



**Financial Results for First Quarter FY 2012
(for the year ending March 31, 2013)**

July 31, 2012

Kawasaki Heavy Industries, Ltd.

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Summary of Financial Results



(Billion Yen)

	FY2011.1Q	FY2012.1Q	Change
Orders Received	251.1	271.5	+ 20.3
Net Sales	291.5	283.5	- 8.0
Operating Income	12.3	6.7	- 5.6
Recurring Profit	14.6	11.7	- 2.9
Net Income	9.5	6.0	- 3.5

vs. FY2011.1Q

< Orders Received >

Increased as a whole due to increase in orders received in Plant & Infrastructure and Ship & Offshore Structure segments, despite decrease in orders received in Precision Machinery segment

< Net Sales >

Decreased as a whole due to sales decrease in Motorcycle & Engine and Precision Machinery segments, despite increase in Aerospace segment

< Profits >

Decreased as a whole due to income decrease or deterioration in Precision Machinery and Ship & Offshore Structure segments, despite increase in Aerospace segment

Exchange Rates (weighted-average)

Yen / US\$	82	80
Yen / EUR	119	105

Financial Results by Segment



(Billion Yen)

	Orders Received			Net Sales			Operating Income/Loss		
	FY2011 1Q	FY2012 1Q	Change	FY2011 1Q	FY2012 1Q	Change	FY2011 1Q	FY2012 1Q	Change
Ship & Offshore Structure	17.0	30.3	+ 13.3	27.7	22.7	- 5.0	0.9	- 0.6	- 1.5
Rolling Stock	22.6	25.3	+ 2.7	25.8	28.8	+ 2.9	0	0.1	0
Aerospace	30.6	34.4	+ 3.8	40.0	49.6	+ 9.5	- 0.8	0.8	+ 1.7
Gas Turbine & Machinery	31.3	32.5	+ 1.1	45.5	45.3	- 0.1	3.3	2.6	- 0.7
Plant & Infrastructure	19.1	37.1	+ 18.0	23.8	19.8	- 3.9	0.9	0.1	- 0.8
Motorcycle & Engine	59.6	53.4	- 6.1	59.6	53.4	- 6.1	0.3	- 0.3	- 0.7
Precision Machinery	43.4	28.6	- 14.8	40.4	36.1	- 4.3	7.1	3.9	- 3.1
Others	27.2	29.6	+ 2.3	28.4	27.6	- 0.8	0.9	0.5	- 0.3
Eliminations and corporate	-	-	-	-	-	-	- 0.5	- 0.7	- 0.2
Total	251.1	271.5	+ 20.3	291.5	283.5	- 8.0	12.3	6.7	- 5.6

Note : "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 I

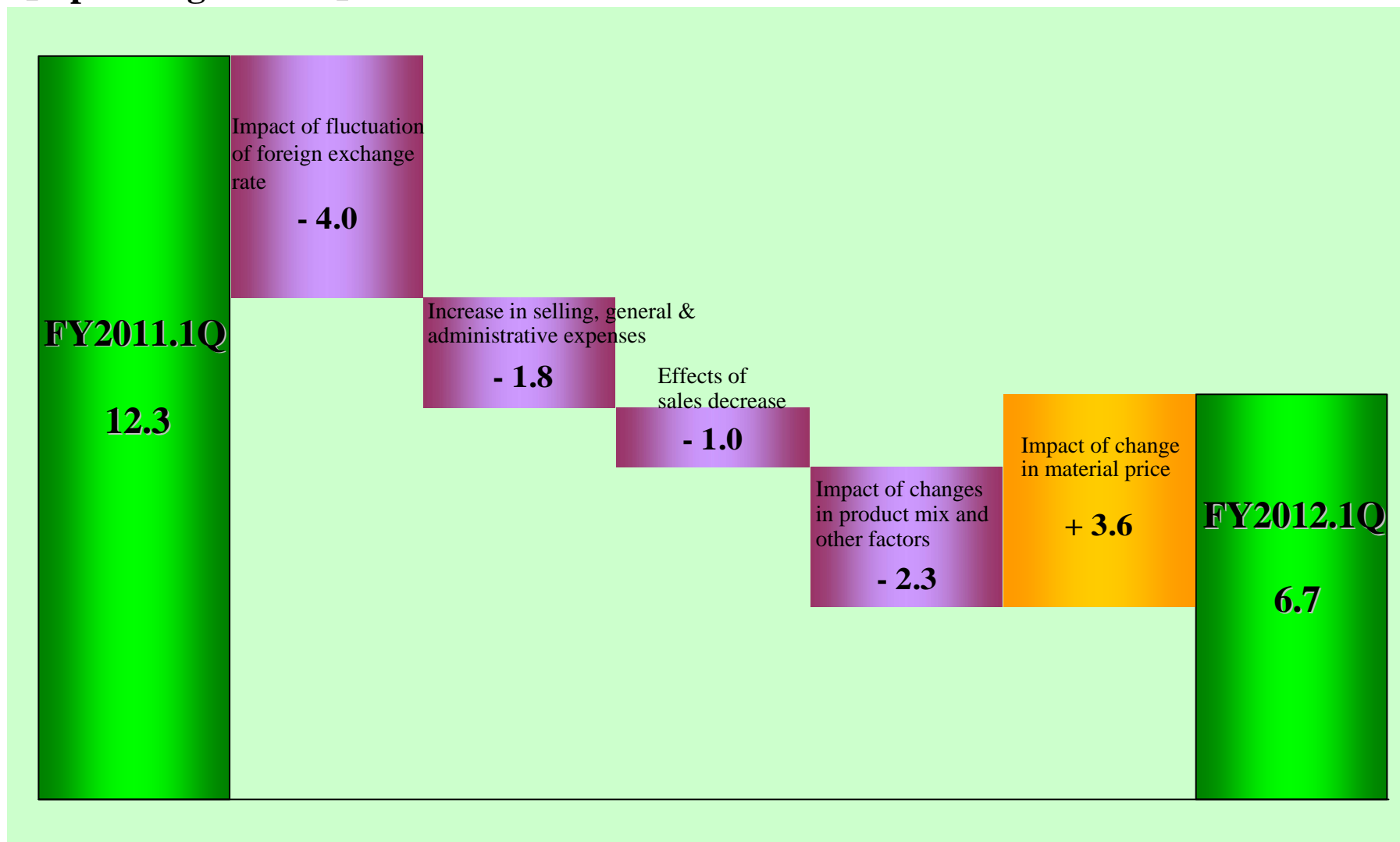
- FY2012.1Q vs. FY2011.1Q -

I. Consolidated Results for First Quarter FY2012



【Operating Income】 - 5.6 (FY2011.1Q 12.3 → FY2012.1Q 6.7)

(Billion Yen)



Details of Change in Profit II

- FY2012.1Q vs. FY2011.1Q -

I. Consolidated Results for First Quarter FY2012



(Billion Yen)

【Non-operating Income/Expenses】 + 2.6 (FY2011.1Q 2.2 → FY2012.1Q 4.9)

Net Interest expense (incl. dividend income)	0	(- 0.4 → - 0.3)
Equity in income of unconsolidated subsidiaries and affiliates	+ 0.1	(2.0 → 2.2)
Gain and loss on foreign exchange	+ 2.3	(0.3 → 2.6)
Others	0	(0.3 → 0.3)

【Extraordinary Income/Losses】 + 0.5 (FY2011.1Q - 0.5 → FY2012.1Q 0)

Loss on impairment of fixed assets	+ 0.5	(<u>- 0.5</u> [*] → 0)
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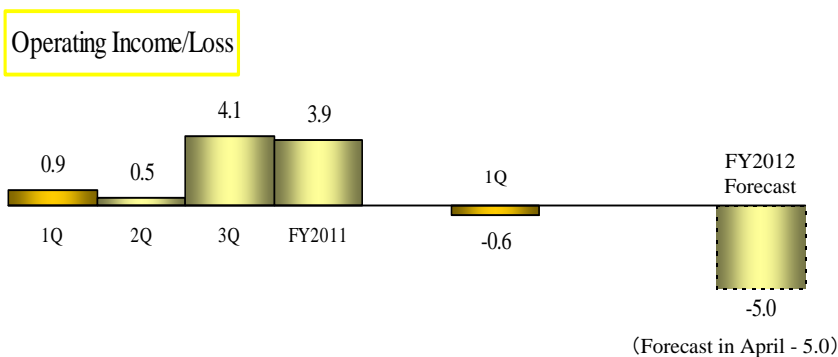
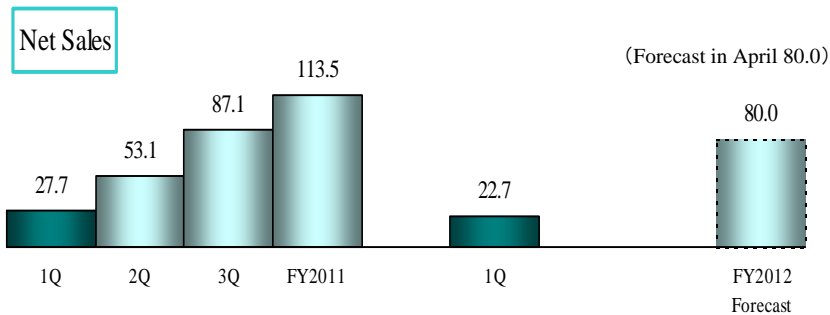
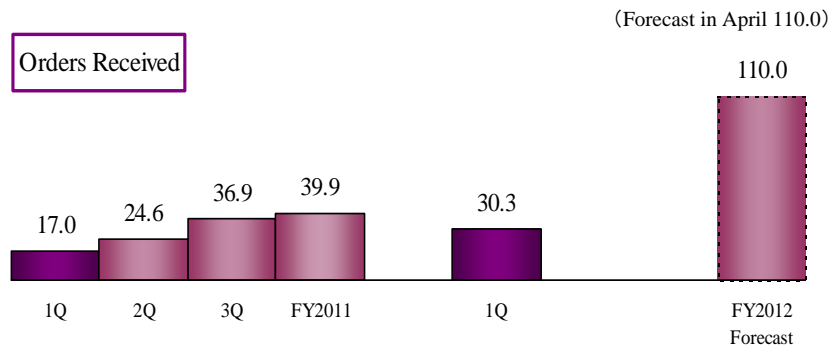
* Loss on impairment of idle assets whose book values were written down to the recoverable amounts

Ship & Offshore Structure



Main Products: LNG carriers, LPG carriers, VLCCs, Bulk carriers, Submarines, Offshore structures

(Billion Yen / In accumulated amount)



◇ **FY2012.1Q** (vs. FY2011.1Q)

Orders Received: Increased significantly due to orders received of a LNG carrier and other vessels

Net Sales: Decreased due to decrease in amount of shipbuilding of large-scale bulk carriers

Operating Income/Loss: Deterioration in profitability due to sales decrease and sales increase in lower margin projects

<Units of Orders Received and Sales of New Building Ships> (unit)

	Orders Received		Sales	
	FY2011.1Q	FY2012.1Q	FY2011.1Q	FY2012.1Q
LNG carriers		1	2 (2)	1 (1)
Small-sized LNG carriers	1		1 (1)	1 (1)
LPG carriers		1	2 (2)	1 (1)
VLCCs				
Bulk carriers	4	1	14 (10)	15 (13)
Submarines			2 (2)	1 (1)
Total	5	3	21 (17)	19 (17)

Note: () = Sales units by percentage-of-completion method

◇ **FY2012 Forecast** (vs. FY2011)

Orders Received: Expected to increase due to orders received of new building ship including gas carriers

Net Sales: Expected to decrease due to stagnation of ship price and decrease in amount of shipbuilding

Operating Income/Loss: Expected to deteriorate in profitability due to sales decrease, the effect of prolonged stagnation of ship price and other factors

<For Reference> **Business Development in Overseas**

NACKS was established in December 1995, as a fifty-fifty joint venture between KHI and China Ocean Shipping (Group) Company (COSCO), one of the world's largest shipping company, and its capacity was expanded in 2008. At NACKS, various types of commercial vessels are built for domestic shipping company such as COSCO as well as for Japanese and European customers.

As a parent company of NACKS, KHI has also supported DACKS, which was initially established by NACKS and COSCO Group, since its establishment in July 2007. In order to make it more competitive and further expand its operations, KHI decided to acquire a 34% stake in DACKS, and this investment was approved by China authority in April 2012.

Meanwhile, KHI decided to participate in a joint venture project for building drill ships etc. in Brazil, where the demand for the drill ships & FPSO for the drilling and production of offshore oil is rapidly increasing, and executed a shareholders agreement with EEP in May 2012.

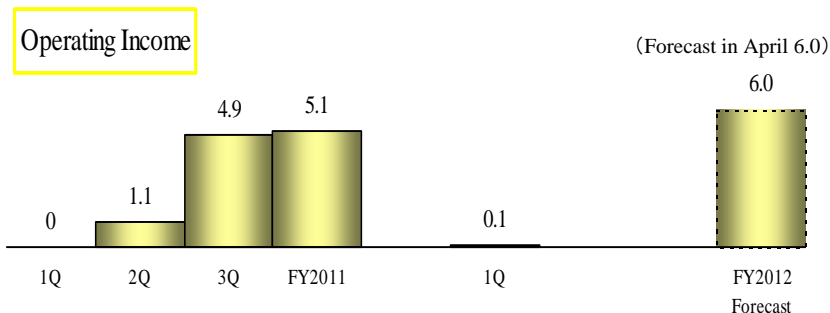
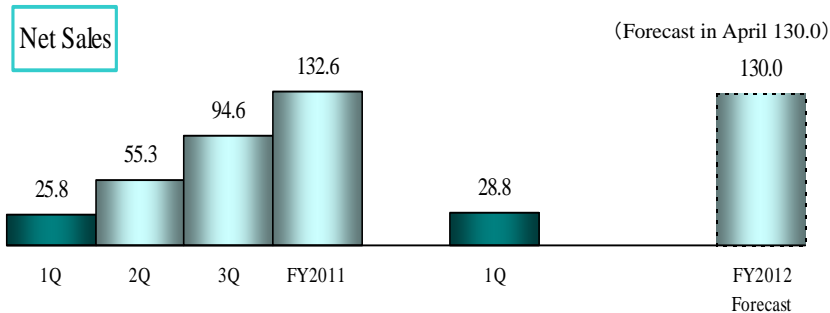
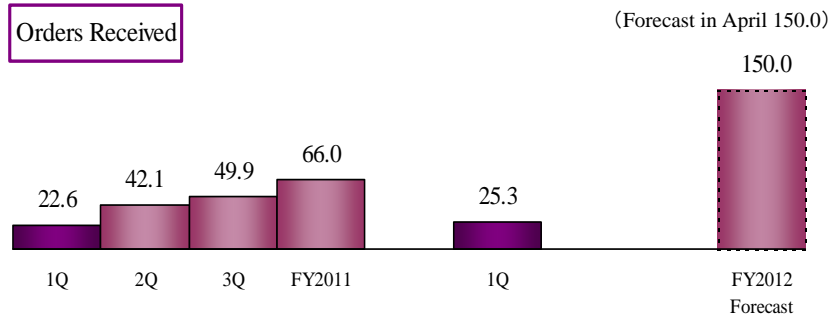
With a view to expanding operations and boosting profitability at two shipyards in China and developing the new shipyard in Brazil as the third overseas shipyard, KHI will further deepen cooperation between its bases at home and three overseas shipyards, and actively pursue shipbuilding by taking advantage of the feature of each shipyard.

Rolling Stock



Main Products : Electric train cars (incl. Shinkansen), Electric and diesel locomotives, Passenger coaches, Platform screen doors, Gigacell® (High-Capacity, Full Sealed Ni-MH Battery)

(Billion Yen / In accumulated amount)



◇ **FY2012.1Q** (vs. FY2011.1Q)

Orders Received: Increase in orders received for overseas market including high-speed rail cars for Taiwan

Net Sales: Increased due to sales increase for North American market and Japan Railways (JR) companies, despite decrease for Asian market

Operating Income: Remained at the same level as in the previous first quarter despite sales increase

◇ **FY2012 Forecast** (vs. FY2011)

Orders Received: Expected to increase due to increase in orders received for JR companies and overseas market

Net Sales: Expected to remain at the same level as in the previous fiscal year with a focus on overseas market

Operating Income: Expected to increase due to cost reduction and other factors

<For Reference> **Present Status of Overseas Projects**

North America

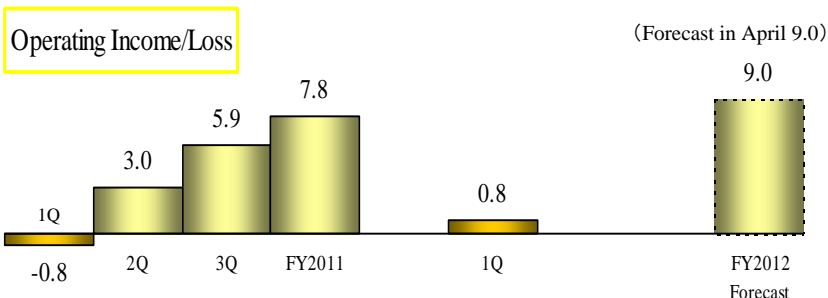
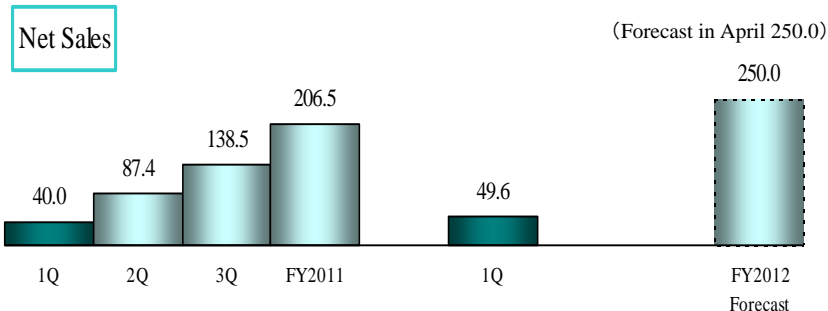
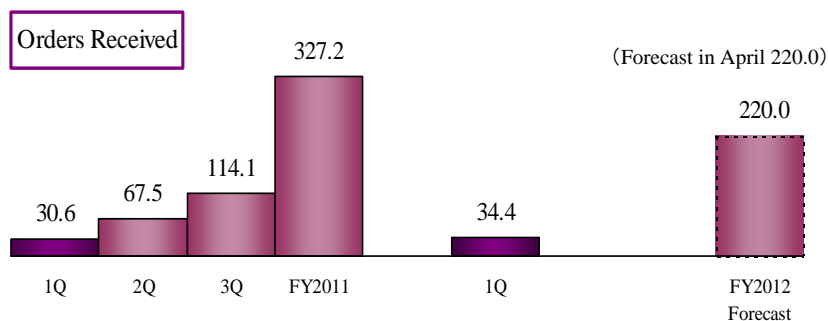
- Working to win orders mainly for heavy rails and commuter rails.
- Extension of product lineup such as efSET® and K-Star Express® to meet demand for Medium- to High-speed rail projects.
- California High-speed Rail: Working with other Japanese companies aiming to win the contract for E&M system including rail cars.

Asia

- There are construction and expansion plans of the urban transport systems in several Asian cities, and High-speed railways projects in India
- KHI received orders of an additional 48 high-speed rail cars from Taiwan High Speed Rail Corporation in May 2012. KHI will expand its high-speed rail business globally based on supply track record at Taiwan High Speed Rail.
- Dedicated Freight Corridor - Western Corridor (Delhi – Mumbai) Japanese ODA project, working to receive orders for electric locomotives and maintenance base facilities and others.

Main Products : Aircrafts for Japan Ministry of Defense, Component parts for commercial aircrafts (Boeing , Embraer), Missiles

(Billion Yen / In accumulated amount)



◇ **FY2012.1Q** (vs. FY2011.1Q)

Orders Received: Increase in orders received for Japan Ministry of Defense (MOD) and component parts for Boeing 777 and 787

Net Sales: Increased due to sales increase for MOD corresponding to the progress of the production of P-1 next-generation patrol aircraft and sales of component parts for Boeing 787

Operating Income/Loss: Increased due to sales increase, cost reduction and other factors

< Sales units of component parts for commercial aircrafts >

	(unit)	
	FY2011.1Q	FY2012.1Q
Boeing 777	21	21
Boeing 767	7	7
Boeing 787	7	10
Embraer170/175	3	6
Embraer190/195	25	21

◇ **FY2012 Forecast** (vs. FY2011)

Orders received: Expected to decrease due to decrease in orders received for MOD, despite increase in component parts for commercial aircrafts

Net Sales: Expected to increase due to increase in sales for MOD and sales of component parts for Boeing 777 and 787

Operating Income/Loss: Expected to increase due to sales increase for MOD and sales increase of component parts for commercial aircrafts

<For Reference> Present Status of Main Projects

Aircrafts for MOD

In March 2012, KHI received orders of the first mass production of C-2 next-generation cargo aircraft for MOD and the development of new utility helicopter (UH-X) for Japan Ground Self-Defense Force. KHI is working toward the commencement of the mass production of C-2 and the development of UH-X, as well as the mass production of P-1 next-generation patrol aircraft.

Component parts for commercial aircrafts

Boeing 777- KHI's production rate for 777 program is expected to increase 7 to 8.3 units per month in FY2012 corresponding to the increase in production rate by the Boeing Company.

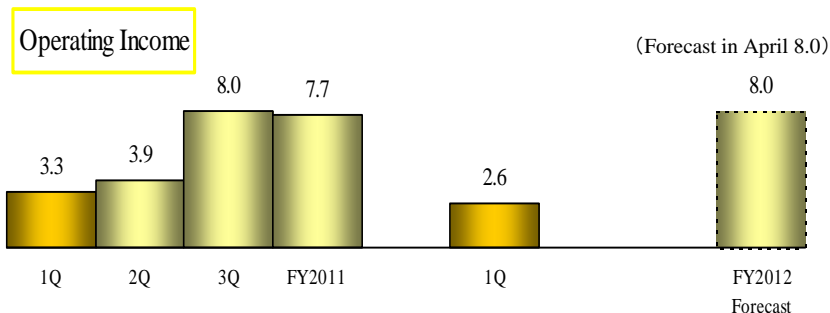
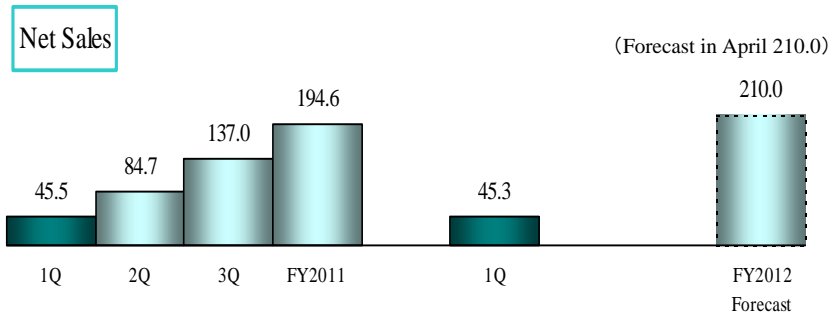
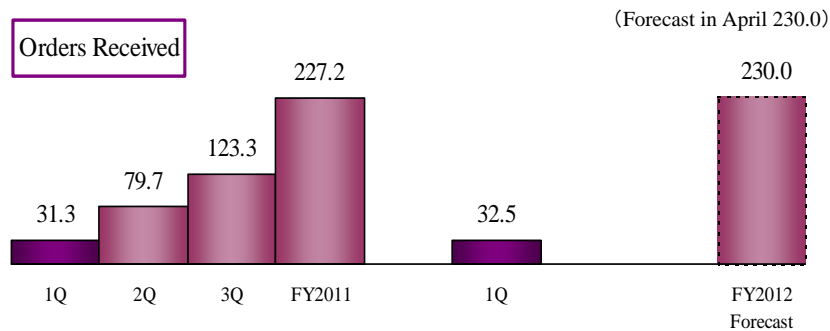
Boeing 787- In September 2011, the first 787 was delivered to the airline by the Boeing Company and regular flight service with 787 was started from November 1, 2011. KHI has completed the production system at Kawasaki's Nagoya Works I for ramp-up production.

Gas Turbine & Machinery



Main Products : Jet engines, Gas turbine co-generation system, Gas turbines & steam turbines for marine & land, Diesel engines, Marine propulsion system, Aero-dynamic machinery

(Billion Yen / In accumulated amount)



◇ FY2012.1Q (vs. FY2011.1Q)

Orders Received: Increase in orders received for component parts of commercial aircraft jet engines

Net Sales: Remained at the same level as in the previous first quarter due to sales increase in component parts for commercial aircraft jet engines and industrial gas turbines, despite decrease in sales of turbines for land

Operating Income: Decreased due to the adverse impact of the appreciation of the yen, increase in the R&D expense and other factors

◇ FY2012 Forecast (vs. FY2011)

Orders Received: Expected to remain at the same level as in the previous fiscal year due to orders received for energy and environmental products

Net Sales: Expected to increase due to sales increase in energy and environmental products and component parts for commercial aircraft jet engines

Operating Income: Expected to remain at the same level as in the previous fiscal year due to sales increase, despite increase in the amortization of development for component parts of commercial aircraft jet engines and other factors

<For Reference>

Major Projects for Commercial Aircraft Jet Engines

	Trent1000	TrentXWB	PW1100G - JM
Aircraft	Boeing 787	Airbus A350	Airbus A320neo
Participation Type	RRSP (※)	RRSP (※)	International Collaboration Program
Share	Approx. 8.5%	Approx. 7%	Approx. 6%
Responsible Components	Intermediate pressure compressor (IPC) module	Intermediate pressure compressor (IPC) module	Primary parts of the engine's fan and low-pressure compressor
Present Status	Development was completed and mass production started in FY2010. To be delivered in accordance with production schedule of airplanes.	First IPC module shipped to Rolls-Royce in March 2011.	Made decision to collaborate in a program for development and production. Design work in progress.

(※) Risk & Revenue Sharing Partner

Energy and Environmental Products

In December 2011, the development of the world's first gas turbine generator which uses ventilation air methane (VAM) was completed. In February 2012, the development of the high-efficiency 30MW-class L30A gas turbine (all manufactured domestically) was completed. With offices located in Japan, Europe, the Americas and Asia, KHI will continue to actively develop gas turbine business in domestic and overseas markets.

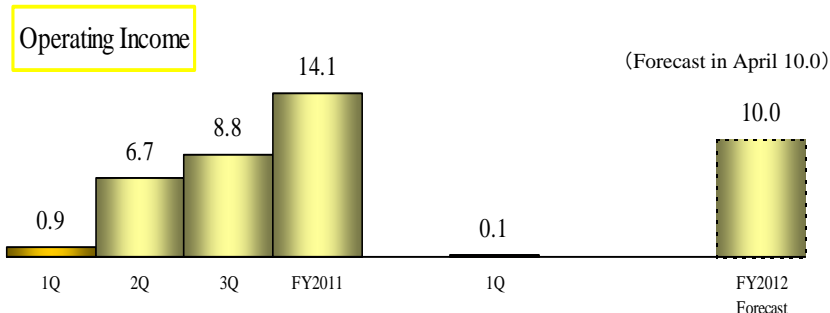
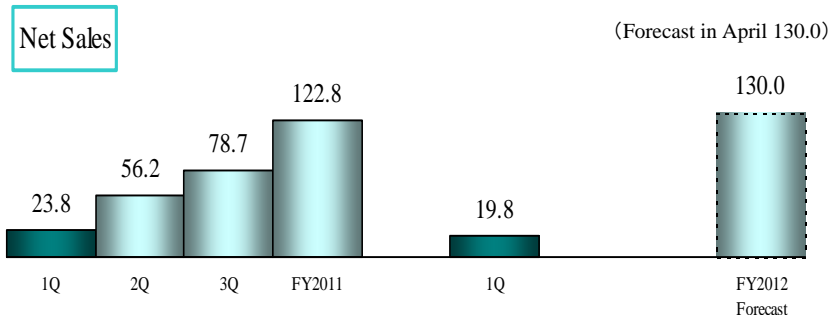
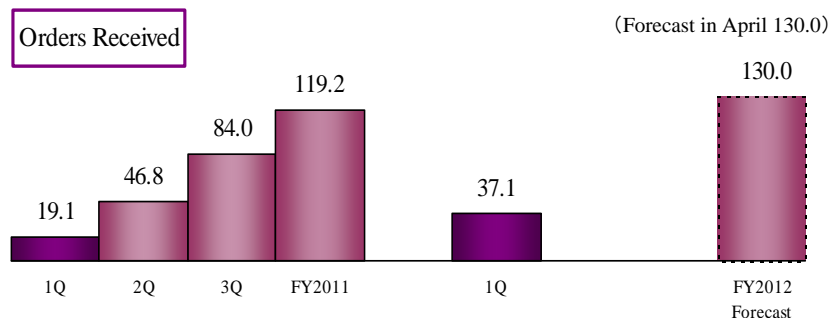
In addition, with regard to the 110MW power plant which consists of 14 units of Kawasaki Green Gas Engines (received an order in September 2011), 7 units were started operation in July 2012, and the others are under construction for full-scale operation in August 2012.

Plant & Infrastructure



Main Products: Industrial plants (cement, chemical and others), Power plants, LNG & LPG tanks, Municipal refuse incineration plants, Shield machines, Crushing machines

(Billion Yen / In accumulated amount)



◇ FY2012.1Q (vs. FY2011.1Q)

Orders Received: Increase in orders received for overseas projects including the cryogenic tanks for Ichthys LNG Project

Net Sales: Decreased due to sales decrease of large-scale overseas projects, despite sales increase of material handling systems and municipal refuse incineration plants

Operating Income: Decreased due to sales decrease and decline in profit margin

◇ FY2012 Forecast (vs. FY2011)

Orders Received: Expected to increase as a whole due to orders received of energy and environmental projects, and projects related infrastructure for resource-producing countries

Net Sales: Expected to increase due to increase in sales of municipal refuse incineration plants for domestic customers and other projects

Operating Income: Expected to decrease due to decline in profit margin resulting from severe competitiveness

<For Reference> Orders Received of Energy and Environmental Projects

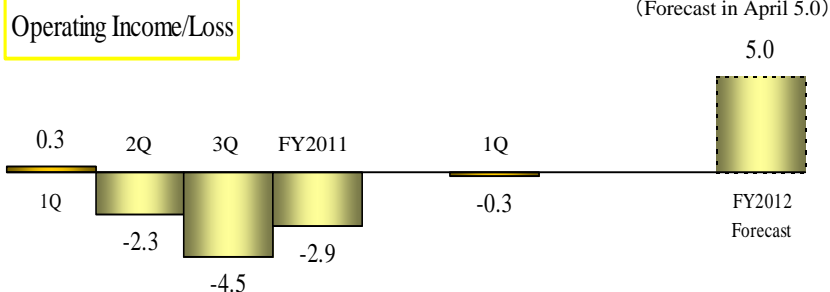
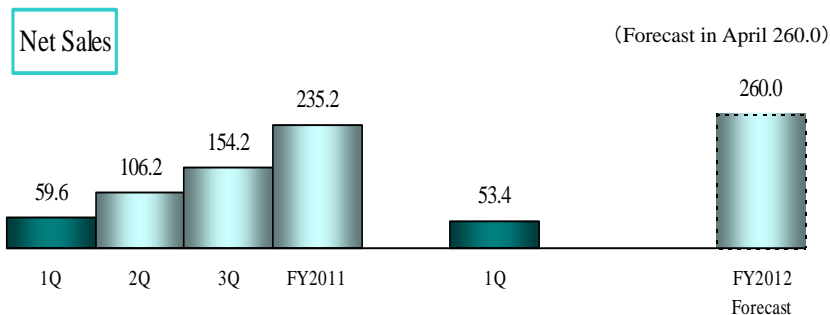
- In parallel with an expected increase of worldwide energy consumption, a lot of floating LNG facilities are planned to be constructed. Under these circumstances, KHI's proven track record of boilers for land and marine use (more than 1,200 units) and technical capability, which has realized reliable and robust boilers that can operate under severe offshore condition, are highly evaluated, and in July 2011, KHI won the contract with Technip to supply 7 units of boilers for the Shell's floating LNG facility of "Prelude", the world's first floating LNG facility.
- In April 2012, KHI won the contract of 4 massive cryogenic tanks for Ichthys LNG Project in Australia. This project is very important for Japan in terms of the stable supply of energy and the decentralization of natural gas supply as approximately 70% of the Ichthys LNG to be delivered to Japan. KHI will support this project based on its proven track record and the EPC technologies.

Motorcycle & Engine



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

(Billion Yen / In accumulated amount)



<Wholesales by Geographic Area for Consumer Products>

(Thousands of unit / Billion Yen)

	FY2011.1Q		FY2011		FY2012.1Q		FY2012 Forecast	
	Unit	Amount	Unit	Amount	Unit	Amount	Unit	Amount
Domestic	4	3.5	14	12.1	5	3.6	13	11.8
North America (incl. Canada)	22 (12)	16.2	121 (69)	78.0	20 (13)	13.0	124 (77)	76.5
Europe	18	14.4	57	42.2	12	8.7	61	45.2
Emerging Countries & Others	72	15.9	309	71.0	78	18.3	375	88.5
Total	116	50.0	501	203.3	115	43.6	573	222.0

Note: 1) Sales units and amount include the following products.

Units: Motorcycles, All-Terrain Vehicles(ATVs), Utility Vehicles and Personal Watercraft(Jet Ski)

Amount: The products mentioned above and parts for those products.

2) Figures in the parenthesis () represent motorcycle sales units.

◇ **FY2012.1Q** (vs. FY2011.1Q)

Net Sales: Decreased due to sales decrease of motorcycles in European market, despite sales increase of motorcycles in Asian and other emerging markets mainly Indonesia and Brazil

Operating Income/Loss: Deterioration in profitability due to sales decrease and other factors

◇ **FY2012 Forecast** (vs. FY2011)

Net Sales: Expected to increase due to sales increase in Asian and other emerging countries and other factors

Operating Income/Loss: Expected to improve due to sales increase, cost reduction by expanding overseas production and local procurement

<For Reference>

Business Development in Asian and Other Emerging Markets

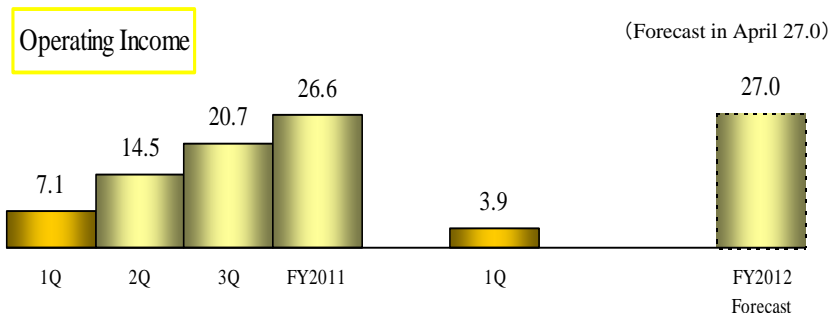
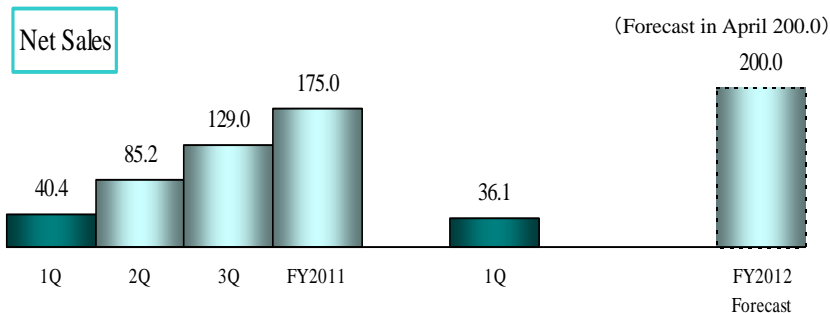
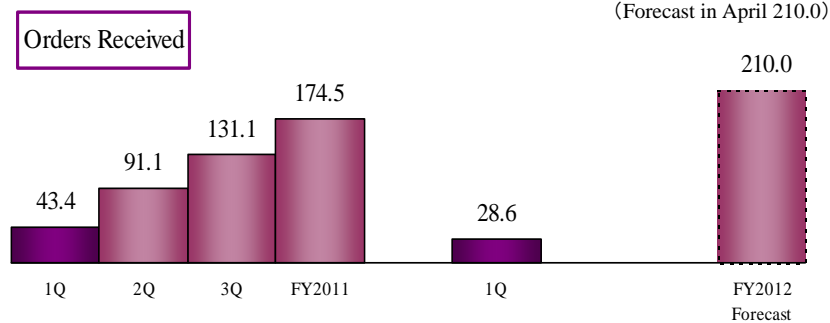
- In Asian and other emerging countries such as Indonesia, KHI's sales is increasing as leisure motorcycles market is expanding, and demand for leisure motorcycles is expected to increase from now on following further economic growth and increased purchasing power. In order to respond to market growth and further to reinforce the business operation in Asian and other emerging countries, KHI focuses on upgrading production which includes construction of the new plant in Indonesia and expansion of the plant in Thailand.
- In China, which has the largest motorcycle market in the world, demand for leisure motorcycles that KHI mainly targets is expected to increase following the recent economic growth. In this market environment, in June 2012, KHI signed a letter of intent on a business partnership deal with Loncin Motor Co., Ltd. regarding the manufacture and sale of motorcycles in China.

Precision Machinery



Main Products: Hydraulic components (pumps, motors & valves), Hydraulic systems for industrial use, Hydraulic marine machinery, Industrial Robots

(Billion Yen / In accumulated amount)



◇ FY2012.1Q (vs. FY2011.1Q)

Orders Received: Decrease in orders received for hydraulic components for construction machinery in emerging countries mainly in China

Net Sales: Decrease in sales of hydraulic components for construction machinery in emerging market mainly in China and industrial robots for manufacturers of semiconductor production equipments

Operating Income: Decreased due to decrease in sales, increase in fixed cost resulting from capital expenditures and employment and other factors

◇ FY2012 Forecast (vs. FY2011)

Orders Received & Net Sales: Expected to increase due to increase in hydraulic components for construction machinery in emerging countries and industrial robots

Operating Income: Expected to remain at the same level as in the previous fiscal year despite increase in fixed cost resulting from capital expenditures and employment

<For Reference> Businesses Development in Emerging Countries

In August 2006, production of hydraulic pumps started at Chinese subsidiary in Suzhou. Also, in Zhejiang, the joint venture of hydraulic machinery manufacturing was established with a Chinese company and production started in April 2010, while the sales subsidiary in Shanghai provides the products manufactured at the above manufacturing companies to customers throughout China.

In addition, KHI constructed a new plant at the subsidiary in Suzhou in October 2011, expanded of the plant in Zhejiang and established the subsidiary for after-sales service in Shanghai.

On the other hand, as the expectation that the recession of Chinese construction machinery market continues is increasing, we will watch the trend of this market closely. But the Chinese construction machinery market is already the largest in the world, and the continued growth of this market over the medium- to long-term is expected as construction of housing for low-income families and energy-and transportation-related infrastructure projects still likely to go forward.

Meanwhile, spurred by a rapidly growing economy, India's hydraulic excavator market is booming. In order to cater to the growing demand for local production, in February 2012, KHI set up the joint venture with Wipro Limited in Bangalore for manufacture, sales, and servicing of hydraulic components for construction machinery.

Financial Condition and Cash Flows



【Financial Condition】

(Billion Yen)

	FY2011		FY2012 End of June 2012
	End of June 2011	End of March 2012	
Total Assets	1,312.5	1,362.1	1,374.2
Shareholders' Equity (Ratio of shareholders' equity to total assets)	293.8 (22.3%)	306.0 (22.4%)	305.4 (22.2%)
Interest-bearing debt (Net Interest-bearing debt)	445.8 (416.9)	407.1 (372.8)	435.0 (401.6)
Net Debt Equity Ratio	141.9%	121.8%	131.4%

Note: Interest-bearing debt includes lease obligations

【Cash Flows】

(Billion Yen)

	FY2011.1Q	FY2012.1Q
Cash flows from operating activities	- 10.2	7.9
Cash flows from investing activities	- 14.8	- 30.6
Free Cash Flows	- 25.1	- 22.6
Cash flows from financing activities	11.1	22.6

Consolidated Operating Performance



* No changes in the forecast for FY2012 from April 26, 2012.

(Billion Yen)

	FY2011 Actual	FY2012 Forecast	Change
Orders Received	1,311.8	1,430.0	+ 118.2
Net Sales	1,303.7	1,380.0	+ 76.3
Operating Income	57.4	52.0	- 5.4
Recurring Profit	63.6	56.0	- 7.6
Net Income	23.3	34.0	+ 10.7

vs. FY2011

< Orders Received >

Expected to increase as a whole due to increase in orders received in Ship & Offshore Structure and Rolling Stock segments, despite decrease in Aerospace segment that acquired high-level orders from MOD in the previous fiscal year

< Net Sale >

Expected to increase as a whole due to sales increase in Aerospace, Motorcycle & Engine and Precision Machinery segments, despite sales decrease in Ship & Offshore Structure segment

< Profits >

Although operating income and recurring profit are expected to decrease mainly due to the effect of deterioration in profitability in Ship & Offshore Structure segment, net income is expected to increase significantly because partial write-down of deferred tax assets, which was recorded in the previous fiscal year, is not expected in this fiscal year

Exchange Rates (actual & assumed)

Yen / US\$	79	80
Yen / EUR	109	100

Note : Assumed rates are applied to the outstanding foreign exchange exposure as of July 31, 2012

(For Reference)

Impact on profit by FX fluctuation of 1 yen

(Billion Yen)

	Operating Income	Recurring Profit
US\$	3.3	1.6
EUR	0.3	0.1

Forecast by Segment



* No changes in the forecast for FY2012 from April 26, 2012.

(Billion Yen)

	Orders Received			Net Sales			Operating Income/Loss		
	FY2011 Actual	FY2012 Forecast	Change	FY2011 Actual	FY2012 Forecast	Change	FY2011 Actual	FY2012 Forecast	Change
Ship & Offshore Structure	39.9	110.0	+ 70.1	113.5	80.0	- 33.5	3.9	- 5.0	- 8.9
Rolling Stock	66.0	150.0	+ 84.0	132.6	130.0	- 2.6	5.1	6.0	+ 0.9
Aerospace	327.2	220.0	- 107.2	206.5	250.0	+ 43.5	7.8	9.0	+ 1.2
Gas Turbine & Machinery	227.2	230.0	+ 2.8	194.6	210.0	+ 15.4	7.7	8.0	+ 0.3
Plant & Infrastructure	119.2	130.0	+ 10.8	122.8	130.0	+ 7.2	14.1	10.0	- 4.1
Motorcycle & Engine	235.2	260.0	+ 24.8	235.2	260.0	+ 24.8	- 2.9	5.0	+ 7.9
Precision Machinery	174.5	210.0	+ 35.5	175.0	200.0	+ 25.0	26.6	27.0	+ 0.4
Others	122.2	120.0	- 2.2	123.2	120.0	- 3.2	3.8	2.0	- 1.8
Eliminations and corporate	-	-	-	-	-	-	- 8.8	- 10.0	- 1.2
Total	1,311.8	1,430.0	+ 118.2	1,303.7	1,380.0	+ 76.3	57.4	52.0	- 5.4

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

R&D/CAPEX/Number of Employees



* No changes in the forecast for FY2012 from April 26, 2012.

(Billion Yen / Persons)

	FY2011 Actual	FY2012 Forecast	Change
R&D Expenses	39.9	45.0	+ 5.1
CAPEX (Construction Base)	63.9	79.0	+ 15.1
Depreciation & Amortization	48.9	54.0	+ 5.1
Domestic	24,770	25,500	+ 730
Overseas	8,497	9,200	+ 703
Number of Employees	33,267	34,700	+ 1,433

Kawasaki, Working as One for the Good of the Planet

Cautionary Statement

The performance outlook and the forecasts stated in this material were prepared by Kawasaki Heavy Industries, Ltd. (hereinafter, KHI) based on the circumstances at the release point, and include potential risks and uncertain factors that relate to economic conditions, foreign currency exchange rates, tax rules, regulations and other factors. Accordingly, please note that the actual operating results, financial position, and business deployment of KHI may sometimes differ considerably from the descriptions in the present projections.