Kawasaki Heavy Industries, Ltd.

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Q2 FY2026 Financial Results Briefing

November 10, 2026

Event Summary

[Company Name]	Kawasaki Heavy Industries, Ltd.
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[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	Q2 FY2026 Financial Results Briefing
[Fiscal Period]	FY2027 Q2
[Date]	November 10, 2026
[Number of Pages]	57
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[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	1

Katsuya Yamamoto	Representative Director, Vice President and Senior Executive Officer

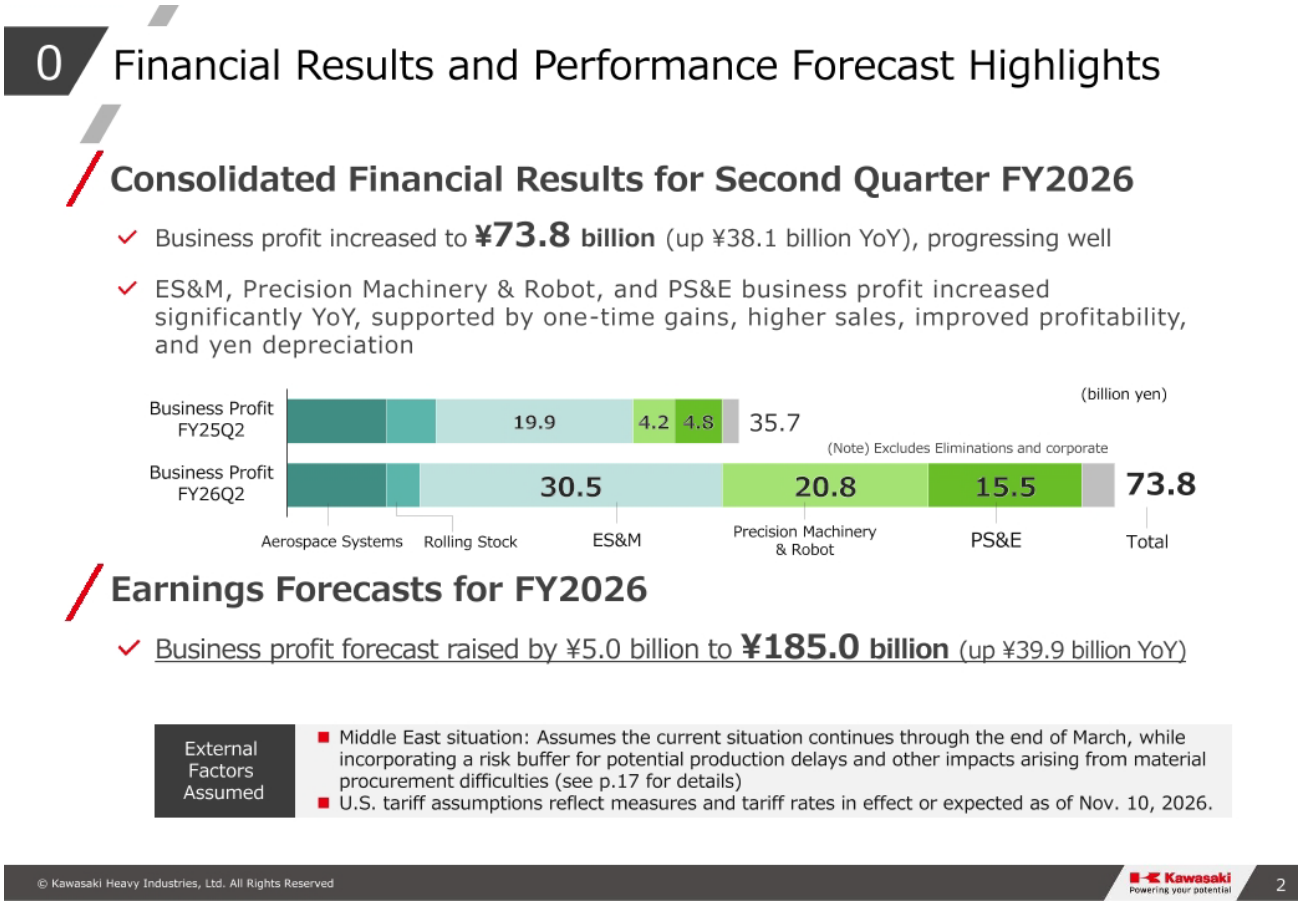
[Analyst Names]*	
Kentaro Maekawa	Nomura Securities
Yuichiro Isayama	Goldman Sachs
Tsubasa Sasaki	UBS Securities
Satoshi Taninaka	SMBC Nikko Securities
Hirosuke Tai	Daiwa Securities
Graeme McDonald	Citigroup Global Markets
Takeshi Kitaura	Morgan Stanley MUFG Securities

*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 now the scheduled time, so we will begin. Thank you all very much for taking the time out of your busy schedules to attend Kawasaki Heavy Industries, Ltd.'s financial results briefing. Today, Representative Director, Vice President and Senior Executive Officer Yamamoto will present the financial results for Q2 FY2026.

The presentation materials are available on TDnet. Following Yamamoto's presentation, we will hold a Q&A session. The briefing is scheduled to last approximately 60 minutes, although we may extend it until 3:30 PM, depending on the number of questions. With that, I will hand over to Executive Vice President Yamamoto.



Yamamoto: I am Yamamoto, Executive Vice President. I will present our financial results for Q2 FY2026.

Business profit for H1 totaled JPY73.8 billion, an increase of JPY38.1 billion YoY, representing solid progress. This improvement was driven by several factors, including the recognition of a gain on the sale of subsidiary shares and improved profitability in the ship & offshore structure business within energy solution & marine. In precision machinery & robot, growth in robots for semiconductor manufacturing equipment and the receipt of a litigation settlement contributed to earnings. In powersports & engine, reductions in fixed costs and refunds of US IEEPA tariffs also supported profitability.

Regarding our full-year outlook, we have maintained our exchange rate assumption at JPY150 to the US dollar while raising our business profit forecast by JPY5 billion from the figure announced in August, to JPY185 billion.

By segment, we have revised our forecast downward for aerospace systems, while raising our forecasts for energy solution & marine and precision machinery & robot. That concludes the overview.

1 Consolidated Financial Results for Second Quarter FY2026 –Summary-

- **Revenue and profits increased YoY, and Q2 revenue and profits each reached record highs**
- **In addition to strong business performance, U.S. IEEPA tariff refunds, litigation settlement proceeds and yen depreciation boosted profits**

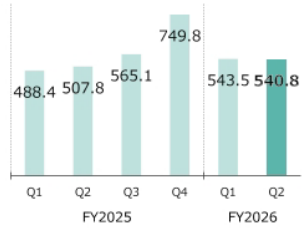
(billion yen)

	FY25 Q2	FY26 Q2			YoY Change
		Apr to Jun	Jul to Sep	Total	
Orders Received	1,015.4	525.7	515.4	**1,041.2**	+ 25.7
Revenue	996.2	543.5	540.8	**1,084.4**	+ 88.1
Business Profit	35.7	35.7	38.1	**73.8**	+ 38.1
[margin]	*[3.6%]*	*[6.6%]*	*[7.0%]*	*[6.8%]*	*[+ 3.2pt]*
Profit Before Tax	35.3	34.7	21.9	**56.7**	+ 21.4
[margin]	*[3.6%]*	*[6.4%]*	*[4.1%]*	*[5.2%]*	*[+ 1.6pt]*
Profit Attributable to Owners of Parent	22.0	15.6	15.2	**30.9**	+ 8.8
[margin]	*[2.2%]*	*[2.9%]*	*[2.8%]*	*[2.9%]*	*[+ 0.6pt]*
Weighted-average exchange rates (USD/JPY)※1	145.12	158.05	158.32	**158.18**	+ 13.06
US dollar-based transaction (B$)※2	1.14	0.66	0.72	**1.38**	+ 0.24

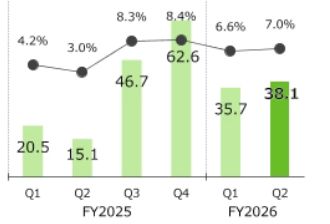
※1 Excludes the revaluation impact of foreign-currency refund liabilities for PW1100G-JM engine in-service issues

※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 excludes the amount of refund liabilities denominated in foreign currencies related to the in-service issues of the PW1100G-JM engine. See page 54 for the breakdown of these figures by segments

Quarterly Revenue (billion yen)



Quarterly Business Profit (billion yen), margin



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Please turn to page five. Beginning on page five, I will explain the results in greater detail.

For H1, orders received totaled JPY1,041.2 billion, revenue was JPY1,084.4 billion, business profit was JPY73.8 billion, and profit before tax was JPY56.7 billion. Profit attributable to owners of the parent was JPY30.9 billion. Both revenue and profits increased YoY. Following the record highs achieved in Q1, H1 revenue and each profit measure also reached their highest levels on record for the corresponding period.

In addition to strong business performance, refunds of US IEEPA tariffs, litigation settlement proceeds, and the depreciation of the yen contributed to higher profits. The sales-weighted average exchange rate was JPY158.18 to the US dollar, representing a depreciation of JPY13.06 YoY. Our foreign currency exposure affecting profit and loss was USD1.38 billion.

1 Consolidated Financial Results for Second Quarter FY2026 –Segment-

- ES&M business profit increased due to a gain on the sale of subsidiary shares and improved profitability in the Ship & Offshore Structure business (1)
- Precision Machinery & Robot revenue and business profit increased, supported by litigation settlement proceeds and continued strong sales of hydraulic equipment for construction machinery and robots for semiconductor manufacturing equipment (2)
- PS&E business profit increased due to IEEPA tariff refunds, as well as fixed cost reductions and yen depreciation (3)

(billion yen)

	Orders Received			Revenue			Business Profit (Loss)		
	FY25 Q2	FY26 Q2	Change	FY25 Q2	FY26 Q2	Change	FY25 Q2	FY26 Q2	Change
Aerospace Systems	285.1	**204.1**	- 81.0	242.5	**282.6**	+ 40.0	10.1	**10.0**	- 0.1
Rolling Stock	27.7	**57.3**	+ 29.5	119.3	**109.9**	- 9.4	4.9	**3.4**	- 1.5
Energy Solution & Marine Engineering	237.5	**227.2**	- 10.2	187.3	**185.2**	- 2.0	19.9	**30.5**	+ 10.6
Precision Machinery & Robot	126.2	**178.9**	+ 52.6	117.0	**146.8**	+ 29.8	4.2	**20.8**	+ 16.6
Powersports & Engine	292.7	**318.4**	+ 25.6	292.7	**318.9**	+ 26.1	4.8	**15.5**	+ 10.7
Others	45.9	**55.0**	+ 9.0	37.1	**40.7**	+ 3.5	1.7	**3.3**	+ 1.6
Elimination and corporate※	-	**-**	-	-	**-**	-	- 10.1	**- 9.9**	+ 0.1
Total	1,015.4	**1,041.2**	+ 25.7	996.2	**1,084.4**	+ 88.1	35.7	**73.8**	+ 38.1

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

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Please turn to page six.

This slide shows orders received, revenue, and business profit by segment. As indicated in item one, energy solution & marine recorded higher profit, supported by gains on the sale of subsidiary shares and improved profitability in the ship & offshore structure business. As shown in item two, precision machinery & robot achieved higher revenue and profit, reflecting litigation settlement proceeds and continued strong performance in hydraulic equipment for construction machinery and robots for semiconductor manufacturing equipment. Furthermore, as indicated in item three, powersports & engine recorded higher profit, supported by US IEEPA tariff refunds, lower fixed costs, and the positive impact of yen depreciation.

1

Consolidated Financial Results for Second Quarter FY2026
–Statement of Profit and Loss-

(billion yen)

	FY25 Q2	%	FY26 Q2	%	Change
Revenue	996.2	100.0	**1,084.4**	100.0	+ 88.1
Cost of Sales	814.9	81.8	**869.2**	80.2	+ 54.3
Gross profit	181.3	18.2	**215.1**	19.8	+ 33.8
Selling, General and Administrative Expenses	154.9	15.6	**167.8**	15.5	+ 12.8
Salaries and Allowances	42.9		**49.2**		+ 6.2
R&D Expenses	27.2		**28.1**		+ 0.8
Others	84.6		**90.4**		+ 5.7
	11.4		**15.6**		+ 4.1
Other Income and Expenses	- 2.1		**10.8**		+ 12.9
Gain on Sale of Property, Plant and Equipment	0.0		**0.1**		+ 0.0
Others	- 2.2		**10.7**		+ 12.9
Business profit (Loss)	35.7	3.6	**73.8**	6.8	+ 38.1

Details

① SG&A expenses increased with revenue growth, while the SG&A ratio declined due to fixed-cost control

② Mainly due to earnings growth at the Chinese shipbuilding joint venture

③ Mainly due to litigation settlement proceeds in the Robot business

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Page seven presents the statement of profit or loss.

As shown in item one, although selling, general and administrative expenses increased in line with revenue growth, the SG&A expense ratio declined due to fixed-cost controls. Item 2 shows that share of profit of investments accounted for using the equity method increased, mainly reflecting improved performance in the ship & offshore structure business. Item 3 primarily reflects litigation settlement proceeds in the Robot business.

1

Consolidated Financial Results for Second Quarter FY2026
–Statement of Profit and Loss-

(billion yen)

	FY25 Q2	%	FY26 Q2	%	Change
Finance Income and Finance Costs	- 0.3		**- 17.0**		- 16.7
Net interest Expense (incl. dividend income)	- 5.4		**- 5.6**		- 0.1
Gain and Loss on Foreign Exchange	7.6		**- 6.8** ④		- 14.4
Others	- 2.4		**- 4.5**		- 2.0
Profit Before Tax	35.3	3.6	**56.7**	5.2	+ 21.4
Income Tax Expense	10.7		**23.6**		+ 12.8
Profit Attributable to Non-Controlling Interests	2.5		**2.2**		- 0.3
Profit Attributable to Owners of Parent	22.0	2.2	**30.9**	2.9	+ 8.8

Details

④ USD/JPY rate
159.93 end of Q4 FY25
157.33 end of Q2 FY26

Weighted average sales rate
158.18 Q2 FY26

Foreign exchange translation losses on foreign currency-denominated receivables

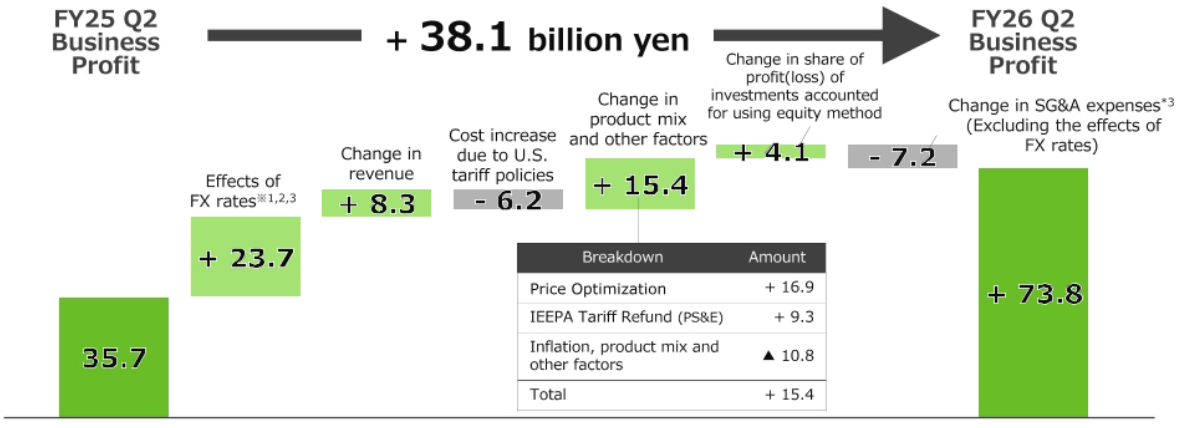
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Please turn to page eight.

As shown in item four, the US dollar-yen exchange rate moved from JPY159.93 at the end of the previous fiscal year to JPY157.33 at the end of Q2, representing an appreciation of the yen. This resulted in translation losses on foreign currency-denominated receivables, and we recorded foreign exchange losses of JPY6.8 billion. Consequently, profit attributable to owners of the parent increased by JPY8.8 billion YoY to JPY30.9 billion.

1 Consolidated Financial Results for Second Quarter FY2026
–Factors Affecting Changes in Business Profit-

- Within revenue changes, higher sales volumes in Aerospace Systems and Precision Machinery & Robot contributed to profit growth
- Within product mix and other factors, Aerospace Systems temporarily deteriorated, while Precision Machinery & Robot and ES&M improved due to one-time gains and improved profitability



Breakdown	Amount
Price Optimization	+ 16.9
IEEPA Tariff Refund (PS&E)	+ 9.3
Inflation, product mix and other factors	▲ 10.8
Total	+ 15.4

※1 Shows the direct impact on business profit of fluctuations in multiple currencies, including the U.S. dollar and the euro. Indirect impacts, such as the effect of price changes, are included in "Change in product mix and other factors" and "Change 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 [-0.1 billion yen]

※3 "Change in SG&A expenses" shows the change as presented in the statement of profit or loss, excluding the effects of exchange rate fluctuations. These excluded effects are included in "Effects of FX." The same applies to the segment charts of factors behind changes in business profit on p. 22 onward.

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Page nine explains the factors behind the change in business profit.

The depreciation of the yen compared with the same period last year contributed JPY23.7 billion to profit. Regarding changes in sales volume, increased volumes in aerospace systems and precision machinery & robot contributed positively. Cost increases associated with US tariff policies amounted to JPY6.2 billion.

Meanwhile, changes in sales mix and other factors resulted in a JPY15.4 billion improvement. Although aerospace systems experienced a temporary deterioration, the positive effects of price optimization, totaling JPY16.9 billion, and JPY9.3 billion in IEEPA tariff refunds in powersports & engine more than offset the JPY10.8 billion negative impact from inflation, product mix, and other factors.

The recognition of one-time gains and improved profitability in precision machinery & robot and energy solution & marine also contributed. Together with improved equity-method investment results, these factors led to a JPY38.1 billion YoY increase in business profit.

1 Consolidated Financial Results for Second Quarter FY2026
–Factors Affecting Changes in Business Profit-

(billion yen)

	FY25 Q2 Business Profit (Loss)	Details of change						Total	FY26 Q2 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	10.1	*2 8.3	3.7	- 0.1	- 8.2		- 3.8	- 0.1	10.0
Rolling Stock	4.9	2.3	- 1.6		- 1.0	- 0.0	- 1.2	- 1.5	3.4
Energy Solution & Marine Engineering	19.9	0.8	- 0.7		*4 6.2	4.2	0.1	10.6	30.5
Precision Machinery &Robot	4.2	2.8	5.8	- 0.7	*5 12.6	- 0.4	- 3.5	16.6	20.8
Powersports & Engine	4.8	9.5	0.2	- 5.4	*6 4.3	0.3	1.8	10.7	15.5
Others	1.7	0.0	0.9		1.4	0.0	- 0.7	1.6	3.3
Elimination and corporate	- 10.1				0.1	- 0.0	0.0	0.1	- 9.9
Total	35.7	23.7	8.3	- 6.2	15.4	4.1	- 7.2	38.1	73.8

*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 preferable to look at the combined total of 'Change in revenue' and 'Change in product mix and other factors'

*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 (-0.1 billion yen).

*3 Excluding the effects of FX rates

*4 Includes a ¥3.1 billion gain on the sale of subsidiary shares in the Plant business (recorded in the current period)

*5 Includes litigation settlement proceeds in the Robot business (recorded in the current period)

*6 Includes ¥9.3 billion in U.S. IEEPA tariff refunds (recorded in the current period)

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A detailed segment breakdown is provided on page 10 for your reference.

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Consolidated Financial Results for Second Quarter FY2026
–Statement of Financial Position-

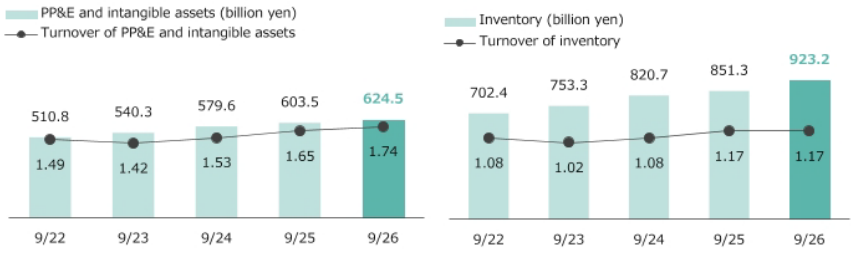
(billion yen)

	End of Mar 2026	%	End of Sep 2026	%	Change	
Cash and Cash Equivalents	115.4		**87.6**		-	27.7
Trade Receivables (Incl. contract assets)	1,036.3		**942.6**		-	93.7
Inventories	822.1		**923.2**		+	101.0
Other Current Assets	282.0		**315.9**		+	33.8
Current assets	2,256.0	67.9	**2,269.4**	67.8	+	13.4
PP&E and Intangible assets	625.4		**624.5**		-	0.8
Right-of-Use Assets	67.9		**62.5**		-	5.3
Deferred Tax Assets	119.4		**116.7**		-	2.6
Other Non-Current Assets	255.7		**274.0**		+	18.2
Non-Current Assets	1,068.5	32.1	**1,077.9**	32.2	+	9.3
Total Assets	3,324.6	100.0	**3,347.4**	100.0	+	22.8

Details

① Decreased in PS&E and Plant

② Increased in Aerospace, PS&E, and Energy



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Please turn to page 11. This slide presents the statement of financial position.

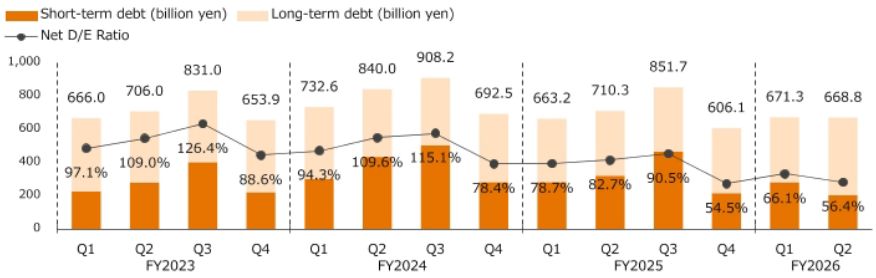
As indicated in item one, certain assets decreased in powersports & engine and the plant business, among others. Meanwhile, as shown in item two, inventories increased in the aerospace business, powersports & engine, and the energy business. Inventories at the end of Q2 totaled JPY923.2 billion, while inventory turnover was 1.17 times, broadly unchanged YoY.

1

Consolidated Financial Results for Second Quarter FY2026
–Statement of Financial Position-

(billion yen)

	End of Mar 2026	%	End of Sep 2026	%	Change	
Trade Payables	549.2		**533.8**		-	15.4
Interest-Bearing Debt	606.1		**668.8**		+	62.7
Contract Liability (Advances Received)	386.8		**376.0**		-	10.8
Refund Liability	83.3		**69.1**		-	14.2
Retirement Benefit Liability	50.6		**51.5**		+	0.9
Other Liabilities	699.8		**574.3**		-	125.5
Total Liabilities	2,376.1	71.5	**2,273.7**	67.9	-	102.3
Equity Attributable to Owners of Parent	878.1		**1,004.8**		+	126.7
Non-Controlling Interests	70.3		**68.8**		-	1.5
Total Equity	948.4	28.5	**1,073.6**	32.1	+	125.1
Total Liabilities and Equity	3,324.6	100.0	**3,347.4**	100.0	+	22.8



Details

③ Increase mainly due to the issuance of new shares and convertible bonds (CBs) in July 2026

④ Mainly due to lower liabilities related to receivables factoring in PS&E and Aerospace

Supplementary Data

Cash Conversion Cycle

(days)

End of FY22 Q2	154
End of FY23 Q2	154
End of FY24 Q2	164
End of FY25 Q2	155
End of FY26 Q2	173

Deteriorated due to longer trade receivables turnover days, mainly in Aerospace Systems.

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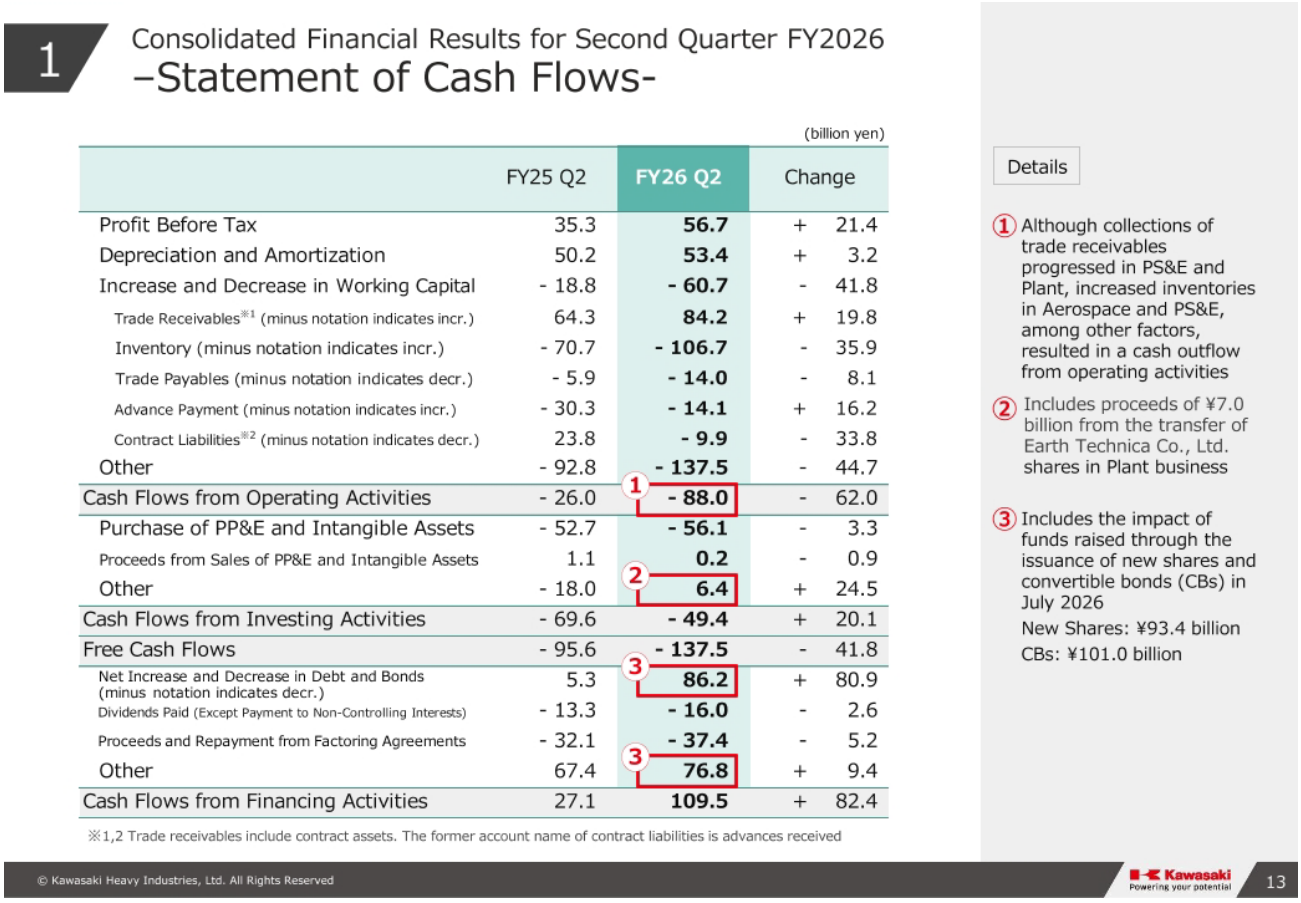
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Please turn to page 12.

As indicated in item three, the issuance of new shares and convertible bonds in July 2026 resulted in increases in both interest-bearing debt and equity attributable to owners of the parent. As shown in item four, liabilities associated with the securitization of receivables decreased in powersports & engine and the aerospace business, among others.

Total interest-bearing debt at the end of Q2 was JPY668.8 billion, and the net debt-to-equity ratio was 0.56 times. The cash conversion cycle was 173 days, partly due to a longer accounts receivable collection period in aerospace systems.



Page 13 presents the statement of cash flows.

As shown in item one, operating cash flow was negative JPY88 billion. Although collections of trade receivables progressed in powersports & engine and the plant business, this was more than offset by increases in inventories in the aerospace business and powersports & engine.

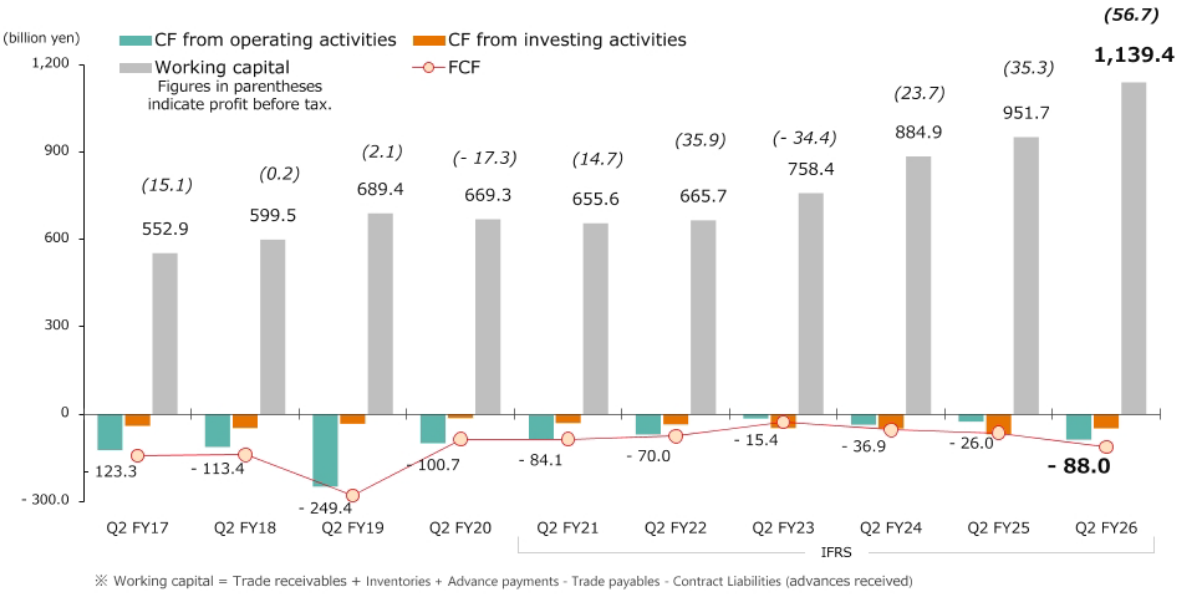
As indicated in item two, investing cash flow was negative JPY49.4 billion. This included JPY7 billion in proceeds from the transfer of shares in EarthTechnica in the plant business.

Consequently, free cash flow was negative JPY137.5 billion. As shown in item three, financing cash flow included funds raised through the issuance of JPY93.4 billion in new shares and JPY101 billion in convertible bonds in July.

1 Consolidated Financial Results for Second Quarter FY2026
–Statement of Cash Flows-

Working capital increased significantly, partly due to FX impacts on receivables and inventories

FCF was negative for Q2, but is expected to turn positive for the full year (see p.16)



※ Working capital = Trade receivables + Inventories + Advance payments - Trade payables - Contract Liabilities (advances received)

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Please turn to page 14. This slide shows the trend in H1 cash flows over the past 10 years.

Working capital increased significantly to JPY1,139.4 billion, partly reflecting increases in foreign currency-denominated trade receivables and inventories resulting from yen depreciation. Although free cash flow was negative in H1, we expect it to turn positive for the full year.

2 Earnings Forecasts for FY2026 -Summary-

- **Business profit forecast revised upward by ¥5.0 billion from the August forecast**
- **Free cash flow forecast disclosed for the first time, with positive full-year free cash flow expected**

(billion yen)

	FY2025 Actual	FY2026 Forecast and Progress					
		Old FCST	New FCST	Chg. vs. FY25	Chg. vs. Old FCST	Q2 Actual	Q3-4 FCST
Orders Received	2,739.1	2,420.0	**2,490.0**	- 249.1	+ 70.0	**1,041.2**	**1,448.8**
Revenue	2,311.2	2,560.0	**2,560.0**	+ 248.8	-	**1,084.4**	**1,475.6**
Business Profit	145.1	180.0	**185.0**	+ 39.9	+ 5.0	**73.8**	**111.2**
[Margin]	*[6.3%]*	*[7.0%]*	*[7.2%]*	*[+ 0.9pt]*	*[+ 0.1pt]*	*[6.8%]*	*[7.5%]*
Profit Before Tax	145.5	157.0	**161.0**	+ 15.5	+ 4.0	**56.7**	**104.3**
[Margin]	*[6.3%]*	*[6.1%]*	*[6.3%]*	*[-]*	*[+ 0.1pt]*	*[5.2%]*	*[7.1%]*
Profit Attributable to Owners of Parent	108.1	115.0	**118.0**	+ 9.9	+ 3.0	**30.9**	**87.1**
[Margin]	*[4.7%]*	*[4.5%]*	*[4.6%]*	*[-]*	*[+ 0.1pt]*	*[2.9%]*	*[5.9%]*
After-tax ROIC	9.0%	8.6%	**8.9%**	- 0.1pt	+ 0.3pt	**-**	**-**
Free Cash Flows	12.0	-	**20.0**	+ 8.0	-	**-137.5**	**157.5**
Weighted-average exchange rates (USD/JPY)	149.08	150.00	**-**	-	-	**158.18**	**150.00**
US dollar-based transaction (B$)*	2.20	2.79	**2.96**	+ 0.76	+ 0.17	**1.38**	**1.58**

* 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. (to include foreign currency denominated revenue from loss-provisioned projects). See page 54 for the breakdown of these figures by segment.

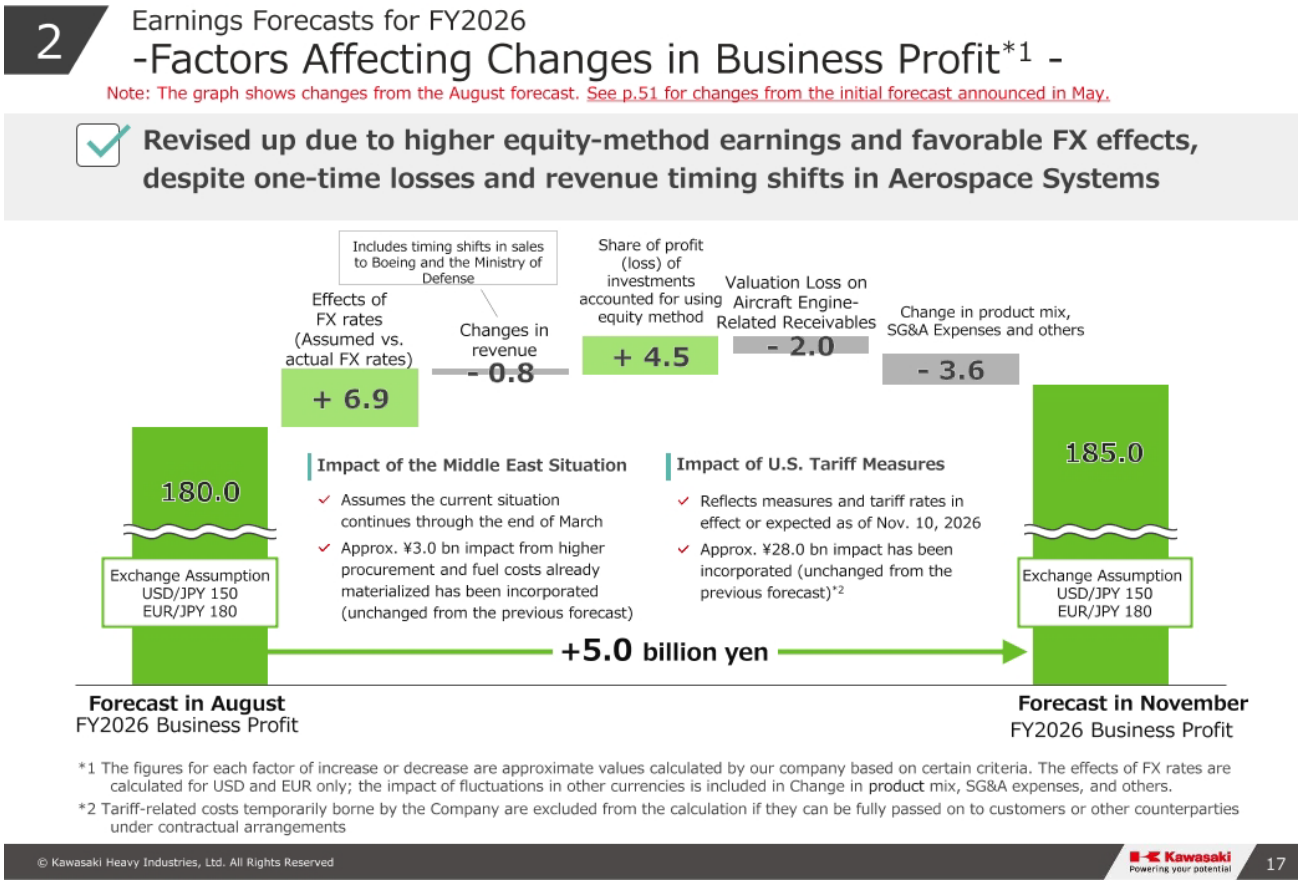
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Page 16 presents our FY2026 earnings forecast.

As mentioned at the beginning, we have raised our full-year business profit forecast by JPY5 billion from the August forecast to JPY185 billion. We forecast profit before tax of JPY161 billion, an increase of JPY4 billion from the previous forecast, and profit attributable to owners of the parent of JPY118 billion, an upward revision of JPY3 billion.

We have also raised our orders received forecast by JPY70 billion to JPY2,490 billion, while maintaining our revenue forecast at JPY2,560 billion. In addition, we have begun disclosing our free cash flow forecast with this announcement. We expect positive free cash flow of JPY20 billion for the full year.

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Page 17 shows the factors behind the change in our business profit forecast from the August announcement.

Although we expect certain one-time losses, including a JPY2 billion valuation loss on receivables in the aircraft engine business within aerospace systems, as well as the deferral of revenue recognition for Boeing and Japan Ministry of Defense-related projects, we have incorporated a JPY6.9 billion positive foreign exchange impact and a JPY4.5 billion increase in equity-method investment profit, among other factors. As a result, we have raised our business profit forecast by JPY5 billion to JPY185 billion. Please refer to the supplementary materials for the changes from our initial forecast announced in May.

2 Earnings Forecasts for FY2026 -Segment-

- **Aerospace Systems: Forecast lowered due to timing shifts in sales to Boeing and other factors** (1)
- **ES&M: Forecast raised to reflect strong performance mainly in the Ship & Offshore Structure business** (2)

(billion yen)

	Orders Received				Revenue				Business Profit			
	FY2025	FY2026 Forecast			FY2025	FY2026 Forecast			FY2025	FY2026 Forecast		
	Actual	Old FCST	New FCST	Change	Actual	Old FCST	New FCST	Change	Actual	Old FCST	New FCST	Change
Aerospace Systems	810.9	630.0	**640.0**	+ 10.0	613.6	720.0	**710.0**	- 10.0	62.4	72.0	**68.0** (1)	- 4.0
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	500.0	**560.0**	+ 60.0	433.5	470.0	**470.0**	-	55.0	69.0	**75.0** (2)	+ 6.0
Precision Machinery & Robot	278.5	330.0	**330.0**	-	259.1	310.0	**320.0**	+ 10.0	14.3	31.0	**33.0**	+ 2.0
Powersports & Engine	681.7	730.0	**730.0**	-	682.8	730.0	**730.0**	-	22.7	30.0	**30.0**	-
Others	95.9	100.0	**100.0**	-	85.8	100.0	**100.0**	-	7.0	4.0	**6.0**	+ 2.0
Elimination and corporate※	-	-	**-**	-	-	-	**-**	-	- 25.3	- 36.0	**- 37.0**	- 1.0
Total	2,739.1	2,420.0	**2,490.0**	+ 70.0	2,311.2	2,560.0	**2,560.0**	-	145.1	180.0	**185.0**	+ 5.0

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

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Please turn to page 18. This slide presents the segment breakdown of our earnings forecast.

As indicated in item one, we have revised our aerospace systems forecast downward, mainly due to the deferral of revenue recognition for Boeing-related projects. As shown in item two, we have raised our energy solution & marine forecast to reflect strong performance in the ship & offshore structure business. I will explain the details on the individual segment pages.

3 Details by Segment -Aerospace Systems-

Q2 of FY2026 (vs. Q2 of FY2025)

Orders Received -¥81.0 bil.
lower orders from the MOD* and for commercial aircraft engines, despite higher orders from Boeing

Revenue +¥40.0 bil.
Revenue increased due to increased shipments for the Ministry of Defense and Boeing

Business Profit -¥0.1 bil.
Flat YoY despite higher revenue, due to increased fixed cost such as R&D expenses, production ramp-up costs, and valuation losses on trade receivables (reduction in revenue)

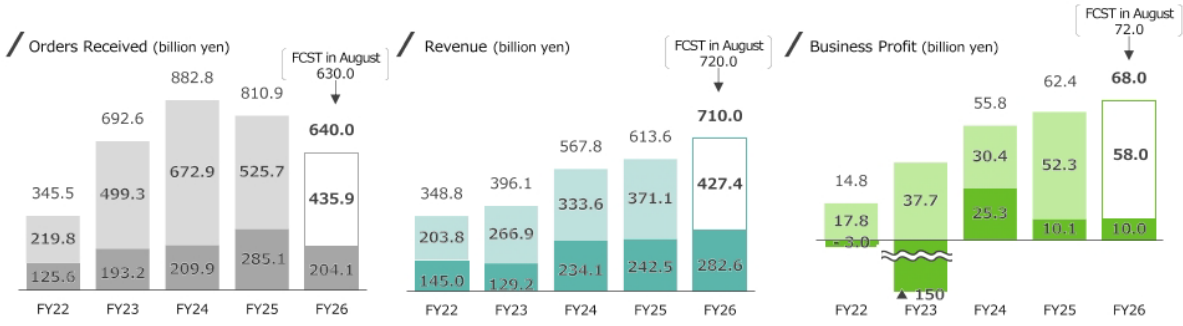
FY2026 Forecast (vs. forecast in August)

Orders Received +¥10.0 bil.
Revised up due to higher orders from the MOD, despite lower orders from Boeing

Revenue -¥10.0 bil.
Revised down due to timing shifts in sales to Boeing and the MOD

Business Profit -¥4.0 bil.
Revised down due to lower revenue and valuation losses on trade receivables (recorded as a reduction in revenue)

* The Ministry of Defense



Note: Darker areas in the graphs represent the Q1-Q2 and lighter areas represent the Q3-Q4 cumulative total

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Please turn to page 21. We will begin with aerospace systems.

For H1, orders received decreased by JPY81 billion. Although orders from Boeing increased, this was more than offset by decreases in orders from the Ministry of Defense and commercial aircraft engine programs. Revenue increased by JPY40 billion, reflecting higher sales to the Ministry of Defense and Boeing.

Despite the increase in revenue, business profit remained broadly unchanged YoY. This reflected higher fixed costs, including R&D expenses, increased costs associated with production expansion, the recognition of valuation losses on trade receivables, and reductions in revenue.

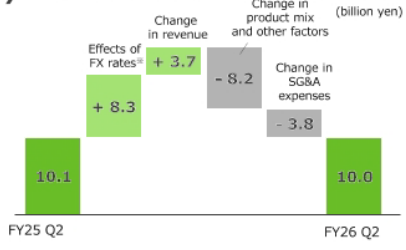
Regarding the FY2026 outlook, we have raised our orders received forecast by JPY10 billion from the previous forecast to JPY640 billion. Although orders from Boeing are expected to decline, this will be offset by an increase in orders from the Ministry of Defense. Meanwhile, we have lowered our revenue forecast by JPY10 billion to JPY710 billion, reflecting the deferral of revenue recognition for Boeing and Ministry of Defense-related projects. We have also lowered our business profit forecast by JPY4 billion to JPY68 billion, reflecting lower revenue and valuation losses on trade receivables.

3 Details by Segment -Aerospace Systems-

(billion yen)

	FY2025	FY2026		FY2025	FY2026 Forecast				
	Q2 Actual	Q2 Actual	Change	Actual	Old FCST	New FCST	Chg. Vs. FY25	Chg. Vs. Old FCST	Q3-4 FCST
Orders Received	285.1	**204.1**	- 81.0	810.9	630.0	**640.0**	- 170.9	+ 10.0	**435.9**
Aerospace	*195.7*	***131.8***	*- 63.8*	*570.8*	*460.0*	***470.0***	*- 100.8*	*+ 10.0*	***338.2***
Aero Engine	*89.4*	***72.3***	*- 17.1*	*240.1*	*170.0*	***170.0***	*- 70.1*	*-*	***97.7***
Revenue	242.5	**282.6**	+ 40.0	613.6	720.0	**710.0**	+ 96.4	- 10.0	**427.4**
Aerospace	*165.9*	***198.3***	*+ 32.3*	*445.6*	*525.0*	***510.0***	*+ 64.4*	*- 15.0*	***311.7***
Aero Engine	*76.5*	***84.2***	*+ 7.6*	*168.0*	*195.0*	***200.0***	*+ 32.0*	*+ 5.0*	***115.8***
Business Profit	10.1	**10.0**	- 0.1	62.4	72.0	**68.0**	+ 5.6	- 4.0	**58.0**
[Margin]	*[4.2%]*	*[3.6%]*	*[- 0.6pt]*	*[10.2%]*	*[10.0%]*	*[9.6%]*	*[- 0.5pt]*	*[- 0.4pt]*	*[13.6%]*

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(-0.1 billion yen)

Supplementary Data

Number of aircraft component parts sold to Boeing (units)

	FY25		FY26	Change YoY
	Q2	Full year	Q2	
767	15	31	10	- 5
777	12	21	14	+ 2
777X	3	7	10	+ 7
787	25	64	42	+ 17

Number of aircraft engine component parts sold (units)

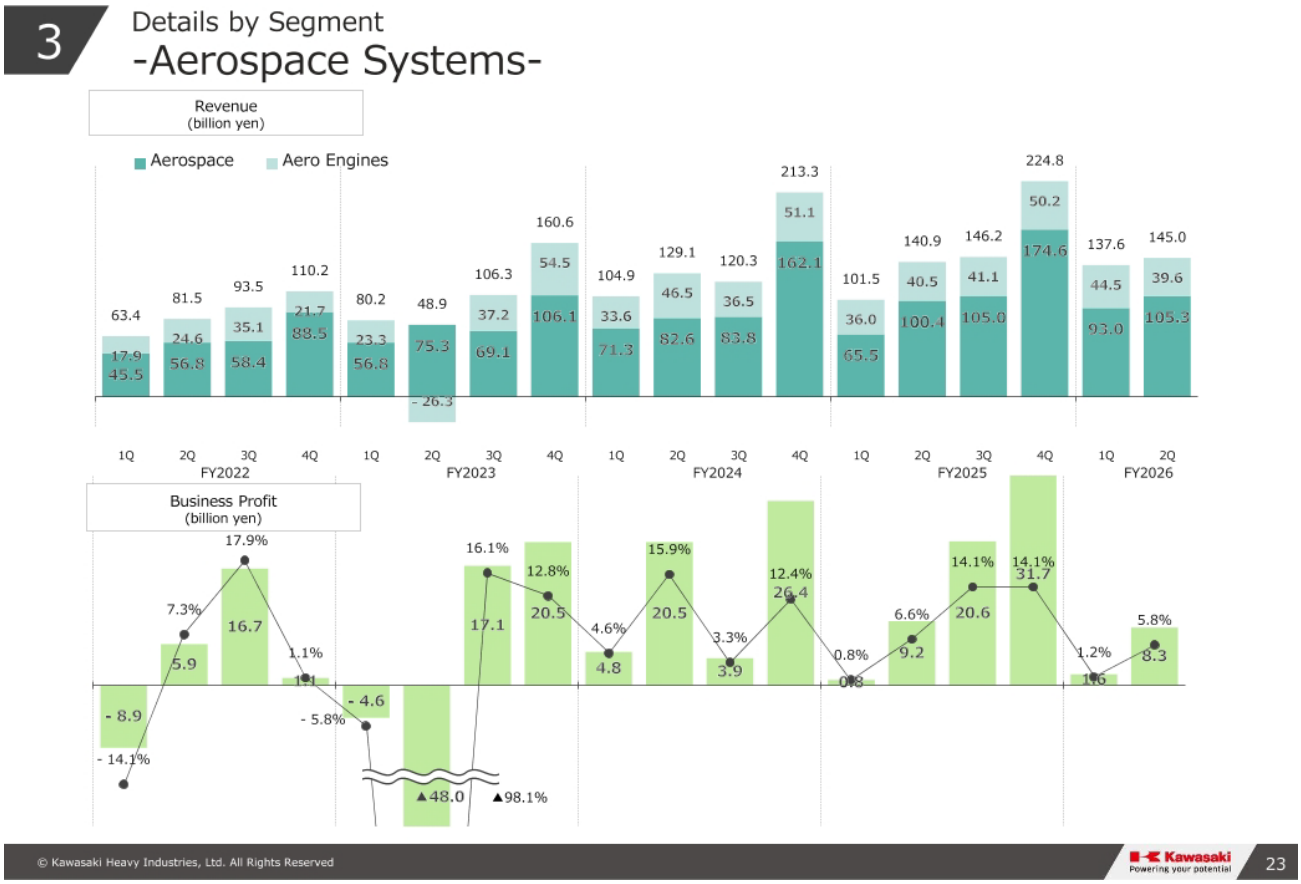
	FY25		FY26	Change YoY
	Q2	Full year	Q2	
V2500	6	21	15	+ 9
PW1100G	321	666	347	+ 26

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

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Page 22 presents the factors behind changes in business profit, as well as the number of aircraft structures supplied to Boeing and major aircraft engine components sold.

In H1, the number of units for the Boeing 787 program was 42, an increase of 17 YoY. The number of PW1100G units was 347, an increase of 26. Please refer to the slide for further details.



Page 23 shows quarterly trends in revenue and business profit for your reference.

3 Details by Segment -Aerospace Systems-

Market Overview

- Commercial business
  - Air passenger demand shifted from recovery to growth phase, and demand for both aircraft and engines increased
- MOD business
  - Further growth in demand and improvement in profitability are expected amid efforts to fundamentally strengthen Japan's defense capabilities, including the accelerated achievement of defense spending equivalent to 2% of GDP and consideration of an earlier revision of the Three Strategic Documents
- Commercial & Defense Common Areas
  - The selection of 'Aerospace' and 'Defense Industry' as part of the 17 strategic priority fields*1 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 A loss of ¥58.0 billion was recorded in business profit in the July–September quarter of FY2023
*3 Excluding the impact of revaluation due to exchange rate fluctuations

Specific Efforts

Building a Business Expansion Framework
- Rebuilding the supply chain and production ramp-up system to meet strong demand
- Improving operational efficiency and productivity to capture new business opportunities
- Promoting the development of defense products and steady implementation of mass production contracts

Business development in line with the MOD's "Defense Capability Transformation"
- Strengthening capabilities across three pillars and nine areas

1 **Responding to new forms of warfare**
Stand-off electronic warfare aircraft and anti-ship missiles, multi-purpose collaborative / expendable UAVs, edge AI-based autonomous collaboration, KJ small jet engine series


New Anti-Ship Guided Missile for Island Defense
(Source: Acquisition, Technology & Logistics Agency website)

2 **Strengthening capabilities for sustained operations**
Contribution to Pacific and sea lane defense through P-1 and C-2

3 **Strengthening the defense industrial base**
Production capacity enhancement and supply chains, integrated education and training system with AI instructors


Delivery of stand-off electronic warfare aircraft prototypes (June 2026)


KJ300
Turbo Fan 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

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Page 24 presents the business environment, order trends, key initiatives, and specific measures.

Regarding Ministry of Defense-related business, we anticipate further demand growth and improved profitability.

This outlook reflects developments such as discussions on accelerating the achievement of defense spending equivalent to 2% of GDP and bringing forward revisions to Japan's three key national security documents. Furthermore, the Japanese government's Japan Growth Strategy Council has selected aerospace and defense among 17 strategic fields targeted for priority investment through public-private collaboration. We expect these initiatives to support market expansion through cooperation between the public and private sectors.

There is currently no change to our estimate of losses associated with the operational issues affecting the PW1100G-JM engine.

3 Details by Segment - Rolling Stock -

Q2 of FY2026 (vs. Q2 of FY2025)

Orders Received +¥29.5 bil. — Up due to orders received for new rolling stock for the domestic market

Revenue -¥9.4 bil. — Down despite higher revenue in the U.S., due to lower domestic revenue

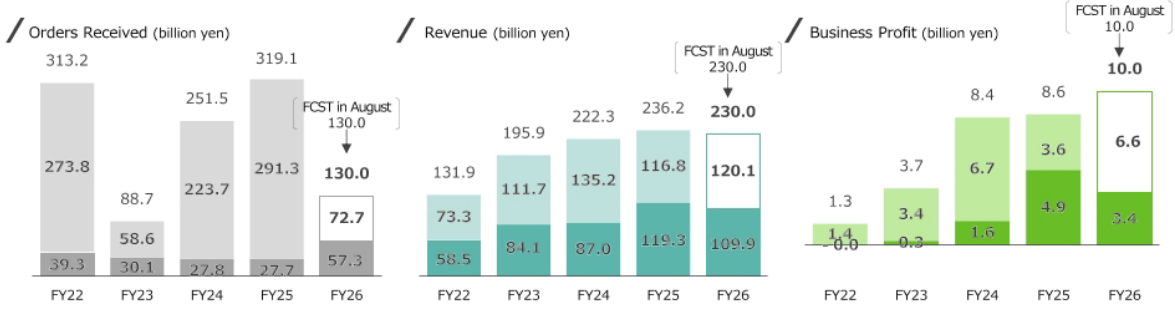
Business Profit -¥1.5 bil. — Down mainly due to lower revenue

FY2026 Forecast (vs. forecast in August)

Orders Received ±¥0.0 bil. — Forecast unchanged

Revenue ±¥0.0 bil. — Same as above

Business Profit ±¥0.0 bil. — Same as above



Note: Darker areas in the graphs represent the Q1-Q2 and lighter areas represent the Q3-Q4 cumulative total

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Page 25 covers Rolling Stock.

For H1, orders received increased by JPY29.5 billion, supported by orders for new rolling stock for the domestic market. Revenue decreased by JPY9.4 billion, as lower domestic sales more than offset increased sales to the United States. Business profit decreased by JPY1.5 billion, mainly due to lower revenue.

Regarding the FY2026 outlook, there have been no significant changes, and we have maintained our forecasts for orders received, revenue, and business profit.

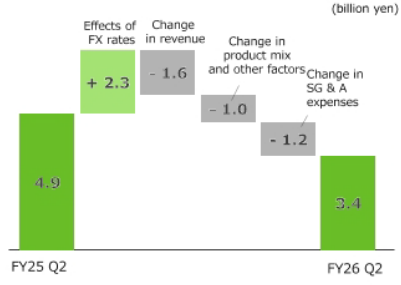
3 Details by Segment - Rolling Stock -

(billion yen)

	FY2025 Q2 Actual	FY2026 Q2 Actual	Change	FY2025 Actual	FY2026 Forecast Old FCST	New FCST	Chg. Vs. FY25	Chg. Vs. Old FCST	Q3-4 FCST
Orders Received	27.7	**57.3**	+ 29.5	319.1	130.0	**130.0**	- 189.1	-	**72.7**
Domestic & Asia	*26.5*	***52.1***	*+ 25.5*	*91.3*	*126.0*	***126.0***	*+ 34.7*	-	***73.9***
North America	*1.2*	***5.2***	*+ 4.0*	*227.8*	*4.0*	***4.0***	*- 223.8*	-	***- 1.2***
Revenue	119.3	**109.9**	- 9.4	236.2	230.0	**230.0**	- 6.2	-	**120.1**
Domestic & Asia	*39.8*	***25.4***	*- 14.3*	*81.9*	*73.5*	***73.5***	*- 8.4*	-	***48.1***
North America	*79.5*	***84.4***	*+ 4.9*	*154.2*	*156.5*	***156.5***	*+ 2.3*	-	***72.1***
Business Profit	4.9	**3.4**	- 1.5	8.6	10.0	**10.0**	+ 1.4	-	**6.6**
[Margin]	*[4.2%]*	*[3.1%]*	*[- 1.0pt]*	*[3.7%]*	*[4.3%]*	*[4.3%]*	*[+ 0.6pt]*	*[-]*	*[5.5%]*

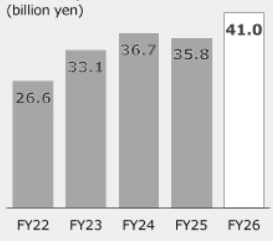
Factors Affecting Changes in Business Profit

(billion yen)



Supplementary Data

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 Sep. 2026)

- Base contract
  : Full delivery of 535 cars
- Option1 contract
  : **Delivered 510 cars** out of 640
- Option2 contract
  : Received an order of 435 cars in Jan 2025

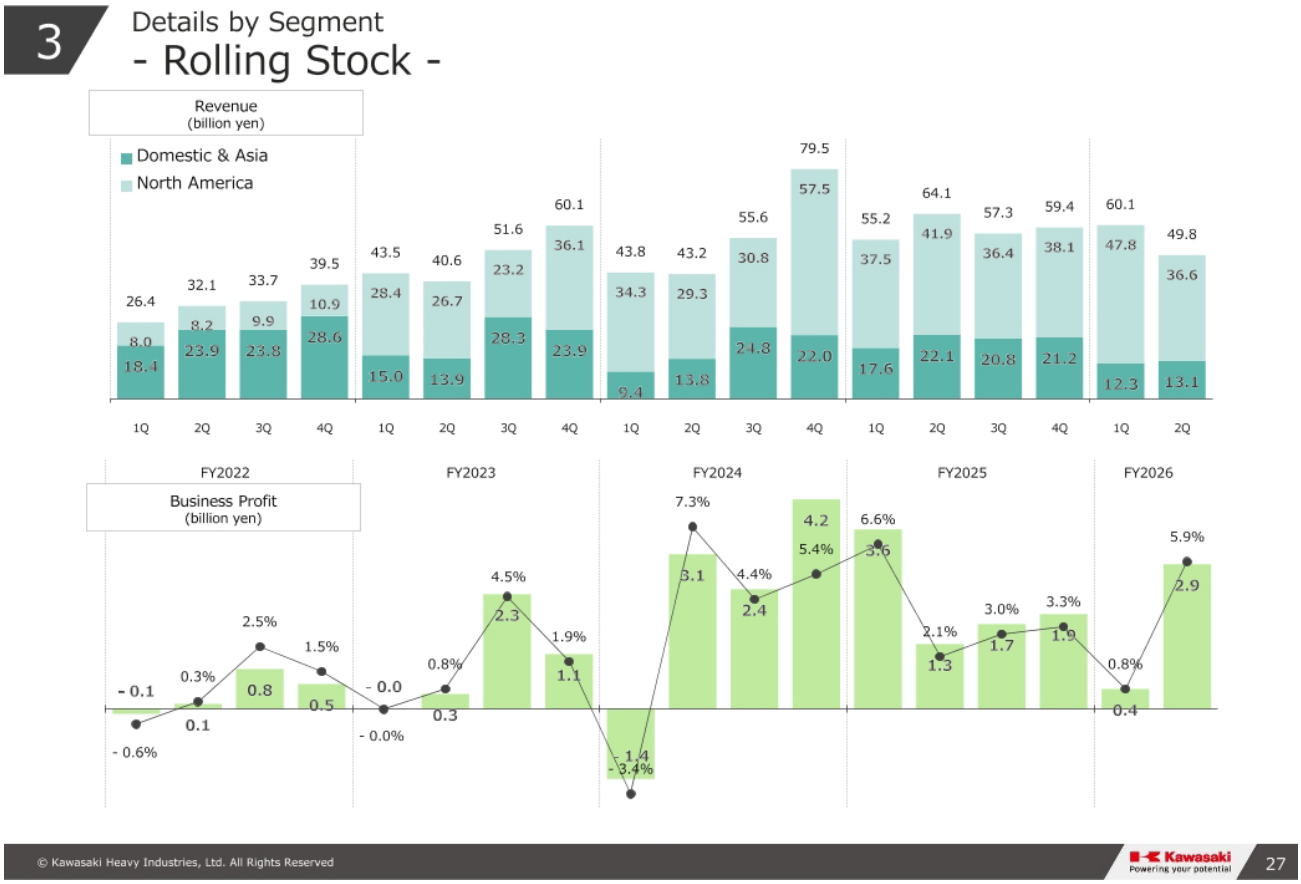
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Page 26 presents the factors behind changes in business profit, along with sales of higher-margin parts, modifications, and aftermarket-related services, which are among our key business priorities. The slide also provides an update on the R211 project for the New York City Subway.

As of the end of September, we had completed delivery of all 535 railcars under the base contract. We had also delivered 510 of the 640 railcars under the option one contract. Please refer to the slide for details.

SCRIPTS Asia's Meetings, Globally



Page 27 shows quarterly trends in revenue and business profit.

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 Outlook
  - Stable global growth is expected, including transportation infrastructure 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 received in December 2025 (U.S. time), with a total contract value of approx. ¥225 billion	The final vehicle delivery FY2030

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



THG100 diesel-electric railcar (GreenDEC®) for Tenryu Hamanako Railroad Co., Ltd.

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 diesel-electric railcar GreenDEC® for regional railways, enabling lifecycle support from introduction through condition monitoring, operational support, and parts supply

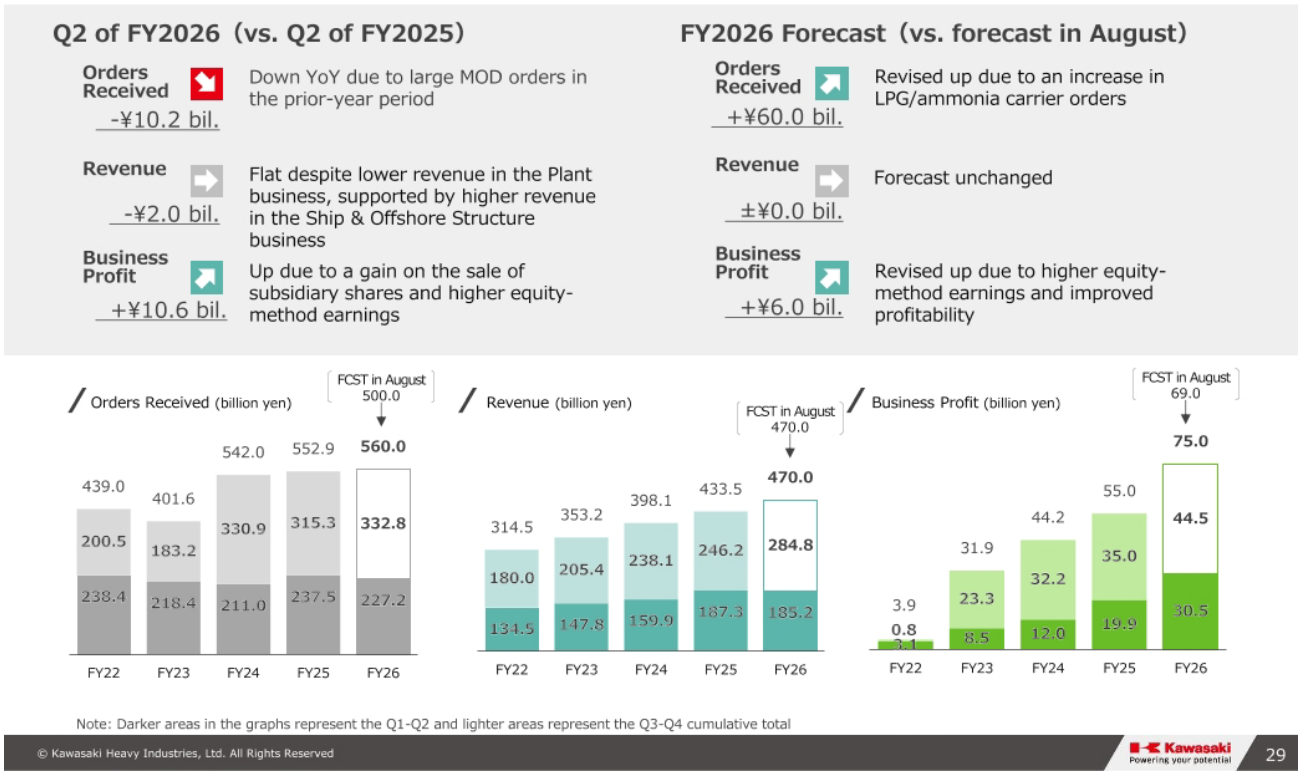
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Page 28 outlines the business environment, order trends, key initiatives, and ongoing measures.

Regarding overseas projects, we received an order in December 2025 for 378 R268 subway cars for the New York City Transit Authority. The contract value is approximately JPY225 billion, and delivery of the final railcars is scheduled for FY2030. For Dhaka Metro Line 6, we have completed delivery of all 144 railcars across 24 trainsets to the customer. Delivery of the depot facilities is scheduled for FY2026.

To expand sales of parts and services and grow our maintenance business, we are promoting our new electric diesel multiple unit, Green DEC, to regional railway operators. Through this initiative, we aim to provide integrated support throughout the railway lifecycle, from initial introduction to condition monitoring, operational support, and parts supply.

3 Details by Segment
- Energy Solution & Marine Engineering -



Page 29 covers energy solution & marine.

Orders received decreased by JPY10.2 billion, mainly due to lower orders from the Ministry of Defense. Revenue remained broadly unchanged YoY, as higher sales in the ship & offshore structure business offset lower sales in the plant business. Business profit increased by JPY10.6 billion, supported by gains on the sale of subsidiary shares and higher equity-method investment profit.

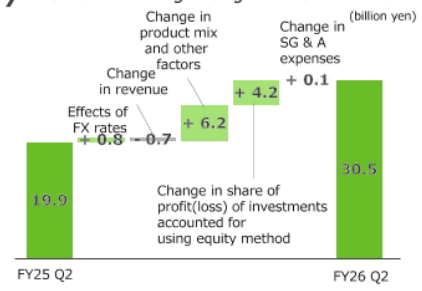
Regarding our FY2026 outlook, we have raised our orders received forecast by JPY60 billion from the previous forecast to JPY560 billion, mainly reflecting increased orders for LPG/ammonia carriers. We have maintained our revenue forecast at JPY470 billion, as there have been no significant changes. We have raised our business profit forecast by JPY6 billion to JPY75 billion, reflecting higher equity-method investment profit and improved profitability.

3 Details by Segment
- Energy Solution & Marine Engineering -

(billion yen)

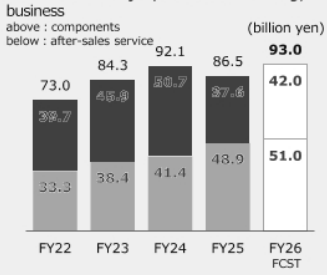
	FY2025 Q2 Actual	FY2026 Q2 Actual	Change	FY2025 Actual	FY2026 Forecast Old FCST	New FCST	Chg. Vs. FY25	Chg. Vs. Old FCST	Q3-4 FCST
Orders Received	237.5	**227.2**	- 10.2	552.9	500.0	**560.0**	+ 7.1	+ 60.0	**332.8**
Energy, Plant & Marine Machinery	*181.3*	***218.4***	*+ 37.1*	*456.2*	*380.0*	***400.0***	*- 56.2*	*+ 20.0*	***181.6***
Ship & Offshore Structure	*56.2*	***8.8***	*- 47.4*	*96.6*	*120.0*	***160.0***	*+ 63.4*	*+ 40.0*	***151.2***
Revenue	187.3	**185.2**	- 2.0	433.5	470.0	**470.0**	+ 36.5	-	**284.8**
Energy, Plant & Marine Machinery	*135.2*	***129.9***	*- 5.3*	*323.9*	*345.0*	***345.0***	*+ 21.1*	*-*	***215.1***
Ship & Offshore Structure	*52.0*	***55.2***	*+ 3.2*	*109.6*	*125.0*	***125.0***	*+ 15.4*	*-*	***69.8***
Business Profit	19.9	**30.5**	+ 10.6	55.0	69.0	**75.0**	+ 20.0	+ 6.0	**44.5**
[Margin]	*[10.6%]*	*[16.5%]*	*[+ 5.8pt]*	*[12.7%]*	*[14.7%]*	*[16.0%]*	*[+ 3.3pt]*	*[+ 1.3pt]*	*[15.6%]*
Share of profit (loss) of investments accounted for using equity method	*11.5*	***15.8***	*+ 4.2*	*23.7*	*27.5*	***32.0***	*+ 8.3*	*+ 4.5*	***16.2***

Factors Affecting Changes in Business Profit

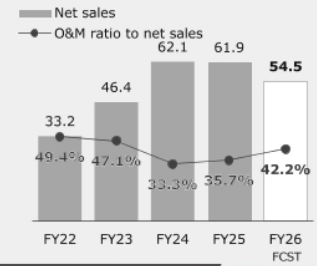


Supplementary Data

Revenue from major products in the energy business

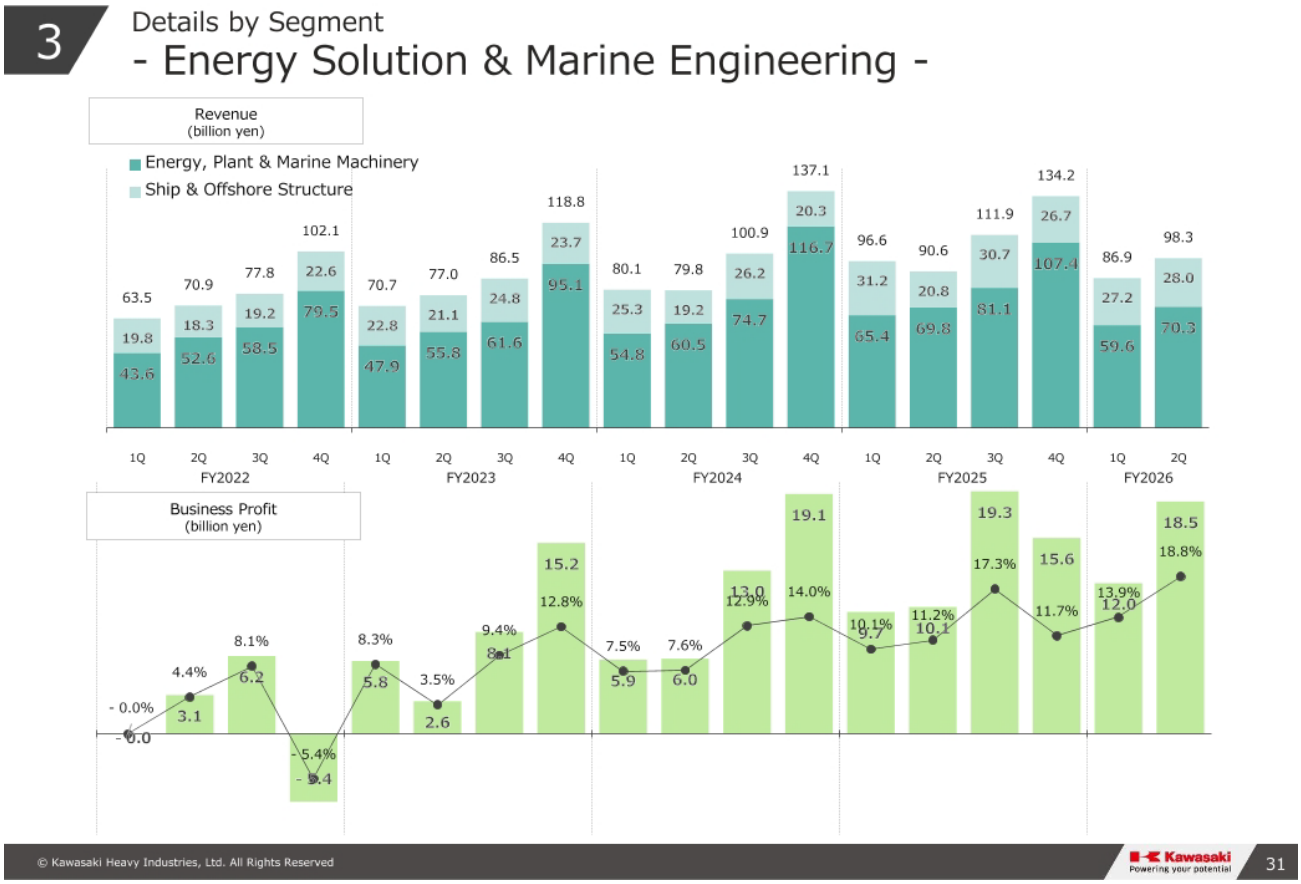


Revenue from municipal waste incineration plants

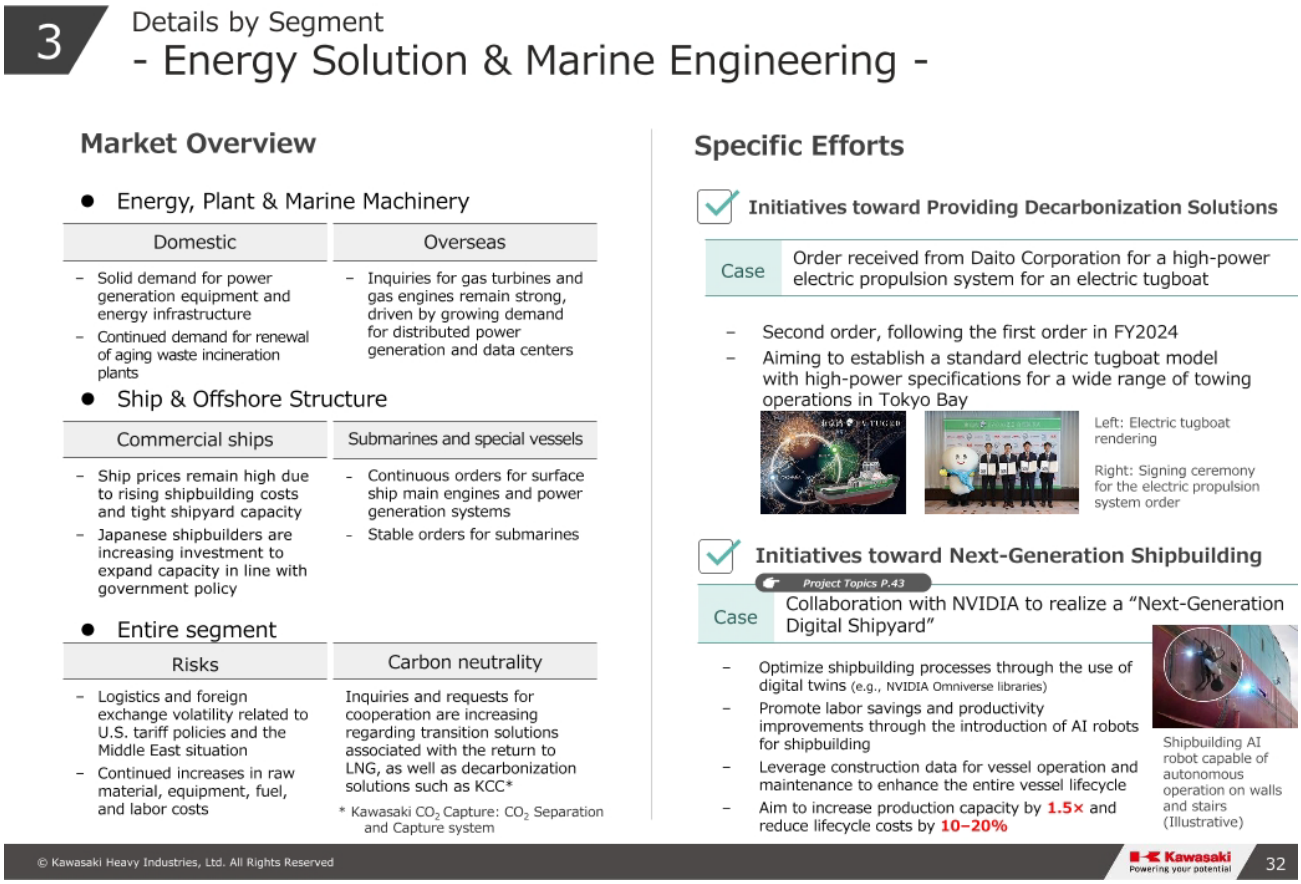


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Page 30 presents the factors behind changes in business profit, as well as sales of major products in the energy business and environmental-related sales in the plant business. Please refer to the slide.



Page 31 shows quarterly trends in revenue and business profit for your reference.



Page 32 outlines the business environment and our key initiatives. Overseas inquiries for gas turbines and gas engines used as distributed power sources for data centers remain strong.

Regarding our key initiatives, we are developing products and services that contribute to the realization of a low-carbon and decarbonized society. We received an order from Daito Corporation for a high-output electric propulsion system for an electric tugboat. This is our second order, following the first order received in FY2024. We aim to establish this system as a standard model for future electric tugboats.

We have also begun collaborating on the development of a next-generation digital shipyard utilizing NVIDIA technology. By leveraging digital twins and AI-powered shipbuilding robots, we aim to increase production volume by 1.5 times and reduce lifecycle costs by 10% to 20%.

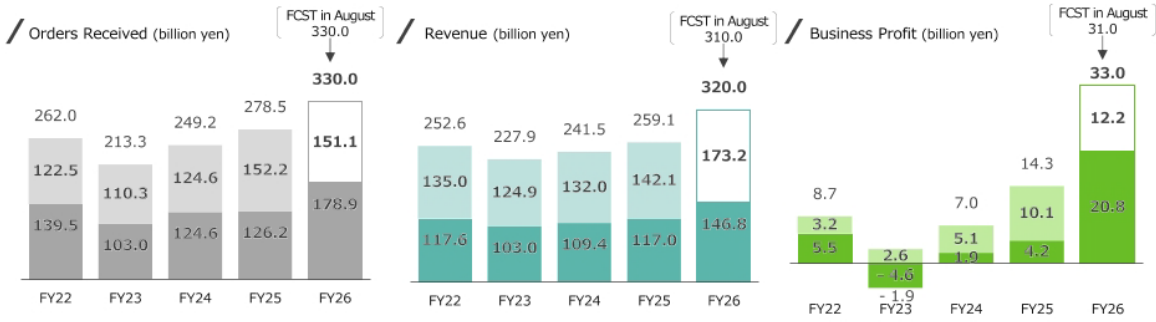
3 Details by Segment
- Precision Machinery & Robot -

Q2 of FY2026 (vs. Q2 of FY2025)

Orders Received	+¥52.6 bil.	Up mainly due to higher orders for hydraulic equipment in China's construction machinery market and semiconductor manufacturing robots
Revenue	+¥29.8 bil.	Same as above
Business Profit	+¥16.6 bil.	Up due to higher revenue and proceeds from a litigation settlement

FY2026 Forecast (vs. forecast in August)

Orders Received	±¥0.0 bil.	Forecast unchanged
Revenue	+¥10.0 bil.	Revised up due to increased sales of hydraulic equipment for the Chinese construction machinery market and robots for semiconductor manufacturing equipment
Business Profit	+¥2.0 bil.	Revised up due to higher revenue, despite increased procurement costs



Note: Darker areas in the graphs represent the Q1-Q2 and lighter areas represent the Q3-Q4 cumulative total

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Page 33 covers precision machinery & robot.

Orders received increased by JPY52.6 billion, and revenue increased by JPY29.8 billion. These increases were driven by higher demand for hydraulic equipment for China's construction machinery market and robots for semiconductor manufacturing equipment. Business profit increased by JPY16.6 billion, reflecting higher revenue and litigation settlement proceeds.

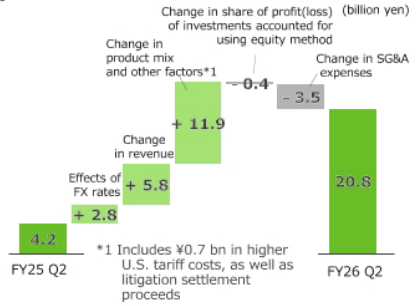
Regarding our FY2026 outlook, we have maintained our orders received forecast, as there have been no significant changes. We have raised our revenue forecast by JPY10 billion to JPY320 billion, reflecting increased sales of hydraulic equipment for China's construction machinery market and robots for semiconductor manufacturing equipment. Although procurement costs are rising, we have raised our business profit forecast by JPY2 billion to JPY33 billion, reflecting higher revenue.

3 Details by Segment
- Precision Machinery & Robot -

(billion yen)

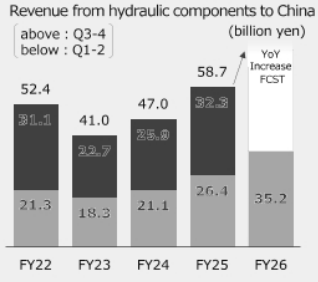
	FY2025	FY2026			FY2025	FY2026 Forecast				
	Q2 Actual	Q2 Actual	Change		Actual	Old FCST	New FCST	Chg. Vs. FY25	Chg. Vs. Old FCST	Q3-4 FCST
Orders Received	126.2	**178.9**	+	52.6	278.5	330.0	**330.0**	+ 51.5	-	**151.1**
Hydraulic Components & Systems	*85.7*	***104.4***	+	*18.6*	*173.1*	*210.0*	***210.0***	+ *36.9*	-	***105.6***
Robotics	*40.5*	***74.5***	+	*34.0*	*105.3*	*120.0*	***120.0***	+ *14.7*	-	***45.5***
Revenue	117.0	**146.8**	+	29.8	259.1	310.0	**320.0**	+ 60.9	+ 10.0	**173.2**
Hydraulic Components & Systems	*78.7*	***96.3***	+	*17.6*	*166.1*	*195.0*	***200.0***	+ *33.9*	+ *5.0*	***103.7***
Robotics	*38.2*	***50.5***	+	*12.2*	*92.9*	*115.0*	***120.0***	+ *27.1*	+ *5.0*	***69.5***
Business Profit	4.2	**20.8**	+	16.6	14.3	31.0	**33.0**	+ 18.7	+ 2.0	**12.2**
[Margin]	*[3.6%]*	*[14.2%]*		*[+ 10.5pt]*	*[5.6%]*	*[10.0%]*	*[10.3%]*	*[+ 4.7pt]*	*[+ 0.2pt]*	*[7.0%]*
Share of profit (loss) of investments accounted for using equity method	*0.0*	***- 0.3***	-	*0.4*	*0.7*	*0.5*	***0.5***	- *0.2*	-	***0.8***

Factors Affecting Changes in Business Profit



Appendix

Revenue from hydraulic components to China



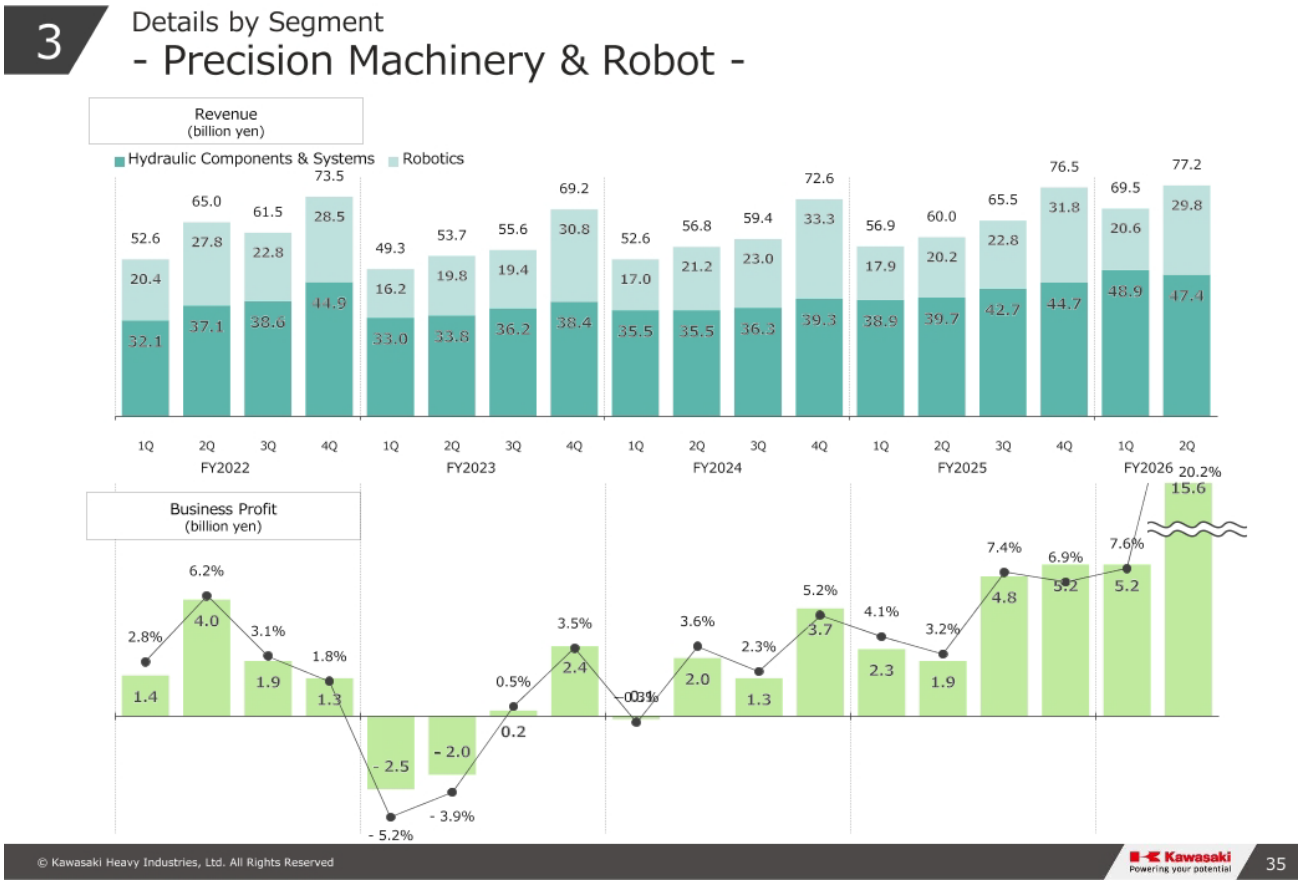
Revenue of robots by segment*2 (billion yen)

above : Q1-2 below : Full Year	FY25	FY26	Change
Automobile assembly and painting	13.3 36.8	15.3 *39.0	+ 1.9 + 2.2
Semiconductor	18.3 37.9	26.3 *54.5	+ 7.9 + 16.6
General robots for industrial use and others	10.9 27.8	14.7 *35.5	+ 3.7 + 7.9
Total	42.6 102.5	56.3 *129.0	+ 13.6 + 26.5

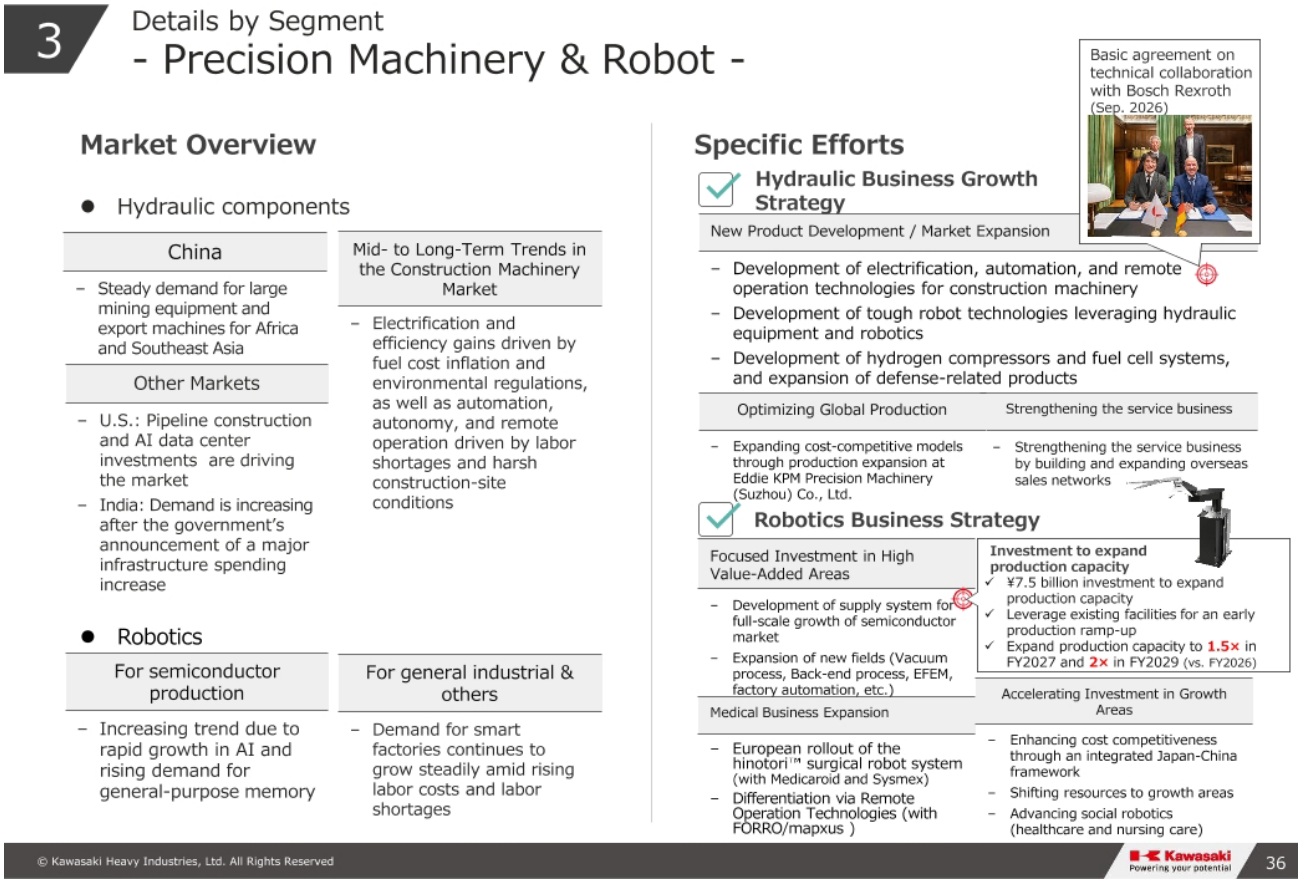
※2 Including intercompany revenue * Forecast

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Page 34 presents the factors behind changes in business profit, along with sales of hydraulic equipment for China and robot sales by application. Revenue from robots for semiconductor applications totaled JPY26.3 billion in H1, an increase of JPY7.9 billion YoY. For the full year, we forecast revenue of JPY54.5 billion. Please refer to the slide for details.



Page 35 shows quarterly trends in revenue and business profit.



Page 36 outlines our initiatives to develop the hydraulic equipment and robot businesses.

In September, we signed a basic agreement on technical collaboration with Bosch Rexroth to support the development of our hydraulic equipment business. In the Robot business, we have decided to invest JPY7.5 billion to strengthen our supply capabilities in preparation for full-scale growth in the semiconductor market. By utilizing existing buildings, we aim to bring the additional capacity online quickly. Compared with FY2026, we plan to expand production capacity to 1.5 times the current level in FY2027 and double it by FY2029.

3 Details by Segment - Powersports & Engine -

Q2 of FY2026 (vs. Q2 of FY2025)

Revenue +¥26.1 bil.
Up despite lower sales of motorcycles in developed markets, supported by higher sales of general-purpose engines and yen depreciation

Business Profit +¥10.7 bil.
Up due to U.S. IEEPA tariff refunds, lower sales promotion expenses and fixed costs, as well as yen depreciation

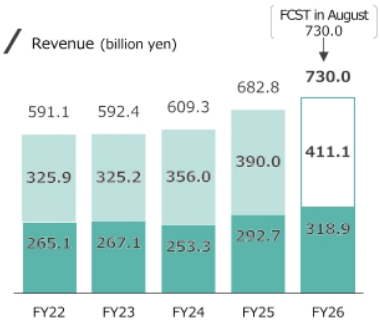
FY2026 Forecast (vs. forecast in August)

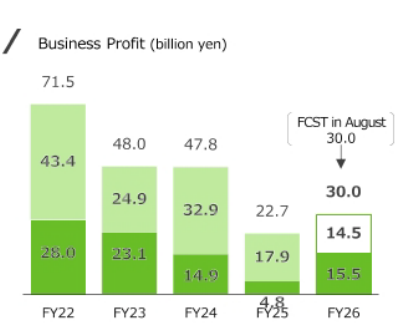
Revenue ±¥0.0 bil.
Forecast unchanged

Business Profit ±¥0.0 bil.
Same as above

Orders Received (billion yen)

Qualitative information and graphs are omitted because this segment mainly engages in build-to-stock production (based on demand forecasts), and orders received are in principle treated as equal to revenue





Note: Darker areas in the graphs represent the Q1-Q2 and lighter areas represent the Q3-Q4 cumulative total

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Page 37 covers powersports & engine.

Revenue increased by JPY26.1 billion. Although motorcycle sales to developed markets declined, this was more than offset by increased sales of general-purpose engines and the positive impact of yen depreciation. Business profit increased by JPY10.7 billion, supported by US IEEPA tariff refunds, lower sales promotion expenses, reduced fixed costs, and the positive impact of yen depreciation.

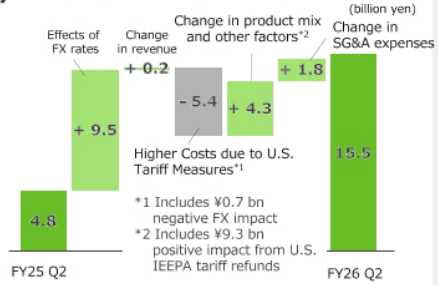
Regarding our FY2026 outlook, there have been no significant changes, and we have maintained our revenue and business profit forecasts.

3 Details by Segment - Powersports & Engine -

(billion yen)

	FY2025 Q2 Actual	FY2026 Q2 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 Q3-4 FCST
Revenue	292.7	**318.9**	+ 26.1	682.8	730.0	**730.0**	+ 47.2	-	**411.1**
Motorcycles for developed markets	*112.2*	***104.1***	*- 8.0*	*261.9*	*270.0*	***270.0***	*+ 8.1*	*-*	***165.9***
Motorcycles for emerging markets	*48.0*	***53.8***	*+ 5.7*	*102.6*	*110.0*	***110.0***	*+ 7.4*	*-*	***56.2***
Utility Vehicles, ATVs & PWC	*84.7*	***96.1***	*+ 11.4*	*211.4*	*235.0*	***235.0***	*+ 23.6*	*-*	***138.9***
General-purpose gasoline engines	*47.7*	***64.7***	*+ 16.9*	*106.7*	*115.0*	***115.0***	*+ 8.3*	*-*	***50.3***
Business Profit	4.8	**15.5**	+ 10.7	22.7	30.0	**30.0**	+ 7.3	-	**14.5**
[Margin]	*[1.7%]*	*[4.9%]*	*[+ 3.2pt]*	*[3.3%]*	*[4.1%]*	*[4.1%]*	*[+ 0.7pt]*	*[-]*	*[3.5%]*

Factors Affecting Changes in Business Profit



Appendix

Wholesale volume by region (thousand units)

		FY25 Q2	FY26 Q2	Change	FY26(FCST)
Developed markets	Japan	16	12	- 4	
	North America	46	31	- 15	
	Europe	35	33	- 2	
	Others※	5	5	- 0	
Subtotal		104	82	- 21	230
Emerging markets	Philippines	97	91	- 6	
	Indonesia	8	11	+ 3	
	Latin America	7	11	+ 4	
	Others※	12	13	+ 0	
Subtotal		125	127	+ 1	280
Four-wheelers /PWC	North America and Others	35	38	+ 2	90

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 :

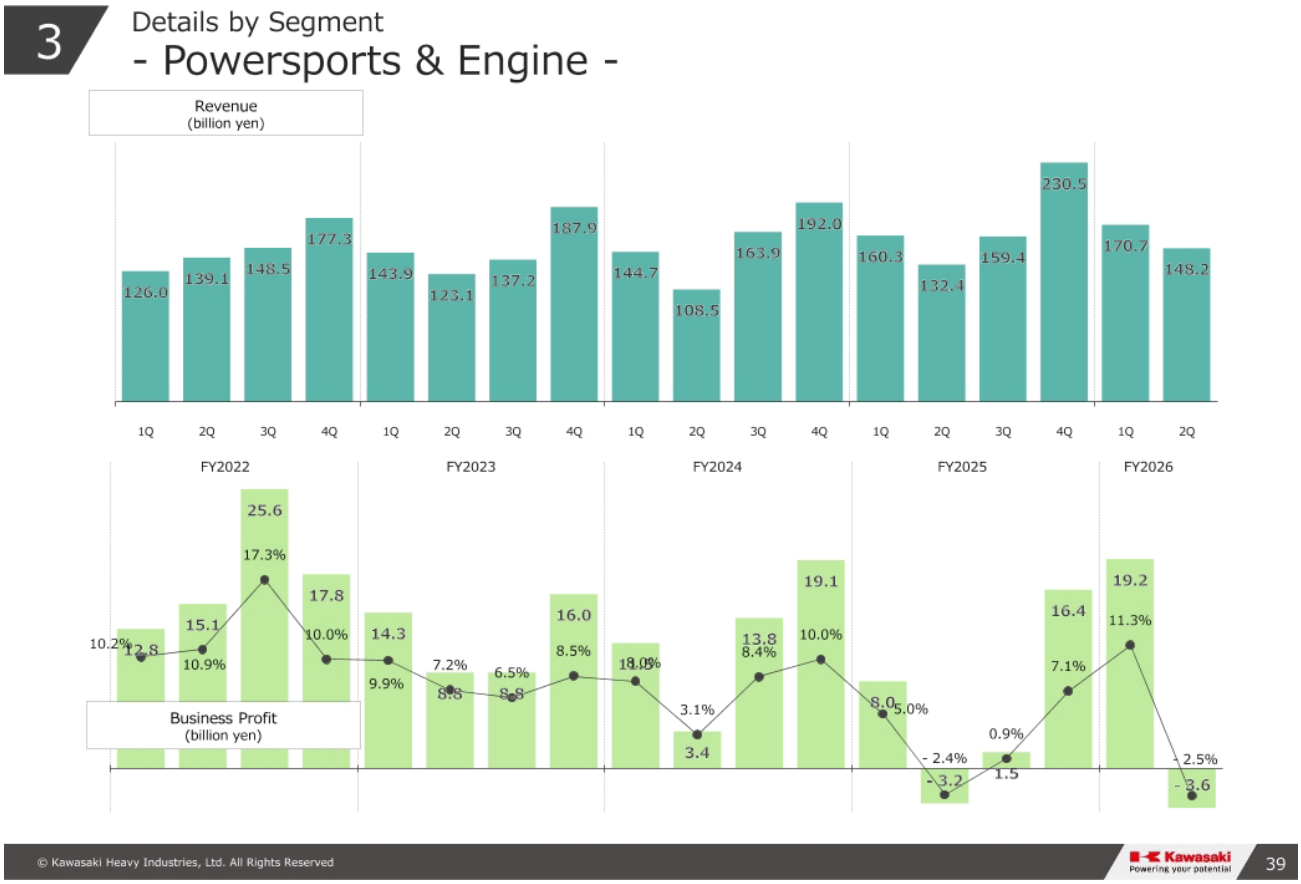
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Kawasaki Powering your potential

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Page 38 presents the factors behind changes in business profit, along with regional wholesale volumes for motorcycles, four-wheel vehicles, and personal watercraft, or PWC.

In H1, wholesale volumes of motorcycles for developed markets decreased by 21,000 units YoY to 82,000 units, mainly reflecting lower volumes in North America. Motorcycle wholesale volumes for emerging markets increased by 1,000 units to 127,000 units. Wholesale volumes of four-wheel vehicles and PWC increased by 2,000 units to 38,000 units.



Page 39 shows quarterly trends in revenue and business profit for your reference.

3 Details by Segment
- Powersports & Engine -

Market Overview

- U.S. (Motorcycles)
  - Retail market remains soft amid inflation and high interest rates
- U.S. (Four-wheelers)
  - While the recreational market remains soft, the utility market remains strong, particularly for full-cab models
  - Strong sales of our key models continue
- U.S. (Common to both)
  - Concerns over demand declines caused by tariff measures
  - Concerns over weakening consumer sentiment due to inflation and high interest rates
- Europe
  - Market continues to recover, while competition intensifies due to expanding sales by Chinese brands
- Southeast Asia
  - Sports segment remains at a low level overall, although some regions are showing signs of recovery

(Note) Impact of the Situation in the Middle East
- While raw material price fluctuations and logistics cost increases and delay risks persist, we are working to mitigate the impact through price optimization

Specific Efforts



The next-evolution flagship Ninja H2 CARBON

Market-Driven Product Supply
- Launch attractive Kawasaki-brand models
- Flexible production and sales aligned with demand and inventory trends

Strengthening the four-wheeler business
- Strengthen competitive advantage and the earnings base through market-driven products tailored to North America
- Respond quickly to market changes through flexible use of U.S. and Mexico plants

Advancing Decarbonization
- Contribute to carbon neutrality through electrification, hydrogen engines and other solutions leveraging Kawasaki technologies

Collaboration with the ITOCHU Group
- Established Kawasaki Motors Retail Finance, LLC with ITOCHU in April 2025 to expand business and strengthen the customer base
  - Status: Financing penetration is steadily increasing, supporting retail sales growth through preferential rates
  - Plan: Leveraging data to develop financing products, increase financing penetration and build a high-quality asset base
- Joint initiatives to develop emerging markets and expand sales in key markets

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Page 40 outlines the business environment and key initiatives for powersports & engine.

In the US motorcycle market, retail demand remains sluggish due to inflation and high interest rates. Meanwhile, the utility segment of the four-wheel vehicle market remains firm, particularly for full-cab models.

Kawasaki Motors Retail Finance, our US retail financing joint venture established with ITOCHU Corporation, is steadily and cautiously expanding its financing penetration rate while maintaining financial discipline. This contributes to retail sales growth. Furthermore, the ability to collect customer information throughout the product lifecycle supports more effective customer relationship management, or CRM.

4 Shareholder Returns

Dividend Policy
- FY2026 Dividend Outlook - Unchanged from the previous forecast

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

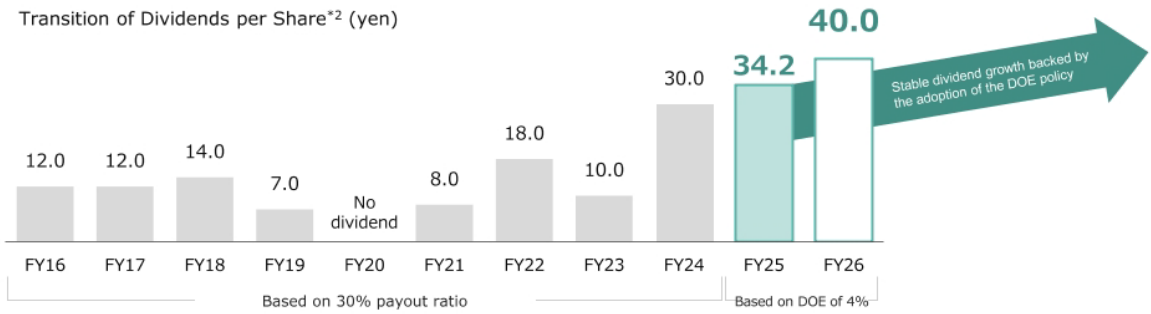
*1 DOE = Total annual dividends ÷ (Equity attributable to owners of the parent** − Other components of equity**)
**The average of the beginning and end of the fiscal year is used

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)



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Next, I will discuss shareholder returns. Please turn to page 42.

Our annual dividend forecast remains unchanged from the previous announcement at JPY40 per share, comprising an interim dividend of JPY20 and a year-end dividend of JPY20.



Please turn to page 43.

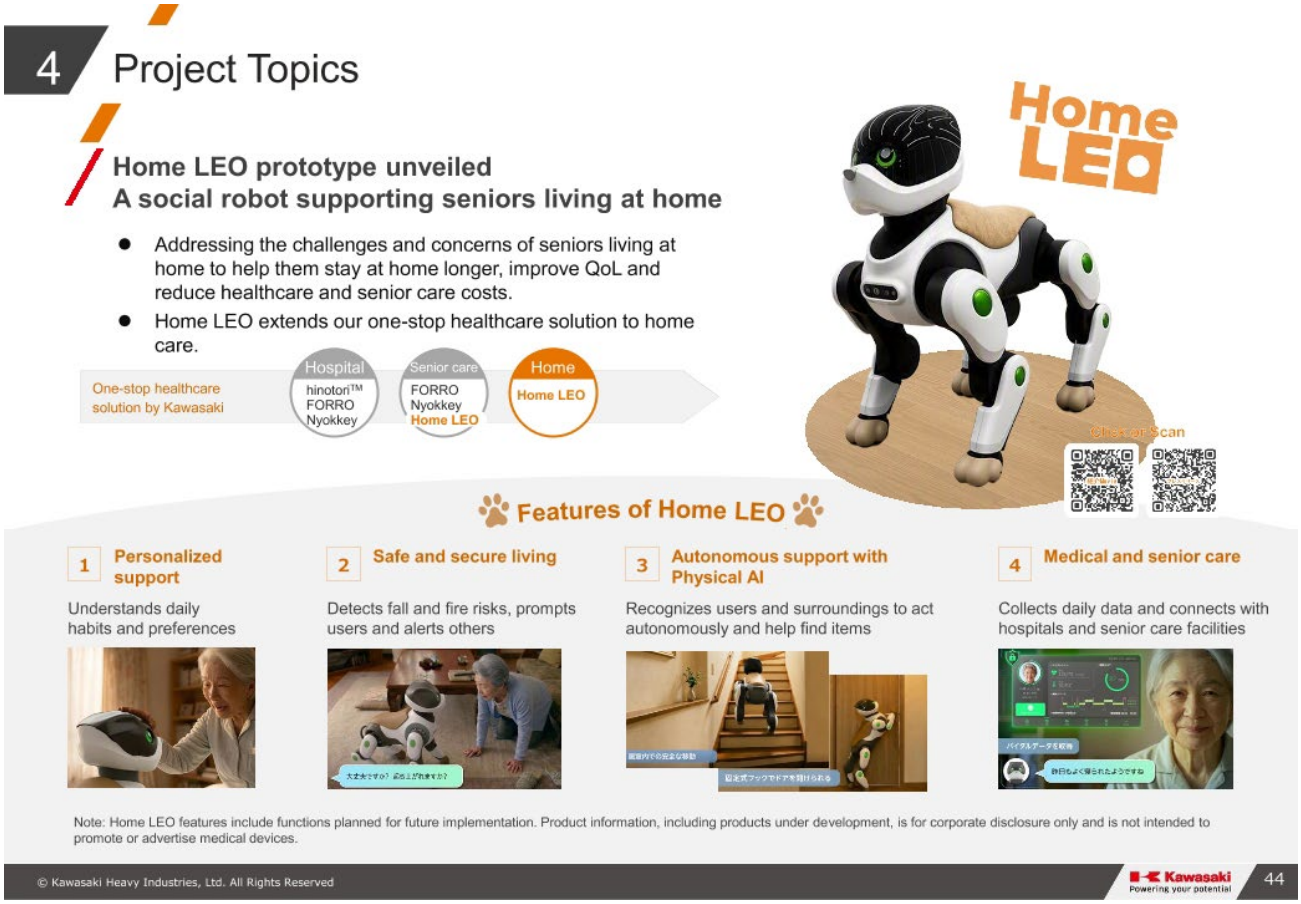
We will now provide updates on three project topics, followed by initiatives commemorating our 130th anniversary.

First is our AI-powered shipbuilding robot, which we also introduced at last month's group vision progress briefing. The Japanese government aims to invest approximately JPY1 trillion through public-private initiatives to revitalize the shipbuilding industry, with the goal of roughly doubling domestic shipbuilding output by FY2035.

However, the industry faces challenges, including a declining number of skilled workers and difficulties in automating complex, nonstandard tasks. In October, we unveiled a prototype AI-powered shipbuilding robot capable of attaching itself to a ship's hull and performing tasks autonomously. This is a versatile robot that can perform welding, inspection, painting, and other operations by changing its attachments. We plan to begin demonstration operations at our Sakaide Works in FY2027, followed by market introduction in FY2028.

In parallel, we aim to realize a next-generation digital shipyard by using digital twin technology to optimize processes from design through construction and integrating these capabilities with ship operations and repair. We intend to deploy the model established through demonstration testing both in Japan and overseas, contributing to the sustainable development of the shipbuilding industry and regional economies.

In our domestic commercial shipbuilding business, we plan cumulative growth investments of approximately JPY100 billion between FY2026 and FY2035. At Sakaide, we aim to achieve revenue of JPY200 billion and a business profit margin of at least 15% by FY2035.

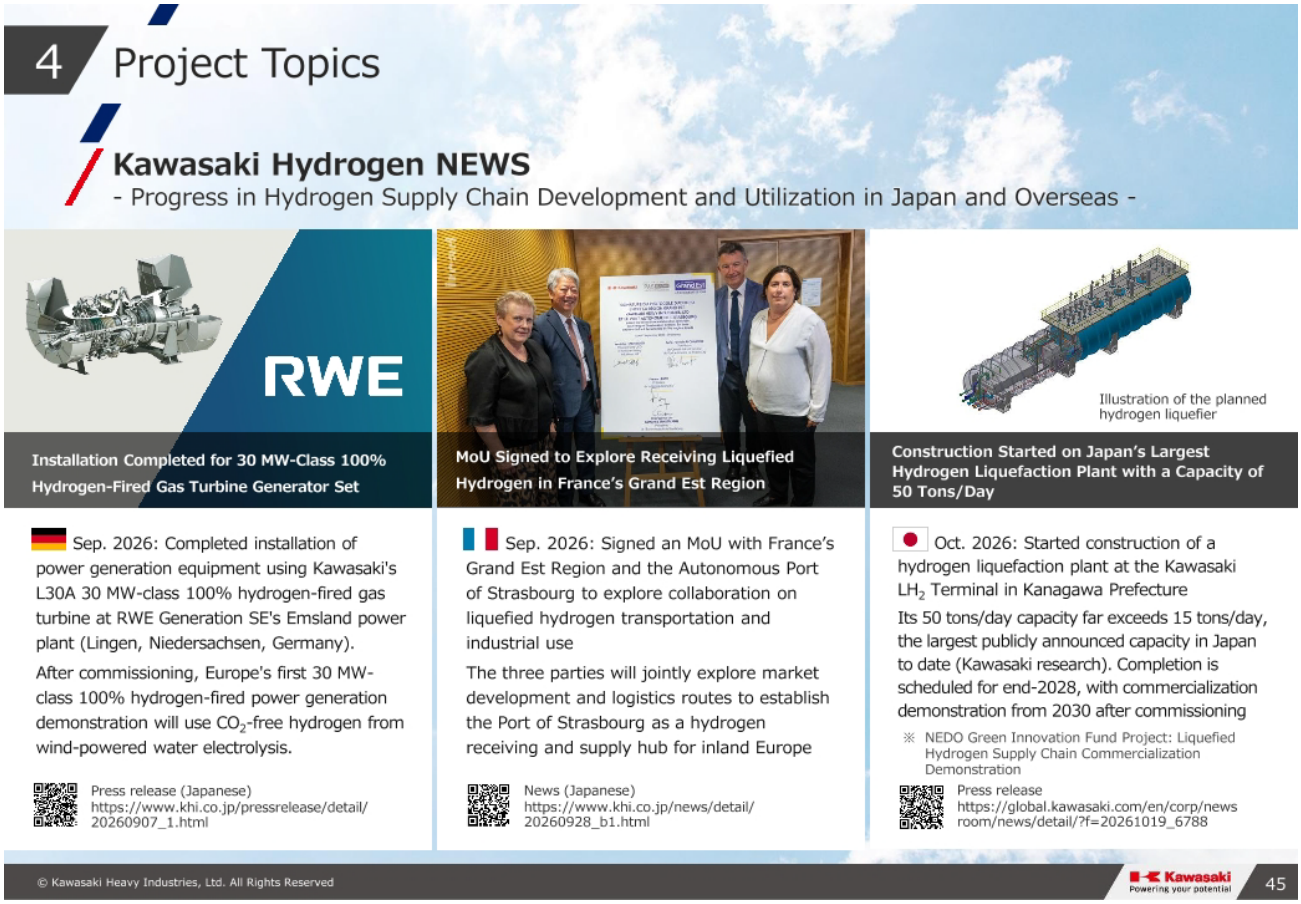


Page 44 covers Home LEO, a social robot designed to support older adults living at home.

We announced a prototype of Home LEO at last month's group vision progress briefing. Using physical AI, Home LEO recognizes users and their surroundings and acts autonomously. It is designed to understand users' daily habits and preferences, provide personalized assistance, detect risks such as falls or unattended flames, and respond by taking appropriate action and coordinating with people around the user.

We also aim to collect and accumulate daily-life data and establish connections with medical institutions and nursing care facilities. Through these capabilities, we seek to address the difficulties and anxieties associated with aging at home, support continued independent living, improve quality of life, and help contain nursing care and medical expenses.

By introducing Home LEO, we intend to extend our healthcare solutions into the home environment. We will continue developing a one-stop service that connects hospitals, nursing care facilities, and home-based care. Please note that some of the features described for Home LEO are planned for future implementation.



Page 45 covers our hydrogen business, which we regard as one of our next core businesses. I will introduce recent progress in establishing hydrogen supply chains and promoting hydrogen utilization in Japan and overseas.

First, in Germany, installation work was completed in September on a power generation facility using our L30A, a 30 MW-class gas turbine capable of operating exclusively on hydrogen. The facility is located at a power plant operated by RWE Generation. Following commissioning, we plan to conduct a demonstration of a CO2-free hydrogen power generation system operating entirely on hydrogen, using green electricity generated from wind power. This is expected to be Europe's first demonstration of hydrogen-only power generation in the 30 MW class.

Next, in France, we signed a memorandum of understanding in September with the Grand Est Region and the Autonomous Port of Strasbourg concerning the transportation and potential industrial utilization of liquefied hydrogen. The initiative aims to establish the Port of Strasbourg as a hydrogen supply hub for inland Europe. The three parties will jointly explore opportunities for market development and the establishment of logistics routes.

Finally, in Japan, construction began in October on a hydrogen liquefaction plant with a capacity of 50 tons per day at the Kawasaki LH2 Terminal. This will be Japan's largest hydrogen liquefaction facility, significantly exceeding the previously announced maximum domestic capacity of 15 tons per day. Following completion and commissioning, scheduled for the end of 2028, the facility is expected to be used for commercial-scale demonstration activities beginning in 2030.

Progress in establishing and utilizing hydrogen supply chains is continuing steadily both in Japan and overseas. Through these initiatives, we aim to contribute to the realization of a hydrogen-based society and support our future business growth.



Please turn to page 46.

Kawasaki Heavy Industries celebrated its 130th anniversary in October 2026. Finally, I would like to introduce several initiatives commemorating this milestone and communicating our history and future ambitions to stakeholders both inside and outside the company.

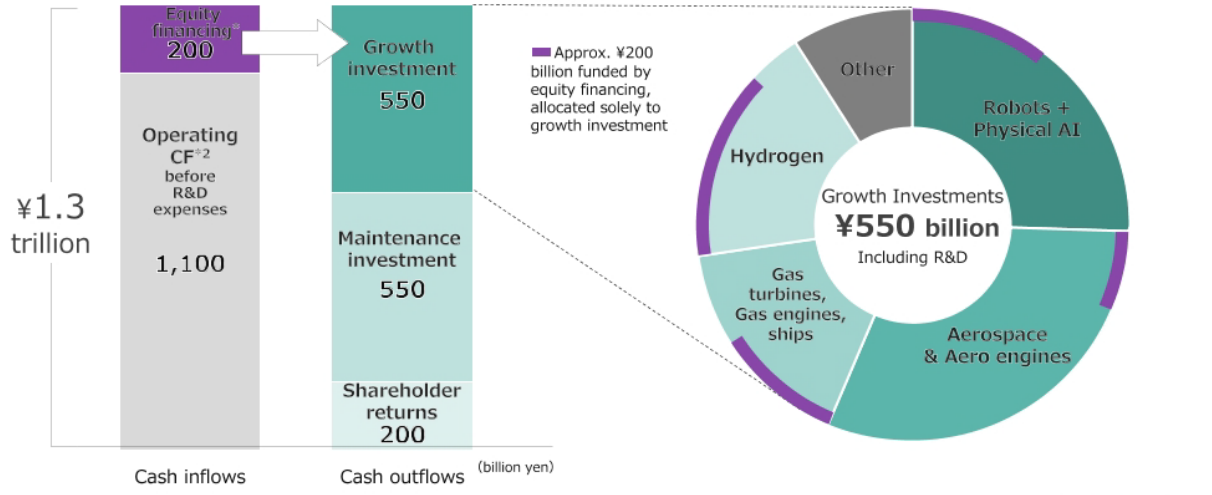
Our brand film, "Kawaru, Saki e.", includes a special 130th-anniversary edition titled "Beyond Our 130th Anniversary." The film reflects on our 130-year journey alongside our many stakeholders while portraying a future shaped by the hydrogen society and the growing role of physical AI.

In addition, drawing on the Matsukata Collection assembled by our first president, Kojiro Matsukata, we are serving as a special sponsor of the film "Monet: Paintings That Crossed the Sea of Time," scheduled for release in October 2027. Other initiatives include a special exhibition at the Hyogo Prefectural Museum of Art, publication of an original guidebook in a special edition of the Rurubu travel magazine, and the reopening of Kawasaki World in Kobe following renovations. We hope you will take a look at these initiatives.

4 Appendix
- Cash Allocation -

FY2027–FY2030: Investing mainly in core businesses that are highly profitable today and expected to grow substantially, and in new businesses with strong medium- to long-term growth potential

Cash Allocation Outlook (FY2027–FY2030)
* Cash inflows from equity financing was received in FY2026



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Reference materials are provided from page 47 onward.

In particular, page 48 presents our priority investment areas as part of the cash allocation framework announced at last month's group vision briefing. Please refer to these materials for further details.

That concludes my presentation. Thank you.

Question & Answer

Moderator [M]: Thank you very much. We will now move on to the Q&A session. If you have a question, please click the Raise Hand button on your screen. When your turn comes and the moderator calls your name, please unmute yourself and state your company name and your name before asking your question. Please limit your questions to two per turn.

If your environment makes it difficult to ask questions verbally, you may also submit questions using the Q&A function. However, for the purposes of managing the session, we will first take verbal questions and then answer as many written questions as time permits.

For questions submitted through the Q&A function, the moderator will read out the company name, questioner's name, and question. We will first take questions from analysts and investors, beginning with verbal questions followed by written questions. We will then take questions from members of the media in the same order.

With that, we will begin the Q&A session.

Our first question comes from Maekawa of Nomura Securities. Please unmute yourself and proceed.

Maekawa [Q]: This is Maekawa from Nomura Securities. Thank you very much for your presentation. I have two questions.

First, I would like to ask about the revision to your full-year forecast on page 17 of the presentation materials. I understand that the upward revision is attributable to foreign exchange movements and equity-method investment profit. However, the item on the far right, covering changes in sales mix, SG&A expenses, and other factors, appears to be a negative factor contributing to a downward revision.

At the Q1 briefing three months ago, you described part of this item as a buffer. That terminology is no longer used this time, so I would like to understand whether some of the risk buffer has been utilized. There also appears to have been some deterioration in the sales mix in Powersports during Q2, and I wonder whether that is related. Could you elaborate on why the negative impact from changes in sales mix has increased in this revision?

Yamamoto [A]: Thank you for your question. Looking at the overall picture, the negative factors include the downward revision to our aerospace forecast due to timing shifts, lower capacity utilization in aerospace resulting from those revenue timing shifts, and slightly lower-than-expected wholesale volumes of highly profitable motorcycles in developed markets in powersports & engine.

As for the buffer we set at Q1, we have not yet reached the point of drawing on it. It remains available. In powersports & engine in particular, we are currently working to bring inventories down to appropriate levels while reducing sales promotion expenses. I believe a certain portion of the buffer is being allocated to such risks in this item.

Maekawa [Q]: Thank you. You mentioned motorcycles in developed markets. How about four-wheel vehicles? Are they performing broadly in line with your original plan? Wholesale volumes appear to have declined slightly QoQ. Could you comment on the situation in the four-wheel vehicle business?

Yamamoto [A]: In four-wheel vehicles, the high-performance recreational segment has softened somewhat. However, full-cab utility models, including the RIDGE series that we are focusing on, remain very strong, and sales are increasing.

Maekawa [Q]: Understood. Thank you.

My second question concerns the valuation loss on receivables in the aircraft engine business, which is also mentioned on this slide. You have lowered the aerospace systems forecast by JPY4 billion overall, and you mentioned timing shifts in both Boeing-related and defense-related sales. Business profit progress was also somewhat slow in Q2. Could you provide more details about the factors behind the downward revision, particularly the reasons for the timing shifts? I would also like to know whether the deferred revenue can be expected to materialize next fiscal year.

Yamamoto [A]: Regarding the timing shifts in aerospace, there are two major factors. First, progress on large aircraft for the defense sector has been delayed due to supply chain issues. Second, in the commercial aircraft business, Boeing's production rate increase for the 787 has been somewhat slower than expected.

As for aircraft engines, one low-cost carrier has filed for Chapter 11 bankruptcy protection. We also continuously monitor the financial condition of other customers. Where we identify deterioration in their financial position, we reassess the relevant receivables and recognize valuation losses as necessary. These factors have negatively affected our results.

Maekawa [Q]: Understood. Thank you. Would it be correct to say that, of the JPY4 billion downward revision for aerospace systems, approximately half is attributable to the valuation loss on receivables and the other half to the timing shifts in revenue?

Yamamoto [A]: Yes, that is correct.

Maekawa [Q]: Understood. One more clarification, if I may. Could you explain the background to the timing shifts in the defense business?

Yamamoto [A]: In the P-1 and C-2 programs, certain purchased components have not arrived as scheduled. As a result, the schedules have shifted slightly backward.

Maekawa [M]: Understood. Thank you very much. That concludes my questions.

Yamamoto [M]: Thank you.

Moderator [M]: Thank you. Our next question comes from Isayama of Goldman Sachs Securities. Please unmute yourself and proceed.

Isayama [Q]: This is Isayama from Goldman Sachs Securities. Thank you as always for your support.

I would like to ask about precision machinery & robot. Performance appears to be progressing well, partly because of the litigation settlement proceeds. However, you have raised your full-year business profit forecast by only JPY2 billion. Q2 performance improved, but I am having difficulty determining how much of that improvement reflects underlying business performance.

Looking at other income in the financial statements, there appears to have been an improvement of approximately JPY11 billion from Q1 to Q2. If all of that represented the settlement in the Robot business, it would suggest that underlying Q2 business profit had not improved very much. So perhaps the actual settlement amount was smaller.

Could you explain how much profit in precision machinery & robot improved in Q2 excluding the settlement proceeds? Also, regarding the upward revision to the full-year forecast, which business is contributing more, and where do you have greater confidence? That is my first question.

Yamamoto [A]: In terms of the size of the upward revision to business profit, Hydraulics and Robotics account for roughly the same amount. In the Robot business, Q1 was roughly at breakeven, whereas in Q2 it generated profit of several billion yen even excluding the settlement proceeds.

As for actual results, sales in the precision machinery business have been very strong. Most of the profit improvement has come from this strong sales performance, together with improved equity-method earnings from our joint venture with EDDIE.

In the Robot business, increased sales of robots for semiconductor applications and the positive impact of yen depreciation have contributed significantly.

Isayama [Q]: That is very clear. Thank you. My second question is similar, but concerns energy solution & marine. Both equity-method earnings and the earnings of the consolidated business appear to have been strong. Was the upside driven by the recognition of particularly profitable projects?

Both components appear to have performed better than expected. Could you explain the background to the H1 outperformance and whether the upward revision simply reflects the H1 results, or whether you now expect further improvements in project profitability?

Yamamoto [A]: The main factor behind the upward revision is the very strong performance of equity-method investments in the ship & offshore structure business. As for H1 results, the substantial improvement in profitability on LPG/ammonia carriers was also a major contributor.

Isayama [Q]: Regarding the JPY1.5 billion that remains after excluding JPY4.5 billion in equity-method investment profit from the JPY6 billion full-year upward revision, would it be correct to say that the largest contributor is the domestic LPG/ammonia carrier business?

Yamamoto [A]: That portion reflects upward revisions in plant and Marine Propulsion.

Isayama [M]: Understood. Thank you very much. That concludes my questions.

Moderator [M]: Thank you. Our next question comes from Sasaki of UBS Securities. Please unmute yourself and proceed.

Sasaki [M]: This is Sasaki from UBS Securities. Thank you as always for your support.

Yamamoto [M]: Thank you.

Sasaki [Q]: Thank you for your presentation. I have two questions. My first question follows up on Maekawa's earlier question. Regarding Powersports, you explained that four-wheel vehicles are performing well while motorcycles have weakened. You also mentioned that inventory adjustments are underway. However, looking at Q2 earnings, the impact of changes in sales volume and mix appears to have deteriorated considerably, presumably mainly because of motorcycles. The segment also appears to have recorded a loss in Q2.

The impact of declining motorcycle sales seems quite significant. Could you explain what is actually happening in the end market?

At the same time, you have maintained your medium-term business profit target of JPY30 billion. Could you explain why you remain confident in achieving that target? I assume this reflects the remaining risk buffer and factors such as foreign exchange movements, but I would appreciate a more detailed explanation.

Yamamoto [A]: First, regarding the decline in wholesale volumes of motorcycles in developed markets, one major factor is that we have voluntarily suspended sales of a particular model due to a quality issue. That has had a significant impact in terms of units.

In addition, as mentioned earlier, we are deliberately adjusting inventories. We have reduced sales promotion expenses, and we fully recognize that this will result in lower wholesale volumes. It is an intentional measure.

As for the motorcycle market itself, I would not describe it as particularly strong, but neither is it especially weak. Meanwhile, the four-wheel vehicle business is performing well, and sales are increasing. However, from a profitability perspective, the higher proportion of four-wheel vehicle sales has had a somewhat adverse effect.

Regarding the JPY30 billion profit forecast, we regard an amount equivalent to the IEEPA tariff refunds as a risk buffer. We have maintained the forecast again this time, and based on current conditions, we believe it remains fully achievable.

Sasaki [Q]: So, to confirm my understanding, four-wheel vehicles are improving, the overall market is not particularly weak, and there are buffers including foreign exchange effects. Therefore, there is no reason at this stage to abandon the JPY30 billion target. Is that a fair interpretation?

Yamamoto [A]: Yes, I think that is correct.

Sasaki [M]: Understood. That is clear. Thank you.

Yamamoto [M]: Thank you.

Sasaki [Q]: My second question concerns aerospace systems and follows up on Maekawa's earlier question. I understand the reasons for the JPY4 billion downward revision. What I would like to ask about is the H2 outlook. H1 business profit was JPY10 billion, while the full-year forecast is JPY68 billion. That means you expect JPY58 billion in business profit in H2.

I recognize that this business has historically been heavily weighted toward H2. Nevertheless, how should we assess the likelihood of achieving JPY58 billion in H2 and management's confidence in that forecast? Could you explain your thinking, including the business environment?

Yamamoto [A]: In H1, we are currently experiencing an increase in fixed costs, or period expenses. For example, site preparation work is continuing for facilities associated with investments to expand production of guided weapons and missiles.

We are also preparing to increase production for Boeing. This involves hiring additional personnel and incurring training expenses. These factors are reflected in our current profit progress.

However, the progress rate of business profit is almost identical to last year's. This year, profitability declined slightly because we recorded a valuation loss on receivables in the aircraft engine business. Excluding that impact, the underlying earnings base is virtually the same as last year. Therefore, we believe the full-year forecast is fully achievable.

Although there have been some timing shifts involving Boeing, leading to the overall downward revision, the increase in Boeing 787 production from 8 to 10 aircraft per month is firmly on track, so revenue will be weighted toward H2. In addition, defense-related revenue will increase substantially in H2 compared with last fiscal year. We would appreciate your understanding that these factors inevitably result in an H2-weighted profile.

Sasaki [Q]: Thank you. To summarize, although Boeing's production increase has been delayed somewhat, production will still increase. Defense-related revenue will also rise in H2, while H1 was burdened by higher costs. Therefore, the likelihood of generating substantial profit in H2 has not fundamentally changed. Is that correct?

Yamamoto [A]: Yes, exactly.

Sasaki [M]: Understood. That concludes my questions. Thank you very much.

Yamamoto [M]: Thank you very much.

Moderator [M]: Thank you. Our next question comes from Fukuhara of Macquarie Capital Securities. Please unmute yourself and proceed.

Fukuhara [M]: This is Fukuhara from Macquarie Capital Securities. Thank you as always for your support.

Yamamoto [M]: Thank you.

Fukuhara [Q]: I also have two questions. First, regarding the revision in the aircraft engine business, you recorded a JPY2 billion valuation loss on receivables. Would it be correct to understand that this resulted from reviewing the financial condition of multiple customers rather than just one?

Also, regarding the JPY2 billion impact in the aircraft structures business, this resulted from the JPY10 billion reduction in your revenue forecast. [inaudible]

My question is whether, when the JPY10 billion in revenue is deferred to next fiscal year, it will simply increase next year's revenue without affecting the profit margin of the aircraft structures business. I just wanted to confirm that point.

Yamamoto [A]: This is a timing shift, so it is entirely reasonable to assume that revenue originally scheduled for this fiscal year will simply move into the next fiscal year.

Fukuhara [Q]: Understood. Thank you. I also have a question about defense orders. You have raised your full-year orders received forecast this time. Does the revised forecast include any orders for overseas customers?

Yamamoto [A]: No, the revision does not include overseas orders. Nor does it reflect the addition of any particularly large domestic projects. We revised the forecast upward after reviewing each project in detail.

Fukuhara [M]: Understood. Thank you very much. That concludes my questions.

Yamamoto [M]: Thank you.

Moderator [M]: Thank you. Our next question comes from Yanaka of SMBC Nikko Securities. Please unmute yourself and proceed.

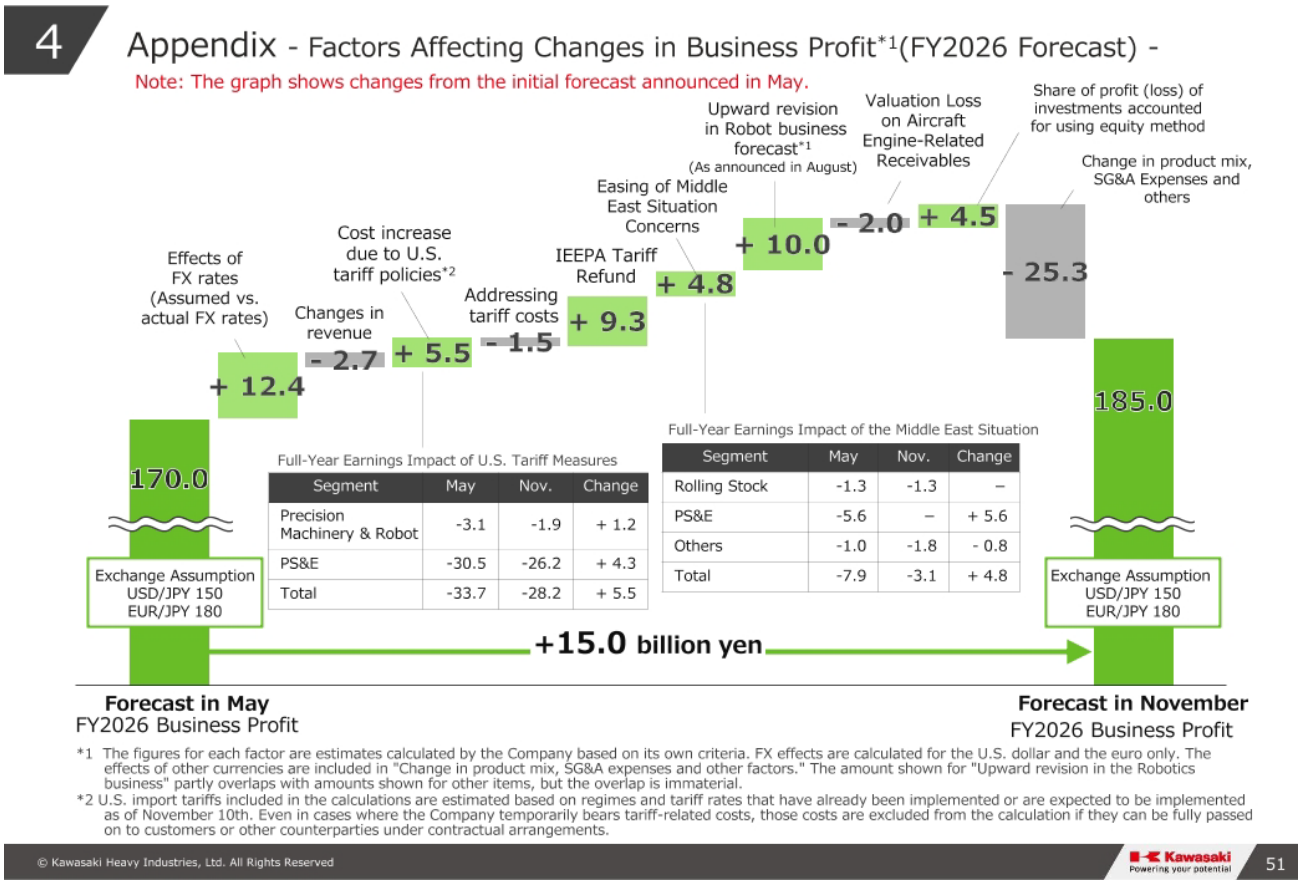
Yanaka [M]: This is Yanaka from SMBC Nikko Securities. Thank you.

Yamamoto [M]: Thank you.

Yanaka [Q]: I have two questions. First, how much of what might be described as a risk buffer is currently reflected in your business profit forecast? At the Q1 briefing, I had the impression that the amount was approximately JPY20 billion. You also commented that this would not necessarily be allocated entirely to Powersports. Could you clarify the amount you currently regard as a risk buffer?

Yamamoto [A]: That would be the refunds of IEEPA tariffs, which amount to approximately JPY10 billion. As at Q1, these refunds are not incorporated into our forecast, and that remains unchanged in Q2.

Approximately 95% of the amount has already been received.



Yanaka [Q]: Thank you. As a follow-up, looking at page 51, I noticed the negative JPY25.3 billion figure on the far right. I had the impression that much of this amount did not reflect any specific assumptions. Based on your explanation, would it be correct to regard the JPY9.3 billion in IEEPA tariff refunds as effectively serving as a risk buffer?

Yamamoto [A]: Yes, that is correct.

Taninaka [Q]: Thank you. My second question concerns motorcycles in developed markets. You mentioned a quality issue. H1 sales volumes in Japan and North America declined by more than 20% YoY. Could you confirm whether the quality issue affected both of those regions? Also, H1 sales volumes declined by approximately 21% YoY, whereas achieving your full-year forecast would require H2 sales volumes to increase by around 10% YoY. Could you explain how confident you are in achieving that H2 sales volume growth?

Yamamoto [A]: The quality issue affects only the United States, not Japan.

Taninaka [Q]: How about H2 sales volumes? Would it be more appropriate to think about achieving the forecast for Powersports as a whole rather than focusing specifically on motorcycles in developed markets?

Yamamoto [A]: For motorcycles in developed markets, we see a risk of falling short of the plan, depending on when the quality issue is resolved. On the other hand, sales in emerging markets are fortunately increasing, so we may be able to achieve the unit sales plan overall. As for revenue, we expect to largely achieve the JPY730 billion forecast. Our assumptions are quite conservative, so I believe the forecast is achievable.

Taninaka [M]: Understood. Thank you. That concludes my questions.

Moderator [M]: Thank you. Our next question comes from Tai of Daiwa Securities. Please unmute yourself and proceed.

Tai [Q]: Mr. Yamamoto, this is Tai. Thank you as always. Is the quality issue affecting motorcycles likely to continue for quite some time? I am not sure I fully understand the situation.

Yamamoto [A]: We do not know yet. However, I do not expect it to develop into a particularly serious issue. For the time being, we have voluntarily suspended sales.

It concerns an off-road motorcycle in the United States. It is not a particularly large or expensive model, but it is one that sells in relatively high volumes.

Tai [Q]: I see. Understood. I have another question. You have raised your full-year shipbuilding orders forecast quite substantially. The explanation mentioned LPG carriers and related vessels. I wonder whether the order volume is now sufficient to fill your shipbuilding berths for some time. I had understood that you were also reserving some capacity for future hydrogen-related vessels. Could you comment on that?

Yamamoto [A]: Yes. The upward revision reflects an increase in the number of LPG/ammonia carriers included in the plan from one to three vessels. We expect these orders to fill our capacity until around the middle of FY2028. After that, as you mentioned, construction of liquefied hydrogen carriers is scheduled to begin, and we have reserved capacity for those vessels.

Tai [Q]: So there has been no change to the hydrogen carrier schedule?

Yamamoto [A]: No change.

Tai [Q]: Understood. One final question, although it is not directly related to your financial results. Toyota has recently begun speaking quite actively about robotics. There has been discussion of a figure of 400,000 units, and Toyota has made various announcements concerning what it intends to manufacture internally and what it will source externally.

Given your relatively close relationship with Toyota, could this create business opportunities for Kawasaki? Conversely, could there be areas where your businesses come into competition? How do you view Toyota's recent initiatives from Kawasaki's perspective?

Yamamoto [A]: I only learned about Toyota's initiatives through newspaper reports myself. Given the relationship between Toyota and Kawasaki, I do not expect anything particularly problematic to arise. However, we do not yet have detailed information about their plans, so I cannot really comment at this point. I apologize.

Tai [M]: Understood. No problem at all. That concludes my questions for today. Thank you.

Yamamoto [M]: Thank you.

Moderator [M]: Thank you. Our next question comes from MacDonald of Citigroup Securities. Please unmute yourself and proceed.

McDonald [Q]: Thank you. I have two brief questions. First, regarding the JPY30 billion full-year profit forecast for Powersports, which remains unchanged, I have repeatedly been asked by overseas investors whether that figure includes gains on the sale of real estate. Does it?

Yamamoto [A]: Yes, it is included.

McDonald [Q]: Could you tell us approximately how much the gain would be and when it is expected?

Yamamoto [A]: Approximately JPY1 billion to JPY2 billion, perhaps.

McDonald [Q]: Thank you. My second question is on a completely different subject. When we spoke previously, one issue was the accounting changes associated with IFRS 18. There was discussion that equity-method investment profit could move out of operating profit or business profit and into profit before tax. What is the current situation regarding that issue?

Yamamoto [A]: Regarding equity-method investment profit, our policy is to operate our joint venture shipyards in China as an integral part of the Group, and this is also part of our business model. Therefore, we intend to continue explaining those earnings in a way that allows investors to understand their contribution clearly.

McDonald [Q]: In the Japanese equity market, investors traditionally focus on operating profit or, depending on the company, business profit, rather than EPS or net profit. Given that a substantial amount will shift, perhaps investors should focus more on profit before tax rather than business profit when evaluating Kawasaki Heavy Industries from next fiscal year onward.

Yamamoto [A]: Yes, I agree. We believe profit before tax will become one of the key performance measures, and we intend to place greater emphasis on it in our explanations.

McDonald [Q]: For example, on page 43, you presented targets for the domestic commercial shipbuilding business at Sakaide. That business is not related to equity-method earnings, of course. However, Kawasaki currently sets targets primarily in terms of business profit. I think the profitability measures investors focus on may need to change, with greater attention paid to profit before tax.

Yamamoto [A]: Yes. Profit before tax also includes items such as foreign exchange gains and losses, so we would like to give careful consideration to how we set our targets. From the perspective of continuity, one option would be to voluntarily disclose a figure equivalent to business profit. We are currently examining this.

McDonald [M]: Okay. Understood. I would appreciate an update once you have made a decision.

Yamamoto [M]: Certainly.

McDonald [M]: Thank you.

Moderator [M]: Thank you. Our next question comes from Kitaura of Morgan Stanley MUFG Securities. Please unmute yourself and proceed.

Kitaura [Q]: This is Kitaura from Morgan Stanley MUFG Securities. Thank you for today's presentation.

My first question concerns the supply chain delays in the defense business that you mentioned earlier. You referred to difficulties procuring certain components. I am not sure how much detail you can provide, but

could you explain the nature of these issues and their potential impact? Your defense business is entering a period of substantial revenue growth as defense spending increases, so I would also like to understand how we should assess the potential impact on that growth.

In addition, other companies have reported supply chain issues affecting factory automation equipment and robots. Are there any similar supply chain difficulties or concerns in your other businesses?

Yamamoto [A]: We are not experiencing any particularly serious difficulties at present. This time, there was a temporary delay in the delivery of certain components, which slowed overall progress.

Kitaura [Q]: Understood. Are there any other businesses where supply constraints could become a concern in fulfilling shipments? You operate across a wide range of businesses, and I imagine capacity constraints may be relevant for products such as gas turbines. But specifically regarding supply chain availability, is there anything investors should be concerned about at present?

Yamamoto [A]: There is no major impact at present. However, as we expand production in various businesses, we fully recognize the need to pay close attention to supply chain capacity and availability.

Kitaura [Q]: Understood. Thank you. My second question concerns energy solution & marine. The Q2 profit margin appears to have reached a very high level, and performance seems extremely strong. You also mentioned earlier that the shipbuilding business is targeting a business profit margin of at least 15% following the planned JPY100 billion investment. How should we think about the longer-term profitability of energy solution & marine? Is it developing into a business capable of achieving margins in the mid-to-high teens, or perhaps eventually exceeding 20%? I would appreciate your comments on the current environment and future profitability potential.

Yamamoto [A]: Profitability in energy solution & marine has been improving substantially. I believe we should be targeting margins above 15%, rather than settling for 10%.

Kitaura [Q]: So you believe there is still further room for improvement?

Yamamoto [A]: Yes, I believe there is considerable room for improvement. We are now building LPG/ammonia carriers that were ordered at progressively higher vessel prices. In that sense, I expect profitability to continue improving.

Kitaura [M]: Understood. Thank you very much. That concludes my questions.

Yamamoto [M]: Thank you.

Moderator [M]: Thank you. That concludes the Q&A session. Finally, Yamamoto will offer a few closing remarks.

Yamamoto [M]: Thank you all very much for taking the time out of your busy schedules to attend our financial results briefing today. We appreciate your continued support and look forward to working with you.

Moderator [M]: This concludes Kawasaki Heavy Industries' financial results briefing. Thank you very much for your participation.

[END]

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