

Financial Results for FY2023

For the Year ended March 31, 2024

May 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.

1 Consolidated Results for FY2023 -Summary-

-  Business profit landed at the upside due to the business performance in Q4, though decreased YoY
-  Profit before tax were significantly higher than February FCST due to a reduction in foreign exchange losses as the yen weakened

(Billion Yen)

| | FY2022 | FY2023 | | | | | Total | Change | |
|--|---------------|----------------|---------------|----------------------|---------------|---------------|----------------|------------------|------------------|
| | | Forecast | Apr. to Jun. | Jul. to Sep. | Oct. to Dec. | Jan. to Mar. | | YoY | vs. Old FCST |
| Orders Received | 2,037.4 | 1,950.0 | 457.3 | ※ ³ 403.4 | 429.2 | 793.3 | 2,083.4 | + 45.9 | + 133.4 |
| Revenue | 1,725.6 | 1,840.0 | 405.3 | 364.0 | 459.7 | 620.2 | 1,849.2 | + 123.6 | + 9.2 |
| Business Profit (Loss) | 82.3 | 43.0 | 10.2 | - 43.1 | 33.5 | 45.4 | 46.2 | - 36.1 | + 3.2 |
| <i>[margin]</i> | <i>[4.8%]</i> | <i>[2.3%]</i> | <i>[2.5%]</i> | <i>[- 11.8%]</i> | <i>[7.3%]</i> | <i>[7.3%]</i> | <i>[2.5%]</i> | <i>[- 2.2pt]</i> | <i>[+ 0.1pt]</i> |
| Profit Before Tax (Loss) | 70.3 | 21.0 | 14.9 | - 49.4 | 16.5 | 49.9 | 31.9 | - 38.3 | + 10.9 |
| <i>[margin]</i> | <i>[4.1%]</i> | <i>[1.1%]</i> | <i>[3.7%]</i> | <i>[- 13.6%]</i> | <i>[3.6%]</i> | <i>[8.0%]</i> | <i>[1.7%]</i> | <i>[- 2.3pt]</i> | <i>[+ 0.5pt]</i> |
| Profit (Loss) Attributable to Owners of Parent | 53.0 | 12.0 | 9.0 | - 32.4 | 9.8 | 38.8 | 25.3 | - 27.6 | + 13.3 |
| <i>[margin]</i> | <i>[3.1%]</i> | <i>[0.7%]</i> | <i>[2.2%]</i> | <i>[- 8.9%]</i> | <i>[2.1%]</i> | <i>[6.3%]</i> | <i>[1.4%]</i> | <i>[- 1.7pt]</i> | <i>[+ 0.7pt]</i> |
| After-tax ROIC ※ ¹ | 5.7% | 1.5% | - | - | - | - | 2.8% | - 2.9pt | + 1.3pt |
| Weighted-average exchange rates (USD/JPY) | 133.96 | - | 132.09 | 141.77 | 147.68 | 146.35 | 142.54 | + 8.58 | - |
| US dollar-based transaction (B\$) ※ ² | 2.05 | 1.89 | 0.45 | 0.33 | 0.46 | 0.61 | 1.85 | - 0.20 | - 0.04 |

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

※² The amount of foreign currency that affects business profits due to exchange rate fluctuations. 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 foreign currency denominated revenue of loss provisions). See page 46 for the breakdown of these figures by segment.

※³ The results of July to September deteriorated significantly due to the impact of the lump-sum loss related to the In-service issues of PW1100G-JM engine (¥58 billion yen in terms of business profit and loss). See page 18 for details of this event.

1 Consolidated Results for 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 ②

Business profit in Precision Machinery & Robot decreased due to the sluggish semiconductor market, demand decline in Chinese market and impact of excess inventories, etc

(Billion Yen)

| | Orders Received | | | Revenue | | | Business Profit (Loss) | | |
|--|-----------------|----------------|---------|----------------|----------------|---------|------------------------|---------------|--------|
| | FY2022 | FY2023 | Change | FY2022 | FY2023 | Change | FY2022 | FY2023 | Change |
| Aerospace Systems | 345.5 | 692.6 | + 347.0 | 348.8 | 396.1 | + 47.3 | 14.8 | - 15.0 | - 29.8 |
| Rolling Stock | 313.2 | 88.7 | - 224.4 | 131.9 | 195.9 | + 64.0 | 1.3 | 3.7 | + 2.3 |
| Energy Solution & Marine Engineering | 439.0 | 401.6 | - 37.3 | 314.5 | 353.2 | + 38.6 | 3.9 | 31.9 | + 28.0 |
| Precision Machinery & Robot | 262.0 | 213.3 | - 48.6 | 252.6 | 227.9 | - 24.7 | 8.7 | - 1.9 | - 10.7 |
| Powersports & Engine ^{※1} | 591.1 | 592.4 | + 1.2 | 591.1 | 592.4 | + 1.2 | 71.5 | 48.0 | - 23.4 |
| Others | 86.4 | 94.5 | + 8.1 | 86.3 | 83.5 | - 2.8 | - 1.8 | 1.1 | + 2.9 |
| Eliminations and corporate ^{※2} | - | - | - | - | - | - | - 16.2 | - 21.7 | - 5.4 |
| Total | 2,037.4 | 2,083.4 | + 45.9 | 1,725.6 | 1,849.2 | + 123.6 | 82.3 | 46.2 | - 36.1 |

※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 FY2023

-Statement of comprehensive income-

(Billion Yen)

| | FY2022 | % | FY2023 | % | Change |
|---|---------|-------|----------------|-------|---------|
| Revenue | 1,725.6 | 100.0 | 1,849.2 | 100.0 | + 123.6 |
| Cost of sales | 1,391.7 | 80.7 | 1,537.0 | 83.1 | + 145.2 |
| Gross profit | 333.8 | 19.4 | 312.2 | 16.9 | - 21.5 |
| Selling, general and administrative expenses | 252.3 | 14.6 | 276.0 | 14.9 | + 23.7 |
| Salaries and allowances | 70.4 | | 74.2 | | + 3.8 |
| Research and development expenses | 50.7 | | 53.3 | | + 2.5 |
| Others | 131.1 | | 148.4 | | + 17.2 |
| Share of profit (loss) of investments accounted for using equity method | 3.3 | | 11.3 | | + 8.0 |
| Other income and other expenses | - 2.4 | | - 1.3 | | + 1.1 |
| Gain on sale of property, plant and equipment | 0.6 | | 0.7 | | + 0.0 |
| Others | - 3.1 | | - 2.0 | | + 1.0 |
| Business Profit (Loss) | 82.3 | 4.8 | 46.2 | 2.5 | - 36.1 |

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 FY2023

-Statement of comprehensive income-

(Billion Yen)

| | FY2022 | | FY2023 | | Change |
|--|--------|-----|---------------|-----|--------|
| | | % | | % | |
| Finance income and Finance costs | - 12.0 | | - 14.2 | | - 2.2 |
| Net Interest expense (incl. dividend income) | - 3.0 | | - 5.4 | | - 2.3 |
| Gain and loss on foreign exchange | - 4.6 | | - 2.6 | | + 2.0 |
| Others | - 4.2 | | - 6.1 | | - 1.9 |
| Profit before tax | 70.3 | 4.1 | 31.9 | 1.7 | - 38.3 |
| Income tax expense | 15.0 | | 4.6 | | - 10.3 |
| Profit attributable to Non-controlling interests | 2.2 | | 1.9 | | - 0.3 |
| Profit attributable to owners of parent | 53.0 | 3.1 | 25.3 | 1.4 | - 27.6 |

[Details](#)

- ④ Foreign exchange losses due to hedge valuation losses (however, the loss shrank from ¥10.8 billion yen at the end of Q3)

USD/JPY rate

133.54 Q4/E FY'22

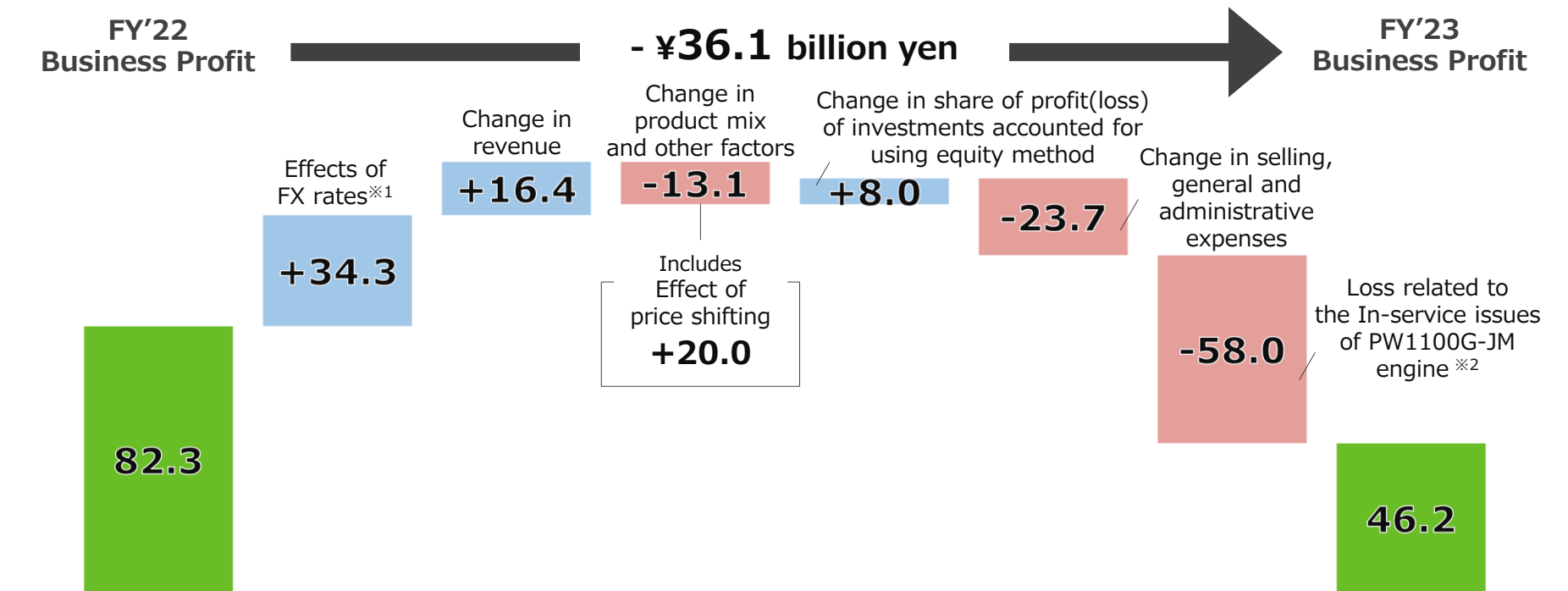
151.40 Q4/E FY'23

Weighted-average
exchange rates

142.54 Q4 FY'23

-Details of change in business profit-

- ✓ Change in product mix and other factors were affected by increased sales promotion expenses in PS&E and decrease in factory operation of Precision Machinery & Robot
- ✓ Appropriate price pass-through in response to various cost increases to prevent a profitability decline



※1 "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".

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

Consolidated Results for FY2023

-Details of change in business profit-

(Billion Yen)

| | FY2022 Business Profit (Loss) | Details of change | | | | | Total | FY2023 Business Profit (Loss) | |
|---|--|--------------------------------------|----------------------------------|---|---|---------------------------------|----------------------|--|--|
| | | Effects of FX rates ^{※1} | Change in sales ^{※1} | Change in product mix and other factors ^{※1} | 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 | 14.8 | 7.2 | 12.3 | 8.3 | | 0.4 | ^{※2} - 58.0 | - 29.8 | - 15.0 |
| Rolling Stock | 1.3 | 2.0 | 5.0 | - 3.2 | - 0.0 | - 1.5 | | 2.3 | 3.7 |
| Energy Solution & Marine Engineering | 3.9 | 3.8 | 5.5 | 10.4 | 7.7 | 0.6 | | 28.0 | 31.9 |
| Precision Machinery & Robot | 8.7 | 3.0 | - 5.3 | - 7.2 | 0.2 | - 1.4 | | - 10.7 | - 1.9 |
| Powersports & Engine | 71.5 | 18.2 | - 0.7 | - 23.2 | 0.0 | - 17.7 | | - 23.4 | 48.0 |
| Others | - 1.8 | 0.1 | - 0.4 | 4.1 | 0.0 | - 0.9 | | 2.9 | 1.1 |
| Eliminations and corporate | - 16.2 | | | - 2.4 | 0.0 | - 3.0 | | - 5.4 | - 21.7 |
| Total | 82.3 | 34.3 | 16.4 | - 13.1 | 8.0 | - 23.7 | ^{※2} - 58.0 | - 36.1 | 46.2 |

※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 current fiscal year

Consolidated Results for FY2023

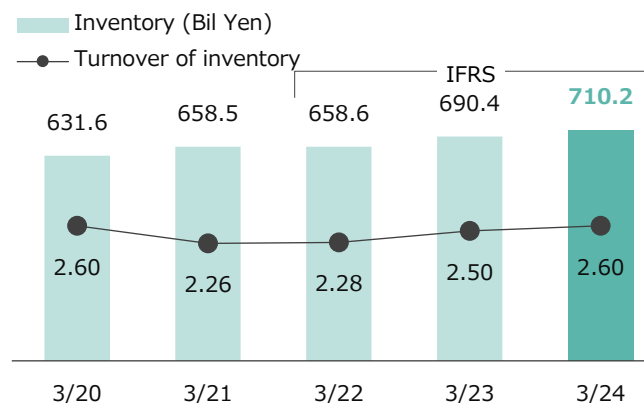
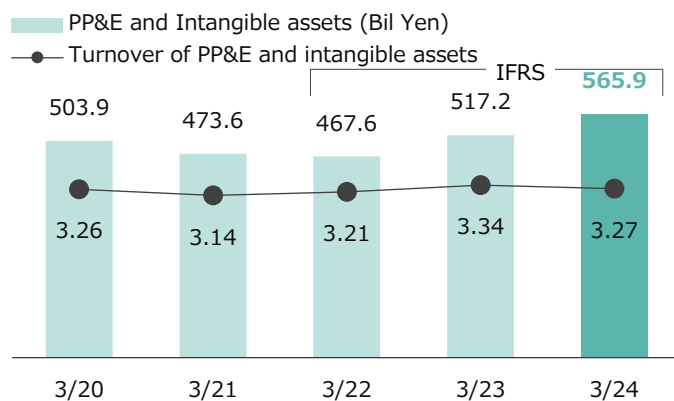
-Statement of financial position-

(Billion Yen)

| | End of Mar. 2023 | % | End of Mar. 2024 | % | Change |
|---|---------------------|-------|---------------------|-------|----------------|
| Cash and cash equivalents | 138.4 | | 84.1 | | - 54.2 |
| Trade receivables (Incl. contract assets) | 592.6 | | 770.3 | | + 177.7 |
| Inventories | 690.4 | | 710.2 | | + 19.7 |
| Other current assets | 148.8 | | 162.1 | | + 13.3 |
| Current assets | 1,570.3 | 63.9 | 1,726.9 | 64.4 | + 156.5 |
| PP&E and intangible assets | 517.2 | | 565.9 | | + 48.6 |
| Right-of-use assets | 68.4 | | 64.8 | | - 3.5 |
| Deferred tax assets | 110.2 | | 117.4 | | + 7.1 |
| Other non-current assets | 191.4 | | 205.0 | | + 13.5 |
| Non-current assets | 887.3 | 36.1 | 953.2 | 35.6 | + 65.8 |
| Total assets | 2,457.7 | 100.0 | 2,680.1 | 100.0 | + 222.4 |

Details

- ① Increase in PS&E, Aero Engine and Aerospace
- ② Increase in PS&E, etc (new plant in Mexico started operation. See page 37)



Consolidated Results for FY2023

-Statement of financial position-

(Billion Yen)

| | End of Mar. 2023 | % | End of Mar. 2024 | % | Change |
|--|---------------------|--------------|---------------------|--------------|---------------------|
| Trade payables | 395.1 | | 451.9 | | ^③ + 56.8 |
| Interest-bearing debt | 589.8 | | 653.9 | | ^④ + 64.0 |
| Contract liability (Advances received) | 256.2 | | 265.4 | | + 9.2 |
| Provision for losses on construction contracts | 4.6 | | 5.6 | | + 1.0 |
| Retirement benefit liability | 91.5 | | 74.6 | | ^⑤ - 16.9 |
| Other liabilities | 523.3 | | 573.9 | | + 50.6 |
| Total liabilities | 1,860.8 | 75.7 | 2,025.6 | 75.6 | + 164.7 |
| Equity attributable to owners of parent | 576.2 | | 634.0 | | + 57.8 |
| Non-controlling interests | 20.6 | | 20.4 | | - 0.2 |
| Total equity | 596.8 | 24.3 | 654.5 | 24.4 | + 57.6 |
| Total liabilities and equity | 2,457.7 | 100.0 | 2,680.1 | 100.0 | + 222.4 |

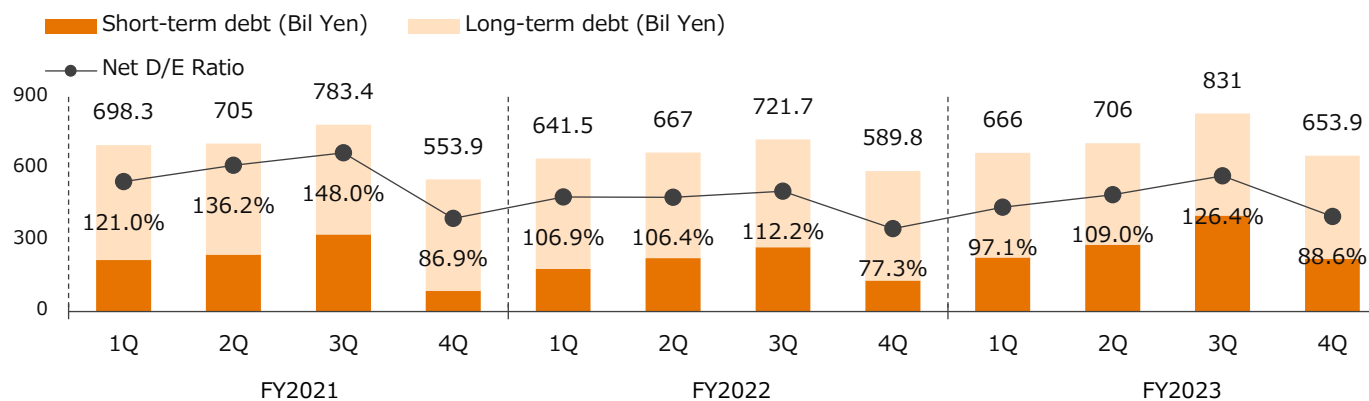
Details

- ^③ Increase in Aerospace and Aero Engine
- ^④ Increase in PS&E and Rolling Stock
- ^⑤ Increase in refund liabilities due to loss related to PW1100G-JM engine

Appendix

Cash Conversion Cycle (day)

| | |
|--------------|-----|
| End of FY'19 | 133 |
| End of FY'20 | 153 |
| End of FY'21 | 133 |
| End of FY'22 | 150 |
| End of FY'23 | 159 |



Consolidated Results for FY2023

-Cash Flows-

(Billion Yen)

| | FY2022 | FY2023 | Change |
|--|---------------|------------------------|----------------|
| Profit before tax | 70.3 | 31.9 | - 38.3 |
| Depreciation and amortization | 77.3 | 80.9 | + 3.6 |
| Increase and decrease in working capital | - 157.2 | - 83.0 | + 74.1 |
| Trade receivables ^{※1} (minus notation indicates incr.) | - 107.1 | - 154.0 | - 46.8 |
| Inventory (minus notation indicates incr.) | - 64.2 | 9.9 | + 74.1 |
| Trade payables (minus notation indicates decr.) | 46.3 | 51.4 | + 5.0 |
| Advance payment (minus notation indicates incr.) | - 28.5 | 8.6 | + 37.1 |
| Contract liabilities ^{※2} (minus notation indicates decr.) | - 3.7 | 1.0 | + 4.7 |
| Other | 33.1 | 1.7 | - 31.3 |
| Cash flows from operating activities | 23.6 | 31.6 | ① + 8.0 |
| Purchase of PP&E and intangible assets | - 69.9 | ② - 96.5 | - 26.5 |
| Proceeds from sales of PP&E and intangible assets | 2.2 | 2.7 | + 0.5 |
| Other | - 9.7 | 3.9 | + 13.7 |
| Cash flows from investing activities | - 77.4 | - 89.8 | - 12.3 |
| Free cash flows | - 53.8 | - 58.1 | - 4.3 |
| Net increase and decrease in debt and bonds (minus notation indicates decr.) | 22.1 | 58.7 | + 36.5 |
| Dividends paid (Except payment to non-controlling interests) | - 8.3 | - 13.4 | - 5.0 |
| Proceeds from fluidity of lease receivables and Repayment of payables under fluidity lease receivables | ③ 92.8 | - 1.8 | - 94.6 |
| Other | - 21.2 | - 30.5 | - 9.2 |
| Cash flows from financing activities | 85.3 | 12.9 | - 72.3 |

要因説明

① 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

FY'23 : Cash flows from operating activities is at the same level as the pre-tax income due to decrease in trade payables of Aerospace Systems despite increase in trade receivables of aerospace systems and PS&E

② Investment in PS&E for expansion of product capacity (new plant in Mexico, etc.)

③ Income in Aerospace Systems

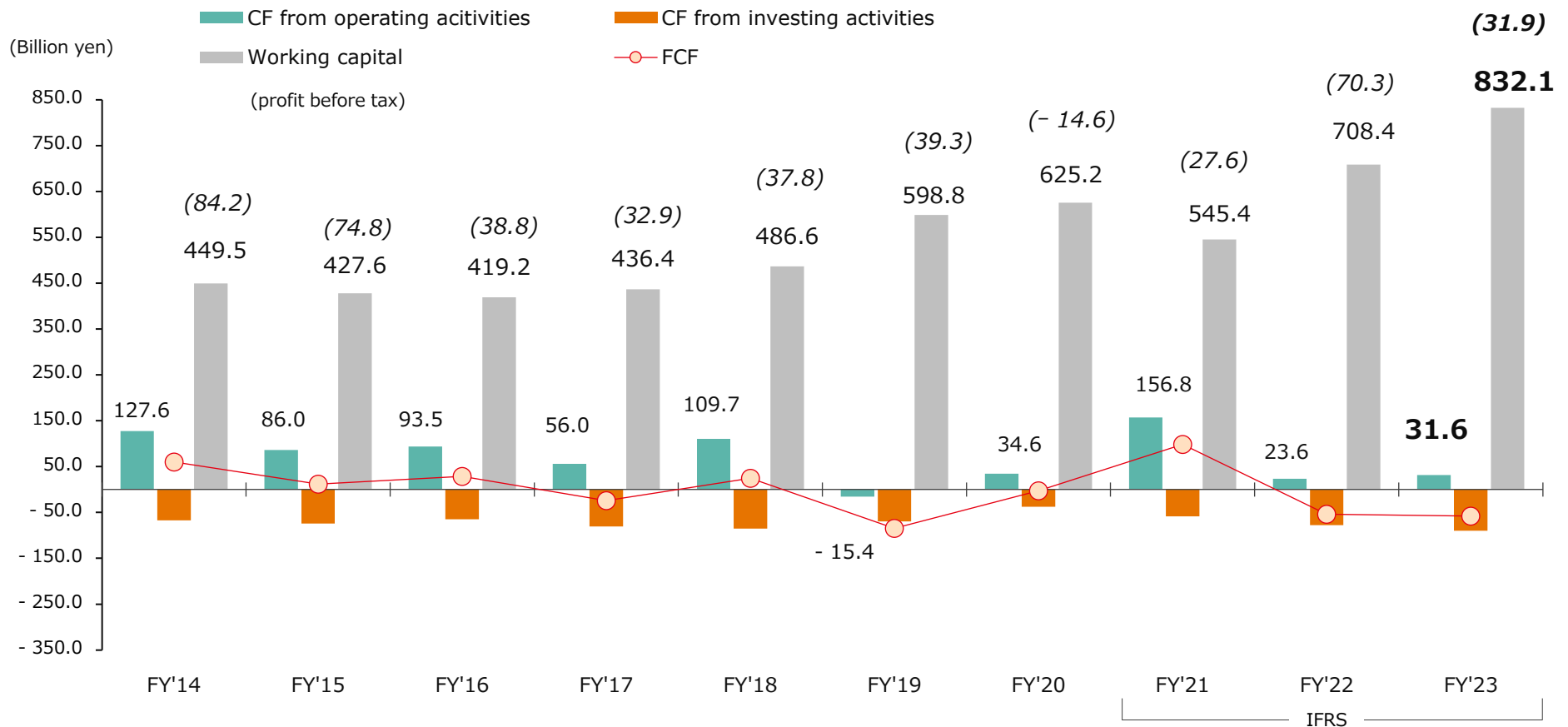
※1,2 Trade receivables include contract assets. The old account name of contract liabilities is advances received

Consolidated Results for FY2023

-Cash Flows-



Although FCF was in the red for the second consecutive fiscal year due to an increase in working capital / investment CF based on the sales growth in PS&E and a strong recovery in order-based businesses, but it is expected to be normalized in FY'24



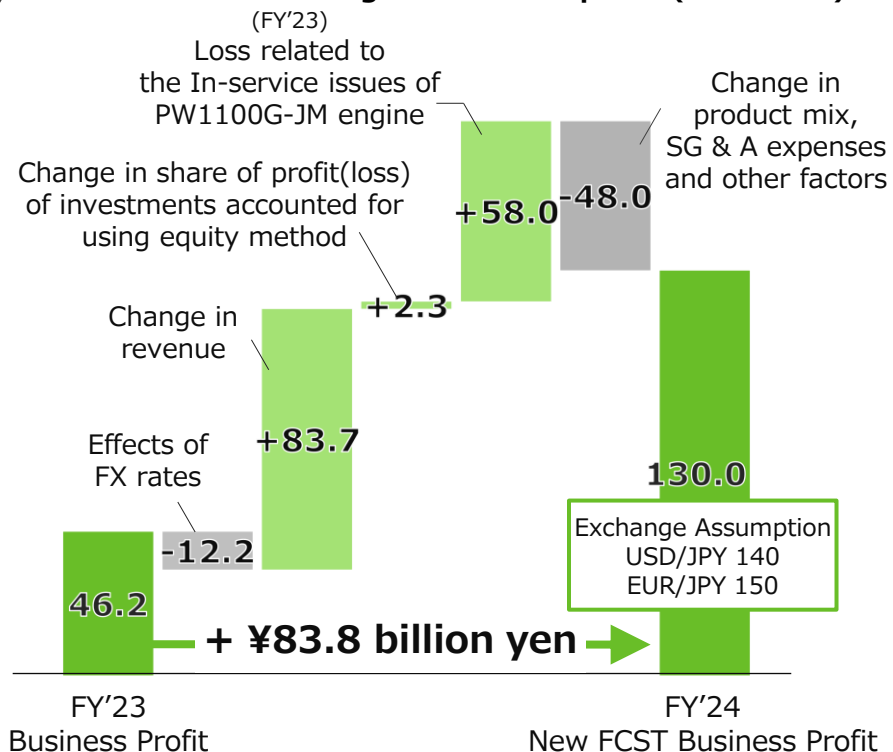
Forecasts for FY2023 -Summary-

- ✓ Expect significant profit growth and plan to renew record profit (orders and revenue are at record highs)
- ✓ Implement business operations in line with the scenario of achieving a business profit margin of over 10% by FY2030

| | (Billion Yen) | | |
|---|------------------|--------------------|-----------|
| | FY2023 Actual | FY2024 Forecast | Change |
| Orders Received | 2,083.4 | 2,360.0 | + 276.6 |
| Revenue | 1,849.2 | 2,250.0 | + 400.8 |
| Business Profit | 46.2 | 130.0 | + 83.8 |
| [Margin] | [2.5%] | [5.8%] | [+ 3.2pt] |
| Profit Before Tax | 31.9 | 110.0 | + 78.1 |
| [Margin] | [1.7%] | [4.9%] | [+ 3.1pt] |
| Profit Attributable to Owners of Parent | 25.3 | 78.0 | + 52.7 |
| [Margin] | [1.4%] | [3.5%] | [+ 2.0pt] |
| After-tax ROIC | 2.8% | 6.7% | + 3.9pt |
| Weighted-average exchange rates (USD/JPY) | 142.54 | 140.00 | - 2.54 |
| US dollar-based transaction (B\$) | 1.85 | 1.98 | + 1.30 |

※ The amount of foreign currency that affects business profits due to exchange rate fluctuations. 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 foreign currency denominated revenue of loss provisions). See page 46 for the breakdown of these figures by segment.

/ FY'24 Details of change in business profit (Billion Yen)



Note : 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".

Forecasts for FY2024 -Segment-

- Revenue and profit in Aerospace Systems increase significantly due to a reaction to the loss related to PW1100G-JM engine ①
- Revenue and profit in PS&E increase due to sales expanding of off-road four-wheeler based on starting operation at new plant in Mexico ②


(Billion Yen)


| | Orders Received | | | Revenue | | | Business Profit (Loss) | | |
|--------------------------------------|-----------------|----------------|----------------|----------------|----------------|----------------|------------------------|---------------|---------------|
| | FY2023 | FY2024 | Change | FY2023 | FY2024 | Change | FY2023 | FY2024 | Change |
| Aerospace Systems | 692.6 | 750.0 | + 57.4 | 396.1 | 580.0 | + 183.9 | - 15.0 | 45.0 | + 60.0 |
| Rolling Stock | 88.7 | 160.0 | + 71.3 | 195.9 | 210.0 | + 14.1 | 3.7 | 7.0 | + 3.3 |
| Energy Solution & Marine Engineering | 401.6 | 390.0 | - 11.6 | 353.2 | 410.0 | + 56.8 | 31.9 | 30.0 | - 1.9 |
| Precision Machinery & Robot | 213.3 | 240.0 | + 26.7 | 227.9 | 230.0 | + 2.1 | - 1.9 | 7.0 | + 8.9 |
| Powersports & Engine | 592.4 | 720.0 | + 127.6 | 592.4 | 720.0 | + 127.6 | 48.0 | 68.0 | + 20.0 |
| Ohters | 94.5 | 100.0 | + 5.5 | 83.5 | 100.0 | + 16.5 | 1.1 | 5.0 | + 3.9 |
| Eliminations and corporate* | - | - | - | - | - | - | - 21.7 | - 32.0 | - 10.3 |
| Total | 2,083.4 | 2,360.0 | + 276.6 | 1,849.2 | 2,250.0 | + 400.8 | 46.2 | 130.0 | + 83.8 |


* "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 (vs. FY2022)


Orders received  Increased due to increase in orders for MOD and Boeing despite the loss (reduction in orders) related to PW1100G-JM engine
+¥347.0 bil.


Revenue  Increased due to an increase in MOD, Boeing, and commercial aircraft in Aero Engine despite the loss (reduction in revenue) related to PW1100G-JM engine
+¥47.3 bil.

Business profit  Decreased due to loss related to PW1100G-JM engine despite increase in revenue
-¥29.8 bil.

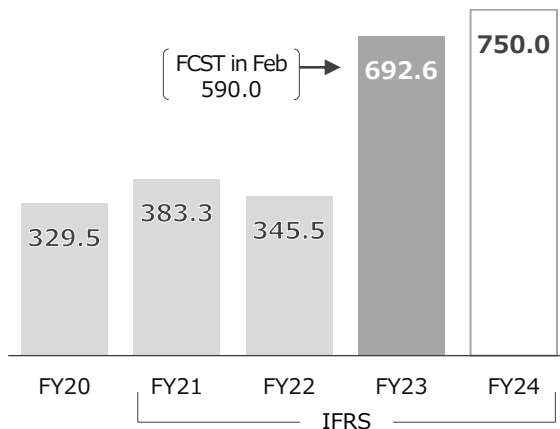
FY2024 forecast (vs. FY2023)

Orders received  Increase due to an increase in orders for MOD and Boeing, as well as a reaction to a loss (reduction in orders) related to PW1100G-JM engine in FY23
+¥57.4 bil.

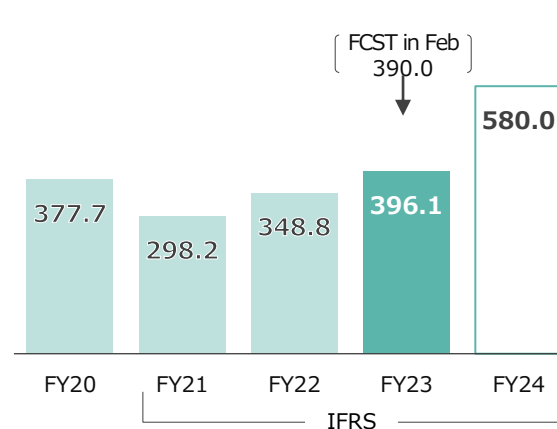
Revenue  Increase due to an increase in revenue for MOD and Boeing, as well as a reaction to a loss (reduction in revenue) related to PW1100G-JM engine in FY23
+¥183.9 bil.

Business profit  Increase due to an increase in revenue, a reaction to a loss related to PW1100G-JM engine in FY23
+¥60.0 bil.

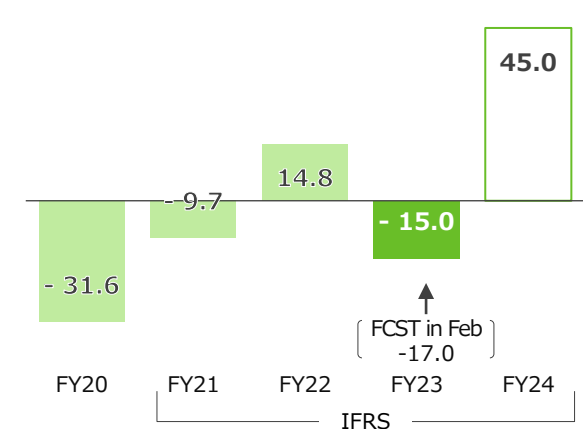
/ Orders received (billion yen)



/ Net Sales or Revenue (billion yen)



/ Operating Profit or Business Profit (billion yen)



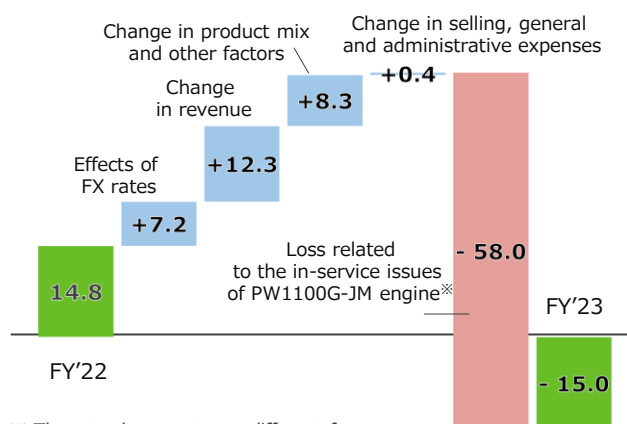
Details by Segment -Aerospace systems-

(Billion Yen)

| | FY2022 | FY2023 | | | | FY2024 | |
|------------------------|---------------|-----------------|-----------------|------------------|------------------|---------------|-------------------|
| | Actual | FCST in Feb. | Actual | Chg. Vs. FY22 | Chg. Vs. FCST | Forecast | Chg. Vs. FY23 |
| Orders Received | 345.5 | 590.0 | 692.6 | + 347.0 | + 102.6 | 750.0 | + 57.4 |
| <i>Aerospace</i> | 253.9 | 500.0 | 556.9 | + 302.9 | + 56.9 | 600.0 | + 43.1 |
| <i>Aero Engine</i> | 91.5 | 90.0 | 135.6 | + 44.0 | + 45.6 | 150.0 | + 14.4 |
| Revenue | 348.8 | 390.0 | 396.1 | + 47.3 | + 6.1 | 580.0 | + 183.9 |
| <i>Aerospace</i> | 249.3 | 320.0 | 307.4 | + 58.0 | - 12.6 | 420.0 | + 112.6 |
| <i>Aero Engine</i> | 99.5 | 70.0 | 88.7 | - 10.7 | + 18.7 | 160.0 | + 71.3 |
| Business Profit (Loss) | 14.8 | - 17.0 | - 15.0 | - 29.8 | + 2.0 | 45.0 | + 60.0 |
| <i>[Margin]</i> | <i>[4.3%]</i> | <i>[- 4.4%]</i> | <i>[- 3.8%]</i> | <i>[- 8.0pt]</i> | <i>[+ 0.5pt]</i> | <i>[7.8%]</i> | <i>[+ 11.5pt]</i> |

Details of change in Business Profit(Loss)

(billion yen)



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

Appendix

Number of aircraft component parts sold to Boeing

| | FY'22 | FY'23 | Change |
|------|-------|-------|--------|
| 767 | 31 | 33 | + 2 |
| 777 | 28 | 32 | + 5 |
| 777X | 0 | 6 | + 6 |
| 787 | 20 | 41 | + 21 |

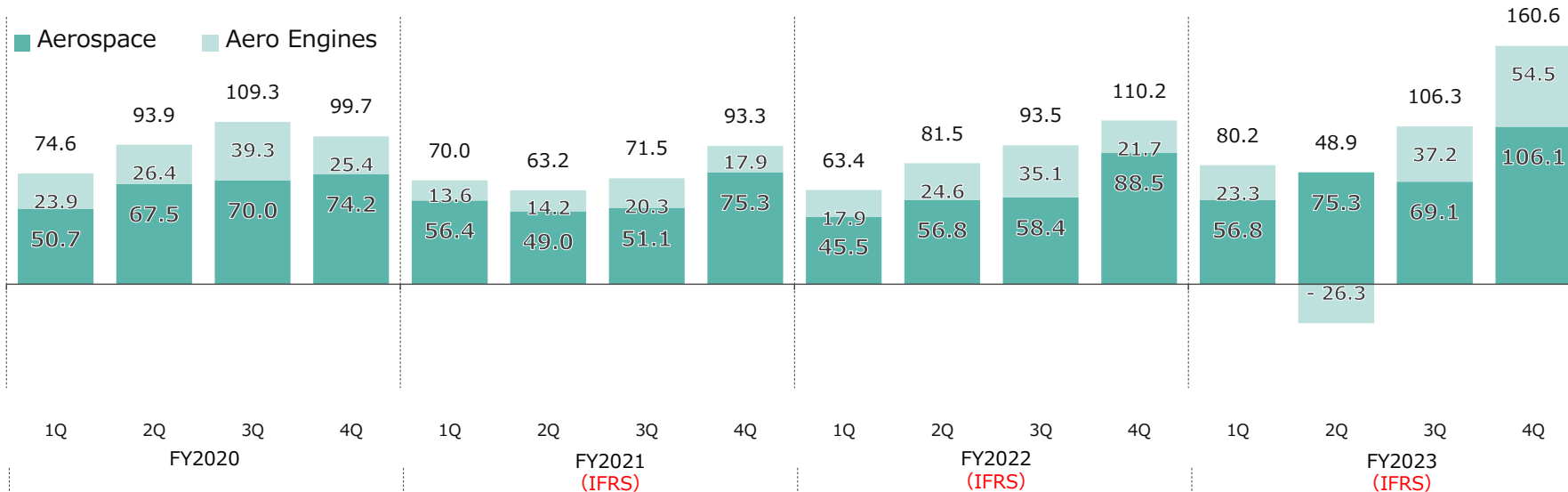
Number of jet engine component parts sold

| | FY'22 | FY'23 | Change |
|---------|-------|-------|--------|
| V2500 | 20 | 6 | - 14 |
| PW1100G | 564 | 675 | + 111 |

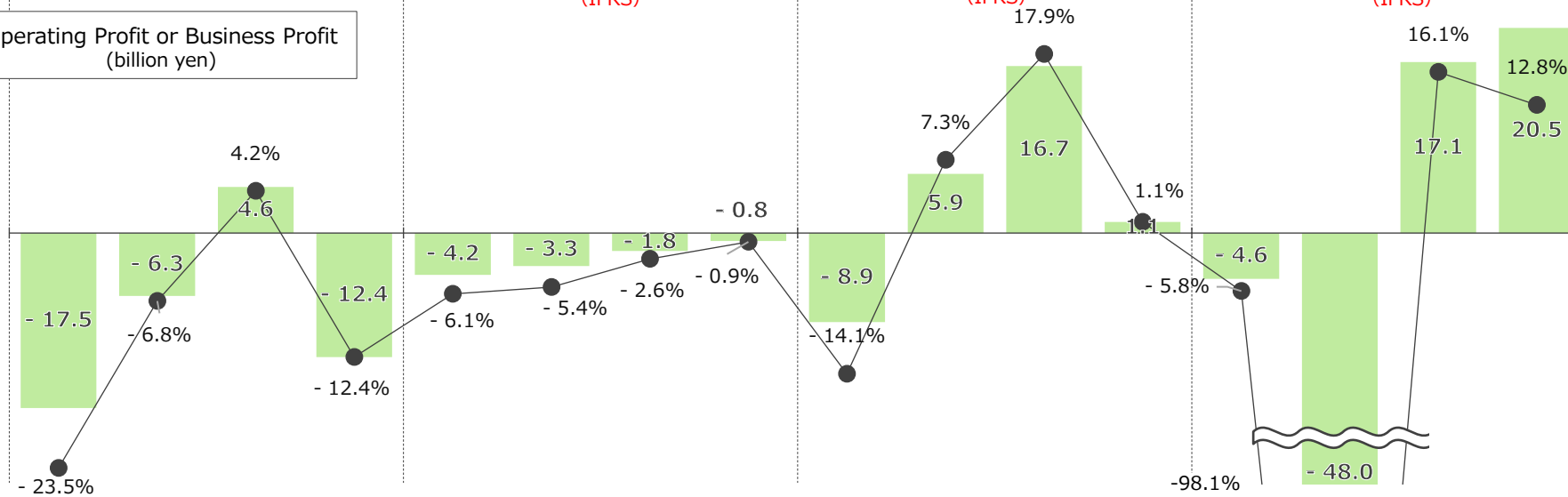
* Number of jet engine component parts sold to Rolls-Royce is not disclosed

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 has recovered to pre-COVID-19 levels and aircraft rebound demand has been strong
- 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※¹

- ✦ 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.
- ✦ In FY'23, the estimated future loss was recorded in a lump-sum※², and there is no change at present (except for the effect of revaluation due to exchange rate fluctuations).
- ✦ Our press release about this matter.
https://global.kawasaki.com/news_230913-1e.pdf
https://global.kawasaki.com/en/corp/ir/library/pdf/etc_231026-1e.pdf

※¹ International Aero Engines,LLC

※² Recorded lump-sum loss (¥58 billion yen in terms of business profit and loss).

Specific Efforts

✓ Development of systems for business recovery and expansion

- 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
- Increase productivity by increasing operational efficiency to acquire new business opportunities



C-2 Transport Aircraft
Orders received 2nd in FY'23

✓ 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


✓ Promotion of technology strategies based on 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 (vs. FY2022)


Orders received  Decreased from the previous fiscal year when we received orders for large projects such as new subway cars for the NYCTA
-¥224.4 bil.


Revenue  Increased due to an increase in the U.S., despite a decrease in Japan and Asia
+¥64.0 bil.

Business profit  Increased due to higher revenue, etc., despite decline in domestic operations
+¥2.3 bil.

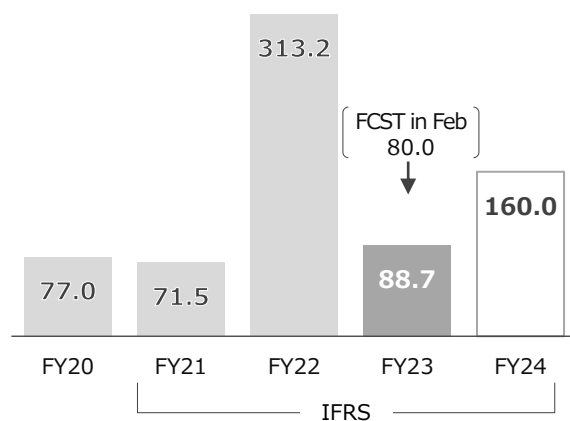
FY2024 forecast (vs. FY2023)

Orders received  Increase due to an increase in orders for Asia
+¥71.3 bil.

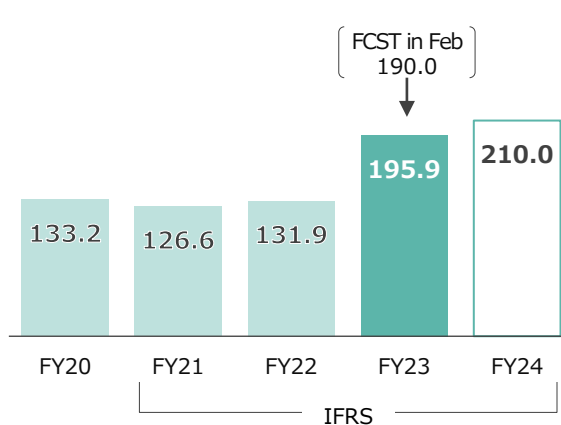
Revenue  Increase due to an increase in revenue for the U.S., despite a decrease in Japan
+¥14.1 bil.

Business profit  Increase due to an increase in revenue
+¥3.3 bil.

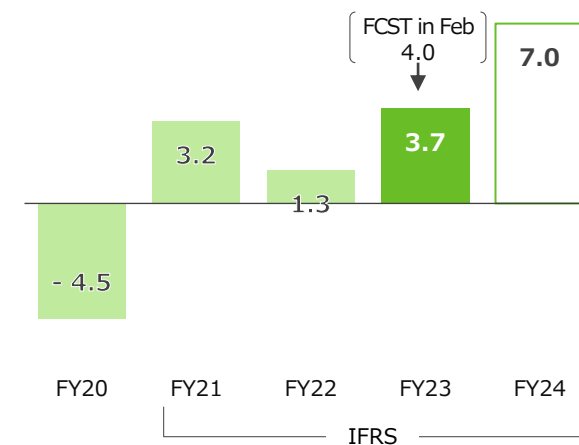
Orders received (billion yen)



Net Sales or Revenue (billion yen)



Operating Profit or Business Profit (billion yen)



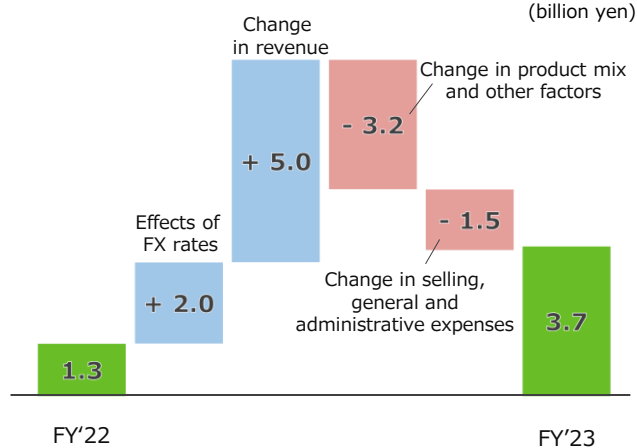
Details by Segment - Rolling Stock -

(Billion Yen)

| | FY2022 | FY2023 | | | | FY2024 | |
|----------------------------|---------------|---------------|---------------|------------------|------------------|---------------|------------------|
| | Actual | FCST in Feb. | Actual | Chg. Vs. FY22 | Chg. Vs. FCST | Forecast | Chg. Vs. FY23 |
| Orders Received | 313.2 | 80.0 | 88.7 | - 224.4 | + 8.7 | 160.0 | + 71.3 |
| <i>Domestic & Asia</i> | 58.1 | 76.0 | 87.3 | + 29.2 | + 11.3 | 140.0 | + 52.7 |
| <i>North America</i> | 255.1 | 4.0 | 1.4 | - 253.7 | - 2.6 | 20.0 | + 18.6 |
| Revenue | 131.9 | 190.0 | 195.9 | + 64.0 | + 5.9 | 210.0 | + 14.1 |
| <i>Domestic & Asia</i> | 94.8 | 80.0 | 81.2 | - 13.5 | + 1.2 | 65.0 | - 16.2 |
| <i>North America</i> | 37.1 | 110.0 | 114.6 | + 77.5 | + 4.6 | 145.0 | + 30.4 |
| Business Profit | 1.3 | 4.0 | 3.7 | + 2.3 | - 0.3 | 7.0 | + 3.3 |
| <i>[Margin]</i> | <i>[1.0%]</i> | <i>[2.1%]</i> | <i>[1.9%]</i> | <i>[+ 0.8pt]</i> | <i>[- 0.2pt]</i> | <i>[3.3%]</i> | <i>[+ 1.4pt]</i> |

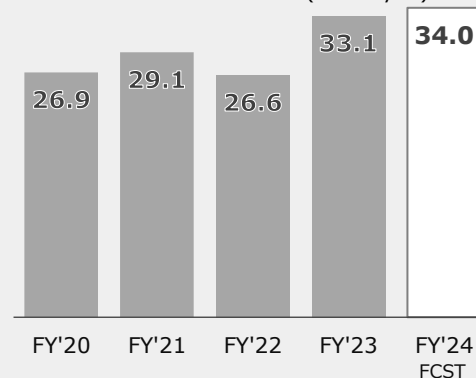
Details of change in Business Profit(Loss)

(billion yen)



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 March '24)

- 190 cars out of 202 were delivered
- Delivery of the last unit is scheduled for **Q1 FY'24**

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
 - Prolonged procurement of equipment, mainly electronic components, requires attention, but the impact is limited
- 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 18 trains out of them have been delivered to the customer
 - ▶ **The last car and facilities will be delivered in FY'24 Q1**

- 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 have shipped in FY'23 Q4**



Achieving quality levels trusted by customers

- Reduction of spoilage and repair costs
- Further promotion of Kawasaki Production System



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 (vs. FY2022)

Orders received



-¥37.3 bil.

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

Revenue



+¥38.6 bil.

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

Business profit



+¥28.0 bil.

Increased due to increase in revenue and an equity in gains

FY2024 forecast (vs. FY2023)

Orders received



-¥11.6 bil.

Decrease due to a decrease in orders of Plant & Marine Machinery despite increase for MOD of Ship & Offshore Structure

Revenue



+¥56.8 bil.

Increase due to an increase in revenue of Energy, Plant & Marine Machinery

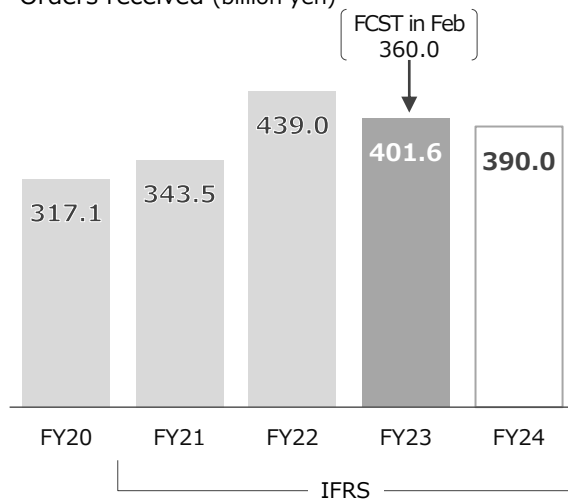
Business profit



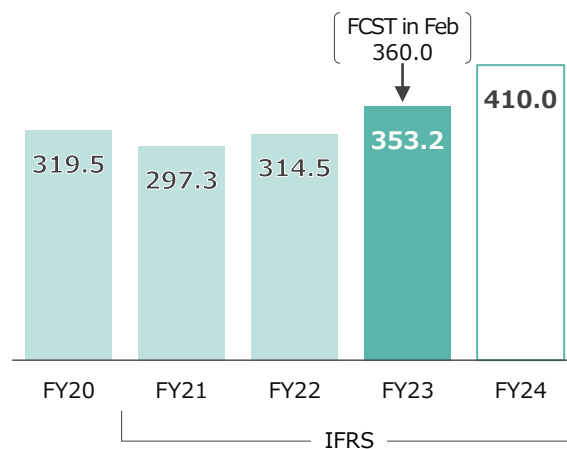
-¥1.9 bil.

Decrease due to a decrease in profit due to factors such as the assumption that the exchange rate is stronger than YoY despite increase in revenue

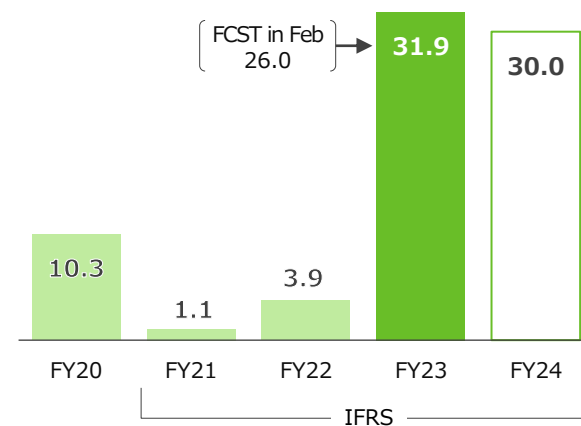
Orders received (billion yen)



Net Sales or Revenue (billion yen)



Operating Profit or Business Profit (billion yen)

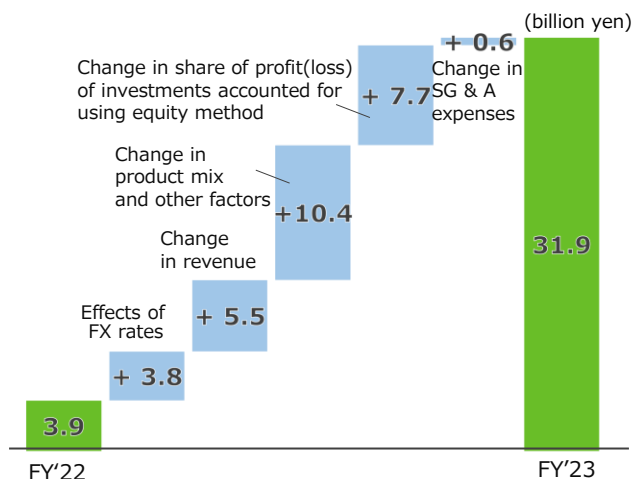


Details by Segment - Energy Solution & Marine Engineering -

(Billion Yen)

| | FY2022 | FY2023 | | | | FY2024 | |
|---|--------|--------------|--------------|---------------|---------------|--------------|---------------|
| | Actual | FCST in Feb. | Actual | Chg. Vs. FY22 | Chg. Vs. FCST | Forecast | Chg. Vs. FY23 |
| Orders Received | 439.0 | 360.0 | 401.6 | - 37.3 | + 41.6 | 390.0 | - 11.6 |
| Energy, Plant & Marine Machinery | 292.6 | 320.0 | 358.8 | + 66.2 | + 38.8 | 290.0 | - 68.8 |
| Ship & Offshore Structure | 146.3 | 40.0 | 42.7 | - 103.5 | + 2.7 | 100.0 | + 57.3 |
| Revenue | 314.5 | 360.0 | 353.2 | + 38.6 | - 6.8 | 410.0 | + 56.8 |
| Energy, Plant & Marine Machinery | 234.4 | 265.0 | 260.6 | + 26.2 | - 4.4 | 320.0 | + 59.4 |
| Ship & Offshore Structure | 80.0 | 95.0 | 92.5 | + 12.4 | - 2.5 | 90.0 | - 2.5 |
| Business Profit | 3.9 | 26.0 | 31.9 | + 28.0 | + 5.9 | 30.0 | - 1.9 |
| [Margin] | [1.2%] | [7.2%] | [9.0%] | [+ 7.7pt] | [+ 1.7pt] | [7.3%] | [- 1.7pt] |
| Share of profit (loss) of investments accounted for using equity method | 6.0 | 13.0 | 13.7 | + 7.7 | + 0.7 | 15.5 | + 1.8 |

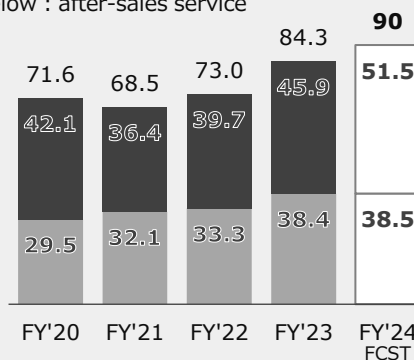
Details of change in Business Profit(Loss)



Appendix

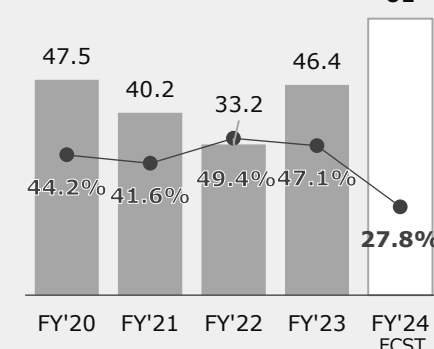
Revenue of major products in the energy business (billion yen)

above : components
below : after-sales service



Revenue of municipal waste incineration plants (billion yen)

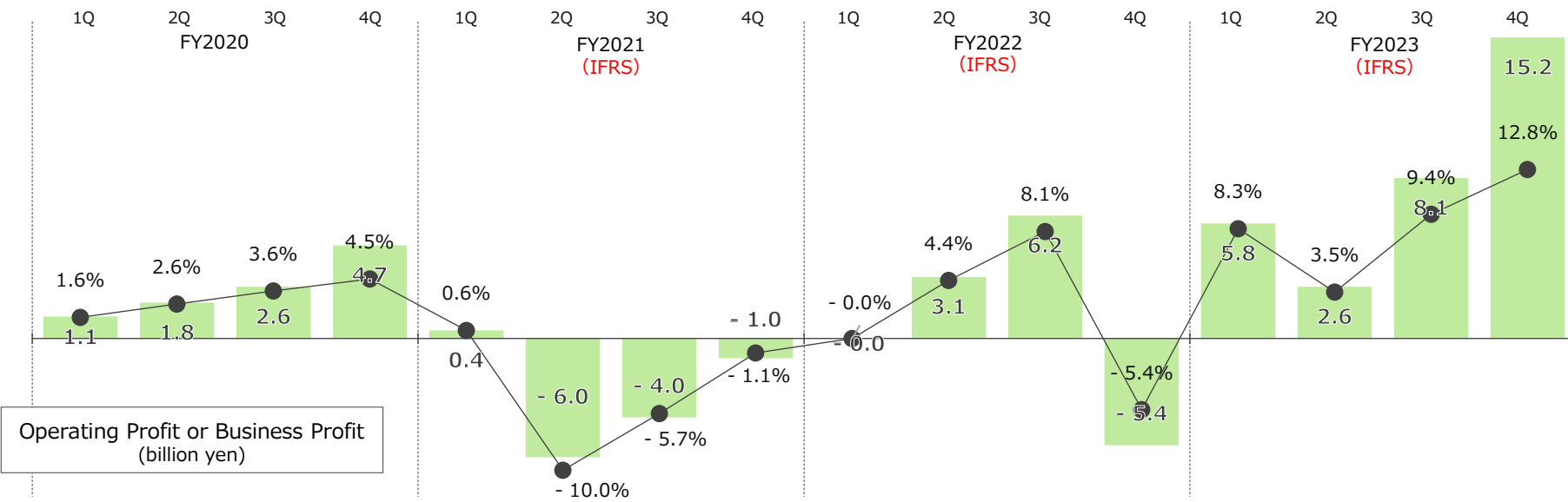
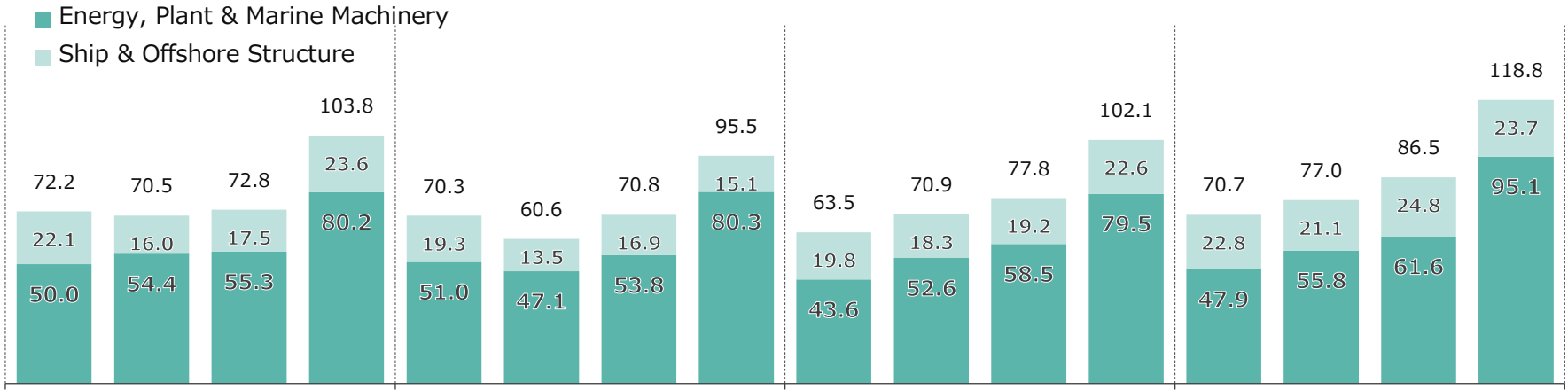
Net sales — O&M ratio to net sales



Details by Segment - Energy Solution & Marine Engineering -

Net Sales or Revenue
(billion yen)

(Note) The prior results of previous segment have been reclassified to current segment



Operating Profit or Business Profit
(billion yen)

Market Overview

● Energy system & 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"> - Strong demand for energy infrastructure development such as distributed power generation in emerging countries - Increased orders, inquiries for hydrogen products in developed countries |

● Ship & Offshore Structure

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

● Entire segment

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

Specific Efforts

✓ Providing products and services that contribute to the realization of a low-carbon and decarbonized society

Topic (FY'23) Waste incineration plants

1 Received orders for 2 new waste incineration plants using DBO method^{※1}

From Sanda City and Kurume City

- ▶ Increase power generation with advanced reactors and contribute to carbon neutrality^{※2}

2 Received an order to upgrade the basic facilities of the waste incineration plants

From Kobe City, Tamagawa Sanitation Association and Yugawara Town and Manazuru Town Sanitation Association

- ▶ Contributing to CO₂ Reduction through Longer Facility Life and Energy Conservation

※1 DBO method : Design · Build · Operate

※2 Electricity from garbage (biomass) is treated as carbon neutral



Image would be :
New waste incineration plants for Sanda City

✓ Efforts to provide decarbonization solutions

Topic (FY'23) Steady progress in hydrogen ready^{※3}

1 Completed hydrogen co firing remodeling of GPB17D-H2, a 1.8 MW class gas turbine cogeneration system equipped with a DLE^{※4} combustor, and started commercial operation

For Chevron Phillips Chemical International N.V.(Belgium)



GPB17D-H2

2 GPB17MMX, 1.8MW 100% Hydrogen-fueled, Dry-combustion Gas Turbine Cogeneration System won the top-ranked "Masuda Award" at the Nikkan Kogyo Shimbun 66th Ten Great New Products Awards

※3 Condition capable of hydrogen combustion (co / pure firing)

※4 Dry Low Emission




PUC17MMX


Details by Segment

- Precision Machinery & Robot -


FY2023 (vs. FY2022)


Orders received  Decreased mainly due to decline in hydraulic equipment for Chinese construction machinery market and industrial robots
-¥48.6 bil.


Revenue  Same as above
-¥24.7 bil.

Business profit  Decrease due to revenue decrease and decline in operations
-¥10.6 bil.

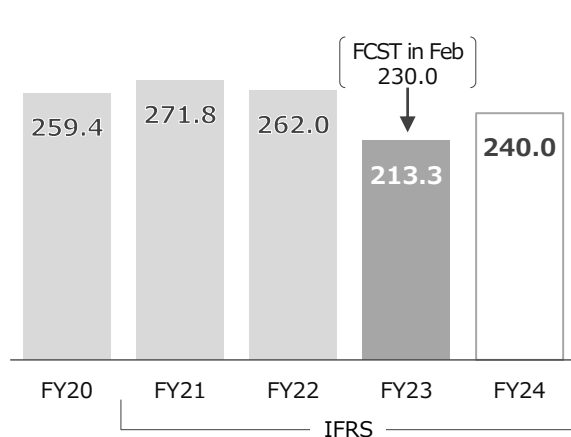
FY2024 forecast (vs. FY2023)

Orders received  Increase due to an increase in orders of hydraulic equipment and various robots for the construction machinery market
+¥26.7 bil.

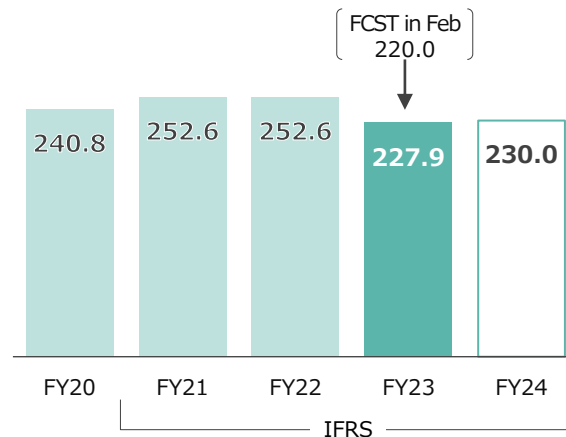
Revenue  Increase due to an increase in revenue of robots for semiconductors
+¥2.1 bil.

Business profit  Increase due to an increase in revenue and improved profitability
+¥8.9 bil.

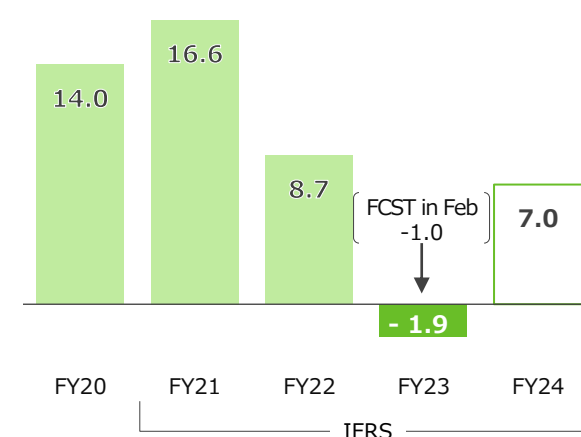
/ Orders received (billion yen)



/ Net Sales or Revenue (billion yen)



/ Operating Profit or Business Profit (billion yen)



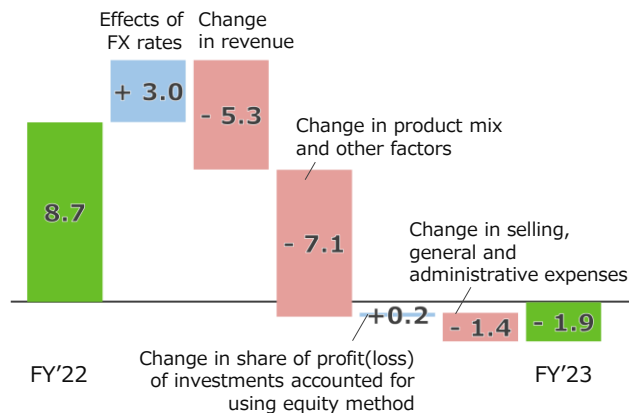
Details by Segment - Precision Machinery & Robot -

(Billion Yen)

| | FY2022 | FY2023 | | | | FY2024 | |
|---|--------|--------------|--------------|---------------|---------------|--------------|---------------|
| | Actual | FCST in Feb. | Actual | Chg. Vs. FY22 | Chg. Vs. FCST | Forecast | Chg. Vs. FY23 |
| Orders Received | 262.0 | 230.0 | 213.3 | - 48.6 | - 16.7 | 240.0 | + 26.7 |
| Hydraulic Components & Systems | 154.6 | 140.0 | 136.1 | - 18.5 | - 3.9 | 150.0 | + 13.9 |
| Robotics | 107.4 | 90.0 | 77.2 | - 30.1 | - 12.8 | 90.0 | + 12.8 |
| Revenue | 252.6 | 220.0 | 227.9 | - 24.7 | + 7.9 | 230.0 | + 2.1 |
| Hydraulic Components & Systems | 153.0 | 140.0 | 141.5 | - 11.4 | + 1.5 | 140.0 | - 1.5 |
| Robotics | 99.6 | 80.0 | 86.3 | - 13.2 | + 6.3 | 90.0 | + 3.7 |
| Business Profit (Loss) | 8.7 | - 1.0 | - 1.9 | - 10.7 | - 0.9 | 7.0 | + 8.9 |
| [Margin] | [3.5%] | [- 0.5%] | [- 0.9%] | [- 4.3pt] | [- 0.4pt] | [3.0%] | [+ 3.8pt] |
| Share of profit (loss) of investments accounted for using equity method | - 2.7 | - 2.0 | - 2.5 | + 0.2 | - 0.5 | - 2.0 | + 0.5 |

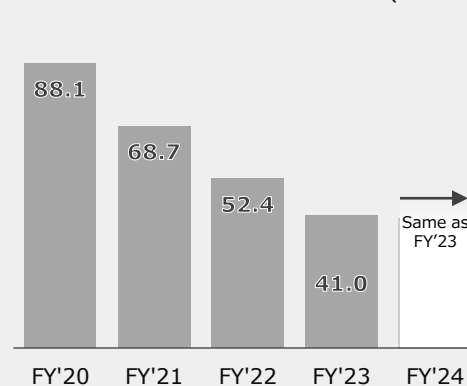
Details of change in Business Profit(Loss)

(billion yen)



Appendix

Revenue of hydraulic components to China (billion yen)



Revenue of robots by segment* (billion yen)

| | FY'22 | FY'23 | FY'24 FCST |
|--|-------|--------------|--------------|
| Automobile assembly and painting | 34.5 | 38.9 (+4.4) | 36.0 (-2.9) |
| Semiconductor | 43.7 | 27.4 (-16.3) | 35.0 (+7.6) |
| General robots for industrial use and others | 32.4 | 28.6 (-3.8) | 29.0 (+0.4) |
| Total | 110.6 | 94.9 (-15.7) | 100.0 (+5.1) |

*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 high

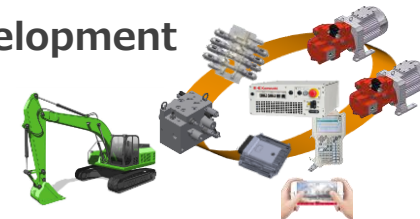
Specific Efforts



Measures for the development of hydraulic business

Development of new products and market for construction machinery

- Leveraging advanced control technology and development capabilities to develop markets for electrification and automation



New electric hydraulic system for construction machinery

Strengthening the after sales business

- Expanding after sales and building and expanding sales networks by leveraging past sales results

Strengthening hydrogen / MOD business

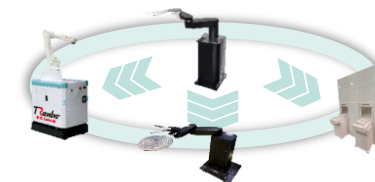
- Development of hydrogen compressors and fuel cell systems
- Expansion of MOD related products in us



Strategic Challenges in the Robotics

Concentrated investment in high value-added areas

- Development of supply system for full-scale recovery of semiconductor market
- Expansion of new fields (Vacuum process, Back-end process, EFEM, factory automation, etc.)



Expansion into new fields for semiconductors

Strengthening the medical robots business


- Spreading the "hinotori™" (with Medicaroid and Sysmex)
- Differentiation by remote control technology


Strengthening brand strength

- Accelerated collaboration with unicorn companies
- Promotion of commercialization in the social robots field

3 Details by Segment - Powersports & Engine -


FY2023 (vs. FY2022)


Revenue  Same as the FY'22 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
+¥1.2 bil.

Business profit  Decreased due to decrease in revenue, increase in sales promotion expenses, fixed costs, and recall-related expenses* related to four-wheeler for the U.S.
-¥23.4 bil.

* 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

FY2024 forecast (vs. FY2023)

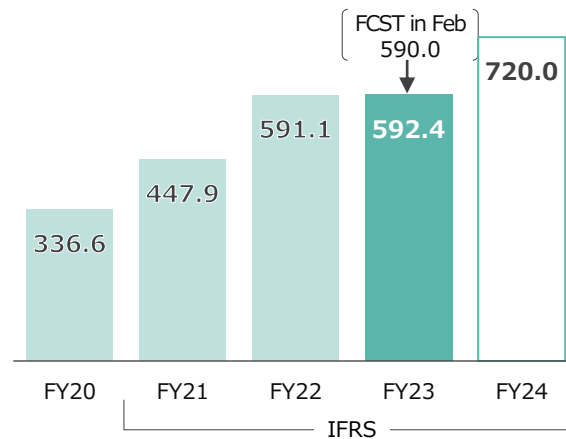
Revenue  Increase due to an increase in four-wheeler for North America and motorcycle for developed countries
+¥127.6 bil.

Business profit  Increase due to an increase in revenue, as well as a reaction to a recall-related expenses related to four-wheeler for the U.S.
+¥20.0 bil.

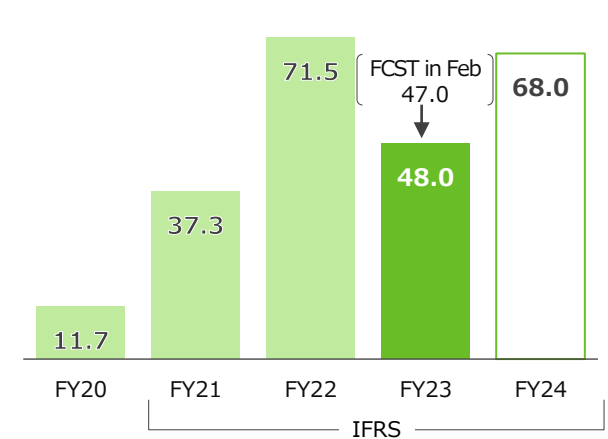
/ Orders received (billion yen)

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.

/ Net Sales or Revenue (billion yen)



/ Operating Profit or Business Profit (billion yen)



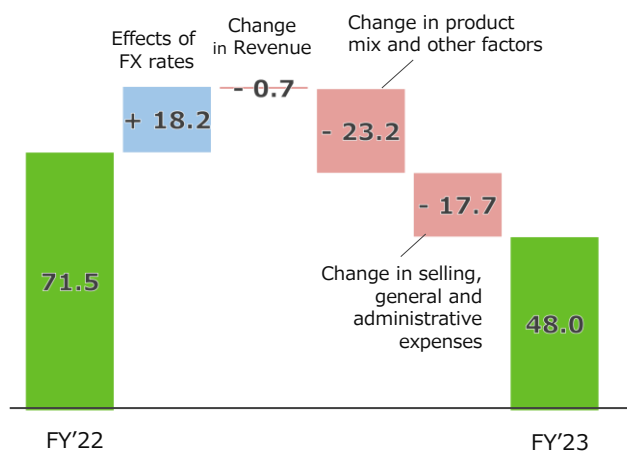
Details by Segment - Powersports & Engine -

(Billion Yen)

| | FY2022 | FY2023 | | | | FY2024 | | |
|--|-----------------|----------------|---------------|---------------|------------------|------------------|---------------|------------------|
| | Actual | FCST in Feb. | Actual | Chg. Vs. FY22 | Chg. Vs. FCST | Forecast | Chg. Vs. FY23 | |
| Revenue | 591.1 | 590.0 | 592.4 | + 1.2 | + 2.4 | 720.0 | + 127.6 | |
| <i>Motorcycles for developed countries</i> | 211.2 | 221.0 | 217.9 | + 6.7 | - 3.1 | 238.0 | + 20.1 | |
| <i>Motorcycles for emerging market</i> | 115.8 | 105.0 | 103.4 | - 12.3 | - 1.6 | 104.0 | + 0.6 | |
| <i>Utility Vehicles, ATVs & PWC</i> | 160.4 | 179.0 | 180.6 | + 20.1 | + 1.6 | 285.0 | + 104.4 | |
| <i>General-purpose gasoline engines</i> | 103.5 | 85.0 | 90.3 | - 13.2 | + 5.3 | 93.0 | + 2.7 | |
| Business Profit | 71.5 | 47.0 | 48.0 | - 23.4 | + 1.0 | 68.0 | + 20.0 | |
| | <i>[Margin]</i> | <i>[12.1%]</i> | <i>[8.0%]</i> | <i>[8.1%]</i> | <i>[- 3.9pt]</i> | <i>[+ 0.1pt]</i> | <i>[9.4%]</i> | <i>[+ 1.3pt]</i> |

Details of change in Business Profit

(billion yen)



Appendix

Wholesales of motorcycles by region (thousand units)

| | | FY'22 | FY'23 | Change | FY'24(FCST) |
|-----------------------|-----------------------------|-------|-------|--------|-------------|
| Developed countries | Japan | 27 | 31 | +3 | |
| | North America | 130 | 94 | -36 | |
| | Europe | 67 | 76 | +9 | |
| | Others* | 11 | 8 | -2 | |
| Total | | 237 | 211 | -25 | 260 |
| Emerging countries | Philippines | 209 | 143 | -66 | |
| | Indonesia | 43 | 39 | -3 | |
| | Latin America | 11 | 12 | +0 | |
| | Others* | 53 | 38 | -15 | |
| Total | | 318 | 233 | -85 | 260 |
| four-wheeler · PWC | North America and Others | 87 | 88 | +1 | 140 |

Note : The following table shows the trend of YoY changes in motorcycles of developed and emerging countries and regions included in "Others"

Australia :

China :

Thailand :

Details by Segment - Powersports & Engine -



Market Overview

- U.S. (Motorcycles)
 - Our share of the retail market is growing because of the introduction of new models, while the retail 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
 - Our share of the retail market is growing
- Europe
 - Our market share is growing as our supply capacity recovers while the retail market remains strong
- Southeast Asia
 - Sports segment remained weak

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
 - Increase U.S. plant capacity to improve production capacity and start operation of a new plant in Mexico
 - Launch 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



Start mass production operation of four-wheeler at new plant in Mexico



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

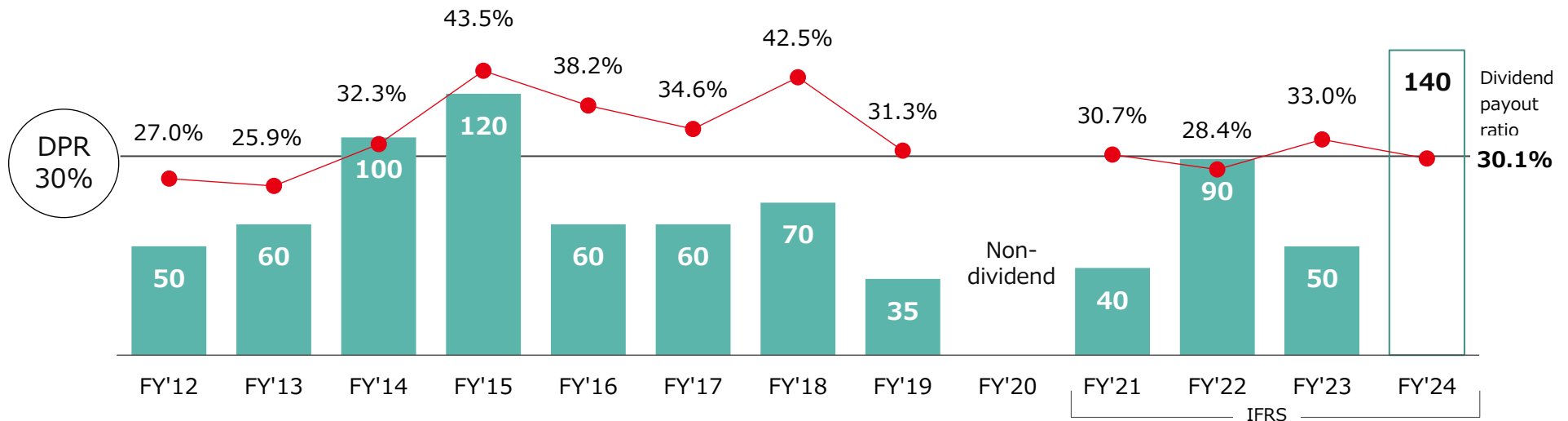
Dividend for FY2023

Full-year net income attributable to owners of the parent company revised up to ¥13.3 billion yen from the February forecast

- ▶ Year-end dividend will be **increased** (from 20 yen to 30 yen)
- ▶ Annual dividend per share will be **50** yen (dividend payout ratio 33.0%)

Dividend for FY2024

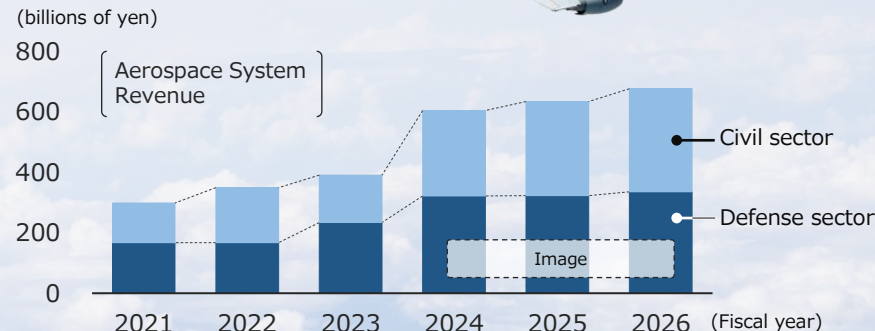
- ▶ Annual dividend per share will be **140** yen (dividend payout ratio 30.1%)



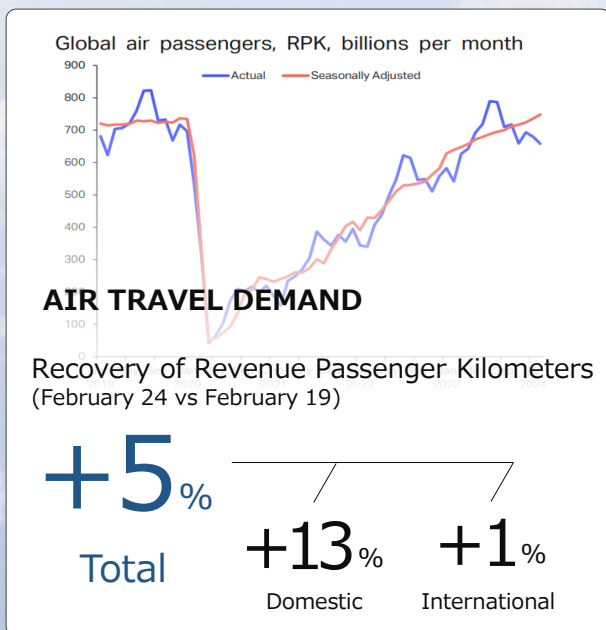


✓ Growth expectation in Aerospace Systems

- Civil aviation market returns to growth track after COVID-19 slump
- High growth is expected in MOD business under the government's policy of drastically strengthening defense capabilities



Good News



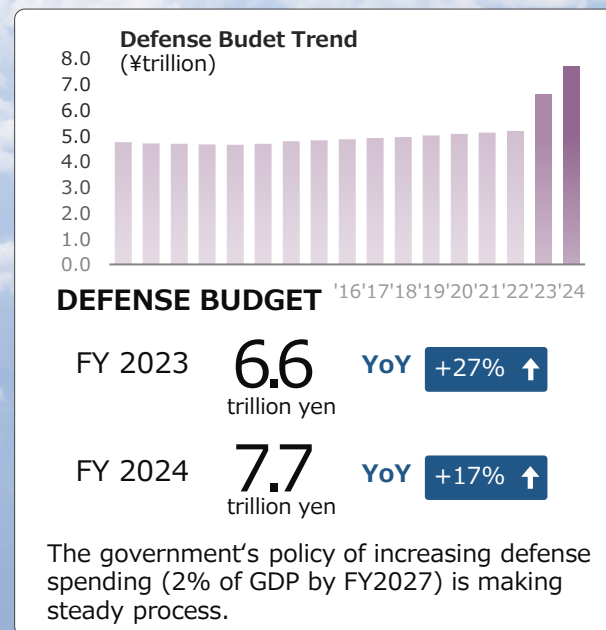
Reference: International Air Transport Association (IATA)

BOEING'S ANNOUNCEMENT

"The production rate of 787 is expected to recover to 5 per month by the end of 2024 and increase to 10 per month by 2026, although the production rate has temporarily fallen below 5 per month."

Note : Boeing's inventory of 787 aircraft decreased to 60 at the end of March 2024.

Source: The Boeing Company



Source: Created by our company based on the Ministry of Defense website

✓ Mass production of off-road four-wheelers started at the plant in Mexico

— Aiming for further business expansion

- Started mass production of “MULE” series in April 2024
- Promote automation of production lines and stable quality
- Realize flexible production in response to demand by integrated production from material processing to assembly of whole vehicles
- Plan to expand revenue approx. DOUBLE (compared to FY'22) of four-wheeler business by FY'25



Mexico plant



Annual

Production Capacity

50k units **»»»** 100k units

Production Capacity above is a total of the U.S. and Mexico plant
At present, production of the RIDGE series described below is carried out at the U.S. plant

RIDGE®

Viewed
Over **9.73** million
on YouTube*
Don't Miss It!

New lineup

Launch of "RIDGE" series

- Products in new areas (high functionality, high price range) that we have not previously entered
- “Sport Utility” model with versatility for both rugged work and advanced play
- Extensive advertising at the Big Game in the U.S. in February
- Already received many orders since the launch in February 2024

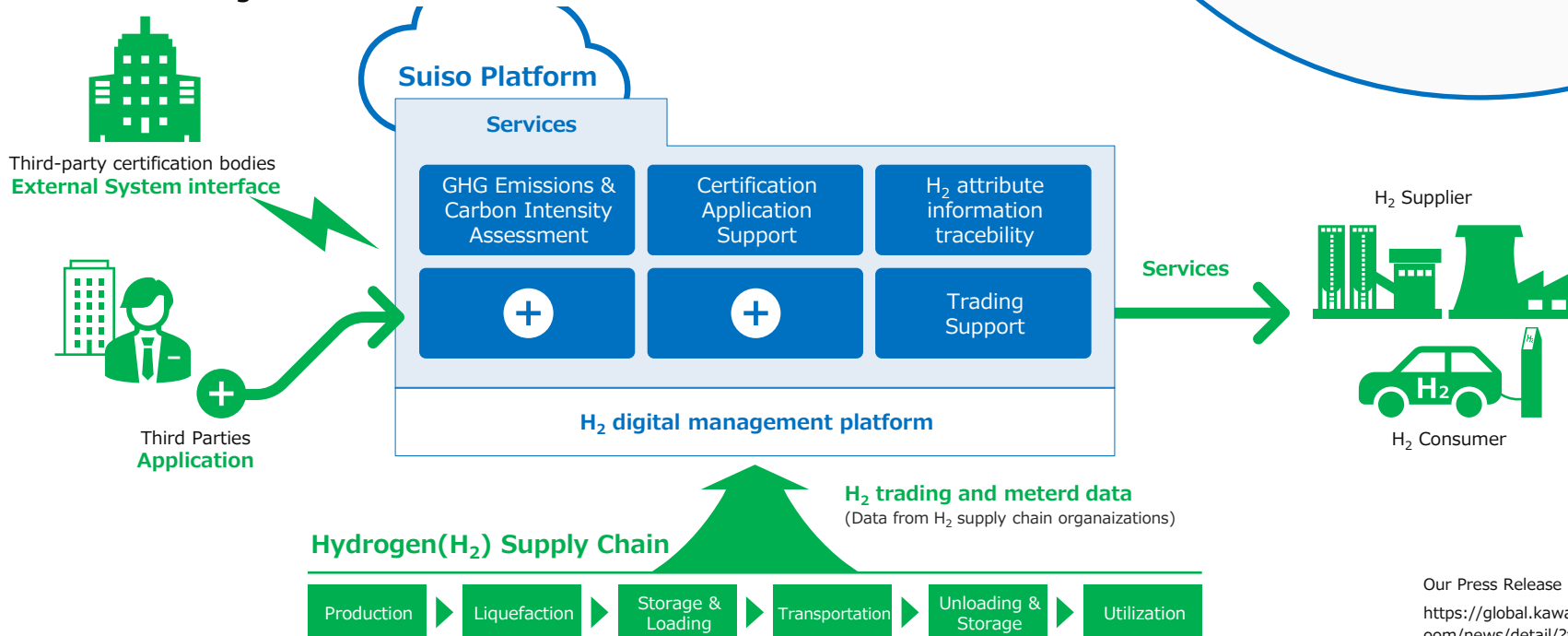
※ At the end of April 2024



RIDGE XR DELUXE

✔ “Suiso Platform” that visualizes hydrogen distribution and supports hydrogen trading

- January 2024, basic design of “Suiso Platform” a digital management system that enable centralized hydrogen distribution management and support hydrogen trading both domestically and internationally has completed
- Complete design and development in 2025, aiming for commercialization around 2028



What's the need to VISUALIZE hydrogen distribution ??

Problem



Ugh...

Since hydrogen distribution is developing in terms of diversity of source and distribution channel, the management of on-attribute information, such as CO₂ emissions, will become more complex

Solve with a “Suiso Platform” !!



- ✔ Comply with international GHG emissions rules
- ✔ Reduce the time and effort required to obtain certificates
- ✔ Help to disclose non-financial information
- ✔ Facilitation of hydrogen trading etc.

Our Press Release URL

https://global.kawasaki.com/en/corp/newsroom/news/detail/?f=20240130_2941



Our role in disasters

— Providing our original disaster packages to affected areas

- Formulated a framework to provide a package of assistance according to the phases of disasters in cooperation with the national and local governments
- Provided support for the Noto Earthquake in January 2024 based on the package

| Phase | Disaster Occurrence (~24 hours) | Emergency Response (~72 hours) | Temporary Response (1) (72 hours ~ 1 week) | Temporary Response (2) (1 week ~ 1 month) | Recovery and Reconstruction (1 month~) |
|------------------------------------|--|---|--|---|---|
| Assumed Situation and Challenges | <ul style="list-style-type: none"> ● A large number of people get injured and sick ● Rescue operations begin | <ul style="list-style-type: none"> ● Injured and sick get to medical institutions ● Supply of goods for shelters is limited due to interruption of lifelines. | <ul style="list-style-type: none"> ● Grasp the disaster situation gradually ● Human and material support for shelter gradually establish | <ul style="list-style-type: none"> ● Transit from shelter to temporary housing ● Local medical care gradually resumes ● Support of housing and Emergency infrastructure begins | <ul style="list-style-type: none"> ● Debris disposal and infrastructure Replaces, economic reconstruction, support for new life, mental care, etc. |
| Disaster assistance Package | Donations, Z-Leg™, K-RACER, Motorcycles (for transportation of goods), Provision of BCP supplies, Emergency power system operation | | | Disaster Support Volunteers | Dormitory, Company house, Crushers |



Z-Leg™

Helicopter arranging service. After the Noto Earthquake in 2024, Goods were transported to evacuation centers in the Orito and Kawaura areas of Suzu City.



K-racer

An unmanned vertical takeoff and landing aircraft developed by Kawasaki. Demonstration test of transportation of goods in mountainous areas aiming at unmanned unloading operations



Emergency power system

About 8,000 units were installed throughout Japan. Contributing to the maintenance of lifelines in the event of a disaster through high starting reliability



Motorcycle

It contributes to transportation in the event of an earthquake disaster. In the 2016 Kumamoto earthquake, 2 motorcycles were provided to transport supplies.



Off-road four-wheeler

Support for disaster-stricken areas by MOD using MULE (Source: GSDF Public Relations Channel)

4 ESG Topics

✓ Revision of the executive compensation system (Application in FY'24, start of payment in FY'25)

- Policy** Placing stronger emphasis on aiming the "Group Vision 2030",
- To share the value with stakeholders including shareholders
 - To promote the contributions to medium- to long-term improvement in corporate value

Revision

(1) More Performance Linked

- Decrease basic compensation and increase short-term incentive compensation
- Decrease fixed portion of long-term incentive compensation and increase performance-linked portion

(2) New Indicators

- Employee engagement indicator*1 in short-term incentive compensation
- ESG indicator*2 in long-term incentive compensation
- Stock price indicator in long-term incentive compensation

/ Current

Ratio*3

| | | | |
|------------|--|---------------------------|--|
| 50% | Basic Compensation | Fixed | Pay grade based on each missions |
| 30% | Short-term incentive compensation | performance-linked | Payment based on profit attributable to owners of parent Achievement of individual targets for short-term |
| 20% | Long-term incentive compensation | Fixed | Pay grade based on each missions ... 50% |
| | | performance-linked | Achievement of individual targets for short-term ... 50% |

/ After revision

Ratio *3

| | | | |
|------------|--|---------------------------|--|
| 33% | Basic Compensation | Fixed | Pay grade based on each missions |
| 33% | Short-term incentive compensation | performance-linked | Payment based on profit attributable to owners of parent Achievement of individual targets for short-term Employee engagement indicator |
| 33% | Long-term incentive compensation | Fixed | Pay grade based on each missions ... 30% |
| | | performance-linked | Achievement of individual targets for short-term ESG indicator Stock Price indicator } 70% |

*1 Ratio of employee who perceive supportive environment and engagement

*2 Reduction of CO₂ emissions from the Company's owned or controlled sources, contribution to the global CO₂ reduction by providing solutions, and the Dow Jones Sustainability Index

*3 In case of the Group's consolidated business results for the previous fiscal year have achieved the target level, and each target set by each executive for the previous fiscal year have been 100% achieved. The composition is an example of the president. Under the current system, long-term incentive compensation is converted at the stock price level which was introduced, and after revision, it is converted at the latest stock price level.

/ Recognized as the Highest Rated “A List Company” on CDP Climate Change for the Second Consecutive Year

Only one in the heavy industry sector

2023 Climate Change Survey conducted by CDP selected us for an "A-List Company" in recognition of our transparency in information disclosure and leadership in performance.



Press Release
https://global.kawasaki.com/en/corp/newsroom/news/detail/?f=20240207_9883

/ High evaluation of the integrated report “Kawasaki Report 2023”



2nd year
awarded

GPiF” Most-improved Integrated Reports”
https://www.gpif.go.jp/en/investment/excellent.most-improved-integrated-reports_2024_03.pdf



First time
awarded

“Excellence” on Nikkei integrated report award 2023



Kawasaki Report 2023
https://global.kawasaki.com/en/corp/sustainability/report/2023/pdf/23_houkokusyo.pdf

/ Selected for “DJSI Asia Pacific Index” for the 11th consecutive year

DJSI Asia Pacific annually selects the top 20% among about the 600 companies in the region, and our ESG performance and public information are highly evaluated.



Press Release
https://global.kawasaki.com/en/corp/newsroom/news/detail/?f=20221212_1447

Member of
Dow Jones Sustainability Indices
 Powered by the S&P Global CSA

/ Sustainable Finance

Starting with the issuance of SDGs bonds in July 21, we have been raising funds which contribute to environmental and social sustainability.

The initiatives implemented in FY'23

- SF has progressed from 11% to 19% of long-term borrowing
- Establishment of the Framework
https://global.kawasaki.com/en/corp/newsroom/news/detail/?f=20231130_7207
- Issuance of Transition bond
https://www.khi.co.jp/pressrelease/detail/20240116_1.html

/ Outside directors became a majority

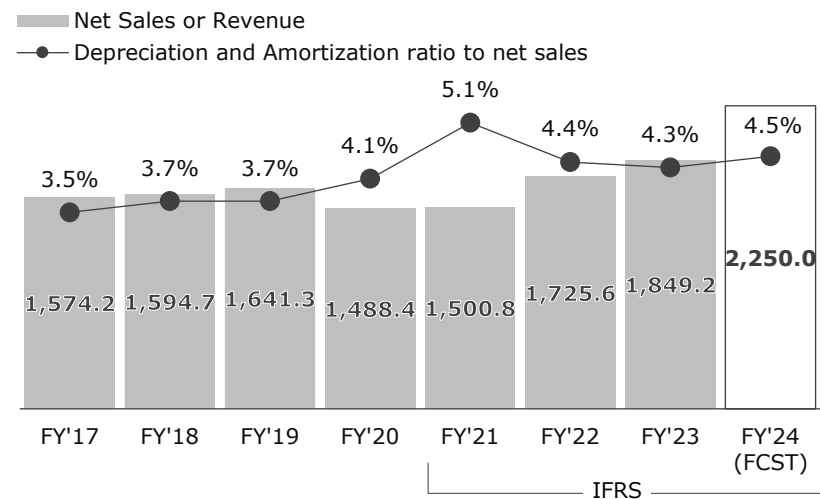
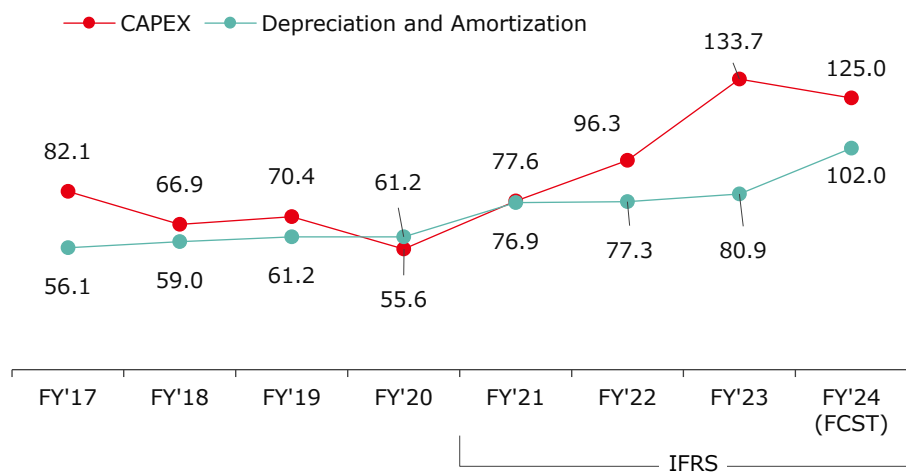
In June 23, 7 outside directors out of 13 became majority, and female directors were 3 out of 13 and foreign directors were 2 out of 13.

Appendix

- CAPEX, Depreciation and Amortization, R&D Expenses, Number of employees -

(Billion Yen, Persons)

| | FY2022 | FY2023 | | FY2024 Forecast | |
|-------------------------------|--------|---------------|---------------|-----------------|----------------------|
| | Actual | Actual | Chg. Vs. FY22 | JGAAP | Chg. Vs. FY23(JGAAP) |
| CAPEX | 96.3 | 133.7 | + 37.4 | 125.0 | - 8.7 |
| Depreciation and amortization | 77.3 | 80.9 | + 3.6 | 102.0 | + 21.1 |
| R & D expenses | 50.7 | 53.5 | + 2.8 | 63.0 | + 9.5 |
| Number of Employees | 38,254 | 39,689 | + 1,435 | 41,920 | + 2,231 |
| Domestic | 27,583 | 28,099 | + 516 | 29,500 | + 1,401 |
| Overseas | 10,671 | 11,590 | + 919 | 12,420 | + 830 |



● Order received by quarter (billion yen)

| | FY2021 | | | | FY2022 | | | | FY2023 | | | |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Aerospace Systems | 37 | 59 | 63 | 222 | 60 | 65 | 75 | 144 | 118 | 74 | 139 | 360 |
| Aerospace | 27 | 52 | 53 | 195 | 45 | 46 | 48 | 113 | 104 | 98 | 108 | 246 |
| Aero Engine | 9 | 6 | 9 | 27 | 14 | 18 | 27 | 31 | 14 | -23 | 31 | 113 |
| Rolling Stock | 9 | 13 | 19 | 29 | 11 | 27 | 255 | 18 | 16 | 13 | 11 | 46 |
| Energy Solution & Marine Engineering | 60 | 103 | 89 | 90 | 124 | 113 | 63 | 137 | 102 | 116 | 62 | 120 |
| Energy, Plant & Marine Machinery | 55 | 81 | 55 | 79 | 94 | 96 | 44 | 56 | 94 | 93 | 58 | 112 |
| Ship & Offshore Structure | 5 | 21 | 33 | 10 | 30 | 17 | 18 | 80 | 7 | 22 | 4 | 7 |
| Precision Machinery & Robot | 65 | 62 | 69 | 74 | 67 | 71 | 58 | 64 | 54 | 49 | 54 | 55 |
| Hydraulic Components & Systems | 41 | 37 | 46 | 47 | 37 | 43 | 37 | 36 | 36 | 30 | 34 | 34 |
| Robotics | 24 | 25 | 23 | 27 | 30 | 28 | 20 | 27 | 17 | 18 | 20 | 21 |
| Powersports & Engine | 113 | 93 | 102 | 138 | 126 | 139 | 148 | 177 | 143 | 123 | 137 | 187 |
| Others | 17 | 22 | 23 | 20 | 21 | 37 | 9 | 18 | 21 | 27 | 23 | 22 |
| Total | 304 | 355 | 366 | 575 | 412 | 454 | 609 | 560 | 457 | 403 | 429 | 793 |

- Orders received for Ministry of Defense (Billion Yen)

| | FY22 | FY23 | | FY24 | |
|------------------------------|--------|--------------|---------|--------------|--------|
| | Actual | Actual | Change | Forecast | Change |
| Aircrafts and others | 149.6 | 396.6 | + 247.0 | 450.5 | + 53.9 |
| Aero Engines | 15.9 | 52.4 | + 36.5 | 16.5 | - 35.9 |
| Submarine & Naval propulsion | 97.3 | 104.0 | + 6.7 | 122.0 | + 18.0 |
| Total | 262.8 | 553.0 | + 290.2 | 589.0 | + 36.0 |

- Revenue for Ministry of Defense (Billion Yen)

| | FY22 | FY23 | | FY24 | |
|------------------------------|--------|--------------|--------|--------------|---------|
| | Actual | Actual | Change | Forecast | Change |
| Aircrafts and others | 155.1 | 192.3 | + 37.2 | 286.0 | + 93.7 |
| Aero Engines | 11.2 | 17.5 | + 6.3 | 26.0 | + 8.5 |
| Submarine & Naval propulsion | 74.2 | 78.7 | + 4.5 | 88.0 | + 9.3 |
| Total | 240.5 | 288.5 | + 48.0 | 400.0 | + 111.5 |

● Order Backlog (billion yen)

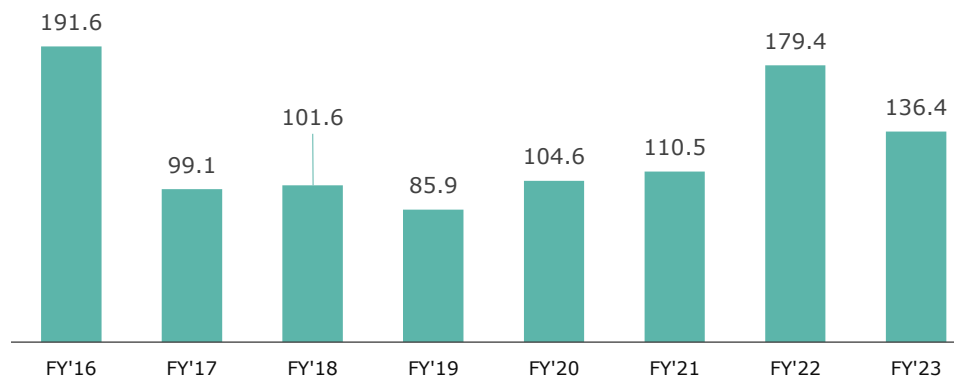
| | FY2022 | FY2023 | |
|--------------------------------------|---------|----------------|---------|
| | Actual | Actual | Change |
| Aerospace Systems | 670.6 | 1,024.9 | + 354.2 |
| Rolling Stock | 570.5 | 490.0 | - 80.4 |
| Energy Solution & Marine Engineering | 629.0 | 685.4 | + 56.4 |
| Precision Machinery & Robot | 97.8 | 83.6 | - 14.2 |
| Powersports & Engine | - | - | - |
| Others | 27.7 | 38.8 | + 11.0 |
| Total | 1,995.9 | 2,322.9 | + 327.0 |

● Revenue by Region (billion yen)

| | FY2022 | FY2023 | |
|--------|---------|----------------|---------|
| | Actual | Actual | Change |
| Japan | 682.9 | 731.5 | + 48.5 |
| USA | 499.4 | 551.2 | + 51.7 |
| Europe | 154.9 | 201.1 | + 46.2 |
| Asia | 275.5 | 258.8 | - 16.7 |
| Other | 112.6 | 106.5 | - 6.1 |
| Total | 1,725.6 | 1,849.2 | + 123.6 |

※ 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)

| | FY'23 Received Orders | Delivery Year | | | | Order Backlog |
|-------------|-----------------------------|-----------------|-------|--------|--------|------------------|
| | | FY'23 Actual | FY'24 | FY'25~ | FY'26~ | |
| | | | Plan | | | |
| LPG Carrier | 1 | 4 | 3 | 4 | 2 | 9 |
| Submarine | | | 1 | | 1 | 2 |
| Others | | | | | | |
| Total | 1 | ※1 4 | 4 | 4 | 3 | ※2 11 |

※ 1 Delivered in FY'23 Q3 : 201,600GT

※ 2 Order Backlog : 453,600GT *Submarines are excluded

● Amount of foreign currency that affects business profit and loss ※1

(billion USD / EUR)

| | | FY2022 | FY2023 | FY2024 |
|-----|--------------------------------------|--------|-------------|----------|
| | | Actual | Actual | Forecast |
| USD | Aerospace Systems | 0.69 | 0.59 | 0.73 |
| | Rolling Stock | 0.05 | 0.22 | 0.17 |
| | Energy Solution & Marine Engineering | 0.30 | 0.29 | 0.13 |
| | Precision Machinery & Robot | 0.24 | 0.12 | 0.12 |
| | Powersports & Engine | 0.77 | 0.63 | 0.83 |
| | Total | 2.05 | 1.85 | 1.98 |
| EUR | | 0.57 | 0.55 | 0.42 |

※1 The amount of foreign currency (only USD and EUR) that affects business profits due to exchange rate fluctuations.
(Calculated by deducting foreign currency denominated purchases from foreign currency denominated revenue of Kawasaki Heavy Industries, Ltd, Kawasaki Railcar manufacturing Co., Ltd., and Kawasaki Motors, Ltd. (to include foreign currency denominated revenue of loss provisions))

(Ex) Business profit increases or decreases by 1 billion yen if the exchange rate changes to 1 yen weaker or stronger against USD when the foreign currency amount is 1 billion USD.

● Weighted-average Exchange Rates

(EUR / JPY)

| | |
|-----------------|--------|
| FY2022 actual | 141.38 |
| FY2023 actual | 157.09 |
| FY2024 forecast | 150.00 |

<Formulas for Calculating Before-tax ROIC and After-tax ROIC>

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

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

※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”

カワる、
サキへ。
Changing forward

Business growth image

Kawasaki Heavy Industries, Ltd.

May 9, 2024

Business growth image

In fiscal 2024, our business returned to a growth path.

Achieve a business profit margin of 8% by 2027 and over 10% by 2030

