

Kawasaki Heavy Industries, Ltd.

March 31, 2021

Notice of the conclusion of an absorption-type company split agreement related to the succession by a subsidiary to the Company's rolling stock business based on a company split (simple split)

Tokyo, March 31, 2021 – Kawasaki Heavy Industries, Ltd. (hereinafter referred to as the “Company”) has announced that it established Kawasaki Railcar Manufacturing Co., Ltd. (wholly-owned subsidiary of the Company; hereinafter referred to as “Kawasaki Railcar”) on March 10, 2021 as a preparatory company related to the spin-off of its Rolling Stock Company (announced November 2, 2020) and resolved at a meeting of the Board of Directors held today to allow Kawasaki Railcar to succeed to the rights and obligations of the business conducted by the Rolling Stock Company (hereinafter referred to as “Rolling Stock Business”) by an absorption-type split (hereinafter referred to as “Company Split”).

Because this Company Split is an absorption-type split to a wholly-owned subsidiary of the Company, some of the details of disclosure are omitted.

1. Purpose

Railway systems which are an environmentally-friendly means of public transportation and an integral part of daily life, are projected to achieve stable market growth globally. This trend is anticipated to be driven by urban transportation initiatives to reduce congestion and improve the environment in large cities experiencing population concentration, as well as the need to develop railway infrastructure in Asian countries together with their economic development.

On the other hand, COVID-19 pandemic has caused railway operators in Japan to review their investment plans in response to declining passenger numbers, while in overseas, delays have been occurring in the construction of new railway lines.

Based on this view of the market situation, the Company is implementing this Company Split as an independent core company in order to establish a system that will take agile and flexible measures, including through close alliance and collaboration with industry partners to respond to demand for railway systems overall and provide solutions to railway operators.

2. Overview**(1) Essentials****[1] Schedule**

| | |
|--|---------------------------|
| Date of resolution of Board of Directors | March 31, 2021 |
| Date of execution of the company split agreement | March 31, 2021 |
| Scheduled date of company split (effective date) | October 1, 2021 (planned) |

(Note) This Company Split constitutes a simplified absorption-type company split at the Company based on the provisions of Article 784, Paragraph 2 of the Companies Act and so will be implemented without approval based on a resolution of a general meeting of shareholders.

[2] Format

This will be an absorption-type company split in which Kawasaki Railcar will be the successor company and the Company will be the split company.

[3] Details of share allocation

At the time of this Company Split, Kawasaki Railcar will issue 192,800 shares of common stock, all of which will be allotted and granted to the Company.

[4] Handling of stock acquisition rights and bonds with stock acquisition rights

There are no applicable matters.

[5] Increase or decrease in capital

There will be no change to the capital of the Company due to this Company Split.

[6] Rights and obligations succeeded to by the succeeding company

Kawasaki Railcar will succeed to the rights and obligations of the Company in relation to Rolling Stock Business based on this Company Split. (However, this shall exclude the case where it is established in the absorption-type company split agreement that such succession shall not take place.)

[7] Prospect of performance of obligations

The Company has judged that there are no issues with regard to the certainty of performance of obligations that the Company should bear in association with Kawasaki Railcar becoming an independent core company.

(2) Outline of the companies involved in this Company Split

| | Company to be split (As of March 31, 2021) | Succeeding company (As of March 31, 2021) |
|---|--|--|
| [1] Trade name | Kawasaki Heavy Industries, Ltd. | Kawasaki Railcar Manufacturing Co., Ltd. |
| [2] Head Office | 1-1, Higashikawasaki-cho 3-chome, Chuo-ku, Kobe | 1-18, Wadayama-dori 2-chome, Hyogo-ku, Kobe |
| [3] Position and name of representative | Representative Director, President and Chief Executive Officer Yasuhiko Hashimoto | Representative Director and President Hiroshi Murao |
| [4] Business description | Ship and offshore structure business Rolling stock business Aerospace systems business Energy system and plant engineering business Motorcycle and engine business Precision machinery and robot business, etc. | Rolling stock business |
| [5] Capital | 104,484 million yen | 10 million yen |
| [6] Date of establishment | October 15, 1896 | March 10, 2021 |
| [7] Number of shares issued | 167,080,532 shares | 200 shares |
| [8] Accounting period | March 31 | March 31 |
| [9] Major shareholders and shareholding ratio | · The Master Trust Bank of Japan, Ltd. (Trust Account) [6.4%] | · Kawasaki Heavy Industries, Ltd. [100%] |

| | | |
|--|---|--|
| | <ul style="list-style-type: none"> · Custody Bank of Japan, Ltd. (Trust Account) [3.4%] · Nippon Life Insurance Company [3.4%] · Kawasaki Heavy Industries Employee Stock Ownership Association [2.5%] · Mizuho Bank, Ltd. [2.5%] | |
| | * As of September 30, 2020 | |

| | | |
|--|--------------------------------------|---|
| [10] Financial condition and business results for the previous year of business *1 | | |
| Net assets | 471,562 million yen (consolidated) | - |
| Total assets | 1,957,845 million yen (consolidated) | - |
| Net assets per share | 2,727.59 yen (consolidated) | - |
| Net Sales | 1,641,335 million yen (consolidated) | - |
| Operating income | 62,063 million yen (consolidated) | - |
| Recurring profit | 40,429 million yen (consolidated) | - |
| Net income | *2 18,662 million yen (consolidated) | - |
| Earnings per share | 111.72 yen (consolidated) | - |

*1 As Kawasaki Railcar has no determined last year of business, all figures for the financial condition and business results are shown in “-.”

*2 Net income attributable to owners of parent

(3) Outline of business division to be succeeded to

[1] Business description of the business division to be succeeded to

Business conducted by the Company's Rolling Stock Company
(Business related to the design, development, manufacture, repair, dismantling, sale, and lease of various rolling stock, industrial vehicles, special vehicles, railway systems, snow removing machines, etc., and parts thereof)

[2] Business results of the business division to be succeeded to (consolidated)

| | Results of the business division to be spun off (a) | Results for the term ended March 2020 (b) | Ratio (a/b) |
|-------|--|--|----------------|
| Sales | 136,553 million yen | 1,641,335 million yen | 8.3% |

[3] Assets and liabilities to be succeeded to (consolidated: scheduled for October 1, 2021)

| Item | Amount | Item | Amount |
|--------|---------------------|-------------|---------------------|
| Assets | 184,800 million yen | Liabilities | 169,100 million yen |

(Note) The amounts of assets and liabilities to be succeeded to are the estimated amounts at the present time.

(4) Situation after this Company Split

There will be no changes to the Company's trade name, Head Office location, position or name of its representative, business description, capital or accounting period due to the Company Split.

The situation of Kawasaki Railcar will be as follows.

| | |
|---|--|
| [1] Trade name | Kawasaki Railcar Manufacturing Co., Ltd. |
| [2] Head Office | 1-18, Wadayama-dori 2-chome, Hyogo-ku, Kobe |
| [3] Position and name of representative | Representative Director and President Hiroshi Murao |
| [4] Business description | Rolling stock business |
| [5] Capital | 9,650 million yen |
| [6] Accounting period | March 31 |

(5) Future prospects

The impact of this Company Split on the Company's consolidated results will be minor.

End

(Reference) Forecast of consolidated results for the current term (announced March 31, 2021) and consolidated results for the previous term

| | Consolidated sales | Consolidated operating income | Consolidated ordinary income | Net income attributable to owners of parent |
|--|--------------------------|-------------------------------|------------------------------|---|
| Forecast of results for the current term (Term ending March 2021) | Million yen 1,500,000 | Million yen (5,000) | Million yen (4,000) | Million yen (23,000) |
| Results for the previous term (Term ended March 2020) | 1,641,335 | 62,063 | 40,429 | 18,662 |