Financial Report

Kawasaki Heavy Industries, Ltd. and Subsidiaries

For the Years ended March 31,
2026 and 2025
Together with Independent
Auditor's Report

June 2026

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Management Discussion & Analysis

Overview

The global economy is facing risks such as economic slowdowns and inflation in various countries due to rising fuel costs and supply constraints stemming from the situation in the Middle East. Furthermore, the prolonged stagnation of the Chinese economy, tensions in U.S.-China relations, and the impact of U.S. tariffs have compounded the uncertainty surrounding the global economic outlook.

In Japan, a moderate recovery in the economy is ongoing by domestic demand, supported by favorable employment and income conditions, the recovery in personal consumption, and expanding capital investment. However, we need to keep a close watch on the impact on the economy caused by the situation in the Middle East, the measures of relevant countries, and developments in financial and capital markets. Regarding the trends in the Middle East in particular, supply constraints on crude oil have begun to affect operations in some businesses, and the Group will carefully assess and respond to the situation.

In this business environment, the Group's consolidated orders received in the fiscal year ended March 31, 2026, increased from the previous fiscal year, mainly due to higher orders in the Rolling Stock and Precision Machinery & Robot segments, despite a decrease in the Aerospace Systems segment. Consolidated revenue also increased year on year, driven by higher sales across various segments, particularly in the Powersports & Engine segment. Business profit increased from the previous fiscal year mainly due to increases mainly in the Energy Solution & Marine Engineering and Precision Machinery & Robot segments, despite a decrease in the Powersports & Engine segment. Profit attributable to owners of parent also increased from the previous fiscal year, mainly due to an increase in business profit and an improvement of gains and losses on foreign exchange.

As a result, the Group's consolidated orders received increased by ¥108.4 billion year on year to ¥2,739.1 billion, consolidated revenue increased by ¥181.9 billion year on year to ¥2,311.2 billion, business profit increased by ¥1.9 billion year on year to ¥145.1 billion, and profit attributable to owners of parent increased by ¥20.1 billion year on year to ¥108.1 billion. The ratio of business profit to revenue was 6.3%, after-tax ROIC was 9.0%*, and ROE was 13.7%. The current cost of capital (WACC) is estimated to be about 10%, reflecting changes in the capital structure due to stock price fluctuations and other relevant factors.

Regarding the misconduct in the Group's submarine repair business and marine engine business that came to light in 2024, the Group published the interim reports by the respective Special Investigative Committees in December 2024 and in January 2025. In addition, the Group published in December 2025 the results of an additional investigation conducted to determine whether similar cases existed in relation to the two incidents.

Although the investigations by the Special Investigative Committees were completed with this additional investigation, the Group takes the repeated compliance incidents and the reports from each committee very seriously and will continue, under the leadership of the Special Compliance Promotion Committee chaired by President Yasuhiko Hashimoto, to thoroughly implement highly effective recurrence prevention measures aimed at strengthening the Group-wide compliance and governance systems, and will make every effort to restore trust.

The estimated financial impact of this matter has been reflected based on estimates as of the end of the current consolidated fiscal year; however, should any matters requiring disclosure arise in the future, the Group will promptly disclose such matters.

*After-tax ROIC = (profit attributable to owners of parent + interest expense × (1- effective tax rate)) ÷ invested capital (average of net interest bearing debt at the beginning and end of the fiscal year + average of shareholders' equity at the beginning and end of the fiscal year)

Consolidated operating performance in the fiscal year ended March 31, 2026, is summarized by segment below.

Business segment

The following sections supply additional details on the consolidated performance of each business segment. Please note that business profit or loss includes intersegment transactions.

Aerospace Systems

In the Aerospace Systems segment, demand from the Ministry of Defense in Japan is expected to remain strong under the government's policy of fundamentally strengthening defense capabilities. In the

commercial aviation sector, demand continues to recover, supported by the rebound in air passenger traffic.

Amid such an operating environment, consolidated orders received decreased by ¥71.9 billion to ¥810.9 billion compared to the previous fiscal year, when there were large scale orders from Ministry of Defense, despite increases in component parts of airframes and jet engines for commercial aircraft.

Consolidated revenue increased by ¥45.8 billion year on year to ¥613.6 billion, primarily due to higher sales to the Ministry of Defense and increased production of component parts of airframes for commercial aircraft.

Business profit increased by ¥6.6 billion year on year to ¥62.4 billion, mainly due to increased revenue.

Rolling Stock

In the Rolling Stock segment, investment in rolling stock in the domestic market is continuing, supported by the recovery of inbound tourism. In overseas markets, demand is expected to grow due to the development of urban transportation systems aimed at easing congestion in major cities.

Amid such an operating environment, consolidated orders received increased by ¥67.5 billion year on year to ¥319.1 billion, mainly due to continuing orders from the previous fiscal year for new subway cars for the New York City Transit Authority.

Consolidated revenue increased by ¥13.8 billion year on year to ¥236.2 billion, primarily due to higher sales in Japan and the United States.

Business profit increased by ¥0.2 billion year on year to ¥8.6 billion, mainly due to the increase in revenue.

Energy Solution & Marine Engineering

The business environment of the Energy Solution & Marine Engineering segment remains robust, supported by continued strong demand for distributed power sources both in Japan and overseas, as well as energy infrastructure development. In Japan, demand for the replacement of aging refuse incineration facilities also continues.

Amid such an operating environment, consolidated orders received increased by ¥10.8 billion year on year to ¥552.9 billion, mainly due to orders for domestic waste incineration plant replacements and large-scale LNG terminal expansion projects, despite a pullback following LPG/ammonia carrier orders in the prior period.

Consolidated revenue increased by ¥35.4 billion year on year to ¥433.5 billion, primarily due to increases in the ship & offshore structure and plant fields.

Business profit increased by ¥10.7 billion year on year to ¥55.0 billion, mainly due to higher revenue and an increase in the share of profit of investments accounted for using equity method.

Precision Machinery & Robot

In the Precision Machinery & Robot segment, the Chinese construction machinery market is showing signs of expansion, particularly in demand for mining equipment and exports, while demand for robots for semiconductor manufacturing equipment is on an increasing trend due to rapid growth of semiconductor for AI and a significant shortage of general-purpose memory.

Amid such an operating environment, consolidated orders received increased by ¥29.2 billion year on year to ¥278.5 billion, mainly due to higher orders for hydraulic equipment for the construction machinery market in China.

Consolidated revenue increased by ¥17.6 billion year on year to ¥259.1 billion, mainly due to the continued strong performance of the hydraulic equipment and increased sales in the robotics.

Business profit increased by ¥7.3 billion year on year to ¥14.3 billion, mainly due to higher revenue and an improvement in share of profit of investments accounted for using equity method.

Powersports & Engine

In the Powersports & Engine segment, concerns remain over the impact of the situation in the Middle East in addition to changes in the market environment and cost structure due to the U.S. tariff policies.

Amid such an operating environment, consolidated revenue increased by ¥73.4 billion year on year to ¥682.8 billion, mainly due to increased sales of four-wheeled vehicles for North America and motorcycles

for developed markets.

Business profit decreased by ¥25.1 billion year on year to ¥22.7 billion, due to higher tariff-related costs, weaker profitability amid intensified competition in the U.S. powersports market, and higher fixed costs from production capacity expansion, despite higher revenue.

Other Operations

Consolidated revenue decreased by ¥4.3 billion year on year to ¥85.8 billion.

Business profit came to ¥7.0 billion, increasing ¥1.8 billion year on year.

In the Group Vision 2030, the Group continues to focus on three key fields: "A Safe and Secure Remotely Connected Society," "Near-Future Mobility," and "Energy and Environmental Solutions." Steady efforts are being made to support the efficiency of hospital management by combining products and services such as surgical support robots and indoor delivery robots with AI and remote technologies, as well as by developing mobility solutions such as unmanned helicopters designed for use in various scenarios, including not only regular cargo transport but also disaster situations. In addition, hydrogen energy is becoming increasingly important not only for Japan's carbon neutrality but also from the perspective of energy security. The Group has initiated demonstration projects for the commercialization of a liquefied hydrogen supply chain and is pursuing early commercialization, together with CO_2 separation, capture, and utilization businesses.

Consolidated financial condition

(1) Assets

Current assets were ¥2,256.0 billion, a ¥232.1 billion increase from the previous fiscal year mainly due to an increase in trade and other receivables.

Non-current assets were ¥1,068.5 billion, a ¥75.5 billion increase from the previous fiscal year mainly due to an increase in property, plant and equipment.

As a result, total assets were ¥3,324.6 billion, a ¥307.6 billion increase from the previous fiscal year.

(2) Liabilities

Interest-bearing debt was ¥606.1 billion, ¥86.3 billion decrease from the previous fiscal year.

Liabilities were ¥2,376.1 billion, ¥84.2 billion increase from the previous fiscal year mainly due to increases in trade and other payables and contract liabilities.

(3) Equity

Equity was ¥948.4 billion, a ¥223.4 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") at the end of this fiscal year were ¥115.4 billion, a decrease of ¥17.3 billion compared to the previous fiscal year. The cash flow situations and relevant factors in this fiscal year are stated below.

(1) Cash flows from operating activities

Operating activities provided net cash of ¥140.0 billion, a decrease of ¥8.8 billion from the previous fiscal year. Major sources of operating cash flows included depreciation and amortization amounting to ¥103.8 billion and an increase in trade and other payables of ¥66.7 billion. Major uses of operating cash flows included increases in trade and other receivables of ¥86.4 billion and advance payments of ¥33.2 billion.

(2) Cash flows from investing activities

Investing activities used net cash of ¥128.0 billion, which was ¥16.8 billion more than in the previous fiscal year. This was mainly due to the purchase of property, plant and equipment.

(3) Cash flows from financing activities

Financing activities used net cash of ¥33.2 billion, which was ¥42.8 billion more than in the previous fiscal year. This was mainly due to net decrease in short-term borrowings.

Dividends

As a basic management policy, the Company aims to increase corporate value by consistently generating profit exceeding the cost of invested capital. In line with this policy, the Company believes that one priority for management is returning profits to shareholders by enhancing shareholder value over the long term through strategic investments to achieve future growth.

In order to maintain a good balance between enhancing shareholder value in the long term and paying stable dividends, the Company provides shareholder returns with DOE* of 4% as a guideline.

The Company has a basic policy of distributing surplus retained earnings as dividends twice a year, once after the fiscal second quarter and once after the fiscal year-end. Interim dividends are authorized by the Board of Directors, while year-end dividends are authorized at the general meetings of shareholders.

*DOE =Total annual dividends ÷
Equity attributable to owners of parent excluding Other components of equity

Audit fees

a. Fees to accounting auditors

Millions of yen

	Previous fiscal year		Current fiscal year	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for non-audit services
The Company	¥ 352	¥ 197	¥ 338	¥ 181
Consolidated subsidiaries	179	2	180	2
Total	¥ 532	¥ 200	¥ 519	¥ 184

The non-audit services to the Company include accounting consulting services such as advisory related to accounting operations. The non-audit services to consolidated subsidiaries include advice and guidance on accounting matters and information disclosure.

b. Fees to companies in the same network as the accounting auditors (excluding a.)

Millions of yen

	Previous fiscal year		Current fiscal year	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for non-audit services
The Company	¥ -	¥ 14	¥ -	¥ 11
Consolidated subsidiaries	210	33	219	15
Total	¥ 210	¥ 47	¥ 219	¥ 27

The non-audit services to the Company and its consolidated subsidiaries mainly consist of advisory services related to taxation.

c. Contents of remunerations for other important audit certification services

The Company's consolidated subsidiaries, Kawasaki Motors Manufacturing Corp., U.S.A. pay remunerations to RSM US LLP for audit certification services. Kawasaki Motors Europe N.V., another consolidated subsidiary of the Company, pays remuneration to Ernst & Young Accountants LLP for audit certification services.

Consolidated Statement of Financial Position
As of March 31, 2026 and 2025

	Notes	Millions of yen 2025	Millions of yen 2026	Thousands of U.S. dollars 2026
Assets				
Current assets				
Cash and cash equivalents	6,22	¥ 132,776	¥ 115,414	$ 721,653
Trade and other receivables	7,17,22,25,32	764,383	880,387	5,504,827
Contract assets	17,22,25	170,556	199,776	1,249,147
Inventories	8,25	775,434	822,169	5,140,805
Income taxes receivable		200	1,920	12,005
Other financial assets	14,22	11,770	16,951	105,990
Other current assets	26	168,779	201,354	1,259,013
Subtotal		2,023,901	2,237,974	13,993,460
Assets held for sale	9	-	18,065	112,956
Total current assets		2,023,901	2,256,039	14,106,415
Non-current assets				
Property, plant and equipment	10,12	515,743	542,937	3,394,841
Intangible assets	11,12	75,760	82,519	515,969
Right-of-use assets	12,13	58,697	67,931	424,755
Investments accounted for using equity method	24	108,271	141,343	883,780
Other financial assets	14,22	71,802	79,018	494,079
Deferred tax assets	15	128,796	119,475	747,046
Other non-current assets	12,18,26	33,978	35,358	221,084
Total non-current assets	4	993,050	1,068,584	6,681,573
Total assets		¥ 3,016,951	¥ 3,324,623	$ 20,787,988
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	16,22	¥ 593,878	¥ 665,365	$ 4,160,351
Bonds, borrowings and other financial liabilities	17,22	527,197	502,673	3,143,081
Income taxes payable		20,188	18,596	116,276
Contract liabilities	25,32	363,534	386,895	2,419,152
Provisions	19	35,731	32,723	204,608
Refund liabilities	25	73,097	83,368	521,278
Other current liabilities	22,26	233,675	255,262	1,596,086
Subtotal		1,847,303	1,944,884	12,160,845
Liabilities directly associated with assets held for sale	9	-	9,180	57,400
Total current liabilities		1,847,303	1,954,064	12,218,245
Non-current liabilities				
Bonds, borrowings and other financial liabilities	17,22	362,313	358,516	2,241,706
Retirement benefit liability	18	67,100	50,600	316,388
Provisions	19	1,038	1,043	6,522
Deferred tax liabilities	15	1,019	361	2,257
Other non-current liabilities	26	13,112	11,541	72,163
Total non-current liabilities		444,584	422,064	2,639,055
Total liabilities		2,291,887	2,376,129	14,857,306
Equity				
Equity attributable to owners of parent				
Share capital	20	104,484	104,484	653,311
Capital surplus	20	56,456	107,584	672,694
Retained earnings	20	483,530	580,816	3,631,689
Treasury shares	20	(4,093)	(3,912)	(24,461)
Other components of equity	20,21	62,537	89,111	557,188
Other comprehensive income associated with assets held for sale	9	-	37	231
Total equity attributable to owners of parent		702,915	878,121	5,490,658
Non-controlling interests		22,148	70,372	440,018
Total equity		725,064	948,494	5,930,682
Total liabilities and equity		¥ 3,016,951	¥ 3,324,623	$ 20,787,988

The accompanying notes to the consolidated financial statements are an integral part of these statements.

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
Consolidated Statements of Profit or Loss
For the years ended March 31, 2026 and 2025

	Notes	Millions of yen 2025	Millions of yen 2026	Thousands of U.S. dollars 2026
Revenue	25,32	¥ 2,129,321	¥ 2,311,267	$ 14,451,741
Cost of sales	8,10,11,18	1,697,784	1,856,349	11,607,259
Gross profit		431,537	454,917	2,844,476
Selling, general and administrative expenses	10,11,13,18,27	306,963	328,759	2,055,643
Share of profit of investments accounted for using equity method	24	23,174	24,141	150,947
Other income	28	3,098	6,435	40,236
Other expenses	28	7,722	11,631	72,726
Business profit		143,123	145,103	907,291
Finance income	22,29	3,423	21,698	135,672
Finance costs	13,22,29	39,028	21,272	133,008
Profit before tax		107,518	145,530	909,961
Income tax expense	15	17,190	30,602	191,346
Profit		90,328	114,927	718,608
Profit attributable to:				
Owners of parent		88,001	108,157	676,277
Non-controlling interests		¥ 2,326	¥ 6,769	$ 42,325
Earnings per share	31			
Basic earnings per share		¥ 105.08	¥ 129.41	$ 0.81

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, 2025.

Consolidated Statements of Comprehensive Income
For the years ended March 31, 2026 and 2025

	Notes	Millions of yen 2025	Millions of yen 2026	Thousands of U.S. dollars 2026
Profit		¥ 90,328	¥ 114,927	$ 718,608
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	21,22	(2,277)	3,762	23,523
Remeasurements of defined benefit plans	18,21	7,773	14,722	92,053
Share of other comprehensive income of investments accounted for using equity method	21,24	1	3	19
Total of items that will not be reclassified to profit or loss		5,497	18,489	115,607
Items that may be reclassified to profit or loss				
Cash flow hedges	21,22	257	(2,207)	(13,800)
Exchange differences on translation of foreign operations	21	(4,120)	22,779	142,431
Share of other comprehensive income of investments accounted for using equity method	21,24	(563)	9,902	61,915
Total of items that may be reclassified to profit or loss		(4,426)	30,474	190,546
Total other comprehensive income		1,071	48,963	306,153
Comprehensive income		¥ 91,399	¥ 163,891	$ 1,024,767
Comprehensive income attributable to:				
Owners of parent		89,213	153,665	960,827
Non-controlling interests		¥ 2,186	¥ 10,225	$ 63,934

The accompanying notes to the consolidated financial statements are an integral part of these statements.

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended March 31, 2026 and 2025

Millions of yen

	Notes	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	Exchange differences on translation of foreign operations	Total	Other comprehensive income associated with assets held for sale	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance as of April 1, 2024		¥ 104,484	¥ 56,455	¥ 405,156	¥ (1,060)	¥ -	¥ 10,407	¥ 355	¥ 58,291	¥ 69,054	¥ -	¥ 634,090	¥ 20,459	¥ 654,549
Profit				88,001								88,001	2,326	90,328
Other comprehensive income	21					7,614	(2,226)	(858)	(3,318)	1,211		1,211	(139)	1,071
Comprehensive income				88,001		7,614	(2,226)	(858)	(3,318)	1,211		89,213	2,186	91,399
Purchase of treasury shares	20				(3,078)							(3,078)		(3,078)
Disposal of treasury shares	20		0		45							46		46
Dividends	20			(16,787)								(16,787)	(860)	(17,647)
Transfer to retained earnings				7,159		(7,614)	455			(7,159)		-		-
Change in scope of consolidation									(0)	(0)		(0)		(0)
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								(568)		(568)		(568)		(568)
Transfer to other comprehensive income associated with assets held for sale												-		-
Other												-		-
Total transactions with owners			0	(9,628)	(3,032)	(7,614)	455	(568)	(0)	(7,727)	-	(20,388)	(496)	(20,885)
Balance as of March 31, 2025		¥ 104,484	¥ 56,456	¥ 483,530	¥ (4,093)	¥ -	¥ 8,636	¥ (1,071)	¥ 54,972	¥ 62,537	¥ -	¥ 702,915	¥ 22,148	¥ 725,064
Profit				108,157								108,157	6,769	114,927
Other comprehensive income	21					14,566	3,671	(1,385)	28,655	45,507		45,507	3,455	48,963
Comprehensive income				108,157		14,566	3,671	(1,385)	28,655	45,507		153,665	10,225	163,891
Purchase of treasury shares	20				(30)							(30)		(30)
Disposal of treasury shares	20		1		210							212		212
Dividends	20			(26,020)								(26,020)	(1,341)	(27,362)
Transfer to retained earnings				15,149		(14,566)	(582)			(15,149)		-		-
Change in scope of consolidation												-	1,712	1,712
Capital increase of consolidated subsidiaries			22									22	2,977	3,000
Change in ownership interest of parent due to transactions with non-controlling interests	5		49,019				41	47	(3,759)	(3,670)		45,349	34,650	80,000
Transfer to non-financial assets								(77)		(77)		(77)		(77)
Transfer to other comprehensive income associated with assets held for sale							(23)	(14)		(37)	37	-		-
Other			2,085									2,085		2,085
Total transactions with owners			51,128	(10,871)	180	(14,566)	(564)	(43)	(3,759)	(18,934)	37	21,540	37,998	59,538
Balance as of March 31, 2026		¥ 104,484	¥ 107,584	¥ 580,816	¥ (3,912)	¥ -	¥ 11,743	¥ (2,500)	¥ 79,868	¥ 89,111	¥ 37	¥ 878,121	¥ 70,372	¥ 948,494

Thousands of U.S. dollars

	Notes	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	Exchange differences on translation of foreign operations	Total	Other comprehensive income associated with assets held for sale	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance as of March 31, 2025		$ 653,311	$ 353,004	$ 3,023,385	$ (25,592)	$ -	$ 53,999	$ (6,697)	$ 343,725	$ 391,027	$ -	$ 4,395,142	$ 138,486	$ 4,533,633
Profit				676,277								676,277	42,325	718,608
Other comprehensive income	21					91,077	22,954	(8,660)	179,172	284,543		284,543	21,603	306,153
Comprehensive income				676,277		91,077	22,954	(8,660)	179,172	284,543		960,827	63,934	1,024,767
Purchase of treasury shares	20				(188)							(188)		(188)
Disposal of treasury shares	20		6		1,313							1,326		1,326
Dividends	20			(162,696)								(162,696)	(8,385)	(171,087)
Transfer to retained earnings				94,723		(91,077)	(3,639)			(94,723)		-		-
Change in scope of consolidation												-	10,705	10,705
Capital increase of consolidated subsidiaries			138									138	18,614	18,758
Change in ownership interest of parent due to transactions with non-controlling interests	5		306,503				256	294	(23,504)	(22,948)		283,555	216,657	500,219
Transfer to non-financial assets								(481)		(481)		(481)		(481)
Transfer to other comprehensive income associated with assets held for sale							(144)	(88)		(231)	231	-		-
Other			13,037									13,037		13,037
Total transactions with owners			319,690	(67,973)	1,125	(91,077)	(3,527)	(269)	(23,504)	(118,389)	231	134,684	237,591	372,275
Balance as of March 31, 2026		$ 653,311	$ 672,694	$ 3,631,689	$ (24,461)	$ -	$ 73,426	$ (15,632)	$ 499,393	$ 557,188	$ 231	$ 5,490,658	$ 440,018	$ 5,930,682

The accompanying notes to the consolidated financial statements are an integral part of these statements.

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
Consolidated Statements of Cash Flow
For the years ended March 31, 2026 and 2025

	Notes	Millions of yen		Thousands of U.S. dollars
		2025	2026	2026
Cash flows from operating activities				
Profit		¥ 90,328	¥ 114,927	$ 718,608
Depreciation and amortization		93,431	103,816	649,134
Impairment losses		-	1,248	7,803
Finance income and finance costs		26,566	31	194
Share of loss (profit) of investments accounted for using equity method		(23,174)	(24,141)	(150,947)
Loss (gain) on sale of fixed assets		948	3,210	20,071
Income tax expense		17,190	30,602	191,346
Increase (decrease) in assets and liabilities related to retirement benefits		(5,307)	4,437	27,743
Decrease (increase) in trade and other receivables		(96,117)	(86,461)	(540,618)
Decrease (increase) in contract assets		(33,844)	(29,582)	(184,968)
Decrease (increase) in inventories		(69,241)	(23,895)	(149,409)
Increase (decrease) in trade and other payables		70,498	66,797	417,664
Decrease (increase) in advance payments		(67,377)	(33,202)	(207,603)
Increase (decrease) in contract liabilities		98,899	19,388	121,228
Increase (decrease) in refund liabilities		1,071	7,805	48,803
Increase (decrease) in provisions		1,512	(3,088)	(19,308)
Decrease (increase) in other current assets		(47)	1,946	12,168
Increase (decrease) in other current liabilities		32,549	16,080	100,544
Other		31,398	1,601	10,011
Subtotal		169,284	171,521	1,072,475
Interest received		2,554	1,657	10,361
Dividends received		10,784	17,502	109,435
Interest paid		(14,838)	(13,885)	(86,819)
Income taxes paid		(18,841)	(36,725)	(229,632)
Net cash provided by (used in) operating activities		¥ 148,943	¥ 140,071	$ 875,827
Cash flows from investing activities				
Purchase of property, plant and equipment		¥ (98,682)	¥ (95,983)	$ (600,156)
Proceeds from sale of property, plant and equipment		7,309	2,209	13,812
Purchase of intangible assets		(14,962)	(21,802)	(136,322)
Proceeds from sale of intangible assets		434	436	2,726
Payments for equity method investments and purchase of other financial assets		(7,612)	(11,987)	(74,952)
Proceeds from equity method investments and sale of other financial assets		2,865	2,649	16,563
Other		(553)	(3,570)	(22,322)
Net cash provided by (used in) investing activities		¥ (111,201)	¥ (128,049)	$ (800,657)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	17	¥ 67,327	¥ (80,332)	$ (502,295)
Repayments of lease liabilities	13,17	(17,290)	(18,306)	(114,463)
Proceeds from long-term borrowings	17	38,000	38,000	237,604
Repayments of long-term borrowings	17	(29,001)	(27,049)	(169,130)
Redemption of bonds	17	(30,000)	(40,000)	(250,109)
Dividends paid	20	(16,763)	(25,953)	(162,277)
Proceeds from factoring agreements	17	100,464	110,635	691,771
Repayment of liabilities under factoring agreements	17	(85,629)	(61,741)	(386,050)
Dividends paid to non-controlling interests		(860)	(1,341)	(8,385)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation		-	80,000	500,219
Other		(16,639)	(7,142)	(44,657)
Net cash provided by (used in) financing activities		¥ 9,605	¥ (33,232)	$ (207,791)
Effect of exchange rate changes on cash and cash equivalents		1,275	3,918	24,498
Net increase (decrease) in cash and cash equivalents		48,623	(17,290)	(108,110)
Cash and cash equivalents at beginning of period	6	84,153	132,776	830,213
Cash and cash equivalents included in assets held for sale	9	-	(71)	(444)
Cash and cash equivalents at end of period	6	¥ 132,776	¥ 115,414	$ 721,653

The accompanying notes to the consolidated financial statements are an integral part of these statements.

1. Reporting Entity

Kawasaki Heavy Industries, Ltd. (hereinafter referred to as the "Company") is a company incorporated in Japan. The consolidated financial statements of the Company with a closing date as of March 31, 2026 comprise the Company and its subsidiaries (hereinafter referred to as the "Group") and the Group's interests in associates and joint ventures. The Group is engaged in the Aerospace Systems segment, the Rolling Stock segment, the Energy Solution & Marine Engineering segment, the Precision Machinery & Robot segment, the Powersports & Engine segment, and the Other segment, centering on the Company.

2. Basis of preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group, which meet the requirements of the "Specified Company Applying Designated International Financial Reporting Standards" prescribed in Article 1-2-1 of the Ordinance on Consolidated Financial Statements, have been prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the provisions of Article 312 of the Ordinance.
The consolidated financial statements were approved by Yasuhiko Hashimoto, Representative Director & President, on June 19, 2026.

(2) Basis of measurement

The consolidated financial statements of the Group were prepared on the acquisition cost basis, except for items such as financial instruments and defined benefit liability (asset) as described in Note 3, "Material accounting policies."

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company's functional currency, and figures are rounded down to the nearest million yen, unless otherwise stated.
U.S dollar amounts are included solely for convenience purposes. These translations should not be construed as representations that the Japanese yen amounts actually represent or have been or could be converted into U.S. dollars.
As the amounts shown in U.S. dollars are solely for convenience purposes, the prevailing rate on March 31, 2026 of ¥159.93 to US$1.00 is used for the purpose of presenting U.S. dollar amounts in the accompanying consolidated financial statements.

(4) Use of significant estimates and judgments

In the preparation of the IFRS-compliant consolidated financial statements, the management is required to make judgements, estimates and assumptions that could have an impact on the application of accounting policies and reporting of assets and liabilities as well as revenue and expenses. Actual results could differ from those estimates. Estimates and their underlying assumptions are continually reviewed. The impact of any revisions in accounting estimates is recognized in the accounting period in which the revisions are made and in future accounting periods.
Information about estimates and judgements made in the application of accounting policies that could have a significant impact on the amounts recognized in the consolidated financial statements is as follows:

- Impairment of non-financial assets (Note 3 (10), "Impairment of non-financial assets," Note 12, "Impairment of non-financial assets")
- Provisions (Note 3 (13), "Provisions," Note 19, "Provisions")
- Revenue (Note 3 (15), "Revenue," Note 25, "Revenue")
- Income taxes (Note 3 (17), "Income taxes," Note 15, "Deferred taxes and income taxes")

(5) Issued accounting standards and interpretations not yet adopted

The new standards, interpretations, and amendments issued as of the date of the approval for the consolidated financial statements, which have not been early adopted by the Group, have no material impact except following. The impact of the adoption of the new standard on the Group is under consideration.

IFRS	Title	Mandatory application period (Fiscal year beginning after)	Application period for the Group	Summaries of new IFRSs and amendments
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Year ending March 31, 2028	The new standard which replaces IAS 1, the current standard for Presentation and Disclosure in Financial Statements

3. Material accounting policies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group.

The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect the returns through its power over the entity. The financial statements of a subsidiary are included in the consolidated financial statements of the Group from the date when control is obtained until the date when it is lost. A subsidiary's financial statements are adjusted if the subsidiary's accounting policies differ from those applied by the Group. All intergroup balances of receivables and payables and other internal transactions within the Group, as well as unrealized gains and losses arising from internal transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interests in its subsidiaries that do not result in loss of control are accounted for as equity transactions. The carrying amount of the Group's ownership and non-controlling interest in a subsidiary is adjusted to reflect the changes in ownership interest. However, any difference between the amount by which the non-control interest is adjusted and the fair value of the consideration received is recognized directly as equity of attributable to owners of parent. Upon loss of control over a subsidiary, the Group recognizes gain or loss resulting from the loss of control in profit or loss.

(ii) Associates

Associates are entities in which the Group has significant influence over the financial and operating policies but does not have control.

Investments in associates are recognized at acquisition cost when the investment is obtained and subsequently accounted for using the equity method. The acquisition cost of an investment includes the transaction cost.

The consolidated financial statements include investments in entities accounted for using the equity method whose fiscal year-end dates differ from that of the parent company since it is impracticable to unify the closing dates of associates due to certain reasons such as relationships with other shareholders. The difference between the fiscal year-end dates of these equity-method entities and that of the parent company never exceeds three months. Equity method is applied after making necessary adjustments in relation to significant transactions or events during the period occurring from the difference in the fiscal year-end date. The equity-method entities' financial statements are adjusted if their accounting policies differ from those applied by the Group.

If the Group's interest in loss exceeds the investment in an entity accounted for using the equity method, the carrying amount of the investment, including the long-term interest, is written down to zero. No further loss is recognized unless the Group assumes or pays the obligation on behalf of the investee.

(iii)Joint arrangements

A joint arrangement is an arrangement in which the Group shares control with one or more parties. A joint arrangement exists only when decisions about relevant activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control. When the Group has parties that have joint control as a joint arrangement whereby the Group has only rights to the net assets of the arrangement, the joint arrangement is accounted for using the equity method, the same as an associate.

(iv)Business combinations

Business combinations are accounted for using the acquisition method.

Goodwill is measured as the excess amount when the sum of the consideration transferred and the amount of any non-controlling interest in the acquiree exceeds the net fair value of the acquisition date amount of identifiable assets acquired and liabilities assumed. It is immediately recognized as profit if the difference is a negative amount.

Acquisition related costs, excluding those associated with the issuance of debt or equity securities, incurred by the Group in connection with business combinations are expensed as incurred.

Business combinations related to entities or businesses under common control (business combination in which all combining entities or businesses are ultimately controlled by the same party (or parties), both before and after the business combination, and that control is not transitory) are accounted for based on the carrying amounts.

(2) Foreign currency translation

(i) Foreign currency transactions

Upon initial recognition, foreign currency transactions are translated into the relevant functional currency of the Group and its associates and joint ventures at the spot exchange rate, or an approximation of the rate, at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the fiscal year-end are translated into the functional currency at the exchange rate at the fiscal year-end. Non-monetary items denominated in foreign currencies that are measured at acquisition cost are translated into the functional currency at the spot exchange rate, or an approximation of the rate, at the date of the transaction, and those that are measured at fair value are translated into the functional currency at the exchange rate prevailing at the fair value measurement date.

Exchange differences arising from translations and settlements are recognized in profit or loss. However, if gains or losses of non-monetary items are recognized as other comprehensive income, exchange differences are also recognized as other comprehensive income.

(ii) Foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisitions are translated into Japanese yen at the relevant exchange rate prevailing at the fiscal year-end. Revenues and expenses of foreign operations are translated into Japanese yen at the average exchange rate during the fiscal year, except in cases in which exchange rate fluctuate significantly. Exchange differences arising from translations are recognized in other comprehensive income.

At the time a partial or entire foreign operation is disposed of and control or significant influence is lost, the cumulative amount of exchange differences recognized in other components of equity are reclassified to profit or loss.

(3) Financial instruments

(i) Non-derivative financial assets

Financial assets are classified into those measured at amortized cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

Financial assets are recognized when the Group becomes a party to the contractual provisions of the assets. Financial assets that are bought and sold in the regular way are recognized on the transaction date.

When the contractual right to cash flows from a financial asset expires or the Group transfers the contractual right to receive the cash flows of a financial asset and substantially all the risks and rewards of ownership of the financial asset have been transferred, the financial asset is derecognized.

(a) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are measured at fair value plus transaction costs that are directly attributable to the assets' acquisition at initial recognition. However, trade receivables without a significant financing component are initially measured at their transaction price.

In addition, after initial recognition, they are measured at amortized cost using the effective interest method.

(b) Financial assets measured at fair value through other comprehensive income

Financial assets besides the financial assets measured at amortized costs are classified into those measured at fair value.

For investments in equity instrument not held for trading purposes among financial assets measured at fair value, the Group can irrevocably designate the instrument as measured at fair value through other comprehensive income, and the Group applies such designation for each financial instrument.

Financial assets measured at fair value through other comprehensive income are measured at fair value plus transaction costs directly attributable to their acquisition at initial recognition. In addition, after initial recognition, those assets are measured at fair value, and subsequent changes are recognized as other comprehensive income. Changes in fair value recognized in other comprehensive income are reclassified not to profit or loss but to retained earnings, in case of derecognition. Dividends are recognized as profit or loss.

(c) Financial assets measured at fair value through profit or loss

Financial assets other than those above are classified into those measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are measured at fair value at the initial recognition, and the expenses that are directly attributable to their acquisition are recognized as profit or loss as incurred. In addition, after initial recognition, the assets are measured at fair value, and subsequent changes are recognized as profit or loss.

(ii) Impairment of financial assets

For financial assets measured at amortized cost, contract assets and lease receivables, an allowance is recognized for expected credit losses.

On the reporting date, if a credit risk on a financial instrument has significantly increased since its initial recognition, the allowance on the financial instrument is measured at the amount equal to the expected credit loss arising from all the possible events of default that could occur over the lifetime of the financial instrument (lifetime expected credit loss).

On the reporting date, if a credit risk on a financial instrument has not significantly increased since its initial recognition, the allowance on the financial instrument is measured at an amount equal to the expected credit loss arising from possible events of default that could occur within 12-month from the reporting date (12-month expected credit loss).

However, for trade receivables, contract assets and lease receivables, allowances are always measured at the amount equal to expected lifetime credit losses.

Further details regarding the assessment of significant increases in the credit risk and the measurement of expected credit losses are provided in Note 22, "Financial Instruments."

(iii)Non-derivative financial liabilities

Non-derivative financial liabilities are classified as financial liabilities measured at amortized cost.

Financial liabilities measured at amortized cost are measured at fair value less transaction costs directly attributable to their acquisition at initial recognition. In addition, after initial recognition, they are measured at amortized cost using

the effective interest method.

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the liabilities.

The financial liabilities are derecognized when, and only when, the financial liabilities are extinguished, or the obligations specified in the contract are extinguished, discharged, cancelled or expired.

(iv) Derivative transactions and hedge accounting

The Group is exposed to market risks, such as exchange fluctuation and interest rate fluctuation, in its regular operating activities. In order to manage these risks, the Group, in principle, assesses the net amount of risks and seeks to reduce market risks using transactions that have the effect of offsetting risks, such as executing derivative transactions in accordance with internal regulations as needed. At the inception of the hedge, the Group formally documents the relationship between the hedging instruments and the hedged items, including the risk management objectives, strategies for undertaking the hedge transactions and the method of assessing the effectiveness of hedging relationships. In addition, the Group sets appropriate hedge ratios based on the economic relationship between the hedging instruments and the hedged items and the risk management policy.

The Group continuously evaluates whether the hedging instruments can be predicted to have a highly offsetting effect against changes in the fair value or cash flows of the related hedged items over the hedged period.

Derivatives are initially recognized at fair value. In addition, after initial recognition, those that are measured at fair value and the subsequent changes are accounted for as follows:

(a) Fair value hedges

Changes in the fair value of derivatives used as hedging instruments are recognized in profit or loss. In addition, changes in fair value of hedged items attributable to the hedged risks are recognized in profit or loss, adjusting the carrying amount of the hedged item.

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives used as hedging instruments is recognized in other comprehensive income, while the accumulated amount is included in other components of equity. In addition, the ineffective portion of the hedge effect is recognized in profit or loss. The amounts accumulated in other components of equity are reclassified to profit or loss in the accounting period in which the hedged transactions affect profit or loss. However, if a forecast transaction of hedge subsequently results in the recognition of a non-financial asset or a non-financial liability, the amounts accumulated in other components of equity are accounted as adjustments to the initial carrying amount of the non-financial asset or the non-financial liability.

Hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised or the hedge does not meet the requirements for hedge accounting. If a forecast transaction is no longer deemed to have a probability of occurring, the amounts accumulated in other components of equity are immediately reclassified to profit or loss.

(c) Derivatives not designated as hedges

Changes in the fair value of derivatives are recognized in profit or loss.

(4) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits available to be withdrawn at any time and short-term investments with maturities of three months or less from the date of acquisition that are readily convertible to cash and subject to an insignificant risk of changes in value.

(5) Inventories

Inventories are measured at the lower of acquisition cost and net realizable value.

The acquisition cost of inventories is determined mainly by the specific identification method, first-in first-out method and moving average method and comprises the costs of purchase, costs of conversion and all other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to sell.

(6) Assets held for sale

Non-current assets or disposal groups that will be recovered principally through a sale transaction rather than through continuous use are classified as held for sale. Classification as held for sale is limited to cases where it is highly probable that the assets will be sold within one year, they are immediately available for sale in their current condition, and the management of the Group is committed to implementing a plan for their sale.

After classification as held for sale, such assets are measured at the lower of their carrying amount and fair value less costs to sell, and no depreciation or amortization is recognized.

(7) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured using the cost model and presented at acquisition cost less accumulated depreciation and accumulated impairment losses.

The acquisition cost includes cost directly attributable to the acquisition of the asset, borrowing costs that meet certain criteria for asset recognition and costs of dismantling, removing and restoring the asset.

The gain or loss on disposal of property, plant and equipment is measured by the difference between the amount received on disposal and the carrying amount and is recognized in profit or loss.

(ii) Depreciation

Property, plant and equipment are depreciated from the date the asset is available for use.

Depreciation costs are determined based on the depreciable amount of an asset. The depreciable amount is determined by deducting the residual value from the acquisition cost of an asset.

Property, plant and equipment, excluding land and other non-depreciable assets, are depreciated mainly on a straight-line method over their respective estimated useful lives.

The estimated useful lives of major classes of assets are as follows:

- Buildings and structures: 3 to 50 years
- Machinery, equipment and vehicles: 2 to 20 years

The depreciation method, useful lives and residual values are reviewed at the end of each fiscal year and modified as needed.

(8) Intangible assets

(i) Recognition and measurement

(a) Development expenses

Development activities include planning and designing to create new or substantially improved products or processes. Development expenses are capitalized only if all of the following requirements are met.

- the technical feasibility
- the intention to complete and use or sell
- the ability to use or sell
- future economic benefits
- the availability of adequate resources
- reliable measurement

Since the possibility of inflows of future economic benefits cannot be demonstrated, expenditure on research is not capitalized but recognized as an expense when incurred.

Capitalized costs include material costs, direct labor costs and indirect costs directly related to preparing an asset for its intended use. Other development expenses are recognized as expenses when incurred.

Capitalized development expenses are presented at acquisition cost less accumulated amortization and accumulated impairment loss using the cost model.

(b) Software and other intangible assets

Software and other intangible assets acquired by the Group with finite useful lives are accounted for using the cost model and recorded at the acquisition cost less accumulated amortization and accumulated impairment loss. Those assets with indefinite useful lives are recorded at the acquisition cost less accumulated impairment loss.

(c) Goodwill

Goodwill arising from the acquisition of a subsidiary is recorded as an intangible asset. Initial recognition and measurement of goodwill are stated above in Note 3 (1) (iv), "Business combinations."

Goodwill is accounted for using the cost model and measured at the acquisition cost less accumulated impairment loss. For the equity-method entities, the carrying amount of goodwill is included in the carrying amount of investments.

(ii) Amortization

Excluding goodwill, intangible assets with finite useful lives are amortized from the date the asset is available for use over its respective estimated useful life. Development expenses are amortized by the units-of-production method according to the production volume of the product development model, and other intangible assets are amortized by the straight-line method.

The estimated useful lives of major classes of assets are as follows:

- Software: 5 years
- Development expenses: 2 to 10 years

Amortization methods, useful lives and residual values are reviewed at the end of each fiscal year and modified as needed.

(9) Leases

(i) Leases as lessee

A right-of-use asset and a lease liability are recognized at the commencement date of the respective lease.

Right-of-use assets are measured using the cost model and presented at the acquisition cost at the commencement date of lease less accumulated depreciation and accumulated impairment loss. The acquisition cost is measured at the amount of the initial measurement of lease liability, which is adjusted for in the lease payments at the commencement date and reflect prepaid lease payments, including initial direct costs and costs of dismantling, removal and restoration under the lease contract, less any lease incentives received. After initial recognition, a right-of-use asset is depreciated

on a straight-line basis over the shorter of its useful life and the lease term.
Lease liabilities are initially measured at the discounted present value of the outstanding lease payments at the commencement date of the lease using the interest rate implicit in the lease. If the interest rate implicit in the lease is not readily determinable, the Group's incremental borrowing rate is used.
Lease liabilities are measured at amortized cost using the effective interest method. Each contract includes an option to buy the underlying asset and extend or terminate the lease term. Lease liabilities are remeasured if there is any change in the prospects for exercising the option.
In addition, right-of-use assets and lease liabilities are not recognized for short-term leases whose lease terms are 12 months or less and leases of low-value assets, and the related lease payments are recognized as expenses on a straight-line basis over the lease term.
The Group distinguishes right-of-use assets from other assets and presents lease liabilities in "Bonds, borrowings and other financial liabilities" in the consolidated statement of financial position.

(ii) Leases as lessor
Contractually, leases in which substantially all the risks and rewards incidental to ownership of underlying assets are transferred to the lessee are classified as finance leases. Leases other than finance leases are classified as operating leases.
With regard to finance lease transactions, the net investment in the lease is recognized as lease receivable (included in "Trade and other receivables"). Unearned finance income is allocated to net investment at a constant interest rate over the lease term and recognized as revenue in the period to which it applies.
For operating lease transactions, lease payments received are recognized as revenue on a straight-line basis over the lease terms.

(10) Impairment of non-financial assets

The Group's carrying amounts of property, plant and equipment and intangible assets are determined by whether there is any indication of impairment at the end of each reporting period. If there is an indication of impairment, the Group estimates the recoverable amount of the asset and performs an impairment test. Goodwill and intangible assets with indefinite useful lives or not yet available for use are not only periodically tested for impairment once a year, but also whenever there is an indication of impairment.
The recoverable amount of assets or cash-generating unit is the higher of its value in use and its fair value less costs of disposal. With regard to the measurement of value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. The cash-generating unit is the smallest unit of an asset group that can be identified as generating cash inflows that are largely independent of cash inflows from other assets or groups of assets.
An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. An impairment loss is recognized in profit or loss. An impairment loss recognized in relation to a cash-generating unit is allocated to reduce the carrying amount of goodwill allocated to the unit and subsequently to reduce the carrying amount of other assets within the unit on a pro-rata basis.
Impairment loss in relation to goodwill is not reversed. For non-financial assets other than goodwill with impairments loss recognized in the past, a determination is made to whether there is any indication of a reversal of the impairment loss recorded in previous years at the end of each reporting period. If such an indication exists, the recoverable amount of the asset or cash-generating unit is estimated, and if the recoverable amount exceeds the carrying amount of the asset or the unit, impairment loss is reversed up to the lower of the calculated recoverable amount and the carrying amount after deducting any depreciation of which no impairment loss had been recognized in the previous years.

(11) Government grants

Government grants are measured at fair value when there is reasonable assurance that the Group will receive the grant and will comply with the required terms and conditions, and recognized as following method.
Grants related to assets are recognized by a method which deducts the value of the grant from the acquisition cost of the asset to determine the carrying amount of the asset. Grants related to revenue are recognized by a method which deducts the value of the grant from the related expenses.

(12) Employee benefits

(i) Long-term employee benefits

(a) Post-employment benefits
a) Defined contribution plans
The Company and some subsidiaries have adopted defined contribution plans. Defined contribution pension plans are post-employment benefit plans under which an entity pays fixed contributions into a separate independent entity and will have no legal or constructive obligation to pay further contributions. The contribution obligation of the defined contribution pension plan is recognized as an employee benefits expense in profit or loss over the period in which employees render related services.

b) Defined benefit plans
Defined benefit plans are recognized as liabilities or assets in which the fair value of the plan asset is deducted from the present value of the defined benefit obligations.
The present value of the defined benefit obligations and service cost are determined using the projected unit credit method for each system.

The discount rate is determined at the end of the accounting period by reference to market yields on high-quality corporate bonds that correspond to the currency used for the payment of the defined benefit obligations and the estimated due date.

Remeasurements arising from defined benefit plans are composed of actuarial gains and losses, the income from plan assets (excluding interest) and the effect of any asset ceiling and are immediately recorded in other comprehensive income and immediately reclassified to retained earnings.

When a plan is amended, the variable portion of the benefits related to past service by employees is immediately recognized in profit or loss.

(b) Other long-term employee benefits

For long-term employee obligations other than post-employment benefits, the Group has a system that grants leave and allowance when achieving long-term employment. The long-term employee benefits are calculated by estimating the amount of future benefits earned for services rendered by employees in the prior and current fiscal years and discounting that amount to the present value.

(ii) Short-term employee benefits

Short-term employee benefits are not discounted but recorded as expenses as the relevant services are provided.

For bonuses, if the Group has the present legal and constructive obligation to pay them as the result of past services provided by employees and the amount can be reliably estimated, the estimated amount to be paid is recognized as a liability.

(13) Provisions

Provisions are recognized when the Group has a legal or constructive obligation, the amount of which can be reliably estimated as a result of a past event, and it is probable that an outflow of economic resources will settle the obligation.

When the effect of the time value of money is significant, the provision is measured at the present value of the amount of expenditure expected to be required to settle the obligation.

(14) Shareholders' equity

(i) Common shares

Equity instruments issued by the Company are recorded at the issue price in share capital and capital surplus, and costs directly attributable to the issuance (after tax effect adjustments) are deducted from equity.

(ii) Treasury shares

When treasury shares are acquired, consideration paid, including costs incurred directly related to the acquisition, is deducted from equity. When treasury shares are disposed of, the difference between the consideration received and the carrying amount of the treasury shares is accounted for as equity.

(15) Revenue

The Group recognizes revenue at the amount of consideration to which the Group expects to be entitled in exchange for goods or services when the control of the goods or services is transferred to the customer. In its recognition of revenue, the Group takes the following five-step approach.

(i) Identify the contract with the customers
(ii) Identify the performance obligations in the contract
(iii) Determine the transaction price
(iv) Allocate the transaction price to the performance obligations in the contract
(v) Recognize revenue when (or as) the Group satisfies a performance obligation

In relation to the recognition of revenue from contracts with the Group's customers, the nature of principal performance obligations for major businesses and typical timing of the satisfaction of those performance obligations (typical timing of revenue recognition) are as follows:

(i) Sale of products and other goods

For revenues from the sale of products and other goods, because the Group has performance obligations to transfer products to the customer under contract and determines that control of the products will transfer to the customer at the time of delivery or acceptance of products and other goods, the revenues are recognized on the delivery or acceptance date. Revenues are measured by the amount of consideration promised in the contract less any discounts and rebates.

(ii) Construction contracts and rendering of services

Revenues from construction contracts and the rendering of services are derived from the manufacturing of products based on orders from customers and the maintenance of the associated products. The Group has the performance obligations to transfer goods or services to the customer under the contract. For construction contracts and rendering of services, the Company recognizes revenue by reasonably measuring the progress towards complete satisfaction of performance obligations as control over goods or services is transferred to the customer over a certain period. The measurement of the progress takes into account the nature of the goods or services promised to be transferred to the customer. If costs incurred are proportional to progress in satisfying the performance obligations, such as with construction contracts in the Aerospace Systems segment and the Energy Solution & Marine Engineering segment, the

progress is measured using the input method based on the ratio of the current cumulative costs incurred to the estimated total costs of the entire transaction. In the case of contracts that charge a fixed amount for services provided over a certain period of time, such as maintenance contracts in the Energy Solution & Marine Engineering segment, or contracts that have the right to receive from the customer an amount of consideration that directly corresponds to the value to the customer for the portion of the performance completed, such as with maintenance contracts for commercial aircraft jet engines in the Aerospace Systems segment and the manufacturing of rolling stock in the Rolling Stock segment, the progress is measured using the output method based on the ratio of the elapsed period to the entire contract period and the ratio of the fulfilled obligation up to the current time to the total performance obligation. If the Group is unable to reasonably estimate the progress but expects to recover the costs incurred, the Group recognizes revenue within the range of the costs incurred.

Consideration for these performance obligations is usually received within one year from the fulfilment of the performance obligations. Significant financing components are not included in the consideration.

The Group provides a warranty that products meet the specifications set forth in the contracts. However, since the product warranty does not provide for separate service, it is not distinguished as an independent performance obligation.

For transaction contracts that include changes in consideration, such as for rebates and post-sale discounts, the variable price is estimated to the extent that it is highly probable that a significant reversal in sales revenue will not occur when the uncertainty is resolved to determine the transaction price.

In addition, the Group capitalizes the amounts that it expects to recover from contract fulfillment costs with customers. These assets are amortized over the pattern of provision of the related services to the customers.

(16) Finance income and costs

Finance income and finance costs consist of interest income, interest expense, dividend income, gains and losses on foreign exchange, gains and losses on derivatives (except for gains and losses recognized in other comprehensive income) and others. Interest income and expense are recognized using the effective interest method when incurred. Dividend income is recognized on the date the Group's right to receive the income is established.

(17) Income taxes

Income taxes comprise current taxes and deferred taxes and are recognized in profit or loss, except for taxes arising from business combinations and taxes incurred from items directly recognized in equity or other comprehensive income.

Current taxes are measured at the amount expected to be paid to or recovered from the taxation authorities. The calculation of the taxes is based on tax rates and tax laws that have been enacted or substantively enacted at the end of reporting period.

Deferred taxes are measured at the end of reporting period based on temporary differences between the carrying amount of assets and liabilities for accounting purposes and their value for tax purposes, and tax loss carryforward and tax credit carryforward.

Deferred tax assets are recognized for the unused tax loss carryforward, tax credit carryforward, and deductible temporary differences only to the extent that it is probable that future taxable income will be available against which they can be utilized. In addition, they are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to realize the benefits of the deferred tax assets.

Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax liabilities are not recognized in the following cases:

- Differences arising from investments in subsidiaries to the extent that it is probable that the temporary differences will not reverse in the foreseeable future
- Temporary differences arising on initial recognition of goodwill

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply when the temporary differences are resolved based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity, or on different taxable entity, these taxable entities intend either to settle current tax assets and liabilities on a net basis, or when these tax assets and liabilities are expected to be realized at the same time.

With respect to uncertain tax positions of income taxes, a reasonably estimated amount is recognized as an asset or liability when it is probable that the tax position will be upheld (by the tax authorities) based on interpretations for the purpose of tax laws.

(18) Earnings per share

Basic earnings per share are determined by dividing profit attributable to owners of parent by the weighted average number of shares of outstanding common stock less treasury shares during the period.
Diluted earnings per share are determined by adjusting the impact of all potential common shares with a dilutive effect.

4. Operating segments

(1) Overview of reportable segments

The Group's reportable segments are components of the Group about which separate financial information is available. These segments are subject to periodic reviews by the Group's board of directors to decide how to allocate resources and assess performance. The Group's operations are divided into internal companies based on product categories, and certain authority is delegated to each of the internal companies. Based on this authority, the companies conduct business operation in Japan and overseas. The Group's operations are therefore segmented based on each internal company's product categories. The Group's six reportable segments are the Aerospace Systems segment, the Rolling Stock segment, the Energy Solution & Marine Engineering segment, the Precision Machinery & Robot segment, the Powersports & Engine segment, and the Other segment.

The main business activities of each reportable segment are as follows:

Reportable segments	Main business activities
Aerospace Systems	Production and sale of aircraft, aircraft jet engines, space-related equipment, and others
Rolling Stock	Production and sale of rolling stock, snow plows, and others
Energy Solution & Marine Engineering	Production and sale of energy-related machinery and systems, hydrogen-related facilities, marine machinery and systems, plant machinery and systems, ships, other vessels, crushers, and others
Precision Machinery & Robot	Production and sale of hydraulic equipment, industrial robots, and others
Powersports & Engine	Production and sale of motorcycles, off-road vehicles-models (SxS, ATV), personal watercraft (PWC) "JET SKI," general-purpose gasoline engines, and others
Other	Commercial activities, sales/order agency and intermediary activities, administration of welfare facilities, and others

(2) Information about reportable segments

The accounting policies applied to the reportable segments are generally the same as the Group's accounting policies described in Note 3, "Material accounting policies."

Information about the reportable segments of the Group is as follows:

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 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	¥567,838	222,306	398,138	241,503	609,357	90,177	2,129,321	-	2,129,321
Intersegment revenue and transfers*1	15,801	240	24,270	21,329	1,326	28,571	91,539	(91,539)	-
Total revenue	583,639	222,546	422,408	262,833	610,684	118,749	2,220,861	(91,539)	2,129,321
Business profit*3	55,826	8,408	44,285	7,045	47,884	5,283	168,733	(25,609)	143,123
Finance income									3,423
Finance costs									(39,028)
Profit before tax									107,518
Segment assets	1,091,090	267,480	593,749	282,303	697,708	97,491	3,029,823	(12,871)	3,016,951
Depreciation and amortization	29,811	2,433	6,567	11,080	32,335	1,576	83,804	9,626	93,431
Impairment loss	-	-	-	-	-	-	-	-	-
Share of profit (loss) of investments accounted for using equity method	-	3	22,946	(1,559)	1,711	140	23,243	(69)	23,174
Investments accounted for using equity method	-	249	96,098	4,878	2,250	4,794	108,271	-	108,271
Capital investment	24,872	5,089	11,265	14,277	67,944	5,407	128,857	12,329	141,186

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

2. The details of Eliminations and corporate are as follows:
   (1) Eliminations and corporate of ¥ (25,609) million for business profit include ¥ (777) million for intersegment transactions and ¥ (24,832) million for general and administrative expenses not attributed to reportable segments. Eliminations and corporate also include ¥ (10,651) million related to new business investments (head office projects).
   (2) Eliminations and corporate of ¥ (12,871) million for segment assets include ¥ (273,121) million for eliminations of intersegment receivables and payables and corporate assets not allocated to reportable segments of ¥260,249 million among cash and cash equivalents, property, plant and equipment, other financial assets and others.

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.

Fiscal year ended March 31, 2026 (April 1, 2025 – March 31, 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	¥613,691	236,203	433,574	259,146	682,812	85,839	2,311,267	-	2,311,267
Intersegment revenue and transfers*1	14,253	87	26,571	20,779	1,148	30,505	93,345	(93,345)	-
Total revenue	627,944	236,291	460,145	279,925	683,960	116,345	2,404,613	(93,345)	2,311,267
Business profit*3	62,484	8,683	55,016	14,391	22,750	7,084	170,411	(25,308)	145,103
Finance income									21,698
Finance costs									(21,272)
Profit before tax									145,530
Segment assets	1,216,102	265,137	658,587	313,580	820,075	116,788	3,390,271	(65,647)	3,324,623
Depreciation and amortization	28,915	2,723	7,428	11,747	41,076	1,569	93,459	10,356	103,816
Impairment loss	-	-	-	-	-	-	-	1,248	1,248
Share of profit (loss) of investments accounted for using equity method	-	25	23,719	790	(34)	(268)	24,232	(90)	24,141
Investments accounted for using equity method	-	286	116,252	6,155	13,668	4,979	141,343	-	141,343
Capital investment	33,144	5,803	16,128	10,821	42,398	19,738	128,035	15,269	143,304

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

2. The details of Eliminations and corporate are as follows:

(1) Eliminations and corporate of ¥ (25,308) million ($(158,244) thousand) for business profit include ¥ (1,189) million ($(7,435) thousand) for intersegment transactions and ¥ (24,119) million ($(150,810) thousand) for general and administrative expenses not attributed to reportable segments. Eliminations and corporate also include ¥ (12,223) million ($(76,427) thousand) related to new business investments (head office projects).

(2) Eliminations and corporate of ¥ (65,647) million ($(410,473) thousand) for segment assets include ¥ (273,199) million ($(1,708,241) thousand) for eliminations of intersegment receivables and payables and corporate assets not allocated to reportable segments of ¥207,551 million ($1,297,762 thousand) among cash and cash equivalents, property, plant and equipment, other financial assets and others.

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.

Thousands of U.S. dollars

	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	$3,837,248	1,476,915	2,711,024	1,620,371	4,269,443	536,729	14,451,741	-	14,451,741
Intersegment revenue and transfers*1	89,120	544	166,141	129,926	7,178	190,740	583,662	(583,662)	-
Total revenue	3,926,368	1,477,465	2,877,165	1,750,297	4,276,621	727,475	15,035,409	(583,662)	14,451,741
Business profit*3	390,696	54,293	344,001	89,983	142,250	44,294	1,065,535	(158,244)	907,291
Finance income									135,672
Finance costs									(133,008)
Profit before tax									909,961
Segment assets	7,603,964	1,657,832	4,117,970	1,960,733	5,127,712	730,244	21,198,468	(410,473)	20,787,988
Depreciation and amortization	180,798	17,026	46,445	73,451	256,837	9,811	584,374	64,753	649,134
Impairment loss	-	-	-	-	-	-	-	7,803	7,803
Share of profit (loss) of investments accounted for using equity method	-	156	148,309	4,940	(213)	(1,676)	151,516	(563)	150,947
Investments accounted for using equity method	-	1,788	726,893	38,486	85,462	31,132	883,780	-	883,780
Capital investment	207,241	36,285	100,844	67,661	265,103	123,416	800,569	95,473	896,042

(3) Information by product and service

This information is omitted because the classification by products and services is the same as the classification by reportable segments.

(4) Information by region

The Group's revenues by region are based on the geographical distribution of its customers, the breakdown of which is described in Note 25, "Revenue."

The breakdown of the carrying amounts of non-current assets (excluding items such as financial assets, deferred tax assets, and retirement benefit assets.) analyzed by region of the Group is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Japan	¥ 592,612	¥ 618,868	$ 3,869,618
Overseas total	198,816	247,124	1,545,201
Total	¥ 791,428	¥ 865,993	$ 5,414,825

(5) Information about major customers

Revenue from customers that accounted for 10% or more of consolidated revenue is as follows:

	Related major reportable segments	Millions of yen		Thousands of U.S. dollars
		2025	2026	2026
Ministry of Defense	Aerospace Systems, Energy Solution & Marine Engineering, and others	¥ 400,890	¥ 429,769	$ 2,687,232

5. Change in subsidiaries and non-controlling interests

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

There were no significant business combinations.

Fiscal year ended March 31, 2026 (April 1, 2025 – March 31, 2026)

Based on the resolution of its Board of Directors Meeting held on November 8, 2024, the Company sold 20% of the outstanding shares of its consolidated subsidiary, Kawasaki Motors, Ltd. (hereinafter referred to as "Kawasaki Motors"), to Kawasaki Motors on April 1, 2025. Furthermore, Kawasaki Motors conducted a third-party allotment, allocating 20% of its outstanding shares to ITOCHU Corporation. Subsequent to these transactions, Kawasaki Motors remains a consolidated subsidiary of the Company.

Descriptions of the transactions with non-controlling interests are as follows:

	Millions of yen	Thousands of U.S. dollars
Consideration for the transaction	¥ 80,000	$ 500,219
Increase (decrease) in non-controlling interests	34,650	216,657
Increase (decrease) in other components of equity	(3,670)	(22,948)
Increase (decrease) in capital surplus	¥ 49,019	$ 306,503

6. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Cash and deposits	¥ 132,737	¥ 115,368	$ 721,366
Cash equivalents	38	45	281
Total	¥ 132,776	¥ 115,414	$ 721,653

Cash and cash equivalents are classified as financial assets measured at amortized cost.

The balance of cash and cash equivalents in the consolidated statement of financial position corresponds to the balance of cash and cash equivalents at the end of the period in the consolidated statement of cash flow.

7. Trade and other receivables

The breakdown of trade and other receivables is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Notes, accounts receivable and electronically recorded monetary claims - trade	¥ 709,131	¥ 833,379	$ 5,210,899
Other	55,252	47,008	293,929
Total	¥ 764,383	¥ 880,387	$ 5,504,827

Trade and other receivables, except for lease receivables included in Other, are all classified as financial assets measured at amortized cost.

The amount of trade and other receivables to be collected in more than 12 months as of March 31, 2025 and March 31, 2026 were ¥105,253 million and ¥127,509 million ($797,280 thousand), respectively.

8. Inventories

The breakdown of inventories is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Merchandise and finished goods	¥ 134,712	¥ 153,010	$ 956,731
Work in process	414,791	418,377	2,616,001
Raw materials and supplies	225,930	250,781	1,568,067

Total	¥	775,434	¥	822,169	$	5,140,805

The amounts of inventory write-downs recognized as expenses are included in cost of sales in the consolidated statement of profit or loss, and ¥1,764 million and ¥2,757 million ($17,239 thousand) for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

Of the above, inventories to be paid and sold in more than 12 months are quantitatively insignificant as of March 31, 2025 and March 31, 2026.

9. Assets held for sale

The breakdown of assets held for sale and liabilities directly associated with assets held for sale is as follows:

(1) Assets held for sale

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Cash and cash equivalents	¥ -	¥ 71	$ 444
Trade and other receivables	-	6,248	39,067
Inventories	-	4,696	29,363
Property, plant and equipment	-	3,712	23,210
Other assets	-	3,337	20,865
Total	¥ -	¥ 18,065	$ 112,956

(2) Liabilities directly associated with assets held for sale

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Trade and other payables	¥ -	¥ 2,260	$ 14,131
Contract liabilities	-	1,130	7,066
Retirement benefit liability	-	2,872	17,958
Other liabilities	-	2,916	18,233
Total	¥ -	¥ 9,180	$ 57,400

Assets held for sale and liabilities directly associated with them are primarily related to the business of EarthTechnica Co., Ltd. (hereinafter referred to as "EarthTechnica"), a consolidated subsidiary included in the Energy Solution & Marine Engineering business.

The Company resolved, at a meeting of its Board of Directors held on February 9, 2026, to transfer all shares of EarthTechnica held by the Company to Furukawa Co., Ltd., and entered into a share transfer agreement on the same date. The share transfer agreement provides for the phased transfer of all shares of EarthTechnica. The Company transferred 60% of the total number of issued shares on April 1, 2026, as described in Note 33, "Subsequent events."

The remaining 40% of the total number of issued shares is scheduled to be transferred on April 1, 2027.

10. Property, plant and equipment

Changes in carrying amount, acquisition cost, accumulated depreciation and accumulated impairment loss of property, plant and equipment are as follows:

Carrying amount

	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of April 1, 2024	¥ 168,689	¥ 150,736	¥ 61,803	¥ 65,860	¥ 49,241	¥ 496,331
Acquisitions	1,252	4,917	1,099	89,970	4,041	101,281
Transfer of accounts	17,388	68,447	0	(105,774)	18,668	(1,269)
Sale or disposal	(345)	(6,345)	(166)	(1,125)	(1,110)	(9,092)
Depreciation*1	(12,550)	(32,242)	-	-	(17,961)	(62,754)
Impairment loss*2	-	-	-	-	-	-
Exchange differences	(196)	(2,765)	(61)	(1,570)	(331)	(4,925)
Transfer to assets held for sale	-	-	-	-	-	-
Other	(223)	306	-	(3,979)	68	(3,827)
Balance as of March 31, 2025	¥ 174,015	¥ 183,055	¥ 62,676	¥ 43,379	¥ 52,617	¥ 515,743
Acquisitions	2,131	6,563	14	80,637	5,824	95,172
Transfer of accounts	12,901	42,507	-	(80,998)	23,740	(1,848)
Sale or disposal	(490)	(1,799)	(14)	(1,008)	(816)	(4,130)
Depreciation*1	(12,980)	(37,154)	-	-	(20,292)	(70,427)
Impairment loss*2	-	-	-	-	(1,248)	(1,248)
Exchange differences	1,940	9,045	457	1,656	1,176	14,275
Transfer to assets held for sale	(1,667)	(1,748)	-	(65)	(230)	(3,712)
Other	1,311	536	-	(2,018)	(717)	(887)
Balance as of March 31, 2026	¥ 177,162	¥ 201,006	¥ 63,133	¥ 41,582	¥ 60,052	¥ 542,937

	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of March 31, 2025	$ 1,088,070	$ 1,144,595	$ 391,896	$ 271,237	$ 329,000	$ 3,224,805
Acquisitions	13,325	41,037	88	504,202	36,416	595,085
Transfer of accounts	80,667	265,785	-	(506,459)	148,440	(11,555)
Sale or disposal	(3,064)	(11,249)	(88)	(6,303)	(5,102)	(25,824)
Depreciation*1	(81,161)	(232,314)	-	-	(126,881)	(440,361)
Impairment loss*2	-	-	-	-	(7,803)	(7,803)
Exchange differences	12,130	56,556	2,858	10,355	7,353	89,258
Transfer to assets held for sale	(10,423)	(10,930)	-	(406)	(1,438)	(23,210)
Other	8,197	3,351	-	(12,618)	(4,483)	(5,546)
Balance as of March 31, 2026	$ 1,107,747	$ 1,256,837	$ 394,754	$ 260,001	$ 375,489	$ 3,394,841

Acquisition cost

	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of April 1, 2024	¥ 475,870	¥ 650,933	¥ 61,803	¥ 67,499	¥ 306,364	¥ 1,562,471
Balance as of March 31, 2025	¥ 489,357	¥ 698,661	¥ 62,676	¥ 43,379	¥ 319,228	¥ 1,613,302
Balance as of March 31, 2026	¥ 501,644	¥ 744,981	¥ 63,133	¥ 41,582	¥ 338,174	¥ 1,689,515

	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of March 31, 2026	$ 3,136,647	$ 4,658,169	$ 394,754	$ 260,001	$ 2,114,513	$ 10,564,091

Accumulated depreciation and accumulated impairment loss

	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of April 1, 2024	¥ 307,180	¥ 500,197	¥ -	¥ 1,638	¥ 257,122	¥ 1,066,139
Balance as of March 31, 2025	¥ 315,341	¥ 515,605	¥ -	¥ -	¥ 266,611	¥ 1,097,558
Balance as of March 31, 2026	¥ 324,482	¥ 543,975	¥ -	¥ -	¥ 278,121	¥ 1,146,578

Notes: 1. Depreciation is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.
2. Impairment loss is included in "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of March 31, 2026	$ 2,028,900	$ 3,401,332	$ -	$ -	$ 1,739,017	$ 7,169,249

11. Intangible assets

Changes in carrying amount, acquisition cost, accumulated amortization and accumulated impairment loss of intangible assets are as follows:

Carrying amount

	Millions of yen			
	Development expenses	Software	Other	Total
Balance as of April 1, 2024	¥ 23,136	¥ 16,713	¥ 29,767	¥ 69,617
Acquisitions through internal development	9,464	-	-	9,464
Acquisitions	-	8,278	7,172	15,451
Sale or disposal	-	(260)	(174)	(434)
Amortization*	(9,056)	(7,167)	(502)	(16,726)
Impairment loss	-	-	-	-
Exchange differences	11	72	11	95
Transfer to assets held for sale	-	-	-	-
Other	(64)	487	(2,131)	(1,708)
Balance as of March 31, 2025	¥ 23,491	¥ 18,124	¥ 34,143	¥ 75,760
Acquisitions through internal development	12,419	-	-	12,419
Acquisitions	-	8,197	2,684	10,882
Sale or disposal	-	(87)	(349)	(436)
Amortization*	(8,124)	(7,627)	(584)	(16,337)
Impairment loss	-	-	-	-
Exchange differences	34	122	203	360
Transfer to assets held for sale	-	(48)	(168)	(216)
Other	(886)	45	928	87
Balance as of March 31, 2026	¥ 26,934	¥ 18,727	¥ 36,857	¥ 82,519

	Thousands of U.S. dollars			
	Development expenses	Software	Other	Total
Balance as of March 31, 2025	$ 146,883	$ 113,325	$ 213,487	$ 473,707
Acquisitions through internal development	77,653	-	-	77,653
Acquisitions	-	51,254	16,782	68,042
Sale or disposal	-	(544)	(2,182)	(2,726)
Amortization*	(50,797)	(47,690)	(3,652)	(102,151)
Impairment loss	-	-	-	-
Exchange differences	213	763	1,269	2,251
Transfer to assets held for sale	-	(300)	(1,050)	(1,351)
Other	(5,540)	281	5,803	544
Balance as of March 31, 2026	$ 168,411	$ 117,095	$ 230,457	$ 515,969

Acquisition cost

	Millions of yen			
	Development expenses	Software	Other	Total
Balance as of April 1, 2024	¥ 41,226	¥ 87,033	¥ 39,900	¥ 168,160
Balance as of March 31, 2025	¥ 50,639	¥ 90,325	¥ 45,071	¥ 186,035
Balance as of March 31, 2026	¥ 62,206	¥ 98,528	¥ 48,634	¥ 209,369

	Thousands of U.S. dollars			
	Development expenses	Software	Other	Total
Balance as of March 31, 2026	$ 388,958	$ 616,070	$ 304,096	$ 1,309,129

Accumulated amortization and accumulated impairment loss

	Millions of yen			
	Development expenses	Software	Other	Total
Balance as of April 1, 2024	¥ 18,090	¥ 70,319	¥ 10,133	¥ 98,543
Balance as of March 31, 2025	¥ 27,147	¥ 72,200	¥ 10,927	¥ 110,275
Balance as of March 31, 2026	¥ 35,271	¥ 79,801	¥ 11,777	¥ 126,850

Notes: Amortization is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

	Thousands of U.S. dollars			
	Development expenses	Software	Other	Total
Balance as of March 31, 2026	$ 220,540	$ 498,975	$ 73,638	$ 793,160

12. Impairment of non-financial assets

The Group groups assets into cash-generating units, which are the smallest units that generate largely independent cash inflows based on business units.

As of March 31, 2025

There was no material impairment loss.

As of March 31, 2026

There was no material impairment loss.

13. Leases

The Group leases land and buildings as offices and warehouses. Typical office leases have terms ranging from 10 to 20 years and include options to extend the leases for a certain period after the end of the lease term.

The Group subleases part of rental properties under operating or finance leases.

Some leases for offices and other premises contain extension options that are exercisable by the Group up to one year before the end of the non-cancelable term. Leases for offices and other premises are subject to the Act on Land and Building Leases. Unless there is a justifiable reason for the lessor to refuse to renew the contract at the expiration of the contract, the Group is entitled to renew the contract. The right of contract renewal is exercisable only by the Group and not by the lessor. The Group evaluates whether it is reasonably certain to exercise the right of contract renewal at the lease commencement date. The Group reviews whether it is reasonably certain to exercise the option upon the occurrence of a significant event or a significant change in circumstances within the controllable scope by the Group.

Also, the Group leases mainly machinery and equipment other than offices and other premises, and the lease terms for machinery and equipment are from 5 to 10 years. Among these leases are leases under which the Group has the option to purchase the asset at the end of the contract term and leases under which the Group guarantees the residual value of the lease assets at the end of the contract term.
The Group remeasures right-of-use assets and lease liabilities through monitoring the use of the machinery and equipment and revaluing amounts expected to be paid based on residual value guarantees as of the reporting date.
Other IT equipment leases include short-term leases and leases of low-value assets, for which right-of-use assets and lease liability are not recognized.

(1) Right-of-use assets

The breakdown of right-of-use assets at the end of the previous consolidated fiscal year and the current consolidated fiscal year is as follows:

	Millions of yen			
	Type of underlying assets			
	Buildings and structures, land and other properties	Machinery, equipment and vehicles	Other	Total
2025	¥ 50,821	¥ 6,615	¥ 1,259	¥ 58,697
2026	¥ 61,551	¥ 4,604	¥ 1,775	¥ 67,931

	Thousands of U.S. dollars			
	Type of underlying assets			
	Buildings and structures, land and other properties	Machinery, equipment and vehicles	Other	Total
2026	$ 384,862	$ 28,788	$ 11,099	$ 424,755

The depreciation of right-of-use assets and increases in right-of-use assets at the end of the previous consolidated fiscal year, and the current consolidated fiscal year are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Underlying assets of buildings and structures, land and other properties	¥ 10,589	¥ 14,598	$ 91,277
Underlying assets of machinery, tools and fixtures	2,861	1,872	11,705
Underlying assets of other	498	580	3,627
Total depreciation of right-of-use assets	13,950	17,051	106,615
Increase in right-of-use assets	16,283	26,525	165,854

(2) Lease liabilities

The maturity analysis of lease liabilities at the end of the previous consolidated fiscal year and the current consolidated fiscal year is described in Note 22, "Financial Instruments."

(3) Amount recognized in profit and loss

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Interest expense on lease liabilities	¥ 2,086	¥ 2,087	$ 13,049
Expenses related to short-term leases	352	436	2,726
Expenses related to leases of low-value assets	1,253	1,530	9,567

Rental revenue from subleasing right-of-use assets and expense related to variable lease payments not included in the measurement of lease liabilities were immaterial.

(4) Cash outflow related to leases

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Cash outflow related to leases	¥ 21,205	¥ 22,361	$ 139,817

(5) Sale and leaseback

Information about sale and leaseback was immaterial and is therefore omitted.

Lease information for which the Group was the lessor was immaterial and is therefore omitted.

14. Other financial assets

(1) The breakdown of other financial assets

The breakdown of other financial assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Financial assets measured at fair value through profit or loss			
Derivative assets*1	¥ 1,980	¥ 3,074	$ 19,221
Other	205	241	1,507
Financial assets measured at fair value through other comprehensive income			
Shares and investments in capital	31,190	35,217	220,203
Financial assets measured at amortized cost			
Time deposits with maturities of more than three months	8,740	12,565	78,566
Other*2	41,456	44,871	280,566
Total	¥ 83,573	¥ 95,970	$ 600,075
Current assets	11,770	16,951	105,990
Non-current assets	71,802	79,018	494,079
Total	¥ 83,573	¥ 95,970	$ 600,075

Notes: 1. Derivative assets include those designated as hedging instruments. The effective portion of any change in fair value of derivative assets is recognized as other comprehensive income.

2. The Company sustained losses (approximately ¥51 billion ($318,890 thousand)) due to breach of contract by an overseas construction subcontractor in connection with a certain overseas liquefied natural gas (LNG) tank construction project. The Company has filed a petition for arbitration on this matter with the International Chamber of Commerce (ICC). The Company plans to settle this dispute through the arbitration process and recognized a financial asset based on contractual rights within "Other" under "Other financial assets."

(2) Financial assets measured at fair value through other comprehensive income

The Company holds shares of companies with which it has a business relationship for a long period. The Company classifies the shares into financial assets measured at fair value through other comprehensive income.

(i) The breakdown of major stocks and fair value

Major stocks and the fair values of financial assets measured at fair value through other comprehensive income are as follows:

	Millions of yen
	2025
IHI Investment for Aero Engine Leasing LLC	¥ 4,788
Seiwa Building Co., Ltd.	3,816
Panovation Energy (Shanghai) Co., Ltd.	2,169
IHI Aero Engines US Co., Ltd.	2,023
West Japan Railway Techsia Co., Ltd.	1,553

	Millions of yen	Thousands of U.S. dollars
	2026	2026
IHI Investment for Aero Engine Leasing LLC	¥ 5,845	$ 36,547
Seiwa Building Co., Ltd.	5,175	32,358
West Japan Railway Techsia Co., Ltd.	2,598	16,245
IINO KAIUN KAISHA, LTD.	2,349	14,688
IHI Aero Engines US Co., Ltd.	2,127	13,300

(ii) Derecognition

The Company sold and derecognized a part of its equity instruments measured at fair value through other comprehensive income primarily to increase asset efficiency and make more effective use of its assets. The fair value and accumulated gains or losses of the financial assets measured at fair value through other comprehensive income sold during the period are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Fair value as of the sale date	¥ 106	¥ 2,195	$ 13,725
Accumulated gains (losses)	(655)	769	4,808

When financial assets measured at fair value through other comprehensive income are derecognized, the accumulated gains or losses recognized in other comprehensive income are reclassified from other components of equity to retained earnings. The amounts of accumulated gains or losses, net of tax reclassified from other components of equity to retained earnings during the period were ¥(455) million and ¥582 million ($3,639 thousand) for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

(iii)Dividend income

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Investments derecognized during the period	¥ 2	¥ 33	$ 206
Investments held as of the year end	311	372	2,326
Total	¥ 314	¥ 405	$ 2,532

15. Deferred taxes and income taxes

(1) Deferred taxes

(i) Deferred tax assets and liabilities

The breakdown of deferred tax assets and liabilities is as follows:

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

	Millions of yen				
	April 1, 2024	Recognized in profit or loss*	Recognized in other comprehensive income	Transfer to assets held for sale	March 31, 2025
Deferred tax assets					
Inventories	¥ 10,124	¥ 669	¥ -	¥ -	¥ 10,793
Excess of book depreciation over tax depreciation	28,984	(5,897)	-	-	23,087
Provisions	13,336	(1,330)	-	-	12,006
Retirement benefit liability	37,112	1,679	(3,545)	-	35,246
Refund liabilities	20,782	(3,469)	-	-	17,312
Tax loss carryforward	4,878	5,967	-	-	10,846
Accrued bonuses	10,844	5,320	-	-	16,165
Other	36,170	6,431	-	-	42,602
Total	¥ 162,235	¥ 9,370	¥ (3,545)	¥ -	¥ 168,060
Deferred tax liabilities					
Reserve for tax purpose reduction entry of non-current assets	¥ (17,433)	¥ (332)	¥ -	¥ -	¥ (17,765)
Investments in subsidiaries, associates and joint ventures	(10,864)	(1,025)	(463)	-	(12,353)
Other financial assets	(12,062)	5,841	819	-	(5,401)
Other	(5,130)	367	-	-	(4,763)
Total	(45,490)	4,850	356	-	(40,283)
Net amount	¥ 116,744	¥ 14,221	¥ (3,189)	¥ -	¥ 127,776

Notes: The difference between the total amount recognized through profit or loss and deferred tax expense is due to fluctuations in foreign exchange rates.

Fiscal year ended March 31, 2026 (April 1, 2025 – March 31, 2026)

	Millions of yen				
	April 1, 2025	Recognized in profit or loss*	Recognized in other comprehensive income	Transfer to assets held for sale	March 31, 2026
Deferred tax assets					
Inventories	¥ 10,793	¥ 740	¥ -	¥ (32)	¥ 11,501
Excess of book depreciation over tax depreciation	23,087	5,412	-	(77)	28,423
Provisions	12,006	(507)	-	(48)	11,449
Retirement benefit liability	35,246	1,828	(6,783)	(904)	29,386
Refund liabilities	17,312	3,246	-	-	20,559
Tax loss carryforward	10,846	(3,449)	-	-	7,396
Accrued bonuses	16,165	2,135	-	(214)	18,086
Other	42,602	(1,811)	-	(36)	40,754
Total	¥ 168,060	¥ 7,595	¥ (6,783)	¥ (1,313)	¥ 167,559
Deferred tax liabilities					
Reserve for tax purpose reduction entry of non-current assets	¥ (17,765)	¥ (3,997)	¥ -	¥ 63	¥ (21,699)
Investments in subsidiaries, associates and joint ventures	(12,353)	(1,507)	(4,166)	-	(18,026)
Other financial assets	(5,401)	(1,184)	(708)	16	(7,278)
Other	(4,763)	3,288	-	35	(1,440)
Total	(40,283)	(3,401)	(4,874)	115	(48,444)
Net amount	¥ 127,776	¥ 4,194	¥ (11,658)	¥ (1,198)	¥ 119,114

Notes: The difference between the total amount recognized through profit or loss and deferred tax expense is due to fluctuations in foreign exchange rates.

	Thousands of U.S. dollars				
	April 1, 2025	Recognized in profit or loss*	Recognized in other comprehensive income	Transfer to assets held for sale	March 31, 2026
Deferred tax assets					
Inventories	$ 67,486	$ 4,627	$ -	$ (200)	$ 71,913
Excess of book depreciation over tax depreciation	144,357	33,840	-	(481)	177,722
Provisions	75,070	(3,170)	-	(300)	71,588
Retirement benefit liability	220,384	11,430	(42,412)	(5,652)	183,743
Refund liabilities	108,247	20,296	-	-	128,550
Tax loss carryforward	67,817	(21,566)	-	-	46,245
Accrued bonuses	101,075	13,350	-	(1,338)	113,087
Other	266,379	(11,324)	-	(225)	254,824
Total	$ 1,050,835	$ 47,490	$ (42,412)	$ (8,210)	$ 1,047,702
Deferred tax liabilities					
Reserve for tax purpose reduction entry of non-current assets	$ (111,080)	$ (24,992)	$ -	$ 394	$ (135,678)
Investments in subsidiaries, associates and joint ventures	(77,240)	(9,423)	(26,049)	-	(112,712)
Other financial assets	(33,771)	(7,403)	(4,427)	100	(45,507)
Other	(29,782)	20,559	-	219	(9,004)
Total	(251,879)	(21,266)	(30,476)	719	(302,908)
Net amount	$ 798,950	$ 26,224	$ (72,894)	$ (7,491)	$ 744,788

In recognizing deferred tax assets, the Group assesses whether it is possible that part or all of the deductible temporary differences, tax loss carryforward and tax credit carryforward are to be utilized against future taxable income. In the assessment of the recoverability of deferred tax assets, the Group considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning. Based on the historical taxable income levels and projections of future taxable income over the periods in which the deferred tax assets are deductible, the Group believes that deferred tax assets at the end of the previous consolidated fiscal year and the current consolidated fiscal year are highly probable to be recovered. However, uncertainty in forecasting future taxable income will increase due to market trends surrounding the Group and economic conditions, such as exchange rate changes.

Of the deferred tax assets at the end of the previous consolidated fiscal year and the current consolidated fiscal year, ¥23,976 million and ¥10,065 million, ($62,934 thousand) respectively, were attributed to taxable entities which have incurred losses in the previous consolidated fiscal year or the current consolidated fiscal year.

(ii) Tax loss carryforward and deductible temporary differences for which deferred tax assets are not recognized

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Tax loss carryforward	¥ 9,981	¥ 10,176	$ 63,628
Deductible temporary differences	425	439	2,745

(iii)The amount and expiration year of tax loss carryforward for which deferred tax assets are not recognized

Tax loss carryforward	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Year 1	¥ 111	¥ 16	$ 100
Year 2	527	308	1,926
Year 3	554	1	6
Year 4	183	1,112	6,953
Year 5 or later	8,604	8,736	54,624
Total	¥ 9,981	¥ 10,176	$ 63,628

(iv)Taxable temporary differences for which deferred tax liabilities are not recognized

The Group does not recognize deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries, except for those related to undistributed profits scheduled to be distributed at the end of the reporting period. This is because the Group is in a position to control the timing of the reversal of the temporary differences, and it is certain that the temporary differences will not be reversed within the foreseeable future. The taxable temporary differences associated with investments in subsidiaries for unrecognized deferred tax liabilities at the end of the previous consolidated fiscal year and the current consolidated fiscal year were ¥247,781 million and ¥288,864 million ($1,806,190 thousand), respectively.

(2) Income tax expense

The breakdown of income tax expense is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Current tax expense	¥ 33,462	¥ 31,695	$ 198,180
Deferred tax expense	(16,271)	(1,092)	(6,828)
Total	¥ 17,190	¥ 30,602	$ 191,346

Deferred tax expense includes the amount of benefit arising from a previously unrecognized tax loss, tax credit or temporary difference of a prior period, and the write-down or reversal of the previous write-down of the deferred tax assets. The change in deferred tax expense was insignificant for both the previous consolidated fiscal year and the current consolidated fiscal year. In addition, the change in the deferred tax expense due to the change in tax rates decreased by ¥2,601 million in the previous consolidated fiscal year and was insignificant in the current consolidated fiscal year.

The current tax expense includes the amount of benefit arising from a previously unrecognized tax loss, tax credit or temporary difference of a prior period. As a result, the amounts of decrease in current tax expense were insignificant for both the previous and the current consolidated fiscal years.

(3) Reconciliation of applicable tax rate

The breakdown of the differences between the effective statutory tax rates and the actual tax rates is as follows:

	%	
	2025	2026
Income taxes at the effective statutory tax rates	30.5	30.5
Movements in unrecognized deferred tax assets	(1.0)	(1.1)
Share of profit or loss of investments accounted for using equity method	(7.3)	(5.0)
Tax credit for research and development expenses	(6.0)	(3.0)
Investments in subsidiaries, associates and joint ventures	1.0	1.0
Tax rate difference between subsidiaries	(1.9)	(1.6)
Non-deductible expenses for tax purposes	1.3	0.4
Withholding tax related to dividends from overseas subsidiaries	1.1	1.3
Change in tax rates	(2.4)	(0.8)
Other	0.8	(0.7)
Actual tax rate	16.0	21.0

The Group is subject to income, inhabitant and enterprise taxes in the previous consolidated fiscal year and the current consolidated fiscal year. The effective statutory tax rates calculated based on these taxes were both 30.5%. The Group's foreign subsidiaries are subject to income taxes in their respective locations.

16. Trade and other payables

The breakdown of trade and other payables is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Notes payable - trade	¥ 3,509	¥ 2,130	$ 13,318
Accounts payable - trade	309,683	356,441	2,228,731
Electronically recorded obligations	198,917	190,671	1,192,215
Other	81,768	116,121	726,074
Total	¥ 593,878	¥ 665,365	$ 4,160,351

Trade and other payables are classified as financial liabilities measured at amortized cost.

In the previous consolidated fiscal year and the current consolidated fiscal year, the amounts of notes and accounts payable for which collateral was pledged and the assets pledged as collateral (such as financial assets measured at fair value through other comprehensive income) were immaterial.

17. Bonds, borrowings and other financial liabilities

(1) Breakdown

The breakdown of bonds, borrowings and other financial liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Financial liabilities measured at amortized cost			
Bonds	¥ 128,994	¥ 89,000	$ 556,493
Short-term borrowings	177,945	195,436	1,222,010
Long-term borrowings	230,030	242,090	1,513,725
Commercial paper	89,000	-	-
Other	9,665	10,661	66,660
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	4,213	16,357	102,276
Payables associated with receivables securitization	183,105	231,999	1,450,628
Lease liabilities	66,556	75,643	472,976
Total	¥ 889,511	¥ 861,189	$ 5,384,787
Current liabilities	527,197	502,673	3,143,081
Non-current liabilities	362,313	358,516	2,241,706
Total	¥ 889,511	¥ 861,189	$ 5,384,787

Average interest rates for short-term and long-term borrowings applicable to the current consolidated fiscal year were 2.878% and 1.209%, respectively.
Long-term borrowings will be due in 2026 through 2036.

(2) Contractual terms and repayment schedule

The contractual terms and repayment schedule for bonds are as follows:

			Millions of yen		Thousands of U.S. dollars		
Company	Description	Date of issuance	2025	2026	2026	Interest rate	Maturity
KHI	44th Unsecured Bonds	July 24, 2015	10,000	-	-	0.853%	July 24, 2025
KHI	46th Unsecured Bonds	July 15, 2016	10,000	10,000	62,527	0.820%	July 15, 2036
KHI	48th Unsecured Bonds	July 20, 2017	10,000	10,000	62,527	0.900%	July 17, 2037
KHI	50th Unsecured Bonds	July 20, 2018	10,000	10,000	62,527	0.400%	July 20, 2028
KHI	52nd Unsecured Bonds	July 12, 2019	10,000	10,000	62,527	0.820%	July 12, 2039
KHI	54th Unsecured Bonds	January 21, 2020	10,000	10,000	62,527	0.700%	January 20, 2040
KHI	56th Unsecured Bonds	June 11, 2020	29,994	-	-	0.260%	June 11, 2025
KHI	57th Unsecured Bonds	June 11, 2020	10,000	10,000	62,527	0.480%	June 11, 2030
KHI	58th Unsecured Bonds	July 15, 2021	10,000	10,000	62,527	0.300%	July 15, 2031
KHI	59th Unsecured Bonds	July 14, 2022	9,000	9,000	56,275	0.789%	July 14, 2032
KHI	60th Unsecured Bonds	February 29, 2024	10,000	10,000	62,527	0.742%	February 28, 2029
	Total		¥ 128,994	¥ 89,000	$ 556,493		

(3) Receivables securitization

Although the Group transfers a portion of the receivables arising from business transactions, liquidated assets that would result in a retroactive payment obligation to the Group if the debtor does not make the payment, have not been derecognized as they do not meet the criteria for derecognition. Contract assets also have not been derecognized, although they too have been transferred, as they do not meet the criteria for derecognition.

At the end of the previous consolidated fiscal year and the current consolidated fiscal year such transferred assets were recorded in the consolidated statement of financial position in the amount of ¥106,166 million and ¥163,269 million ($1,020,878 thousand) respectively as "Trade and other receivables," and ¥76,939 million and ¥68,730 million ($429,751 thousand) respectively as "Contract assets." Amounts received upon the transfer of the assets concerned are recorded as related liabilities in "Bonds, borrowings and other financial liabilities" in the same amounts, respectively. The carrying amounts of the transferred assets and the related liabilities roughly approximate fair value.

(4) Reconciliation of liabilities on financing activities

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

	Millions of yen					
			Non-cash transactions			
	April 1, 2024	Cash flows	New contracts	Foreign currency translation	Other	March 31, 2025
Bonds	¥ 158,968	¥ (30,000)	¥ -	¥ -	¥ 26	¥ 128,994
Short-term borrowings	143,023	38,327	-	(2,961)	(444)	177,945
Long-term borrowings	220,194	8,998	-	787	50	230,030
Payables associated with receivables securitization	168,270	14,834	-	-	-	183,105
Lease liabilities	71,730	(17,290)	15,406	600	(3,889)	66,556
Commercial paper	60,000	29,000	-	-	-	89,000
Other	1,560	(1,545)	-	-	121	137
Total	¥ 823,748	¥ 42,323	¥ 15,406	¥ (1,573)	¥ (4,135)	¥ 875,769

Fiscal year ended March 31, 2026 (April 1, 2025 – March 31, 2026)

	Millions of yen					
			Non-cash transactions			
	April 1, 2025	Cash flows	New contracts	Foreign currency translation	Other	March 31, 2026
Bonds	¥ 128,994	¥ (40,000)	¥ -	¥ -	¥ 5	¥ 89,000
Short-term borrowings	177,945	8,667	-	9,090	(267)	195,436
Long-term borrowings	230,030	10,950	-	1,059	50	242,090
Payables associated with receivables securitization	183,105	48,894	-	-	-	231,999
Lease liabilities	66,556	(18,306)	23,902	1,571	1,919	75,643
Commercial paper	89,000	(89,000)	-	-	-	-
Other	137	2,743	-	-	(92)	2,787
Total	¥ 875,769	¥ (76,050)	¥ 23,902	¥ 11,722	¥ 1,614	¥ 836,958

	Thousands of U.S. dollars					
			Non-cash transactions			
	April 1, 2025	Cash flows	New contracts	Foreign currency translation	Other	March 31, 2026
Bonds	$ 806,565	$(250,109)	$ -	$ -	$ 31	$ 556,493
Short-term borrowings	1,112,643	54,192	-	56,837	(1,669)	1,222,010
Long-term borrowings	1,438,317	68,467	-	6,622	313	1,513,725
Payables associated with receivables securitization	1,144,907	305,721	-	-	-	1,450,628
Lease liabilities	416,157	(114,463)	149,453	9,823	11,999	472,976
Commercial paper	556,493	(556,493)	-	-	-	-
Other	857	17,151	-	-	(575)	17,426
Total	$ 5,475,952	$(475,521)	$ 149,453	$ 73,295	$ 10,092	$ 5,233,277

(5) Financial covenants

Certain loan agreements held by the Group financial covenants. In the event of a breach of such covenants, relevant contractual obligations may be accelerated at the lender's request.

(i) The amount of equity on the consolidated statement of financial position at the end of the consolidated fiscal year shall be maintained at 75% or more as compared to the equity at the end of the previous consolidated fiscal year.

(ii) In the two consecutive fiscal years, the amount of profit or loss before tax less other income plus other expense on the consolidated statement of profit or loss shall not be a negative amount.

At the end of the current consolidated fiscal year, there were no breaches of financial covenants related to such loan agreements. Also, it is not expected to be difficult to comply with such financial covenants. Therefore, the outstanding borrowings are classified as non-current liabilities. The carrying amount of borrowings classified as non-current liabilities is ¥73,000 million ($456,450 thousand) (¥73,000 million in the previous consolidated fiscal year).

18. Employee benefits

(1) Overview of retirement benefit plans

The Group has lump-sum retirement payment plans, defined benefit corporate pension plans, and cash balance plans (pension plans linked to market interest rates) as defined benefit plans and defined contribution pension plan as defined contribution plan. The Company has an employees' retirement benefit trust.

The lump-sum retirement payment plans are plans that pay a one-time, "lump-sum" payment to retirees, and the Company and some of its subsidiaries have direct payment obligations to the retirees.

The defined benefit corporate pension plans and cash balance plans (pension plans linked to market interest rates) are plans that accumulate funds by regularly contributing premiums to entrusted financial institutions, and after retirement, the entrusted financial institutions pay a lump sum or make pension payments from the accumulated funds to the employees who are eligible for benefits.

The defined contribution pension plans are plans in which employees who choose to join and their employers contribute premiums over the enrollment period. The enrollees themselves manage the accumulated funds, and the benefits are paid by the entrusted institutions.

The Group is exposed to actuarial risks such as interest rate risk and market risk through these retirement benefit plans.

Defined benefit plans for certain overseas consolidated subsidiaries have been terminated in the current consolidated fiscal year.

(2) Defined benefit plans

(i)The breakdown of amounts recognized in the consolidated statement of financial position

The breakdown of net defined benefit liability recognized in the consolidated statement of financial position is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Present value of defined benefit obligations	¥ 190,500	¥ 174,064	$ 1,088,376
Fair value of plan assets	124,423	142,509	891,071
Changes in the effect of the asset ceiling	-	14,948	93,466
Net defined benefit liabilities	¥ 66,077	¥ 46,504	$ 290,777
Retirement benefit liabilities	67,100	50,600	316,388
Retirement benefit assets*	1,023	4,096	25,611
Net defined benefit liabilities	¥ 66,077	¥ 46,504	$ 290,777

Notes: Retirement benefit assets are included in "Other non-current assets" in the consolidated statement of financial position.

(ii)Changes in present value of defined benefit obligations

Changes in the present value of defined benefit obligations are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Balance at the beginning of the year	¥ 213,768	¥ 190,500	$ 1,191,146
Current service cost*	9,578	8,613	53,855
Interest cost*	4,114	4,206	26,299
Remeasurement of defined benefit plans			
Actuarial gains (losses) arising from changes in demographic assumptions	(38)	(3,819)	(23,879)
Actuarial gains (losses) arising from changes in financial assumptions	(14,827)	(15,096)	(94,391)
Actuarial gains (losses) arising from experience adjustment	657	(3,244)	(20,284)
Past service cost*	(908)	(0)	(0)
Payment of benefits	(5,295)	(6,561)	(41,024)
Changes from the termination of plans	(16,716)	(183)	(1,144)
Transfer to liabilities directly associated with assets held for sale	-	(2,872)	(17,958)
Other	168	2,522	15,769
Balance at the end of the year	¥ 190,500	¥ 174,064	$ 1,088,376

Notes: Current service cost, interest cost and past service cost are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

The Company's weighted average duration of the defined benefit obligations at the end of the previous consolidated fiscal year and the current consolidated fiscal year were 13.3 years and 12.5 years, respectively.

(iii)Changes in fair value of plan assets

Changes in the fair values of plan assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Balance at the beginning of the year	¥ 139,554	¥ 124,423	$ 777,984
Return on interest income on plan assets	3,126	3,113	19,465
Remeasurement of defined benefit plans			
Return on plan assets	(2,889)	14,338	89,652
Contributions by the employer	4,208	2,983	18,652
Payment of benefits	(2,723)	(2,422)	(15,144)
Changes from the termination of plans	(16,716)	(153)	(957)
Other	(137)	225	1,407
Balance at the end of the year	124,423	142,509	891,071

The Group plans to contribute ¥2,505 million ($15,663 thousand) to defined benefit plans for the following consolidated fiscal year.

(iv)Components of plan assets

The investment of plan assets in the Group is carried out to secure the required total return over the medium to long term with the aim of securing sufficient assets to ensure the payment of pension benefits and lump-sum benefits into the future within the range of permissible risks.

The main objective of the investment is to secure a rate of return which is sufficient to maintain sound pension finances into the future. To this end, the Expert Committee objectively reconfirms the current status of the investment of plan assets regularly. For individual assets, the Group strives to achieve results that exceed the market rate of return for each item of the investment. For assets as a whole, the objective of the investment is to at least exceed the combined rate of return for each investment item's rate of return in the market according to the asset composition ratio.

In order to achieve the investment objectives, the Group has established and strived to maintain a policy asset composition ratio (hereinafter referred to as "asset mix policies"), which is the optimal combination of assets for the future, taking into consideration the expected rate of return forecasting, standard deviation (risk), and correlation on each asset of the investment target. Although, in principle, the asset mix policies are reviewed every three years, they will be reviewed as necessary if there is a significant change in the environment surrounding the fund and for other factors.

	Millions of yen		
	2025		
	Quoted market prices in active markets		
	Yes	No	Total
Cash and cash equivalents	¥ 13,002	¥ -	¥ 13,002
Shares	66,463	-	66,463
Bonds	15,962	-	15,962
General accounts of life insurance companies	-	11,011	11,011
Other	-	17,983	17,983
Total	¥ 95,428	¥ 28,995	¥ 124,423

	Millions of yen			Thousands of U.S. dollars		
	2026			2026		
	Quoted market prices in active markets			Quoted market prices in active markets		
	Yes	No	Total	Yes	No	Total
Cash and cash equivalents	¥ 14,240	¥ -	¥ 14,240	$ 89,039	$ -	$ 89,039
Shares	78,874	-	78,874	493,178	-	493,178
Bonds	18,634	-	18,634	116,513	-	116,513
General accounts of life insurance companies	-	11,576	11,576	-	72,382	72,382
Other	-	19,182	19,182	-	119,940	119,940
Total	¥ 111,749	¥ 30,759	¥ 142,509	$ 698,737	$ 192,328	$ 891,071

(v)Changes in the effect of the asset ceiling

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Balance at the beginning of the year	¥ -	¥ -	$ -
Remeasurements			
Changes in the effect of the asset ceiling	-	14,948	93,466
Balance at the end of the year	¥ -	¥ 14,948	$ 93,466

The maximum available economic benefit is calculated based on reductions in future contributions.

(vi)The significant actuarial assumptions used to measure present value

	2025	2026
Discount rate (%)	2.22	3.10

The discount rate used in the Company's actuarial calculations is stated as the significant actuarial assumptions.

(vii)Sensitivity analysis of defined benefit obligations

The amount of increase and decrease in defined benefit obligations if there is a 0.5% change in significant actuarial assumptions at the end of a period is as follows. The analysis assumes that all other variables remain constant. This analysis is performed based on the same basis as in the previous consolidated fiscal year. Negative figures represent a decrease in liabilities and positive figures represent an increase in liabilities.

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Increase by 0.5%	¥ (10,669)	¥ (8,948)	$ (55,949)
Decrease by 0.5%	11,752	9,826	61,439

(3) Defined contribution plans

The pension expenses related to defined contribution plans for the previous consolidated fiscal year and the current consolidated fiscal year were ¥3,815 million and ¥3,604 million ($22,535 thousand), respectively.

(4) Employee benefit expenses

Total amounts of employee benefit expenses recognized for the previous consolidated fiscal year and the current consolidated fiscal year were ¥398,883 million and ¥426,865 million ($2,669,074 thousand), respectively.

19. Provisions

(1) Statements of changes

Changes in provisions are as follows:

	Millions of yen			
	Provision for product and construction warranties	Provision for loss on construction contracts	Other	Total
April 1, 2025	¥ 23,113	¥ 5,101	¥ 8,554	¥ 36,769
Increase	19,135	1,861	1,359	22,355
Utilization	(18,810)	(2,574)	(1,216)	(22,601)
Reversal	(1,446)	(1,102)	(50)	(2,600)
Unwinding of provisions due to passage of time	-	-	3	3
Transfer to liabilities directly associated with assets held for sale	(155)	-	(2)	(157)
Other	0	-	(3)	(2)
March 31, 2026	21,837	3,285	8,644	33,766
Current liabilities	21,837	3,285	7,600	32,723
Non-current liabilities	-	-	1,043	1,043
Total	¥ 21,837	¥ 3,285	¥ 8,644	¥ 33,766

	Thousands of U.S. dollars			
	Provision for product and construction warranties	Provision for loss on construction contracts	Other	Total
April 1, 2025	$ 144,519	$ 31,895	$ 53,486	$ 229,907
Increase	119,646	11,636	8,497	139,780
Utilization	(117,614)	(16,095)	(7,603)	(141,318)
Reversal	(9,041)	(6,891)	(313)	(16,257)
Unwinding of provisions due to passage of time	-	-	19	19
Transfer to liabilities directly associated with assets held for sale	(969)	-	(13)	(982)
Other	0	-	(19)	(13)
March 31, 2026	136,541	20,540	54,049	211,130
Current liabilities	136,541	20,540	47,521	204,608
Non-current liabilities	-	-	6,522	6,522
Total	$ 136,541	$ 20,540	$ 54,049	$ 211,130

(2) Details of provisions

(i) Provision for product and construction warranties
To provide for expenses of product and construction warranties, the provision for these warranties is based on past experience or provided separately. Most are expected to be paid within a year of occurrence.

(ii) Provision for loss on construction contracts
A provision for the estimated amounts of loss in respect to the following consolidated fiscal year and thereafter is recorded for construction work that has not been delivered as of the end of the current consolidated fiscal year and is expected to incur significant loss which can be reasonably estimated at the end of the current consolidated fiscal year. The timing of cash outflows depends on the progress of the project in the future.

(iii)Other
Other primarily includes asset retirement obligations, provision for environmental measures and provision for penalties.

20. Paid-in capital and other equity

(1) Capital Management

The Group's basic management policy is to stably generate profits that exceed the cost of capital into the future in order to sustainably improve corporate value and strengthen the Group's financial base.
In order to do so, the Group believes that it is important to maintain an appropriate balance between long-term shareholder value through strategic investments for future growth and stable returns to shareholders while maintaining financial soundness.
In this pursuit, the Group places after-tax ROIC and net D/E ratio as significant monitoring targets.

	%	
	2025	2026
After-tax ROIC	8.0	9.0
Net D/E ratio	78.4	54.5

The Group is not subject to any significant capital regulations.

(2) Share capital and treasury shares

Changes in authorized shares and issued shares are as follows:

	Thousands of shares	
	2025	2026
Type of shares	Common shares	Common shares
Number of authorized shares	336,000	336,000
Number of issued shares		
Beginning of the year	167,921	167,921
Change during the year	-	-
End of the year	167,921	167,921
Treasury shares		
Beginning of the year	420	785
End of the year	785	752

Notes: 1. All common shares have no par value, and all issued shares are fully paid up.
2. The number of treasury shares includes shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors, and shares held by trusts of Incentive Plan for management positions, of which beneficiaries are employees. Such shares were 738 thousand shares and 703 thousand shares as of March 31, 2025 and March 31, 2026, respectively.
3. On April 1, 2026, the Company carried out a stock split of common shares at a 5-for-1 ratio. The number of shares shown above reflects the figures before the stock split.

(3) Surplus

(i) Capital surplus
The Companies Act of Japan (hereinafter referred to as "the Companies Act") requires that at least half of paid-in capital be appropriated as share capital and the rest be appropriated as legal capital surplus within capital surplus. In addition, under the Companies Act, legal capital surplus can be transferred to share capital upon approval at the General Meeting of Shareholders.

(ii) Retained earnings
The Companies Act requires that 10 percent of retained earnings appropriated for dividends be reserved either as legal capital surplus or legal retained earnings until the total amount of legal capital surplus within capital surplus or legal retained earnings within retained earnings reaches 25 percent of the amount of share capital. Further, legal retained earnings may be reduced by resolution of the General Meeting of Shareholders.

(4) Other components of equity

(i) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans consists of actuarial gains and losses recognized for individual defined benefit plans.

(ii) Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income include the cumulative amount of net changes in fair value of a financial asset measured at fair value through other comprehensive income.

(iii)Cash flow hedges

Cash flow hedges consist of the hedges' effective portion of the cumulative amount of net changes in the fair value of cash flow hedging instruments related to hedging transactions not yet accrued.

(iv)Exchange differences on translation of foreign operations

Exchange differences on translation of foreign operations consist of exchange differences arising from the translation of the financial statements of foreign operations.

(5) Dividends

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

(i) Total dividends and dividends per share

Resolution	Type of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Date of record	Effective date
June 26, 2024 General Meeting of Shareholders	Common shares	¥5,036 million	Retained earnings	¥30.0	March 31, 2024	June 27, 2024
November 8, 2024 Board of Directors Meeting	Common shares	¥11,751 million	Retained earnings	¥70.0	September 30, 2024	December 3, 2024

Notes: 1.The total amount of dividends declared based on the resolution of the General Meeting of Shareholders on June 26, 2024 includes dividends of ¥11 million for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors and others.
2.The total amount of dividends declared based on the resolution of the Board of Directors Meeting on November 8, 2024 includes dividends of ¥25 million for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors and others.
3. On April 1, 2026, the Company carried out a stock split of common shares at a 5-for-1 ratio. Dividends per share reflect the actual dividend amounts prior to the stock split.

(ii) Dividend payments for which the record date is in the current consolidated fiscal year, but the effective date is in the following consolidated fiscal year

Resolution	Type of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Date of record	Effective date
June 26, 2025 General Meeting of Shareholders	Common shares	¥13,430 million	Retained earnings	¥80.0	March 31, 2025	June 27, 2025

Notes: 1.The total amount of dividends declared based on the resolution of the General Meeting of Shareholders on June 26, 2025 includes dividends of ¥59 million for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors, and shares held by trusts of Incentive Plan for management positions, of which beneficiaries are employees.
2. On April 1, 2026, the Company carried out a stock split of common shares at a 5-for-1 ratio. Dividends per share reflect the actual dividend amounts prior to the stock split.

Fiscal year ended March 31, 2026 (April 1, 2025 – March 31, 2026)

(i) Total dividends and dividends per share

Resolution	Type of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Date of record	Effective date
June 26, 2025 General Meeting of Shareholders	Common shares	¥13,430 million ($83,974 thousand)	Retained earnings	¥80.0 ($0.50)	March 31, 2025	June 27, 2025
November 11, 2025 Board of Directors Meeting	Common shares	¥12,590 million ($78,722 thousand)	Retained earnings	¥75.0 ($0.47)	September 30, 2025	December 5, 2025

Notes: 1.The total amount of dividends declared based on the resolution of the General Meeting of Shareholders on June 26, 2025 includes dividends of ¥59 million ($369 thousand) for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors, and shares held by trusts of Incentive Plan for management positions, of which beneficiaries are employees.

2.The total amount of dividends declared based on the resolution of the Board of Directors Meeting on November 11, 2025 includes dividends of ¥52 million ($325 thousand) for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors, and shares held by trusts of Incentive Plan for management positions, of which beneficiaries are employees.

3. On April 1, 2026, the Company carried out a stock split of common shares at a 5-for-1 ratio. Dividends per share reflect the actual dividend amounts prior to the stock split.

(ii) Dividend payments for which the record date is in the current consolidated fiscal year, but the effective date is in the following consolidated fiscal year

Planned Resolution	Type of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Date of record	Effective date
June 25, 2026 General Meeting of Shareholders	Common shares	¥16,115 million ($100,763 thousand)	Retained earnings	¥96.0 ($0.60)	March 31, 2026	June 26, 2026

Notes: 1.The total amount of dividends declared based on the resolution of the General Meeting of Shareholders on June 25, 2026 includes dividends of ¥67 million ($419 thousand) for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors, and shares held by trusts of Incentive Plan for management positions, of which beneficiaries are employees.

2. On April 1, 2026, the Company carried out a stock split of common shares at a 5-for-1 ratio. Dividends per share reflect the actual dividend amounts prior to the stock split.

21. Other comprehensive income

Changes in other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year	¥ (3,337)	¥ 5,544	$ 34,665
Before tax effects	(3,337)	5,544	34,665
Tax effects	1,060	(1,781)	(11,136)
After tax effects	(2,277)	3,762	23,523
Remeasurements of defined benefit plans			
Amount arising during the year	11,318	21,506	134,471
Before tax effects	11,318	21,506	134,471
Tax effects	(3,545)	(6,783)	(42,412)
After tax effects	7,773	14,722	92,053
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	1	3	19
Before tax effects	1	3	19
Tax effects	-	-	-
After tax effects	1	3	19
Items that may be reclassified to profit or loss			
Cash flow hedges			
Amount arising during the year	(2,343)	(9,491)	(59,345)
Reclassification adjustments	2,841	6,210	38,829
Before tax effects	498	(3,281)	(20,515)
Tax effects	(240)	1,073	6,709
After tax effects	257	(2,207)	(13,800)
Exchange differences on translation of foreign operations			
Amount arising during the year	(4,120)	22,779	142,431
Reclassification adjustments	-	-	-
Before tax effects	(4,120)	22,779	142,431
Tax effects	-	-	-
After tax effects	(4,120)	22,779	142,431
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	(100)	14,068	87,963
Reclassification adjustments	-	-	-
Before tax effects	(100)	14,068	87,963
Tax effects	(463)	(4,166)	(26,049)
After tax effects	(563)	9,902	61,915
Total other comprehensive income	¥ 1,071	¥ 48,963	$ 306,153

22. Financial instruments

(1) Financial risk management

The Group is exposed to the following risks on financial instruments.
・Credit risk (see (2))
・Liquidity risk (see (3))
・Market risk (see (4))

(2) Credit risk

(i) Details of credit risk and risk management policy

The Group's trade and other receivables, contract assets and other financial assets are exposed to the credit risk of customers and other counterparties.For these credit risks, the Group's sales management department regularly monitors the condition of major customers and manages the due dates and balances of each and seeks early identification and mitigation of collectability concerns caused by any deterioration in financial status. With regard to derivative transactions, since the Group enters into contracts with highly rated financial institutions to reduce counterparty risk, the Group considers the credit risk associated with such transactions to be limited. The Group has neither significant exposure to credit risk related to particular counterparties nor excessive concentration of credit risk that requires special management. Furthermore, the maximum exposure to credit risk on financial assets is the carrying amount of the financial assets after impairment presented in the consolidated statement of financial position.

For trade receivables, contract assets and lease receivables, the allowance for doubtful accounts is always measured at an amount equal to the lifetime expected credit loss (simplified approach). For receivables, other than trade receivables, contract assets and lease receivables, the allowance for doubtful accounts is generally measured at an amount equal to the 12-month expected credit losses. However, when the credit risk has increased significantly, it is measured at an amount equal to the lifetime expected credit loss (general approach). Whether or not there has been a significant increase in credit risk since the initial recognition is determined at each fiscal year-end by considering available, reasonable and corroborative information, such as information regarding past due accounts. If a contractual payment is past due by more than 30 days, it is determined that there is a significant increase in credit risk of financial asset from the initial recognition.

The Group believes that a financial asset is in default if it determines that all or a portion of the financial assets will not be able to be recovered or will be extremely difficult to recover, unless the Group exercises its security interest and so on. Any financial assets are treated as a credit-impaired financial assets if there is a serious financial difficulty,breach of contract by the issuer or debtor (such as an event of default or payments being past due) or a high possibility that the borrower will go into bankruptcy or other financial restructuring. In making these judgments, the Group considers reasonable and supportable information that is available without undue cost or effort. It is judged that there is no significant credit risk as long as the group can rebut the cases where financial assets should be treated as credit-impaired financial assets based on the information. Additionally, if there are no reasonable prospects of future recovery, financial assets are directly amortized.

(ii) Credit risk exposure

(a) Total balance of assets subject to allowance for doubtful accounts

Total balance of assets subject to allowance for doubtful accounts is as follows:

		Millions of yen		Thousands of U.S. dollars
Measurement method of credit losses	Classification	2025	2026	2026
Simplified approach	-	¥ 890,716	¥ 1,038,154	$ 6,491,302
General approach	Measured at an amount equal to the 12-month expected credit losses	90,657	84,393	527,687
	Measured at an amount equal to the lifetime expected credit losses	511	1,522	9,517
	Measured at an amount equal to the lifetime expected credit losses (credit impaired)	1,346	1,906	11,918
Total		¥ 983,231	¥ 1,125,975	$ 7,040,424

(b) Debt guarantees

The Group has provided guarantees for transactions with financial institutions and leasing companies entered into by equity-method entities, customers and employees as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Equity-method entities	¥ 2,392	¥ 2,450	$ 15,319
Third parties	5,618	610	3,814
Employees	1	0	0
Total	8,012	3,062	19,146

(iii)Changes in allowance for doubtful accounts

The amount of allowance for doubtful accounts is calculated as follows:

・Trade receivables, contract assets and lease receivables

Since the Company's business entails a large number of counterparties, the expected credit loss is measured by adjusting historical default rates based on forecasts of future economic conditions and other factors, after classifying receivables, based on the credit risk characteristics of the counterparties.

・Receivables, other than trade receivables, contract assets and lease receivables

For assets for which credit risk has not increased significantly, the expected credit loss is measured by multiplying the total carrying amount by an allowance ratio based on the historical default rate.

For assets which significantly increased the credit risk, and credit-impaired financial assets, the expected credit loss is measured as the difference between the recoverable amount that is individually calculated by considering the financial condition of the counterparty related to such assets and the total carrying amount.

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

	Millions of yen		
	Financial assets applied by the simplified approach	Financial assets applied by the general approach	
		Credit-impaired financial assets	Other than credit-impaired financial assets*
Balance at the beginning of the year	¥ 4,994	¥ 1,460	¥ 750
Increase during period	3,595	37	(61)
Utilization	(299)	(14)	-
Other	221	(208)	(36)
Balance at the end of the year	8,512	1,274	652

Notes: Assets that should be measured at an amount equal to the lifetime expected credit loss are insignificant, so they are disclosed together with assets that should be measured at an amount equal to the 12-month expected credit loss.

Fiscal year ended March 31, 2026 (April 1, 2025 – March 31, 2026)

	Millions of yen		
	Financial assets applied by the simplified approach	Financial assets applied by the general approach	
		Credit-impaired financial assets	Other than credit-impaired financial assets*
Balance at the beginning of the year	¥ 8,512	¥ 1,274	¥ 652
Increase during period	809	342	(0)
Utilization	(126)	-	-
Other	(6,688)	66	17
Balance at the end of the year	2,506	1,683	669

Notes: Assets that should be measured at an amount equal to the lifetime expected credit loss are insignificant, so they are disclosed together with assets that should be measured at an amount equal to the 12-month expected credit loss.

	Thousands of U.S. dollars		
	Financial assets applied by the simplified approach	Financial assets applied by the general approach	
		Credit-impaired financial assets	Other than credit-impaired financial assets*
Balance at the beginning of the year	$ 53,223	$ 7,966	$ 4,077
Increase during period	5,058	2,138	(0)
Utilization	(788)	-	-
Other	(41,818)	413	106
Balance at the end of the year	15,669	10,523	4,183

There were no significant changes in the total carrying amount of any of these assets that would affect the change in the allowance for doubtful accounts for the previous consolidated fiscal year or the current consolidated fiscal year.
In addition, there are no significant properties held as security or other credit enhancements.

(3) Liquidity risk

(i) Details and management policy of liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in discharging its financial liabilities using cash or other financial assets.

The Group is exposed to the liquidity risk of the Group being unable to fulfill payments on the due date when the repayment obligations of its financial liabilities fall due. The Group manages liquidity risks by forming and updating its funding plans in a timely manner by each group company and appropriately ensuring sufficient funds for the repayment of financial liabilities.

In addition, the Group maintains flexible funding capabilities by conducting intercompany financing through its cash management system, diversifying financing methods, adjusting the balance between long-term and short-term financing considering the financing environment, and securing commitment lines, among other measures.

(ii) Maturity analysis

The breakdown of financial liabilities by due date is as follows:

(a) As of March 31, 2025

	Millions of yen			
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 year and 5 years	Over 5 years
Non-derivative liabilities					
Bonds and borrowings	¥ 536,970	¥ 557,731	¥ 254,185	¥ 190,141	¥ 113,403
Commercial paper	89,000	89,000	89,000	-	-
Payables associated with receivables securitization	183,105	183,105	168,654	14,450	-
Trade and other payables	593,878	593,878	591,456	2,421	-
Lease liabilities	66,556	71,208	16,325	37,437	17,446
Other financial liabilities	9,665	9,665	6,809	1,888	967
Total	¥ 1,479,176	¥ 1,504,588	¥ 1,126,431	¥ 246,339	¥ 131,817
Derivative liabilities	¥ 4,213	¥ 4,213	¥ 3,696	¥ 517	¥ -

(b) As of March 31, 2026

	Millions of yen				
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 year and 5 years	Over 5 years
Non-derivative liabilities					
Bonds and borrowings	¥ 526,527	¥ 547,405	¥ 209,811	¥ 233,537	¥ 104,056
Commercial paper	-	-	-	-	-
Payables associated with receivables securitization	231,999	231,999	220,760	11,239	-
Trade and other payables	665,365	665,365	657,897	7,467	-
Lease liabilities	75,643	80,148	20,717	40,083	19,347
Other financial liabilities	10,661	10,661	8,532	1,491	637
Total	¥ 1,510,197	¥ 1,535,580	¥ 1,117,718	¥ 293,820	¥ 124,041
Derivative liabilities	¥ 16,357	¥ 16,357	¥ 13,804	¥ 2,552	¥ -

	Thousands of U.S. dollars				
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 year and 5 years	Over 5 years
Non-derivative liabilities					
Bonds and borrowings	$ 3,292,234	$ 3,422,779	$ 1,311,893	$ 1,460,245	$ 650,635
Commercial paper	-	-	-	-	-
Payables associated with receivables securitization	1,450,628	1,450,628	1,380,354	70,274	-
Trade and other payables	4,160,351	4,160,351	4,113,656	46,689	-
Lease liabilities	472,976	501,144	129,538	250,628	120,972
Other financial liabilities	66,660	66,660	53,348	9,323	3,983
Total	$ 9,442,863	$ 9,601,576	$ 6,988,795	$ 1,837,179	$ 775,596
Derivative liabilities	$ 102,276	$ 102,276	$ 86,313	$ 15,957	$ -

(iii) Overdraft agreements and commitment line agreements (as a debtor)

The Group has entered into overdraft agreements and commitment line agreements with multiple financial institutions for the purpose of stable and efficient procurement of its operating capital. The unexecuted balance of loans under such agreements is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Total amount of maximum overdraft limit and commitment line agreements	¥ 615,091	¥ 673,569	$4,211,649
Balance of executed loans	91,155	124,669	779,522
Net amount	523,936	548,900	3,432,127

(iv) Supplier finance arrangements

The Group concluded supplier finance arrangements with third-party financial institutions, whereby payments are made to third-party financial institutions under the terms and conditions of arrangements with each supplier. Suppliers can choose to be paid earlier with a discount at their own discretion from third-party financial institutions. The Group does not provide collateral assets or third-party guarantees for supplier finance arrangements.

The carrying amount of financial liabilities associated with Supplier finance arrangements is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Carrying amount of financial liabilities that are part of supplier finance arrangements			
Trade and other payables	¥ 121,437	¥ 200,084	$1,251,072
- for which suppliers have received payment	108,494	185,766	1,161,546
Other current liabilities	1,121	1,003	6,271
- for which suppliers have received payment	561	475	2,970

The range of payment due dates related to Supplier finance arrangements is as follows:

	2025	2026
Trade and other payables under supplier finance agreements	60-335 days	60-360 days
Comparable trade and other payables that are not part of supplier finance arrangements	0-150 days	0-270 days
Other current liabilities under supplier finance arrangements	200-210 days	200-210 days
Comparable other current liabilities that are not part of supplier finance arrangements	20-30 days	20-30 days

The supplier finance arrangements the Group concluded do not result in a concentration or a significant extension of payment due dates as compared to normal payment terms agreed with other suppliers that do not participate in the arrangements, and the Group does not have material liquidity risk from the supplier finance arrangements.

There was no material non-cash change in the carrying amount of financial liabilities subject to supplier finance arrangements during the previous consolidated fiscal year and the current consolidated fiscal year.

(4) Market risk

(i) Foreign currency risk

(a) Details and management policy of foreign currency risk

The Group operates internationally and has significant exposure to the foreign currency risk on receivables and payables denominated in foreign currencies. The Company and certain of its consolidated subsidiaries hedge foreign currency fluctuation risk on receivables and payables in foreign currencies using mainly forward exchange contracts, which are categorized by the type of currency and the monthly due date. In principle, the net position of trade receivables less trade payables in a foreign currency that are expected to arise reliably from anticipated export-related transactions is hedged mainly with forward exchange contracts.

(b) Exposures to foreign currency risk

Exposures to foreign currency risk of the Group are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
U.S. dollar	¥ 82,067	¥ 48,337	$ 302,238
Euro	2,298	520	3,251

(c) Foreign currency sensitivity analysis

The impact of a 1% increase in the value of the yen against the U.S. dollar and the Euro on profit before tax at the end of each reporting period is as follows. This analysis is based on the assumption that all other variables are constant.

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
U.S. dollar	¥ (820)	¥ (483)	$ (3,020)
Euro	(22)	(5)	(31)

(ii) Interest rate risk

Details and management policy of interest rate risk

The Group is exposed to the risk of fluctuation in interest rates as it borrows with variable interest rates. For a portion of their long-term borrowings the Company and certain consolidated subsidiaries use interest rate swap transactions to fix their interest expense as a hedge against the risk of fluctuation in interest rates.

(5) Hedge accounting

Exchange contracts and interest rate swaps are utilized to hedge cash flow fluctuation risk associated with changes in foreign exchange rates in transactions denominated in foreign currencies and changes in interest rates of borrowings, and are designated as cash flow hedges. For details of hedge accounting, such as hedging instruments and hedged items, hedging policy and methods used to assess hedge effectiveness, refer to Notes 3, "Material accounting policies," subsection 3 (iv), "Financial instruments - Derivative transactions and hedge accounting."

(i) Significant derivatives designated as hedges

(a) As of March 31, 2025

	Millions of yen				
				Carrying amount of hedging instruments	
Hedging instruments	Notional amount	Of which, over 1 year	Average rate	Derivative Assets	Derivative Liabilities
Interest rate risk					
Interest rate swap	¥ 17,971	¥ 14,471	1.94%	¥ 90	¥ 137
Foreign currency risk					
Exchange contracts	¥ 115,639	¥ 51,404	JPY 143.08/USD JPY 155.57/EUR	¥ 995	¥ 1,326

(b) As of March 31, 2026

	Millions of yen				
				Carrying amount of hedging instruments	
Hedging instruments	Notional amount	Of which, over 1 year	Average rate	Derivative Assets	Derivative Liabilities
Interest rate risk					
Interest rate swap	¥ 15,095	¥ 1,000	2.87%	¥ 48	¥ 91
Foreign currency risk					
Exchange contracts	¥ 172,085	¥ 43,309	JPY 149.73/USD JPY 171.52/EUR	¥ 2,284	¥ 6,104

	Thousands of U.S. dollars				
				Carrying amount of hedging instruments	
Hedging instruments	Notional amount	Of which, over 1 year	Average rate	Derivative Assets	Derivative Liabilities
Interest rate risk					
Interest rate swap	$ 94,385	$ 6,253	2.87%	$ 300	$ 569
Foreign currency risk					
Exchange contracts	$ 1,076,002	$ 270,800	JPY 149.73/USD JPY 171.52/EUR	$ 14,281	$ 38,167

Derivative assets and derivative liabilities are included in "Other financial assets" and "Bonds, borrowings and other financial liabilities" on the consolidated statement of financial position.

(ii) Cash flow hedge reserve

The balance of cash flow hedge reserve is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Interest rate risk	¥ (73)	¥ (30)	$ (188)
Foreign currency risk	(997)	(2,469)	(15,438)

Since the amount of the ineffective portion of the hedges recognized in profit or loss is immaterial, a description of the changes in the fair value of the hedged items used as the basis for recognizing the hedge ineffectiveness is omitted.

(iii) Impact on the consolidated statement of profit or loss and the consolidated statement of comprehensive income

(a) Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

	Millions of yen		
	Gains and losses on hedges recognized in other comprehensive income	Reclassification adjustments from other components of equity into profit or loss	Line items including reclassification adjustments in the consolidated statement of profit or loss
Interest rate risk	¥ (9)	¥ (49)	Finance income, Finance costs
Foreign currency risk	(2,333)	2,890	Finance income, Finance costs

(b) Fiscal year ended March 31, 2026 (April 1, 2025 – March 31, 2026)

	Millions of yen		
	Gains and losses on hedges recognized in other comprehensive income	Reclassification adjustments from other components of equity into profit or loss	Line items including reclassification adjustments in the consolidated statement of profit or loss
Interest rate risk	¥ 77	¥ 69	Finance income, Finance costs
Foreign currency risk	(9,568)	6,141	Finance income, Finance costs

	Thousands of U.S. dollars		
	Gains and losses on hedges recognized in other comprehensive income	Reclassification adjustments from other components of equity into profit or loss	Line items including reclassification adjustments in the consolidated statement of profit or loss
Interest rate risk	$ 481	$ 431	Finance income, Finance costs
Foreign currency risk	(59,826)	38,398	Finance income, Finance costs

Since the amount of the ineffective portion of the hedges recognized in profit or loss is immaterial, a description of the ineffective portion of the hedges recognized in profit or loss is omitted.

(6) Fair values of financial instruments

(i) Fair value hierarchy

The respective levels are defined as follows:

Level 1: Fair value measured at the quoted price (unadjusted) in an active market for identical assets or liabilities
Level 2: Fair value measured using directly or indirectly observable inputs that are other than those in Level 1
Level 3: Fair value measured using significant unobservable inputs

When multiple inputs are used that have a significant impact on the fair value measurement, the fair value is categorized at the lowest level in fair value measurement among the levels to which each of those inputs belongs.

(ii) Method of fair value measurement

The method of measuring the fair values of financial assets and liabilities is as follows:

(a) Cash and cash equivalents, trade and other receivables, trade and other payables, payables associated with receivables securitization, short-term borrowings, and commercial paper

The carrying amount is used as the fair value because it approximates the fair value due to the short period to maturity or settlement.

(b) Derivatives

The fair value of exchange contracts is determined based on the market forward exchange rate as of the end of each reporting period. In addition, the fair value of interest rate swaps is determined by discounting the estimated future cash flows to the present value at the interest rate as of the end of each reporting period.

(c) Shares and investments in capital

The fair value of shares with active markets is determined using market prices. The fair value of shares with no active markets is generally determined using appropriate valuation techniques such as the comparable company method.

(d) Long-term borrowings

The fair value of long-term borrowings is determined as the total amount of principal and interest discounted by using an interest rate that would be applied on equivalent new borrowings.

(e) Bonds

The fair value of a bond is determined based on the market price.

(iii)Financial instruments measured at fair value

The tables analyzing the financial instruments measured at fair value by the respective valuation methods are as follows. Transfers between the levels in the fair value hierarchy are determined at the end of each reporting period. There were no significant transfers between Level 1 and Level 2 for the previous consolidated fiscal year and the current consolidated fiscal year. In addition, financial assets measured at fair value are separately presented as "Other financial assets" in both the current assets and non-current assets sections of the consolidated statement of financial position. Similarly, financial liabilities measured at fair value are separately presented as "Bonds, borrowings and other financial liabilities" in both the current liabilities and non-current liabilities sections.

(a) As of March 31, 2025

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	¥ 4,406	¥ -	¥ 26,783	¥ 31,190
Financial assets measured at fair value through profit or loss				
Derivative assets	-	1,980	-	1,980
Other	-	-	205	205
Total assets	¥ 4,406	¥ 1,980	¥ 26,988	¥ 33,376
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	4,213	-	4,213
Total liabilities	¥ -	¥ 4,213	¥ -	¥ 4,213

(b) As of March 31, 2026

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	¥ 6,219	¥ -	¥ 28,997	¥ 35,217
Financial assets measured at fair value through profit or loss				
Derivative assets	-	3,074	-	3,074
Other	-	-	241	241
Total assets	¥ 6,219	¥ 3,074	¥ 29,239	¥ 38,533
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	16,357	-	16,357
Total liabilities	¥ -	¥ 16,357	¥ -	¥ 16,357

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	$ 38,886	$ -	$ 181,311	$ 220,203
Financial assets measured at fair value through profit or loss				
Derivative assets	-	19,221	-	19,221
Other	-	-	1,507	1,507
Total assets	$ 38,886	$ 19,221	$ 182,824	$ 240,937
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	102,276	-	102,276
Total liabilities	$ -	$ 102,276	$ -	$ 102,276

a) Valuation techniques and significant unobservable inputs

The fair value of shares with no active market classified as Level 3 is calculated by using valuation techniques based on the market prices of comparable companies and others. The significant unobservable inputs used to calculate fair value are the price book-value ratio (0.5 to 2.7 times) and the illiquidity discount (30%). The estimate of fair value is increased (decreased) by an increase (decrease) in the price book-value ratio and decreased (increased) by an increase (decrease) in the illiquidity discount.

For Level 3 financial instruments, the changes in their fair value would be immaterial if unobservable inputs were switched to reasonable alternative assumptions.

b) Valuation process

The fair value measurements for Level 3 financial instruments are performed in accordance with relevant internal regulations, and the measurement results are approved by the divisional administrator.

c) Reconciliation of the beginning and ending balances of financial instruments that are categorized within Level 3

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Balance at the beginning of the year	¥ 27,359	¥ 26,988	$ 168,749
Purchases	2,362	400	2,501
Gains and losses			
Other comprehensive income*1	(2,629)	2,636	16,482
Profit or loss*2	(79)	(364)	(2,276)
Sales	(23)	(225)	(1,407)
Transfer from Level 3*3	-	(154)	(963)
Other	(0)	(42)	(263)
Balance at the end of the year	26,988	29,239	182,824
Changes in unrealized gains and losses recorded in profit or loss on assets held at the end of the reporting period*2	(79)	(364)	(2,276)

Notes: 1. Included in "Financial assets measured at fair value through other comprehensive income" on the consolidated statement of comprehensive income. All were recognized in other comprehensive income, none in net profit or loss.
2. Included in "Finance income" and "Finance costs" on the consolidated statement of profit or loss.
3. Transfer by converting an investee into an entity accounted for using the equity method or otherwise.

(iv) Financial instruments not measured at fair value

The carrying amounts and fair values of financial assets and liabilities not measured at fair value are as follows:

	Millions of yen	
	2025	
	Carrying amount	Fair value
Long-term borrowings	¥ 230,030	¥ 222,673
Bonds	128,994	118,788
Total financial liabilities	¥ 359,025	¥ 341,461

	Millions of yen		Thousands of U.S. dollars	
	2026		2026	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	¥ 242,090	¥ 233,170	$ 1,513,725	$ 1,457,950
Bonds	89,000	75,764	556,493	473,732
Total financial liabilities	¥ 331,090	¥ 308,935	$ 2,070,218	$ 1,931,689

Notes: The fair values of financial assets and liabilities measured at amortized cost other than the above approximate the carrying amounts. For the fair value hierarchy of financial liabilities measured at amortized cost above, borrowings are classified as Level 3, and bonds are classified as Level 2.

23. Consolidation

(1) Composition of the Group

Major subsidiaries at the end of the current consolidated fiscal year are as follows.
There was no significant change in principal subsidiaries and ownership percentages of voting rights during the previous consolidated fiscal year and the current consolidated fiscal year.

Name	Address	Reportable segment	Ownership percentage of voting rights	
			As of March 31, 2025	As of March 31, 2026
NIPPI Corporation	Kanazawa-ku, Yokohama City	Aerospace Systems	100%	100%
Kawasaki Railcar Manufacturing Co., Ltd.	Hyogo-ku, Kobe City	Rolling Stock	100%	100%
Kawasaki Rail Car Lincoln, Inc.	Delaware, U.S.A.	Rolling Stock Aerospace Systems	100% (100%)	100% (100%)
Kawasaki Rail Car, Inc.	New York, U.S.A.	Rolling Stock	100% (100%)	100% (100%)
Kawasaki Thermal Engineering Co., Ltd.	Kusatsu City, Shiga	Energy Solution & Marine Engineering	100%	100%
Kawasaki Machine Systems, Ltd.	Kita-ku, Osaka City	Energy Solution & Marine Engineering	100%	100%
EarthTechnica Co., Ltd.	Chiyoda-ku, Tokyo	Energy Solution & Marine Engineering	100%	100%
Wuhan Kawasaki Marine Machinery Co., Ltd.	Wuhan, China	Energy Solution & Marine Engineering	55%	55%
Kawasaki Precision Machinery (Suzhou) Ltd.	Suzhou, China	Precision Machinery & Robot	100%	100%
Kawasaki Precision Machinery (U.S.A.), Inc.	Michigan, U.S.A.	Precision Machinery & Robot	100%	100%
Kawasaki Precision Machinery Trading (Shanghai) Co., Ltd.	Shanghai, China	Precision Machinery & Robot	100%	100%
Kawasaki Precision Machinery (UK) Ltd.	Plymouth, United Kingdom	Precision Machinery & Robot	100%	100%
Wipro Kawasaki Precision Machinery Private Limited	Bangalore, India	Precision Machinery & Robot	51%	51%
Flutek, Ltd.	Kyungnam, Korea	Precision Machinery & Robot	50.38%	50.38%
Kawasaki Robotics (Tianjin) Co., Ltd.	Tianjin Economic-Technological Development Area, China	Precision Machinery & Robot	100%	100%
Kawasaki Robotics (Kunshan) Co., Ltd.	Kunshan, China	Precision Machinery & Robot	100%	100%
Kawasaki Robotics (U.S.A.), Inc.	Delaware, U.S.A.	Precision Machinery & Robot	100%	100%
KAWASAKI ROBOTICS (THAILAND) CO., LTD.	Rayong, Thailand	Precision Machinery & Robot	-	100%
Kawasaki Motors, Ltd.	Akashi City, Hyogo	Powersports & Engine	100%	80%
Kawasaki Motors Corporation Japan	Akashi City, Hyogo	Powersports & Engine	100% (100%)	100% (100%)
India Kawasaki Motors Pvt. Ltd.	Maharashtra, India	Powersports & Engine	100% (100%)	100% (100%)
Kawasaki Motors Corp., U.S.A.	Delaware, U.S.A.	Powersports & Engine	100% (100%)	100% (100%)
PT. Kawasaki Motor Indonesia	Bekasi, Indonesia	Powersports & Engine	90% (90%)	90% (90%)
Kawasaki Motores do Brasil Ltda.	Sao Paulo, Brasil	Powersports & Engine	100% (100%)	100% (100%)
Kawasaki Motors Europe N.V.	Hoofddorp, The Netherlands	Powersports & Engine	100% (100%)	100% (100%)
Kawasaki Motors (Phils.) Corporation	Metro Manila, Philippines	Powersports & Engine	50% (50%)	50% (50%)
Kawasaki Motors Manufacturing Corp., U.S.A.	Nebraska, U.S.A.	Powersports & Engine	100% (100%)	100% (100%)
Kawasaki Motors Enterprise (Thailand) Co., Ltd.	Rayong, Thailand	Powersports & Engine	100% (100%)	100% (100%)
Kawasaki Motores de Mexico S.A. de C.V.	Nuevo Leon, Mexico	Powersports & Engine	100% (100%)	100% (100%)
Japan Suiso Energy, Ltd.	Minato-ku, Tokyo	Other	66.6%	64.05%
Kawasaki Trading Co., Ltd.	Chuo-ku, Kobe City	Other	77.78%	77.78%
Kawasaki Life Corporation	Chuo-ku, Kobe City	Other	100%	100%
Other subsidiaries			76 companies	80 companies

Note: The numbers in brackets in "Ownership percentage of voting rights" represent the percent of indirect ownership out of the total ownership percentage.

(2) Subsidiaries with material non-controlling interests

The Group does not have any subsidiaries with material non-controlling interests.

(3) Significant restrictions

Not applicable.

24. Investments accounted for using equity method

(1) Information about interest

(i) Material associates
The Group does not have any material associates.

(ii) Material joint ventures
The Group does not have any material joint ventures.

(iii)Immaterial associates and joint ventures accounted for using equity method

(a) Financial information

	Total amount of immaterial associates			Total amount of immaterial joint ventures		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026	2025	2026	2026
Profit or loss	¥ 13,114	¥ 10,330	$ 64,591	¥ 10,059	¥ 13,811	$ 86,357
Other comprehensive income	429	4,916	30,738	(991)	4,989	31,195
Comprehensive income	13,543	15,246	95,329	9,068	18,801	117,558

(b) Carrying amount of the equity method affiliates
The carrying amount of equity in affiliates accounted for by the equity method for the previous consolidated fiscal year and the current consolidated fiscal year was ¥63,373 million and ¥77,275 million ($483,180 thousand), respectively.
The carrying amount of the equity in joint venture accounted for by the equity method for the previous consolidated fiscal year and the current consolidated fiscal year was ¥44,898 million and ¥64,068 million ($400,600 thousand), respectively.

(2) Significant restrictions

Not applicable.

(3) Contingent liabilities with associates and joint ventures

The Group maintains debt guarantees for certain associates' and joint ventures' borrowings from financial institutions, which amounted to ¥2,392 million and ¥2,450 million ($15,319 thousand) for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

25. Revenue

(1) Disaggregation of revenue

The Group is basically composed of six core businesses described in Note 4, "Operating segments." To understand the revenue from contracts with customers, the revenue in some of the reportable segments (Aerospace Systems, Energy Solution & Marine Engineering, and Precision Machinery & Robots) is reported by product type. The breakdown by product type and region and its relationship to the reportable segments are as follows:

(i) Breakdown by product type

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Aerospace	¥ 399,944	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 399,944
Jet Engines	167,893	-	-	-	-	-	167,893
Rolling Stock	-	222,306	-	-	-	-	222,306
Energy & Plant & Marine Machinery	-	-	306,881	-	-	-	306,881
Ship & Offshore Structure	-	-	91,256	-	-	-	91,256
Precision Machinery	-	-	-	146,825	-	-	146,825
Robot	-	-	-	94,677	-	-	94,677
Powersports & Engine	-	-	-	-	609,357	-	609,357
Other	-	-	-	-	-	90,177	90,177
Revenue from contracts with customers	¥ 567,838	¥ 222,306	¥ 398,138	¥ 241,503	¥ 609,357	¥ 90,177	¥ 2,129,321

Fiscal year ended March 31, 2026 (April 1, 2025 – March 31, 2026)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Aerospace	¥ 445,665	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 445,665
Jet Engines	168,026	-	-	-	-	-	168,026
Rolling Stock	-	236,203	-	-	-	-	236,203
Energy & Plant & Marine Machinery	-	-	323,963	-	-	-	323,963
Ship & Offshore Structure	-	-	109,610	-	-	-	109,610
Precision Machinery	-	-	-	166,168	-	-	166,168
Robot	-	-	-	92,978	-	-	92,978
Powersports & Engine	-	-	-	-	682,812	-	682,812
Other	-	-	-	-	-	85,839	85,839
Revenue from contracts with customers	¥ 613,691	¥ 236,203	¥ 433,574	¥ 259,146	¥ 682,812	¥ 85,839	¥ 2,311,267

Thousands of U.S. dollars

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Aerospace	$ 2,786,625	$ -	$ -	$ -	$ -	$ -	$ 2,786,625
Jet Engines	1,050,622	-	-	-	-	-	1,050,622
Rolling Stock	-	1,476,915	-	-	-	-	1,476,915
Energy & Plant & Marine Machinery	-	-	2,025,655	-	-	-	2,025,655
Ship & Offshore Structure	-	-	685,362	-	-	-	685,362
Precision Machinery	-	-	-	1,039,005	-	-	1,039,005
Robot	-	-	-	581,367	-	-	581,367
Powersports & Engine	-	-	-	-	4,269,443	-	4,269,443
Other	-	-	-	-	-	536,729	536,729
Revenue from contracts with customers	$ 3,837,248	$ 1,476,915	$ 2,711,024	$ 1,620,371	$ 4,269,443	$ 536,729	$14,451,741

(ii) Breakdown by region

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Japan	¥ 331,809	¥ 63,550	¥ 294,096	¥ 64,342	¥ 33,390	¥ 79,325	¥ 866,514
United States	146,090	152,072	891	26,651	344,896	567	671,169
Europe	83,609	-	20,032	13,321	101,961	209	219,134
Asia	13	6,683	46,177	131,750	79,062	7,826	271,513
Other areas	6,315	-	36,940	5,437	50,047	2,248	100,989
Revenue from contracts with customers	¥ 567,838	¥ 222,306	¥ 398,138	¥ 241,503	¥ 609,357	¥ 90,177	¥ 2,129,321

Fiscal year ended March 31, 2026 (April 1, 2025 – March 31, 2026)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Japan	¥ 359,716	¥ 73,399	¥ 309,115	¥ 69,199	¥ 40,766	¥ 72,672	¥ 924,869
United States	180,410	154,209	536	23,959	384,336	317	743,770
Europe	67,140	-	26,686	15,999	118,622	368	228,817
Asia	15	8,595	52,861	142,526	74,808	10,571	289,379
Other areas	6,408	-	44,373	7,461	64,278	1,909	124,430
Revenue from contracts with customers	¥ 613,691	¥ 236,203	¥ 433,574	¥ 259,146	¥ 682,812	¥ 85,839	¥ 2,311,267

Thousands of U.S. dollars

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Japan	$ 2,249,209	$ 458,945	$ 1,932,814	$ 432,683	$ 254,899	$ 454,399	$ 5,782,961
United States	1,128,056	964,228	3,351	149,809	2,403,151	1,982	4,650,597
Europe	419,809	-	166,861	100,038	741,712	2,301	1,430,732
Asia	94	53,742	330,526	891,177	467,755	66,098	1,809,410
Other areas	40,068	-	277,453	46,652	401,913	11,936	778,028
Revenue from contracts with customers	$ 3,837,248	$ 1,476,915	$ 2,711,024	$ 1,620,371	$ 4,269,443	$ 536,729	$14,451,741

(iii)Refund liabilities

As of March 31, 2025

The PW1100G-JM Engine program (hereinafter referred to as "the program"), in which the Company participates through International Aero Engines, LLC (hereinafter referred to as "IAE"), a multinational collaboration on civil aero engines, has been impacted by the challenge of managing significant in-service issues, so the Company is currently working hard with IAE to remedy this situation. As a member of this program, the Company would cover its portion of the loss associated with in-service issues. As a result, ¥43,477 million has been recorded on "Refund liabilities" in the consolidated statement of financial position as a partial burden of the loss related to Airworthiness Directives which mandated additional inspections.

As of March 31, 2026

The PW1100G-JM Engine program (hereinafter referred to as "the program"), in which the Company participates through International Aero Engines, LLC (hereinafter referred to as "IAE"), a multinational collaboration on civil aero engines, has been impacted by the challenge of managing significant in-service issues, so the Company is currently working hard with IAE to remedy this situation. As a member of this program, the Company would cover its portion of the loss associated with in-service issues. As a result, ¥26,044 million ($162,846 thousand) has been recorded on "Refund liabilities" in the consolidated statement of financial position as a partial burden of the loss related to Airworthiness Directives which mandated additional inspections.

The major revenue recording methods in each segment of the Group are as follows:

・"Aerospace Systems," "Rolling Stock," and "Energy Solution & Marine Engineering"

In these segments, in addition to the sale of products such as component parts of airframes and jet engines for commercial aircraft, the Group executes construction contracts for the manufacture of rolling stock and construction of various plants, and provides services such as those related to maintenance contracts. For sales of products, the Group recognizes revenue on the date of delivery or acceptance of the goods in principle due to its performance obligations being mainly satisfied at that point in time. For the execution of construction contracts and the rendering of services, the Group recognizes revenues by measuring the progress of completion as performance obligations are satisfied over a certain period. The progress is measured by using the input method, which is mainly based on costs incurred, while the output method is used for rendering of services such as those under maintenance contracts and some construction contracts such as with the manufacture of rolling stock.

Under "Aerospace Systems," a portion of the costs incurred in connection with the civil aviation engine program in which the Company is participating has been reduced from revenue by estimating amounts in consideration of payments to customers. In addition, certain types of discounts which the Company pays in accordance with the ratio of participation in the civil aviation engine program, have been reduced from revenue by estimating such discounts as variable compensation at the time of revenue recognition.

・"Precision Machinery & Robot," "Powersports & Engine," and "Other"

For sales of products such as hydraulic equipment for the construction machinery market, various robots, motorcycles, and four-wheeled vehicles in these segments, the Group recognizes revenues on the date of delivery or acceptance of the goods in principle due to the performance obligations being mainly satisfied at that point in time.

(2) Contract balances

(i) Receivables from contracts with customers, contract assets and contract liabilities

The breakdown of receivables from contracts with customers, contract assets and contract liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Receivables from contracts with customers	¥ 709,131	¥ 833,379	$5,210,899
Contract assets	170,556	199,776	1,249,147
Contract liabilities	363,534	386,895	2,419,152

Receivables from contracts with customers are included in "Trade and other receivables" in the consolidated statement of financial position.

Contractual assets are the rights, excluding receivables, to compensation received in exchange for fulfillment of performance obligations, measured on the basis of progress at the end of the reporting period, for contracts that are primarily fulfilled over a certain period of time. Contract assets are reclassified as receivables from contracts with customers when the right to the consideration becomes unconditional, which requires only the passage of time. Changes to contract assets occurred mainly as a result of the recognition of revenue (leading to increases in contract assets) and transfers to trade receivables (leading to decreases in contract assets).

Contract liabilities are recognized mainly when consideration as advances received is paid prior to the transfer of the goods or services, which are promised to customers. When the Group has satisfied the performance obligations, the Group derecognizes them as contract liabilities and recognizes them as revenue. Changes to contract liabilities occurred mainly as a result of advance payments from customers (leading to increases in contract liabilities) and the recognition of revenue (leading to decreases in contract liabilities).

(ii) Amounts of recognized revenue included in the beginning balance of contract liabilities and performance obligations that were satisfied in prior periods

Of revenues recognized for the previous consolidated fiscal year and the current consolidated fiscal year, amounts included in the beginning balance of contract liabilities were ¥240,243 million and ¥291,331 million ($1,821,616 thousand), respectively.

In addition, the amount of revenue recognized from performance obligations satisfied in the previous and the current fiscal years is immaterial.

(3) Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations and the period in which revenues are expected to be recognized are set forth in the tables below. There was no significant variable consideration which was not included in the transaction price among the consideration from contracts with customers.

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Remaining performance obligations	¥ 1,301,937	¥ 519,791	¥ 825,356	¥ 91,411	¥ 2,244	¥ 41,989	¥ 2,782,728

Fiscal year ended March 31, 2026 (April 1, 2025 – March 31, 2026)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Remaining performance obligations	¥ 1,536,199	¥ 613,581	¥ 943,569	¥ 110,803	¥ 1,219	¥ 51,468	¥ 3,256,839

Thousands of U.S. dollars

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Remaining performance obligations	$ 9,605,446	$ 3,836,560	$ 5,899,887	$ 692,822	$ 7,622	$ 321,816	$ 20,364,153

The remaining performance obligations of each reportable segment are estimated to be recognized as revenue in the following period from the end of the current consolidated fiscal year.

- Aerospace Systems: About 90% are within 4 years, and about 10% are over 4 years
- Rolling Stock: About 90% are within 1 year, and about 10% are over 1 year
- Energy Solution & Marine Engineering: About 90% are within 5 years, and about 10% are over 5 years
- Precision Machinery & Robot: Within 1 year
- Powersports & Engine: Within 1 year
- Other: Within 1 year

(4) Assets recognized from contract costs

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Assets recognized from the costs incurred to fulfill a contract	¥ 6,519	¥ 10,958	$ 68,517

Costs incurred to fulfill a contract capitalized by the Group are the recoverable amounts of costs for fulfilling contracts with customers in the commercial aircraft jet engine business. These assets are recorded in "Inventories" in the consolidated statement of financial position and are amortized in accordance with the pattern in which the related services are transferred to customers. Amortization related to capitalized costs to fulfill a contract in the previous consolidated fiscal year and the current consolidated fiscal year was ¥535 million and ¥1,082 million ($6,765 thousand), respectively.

26. Other assets and other liabilities

(1) Other assets

The breakdown of other assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Advance payments	¥ 136,368	¥ 169,215	$ 1,058,057
Prepaid expenses	44,370	42,733	267,198
Retirement benefit asset	1,023	4,096	25,611
Other	20,997	20,667	129,225
Total	¥ 202,758	¥ 236,712	$ 1,480,098
Current assets	¥ 168,779	¥ 201,354	$ 1,259,013
Non-current assets	33,978	35,358	221,084
Total	¥ 202,758	¥ 236,712	$ 1,480,098

(2) Other liabilities

The breakdown of other liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Accrued expenses	¥ 105,445	¥ 120,109	$ 751,010
Deposits received	42,821	43,088	269,418
Accrued bonuses	46,240	50,161	313,643
Other	52,280	53,444	334,171
Total	¥ 246,787	¥ 266,804	$ 1,668,255
Current liabilities	¥ 233,675	¥ 255,262	$ 1,596,086
Non-current liabilities	13,112	11,541	72,163
Total	¥ 246,787	¥ 266,804	$ 1,668,255

27. Selling, general and administrative expenses

The breakdown of selling, general and administrative expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Salaries and allowances	¥ 81,407	¥ 89,648	$ 560,545
Research and development expenses	48,976	56,849	355,462
Advertising expenses	23,206	20,678	129,294
Other	153,372	161,583	1,010,336
Total	¥ 306,963	¥ 328,759	$ 2,055,643

28. Other income and expenses

(1) Other income

The breakdown of other income is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Gain on sale of fixed assets	¥ 635	¥ 764	$ 4,777
Other	2,463	5,671	35,459
Total	¥ 3,098	¥ 6,435	$ 40,236

(2) Other expenses

The breakdown of other expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Loss on sale and disposal of fixed assets	¥ 1,583	¥ 3,975	$ 24,855
Other	6,138	7,656	47,871
Total	¥ 7,722	¥ 11,631	$ 72,726

29. Finance income and finance costs

(1) Finance income

The breakdown of finance income is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Interest income			
Financial assets measured at amortized cost	¥ 2,646	¥ 1,806	$ 11,292
Dividend income			
Financial assets measured at fair value through other comprehensive income	314	405	2,532
Foreign exchange gain	-	18,984	118,702
Others	462	502	3,139
Total	¥ 3,423	¥ 21,698	$ 135,672

(2) Finance costs

The breakdown of finance costs is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Interest expense			
Financial liabilities measured at amortized cost	¥ 12,907	¥ 11,884	$ 74,308
Lease liabilities	2,086	2,087	13,049
Foreign exchange loss	16,094	-	-
Others	7,941	7,300	45,645
Total	¥ 39,028	¥ 21,272	$ 133,008

30. Government grants

Government grants received by the Group relate principally to research and development activities.

Government grants received in the previous consolidated fiscal year and the current consolidated fiscal year were ¥10,606 million and ¥12,120 million ($75,783 thousand), respectively. Of this amount, the grants related to revenue were deducted from research and development expenses, and the grants related to assets were deducted from the acquisition cost of acquired assets.

31. Earnings per share

The basis for calculating basic earnings per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Profit attributable to owners of parent	¥ 88,001	¥ 108,157	$ 676,277

	Thousands of shares	
	2025	2026
Average number of common shares	837,399	835,776

	Yen		U.S. dollars
	2025	2026	2026
Basic earnings per share	¥ 105.08	¥ 129.41	$ 0.81

Notes: 1. Diluted earnings per share are not stated because there were no potential dilutive shares.
2. The Company's shares held by trusts whose beneficiaries are directors and others recorded as treasury shares under equity are included in the number of shares held in treasury to be deducted from the calculation of the average number of shares during respective periods in computing the earnings per share. (At the end of the previous consolidated fiscal year: 3,694,500 shares, at the end of the current consolidated fiscal year: 3,517,065 shares).
3. 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 previous consolidated fiscal year.

32. Related party

(1) Related party transactions

Transactions and the balances of receivables between the Group and related parties and payables are as follows:

As of March 31, 2025

Type	Name	Details of transactions	Transaction amount	Line item	Outstanding balance	Allowance for credit loss outstanding balance
Associate	Commercial Airplane Co., Ltd.	Sales of Company products	¥ 62,302 million	Accounts receivable - trade	¥ 38,733 million	¥ -
				Contract liabilities	¥ 5,286 million	¥ -

Notes: Transaction terms are determined by price negotiations based on the Company's submission of preferred prices after taking the total cost into account.

As of March 31, 2026

Not applicable.

(2) Remuneration for key management personnel

Remuneration for directors is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Short-term remuneration	¥ 461	¥ 573	$ 3,583
Share-based remuneration	170	175	1,094

33. Subsequent events

(1) Sale of Consolidated Subsidiary Shares

(i) Details of the event

The Company resolved, at a meeting of its Board of Directors held on February 9, 2026, to transfer all shares of EarthTechnica Co., Ltd. (hereinafter referred to as "EarthTechnica"), a consolidated subsidiary within its Energy Solution & Marine Engineering business, to Furukawa Co., Ltd., and entered into a share transfer agreement on the same date. The share transfer agreement provides for the phased transfer of all shares of EarthTechnica. The Company transferred 60% of the total number of issued shares on April 1, 2026. The remaining 40% of the total number of issued shares is scheduled to be transferred on April 1, 2027.

The assets and liabilities have been classified as assets held for sale and liabilities directly associated with assets held for sale.

Overview of the Share Transfer

(a)The number of shares retained by the Company prior to the Share Transfer	25,800 shares (100% voting rights ownership)
(b)Number of shares to be transferred	First phase : 15,480 shares Second phase : 10,320 shares
(c)Transfer price	¥11.7 billion
(d)The number of shares retained by the Company following the Share Transfer	First phase : 10,320 shares (40% voting rights ownership) Second phase: 0 shares (0% voting rights ownership)
(e)Date of transfer	First phase : April 1, 2026 Second phase : April 1, 2027(expected)

(ii) Effect of the event on financial results

Due to this event, the Company expects to record approximately ¥3.1billion as other income in its consolidated financial results for the fiscal year ending March 31, 2027.

(2) Stock split and related partial amendment to the Articles of Incorporation

Based on the resolution of its Board of Directors meeting held on February 9, 2026, the Company implemented a stock split and a partial amendment of its Articles of Incorporation accompanying the stock split on April 1, 2026.

(i) Purpose of the stock split

The purpose of the stock split is to lower the stock price per investment unit to create a more investor-friendly environment and to broaden the Company's investor base.

(ii) Overview of the stock split

(a) Method of the stock split

Each share of common stock owned by shareholders recorded in the closing register of shareholders on the record date of March 31, 2026, was split into five shares.

(b) Number of shares to be increased by the stock split

Total number of issued shares prior to the stock split	167,921,800
Number of shares to be increased by the stock split	671,687,200
Total number of issued shares after the stock split	839,609,000
Total number of authorized shares after the stock split	1,680,000,000

(c) Schedule for the stock split

Public notice of record date	March 9, 2026
Record date	March 31, 2026
Effective date	April 1, 2026

(d) Impact on per-share information

If the stock split had been conducted at the beginning of the fiscal year ended March 31, 2025, the per-share information for each period would have been as follows.

	Yen		U.S. dollars
	2025	2026	2026
Basic earnings per share	¥ 105.08	¥ 129.41	$ 0.81
Equity attributable to owners of parent per share	841.12	1,050.57	6.57

(iii) Partial amendment to the Articles of Incorporation accompanying the stock split

(a) Reason for the amendment

In conjunction with the stock split, the Company amended a portion of its Articles of Incorporation pursuant to Article 184(2) of the Companies Act of Japan, effective April 1, 2026, by resolution of the Board of Directors meeting.

(b) Details of the amendment

The details of the amendment are as follows:

(Underline indicates amendments.)

Current Articles of Incorporation	Proposed provisions after amendments
(Aggregate Number of Issuable Shares) Art. 6 The aggregate number of shares which the Corporation shall have the authority to issue is <u>336,000,000</u> shares.	(Aggregate Number of Issuable Shares) Art. 6 The aggregate number of shares which the Corporation shall have the authority to issue is <u>1,680,000,000</u> shares.

Others

(1) Semi-annual financial information

	Millions of yen	
	Six months ended September 30, 2025	Fiscal year ended March 31, 2026
Revenue	¥ 996,254	¥ 2,311,267
Profit before tax	35,374	145,530
Profit attributable to owners of parent	22,089	108,157
	Yen	
Basic earnings per share	¥ 26.43	¥ 129.41

	Thousands of U.S. dollars	
	Six months ended September 30, 2025	Fiscal year ended March 31, 2026
Revenue	$ 6,229,313	$ 14,451,741
Profit before tax	221,184	909,961
Profit attributable to owners of parent	138,117	676,277
	U.S. dollars	
Basic earnings per share	$ 0.17	$ 0.81

Notes: 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 current consolidated fiscal year.

(2) Major Material Lawsuits

<Claim for damages in overseas LNG tank construction work>

In connection with a certain liquefied natural gas (LNG) tank construction project carried out by the Company overseas, the Company filed a petition for arbitration with The International Chamber of Commerce (ICC) concerning losses sustained by the Company due to a breach of contract by an overseas construction subcontractor. During the arbitration proceedings, the counterparty claimed damages from the Company, but the Company believes that these claims lack legitimate grounds and are thus unjustified. The Company will continue to assert the legitimacy of its claims through the arbitration process.

(3) Others

<Agreement with WMATA Regarding the Washington Metro 7000-Series Railcars >

Kawasaki Rail Car, Inc. and its parent company, Kawasaki Railcar Manufacturing Co., Ltd., continued a series of negotiations with Washington Metropolitan Area Transit Authority (WMATA) concerning certain outstanding contractual matters of the 7000 series railcar contract and have reached an agreement.

For details, please refer to "Agreement with WMATA Regarding the Washington Metro 7000-Series Railcars (Progress on Disclosed Matters)" dated February 6, 2026.

KPMG

Independent auditor's report

To the Board of Directors of Kawasaki Heavy Industries, Ltd.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Kawasaki Heavy Industries, Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") , which comprise the consolidated statement of financial position as at March 31, 2026, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board prescribed in Article 312 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements of public interest entities in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of management's judgment on the recoverability of deferred tax assets	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet of Kawasaki Heavy Industries, Ltd. (hereinafter, "the Company") and its consolidated subsidiaries as of March 31, 2026, deferred tax assets of ¥119,475 million were recognized. As described in Note 15, "Deferred taxes and income taxes" to the consolidated financial statements, the amount of gross deferred tax assets before being offset by deferred tax liabilities amounted to ¥167,559 million. Of this amount, the gross deferred tax assets held by the Company, which applies the Group Tax Sharing System, amounted to ¥101,896 million, representing approximately 3.1% of total assets in the consolidated financial statements. As described in Note 3(17), "Material accounting policies - Income taxes," recoverability of deferred tax assets is reassessed every fiscal year end and are recognized to the extent that deductible temporary differences are expected to reduce future taxable income. The future taxable income to be generated by the Company, which was used to determine the recoverability of its deferred tax assets, was estimated based primarily on the business plan prepared by management. This business plan involved uncertainty since forecasts of revenue and profit, which are the key elements of the business plan, may be affected by changes in future economic conditions and other factors, and had a significant impact on the assessment of the recoverability of deferred tax assets. We, therefore, determined that our assessment of the appropriateness of management's judgement on the recoverability of deferred tax assets of the Company was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.	The primary procedures we performed to assess whether management's judgment on the recoverability of deferred tax assets of the Company was appropriate included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain internal controls of the Company that are relevant to the judgment on the recoverability of deferred tax assets. In this assessment, we focused our testing on internal controls over the preparation of the business plan used to estimate the Company's future taxable income. **(2) Assessment of the reasonableness of the estimated future taxable income** In order to assess the reasonableness of key assumptions applied in preparing the business plan that served as the basis for estimating future taxable income, we: ▪ evaluated the process of preparing the business plan that served as the basis for estimating future taxable income by inquiring of management of the Company, respective company presidents and management of Kawasaki Railcar Manufacturing Co., Ltd., and by inspecting the minutes of the Management Committee of the Company. ▪ assessed the consistency of the estimated future taxable income used to determine the recoverability of deferred tax assets with the business plan approved by the Management Committee of the Company.

Management's assessment of the financial asset based on contractual rights related to certain overseas LNG tank construction work (Energy Solution & Marine Engineering Company)	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 14, "Other financial assets," Kawasaki Heavy Industries, Ltd. (hereinafter, "the Company") sustained a loss of approximately ¥51 billion due to a breach of contract by an overseas construction subcontractor that failed to fulfill the contract on certain LNG tank construction work overseas. In connection with this issue, the Company filed a petition for arbitration with the International Chamber of Commerce ("ICC"). The Company plans to settle this dispute through the arbitration process and recognized a financial asset based on its contractual rights within "Other" under "Other financial assets." Management's assessment of the financial asset based on the Company's contractual rights considered the progress of the arbitration proceedings at the ICC and the prospect for an award of the arbitration tribunal as well as the business environment and the financial conditions of the overseas construction subcontractor. These estimates included significant management judgments, including the prospects for an award of the arbitration tribunal and amount of claim the Company alleged was caused by the breach of contract by the overseas construction subcontractor, as well as the ability of the overseas construction subcontractor to make payment for any amount of claim to be determined by the arbitration tribunal, all of which involved uncertainty. We, therefore, determined that our assessment of the appropriateness of management's assessment of the financial asset based on the Company's contractual rights related to certain overseas LNG tank construction project was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.	The primary procedures we performed to assess the appropriateness of management's assumptions used for assessing the financial asset based on the Company's contractual rights related to certain overseas LNG tank construction work included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain internal controls of the Company that are relevant to management's assessment of the financial asset based on its contractual rights. In the assessment, we focused on internal controls in which the personnel responsible for the accounting division assess the estimates of the arbitration tribunal related to the subject and amount of claim based on its contractual rights as well as the ability of the overseas construction subcontractor to make payment for any amount of claim to be determined by the arbitration tribunal, giving consideration to the opinion of the Company's legal counsel. **(2) Assessment of the reasonableness of the estimation related to the amount of the financial asset based on the Company's contractual rights** ▪ We inspected the minutes of the Management Committee of the Company related to the estimation of the amount of financial asset. In addition, we inquired of several personnel, such as management (including the president of Energy Solution & Marine Engineering Company) and those responsible for the administration division and the accounting division and then assessed the reasonableness of their respective responses. ▪ We circularized through a written legal confirmation directly with the legal counsel engaged by the Company to assess the amount of the financial asset and assessed the consistency of the opinion of the legal counsel with the result of management's assessment of the amount of the financial asset. We inspected the annual reports issued by the overseas construction subcontractor and the monthly research reports on the financial conditions, order booking status and other information of the overseas construction subcontractor submitted by the Company's legal counsel and evaluated the consistency of the information with the result of management's assessment of the overseas construction subcontractor's ability to make payment.

Other Information

The other information comprises the information included in the Financial Report, but does not include the consolidated financial statements and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the audit and supervisory committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS Accounting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in "Audit fees" included in "Management Discussion & Analysis" of the Financial Report.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2026 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Horiuchi Kazuhisa
Designated Engagement Partner
Certified Public Accountant

Takeshita Shimpei
Designated Engagement Partner
Certified Public Accountant

Kyoi Yasumasa
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Kobe Office, Japan
June19, 2026

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.