

**Report of Earnings and Financial Statements for the
Six Months Ended September 30, 2024 (Consolidated)**
<IFRS>

November 8, 2024

Listed company's name: **Kawasaki Heavy Industries, Ltd.**
 Listed on: TSE (Prime Market), and NSE (Premier Market)
 Stock code: 7012
 URL: <https://global.kawasaki.com/>
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Scheduled dates:
 Submission of semi-annual securities filing: November 8, 2024
 Commencement of dividend payments: December 3, 2024
 Supplementary materials to financial results: Available
 Financial Results 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 Six Months Ended September 30, 2024
(April 1, 2024 – September 30, 2024)

(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	%
Six Months Ended September 30, 2024	884,183	14.9	47,765	-	23,736	-	14,901	-
Six Months Ended September 30, 2023	769,341	1.3	(32,846)	-	(34,471)	-	(22,410)	-

	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
Six Months Ended September 30, 2024	13,667	-	12,889	-	81.59	-
Six Months Ended September 30, 2023	(23,346)	-	(2,994)	-	(139.39)	-

(2) Financial Condition

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
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Notes

1. Significant changes in the scope of consolidation during the period: 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)

September 30, 2024:	167,921,800 shares
March 31, 2024:	167,921,800 shares
 - (2) Number of shares held in treasury as of period-end

September 30, 2024:	402,138 shares
March 31, 2024:	420,086 shares
 - (3) Average number of shares during respective periods

September 30, 2024:	167,504,335 shares
September 30, 2023:	167,484,007 shares

*** The semi-annual report of earnings and financial statements is exempted from 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 Financial Results and Details of the Financial Results

The Company plans to conduct a presentation for institutional investors, analysts and the press on Friday, November 8, 2024, and to post the presentation material on semi-annual 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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The consolidated operating performance for the first half of the consolidated fiscal year is summarized by segment below.

Segment Information

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

	Six months ended September 30						Orders received		
	2023(A)		2024(B)		Change (B – A)		Six months ended September 30		
	Revenue	Business profit (loss)	Revenue	Business profit (loss)	Revenue	Business profit (loss)	2023 (A)	2024 (B)	Change (B – A)
Aerospace									
Systems	129.2	(52.7)	234.1	25.3	104.9	78.1	193.2	209.9	16.7

Aerospace Systems

Regarding the business environment surrounding the Aerospace Systems segment, demand from Ministry of Defense in Japan is expected to increase continuously under the Ministry of Defense's

sources in Japan and overseas, as well as the need for energy infrastructure development in emerging countries, remain strong, while there is ongoing demand for the replacement of aging facilities for refuse incineration plants in Japan. 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, and fuel.

Amid such an operating environment, consolidated orders received decreased by ¥7.3 billion year on year to ¥211.0 billion mainly due to a decrease in large-scale projects for the domestic waste disposal facilities maintenance and operation business and a decrease in orders for industrial gas turbine equipment, despite orders for LPG/NH₃ carriers.

Consolidated revenue increased by ¥12.1 billion year on year to ¥159.9 billion mainly due to higher sales from large-scale projects for the domestic waste disposal facilities maintenance and operation business as well as higher sales of naval ships equipment for Ministry of Defense in Japan.

Business profit came to ¥12.0 billion, increasing ¥3.5 billion year on year, mainly due to an increase in the revenue 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 precision machinery field, the performance was slightly weak mainly in the European and U.S. markets. However, the Chinese construction machinery market, where the demand had continued to decline due to factors such as the prolonged real estate recession, shows signs of bottoming out, mainly in small machines. In the robotics field, prices and demand have bottomed out in the semiconductor memory market. Demand for robots for semiconductor manufacturing equipment has recovered from the second half of the previous fiscal year, while capturing new growth in AI related and other areas. Meanwhile, business conditions in China, the biggest consumer country for the general industrial robots, remain sluggish, but demand for automation is surely increasing due to a rise in labor costs and labor shortages.

Amid such an operating environment, consolidated orders received increased by ¥21.6 billion year on year to ¥124.6 billion mainly due to increases in hydraulic equipment for the Chinese construction machinery market and robots for semiconductor manufacturing equipment.

Consolidated revenue increased by ¥6.4 billion year on year to ¥109.4 billion mainly due to higher sales of robots for semiconductor manufacturing equipment and also higher sales in the precision machinery field.

Business profit came to ¥1.9 billion, improving ¥6.5 billion year on year, mainly due to an increase in profit resulting from an increase in the revenue, as well as the profit improvement activities such as price pass-through that the Company promoted.

(2) Consolidated financial condition

Assets, liabilities, and equity

1. Assets

Current assets were ¥1,851.1 billion, ¥124.1 billion increase from the previous fiscal year mainly due to an increase in inventories.

Non-current assets were ¥968.1 billion, ¥14.8 billion increase from the previous fiscal year mainly due to an increase in property, plant and equipment.

As a result, total assets were ¥2,819.2 billion, ¥139.0 billion increase from the previous fiscal year.

2. Liabilities

Interest-bearing debt was ¥840.0 billion, ¥186.1 billion increase from the previous fiscal year.

Liabilities were ¥2,157.2 billion, ¥131.6 billion increase from the previous fiscal year mainly due to an increase in interest-bearing debt.

3. Equity

Equity was ¥661.9 billion, ¥7.4 billion increase from the previous fiscal year mainly due to the recording of profit attributable to owners of parent.

Cash flows

Cash and cash equivalents (Hereinafter referred to as “net cash”) in the first half of this consolidated fiscal year were ¥127.3 billion, an increase of ¥41.9 billion compared to the same period of the previous fiscal year. The cash flow situations and relevant factors in the first half of this consolidated fiscal year are stated below.

1. Cash flows from operating activities

Cash outflows from operating activities were ¥36.9 billion, a decrease of ¥21.5 billion compared to

(3) Consolidated earnings forecast

With respect to the earnings forecasts for the fiscal year ending March 31, 2025, despite growing profitability of commercial engines in the Aerospace Systems segment, and an increase in share of profit of investments accounted for using equity method in the Ship & Offshore Structure business in the Energy Solution & Marine Engineering segment, the Company expects revenue of ¥2,180.0 billion, which is ¥70.0 billion decrease from the previous forecast, and business profit of ¥130.0 billion, which has been left unchanged from the previous forecast, due to the revision of sales plan for component parts for Boeing and lower sales of four-wheeled vehicles for North America in the Powersports & Engine segment.

Reflecting the impact of the difference between the 2024 forecast (¥2,250.0 billion) and the 2025 forecast (¥2,180.0 billion), the Company has revised the 2025 forecast to ¥2,180.0 billion (decrease of ¥70.0 billion) and the business profit to ¥130.0 billion (unchanged).

2. Condensed Semi-Annual Consolidated Financial Statements and Notes

(1) Condensed Semi-Annual Consolidated Statement of Financial Position

	Millions of yen	
	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and cash equivalents	84,153	127,394
Trade and other receivables	681,030	571,949
Contract assets	136,706	149,505
Inventories	710,207	820,738
Income taxes receivable	2,158	302
Other financial assets	11,024	19,203
Other current assets	101,644	162,015
Total current assets	1,726,925	1,851,108
Non-current assets		
Property, plant and equipment	496,331	508,996
Intangible assets	69,617	70,627
Right-of-use assets	64,824	65,937
Investments accounted for using equity method	90,954	100,800
Other financial assets	80,762	71,351
Deferred tax assets	117,452	118,896
Other non-current assets	33,307	31,521
Total non-current assets	953,250	968,132
Total assets	2,680,176	2,819,241
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	521,734	515,176
Bonds, borrowings and other financial liabilities	453,694	638,256
Income taxes payable	7,928	11,390
Contract liabilities	265,468	288,075
Provisions	34,242	32,100
Refund liabilities	72,518	63,850
Other current liabilities	185,902	171,553
Total current liabilities	1,541,489	1,720,403
Non-current liabilities		
Bonds, borrowings and other financial liabilities	391,539	341,586
Retirement benefit liability	74,604	76,709
Provisions	957	968
Deferred tax liabilities	707	636
Other non-current liabilities	16,327	16,978
Total non-current liabilities	484,137	436,879
Total liabilities	2,025,626	2,157,282
Equity		
Equity attributable to owners of parent		
Share capital	104,484	104,484
Capital surplus	56,455	56,456
Retained earnings	405,156	413,597
Treasury shares	(1,060)	(1,020)
Other components of equity	69,054	66,426
Total equity attributable to owners of parent	634,090	639,944
Non-controlling interests	20,459	22,013
Total equity	654,549	661,958
Total liabilities and equity	2,680,176	2,819,241

**(2) Condensed Semi-Annual Consolidated Statement of Profit and Loss and
Condensed Semi-Annual Consolidated Statement of Comprehensive Income**

Condensed Semi-Annual Consolidated Statement of Profit and Loss

	Millions of yen	
	Six months ended September 30, 2023	Six months ended September 30, 2024
Revenue	769,341	884,183
Cost of sales	680,925	697,547
Gross profit	88,415	186,636
Selling, general and administrative expenses	128,239	147,100
Share of profit of investments ac		

(3) Condensed Semi-Annual Consolidated Statement of Changes in Equity

For six months ended September 30, 2023 (April 1, 2023 – September 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 (loss)			(23,346)			
Other comprehensive income					(14)	2,430
Comprehensive income (loss)			(23,346)		(14)	2,430
Purchase of treasury shares				(3)		
Disposal of treasury shares		0		45		

(4) Condensed Semi-Annual Consolidated Statement of Cash Flow

	Millions of yen	
	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit (loss)	(22,410)	14,901
Depreciation and amortization	43,525	42,847
Impairment losses	287	-
Finance income and finance costs	4,946	8,281
Share of loss (profit) of investments accounted for using equity method	(6,540)	(8,557)
Loss (gain) on sale of fixed assets	(38)	(305)
Income tax expense	(12,061)	8,835

(5) Notes Concerning Condensed Semi-Annual Consolidated Financial Statements

Notes on the going-concern assumption

Not applicable.

Segment information

For six months ended September 30, 2023 (April 1, 2023 – September 30, 2023)

	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	129,204	84,162	147,826	103,024	267,169	37,954	769,341	-	769,341
Intersegment revenue and transfers *1	5,089	13	10,304	7,453	556	10,528	33,945	(33,945)	-
Total revenue	134,293	84,175	158,130	110,477	267,726	48,482	803,286	(33,945)	769,341
Business profit (loss) *3	(52,728)	335	8,556	(4,620)	23,144	541	(24,770)	(8,075)	(32,846)
Finance income									4,624
Finance costs									(6,249)
Profit (loss) before tax									(34,471)

Notes: 1. Intersegment revenue and transfers are made with reference to prevailing market prices.

2. Eliminations and corporate of negative ¥8,075 million include negative ¥393 million for intersegment

Material subsequent events

Conclusion of material agreements

1. Details of the event

The Company has resolved at its Board of Directors meeting held on November 8, 2024 that the Company will transfer 20% of the outstanding shares of its consolidated subsidiary Kawasaki Motors, Ltd. (Hereinafter referred to as “Kawasaki Motors”) owned by the Company to Kawasaki Motors (Hereinafter referred to as “the Share Transfer”), and that Kawasaki Motors will conduct a third-party allotment to ITOCHU Corporation whereby 20% of the outstanding shares of Kawasaki Motors will be allocated to ITOCHU Corporation (Hereinafter referred to as “the Third-party Allotment”). The three companies entered into a share subscription agreement on the same date, and in accordance with the agreement, each transaction is expected to be executed in April 2025. Even after these transactions, Kawasaki Motors will remain a consolidated subsidiary of the Company.

Overview of the Share Transfer

(1) The number of shares retained by the Company prior to the Share Transfer	20,000 shares (100% voting rights ownership)
(2) Number of shares to be transferred	4,000 shares
(3) Transfer price	¥80.0 billion
(4) Date of transfer	April 1, 2025 (expected)

Overview of the Third-party Allotment

(1) Number of shares to be allotted	4,000 shares (100% voting rights ownership)
(2) Amount to be paid in	¥80.0 billion
(3) Number of shares issued after the allotment	20,000 shares
(4) Date of payment	April 1, 2025 (expected)
(5) The number of shares retained by the Company following the Share Transfer and the Third-party Allotment	16,000 shares (approximately 80% voting rights ownership)

2. Effect of the event on financial results

Due to this event, the Company expects to record gain on sale of shares of subsidiaries and associates of approximately

3. Supplementary information

(1) Supplementary information on consolidated earnings forecasts for the fiscal year ending March 31, 2025

(i) Revenue and business profit (loss)

Billions of yen

Reportable segment	Forecast for the year ending March 31, 2025 (fiscal 2024)						Year ended March 31, 2024 (fiscal 2023) (Actual)	
	Revised forecast (A)		Forecast issued August 6, 2024 (B)		Change (A – B)		Revenue	Business profit (loss)
	Revenue	Business profit (loss)	Revenue	Business profit (loss)	Revenue	Business profit (loss)		
Aerospace Systems	570.0	52.0	580.0	45.0	(10.0)	7.0	396.1	(15.0)
Rolling Stock	210.0	7.0	210.0	7.0	-	-	195.9	3.7
Energy Solution & Marine Engineering	400.0	32.0	410.0	30.0	(10.0)	2.0	353.2	31.9
Precision Machinery & Robot	240.0	8.0	230.0	7.0	10.0	1.0	227.9	(1.9)
Powersports & Engine	660.0	51.0	720.0	68.0	(60.0)	(17.0)	592.4	48.0
Other	100.0	5.0	100.0	5.0	-	-	83.5	1.1
Adjustments		(25.0)		(32.0)		7.0		(21.7)
Total	2,180.0	130.0	2,250.0	130.0	(70.0)	-	1,849.2	46.2

(ii) Orders received

Billions of yen

Reportable segment	Forecast for the year ending March 31, 2025 (fiscal 2024)			Year ended March 31, 2024 (fiscal 2023) (Actual)
	Revised forecast (A)	Forecast issued August 6, 2024 (B)	Change (A – B)	
Aerospace Systems	770.0	790.0	(20.0)	692.6
Rolling Stock	160.0	160.0	-	88.7
Energy Solution & Marine Engineering	500.0	400.0	100.0	401.6
Precision Machinery & Robot	240.0	240.0	-	213.3
Powersports & Engine	660.0	720.0	(60.0)	592.4
Other	100.0	100.0	-	94.5
Total	2,430.0	2,410.0	20.0	2,083.4

Note: 1. Assumed exchange rate for the fiscal year ending March 31, 2025: ¥140/USD, ¥150/EUR

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