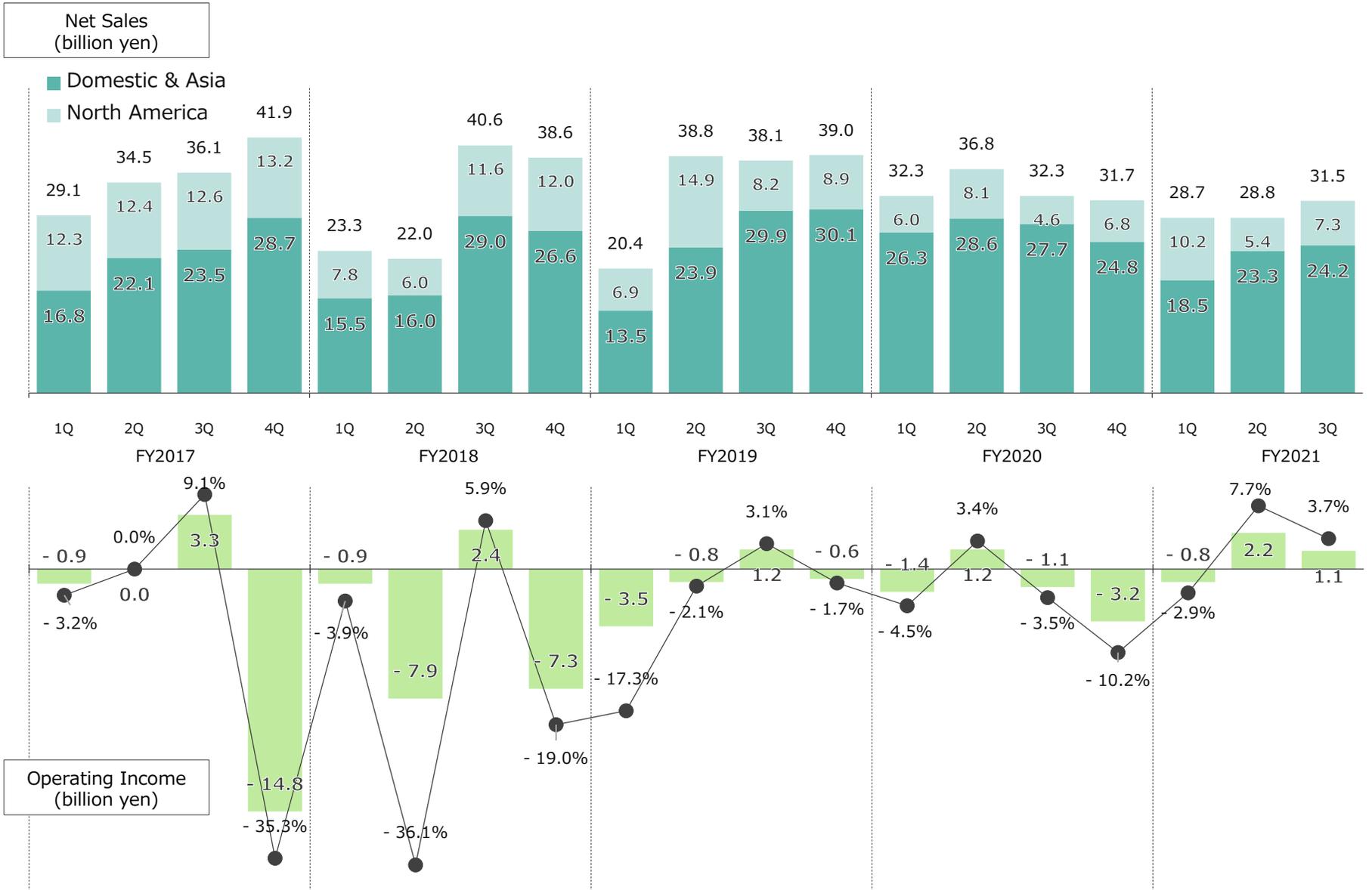


The top row :the forecasts of Q4
The bottom row :the results of Q1-3

Progress of the M9 Project for Long Island Rail Road in the United States (End of Dec. 2021)

- 116 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 2022

Details by Segment - Rolling Stock -



Market Overview

- The impact of COVID-19
 - Some domestic railway operators are reviewing their railway related investment
 - Delays in overseas projects and postponement or cancellation of bids are becoming a reality
- Supply chain Risk
 - The impact of shortage of electronic components, logistics disruption, and the rise in raw material is limited, but caution should be exercised.
- Medium and long term forecast
 - Stable growth is expected in the railway business, based on the needs of railway infrastructure to deal with the congestion mitigation and environmental measures in emerging countries.



Rolling stock for Dhaka Mass Transit Company Limited

Specific Efforts

- ✓ **Compliance with delivery schedules for overseas projects**

Delivery of the first train to Dhaka FY2021 Q1

The first and second trains are undergoing functional tests. The third and the fourth are being shipped

Delivery of prototype trains for R211 FY2021 Q1

The 2 prototype trains for R211A (10 cars) are undergoing spec tests at NY. The mass production in KMM started in FY2021 Q3.

Delivery of final train for M9 FY2022 Q2

All the trains under the base contract(92 cars) have been delivered by FY2021 Q1, and optional trains are being produced

- Company-wide staffing to U.S. works to streamline process and improve productivity and quality through the North America Project Management Task Force

- ✓ **Achieving quality levels trusted by customers**

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

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

- Started a remote track monitoring service for U.S. in FY2021 Q1

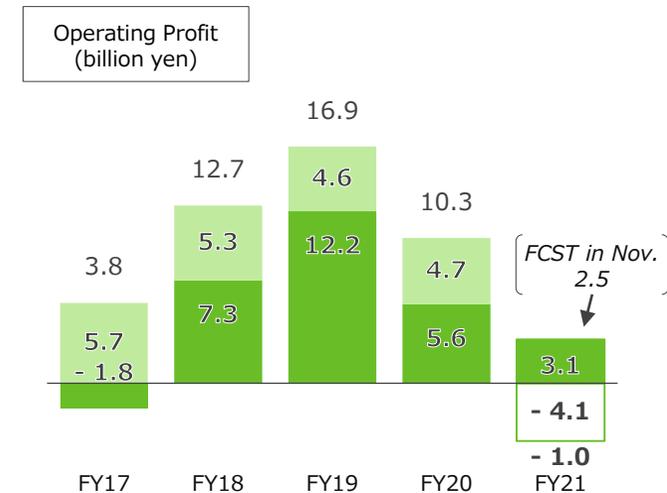
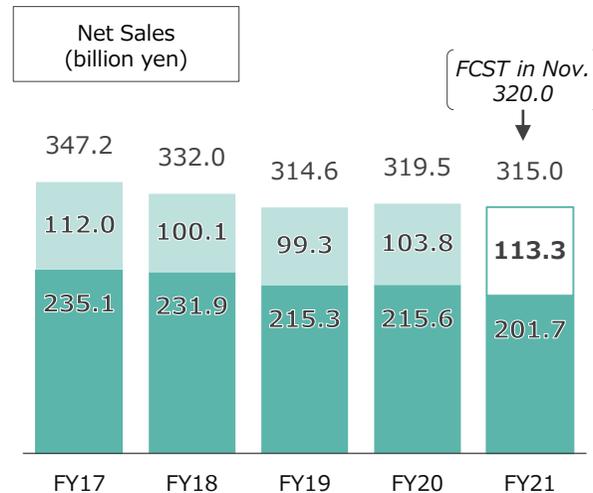
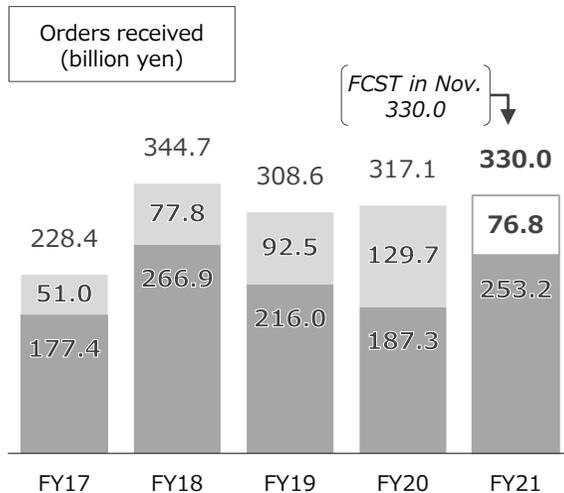
Details by Segment - Energy Solution & Marine Engineering -

FY2021.Q3 (vs. FY2020.Q3)

Orders received	↗	Increased due to major orders for construction and operation of domestic municipal waste incineration plants, LPG carriers, and other projects.
Net Sales	↘	Decreased due to a decrease in repair work for submarines and decrease in combined cycle power plants and other factors, despite an increase in construction works of LPG carriers.
Operating profit	↘	Deteriorated due to a decrease in revenue and rising raw material prices.

FY2021 forecast (vs. Forecast in November)

Orders received	→	Remained at the same level.
Net Sales	↘	Revised down due to the timing shift of projects in Energy System.
Operating profit	↘	Revised down mainly due to deterioration in profitability in Ship & Offshore Structure due to rising raw material prices



※The dark portion of the graph represents Q3 results and the light portion represents Q4 forecasts. ※The prior results of previous segment have been reclassified to current segment

Details by Segment - Energy Solution & Marine Engineering -

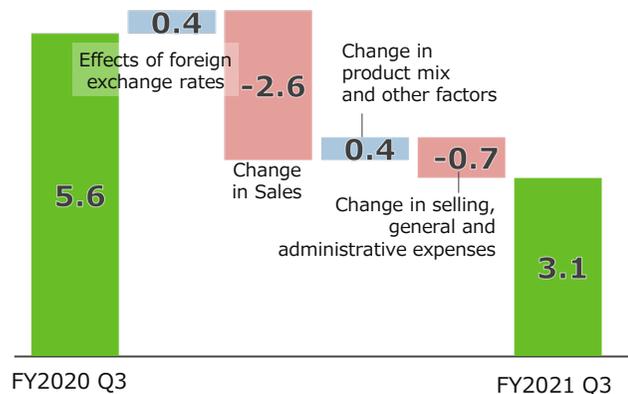
(Billion Yen)

	FY2020	FY2021		FY2020	FY2021 Forecast				
	Q3 Actual	Q3 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY20	Chg. Vs. Old FCST	Q4 FCST
Orders Received	187.3	253.2	+ 65.8	317.1	330.0	330.0	+ 12.9	-	76.8
<i>Energy System & Plant Engineering</i>	154.6	193.0	+ 38.3	219.0	260.0	260.0	+ 41.0	-	67.0
<i>Ship & Offshore Structure</i>	32.7	60.1	+ 27.4	98.1	70.0	70.0	- 28.1	-	9.9
Net Sales	215.6	201.7	- 13.8	319.5	320.0	315.0	- 4.5	- 5.0	113.3
<i>Energy System & Plant Engineering</i>	159.9	151.9	- 7.9	240.1	245.0	240.0	- 0.1	- 5.0	88.1
<i>Ship & Offshore Structure</i>	55.7	49.7	- 5.9	79.4	75.0	75.0	- 4.4	-	25.3
Operating Profit (Loss)	5.6	3.1	- 2.5	10.3	2.5	- 1.0	- 11.3	- 3.5	- 4.1
<i>[Margin]</i>	<i>[2.6%]</i>	<i>[1.5%]</i>	<i>[- 1.0pt]</i>	<i>[3.2%]</i>	<i>[0.7%]</i>	<i>[- 0.3%]</i>	<i>[- 3.5pt]</i>	<i>[- 1.0pt]</i>	<i>[- 3.6%]</i>

※ The prior results of previous segment have been reclassified to current segment

Details of change in Operating Profit(Loss)

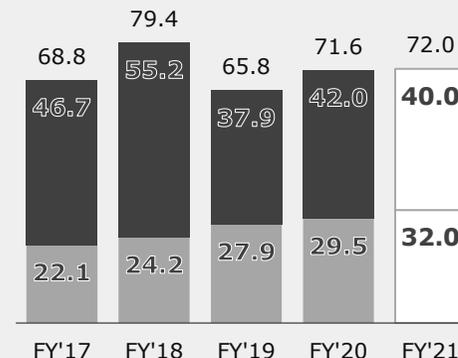
(billion yen)



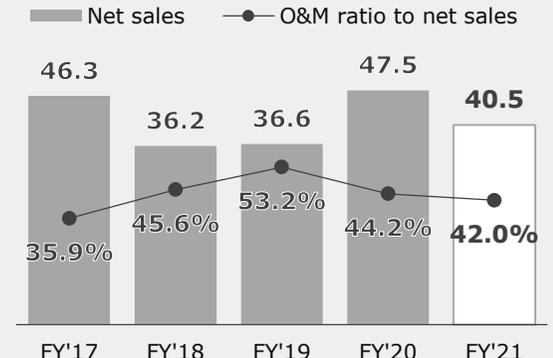
Appendix

Sales of major products in the energy business
above : components
below : after-sales service

(billion yen)



Sales of municipal waste incineration plants
(billion yen)



Details by Segment - Energy Solution & Marine Engineering -



※ The prior results of previous segment have been reclassified to current segment

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

● Ship & Offshore Structures

Commercial ships	Submarines and others
Inquiries of LPG/LAG carriers are increasing, as demand for ammonia is expected to increase.	Stable orders for submarines are expected

● Entire segment

COVID-19 and other risks	Carbon neutrality
<ul style="list-style-type: none"> - Demand is recovering - Prices of raw materials and logistics costs are rising due to the rapid normalization of the economy. 	Inquiries and requests for cooperation are increasing regarding decarbonization solutions, including hydrogen products.

Specific Efforts

✓ Securing orders to improve profitability

Cases ①Renewal and ②Life extension work for domestic municipal waste incineration plants

- ① Received 2 successive orders for design, build and operation of new waste incineration plants from Aizuwakamatsu Wide Area Development Association, and Kirishima city.
- ② Received 4 successive orders for renovation work of core facilities from Saitama city, Hirakata city, Koriyama city, and Sakaide, Utazu wide area administrative association.



Image of new municipal waste incineration plant for Aizuwakamatsu



Image of Kirishima Clean Center

✓ Establishing a leading position in the decarbonization field

- Contributing to carbon neutrality by “utilization” of hydrogen with the 30MW class high-efficiency "L30A" gas turbine.
- ✓ Started discussions with RWE Generation SE (Germany) for the world's first demonstration of 100% hydrogen power generation by a 30 MW class gas turbine.
- ✓ Delivered a cogeneration system that burns by-product hydrogen to Seibu Oil.



L30A

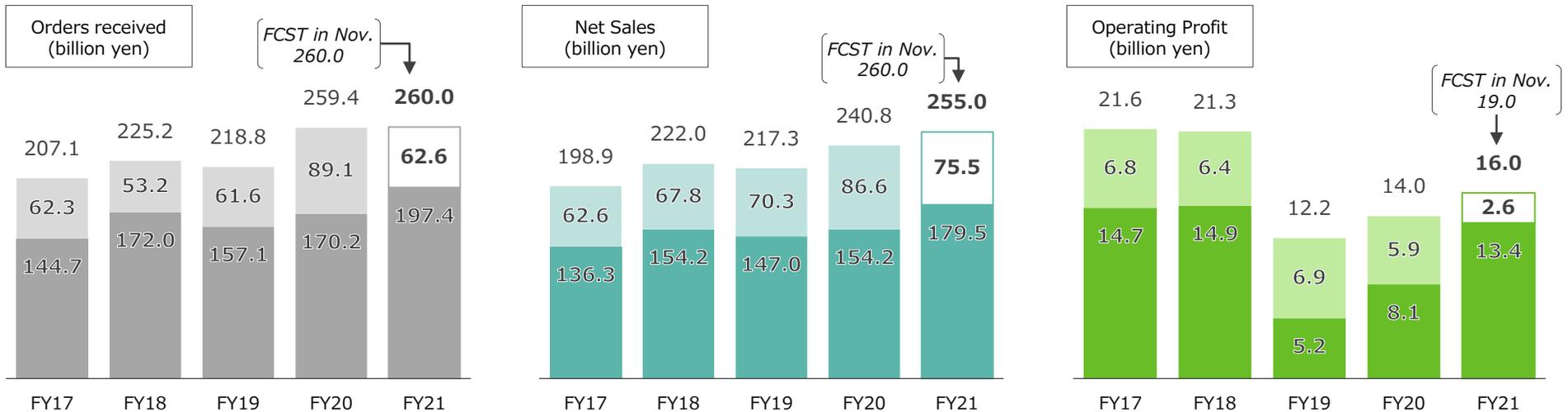
3 Details by Segment - Precision Machinery & Robot -

FY2021.Q3 (vs. FY2020.Q3)

Orders received	↗	Increased due to an increase in hydraulic components for construction machinery and various robots including robots for semiconductor manufacturing equipment.
Net Sales	↗	Same as above.
Operating profit	↗	Increased due to an increase in revenue.

FY2021 forecast (vs. Forecast in November)

Orders received	→	Remained at the same level.
Net Sales	↘	Revised down due to a decrease in revenue in hydraulic components for Chinese construction machinery market.
Operating profit	↘	Revised down due to a decrease in revenue and rising raw material prices.



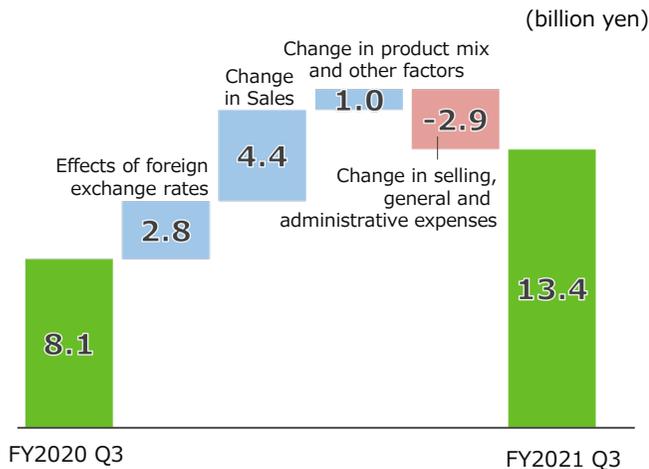
※The dark portion of the graph represents Q3 results and the light portion represents Q4 forecasts.

Details by Segment - Precision Machinery & Robot -

(Billion Yen)

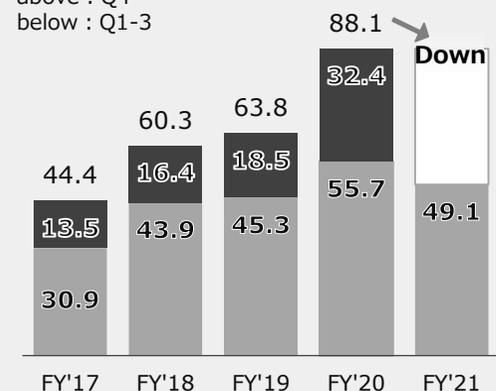
	FY2020	FY2021		FY2020	FY2021 Forecast				
	Q3 Actual	Q3 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY20	Chg. Vs. Old FCST	Q4 FCST
Orders Received	170.2	197.4	+ 27.1	259.4	260.0	260.0	+ 0.6	-	62.6
Hydraulic Components & Systems	113.9	124.5	+ 10.6	172.6	165.0	165.0	- 7.6	-	40.5
Robotics	56.3	72.9	+ 16.5	86.7	95.0	95.0	+ 8.3	-	22.1
Net Sales	154.2	179.5	+ 25.2	240.8	260.0	255.0	+ 14.2	- 5.0	75.5
Hydraulic Components & Systems	110.8	119.0	+ 8.2	165.5	165.0	160.0	- 5.5	- 5.0	41.0
Robotics	43.4	60.4	+ 17.0	75.2	95.0	95.0	+ 19.8	-	34.6
Operating Profit	8.1	13.4	+ 5.3	14.0	19.0	16.0	+ 2.0	- 3.0	2.6
[Margin]	[5.2%]	[7.4%]	[+ 2.2pt]	[5.8%]	[7.3%]	[6.2%]	[+ 0.3pt]	[- 1.1pt]	[3.4%]

Details of change in Operating Profit(Loss)



Appendix

Sales of hydraulic components to China (billion yen)



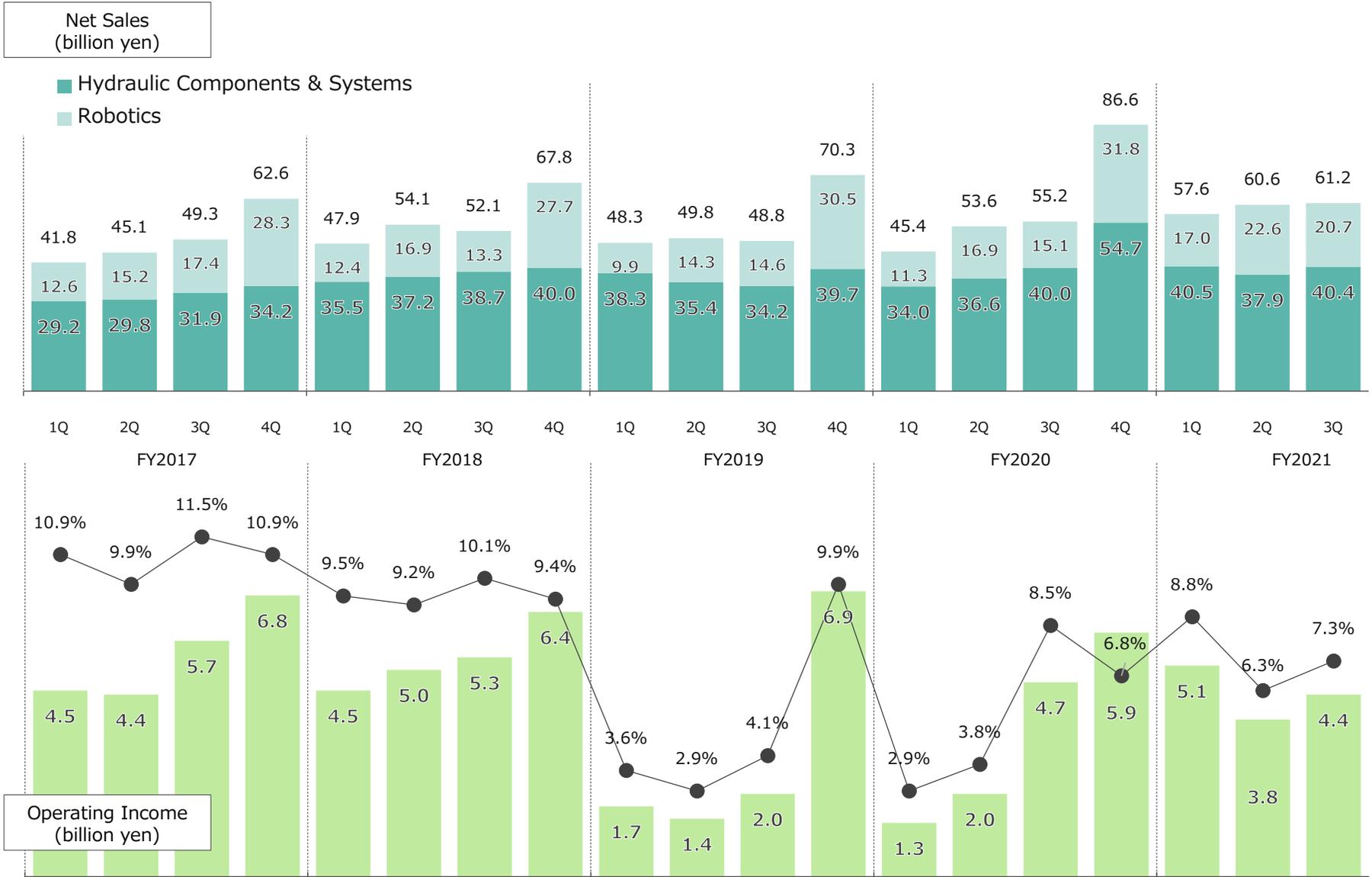
Sales of robots by segment* (billion yen)

above : 3Q
below : 1-4Q

	FY'20	FY'21	Change
Automobile assembly and painting	20.5 36.8	23.0 (FCST)36.0	+2.4 -0.8
Semiconductor	16.0 23.8	25.7 (FCST)35.0	+9.7 +11.2
General robots for industrial use and others	10.9 21.2	18.8 (FCST)28.5	+7.9 +7.3
Total	47.4 81.9	67.6 (FCST)99.5	+20.1 +17.6

*Including intercompany sales

Details by Segment - Precision Machinery & Robot -



Market Overview

- Construction machinery
 - High level of demand in China continues in FY2021 despite the risk of declining demand
 - Demand outside China was recovered from the impact of COVID-19 and remains strong
 - Electrification will be promoted due to the environmental regulations
 - Automation and autonomy will be promoted due to the decline of skilled workers
- Robots
 - General purpose robots for industrial use markets is good, particularly in regions where recovery from the impact of COVID-19 is rapid.
 - In semiconductor markets, demand is strong due to increased capital investment.
 - Shortage of electronic components and logistics disruption continue

Specific Efforts

✓ Developing electrification and automation technology for construction machinery

- Development and supply of the latest hydraulic equipment and systems for electrification and automation to support customers



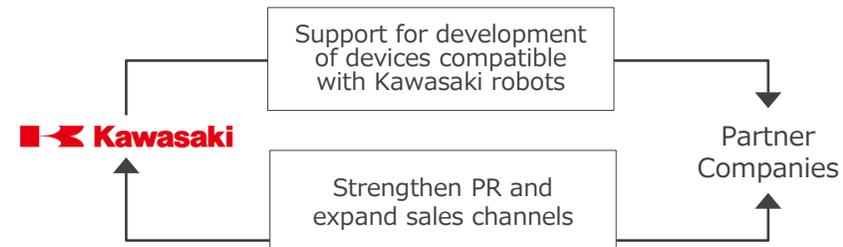
✓ Promotion of open innovation

- K-AddOn was launched in June, 2021.

K-AddOn

A platform that makes devices of our partner companies with guaranteed connectivity to Kawasaki robots widely available to the public.

- ▶ System integrators and robot users can use the "K-AddOn" registration device without verifying connectivity.



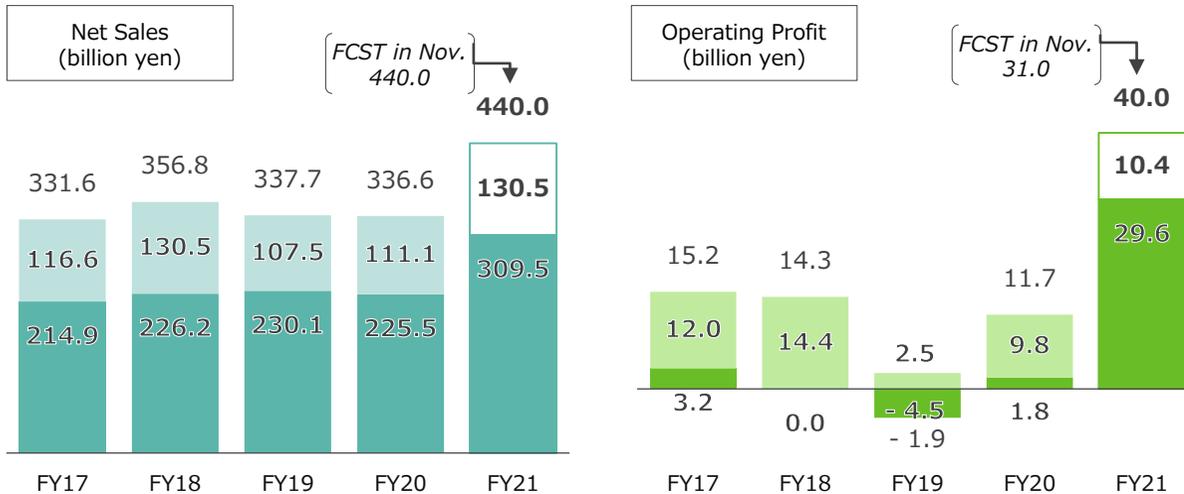
3 Details by Segment - Motorcycle & Engine -

FY2021.Q3 (vs. FY2020.Q3)

- Net Sales** ↑ Increased due to an increase in motorcycles for North America, Europe and Southeast Asia, and an increase in general-purpose gasoline engines for North America.
- Operating profit** ↑ Increased due to an increase in revenue, depreciation of yen compare to Q3 FY2020, and other factors.

FY2021 forecast (vs. Forecast in November)

- Net Sales** → Remained at the same level.
- Operating profit** ↑ Revised up due to reduction in parts procurement risk, price increases, cost reductions, changes in foreign exchange assumptions, and other factors.



※The dark portion of the graph represents Q3 results and the light portion represents Q4 forecasts.

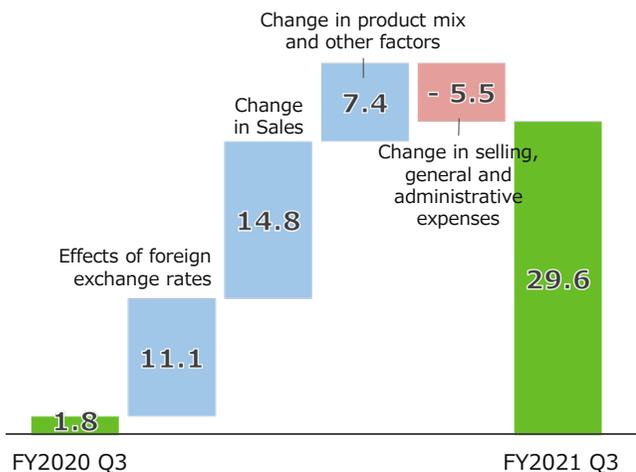
3 Details by Segment - Motorcycle & Engine -

(Billion Yen)

	FY2020	FY2021		FY2020	FY2021 Forecast				
	Q3 Actual	Q3 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY20	Chg. Vs. Old FCST	Q4 FCST
Net Sales	225.5	309.5	+ 84.0	336.6	440.0	440.0	+ 103.4	-	130.5
Motorcycles for developed countries	73.6	111.9	+ 38.2	114.2	170.0	175.0	+ 60.8	+ 5.0	63.1
Motorcycles for emerging market	44.8	72.8	+ 27.9	67.4	88.0	90.0	+ 22.6	+ 2.0	17.2
Utility Vehicles, ATVs & PWC	72.4	75.1	+ 2.7	101.4	112.0	102.0	+ 0.6	- 10.0	26.9
General-purpose gasoline engines	34.5	49.6	+ 15.0	53.5	70.0	73.0	+ 19.5	+ 3.0	23.4
Operating Profit	1.8	29.6	+ 27.8	11.7	31.0	40.0	+ 28.3	+ 9.0	10.4
[Margin]	[0.8%]	[9.5%]	[+ 8.7pt]	[3.4%]	[7.0%]	[9.0%]	[+ 5.5pt]	[+ 1.9pt]	[7.9%]

Details of change in Operating Profit(Loss)

(billion yen)



Appendix

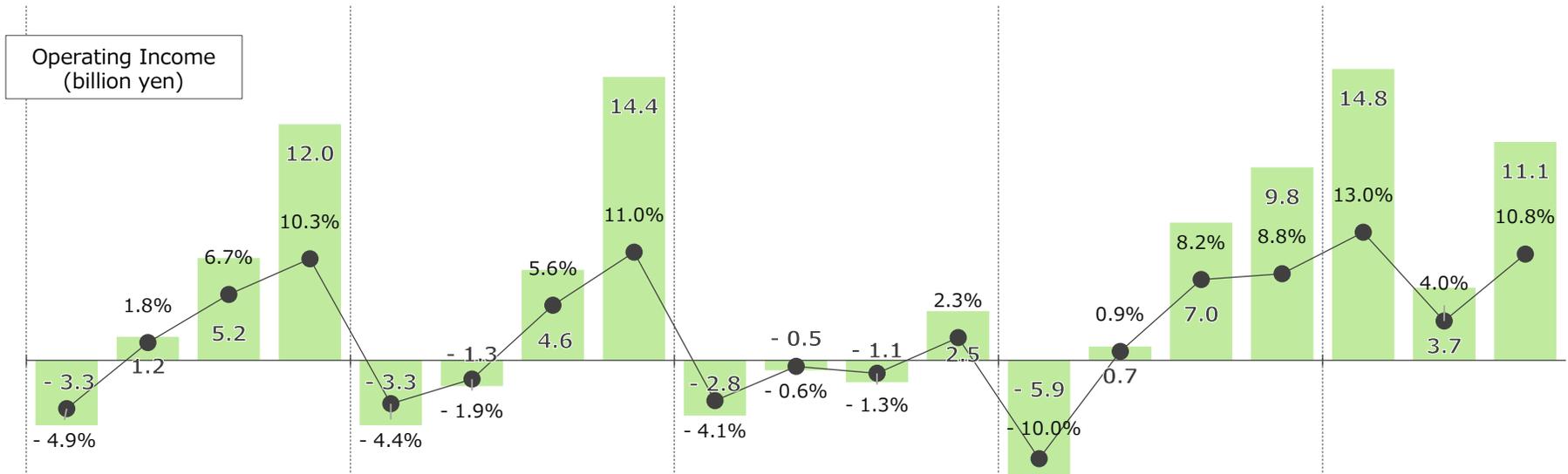
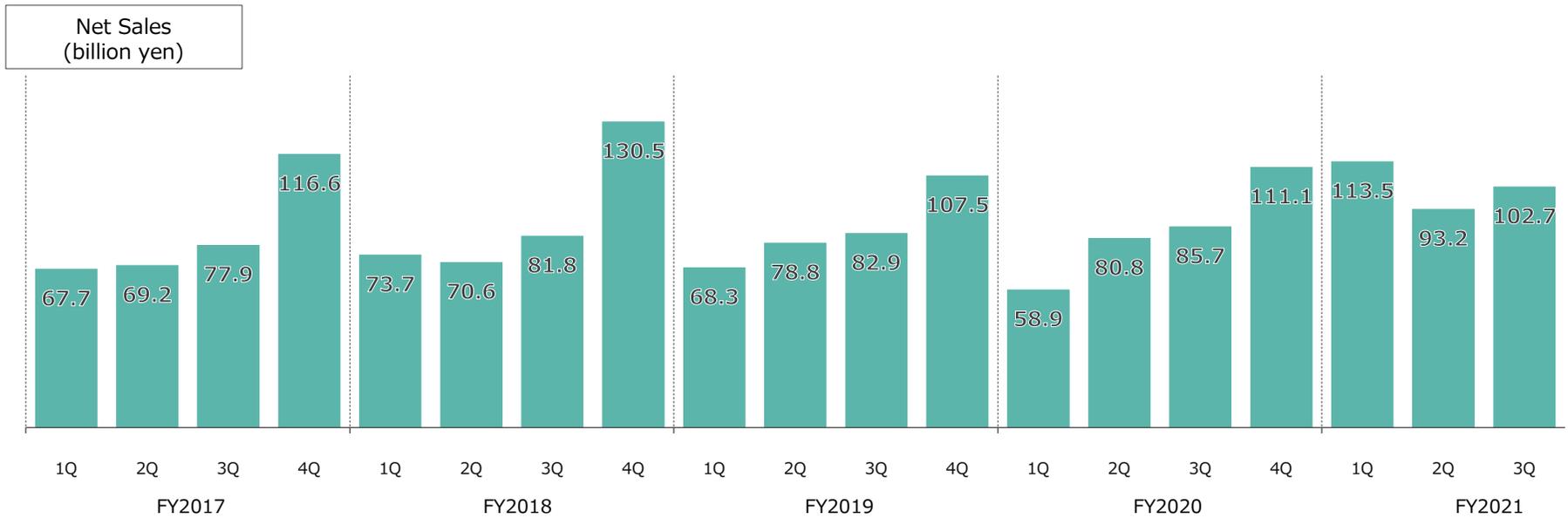
Wholesales of motorcycles by country

Developed countries	(Thousand units)		
	FY'20 Q3	FY'21 Q3	Change
Japan	12	20	+ 7
U.S.	29	56	+ 26
Canada	3	5	+ 1
Europe	37	45	+ 7
Australia	7	9	+ 1
Total	91	137	+ 45

Emerging countries	(Thousand units)		
	FY'20 Q3	FY'21 Q3	Change
Brazil	6	8	+ 1
Thailand	5	5	+ 0
Philippines	97	106	+ 9
Indonesia	18	31	+ 13
China	16	30	+ 13
Others	6	13	+ 6
Total	150	195	+ 45

Wholesales of four-wheeler and PWC :
 FY20' Q3 58 thousand units
 FY21' Q3 55 thousand units

Details by Segment - Motorcycle & Engine -



3 Details by Segment - Motorcycle & Engine -

Market Overview

- U.S.
 - Demand for off-road motorcycles and four-wheelers remains strong
 - Strong demand is expected to continue
- Europe
 - Retail markets recovered from the impact of COVID-19 and remain strong
- Southeast Asia
 - Improved YoY, but outlook remains uncertain
- Supply Chain risks
 - Shortage of parts such as semiconductor parts and logistics disruption affect our product supply



SxS TERYX KRX 1000
popular in the U.S.



EV Project
EICMA2019

Specific Efforts

- ✓ **Supplying products as much as demanded**
 - All efforts to achieve production plans
 - Changing production and sales plans promptly according to the available parts, if production cannot be carried out as planned due to logistics disruption or insufficient parts supply
- ✓ **Expansion of the four wheeler business and electrification**
 - Focus on development investment to increase four wheeler production and to decarbonization
 - 30 billion yen investment in U.S. Plant and Mexico Plant in 5 years to expand production capacity
 - Accelerating development toward the launch of BEVs and HEVs
 - Consideration of joint research with Yamaha Motor on hydrogen engines
- ✓ **Strict control of fixed cost to slimming down**
 - Continuation of concrete measures to thoroughly reduce fixed costs
 - R&D, however, is promoted
- ✓ **Securing Free Cash Flows**
 - Aiming to secure stable FCF for future investment

4 Shareholder Return

Dividend Policy

- 1 Future business forecasts, Financial conditions such as free cash flow and debt-to-equity ratio, and other factors
- 2 Stable dividends

▶ The medium- to long-term consolidated dividend payout ratio

30%

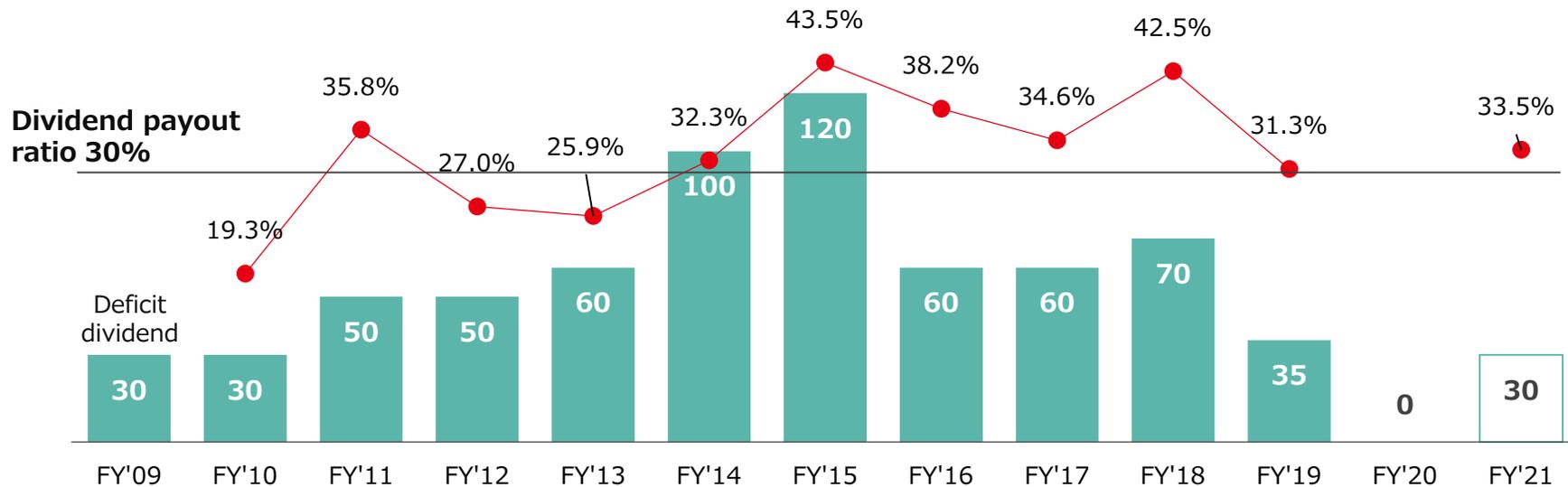
Dividend for FY2021

- The forecast of operating profit was revised upward by 16 billion yen from the beginning of the FY2021
- The forecast of net income attributable to owners of the parent was revised down by 2 billion yen, due to deterioration in non-operating loss
- Supply chain risk still remains

▶ Full year dividend is **30yen** per share

✓ dividend payout ratio of **33.5%**

✓ Interim dividend: **20yen** , Year-end dividend: **10yen**



✓ Growing Kawasaki brand and business

- Japan's **Top Market Share**
in cumulative units for 4 years (251cc or more)

65011 units **No.1**
Wholesale in Japan for 4 years (251cc or more)

- Ninja ZX-25R won the "Japan Motorcycle of the Year 2021" .
- In March, Bimota launches a new model "KB4" equipped with Kawasaki engine.

Key drivers for growth

Brand power

Product power

Collaborations and alliances with other companies

Active investment in increased production

Japan Motorcycle of the Year 2021

Ninja ZX-25R



Italian luxury handmade motorcycle

Bimota KB4



※ Kawasaki Motors, Ltd.
Business Policy Briefing (Oct. 6, 2021)

Project Topics



Wafer transfer robot "today"

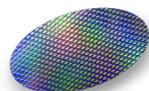
~Full production to support global semiconductor supply~

- We continue to produce wafer transfer robots for semiconductor manufacturing equipment at full capacity, in response to growing demand for semiconductors worldwide.
- The semiconductor manufacturing equipment market will exceed **\$100 billion** in 2021 for the first time in history, and **continue to grow in 2022 and beyond.**

*SEMI market forecasts

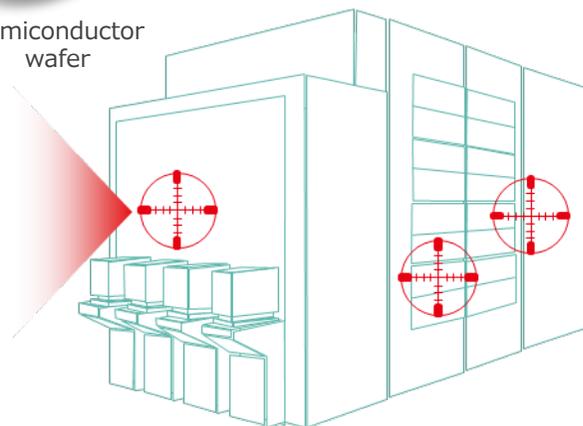
Active in semiconductor manufacturing equipment

Various types of transfer robots operate in accordance with the characteristics of semiconductor manufacturing equipment.



Semiconductor wafer

Image of semiconductor manufacturing equipment



Wafer transfer robot share※

※ Our estimates based on FY'20 amounts

Kawasaki
Share No. **1**
56%

✓ Arrival of the world's first liquefied hydrogen carrier "SUIISO FRONTIER" from Japan to Australia

- Successfully demonstrated the transportation of **large amount** of liquefied hydrogen **across open waters**

Learnings from the Pilot project

- Viability of loading and maritime transport of liquefied hydrogen
 - Structure integrity of double-wall and insulated tanks and piping etc.
 - Offshore operations ...etc.
- Completing loading operation of liquefied hydrogen and inspection of onboard equipment, the ship has departed Australia and is to return to Japan in February.
 - Performance as expected has been confirmed, and the pilot demonstration has been **successfully and smoothly conducted.**



Press release
https://global.kawasaki.com/news_220121-1e.pdf

Length overall : 116 m
 Tank capacity : 1,250 m³
 Crews: 25 people





Launch of PCR viral testing service as a part of free PCR testing projects by local governments

- In Tokyo, starting with Daita Kumin Center (Residents' Center) in Setagaya-ward, we plan to set up sample collection booths in Sugunami-ward and other locations.
- In Hyogo prefecture, we set up the first sample collection booth at Kobe, and other booths are in preparation.
- Our service is consistent throughout reception, sample collection, testing, and notification of results.

Testing services in airports also expanding

Kawasaki links up with Medical Corporation TOMOHIROKAI to expand the capability of the PCR Test Center at Kansai International Airport (KIX) .

The clinic is the second PCR viral testing facility for international passengers at KIX.

Testing facilities in KIX

- ① Kindai University Kansai International Airport Clinic
- ② Kansai International Airport PCR Test Clinic, Medical Corporation TOMOHIROKAI

In addition to expanding to other international airports, Kawasaki aims to introduce PCR viral testing service for **inbound passengers**.

 **Kawasaki**

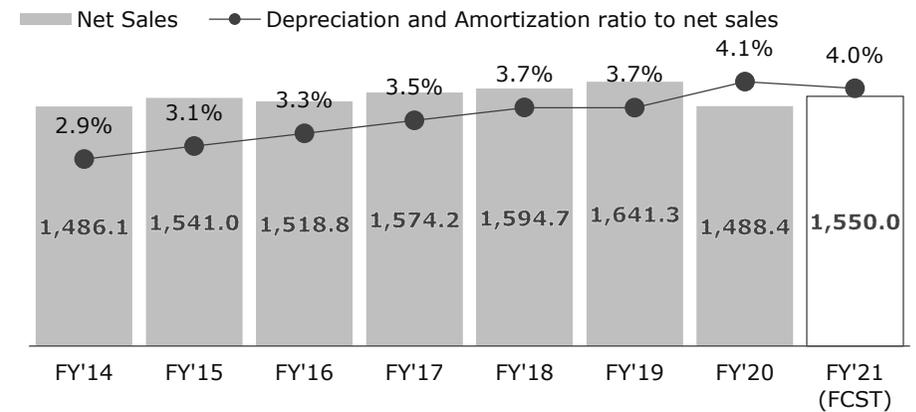
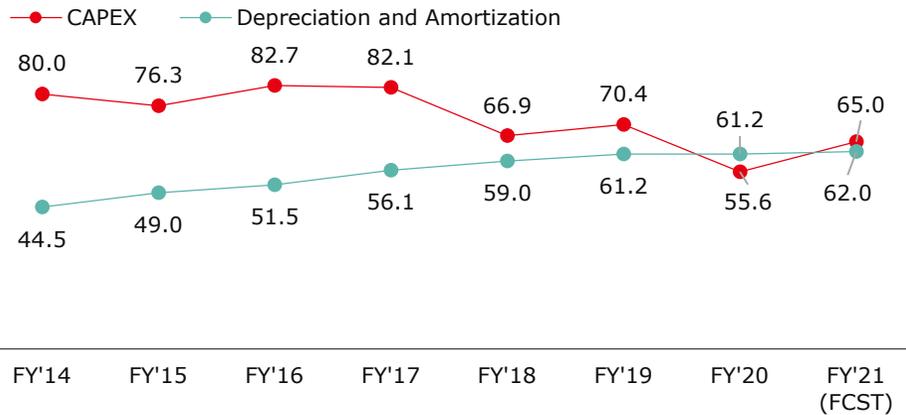
Automated PCR Testing Services



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

(Billion Yen, Persons)

	FY2020	FY2021		FY2020	FY2021	
	Q3 Actual	Q3 Actual	Change	Actual	FCST	Chg. Vs. FY20
CAPEX	41.9	35.2	- 6.7	55.6	65.0	+ 9.4
Depreciation and amortization	45.2	45.0	- 0.1	61.2	62.0	+ 0.8
R & D expenses	29.7	31.7	+ 2.0	44.9	49.5	+ 4.6
Number of Employees				36,691	37,300	+ 61
Domestic				26,901	27,400	+ 50
Overseas				9,790	9,900	+ 11



● Order Backlog (billion yen)

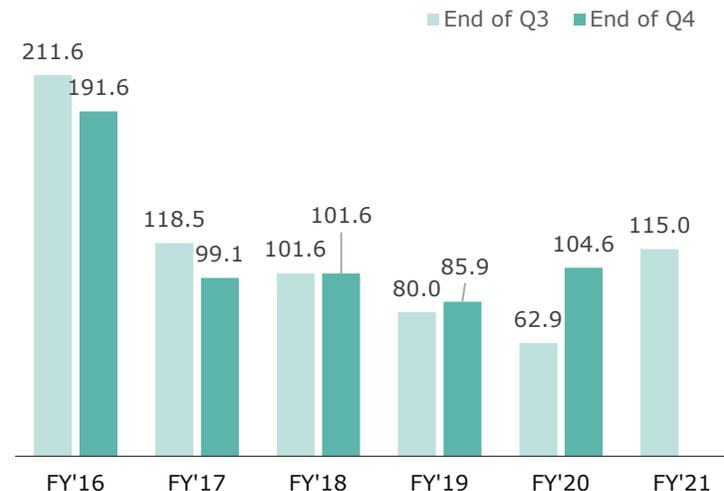
	FY20 Q3	FY21 Q3	
	Actual	Actual	Change
Aerospace Systems	522.7	486.9	- 35.7
Rolling Stock	447.2	396.4	- 50.7
Energy Solution & Marine Engineering	448.4	525.8	+ 77.3
Precision Machinery & Robot	66.7	87.1	+ 20.4
Motorcycle & Engine	-	-	-
Others	23.8	31.0	+ 7.1
Total	1,509.0	1,527.5	+ 18.4

● Net sales by region (billion yen)

	FY20 Q3	FY21 Q3	
	Actual	Actual	Change
Japan	483.2	454.0	- 29.2
USA	227.8	243.6	+ 15.8
Europe	104.4	85.7	- 18.7
Asia	183.0	200.6	+ 17.5
Other	33.7	54.5	+ 20.7
Total	1,032.4	1,038.7	+ 6.2

※ 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)

	FY'21 Received Orders	Delivery Year					Order Backlog
		FY'21		FY'22	FY'23	FY'24	
		Actual	4Q~				
LNG Carrier		-	-	-	-	-	-
LPG Carrier	5	1	2	4	4	1	11
Submarine		-	-	1	-	1	2
Others		-	-	-	-	-	-
Total	5	1	2	5	4	2	13

- Net Sales in Foreign Currencies by Segment (billion USD)

	FY2020	FY2021	
	Actual	Actual	Q4 FCST
Aerospace Systems	0.32	0.23	0.01
Rolling Stock	0.05	0.05	0.06
Energy Solution & Marine Engineering	0.21	0.20	0.34
Precision Machinery & Robot	0.12	0.17	0.06
Motorcycle & Engine	0.27	0.45	0.29
Total	0.97	1.10	0.77

※ Impact on profit by FX fluctuation of 1 yen

- Weighted-average exchange rates (EUR/JPY)

FY2019 actual	121.70
FY2020 actual	124.61
FY2021 Q3 actual	130.78
FY2021 Q4 forecast	130.00

- Net Sales in Foreign Currencies (billion EUR)

FY2019 actual	0.44
FY2020 actual	0.32
FY2021 Q3 actual	0.31
FY2021 Q4 forecast	0.18

※ Impact on profit by FX fluctuation of 1 yen

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