

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 motorcycle and engine 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 Motors, Ltd. (wholly-owned subsidiary of the company; hereinafter referred to as “Kawasaki Motors”) on February 12, 2021 as a preparatory company related to the spin-off of its Motorcycle & Engine Company (announced November 2, 2020) and resolved at a meeting of the Board of Directors held today to allow Kawasaki Motors to succeed to the rights and obligations of the business conducted by the Motorcycle & Engine Company (hereinafter referred to as “Motorcycle & Engine 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

Power sports business, including motorcycles and off-road four wheelers, and general-purpose engine business have entered a once-in-a-hundred-years period of major change, typified by CASE(*), and cooperation in the environmental regulation handling, electrification and advanced safety technology areas continues to advance. The core power sports business is the only B-to-C business at the Company and it has business characteristics that require nimble and bold decision-making.

In this kind of business environment, we have decided to achieve speedy management by establishing an autonomous business management system by allowing Kawasaki Motors to become an independent core company, and to build a stronger brand and achieve sustainable business growth through the provision of customer-oriented products and services, including new lifestyle proposals.

* CASE: A coined word using the acronym for Connected, Autonomous/Automated, Shared, and Electric.

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 Motors 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 Motors will issue 19,800 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 Motors will succeed to the rights and obligations of the company in relation to Motorcycle & Engine 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 Motors 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 Motors, Ltd.
[2] Head Office	1-1, Higashikawasaki-cho 3-chome, Chuo-ku, Kobe	1-1, Kawasaki-cho, Akashi, Hyogo
[3] Position and name of representative	Representative Director, President and Chief Executive Officer Yasuhiko Hashimoto	Representative Director and President Yuji Horiuchi
[4] Business description	Ship and offshore structure business Rolling stock business Aerospace systems business Energy system and plant engineering business Motorcycle & Engine Business Precision machinery and robot business, etc.	Motorcycle & Engine Business
[5] Capital	104,484 million yen (consolidated)	10 million yen
[6] Date of establishment	October 15, 1896	February 12, 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%] <p>* As of September 30, 2020</p>	
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[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)	-
Earing per share	111.72 yen (consolidated)	-

*1 As Kawasaki Motors 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 Motorcycle & Engine Company

(Business related to the design, development, manufacture, repair, dismantling, sale, and lease of motorcycles, off-road four wheelers, multipurpose four-wheel vehicle, personal watercraft, general purpose engines, nickel-metal hydride batteries, 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	337,757 million yen	1,641,335 million yen	20.5%

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

Item	Amount	Item	Amount
Assets	220,000 million yen	Liabilities	169,500 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 Motors will be as follows.

[1] Trade name	Kawasaki Motors, Ltd.
[2] Head Office	1-1, Kawasaki-cho, Akashi, Hyogo
[3] Position and name of representative	Representative Director and President Hiroshi Ito *
[4] Business description	Motorcycle & Engine Business
[5] Capital	1,000 million yen
[6] Accounting period	March 31

* The Company is planning to change the representative from Yuji Horiuchi to Hiroshi Ito by the effective date of this Company Split.

(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