

Financial Results for First Quarter FY2021

For the Year ending March 31, 2022

August 5, 2021

Kawasaki Heavy Industries, Ltd.



0 Table of Contents

1 Consolidated Results for First Quarter FY2021

Summary	3
Segment	4
Income Statement	5
Details of Change in Profit	7
Balance Sheet	9
Cash Flows	11

2 Forecasts for FY2021

Summary	13
Segment	14

3 Details by segment

Aerospace Systems	15
Rolling Stock	19
Energy Solution & Marine Engineering	23
Precision Machinery & Robot	27
Motorcycle & Engine	31

4 Shareholder Return and others

Shareholder Return	35
Project Topics	36
Appendix	39

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.

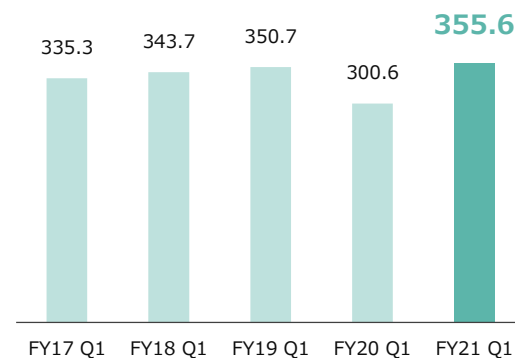
Consolidated Results for First Quarter FY2021 -Summary-

- ✓ Sales and profit increased significantly due to the recovery from the impact of COVID-19
- ✓ Operating profit was almost the same level as the highest profit in Q1 FY2013(¥16.7bn) for 10 years

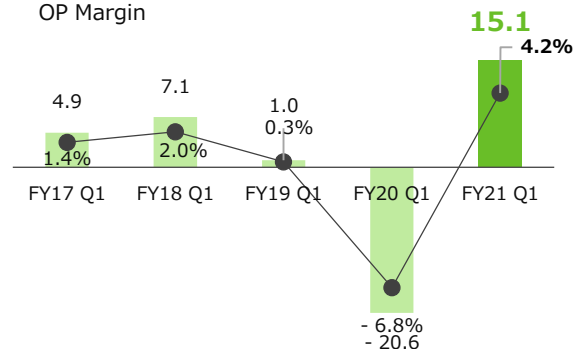
			(Billion Yen)	
	FY20 Q1	FY21 Q1	Change	
Orders Received	248.2	304.2	+	55.9
Net Sales	300.6	355.6	+	55.0
Operating Profit (Loss)	- 20.6	15.1	+	35.8
	<i>[margin]</i>	<i>[4.2%]</i>		<i>[+ 11.1pt]</i>
Recurring Profit (Loss)	- 18.9	13.1	+	32.0
	<i>[margin]</i>	<i>[3.6%]</i>		<i>[+ 9.9pt]</i>
Net Income (Loss)	- 11.7	9.8	+	21.6
Attributable to Owners of Parent				
	<i>[margin]</i>	<i>[2.7%]</i>		<i>[+ 6.6pt]</i>
Weighted-average exchange rates (USD/JPY)	106.29	110.71	+	4.42
US dollar-based transaction (B\$)	2.4	4.2	+	1.8

※ 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 41 for the breakdown of these figures by segment.

Net Sales



Operating Profit
OP Margin



Consolidated Results for First Quarter FY2021 –Segment–

- ✓ Operating losses decreased significantly in Aerospace Systems due to a recovery in flight demand ①
- ✓ Sales and profit increased significantly in Motorcycle & Engine due to strong demand for outdoor leisure in developed countries ②

(Billion Yen)

	Orders Received			Net Sales			Operating Profit (Loss)		
	FY20 Q1	FY21 Q1	Change	FY20 Q1	FY21 Q1	Change	FY20 Q1	FY21 Q1	Change
Aerospace Systems	45.4	37.4	- 7.9	74.6	^{※1} 70.0	- 4.5	- 17.5	^{※1} - 5.1	+ 12.3
Rolling Stock	18.7	9.3	- 9.4	32.3	28.7	- 3.5	- 1.4	- 0.8	+ 0.6
Energy Solution & Marine Engineering	56.2	60.9	+ 4.6	72.2	70.3	- 1.9	1.1	- 0.3	- 1.5
Precision Machinery & Robot	50.7	65.1	+ 14.4	45.4	57.6	+ 12.2	1.3	5.1	+ 3.7
Motorcycle & Engine	58.9	113.5	+ 54.5	58.9	113.5	+ 54.5	- 5.9	14.8	+ 20.7
Others	18.0	17.8	- 0.2	16.9	^{※1} 15.2	- 1.7	- 0.1	0.6	+ 0.7
Eliminations and corporate ^{※2}	-	-	-	-	-	-	1.9	0.9	- 0.9
Total	248.2	304.2	+ 55.9	300.6	355.6	+ 55.0	- 20.6	15.1	+ 35.8

※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 ¥12.3 billion, operating profit in Aerospace Systems increased by approximately ¥1 billion, and net sale in Others decreased by approximately ¥4.7 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 First Quarter FY2021

-Income Statement-

(Billion Yen)

	FY20 Q1	%	FY21 Q1	%	Change
Net Sales	300.6	100.0	355.6	100.0	+ 55.0
Cost of sales	278.3	92.6	293.6	82.6	+ 15.2
Gross profit	22.2	7.4	62.0	17.4	+ 39.7
Selling, general and administrative expenses	42.9	14.3	46.8	13.2	+ 3.9
Salaries and allowances	13.4		13.9		+ 0.5
Research and development expenses	8.1		8.8		+ 0.7
Others	21.3		24.0		① + 2.7
Operating Profit (Loss)	- 20.6	- 6.9	15.1	4.3	+ 35.8
Non-operating Income / Expenses	1.7		- 2.0		- 3.7
Gain and loss on foreign exchange	2.3		② - 0.7		- 3.0
Net Interest expense (incl. dividend income)	- 0.7		- 0.4		+ 0.3
Equity in income of unconsolidated subsidiaries and affiliates	- 0.0		③ - 1.0		- 1.0
Others	0.1		0.1		+ 0.0
Recurring Profit (Loss)	- 18.9	- 6.3	13.1	3.7	+ 32.0

Details

- ① Increase in sales costs in Motorcycle & Engine
- ② Yen/US\$ rate
110.72 March 31,'21
110.61 June 30,'21
- ③ Decrease in NACKS and DACKS (ship & offshore) due to appreciation of yuan and rising steel prices.

Consolidated Results for First Quarter FY2021

–Income Statement–

(Billion Yen)

	FY20 Q1	%	FY21 Q1	%	Change
Recurring Profit (Loss)	- 18.9	- 6.3	13.1	3.7	+ 32.0
Extraordinary Income / Losses	4.8		1.5		- 3.2
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 - 0.0		- 0.0
Income before income taxes	- 14.1	- 4.7	14.6	4.1	- 28.7
Income taxes	8 - 2.3		4.3		6.6
Net income attributable to non-controlling interests	0.0		0.4		+ 0.4
Net income (Loss) attributable to owners of parent	- 11.7	- 3.9	9.8	2.8	+ 21.6

Details

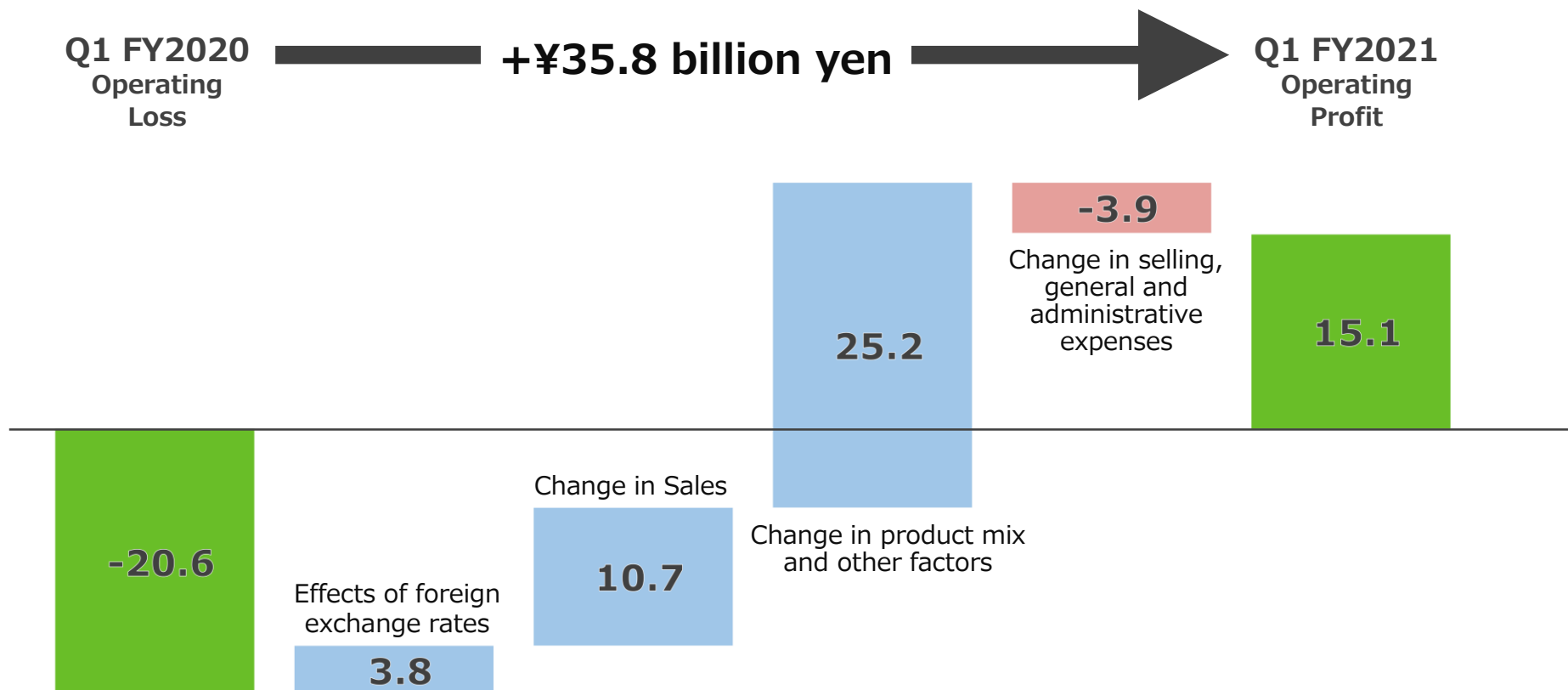
- ④** Sale of land
- ⑤** Sale of dormitory /company housing sites
- ⑥** Certain affiliated company related to Energy System & Plant Engineering
- ⑦** All fixed assets obtained in Q1 FY2021 at Sakaide Works (Ship & Offshore structure)
- ⑧** Recognition of tax asses based on future plans as of FY2019*

* In the Q2 and Q3 of FY2020, income taxes were recognized as expenses due to a partial reversal of deferred tax assets as a result of a review of the future plans for FY2020 and beyond.

Consolidated Results for First Quarter FY2021

-Details of change in profit-

- ✓ Motorcycle & Engine accounted for 80% of the change in sales and 40% of the change in product mix and other factors
- ✓ Jet engine maintenance costs, which had recorded a significant loss in the Q1 FY2020, were decreased



Consolidated Results for First Quarter FY2021

–Details of change in profit–

(Billion Yen)

	FY20 Q1 Operating Profit (Loss)					Total	FY21 Q1 Operating Profit (Loss)
		Effects of FX rates※	Change in sales※	Change in product mix and other factors※	Change in SG & A expenses		
Aerospace Systems	- 17.5	0.6	0.9	10.7	0.1	12.3	- 5.1
Rolling Stock	- 1.4	- 0.0	- 0.4	1.0	- 0.0	0.6	- 0.8
Energy Solution & Marine Engineering	1.1	- 0.0	- 0.3	- 0.6	- 0.6	- 1.5	- 0.3
Precision Machinery & Robot	1.3	0.0	2.1	2.1	- 0.5	3.7	5.1
Motorcycle & Engine	- 5.9	3.3	8.4	10.9	- 1.9	20.7	14.8
Others	- 0.1	- 0.1	0.0	0.8	0.0	0.7	0.6
Eliminations and corporate※	1.9			0.1	- 1.0	- 0.9	0.9
Total	- 20.6	3.8	10.7	25.2	- 3.9	35.8	15.1

※ 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 may 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 increased by approximately ¥1 billion from the previous accounting standard. This impact is included in change in product mix and other factors..

Consolidated Results for First Quarter FY2021 –Balance Sheet–

(Billion Yen)

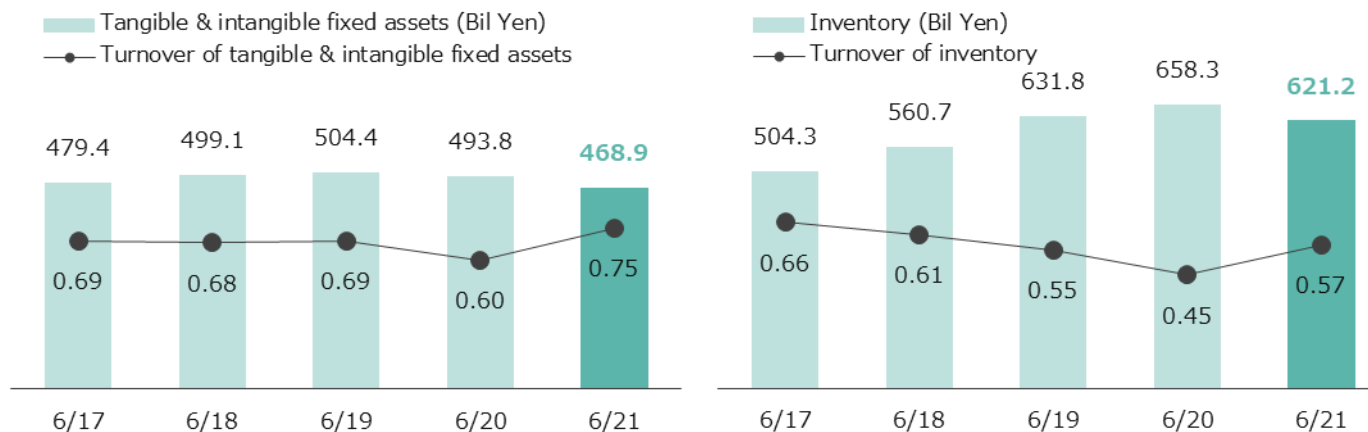
	End of Mar. 2021	%	End of Jun. 2021	%	Change
Cash and deposits	126.7		122.0		- 4.6
Trade receivables	460.4		410.0		① - 50.4
Inventory	658.5		621.2		② - 37.3
Other current assets	39.7		74.0		+ 34.3
Current assets	1,285.4	65.5	1,227.3	62.8	- 58.0
Tangible & intangible fixed assets	473.6		468.9		② - 4.7
Deferred tax assets	70.4		81.6		+ 11.1
Other non-current assets	133.7		175.9		+ 42.1
Non-current assets	677.8	34.5	726.5	37.2	+ 48.6
Total assets	1,963.2	100.0	1,953.8	100.0	- 9.4

Details

① 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"

Progress of receivable collection in Plant Engineering and Motorcycle

② 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"



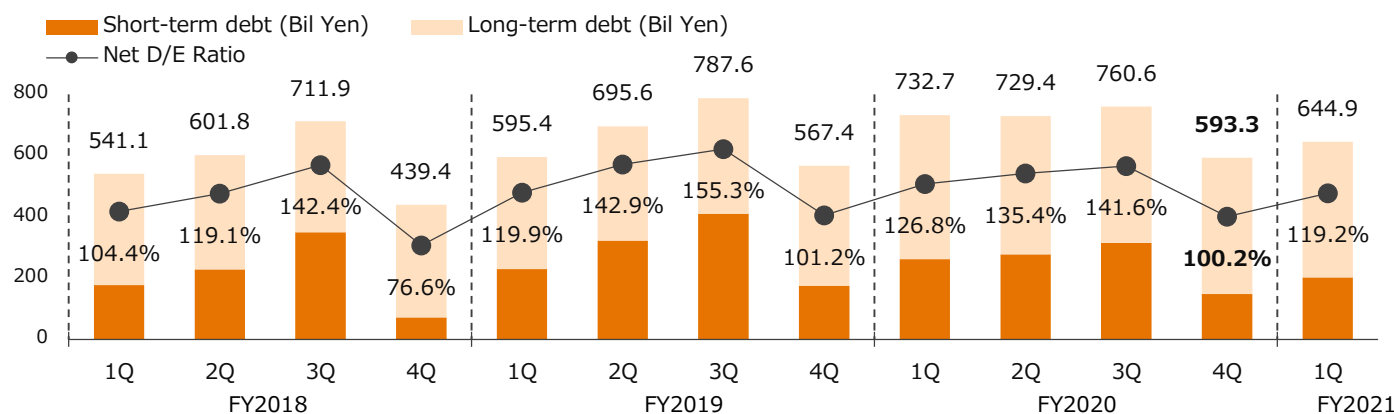
Consolidated Results for First Quarter FY2021 –Balance Sheet–

(Billion Yen)

	End of Mar. 2021	%	End of Jun. 2021	%	Change
Trade payables	355.1		314.8		① - 40.3
Interest-bearing debt	593.3		644.9		② + 51.6
Contract liability (Advances received)	153.2		160.0		+ 6.7
Provision for losses on construction contracts	14.2		12.4		- 1.8
Provision for the in-service issues of commercial aircraft jet engines	5.9		5.0		- 0.9
Other liabilities	358.4		360.2		+ 1.8
Total liabilities	1,480.5	75.4	1,497.6	76.7	+ 17.1
Total shareholders' equity	465.4		435.6		③ - 29.7
Other net assets	17.3		20.4		+ 3.1
Total net assets	482.7	24.6	456.1	23.3	- 26.5
Total liabilities & net assets	1,963.2	100.0	1,953.8	100.0	- 9.4

Details

- ① Decreased mainly in Aerospace and Motorcycle
- ② Increase in borrowing as a normal business cycle in Q1
- 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 Q1 FY'17	121
End of Q1 FY'18	126
End of Q1 FY'19	139
End of Q1 FY'20	151
End of Q1 FY'21	136

Consolidated Results for First Quarter FY2021

-Cash Flows-

(Billion Yen)

	FY20 Q1	FY21 Q1	Change
Income before income taxes	- 14.1	14.6	+ 28.7
Depreciation and amortization	15.0	14.8	- 0.1
Increase and decrease in working capital	- 52.9	- 39.7	+ 13.1
Trade receivables (minus notation indicates incr.)	46.3	19.3	- 27.0
Inventory (minus notation indicates incr.)	- 26.3	- 13.7	+ 12.5
Trade payables (minus notation indicates decr.)	- 62.8	- 40.3	+ 22.4
Advance Payment (minus notation indicates incr.)	- 6.0	- 5.4	+ 0.5
Contract liabilities [※] (minus notation indicates decr.)	- 4.0	0.5	+ 4.6
Other	- 49.1	- 32.6	+ 16.4
Cash flows from operating activities	- 101.1	- 42.8	+ 58.2
Purchase of tangible and intangible fixed assets	- 13.3	- 14.4	- 1.1
Proceeds from sales of tangible and intangible fixed assets	13.6	2.3	- 11.3
Other	2.2	- 0.3	- 2.6
Cash flows from investing activities	2.6	- 12.4	- 15.0
Free cash flows	- 98.4	- 55.2	+ 43.1
Net increase and decrease in debt and bonds (minus notation indicates decr.)	155.6	50.4	- 105.1
Dividends paid (Except payment to non-controlling interests)	- 0.0	- 0.0	+ 0.0
Proceeds from sale and leaseback transactions	10.0	-	- 10.0
Other	- 1.8	- 0.6	+ 1.1
Cash flows from financing activities	163.8	49.8	- 114.0

※ Former Advances received

Details

① Q1 FY'20
Significant outflow of funds in working capital components, including income before taxes, due to the significant impact of the COVID-19

Q1 FY'21
Improvement in revenue and progress of receivable collection in Plant Engineering and Motorcycle

② Sale of dormitory / company housing sites

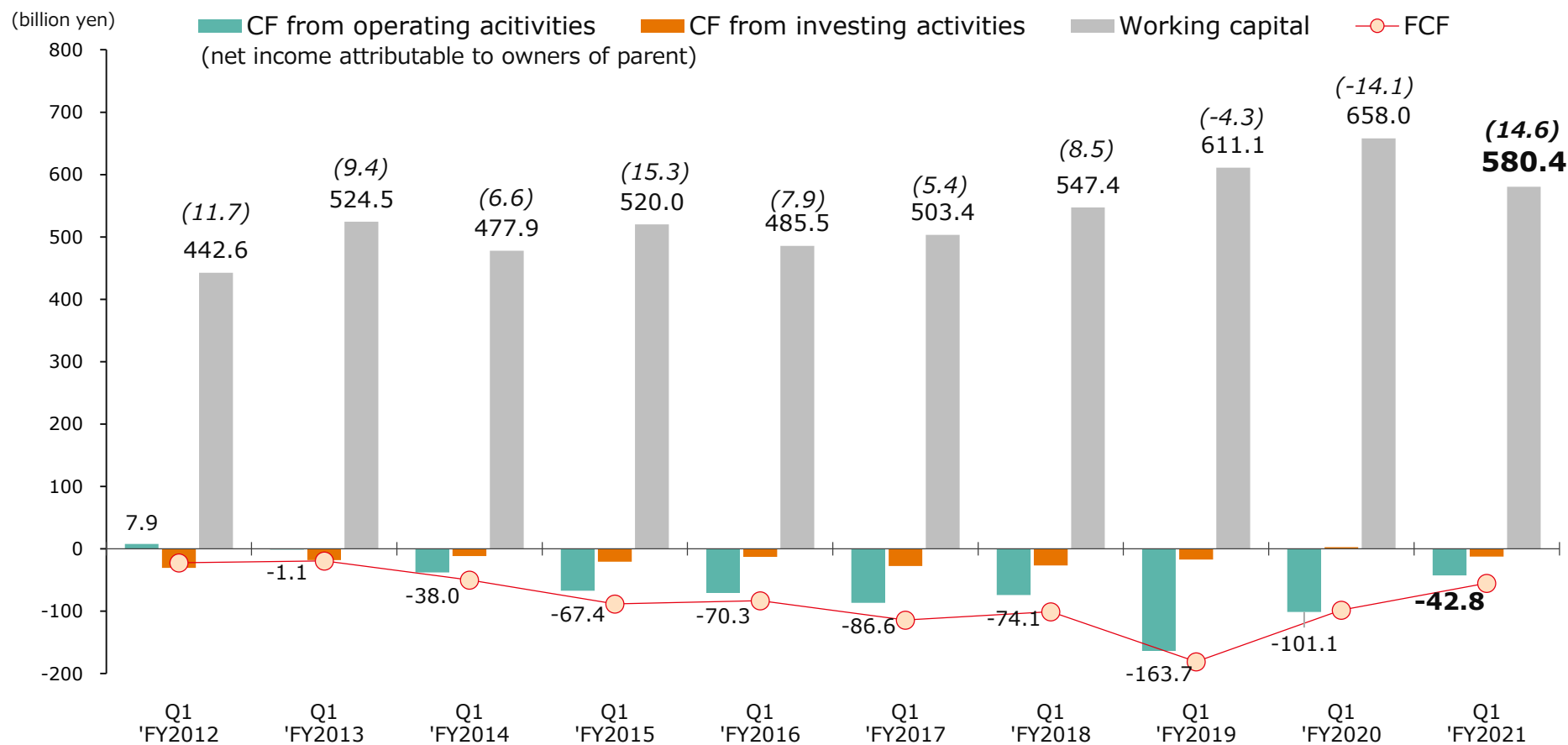
③ Q1 FY'20
Compensation of free cash flow deficits and increased borrowing in preparation for unforeseen events due to COVID-19

Q1 FY'21
Lower level of increase compared to normal 1Q

Consolidated Results for First 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-

- ✓ Operating profit forecast was revised up due to depreciation yen and the strong performance of Motorcycle & Engine
- ✓ No significant adjustment were made to net income due to deterioration in non-operating profit and increased tax expenses, despite an increase in operating profit

(Billion Yen)

	FY2020 Actual	FY2021 Forecast and Progress					
		Old FCST	New FCST	Chg. vs. FY20	Chg. vs. Old FCST	Q1 Actual	Q2-4 FCST
Orders Received	1,402.4	1,480.0	1,510.0	+ 107.6	+ 30.0	304.2	1,205.8
Net Sales	1,488.4	1,500.0	1,530.0	+ 41.6	+ 30.0	355.6	1,174.4
Operating Profit (Loss)	- 5.3	30.0	40.0	+ 45.3	+ 10.0	15.1	24.9
<i>[Margin]</i>	<i>[- 0.3%]</i>	<i>[2.0%]</i>	<i>[2.6%]</i>	<i>[+ 2.9pt]</i>	<i>[+ 0.6pt]</i>	<i>[4.2%]</i>	<i>[2.1%]</i>
Recurring Profit (Loss)	- 2.8	20.0	28.0	+ 30.8	+ 8.0	13.1	14.9
<i>[Margin]</i>	<i>[- 0.1%]</i>	<i>[1.3%]</i>	<i>[1.8%]</i>	<i>[+ 2.0pt]</i>	<i>[+ 0.4pt]</i>	<i>[3.6%]</i>	<i>[1.2%]</i>
Net Income (Loss)	- 19.3	17.0	19.0	+ 38.3	+ 2.0	9.8	9.2
Attributable to Owners of Parent	- 19.3	17.0	19.0	+ 38.3	+ 2.0	9.8	9.2
<i>[Margin]</i>	<i>[- 1.2%]</i>	<i>[1.1%]</i>	<i>[1.2%]</i>	<i>[+ 2.5pt]</i>	<i>[+ 0.1pt]</i>	<i>[2.7%]</i>	<i>[0.7%]</i>
Before-tax ROIC	- 1.0%	2.5%	3.3%	+ 4.3pt	+ 0.8pt	-	-
Weighted-average exchange rates (USD/JPY)	105.29	106.00	-	-	-	110.71	109.00
US dollar-based transaction (B\$)	1.61	1.61	1.64	0.03	+ 0.03	0.42	1.22

※ 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 41 for the breakdown of these figures by segment.

- ✓ Aerospace Systems will improve profitability, but the situation will remain tough
- ✓ Forecasts of Motorcycle & Engine were significantly revised up due to the strong demand for motorcycles and off-road four wheeler

(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	310.0	-	377.7 ^{※1}	340.0	340.0	-	- 31.6 ^{※1}	- 8.0	- 6.0	+ 2.0
Rolling Stock	77.0	70.0	70.0	-	133.2	150.0	150.0	-	- 4.5	3.0	3.0	-
Energy Solution & Marine Engineering	317.1	400.0	400.0	-	319.5	320.0	320.0	-	10.3	3.5	2.5	- 1.0
Precision Machinery & Robot	259.4	260.0	260.0	-	240.8	250.0	250.0	-	14.0	16.0	17.0	+ 1.0
Motorcycle & Engine	336.6	380.0	410.0	+ 30.0	336.6	380.0	410.0	+ 30.0	11.7	17.0	25.0	+ 8.0
Ohters	82.5	60.0	60.0	-	80.4 ^{※1}	60.0	60.0	-	0.4	2.0	2.0	-
Eliminations and corporate ^{※2}	-	-	-	-	-	-	-	-	- 5.7	- 3.5	- 3.5	-
Total	1,402.4	1,480.0	1,510.0	+ 30.0	1,488.4	1,500.0	1,530.0	+ 30.0	- 5.3	30.0	40.0	+ 10.0

※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 decreased by approximately ¥73 billion, operating profit in Aerospace Systems decreased by approximately ¥10 billion, and net sale in Others decreased 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

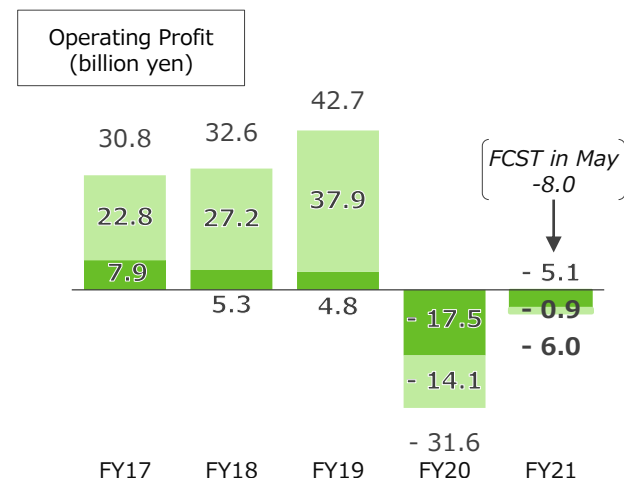
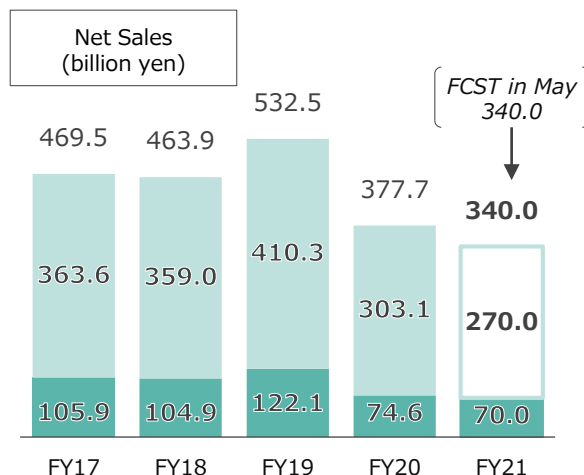
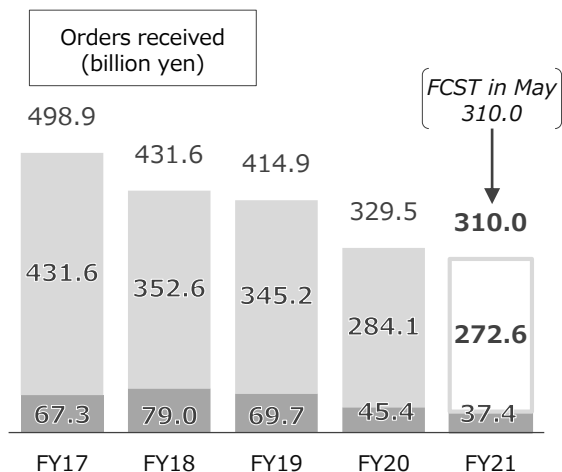
3 Details by Segment -Aerospace systems-

FY2021.Q1 (vs. FY2020.Q1)

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 and other factors, despite an increase in helicopters
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 other factors, despite an increase in component parts for Boeing
Operating profit	↗	Increased due to an increase in component parts for Boeing ,an improvement in profitability of component parts for commercial aircraft jet engines, and other factors

FY2021 forecast (vs. Forecast in May)

Orders received	→	} Remained at the same level
Net Sales	→	
Operating profit	↗	Revised up mainly due to changes in foreign exchange assumptions



※The dark portion of the graph represents Q1 results and the light portion represents Q2-4 forecasts.

Details by Segment -Aerospace systems-

(Billion Yen)

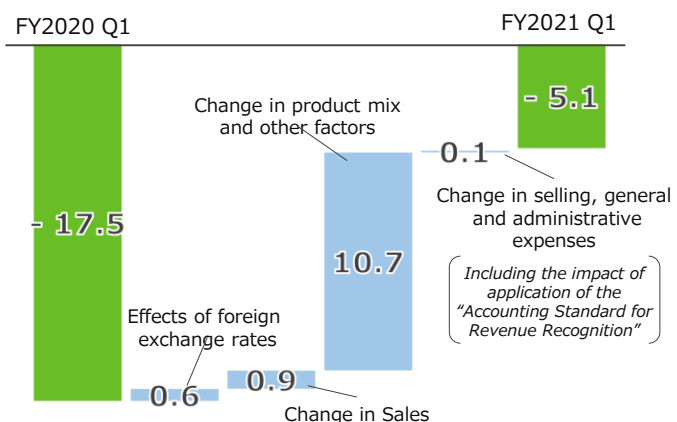
	FY2020	FY2021		FY2020	FY2021 Forecast				
	Q1 Actual	Q1 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY20	Chg. Vs. Old FCST	Q2-4 FCST
Orders Received	45.4	37.4	- 7.9	329.5	310.0	310.0	- 19.5	-	272.6
Aerospace	24.0	27.5	+ 3.4	236.2	240.0	250.0	+ 13.8	+ 10.0	222.5
Aero Engine	21.3	9.8	- 11.4	93.3	70.0	60.0	- 33.3	- 10.0	50.2
Net Sales	74.6	※ 70.0	- 4.5	377.7	340.0	※ 340.0	- 37.7	-	270.0
Aerospace	50.7	56.4	+ 5.7	262.5	265.0	265.0	+ 2.5	-	208.6
Aero Engine	23.9	13.6	- 10.2	115.1	75.0	75.0	- 40.1	-	61.4
Operating Profit (Loss)	- 17.5	※ - 5.1	+ 12.3	- 31.6	- 8.0	※ - 6.0	+ 25.6	+ 2.0	- 0.9
[Margin]	[- 23.4%]	[- 7.3%]	[+ 16.1pt]	[- 8.3%]	[- 2.3%]	[- 1.7%]	[+ 6.6pt]	[+ 0.6pt]	[- 0.3%]

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 ¥12.3 billion, and operating profit increased by approximately ¥1 billion in Q1 from the previous accounting standard.

In FY2021, we expect net sale to decline by approximately ¥73 billion, and operating profit by approximately ¥10 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
	Q1	Q1-4	Q1	Q1-4	
767	4	30	8	30	+ 4
777	3	24	6	24	+20
777X	1	9	1	9	-
787	18	77	16	77	- 2

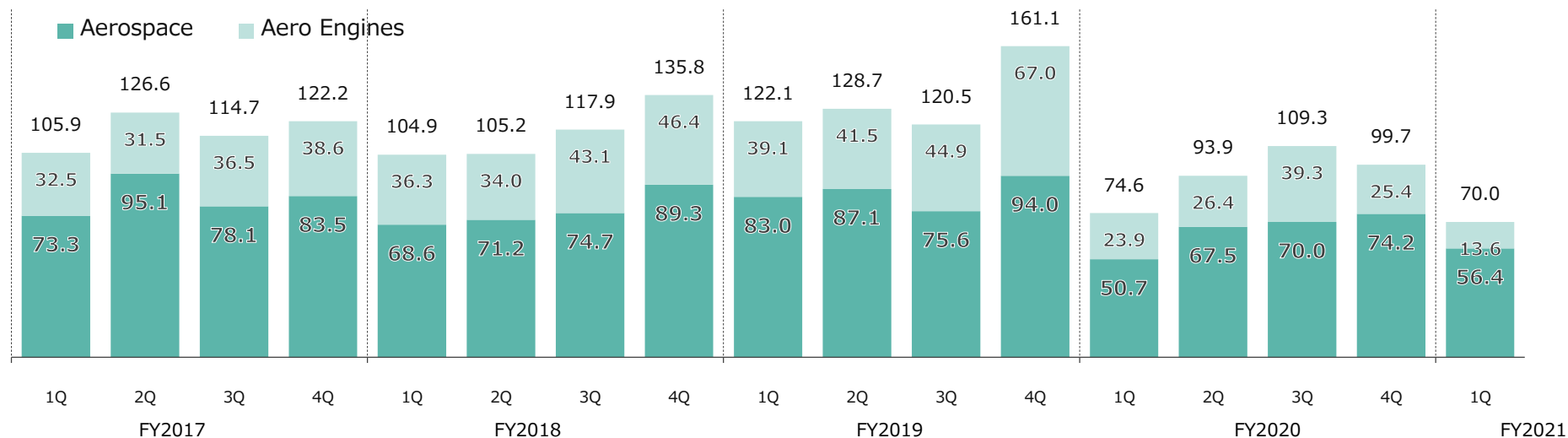
Number of jet engine component parts sold

	FY'20		FY'21		Change
	Q1	Q1-4	Q1	Q1-4	
V2500	-	5	2	5	+ 2
PW1100G	79	360	107	360	+ 28

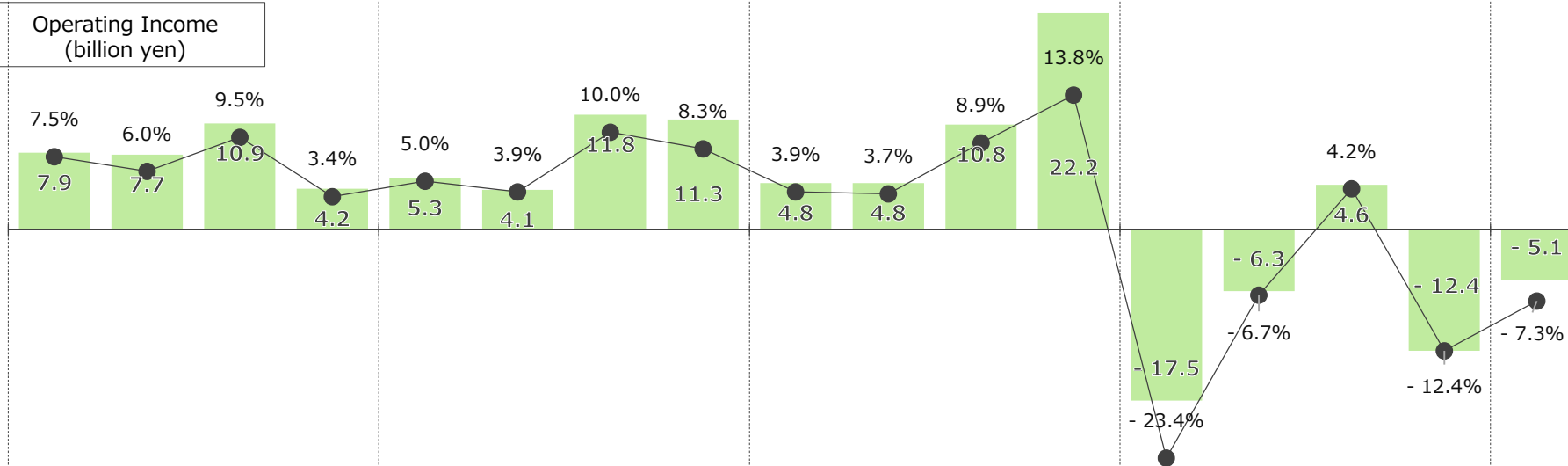
※Number of jet engine component parts sold to Rolls-Royce is not disclosed

Details by Segment -Aerospace systems-

Net Sales
(billion yen)



Operating Income
(billion yen)

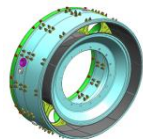


Market Overview

- Commercial aircraft business
 - Global passenger demand remains weak due to the great impact of COVID-19 except for some domestic short flights, and demand for aircrafts and aircraft jet engines has been declining
 - 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



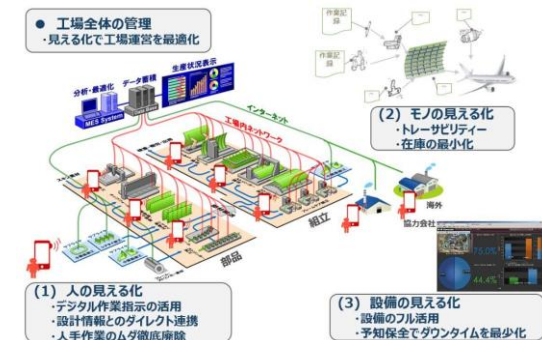
patrol aircraft "P-1"
5 aircrafts to be delivered in FY'21



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 orders for MOD such as development and mass production
- ✓ **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



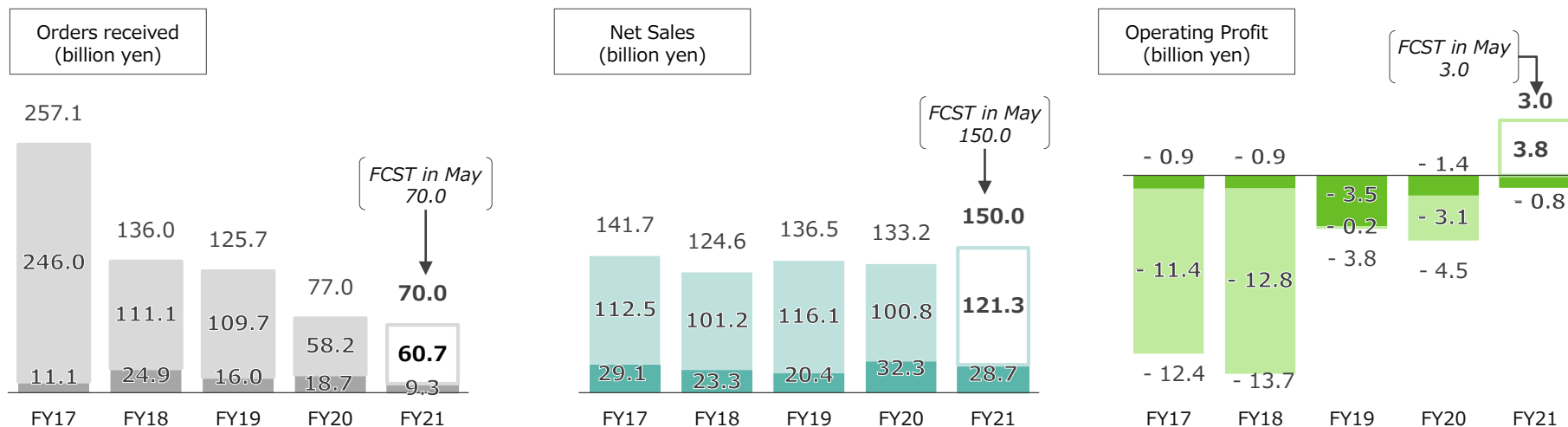
Smart-K Project

FY2021.Q1 (vs. FY2020.Q1)

Orders received	↘	Decreased compared with FY2020 1Q when major orders for Shinkansen were received
Net Sales	↘	Decreased due to a decrease in regions other than the U.S
Operating profit	↗	Improved due to improved profitability of overseas projects that recovered from the impact of COVID-19, despite a decrease in revenue

FY2021 forecast (vs. Forecast in May)

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



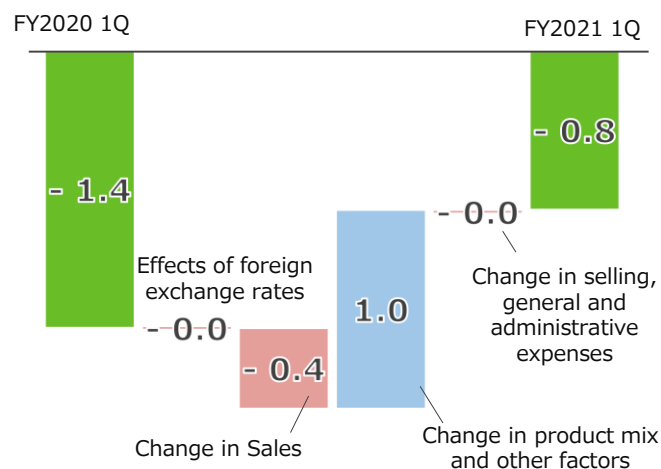
※The dark portion of the graph represents Q1 results and the light portion represents Q2-4 forecasts.

Details by Segment - Rolling Stock -

(Billion Yen)

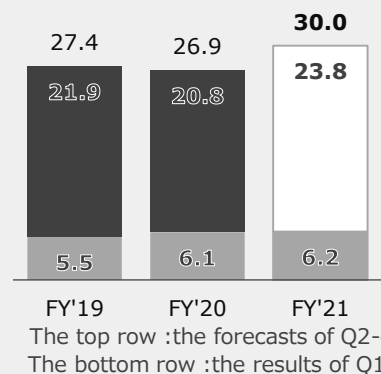
	FY2020	FY2021		FY2020	FY2021 Forecast				
	Q1 Actual	Q1 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY20	Chg. Vs. Old FCST	Q2-4 FCST
Orders Received	18.7	9.3	- 9.4	77.0	70.0	70.0	- 7.0	-	60.7
Domestic & Asia	13.2	6.1	- 7.1	66.2	67.0	66.0	- 0.2	- 1.0	59.9
North America	5.5	3.2	- 2.3	10.8	3.0	4.0	- 6.8	+ 1.0	0.8
Net Sales	32.3	28.7	- 3.5	133.2	150.0	150.0	+ 16.8	-	121.3
Domestic & Asia	26.3	18.5	- 7.7	107.5	99.0	100.0	- 7.5	+ 1.0	81.5
North America	6.0	10.2	+ 4.1	25.6	51.0	50.0	+ 24.4	- 1.0	39.8
Operating Profit	- 1.4	- 0.8	+ 0.6	- 4.5	3.0	3.0	+ 7.5	-	3.8
[Margin]	[- 4.5%]	[- 2.9%]	[+ 1.5pt]	[- 3.4%]	[2.0%]	[2.0%]	[+ 5.4pt]	[+ 0.0pt]	[3.1%]

Details of change in Operating Profit(Loss) (billion yen)



Appendix

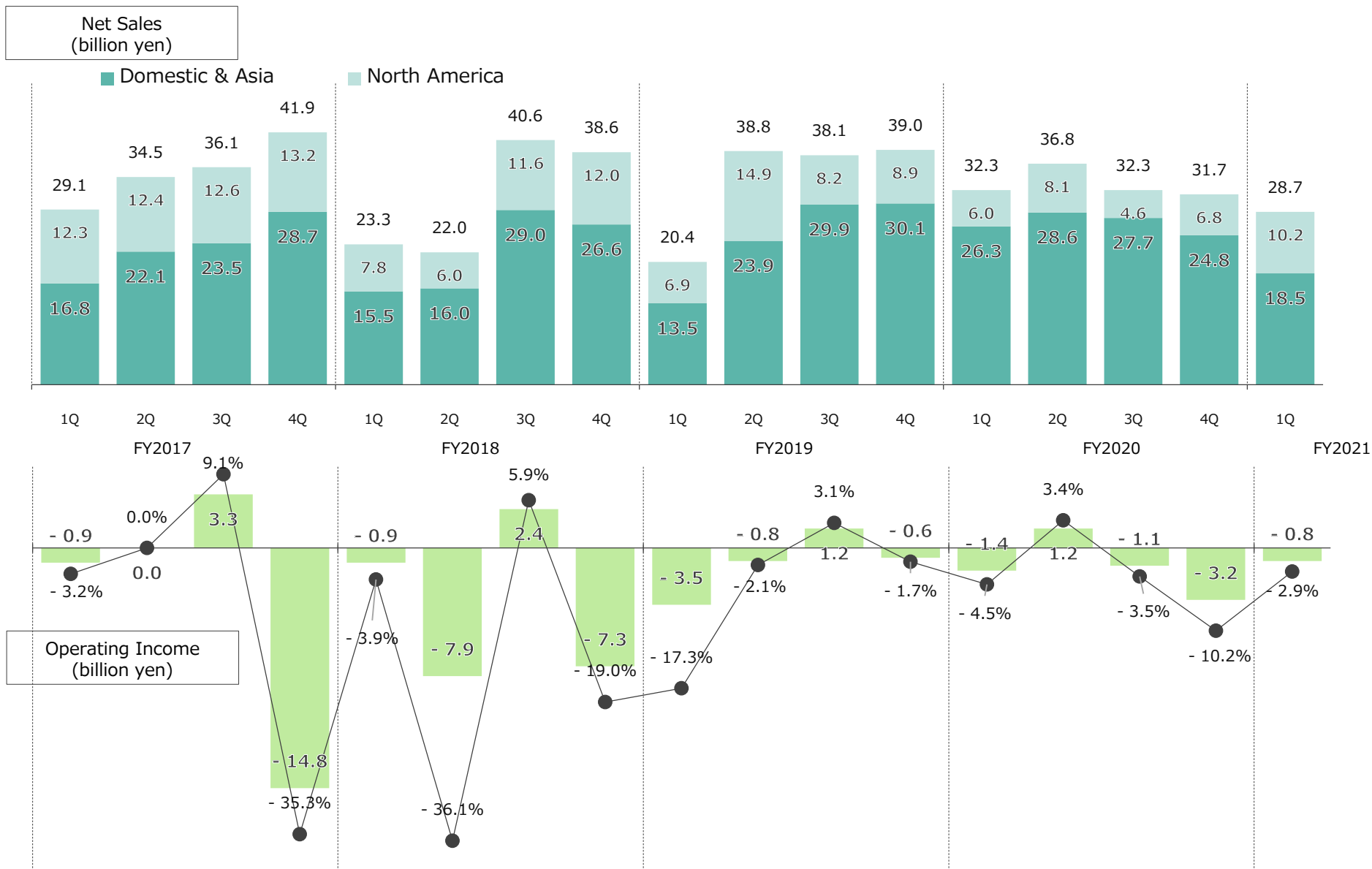
Sales in components, overhaul and after-sales service (billion yen)



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

- 96 cars out of 202 were delivered
- KMM, the North American works, has started production of the last unit, and its delivery is scheduled for Q1 2022

Details by Segment - Rolling Stock -



Market Overview

- The impact of COVID-19
 - Some domestic railway operators are reviewing their railway related investment
 - Overseas Project may be delayed, and bids may be postponed or cancelled
- 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 train are undergoing functional tests. The third and fourth are shipping

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 is scheduled to start in FY2021 3Q.

Delivery of final train for M9 FY2022 Q1

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

- Company-wide staffing U.S. works to streamline process and improve productivity and quality through the newly established 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

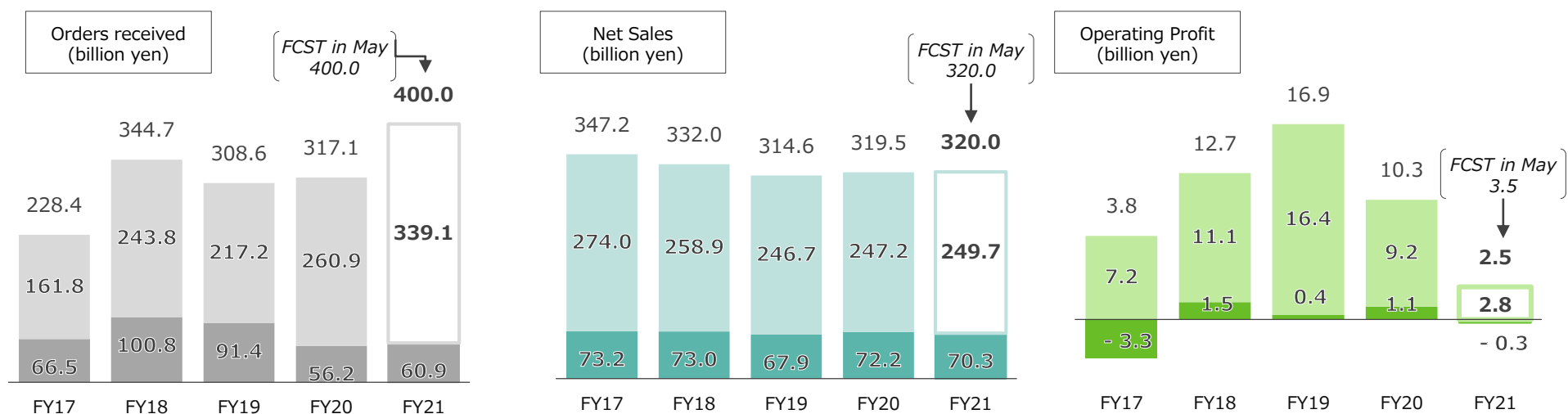
- Energy Solution & Marine Engineering -

FY2021.Q1 (vs. FY2020.Q1)

Orders received	↑	Increased due to an increase in renovation work for domestic municipal waste incineration plants, and other projects
Net Sales	↓	Decreased due to a decrease in repair work for submarines despite an increase in energy business, despite an increase in energy business
Operating profit	↓	Deteriorated due to a change in product mix and other factors

FY2021 forecast (vs. Forecast in May)

Orders received	→	} Remained at the same level
Net Sales	→	
Operating profit	↓	Revised down due to higher raw material prices



※The dark portion of the graph represents Q1 results and the light portion represents Q2-4 forecasts. ※The prior results of previous segment have been reclassified to current segment

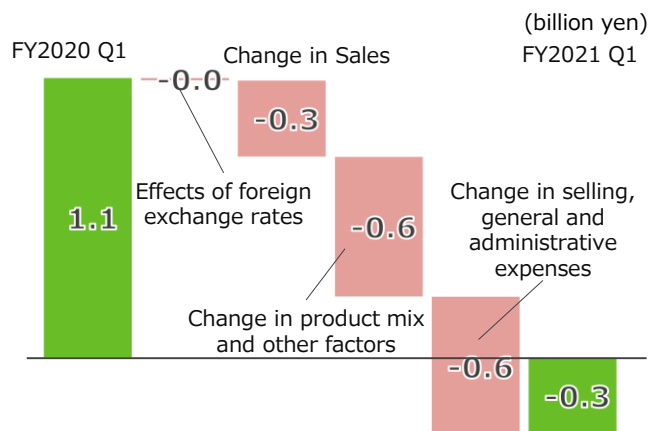
Details by Segment - Energy Solution & Marine Engineering -

(Billion Yen)

	FY2020	FY2021		FY2020	FY2021 Forecast				
	Q1 Actual	Q1 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY20	Chg. Vs. Old FCST	Q2-4 FCST
Orders Received	56.2	60.9	+ 4.6	317.1	400.0	400.0	+ 82.9	-	339.1
<i>Energy System & Plant Engineering</i>	46.2	55.5	+ 9.3	219.0	335.0	335.0	+ 116.0	-	279.5
<i>Ship & Offshore Structure</i>	9.9	5.3	- 4.6	98.1	65.0	65.0	- 33.1	-	59.7
Net Sales	72.2	70.3	- 1.9	319.5	320.0	320.0	+ 0.5	-	249.7
<i>Energy System & Plant Engineering</i>	50.0	51.0	+ 0.9	240.1	250.0	250.0	+ 9.9	-	199.0
<i>Ship & Offshore Structure</i>	22.1	19.3	- 2.8	79.4	70.0	70.0	- 9.4	-	50.7
Operating Profit	1.1	- 0.3	- 1.5	10.3	3.5	2.5	- 7.8	- 1.0	2.8
<i>[Margin]</i>	<i>[1.5%]</i>	<i>[- 0.5%]</i>	<i>[- 2.0pt]</i>	<i>[3.2%]</i>	<i>[1.0%]</i>	<i>[0.7%]</i>	<i>[- 2.5pt]</i>	<i>[- 0.3pt]</i>	<i>[1.1%]</i>

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

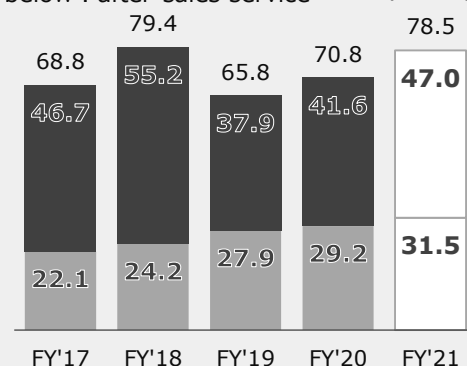
Details of change in Operating Profit(Loss)



Appendix

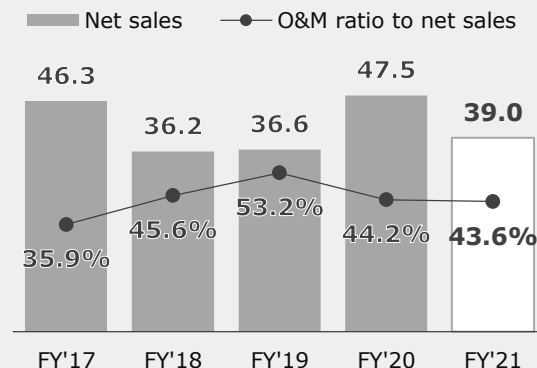
Sales of major products in the energy business
above : components
below : after-sales service

(billion yen)

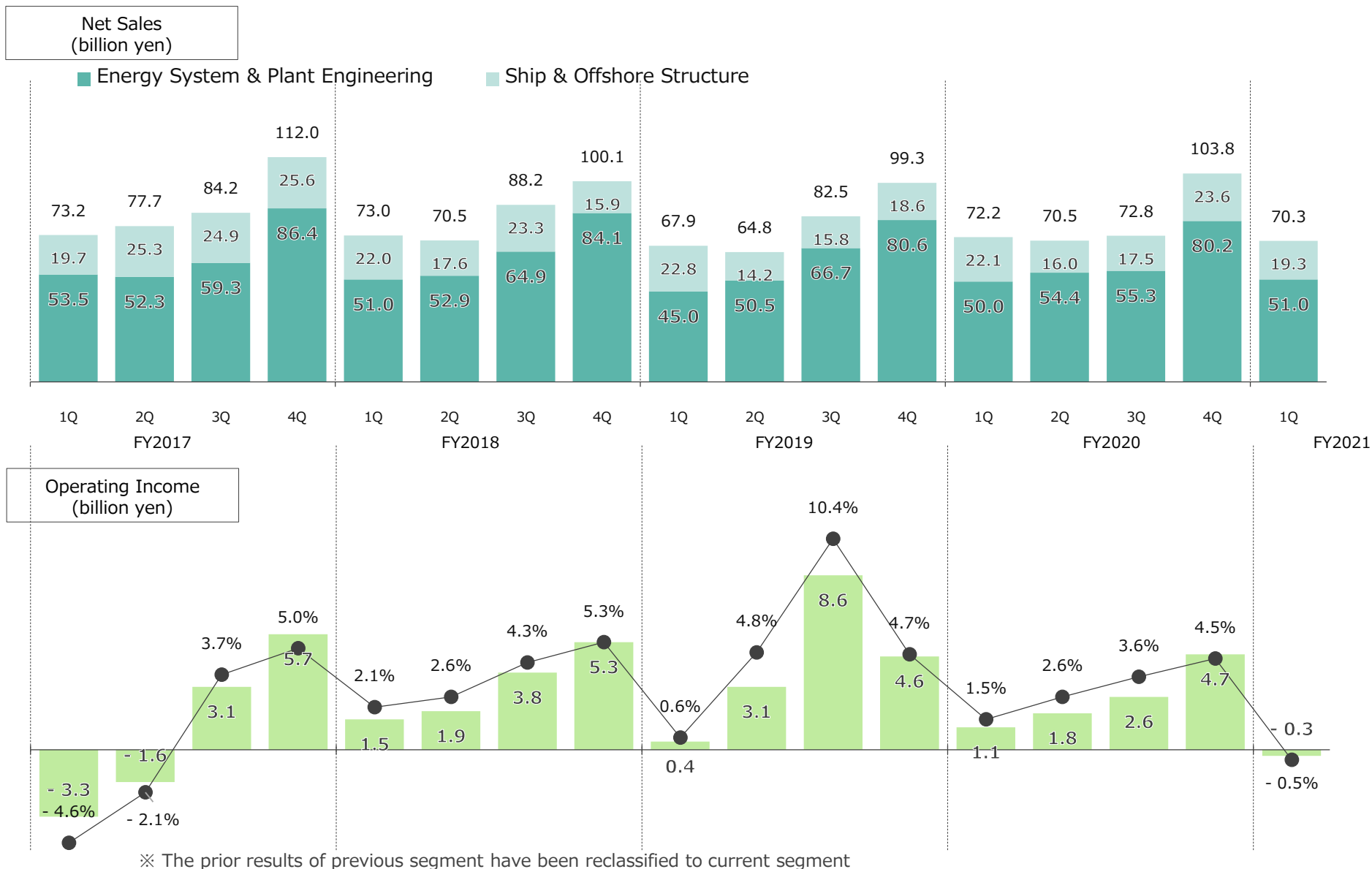


Sales of municipal waste incineration plants

(billion yen)



Details by Segment - Energy Solution & Marine Engineering -



- 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

● Ship & Offshore Structures

Commercial ships	Submarines and others
Sales of LPG-Ammonia dual purpose 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



Focus on sales activities to recover orders

- Aiming to steadily take in new projects that have been temporarily frozen due to the impact of the COVID-19 as well as new ones in anticipation of the aftermath

Topic

Development of Autonomous underwater vehicle(AUV) **"SPICE"** through technological synergies between subsea vehicles and industrial robots

Kawasaki received an order by Modus Subsea Services Limited for a "SPICE".

The world's first AUV equipped with a robot arm for performing subsea pipeline inspections, which increases inspection operation efficiency and reducing working burden, as it is autonomously operated. Aiming to promote "SPICE" for close-range inspections of aging subsea pipelines, including those in the North Sea



Image of "SPICE"



Establishing a leading position in the decarbonization field

- Kawasaki Green Energy, Ltd., a subsidiary, started operations in April.

Sales focused on CO2-free electricity generated at municipal waste incineration plants and other facilities built by Kawasaki.

Supporting efforts to disseminate hydrogen energy with a view to electric power derived from hydrogen fuel in the future.

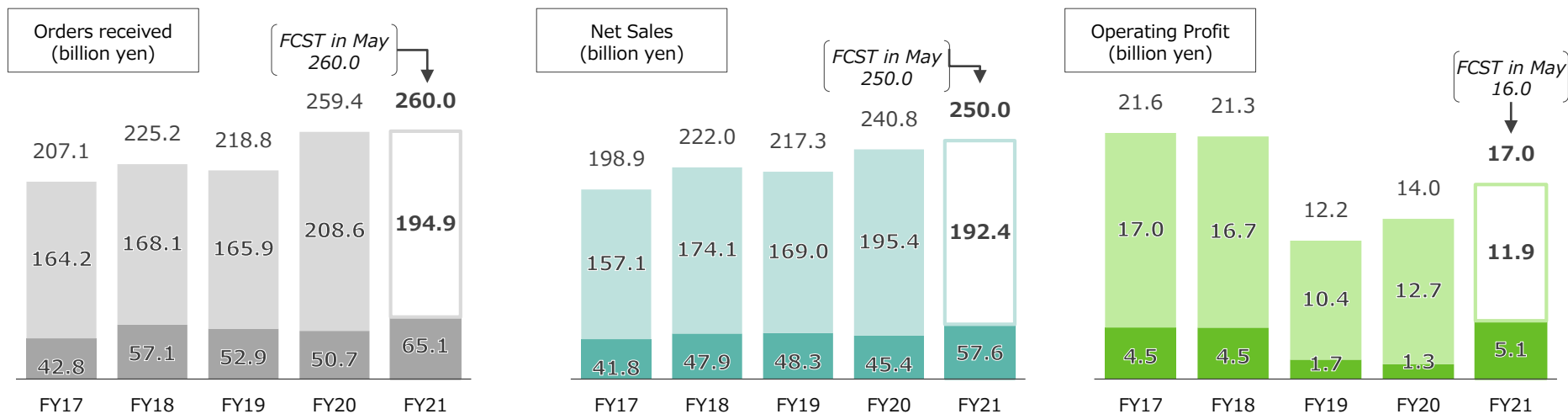
Details by Segment - Precision Machinery & Robot -

FY2021.Q1 (vs. FY2020.Q1)

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 May)

Orders received	→	} Remained at the same level
Net Sales	→	
Operating profit	↗	Revised up due to an improvement in profitability of robots



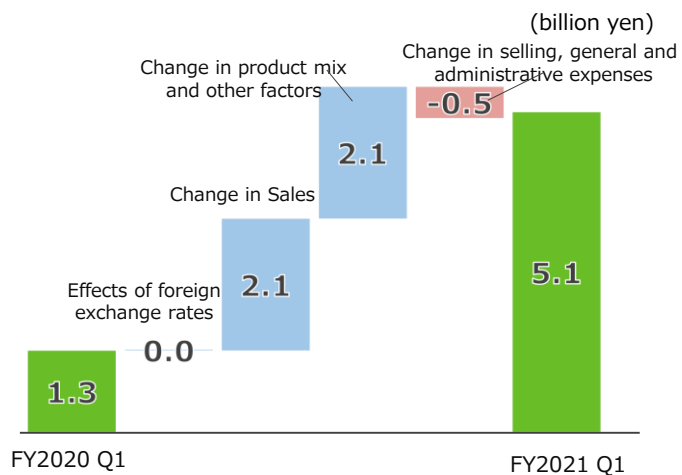
※The dark portion of the graph represents Q1 results and the light portion represents Q2-4 forecasts.

Details by Segment - Precision Machinery & Robot -

(Billion Yen)

	FY2020 Q1 Actual	FY2021		FY2020 Actual	FY2021 Forecast					
		Q1 Actual	Change		Old FCST	New FCST	Chg. Vs. FY20	Chg. Vs. Old FCST	Q2-4 FCST	
Orders Received	50.7	65.1	+ 14.4	259.4	260.0	260.0	+ 0.6	-	194.9	
Hydraulic Components & Systems	35.9	41.1	+ 5.1	172.6	165.0	165.0	- 7.6	-	123.9	
Robotics	14.7	24.0	+ 9.2	86.7	95.0	95.0	+ 8.3	-	71.0	
Net Sales	45.4	57.6	+ 12.2	240.8	250.0	250.0	+ 9.2	-	192.4	
Hydraulic Components & Systems	34.0	40.5	+ 6.4	165.5	160.0	160.0	- 5.5	-	119.5	
Robotics	11.3	17.0	+ 5.7	75.2	90.0	90.0	+ 14.8	-	73.0	
Operating Profit	1.3	5.1	+ 3.7	14.0	16.0	17.0	+ 3.0	+ 1.0	11.9	
[Margin]	[2.9%]	[8.8%]	[+ 5.9pt]	[5.8%]	[6.4%]	[6.8%]	[+ 0.9pt]	[+ 0.4pt]	[6.1%]	

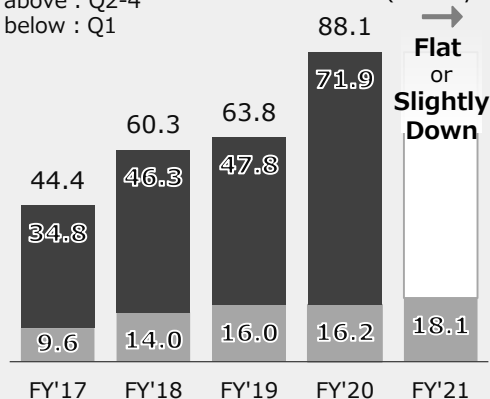
Details of change in Operating Profit(Loss)



Appendix

Sales of hydraulic components to China (billion yen)

above : Q2-4
below : Q1



Sales of robots by segment※ above : 1Q below : 1-4Q (billion yen)

	FY'20	FY'21	Change
Automobile assembly and painting	4.3 36.8	6.2 (FCST)35.0	+1.9 -1.8
Semiconductor	5.4 23.8	7.6 (FCST)25.0	+2.2 +1.2
General robots for industrial use and others	2.3 21.2	5.5 (FCST)31.0	+2.2 +9.8
Total	12.1 81.9	19.4 (FCST)91.0	+7.3 +9.1

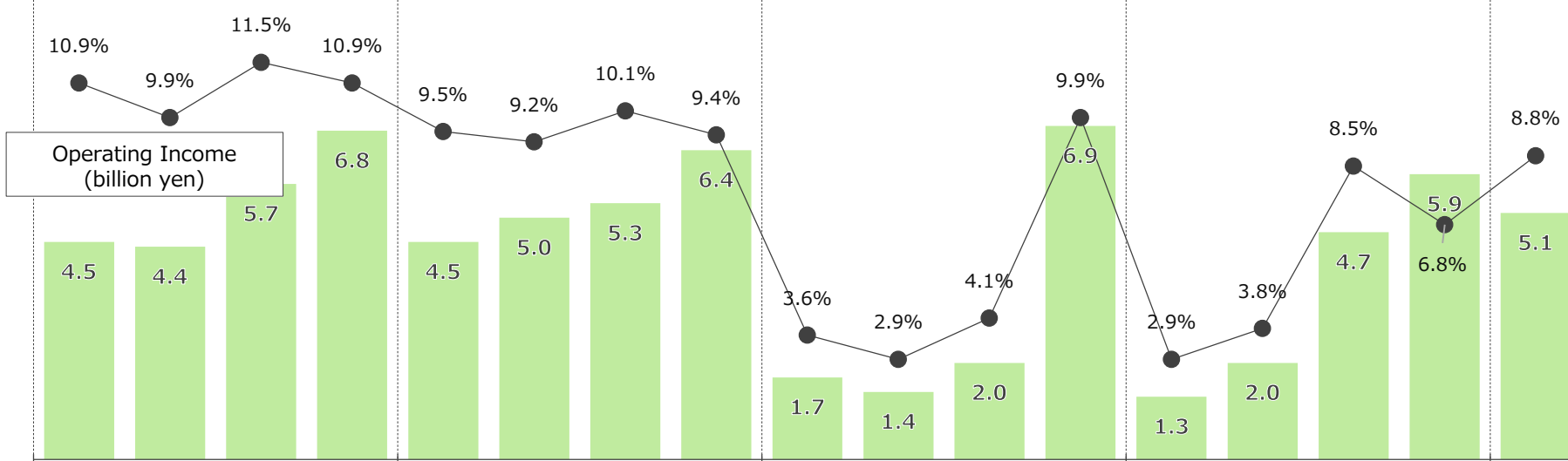
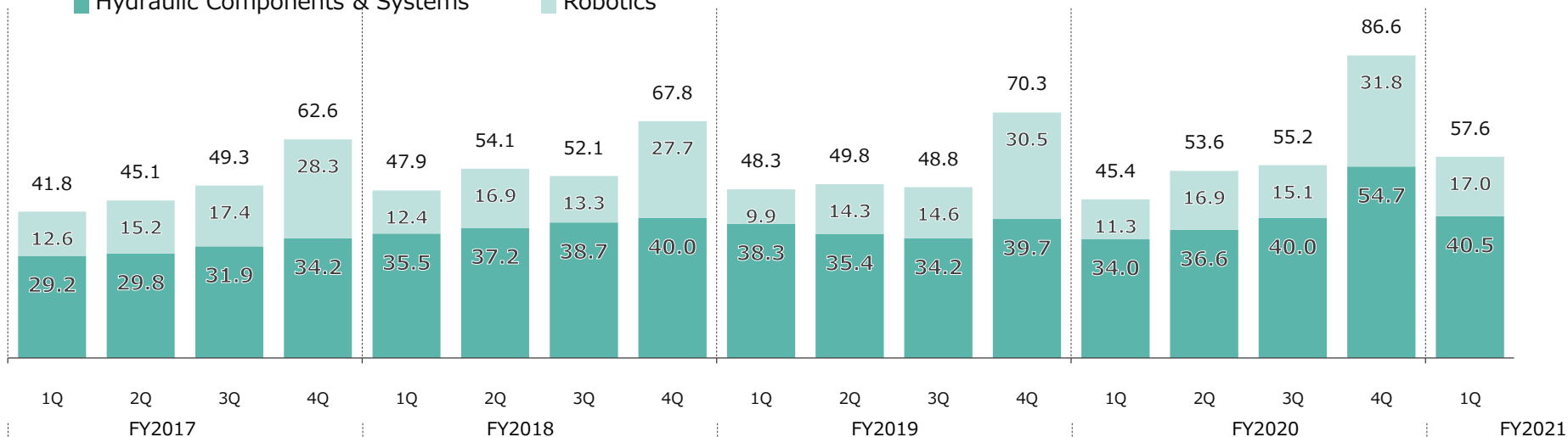
※Including intercompany sales

Details by Segment - Precision Machinery & Robot -

Net Sales
(billion yen)

Hydraulic Components & Systems

Robotics



Market Overview

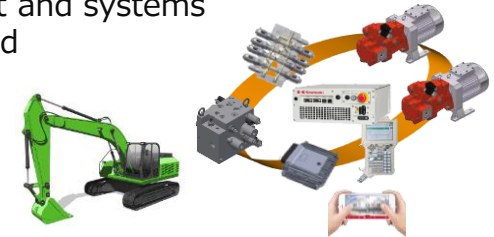
- Construction machinery
 - Although high level of demand continues in Chinese market, some construction equipment manufacturers have begun to adjust inventory based on the sales situation of hydraulic excavators in China.
 - Global demand outside China recovered from the impact of COVID-19.
 - Electrification 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.

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

- Developing markets and complementing strengths by collaboration with other companies in the same and different industries
- Accelerating development and early launch of new products by collaboration with start-up companies
- Strengthening elemental technology for future products by collaboration with academia and government



Collaboration

Competitors



Academia & government



Start-ups



Different industries



3 Details by Segment - Motorcycle & Engine -

FY2021.Q1 (vs. FY2020.Q1)

Net Sales



Increased due to an increase in off-road motorcycles and four-wheelers for North America and a increase in motorcycles for Europe and Southeast Asia,

Operating profit



Increased due to an increase in revenue, depreciation of yen compare to 1Q FY2020, and reductions of sales promotion costs and other factors

FY2021 forecast (vs. Forecast in May)

Net Sales

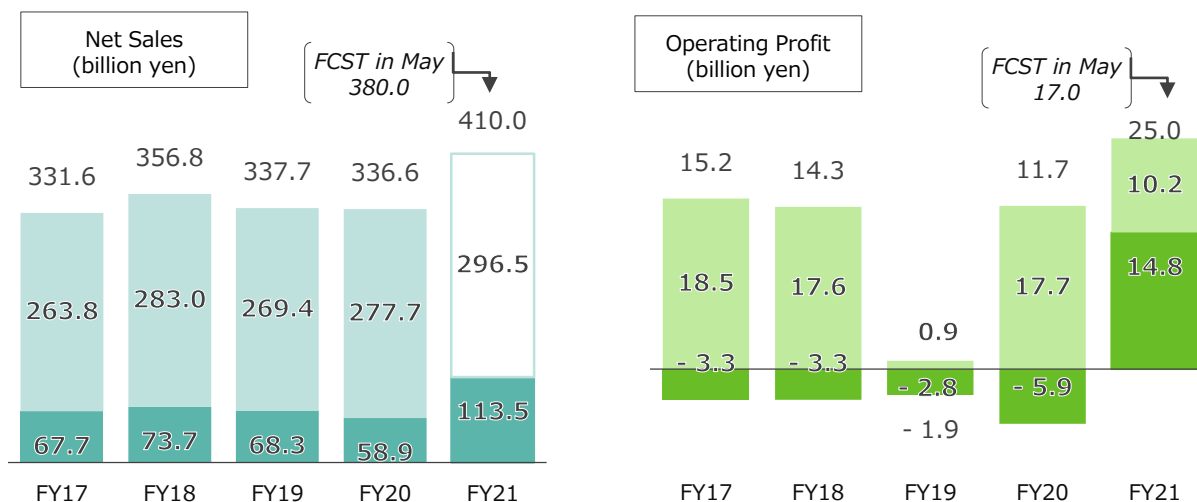


Revised up due to strong demand in developed countries

Operating profit



Revised up due to an increase in revenue and changes in foreign exchange assumptions, despite higher logistics costs and raw material prices



※The dark portion of the graph represents Q1 results and the light portion represents Q2-4 forecasts.

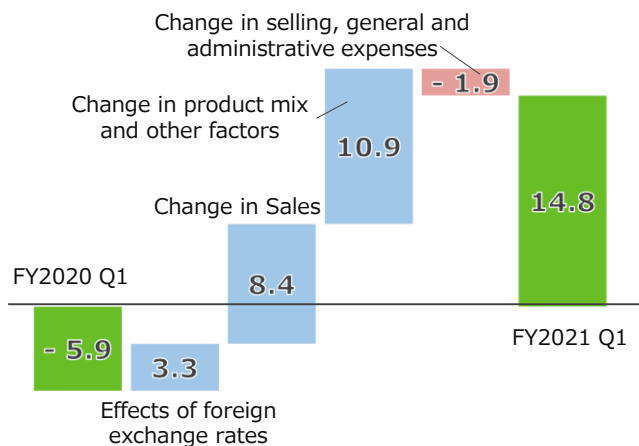
3 Details by Segment - Motorcycle & Engine -

(Billion Yen)

	FY2020 Q1 Actual	FY2021		FY2020 Actual	FY2021 Forecast				
		Q1 Actual	Change		Old FCST	New FCST	Chg. Vs. FY20	Chg. Vs. Old FCST	Q2-4 FCST
Net Sales	58.9	113.5	+ 54.5	336.6	380.0	410.0	+ 73.4	+ 30.0	296.5
Motorcycles for developed countries	24.7	46.6	+ 21.9	114.2	137.0	148.0	+ 33.8	+ 11.0	101.4
Motorcycles for emerging market	9.1	21.9	+ 12.8	67.4	82.0	88.0	+ 20.6	+ 6.0	66.1
Utility Vehicles, ATVs & PWC	16.6	26.0	+ 9.4	101.4	108.0	117.0	+ 15.6	+ 9.0	91.0
General-purpose gasoline engines	8.5	18.8	+ 10.2	53.5	53.0	57.0	+ 3.5	+ 4.0	38.2
Operating Profit	- 5.9	14.8	+ 20.7	11.7	17.0	25.0	+ 13.3	+ 8.0	10.2
[Margin]	[- 10.0%]	[13.0%]	[+ 23.1pt]	[3.4%]	[4.4%]	[6.0%]	[+ 2.5pt]	[+ 1.5pt]	[3.4%]

Details of change in Operating Profit(Loss)

(billion yen)



Appendix

Wholesales of motorcycles by country

Developed countries (Thousand units)

	FY'20 Q1	FY'21 Q1	Change
Japan	2	6	+ 3
U.S.	6	20	+ 14
Canada	1	2	+ 1
Europe	16	21	+ 5
Australia	2	3	+ 0
Total	29	55	+ 25

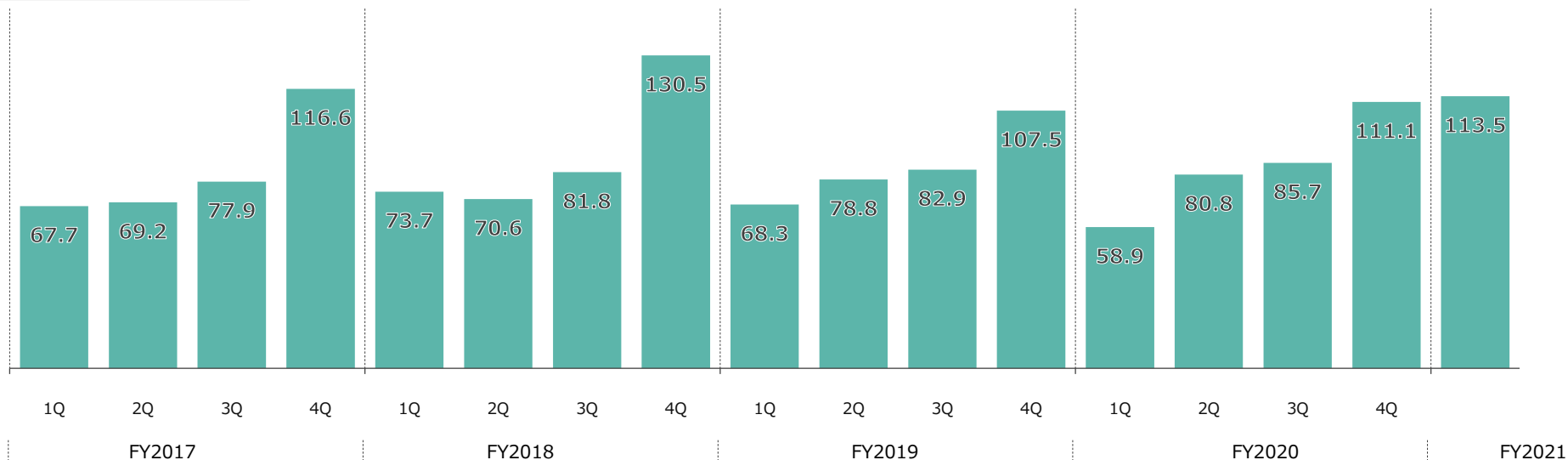
Emerging countries (Thousand units)

	FY'20 Q1	FY'21 Q1	Change
Brazil	1	2	+ 0
Thailand	1	2	+ 0
Philippines	14	31	+ 17
Indonesia	1	11	+ 10
China	3	9	+ 5
Others	2	4	+ 1
Total	25	61	+ 35

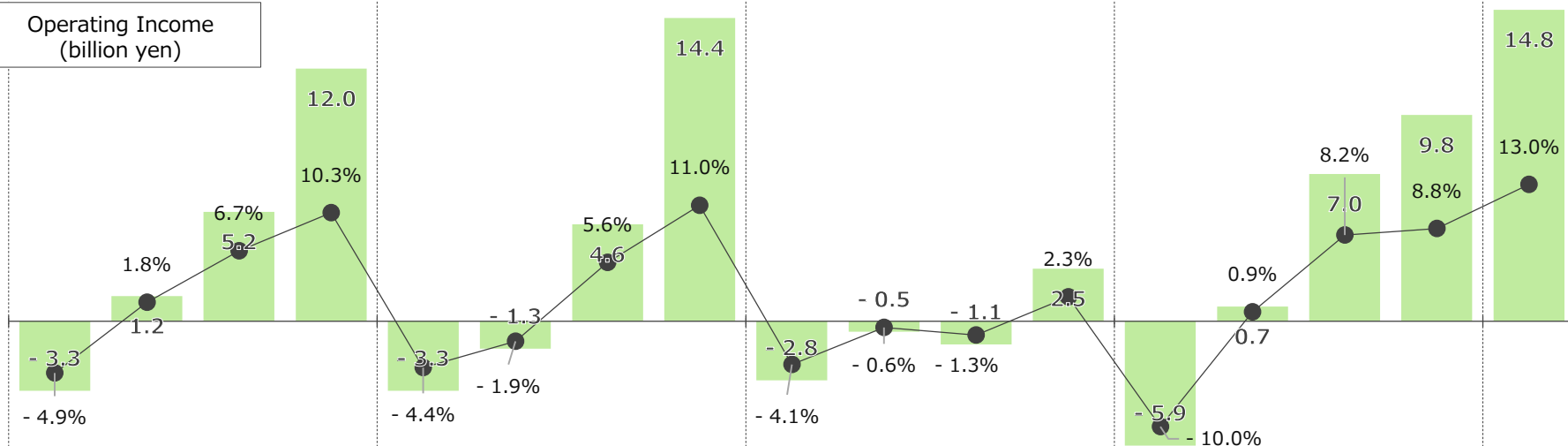
Wholesales of four-wheeler and PWC :
FY20' Q1 13 thousand units
FY21' Q1 20 thousand units

3 Details by Segment - Motorcycle & Engine -

Net Sales
(billion yen)



Operating Income
(billion yen)



3 Details by Segment - Motorcycle & Engine -

Market Overview

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



SxS TERYX KRX 1000
that is 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 reduce carbon emissions
 - Specific study to increase production capacity
 - Accelerating feasibility study toward mass production of electric and hybrid models
- ✓ **Strict control of fixed cost to slimming down**
 - Maintaining the level of fixed cost ratio reduced in FY 2020 while considering additional reductions
 - R&D, however, is promoted
- ✓ **Securing Free Cash Flows**
 - Aiming to secure stable FCF for future investment

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

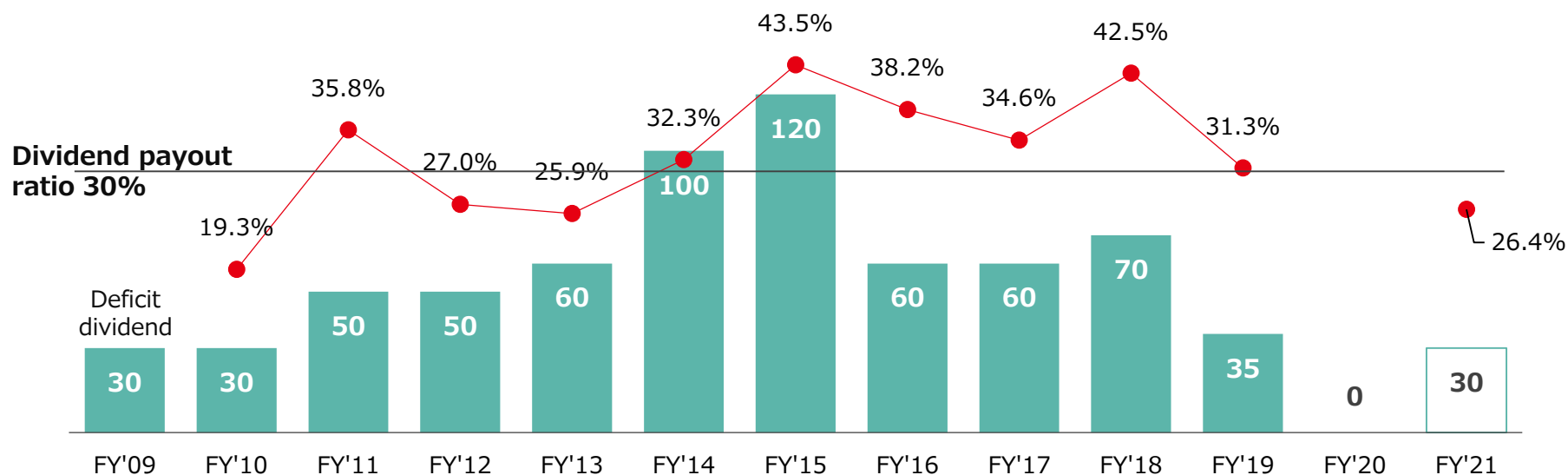
30%

Dividend for FY2021

- The forecast of operating profit was revised up by 10 billion yen
- The forecast of net income attributable to owners of the parent was revised up by 2 billion yen, due to increase in non-operating loss and tax expenses
- Supply chain risk will remain

▶ **Interim** dividend is **20 yen** per share

Full year dividend is **30 yen** per share
(dividend payout ratio of **26.4%**)



✓ Our first Sustainability Bond is to issued

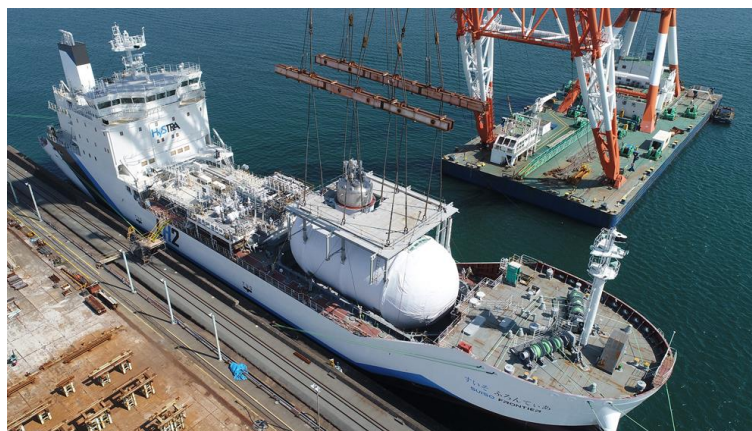
- The first sustainability bond focusing on Hydrogen business in Japan
- Accelerating sustainability management to Realize “Group Vision 2030: Trustworthy Solutions for the Future.” in order to contribute for SDGs
- Strengthening engagement with stakeholders by raising funds through sustainable finance※.

※ Fund raising by companies and businesses that contribute to environmental and social sustainability

Eligible Projects	<p>① Projects Related to the Establishment of a Clean Hydrogen Supply Chain</p> <p>② Projects Related to the Popularization of the Automated Robotic PCR Testing System</p>
Amount	10 Billion Yen (Tenor : 10years Interest rate : 0.3%)



Automated PCR viral testing system



Installation of liquefied hydrogen cargo tank on the world's first liquefied hydrogen carrier



Progress of automated PCR viral testing service

- Started nation's first automated PCR viral testing service using a robot system at Fujita Health University (in Aichi prefecture) in March, 2021
- Started joint research project together with Kyoto University Hospital and Sysmex Corporation, to evaluate the large-volume automated PCR viral testing robot system in social implementation in April, 2021.

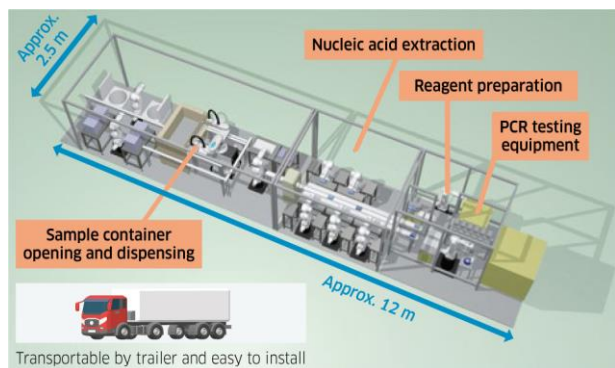
New Installed an automated PCR viral testing robot system at the entrance to the international departure terminal in May, 2021, in preparation for the planned launch of Japan's first airport PCR testing service for passengers taking outbound flights.

New Started sampling tests for employees at Akashi works(in April,2021) and Kobe works(in June, 2021), aiming to provide screening testing service for not only employees but also neighboring areas.

Advantages

- ① Built in a movable container(12.2meter long)
- ② All stages are automated to test 2,500 samples per day
- ③ Shorter testing times (completed within 80 minutes)

applicable
to
Sample
Pooling



Automated PCR viral testing system



Inside the container



Container installed at Kansai International Airport

✓ **Agreement for the establishment of a joint venture with Sony Group Corporation to realize new lifestyles and ways of working in the society of the future**

- Building remote robot platforms that will connect people with a desire to work with companies who wish to hire them
 - ensuring the safety of workers, reducing workload, enabling people who are located away from work sites to work remotely etc...



Kawasaki Group

- Robotics
- Land, sea and air mobility systems
- Energy plants as social infrastructure
- personal mobility vehicles



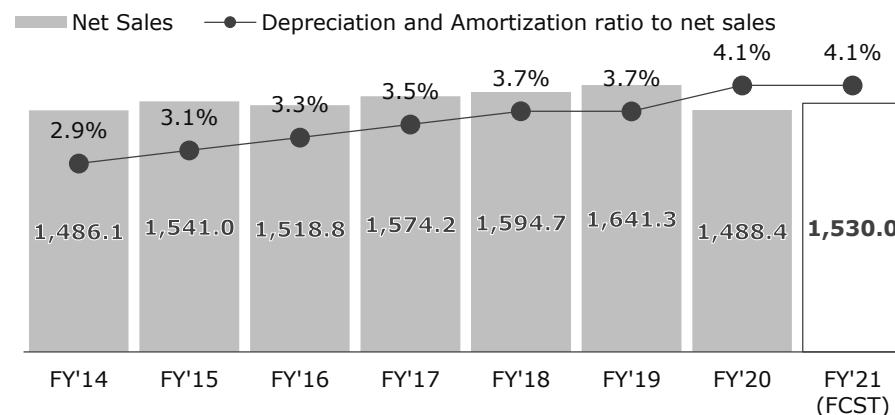
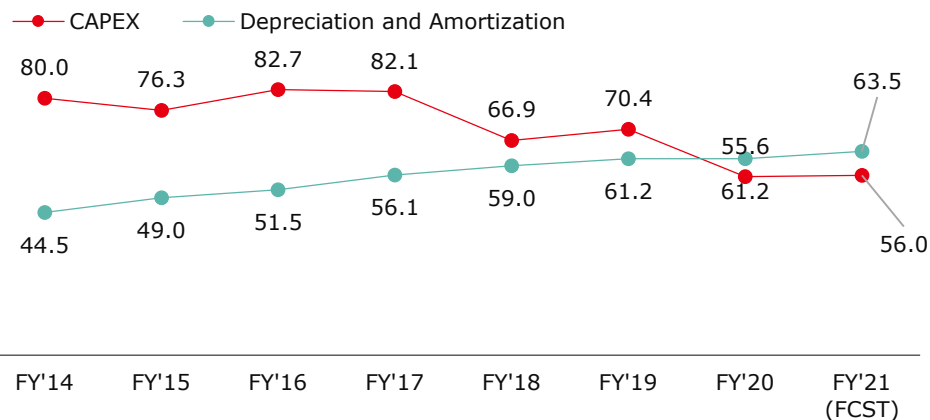
SONY Group

- Sensing
- Image processing
- Communication Network
- Cloud, Data analytics
- UX/UI



(Billion Yen, Persons)

	FY2020	FY2021		FY2020	FY2021	
	Q1 Actual	Q1 Actual	Change	Actual	FCST	Chg. Vs. FY20
CAPEX	14.2	10.5	- 3.6	55.6	56.0	+ 0.4
Depreciation and amortization	14.9	14.8	- 0.1	61.2	63.5	+ 2.3
R & D expenses	8.1	8.8	+ 0.7	44.9	49.5	+ 4.6
Number of Employees				36,691	37,300	+ 609
Domestic				26,901	27,400	+ 499
Overseas				9,790	9,900	+ 110



● Order Backlog

(billion yen)

	FY20 Q1	FY21 Q1	
	Actual	Actual	Change
Aerospace Systems	546.8	496.8	- 49.9
Rolling Stock	485.8	423.8	- 62.0
Energy Solution & Marine Engineering	460.7	464.9	+ 4.2
Precision Machinery & Robot	56.0	76.7	+ 20.7
Motorcycle & Engine	-	-	-
Others	25.6	24.3	- 1.2
Total	1,575.1	1,486.8	- 88.2

● Net sales by region

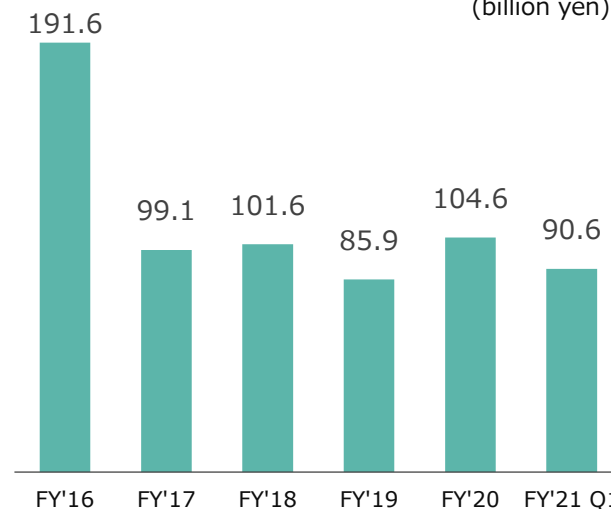
(billion yen)

	FY20 Q1	FY21 Q1	
	Actual	Actual	Change
Japan	148.4	145.2	- 3.1
USA	56.4	90.9	+ 34.5
Europe	34.9	35.6	+ 0.7
Asia	49.8	67.1	+ 17.3
Other	10.9	16.5	+ 5.5
Total	300.6	355.6	+ 55.0

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

● Order Backlog in Ship & Offshore

(billion yen)



● Ship Delivery

(number of ships)

	FY'21		FY'22	FY'23	FY'24	Order Backlog
	Actual	Q2~	Scheduled			
LNG Carrier	-	-	-	-	-	-
LPG Carrier	-	3	4	-	-	7
Submarine	-	-	1	-	1	2
Others	-	-	-	-	-	-
Total	-	3	5	-	1	9

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

	FY'20	FY'21	
	1Q	Actual	Q2-4 FCST
Aerospace Systems	0.08	0.16	0.63
Rolling Stock	0.01	0.04	0.02
Energy Solution & Marine Engineering	0.07	0.02	0.18
Precision Machinery & Robot	0.04	0.08	0.11
Motorcycle & Engine	0.04	0.12	0.28
Total	0.24	0.42	1.22

※ Impact on profit by FX fluctuation of 1 yen

- Weighted-average exchange rates (EUR/JPY)

FY2019 actual	121.70
FY2020 actual	124.61
FY2021 Q1 actual	131.63
FY2021 Q2-4 forecast	128.00

- Net Sales in Foreign Currencies (billion EUR)

FY2019 actual	0.44
FY2020 actual	0.32
FY2021 Q1 actual	0.09
FY2021 Q2-4 forecast	0.24

※ Impact on profit by FX fluctuation of 1 yen

世界の人々の豊かな生活と地球環境の未来に貢献する
“Global Kawasaki”