Kawasaki
Kawasaki Heavy Industries, Ltd.

Kawasaki Heavy Industries, Ltd.

Q1 FY2026 Financial Results Briefing

August 7, 2026

Event Summary

[Company Name]	Kawasaki Heavy Industries, Ltd.
[Company ID]	7012-QCODE
[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	Q1 FY2026 Financial Results Briefing
[Fiscal Period]	FY2026 Q1
[Date]	August 7, 2026
[Number of Pages]	48
[Time]	14:00 – 15:20 (Total: 80 minutes, Presentation: 22 minutes, Q&A: 58 minutes)
[Venue]	Webcast
[Venue Size]	
[Participants]	

[Number of Speakers]	1	
	Katsuya Yamamoto	Representative Director, Vice President and Senior Executive Officer
[Analyst Names]*	Kentaro Maekawa	Nomura Securities
	Satoshi Taninaka	SMBC Nikko Securities
	Toshiharu Morota	Okasan Securities
	Graeme McDonald	Citigroup Global Markets
	Tsubasa Sasaki	UBS Securities
	Takeshi Kitaura	Morgan Stanley Securities

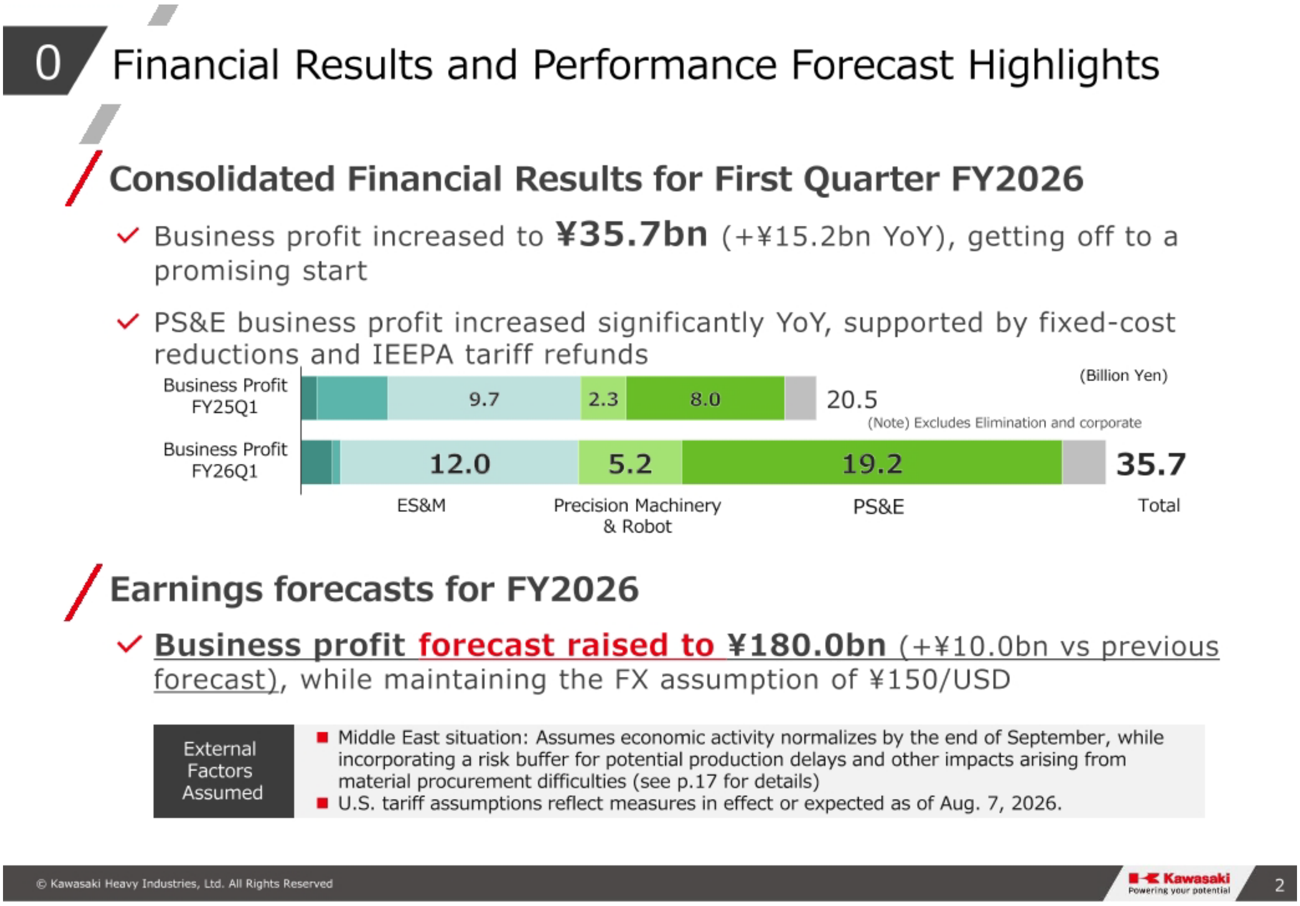
*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

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, Yamamoto, Representative Director, Vice President and Senior Executive Officer, will present our financial results for Q1 of FY2026. 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 Yamamoto, please go ahead.

Yamamoto: I am Yamamoto, Vice President. Before I begin my presentation on the financial results, I’d like to say a few words. We would like to express our deepest condolences to those who lost their lives in the recent earthquake in Kumamoto, and offer our heartfelt sympathies to their families. We would also like to express our heartfelt sympathy to all those affected by the disaster. We sincerely pray for the swiftest possible recovery of the disaster-stricken areas.



Let me begin to explain the financial results.

Our financial results for Q1 of FY2026 showed a strong start, with business profit of JPYP35.7 billion. In particular, the powersports & engine segment saw a significant increase in profit compared to the same period last year, driven by cost reductions and a refund of US IEEPA tariffs.

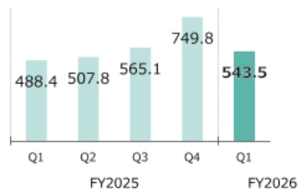
Regarding our full-year outlook, while we are maintaining our exchange rate assumption at JPY150 to the dollar, we have revised our business profit forecast upward by JPY10 billion from our previous announcement to JPY180 billion. That is all.

1 Consolidated Results for First Quarter FY2026 –Summary–

- Revenue and profits increased YoY, and Q1 revenue and profits each reached record highs
- Strong performance, further supported by IEEPA tariff refunds and yen depreciation

(Billion Yen)

		FY25 Q1	FY26 Q1	Change
Orders Received		446.3	**525.7**	+ 79.3
Revenue		488.4	**543.5**	+ 55.1
Business Profit		20.5	**35.7**	+ 15.2
	[margin]	*[4.2%]*	*[6.6%]*	*[+ 2.3pt]*
Profit Before Tax		16.8	**34.7**	+ 17.9
	[margin]	*[3.4%]*	*[6.4%]*	*[+ 2.9pt]*
Profit Attributable to Owners of Parent		4.2	**15.6**	+ 11.4
	[margin]	*[0.9%]*	*[2.9%]*	*[+ 2.0pt]*
Weighted-average exchange rates (USD/JPY)		143.79	**158.05**	+ 14.26
US dollar-based transaction (B$)		0.57	**0.66**	+ 0.09



*1 Excluding the impact of valuation revaluation on foreign currency refund liabilities related to important operational issues of the PW1100G-JM engine.

*2 This is the amount of foreign currency that affects business profits due to exchange rate fluctuations, calculated by deducting dollar-denominated purchases from the dollar-denominated sales of Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors (including foreign currency sales of loss-allowed projects). However, each quarter does not include outstanding foreign currency refundable liabilities related to significant operational issues of the PW1100G-JM engine). For the breakdown of these figures by segment, see p.51

Kawasaki Powering your potential 5

In next slide, page five, I will explain the detail of the result.

In Q1, orders received totaled JPY525.7 billion, revenue was JPY543.5 billion, business profit was JPY35.7 billion, and profit before tax was JPY34.7 billion, profit attributable to owners of parent was JPY15.6 billion.

Revenue and profits increased YoY, with Q1 revenue and all profit metrics reaching record highs.

As you can see, the weighted-average exchange rates was approximately JPY14 weaker than that of the same period last year, and the amount of foreign currency affecting profit/loss was USD660 million dollars.

1 Consolidated Results for First Quarter FY2026 –Segment–

- Business Profit increased in PS&E due to fixed cost reductions, IEEPA tariff refunds, and yen depreciation 1
- Revenue increased in Rolling Stock while business profit decreased due to changes in product mix and temporary cost concentration 2

(billion yen)

	Orders Received			Revenue			Business Profit (Loss)		
	FY25 Q1	FY26 Q1	Change	FY25 Q1	FY26 Q1	Change	FY25 Q1	FY26 Q1	Change
Aerospace Systems	98.9	**72.6**	- 26.2	101.5	**137.6**	+ 36.0	0.8	**1.6**	+ 0.8
Rolling Stock	14.8	**42.9**	+ 28.1	55.2	**60.1**	2 + 4.8	3.6	**0.4**	2 - 3.1
Energy Solution & Marine Engineering	86.6	**125.2**	+ 38.6	96.6	**86.9**	- 9.7	9.7	**12.0**	+ 2.3
Precision Machinery & Robot	63.9	**89.4**	+ 25.5	56.9	**69.5**	+ 12.6	2.3	**5.2**	+ 2.9
Powersports & Engine	160.2	**170.5**	+ 10.2	160.3	**170.7**	+ 10.4	8.0	**19.2**	1 + 11.1
Others	21.7	**24.8**	+ 3.0	17.6	**18.5**	+ 0.8	1.6	**2.2**	+ 0.5
Elimination and corporate※	-	**-**	-	-	**-**	-	- 5.8	**- 5.2**	+ 0.5
Total	446.3	**525.7**	+ 79.3	488.4	**543.5**	+ 55.1	20.5	**35.7**	+ 15.2

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

Kawasaki Powering your potential 6

See page six.

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

As noted above, the powersports & engine segment posted a significant increase in profit due to a reduction in fixed costs, as well as IEEPA tariff refunds and the effects of the weak yen. On the other hand, as noted above, the rolling stock segment saw a decline in profits due to changes in the sales mix and fluctuations in expenses.

1 Consolidated Results for First Quarter FY2026
–Statement of Profit and Loss–

(billion yen)

	FY25 Q1	%	FY26 Q1	%	Change
Revenue	488.4	100.0	**543.5**	100.0	+ 55.1
Cost of Sales	396.6	81.2	**433.4**	79.8	+ 36.8
Gross profit	91.8	18.8	**110.0**	20.3	+ 18.2
Selling, General and Administrative Expenses	76.9	15.8	**83.7**	15.4	+ 6.8
Salaries and Allowances	20.3		**23.9**		+ 3.5
R&D Expenses	13.6		**13.7**		+ 0.1
Others	42.9		**46.0**		+ 3.1
Share of profit (loss) of investments accounted for using equity method	6.1		**7.5**		+ 1.3
Other Income and Expenses	- 0.5		**1.8**		+ 2.4
Gain on Sale of Property, Plant and Equipment	0.0		**0.0**		- 0.0
Others	- 0.6		**1.8**		+ 2.4
Business profit (Loss)	20.5	4.2	**35.7**	6.6	+ 15.2

Details

① Selling, general and administrative expenses increased in line with revenue growth, but the SG&A ratio declined due to disciplined control of fixed costs

Page seven, income statement. Please see the table for the detail.

1 Consolidated Results for First Quarter FY2026
–Statement of Profit and Loss–

(billion yen)

	FY25 Q1	%	FY26 Q1	%	Change
Finance Income and Finance Costs	- 3.6		**- 0.9**		+ 2.7
Net interest Expense (incl. dividend income)	- 2.6		**- 3.1**		- 0.4
Gain and Loss on Foreign Exchange	0.1		**4.3**		+ 4.1
Others	- 1.2		**- 2.1**		- 0.9
Profit Before Tax	16.8	3.4	**34.7**	6.4	+ 17.9
Income Tax Expense	9.5		**16.0**		+ 6.5
Profit Attributable to Non-Controlling Interests	3.0		**3.1**		+ 0.0
Profit Attributable to Owners of Parent	4.2	0.9	**15.6**	2.9	+ 11.4

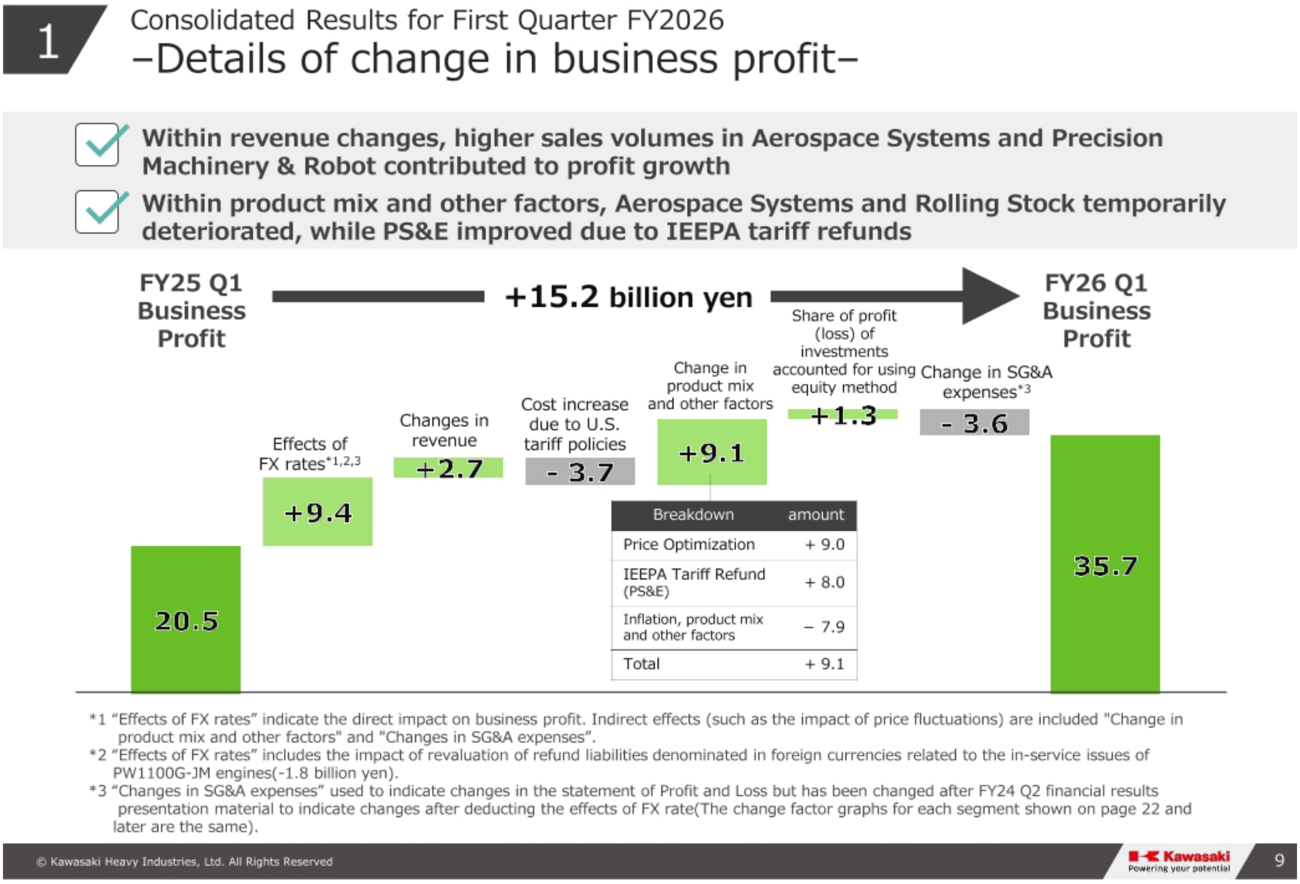
Details

② USD/JPY rate
159.93 end of Q4 FY25
162.45 end of Q1 FY26

Weighted-average exchange rates
158.05 Q1 FY26

Translation gains were recognized on foreign currency-denominated receivables

Please see page eight. As noted in this slide, due to the yen's depreciation toward the end of the quarter, we recorded foreign exchange gains of JPY4.3 billion. As a result, profit attributable to owners of parent increased by JPY11.4 billion from the previous year to JPY15.6 billion



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

Due to the yen's depreciation compared to the same period last year, foreign exchange fluctuations resulted in an increase of JPY9.4 billion.

Furthermore, regarding the cost increases resulting from US tariff policies, while the impact on earnings was limited last fiscal year due to inventory held prior to the tariffs taking effect, this fiscal year we were fully exposed to the impact of the tariffs, resulting in a cost increase of JPY3.7 billion, primarily in the powersports & engine segment.

Meanwhile, changes in the sales mix and other factors improved by JPY15.2 billion compared to the same period last year, driven not only by price adjustments to offset rising costs such as tariffs but also by the impact of IEEPA tariff refunds. Additionally, an improvement in equity method income from the energy solutions & marine engineering segment contributed to this result.

1 Consolidated Results for First Quarter FY2026
–Details of change in business profit–

(billion yen)

	FY25 Q1 Business Profit (Loss)	Details of change						Total	FY26 Q1 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	Change in SG&A expenses*3		
Aerospace Systems	0.8	2.6 *2	3.4	- 0.0	- 3.0		- 2.2	0.8	1.6
Rolling Stock	3.6	1.2	0.3		- 3.9	- 0.0	- 0.7	- 3.1	0.4
Energy Solution & Marine Engineering	9.7	0.6	- 2.1		3.3	1.6	- 1.1	2.3	12.0
Precision Machinery &Robot	2.3	1.0	2.4	- 0.4	1.6	- 0.3	- 1.4	2.9	5.2
Powersports & Engine	8.0	4.0	- 1.5	- 3.3	10.2	0.0	1.7	11.1	19.2
Others	1.6	0.0	0.2		0.4	0.1	- 0.2	0.5	2.2
Elimination and corporate	- 5.8				0.2	- 0.0	0.3	0.5	- 5.2
Total	20.5	9.4	2.7	- 3.7	9.1	1.3	- 3.6	15.2	35.7

*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 maybe 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 (-1.8 billion yen).

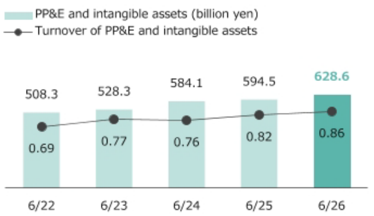
*3 Excluding the effects of FX rates

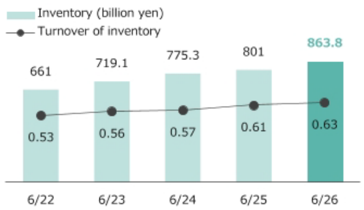
Please refer to page 10 for a detailed breakdown by segment.

1 Consolidated Financial Results for First Quarter FY2026
–Statement of Financial Position–

(billion yen)

	End of Mar 2026	%	End of Jun 2026	%	Change
Cash and Cash Equivalents	115.4		**73.2**		- 42.1
Trade Receivables (Incl. contract assets)	1,036.3		**939.2**		1 - 97.1
Inventories	822.1		**863.8**		2 + 41.6
Other Current Assets	282.0		**311.1**		+ 29.0
Current assets	2,256.0	67.9	**2,187.4**	67.0	- 68.5
PP&E and Intangible assets	625.4		**628.6**		+ 3.1
Right-of-Use Assets	67.9		**65.5**		- 2.3
Deferred Tax Assets	119.4		**116.3**		- 3.1
Other Non-Current Assets	255.7		**267.6**		+ 11.8
Non-Current Assets	1,068.5	32.1	**1,078.1**	33.0	+ 9.5
Total Assets	3,324.6	100.0	**3,265.5**	100.0	- 59.0





Details

1 Decreased in PS&E and Plant

2 Increased in Aerospace, PS&E, and Energy

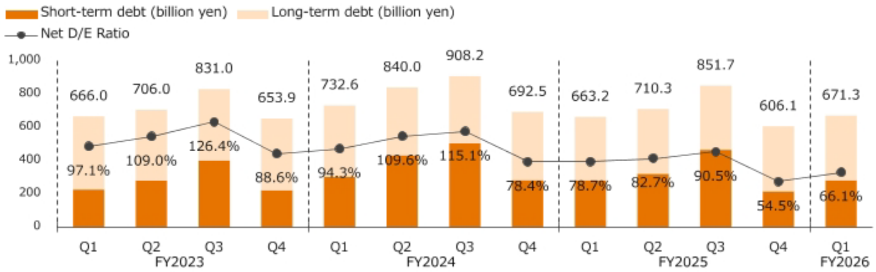
Page 11, income statement.

Please refer to the document for the factors that contributed to the change in assets in Q1.

1 Consolidated Financial Results for First Quarter FY2026
–Statement of Financial Position–

(billion yen)

	End of Mar 2026	%	End of Jun 2026	%	Change
Trade Payables	549.2		**524.0**		- 25.1
Interest-Bearing Debt	606.1		**671.3**		③ + 65.1
Contract Liability (Advances Received)	386.8		**376.5**		- 10.3
Refund Liability	83.3		**76.2**		- 7.0
Retirement Benefit Liability	50.6		**50.6**		+ -
Other Liabilities	699.8		**610.1**		④ - 89.7
Total Liabilities	2,376.1	71.5	**2,309.0**	70.7	- 67.0
Equity Attributable to Owners of Parent	878.1		**885.1**		+ 7.0
Non-Controlling Interests	70.3		**71.4**		+ 1.0
Total Equity	948.4	28.5	**956.5**	29.3	+ 8.0
Total Liabilities and Equity	3,324.6	100.0	**3,265.5**	100.0	- 59.0



Details

③ The increase in borrowings compared with last year's year-end is part of our normal business cycle

④ Decreased due to decreased liabilities associated with factoring agreements in Aerospace and PS&E

Appendix

Cash Conversion Cycle (day)

	CCC
End of FY2022 Q1	146
End of FY2023 Q1	146
End of FY2024 Q1	159
End of FY2025 Q1	148
End of FY2026 Q1	166

Deteriorated due to longer receivables and inventory turnover days, mainly in Aerospace Systems and PS&E.

Kawasaki Powering your potential 12

Page 12.

The factors contributing to changes in liabilities and net assets are as shown in the materials. Please refer to this.

1 Consolidated Results for First Quarter FY2026 –Cash Flows–

(billion yen)

	FY25 Q1	FY26 Q1	Change
Profit Before Tax	16.8	**34.7**	+ 17.9
Depreciation and Amortization	24.3	**26.5**	+ 2.2
Increase and Decrease in Working Capital	40.3	**18.7**	- 21.6
Trade Receivables※1 (minus notation indicates incr.)	74.7	**97.9**	+ 23.2
Inventory (minus notation indicates incr.)	- 29.5	**- 36.8**	- 7.3
Trade Payables (minus notation indicates decr.)	- 19.8	**- 26.8**	- 6.9
Advance Payment (minus notation indicates incr.)	- 14.7	**- 4.0**	+ 10.6
Contract Liabilities※2 (minus notation indicates decr.)	29.7	**- 11.4**	- 41.1
Other	- 89.3	**- 108.5**	- 19.2
Cash Flows from Operating Activities	- 7.7	**- 28.4**	① - 20.6
Purchase of PP&E and Intangible Assets	- 26.1	**- 26.1**	- 0.0
Proceeds from Sales of PP&E and Intangible Assets	0.2	**0.0**	- 0.1
Other	- 12.2	② **6.5**	+ 18.7
Cash Flows from Investing Activities	- 38.1	**- 19.4**	+ 18.6
Free Cash Flows	- 45.8	**- 47.9**	- 2.0
Net Increase and Decrease in Debt and Bonds (minus notation indicates decr.)	- 32.5	③ **65.4**	+ 98.0
Dividends Paid (Except Payment to Non-Controlling Interests)	- 12.8	**- 15.4**	- 2.6
Proceeds and Repayment from Factoring Agreements	- 37.9	**- 34.4**	+ 3.4
Other	④ 70.5	**- 10.2**	- 80.8
Cash Flows from Financing Activities	- 12.7	**5.2**	+ 18.0

*1,2 Accounts receivable include contract assets. The old account name for contract liabilities was Advance Receipts

Details

① FY25 Q1 :
Although collections of trade receivables progressed in Aerospace and Plant, increased payments such as corporate income taxes led to a cash outflow in operating cash flow

FY26 Q1 :
Although collections of trade receivables progressed in PS&E and Plant, increased inventories in Aerospace and decreased contract liabilities resulted in a cash outflow from operating activities

② Including proceeds of ¥7.0 billion from the transfer of Earth Technica Co., Ltd. shares in Plant business

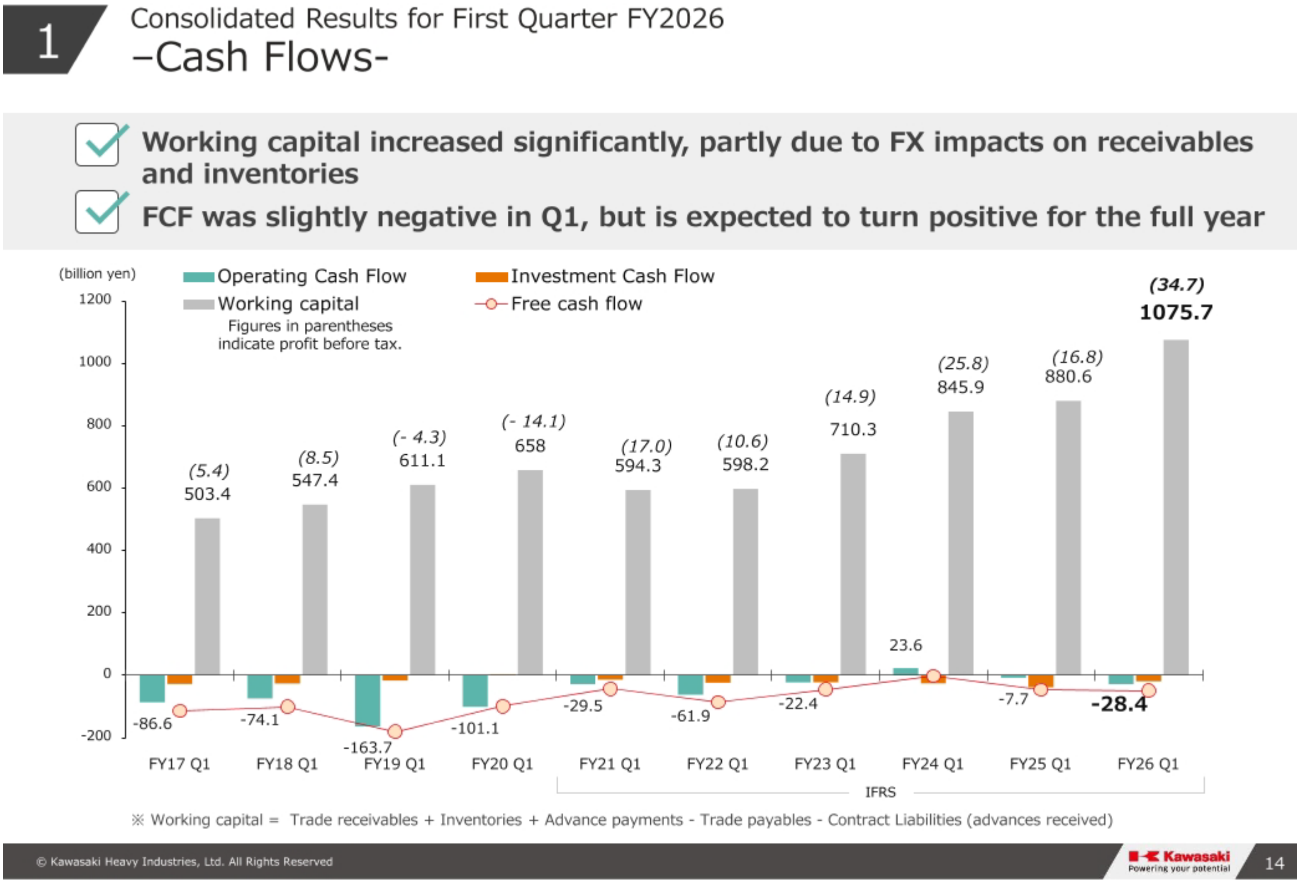
③ See Factor Details (3) on p.12

④ 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 FY25 Q1

Page 13, statement of cash flows.

As shown, operating cash flow resulted in a deficit of JPY28.4 billion due to factors such as an increase in inventory and a decrease in contract liabilities in the aerospace business. However, as shown above for investing cash flows, although an agreement was reached to sell the shares of our subsidiary Earth Technica to Furukawa Machinery & Metals for a total of JPY11.7 billion, 60% of that amount, approximately JPY7 billion, was received this fiscal year, the deficit in investing cash flows was limited to JPY19.4 billion.

As a result, free cash flow came in at a deficit of JPY47.9 billion, remaining virtually unchanged from the same period last year.



See page 14.

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

2 Earnings Forecasts for FY2026 –Summary–

Business profit forecast revised upward on strong Q1 progress

Aiming for further upside while appropriately factoring in risks

(billion yen)

		FY2025 Actual	FY2026 Forecast and Progress					
			Old FCST	New FCST	Chg. vs. FY25	Chg. vs. Old FCST	Q1 Actual	Q2-4 FCST
Orders Received		2,739.1	2,540.0	**2,420.0**	- 319.1	- 120.0	**525.7**	**1,894.3**
Revenue		2,311.2	2,560.0	**2,560.0**	+ 248.8	-	**543.5**	**2,016.5**
Business Profit		145.1	170.0	**180.0**	+ 34.9	+ 10.0	**35.7**	**144.3**
	[Margin]	*[6.3%]*	*[6.6%]*	*[7.0%]*	*[+ 0.7pt]*	*[+ 0.3pt]*	*[6.6%]*	*[7.2%]*
Profit Before Tax		145.5	147.0	**157.0**	+ 11.5	+ 10.0	**34.7**	**122.3**
	[Margin]	*[6.3%]*	*[5.7%]*	*[6.1%]*	*[- 0.1pt]*	*[+ 0.3pt]*	*[6.4%]*	*[6.1%]*
Profit Attributable to Owners of Parent		108.1	110.0	**115.0**	+ 6.9	+ 5.0	**15.6**	**99.4**
	[Margin]	*[4.7%]*	*[4.3%]*	*[4.5%]*	*[- 0.1pt]*	*[+ 0.1pt]*	*[2.9%]*	*[4.9%]*
After-tax ROIC		9.0%	8.6%	**8.6%**	- 0.4pt	-	**-**	**-**
Weighted-average exchange rates (USD/JPY)		149.08	150.00	**-**	-	-	**158.05**	**150.00**
US dollar-based transaction (B$)		2.20	2.59	**2.79**	+ 0.59	+ 0.20	**0.66**	**2.13**

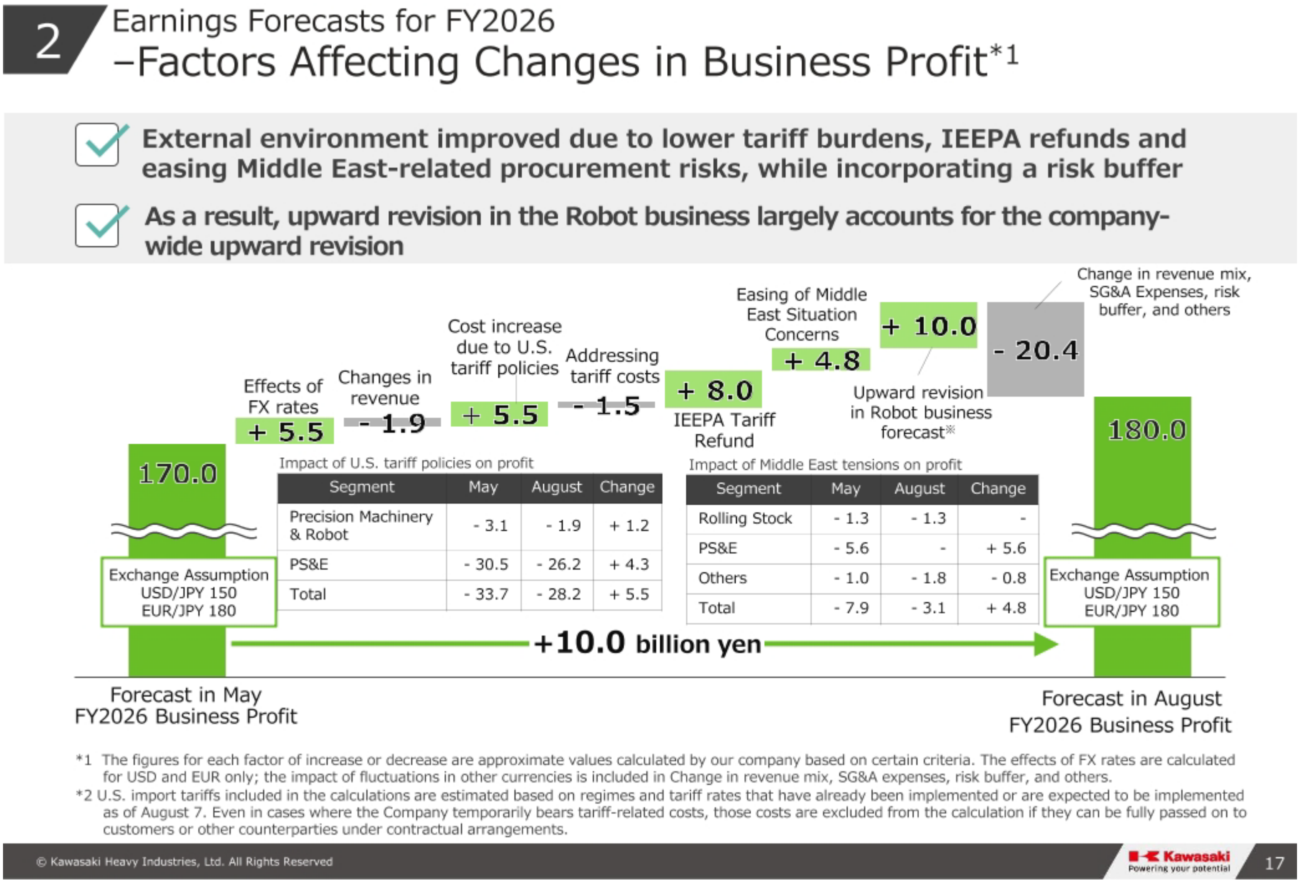
* The amount of foreign currency impacting operating profit as a result of exchange rate fluctuations, calculated by deducting dollar-denominated purchases from dollar-denominated revenue of Kawasaki Heavy Industries, Ltd., Kawasaki Railcar Manufacturing Co., Ltd., and Kawasaki Motors, Ltd., including foreign-currency-denominated revenue from loss-provisioned projects. See page 51 for a breakdown of these figures by segment

Kawasaki Powering your potential 16

Page 16. This is the full-year forecast for FY2026.

As I mentioned at the outset, in addition to solid profit growth, we received a settlement payment related to a legal dispute in our robotics business; as a result, business profit and profit before taxes forecast have been revised upward by JPY10 billion each to JPY180 billion and JPY157 billion, respectively, and forecast of profit attributable to owners of parent has also been revised upward by JPY5 billion to JPY115 billion.

While taking appropriate risks into account, we will strive to achieve even better-than-expected results.



See page 17.

Since our last announcement, the factors affecting business profit have been as shown on the slide.

Factors contributing to the increase in profit included an improvement resulting from the yen's depreciation exceeding exchange rate assumptions, a reassessment of tariff costs, IEEPA tariff refunds, and the easing of concerns over the situation in the Middle East.

At the same time, taking into account risks such as market fluctuations, we have factored in a certain degree of risk buffer to account for changes in the sales mix and other factors.

2 Earnings Forecasts for FY2026 -Segment-

- **Precision Machinery & Robot : Forecast raised due to settlement proceeds and improved profitability** 1
- **PS&E : Forecast unchanged despite U.S. IEEPA tariff refunds, reflecting market risks and other factors** 2

(billion yen)

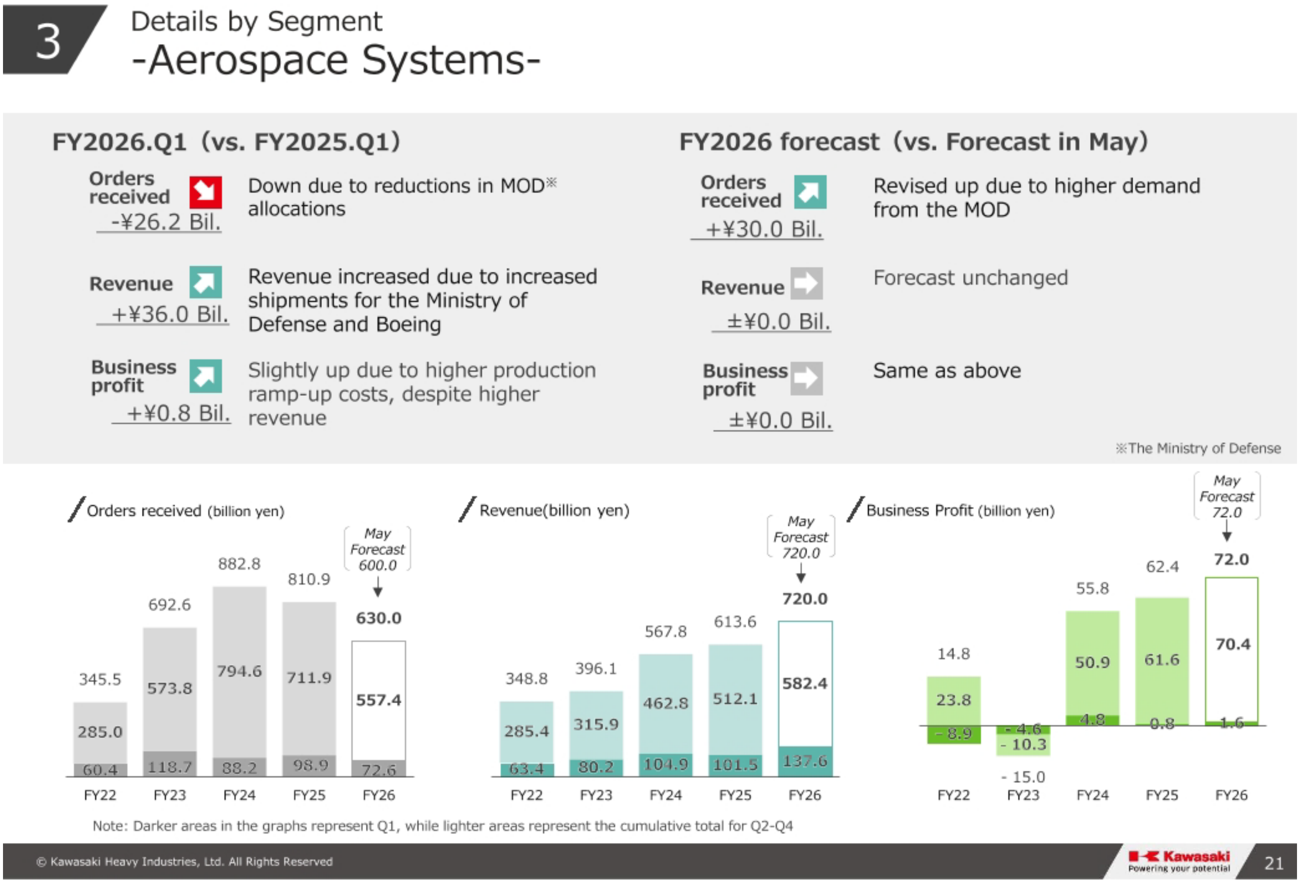
	Orders Received				Revenue				Business Profit			
	FY2025 Actual	FY2026 Forecast Old FCST	FY2026 Forecast New FCST	FY2026 Forecast Change	FY2025 Actual	FY2026 Forecast Old FCST	FY2026 Forecast New FCST	FY2026 Forecast Change	FY2025 Actual	FY2026 Forecast Old FCST	FY2026 Forecast New FCST	FY2026 Forecast Change
Aerospace Systems	810.9	600.0	**630.0**	+ 30.0	613.6	720.0	**720.0**	-	62.4	72.0	**72.0**	-
Rolling Stock	319.1	130.0	**130.0**	-	236.2	230.0	**230.0**	-	8.6	10.0	**10.0**	-
Energy Solution & Marine Engineering	552.9	650.0	**500.0**	- 150.0	433.5	470.0	**470.0**	-	55.0	69.0	**69.0**	-
Precision Machinery & Robot	278.5	330.0	**330.0**	-	259.1	310.0	**310.0**	-	14.3	21.0	**31.0** 1	+ 10.0
Powersports & Engine	681.7	730.0	**730.0**	-	682.8	730.0	**730.0**	-	22.7	30.0	**30.0** 2	-
Others	95.9	100.0	**100.0**	-	85.8	100.0	**100.0**	-	7.0	4.0	**4.0**	-
Elimination and corporate※	-	-	**-**	-	-	-	**-**	-	- 25.3	- 36.0	**- 36.0**	-
Total	2,739.1	2,540.0	**2,420.0**	- 120.0	2,311.2	2,560.0	**2,560.0**	-	145.1	170.0	**180.0**	+ 10.0

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

Kawasaki Powering your potential 18

See page 18.

Forecast by segment is as shown in the diagram. I will explain the detail on each segment's page.



Now on page 21, aerospace systems.

The result for Q1 is as shown in the slide. Although orders declined due to a decrease in orders from the Ministry of Defense, among other factors, revenue increased due to growth in orders from the Ministry of Defense and Boeing. While business profit rose in line with the increase in revenue, the increase was modest due to higher costs associated with ramping up production.

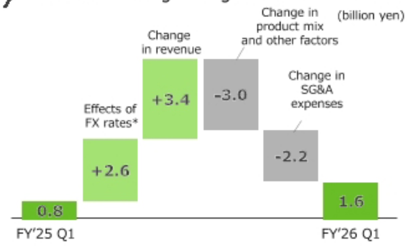
Regarding the outlook for FY2026, we have revised our forecast for order intake upward by JPY30 billion compared to our previous announcement, primarily due to an increase in orders from the Ministry of Defense. As for business profit, there have been no significant changes, so we are maintaining our previous forecast.

3 Details by Segment
-Aerospace Systems-

(billion yen)

	FY2025 Q1 Actual	FY2026 Q1 Actual	FY2026 Change	FY2025 Actual	FY2026 Forecast Old FCST	New FCST	Chg. Vs. FY25	Chg. Vs. Old FCST	Q2-4 FCST
Orders Received	98.9	**72.6**	- 26.2	810.9	600.0	**630.0**	- 180.9	+ 30.0	**557.4**
Aerospace	*65.1*	***42.0***	*- 23.0*	*570.8*	*430.0*	***460.0***	*- 110.8*	*+ 30.0*	***418.0***
Aero Engine	*33.8*	***30.5***	*- 3.2*	*240.1*	*170.0*	***170.0***	*- 70.1*	*-*	***139.5***
Revenue	101.5	**137.6**	+ 36.0	613.6	720.0	**720.0**	+ 106.4	-	**582.4**
Aerospace	*65.5*	***93.0***	*+ 27.5*	*445.6*	*525.0*	***525.0***	*+ 79.4*	*-*	***432.0***
Aero Engine	*36.0*	***44.5***	*+ 8.5*	*168.0*	*195.0*	***195.0***	*+ 27.0*	*-*	***150.5***
Business Profit	0.8	**1.6**	+ 0.8	62.4	72.0	**72.0**	+ 9.6	-	**70.4**
[Margin]	*[0.8%]*	*[1.2%]*	*[+ 0.4pt]*	*[10.2%]*	*[10.0%]*	*[10.0%]*	*[- 0.1pt]*	*[-]*	*[12.1%]*

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(-1.8 billion yen)

Appendix

Number of aircraft component parts sold to Boeing (units)

	FY25 Q1	FY25 Full year	FY26 Q1	Change YoY
767	7	31	6	▲ 1
777	4	21	7	+ 3
777X	0	7	3	+ 3
787	5	64	21	+ 16

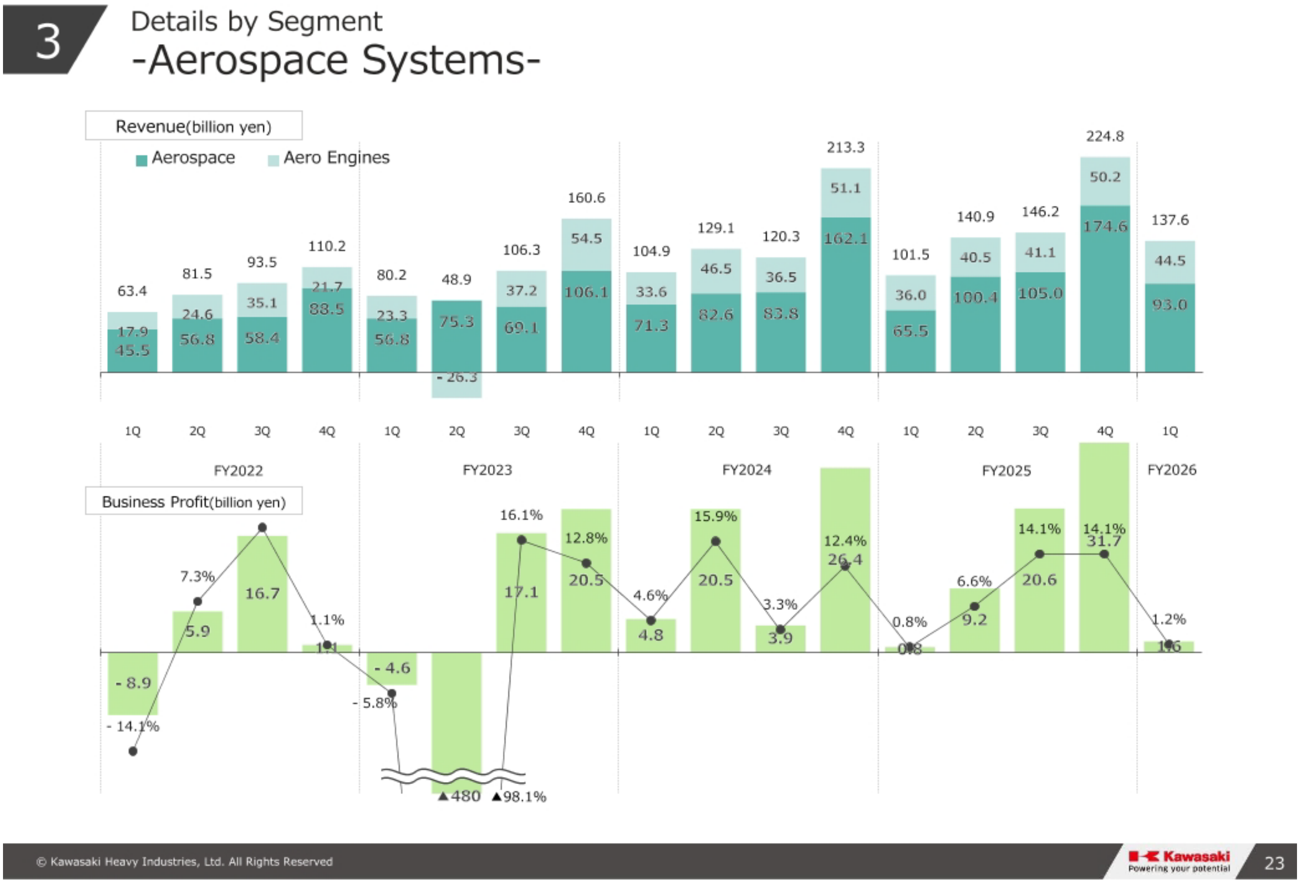
Number of aircraft engine component parts sold (units)

	FY25 Q1	FY25 Full year	FY26 Q1	Change YoY
V2500	3	21	7	+ 4
PW1100G	134	666	170	+ 36

Kawasaki Powering your potential 22

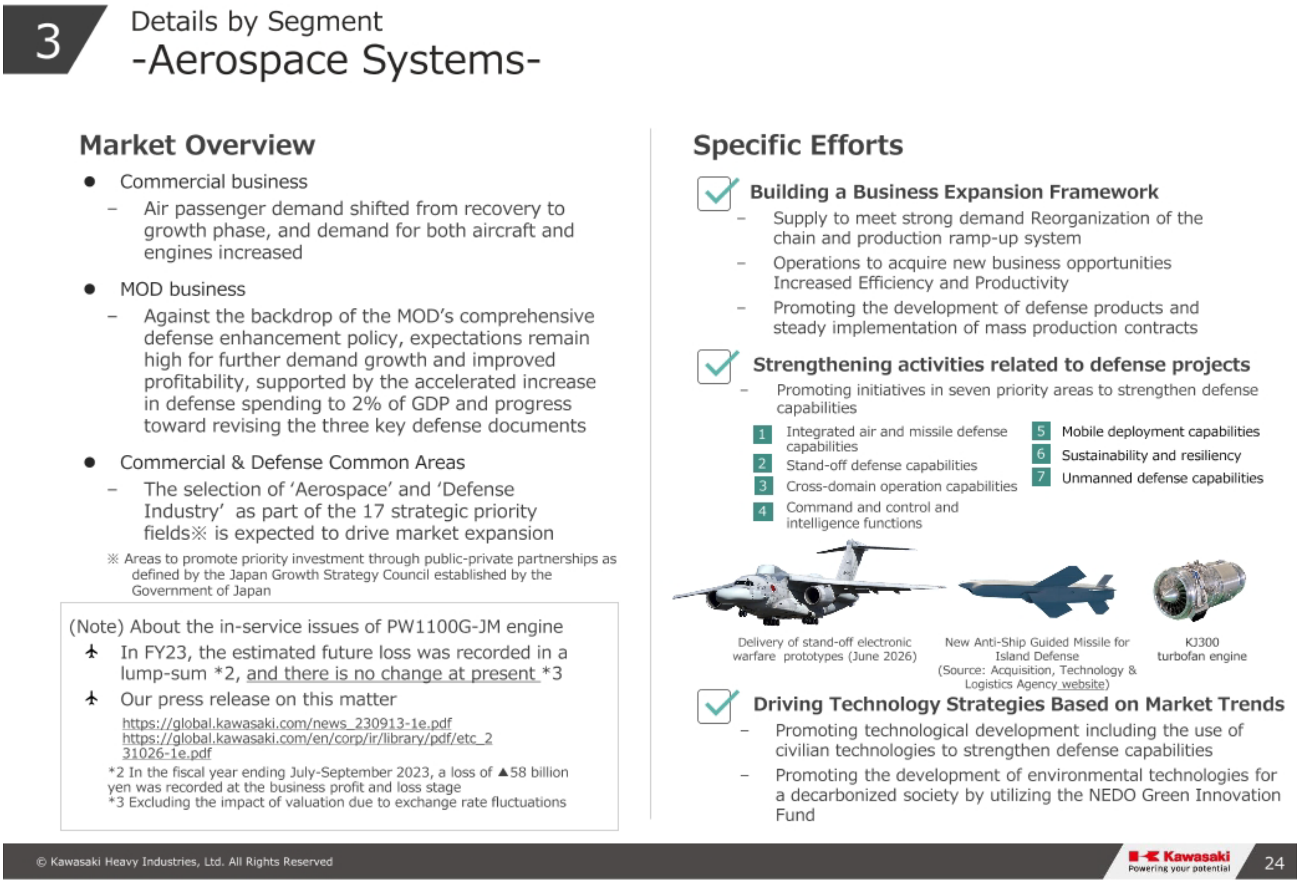
Let's move on to page 22.

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



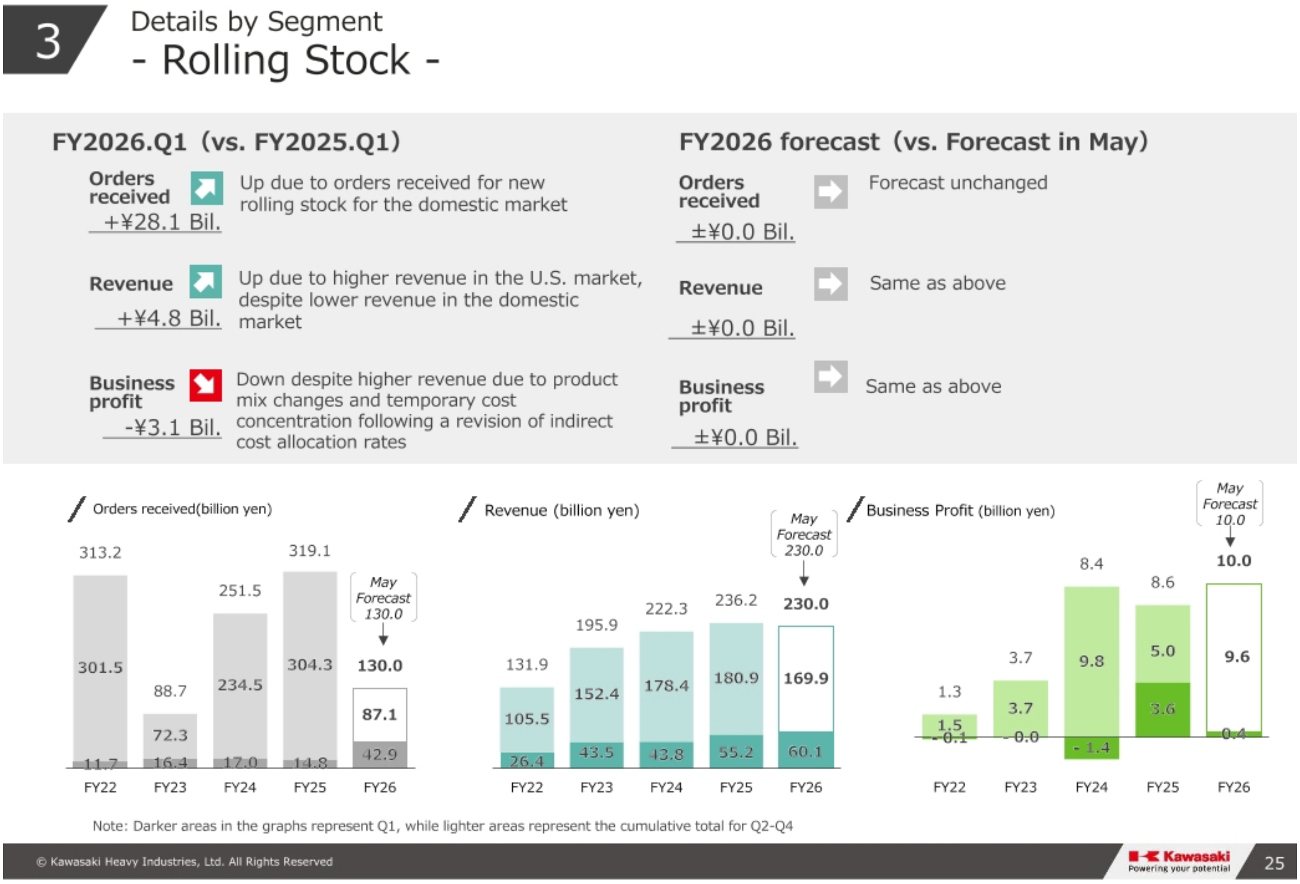
See page 23.

This page shows quarterly revenue and business profit. This is for your reference to see the trend in the past.



See page 24.

This page describes the current business environment and order trends for the segment, as well as priority measures and specific initiatives. There are no changes from the previous version.



See page 25, rolling stock.

The result for Q1 is as shown in the slide. Although order intake and revenue both increased compared to the same period last year, business profit declined due to changes in the revenue mix and a one-time concentration of expenses resulting from a revision to the overhead allocation rate.

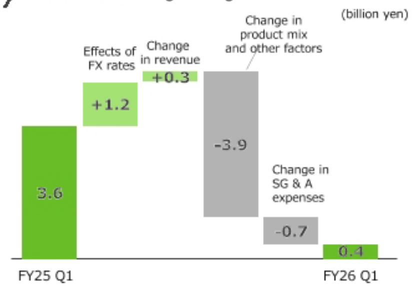
As for the outlook for FY2026, we are maintaining our forecast with no major changes.

3 Details by Segment
- Rolling Stock -

(billion yen)

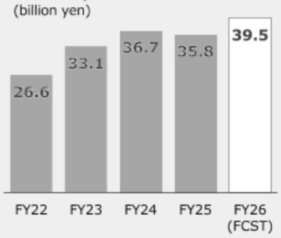
	FY2025 Q1 Actual	FY2026 Q1 Actual	FY2026 Change	FY2025 Actual	FY2026 Forecast Old FCST	New FCST	Chg. Vs. FY25	Chg. Vs. Old FCST	Q2-4 FCST
Orders Received	14.8	**42.9**	+ 28.1	319.1	130.0	**130.0**	- 189.1	-	**87.1**
Domestic & Asia	*13.4*	***38.6***	*+ 25.2*	*91.3*	*126.0*	***126.0***	*+ 34.7*	*-*	***87.4***
North America	*1.4*	***4.3***	*+ 2.9*	*227.8*	*4.0*	***4.0***	*- 223.8*	*-*	***- 0.3***
Revenue	55.2	**60.1**	+ 4.8	236.2	230.0	**230.0**	- 6.2	-	**169.9**
Domestic & Asia	*17.6*	***12.2***	*- 5.3*	*81.9*	*73.5*	***73.5***	*- 8.4*	*-*	***61.3***
North America	*37.5*	***47.8***	*+ 10.2*	*154.2*	*156.5*	***156.5***	*+ 2.3*	*-*	***108.7***
Business Profit	3.6	**0.4**	- 3.1	8.6	10.0	**10.0**	+ 1.4	-	**9.6**
[Margin]	*[6.6%]*	*[0.8%]*	*[- 5.8pt]*	*[3.7%]*	*[4.3%]*	*[4.3%]*	*[+ 0.6pt]*	*[-]*	*[5.7%]*

Factors Affecting Changes in Business Profit



Appendix

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

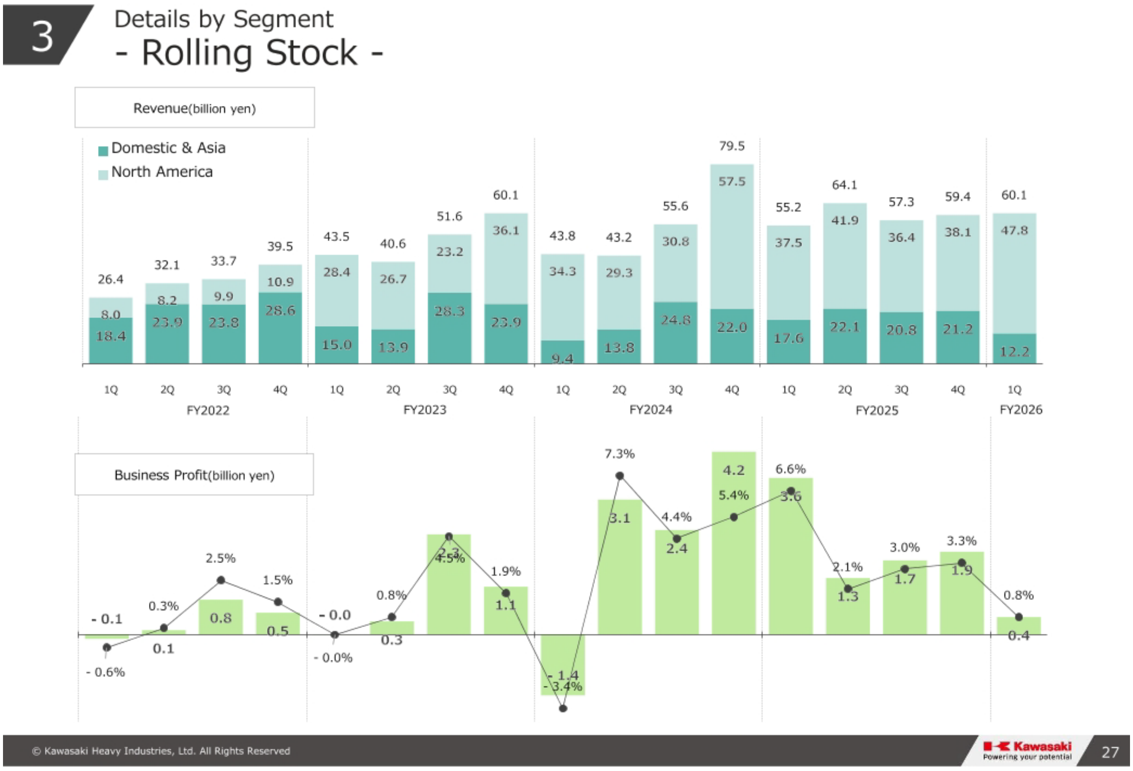


Progress of the R211 Project for New York City Subway (as of the end of June 2026)

- Base contract
  : Full delivery of 535 cars
- Option1 contract
  : **430** of 640 cars delivered
- 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.



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 grow as cities continue investing in urban transit infrastructure
- 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 FY2026
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

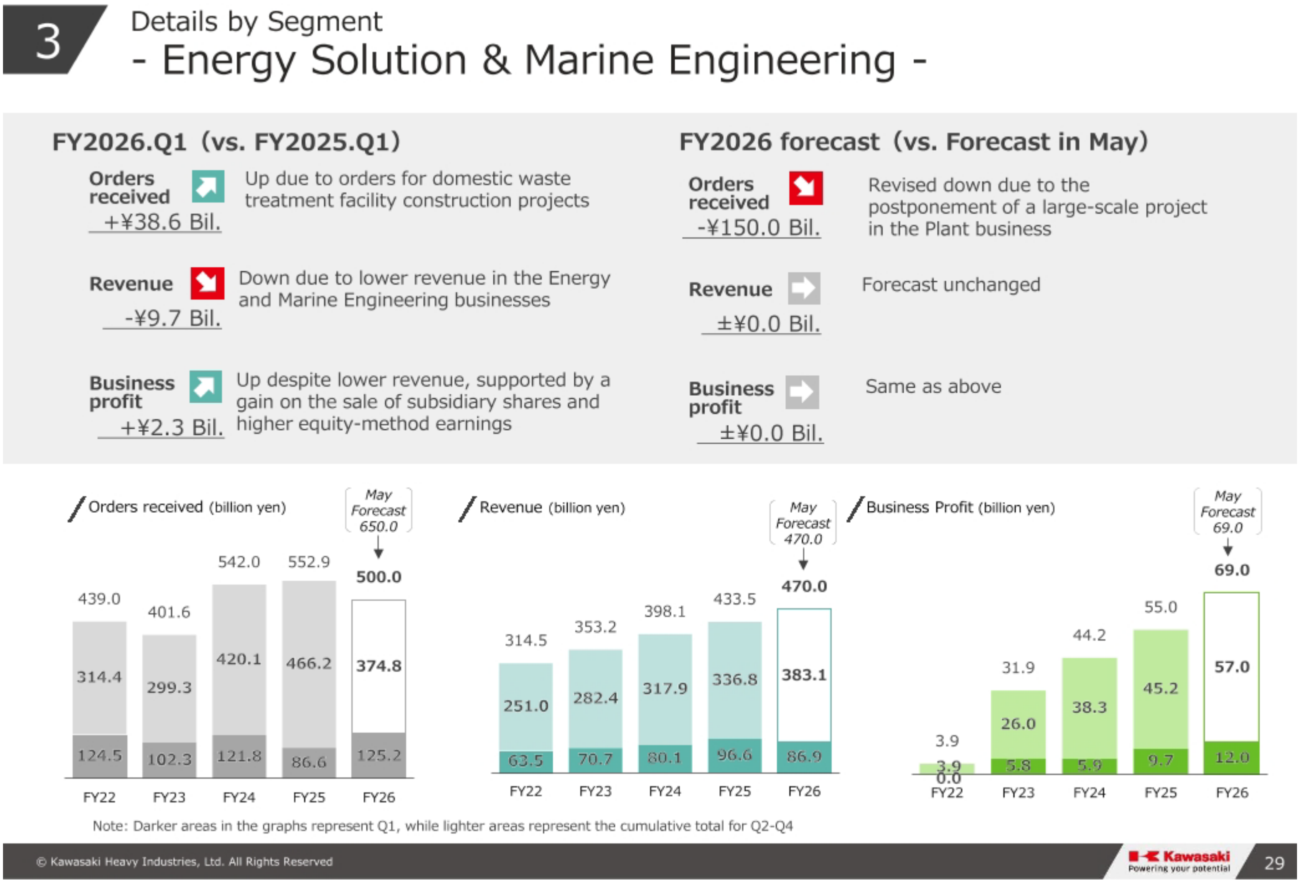
Achieving quality levels trusted by customers
- Reductions of spoilage and repair costs
- Continuation of production management based on KPS (Kawasaki Production System) at domestic and overseas production sites

THG100 Electric diesel locomotive for Tenryu Hamanako Railroad 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.

There have been no changes since the last report regarding the business environment, order trends, and key initiatives and efforts.



Page 29, energy solutions & marine engineering.

The result for Q1 is as shown in the slide. Orders received increased due to the award of a contract for the construction of a domestic waste treatment facility; while revenue decreased, business profit increased due to factors such as the recognition of a gain on the sale of subsidiary shares and an increase in equity in earnings of affiliates.

Regarding the outlook for FY2026, compared to the previous announcement, while the forecast for order intake has been revised downward due to a delay in large-scale projects in the plant business, the forecast for revenue and profit remains unchanged with no significant changes.

3

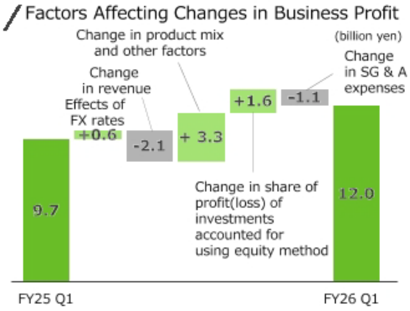
Details by Segment

- Energy Solution & Marine Engineering -

(billion yen)

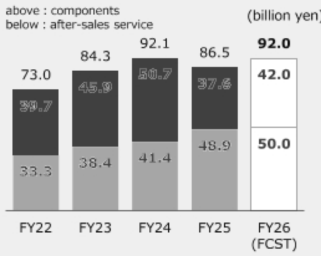
	FY2025 Q1 Actual	FY2026 Q1 Actual	FY2026 Change	FY2025 Actual	FY2026 Forecast Old FCST	FY2026 Forecast New FCST	FY2026 Forecast Chg. Vs. FY25	FY2026 Forecast Chg. Vs. Old FCST	FY2026 Forecast Q2-4 FCST
Orders Received	86.6	**125.2**	+ 38.6	552.9	650.0	**500.0**	- 52.9	- 150.0	**374.8**
Energy, Plant & Marine Machinery	*81.5*	***121.4***	*+ 39.9*	*456.2*	*530.0*	***380.0***	*- 76.2*	*- 150.0*	***258.6***
Ship & Offshore Structure	*5.1*	***3.7***	*- 1.3*	*96.6*	*120.0*	***120.0***	*+ 23.4*	*-*	***116.3***
Revenue	96.6	**86.9**	- 9.7	433.5	470.0	**470.0**	+ 36.5	-	**383.1**
Energy, Plant & Marine Machinery	*65.4*	***59.6***	*- 5.8*	*323.9*	*345.0*	***345.0***	*+ 21.1*	*-*	***285.4***
Ship & Offshore Structure	*31.2*	***27.2***	*- 3.9*	*109.6*	*125.0*	***125.0***	*+ 15.4*	*-*	***97.8***
Business Profit	9.7	**12.0**	+ 2.3	55.0	69.0	**69.0**	+ 14.0	-	**57.0**
[Margin]	*[10.1%]*	*[13.9%]*	*[+ 3.8pt]*	*[12.7%]*	*[14.7%]*	*[14.7%]*	*[+ 2.0pt]*	*[-]*	*[14.9%]*
Share of profit (loss) of investments accounted for using equity method	*6.1*	***7.8***	*+ 1.6*	*23.7*	*27.5*	***27.5***	*+ 3.8*	*-*	***19.7***

Factors Affecting Changes in Business Profit

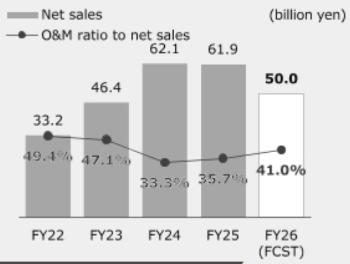


Appendix

Revenue of major products in the energy business



Revenue of municipal waste incineration plants



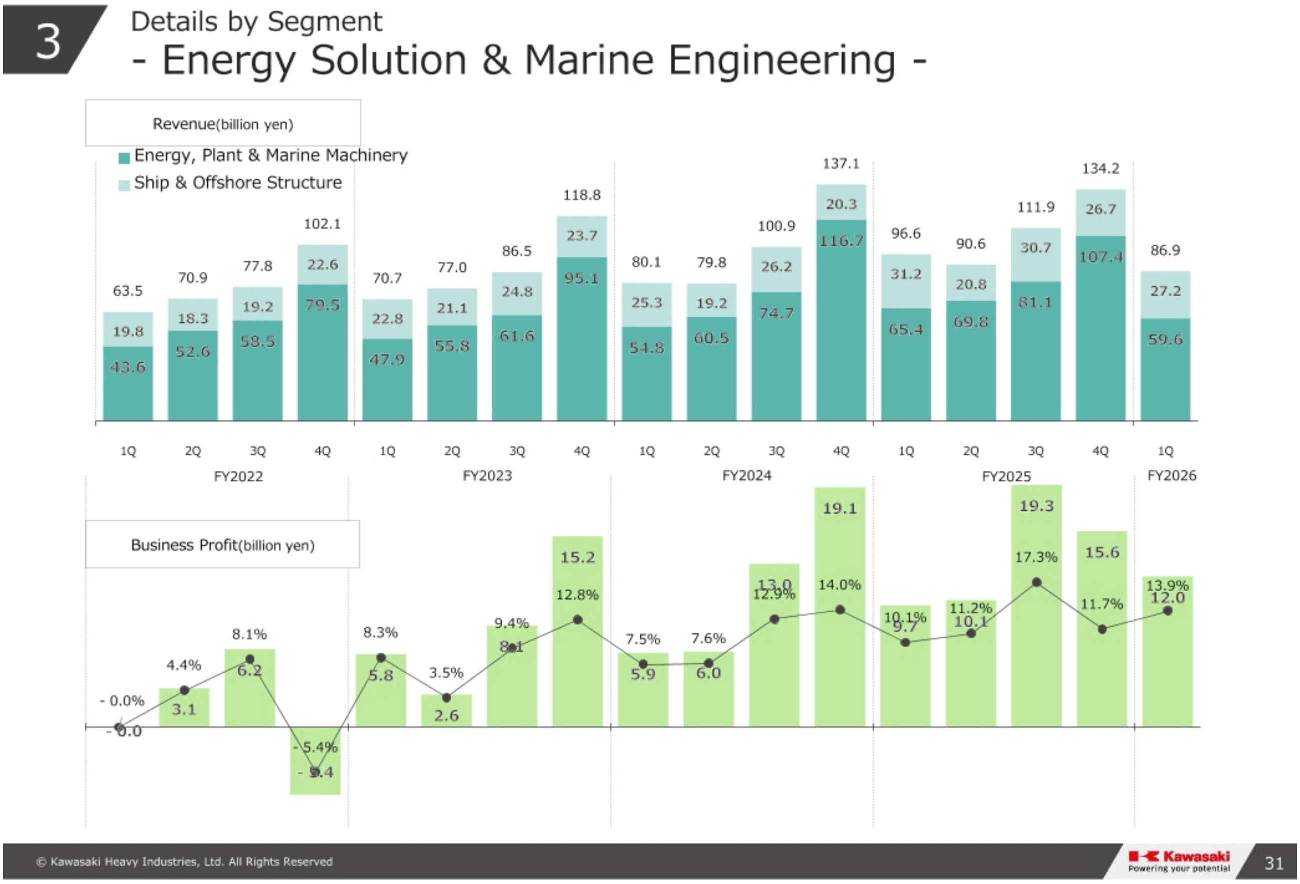
Kawasaki Powering your potential

30

Let's move on to page 30.

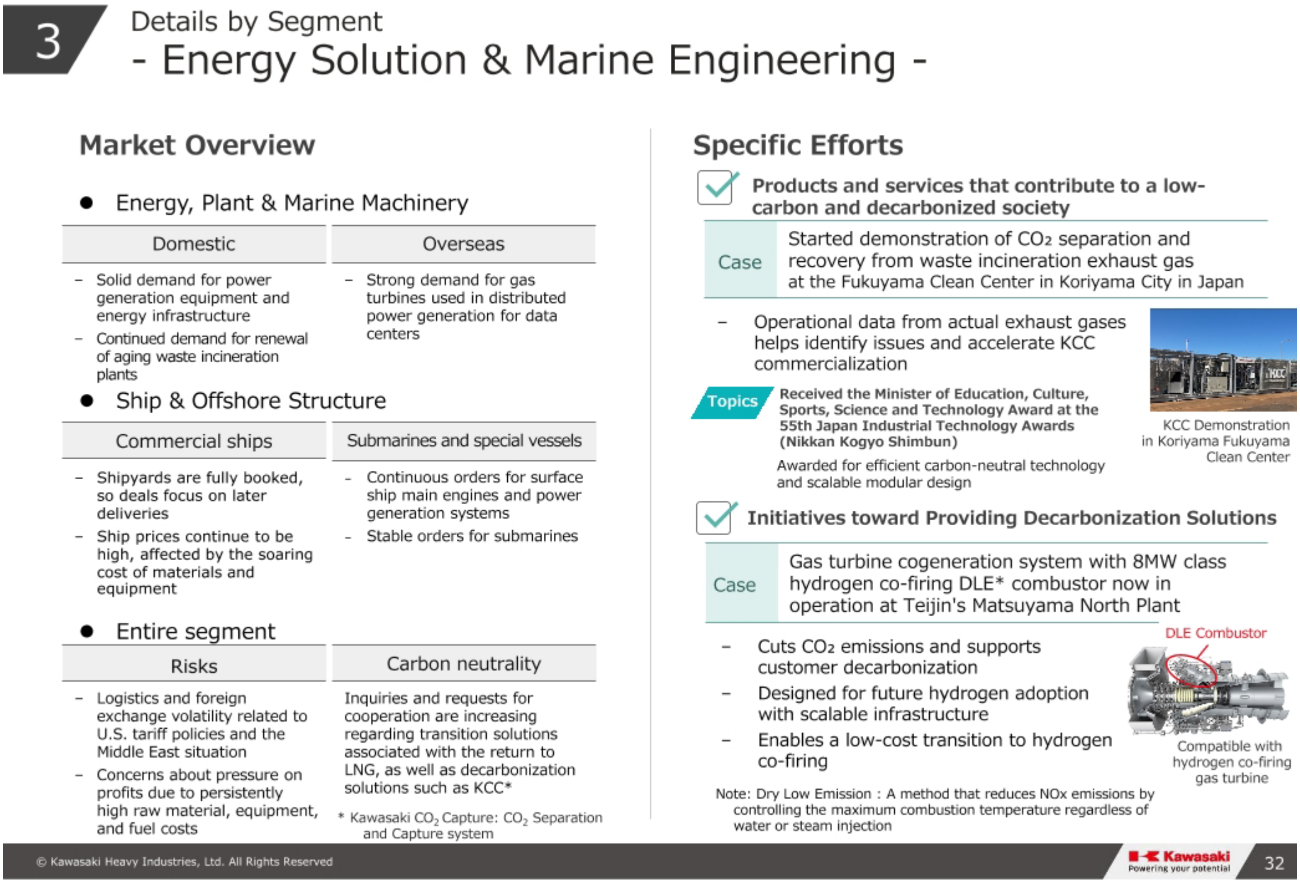
Please refer to this page for a breakdown of orders received and revenues from the energy, plant & marine machinery and ship & offshore structure.

SCRIPTS Asia's Meetings, Globally



See page 31.

This page shows changes in quarterly revenue and business profit for your reference.

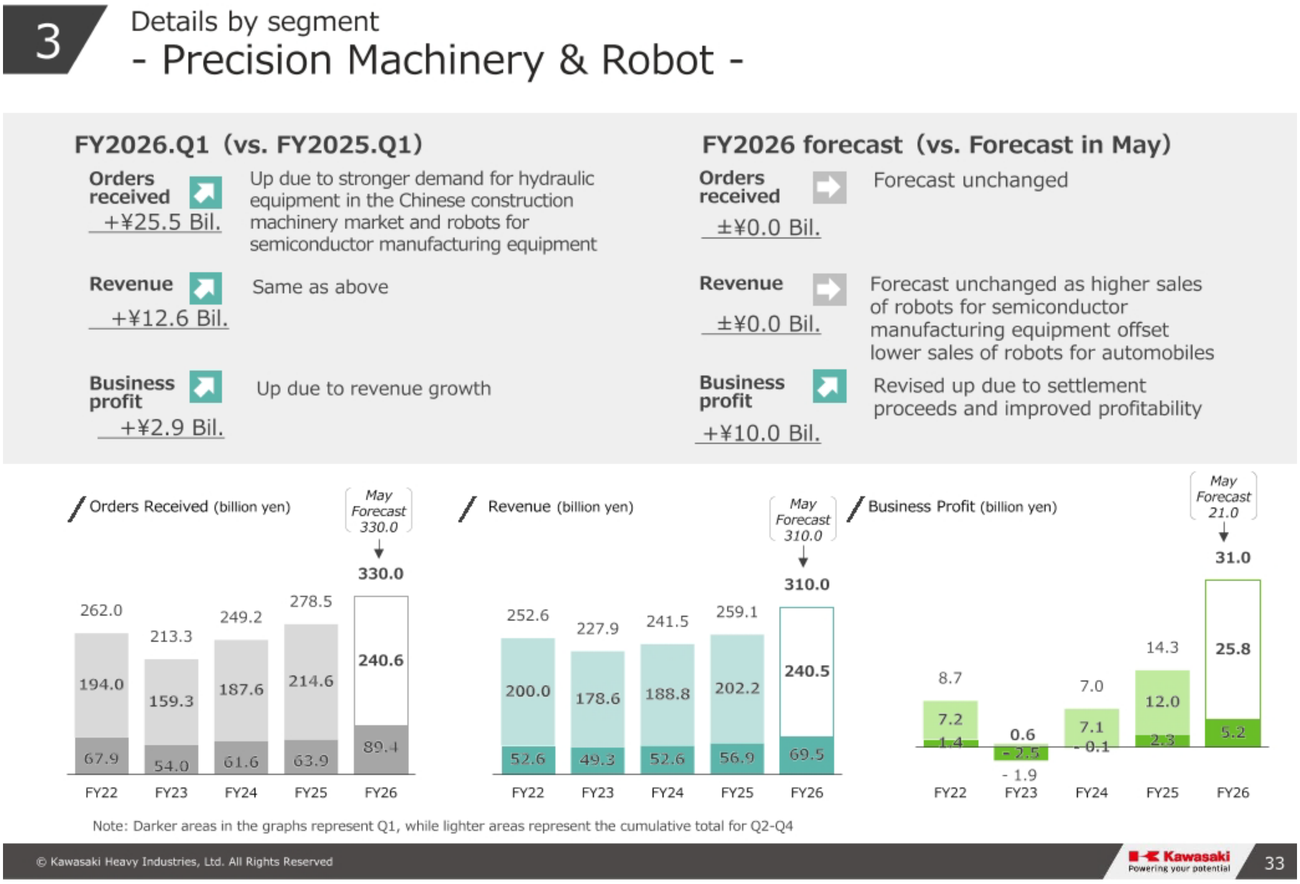


See page 32.

Regarding key initiatives, as part of our efforts to provide decarbonization solutions, we presented a demonstration project for the separation and recovery of CO_2 from waste incineration exhaust gas at the Clean Center in Koriyama City, Fukuyama Prefecture.

In addition, as products and services that contribute to the realization of a low-carbon and decarbonized society, we report on the operation of an 8-megawatt-class gas turbine cogeneration system capable of hydrogen co-firing, which was delivered to Teijin.

As you can see, our company is working to realize a decarbonized society and is advancing initiatives aimed at decarbonization and reducing carbon emissions during the energy transition period leading up to that goal. We hope you find this information useful.



Page 33, precision machinery and robot.

The result for Q1 is as shown in the slide. With the Chinese construction machinery and semiconductor manufacturing equipment markets performing well, our company also saw growth in hydraulic components for Chinese construction machinery and robots for semiconductor manufacturing equipment, resulting in orders, sales, and profits all exceeding the levels of the same period last year.

Regarding the outlook for FY2026, while we are maintaining our forecast for orders received and revenue as there have been no significant changes in these areas, we have revised our business profit forecast upward by JPY10 billion for the robotics business, driven by the receipt of a settlement payment related to a legal dispute and improvements in profitability.

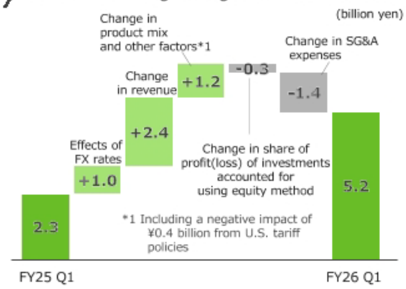
3 Details by segment
- Precision Machinery & Robot -

(billion yen)

	FY2025 Q1 Actual	FY2026 Q1 Actual	FY2026 Change	FY2025 Actual	FY2026 Forecast Old FCST	FY2026 Forecast New FCST	Chg. Vs. FY25	Chg. Vs. Old FCST	Q2-4 FCST
Orders Received	63.9	**89.4**	+ 25.5	278.5	330.0	**330.0**	+ 51.5	-	**240.6**
Hydraulic Components & Systems	*43.6*	***53.8***	*+ 10.1*	*173.1*	*210.0*	***210.0***	*+ 36.9*	*-*	***156.2***
Robotics	*20.2*	***35.6***	*+ 15.4*	*105.3*	*120.0*	***120.0***	*+ 14.7*	*-*	***84.4***
Revenue	56.9	**69.5**	+ 12.6	259.1	310.0	**310.0**	+ 50.9	-	**240.5**
Hydraulic Components & Systems	*38.9*	***48.9***	*+ 9.9*	*166.1*	*195.0*	***195.0***	*+ 28.9*	*-*	***146.1***
Robotics	*17.9*	***20.6***	*+ 2.6*	*92.9*	*115.0*	***115.0***	*+ 22.1*	*-*	***94.4***
Business Profit	2.3	**5.2**	+ 2.9	14.3	21.0	**31.0**	+ 16.7	+ 10.0	**25.8**
[Margin]	*[4.1%]*	*[7.6%]*	*[+ 3.4pt]*	*[5.6%]*	*[6.8%]*	*[10.0%]*	*[+ 4.4pt]*	*[+ 3.2pt]*	*[10.7%]*
Share of profit (loss) of investments accounted for using equity method	*0.1*	***- 0.2***	*- 0.3*	*0.7*	*0.5*	***0.5***	*- 0.2*	*-*	***0.7***

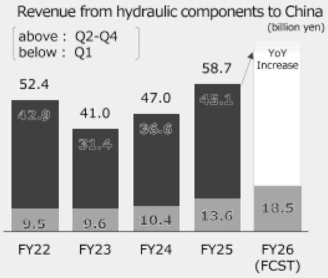
Factors Affecting Changes in Business Profit

(billion yen)



Appendix

Revenue from hydraulic components to China (billion yen)



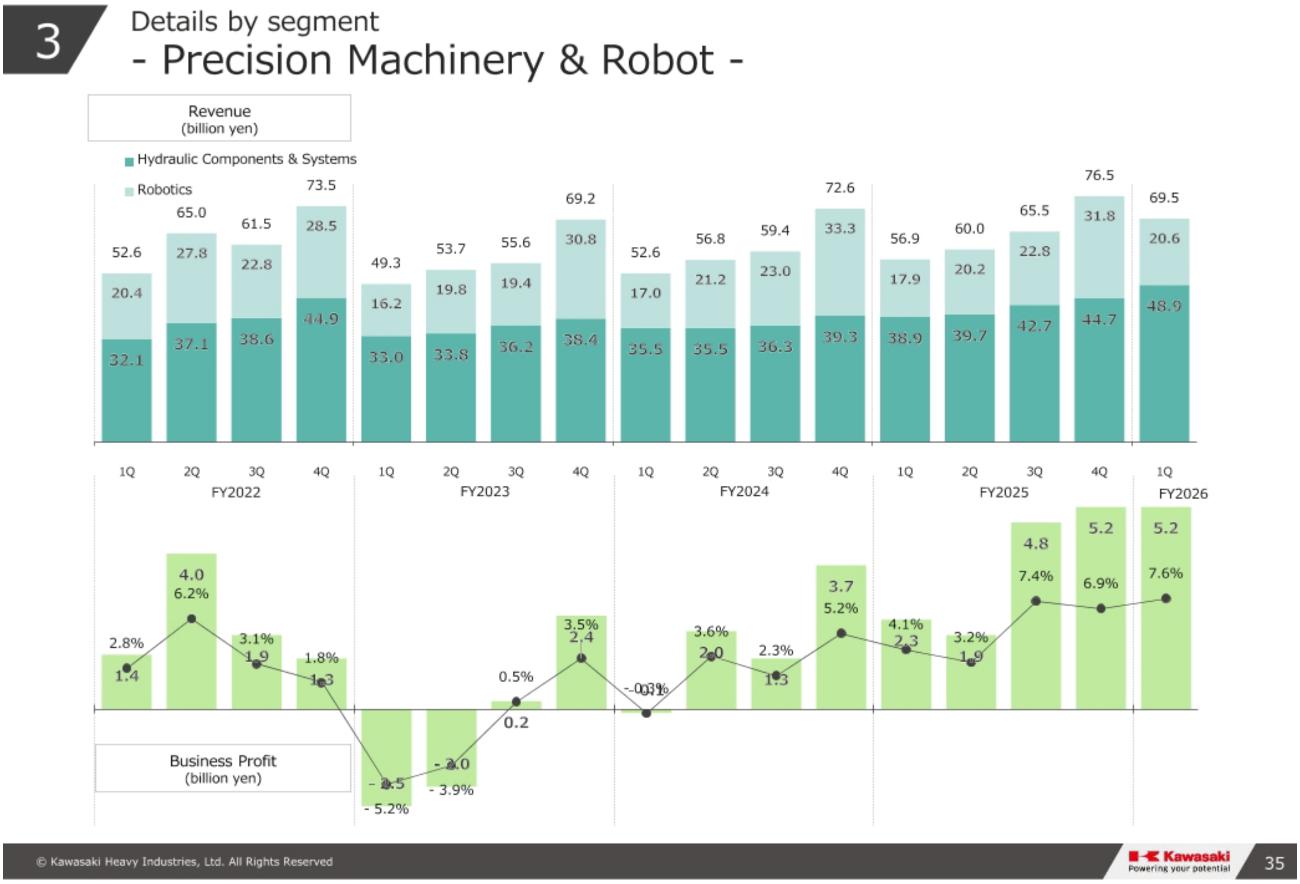
Revenue of robots by segment※ (billion yen)

above : Q1 / below : Full Year	FY25	FY26	Change
Automobile assembly and painting	5.8 36.8	5.0 *39.0	- 0.7 + 2.2
Semiconductor	9.0 37.9	12.5 *53.5	+ 3.5 + 15.6
General robots for industrial use and others	5.1 27.8	6.2 *35.0	+ 1.1 + 7.2
Total	19.9 102.5	23.9 *127.0	+ 3.9 + 24.5

※Including intercompany revenue * Forecast

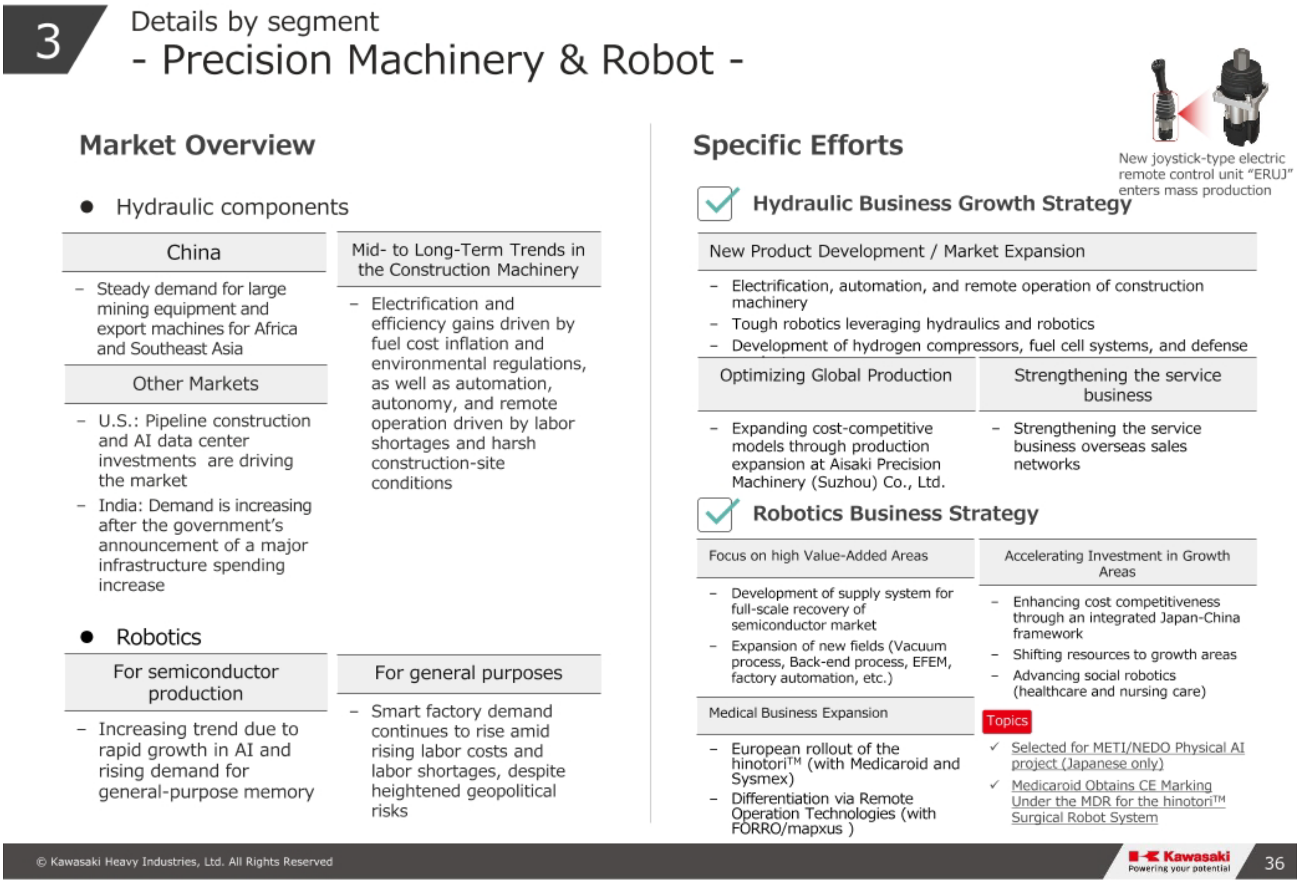
Let's move on to page 34.

Please refer to this page for a breakdown of orders received and revenue from precision machinery and robots, respectively, as well as sales of hydraulic equipment to the Chinese market and sales of robots by field.



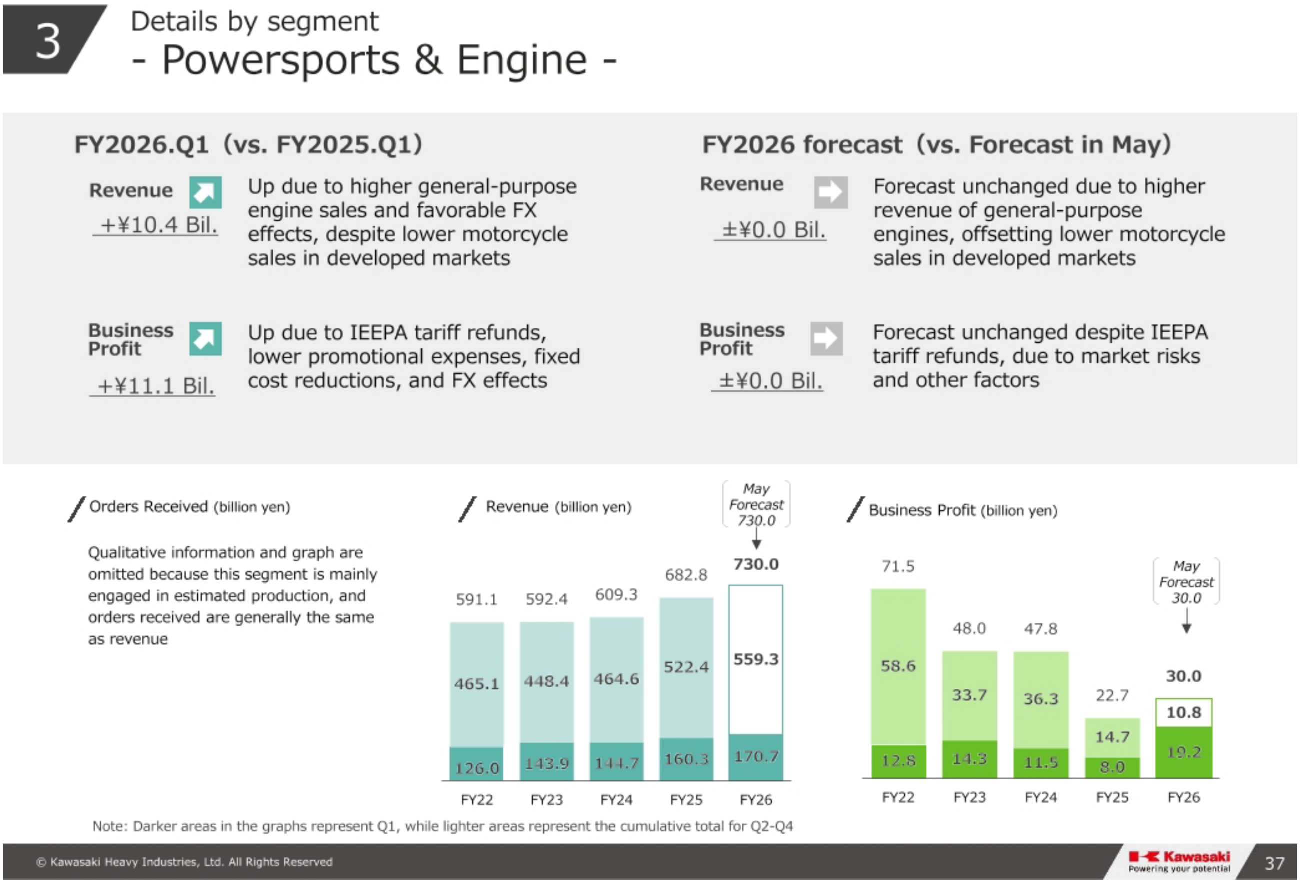
See page 35.

This page shows changes in quarterly revenue and business profit for your reference.



See page 36.

Please note that the surgical assistance robot Hinotori has obtained marketing authorization in Europe.



Page 37, powersports & engine.

The result for Q1 is as shown in the slide. Although sales of motorcycles to developed countries declined, revenue increased YoY due to factors such as growth in general-purpose engines and the weak yen.

Business profit increased due to factors such as refunds of US IEEPA tariffs, reductions in sales promotion expenses, and lower fixed costs, as well as the impact of the yen's depreciation.

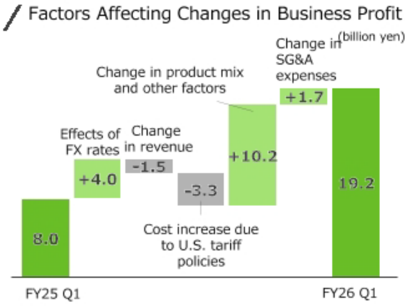
Regarding the outlook for FY2026, we have maintained our revenue forecast overall. While business profit is expected to improve due to tariff refunds under the US IEEPA, we have decided to maintain our forecast at this time, taking into account risks such as market fluctuations. Going forward, we will strive to achieve an early recovery in our business profit margin by carefully assessing risks and improving profitability.

3 Details by segment
- Powersports & Engine -

(billion yen)

	FY2025 Q1 Actual	FY2026 Q1 Actual	FY2026 Change	FY2025 Actual	FY2026 Forecast Old FCST	FY2026 Forecast New FCST	FY2026 Forecast Chg. Vs. FY25	FY2026 Forecast Chg. Vs. Old FCST	FY2026 Forecast Q2-4 FCST
Revenue	160.3	**170.7**	+ 10.4	682.8	730.0	**730.0**	+ 47.2	-	**559.3**
Motorcycles for developed markets	*64.3*	***60.3***	*- 4.0*	*261.9*	*275.0*	***270.0***	*+ 8.1*	*- 5.0*	***209.7***
Motorcycles for emerging markets	*24.8*	***26.1***	*+ 1.3*	*102.6*	*110.0*	***110.0***	*+ 7.4*	*-*	***83.9***
Utility Vehicles, ATVs & PWC	*46.1*	***49.2***	*+ 3.0*	*211.4*	*240.0*	***235.0***	*+ 23.6*	*- 5.0*	***185.8***
General-purpose gasoline engines	*24.9*	***34.9***	*+ 10.0*	*106.7*	*105.0*	***115.0***	*+ 8.3*	*+ 10.0*	***80.1***
Business Profit	8.0	**19.2**	+ 11.1	22.7	30.0	**30.0**	+ 7.3	-	**10.8**
[Margin]	*[5.0%]*	*[11.3%]*	*[+ 6.2pt]*	*[3.3%]*	*[4.1%]*	*[4.1%]*	*[+ 0.7pt]*	*[-]*	*[1.9%]*

Factors Affecting Changes in Business Profit



※ Including ¥8.0 billion from IEEPA tariff refunds

Appendix

Wholesale volume by region (thousand units)

		FY25 Q1	FY26 Q1	Change	FY26(FCST)
Developed countries	Japan	10	3	- 6	
	North America	23	18	- 5	
	Europe	22	21	- 1	
	Others※	2	2	+ 0	
Total		59	46	- 13	240→230
Emerging countries	Philippines	46	42	- 4	
	Indonesia	3	5	+ 1	
	Latin America	4	5	+ 1	
	Others※	8	7	- 1	
Total		63	60	- 2	280
Four-wheeler・PWC	North America and Others	19	20	+ 1	95→90

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

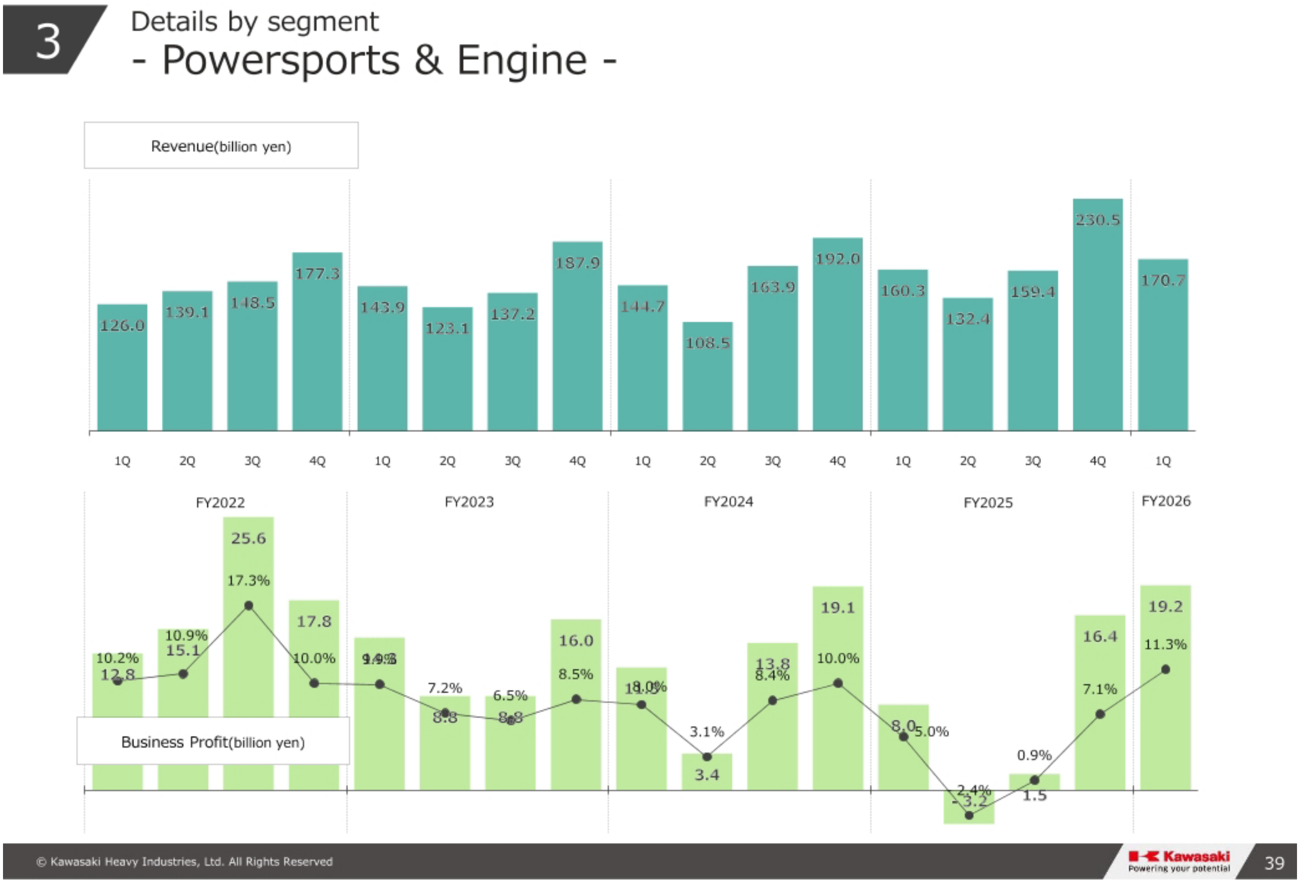
Australia :
China :
Thailand :

Kawasaki Powering your potential

38

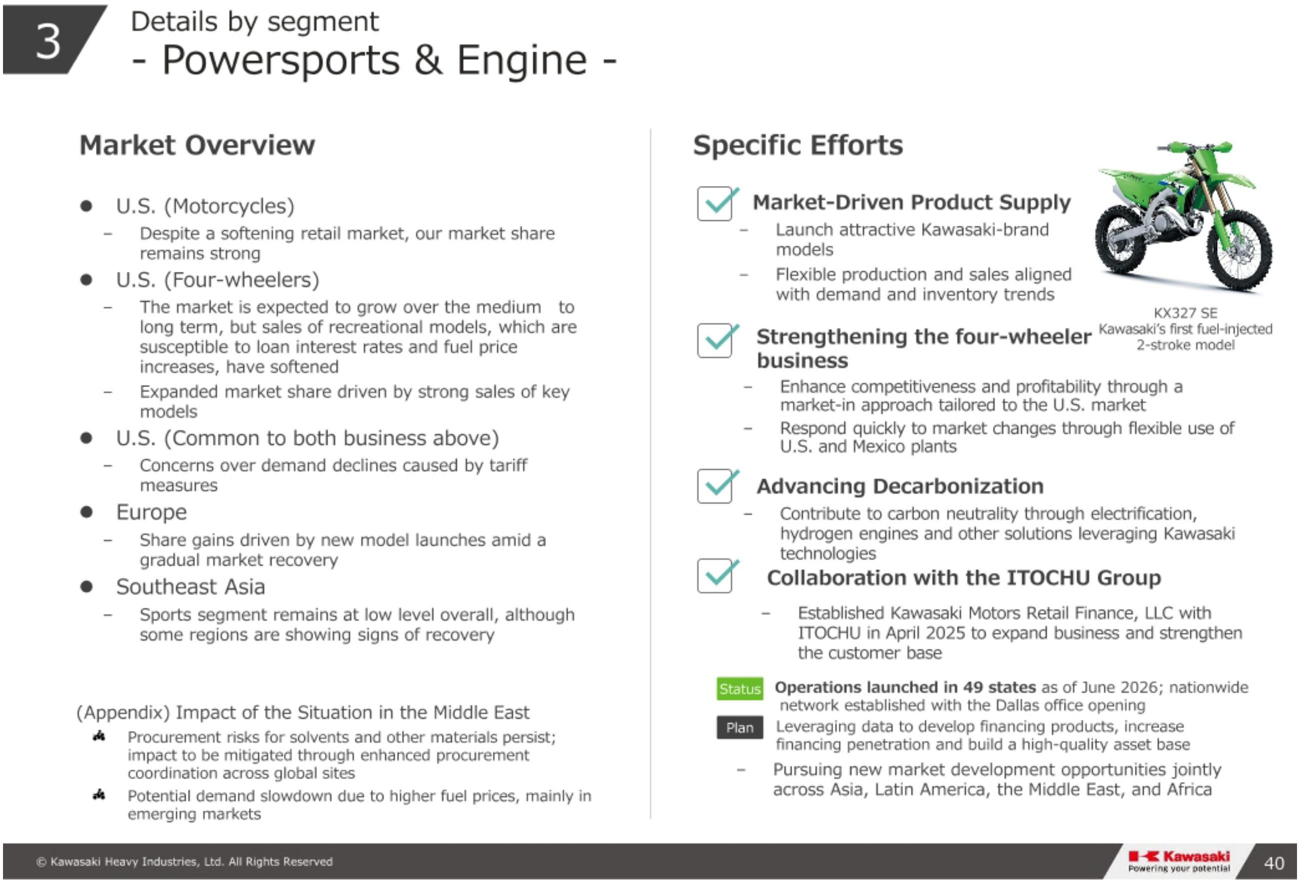
Let's move on to page 38.

This page presents sales revenue for motorcycles for developed markets, and motorcycles for emerging markets, as well as for utility vehicles, ATVs & PWC, general-purpose gasoline engine. It also lists wholesale volume by region for motorcycles and automobiles/PWCs. We have revised the sales figures for motorcycles for developed markets, automobiles, and PWC. Please use this information for reference.



See page 39.

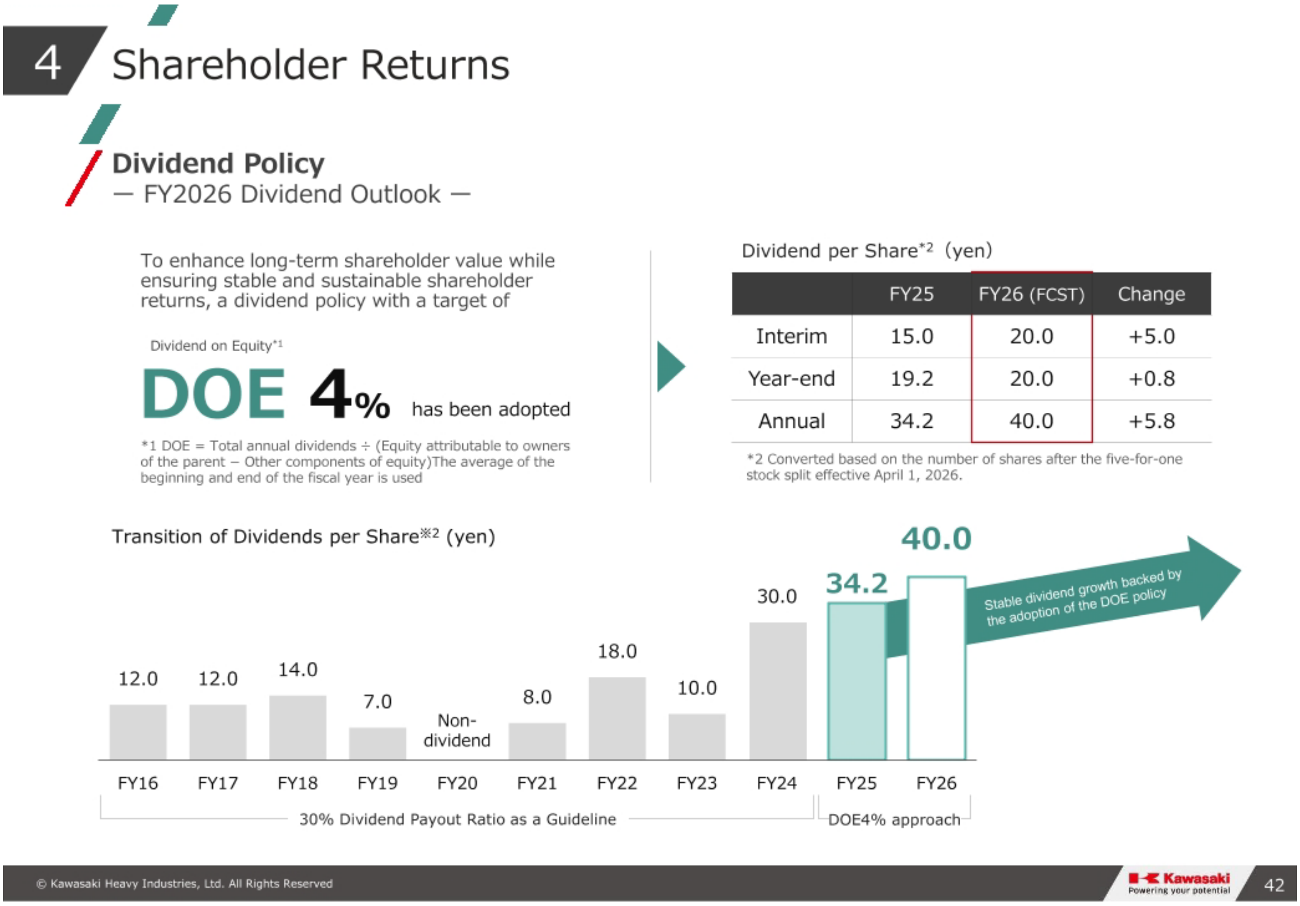
This page shows changes in quarterly revenue and business profit for your reference.



See page 40.

Please refer to this document, which outlines the business environment for powersports & engine, as well as our key strategies and specific initiatives.

Additionally, as of June, our retail finance operations in the US have expanded to 49 states nationwide.



Let's move on to page 42.

The annual dividend amount remains unchanged from the previous announcement at JPY40.

See page 43.

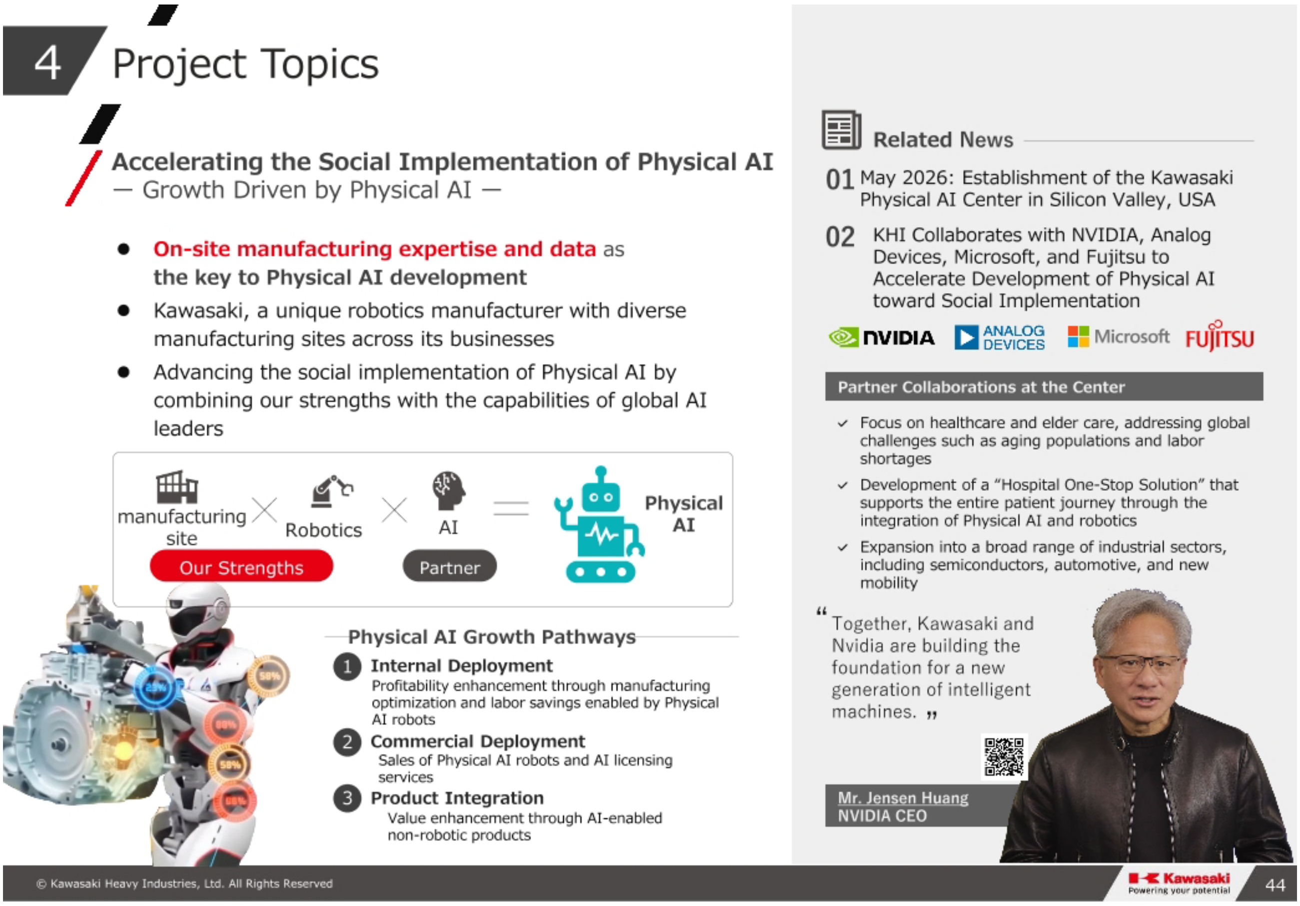
We are pleased to report three project topics.

First, I would like to explain the capital raising we conducted in July through the issuance of new shares and convertible bonds.

For our company, this marks the first equity financing in 30 years through a new share issuance and the first in 20 years through the issuance of convertible bonds, raising a total of approximately JPY200 billion. After giving due consideration to the impact on our existing shareholders, we combined new shares with convertible bonds to minimize dilution of shareholder value while maintaining financial soundness and expanding our borrowing capacity for future growth investments.

We will allocate the funds raised through the issuance of new shares to the early expansion of production capacity and efficiency-enhancing investments in growth areas, with the aim of driving profit growth in the short term.

Meanwhile, we will use the funds raised through the convertible bonds to support our hydrogen business—which is expected to drive growth over the medium to long term—and the societal implementation of physical AI. We view physical AI as a key strategic pillar, and by leveraging the funds raised in this round, we will first focus on our own diverse production sites to rapidly drive innovation in manufacturing. Through these measures, we will improve our profitability and accelerate profit growth.



Let's move on to page 44.

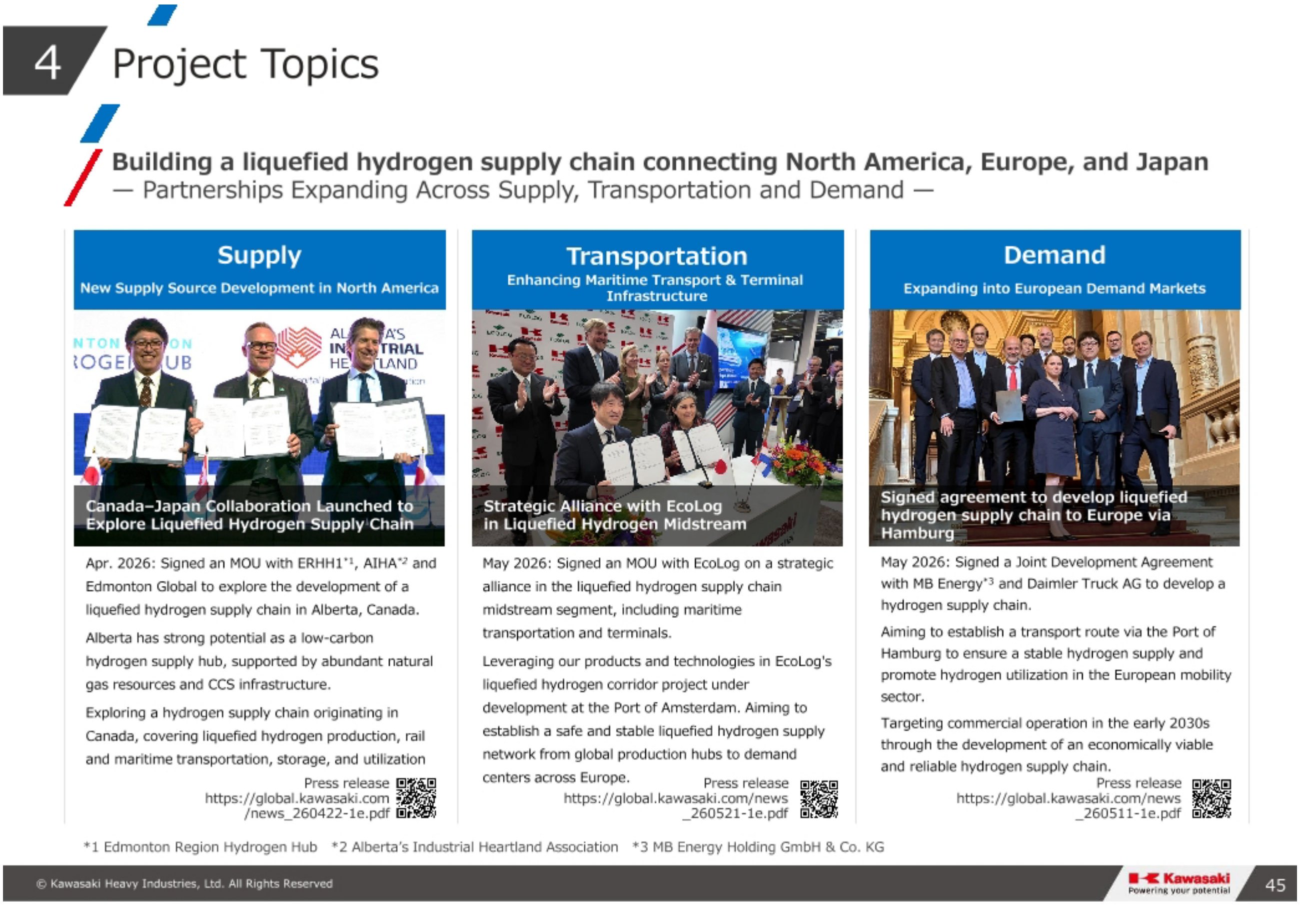
Next, I'd like to explain "physical AI," which we view as a key pillar of our future growth strategy.

Our company is a highly distinctive industrial robot manufacturer with in-house production facilities for a wide range of sophisticated manufacturing applications, including ships, railcars, aircraft, and gas turbines. When it comes to the societal implementation of physical AI, having a real-world environment where the technology can be applied, tested, and refined is a major strength.

Given our business foundation, we have attracted significant interest from leading AI players in society, and through collaboration with these partners, we will accelerate the societal implementation of physical AI.

Specifically, we will first work to improve profitability by streamlining manufacturing processes and reducing labor requirements at our own production sites, thereby lowering operating costs. Furthermore, we will provide the know-how and solutions we have accumulated in-house to external customers, thereby creating new opportunities for revenue and profit.

Furthermore, in the future, we aim to integrate AI into our wide range of mobility products, including ships, railcars, aircraft, and motorcycles, as well as our power generation equipment. By doing so, we will advance the autonomy of these mobility solutions and facilities themselves, with the goal of creating new value and expanding our revenue.



Page 45.

Finally, I would like to explain our hydrogen business, which is one of the core businesses we are focusing on.

Here, we highlight the steady progress being made in partnerships across the areas of production, transportation, storage, and consumption, with the aim of establishing a liquefied hydrogen supply chain connecting North America, Europe, and Japan.

First, regarding the supply source shown on the left side of the slide, we signed a memorandum of understanding with a company in Alberta, Canada, to establish a liquefied hydrogen supply chain. We are taking concrete steps to procure liquefied hydrogen from Canada, which has abundant natural gas resources.

Next, regarding transportation, as shown in the center of the slide, we signed a memorandum of understanding with EcoLog for a strategic partnership concerning the liquefied hydrogen corridor initiative centered on the Port of Amsterdam in the Netherlands. With an eye toward around 2031, we will work to build an international supply network for liquefied hydrogen by leveraging our products and technologies.

Finally, regarding the demand side shown on the right side of the slide, we have signed a joint development agreement with Daimler Truck and others with the aim of establishing a liquefied hydrogen supply chain. With the aim of establishing a liquefied hydrogen transport route originating from the Port of Hamburg, Germany, ensuring a stable supply of hydrogen, and expanding the use of hydrogen in the mobility sector, we are working toward the start of operations in the early 2030s.

As such, efforts to establish a liquefied hydrogen supply chain are making steady progress on a global scale. Through these partnerships, we will contribute to the realization of a hydrogen society while also fostering future business growth.

Please refer to the reference information attached on page 46 and thereafter. This concludes my explanation.

Thank you.

Question & Answer

Moderator [M]: 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. 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.

First, analysts and investors can ask questions in the order of voice and Q&A function, followed by media representatives who can ask questions in the order of voice and Q&A function. 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. I have two questions. First, I would like to ask you about the powersports & engine segment I believe the impact of the tariff refund this time amounts to JPY8 billion, and since it has already been reflected in Q1 results, and since it has also been factored into the full-year forecast, I'd like to confirm whether we can consider this tariff refund a one-time event for Q1. I also would like to ask how we should interpret full-year forecast of sales trends. Although the profit forecast of JPY30 billion remains unchanged this time, the forecast for wholesale sales has been revised downward slightly. Since we've seen 20,000 four-wheeled vehicles in Q1 this year, I think sales might decline slightly starting in Q4, despite seasonal factors. You are taking a company-wide view of this market environment and have set aside a risk buffer of JPY20 billion. Will the power sports segment end up using a significant portion of that buffer? I apologize for getting into details from the topic of customs duty refunds, but I would appreciate if you could give us your overall view. Thank you.

Yamamoto [A]: Thank you for your question. First, regarding customs duty refunds, we have only reflected those refunded in Q1, and we expect that some refunds will be received in Q2 and beyond. It is true that a significant portion was refunded in Q1. Furthermore, while this tariff refund was not originally factored into our plans, we have reflected it in our financial results. As for our outlook, we have decided to maintain the figure of JPY30 billion because the situation in the Middle East remains unstable, and taking into account various factors such as the risk of market fluctuations and the risk of inventory adjustments, we have decided to maintain the forecast at this level for now. However, I do not believe it is very likely that this JPY20 billion buffer will be allocated to powersports.

As for sales performance, the current market conditions aren't necessarily bad or good. In the motorcycle segment, sales in both the US and Europe are up by a few percent, though it seems Europe is showing slightly stronger growth, while the automotive segment is seeing significant growth. While motorcycle sales have seen a slight decline compared to our figures from the previous year, automobile sales have shown significant growth compared to the same period last year.

Maekawa [Q]: When you say that four-wheeled vehicle sales are on the rise, are you referring to the retail sales situation, such as retail sales, rather than the fact that wholesale sales have increased from 19,000 units to 20,000 units?

Yamamoto [A]: Yes, that's right. On the retail side as well, we've significantly expanded our product lineup and are continuing to make product improvements, and as a result of this positive reception, sales are growing at the retail level.

Maekawa [Q]: I see. Since Q4 was around 27,000 units, and this Q1 was around 20,000 units, I thought sales might have dropped slightly. However, given that this could be due to seasonal factors and that retail sales are growing, I assume the plan for four-wheeled vehicle sales is based on the understanding that inventory levels have decreased significantly. Is that correct?

Yamamoto [A]: Regarding wholesale, I think it's fair to say that we're keeping it somewhat restrained, while also taking into account factors such as optimizing inventory levels and curbing promotional expenses.

Maekawa [Q]: Understood Thank you. Regarding the second point, I would like to ask about Precision Machinery and Robots—specifically, robots. I understand that the full-year forecast has been revised upward by JPY10 billion, but I'm wondering to what extent the settlement payment is factored into this figure. I assume the impact of the settlement payment hasn't been reflected in this Q1 report yet, but I would appreciate it if you could explain your assessment of the impact of the settlement payment. Also, excluding that impact, I believe the robot segment is growing including the one for semiconductors. I would like to know the actual situation including the result of Q1 focusing on robot. Thank you.

Yamamoto [A]: First of all, the settlement payment is not included in the Q1 financial results. It's expected to be realized starting in Q2. While the settlement payment has had a significant impact on this upward revision, I believe it is also important to recognize that the strong growth in demand for robots used in semiconductor manufacturing equipment has played a major role.

Maekawa [Q]: Upward revision is JPY10 billion, but is settlement payment less than half of that**?**

Yamamoto [A]: I think it's probably a little higher than that.

Maekawa [M]: I see. That's the idea. Understood.

Yamamoto [A]: I can't really say how much this is, so I hope you'll bear with me on that point.

Maekawa [Q]: Understood Also, your profit increased by JPY2.9 billion in Q1, and revenue has grown significantly. I'd like to ask whether this positive revenue growth is largely due to the robotics business, and whether robotics is a major driver of the profit increase compared to last year.

Yamamoto [A]: Hydraulics play a very significant role in this. This includes exports of construction machinery from China to Southeast Asia and to mines in Africa, as well as construction machinery exports to the US, such as for pipeline laying projects, and the construction of data centers—all of which are driving demand for construction machinery. As a result, sales of our hydraulic systems for construction machinery have grown significantly. Furthermore, the mass-production benefits of our joint venture with Eddie in China are becoming very evident, contributing to both cost reductions and increased production. Therefore, you can view the hydraulic systems as a major contributor to this growth.

Maekawa [Q]: Thank you. So, are you saying it's better to view the robot's semiconductor segment as something that will start to have an impact in Q2 and beyond?

Yamamoto [A]: Yes. I think that's how it will work.

Maekawa [M]: Understood Thank you.

Yamamoto [M]: Thank you.

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

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

Yamamoto [M]: Thank you.

Taninaka [Q]: I'd like to hear a general overview. First, could you please review the orders received and business profit for Q1? Could you highlight whether the results were better or worse than initial projections? Specifically, regarding the aerospace systems segment, as was the case last year, the business profit was JPY5.7 billion, which makes me a bit concerned about whether you will be able to meet the full-year plan. In any case, I'd appreciate it if you could review the orders received, business profit, and any items that deviated from the initial projections. Thank you.

Yamamoto [A]: It's still Q1, so it's hard to say anything definitive, but I'm not too concerned about it. First, regarding the aerospace segment, the situation is roughly the same as last year. While it's undeniable that we always have a bit of a slow start, we ultimately reached JPY62 billion in business profit last year starting from a similar level, so I have absolutely no concerns in that regard for this fiscal year either.

Some aspects were pretty much as expected, and there was also a temporary increase in costs, particularly for aircraft. We incurred some upfront costs, such as dismantling existing facilities and rebuilding buildings in preparation for increased production of the 787 or for increased production of guidance systems for defense-related projects. Therefore, I'm not concerned about the lower profits. Furthermore, regarding orders, while defense-related orders were down by about JPY30 billion compared to the same period last year, this is simply a matter of timing. It does not indicate any underlying problems. We expect these orders to materialize again in H2 of the year, so we are not concerned at all.

As for the vehicle segment, regarding the concern that profits may have fallen slightly short of expectations, this is because sales in the same period last year included highly profitable repair work; compared to that, such work was absent in this Q1. Also, we revised the allocation rate for indirect costs and set aside a provision for anticipated order losses at this time. While this has caused a temporary deterioration, we expect the situation to largely return to normal by the end of the fiscal year. Since we understand the cause, we are not concerned about this issue.

Also, regarding energy solutions & marine, while orders for some large overseas projects have been delayed, causing them to fall outside this fiscal year's plan, I don't think the start to the year has been all that bad. As I explained to Mr. Maekawa earlier, the precision machinery & robotics segment is progressing as expected, and as I mentioned earlier regarding the powersports & engine segment, my overall impression is that things are proceeding largely as anticipated.

In addition to that, we have explained that the yen weakened significantly toward the end of the fiscal year and that the tariff refunds were unexpected, or rather, not included in our plans, but since these factors materialized, we understand that this is the result we ended up with.

Taninaka [Q]: Thank you for your detailed explanation. My second point concerns the timing shift for this major project in the energy solutions & marine segment. I apologize for my lack of knowledge on this, but while I think it's common for a project not to be finalized in Q4 and to be pushed back to the next fiscal period. However, revising the initial forecast in Q1 due to a timing shift doesn't seem to happen very often, so I suspect there might be a specific reason behind it. I'm wondering if this is truly just a simple timing shift, and

I'm speculating that it would be more reassuring if you could provide details on specific products or regions. Could you please explain this?

Yamamoto [A]: Well, this might have been influenced by the situation in the Middle East, but since it's just a timing issue, I'd appreciate if you could excuse us for not providing details.

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

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

Morota [Q]: This is Morota from Okasan Securities. Thank you. I'd like to ask about the shipping business. Regarding the equity method investment income in the energy solutions & marine segment, whether for Q1 or the full fiscal year, I'd like to know how much of this equity method investment income comes from NACKS, DACKS. Also, could you please tell me what percentage of the ship & marine segment's revenue comes from sources other than merchant ships?

Yamamoto [A]: First, regarding the items in equity method income other than NACKS and DACKS, there are various plant-related items, but I don't think they are particularly significant. I think it's safe to assume that most of the numbers displayed there are NACKS and DACKS.

Morota [Q]: Thank you. Regarding the shipbuilding and marine segment's revenue for Q1, out of the JPY27.2 billion in revenue, what portion comes from sources other than merchant ships?

Yamamoto [A]: It's just under JPY10 billion.

Morota [Q]: Just under JPY10 billion. Understood. Compared to places like NACKS and DACKS, does Sakaide have a higher profit margin? Is it about the same?

Yamamoto [A]: It's not quite at the level of NACKS or DACKS, but it's gradually increasing.

Morota [M]: It's gotten higher, I see. Understood.

Yamamoto [A]: That is due to the orders for 21 LPG-ammonia carriers. We are currently building the ones in the middle of the series of same type of ships. Of course, there are economies of scale from building the same type of vessel, but since ship prices have been rising steadily toward the latter half of the order, the ships we'll be building from now on will all have higher prices than the ones we built earlier. As for profit margins, I think they're generally in the upper single digits.

Morota [Q]: So, with equity in earnings from investments for this fiscal year at JPY27.5 billion, and with Sakaide added to that, the total easily exceeds JPY30 billion. Does that mean it's correct to understand that more than 20% of your profits are generated by the shipping business?

Yamamoto [A]: So that would be close to 20%, I suppose.

Morota [Q]: Understood. Thank you. Also, on a related note, the Takaichi administration has set a goal of doubling shipbuilding volume by 2035, and given that there is talk of your company resuming LNG carrier production, I assume you will likely follow suit. However, I've heard that at your company's Sakaide Plant, only one of the three docks is currently being used for new ship construction. In that case, I imagine your company will likely be making capital investments. If so, I'd like to ask what the schedule is, what the estimated cost will be, and whether you plan to go as far as introducing equipment like a Goliath crane. Also, if you're considering expanding NACKS, DACKS, please let us know.

Yamamoto [A]: As has already been reported, the government has designated shipbuilding as one of its 17 growth strategy sectors, and we are exploring the construction of LNG carriers in collaboration with several other shipbuilding companies. However, I think it will take quite a bit of time, so I'd prefer to refrain from commenting on exactly how much we'll invest. We will definitely be investing, and we are currently in the process of building liquefied hydrogen carriers. As for our immediate priorities, we will, of course, make the necessary investments with those as our top priority, and while I imagine there will be some common elements among them, I would prefer to refrain from discussing the specific details of those investments at this time.

Morota [M]: Understood. That's sufficient. Thank you. That is all from me.

Moderator [M]: Thank you. Next, I will connect to Mr. McDonald of Citigroup Global Markets Japan Inc. Please unmute and ask your question.

McDonald [Q]: Excuse me, Mr. Yamamoto, I think that was Mr. Taninaka's question just now. Regarding the "slow start" you mentioned in the aviation business, which has now occurred for two consecutive years, could you please clarify once more? You mentioned some temporary costs related to the ramp-up of 787 production and upfront expenses for defense-related projects. Could you confirm those details again?

Yamamoto [A]: As for the 787, we are currently manufacturing at a rate of eight aircraft per month, but Boeing has long stated that they require 10 aircraft per month by the end of FY26. Furthermore, there have been reports suggesting a future production rate of 16 aircraft per month, so we are making preparations with that in mind. Also, as was reported earlier, since there are other areas such as the production of new parts, we are preparing for these initiatives. Additionally, in the defense sector, we anticipate the need to construct a new facility to support increased missile production. Work such as grading the planned construction site and removing existing structures on the site is proceeding in advance, and these costs were reflected in the Q1 expenses.

McDonald [Q]: Just to confirm, is everything going according to plan?

Yamamoto [A]: Everything is going according to plan.

McDonald [Q]: OK, I understand. Just to confirm, this is just a rough estimate, and the amount is small around JPY1.6 billion to JPY1.7 billion. Is most of the profit from aircraft engines?

Yamamoto [A]: Yes, that's right. Most of them are aircraft engines.

McDonald [Q]: So, it's aircraft engines. Thank you. Also, one more thing. Regarding the discussion on the final topics, there are various points, and it involves various aspects of hydrogen. There are various things like hydrogen-related MOUs, and so on. A few years ago, you set sales targets for hydrogen, which is originally JPY140 billion for this fiscal year and about JPY400 billion by March of FY2031. What is your current outlook? For example, what will this year's hydrogen-related sales be, and what will they be by March of Year 2031? There are some aspects that are just busywork without any real benefit. What do you think?

Yamamoto [A]: Regarding the progress of the hydrogen business and our volume targets, I'd really like to hold the Group Vision progress briefing this fall, which we haven't been able to hold for quite some time. I hope to discuss those topics at that meeting.

McDonald [Q]: OK, I understand. Finally, while it's true that these days the world is paying more attention to cash flow than to income statements, it doesn't really look like your cash flow has improved much this time around. I imagine there are various factors at play, such as exchange rate fluctuations, but just to confirm, in a nutshell, is everything going according to plan? Cash flow's start off in Q1.

Yamamoto [A]: It is in line with the plan. The reason for the fact that working capital has increased somewhat is, as I mentioned on page 14 of the cash flow statement, the yen was very weak at JPY162 per dollar at the end of March. Consequently, foreign currency-denominated accounts receivable and inventory appear to have increased due to the weak yen, which is why we're seeing a significant increase. I know it's not ideal to say "it's always like this," but while we typically end up with a negative free cash flow in Q1, we're planning for a positive free cash flow of several tens of billions of yen this fiscal year, so I believe we'll be able to achieve that.

McDonald [Q]: Do you have any specific numerical targets for this fiscal year?

Yamamoto [A]: I believe we will post a surplus in the range of tens of billions of yen.

McDonald's [Q]: Is this JPY20 billion or JPY90 billion?

Yamamoto [A]: Somewhere in the middle. I can't really say for sure, so I'm sorry about that.

McDonald [Q]: So, let's say somewhere between JPY40 billion and JPY50 billion. Mitsubishi Heavy Industries and IHI have both presented proper cash flow plans, so it's a bit disappointing that your company hasn't done the same.

Yamamoto [A]: Yes, that's right I do feel that we need to live up to those expectations.

McDonald's [M]: Sorry. It's so persistent.

Yamamoto [M]: Thank you. Thank you.

Yamamoto [M]: Thank you.

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. Could you please tell me about those two things, too? The first point concerns the concept of tariffs. I think slide 17 summarizes this well. The refund this time is JPY8 billion, but could you please tell me, if possible, how much in tariffs might actually be refunded in the future?

Also, as you know, tariff policies have been changing quite a bit recently. In early June, there were changes to tariffs on steel and aluminum tariffs were adjusted, and I believe various new tariff policies have been implemented again since the start of July. The impact of these changes on each business segment is briefly mentioned here, but could you please summarize and explain exactly how these changes are affecting each segment? This is the first question. Thank you.

Yamamoto [A]: First of all, as for how much is left, we currently estimate that there is still about JPY2 billion to be refunded. Furthermore, if the IEEPA is ruled unconstitutional, there are various other provisions, such as Article 122, and then, just when we thought that matter was settled after 150 days, Article 301 comes into play. However, we have included in our current projections calculations based on the latest rules appropriate for each of these changes. As expected, the powersports & engine segment will be the hardest hit by this. Therefore, taking various risks into account, we have decided to keep prices unchanged for now.

Sasaki [Q]: Regarding the powersports & engine segment, which shows a significant increase of JPY4.3 billion, could you please explain exactly which aspects of the tariff structure changed and how that impacted the results? Also, regarding this business in general, I believe that, compared to competitors, the structure of tariffs had effectively been providing your company with a discount. Could you please elaborate on how this competitive dynamic will change under the new tariff rules?

Yamamoto [A]: The factor having the greatest impact right now is the tariffs on steel and aluminum. However, the situation is very complex, with tariffs being imposed and lifted, and the analysis can vary significantly depending on the timing, so explaining it becomes very complicated. I think I'd like to keep it at about this level today.

Also, regarding the tariff refund, we said that we might receive an additional JPY2 billion in the future. However, please note that this has not been factored into the plan and I think it's best to consider it as an unplanned item.

Sasaki [Q]: Thank you very much. By the way, what are your thoughts on these changes in the competitive environment, including tariffs?

Yamamoto [A]: Originally, while our competitors were covered by the USMCA, we, as a manufacturer based in Nebraska, were at a significant disadvantage because tariffs were imposed on parts such as engines imported from Japan. However, the situation has changed in various ways, such as the imposition of steel and aluminum tariffs on our competitors and speculation that the USMCA might be revised. So, it doesn't really seem like we can say that one side or the other has the advantage just by looking at the current situation alone.

Sasaki [Q]: Is it safe to say that things have improved compared to before for your company? As for the situation, I'm sorry, I'm afraid I'm not very knowledgeable about this.

Yamamoto [A]: Yes, that's right. I guess it's just at the level where it doesn't feel as disadvantageous as it used to.

Sasaki [M]: I see, clear. Thank you.

Yamamoto [M]: Excuse me.

Sasaki [Q]: Secondly, I also heard about powersports & engine earlier. Specifically on slide 38, I would like to ask for your perspective on this point. I understand that you left your forecast unchanged due to various uncertainties about the future, but could you please tell me how you assess the actual progress toward improving profitability? That said, as you pointed out, even excluding the JPY8 billion in tariff refunds, you posted a profit of JPY11 billion for the quarter. Therefore, you have managed to achieve a solid increase in profits. I believe your profit structure has also stabilized to a certain extent thanks to recent initiatives, such as improvements to our business model and adjustments to selling, general, and administrative expenses. I understand that you decided to leave the plan as it is because the outlook is a bit uncertain, but please share your company's assessment of the current situation where efforts are being made to improve profit margins in the powersports & engine segment?

Yamamoto [A]: Looking at the results for this Q1, we believe that the direction we are heading in and our efforts to improve profitability is the right one. However, since this is only Q1, we need to continue in the same way going forward. We believe it would be a bit premature to get too excited or too discouraged based solely on this Q1's results, or to raise our outlook simply because the numbers went up or because tariffs were imposed in the first place. Therefore, we have decided to leave our outlook unchanged.

We are still in the midst of tackling various initiatives, such as reviewing various expenses and reassessing marketing strategies that may not yield significant short-term results. We would like to wait until we have a better understanding of their effectiveness before deciding whether to revise the plan to reflect it or leave the plan as it is.

Sasaki [M]: I understood very well. Thank you for your participation. That is all from me. Thank you.

Yamamoto [M]: Thank you.

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 I have just one question. On the slide on page 17, the JPY20.4 billion is listed under “change in revenue mix, SG&A Expenses, risk buffer, and others." Is it appropriate to simply treat the entire JPY20.4 billion as the risk buffer? If you could provide a breakdown or explain the rationale behind the adjustments for each item, I think it would help clarify things a bit more. Thank you in advance.

Yamamoto [A]: I do view about half of these as primarily related to powersports & engine. So, the JPY20.4 billion isn't all a risk buffer; there are other factors as well, such as fluctuations in the actual sales mix and changes in SG&A expenses, but I'd say it's roughly half and half.

Kitaura [Q]: I see. As for the other half, the portion outside of power sports, I was wondering what the background was behind that change, and what kinds of businesses are involved, or if you have any general idea of what that entails, could you tell me more about that?

Yamamoto [A]: As for the other half, while I wouldn't go so far as to call it a buffer, I hope you can picture it as being scattered across the various segments. Including the impact of exchange rates realized in Q1, we are seeing a gradual increase in our financial cushion; however, since we have not revised our forecasts upward for any segment other than precision machinery & robotics, I believe this difference accounts for roughly half of the JPY20 billion.

Kitaura [Q]: Okay. Also, regarding these changes in the Middle East, I believe you mentioned last time that you estimated JPY8 billion based on the assumption that the situation will be resolved by the end of June. I think that situation improved so you did not have the impact as much as you expected. Could you tell me the background for that? Also, currently, when do you assume it will be resolved or tell me whether it will be difficult to resolve by the end of the year, and how much improvement you are assuming in that case? I would appreciate it if you could provide a bit more detail on that.

Yamamoto [A]: We estimate the risk associated with the overall situation in the Middle East at JPY8 billion. We had budgeted JPY8 billion on the assumption that things would settle down by the end of Q1. However, in reality, there was a period when it was difficult to obtain various paints and organic solvents like thinners. We have taken various measures, such as diversifying our suppliers and developing new ones, so we believe the impact of that issue is now largely under control. Our current assumption is that this situation will likely continue until around September, but of the JPY8 billion we initially set aside, we have released about JPY5 billion. We had budgeted this JPY5 billion based on the assumption that the powersports & engine segment would be significantly impacted. However, since that impact never materialized, we have released JPY5 billion out of the JPY8 billion we had initially projected.

Kitaura [M]: Understood. Thank you very much for the detailed explanation. That is all from me. Thank you.

Moderator [M]: Thank you. I will end the question-and-answer session. Lastly, Yamamoto would like to say a few words

Yamamoto [M]: Thank you very much for taking time out of your busy schedules today to participate in our financial result briefing. We would like to ask for your continuous support.

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

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
4. *This document has been translated by SCRIPTS Asia.*

Disclaimer