KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

FLASH CONSOLIDATED FINANCIAL RESULTS

February 10, 2023

For nine months ended December 31, 2022 and 2021 and one year ended March 31, 2022

(Consolidated)

Operating results

(Millions of yen)

	Nine months ended Dec. 31, 2022	Nine months ended Dec. 31, 2021
Revenue	**1,196,330**	1,038,686
Business Profit	**80,885**	28,746
Profit attributable to owners of parent	**52,512**	11,249
Earnings per share (Yen)	**313.55**	67.22

Financial position

(Millions of yen / Thousand shares)

	As of Dec. 31, 2022	As of Mar. 31, 2022
Total assets	**2,436,446**	2,174,630
Equity	**577,300**	524,891
Number of shares issued and outstanding	**167,481**	167,472
Equity Ratio	**22.9%**	23.2%

Cash flows

(Millions of yen)

	Nine months ended Dec. 31, 2022	Nine months ended Dec. 31, 2021
Operating activities	**(113,118)**	(135,635)
Investing activities	**(53,266)**	(46,451)
Financing activities	**151,561**	129,757
Cash and cash equivalents at end of period	**87,998**	68,658

Fiscal year forecast

(Millions of yen)

	Revenue	Business profit	Profit attributable to owners of parent
One year ending March 31, 2023	1,750,000	86,000	54,000

Note: The KHI Group has adopted International Financial Reporting Standards(IFRS) from the first quarter ending June 30, 2022, and the consolidated financial data for the third quarter ending December 31, 2021 and the fiscal year ended March 31, 2022 are reclassified based on IFRS.

Consolidated Statement of Financial Position

As of December 31 and March 31, 2022 and Apr 1, 2021

(Millions of yen)

	As of Apr. 1, 2021	As of Mar. 31, 2022	**As of Dec. 31, 2022**
Assets			
Current assets			
Cash and cash equivalents	122,166	108,511	**87,998**
Trade and other receivables	355,061	409,246	**479,121**
Contract assets	148,523	109,132	**135,722**
Inventories	565,860	615,476	**729,479**
Income taxes receivable	3,482	3,046	**5,832**
Other financial assets	6,660	10,606	**14,582**
Other current assets	23,110	64,184	**117,355**
Total current assets	1,224,865	1,320,204	**1,570,091**
Non-current assets			
Property, plant and equipment	449,155	444,375	**445,786**
Intangible assets	62,510	61,940	**62,295**
Right-of-use assets	55,504	58,524	**62,006**
Investments accounted for using equity method	73,464	70,438	**78,677**
Other financial assets	69,913	70,752	**70,817**
Deferred tax assets	106,430	102,209	**102,074**
Other non-current assets	48,835	46,183	**44,697**
Total non-current assets	865,814	854,425	**866,354**
Total assets	2,090,679	2,174,630	**2,436,446**
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	418,070	399,892	**433,134**
Bonds, borrowings and other financial liabilities	266,724	208,773	**412,756**
Income taxes payable	4,753	8,506	**12,134**
Contract liabilities	159,476	256,189	**274,197**
Provisions	26,918	24,409	**20,356**
Other current liabilities	116,244	161,951	**149,538**
Total current liabilities	992,187	1,059,723	**1,302,118**
Non-current liabilities			
Bonds, borrowings and other financial liabilities	478,002	458,068	**430,198**
Retirement benefit liability	115,218	107,024	**110,244**
Provisions	7,082	4,136	**2,020**
Deferred tax liabilities	1,038	1,382	**986**
Other non-current liabilities	17,504	19,403	**13,578**
Total non-current liabilities	618,847	590,014	**557,027**
Total liabilities	1,611,034	1,649,738	**1,859,145**
Equity			
Equity attributable to owners of parent			
Share capital	104,484	104,484	**104,484**
Capital surplus	54,542	55,525	**55,773**
Retained earnings	299,409	320,671	**365,304**
Treasury shares	(136)	(1,129)	**(1,105)**
Other components of equity	3,846	25,931	**34,445**
Total equity attributable to owners of parent	462,146	505,484	**558,902**
Non-controlling interests	17,498	19,407	**18,397**
Total equity	479,645	524,891	**577,300**
Total liabilities and equity	2,090,679	2,174,630	**2,436,446**

Consolidated Statement of Profit or Loss

For nine months ended December 31, 2022 and 2021

(Millions of yen)

	Nine months ended Dec. 31, 2021	**Nine months ended Dec. 31, 2022**
Revenue	1,038,686	**1,196,330**
Cost of sales	849,222	**949,501**
Gross profit	189,464	**246,828**
Selling, general and administrative expenses	148,382	**168,807**
Share of profit (loss) of investments accounted for using equity method	(15,179)	**3,935**
Other income	5,682	**2,818**
Other expenses	2,839	**3,890**
Business Profit	28,746	**80,885**
Finance income	968	**1,363**
Finance costs	4,942	**10,120**
Profit before tax	24,771	**72,127**
Income tax expense	11,793	**18,399**
Profit	12,977	**53,727**
Profit attributable to		
Owners of parent	11,249	**52,512**
Non-controlling interests	1,728	**1,214**
Earnings per share		
Basic earnings per share	67.22	**313.55**

Consolidated Statement of Profit or Loss

For three months ended December 31, 2022 and 2021

(Millions of yen)

	Three months ended Dec. 31, 2021	**Three months ended Dec. 31, 2022**
Revenue	357,648	**436,584**
Cost of sales	286,121	**329,845**
Gross profit	71,527	**106,738**
Selling, general and administrative expenses	52,487	**58,953**
Share of profit (loss) of investments accounted for using equity method	(8,157)	**2,932**
Other income	92	**379**
Other expenses	(131)	**1,043**
Business Profit	11,106	**50,054**
Finance income	226	**(7,249)**
Finance costs	1,335	**6,623**
Profit before tax	9,997	**36,180**
Income tax expense	5,260	**6,886**
Profit	4,736	**29,294**
Profit attributable to		
Owners of parent	4,028	**28,749**
Non-controlling interests	708	**544**
Earnings per share		
Basic earnings per share	24.05	**171.65**

Consolidated Statement of Comprehensive Income

For Nine months ended December 31, 2022 and 2021

(Millions of yen)

	Nine months ended Dec. 31, 2021	**Nine months ended Dec. 31, 2022**
Profit	12,977	**53,727**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	660	**(1,036)**
Remeasurements of defined benefit plans	(21)	**528**
Share of other comprehensive income of investments accounted for using equity method	(1)	**0**
Total of items that will not be reclassified to profit or loss	638	**(507)**
Items that may be reclassified to profit or loss		
Cash flow hedges	(230)	**2,146**
Exchange differences on translation of foreign operations	4,038	**7,794**
Share of other comprehensive income of investments accounted for using equity method	4,579	**439**
Total of items that may be reclassified to profit or loss	8,387	**10,380**
Total other comprehensive income	9,025	**9,872**
Comprehensive income	22,003	**63,600**
Comprehensive income attributable to		
Owners of parent	20,023	**62,078**
Non-controlling interests	1,980	**1,522**

Consolidated Statement of Comprehensive Income

For Three months ended December 31, 2022 and 2021

(Millions of yen)

	Three months ended Dec. 31, 2021	**Three months ended Dec. 31, 2022**
Profit	4,736	**29,294**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(128)	**(451)**
Remeasurements of defined benefit plans	4	**(152)**
Share of other comprehensive income of investments accounted for using equity method	(0)	**238**
Total of items that will not be reclassified to profit or loss	(125)	**(365)**
Items that may be reclassified to profit or loss		
Cash flow hedges	(46)	**9,352**
Exchange differences on translation of foreign operations	2,680	**(12,469)**
Share of other comprehensive income of investments accounted for using equity method	2,329	**(2,352)**
Total of items that may be reclassified to profit or loss	4,963	**(5,470)**
Total other comprehensive income	4,838	**(5,835)**
Comprehensive income	9,575	**23,458**
Comprehensive income attributable to		
Owners of parent	8,852	**23,502**
Non-controlling interests	722	**(44)**

Consolidated Statement of Changes in Equity

For Nine months ended December 31, 2021

(Millions of yen)

	Equity attributable to owners of parent			
	Share capital	Capital surplus	Retained earnings	Treasury shares
Balance as of Apr. 1, 2021	104,484	54,542	299,409	(136)
Profit			11,249	
Other comprehensive income				
Comprehensive income			11,249	
Issuance of new shares		1,916		
Purchase of treasury shares				(1,025)
Disposal of treasury shares		4		33
Dividends			(3,357)	
Transfer to retained earnings			598	
Change in scope of consolidation				
Loss of control of subsidiaries				
Change in ownership interest of parent due to transactions with non-controlling interests		(936)		
Transfer to non-financial assets				
Other			150	
Total transactions with owners		984	(2,609)	(991)
Balance as of Dec. 31, 2021	104,484	55,526	308,049	(1,127)

	Equity attributable to owners of parent						Non-controlling interests	Total
	Other components of equity					Total equity attributable to owners of parent		
	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Cash flow hedges	Exchange differences on translation of foreign operations	Total			
Balance as of Apr. 1, 2021	-	4,025	(179)	-	3,846	462,146	17,498	479,645
Profit						11,249	1,728	12,977
Other comprehensive income	(9)	636	(413)	8,560	8,774	8,774	251	9,025
Comprehensive income	(9)	636	(413)	8,560	8,774	20,023	1,980	22,003
Issuance of new shares						1,916		1,916
Purchase of treasury shares						(1,025)		(1,025)
Disposal of treasury shares						37		37
Dividends						(3,357)	(376)	(3,733)
Transfer to retained earnings	9	(607)			(598)	-		-
Change in scope of consolidation								
Loss of control of subsidiaries								
Change in ownership interest of parent due to transactions with non-controlling interests						(936)		(936)
Transfer to non-financial assets			(286)		(286)	(286)		(286)
Other				0	0	150	(213)	(63)
Total transactions with owners	9	(607)	(286)	0	(884)	(3,501)	(589)	(4,091)
Balance as of Dec. 31, 2021	-	4,054	(879)	8,560	11,735	478,668	18,889	497,558

For nine months ended December 31, 2022

(Millions of yen)

	Equity attributable to owners of parent			
	Share capital	Capital surplus	Retained earnings	Treasury shares
Balance as of Apr. 1, 2022	104,484	55,525	320,671	(1,129)
Profit			52,512	
Other comprehensive income				
Comprehensive income			52,512	
Issuance of new shares				
Purchase of treasury shares				(3)
Disposal of treasury shares		(0)		26
Dividends			(8,394)	
Transfer to retained earnings			479	
Change in scope of consolidation				
Loss of control of subsidiaries				
Change in ownership interest of parent due to transactions with non-controlling interests		248		
Transfer to non-financial assets				
Other			34	
Total transactions with owners		247	(7,879)	23
Balance as of Dec. 31, 2022	104,484	55,773	365,304	(1,105)

	Equity attributable to owners of parent						Non-controlling interests	Total
	Other components of equity					Total equity attributable to owners of parent		
	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Cash flow hedges	Exchange differences on translation of foreign operations	Total			
Balance as of Apr. 1, 2022	-	4,435	(284)	21,780	25,931	505,484	19,407	524,891
Profit						52,512	1,214	53,727
Other comprehensive income	538	(1,007)	1,546	8,488	9,565	9,565	307	9,872
Comprehensive income	538	(1,007)	1,546	8,488	9,565	62,078	1,522	63,600
Issuance of new shares								-
Purchase of treasury shares						(3)		(3)
Disposal of treasury shares						26		26
Dividends						(8,394)	(561)	(8,955)
Transfer to retained earnings	(538)	59			(479)	-		-
Change in scope of consolidation							366	366
Loss of control of subsidiaries							(2,079)	(2,079)
Change in ownership interest of parent due to transactions with non-controlling interests						248	(259)	(11)
Transfer to non-financial assets			(571)		(571)	(571)		(571)
Other						34	0	34
Total transactions with owners	(538)	59	(571)		(1,050)	(8,659)	(2,532)	(11,191)
Balance as of Dec. 31, 2022	-	3,487	690	30,268	34,445	558,902	18,397	577,300

(Consolidated)

Consolidated Statement of Cash Flows

For nine months ended December 31, 2022 and 2021

(Millions of yen)

	Nine months ended Dec. 31, 2021	**Nine months ended Dec. 31, 2022**
Cash flows from operating activities		
Profit	12,977	**53,727**
Depreciation and amortization	56,962	**55,980**
Impairment losses	295	**405**
Finance income and finance costs	2,047	**3,137**
Share of loss (profit) of investments accounted for using equity method	15,179	**(3,935)**
Loss (gain) on sale of fixed assets	790	**518**
Income tax expense	11,793	**18,399**
Increase (decrease) in retirement benefit liability	4,051	**2,771**
Decrease (increase) in trade and other receivables	(18,616)	**(64,277)**
Decrease (increase) in contract assets	(35,472)	**(26,589)**
Decrease (increase) in inventories	(86,461)	**(106,083)**
Increase (decrease) in trade and other payables	(48,539)	**26,151**
Decrease (increase) in avdance payment	(28,299)	**(29,416)**
Increase (decrease) in contract liabilities	17,212	**14,784**
Other	(24,480)	**(40,641)**
Subtotal	(120,559)	**(95,068)**
Interest received	682	**1,131**
Dividends received	302	**327**
Interest paid	(3,062)	**(4,286)**
Income taxes paid	(12,999)	**(15,221)**
Net cash provided by (used in) operating activities	(135,635)	**(113,118)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(42,393)	**(38,749)**
Proceeds from sale of property, plant and equipment	2,373	**1,981**
Payments for equity method investment and purchase of other financial assets	(1,162)	**(6,313)**
Proceeds from equity method investment and sale of other financial assets	1,574	**80**
Payments for acquisition of subsidiaries	(8)	**(525)**
Proceeds from acquisition of subsidiaries	489	**-**
Decrease due to loss of control over subsidiaries	-	**(3,224)**
Other	(7,325)	**(6,515)**
Net cash provided by (used in) investing activities	(46,451)	**(53,266)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	161,671	**177,841**
Repayments of lease liabilities	(10,572)	**(10,993)**
Proceeds from long-term borrowings	11,000	**12,500**
Repayments of long-term borrowings	(17,001)	**(18,500)**
Proceeds from issuance of bonds	10,000	**9,000**
Redemption of bonds	(30,000)	**(20,000)**
Dividends paid	(3,129)	**(7,982)**
Proceeds from fluidity of lease receivables	36,230	**47,139**
Repayment of payables under fluidity lease receivables	(23,293)	**(32,302)**
Dividends paid to non-controlling interests	(376)	**(561)**
Net decrease (increase) in treasury shares	(953)	**0**
Other	(3,817)	**(4,579)**
Net cash provided by (used in) financing activities	129,757	**151,561**
Effect of exchange rate changes on cash and cash equivalents	(1,177)	**(5,690)**
Net increase (decrease) in cash and cash equivalents	(53,507)	**(20,513)**
Cash and cash equivalents at beginning of period	122,166	**108,511**
Cash and cash equivalents at end of period	68,658	**87,998**

Segment information

Information by reportable segment

(Millions of yen)

	Nine months ended Dec. 31, 2021			
	Revenue from external customers	Intersegment revenue and transfers	Total revenue	Business profit (loss)
Aerospace Systems	204,907	5,331	210,239	(9,536)
Rolling Stock	89,152	5	89,157	2,985
Energy Solution & Marine Engineering	201,779	10,398	212,178	(9,612)
Precision Machinery & Robot	179,531	12,401	191,933	11,746
Powersports & Engine	309,546	551	310,097	30,127
Other	53,769	14,099	67,869	4,529
Total	1,038,686	42,788	1,081,474	30,240
Eliminations and corporate	-	(42,788)	(42,788)	(1,494)
Consolidated total	1,038,686	-	1,038,686	28,746

(Millions of yen)

	Nine months ended Dec. 31, 2022			
	Revenue from external customers	**Intersegment revenue and transfers**	**Total revenue**	**Business profit (loss)**
Aerospace Systems	**238,600**	**7,273**	**245,874**	**13,710**
Rolling Stock	**92,359**	**607**	**92,966**	**793**
Energy Solution & Marine Engineering	**212,353**	**10,417**	**222,770**	**9,387**
Precision Machinery & Robot	**179,189**	**13,724**	**192,913**	**7,443**
Powersports & Engine	**413,788**	**664**	**414,453**	**53,728**
Other	**60,039**	**15,793**	**75,833**	**3,317**
Total	**1,196,330**	**48,481**	**1,244,811**	**88,380**
Eliminations and corporate	**-**	**(48,481)**	**(48,481)**	**(7,495)**
Consolidated total	**1,196,330**	**-**	**1,196,330**	**80,885**

Orders by reportable segment

For Nine months ended December 31, 2022 and 2021

(Billions of yen)

	Nine months ended Dec. 31, 2021	**Nine months ended Dec. 31, 2022**
Orders :		
Aerospace Systems	160.8	**200.7**
Rolling Stock	42.2	**294.3**
Energy Solution & Marine Engineering	253.2	**301.8**
Precision Machinery & Robot	197.4	**197.6**
Powersports & Engine	309.5	**413.7**
Other	63.0	**68.1**
Total	1,026.4	**1,476.5**