

**Report of Earnings and Financial Statements for the
Three Months Ended June 30, 2023 (Consolidated)**
<IFRS>

August 8, 2023

Listed company's name: **Kawasaki Heavy Industries, Ltd.**
Listed on: TSE (Prime Market), and NSE (Premier Market)
Stock code: 7012
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Scheduled dates:
Submission of quarterly securities filing: August 8, 2023
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. Consolidated Financial Results for the Three Months Ended June 30, 2023
(April 1, 2023 – June 30, 2023)

(1) Operating Results

(Percentage figures represent changes versus the year-ago period)

	Revenue		Business profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three Months Ended June 30, 2023	405,340	15.7	10,253	123.2	14,966	41.1	9,447	63.0
Three Months Ended June 30, 2022	350,344	(1.5)	4,593	(75.2)	10,605	(37.8)	5,794	(51.3)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	yen	yen
Three Months Ended June 30, 2023	9,089	66.5	19,179	2.2	54.27	-
Three Months Ended June 30, 2022	5,457	(52.4)	18,761	26.2	32.58	-

(2) Financial Condition

Notes

1. Changes affecting the status of material subsidiaries (scope of consolidation): None
2. Changes in accounting policies and changes in accounting estimates
 - (1) Changes in accounting policies required by IFRS: None
 - (2) Changes in accounting policies due to other reasons: None
 - (3) Changes in accounting estimates: None
3. Number of shares issued and outstanding (common shares)
 - (1) Number of shares issued as of period-end (including treasury shares)

June 30, 2023:	167,921,800 shares
March 31, 2023:	167,921,800 shares
 - (2) Number of shares held in treasury as of period-end

June 30, 2023:	440,794 shares
March 31, 2023:	440,255 shares
 - (3) Average number of shares during respective periods

June 30, 2023:	167,481,211 shares
June 30, 2022:	167,471,974 shares

***The quarterly report of earnings and financial statements is exempted from quarterly review procedures based on the Financial Instruments and Exchange act.**

***Appropriate Use of Financial Forecasts and Other Important Matters**

Forward-Looking Statements

These materials contain various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based on information available at the time of their preparation, and do not mean that the Company promises to achieve these figures. Actual results may differ from those expressed or implied by forward-looking statements due to a range of factors. For assumptions underlying earnings forecasts and other information regarding the use of such forecasts, refer to “1. Qualitative Information about Financial Statements (3) Consolidated earnings forecast” on page 11 in the Accompanying Materials.

How to Obtain Supplementary Material on Quarterly Financial Results and Details of the Quarterly Financial Results

The Company plans to conduct a presentation for institutional investors, analysts and the press on Tuesday, August 8, 2023, and to post the presentation material on quarterly financial results to be used for the presentation on TDnet and the Company’s website simultaneously with the announcement of financial results.

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

Segment Information

Segment revenue, business profit (loss), and orders received (billions of yen)

	Three months ended June 30						Orders received		
	2022(A)		2023(B)		Change (B – A)		Three months ended June 30		
	Revenue	Business profit (loss)	Revenue	Business profit (loss)	Revenue	Business profit (loss)	2022 (A)	2023 (B)	Change (B – A)

Aerospace Systems

Regarding the business environment surrounding the Aerospace Systems segment, demand from Ministry of Defense in Japan is expected to increase going forward under the Ministry of Defense's policy of drastic strengthening of defense capabilities. With respect to commercial aircraft, demand for both commercial aircraft airframes and jet engines is increasing due to the recovery of air passenger demand to nearly pre-COVID levels and the strong COVID-19 rebound demand for commercial aircraft airframes.

Amid such an operating environment, consolidated orders received increased by ¥58.2 billion year on year to ¥118.7 billion mainly due to increases in orders received from Ministry of Defense in Japan and component parts of airframes and jet engines for commercial aircraft.

Consolidated revenue increased by ¥16.7 billion year on year to ¥80.2 billion mainly due to increases in sales for Ministry of

normalization. Demand for distributed power sources in Japan and overseas and, for energy infrastructure development in emerging countries, remains strong, while there is ongoing demand for the replacement of aging facilities for refuse incineration plants in Japan. Also, there is a growing worldwide trend toward achieving carbon neutrality, and contacts and requests for cooperation are increasing regarding decarbonization solutions, including hydrogen products of the Company's strength. On the other hand, besides the uncertainty about the current situation, such as the stability of fuel gas supply required for the operation of power generation facilities, it is necessary to pay attention to the impact on orders and revenues due to the recent persistently high prices of raw material, equipment, fuel, and transportation.

Amid such an operating environment, consolidated orders received decreased by ¥22.1 billion to ¥102.3 billion compared to the same period of the previous fiscal year, when large-scale orders such as the domestic waste disposal facilities maintenance and operation business and LPG/NH₃ carriers were received, despite orders for naval ships equipment for Ministry of Defense in Japan.

Consolidated revenue increased by ¥7.2 billion year on year to ¥70.7 billion mainly due to an increase in the volume of work of energy business and LPG/NH₃ carriers.

Business profit came to ¥5.8 billion, improving ¥5.8 billion year on year, mainly due to higher sales of energy business and an increase in share of profit of investments accounted for using equity method.

Precision Machinery & Robot

Regarding the business environment surrounding the Precision Machinery & Robot segment, in the

in the revenue.

Powersports & Engine

Regarding the business environment surrounding the Powersports & Engine segment, although the impact on the marketplace from the spread of the infection by the COVID-19 pandemic has settled down, demand continues to be strong in the major markets, the United States and Europe. In addition, the Southeast Asian market has been recovering from the previous fiscal year as a whole, although it varies by country.

Amid such an operating environment, consolidated revenue increased by ¥17.9 billion year on year to ¥143.9 billion mainly due to increases in motorcycles for Europe, four-wheeled vehicles for North America, and general-purpose engines as well as a weaker yen on foreign exchange rates, despite a decrease in motorcycles for Southeast Asia.

Business profit increased by ¥1.4 billion year on year to ¥14.3 billion mainly due to the sales expansion of motorcycles and four-wheeled vehicles and the impact of foreign exchange rates, despite an increase in sales promotion expenses and fixed costs.

Other Operations

Consolidated revenue decreased by ¥0.7 billion year on year to ¥17.5 billion.

Business profit decreased by ¥0.7 billion year on year to ¥0.6 billion.

In the Group Vision 2030, the Group will focus on three fields; “A Safe and Secure Remotely Connected Society,” “Near-Future Mobility” and “Energy and Environmental Solutions,” and is making steady progress in creating solutions to social issues, such as the medical and healthcare business including surgical support robots, and moreover, the commercialization of delivery robots and unmanned transport helicopters, as well as the promotion of hydrogen business and electrification to realize a carbon neutral society at an early date.

(2) Consolidated financial condition

Assets, liabilities, and equity

1. Assets

Current assets were ¥1,567.5 billion, ¥2.7 billion decrease from the previous fiscal year mainly due to a decrease in cash and cash equivalents.

Non-current assets were ¥913.1 billion, ¥25.8 billion increase from the previous fiscal year mainly due to an increase in investments accounted for using equity method.

As a result, total assets were ¥2,480.7 billion, ¥23.0 billion increase from the previous fiscal year.

2. Liabilities

Interest-bearing debt was ¥666.0 billion, ¥76.1 billion increase from the previous fiscal year.

Liabilities were ¥1,875.5 billion, ¥14.6 billion increase from the previous fiscal year mainly due to an increase in interest-bearing debt.

3. Equity

Equity was ¥605.2 billion, ¥8.3 billion increase from the previous fiscal year mainly due to an increase in exchange differences on translation of foreign operations.

Cash flows

Cash and cash equivalents (Hereinafter referred to as “net cash”) during the first quarter 0 TD(D-.007a3ac6) t g easns accp9(om t)ra6(n)treasg a6(n).6(us tl)5.2(v(ng e)5(2.L.7(asse)5.5(ts w)3)5.2(on9(om t2).3(a)57(i4 Equitb(ng

(3) Consolidated earnings forecast

With respect to the earnings forecasts for the fiscal year ending March 31, 2024, the Company has reduced its forecasts in the Precision Machinery & Robot segment reflecting the impact of the slump in the Chinese construction machinery market and delayed recovery of the semiconductor market. However, order-based business has improved as expected, including improved performance of the ship & offshore structure business in the Energy Solution & Marine Engineering segment, the Company has left its forecast unchanged from the previous forecast (May 10).

The exchange rates assumed in this forecast are ¥130 to the U.S. dollar and ¥140 to the euro, which are unchanged from the previous forecast.

Note regarding consolidated earnings forecast

The above earnings forecast is based on information available at the time of preparation, and includes risks and uncertainties. We therefore discourage making investment decisions depending solely on this forecast. Please note that actual earnings may differ materially from this forecast, due to a variety of important factors stemming from changes in the external environment and/or the Company's internal environment. Important factors that impact actual operating performance include, but are not limited to, the economic situation surrounding the Company's scope of business, foreign exchange rates, in particular the yen/dollar exchange rate, tax codes and other regulatory system-related issues.

2. Condensed Quarterly Consolidated Financial Statements and Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	Millions of yen	
	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and cash equivalents	138,420	91,879
Trade and other receivables	470,398	491,155
Contract assets	159,422	131,614
Inventories	690,431	719,180
Income taxes receivable	551	2,292
Other financial assets	10,741	9,278
Other current assets	100,385	122,184
Total current assets	1,570,350	1,567,585
Non-current assets		
Property, plant and equipment	451,010	459,717
Intangible assets	66,248	68,679
Right-of-use assets	68,422	69,368
Investments accounted for using equity method	77,440	85,571
Other financial assets	70,224	76,832
Deferred tax assets	110,264	109,357
Other non-current assets	43,763	43,658
Total non-current assets	887,374	913,184
Total assets	2,457,725	2,480,770
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	452,250	436,820
Bonds, borrowings and other financial liabilities	340,176	409,777
Income taxes payable	18,071	5,934
Contract liabilities	256,247	277,664
Provisions	22,897	21,658
Other current liabilities	219,019	194,626
Total current liabilities	1,308,661	1,346,482
Non-current liabilities		
Bonds, borrowings and other financial liabilities	445,082	417,687
Retirement benefit liability	91,552	92,839
Provisions	1,942	1,907
Deferred tax liabilities	833	921
Other non-current liabilities	12,779	15,688
Total non-current liabilities	552,190	529,043
Total liabilities	1,860,852	1,875,525
Equity		
Equity attributable to owners of parent		
Share capital	104,484	104,484
Capital surplus	55,716	55,962
Retained earnings	380,255	379,315
Treasury shares	(1,107)	(1,108)
Other components of equity	36,852	46,114
Total equity attributable to owners of parent	576,201	584,768
Non-controlling interests	20,670	20,476
Total equity	596,872	605,244
Total liabilities and equity	2,457,725	2,480,770

**(2) Condensed Quarterly Consolidated Statement of Profit and Loss and
Condensed Quarterly Consolidated Statement of Comprehensive Income**

Condensed Quarterly Consolidated Statement of Profit and Loss

	Millions of yen	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Revenue	350,344	405,340
Cost of sales	292,972	339,247
Gross profit	57,372	66,093
Selling, general and administrative expenses	53,568	62,352
Share of profit of investments accounted for using equity method	631	6,093
Other income		

For three months ended June 30, 2023 (April 1, 2023 – June 30, 2023)

Millions of yen

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2023	104,484	55,716	380,255	(1,107)	-	4,109
Profit			9,089			
Other comprehensive income					44	1,657
Comprehensive income			9,089		44	1,657
Purchase of treasury shares				(1)		
Dividends			(10,072)			
Transfer to retained earnings			44		(44)	
Change in scope of consolidation			(1)			
Loss of control of subsidiaries						
Change in ownership interest of parent due to transactions with non-controlling interests		246				
Transfer to non-financial assets						

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity			Total equity attributable to owners of parent		
	Cash flow hedges	Exchange differences on translation of foreign operations	Total			
Balance as of April 1, 2023	676	32,066	36,852	576,201	20,670	596,872
Profit				9,089	357	9,447
Other comprehensive income	(7,860)	15,602	9,444	9,444	287	9,731
Comprehensive income	(7,860)	15,602	9,444	18,534	644	19,179
Purchase of treasury shares				(1)		(1)
Dividends				(10,072)	(581)	(10,654)
Transfer to retained earnings			(44)	-		-
Change in scope of consolidation				(1)		(1)
Loss of control of subsidiaries						-
Change in ownership interest of parent due to transactions with non-controlling interests				246	(258)	(11)
Transfer to non-financial assets	(138)		(138)	(138)		(138)
Other						-
Total transactions with owners	(138)		(182)	(9,967)	(839)	(10,807)
Balance as of June 30, 2023	(7,322)	47,669	46,114	584,768	20,476	605,244

(4) Condensed Quarterly Consolidated Statement of Cash Flow

	Millions of yen	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Cash flows from operating activities		
Profit	5,794	9,447
Depreciation and amortization	19,005	21,391
Impairment losses	62	109
Finance income and finance costs	721	2,329
Share of loss (profit) of investments accounted for using equity method	(631)	(6,093)
Loss (gain) on sale of fixed assets	317	(527)
Income tax expense	4,810	5,519
Increase (decrease) in retirement benefit liability	(205)	1,113
Decrease (increase) in trade and other receivables	23,667	7,677
Decrease (increase) in contract assets	(7,652)	27,816
Decrease (increase) in inventories	(27,732)	(19,445)
Increase (decrease) in trade and other payables	(25,523)	(17,928)
Decrease (increase) in advance payment	(28,373)	(3,123)
Increase (decrease) in contract liabilities	8,640	15,786
Decrease (increase) in other current assets	(13,918)	(18,736)
Increase (decrease) in other current liabilities	(6,492)	(33,886)
Other	(6,717)	(504)
Subtotal	<u>(54,226)</u>	<u>(9,052)</u>
Interest received	401	614
Dividends received	206	294
Interest paid	(954)	(1,729)
Income taxes paid	<u>(7,421)</u>	<u>(12,561)</u>
Net cash provided by (used in) operating activities	<u>(61,995)</u>	<u>(22,434)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,315)	(19,019)
Proceeds from sale of property, plant and equipment	1,212	1,087
Payments for equity method investment and purchase of other financial assets	(5,111)	(166)
Proceeds from equity method investment and sale of other financial assets	1	0
Payments for acquisition of subsidiaries	(501)	-
Decrease due to loss of control over subsidiaries	(3,224)	-
Other	<u>(3,097)</u>	<u>(3,891)</u>
Net cash provided by (used in) investing activities	<u>(24,035)</u>	<u>(21,989)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	84,208	90,299
Repayments of lease liabilities	(3,267)	(3,490)
Repayments of long-term borrowings	(4,000)	(1,030)
Redemption of bonds	-	(20,000)
Dividends paid	(3,082)	(9,329)
Proceeds from factoring agreements	7,106	-
Repayment of liabilities under factoring agreements	(14,596)	(49,033)
Dividends paid to non-controlling interests	(560)	(581)
Other	<u>(3,038)</u>	<u>(4,908)</u>
Net cash provided by (used in) financing activities	<u>62,769</u>	<u>1,925</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(6,754)</u>	<u>(4,042)</u>
Net increase (decrease) in cash and cash equivalents	<u>(30,015)</u>	<u>(46,541)</u>
Cash and cash equivalents at beginning of period	<u>108,511</u>	<u>138,420</u>
Cash and cash equivalents at end of period	<u>78,495</u>	<u>91,879</u>

(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements

Notes on the going-concern assumption

Not applicable.

Segment information

For three months ended June 30, 2022 (April 1, 2022 – June 30, 2022)

	Millions of yen								
	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total	Eliminations and corporate *2	Consolidated total
Revenue from external customers	63,458	26,404	63,514	52,607	126,047	18,311	350,344	-	350,344
Intersegment revenue and transfers *1	2,727	5	3,455	3,980	148	4,382	14,700	(14,700)	-

3. Supplementary information

(1) Supplementary information on consolidated earnings forecasts for the fiscal year ending March 31, 2024

(i) Revenue and business profit (loss)

Billions of yen

Reportable segment	Forecast for the year ending March 31, 2024 (fiscal 2023)						Year ended March 31, 2023 (fiscal 2022) (Actual)	
	Revised forecast (A)		Forecast issued May 10, 2023 (B)		Change (A – B)		Revenue	Business profit (loss)
	Revenue	Business profit (loss)	Revenue	Business profit (loss)	Revenue	Business profit (loss)		
Aerospace Systems	440.0	24.0	440.0	24.0	-	-	348.8	14.8
Rolling Stock	190.0	4.0	190.0	4.0	-	-	131.9	1.3
Energy Solution & Marine Engineering	350.0	11.0	340.0	9.0	10.0	2.0	314.5	3.9
Precision Machinery & Robot	240.0	6.0	260.0	10.0	(20.0)	(4.0)	252.6	8.7
Powersports & Engine	590.0	50.0	580.0	47.0	10.0	3.0	591.1	71.5
Other	90.0	2.0	90.0	2.0	-	-	86.3	(1.8)
Adjustments		(19.0)		(18.0)		(1.0)		(16.2)
Total	1,900.0	78.0	1,900.0	78.0	-	-	1,725.6	82.3

(ii) Orders received

Billions of yen

Reportable segment	Forecast for the year ending March 31, 2024 (fiscal 2023)			Year ended March 31, 2023 (fiscal 2022) (Actual)
	Revised forecast (A)	Forecast issued May 10, 2023 (B)	Change (A – B)	
Aerospace Systems	550.0	540.0	10.0	345.5
Rolling Stock	80.0	80.0	-	313.2
Energy Solution & Marine Engineering	330.0	330.0	-	439.0
Precision Machinery & Robot	250.0	270.0	(20.0)	262.0
Powersports & Engine	590.0	580.0	10.0	591.1
Other	100.0	100.0	-	86.4
Total	1,900.0	1,900.0	-	2,037.4

Note: 1. Assumed exchange rate for the fiscal year ending March 31, 2024: ¥130/USD, ¥140/EUR

2. The Powersports & Engine segment's orders received are equal to its revenue as production is based mainly on estimated demand.