

(Prepared pursuant to Japanese GAAP)

February 2, 2022

Listed company's name:

Listed on: 1st sections of the TSE, and NSE

Stock code: 7012

URL: <https://global.kawasaki.com/>

Representative: Yasuhiko Hashimoto, President and Chief Executive Officer

Contact: Takashi Torii, Group Manager, Corporate Communication Group Department

Tel: +81 3-3435-2130

Scheduled dates:

Submission of quarterly securities filing: February 9, 2022

Commencement of dividend payments: —

Supplementary materials to quarterly earnings: Available

Quarterly earnings presentation: Conducted (for institutional investors, analysts and the press)

(Amounts in millions of yen rounded down to the nearest millions of yen)

(1) Operating Results

1)

Despite concerns about the impact of the spread of the infection by Omicron variant of COVID-19 strain around the world, governments are shifting their focus to resuming economic activities due to the progress in COVID-19 vaccinations and prescribing of therapeutic drugs mainly in developed countries, and the fact that infections are relatively mild in many cases.

On the

Third -quarter consolidated operating performance is summarized by segment below.

Regarding the business environment surrounding the Aerospace Systems segment, demand for Ministry of Defense in Japan is generally stable despite the tight defense budget. With respect to commercial aircraft, global passenger demand has been sluggish due to the COVID-19 pandemic, and demand for commercial aircraft airframes and jet engines has declined. Although demand for short-haul flights is currently recovering in North America, Europe and other regions, the outlook remains uncertain due to concerns about the impact of the spread of the infection by Omicron variant of COVID-19.

Amid such an operating environment, consolidated orders received decreased by ¥63.8 billion year on year to ¥160.8 billion, mainly due to a decrease in component parts of commercial aircraft jet engines resulting from the impact of the application of revenue recognition accounting standards, despite an increase in component parts of airframes for commercial aircraft.

Consolidated net sales decreased by ¥73.0 billion year on year to ¥204.9 billion, mainly due to a decrease in component parts of jet engines for commercial aircraft resulting from the application of revenue recognition accounting standards, as well as a decrease in component parts of airframes for

due to the impact of the COVID-

Consolidated net sales increased by ¥25.2 billion year on year to ¥179.5 billion, due to an increase in hydraulic equipment for the construction equipment market and various robots for semiconductors.

Operating profit increased by ¥5.3 billion year on year to ¥13.4 billion mainly due to sales increase.

The business environment surrounding the Motorcycle & Engine segment continues to be affected by the COVID-19 pandemic. Demand for off-road models such as four-wheeled vehicles continued to be strong in the United States, a major market, as in the previous fiscal year, and the European market also remained strong. On the other hand, although the Southeast Asian market has recovered compared to the same period of the previous fiscal year, the outlook remains uncertain. The supply of products is also affected by shortages of semiconductors and raw materials and disruptions in distribution.

Amid such an operating environment, consolidated net sales increased by ¥84.0 billion year on year to ¥309.5 billion due to an increase in motorcycles for Europe and Southeast Asia, as well as an increase in motorcycles for North America and an increase in general-purpose engines.

Operating profit increased by ¥27.8 billion from the same period of the previous fiscal year to ¥29.6 billion due to an increase in sales, and a weaker yen compared to the same period of the previous fiscal year, along with other factors.

(i) Assets

Current assets were ¥1,334.3 billion, ¥48.9 billion increase from the previous fiscal year due to an increase in inventories.

Non-current assets were ¥711.2 billion, ¥33.4 billion increase from the previous fiscal year due to an increase in investments and other assets.

As a result, total assets were ¥2,045.6 billion, ¥82.4 billion increase from the previous fiscal year.

(ii) Liabilities

Interest-bearing debt was ¥730.8 billion, ¥137.5 billion increase from the previous fiscal year.

Liabilities were ¥1,588.1 billion, ¥107.6 billion increase from the previous fiscal year due to increases in interest-bearing debt and other factors.

(iii) Net assets

Net assets were ¥457.5 billion, ¥25.2 billion decrease from the previous fiscal year due to decreases in retained earnings at the beginning of this fiscal year because of the application of Accounting Standard for Revenue Recognition and other factors.

With respect to the earnings forecasts for the fiscal year ending March 31, 2022, the Company has

	Millions of yen	
	As of March 31, 2021	As of December 31, 2021
Current assets		
Cash and deposits	126,702	75,250

Shareholders' equity		
Share capital	104,484	104,484
Capital surplus	54,542	55,527
Retained earnings	306,576	270,876
Treasury shares	(136)	(1,127)
Total shareholders' equity	<u>465,467</u>	<u>429,760</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,955	1,495
Deferred gains or losses on hedges	(179)	(792)
Foreign currency translation adjustment		

(3) Notes on financial statements

Regarding the application of the revenue recognition accounting standard, in accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the revenue recognition accounting standard, the cumulative effect of retroactive application of the new accounting policy prior to the beginning of the first quarter of this consolidated fiscal year is added to or subtracted from retained earnings at the beginning of the first quarter of this consolidated fiscal year, and the new accounting policy is applied from the beginning balance. However, the new accounting policy has not been retroactively applied to contracts that have been recognized almost all amounts of revenue in accordance with the previous treatment prior to the beginning of the first quarter of this consolidated fiscal year by applying the method specified in Paragraph 86 of the Accounting Standard for Revenue Recognition. In addition, by applying the method specified in Paragraph 86 and Item (1) of the Accounting Standard for Revenue Recognition, changes in contracts made prior to the beginning of the first quarter of this consolidated fiscal year are accounted for under the terms and conditions after reflecting all changes in contracts, and the cumulative effect of such changes is recorded in the consolidated financial statements for the first quarter of this consolidated fiscal year. The amount is adjusted to retained earnings at the beginning of the first quarter of this consolidated fiscal year.

As a result, net sales and cost of sales decreased by ¥82,963 million and ¥80,218 million, and operating profit, ordinary profit and profit before income taxes decreased by ¥2,745 million, respectively. The balance of retained earnings at the beginning of this fiscal year decreased by ¥39,639 million.

Due to the application of revenue recognition accounting standards, “notes and accounts receivable - trade”, which were included in “current assets” in the consolidated balance sheets for the previous fiscal year, are included in “notes and accounts receivable - trade, and contract assets” from the first quarter of this consolidated fiscal year. “Advances received”, which were presented

Instruments ” (ASBJ Statement No. 10 of

Segment information

1. Nine months ended December 31, 2020 2020 2×

2. Nine months ended December 31, 2021 (April 1, 2021 – December 31, 2021)

(1) Sales and profit (loss) by reportable segment

	Millions of yen			
	External sales	Intersegment sales	Total sales	Operating profit (loss)
Aerospace Systems	204,907	5,331	210,239	(11,387)
Rolling stock	89,152	5	89,157	2,563
Energy Solution & Marine Engineering	201,779	10,398	212,178	3,126
Precision Machinery & Robot	179,531			

