

The 203<sup>rd</sup> Ordinary General Meeting of  
Shareholders

Items Excluded in Accordance With Laws and  
Regulations and the Company's Articles of  
Incorporation from Paper-Based Documents  
Delivered in Response to a Request for  
Delivery of Documents Stating Items for  
Which Measures for Providing Information in  
Electronic Format Are to Be Taken

**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.

## Accounting Auditor

### (1) Accounting Auditor's Name

KPMG AZSA LLC

### (2) Accounting Auditors' Remuneration, Etc., for the Fiscal Year under Review

(Unit: Millions of yen)

Category	Compensation based on audit certification services	Compensation based on non-audit services
The Company	338	181
Subsidiaries	180	2
Total	519	184

(Notes) 1. The Audit and Supervisory Committee verifies the reasonableness of audit plans, audit performance and progress, and estimate and calculation of remuneration regarding its Accounting Auditor in accordance with the "Practical Guidelines for Cooperation with Accounting Auditors" issued by Japan Audit & Supervisory Board Members Association. Following such verification, the Audit and Supervisory Committee determines whether it agrees to the amount of remuneration and other related costs payable to the Accounting Auditor.

2. Under the audit agreement between the Company and its Accounting Auditor, remuneration, etc., for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not separated, and they cannot be separated in a practical way. Consequently, the above amounts reflect total remuneration.

3. Of the Company's major subsidiaries, some overseas subsidiaries have been audited by certified public accountants or audit corporations (including those who possess equivalent qualifications in foreign countries) other than the Company's Accounting Auditor.

### (3) Details of Non-audit Services

Accounting consulting services, etc. such as advisory fees for accounting-related work, etc.

### (4) Policy Regarding Determination of Dismissal or Non-reappointment of Accounting Auditors

When it is recognized that the Accounting Auditor has engaged in an activity falling under any of the causes for dismissal set forth in Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee shall dismiss the Accounting Auditor with the approval of all the Audit and Supervisory Committee Members.

Separately, when the Audit and Supervisory Committee assesses independence in accordance with laws and regulations etc., auditing system, status of executing duties, and others in a comprehensive manner, and judges that there is a need for change, it shall determine the contents of the proposal concerning dismissal and non-reappointment of the Accounting Auditor to submit to the General Meeting of Shareholders.

## **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 meetings, 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 their operation at the end of every fiscal period, and reports it to the Board of Directors. In 2024, instances of misconduct were discovered in the submarine repair business and the marine engine business. The Company takes the misconduct very seriously and is thoroughly committed to highly effective recurrence prevention measures to strengthen the compliance and governance structure of the entire Group, based on the three reform pillars: creating systems that prevent misconduct, strengthening misconduct detection, and reforming our organizational culture and awareness.

The details of resolutions regarding the basic policies 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, Executive Officers, and employees are compliant with laws and regulations and the Articles of Incorporation**

- 1) We establish ethical standards to serve as the basis for decisions when Directors, 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. In addition, the President, with strong resolve, leads rigorous awareness-raising efforts among Executive Officers and employees toward the Basic Legal and Compliance Policies, which was resolved by the Board of Directors for the purpose of strengthening company-wide legal affairs and compliance functions and awareness.
- 2) 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 the President of the Company as the chief internal control officer and internal company presidents, President of Kawasaki Railcar Manufacturing Co., Ltd. (hereinafter, "Kawasaki Railcar"), and President of Kawasaki Motors, Ltd.

(hereinafter, "Kawasaki Motors") 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.

- 3) We establish the Company-wide 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, each company, Kawasaki Railcar and Kawasaki Motors, 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.
- 4) With regard to the whistle-blowing system for early detection and correction of compliance violations and other misconduct risks, the Company will make efforts to ensure that the details of the system, including the prohibition of prejudicial treatment and investigation for the purpose of identification of whistle-blowers and the maintenance of confidentiality, are well known and properly operated to further demonstrate the system's functionality.
- 5) 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 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 auditing function.
- 6) 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**

- 1) 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.
- 2) 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**

- 1) To address diverse risks appropriately, we manage risks individually and in an integrated manner by putting in place and operating a system for how to manage risks according to type, for monitoring effectiveness and efficiency of each management system in a centralized manner, and for reporting important matters to the Board of Directors.
- 2) 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.
- 3) When a material risk becomes evident, reports are immediately given to the

President, who is the chief executive of risk management, in accordance with the reporting route specified in advance.

- 4) In particular, in anticipation of the occurrence of disasters, including large-scale 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**

- 1) 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.
- 2) 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 sets their own objective and implements 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.
- 3) We appoint Executive Officers based on a resolution passed at the Board of Directors, and clarify the business execution framework 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.
- 4) Upon exercise of authority delegated to the President of the Company 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 to the 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.
- 5) Each company, Kawasaki Railcar and Kawasaki Motors makes decisions on their own under delegated authority and responsibility based on the in-house company system, and executes flexible business operations to adapt to changes in the environment. In addition, each company, Kawasaki Railcar and Kawasaki Motors has established company management meetings, etc. that are chaired by the respective presidents of each organization, who will be ultimately responsible for business execution.

## **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 Group companies' directors, executive officers, and employees is compliant with laws and regulations and the Articles of Incorporation**

- 1) 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, as well as monitors and guides the

system's 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.

- 2) The Company-wide 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, each company, Kawasaki Railcar and Kawasaki Motors work in collaboration to monitor the operation status in subsidiaries.
- 3) The Company shall make efforts to disseminate the whistle-blowing system throughout the Group, including all subsidiaries in Japan and overseas, to further enhance the system's functionality.
- 4) 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 Officers"), to Group companies, on an as-needed basis. In addition, the Company will establish rules related to the management of subsidiaries such as rules for approving decisions, and establish a system for properly handling Group management.
- 5) 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**

- 1) 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.
- 2) 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**

- 1) The Company establishes a system for Group-wide risk management, striving to prevent or minimize risk or losses caused by such risk.
- 2) 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.
- 3) 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**

- 1) 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.

- 2) 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 employees 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 employees who assist 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), Executive Officers, and employees to report to the Company's Audit and Supervisory Committee and systems for Directors, Audit & Supervisory Board Members, Executive Officers, and employees of Group companies and those who receive reports from the said Directors, Audit & Supervisory Board Members, Executive Officers, and employees of Group companies to give reports to the Company's Audit and Supervisory Committee**

- 1) 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 Company-wide Compliance Committee meetings. 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.
- 2) 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.
- 3) Directors, Audit & Supervisory Board Members, Executive Officers, 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.
- 4) 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.
- 5) The Company's Internal Audit 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**

- 1) 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.
- 2) 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 and efficiency in the conduct of audits.
- 3) From the perspective of ensuring the effectiveness and independence of the execution of duties of the Internal Audit Department, for personnel transfer, personnel performance evaluation and disciplinary punishment of the head of the Internal Audit Department, we obtain prior consent of the Audit and Supervisory Committee.
- 4) The Company and the subsidiaries shall 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.
- 5) Audit and Supervisory Committee Members appointed by the Company shall have the appropriate experience and abilities, and necessary knowledge of finance, accounting and law, and in particular, one or more shall have sufficient knowledge of 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**

- 1) 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.
- 2) 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.

### **2. Efforts on compliance**

- 1) We establish the Company-wide 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, 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.

In 2024, following the discovery of misconduct in the submarine repair business and the marine engine business, we established a new Special Compliance Promotion Committee. Under the leadership of the President, who serves as Chairman, the Special Compliance Promotion Committee has been studying and implementing measures to prevent recurrence in light of governance issues and organizational culture.

The prevention measures consist of three reform pillars: creating systems that prevent misconduct, which includes the automation of inspection processes; strengthening misconduct detection, which includes auditing expense reimbursement data for employees; and reforming our organizational culture and awareness, which includes the cultivation of an open workplace environment. The progress has been regularly reported to the Board of Directors.

In 2024, we established the Corporate Defense Business Management Division within the Head Office with a view to integrating the management of defense business-related information and creating a unified contact point for external parties, particularly for external affairs activities. Additionally, we are committed to steps to boost governance and compliance, as well as the security framework. In 2025, we upgraded our legal organization to Division level to enhance legal functions more than ever. Simultaneously, we reviewed the Group's audit organizational structure and centralized audit functions. Through these measures, we reinforced our framework for the second and the third lines. Aiming to further raise the awareness of Directors and Executive Officers toward compliance, we established new regulations on remuneration clawback for officers, which is applied to not only Internal Directors, but also Executive Officers and Outside Directors.

Furthermore, in April 2026, we appointed the Group Manager of the Audit Group as Executive Officer, aiming to establish a structure to enhance their involvement in management. In terms of organizational structure, we established the Organizational Culture Transformation & Compliance Group within the Human Resources Division, to accelerate a reform to cultivate an open organizational culture that is built on a foundation of trust and dialogue. In addition, we reviewed our quality assurance systems in business segments

and established the Corporate Quality Assurance Management Group supervised under direct control of the President, thereby further advancing quality assurance functions and ensuring governance framework. Through these initiatives, we have developed frameworks and enhanced functions at each level of the first, the second, and the third line. In conjunction with these efforts, we will vigorously implement the recurrence prevention measures and maintain regular reports to the Board of Directors, as we continue to further strengthen compliance and governance structure across the KHI Group.

- 2) 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 Compliance Guidebook containing specific examples of prohibited acts, and promoting awareness in the workplace.

### **3. Efforts on risk management**

- 1) 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, we are carrying out risk monitoring in order to visualize risks for the Company, identify risks on which the Company should focus, and swiftly report and deliberate on risks over which concerns about materialization have been raised. These activities are regularly reported to the Board of Directors, where important risks that the Company should pay close attention to in the immediate future are discussed, and feedback is provided to the relevant departments to implement risk responses.
- 2) In anticipation of the materialization of a risk, 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. In addition, we have established and disseminated reporting standards, reporting routes, and a risk management response system so that when a major risk with significant management impact emerges, it can be promptly reported to the President, who is the chief executive of risk management, so that a risk response can be carried out.
- 3) In anticipation of the occurrence of any emergency including 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 and crisis management training for all the employees.

### **4. Efforts to ensure efficient execution of duties of Directors**

- 1) Management policies and business plans determined at the Board of Directors are incorporated into specific business plans at each business operation execution division, with progress for each regularly reported to the Board of Directors. In order to attain the goals set forth in the Group Vision 2030, all Executive Officers and employees manage targets based on new challenges and commitments, striving to attain and achieve the goals in each business area and the short-term business plan.
- 2) 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 Board of Directors to the President of the Company 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**

- 1) We exert Group-wide efforts for matters related to compliance, governance, risk management and other internal control topics. We will establish and operate the systems according to business contents, size, region and significance of each Group company. In addition to the Regulations for The Kawasaki Group Code of Conduct established by all subsidiaries in Japan and overseas, we also operate the Global Internal Reporting System for our overseas offices.
- 2) 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 and regularly receive reports on the status of business operation from Group companies. In addition, 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**

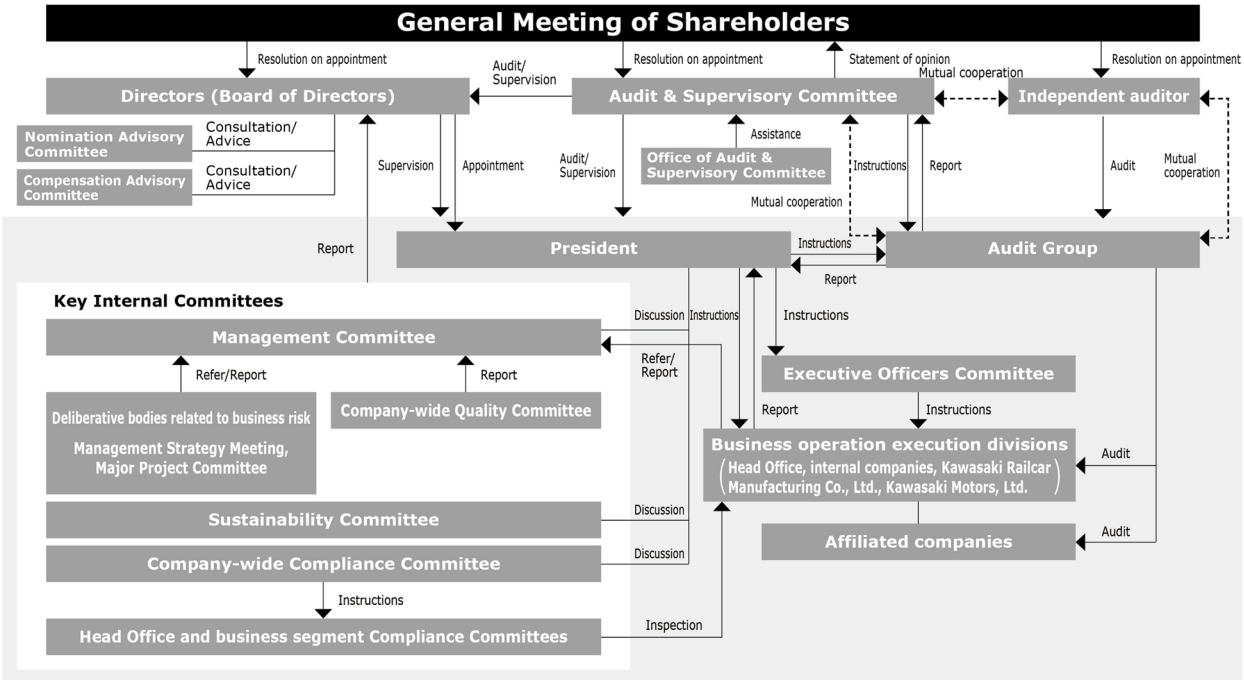
- 1) We set up the Office of Audit and Supervisory Committee and assign multiple employees who are dedicated to assist in the duties of Audit and Supervisory Committee. For personnel transfer, personnel performance evaluation and disciplinary punishment of these employees, we obtain prior consent of the Audit and Supervisory Committee.  
In order to ensure 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.
- 2) 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.
- 3) 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 Developing Internal Control Systems." In addition, Group companies are also establishing structures and systems according to region, size, function and others of each Group company, including development of regulations.
- 4) The Internal Audit 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. In addition, there are regular opportunities to exchange views with senior management, independent Outside Directors, and Standing Audit & Supervisory Board Members of subsidiaries.
- 5) We establish and inform concerned parties about 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 and Supervisory Committee and has voluntarily established a Nomination Advisory Committee and a Compensation Advisory Committee as advisory bodies to the Board of Directors as well as a Management Committee, an Executive Officers Committee, and other governance bodies.

**The Kawasaki Group’s Governance Structure (As of March 31, 2026)**



The Company's main deliberative bodies and their details are as follows.

Board of Directors 17 times/year

The Board of Directors has 13 members (5 of whom are Audit and Supervisory Committee Members), of which 7 are Outside Directors (3 of whom are Audit and Supervisory Committee Members), accounting for the majority. There are four female Directors and two non-Japanese Directors, demonstrating a system that encourages diversity alongside a balance of knowledge, experience, and ability, and allows for more multifaceted management decision-making. The Chairman of the Board serves as presiding officer pursuant to a resolution of the Board.

In addition to deliberating on individual proposals submitted in accordance with internal rules, the Board of Directors also discusses topics set based on the results of evaluations of the effectiveness of the Board.

Audit and Supervisory Committee 16 times/year

The Audit and Supervisory Committee comprises five Directors, including three Outside Directors. To secure effective auditing, the two Internal Directors have been appointed as full-time Audit and Supervisory Committee Members. Persons with appropriate experience, abilities, and necessary knowledge of finance, accounting, and law are appointed to the Audit and Supervisory Committee, and to ensure the reliability of financial reports in particular, at least one person with sufficient knowledge of finance and accounting is appointed to the committee.

Nomination Advisory Committee 12 times/year

Compensation Advisory Committee 12 times/year

The Nomination Advisory Committee and the Compensation Advisory Committee have been established for the purpose of improving the transparency and objectivity of the Board of Directors' deliberations. The majority of the members of the committees consist of Outside Directors, as are the presiding officer of each. The Nomination Advisory Committee discusses such matters as policies regarding the appointment and dismissal of Directors and other officers and the appropriateness of candidates for such positions. The Compensation Advisory Committee discusses such matters as Director compensation policy and system and the appropriateness of each compensation. These committees provide reports and advice to the Board of Directors.

(Note) The number of Directors and Directors serving as the Audit and Supervisory Committee Members is as of the conclusion of the Ordinary General Meeting of Shareholders held on June 26, 2025.

## Business Execution Framework

The Company has adopted an executive officer system in order to facilitate response to rapid changes in the business environment. To accelerate decision making, a great deal of authority over business execution decisions is delegated to the Executive Officers, who are appointed by the Board of Directors.

Please refer to the table below for the main deliberative bodies of business operation execution divisions.

Name	Role	Presiding officer
Management Committee	A meeting body that assists the President as an advisory body with regard to overall Group management. Discusses important business execution issues.	The President
Executive Officers Committee	Issues instructions on business execution policy based on management policy and management plans determined by the Board of Directors as well as information on important matters decided by the Management Committee, and also reports on and communicates necessary and important information regarding business execution and holds exchanges of opinions.	The President
Sustainability Committee	Discusses and decides on various measures to promote social, environmental, and Group sustainability, and also monitors adherence to such measures and the achievement of their aims.	The President
Company-wide Compliance Committee	Discusses and decides on various measures to ensure thorough compliance throughout the Kawasaki Group, and also monitors adherence to such measures and the achievement of their aims.	The President
Company-wide Quality Committee	Discusses Company-wide quality control policy and ensures its application for the purpose of reinforcing Company-wide quality control systems, and also shares information about quality control among the Head Office, internal companies, and other related companies.	The Senior Corporate Executive Officer in charge of technology
Management Strategy Meeting	Discusses Company-wide business strategies and action plans based on analysis of the business environment of each business segment for the purpose of formulating and reviewing management strategies and management plans for each business segment.	The President
Major Project Committee	Evaluates and considers ways of addressing the risks of major projects that could significantly impact operations and financial performance for the purpose of managing risk before bidding on and making investment decisions regarding such projects.	The general manager of the Corporate Planning Division

## Consolidated Statement of Changes in Equity

(April 1, 2025 - March 31, 2026)

(Unit: Millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Remea- surements of defined benefit plans	Financial assets measured at fair value through other compre- hensive income
Balance as of April 1, 2025	104,484	56,456	483,530	(4,093)	-	8,636
Profit			108,157			
Other comprehensive income					14,566	3,671
Total comprehensive income			108,157		14,566	3,671
Purchase of treasury shares				(30)		
Disposal of treasury shares		1		210		
Dividends			(26,020)			
Transfer to retained earnings			15,149		(14,566)	(582)
Change in scope of consolidation						
Capital increase of consolidated subsidiaries		22				
Change in ownership interest of parent due to transactions with non-controlling interests		49,019				41
Transfer to non-financial assets						
Transfer to other comprehensive income associated with assets held for sale						(23)
Other		2,085				
Total transactions with owners		51,128	(10,871)	180	(14,566)	(564)
Balance as of March 31, 2026	104,484	107,584	580,816	(3,912)	-	11,743

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity			Other comprehensive income associated with assets held for sale	Total		
	Cash flow hedges	Exchange differences on translation of foreign operations	Total				
Balance as of April 1, 2025	(1,071)	54,972	62,537	-	702,915	22,148	725,064
Profit					108,157	6,769	114,927
Other comprehensive income	(1,385)	28,655	45,507		45,507	3,455	48,963
Total comprehensive income	(1,385)	28,655	45,507		153,665	10,225	163,891
Purchase of treasury shares					(30)		(30)
Disposal of treasury shares					212		212
Dividends					(26,020)	(1,341)	(27,362)
Transfer to retained earnings			(15,149)		-		-
Change in scope of consolidation					-	1,712	1,712
Capital increase of consolidated subsidiaries					22	2,977	3,000
Change in ownership interest of parent due to transactions with non-controlling interests	47	(3,759)	(3,670)		45,349	34,650	80,000
Transfer to non-financial assets	(77)		(77)		(77)		(77)
Transfer to other comprehensive income associated with assets held for sale	(14)		(37)	37	-		-
Other					2,085		2,085
Total transactions with owners	(43)	(3,759)	(18,934)	37	21,540	37,998	59,538
Balance as of March 31, 2026	(2,500)	79,868	89,111	37	878,121	70,372	948,494

## 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. Preparation standards for consolidated financial statements

The consolidated financial statements of the Company and its consolidated subsidiaries (hereinafter, the "Group") have been prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS") pursuant to Article 120, Paragraph 1 of the Regulations on Corporate Accounting. Moreover, some disclosure items required in the IFRS have been omitted in accordance with the regulation in the second half of the same paragraph.

### 2. Scope of consolidation

Number of consolidated subsidiaries and names of principal consolidated subsidiaries 112 in total

(Domestic) Kawasaki Motors, Ltd., Kawasaki Railcar Manufacturing Co., Ltd., Kawasaki Trading 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 Rail Car, Inc., Kawasaki Motors Enterprise (Thailand) Co., Ltd., Kawasaki Motors Europe N.V., Flutek, Ltd., Kawasaki Motores de Mexico S.A. de C.V., Kawasaki Rail Car Lincoln, Inc., Kawasaki Motors (Phils.) Corporation, Kawasaki Robotics (USA), Inc., PT. Kawasaki Motor Indonesia

### 3. Application of the equity method

Number of affiliates which are subject to application of the equity method 24 in total

Name of principal companies Nantong COSCO KHI Ship Engineering Co., Ltd., Dalian COSCO KHI Ship Engineering Co., Ltd.

#### 4. Accounting policies

##### (1) Financial instruments

###### 1) Non-derivative financial assets

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

Financial assets are recognized when the Group becomes a party to the contract. Financial assets purchased or sold in a regular way are recognized on the transaction date.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the contractual rights to receive cash flows from the financial asset are transferred and substantially all the risks and rewards of ownership of the financial asset are transferred.

###### (i) Financial assets measured at amortized cost

Financial assets that meet all the following requirements are classified as financial assets measured at amortized cost.

- (a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are measured at fair value plus transaction costs directly attributable to their acquisition upon initial recognition. However, trade receivables that do not contain a significant financing component are initially measured at the transaction price.

Furthermore, after initial recognition, these assets are measured at amortized cost using the effective interest method.

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

Financial assets other than financial assets measured at amortized cost are classified as financial assets measured at fair value.

Of financial assets measured at fair value, for investments in equity instruments not held for trading, it is allowed to make an irrevocable election to present subsequent changes in fair value in other comprehensive income. The Group makes this designation for each financial instrument.

Financial assets measured at fair value through other comprehensive income are measured at fair value plus transaction costs directly attributable to their acquisition upon initial recognition. Furthermore, after initial recognition, these assets are measured at fair value, and any subsequent changes in the fair value are recognized as other comprehensive income. As for changes in fair value recognized as other comprehensive income, the accumulated amount is reclassified to retained earnings when the asset is derecognized, and is not reclassified to profit or loss. Dividends are recognized as profit or loss.

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

Any other financial assets not included in the classifications above are classified as financial assets measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are measured at fair value upon initial recognition, and expenses directly attributable to their acquisition are recognized as profit or loss when incurred. Furthermore, after initial recognition, these assets are measured at fair value, and any subsequent changes in the fair value are recognized as profit or loss.

2) Impairment of financial assets

A provision for expected credit losses is recognized for financial assets measured at amortized cost, contract assets and lease receivables.

On the reporting date, if credit risk for a financial instrument has significantly increased since initial recognition, the provision for the financial instrument is measured at an amount equal to expected credit losses arising from all default events that may occur over the life of the financial instrument (lifetime expected credit losses).

On the reporting date, if credit risk for a financial instrument has not significantly increased since initial recognition, the provision for the financial instrument is measured at an amount equal to expected credit losses arising from default events that may occur within 12 months from the reporting date (12-month expected credit losses).

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

3) Non-derivative financial liabilities

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

Financial liabilities measured at amortized cost are measured at fair value less transaction costs directly attributable to their acquisition upon initial recognition. Furthermore, after initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are recognized when the Group becomes a party to the contract.

A financial liability is derecognized when, and only when, the financial liability is extinguished, that is, obligations specified in the contract are extinguished as a result of the fulfillment, discharged, cancelled or forfeited.

4) Derivative transactions and hedge accounting

The Group is exposed to market risks, such as fluctuations in foreign exchange rates and interest rate, in the ordinary course of operating activities. To manage these risks, in principle, the Group identifies the net amount of risks, and works to mitigate market risks by making use of transactions that have the effect of offsetting the risks, including conclusion of derivative transactions in accordance with company rules as necessary. At the time of initial designation of a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item including the risk management objective, strategy for implementation of the hedge transaction and method for assessing effectiveness of the hedge relationship. The Group continuously assesses whether or not it can be expected that the hedging instrument has a high level of effect of offsetting changes in fair value and cash flows of the relevant hedged item during the hedged period.

Derivatives are initially recognized at fair value. Furthermore, after initial recognition, derivatives are measured at fair value, and any subsequent changes in the fair value are accounted for as follows.

(i) Fair value hedges

Changes in fair value of derivatives that are hedging instruments are recognized as profit or loss. In addition, changes in fair value of the hedged item corresponding to the hedged risk are recognized as profit or loss, with the book value of the hedged item being adjusted.

(ii) Cash flow hedges

Of changes in fair value of derivatives that are hedging instruments, the portion judged to be an effective hedge is recognized as other

comprehensive income, and the cumulative amount is included in other components of equity. In addition, the ineffective portion of hedging effect is recognized as profit or loss. The amount accumulated in other components of equity is reclassified from other components of equity to profit or loss in the fiscal period when the transaction that is the hedged item affects profit or loss. However, if a hedge of a forecast transaction subsequently results in recognition of a non-financial asset or non-financial liability, the amount accumulated in other components of equity is accounted for as adjustment to the initial book value of the non-financial asset or non-financial liability.

In the case where a hedging instrument expires or is sold, terminated or exercised, if the hedge does not meet requirements for hedge accounting, the hedge accounting is prospectively terminated. When a forecast transaction is no longer expected to occur, the amount accumulated in other components of equity is immediately reclassified from other components of equity to profit or loss.

(iii) Derivatives not designated as hedges

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

(2) Inventories

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

Acquisition cost of inventories is principally calculated based on the specific identification method, the first-in first-out method and the moving-average method, and includes expenses for acquisition of inventories, production cost and processing cost, and other expenses required to bring the inventory to its current location and current condition.

Net realizable value is determined at the estimated selling price in the ordinary course of business, less estimated costs required up to the completion of the conversion and estimated selling expenses.

(3) Assets held for sale

Non-current assets or disposal groups are classified as held for sale, when their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. To be classified as held for sale, the sale must be considered highly probable and available for immediate sale in present condition. Such classification is limited to cases where the Group's management is committed to executing a plan to sell the asset, and the sale is expected to be completed within one year.

After the classification as held for sale, these assets are measured at the lower of the carrying amount or fair value less costs to sell, and depreciation or amortization is not recognized.

(4) Property, plant and equipment

1) Recognition and measurement

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

Acquisition cost includes expenses directly related to acquisition of assets, borrowing costs that meet requirements for capitalization, and dismantlement, removal and restoration costs.

Gains or losses on property, plant and equipment are determined as the difference between the amount received from the disposal and their book value, and recognized in profit or loss.

## 2) Depreciation

Property, plant and equipment are depreciated from the day on which the asset becomes available for use.

Depreciation is determined based on the depreciable amount. The depreciable amount is calculated as the acquisition cost of an asset less its residual value.

Except for assets that are not depreciated, such as land, property, plant and equipment are mainly depreciated using the straight-line method over the estimated useful lives.

Major estimated useful lives are as follows.

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

The depreciation method, useful lives and residual value are reviewed on each balance sheet date, and revised as necessary.

## (5) Intangible assets

### 1) Recognition and measurement

#### (i) Capitalized development costs

Development activities include plans or designs to generate new or significantly improved products or processes. Capitalized development costs are capitalized only when all the following requirements are met.

- Technical feasibility
- Intention to complete and use/sell the product or process
- Ability to use/sell the product or process
- Future economic benefits
- Availability of appropriate resources
- Reliable measurement

Since the possibility that future economic benefits will flow into the Group cannot be demonstrated, expenditures related to the research aspect are not capitalized and are recognized as expenses when incurred.

Capitalized costs include material costs, direct labor costs, and indirect costs directly related to preparation for intended use of assets. Other capitalized development costs are recognized as expenses when incurred.

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

#### (ii) Software and other intangible assets

Software and other intangible assets acquired by the Group that have a finite useful life are recorded at acquisition cost less accumulated amortization and impairment, using the cost model. In addition, those with an indefinite useful life are recorded at acquisition cost less accumulated impairment.

#### (iii) Goodwill

Goodwill arising from acquisition of subsidiaries is recorded in intangible assets. If the total of transferred consideration and the amount of non-controlling interests of the acquiree is higher than the net fair value of identifiable assets acquired and liabilities assumed on the acquisition date, goodwill is measured as the excess amount. If the difference is a negative amount, it is immediately recognized as net profit.

Goodwill is measured at acquisition cost less accumulated impairment, using the cost model. As for companies which are subject to application of the equity method, the book value of goodwill is included in the book value of investments.

## 2) Amortization

Intangible assets with a finite useful life other than goodwill are amortized over the estimated useful life from the day when the asset becomes available for use. The amortization method is the unit-of-production method according to the production volume of product models developed for capitalized development costs, and the straight-line method for other intangible assets.

Major estimated useful lives are as follows.

- Software 5 years
- Capitalized development costs 2 to 10 years

The amortization method, useful lives and residual value are reviewed on each balance sheet date, and revised as necessary.

## (6) Leases

### 1) Leases as lessee

The Company recognizes right-of-use assets and lease liabilities on the commencement date of the lease.

Right-of-use assets are measured using the cost model and presented at acquisition cost on the lease commencement date less accumulated depreciation and impairment. This acquisition cost is measured at the initial measured amount of lease liabilities, adjusted for lease payments made on or before the commencement date, including initial direct cost, and dismantlement, removal and restoration costs required based on the lease contract, and less lease incentives that were already received. After initial recognition, right-of-use assets are depreciated using the straight-line method from the commencement date up to the end of the useful life of the right-of-use asset or the end of the lease term, whichever is earlier.

Lease liabilities are initially measured at the present value calculated by discounting lease payments that have not been made as of the commencement date using the interest rate implicit in the lease. If the interest rate implicit in the lease is not readily determined, the Group's incremental borrowing rate is used.

Lease liabilities are measured at amortized cost using the effective interest method. Lease liabilities are remeasured, if each lease contract contains an option to purchase the underlying asset or an option to extend or terminate the lease and there is a change in possibilities to exercise such options.

For short-term leases with a lease term of 12 months or less and leases of low-value assets, the Group has elected not to recognize right-of-use assets and lease liabilities, and recognizes lease payments related to these leases as expenses over the lease term using the straight-line method.

In the consolidated statement of financial position, the Group classifies right-of-use assets as other assets and includes lease liabilities in "Bonds, borrowings and other financial liabilities."

### 2) Leases as lessor

Leases in which substantially all the risks and rewards of ownership of the underlying asset are transferred to the lessee under the contract are classified as finance leases. Leases other than finance leases are classified as operating leases.

In finance lease transactions, net investment in the lease is recognized as lease receivables (included in "Trade and other receivables.") Unearned finance income is allocated to the net investment at a constant rate over the lease term, and recognized as revenue in the period to which it is attributed.

In operating lease transactions, lease payments receivable are recognized as revenue over the lease term using the straight-line method.

(7) Impairment of non-financial assets

Book values of property, plant and equipment and intangible assets, etc. of the Group are assessed for any indication of impairment at each balance sheet date. If any such indication exists, the Group performs an impairment test by estimating the recoverable amount of the asset. Goodwill and intangible assets with an indefinite useful life or intangible assets that are not yet available for use are tested for impairment once a year periodically, and whenever there is any indication of impairment.

The recoverable amount of an asset or a cash-generating unit is the higher of value in use or fair value less costs of disposal. In calculation of value in use, estimated future cash flows are discounted to the present value using the pretax discount rate that reflects time value of money and risks inherent to the asset. A cash-generating unit is the smallest unit of an asset group identified as generating cash inflows that are generally independent of cash inflows from other assets or asset groups.

An impairment loss is recognized when the book value of an asset or cash-generating unit exceeds the recoverable amount. Impairment losses are recognized as profit or loss. Impairment losses recognized in relation to a cash-generating unit are allocated first to reduce the book value of goodwill allocated to the cash-generating unit and then the book value of other assets in the cash-generating unit are reduced pro rata.

Impairment losses relating to goodwill are not reversed. As for assets other than goodwill, previously recognized impairment losses are assessed at each balance sheet date for any indication of reversal of impairment losses that were recorded in past fiscal years. If any such an indication exists, the recoverable amount of the asset or cash-generating unit is estimated. If the recoverable amount exceeds the book value of the asset or cash-generating unit, impairment losses are reversed up to the lower of the determined recoverable amount, or the book value less depreciation that would have been applied if no impairment losses had been recognized in past fiscal years.

(8) Provisions

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

If the impact of monetary time value is significant, the provision is measured at the present value of expenditures expected to be required to settle the obligations.

(9) Employee benefits

1) Long-term employee benefits

(i) Post-employment benefits

(a) Defined contribution plan

The Company and its certain subsidiaries have adopted defined contribution plans. Defined contribution pension plans are a post-employment benefit plan in which the employer makes a certain amount of contributions to the other independent entity and does not assume legal or constructive obligations for payment more than the contributed amount. Contribution obligations for defined contribution pension plans are recognized as employee benefit expenses in profit or loss in the period when employees provide relevant services.

(b) Defined benefit plan

Defined benefit plans are recognized as liabilities or assets at the

present value of defined benefit obligations less fair value of plan assets.

Present value of defined benefit obligations and service costs are calculated for each plan, using the projected unit credit method.

The discount rate is determined by reference to a currency used to pay defined benefit obligations, and market yields of high-quality corporate bonds on the date of the balance sheet corresponding to the estimated payment due date.

Remeasurements arising from defined benefit plans consist of actuarial differences, revenue related to plan assets (excluding interest) and effects of asset ceiling, and these items are immediately recorded in other comprehensive income and promptly reclassified to retained earnings.

When a plan is revised, the variable portion of benefits related to past services rendered by employees is immediately recognized as profit or loss.

(ii) Other long-term employee benefits

As long-term employee obligations other than post-employment benefit plans, the Company has a plan in which leave or allowance is granted to an employee at the time when he or she achieves long-term service. These long-term employee benefits are calculated by discounting the estimated amount of future benefits obtained in exchange for services provided by employees in past fiscal years and the fiscal year under review to the present value.

2) Short-term employee benefits

Short-term employee benefits are recorded as expenses, without discounting, at the time when relevant services are provided.

Bonuses are recognized as liabilities at an estimated amount paid under these plans, when the Group has present legal and constructive obligations to pay as a result of labor provided by employees in the past, and their amount can be reliably estimated.

(10) Revenue

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 content of principal performance obligations in principal businesses regarding revenue from contracts with customers and the normal timing when those performance obligations are satisfied (normal timing when revenue is recognized) are described below.

1) Sale of products, etc.

As for revenue from sale of products, etc., the Group has performance obligations to deliver products, etc. based on the contract with the customer, and recognizes revenue at the goods delivery date or receiving inspection date, since the Group judges that control over products, etc. is transferred to the customer at the time of goods delivery or receiving inspection. Revenue from sale of products, etc. is measured in an amount calculated by deducting rebates and discounts from consideration promised in the contract.

2) Construction contracts and provision of services

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. In cases where incurred costs are proportional to the progress in satisfying performance obligations, such as construction contracts in the Aerospace Systems segment, the Energy Solution & Marine Engineering segment, etc., the progress is measured 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. In cases of contracts where a fixed amount is charged for services that are provided over a certain period of time, such as maintenance contracts, etc. in the Energy Solution & Marine Engineering segment, and contracts where the Group has the right to receive the amount of consideration directly corresponding to value of the portion of completed performance to the customer from customers, such as maintenance contracts for commercial aircraft jet engines in the Aerospace Systems segment and manufacture of rolling stock in the Rolling Stock segment, the progress is measured using the output method based on the proportion of the period that elapsed to the entire contract period or the proportion of obligations that were performed up to the present time to the entire performance obligations. 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 provides 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.

In addition, of costs for fulfilling contracts with customers, the estimated recoverable costs are capitalized. These assets are amortized according to the transfer pattern for related services to customers.

(11) Foreign currency translation

1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each company upon initial recognition at the exchange rate on the transaction date or its approximate rate.

Monetary assets and liabilities denominated in foreign currencies at the date of the balance sheet are translated into the functional currency at the exchange rate on the date of the balance sheet. Of non-monetary items denominated in foreign currencies, those measured at acquisition cost are translated into the functional currency at the exchange rate on the transaction date or its approximate rate, and those measured at fair value are translated into the functional currency at the exchange rate on the date of measuring the fair value.

Any exchange differences arising from translation and settlement are recognized as profit or loss. However, if gains or losses on non-monetary items are recognized in other comprehensive income, the exchange differences are also recognized in other comprehensive income.

2) Foreign operations

Assets and liabilities of foreign operations, which include goodwill and fair value adjustments arising from their acquisition, are translated into Japanese yen at the exchange rate on the date of the balance sheet. Revenue and expenses of foreign operations are translated into Japanese yen using the average exchange rate during the period, unless there is a significant change in the exchange rate.

Foreign exchange translation differences are recognized in other comprehensive income. These differences have been recognized in exchange differences on translation of foreign operations since April 1, 2021, which is the date of the Group's transition to IFRS.

If part or all of a foreign operation is disposed of and control or significant influence over it is lost, cumulative translation differences recognized in other components of equity are reclassified to profit or loss.

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

Application of group tax sharing system

The group tax sharing system is applied.

(Notes to Accounting Estimates)

Recoverability of deferred tax assets

(1) The amount recorded in the consolidated financial statements

Deferred tax assets      ¥119,475 million

(2) Information contributing to understanding of the accounting estimates

1) 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.

2) Assumptions used to calculate the estimates

Estimation on revenue and income, a key element for business plans, is performed with some assumptions on factors including future economic conditions.

3) Impact on the consolidated financial statements for the next fiscal year

Future accounting estimates can be affected by factors including changes in future economic conditions. 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 Statement of Financial Position)

1. Assets pledged as collateral and liabilities relating to collateral
  - (1) Assets pledged as collateral

Investment securities	¥72 million
Shares of subsidiaries and associates	¥536 million
Other	¥13 million
Total	¥621 million
  - (2) Liabilities relating to collateral

Other	¥6 million
Total	¥6 million
2. Allowance for doubtful accounts deducted directly from assets

Trade and other receivables	¥3,237 million
Contract assets	¥2 million
Other non-current assets	¥1,619 million
3. Accumulated depreciation of property, plant and equipment ¥1,145,329 million  
The above accumulated depreciation includes accumulated impairment.
4. Guarantee obligations for bank loans of subsidiaries and associates, etc. and employees ¥3,062 million
5. 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 International Chamber of Commerce (ICC). We plan to resolve this case through arbitration in the future, and financial assets based on the contractual rights have been recorded in "Other financial assets" under "Non-current assets."

(Notes to Consolidated Statement of Changes in Equity)

1. Class and total number of shares issued as of the end of the fiscal year under review  
Ordinary shares 167,921,800 shares

(Note) The Company conducted a 5-for-1 stock split effective on April 1, 2026. The above-mentioned number of shares is presented as the number prior to the said stock split.

2. Dividends

(1) Dividends paid

Resolution	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
June 26, 2025 Ordinary General Meeting of Shareholders	13,430	80.0	March 31, 2025	June 27, 2025
November 11, 2025 Meeting of the Board of Directors	12,590	75.0	September 30, 2025	December 5, 2025

- (Notes) 1. The total dividends in accordance with the resolution passed at the Ordinary General Meeting of Shareholders on June 26, 2025 include ¥59 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, and by the trust with employees as beneficiaries, which was created based on an incentive plan for management-level employees.
2. The total dividends in accordance with the resolution passed at the Board of Directors meeting on November 11, 2025 include ¥52 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, and by the trust with employees as beneficiaries, which was created based on an incentive plan for management-level employees.

3. The Company conducted a 5-for-1 stock split effective on April 1, 2026. The above-mentioned dividend per share represents the actual amount prior to the said stock split.

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

Scheduled date of resolution	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
June 25, 2026 Ordinary General Meeting of Shareholders	16,115	96.0	March 31, 2026	June 26, 2026

- (Notes) 1. The total dividends in accordance with the resolution to be passed at the Ordinary General Meeting of Shareholders on June 25, 2026 include ¥67 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, and by the trust with employees as beneficiaries, which was created based on an incentive plan for management-level employees.
2. The Company conducted a 5-for-1 stock split effective on April 1, 2026. The above-mentioned dividend per share represents the actual amount prior to the said stock split.

(Notes to Financial Instruments)

1. Matters regarding financial instruments

(1) Credit Risk Management

Trade and other receivables of the Group along with contract assets and other financial assets are exposed to customer credit risk. To deal with these credit risks, in the Group, sales administration departments in each segment regularly monitor the status of major business partners, manage due dates and balances of each business partner, and work to quickly identify and mitigate collection concerns related to deteriorating financial conditions. To reduce the credit risk of counterparties when derivative transactions are used, the Company only conducts transactions with highly rated financial institutions. Therefore, we believe that credit risks associated with such transactions have been limited. There is no serious credit risk exposure in connection with any particular counterparty, and there is no excessive concentration of credit risk that requires special management.

(2) Liquidity Risk Management

Liquidity risk refers to risk where the Group could face difficulties meeting its obligations in connection with financial liabilities that are settled in cash or other financial assets. The Group is exposed to the liquidity risk of not being able to make a payment by the due date when fulfilling repayment obligations for financial liabilities that have become due. Therefore, the Group manages liquidity risk by ensuring that each Group company prepares and updates financial plans in a timely manner and ensures there are sufficient funds for repaying financial liabilities. In addition to using a cash management system to facilitate financing among Group companies, the Company also maintains the ability to have flexible funding by diversification of financing methods, adjusting the balance between short and long terms according to the financing environment, and ensuring commitment lines.

(3) Exchange Risk Management

Since the Group engages in business throughout the world, it is exposed to exchange rate risk in connection with foreign currency-denominated receivables and payables. The Company and some of its consolidated subsidiaries mainly use forward exchange contracts to hedge foreign currency-denominated trade receivables and payables against foreign exchange fluctuation risks that have been identified according to currency and month. Also, depending on the exchange rate, forward exchange contracts are principally made for the net position of foreign currency-denominated trade receivables and foreign currency-denominated trade payables that are expected from forecast transactions related to exports.

#### (4) Interest Rate Risk Management

The Group is exposed to interest rate fluctuation risks as a result of borrowing with variable interest rates. The Company and certain consolidated subsidiaries use interest rate swap transactions with fixed interest payments as a hedge against interest rate fluctuation risk for certain long-term borrowings.

#### 2. Matters concerning fair values of financial instruments

The following table shows an analysis of financial instruments measured at fair value according to the valuation method. Each level is defined according to the following.

Level 1: Fair value determined based on a (unadjusted) quoted price in an active market for an identical asset or liability

Level 2: Fair value determined using directly or indirectly observable inputs other than Level 1 inputs

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.

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Financial assets measured at fair value through other comprehensive income				
Stocks / Investments in capital	6,219	–	28,997	35,217
Financial assets measured at fair value through profit or loss				
Derivative assets	–	3,074	–	3,074
Other	–	–	241	241
<b>Total assets</b>	<b>6,219</b>	<b>3,074</b>	<b>29,239</b>	<b>38,533</b>
<b>Liabilities:</b>				
Financial liabilities measured at fair value through profit or loss				
Derivatives liabilities	–	16,357	–	16,357
<b>Total liabilities</b>	<b>–</b>	<b>16,357</b>	<b>–</b>	<b>16,357</b>

The following shows the method for calculating the fair value of financial instruments.

(Stocks / Investments in capital)

For stocks with active markets, fair value is calculated based on market prices. For stocks without active markets, in principle, fair value is calculated using valuation techniques based on the market prices of similar companies.

(Derivatives)

Forward exchange contracts are calculated based on the forward exchange rate at the end of the reporting period. Interest rate swaps are calculated by discounting future cash flows to the present value based on the interest rate at the end of the reporting period.

### 3. Financial instruments not measured at fair value

The following are fair values and book values of financial assets and financial liabilities not measured at fair value.

(Unit: Millions of yen)

	Book value	Fair value
Long-term borrowings	242,090	233,170
Corporate bonds	89,000	75,764
Total financial liabilities	331,090	308,935

(Note) The fair values of financial assets and financial liabilities other than those above that are measured at amortized cost are approximated to their book values. In the fair value hierarchy above for financial liabilities measured at amortized cost, borrowings are classified into Level 3 and corporate bonds are classified into Level 2.

### (Notes to Revenue Recognition)

#### 1. Breakdown of revenue

The Group's businesses are basically comprised of six businesses: "Aerospace Systems," "Rolling Stock," "Energy Solution & Marine Engineering," "Precision Machinery & Robot," "Powersports & Engine" and "Others." In order to understand revenue from contracts with customers based on that, revenue is disaggregated in a way which further classifies some portion ("Aerospace Systems," "Energy Solution & Marine Engineering," and "Precision Machinery & Robot") based on types of products. The following shows a breakdown of products by type and by region, and the relationship with the reportable segment.

##### (1) Breakdown by product type

(Unit: Millions of yen)

	Reportable segments						Total
	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Power-sports & Engine	Others	
Aerospace	445,665	-	-	-	-	-	445,665
Aero engine	168,026	-	-	-	-	-	168,026
Rolling Stock	-	236,203	-	-	-	-	236,203
Energy, Plants, Marine Machinery Systems	-	-	323,963	-	-	-	323,963
Ship & Offshore Structure	-	-	109,610	-	-	-	109,610
Precision Machinery	-	-	-	166,168	-	-	166,168
Robot	-	-	-	92,978	-	-	92,978
Powersports & Engine	-	-	-	-	682,812	-	682,812
Others	-	-	-	-	-	85,839	85,839
Revenue from contracts with customers	613,691	236,203	433,574	259,146	682,812	85,839	2,311,267

## (2) Breakdown by region

(Unit: Millions of yen)

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

## (3) Refund liability

The Company is participating in the PW1100G-JM engine program ("the Program") through International Aero Engines, LLC ("IAE"), an international joint venture for commercial aircraft jet engines. Since the Program has experienced a significant operational issue, we are currently working with IAE to remedy the situation. As a member of the Program, the Company bears a portion of the losses incurred. Therefore, the Company has recorded ¥26,044 million as a portion of the losses incurred as a result of an airworthiness improvement order as "Refund liability" in the consolidated statement of financial position.

The following shows the main method of recording revenue in each Group segment.

- "Aerospace Systems," "Rolling Stock," "Energy Solution & Marine Engineering"

In these segments, in addition to the sale of component parts for commercial aircraft and commercial aircraft jet engines, the Company also handles manufacturing of rolling stock and the execution of construction contracts for the construction of various plants, and provides services such as maintenance contracts. As for sale of products, revenue is generally recognized on the delivery date or receiving inspection date of the goods since performance obligations are mainly satisfied at such point in time. Since execution of construction contracts and provision of services are performance obligations which are satisfied over a period of time, revenue is recognized by measuring progress in a reasonable manner. Progress is mainly measured using the input method based on incurred costs. However, services such as maintenance contracts and some construction contracts such as manufacture of rolling stock are measured via the output method.

For "Aerospace Systems," the relevant amount for some incurred costs for commercial aircraft jet engine programs participated in by the Company is estimated as consideration paid to customers and is deducted from revenue. In addition, as for the type of discount that the Company bears in proportion to its participation in commercial aircraft jet engine programs, the discount amount is estimated as variable consideration and deducted from revenue at the time the revenue is recognized.

- "Precision Machinery & Robot," "Powersports & Engine," "Others"

Sale of products such as hydraulic equipment for the construction machinery market, various robots, motorcycles and automobiles in these segments are mainly performance obligations which are satisfied at a point in time. Therefore, revenue is generally recognized on the delivery date or receiving inspection date

for the goods.

## 2. Contract balance

### (1) Receivables arising from contracts with customers, contract assets, and contract liabilities

The following is a breakdown of receivables arising from contracts with customers, contract assets, and contract liabilities.

(Unit: Millions of yen)

	Balance as of April 1, 2025	Balance as of March 31, 2026
Receivables arising from contracts with customers	709,131	833,379
Contract assets	170,556	199,776
Contract liabilities	363,534	386,895

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

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. Changes to contract assets are primarily the result of revenue recognition (increase in contract assets) and transfer to trade receivables (decrease in contract assets).

Contract liabilities are recognized primarily at the time consideration is received as an advance payment before the goods or services promised to a customer are transferred to the customer. Later, when the Group satisfies the performance obligation, it is no longer recognized as a contract liability and is recognized as revenue. Changes in contract liabilities are mainly due to the receipt of advance payments (increase in contract liabilities) and recognition of revenue (decrease in contract liabilities).

### (2) Any recognized revenue that was included in the contract liability balance at the beginning of the period and revenue recognized from a performance obligation that was satisfied in a previous period

Of recognized revenue, the amount included in the balance of contract liabilities at the beginning of the period was ¥291,331 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.

## 3. 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. 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)

	Reportable segments						Total
	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Power-sports & Engine	Others	
Remaining performance obligations	1,536,199	613,581	943,569	110,803	1,219	51,468	3,256,839

Remaining performance obligations for each reportable segment are expected to be recognized as revenue in the period shown below starting from the end of the fiscal year under review.

- Aerospace Systems: Approx. 90% within 4 years, approx. 10% beyond 4 years
- Rolling Stock: Approx. 90% within 1 year, approx. 10% beyond 1 year
- Energy Solution & Marine Engineering: Approx. 90% within 5 years, approx. 10% beyond 5 years
- Precision Machinery & Robot: Within 1 year
- Powersports & Engine: Within 1 year
- Others: Within 1 year

#### 4. Assets recognized from contract costs

(Unit: Millions of yen)

	Balance as of March 31, 2026
Assets recognized from costs incurred while fulfilling a contract	10,958

Contract fulfillment costs that are capitalized by the Group represent the estimated recoverable costs for fulfilling contracts with customers related to the commercial aircraft jet engine segment. Such assets are recorded as "Inventories" in the consolidated statement of financial position and are amortized according to the transfer pattern for related services to customers. Amortization expenses related to capitalized contract fulfillment costs for the fiscal year under review are ¥1,082 million.

(Notes to Per Share Information)

1. Equity per share attributable to owners of parent      ¥1,050.57
2. Basic earnings per share      ¥129.41

(Note) The Company conducted a 5-for-1 stock split effective on April 1, 2026. Equity per share attributable to owners of parent and basic earnings per share stated above have been calculated on the assumption that the said stock split was conducted at the beginning of the fiscal year under review.

(Other notes)

#### 1. Partial sale of shares of subsidiaries

Based on the resolution of the Board of Directors meeting held on November 8, 2024, the Company transferred 20% of the outstanding shares of its consolidated subsidiary, Kawasaki Motors, Ltd. (hereinafter, "Kawasaki Motors"), to Kawasaki Motors on April 1, 2025. Additionally, Kawasaki Motors conducted a third-party allocation to ITOCHU Corporation, allocating 20% of its outstanding shares to ITOCHU Corporation. Even after these transactions, Kawasaki Motors remains a consolidated subsidiary of the Company.

The overview of transactions with non-controlling interests associated with the said

transactions is as follows.

(Unit: Millions of yen)

	Amount
Consideration received from sale	80,000
Increase in non-controlling interests	34,650
Decrease in other components of equity	(3,670)
Increase in capital surplus	49,019

## 2. Assets held for sale

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

### (1) Assets held for sale

(Unit: Millions of yen)

	Balance as of March 31, 2026
Cash and cash equivalents	71
Trade and other receivables	6,248
Inventories	4,696
Property, plant and equipment	3,712
Other assets	3,337
Total	18,065

### (2) Liabilities directly associated with assets held for sale

(Unit: Millions of yen)

	Balance as of March 31, 2026
Trade and other payables	2,260
Contract liabilities	1,130
Retirement benefit liability	2,872
Other liabilities	2,916
Total	9,180

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

At the Board of Directors meeting held on February 9, 2026, the Company resolved to transfer all shares of its consolidated subsidiary, EarthTechnica, held by the Company to Furukawa Co., Ltd. (Furukawa) and executed a share transfer agreement on the same day. Under the share transfer agreement, all shares of EarthTechnica held by the Company will be transferred to Furukawa in two phases. As stated in "(Notes to Subsequent Events)," in the first phase, 60% of the issued shares of EarthTechnica was transferred on April 1, 2026. The remaining 40% of the issued shares is scheduled to be transferred on April 1, 2027 as the second phase.

(Notes to Subsequent Events)

1. Sale of shares of subsidiaries

(1) Details of the event

At the Board of Directors meeting held on February 9, 2026, the Company resolved to transfer all shares of its consolidated subsidiary, EarthTechnica Co., Ltd. (EarthTechnica), which was included in the Energy Solution & Marine Engineering segment, held by the Company to Furukawa Co., Ltd. (Furukawa) and executed a share transfer agreement on the same day. Under the share transfer agreement, all shares of EarthTechnica held by the Company will be transferred to Furukawa in two phases. In the first phase, 60% of the issued shares of EarthTechnica was transferred on April 1, 2026. The remaining 40% of the issued shares is scheduled to be transferred on April 1, 2027 as the second phase.

The subject assets and liabilities are classified as assets held for sale and liabilities directly associated with assets held for sale, respectively.

(Overview of the share transfer)

(1) Number of shares held by the Company prior to the share transfer	25,800 shares (100% voting rights ownership)
(2) Number of shares transferred	The first phase: 15,480 shares The second phase: 10,320 shares
(3) Transfer price	¥11.7 billion
(4) Number of shares held by the Company after the share transfer	The first phase: 10,320 shares (40% voting rights ownership) The second phase: 0 shares (0% voting rights ownership)
(5) Date of transfer	The first phase: April 1, 2026 The second phase: April 1, 2027 (Scheduled)

(2) Amount of impact on profit and loss from the event

As a result of this event, the Company plans to record approximately ¥3.1 billion as other income in the consolidated financial statements for the fiscal year ending March 31, 2027. In the non-consolidated financial statements, the Company plans to record extraordinary income of approximately ¥4.7 billion for the fiscal year ending March 31, 2027 and approximately ¥3.1 billion for the fiscal year ending March 31, 2028.

2. Stock split and related partial amendment to the Company's Articles of Incorporation

Based on the resolution at the Board of Directors meeting held on February 9, 2026, the Company conducted a stock split and a partial amendment to the Company's Articles of Incorporation related to the stock split effective on April 1, 2026.

(1) Purpose of stock split

The Company conducted the stock split, aiming to create a more accessible investment environment for investors and to expand its investor base by lowering the minimum investment price per unit for the shares of the Company.

(2) Overview of stock split

1) Methods of stock split

The Company conducted a 5-for-1 stock split for every one ordinary share held by shareholders recorded on the final shareholder register on the record date of March 31, 2026.

2) Number of shares increased by stock split

Total number of issued shares before the stock split	167,921,800 shares
Number of shares increased by the stock split	671,687,200 shares
Total number of issued shares after the stock split	839,609,000 shares
Aggregate number of issuable shares after the stock split	1,680,000,000 shares

3) Timetable for stock split

Date of public notice of the record date	March 9, 2026
Record date	March 31, 2026
Effective date	April 1, 2026

4) Impact on per share information

Impact of the stock split on per share information is stated in "(Notes to Per Share Information)."

(3) Partial amendment to the Company's Articles of Incorporation related to the stock split

1) Reason for amendment

In connection with the stock split, the Company partially amended the Company's Articles of Incorporation effective on April 1, 2026, based on the resolution of the Board of Directors pursuant to the provisions of Article 184, Paragraph 2 of the Companies Act.

2) Content of amendment

The details of the amendment are as follows.

(Amendment is underlined)

Articles of Incorporation before amendment	Articles of Incorporation after amendment
(Aggregate number of issuable shares) Article 6 The aggregate number of shares which the Corporation shall have the authority to issue is <u>336,000,000</u> shares.	(Aggregate number of issuable shares) Article 6 The aggregate number of shares which the Corporation shall have the authority to issue is <u>1,680,000,000</u> shares.

## Non-consolidated Statement of Changes in Net Assets

(From April 1, 2025 to March 31, 2026)

(Unit: Millions of yen)

	Shareholders' equity							Treasury shares	Total shareholders' equity
	Share capital	Capital surplus		Retained earnings					
				Other retained earnings					
		Legal capital surplus	Other capital surplus	Reserve for special depreciation	Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward			
Balance at the beginning of the period	104,484	54,126	0	–	4,402	109,997	(4,093)	268,918	
Changes of items during the period									
Issuance of new shares								–	
Dividends of surplus						(26,020)		(26,020)	
Profit						138,832		138,832	
Purchase of treasury shares							(30)	(30)	
Disposal of treasury shares			1				210	211	
Transfer of loss on disposal of treasury shares								–	
Reversal of reserve for special depreciation								–	
Provision of reserve for tax purpose reduction entry of non-current assets								–	
Reversal of reserve for tax purpose reduction entry of non-current assets					(193)	193		–	
Net changes of items other than shareholders' equity									
Total changes of items during the period	–	–	1	–	(193)	113,005	180	112,993	
Balance at the end of the period	104,484	54,126	1	–	4,209	223,003	(3,912)	381,912	

	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	1,973	(144)	1,828	270,747
Changes of items during the period				
Issuance of new shares				–
Dividends of surplus				(26,020)
Profit				138,832
Purchase of treasury shares				(30)
Disposal of treasury shares				211
Transfer of loss on disposal of treasury shares				–
Reversal of reserve for special depreciation				–
Provision of reserve for tax purpose reduction entry of non-current assets				–
Reversal of reserve for tax purpose reduction entry of non-current assets				–
Net changes of items other than shareholders' equity	1,705	(2,744)	(1,038)	(1,038)
Total changes of items during the period	1,705	(2,744)	(1,038)	111,955
Balance at the end of the period	3,678	(2,888)	790	382,703

## 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
    - 1) Shares of subsidiaries and affiliates  
Cost using the moving-average method is applied.
    - 2) 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.  
  
The leased assets involved in finance lease transactions that do not involve 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.

1) 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.

2) 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 loss on guarantees

Estimated amount of losses is recorded, taking into account the financial position etc., of the guaranteed, in order to cover possible losses on guarantees, etc. to subsidiaries and associates.

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 content of principal performance obligations in principal businesses regarding revenue from contracts with customers and the normal timing when those performance obligations are satisfied (normal timing when revenue is recognized) are described below.

1) Sale of products, etc.

As for revenue from sale of products, etc., the Company has performance obligations to deliver products, etc. based on the contract with the customer, and recognizes revenue at the goods delivery date or receiving inspection date, since the Company judges that control over products, etc. is transferred to the customer at the time of goods delivery or receiving inspection. Revenue from sale of products, etc. is measured in an amount calculated by deducting rebates and discounts from consideration promised in the contract.

2) Construction contracts and provision of services

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. In cases where incurred costs are proportional to the progress in satisfying performance obligations, such as construction contracts in the Aerospace Systems segment, the Energy Solution & Marine

Engineering segment, etc., the progress is measured 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. In cases of contracts where a fixed amount is charged for services that are provided over a certain period of time, such as maintenance contracts, etc. in the Energy Solution & Marine Engineering segment, and contracts where the Company has the right to receive the amount of consideration directly corresponding to value of the portion of completed performance to the customer from customers, such as maintenance contracts for commercial aircraft jet engines in the Aerospace Systems segment, the progress is measured using the output method based on the proportion of the period that elapsed to the entire contract period or the proportion of obligations that were performed up to the present time to the entire performance obligations. 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 provides 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.

In addition, of costs for fulfilling contracts with customers, the estimated recoverable costs are capitalized. These assets are amortized according to the transfer pattern for related services to customers.

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

(1) Accounting treatment for hedges

1) Method of hedge accounting

Deferred hedge accounting is applied.

2) Hedging instruments and hedged items

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

3) Hedging policy

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

4) 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 group tax sharing system

The group tax sharing system is applied.

(Changes in Presentation Methods)

Non-consolidated Balance Sheet

Effective from the fiscal year under review, "Notes receivable - trade" and "Electronically recorded monetary claims - operating," which were included in "Notes receivable - trade" under "Current assets" for the previous fiscal year, is presented as "Electronically recorded monetary claims - operating" as a result of an increase in materiality of "Electronically recorded monetary claims - operating."

Non-consolidated Statement of Profit and Loss

Effective from the fiscal year under review, "Loss on retirement of non-current assets," which was included in "Other" under "Non-operating expenses" 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 non-consolidated financial statements

Deferred tax assets ¥97,220 million

(2) Information contributing to understanding of the accounting estimates

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

(Notes to Non-consolidated Balance Sheet)

- |   |                  |
|---|------------------|
| 1. Accumulated depreciation of property, plant and equipment  | ¥644,197 million |
| 2. Monetary receivables from and payables to subsidiaries and associates  |                  |
| Short-term monetary receivables   | ¥219,438 million |
| Long-term monetary receivables  | ¥442 million     |
| Short-term monetary liabilities   | ¥121,407 million |
| 3. Guarantee obligations for bank loans of subsidiaries and associates, etc. and employees  | ¥75,006 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 International Chamber of Commerce (ICC). We plan to resolve this case through arbitration in the future, and financial assets based on the contractual rights have 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	¥225,321 million
Purchases	¥130,633 million
Other	¥9,301 million
Transaction from non-operating transactions	¥111,557 million

2. Gain on sale of shares of subsidiaries and associates was recorded due to the transfer of 20% of the issued shares of Kawasaki Motors, Ltd., the Company's consolidated subsidiary.

(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 shares 752,188 shares

- (Notes) 1. Treasury shares at the end of the fiscal year under review include 703,413 shares held by the trust with Directors, etc. as beneficiaries, which was created due to the adoption of a performance-linked stock compensation plan, and by the trust with employees as beneficiaries, which was created based on an incentive plan for management-level employees.
2. The Company conducted a 5-for-1 stock split effective on April 1, 2026. The above-mentioned number of shares is presented as the number prior to the said stock split.

(Notes to Tax Effect Accounting)

Main contributing factor to deferred tax assets and deferred tax liabilities

Among other factors, the main contributing factor to deferred tax assets is the disallowance of provision for retirement benefits and refund liability, 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)

Subsidiaries and affiliates, etc.

(Unit: Millions of yen)

Type	Name of company	Ownership interest of voting rights	Relationship with related party	Transactions	Transaction amount	Account item	Balance as of March 31, 2026
Subsidiary	Kawasaki Railcar Manufacturing Co., Ltd.	(Holding) Directly 100%	Company sharing business function	Collection of lent funds (Note 1)	29,521	Short-term loans receivable	35,124
Subsidiary	Kawasaki Motors, Ltd.	(Holding) Directly 80%	Company sharing business function	Lending of funds (Note 1)	28,872	Short-term loans receivable	44,842
				Debt payment agent services (Note 1)	148	Current assets Other (accounts receivable)	12,390
				Partial sale of shares of Kawasaki Motors, Ltd. (Note 2)		-	-
				Transfer price	80,000		
			Gain on sale	77,480			

Type	Name of company	Ownership interest of voting rights	Relationship with related party	Transactions	Transaction amount	Account item	Balance as of March 31, 2026
Subsidiary	Kawasaki Motores de Mexico S.A. de C.V.	(Holding) Indirectly 80%	Sale of Company subsidiary products Partial purchase of the products of Kawasaki Motores de Mexico S.A. de C.V. Guarantees	Guarantee obligations (Note 3)	51,913	-	-

- (Notes)
1. The transaction amount shows the amount of net increase or decrease in the balance.
  2. Transfer price was determined based on the valuation performed by an independent third-party.
  3. Debt guarantees are provided for borrowings from financial institutions and lease transactions. The transaction amount shows the balance of the guaranteed obligations at the end of the fiscal year.

(Notes to Per Share Information)

1. Net assets per share ¥457.86
2. Profit per share ¥166.11

(Note) The Company conducted a 5-for-1 stock split effective on April 1, 2026. Net assets per share and profit per share stated above have been calculated on the assumption that the said stock split was conducted at the beginning of the fiscal year under review.

(Notes to Revenue Recognition)

Information that provides the basis for understanding revenue from contracts with customers is described in "Notes to the Consolidated Financial Statements, 4. Accounting policies, (10) Revenue."

(Notes to Subsequent Events)

1. Sale of shares of subsidiaries

At the Board of Directors meeting held on February 9, 2026, the Company resolved to transfer all shares of its consolidated subsidiary, EarthTechnica Co., Ltd. (EarthTechnica), which was included in the Energy Solution & Marine Engineering segment, held by the Company to Furukawa Co., Ltd. (Furukawa) and executed a share transfer agreement on the same day. Under the share transfer agreement, all shares of EarthTechnica held by the Company will be transferred to Furukawa in two phases. In the first phase, 60% of the issued shares of EarthTechnica was transferred on April 1, 2026. The remaining 40% of the issued shares is scheduled to be transferred on April 1, 2027.

Please refer to "Consolidated financial statements (Notes to Subsequent Events)" for details.

2. Stock split and related partial amendment to the Company's Articles of Incorporation

Based on the resolution at the Board of Directors meeting held on February 9, 2026, the Company conducted a partial amendment to the Company's Articles of Incorporation related to the stock split effective on April 1, 2026.

Please refer to "Consolidated financial statements (Notes to Subsequent Events)" for details.