

# Financial Results for Second Quarter FY2019 (for the year ending March 31, 2020)

October. 31, 2019

Kawasaki Heavy Industries, Ltd.



MEMBERSHIP

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# Summary of Financial Results

	[Billion Yen]		
	FY2018 2Q	FY2019 2Q	Change
Orders Received	※ 730.4	<b>657.3</b>	- 73.1
Net Sales	688.1	<b>736.5</b>	+ 48.4
Operating Income	8.4	<b>8.6</b>	+ 0.2
Recurring Profit	0.2	<b>0.8</b>	+ 0.6
Net Income (loss) Attributable to Owners of Parent	-3.5	<b>-3.7</b>	- 0.1

※Revised order received of FY2018 2Q due to a change and a refinement of calculation methods of order received in the Precision Machinery & Robot segment (719.8 billion yen → 730.4 billion yen)

<Weighted-average exchange rates>

Yen/US\$	109.80	<b>108.45</b>
Yen/EUR	128.93	<b>122.84</b>

## vs. FY2018.2Q

### • Orders Received

- Decreased mainly in Aerospace systems segment

### • Net Sales

- Increased as a whole due to an increase in Aerospace Systems and Rolling Stock segment and other factors, despite a decrease in Energy System & Plant Engineering and other factors

### • Profits

- Operating income remained as a whole due to a decrease in Precision Machinery & Robot segment, despite an increase in Energy System & Plant Engineering and an improvement in Rolling Stock segments
- Recurring profit increased due to a decrease payment for jet engines despite an increase in losses on foreign exchange
- Net income attributable to owners of parent remained due to an increase in tax expense despite recognized extraordinary income from sales of fixed assets

### (Appendix)

#### Net Sales in Foreign Currencies for Second Quarter FY2019

[Billion]

US\$	EUR
1.00	0.11

# Financial Results by Segment

[Billion Yen]

	Orders Received			Net Sales			Operating Income		
	FY2018 2Q	<b>FY2019 2Q</b>	Change	FY2018 2Q	<b>FY2019 2Q</b>	Change	FY2018 2Q	<b>FY2019 2Q</b>	Change
Aerospace Systems	201.1	<b>158.7</b>	- 42.3	210.2	<b>250.8</b>	+ 40.6	9.4	<b>9.7</b>	+ 0.2
Energy System & Plant Engineering	146.7	<b>124.0</b>	- 22.7	103.9	<b>95.6</b>	- 8.3	2.2	<b>5.0</b>	+ 2.8
Precision Machinery & Robot	※ <sup>1</sup> 115.4	<b>104.6</b>	- 10.8	102.1	<b>98.2</b>	- 3.9	9.6	<b>3.2</b>	- 6.4
Ship & Offshore Structure	16.5	<b>26.5</b>	+ 10.0	39.7	<b>37.1</b>	- 2.6	1.2	<b>-1.4</b>	- 2.7
Rolling Stock	60.5	<b>39.1</b>	- 21.3	45.4	<b>59.3</b>	+ 13.8	-8.8	<b>-4.3</b>	+ 4.5
Motorcycle & Engine	144.4	<b>147.2</b>	+ 2.8	144.4	<b>147.2</b>	+ 2.8	-4.6	<b>-3.3</b>	+ 1.2
Others	45.6	<b>57.0</b>	+ 11.4	42.1	<b>48.1</b>	+ 5.9	1.0	<b>0.8</b>	- 0.1
Eliminations and corporate <sup>※2</sup>	-	-	-	-	-	-	-1.6	<b>-0.9</b>	+ 0.6
Total	※ <sup>1</sup> 730.4	<b>657.3</b>	- 73.1	688.1	<b>736.5</b>	+ 48.4	8.4	<b>8.6</b>	+ 0.2

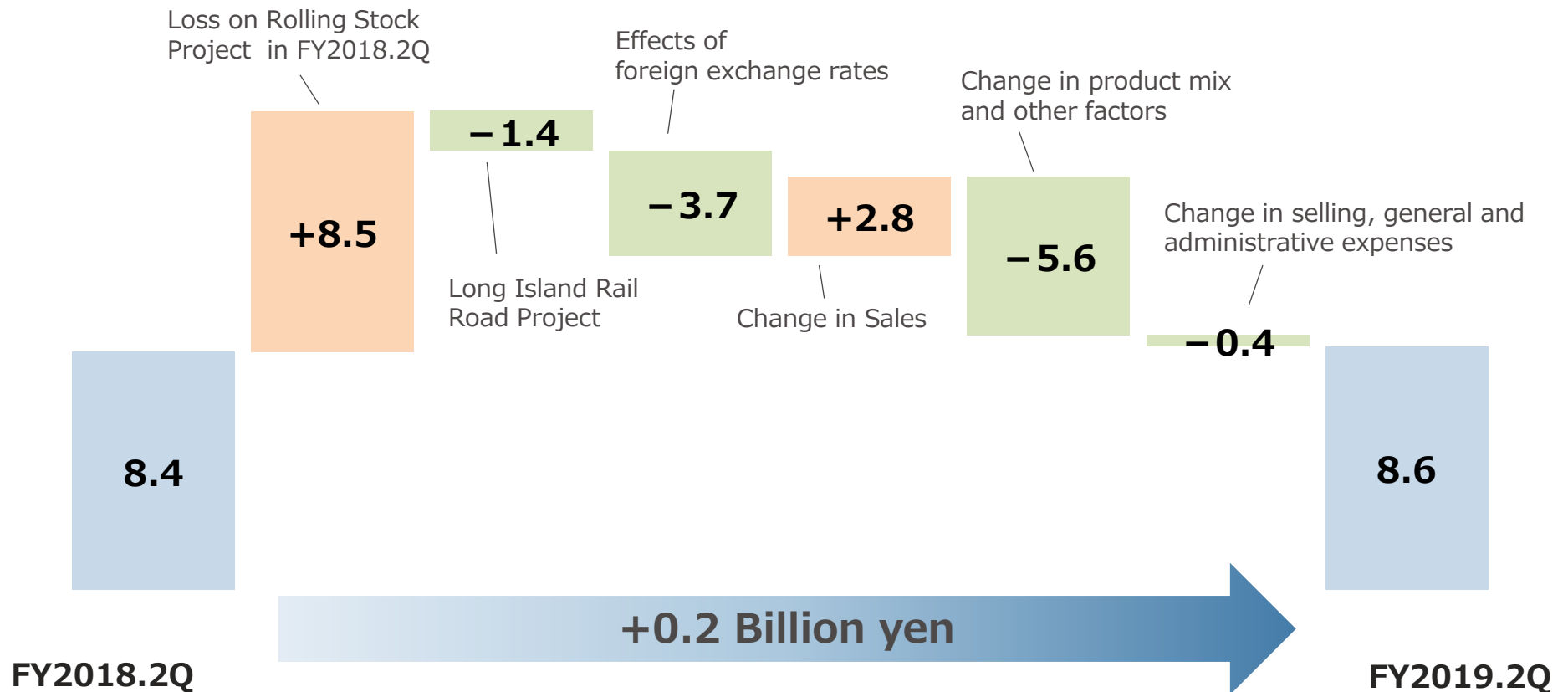
※<sup>1</sup> Revised order received in FY2018 2Q of Precision Machinery & Robot segment due to change in calculation method of order received and refinement  
Precision Machinery & Robot (before) 104.8 (after) 115.4  
Total (before) 719.8 (after) 730.4

※<sup>2</sup> "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

## • Operating Profit

+0.2Billion yen (FY2018.2Q 8.4 Billion yen ⇒ FY2019.2Q 8.6 Billion yen)

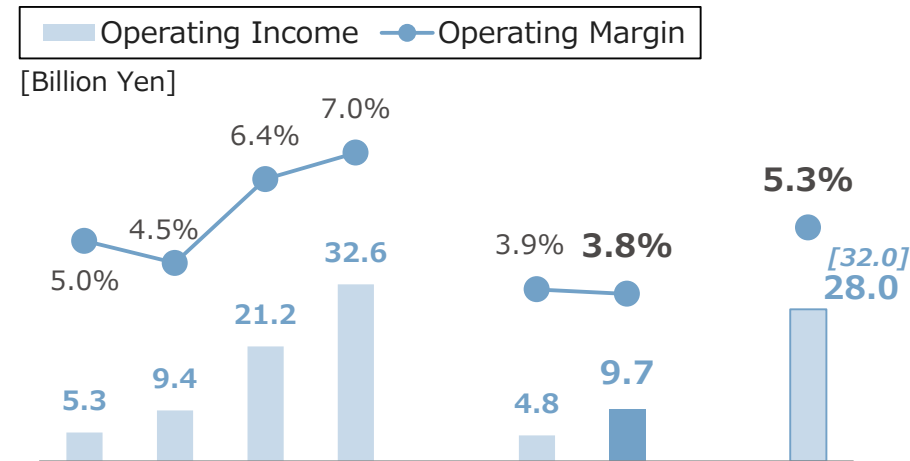
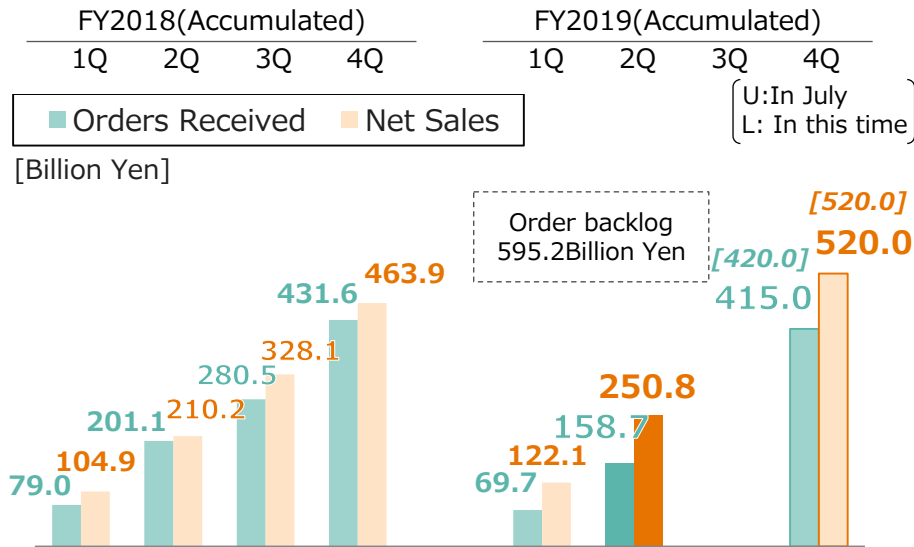


# Summary of Income Statement

	[Billion Yen]				
			( FY2018.2Q	⇒	FY2019.2Q )
<b>Operating Income</b>	<b>+</b>	<b>0.2</b>	<b>( 8.4</b>	<b>⇒</b>	<b>8.6 )</b>
• Net Sales	+	48.4	( 688.1	⇒	736.5 )
• Cost of sales	+	47.7	( 581.9	⇒	629.7 )
• Selling, general & administrative expenses	+	0.4	( 97.6	⇒	98.1 )
- Salaries and benefits	+	0.8	( 26.5	⇒	27.3 )
- R&D expenses	+	2.4	( 21.2	⇒	23.7 )
<b>Non-operating Income / Expenses</b>	<b>+</b>	<b>0.3</b>	<b>( -8.2</b>	<b>⇒</b>	<b>-7.8 )</b>
• Net Interest expense (incl. dividend income)	-	0.2	( -1.1	⇒	-1.3 )
• Equity in income of unconsolidated subsidiaries and affiliates	+	0.1	( 0.8	⇒	0.9 )
• Gain and loss on foreign exchange	-	8.8	( 3.1	⇒	-5.7 )
• Payments for the in-service issues of commercial aircraft jet engines	+	8.5	( -9.7	⇒	-1.1 )
• Others	+	0.8	( -1.2	⇒	-0.4 )
<b>Extraordinary Income / Losses</b>	<b>+</b>	<b>1.2</b>	<b>( -</b>	<b>⇒</b>	<b>1.2 )</b>
Extraordinary Income	+	1.2	( -	⇒	1.2 )
- Gain on sales of fixed assets	+	1.2	( -	⇒	1.2 )

# 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



## FY2019 2Q (vs. FY2018 2Q)

- **Orders Received:** Decreased due to a decrease in aircrafts for MOD and component parts for commercial aircrafts despite keeping high standard of component parts for commercial aircraft jet engines
- **Net Sales:** Increased due to an increase in aircrafts for MOD, component parts for commercial aircrafts and component parts for commercial aircraft jet engines
- **Operating Income:** Remained at the same level due to an increase in R&D expense for component parts for commercial aircraft jet engines, despite an increase in sales

## FY2019 Forecast (vs. Forecast in July)

- **Orders Received:** Decreased due to revising assumed foreign exchange rate
- **Net Sales:** Remained due to an increase in aircrafts for MOD, despite affected by revising assumed foreign exchange rate
- **Operating Income:** Decreased due to revising assumed foreign exchange rate

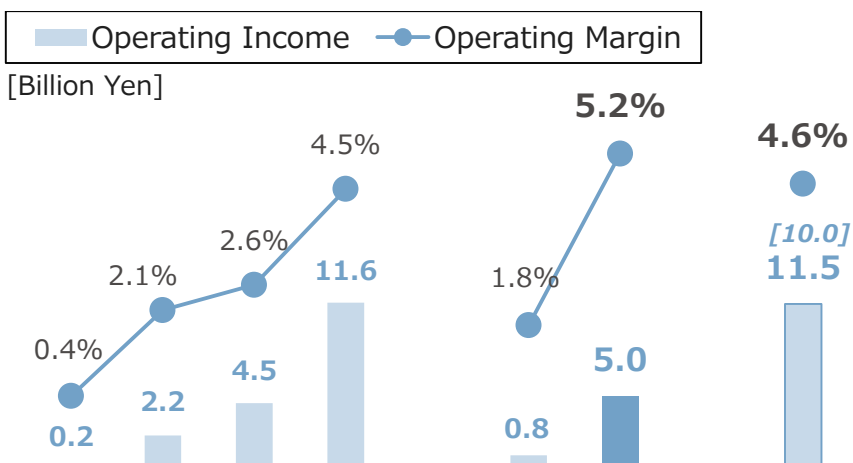
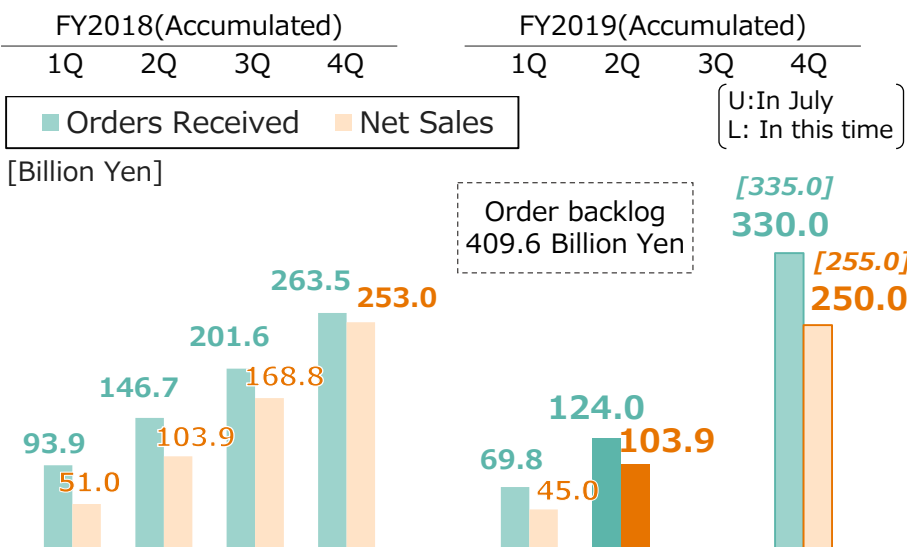
## Sales units of component parts for commercial aircraft [Unit]

	FY2018 2Q	FY2019 2Q
Boeing 767	16	17
Boeing 777	19	25
Boeing 777X	3	6
Boeing 787	70	85

	FY2017 Actual	FY2018 Actual	FY2019 Forecast	
			In July	In This Time
Before-tax ROIC	7.8%	5.0%	8.0%	6.0%

# 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



## FY2019.2Q (vs. FY2018.2Q)

- **Orders Received:** Decreased compared to FY2018 2Q when received orders for CCPP and LNG tanks in domestic market and other factors, despite orders received for major repair work on domestic municipal waste incineration plants and other factors
- **Net Sales:** Decreased due to a decrease in construction works of energy business and municipal waste incineration plants and other factors
- **Operating Income:** Increased due to an improvement in profitability of chemical plants for overseas market and energy business, and other factors, despite revenue decrease

## FY2019 Forecast (vs. Forecast in July)

- **Orders Received:** Decreased due to time lag of projects of energy businesses, and other factors
- **Net Sales:** Same as above
- **Operating Income:** Increased due to improvement in profitability of chemical plants for overseas market

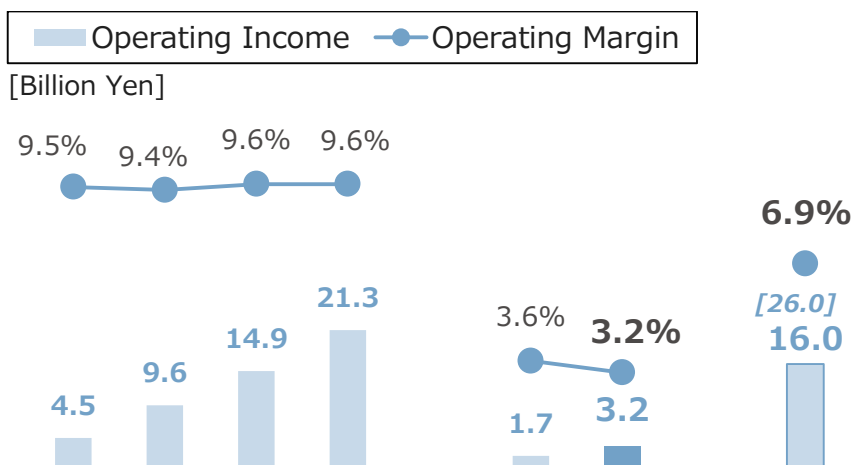
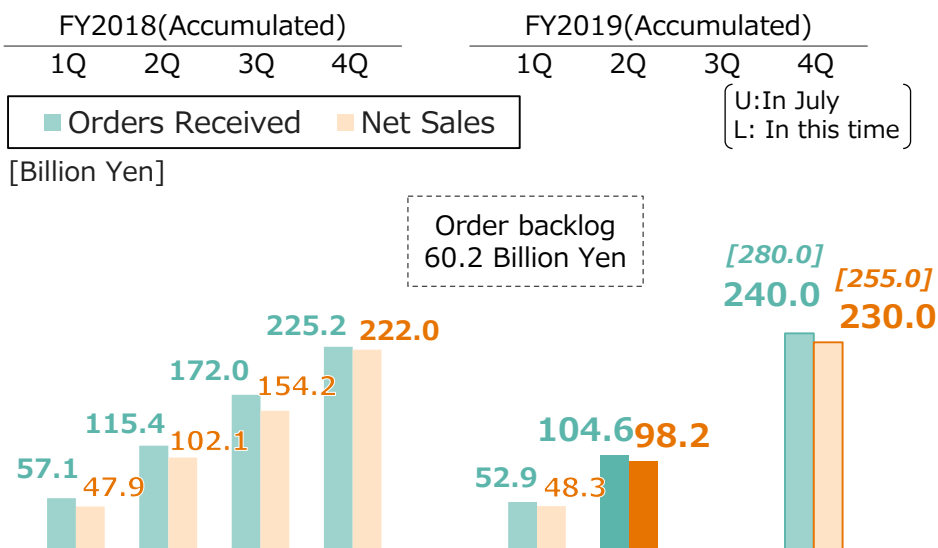
	FY2017 Actual	FY2018 Actual	FY2019 Forecast	
			In July	In This Time
Before-tax ROIC	8.0%	9.3%	7.6%	7.1%

※1. CCPP = Combined Cycle Power Plant



# 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



## FY2019.2Q (vs. FY2018.2Q)

- **Orders Received:** Decreased due to a decrease in each series of robots
- **Net Sales:** Same as above
- **Operating Income:** Decrease due to a decrease in sales of robots and an increase in materials cost and R&D expense of hydraulic components for construction machinery

## FY2019 Forecast (vs. Forecast in July)

- **Orders Received:** Decreased due to a decrease in hydraulic components for construction machinery and industrial robots
- **Net Sales:** Same as above
- **Operating Income:** Decreased due to sales decrease

## ※About revised order received in FY2018

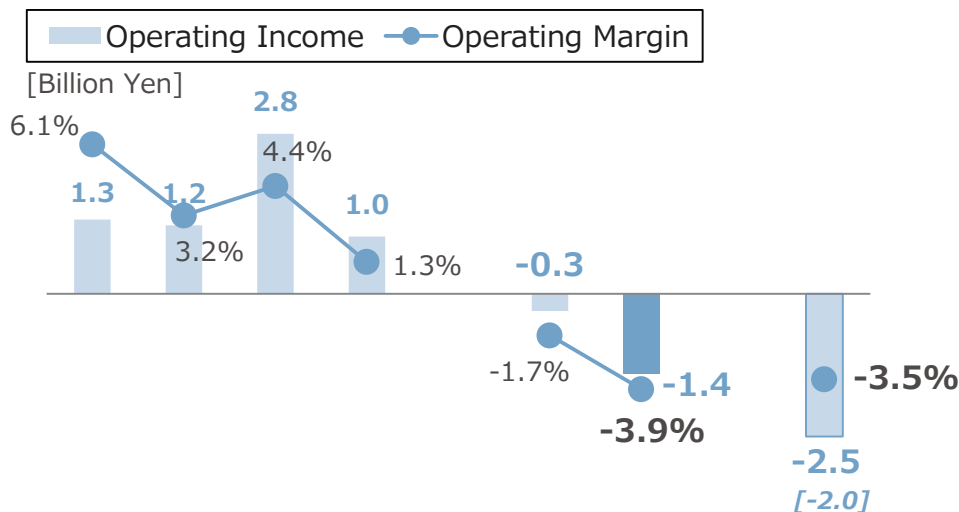
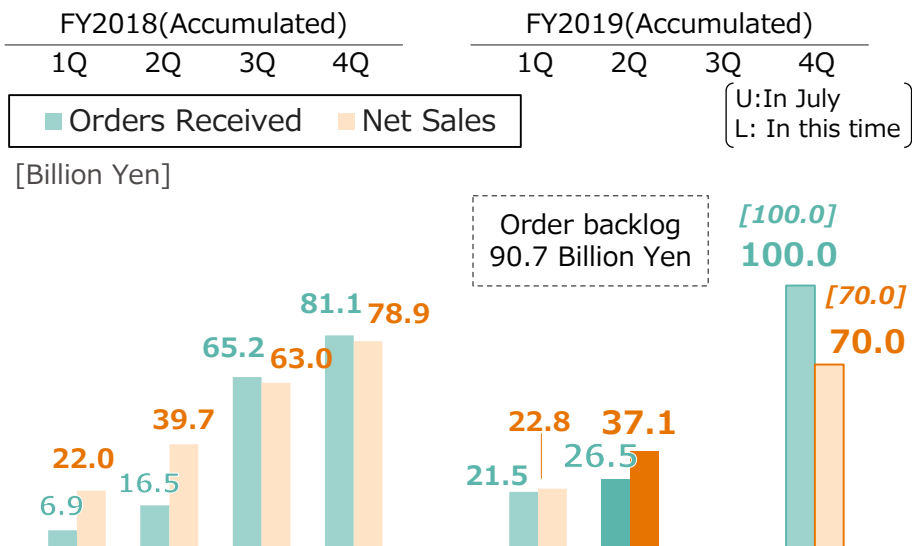
Revised order received in FY2018 as below due to change in calculation method of order received and refinement

	1Q	2Q	3Q	4Q
Before	50.9	104.8	157.3	222.4
After	57.1	115.4	172.0	225.2

	FY2017 Actual	FY2018 Actual	FY2019 Forecast	
			In July	In This Time
Before-tax ROIC	22.9%	19.8%	20.4%	12.2%

# Ship & Offshore Structure

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



## FY2019.2Q (vs. FY2018.2Q)

- Orders Received:** Increased due to orders received for LPG carriers
- Net Sales:** Decreased due to a decrease in construction works of LNG carriers and LPG carriers, despite sales of ship repairs increase
- Operating Income:** Decreased due to a decrease in new building ships and operation losses

## FY2019 Forecast (vs. Forecast on July)

- Orders Received:** No change
- Net Sales:** No change
- Operating Income:** Decreased due to revising assumed foreign exchange rate

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

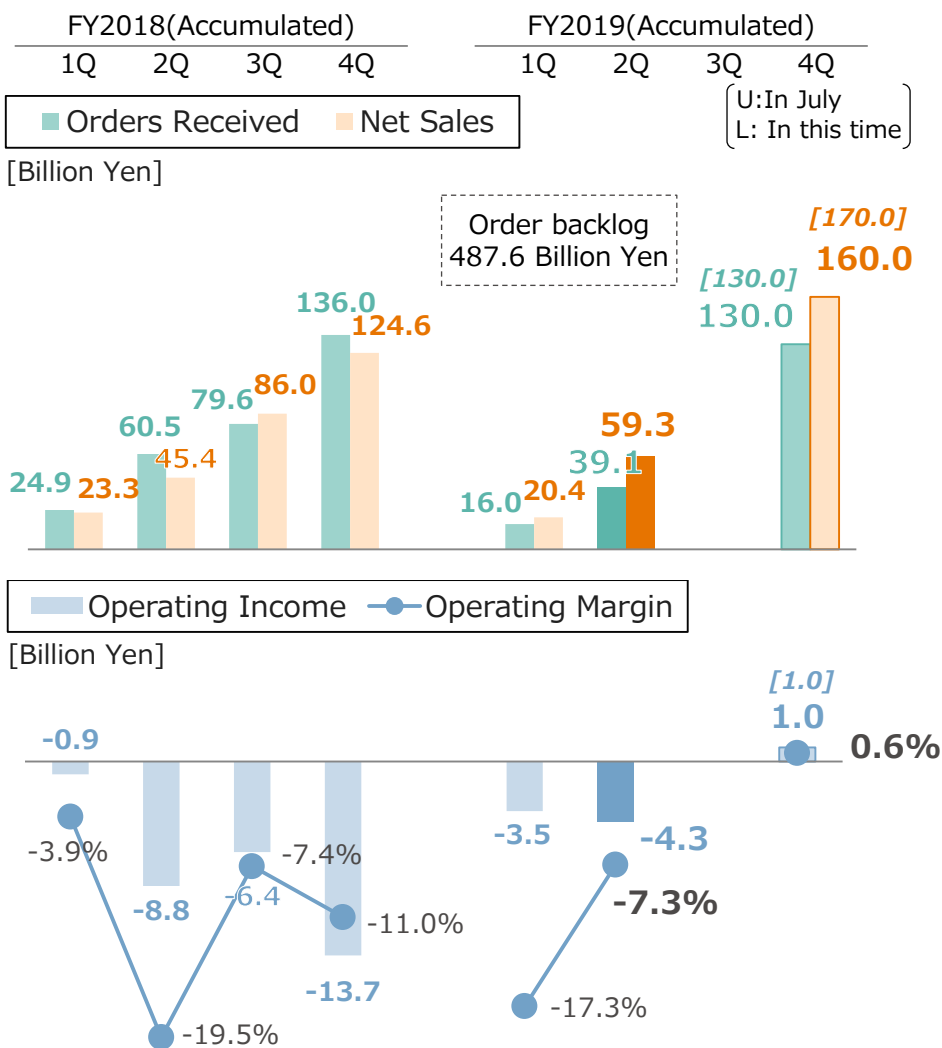
	Orders Received		Sales*		Orders Backlog
	FY2018 2Q	FY2019 2Q	FY2018 2Q	FY2019 2Q	FY2019 2Q
LNG carriers			5	2	1
LPG carriers		2	6	5	5
Submarines			2	2	2
Others	1		2	4	4
<b>Total</b>	<b>1</b>	<b>2</b>	<b>15</b>	<b>13</b>	<b>12</b>

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

	FY2017 Actual	FY2018 Actual	FY2019 Forecast	
			In July	In This Time
Before-tax ROIC	-21.3%	3.2%	-1.4%	-1.8%

# Rolling Stock

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



## FY2019.2Q (vs. FY2018.2Q)

- **Orders Received:** Decreased compared to FY2018 2Q when received orders for passenger cars and refurbishments for the US market, despite orders received for passenger cars for domestic market
- **Net Sales:** Increased due to an increase in passenger cars for domestic and the US market, despite component parts for overseas market decrease
- **Operating Income:** Improved due to a decrease in temporary expense of the US projects incurred in FY2018 2Q and sales increase, despite a deterioration of profitability of some projects

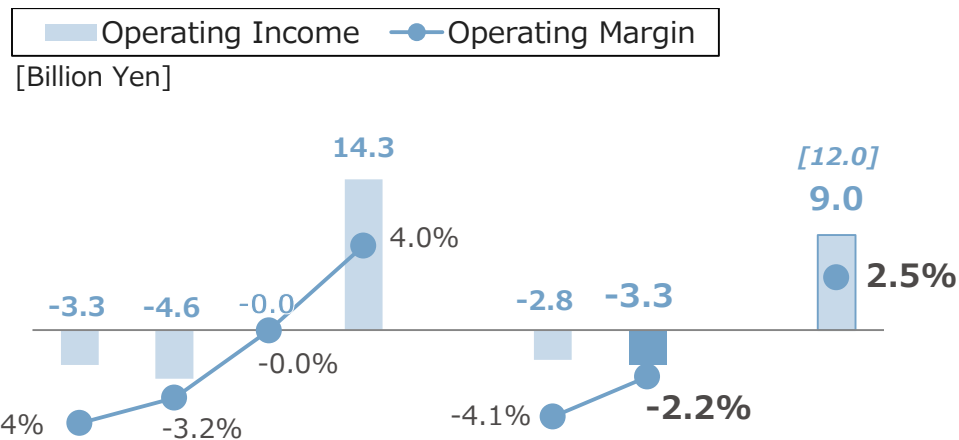
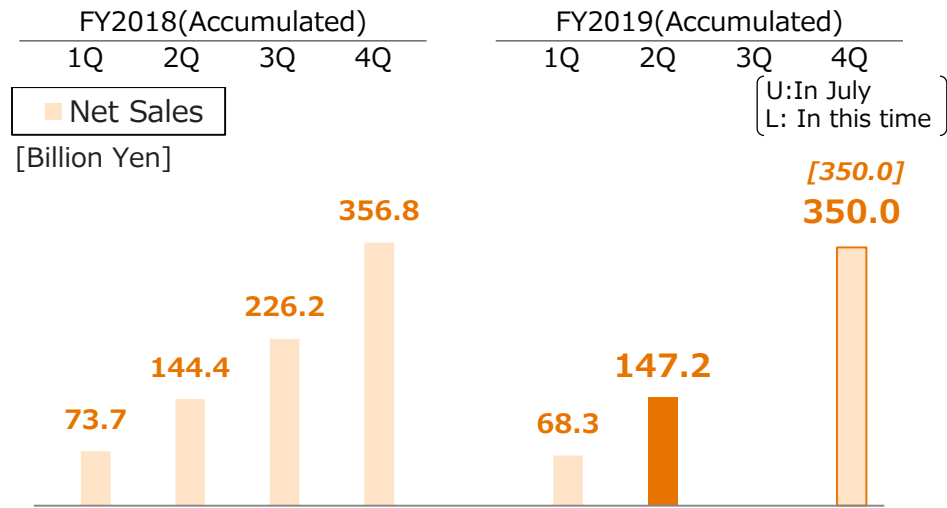
## FY2019 Forecast (vs. Forecast in July)

- **Orders Received:** No change
- **Net Sales:** Decreased due to revision of sales for a US project
- **Operating Income:** No change

	FY2017 Actual	FY2018 Actual	FY2019 Forecast	
			In July	In This Time
Before-tax ROIC	-26.2%	-26.4%	1.6%	1.6%

# Motorcycle & Engine

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



## FY2019.2Q (vs. FY2018.2Q)

- **Net Sales:** Increased due an increase in vehicles in the US market
- **Operating Income:** Improved due to a reaction of the time lag of SG&A expense and of the temporary increase in SG&A expense compared to FY 2018 2Q, and sales increase

## FY2019 Forecast (vs. Forecast in July)

- **Net Sales:** No change
- **Operating Income:** Decreased due to revising assumed foreign exchange rate

## Wholesales by Product

[Thousands of units, Billion Yen]

	FY2018 2Q		FY2019 2Q	
	Unit	Amount	Unit	Amount
Motorcycles for developed contries	64	50.7	67	50.3
Motorcycles for emerging market	163	39.1	158	36.2
Utility Vehicles, ATVs & PWC	30	33.2	32	38.6
General-purpose gasoline engines		21.4		22.1
Total	257	144.4	257	147.2

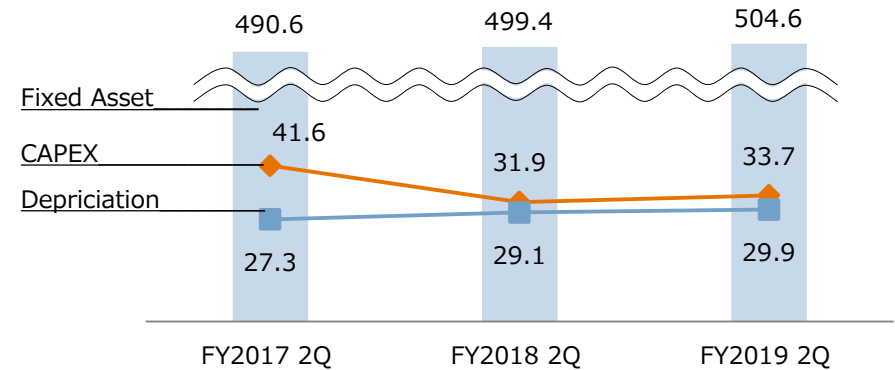
	FY2017 Actual	FY2018 Actual	FY2019 Forecast	
			In July	In This Time
Before-tax ROIC	9.4%	8.4%	8.4%	5.7%

# Summary of Balance Sheet

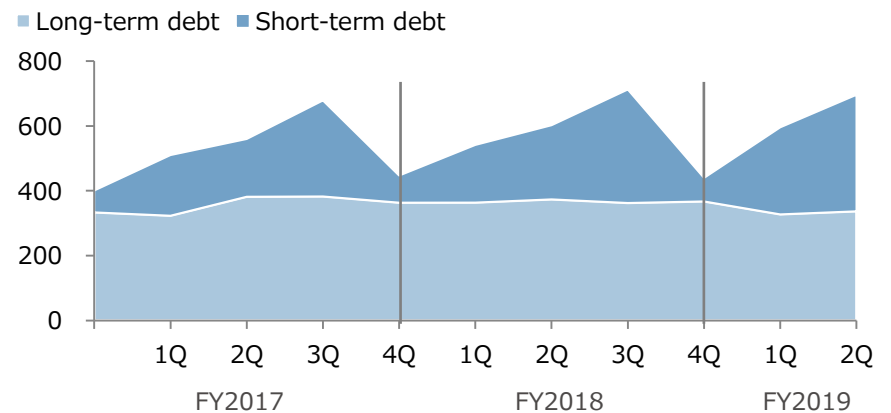
	[Billion Yen]		
	End of Mar. 2019	End of Sep. 2019	Change
Cash on hand and in banks	74.3	41.7	- 32.5
Trade receivables	427.6	520.3	+ 92.6
Inventories	592.8	626.7	+ 33.9
Total fixed assets	502.4	504.6	+ 2.1
Others assets	241.5	256.3	+ 14.7
<b>Total assets</b>	<b>1,838.8</b>	<b>1,949.7</b>	<b>+ 110.9</b>
Trade payables	370.2	320.1	- 50.1
Interest-bearing debt	439.4	695.6	+ 256.2
Advances from customers	181.4	159.7	- 21.6
Other liabilities	355.4	300.9	- 54.4
<b>Total liabilities</b>	<b>1,346.5</b>	<b>1,476.6</b>	<b>+ 130.0</b>
Total shareholders' equity	483.5	468.9	- 14.5
Other net assets	8.7	4.2	- 4.5
<b>Total net assets</b>	<b>492.2</b>	<b>473.1</b>	<b>- 19.0</b>
<b>Total liabilities &amp; net assets</b>	<b>1,838.8</b>	<b>1,949.7</b>	<b>+ 110.9</b>
Ratio of shareholders' equity to total assets	25.9%	23.4%	
Net D/E Ratio	76.6%	142.9%	

- Assets increased due to an increase in working capital in Aerospace Systems segment and other factors
- Liabilities increased as a whole due to an increase in interest-bearing debt by an increase in working capital, despite trade payables decrease
- Net assets decreased due to a decrease in payment of dividend, in foreign currency translation adjustment, and other factors

Change in CAPEX and others [Billion Yen]



Change in interest-bearing debt [Billion Yen]



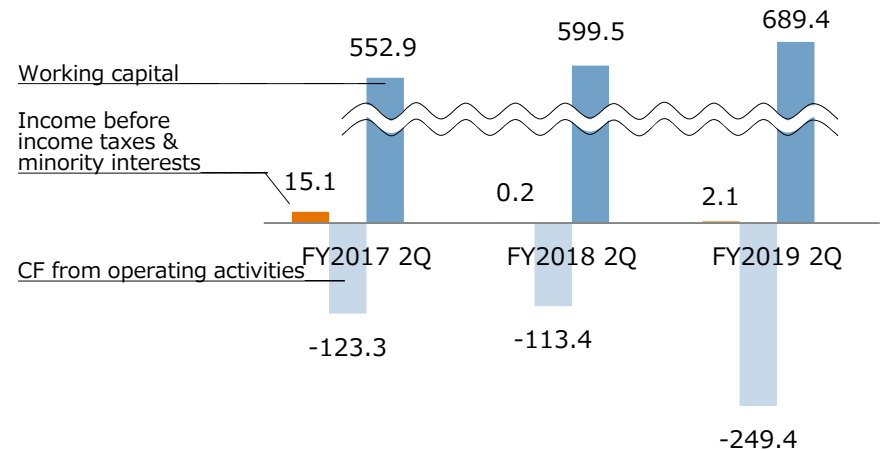
# Summary of Cash Flows

[Billion Yen]

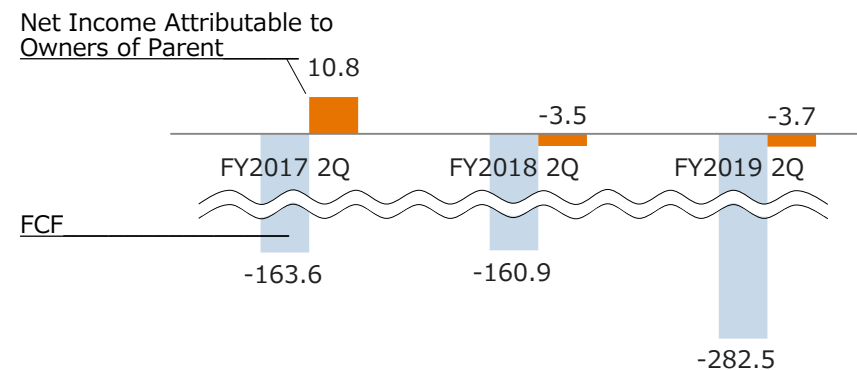
	FY2018 2Q	FY2019 2Q	Change
Cash flows from operating activities	-113.4	-249.4	- 136.0
Cash flows from investing activities	-47.5	-33.0	+ 14.5
Free Cash Flows	-160.9	-282.5	- 121.5
Cash flows from financing activities	149.3	249.9	+ 100.6

- Cash flows from operating activities deteriorated due to an increase in working capital in Aerospace Systems segment
- Cash flows from investing activities improved due to a decrease in CAPEX in Aerospace Systems segment
- Given the above mentioned changes, free cash flows deteriorated

## 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]

	FY2018 Actual	FY2019		Change	
		In July	※2 In This Time	vs. FY2018	vs. In July
Orders Received	※1 1,588.7	1,700.0	<b>1,650.0</b>	+ 61.3	- 50.0
Net Sales	1,594.7	1,700.0	<b>1,660.0</b>	+ 65.3	- 40.0
Operating Income	64.0	72.0	<b>56.0</b>	- 8.0	- 16.0
Recurring Profit	37.8	61.0	<b>41.0</b>	+ 3.2	- 20.0
Net Income Attributable to Owners of Parent	27.4	38.0	<b>25.0</b>	- 2.4	- 13.0
Before-tax ROIC	4.5%	6.7%	<b>4.8%</b>	+ 0.3%	- 1.9%
ROE	5.8%	7.8%	<b>5.2%</b>	- 0.6%	- 2.6%
Dividend(per share)	70 yen	70 yen	<b>70 yen</b>	-	-

※1 Revised order received in FY2018 of Precision Machinery & Robot segment due to change in calculation method of order received and refinement (1585.9 billion yen → 1588.7 billion yen)

※2 Orders received, net sales, recurring profit, and net income attributable to owners of profit has not changed from September 30, 2019

<Exchange Rates: Actual and Assumed※3 >

Yen/US\$	110.77	110.00	<b>107.00</b>
Yen/EUR	128.33	125.00	<b>118.00</b>

※3 Assumed rates are applied to the outstanding foreign exchange exposure as of October 31, 2019

## Reasons for the Revision

### • Orders Received

- Decreased due to a decrease in Precision Machinery & Robot segments

### • Net Sales

- Decreased due to a decrease in Precision Machinery & Robot and Rolling Stock segments, and other factors

### • Profit

- Operating income decreased as a whole due to revising assumed foreign exchange rate and to a decrease in Precision Machinery & Robot segments
- Recurring profit and net income attributable to owners of parent decreased due to a decrease in operating income and losses on foreign exchange by revising assumed foreign exchange rate, and other factors

## (Appendix)

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

[Billion Yen]

	Operating Income	Recurring Profit
US\$	1.50	1.69
EUR	0.14	0.12

# Forecast by Segment

[Billion Yen]

	Orders Received				Net Sales				Operating Income			
	FY2018 Actual	FY2019 Forecast			FY2018 Actual	FY2019 Forecast			FY2018 Actual	FY2019 Forecast		
		In July	In This Time	Change vs. In July		In July	In This Time	Change vs. In July		In July	In This Time	Change vs. In July
Aerospace Systems	431.6	420.0	415.0	- 5.0	463.9	520.0	520.0	-	32.6	32.0	28.0	- 4.0
Energy System & Plant Engineering	263.5	335.0	330.0	- 5.0	253.0	255.0	250.0	- 5.0	11.6	10.0	11.5	+ 1.5
Precision Machinery & Robot	※1 225.2	280.0	240.0	- 40.0	222.0	255.0	230.0	- 25.0	21.3	26.0	16.0	- 10.0
Ship & Offshore Structure	81.1	100.0	100.0	-	78.9	70.0	70.0	-	1.0	-2.0	-2.5	- 0.5
Rolling Stock	136.0	130.0	130.0	-	124.6	170.0	160.0	- 10.0	-13.7	1.0	1.0	-
Motorcycle & Engine	356.8	350.0	350.0	-	356.8	350.0	350.0	-	14.3	12.0	9.0	- 3.0
Others	94.2	85.0	85.0	-	95.1	80.0	80.0	-	2.5	1.0	1.0	-
Eliminations and corporate※2	-	-	-	-	-	-	-	-	-5.7	-8.0	-8.0	-
Total	※1 1,588.7	1,700.0	1,650.0	- 50.0	1,594.7	1,700.0	1,660.0	- 40.0	64.0	72.0	56.0	- 16.0

※1 Revised order received of FY2018 due to a change and a refinement of calculation methods of order received in the Precision Machinery & Robot segment

Precision Machinery & Robot (before) 222.4 (after) 225.2

Total (before) 1585.9 (after) 1588.7

※2 "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 (EBIT/Invested Capital)				Operating Margin (Operating Income/Net Sales)				Asset Turnover(Times) (Net Sales/Total Assets)			
	FY2018 Actual	FY2019 Forecast			FY2018 Actual	FY2019 Forecast			FY2018 Actual	FY2019 Forecast		
		In July	In This Time	Change vs. In July		In July	In This Time	Change vs. In July		In July	In This Time	Change vs. In July
Aerospace Systems	5.0%	8.0%	6.0%	- 2.0%	7.0%	6.1%	5.3%	- 0.8%	0.71	0.72	0.73	+ 0.01
Energy System & Plant Engineering	9.3%	7.6%	7.1%	- 0.5%	4.5%	3.9%	4.6%	+ 0.7%	0.83	0.80	0.81	+ 0.01
Precision Machinery & Robot	19.8%	20.4%	12.2%	- 8.2%	9.6%	10.2%	6.9%	- 3.3%	1.08	1.20	1.19	- 0.01
Ship & Offshore Structure	3.2%	-1.4%	-1.8%	- 0.4%	1.3%	-2.8%	-3.5%	- 0.7%	0.64	0.51	0.58	+ 0.07
Rolling Stock	-26.4%	1.6%	1.6%	-	-11.0%	0.5%	0.6%	+ 0.1%	0.59	0.97	0.80	- 0.17
Motorcycle & Engine	8.4%	8.4%	5.7%	- 2.7%	4.0%	3.4%	2.5%	- 0.9%	1.25	1.29	1.27	- 0.02
Total	4.5%	6.7%	4.8%	- 1.9%	4.0%	4.2%	3.3%	- 0.9%	0.86	0.92	0.90	- 0.02

# R&D/CAPEX/Number of Employees

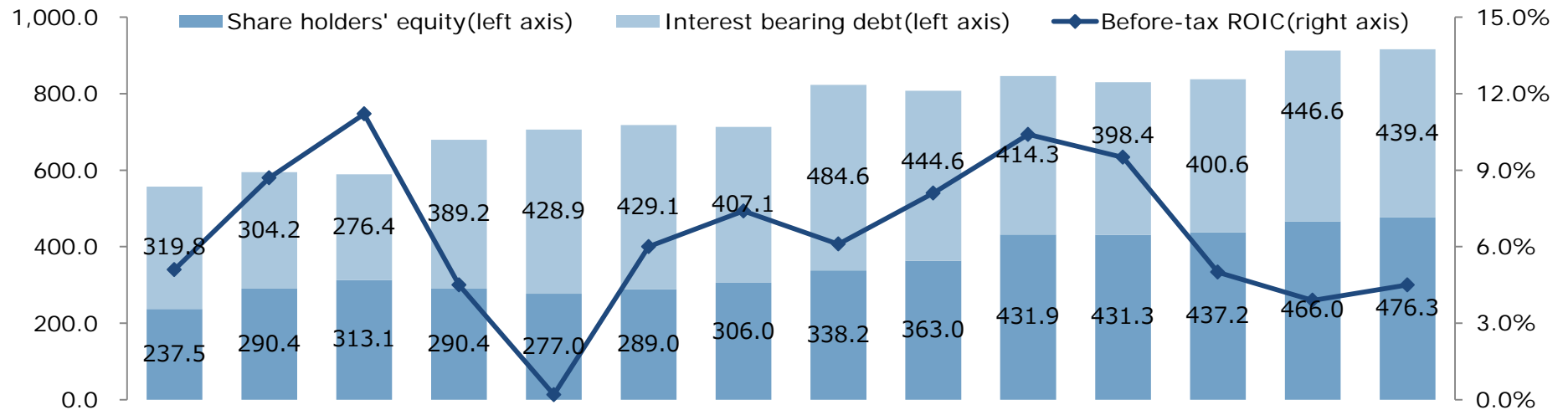
[Billion Yen/Persons]

	FY2018 Actual	FY2019 Forecast			
		In July	In This Time	Change vs. In July	
R&D Expenses	48.7	60.0	59.0	– 1.0	
CAPEX (Construction Base) <sup>※</sup>	66.9	83.0	77.0	– 6.0	
Depreciation and Amortization <sup>※</sup>	59.0	62.0	61.5	– 0.5	
	Domestic	26,171	27,170	26,800	– 370
	Overseas	9,520	9,910	9,800	– 110
Number of Employees	35,691	37,080	36,600	– 480	

※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]	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Before-tax ROIC	5.1%	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%
Invested Capital	557.3	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
Net Sales	1,322.4	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	<b>1,594.7</b>
Operating Profit	41.7	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
Recurring Profit	30.8	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
Net Income Attributable to Owners of Parent	16.4	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
Yen/US\$	112	117	115	101	93	86	79	82	99	109	118	108	110	110

# Market Overview (1/2)

## Aerospace Systems

- In military aircraft business, there is a certain demand within tight defense budget.
- In commercial aircraft business, the demand for component parts of aircrafts and aircraft jet engines increases along with the increased number of air passengers.

## Energy System & Plant Engineering

- Overseas, resource developments and investing in oil and natural gas are on the path of recovery.
- In Asia, There is still a demand for energy infrastructure maintenance and the demand for distributed generations increases due to increased willingness to invest in environmental energy and energy conservation
- In Japan, there is still a replacement demand for aging equipment and others of incineration plants and industrial machineries. In terms of distributed generations, there is a large potential demand, but the investment plans are slightly behind schedule in view of the electricity deregulation.

## Precision Machinery & Robot

- In construction machinery markets, estimating that the demand of developing countries will steadily despite some of construction machinery manufactures adjust inventory because of hydraulic excavator demand slowdown in the Chinese market.
- In robots markets, a tough situation continue due to a postponement of capital expenditures in China because of the US-China trade friction and other factors
- In semiconductor markets, estimating that it bottomed out based on information of US equipment manufacturer forecasts and of that Taiwanese major semiconductor manufacturers have started investment.
- Estimating that the demand for robots will steadily expand in the medium to long term

# Market Overview (2/2)

## Ship & Offshore Structure

- New-build vessel price is on the path of moderate recovery and the demand for LNG fueled vessels increases along with strengthening environmental regulations.
- However, the competition is still intense due to stagnant demand for LNG transport vessels along with the LNG projects delay, continuation of assistance programs by South Korean Government, and other factors.

## Motorcycle & Engine

- In motorcycle market, moderate growth continues mainly in Europe and decreased demand in emerging countries is signing bottoming out.
- In utility vehicle market, stable growth continues mainly in US. In addition, general purpose engine market also increases steadily.

## Rolling Stock

- In Japan, there is a steady replacement demand for aging railcars.
- In US, there is a growing new and replacement demand, including New York, which is our focus market.
- In Asia, the demand in emerging market increases along with promoting infrastructure exports by Japanese Government.

# 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.