



Kawasaki Heavy Industries, Ltd.

FY2025 Financial Results Briefing

May 12, 2026

Event Summary

[Company Name]	Kawasaki Heavy Industries, Ltd.	
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[Time]	14:00 – 15:38 (Total: 98 minutes, Presentation: 27 minutes, Q&A: 71 minutes)	
[Venue]	Webcast	
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[Participants]		
[Number of Speakers]	2	
	Yasuhiko Hashimoto	Representative Director, President and Chief Executive Officer
	Katsuya Yamamoto	Representative Director, Vice President and Senior Executive Officer
[Analyst Names]*	Kentaro Maekawa	Nomura Securities
	Yuichiro Isayama	Goldman Sachs
	Satoshi Taninaka	SMBC Nikko Securities
	Hirosuke Tai	Daiwa Securities
	Tsubasa Sasaki	UBS Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Moderator: It is time to commence the briefing. Thank you very much for taking time out of your busy schedules today to participate in our financial results briefing of Kawasaki Heavy Industries, Ltd.

Today's speakers are Yasuhiko Hashimoto, Representative Director, President and Chief Executive Officer; and Katsuya Yamamoto, Representative Director, Vice President and Senior Executive Officer. They will now explain the financial results for FY2025, the outlook for FY2026, and their vision for future business growth. The financial results presentation materials are posted on TDnet. After Yamamoto's explanation, a question-and-answer session will follow, and the entire meeting is scheduled to last approximately 60 minutes, but may be extended up to 15:30, depending on the situation of question-and-answer session. President Hashimoto, please go ahead.

Hashimoto: Thank you for your participation today. I am Hashimoto, Representative Director, President and Chief Executive Officer. First, we would like to express our deepest apologies once again for the concerns we have caused to all parties concerned in the past fiscal year due to the irregularities that were discovered in the course of the investigation. Last December, the final report of the Special Investigation Committee was received. The amount of impact related to this matter is also reflected in our FY2025 results, and we believe that the impact on our results for the current fiscal year and beyond has been limited. We will continue to make every effort to restore confidence in our company.

Consolidated Financial Results for FY2025

- ✓ Business profit totaled **145.1** billion yen, up 1.9 billion yen YoY, in line with the February forecast, marking a new record high
- ✓ Strong performance in Aerospace Systems and ES&M, together with a recovery in Precision Machinery & Robot, offset PS&E, which was significantly impacted by U.S. tariff policies

	Aerospace Systems	ES&M	Precision Machinery & Robot	PS&E
Business Profit YoY (billion yen)	+6.6↑	+10.7↑	+7.3↑	- 25.1↓

Earnings forecasts for FY2026

- ✓ Based on an assumed exchange rate of JPY150/USD, business profit is expected to reach a record-high 170.0 billion yen, exceeding FY2025 by 24.9 billion yen YoY

Assumptions Regarding External Environment

- Impact of the Middle East situation : A certain level of risk, including production delays due to difficulties in material procurement, has been factored in (see p.16 for details).
- Impact of U.S. tariff policies : Assumptions are based on the systems and tariff rates that are applied / scheduled to be applied as of May 12, 2026 (excluding any potential refunds of IEEPA-related tariffs).

Now, with regard to the financial results for the full year of FY2025, revenue was JPY2.3112 trillion, business profit was JPY145.1 billion, and net income attributable to owners of the parent was JPY108.1 billion, all of which were record highs for the second consecutive year.

The forecast for FY2026 is based on an exchange rate assumption of JPY150 to the dollar, and a significant business profit of JPY170 billion, which is the highest profit ever recorded in the Company's important business segment. We are also planning JPY110 billion in net income, an increase from FY2025, and we believe that we are making good progress toward our goal of achieving a business profit margin of more than 10% in all business segments in FY2030.

With regard to the external environment, we have factored in a certain degree of risk, assuming material procurement difficulties and production delays due to the situation in the Middle East. Regarding the tariff policy of the US, we have assumed the systems and tariff rates that have been applied or are expected to be applied at this time, but have not factored in the impact of the refund of the so-called reciprocal tariffs paid in the previous fiscal year. We will reflect this in our earnings forecasts as necessary, based on the latest situation after the next announcement of financial results.

Now, let's move on to the detailed explanation. Mr. Yamamoto, please go ahead.

1

Consolidated Financial Results for FY2025 -Summary-

- ✓ Revenue and business profit increased YoY, with orders received, revenue, and business profit each reaching record highs
- ✓ Pre-tax and net profit significantly exceeded the February forecast, mainly due to yen depreciation toward the fiscal year-end

(Billion Yen)

	FY2024	FY2025						Change	
		Forecast	Apr. to Jun.	Jul. to Sep.	Oct. to Dec.	Jan. to Mar.	Total	YoY	vs. Old FCST
Orders Received	2,630.7	2,620.0	446.3	569.1	892.6	831.0	2,739.1	+ 108.4	+ 119.1
Revenue	2,129.3	2,340.0	488.4	507.8	565.1	749.8	2,311.2	+ 181.9	- 28.8
Business Profit (Loss)	143.1	145.0	20.5	15.1	46.7	62.6	145.1	+ 1.9	+ 0.1
<i>[margin]</i>	<i>[6.7%]</i>	<i>[6.2%]</i>	<i>[4.2%]</i>	<i>[3.0%]</i>	<i>[8.3%]</i>	<i>[8.4%]</i>	<i>[6.3%]</i>	<i>[- 0.4pt]</i>	<i>[+ 0.0pt]</i>
Profit Before Tax (Loss)	107.5	122.0	16.8	18.5	53.4	56.6	145.5	+ 38.0	+ 23.5
<i>[margin]</i>	<i>[5.0%]</i>	<i>[5.2%]</i>	<i>[3.4%]</i>	<i>[3.7%]</i>	<i>[9.5%]</i>	<i>[7.6%]</i>	<i>[6.3%]</i>	<i>[+ 1.2pt]</i>	<i>[+ 1.0pt]</i>
Profit (Loss) Attributable to Owners of Parent	88.0	90.0	4.2	17.8	43.7	42.3	108.1	+ 20.1	+ 18.1
<i>[margin]</i>	<i>[4.1%]</i>	<i>[3.8%]</i>	<i>[0.9%]</i>	<i>[3.5%]</i>	<i>[7.7%]</i>	<i>[5.6%]</i>	<i>[4.7%]</i>	<i>[+ 0.5pt]</i>	<i>[+ 0.8pt]</i>
After-tax ROIC	8.0%	7.4%	-	-	-	-	9.0%	+ 1.0pt	+ 1.6pt
Weighted-average exchange rates (USD/JPY) ^{※1}	150.81	-	143.79	146.37	152.22	153.21	149.08	- 1.73	-
US dollar-based transaction (B\$) ^{※2}	※1 1.94	2.09	0.52	0.62	0.58	0.64	2.20	+ 0.26	+ 0.11

※1 Except for loss related to the in-service issues of PW1100G-JM engine

※2 The amount of foreign currency impacting profit and loss by currency due to exchange rate fluctuations. Calculated by deducting dollar-denominated purchases from dollar-denominated revenue of Kawasaki Heavy Industries, Ltd, Kawasaki Railcar manufacturing Co., Ltd., and Kawasaki Motors, Ltd., including foreign currency denominated revenue from loss-provisioned projects. However, the foreign currency amount for each quarter of FY2025 excludes the amount of refund liabilities denominated in foreign currencies related to the in-service issues of the PW1100G-JM engine. See page 53 for the breakdown of these figures by segments

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Yamamoto : I am Yamamoto, Vice President. Let me begin to explain the financial results. Please see page five.

As you can see in our FY2025 financial results, we achieved YoY increases in both sales and profits, and set new records for orders, sales, and profits, respectively. The yen's depreciation at the end of the fiscal year also helped to boost profit before tax by JPY23.5 billion to JPY145.5 billion and net income by JPY18.1 billion to JPY108.1 billion, a significant increase compared to the February forecast. As you can see, the weighted-average exchange rates was approximately JPY1.7 stronger than that of the same period last year, and the amount of foreign currency affecting profit/loss was 2.2 billion dollars.

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Consolidated Financial Results for FY2025
-Segment-

- ✓ ES&M achieved YoY revenue and business profit growth, driven by strong performance across segments including Energy and Ship & Offshore Structure **1**
- ✓ PS&E posted revenue growth, while business profit declined due to higher tariff costs and stronger competition in the U.S. powersports market **2**

(billion yen)

	Orders Received			Revenue			Business Profit (Loss)		
	FY2024	FY2025	Change	FY2024	FY2025	Change	FY2024	FY2025	Change
Aerospace Systems	882.8	810.9	- 71.9	567.8	613.6	+ 45.8	55.8	62.4	+ 6.6
Rolling Stock	251.5	319.1	+ 67.5	222.3	236.2	+ 13.8	8.4	8.6	+ 0.2
Energy Solution & Marine Engineering	542.0	552.9	+ 10.8	398.1	433.5	+ 35.4	44.2	55.0	+ 10.7
Precision Machinery & Robot	249.2	278.5	+ 29.2	241.5	259.1	+ 17.6	7.0	14.3	+ 7.3
Powersports & Engine	611.6	681.7	+ 70.1	609.3	682.8	+ 73.4	47.8	22.7	- 25.1
Others	93.3	95.9	+ 2.5	90.1	85.8	- 4.3	5.2	7.0	+ 1.8
Elimination and corporate*	-	-	-	-	-	-	- 25.6	- 25.3	+ 0.3
Total	2,630.7	2,739.1	+ 108.4	2,129.3	2,311.2	+ 181.9	143.1	145.1	+ 1.9

*Elimination and corporate includes some expenses incurred at head offices which were not allocated to each industry segment for internal reporting

See page six. The chart shows the breakdown of orders, revenue, and business profit for each segment.

As shown in (1), energy solution and marine engineering continued to perform well in all areas of the business, including energy and ship and marine businesses, resulting in an increase in both revenue and profit. On the other hand, as shown in (2), the powersports and engine business achieved an increased revenue, but posted lower profit due to higher tariff costs and lower profitability in the US powersports market against the backdrop of an intensified competitive environment.

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Consolidated Financial Results for FY2025 -Statement of Profit and Loss-

(billion yen)

	FY2024	%	FY2025	%	Change
Revenue	2,129.3	100.0	2,311.2	100.0	+ 181.9
Cost of Sales	1,697.7	79.7	1,856.3	80.3	+ 158.5
Gross profit	431.5	20.3	454.9	19.7	+ 23.3
Selling, General and Administrative Expenses	306.9	14.4	328.7	14.2	+ 21.7
Salaries and Allowances	81.4		89.6		+ 8.2
R&D Expenses	48.9		56.8		+ 7.8
Others	176.5		182.2		+ 5.6
Share of profit (loss) of investments accounted for using equity method	23.1		24.1		+ 0.9
Other Income and Expenses	- 4.6		- 5.1		- 0.5
Gain on Sale of Property, Plant and Equipment	0.6		0.7		+ 0.1
Others	- 5.2		- 5.9		- 0.7
Business profit (Loss)	143.1	6.7	145.1	6.3	+ 1.9

Details

① The SG&A ratio declined due to control of fixed cost, despite higher SG&A expenses accompanying revenue growth

Page seven, income statement. Please see the table for the detail. As shown in (1), although SG&A expenses increased in line with sales growth, the SG&A-to-sales ratio declined due to fixed cost containment.

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Consolidated Financial Results for FY2025 –Statement of Profit and Loss–

(billion yen)

	FY2024	%	FY2025	%	Change
Finance Income and Finance Costs	- 35.6		0.4		+ 36.0
Net interest Expense (incl. dividend income)	- 12.0		- 11.7		+ 0.2
Gain and Loss on Foreign Exchange	- 16.0		18.9		+ 35.0
Others	- 7.4		- 6.7		+ 0.6
Profit Before Tax	107.5	5.1	145.5	6.3	+ 38.0
Income Tax Expense	17.1		30.6		+ 13.4
Profit Attributable to Non-Controlling Interests	2.3		6.7		+ 4.4
Profit Attributable to Owners of Parent	88.0	4.1	108.1	4.7	+ 20.1

Details

② USD/JPY rate
149.53 Q4/E FY24
159.93 Q4/E FY25

Weighted-average
exchange rates
149.08 Q4 FY25

Translation gains arose on
foreign currency-
denominated receivables

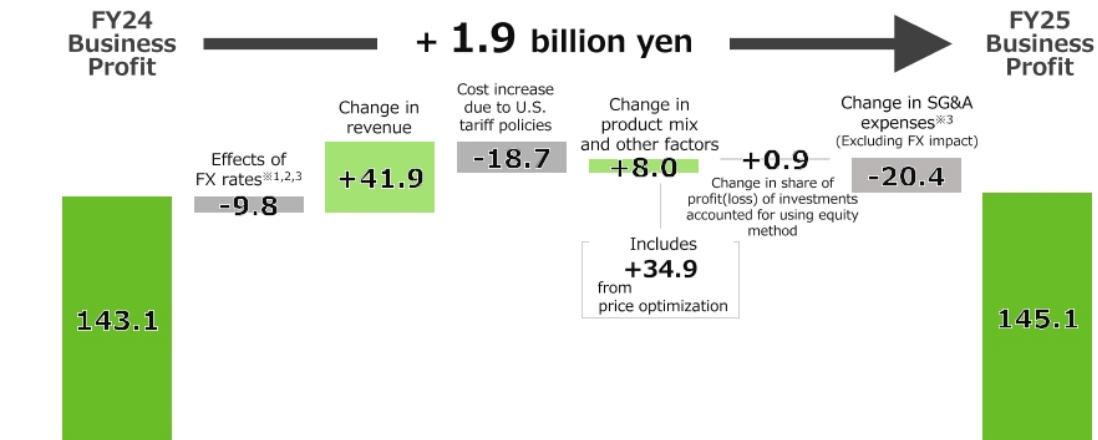
③ In April 2025, a 20%
stake of Kawasaki Motors,
Ltd. (a PS&E business
subsidiary) was
transferred to ITOCHU
Corporation, resulting in
an increase in profit
attributable to non-
controlling interests

See page eight. As mentioned in (2), the yen weakened at the end of the period, resulting in a foreign exchange gain of JPY18.9 billion from the translation of foreign currency-denominated bonds. As a result, net income attributable to owners of the parent company increased by JPY20.1 billion from the previous year to JPY108.1 billion.

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Consolidated Financial Results for FY2025 -Factors Affecting Changes in Business Profit-

- ✓ Increased sales in PS&E contributed to change in revenue
- ✓ In terms of product mix and other factors, profitability improved markedly in ES&M but deteriorated significantly in PS&E



※1 Effects of FX rates indicate the direct impact on business profit. Indirect effects [such as the impact of price fluctuations] are included Change in product mix and other factors and Changes in SG&A expenses
 ※2 Effects of FX rates includes the impact of revaluation of refund liabilities denominated in foreign currencies related to the in-service issues of PW1100G-JM engine [-2.4 billion Yen]
 ※3 Changes in SG&A expenses exclude the FX impact from the amounts presented in the statement of profit and loss. Such FX impact is included in Effects of FX rates. (The same applies to the change factor graphs for each segment shown on page 22 and thereafter.)

See page nine. Let me explain the factors that contribute to the changes in business profit.

In terms of changes in revenue, powersports and engines made a significant contribution due to higher sales volume. On the other hand, change in product mix and other factors showed a marked improvement in the profitability of energy solution and marine, but a significant deterioration in powersports and engines. As a result, business profit increased JPY1.9 billion from the previous year to JPY145.1 billion. In addition, the US tariff policy had a negative impact of JPY18.7 billion as a cost increase, mainly in powersports and engines.

1

Consolidated Financial Results for FY2025 -Factors Affecting Changes in Business Profit-

(billion yen)

	FY2024 Business Profit (Loss)	Details of change					Total	FY2025 Business Profit (Loss)
		Effects of FX rates ^{※1}	Change in revenue ^{※1}	Cost increase due to U.S. tariff policies	Change in product mix and other factors ^{※1}	Change in share of profit (loss) of investments accounted for using equity method		
Aerospace Systems	55.8	※2- 4.8	10.2	- 0.3	6.4	- 4.9	6.6	62.4
Rolling Stock	8.4	- 0.1	1.9		- 0.1	0.0	- 1.5	8.6
Energy Solution & Marine Engineering	44.2	1.1	7.6		9.8	0.7	- 8.5	55.0
Precision Machinery & Robot	7.0	0.0	3.6	- 1.1	4.8	2.3	- 2.3	14.3
Powersports & Engine	47.8	- 5.8	19.5	- 17.3	- 17.1	- 1.7	- 2.7	22.7
Others	5.2	0.0	- 0.9		4.3	- 0.4	- 1.2	7.0
Elimination and corporate	- 25.6				- 0.2	- 0.0	0.5	- 25.3
Total	143.1	- 9.8	41.9	- 18.7	8.0	0.9	- 20.4	145.1

※1 Effects of foreign exchange rates, change in revenue, and change in product mix are approximate values calculated by our company based on certain criteria. In addition, each factor of change is often indivisible, and in particular, it may be desirable to check the change in revenue and change in product mix
 ※2 Effects of FX rates includes the impact of revaluation of refund liabilities denominated in foreign currencies related to the in-service issues of PW1100G-JM engine (-2.4 billion Yen)
 ※3 Excluding the effects of FX rates

Please refer to page 10 for a detailed breakdown by segment.

1

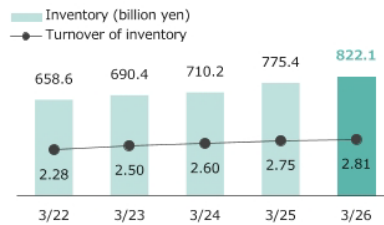
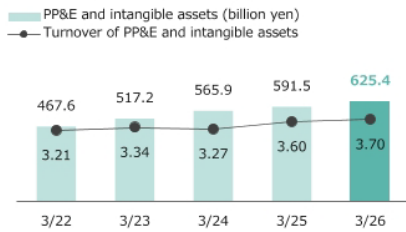
Consolidated Financial Results for FY2025 -Statement of Financial Position-

(billion yen)

	End of Mar 2025	%	End of Mar. 2026	%	Change
Cash and Cash Equivalents	132.7		115.4		- 17.3
Trade Receivables (Incl. contract assets)	888.8		1,036.3		+ 147.5
Inventories	775.4		822.1		+ 46.7
Other Current Assets	226.8		282.0		+ 55.2
Current assets	2,023.9	67.1	2,256.0	67.9	+ 232.1
PP&E and Intangible assets	591.5		625.4		+ 33.9
Right-of-Use Assets	58.6		67.9		+ 9.2
Deferred Tax Assets	128.7		119.4		- 9.3
Other Non-Current Assets	214.0		255.7		+ 41.6
Non-Current Assets	993.0	32.9	1,068.5	32.1	+ 75.5
Total Assets	3,016.9	100.0	3,324.6	100.0	+ 307.6

Details

- ① Increased in PS&E and Aerospace Systems etc.
- ② Increased in Aerospace Systems and PS&E etc.
- ③ Increased mainly in equity-method investments in Ship and Offshore Structure and PS&E, reflecting earnings growth at China-based shipbuilding joint ventures and the establishment of a U.S. retail finance joint venture for PS&E



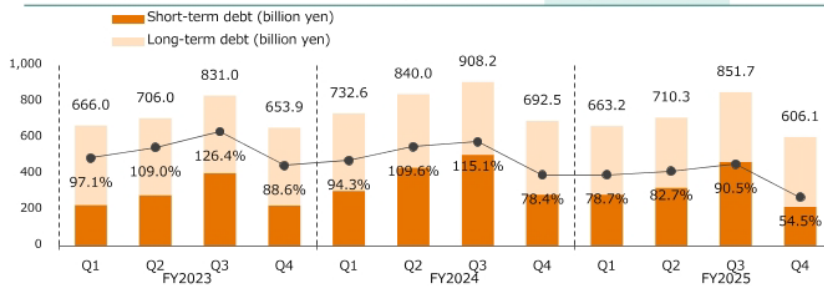
Page 11, income statement. Please refer to the document for the factors that contributed to the change in assets in FY25.

1

Consolidated Financial Results for FY2025 -Statement of Financial Position-

(billion yen)

	End of Mar 2025	%	End of Mar. 2026	%	Change
Trade Payables	512.1		549.2		+ 37.1
Interest-Bearing Debt	692.5		606.1		- 86.3
Contract Liability (Advances Received)	363.5		386.8		+ 23.3
Refund Liability	73.0		83.3		+ 10.2
Retirement Benefit Liability	67.1		50.6		- 16.4
Other Liabilities	583.5		699.8		+ 116.3
Total Liabilities	2,291.8	76.0	2,376.1	71.5	+ 84.2
Equity Attributable to Owners of Parent	702.9		878.1		+ 175.2
Non-Controlling Interests	22.1		70.3		+ 48.2
Total Equity	725.0	24.0	948.4	28.5	+ 223.4
Total Liabilities and Equity	3,016.9	100.0	3,324.6	100.0	+ 307.6



Details

- ④ Decreased due to proceeds from factoring agreements
- ⑤ Increased in debt due to receivable securitization in Aerospace business
- ⑥ Increased due to the transfer of 20% of the shares of Kawasaki Motors, Ltd (an operating company of PS&E), to ITOCHU Corporation

Appendix

Cash Conversion Cycle (day)

	CCC
End of FY21	133
End of FY22	150
End of FY23	159
End of FY24	159
End of FY25	172

Deteriorated due to longer days sales outstanding in Aerospace Systems and PS&E

See page 12. Factors affecting changes in liabilities and net assets.

In addition to the securitization of receivables as indicated in (4), as indicated in (5), a portion of the JPY80 billion consideration for the transfer of 20% of the shares of Kawasaki Motors to ITOCHU Corporation was used for repayment, resulting in a net debt-to-equity ratio of 54.5%, a significant improvement from the 70% range, which is our guideline.

1

Consolidated Financial Results for FY2025 -Statement of Cash Flows-

(billion yen)

	FY2024	FY2025	Change
Profit Before Tax	107.5	145.5	+ 38.0
Depreciation and Amortization	93.4	103.8	+ 10.3
Increase and Decrease in Working Capital	- 105.2	- 132.2	- 26.9
Trade Receivables ^{※1} (minus notation indicates incr.)	- 127.2	- 126.2	+ 0.9
Inventory (minus notation indicates incr.)	- 69.2	- 23.8	+ 45.3
Trade Payables (minus notation indicates decr.)	59.7	31.7	- 27.9
Advance Payment (minus notation indicates incr.)	- 67.3	- 33.2	+ 34.1
Contract Liabilities ^{※2} (minus notation indicates decr.)	98.8	19.3	- 79.5
Other	53.2	22.9	- 30.2
Cash Flows from Operating Activities	148.9	140.0	- 8.8
Purchase of PP&E and Intangible Assets	- 113.6	- 117.7	- 4.1
Proceeds from Sales of PP&E and Intangible Assets	7.7	2.6	- 5.0
Other	- 5.3	- 12.9	- 7.6
Cash Flows from Investing Activities	- 111.2	- 128.0	- 16.8
Free Cash Flows	37.7	12.0	- 25.7
Net Increase and Decrease in Debt and Bonds (minus notation indicates decr.)	46.3	- 109.3	- 155.7
Dividends Paid (Except Payment to Non-Controlling Interests)	- 16.7	- 25.9	- 9.1
Proceeds from Factoring Agreements	14.8	48.8	+ 34.0
Other	- 34.7	- 53.2	+ 87.9
Cash Flows from Financing Activities	9.6	- 33.2	- 42.8

※1,2 Trade receivables include contract assets. The former account name of contract liabilities is advances received

Details

① FY2024 :
Operating cash flow posted a substantial inflow, supported by solid profits and increases in contract liabilities (advance payments) and trade payables in Aerospace Systems, despite higher receivables and inventories in the Aerospace business and PS&E

FY2025 :
Operating cash flow posted a strong inflow, driven by solid profits, despite increases in receivables and inventories in PS&E and Aerospace Systems

② For details, see page 12④

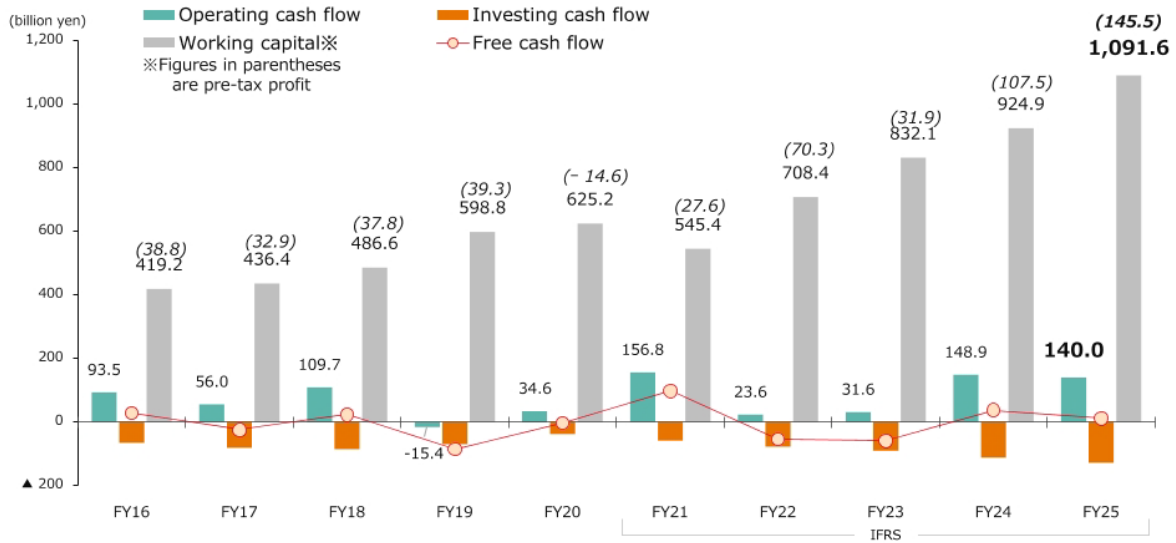
③ Includes 80.0 billion yen in proceeds from the sale of a 20% stake in Kawasaki Motors, Ltd., a PS&E operating company, to Itochu Corporation in FY2025 1Q

Page 13, statement of cash flows. Despite increases in sales bonds and inventories in powersports and engines and aerospace systems, the high level of profit earning effects were significant, and free cash flow was positive at JPY12 billion, landing the Company in the black for the second consecutive year.

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Consolidated Results for FY2025 -Cash Flows-

- ✓ Free cash flow in FY2025 remained positive for the second consecutive year
- ✓ Working capital's contribution to cash flow is gradually materializing, after a significant increase over the past three years



See page 14. Please refer to this for cash flow trends for the past 10 years.

- ✓ Assumed exchange rate of JPY150/USD; business profit expected to reach a record high
- ✓ On track toward achieving the target of a business profit margin exceeding 10% by FY2030

(Billion Yen)

	FY2025 Actual	FY2026 Forecast	Change
Orders Received	2,739.1	2,540.0	- 199.1
Revenue	2,311.2	2,560.0	+ 248.8
Business Profit	145.1	170.0	+ 24.9
[Margin]	[6.3%]	[6.6%]	[+ 0.3pt]
Profit Before Tax	145.5	147.0	+ 1.5
[Margin]	[6.3%]	[5.7%]	[- 0.5pt]
Profit Attributable to Owners of Parent	108.1	110.0	+ 1.9
[Margin]	[4.7%]	[4.3%]	[- 0.3pt]
After-tax ROIC	9.0%	8.6%	- 0.4pt
Weighted-average exchange rates (USD/JPY)	149.08	150.00	+ 0.92
US dollar-based transaction (B\$)※	2.20	2.59	+ 3.90

※ The amount of foreign currency impacting operating profit as a result of exchange rate fluctuations, calculated by deducting dollar-denominated purchases from dollar-denominated revenue of Kawasaki Heavy Industries, Ltd., Kawasaki Railcar Manufacturing Co., Ltd., and Kawasaki Motors, Ltd., including foreign-currency-denominated revenue from loss-provisioned projects. See page 53 for a breakdown of these figures by segment.

✓ Incorporating External Factors

1 Impact of the situation in the Middle East

- ✓ Assumed that crude oil distribution normalizes by the end of June
- ✓ Incorporated the impact of production delays from material procurement difficulties and higher procurement and fuel prices, primarily affecting PS&E and Vehicles, with an estimated negative impact of approximately ¥8.0 billion on business profit

2 Impact of U.S. Tariff Policies

- ✓ Factored in regimes and tax measures already implemented or expected to be implemented as of May 12, 2026.
- ✓ The impact of revisions to steel and aluminum tariffs under Section 232 of the Trade Expansion Act is limited compared with the previous fiscal year, while increases from other policy changes are incorporated.
- ✓ IEEPA tariff refunds are not factored in

Let's move on to page 16. This is the full-year forecast for FY2026.

Based on the exchange rate assumption of JPY150 to the dollar, we plan to increase business profit to JPY170 billion, far exceeding last year's record profit, and net income to JPY110 billion. We see this as steady progress toward our business profit margin targets of 8% for FY2027 and over 10% for FY2030 for all business segments.

As for external environmental risks, as stated in the material, we have factored in an impact of approximately JPY8 billion on a business income basis with respect to the situation in the Middle East, assuming the resumption of distribution of crude oil and other commodities and stabilization of economic activities by the end of June. The impact of the US tariff policy has been factored into our estimates based on the current system, but not the refund of IEEPA tariffs.

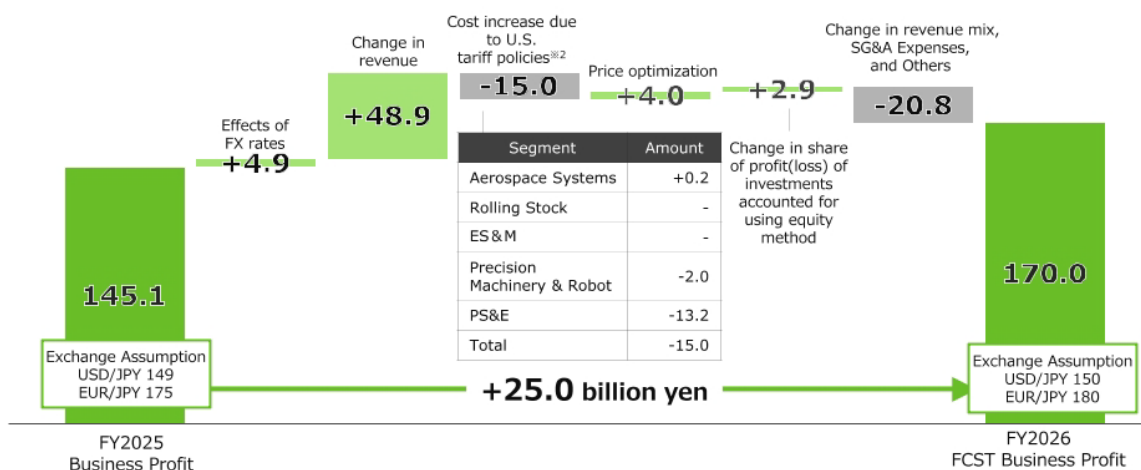
2

Earnings Forecasts for FY2026

-Factors Affecting Changes in Business Profit^{※1} -



A substantial year-on-year profit increase is expected, as the decline in profitability caused by higher costs under U.S. tariff policies is largely offset by revenue growth and price optimization



※1 The figures for each factor of increase or decrease are approximate values calculated by our company based on certain criteria. The effects of FX rates are calculated for USD and EUR only; the impact of fluctuations in other currencies is included in Change in revenue mix, SG&A expenses, and others.

※2 U.S. import tariffs included in the calculations are estimated based on regimes and tariff rates that have already been implemented or are expected to be implemented as of May 12. Even in cases where the Company temporarily bears tariff-related costs, those costs are excluded from the calculation if they can be fully passed on to customers or other counterparties under contractual arrangements.

Page 17, factors for change in business profit for FY2026. The Company plans to achieve a significant increase in profit over the previous year, mainly by compensating for the decline in profitability resulting from higher costs due to the US tariff policy by increasing sales and optimizing prices.

2

Earnings Forecasts for FY2026
-Segment-

- ✓ **Business profit will grow driven mainly by revenue increases in Aerospace Systems, ES&M, Precision Machinery & Robot, and PS&E** 1
- ✓ **In elimination and corporate, business profit will decline due to an increase in investment expenses for new businesses (see page 53 for details)** 2

(Billion Yen)

	Orders Received			Revenue			Business Profit (Loss)		
	FY2025	FY2026	Change	FY2025	FY2026	Change	FY2025	FY2026	Change
Aerospace Systems	810.9	600.0	- 210.9	613.6	720.0	+ 106.4	62.4	72.0	+ 9.6
Rolling Stock	319.1	130.0	- 189.1	236.2	230.0	- 6.2	8.6	10.0	+ 1.4
Energy Solution & Marine Engineering	552.9	650.0	+ 97.1	433.5	470.0	+ 36.5	55.0	69.0	+ 14.0
Precision Machinery & Robot	278.5	330.0	+ 51.5	259.1	310.0	+ 50.9	14.3	21.0	+ 6.7
Powersports & Engine	681.7	730.0	+ 48.3	682.8	730.0	+ 47.2	22.7	30.0	+ 7.3
Ohters	95.9	100.0	+ 4.1	85.8	100.0	+ 14.2	7.0	4.0	- 3.0
Elimination and corporate [※]	-	-	-	-	-	-	- 25.3	- 36.0	- 10.7
Total	2,739.1	2,540.0	- 199.1	2,311.2	2,560.0	+ 248.8	145.1	170.0	+ 24.9


※ Elimination and corporate includes some expenses incurred at Head Office which were not allocated to each industry segment for internal reporting


See page 18. In aerospace systems, energy solutions and marine engineering, precision machinery & robotics, and powersports and engines, we plan to increase profit mainly due to higher sales. On the other hand, in terms of elimination and corporate, income decreased due to aggressive investments in new businesses. See page 53 for details.


3

Details by Segment -Aerospace Systems-


FY2025 (vs FY2024)


Orders Received  Down due to the rebound from last year's large MOD* order despite an increase in Boeing and commercial aircraft engines
 -¥71.9 Bil.
*Ministry of Defense


Revenue  Up due to higher revenue from MOD and Boeing
 +¥45.8 Bil.

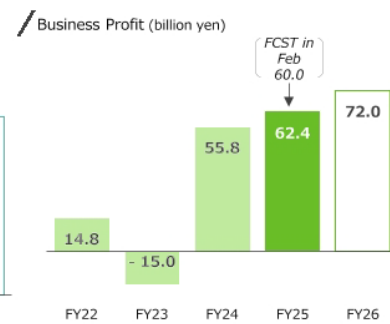
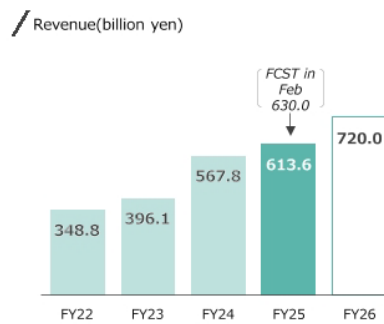
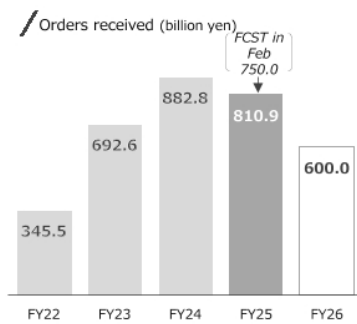
Business Profit  Up due to revenue growth
 +¥6.6 Bil.

FY2026 forecast (vs FY2025)

Orders Received  Down due to lower MOD orders despite an increase in Boeing
 -¥210.9 Bil

Revenue  Up due to higher revenue in MOD, Boeing and commercial aircraft engines
 +¥106.4 Bil

Business Profit  Up due to revenue growth
 +¥9.6 Bil



Now on page 21, aerospace systems. As shown in the slide, the results for FY2025 fell slightly short of the February forecast in terms of sales, but business profit increased by JPY2.4 billion to JPY62.4 billion, mainly due to improved profitability of the aero engine business.

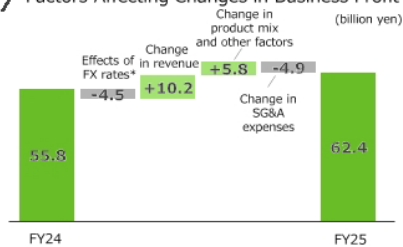
As for the outlook for FY2026, although orders will temporarily decrease due to the trough of large orders for the Ministry of Defense, sales revenue will increase due to an increase in sales to the Ministry of Defense, Boeing, and aero engines for commercial aircraft. Profits are also expected to increase significantly due to the increase in sales.

3 Segment Details – Aerospace Systems

(Billion Yen)

	FY2024	FY2025				FY2026	
	Actual	FCST in Feb.	Actual	Chg. Vs. FY24	Chg. Vs. FCST	Forecast	Chg. Vs. FY25
Orders Received	882.8	750.0	810.9	- 71.9	+ 60.9	600.0	- 210.9
Aerospace	699.5	530.0	570.8	- 128.7	+ 40.8	430.0	- 140.8
Aero Engine	183.3	220.0	240.1	+ 56.7	+ 20.1	170.0	- 70.1
Revenue	567.8	630.0	613.6	+ 45.8	- 16.4	720.0	+ 106.4
Aerospace	399.9	450.0	445.6	+ 45.7	- 4.4	525.0	+ 79.4
Aero Engine	167.8	180.0	168.0	+ 0.1	- 12.0	195.0	+ 27.0
Business Profit	55.8	60.0	62.4	+ 6.6	+ 2.4	72.0	+ 9.6
[Margin]	[9.8%]	[9.5%]	[10.2%]	[+ 0.3pt]	[+ 0.6pt]	[10.0%]	[- 0.1pt]

Factors Affecting Changes in Business Profit



* Including the impact of revaluation of refund liabilities denominated in foreign currencies related to the in-service issues of PW1100G-JM engine(-2.4 billion yen)

Appendix

Number of aircraft component parts sold to Boeing (units)

	FY24	FY25	Change YoY
767	19	31	+ 12
777	19	21	+ 2
777X	5	7	+ 2
787	58	64	+ 6

Number of aircraft engine component parts sold (units)

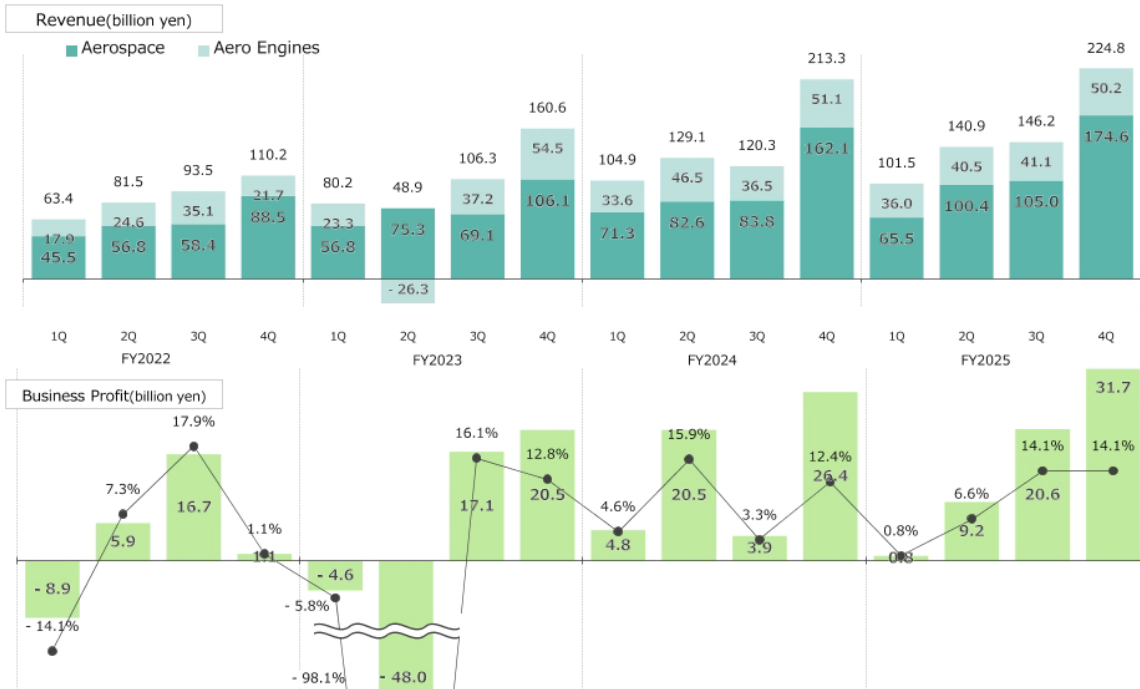
	FY24	FY25	Change YoY
V2500	20	21	+ 1
PW1100G	681	666	- 15

Note: Number of aircraft engine component parts sold to Rolls-Royce is not disclosed

Let's move on to page 22. Please refer to this page for information on orders received and revenue from aerospace and aero engine businesses, respectively, as well as the number of aircraft for Boeing and the number of aero engines sold.

3

Details by Segment -Aerospace Systems-



See page 23. The table shows quarterly revenue and business profit. This is an indication of past trends and is also for your reference.

Market Overview

- Commercial business
 - Air passenger demand shifted from recovery to growth phase, and demand for both aircraft and engines increased.
- MOD business
 - Against the backdrop of the MOD's comprehensive defense enhancement policy, expectations remain high for further demand growth and improved profitability, supported by the accelerated increase in defense spending to 2% of GDP and progress toward revising the three key defense documents.
- Commons
 - The selection of 'Aerospace' and 'Defense Industry' as part of the 17 strategic priority fields[※] is expected to drive market expansion.

※1 Areas to promote priority investment through public-private partnerships as defined by the Japan Growth Strategy Council established by the Government of Japan

(Note) About the in-service issues of PW1100G-JM engine

- ✦ In FY23, the estimated future loss was recorded in a lump-sum ^{*2}, and there is no change at present ^{*3}
- ✦ Our press release on this matter

https://global.kawasaki.com/news_230913-1e.pdf
https://global.kawasaki.com/en/corp/ir/library/pdf/etc_231026-1e.pdf

^{*2} In the fiscal year ending July-September 2023, a loss of ▲58 billion yen was recorded at the business profit and loss stage

^{*3} Excluding the impact of valuation due to exchange rate fluctuations

Specific Efforts

✓ Preparation for business expansion

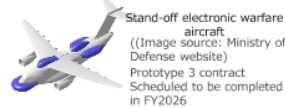
- Supply to meet strong demand
Reorganization of the chain and production ramp-up system
- Operations to acquire new business opportunities
Increased Efficiency and Productivity
- Promoting the development of defense aircraft and helicopters
and steady implementation of mass production contracts



P-1 Maritime Patrol Aircraft
Five aircraft delivered in FY2025
(Image source: Maritime Self-Defense Force website)

✓ Strengthening activities related to defense projects

- Promoting initiatives in seven priority areas to strengthen defense capabilities
- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> 1 Integrated air and missile defense capabilities 2 Stand-off defense capabilities 3 Cross-domain operation capabilities 4 Command and control and intelligence-related functions | <ul style="list-style-type: none"> 5 Mobile deployment capabilities 6 Sustainability and resiliency 7 Unmanned defense capabilities |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|



Stand-off electronic warfare aircraft
(Image source: Ministry of Defense website)
Prototype 3 contract
Scheduled to be completed in FY2026



KJ300
Turbopan Engine

✓ Driving Technology Strategies Based on Market Trends


- Promoting technological development including the use of civilian technologies to strengthen defense capabilities
- Promoting the development of environmental technologies for a decarbonized society by utilizing the NEDO Green Innovation Fund


See page 24. This page describes the current business environment and order trends for the segment, as well as priority measures and specific initiatives to achieve the forecast.


3

Details by Segment - Rolling Stock -


FY2025 (vs. FY2024)


Orders received  Up due to the orders for new subway cars for the New York City Transit Authority
+¥67.5 Bil


Revenue  Up due to higher domestic and U.S. revenue
+¥13.8 Bil

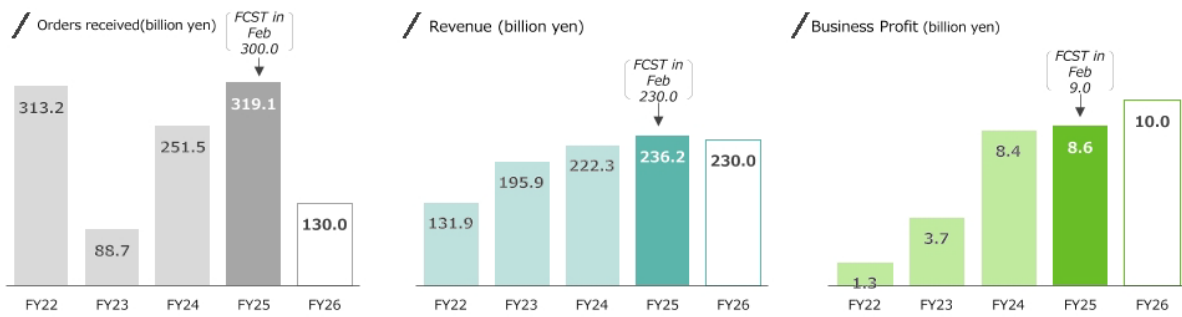
Business profit  Remained flat, despite revenue growth, due to a one-off loss* (reduction in revenue)
+¥0.2 Bil

FY2026 forecast (vs. FY2025)

Orders received  Down due to lower U.S. orders (378 R268 cars ordered in the previous fiscal year), despite an increase in domestic orders
-¥189.1 Bil

Revenue  Down due to lower domestic revenue, despite an increase in U.S. revenue
-¥6.2 Bil

Business profit  Up due to a rebound from prior-year one-off loss*, despite lower revenue and Middle East-related impacts
+¥1.4 Bil



* Progress on Disclosed Matters: Agreement with WMATA Regarding the Washington Metro 7000-Series Railcars (https://global.kawasaki.com/news_260206-1e.pdf)

See page 25, rolling stock. The results for the FY2025 are shown on the slide.

As for the outlook for FY2026, while orders received will decline in reaction to the large orders for the New York Subway in the previous fiscal year, sales revenue will remain almost flat. Profit is projected to increase by JPY1.4 billion to JPY10 billion, due in part to the reversal of last year's one-time loss.

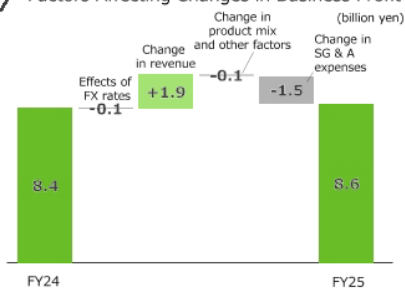
3

Details by Segment - Rolling Stock -

(Billion Yen)

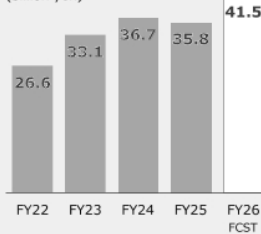
	FY2024	FY2025				FY2026	
	Actual	FCST in Feb.	Actual	Chg. Vs. FY24	Chg. Vs. FCST	Forecast	Chg. Vs. FY25
Orders Received	251.5	300.0	319.1	+ 67.5	+ 19.1	130.0	- 189.1
<i>Domestic & Asia</i>	52.3	90.0	91.3	+ 38.9	+ 1.3	126.0	+ 34.7
<i>North America</i>	199.2	210.0	227.8	+ 28.6	+ 17.8	4.0	- 223.8
Revenue	222.3	230.0	236.2	+ 13.8	+ 6.2	230.0	- 6.2
<i>Domestic & Asia</i>	70.1	78.0	81.9	+ 11.8	+ 3.9	73.5	- 8.4
<i>North America</i>	152.1	152.0	154.2	+ 2.0	+ 2.2	156.5	+ 2.3
Business Profit	8.4	9.0	8.6	+ 0.2	- 0.4	10.0	+ 1.4
<i>[Margin]</i>	<i>[3.8%]</i>	<i>[3.9%]</i>	<i>[3.7%]</i>	<i>[- 0.1pt]</i>	<i>[- 0.2pt]</i>	<i>[4.3%]</i>	<i>[+ 0.6pt]</i>

Factors Affecting Changes in Business Profit



Appendix

Revenue from components, overhaul, and after-sales service (billion yen)



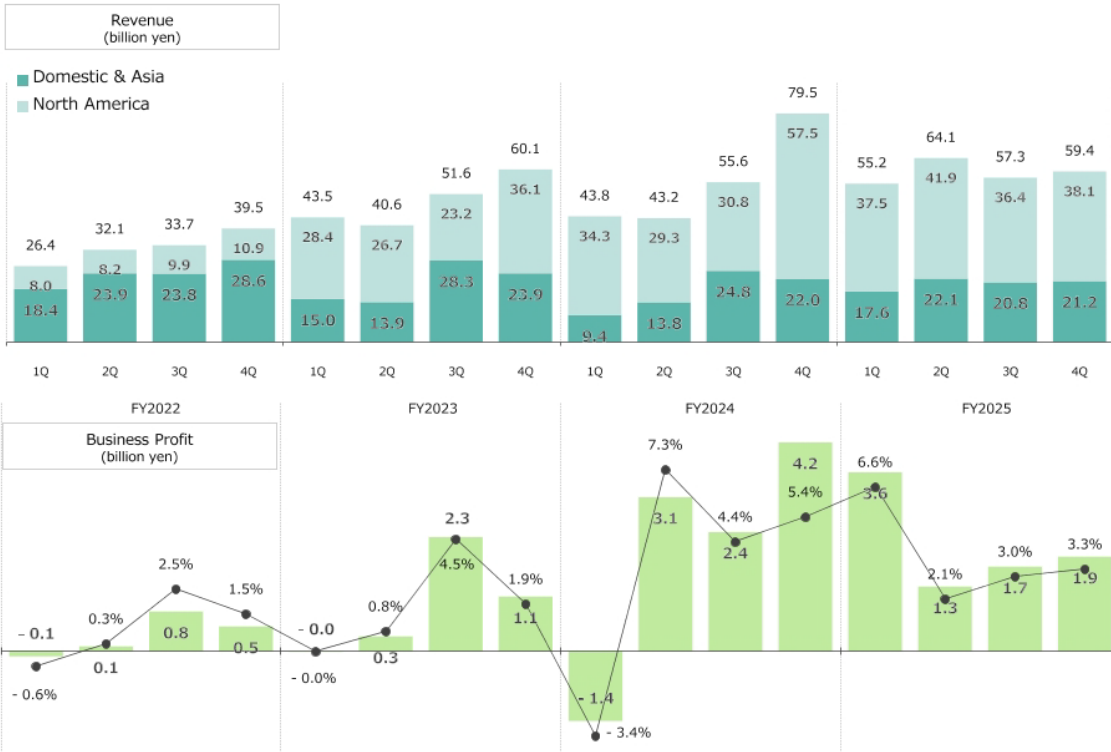
Progress of the R211 Project for New York City Subway (as of the end of Mar. 2026)

- Base contract : Full delivery of 535 cars
- Option1 contract : **Delivered 320 cars** out of 640
- Option2 contract : Received an order of 435 cars in Jan 2025

Let's move on to page 26. This page shows orders received and revenue in the Japanese, Asian and North American markets, respectively. For reference information, we have also shown profitable after-sales related sales and the progress of the US R211 project for New York City Subway, which is currently being focused as a business topic.

3

Details by Segment - Rolling Stock -



Page 27 shows changes in quarterly revenue and business profit for your reference.

3

Details by Segment - Rolling Stock -

Market Overview

- Domestic Market
 - Continued investment in rolling stock driven by strong inbound demand
- Overseas Market
 - Demand is expected to increase due to the development of urban transportation to reduce congestion in large cities
- Medium to long-term forecast
 - Stable global growth is expected, including traffic development in overseas markets and the demand for infrastructure in line with economic development in Asia

(Note) Impact of the Middle East Situation

- Production processes were affected by procurement difficulties for solvents and other materials. The impact is being mitigated through alternative sourcing, enhanced global procurement coordination, and delivery schedule adjustments with customers

Specific Efforts

Compliance with delivery schedules for overseas projects

Project	Status	Milestone
Dhaka MRT Line-6	Final vehicle delivered to customer in FY2024 (144 cars of 24 trains)	The final vehicle delivery FY2024 Handover of base facilities FY2025
NYCT R268 MTA	Order for 378 railcars finalized in December 2025 (U.S. time), with a total contract value of approximately ¥225 billion	The final vehicle delivery FY2030

Achieving quality levels trusted by customers

- Reductions of spoilage and repair costs
- Continuation of production management based on KPS (Kawasaki Production System) at domestic and overseas production sites



ARE500 Electric diesel locomotive for Amagi Railway Co., Ltd. (Green DEC)

Expansion of parts & after-sales service, and growth in maintenance businesses


- Promotion of remote track monitoring equipment for North American market
- Promotion of railcar condition monitoring equipment for domestic market
- Promoting wider adoption of the new electric-diesel hybrid Green DEC for regional railways, enabling lifecycle support from introduction through condition monitoring, operational support, and parts supply


See page 28. Please refer to the following information regarding the impact of the situation in the Middle East on the production process due to difficulties in procuring solvents and other materials, as well as countermeasures. In addition, we have been able to secure materials since the beginning of May.


3

Details by Segment - Energy Solution & Marine Engineering -


FY2025 (vs. FY2024)


Orders Received  Up due to orders for domestic waste incineration plant replacements and large-scale LNG terminal expansion projects, despite a pullback following LPG/ammonia carrier orders in the prior period
+¥10.8 Bil.


Revenue  Up due to higher revenue in Ship & Offshore Structure and Plant
+¥35.4 Bil.

Business Profit  Up due to revenue growth and improved profitability, despite one-off loss (reduction in revenue)*
+¥10.7 Bil.

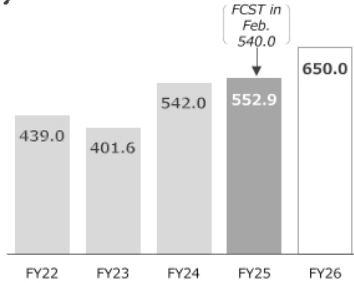
FY2026 forecast (vs. FY2025)

Orders Received  Up due to growth in Plant orders and higher MOD orders in Ship & Offshore Structure
+¥97.1 Bil.

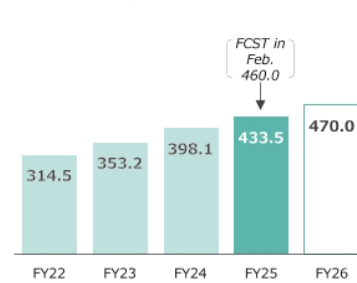
Revenue  Up due to higher revenue driven by growth in Marine Propulsion and Ship & Offshore Structure
+¥36.5 Bil.

Business Profit  Up due to higher revenue, improved profitability, and higher equity-method earnings
+¥14.0 Bil.

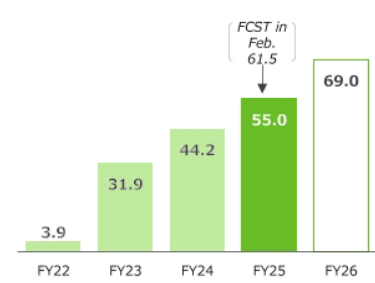
Orders Received (billion yen)



Revenue (billion yen)



Business Profit (billion yen)



*Note: Impact of fraudulent activities in the submarine repairs (Final reports by the Special Investigative Committee, Dec. 2025) (https://global.kawasaki.com/news_251226-1e.pdf)

Page 29, energy solutions and marine engineering. The results for the FY2025 are shown on the slide. Business income fell short of the figure announced in February due to the recording of the impact of the submarine-related impropriety incident in Q4.

Regarding the outlook for FY2026, orders received will increase due to an increase in the plant business and an increase in orders for the Ministry of Defense in the ship and offshore structure business. Revenues is expected to increase mainly due to higher revenues from the marine propulsion and ship and offshore structure. Business income is also expected to increase by JPY14 billion from the previous year to JPY69 billion, due to the absence of the one-time loss mentioned earlier, as well as an increase in income from higher sales.

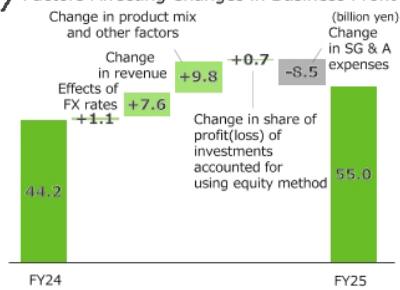
3

Details by Segment - Energy Solution & Marine Engineering -

(Billion Yen)

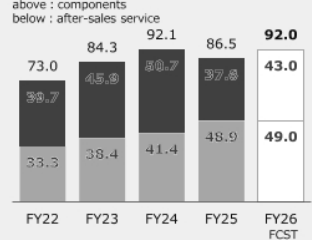
	FY2024	FY2025				FY2026	
	Actual	FCST in Feb.	Actual	Chg. Vs. FY24	Chg. Vs. FCST	Forecast	Chg. Vs. FY25
Orders Received	542.0	540.0	552.9	+ 10.8	+ 12.9	650.0	+ 97.1
Energy, Plant & Marine Machinery	354.4	440.0	456.2	+ 101.7	+ 16.2	530.0	+ 73.8
Ship & Offshore Structure	187.6	100.0	96.6	- 90.9	- 3.4	120.0	+ 23.4
Revenue	398.1	460.0	433.5	+ 35.4	- 26.5	470.0	+ 36.5
Energy, Plant & Marine Machinery	306.8	340.0	323.9	+ 17.0	- 16.1	345.0	+ 21.1
Ship & Offshore Structure	91.2	120.0	109.6	+ 18.3	- 10.4	125.0	+ 15.4
Business Profit	44.2	61.5	55.0	+ 10.7	- 6.5	69.0	+ 14.0
[Margin]	[11.1%]	[13.4%]	[12.7%]	[+ 1.5pt]	[- 0.6pt]	[14.7%]	[+ 1.9pt]
Share of profit (loss) of investments accounted for using equity method	22.9	26.0	23.7	+ 0.7	- 2.3	27.5	+ 3.8

Factors Affecting Changes in Business Profit

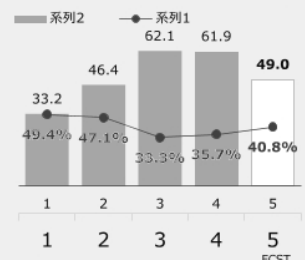


Appendix

Revenue from major products in the energy business



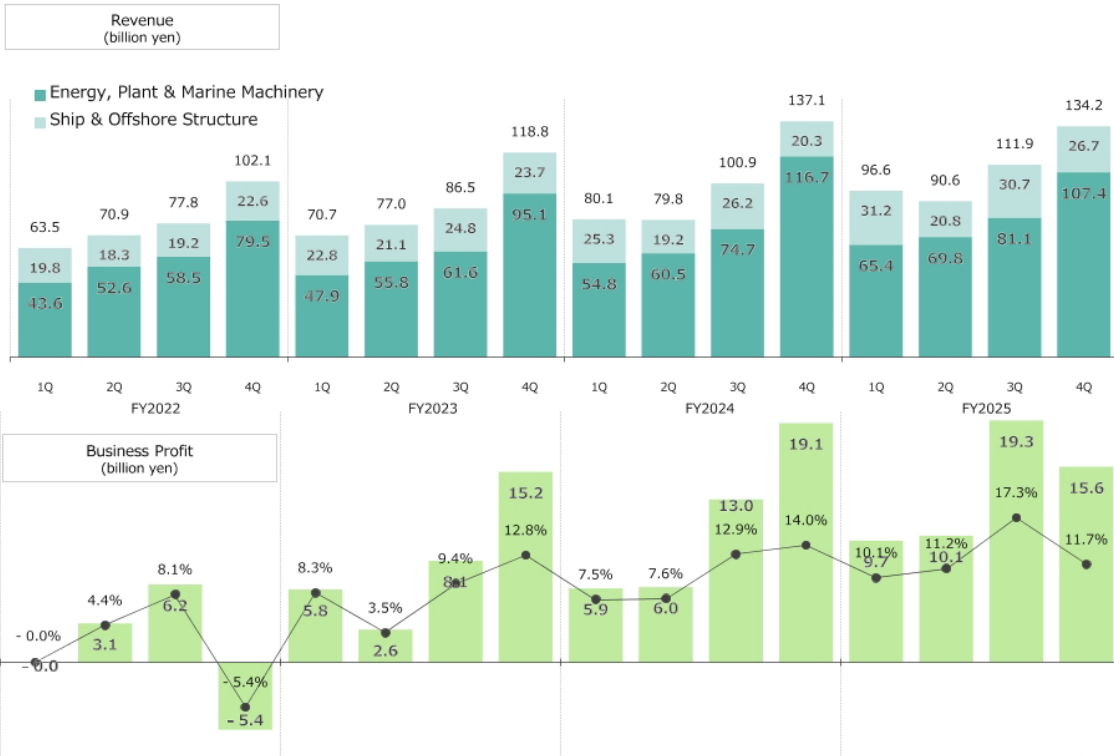
Revenue from municipal waste incineration plants



Let's move on to page 30. Please refer to this page for a breakdown of orders received and revenues from the energy, plant and marine machinery and ship and offshore structure.

3

Details by Segment - Energy Solution & Marine Engineering -



See page 31. We will omit the explanation.

Market Overview

● Energy, Plant & Marine Machinery

Domestic	Overseas
<ul style="list-style-type: none"> - Steady demand for power generation facilities and energy infrastructure - Continued demand for renewal of aging waste incineration plants 	<ul style="list-style-type: none"> - Increasing inquiries for gas turbines used in distributed power systems for data centers

● Ship & Offshore Structure

Commercial ships	Submarines and special vessels
<ul style="list-style-type: none"> - Ship prices continue to be high, affected by the soaring cost of materials and equipment - Ship prices continue to be high, affected by the soaring cost of materials and equipment 	<ul style="list-style-type: none"> - Continuous orders for surface ship main engines and power generation systems - Stable orders for submarines

● Entire segment

Risks	Carbon neutrality
<ul style="list-style-type: none"> - Logistics and FX trends impacted by U.S. tariff policies and the Middle East situation - Concerns about pressure on profits due to persistently high raw material, equipment, and fuel costs 	<p>Inquiries and requests for cooperation are increasing regarding transition solutions associated with the return to LNG, as well as decarbonization solutions such as KCC*</p> <p>* Kawasaki CO₂ Capture: CO₂ Separation and Capture system</p>

Specific Efforts

✓ **Products and services that contribute to a low-carbon and decarbonized society**

Topic	
1	For Kirishima City(Kagoshima),the Aizu Regional Municipal Association(Fukushima), the Kenoh-Kennan Regional Municipal Association(Nagasaki) Delivered three new waste treatment facilities and commenced operation services
2	From Chiba city Order received for one waste incineration plant under the DBO scheme*

- Uses a parallel-flow incinerator with our proprietary advanced combustion control system, **Smart-ACC®**, to deliver efficient and stable power generation
 - Covers on-site power needs and generates surplus electricity, helping make better use of energy
- ※ DBO : DBO: Design, Built, Operate



✓ **Initiatives toward Providing Decarbonization Solutions**

Topic	Centrifugal Hydrogen Compressor for Hydrogen Liquefaction Plants Starts Demonstration
World's first	Project Topics P.43

- High compression and compact design using a newly developed centrifugal compressor that can run at very high speed
- Lower power use thanks to new intercooling technology for high-speed operation and high-efficiency impellers
- Can be used for many types of hydrogen infrastructure, including hydrogen liquefaction plants and pipelines




See page 32. About specific efforts. This section describes the status of orders received for waste treatment facilities as they relate to products and services that contribute to the realization of a low-carbon, decarbonized society, which is the core axis of this segment.


In addition, as part of our efforts to provide decarbonization solutions, we have introduced the start of demonstration operation of a centrifugal hydrogen compressor for a hydrogen liquefaction plant at our Harima Plant.


3

Details by Segment - Precision Machinery & Robot -


FY2025 (vs. FY2024)


Orders Received  Up due to higher orders for hydraulic components in the Chinese construction machinery market
+¥29.2 Bil.


Revenue  Same as above
+¥17.6 Bil.

Business Profit  Up due to higher revenue and improved earnings from equity-method investments
+¥7.3 Bil.

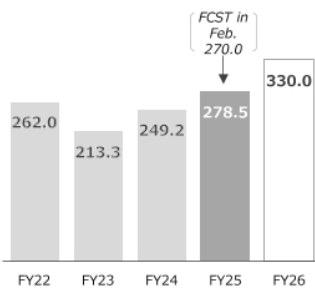
FY2026 forecast (vs. FY2025)

Orders Received  Up due to higher demand for hydraulic components in the Chinese construction machinery market and robots for semiconductor manufacturing equipment.
+¥51.5 Bil.

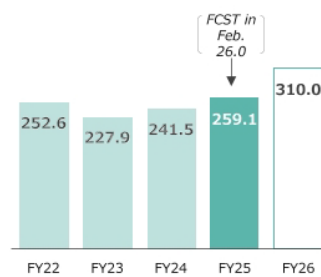
Revenue  Same as above
+¥50.9 Bil.

Business Profit  Up due to higher revenue
+¥6.7 Bil.

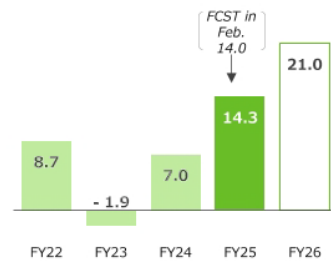
Orders Received (billion yen)



Revenue (billion yen)



Business Profit (billion yen)



Page 33, precision machinery and robot. As shown in the slide, sales and profits for FY2025 were almost in line with the figures announced in February.

Regarding the forecast for FY2026, both orders and sales will increase due to an increase in hydraulic equipment for the Chinese construction equipment market and robots for semiconductor manufacturing equipment. Profits are also expected to increase significantly due to the increase in sales.

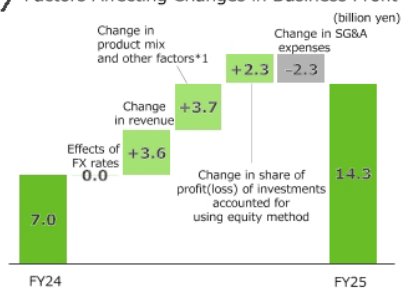
3

Details by Segment - Precision Machinery & Robot -

(Billion Yen)

	FY2024	FY2025				FY2026	
	Actual	FCST in Feb.	Actual	Chg. Vs. FY24	Chg. Vs. FCST	Forecast	Chg. Vs. FY25
Orders Received	249.2	270.0	278.5	+ 29.2	+ 8.5	330.0	+ 51.5
Hydraulic Components & Systems	147.5	170.0	173.1	+ 25.6	+ 3.1	210.0	+ 36.9
Robotics	101.7	100.0	105.3	+ 3.6	+ 5.3	120.0	+ 14.7
Revenue	241.5	260.0	259.1	+ 17.6	- 0.9	310.0	+ 50.9
Hydraulic Components & Systems	146.8	165.0	166.1	+ 19.3	+ 1.1	195.0	+ 28.9
Robotics	94.6	95.0	92.9	- 1.6	- 2.1	115.0	+ 22.1
Business Profit	7.0	14.0	14.3	+ 7.3	+ 0.3	21.0	+ 6.7
[Margin]	[2.9%]	[5.4%]	[5.6%]	[+ 2.6pt]	[+ 0.2pt]	[6.8%]	[+ 1.2pt]
Share of profit (loss) of investments accounted for using equity method	- 1.5	0.0	0.7	+ 2.3	+ 0.7	0.5	- 0.2

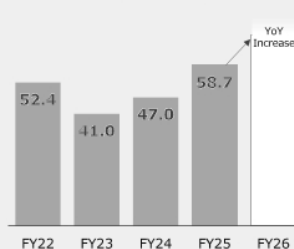
Factors Affecting Changes in Business Profit



*1 Cost increase due to U.S. tariff policies is included [- 11 billion yen]

Appendix

Revenue from hydraulic components to China



Revenue of robots by segment*2 (billion yen)

	above : Actual below : Change	FY24	FY25	FY26
Automobile assembly and painting	(+ 2.9)	41.8	36.8	46.0
Semiconductor	(+ 7.4)	34.8	37.9	46.0
General robots for industrial use and others	(- 1.1)	27.4	27.8	35.0
Total	(+ 9.2)	104.1	102.5	127.0
			(- 1.5)	(+ 24.5)

*2 Intercompany revenue is included

Let's move on to page 34. This page includes orders received and revenue from precision machinery and robots, respectively. The following table also shows sales of hydraulic equipment to the Chinese market and a breakdown of robot sales by field for your reference.

3

Details by Segment - Precision Machinery & Robot -



See page 35. We will omit the explanation.

Market Overview

● Hydraulic components

China	Mid- to Long-Term Trends in the Construction Machinery
<ul style="list-style-type: none"> - Steady demand for large-scale mining equipment and export machines for Africa and Southeast Asia 	
Other Markets	Mid- to Long-Term Trends in the Construction Machinery
<ul style="list-style-type: none"> - U.S. Pipeline construction and AI data center investments drive the market - India: Demand is increasing after the government's announcement of a major infrastructure spending increase 	
● Robotics	
For semiconductor production	For general purposes
<ul style="list-style-type: none"> - Increasing trend due to rapid growth in AI and rising demand for general-purpose memory 	<ul style="list-style-type: none"> - Smart factory demand continues to rise amid rising labor costs and labor shortages, despite heightened geopolitical risks

Specific Efforts

✓ **Measures to Develop the Hydraulic Business**

New Product Development / Market Development	Review of the Global Production Structure
<ul style="list-style-type: none"> - Electrification, automation, and remote operation for construction machinery - Tough robotics technologies leveraging hydraulics and robotics - Development of hydrogen compressors, fuel cell systems, and expansion of defense products 	<ul style="list-style-type: none"> - Strengthening cost competitiveness through expanded production at Eddie KPM Precision Machinery (Suzhou) Ltd
Strengthening the Service Business	
<ul style="list-style-type: none"> - Strengthening the service business through the establishment and expansion of overseas sales networks 	

Topics MoU Concluded with Bosch Rexroth
Project Topics P.44

✓ **Strategic Challenges in Robot Business**


Concentrated investment in high value-added areas	Accelerating Investment in Growth Areas
<ul style="list-style-type: none"> - Development of supply system for full-scale recovery of semiconductor market - Expansion of new fields (Vacuum process, Back-end process, EFEM, factory automation, etc.) 	<ul style="list-style-type: none"> - Enhancing cost competitiveness through an integrated Japan-China development and production framework - Accelerating the shift of resources toward growth areas - Advancing the social robotics business (healthcare and nursing care)
Strengthening the medical business	
<ul style="list-style-type: none"> - European rollout of the hinotori™ (with Medcaroid and Sysmex) - Differentiation via Remote Operation Technologies (FORRO/mapxus collaboration) 	
<p>Topics Launch of "CF022N"</p> <ul style="list-style-type: none"> ✓ Developed, manufactured, and quality-assured in China as a strategic product for the Chinese market ✓ Sales commenced exclusively in China in January 2026 	


See page 36. Regarding the business environment. As explained earlier, we expect a steady recovery in both hydraulic equipment and robots.

3


Details by Segment - Powersports & Engine -


FY2025 (vs. FY2024)

Revenue  Up due to higher revenue of four-wheelers for the North America and motorcycles for developed markets
+¥73.4 Bil.

Business Profit  Down due to higher tariff-related costs, weaker profitability amid intensified competition in the U.S. powersports market, and higher fixed costs from production capacity expansion, despite higher revenue
-¥25.1 Bil.

FY2026 forecast (vs. FY2025)

Revenue  Up due to higher revenue in the four-wheelers for the North America, motorcycles for Europe, and motorcycles for emerging markets
+¥47.2 Bil.

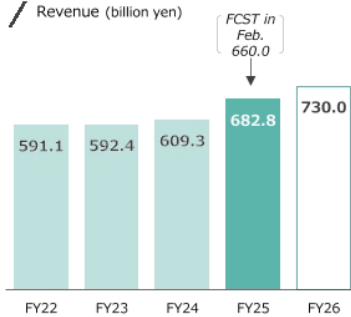
Business Profit  Up due to revenue growth, despite adverse impacts from the Middle East situation
+¥7.3 Bil.

Appendix
The impact of U.S. tariff policies on performance is incorporated based on regimes and tariff rates implemented or expected as of May 12, 2026, excluding refunds of IEEPA tariffs.

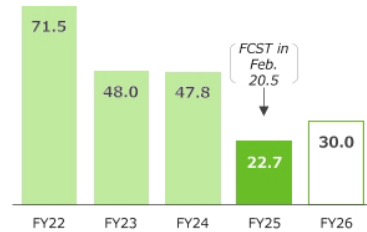
Orders Received (billion yen)

Qualitative information and graph are omitted because this segment is mainly engaged in estimated production, and orders received are generally the same as revenue

Revenue (billion yen)



Business Profit (billion yen)



Page 37, powersports and engine. Regarding the results for FY2025, both sales and profits were higher than those announced in February.

Regarding the outlook for FY2026, despite the impact of the situation in the Middle East and the JPY17.3 billion more in US tariffs than in the previous fiscal year, motorcycle sales are strong in both North America and Europe. The Company expects an increase in both sales and profit, mainly due to the growing market share.

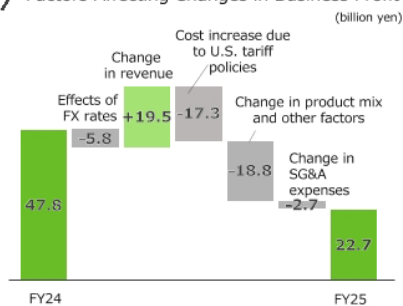
3

Details by Segment - Powersports & Engine -

(Billion Yen)

	FY2024	FY2025				FY2026	
	Actual	FCST in Feb.	Actual	Chg. Vs. FY24	Chg. Vs. FCST	Forecast	Chg. Vs. FY25
Revenue	609.3	660.0	682.8	+ 73.4	+ 22.8	730.0	+ 47.2
<i>Motorcycles for developed countries</i>	245.3	250.0	261.9	+ 16.5	+ 11.9	275.0	+ 13.1
<i>Motorcycles for emerging market</i>	99.2	105.0	102.6	+ 3.3	- 2.4	110.0	+ 7.4
<i>Utility Vehicles, ATVs & PWC</i>	169.0	210.0	211.4	+ 42.4	+ 1.4	240.0	+ 28.6
<i>General-purpose gasoline engines</i>	95.5	95.0	106.7	+ 11.1	+ 11.7	105.0	- 1.7
Business Profit	47.8	20.5	22.7	- 25.1	+ 2.2	30.0	+ 7.3
[Margin]	[7.9%]	[3.1%]	[3.3%]	[- 4.5pt]	[+ 0.1pt]	[4.1%]	[+ 0.7pt]

Factors Affecting Changes in Business Profit



Appendix

Wholesale volume by region

(thousand units)

	FY24	FY25	Change	FY26(FCST)
Developed markets				
Japan	26	33	+ 7	
North America	116	106	▲ 10	
Europe	81	88	+ 6	
Others*	10	10	+ 0	
Total	234	239	+ 4	240
Emerging markets				
Philippines	186	211	+ 24	
Indonesia	19	17	▲ 1	
Latin America	11	16	+ 4	
Others*	29	25	▲ 3	
Total	246	270	+ 23	280
Four-wheelers · PWC				
North America and Others	70	83	+ 13	95

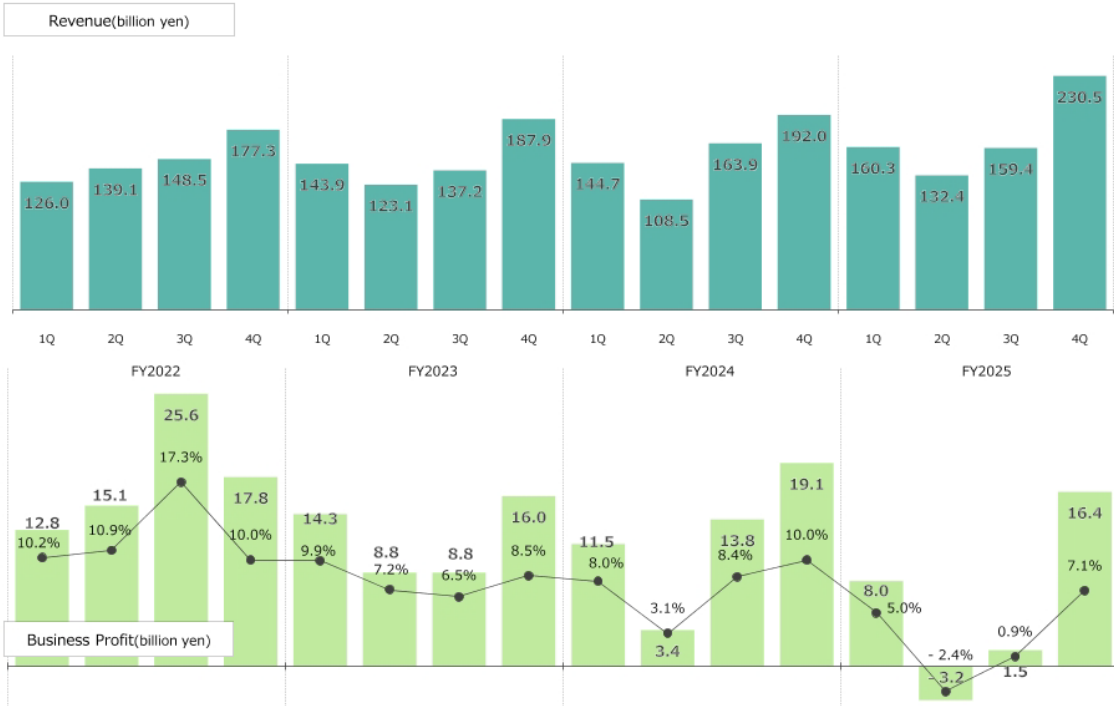
Note : The following table shows the trend of YoY changes in motorcycles of developed and emerging markets and regions included in "Others"

Australia : ➡
China : 🇨🇳
Thailand : ➡

Let's move on to page 38. This page shows revenue of motorcycles in developed countries, motorcycles in emerging countries, automobiles/PWC, and general-purpose engines, respectively. We have also noted the wholesale volume of motorcycles and four-wheeled vehicles/PWCs by region for your reference.

3

Details by Segment - Powersports & Engine -



See page 39. We will omit the explanation.

Market Overview

- U.S. (Motorcycles)
 - Despite a softening retail market, our market share remains strong
- U.S. (Four-wheelers)
 - The market is expected to grow over the medium to long term, but sales of recreational models, which are susceptible to loan interest rates and fuel price increases, have softened
 - Market share expanded driven by new model launches and recovery from recall impacts.
- U.S. (Common to both business above)
 - Concerns over demand declines caused by tariff measures
- Europe
 - Following the bottoming out of the post-pre-regulation demand pullback, the market is gradually recovering. We expanded market share through strengthened sales promotions and new model introductions.
- Southeast Asia
 - Sports segment remains at low level overall, although some regions are showing signs of recovery.

(Appendix) Impact of the Situation in the Middle East

- ⚠ Heightened production risk due to procurement difficulties for solvents and other materials; impact to be mitigated through enhanced procurement coordination across global sites
- ⚠ Potential demand slowdown due to higher fuel prices, mainly in emerging markets

Specific Efforts



Products in alignment with market trends

- Launch of attractive models rooted in the Kawasaki brand
- Agile production and sales planning aligned with inventory conditions



KLE500 SE
new model to launch in Japan



Strengthening the four-wheeler business

- Enhancing product competitiveness through a market-in approach tailored to the U.S. market, while improving profitability
- Rapid response to changes in the external environment through efficient and flexible utilization of two plants (U.S. and Mexico)



Realizing a Decarbonized Society

- Contributing to carbon neutrality through multiple solutions, including electrification and hydrogen engines, leveraging Kawasaki's technological strengths



Collaboration with the ITOCHU Group

- Jointly established Kawasaki Motors Retail Finance, LLC in the U.S. in April 2025 to expand business and strengthen the customer base

Status

Plan

As of March 2026, operations are **underway in 44 states**

Pursuing an early nationwide rollout to increase financing penetration and build a high-quality asset base

- Jointly promoting new market development across emerging markets such as Asia, Latin America, the Middle East, and Africa

See page 40. This section describes the business environment and order trends. The impact of the situation in the Middle East has also been newly included for your reference.

4 Shareholder Returns

Dividend Policy

— FY2025 Dividend and FY2026 Dividend Outlook —

To enhance long-term shareholder value while ensuring stable and sustainable shareholder returns, a dividend policy with a target of

Dividend on Equity*1

DOE 4% has been adopted

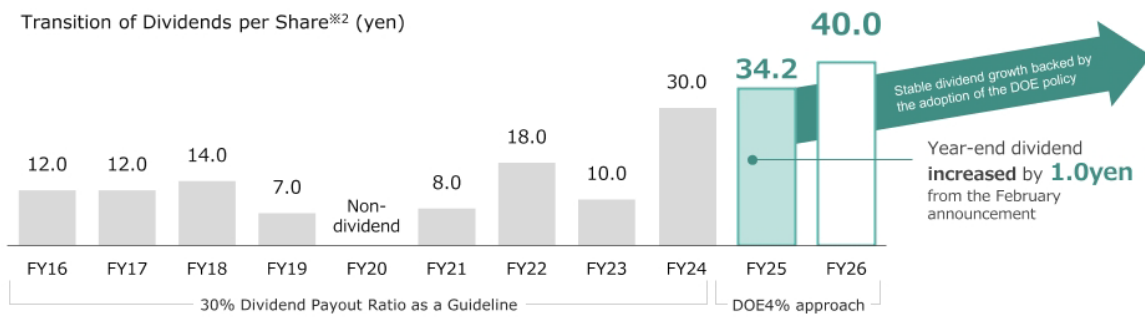
*1 DOE = Total annual dividends ÷ (Equity attributable to owners of the parent – Other components of equity) The average of the beginning and end of the fiscal year is used

Dividend per Share*2 (yen)

	FY25	FY26 (FCST)	Change
Interim	15.0	20.0	+5.0
Year-end	19.2	20.0	+0.8
Annual	34.2	40.0	+5.8

*2 Converted based on the number of shares after the five-for-one stock split effective April 1, 2026.

Transition of Dividends per Share*2 (yen)



Let's move on to page 42. shareholder returns. As announced in February, the dividend will be based on a DOE of 4% from this time forward. The year-end dividend for FY2025 is JPY19.2 per share, an increase of JPY1 per share from the February announcement, due to the increase in profit. As a result, the annual dividend will be JPY34.2 per share. In addition, we plan to increase the annual dividend to JPY40 per share in FY2026.

4 Project Topics

Growing Expectations for Hydrogen and GTG Technology

— From the perspectives of energy security and the acceleration of carbon neutrality —

- As tensions in the Middle East escalate, **risks to global energy security are becoming more pronounced** (in particular, Japan relies on the Middle East for more than 90% of its crude oil imports)
- Looking ahead, expectations for hydrogen are projected to rise further as it serves as a key alternative energy source and a flexible foundational resource that can substitute across a wide range of products
- In addition, studies have been initiated on supporting the supply of petrochemical feedstocks (such as naphtha) utilizing Kawasaki's Gas to Gasoline (GTG) technology
- Carbon-neutral gasoline can also be produced by synthesizing hydrogen with CO₂ derived from biomass or captured via Direct Air Capture (DAC)

Gas to Gasoline (GTG) plant

A GTG plant converts natural gas into high-quality gasoline.

The world's only commercial GTG plant, featuring large-scale syngas production with self-heat balance, a methanol synthesis unit (1.7 million t/year), a gasoline synthesis unit (600,000 t/year), and associated auxiliary facilities.

▼ Turkmenistan GTG Plant(Completed in 2019 and in stable operation)



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Latest Hydrogen News

Jan. 2026

Demonstration operation of centrifugal hydrogen compressor for hydrogen liquefaction plants launched (Harima Works)



The demonstration forms part of a NEDO*1 Green Innovation (GI) Fund Project titled 'Development of Large-Scale High-Efficiency Equipment for Hydrogen Liquefaction Machines' and represents the first application of this technology to hydrogen liquefaction plants.

By enabling high-capacity hydrogen compression in a compact configuration, the system is expected to significantly improve the efficiency of hydrogen liquefaction processes.

Mar. 2026

Started hydrogen-fueled operation of engines for large commercial vessels



In the NEDO GI Fund project 'Development of Marine Hydrogen Engines and MHFS*2,' hydrogen co-firing operation across all cylinders was initiated using the first full-scale engine, confirming GHG emissions reduction and stable operation, with a hydrogen co-firing ratio exceeding 95% at 100% engine load.

*1 New Energy and Industrial Technology Development Organization
*2 Marine Hydrogen Fuel System

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See page 43. We are pleased to report two project topics. First, we will introduce hydrogen and our gas to gasoline technology from the perspective of energy security and carbon neutral acceleration.

As the situation in the Middle East worsens and energy security risks increase worldwide, hydrogen is expected to become even more promising as an alternative energy source to fossil fuels and as a fundamental resource that can be converted into a wide variety of products.

For example, the GTG plant we delivered to Turkmenistan in 2019, which produces high-quality gasoline from natural gas, synthesizes hydrogen and CO₂ in the process. It is also possible to produce carbon-neutral gasoline by using CO₂ that is synthesized with hydrogen as vegetable-derived or from DAC or other sources.

While there are concerns about the current shortage of naphtha and other petroleum-related materials in Japan, we believe that the application of our GTG technology will enable us to generate these materials, and we see many business opportunities for our company.

4 Project Topics

Memorandum of Understanding Signed with Bosch Rexroth AG

— Introducing the concept of intelligent machines* construction machinery markets —

- In March 2026, Kawasaki signed a memorandum of understanding MOU with Bosch Rexroth to collaborate on next-generation solutions for construction machinery
- The collaboration aims to establish next-generation standard technologies and strengthen competitiveness by combining Kawasaki's strengths in system integration and high-quality hydraulic components with Bosch Rexroth's advanced digital and software capabilities

rexroth
A Bosch Company

Bosch Rexroth AG

As a core company of the Bosch Group, headquartered in Germany, Bosch Rexroth provides advanced technologies for construction and industrial machinery, with a strong focus on hydraulics, hydraulic systems, and factory automation (FA). The company is distinguished by its high level of technological expertise and a global network spanning more than 80 countries.

Key Areas for Collaboration

- ✓ Improve construction machinery efficiency and worksite safety through autonomous operation and enhanced safety monitoring
- ✓ Drive cooperation by combining Kawasaki's onboard hydrogen, gas compression, and hydraulic technologies with Bosch Rexroth's liquid hydrogen refueling station technologies



Press release
https://global.kawasaki.com/news_260303-2e.pdf

* Solutions that address key challenges in the construction machinery industry, including improved worksite safety, autonomous operation, seamless data exchange, and the transition to sustainable energy sources



Let's move on to page 44. On this page, we would like to introduce our collaboration with Bosch Rexroth AG, one of the world's leading hydraulic equipment manufacturers, on next-generation construction machinery.

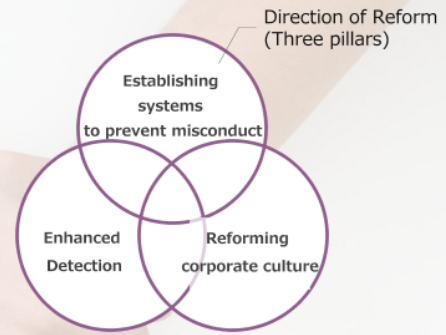
The collaboration aims to establish next-generation standard technologies and strengthen competitiveness by combining Kawasaki's strengths in system integration and high-quality hydraulic components with Bosch Rexroth's advanced digital and software capabilities.

4 ESG Topics

Initiatives to Prevent Recurrence of Misconduct

—Progress of reforms to restore trust —

- The misconduct incidents identified in 2024 (the submarine maintenance incident and the marine engine incident) were investigated by a Special Investigation Committee, and the final investigation report was received and publicly disclosed in December 2025
- From the discovery of both incidents to the present, **Kawasaki has implemented timely and continuous measures aimed at preventing recurrence**



Period	Progress of the Submarine Repair Incident	Progress of the Marine Engine Inspection Misconduct Incident	Main Initiatives to Prevent Recurrence
'24 July Aug Sep Nov Dec	<ul style="list-style-type: none"> ■ Public disclosure of the misconduct incident ■ Receipt of the interim report from the Special Investigation Committee 	<ul style="list-style-type: none"> ■ Public disclosure of the misconduct incident ■ Submission of the interim report to the MLIT ■ Submission of the final report to the MLIT 	<ul style="list-style-type: none"> ✓ Establishment of a business partner reporting system ✓ Establishment of the Defense Program Management Headquarters ✓ Company-wide review of inspection and certification operations ✓ Introduction of data auditing
'25 Jan Feb Apr July Aug Oct Dec	<ul style="list-style-type: none"> ■ Release of results of the special defense inspection by Ministry of Defense announced results ■ Receipt and disclosure of the final report from the Special Investigation Committee 	<ul style="list-style-type: none"> ■ Receipt of the interim report from the Special Investigation Committee ■ Identification of inspection misconduct in marine engines ■ Receipt of the final report from the Special Investigation Committee 	<ul style="list-style-type: none"> ✓ Formulation of basic legal and compliance policies ✓ Reorganization of submarine repair workplaces ✓ Consolidation of audit functions at headquarters ✓ Implementation of procurement and other process surveys
'26 Apr			<ul style="list-style-type: none"> ✓ Establishment of the Quality Assurance General Department ✓ Establishment of the Organizational Culture Reform and Compliance Department directly under the Human Resources Division

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See page 45. Since this is the year-end closing, we would like to introduce two ESG-related topics.

First, we will explain our response to the inappropriate incidents uncovered in 2024.

The Company received the final report from the Special Investigation Committee in December 2025 and announced it on the same day. In response to this, we have implemented measures to prevent recurrence in a timely and continuous manner since the incident was discovered, as described in the slide.

Most recently, in April of this year, we established the Quality Assurance Generalization Department, which oversees quality assurance across the entire company, and the Quality Assurance Control Department under it, thereby creating a system for centralized supervision and guidance of the quality assurance functions of each business division. In addition, an organizational culture reform and compliance department has been newly established directly under the Human Resources Division at the head office to promote human resource development and legal compliance initiatives in an integrated manner. This will accelerate the shift to a corporate culture based on trust and dialogue, and steadily promote the transformation to management that places the highest priority on compliance.

4 ESG Topics

Click here for a list of evaluations from outside the company (as of April 2026) ► <https://global.kawasaki.com/en/corp/sustainability/esg/evaluation.html>

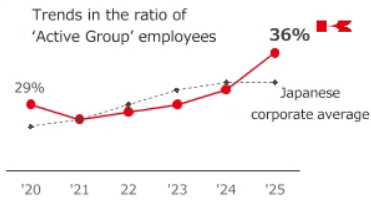


Enhancing Employee Engagement

Since FY2020, Kawasaki has conducted an employee engagement survey using a third-party assessment tool (WinDEX). The percentage of employees classified as the 'Active Group' is designated as a KPI, and ongoing efforts are made to improve this metric

Point: The proportion of 'Active Group' employees increased significantly YoY

Effective organizational culture reforms raised the Active Group ratio to 36% in FY2025 (+5 pts YoY), above the Japanese corporate average



Revision of the Sustainable Finance Master Framework

(Introduction of a sales promotion framework available to product purchasers)

By utilizing this framework, business partners (purchasers of Kawasaki's products) can access financing without the need to develop a new framework of their own.

Point: Accelerates carbon reduction across the entire supply chain, including improvements in Scope 1 and 2 at business partners and Scope 3 of Kawasaki



Sustainable Finance Results (as of Mar.31, 2026)

Share of sustainable finance in long-term interest-bearing debt **41.5%**
(YoY+12.5%)

Outstanding balance of sustainable finance (loans and bonds) **JPY 137.5 billion**
(YoY+31.5 billion)

Continuously selected as a global stock index; Dow Jones Best-in-Class Indices

In April 2026, Kawasaki was selected for the Dow Jones Best-in-Class World Index (DJ BIC World), a globally recognized ESG benchmark, for the second consecutive year. The company has also been included in the DJ BIC Asia Pacific for 13 consecutive years. These selections recognize the sustained commitment to ESG initiatives of Kawasaki



DJ BIC World consists of **317 companies**

The top 10% of the world's 2,500 global leading companies

See page 46. We have conducted an annual employee engagement survey (WinDEX) since FY2020. We use the "active group ratio" defined by a third-party survey organization as a KPI and are working to improve this ratio. In the current fiscal year, the ratio of active groups in FY2025 improved significantly to 36%, up 5 points from the previous year and higher than the average for Japanese companies, thanks to successful efforts on organizational culture reform. We will continue to strengthen our activities to achieve 50% of the global level by FY2030.

In addition, this year, as in the previous year, the Company was selected for the second consecutive year for inclusion in the Dow Jones Best-in-Class Indices, a global stock price index. We understand that this is a recognition of the status of our ongoing ESG initiatives.

4

Appendix
- Other Information -● Impact of Foreign Exchange on Business Profit by Currency^{※1}

		FY2024	FY2025	FY2026
		Actual	Actual	Forecast
USD	Aerospace Systems	0.47	0.68	1.31
	Rolling Stock	0.33	0.25	0.13
	Energy Solution & Marine Engineering	0.25	0.30	0.20
	Precision Machinery & Robot	0.14	0.17	0.13
	Powersports & Engine	0.75	0.79	0.82
	Total	1.94	2.20	2.59
EUR		0.55	0.64	0.47

※1 The impact of foreign currencies (USD and EUR only) on business profit due to exchange rate fluctuations (Calculated by deducting foreign currency denominated purchases from foreign currency denominated revenue of Kawasaki Heavy Industries, Ltd, Kawasaki Railcar manufacturing Co., Ltd., and Kawasaki Motors, Ltd. (to include foreign currency denominated revenue from loss-provisioned projects))
(Ex) Business profit increases or decreases by 1 billion yen if the exchange rate changes to 1 yen weaker or stronger against USD when the foreign currency amount is 1 billion USD

● Weighted-average Exchange Rates (EUR/JPY)

FY2023 actual	157.09
FY2024 actual	163.07
FY2025 actual	175.17
FY2026 forecast	180.00

● Details of Eliminations and Corporate (billion yen)

	Business Profit (Loss) (billion yen)				
	FY2024	FY2025		FY2026	
	Actual	Actual	Change	Actual	Change
Elimination and corporate	- 25.6	- 25.3	+ 0.3	- 36.0	- 10.7
Inter-business investments (or Head Office)	- 10.6	- 12.2	- 1.5	- 20.0	- 7.8
Elimination and Adjustments	- 14.9	- 13.0	+ 1.8	- 16.0	- 3.0

[Formulas for Calculating ROIC]

After-tax ROIC = { Profit attributable to owners of parent + Interest expenses × (1 – Tax rate) } ÷ Invested Capital^{※2}

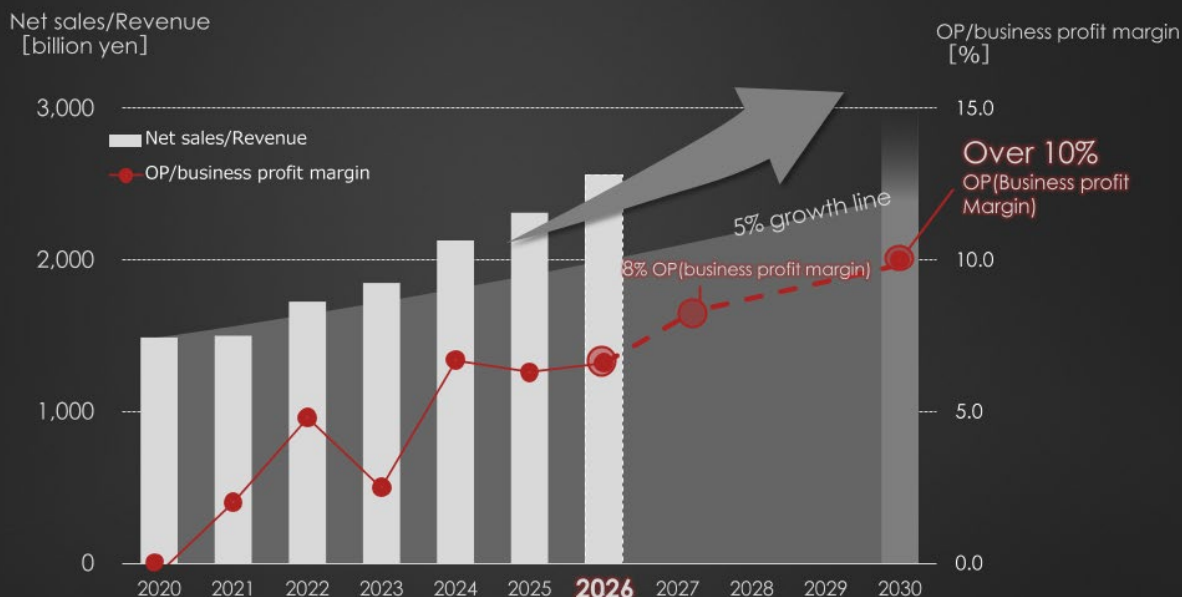
※2 Invested Capital = Average net debt at beginning and end of period + average equity at beginning and end of period

Please refer to the reference information attached on page 47 and thereafter. Please refer to page 53 for a breakdown of the Details of Eliminations and Corporate. This concludes my explanation.

Moderator: Thank you. Next, Hashimoto will explain the image of future business growth. President Hashimoto, please go ahead.

Business Growth Vision (Profit)

Achieve an 8% operating margin (Business profit Margin) in 2027 and exceed 10% by 2030 by responding effectively to changes in the external environment.



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Hashimoto: I will now explain the outlook for achieving a 10% business profit margin as outlined in the Group vision 2030.

First, as explained earlier, the financial results for FY2025 resulted in record highs in both sales and profits.

By business segment, in the order-based business, not only in the aerospace systems business but also in the Ship and Offshore Structure business in energy solution and marine engineering, the shipbuilding business of the equity method affiliate in China is performing well. In Japan, the construction of a series of LPG ammonia carriers has also made a significant contribution to profit growth.

In addition, the rolling stock business has stabilized mainly in North America, with the mass production of the R211 project for the New York City Subway and additional orders for the R268 project of the same type.

In addition, in the mass-production-related business, price shifting and cost reductions are progressing in precision machinery and robots. In addition, expanded sales of robots for semiconductor manufacturing equipment, one of the Company's strengths, contributed to improved profitability, and the powersports and engine business also posted higher-than-expected sales and profits, mainly due to strong sales of high-priced four-wheel vehicles, despite the impact of tariffs in Q4.

In light of these circumstances, we expect both sales and profits for FY2026, which we announced today, to be significantly higher than in FY2025.

We expect to be affected by changes in the external environment, including the situation in the Middle East, exchange rates, and US tariffs. On the other hand, we feel that the opportunities to demonstrate the true value of the technologies and businesses we have cultivated are becoming greater and greater as the defense budget expands, physical AI emerges, and the government clarifies its 17 strategic fields.

With regard to the profit forecast for FY2026, it may appear that there is a bit of a gap compared to the target, but as you know, both civil and defense will grow in aerospace systems starting in FY2027. In addition, in the precision machinery and robot business, the profit margin is improving as we continue our business reforms, and we expect to see significant results from these efforts beginning in FY2027. Furthermore, in KMC's four-wheel business, production and sales are expected to stabilize from FY2027, and the business profit margin of 8% for FY2027 is now a realistic figure.

The entire group will work together to achieve a business profit margin of 10% or more in all business fields by 2030. We look forward to your continued support and encouragement. Thank you for your attention today.

Question & Answer

Moderator [M]: Thank you. We will now move to the question-and-answer session. If you have any questions, please click on the raise your hand button on the screen. When it is your turn to ask a question and the moderator calls your name, please ask your question after mentioning your company name and name. Due to time constraints, each person will be limited to two questions at a time.

If you are unable to speak audibly due to the environment, you may also use the Q&A function to ask questions, but for the sake of progress, we will take your audio questions first and then answer as much as possible in the remaining time. For questions from the Q&A function, the moderator will inform everyone of the company name, name, and question.

We will now begin the question-and-answer session. Let me put you through to Mr. Maekawa of Nomura Securities, first. Please unmute and ask your question.

Maekawa [Q]: My name is Maekawa from Nomura Securities Co. Thank you for your presentation. Now I would like to ask two questions.

First, I would like to ask you about the powersports and engine segment. The fiscal year just completed exceeded the plan, and I believe that you expect the profit to recover this fiscal year to JPY30 billion. I would like to ask once again about the background of this. For example, customs costs are expected to increase this fiscal year, but I think the growth is a little smaller than you had previously mentioned. Perhaps this is partly because price increase is progressing. Also, about volume. You said you have incorporated the risk in the Middle East, but the plan is for growth including for four-wheeled vehicles. Volume was quite strong in the four-wheeled vehicles.

The background of this strong performance in the January-March period, and then the background of the profit increase in the current period. I think that controlling expenses, including sales promotion expenses, was also an issue for this business. I would appreciate it if you could supplement your explanation, both qualitative and quantitative, of how you plan to achieve these figures from the past few months into the current fiscal year. Thank you.

Yamamoto [A]: Yes. Thank you for your question. Yamamoto will answer your question.

First, sales, revenue, and business profit exceeded the forecast announced in February. I think that the slightly conservative view of motorcycles and general-purpose engines in developed countries contributed to the increase in profits, while it was a bit challenging for motorcycles in emerging countries, but overall, the increase in developed countries contributed to the increase in profits.

In Q4 in particular, we had expected a decline in demand and logistics risks, but the impact was not as great as we had expected, and we believe that this resulted in the outperformance.

As for sales, in FY2025, sales increased by about 12%, which is quite large compared to the previous year, but for FY2026, we plan to increase sales by about 7% to JPY730 billion, which we believe is not too challenging to achieve. In addition, we had expected the motorcycle market to drop about 5% to 10%, but actually, the market increased YoY from January to March. So we believe that the current market situation for motorcycles is showing signs of recovery.

However, for the whole of FY2026, depending on developments in the Middle East, there may be a cooling down of the market due to soaring fuel prices, but we do not have any clear view on that yet. Since we are

not currently experiencing a decline in demand, we believe that our plan is neutral. I hope I answered your question.

Maekawa [Q]: Especially in the current fiscal year, when you say that profits are expected to increase by JPY30 billion, do you mean that the 7% increase in sales will result in a significant increase, or is this a result of cost control measures in areas where expenses were incurred last year? I would appreciate it if you could provide some additional background on the recovery to JPY30 billion, as we have not given the waterfall chart on changes of profit toward new fiscal year. Thank you.

Yamamoto [A]: Yes. Since the Q4 results were quite good with increase profit due to an increase in sales, and we have factored in tariffs and the situation in the Middle East from the beginning, I think we are neutral this time.

Maekawa [Q]: The market's view on the Middle East situation is 12%, but you are only seeing a 7% increase in revenue, so is it correct to say that you are looking at risk there?

Yamamoto [A]: Yes, that's right. Of course, we have been working to reduce fixed costs since last year, and we expect to make further progress this year, which will have a positive effect throughout the year.

Maekawa [Q]: Understood. Thank you.

The second point I would like to ask is on the view of operating profit margin, which President Hashimoto gave us again in his presentation at the end. It is about the precision machinery and robot and power sports. I think the profit margin will increase as the volume increases, and you mentioned that 8% target is becoming realistic. However, looking at each segment, it seems that the performance is quite polarized at this point in time. Previously, you said that each business is aiming for 10%. However, given there is some variation among businesses, I wonder if the direction has changed to the one that whole company altogether aims for this profitability target. If possible, we would be grateful if you could give us a more detailed picture of each business when the level reaches 8% or 10% or more.

Yamamoto [A]: Yes. Hashimoto's will answer that. As you know, in the Aerospace and energy solution and marine engineering, the energy solution and marine has already exceeded 10%, and we have a high degree of certainty in the Aerospace as well. In addition, we have implemented business structure reform from the last year to this year in precision machinery and robot, and begun to implement a variety of measures to improve profits in our China business, to focus on particularly profitable businesses, and to take various measures for future businesses.

The figures do not yet include profits from AI, etc., but for precision machinery and robots, we can now see that we will be able to exceed 8% in the next fiscal year, FY2027.

And beyond that, I can see the Precision Machinery & Robot, Aerospace, and Energy Solutions sectors exceeding 10%.

As for motorcycles, we are getting pretty close to that line. This is because various measures we implemented last year are beginning to contribute to profit. This include reducing fixed cost in the current challenging situation, and for four-wheelers, narrowing down the types of vehicles to sell to the ones that are selling well. This time, profitable full-cab model has been especially strong.

Also, with regard to rolling stocks, it is actually North America that is driving the strong performance. Although operations in Japan are currently low, we know that operations in Japan and Asia will increase significantly from FY2028, and we can see the level of our business plan reaching almost 10% for the main body of the Company alone.

We are of course aiming for 15% in some of our businesses, not 10%, but everyone is committed to exceeding 10% in all of our businesses, and the steady changes we are making toward that goal are starting to show in our profits.

In particular, as for the 8% growth rate for FY2027 that we set in the halfway, we are currently implementing business structure reforms. Although only a portion of the effects of these reforms have been realized this year, we expect to see further increases in profits next year, and in FY2028, the effects of these reforms will begin to emerge, leading to increases in FY2028, FY2029, FY2030, and so on. I hope you will understand that this growth scenario is becoming a reality.

Maekawa [Q]: I see. As you just mentioned, looking at each business segment, the speed of increase in motorcycles may be a little slower, but other products such as Precision Machinery & Robots and rolling stocks are expected to come surprisingly close to 8% in the next fiscal year, is that right?

Hashimoto [A]: rolling stocks will not reach yet next year. rolling stocks will be getting close to the target from FY28. Yes.

Maekawa [Q]: Understood. That is all from me. Thank you.

Moderator [M]: Thank you. Next, we will put you through to Mr. Isayama of Goldman Sachs Securities. Please unmute and ask your question.

Isayama [Q]: Thank you very much for all your help. My name is Isayama from Goldman Sachs Securities. Thank you.

For the first question, I see the plan for the current fiscal year for aerospace systems is solid. Could explain the probability and trends of the increase in profit of less than JPY10 billion this time by dividing it into aircraft, engines, and defense systems?

Especially in the engine area, it is due to the flight hour changes in response to the situation in the Middle East, so I believe an increase will not be much considering sales mix. I would like to know your assumption to the plan.

Again, I would like to know the prospects on profit increase for engines, aircraft, and defense, respectively. Even if it is difficult to give a specific amount, could you tell me which business is expected to drive the increase and how you estimated the impact of the Middle East situation this time? I would appreciate your explanation. Thank you.

Yamamoto [A]: Yes. The engines business has been growing for a long time and especially strong since the end of COVID-19 pandemic. The sales volume of built-in engine such as PW1100G and Trent XWB has been increasing substantially from last year to this fiscal year. Although after-sales business is growing, the ratio of new creation to after-sales business is not that different, so in that sense, I think the growth appears to be a little slower than it should be. It is safe to say that a major factor is the expected large increase in sales volume of built-in engine.

As for Boeing's commercial aircraft, the number of Boeing 787s is currently eight, but this year the number is expected to increase to ten, which means that there will be a large increase in this area. We are expecting stable production on the basis of 10 aircrafts per month. Also, we expect the 777X EIS in early 2027, so we see this business growing as the number of aircraft will grow toward that time.

As for the defense sector, the sales of aircraft are expected to increase by about JPY50 billion to JPY349 billion, so there has been steady growth. The ratio of profitable new contract to sales is expected to grow from 80%

in FY2025 to 90% in FY2026. We are confident that we will be able to improve profitability in this area as well. That's the way I feel about it. I hope I answered your question.

Isayama [Q]: Thank you, Vice President. I'm sorry. In terms of defense, I don't think there will be any major changes in your company's existing lineup, especially in terms of the elimination of export restrictions. This time, orders are falling back as the rebound of what you have been receiving so far. The next phase of a large increase in defense orders, if any, would be from the next fiscal year onward, is that correct?

Or do you see it growing significantly again in the next fiscal year, or in the phase when the story of standoff missiles are coming up? I would appreciate it if you could provide some additional information on the next stage of growth for defense, or when you see the timing of the growth of defense in aerospace.

Yamamoto [A]: Yes, that's right. There is an off-season for orders for large aircraft this fiscal year, so there will be a slight drop this fiscal year, but we believe that orders will return in FY2027.

Isayama [Q]: I understand very well. Thank you.

Second, I would also like to ask about the profitability part and powersports. I would especially like to ask President Hashimoto again, if I may. I'm sorry if I sound rude, but in the last two years, the performance in powersports has been below the plan and only in the latest quarter, it exceeded the plan. Is your forecast of JPY30 billion this time truly after careful consideration and study?

In your earlier exchange with Mr. Maekawa, you seemed to be expecting 8% in the powersports strongly. I honestly thought if the business turned around so quickly. You are expecting 8% margin and 10% in the future. Has the performance of powersports improved so much? Do you have confidence in the way you have come up with the numbers this time? This is my second question. Thank you.

Hashimoto [A]: Yes. In powersports and engines, we focused most of our efforts last year on reducing fixed costs and specializing in highly profitable areas. As a result of a considerable review of the situation where expected sales volume was not achieved for four-wheel vehicle, we decided to target our best-selling products, especially RIDGE. The number for RIDGE grew substantially since we launched the revised model to meet customer needs this year.

We formulated the plan of JPY30 billion as the middle of the range for us. As to whether powersports and engines will reach 8% next year, we probably won't reach that level next year. One of the reasons for the growth in H2 of last year was that the finance contract with ITOCHU contributed to the increase in sales, and most importantly, we were able to produce products that fit the four-wheel market to a certain extent. One of the major reason is that we are now able to produce high-priced products. The other thing is that motorcycles are selling better than expected.

Also, since last year, we have been working on reducing fixed costs. Last year, the fixed cost reduction was only effective for about one-third of the total period, but this fiscal year it will be effective for almost the full period. Partially because of this, we believe our forecast of JPY30 billion to be fairly neutral.

We still have to grow one more inch to reach 10% in the powersports and engines by 2030. However, in terms of the fixed costs planned for various products, we already have a plan that exceeds 10%. It is important to implement it firmly.

The difficult decision is whether it is right for us to increase production in Mexico or in the US for four-wheel vehicle, depending on the tariff measures. We have to make decisions by carefully monitoring the situation. Overall, we feel that the market response to our products has been very positive, so this time the plan is at

the middle in a range. I regret that we revised the figures downward considerably last year and damaged your trust, but I believe that we will be able to maintain these figures this time around.

Isayama [Q]: Thank you. Is it correct to understand that this figure is the result of President Hashimoto's careful study of the situation?

Given the performance last year, I am not sure whether I can just accept this figure as it is this time. I think there were some expectations that you would bring in some kind of outside capital or do similar thing, but we have received a message that you seem to be able to accomplish this in an organic way. I would like to know frankly how confident you are, or whether President Hashimoto' himself is feeling good about it.

Hashimoto [A]: Since last year, we at the head office have made a lot of changes regarding various policies for powersports and Engines. We have changed the organization and are now working under new structure,. It is true that we still have unstable factors in the situation such as tariffs, wars, and the fact that we cannot ride a car without gasoline. However, excluding those factors, we believe that we will be able to reach the JPY30 billion mark.

Isayama [M]: I understand very well. Thank you. That is all from me.

Moderator [M]: Thank you. I will now turn to Mr. Sasaki of UBS Securities. Please unmute and ask your question.

Sasaki [Q]: My name is Sasaki from UBS Securities. Thank you for your presentation today. I have two questions as well.

The first question is about energy solution and marine engineering. I think the forecast of performance is very solid for this fiscal year as well. I think there are a number of businesses here as well, such as shipping, joint ventures, energy, defense, etc. Based on each of these businesses, you will be able to reach a solid 15% OP margin this fiscal year. Can you please explain what is the concept of the revenue plan here, how is it organized, and what is the outlook? This is my first question. Thank you.

Yamamoto [A]: Yes. Is it correct that your question is about factors in the increase in profit in FY2026?

Sasaki [Q]: Yes, that's right. Also your view on each business. Yes.

Yamamoto [A]: Yes. As for FY2026, as was explained earlier, one of the reasons is a reaction to the return of submarine-related payments in FY2025. Also, as was mentioned earlier, the increase in equity-method earnings in China related to ships is expected. In addition, we have received orders for 21 LPG/ammonia carriers in a row, and as H2 progresses, the prices of the vessels to which we have received orders are getting better and better. The profitability of vessels to be built this fiscal year is also expected to improve, as the price of vessels is expected to be much higher than last year.

In addition, for energy and plant-related business, there are many projects, so we always set aside a contingency fund in the budget. If we have no troubles in sales and we dare to go through with the project to the end, the contingency will be released, which functions as a risk buffer to a certain extent. When it is released, the possibility of outperformance is high, so the current increase in profit is likely.

Sasaki [Q]: Thank you very much. By the way, can you tell me if the profitability of the energy business is still expected to increase this fiscal year?

Yamamoto [A]: Yes, in the energy business, we are very strong in gas turbines and gas engines for normal use and gas turbines for emergency power generation. Gas turbines for normal use is different from large-scale

gas turbines as what we deal with is up to 30 megawatts. Demand for these turbines is gradually increasing. More than anything, the orders for emergency gas turbines for data centers in Japan has been very strong. This growth rate has been increasing at an annual rate of more than 10%, and we expect this growth to continue in the current fiscal year.

Sasaki [Q]: Very well understood. Clear. Thank you.

Also, the second question is on page 34 as well, but what is your view on Precision Machinery & Robot?

You mentioned about business structure reforms for the next fiscal year. We have exceeded the JPY20 billion mark this fiscal year, with 7% in sight. Looking at the external environment, I think the semiconductor and FHO industries are on a recovery trend, as are other companies, and the Chinese construction machinery industry is also experiencing a very favorable external environment.

In this context, I was wondering if you could tell us about your thinking on earnings from Precision Machinery & Robots for this fiscal year's plan. This is my second question.

Yamamoto [A]: Okay. First of all, to answer your question separately for hydraulic equipment and robots, our hydraulic equipment for the Chinese construction equipment market is originally very strong. These Chinese construction equipment manufacturers are now focusing on exports, and we expect an increase in demand for this type of equipment.

In other regions, especially in North America, investment in infrastructure such as investment in AI data centers and pipeline construction is increasing, and hydraulic equipment is expected to increase both sales and income on the back of increased construction demand.

In the area of robots, we expect to see a large increase in sales and profits, especially in the semiconductor industry, and we expect the segment as a whole to rise.

Sasaki [Q]: Thank you very much. Would it be correct to say that this fiscal year, rather than the effects of structural reforms, sales and profits will increase due to the recovery in demand as you have just mentioned? What do you think?

Hashimoto [A]: Hashimoto will answer. On the precision machinery side, the joint venture in China has been effective in reducing costs.

On the robot side, especially in areas where we have to compete with ordinary Chinese-made robots, we have long ago developed a joint venture model with China that uses mostly Chinese parts. It is possible that this will finally begin to appear on the market, and that the effects of this will be seen in a big way in the next fiscal year. Such effects are beginning to emerge. Regarding the effect of cost reduction and reform in fixed cost, about one-third of it is expected to appear this fiscal year, and whole effect will appear from next fiscal year.

Furthermore, in addition to what the market is saying now about future products, Precision Machinery & Robots will have a large effect in FY2027 when both the market part and our own improvement in the structure will be very much combined. Some will appear again this year. The market effect, plus some of the improvements in our own structure, will be reflected in the increase in the current fiscal year, which is still limited. However, even if it is limited, the increase will be this much, so we expect a great deal in the next fiscal year.

Sasaki [M]: Very helpful. That is all from me. Thank you. Thank you.

Moderator [M]: Next, we will connect to Mr. Taninaka of SMBC Nikko Securities Inc. Please unmute and ask your question.

Taninaka [Q]: My name is Taninaka from SMBC Nikko Securities. Thank you.

I have two points, and the first is, again, I would like to ask about the underperformance in the fiscal year just ended for energy solution and marine engineering, and Defense. I would like to know the background of being short of the plan for JPY26.5 billion in sales and JPY6.5 billion in business profit in Energy Solutions. I heard that some of the reductions were due to inappropriate cases, so I wonder if that is the background. Also, Defense business underperformed the plan by JPY30.3 billion. Is this due to the same factor?

In other words, you are expecting an increase in revenue for both energy solution and marine, and Defense-related business in the new fiscal year, but I would like to confirm whether same underperforming factors may occur next year. Could you explain?

Yamamoto [A]: Yes. The biggest reason for the JPY26.5 billion underperformance in energy solution and marine sales in FY2025 is that there was a delay over the fiscal year in the promotion of a project of marine machinery for the Ministry of Defense. This is exactly the same for aircraft, whose biggest reason for the decrease in sales is delay over the fiscal year. Since this is just a simple delay, it will come up in the sales in the current fiscal year of FY2026.

In energy solution and marine, there was a delay in the defense sector and a slight delay in the LPG carrier sector. In addition, the impact of the return of payments related to the inappropriate case for submarine business will also result in a decrease in sales.

As for the profit of energy solution and marine, there was an underperformance in sales as I mentioned earlier, due to the postponement of the sales period, and the return of the submarine, which I mentioned earlier, is a one-time event, but both sales and profit were also reduced. So these are the reasons for the decrease.

Taninaka [Q]: Thank you.

Secondly, I would like to ask again a little bit about the certainty of the four-wheel sales plan among the powersports for the new fiscal year. I think you have factored in a sales volume growth rate of about 14.5% for the new fiscal year, which would be 95,000 units. I would like to hear your certainty based on the strong performance in Q4 of the last fiscal year, with sales volume of 27,000 units. I would like to know why the sales volume increased by 17% despite the sluggish demand, and if you can tell us about the market share and price increase trends, I think we can confirm the certainty of the new fiscal year. May I ask again about the sales situation in the Q4?

Yamamoto [A]: Yes. In the Q4, the market for four-wheel vehicle was up 4.4% y-o-y and our sales compared to the 1H was down 2%. We had originally forecasted that our sales would remain roughly flat to down 5% compared to the 1H, and we think that the result was roughly in line with that forecast.

In particular, the full-cab utility models that we are currently focusing on have been the driving force in the market and have supported the demand for such vehicles. As Hashimoto mentioned earlier, we have been successively introducing improved versions of the RIDGE model that reflect user needs, and I think this was a factor in our strong performance in the Q4.

In the case of four-wheeled vehicles, competition has become so fierce that it is difficult to raise prices, but we are managing to compete with the competition through the competitiveness of our models. For FY2026, the operating rate of the Mexican plant has been increasing considerably, and we are hoping to achieve an increase in revenue and bring about an increase in profit.

Taninaka [M]: Understood. Thank you. That is all from me.

Moderator [M]: Thank you. I will now turn to Mr. Kitaura from Morgan Stanley MUFG Securities. Please unmute and ask your question.

Kitaura [Q]: My name is Kitaura from Morgan Stanley Securities. Thank you. Let me ask you two questions as well.

I think the impact of the Middle East on the cost of raw materials has been factored in by JPY8 billion. I think that the supply of paints and other materials has been difficult recently, and I think that the main impact has been on powersports and engines.

However, in the case of your company, you have domestic procurement and procurement in the US and Mexico. I would like you to explain a little more about your current situation and what measures you are taking to avoid production risks. This is my first question. Thank you.

Yamamoto [A]: Thank you. Just as Mr. Kitaura just said. As you mentioned, a large portion of the JPY8 billion impact was on powersports and engines, but there was also some impact on vehicles due to difficulties in obtaining thinner and organic solvents. However, as you mentioned, we were able to procure these in the US and Mexico, so we are working to increase our inventories and consider alternative procurement sources while making do with the situation there. So far, there has been no major impact.

We are currently trying to minimize the impact on production by using what we procured not only in powersports and engines, but also in other divisions that are impacted. In this way, we are trying to minimize the impact on production.

Kitaura [Q]: What is your perspective on how far you are looking ahead, for example, the end of this year as government talks about?

Yamamoto [A]: The JPY8 billion figure we have stated is based on the impact through the end of June.

Kitaura [Q]: In terms of the amount, and also in terms of the production risk of the procurement itself, is it correct that we do not have to worry too much for the plan for half year or this fiscal year?

Yamamoto [A]: Yes, that's right. Depending on how you make your assumptions, the amount will increase as much as you worry. I don't see that as a major problem at the moment. Having said that, some materials are getting difficult to obtain and price is increasing, although there will be no significant impact until the end of June, we have included a maximum impact of approximately JPY8 billion.

Kitaura [M]: Okay.

Hashimoto [A]: I was looking at the risks around April in response to this issue, but in reality, we can procure a variety of items both domestically and globally little by little. Or the environment where we have the prospects for the future is becoming visible.

It depends on our view as to how far we should incorporate the risk. While we thought we should incorporate fairly large risks in April, it is true that we can manage the situation to a certain extent in the global market. Also, we still do not know how things will change in the future. In the current situation, I think we have a slight prospect in April but it will still depend on the situation.

Kitaura [Q]: Thank you.

The second point is that in the area of head office expenses. You have added about JPY10 billion for investment in new businesses to your plan for the current fiscal year. Can you tell me the detail as to how much you will invest in which area?

Yamamoto [A]: Yes. This is shown on page 53 of the financial results presentation. This new business investment (at Head Office) is the one handled by the Project Division, which is under the direct control of the President, and is mainly related to hydrogen, AI, and social robotics.

In particular, we are currently working on the commercialization of CORLEO, the near-future mobility system that was exhibited at the Expo, and we expect to gradually increase our investment in this area.

Kitaura [Q]: In the area of humanoids, Kaleido has been under development for a long time at your company, and there has been talk of recent competition between the US and China, so is it correct to say that this area is also included here?

Hashimoto [A]: Yes, that's right. Of course, there is a 50-50 split between the robot business and the head office. Mainly in relation to physical AI, such humanoids, some of which I started with myself, so I am putting a lot of effort into that.

We are also putting a lot of effort into this area, and we have received many inquiries from domestic companies and government agencies that want to develop such products domestically, including social and humanoid products. So we are trying to handle the development costs related to these projects in these investment. Yes.

Kitaura [Q]: That is all from me.

Moderator [M]: Thank you. Next, we will connect to Mr. Tai of Daiwa Securities Co. Ltd. Please unmute and ask your question.

Tai [Q]: Excuse me, my name is Tai.

There are two things. The first is that SG&A expenses are increasing very rapidly in Q4. I'm not sure if there is due to some inappropriate cases mentioned earlier, but if you have any background on this, please let me know. This is the first point.

Yamamoto [A]: Yes. Can you give us a moment? It is always the case that expense reimbursements are usually concentrated in H2 and in Q4. In particular, Q4 tends to see an increase due to the recording of research and development and acceptance inspection at the end of the fiscal year. I am not sure I can answer what the contents are at this point. We recognize that the increase is not due to anything particularly significant. Yes.

Tai [Q]: Okay. I understand very well. Yes. It's okay.

Another one is powersports. I don't need to know about motorcycles in emerging countries because I don't think they contribute much to profits. I am not sure why the motorcycle and four-wheel business in developed countries is growing so much from the force-quarter when the demand environment is so severe. Ultimately, it may be that the model has become a big hit, but I would like to know, for example, if it is really selling at the end of the line through sell-through, or if you can talk about inventory levels, or something like that.

In the slides of the explanation, there was a lot of talk about demand being tough and difficult, but sales will grow. I think that if you can make 7,300 sales, you can make a profit of 300, but in that sense, I think it all depends on whether 7,300 is true or not. Could you explain this little more?

Yamamoto [A]: It is the usual trend that wholesale sales always increase sharply in the Q4. Also, it is the usual pattern that wholesale sales increase rapidly at the end of March, because of course it is time to purchase for the summer season. We had a strange pattern when we were in COVID-19 pandemic, but I think current pattern is now our normal and usual pattern.

Hashimoto [A]: Also, you mentioned that RIDGE has suddenly sold well, but last year we made minor changes to RIDGE that did not match the market needs and released a new version that fits the customers' needs perfectly. In H1 of last year, it was very difficult to determine whether the sales were due to a mismatch of needs or the effects of the so-called Trump tariffs, but as a result of making minor changes, we have finally achieved the targeted figures.

In addition, as I mentioned earlier, we have been working to reduce fixed costs since last year, especially in H2, and we have become much lighter in H2, which will continue throughout the year. We are more confident than last year in our profit figures.

Yamamoto [A]: I may be going into a little more detail, but the European market in particular is up 25% YoY, January-March, Q. This was a reaction to the strong surge in demand in the European market following the introduction of emission regulations at the end of the year before last, and the January-March period of last year was a sort of reactionary decline, with no sales at all. The January-March period of this year saw a recovery from that reactionary decline, and I believe that the growth in the January-March period was a major benefit.

Tai [M]: Yes. I understand very well. Yes. Thank you. That is all.

Hashimoto [M]: Thank you. Yes.

Moderator [M]: Thank you. Since there seem to be no questions, I will end the question-and-answer session. In closing, Hashimoto would like to say a few words to you all

Hashimoto [M]: Thank you very much for taking the time today to discuss the details of the earnings announcement. As I mentioned earlier, we plan to continue to achieve record-high performance this fiscal year and next, and I would like to ask for your continued support and encouragement. Thank you.

Moderator [M]: That concludes the financial results presentation. Thank you for your presentation.

[END]

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