

**Report of Earnings and Financial Statements for the
Six Months Ended September 30, 2024 (Consolidated)**
<IFRS>

November 8, 2024

Listed company's name: **Kawasaki Heavy Industries, Ltd.**
 Listed on: TSE (Prime Market), and NSE (Premier Market)
 Stock code: 7012
 URL: <https://global.kawasaki.com/>
 Representative: Yasuhiko Hashimoto, President and Chief Executive Officer
 Contact: Takashi Torii, Executive Officer, Group Manager, Corporate Communication
 Group Department
 Tel: +81 3-3435-2130

Scheduled dates:
 Submission of semi-annual securities filing: November 8, 2024
 Commencement of dividend payments: December 3, 2024
 Supplementary materials to financial results: Available
 Financial Results presentation: Conducted (for institutional investors, analysts and the press)

(Amounts in millions of yen rounded down to the nearest millions of yen)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024
(April 1, 2024 – September 30, 2024)

(1) Operating Results

(Percentage figures represent changes versus the year-ago period)

| | Revenue | | Business profit | | Profit before tax | | Profit | |
|-------------------------------------|-----------------|------|-----------------|---|-------------------|---|-----------------|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six Months Ended September 30, 2024 | 884,183 | 14.9 | 47,765 | - | 23,736 | - | 14,901 | - |
| Six Months Ended September 30, 2023 | 769,341 | 1.3 | (32,846) | - | (34,471) | - | (22,410) | - |

| | Profit attributable to owners of parent | | Total comprehensive income | | Basic earnings per share | Diluted earnings per share |
|-------------------------------------|---|---|----------------------------|---|--------------------------|----------------------------|
| | Millions of yen | % | Millions of yen | % | yen | yen |
| Six Months Ended September 30, 2024 | 13,667 | - | 12,889 | - | 81.59 | - |
| Six Months Ended September 30, 2023 | (23,346) | - | (2,994) | - | (139.39) | - |

(2) Financial Condition

| | Total assets | Total equity | Equity attributable to owners of parent | Ratio of equity attributable to owners of parent to total assets |
|--------------------------|-----------------|-----------------|---|--|
| | Millions of yen | Millions of yen | Millions of yen | % |
| As of September 30, 2024 | 2,819,241 | 661,958 | 639,944 | 22.7 |
| As of March 31, 2024 | 2,680,176 | 654,549 | 634,090 | 23.7 |

2. Dividends

| Record date or term | Dividend per share | | | | |
|---------------------------------------|----------------------|-----------------------|----------------------|--------------------|-----------|
| | End of first quarter | End of second quarter | End of third quarter | End of fiscal year | Full year |
| | yen | yen | yen | yen | yen |
| Year ended March 31, 2024 | - | 20.00 | - | 30.00 | 50.00 |
| Year ending March 31, 2025 | - | 70.00 | | | |
| Year ending March 31, 2025 (forecast) | | | - | 70.00 | 140.00 |

Note: Revisions to the most recently announced dividend forecast: None

In the Company's articles of incorporation, the dates of record are set as the last day of the fiscal second quarter and the last day of the fiscal year.

3. Forecast of Consolidated Earnings for the Fiscal Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(Percentage figures indicate change compared with the previous fiscal year)

| | Revenue | | Business profit | | Profit before tax | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-----------------|------|-----------------|-------|-------------------|-------|---|-------|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | yen |
| Full year | 2,180,000 | 17.9 | 130,000 | 181.4 | 95,000 | 197.1 | 73,000 | 187.7 | 435.80 |

Note: Revisions to the most recently announced earnings forecast: Yes

Notes

1. Significant changes in the scope of consolidation during the period: None
2. Changes in accounting policies and changes in accounting estimates
 - (1) Changes in accounting policies required by IFRS: None
 - (2) Changes in accounting policies due to other reasons: None
 - (3) Changes in accounting estimates: None
3. Number of shares issued and outstanding (common shares)
 - (1) Number of shares issued as of period-end (including treasury shares)

| | |
|---------------------|--------------------|
| September 30, 2024: | 167,921,800 shares |
| March 31, 2024: | 167,921,800 shares |
 - (2) Number of shares held in treasury as of period-end

| | |
|---------------------|----------------|
| September 30, 2024: | 402,138 shares |
| March 31, 2024: | 420,086 shares |
 - (3) Average number of shares during respective periods

| | |
|---------------------|--------------------|
| September 30, 2024: | 167,504,335 shares |
| September 30, 2023: | 167,484,007 shares |

*** The semi-annual report of earnings and financial statements is exempted from review procedures based on the Financial Instruments and Exchange act.**

***Appropriate Use of Financial Forecasts and Other Important Matters**

Forward-Looking Statements

These materials contain various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based on information available at the time of their preparation, and do not mean that the Company promises to achieve these figures. Actual results may differ from those expressed or implied by forward-looking statements due to a range of factors. For assumptions underlying earnings forecasts and other information regarding the use of such forecasts, refer to “1. Qualitative Information about Financial Statements (3) Consolidated earnings forecast” on page 11 in the Accompanying Materials.

How to Obtain Supplementary Material on Financial Results and Details of the Financial Results

The Company plans to conduct a presentation for institutional investors, analysts and the press on Friday, November 8, 2024, and to post the presentation material on semi-annual financial results to be used for the presentation on TDnet and the Company’s website simultaneously with the announcement of financial results.

Accompanying Materials – Contents

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1. Qualitative Information about Financial Statements

(1) Consolidated operating results

The global economy has remained strong, supported by solid personal consumption, despite the deterioration in employment conditions in the United States. On the other hand, the outlook remains uncertain due to factors such as the prolonged stagnation in China's economy and concerns about an increase in geographical risks, as well as the economic impact of the presidential election in the United States.

In Japan, the domestic demand is expected to continue driving economic recovery moderately, due to factors such as an improvement in personal consumption with an increase in real wages, in addition to the favorable employment and income conditions, and increased capital investment and inbound demand. Nevertheless, we need to keep a close watch on the impact on the economy caused by a global economic downturn, an additional rise in interest rates by the Bank of Japan, and subsequent exchange rate movements.

In this business environment, the Group's consolidated orders received in the first half of this consolidated fiscal year increased as a whole, due to increases mainly in the Aerospace Systems segment and the Precision Machinery & Robot segment, despite a decrease mainly in the Energy Solution & Marine Engineering segment. Consolidated revenue increased from the same period of the previous fiscal year as a whole, due to higher sales mainly in the Aerospace Systems segment, the Energy Solution & Marine Engineering segment, and the Precision Machinery & Robot segment.

Business profit and loss improved year on year mainly due to improvements in the Aerospace Systems segment and the Precision Machinery & Robot segment, despite a decrease in the Powersports & Engine segment. Profit and loss attributable to owners of parent improved year on year mainly due to an improvement in business profit and loss.

As a result, the Group's consolidated orders received increased by ¥34.5 billion year on year to ¥895.3 billion, consolidated revenue increased by ¥114.8 billion year on year to ¥884.1 billion, business profit improved by ¥80.6 billion year on year to ¥47.7 billion, profit before tax improved by ¥58.2 billion year on year to ¥23.7 billion, and profit attributable to owners of parent improved by ¥37.0 billion year on year to ¥13.6 billion.

Regarding an inappropriate incident at the workplace for repairing submarines in the Group as well as a misconduct in the testing of marine engines, the Group has established the Special Compliance Promotion Committee, which is chaired by Representative Director, President and CEO Yasuhiko Hashimoto, and also established each of the Special Investigative Committee of external experts. These committees are working diligently not only to investigate the facts and analyze the root causes of these specific incidents, but also to reform scrupulously the Group's compliance and governance systems, and to enhance the Group's corporate culture.

The Company is currently examining whether these matters will impact its financial results and will immediately reflect in its earnings forecast in case such an impact would be confirmed.

The consolidated operating performance for the first half of the consolidated fiscal year is summarized by segment below.

Segment Information

Segment revenue, business profit (loss), and orders received (billions of yen)

| | Six months ended September 30 | | | | | | Orders received | | |
|--------------------------------------|-------------------------------|------------------------|---------|------------------------|----------------|------------------------|-------------------------------|----------|----------------|
| | 2023(A) | | 2024(B) | | Change (B – A) | | Six months ended September 30 | | |
| | Revenue | Business profit (loss) | Revenue | Business profit (loss) | Revenue | Business profit (loss) | 2023 (A) | 2024 (B) | Change (B – A) |
| Aerospace Systems | 129.2 | (52.7) | 234.1 | 25.3 | 104.9 | 78.1 | 193.2 | 209.9 | 16.7 |
| Rolling Stock | 84.1 | 0.3 | 87.0 | 1.6 | 2.9 | 1.3 | 30.1 | 27.8 | (2.2) |
| Energy Solution & Marine Engineering | 147.8 | 8.5 | 159.9 | 12.0 | 12.1 | 3.5 | 218.4 | 211.0 | (7.3) |
| Precision Machinery & Robot | 103.0 | (4.6) | 109.4 | 1.9 | 6.4 | 6.5 | 103.0 | 124.6 | 21.6 |
| Powersports & Engine | 267.1 | 23.1 | 253.3 | 14.9 | (13.8) | (8.2) | 267.1 | 253.3 | (13.8) |
| Other | 37.9 | 0.5 | 40.1 | 1.6 | 2.2 | 1.0 | 48.8 | 68.4 | 19.6 |
| Adjustments | - | (8.0) | - | (9.8) | - | (1.7) | - | - | - |
| Total | 769.3 | (32.8) | 884.1 | 47.7 | 114.8 | 80.6 | 860.8 | 895.3 | 34.5 |

Notes: 1. Revenue includes only sales to external customers.

2. The Powersports & Engine segment's orders received are equal to its revenue as production is based mainly on estimated demand.

Aerospace Systems

Regarding the business environment surrounding the Aerospace Systems segment, demand from Ministry of Defense in Japan is expected to increase continuously under the Ministry of Defense's policy of drastic strengthening of defense capabilities. With respect to commercial aircraft, although there are concerns about effects of Boeing strike in the future, air passenger demand has increased compared to the previous fiscal year and recovered significantly.

Amid such an operating environment, consolidated orders received increased by ¥16.7 billion to ¥209.9 billion compared to the same period of the previous fiscal year, when there were losses related to the in-service issues of jet engines for commercial aircraft, despite a decrease in orders received from Ministry of Defense in Japan.

Consolidated revenue increased by ¥104.9 billion to ¥234.1 billion due to increases mainly in sales for Ministry of Defense in Japan and component parts of jet engines for commercial aircraft compared to the same period of the previous fiscal year, when there were losses related to the in-service issues of jet engines for commercial aircraft.

Business profit came to ¥25.3 billion, improving ¥78.1 billion year on year, mainly due to an increase in the revenue.

Rolling Stock

Regarding the business environment surrounding the Rolling Stock segment, the number of railway passengers has recovered to approximately 90% of pre-COVID level due to the resurgence of inbound tourists, and investments in rolling stock have resumed in Japan. On the other hand, we need to keep a close watch on the effect of increasing time for procurement of equipment, mainly electronic components, and a hike in prices. In the medium and long term, however, relatively stable growth is expected around the world due to development of urban transportation in overseas markets, as well as demand for railway infrastructure following economic development in Asian countries.

Amid such an operating environment, consolidated orders received decreased by ¥2.2 billion year on year to ¥27.8 billion.

Consolidated revenue increased by ¥2.9 billion year on year to ¥87.0 billion mainly due to an increase in sales for the United States, despite a decrease in sales for the domestic and Asian markets.

Business profit came to ¥1.6 billion, increasing ¥1.3 billion year on year, mainly due to an increase in the revenue.

Energy Solution & Marine Engineering

The business environment surrounding the Energy Solution & Marine Engineering segment has been strongly influenced by the worldwide trend toward achieving carbon neutrality. As a result, contacts and requests for cooperation are increasing regarding decarbonization solutions, including hydrogen products which are a key strength of the Company. Also, demand for distributed power

sources in Japan and overseas, as well as the need for energy infrastructure development in emerging countries, remain strong, while there is ongoing demand for the replacement of aging facilities for refuse incineration plants in Japan. On the other hand, besides the uncertainty about the current situation, such as the stability of fuel gas supply required for the operation of power generation facilities, it is necessary to pay attention to the impact on orders and revenues due to the recent persistently high prices of raw material, equipment, and fuel.

Amid such an operating environment, consolidated orders received decreased by ¥7.3 billion year on year to ¥211.0 billion mainly due to a decrease in large-scale projects for the domestic waste disposal facilities maintenance and operation business and a decrease in orders for industrial gas turbine equipment, despite orders for LPG/NH₃ carriers.

Consolidated revenue increased by ¥12.1 billion year on year to ¥159.9 billion mainly due to higher sales from large-scale projects for the domestic waste disposal facilities maintenance and operation business as well as higher sales of naval ships equipment for Ministry of Defense in Japan.

Business profit came to ¥12.0 billion, increasing ¥3.5 billion year on year, mainly due to an increase in the revenue and an increase in share of profit of investments accounted for using equity method.

Precision Machinery & Robot

Regarding the business environment surrounding the Precision Machinery & Robot segment, in the precision machinery field, the performance was slightly weak mainly in the European and U.S. markets. However, the Chinese construction machinery market, where the demand had continued to decline due to factors such as the prolonged real estate recession, shows signs of bottoming out, mainly in small machines. In the robotics field, prices and demand have bottomed out in the semiconductor memory market. Demand for robots for semiconductor manufacturing equipment has recovered from the second half of the previous fiscal year, while capturing new growth in AI related and other areas. Meanwhile, business conditions in China, the biggest consumer country for the general industrial robots, remain sluggish, but demand for automation is surely increasing due to a rise in labor costs and labor shortages.

Amid such an operating environment, consolidated orders received increased by ¥21.6 billion year on year to ¥124.6 billion mainly due to increases in hydraulic equipment for the Chinese construction machinery market and robots for semiconductor manufacturing equipment.

Consolidated revenue increased by ¥6.4 billion year on year to ¥109.4 billion mainly due to higher sales of robots for semiconductor manufacturing equipment and also higher sales in the precision machinery field.

Business profit came to ¥1.9 billion, improving ¥6.5 billion year on year, mainly due to an increase in profit resulting from an increase in the revenue, as well as the profit improvement activities such as price pass-through that the Company promoted.

Powersports & Engine

Regarding the business environment surrounding the Powersports & Engine segment, although demand for motorcycles has continued to be strong in the major markets, the United States and Europe, demand for four-wheeled vehicles is on a downward trend. The market in Southeast Asia is still at a low level, despite recovery shown for some cases. In addition, demand in the Chinese market has declined due to the impact of the economic downturn.

Amid such an operating environment, consolidated revenue decreased by ¥13.8 billion year on year to ¥253.3 billion due to a temporary decline in four-wheeled vehicles for North America because of recalls and production delay, despite an increase in the revenue resulting from an increase in motorcycles and a weaker yen on foreign exchange rates.

Business profit decreased by ¥8.2 billion year on year to ¥14.9 billion mainly due to a decrease in the revenue and an increase in fixed costs.

Other Operations

Consolidated revenue increased by ¥2.2 billion year on year to ¥40.1 billion.

Business profit came to ¥1.6 billion, increasing ¥1.0 billion year on year.

In the Group Vision 2030, the Group will focus on three fields; “A Safe and Secure Remotely Connected Society,” “Near-Future Mobility” and “Energy and Environmental Solutions,” and is making steady progress in creating solutions to social issues, such as the medical and healthcare business including surgical support robots and the commercialization of delivery robots and unmanned transport helicopters, as well as the promotion of hydrogen business, CO₂ separation and capture business and electrification to realize a carbon neutral society at an early date.

Furthermore, the Group cooperates in providing supports for areas affected by severe damage, such as earthquakes and heavy rains, and enhances support packages that can respond to various natural disasters, which are becoming increasingly likely in the future.

(2) Consolidated financial condition

Assets, liabilities, and equity

1. Assets

Current assets were ¥1,851.1 billion, ¥124.1 billion increase from the previous fiscal year mainly due to an increase in inventories.

Non-current assets were ¥968.1 billion, ¥14.8 billion increase from the previous fiscal year mainly due to an increase in property, plant and equipment.

As a result, total assets were ¥2,819.2 billion, ¥139.0 billion increase from the previous fiscal year.

2. Liabilities

Interest-bearing debt was ¥840.0 billion, ¥186.1 billion increase from the previous fiscal year.

Liabilities were ¥2,157.2 billion, ¥131.6 billion increase from the previous fiscal year mainly due to an increase in interest-bearing debt.

3. Equity

Equity was ¥661.9 billion, ¥7.4 billion increase from the previous fiscal year mainly due to the recording of profit attributable to owners of parent.

Cash flows

Cash and cash equivalents (Hereinafter referred to as “net cash”) in the first half of this consolidated fiscal year were ¥127.3 billion, an increase of ¥41.9 billion compared to the same period of the previous fiscal year. The cash flow situations and relevant factors in the first half of this consolidated fiscal year are stated below.

1. Cash flows from operating activities

Cash outflows from operating activities were ¥36.9 billion, a decrease of ¥21.5 billion compared to the same period of the previous fiscal year. Major sources of operating cash flows included a decrease in trade and other receivables of ¥94.9 billion and depreciation and amortization of ¥42.8 billion. Major uses of operating cash flows included an increase in inventories of ¥119.4 billion and an increase in advance payment of ¥49.7 billion.

2. Cash flows from investing activities

Investing activities used net cash of ¥49.7 billion, which is ¥1.6 billion more than in the same period of the previous fiscal year. This was mainly due to purchase of property, plant and equipment.

3. Cash flows from financing activities

Financing activities provided net cash of ¥123.8 billion, which is ¥106.2 billion more than in the same period of the previous fiscal year. This was mainly due to net increase in short-term borrowings.

(3) Consolidated earnings forecast

With respect to the earnings forecasts for the fiscal year ending March 31, 2025, despite growing profitability of commercial engines in the Aerospace Systems segment, and an increase in share of profit of investments accounted for using equity method in the Ship & Offshore Structure business in the Energy Solution & Marine Engineering segment, the Company expects revenue of ¥2,180.0 billion, which is ¥70.0 billion decrease from the previous forecast, and business profit of ¥130.0 billion, which has been left unchanged from the previous forecast, due to the revision of sales plan for component parts for Boeing and lower sales of four-wheeled vehicles for North America in the Powersports & Engine segment.

Reflecting the impact of the difference between the prevailing exchange rate and the assumed exchange rate, and other factors, in finance income and costs, the Company expects profit before tax of ¥95.0 billion, which is ¥15.0 billion decrease from the previous forecast, and profit attributable to owners of parent of ¥73.0 billion, which is ¥5.0 billion decrease from the previous forecast. However, considering consolidated dividend payout ratio, the annual dividend forecast remains unchanged at ¥140. The Company expects after-tax ROIC of 6.5% and ROE of 11.2%.

The forecast of consolidated orders received is expected to be ¥2,430.0 billion, which is ¥20.0 billion increase from the previous forecast, mainly due to an increase in orders for LPG/NH3 carriers in the Energy Solution & Marine Engineering segment, despite lower sales of four-wheeled vehicles for North America in the Powersports & Engine segment.

The exchange rates assumed in this forecast are ¥140 to the U.S. dollar and ¥150 to the euro.

Note regarding consolidated earnings forecast

The above earnings forecast is based on information available at the time of preparation, and includes risks and uncertainties. We therefore discourage making investment decisions depending solely on this forecast. Please note that actual earnings may differ materially from this forecast, due to a variety of important factors stemming from changes in the external environment and/or the Company's internal environment. Important factors that impact actual operating performance include, but are not limited to, the economic situation surrounding the Company's scope of business, foreign exchange rates, in particular the yen/dollar exchange rate, tax codes and other regulatory system-related issues.

2. Condensed Semi-Annual Consolidated Financial Statements and Notes

(1) Condensed Semi-Annual Consolidated Statement of Financial Position

| | Millions of yen | |
|--|-------------------------|-----------------------------|
| | As of March 31, 2024 | As of September 30, 2024 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 84,153 | 127,394 |
| Trade and other receivables | 681,030 | 571,949 |
| Contract assets | 136,706 | 149,505 |
| Inventories | 710,207 | 820,738 |
| Income taxes receivable | 2,158 | 302 |
| Other financial assets | 11,024 | 19,203 |
| Other current assets | 101,644 | 162,015 |
| Total current assets | 1,726,925 | 1,851,108 |
| Non-current assets | | |
| Property, plant and equipment | 496,331 | 508,996 |
| Intangible assets | 69,617 | 70,627 |
| Right-of-use assets | 64,824 | 65,937 |
| Investments accounted for using equity method | 90,954 | 100,800 |
| Other financial assets | 80,762 | 71,351 |
| Deferred tax assets | 117,452 | 118,896 |
| Other non-current assets | 33,307 | 31,521 |
| Total non-current assets | 953,250 | 968,132 |
| Total assets | 2,680,176 | 2,819,241 |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 521,734 | 515,176 |
| Bonds, borrowings and other financial liabilities | 453,694 | 638,256 |
| Income taxes payable | 7,928 | 11,390 |
| Contract liabilities | 265,468 | 288,075 |
| Provisions | 34,242 | 32,100 |
| Refund liabilities | 72,518 | 63,850 |
| Other current liabilities | 185,902 | 171,553 |
| Total current liabilities | 1,541,489 | 1,720,403 |
| Non-current liabilities | | |
| Bonds, borrowings and other financial liabilities | 391,539 | 341,586 |
| Retirement benefit liability | 74,604 | 76,709 |
| Provisions | 957 | 968 |
| Deferred tax liabilities | 707 | 636 |
| Other non-current liabilities | 16,327 | 16,978 |
| Total non-current liabilities | 484,137 | 436,879 |
| Total liabilities | 2,025,626 | 2,157,282 |
| Equity | | |
| Equity attributable to owners of parent | | |
| Share capital | 104,484 | 104,484 |
| Capital surplus | 56,455 | 56,456 |
| Retained earnings | 405,156 | 413,597 |
| Treasury shares | (1,060) | (1,020) |
| Other components of equity | 69,054 | 66,426 |
| Total equity attributable to owners of parent | 634,090 | 639,944 |
| Non-controlling interests | 20,459 | 22,013 |
| Total equity | 654,549 | 661,958 |
| Total liabilities and equity | 2,680,176 | 2,819,241 |

**(2) Condensed Semi-Annual Consolidated Statement of Profit and Loss and
Condensed Semi-Annual Consolidated Statement of Comprehensive Income**

Condensed Semi-Annual Consolidated Statement of Profit and Loss

| | Millions of yen | |
|--|--|--|
| | Six months ended September 30, 2023 | Six months ended September 30, 2024 |
| Revenue | 769,341 | 884,183 |
| Cost of sales | 680,925 | 697,547 |
| Gross profit | 88,415 | 186,636 |
| Selling, general and administrative expenses | 128,239 | 147,100 |
| Share of profit of investments accounted for using equity method | 6,540 | 8,557 |
| Other income | 2,695 | 2,316 |
| Other expenses | 2,259 | 2,643 |
| Business profit (loss) | (32,846) | 47,765 |
| Finance income | 4,624 | 1,331 |
| Finance costs | 6,249 | 25,361 |
| Profit (loss) before tax | (34,471) | 23,736 |
| Income tax expense | (12,061) | 8,835 |
| Profit (loss) | (22,410) | 14,901 |
| Profit (loss) attributable to: | | |
| Owners of parent | (23,346) | 13,667 |
| Non-controlling interests | 935 | 1,233 |
| Earnings per share | | |
| Basic earnings (loss) per share | (139.39) | 81.59 |

Condensed Semi-Annual Consolidated Statement of Comprehensive Income

| | Millions of yen | |
|--|--|--|
| | Six months ended September 30, 2023 | Six months ended September 30, 2024 |
| Profit (loss) | (22,410) | 14,901 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Financial assets measured at fair value through other comprehensive income | 2,478 | (2,821) |
| Remeasurements of defined benefit plans | (24) | 309 |
| Share of other comprehensive income of investments accounted for using equity method | 1 | 0 |
| Total of items that will not be reclassified to profit or loss | 2,455 | (2,511) |
| Items that may be reclassified to profit or loss | | |
| Cash flow hedges | (6,543) | 2,143 |
| Exchange differences on translation of foreign operations | 20,691 | (2,397) |
| Share of other comprehensive income of investments accounted for using equity method | 2,812 | 754 |
| Total of items that may be reclassified to profit or loss | 16,959 | 499 |
| Total other comprehensive income | 19,415 | (2,012) |
| Comprehensive income (loss) | (2,994) | 12,889 |
| Comprehensive income (loss) attributable to: | | |
| Owners of parent | (4,722) | 11,239 |
| Non-controlling interests | 1,727 | 1,649 |

(3) Condensed Semi-Annual Consolidated Statement of Changes in Equity

For six months ended September 30, 2023 (April 1, 2023 – September 30, 2023)

Millions of yen

| | Equity attributable to owners of parent | | | | | |
|---|---|-----------------|-------------------|-----------------|---|--|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Other components of equity | |
| | | | | | Remeasurements of defined benefit plans | Financial assets measured at fair value through other comprehensive income |
| Balance as of April 1, 2023 | 104,484 | 55,716 | 380,255 | (1,107) | - | 4,109 |
| Profit (loss) | | | (23,346) | | | |
| Other comprehensive income | | | | | (14) | 2,430 |
| Comprehensive income (loss) | | | (23,346) | | (14) | 2,430 |
| Purchase of treasury shares | | | | (3) | | |
| Disposal of treasury shares | | 0 | | 45 | | |
| Dividends | | | (10,072) | | | |
| Transfer to retained earnings | | | (20) | | 14 | 5 |
| Change in scope of consolidation | | | (1) | | | |
| Capital increase of consolidated subsidiaries | | | | | | |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 717 | | | | |
| Transfer to non-financial assets | | | | | | |
| Total transactions with owners | | 717 | (10,093) | 41 | 14 | 5 |
| Balance as of September 30, 2023 | 104,484 | 56,433 | 346,815 | (1,065) | - | 6,545 |

| | Equity attributable to owners of parent | | | | Non-controlling interests | Total |
|---|---|---|--------|---|---------------------------|----------|
| | Other components of equity | | | Total equity attributable to owners of parent | | |
| | Cash flow hedges | Exchange differences on translation of foreign operations | Total | | | |
| Balance as of April 1, 2023 | 676 | 32,066 | 36,852 | 576,201 | 20,670 | 596,872 |
| Profit (loss) | | | | (23,346) | 935 | (22,410) |
| Other comprehensive income | (6,669) | 22,877 | 18,624 | 18,624 | 791 | 19,415 |
| Comprehensive income (loss) | (6,669) | 22,877 | 18,624 | (4,722) | 1,727 | (2,994) |
| Purchase of treasury shares | | | | (3) | | (3) |
| Disposal of treasury shares | | | | 45 | | 45 |
| Dividends | | | | (10,072) | (581) | (10,654) |
| Transfer to retained earnings | | | 20 | - | | - |
| Change in scope of consolidation | | | | (1) | | (1) |
| Capital increase of consolidated subsidiaries | | | | - | | - |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | 717 | (1,901) | (1,184) |
| Transfer to non-financial assets | (336) | | (336) | (336) | | (336) |
| Total transactions with owners | (336) | | (316) | (9,651) | (2,483) | (12,135) |
| Balance as of September 30, 2023 | (6,328) | 54,943 | 55,160 | 561,828 | 19,914 | 581,742 |

For six months ended September 30, 2024 (April 1, 2024 – September 30, 2024)

Millions of yen

| | Equity attributable to owners of parent | | | | | |
|---|---|-----------------|-------------------|-----------------|---|--|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Other components of equity | |
| | | | | | Remeasurements of defined benefit plans | Financial assets measured at fair value through other comprehensive income |
| Balance as of April 1, 2024 | 104,484 | 56,455 | 405,156 | (1,060) | - | 10,407 |
| Profit (loss) | | | 13,667 | | | |
| Other comprehensive income | | | | | 258 | (2,805) |
| Comprehensive income (loss) | | | 13,667 | | 258 | (2,805) |
| Purchase of treasury shares | | | | (5) | | |
| Disposal of treasury shares | | 0 | | 45 | | |
| Dividends | | | (5,036) | | | |
| Transfer to retained earnings | | | (189) | | (258) | 448 |
| Change in scope of consolidation | | | | | | |
| Capital increase of consolidated subsidiaries | | | | | | |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | |
| Transfer to non-financial assets | | | | | | |
| Total transactions with owners | | 0 | (5,226) | 40 | (258) | 448 |
| Balance as of September 30, 2024 | 104,484 | 56,456 | 413,597 | (1,020) | - | 8,051 |

| | Equity attributable to owners of parent | | | | Non-controlling interests | Total |
|---|---|---|---------|---|---------------------------|---------|
| | Other components of equity | | | Total equity attributable to owners of parent | | |
| | Cash flow hedges | Exchange differences on translation of foreign operations | Total | | | |
| Balance as of April 1, 2024 | 355 | 58,291 | 69,054 | 634,090 | 20,459 | 654,549 |
| Profit (loss) | | | | 13,667 | 1,233 | 14,901 |
| Other comprehensive income | 2,356 | (2,238) | (2,428) | (2,428) | 415 | (2,012) |
| Comprehensive income (loss) | 2,356 | (2,238) | (2,428) | 11,239 | 1,649 | 12,889 |
| Purchase of treasury shares | | | | (5) | | (5) |
| Disposal of treasury shares | | | | 46 | | 46 |
| Dividends | | | | (5,036) | (458) | (5,494) |
| Transfer to retained earnings | | | 189 | - | | - |
| Change in scope of consolidation | | | | - | | - |
| Capital increase of consolidated subsidiaries | | | | - | 363 | 363 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | - | | - |
| Transfer to non-financial assets | (390) | | (390) | (390) | | (390) |
| Total transactions with owners | (390) | | (200) | (5,385) | (95) | (5,480) |
| Balance as of September 30, 2024 | 2,321 | 56,053 | 66,426 | 639,944 | 22,013 | 661,958 |

(4) Condensed Semi-Annual Consolidated Statement of Cash Flow

| | Millions of yen | |
|--|--|--|
| | Six months ended September 30, 2023 | Six months ended September 30, 2024 |
| Cash flows from operating activities | | |
| Profit (loss) | (22,410) | 14,901 |
| Depreciation and amortization | 43,525 | 42,847 |
| Impairment losses | 287 | - |
| Finance income and finance costs | 4,946 | 8,281 |
| Share of loss (profit) of investments accounted for using equity method | (6,540) | (8,557) |
| Loss (gain) on sale of fixed assets | (38) | (305) |
| Income tax expense | (12,061) | 8,835 |
| Increase (decrease) in retirement benefit liability | 2,001 | 2,598 |
| Decrease (increase) in trade and other receivables | (1,366) | 94,918 |
| Decrease (increase) in contract assets | 30,359 | (12,798) |
| Decrease (increase) in inventories | (48,843) | (119,466) |
| Increase (decrease) in trade and other payables | (1,798) | (10,122) |
| Decrease (increase) in advance payment | (502) | (49,781) |
| Increase (decrease) in contract liabilities | (18) | 24,909 |
| Increase (decrease) in refund liability | 55,596 | (8,179) |
| Decrease (increase) in other current assets | (10,936) | (11,450) |
| Increase (decrease) in other current liabilities | (18,104) | (11,970) |
| Other | (9,037) | 16,128 |
| Subtotal | <u>5,059</u> | <u>(19,211)</u> |
| Interest received | 984 | 1,104 |
| Dividends received | 289 | 439 |
| Interest paid | (3,576) | (6,476) |
| Income taxes paid | (18,197) | (12,807) |
| Net cash provided by (used in) operating activities | <u>(15,440)</u> | <u>(36,952)</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (40,752) | (43,337) |
| Proceeds from sale of property, plant and equipment | 1,152 | 1,796 |
| Purchase of intangible assets | (7,704) | (6,072) |
| Proceeds from sale of intangible assets | 63 | 105 |
| Payments for equity method investment and purchase of other financial assets | (186) | (873) |
| Proceeds from equity method investment and sale of other financial assets | 1 | 1,903 |
| Other | (668) | (3,299) |
| Net cash provided by (used in) investing activities | <u>(48,094)</u> | <u>(49,777)</u> |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 143,600 | 215,072 |
| Repayments of lease liabilities | (7,299) | (10,523) |
| Proceeds from long-term borrowings | - | 9,072 |
| Repayments of long-term borrowings | (4,040) | (14,000) |
| Redemption of bonds | (30,000) | (20,000) |
| Dividends paid | (10,041) | (5,036) |
| Proceeds from factoring agreements | 9,002 | 15,429 |
| Repayment of liabilities under factoring agreements | (75,643) | (58,986) |
| Dividends paid to non-controlling interests | (581) | (458) |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | (1,194) | - |
| Other | (6,195) | (6,680) |
| Net cash provided by (used in) financing activities | <u>17,604</u> | <u>123,889</u> |
| Effect of exchange rate changes on cash and cash equivalents | (7,075) | 6,081 |
| Net increase (decrease) in cash and cash equivalents | <u>(53,006)</u> | <u>43,241</u> |
| Cash and cash equivalents at beginning of period | <u>138,420</u> | <u>84,153</u> |
| Cash and cash equivalents at end of period | <u>85,414</u> | <u>127,394</u> |

(5) Notes Concerning Condensed Semi-Annual Consolidated Financial Statements

Notes on the going-concern assumption

Not applicable.

Segment information

For six months ended September 30, 2023 (April 1, 2023 – September 30, 2023)

| Millions of yen | | | | | | | | | |
|---------------------------------------|-------------------|---------------|--------------------------------------|-----------------------------|----------------------|--------|----------|-------------------------------|--------------------|
| | Aerospace Systems | Rolling Stock | Energy Solution & Marine Engineering | Precision Machinery & Robot | Powersports & Engine | Other | Total | Eliminations and corporate *2 | Consolidated total |
| Revenue from external customers | 129,204 | 84,162 | 147,826 | 103,024 | 267,169 | 37,954 | 769,341 | - | 769,341 |
| Intersegment revenue and transfers *1 | 5,089 | 13 | 10,304 | 7,453 | 556 | 10,528 | 33,945 | (33,945) | - |
| Total revenue | 134,293 | 84,175 | 158,130 | 110,477 | 267,726 | 48,482 | 803,286 | (33,945) | 769,341 |
| Business profit (loss) *3 | (52,728) | 335 | 8,556 | (4,620) | 23,144 | 541 | (24,770) | (8,075) | (32,846) |
| Finance income | | | | | | | | | 4,624 |
| Finance costs | | | | | | | | | (6,249) |
| Profit (loss) before tax | | | | | | | | | (34,471) |

Notes: 1. Intersegment revenue and transfers are made with reference to prevailing market prices.

2. Eliminations and corporate of negative ¥8,075 million include negative ¥393 million for intersegment transactions and negative ¥7,682 million for general and administrative expenses not attributed reportable segments.

3. Business profit (loss) is calculated by deducting cost of sales, selling, general and administrative expenses, share of profit and loss of investments accounted for using equity method, other income, and other expenses from revenue.

For six months ended September 30, 2024 (April 1, 2024 – September 30, 2024)

| Millions of yen | | | | | | | | | |
|---------------------------------------|-------------------|---------------|--------------------------------------|-----------------------------|----------------------|--------|---------|-------------------------------|--------------------|
| | Aerospace Systems | Rolling Stock | Energy Solution & Marine Engineering | Precision Machinery & Robot | Powersports & Engine | Other | Total | Eliminations and corporate *2 | Consolidated total |
| Revenue from external customers | 234,149 | 87,076 | 159,998 | 109,464 | 253,332 | 40,162 | 884,183 | - | 884,183 |
| Intersegment revenue and transfers *1 | 10,185 | 40 | 10,850 | 8,257 | 519 | 13,507 | 43,361 | (43,361) | - |
| Total revenue | 244,335 | 87,117 | 170,849 | 117,721 | 253,851 | 53,670 | 927,545 | (43,361) | 884,183 |
| Business profit (loss) *3 | 25,377 | 1,664 | 12,062 | 1,923 | 14,926 | 1,613 | 57,567 | (9,801) | 47,765 |
| Finance income | | | | | | | | | 1,331 |
| Finance costs | | | | | | | | | (25,361) |
| Profit (loss) before tax | | | | | | | | | 23,736 |

Notes: 1. Intersegment revenue and transfers are made with reference to prevailing market prices.

2. Eliminations and corporate of negative ¥9,801 million include negative ¥236 million for intersegment transactions and negative ¥9,564 million for general and administrative expenses not attributed reportable segments.

3. Business profit (loss) is calculated by deducting cost of sales, selling, general and administrative expenses, share of profit and loss of investments accounted for using equity method, other income, and other expenses from revenue.

Material subsequent events

Conclusion of material agreements

1. Details of the event

The Company has resolved at its Board of Directors meeting held on November 8, 2024 that the Company will transfer 20% of the outstanding shares of its consolidated subsidiary Kawasaki Motors, Ltd. (Hereinafter referred to as “Kawasaki Motors”) owned by the Company to Kawasaki Motors (Hereinafter referred to as “the Share Transfer”), and that Kawasaki Motors will conduct a third-party allotment to ITOCHU Corporation whereby 20% of the outstanding shares of Kawasaki Motors will be allocated to ITOCHU Corporation (Hereinafter referred to as “the Third-party Allotment”). The three companies entered into a share subscription agreement on the same date, and in accordance with the agreement, each transaction is expected to be executed in April 2025. Even after these transactions, Kawasaki Motors will remain a consolidated subsidiary of the Company.

Overview of the Share Transfer

| | |
|--|--|
| (1) The number of shares retained by the Company prior to the Share Transfer | 20,000 shares (100% voting rights ownership) |
| (2) Number of shares to be transferred | 4,000 shares |
| (3) Transfer price | ¥80.0 billion |
| (4) Date of transfer | April 1, 2025 (expected) |

Overview of the Third-party Allotment

| | |
|---|---|
| (1) Number of shares to be allotted | 4,000 shares (100% voting rights ownership) |
| (2) Amount to be paid in | ¥80.0 billion |
| (3) Number of shares issued after the allotment | 20,000 shares |
| (4) Date of payment | April 1, 2025 (expected) |
| (5) The number of shares retained by the Company following the Share Transfer and the Third-party Allotment | 16,000 shares (approximately 80% voting rights ownership) |

2. Effect of the event on financial results

Due to this event, the Company expects to record gain on sale of shares of subsidiaries and associates of approximately ¥70.0 billion as extraordinary income for the non-consolidated financial results for the fiscal year ending March 31, 2026. As Kawasaki Motors will remain a consolidated subsidiary of the Company even after this transaction, the impact on consolidated profit and loss will be minor.

3. Supplementary information

(1) Supplementary information on consolidated earnings forecasts for the fiscal year ending March 31, 2025

(i) Revenue and business profit (loss)

Billions of yen

| Reportable segment | Forecast for the year ending March 31, 2025 (fiscal 2024) | | | | | | Year ended March 31, 2024 (fiscal 2023) (Actual) | |
|--------------------------------------|---|------------------------|------------------------------------|------------------------|----------------|------------------------|--|------------------------|
| | Revised forecast (A) | | Forecast issued August 6, 2024 (B) | | Change (A – B) | | Revenue | Business profit (loss) |
| | Revenue | Business profit (loss) | Revenue | Business profit (loss) | Revenue | Business profit (loss) | | |
| Aerospace Systems | 570.0 | 52.0 | 580.0 | 45.0 | (10.0) | 7.0 | 396.1 | (15.0) |
| Rolling Stock | 210.0 | 7.0 | 210.0 | 7.0 | - | - | 195.9 | 3.7 |
| Energy Solution & Marine Engineering | 400.0 | 32.0 | 410.0 | 30.0 | (10.0) | 2.0 | 353.2 | 31.9 |
| Precision Machinery & Robot | 240.0 | 8.0 | 230.0 | 7.0 | 10.0 | 1.0 | 227.9 | (1.9) |
| Powersports & Engine | 660.0 | 51.0 | 720.0 | 68.0 | (60.0) | (17.0) | 592.4 | 48.0 |
| Other | 100.0 | 5.0 | 100.0 | 5.0 | - | - | 83.5 | 1.1 |
| Adjustments | | (25.0) | | (32.0) | | 7.0 | | (21.7) |
| Total | 2,180.0 | 130.0 | 2,250.0 | 130.0 | (70.0) | - | 1,849.2 | 46.2 |

(ii) Orders received

Billions of yen

| Reportable segment | Forecast for the year ending March 31, 2025 (fiscal 2024) | | | Year ended March 31, 2024 (fiscal 2023) (Actual) |
|--------------------------------------|---|------------------------------------|----------------|--|
| | Revised forecast (A) | Forecast issued August 6, 2024 (B) | Change (A – B) | |
| Aerospace Systems | 770.0 | 790.0 | (20.0) | 692.6 |
| Rolling Stock | 160.0 | 160.0 | - | 88.7 |
| Energy Solution & Marine Engineering | 500.0 | 400.0 | 100.0 | 401.6 |
| Precision Machinery & Robot | 240.0 | 240.0 | - | 213.3 |
| Powersports & Engine | 660.0 | 720.0 | (60.0) | 592.4 |
| Other | 100.0 | 100.0 | - | 94.5 |
| Total | 2,430.0 | 2,410.0 | 20.0 | 2,083.4 |

Note: 1. Assumed exchange rate for the fiscal year ending March 31, 2025: ¥140/USD, ¥150/EUR

2. The Powersports & Engine segment's orders received are equal to its revenue as production is based mainly on estimated demand.