

# Financial Results for Third Quarter FY2020 (for the year ending March 31, 2021)

February. 4, 2021

Kawasaki Heavy Industries, Ltd.



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# Summary of Financial Results

|  | [Billion Yen] |               |         |
|--|---------------|---------------|---------|
|  | FY2019<br>3Q  | FY2020<br>3Q  | Change  |
| Orders Received                              | 1022.6        | <b>914.0</b>  | - 108.5 |
| Net Sales                                    | 1135.4        | <b>1032.4</b> | - 102.9 |
| Operating Income / Loss                      | 30.9          | <b>-3.7</b>   | - 34.7  |
| Recurring Profit / Loss                      | 15.3          | <b>-0.0</b>   | - 15.4  |
| Net Loss Attributable to Owners<br>of Parent | 4.7           | <b>-13.9</b>  | - 18.7  |

<Weighted-average exchange rates>

|          |        |               |
|----------|--------|---------------|
| Yen/US\$ | 108.79 | <b>104.99</b> |
| Yen/EUR  | 122.00 | <b>122.66</b> |

## vs. FY2019.3Q

### • Orders Received

- Decreased mainly in Energy System & Plant Engineering and Rolling Stock segments

### • Net Sales

- Decreased as a whole due to a decrease in Aerospace Systems and other segments, despite an increase in Precision Machinery & Robot and other segments

### • Profits

- Operating income decreased due to a deterioration in Aerospace Systems segment, despite an improvement in Motorcycle & Engine segment
- Recurring profit decreased due to a decrease in operating income, despite an increase in gain on foreign exchange and reversal of payments for the in-service issues of commercial aircraft jet engines
- Net income attributable to owners of parent decreased due to a decrease in recurring loss, impairment loss (Sakaide Works) as extraordinary loss, and the partial withdrawal of deferred tax assets, despite gain on sales of fixed assets being recorded extraordinary income

### (Appendix)

#### Net Sales in Foreign Currencies for FY2020. 3Q [Billion]

| US\$ | EUR  |
|------|------|
| 0.97 | 0.18 |

# Financial Results by Segment

[Billion Yen]

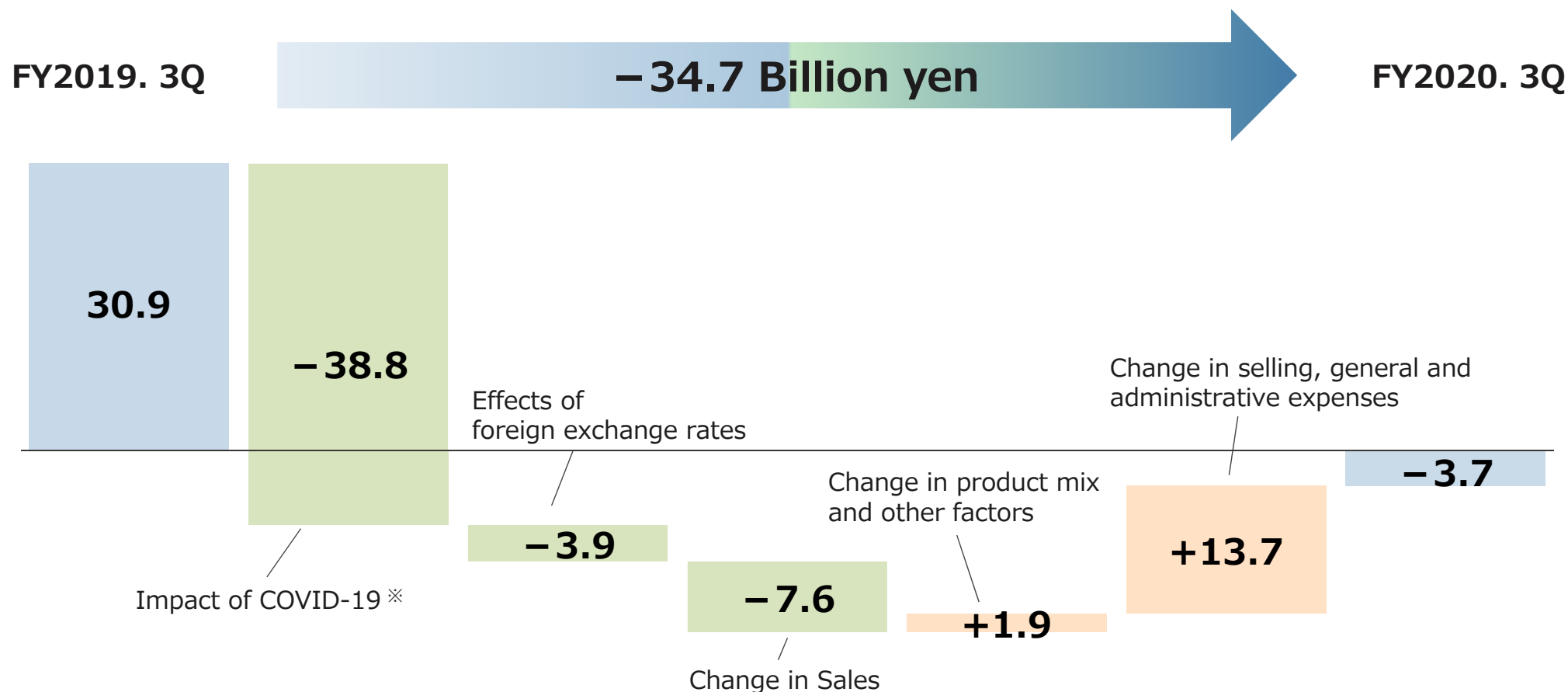
|   | Orders Received |                      |         | Net Sales    |                      |         | Operating Income / Loss |                      |        |
|---|-----------------|----------------------|---------|--------------|----------------------|---------|-------------------------|----------------------|--------|
|   | FY2019<br>3Q    | <b>FY2020<br/>3Q</b> | Change  | FY2019<br>3Q | <b>FY2020<br/>3Q</b> | Change  | FY2019<br>3Q            | <b>FY2020<br/>3Q</b> | Change |
| Aerospace Systems                       | 245.1           | <b>224.7</b>         | - 20.3  | 371.4        | <b>277.9</b>         | - 93.4  | 20.5                    | <b>-19.2</b>         | - 39.7 |
| Energy System & Plant Engineering       | 184.3           | <b>154.6</b>         | - 29.7  | 162.3        | <b>159.9</b>         | - 2.4   | 13.0                    | <b>8.6</b>           | - 4.3  |
| Precision Machinery & Robot             | 157.1           | <b>170.2</b>         | + 13.1  | 147.0        | <b>154.2</b>         | + 7.1   | 5.2                     | <b>8.1</b>           | + 2.9  |
| Ship & Offshore Structure               | 31.6            | <b>32.7</b>          | + 1.0   | 53.0         | <b>55.7</b>          | + 2.7   | -0.7                    | <b>-3.0</b>          | - 2.2  |
| Rolling Stock                           | 91.2            | <b>49.2</b>          | - 42.0  | 97.4         | <b>101.5</b>         | + 4.0   | -3.1                    | <b>-1.3</b>          | + 1.8  |
| Motorcycle & Engine                     | 230.1           | <b>225.5</b>         | - 4.6   | 230.1        | <b>225.5</b>         | - 4.6   | -4.5                    | <b>1.8</b>           | + 6.4  |
| Others                                  | 82.8            | <b>56.9</b>          | - 25.9  | 73.9         | <b>57.5</b>          | - 16.3  | 2.0                     | <b>0.5</b>           | - 1.5  |
| Eliminations and corporate <sup>※</sup> | -               | -                    | -       | -            | -                    | -       | -1.3                    | <b>0.7</b>           | + 2.0  |
| Total                                   | 1,022.6         | <b>914.0</b>         | - 108.5 | 1,135.4      | <b>1,032.4</b>       | - 102.9 | 30.9                    | <b>-3.7</b>          | - 34.7 |

※ "Eliminations and corporate" includes some expenses incurred at Head Office which were not allocated to each industry segment for internal reporting

# Details of Change in Profit and Loss

## • Operating Profit and Loss

-34.7 Billion yen (FY2019.3Q 30.9 Billion yen ⇒ FY2020.3Q -3.7 Billion yen)



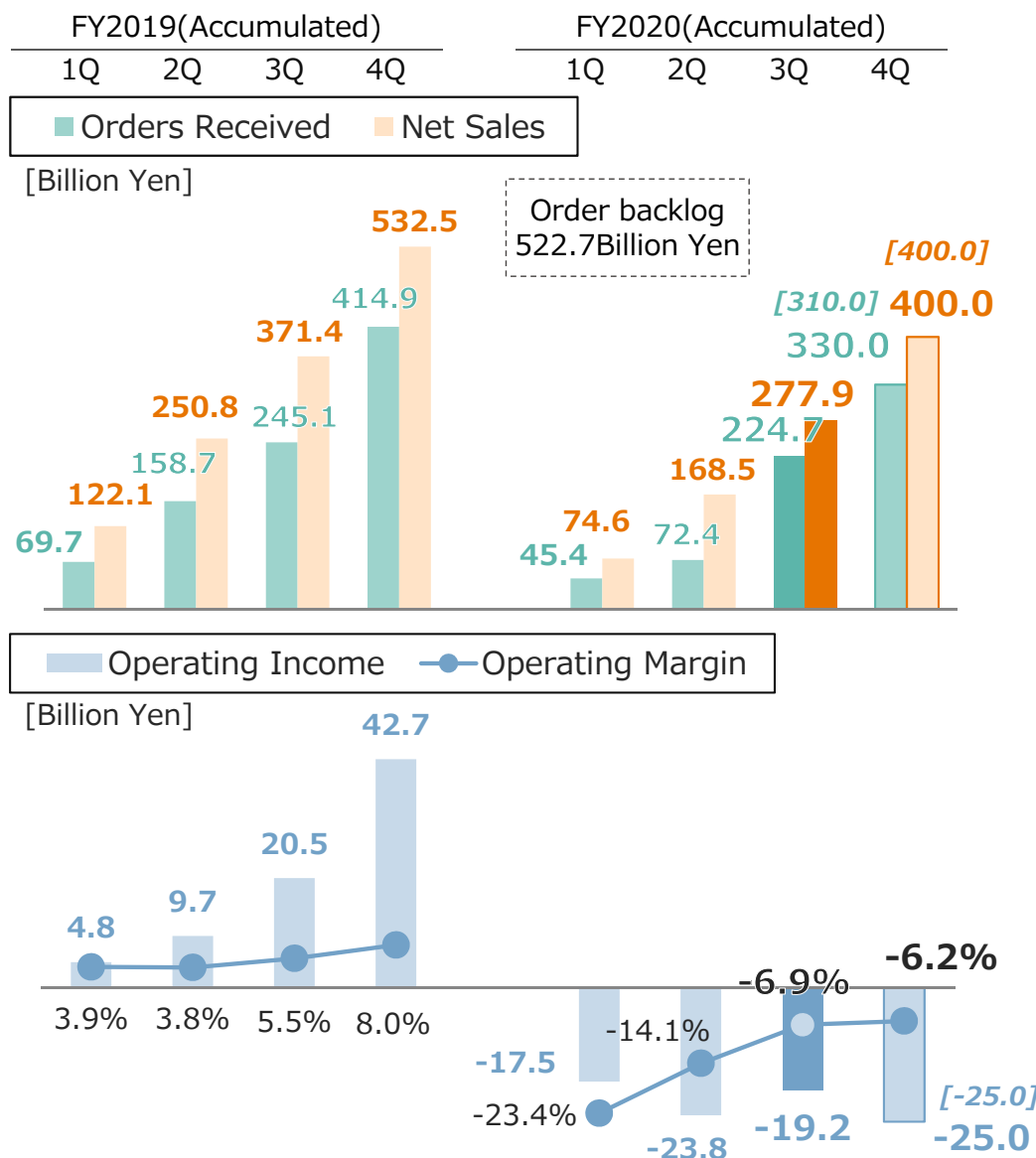
※ This figure is an approximate value that aggregates profit and loss fluctuations that are clearly attributable to the spread of COVID-19 in the 3Q of 2020, assuming the 3Q FY2019 results as a normal value

# Summary of Income Statement

|   |               |                | [Billion Yen] |               |
|---|---------------|----------------|---------------|---------------|
|   |               |                | ( FY2019.3Q   | ⇒ FY2020.3Q ) |
| <b>Operating Income / Loss</b>  | <b>- 34.7</b> | <b>( 30.9</b>  | <b>⇒</b>      | <b>-3.7 )</b> |
| • Net Sales   | - 102.9       | ( 1,135.4      | ⇒             | 1,032.4 )     |
| • Cost of sales   | - 54.4        | ( 954.0        | ⇒             | 899.6 )       |
| • Selling, general & administrative expenses  | - 13.7        | ( 150.3        | ⇒             | 136.6 )       |
| - Salaries and benefits   | - 0.6         | ( 41.3         | ⇒             | 40.7 )        |
| - R&D expenses  | - 6.6         | ( 36.3         | ⇒             | 29.7 )        |
| <b>Non-operating Income / Expenses</b>  | <b>+ 19.2</b> | <b>( -15.6</b> | <b>⇒</b>      | <b>3.6 )</b>  |
| • Net Interest expense (incl. dividend income)                                      | + 0.2         | ( -2.0         | ⇒             | -1.7 )        |
| • Equity in income / loss of non-consolidated subsidiaries and affiliates           | + 0.5         | ( 0.8          | ⇒             | 1.4 )         |
| • Gain and loss on foreign exchange   | + 6.7         | ( -4.7         | ⇒             | 1.9 )         |
| • Reversal of Payments for the in-service issues of commercial aircraft jet engines | + 3.0         | ( -            | ⇒             | 3.0 )         |
| • Payments for the in-service issues of commercial aircraft jet engines             | + 7.6         | ( -7.6         | ⇒             | - )           |
| • Others  | + 1.0         | ( -2.0         | ⇒             | -0.9 )        |
| <b>Extraordinary Income / Losses</b>  | <b>+ 1.9</b>  | <b>( -1.1</b>  | <b>⇒</b>      | <b>0.8 )</b>  |
| - Gain on sales of fixed assets   | + 1.9         | ( 1.2          | ⇒             | 3.2 )         |
| - Gain on sales of shares of subsidiaries and affiliates                            | + 1.5         | ( -            | ⇒             | 1.5 )         |
| - Impairment loss   | - 3.9         | ( -            | ⇒             | -3.9 )        |
| - Loss on business withdrawal   | + 2.3         | ( -2.3         | ⇒             | - )           |

# Aerospace Systems

Main Products: Aircrafts for Japan Ministry of Defense(MOD), Component parts for commercial aircrafts, Commercial helicopters, Missiles, Space equipment, Jet engines, Aerospace Gearbox



## FY2020.3Q (vs. FY2019.3Q)

- **Orders Received:** Decreased due to a decrease in component parts for commercial aircrafts and component parts for commercial aircraft jet engines, despite an increase in aircrafts for MOD
- **Net Sales:** Decreased due to a decrease in aircrafts for MOD, component parts for commercial aircrafts and component parts for commercial aircraft jet engines
- **Operating Income:** Deteriorated due to a decrease in revenue and other factors

## FY2020 forecast (vs. Forecast in October)

- **Orders Received:** Revised up due to an increase in aircrafts for MOD and other factors
- **Net Sales:** Remained due to an increase in component parts for commercial aircraft jet engines, despite the impact of strong yen and a decrease in component parts for commercial aircrafts
- **Operating Income:** Same as above

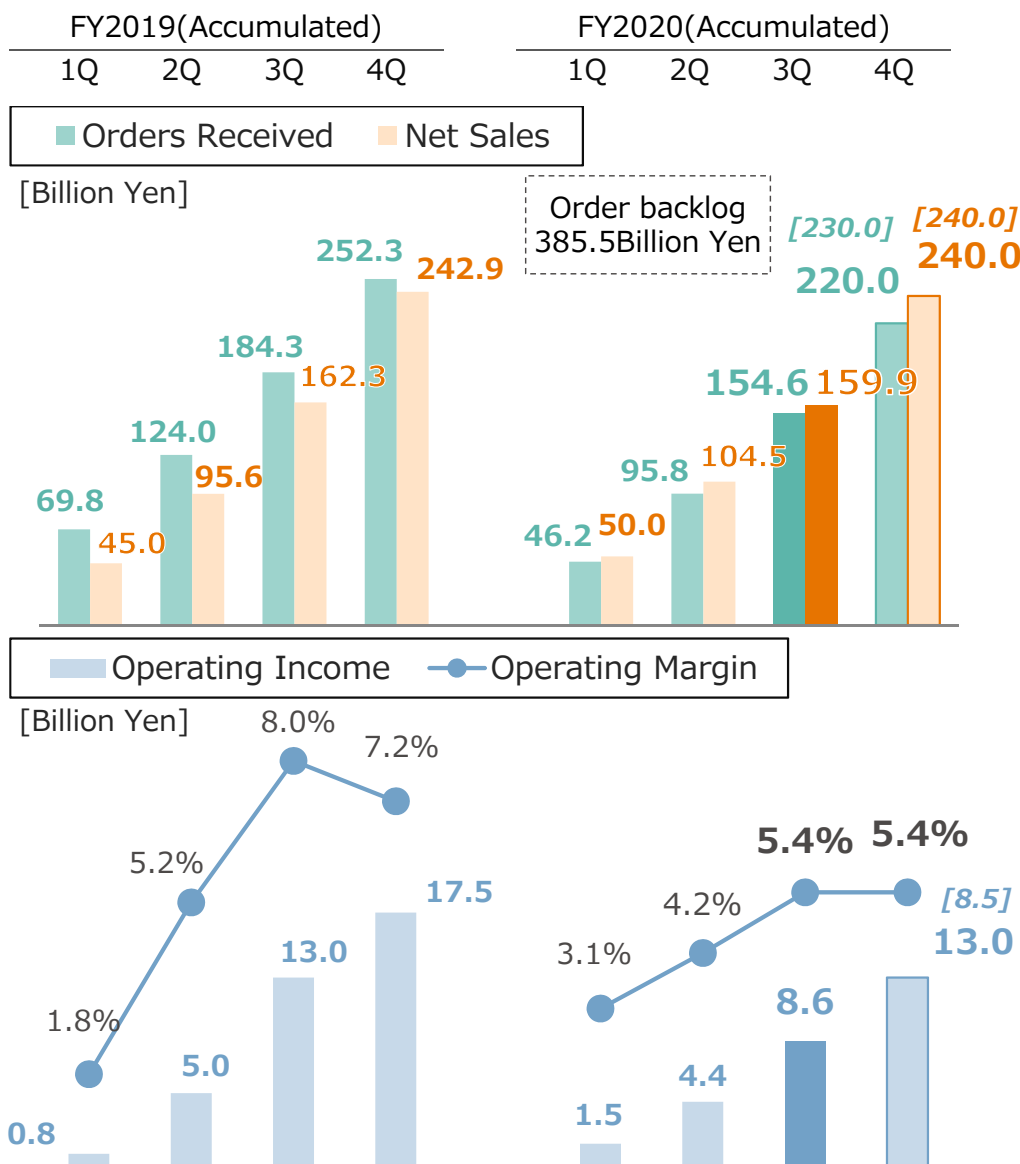
## Sales units of component parts for commercial aircraft [Unit]

|             | FY2019.3Q | FY2020.3Q |
|-------------|-----------|-----------|
| Boeing 767  | 25        | 21        |
| Boeing 777  | 35        | 21        |
| Boeing 777X | 8         | 7         |
| Boeing 787  | 124       | 69        |

|                 | FY2018 Actual | FY2019 Actual | FY2020 Forecast |
|-----------------|---------------|---------------|-----------------|
| Before-tax ROIC | 5.0%          | 8.0%          | -5.2%           |

# Energy System & Plant Engineering

Main Products: Industrial plants(cement, fertilizer and others), Power plants, LNG tanks, Municipal waste incineration plants, Tunnel boring machines, Crushing machines, Gas turbine co-generation system, Gas engines, Diesel engines, Gas turbines & steam turbines for marine & land, Marine propulsion system, Aero-dynamic machinery



※1. CCPP = Combined Cycle Power Plant

## FY2020.3Q (vs. FY2019.3Q)

- **Orders Received:** Decreased compared to FY2019 3Q when the order received for major repair work on domestic municipal waste incineration plants and a large-scale project in the energy business
- **Net Sales:** Decreased compared to FY2019 3Q when the sales recognized for chemical plants for overseas, despite an increase in construction works for domestic municipal waste and an increase in sales of domestic gas turbine combined cycle power plants
- **Operating Income:** Decreased due to decrease in sales, the occurrence of operation losses by the impact of COVID-19 and other factors

## FY2020 forecast (vs. Forecast in October)

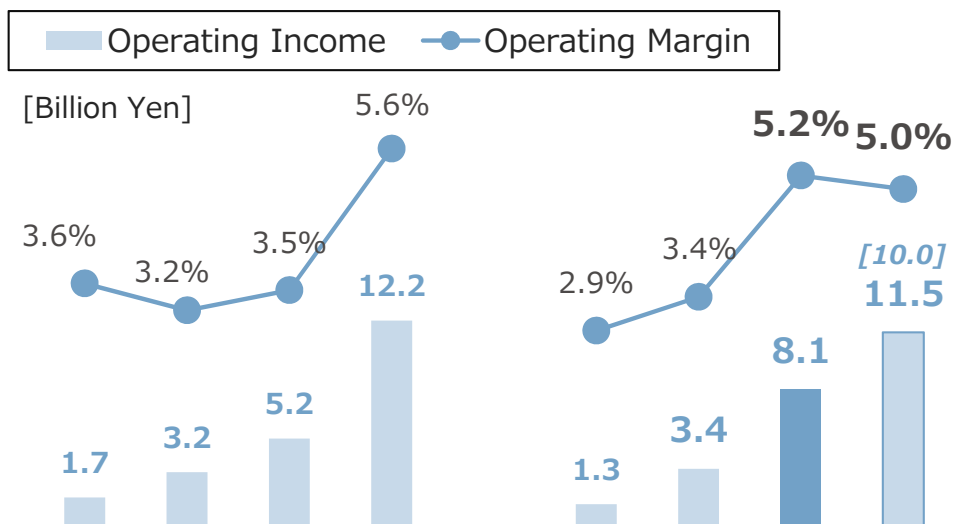
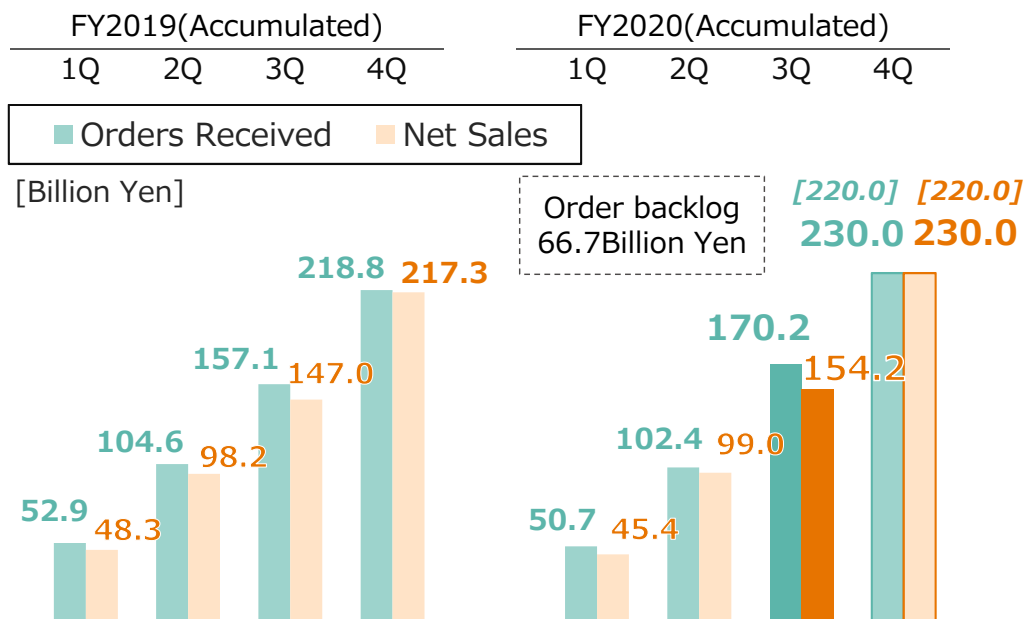
- **Orders Received:** Revised down due to project time lag by the impact of COVID-19
- **Net Sales:** Remained at the same level
- **Operating Income:** Revised up due to an improvement of profitability for some projects

|                 | FY2018 Actual | FY2019 Actual | FY2020 Forecast |
|-----------------|---------------|---------------|-----------------|
| Before-tax ROIC | 9.3%          | 10.4%         | 10.4%           |



# Precision Machinery & Robot

Main Products: Hydraulic components for construction machinery, Hydraulic components and systems for industrial machines, Marine application machines, Deck cranes and other marine deck equipment, Industrial robots, Medical and pharmaceutical robot



## FY2020.3Q (vs. FY2019.3Q)

- **Orders Received:** Increased due to an increase in hydraulic components for construction machinery and robots for semiconductor manufacturing equipment and automobile body assembly
- **Net Sales:** Same as above
- **Operating Income:** Increase due to an increase in revenue

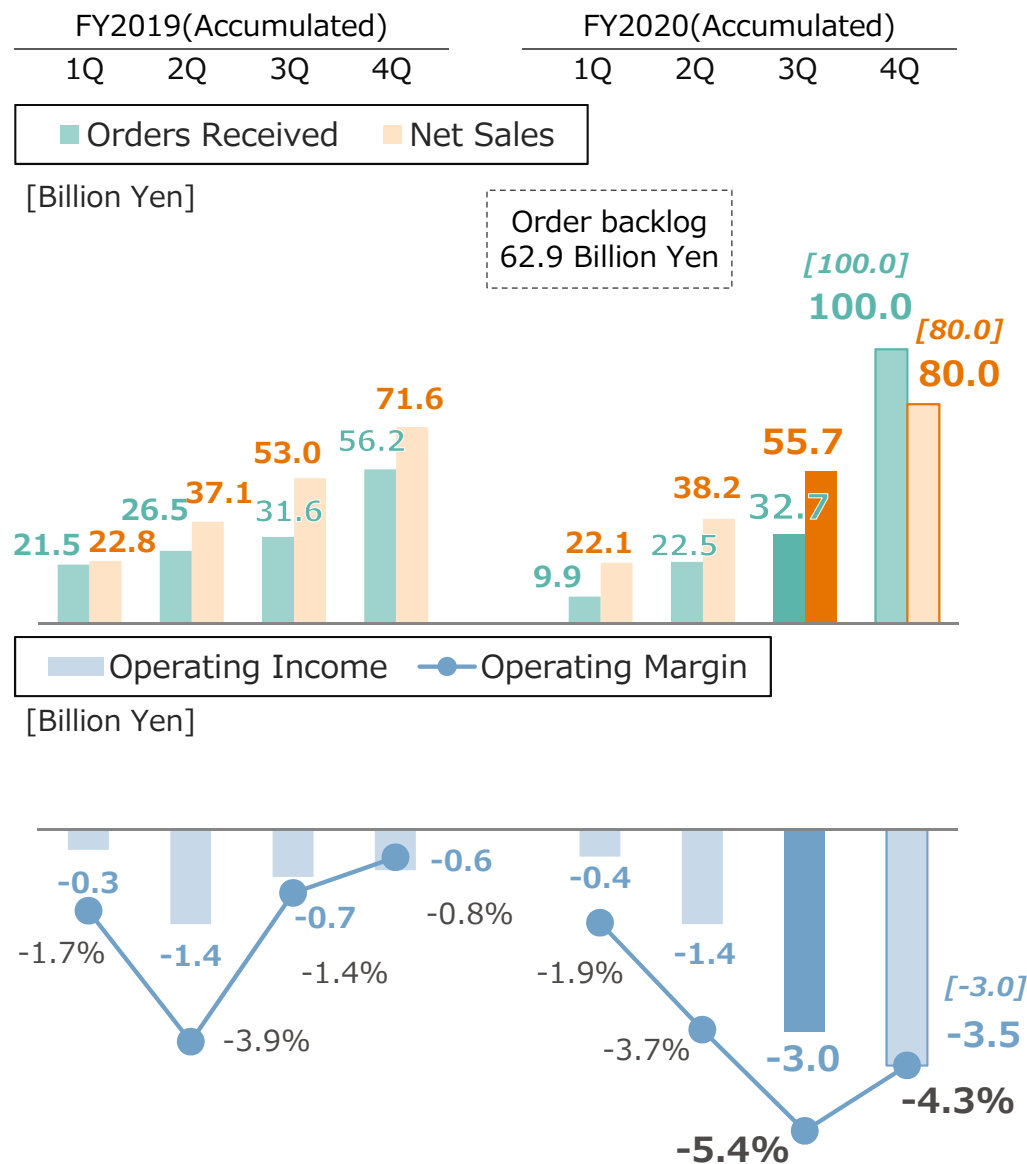
## FY2020 forecast (vs. Forecast in October)

- **Orders Received:** Revised up due to a increase in hydraulic components for construction machinery
- **Net Sales:** Same as above
- **Operating Income:** Revised up due to an increase in revenue

|                 | FY2018 Actual | FY2019 Actual | FY2020 Forecast |
|-----------------|---------------|---------------|-----------------|
| Before-tax ROIC | 19.8%         | 8.8%          | 10.1%           |

# Ship & Offshore Structure

Main Products: LNG carriers, LPG carriers, Bulk carriers, Submarines, JETFOIL



## FY2020.3Q (vs. FY2019.3Q)

- **Orders Received:** Remained at the sale level
- **Net Sales:** Increased due to an increase in sales of ship repairs and other factors, despite remained at the same level due to construction work of new ships
- **Operating Income:** Deteriorated due to operation losses, despite an increase in revenue

## FY2020 forecast (vs. Forecast in October)

- **Orders Received:** Remained at the same level
- **Net Sales:** Same as above
- **Operating Income:** Revised down due to the impact of strong yen

## Units of Orders Received and Sales of New Building Ships [Unit]

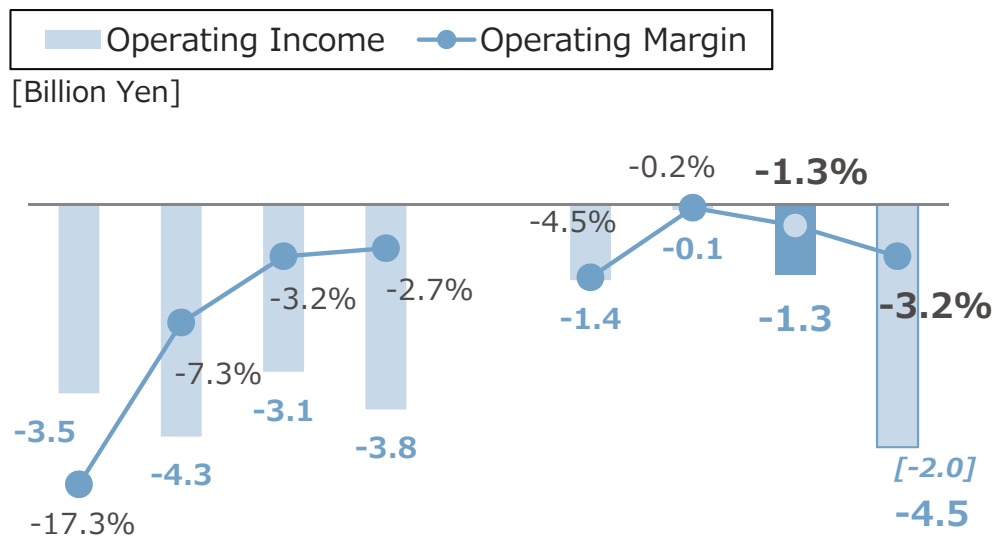
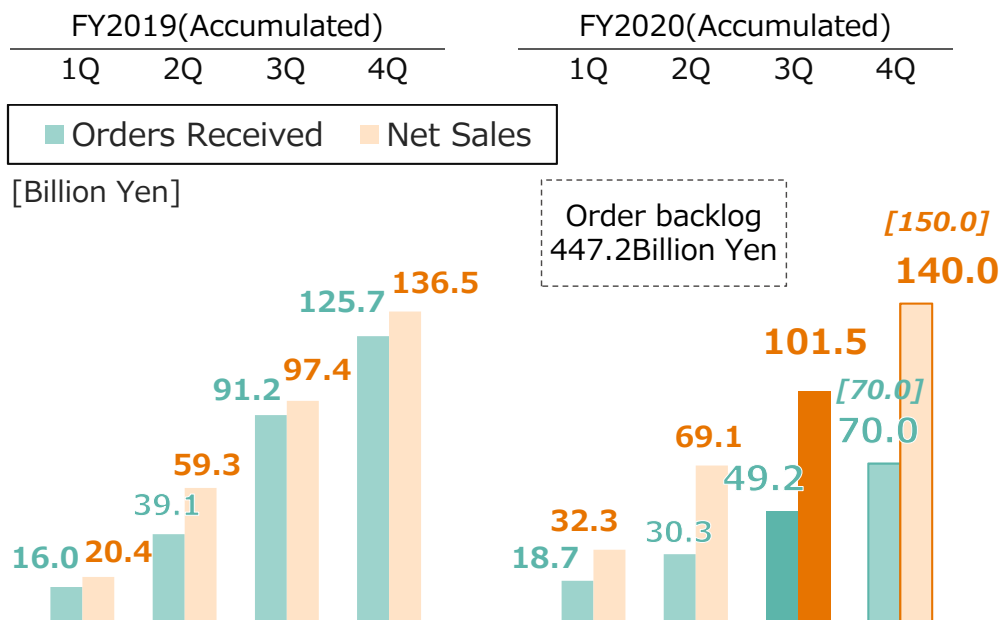
|              | Orders Received |           | Sales*    |           | Orders Backlog |
|--------------|-----------------|-----------|-----------|-----------|----------------|
|              | FY2019.3Q       | FY2020.3Q | FY2019.3Q | FY2020.3Q | FY2020.3Q      |
| LNG carriers |                 |           | 2         |           |                |
| LPG carriers | 2               | 2         | 6         | 5         | 6              |
| Submarines   |                 |           | 2         | 2         | 2              |
| Others       |                 |           | 4         | 3         |                |
| Total        | 2               | 2         | 14        | 10        | 8              |

\*Sales includes units by percentage-of-completion method

|                 | FY2018 Actual | FY2019 Actual | FY2020 Forecast |
|-----------------|---------------|---------------|-----------------|
| Before-tax ROIC | 3.2%          | 1.4%          | -7.0%           |

# Rolling Stock

Main Products: Electric train cars (incl. Shinkansen), Electric and diesel locomotives, Passenger coaches, Bogies



## FY2020.3Q (vs. FY2019.3Q)

- **Orders Received:** Decreased compared to FY2019 3Q when orders received for subway and public railway for domestic market
- **Net Sales:** Increased due to an increase in passenger cars for the domestic market, despite a decrease in passenger cars for overseas
- **Operating Income:** Improved due to an increase in sales, despite a deterioration in profit for overseas project by the impact of COVID-19

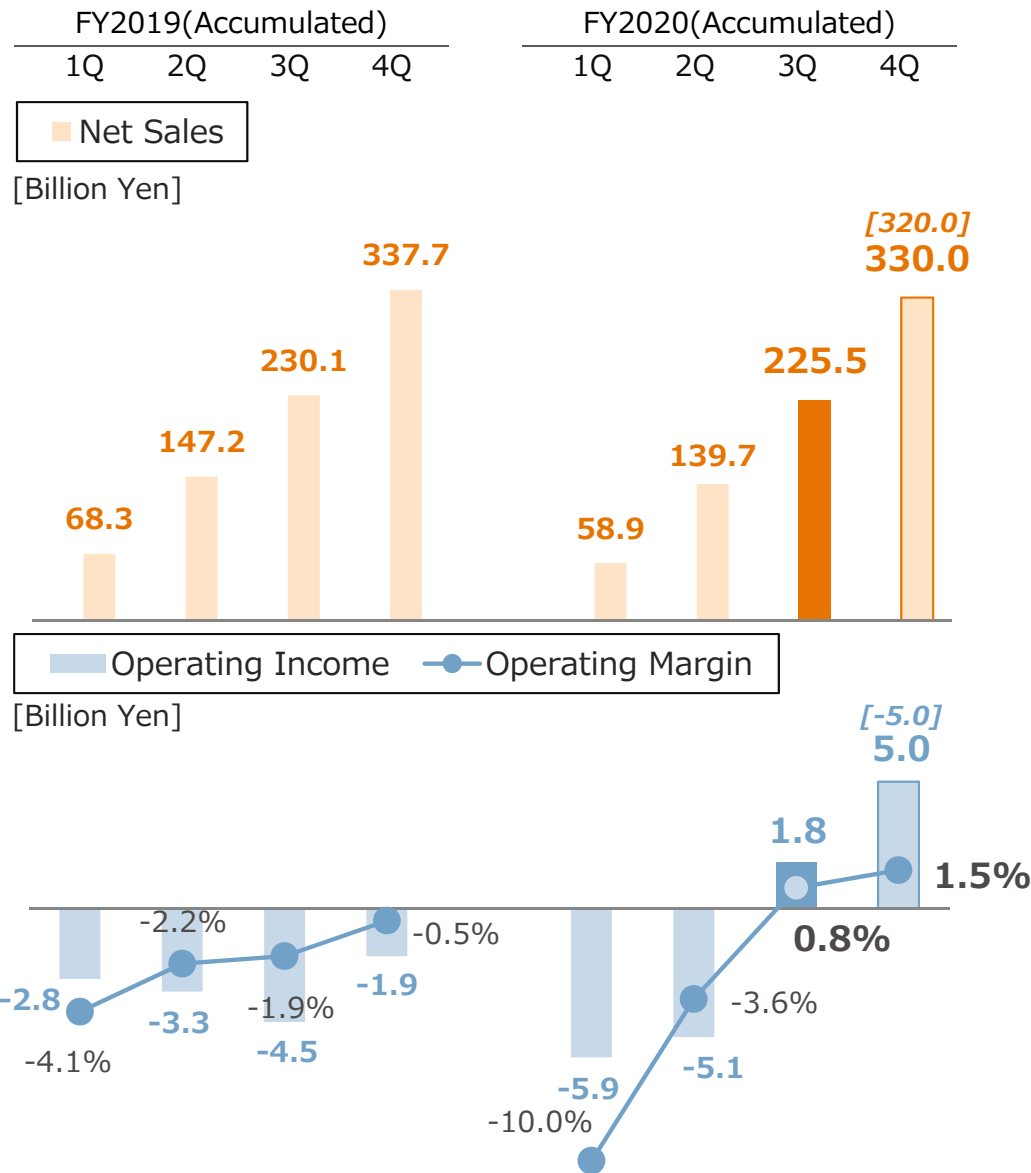
## FY2020 forecast (vs. Forecast in October)

- **Orders Received:** Remained at the same level
- **Net Sales:** Revised down due to a decrease in passenger cars for overseas
- **Operating Income:** Revised down due to deterioration in profit for overseas project by the impact of COVID-19

|                 | FY2018 Actual | FY2019 Actual | FY2020 Forecast |
|-----------------|---------------|---------------|-----------------|
| Before-tax ROIC | -26.4%        | -7.2%         | -6.4%           |

# Motorcycle & Engine

Main Products: Motorcycles, Utility Vehicles, All-Terrain Vehicles(ATVs), Personal Watercraft, General-purpose Gasoline Engines



## FY2020.3Q (vs. FY2019.3Q)

- **Net Sales:** Decreased due to a decrease significantly in motorcycle for the emerging market, the impact of strong yen and other factors, despite an increase in vehicles for the US market
- **Operating Income:** Improved due to reduction of fixed cost and other factors, despite a decrease in revenue

## FY2020 forecast (vs. Forecast in October)

- **Net Sales:** Revised up due to an increase in General-purpose Gasoline Engines
- **Operating Income:** Revised up due to an increase in revenue and reduction of sales promotion costs and other factors

## Wholesales by Product

[Thousands of units, Billion Yen]

|                                     | FY2019.3Q  |              | FY2020.3Q  |              |
|-------------------------------------|------------|--------------|------------|--------------|
|                                     | Unit       | Amount       | Unit       | Amount       |
| Motorcycles for developed countries | 101        | 72.9         | 91         | 73.7         |
| Motorcycles for emerging market     | 252        | 58.9         | 151        | 44.8         |
| Utility Vehicles, ATVs & PWC        | 51         | 63.7         | 58         | 72.4         |
| General-purpose gasoline engines    |            | 34.6         |            | 34.6         |
| <b>Total</b>                        | <b>404</b> | <b>230.1</b> | <b>300</b> | <b>225.5</b> |

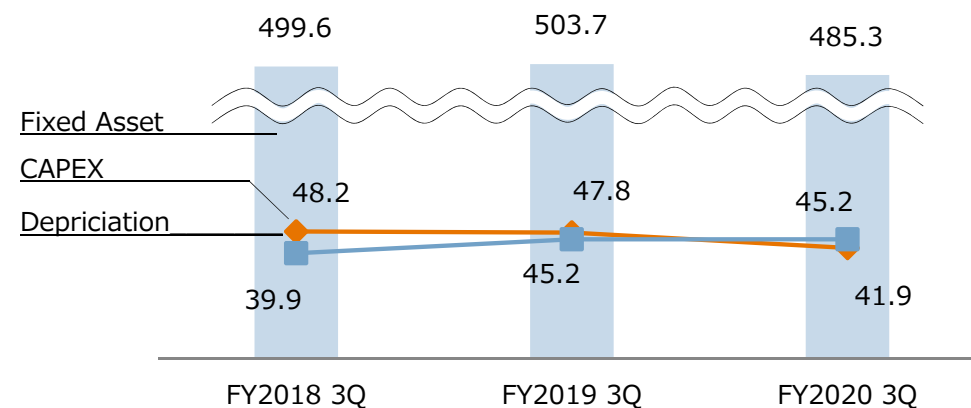
|                 | FY2018 Actual | FY2019 Actual | FY2020 Forecast |
|-----------------|---------------|---------------|-----------------|
| Before-tax ROIC | 8.4%          | -2.6%         | 4.4%            |

# Summary of Balance Sheet

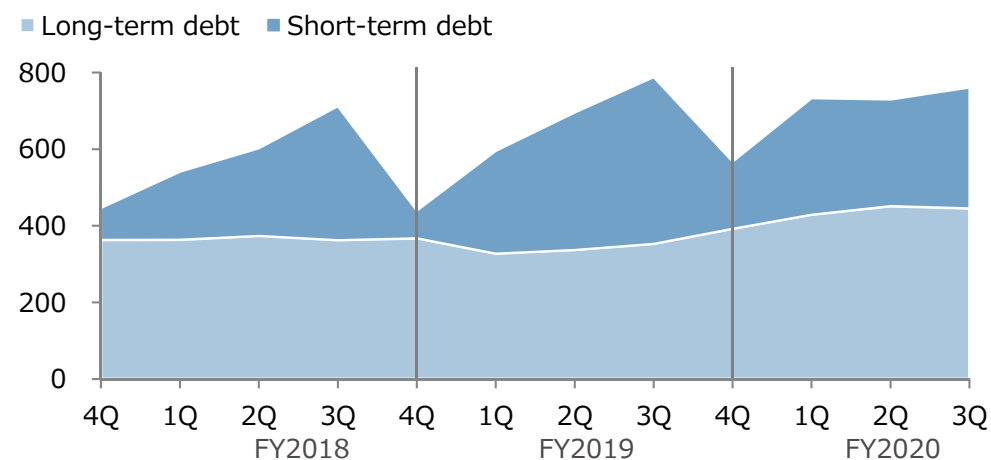
|   | [Billion Yen]       |                     |               |
|---|---------------------|---------------------|---------------|
|   | End of<br>Mar. 2020 | End of<br>Dec. 2020 | Change        |
| Cash on hand and in banks                     | 106.1               | 137.3               | + 31.2        |
| Trade receivables                             | 473.2               | 477.3               | + 4.1         |
| Inventories                                   | 631.6               | 684.2               | + 52.5        |
| Total fixed assets                            | 503.9               | 485.3               | - 18.5        |
| Others assets                                 | 242.9               | 257.3               | + 14.4        |
| <b>Total assets</b>                           | <b>1,957.8</b>      | <b>2,041.6</b>      | <b>+ 83.8</b> |
| Trade payables                                | 371.6               | 333.9               | - 37.7        |
| Interest-bearing debt                         | 567.4               | 760.6               | + 193.1       |
| Advances from customers                       | 148.6               | 135.1               | - 13.4        |
| Other liabilities                             | 398.5               | 355.3               | - 43.2        |
| <b>Total liabilities</b>                      | <b>1,486.2</b>      | <b>1,585.0</b>      | <b>+ 98.7</b> |
| Total shareholders' equity                    | 485.5               | 470.7               | - 14.7        |
| Other net assets                              | ▲ 13.9              | ▲ 14.1              | - 0.1         |
| <b>Total net assets</b>                       | <b>471.5</b>        | <b>456.6</b>        | <b>- 14.9</b> |
| <b>Total liabilities &amp; net assets</b>     | <b>1,957.8</b>      | <b>2,041.6</b>      | <b>+ 83.8</b> |
| Ratio of shareholders' equity to total assets | 23.2%               | 21.5%               |               |
| Net D/E Ratio                                 | 101.2%              | 141.6%              |               |

- Assets increased due to an increase in cash and deposit by securing cash on hand in case of an unexpected situation and an increase in working capital of Aerospace Systems segment and other factors
- Liabilities increased as a whole due to an increase in trade payables of Aerospace Systems segment, despite a decrease in interest-bearing debt
- Net assets decreased due to net loss attributable to owners of parent, and other factors

## Change in CAPEX and others [Billion Yen]



## Change in interest-bearing debt [Billion Yen]



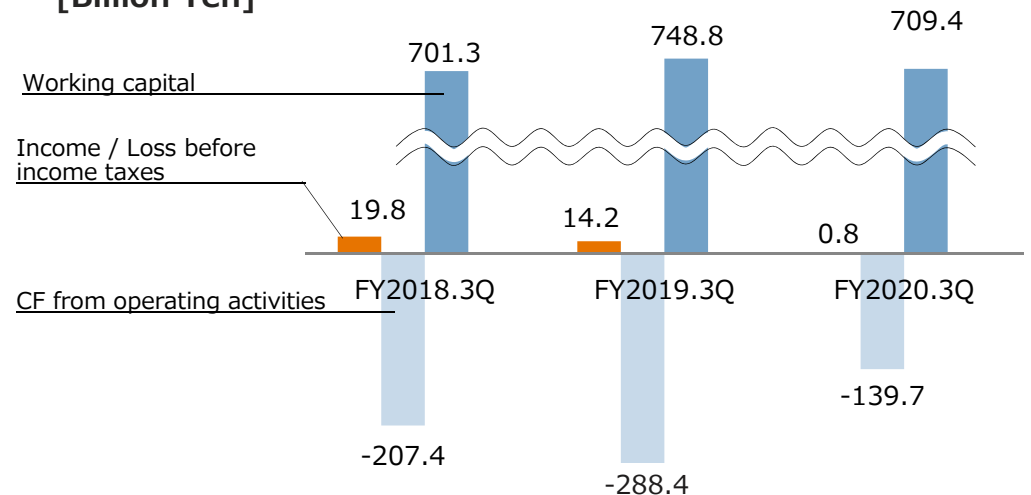
# Summary of Cash Flows

[Billion Yen]

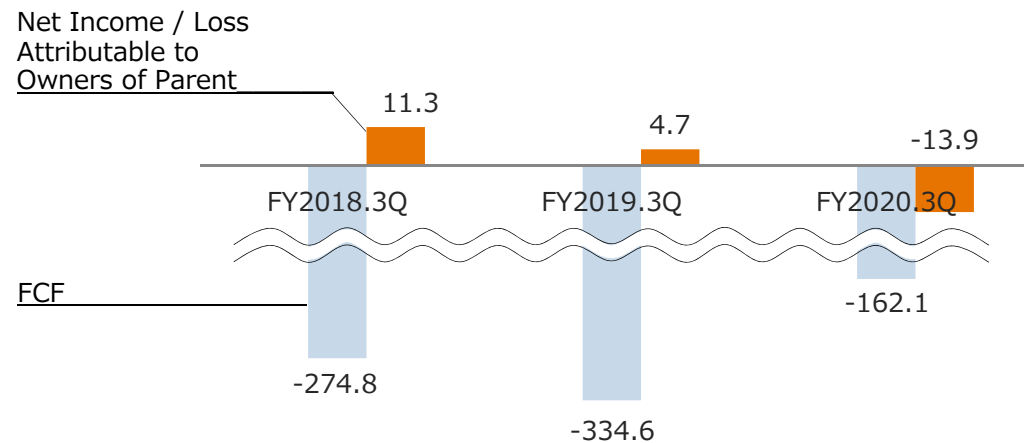
|                                      | FY2019<br>3Q | FY2020<br>3Q | Change  |
|--------------------------------------|--------------|--------------|---------|
| Cash flows from operating activities | -288.4       | -139.7       | + 148.6 |
| Cash flows from investing activities | -46.2        | -22.4        | + 23.8  |
| Free Cash Flows                      | -334.6       | -162.1       | + 172.4 |
| Cash flows from financing activities | 335.8        | 192.6        | - 143.1 |

- Cash flows from operating activities improved due to differences in receivables payment timing in Aerospace Systems segment and a decrease in working capital in Motorcycle & Engine segment
- Cash flows from investing activities improved due to income from sales of fixed assets and stock of affiliated companies
- Given the above mentioned changes, free cash flows improved

## Change in CF from operating activities & others [Billion Yen]



## Change in FCF & Net Income attributable to Owners of Parent [Billion Yen]



# Consolidated Operating Performance

[Billion Yen]

|   | FY2019<br>Actual | FY2020 Forecast |                | Change     |             |
|---|------------------|-----------------|----------------|------------|-------------|
|   |                  | In Oct.         | In This Time   | vs. FY2019 | vs. In Oct. |
| Orders Received                                       | 1,513.5          | 1,340.0         | <b>1,360.0</b> | - 153.5    | + 20.0      |
| Net Sales   | 1,641.3          | 1,500.0         | <b>1,500.0</b> | - 141.3    | -           |
| Operating Income / Loss                               | 62.0             | -20.0           | <b>-10.0</b>   | - 72.0     | + 10.0      |
| Recurring Profit / Loss                               | 40.4             | -25.0           | <b>-15.0</b>   | - 55.4     | + 10.0      |
| Net Income / Loss Attributable<br>to Owners of Parent | 18.6             | -27.0           | <b>-25.0</b>   | - 43.6     | + 2.0       |
| Before-tax ROIC                                       | 4.2%             | -2.2%           | <b>-1.7%</b>   | - 5.9%     | + 0.5%      |
| ROE   | 4.0%             | -6.1%           | <b>-5.5%</b>   | - 9.5%     | + 0.6%      |
| Dividend(per share)                                   | 35 yen           | 0 yen           | <b>0 yen</b>   | - 35 yen   | -           |

<Exchange Rates: Actual and Assumed<sup>※</sup>>

|          |        |        |               |
|----------|--------|--------|---------------|
| Yen/US\$ | 108.94 | 106.00 | <b>104.00</b> |
| Yen/EUR  | 121.70 | 123.00 | <b>123.00</b> |

※Assumed rates are applied to the outstanding foreign exchange exposure as of Feb. 4, 2021

## Reason for the Revision

### • Orders Received

- Revised up as a whole due to an increase in Aerospace Systems, Precision Machinery & Robot and Motorcycle & Engine and segments, despite a decrease in Energy System & Plant Engineering segment and other factors

### • Net Sales

- Remained as a whole due to an increase Motorcycle & Engine and Precision Machinery & Robot segments, despite a decrease in Rolling Stock segment and other factors

### • Profit

- Revised up as a whole due to improvements of Motorcycle & Engine, Precision Machinery & Robot and Energy System & Plant Engineering segments, despite deterioration in Rolling Stock and Ship & Offshore segments and other factors
- Net income attributable to owners of the parent reflects additional costs that may occur in the future

## (Appendix)

### Impact on profit by FX fluctuation of 1 yen

[Billion Yen]

|      | Operating<br>Income | Recurring<br>Profit |
|------|---------------------|---------------------|
| US\$ | 0.69                | 0.72                |
| EUR  | 0.10                | 0.15                |

# Forecast by Segment

[Billion Yen]

|   | Orders Received |                 |                |                    | Net Sales      |                 |                |                    | Operating Income |                 |              |                    |
|---|-----------------|-----------------|----------------|--------------------|----------------|-----------------|----------------|--------------------|------------------|-----------------|--------------|--------------------|
|   | FY2019 Actual   | FY2020 Forecast |                |                    | FY2019 Actual  | FY2020 Forecast |                |                    | FY2019 Actual    | FY2020 Forecast |              |                    |
|   |                 | In Oct.         | In This Time   | Change vs. In Oct. |                | In Oct.         | In This Time   | Change vs. In Oct. |                  | In Oct.         | In This Time | Change vs. In Oct. |
| Aerospace Systems                       | 414.9           | 310.0           | 330.0          | + 20.0             | 532.5          | 400.0           | 400.0          | -                  | 42.7             | -25.0           | -25.0        | -                  |
| Energy System & Plant Engineering       | 252.3           | 230.0           | 220.0          | - 10.0             | 242.9          | 240.0           | 240.0          | -                  | 17.5             | 8.5             | 13.0         | + 4.5              |
| Precision Machinery & Robot             | 218.8           | 220.0           | 230.0          | + 10.0             | 217.3          | 220.0           | 230.0          | + 10.0             | 12.2             | 10.0            | 11.5         | + 1.5              |
| Ship & Offshore Structure               | 56.2            | 100.0           | 100.0          | -                  | 71.6           | 80.0            | 80.0           | -                  | -0.6             | -3.0            | -3.5         | - 0.5              |
| Rolling Stock                           | 125.7           | 70.0            | 70.0           | -                  | 136.5          | 150.0           | 140.0          | - 10.0             | -3.8             | -2.0            | -4.5         | - 2.5              |
| Motorcycle & Engine                     | 337.7           | 320.0           | 330.0          | + 10.0             | 337.7          | 320.0           | 330.0          | + 10.0             | -1.9             | -5.0            | 5.0          | + 10.0             |
| Others                                  | 107.5           | 90.0            | 80.0           | - 10.0             | 102.4          | 90.0            | 80.0           | - 10.0             | 1.2              | 1.0             | 1.0          | -                  |
| Eliminations and corporate <sup>※</sup> | -               | -               | -              | -                  | -              | -               | -              | -                  | -5.3             | -4.5            | -7.5         | - 3.0              |
| <b>Total</b>                            | <b>1,513.5</b>  | <b>1,340.0</b>  | <b>1,360.0</b> | <b>+ 20.0</b>      | <b>1,641.3</b> | <b>1,500.0</b>  | <b>1,500.0</b> | <b>-</b>           | <b>62.0</b>      | <b>-20.0</b>    | <b>-10.0</b> | <b>+ 10.0</b>      |

※ "Eliminations and corporate" includes some expenses incurred at Head Office which were not allocated to each industry segment for internal reporting



# Before-tax ROIC by Segment

|                                      | Before-tax ROIC<br>(EBIT/Invested Capital) |                 |                 |                       | Operating Margin<br>(Operating Income/Net Sales) |                 |                 |                       | Asset Turnover(Times)<br>(Net Sales/Total Assets) |                 |                 |                       |
|--------------------------------------|--|-----------------|-----------------|-----------------------|--|-----------------|-----------------|-----------------------|---|-----------------|-----------------|-----------------------|
|                                      | FY2019<br>Actual                           | FY2020 Forecast |                 |                       | FY2019<br>Actual                                 | FY2020 Forecast |                 |                       | FY2019<br>Actual                                  | FY2020 Forecast |                 |                       |
|                                      |  | In Oct.         | In This<br>Time | Change<br>vs. In Oct. |  | In Oct.         | In This<br>Time | Change<br>vs. In Oct. |   | In Oct.         | In This<br>Time | Change<br>vs. In Oct. |
| Aerospace Systems                    | 8.0%                                       | -4.8%           | -5.2%           | - 0.4%                | 8.0%   | -6.2%           | -6.2%           | -                     | 0.71  | 0.50            | 0.51            | + 0.01                |
| Energy System &<br>Plant Engineering | 10.4%                                      | 8.6%            | 10.4%           | + 1.8%                | 7.2%   | 3.5%            | 5.4%            | + 1.9%                | 0.77  | 0.76            | 0.74            | - 0.02                |
| Precision Machinery &<br>Robot       | 8.8%                                       | 7.6%            | 10.1%           | + 2.5%                | 5.6%   | 4.5%            | 5.0%            | + 0.5%                | 1.06  | 1.07            | 1.15            | + 0.08                |
| Ship & Offshore<br>Structure         | 1.4%                                       | -6.9%           | -7.0%           | - 0.1%                | -0.8%  | -3.7%           | -4.3%           | - 0.6%                | 0.57  | 0.63            | 0.62            | - 0.01                |
| Rolling Stock                        | -7.2%                                      | -3.2%           | -6.4%           | - 3.2%                | -2.7%  | -1.3%           | -3.2%           | - 1.9%                | 0.64  | 0.79            | 0.73            | - 0.06                |
| Motorcycle & Engine                  | -2.6%                                      | -5.3%           | 4.4%            | + 9.7%                | -0.5%  | -1.5%           | 1.5%            | + 3.0%                | 1.19  | 1.17            | 1.28            | + 0.11                |
| Total                                | 4.2%                                       | -2.2%           | -1.7%           | + 0.5%                | 3.7%   | -1.3%           | -0.6%           | + 0.7%                | 0.83  | 0.78            | 0.78            | -                     |

# R&D/CAPEX/Number of Employees

※No change from the number announced on October 29, 2020

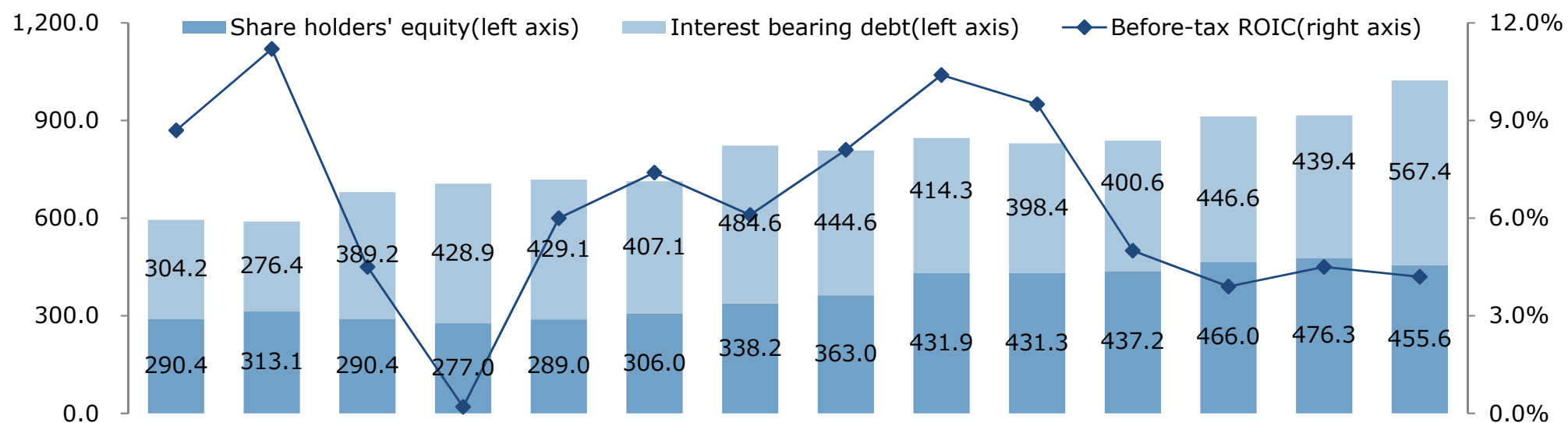
[Billion Yen/Persons]

|                                   | FY2018<br>Actual | FY2019<br>Actual | FY2020<br>Forecast | Change |      |
|-----------------------------------|------------------|------------------|--------------------|--------|------|
| R&D Expenses                      | 48.7             | 52.6             | 49.5               | -      | 3.1  |
| CAPEX<br>(Construction Base)※     | 66.9             | 70.4             | 53.0               | -      | 17.4 |
| Depreciation and<br>Amortization※ | 59.0             | 61.2             | 61.5               | +      | 0.3  |
|                                   |                  |                  |                    |        |      |
| Domestic                          | 26,171           | 26,616           | 26,800             | +      | 184  |
| Overseas                          | 9,520            | 9,716            | 9,700              | -      | 16   |
| Number of Employees               | 35,691           | 36,332           | 36,500             | +      | 168  |

※Capex represents the total of newly recorded property, plant and equipment and newly recorded intangible assets.

Depreciation & amortization represents depreciation/amortization expenses for property, plant and equipment and intangible assets.

# Historical Data



| [Billion yen]                               | 2006    | 2007         | 2008    | 2009    | 2010    | 2011    | 2012    | 2013    | 2014        | 2015        | 2016    | 2017    | 2018    | 2019           |
|---|---------|--------------|---------|---------|---------|---------|---------|---------|-------------|-------------|---------|---------|---------|----------------|
| Before-tax ROIC                             | 8.7%    | <b>11.2%</b> | 4.5%    | 0.2%    | 6.0%    | 7.4%    | 6.1%    | 8.1%    | 10.4%       | 9.4%        | 5.0%    | 3.9%    | 4.5%    | 4.2%           |
| Invested Capital                            | 594.6   | 589.6        | 679.7   | 705.9   | 718.2   | 713.2   | 822.8   | 807.6   | 846.3       | 829.7       | 837.9   | 912.7   | 915.8   | 1,023.0        |
| Net Sales                                   | 1,438.6 | 1,501.0      | 1,338.5 | 1,173.4 | 1,226.9 | 1,303.7 | 1,288.8 | 1,385.4 | 1,486.1     | 1,541.0     | 1,518.8 | 1,574.2 | 1,594.7 | <b>1,641.3</b> |
| Operating Profit                            | 69.1    | 76.9         | 28.7    | -1.3    | 42.6    | 57.4    | 42.0    | 72.3    | 87.2        | <b>95.9</b> | 45.9    | 55.9    | 64.0    | 62.0           |
| Recurring Profit                            | 49.0    | 63.9         | 38.7    | 14.2    | 49.1    | 63.6    | 39.3    | 60.6    | 84.2        | <b>93.2</b> | 36.6    | 43.2    | 37.8    | 40.4           |
| Net Income Attributable to Owners of Parent | 29.7    | 35.1         | 11.7    | -10.8   | 25.9    | 23.3    | 30.8    | 38.6    | <b>51.6</b> | 46.0        | 26.2    | 28.9    | 27.4    | 18.6           |
| Yen/US\$                                    | 117     | 115          | 101     | 93      | 86      | 79      | 82      | 99      | 109         | 118         | 108     | 110     | 110     | 108            |

# Market Overview (1/2)

## Aerospace Systems

- In MOD aircraft business, there is a certain demand within tight defense budget
- In commercial aircraft business, global passenger demand has been sluggish due to the impact of COVID-19, both aircraft and aircraft jet engine business demands decline

## Energy System & Plant Engineering

- In Japan, the demand for major repair work on municipal waste incineration plants continues
- In the medium and long-term, the demand for distribute power plants in the domestic and overseas market, and for energy infrastructure development in emerging countries is strong
- However, the uncertain situation continues due to the review of short-term capital investment decisions by customers due to factors such as economic activity stagnation and resource price instability caused by COVID-19

## Precision Machinery & Robot

### <Construction machinery>

- Since the Chinese market has been recovering from the impact of COVID-19, our sales to the Chinese market also exceeded the level of the same period of the previous year
- World wide demand except for Chinese market is currently on a clear recover trend, despite market stagnation by the impact of COVID-19

### <Robots>

- Sales of general purpose robots especially industrial robots and automobile body assembly robots remained strong in Chinese market where recovery was quick, despite there were delays in projects by the impact of COVID-19
- In semiconductor markets, demand is strong due to increased capital investment by semiconductor manufacturing equipment manufactures, and it is estimated that the future demand will steadily increase over the medium to long-term

# Market Overview (2/2)

## Ship & Offshore Structure

- The demand for LNG fueled vessels increases along with strengthening environmental regulations
- However, the situation is still intense due to stagnation of negotiation by the impact of COVID-19 and low-priced orders from Korean and Chinese shipyards

## Motorcycle & Engine

- The market has been significantly affected due to the impact of COVID-19 in the major market of Europe, North America, and Southeast Asia
- Recent retail sales have exceeded the level of the same period of the previous year in the US market due to rising demand for off-road models, and the European market has recovered to the same level as the same period of the previous year
- However, emerging markets are still sluggish and remain below the level of the same period of the previous year

## Rolling Stock

- Review of railway related investment in domestic, delaying project schedule and postponement/ cancellation of bit in overseas are becoming reality by the impact of COVID-19
- Stable growth is expected in the railway business in the medium to long term, based on the needs of railway infrastructure to deal with the congestion mitigation and environmental measures in emerging countries

# Project Topics

- Preparations for the start of the robot-based Automated PCR Testing Services are proceeding smoothly
- Opened training center in Kobe and Nagoya for "hinotori™", the first made in Japan robotic-assisted surgery system that received Japanese regulatory approval from the Japanese Ministry of Health, labor and Welfare in August last year (Medicaroid)
- The world's first liquefied hydrogen carrier "SUISO FRONTIER" is undergoing test process in the waters near Japan, and will start technical demonstration for marine transportation from Australia to Japan since next fiscal year
- Kawasaki Completes World's First Liquefied Hydrogen Receiving Terminal Kobe LH2 Terminal
- Kawasaki Completes Basic Design for World's Largest Class (11,200-cubic-meter) Spherical Liquefied Hydrogen Storage Tank



Automated PCR Testing System



hinotori™ Surgical Robot System



Liquefied Hydrogen Carrier "SUISO FRONTIER"

# Kawasaki, Working as one for the good of the planet

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.