

# Financial Results for Third Quarter FY2023

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For the Year ending March 31, 2024

February 9, 2024

Kawasaki Heavy Industries, Ltd.



 **Kawasaki**  
Powering your potential

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### Notice

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. Our company has adopted IFRS (International Financial Reporting Standards) since the first quarter of FY2022.

# Consolidated Results for Third Quarter FY2023

## -Summary-

-  V-shaped recovery QoQ, but profit decreased YoY
-  Overall results are as expected, though it depends on the segment (vs. forecast in Nov)

(Billion Yen)

	FY22 Q3	FY23 Q3				YoY Change
		Apr. to Jun.	Jul. to Sep.	Oct. to Dec.	Total	
Orders Received	1,476.5	457.3	403.4	429.2	<b>1,290.1</b>	- 186.4
Revenue	1,196.3	405.3	364.0	459.7	<b>1,229.0</b>	+ 32.7
Business Profit	80.8	10.2	- 43.1	33.5	<b>0.7</b>	- 80.1
<i>[margin]</i>	<i>[6.8%]</i>	<i>[2.5%]</i>	<i>[- 11.8%]</i>	<i>[7.3%]</i>	<i>[0.1%]</i>	<i>[- 6.7pt]</i>
Profit Before Tax	72.1	14.9	- 49.4	16.5	<b>- 17.9</b>	- 90.0
<i>[margin]</i>	<i>[6.0%]</i>	<i>[3.7%]</i>	<i>[- 13.6%]</i>	<i>[3.6%]</i>	<i>[- 1.5%]</i>	<i>[- 7.4pt]</i>
Profit Attributable to Owners of Parent	52.5	9.0	- 32.4	9.8	<b>- 13.4</b>	- 65.9
<i>[margin]</i>	<i>[4.4%]</i>	<i>[2.2%]</i>	<i>[- 8.9%]</i>	<i>[2.1%]</i>	<i>[- 1.1%]</i>	<i>[- 5.4pt]</i>
Weighted-average exchange rates (USD/JPY) ※1	134.84	132.09	141.77	147.68	<b>141.02</b>	+ 6.18
US dollar-based transaction (B\$) ※2	1.40	0.45	0.33	0.46	<b>1.24</b>	- 0.16

### Attention




Profit of Jul. to Sep. significantly decreased (At the business profit -¥58 billion yen) due to lump-sum loss recording related PW1100G-JM engine. See page 18 for details on the above

※1 Except for loss related to the In-service issues of PW1100G-JM engine.

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

# Consolidated Results for Third Quarter FY2023

## -Segment-

-  Business profit in ES&M increased due to a significant improvement in profitability of Ship & Offshore business and Energy & Marine Machinery business ①
-  Business profit in PS&E decreased due to increase in sales promotion expenses and recall-related expenses, etc
-  Business profit in Precision Machinery & Robot decreased due to demand decline in Chinese market and impact of excess inventories, etc ②

(Billion Yen)

	Orders Received			Revenue			Business Profit (Loss)		
	FY22 Q3	FY23 Q3	Change	FY22 Q3	FY23 Q3	Change	FY22 Q3	FY23 Q3	Change
Aerospace Systems	200.7	<b>332.5</b>	+ 131.7	238.6	<b>235.5</b>	- 3.0	13.7	<b>- 35.5</b>	- 49.2
Rolling Stock	294.3	<b>41.8</b>	- 252.5	92.3	<b>135.8</b>	+ 43.4	0.7	<b>2.6</b>	+ 1.8
Energy Solution & Marine Engineering	301.8	<b>281.2</b>	- 20.6	212.3	<b>234.3</b>	+ 21.9	9.3	<b>16.6</b>	+ 7.3
Precision Machinery & Robot	197.6	<b>157.6</b>	- 39.9	179.1	<b>158.7</b>	- 20.4	7.4	<b>- 4.3</b>	- 11.8
Powersports & Engine <sup>※1</sup>	413.7	<b>404.4</b>	- 9.3	413.7	<b>404.4</b>	- 9.3	53.7	<b>32.0</b>	- 21.7
Others	68.1	<b>72.4</b>	+ 4.2	60.0	<b>60.2</b>	+ 0.1	3.3	<b>1.5</b>	- 1.8
Eliminations and corporate <sup>※2</sup>	-	-	-	-	-	-	- 7.4	<b>- 12.1</b>	- 4.7
<b>Total</b>	<b>1,476.5</b>	<b>1,290.1</b>	- 186.4	<b>1,196.3</b>	<b>1,229.0</b>	+ 32.7	<b>80.8</b>	<b>0.7</b>	- 80.1

※1 From Q3 FY'22, the reportable segment name of 'Motorcycle & Engine' has been changed to 'Powersports & Engine'.

※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 FY2023

## -Statement of comprehensive income-

(Billion Yen)

	FY22 Q3	%	FY23 Q3	%	Change
Revenue	1,196.3	100.0	<b>1,229.0</b>	100.0	+ 32.7
Cost of sales	949.5	79.4	<b>1,038.2</b>	84.5	+ 88.7
Gross profit	246.8	20.6	<b>190.7</b>	15.5	- 56.0
Selling, general and administrative expenses	168.8	14.1	<b>196.1</b>	16.0	+ 27.3
Salaries and allowances	47.9		<b>54.8</b>		+ 6.8
Research and development expenses	33.8		<b>36.6</b>		+ 2.7
Others	87.0		<b>104.7</b>		+ 17.7
Share of profit (loss) of investments accounted for using equity method	3.9		<b>6.1</b>		+ 2.2
Other income and other expenses	- 1.0		<b>0.0</b>		+ 1.0
Gain on sale of property, plant and equipment	0.5		<b>0.7</b>		+ 0.1
Others	- 1.6		<b>- 0.7</b>		+ 0.9
Business Profit (Loss)	80.8	6.8	<b>0.7</b>	0.1	- 80.1

## Details

- ① Cost of sales ratio deteriorated due to a loss of ¥58 billion yen (reduction in revenue) related to the In-Service issues of PW1100G-JM Engine recorded in FY23 Q2
- ② Increase in fixed costs of overseas subsidiaries due to yen depreciation, etc
- ③ Improvement in business performance mainly at a joint venture in China in Ship & offshore structure (due to cost reductions, the impact of falling steel prices, and the depreciation of Chinese yuan against US dollar)

# Consolidated Results for Third Quarter FY2023

## -Statement of comprehensive income-

(Billion Yen)

	FY22 Q3	%	FY23 Q3	%	Change
Finance income and Finance costs	- 8.7		- <b>18.6</b>		- 9.9
Net Interest expense (incl. dividend income)	- 1.9		- <b>3.7</b>		- 1.8
Gain and loss on foreign exchange	- 4.0		<b>④</b> - <b>10.8</b>		- 6.8
Others	- 2.6		- <b>3.9</b>		- 1.2
Profit before tax	72.1	6.0	- <b>17.9</b>	- 1.5	- 90.0
Income tax expense	18.3		- <b>6.0</b>		- 24.4
Profit attributable to Non-controlling interests	1.2		<b>1.6</b>		+ 0.4
Profit attributable to owners of parent	52.5	4.4	- <b>13.4</b>	- 1.1	- 65.9

[Details](#)

**④** Foreign exchange losses due to hedge valuation losses

USD/JPY rate

133.54 Q4/E FY'22

141.82 Q3/E FY'23

Weighted-average

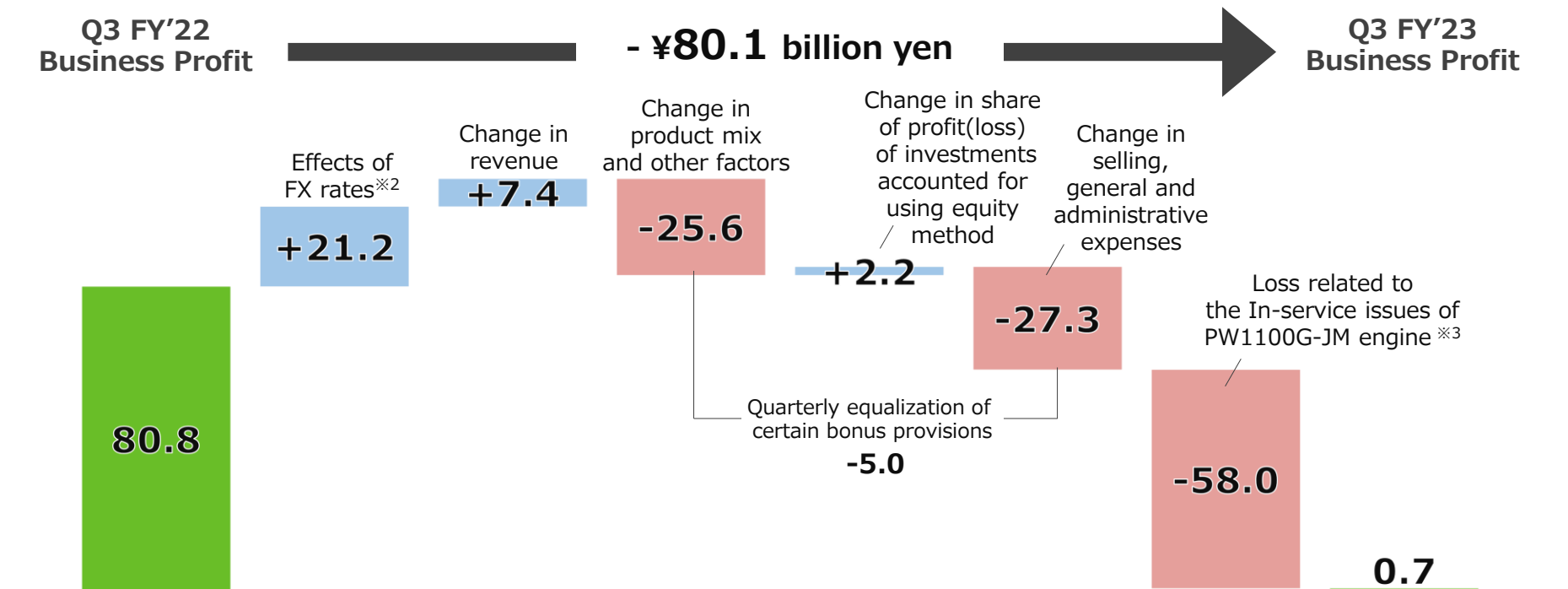
exchange rates

141.02 Q3 FY'23

# Consolidated Results for Third Quarter FY2023

## -Details of change in business profit-

- ✓ Change in product mix and other factors was affected by increased sales promotion expenses in PS&E and decline in operations in Precision Machinery & Robot
- ✓ Quarterly equalization of certain bonus provisions<sup>※1</sup> depressed profit



※1 Previously, some bonus provisions were lumped in at the end of the fiscal year, but from FY'23, we have changed the process to estimate (level out) them at quarterly.

※2 "Effects of FX rates" indicate the impact on gross profit, not including FX effects on Selling, general and administrative expenses.

Also, the impact of price fluctuation due to currency fluctuations is included in "Change in product mix and other factors" and "Changes in Selling, general and administrative expenses".

※3 The actual amounts are different from the amounts recognized in the financial statements due to revaluation at the end of the third quarter of the current fiscal year

# Consolidated Results for Third Quarter FY2023

## -Details of change in business profit-

(Billion Yen)

	FY22 Q3 Business Profit (Loss)	Details of change						Total	FY23 Q3 Business Profit (Loss)
		Effects of FX rates <sup>※1</sup>	Change in sales <sup>※1</sup>	Change in product mix and other factors <sup>※1</sup>	Change in share of profit (loss) of investments accounted for using equity method	Change in SG & A expenses	Loss Related to the In-Service Issues of PW1100G-JM Engine		
Aerospace Systems	13.7	3.4	6.6	0.3		- 1.5	※2 - 58.0	- 49.2	- 35.5
Rolling Stock	0.7	1.2	2.9	- 1.1	0.0	- 1.2		1.8	2.6
Energy Solution & Marine Engineering	9.3	2.8	3.2	2.7	2.5	- 3.9		7.3	16.6
Precision Machinery & Robot	7.4	1.9	- 4.4	- 6.2	- 0.3	- 2.8		- 11.8	- 4.3
Powersports & Engine	53.7	11.8	- 0.9	- 20.5	- 0.0	- 12.1		- 21.7	32.0
Others	3.3	0.1	0.0	- 1.3	- 0.0	- 0.6		- 1.8	1.5
Eliminations and corporate	- 7.4			0.2	0.0	- 4.9		- 4.7	- 12.1
<b>Total</b>	<b>80.8</b>	<b>21.2</b>	<b>7.4</b>	<b>- 25.6</b>	<b>2.2</b>	<b>- 27.3</b>	※2 - 58.0	<b>- 80.1</b>	<b>0.7</b>

※1 Effects of foreign exchange rates, change in revenue, 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 revenue and change in product mix.

※2 The actual amounts are different from the amounts recognized in the financial statements due to revaluation at the end of the third quarter of the current fiscal year



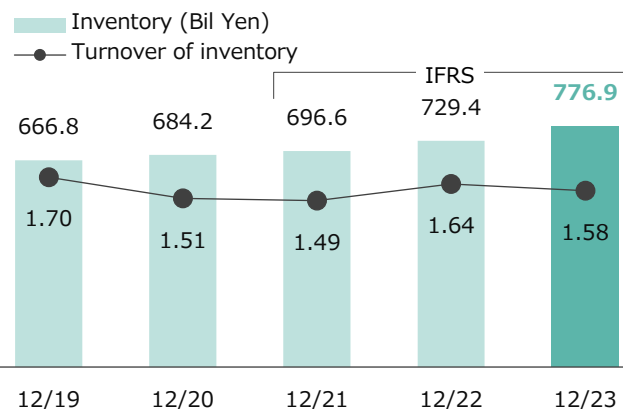
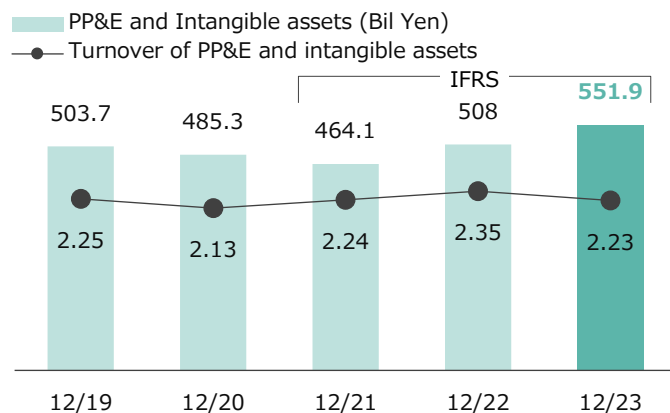
# Consolidated Results for Third Quarter FY2023 -Statement of financial position-

(Billion Yen)

	End of Mar. 2023	%	End of Dec. 2023	%	Change
Cash and cash equivalents	138.4		<b>102.0</b>		- 36.4
Trade receivables (Incl. contract assets)	592.6		<b>639.2</b>		<b>①</b> + 46.5
Inventories	690.4		<b>776.9</b>		<b>②</b> + 86.5
Other current assets	148.8		<b>192.3</b>		+ 43.5
Current assets	1,570.3	63.9	<b>1,710.5</b>	64.2	+ 140.2
PP&E and intangible assets	517.2		<b>551.9</b>		+ 34.7
Right-of-use assets	68.4		<b>64.2</b>		- 4.1
Deferred tax assets	110.2		<b>126.5</b>		<b>③</b> + 16.3
Other non-current assets	191.4		<b>209.7</b>		+ 18.3
Non-current assets	887.3	36.1	<b>952.6</b>	35.8	+ 65.2
Total assets	2,457.7	100.0	<b>2,663.2</b>	100.0	+ 205.4

Details

- ①** Increase in Aero Engine and Rolling Stock, etc
- ②** Increase in Aerospace Systems and PS&E, etc
- ③** Increase due to loss related to PW1100G-JM engine



# Consolidated Results for Third Quarter FY2023 -Statement of financial position-

(Billion Yen)

	End of Mar. 2023	%	End of Dec. 2023	%	Change
Trade payables	395.1		<b>415.9</b>		+ 20.7
Interest-bearing debt	589.8		<b>831.0</b>		<b>+ 241.1</b>
Contract liability (Advances received)	256.2		<b>241.5</b>		- 14.7
Provision for losses on construction contracts	4.6		<b>4.4</b>		- 0.2
Retirement benefit liability	91.5		<b>94.6</b>		+ 3.1
Other liabilities	523.3		<b>486.3</b>		<b>- 37.0</b>
<b>Total liabilities</b>	<b>1,860.8</b>	<b>75.7</b>	<b>2,073.8</b>	<b>77.9</b>	<b>+ 213.0</b>
Equity attributable to owners of parent	576.2		<b>568.7</b>		- 7.4
Non-controlling interests	20.6		<b>20.5</b>		- 0.1
<b>Total equity</b>	<b>596.8</b>	<b>24.3</b>	<b>589.3</b>	<b>22.1</b>	<b>- 7.5</b>
<b>Total liabilities and equity</b>	<b>2,457.7</b>	<b>100.0</b>	<b>2,663.2</b>	<b>100.0</b>	<b>+ 205.4</b>

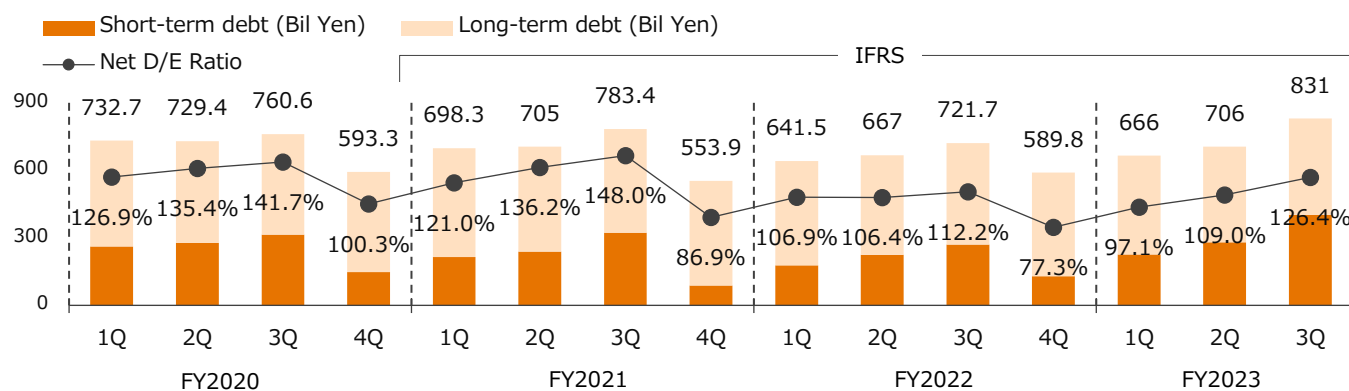
Details

- ④ Increase in borrowing from the end of the previous fiscal year is normal business cycle
- ⑤ Decreased due to receivables liquidation in Aerospace Systems

Appendix

Cash Conversion Cycle  
(day)

End of Q3 FY'19	167
End of Q3 FY'20	168
End of Q3 FY'21	178
End of Q3 FY'22	157
End of Q3 FY'23	168



# Consolidated Results for Third Quarter FY2023

## -Cash Flows-

(Billion Yen)

	FY22 Q3	FY23 Q3	Change
Profit before tax	72.1	- 17.9	- 90.0
Depreciation and amortization	55.9	61.0	+ 5.0
Increase and decrease in working capital	- 161.9	- 103.0	+ 58.8
Trade receivables <sup>※1</sup> (minus notation indicates incr.)	- 80.4	- 19.5	+ 60.8
Inventory (minus notation indicates incr.)	- 106.0	- 83.1	+ 22.9
Trade payables (minus notation indicates decr.)	39.2	17.3	- 21.8
Advance payment (minus notation indicates incr.)	- 29.4	1.5	+ 30.9
Contract liabilities <sup>※2</sup> (minus notation indicates decr.)	14.7	- 19.1	- 33.9
Other	- 79.3	- 37.9	+ 41.3
<b>Cash flows from operating activities</b>	<b>- 113.1</b>	<b>- 97.9</b>	<b>+ 15.1</b>
Purchase of PP&E and intangible assets	- 44.9	- 80.5	- 35.5
Proceeds from sales of PP&E and intangible assets	1.9	2.4	+ 0.4
Other	- 10.2	- 2.9	+ 7.2
<b>Cash flows from investing activities</b>	<b>- 53.2</b>	<b>- 81.1</b>	<b>- 27.8</b>
<b>Free cash flows</b>	<b>- 166.3</b>	<b>- 179.0</b>	<b>- 12.6</b>
Net increase and decrease in debt and bonds (minus notation indicates decr.)	160.8	240.9	+ 80.1
Dividends paid (Except payment to non-controlling interests)	- 7.9	- 13.1	- 5.2
Proceeds from fluidity of lease receivables and Repayment of payables under fluidity lease receivables	14.8	- 57.6	- 72.4
Other	- 16.1	- 23.3	- 7.2
<b>Cash flows from financing activities</b>	<b>151.5</b>	<b>146.7</b>	<b>- 4.8</b>

### 要因説明

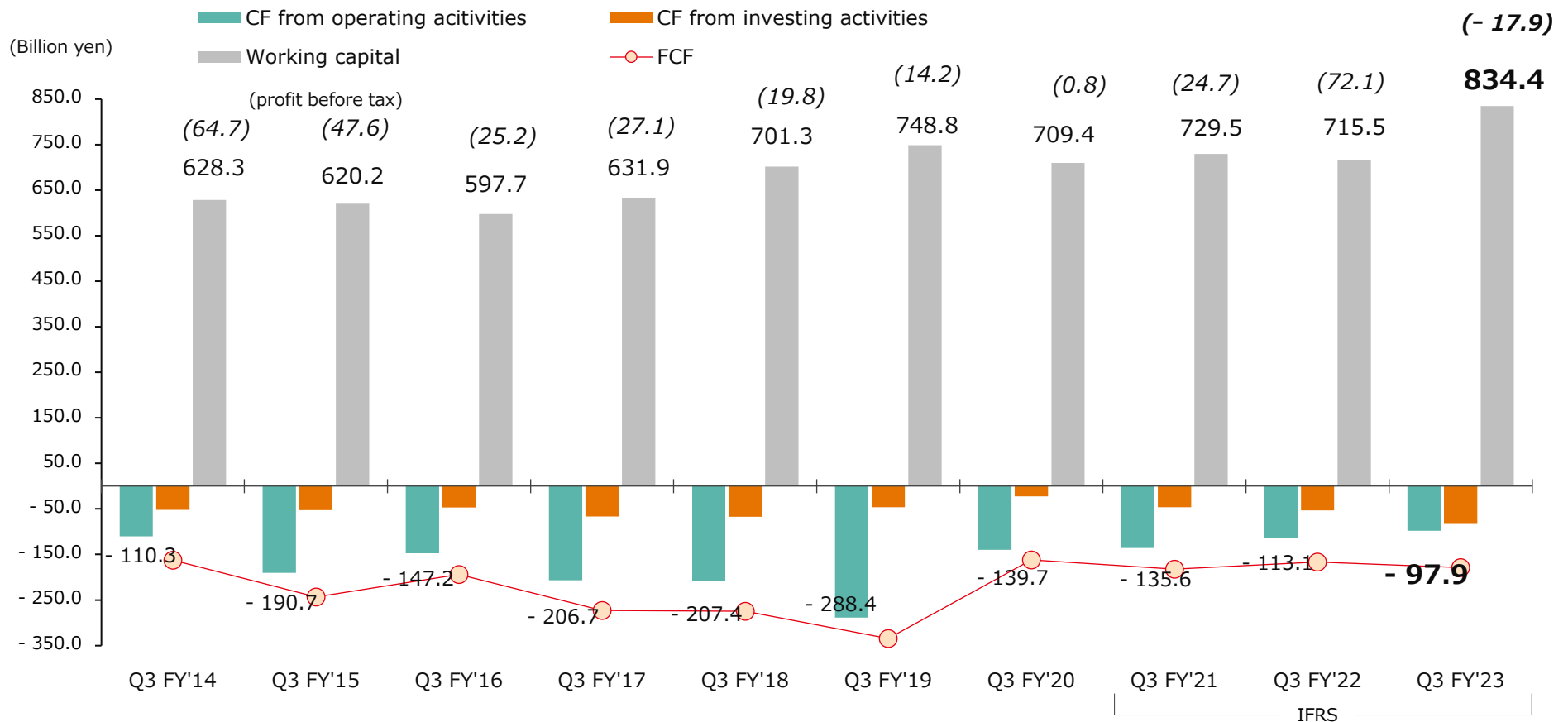
- ① Q3 FY'22 : Significant cash outflow in working capital component items, including higher receivables and inventories at Aerospace Systems and strong PS&E, which are in the midst of a performance recovery, despite high pre-tax income
- Q3 FY'23 : Cash outflow in the working capital component due to higher receivables and inventories in Aerospace Systems and higher inventories in the PS&E, despite progress in collecting receivables in PS&E
- ② Investment in PS&E for expansion of product capacity (new factory in Mexico, etc.), etc
- ③ Repayment in Aerospace

※1,2 Trade receivables include contract assets. The old account name of contract liabilities is advances received

# Consolidated Results for Third Quarter FY2023

## -Cash Flows-

- Historical data shows CF from operating activities is improving
- Working capital temporarily increased due to a strong recovery in order-based businesses and sales growth in PS&E



# Forecasts for FY2023

## -Summary-

- Business profit was revised up, though net income remained unchanged due to the impact of foreign exchange hedges
- Revenue and profit are expected to increase further in Q4 compared to the solid Q3

(Billion Yen)

	FY2022 Actual	FY2023 Forecast and Progress						
		Old FCST	New FCST	Chg. vs. FY22		Chg. vs. Old FCST	Q3 Actual	Q4 FCST
Orders Received	2,037.4	1,910.0	<b>1,950.0</b>	-	87.4	+ 40.0	<b>1,290.1</b>	<b>659.9</b>
Revenue	1,725.6	1,840.0	<b>1,840.0</b>	+	114.4	-	<b>1,229.0</b>	<b>611.0</b>
Business Profit	82.3	40.0	<b>43.0</b>	-	39.3	+ 3.0	<b>0.7</b>	<b>42.3</b>
<i>[Margin]</i>	<i>[4.8%]</i>	<i>[2.2%]</i>	<i>[2.3%]</i>		<i>[- 2.4pt]</i>	<i>[+ 0.1pt]</i>	<i>[0.1%]</i>	<i>[6.9%]</i>
Profit Before Tax	70.3	-	<b>21.0</b>	-	49.3	-	<b>- 17.9</b>	<b>38.9</b>
<i>[Margin]</i>	<i>[4.1%]</i>	<i>[1.1%]</i>	<i>[1.1%]</i>		<i>[- 2.9pt]</i>	<i>[-]</i>	<i>[- 1.5%]</i>	<i>[6.4%]</i>
Profit Attributable to Owners of Parent	53.0	12.0	<b>12.0</b>	-	41.0	-	<b>- 13.4</b>	<b>25.4</b>
<i>[Margin]</i>	<i>[3.1%]</i>	<i>[0.7%]</i>	<i>[0.7%]</i>		<i>[- 2.4pt]</i>	<i>[-]</i>	<i>[- 1.1%]</i>	<i>[4.2%]</i>
After-tax ROIC	5.7%	1.5%	<b>1.5%</b>	-	4.2pt	-	-	-
Weighted-average exchange rates (USD/JPY)	133.96	140.00	-	-	-	-	<b>141.02</b>	<b>140.00</b>
US dollar-based transaction (B\$)	2.05	1.87	<b>1.89</b>	-	0.16	+ 0.02	<b>1.24</b>	<b>0.25</b>

※ Amount in foreign currency calculated by deducting dollar-denominated purchases from dollar-denominated revenue of Kawasaki Heavy Industries, Ltd., Kawasaki Railcar manufacturing Co., Ltd., and Kawasaki Motors, Ltd. (to include dollar-denominated loss provisions). The estimated impact on business profit due to a 1 yen fluctuation in the exchange rate. See page 42 for the breakdown of these figures by segment. If the balance to be revalued is included at the end of each quarter, the sum of the actual value and the forecast value for the remaining period will not be equal to the forecast value for the year.

# Forecasts for FY2023 -Segment-

- 
**Forecast for Aerospace Systems was revised up mainly due to improved Aero Engine after-sales revenue** ①
- 
**Forecast for Precision Machinery & Robot was revised down due to the stagnation of the Chinese market, the impact of excess inventory and the delay in the recovery of the semiconductor market** ②


(Billion Yen)


	Orders Received				Revenue				Business Profit (Loss)			
	FY2022	FY2023 Forecast			FY2022	FY2023 Forecast			FY2022	FY2023 Forecast		
	Actual	Old FCST	New FCST	Change	Actual	Old FCST	New FCST	Change	Actual	Old FCST	New FCST	Change
Aerospace Systems	345.5	560.0	<b>590.0</b>	+ 30.0	348.8	390.0	<b>390.0</b>	-	14.8	- 24.0	<b>- 17.0</b>	+ 7.0
Rolling Stock	313.2	80.0	<b>80.0</b>	-	131.9	190.0	<b>190.0</b>	-	1.3	4.0	<b>4.0</b>	-
Energy Solution & Marine Engineering	439.0	340.0	<b>360.0</b>	+ 20.0	314.5	350.0	<b>360.0</b>	+ 10.0	3.9	22.0	<b>26.0</b>	+ 4.0
Precision Machinery & Robot	262.0	240.0	<b>230.0</b>	- 10.0	252.6	230.0	<b>220.0</b>	- 10.0	8.7	3.0	<b>- 1.0</b>	- 4.0
Powersports & Engine	591.1	590.0	<b>590.0</b>	-	591.1	590.0	<b>590.0</b>	-	71.5	50.0	<b>47.0</b>	- 3.0
Ohters	86.4	100.0	<b>100.0</b>	-	86.3	90.0	<b>90.0</b>	-	- 1.8	2.0	<b>2.0</b>	-
Eliminations and corporate <sup>※</sup>	-	-	-	-	-	-	-	-	- 16.2	- 17.0	<b>- 18.0</b>	- 1.0
<b>Total</b>	<b>2,037.4</b>	<b>1,910.0</b>	<b>1,950.0</b>	<b>+ 40.0</b>	<b>1,725.6</b>	<b>1,840.0</b>	<b>1,840.0</b>	<b>-</b>	<b>82.3</b>	<b>40.0</b>	<b>43.0</b>	<b>+ 3.0</b>


※ "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-


## FY2023.Q3 (vs. FY2022.Q3)


**Orders received**  Increased due to increase in orders for MOD and Boeing, despite the loss (reduction in orders) related to PW1100G-JM engine  
+¥131.7 bil.


**Revenue**  Remained at the same level as the same period in FY22, due to an increase in MOD, Boeing, and commercial aircraft in Aero Engine despite the loss (reduction in revenue) related to PW1100G-JM engine  
-¥3.0 bil.

**Business profit**  Decreased due to loss related to PW1100G-JM engine despite increase in revenue  
-¥49.2 bil.

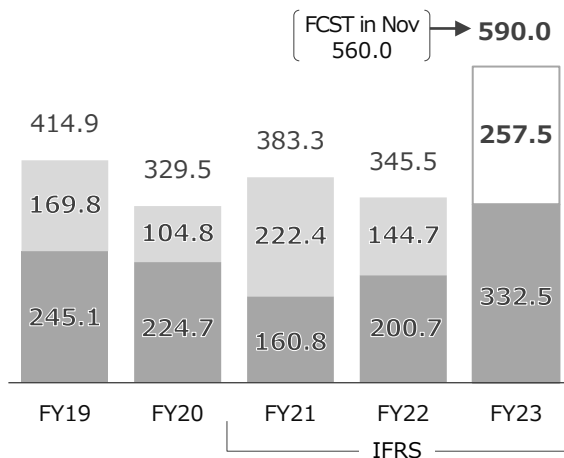
## FY2023 forecast (vs. Forecast in November)

**Orders received**  Revised up due to increase in orders for MOD, etc  
+¥30.0 bil.

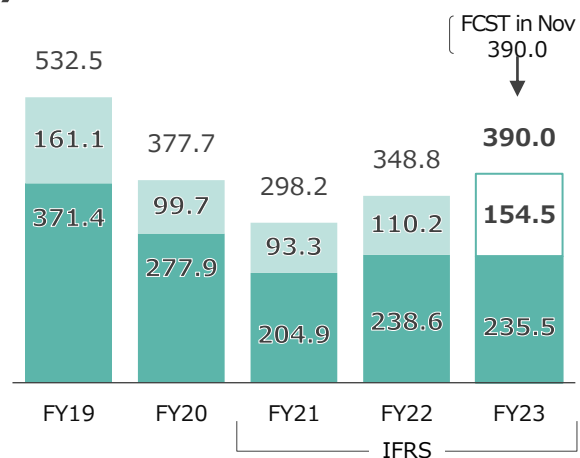
**Revenue**  Expected to remain at the same level  
±¥0 bil.

**Business profit**  Revised up due to improvement of profitability in Aero Engine for commercial aircraft and the impact of a depreciation yen  
+¥7.0 bil.

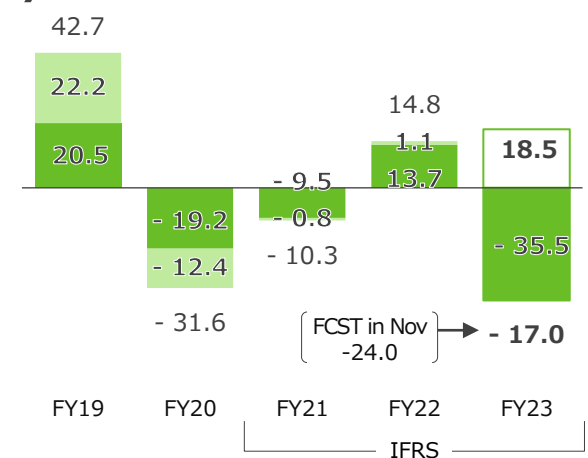
Orders received (billion yen)



Net Sales or Revenue (billion yen)



Operating Profit or Business Profit (billion yen)



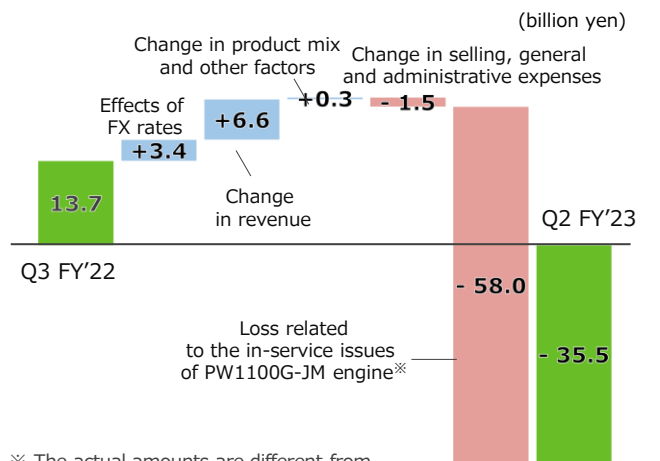
Note: Darker areas in the graphs represent the Q3 cumulative total and lighter areas represent the 4Q

# Details by Segment -Aerospace systems-

(Billion Yen)

	FY2022	FY2023		FY2022	FY2023 Forecast				
	Q3 Actual	Q3 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY22	Chg. Vs. Old FCST	Q4 FCST
Orders Received	200.7	332.5	+ 131.7	345.5	560.0	<b>590.0</b>	+ 244.5	+ 30.0	<b>257.5</b>
<i>Aerospace</i>	140.5	310.5	+ 170.0	253.9	475.0	<b>500.0</b>	+ 246.1	+ 25.0	<b>189.5</b>
<i>Aero Engine</i>	60.2	21.9	- 38.3	91.5	85.0	<b>90.0</b>	- 1.5	+ 5.0	<b>68.1</b>
Revenue	238.6	235.5	- 3.0	348.8	390.0	<b>390.0</b>	+ 41.2	-	<b>154.5</b>
<i>Aerospace</i>	160.8	201.3	+ 40.4	249.3	320.0	<b>320.0</b>	+ 70.7	-	<b>118.7</b>
<i>Aero Engine</i>	77.7	34.2	- 43.5	99.5	70.0	<b>70.0</b>	- 29.5	-	<b>35.8</b>
Business Profit (Loss)	13.7	- 35.5	- 49.2	14.8	- 24.0	<b>- 17.0</b>	- 31.8	+ 7.0	<b>18.5</b>
<i>[Margin]</i>	<i>[5.7%]</i>	<i>[- 15.1%]</i>	<i>[- 20.8pt]</i>	<i>[4.3%]</i>	<i>[- 6.2%]</i>	<i>[- 4.4%]</i>	<i>[- 8.6pt]</i>	<i>[+ 1.7pt]</i>	<i>[12.0%]</i>

## Details of change in Business Profit(Loss)



\* The actual amounts are different from the amounts recognized in the financial statements due to revaluation at the end of the third quarter of the current fiscal year

## Appendix

### Number of aircraft component parts sold to Boeing

	FY'22		FY'23	Change
	Q3	Q1-4	Q3	
767	23	31	23	-
777	20	28	24	+ 4
777X	0	0	3	+ 3
787	6	20	24	+ 18

### Number of jet engine component parts sold

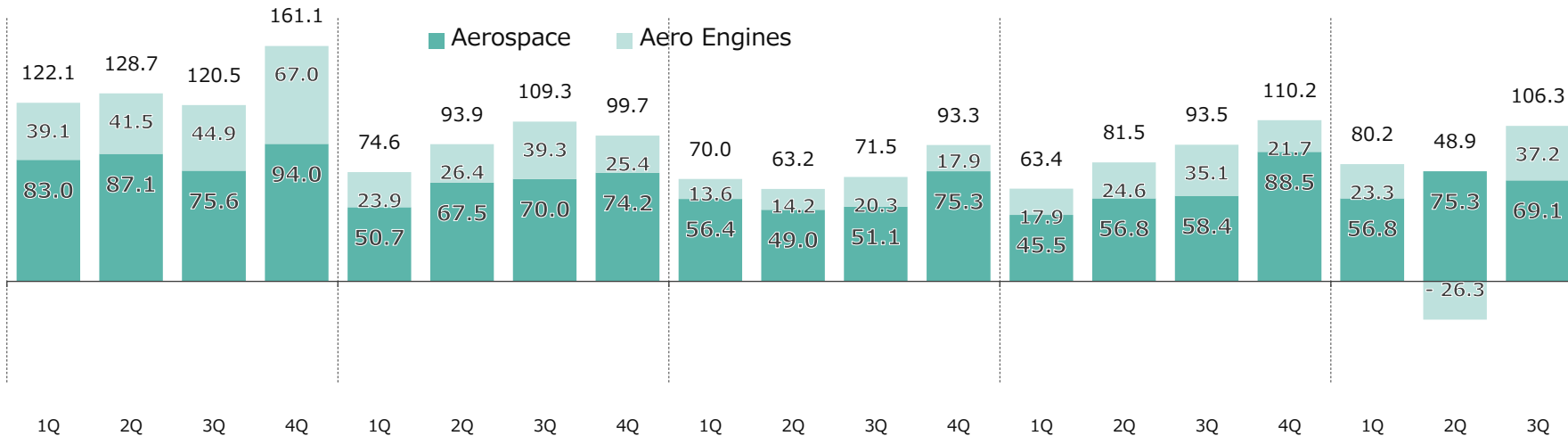
	FY'22		FY'23	Change
	Q3	Q1-4	Q2	
V2500	16	20	5	- 11
PW1100G	446	564	507	+ 61

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

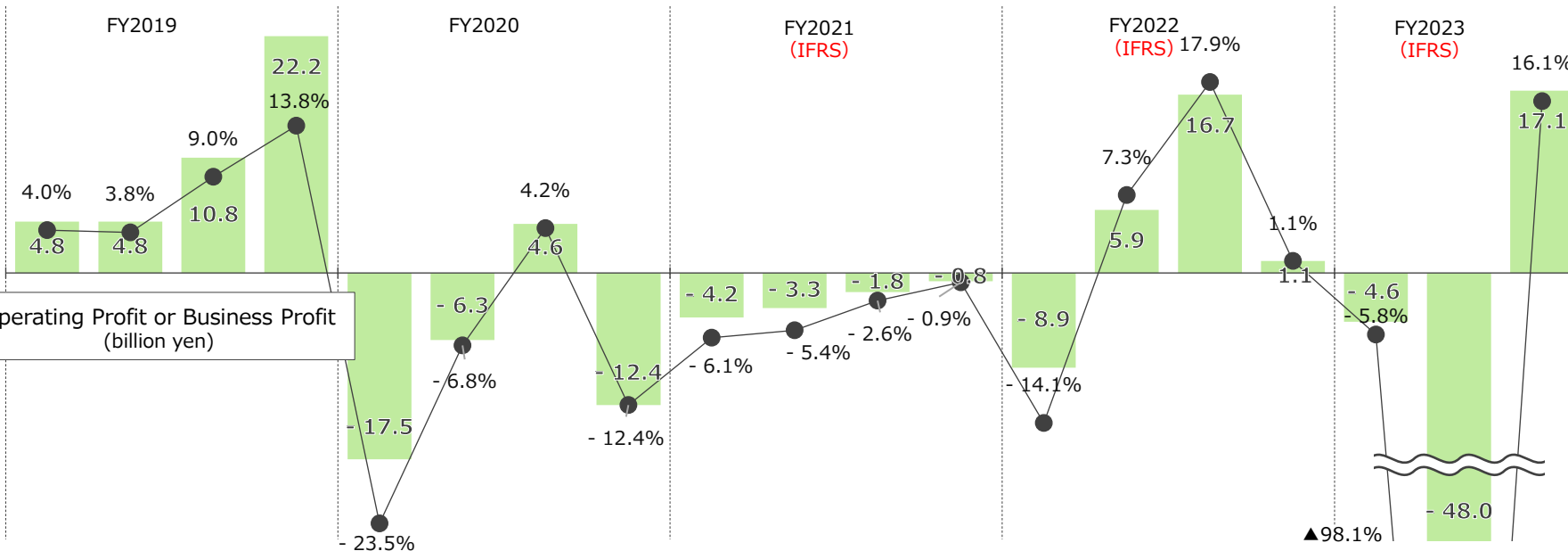


# Details by Segment -Aerospace systems-

Net Sales or Revenue  
(billion yen)



Operating Profit or Business Profit  
(billion yen)



## Market Overview

- Commercial business
  - Air passenger demand is almost back to pre-COVID-19 levels
  - Higher production rates of Boeing 787 are expected
- MOD business
  - Demand growth and profitability improvement are expected due to Japan's defense reinforcement policy

About the PW1100G-JM Engine Program which we participate through IAE※

- ✦ The engines have been experiencing significant operational issues and a number of engines are expected to be removed from the aircraft (A320neo) for inspection and maintenance over the next few years to resolve the issue.
- ✦ Many aircraft are parked on the ground because it takes 250 to 300 days to unload and install the engines.
- ✦ Our press release about this matter  
[https://global.kawasaki.com/news\\_230913-1e.pdf](https://global.kawasaki.com/news_230913-1e.pdf)  
[https://global.kawasaki.com/en/corp/ir/library/pdf/etc\\_231026-1e.pdf](https://global.kawasaki.com/en/corp/ir/library/pdf/etc_231026-1e.pdf)  
 ※ International Aero Engines,LLC

## Specific Efforts

### ✓ Securing stable revenue in core business

- Cost reductions in existing orders of aircrafts for Boeing and commercial aircrafts jet engines
- Arranging supply chain and production system to prepare for increased production
- Steady promotion of existing projects of development and mass production for MOD aircrafts and helicopters



H145//BK117 D-3  
Delivered 10<sup>th</sup> in total

### ✓ Strengthening activities related to defense business

- Promoting efforts Seven focal areas to strengthen defense capabilities

- |   |  |   |                                |
|---|--|---|--------------------------------|
| 1 | Integrated air and missile defense capabilities        | 5 | Mobile deployment capabilities |
| 2 | Stand-off defense capabilities                         | 6 | Sustainability and resiliency  |
| 3 | Cross-domain operation capabilities                    | 7 | Unmanned defense capabilities  |
| 4 | Command and control and intelligence-related functions |   |                                |



New anti-ship missiles for islands defense



Standoff electronic warfare aircraft※


※Source : DEFENSE OF JAPAN 2020  
[https://www.mod.go.jp/en/publ/w\\_p aper/wp2020/DOJ2020\\_EN\\_Full.pdf](https://www.mod.go.jp/en/publ/w_p aper/wp2020/DOJ2020_EN_Full.pdf)


### ✓ Technology strategy in accordance with the change in market trends


- R&D, including the use of civilian technology in defense fields
- Utilization of *Green Innovation fund* of government for development of carbon-free technology

## Details by Segment - Rolling Stock -


### FY2023.Q3 (vs. FY2022.Q3)


**Orders received**  Decreased from the previous fiscal year when we received orders for large projects such as new subway cars for the NYCTA  
-¥252.5 bil.


**Revenue**  Increased due to an increase in the U.S., despite a decrease in Japan and Asia  
+¥43.4 bil.

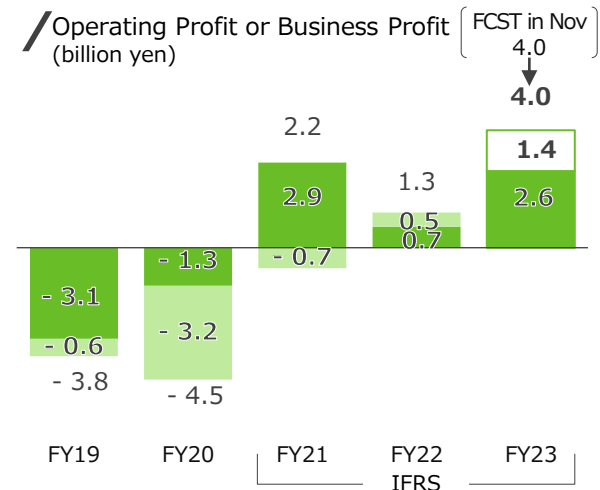
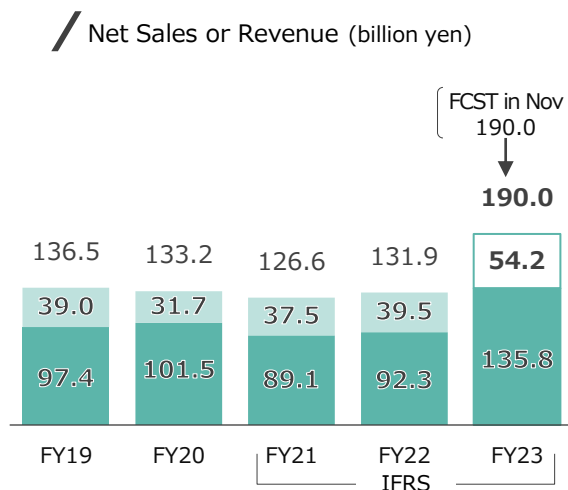
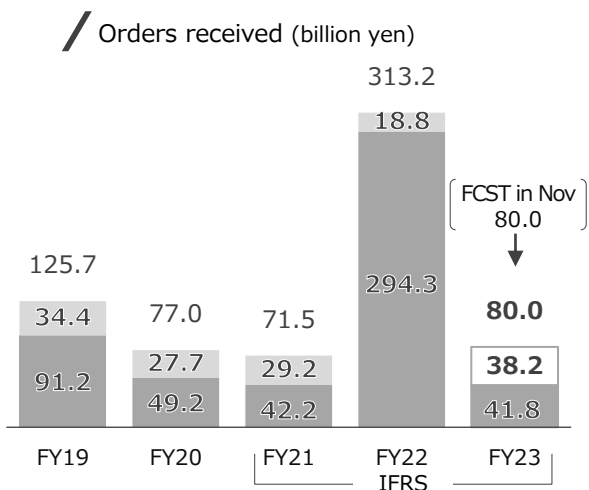
**Business profit**  Increase due to higher revenue, etc., despite decline in domestic operations  
+¥1.8 bil.

### FY2023 forecast (vs. Forecast in November)

**Orders received**  Expected to remain at the same level  
±¥0.0 bil.

**Revenue**  Same as above  
±¥0.0 bil.

**Business profit**  Same as above  
±¥0.0 bil.



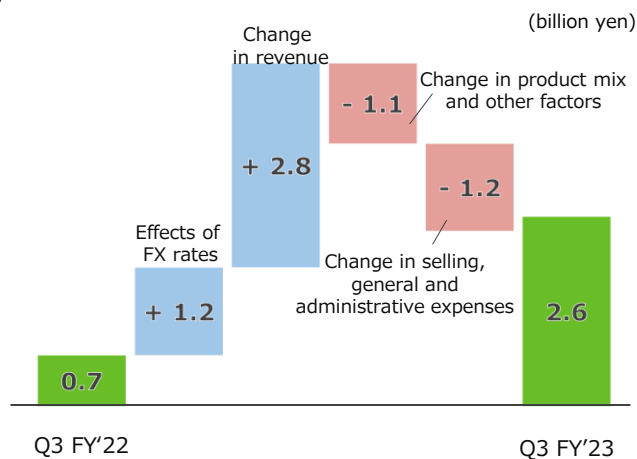
Note: Darker areas in the graphs represent the Q3 cumulative total and lighter areas represent the 4Q

# Details by Segment - Rolling Stock -

(Billion Yen)

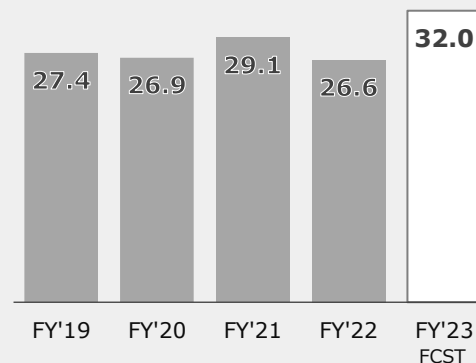
	FY2022	FY2023		FY2022	FY2023 Forecast				
	Q3 Actual	Q3 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY22	Chg. Vs. Old FCST	Q4 FCST
Orders Received	294.3	41.8	- 252.5	313.2	80.0	<b>80.0</b>	- 233.2	-	<b>38.2</b>
<i>Domestic &amp; Asia</i>	41.5	38.1	- 3.4	58.1	76.0	<b>76.0</b>	+ 17.9	-	<b>37.9</b>
<i>North America</i>	252.8	3.7	- 249.1	255.1	4.0	<b>4.0</b>	- 251.1	-	<b>0.3</b>
Revenue	92.3	135.8	+ 43.4	131.9	190.0	<b>190.0</b>	+ 58.1	-	<b>54.2</b>
<i>Domestic &amp; Asia</i>	66.1	57.3	- 8.7	94.8	80.0	<b>80.0</b>	- 14.8	-	<b>22.7</b>
<i>North America</i>	26.2	78.4	+ 52.2	37.1	110.0	<b>110.0</b>	+ 72.9	-	<b>31.6</b>
Business Profit	0.7	2.6	+ 1.8	1.3	4.0	<b>4.0</b>	+ 2.7	-	<b>1.4</b>
<i>[Margin]</i>	<i>[0.9%]</i>	<i>[1.9%]</i>	<i>[+ 1.0pt]</i>	<i>[1.0%]</i>	<i>[2.1%]</i>	<i>[2.1%]</i>	<i>[+ 1.0pt]</i>	<i>[-]</i>	<i>[2.6%]</i>

## Details of change in Business Profit(Loss)



## Appendix

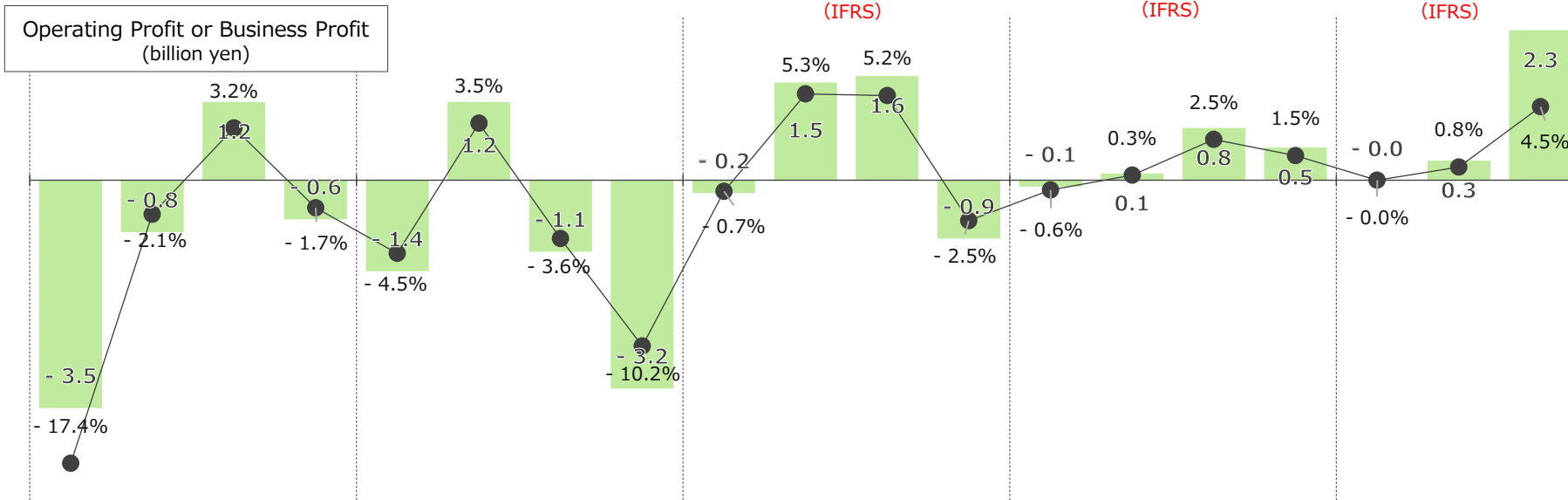
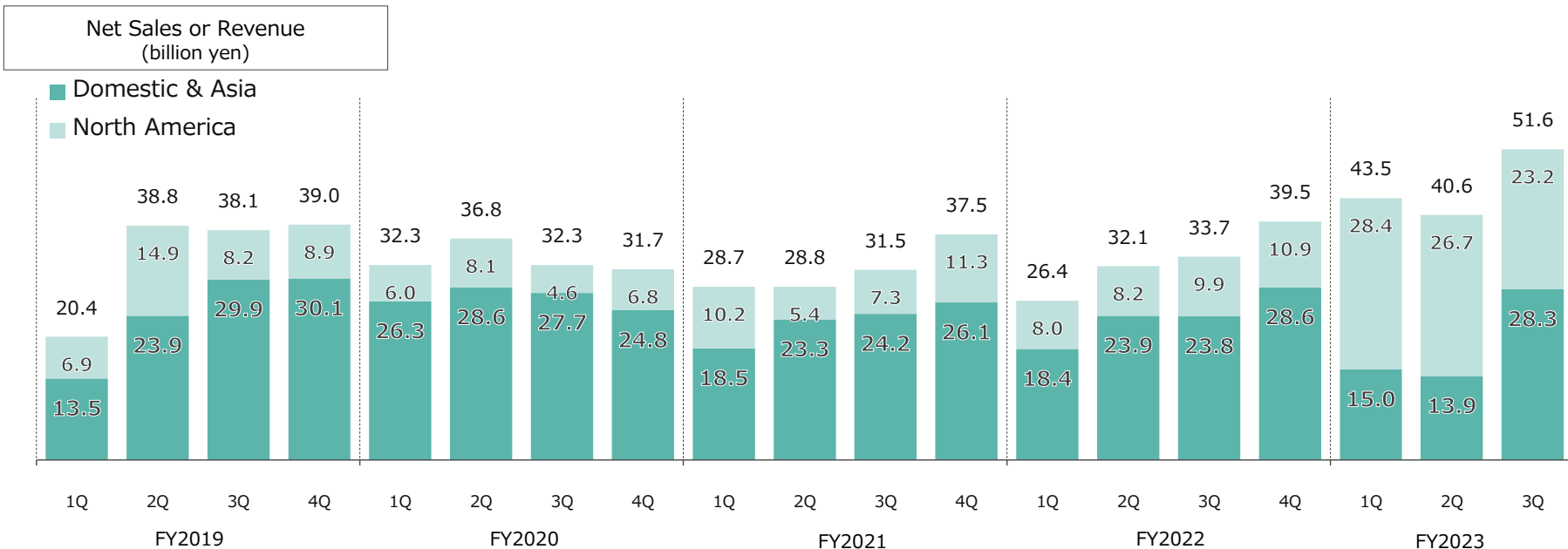
Revenue in components, overhaul and after-sales service(billion yen)



Progress of the M9 Project for Long Island Rail Road in the U.S. (End of December '23)

- 184 cars out of 202 were delivered
- Delivery of the last unit is scheduled for **Q4 FY'23**
- Cost impact due to delay in delivery has been factored into earnings forecast

# Details by Segment - Rolling Stock -



## Market Overview

- The impact of COVID-19
  - Railway relate investment is resuming in both domestic and foreign markets as the impact of COVID-19 subsides
- Supply chain Risk
  - The impact of shortage of electronic components, logistics disruption, and rising raw material prices is limited, but are coming to an end
- Medium and long term forecast
  - The overseas railway market is expected to grow steadily due to the need for railway infrastructure in emerging countries and environmental measures in urban areas.



Rolling stock for Dhaka Mass Transit Company Limited

## Specific Efforts



### Compliance with delivery schedules for overseas projects

- Dhaka MRT Line-6**
- ▶ All the 24 trains (144cars) have been shipped and 6 trains out of them have been delivered to the customer
  - ▶ **The last car and facilities will be delivered in FY'23 Q4**

- U.S. R211**
- ▶ Proto-trains for R211A has completed verification test in operation line and have been delivered
  - ▶ The production of trains(640 cars) for the option1 contract will start in FY'24
  - ▶ **Verification test of proto-trains has been completed in FY'23 Q1**
  - ▶ **The last car for the base contract will be delivered in FY'24 Q4**
  - ▶ **The delivery of cars for the option1 contract will start in FY'25**

- U.S. M-9**
- ▶ All trains (92 cars) under the base contract were delivered by Q1 FY'21
  - ▶ Option cars are being delivered
  - ▶ **The last car will be delivered in FY'23 Q4**



### Achieving quality levels trusted by customers

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




### Expansion of components sales, after-sales service, and maintenance business

- Promotion of remote track monitoring service for North American market
- Promotion of train condition monitoring equipment for domestic market


# Details by Segment

## - Energy Solution & Marine Engineering -


### FY2023.Q3 (vs. FY2022.Q3)

**Orders received**  -¥20.6 bil.

Decreased due to a decrease in orders for domestic municipal waste incineration plants and LPG/LAG carriers despite orders for naval equipment for MOD


**Revenue**  +¥21.9 bil.

Increased due to an increase in LPG/LAG carriers and Energy business


**Business profit**  +¥7.3 bil.

Improved due to increase in revenue and an equity in gains


### FY2023 forecast (vs. Forecast in November)

**Orders received**  +¥20.0 bil.

Revised up mainly due to increase in domestic waste incineration plants

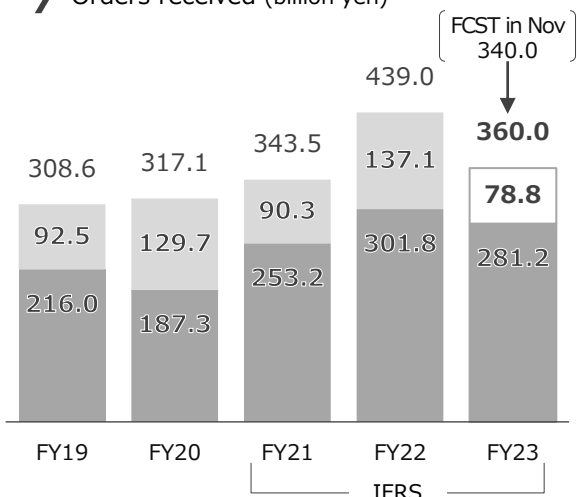
**Revenue**  +¥10.0 bil.

Revised up in consideration of project progress

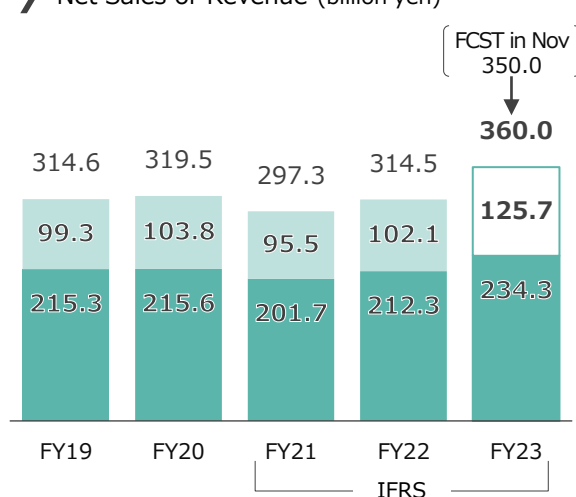
**Business profit**  +¥4.0 bil.

Revised up due to profitability improvement and an increase in equity gains of affiliated companies

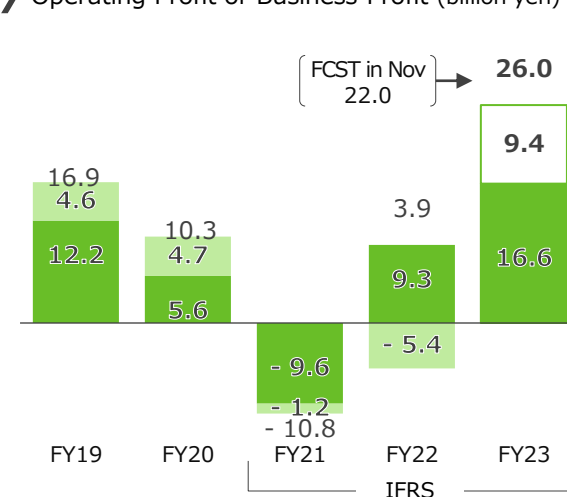
Orders received (billion yen)



Net Sales or Revenue (billion yen)



Operating Profit or Business Profit (billion yen)



Note: Darker areas in the graphs represent the Q3 cumulative total and lighter areas represent the 4Q

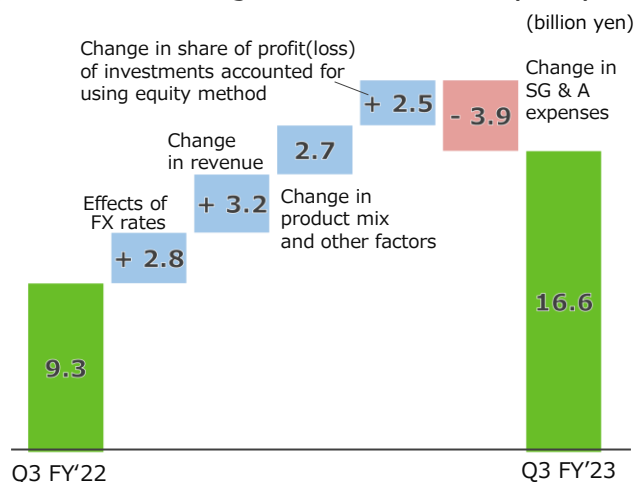
# Details by Segment

## - Energy Solution & Marine Engineering -

(Billion Yen)

	FY2022	FY2023		FY2022	FY2023 Forecast				
	Q3 Actual	Q3 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY22	Chg. Vs. Old FCST	Q4 FCST
Orders Received	301.8	281.2	- 20.6	439.0	340.0	<b>360.0</b>	- 79.0	+ 20.0	<b>78.8</b>
<i>Energy, Plant &amp; Marine Machinery</i>	236.0	246.3	+ 10.3	292.6	300.0	<b>320.0</b>	+ 27.4	+ 20.0	<b>73.7</b>
<i>Ship &amp; Offshore Structure</i>	65.8	34.8	- 30.9	146.3	40.0	<b>40.0</b>	- 106.3	-	<b>5.2</b>
Revenue	212.3	234.3	+ 21.9	314.5	350.0	<b>360.0</b>	+ 45.5	+ 10.0	<b>125.7</b>
<i>Energy, Plant &amp; Marine Machinery</i>	154.8	165.4	+ 10.5	234.4	260.0	<b>265.0</b>	+ 30.6	+ 5.0	<b>99.6</b>
<i>Ship &amp; Offshore Structure</i>	57.4	68.8	+ 11.4	80.0	90.0	<b>95.0</b>	+ 15.0	+ 5.0	<b>26.2</b>
Business Profit	9.3	16.6	+ 7.3	3.9	22.0	<b>26.0</b>	+ 22.1	+ 4.0	<b>9.4</b>
<i>[Margin]</i>	<i>[4.4%]</i>	<i>[7.1%]</i>	<i>[+ 2.7pt]</i>	<i>[1.2%]</i>	<i>[6.3%]</i>	<i>[7.2%]</i>	<i>[+ 5.9pt]</i>	<i>[+ 0.9pt]</i>	<i>[7.5%]</i>
Share of profit (loss) of investments accounted for using equity method	5.5	8.1	+ 2.5	6.0	11.5	<b>13.0</b>	+ 7.0	+ 1.5	<b>4.9</b>

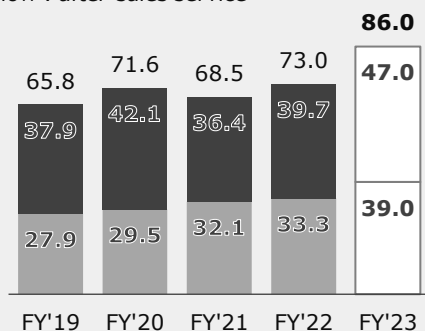
### Details of change in Business Profit(Loss)



### Appendix

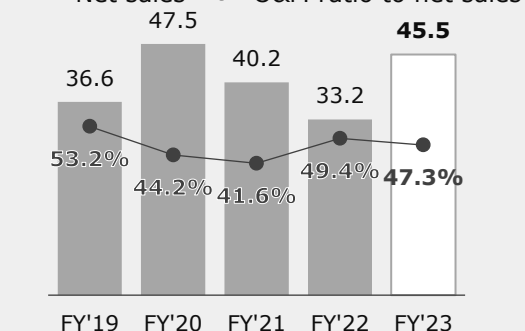
#### Revenue of major products in the energy business

(billion yen)  
above : components  
below : after-sales service



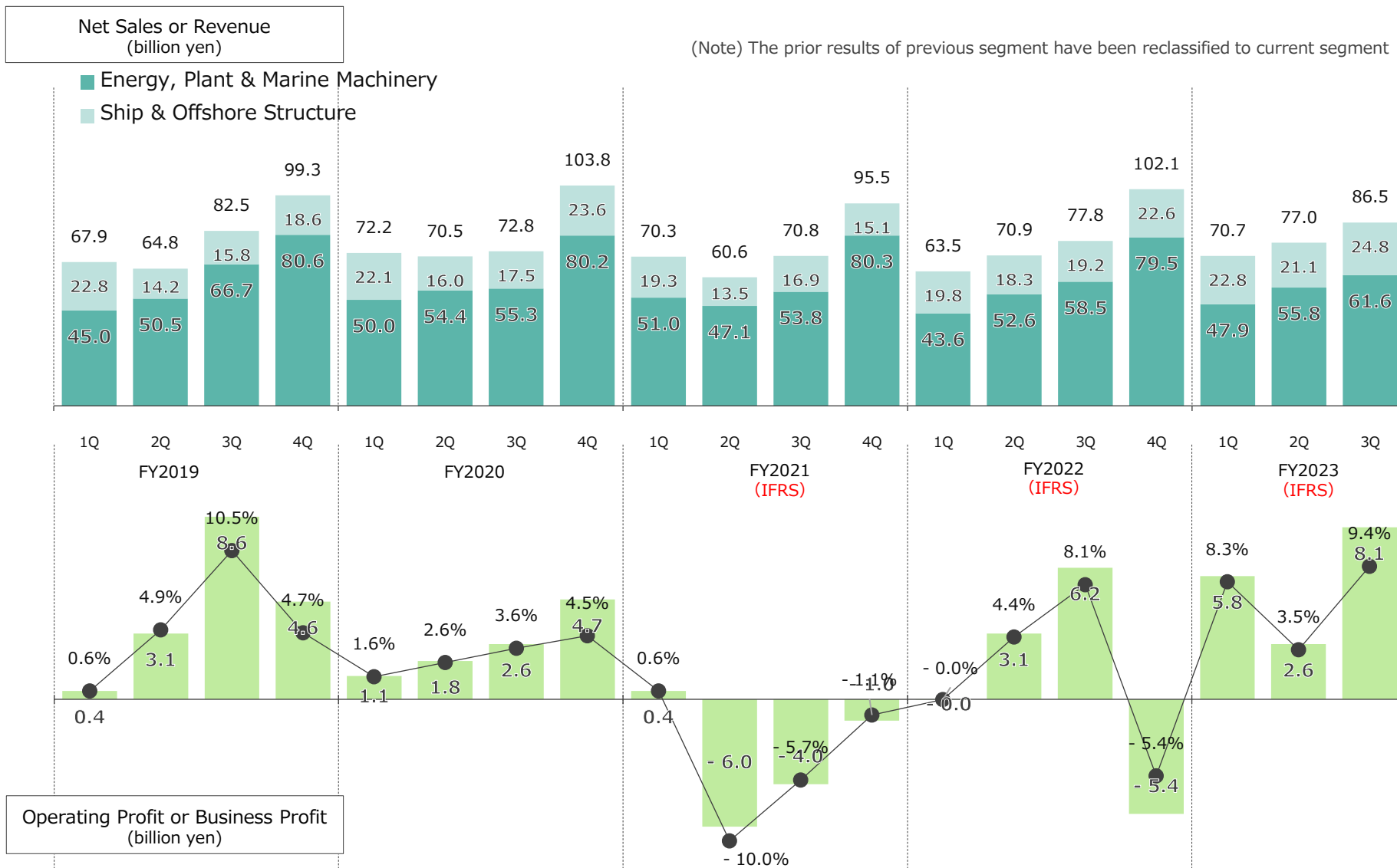
#### Revenue of municipal waste incineration plants

(billion yen)  
■ Net sales ● O&M ratio to net sales





# Details by Segment - Energy Solution & Marine Engineering -



## - Energy Solution &amp; Marine Engineering -

## Market Overview

## ● Energy system &amp; Plant Engineering

Domestic	Overseas
Strong demand for distributed power generation and continued demand for renewal of aging waste incineration plants	<ul style="list-style-type: none"> <li>- Strong demand for energy infrastructure development such as distributed power generation in emerging countries</li> <li>- Increased orders, inquiries for hydrogen products in developed countries</li> </ul>


## ● Ship &amp; Offshore Structure

Commercial ships	Submarines and others
<ul style="list-style-type: none"> <li>- Ship prices continue to be high, affected by the soaring cost of materials and equipment</li> <li>- Shipbuilders have filled their immediate berths and business negotiations are centered on future delivery dates</li> </ul>	Stable orders for submarines are expected

## ● Entire segment

Risks	Carbon neutrality
<ul style="list-style-type: none"> <li>- Stable supply of fuel gas required for operation of power generation facilities</li> <li>- Concerns about pressure on profits due to persistently high raw material, equipment, and fuel costs</li> </ul>	Inquiries and requests for cooperation are increasing regarding decarbonization solutions, including hydrogen products

## Specific Efforts


**Providing products and services that enable a seamless transition from low carbon to decarbonization**

**Topic** Delivery of hybrid propulsion system for bulk carriers (Dec. 2023)

## Feature 1: Natural gas-fired engine



CO<sub>2</sub> emissions reduced by approx. 24%<sup>※1</sup>

SO<sub>x</sub>/NO<sub>x</sub> emissions reduced significantly<sup>※1</sup>

Image of installation on a bulk carrier



**World's first**  
hybrid propulsion system for bulk carriers

## Feature 2: Hybrid propulsion system combined with high-capacity battery



Zero emission propulsion is available<sup>※2</sup>

※1 Comparison with the same type of vessel equipped with a fuel oil-fired engine.

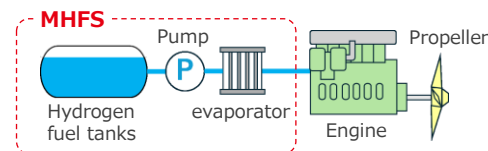
※2 In electric propulsion mode when in port of entry or departure.


**Efforts to provide decarbonization solutions**

**Topic** Received Approval of Basic Design (AiP) from NK for a concept of compartment layout for a hydrogen-fueled multi-purpose ship (Oct. 2023)

- Scheduled to be put into demonstration operation (from around 2027) to confirm its functionality and reliability
- KHI is responsible for the development and supply of hydrogen fuel tanks and fuel supply systems (**MHFS**<sup>※</sup>)


※Marine Hydrogen Fuel System




- ✓ Essential equipment for hydrogen-fueled ships
- ✓ Contributing to decarbonization in the "utilization" of hydrogen

# Details by Segment - Precision Machinery & Robot -


## FY2023.Q3 (vs. FY2022.Q3)

**Orders received**   
-¥39.9 bil.

Decreased mainly due to decline in hydraulic equipment for Chinese construction machinery market and industrial robots, etc


**Revenue**   
-¥20.4 bil.

Same as above


**Business profit**   
-¥11.8 bil.

Decrease due to revenue decrease and decline in operations, etc


## FY2023 forecast (vs. Forecast in November)

**Orders received**   
-¥10.0 bil.

Revised down due to decrease in various types of robots

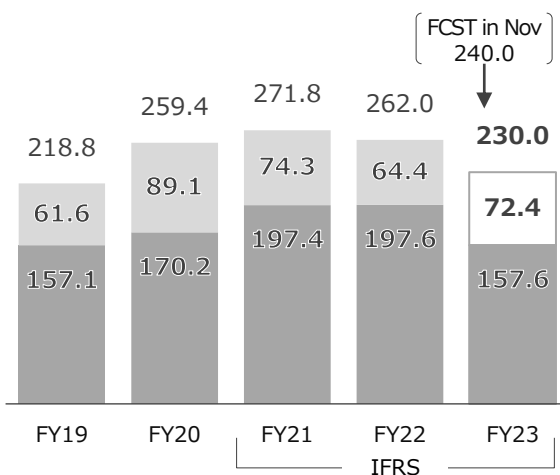
**Revenue**   
-¥10.0 bil.

Same as above

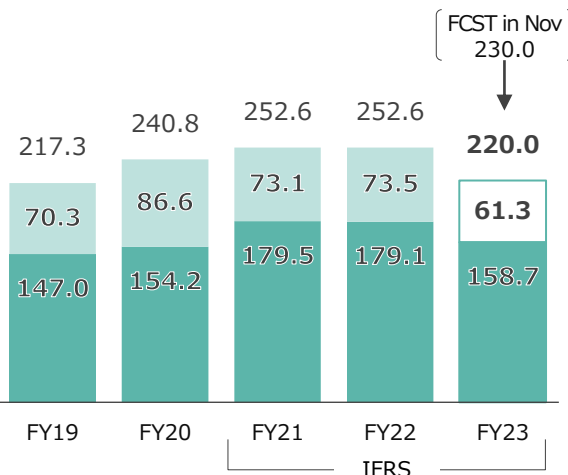
**Business profit**   
-¥4.0 bil.

Revised down due to revenue decrease, etc

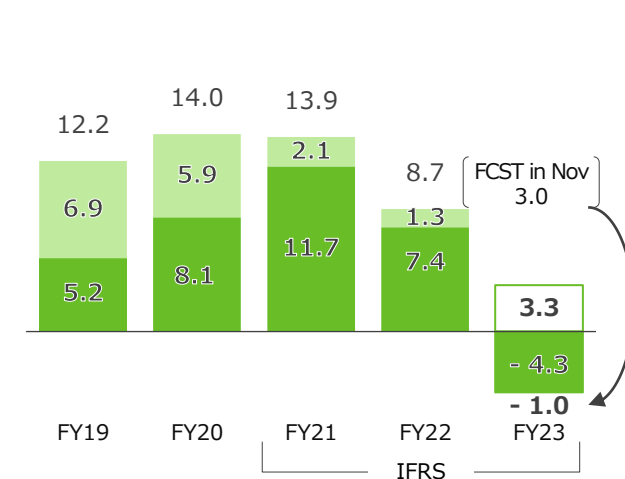
Orders received (billion yen)



Net Sales or Revenue (billion yen)



Operating Profit or Business Profit (billion yen)



Note: Darker areas in the graphs represent the Q3 cumulative total and lighter areas represent the 4Q

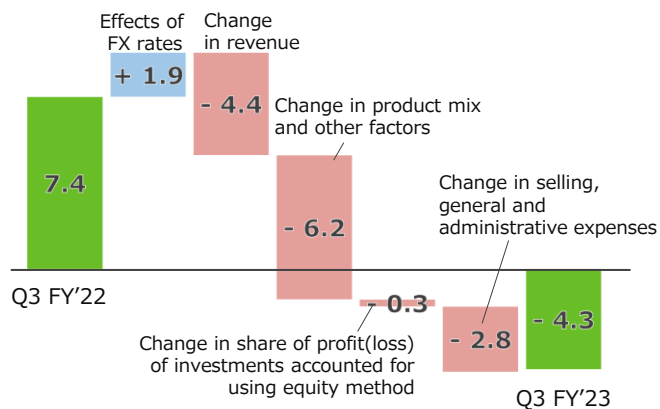
# Details by Segment - Precision Machinery & Robot -

(Billion Yen)

	FY2022	FY2023		FY2022	FY2023 Forecast				
	Q3 Actual	Q3 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY22	Chg. Vs. Old FCST	Q4 FCST
Orders Received	197.6	157.6	- 39.9	262.0	240.0	<b>230.0</b>	- 32.0	- 10.0	<b>72.4</b>
Hydraulic Components & Systems	118.1	101.8	- 16.3	154.6	140.0	<b>140.0</b>	- 14.6	-	<b>38.2</b>
Robotics	79.4	55.7	- 23.6	107.4	100.0	<b>90.0</b>	- 17.4	- 10.0	<b>34.3</b>
Revenue	179.1	158.7	- 20.4	252.6	230.0	<b>220.0</b>	- 32.6	- 10.0	<b>61.3</b>
Hydraulic Components & Systems	108.0	103.1	- 4.9	153.0	140.0	<b>140.0</b>	- 13.0	-	<b>36.9</b>
Robotics	71.1	55.5	- 15.5	99.6	90.0	<b>80.0</b>	- 19.6	- 10.0	<b>24.5</b>
Business Profit (Loss)	7.4	- 4.3	- 11.8	8.7	3.0	<b>- 1.0</b>	- 9.7	- 4.0	<b>3.3</b>
[Margin]	[4.2%]	[- 2.8%]	[- 6.9pt]	[3.5%]	[1.3%]	[- 0.5%]	[- 3.9pt]	[- 1.8pt]	[5.4%]
Share of profit (loss) of investments accounted for using equity method	- 1.7	- 2.1	- 0.3	- 2.7	- 2.0	<b>- 2.0</b>	+ 0.7	-	<b>0.1</b>

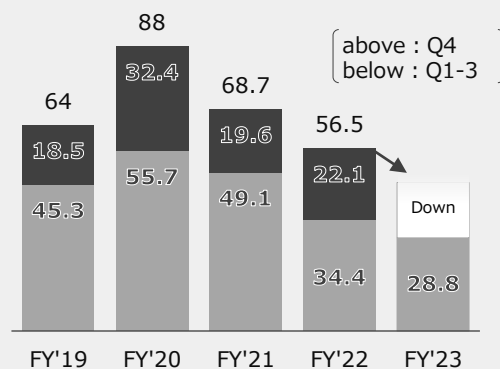
## Details of change in Business Profit(Loss)

(billion yen)



## Appendix

### Revenue of hydraulic components to China (billion yen)

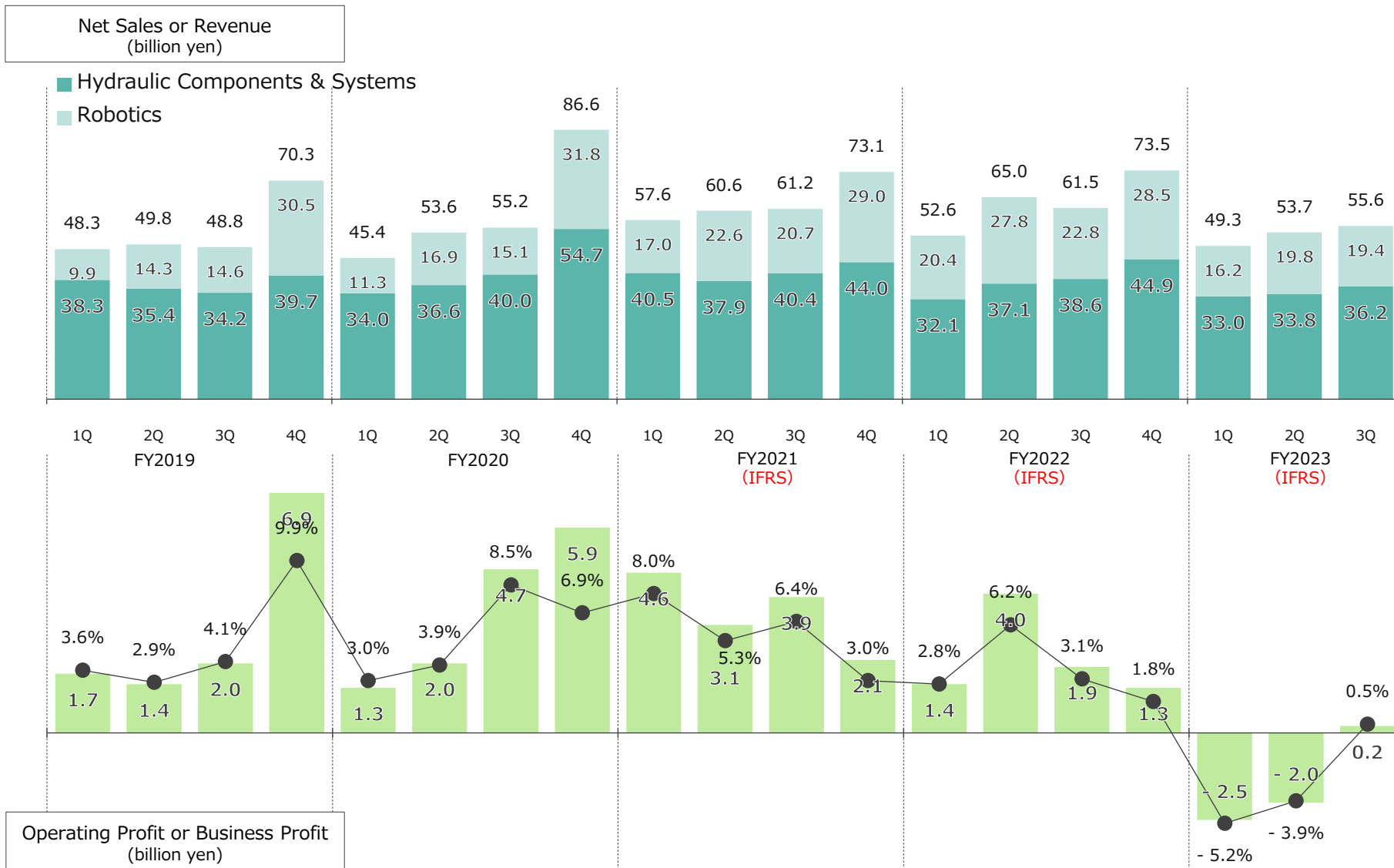


### Revenue of robots by segment\* (billion yen)

	FY'22	FY'23	Change
Automobile assembly and painting	22.1 34.5	22.1 (FCST)39.0	+0 +4.5
Semiconductor	32.7 43.7	18.5 (FCST)26.5	-14.1 -17.2
General robots for industrial use and others	24.2 32.4	20.1 (FCST)31.0	-4.0 -1.4
Total	79.0 110.6	60.8 (FCST)96.5	-18.1 -14.1

\*Including intercompany revenue

# Details by Segment - Precision Machinery & Robot -



### Market Overview

- Construction machinery
  - Weak demand in China due to prolonged real estate recession, etc
  - Demand outside China remains solid
  - Electrification will be promoted due to the environmental regulations
  - Automation and autonomy will be promoted due to a shortage of skilled workers
- Robots
  - General purpose robots
 

Demand for automation is potentially growing due to increasing labor costs and labor shortages, although inventory adjustment is protracted due to China's sluggish economy
  - Robots for semiconductors
 

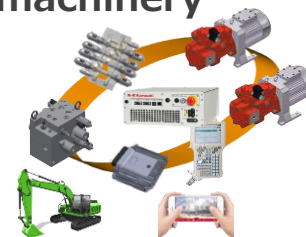
Demand has temporarily declined due to the sluggish semiconductor market, but has recently bottomed out and is expected to recover from FY24
  - Supply chain risk
 

Electronic components shortage and logistics disruption are improving but the prices of electronic components and materials keep rising

### Specific Efforts

#### ✓ Developing electrification and automation technology for construction machinery

- Support customer development of future construction equipment by developing and supplying the latest hydraulic equipment and systems for electrification and automation



#### ✓ Developing hydrogen-related products for decarbonization

- Launch of energy-saving hydraulic hydrogen compressors for hydrogen stations
  - Hydrogen gas compression control technology
  - Rotation control pumps system "ECO SERVO"



Hydrogen Station image


#### ✓ Initiatives for A Safe and Secure Remotely-Connected Society

- Successor-G® remote controlled grinder robot system delivered to Murase Ironworks Co. (Hakodate, Japan)
  - Grinding and deburring can be done remotely
  - Combining and integrating our technologies to realize A Safe and Secure Remotely-Connected Society
    - Technology of robot
    - Know-How from ES&M Company
    - Software of Corporate Technology Division




# Details by Segment - Powersports & Engine -

## FY2023.Q3 (vs. FY2022.Q3)

**Revenue**   
-¥9.3 bil.


Decrease due to decrease in motorcycles for emerging countries and general-purpose engines, despite increase in sales of four-wheeler for the U.S. and motorcycles for Europe

**Business profit**   
-¥21.7 bil.


Decrease due to decrease in revenue, increase in sales promotion expenses, fixed costs, and recall-related expenses\* related to four-wheeler for the U.S., etc

\* Received notice from the U.S. Consumer Product Safety Commission to impose fines in connection with a recall of certain models of off-road four-wheeler

## FY2023 forecast (vs. Forecast in November)

**Revenue**   
±¥0.0 bil.

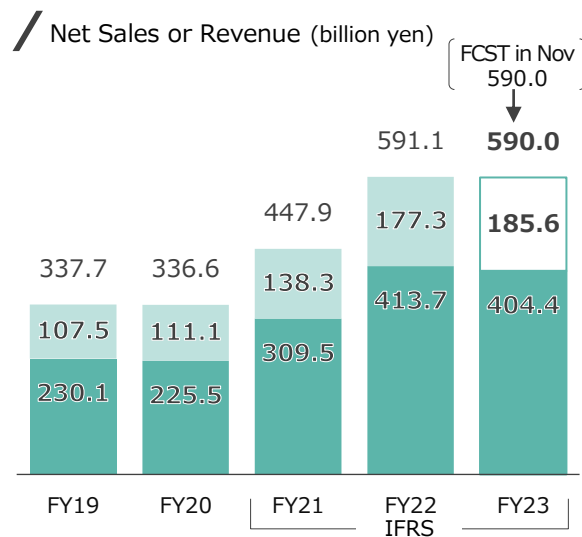
Expected to remain at the same level due to decrease in general-purpose engines and decrease in four-wheeler and PWC for North America, despite the impact of yen's depreciation, etc

**Business profit**   
-¥3.0 bil.

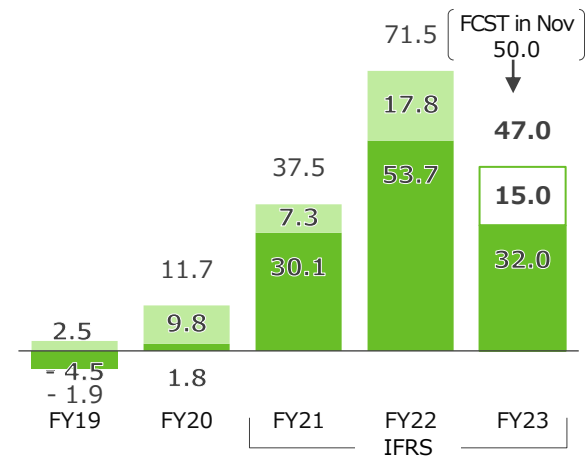
Revised down due to recall-related expenses\* related to four-wheeler for the U.S., etc

### Orders received (billion yen)

Qualitative information and graph are omitted because this segment is mainly engaged in estimated production, and orders received are the same as sales or net sales.



### Operating Profit or Business Profit (billion yen)



Note: Darker areas in the graphs represent the Q3 cumulative total and lighter areas represent the 4Q

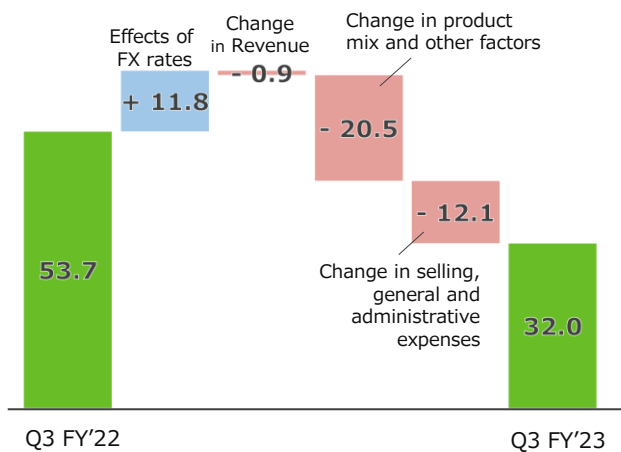
# Details by Segment - Powersports & Engine -

(Billion Yen)

	FY2022	FY2023		FY2022	FY2023 Forecast					
	Q3 Actual	Q3 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY22	Chg. Vs. Old FCST	Q4 FCST	
Revenue	413.7	404.4	- 9.3	591.1	590.0	<b>590.0</b>	- 1.1	-	<b>185.6</b>	
Motorcycles for developed countries	139.5	135.9	- 3.5	211.2	210.0	<b>221.0</b>	+ 9.8	+ 11.0	<b>85.1</b>	
Motorcycles for emerging market	85.9	73.7	- 12.1	115.8	100.0	<b>105.0</b>	- 10.8	+ 5.0	<b>31.3</b>	
Utility Vehicles, ATVs & PWC	112.8	129.9	+ 17.1	160.4	185.0	<b>179.0</b>	+ 18.6	- 6.0	<b>49.1</b>	
General-purpose gasoline engines	75.4	64.6	- 10.8	103.5	95.0	<b>85.0</b>	- 18.5	- 10.0	<b>20.4</b>	
Business Profit	53.7	32.0	- 21.7	71.5	50.0	<b>47.0</b>	- 24.5	- 3.0	<b>15.0</b>	
[Margin]	[13.0%]	[7.9%]	[- 5.0pt]	[12.1%]	[8.5%]	[8.0%]	[- 4.1pt]	[- 0.4pt]	[8.1%]	

## Details of change in Business Profit

(billion yen)



## Appendix

### Wholesales of motorcycles by country (thousand units)

#### Developed countries

	Q3 FY'22	Q3 FY'23	Change
Japan	20	23	+3
U.S.	81	53	-28
Canada	8	5	-2
Europe	38	42	+4
Australia	8	6	-2
Total	157	131	-26

#### Wholesale plan of motorcycles for FY'23

Developed countries : 215 thousand units  
Emerging countries : 245 thousand units

#### Emerging countries

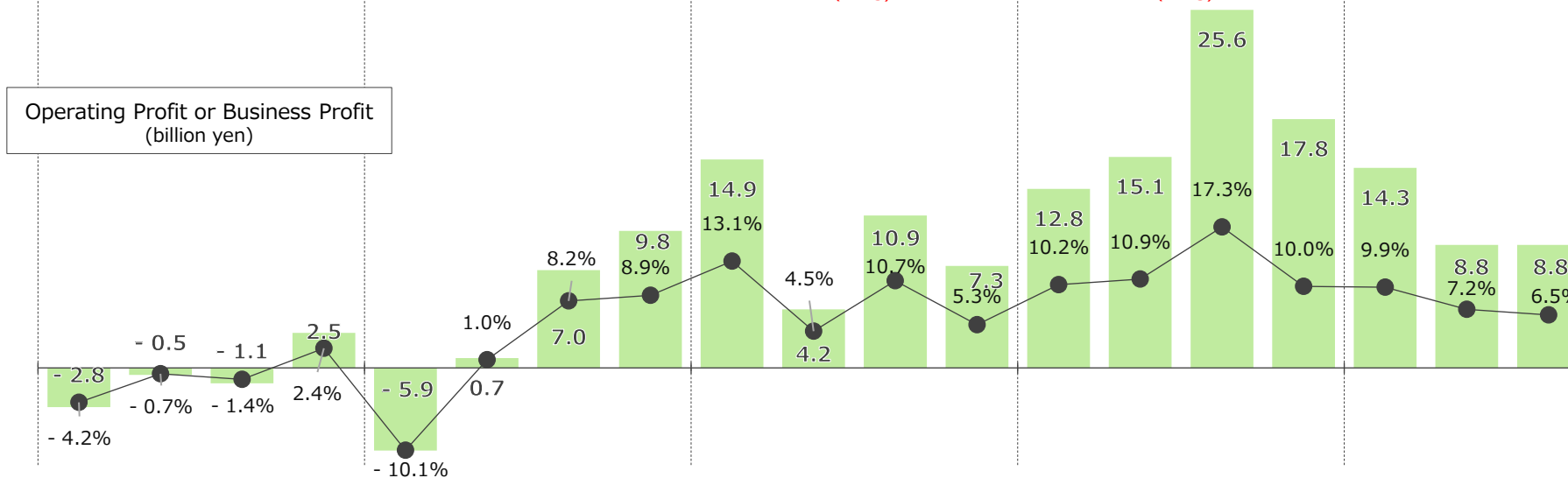
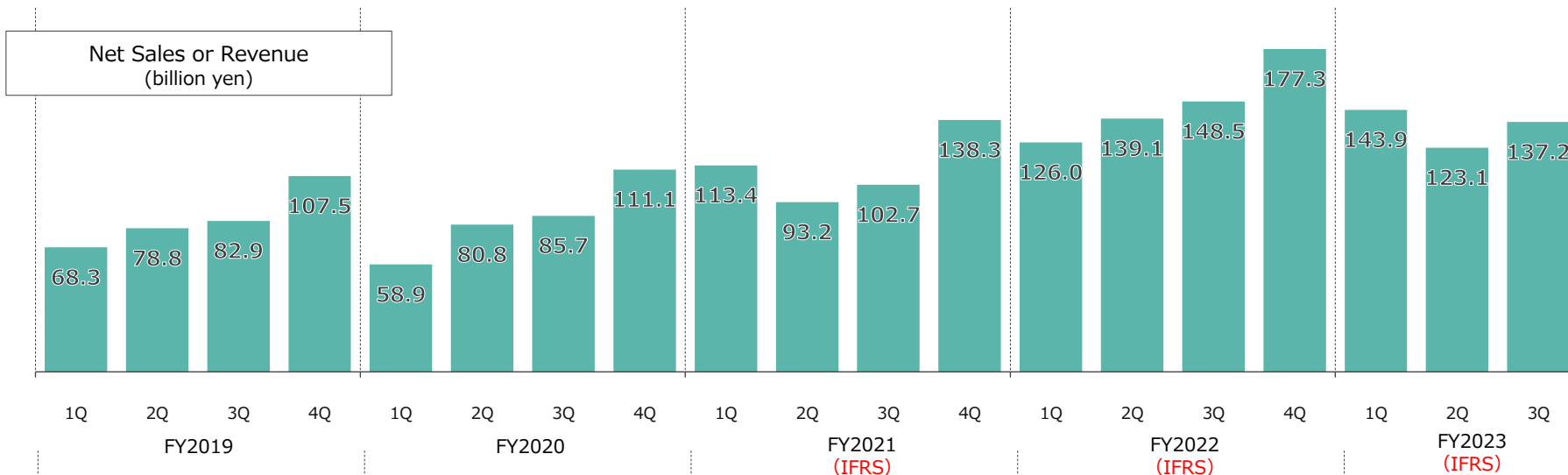
	Q3 FY'22	Q3 FY'23	Change
Brazil	7	6	-1
Thailand	2	1	-0
Philippines	158	103	-55
Indonesia	33	21	-11
China	20	16	-3
Others	15	11	-4
Total	238	161	-76

#### Wholesales of four-wheeler and PWC

Q3 FY'22 : 61 thousand units  
Q3 FY'23 : 63 thousand units  
FY'23 : 90 thousand units (plan)



## Details by Segment - Powersports & Engine -



### Market Overview

- U.S. (Motorcycles)
  - Our share of the retail market is growing, and the market remains strong
  - Dealer inventory is sufficient, and each company is strengthening sales promotion
- U.S. (Four-wheeler)
  - Market growth is expected to continue, despite a temporary decline due to the rebound from strong demand for COVID-19, as the market has recently returned to a recovery trend
  - Utility models held strong, while recreational models softened
- Europe
  - Retail market is recovering from COVID-19 pandemic
  - Market share is recovering as our supply capacity recovers
- Southeast Asia
  - Sports segment remained weak
- Supply Chain risks
  - Continued impact on production due to shortage of parts

### Specific Efforts

- Supplying products as much as demanded**
  - Flexibly change production and sales plans according to sales conditions
  - Continuously introduce new models
  - Maintain appropriate inventory levels
- Expansion of the four-wheeler business and electrification**
  - Investment in development to enhance product competitiveness
  - Preparation of the U.S. Plant and Mexico Plant to expand production capacity
  - Accelerating development of BEVs and HEVs
  - Contributing to the realization of a carbon-neutral society through all options in addition to electrification
- Promoting business process re-engineering through DX**
  - Achieving agile management through digitalization
  - Shortened development time and reduced development costs using digital technology
- Securing Free Cash Flows**
  - Aiming to secure stable FCF for future investment



Newly designed RIDGE/RIDGE XR for both body and engine



World's first\* strong hybrid motorcycle  
Ninja 7 Hybrid / Z7 Hybrid

※Based on our research

## Dividend Policy

The medium- to long-term consolidated dividend payout ratio **30%**

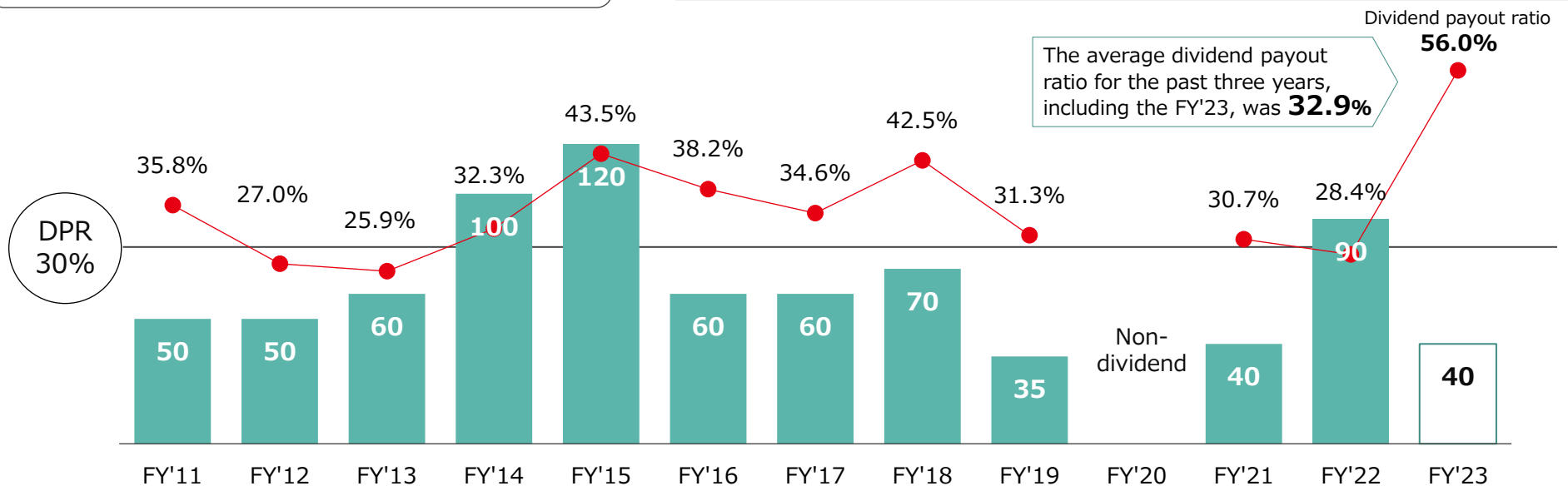
1 Comprehensively considering the following points - future business forecasts, financial conditions such as free cash flow and debt-to-equity ratio, and other factors

2 Stable dividends

## Dividend for FY2023

- Full-year net income attributable to owners of the parent company unchanged from the November forecast of ¥12 billion (revised downward by ¥35 billion yen from the initial forecast)

Annual dividend per share : **40 yen** (plan unchanged)  
(Interim dividend : 20yen, Year-end dividend : 20yen)





# 4 Project Topics

✓ HySE※<sup>1</sup> hydrogen engine vehicle participated in “Dakar 2024”



- 4<sup>th</sup> ※<sup>2</sup> in the “Dakar 2024” (Mission 1000) held in Saudi Arabia in January 2024
- Identify issues through driving the harshest environmental conditions, and accelerate the establishment of baseline hydrogen engine technology

Actual race footage, etc.

Watch!!



**Dakar Official YouTube Channel**  
<https://www.youtube.com/watch?v=B9TvaeM1omY&list=PLSmCFH46WIXZqz3CZBO3vV-y-2muppm-&index=21>

※<sup>1</sup> Technological research association called HySE (Hydrogen Small mobility & Engine technology) for developing hydrogen-powered engines for small mobility. Kawasaki Motors is one of the full members, Kawasaki Heavy Industries is one of the special members as HySE.

※<sup>2</sup> 10 teams participated in Mission 1000.



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# 4 Project Topics

## ✓ KHI Hydrogen-fueled Gas Turbine won the “Masuda Award” at the Nikkan Kogyo Shimbun Ten Great New Products Awards

- GPB17MMX, 1.8MW 100% Hydrogen-fueled, Dry-combustion Gas Turbine Cogeneration System won the top-ranked “Masuda Award” at the Nikkan Kogyo Shimbun 66<sup>th</sup> Ten Great New Products Awards
- Highly evaluated for its ability to make a significant contribution to reducing CO<sub>2</sub> emissions through the commercialization of **the world’s first combustor**

**capable of 100% hydrogen-fueled dry combustion. ※1,2**

- ※1 A method of reducing NOx emission volumes by keeping combustion temperatures low without relying on water and steam injection.
- ※2 This combustor utilizes the technology developed under the NEDO project.

The Nikkan Kogyo Shimbun President  
Mr. Haruhiro Izumi



KHI Senior Corporate Executive Officer  
Mr. Katsuya Yamamoto

← The award ceremony  
Photo by:  
The Nikkan Kogyo Shimbun

What is  
**Ten Great New Products ?? Awards**

Nikkan Kogyo Shimbun hosts this award, which recognizes products developed and put into practical use during the year that contribute to the development of manufacturing and the strengthening of Japan's international competitiveness

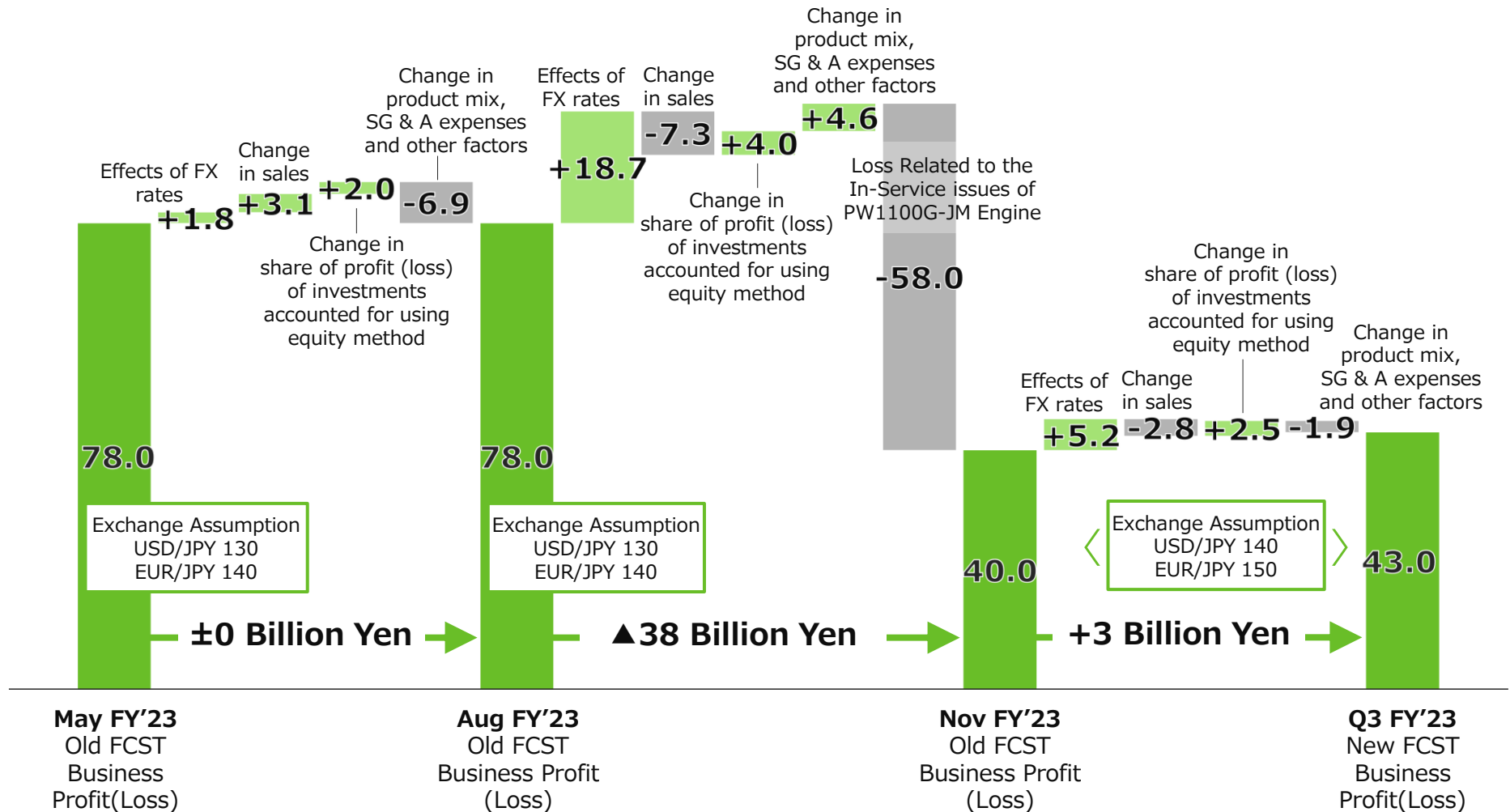
GPB17MMX  
What is  
**feature ??**

KHI has **addressed shortcomings** by successfully developing a **100% hydrogen-fueled dry combustor** that utilizes a **proprietary combination of micromix combustion ※3 and supplemental combustion. ※4**

Hydrogen fuel has a faster combustion speed and higher combustion temperature than natural gas, leading to technical challenges such as a significant increase of NOx emissions and overheating of the burners

What's the  
**challenge ??**

- ※3 KHI unique method in which small injection holes (measuring 1 mm or less in diameter) are used to inject fuel in small amounts, and the fuel is burned with numerous microflames.
- ※4 KHI unique method of combustion in which fuel is injected downstream of micromix combustion.

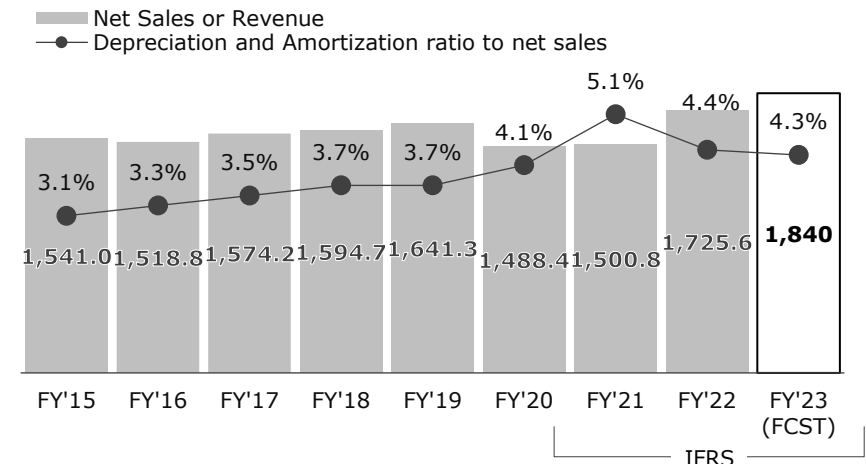
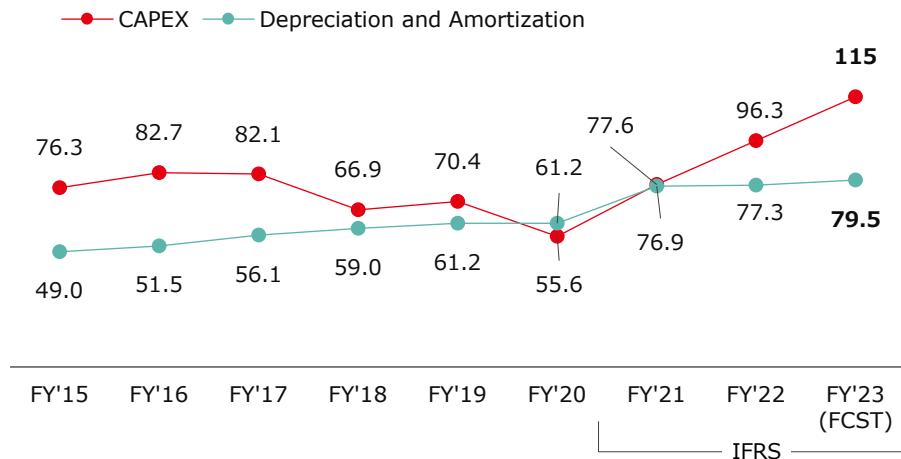


※ Factors of Increase/Decrease are calculated by our company based on certain criteria. The impact of exchange rate fluctuations is calculated for USD and EUR, shows the amount of impact on gross profit.

The impact of other currency fluctuations is included in "Change in product mix, SG & A expenses and other factors".

(Billion Yen, Persons)

	FY2022	FY2023		FY2022	FY2023	
	Q3 Actual	Q3 Actual	Change	Actual	FCST	Chg. Vs. FY22
CAPEX	61.3	<b>91.7</b>	+ 30.3	96.3	<b>115.0</b>	+ 18.7
Depreciation and amortization	55.8	<b>61.0</b>	+ 5.2	77.3	<b>79.5</b>	+ 2.2
R & D expenses	33.8	<b>36.6</b>	+ 2.7	50.7	<b>55.0</b>	+ 4.3
Number of Employees				38,254	<b>40,070</b>	+ 182
Domestic				27,583	<b>28,670</b>	+ 109
Overseas				10,671	<b>11,400</b>	+ 73



## ● Order received by quarter (billion yen)

	FY2021				FY2022				FY2023		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Aerospace Systems	37	59	63	222	60	65	75	144	118	74	139
Aerospace	27	52	53	195	45	46	48	113	104	98	108
Aero Engine	9	6	9	27	14	18	27	31	14	-23	31
Rolling Stock	9	13	19	29	11	27	255	18	16	13	11
Energy Solution & Marine Engineering	60	103	89	90	124	113	63	137	102	116	62
Energy, Plant & Marine Machinery	55	81	55	79	94	96	44	56	94	93	58
Ship & Offshore Structure	5	21	33	10	30	17	18	80	7	22	4
Precision Machinery & Robot	65	62	69	74	67	71	58	64	54	49	54
Hydraulic Components & Systems	41	37	46	47	37	43	37	36	36	30	34
Robotics	24	25	23	27	30	28	20	27	17	18	20
Powersports & Engine	113	93	102	138	126	139	148	177	143	123	137
Others	17	22	23	20	21	37	9	18	21	27	23
<b>Total</b>	<b>304</b>	<b>355</b>	<b>366</b>	<b>575</b>	<b>412</b>	<b>454</b>	<b>609</b>	<b>560</b>	<b>457</b>	<b>403</b>	<b>429</b>



## ● Order Backlog (billion yen)

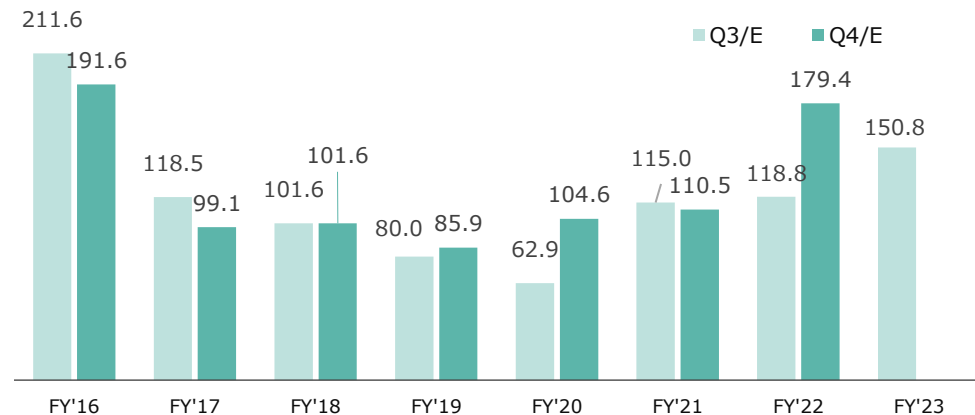
	FY22 Q3	FY23 Q3	
	Actual	Actual	Change
Aerospace Systems	600.5	<b>846.3</b>	+ 245.7
Rolling Stock	590.2	<b>490.0</b>	- 100.1
Energy Solution & Marine Engineering	596.6	<b>682.0</b>	+ 85.3
Precision Machinery & Robot	106.8	<b>97.1</b>	- 9.7
Powersports & Engine	-	-	-
Others	35.8	<b>40.0</b>	+ 4.1
<b>Total</b>	<b>1,930.1</b>	<b>2,155.5</b>	+ 225.4

## ● Revenue by Region (billion yen)

	FY22 Q3	FY23 Q3	
	Actual	Actual	Change
Japan	467.0	<b>482.7</b>	+ 15.7
USA	346.6	<b>363.6</b>	+ 17.0
Europe	101.8	<b>119.1</b>	+ 17.3
Asia	197.7	<b>181.7</b>	- 16.0
Other	82.9	<b>81.6</b>	- 1.2
<b>Total</b>	<b>1,196.3</b>	<b>1,229.0</b>	+ 32.7

※ 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)

	FY23 Q3 Received Orders	Delivery Year				Order Backlog
		FY23 Q3 Actual	FY'23 Q4~	FY'24	FY'25~	
			Plan			
LPG Carrier	1	3	1	3	6	10
Submarine				1	1	2
Others						
<b>Total</b>	<b>1</b>	<b>*1 3</b>	<b>1</b>	<b>4</b>	<b>7</b>	<b>*2 12</b>

※ 1 Delivered in FY'23 Q3 : 151,200GT

※ 2 Order Backlog : 504,000GT \*Submarines are excluded

## ● Revenue in Foreign Currencies by Segment\* (USD)

(billion USD)

	FY2022	FY2023	
	Actual	Actual	Q4 FCST
Aerospace Systems	0.39	<b>0.35</b>	0.04
Rolling Stock	0.05	<b>0.17</b>	- 0.05
Energy Solution & Marine Engineering	0.19	<b>0.22</b>	0.03
Precision Machinery & Robot	0.18	<b>0.09</b>	0.02
Powersports & Engine	0.59	<b>0.41</b>	0.21
<b>Total</b>	<b>1.40</b>	<b>1.24</b>	0.25

※ Impact on business profit by FX fluctuation of 1 yen

## ● Weighted-average Exchange Rates

(EUR/JPY)

FY2021 actual	130.47
FY2022 actual	141.38
FY2023 Q3 actual	155.76
FY2023 Q4 forecast	150.00

## ● Revenue in Foreign Currencies\* (EUR)

(billion EUR)

FY2021 actual	0.44
FY2022 actual	0.57
FY2023 Q3 actual	0.38
FY2023 Q4 forecast	0.21

※ Impact on business profit by FX fluctuation of 1 yen

## &lt;Formulas for Calculating Before-tax ROIC and After-tax ROIC&gt;

Before-tax ROIC = ( Profit before tax + Interest expenses ) ÷ Invested capital<sup>※2</sup>

After-tax ROIC = { Profit attributable for owners of parent + Interest expenses × (1 – Tax rate) } ÷ Invested capital<sup>※2</sup>

※2 Invested Capital = Net debt + Equity

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”