Report of Earnings and Financial Statements for the Three Months Ended June 30, 2026 (Consolidated)

<IFRS>

August 7, 2026

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:	Hiroyuki Katsuno, Group Manager, Corporate Communication Group Department
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Scheduled dates:	
Commencement of dividend payments:	-
Preparation of supplementary materials on financial results:	Yes
Holding of financial results presentation:	Yes (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 Three Months Ended June 30, 2026 (April 1, 2026 - June 30, 2026)

(1) Operating Results (Percentages indicate year-on-year changes.)

	Revenue		Business Profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2026	543,576	11.3	35,752	74.3	34,798	106.8	18,776	156.4
Three months ended June 30, 2025	488,440	10.0	20,513	21.1	16,824	(35.0)	7,322	(54.1)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%		
Three months ended June 30, 2026	15,663	269.0	26,225	743.1	18.74	-
Three months ended June 30, 2025	4,244	(72.4)	3,110	(89.3)	5.07	-

Note: On April 1, 2026, the Company carried out a stock split of common shares at a 5-for-1 ratio. Basic earnings per share has been calculated assuming that the stock split was conducted at the beginning of the fiscal year ended March 31, 2026.

(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 June 30, 2026	3,265,591	956,555	885,143	27.1
As of March 31, 2026	3,324,623	948,494	878,121	26.4

2. Dividends

Record date or term	Dividend per share				
	1Q	2Q	3Q	Year-end	Total
	yen	yen	yen	yen	yen
Year ended March 31, 2026	-	75.0	-	96.0	171.0
Year ending March 31, 2027	-				
Year ending March 31, 2027 (forecast)		20.0	-	20.0	40.0

Note: 1. Revisions to the most recently announced dividend forecast: None
2. 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. On April 1, 2026, the Company carried out a stock split of common shares at a 5-for-1 ratio.
The amounts shown for FY2026 is the actual amounts of dividends paid before the stock split.

3. Forecast of Consolidated Earnings for the Fiscal Year Ending March 31, 2027 (April 1, 2026 - March 31, 2027)

(Percentages indicate year-on-year changes.)

	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	2,560,000	10.8	180,000	24.0	157,000	7.9	115,000	6.3	133.12

Note:1. Revisions to the most recently announced earnings forecast: Yes
2. On April 1, 2026, the Company carried out a stock split of common shares at a 5-for-1 ratio.
The basic earnings per share in the Consolidated Financial Results Forecasts for FY2026 takes into account the impact of this stock split.

Notes

1. Changes affecting the status of material subsidiaries (scope of consolidation): 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)

June 30, 2026:	839,609,000	shares
March 31, 2026:	839,609,000	shares

(2) Number of shares held in treasury as of period-end

June 30, 2026:	3,761,613	shares
March 31, 2026:	3,760,940	shares

(3) Average number of shares during respective periods

June 30, 2026:	835,847,471	shares
June 30, 2025:	835,682,501	shares

Note: On April 1, 2026, the Company carried out a stock split of common shares at a 5-for-1 ratio. Basic earnings per share has been calculated assuming that the stock split was conducted at the beginning of the fiscal year ended March 31, 2026.

*** Review of the accompanying quarterly consolidated financial statements by a certified public accountant or an auditing firm: None**

*** 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.

The Company has implemented an international offering of 37,350,000 shares of common stock with a payment date of July 22, 2026. Basic earnings per share in the full-year consolidated financial forecast for the year ending March 31, 2027 has been calculated assuming an increase in the number of common shares resulting from the international offering.

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, August 7, 2026, and to post the presentation material on 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

1. Qualitative Information about Financial Statements

The overview of the consolidated operating results, consolidated financial position, and consolidated earnings forecast is provided in the "Financial Results for First Quarter FY2026" made available today(August 7,2026) on our Company's official website (https://global.kawasaki.com).

2. Condensed Quarterly Consolidated Financial Statements and Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2026	**As of June 30, 2026**
Assets		
Current assets		
Cash and cash equivalents	115,414	**73,293**
Trade and other receivables	880,387	**789,955**
Contract assets	199,776	**208,945**
Inventories	822,169	**863,804**
Income taxes receivable	1,920	**2,275**
Other financial assets	16,951	**17,494**
Other current assets	201,354	**227,006**
Subtotal	2,237,974	**2,182,776**
Assets held for sale	18,065	**4,680**
Total current assets	2,256,039	**2,187,456**
Non-current assets		
Property, plant and equipment	542,937	**544,081**
Intangible assets	82,519	**84,547**
Right-of-use assets	67,931	**65,565**
Investments accounted for using equity method	141,343	**153,222**
Other financial assets	79,018	**80,223**
Deferred tax assets	119,475	**116,325**
Other non-current assets	35,358	**34,169**
Total non-current assets	1,068,584	**1,078,135**
Total assets	3,324,623	**3,265,591**
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	665,365	**628,138**
Bonds, borrowings and other financial liabilities	502,673	**524,720**
Income taxes payable	18,596	**19,981**
Contract liabilities	386,895	**376,517**
Provisions	32,723	**31,547**
Refund liabilities	83,368	**76,290**
Other current liabilities	255,262	**224,813**
Subtotal	1,944,884	**1,882,008**
Liabilities directly associated with assets held for sale	9,180	**-**
Total current liabilities	1,954,064	**1,882,008**
Non-current liabilities		
Bonds, borrowings and other financial liabilities	358,516	**364,369**
Retirement benefit liability	50,600	**50,679**
Provisions	1,043	**1,018**
Deferred tax liabilities	361	**366**
Other non-current liabilities	11,541	**10,594**
Total non-current liabilities	422,064	**427,027**
Total liabilities	2,376,129	**2,309,036**
Equity		
Equity attributable to owners of parent		
Share capital	104,484	**104,484**
Capital surplus	107,584	**108,062**
Retained earnings	580,816	**580,172**
Treasury shares	(3,912)	**(3,914)**
Other components of equity	89,111	**96,339**
Other comprehensive income associated with assets held for sale	37	**-**
Total equity attributable to owners of parent	878,121	**885,143**
Non-controlling interests	70,372	**71,411**
Total equity	948,494	**956,555**
Total liabilities and equity	3,324,623	**3,265,591**

(2) Condensed Quarterly Consolidated Statement of Profit and Loss and Condensed Quarterly Consolidated Statement of Comprehensive Income

Condensed Quarterly Consolidated Statement of Profit and Loss

(Millions of yen)

	Three months ended June 30, 2025	**Three months ended June 30, 2026**
Revenue	488,440	**543,576**
Cost of sales	396,631	**433,479**
Gross profit	91,809	**110,097**
Selling, general and administrative expenses	76,916	**83,790**
Share of profit of investments accounted for using equity method	6,178	**7,562**
Other income	1,324	**4,240**
Other expenses	1,880	**2,356**
Business profit	20,513	**35,752**
Finance income	606	**5,335**
Finance costs	4,296	**6,290**
Profit before tax	16,824	**34,798**
Income tax expense	9,501	**16,021**
Profit	7,322	**18,776**
Profit attributable to:		
Owners of parent	4,244	**15,663**
Non-controlling interests	3,077	**3,112**
Earnings per share		
Basic earnings per share	5.07	**18.74**

Note: On April 1, 2026, the Company carried out a stock split of common shares at a 5-for-1 ratio. Basic earnings per share has been calculated assuming that the stock split was conducted at the beginning of the fiscal year ended March 31, 2026.

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2025	**Three months ended June 30, 2026**
Profit	7,322	**18,776**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,192	**905**
Remeasurements of defined benefit plans	94	**(117)**
Share of other comprehensive income of investments accounted for using equity method	0	**2**
Total of items that will not be reclassified to profit or loss	1,286	**790**
Items that may be reclassified to profit or loss		
Cash flow hedges	1,305	**1,033**
Exchange differences on translation of foreign operations	(4,952)	**3,061**
Share of other comprehensive income of investments accounted for using equity method	(1,851)	**2,563**
Total of items that may be reclassified to profit or loss	(5,498)	**6,658**
Total other comprehensive income	(4,211)	**7,448**
Comprehensive income	3,110	**26,225**
Comprehensive income attributable to:		
Owners of parent	1,000	**22,903**
Non-controlling interests	2,109	**3,321**

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of parent						
					Other components of equity		
	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Cash flow hedges
Balance as of April 1, 2025	104,484	56,456	483,530	(4,093)	―	8,636	(1,071)
Profit			4,244				
Other comprehensive income					77	1,184	1,553
Comprehensive income			4,244		77	1,184	1,553
Purchase of treasury shares				(1)			
Dividends			(13,430)				
Transfer to retained earnings			211		(77)	(134)	
Loss of control of subsidiaries							
Change in ownership interest of parent due to transactions with non-controlling interests		49,117				41	47
Transfer to non-financial assets							(17)
Other							
Total transactions with owners		49,117	(13,218)	(1)	(77)	(92)	29
Balance as of June 30, 2025	104,484	105,573	474,556	(4,094)	-	9,728	511

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity					
	Exchange differences on translation of foreign operations	Total	Other comprehensive income associated with assets held for sale	Total equity attributable to owners of parent		
Balance as of April 1, 2025	54,972	62,537	―	702,915	22,148	725,064
Profit				4,244	3,077	7,322
Other comprehensive income	(6,059)	(3,244)		(3,244)	(967)	(4,211)
Comprehensive income	(6,059)	(3,244)		1,000	2,109	3,110
Purchase of treasury shares				(1)		(1)
Dividends				(13,430)	(512)	(13,942)
Transfer to retained earnings		(211)		-		-
Loss of control of subsidiaries				-		-
Change in ownership interest of parent due to transactions with non-controlling interests	(3,759)	(3,670)		45,447	34,568	80,015
Transfer to non-financial assets		(17)		(17)		(17)
Other				-		-
Total transactions with owners	(3,759)	(3,899)	-	31,997	34,055	66,053
Balance as of June 30, 2025	45,153	55,393	-	735,913	58,314	794,228

(Millions of yen)

	Equity attributable to owners of parent						
					Other components of equity		
	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Cash flow hedges
Balance as of April 1, 2026	104,484	107,584	580,816	(3,912)	-	11,743	(2,500)
Profit			15,663				
Other comprehensive income					(153)	864	826
Comprehensive income			15,663		(153)	864	826
Purchase of treasury shares				(2)			
Dividends			(16,115)				
Transfer to retained earnings			(192)		153	38	
Loss of control of subsidiaries						23	14
Change in ownership interest of parent due to transactions with non-controlling interests							
Transfer to non-financial assets							(241)
Other		477					
Total transactions with owners		477	(16,307)	(2)	153	62	(227)
Balance as of June 30, 2026	104,484	108,062	580,172	(3,914)	-	12,670	(1,901)

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity					
	Exchange differences on translation of foreign operations	Total	Other comprehensive income associated with assets held for sale	Total equity attributable to owners of parent		
Balance as of April 1, 2026	79,868	89,111	37	878,121	70,372	948,494
Profit				15,663	3,112	18,776
Other comprehensive income	5,701	7,239		7,239	209	7,448
Comprehensive income	5,701	7,239		22,903	3,321	26,225
Purchase of treasury shares				(2)		(2)
Dividends				(16,115)	(2,282)	(18,398)
Transfer to retained earnings		192		-		-
Loss of control of subsidiaries		37	(37)	-		-
Change in ownership interest of parent due to transactions with non-controlling interests				-		-
Transfer to non-financial assets		(241)		(241)		(241)
Other				477		477
Total transactions with owners		(11)	(37)	(15,881)	(2,282)	(18,164)
Balance as of June 30, 2026	85,570	96,339	-	885,143	71,411	956,555

(4) Condensed Quarterly Consolidated Statement of Cash Flow

(Millions of yen)

	Three months ended June 30, 2025	**Three months ended June 30, 2026**
Cash flows from operating activities		
Profit	7,322	**18,776**
Depreciation and amortization	24,372	**26,579**
Finance income and finance costs	4,863	**1,467**
Share of loss (profit) of investments accounted for using equity method	(6,178)	**(7,562)**
Loss (gain) on sale of fixed assets	235	**338**
Income tax expense	9,501	**16,021**
Increase (decrease) in assets and liabilities related to retirement benefits	1,090	**572**
Decrease (increase) in trade and other receivables	50,510	**91,902**
Decrease (increase) in contract assets	15,423	**(9,163)**
Decrease (increase) in inventories	(29,514)	**(36,831)**
Increase (decrease) in trade and other payables	(17,041)	**(35,722)**
Decrease (increase) in advance payments	(14,711)	**(4,062)**
Increase (decrease) in contract liabilities	29,717	**(11,480)**
Increase (decrease) in refund liabilities	(4,063)	**(7,577)**
Decrease (increase) in other current assets	(15,389)	**(21,174)**
Increase (decrease) in other current liabilities	(58,640)	**(41,919)**
Other	13,246	**7,500**
Subtotal	10,745	**(12,335)**
Interest received	81	**619**
Dividends received	490	**449**
Interest paid	(3,339)	**(3,410)**
Income taxes paid	(15,730)	**(13,744)**
Net cash provided by (used in) operating activities	(7,753)	**(28,422)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,697)	**(20,411)**
Proceeds from sale of property, plant and equipment	235	**49**
Purchase of intangible assets	(4,453)	**(5,745)**
Proceeds from sale of intangible assets	12	**45**
Payments for equity method investments and purchase of other financial assets	(9,918)	**(227)**
Proceeds from equity method investments and sale of other financial assets	207	**304**
Proceeds from sale of subsidiaries resulting in loss of control	-	**7,520**
Other	(2,513)	**(1,035)**
Net cash provided by (used in) investing activities	(38,128)	**(19,499)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,564)	**65,477**
Repayments of lease liabilities	(4,079)	**(4,573)**
Proceeds from long-term borrowings	5,000	**-**
Repayments of long-term borrowings	(5,000)	**-**
Redemption of bonds	(30,000)	**-**
Dividends paid	(12,824)	**(15,467)**
Proceeds from factoring agreements	3,220	**14,939**
Repayment of liabilities under factoring agreements	(41,137)	**(49,362)**
Dividends paid to non-controlling interests	(512)	**(2,282)**
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	80,000	**-**
Other	(4,840)	**(3,438)**
Net cash provided by (used in) financing activities	(12,740)	**5,292**
Effect of exchange rate changes on cash and cash equivalents	(254)	**507**
Net increase (decrease) in cash and cash equivalents	(58,875)	**(42,120)**
Cash and cash equivalents at beginning of period	132,776	**115,414**
Cash and cash equivalents at end of period	73,900	**73,293**

(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements

Note on the going-concern assumption

Not applicable

Segment information

Three months ended June 30, 2025 (April 1, 2025 – June 30, 2025)

(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	101,581	55,240	96,677	56,930	160,320	17,688	488,440	-	488,440
Intersegment revenue and transfers *1	2,802	2	4,827	4,116	223	6,067	18,040	(18,040)	-
Total revenue	104,384	55,242	101,505	61,047	160,543	23,756	506,480	(18,040)	488,440
Business profit *3	841	3,663	9,760	2,348	8,040	1,674	26,327	(5,814)	20,513
Finance income									606
Finance costs									(4,296)
Profit before tax									16,824

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

2. Eliminations and corporate of ¥ (5,814) million for business profit include ¥ (254) million for intersegment transactions and ¥ (5,560) million for general and administrative expenses not attributed to reportable segments. Eliminations and corporate also include ¥ (2,975) million related to new business investments (head office projects).

3. Business profit 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.

Three months ended June 30, 2026 (April 1, 2026 – June 30, 2026)

(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	137,612	60,135	86,913	69,594	170,738	18,581	543,576	-	543,576
Intersegment revenue and transfers *1	4,846	81	4,796	6,110	231	6,885	22,951	(22,951)	-
Total revenue	142,459	60,217	91,709	75,704	170,969	25,466	566,528	(22,951)	543,576
Business profit *3	1,692	480	12,087	5,271	19,226	2,232	40,991	(5,238)	35,752
Finance income									5,335
Finance costs									(6,290)
Profit before tax									34,798

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

2. Eliminations and corporate of ¥ (5,238) million for business profit include ¥ (394) million for intersegment transactions and ¥ (4,844) million for general and administrative expenses not attributed to reportable segments. Eliminations and corporate also include ¥ (2,461) million related to new business investments (head office projects).

3. Business profit 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

(Issuance of New Shares and Issuance of Zero Coupon Convertible Bonds)

The Company resolved, at the meeting of the Board of Directors held on July 2, 2026, to issue new shares (the "New Shares") by way of an international offering and to issue Zero Coupon Convertible Bonds due 2031 (the "Convertible Bonds due 2031") and Zero Coupon Convertible Bonds due 2033 (Transition CB) (the "Convertible Bonds due 2033", and together with the Convertible Bonds due 2031, the "Convertible Bonds"). The Convertible Bonds consist of the bonds portion (the "Bonds") and the stock acquisition rights portion (the "Stock Acquisition Rights").

The payment for the New Shares was completed on July 22, 2026, and the payment for the Convertible Bonds was completed on July 31, 2026. The outline is as follows:

1. Issuance of New Shares by way of International Offering

(1) Issue Price (Offer Price)		2,609.0 yen per share
(2) Total Amount of Issue Price (Offer Price)		¥97,446,150,000
(3) Amount to be Paid		2,501.40 yen per share
(4) Total Amount to be Paid		¥93,427,290,000
(5) Amount of Share Capital and Additional Paid-in Capital (Capital Surplus) to be Increased	Amount of Share Capital to be Increased	¥46,713,645,000
	Amount of Additional Paid-in Capital (Capital Surplus) to be Increased	¥46,713,645,000
(6) Payment Date		July 22, 2026
(7) Delivery Date		July 23, 2026

2. Issuance of Convertible Bonds due 2031

(1) Issue Price (paid-in amount)

101.0% of the principal amount of the Bonds. (Principal amount of each of the bonds: ¥10 million)

(2) Issue Price (offer Price)

103.5% of the principal amount of the Bonds.

(3) Total Issue Price

¥50.5 billion plus the aggregate paid-in amount of the Bonds pertaining to the substitute certificates of the bond with stock acquisition rights. (meaning substitute certificates of the bond with stock acquisition rights issued in replacement for the relevant Bond certificates with stock acquisition rights upon receipt of appropriate evidence and indemnity in the event of the loss, theft or destruction thereof; the same shall apply hereinafter).

(4) Total principal amount

¥50.0 billion plus the aggregate principal amount of the Bonds pertaining to the substitute certificates of the bond with stock acquisition rights.

(5) Interest Rate

No interest shall be payable on the Bonds.

(6) Redemption Date

July 31, 2031 (Unless otherwise indicated below, all times are given in London time.)

(7) Type, Details and Number of Shares Subject to the Stock Acquisition Rights

(i) Type and Details

Common shares of the Company (100 shares per unit)

(ii) Number

The number of the Company's common shares to be delivered by the Company upon exercise of the Stock Acquisition Rights shall be the number obtained by dividing the total principal amount of the Bonds subject to the exercise request by the conversion price stated in (9) below. However, any fractional amount of a share resulting from exercise shall be rounded down, and no cash adjustment shall be made.

(8) Total Number of Stock Acquisition Rights to be Issued

5,000 units and the total number obtained by dividing the aggregate principal amount of the substitute certificates of the bond with stock acquisition rights by ¥10 million.

(9) Amount to be Paid in upon Exercise of the Stock Acquisition Rights

(i) Upon exercise of each Stock Acquisition Right, the relevant Stock Acquisition Right-attached Bond shall be contributed as property, and the value of such Bond shall be equal to its principal amount.

(ii) The conversion price shall initially be ¥3,913.

(iii) The conversion price shall be adjusted in accordance with the formula below if, after the issuance of the Bonds with Stock Acquisition Rights, the Company issues common shares at a payment amount below the market price of its common shares or disposes of common shares held by the Company. In the formula below, "Existing Number of Issued Shares" refers to the total number of the Company's common shares (excluding those held by the Company).

$$\text{Adjusted conversion price} = \text{Before adjustment conversion price} \times \frac{\text{Existing number of issued shares} + \dfrac{\text{Number of shares issued or disposed shares} \times \text{Paid-in amount per share}}{\text{Market price}}}{\text{Existing number of issued shares} + \text{Number of shares issued or disposed shares}}$$

Furthermore, the conversion price shall be adjusted in the event of a split or consolidation of the Company's common shares, certain distributions of surplus, where stock acquisition rights (including those attached to bonds with stock acquisition rights) are issued that permit the delivery of our common shares at a price below their market price, any organizational restructuring, delisting event or squeeze-out event specified in the terms and conditions of the Bonds with Stock Acquisition Rights, or where other specified events occur, adjustments shall be made as appropriate.

(10) Period during which these Stock Acquisition Rights may be exercised

From August 14, 2026, to July 17, 2031 (local time at the location where exercise requests are received). However, certain provisions are set out in the issuance terms and conditions.

(11) Conditions for Exercising the Stock Acquisition Rights

Partial exercise of each Stock Acquisition Right shall not be permitted.

3. Issuance of Convertible Bonds due 2033

(1) Issue Price (paid-in amount)

101.0% of the principal amount of the Bonds. (Principal amount of each of the bonds: ¥10 million)

(2) Issue Price (offer Price)

103.5% of the principal amount of the Bonds.

(3) Total Issue Price
¥50.5 billion plus the aggregate paid-in amount of the Bonds pertaining to the substitute certificates of the bond with stock acquisition rights. (meaning substitute certificates of the bond with stock acquisition rights issued in replacement for the relevant Bond certificates with stock acquisition rights upon receipt of appropriate evidence and indemnity in the event of loss, theft or destruction thereof; the same shall apply hereinafter).

(4) Total principal amount
¥50.0 billion plus the aggregate principal amount of the Bonds pertaining to the substitute certificates of the bond with stock acquisition rights.

(5) Interest Rate
No interest shall be payable on the Bonds.

(6) Redemption Date
July 29, 2033 (Unless otherwise indicated below, all times are given in London time.)

(7) Type, Details and Number of Shares Subject to the Stock Acquisition Rights
(i) Type and Details
Common shares of the Company (100 shares per unit)
(ii) Number
The number of the Company's common shares to be delivered by the Company upon exercise of the Stock Acquisition Rights shall be the number obtained by dividing the total principal amount of the Bonds subject to the exercise request by the conversion price stated in (9) below. However, any fractional amount of a share resulting from exercise shall be rounded down, and no cash adjustment shall be made.

(8) Total Number of Stock Acquisition Rights to be Issued
5,000 units and the total number obtained by dividing the aggregate principal amount of the substitute certificates of the bond with stock acquisition rights by ¥10 million.

(9) Amount to be Paid in upon Exercise of the Stock Acquisition Rights
(i) Upon exercise of each Stock Acquisition Right, the relevant Stock Acquisition Right-attached Bond shall be contributed as property, and the value of such Bond shall be equal to its principal amount.
(ii) The conversion price shall initially be ¥3,783.
(iii) The conversion price shall be adjusted in accordance with the formula below if, after the issuance of the Bonds with Stock Acquisition Rights, the Company issues common shares at a payment amount below the market price of its common shares or disposes of common shares held by the Company. In the formula below, "Existing Number of Issued Shares" refers to the total number of the Company's common shares (excluding those held by the Company).

$$\text{Adjusted conversion price} = \text{Before adjustment conversion price} \times \frac{\text{Existing number of issued shares} + \dfrac{\text{Number of shares issued or disposed shares} \times \text{Paid-in amount per share}}{\text{Market price}}}{\text{Existing number of issued shares} + \text{Number of shares issued or disposed shares}}$$

Furthermore, the conversion price shall be adjusted in the event of a split or consolidation of the Company's common shares, certain distributions of surplus, where stock acquisition rights (including those attached to bonds with stock acquisition rights) are issued that permit the delivery of our common shares at a price below their market price, any organizational restructuring, delisting event or squeeze-out event specified in the terms and conditions of the Bonds with Stock Acquisition Rights, or where other specified events occur, adjustments shall be made as appropriate.

(10) Period during which these Stock Acquisition Rights may be exercised

From August 14, 2026, to July 15, 2033 (local time at the location where exercise requests are received). However, certain provisions are set out in the issuance terms and conditions.

(11) Conditions for Exercising the Stock Acquisition Rights

Partial exercise of each Stock Acquisition Right shall not be permitted.

4. Use of Proceeds

The net proceeds of approximately ¥92.4 billion from the issuance of the New Shares will be used by the end of March 2029 for capital expenditures aimed at strengthening the production base supporting the growth of the Company's respective businesses. Such capital expenditures are expected to include the introduction of advanced production technologies, such as robotics and physical AI, at the Company's manufacturing facilities, in line with the Company's strategic priorities. These initiatives are intended not only to expand the Company's production capacity and maximize production efficiency, but also to utilize the operational data and know-how obtained therefrom to optimize solutions for the Company's customers and maximize added value through the application of physical AI, robotics, and mass production automation.

Specifically, the Company intends to apply such net proceeds to the following:

(1) capital expenditures aimed at increased production and improved production efficiency at the Gifu, Nagoya, Seishin and Akashi works, which serve as core sites for the Company's commercial aircraft and commercial aircraft engine businesses;

(2) capital expenditures at the Akashi works aimed at expanding production capacity in the Company's gas turbine business;

(3) capital expenditures at the Nishi-Kobe works in the Company's robotics business, including measures to increase production of robots for semiconductor manufacturing equipment;

(4) capital expenditures at the Sakaide works, a core site for our shipbuilding business, to strengthen the Company's production system for next-generation energy carriers, including liquefied hydrogen carriers and LPG and ammonia carriers; and

(5) any remaining amount will be applied towards working capital requirements.

In addition, the net proceeds of approximately ¥101 billion from the issuance of the Convertible Bonds will be used by the end of March 2031 for the establishment of a liquefied hydrogen supply chain aimed at achieving energy security and carbon neutrality, as well as the implementation of physical AI, as follows:

(1) With respect to the net proceeds of the Convertible Bonds due 2031, the Company intends to apply:

   (i) approximately ¥20.0 billion to fund commercial-scale demonstration projects aimed at the establishment of a liquefied hydrogen supply chain, through investments and loans to our subsidiary, Japan Suiso Energy, Ltd., as well as other carbon neutrality related investments; and

   (ii) approximately ¥30.5 billion to research and development expenses for the development of physical AI, investments and loans to expand strategic alliances, and the repayment of borrowings or the redemption of bonds; and

(2) With respect to the net proceeds of the Convertible Bonds due 2033, the Company intends to apply approximately ¥50.5 billion, to fund commercial-scale demonstration projects for the establishment of a liquefied hydrogen supply chain, through investments and loans to our subsidiary, Japan Suiso Energy, Ltd.