The Items Published on the Internet Website Concerning the Notice of the 199th Ordinary General Meeting of Shareholders

Kawasaki Heavy Industries, Ltd.

Company Share Options

1. **Share Options Held by Company Officers at the End of the Fiscal Year under Review**
   Not applicable.
2. **Share Options Delivered to Employees, Etc. during the Fiscal Year under Review**
   Not applicable.
3. **Other Important Issues concerning Share Options, Etc.**
   Not applicable.

System to ensure that Directors' execution of duties complies with laws and regulations and the Articles of Incorporation, other systems to ensure proper execution of business and overview of operation status of such systems

At the Board of Directors Meeting, the Company makes a resolution regarding the basic policies on the establishment of internal control systems pursuant to the Companies Act, confirms the status of established internal control systems and its operation at the end of every fiscal period, and reports it to the Board of Directors Meeting. The details of resolutions regarding the basic policies as of the end of the fiscal year under review and an overview of the operation status of internal control systems for the fiscal year under review are as follows.

I. Basic policy for developing internal control systems

In an effort to embody KHI's management philosophy, which is indicated in the Group Mission (missions and roles which must be carried out) "Kawasaki, working as one for the good of the planet" (Enriching lifestyles and helping safeguard the environment: Global Kawasaki), "Kawasaki Value," "The Kawasaki Group Management Principles" and "The Kawasaki Group Action Guidelines," the KHI Group develops and maintains internal control systems to ensure formation of proper organizational structures, development of company rules and regulations, dissemination of information and proper execution of operations. KHI strives to improve its internal controls by constantly reviewing them, and in doing so improves the efficiency and lawfulness of company systems which contribute to the Group's sound and sustained growth.

More specifically, a resolution was made at the Board of Directors Meeting with respect to the Company's efforts to establish the following internal control systems and to streamline, maintain, and improve them based on this basic policy.

1. **Necessary systems to ensure proper execution of business of the Company**

   (1) Systems to ensure that execution of duties by the Company's Directors and employees are compliant with laws and regulations and the Articles of Incorporation

   (i) We establish ethical standards to serve as the basis for decisions when Directors and Executive Officers and employees take an action as the "The Kawasaki Group Code of Conduct" (hereinafter, the "Code of Conduct") and ensure that they are thoroughly familiar with the Code of Conduct.

   (ii) In order to achieve objectives such as effective and efficient business operations, reliable financial reporting, compliance with laws and regulations and safeguarding of assets, and secure the appropriateness of business operations, we establish a system to promote internal control, with President as the chief internal control officer and General Managers of each division as the managers in charge of internal control, and manage the internal control systems in a unified way based on the roles and responsibilities given to Directors, Executive Officers and employees, respectively.

(iii) We establish the Corporate Compliance Committee, and deliberate and make decisions on policies and measures to thoroughly ensure compliance with the Code of Conduct, laws and regulations and the KHI Group's regulations, and also monitor the compliance status thereof. In addition, we establish a department which promotes compliance at the Head Office and each business division, and continue to implement education and training activities on compliance with the Code of Conduct, laws and regulations and the KHI Group's regulations to constantly improve understanding and awareness of compliance.

(iv) We work to strengthen compliance systems by establishing and enhancing the whistle-blowing system to report information regarding compliance breaches.

(v) Executive Officers who are delegated to execute business operations within an appropriate scope are appointed at Board of Directors meetings. Meanwhile by appointing outside directors, independent officers stipulated in the Regulations of the Tokyo Stock Exchange, who are not likely to have any conflicts of interest with any general shareholder, the Company enhances the supervisory and monitoring functions of the Board of Directors for overall management, ensures the objectivity and neutrality of the management monitoring function by the Audit and Supervisory Committee, and enhances the monitoring function.

(vi) The Internal Audit Department carries out KHI's business audits and evaluation/assessment of internal controls over financial reporting to ensure the proper execution of duties and the reliability of financial reporting.

(2) Systems for storage and management of information related to execution of duties by the Company's Directors+

(i) Information pertaining to execution of duties by Directors (meeting minutes, decision making records and appurtenant materials, account books, account slips and other information) shall be appropriately stored and managed in accordance with applicable internal regulations. The information shall be made accessible at any time to Directors, Executive Officers and employees nominated thereby.

(ii) Confidential information and personal information shall be appropriately stored and managed in accordance with internal regulations and enforcement thereof shall be ensured through such measures as business audits.

(3) Regulations for management of risk of loss of the Company and other systems

(i) To address diverse risks appropriately, we manage risks individually and in an integrated manner by establishing an internal committee in charge and a department in charge according to the type of risk, and putting in place and operating a management approach, management system, etc. as well as building a system to monitor effectiveness and efficiency of each management system in a centralized manner. In addition, we establish a system to report important matters to the Board of Directors.

(ii) As a measure to be taken when a risk becomes evident, we set forth codes of conduct in the event of emergencies, and also appoint persons in charge of crisis management at each place of business to establish the system, which is designed to minimize losses.

(iii) When a material risk becomes evident, reports are immediately given to President, who is the chief executive of risk management, in accordance with the reporting route specified in advance.

(iv) In particular, in anticipation of the occurrence of disasters, including largescale earthquakes and pandemic diseases, we predetermine important operations to which priority should be given to ensure the continuation or recovery of the operations in order to minimize the impact on KHI's business. We also formulate a business continuity plan to shorten the length of time until recovery.

(4) Systems to ensure efficient execution of duties by the Company's Directors

(i) Based on the role and objectives of the corporate group consisting of the Company and its subsidiaries (hereinafter, the "KHI Group") as articulated in the Kawasaki Group Mission Statement, we share final goals for the future by setting forth a long-term vision for the whole group.

(ii) To attain the goals set forth in the long-term vision, business operation execution divisions incorporate the goals into specific business plans based on management policy determined by the Board of Directors, and each organization, Executive Officer and employee set their own objective and implement it to achieve the plans. In addition, the Board of Directors regularly receives reports regarding the progress of the business plans and supervises the status of business execution.

(iii) We appoint Executive Officers based on a resolution passed at the Board of Directors, and clarify the business execution system by determining the division of duties of each organization in accordance with internal regulations. In addition, we improve the efficiency of the execution of duties by the Directors by stipulating the authority for decision-making in internal regulations and delegating authority to the Executive Officers to an appropriate extent.

(iv) Upon exercise of authority delegated to President in internal regulations, we ensure appropriateness and efficiency of executing business operations by making discussions at the Management Committee, which acts as an advisory organ for President, due to its significance and others. Furthermore, we have established the Executive Officers Committee as a place for ensuring familiarity and exchange of opinions, etc. of management policies and plans for Executive Officers to build a common understanding in business management of the KHI Group.

(v) According to the in-house company system, each business division makes decisions on its own under delegated authority and responsibility, and executes flexible business operations to adapt to changes in the environment. We have also established the Company Management Committee in each Company, and it is led by the Company President who assumes the ultimate responsibility for execution of duties of company's business operations.

2. Necessary systems to ensure proper execution of business of KHI Group

We ensure proper execution of business of the KHI Group through efforts to establish the following systems according to business contents, size, region and significance of each subsidiary.

(1) Systems to ensure that execution of duties by Directors and employees of KHI Group is compliant with laws and regulations the Articles of Incorporation

(i) The Company governs internal controls of Group Companies from the perspective of the parent company and establishes a system to ensure the appropriateness of business operations. It does so by achieving objectives regarding matters such as the effectiveness and efficiency of business operations, reliability of financial reporting, compliance with laws and regulations and safeguarding of assets as a whole group.

(ii) The Corporate Compliance Committee deliberates and makes decisions on policies and measures on the Code of Conduct and compliance for the entire KHI Group. In addition, concerned departments of the Head Office that manage subsidiaries and business divisions work in collaboration to monitor the operation status in subsidiaries.

(iii) The Company implements controls as shareholders of Group Companies through the execution of voting rights at the General Meeting of Shareholders, and also carries out management supervision and monitoring over the operation thereof by dispatching part-time Directors or part-time Audit & Supervisory Board Members who are not engaged in the execution of business operations of Group Companies, or both (hereinafter, "Part-Time Officer"), to Group Companies, on an as-needed basis. In addition, we secure appropriate Group business management systems by establishing a department which presides over subsidiaries' operation.

(iv) The Internal Audit Department ensures the appropriateness of operations and reliability of financial reports through business audits and assessment of internal controls over financial reporting at Group Companies.

(2) Systems with regard to reporting to the Company on execution of duties by directors of Group Companies

(i) The Company receives reports regarding the status of execution of duties by directors of Group Companies through a Part-Time Officer who is dispatched thereto.

(ii) Group Companies regularly report on the status of business operation as a management report and have discussions in advance with the relevant department of the Company with regard to important matters subject to decision-making on corporate management in accordance with applicable internal regulations.

(3) Regulations for management of risk of loss of Group Companies and other systems

(i) The Company promotes group-wide risk management, striving to prevent or minimize risk or losses caused by such risk.

(ii) As a measure to be taken when a risk becomes evident at Group Companies, the Company instructs Group Companies to formulate crisis handling measures and policies to establish the crisis management system.

(iii) When a material risk becomes evident, reports are immediately given to the Company, in accordance with the reporting route specified in advance.

(4) Systems to ensure efficient execution of duties by directors of Group Companies

(i) With respect to the management at each Company of the KHI Group, while respecting the autonomy thereof, the Company establishes a system in which execution of duties is ensured in a fair and efficient manner by sharing the basic philosophy and vision indicated in the "Kawasaki Group Mission Statement," long-term vision, business plan, and so forth, and clarifying group-wide final goals.

(ii) The Company instructs Group Companies to develop Approval Standards to ensure efficient execution of business.

3. Necessary matters for the Company's Audit and Supervisory Committee to execute duties

(1) Policies regarding employees who assist in the Company's Audit and Supervisory Committee's duties

We allocate the required employee according to the Audit and Supervisory Committee's requests.

(2) Policies regarding independence of employees who assist in the duties of the Company's Audit and Supervisory Committee Members from the Company's Directors (excluding Directors serving as the Audit and Supervisory Committee Members, hereinafter, the "Audit and Supervisory Committee Member") and matters regarding ensuring efficiency in directions given to employees who assist in the duties of the Company's Audit and Supervisory Committee.

The employee who assists in the duties of the Audit and Supervisory Committee shall follow the Audit and Supervisory Committee's directions and orders. For personnel transfer, personnel performance evaluation and disciplinary punishment, prior consent of the Audit and Supervisory Committee is required.

(3) Systems for the Company's Directors (excluding the Audit and Supervisory Committee Members) and employees to report to the Company's Audit and Supervisory Committee and systems for Directors, Audit & Supervisory Board Members and employees of Group Companies and those who receive reports from the said Directors, Audit & Supervisory Board Members and employees of Group Companies to give reports to the Company's Audit and Supervisory Committee.

(i) The Company's Audit and Supervisory Committee Members attend meetings of the Board of Directors, the Management Committee, the Executive Officers Committee, the Sustainability Committee and companywide meetings, such as the Corporate Compliance Committee. At these meetings, the Company's Directors (excluding the Audit and Supervisory Committee Members), Executive Officers and employees shall provide the Company's Audit and Supervisory Committee with reports concerning important matters about group management and business operations, including matters regarding compliance, risk management and internal controls, and the status of execution of duties.

(ii) The Company's Directors, Executive Officers and employees shall immediately report to the Company's Audit and Supervisory Committee when discovering that there is a risk of the KHI Group suffering significant damage.

(iii) Directors, Audit & Supervisory Board Members and employees of Group Companies shall immediately report to the relevant department of the Company when discovering that there is a risk of the KHI Group suffering significant damage. Upon receiving reports, the said department shall report the details to the Company's Audit and Supervisory Committee.

(iv) The Company's Executive Officers and employees shall, in accordance with applicable internal regulations, report to the Company's Audit and Supervisory Committee regarding the execution of business operations of the KHI Group by circulation of internal memos.

(v) The Company's Auditing Department and Accounting Auditors from time to time report to, and exchange information with the Company's Audit and Supervisory Committee regarding the status of audits on the KHI Group.

(4) System to ensure that those who give reports described in the preceding Item (3) will not be treated disadvantageously for reason of having made such report

The Company stipulates a provision regarding the prohibition of unfair and unfavorable treatment of those who give reports described in the preceding Item (3). The Company also instructs Group Companies to stipulate a provision of the same contents in their company regulations.

(5) Policies on prepaid expenses for the execution of the duties of the Company's Audit and Supervisory Committee Members (limited to the execution of the duties of the Company's Audit and Supervisory Committee), or expenses for procedures for repayment and the execution of other relevant duties, or on debt processing

When Audit and Supervisory Committee Members request the Company to make prepayment on execution of duties (limited to the execution of the duties of the Company's Audit and Supervisory Committee) pursuant to the Companies Act, the Company shall promptly proceed with payment of appropriate expenses and debt settlement, except where the expense or debt whose payment is requested is deemed unnecessary to execute their duties.

(6) Other systems to ensure the effective conduct of audits by the Company's Audit and Supervisory Committee

(i) Directors (excluding the Audit and Supervisory Committee Members) and Audit and Supervisory Committee Members regularly exchange information and opinions to ensure mutual understanding, and Audit and Supervisory Committee Members also attend important meetings such as Board of Directors meeting and Management Committee meeting, and directly express their opinion regarding execution of duties by Directors (excluding the Audit and Supervisory Committee Members) and Executive Officers.

(ii) The Company's Directors and Group Companies' Directors promote collaboration between the Company's Audit and Supervisory Committee, the Company's Internal Audit Department and Group Companies' Audit & Supervisory Board Members, and cooperate to establish systems which enable greater effectiveness in the conduct of audits.

(iii) The Company and Group Companies obtain the consent of the Audit and Supervisory Committee or the Audit & Supervisory Board Members or approval of the Audit and Supervisory Committee or the Audit & Supervisory Board of the relevant company with regard to proposals for the election of the Audit and Supervisory Committee Members or Audit & Supervisory Board Members and their remuneration, and so forth, of the relevant company, in accordance with laws and regulations and the Articles of Incorporation.

(iv) Of Audit and Supervisory Committee Members appointed by the Company, one or more shall have substantial knowledge about finance and accounting.

4. System regarding expulsion of anti-social forces

Our Group resolutely rejects any unreasonable demands from anti-social forces, and specifies in the "Code of Conduct" that it shall not have any relations with anti-social forces and shall ensure that all Directors, Executive Officers and employees are thoroughly aware of the matters contained in it.

Furthermore, with respect to internal systems, we have established a department in the headquarters which is responsible for overseeing handling of expulsion of anti-social forces, established close cooperation with external specialized organizations such as the police force, and in collaboration with the concerned departments, we systematically handle unreasonable requests from anti-social forces.

II. Overview of the operation status of internal control systems

1. Efforts on internal control systems in general

(i) We have specified the "Code of Conduct" as ethical standards to serve as the basis for decisions when the KHI Group's Officers and employees take an action, and ensure thorough dissemination of the Code of Conduct by implementing initiatives such as distributing the booklet to employees, posting the Code of Conduct on the intranet and providing various training programs.

(ii) The Internal Audit Department carries out evaluation/assessment of internal controls over business audits and financial reporting for the KHI Group to ensure effectiveness and efficiency of business operations and reliability of financial reporting. We conduct the audits for overseas subsidiaries for the fiscal year under review remotely due to overseas travel restrictions related to spread of COVID-19.

2. Efforts on compliance

(i) We establish the Corporate Compliance Committee, which is responsible for deliberating and making decisions on policies and measures to promote compliance at a group-wide level and monitoring the compliance status thereof. The said committee also plays the leading role in the establishment of related internal regulations, preparation and distribution of the "Compliance Guidebook" (hereinafter, the "Guidebook"), provision of various training programs, and operation of the whistle-blowing system. In addition, we establish the Compliance Committee, which performs compliance activities for each business division, and implement appropriate measures for each business environment.

(ii) We specify that we shall have no relations with anti-social forces in the Code of Conduct, and ensure that all employees shall be aware of the matters by distributing the Guidebook containing specific examples of prohibited acts, and promoting awareness in the workplace.

3. Efforts on risk management

(i) We build a risk management system on a companywide level based on the Risk Management Regulations. We also prepare a manual to explain the procedures of specific risk management practices and exhaustively grasp the assumed risks on a scale common to the Group to prevent and minimize risk or losses caused by such risk. Furthermore, since FY2021, we have started risk monitoring in order to visualize risk measures of the Company, identify risk measures on which the Company should focus, and appropriately report and deliberate risks for which concerns over becoming evident are growing, and will make it a practice from now on.

(ii) When a risk becomes evident, we establish the system, which is designed to minimize losses, by setting forth codes of conduct in the event of emergencies in advance and appointing persons in charge of crisis management at each place of business. Also, reports are immediately given to President, who is the chief executive of risk management, in accordance with the reporting route specified in advance.

(iii) In anticipation of the occurrence of large-scale disasters and pandemic diseases, we proactively formulate a business continuity plan for each business division, and conduct annual assessment and review thereof. We also establish and build a system to minimize losses in case we suffer damage in disasters.

During the fiscal period under review, we reviewed estimates of damage by disasters in major areas in Japan, performed disaster prevention drills and BCP drills, and conducted safety confirmation drills for all the employees. In response to the spread of COVID-19 infection, we are taking appropriate infection prevention measures based on the action guidelines and business continuity plans in the event of emergencies.

4. Efforts to ensure efficient execution of duties of Directors

(i) We execute management policies and business plans resolved at the Audit & Supervisory Board by following the Systems for Execution of Business Operations with President as the head of the systems and regularly report such progress to the Audit & Supervisory Board. During the fiscal period under review, to attain the goals set forth in the Group Vision 2030, all the Executive Officers expressed their commitments as well as determined the ideal way to be in each business area and the short-term business plan. We are striving to attain and achieve such goals.

(ii) We enhance efficiency of execution of duties in Directors' and each business and function area by delegating a part of the authority to make a decision about execution of significant duties from the Audit & Supervisory Board to President and his/her subordinates, and by specifying division of roles and approval authority in the internal regulations and operating them appropriately. We also give various types of guidance to Group Companies to enhance efficiency of execution of duties.

5. Efforts on management of Group Companies

(i) We exert group-wide efforts to work on compliance and risk management. We will establish and operate the systems according to business contents, size, region and significance of each Group Company.

(ii) We carry out management supervision and monitoring over the operation of Group Companies by dispatching Part-Time Officers to Group Companies to attend Board of Directors meetings thereof. We regularly receive reports on the status of business operation from Group Companies and the responsible department of the Company and the relevant Group Companies have discussions in advance with regard to important matters subject to decision making on corporate management of the Group Companies in accordance with applicable internal regulations.

6. Efforts on ensuring appropriateness of audits performed by the Company's Audit and Supervisory Committee

(i) We set up Office of Audit & Supervisory Committee and assign two employees who are dedicated to assist in the duties of Audit and Supervisory Committee. For personnel transfer, personnel performance evaluation and disciplinary punishment of these employees, we obtain prior consent of the Audit and Supervisory Committee. Ensuring the independence of the Internal Audit Department, for personnel transfer, personnel performance evaluation and disciplinary punishment of the head of the department, we obtain prior consent of the Audit and Supervisory Committee.

(ii) Audit and Supervisory Committee Members attend the Company's important meetings. Directors (excluding the Audit and Supervisory Committee Members), Executive Officers and employees provide the Company's Audit and Supervisory Committee with reports concerning important matters about corporate management and business operations as well as the status of execution of duties through the said meetings, and report to the Company's Audit and Supervisory Committee regarding the execution of business operations by circulation of internal memos.

(iii) We establish regulations that prohibit unfair and unfavorable treatment of those who cooperate with Audit and Supervisory Committee to perform audits and give reports to Audit and Supervisory Committee pursuant to the "Basic Policy for the Establishment of Internal Control System." In addition, Group

Companies are also proceeding with establishment of structures and systems according to region, size, function and others of each Group Company, including development of regulations.

(iv) The Auditing Department and Accounting Auditor regularly hold liaison meetings or discussions with Audit and Supervisory Committee to exchange information and opinions with him/her so as to ensure close communication.

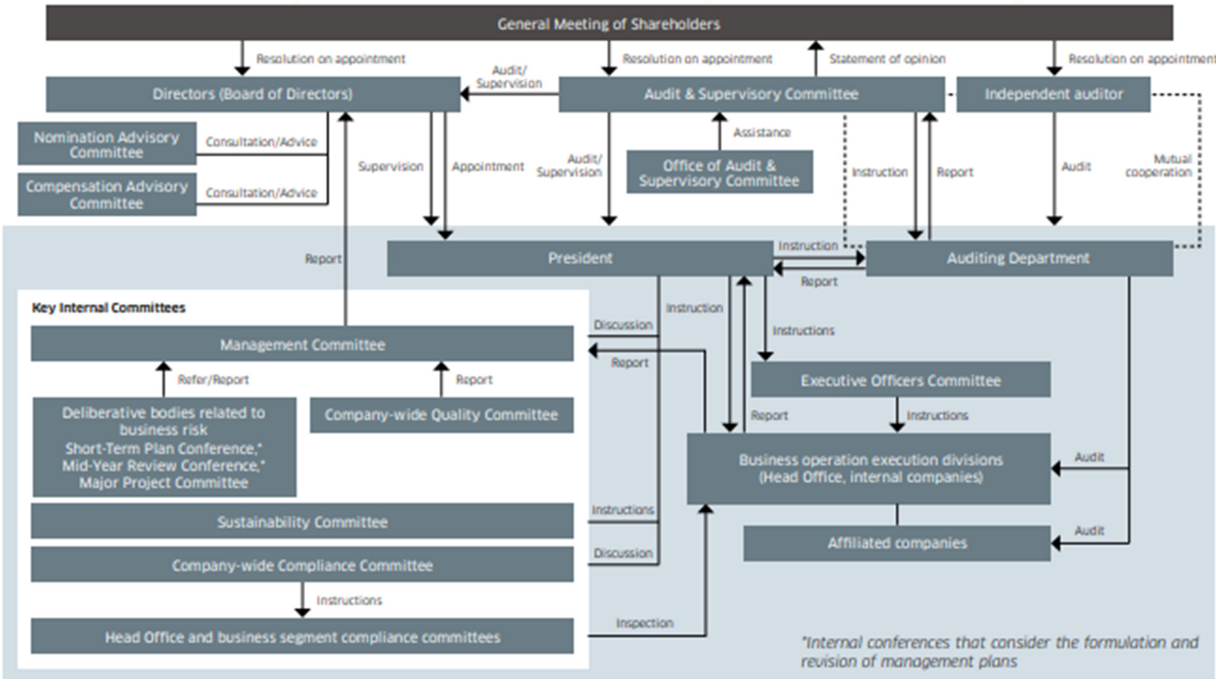
(v) We establish regulations regarding requests for prepaid expenses incurred for the execution of the duties of Audit and Supervisory Committee Members, and so forth.

Reference

[Corporate Governance Structure]

The Company is a company with an Audit & Supervisory Committee, and has established the Nomination Advisory Committee and the Compensation Advisory Committee as voluntary advisory bodies to the Board of Directors, and the Management Committee and the Executive Officers Committee as business execution bodies.

The Kawasaki Group’s Governance Structure (As of March 31, 2022)



Business Execution Framework

The Company has adopted an executive officer system in order to facilitate response to rapid changes in the business environment. A great deal of authority over business execution decisions is delegated to the executive Directors and executive officers, who are appointed by the Board of Directors, thereby realizing more agile decision making.

The Company’s main deliberative bodies and their contents are as follows.

Board of Directors 13 times/year

The Board of Directors comprises 13 Directors (of whom, five serve as Audit and Supervisory Committee Members), with the chairman serving as the presiding officer by resolution of the Board. Six Directors are Outside Directors (of whom, three serve as Audit and Supervisory Committee Members) and independent of business execution. By avoiding having Directors serve concurrently as officers responsible for specific businesses (the internal company presidents), the Company seeks to enhance the separation of management oversight and business execution and thereby further reinforce the Board of Director’s oversight functions.

Audit and Supervisory Committee 17 times/year

The Audit and Supervisory Committee comprises five Directors, including three Outside Directors. To secure effective oversight, the two Internal Directors have been appointed as full-time Audit and Supervisory Committee Members. Furthermore, to ensure the reliability of financial reporting, the Company appoints Audit and Supervisory Committee Members who have considerable knowledge of finance and accounting.

Nomination Advisory Committee 12 times/year

The Nomination Advisory Committee, has been established as an advisory body to the Board of Directors in an effort to reinforce the transparency and objectivity of its deliberations. The majority of the members of the committee consist of Outside Directors, as are the presiding chairman of each. The Nomination Advisory Committee deliberates on policies and standards for the appointment and dismissal of officers, as well as the appropriateness of proposed officer appointments and dismissals, and reports to or advises the Board of Directors.

Compensation Advisory Committee 12 times/year

The Compensation Advisory Committee has been established as an advisory body to the Board of Directors in an effort to reinforce the transparency and objectivity of its deliberations. The majority of the members of the committee consist of Outside Directors, as are the presiding chairman of each. The Compensation Advisory Committee deliberates on policies and systems related to remuneration of officers and the appropriateness of individual remuneration, and reports to or advises the Board of Directors.

● Management Committee

The Company maintains the Management Committee, comprising mainly of executive Directors and internal company presidents, as an advisory body to the President for overall group management. The Management Committee discusses important matters relating with the execution of business operations. From the perspective of auditing execution of operations, Directors serving as full-time Audit and Supervisory Committee Members also attend a meeting of the committee.

● Sustainability Committee

The Sustainability Committee has been established for the purpose of promoting social, environmental, and the Group sustainability. The committee is chaired by the President and consists of Directors (excluding Audit and Supervisory Committee Members and Outside Directors), internal company presidents, officers in charge of sustainability, and general managers of the Head Office. The Sustainability Committee deliberates and decides on various measures to promote sustainability and monitors the status of achievement and compliance. From the perspective of auditing execution of operations, Directors serving as Audit and Supervisory Committee Members and from the perspective of reflecting a broad range of outside knowledge and opinions in the committee’s decision-making, Outside Directors also attend a meeting of the committee.

Consolidated Statement of Changes in Net Assets

(From April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	104,484	54,542	306,576	(136)	465,467
Cumulative effects of changes in accounting policies			(39,639)		(39,639)
Restated balance	104,484	54,542	266,937	(136)	425,827
Changes of items during the period					
Issuance of new shares		1,916			1,916
Cash dividends			(3,357)		(3,357)
Profit attributable to owners of parent			21,801		21,801
Purchase of treasury shares				(994)	(994)
Disposal of treasury shares		2		1	3
Transfer of loss on disposal of treasury shares		0	(0)		–
Change in ownership interest of parent due to transactions with non-controlling interests		(935)			(935)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	983	18,444	(992)	18,435
Balance at the end of the period	104,484	55,526	285,381	(1,129)	444,262

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	1,955	(179)	(931)	(979)	(134)	17,442	482,775
Cumulative effects of changes in accounting policies							(39,639)
Restated balance	1,955	(179)	(931)	(979)	(134)	17,442	443,135
Changes of items during the period							
Issuance of new shares							1,916
Cash dividends							(3,357)
Profit attributable to owners of parent							21,801
Purchase of treasury shares							(994)
Disposal of treasury shares							3
Transfer of loss on disposal of treasury shares							–
Change in ownership interest of parent due to transactions with non-controlling interests							(935)
Net changes of items other than shareholders' equity	(530)	(11)	24,516	11,078	35,052	1,899	36,951
Total changes of items during the period	(530)	(11)	24,516	11,078	35,052	1,899	55,386
Balance at the end of the period	1,424	(191)	23,585	10,098	34,917	19,342	498,522

Notes to the Consolidated Financial Statements

*The amounts presented are rounded down to the nearest unit.

(Notes to the basis for preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries and names of principal consolidated subsidiaries — 101 in total

(Domestic) Kawasaki Motors, Ltd., Kawasaki Trading Co., Ltd., Kawasaki Railcar Manufacturing Co., Ltd., Kawasaki Machine Systems, Ltd., Kawasaki Motors Corporation Japan, NIPPI Corporation

(Overseas) Kawasaki Motors Corp., U.S.A., Kawasaki Motors Manufacturing Corp., U.S.A., Kawasaki Motors Enterprise (Thailand) Co., Ltd., Kawasaki Motors Europe N.V., Kawasaki Precision Machinery (Suzhou) Ltd., Kawasaki Rail Car, Inc., Kawasaki Robotics (USA), Inc., Kawasaki Motors (Shanghai), Ltd., Flutek, Ltd.

Three subsidiaries have been included in the scope of consolidation, due to establishment of two companies of them and additional share acquisition of the other one company to make it a consolidated subsidiary.

One consolidated subsidiary was excluded from the scope of consolidation due to the absorption-type merger with other consolidated subsidiary.

(2) Names of principal non-consolidated subsidiaries, etc.

Green Park Chiba Shin-Minato and other companies

(Reason for exclusion from scope of consolidation)

The non-consolidated subsidiaries were excluded from the scope of consolidation because they are small in size, and its accounts, such as total assets, net sales, net income and retained earnings have no significant effects on the Company's consolidated financial statements.

2. Application of the equity method

(1) Number of affiliates which are subject to application of the equity method — 20 in total

Name of principal company — Nantong COSCO KHI Ship Engineering Co., Ltd.

Three affiliates which are subject to application of the equity method have been included in the scope of application of the equity method due to establishment.

Two affiliates which are no longer subject to application of the equity method are excluded from the scope of application of the equity method due to share transfer of one company of them, and additional share acquisition of the other one company to make it a consolidated subsidiary.

(2) Non-consolidated subsidiaries not subject to application of the equity method (Green Park Chiba Shin-Minato and other companies) and affiliates (Commercial Airplane Co., Ltd. and other companies) are excluded from the scope of application of the equity method, because they only have minimal effects on the Company's consolidated financial statements with respect to profit (for the Company's equity interest) and retained earnings (for the Company's equity interest), and they have no significance as a whole.

3. Significant accounting policies

(1) Standards and methods for evaluation of significant assets

(i) Securities

a. Bonds held to maturity

Amortized cost method (straight-line method) is principally applied.

b. Available-for-sale securities

Securities other than shares, etc. with no market price

Market value method (with all valuation differences charged to net assets and the cost of sale computed mainly by the moving-average method) is applied.

Shares, etc. with no market price

The cost method based on the moving-average method is principally applied.

(ii) Inventories

Stated at cost principally using the specific identification method, the moving-average method and the first-in first-out method (balance sheet amounts are determined based on the method of lowering the book value in accordance with the deterioration of profitability).

(iii) Derivatives

Stated at market value.

(2) Depreciation and amortization method for significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)

The straight-line method is principally applied.

(ii) Intangible assets (excluding leased assets)

The straight-line method is applied.

Software for internal use is amortized by the straight-line method over the internally estimated useful lives (within 5 years).

(iii) Leased assets

The leased assets involved in finance lease transactions that involve transfer of ownership

The same method as that applied to property, plant and equipment is applied.

Finance lease transactions not involving the transfer of ownership

The straight-line method is used with the useful life equal to the lease term and zero residual value.

(3) Accounting standards for significant provisions

(i) Allowance for doubtful accounts

In order to provide for losses due to doubtful accounts from bad debts including trade receivables and loan receivables, allowance for doubtful receivables is provided based on the historical default rate of normal receivables and with reference to the collectability of receivables from companies in financial difficulty.

(ii) Provision for bonuses

To cover bonus payments to employees, provision for bonuses is provided in the amount for the consolidated fiscal year based on the estimated amount of payment.

(iii) Provision for construction warranties

A provision is recorded for expenditures for warranties concerning construction contracts based on past experience or on estimations of individual cases.

(iv) Provision for loss on construction contracts

A provision for an estimated amount of losses is recorded for the next fiscal year and thereafter concerning construction works which are anticipated to incur significant losses and which allow reasonable estimation of the loss incurred at the end of the fiscal year under review among those construction works that have not been delivered as of the end of the fiscal year under review.

(v) Provision for the in service issues of commercial aircraft jet engines

A provision for the amount expected to be covered by the Company with regard to costs associated with significant in-service issues arising in the Rolls-Royce Trent 1000 engine program for Boeing 787, in which the Company has participated as a risk and revenue sharing partner (RRSP).

(4) Method of accounting treatment for retirement benefits

(i) Allocation of expected retirement benefit payments

In calculation of retirement benefit obligations, the benefit formula basis is used to allocate expected retirement benefit payments to the period as of the end of the fiscal year under review.

(ii) Method of accounting treatment for actuarial differences and prior service cost

The prior service cost is amortized using the straight-line method over certain years (mainly 10 years) within the average remaining service period of the employees when the costs incurred in each year.

Actuarial differences are amortized from the fiscal year following the fiscal year in which the differences are recognized using the straight-line method over the average remaining years of service of the employees (mainly 10 years).

(iii) Method of accounting treatment for unrecognized actuarial gains and losses, and unrecognized past service costs

Unrecognized actuarial gains and losses, and unrecognized past service cost, net of applicable taxes, are recorded in "Remeasurements of defined retirement benefits" of "Accumulated other comprehensive income" in "Net assets."

(iv) Simplified accounting method used by small companies

Certain consolidated subsidiaries apply a simplified accounting method in which the calculation of liabilities for retirement benefits and retirement benefit expenses is carried out by using a method in which the retirement benefit obligations are deemed to be the amount of retirement benefits to be paid in cases where all eligible employees retired at the fiscal year-end date.

(5) Standards for the recognition of significant revenues and expenses

The Group recognizes revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration that it expects to receive in exchange for those goods or services, based on the following five-step approach.

Step 1: Identify a contract with a customer

Step 2: Identify performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue at the time of satisfying the performance obligations (or as the performance obligations are satisfied)

The Group's requirements of revenue recognition are as follows.

(i) Performance obligations satisfied at a point in time

Revenue from sale of goods is derived from the sale etc. of products, and performance obligations are held to deliver the goods based on the contract with the customer. For sale of goods, revenue is recognized at the delivery date or the receiving inspection date of goods when requirements for transfer of control are satisfied. This is based on the judgment that the customer obtains control over the promised asset and the performance obligation is satisfied at the time of delivery or receiving inspection of the goods. Revenue from sale of goods, etc. is measured in an amount calculated by deducting discounts and rebates from consideration promised in the contract.

(ii) Performance obligations satisfied over a period of time

Revenue from construction contracts and provision of services is derived from the manufacture of products, and the maintenance, etc. of products that is involved with this. The performance obligations are held to provide the goods or services based on the contract with the customer. For construction contracts and provision of services, since control over goods or services is transferred over a period of time, revenue is recognized by measuring progress reasonably towards complete satisfaction of performance obligations. Measurement of progress takes into account the nature of goods or services promised to be transferred to the customer, using the input method based on the proportion of cumulative incurred cost to estimated total costs of the entire transaction at the present time, etc., or the output method based on the proportion of the period that elapsed to the entire contract period or the proportion of services that were provided up to the present time to the entire services to be provided. If progress cannot be reasonably estimated but incurred cost is expected to be recovered, revenue is recognized to the extent of incurred cost.

Consideration for these performance obligations is usually received within one year from the time of satisfying performance obligations. Consideration does not include any significant financial components.

Although the Group provide product warranties meeting specifications set forth in the contract, these product warranties do not provide any separate service. Therefore. the product warranties are not distinguished as an independent performance obligation.

For transaction contracts including changes in consideration such as rebates and subsequent discounts, the transaction price is determined by estimating the variable price to the extent that it is highly probable that a significant reversal of revenue will not occur when the uncertainty is resolved.

(6) Standards for the translation of major assets or liabilities denominated in foreign currencies

Receivables and payables denominated in foreign currencies are translated into yen at the foreign exchange spot rate on the date of the balance sheet, and differences arising from the translation are calculated as gains or losses. The Company translates assets and liabilities of foreign consolidated subsidiaries into yen at the foreign exchange spot rate on the date of the balance sheet of each of those subsidiaries. Revenues and expenses are translated using the average foreign exchange rate during the period. Translation adjustments are included in "Foreign currency translation adjustment" and "Non-controlling interests" in "Net assets."

(7) Method of significant hedge accounting

(i) Method of hedge accounting

Deferred hedge accounting is applied.

(ii) Hedging instruments and hedged items

Hedging instrument	Hedged items
Forward exchange contracts, currency options	Receivables and payables (including forecast transactions) denominated in foreign currency
Interest rate swaps, currency swaps	Borrowings

(iii) Hedging policy

Hedging is conducted as a measure against the risk of foreign currency variation and interest rate variation based on company rules of respective subsidiaries.

(iv) Method of assessing hedging effectiveness

Hedging effectiveness is evaluated based on fluctuation amounts of hedged items and hedging instruments by comparing the cumulative changes of market fluctuations between the hedged item with the hedging instrument during the period between the start of the transaction to the point at which effectiveness is assessed.

(8) Method and period for amortization of goodwill

Goodwill equivalent is equally amortized over the estimated effective period of the investment. However, goodwill is amortized in lump-sum in the fiscal year when incurred if the amount is minimal.

(9) Other significant matters for preparing the consolidated financial statements

(i) Application of the consolidated taxation system

The consolidated taxation system is applied.

(ii) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company will transition from the consolidated taxation system to the group tax sharing system starting from the next fiscal year. However, regarding the items related to the transition to the Group Tax Sharing System newly established in the "Act for Partial Amendment of the Income Tax Act" (Act No. 8, 2020) and the review of the non-consolidated taxation system in line with the transition, the Company and some domestic consolidated subsidiaries have not applied the provisions of paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), pursuant to paragraph 3 of the "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are recorded in accordance with the tax act prior to the amendment.

The Company plans to apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case where a group tax sharing system is applied, from the beginning of the next fiscal year.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, Etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the fiscal year under review, and recognizes revenue at the amount expected to be received in exchange for the promised goods or services when the control of those goods or services is transferred to customers.

As a result of this application, a portion of the costs incurred in connection with the commercial aircraft jet engines program in which the Company is participating, which was previously recorded in cost of sales, has been reduced from net sales as consideration paid to customers. As a result, payments for the development for the commercial aircraft jet engines program, which was previously accounted for in "Work in process," has been transferred to "Investments and other assets." In addition, for after-sale services for the commercial aircraft jet engines program, although net sales and cost of sales were previously recorded based on information provided by the Company's main partner, the Company has changed to the method to recognize revenue based on fulfillment of performance obligations, and record the estimated amounts of variable compensation and compensation paid to customers as costs when revenue is recognized. In addition, the Company has changed the method of accounting for certain types of discounts the Company pays in accordance with the ratio of participation in the commercial aircraft jet engines program from the method previously reported based on information provided by the main partner to the method in which the amount of such discounts is estimated as variable compensation at the time of revenue recognition.

Regarding the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, in accordance with the transitional treatment provided for in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year under review was added to or subtracted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized in accordance with the previous treatment in periods prior to the beginning of the fiscal year under review, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition. In addition, by applying the method specified in item (1) of the supplementary provisions of paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts made prior to the beginning of the fiscal year under review were accounted for under the terms and conditions existing after reflecting all modifications in contracts, and the cumulative effect was added to or subtracted from the opening balance of retained earnings of the fiscal year under review.

Furthermore, "Notes and accounts receivable - trade," which was presented in "Current assets" in the consolidated balance sheet for the previous fiscal year, is included in "Notes and accounts receivable - trade, and contract assets" from the fiscal year under review, while "Advances received," which was presented in "Current liabilities" in the consolidated balance sheet for the previous fiscal year, is presented as "Contract liabilities" from the fiscal year under review, and "Provision for sales promotion expenses" in "Current liabilities" is included in "Other" under "Current liabilities."

As a result, compared with the figures before the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, in the consolidated statement of profit and loss, net sales and cost of sales decreased by ¥102,800 million and ¥108,128 million respectively, and accordingly operating profit, ordinary profit and profit before income taxes increased by ¥5,327 million, respectively.

In addition, because the cumulative effect was reflected in the opening balance of net assets of the fiscal year under review, the beginning balance of retained earnings in the consolidated statement of changes in net assets decreased by ¥39,639 million.

(Application of Accounting Standard for Fair Value Measurement, Etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant revised ASBJ regulations from the beginning of the fiscal year under review, and in accordance with the transitional treatment set forth in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policy set forth in the Accounting Standard for Fair Value Measurements and relevant revised ASBJ regulations has been applied prospectively. There is no impact on the consolidated financial statements.

In addition, the Company has determined to provide notes on matters regarding breakdown of fair values of financial instruments by appropriate classification, etc. in "Notes to Financial Instruments."

(Changes in presentation methods)

Consolidated Statement of Income

Effective from the fiscal year under review, "Gain on sale of investment securities," which was included in "Other" under "Non-operating income" for the previous fiscal year, is presented separately as a result of an increase in its quantitative materiality.

(Notes to Accounting Estimates)

Recoverability of deferred tax assets

(1) The amount recorded in the consolidated financial statements
Deferred tax assets ¥86,249 million

(2) Information contributing to understanding of the accounting estimates

(i) Methods to calculate the estimates
The recoverability of deferred tax assets is determined based on business plans, taking into account taxable income for a certain future period and tax planning.

(ii) Assumptions used to calculate the estimates
Estimation on net sales and income, a key element for business plans, is performed with some assumptions on factors including future economic conditions.

(iii) Impact on the consolidated financial statements for the next fiscal year
Future accounting estimates can be affected by changes in future economic conditions (COVID-19, Russia's invasion of Ukraine, etc.) and other factors. Although the Group provides reasonable estimates on the recoverability, future changes in those conditions on the estimates can have a material impact on the amount of deferred tax assets in the consolidated financial statements in future periods.

(Notes to Consolidated Balance Sheet)

1. Accumulated depreciation of property, plant and equipment ¥941,530 million
2. Assets pledged as collateral and liabilities relating to collateral
   (1) Assets pledged as collateral

Investment securities	¥41 million
Shares of subsidiaries and associates	¥536 million
Other	¥13 million
Total	¥590 million

   (2) Liabilities relating to collateral

Other	¥6 million
Total	¥6 million

3. Guarantee obligations for bank loans of subsidiaries and associates, etc. and employees ¥26,514 million
4. In some overseas construction works for LNG tanks, the Company suffered damage (about ¥51.0 billion) due to a breach of contract because of non-fulfillment of contract by an overseas subcontractor. In this case, a petition for arbitration has been filed with the ICC (The International Chamber of Commerce). We plan to resolve this case through arbitration in the future, and the expected amount of recovery from the arbitration has been recorded in "Other" under "Investments and other assets."

(Notes to Consolidated Statement of Profit and Loss)

1. Gain on sales of non-current assets proceeds from the sale of the land of the Company in Yokkaichi, Japan.
2. Amount of impairment losses
   Impairment losses incurred associated with the fact that profitability of the assets related to the Sakaide Works of the Company's Energy Solution & Marine Engineering Company is deteriorated based on the assumption of current market conditions.

(Notes to Consolidated Statement of Changes in Net Assets)

1. Total number of shares issued as of the end of the fiscal year under review
   Ordinary share 167,921,800 shares
2. Dividends
   (1) Dividends paid

Resolution	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors meeting on November 9, 2021	3,357	20.0	September 30, 2021	December 3, 2021

(Note)The total dividends in accordance with the resolution passed at the Board of Directors meeting on November 9, 2021 includes ¥8 million of dividends on shares held by the trust with Directors, etc. as beneficiaries, which was created due to the adoption of a performance-linked stock compensation plan.

   (2) Of the dividends whose record date belongs to the fiscal year under review, those whose effective date will fall in the next consolidated fiscal year.

Scheduled date of resolution	Total dividend (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 24, 2022	3,357	20.0	March 31, 2022	June 27, 2022

(Note)The total dividends in accordance with the resolution to be passed at the Ordinary General Meeting of Shareholders on June 24, 2022 includes ¥8 million of dividends on shares held by the trust with Directors, etc. as beneficiaries, which was created due to the adoption of a performance-linked stock compensation plan.

(Notes to Financial Instruments)

1. Matters regarding financial instruments

The Group raises necessary funds, in light of its business plans; for long-term working capital and capital expenditure funds the Group predominantly raises funds through bank loans and issuance of corporate bonds, for short-term working capital it raises funds through bank loans and issuance of short-term bonds (electronic commercial paper), and so forth. Temporary surplus funds are invested in highly secure financial assets. We use derivatives to avoid risks described hereunder and do not engage in speculative transactions.

Operating receivables, namely, notes and accounts receivable - trade are exposed to counterparty credit risk. The currency exchange risk of the debts and credits in foreign currencies which arise from global business operations is hedged by using foreign exchange forward contracts, and so forth in principle against the net amount of the debts and credits in the foreign currency. Investments securities are mainly shares of corporations which we have business dealings with, and of these investments, those shares that are listed are exposed to the risk of market price fluctuations.

Notes and accounts payable - trade and electronically recorded obligations - operating, which are operating liabilities, have maturities of one year or less. Some of those are denominated in foreign currencies due to the import of materials, and so forth, and although they are exposed to the risk of currency fluctuation, most are within the limit of the balance of accounts receivable in the same foreign currency. Debts payable that are composed of borrowings and bonds payable are raised for the purpose of securing working capital and capital investments, and the longest maturity from the date of balance sheet is about 18 years. Some of those instruments have floating interest and are denominated in foreign currencies and are therefore exposed to the risk of interest rate and currency exchange fluctuations, however we hedge those risks as required by using derivatives transactions (interest rate swap transactions and currency swap transactions).

Derivative transactions are transactions which include exchange forward contracts and currency options and currency swap transactions for the purpose of hedging exchange fluctuation risks of the debts and credits in foreign currencies, and interest rate swap transactions and so forth for the purpose of hedging interest fluctuation risks of debts payable. Details of hedging instruments, hedged items, hedging policies, assessment of hedging effectiveness of hedge accounting are stated in "3. Significant accounting policies, (7) Method of significant hedge accounting" of "Notes to the basis for preparation of consolidated financial statements" described above.

2. Fair values of financial instruments

Carrying amounts in the consolidated balance sheet, fair values and the difference between them as of the end of the fiscal year under review are as follows. Shares, etc. with no market price are not included in the following table (please refer to (*) 2). In addition, a note on cash is omitted. Notes on deposits, notes and accounts receivable - trade, notes and accounts payable - trade, electronically recorded obligations - operating, short-term borrowings, and current portion of bonds payable are omitted as these instruments are settled within short term, and the fair value approximates the book value.

(Unit: Millions of yen)

	Carrying amount in the consolidated balance sheet (*1)	Fair value (*1)	Difference
(1) Investment securities	4,112	4,112	–
(2) Bonds payable	[180,000]	[177,997]	2,003
(3) Long-term borrowings	[194,297]	[193,865]	431
(4) Derivatives transactions	[6,476]	[6,476]	–

(*)1 Figures which are recorded in liabilities are shown in [ ].
2 Shares, etc. with no market price
Shares of subsidiaries and associates, investments in capital of subsidiaries and associates, unlisted shares and others (carrying amount in the consolidated balance sheet is ¥83,925 million) are not included in the table above because those instruments have no market prices.

3. Matters regarding breakdown of fair values of financial instruments by appropriate classification etc.

Fair values of financial instruments are classified into the following three levels according to the observability and significance of inputs used to determine the fair value.

Fair value of Level 1: Fair value determined based on a (unadjusted) quoted market price in an active market for an identical asset or liability
Fair value of Level 2: Fair value determined using directly or indirectly observable inputs other than Level 1 inputs
Fair value of Level 3: Fair value determined using significant unobservable inputs

If multiple inputs that have a significant effect on determination of fair value are used, the fair value is classified to the lowest priority level in determination of fair value from among the levels those inputs belong

(1) Financial assets and financial liabilities that are recorded at fair value on the consolidated balance sheet

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	3,907	–	–	3,907
Other	–	–	205	205
Derivative				
Currency related	–	4,498	–	4,498
Interest rate related	–	–	–	–
Total assets	3,907	4,498	205	8,610
Derivatives transactions				
Currency related	–	10,925	–	10,925
Interest rate related	–	48	–	48
Total liabilities	–	10,974	–	10,974

(2) Financial assets and financial liabilities that are not recorded at fair value on the consolidated balance sheet

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds payable	–	177,997	–	177,997
Long-term borrowings	–	193,865	–	193,865
Total liabilities	–	371,862	–	371,862

(Note) Explanation of valuation techniques and inputs used to determine fair value

Investment securities

The fair value of listed shares is stated at the price listed on the exchange. Because listed shares are traded in active markets, the fair value is classified as fair value of Level 1.

Bonds payable

The fair value of bonds is stated at the market price. Because bonds are not traded in active markets regardless of having market prices, the fair value is classified as fair value of Level 2.

Long-term borrowings

The fair value of long-term borrowings is determined by discounting the total of a principal and interest by the interest rate on a similar new borrowing, and is classified as fair value of Level 2.

Derivatives transactions

The market value of forward exchange contracts and interest rate swaps is determined by discounting future expected cash flows to the present value based on forward exchange rate at the last day of the reporting period and on interest rate at the last day of the reporting period, respectively. Because the market value is determined using observable inputs, it is classified as market value of Level 2.

(Notes to Per Share Information)

1. Net assets per share ¥2,861.25
2. Profit per share ¥130.26

(Notes to Revenue Recognition)

1. Information on disaggregation of revenue from contracts with customers

The Group's businesses are basically comprised of six businesses: "Aerospace Systems," "Rolling Stock," "Energy Solution & Marine Engineering," "Precision Machinery & Robot," "Motorcycle & Engine" and "Others." In order to understand revenue from contracts with customers based on that, revenue is disaggregated in a way which further classifies part of reportable segments ("Aerospace Systems," "Energy Solution & Marine Engineering," and "Precision Machinery & Robot") based on types of products.

In transactions of "Precision Machinery & Robot," "Motorcycle & Engine" and "Others," because performance obligations are mainly satisfied at a point in time, revenue is recognized at the delivery date or the receiving inspection date of goods in principle. In transactions of "Aerospace Systems," "Rolling Stock," and "Energy Solution & Marine Engineering," in addition to transactions where performance obligations are satisfied at a point in time, there are transactions where performance obligations are satisfied over a certain period of time, and revenue is recognized by reasonably measuring the progress. Although the progress is principally measured using the input method based on costs incurred in many transactions of the Group, the output method is employed for provision of certain services (such as maintenance contracts) in "Aerospace Systems," "Rolling Stock," and "Energy Solution & Marine Engineering."

(1) Breakdown by product type

(Unit: Millions of yen)

	Reportable segments						Total
	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engi-neering	Precision Machinery & Robot	Motor-cycle & Engine	Others	
Aerospace	232,025						232,025
Aero engine	66,186						66,186
Rolling stock		126,684					126,684
Energy system & plant engineering			232,324				232,324
Ship & offshore structure			64,981				64,981
Precision Machinery				163,117			163,117
Robot				89,560			89,560
Motorcycle & engine					447,927		447,927
Others						78,070	78,070
Net sales to external custom-ers	298,212	126,684	297,306	252,678	447,927	78,070	1,500,879

(2) Breakdown by region

(Unit: Millions of yen)

	Reportable segments						Total
	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engi-neering	Precision Machinery & Robot	Motor-cycle & Engine	Others	
Japan	179,415	74,636	234,172	68,009	36,761	71,481	664,476
U.S.	83,756	34,396	1,786	22,735	214,961	309	357,945
Europe	30,790	–	7,809	11,342	72,910	145	122,998
Asia	5	17,651	27,803	144,156	82,597	5,371	277,586
Others	4,244	–	25,734	6,434	40,696	761	77,872
Net sales to external custom-ers	298,212	126,684	297,306	252,678	447,927	78,070	1,500,879

2. Information that provides the basis for understanding revenue

Information that provides the basis for understanding revenue is as stated in "3. Significant accounting policies (5) Standards for the recognition of significant revenues and expenses" in "Notes to the basis for preparation of consolidated financial statements."

3. Information for understanding the amount of revenue for the fiscal year under review and the following fiscal years

(1) Balances of contract assets and contract liabilities, etc.

(Unit: Millions of yen)

	The 199th fiscal year (under review)
Receivables arising from contracts with customers (balance at the beginning of the period)	323,402
Receivables arising from contracts with customers (balance at the end of the period)	343,493
Contract assets (balance at the beginning of the period)	106,270
Contract assets (balance at the end of the period)	75,131
Contract liabilities (balance at the beginning of the period)	159,476
Contract liabilities (balance at the end of the period)	256,189

Receivables arising from contracts with customers are included in "Notes and accounts receivable - trade, and contract assets" on the consolidated balance sheet.

Contract assets are rights to consideration received in exchange for the portion of an already satisfied performance obligation that is measured based on the progress as at the end of the reporting period, excluding receivables, mainly in contracts where performance obligations are satisfied over a certain period of time. Contract assets are transferred to receivables from contracts with customers when the rights to consideration become unconditional and only passage of time is required.

Contract liabilities include advances received from customers, etc.

In the fiscal year under review, contract liabilities increased by ¥96,713 million, but this was mainly due to transactions in "Aerospace Systems." There was no significant change in the balance of contract assets.

Of revenue recognized, the amount included in the balance of contract liabilities as at the beginning of the period was ¥149,791 million in the fiscal year under review. In the fiscal year under review, the amount of revenue recognized from performance obligations that were satisfied in past periods was not significant.

(2) Transaction prices allocated to remaining performance obligations

The total amount of transaction prices allocated to remaining performance obligations and timing in which revenue is expected to be recognized are as follows.

The Group has applied a practical expedient and omits information on remaining performance obligations with the original expected remaining period of one year or less. There are no amounts, etc. of significant variable consideration from contracts with customers that were not included in the transaction price.

(Unit: Millions of yen)

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Total
Within 1 year	88,416	87,812	87,776	264,005
Over 1 to 2 years	65,859	22,961	49,124	137,944
Over 2 to 3 years	52,630	16,274	35,753	104,658
Over 3 to 4 years	18,045	9,956	20,332	48,334
Over 4 to 5 years	–	–	11,519	11,519
Over 5 to 10 years	–	–	37,797	37,797
Over 10 years	–	–	14,651	14,651
Total	224,951	137,004	256,955	618,911

(Note) Because performance obligations for "Precision Machinery & Robot (Precision Machinery, Robot)," "Motorcycle & Engine" and "Others" are mainly satisfied at a point in time, the information is not provided.

(Other)

(Notes to Business Combinations and Business Divestitures)

Transactions under common control, etc.

As of October 1, 2021, the Rolling Stock segment and the Motorcycle & Engine segment of the Company were succeeded to by Kawasaki Railcar Manufacturing Co., Ltd. and Kawasaki Motors, Ltd. by means of a company split (simple absorption-type split).

(1) Overview of transactions

1) Name of succeeded businesses and description thereof

Rolling Stock segment and Motorcycle & Engine segment

2) Date of business combinations

October 1, 2021

3) Legal format of business combinations

An absorption-type company split (simple absorption-type company split) in which the Company will be the split company, and Kawasaki Railcar Manufacturing Co., Ltd. and Kawasaki Motors, Ltd. will be the successor companies.

4) Name of the companies after the combination

No change.

5) Overview of transactions including the purpose thereof

[Rolling Stock segment]

Railway systems which are an environmentally-friendly means of public transportation and an integral part of daily life, are projected to achieve stable market growth globally. This trend is anticipated to be driven by urban transportation initiatives to reduce congestion and improve the environment in large cities experiencing population concentration, as well as the need to develop railway infrastructure in Asian countries together with their economic development. On the other hand, COVID-19 pandemic has caused railway operations in Japan to review their investment plans in response to declining passenger numbers, while in overseas, delays have been occurring in the construction of new railway lines.

Based on this view of the market situation, the Company conducted the absorption-type company split of the Rolling Stock segment in order to establish a system that will take agile and flexible measures, including through close alliance and collaboration with industry partners to respond to demand for railway systems overall and provide solutions to railway operators.

[Motorcycle & Engine segment]

Power sports business, including motorcycles and off-road four wheelers, and general-purpose engine business have entered a once-in-a-hundred-years period of major change, typified by CASE(*), and cooperation in the environmental regulation handling, electrification and advanced safety technology areas continues to advance. The core power sports business is the only B-to-C business at the Company and it has business characteristics that require nimble and bold decision-making.

In this kind of business environment, the Company conducted the absorption-type company split of the Motorcycle & Engine segment in order to achieve speedy management by establishing an autonomous business management system, and to build a stronger brand and achieve sustainable business growth through the provision of customer-oriented products and services, including new lifestyle proposals.

* CASE: A coined word using the acronym for Connected, Autonomous/Automated, Shared, and Electric

(2) Overview of accounting treatment implemented

This transaction was accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

Non-consolidated Statement of Changes in Net Assets

(From April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
				Other retained earnings				
	Share capital	Legal capital surplus	Other capital surplus	Reserve for special depreciation	Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	104,484	52,210	–	1,274	5,147	124,295	(136)	287,276
Cumulative effects of changes in accounting policies						(39,600)		(39,600)
Restated balance	104,484	52,210	–	1,274	5,147	84,695	(136)	247,676
Changes of items during the period								
Issuance of new shares		1,916						1,916
Cash dividends						(3,357)		(3,357)
Profit						21,269		21,269
Purchase of treasury shares							(994)	(994)
Disposal of treasury shares			(0)				1	1
Transfer of loss on disposal of treasury shares			0			(0)		–
Reversal of reserve for special depreciation				(407)		407		–
Reversal of reserve for tax purpose reduction entry of non-current assets					(190)	190		–
Net changes of items other than shareholders' equity								
Total changes of items during the period	–	1,916	–	(407)	(190)	18,509	(992)	18,834
Balance at the end of the period	104,484	54,126	–	866	4,957	103,205	(1,129)	266,511

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of the period	988	(516)	472	287,749
Cumulative effects of changes in accounting policies				(39,600)
Restated balance	988	(516)	472	248,148
Changes of items during the period				
Issuance of new shares				1,916
Cash dividends				(3,357)
Profit				21,269
Purchase of treasury shares				(994)
Disposal of treasury shares				1
Transfer of loss on disposal of treasury shares				–
Reversal of reserve for special depreciation				–
Reversal of reserve for tax purpose reduction entry of non-current assets				–
Net changes of items other than shareholders' equity	(203)	90	(112)	(112)
Total changes of items during the period	(203)	90	(112)	18,722
Balance at the end of the period	785	(426)	359	266,870

Notes to the Non-consolidated Financial Statements

*The amounts presented are rounded down to the nearest unit.

(Significant accounting policies)

1. Standards and methods for evaluation of assets

   (1) Standards and methods for evaluation of securities

      (i) Shares of subsidiaries and associates

         Cost using the moving-average method is applied.

      (ii) Available-for-sale securities

         Securities other than shares, etc. with no market price

            Market value method (with all valuation differences charged to net assets and the cost of sale computed by the moving-average method) is applied.

         Shares, etc. with no market price

            Cost using the moving-average method is applied.

   (2) Standards and methods for evaluation of inventories

      Stated at cost using the specific identification method and the moving average method (balance sheet amounts are determined based on the method of lowering the book value in accordance with the deterioration of profitability).

   (3) Standards and methods for evaluation of derivatives

      Stated at market value.

2. Method of depreciation of non-current assets

   (1) Property, plant and equipment (excluding leased assets)

      The straight-line method is applied.

   (2) Intangible assets (excluding leased assets)

      The straight-line method is applied.

      Software for internal use is amortized by the straight-line method over the internally estimated useful lives (within 5 years).

   (3) Leased assets

      The leased assets involved in finance lease transactions that involve transfer of ownership

         The same method as that applied to property, plant and equipment is applied.

      Finance lease transactions not involving the transfer of ownership

         The straight-line method is used with the useful life equal to the lease term and zero residual value.

3. Standards of accounting for provisions

   (1) Allowance for doubtful accounts

      In order to provide for losses due to doubtful accounts from bad debt including trade receivables and loan receivables, allowance for doubtful receivables is provided based on the historical default rate of normal receivables and with reference to the collectability of receivables from companies in financial difficulty.

   (2) Provision for bonuses

      To prepare for the bonus payments to employees, provision for bonuses is provided in the amount based on the estimated amount of bonus payment.

   (3) Provision for construction warranties

      A provision is recorded for expenditures for warranties concerning construction contracts based on past experience or on estimations of individual cases.

   (4) Provision for loss on construction contracts

      A provision for an estimated amount of losses is recorded for the next fiscal year and thereafter concerning construction works which are anticipated to incur significant losses and which allow reasonable estimation of the loss incurred at the end of the fiscal year under review among those construction works that have not been delivered as of the end of the fiscal year under review.

   (5) Provision for retirement benefits

      Employees' retirement and severance benefits is recorded based on the estimated amount of retirement benefit obligations and plan assets as of the end of the fiscal year under review (including the retirement benefit trust) in order to cover employee retirement benefits.

(i) Allocation of expected retirement benefit payments

In calculation of retirement benefit obligations, the benefit formula basis is used to allocate expected retirement benefit payments to the period as of the end of the fiscal year under review.

(ii) Method of accounting treatment for actuarial differences and prior service cost

The prior service cost is amortized using the straight-line method over certain years (10 years) within the average remaining service period of the employees when the costs incurred in each year.

Actuarial differences are amortized from the fiscal year following the fiscal year in which the differences are recognized using the straight-line method over the average remaining years of service of the employees (10 years).

(6) Provision for the in service issues of commercial aircraft jet engines

A provision for the amount expected to be covered by the Company with regard to costs associated with significant in-service issues arising in the Rolls-Royce Trent 1000 engine program for Boeing 787, in which the Company has participated as a risk and revenue sharing partner (RRSP).

4. Standards for recognition of significant revenue and expenses

The Company recognizes revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration that it expects to receive in exchange for those goods or services, based on the following five-step approach.

Step 1: Identify a contract with a customer
Step 2: Identify performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue at the time of satisfying the performance obligations (or as the performance obligations are satisfied)

The Company's requirements of revenue recognition are as follows.

(i) Performance obligations satisfied at a point in time

Revenue from sale of goods is derived from the sale etc. of products, and performance obligations are held to deliver the goods based on the contract with the customer. For sale of goods, revenue is recognized at the delivery date or the receiving inspection date of goods when requirements for transfer of control are satisfied. This is based on the judgment that the customer obtains control over the promised asset and the performance obligation is satisfied at the time of delivery or receiving inspection of the goods. Revenue from sale of goods, etc. is measured in an amount calculated by deducting discounts and rebates from consideration promised in the contract.

(ii) Performance obligations satisfied over a period of time

Revenue from construction contracts and provision of services is derived from the manufacture of products, and the maintenance, etc. of products that is involved with this. The performance obligations are held to provide the goods or services based on the contract with the customer. For construction contracts and provision of services, since control over goods or services is transferred over a period of time, revenue is recognized by measuring progress reasonably towards complete satisfaction of performance obligations. Measurement of progress takes into account the nature of goods or services promised to be transferred to the customer, using the input method based on the proportion of cumulative incurred cost to estimated total costs of the entire transaction at the present time, etc., or the output method based on the proportion of the period that elapsed to the entire contract period or the proportion of services that were provided up to the present time to the entire services to be provided.

If progress cannot be reasonably estimated but incurred cost is expected to be recovered, revenue is recognized to the extent of incurred cost.

Consideration for these performance obligations is usually received within one year from the time of satisfying performance obligations. Consideration does not include any significant financial components.

Although the Company provide product warranties meeting specifications set forth in the contract, these product warranties do not provide any separate service. Therefore. the product warranties are not distinguished as an independent performance obligation.

For transaction contracts including changes in consideration such as rebates and subsequent discounts, the transaction price is determined by estimating the variable price to the extent that it is highly probable that a significant reversal of revenue will not occur when the uncertainty is resolved.

5. Other important matters forming the basis for preparing the non-consolidated financial statements

(1) Accounting treatment for hedges

(i) Method of hedge accounting

Deferred hedge accounting is applied.

(ii) Hedging instruments and hedged items

Hedging instrument	Hedged items
Forward exchange contracts, currency options	Receivables and payables (including forecast transactions) denominated in foreign currency
Interest rate swaps, currency swaps	Borrowings

(iii) Hedging policy

Hedging is conducted as a measure against the risk of foreign currency variation and interest rate variation based on company rules.

(iv) Method of assessing hedging effectiveness

Hedging effectiveness is evaluated based on fluctuation amounts of hedged items and hedging instruments by comparing the cumulative changes of market fluctuations between the hedged item with the hedging instrument during the period between the start of the transaction to the point at which effectiveness is assessed.

(2) Standards for the translation of assets or liabilities denominated in foreign currencies

Receivables and payables denominated in foreign currencies are translated into yen at the foreign exchange spot rate on the date of the balance sheet, and differences arising from the translation are calculated as gains or losses.

(3) Accounting treatment for retirement benefits

Accounting treatment for unrecognized actuarial gains or losses and unrecognized past service cost for retirement benefits are different from accounting treatment for them in the consolidated financial statements.

(4) Application of the consolidated taxation system

The consolidated taxation system is applied.

(5) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company will transition from the consolidated taxation system to the group tax sharing system starting from the next fiscal year. However, regarding the items related to the transition to the Group Tax Sharing System newly established in the "Act for Partial Amendment of the Income Tax Act" (Act No. 8, 2020) and the review of the non-consolidated taxation system in line with the transition, the Company has not applied the provisions of paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), pursuant to paragraph 3 of the "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are recorded in accordance with the tax act prior to the amendment.

The Company plans to apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case where a group tax sharing system is applied, from the beginning of the next fiscal year.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, Etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the fiscal year under review, and recognizes revenue the amount expected to be received in exchange for the promised goods or services when the control of those goods or services is transferred to customers.

As a result of this application, a portion of the costs incurred in connection with the commercial aircraft jet engines program in which the Company is participating, which was previously recorded in cost of sales, has been reduced from net sales as consideration paid to customers. As a result, payments for the development for the commercial aircraft jet engines program, which was previously accounted for in "Work in progress," has been transferred to "Investments and other assets." In addition, for after-sale services for the commercial aircraft jet engines program, although net sales and cost of sales were previously recorded based on information provided by the Company's main partner, the Company has changed to the method to recognize revenue based on fulfillment of performance obligations, and record the estimated amount of variable compensation and compensation paid to customers as costs when revenue is recognized. In addition, the Company has changed the method of accounting for certain types of discounts the Company pays in accordance with the ratio of participation in the commercial aircraft jet engines program from the method previously reported based on information provided by the main partner to the method in which the amount of such discounts is estimated as variable compensation at the time of revenue recognition.

Regarding the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, in accordance with the transitional treatment provided for in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year under review was added to or subtracted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance; provided however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized in accordance with the previous treatment in periods prior to the beginning of the fiscal year under review, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition. In addition, by applying the method specified in item (1) of the supplementary provisions of paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts made prior to the beginning of the fiscal year under review were accounted for under the terms and conditions existing after reflecting all modifications in contracts, and the cumulative effect was added to or subtracted from the opening balance of retained earnings of the fiscal year under review.

Furthermore, "Accounts receivable - trade," which was presented in "Current assets" in the non-consolidated balance sheet for the previous fiscal year, is included in "Accounts receivable - trade" and "Contract assets" from the fiscal year under review, while "Advances received," which was presented in "Current liabilities," is presented in "Contract liabilities" from the fiscal year under review. As a result, compared with the figures before the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, in the non-consolidated statement of profit and loss, net sales and cost of sales decreased by ¥79,515 million and ¥84,718 million, respectively, and accordingly operating loss improved by ¥5,203 million, ordinary profit and profit before income taxes increased by ¥5,203 million, respectively.

In addition, because the cumulative effect was reflected in opening balance of net assets of the fiscal year under review, the beginning balance of retained earnings in the non-consolidated statement of changes in net assets decreased by ¥39,600 million.

(Application of Accounting Standard for Fair Value Measurement, Etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant revised ASBJ regulations from the beginning of the fiscal year under review, and in accordance with the transitional treatment set forth in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policy set forth in the Accounting Standard for Fair Value Measurements and relevant revised ASBJ regulations has been applied prospectively. There is no impact on the non-consolidated financial statements.

(Notes to Accounting Estimates)

1. Recoverability of deferred tax assets

(1) The amount recorded in the non-consolidated financial statements

Deferred tax assets ¥79,813 million

(2) Information contributing to understanding of the accounting estimates

Notes are omitted as the same information is provided in "Notes to Accounting Estimates" in the consolidated financial statements.

2. Valuation of shares of subsidiaries and associates

(1) The amount recorded in the non-consolidated financial statements

Shares of subsidiaries and associates ¥86,400 million (of which, ¥7,955 million in investment in Medicaroid Corporation)

(2) Information contributing to understanding of the accounting estimates

(i) Methods to calculate the estimates

The shares of subsidiaries and associates are evaluated by stating at cost determined by the moving-average method, and if the actual price of the shares is remarkably lower compared with the acquisition price, the Company obtains business plans and considers the recoverability.

(ii) Assumptions used to calculate the estimates and impact on the non-consolidated financial statements for the next fiscal year

The Company is considering the recoverability of shares of Medicaroid Corporation based on a business plan prepared by Medicaroid Corporation. There are uncertainties in that business plan concerning the estimates for future market growth, sales volume, prices, related costs, etc. If it becomes difficult to achieve the business plan due to changes in the various underlying assumptions to the estimates regarding the future, there may be a significant monetary impact on shares of subsidiaries and associates

(Notes to Non-consolidated Balance Sheet)

1.	Accumulated depreciation of property, plant and equipment	¥558,397 million
2.	Monetary receivables from and payables to subsidiaries and associates	
	Short-term monetary assets	¥180,638 million
	Long-term monetary assets	¥431 million
	Short-term monetary liabilities	¥93,529 million

3. Guarantee obligations for bank loans of subsidiaries and associates, etc. and employees ¥46,559 million
4. In some overseas construction works for LNG tanks, the Company suffered damage (about ¥51.0 billion) due to a breach of contract because of non-fulfillment of contract by an overseas subcontractor. In this case, a petition for arbitration has been filed with the ICC (The International Chamber of Commerce). We plan to resolve this case through arbitration in the future, and the expected amount of recovery from the arbitration has been recorded in "Other" under "Investments and other assets."

(Notes to Non-consolidated Statement of Profit and Loss)

1. Transactions with subsidiaries and associates

Transaction from operating transactions	
Net sales	¥295,336 million
Purchases	¥143,411 million
Other	¥3,784 million
Transaction from non-operating transactions	¥33,016 million

2. Gain on sales of non-current assets proceeds from the sale of the land in Yokkaichi, Japan.
3. Impairment losses incurred associated with the fact that profitability of the assets related to the Sakaide Works of the Energy Solution & Marine Engineering Company is deteriorated based on the assumption of current market conditions.

(Notes to Non-consolidated Statement of Changes in Net Assets)

Type of treasury shares and number of shares at the end of the fiscal year under review

Ordinary share 449,527 shares

(Note) Treasury shares as at the end of the fiscal year under review include 409,600 shares held by the trust with Directors, etc. as beneficiaries, which was created due to the adoption of a performance-linked stock compensation plan.

(Notes to Tax Effect Accounting)

Among other factors, the main contributing factor to deferred tax assets is loss carryforwards and the disallowance of various provisions such as provision for retirement benefits, and the main contributing factor to the deferred tax liabilities incurred is reserve for tax purpose reduction entry of non-current assets.

(Notes to Transactions with Interested Parties)

(Unit: Millions of yen)

Subsidiaries and affiliates, etc.

	Name of company	Ownership interest of voting rights (%)	Relationship with related party	Transactions	Trans-action amount	Account item	Year-end balance
Subsi-diary	Kawasaki Railcar Manufacturing Co., Ltd.	(Holding) Directly 100%	Company sharing business function	Lending of funds (Note 1)	–	Short-term borrowings	30,151
				Company split (Note 2) Total split assets Total split liabilities	 113,581 103,882	–	–
Subsi-diary	Kawasaki Motors, Ltd.	(Holding) Directly 100%	Company sharing business function	Lending of funds (Note 1)	–	Short-term borrowings	24,830
				Company split (Note 2) Total split assets Total split liabilities	 161,996 110,614	–	–

(Notes) 1. For the lending of funds, the borrowing interest rate is reasonably determined based on market interest rates.

2. In transactions related to company splits, the Rolling Stock segment and the Motorcycle & Engine segment of the Company were succeeded to by Kawasaki Railcar Manufacturing Co., Ltd. And Kawasaki Motors, Ltd. by means of a company split (simple absorption-type company split). The amount of the divested assets and liabilities was calculated based on the proper book values at the time of the split.

(Notes to Per Share Information)

1. Net assets per share ¥1,593.52
2. Profit per share ¥127.08

(Notes to Revenue Recognition)

Information that provides the basis for understanding revenue from contracts with customers is omitted as the same information is provided in the "consolidated financial statements (Notes to Revenue Recognition)."

(Other)

(Notes to Business Combinations and Business Divestitures)

The information is omitted because the same information has been provided in the "consolidated financial statements (Other) (Notes to Business Combinations and Business Divestitures)."